

Bank Sector – Neutral

News update

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Three finalists of virtual bank licenses

- **KTB and SCBx consortia won the licenses as expected.**
- **We do not see VB as a game changer.**
- **Relatively small investment sizes limit downsides.**
- **No material upsides either; KTB remains our top pick.**

The Bank of Thailand has announced three finalists for virtual banking licenses:

- 1) Krunghai Bank (with Gulf, AIS, and PTT OR)
 - 2) SCB X (with WeBank and KakaoBank)
 - 3) Ascend Money (TrueMoney, CP Group, and Ant Group)
- The approved groups have one year to set up and begin operations.
 - This outcome is in line with expectations, and we maintain the view that the launch of virtual banks will not significantly alter Thailand's banking landscape.
 - First, there is limited differentiation from existing mobile and internet banking platforms, which already have deep penetration.
 - Second, cost management remains a key challenge — especially for funding and debt collection. Virtual banks may need to offer higher deposit rates to grow their customer base, while physical collection remains crucial in serving the mass market.
 - Third, while the focus is on expanding access to underbanked segments, the main concern lies in the ability to lend responsibly, given Thailand's high household debt and structurally weak debt servicing capacity.

Implications for KTB and SCB:

- We see limited downside risks. KTB shares investment exposure with strong strategic partners, reducing risk. SCBx views the virtual bank as an opportunity to scale its digital lending platforms (e.g., Monix and Abacus), while leveraging the technological expertise of KakaoBank and WeBank.
- Monix and Abacus are SCB's digital lending subsidiaries focusing nanofinance. Their customer base and loan sizes are small at 5.3m and Bt17bn for Monix and 4.3m and Bt6.9bn for Abacus. This is despite they are leading players in nanofinance, capturing market shares of 33% and 11% respectively. Monix is profitable with ROA of around 5%. It is having NPL ratio of 5% while ceiling rate of nanofinance is at 33%.
- Overall, the investment is relatively small compared to the size of both KTB and SCBx. For both, this appears to be a strategic hedge — a way to remain competitive without committing large capital upfront, in case virtual banking gains traction. We maintain our BUY call on KTB which remains our top sector pick. Meanwhile, we like SCB's high dividend yield angle.

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