



BANK OF THAILAND

BOT Press Release

Communications and Relations Office, Corporate Communications Department
Tel. 0-2283-5016-7 Fax. 0-2281-5648 www.bot.or.th

No. 22/2017

Performance of the Thai Banking System in the First Quarter of 2017

Ms. Daranee Saeju, Senior Director, Financial Institutions Strategy Department, Bank of Thailand, reported on the Thai banking system's performance in the first quarter of 2017 that loan growth remained subdued, with higher growth in both large corporate and SME loans. Loan quality deteriorated as a result of past economic performance. However, the Thai banking system remained resilient with high level of loan loss provision and capital fund. In addition, net profit was stable compared to the same period last year, largely attributable to banks' liability management. Details are as follows.

Bank loan growth was at 2.8% year-on-year in line with economic conditions which reflected a soft recovery of private investment and a high level of household debt together with corporates' shift to alternative sources of financing in the capital market. Nevertheless, both loans to large corporate and SME grew, although with concentrations in several industries. Meanwhile, financial business issued bonds for bank debt repayment, partly to lock in low interest rates given the potential further increase in bond yields.

Corporate loans (67.4% of total loans) expanded at 2.0% year-on-year from both loans to large corporate and SME. **Loans to large corporate** (excluding financial business) turned to positive growth at 3.9% after prolonged contraction since 2015, especially in the manufacturing, energy, transportation and accommodation sectors, in line with improvements in export and tourism. **Loans to SME** (excluding financial business) expanded at 2.2% year-on-year, especially in the manufacture of rubber and plastics, and wholesales of agricultural raw materials as supported by higher rubber price and agricultural production.

Consumer loan (32.6% of total loans) growth decelerated to 4.6% from last quarter, due to slowdown in housing, credit card and personal loans while car loan growth increased,

consistent with the improvement of car sales after the end of five-year holding period of the first car tax rebate scheme.

Loan quality deteriorated as a result of past economic performance. **Gross Non-Performing Loans** (NPLs) to total loan increased to 2.94% from 2.83% last quarter, driven by increased NPLs in large corporate and SME loans in several manufacturing sectors, as well as SME loans in commerce sector, whereas consumer loan quality deteriorated mainly from housing loans. **Special mention loans** (SMs: loan overdue above 1 month but not more than 3 months) to total loan ratio slightly decreased to 2.61% from last quarter. Nevertheless, banks continued to accumulate loan loss provision to 544.8 billion baht, resulting in the ratio of actual to regulatory loan loss provision of 161.8%, compared to 159.6% at the end 2016.

In the first quarter of 2017, the banking system recorded net profit of 51.1 billion baht, comparable to the same period last year. Net interest margin (NIM) remained stable at 2.6% largely due to banks' liability management whereas provisioning expense was being maintained to cushion for further loan quality deterioration.

Capital fund of the banking system was at 2,310.4 billion baht, slightly decreased from Tier-2 capital redemptions. Hence, capital adequacy ratio (BIS ratio) and Tier-1 ratio were at 17.8% and 15.1%, respectively.

Bank of Thailand

May 15, 2017

Contact: Financial Performance and Loan Analysis Team

Tel: +66 (0) 2283 5980

e-mail: FP<eam@bot.or.th



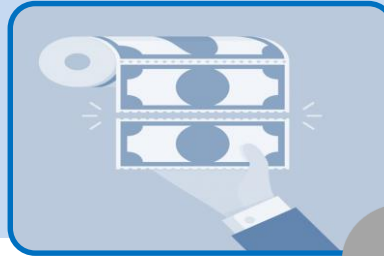
Performance of the Thai Banking System in the First Quarter of 2017



Overall Performance of the Thai Banking System in the First Quarter of 2017

Loan growth remained subdued.

- ❑ Loans expanded in both large corporate and SME loans.
- ❑ Meanwhile, some corporates especially in financial sector repaid their debt.
- ❑ Consumer loan growth decelerated in all loan types except car loan.



Loan quality deteriorated.

- ❑ NPL increased from debtors who affected by past economic performance, thereby increasing NPL-to-total loan ratio to 2.94% from 2.83% in the last quarter.



Banks' profit remained stable.

- ❑ Net profit was approximately at 50 billion baht, close to the same period last year.



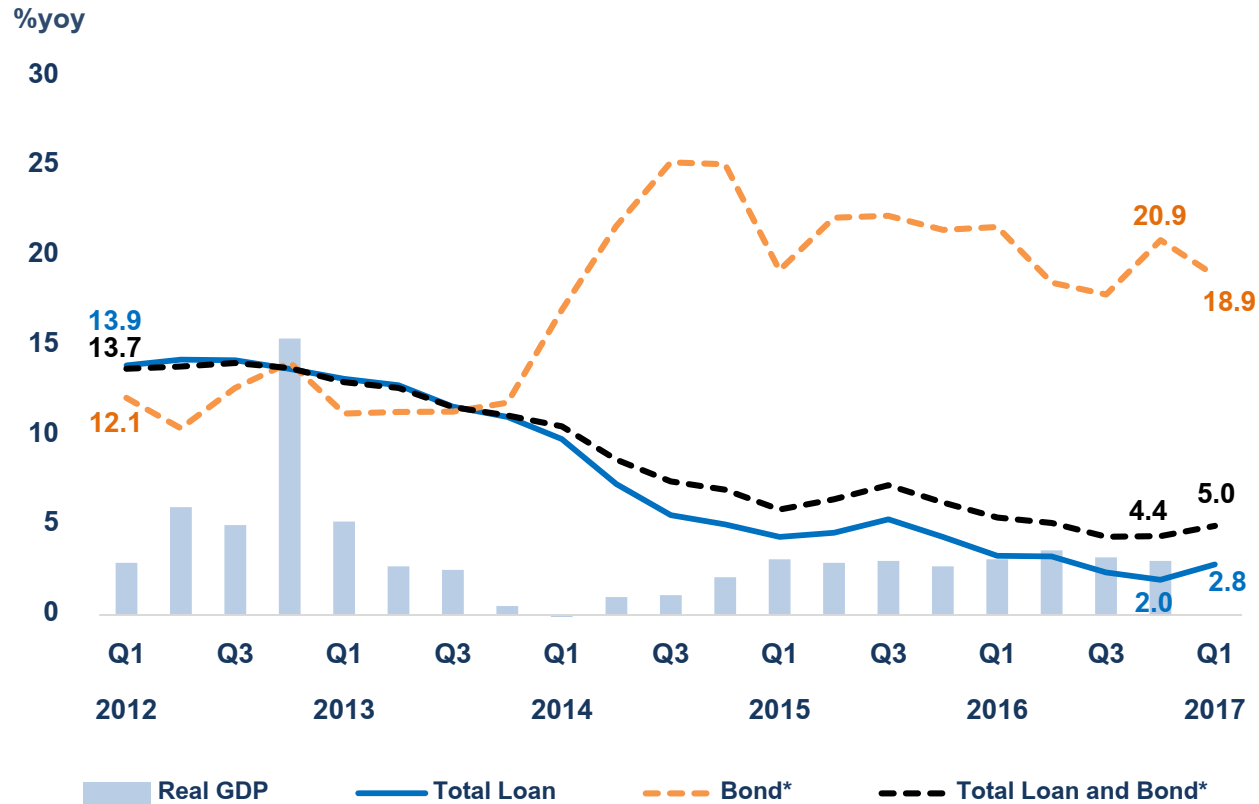
Loan loss provision and capital fund remained high

- ❑ Ratio of actual to regulatory loan loss provision was at 161.8%.
- ❑ BIS ratio and Tier-1 ratio were at 17.8% and 15.1% respectively.



Banks' loan growth and financing through debt securities continued to grow.

GDP and Loan Growth



*Debt securities include commercial paper and corporate bond issued by private sector.

Source: Bank of Thailand

Loans to large corporate and SME exhibited higher growth.

Loan growth remained subdued, partly due to debt repayment of corporates especially in financial sector.



Loans to large corporate accelerated

especially in the manufacturing, energy, transportation, and accommodation sectors.



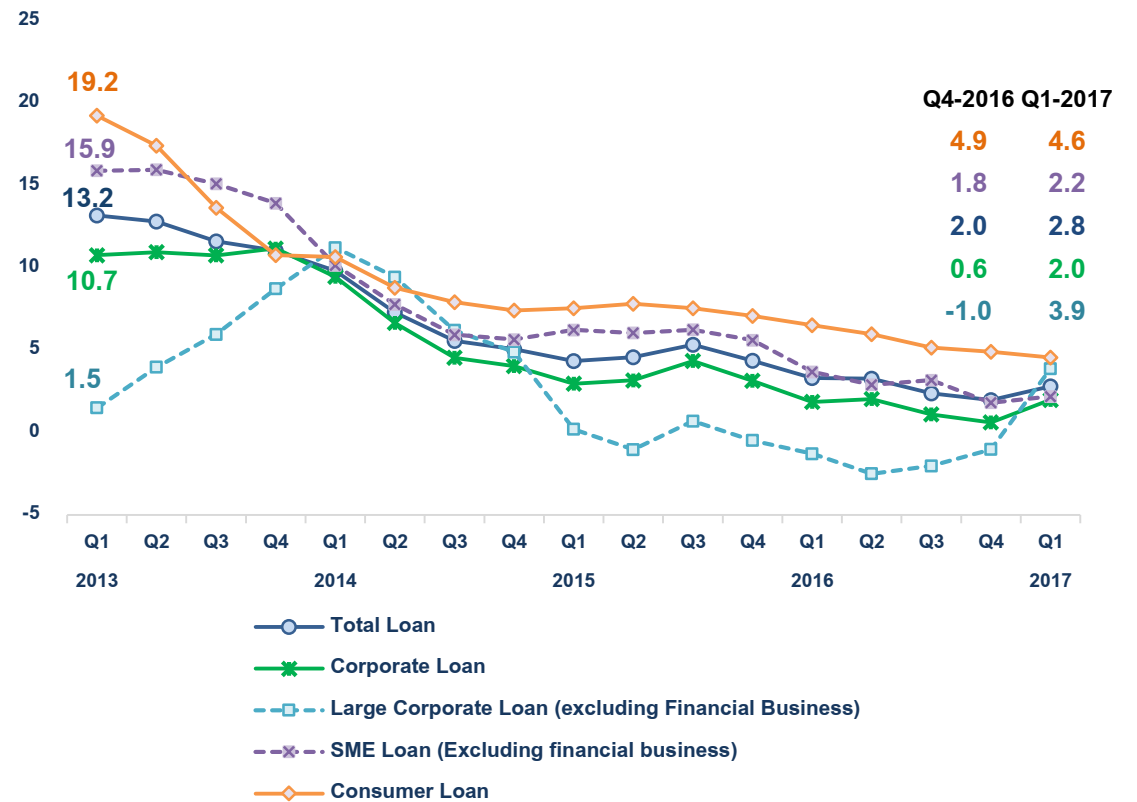
Loans to SME increased especially in the manufacture of rubber and plastics and wholesale of agricultural raw materials.



Consumer loan decelerated in all loan types except car loan.

Commercial Bank Loan Growth

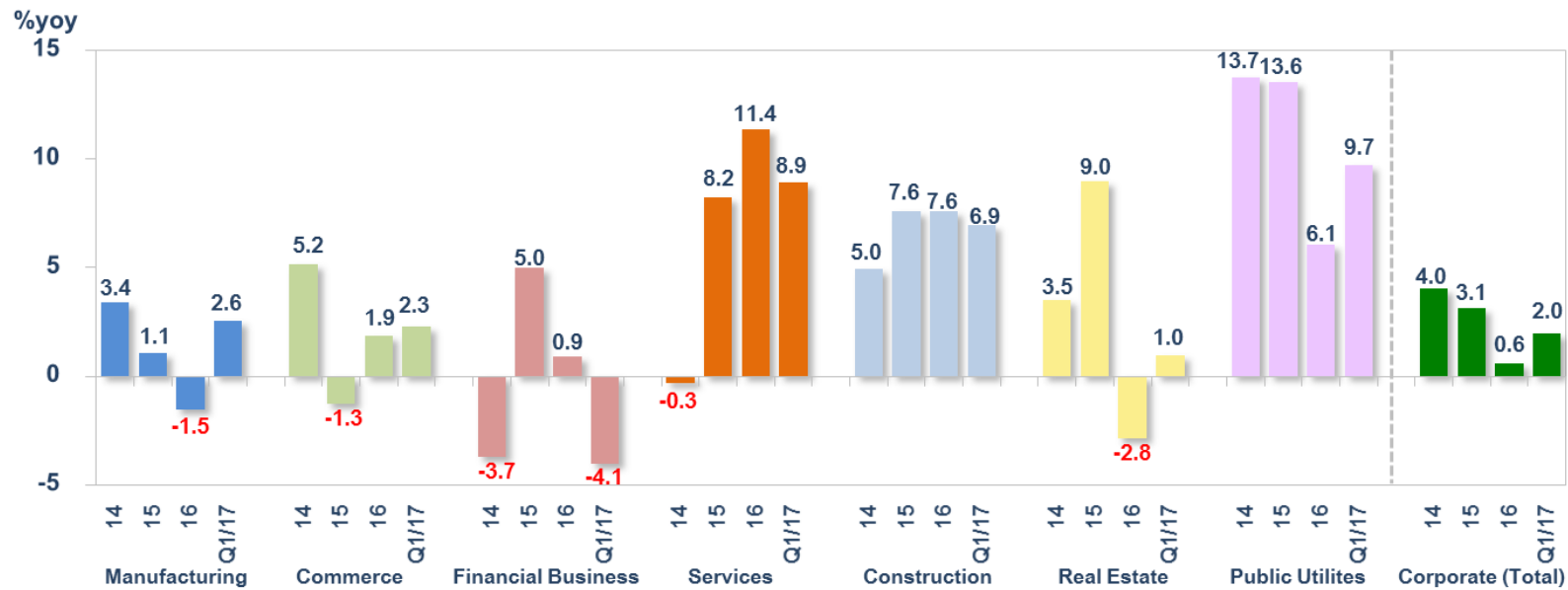
%yoy



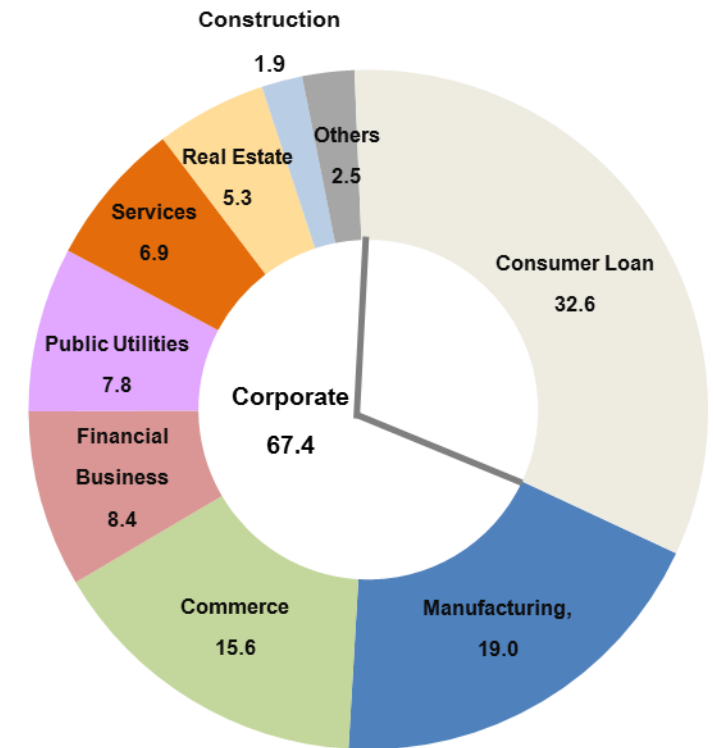
% Total Loan : Large corporate loan (excluding financial business) 25.5% SME loan (excluding financial business) 33.5% Consumer Loan 32.6%

Corporate loan growth increased in manufacturing, public utilities, real estate, and commerce sectors, while financial businesses repaid their loans.

Corporate Loan Growth

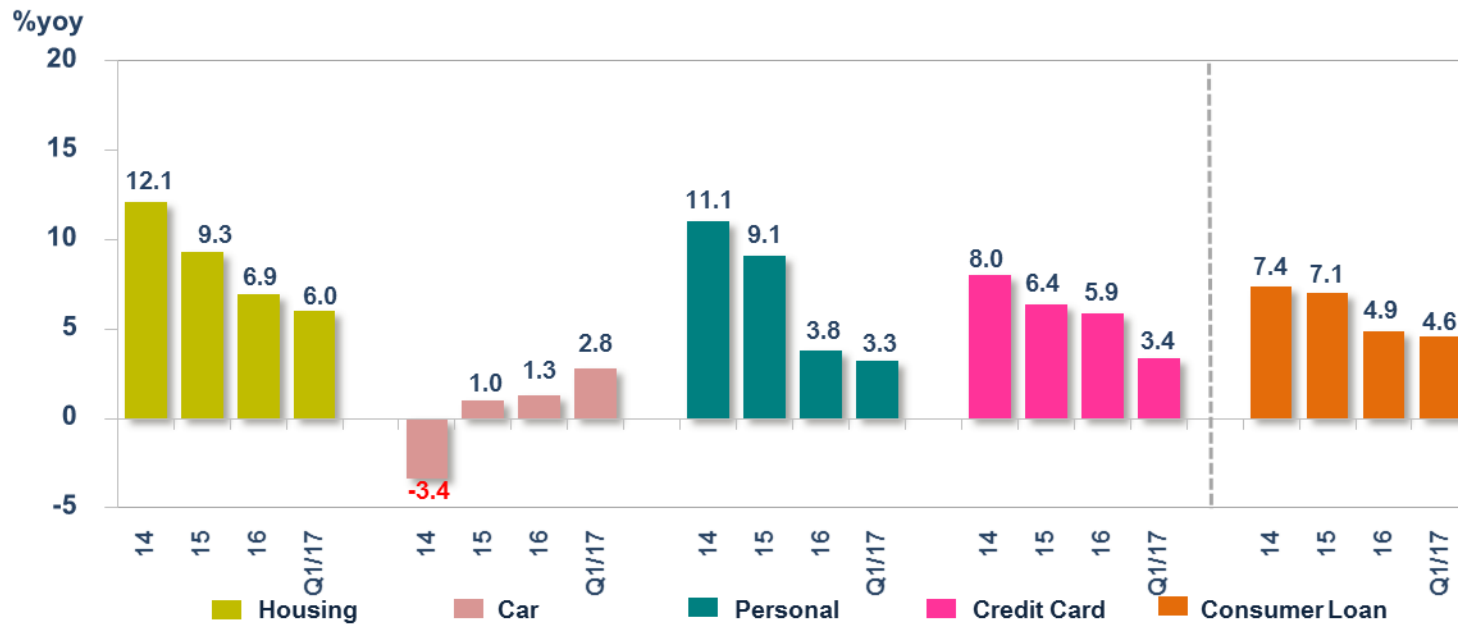


Structure of Corporate Loans as of March 2017 (% to total loans)

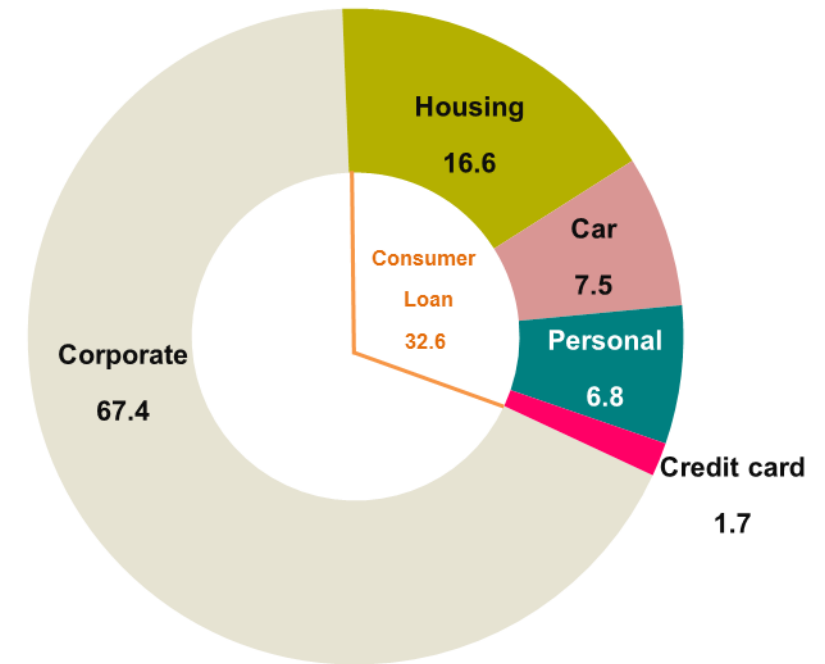


Consumer loan growth decelerated in almost all loan types except car loans.

Consumer Loan Growth

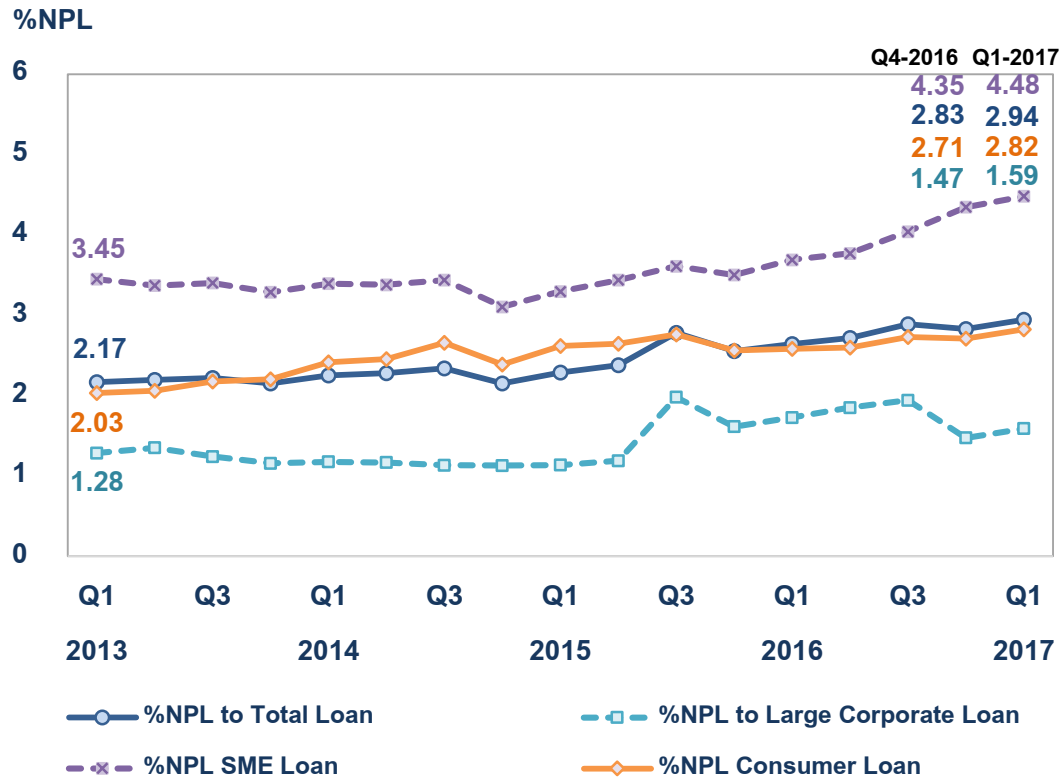


Structure of Consumer Loans as of March 2017 (% to total loans)



Loan quality deteriorated as a result of past economic performance.

Non-Performing Loans (NPLs)

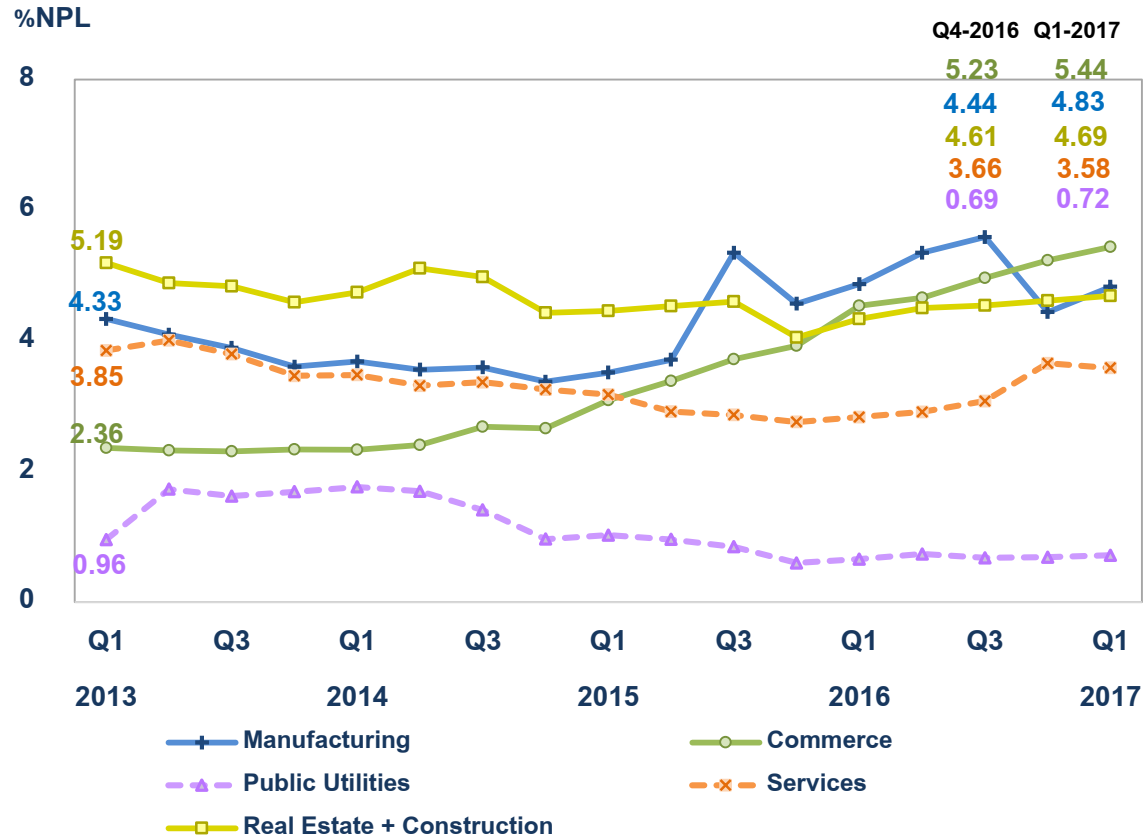


Special Mention (SM)

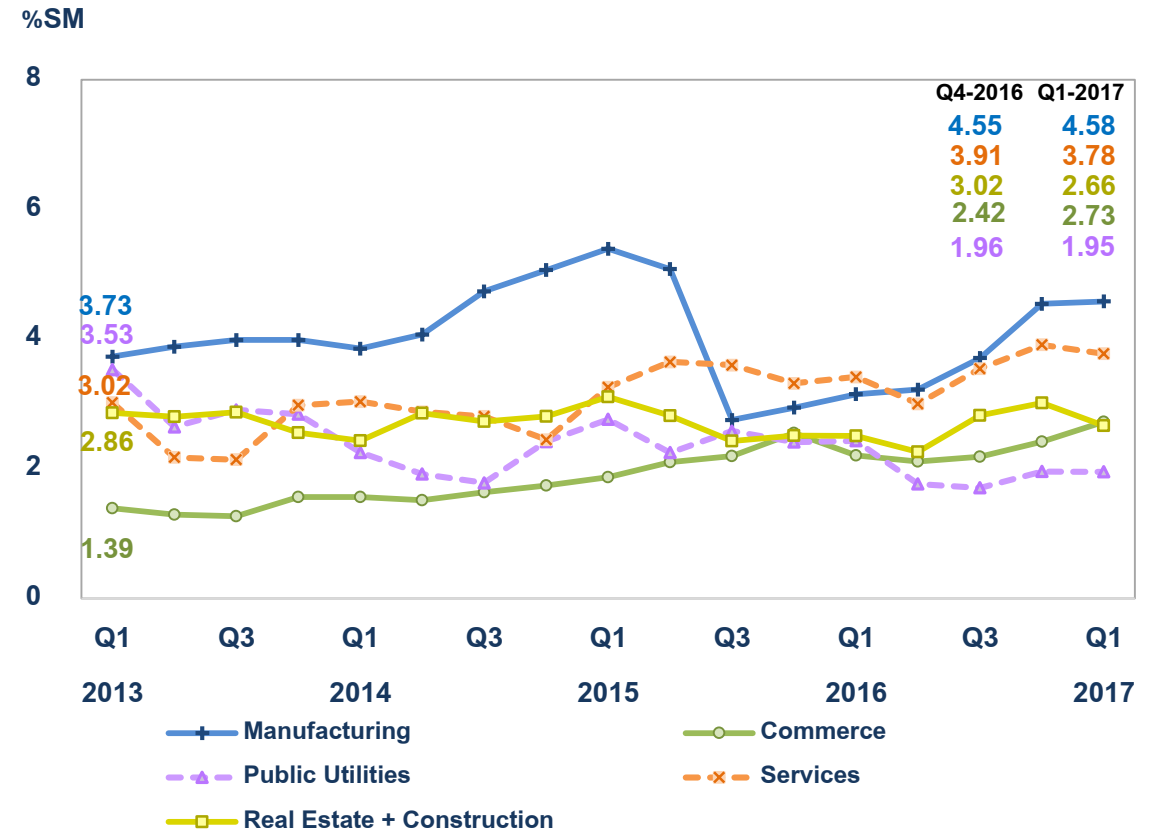


Corporate loan quality deteriorated in manufacturing and commerce sectors.

Non-Performing Loans (NPLs)

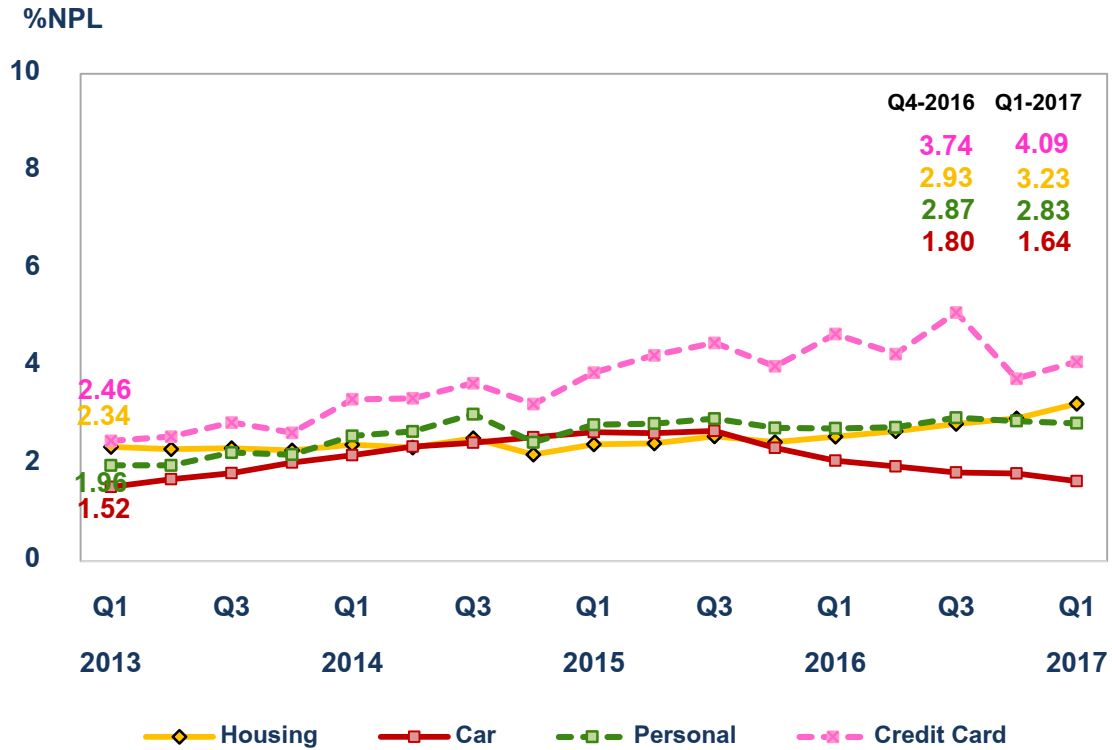


Special Mention (SM)

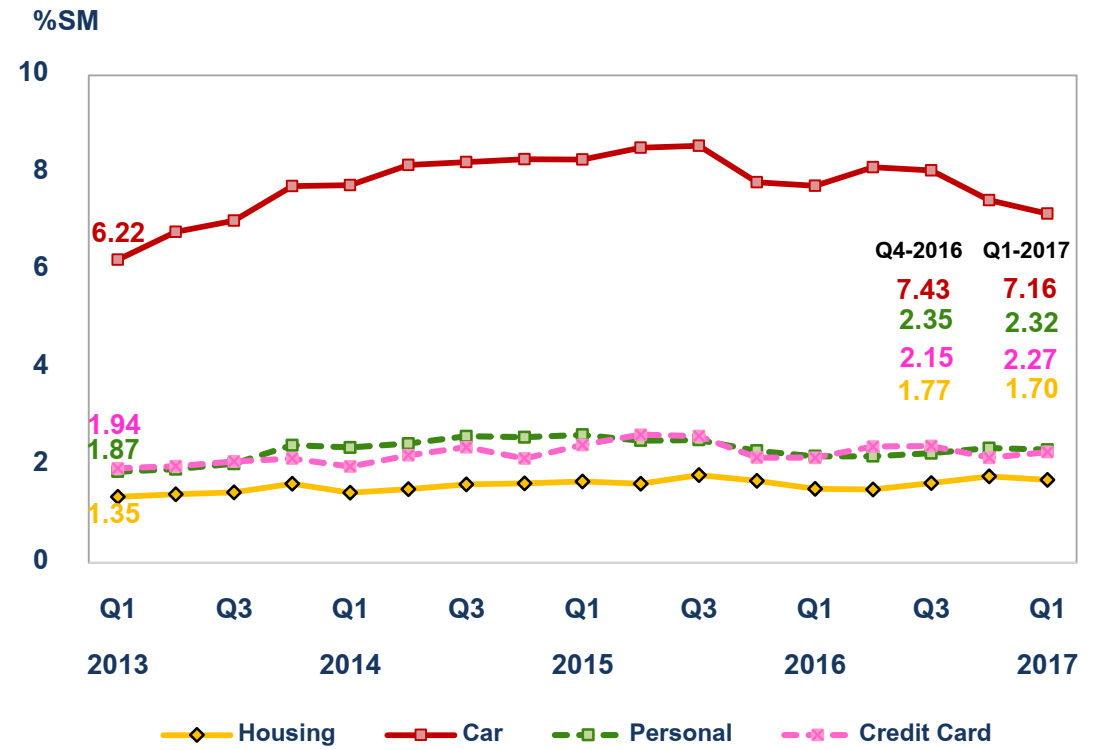


Consumer loan quality deteriorated mainly from housing loans.

Non-Performing Loans (NPLs)

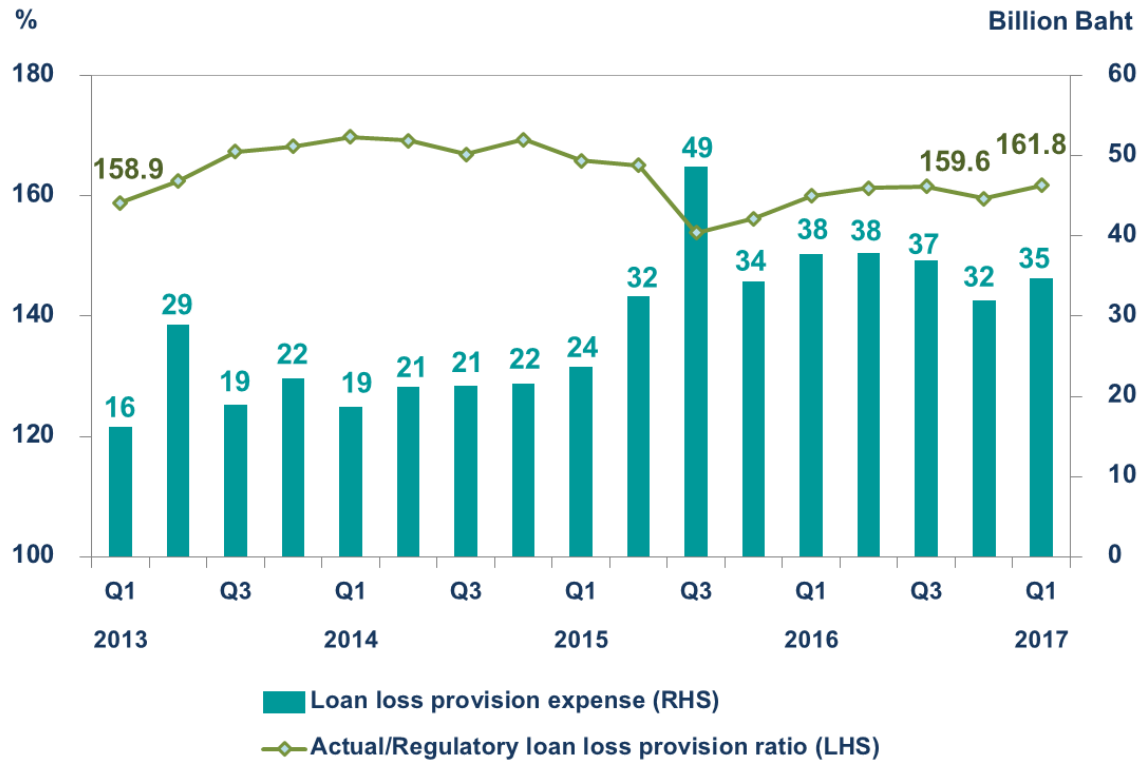


Special Mention (SM)

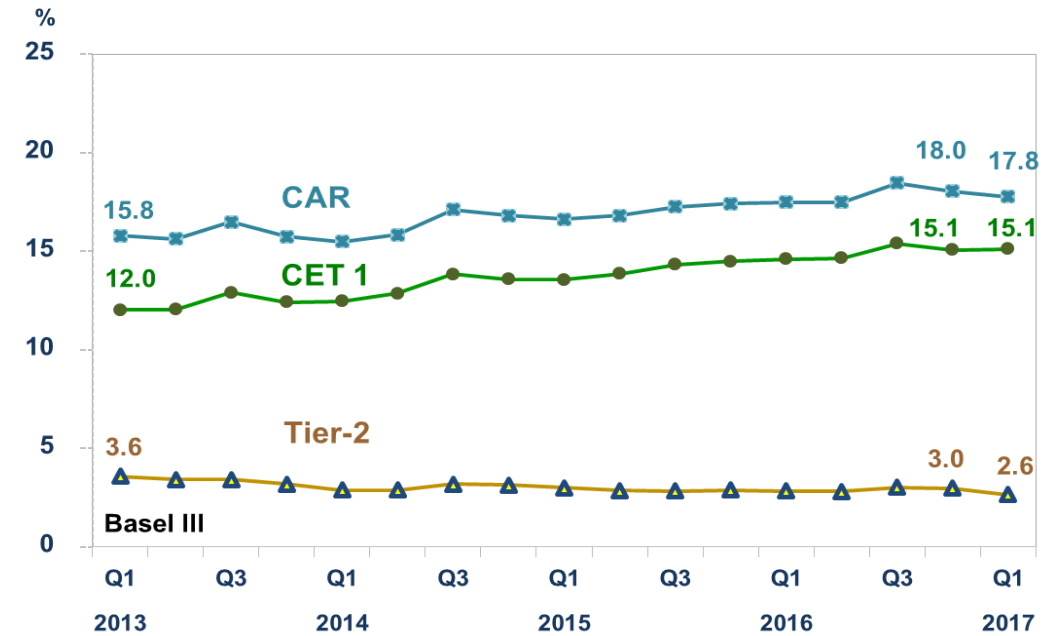


Loan loss provision and capital fund remained high.

Loan loss provision

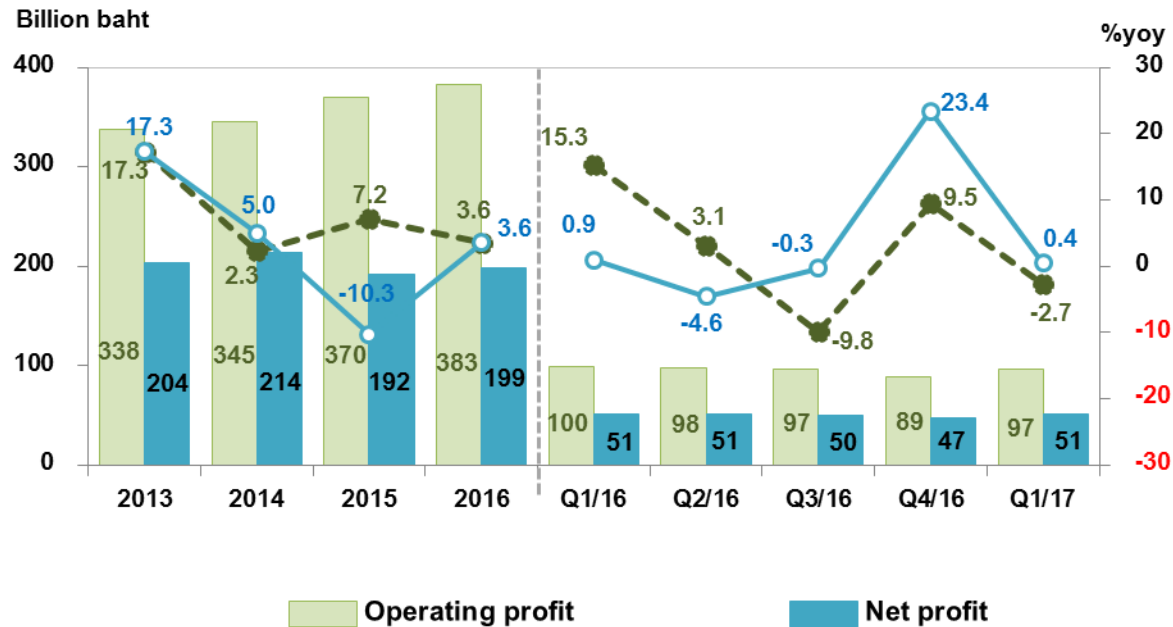


Capital fund

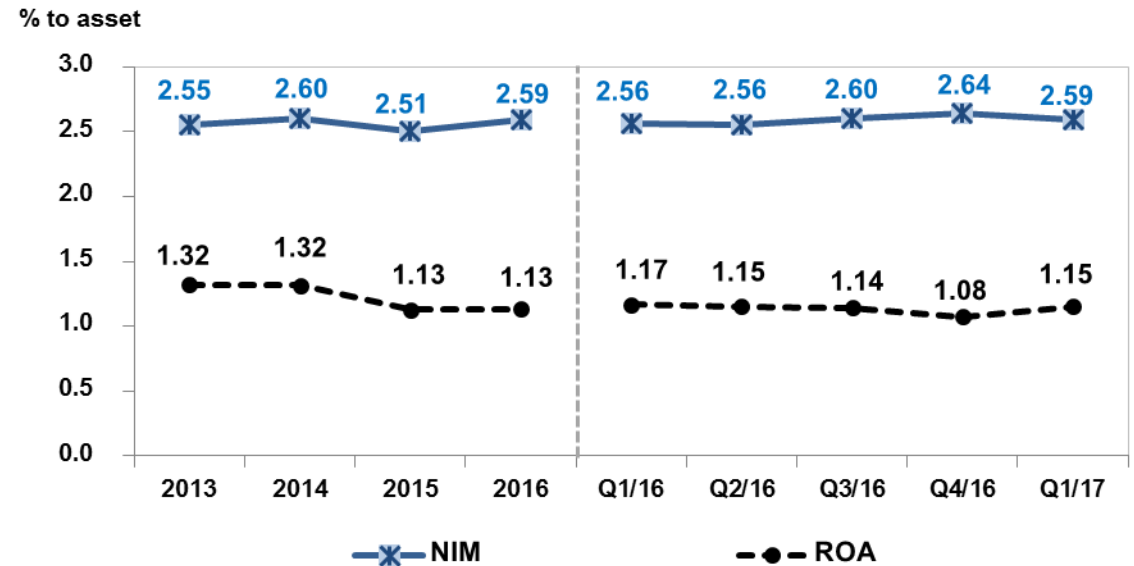


The Thai banking system's net profit remained stable from the same period last year, largely attributable to banks' liability management.

Profitability

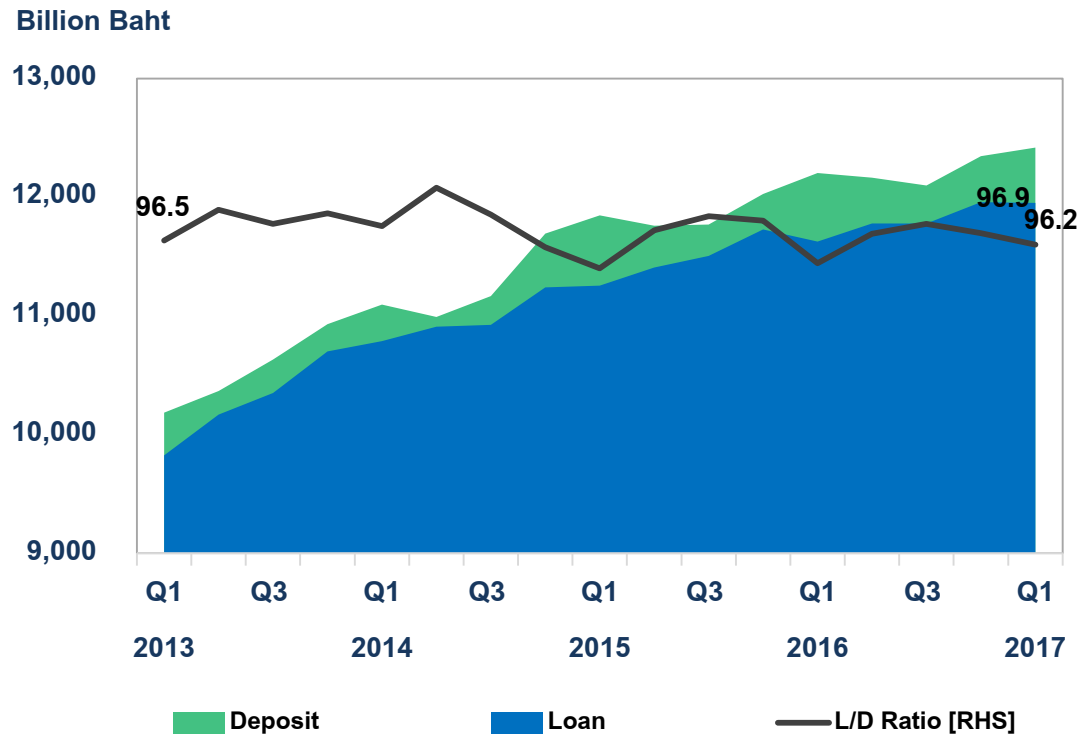


Return on Asset and Net Interest Margin



The Thai banking system has sufficient liquidity to facilitate credit expansion.

Loan to Deposit Ratio



Liquidity Coverage Ratio (LCR)

