



BANK OF THAILAND

BOT Press Release

Communications and Relations Office, Corporate Communications Department
Tel. +66 2283 5016-7 Fax. +66 2283 6969 www.bot.or.th

No. 83/2021

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

Ms. Suwannee Jatsadasak, Senior Director, Bank of Thailand, reported on the Thai banking system's performance in the third quarter of 2021 that the **Thai banking system remained resilient with high levels of capital fund, loan loss provision and liquidity** to serve an important role in assisting borrowers and accommodating loan demand to support economic recovery amidst uncertain COVID-19 situation. Credit assistance measures, along with revisions to rules on loan classification and provisioning, helped alleviate the deterioration of bank loan quality. Meanwhile, the banking system's profitability improved from the same period last year mainly due to lower provisioning expenses as well as effective cost management. Details are as follows:

The Thai banking system capital fund stood at 3,024.8 billion baht, equivalent to capital adequacy ratio (BIS ratio) of 19.9%. Loan loss provision remained high at 872.0 billion baht with NPL coverage ratio of 155.0%. Liquidity coverage ratio (LCR) registered at 186.8%.

In the third quarter of 2021, banks' overall loan growth was 5.6% year-on-year, increasing from 3.7% in the previous quarter. Bank loans continued to grow from last quarter, even after excluding loans to government and financial assistance measures. Details on bank loans are as follows:

Corporate loans expanded at 6.3% year-on-year due to an increase in large corporates' loans¹ across almost all sectors as well as loans to government. This reflects financing needs of businesses following the relaxation of containment measures and the improving economic activities related to the country's reopening. In addition, SME loans² continued to grow owing primarily to rehabilitation credit scheme.

Consumer loans expanded at 4.2% year-on-year, declining from 5.7% in the previous quarter. Auto loan and credit card loan growth slightly contracted, due respectively to a reduction in domestic car sales and lower credit card spending during the containment measures. Mortgage loans expanded at a slower pace in line with declining demand for

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

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

residential properties. Personal loans grew at the same pace as the previous quarter, following an increase in household liquidity needs.

Bank loan quality in the third quarter of 2021 weakened only slightly, supported by financial assistance as well as revisions to rules on loan classification. The gross non-performing loans (NPL or stage 3) increased to 546.3 billion baht, equivalent to the NPL ratio of 3.14%. Meanwhile, the ratio of loans with significant increase in credit risk (SICR or stage 2) to total loans stood at 6.69%, increasing from 6.34% in the previous quarter.

The banking system recorded a net profit of 38.5 billion baht in the third quarter of 2021, increasing 45.1% from the same quarter last year. This was mainly attributed to a decrease in provisioning expenses, as banks set aside an elevated level of provision in 2020, coupled with banks' effective cost management. Meanwhile, net interest income slightly increased due to loan expansion. However, compared to the previous quarter, net profit declined due to non-interest income following a decline in dividend income from the high base last quarter, together with an increase in provisioning expenses. Consequently, the return on asset ratio (ROA) decreased to 0.69% from 1.09% in the previous quarter. Meanwhile, the ratio of net interest income to average interest-earning assets (Net Interest Margin: NIM) remained stable at 2.47%.

Bank of Thailand
November 12, 2021

For further information, please contact: Banking Risk Assessment Division

Tel: +66 2283 5980

Email: BRAD@bot.or.th



ธนาคารแห่งประเทศไทย
BANK OF THAILAND

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

12 November 2021



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

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



- NPL ratio slightly increased under credit assistance measures and revisions to rules on loan classification.

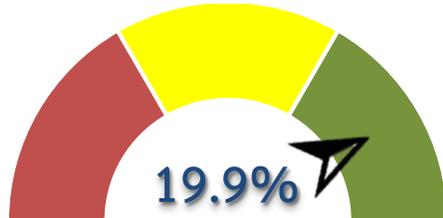
- Total loan growth increased from corporate loans, particularly large corporate. Meanwhile, SME loans improved owing primarily to the rehabilitation credit scheme.
- Consumer loans expanded at a slower pace, in line with a decline in household consumption during the containment measures.

- Banking system's profitability improved compared to the same period last year due to lower provisioning expenses and banks' effective cost management. Net interest income slightly increased due to loan expansion.

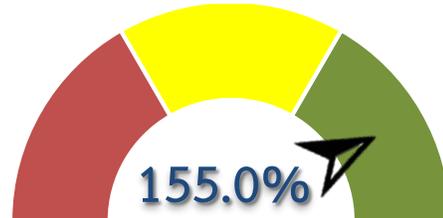


The Thai banking system's capital fund, loan loss provision and liquidity remained at high levels.

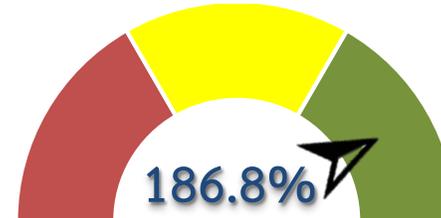
Capital fund
(BIS ratio)



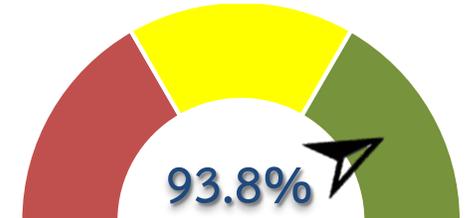
Loan loss provision to NPL
(NPL coverage ratio)



Liquidity Coverage Ratio
(LCR)



Loan to deposit ratio
(L/D ratio)



BIS ratio remained stable

Loan loss provision increased

LCR remained stable
at a high level

L/D ratio increased

➤ Capital fund remained stable as some banks issued perpetual bonds (Additional Tier 1) and subordinated notes (Tier 2). The elimination of related party transactions from bank merger resulted in a slight decrease in capital funds.

➤ Banks increased their provisions as a buffer against potential loan quality deterioration from the COVID-19 pandemic.

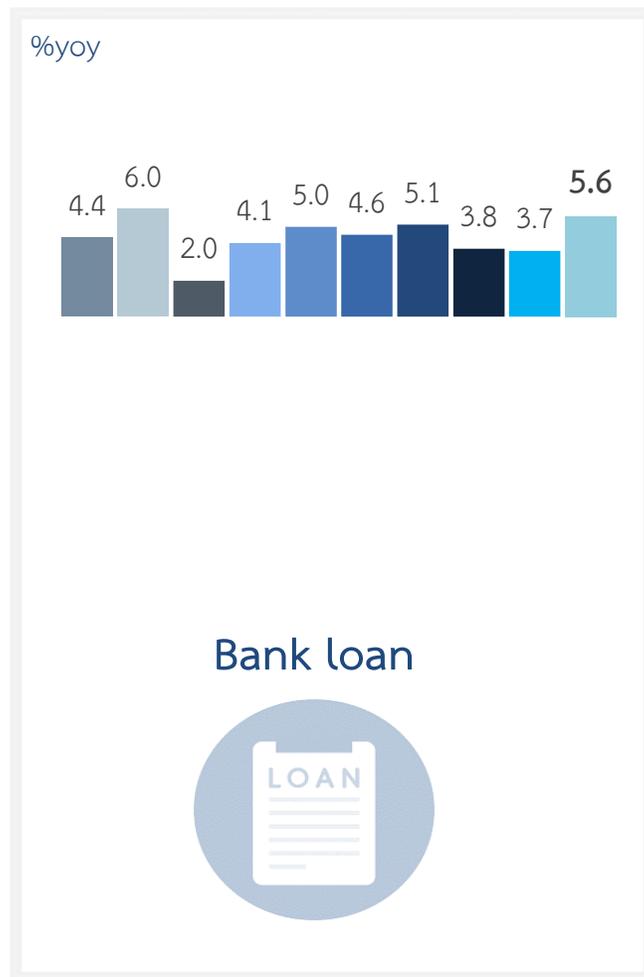
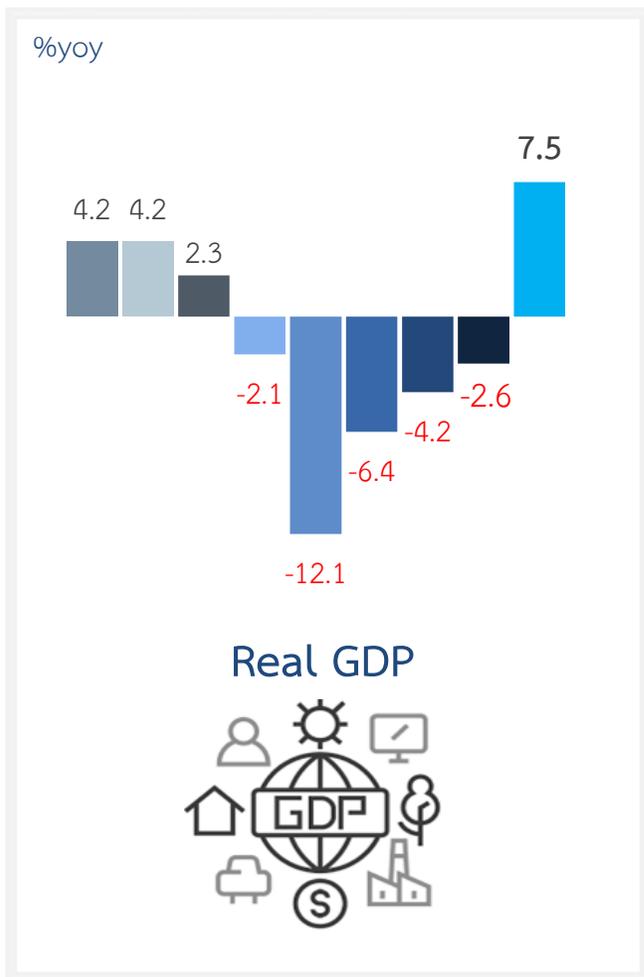
➤ All banks maintained high levels of LCR above the minimum requirement of 100%.

➤ Loans and deposits continued to expand, with loans growing at a higher rate than deposits which rose mainly from savings by retail depositors and businesses.



Fund raising through bank loans and corporate bonds increased in line with financing needs of businesses following the relaxation of the containment measures and the improving economic activities related to the country's reopening.

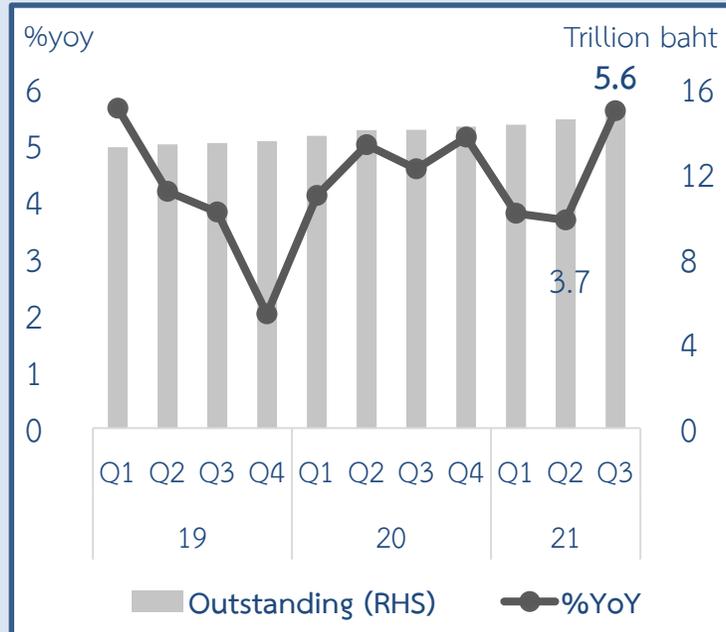
● 2017 ● 2018 ● 2019 ● 20Q1 ● 20Q2 ● 20Q3 ● 20Q4 ● 21Q1 ● 21Q2 ● 21Q3





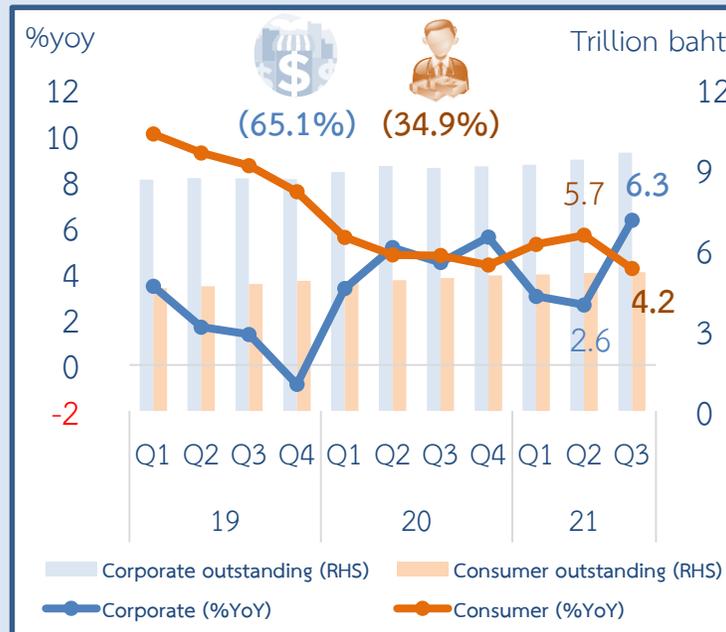
Bank loans expanded mainly due to business loans, both to corporate and SMEs, while consumer loans grew at a slower pace.

Bank loan growth



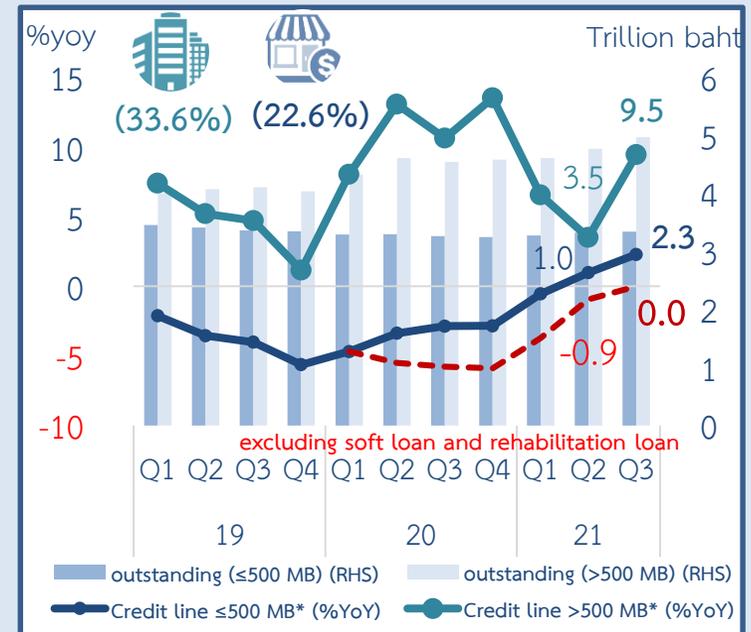
The banks' total loan growth increased from the previous quarter, in line with loan demand from businesses.

Loan growth classified by loan portfolios



Corporate loans expanded, consistent with the improving economic activities related to the country's reopening. Meanwhile, consumer loan growth grew at a slower pace.

Corporate loan growth classified by size



Large corporate loan expanded across almost all sectors including loans to government. While SME loans continued to grow even excluding soft loan and rehabilitation loan.



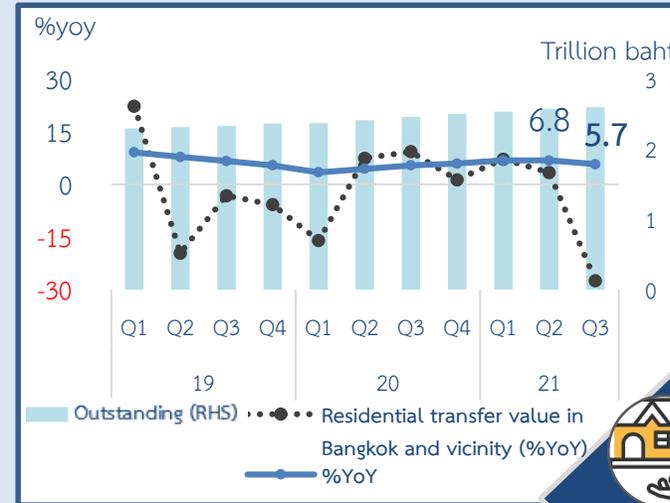
Consumer loans expanded at a slower pace, in line with a decline in household consumption during the containment measures.

Consumer loan growth

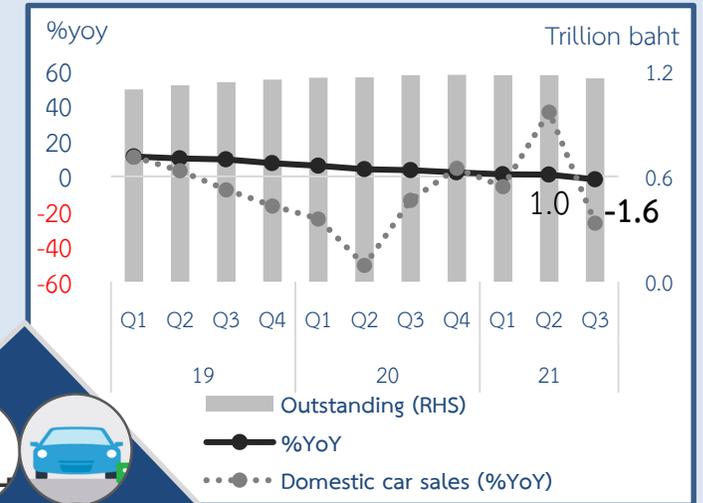


- Mortgage loans expanded at a slower pace in line with declining demand for residential properties.
- Auto loan growth contracted due to a reduction in domestic car sales.
- Credit card loan growth slightly contracted due to lower credit card spending during the containment measures.
- Personal loans grew at the same pace as the previous quarter, following an increase in household liquidity needs.

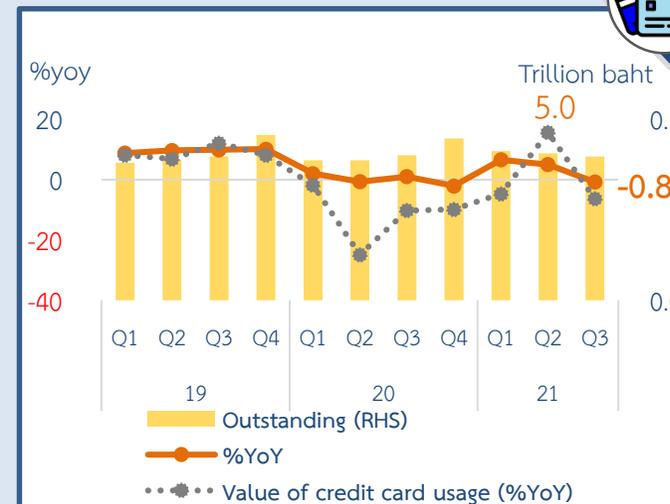
Mortgage (17.5%)



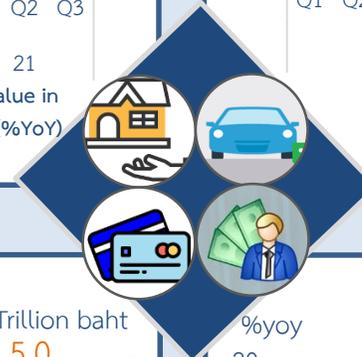
Auto (7.8%)



Credit card (1.6%)



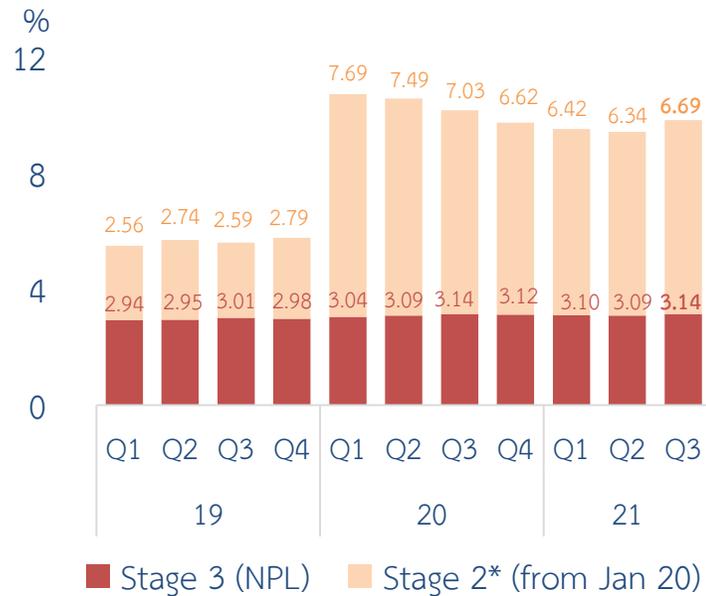
Personal (8.0%)





Loan quality slightly deteriorated, as reflected by a marginal increase in the NPL ratio amid credit assistance measures and revisions to rules on loan classification.

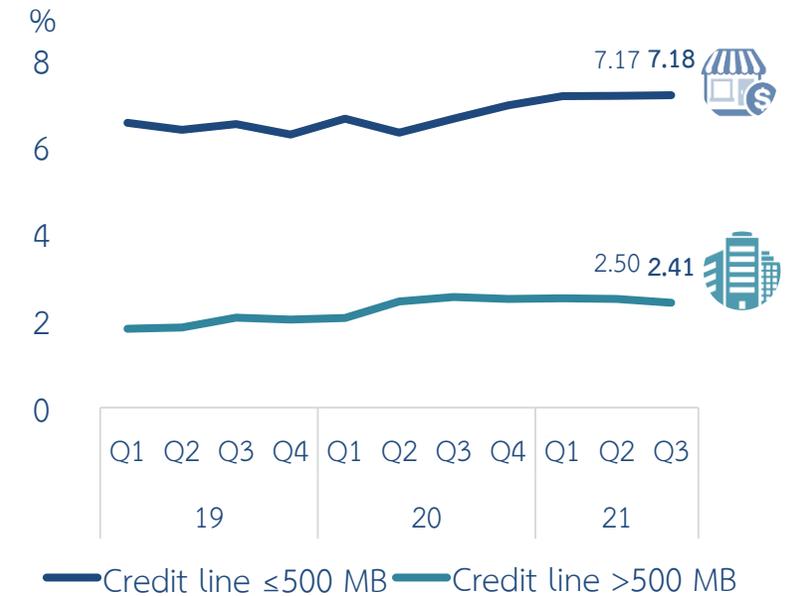
Stage 3 (NPL) and Stage 2 of total loan



Stage 3 classified by loan portfolios



Stage 3 of corporate loan classified by size

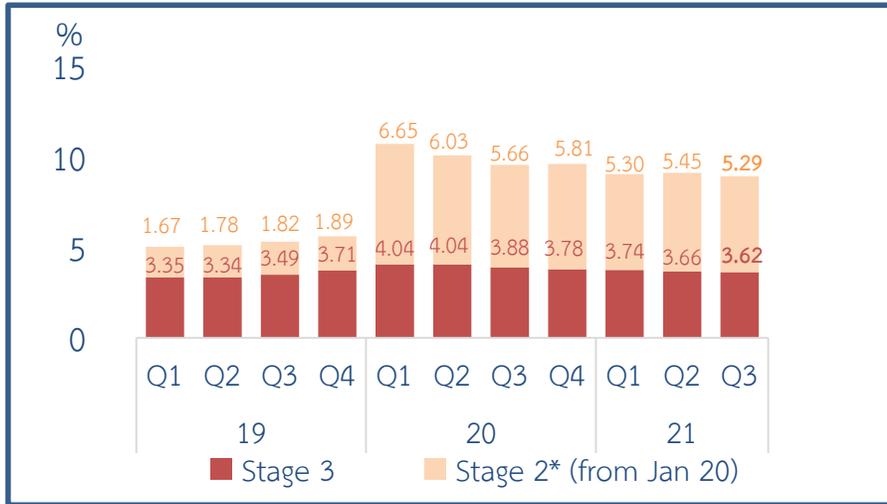


*According to the new accounting regulations (TFRS9), stage 2 is defined as loans with significant increase in credit risk (SICR), having a wider coverage than SM.

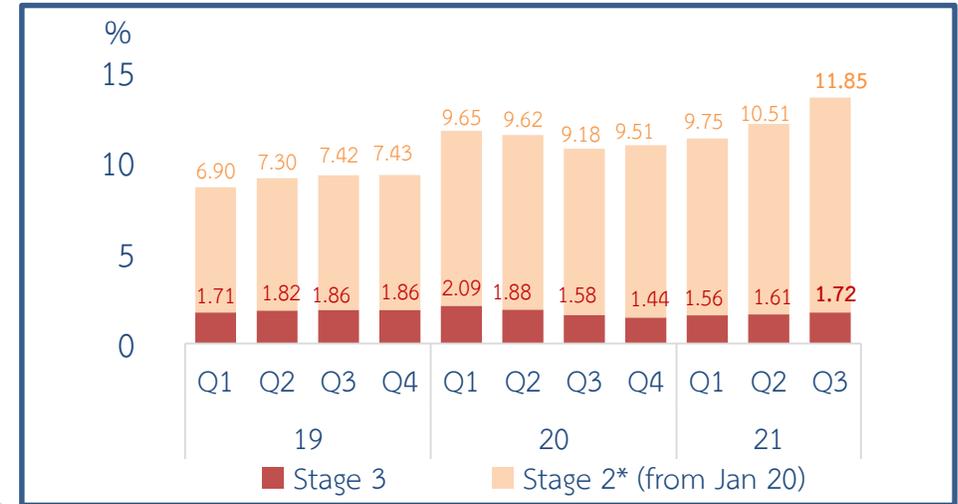


Overall, consumer loans' NPL ratio slightly improved,
partly from NPL management.

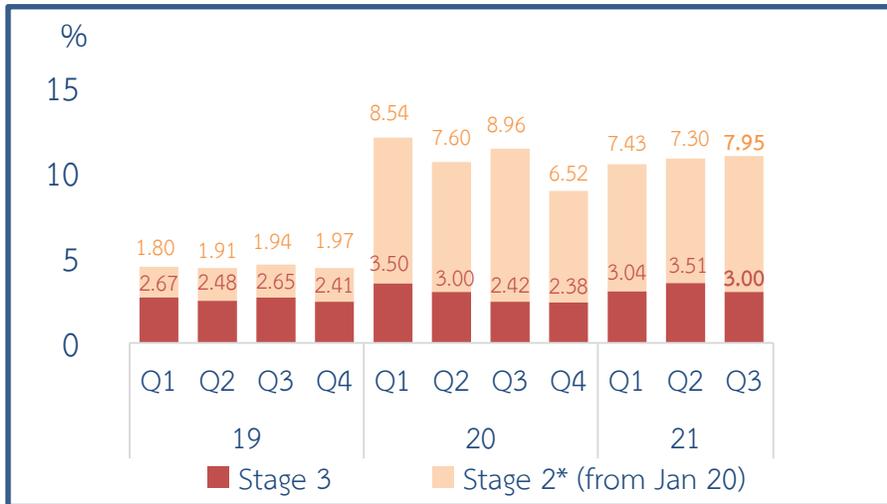
Mortgage



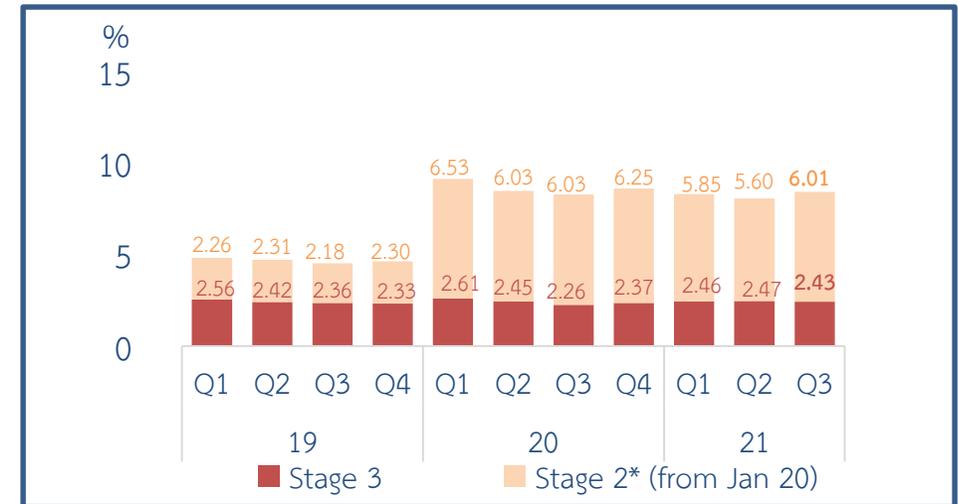
Auto



Credit card



Personal

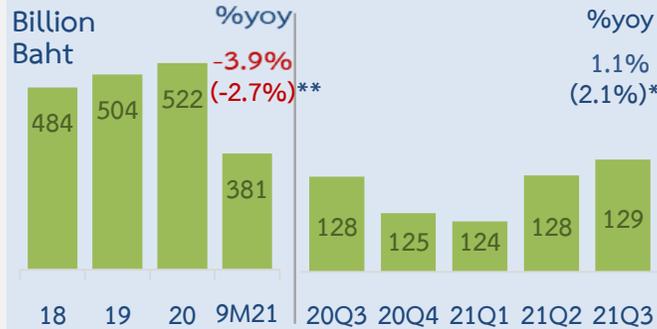


*According to the new accounting regulations (TFRS9), stage 2 is defined as loans with significant increase in credit risk (SICR), having a wider coverage than SM.



The banking system's profitability increased from the same quarter last year due to lower provisioning expenses compared to the elevated level in 2020, as well as banks' effective cost management.

Net interest income



Operating profit



Financial ratios

NIM 2.46% 2.47% 2.47%

ROA 1.09% 0.69% 0.86%

ROE 7.62% 5.00% 6.14%

21Q2 21Q3 9M21

Provisioning expenses



Net profit



Note: * Numbers in parentheses represent year-on-year growth rate after adjusting for an extraordinary item from interest income from loans in relation to partial payment from the auction of mortgage guarantee assets in Q3/2020.

** Numbers in parentheses excluding extraordinary items from dividend income and interest income from loans in relation to partial payment from the auction of mortgaged guarantee assets in 9M/2020 and the recognition of gains on investments from the sales of shares in a subsidiary in 9M/2021



Rehabilitation Loan



Approved loan amount

124,836 MB



Number of debtors under loan scheme

39,095 debtors

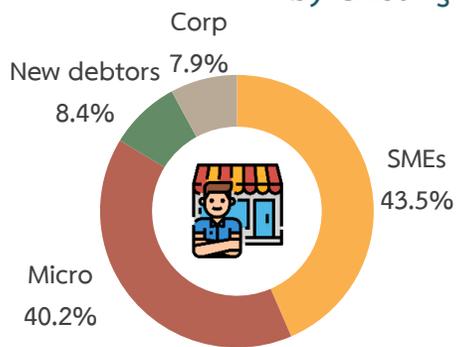


Average credit line

3.2 MB/debtor

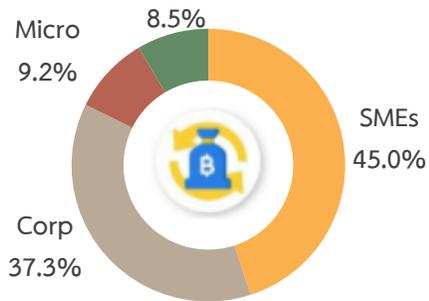
Well-distributed by size, business sector and region

by existing credit lines



by debtors

New debtors



by credit line

43.5%

of debtors are SMEs (existing credit lines >5 - 50 MB)



Debtors (%)

67.0%

of debtors are in commerce and service sectors.



Debtors (%)

67.8%

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

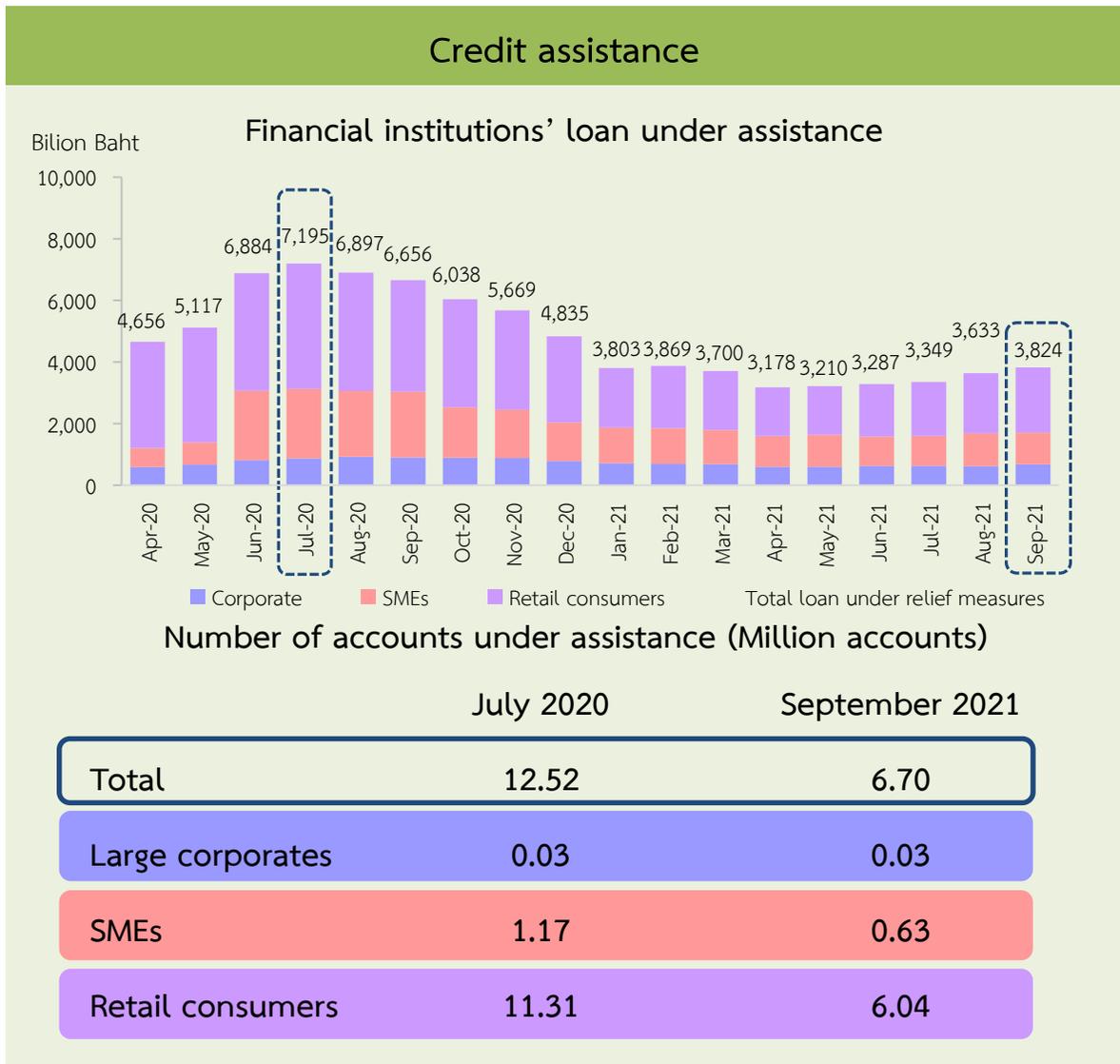
24,374 MB



Number of debtors under the scheme

168 debtors

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





1

Thai banking system remained resilient with high levels of loan loss provision, liquidity and capital fund to serve an important role in assisting borrowers and accommodating loan demand to support economic recovery, which remains highly uncertain due to the COVID-19 pandemic.

2

The loan quality slightly deteriorated under credit assistance measures and revisions to rules on loan classification. Additional measures to support sustainable debt restructuring are expected to help mitigate the impact on debtors amid the highly uncertain situation and facilitate the economic recovery.