



BANK OF THAILAND

BOT Press Release

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Performance of the Thai Banking System in the first Quarter of 2018

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 2018 that bank loans continued to grow and asset quality also stabilized from the end of last year in line with economic growth. Operating profit increased, while net profit declined from operating and provisioning expenses. However, the Thai banking system remained resilient with high level of loan loss provision, capital fund, and liquidity to facilitate further credit expansion. Details are as follows.

**Bank loan** expanded from 4.4% at the end of last year to 4.7% year-on-year, with the expansion of corporate loan driven by more broad-based SME loan growth in several business sectors, while there were some loan repayments from large corporates. Consumer loan expanded across all portfolios, particularly in auto loan which growth has accelerated. The overall financing through bank loans and debt securities combined, increased from 4.7% to 5.1%.

**Corporate loan** (66.7% of total loans) grew at 3.6% year-on-year, driven by SME loan. **SME loan** growth (excluding financial business) expanded at 7.4%, with more broad-based in several sectors, for example energy and food industries. **Large corporate** loan (excluding financial business) contracted by 2.6% due to some loan repayments, along with the increasing reliance on debt securities and equity as alternative financing sources of large corporate. Nevertheless, some large corporates, such as food-related businesses, continued to utilise more loans. For real estate sector, loans expanded from both large corporate and SME, in line with financing through debt securities and equity.

**Consumer loan** (33.3% of total loans) expanded at 7.1% across all portfolios, driven by an acceleration of auto loan growth at 10.6%. This was consistent with improved car sales after the five-year lock-in period of the first-car buyer scheme ended, coupled with a large number of new car launches. Housing loan, credit card, and personal loans also expanded at 5.8%, 5.3%, and 6.9%, respectively.

On the loan quality front, the ratio of **gross non-performing loans** (NPLs) to total loan was at 2.92%, close to 2.91% last quarter. Gross NPLs outstanding stood at 443 billion baht, increased by 14.5 billion baht. Overall NPL growth rate continued to slow down from the end of last year, despite some pockets of asset deterioration in SME and housing loans. **Special mention loans** (SMs: loans overdue above 1 month but not more than 3 months) to total loan ratio dropped from 2.55% at the end of last year to 2.32%, with SM outstanding of 353 billion baht. To enhance the system reliance, loan loss provision has been further accumulated. The banking system's total provision increased 20.8 billion baht from the end of last year to 622 billion baht, resulting in the higher ratio of actual to regulatory loan loss provision at 176%.

In the first quarter of 2018, the banking system recorded increased operating profit, compared to the same period last year, which was mainly attributed to gain on sale of investments and commission income from sale of securities. Nonetheless, net profit decreased from IT, marketing, and provisioning expenses. Return on asset (ROA) increased to 1.07% from 0.9% last quarter, whereas the ratio of net interest income to average interest-earning assets (Net Interest Margin: NIM) dropped from 2.75% to 2.66% due to the decline in interest incomes from loans.

Capital fund of the banking system was at 2,434 billion baht, declined by 17.9 billion baht from last quarter. This resulted in a slight decline in capital adequacy ratio (BIS ratio) and common equity Tier-1 ratio (CET1 ratio) to 18.0% and 15.4%, respectively.

Bank of Thailand  
May 14, 2018

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# Performance of the Thai Banking System in the First Quarter of 2018

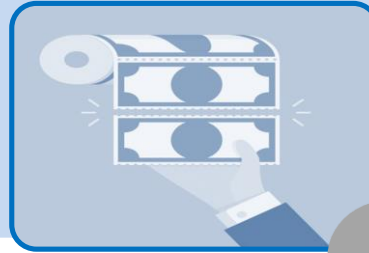


# Overall Performance of the Thai Banking System

## in the First Quarter of 2018

### Bank loan growth increased.

- ❑ Loan expanded at 4.7%yoy. Corporate loan grew from SME loan portfolio, while there are loan repayments of large corporates.
- ❑ Consumer loans expanded in all portfolios, particularly from auto loan.



### The overall NPL ratio has stabilized.

- ❑ The overall NPL ratio was at 2.92%, close to 2.91% last quarter.
- ❑ NPL of SME and housing loan portfolios continued to increase.



### Banks' operating profit increased, while net profit declined.

- ❑ Operating profit increased, mainly from gain on sale of investments and commission income from sale of securities.
- ❑ Net profit declined from increased operating and provisioning expenses.



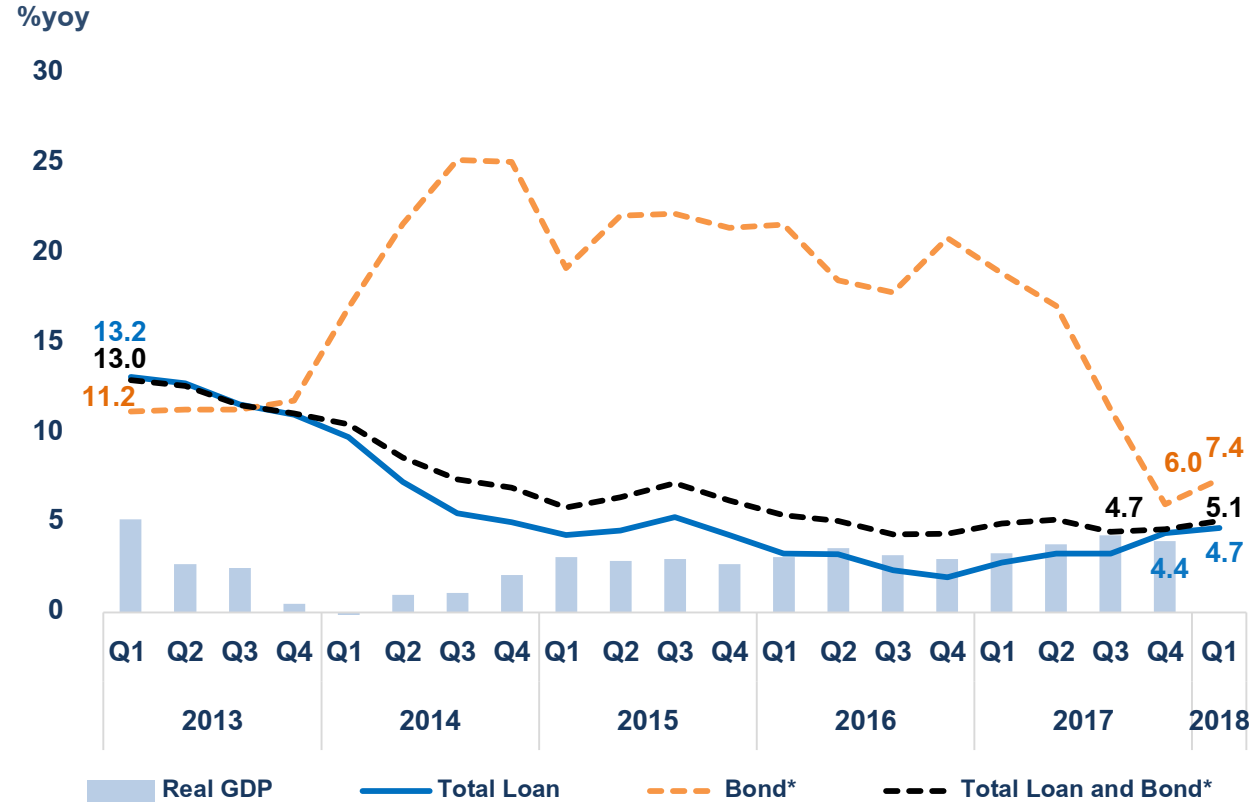
### Loan loss provision and capital fund remained high.

- ❑ Ratio of actual to regulatory loan loss provision stood high at 176%.
- ❑ BIS ratio and Common Equity Tier 1 ratio were at 18.0% and 15.4%, respectively.



# Banks' loan growth and financing through debt securities have improved in line with economic recovery.

GDP and Loan Growth



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

Source: Bank of Thailand and ThaiBMA

# Bank loan expanded from both SME and consumer loans, while large corporates made more loan repayments.

Bank loans continued to expand.



**Loans to large corporate contracted by 2.6%** due to loan repayments, together with more reliance on financing through debt securities and equity.

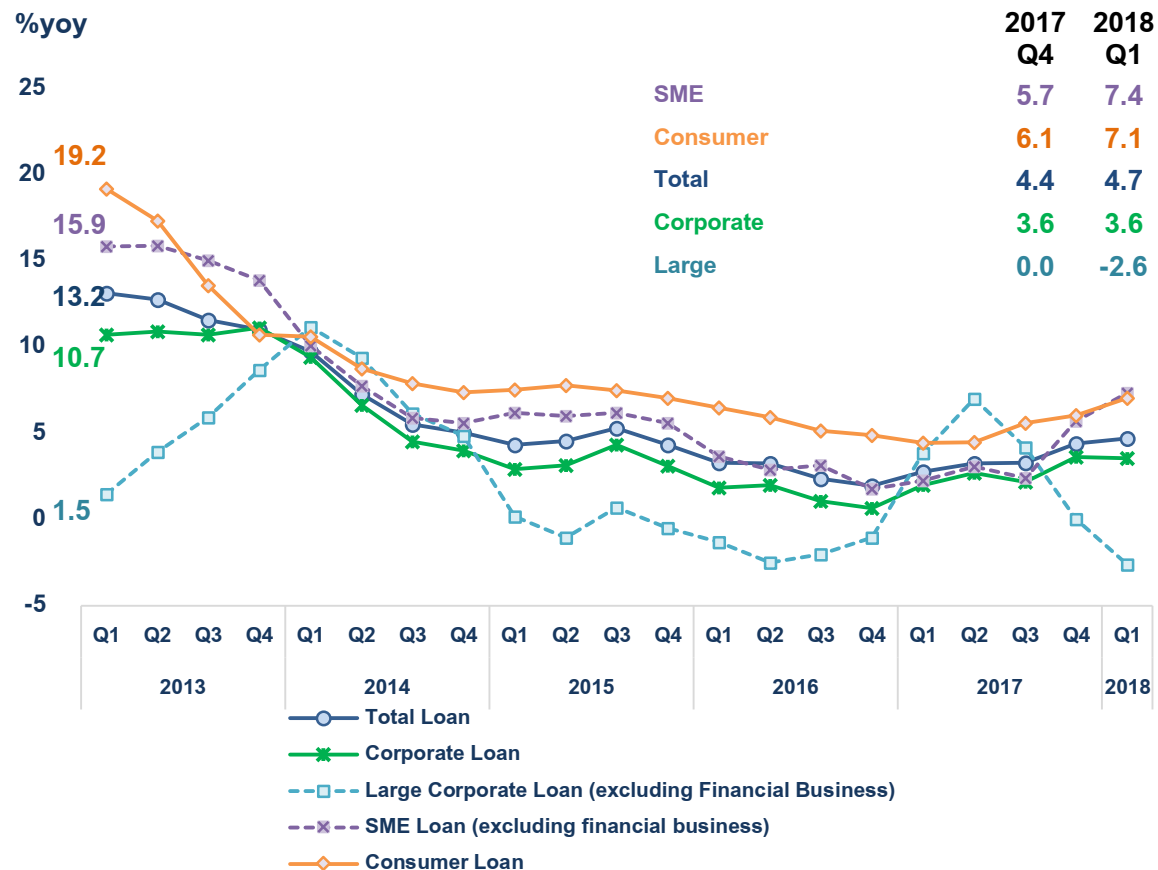


**Loans to SME continued to expand** at a more broad-based level in several business sectors.



**Consumer loans grew** across all portfolios, particularly in auto loan.

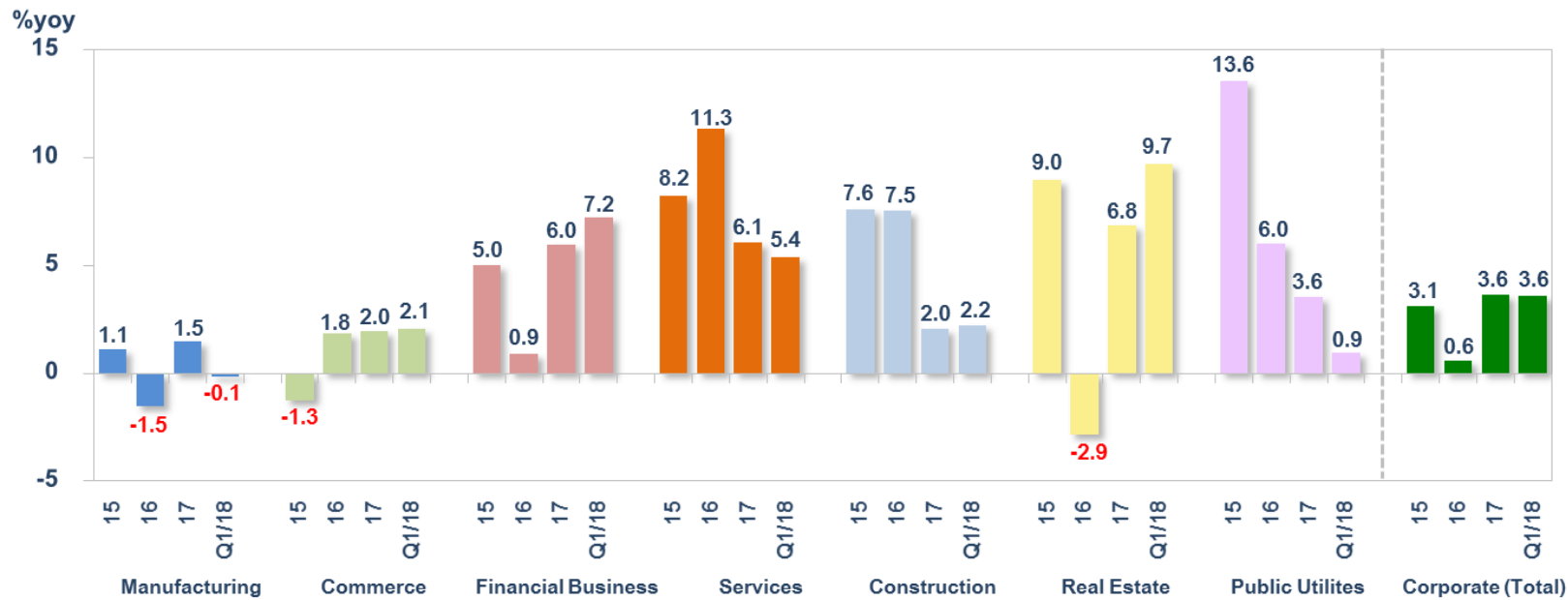
## Commercial Bank Loan Growth



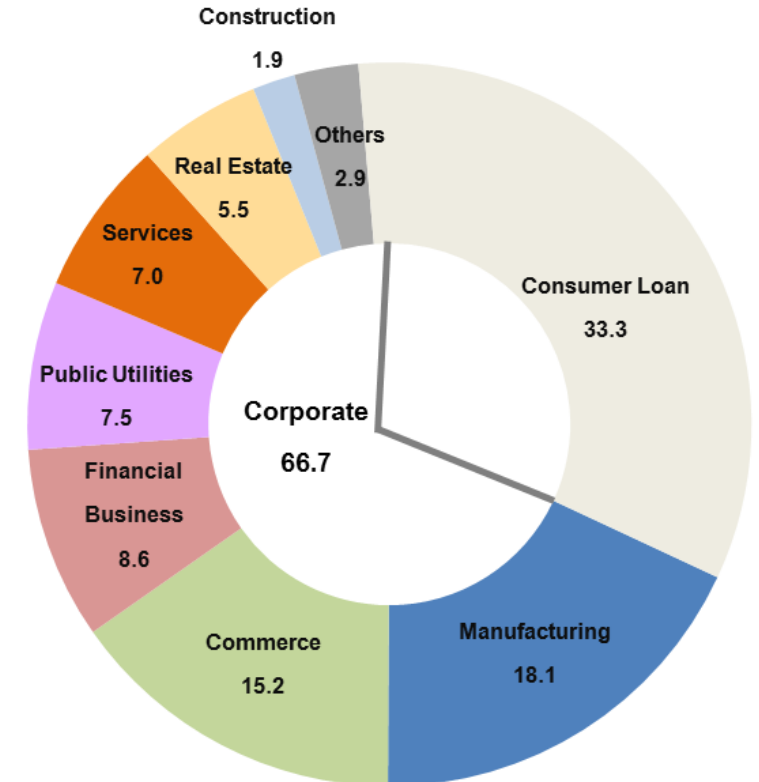
% Total Loan : Large corporate loan (excluding financial business) 23.7% SME loan (excluding financial business) 34.4%  
Consumer Loan 33.3%

# Corporate loan growth : increased from real estate, construction, financial business, and commerce sectors.

Corporate Loan Growth

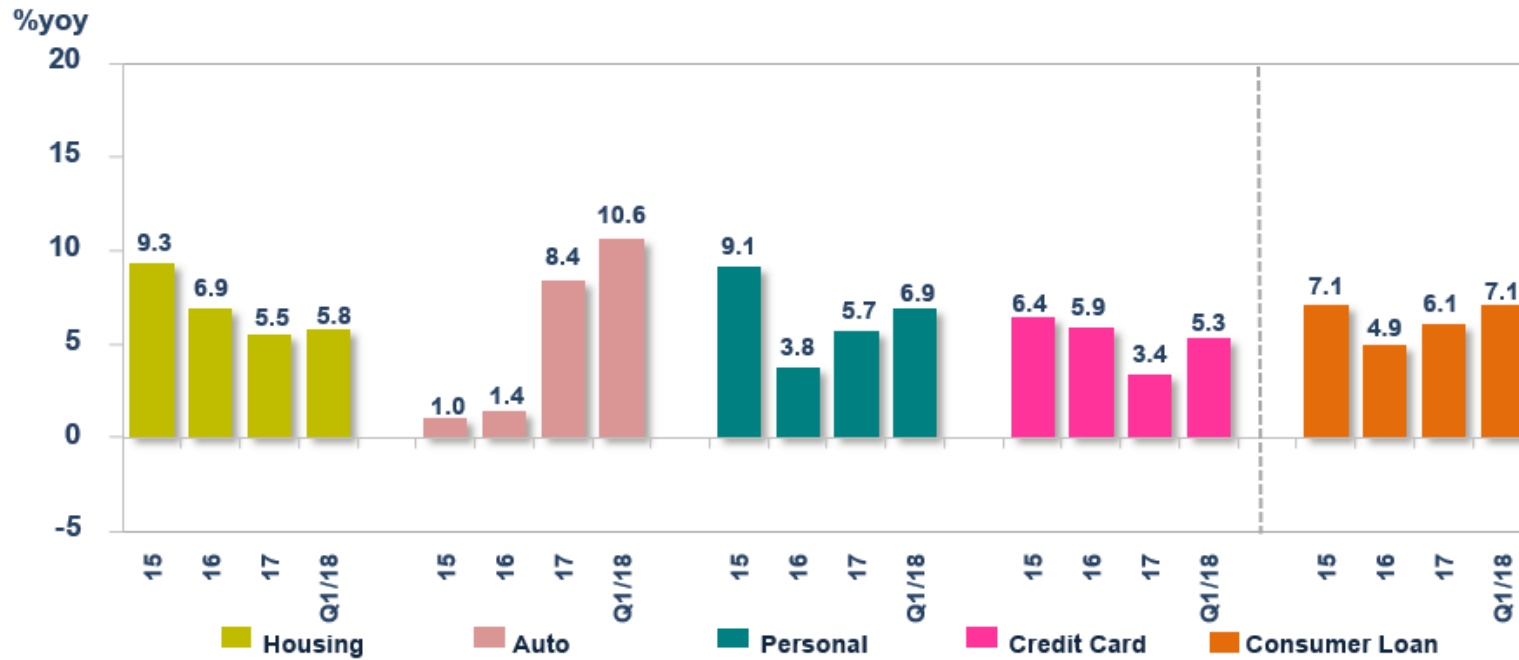


Structure of Corporate Loans as of March 2018 (% to total loans)

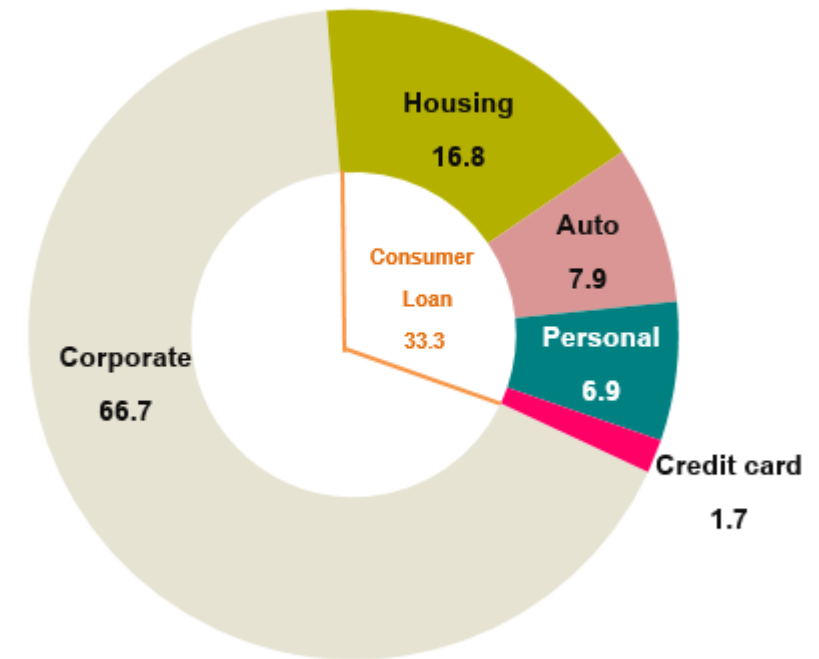


## Consumer loan : grew across all portfolios, particularly in auto loan.

Consumer Loan Growth



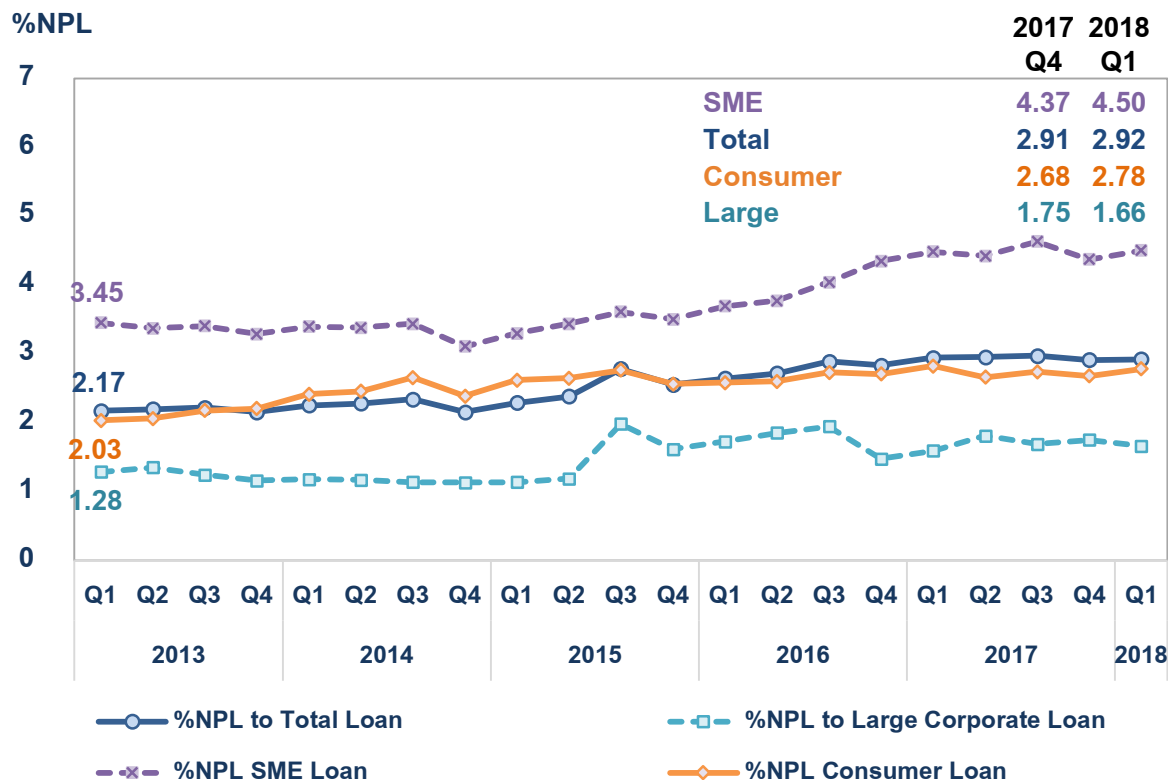
Structure of Consumer Loans as of March 2018 (% to total loans)



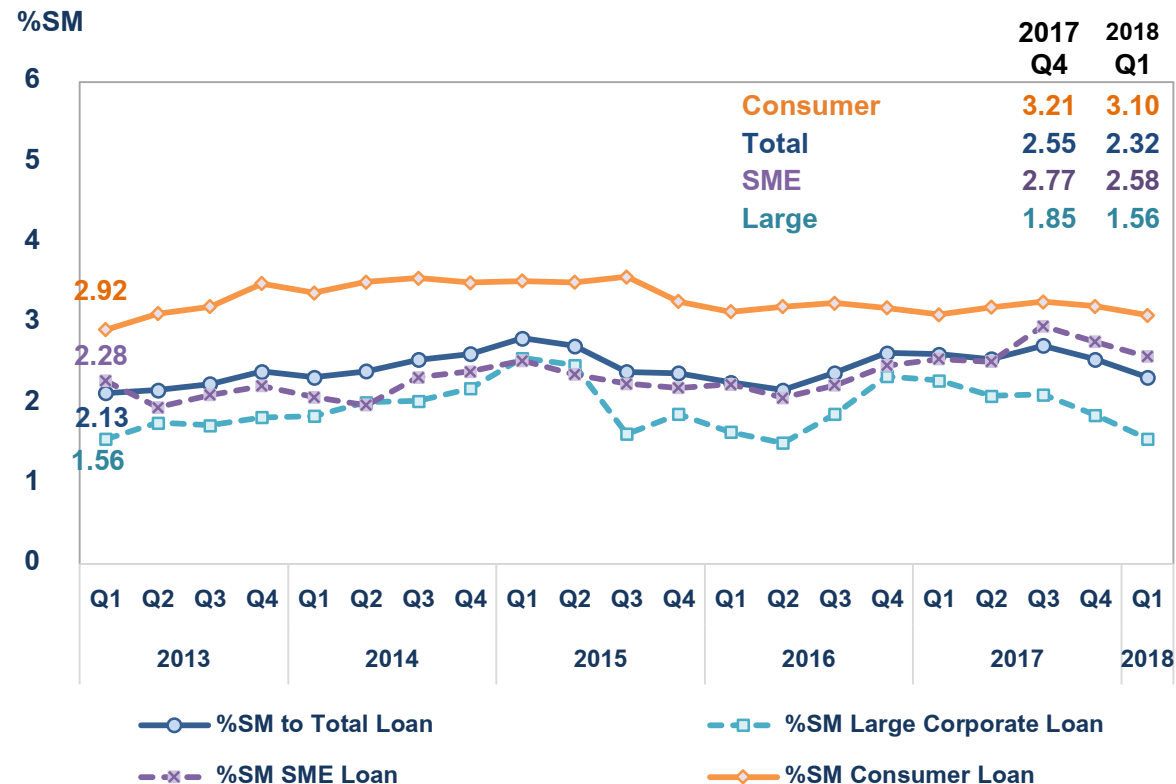


# Loan quality : Overall NPL has stabilized, while the NPL of SME and consumer loans still increased.

## Non-Performing Loans (NPLs)

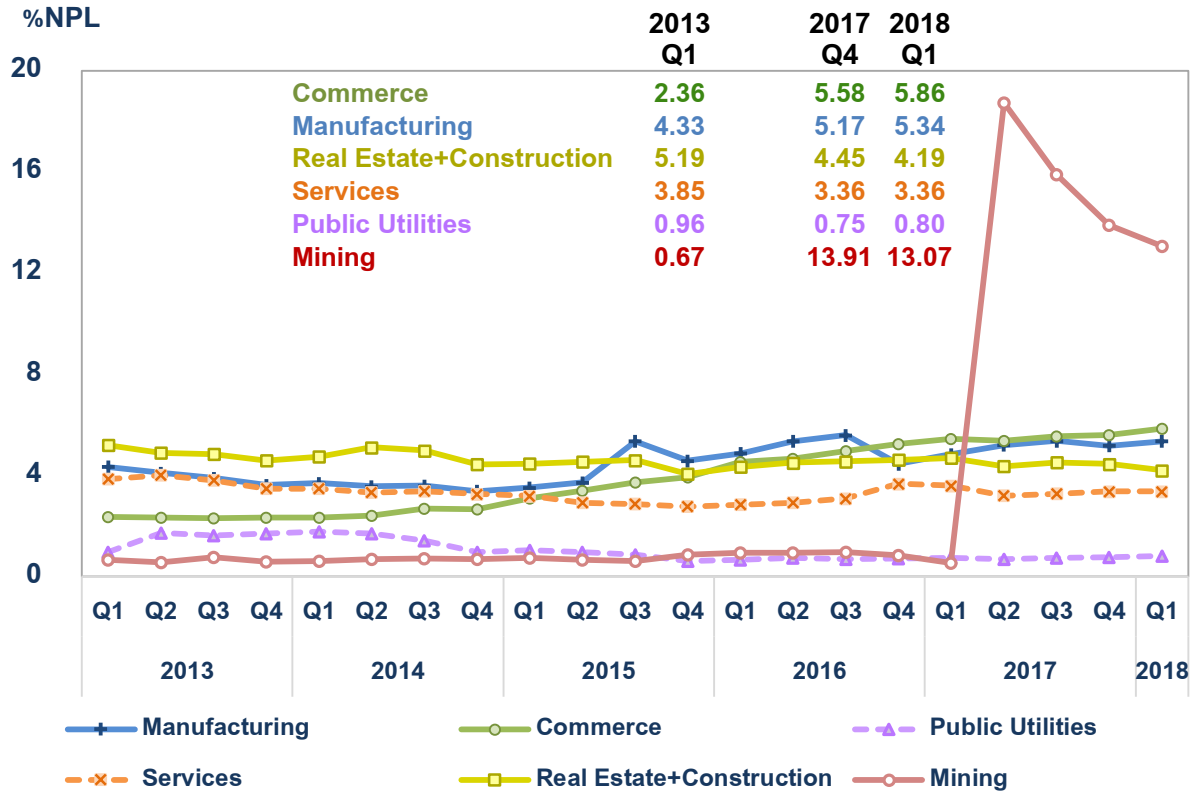


## Special Mention (SM)

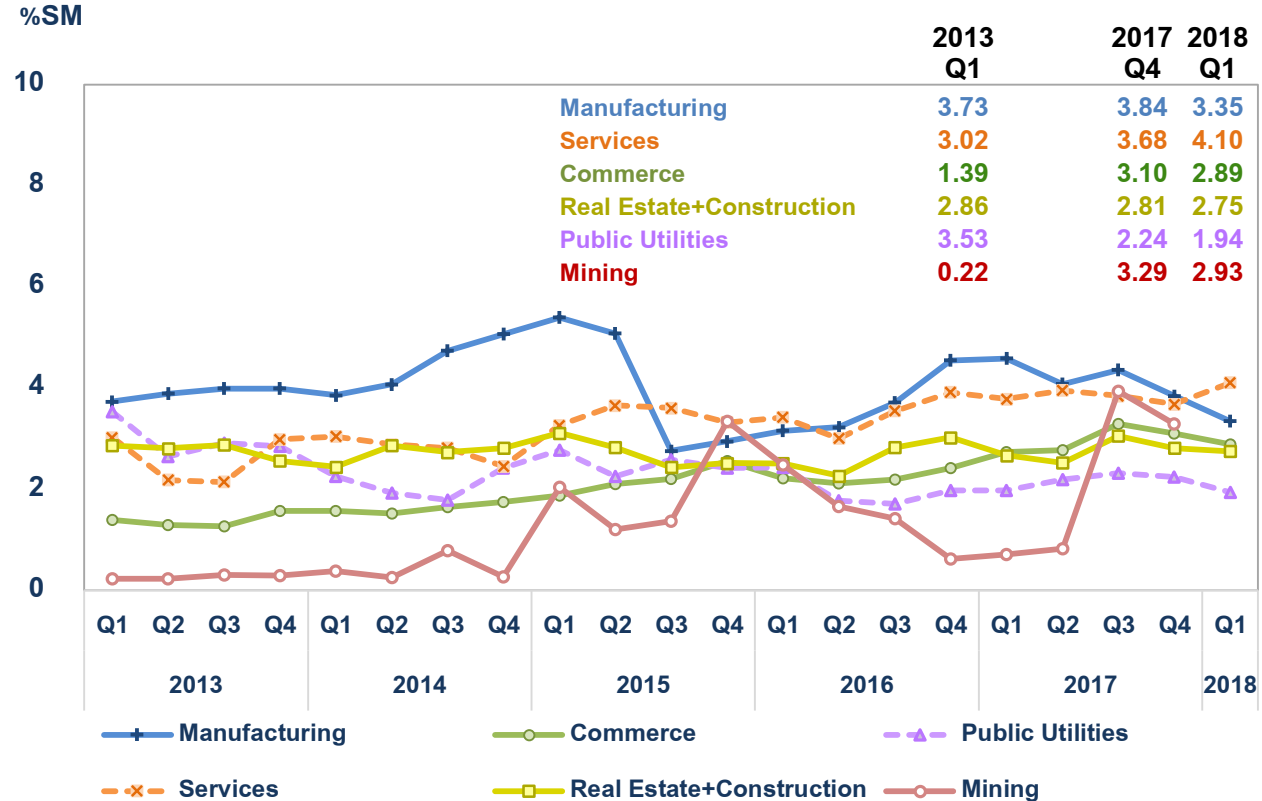


# Corporate loan quality : NPL increased in manufacturing and commerce sectors.

## Non-Performing Loans (NPLs)

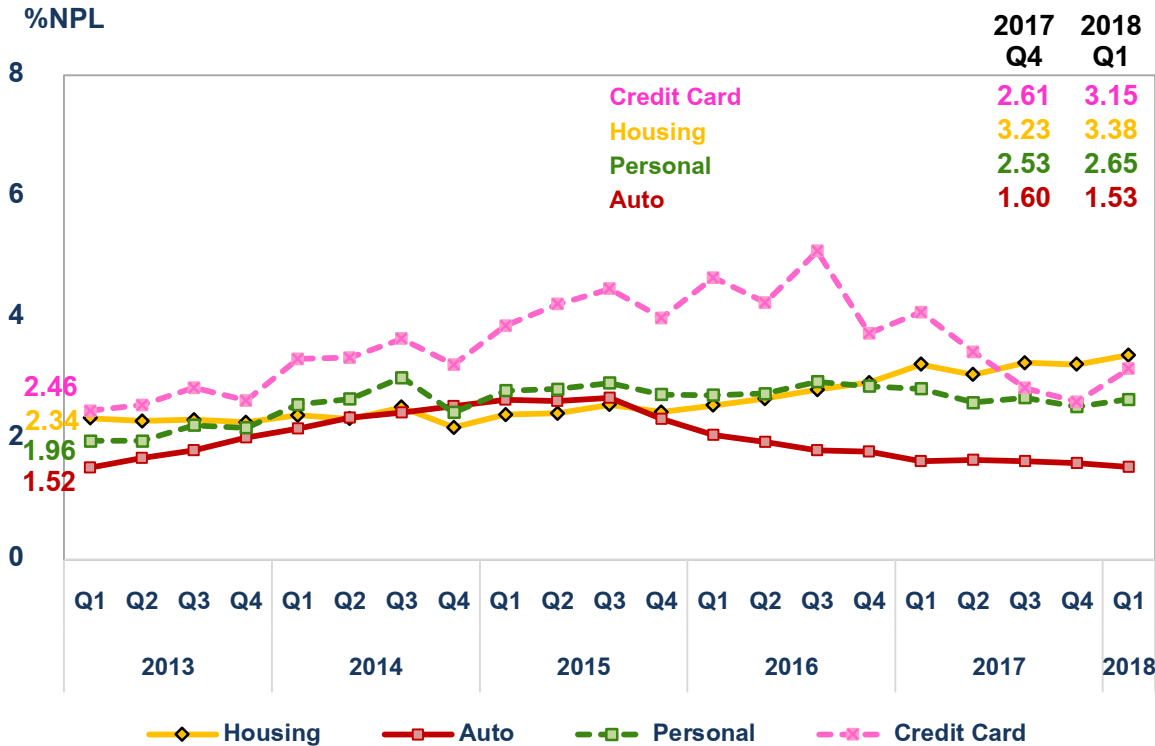


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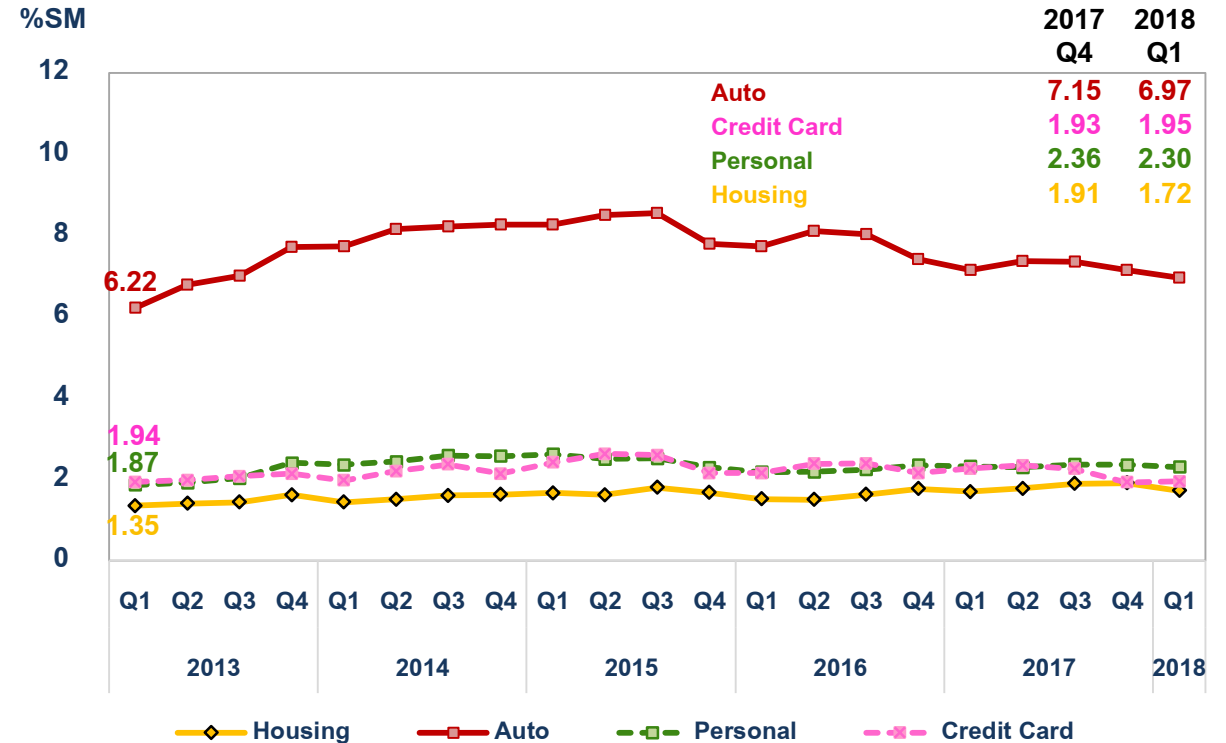


# Consumer loan quality : NPL increased in almost all portfolios, except auto loan.

## Non-Performing Loans (NPLs)

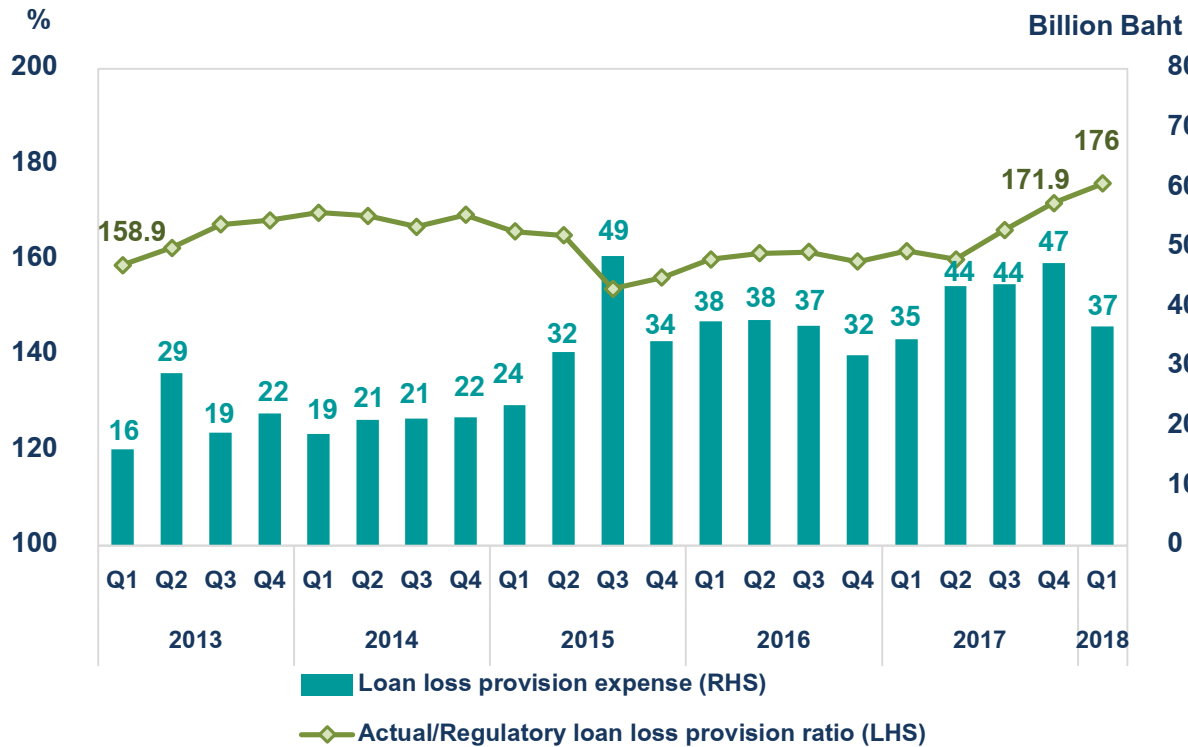


## Special Mention (SM)

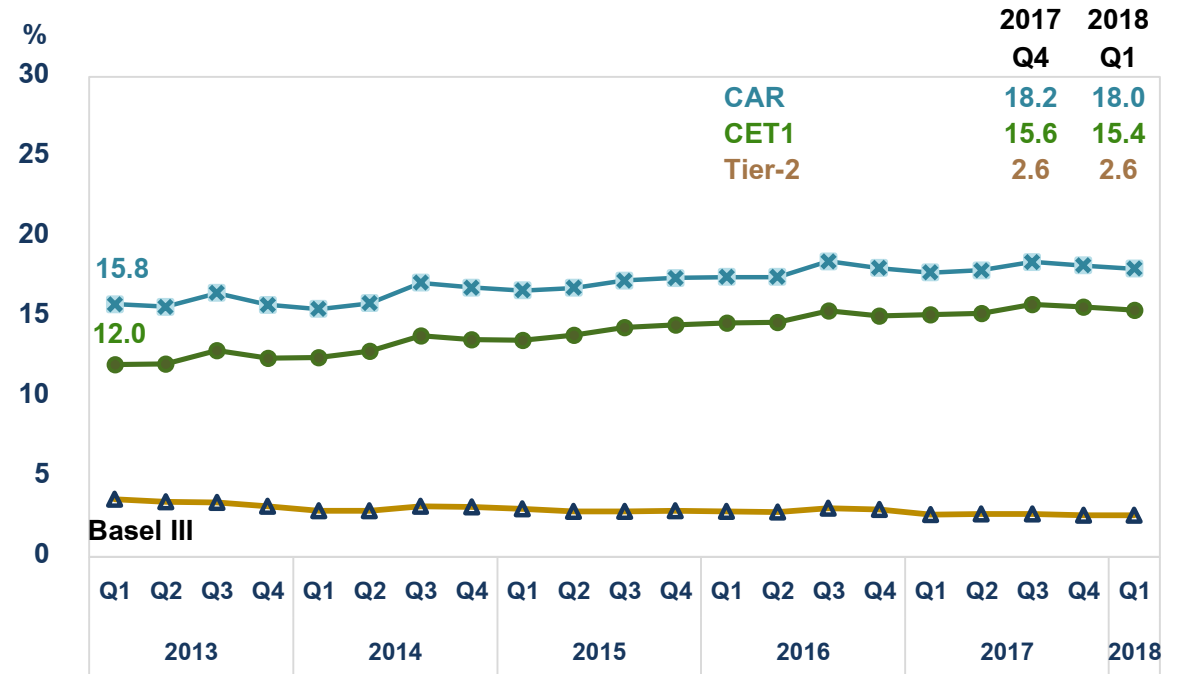


# Loan loss provision and capital fund remained high.

## Loan loss provision

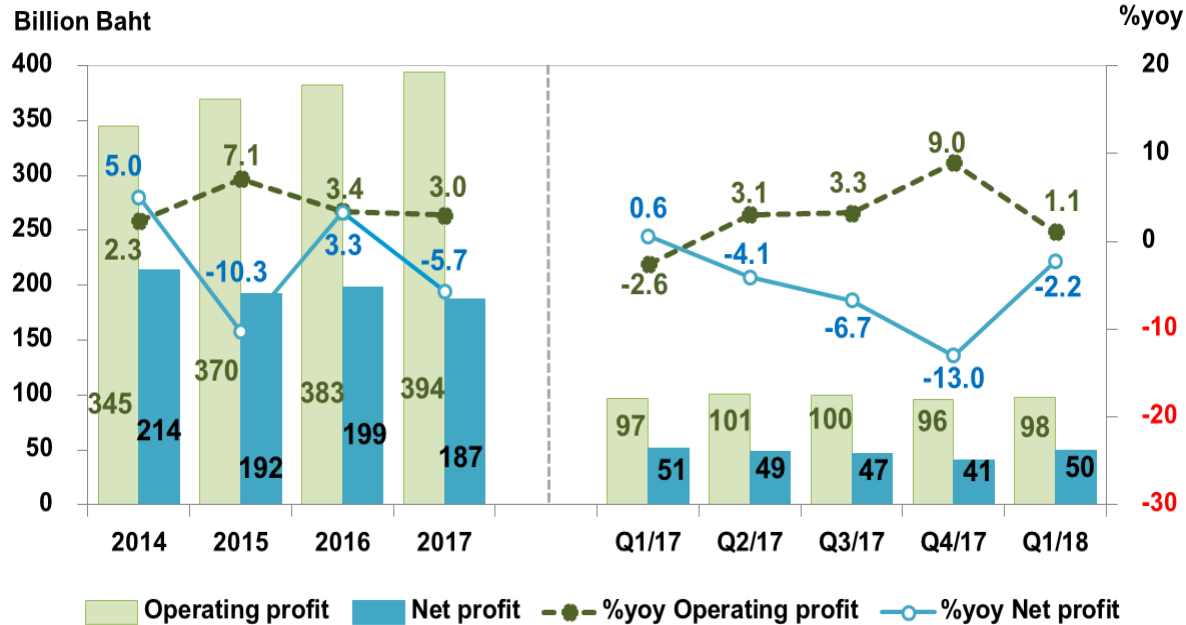


## Capital fund

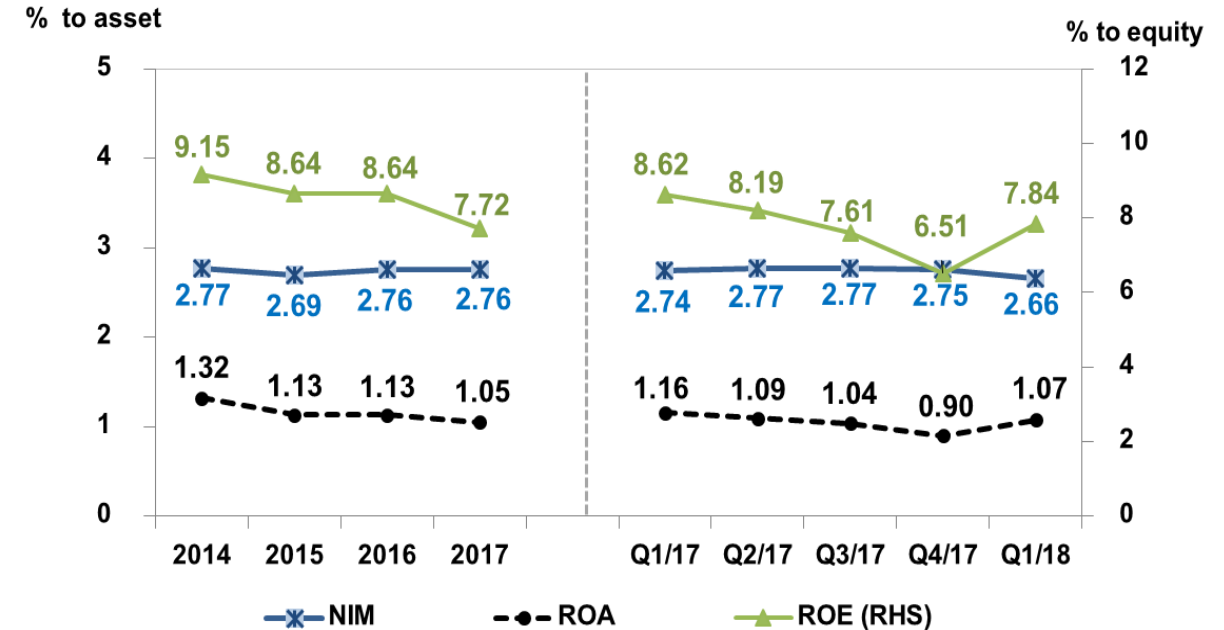


# Banks' operating profit increased due to gain on sale of investments and commission income from sale of securities, while net profit declined from operating and provisioning expenses.

## Profitability

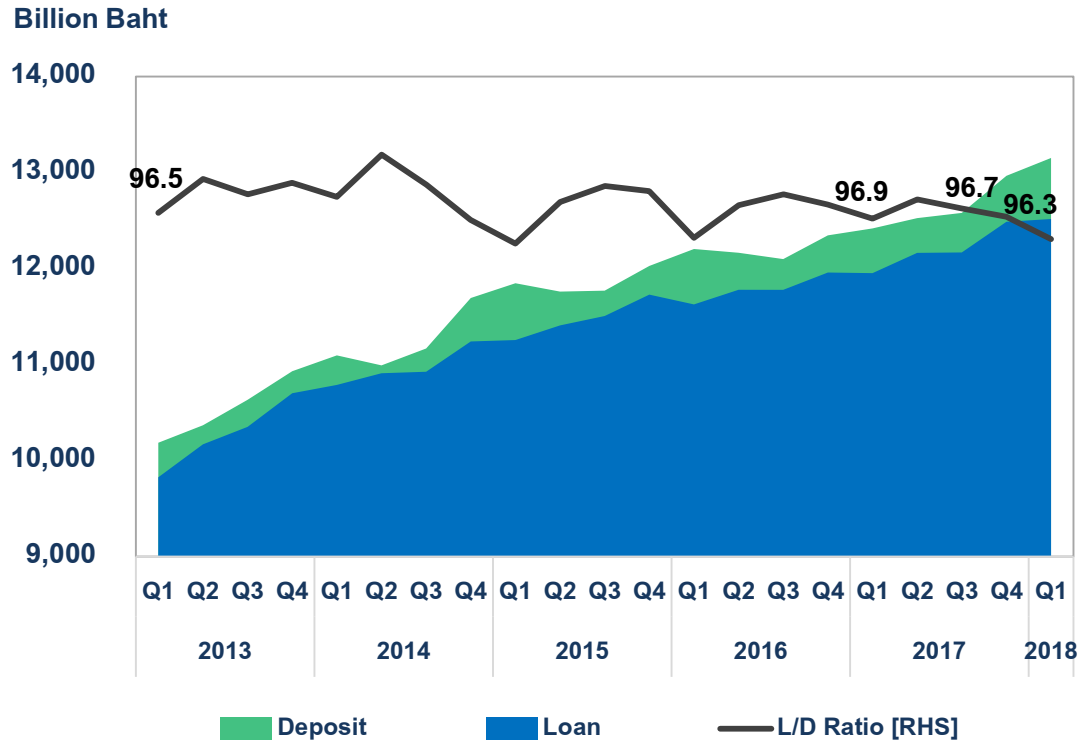


## Return on Asset, Return on Equity and Net Interest Margin



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

## Loan to Deposit Ratio



## Liquidity Coverage Ratio (LCR)

