



ธนาคารแห่งประเทศไทย

Banking Sector Quarterly Brief (Q3 2024)

The Thai banking system remains resilient with robust levels of capital, loan loss provisions, and liquidity. In the third quarter of 2024, loan growth in the banking system (licensed banks and their subsidiaries) contracted by 2.0% year-on-year, primarily due to high levels of debt repayments, particularly from the government and large corporates. Despite continued new lending to large corporate in the service, real estate, and trade sectors, as well as consumers loans for personal and mortgage lending, the loans expanded at a slower pace. Meanwhile, loans to businesses facing competitiveness challenges continued to contract, especially in the petrochemical, electronic and automotive sectors. The banking system's gross non-performing loans (NPL or stage 3) in the third quarter of 2024 increased to 553.4 billion Baht, equivalent to the NPL ratio of 2.97%. This increase was partly attributed to a decline in loan base and higher NPLs from business and consumer loans. Meanwhile, commercial banks continued to manage their loan portfolios and provide support to debtors. In addition, the ratio of loans with a significant increase in credit risk (SICR or stage 2) stood at 6.86%, increased from the previous quarter from business loans, mainly due to qualitative criteria in assets classification but debtors can still meet their contractual debt obligations, and mortgage loans. **The banking system's profitability in the third quarter of 2024 improved from the previous year** mainly driven by higher FVTPL profit while the net interest income declined. **However, compared to the previous quarter, net profit declined** primarily due to a reduction in seasonal dividend income, despite lower provisioning expenses.

Nonetheless, there remains a need to monitor the debt serviceability of SMEs and certain households with slower income recovery and elevated debt burden, as well as businesses affected by structural issues and declining competitiveness. These could cause a gradual increase in NPL but remain well-manageable with no immediate risk of an NPL cliff. The household debt to GDP ratio in the second quarter of 2024 slightly decreased from the previous quarter, reflecting a slowdown in credit expansion due to household debt deleveraging. Meanwhile, the corporate debt to GDP ratio decreased

following a contraction in loans and debt securities. The overall corporate profitability remained favorable, particularly in the manufacturing sector.

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 2024)

26 November 2024



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

Commercial Banking system

Capital, loan loss provisions, and liquidity remained robust.

Bank loans contracted, primarily due to high levels of debt repayments, particularly from the government and large corporates. Despite continued new lending to large corporate in the service, real estate, and trade sectors as well as consumer loans for personal and mortgage lending, the loans expanded at a slower pace. Meanwhile, loans to sectors facing competitiveness challenges continued to contract, especially in the petrochemical, electronic and automotive sectors.

Overall loan quality deteriorated. The stage 3 (NPL) outstanding increased from business and consumer loans. SM outstanding increased from business loans, mainly due to qualitative criteria in asset classification but debtors can still meet their contractual debt obligations, and mortgage loans. In addition, both NPL and SM ratio increased, partly reflecting a decline in loan base.

Profitability decreased from the previous quarter mainly driven by seasonal dividend income despite lower provisioning expenses.

Household

Household debt to GDP ratio decreased from the previous quarter, reflecting a slowdown in credit expansion due to household debt deleveraging. It is necessary to continue monitoring the deterioration in household debt serviceability.

Corporate

Corporate debt to GDP ratio decreased due to the contraction of loans and debt securities. **The overall corporate profitability remained favorable**, particularly in the manufacturing sector where cost pressures have diminished. In contrast, hospitality sector encountered seasonal fluctuation, while construction and real estate sectors experienced weakened housing demand.

Relief measures

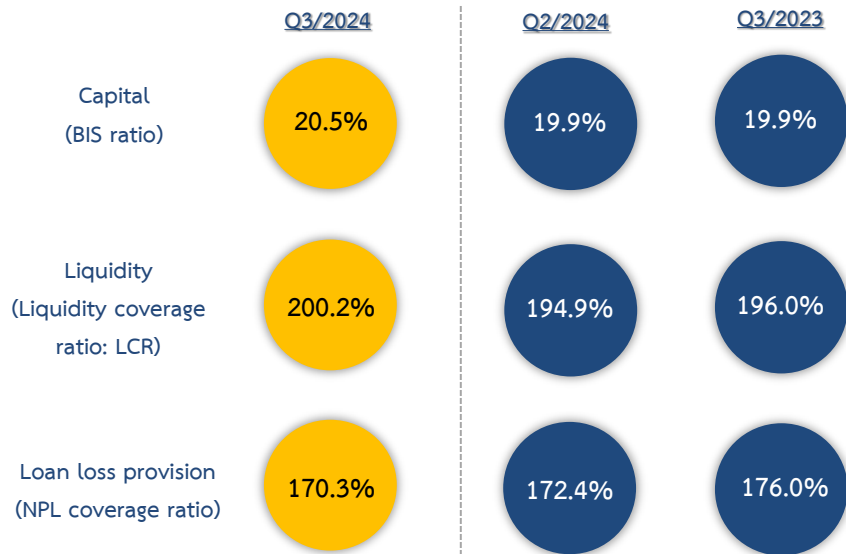
Financial institutions have continued to support their debtors, with the BOT ensuring compliance with responsible lending measures.



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.

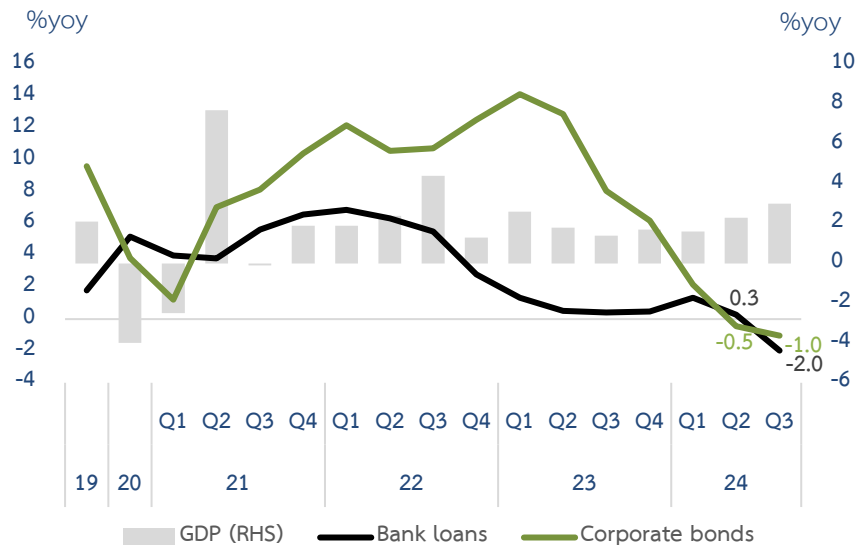


Note: the data is on bank-only basis.

Source: BOT, NESDC, SEC and ThaiBMA

Bank loan and corporate bond growth

Overall, bank loans and bond financing contracted, mainly due to a decline in funding demand. Bond financing declined across almost all sectors (except manufacturing, utilities, and real estate), driven by a slowdown in new issuances, particularly in the high-yield segment, which carries higher risk and has led to reduced investor confidence.



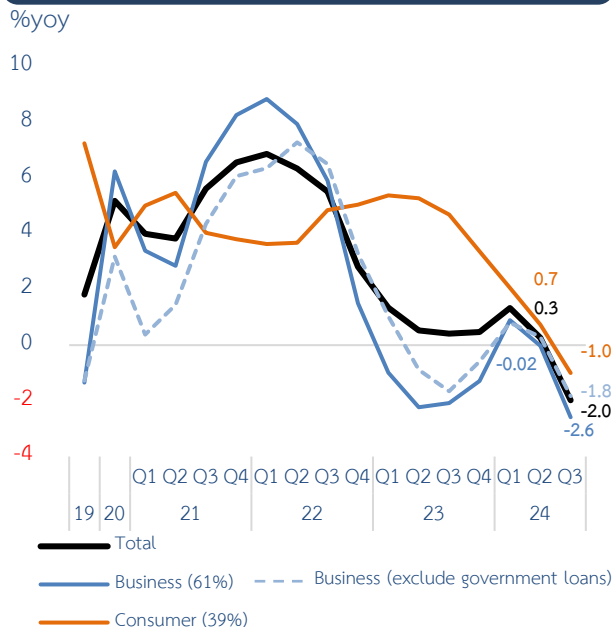
Note: (1) Bank loans are on full consolidation basis.

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



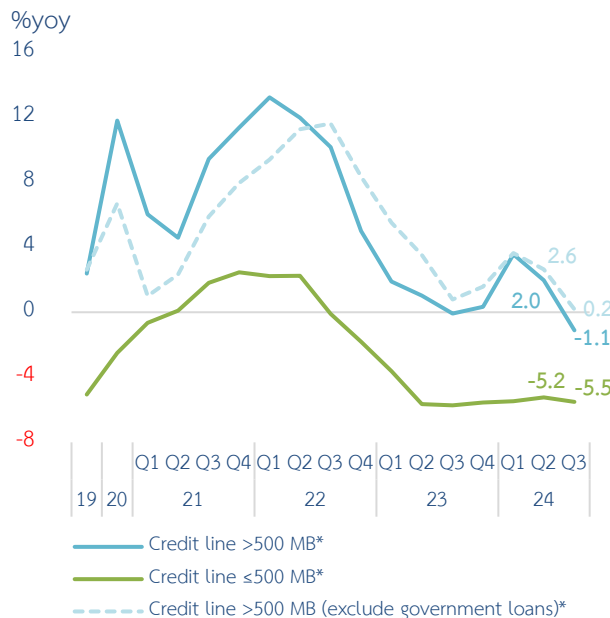
Bank loans contracted, primarily due to high levels of debt repayments, Despite continued new lending to businesses in certain sectors, personal and mortgage lending, the loans expanded at a slower pace. Meanwhile, loans to sectors facing competitiveness challenges continued to contract.

Overall loan growth by portfolio



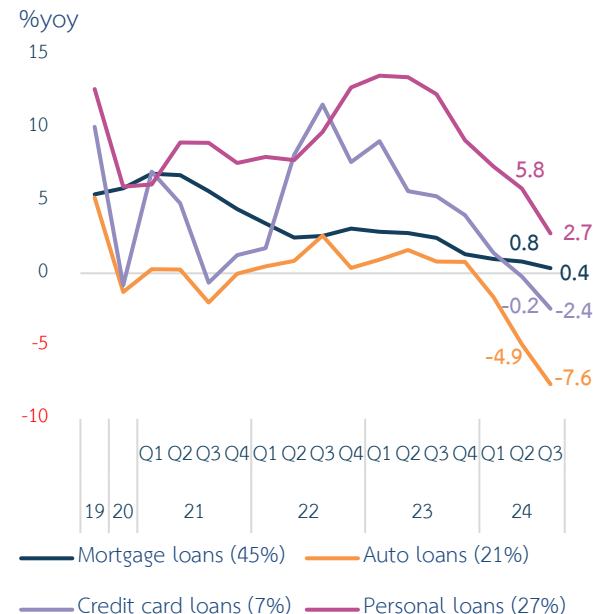
Note: (1) Bank loans are on full consolidation basis.
(2) Numbers in the parentheses show the proportion of total loans.

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 September 2024.

Consumer loan growth by portfolio

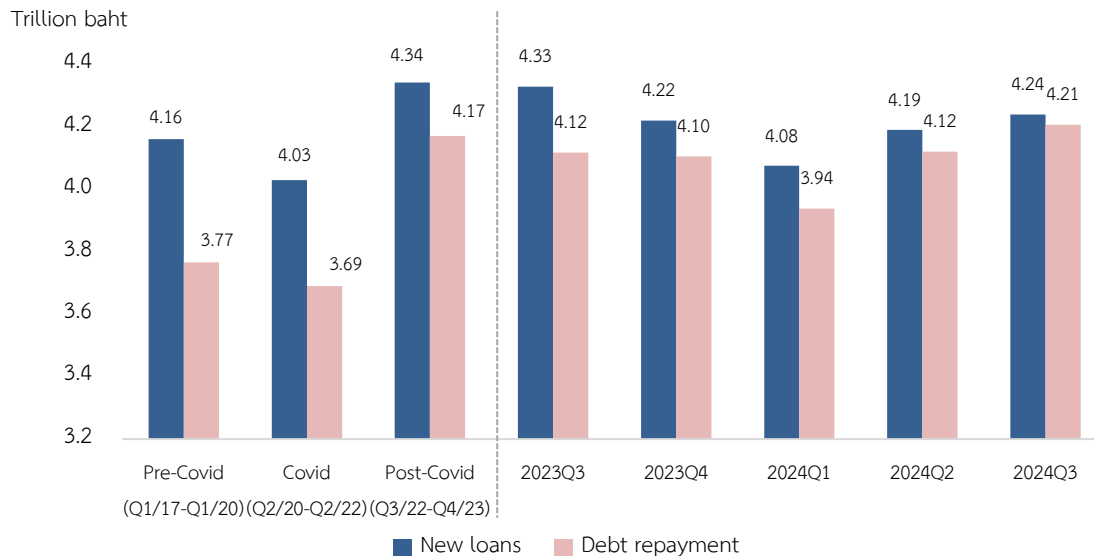


Note: (1) Consumer loans are on full consolidation basis.
(2) Numbers in the parentheses show the proportion of total retail loans.



Banks continued to support new lending while debt repayment has increased during post-Covid.

New loans vs. debt repayment of the banking system

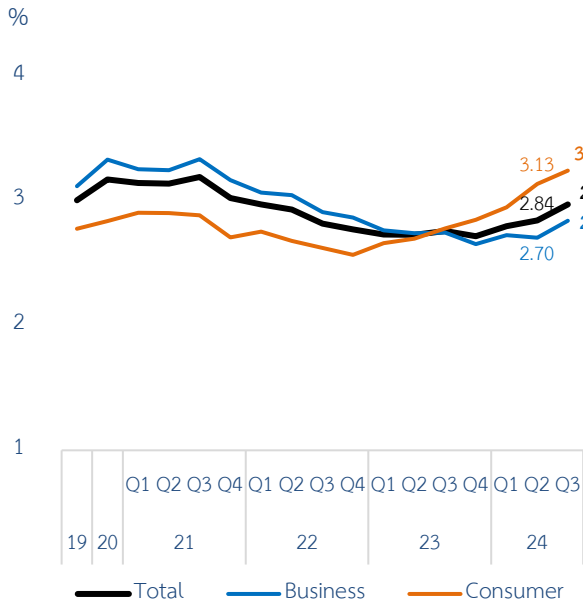


Note: quarterly average of flow of new loans (including rollover) and debt repayment (bank-only basis)



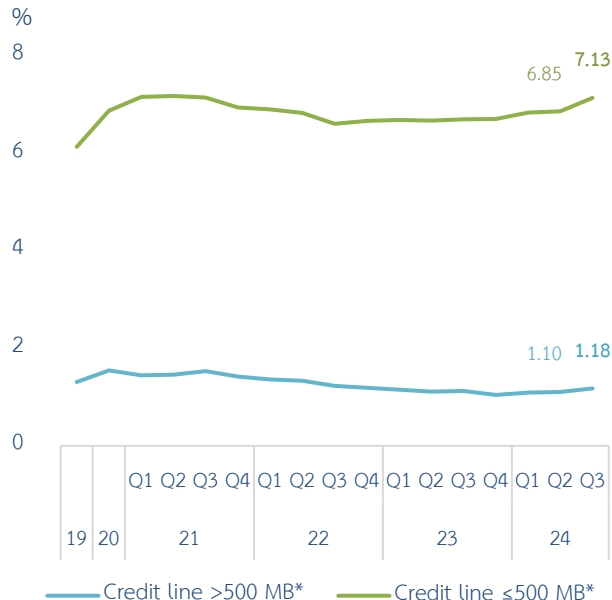
Overall NPL ratio increased due to both a decline in loan base and higher NPL from business and consumer loans, mainly from troubled debtors who had received assistance.

NPL (Stage 3) of total loans by portfolio



Note: Bank loans are on full consolidation basis.

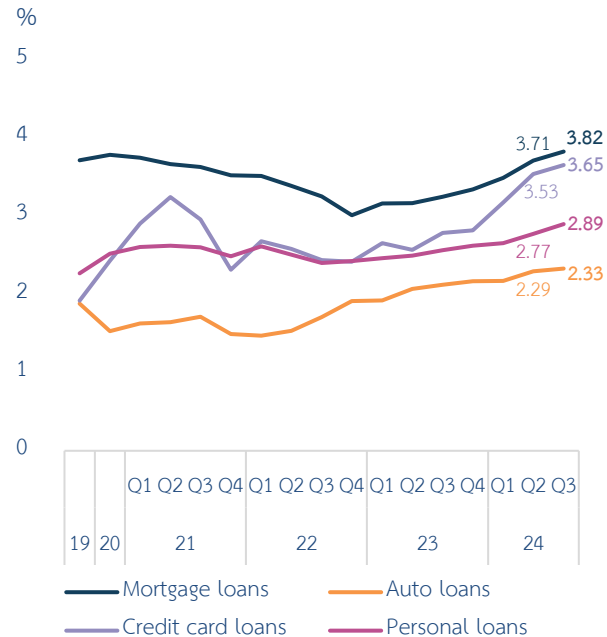
NPL (Stage 3) of business loans by size



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

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

NPL (Stage 3) of consumer loans by portfolio

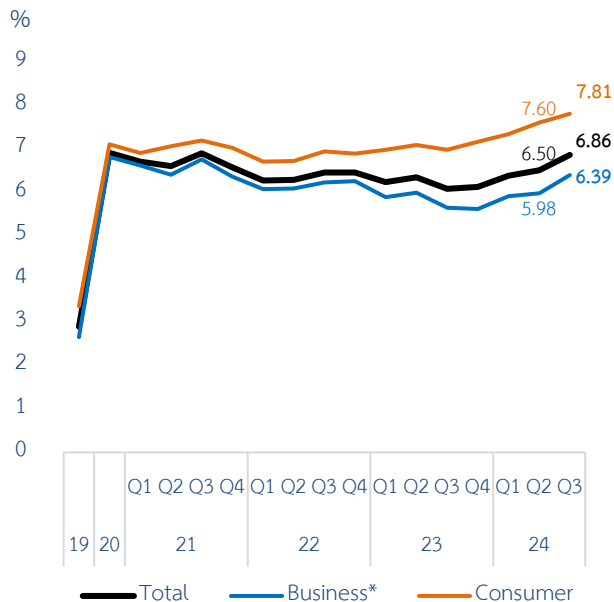


Note: Consumer loans are on full consolidation basis.



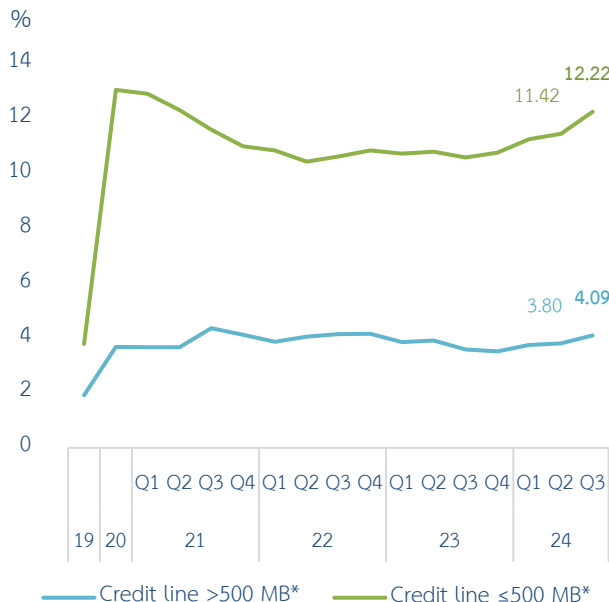
Stage 2 loans increased from business loans, mainly due to qualitative criteria in asset classification but debtors can still meet their contractual debt obligations, and mortgage loans. Meanwhile, the stage 2 ratio of auto loans increased due to the decline in loan base.

Stage 2 of total loans by portfolio



Note: (1) Loan classification was adjusted following TFRS9 adoption in 2020.
(2) Bank loans are on full consolidation basis.

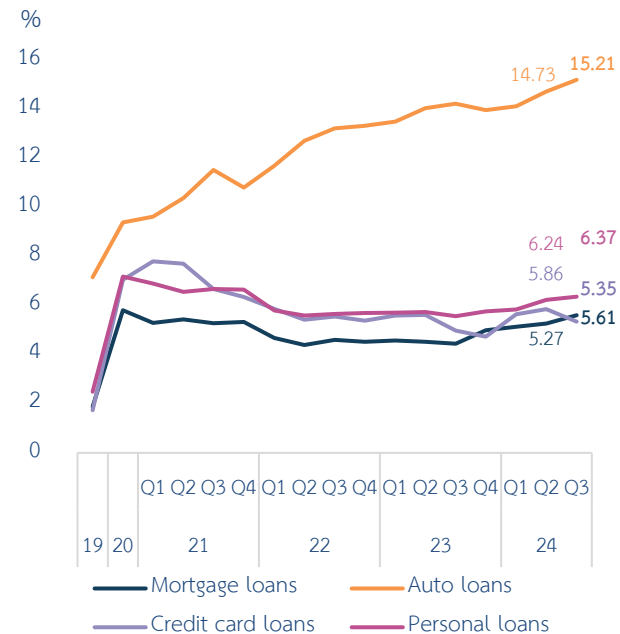
Stage 2 of business loans by size



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

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

Stage 2 of consumer loans by portfolio

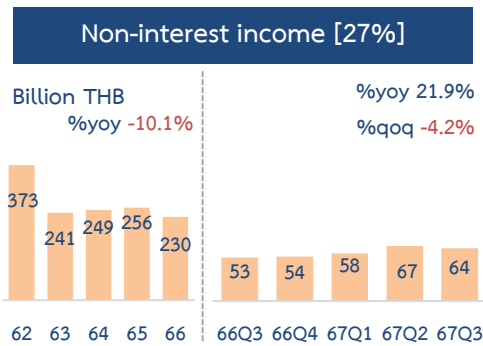
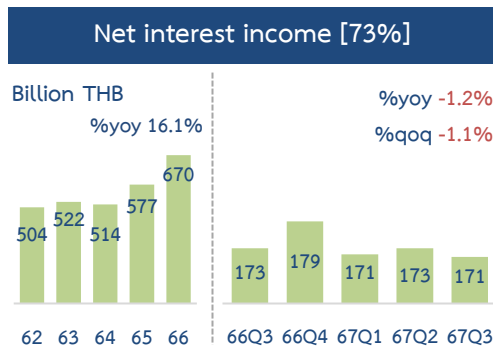
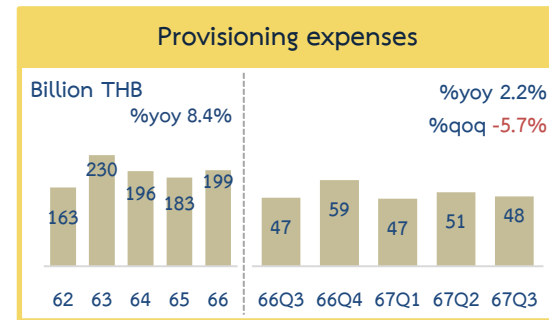
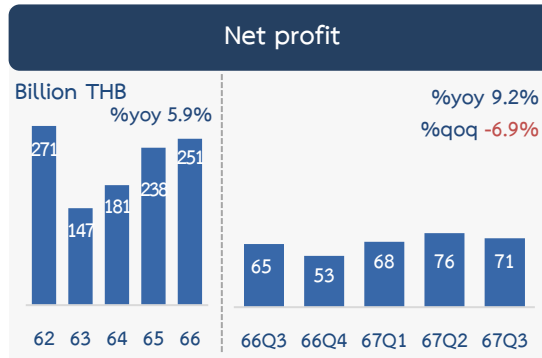
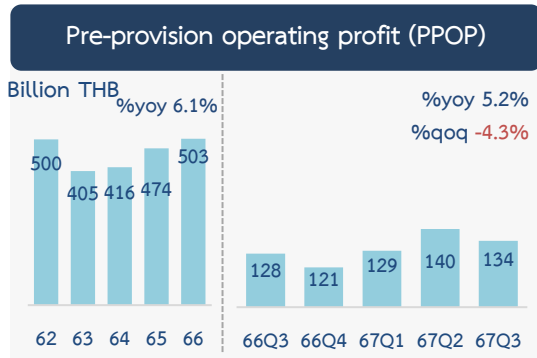


Note: Consumer loans are on full consolidation basis.



Bank profitability improved from the previous year mainly driven by FVTPL profit despite lower NII.

Meanwhile net profit declined from the previous quarter due to a reduction in seasonal dividend income despite lower provisioning expenses.



Ratios	62	63	64	65	66	66Q3	66Q4	67Q1	67Q2	67Q3
NIM (%)	2.73	2.63	2.46	2.62	3.00	3.11	3.17	3.03	3.04	3.04
ROA (%)	1.39	0.69	0.81	1.01	1.06	1.10	0.89	1.13	1.26	1.19
ROE (%)	9.90	4.84	5.80	7.49	7.92	8.19	6.70	8.45	9.45	8.72

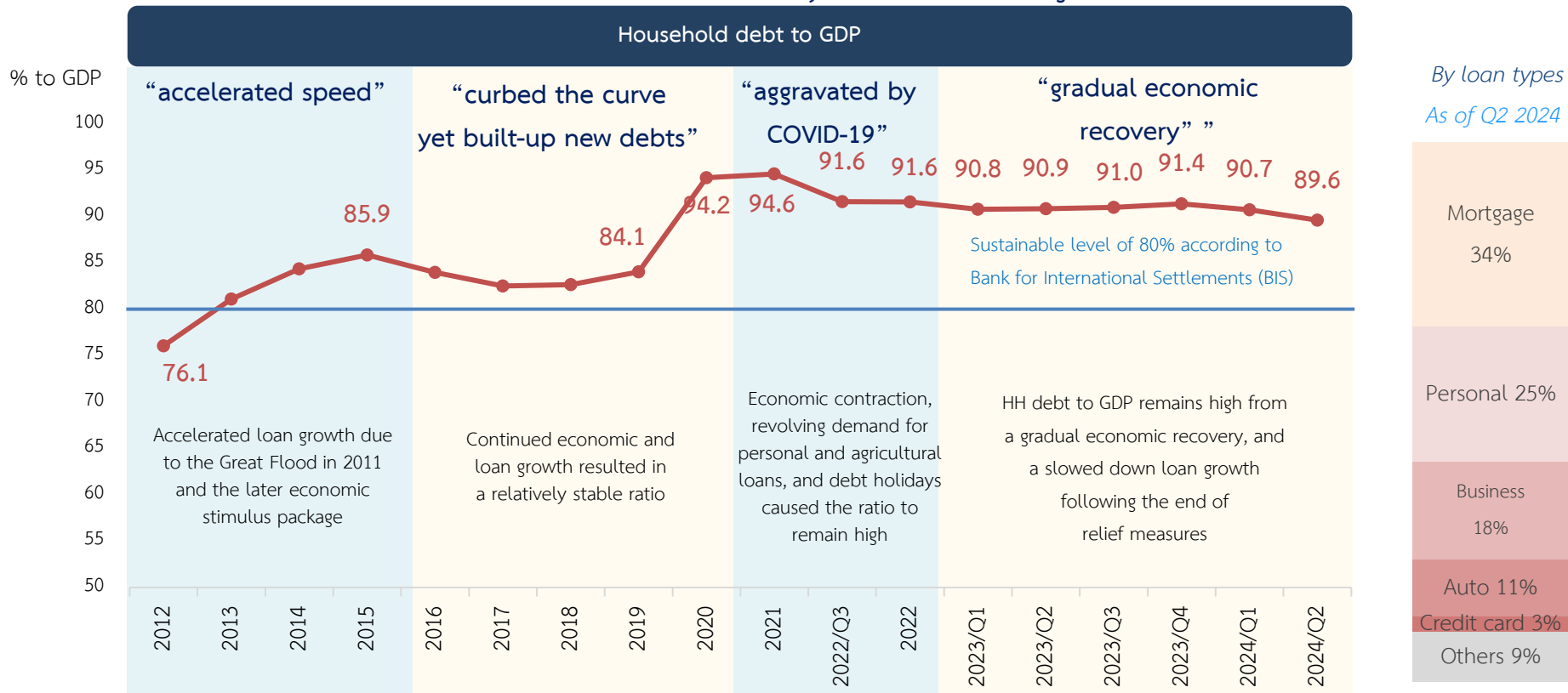
Note: (1) Bank profitability is on bank-only basis.

(2) Numbers in the parentheses show the proportion of net income as of Q3 2024.



Household debt to GDP ratio decreased from the previous quarter due to a slowdown in credit expansion.

It is necessary to continue monitoring the deterioration in household debt serviceability.

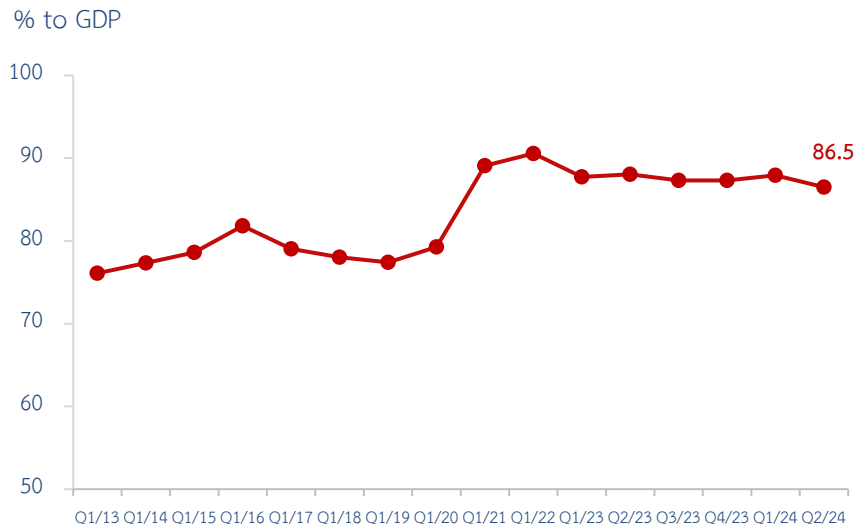




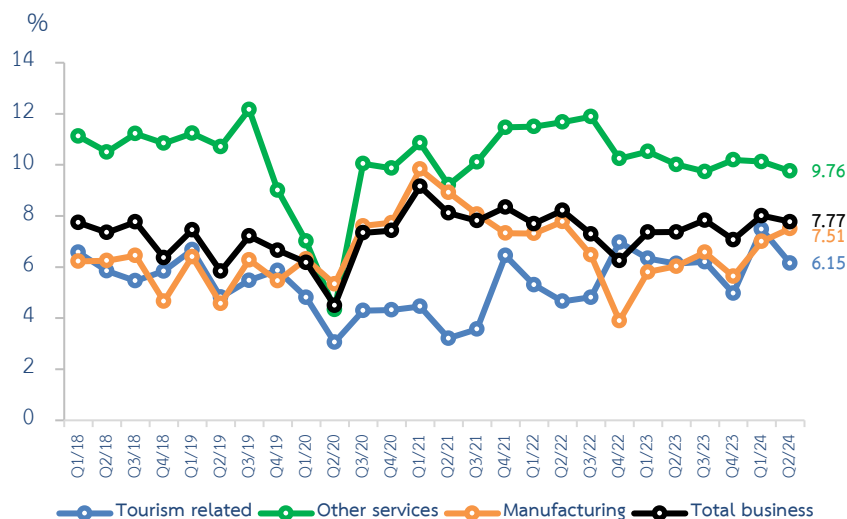
Corporate debt to GDP ratio decreased due to the contraction of loans and debt securities.

The overall corporate profitability remained favorable, particularly in the manufacturing sector where cost pressures have diminished. In contrast, hospitality sector encountered seasonal fluctuation, while construction and real estate sectors experienced weakened housing demand.

Corporate debt to GDP



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.



Financial institutions have continued to support their debtors, while the Bank of Thailand closely monitor to ensure compliance with Responsible Lending (RL) measures .

Cumulative debt restructuring of financial institutions in 9 months of 2024

Cumulative number of accounts under assistance



6.10 million accounts

Banks + non-banks: 1.90 million account

SFIs: 4.20 million account

Cumulative loan outstanding under assistance



2.08 trillion baht

Banks + non-banks: 0.80 trillion baht

SFIs: 1.27 trillion baht