



BANK OF THAILAND

BOT Press Release

Communications and Relations Office, Corporate Communications Department
Tel. +66 2283 5016-7 Fax. +66 2283 6969 www.bot.or.th

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Performance of the Thai Banking System in 2018

Mr. Somchai Lertlarpwasin, Senior Director, Financial Institutions Strategy Department, Bank of Thailand, reported on the Thai banking system's performance in 2018 that bank loans continued to expand in line with economic growth. Loan quality stabilized partly due to banks' loan portfolio management. Net profit increased due to higher interest income and lower provisioning expenses. The Thai banking system remained sound with high levels of loan loss provision, capital fund and liquidity to facilitate further credit expansion. Details are as follows.

Bank loans expanded from 4.4% last year to 6.0% in line with improved economic conditions. Loan expansion was attributable to consumer loan growth in all portfolios in accordance with strong private consumption, together with corporate loan growth in several businesses, particularly from large corporates and SMEs with large credit line, although some large corporates increased their funding through debt securities.

Corporate loan (65.9% of total loans) grew at 4.4%. Large corporate loan (excluding financial business) expanded 4.1% mainly from service sector as a result of an acquisition of foreign hotel group, as well as loan growth in commerce and real estate sectors. SME loan (excluding financial business) grew at 4.5%, particularly from SMEs with large credit line in energy, real estate and construction businesses.

Consumer loan (34.1% of total loans) expanded across all portfolios with growth rate increased to 9.4%. This was attributed to (1) continued increase in mortgage lending with growth accelerated during the last quarter of 2018 before the Loan to Value (LTV) measure become effective in April 2019, 2) high auto loan growth consistent with increased car sales after the five-year lock-in period of the first-car buyer scheme ended, and 3) increase in all types of personal loans such as secured home loans, car title loans and welfare loans.

On the **loan quality** front, the ratio of gross non-performing loan (NPLs) to total loans was at 2.93%, close to 2.91% last year. Gross NPLs outstanding stood at 443 billion baht, increasing by 14 billion baht from the previous year which was at slower growth rate since the end of 2016. This reflected stable overall loan quality although it was partly due to trouble-debt restructuring and write-off. The ratio of special mention loans (SMs) to total loans declined from 2.55% last

year to 2.42%, with SM outstanding at 366 billion baht. The Thai banking system's provision remained high at 668 billion baht, increasing by 67 billion baht from last year. As a result, the ratio of actual to regulatory loan loss provision increased to 193.3%.

In 2018, the Thai banking system recorded net profits of 207.2 billion baht, increased 10.8% from last year, thanks to higher interest income from loan expansion and lower provisioning expenses. However, fee income decelerated as fee-free usage of online retail fund transfer increased, and commission-based income from bancassurance and mutual fund businesses declined. Overall, the return on asset (ROA) rose to 1.11% from 1.04% last year, while the ratio of net interest income to average interest-earning assets (Net Interest Margin: NIM) remained stable at 2.73%.

Capital fund of the Thai banking system was at 2,569 billion baht, increased by 117 billion baht from last year, mainly due to appropriation of net profit. As a result, capital adequacy ratio (BIS ratio) and common equity Tier-1 ratio (CET1 ratio) rose to 18.3% and 15.8% respectively.

Bank of Thailand
February 15, 2019

For further information, please contact: Financial Performance and Loan Analysis Team

Tel: +66 2283 5980

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



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Performance of the Thai Banking System in 2018



Overall Performance of the Thai Banking System in 2018



Bank loan continued to expand in line with economic growth while overall NPL remained stable partly due to banks' loan portfolio management.



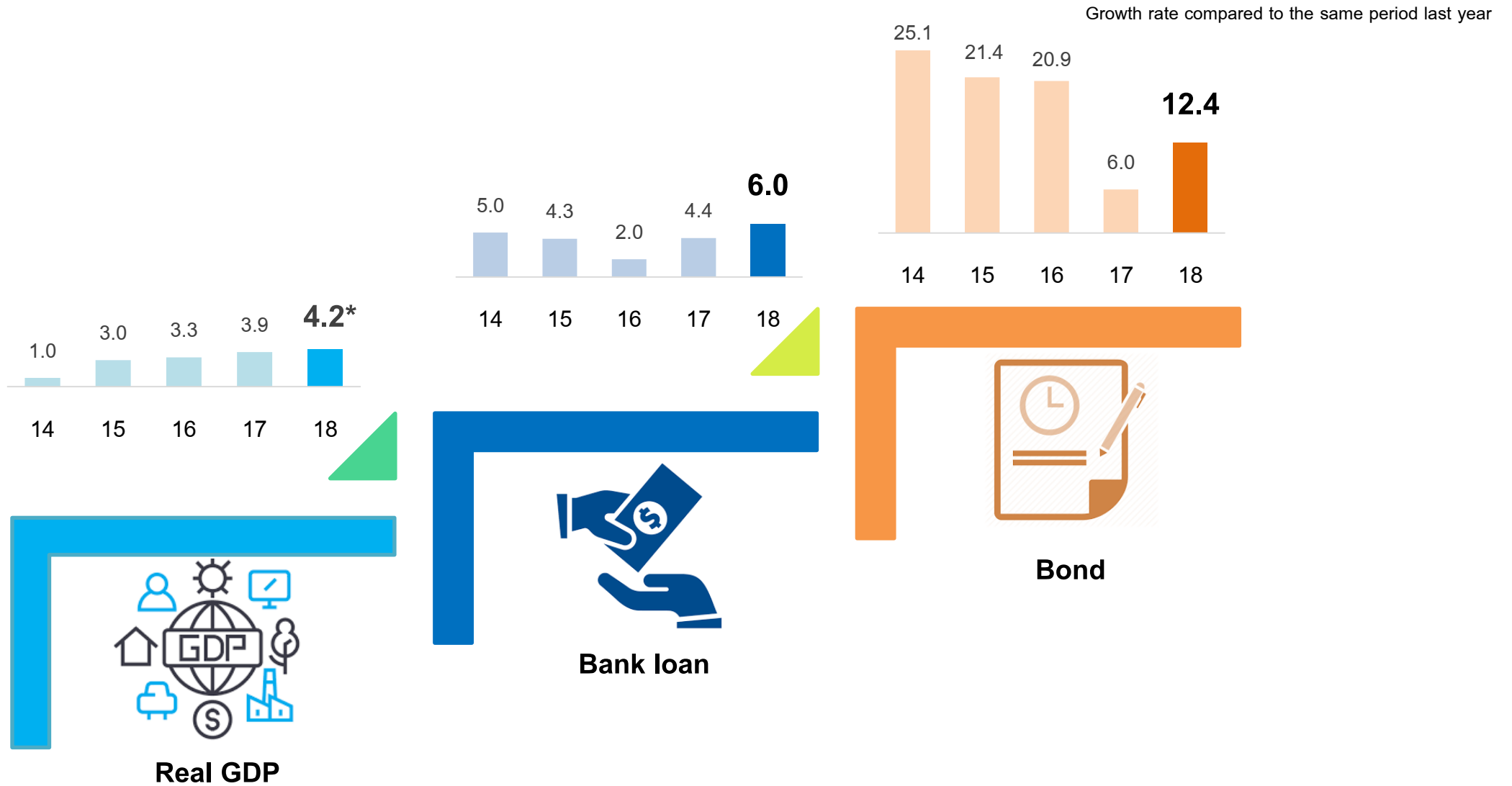
Net profit increased due to higher interest income and lower provisioning expenses. However, fee income decelerated as fund transfer fee and commission-based income from bancassurance and mutual fund declined.



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



Overall financing through bank loans and debt securities increased in line with economic growth.

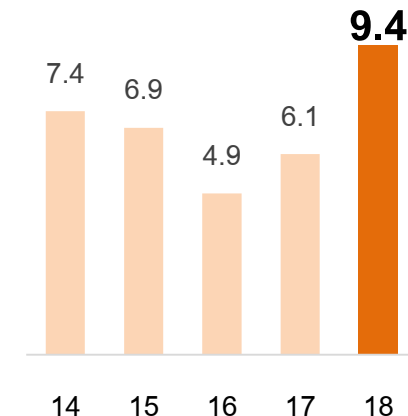
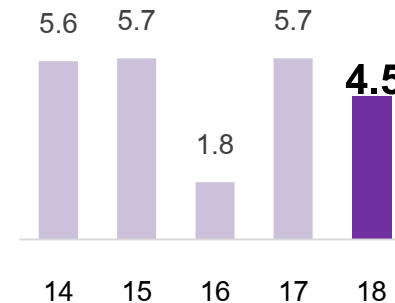
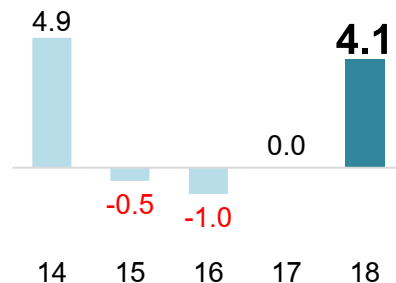
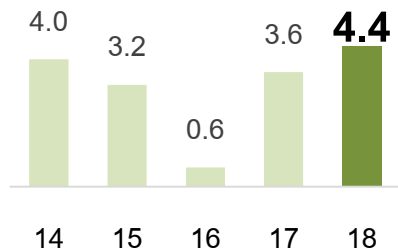
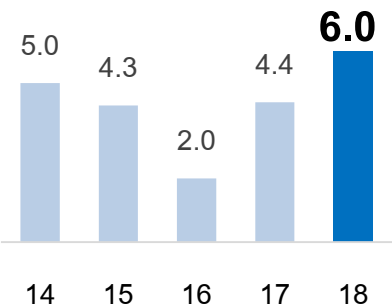


* Growth forecast from Monetary Policy Report, December 2018



Bank loans continued to expand from both consumer and corporate loans.

Growth rate compared to the same period last year



Total Loan



Corporate Loan
(65.9%)



Large Corporate Loan*
(23.7%)



SME Loan*
(33.3%)



Consumer Loan
(34.1%)

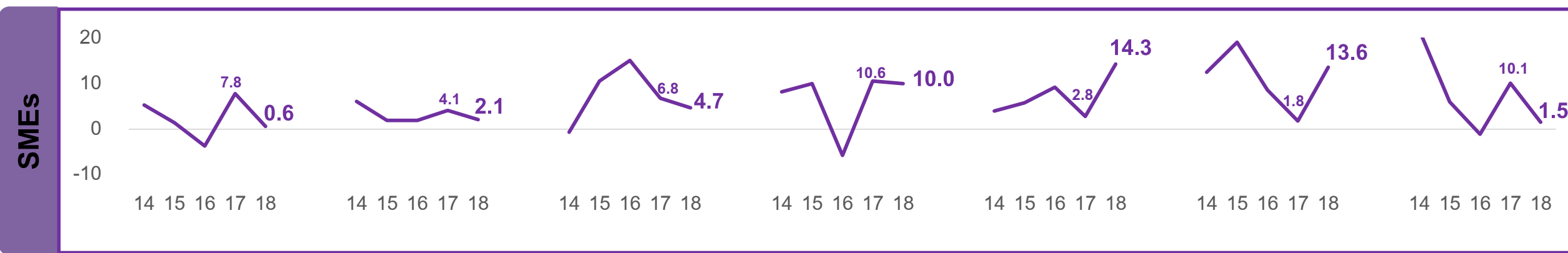
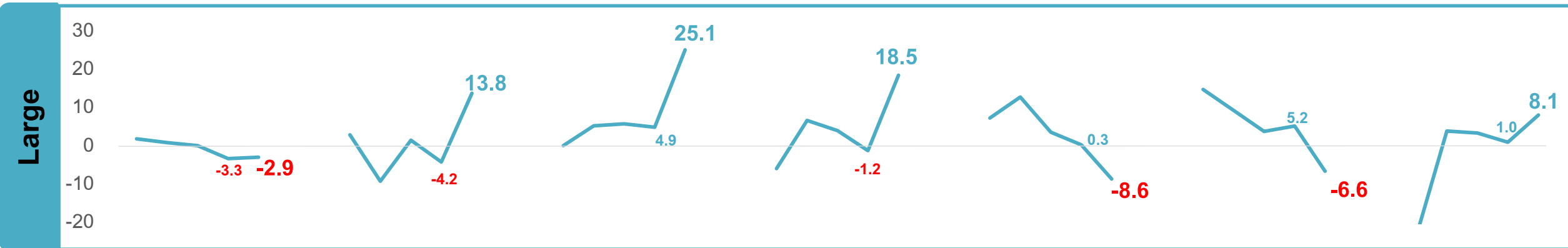


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Corporate loan expanded well from large corporates in service, commerce and real estate sectors, as well as SMEs with large credit line in some businesses.



Growth rate compared to the same period last year



A number in parentheses indicates share of total loans



Consumer loan expanded across all portfolios.

Housing (17.0%)



Auto (8.1%)



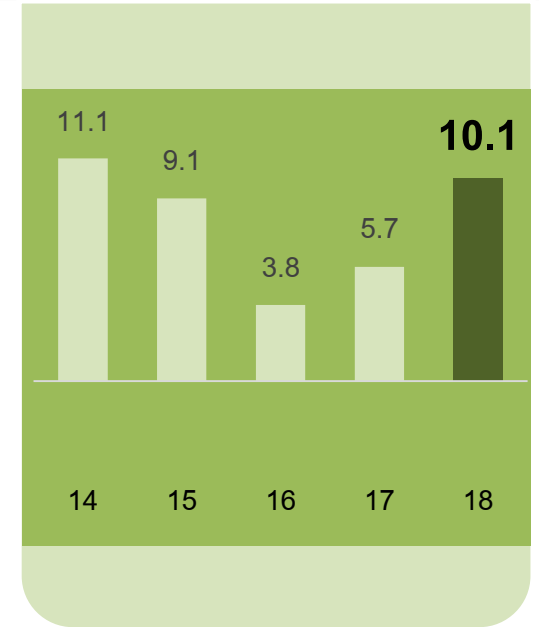
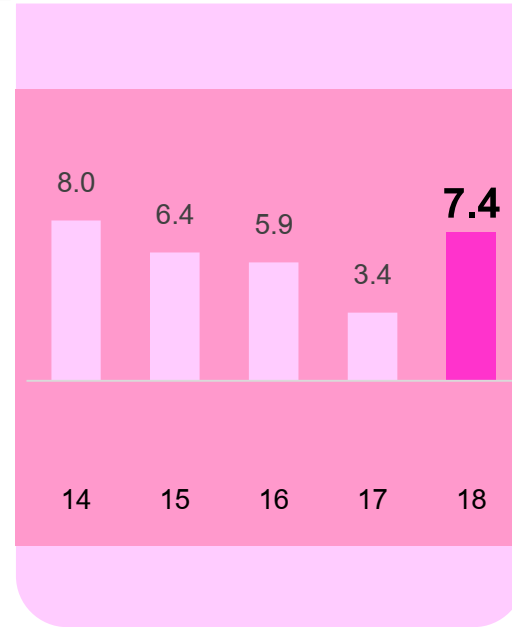
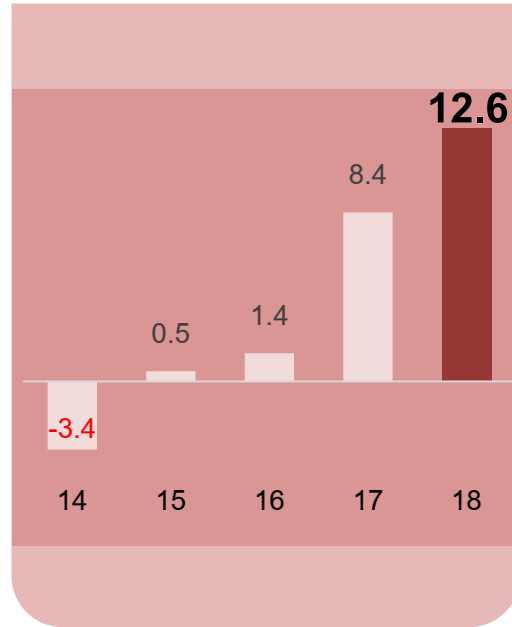
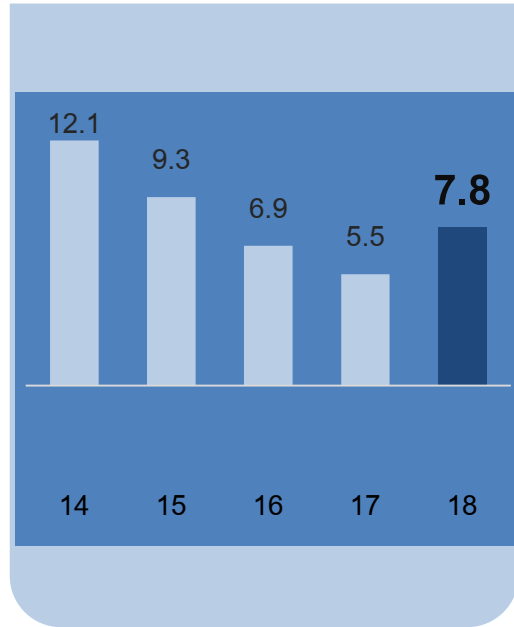
Credit Card (1.9%)



Personal (7.2%)



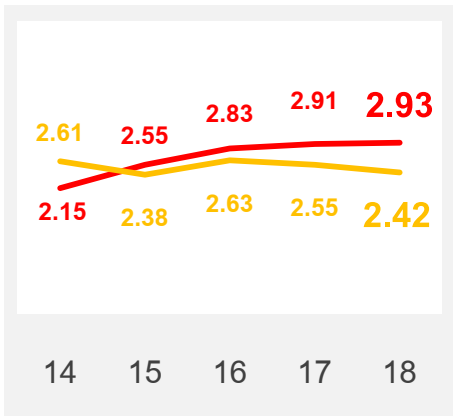
Growth rate compared to the same period last year



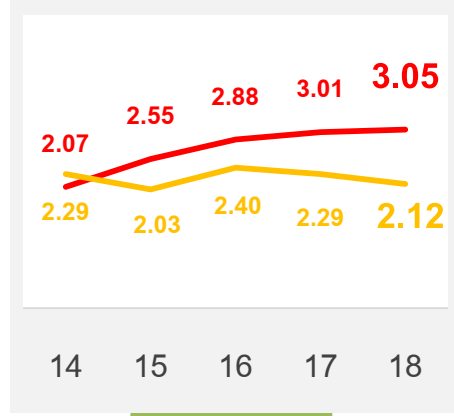


Overall NPL remained stable, whereas NPL of SME loan continued to increase.

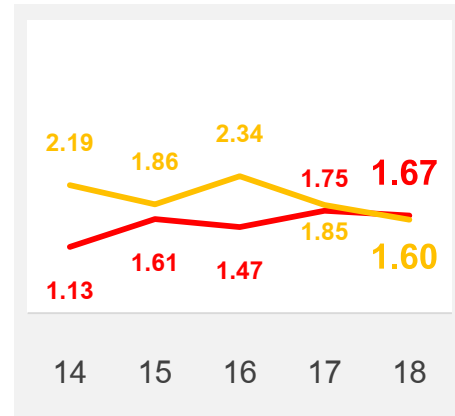
— %NPL
— %SM



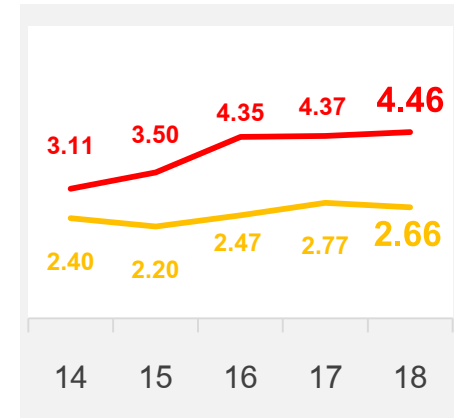
Total Loan



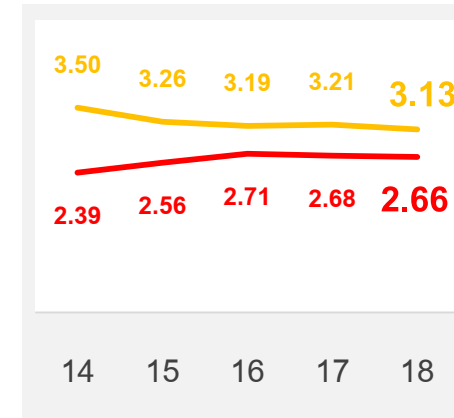
Corporate Loan



Large Corporate Loan



SME Loan



Consumer Loan



NPL of SME loan in several businesses remained high, partly due to structural factors and relatively non-competitive business model.

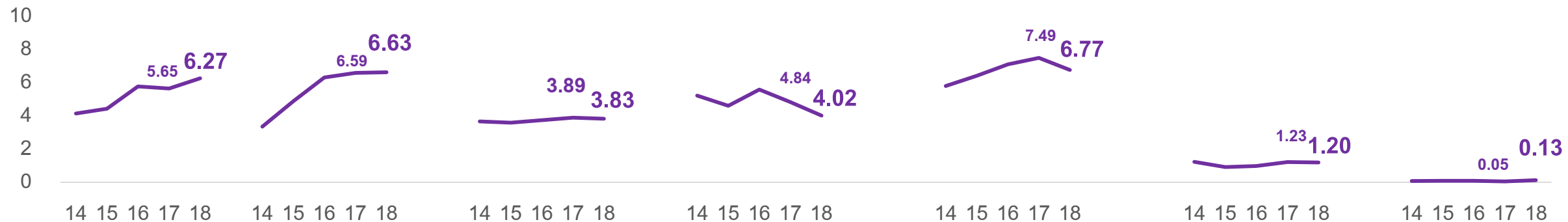


%NPL

Large



SMEs

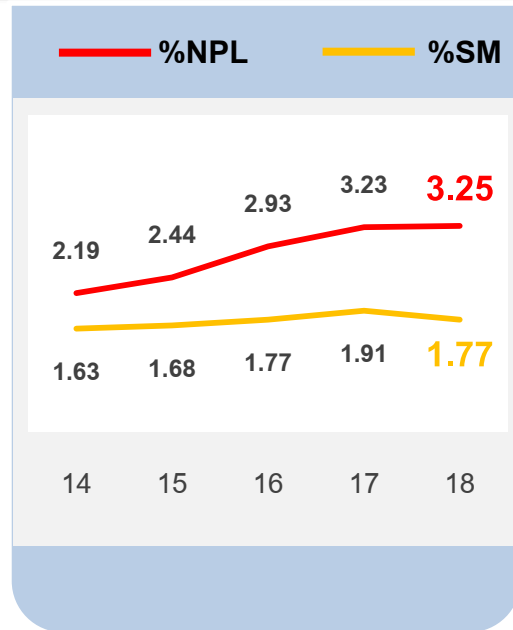




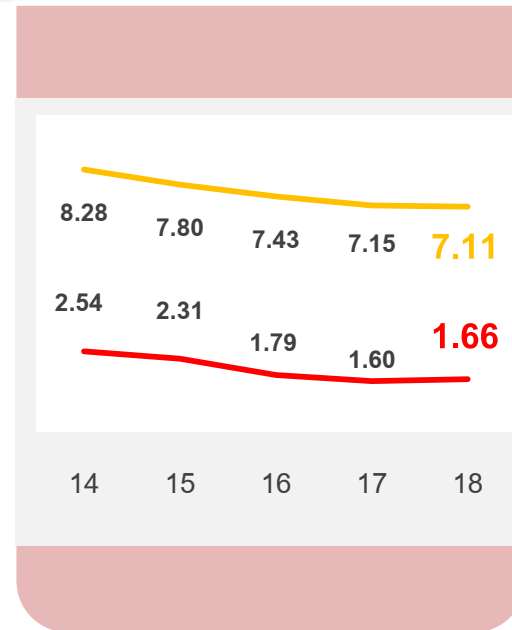
Overall NPL of consumer loan remained stable.

However, an increase in NPL of housing and auto loans should be monitored.

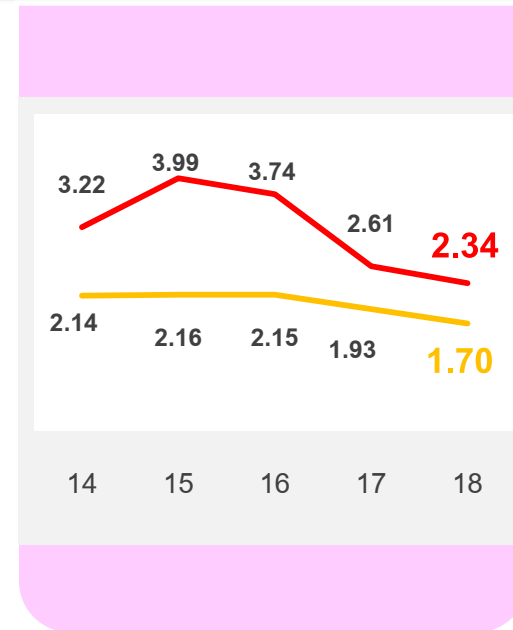
Housing



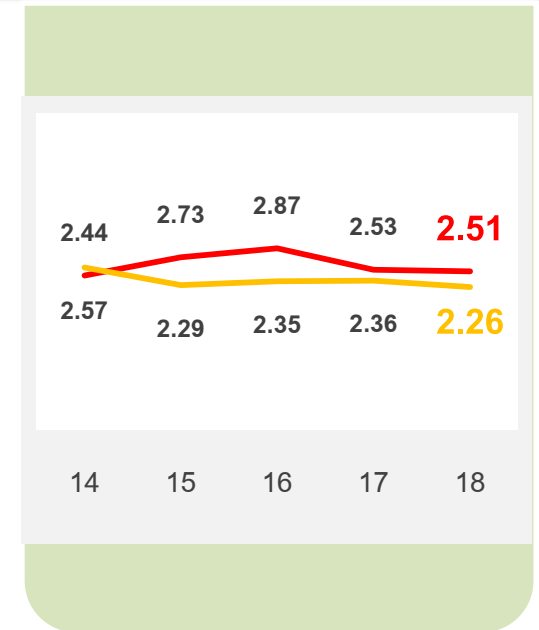
Auto



Credit Card



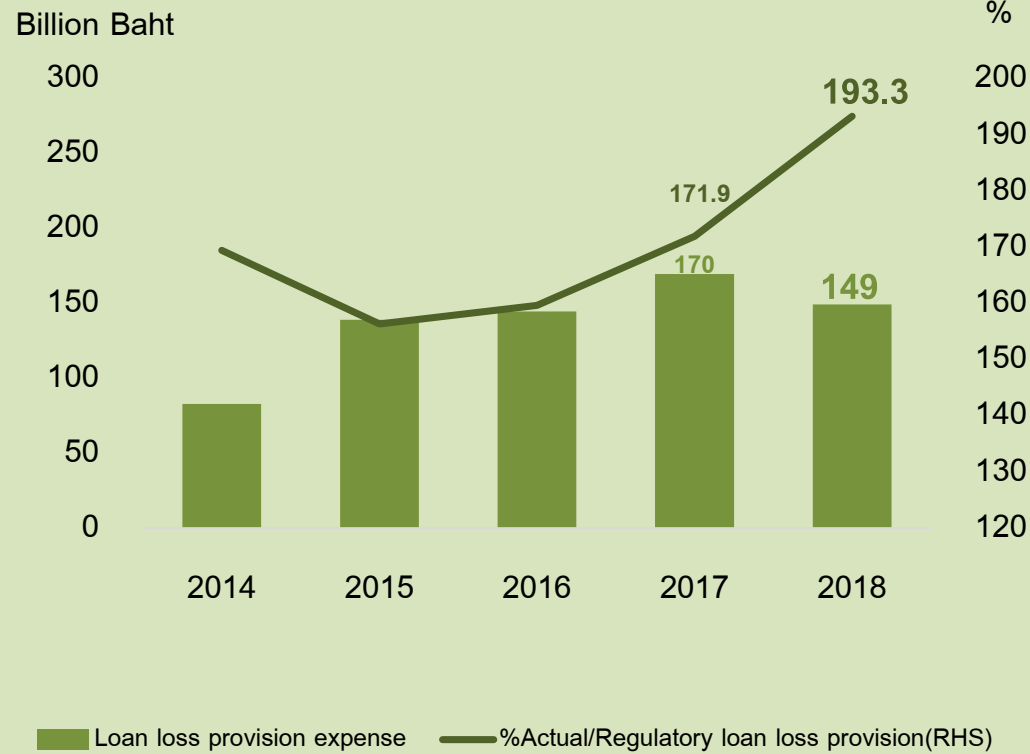
Personal



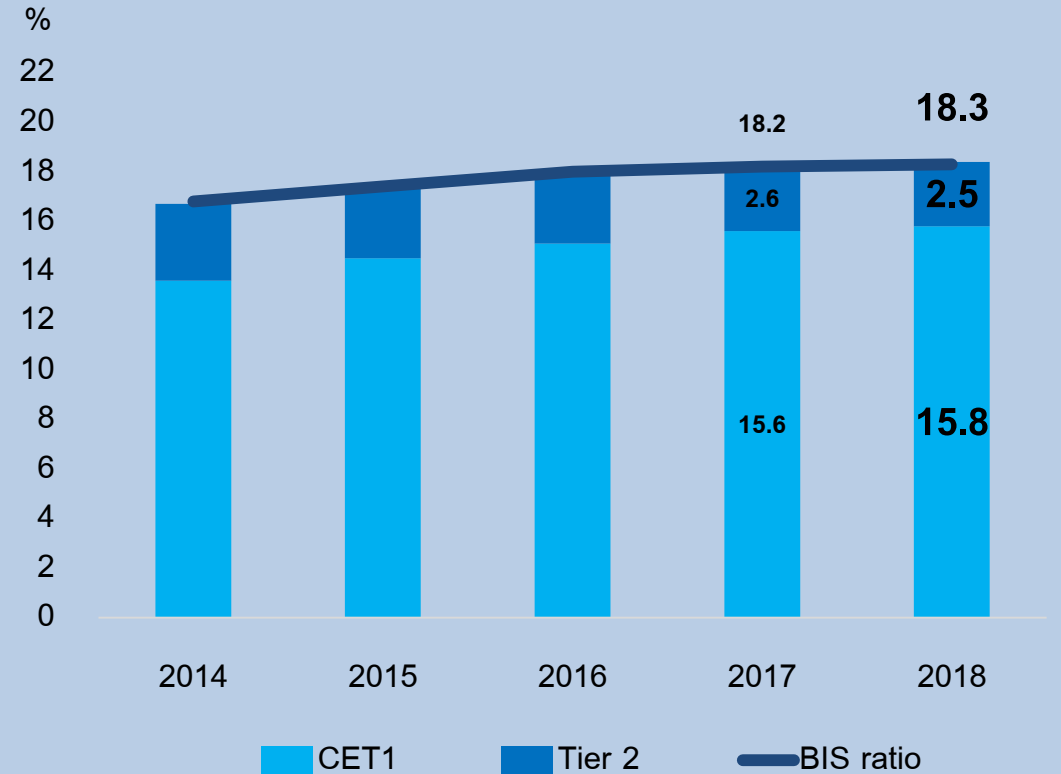


Loan loss provision and capital fund remained high.

Loan loss provision



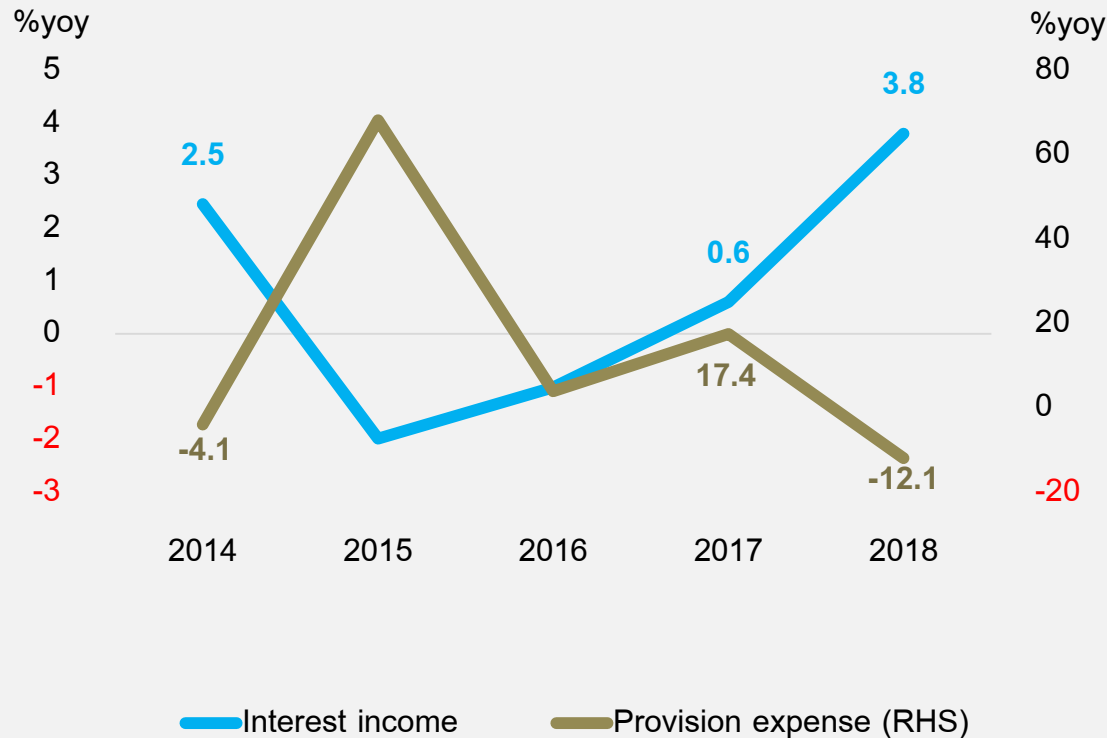
Capital fund



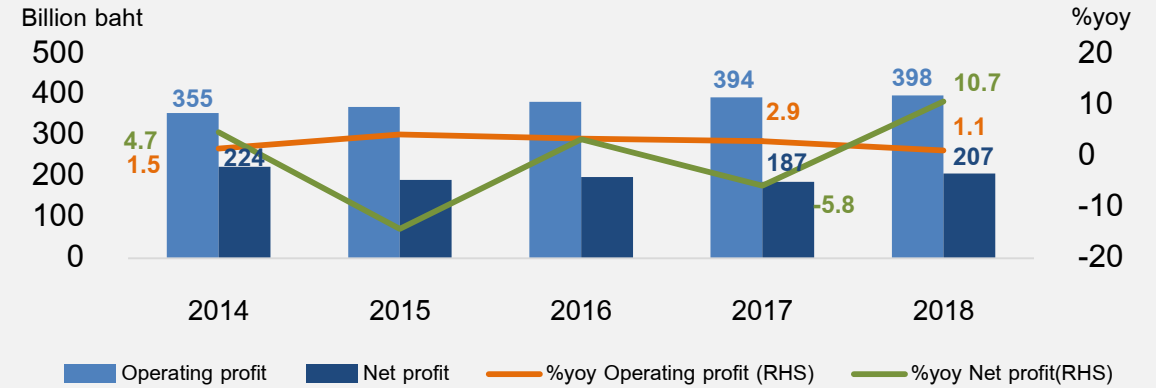


Net profit increased due to higher interest income from loan expansion and lower provisioning expenses, resulting in improved profitability ratios.

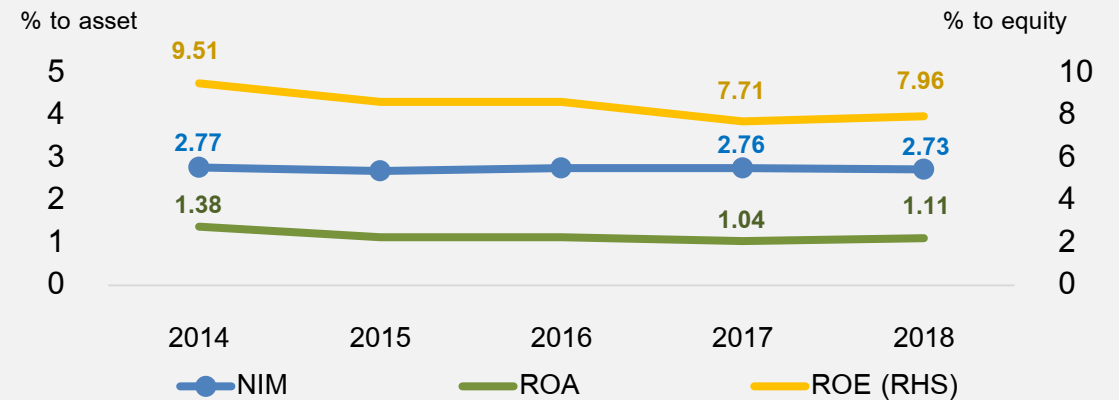
Growth rate of interest income and provisioning expenses



Profits



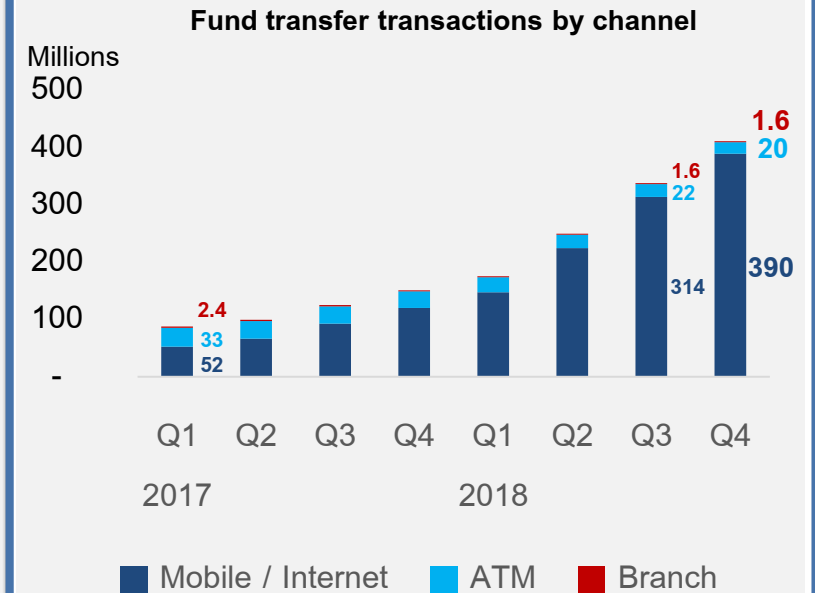
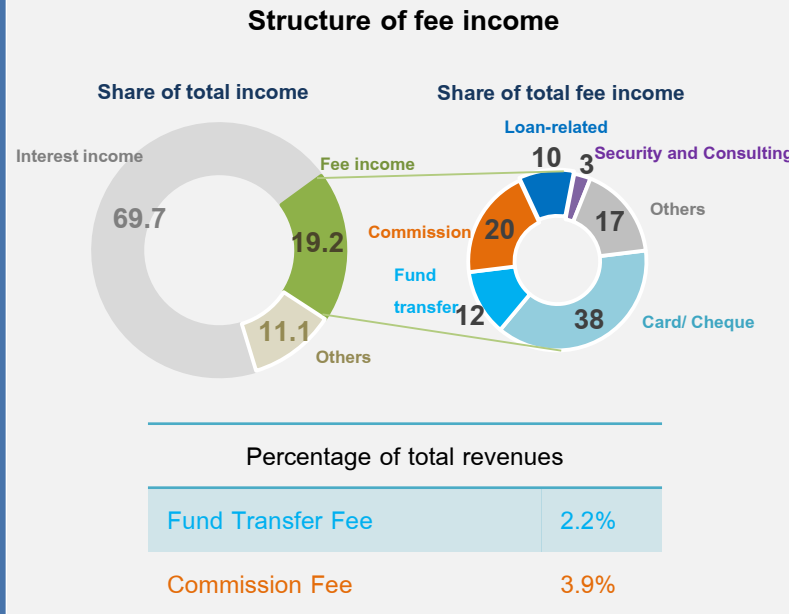
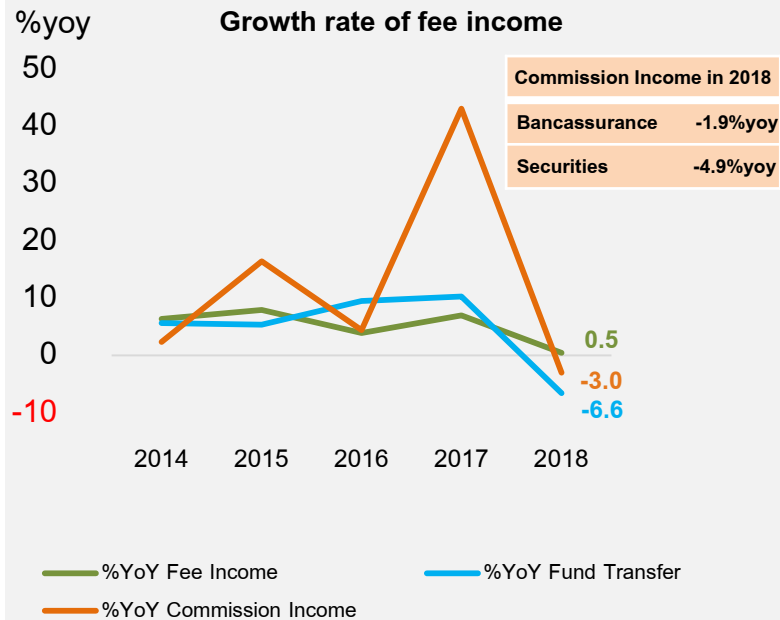
Profitability ratio





Fee income decelerated as fund transfer fee and commission-based income from bancassurance and mutual fund declined.

- Fee income from fund transfer declined since banks have waived digital transaction fees and hence causing acceleration in online fund transfer transactions.
- Commission-based income from bancassurance and mutual fund declined partly as banks adapted to raise standard on market conduct, coupled with stock market's volatility.

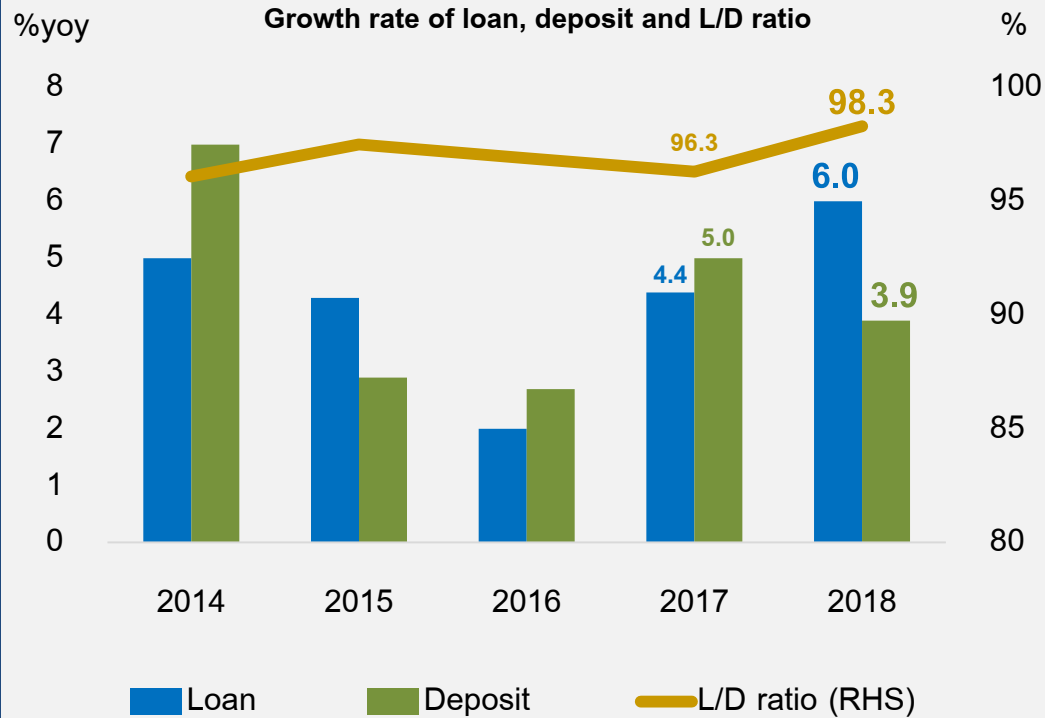




Thai banking system has sufficient liquidity

to facilitate further credit expansion.

Loan to Deposit Ratio



* Excluding Interbank

LCR and NSFR

