



BANK OF THAILAND

BOT Press Release

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Performance of the Thai Banking System in 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 corporates'¹ 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 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.

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.

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.

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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