



ธนาคารแห่งประเทศไทย

Banking Sector Quarterly Brief (Q2 2024)

The Thai banking system remains resilient with robust levels of capital, loan loss provisions, and liquidity. In the second quarter of 2024, loan growth of the banking system (licensed banks and their subsidiaries) slowed down to 0.3% year-on-year. The overall business loans remained relatively unchanged, while SMEs loans continued to contract, and consumer loans expanded at a slower pace due to rising credit risk. The banking system's gross non-performing loans (NPL or stage 3) in the second quarter of 2024 slightly increased to 540.8 billion Baht, equivalent to the NPL ratio of 2.84%, primarily from consumer loans. Meanwhile, commercial banks continued to manage their loan portfolios and provide assistance to debtors. In addition, the ratio of loans with a significant increase in credit risk (SICR or stage 2) stood at 6.50%, increased from the previous quarter from large corporate loans (mainly from debtors who can still meet their contractual debt obligations but are qualitatively classified) and consumer loans. **The banking system's profitability in the second quarter of 2024 improved from the previous quarter**, mainly driven by seasonal dividend income, despite higher provisioning expenses.

However, there remains a need to monitor the debt serviceability of small SMEs and certain businesses whose performances affected by structural issues and declining competitiveness as well as vulnerable households with slow income recovery. These could cause a gradual increase in NPL, nonetheless well-manageable with no immediate risk of an NPL cliff. The household debt to GDP ratio in the first quarter of 2024 slightly decreased from the previous quarter due to a slowdown in credit expansion following household debt deleveraging. Meanwhile the corporate debt to GDP ratio slightly increased due to a marginal increase in new debt creation. The overall corporate profitability continued to improve, led by an improvement in manufacturing and tourism-related sectors.

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BANK OF THAILAND

Banking Sector Quarterly Brief (Q2 2024)

27 August 2024



Thai banking system remains resilient. However, there remains a need to monitor the debt serviceability of small SMEs and certain businesses affected by structural issues and declining competitiveness, and vulnerable households with slow income recovery, which could cause a gradual increase in NPL.

Commercial Banking system

Capital, loan loss provisions, and liquidity remained robust.

Bank loan grew at a slower pace. The overall business loans remained relatively unchanged, while SMEs loans continued to contract and consumer loans expanded at a slower pace due to rising credit risk.

Overall loan quality deteriorated. The stage 3 (NPL) outstanding primarily increased from consumer loans in mortgage loan portfolio. SM outstanding increased from large corporate loans, mainly due to qualitative criteria in asset classification, even though businesses can still meet their contractual debt obligations, and consumer loans.

Profitability improved from the previous quarter mainly driven by seasonal dividend income, despite higher provisioning expenses.

Household debt to GDP ratio slightly decreased from the previous quarter due to a slowdown in credit expansion following household debt deleveraging. It is crucial to closely monitor the deterioration in household debt serviceability.

Household

Corporate

Corporate debt to GDP ratio slightly increased due to an increase in new debt creation, aligning with the economic growth.

The overall corporate profitability improved, particularly in manufacturing and tourism-related sectors. Nevertheless, there remains a need to monitor certain businesses whose performances affected by structural issues and declining competitiveness.

Relief measures

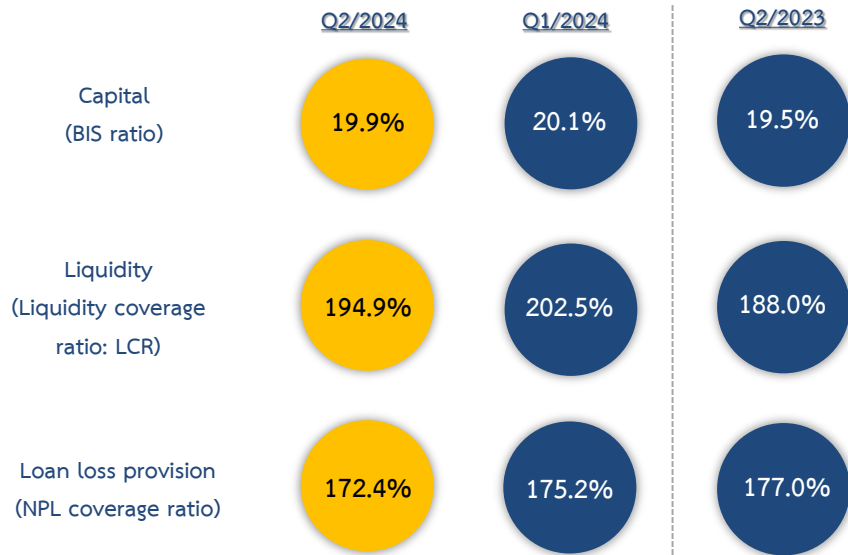
Financial institutions have continued to support their debtors through responsible lending measures.



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.

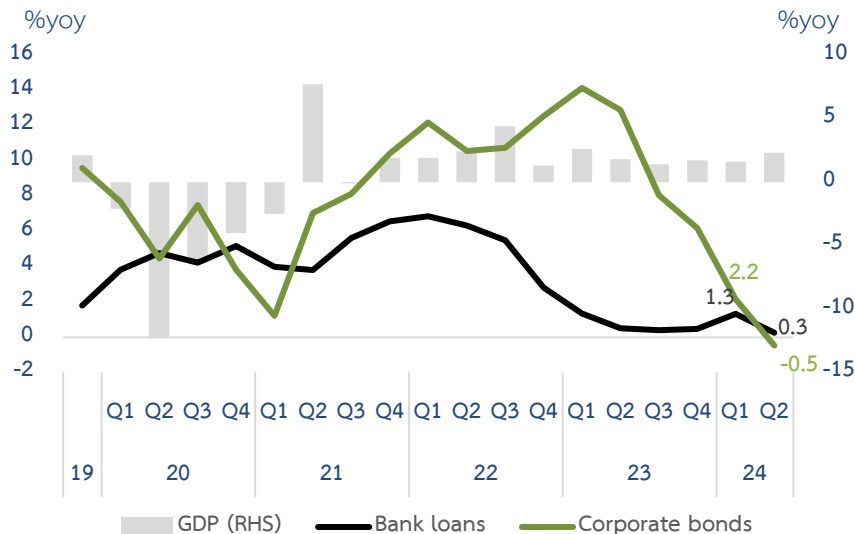


Note: the data is on bank-only basis.

Source: BOT, NESDC, SEC and ThaiBMA

Bank loan and corporate bond growth

Overall bank loan growth slowed down, while fund-raising through bond market slightly contracted this quarter. Bond financing contracted in almost all sectors (except utilities, manufacturing and real estate), driven by high-yield segment which carries higher risk.



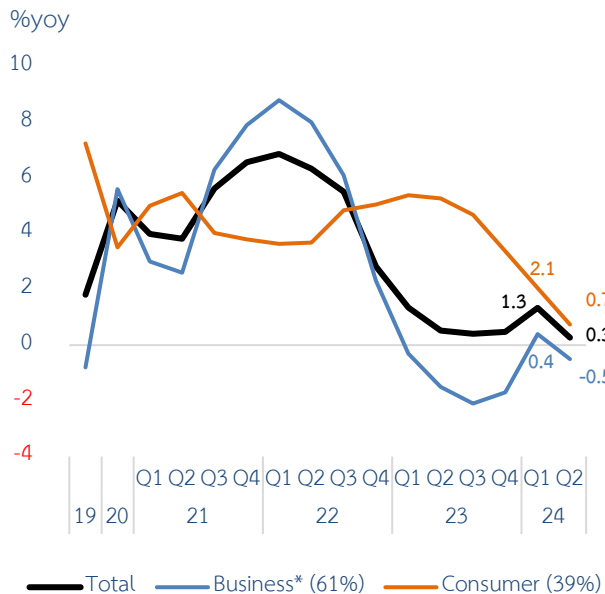
Note: (1) Bank loans are on full consolidation basis.

(2) Corporate bonds are excluded banking, financial and securities



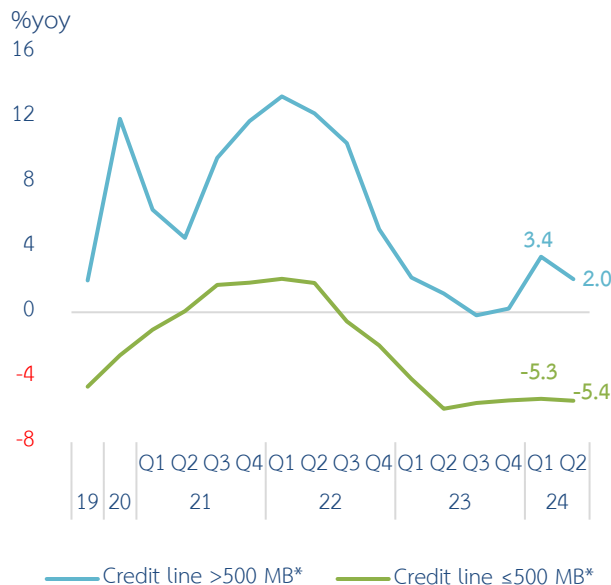
Loan growth of the banking system (licensed banks and their subsidiaries) grew at a slower pace. The overall business loans remained relatively unchanged, while SMEs loans continued to contract, and consumer loans expanded at a slower pace due to rising credit risk.

Overall loan growth by portfolio



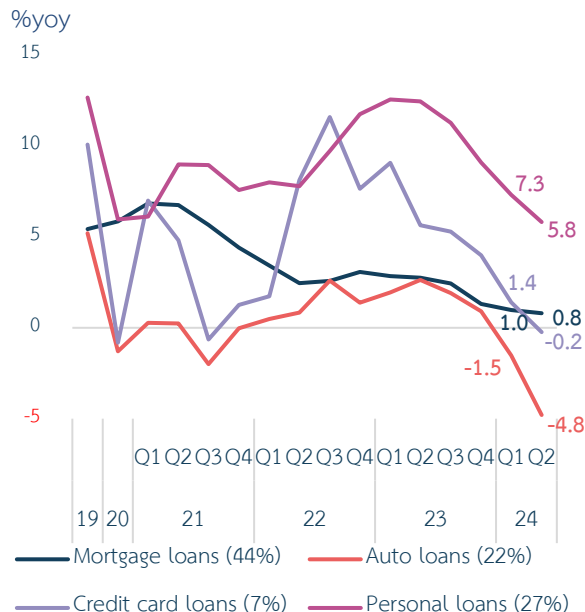
Note: (1) Numbers in the parentheses show the proportion of total loans
(2) * Business loans are on bank-only basis, excluding subsidiaries.

Business loan growth by size



Note: (1) Business loans by size are on bank-only basis.
(2) * Business's credit line per bank as of June 2024.

Consumer loan growth by portfolio

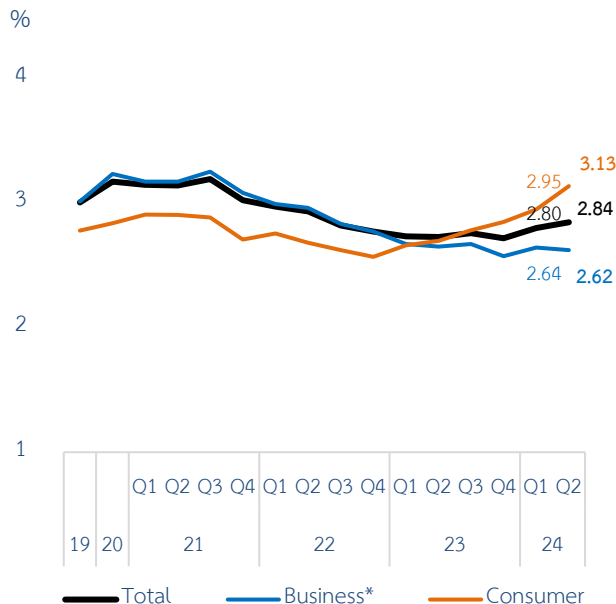


Note: (1) Consumer loans are on full consolidation basis.
(2) Numbers in the parentheses show the proportion of total retail loans.



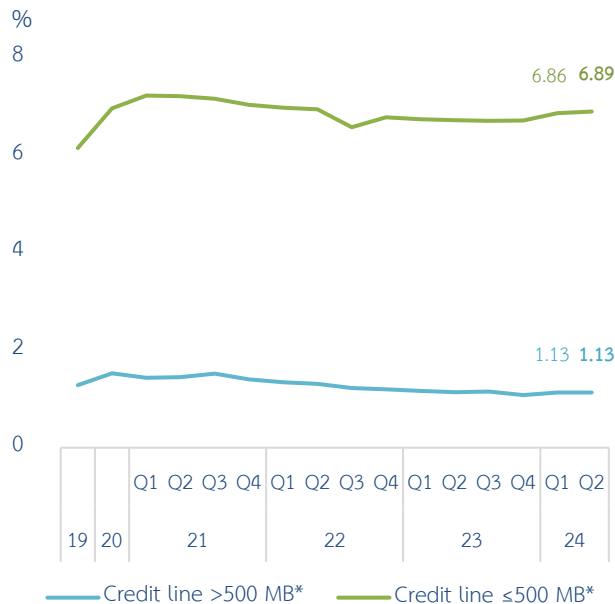
Overall NPL increased, primarily from consumer loans, while NPL of business loans remained stable.

NPL (Stage 3) of total loans by portfolio



Note: * Business loans are on bank-only basis, excluding subsidiaries.

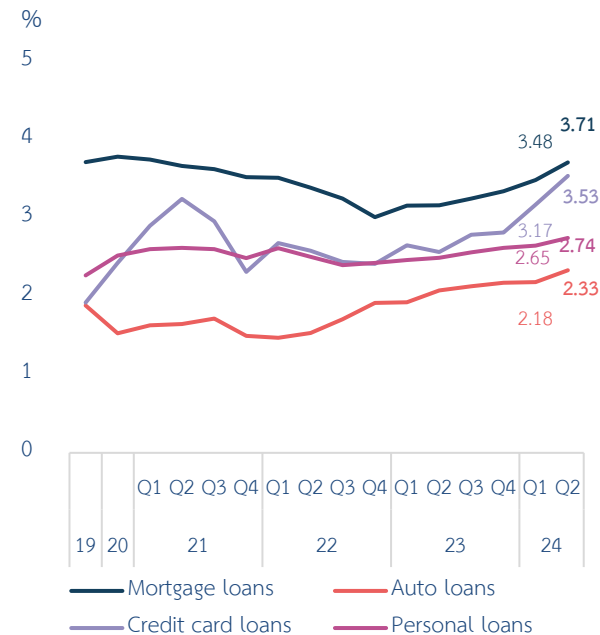
NPL (Stage 3) of business loans by size



Note: (1) Business loans by size are on bank-only basis.

(2) * Business's credit line per bank as of June 2024.

NPL (Stage 3) of consumer loans by portfolio

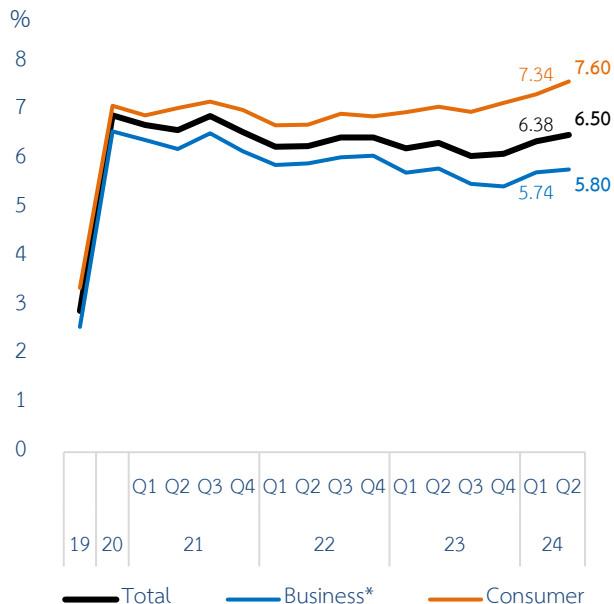


Note: (1) Consumer loans are on full consolidation basis.



Stage 2 loans increased mainly in large corporate loans, where most debtors can still meet their contractual debt obligations but are qualitatively classified, as well as in consumer loans across all portfolios, particularly personal loans.

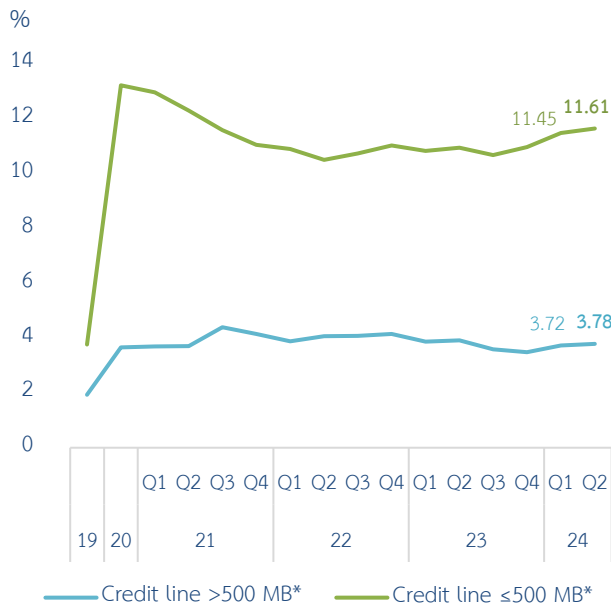
Stage 2 of total loans by portfolio



Note: (1) Loan classification was adjusted following TFRS9 adoption in 2020.

(2) * Business loans are on bank-only basis, excluding subsidiaries.

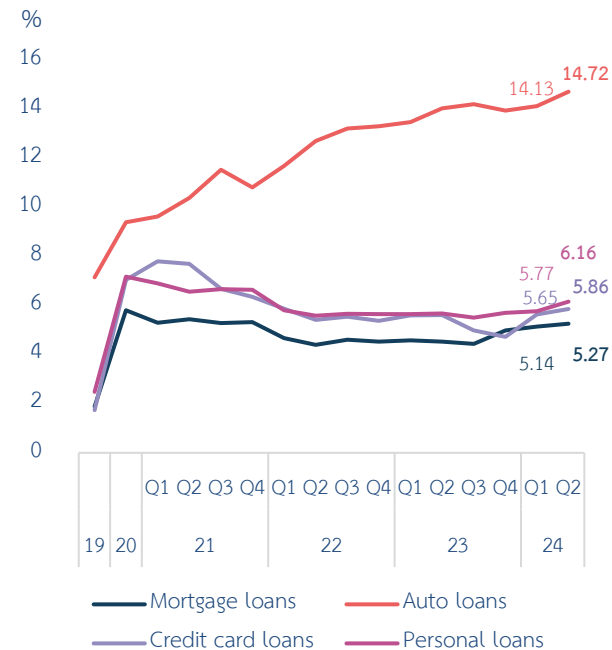
Stage 2 of business loans by size



Note: (1) Business loans by size are on bank-only basis.

(2) * Business's credit line per bank as of June 2024.

Stage 2 of consumer loans by portfolio

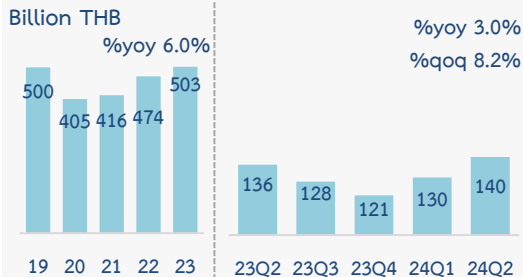


Note: (1) Consumer loans are on full consolidation basis.

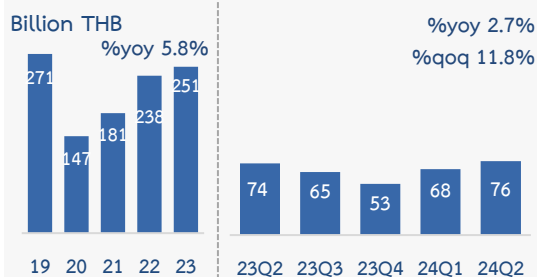


Bank profitability improved from the previous quarter, mainly driven by seasonal dividend income, despite higher provisioning expenses.

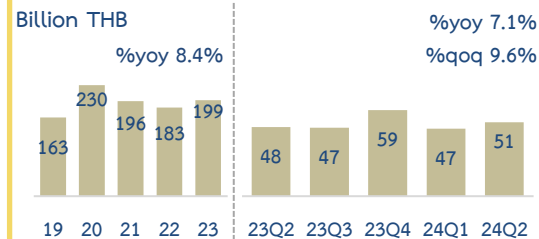
Pre-provision operating profit (PPOP)



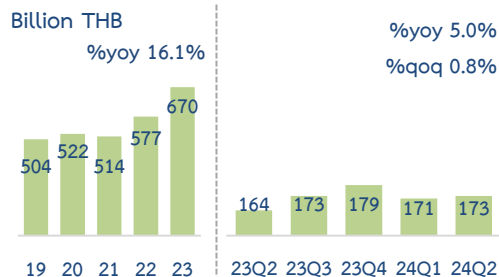
Net profit



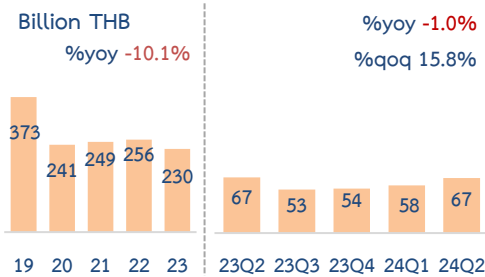
Provisioning expenses



Net interest income [72%]



Non-interest income [28%]



Ratios	19	20	21	22	23	23Q2	23Q3	23Q4	24Q1	24Q2
NIM (%)	2.73	2.63	2.46	2.62	3.00	2.95	3.11	3.17	3.02	3.04
ROA (%)	1.39	0.69	0.81	1.01	1.06	1.25	1.10	0.89	1.13	1.26
ROE (%)	9.90	4.84	5.80	7.49	7.92	9.42	8.19	6.70	8.46	9.44

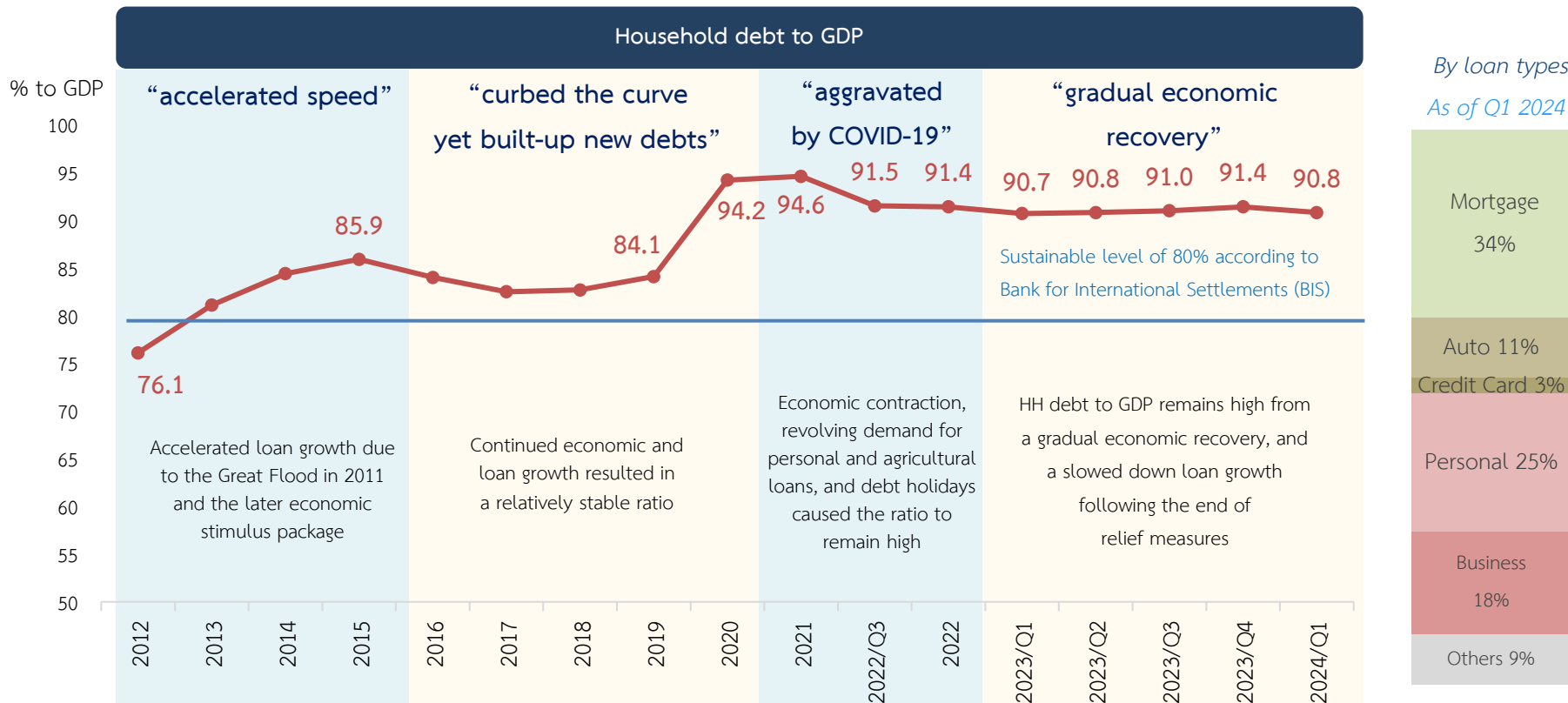
Note: (1) Bank profitability is on bank-only basis.

(2) Numbers in the parentheses show the proportion of net income as of Q2 2024.



Household debt to GDP ratio slightly decreased from the previous quarter

due to a slowdown in credit expansion. It is necessary to continue monitoring the deterioration in household debt serviceability.

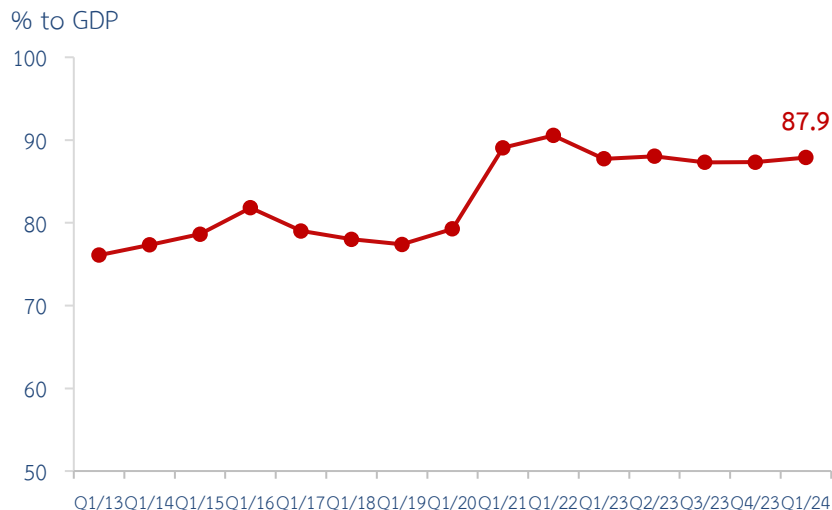




Corporate debt to GDP ratio slightly increased due to an increase in new debt creation, aligning with the economic growth.

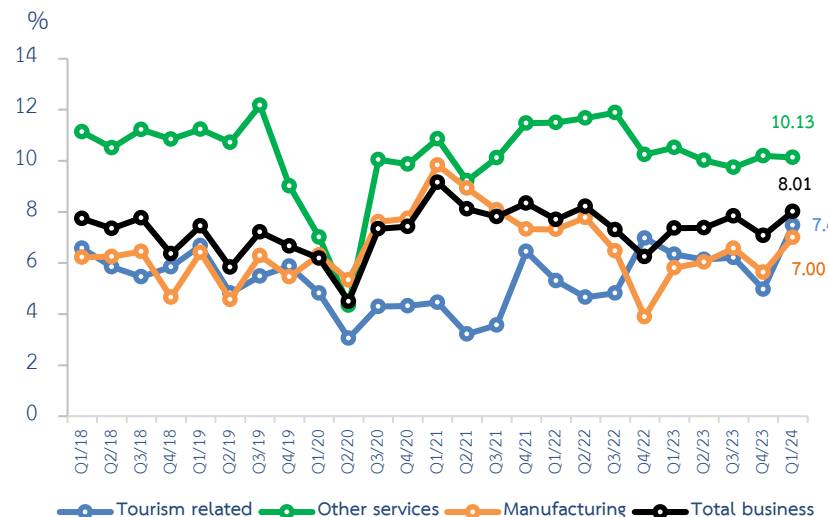
The overall corporate profitability improved, particularly in manufacturing and tourism-related sectors. Nevertheless, there remains a need to monitor certain businesses whose performances affected by structural issues and declining competitiveness.

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



Financial institutions have continued to support their debtors following RL measures since January, 1 2024, with their progress being closely monitored by the Bank of Thailand.

Accumulated debt restructuring of financial institutions in the first half of 2024

Accumulated number of accounts under assistance



4.90 million accounts

Banks + non-banks: 1.21 million account

SFIs: 3.69 million account

Accumulated loan outstanding under assistance



1.50 trillion baht

Banks + non-banks: 0.53 trillion baht

SFIs: 0.97 trillion baht



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Q&A