

Sector Update

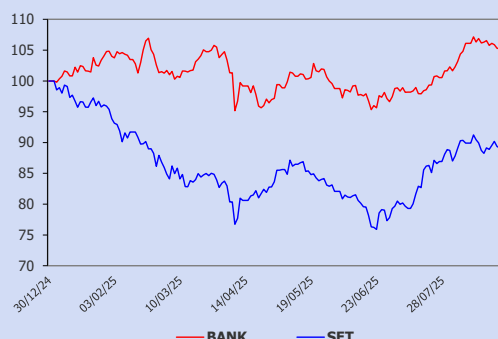
Thursday, August 28, 2025



I V Global Securities Public Company Limited

Banking sector

Rating: Neutral



Rating	CGR	Thai CAC	SET ESG
BAY		Certified	AAA
BBL		Certified	AAA
KBANK		Certified	AAA
KTB		Certified	AAA
SCB		Certified	AA
TTB		Certified	AAA
TISCO		Certified	AAA
KKP		Certified	AA

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Thailand banks can counter rising credit risks

- **Event:** On 22 Aug 2025, Fitch Ratings Thailand issued a special report – Major Thai Banks – Peer Credit Analysis – saying that Thailand’s post-pandemic recovery has been weaker than that of regional peers, and economic prospects in 2025 and 2026 are likely to remain weak amid global uncertainties, adding pressure to banks. Thai banks’ prospects are further constrained by persistently high household debt, which reduces their appetite for lending and increases downside risks to client repayment capacity. Thailand’s post-pandemic recovery has been weaker than regional peers, with economic prospects likely to remain weak amid global uncertainties. Fitch expects further rate cuts to pressure banks’ net interest margins and profitability in 2025 and 2026. Amid this backdrop, major banks are likely to face asset-quality challenges over the next several years, especially those with already elevated impaired loan levels. The average impaired loan ratio of these Thai banks has increased from 3.5% at the end of 2023 to 3.7% in March 2025.
- TRIS expects borrower repayment capacity to weaken in 2025, particularly in the retail and SME client segments that have not yet fully recovered from pandemic disruptions. Nevertheless, Fitch believes major Thai banks have acceptable buffers against substantial downside to asset quality. Loss allowance coverage, supported by past management overlays, remains high for most banks. Core capital has also increased over the past four years at all banks, providing a sound defense against unexpected weaknesses.
- Under the report, the six major banks – designated as Domestic Systemically Important Banks (D-SIBs) under the Bank of Thailand’s regulations are Bangkok Bank (BBL), Krungthai Bank (KTB), Kasikornbank (KBANK), SCB X (the holding company of Siam Commercial Bank), Bank of Ayudhya (BAY), and TMBThanachart Bank (TTB). In terms of risk profiles, Fitch rates BBL and SCB X at bbb, compared with bbb- for the other four banks. BBL’s stronger score reflects its broader geographical diversification, higher-quality corporate client base, and conservative risk management, including robust loan-loss allowance practices. Despite SCB X’s risk profile score of bbb, its outlook remains negative as Fitch believes the anticipated improvements in key asset quality metrics may not materialise, highlighting ongoing risk management challenges. KTB, KBANK, BAY, and TTB each carry a bbb- risk profile score, reflecting potential vulnerabilities in asset quality during and after the pandemic, based on bank-specific factors.
- **Our comments.** It’s widely known that the Thai economy faces challenges, given discouraging key drivers such as exports, tourism, and domestic political uncertainties. We believe the bank counters are already well prepared for such headwinds, with softening loan balances helping to mitigate rising NPL risk. Well-managed investment portfolios help balance income amid declining net interest income.
- **Recommendations.** We maintain our Neutral weighting on the banking sector based on slower economic activity amid the risk of higher credit costs under our current macro view. The sector currently trades at P/E of 8.6x and 8.5x for 2025-26F with solid dividend yields of 6.6% and 6.7%, respectively. A downside risk is the uncertainty over the outcome of the trade war and declining global trade activity. The banking sector index (+5.25%) has outperformed the SET Index (-10.9%) YTD. We maintain our BUY calls on KTB (TP: Bt24.9), SCB (TP: Bt127.7), and KBANK (TP: Bt175). SCB offers highest dividend yield of 8.2%, followed by TISCO of 7.7% and KBANK of 7.6%.

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Valuations

Company	Target	Price (Bt)	Upside	EPS (Bt)		EPS Growth		P/E (x)		% Yield		P/BV (x)		ROE (%)	
				25F	26F	25F	26F	25F	26F	25F	26F	25F	26F	25F	26F
BAY	26.5	23.4	13.2%	4.13	4.22	2.4	2.1	5.7	5.5	3.6	3.6	0.4	0.4	7.3	7.0
BBL	167.0	153.5	8.8%	22.73	23.13	-4.1	1.8	6.8	6.6	5.5	5.5	0.5	0.5	7.7	7.8
KBANK	175.0	163.5	7.0%	20.80	21.27	1.4	2.2	7.9	7.7	7.6	7.8	0.7	0.6	8.5	8.4
KTB	24.9	24.4	2.0%	3.15	3.22	0.5	2.2	7.7	7.6	6.5	6.6	0.7	0.7	9.8	9.5
SCB	127.7	127.5	0.2%	13.05	13.33	0.0	2.1	9.8	9.6	8.2	8.4	0.9	0.8	8.9	8.9
TTB	2.00	1.90	5.3%	0.21	0.21	-3.0	1.7	9.1	8.9	6.8	6.8	0.8	0.7	8.5	8.4
TISCO	100.5	101.0	-0.5%	8.14	8.20	-5.6	0.8	12.4	12.3	7.7	7.7	1.9	1.8	15.1	15.1
KKP*	53.6	57.0	-5.9%	5.76	6.08	-2.7	5.5	9.9	9.4	6.7	7.1	0.7	0.7	7.7	7.8
Average						-1.4	2.3	8.6	8.5	6.6	6.7	0.8	0.8	9.2	9.1

Source: IVG estimates, *Bloomberg consensus

Relative performance



Source: SET and IVG estimate

I V Global Investment Research – Recommendation Definitions

Sector Recommendations

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index by at least 10% over the next 12 months.

NEUTRAL: The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index by 10% over the next 12 months.

Stock Recommendations

BUY: Expecting positive total returns of 15% or more over the next 12 months.



HOLD: Expecting total returns of not more than -10% to +10% over the next 3 months.

SELL: Expecting negative total returns of 15% or more over the next 12 months

Anti-corruption Progress Indicator Definitions

Level 5 Extended	Extension of the anti-corruption policy to business partners in the supply chain, and disclosure of any current investigations, prosecutions or closed cases
Level 4 Certified	Audit engagement by audit committee or auditors approved by the office of SEC, and receiving certification or assurance by independent external assurance providers (CAC etc.)
Level 3 Established	Carrying out preventive measures, risk assessment, communication and training for all employees, including consistent monitoring and review processes. (3A: Established by Declaration of Intent, 3B: Established by Internal Commitment and Policy)
Level 2 Declared	Public declaration statement to participate in Thailand's private sector Collective Action Coalition Against Corruption (CAC) or equivalent initiatives
Level 1 Committed	Organization's statement or board's resolution to work against corruption and to be in compliance with all relevant laws
Partially progress	Insufficient or not clearly defined policy
No progress	Data not available / no policy

Corporate Governance Report (CGR)

	Excellent
	Very good
	Good

Disclaimers

The disclosure of the survey result of corporate governance, which is surveyed by the Thai Institute of Directors Association ("IOD"), and the Anti-Corruption Progress Indicators, which is assessed by Thaipat Institute, are the disclosure of the survey or assessment result based on the information received from the listed company that was stipulated in the form for Annual Corporate Governance Report of Thai Listed Companies (CGR) and the form for the assessment of Anti-corruption that refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2) or other relevant documents or reports of such listed company (as the case may be). The survey or assessment result is based on the information of the listed company, which is disclosed to the public and can be accessed by all investors and is made in order to comply with the policy of the Office of the Stock Exchange of Thailand.

Nevertheless, the survey or assessment result is made from the perspective of the IOD or Thaipat Institute that are the third party only. It is not an assessment of operation of the listed company and is not based on any inside information."

Since this survey or assessment result is only the survey or assessment result as of the date appearing in the survey or assessment result only, it may be changed after that date or when there is any change to the relevant information. Nevertheless, I V Global Securities Plc. (IVG) does not confirm, verify, or certify the accuracy and completeness of the survey or assessment result.



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