



BANK OF THAILAND



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No. 35/2021

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

Ms. Suwannee Jatsadasak, Senior Director, Bank of Thailand, reported on the Thai banking system's performance in the first quarter of 2021 that the **Thai banking system remained resilient with high levels of capital fund, loan loss provision and liquidity to accommodate loan demand and weather increasing economic uncertainties arising from the new wave of COVID-19.** 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 declined from the same period last year as a result of lower interest income from loans. Details are as follows:

Capital Fund of the Thai banking system was at 3,017.2 billion baht, equivalent to capital adequacy ratio (BIS ratio) of 20.0%. Loan loss provision remained high at 823.4 billion baht with NPL coverage ratio of 149.7%. Liquidity coverage ratio (LCR) registered at 186.5%.

In the first quarter of 2021, banks' overall loan growth was 3.8% year-on-year, decreasing from 5.1% in the previous quarter. Details on bank loan are as follows:

Corporate loan (64.3% of total loan) expanded at 3.0% year-on-year. Large corporate loan growth moderated following an acceleration in loan usage last year due to liquidity need and funding switch from corporate bond. SME loan¹ expanded quarter-on-quarter, resulting in a smaller year-on-year contraction - even excluding the contribution from soft loan scheme.

Consumer loan (35.7% of total loan) grew at 5.3% year-on-year, higher than an expansion of 4.4% in the previous quarter. This was mainly driven by mortgage lending, consistent with an increasing demand especially for low-rise residential properties, together with, promotional campaigns from developers and a reduction in government fees. Meanwhile, auto loan grew marginally in line with a contraction in domestic car sales from the previous year. Credit card loan expanded compared to the first quarter of last year, when consumer spending was affected by the early stage of COVID-19 pandemic. Personal loan expanded at

¹ Corporates with a maximum credit line of 500 million baht with a bank as of March 2021.

a higher rate due to households' liquidity need, partly reflected in an increase in unsecured loan through online platform and cash card.

Bank loan quality in the first 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 537.1 billion baht, equivalent to NPL ratio of 3.10%. Meanwhile, the ratio of loans with significant increase in credit risk (SICR or stage 2) to total loans stood at 6.41%, declining from 6.62% in the previous quarter.

The banking system recorded net profit of 43.8 billion baht in the first quarter of 2021, decreasing from the same quarter last year by 12.0%². This was mainly attributed to a decline in interest income from loans. However, net profit rose from the previous quarter due to a decline in operating cost and provisioning expenses as banks had already set aside an elevated level of provision in 2020. Consequently, the ratio of return on asset (ROA) went up to 0.80% from 0.32% in the previous quarter. While, the ratio of net interest income to average interest-earning assets (Net Interest Margin: NIM) decreased from 2.52% to 2.43%.

Bank of Thailand
May 17, 2021

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² The year-on-year change after adjusting for extraordinary items from the dividend payment between commercial banks which were in the process of consolidation in Q1/2020.



ธนาคารแห่งประเทศไทย
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Overall Performance of the Thai Banking System in the First Quarter of 2021

- 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. Continued credit assistance and revisions to rules on loan classification helped alleviate the deterioration in loan quality.

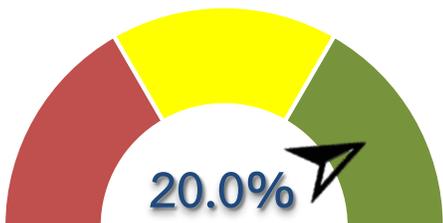
- Total loan grew at a slower pace predominantly due to corporate loan. Corporate loan growth decelerated as a result of a large expansion in the first quarter of last year. Meanwhile, SME loan improved.
- Consumer loan growth expanded, mainly from mortgage lending and personal loan.

- Banking system's profitability declined due to lower interest income from loans compared to the same period last year.

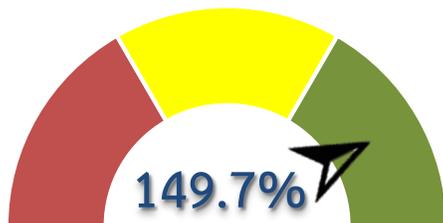


The Thai banking system's capital fund, loan loss provision and liquidity remained at high levels.

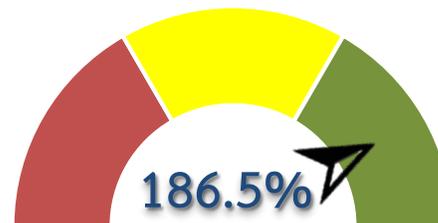
Capital fund
(BIS ratio)



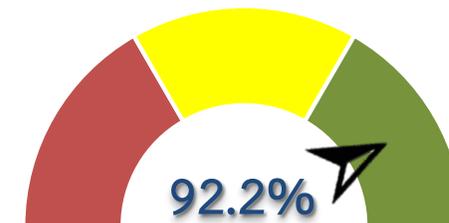
Loan loss provision to NPL
(NPL coverage ratio)



Liquidity Coverage Ratio
(LCR)



Loan to deposit ratio
(L/D ratio)



BIS ratio remained stable

- Capital fund increased from an issuance of subordinated bond which qualified as additional tier 1 capital.

Loan loss provision increased

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

LCR improved

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

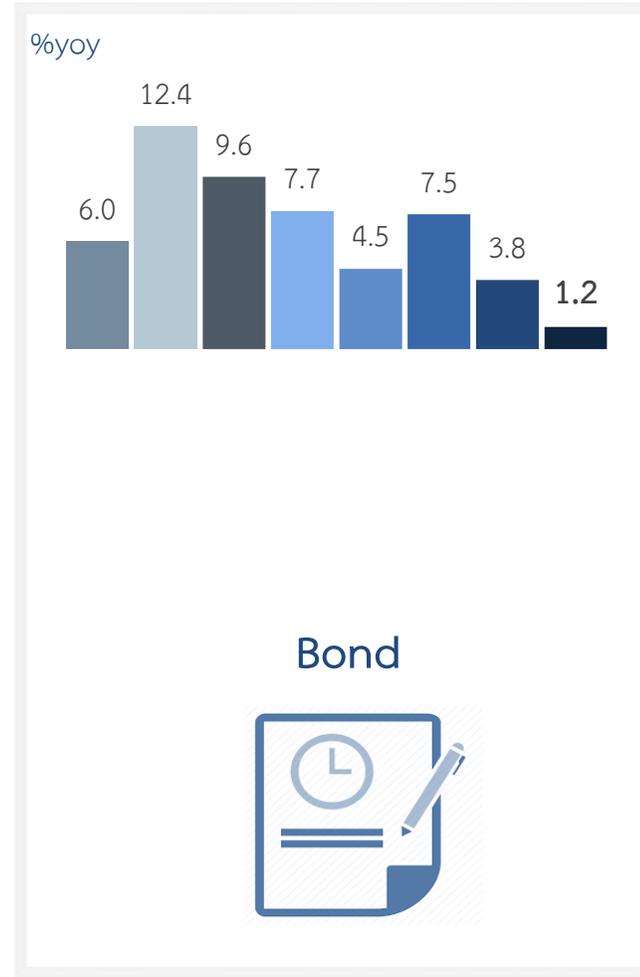
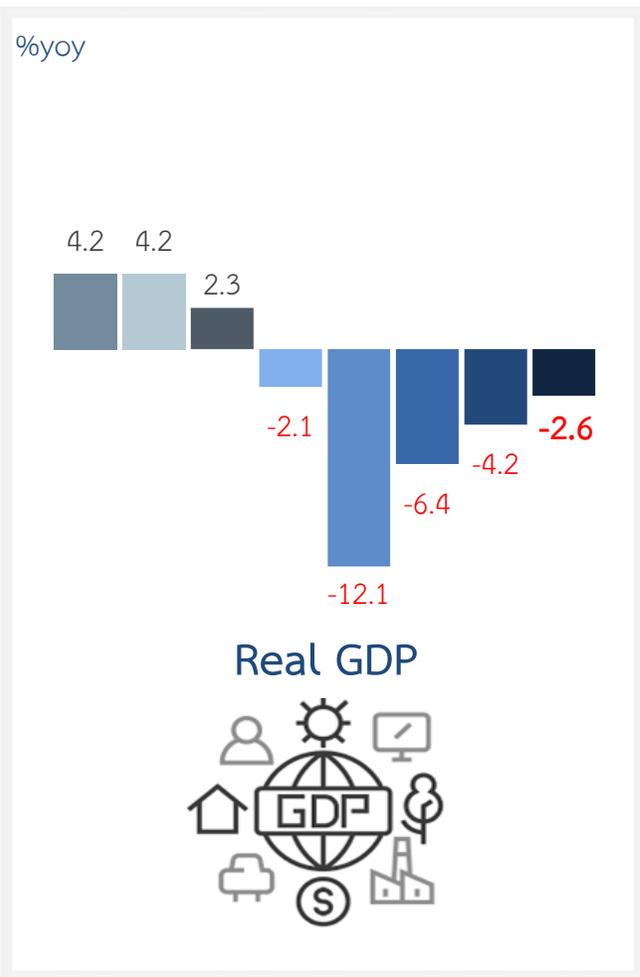
L/D ratio remained stable

- Loan and deposit expanded in tandem. Deposit grew mainly from savings by businesses.



Fund raising through bank loan and corporate bond market expanded at a slower pace following an acceleration in the previous year. Meanwhile, the economy gradually recovered before a new wave of COVID-19.

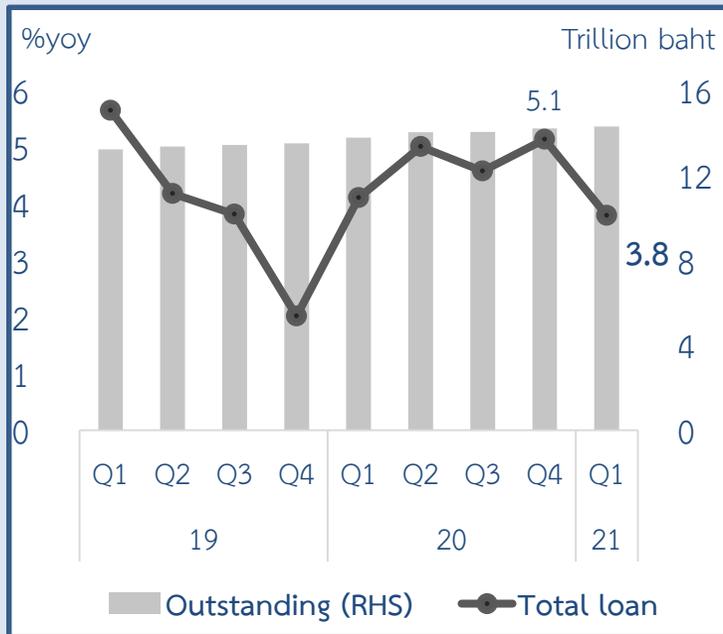
● 2017 ● 2018 ● 2019 ● 20Q1 ● 20Q2 ● 20Q3 ● 20Q4 ● 21Q1





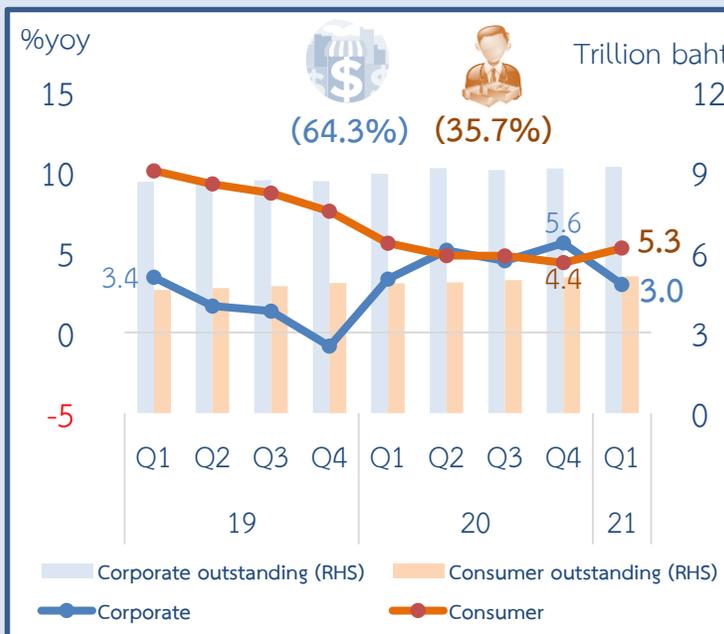
Bank loan grew at a slower rate mainly due to a slower growth of corporate loan.
SME and consumer loan improved.

Bank loan growth



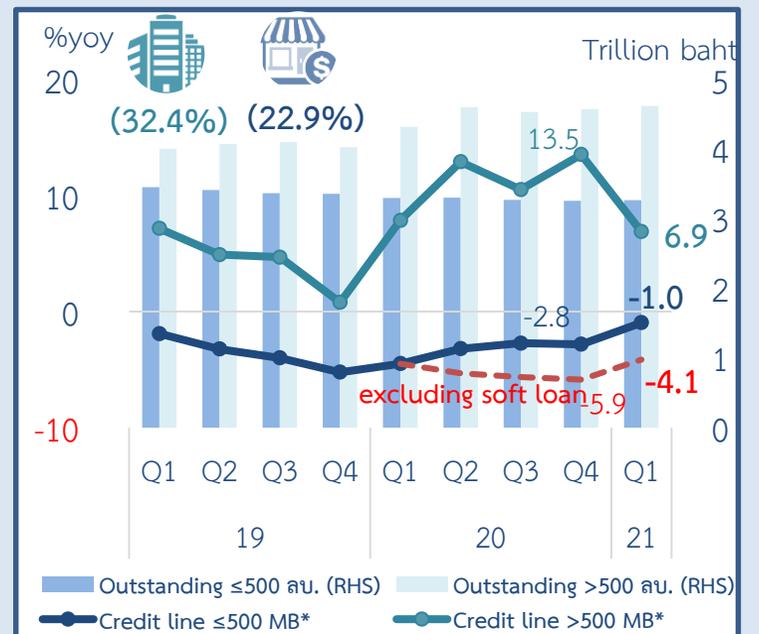
Bank loan grew at a slower rate mainly due to corporate loan.

Loan growth classified by loan portfolios



Corporate loan growth declined due largely to the high base in 2020. Meanwhile, corporate loan expanded from the previous quarter. Consumer loan expanded at a higher rate.

Corporate loan growth classified by size

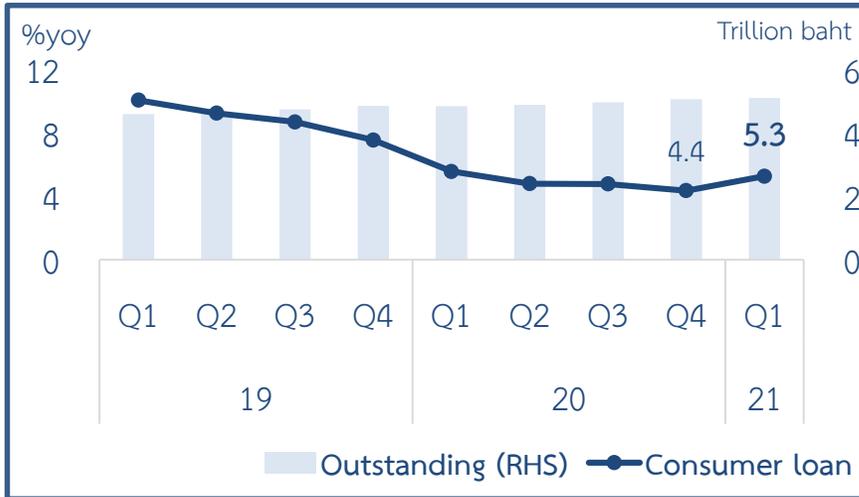


Large corporate loan growth moderated following an acceleration in loan usage last year. SME loan expanded quarter-on-quarter, resulting in a smaller year-on-year contraction - even excluding soft loans.



Consumer loan witnessed higher growth, driven mainly by mortgage and personal loan.

Consumer loan growth



- **Mortgage loan growth increased** due to higher demand for low-rise properties, promotion campaigns and a reduction in government fees.
- **Auto loan** grew at a lower rate consistent with a decline in domestic car sales, while **credit card** loan expanded compared to the first quarter of last year, when consumer spending was affected by the early stage of COVID-19 pandemic.
- **Personal loan** expanded at a higher rate due to households' liquidity need, partly reflected in an increase in unsecured loan through online platform.

Mortgage (17.8%)



Auto (8.2%)



Credit card (1.7%)



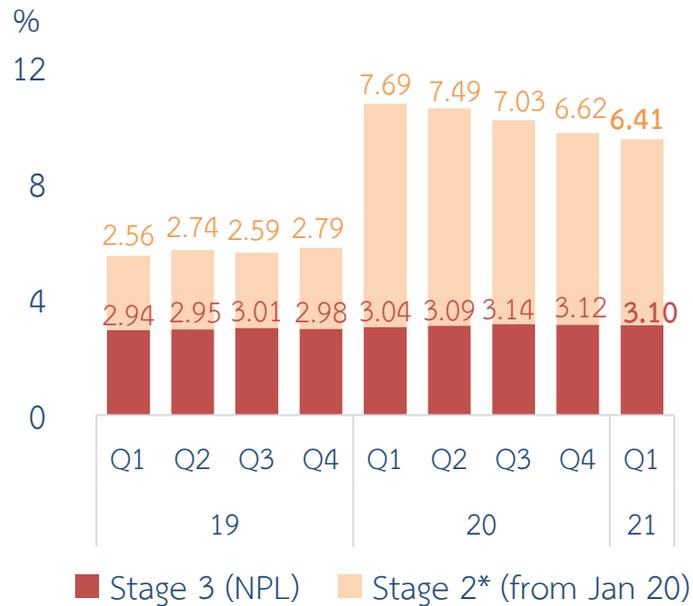
Personal (8.0%)



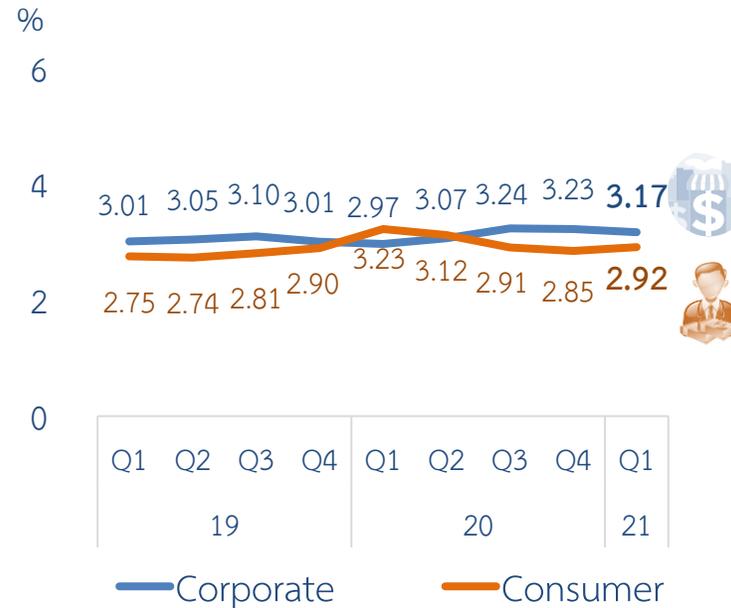


The amount of NPL slightly increased, while NPL ratio remained stable as total loan expanded in tandem. Continued credit assistance measures and revisions to rules on loan classification have helped alleviate the deterioration of loan quality.

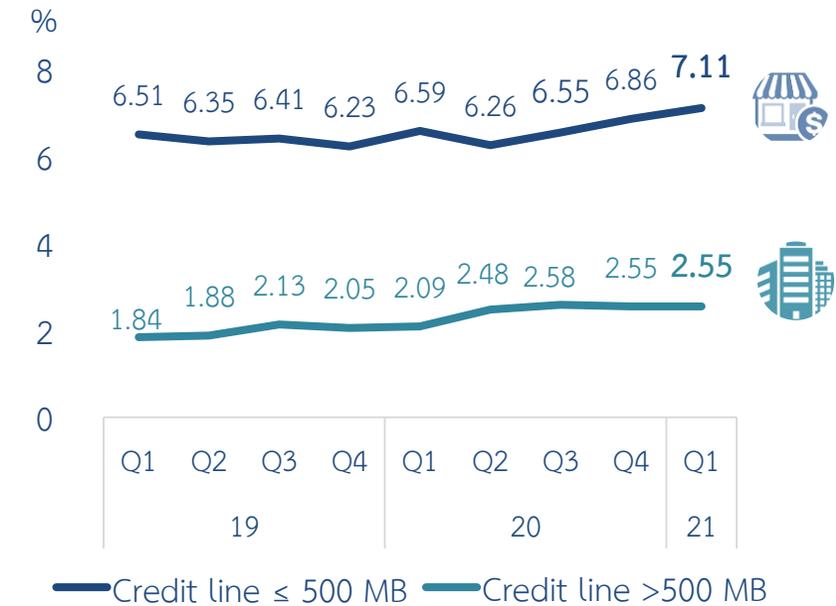
Stage 3 (NPL) and Stage 2 of total loan



Stage 3 classified by loan portfolios



Stage 3 of corporate loan classified by size

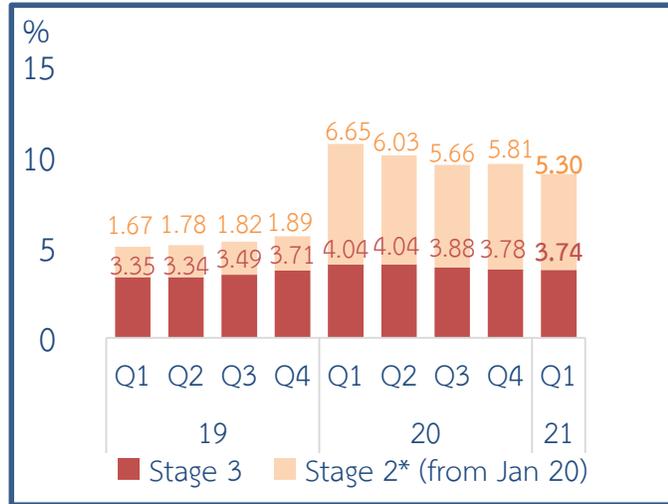


*According to the new accounting regulations (TFRS9), stage 2 is defined as loans with significant increase in credit risk (SICR), having a wider coverage than SM.

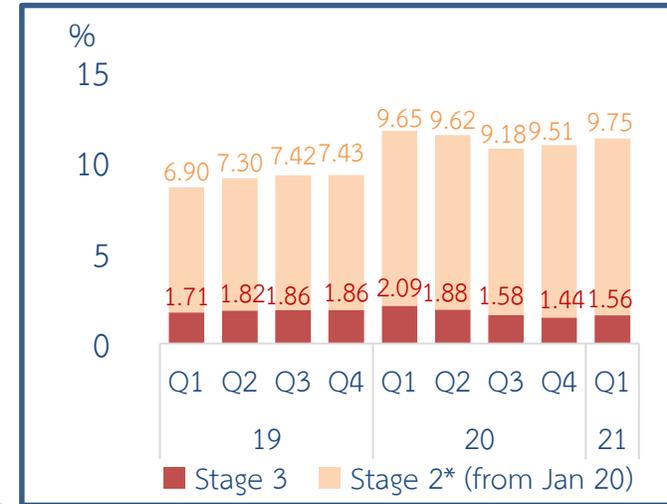


Consumer loan quality slightly worsened in almost all consumer loan types except mortgage lending.

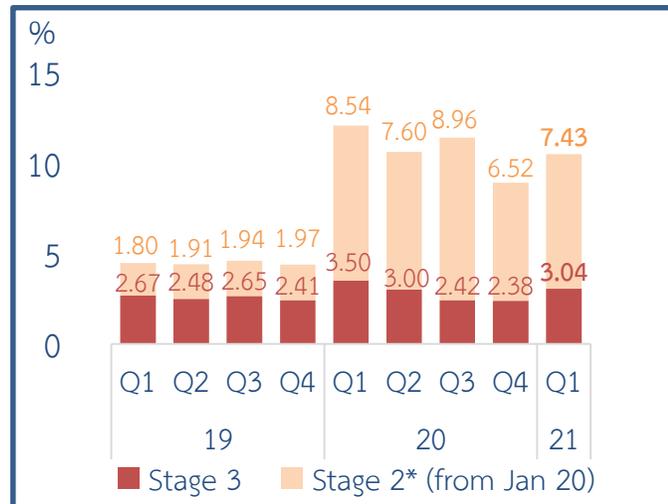
Mortgage



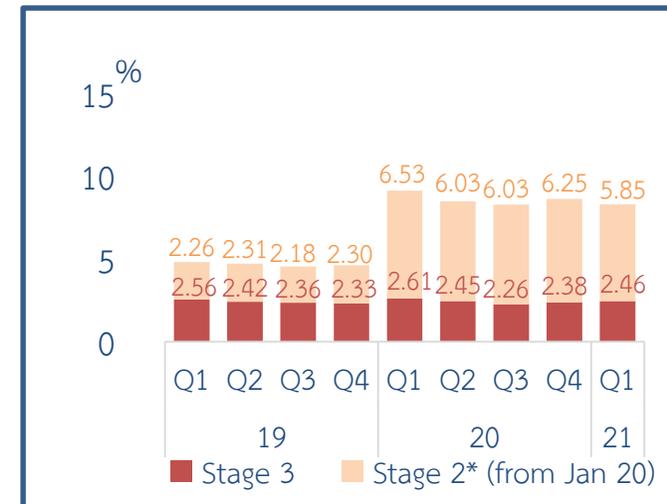
Auto



Credit card



Personal



*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.

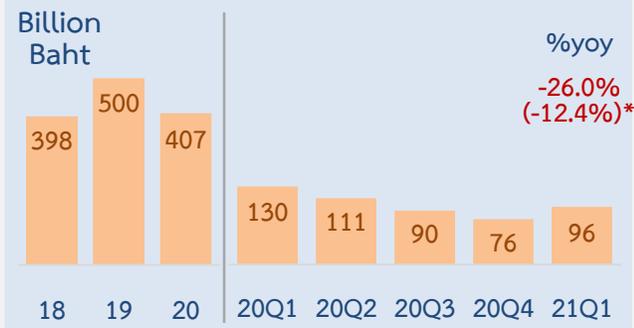


Net profit in the first quarter of 2021 declined from the same period last year due to lower interest income from loans, despite lower provisioning and operating costs.

Interest income



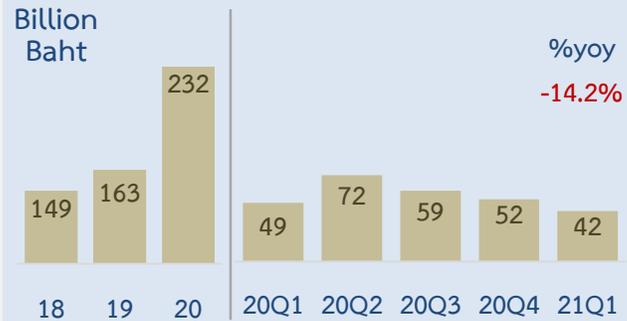
Operating profit



Profitability ratios

NIM	2.52%	2.43%
ROA	0.32%	0.80%
ROE	2.22%	5.62%
	20Q4	21Q1

Provisioning expenses

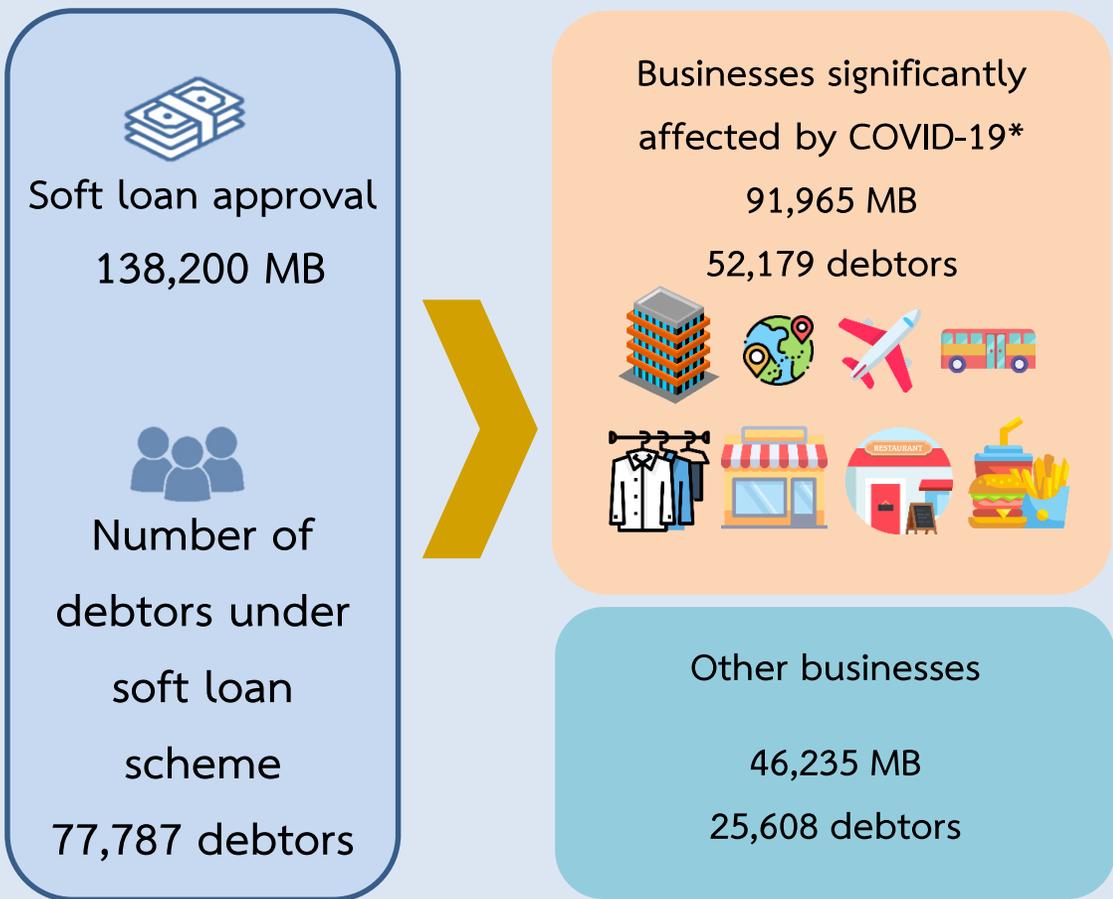


Net profit

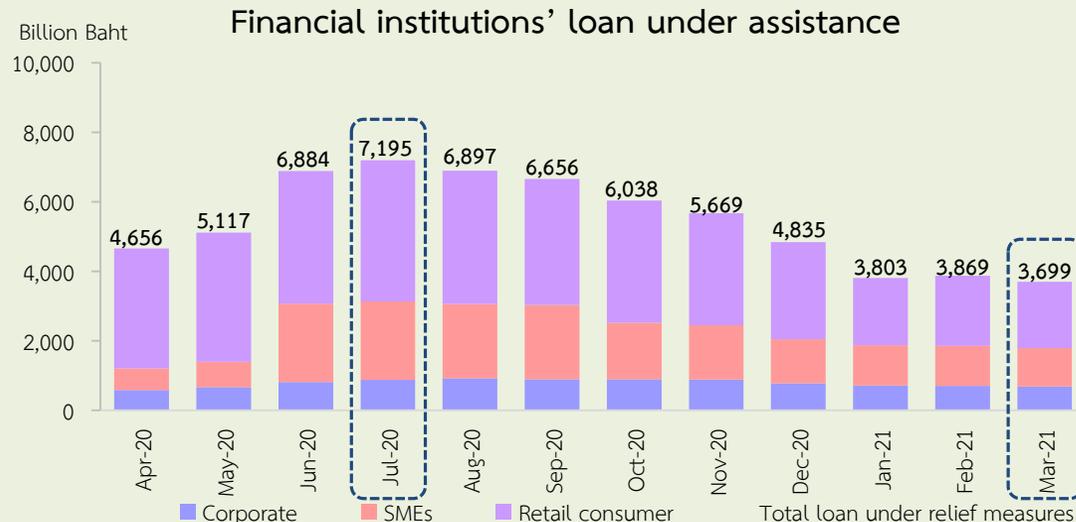




Soft loan scheme from the BOT (as of 12 April 2021)



Credit assistance



Number of accounts under assistance (Million accounts)

	July 2020	March 2021
Total	12.52	5.76
Large corporates	0.03	0.03
SMEs	1.17	0.77
Retail consumers	11.31	4.96

*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.



Progress of Rehabilitation Credit Scheme

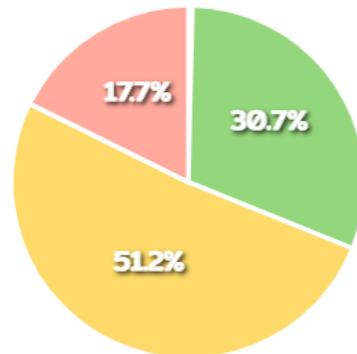
Approved loan amount
8,225 million baht

Number of borrowers
4,454

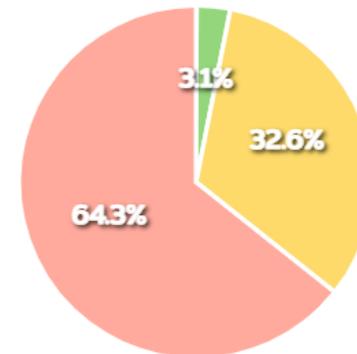
Average approved loan amount per borrower
1.8 million baht

As of 10 May 2021

by contract amount (value)

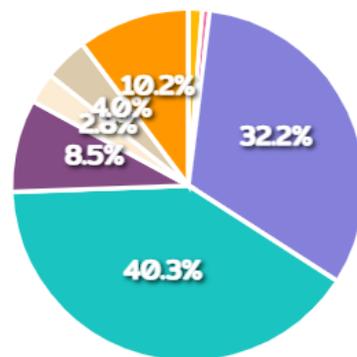


by contract amount (headcount)

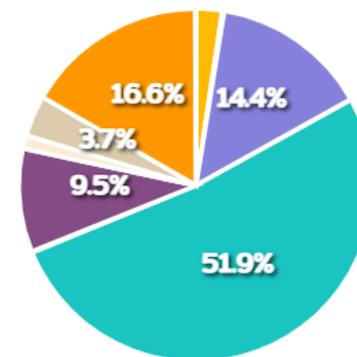


■ New debtor
 ■ Micro = contract amount less than 5 MB.
 ■ SMEs = contract amount 5-50 MB.
 ■ Corp = contract amount 50-500 MB.

by business type (value)



by business type (headcount)



■ Agriculture, and Forestry
 ■ Mining and Quarrying
 ■ Manufacturing
 ■ Trade
 ■ Finance
■ Construction
 ■ Real Estate Activities
 ■ Utilities
 ■ Services
 ■ Other



1 Thai banking system remained resilient with high levels of loan loss provision, capital fund, and liquidity to cushion economic uncertainty going forward.



2 Loan continued to expand, while overall credit quality remained stable, partly due to credit assistance and other measures that helped alleviate credit quality deterioration. Going forward, debtors would likely continue to require further assistance following the adverse impact of the new wave of COVID-19 on the economy.

