



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. 38/2017

### Performance of the Thai Banking System in the Second 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 second quarter of 2017 that loan growth expanded mainly from corporate loans, with concentrations in certain large industries. Loan quality deteriorated, particularly from few large corporates. Meanwhile, net profit declined due to an increase in provisioning expense. However, the Thai banking system remained resilient with high level of loan loss provision and capital fund to support credit expansion as well as the continued economic recovery. Details are as follows.

**Bank loan growth** rose at 3.3% year-on-year in line with continuing economic expansion. Loan growth was driven mainly by large corporate loans in several industries. In addition, there was continual increase in business financing through debt and equity securities. As a result, combined financing through bank loans and debt securities grew at 5.2% year-on-year.

**Corporate loan** (67.5% of total loans) expanded at 2.7% year-on-year, driven mainly by large corporate loans. **Loans to large corporate** (excluding financial business) accelerated to 7.0%, mainly from real estate, export-related industries (e.g. electronics), street construction, and service sectors. **Loans to SME** (excluding financial business) continued to grow since the end of last year to 3.2% year-on-year, largely from accommodation and office building business.

**Consumer loan** (32.5% of total loans) growth remained relatively stable at 4.4%, with continued acceleration in auto loan growth after the end of five-year holding period of the first car tax rebate scheme. Meanwhile, housing and credit card loan growth still decelerated.

**Loan quality of the banking system** deteriorated mostly from few large corporates, while debt write-off significantly increased, resulting in the stable ratio of **Gross Non-Performing Loans** (NPLs) to total loan of 2.95%, compared to 2.94% last quarter. The increase in NPLs this quarter was owing mainly to large corporate loans in mining sector as well as some industries

affected by commodity prices. Likewise, NPLs of loans to small-sized SME continued to increase particularly in commerce and also some industrial sectors affected by commodity prices. However, the overall NPL ratio of SME loans started to decline from the reduction of NPLs in medium-sized SME. Consumer loan quality showed improvement in almost all loan types except for auto loans. **Special mention loans** (SMs: loans overdue above 1 month but not more than 3 months) to total loan ratio declined from last quarter to 2.54%, partly due to loan migration to NPL. Nevertheless, banks accumulated higher loan loss provision to cushion for loan quality deterioration, resulting in continued increase in banking system's total provision to 561 billion baht and the ratio of actual to regulatory loan loss provision at 160.7%.

In the second quarter of 2017, the banking system recorded net profit of 49 billion baht, decreased from the same period last year as a consequence of increased provisioning expense to cushion for further loan quality deterioration. Thus, return on asset (ROA) declined to 1.1% from 1.16% last quarter while net interest margin (NIM) remained stable at 2.62% largely due to banks' liability management.

Capital fund of the banking system remained high, with total of 2,369 billion baht, increased from appropriation of earnings and issuance of subordinated debts (Tier-2). Hence, capital adequacy ratio (BIS ratio) and common equity Tier-1 ratio (CET1 ratio) were at 17.9% and 15.2%, respectively.

Bank of Thailand

August 11, 2017

Contact: Financial Performance and Loan Analysis Team

Tel: +66 (0) 2283 5980

e-mail: FP&LTeam@bot.or.th



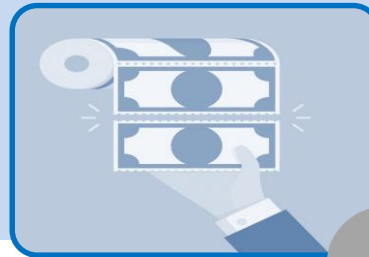
# Performance of the Thai Banking System in the Second Quarter of 2017



# Overall Performance of the Thai Banking System in the Second Quarter of 2017

## Loan growth increased to a level comparable to GDP growth.

- ❑ Loan growth increased mainly from large corporate loans in several industries.
- ❑ Overall consumer loan growth remained stable while auto loan growth accelerated.



## Loan quality deteriorated.

- ❑ NPL increased mostly from few large corporates, whereas bank's debt write-off increased, resulting in the ratio of NPL to total loan of 2.95%, compared to 2.94% last quarter.



## Banks' net profit declined.

- ❑ Net profit declined due to increased provisioning expense to cushion for deterioration in loan quality.



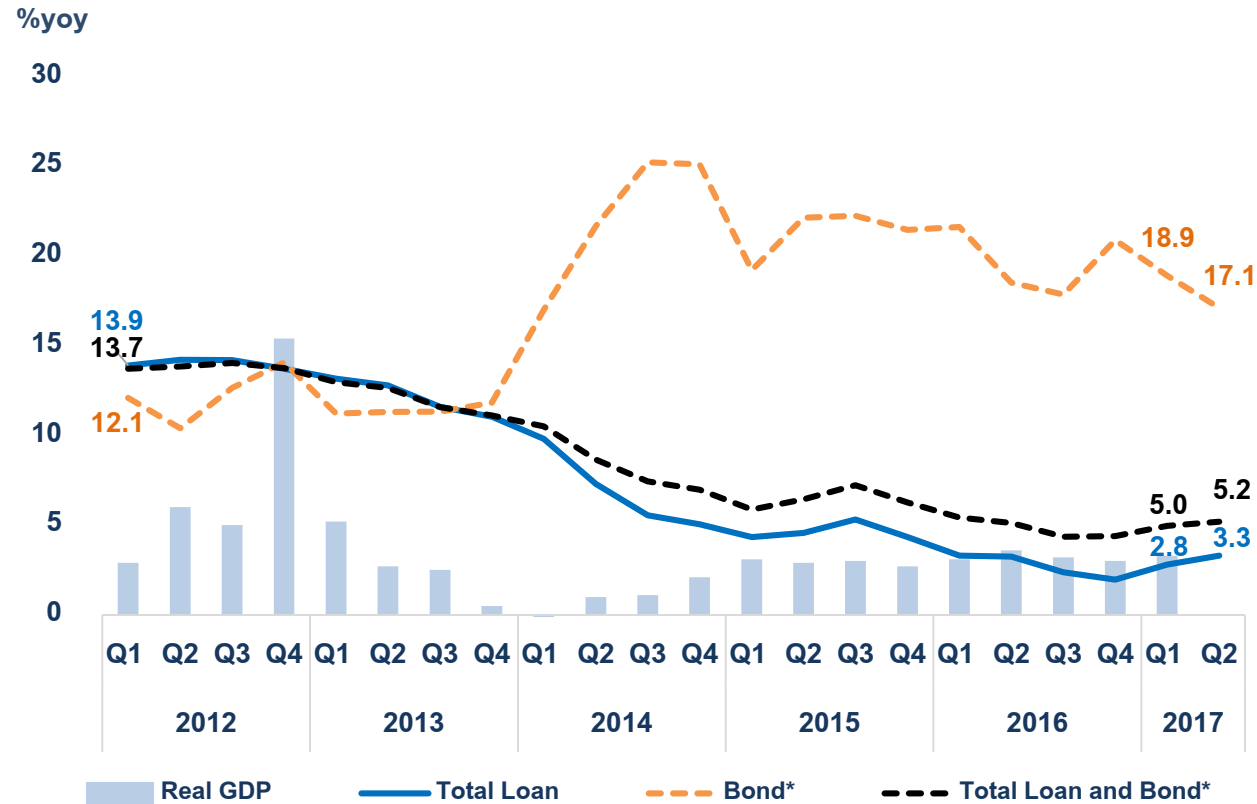
## Loan loss provision and capital fund remained high.

- ❑ Ratio of actual to regulatory loan loss provision was at 160.7%.
- ❑ BIS ratio and Tier-1 ratio were at 17.9% and 15.2% respectively.



## Bank loans and financing through debt securities expanded in line with continued economic expansion.

### 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, with concentrations in some sectors.

Loan growth increased from corporate loans, particularly large corporates.



**Loans to large corporate expanded** especially in real estate, export-related industries, street construction and service sectors.

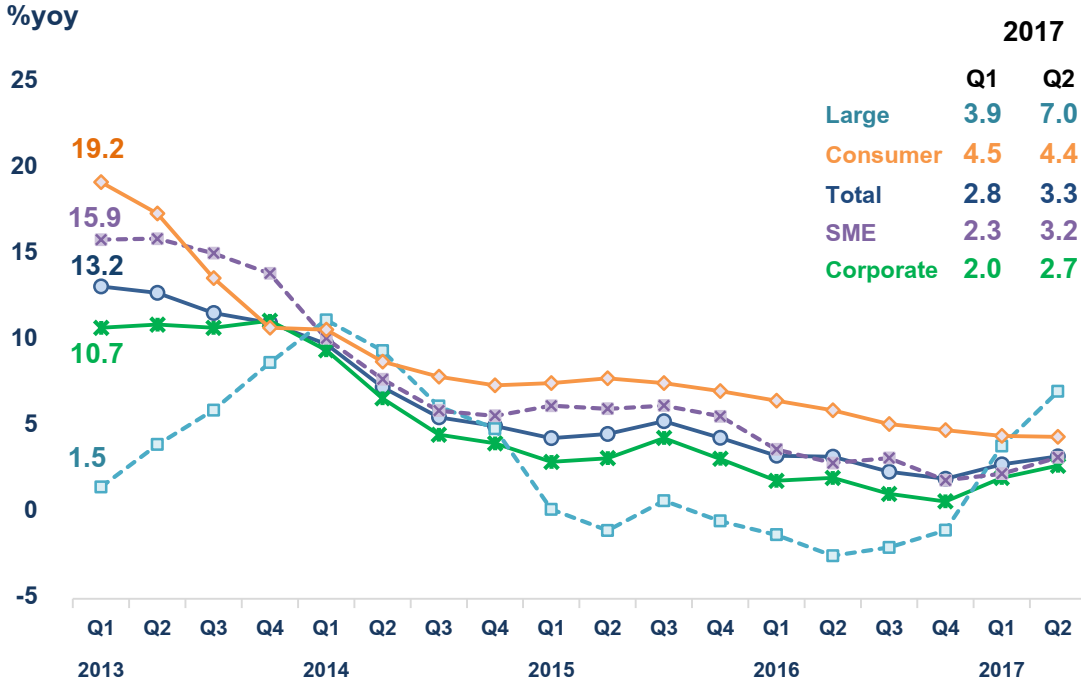


**Loans to SME expanded** in accommodation and office building business.



**Overall consumer loan remained stable** while auto loan growth accelerated.

## Commercial Bank Loan Growth

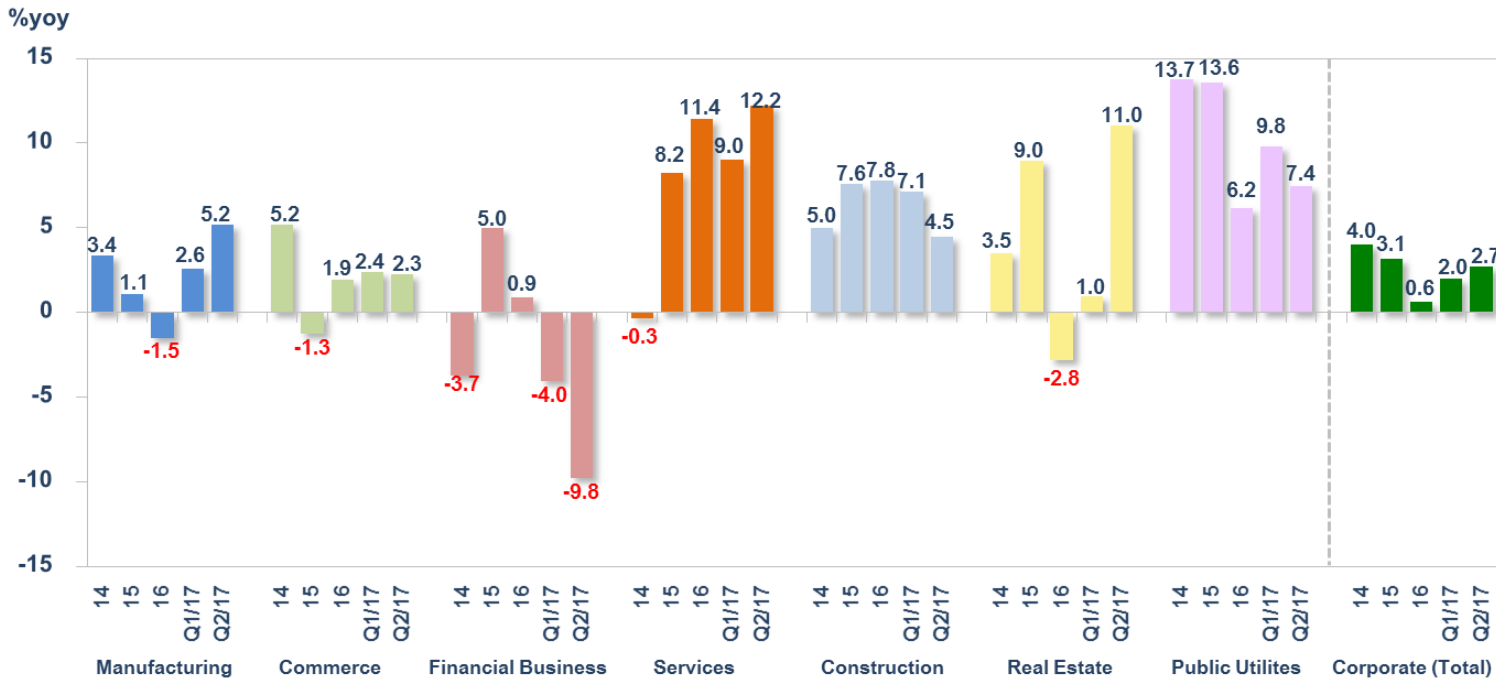


—○— Total Loan  
 —✱— Corporate Loan  
 - - - □ - - - Large Corporate Loan (excluding Financial Business)  
 - - - ✱ - - - SME Loan (Excluding financial business)  
 —◇— Consumer Loan

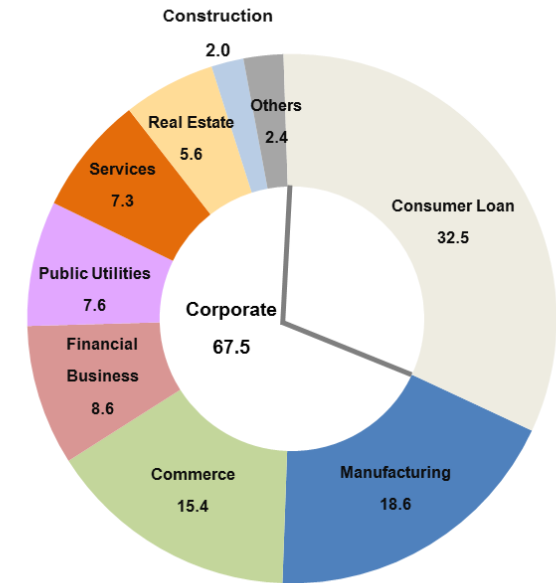
% Total Loan : Large corporate loan (excluding financial business) 25.7% SME loan (excluding financial business) 33.3% Consumer Loan 32.5%

# Corporate loan growth increased, mainly in real estate, services, and manufacturing sectors.

**Corporate Loan Growth**

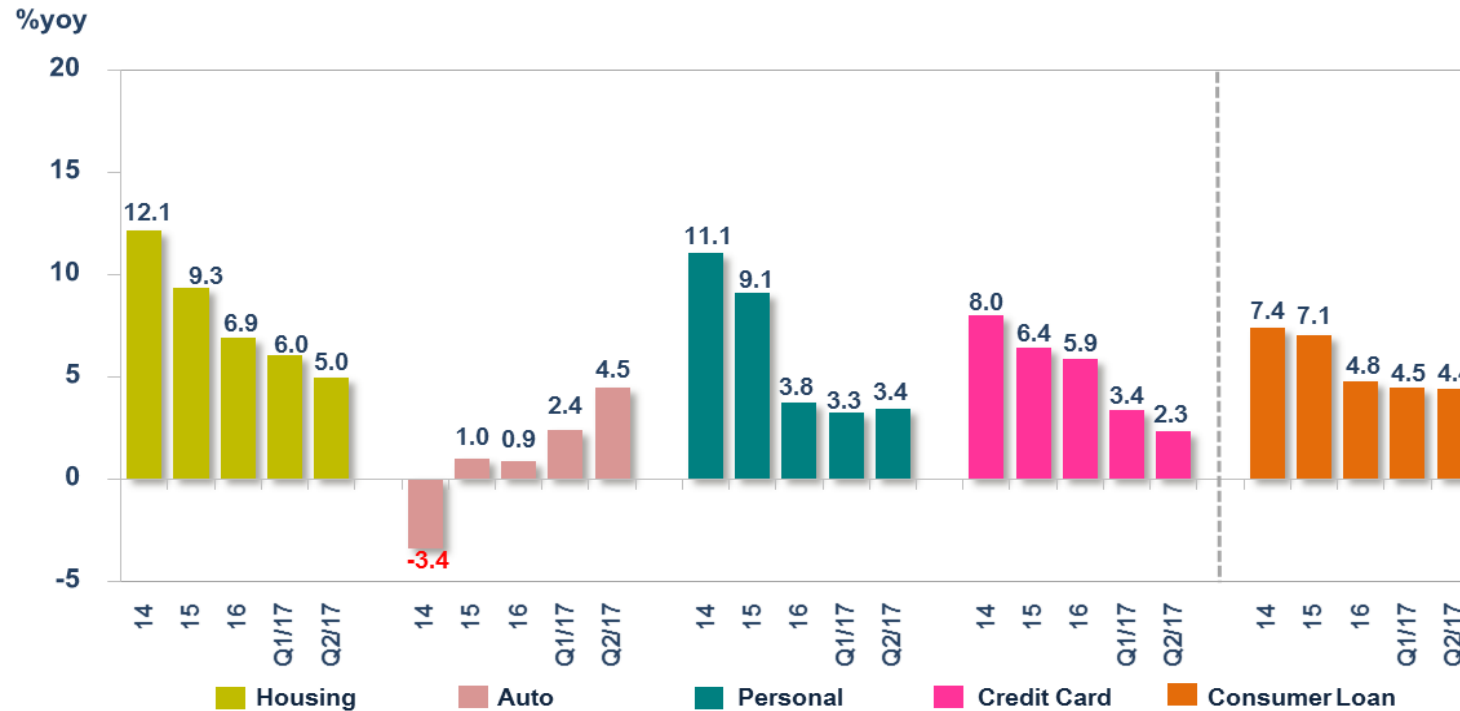


**Structure of Corporate Loans as of June 2017 (% to total loans)**

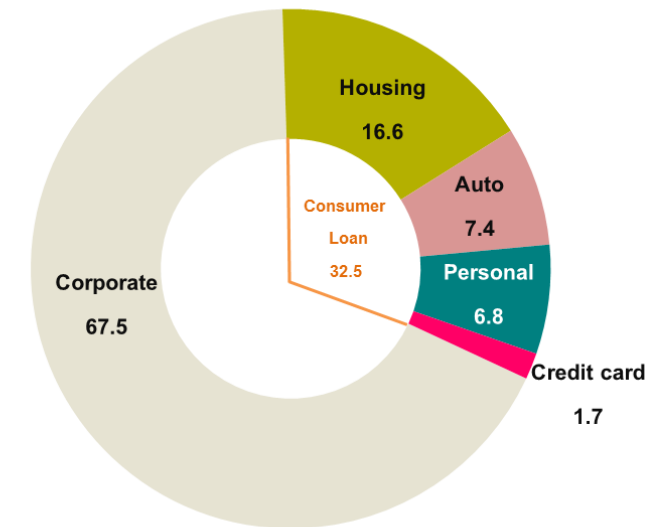


# Overall consumer loan growth remained stable while auto loan growth accelerated.

Consumer Loan Growth



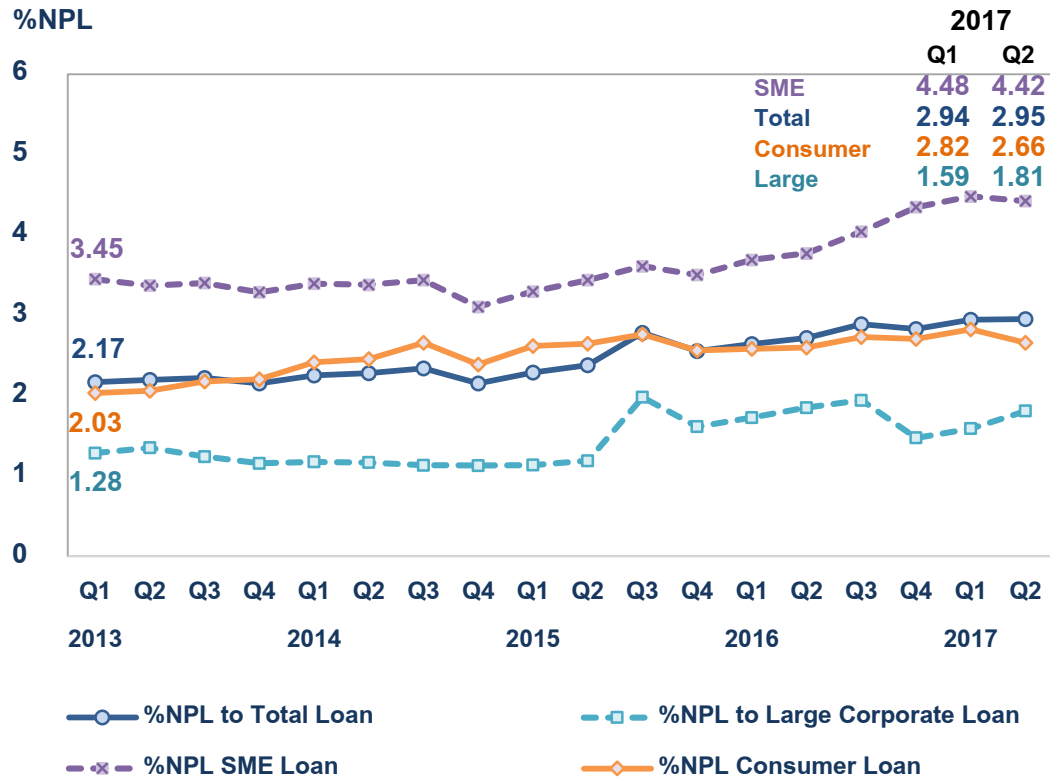
Structure of Consumer Loans as of June 2017 (% to total loans)



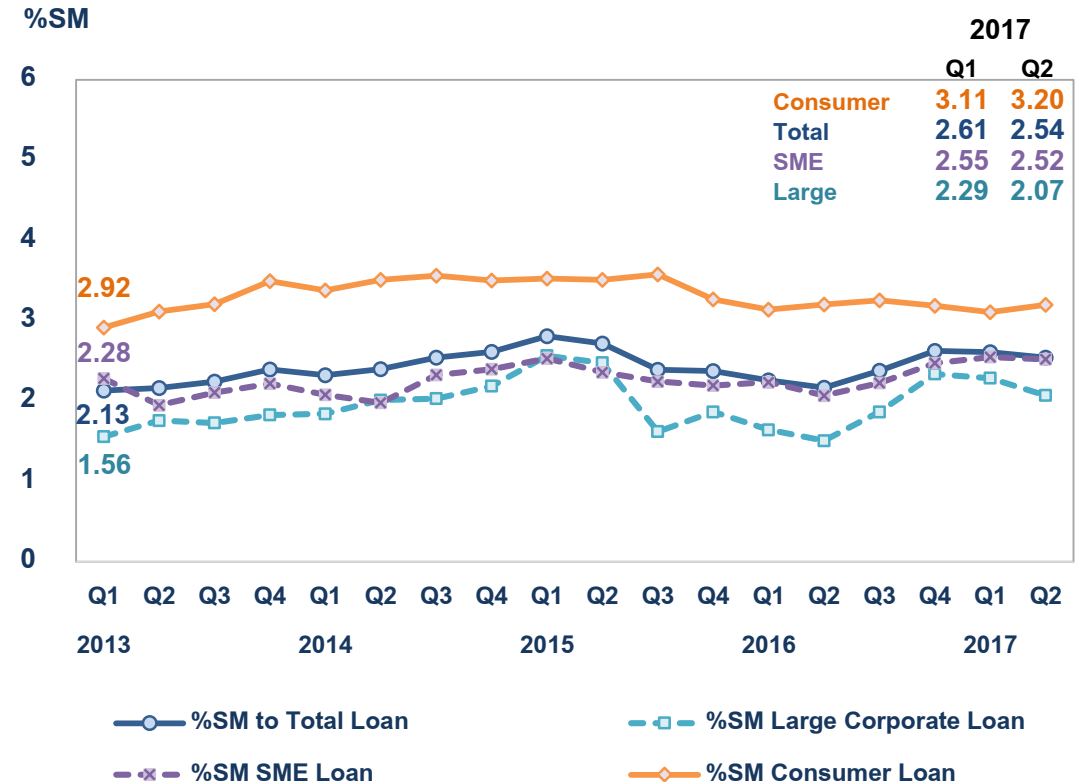


# Loan quality: NPL increased mostly from few large corporates.

## Non-Performing Loans (NPLs)

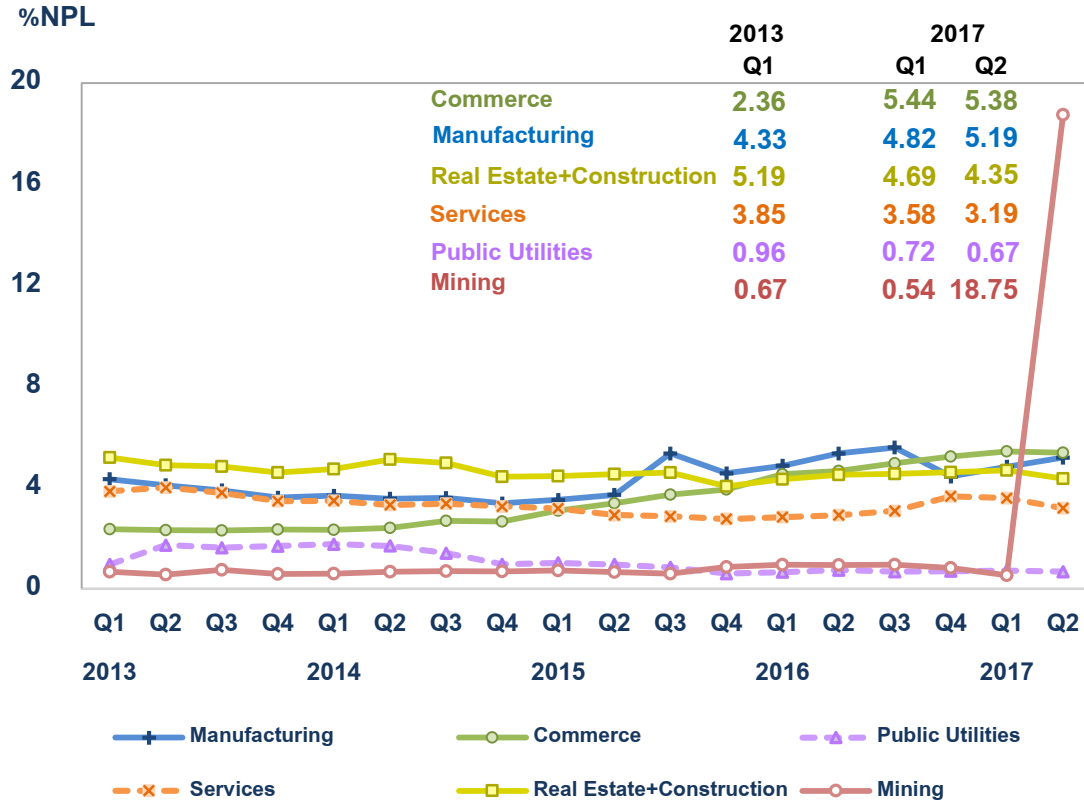


## Special Mention (SM)

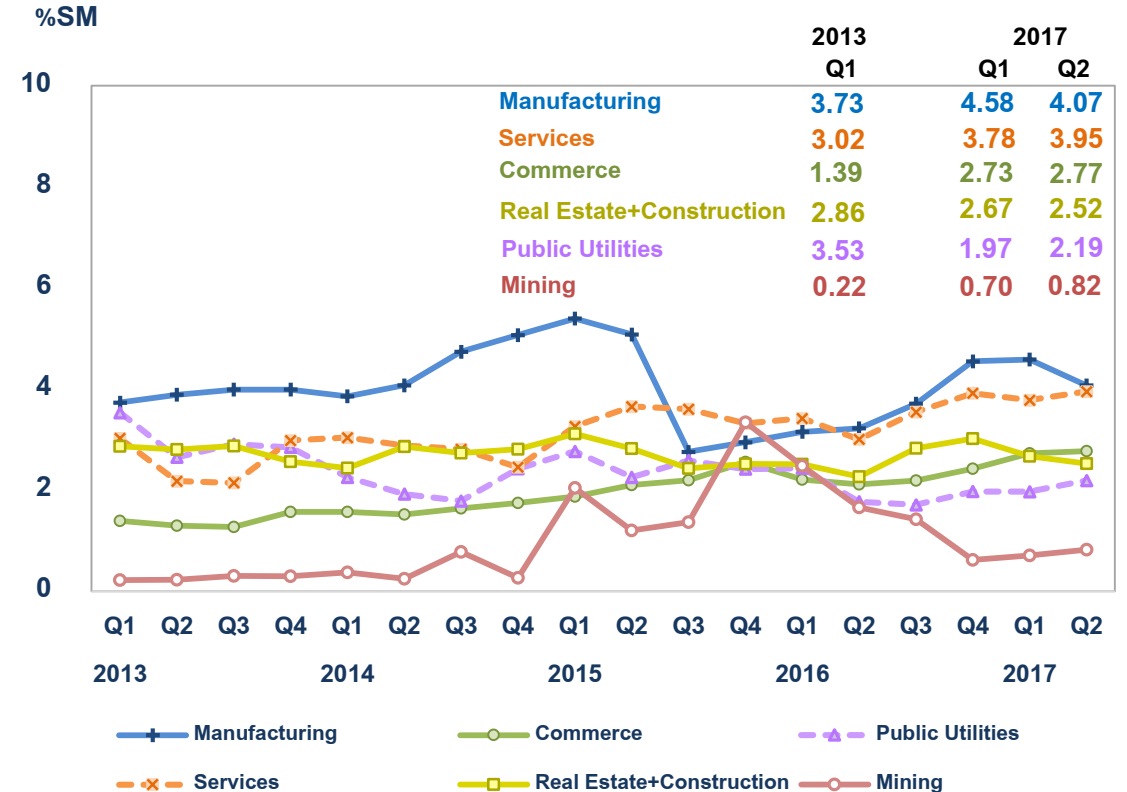


# Corporate loan quality deteriorated in mining and certain manufacturing sectors.

## Non-Performing Loans (NPLs)

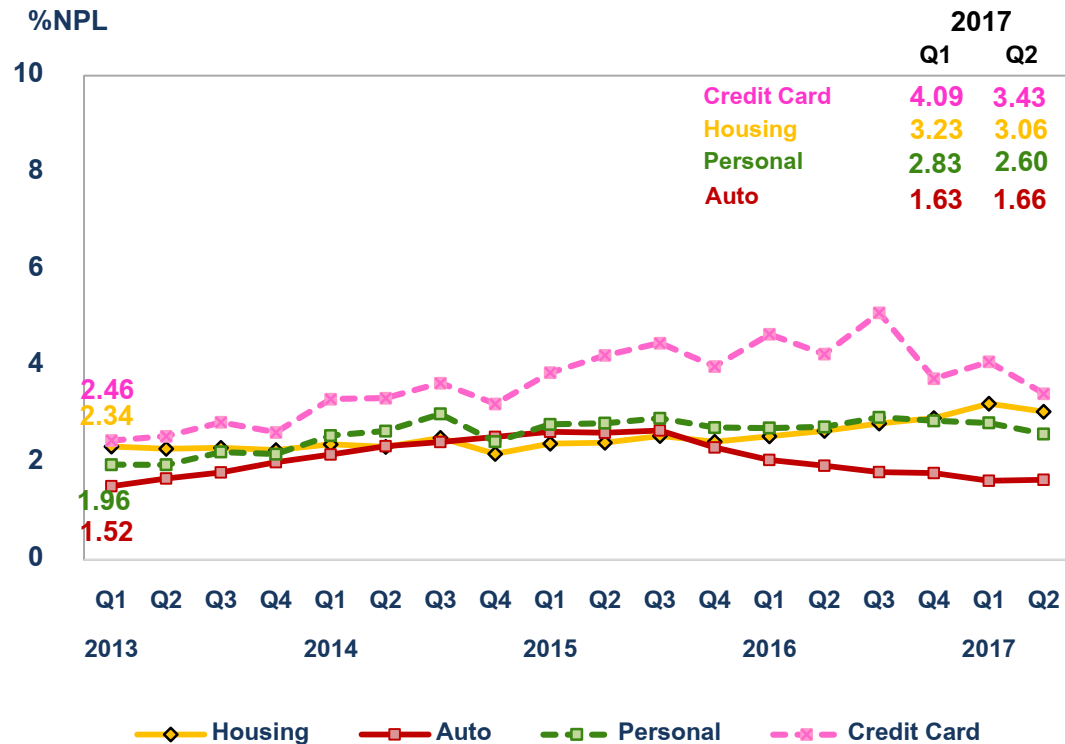


## Special Mention (SM)

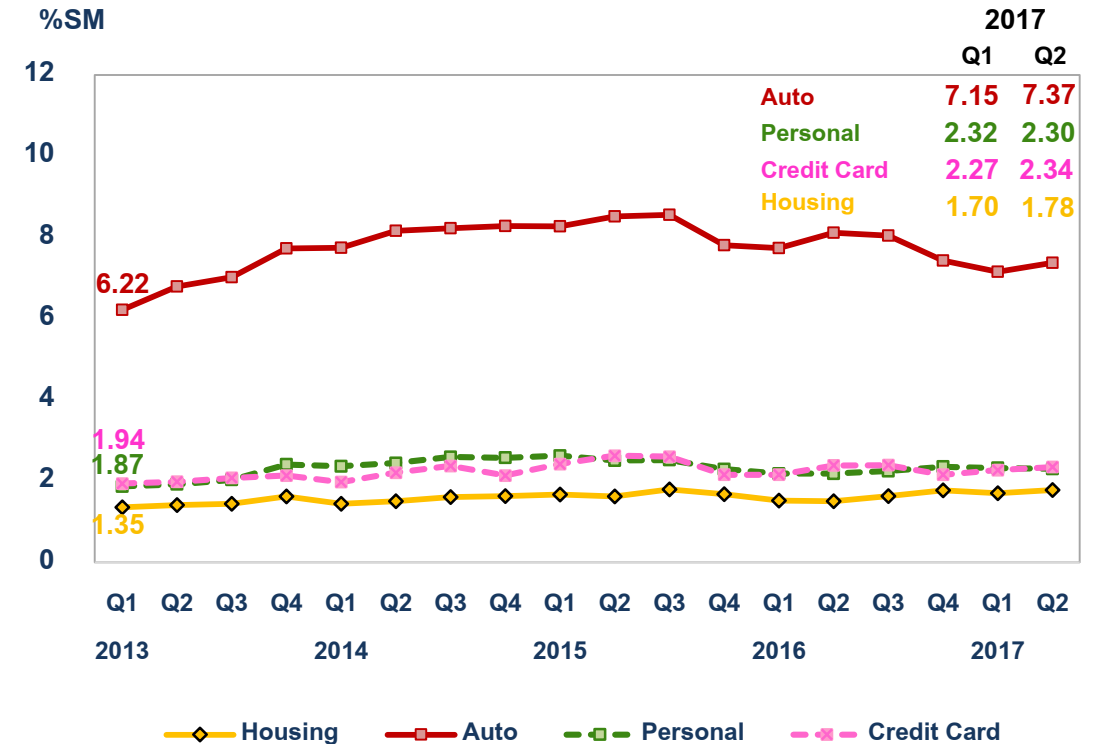


# Consumer loan quality : NPL declined in almost all loan types except auto loans.

## Non-Performing Loans (NPLs)

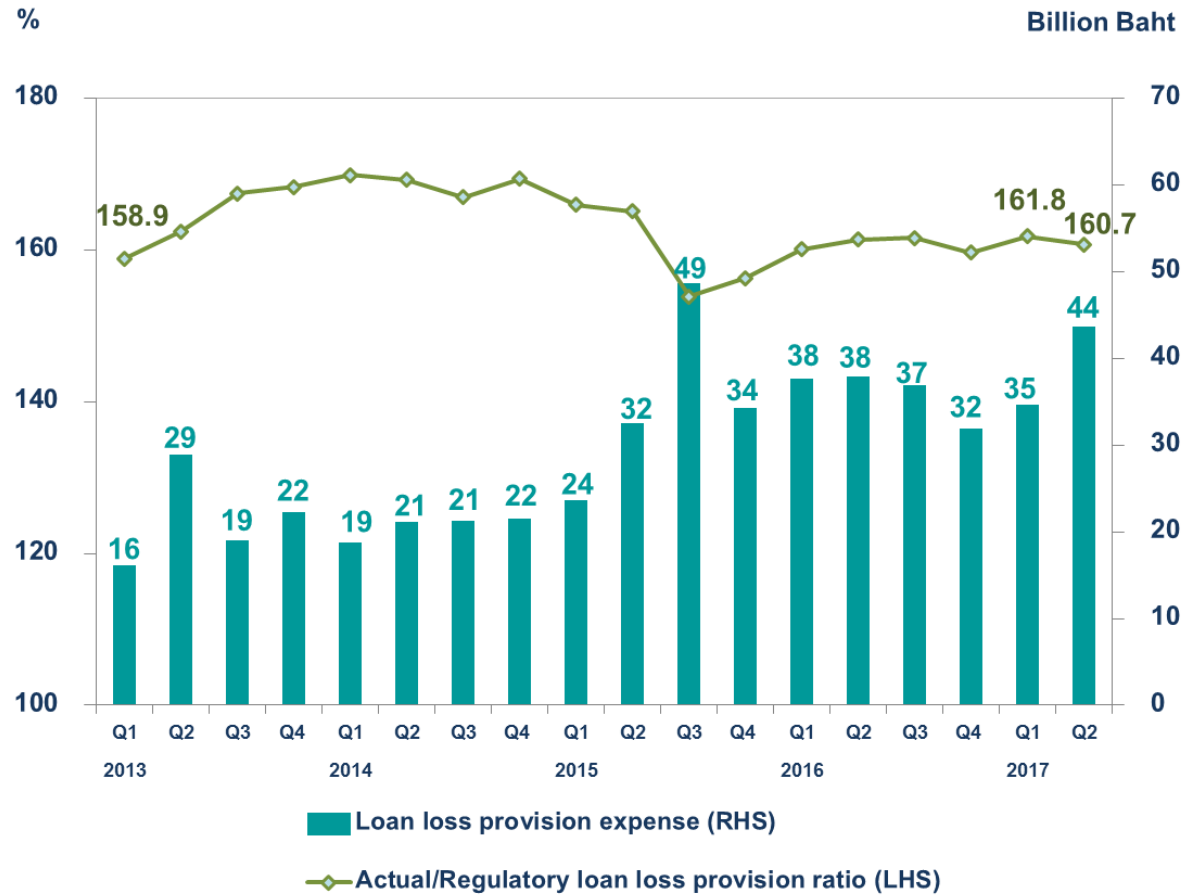


## Special Mention (SM)

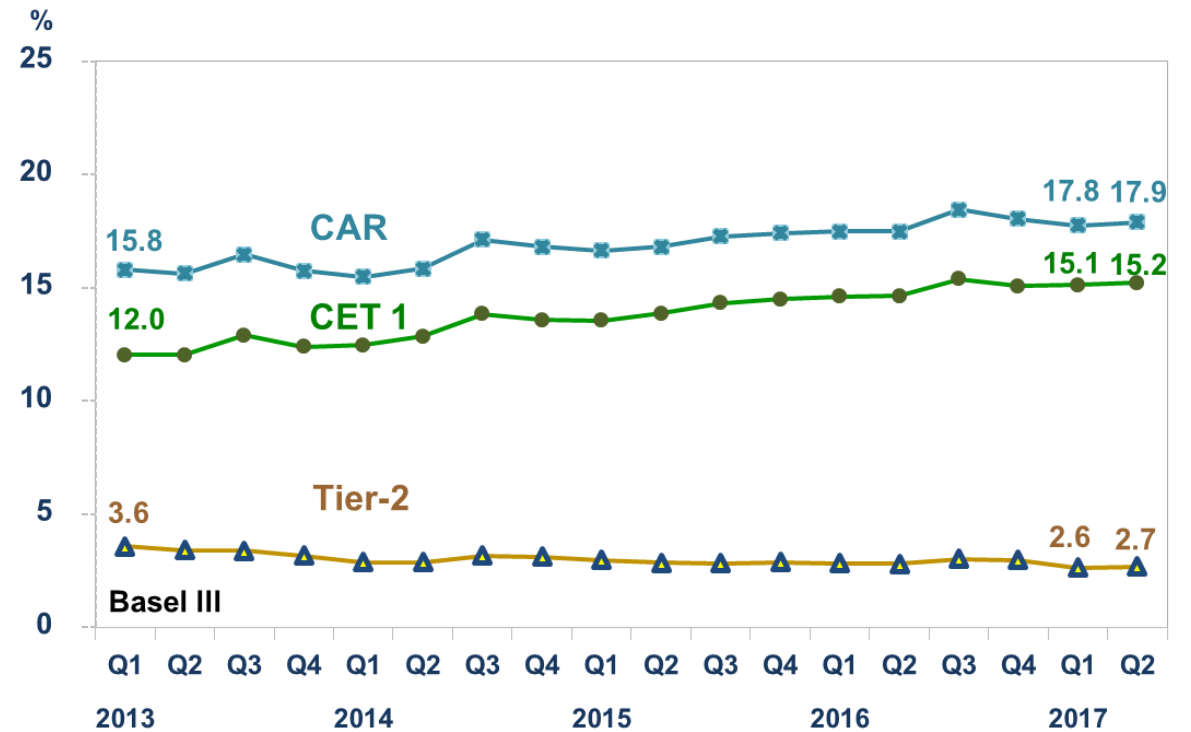


# Loan loss provision and capital fund remained high.

## Loan loss provision

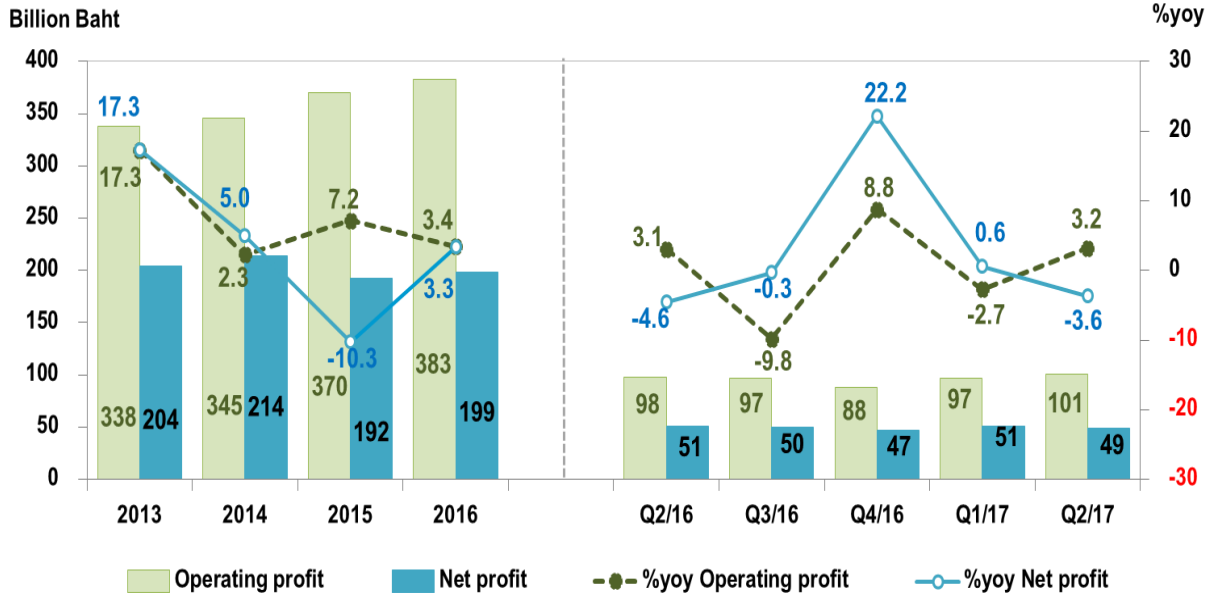


## Capital fund

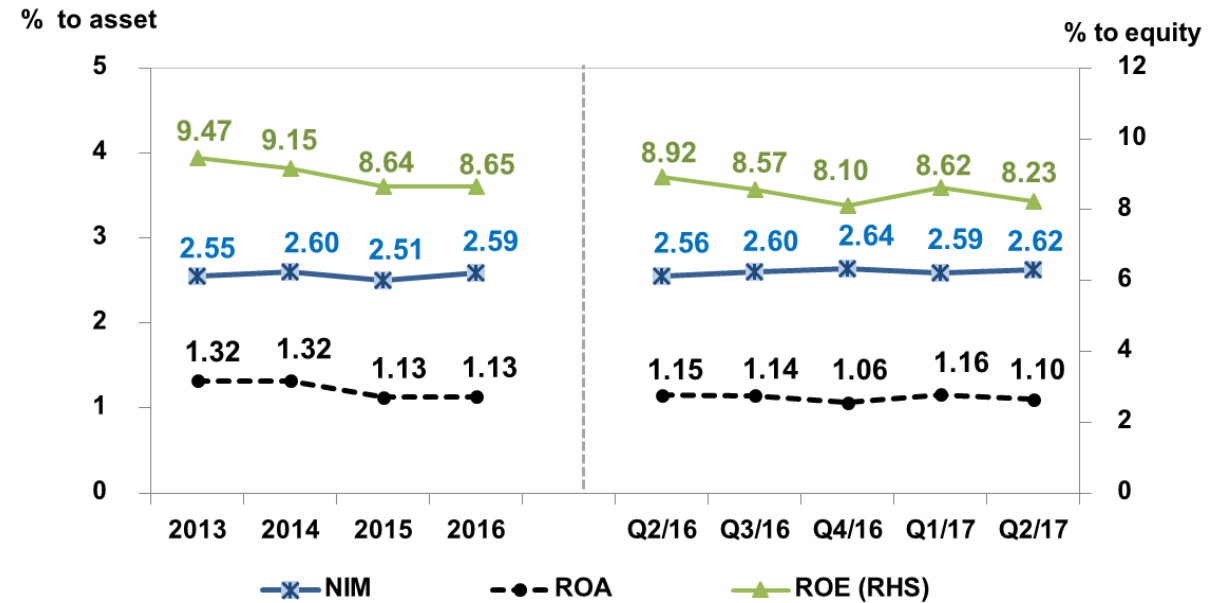


# The Thai banking system's net profit declined due to increased provisioning expense.

## Profitability

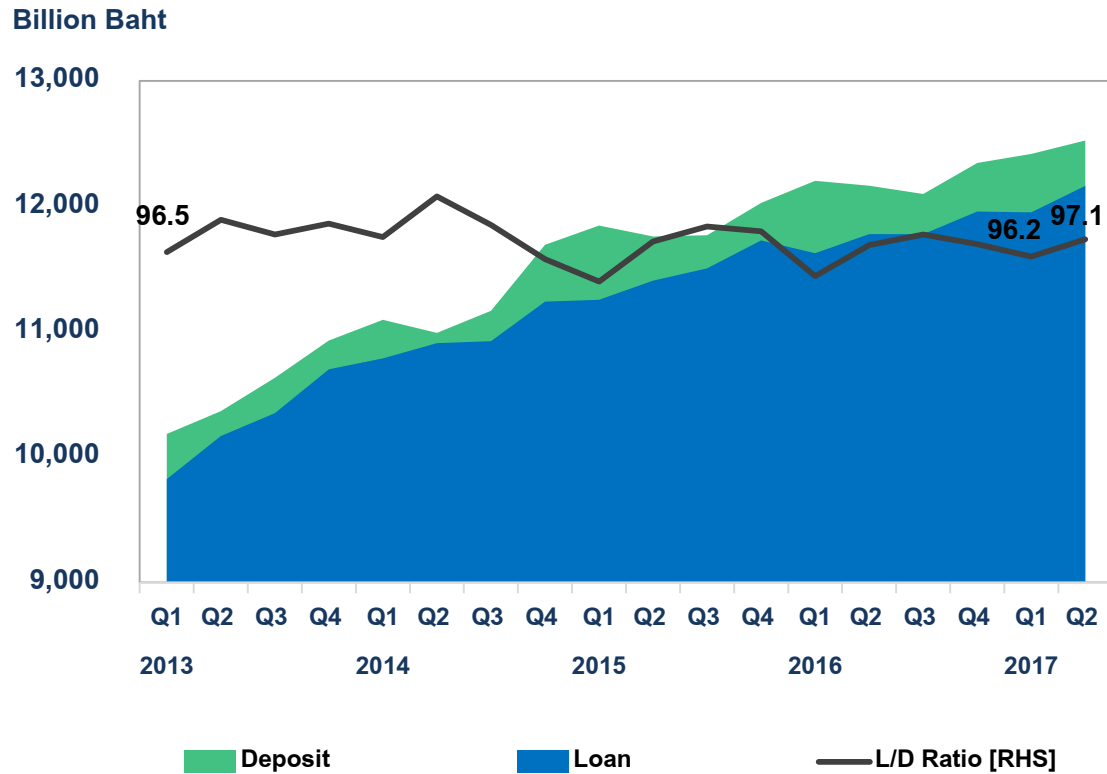


## Return on Asset, Return on Equity and Net Interest Margin



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

## Loan to Deposit Ratio



## Liquidity Coverage Ratio (LCR)

