



BANK OF THAILAND

BOT Press Release

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No. 10/2021

### Performance of the Thai Banking System in 2020

Ms. Suwannee Jatsadasak, Senior Director, Bank of Thailand, reported on the Thai banking system's performance in 2020 that the **Thai banking system remained resilient with high levels of capital fund, loan loss provision and liquidity to support economic recovery from the COVID-19 pandemic.** Credit assistance measures, coupled with revisions to rules on loan classification and provisioning supported bank loan expansion and alleviated the deterioration of bank loan quality. Meanwhile, banking system's profitability declined as banks continued to set aside loan loss provision at a high level as a cushion against a potential adverse impact of COVID-19 on loan quality. Details are as follows:

Capital Fund of the Thai banking system was at 2,994.3 billion baht, equivalent to capital adequacy ratio (BIS ratio) of 20.1%. Loan loss provision remained high at 799.1 billion baht with NPL coverage ratio of 149.2%. Liquidity coverage ratio (LCR) registered at 179.6%.

In 2020, banks' overall loan growth was 5.1% year-on-year, edging up from 2.0% in 2019. Details on bank loan are as follows:

Corporate loan (64.2% of total loan) expanded at 5.4% year-on-year, following a contraction of 0.8% in the previous year. This was mainly driven by an expansion in large corporate loan, where some large corporates switched their funding source from bond issuance to bank loan in the second quarter of 2020. Meanwhile, SME loan<sup>1</sup> contracted at a lower rate, assisted by the soft loan scheme.

Consumer loan (35.8% of total loan) grew at a slower pace at 4.6% year-on-year, compared to an expansion of 7.5% in the previous year, which was consistent with weak household purchasing power due to COVID-19. However, consumer loan growth improved across all portfolios in the second half of 2020 following an improvement in economic activity after the relaxation of lockdown measures. In particular, mortgage lending expanded in line with an increase in demand for low-rise residential properties and developers' marketing campaigns.

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<sup>1</sup> Corporates with a maximum credit line of 500 million baht with a bank as of December 2020.

On the loan quality front, debtors affected by COVID-19 continued to receive credit assistance from banks. As a result, the gross non-performing loan (NPL or stage 3) outstanding slightly increased to 523.3 billion baht, equivalent to NPL ratio of 3.12%. Meanwhile, the ratio of loans with significant increase in credit risk (SICR or stage 2) to total loans stood at 6.62%.

The banking system recorded net profit of 146.2 billion baht in 2020, a decline from the previous year. This was attributed to a high level of provisioning expenses to cushion against a potential impact of COVID-19 on loan quality going forward, combined with a high base effect from the recognition of extraordinary items from gains on sales of investments in 2019. As a result, the ratio of return on asset (ROA) declined from 1.39% in the previous year to 0.65%. The ratio of net interest income to average interest-earning assets (Net Interest Margin: NIM) decreased from 2.73% to 2.51%.

Bank of Thailand  
February 22, 2021

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ธนาคารแห่งประเทศไทย  
BANK OF THAILAND

# Performance of the Thai Banking System

## in 2020

22 February 2021



## Overall Performance of the Thai banking system in 2020

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



- Gross non-performing loan (NPL or stage 3) slightly increased. Debtors affected by COVID-19 continued to receive credit assistance from banks.

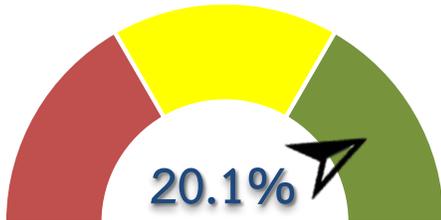
- Bank loan expanded at a higher rate, mainly from large corporates. Meanwhile, SME loan contracted at a lower rate assisted by the soft loan scheme.
- Overall consumer loan grew at a slower pace, in line with weak household purchasing power due to COVID-19.

- Banking system's profitability declined due to a high level of provisioning expenses as a cushion against potential deterioration in loan quality due to COVID-19.

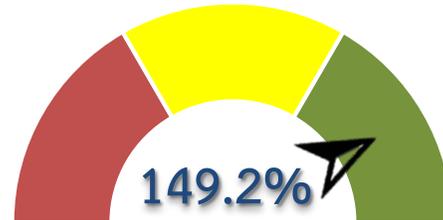


## The Thai banking system's capital fund, loan loss provision and liquidity remained at high levels.

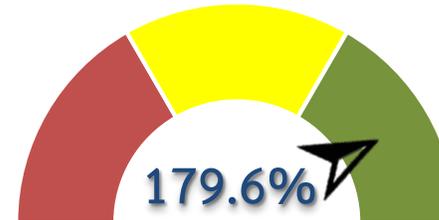
Capital fund  
(BIS ratio)



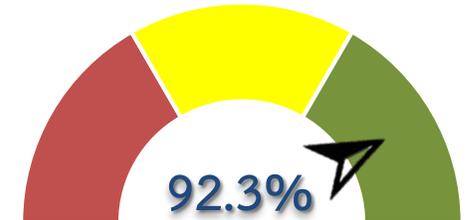
Loan loss provision to NPL  
(NPL coverage ratio)



Liquidity Coverage Ratio  
(LCR)



Loan to deposit ratio  
(L/D ratio)



Capital fund continually increased.

Loan loss provision remained high.

LCR remained high.

L/D ratio decreased.

- Capital fund increased from profit appropriation and issuance of perpetual Additional Tier 1 capital securities.

- Banks set aside a high level of provision to cushion against potential deterioration in loan quality from COVID-19.

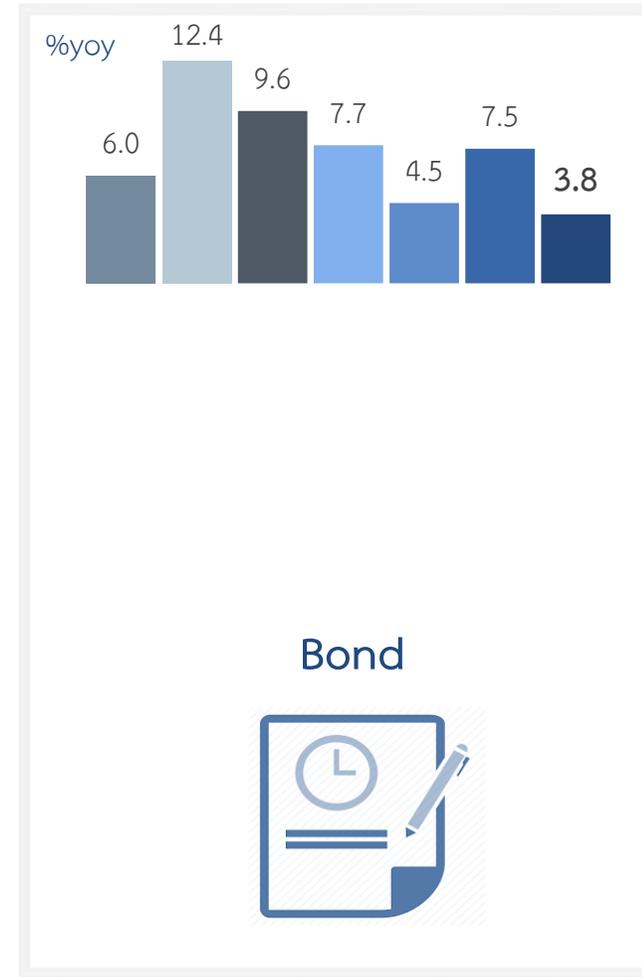
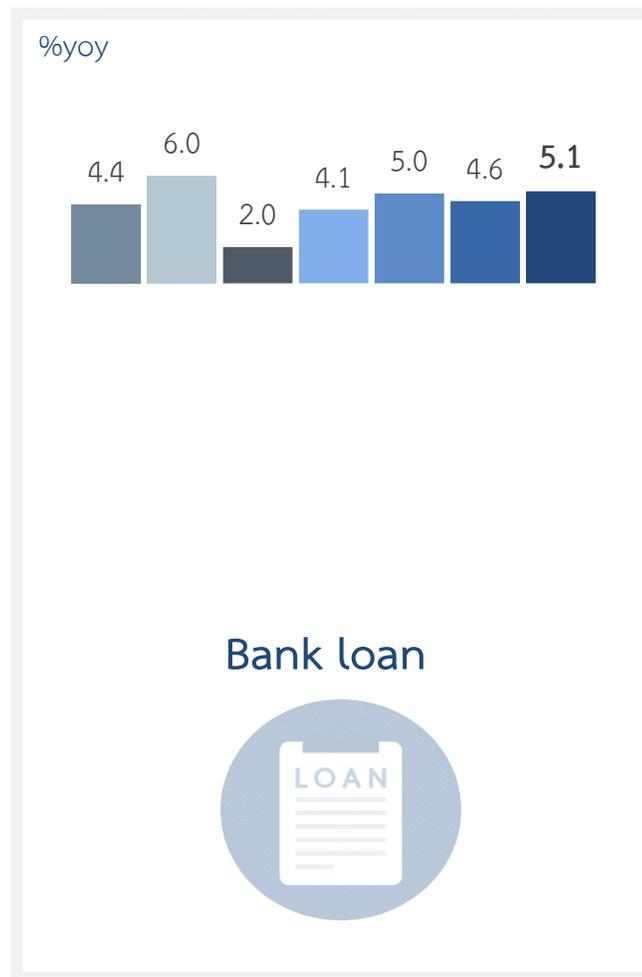
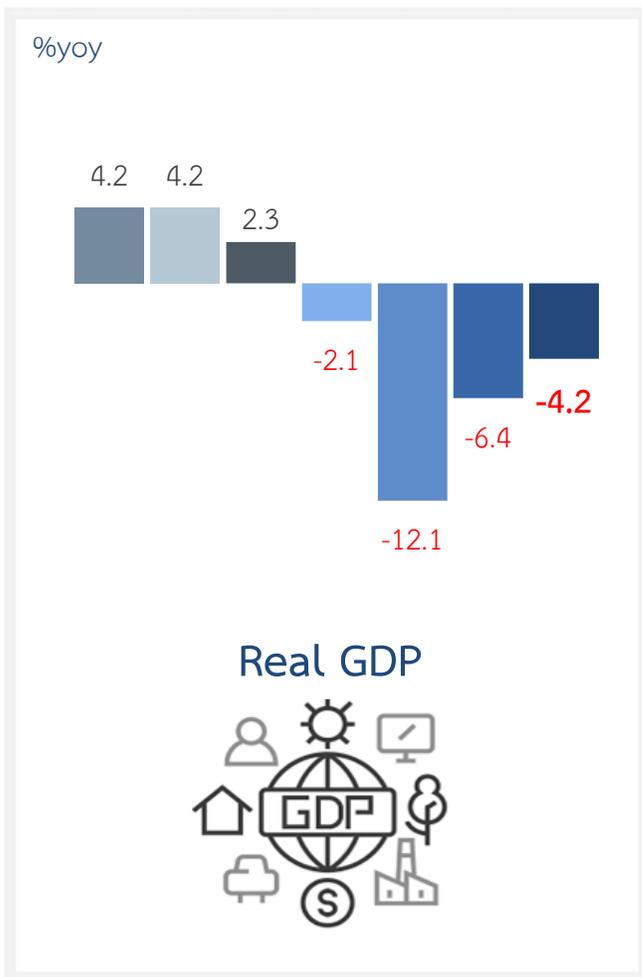
- All banks have LCR above the minimum requirement of 100%.

- Deposit grew mainly from savings by retail depositors and businesses.



# Bank loan expanded as large corporates switched their funding source from corporate bond issuance to bank financing.

● 2017 ● 2018 ● 2019 ● 20Q1 ● 20Q2 ● 20Q3 ● 20Q4





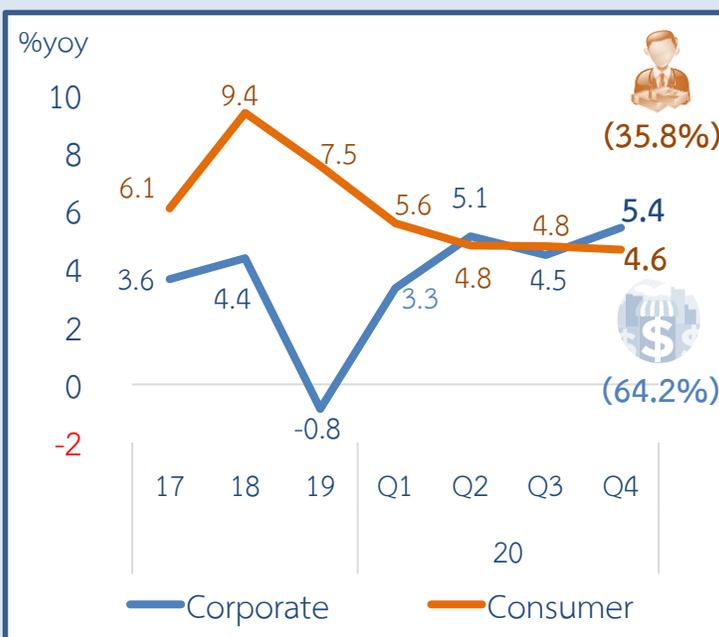
Bank loan expanded at a higher rate mainly from large corporates, SME loan contracted at a lower rate assisted by the soft loan scheme, whereas consumer loan grew at a slower pace.

Bank loan growth



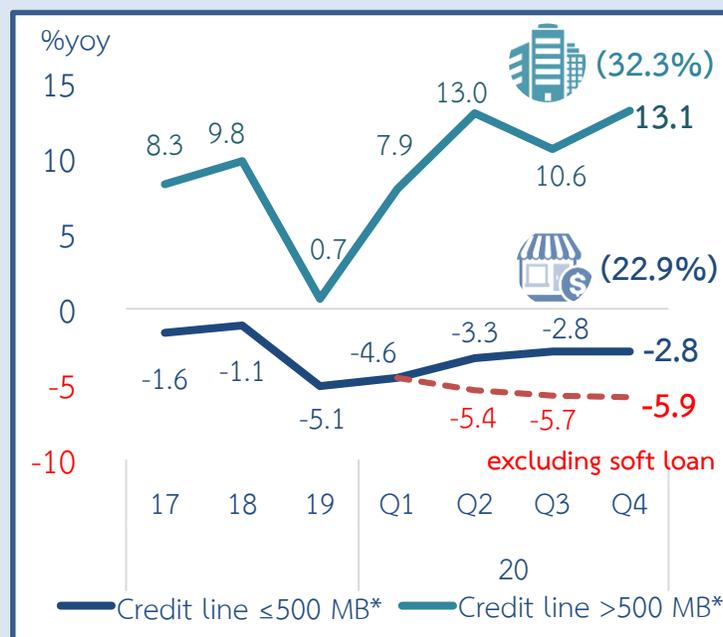
Bank loan expanded at a higher rate mainly from corporate loan.

Loan growth classified by loan portfolios



Corporate loan increased at a higher rate, while consumer loan grew at a slower pace.

Corporate loan growth classified by size



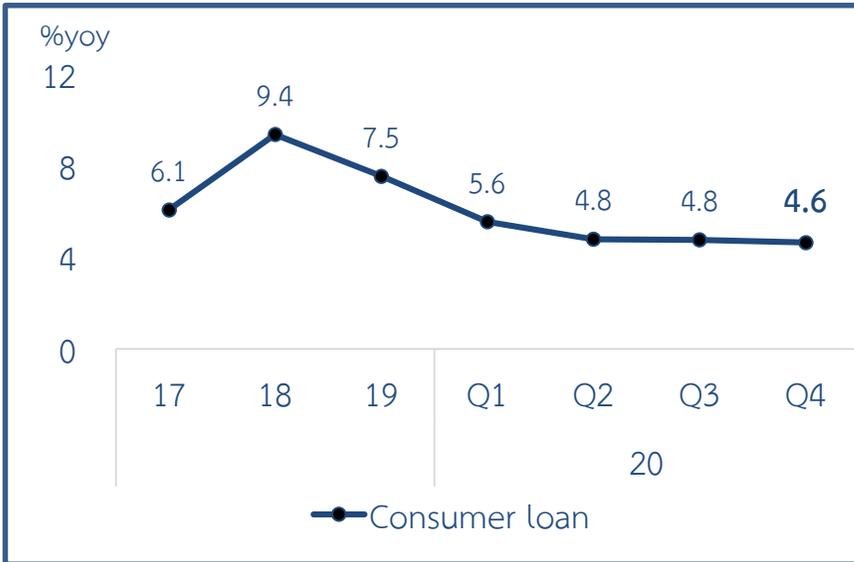
Loan to large corporates increased, due partly to funding switch from bond issuance to bank loan, while SME loan improved helped by the soft loan scheme.



## Overall consumer loan grew at a slower pace

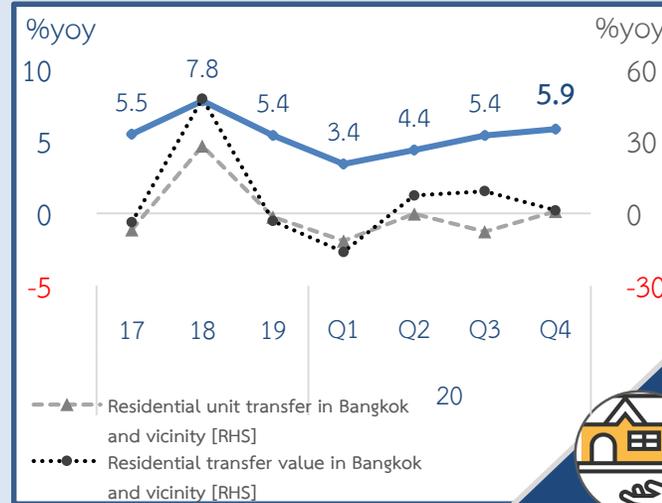
in line with weak household purchasing power during the COVID-19 outbreak.

### Consumer loan growth

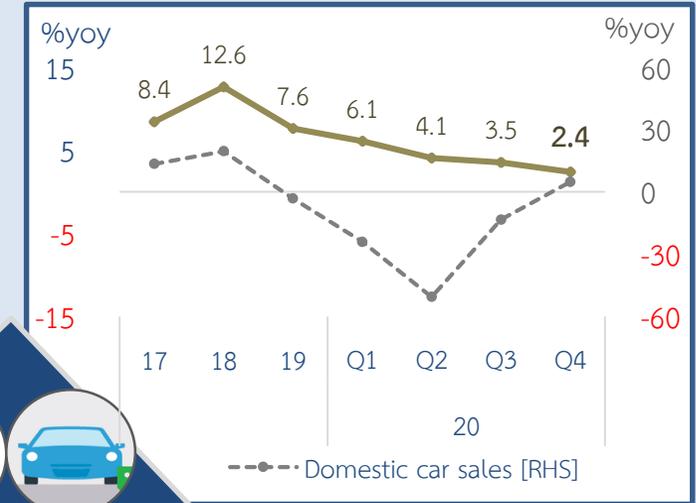


- Mortgage loan expanded in line with an improvement in demand for low-rise properties coupled with developers' marketing campaigns.
- Credit card loan contracted following a decline in economic activities.
- Auto and personal loans grew at slower rates consistent with a contraction in domestic car sales and weak household purchasing power.

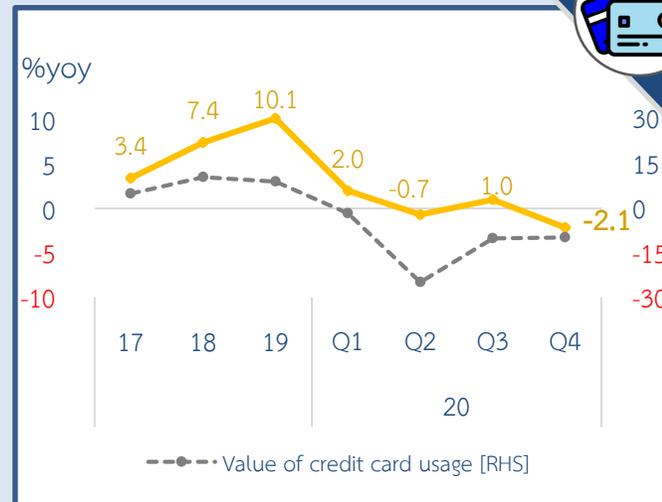
### Mortgage (17.6%)



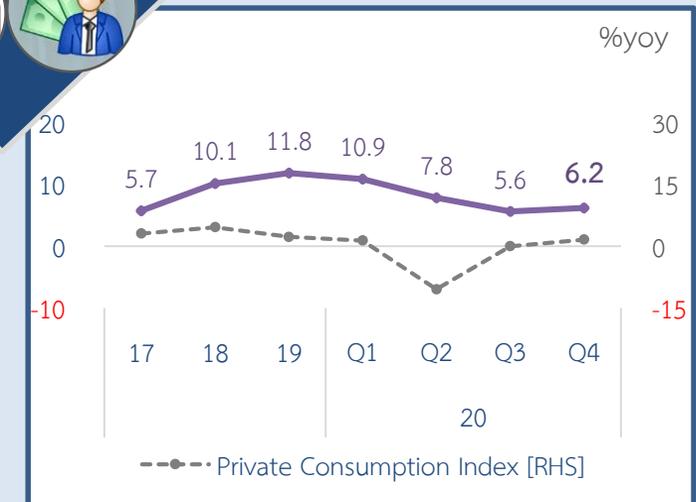
### Auto (8.3%)



### Credit card (1.9%)



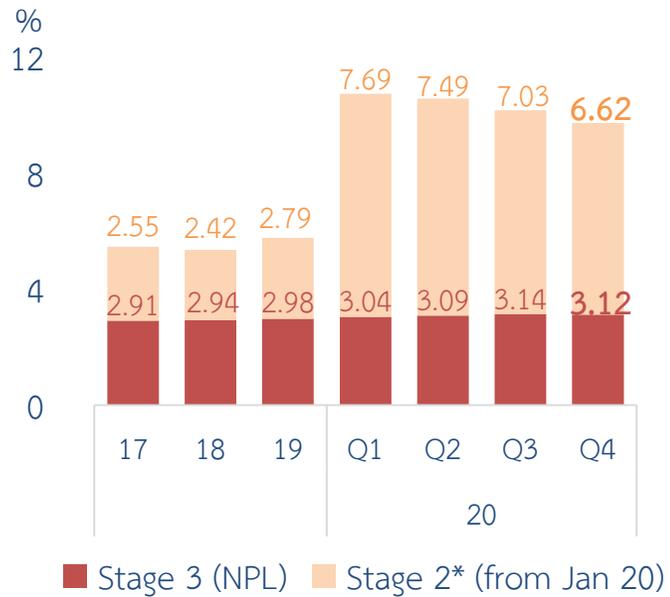
### Personal (7.9%)



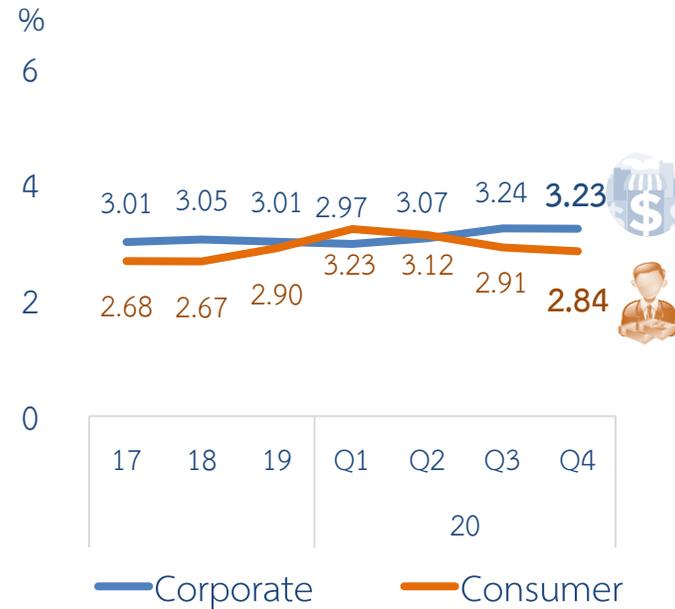


Overall NPL slightly increased. Meanwhile, debtors affected by COVID-19 continued to receive credit assistance from commercial banks.

Stage 3 (NPL) and Stage 2 of total loan



Stage 3 classified by loan portfolios



Stage 3 of corporate loan classified by size

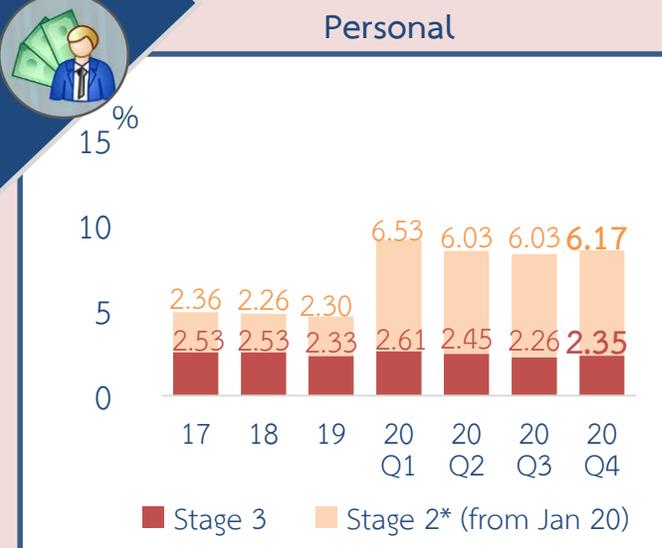
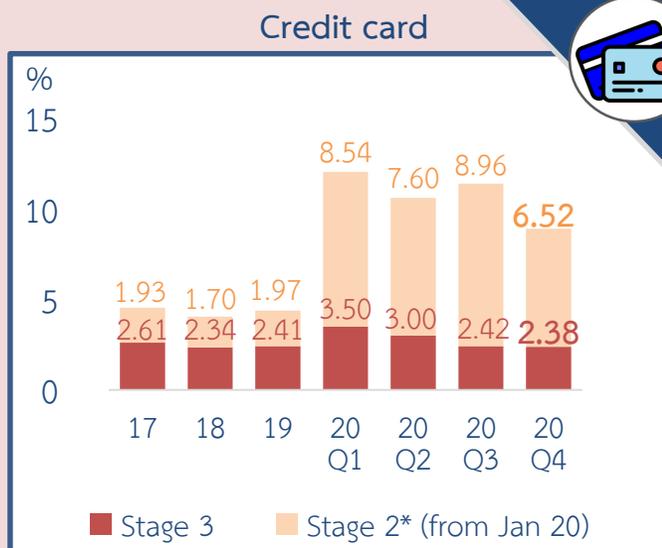
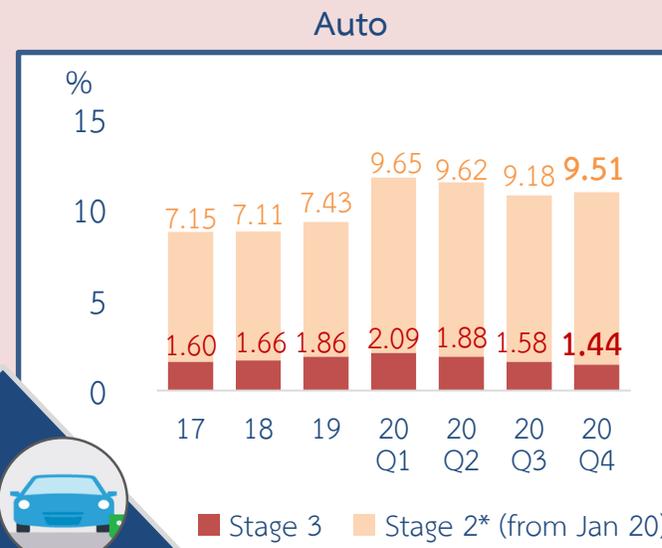
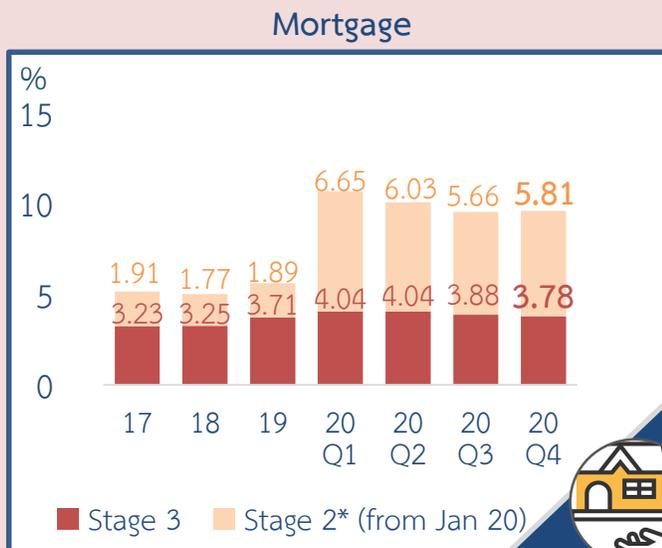


\*According to the new accounting regulations (TFRS9), stage 2 is defined as loans with significant increase in credit risk (SICR), having a wider coverage than SM.



➤ Banks continued to extend their support to customers affected by COVID-19 and manage their loan quality especially through debt restructuring.

Asset quality deterioration was gradual in all consumer loan types, partly helped by debt restructuring.

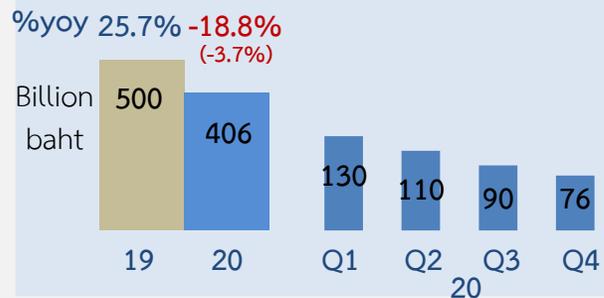


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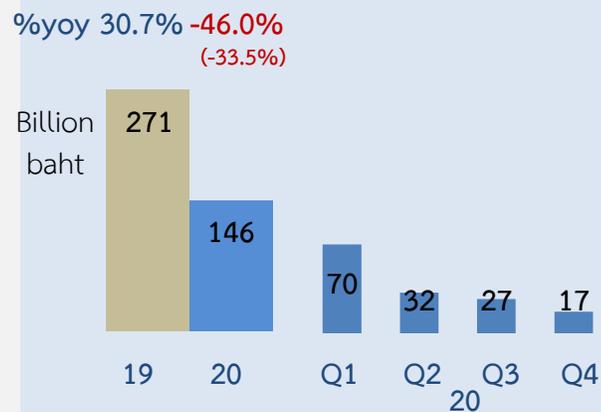


Net profit in 2020 declined as banks set aside a high level of provisioning expenses to cushion against a potential economic impact of COVID-19.

### Operating profit



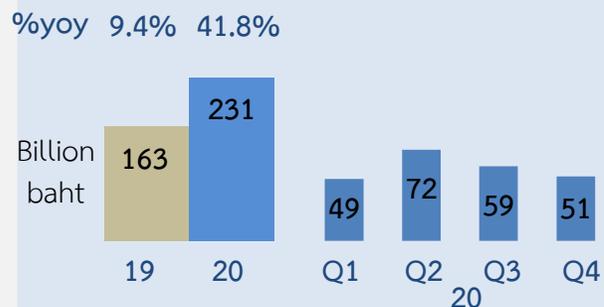
### Net profit



### Profitability ratios

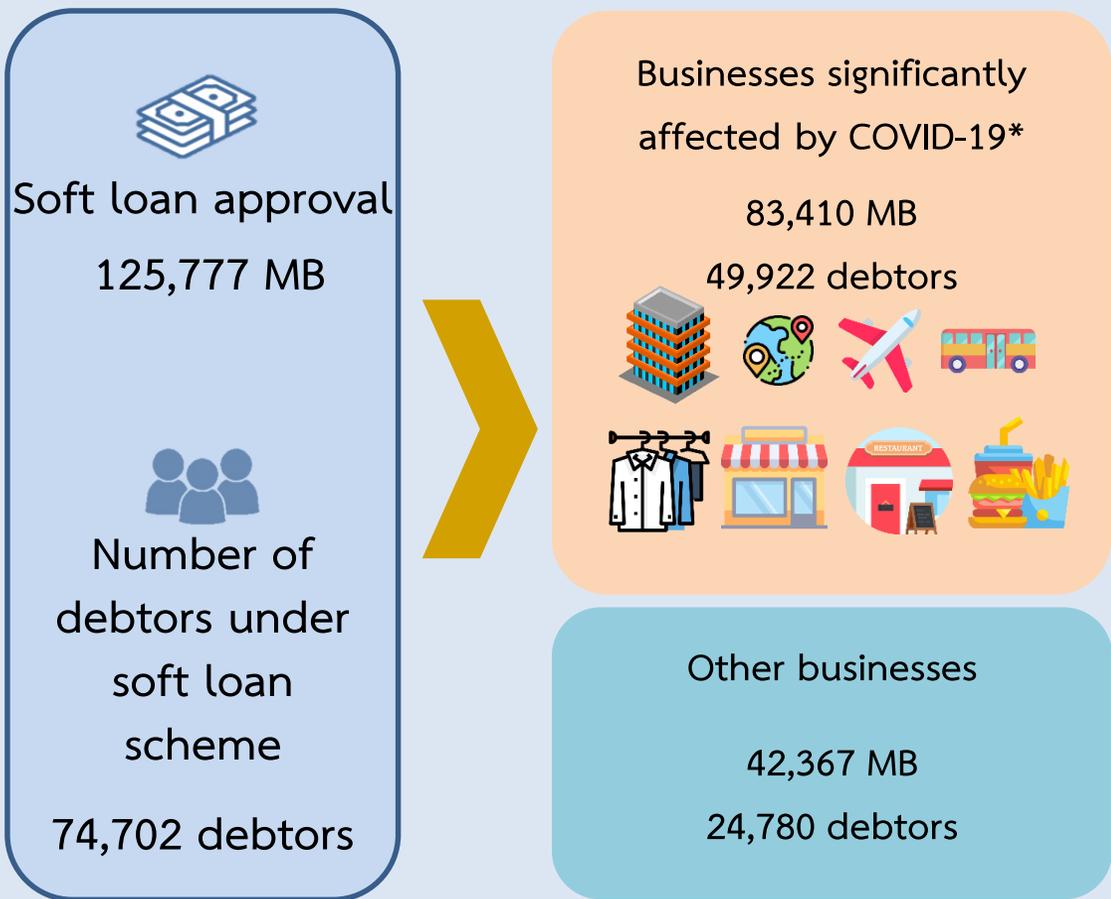
NIM	2.73%	2.51%
ROA	1.39%	0.65%
ROE	9.90%	4.20%
	2019	2020

### Provisioning expenses

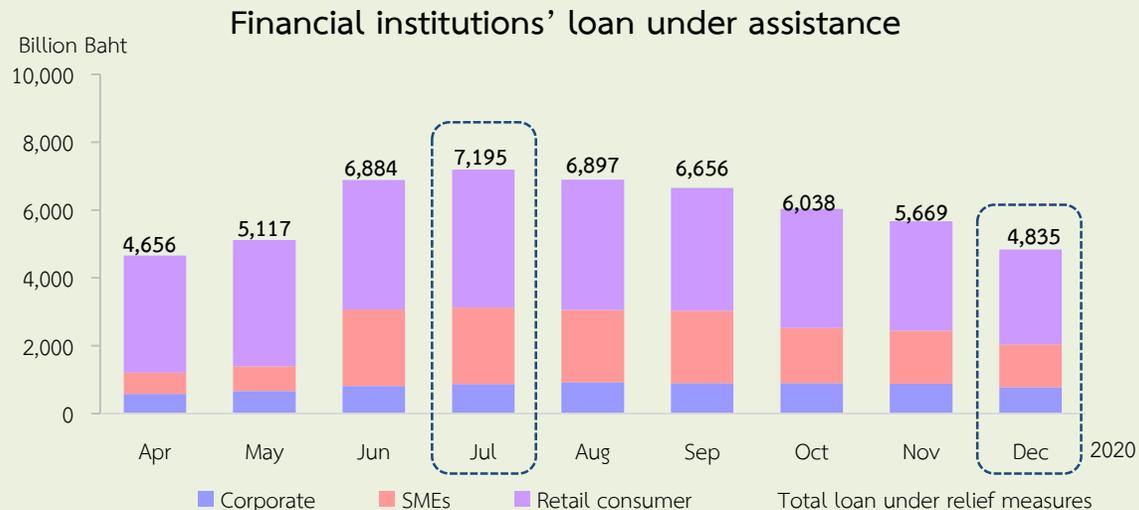




Soft loan scheme from the BOT (as of 8 Feb 2021)



Credit assistance through debt restructuring



Number of accounts under assistance (Million accounts)

	July 2020	December 2020
Total	12.52	8.37
Large corporates	0.03	0.03
SMEs	1.17	0.93
Retail consumers	11.31	7.41

\*Businesses affected by COVID-19 with a significant decline in revenue include condominiums, hotel, tourism-related, passenger transport, textiles and apparel, retail spaces, trade, restaurant, construction, food and beverage as well as automotive and parts.



1

Thai banking system remained resilient with high levels of loan loss provision, capital fund, and liquidity to support economic recovery from the COVID-19 pandemic.



2

Banks continued to provide credit assistance to customers affected by COVID-19, which helped alleviate loan quality deterioration. Meanwhile, banks are encouraged to expedite proactive debt restructuring.

