BANK OF THAILAND
BOT Press Release
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No. 42/2022

Performance of the Thai Banking System in the Second Quarter of 2022

Ms. Suwannee Jatsadasak, Senior Director, Bank of Thailand, reported on the Thai banking system's performance in the second quarter of 2022 that the **Thai banking system remained resilient with high levels of capital fund, loan loss provision and liquidity**, which served as key mechanism to accommodate loans to support the economic recovery. Banks continued to support borrowers and manage their loan portfolios in order to maintain overall asset quality. Meanwhile, the banking system's profitability improved from the same period last year driven mainly by higher net interest income from loan expansion as well as lower provisioning expenses. Details are as follows:

The Thai banking system's capital fund stood at 3,076.6 billion baht, equivalent to capital adequacy ratio (BIS ratio) of 19.6%. Loan loss provision remained high at 909.6 billion baht with NPL coverage ratio of 166.6%. Liquidity coverage ratio (LCR) registered at 185.5%.

Banks' overall loan growth continued to increase by 6.3% year-on-year in the second quarter of 2022, compared to 6.9% in the previous quarter. Details on bank loans are as follows:

Corporate loan growth increased by 8.0% year-on-year owing primarily to expansion in large corporate loans[1] to support financing needs of businesses, partly to fund inventory build-up in accordance with increasing production costs as well as for exports. Meanwhile, SME loans[2] grew mainly from rehabilitation credit scheme.

Consumer loans expanded by 3.0% year-on-year albeit at a slower pace compared to previous quarter. Mortgage loans continued to grow driven by improving housing demand. Personal loans expanded due to households' liquidity needs following rising living costs. Meanwhile, credit card loans accelerated in line with improving consumer confidence following the economic recovery. Auto loans remained stable consistent with a slowdown in domestic car sales.

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[1] Corporates with a credit line more than 500 million baht with a bank as of June 2022.

[2] Corporates with a credit line not exceeding 500 million baht with a bank as of June 2022.

On loan quality, banks continued to support borrowers and manage their loan portfolios in order to maintain overall asset quality. As a result, the gross non-performing loans (NPL or stage 3) in the second quarter of 2022 decreased to 527.9 billion baht, equivalent to the NPL ratio of 2.88%. Meanwhile, the ratio of loans with significant increase in credit risk (SICR or stage 2) to total loans remained stable at 6.09%.

The banking system recorded a net profit of 64.7 billion baht in the second quarter of 2022, increasing by 7.2% from the same quarter last year. This was due mainly to higher net interest income from loan expansion as well as lower provisioning expenses after an elevated level of provision was set aside during COVD-19. Compared to the previous quarter, net profit increased mainly from non-interest income especially dividend income, while net interest income also increased slightly. As a result, the return on asset ratio (ROA) increased to 1.11% from 0.87% in the previous quarter. Meanwhile, the ratio of net interest income to average interest-earning assets (Net Interest Margin: NIM) increased to 2.51% from 2.45% in the previous quarter.

Bank of Thailand
August 16, 2022

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16 August 2022

Overall Performance of the Thai Banking System in the Second Quarter of 2022

Bank resilience

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

Loan growth

Loan growth
+6.3 %YoY (Q2/22)
+6.9 %YoY (Q1/22)

continued to expand from large corporate loans in line with financing needs of businesses. Meanwhile, SMEs loans grew mainly from rehabilitation credit scheme. Consumer loans expanded at a slower pace.

Loan quality

Stage 3
2.88% (Q2/22)
2.93% (Q1/22)

improved with NPL ratio decreasing primarily due to debt restructuring and banks' loan portfolio management.

Profitability

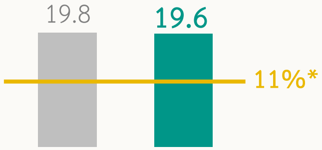
Net profit
7.2 %YoY (Q2/22)
11.8 %YoY (Q1/22)

improved from the same period last year mainly due to loan expansion which led to higher net interest income as well as lower provisioning expenses as banks set aside an elevated level of provision in the previous year.

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

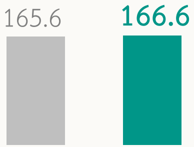
Q1/22 | Q2/22 | Minimum requirement

BIS ratio



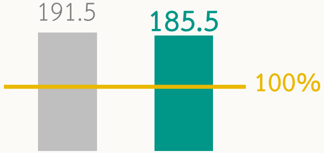
remained stable at a high level : Capital fund increased due primarily to the issuance of subordinated notes (Tier 2), while risk weighted assets increased following loan expansion.

NPL coverage ratio



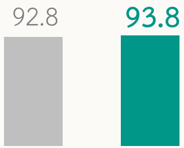
increased : Banks have continued to set aside provisions to cushion against potential loan quality deterioration. Meanwhile, NPL outstanding decreased following banks' loan portfolio management.

LCR (Liquidity Coverage Ratio)



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

L/D ratio



increased: Loans expanded at a higher rate than deposits. Deposits grew slightly from savings of retail depositors and government.

Note: *The minimum capital requirement for D-SIBs is at 12%.
Definition of NPL coverage ratio was revised in accordance to TFRS 9: before Q1/2020 : Loan loss provision (principle only) / NPL outstanding (principle only)
after Q1/2020 : Loan loss provision (loan principle + accrued interest + contingent liability) / NPL outstanding (principle + accrued interest).

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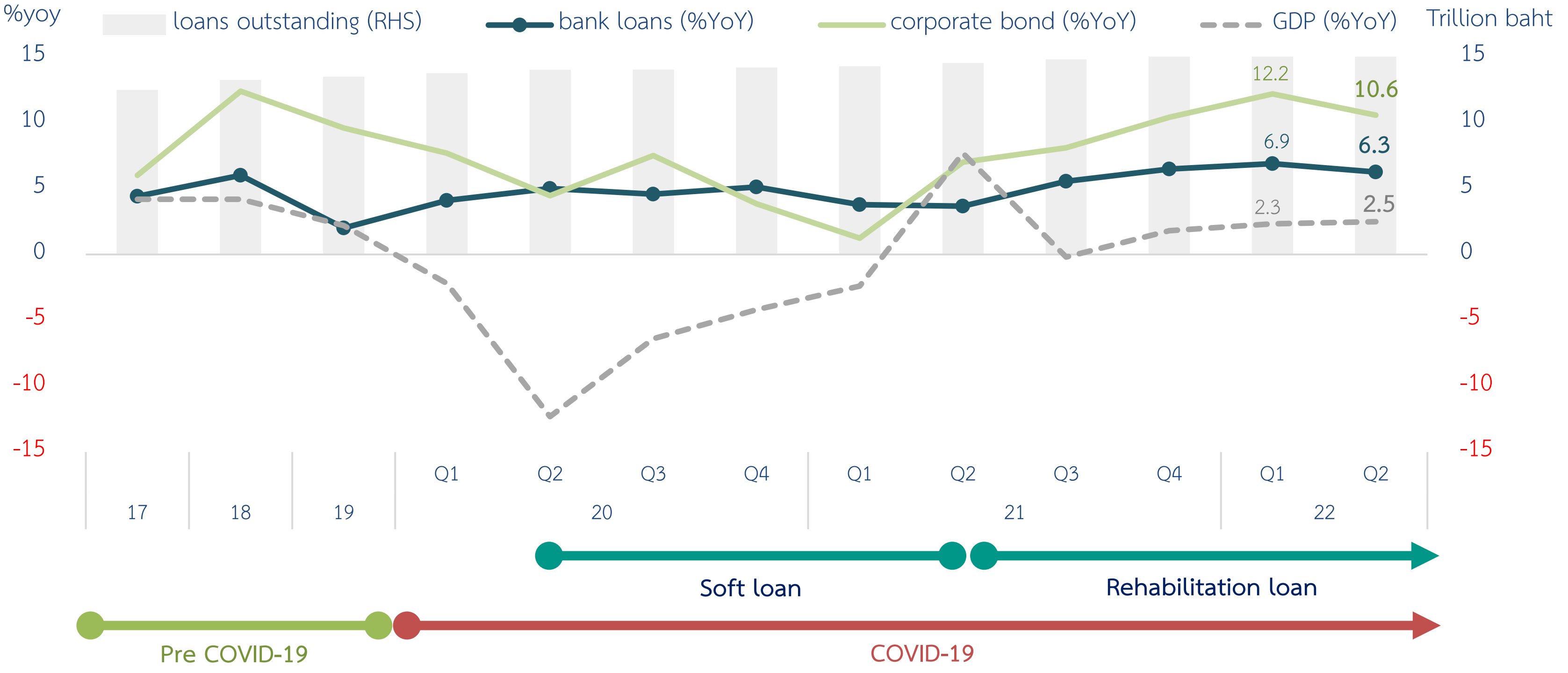
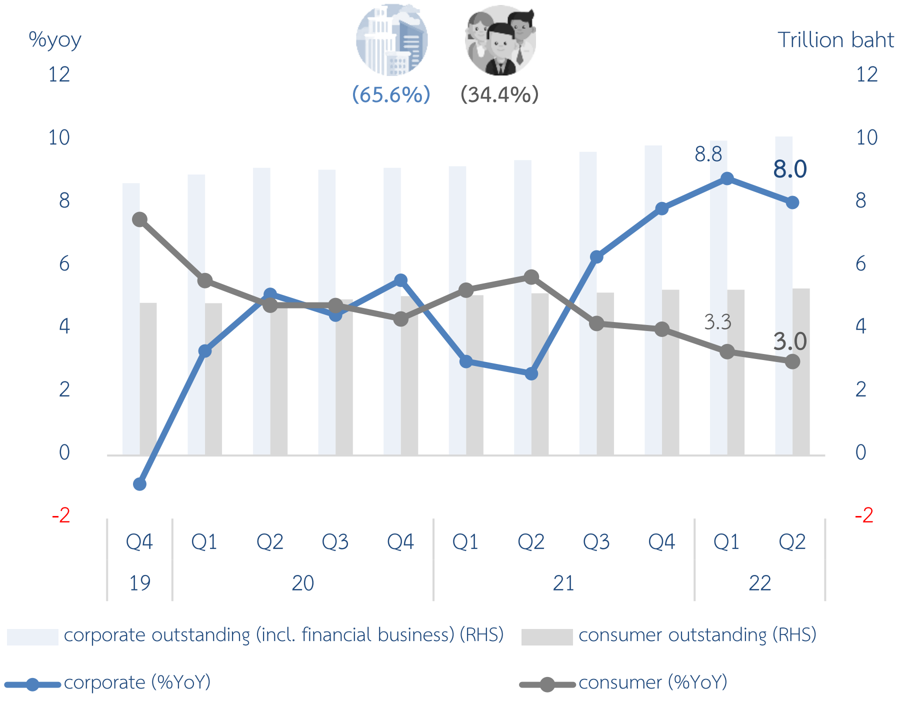
Business sector continued to raise funding through bank loans and bonds in line with improving economic recovery.

Bank loan and corporate bond growth



Bank loans continued to expand mainly from business loans.

Loan growth classified by loan portfolios



Corporate loan growth classified by size

Note: Growth rate compared to the same period last year | * Corporates with a credit line with a bank (excluding financial business)

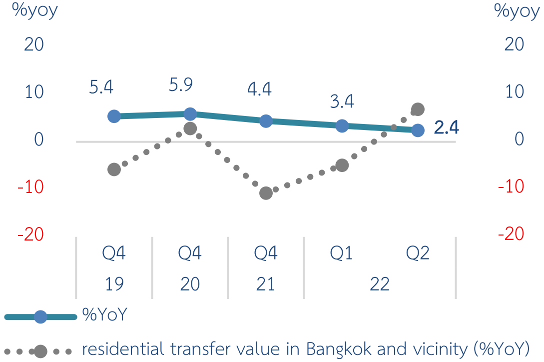
A number in parentheses indicates share of total loans.

Overall consumer loans expanded at a slower pace.

Consumer loan growth

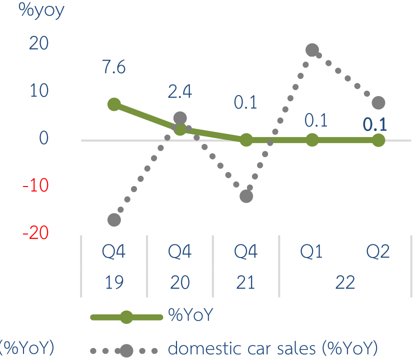
Mortgage loans

(17.1%) still grew albeit at a slower pace driven by improving housing demand.



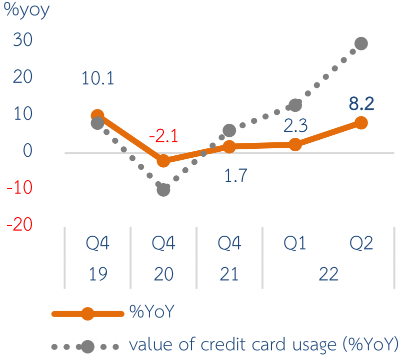
Auto loans

(7.6%) remained stable consistent with a slowdown in domestic car sales.



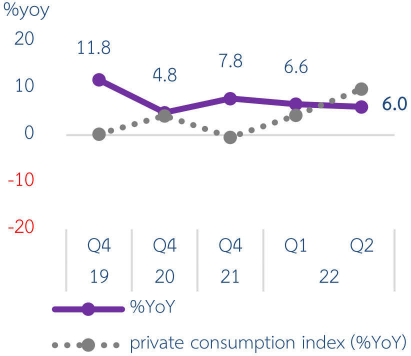
Credit card loans

(1.7%) accelerated in line with an increase in credit card usage.



Personal loans

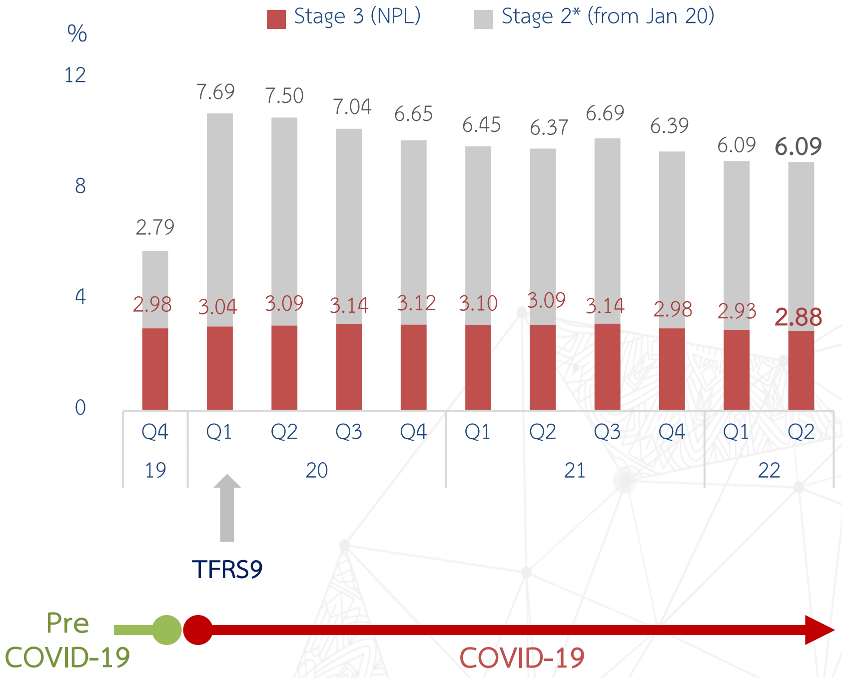
(8.0%) expanded due to households' liquidity needs.



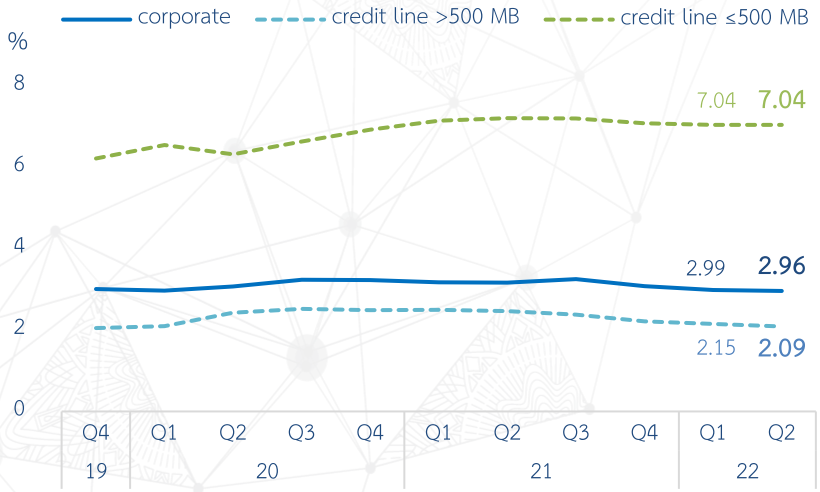
Note: Growth rate compared to the same period last year | A number in parentheses indicates share of total loans.

NPL ratio declined from the previous quarter, primarily due to debt restructuring and banks' loan portfolio management.

Stage 3 (NPL) and Stage 2 of total loans

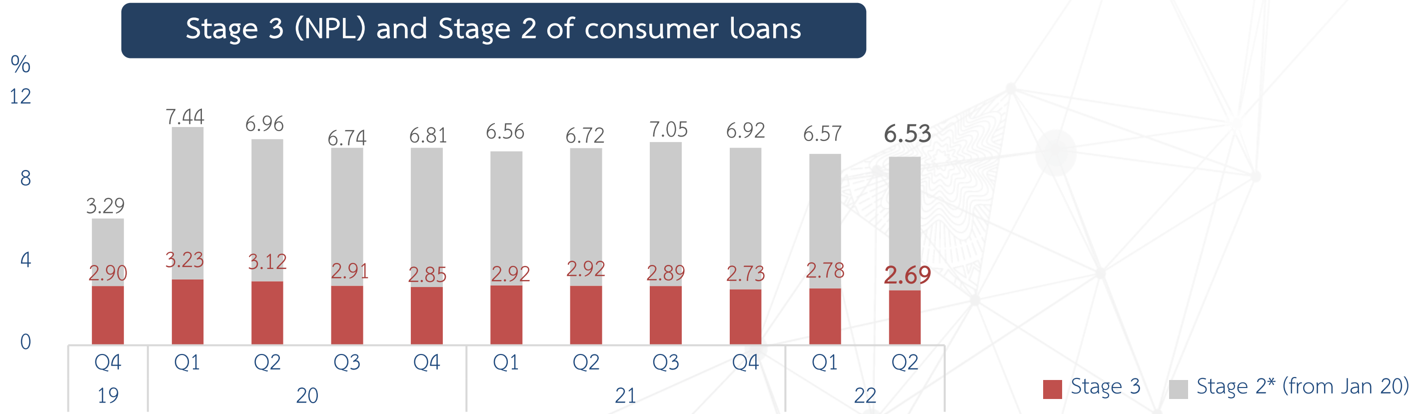


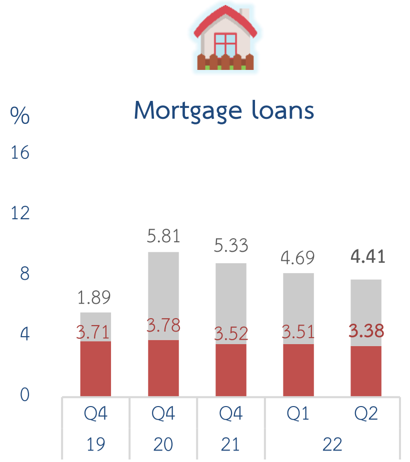
Stage 3 (NPL) classified by loan portfolios

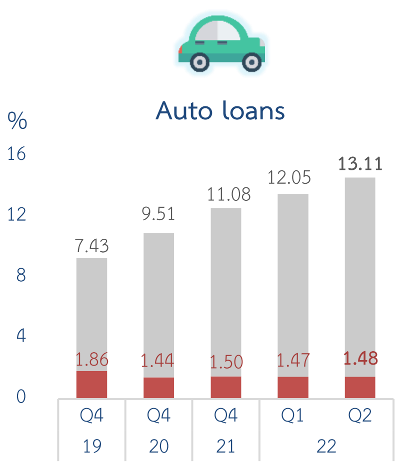


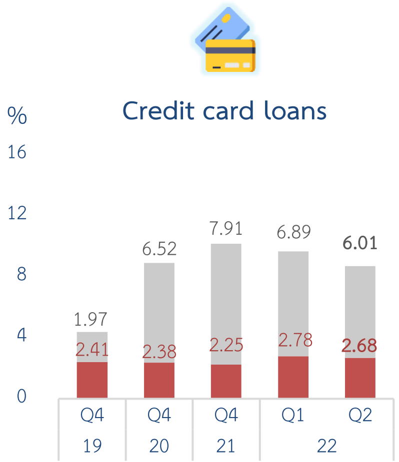
* Stage 2 is defined as loans with significant increase in credit risk (SICR), having a wider coverage than SM.

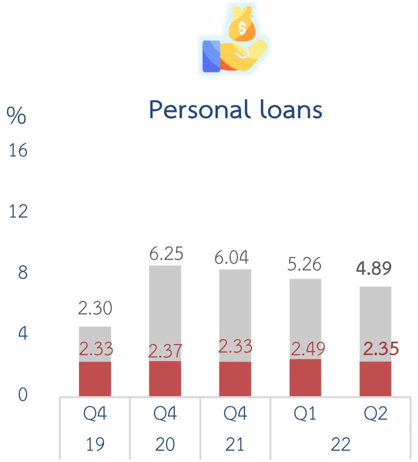
NPL ratio decreased in almost all consumer loan types except auto loans.











* stage 2 is defined as loans with significant increase in credit risk (SICR), having a wider coverage than SM.

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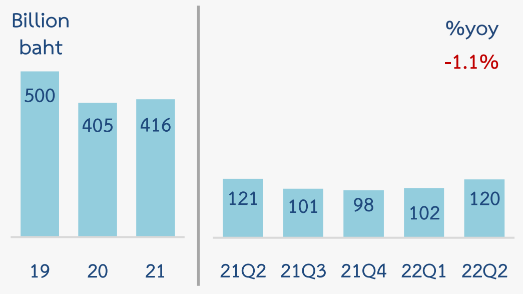
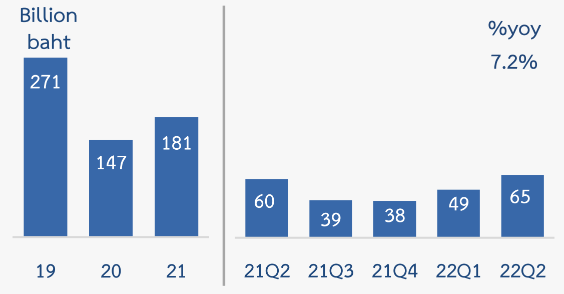
Net profit in the second quarter of 2022 improved from the same quarter last year due mainly to loan expansion which led to higher net interest income as well as lower provisioning expenses.

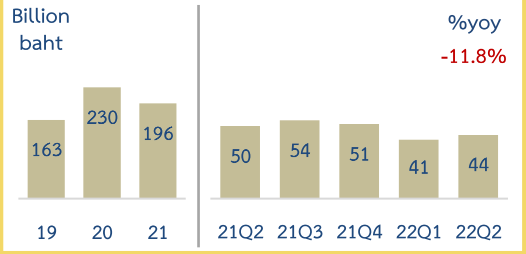
Pre-provision operating profit (PPOP)



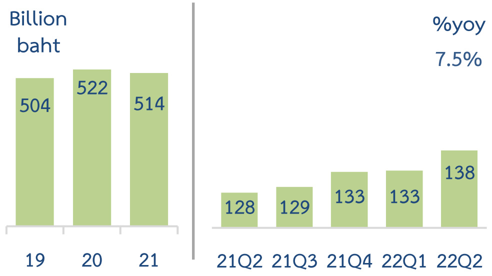
Net profit



Provisioning expenses

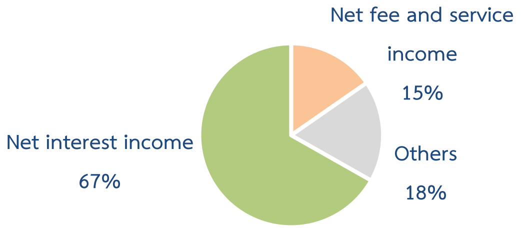


Net interest income

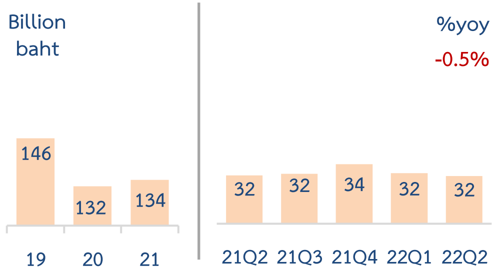


Structure of bank income

In the second quarter of 2022

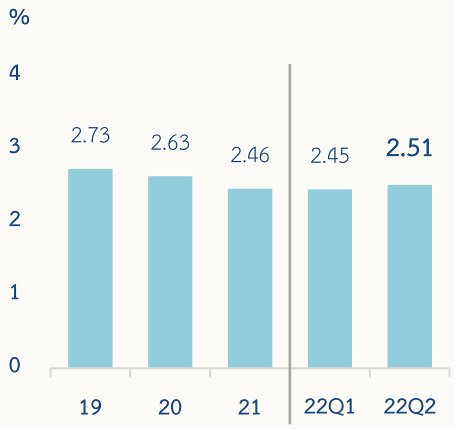


Net fee and service income

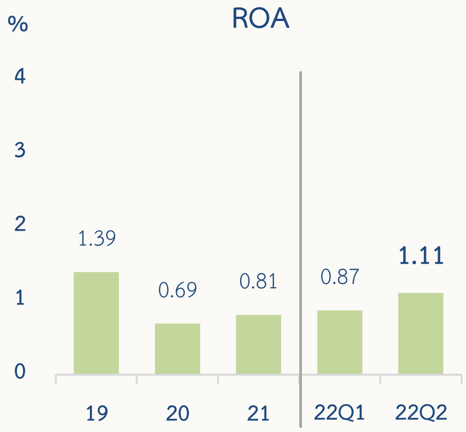


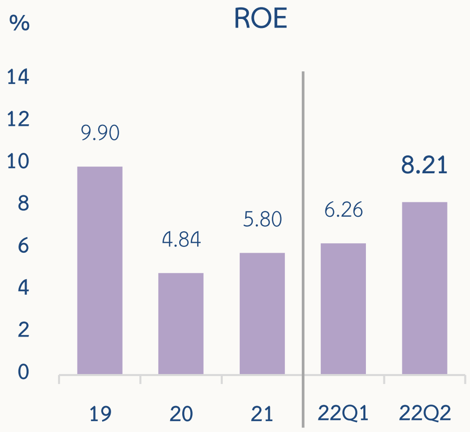
Key profitability ratios

NIM increased from higher net interest income following loan expansion.



ROA and ROE increased as net profit increased mainly from non-interest income especially dividend income, while net interest income also increased slightly.





Note : NIM (Net Interest Margin): (Interest income – interest expenses) / Average interest-earning assets,
ROA (Return on Asset): Net profit / Average net assets and ROE (Return on Equity): Net profit / Average shareholders' equity

Development in financial rehabilitation measures as of August 8, 2022

Rehabilitation Loan

Credit line 250,000 MB

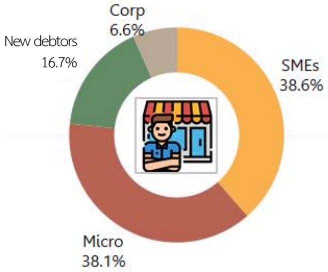
Approved loan amount
184,941 MB

Number of debtors under loan scheme
54,956 debtors

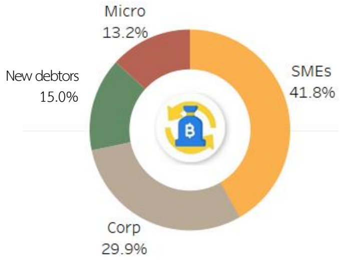
Average credit line
3.4 MB/debtor

Well-distributed by size, business sector and region

by existing credit lines



by debtors



by credit line

76.7%
of debtors are Micro and SMEs (existing credit lines < 50 MB)

Debtors (%)

67.9%
of debtors are in commerce and service sectors.

Debtors (%)

69.5%
of debtors are from provincial areas.

Debtors (%)

Debt Restructuring through Asset Warehousing

Credit line 100,000 MB

Approved loan amount
50,721 MB

Number of debtors under the scheme
373 debtors

Financial institutions and debtors have to negotiate the terms and conditions.

Loan under assistance

Loan outstanding under assistance

2.90 trillion baht

Banks + non-banks: 1.94 trillion baht

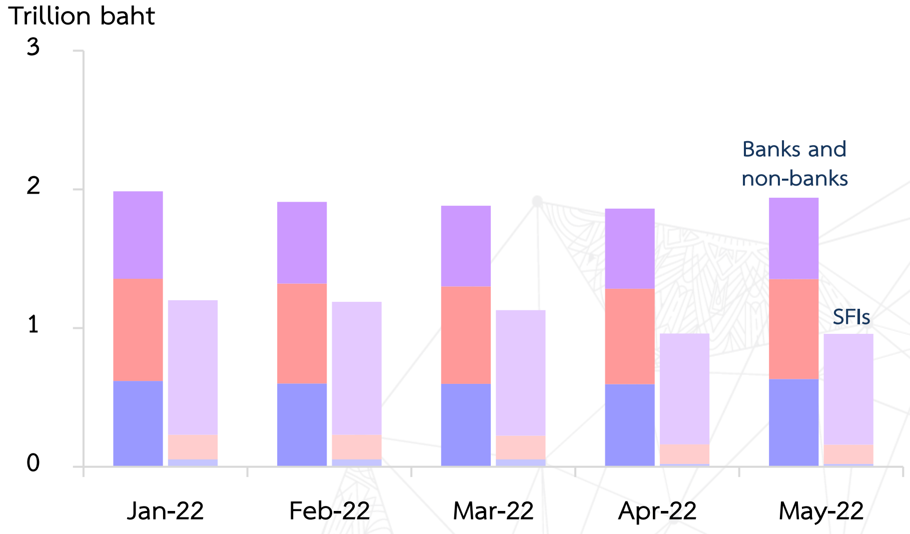
SFIs: 0.96 trillion baht

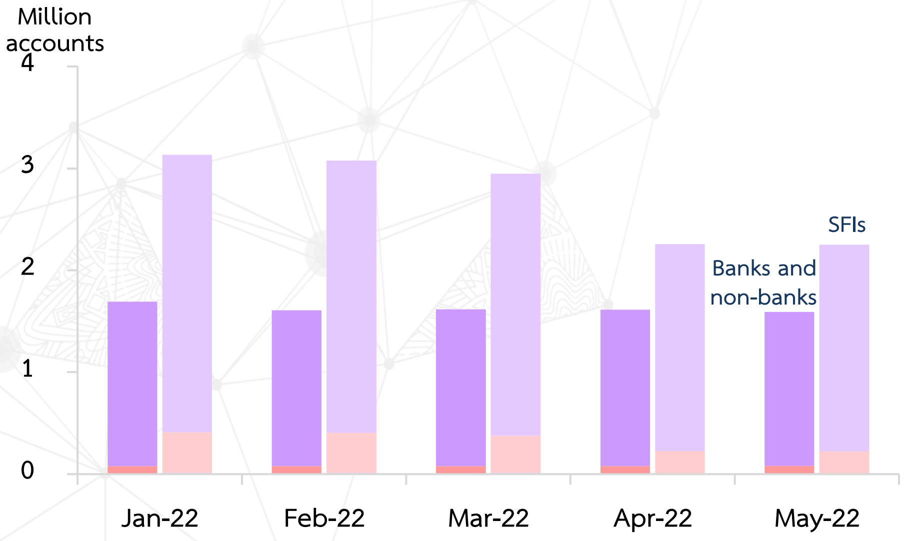
Number of accounts under assistance

3.84 million accounts

Banks + non-banks: 1.59 million accounts

SFIs: 2.25 million accounts





Large corporates SMEs Retail consumers

Note : Dark colours represent banks and non-banks, while light colours represent SFIs

Key takeaways

1

Thai banking system remained resilient with high levels of loan loss provision, liquidity and capital fund, which served as key mechanism to accommodate loans to support the economic recovery.

2

Overall NPL ratio decreased mainly due to debt restructuring and banks' loan portfolio management. However, loan quality of SMEs and retail debtors warrants monitoring as they would be affected by higher cost of living, while income of some debtors has not yet fully recovered.

SMEs Transformation loan

Objective

To support SMEs who has weathered the prolonged COVID-19 pandemic to access cheap funding with a more accommodative credit line and flexible guarantee scheme for enhancing business efficiency and upgrading competitiveness in the new normal environment.

Credit limits (Term loan)
Not exceeding 150 MB
including Soft loan and Rehabilitation loan

Interest rate
Not exceeding an average of 5% per annum for 5 years
≤2% for the first 2 years and interest for the first 6 months subsidized by government

Target Groups

COVID-19 affected SMEs which are ready to move forward (both upper and lower K-shaped business sector)

Digital technology

- Adoption of digital technology to improve business management efficiency.
- Investment in automation or robotics in order to develop production processes and services.

Green

- Investment in energy efficiency or adoption of renewable energy or clean energy.
- Investment in product design and service development as well as equipments or systems for green or zero-waste products and services.
- Investment in machineries and equipments to support an expansion in electric vehicles or green vehicles.

Innovation

- Investment in technology and innovation to enhance business competitiveness and sustainability.
- Investment in technology and innovation to develop products and services for modern lifestyle.
- Investment in modern and safe equipments or tools in order to transform businesses to high-value services.