

# Thailand's leading banks

FY 2023 update



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## Key highlights

1. Thailand recorded a real GDP growth of 2.5% in 2023 (among the lowest in Southeast Asia).
2. The Bank of Thailand paused its interest rate hike in October 2023 after its unexpected negative inflation (-0.3% YoY).
3. The loan portfolio of the top 5 banks declined by 0.4% from USD 346.8 billion in FY-2022 to USD 345.5 billion in FY-2023.
4. Deposits declined by 1.1% from USD 344.6 billion in FY-2022 to USD 340.9 billion in FY-2023.
5. Net revenue for the top 5 banks grew by 14.3% from USD 18.9 billion to 21.6 billion.
6. Net profit for the top five banks grew by 22.9% from USD 4.3 billion in FY-2022 to USD 5.3 billion in FY-2023.
7. Fee income for the top five banks increased by 4.9% from USD 3.7 billion in FY-2022 to USD 2.5 billion in FY-2023.
  - a. The shift of payment flows from proprietary channels to a shared infrastructure is causing banks to lose control over pricing.
8. Net interest income for the top five banks increased by 43 basis points from 2.90% in FY-2022 to 3.33% in FY-2023.
9. Non-performing loans declined by 22 bps from 3.26% in FY-2022 to 3.04% in FY-2023.
10. Cost efficiency for the top five banks improved by 129 bps from 45.26% in FY-2022 to 43.96% in FY-2023.

## Revenue highlights

### Net revenues for the top 5 banks in Thailand grew by 14.3% YoY

Net revenues increased from USD 18.9 billion in FY-2022 to USD 21.6 billion in FY-2023 (Exhibit 1). Average net revenues stood at USD 4.3 billion in FY-2023.

- 18.5% increase in net interest income from USD 14 billion to USD 16.5 billion.
- 1.6% increase in non-interest income from USD 4.9 billion to USD 5 billion.

### Bangkok Bank

- 20.6% YoY increase in net revenues from USD 4 billion to USD 4.8 billion.
- 1% decline in fee income from USD 791 million to USD 784 million.
- 28% YoY increase in net interest income from USD 2 billion to USD 2.4 billion.
  - The growth was driven by rising yields on earning assets following rising interest rates.
  - The growth was partially offset by the growing cost of deposits, which increased alongside the rising deposit interest rates and the resumption of the FIDF fee to the standard rate of 0.46% at the beginning of 2023.

### Krungthai Bank

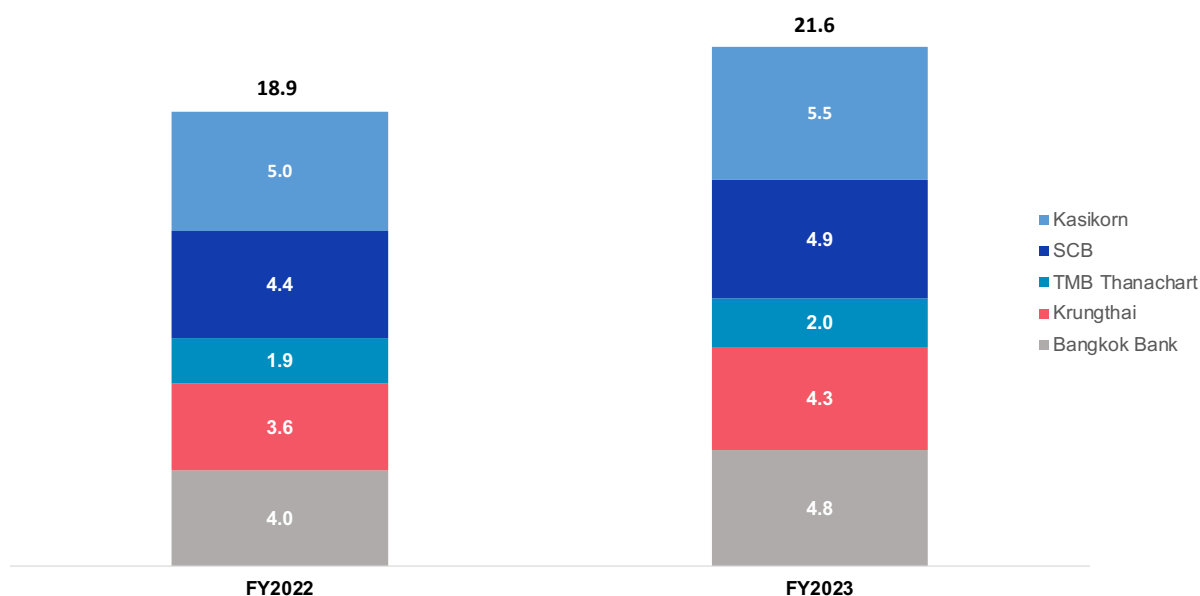
- 19.2% increase in net revenues from USD 3.6 billion to USD 4.3 billion.
- 25.5% increase in net interest income from USD 2.6 billion to USD 3.3 billion.
- 3% increase in non-interest income from USD 1.01 billion to USD 1.04 billion.

All other banks also reported an increase in their net revenues.

- Kasikorn Bank reported an increase of 11.2% from USD 5 billion to USD 5.5 billion.
- SCB reported an increase of 10.8% from USD 4.4 billion to USD 4.9 billion.
- TMB Thanachart reported an increase of 7.8% from USD 1.9 billion to USD 2 billion.

## Exhibit 1: Net revenues of the top 5 Thai Banks

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\*Figures in USD billion

Source: Bank Financials, Twimbit analysis

The recent surge in the net interest income for Thai banks is primarily due to the policy rate hikes. Since August 2022, the Central Bank of Thailand has made 8 policy rate hikes, raising it from 0.5% to a ten-year high of 2.5%. These have helped the banks increase their net interest margins from 2.9% in FY-2022 to 3.3% in FY-2023.

In the context of rising policy rates, the banking sector's total net interest income surged by 17.8% YoY, from USD 17.8 billion in FY-2022 to USD 20.9 billion in FY-2023.

### Profitability

Net profit for the top 5 banks in Thailand grew by 22.9% YoY

Aggregated net profits increased from USD 4.3 billion in FY-2022 to USD 5.3 billion in FY-2023. Average net profits grew by 22.9% (Exhibit 2) from USD 865 million in FY-2022 to USD 1.06 billion in FY-2023.

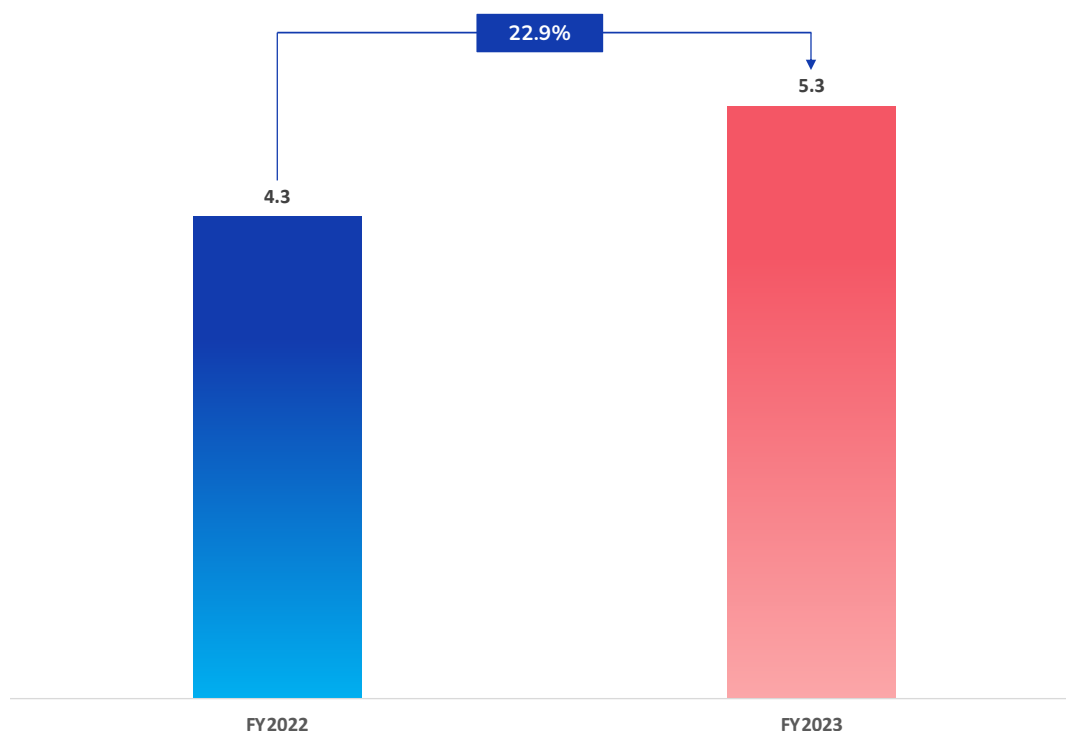
- Bangkok Bank: 42.1% net profit growth
- TMB Thanachart: 30% net profit growth

- Kasikorn Bank: 20.8% net profit growth
- SCB: 17.4% net profit growth
- Krungthai Bank: 11.5% net profit growth

Bangkok Bank reported a 42.1% growth in net profits from USD 843 million in FY-2022 to USD 1.2 billion in FY-2023. This growth was driven by:

- 28% YoY growth in the net interest income from USD 2.9 billion in FY-2022 to USD 3.8 billion in FY-2023.

**Exhibit 2: Consolidated net profits of the top 5 Thai Banks**



\*Figures in USD billion

Source: Bank Financials, Twimbit analysis

**Fee-based income**

**Fee income for the top 5 banks in Thailand declined by 4.9% YoY**

Fee income declined from USD 3.7 billion in FY-2022 to USD 3.5 billion in FY-2023 (Exhibit 3). Only Krungthai Bank reported an increase in fee income of 2.3% from USD 586 million to USD 599 million.

**SCB**

- **11.9% decline in fee income from USD 1.1 billion to USD 942 million.**
- **The decline in fee income was mainly due to the following:**
  - **Bancassurance fees declined by 23.8% from USD 434 million to USD 331 million**
  - **Wealth management revenue declined by 2.6% from USD 224 million to USD 219 million**
  - **Transactional banking fees declined by 10.2% from USD 394 million to USD 354 million**

**Krungthai Bank**

- **2.3% increase in fee income from USD 586 million to USD 599 million**

**All other banks reported declining fee incomes.**

- **Kasikorn Bank reported a decline of 11.9% from USD 946 million to USD 897 million.**
- **TMB Thanachart reported a decline of 3% from USD 307 million to USD 298 million.**
- **Bangkok Bank reported a decline of 1% from USD 791 million to USD 784 million.**

**The decline in fee income for Thai banks can be attributed to various factors:**

- 1. Compressed yields due to a portfolio realignment towards low-yield assets – Realigning towards low-yield assets, Thai banks had to increase their outstanding mortgages and transition from small and medium-sized enterprise (SME) loan lending to corporate lending.**
- 2. The decline in fee income earned on money transfers – The shift of payment flows from proprietary channels to a shared infrastructure caused banks to lose control over pricing.**
- 3. Wealth management units of banks in Thailand are experiencing a downturn in their fee incomes, despite the boost in banks' profit margins from lending activities in a high-interest-rate environment.**

**To boost their fee incomes, banks should :**

- **reduce fee reliance from brokerage, money transfers, bancassurance and mutual funds**
- **diversify their existing portfolio of services by including digital solutions**
- **cater to the complex needs of SMEs with tailored services and new digital technologies**

**Exhibit 3: Fee incomes of the top 5 Thai Banks**



\*Figures in USD million

Source: Bank Financials, Twimbit analysis

**Net interest margins (NIM)**

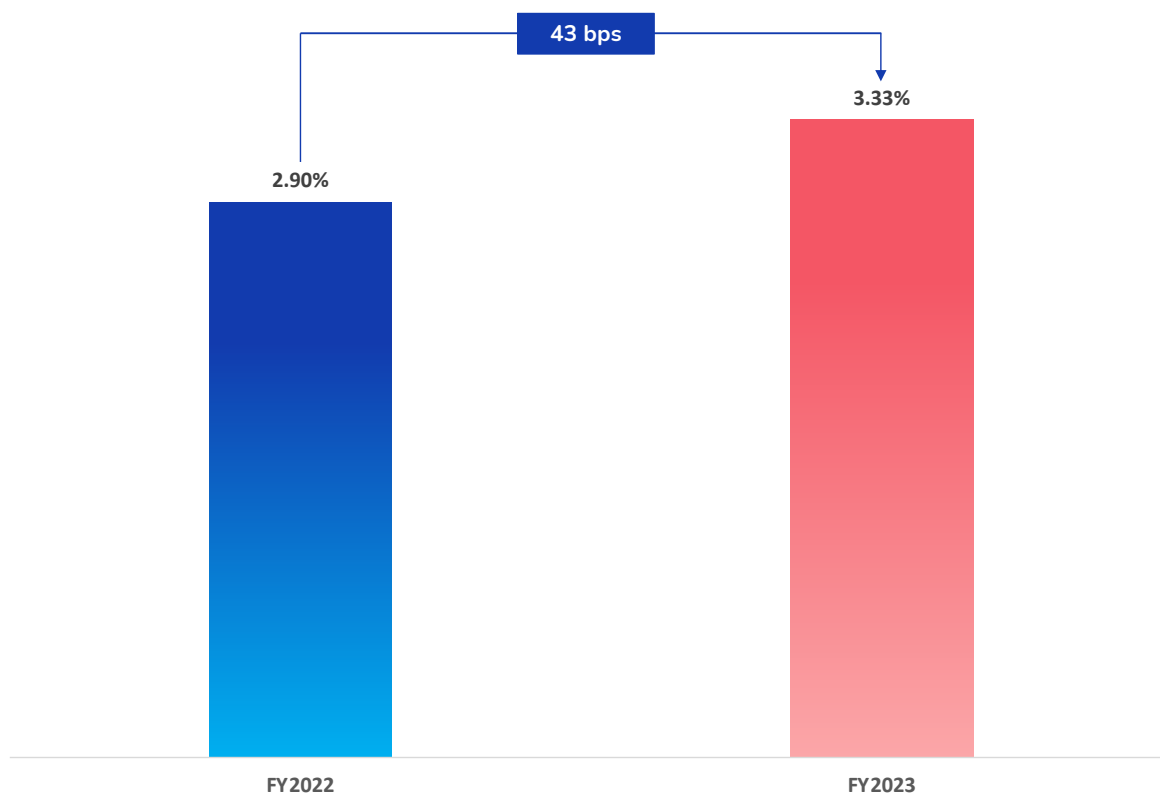
**NIM for the top 5 banks in Thailand increased by 43 basis points**

Average NIM increased from 2.9% in FY-2022 to 3.3% in FY-2023 (Exhibit 4). All banks analysed reported increasing NIM, primarily due to portfolio optimisation and interest rate trends, offset by the rising costs of holding deposits.



**Exhibit 4: Consolidated net interest margins of the top 5 Thai Banks**

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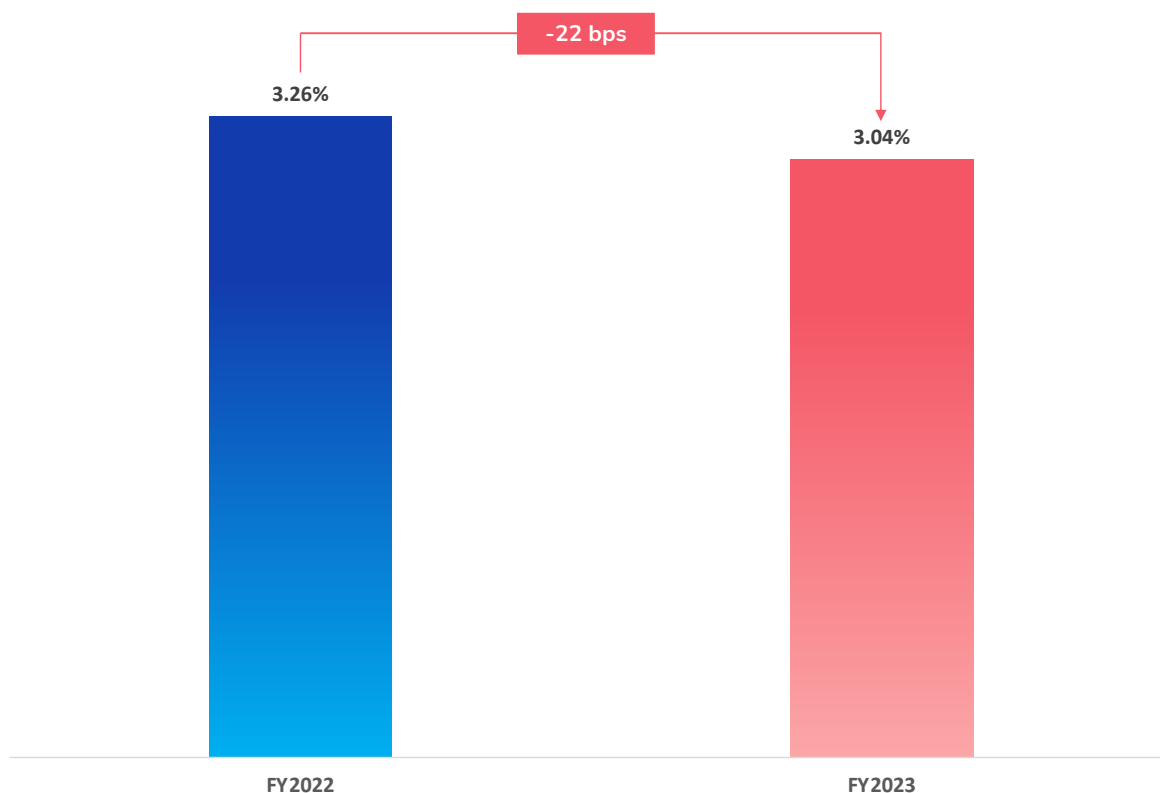


Source: Bank Financials, Twimbit analysis

**Non-performing loans (NPL)****NPL for the top 5 banks in Thailand declined by 22 basis points**

Average NPL declined from 3.26% in FY-2022 to 3.04% in FY-2023 (Exhibit 5). All banks reported a decline in their NPL.

- Bangkok Bank: 12% decline
- Kasikorn Bank: 9.4% decline
- Krungthai Bank: 5.5% decline
- SCB: 4.7% decline
- TMB Thanachart: 1.5% decline

**Exhibit 5: Consolidated non-performing loans of the Top 5 Thai Banks**

Source: Bank Financials, Twimbit analysis

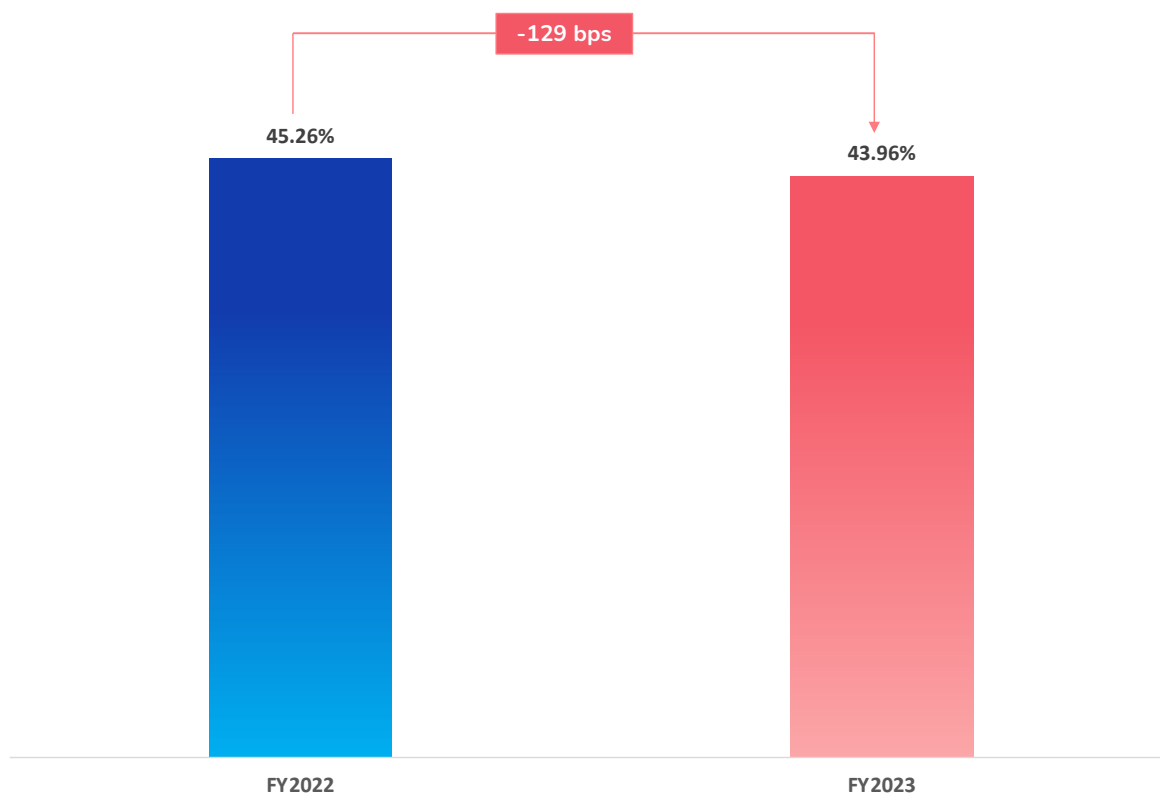
**Cost efficiency (CE)****CE for the top 5 banks in Thailand improved by 129 basis points**

The average cost efficiency slightly improved from 45.26% in FY-2022 to 43.96% in FY-2023 (Exhibit 6).

- All banks reported a cost efficiency below the threshold value of 50%.
- Cost efficiency for Kasikorn Bank deteriorated by 88 basis points from 43.17% to 44.05%
- Cost efficiency for SCB improved by 325 basis points from 45.25% to 42%.

**Exhibit 6: Consolidated cost-efficiency ratio of the Top 5 Thai Banks**

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Source: Bank Financials, Twimbit analysis

**Outlook for 2024**

Economic growth is expected to increase from 2.5% in 2023 to 3.2% in 2024. This is due to a shift from household debt to private consumption, with anticipations to remain the primary engine for GDP growth in 2024.

The government's introduction of a digital wallet project aims to provide a short-term boost to private consumption, signalling a departure from heavy reliance on exports. However, for sustained growth, the focus should be on increasing long-term income levels, as one-time payments only offer temporary benefits compared to permanent wage increases.

In Q3 2023, the country's household debt soared to 90.9% of GDP, amounting to USD 466 billion.

## Research methodology and assumptions

- **Data collection has been done based on secondary research about the information provided by the respective banks through their investor presentation and quarterly financial statements. Twimbit follows the calendar year approach for the analysis in this report (meaning Q1 is equivalent to the period of January to March of the year).**
- **For fair representation and analysis, we have considered a constant currency rate for conversion from local currency to USD value. The USD conversion rate is the average calculated value from January to December 2023.**
- **The report analyses net revenue, net profit and fee income, net interest margin, non-performing loan and cost efficiency for 5 banks.**
- **The revenue figures for all the banks analysed are net of interest and non-interest expenses.**