



BANK OF THAILAND

BOT Press Release

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No. 9/2022

### Performance of the Thai Banking System in 2021

Ms. Suwannee Jatsadasak, Senior Director, Bank of Thailand, reported on the Thai banking system's performance in 2021 that the **Thai banking system remained resilient with high levels of capital fund, loan loss provision and liquidity**, which served as key mechanism to support economic recovery. Overall asset quality remained relatively stable from the previous year. Meanwhile, the banking system's profitability improved from the previous year but remained below pre-pandemic level. Details are as follows:

The Thai banking system's capital fund stood at 3,039.1 billion baht, equivalent to capital adequacy ratio (BIS ratio) of 19.9%. Loan loss provision remained high at 889.8 billion baht with NPL coverage ratio of 162.6%. Liquidity coverage ratio (LCR) registered at 189.2%.

Overall bank loan growth in 2021 was 6.5% year-on-year, edging up from 5.1% in the previous year. Details on bank loans are as follows:

Corporate loans grew by 7.9% year-on-year, with large corporate loan<sup>1</sup> expanding in almost all sectors, reflecting the financing needs of businesses in line with economic recovery. Loans to the government also continued to increase. Meanwhile, SMEs loan<sup>2</sup> continued to expand owing primarily to the rehabilitation credit scheme.

Consumer loans grew by 4.0% year-on-year, around the same pace as the previous year. Credit card loan rose along with the gradual recovery of economic activities. Personal loan continued to grow due to households' liquidity needs. Auto loan remained stable consistent with domestic car sales which have not yet recovered. Meanwhile, mortgage loan increased at a slower rate in line with a decline in housing demand from the previous year.

The overall loan quality in 2021 remained relatively stable from the previous year due primarily to debt restructuring and financial assistance measures. The gross non-performing loans (NPL or stage 3) increased slightly to 530.7 billion baht, equivalent to the NPL ratio of

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<sup>1</sup> Corporates with a credit line more than 500 million baht with a bank as of December 2021.

<sup>2</sup> Corporates with a credit line not exceeding 500 million baht with a bank as of December 2021.

2.98%. Meanwhile, the ratio of loans with significant increase in credit risk (SICR or stage 2) to total loans stood at 6.39%, decreasing from 6.62% in the previous year.

The banking system recorded a net profit of 181.0 billion baht in 2021, increasing from the previous year by 23.6%. This was due mainly to lower provisioning expenses as banks set aside an elevated level of provision in the previous year, together with banks' operating cost control. As a result, the return on asset ratio (ROA) increased to 0.81% from 0.69% in the previous year. Meanwhile, net interest income slightly decreased in line with the policy rate, financial assistance measures and lower interest rate ceilings; thereby, the ratio of net interest income to average interest-earning assets (Net Interest Margin: NIM) decreased to 2.46% from 2.63% in the previous year.

Bank of Thailand  
February 21, 2022

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# Performance of the Thai Banking System in 2021

21 February 2022



# Overall Performance of the Thai Banking System in 2021

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



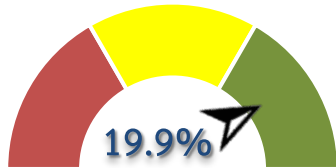
- Total loan growth increased from both corporate and SME loans, with SME loans increasing owing primarily to the rehabilitation credit scheme.
- Consumer loans grew at the same pace as the previous year, with expansion apparent in the last quarter of 2021 in line with the gradual recovery of economic activities.

- Overall asset quality remained relatively stable from the previous year due primarily to debt restructuring and financial assistance measures.

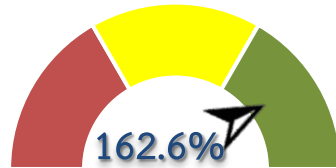
- The banking system's profitability in 2021 improved due to lower provisioning expenses compared to the elevated level in 2020, together with banks' operating cost control.

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

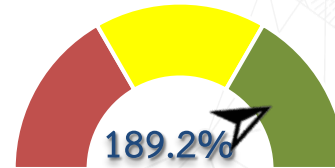
Capital fund  
(BIS ratio)



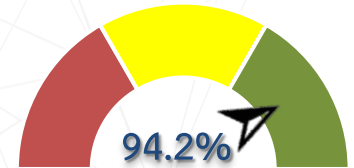
Loan loss provision to NPL  
(NPL coverage ratio)



Liquidity Coverage Ratio  
(Liquidity Coverage Ratio: LCR)



Loan to deposit ratio  
(L/D ratio)



BIS ratio remained high

Loan loss provision increased

LCR remained stable  
at a high level

L/D ratio increased

- The capital fund increased from the previous year primarily due to the issuance of perpetual bonds (Additional Tier 1) and subordinated notes (Tier 2), while the risk weighted assets increased from loan expansion.

- Banks increased their provisions to cushion against potential loan quality deterioration caused by the COVID-19 pandemic and uncertain economic recovery.

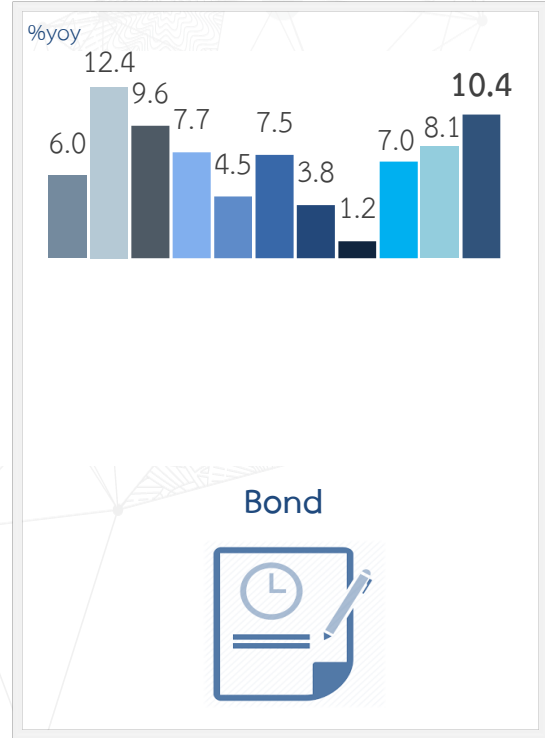
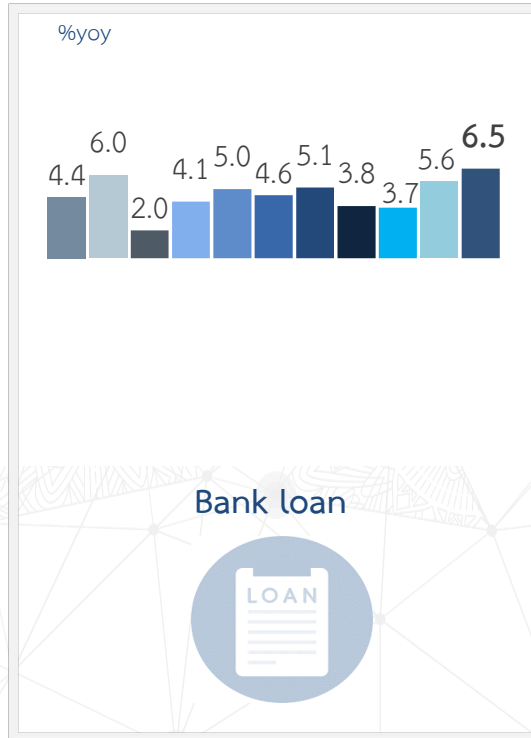
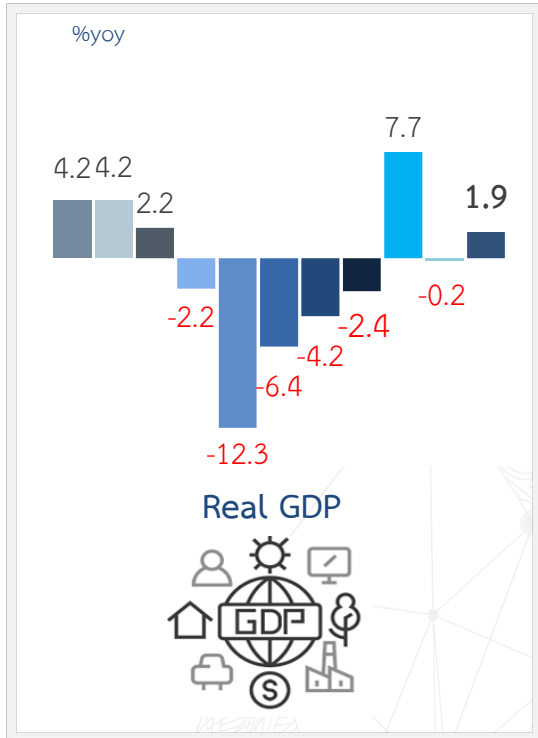
- All banks maintained high levels of LCR above the minimum requirement of 100%.

- Loans expanded at a higher rate than deposits which grew from savings by both retail depositors and businesses.

Note: 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).

# Funding through bank loans and corporate bonds increased following the rising financing needs of businesses in line with economic recovery.

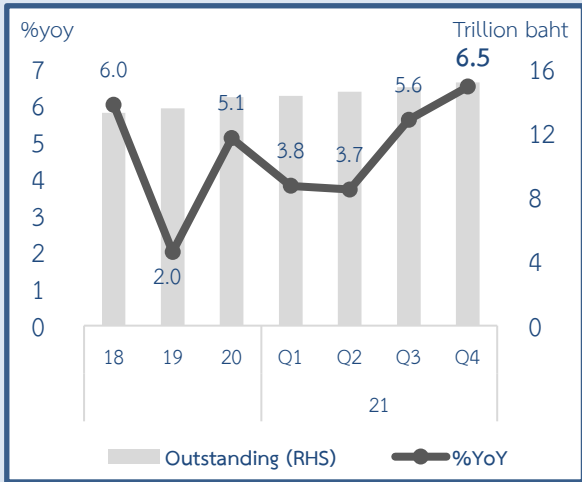
● 2017 ● 2018 ● 2019 ● 20Q1 ● 20Q2 ● 20Q3 ● 20Q4 ● 21Q1 ● 21Q2 ● 21Q3 ● 21Q4



Note: Growth rate compared to the same period last year

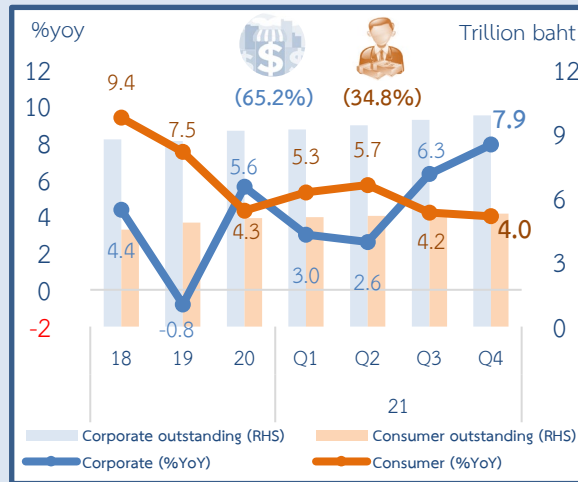
# Bank loans continued to expand from both corporate and consumer loans.

### Bank loan growth



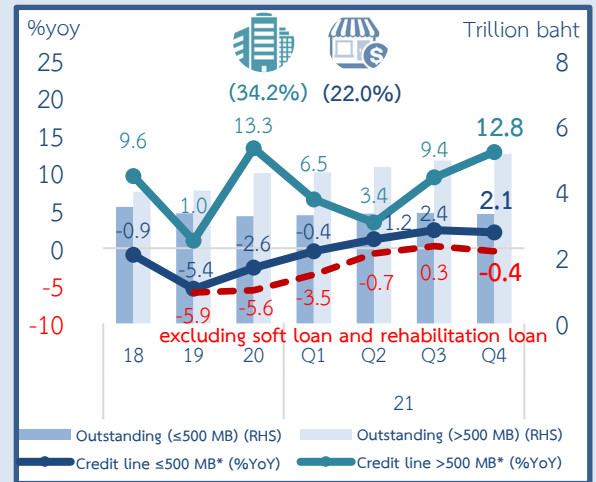
Banks' total loan growth rate continued to increase.

### Loan growth classified by loan portfolios



Both corporate and consumer loans expanded in line with the economic recovery.

### Corporate loan growth classified by size



Large corporate loan expanded in almost all sectors, while SME loan growth was mainly driven by rehabilitation loans.

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

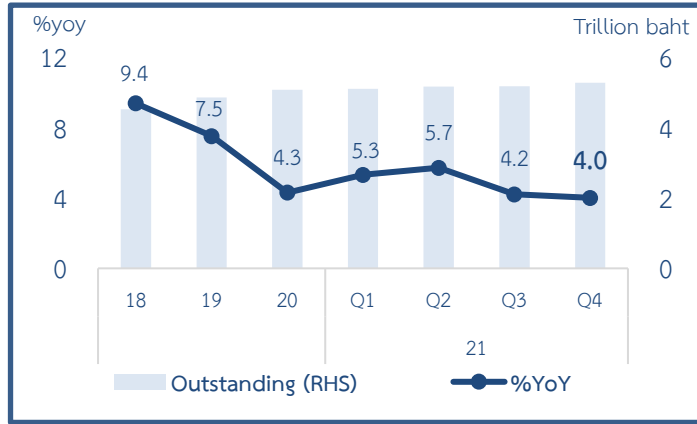
A number in parentheses indicates share of total loans.



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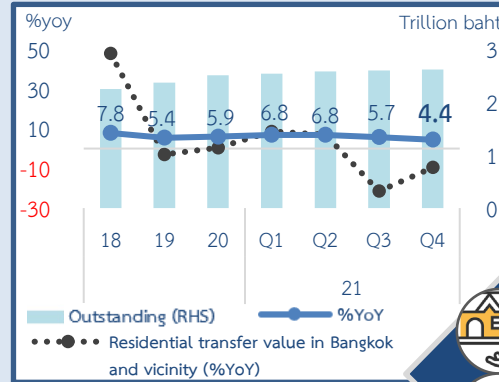
# Consumer loans grew at the same pace as the previous year.

## Consumer loan growth

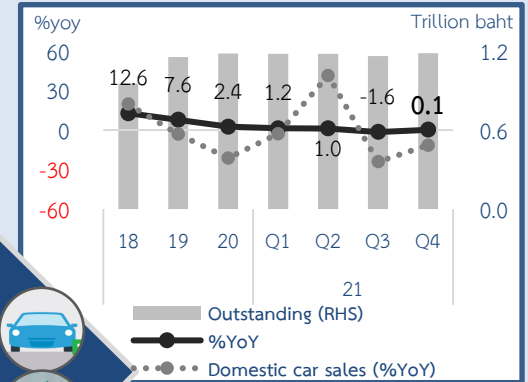


- Mortgage loan grew at a slower rate in line with a decline in housing demand from the previous year.
- Auto loan remained stable consistent with domestic car sales which have not yet recovered.
- Credit card loan moved back into expansionary territory along with the gradual recovery of economic activities.
- Personal loan continued to grow due to households' liquidity needs.

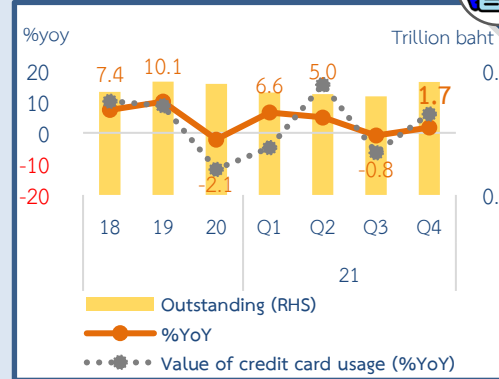
## Mortgage (17.3%)



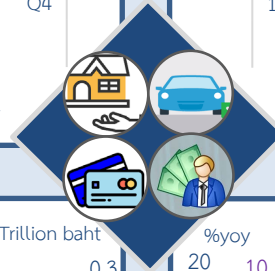
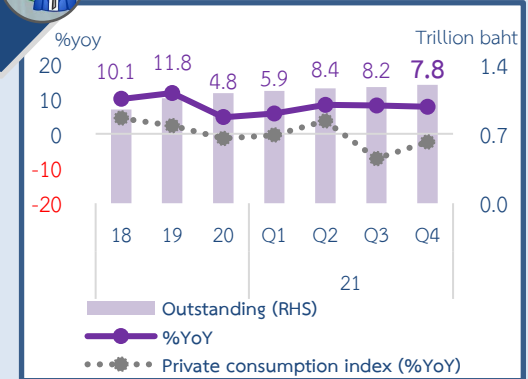
## Auto (7.8%)



## Credit card (1.8%)

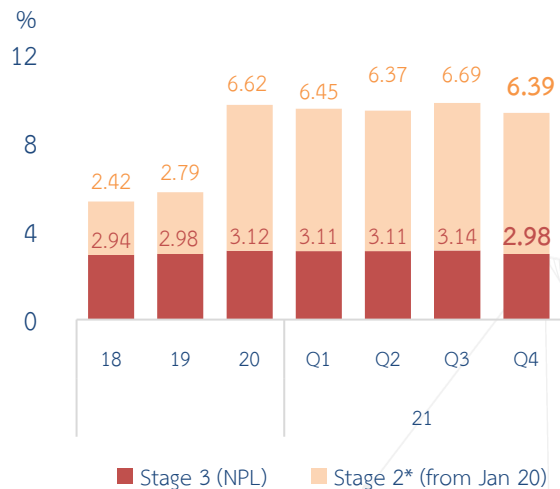


## Personal (7.9%)

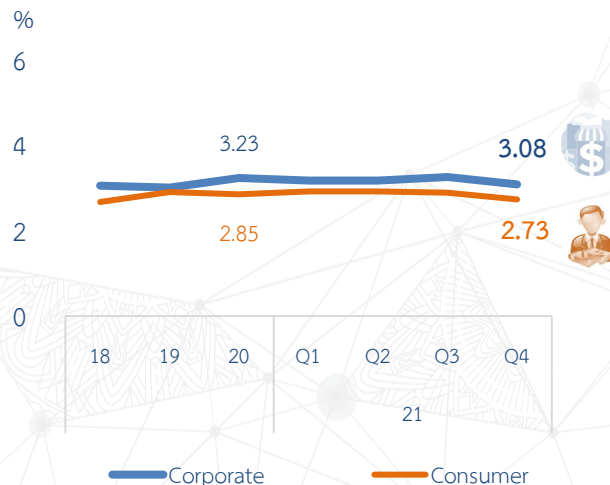


The overall loan quality remained relatively stable from the previous year, owing primarily to debt restructuring and financial assistance measures.

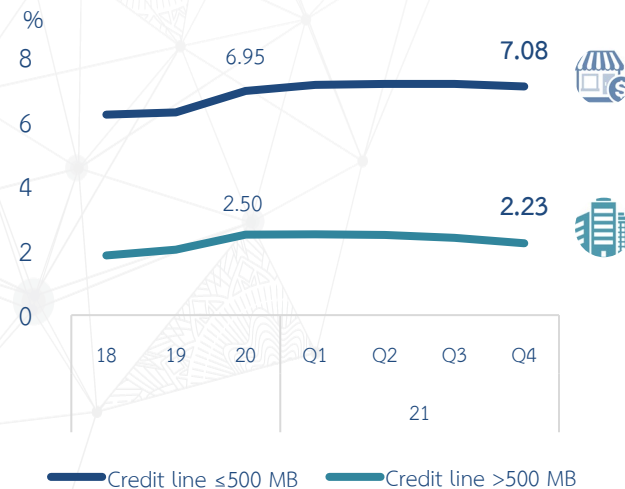
Stage 3 (NPL) and Stage 2 of total loan



Stage 3 classified by loan portfolios



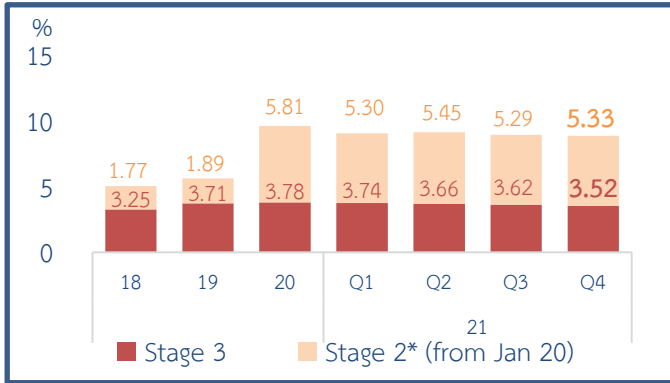
Stage 3 of corporate loan classified by size



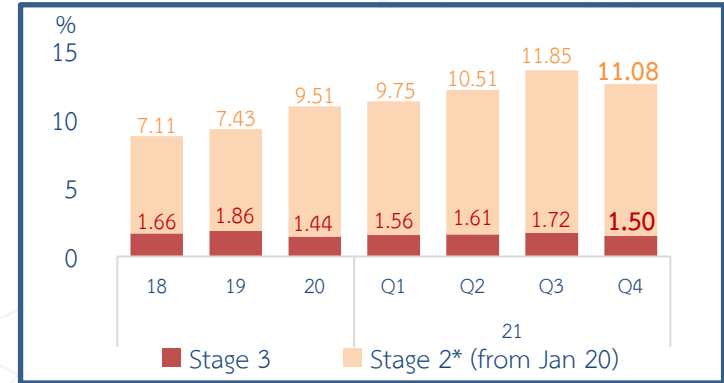
\*According to the new accounting regulations (TFRS9), stage 2 is defined as loans with significant increase in credit risk (SICR), having a wider coverage than SM.

# The quality of consumer loans remained stable compared to the previous year, following banks' loan portfolio management.

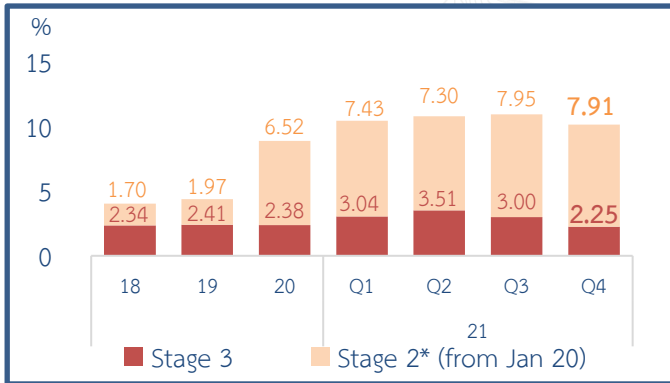
### Mortgage



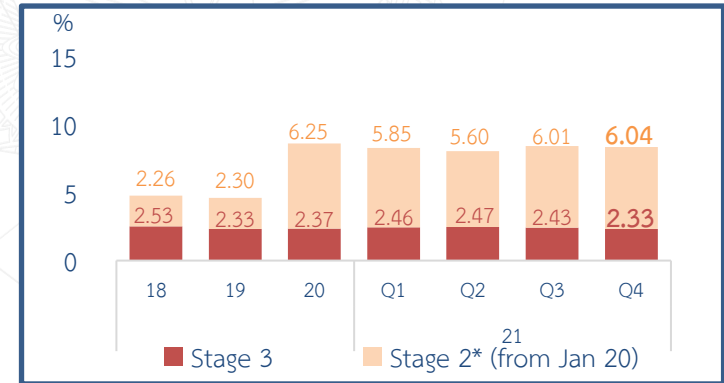
### Auto



### Credit card



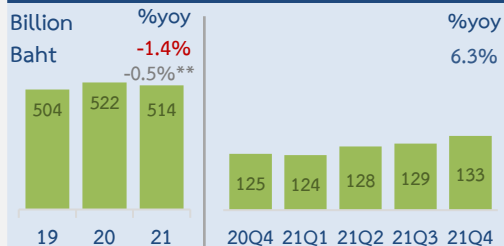
### Personal



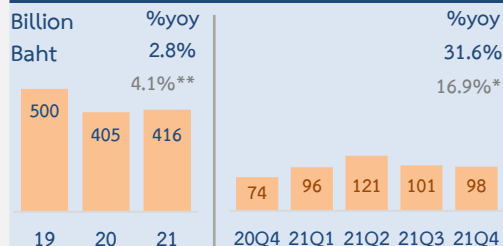
\* According to the new accounting regulations (TFRS9), stage 2 is defined as loans with significant increase in credit risk (SICR), having a wider coverage than SM.

Net profit in 2021 improved due mainly to lower provisioning expenses as banks set aside an elevated level of provision in the previous year.

### Net interest income



### Operating profit



### Financial ratios

NIM 2.73% 2.63% 2.46%

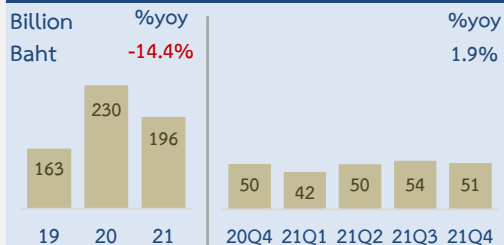
ROA 1.39% 0.69% 0.81%

ROE 9.90% 4.84% 5.80%

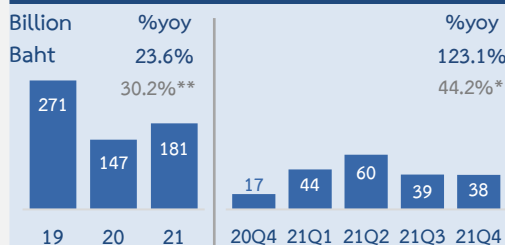
19 20 21



### Provisioning expenses



### Net profit



Note: \* Growth rate compared to the same period last year after adjusting for an extraordinary item from losses on revaluation of investment in Q4/20.

\*\* Excluding extraordinary items from dividend income in Q1/20, interest income from loans in relation to partial payment from the auction of mortgaged guarantee assets in Q2-Q3/20, losses on revaluation of investment in Q4/20 and the recognition of gains on investments from the sales of shares in a subsidiary in Q2/21



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# Development in financial rehabilitation measures as of February 14, 2022



## Rehabilitation Loan



Approved loan amount  
**151,159 MB**



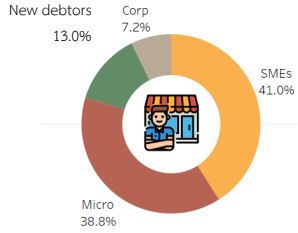
Number of debtors under loan scheme  
**46,463 debtors**



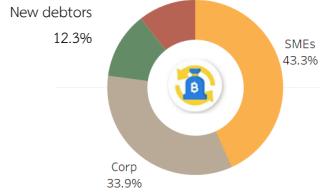
Average credit line  
**3.3 MB/debtor**

### Well-distributed by size, business sector and region

#### by existing credit lines



by debtors



by credit line

### 79.8%

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



Debtors (%)

### 67.4%

of debtors are in commerce and service sectors.



Debtors (%)

### 68.5%

of debtors are from provincial areas.



Debtors (%)

## Debt Restructuring through Asset Warehousing\*



Approved loan amount  
**39,569 MB**

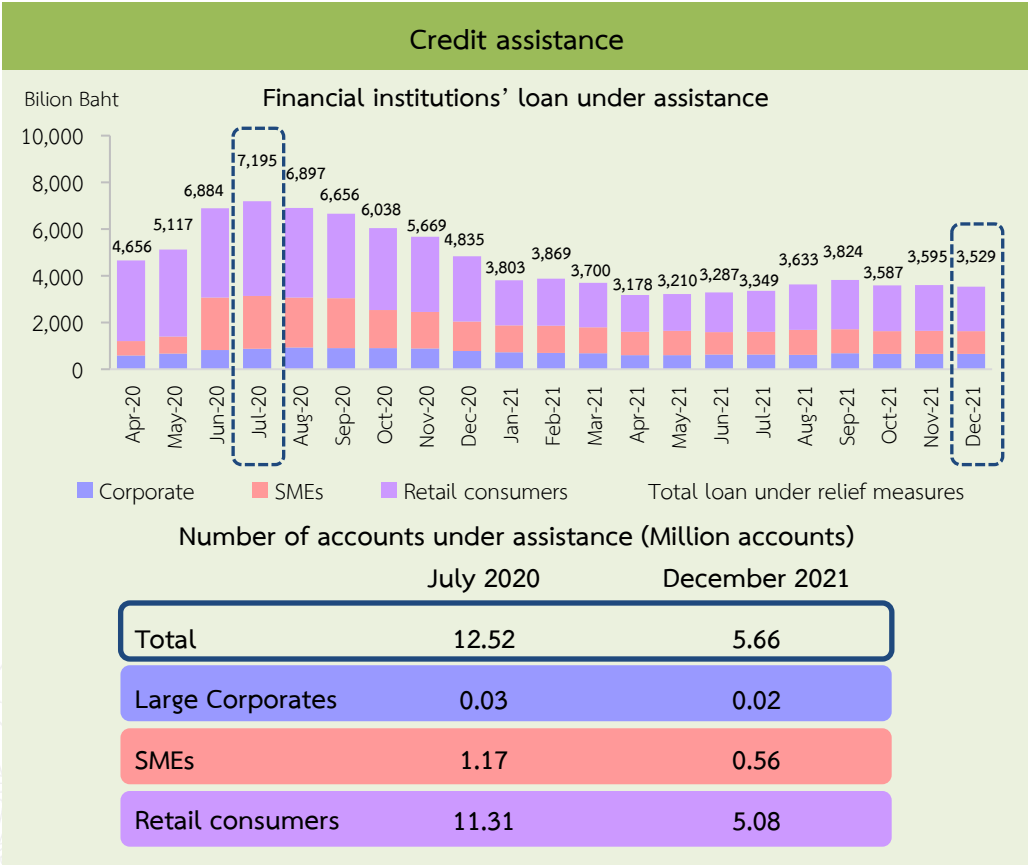


Number of debtors under the scheme  
**285 debtors**

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

Many entrepreneurs have shown interests and are in the process of negotiating with financial institutions.

Note: Related laws on tax benefits and bad debt disposal for operations under asset warehousing scheme have been effective from July 14, 2021 onwards.



1

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

2

The asset quality reflected uneven economic recovery across sectors. As a result, banks should put emphasis on sustainable debt restructuring consistent with borrowers' long-term debt serviceability, particularly for SMEs and retail debtors.