



BANK OF THAILAND

Banking Sector Quarterly Brief (Q3 2023)

The Thai banking system remains resilient with robust levels of capital, loan loss provisions, and liquidity. In the third quarter of 2023, the banking system's loans slightly contracted for 0.9% YoY¹ due to the gradual repayment of business loans, following the accommodative growth in liquidity facilities during the COVID-19 period, particularly from SMEs, export-related large corporates, and the government, combined with the banks' portfolio management. Nevertheless, banks' lending continued to expand in some sectors, mainly in holding businesses and construction. Consumer loans continued to grow at a slower pace across most portfolios. Loan quality slightly deteriorated, particularly from consumer loans, while banks continued with their loan portfolio management and assisted debtors through debt restructuring. As a result, the banking system's gross non-performing loans (NPL or stage 3) slightly increased to 494.6 billion Baht, equivalent to the NPL ratio of 2.70%. Meanwhile, the ratio of loans with significant increase in credit risk (SICR or stage 2) stood at 5.84%, decreased from 6.08% in the previous quarter.

The banking system's profitability in the third quarter of 2023 improved from the previous year mainly driven by the higher net interest income, despite higher costs of funds from rising deposit rate and FIDF fee normalization together with the increased operational costs and provisioning expenses. However, compared to the previous quarter, net profit declined primarily due to a reduction in seasonal dividend income and a decline in FVTPL profit resulting from losses in the sale of derivatives.

However, there remains a need to monitor the debt serviceability of SMEs and some vulnerable households with slow income recovery. The household debt to GDP ratio in the second quarter of 2023 remained unchanged from the previous quarter, while the corporate debt to GDP ratio slightly increased. Overall corporate profitability was stable,

¹ Excluding the impact of a banks' transfer of credit card and personal loans to its subsidiaries, the total loan contraction was 0.2% yoy.

with a slight improvement in the chemical manufacturing sector in contrast to the performance of other manufacturing sectors. However, the profitability of tourism-related sectors experienced a negative impact from the low season.

For further information, please contact: Banking Risk Assessment Division

Tel: +66 2283 5980, +66 2356 7796

E-mail: BRAD@bot.or.th



ธนาคารแห่งประเทศไทย
BANK OF THAILAND

Banking Sector Quarterly Brief

(Q3 2023)

20 November 2023



Thai banking system remains resilient. However, there remains a need to monitor the debt serviceability of SMEs and some vulnerable households with slow income recovery.

Commercial Banking system

Capital, loan loss provisions, and liquidity remained robust.

Bank loans slightly contracted due to the gradual repayment of business loans after the COVID-19 period, combined with the banks' portfolio management. Nevertheless, bank loans continued to expand, mainly from large corporates in holding businesses and construction. While consumer loans continued to grow at a slower pace.

Loan quality slightly deteriorated in consumer loans. The overall NPL amount marginally increased, mainly from consumer loans. Meanwhile, the Stage 2 loan amount decreased from the previous quarter in most portfolios, except for auto loans.

Profitability improved mainly from higher NII despite higher costs of funds, operational costs, and provisioning expenses.

Household

Household debt to GDP ratio remained stable, but it is necessary to continue monitoring the debt serviceability of vulnerable households with slow income recovery.

Corporate

The corporate debt to GDP ratio slightly increased, while the overall corporate profitability was stable, with a slight improvement in the chemical manufacturing sector in contrast to the performance of other manufacturing sectors. However, the profitability of tourism-related sectors experienced a negative impact from the low season.

Relief measures

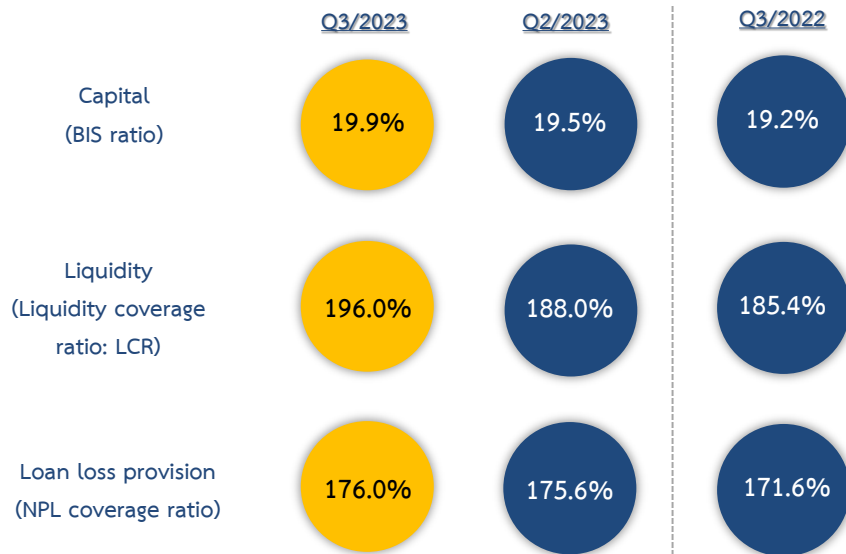
Loans under relief measures slightly increased from last quarter, primarily driven by the sustainable debt restructuring of consumer loans.



Thai banking system remains resilient to serve as a key mechanism to accommodate loan demand going forward.

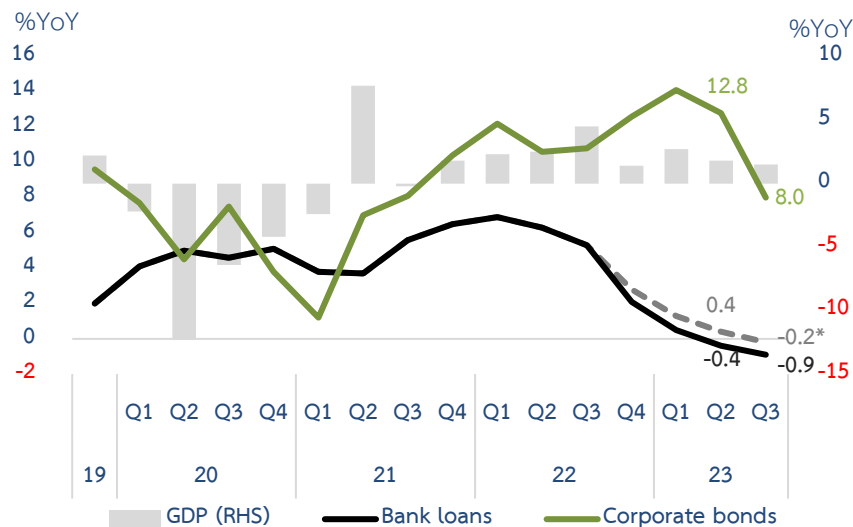
Capital, loan loss provision, and liquidity indicators

Banks' capital, loan loss provisions, and liquidity remained at high levels.



Bank loan and corporate bond growth

Bank loans slightly contracted mainly due to corporate debt repayments. Meanwhile, fund-raising through the bond market expanded at a slower pace, following accelerated bond issuance in the preceding periods.

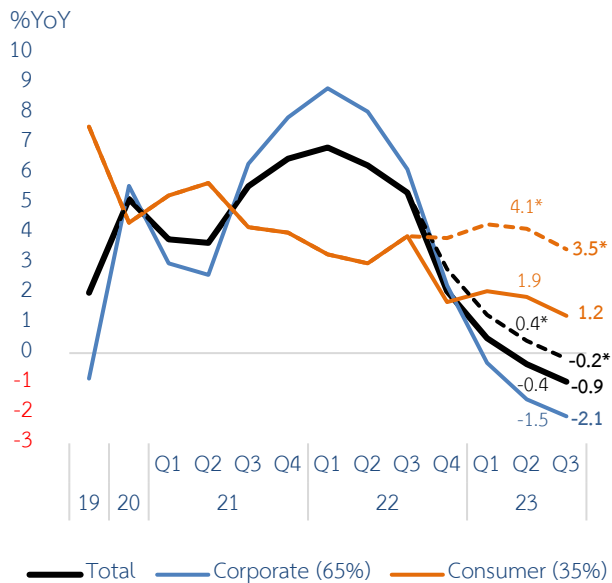


Note: * Excluding the impact of a bank's transfer of credit card and personal loans to its subsidiaries.



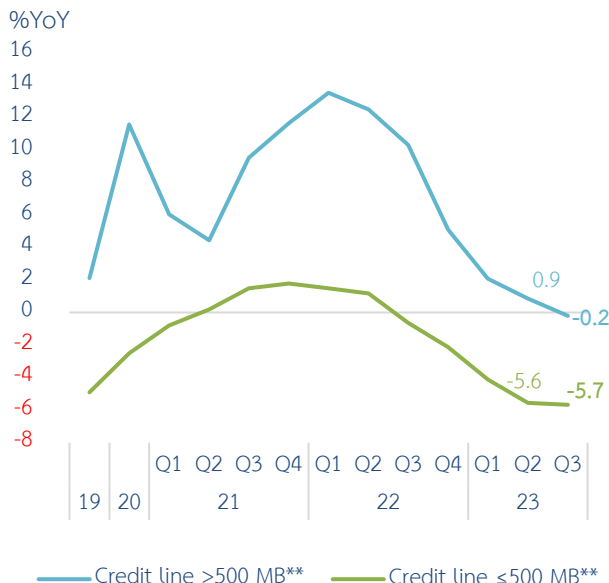
Bank loans slightly contracted due to corporate debt repayments, particularly from SMEs, export-related large corporates and government. However, corporate loans continued to expand, mainly in holding businesses and construction, while consumer loans expanded at a slower pace across most portfolios.

Overall loan growth by portfolio



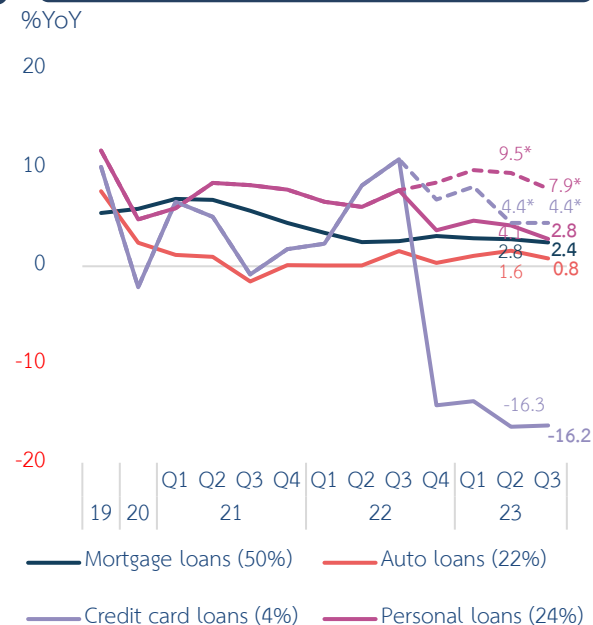
Note: Numbers in the parentheses show the proportion of total loans.
* Excluding the impact of a bank's transfer of credit card and personal loans to its subsidiaries.

Corporate loan growth by size



** Corporates' credit line per bank as of September 2023.

Consumer loan growth by portfolio



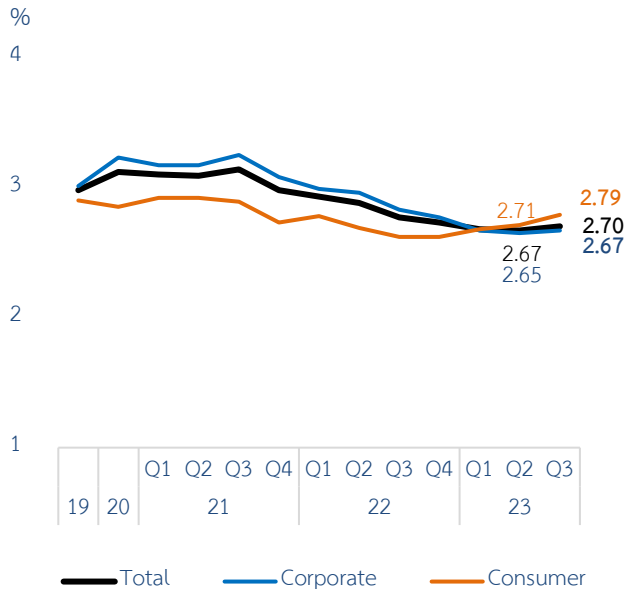
Note: Numbers in the parentheses show the proportion of total retail loans.
* Excluding the impact of a bank's transfer of credit card and personal loans to its subsidiaries.



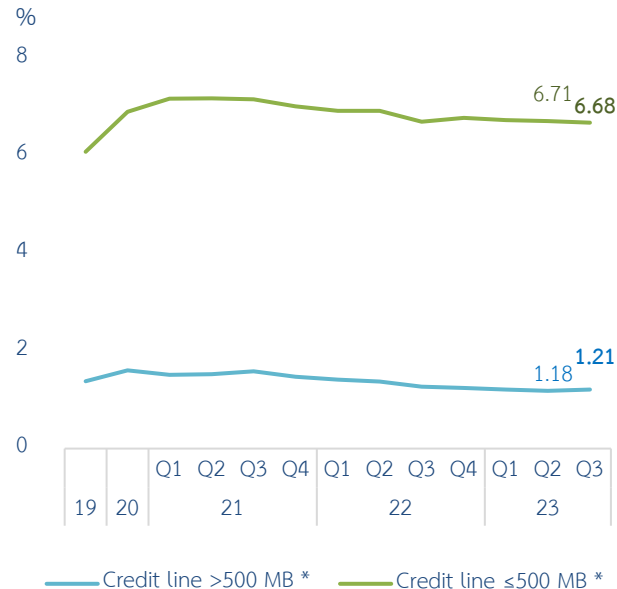
Overall NPL slightly increased, particularly from consumer loans, while the loan quality of SME businesses marginally improved.

Banks continued to manage their loan portfolios and assist their debtors.

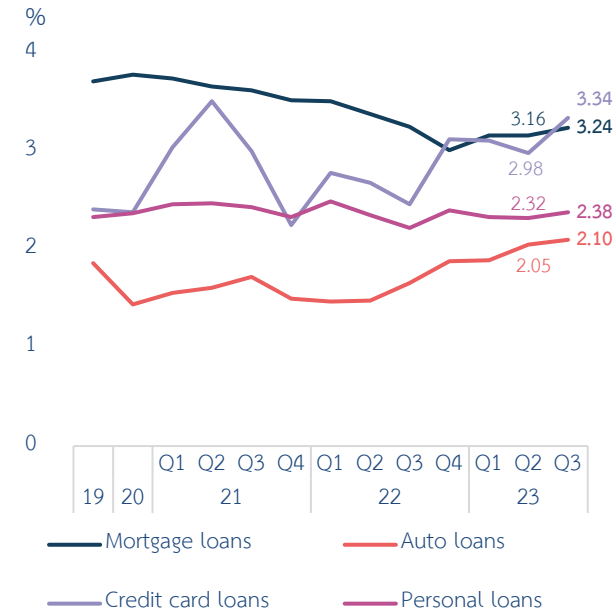
NPL (Stage 3) of total loans by portfolio



NPL (Stage 3) of corporate loans by size



NPL (Stage 3) of consumer loans by portfolio



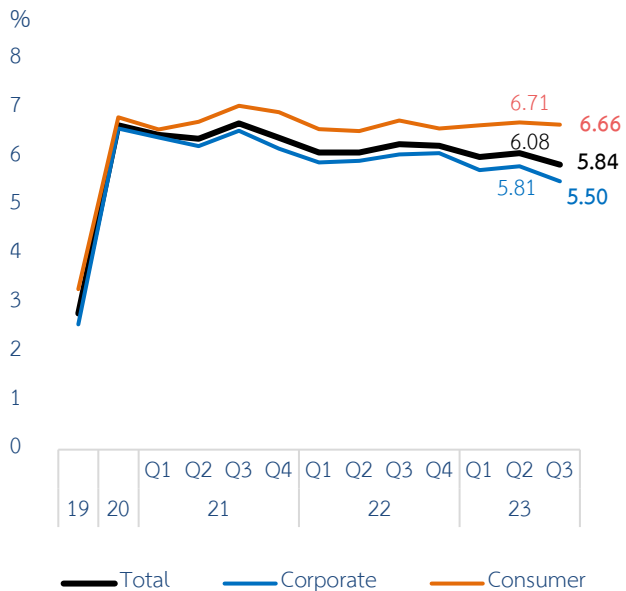
Note: A bank has transferred credit card and personal loans to its subsidiaries since Q4 2022.

* Corporates' credit line per bank as of Sep 2023.

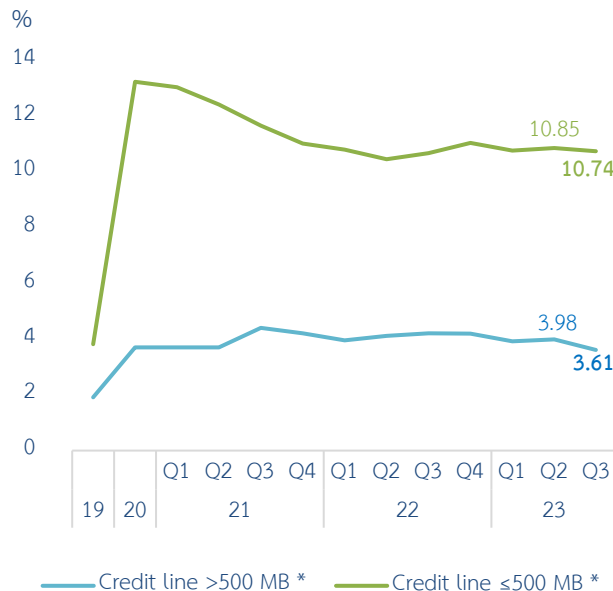


Stage 2 ratio decreased from the previous quarter in both corporate and consumer loan portfolios, except for the auto loan that still increased.

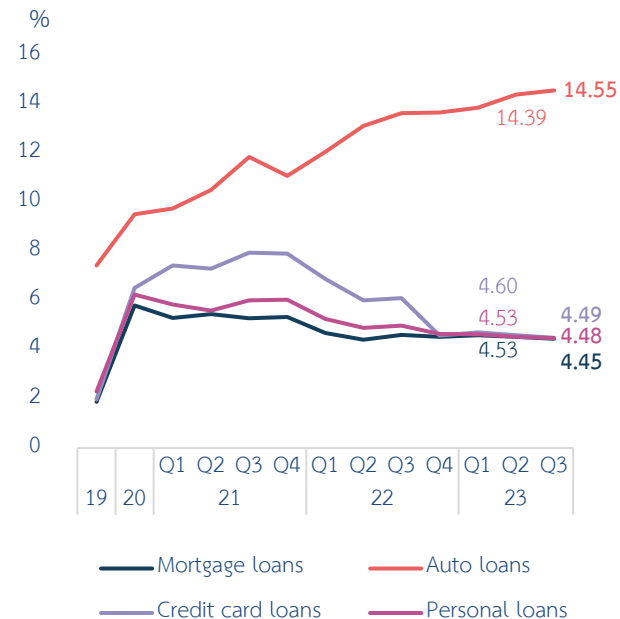
Stage 2 of total loans by portfolio



Stage 2 of corporate loans by size



Stage 2 of consumer loans by portfolio



Note: loan classification was adjusted following TFRS9 adoption in 2020, and a bank has transferred credit card and personal loans to its subsidiaries since Q4 2022.

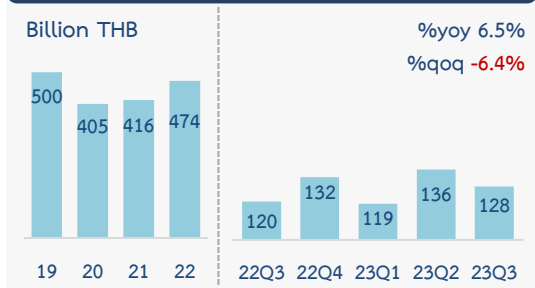
* Corporates' credit line per bank as of Sep 2023.



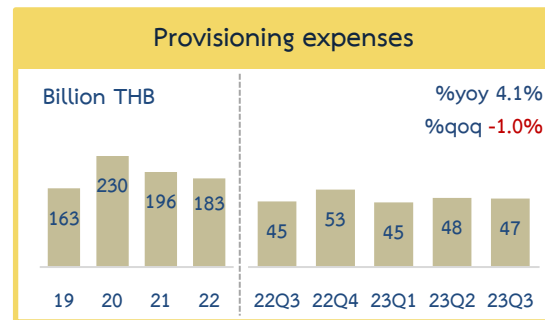
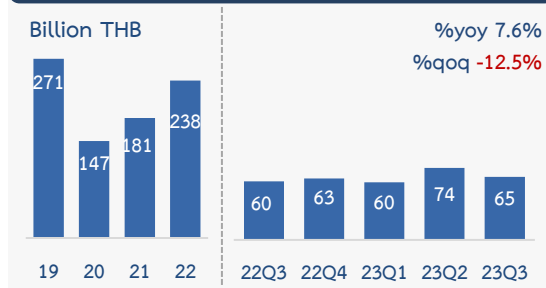
Bank profitability improved from the previous year mainly from higher net interest income.

Compared to the previous quarter, net profit declined due to a reduction in seasonal dividend income and a decline in FVTPL profit.

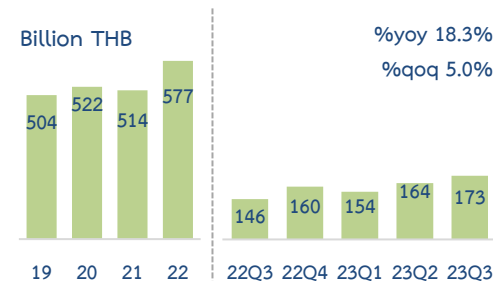
Pre-provision operating profit (PPOP)



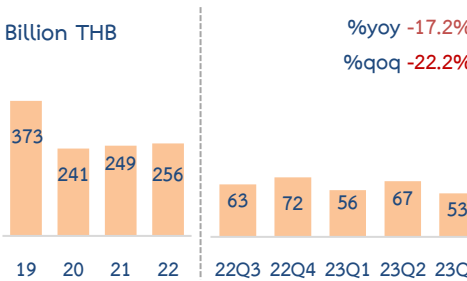
Net profit



Net interest income [77%]



Non-interest income [23%]



Ratios	19				22Q3				
	20	21	22	22Q3	22Q4	23Q1	23Q2	23Q3	
NIM (%)	2.73	2.63	2.46	2.62	2.64	2.88	2.77	2.95	3.11
ROA (%)	1.39	0.69	0.81	1.01	1.01	1.07	1.00	1.26	1.10
ROE (%)	9.90	4.84	5.80	7.49	7.51	7.98	7.41	9.44	8.19

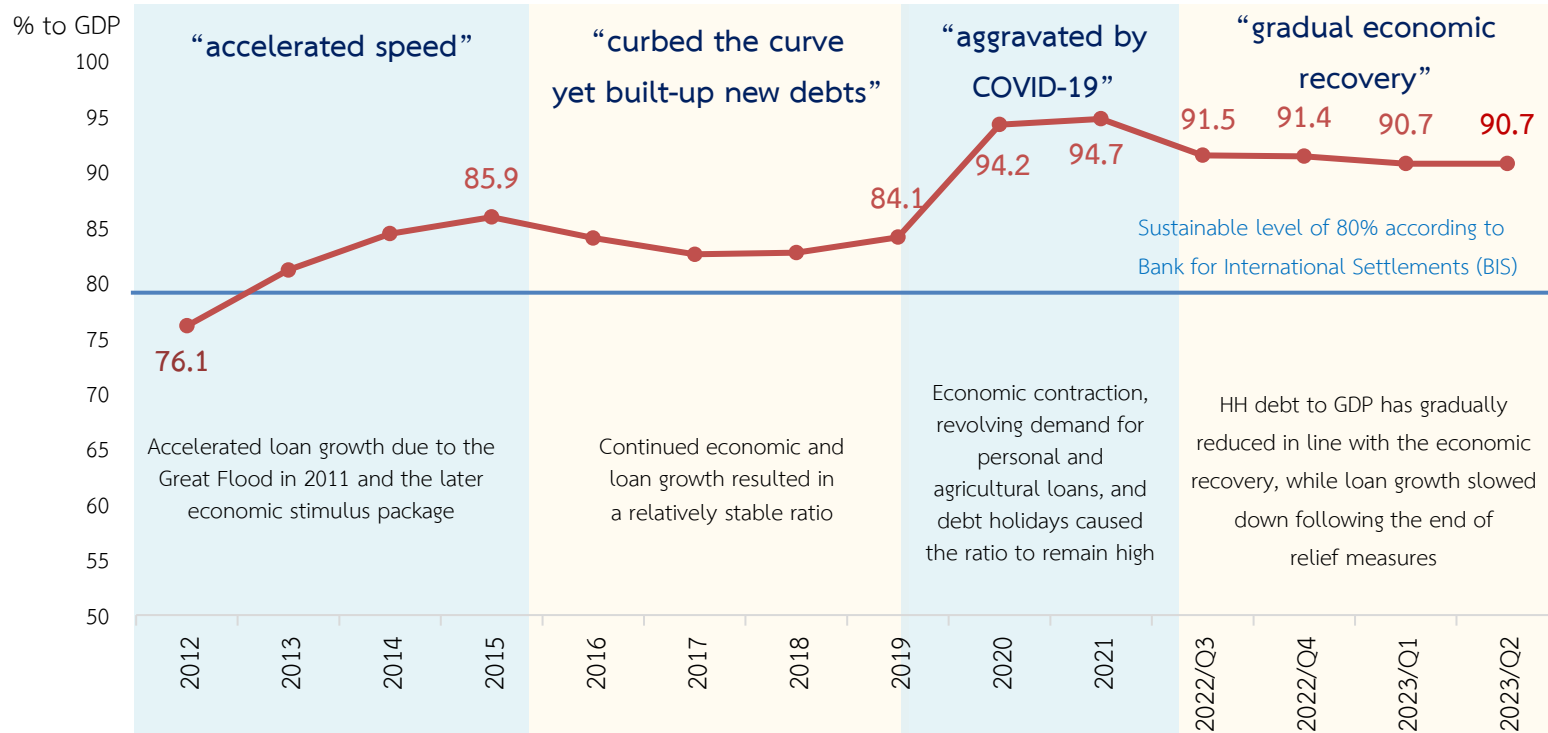
Note: Numbers in the parentheses show the proportion of net income.



Household debt-to-GDP ratio remained unchanged from the previous quarter since household debt has risen at the same pace as GDP.

However, it is necessary to continue monitoring the debt serviceability of vulnerable households with low income level or slow income recovery.

Household debt to GDP



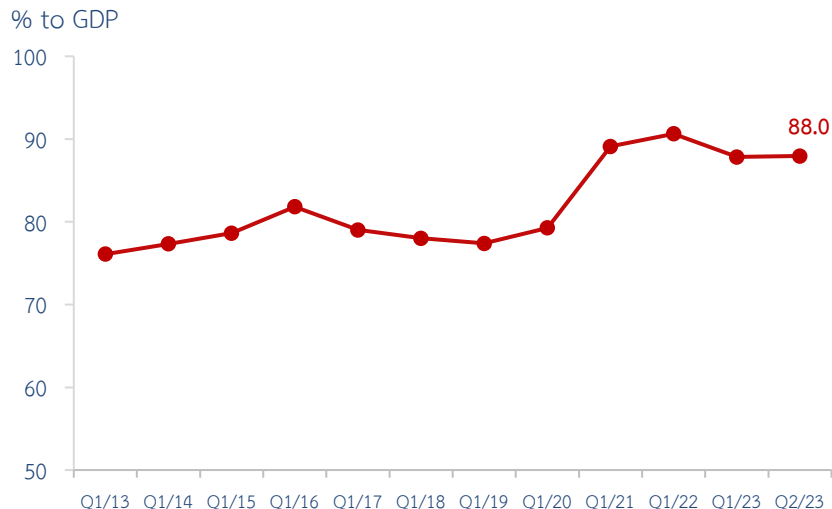


Corporate debt to GDP ratio slightly increased, while the overall corporate profitability was stable,

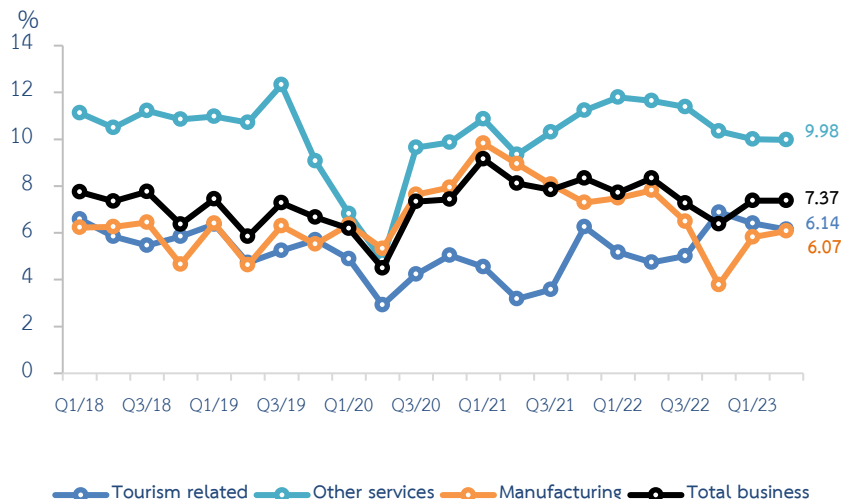
with a slight improvement in the chemical manufacturing sector in contrast to the performance of other manufacturing sectors.

However, the profitability of tourism-related sectors experienced a negative impact from the low season.

Corporate debt to GDP



Operating profit margin (OPM) by sector



Source: BOT and NESDC

Note: Median values are shown. The manufacturing sector includes manufacturing and petroleum businesses. The tourism-related sector includes hotels, airlines, restaurants and trade.

Source: SEC and computed by BOT



Development in credit assistance from financial institutions

Overall, loans under relief measures slightly increased from the previous quarter, mainly due to sustainable debt restructuring by SFIs and non-banks to support retail consumers.



Loan outstanding under assistance

3.44 trillion baht

Banks + non-banks:
1.87 trillion baht
SFIs: 1.57 trillion baht

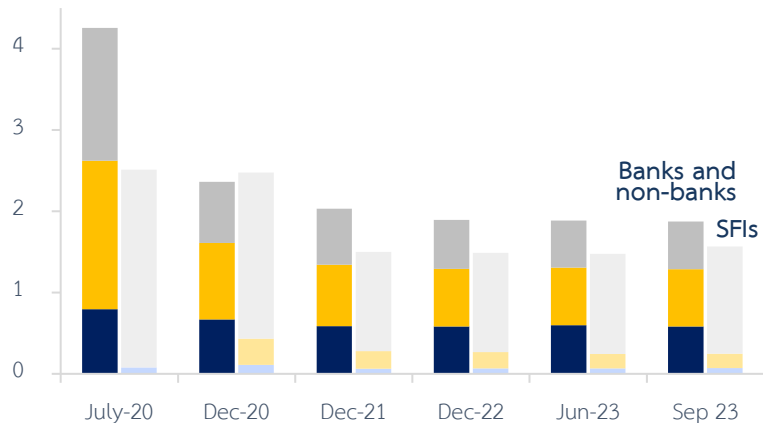


Number of accounts under assistance

5.99 million accounts

Banks + non-banks:
2.46 million accounts
SFIs: 3.53 million accounts

Trillion baht

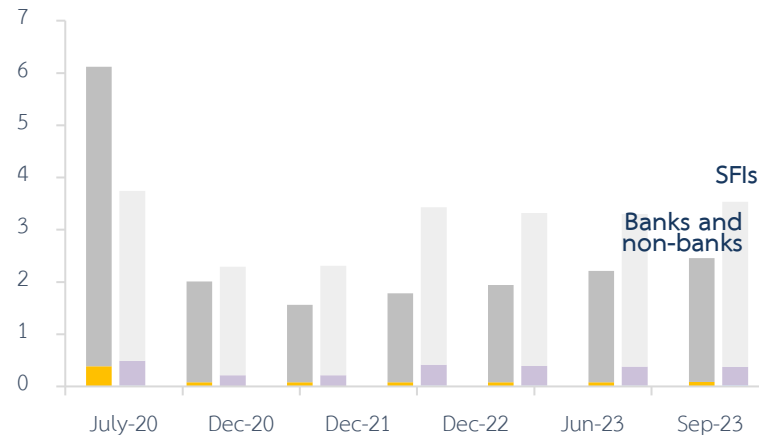


■ Large corporates

■ SMEs

■ Retail consumers

Million accounts



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



Rehabilitation Loan

Credit line 275,886 MB*



Approved loan

254,385 MB



Number of debtors under loan scheme

65,458 debtors

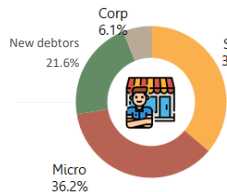


Average approved credit line

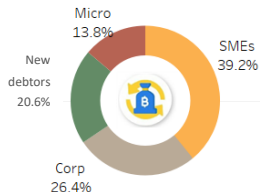
3.9 MB / debtor

Well distributed by size, business sector, and region

By existing credit line



by debtors



by credit line

72.4%

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



Debtors (%)

68.1%

of debtors are in
commerce and service
sectors



Debtors (%)

69.6%

of debtors are from
provincial areas



Debtors (%)



Transformation loan

A loan measure under the Rehabilitation Loan Act (ending April 9, 2024, along with the rehabilitation loan program)



Approved loan

7,449 MB



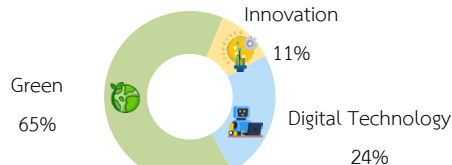
Number of debtors under loan scheme

537 debtors

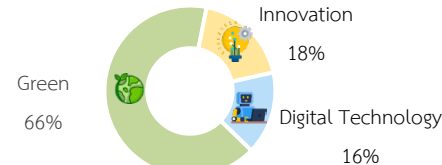


Average approved credit line

13.9 MB / debtor



by debtors



By credit line

* Note: Credit line for rehabilitation and transformation loans includes the remaining credit line from the asset warehousing program which ended on April 9, 2023 with approved loan of 74,114 MB for 500 debtors.