



BANK OF THAILAND

**BOT Press Release**

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**Performance of the Thai Banking System in the Third 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 third quarter of 2017 that loan growth remained steady, with corporate loan growth concentrated in certain industries while consumer loan continued to expand. Overall loan quality has stabilised, but there were still signs of further deterioration in the SME loans reflecting the impact of past economic slowdown. 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 facilitate further credit expansion. Details are as follows.

**Bank loan growth** remained steady at 3.3% year-on-year, partly due to loan repayments of large corporates, in line with a slowdown in business financing through debt securities. However, consumer loan growth increased in all loan types. In addition, combined financing through bank loans and debt securities grew at 4.5% year-on-year.

**Corporate loan** (67% of total loans) growth was at 2.2% year-on-year, slightly declined from 2.7% last quarter in both loans to large corporate and SME. **Loans to large corporate** (excluding financial business) decelerated to 4.2% as a result of loan repayments of large corporates. However, loans still expanded in energy, transportation, and some businesses in manufacturing and commerce sectors. **Loans to SME** (excluding financial business) grew at 2.4% year-on-year, especially in energy, real estate, and export-related industries.

**Consumer loan** (33% of total loans) exhibited higher growth to 5.6% year-on-year, mainly from an increase in housing loan growth to 5.6% in line with real estate market recovery. In addition, auto loan growth accelerated to 7.0% consistent with continued expansion in commercial and passenger car sales, coupled with the low base effect of last year's auto loans. Moreover, personal and credit card loans expanded at 4.5% and 3.1%, respectively.

The overall ratio of **gross non-performing loans** (NPLs) to total loan has stabilised at 2.97%, close to 2.95% last quarter, with gross NPL outstanding at 428 billion baht. However, the quality of SME and housing loans continued to deteriorate. **Special mention loans** (SMs: loans overdue above 1 month but not more than 3 months) to total loan ratio rose to 2.72%. Nevertheless, banks accumulated higher loan loss provision to cushion for loan quality deterioration, resulting in continued increase in the banking system's total provision to 584 billion baht and the ratio of actual to regulatory loan loss provision at 166.2%.

In the third quarter of 2017, the banking system recorded net profit of 46.7 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 1.04% from 1.09% last quarter while the ratio of net interest income to average interest-earning assets (Net Interest Margin: NIM) remained stable at 2.78%.

Capital fund of the banking system remained high, with total of 2,447 billion baht. The rise in capital was from both appropriation of earnings and capital increase. Hence, capital adequacy ratio (BIS ratio) and common equity Tier-1 ratio (CET1 ratio) were high at 18.4% and 15.8%, respectively.

Bank of Thailand  
November 10, 2017

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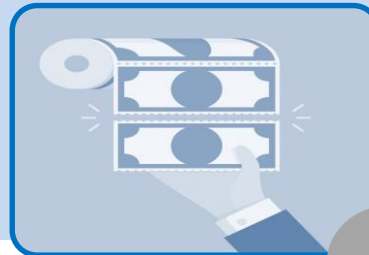
# Performance of the Thai Banking System in the Third Quarter of 2017



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

## Loan growth remained steady.

- ❑ Loan growth was at 3.3%, with concentrations of loans to large corporate and SME in certain industries together with loan repayments of large corporates.
- ❑ Consumer loans expanded in all loan types.



## The overall NPL ratio has stabilised.

- ❑ The overall NPL ratio has stabilised at 2.97%, close to 2.95% last quarter.
- ❑ The quality of SME and housing loans continued to deteriorate as a result of past economic slowdown.



## Banks' net profit declined.

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



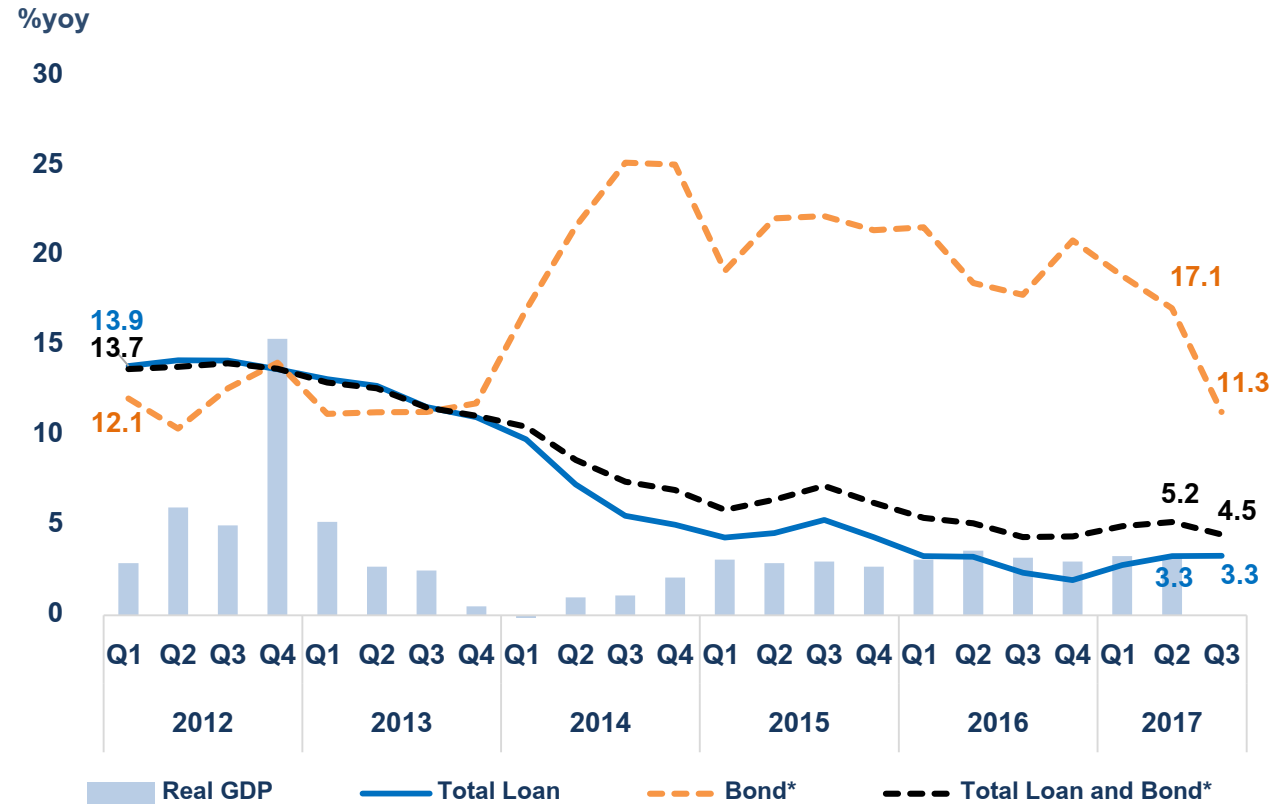
## Loan loss provision and capital fund remained high.

- ❑ Ratio of actual to regulatory loan loss provision was at 166.2%.
- ❑ BIS ratio and Common Equity Tier 1 ratio were at 18.4% and 15.8% respectively.



# Banks' loan growth remained steady, while financing through debt securities decelerated.

GDP and Loan Growth



\*Debt securities issued by private sector (excluding financial business).

Source: Bank of Thailand and ThaiBMA

# Bank loans remained steady as a result of loan repayments of large corporates, while consumer loans expanded.

**Bank loans expanded mainly from consumer loans.**



**Loans to large corporate decelerated** due to loan repayments. Meanwhile, loans expanded in some industries such as energy and transportation businesses.

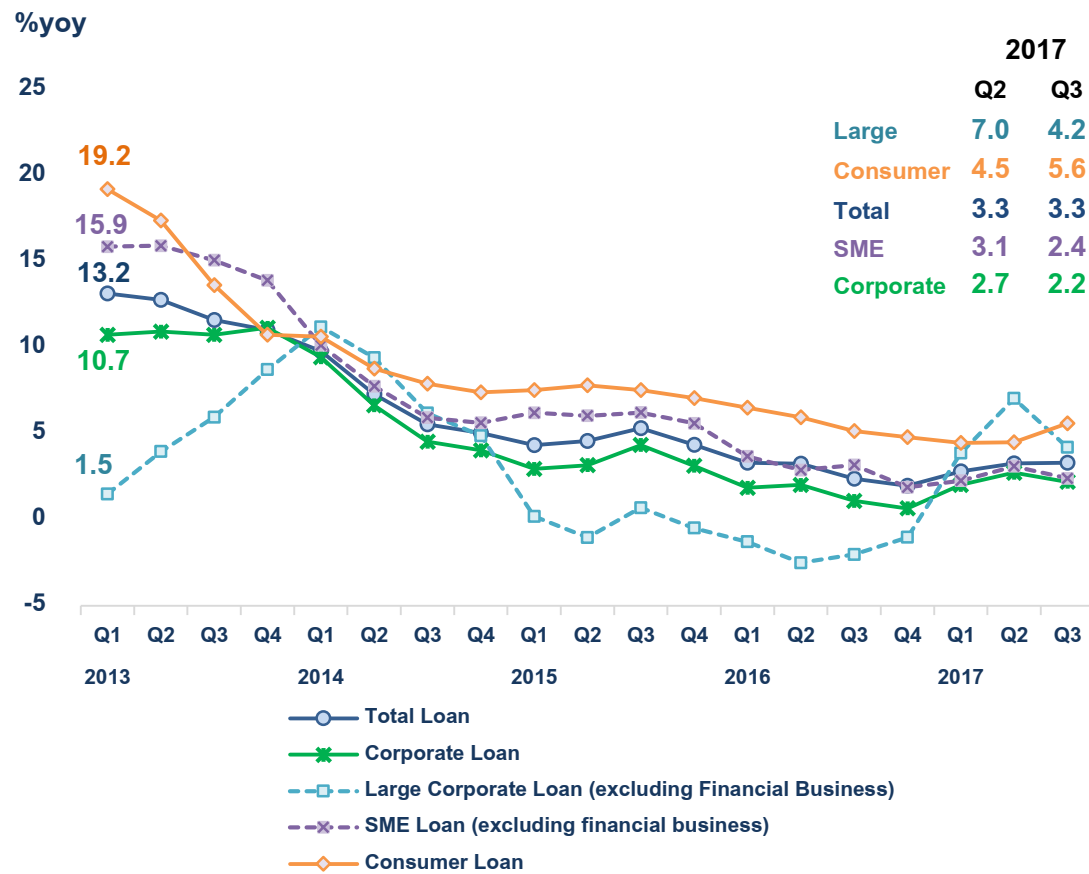


**Overall Loans to SME exhibited lower growth**, but still expanded in several businesses such as energy and export-oriented industries.



**Consumer loans expanded** in all loan types.

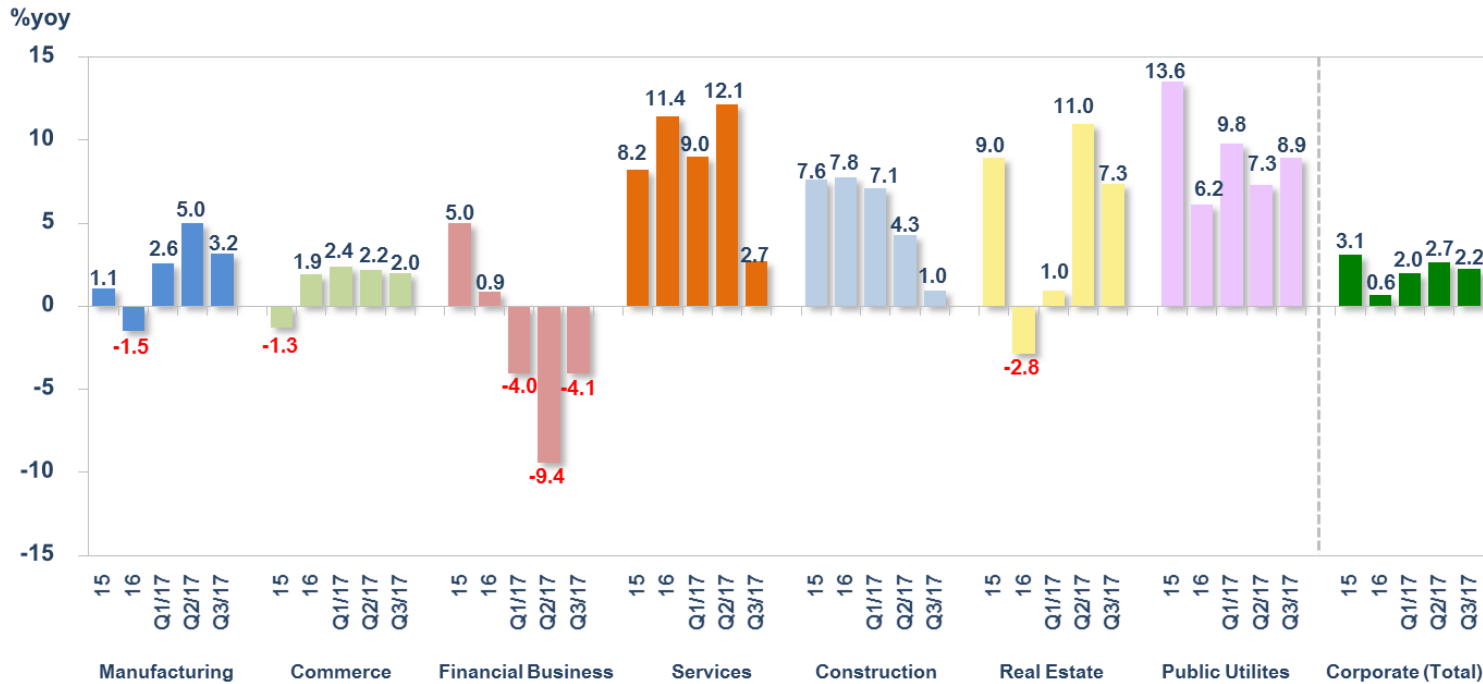
**Commercial Bank Loan Growth**



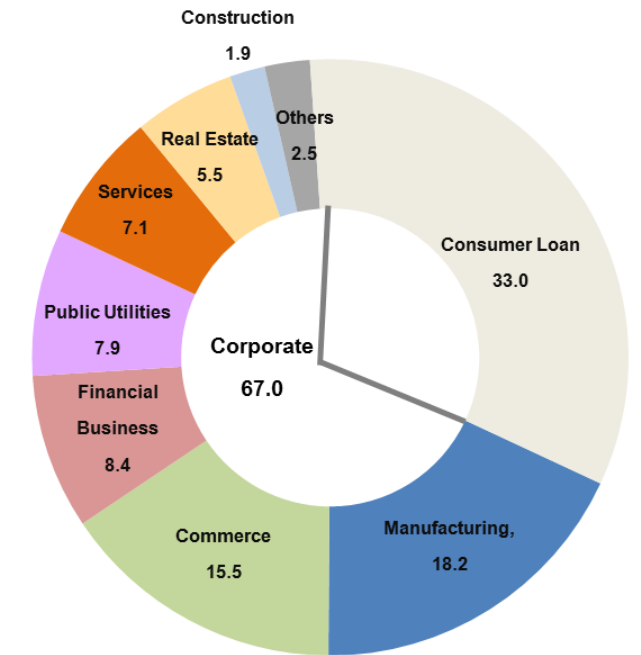
% Total Loan : Large corporate loan (excluding financial business) 25.3% SME loan (excluding financial business) 33.3% Consumer Loan 33.0%

# Corporate loan exhibited lower growth in almost all sectors, except public utilities.

Corporate Loan Growth

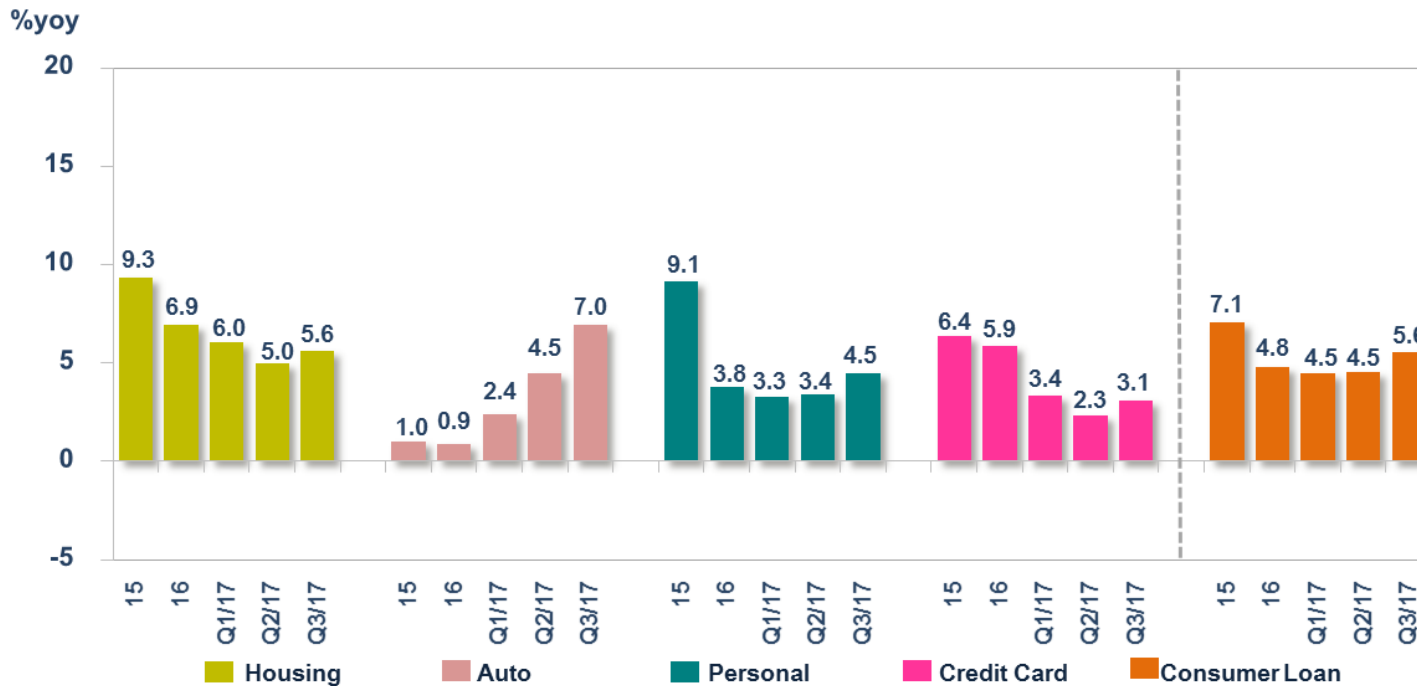


Structure of Corporate Loans as of September 2017 (% to total loans)

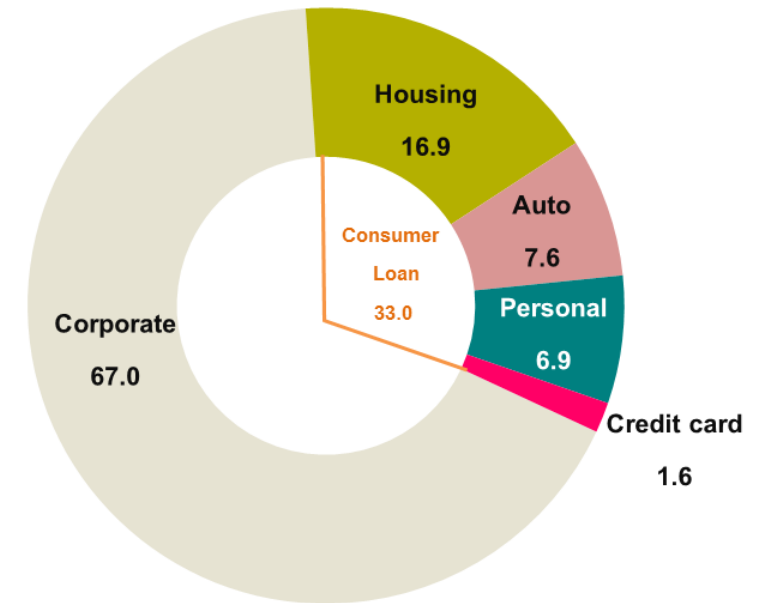


# Consumer loan revealed higher growth in all loan types.

Consumer Loan Growth



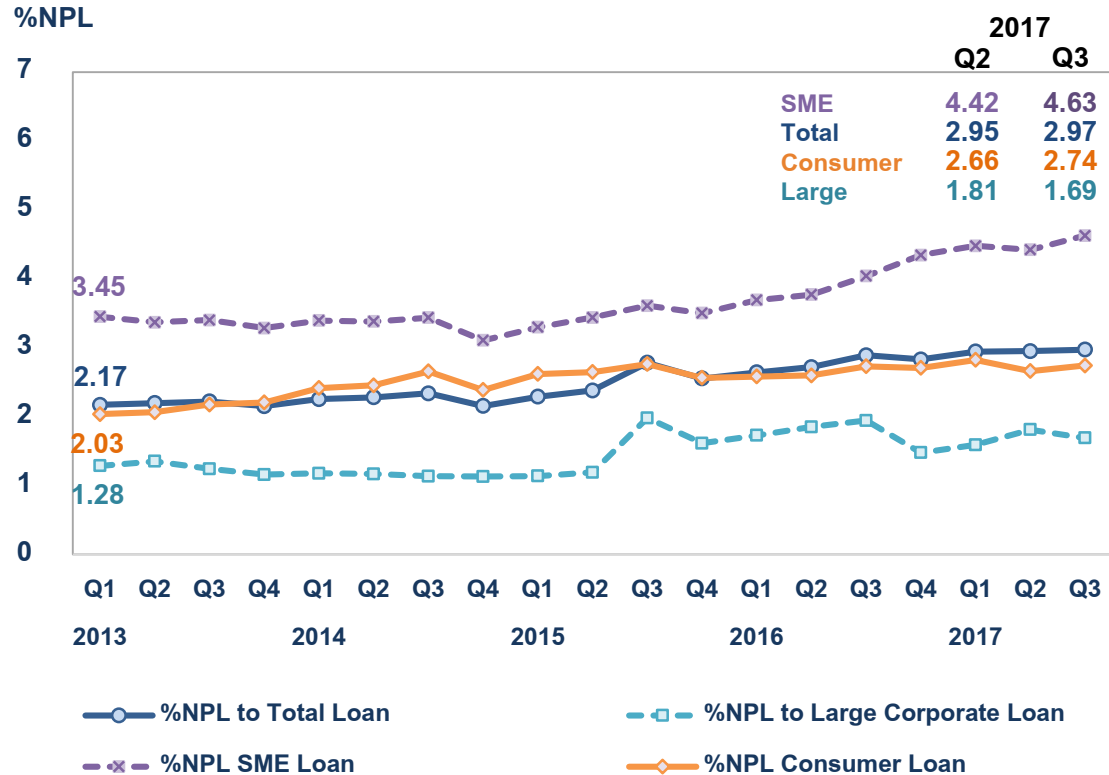
Structure of Consumer Loans as of September 2017 (% to total loans)



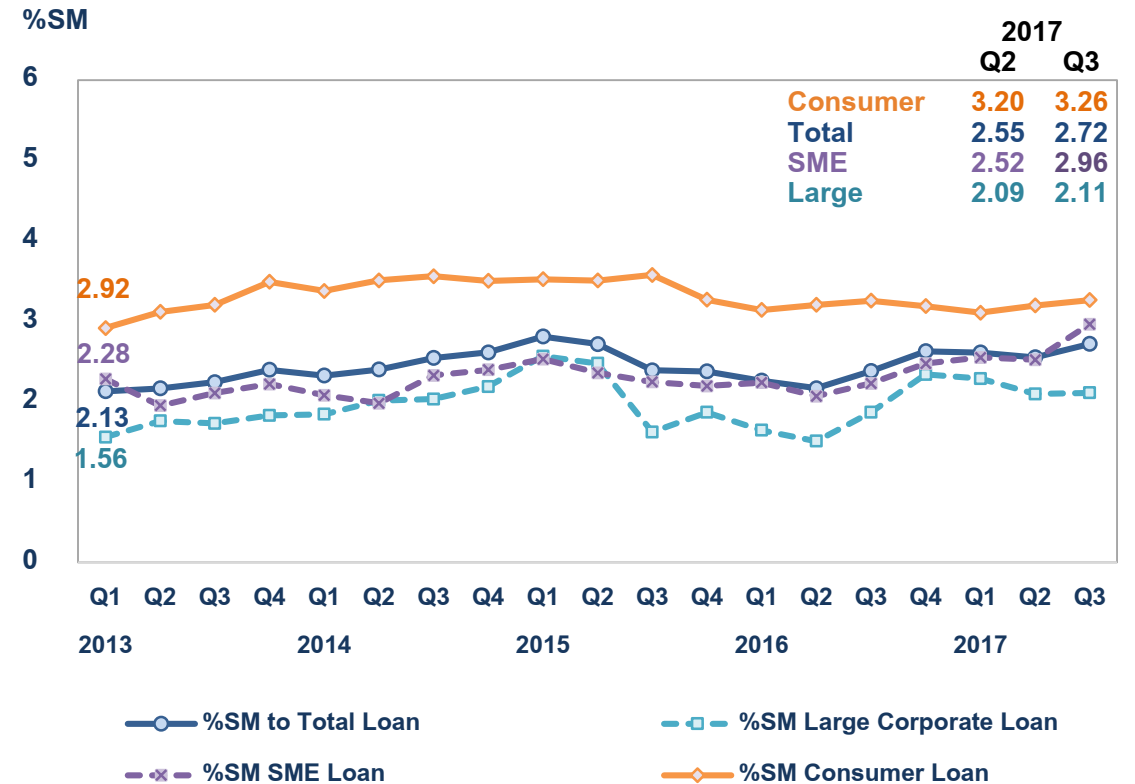


# Loan quality : Overall NPL has stabilised, while the quality of SME and housing loans continued to deteriorate.

## Non-Performing Loans (NPLs)

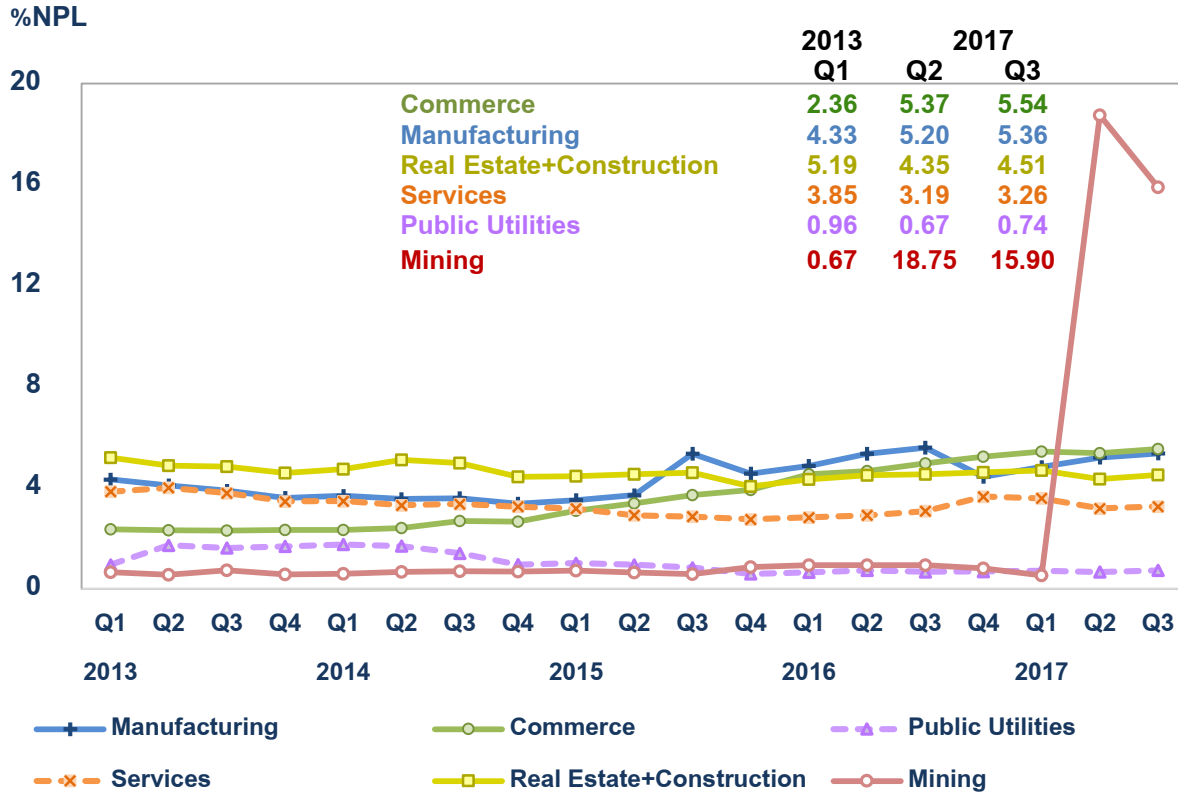


## Special Mention (SM)

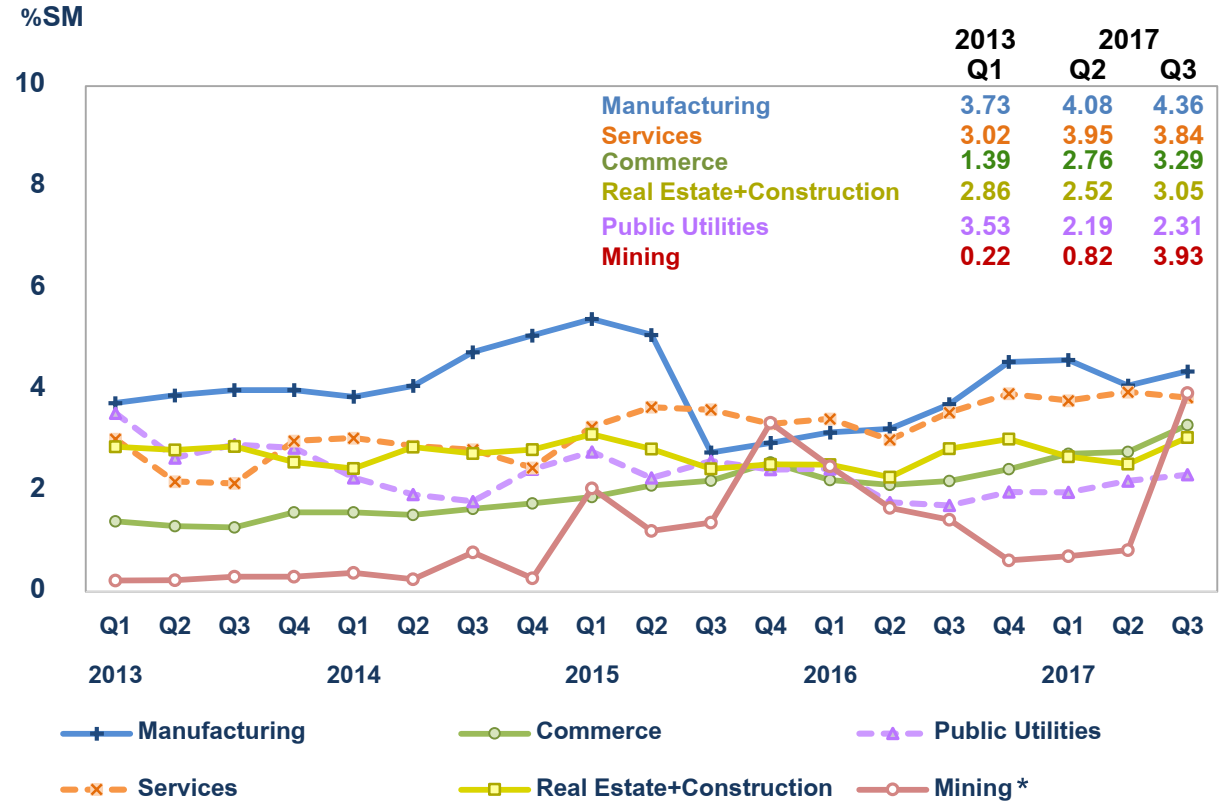


# Corporate loan quality deteriorated, particularly in commerce, manufacturing and construction sectors.

## Non-Performing Loans (NPLs)



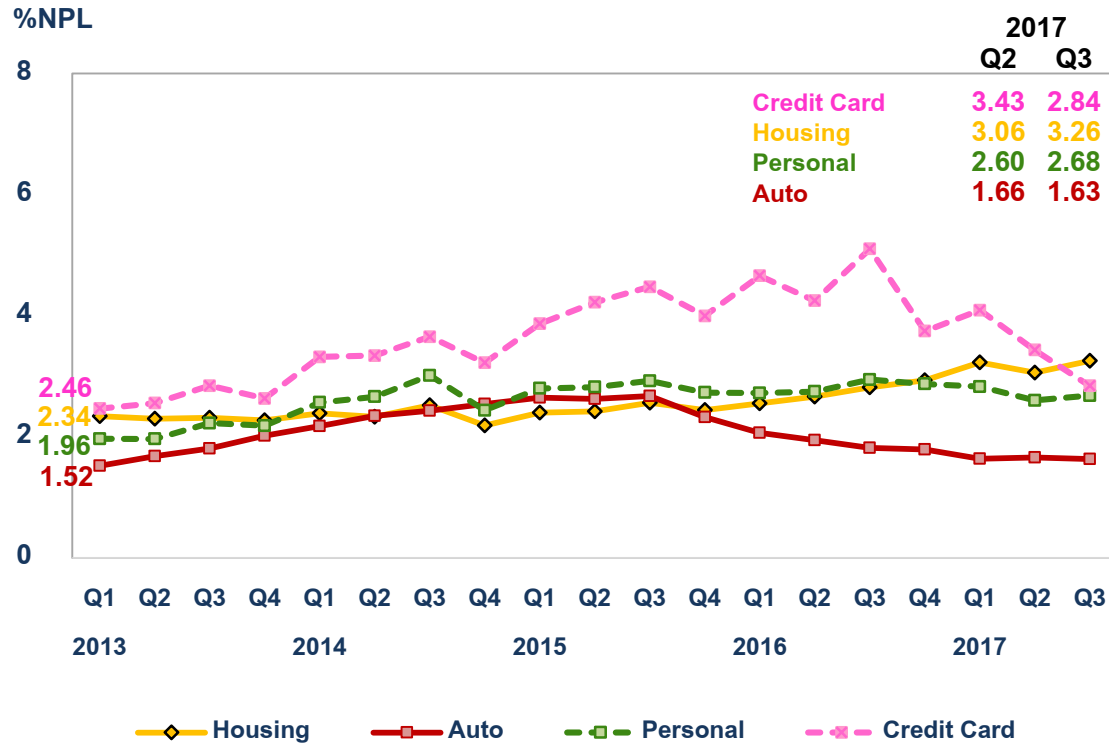
## Special Mention (SM)



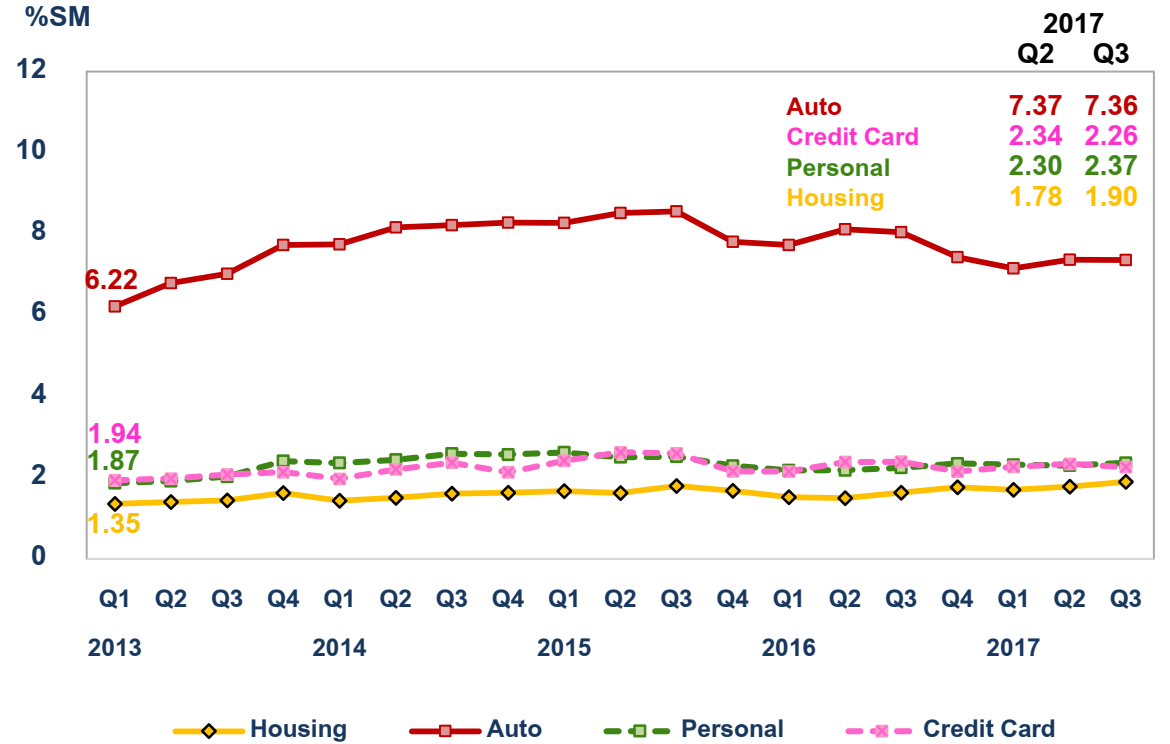
\* SM in the mining sector increased as a result of loan classification based on quality consideration of one certain firm which was not overdue.

# Consumer loan quality deteriorated mainly from housing loans.

## Non-Performing Loans (NPLs)



## Special Mention (SM)

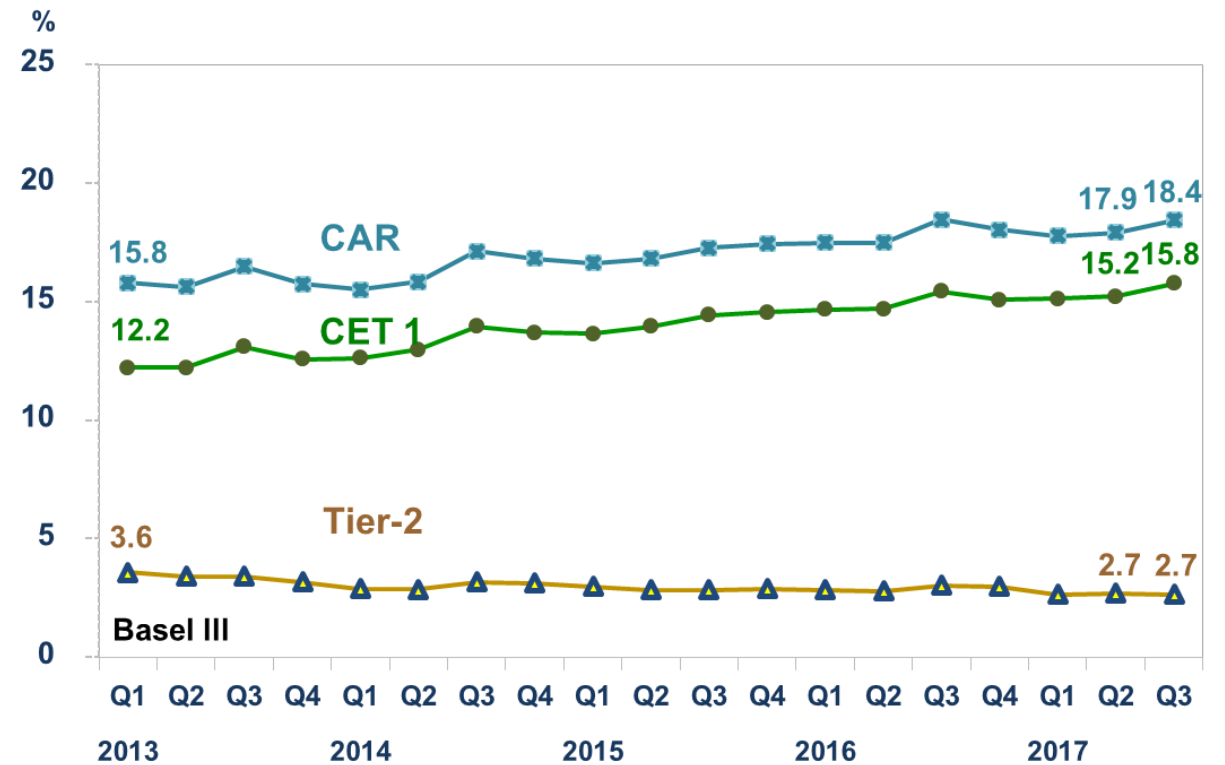


## Loan loss provision and capital fund remained high.

### Loan loss provision

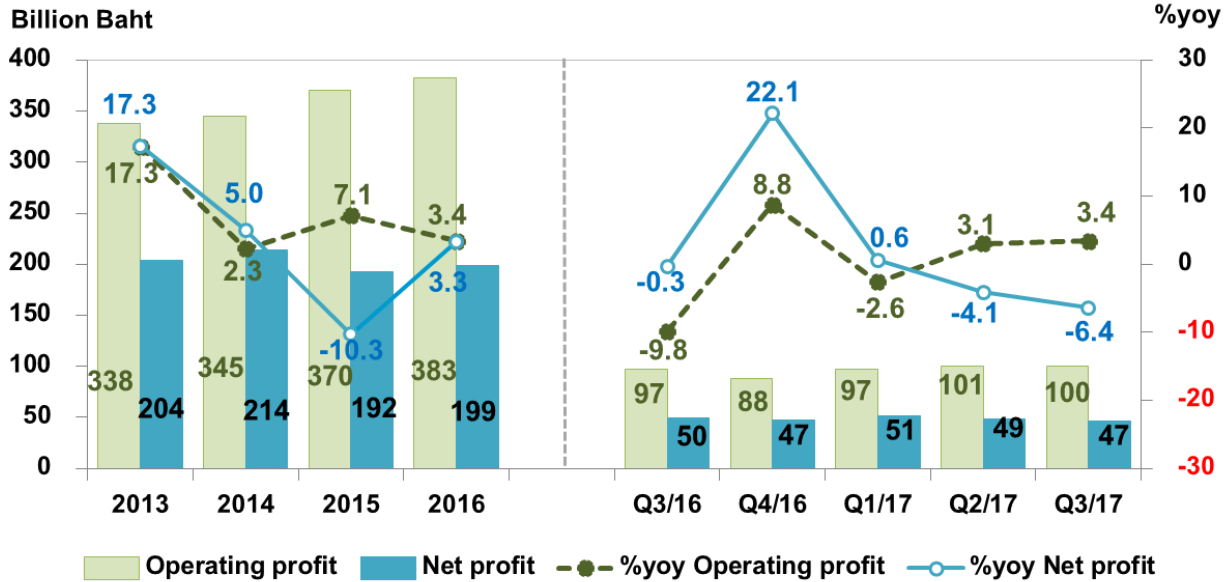


### Capital fund

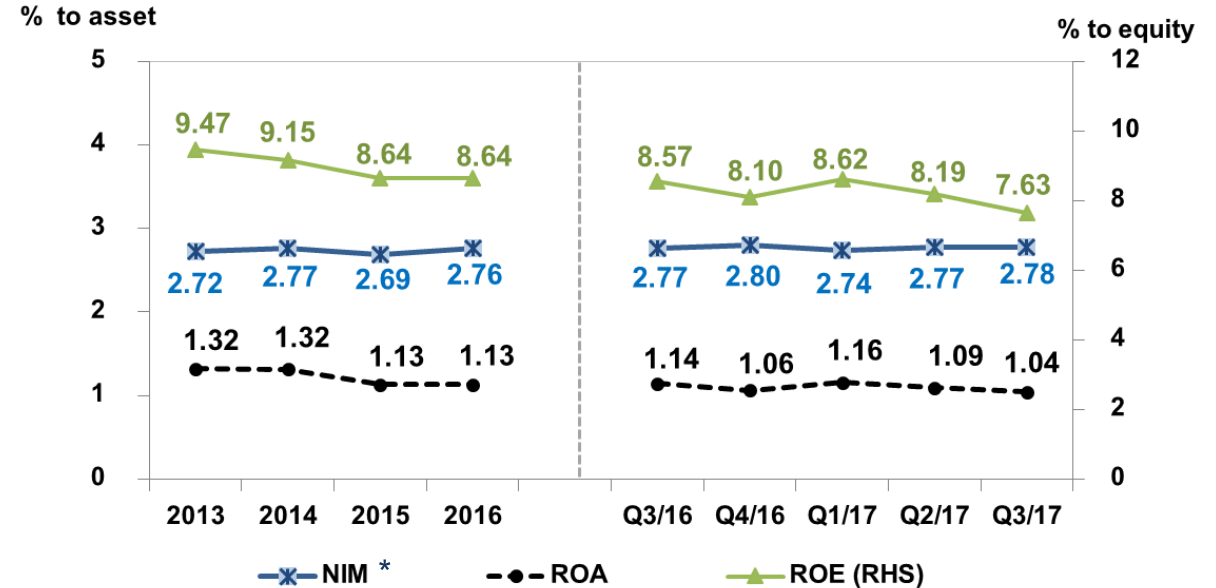


# Net profit declined due to increased provisioning expense.

## Profitability



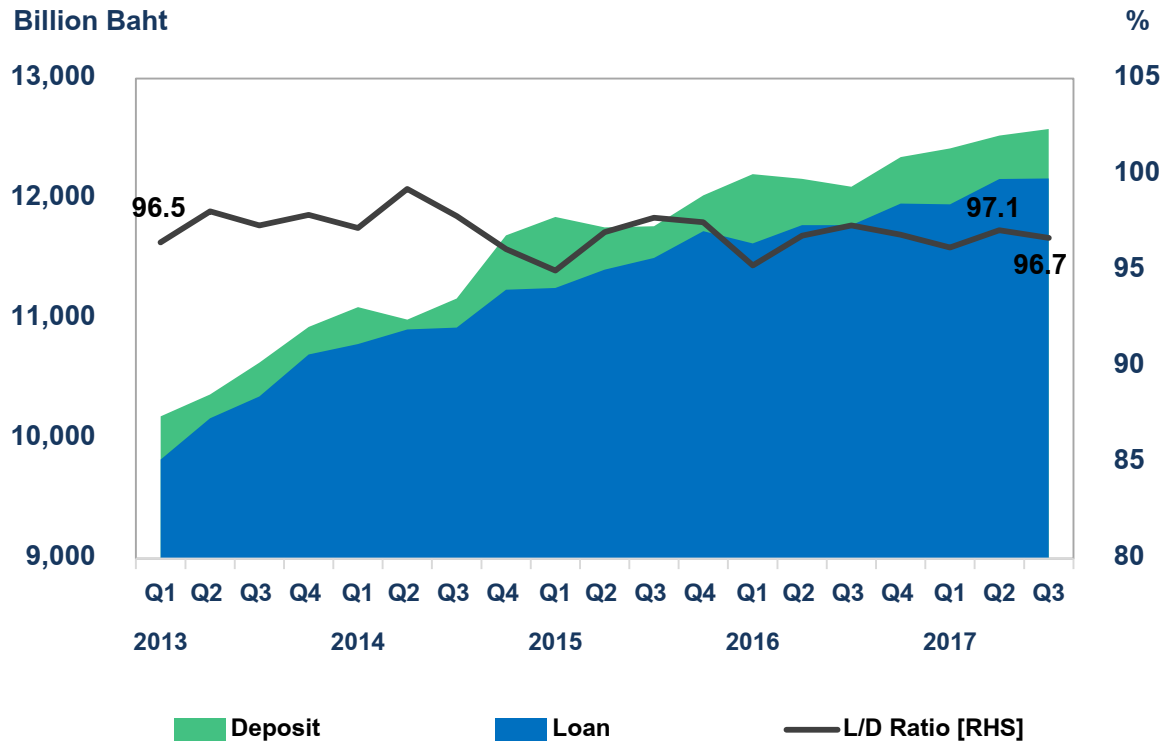
## Return on Asset, Return on Equity and Net Interest Margin



\* Redefined Net Interest Margin (NIM) to the ratio of net interest income to average interest-earning assets from the ratio of net interest income to average net assets.

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

## Loan to Deposit Ratio



## Liquidity Coverage Ratio (LCR)

