BANK OF THAILAND

Banking Sector Quarterly Brief (Q4 2023 and 2023)

The Thai banking system remains resilient with robust levels of capital, loan loss provisions, and liquidity. In 2023, the banking system's loans marginally contracted 0.3% YoY due to the gradual repayment of business loans following accommodative growth in liquidity facilities during the COVID-19 period, particularly from SMEs, large corporates in the manufacturing sector, and the government, combined with banks' portfolio management. Nevertheless, banks' new lending tends to increase across several business sectors. Consumer loans continued to grow mainly from personal loans. The banking system's gross non-performing loans (NPL or stage 3) in the fourth quarter of 2023 slightly decreased to 492.8 billion Baht, equivalent to the NPL ratio of 2.66%, primarily from corporate loans, owing to banks' loan portfolio management and debt repayment. However, the NPL amount of consumer loans increased across all portfolios. Meanwhile, the ratio of loans with a significant increase in credit risk (SICR or stage 2) stood at 5.86%, slightly increased from the previous quarter.

The banking system's profitability in 2023 improved from the previous year, mainly driven by higher net interest income following the interest rate hike cycle, despite higher costs of funds from rising deposit rates and FIDF fee normalization together with increased operational costs and provisioning expenses. Meanwhile, non-net interest income decreased from net fee income.

However, there remains a need to monitor the debt serviceability of small SMEs facing higher production costs and vulnerable households with slow income recovery, which could influence a gradual increase in NPL but remains manageable with no immediate risk of NPL cliff. The household debt to GDP ratio in the third quarter of 2023 remained unchanged from the previous quarter, while the corporate debt to GDP ratio decreased due to a gradual economic recovery and a slowdown in new debt creation. The overall corporate profitability gradually improved, led by manufacturing sectors, particularly in the downstream chemical products and petroleum. Also, the profitability of tourism-related sectors improved with lower-than-expected spending per trip.

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BANK OF THAILAND

Banking Sector Quarterly Brief
(Q4 2023 and 2023)

19 Febuary 2024

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BANK OF THAILAND

Banking Sector Quarterly Brief (Q4 2023 and 2023)

Thai banking system remains resilient. However, there remains a need to monitor the debt serviceability of small SMEs facing higher production costs and vulnerable households with slow income recovery, which could influence a gradual increase in NPL but remains manageable with no immediate risk of NPL cliff.

Commercial Banking system

Capital, loan loss provisions, and liquidity remained robust.

Bank loans marginally contracted due to the gradual repayment of business loans after the COVID-19 period, combined with banks' portfolio management. Nevertheless, bank's new lending tends to increase across several business sectors while consumer loans continued to grow mainly from personal loans.

Overall loan quality remained stable. The NPL amount slightly decreased from corporate loans, while the NPL amount of consumer loans increased across all portfolios. The Stage 2 loan amount increased from the previous quarter, mainly from consumer 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 slower income recovery.

Corporate

Corporate debt to GDP ratio decreased due to a gradual economic recovery and a slowdown in new debt creation. **The overall corporate profitability gradually improved** led by manufacturing sectors, particularly in the downstream chemical products and petroleum. Also, the profitability of tourism-related sectors improved with lower-than-expected spending per trip.

Relief measures

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

Commercial Banking System

Thai banking system remains resilient

with robust level of capital, loan loss provisions and liquidity.

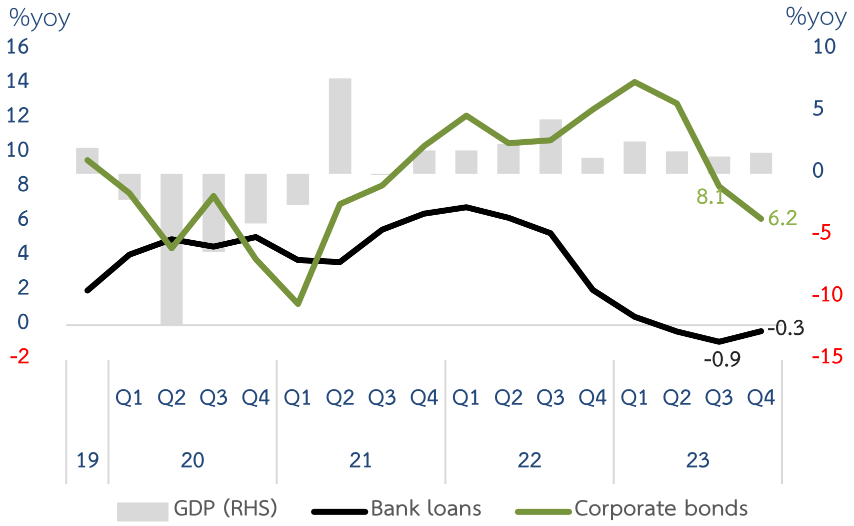
Capital, loan loss provision, and liquidity indicators

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

	Q4/2023	Q3/2023	Q4/2022
Capital (BIS ratio)	20.1%	19.9%	19.4%
Liquidity (Liquidity coverage ratio: LCR)	204.4%	196.0%	196.6%
Loan loss provision (NPL coverage ratio)	179.0%	176.0%	171.2%

Bank loan and corporate bond growth

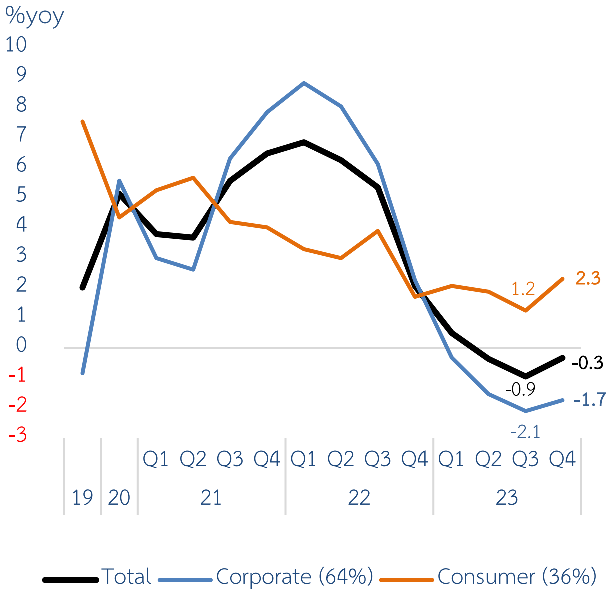
Bank loans marginally contracted, mainly due to corporate debt repayments. Meanwhile, fund-raising through the bond market expanded at a slower pace, following accelerated bond issuance in the preceding periods.



Note: corporate bonds are excluded banking, financial and securities

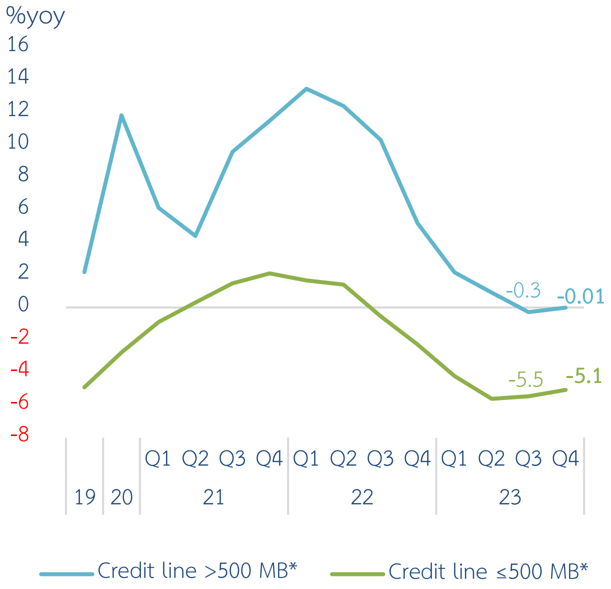
Bank loans marginally contracted due to gradual debt repayment, particularly from SMEs, large corporates in manufacturing sector and government. However, consumer loans continued to grow mainly from personal loans, while auto loans slightly contracted due to the banks' cautious lending practices.

Overall loan growth by portfolio



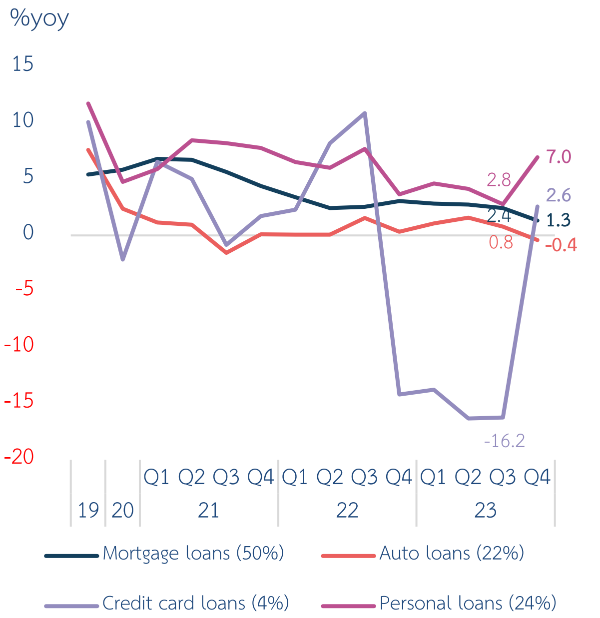
Note: (1) Numbers in the parentheses show the proportion of total loans.
(2) A bank transferred credit card and personal loans to its subsidiaries since Q4 2022.

Corporate loan growth by size



Note: * Corporates' credit line per bank as of December 2023.

Consumer loan growth by portfolio

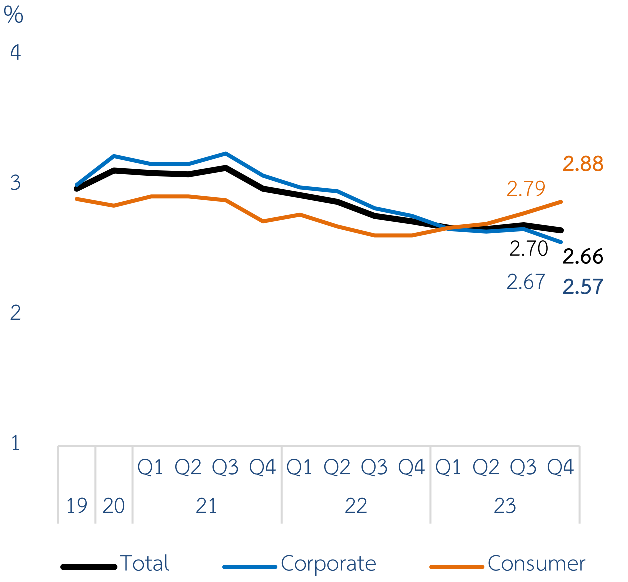


Note: (1) Numbers in the parentheses show the proportion of total retail loans.
(2) A bank transferred credit card and personal loans to its subsidiaries since Q4 2022.

Source: BOT

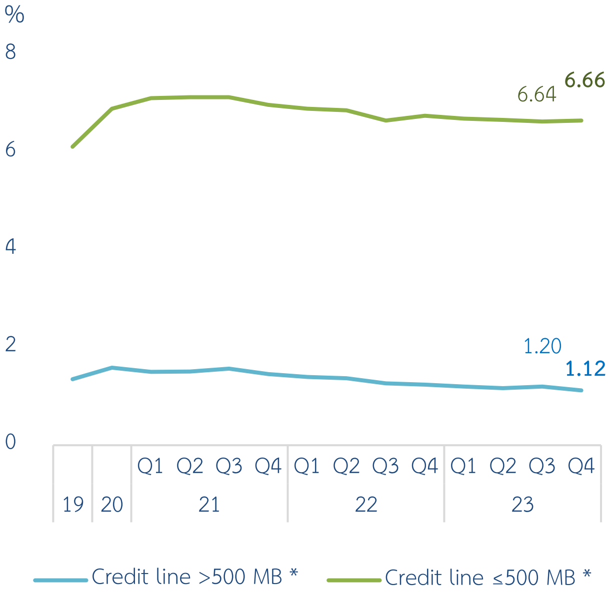
Overall NPL slightly decreased from corporate loans due to banks’ loan portfolio management and debt repayment.
However, there remains a need to monitor rising NPL of consumer loans across all portfolios.

NPL (Stage 3) of total loans by portfolio



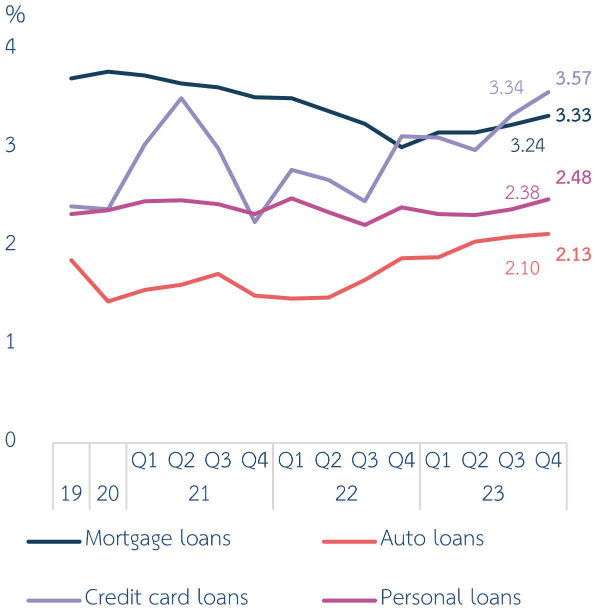
Note: A bank transferred credit card and personal loans to its subsidiaries since Q4 2022.

NPL (Stage 3) of corporate loans by size



Note: * Corporates’ credit line per bank as of Dec 2023.

NPL (Stage 3) of consumer loans by portfolio

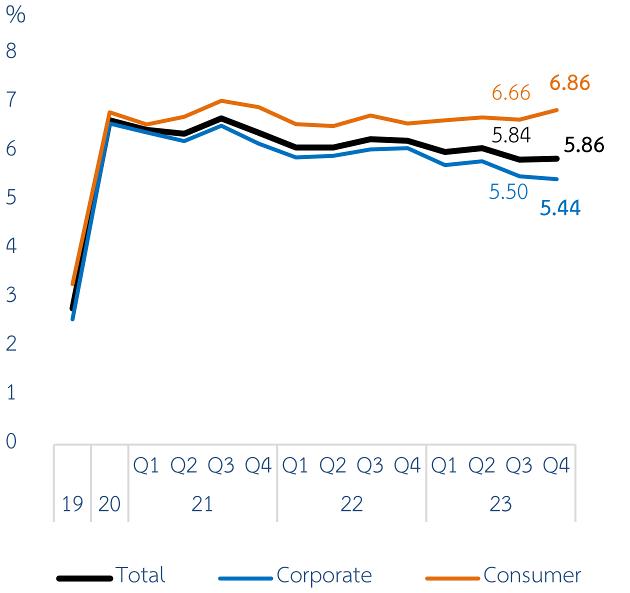


Source: BOT

Stage 2 loans increased from the previous quarter in both consumer and corporate loan portfolios.

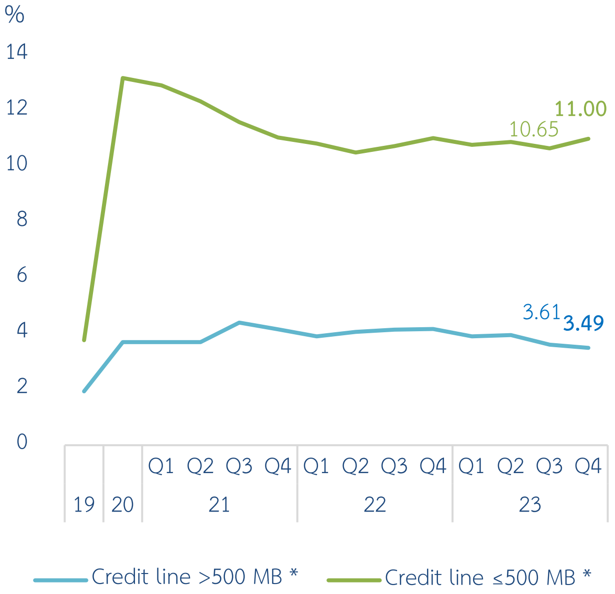
However, stage 2 ratio of corporate loans decreased due to an increase in loan base.

Stage 2 of total loans by portfolio



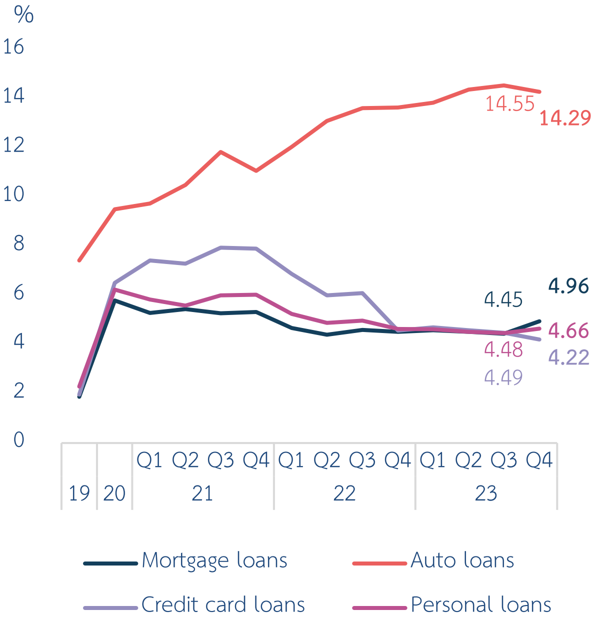
Note: loan classification was adjusted following TFRS9 adoption in 2020, and a bank's transfers of credit card and personal loans to its subsidiaries since Q4 2022.

Stage 2 of corporate loans by size



Note: * Corporates' credit line per bank as of Dec 2023.

Stage 2 of consumer loans by portfolio



Commercial Banking System

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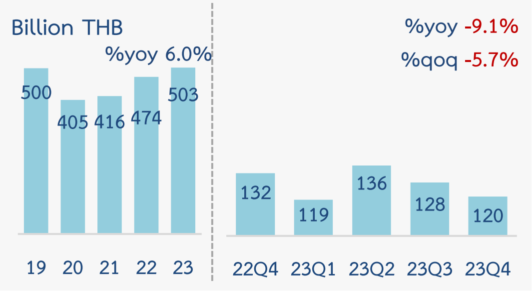
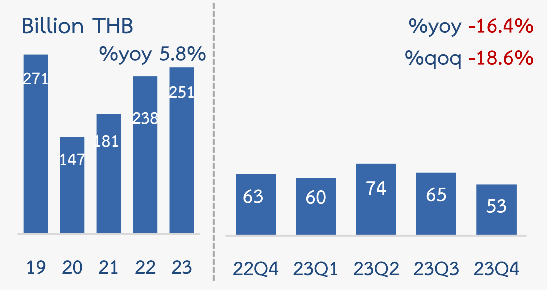
Bank profitability in Q4 2023 decreased from the previous quarter mainly due to increased operational costs and provisioning expenses, while profitability in 2023 improved from last year due to higher net interest income.

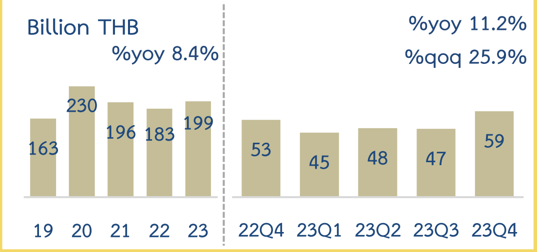
Pre-provision operating profit (PPOP)



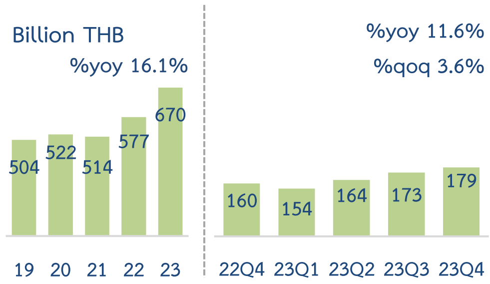
Net profit



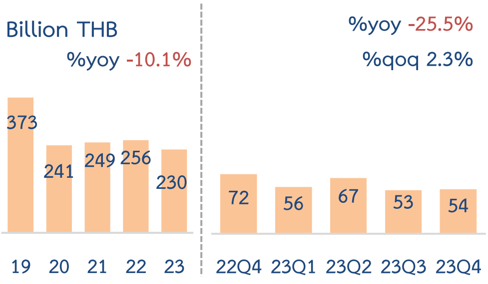
Provisioning expenses



Net interest income [77%]



Non-interest income [23%]



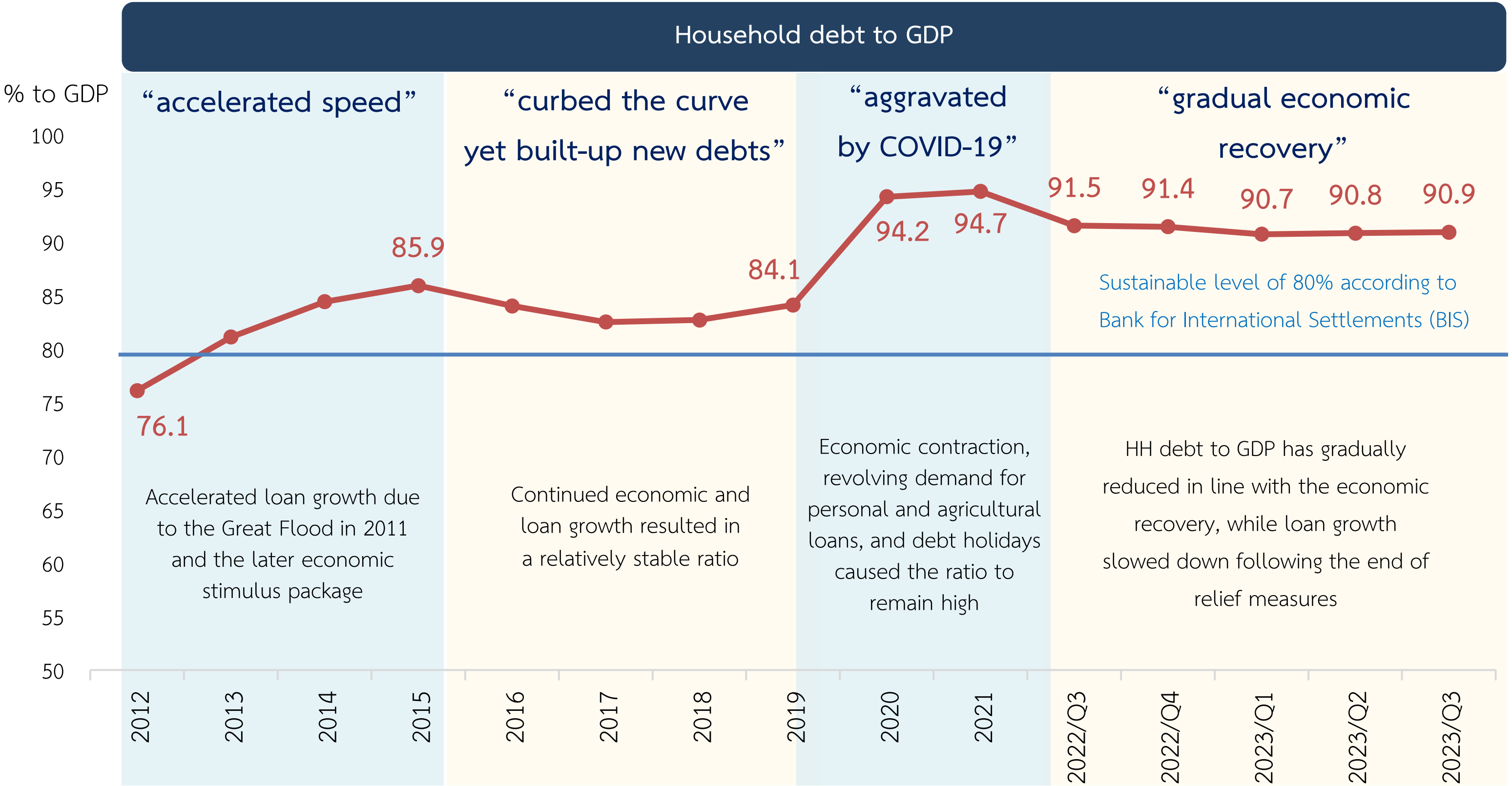
Ratios	19	20	21	22	23	22Q4	23Q1	23Q2	23Q3	23Q4
NIM (%)	2.73	2.63	2.46	2.62	3.00	2.88	2.77	2.95	3.11	3.17
ROA (%)	1.39	0.69	0.81	1.01	1.06	1.07	1.00	1.25	1.10	0.88
ROE (%)	9.90	4.84	5.80	7.49	7.92	7.98	7.39	9.42	8.19	6.69

Note: Numbers in the parentheses show the proportion of net income as of Q4 2023.

Household

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

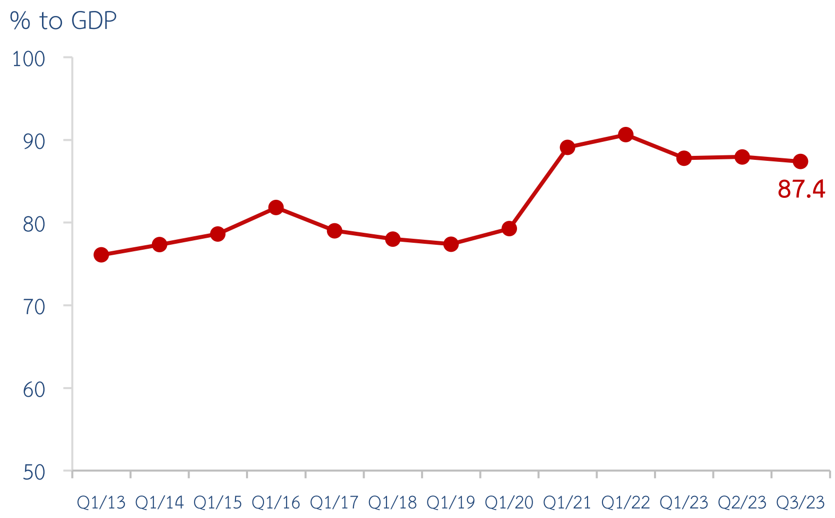
However, it is necessary to continue monitoring the deteriorating debt serviceability of households, particulary vulnerable households with slow income recovery.



Source: BOT and NESDC

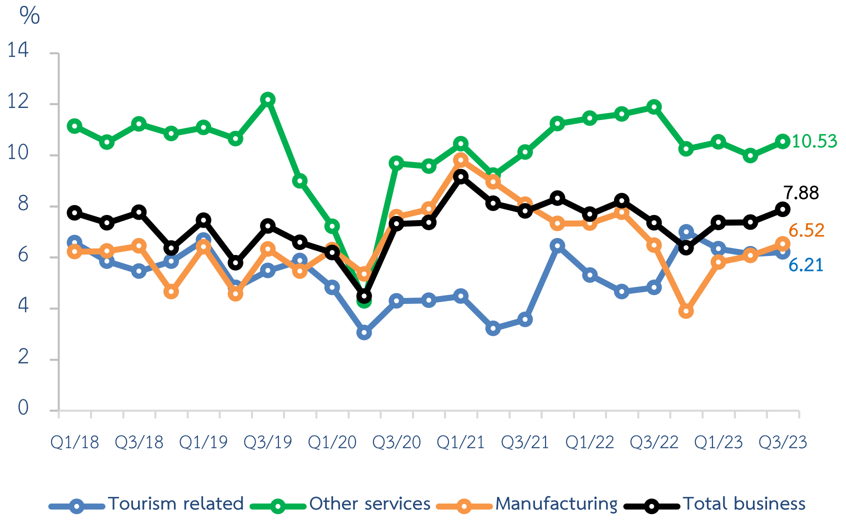
Corporate debt to GDP ratio decreased due to a gradual economic recovery and a slowdown in new debt creation. The overall corporate profitability gradually improved led by manufacturing sectors, particularly in the downstream chemical products and petroleum. Also, the profitability of tourism-related sectors improved with lower-than-expected spending per trip.

Corporate debt to GDP



Source: BOT and NESDC

Operating profit margin (OPM) by sector



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

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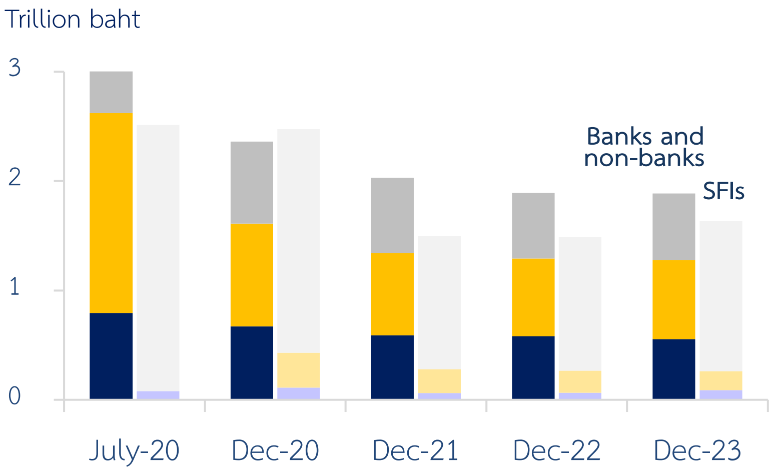
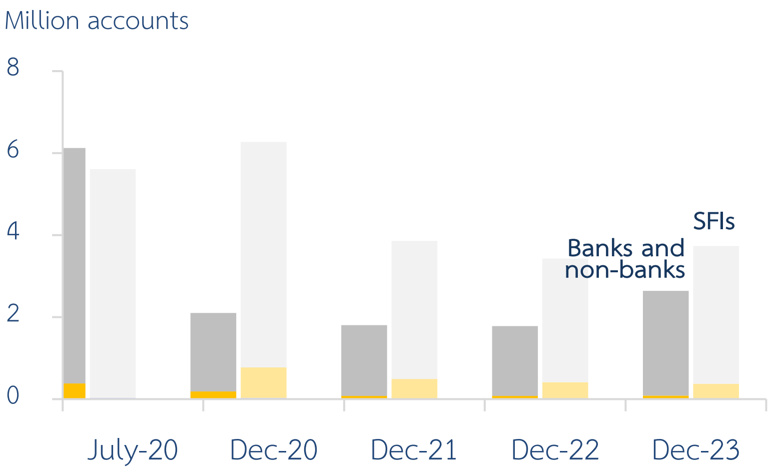
Overall, loans under relief measures slightly increased from the previous quarter, mainly due to debt restructuring by SFIs and non-banks to support retail consumers.

Loan outstanding under assistance	Banks + non-banks: 1.89 trillion baht
3.52 trillion baht	SFIs: 1.63 trillion baht

Number of accounts under assistance	Banks + non-banks: 2.64 million accounts
6.37 million accounts	SFIs: 3.73 million accounts





Large corporates SMEs Retail consumers

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

Source: BOT

Progress of the financial rehabilitation measures as of Febauary 5, 2024

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Rehabilitation Loan

Credit line 275,886 MB*

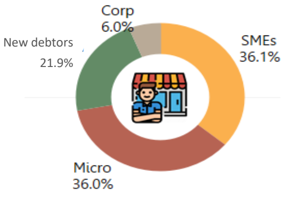
Approved loan
262,785 MB

Number of debtors under loan scheme
66,224 debtors

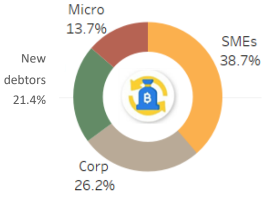
Average approved credit line
4.0 MB / debtor

Well distributed by size, business sector, and region

By existing credit line



by debtors



by credit line

72.1%
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 (%)

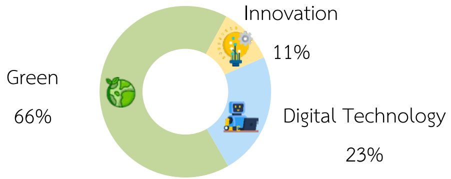
Transformation loan

Approved loan
9,185 MB

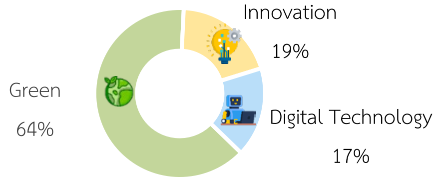
Number of debtors under loan scheme
598 debtors

Average approved credit line
15.4 MB / debtor

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



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.*

Progress in Household Debt Resolution Measures

including new guidelines that require creditors to lend in a responsible and fair manner (Responsible Lending)

1 "Continuing to assist debtors" through debt restructuring

Encourage creditors to establish a direct line for debt consultation and resolution for debtors facing repayment difficulties.

2 "Resolving perisistent debt" among the vulnerable groups

Creditors should be prepared to resolve persistent debt

In April 2024, debtors with revolving personal loans under supervision who have persistent debt can check their status and receive a letter reminding of the rights to opt-in to a program that enable them to pay off their debt within 5 years at an interest rate not exceeding 15% per annum.

3 "Fairer debtor protection"

Proactive ongoing monitoring of advertisement to ensure that debtors receive important information that are accurate, comprehensive and comparable. For instance, announcing applicable interest rates per annum, providing a warning statement, and if there is motivational installment amounts, all costs must be disclosed.

The BOT will closely examine creditors' compliance with the Responsible Lending guidelines. For instance, ensuring that creditors' advertisement include warnings statement and correct applicable interest rates, and that creditors offer loans on terms and conditions that are consistent with borrowers' affordability as well as sustainable debt resolution.

If there is a problem with financial services that is not properly resolved or is not fairly treated, you can contact the call center of each service provider. Additionally, debtors can seek advice or submit complaints through the Financial Consumer Protection Center (FCC) website or hotline 1213.