



No. 63/2021

Performance of the Thai Banking System in the Second Quarter of 2021

Ms. Suwannee Jatsadasak, Senior Director, Bank of Thailand, reported on the Thai banking system's performance in the second quarter of 2021 that the **Thai banking system remained resilient with high levels of capital fund, loan loss provision and liquidity** to cushion economic impacts from COVID-19 pandemic as well as play an important role in facilitating assistances for borrowers in need and accommodating loan demand. Credit assistance measures, coupled with revisions to rules on loan classification and provisioning helped alleviate the deterioration of bank loan quality. Meanwhile, banking system's profitability improved from the same period last year due mainly to lower provisioning expenses as banks set aside high levels of provision in the previous year. Details are as follows:

Capital Fund of the Thai banking system was at 3,038.1 billion baht, equivalent to capital adequacy ratio (BIS ratio) of 20.0%. Loan loss provision remained high at 851.5 billion baht with NPL coverage ratio of 152.2%. Liquidity coverage ratio (LCR) registered at 186.7%.

In the second quarter of 2021, banks' overall loan growth was 3.7% year-on-year, slightly lower than 3.8% in the previous quarter. Details on bank loan are as follows:

Corporate loan growth decelerated to 2.6% year-on-year due to an increase in large corporates¹ loan usage during the second quarter of last year when financial markets were volatile, causing funding switch from corporate bond issuances to bank loan. Furthermore, there was also an increase in funding from corporate bond issuances in this quarter. SME loans² improved and registered positive year-on-year growth partly owing to soft loan and rehabilitation credit scheme.

Consumer loans expanded at 5.7% year-on-year, increasing from 5.3% year-on-year growth rate in the previous quarter. The expansion was mainly attributed to mortgage loan, which continued to grow, consistent with an increase in demand for low-rise properties. Auto loan growth, on the other hand, slightly declined in line with a reduction in domestic car sales from the previous quarter. At the same time, credit card loan expanded at a lower rate due to a lower level of

¹ Corporates with a credit line of more than 500 million baht with a bank as of June 2021.

² Corporates with a credit line not exceeding 500 million baht with a bank as of June 2021.

credit card spending compared to the previous quarter, partly consequent of restrictions on economic activities before the recent lockdown measure. Meanwhile, personal loan grew at a higher rate, in parts from an increase in welfare loans, following an increase in households' liquidity need.

Bank loan quality in the second quarter of 2021 continued to be supported by financial assistance as well as revisions to rules on loan classification. As a result, the gross non-performing loan (NPL or stage 3) outstanding slightly increased to 545.5 billion baht, equivalent to NPL ratio of 3.09%. Meanwhile, the ratio of loans with significant increase in credit risk (SICR or stage 2) to total loans registered at 6.34%, declining from 6.42% in the previous quarter.

The banking system recorded net profit of 60.4 billion baht in the second quarter of 2021, increasing from the same quarter last year by 72.1%³. This was mainly attributed to a decline in provisioning expenses as banks had already set aside an elevated level of provision in 2020, together with higher non-interest income arising from dividend income and fee income. Compared to the previous quarter, net profit adjusted for the extraordinary items rose. This was due to an increase in dividend income and net interest income from an increase in interest revenue from loan expansion. Consequently, the ratio of return on asset (ROA) went up to 1.08% (or 0.89%⁴ after adjusting for the extraordinary item) in this quarter, from 0.81% in the previous quarter. At the same time, the ratio of net interest income to average interest-earning assets (Net Interest Margin: NIM) registered at 2.46%, at par with the previous quarter's NIM of 2.43%.

The merger between TMB Bank and Thanachart Bank to TMBThanachart Bank (TTB) was completed on July 5, 2021. TTB hence becomes a larger bank, having greater connectedness with the rest of the banking system and provides a greater volume of essential financial services such as loans, deposits, payment transactions as well as servicing a larger number of customers. As a result, this year TTB is identified as one of domestic systemically important banks (D-SIBs) in addition to the existing 5 D-SIBs, namely Bangkok Bank, Krung Thai Bank, Bank of Ayudhya, Kasikornbank, and the Siam Commercial Bank. All D-SIBs are robust, maintaining capital ratios significantly above the level prescribed by the Bank of Thailand.

Bank of Thailand
August 23, 2021

For further information, please contact: Banking Risk Assessment Division and Prudential Regulation 1
Tel: +66 2283 5980 and +66 2283 5874 (D-SIBs) Email: BRAD@bot.or.th

³ The year-on-year change after adjusting for extraordinary items from gains on investments from the sales of shares in a subsidiary company in Q2/2021 and interest income from loan in relation to partial payment from the auction of mortgaged guarantee assets in Q2/2020.

⁴ After adjusting for extraordinary items from gains on investments from the sales of shares in a subsidiary company in Q2/2021



ธนาคารแห่งประเทศไทย
BANK OF THAILAND

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23 August 2021



Overall Performance of the Thai Banking System in the Second Quarter of 2021

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



Bank resilience



Loan growth



Loan quality



Profitability

- NPL ratio remained stable under credit assistance schemes and revisions to rules on loan classification.

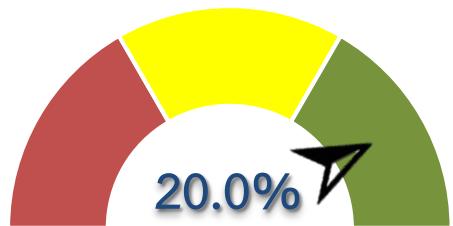
- Total loan growth slightly moderated from a slower growth in corporate loan, partly due to an increase in loan usage during the second quarter of last year. Meanwhile, SME loan registered positive growth in this quarter.
- Consumer loan expanded at a higher rate, predominantly from mortgage and personal loan.

- Banking system's profitability increased compared to the same period last year due to lower provisioning expenses and higher non-interest income from dividend and fee income.

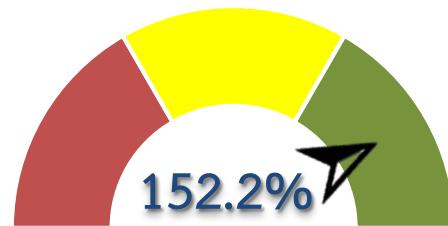


The Thai banking system's capital fund, loan loss provision and liquidity remained at high levels.

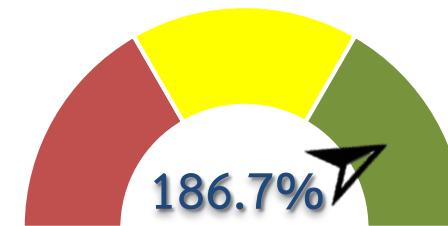
Capital fund
(BIS ratio)



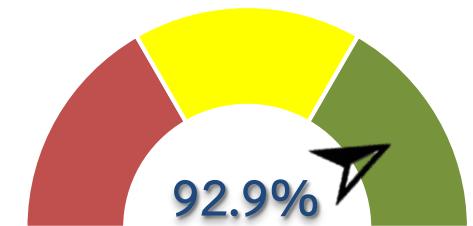
Loan loss provision to NPL
(NPL coverage ratio)



Liquidity Coverage Ratio
(LCR)



Loan to deposit ratio
(L/D ratio)



BIS ratio remained stable
at a high level

Loan loss provision increased

LCR remained stable

L/D ratio increased

➤ Capital buffer was built up mainly through profit appropriation, while the risk weighted asset increased proportionally.

➤ Banks increased their provisions against potential deterioration in loan quality, resulting from COVID-19.

➤ All banks continued to maintain high levels of LCR above the minimum requirement of 100%.

➤ Loan and deposit continued to expand. Deposit grew mainly from savings deposit by retail depositors and government.



Bank loan expanded at a slightly slower pace due to funding switch in 20Q2 from bond issuances to bank loans, coupled with an increase in funding from bond issuances this quarter.
Meanwhile, the economy registered positive growth from last year's low base.

● 2017

● 2018

● 2019

● 20Q1

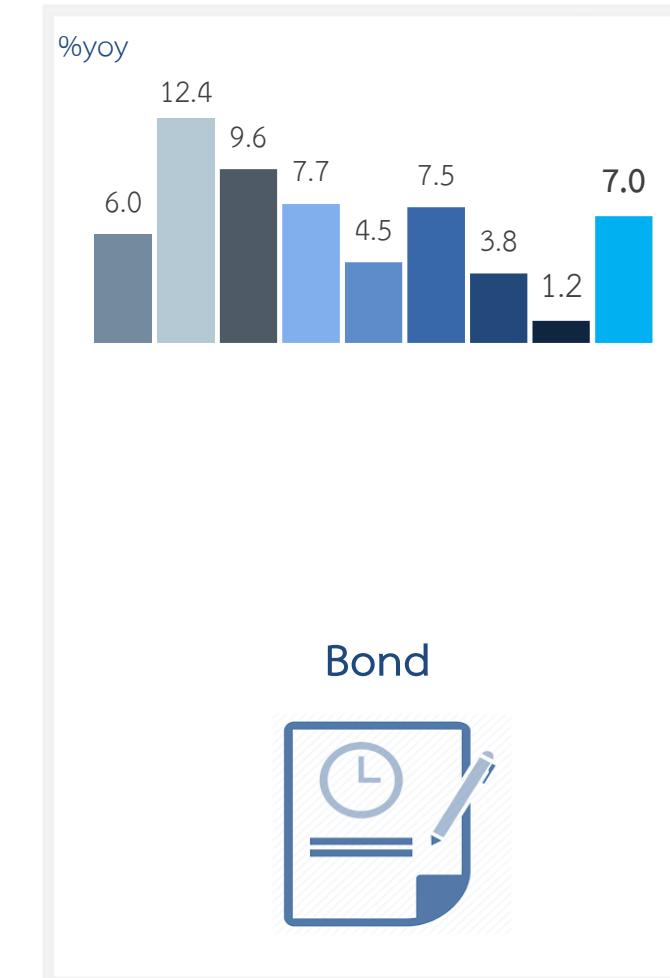
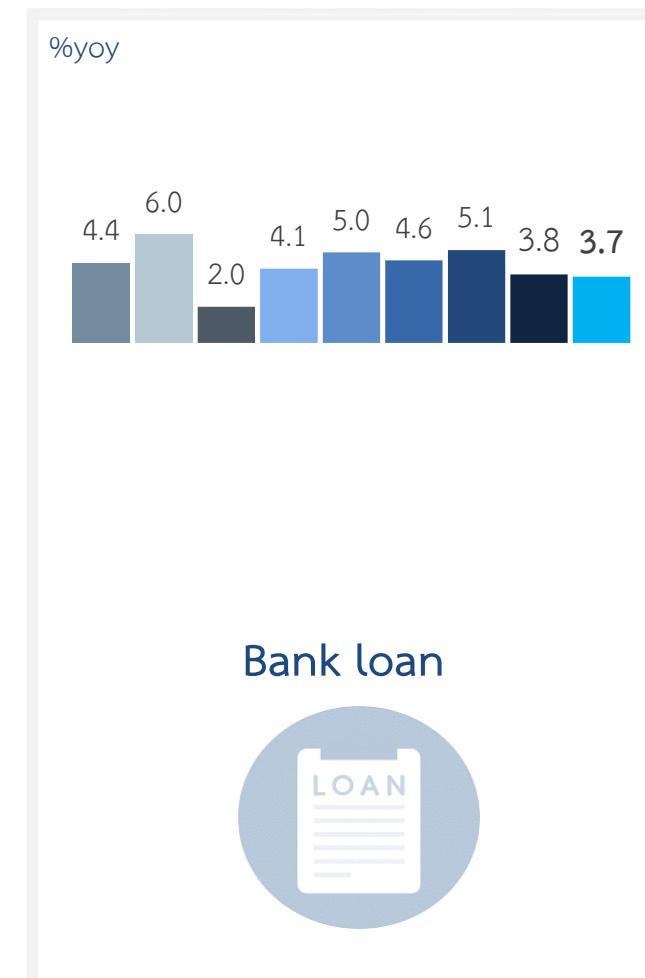
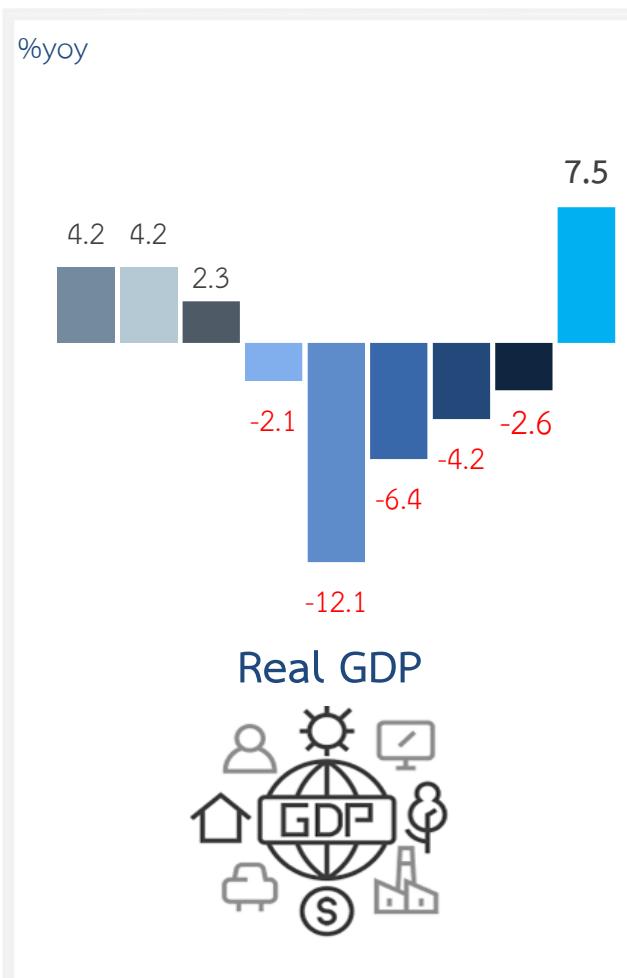
● 20Q2

● 20Q3

● 20Q4

● 21Q1

● 21Q2

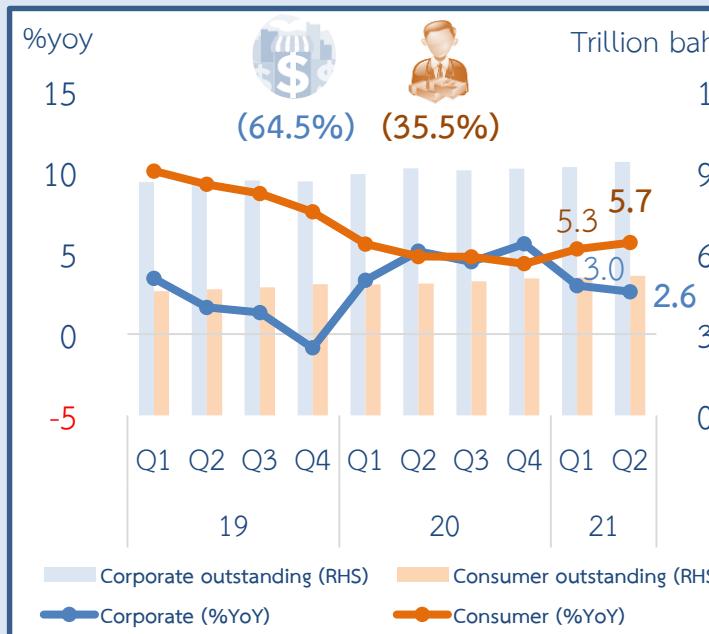




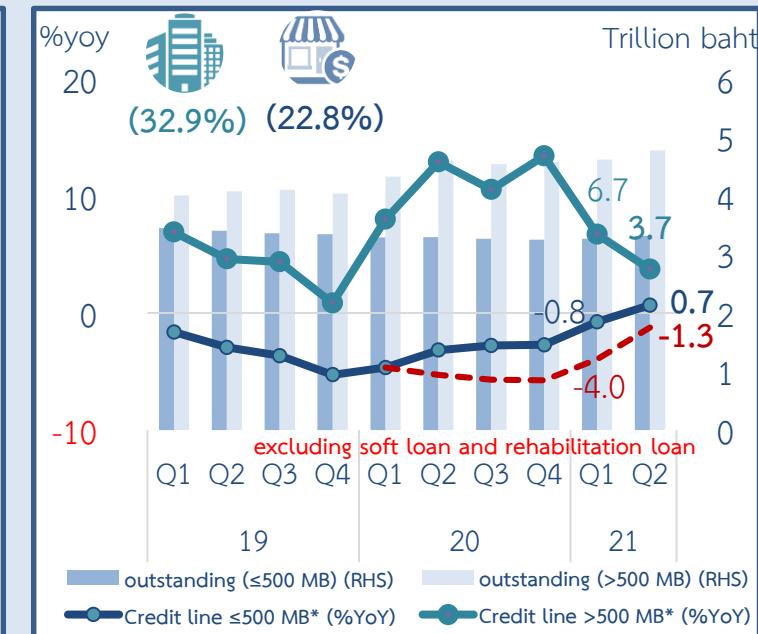
Bank loan growth



Loan growth classified by loan portfolios



Corporate loan growth classified by size



The growth rate of bank loan slightly declined from the previous quarter, mainly due to corporate loan.

Corporate loan expanded yoy at a lower rate due to a high base, while the outstanding loan amount increased from the last quarter. Consumer loan continued to expand.

Large corporate loan growth moderated owing to an increase in loan usage last year as well as an increase in funding from bond issuances this quarter. SMEs' positive loan growth was partly attributed to soft loan and rehabilitation credit scheme.

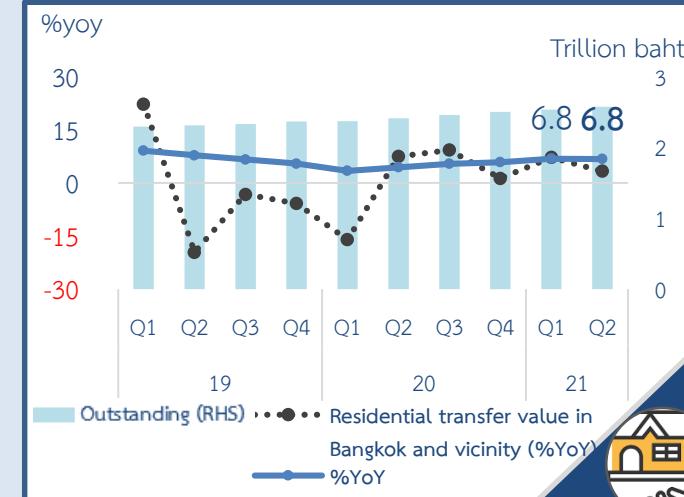


Consumer loan expanded, mainly from mortgage and personal loan.

Consumer loan growth



Mortgage (17.7%)



Auto (8.1%)



Credit card (1.7%)



Personal (8.0%)

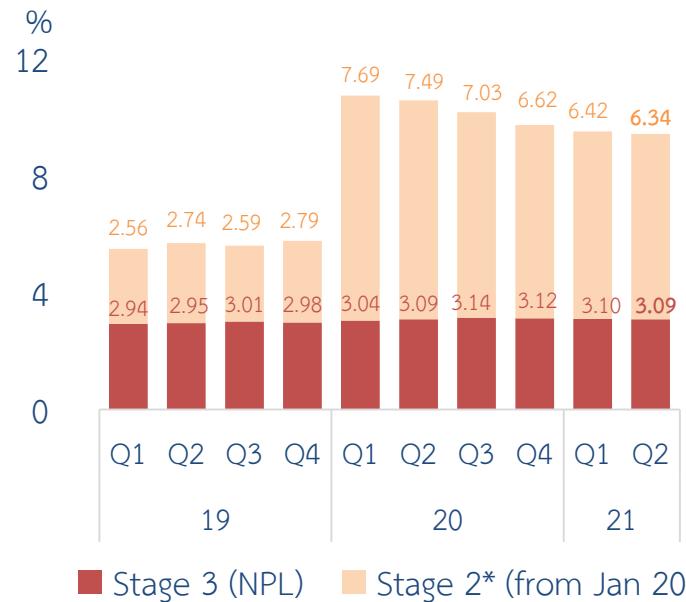


- Mortgage loan continued to grow, consistent with an increase in demand for low-rise properties.
- Auto loan growth slightly declined in line with a reduction in domestic car sales from the previous quarter.
- Lower credit card loan growth was due to a lower level of credit card spending, partly consequent of restrictions on economic activities before the recent lockdown measure.
- Personal loan expanded at a higher rate, partly from an increase in welfare loans, following an increase in households' liquidity need.



NPL (or stage 3) amount increased while total loans continued to grow.
This resulted in a stable NPL ratio under credit assistance measures
and revisions to rules on loan classification.

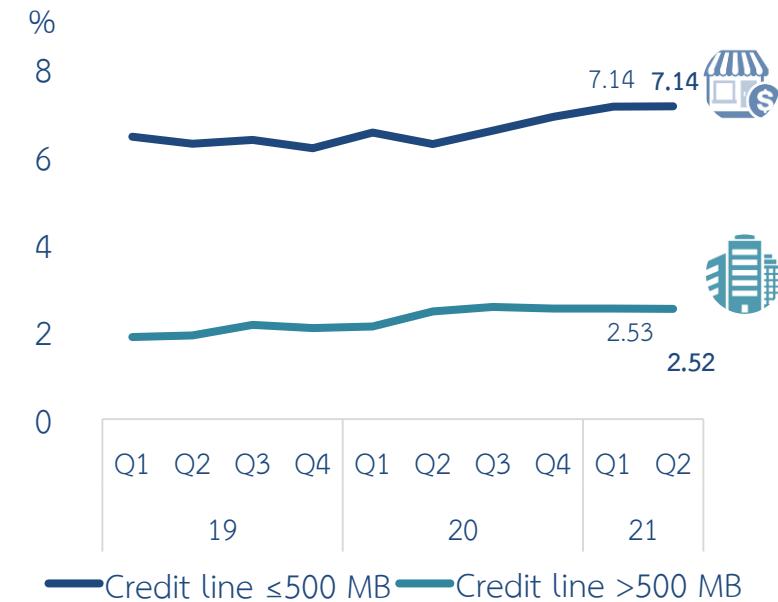
Stage 3 (NPL) and Stage 2 of total loan



Stage 3 classified by loan portfolios



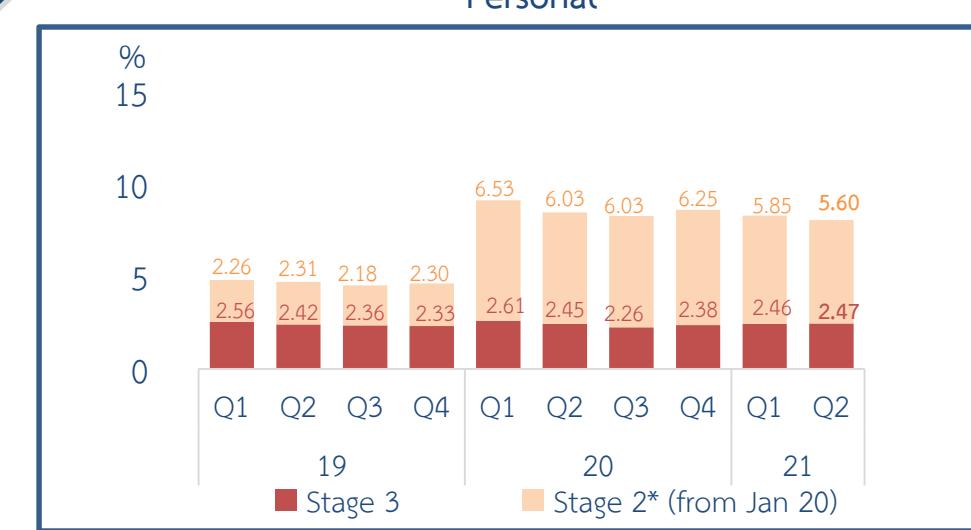
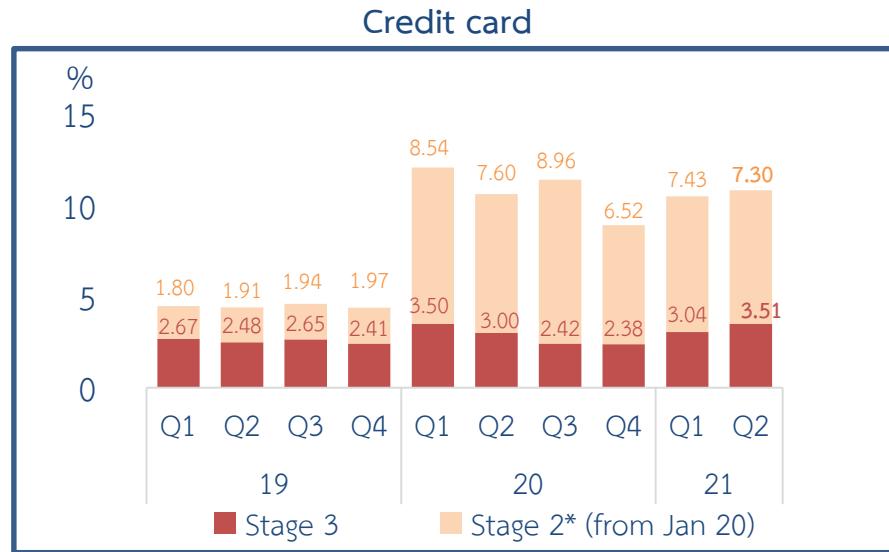
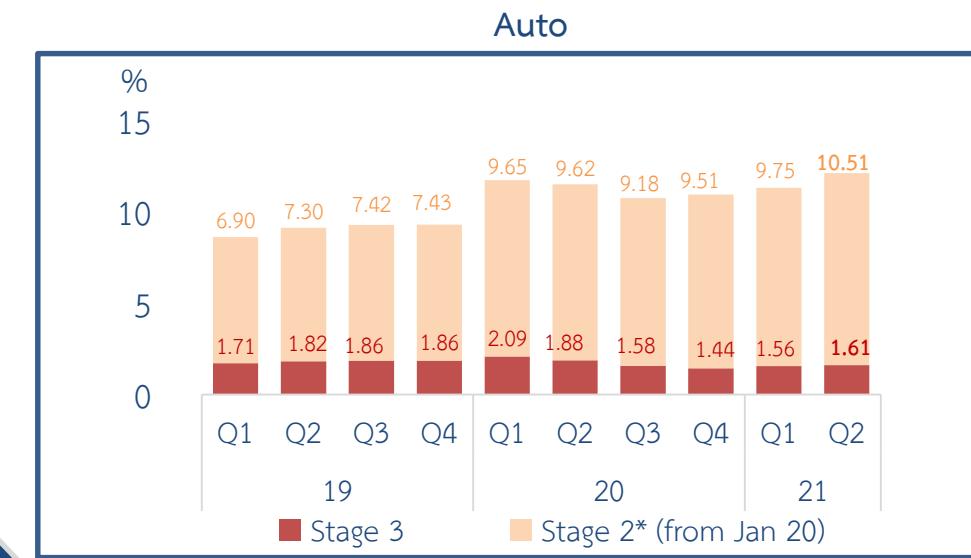
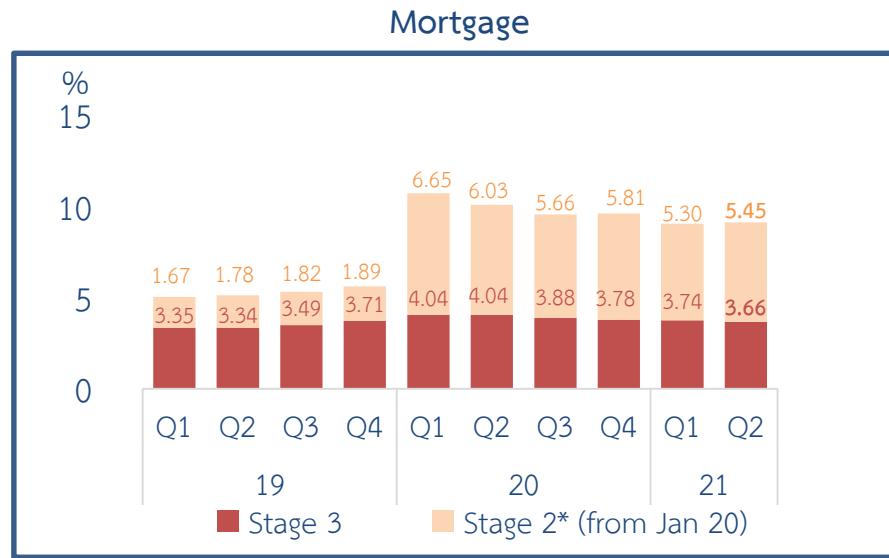
Stage 3 of corporate loan classified by size



*According to the new accounting regulations (TFRS9), stage 2 is defined as loans with significant increase in credit risk (SICR), having a wider coverage than SM.



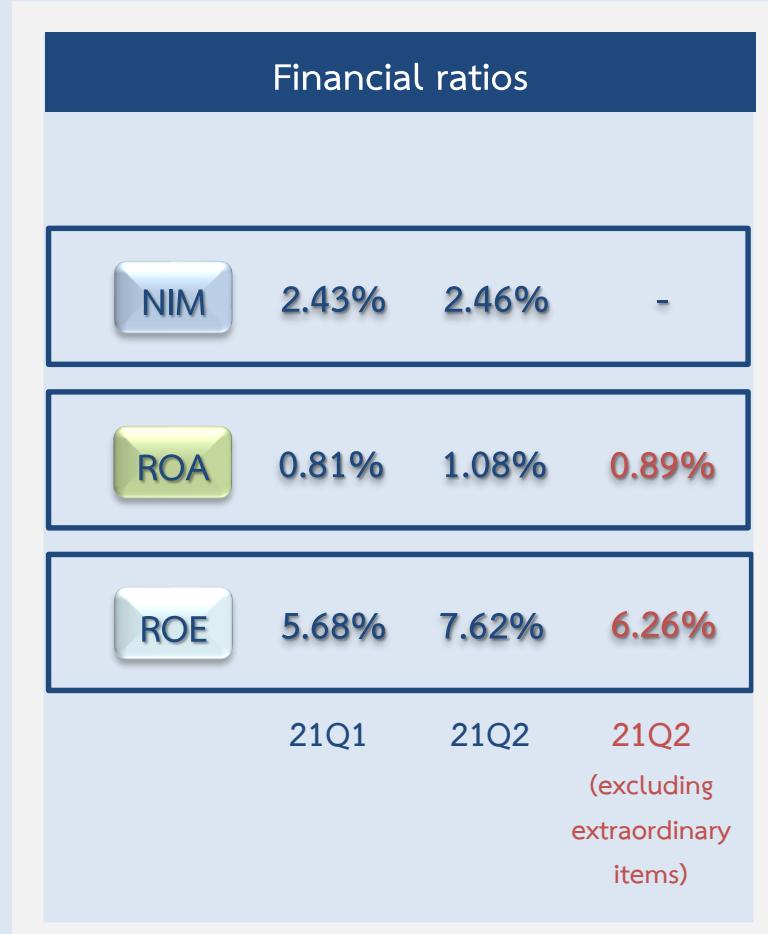
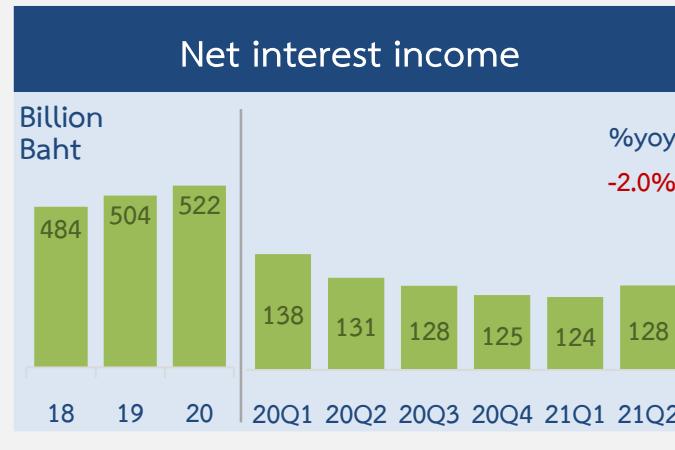
The quality of consumer loan (measured by NPL or stage 3) slightly deteriorated, except for mortgage loan.



*According to the new accounting regulations (TFRS9), stage 2 is defined as loans with significant increase in credit risk (SICR), having a wider coverage than SM.



The banking sector recorded higher net profit compared to the second quarter of last year from lower provisioning expenses after the elevated level of provision last year.





Rehabilitation Loan



Approved loan amount

92,316 MB



Number of debtors
under loan scheme

30,194 debtors

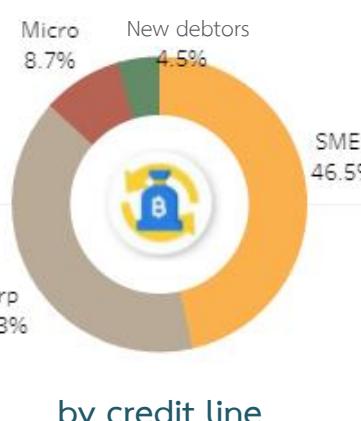
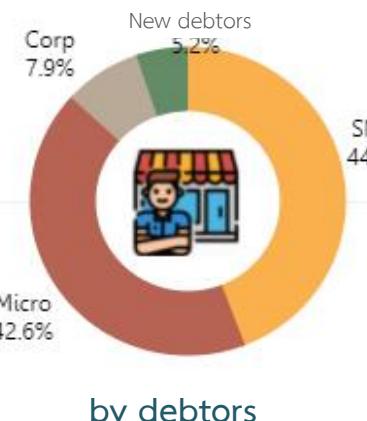


Average credit line

3.1 MB/debtor

Well-distributed by size, business sector and region

by existing credit lines



42.6%

of debtors are small
businesses
(existing credit lines not
exceeding 5 MB)



Debtors (%)

67.5%

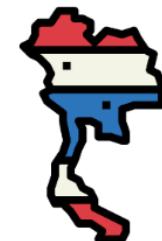
of debtors are in
commerce and service
sectors.



Debtors (%)

68.5%

of debtors are from
provincial areas.



Debtors (%)

Debt Restructuring through Asset Warehousing*

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



Approved loan amount

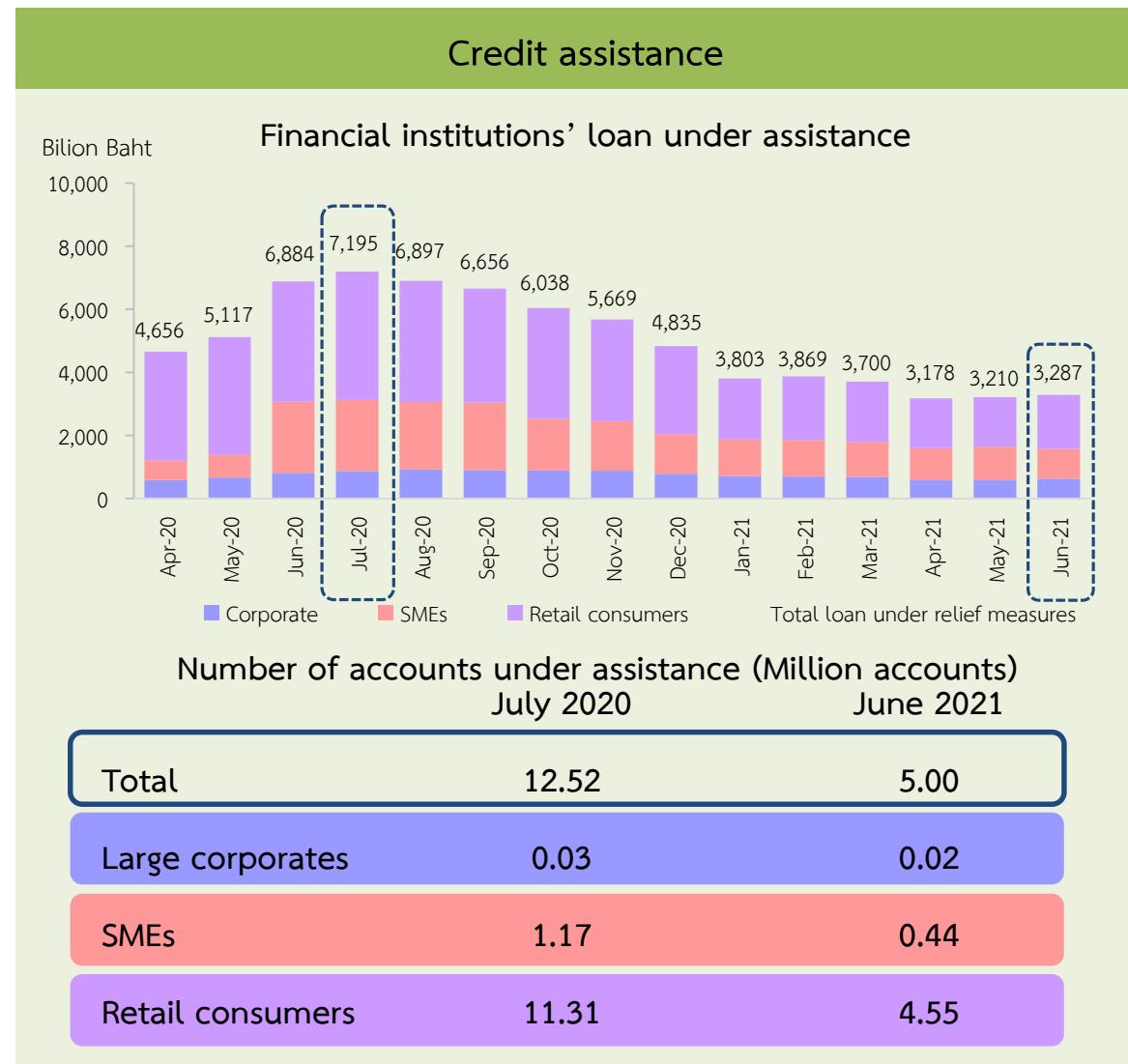
10,511 MB



Number of debtors under
the scheme

65 debtors

Many entrepreneurs have shown interests and
are in the process of negotiating with financial institutions.





The result of this year's assessment on Domestic Systemically Important Banks: D-SIBs

The merger between TMB Bank and Thanachart Bank to TMBThanachart Bank (TTB) resulted in TTB being identified as one of domestic systemically important banks (D-SIBs) this year.

Indicators for identifying D-SIBs



Size



Interconnectedness with
other financial institutions



Key providers of payment system
/ Number of depositors



Complexity of products

Merger



D-SIBs from 2017



New D-SIBs in 2021



All D-SIBs are robust, maintaining capital ratios significantly above the level prescribed by the BOT.



1

Thai banking system remained resilient with high levels of capital fund, liquidity and loan loss provision to cushion economic impacts from COVID-19 pandemic as well as play an important role in facilitating assistances for borrowers in need.

2

The loan quality remained stable, partly due to revisions to rules on loan classification and assistance measures. However, there is a sign of increasing vulnerability, especially in consumer loan. Going forward, debtors would likely require continued assistance following the prolonged and widespread impact of COVID-19 outbreak.