Regional Industry Focus

Regional Banks Quarterly

DBS Group Research . Equity 24 Sep 2025

Regional Banks: Paying big dividends, but for how long?

- Regional Banks have been returning excess capital to shareholders with forward dividend yields of 4-10% still attractive; Thai Banks lead with highest yields in region
- Our analyses shows that China SOE banks, HSB, UOB, and BMRI are at risks of cutting dividends into FY26F, while dividends from other banks could be sustained
- As Fed turns dovish, focus on banks with strong earnings visibility, stable asset quality, and sustainable or growing dividends
- Top picks: BBCA, SCB, TTB, BOCHK, ICBC

Capital returns continue to support share prices. Regional Banks have been actively returning excess capital via higher dividends, buybacks, and M&A. Dividend yields remain attractive at 4-10%, with Thailand Banks across the board offering attractive dividend yields of 6-9% as they are actively managing capital on slower loan growth since 2022. With share prices of Indonesian banks derating due to weak fundamentals, dividend yields are now c.4-10%. Post-Basel III final reforms, HSBC and Singapore Banks are still returning excess capital, with dividend yields of 4-6% underpinning the increase in share prices.

Our analyses shows that China SOE banks, HSB, UOB, and BMRI are at risks of cutting dividends into FY26F, while dividends from other banks could be sustained. We expect slower growth, weaker EPS, and rising asset quality risks to drive dividend cuts at China SOE banks, HSB, and UOB. BMRI's lower dividend payout ratio is likely to persist through the medium term as it seeks to preserve capital, while we expect other big Indonesia Banks to see higher absolute dividends into FY26F following FY25F's decline, should earnings recovery kick in. Lower benchmark interest rates through FY25F and September's Fed cut will weigh on net interest income across China, Hong Kong, Singapore Banks, while Thailand and Indonesia Banks continue to face loan growth challenges. We remain watchful on China's retail credit, Hong Kong CRE exposure, and MSME and consumer loans in Indonesia and Thailand. We have HOLD calls on HSB, UOB, BMRI following our earlier rating downgrades on the latter two.

As Fed turns dovish, focus on names offering good earnings and asset quality visibility, along with stable and/or growing dividend yields. Top picks: BBCA, SCB, TTB, HSBC, BOCHK, ICBC, CITIC. In face of a frontloading of rate cut expectations in remaining of 2025, we believe investors will continue to ascribe premium valuations that can deliver larger and accelerated capital returns on top of more consistent dividend growth. Hence, we prefer names with strong earnings, resilient asset quality, and consistent dividends.

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STOCKS

	Price LCY	Mkt Cap USDmn	12-mth TGT Price LCY	Performance (%) 3 mth	12 mth	Rating
DBS	50.34	113,659	n.a.	14.2	29.7	NR
OCBC Bank	16.36	58,837	15.80	1.7	6.3	HOLD
UOB	34.41	45,827	33.90	(2.0)	5.1	HOLD
Hang Seng Bank	118.00	27,751	108.00	10.4	28.6	HOLD
Bank of China Hong Kong	37.22	50,594	39.40	11.1	53.9	BUY
ICBC	5.81	287,058	7.30	(6.0)	34.1	BUY
Bank Central Asia	7,775	57,364	12,000	(10.3)	(26.9)	BUY
Bank Mandiri	4,410	24,850	3,900	(12.2)	(39.6)	HOLD
SCB X PCL	126.00	13,305	135.00	6.8	13.0	BUY
TMBThanachart Bank PCL	1.88	5,706	2.22	(2.6)	(3.1)	BUY

Source: DBS, DBSVI, DBSVTH, Bloomberg
Closing price as of 23 Sep 2025

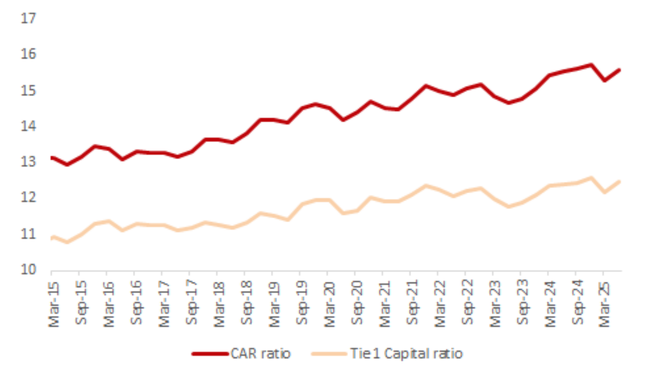
ed: JS/ sa: DT, PY, CS

China Banks: Dividends back to attractive levels

Manyi LU (manyilu@dbs.com)

China banks' capital position closely linked to macro policies. Given that all major Chinese banks are state-owned, their capital positions are intrinsically linked to the country's macroeconomic environment and fiscal policies. This relationship influences China banks' capital ratios and dividend payouts in two aspects: 1) Earnings and capital position – this aspect is closely tied to regulatory guidance, such as directives to support the property sector or facilitate the restructuring of local government financing vehicle (LGFV) debt. Capital supplementation for these banks is also subject to capital injections from the Ministry of Finance (MOF), which serves as the largest shareholder of SOE banks. 2) Dividend payout ratio – unlike privately owned entities, China's SOE banks typically lack the incentive to increase shareholder returns. Their dividend policies are more likely to align with regulators' guidance on SOE dividend distribution rather than market capitalisation management. While major SOE banks have committed to maintaining a payout ratio of no less than 30% in the coming years, we anticipate no further improvements beyond this level, as top management may lack the incentive to exceed this threshold, even with excess capital.

China banks' CET-1 and CAR ratios



Source: NFRA, DBS

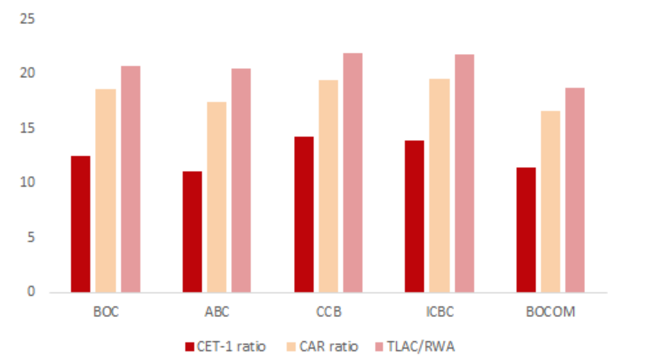
Not too concerned about China banks' dividend sustainability. Concerns regarding the impact of China's LGFV debt (alongside the property sector) on the capital positions and dividend sustainability of Chinese banks have been a significant factor in recent years. These concerns were particularly pronounced in 2023, which dragged China banks' stock valuations to a historical low. Investors were concerned that regulators might request banks to deploy capital to digest some of the risks stemming from these sectors. However, the concerns have significantly eased, contributing to the subsequent recovery in China banks' valuations.

More recently, media reports indicate that China aims to help local governments by restructuring over Rmb 1tn of their obligations, potentially from policy banks and commercial banks. This initiative follows the International Monetary Fund's (IMF) Financial System Stability Assessment (FSSA), published in April, which estimated China's total LGFV debt at USD8tn (47% of GDP). Based on the IMF's analysis, an additional USD1.24tn (7% of GDP) in debt relief could be necessary to restore debt-servicing capacity, assuming LGFV debt is perpetually rolled over rather than paid down. Thus, the speculated figure of over USD1tn in fiscal relief for local governments appears appropriately sized for Chinese policymakers to address and alleviate LGFV credit concerns.

However, we remain confident that the potential LGFV debt restructuring would not significantly negatively impact China's banks. Even if current media reports prove true, we believe commercial banks will manage this process in line with market-oriented principles, mirroring their approach to the property sector. Banks, rather than the government, ultimately bear responsibility for non-performing loan (NPL) risks and are expected to carefully manage their risk exposure. Therefore, we foresee no material impact on China banks' asset quality or dividend sustainability, especially considering the MOF's capital injection in 1H25, which increased major China SOE banks' CET-1 ratio by 0.5-1.5ppt.

Meeting TLAC requirement. The top five China SOE banks are designated as global systematically important banks (G-SIBs) and thus must meet total loss absorbing capacity (TLAC) requirements. The TLAC/risk-weighted assets (RWA) ratio for the Big Four banks must reach 20% and 22% by the beginning of 2025 and 2028, respectively. For BOCOM, this ratio needs to reach 19.5% by the beginning of 2027. As of 1Q25, the Big Four banks had already met their TLAC requirements, with TLAC/RWA ratios in the range of 20%-21%, while BOCOM has not yet reached its target.

China banks' CAR ratios and TLAC/RWA



Source: Companies, DBS

In order to meet the next phase of TLAC requirements, China SOE banks need further capital replenishment. It is challenging to say that these banks possess excess capital. This capital demand provides another reason for our expectation that China banks will not improve their dividend payout ratios.

Outlook: Looking ahead, we expect earnings to be largely flat for China banks in FY25, followed by a slight increase in FY26F. These projections are based on the following key assumptions:

- Continued vigilance on retail asset quality

Following a deterioration in retail asset quality in FY24 and 1Q25, we continue to see downward pressure on retail loans' asset quality. SOE banks in general saw a 10-20bps h/h increase in their retail NPL ratios. The primary pressure points stem from personal business loans and consumption loans. Looking ahead, we project further downward pressure on retail asset quality for the rest of the year, particularly given the increasing economic uncertainties, e.g., the impact of tariffs in 2H25.

- Outlook for NIM and loan growth trend

China banks' 2Q25 net interest margin (NIM) performance was largely in line with expectations. Looking ahead, we still expect some downward pressure on NIM for 2H25, but at a narrower magnitude compared to FY24 and 1H25, primarily because a significant portion of mortgage repricing was completed in 4Q24 and 1Q25. We project a 10bps cut to China's one-year loan prime rate (LPR) in the rest of the year, followed by an additional 30bps cut in 2026, which will exert further downward pressure on NIM. Nevertheless, this impact will be partly offset by lower funding costs as major banks cut deposit rates by 5-25bps in May 2025.

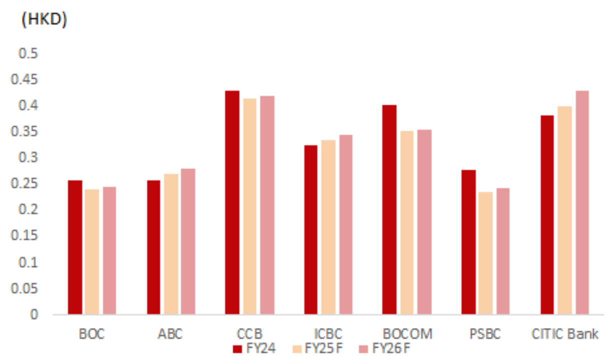
1H25 loan volume showed steady growth for major China banks, in line with China's total loan growth of c.7.1% y/y. This growth is still primarily driven by corporate loans, while demand for retail loans remains weak. In response, regulators issued supportive policies to boost retail lending, such as interest subsidies (link), in 2Q25. However, the actual impact of the policies remains uncertain for now. Consequently, we maintain a cautious outlook on credit demand for 2H25.

- Non-NII benefits from asset reallocation

We see positive signals for fee income growth in 1H25. We expect banks to benefit more from the reallocation of assets away from deposits and from improved capital market sentiment in China in 2H25. Wealth management services are expected to see further growth.

DPS to fall in FY25F due to share price dilution, yet yield back to an attractive level. While we expect earnings to be largely flat for China banks and an unchanged dividend payout ratio, the DPS for China SOE banks – with the exception of ABC and ICBC – are projected to fall y/y in FY25F, primarily due to share dilution following the MOF's capital injection. DPS is then expected to return to an upward trajectory in FY26F. Despite this, China banks' H-share prices have experienced a 6%-11% pullback since mid-Jul, after a strong 1H25 rally. Consequently, the dividend yield for major banks have returned to an attractive level of 5%-6%. We expect that current share price levels will be supported.

China banks' DPS



Source: Companies, DBS

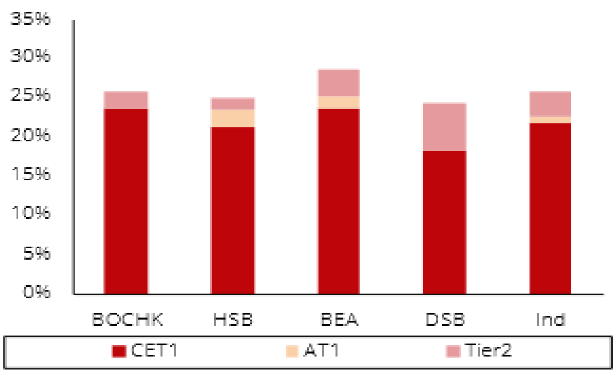
We switch our top pick to ICBC (1398 HK) among China banks, as it now offers the highest dividend yield. Among Joint-stock banks within our coverage, CITIC Bank (998 HK) continues to offer the highest yield at nearly 6%, supported by 2.8% y/y earnings growth in 1H25 and steady earnings outlook in FY25-26F. We expect CMB (3968 HK) to benefit from the ongoing "asset reallocation away from deposits" trend in China and a booming A-share market. However, its laggard performance in fee income in 1H25 may introduce share price volatility.

Hong Kong Banks: Mixed shareholders and dividends expectations; Navigating HIBOR and Hong Kong CRE risks

Manyi LU (manyilu@dbs.com)

Excess capital position in 1H25. The Hong Kong Monetary Authority (HKMA) has fully implemented the Basel III final reform package (commonly referred to as Basel 3.1), effective 1 January 2025, making Hong Kong one of the first jurisdictions in the Asia-Pacific region to do so. The new capital regulation is positive to HK banks' capital position in the near term. As a result, HK banks reported robust capital positions by the end of 1H25, with CET-1 ratios generally around 20% or above.

HK banks' capital ratios by 1H25

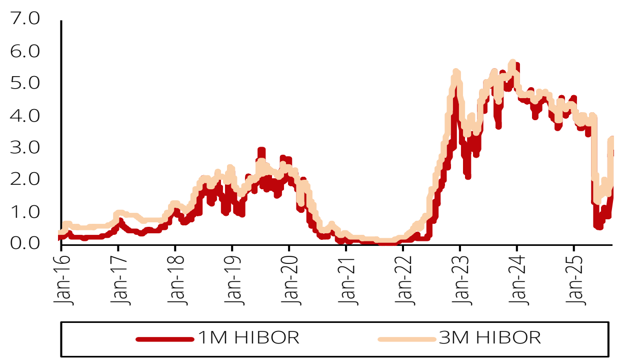


Source: Companies, DBS

Earnings outlook for HK banks. Overall, we expect some pressure on NIM for HK banks in 2025 during the rate cut cycle and highly volatile HIBOR observed in 2Q25. However, given that HIBOR in 3Q25 has already returned to a more normalised level, we believe the downward pressure will be manageable.

Loan volume growth is projected to remain muted, exhibiting only a slight positive expansion, primarily attributable to global economic uncertainties and the high-interest rate environment. Lower rates are expected to benefit investment banking and wealth management at institutions with capital market exposure. HK banks experienced robust fee income growth in 1H25, a momentum we expect to persist. Driven by the strong momentum in non-NII, we expect FY26F profit prior to provision (PPOP) for our covered HK banks to be flat y/y or show some y/y improvement.

1M HIBOR vs. 3M HIBOR

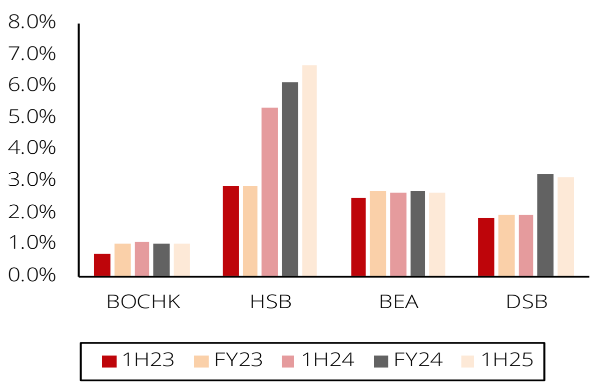


Source: Companies, DBS

The primary difference in HK banks' earnings outlook stems from the credit cost component, which is driven by asset quality and expected credit loss (ECL) charges associated with HK commercial real estate (CRE) exposure. We saw a mixed performance in asset quality among HK banks in 1H25. BOCHK continued to outperform peers in terms of asset quality.

By the end of June 25, the NPL ratio for mainland and non-mainland CRE was at 7.3% (+5bps h/h) and 1.27% (-0.1ppt h/h), respectively. On the other hand, Hang Seng Bank (HSB) experienced high ECL charge pressure. We expect ECL charges in 2H25 to hover near levels observed in 1H25. Specifically, its ECL charges surged from HKD1.5bn in 1H24 to HKD4.8bn in 1H25. The NPL ratio will likely increase further in 2H25, although we expect a gradual decline in FY26-27F as interest rates continue to fall. Excluding HSB, other major HK local banks generally saw slight h/h asset quality improvements in 1H25, with dropping NPL ratios.

HK banks' NPL ratios



Source: Companies, DBS

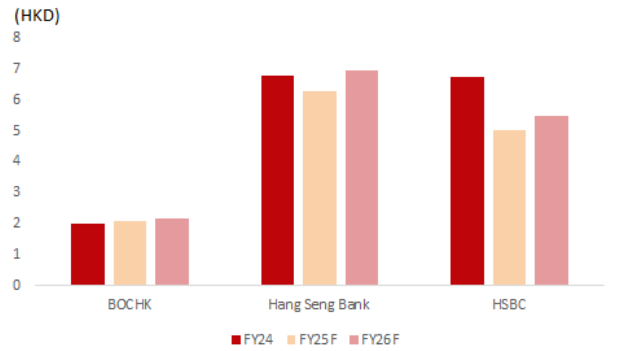
Mixed DPS and shareholder return expectations. Given these factors, we expect HSBC and BOCHK to see flat or steady y/y growth in earnings for FY25/26F, while HSB is likely to see a significant y/y earnings drop in FY25F following a negative surprise in ECL charges in 1H25. Furthermore, the major HK banks exhibit varying dividend guidance and share repurchase plans.

Hang Seng Bank: 1H25 DPS increased 8% y/y to HKD2.6 (payout ratio ~78%). Supported by a strong CET-1 ratio oft 21.3%, HSB announced a HKD3bn share buyback plan in its interim results and raised its dividend payout ratio. The payout ratio can go as high as 100%, according to their guidance. However, even if the DPS ratio reaches 100% in 2H25, it may still be hard to maintain DPS growth. We expect FY25F DPS to drop by c.8% y/y, despite increasing 8% y/y in 1H25.

BOCHK: By the end of 1H25, its CET-1 ratio increased by 3.67ppt h/h to 23.7%. 1H25 DPS was HKD0.58, a 1.8% y/y increase. BOCHK guided for an unchanged 40%-60% dividend payout ratio. There's still some room for it to improve its dividend payout ratio from FY24's level of 55%. As a subsidiary of BOC, it shares some features with China SOE banks. This leads to a conservative stance on its capital position, making it unlikely that the bank will significantly improve its payout ratio all at once, even with a very strong excess capital base. While the bank is currently in discussions with Chinese regulators regarding a potential share repurchase programme, we do not anticipate this initiative taking place in the near term.

HSBC: By the end of 1H25, HSBC reported a CET-1 ratio at 14.6% vs target 14-14.5%. HSBC's shareholder return will be mainly driven by share buy-back, while the dividend payout guidance is unchanged at c.50%. We expect DPS to drop y/y in FY25F despite that adjusted profit on a growing track, as 1) FY24 DPS include special dividend paid related to Canada business' disposal; 2) reported earnings were affected by disposal of subsidiary in FY25F. We expect c.USD 10bn of share buyback for FY25-26F. The estimated share buy-back and dividend payout in FY25F together make up c.9% of its total market cap.

HK banks DPS



Source: Companies, DBS

Among HK banks, we keep our preference on BOCHK (2388 HK) and HSBC (5 HK) over Hang Seng Bank (11 HK), as the latter may face further earnings and dividend pressure impacted by the HK CRE asset quality risks.

Indonesia Banks: Dividend payout ratio intact with upside risk from earnings

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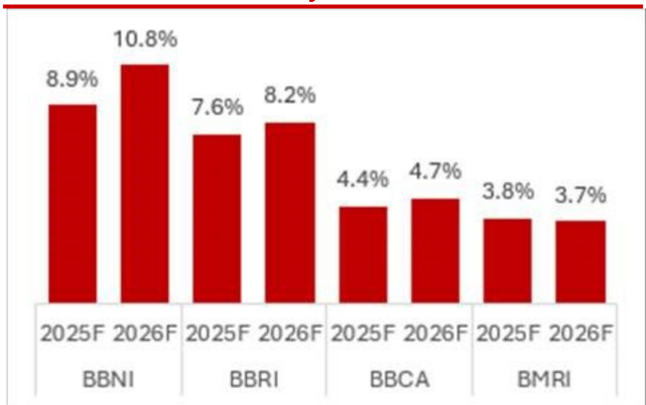
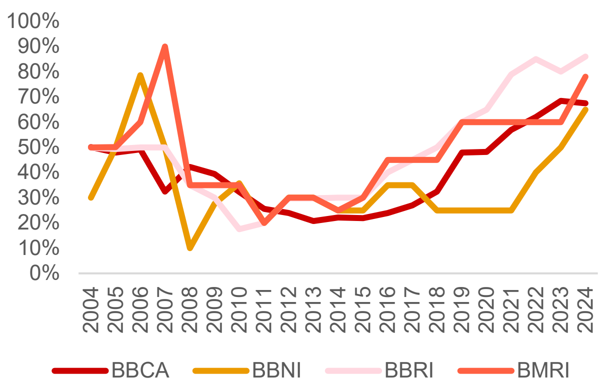
Dividend payout ratio intact with potential earnings upside. Indonesian banks have consistently distributed dividends over the past two decades, a trend we expect to continue. Most major banks are likely to maintain dividend payout ratios of 65–85%, with the exception of Mandiri, whose capital position has been significantly weakened (see here for further details on Mandiri). For 2025, we anticipate dividend yields across the sector to remain intact, as current share prices have largely priced in earnings headwinds from elevated funding costs.

Indonesia Banks: Dividend yields



Source: Bloomberg, DBS, DBSVI

Indonesia Banks: Historical dividend payout ratios



Source: Companies, DBS, DBSVI

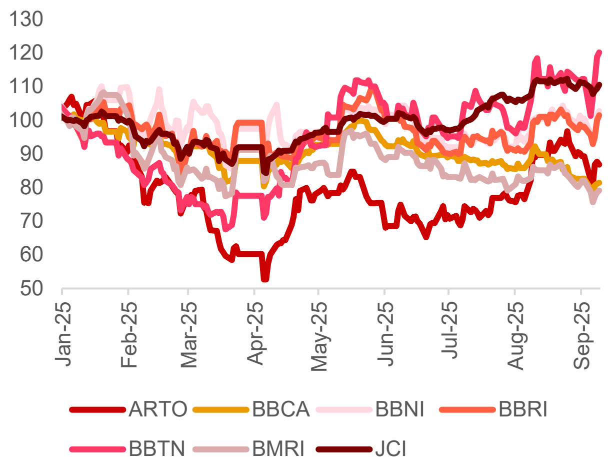
Share buybacks remain modest. In March 2025, OJK allowed listed companies to repurchase shares without prior shareholder approval for a six-month period, following the market correction in 1Q25. While all major banks announced buyback programs, only BBCA and BBRI have partially executed theirs, each repurchasing around IDR 250 bn. These programs remain small in scale, representing less than 1% of their respective market capitalisations. As a result, share price performance continues to face pressure.

Indonesia Banks: 2025 share buyback plans

2025 share buyback	IDRbn	Buyback rel to mkt cap
BBCA	1,000	0.03%
BBNI	1,500	0.94%
BBRI	3,000	0.49%
BMRI	1,170	0.28%

Source: Companies, DBS, DBSVI

Indonesia Banks: Indexed share price performance

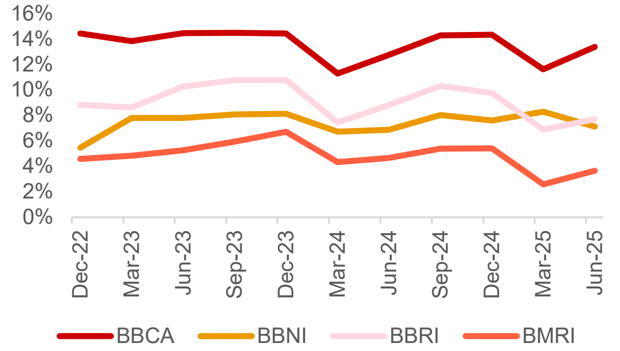


Source: Bloomberg, DBS, DBSVI

Higher dividends ahead. As of 2Q25, major Indonesian banks (excluding Mandiri) hold sufficient capital buffers, with CARs exceeding minimum regulatory requirements by 7–13%. This provides a cushion against potential increases in RWA density and earnings pressures from higher funding costs and asset quality concerns. We expect RWA density to increase as loan portfolios shift towards corporate lending, which carries a 100% RWA weight, amid continued weakness in consumer and MSME segments that typically have lower RWA. Despite these headwinds, we expect BCA/BNI/BRI to maintain medium-term dividend payout ratios at 70%/65%/85% respectively. For Mandiri, however, we are forecasting a payout ratio of around 30% due to its ongoing capital constraints.

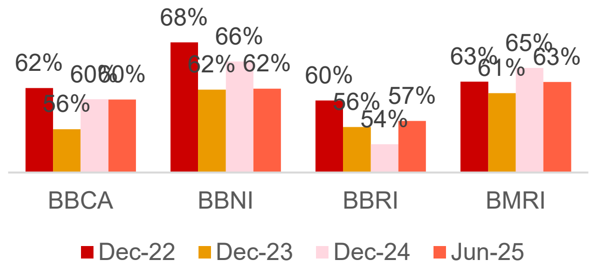
Looking ahead to the 2026 dividend, we expect dividends per share to rise, with earnings recovery for the sector—again, with Mandiri as the exception, as it is still grappling with structural capital issues.

Indonesia Banks: Capital headroom



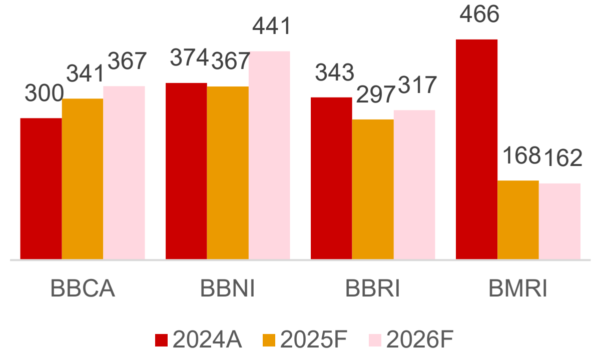
Source: Companies, DBS, DBSVI

Indonesia Banks: RWA density



Source: Companies, DBS, DBSVI

DPS forecast (IDR full)



Source: Companies, DBS, DBSVI

We remain neutral on Indonesia Banks following the liquidity injection; stay defensive with BBCA as our top pick. Following the IDR 200 trillion liquidity injection by the Ministry of Finance (see here for details), we expect some easing in funding cost pressures. However, the funds are mandated for loan disbursement, not for idle liquidity or investment in government bonds or SRBI In our view, the injection is unlikely to materially alter the loan growth trajectory, as demand remains subdued in both consumer and working capital segments, while investment loan growth is decelerating. On the asset quality front, MSME and consumer loans are expected to remain under pressure due to weak purchasing power, though we see limited downside risk in the corporate loan segment.

We maintain a NEUTRAL stance on Indonesian banks, as funding cost pressures persist and loan growth continues to lag expectations, despite the recent liquidity support. **BBCA remains our top pick**, supported by strong loan growth and resilient margins. Upside risks to our sector view include a faster-than-expected recovery in loan demand, potential rate cuts from BI and the Fed, and a rebound in consumer purchasing power.

Singapore Banks: Diverging capital return paths

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Different capital return plans, different trajectories. In February 2025, all 3 Singapore Banks announced capital return plans, though with different sizes and structures. Since then, share price performances of DBS/OCBC/UOB have reflected these variations at +15%/-6%/-10% respectively. Singapore Banks' management have indicated they will assess whether another share buybacks is suitable once the current programmes are completed.

Singapore Banks: Capital return plans

	Details
DBS Announced 10 Feb 25	SGD8bn excess capital - SGD3bn allocated to share buybacks and SGD5bn to be returned to shareholders via capital return dividends or other mechanisms over three years; committed to pay 15 cents/share in quarterly capital return dividends in FY25F and, barring unforeseen events, a similar amount over next two years through this or other means Management believes that DBS can support a 6Scts dividend per share step-up in 4Q25, implying a 24-Scts annual increase, likely sustainable into 2026
OCBC Announced 26 Feb 25	SGD2.5bn capital return plan over next two years via special dividends and share buybacks; special dividends equivalent to 10% of net profit for FY24 and FY25F, with balance of around SGD1 billion via share buybacks over two years
UOB Announced 19 Feb 25	SGD3bn capital return plan over next three years, including special dividends and share buybacks; special dividends of 50Scts/ share paid during FY25F will return S$0.8bn of surplus capital, new share buyback programme of SGD2bn set up

Source: Companies, DBS Bank

Singapore Banks: Capital ratios (2Q25)

	DBS	OCBC	UOB
CET1 CAR			
Transitional	17.0%	17.0%	15.3%
Fully phased-in final Basel III	15.1%	15.3%	15.1%
Total CAR	18.2%	19.6%	17.9%

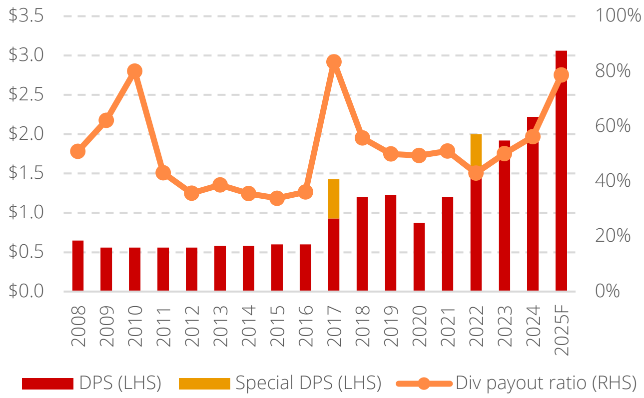
Source: Companies, DBS

Investors' willingness to pay premium valuations for larger and faster capital returns. The wide divergence in share price performances since the announcement of capital return plans signal investors' preference for outsized and faster capital distributions, underpinned by certainty of dividend growth. DBS's premium valuation to peers continue to rise, with valuations expanding from ~1.7x FY26F P/BV to 2.0x FY26F P/BV post announcement, while peers' valuations have retreated from ~1.3x FY26F P/BV to ~1-1-1.2x FY26F P/BV. We estimate FY26F dividend yields at 4.7-6.4% across the sector, alongside share buybacks adding 0.7-1.2% to yields.

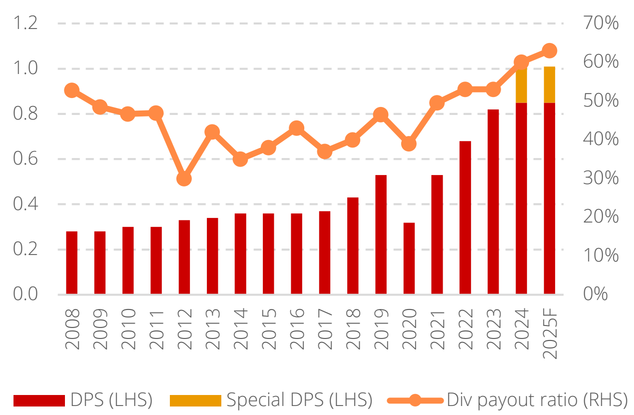
More excess capital on the cards? Currently, OCBC management views a 14.0% CET1 ratio as comfortable, while UOB management guidance for 13.5-14.0% as a comfortable range. Assuming RWA inflation of 5% during FY26F, between OCBC and UOB, we estimate OCBC could have further excess capital of SGD2-2.5bn beyond its existing 2-year SGD2.5bn capital return plan. Recall that MAS has also required DBS to set aside SGD1.6bn of regulatory capital on the back of service disruption, with DBS now applying a higher multiplier of 1.8x to its risk-weighted assets for operational risk. DBS also has in excess of SGD2bn in general provision overlays built up since COVID-19 pandemic, which has yet to be released.

Singapore Banks: Dividends per share (Scts)

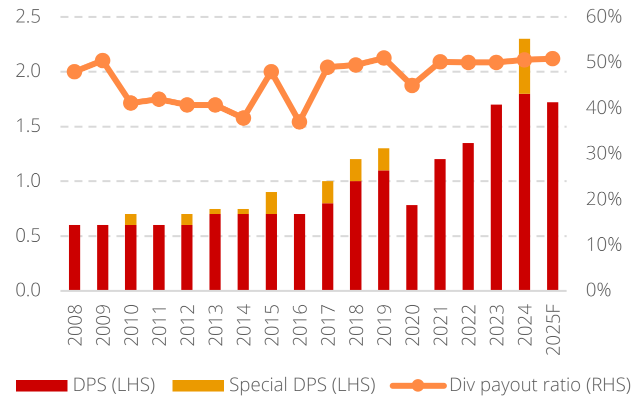
DBS



OCBC

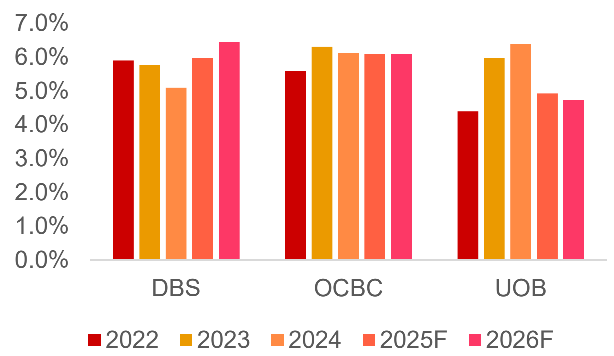


UOB



Source: Companies, DBS Bank

Singapore Banks: Dividend yields



Source: Bloomberg, Companies, DBS

Dividends outlook turns less certain as EPS declines through FY25F. We expect EPS for OCBC and UOB to fall in FY25F, driven by lower net interest income from declining benchmark rates; pencilling in 5% decline for OCBC and 8% for UOB. We also have concerns over elevated credit costs for UOB in FY25F, with specific provisions guided to be 25-30bps, alongside potential increase in general provisions to 0.9% of loans (vs current: 0.8%).

While both OCBC and UOB maintain a 50% dividend payout ratio as formal dividend policy, we believe OCBC has more flexibility to sustain its dividend per share on an absolute level (i.e. bringing its ordinary dividend payout ratio above 50%) given its stronger capital buffers and earnings. AS interest rate cuts come through faster than expected, EPS weakness could persist through FY25-26F, on top of elevated credit costs, posing risks for UOB's dividends. In comparison, DBS's absolute dividend policy provides clearer visibility and room continued growth through FY26F.

We are neutral on the sector, with dividend clarity and growth still key; Hong Kong CRE risks are an increasing critical factor to watch. Singapore Banks have benefited from inflows amid a weak USD environment. Given largely benign asset quality and forward dividend yields of 5-6%, we believe share prices will remain well supported. Ongoing share buybacks across Singapore banks should also translate to meaningful returns for shareholders. However, renewed concerns over Hong Kong or developed market commercial real estate (CRE) exposure could impose another 10-20% downside to OCBC and UOB's share prices, bringing forward valuations closer to 1.0x P/BV. We currently have HOLD ratings on both OCBC and UOB, with TPs of SGD15.80 and SGD33.90 respectively.

Thailand Banks: Supported by attractive dividend yields

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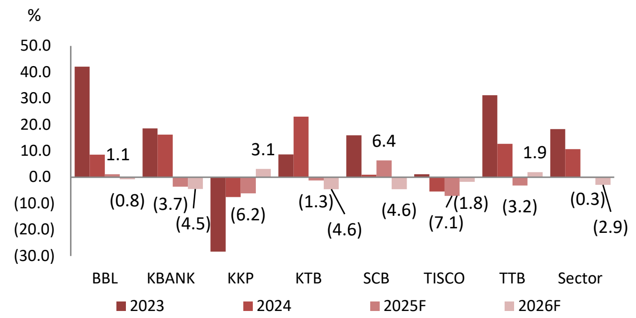
Slow growth prospect. We expect Thailand banks' earnings to remain broadly flat in FY25F-FY26F, due to muted top line growth, while bottom line should be cushioned by tighter operating cost control and manageable asset quality.

Top line growth remains challenging amid a sluggish economic recovery and macro uncertainties. Loan growth has been weak YTD, reflecting tighter loan underwriting policies, particularly in consumer and SME segments. However, we expect loan growth to recover in FY26F, supported by the resumption of public/private investment, following a more stable macro and political backdrop.

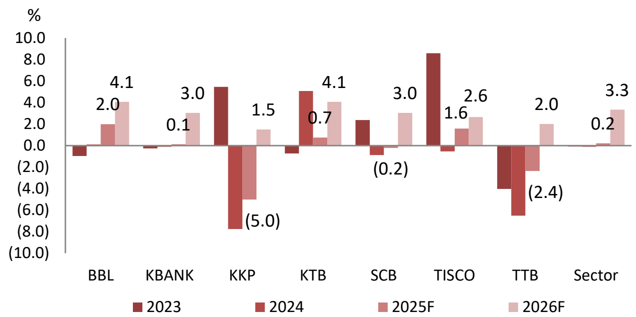
Meanwhile, we expect net interest margin (NIM) to decline as interest rate trends lower, pressuring banks' net interest income (NII). Nonetheless, capital market-related fee income, especially fees from the wealth management business, and gains on investments should help cushion banks' top lines.

Thai Banks: Earnings growth outlook remains weak



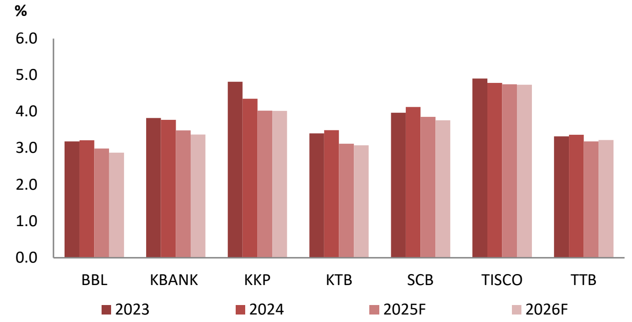
Source: Companies, DBSVTH

Thai Banks: Loan growth to remain sluggish



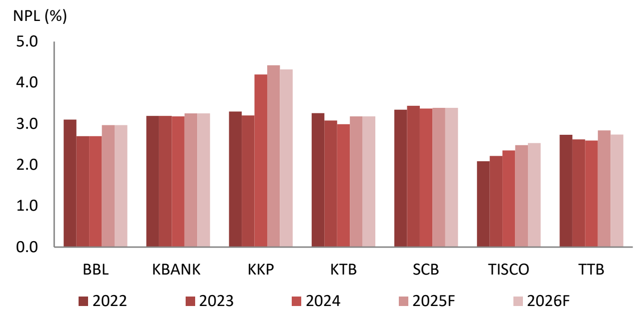
Source: Companies, DBSVTH

Thai Banks: NIM on a declining trend



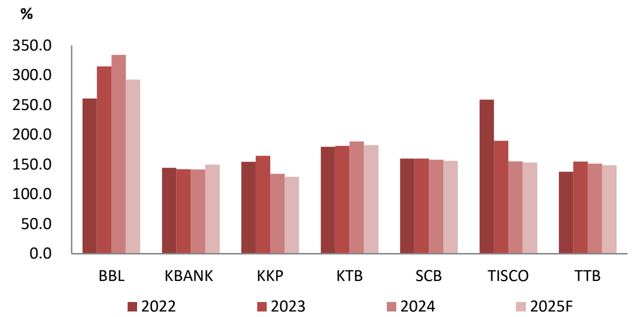
Source: Companies, DBSVTH

Thai Banks: Manageable asset quality



Source: Companies, DBSVTH

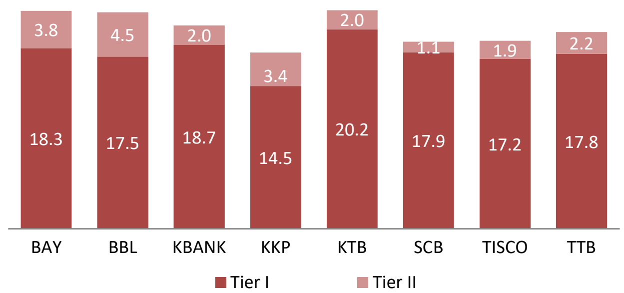
Thai Banks: Coverage ratios remain high



Source: Companies, DBSVTH

Dividend payout raised to enhance shareholder returns. Amid a weak business growth outlook, banks have boosted their ROEs through capital management, e.g., dividend payouts, share buybacks, and M&As, enabled by their strong capital positions – i.e., Tier 1 ratios of 13.1-18.8% and capital adequacy ratios (CAR) of 16.6-20.8%, compared with the BOT's minimum requirements of 8.5% and 11.0%, respectively for small banks, and 9.5% and 12.0%, for D-SIBs (i.e., Domestic Systemically Important Banks).

Thai Banks: High capital ratios as of end-2Q25



Source: Companies, DBSVTH

TISCO has maintained high dividend payouts since FY18 as it saw the risk-adjusted return in the auto HP market being uninteresting and thus decided not to expand loans. We expect TISCO to maintain its dividend per share (DPS) at THB7.75 in FY25F-FY26F.

SCB raised its dividend payout to 60% in FY22 and 80% in FY23. The bank has maintained its payout at 80% in FY24, and management is confident that a high payout is sustainable. As such, we expect SCB to pay DPS of THB 11.10 and THB 10.60 for FY25F/26F, respectively. SCB also highlighted potential M&A opportunities that could support its ambition of becoming a leading regional bank

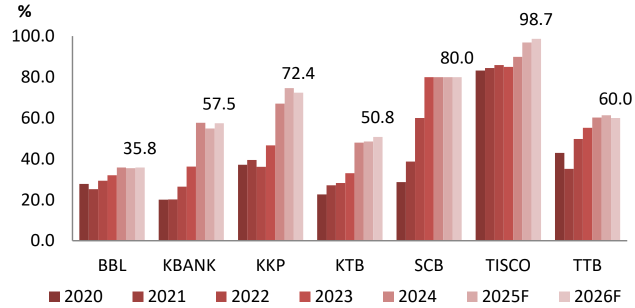
KKP revised its dividend payout policy and paid a higher payout from FY23 profits despite as the bank slowed down its auto loan expansion. It raised its payout again in FY24 as its credit growth outlook remained unpromising. The bank paid a higher interim DPS in 1H25 vs. 1H24, signalling a higher DPS in FY25F. In additions, KKP announced a share buyback programme in Aug 2025 of 1.89% of total paid-up shares for the period of 4 Sep 2025 - 2 Mar 2026. So far, 0.63% of its paid-up shares has been repurchased.

TTB paid higher DPS y/y during FY22-FY24 and hinted at a 60-70% payout as a sustainable level in a slow growth environment. Given current economic conditions, we expect TTB to maintain its DPS of THB0.13 in FY25F-FY26F, implying a dividend payout of c.60%. In addition, TTB announced a three-year (2025-2027) share buyback programme to enhance shareholder returns. In the first repurchase (3 Feb-1 Aug 2025), it bought back 2.69bn shares, or 2.76% of paid-up shares (vs. 3.6% budgeted).

KBANK paid a special DPS of THB2.50 on top of its THB9.50 DPS in FY24, taking its dividend payout to 59%. We do not expect a special DPS in FY25F but estimate its FY25F DPS at THB11.00, higher than the normal DPS in FY24, as the bank had signalled a higher payout for FY25F by paying a higher interim DPS in 1H25 vs. 1H24.

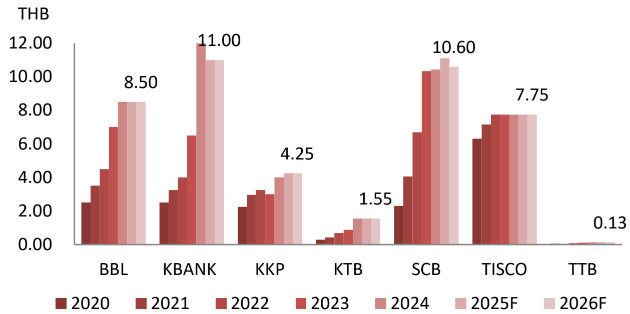
SCB and TTB are our top picks. Despite macro uncertainties and a low growth environment, we believe Thailand banks' valuations will be supported by manageable asset quality and attractive dividend yields. SCB and TTB meet both criteria, making them our top picks.

Thai Banks: Payout ratio raised in FY22 as loan growth slowed



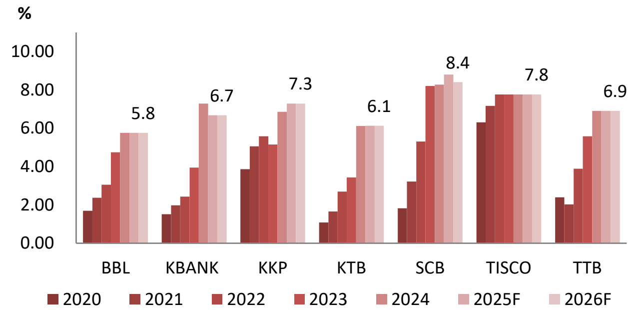
Source: Bloomberg, Companies, DBSVTH

Thai Banks: Confident to maintain their DPS in FY26F



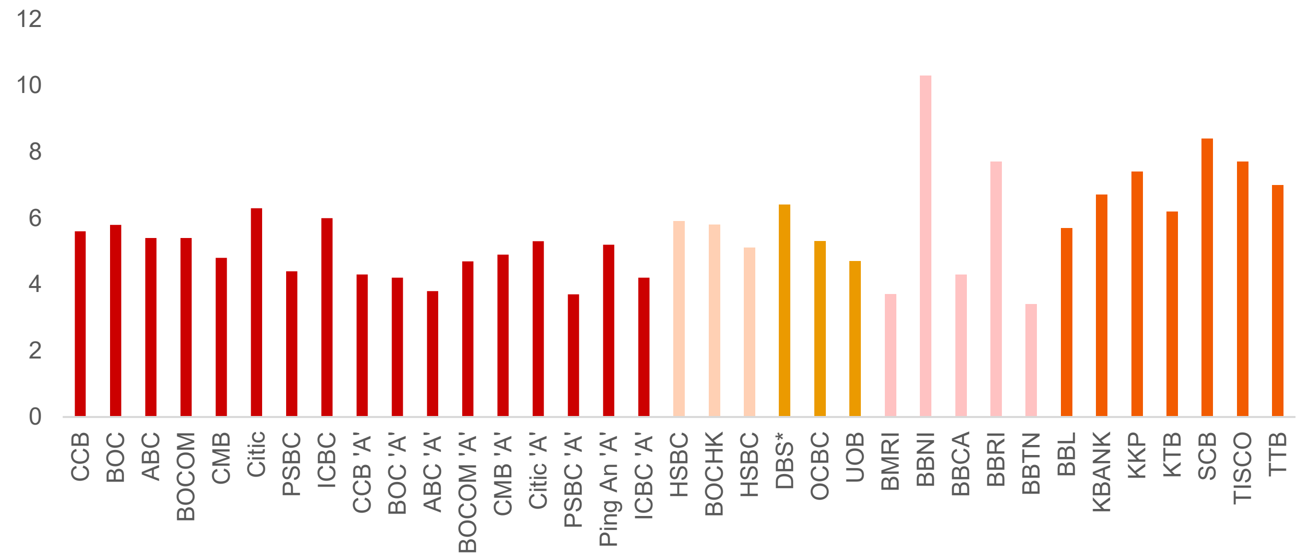
Source: Bloomberg, Companies, DBSVTH

Thai Banks: Attractive dividend yields



Source: Bloomberg, Companies, DBSVTH
Closing price as of 17 Sep 2025

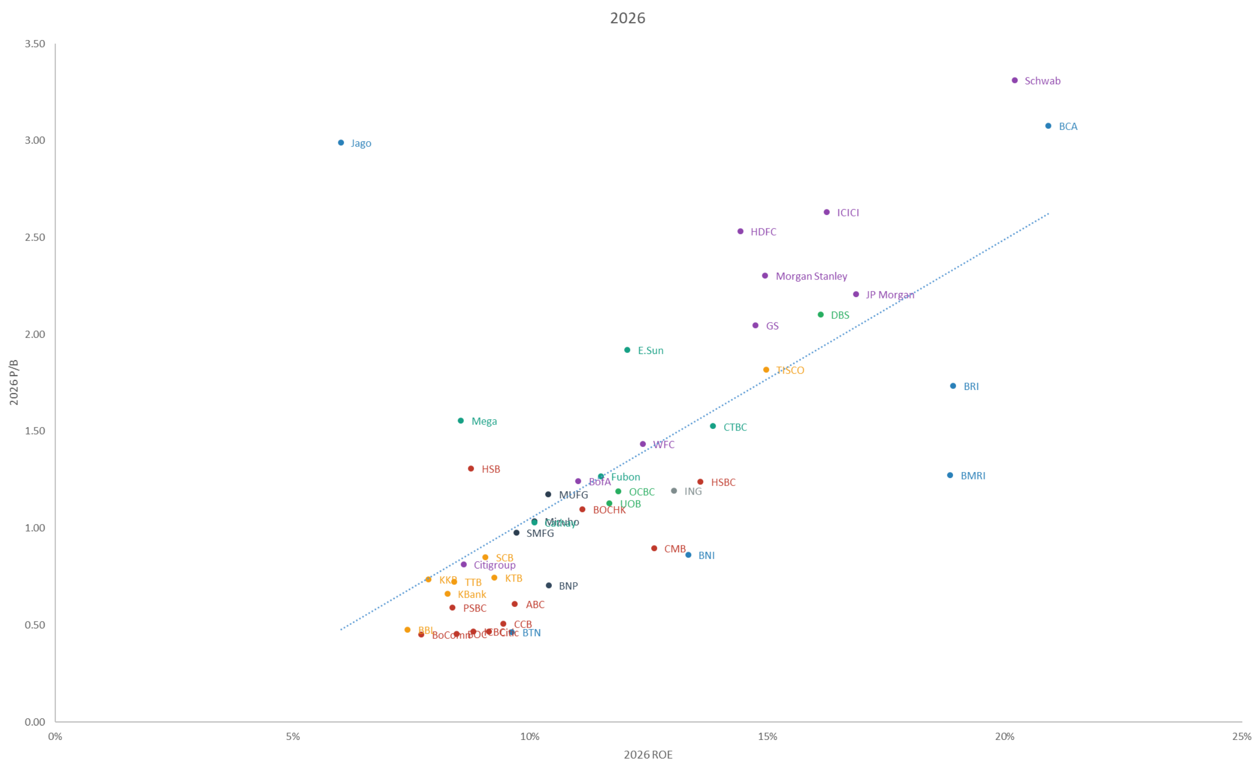
Regional Banks: FY26F dividend yields (%)



**based on consensus estimates*

Source: Bloomberg, DBS

Regional Banks: P/BV versus ROE (FY26F)



Source: Bloomberg, DBS

Regional Banks: Peer comparison

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDb)	FY26F. P/BV (x)	FY25F Div yield (%)	FY26F Div. yield (%)	FY26F EPS Growth (%)	Geography
939 HK	China Con.Bank 'H'	BUY	9.10	256	0.5	5.6	5.6	(4.0)	China
3988 HK	Bank Of China 'H'	BUY	5.30	223	0.4	5.7	5.8	(5.3)	China
1288 HK	Agricultural Bk.Of Chin. 'H'	BUY	6.10	319	0.6	5.2	5.4	2.2	China
3328 HK	Bank Of Comms.'H'	BUY	8.00	82	0.4	5.3	5.4	(0.8)	China
3968 HK	China Merchants Bank 'H'	BUY	53.50	148	0.7	4.7	4.8	3.0	China
998 HK	China Citic Bank 'H'	BUY	8.30	56	0.4	5.9	6.3	0.7	China
1658 HK	Postal Savings Boc.'H'	BUY	6.30	99	0.6	4.3	4.4	(10.5)	China
1398 HK	ICBC 'H'	BUY	7.30	344	0.4	5.9	6.0	(0.3)	China
601939 CH	China Con.Bank 'A'*	BUY	10.00	256	0.6	4.3	4.3	(4.0)	China
601988 CH	Bank Of China 'A'	BUY	6.40	223	0.6	4.2	4.2	(5.3)	China
601288 CH	Agricultural Bank Of China 'A'	HOLD	7.10	319	0.8	3.7	3.8	2.2	China
601328 CH	Bank Of Comms.'A'	BUY	8.40	82	0.5	4.6	4.7	(0.8)	China
600036 CH	China Merchants Bank 'A'	BUY	49.10	148	0.7	4.8	4.9	3.0	China
601998 CH	China Citic Bank 'A'	BUY	9.10	56	0.5	4.9	5.3	0.7	China
601658 CH	Postal Savings BOC'A'	BUY	6.40	99	0.7	3.5	3.7	(10.5)	China
000001 CH	Ping An Bank 'A'	BUY	13.60	31	0.5	5.1	5.2	(3.0)	China
601398 CH	ICBC 'A'	BUY	8.10	344	0.6	4.1	4.2	(0.3)	China
11 HK	Hang Seng Bank	HOLD	108.00	28	1.3	5.3	5.9	(22.9)	Hong Kong
2388 HK	Boc Hong Kong Holdings	BUY	39.40	50	1.1	5.6	5.8	2.3	Hong Kong
5 HK	Hsbc Holdings (Hkg)	BUY	98.70	239	1.2	4.7	5.1	(8.0)	Hong Kong
DBS SP	DBS*	NR	NR	112	2.0	6.0	6.4	1.7	Singapore
OCBC SP	Oversea-Chinese Bkg.	HOLD	15.80	58	1.1	5.2	5.3	(5.0)	Singapore
UOB SP	United Overseas Bank	HOLD	33.90	45	1.1	5.0	4.7	(3.8)	Singapore
BMRI IJ	Bank Mandiri	HOLD	3,900	25	1.3	3.8	3.7	(1.8)	Indonesia
BBNI IJ	Bank Negara Indonesia	HOLD	3,800	9	0.9	8.7	10.3	(1.1)	Indonesia
BBCA IJ	Bank Central Asia	BUY	12,000	58	3.0	4.0	4.3	5.1	Indonesia
BBRI IJ	Bank Rakyat Indonesia	HOLD	3,400	37	1.9	7.2	7.7	(6.0)	Indonesia
ARTO IJ	Bank Jago Indonesia	BUY	2,500	2	3.1	0.0	0.0	134.5	Indonesia
BBTN IJ	Bank Tabungan Negara	FV	800	1	0.5	3.3	3.4	10.8	Indonesia
BBL TB	Bangkok Bank	BUY	196.0	9	0.5	5.7	5.7	(2.3)	Thailand
KBANK TB	Kasikornbank	HOLD	175.0	12	0.7	6.7	6.7	(0.2)	Thailand
KKP TB	Kiatnakin Phatra Bank	HOLD	57.0	2	0.7	7.4	7.4	(3.1)	Thailand
KTB TB	Krung Thai Bank	BUY	25.5	13	0.7	6.2	6.2	(2.3)	Thailand
SCB TB	SCB X Public Company	BUY	135.0	13	1.0	8.8	8.4	2.6	Thailand
TISCO TB	Tisco Financial Group	HOLD	108.0	3	1.9	7.7	7.7	(6.4)	Thailand
TTB TB	TMBThanachart Bank	BUY	2.22	6	0.8	7.0	7.0	(2.8)	Thailand

Source: Bloomberg, DBS, DBSVI, DBSVTH
As of 23 Sep 2025
*based on consensus estimates

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BUY (>15% total return over the next 12 months for small caps, >10% for large caps)
HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)
FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)
SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

**Share price appreciation + dividends*

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Sources for all charts and tables are DBS, DBSVTH, DBSVI unless otherwise specified.

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