



BANK OF THAILAND

BOT Press Release

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**Bank of Thailand clarifies S&P lowered credit ratings on four Thai commercial banks**

Mr. Ronadol Numnonda, Deputy Governor, Financial Institutions Stability, Bank of Thailand (BOT) stated that S&P Global Ratings lowered its ratings on 4 Thai commercial banks while maintaining the ratings for the other 2 banks. These reflect its views on the buildup of fragility from increasing household debts and the higher number of debtors due to regulatory treatment which enabled Thai banks to provide more financial assistance to debtors compared to other countries. In addition, the fragile recovery especially the tourism sector as well as the potential adverse impact from the Russia-Ukraine tension could impact bank loan quality going forward. Nonetheless, S&P noted that the outlooks on these banks are stable given that they are well-capitalized with high level of loan loss provision.

The prolonged and uneven impact from the pandemic have necessitated the use of countercyclical policies in many countries to alleviate the adverse impact on affected sectors. In the case of Thailand, the BOT launched a series of programs and relief measures to provide the needed assistances in a timely and targeted manner. These measures have been re-calibrated from time to time as warranted by the circumstances. The BOT has implemented several measures to encourage banks to continually assist affected debtors in order to facilitate their post-COVID recovery. By the end of 2021, the number of debtors under the financial assistance program stood at 14% of total loans (excluding interbank) – a significant reduction from the peak of 30% in July 2020 during the surge of the COVID-19 outbreak in Thailand. Since then, it has been evident that debtors who had exited from the financial assistance program have regained their debt serviceability.

Meanwhile, to ensure that financial assistance to debtors do not pose risk to the financial soundness of banks and financial stability risk, the BOT has been closely monitoring risks, loan quality and financial position of banks to ensure that the banking system continues to serve as a key driver of recovery. Currently, the financial positions of the Thai banking system remain resilient with high levels of buffer. The Capital Adequacy Ratio (BIS ratio) stands at 20% and provisioning has increased by 430 billion baht during 2020 – 2021. This reflects banks vigilance against the backdrop of heightened uncertainties. Provisioning at 890 billion Baht in the banking system is equivalent to 1.6 times of NPL (NPL Coverage ratio).

Moreover, the BOT has required regular stress tests on banks' capitals (between 2021 - 2023) and found that the Thai banking system remained resilient and able to withstand future risks and uncertainties. Going forward, the continued recovery of the Thai economy will help improve income and debt serviceability of borrowers as well as the loan quality of banks.

Bank of Thailand  
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