



BANK OF THAILAND

**BOT Press Release**

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

Mr. Somchai Lertlarpwasin, Senior Director, Financial Institutions Strategy Department, Bank of Thailand, reported on the Thai banking system's performance in the third quarter of 2018 that bank loan continued to expand in line with economic growth. Still, the benefit of economic growth has not clearly materialized to loan quality of some debtors especially SMEs. The overall NPL thus remained stable. Net profit of the Thai banking system increased from interest income thanks to the loan growth and gain on sale of investments. 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 5.4% last quarter to 6.3% year-on-year in line with economic growth. Loan expansion was mainly from consumer loan growth, while corporate loan grew in several businesses, particularly from large corporate and SMEs with large credit line. Some large corporates also issued more debt securities to manage their financing costs. Hence, the overall financing through bank loans and debt securities combined rose from 5.6% to 7.1%.

**Corporate loan** (66.3% of total loans) grew at 5.2% year-on-year in several businesses, especially from large corporate in commerce and services sectors. Meanwhile, some large corporates issued debt securities, resulting in large corporate loan (excluding financial business) growth at 0.6%. SME loan growth (excluding financial business) expanded at 7.2%, mainly from SMEs with large credit line in real estate sector.

**Consumer loan** (33.7% of total loans) expanded across all portfolios with growth rate increased to 8.4% year-on-year. Auto loan growth has accelerated to 12.5%, consistent with improved car sales after the effect of the first-car buyer scheme ended and the recent increase in loan financing of leasing companies. Personal and credit card loans grew at 8.8% and 8.2%, respectively, following the positive momentum in private consumption. Housing loan growth increased to 6.4% in line with the recent development in real estate market.

On the **loan quality** front, the ratio of gross non-performing loans (NPLs) to total loan was at 2.94%, comparable with 2.93% of previous quarter. Gross NPLs outstanding increased by 1.25 billion baht from last quarter to 443 billion baht, mainly from SME loan. Special mention loans (SMs) to total loan ratio increased to 2.42% from 2.36% last quarter, with SM outstanding at 365 billion baht. However, banks continued to build up provisions to enhance the system resilience, resulting in total provision of 652 billion baht, increased by 15.4 billion baht from last quarter. The ratio of actual to regulatory loan loss provision increased to 190.7%.

In the third quarter of 2018, the banking system recorded increased net profit, compared to the same period last year. This was mainly attributed to higher interest income from loan expansion, gain on sale of investments, and lower provisioning expenses. However, fee income declined, partly as banks have adapted to raise standard on market conduct and increasing usage of online retail fund transfer. Overall, return on asset (ROA) increased to 1.10% from 1.04%, compared to the same period last year, while the ratio of net interest income to average interest-earning assets (Net Interest Margin: NIM) remained stable at 2.77%.

Capital fund of the banking system stood at 2,552 billion baht, increased by 79.1 billion baht from last quarter, mainly from appropriation of net profit. As a result, capital adequacy ratio (BIS ratio) and common equity Tier-1 ratio (CET1 ratio) increased to 18.4% and 15.8%, respectively.

Bank of Thailand  
November 12, 2018

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



# Overall Performance of the Thai Banking System in the Third Quarter of 2018



Bank loan continued to expand in line with economic growth. Still, the benefit of economic growth has not clearly materialized to loan quality of some debtors especially SMEs; the overall NPL thus remained stable.



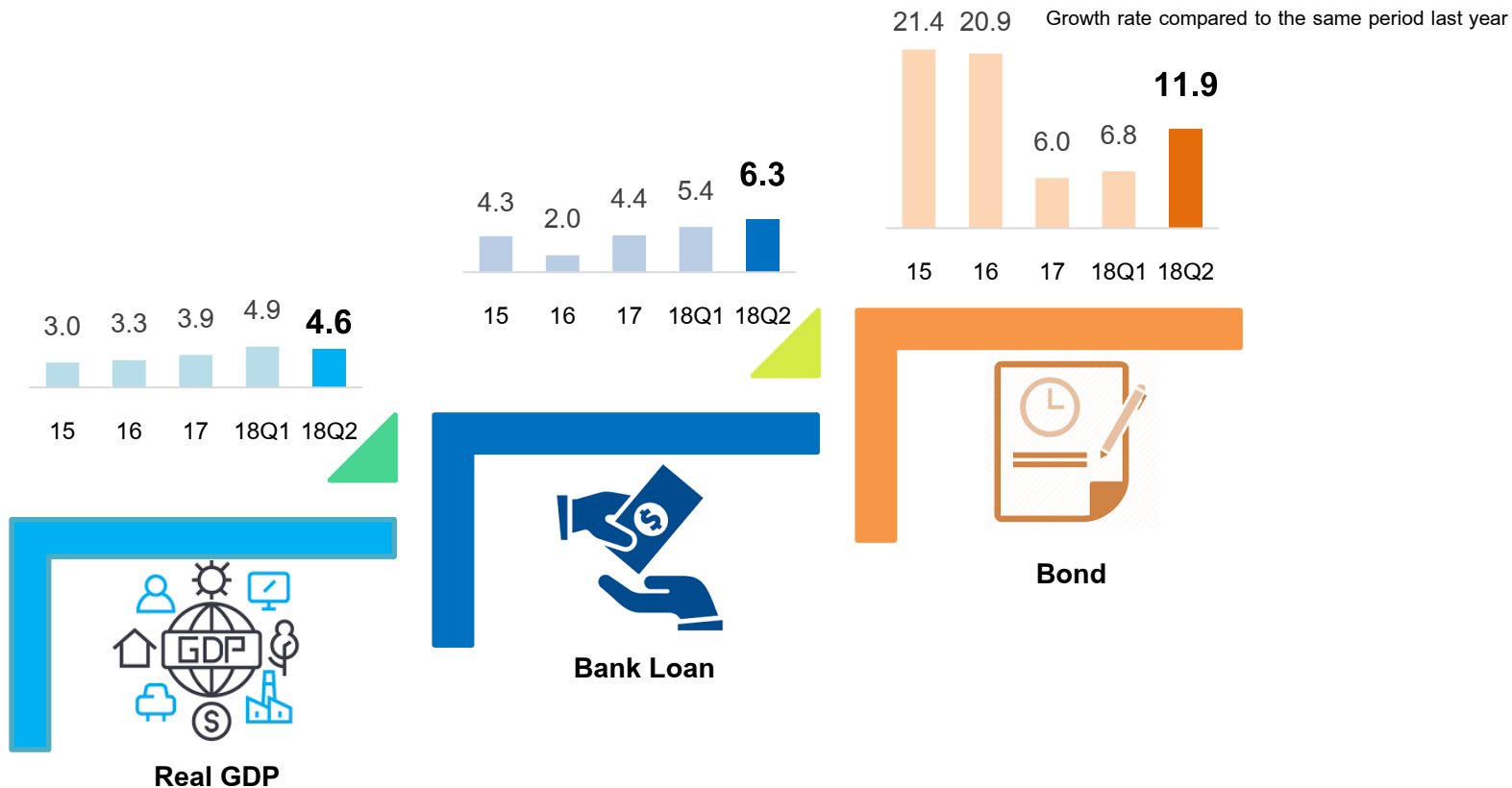
Net profit of the Thai banking system increased from interest income from loans and gain on sale of investments. Meanwhile, fee income declined due to increasing online retail fund transfers.



The Thai banking system remained resilient with high level of loan loss provision, capital fund, and liquidity to further support the economy.

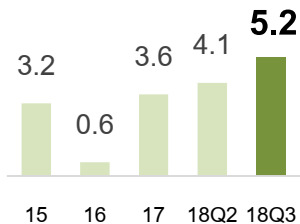
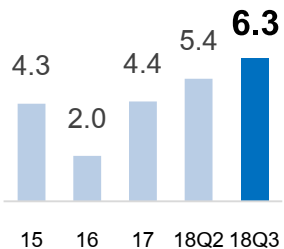
# Overall financing continued to increase in line with economic growth.

## Funding through debt securities accelerated, partly to lock in the current low interest rates.

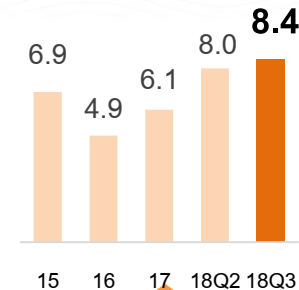
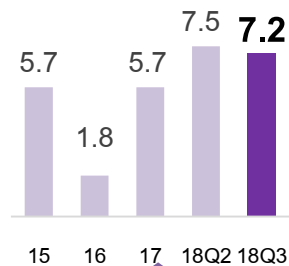
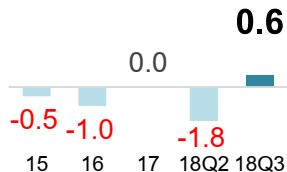


# Bank loan continued to expand in all portfolios, mainly from consumer loan growth.

Growth rate compared to the same period last year



Large businesses have an alternative to raise fund through debt and equity securities.



**Total Loan**



**Corporate Loan**  
(66.3%)



**Large Corporate Loan\***  
(23.9%)





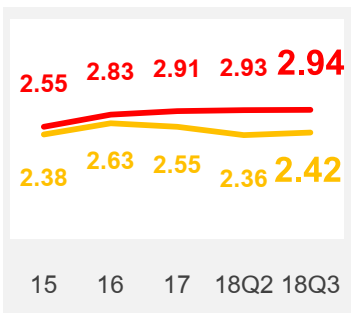
**SME Loan\***  
(33.6%)



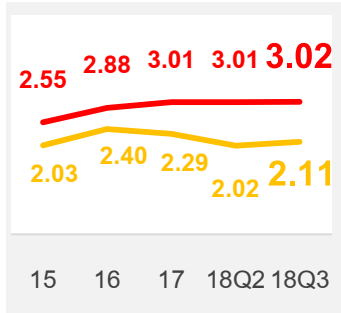
**Consumer Loan**  
(33.7%)

# Overall NPL has stabilized, while NPL of SME loan continued to deteriorate.

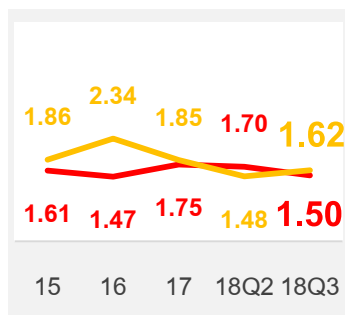
 %NPL  
 %SM



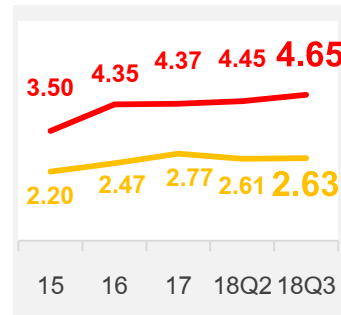
Total Loan



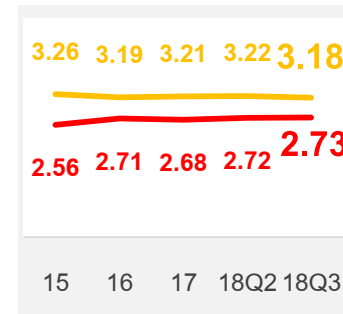
Corporate Loan



Large Corporate Loan

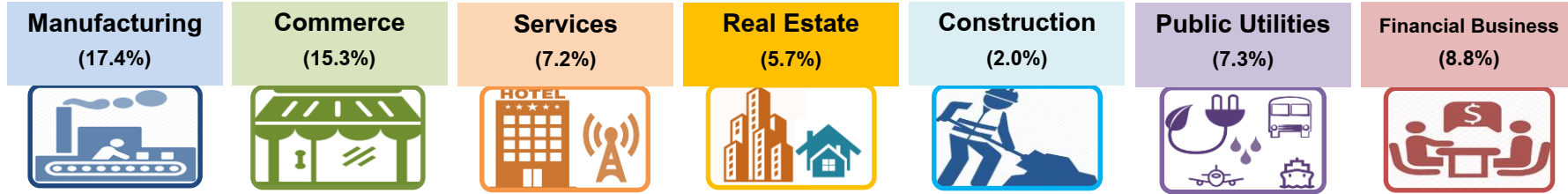


SME Loan

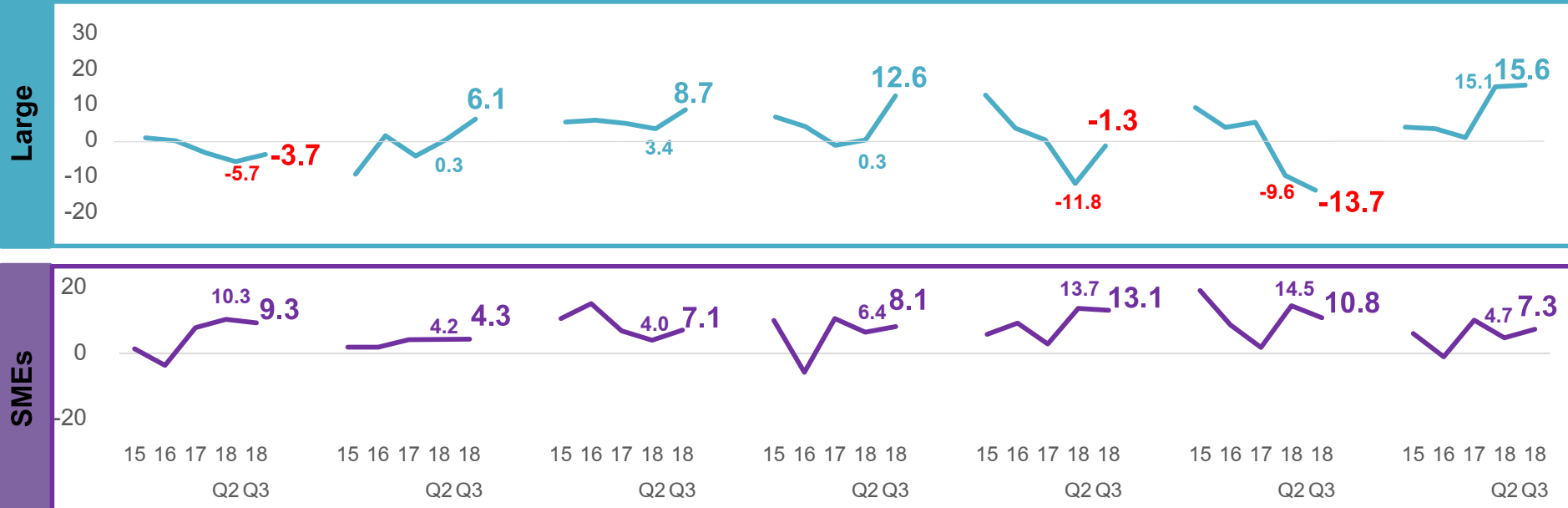


Consumer Loan

# Corporate loan grew in commerce, services and real estate, mainly from large corporate and SMEs with large credit line.



Growth rate compared to the same period last year





## NPL of SMEs in several businesses reflected SME challenges to adapt their business models and cope with structural changes

Manufacturing



Commerce



Services



Real Estate



Construction



Public Utilities

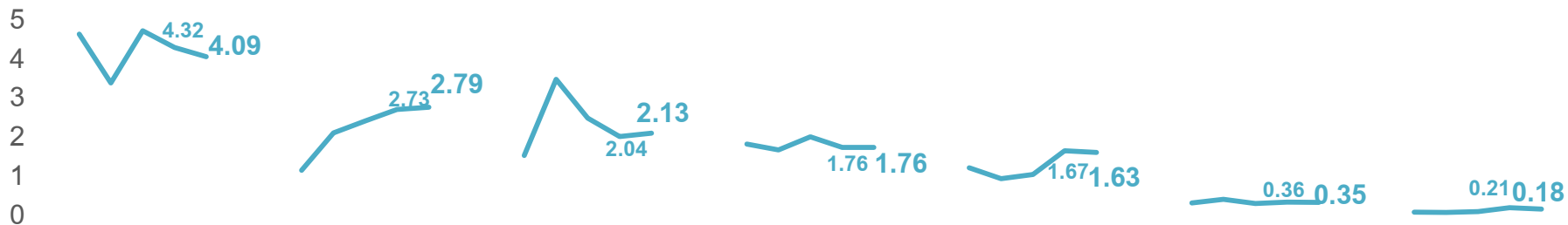


Financial Business

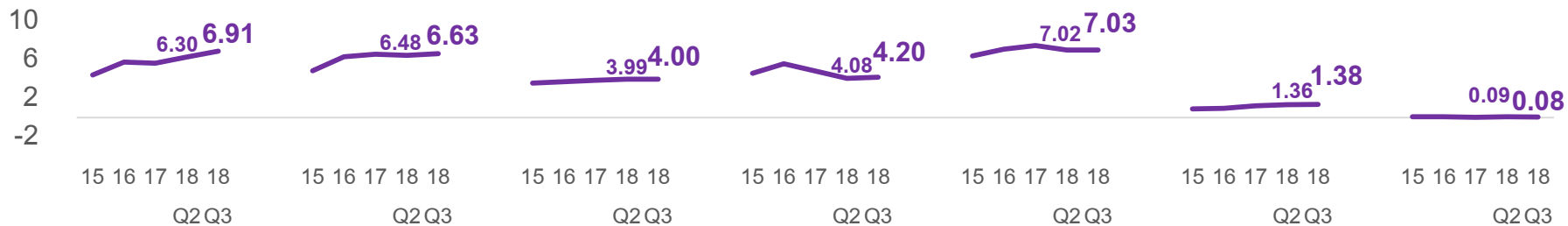


%NPL

Large



SMEs

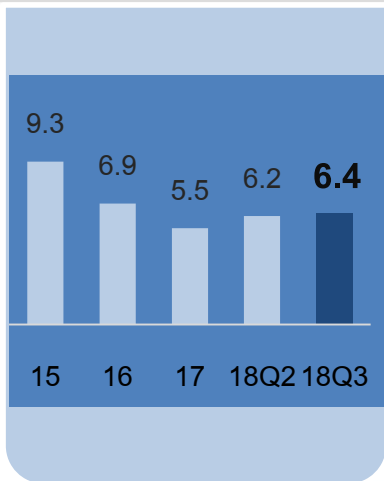


## Consumer loans expanded across all portfolios.

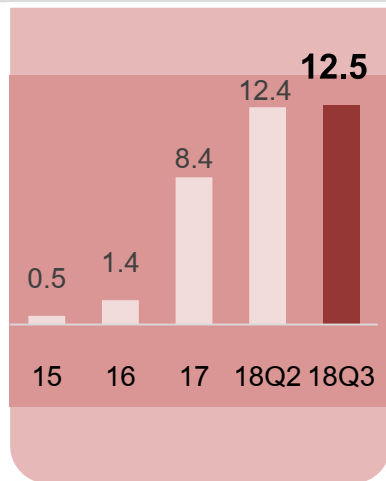
### Housing (16.9%)



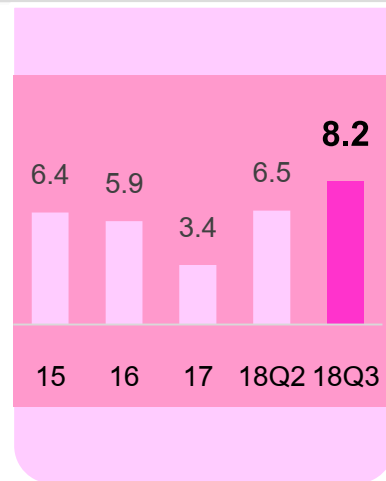
Growth rate compared to the same period last year



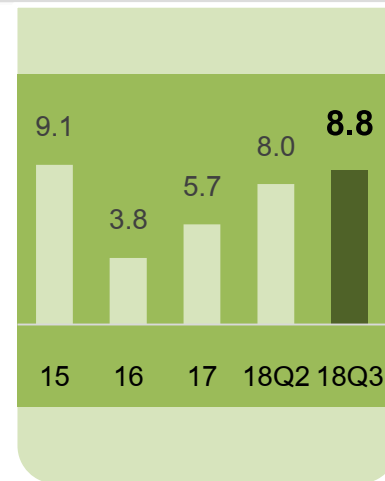
### Auto (8.0%)



### Credit Card (1.7%)



### Personal (7.1%)

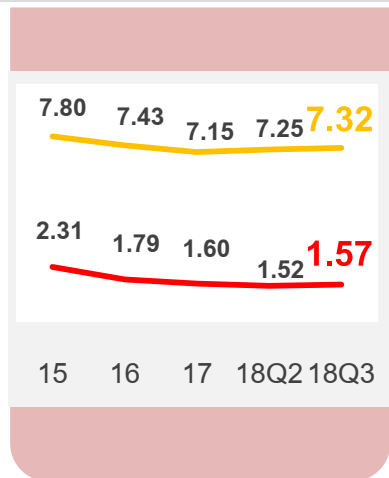


# Overall consumer loan quality has stabilized, whereas NPL and SM of auto and credit card loans began to pick up.

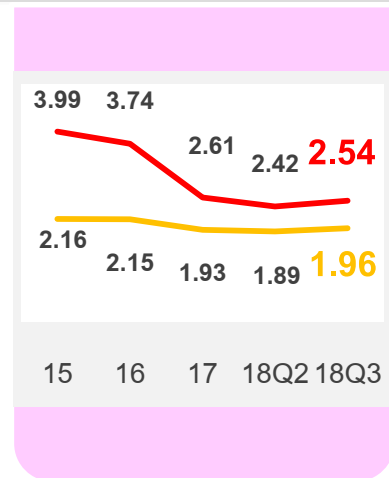
## Housing



## Auto



## Credit Card

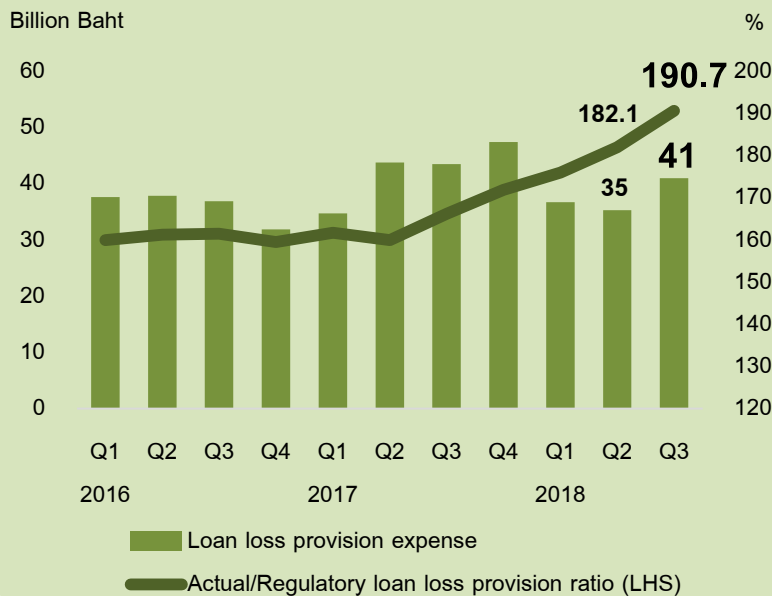


## Personal



## Loan loss provision and capital fund remained high.

### Loan loss provision

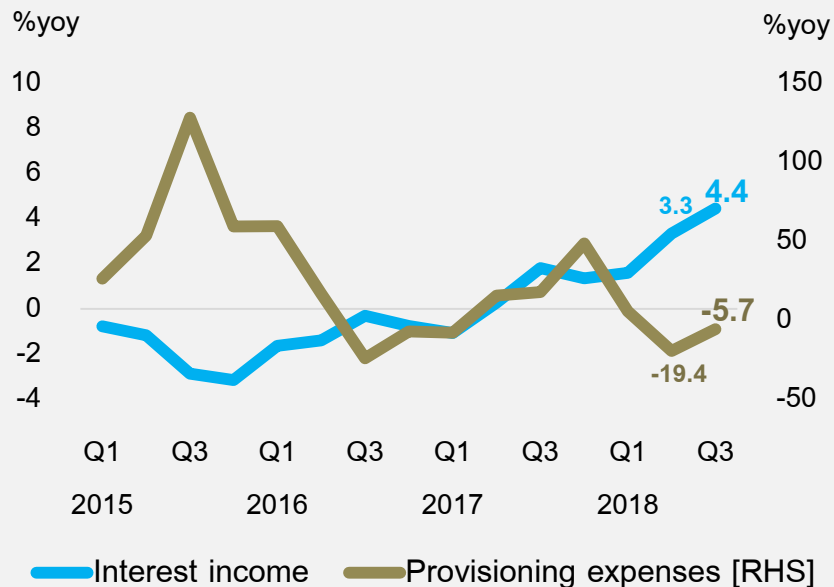


### Capital fund

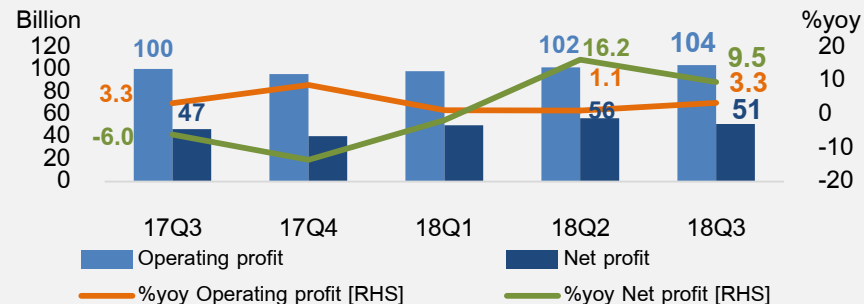


# Net profit increased from increase in interest income, gain on sale of investments, and decline in provisioning expenses, reflecting in overall profitability ratios.

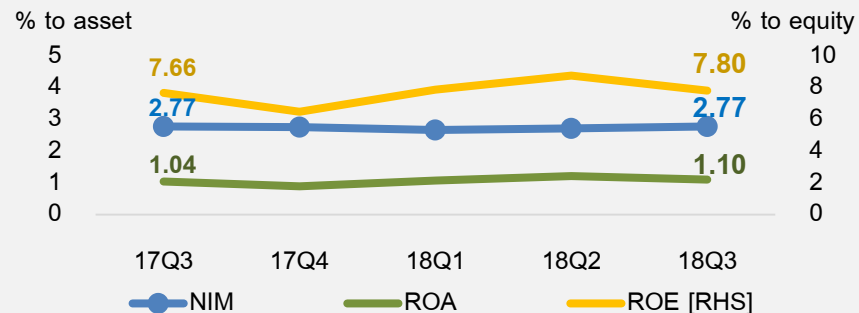
## Growth rate of interest income and provisioning expenses



## Profits

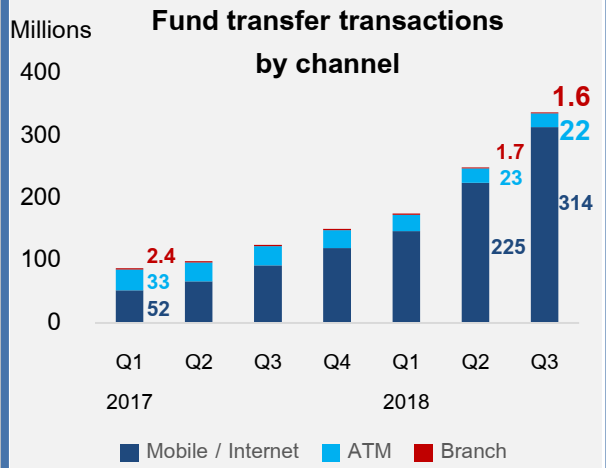
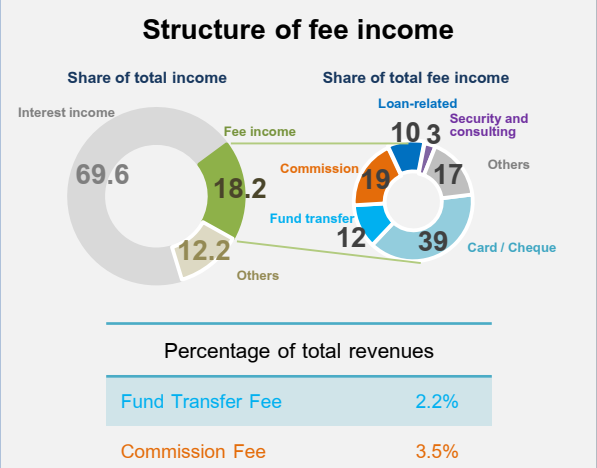
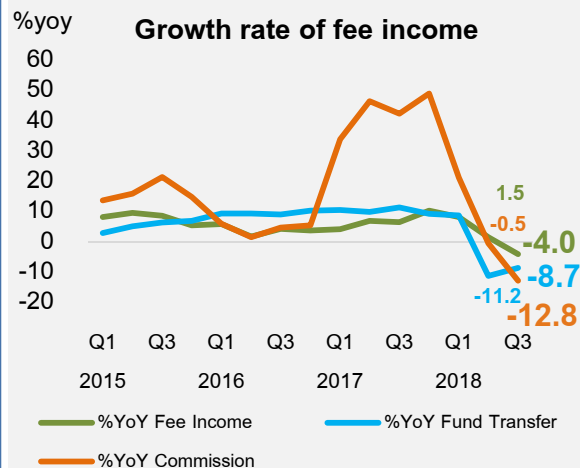


## Profitability Ratio



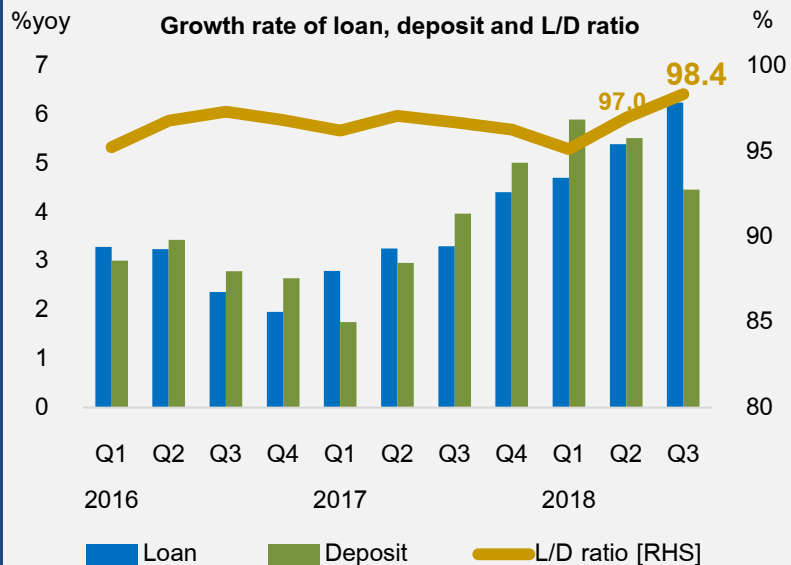
# Fee income declined, partly as banks adapted to raise standard on market conduct and customers increasingly used online retail fund transfers.

Fee income from fund transfer declined since banks have waived digital transaction fees; thereby, accelerating fund transfer transactions via mobile and internet banking.



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

## Loan to Deposit Ratio



## LCR and NSFR

