



BANK OF THAILAND

BOT Press Release

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Performance of the Thai Banking System in the Third Quarter of 2022

Ms. Suwannee Jatsadasak, Senior Director, Bank of Thailand, reported on the Thai banking system's performance in the third quarter of 2022 that the **Thai banking system remained resilient with high levels of capital fund, loan loss provision and liquidity**, which served as key mechanism to support the economic recovery and accommodate loan demand from businesses and households going forward. In addition, banks continued to manage their loan portfolios and assist borrowers through debt restructuring. Meanwhile, the banking system's profitability improved from the same period last year, mainly due to loan expansion which resulted in an increase in net interest income as well as lower provisioning expenses. Details are as follows:

The Thai banking system's capital fund stood at 3,094.6 billion baht, equivalent to capital adequacy ratio (BIS ratio) of 19.2%. Loan loss provision remained high at 890.7 billion baht with NPL coverage ratio of 171.6%. Liquidity coverage ratio (LCR) registered at 186.5%.

Banks' overall loan growth grew at a slower pace by 5.3% year-on-year in the third quarter of 2022, compared with 6.3% in the previous quarter, mainly as a result of loan repayment from government and banks' loan portfolio management. However, loans continued to expand following the economic recovery. Details on bank loans are as follows:

Corporate loan growth increased by 6.1% year-on-year owing mainly to expansion in large corporate loans¹ to support financing needs of businesses in line with the improving recovery of economic activities. Meanwhile, SME loans² slightly contracted primarily due to the scheduled repayment of soft loan facility.

Consumer loans expanded by 3.9% year-on-year in all loan types. Personal loans continued to grow along with the recovery of private consumption. Meanwhile, mortgage loans expanded following an increase in housing demand for both low-rise and high-rise residential properties, partly due to the housing stimulus measures which will end in 2022. Auto loans increased consistent with growth in domestic car sales. Credit card loans

¹ Corporates with a credit line more than 500 million baht with a bank as of September 2022.

² Corporates with a credit line not exceeding 500 million baht with a bank as of September 2022.

continued to grow in line with an increase in credit card usage, together with last year's low base of credit card spending during lockdown.

On the loan quality front, banks continued to manage their loan portfolios and assist borrowers through debt restructuring. As a result, the gross non-performing loans (NPL or stage 3) in the third quarter of 2022 decreased to 502.7 billion baht, equivalent to the NPL ratio of 2.77%. Meanwhile, the ratio of loans with significant increase in credit risk (SICR or stage 2) to total loans was 6.26%, increasing from 6.09% in the previous quarter.

The banking system recorded a net profit of 60.4 billion baht in the third quarter of 2022, increasing by 56.8% from the same quarter last year. This was driven mainly by loan expansion which resulted in an increase in net interest income, together with lower provisioning expenses after banks have gradually set aside an elevated level of provision throughout the COVID-19 period. Compared to the previous quarter, net profit declined primarily due to lower non-interest income from seasonal effect of dividend income last quarter, while net interest income increased. As a result, the ratio of net interest income to average interest-earning assets (Net Interest Margin: NIM) increased to 2.64% from 2.51% in the previous quarter. Meanwhile, the overall return on asset ratio (ROA) decreased to 1.01% from 1.11% in the previous quarter.

Bank of Thailand
November 21, 2022

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Performance of the Thai Banking System in the Third Quarter of 2022

21 November 2022



Overall Performance of the Thai Banking System in the Third Quarter of 2022

Bank resilience

Thai banking system remained resilient with high levels of capital fund, liquidity and loan loss provision.

Loan growth



Loan growth

+5.3 %YoY (Q3/22)

+6.3 %YoY (Q2/22)

increased at a slower rate due to loan repayment from government and banks' active loan portfolio management. However, loans expanded from large corporate and consumer loans following the economic recovery. Meanwhile, SME loans slightly contracted due to the scheduled repayment of soft loan facility.

Loan quality



Stage 3

2.77% (Q3/22)

2.88% (Q2/22)

improved with NPL ratio declined from banks' loan portfolio management and continued debt restructuring.

Profitability



Net profit

56.8 %YoY (Q3/22)

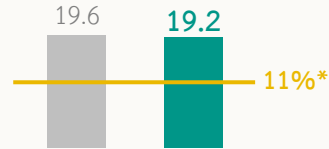
7.1 %YoY (Q2/22)

improved from the same period last year driven mainly by loan expansion which resulted in an increase in net interest income, together with lower provisioning expenses after banks have gradually set aside an elevated level of provision throughout the COVID-19 period.

The Thai banking system's capital fund, loan loss provision and liquidity remained at high levels.

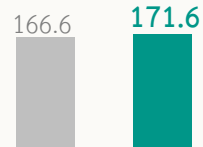
■ Q2/22 ■ Q3/22 — Minimum requirement

BIS ratio



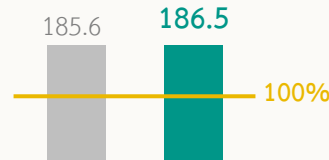
remained stable at a high level : Capital fund slightly increased due to the capital fund conversion of foreign bank branches, together with profit appropriation, while risk weighted assets increased following loan expansion.

NPL coverage ratio



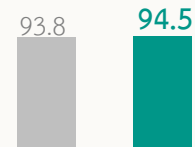
increased : Loan loss provision and NPL outstanding decreased following banks' loan portfolio management. However, banks continued to set aside provisions to cushion against any potential loan quality deterioration.

LCR (Liquidity Coverage Ratio)



increased : All banks maintained high levels of LCR above the minimum requirement of 100%.

L/D ratio



increased: Loans expanded at a higher rate than deposits. Deposits grew mainly from Thai banks' overseas branches and government deposits.

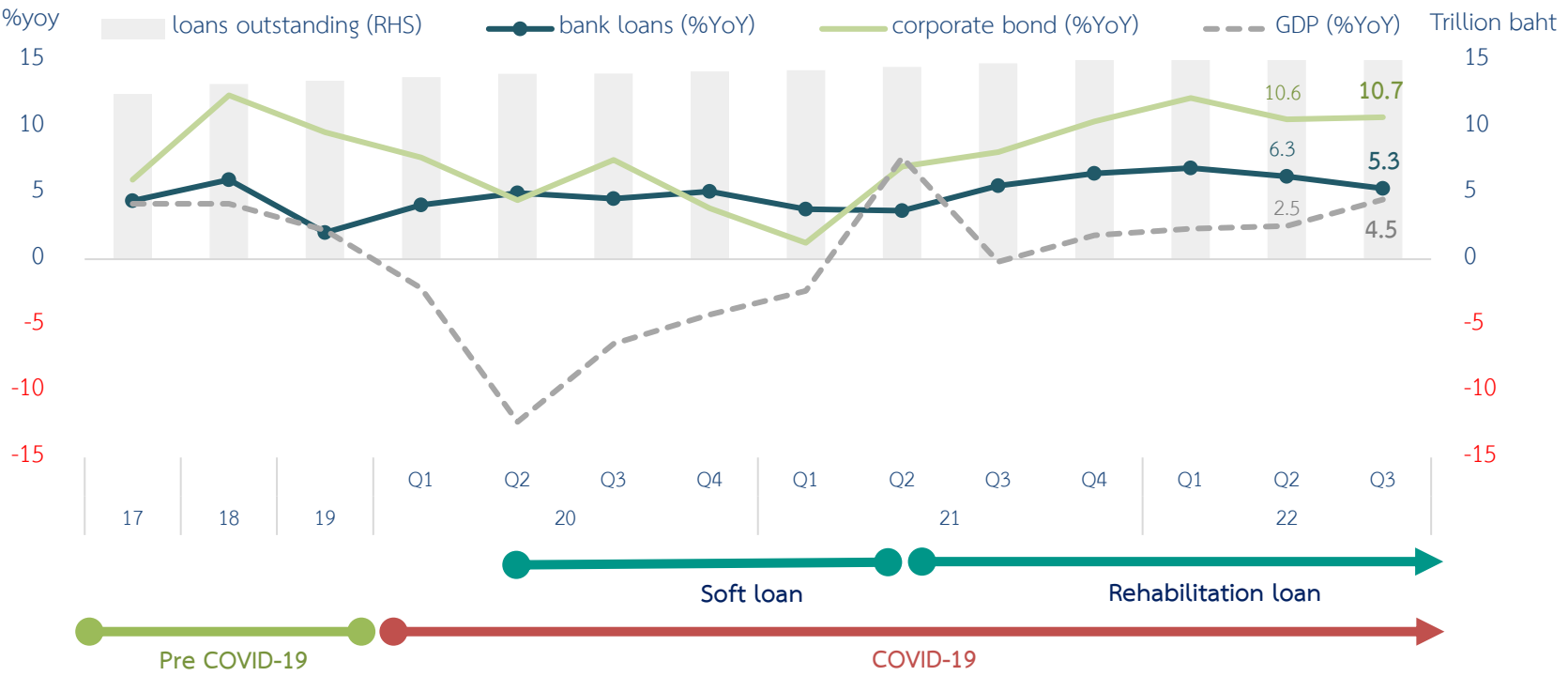
Note: *The minimum capital requirement for D-SIBs is at 12%.

Definition of NPL coverage ratio was revised in accordance to TFRS 9: before Q1/2020 : Loan loss provision (principle only) / NPL outstanding (principle only)
after Q1/2020 : Loan loss provision (loan principle + accrued interest + contingent liability) / NPL outstanding (principle + accrued interest).



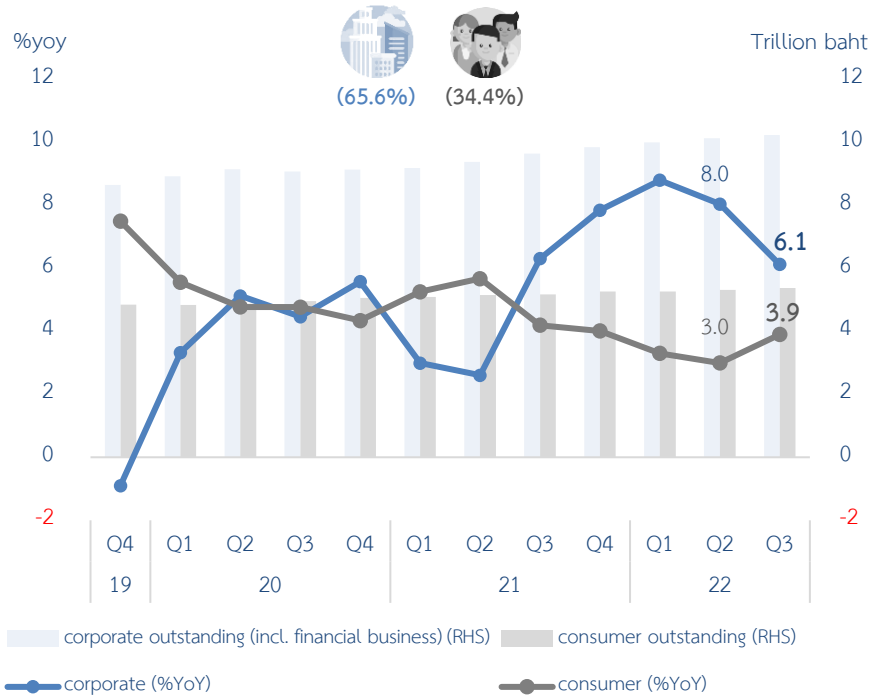
Business sector continued to raise funding through bank loans and bonds in line with the recovery of economic activities.

Bank loan and corporate bond growth

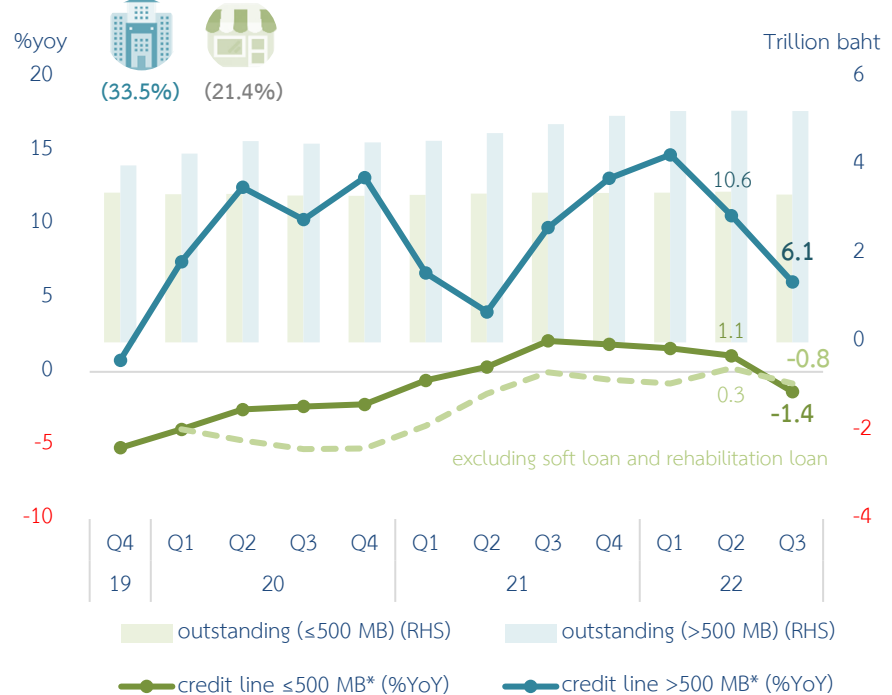


Bank loans expanded at a slower pace due to repayment of loans to government, together with banks' active loan portfolio management. However, loans continued to expand from large corporate and consumer loans following the economic recovery. Meanwhile, SME loans slightly contracted due to the scheduled repayment of soft loan facility.

Loan growth classified by loan portfolios

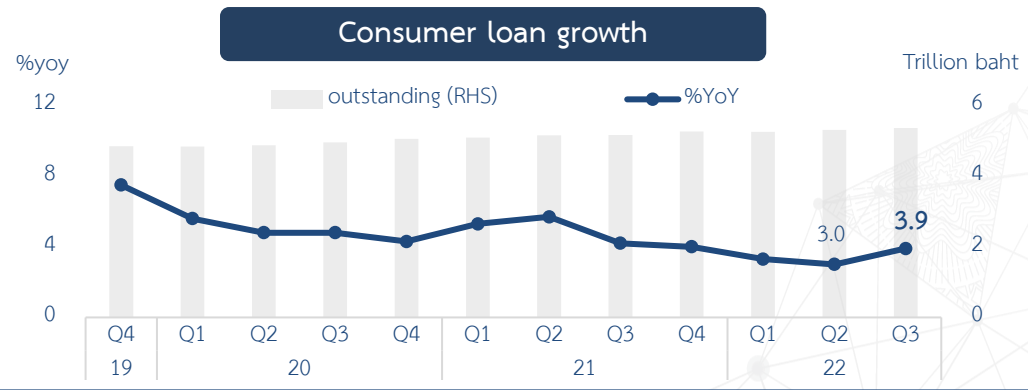


Corporate loan growth classified by size



Note: Growth rate compared to the same period last year | * Corporates with a credit line with a bank (excluding financial business)
A number in parentheses indicates share of total loans.

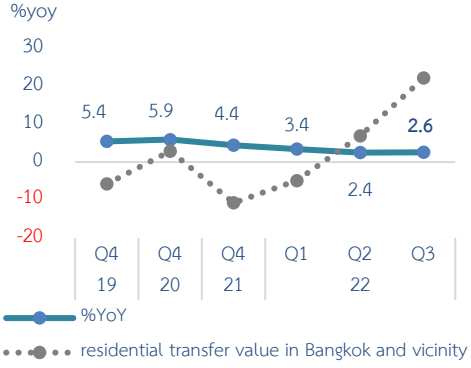
Consumer loans expanded in all loan types, particularly personal and mortgage loans.




Mortgage loans

continued to expand following an increase in housing demand.

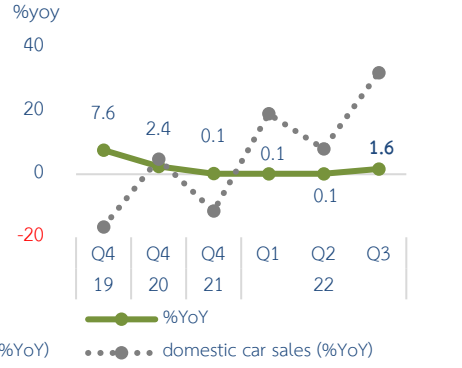

(17.1%)




Auto loans

increased consistent with growth in domestic car sales.

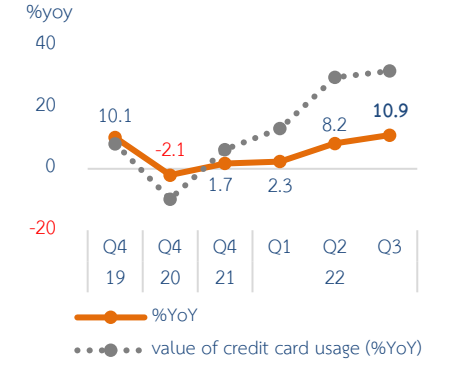
(7.5%)

Credit card loans

continued to grow in line with an increase in credit card usage.

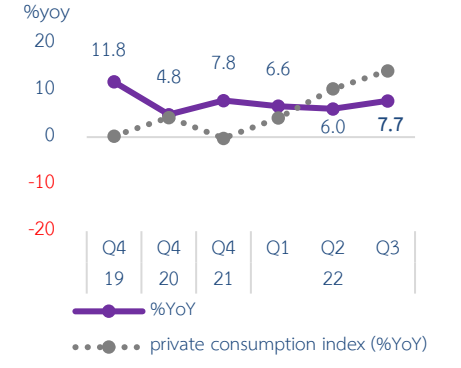
(1.7%)




Personal loans

continued to increase due to the recovery of private consumption.

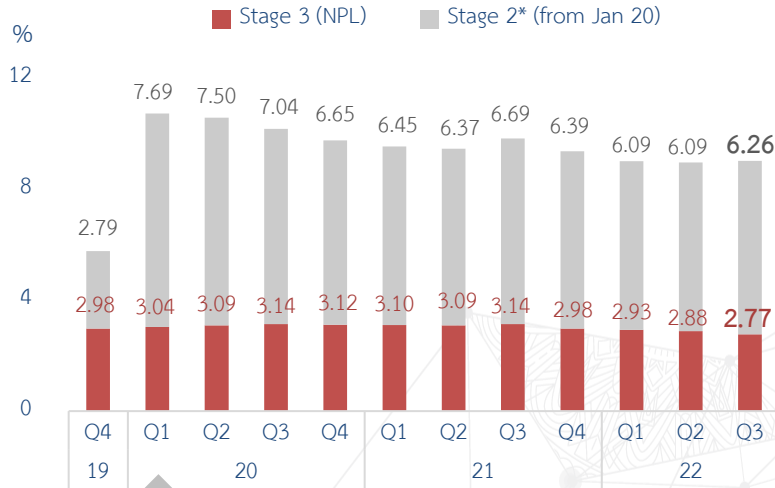
(8.1%)



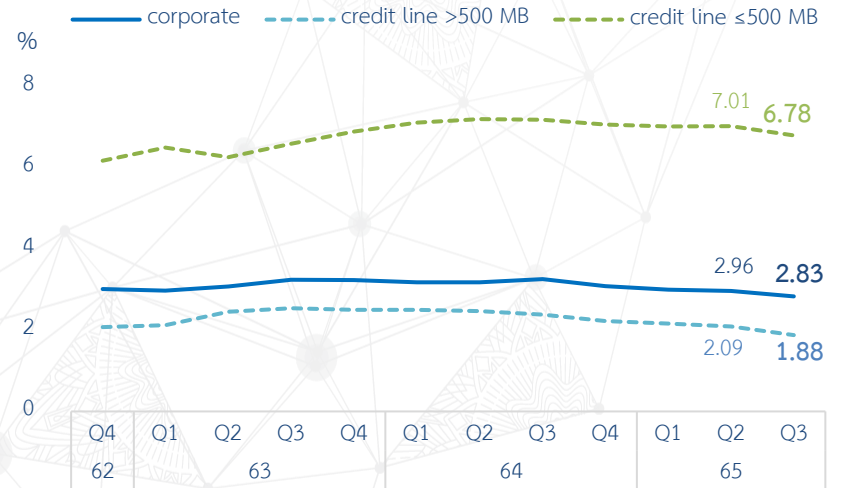
Note: Growth rate compared to the same period last year | A number in parentheses indicates share of total loans.

NPL ratio declined from the previous quarter due to banks' loan portfolio management, especially sales of business loans, as well as continued assistance to borrowers through debt restructuring.

Stage 3 (NPL) and Stage 2 of total loans



Stage 3 (NPL) classified by loan portfolios



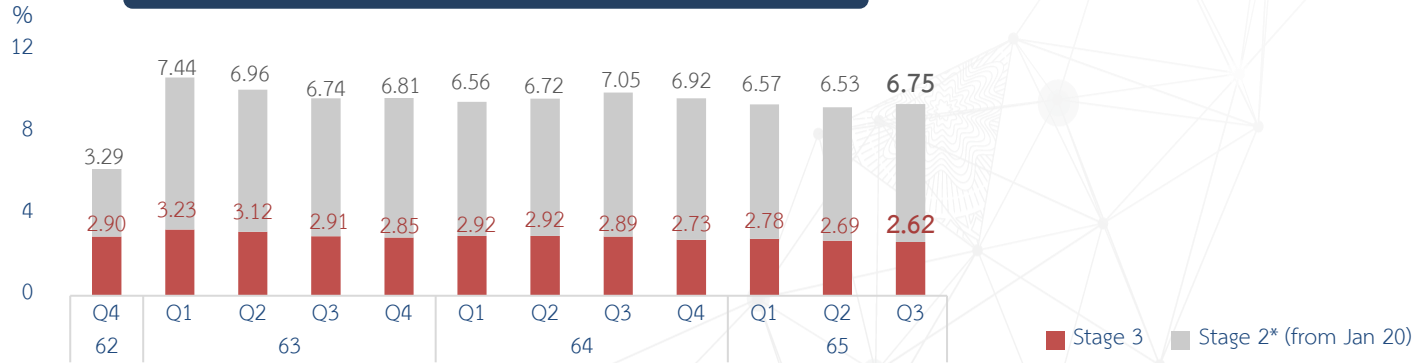
* Stage 2 is defined as loans with significant increase in credit risk (SICR), having a wider coverage than SM.



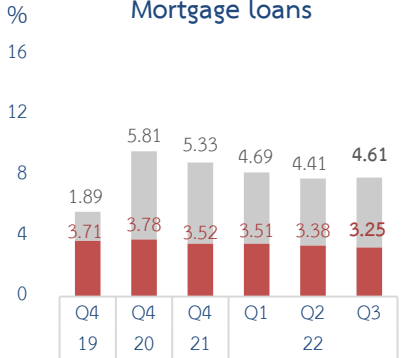
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NPL ratio decreased in almost all consumer loan types except auto loans.

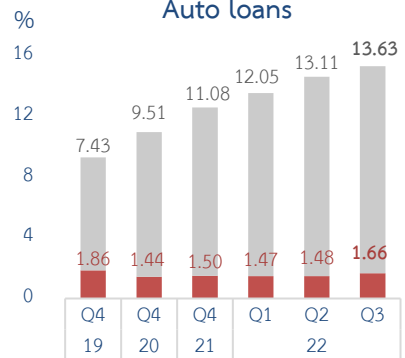
Stage 3 (NPL) and Stage 2 of consumer loans



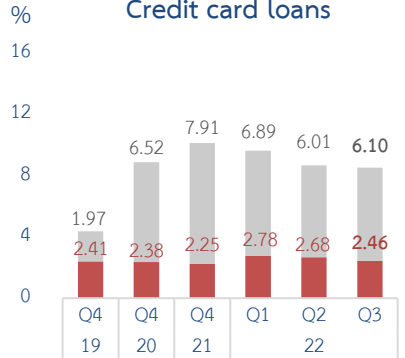
Mortgage loans



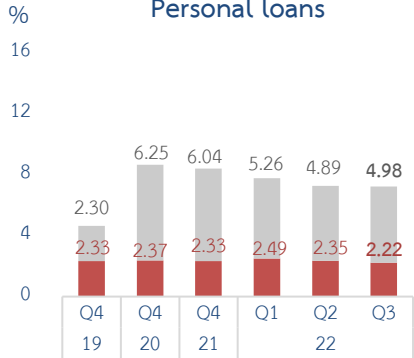
Auto loans



Credit card loans

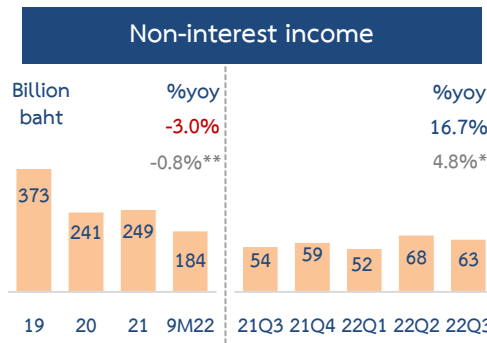
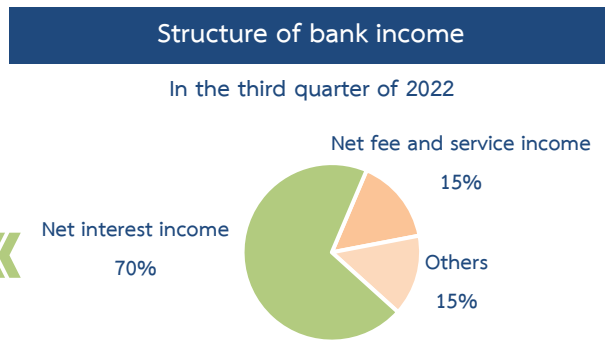
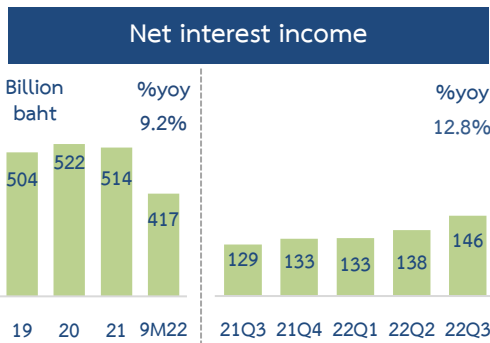
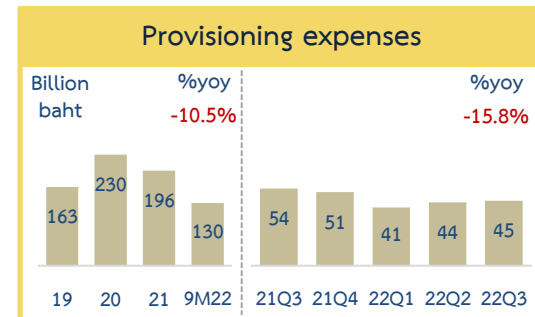
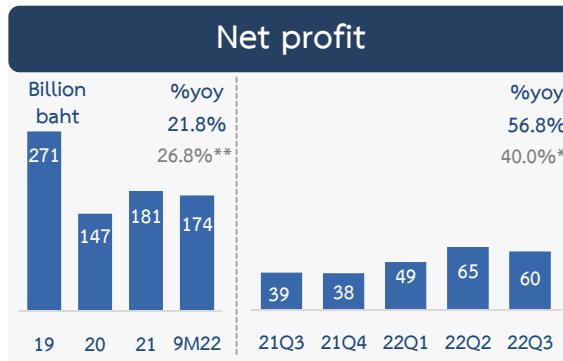
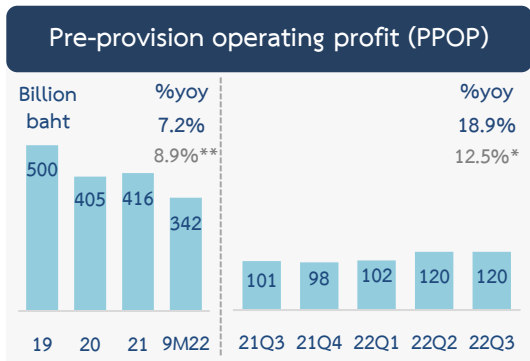


Personal loans



* stage 2 is defined as loans with significant increase in credit risk (SICR), having a wider coverage than SM.

Net profit in the third quarter of 2022 increased from the same quarter last year due mainly to loan expansion which resulted in an increase in net interest income, as well as lower provisioning expenses.

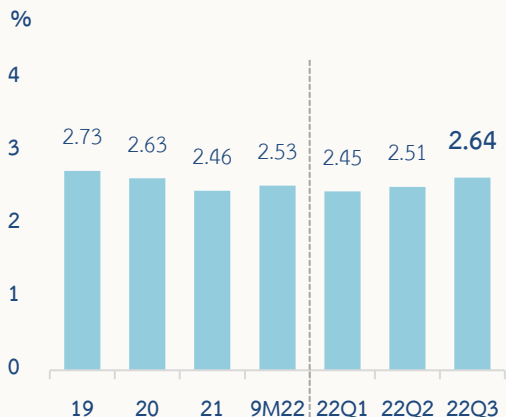


Note: * Growth rate compared to the same period last year after adjusting for an extraordinary item from the recognition of gains on investments from the transfer of subsidiaries in Q3/22

** Excluding extraordinary items from the recognition of gains on investments from the sales of shares in a subsidiary in Q2/21 and the recognition of gains on investments from the transfer of subsidiaries in Q3/22

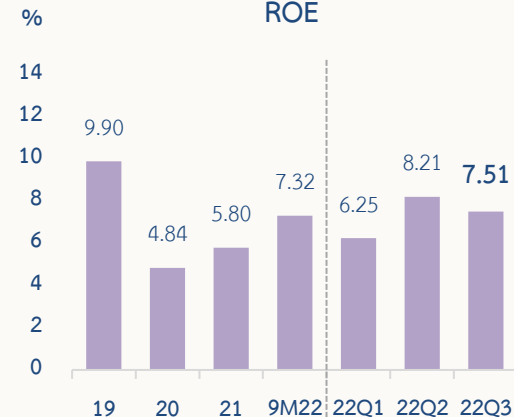
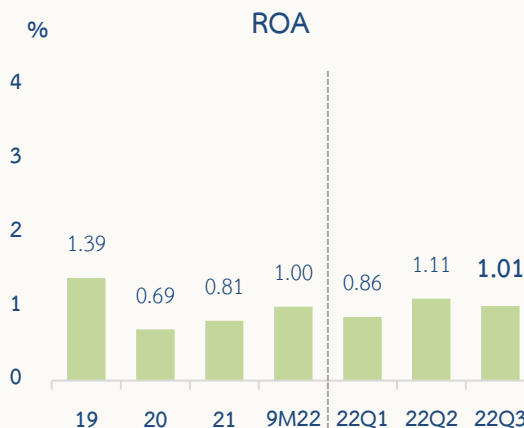
NIM

increased mainly from higher net interest income following loan expansion.



ROA and ROE

decreased as net profit declined primarily due to lower non-interest income from seasonal effect of dividend income last quarter, while net interest income increased in line with the economic recovery.



Note : NIM (Net Interest Margin): (Interest income – interest expenses) / Average interest-earning assets,

ROA (Return on Asset): Net profit / Average net assets and ROE (Return on Equity): Net profit / Average shareholders' equity




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Development in financial rehabilitation measures as of November 14, 2022




Rehabilitation Loan
Credit line 250,000 MB



Approved loan amount
199,693 MB



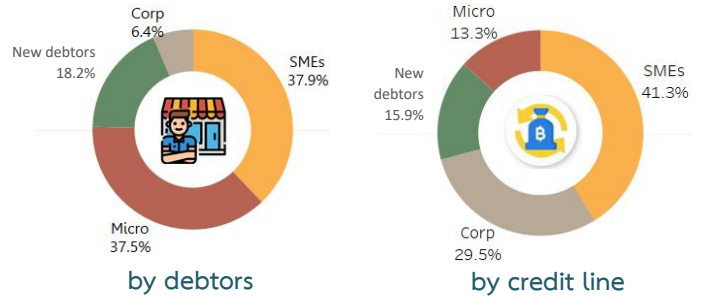
Number of debtors under loan scheme
57,826 debtors




Average credit line
3.5 MB/debtor

Well-distributed by size, business sector and region

by existing credit lines



75.4%
of debtors are Micro and SMEs
(existing credit lines < 50 MB)



Debtors (%)

68.0%
of debtors are in
commerce and service
sectors.




Debtors (%)


69.9%
of debtors are from
provincial areas.



Debtors (%)



Debt Restructuring through Asset Warehousing
Credit line 100,000 MB



Approved loan amount
54,886 MB



Number of debtors under the scheme
390 debtors

Financial institutions and debtors have to negotiate the terms and conditions.



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Development in credit assistance from financial institutions



Loan under assistance



Loan outstanding under assistance

2.98 trillion baht

Banks + non-banks:
1.94 trillion baht
SFIs: 1.05 trillion baht

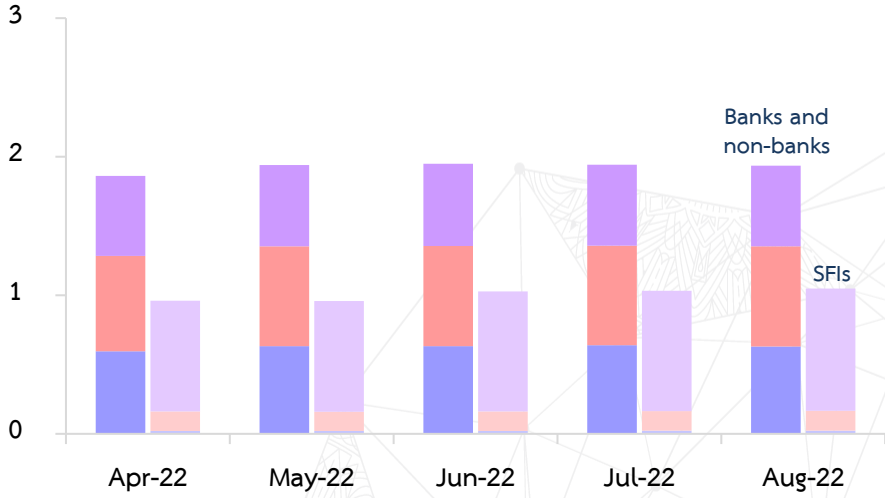


Number of accounts under assistance

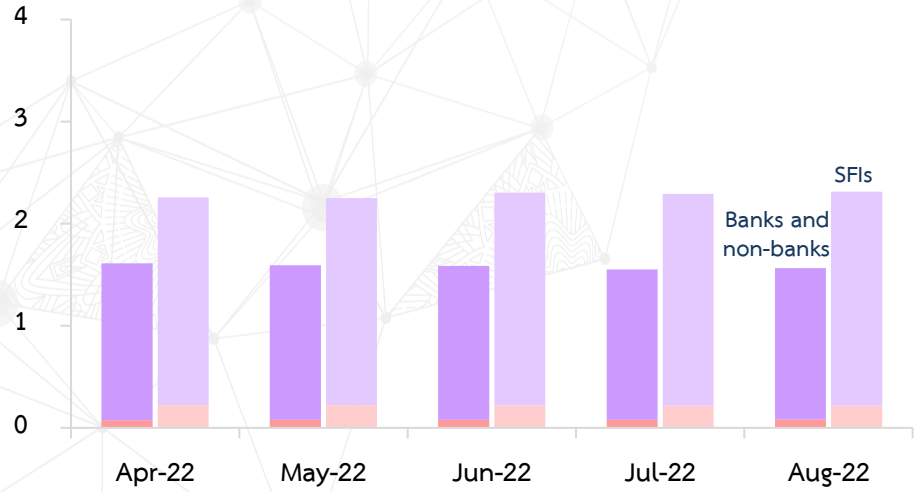
3.88 million accounts

Banks + non-banks:
1.57 million accounts
SFIs: 2.31 million accounts

Trillion baht



Million accounts



Large corporates

SMEs

Retail consumers

Note : Dark colours represent banks and non-banks, while light colours represent SFIs

1

Thai banking system remained resilient with high levels of loan loss provision, liquidity and capital fund, which served as key mechanism to support the economic recovery and accommodate loan demand from businesses and households going forward.

2

Overall NPL ratio decreased mainly due to banks' loan portfolio management. However, given the uneven recovery, debt serviceability warrants monitoring particularly for vulnerable SMEs and retail debtors which would be affected by higher inflation and financing costs.