



BANK OF THAILAND



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No. 31/2019

Performance of the Thai Banking System in the first Quarter of 2019

Mr. Somchai Lertlarpwasin, Senior Director, Financial Institutions Strategy Department, Bank of Thailand, reported on the Thai banking system's performance in the first quarter of 2019 that bank loan decelerated due to loan repayments from large corporates. Meanwhile, consumer loan continued to expand well across all portfolios. Loan quality stabilized partly due to banks' loan portfolio management. Net profit increased owing to higher interest income, extraordinary income and lower provisioning expenses. The Thai banking system remained resilient with high levels of loan loss provision, capital fund and liquidity to facilitate further credit expansion. Details are as follows.

Bank loan growth declined from 6.0% last quarter to 5.6% year-on-year, driven by corporate loan as some corporates in manufacturing and service sectors repaid their debts and raised their funding through debt securities. However, consumer loan continued to expand well across all portfolios in line with strong private consumption. In addition, this was caused by higher competition in retail loan market and the acceleration in mortgage lending before the Loan to Value (LTV) measure became effective.

**Corporate loan** (65.3% of total loans) grew at 3.4% year-on-year. Large corporate loan growth (excluding financial business) rose from 4.1% last quarter to 4.4% year-on-year, driven by loans in public utilities, real estate, and construction sectors, while there were some loan repayments in service business. SME loan growth (excluding financial business) dropped from 4.5% last quarter to 1.5% due to loan repayments of some debtors in beverage business in manufacturing sector. However, loans expanded well in public utilities (electricity production), real estate and construction sectors, especially from large SMEs

**Consumer loan** (34.7% of total loans) continued to expand across all portfolios with growth rate at 10.1%. This was attributed to (1) continued increase in mortgage lending with growth accelerated from last quarter before the LTV measure became effective in April 2019, (2) higher auto loan in line with car sales, and (3) increase in all types of personal loans from both secured loans such as home for cash and car for cash as well as unsecured loans.

On the **loan quality** front, the ratio of gross non-performing loans (NPLs) to total loan was stable from last quarter at 2.94%. Gross NPLs outstanding stood at 454 billion baht, increasing by 10 billion baht from last quarter which continued to slow down partly due to high levels of trouble-debt restructuring, write-off and sales. The ratio of special mention loans (SMs) to total loans increased from 2.42% last quarter to 2.56%, mainly from SME loan. The Thai banking system's provision remained high at 685 billion baht, increasing by 15.8 billion baht from last quarter. As a result, the ratio of actual to regulatory loan loss provision increased to 195.0%.

In the first quarter of 2019, the banking system recorded net profit of 57.1 billion baht, increased by 13.7% compared to the same period last year due to higher interest income from loan expansion, extraordinary income and lower provisioning expenses. However, fee income continued to contract and employee expenses rose due to provision for employee benefits under new Labour Protection Act. Overall, the return on asset (ROA) increased from 1.05% last quarter to 1.20%, while the ratio of net interest income to average interest-earning assets (Net Interest Margin: NIM) remained stable at 2.82%\*.

Capital fund of the Thai banking system was at 2,567 billion baht, declined by 2 billion baht from last quarter, due to dividend payment from retained earnings of some commercial banks. This resulted in a slight decline in capital adequacy ratio (BIS ratio) and common equity Tier-1 ratio (CET1 ratio) to 18.2% and 15.7%, respectively.

Bank of Thailand  
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\* In this quarter, banking system recorded extraordinary income and expenses as follows (1) realized interest income of NPL customer from selling collaterals, (2) gain on sales of investment, and (3) expenses due to provision for employee benefits under Thailand's new Labour Protection Act. If deducted special items, net profit was at 54.2 billion baht, expanded 8.0% from the same period last year, while ROA and NIM registered at 1.13% and 2.74%, respectively.



ธนาคารแห่งประเทศไทย  
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# Performance of the Thai Banking System in the First Quarter of 2019



# Overall Performance of the Thai Banking System in the First Quarter of 2019



Bank loan decelerated due to loan repayments from large corporates while overall NPL stabilized partly owing to bank's loan portfolio management.



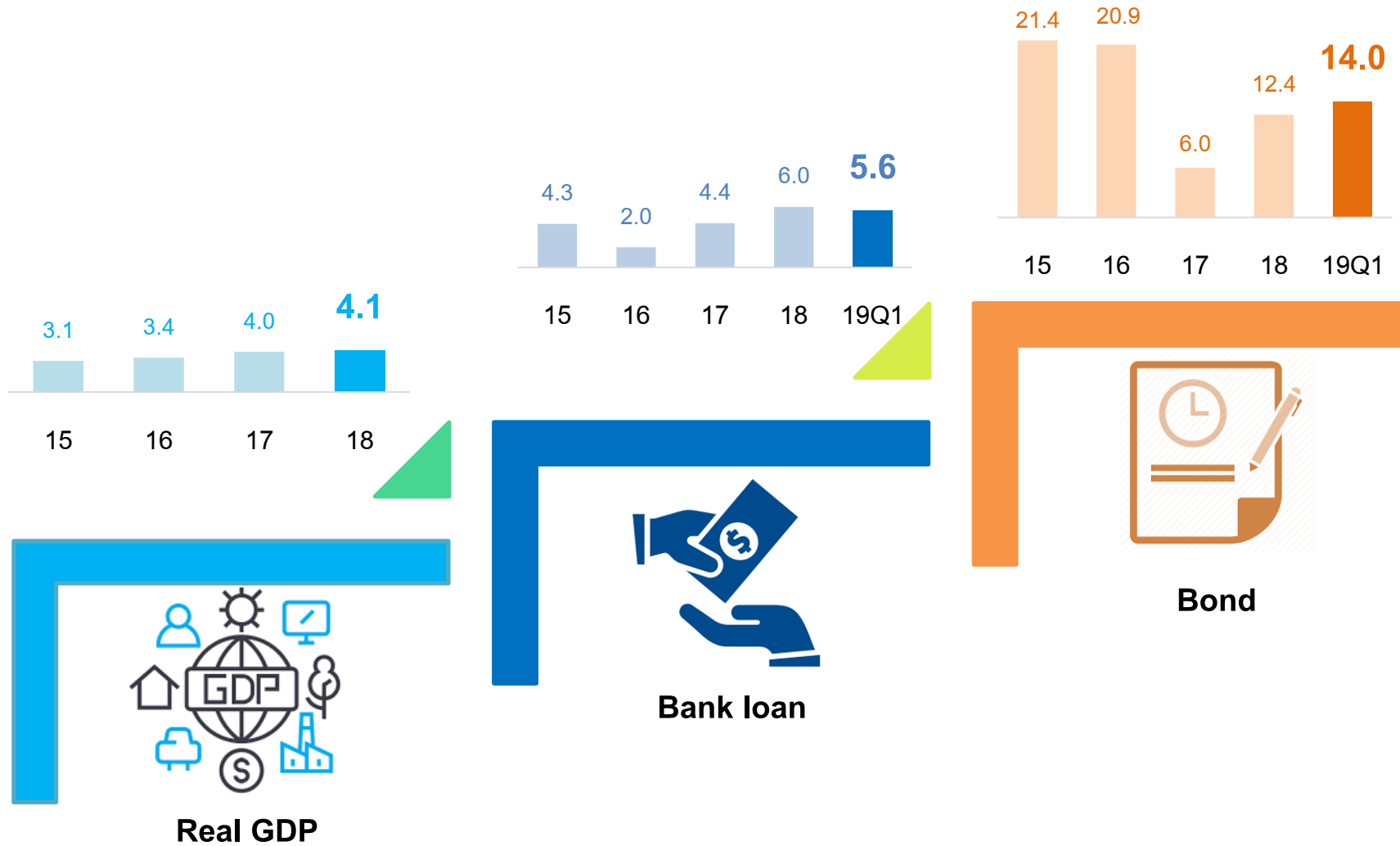
Net profit increased as a result of higher interest income from loan expansion, extraordinary incomes and lower provisioning expenses.



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

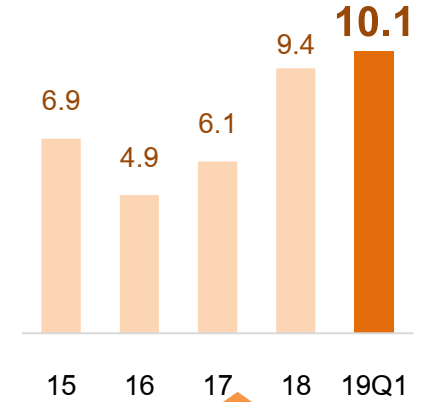
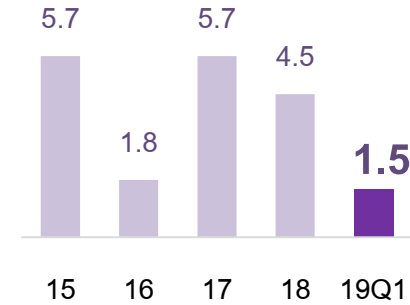
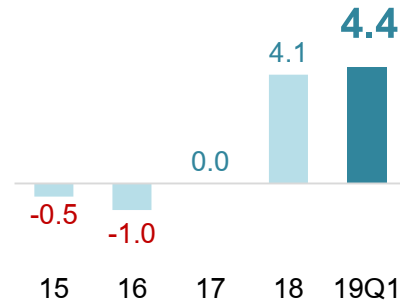
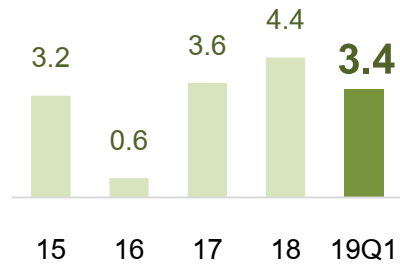
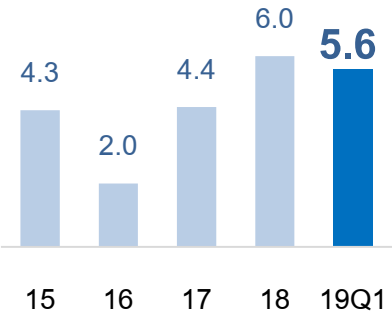


# Financing through debt securities increased, partly used for repayments.





# Bank loan decelerated due to loan repayments from corporates, while consumer loan expanded well across all portfolios.



**Total Loan**



**Corporate Loan**  
(65.3%)



**Large Corporate Loan\***  
(23.4%)



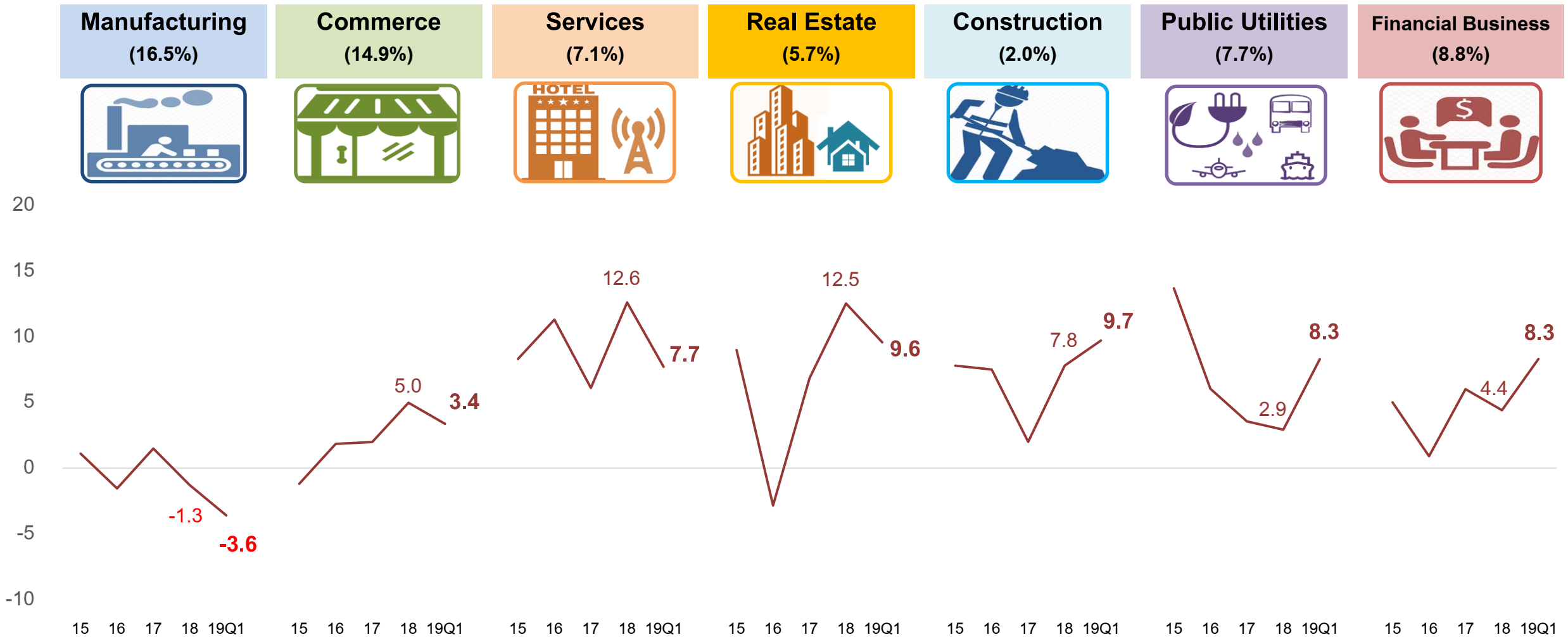
**SME Loan\***  
(33.1%)



**Consumer Loan**  
(34.7%)



# Corporate loan decelerated from loan repayments in manufacturing and service sectors, while loans in public utilities, real estate, and construction sectors expanded well.

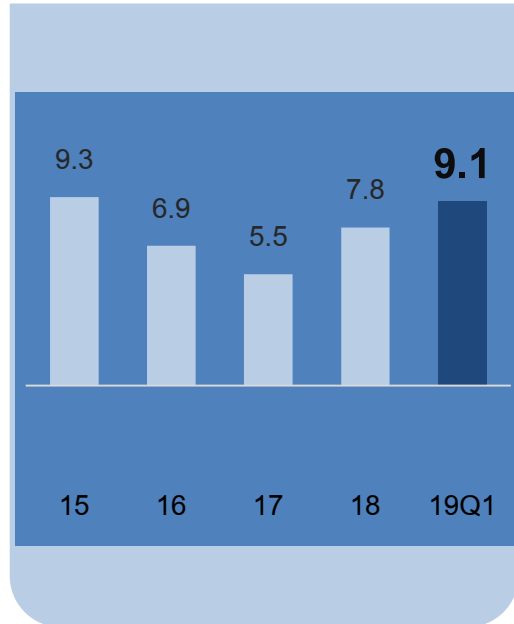


Note: A number in parentheses indicates share of total loans, Growth rate compared to the same period last year

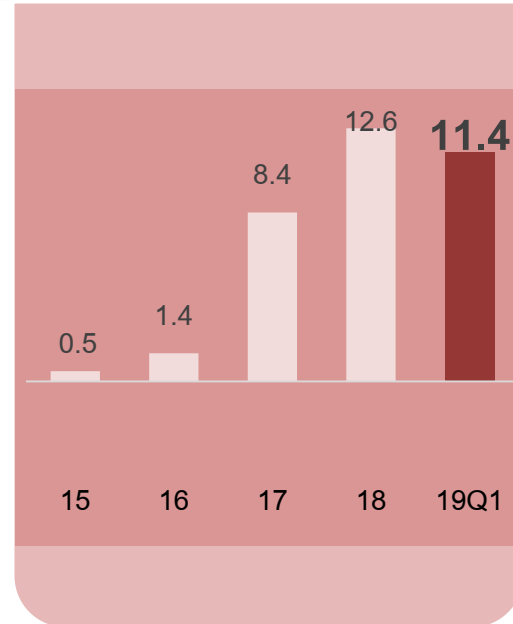


## Consumer loan continued to expand across all portfolios.

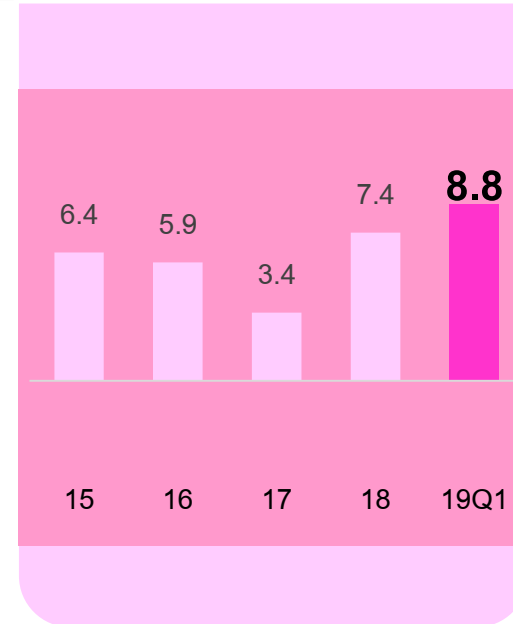
### Housing (17.4%)



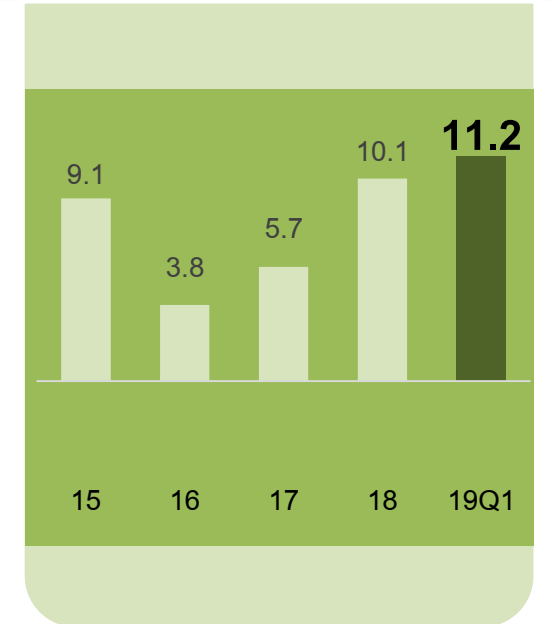
### Auto (8.3%)



### Credit Card (1.7%)



### Personal (7.3%)



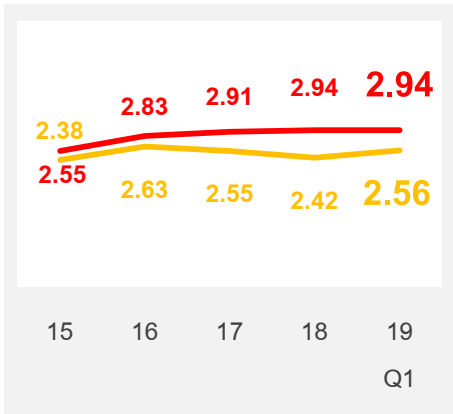




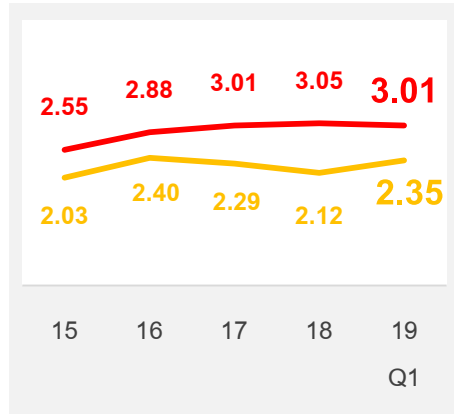
# Overall NPL remained stable.

## However, an increase in NPL of SME and consumer loans should be monitored.

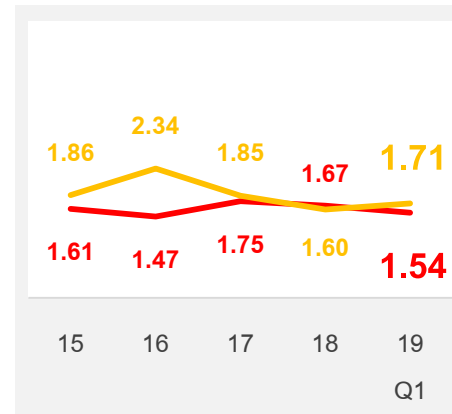
— %NPL  
— %SM



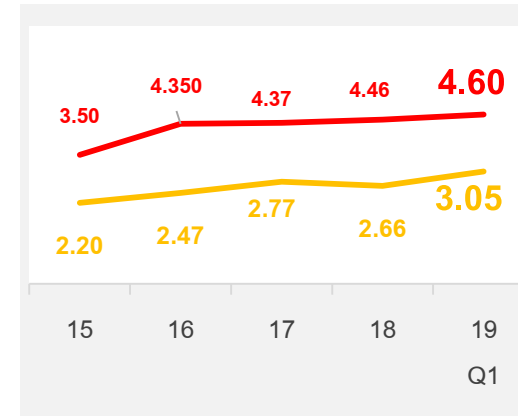
Total Loan



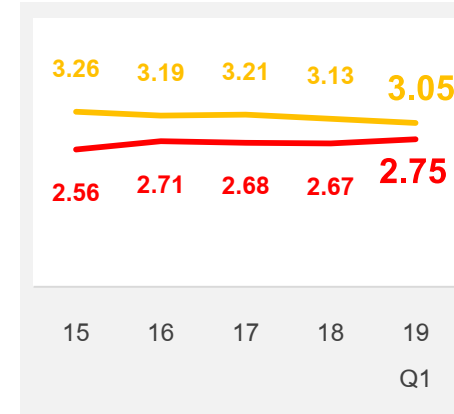
Corporate Loan



Large Corporate Loan



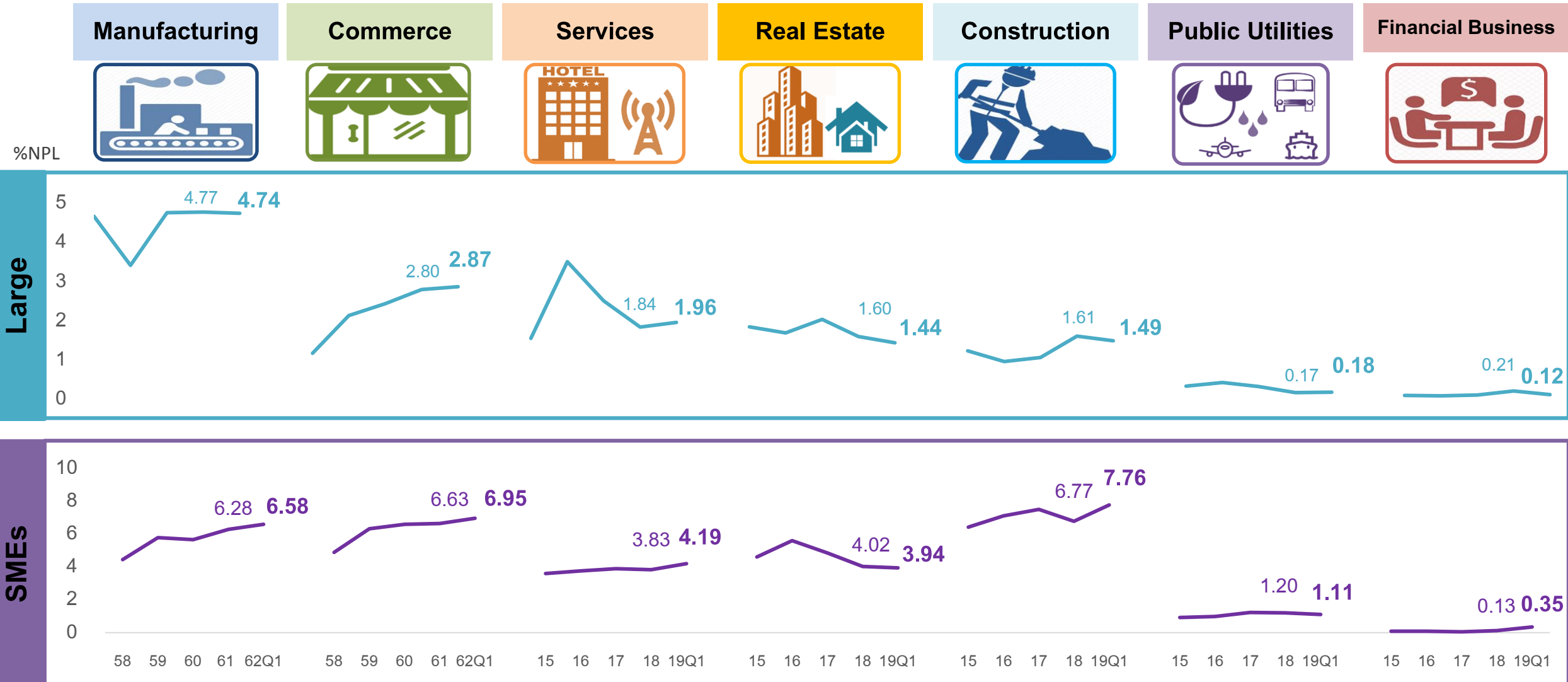
SME Loan



Consumer Loan



## NPL of SMEs in several businesses remained high with upward trend partly due to structural problem, affecting their competitiveness.



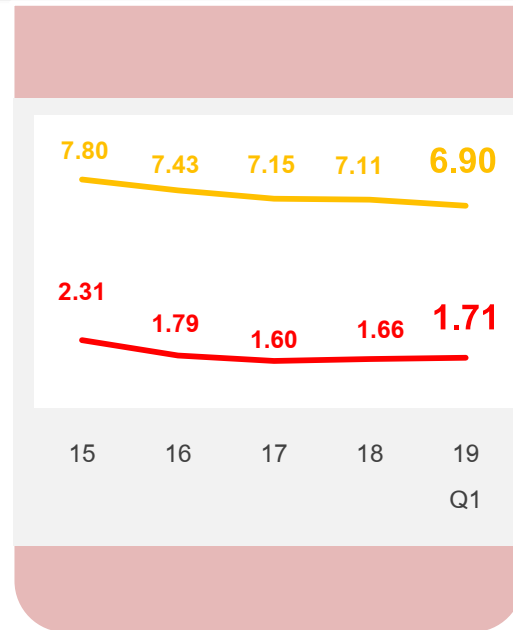


# NPL of Consumer loan increased in all portfolios, especially in housing and auto loans

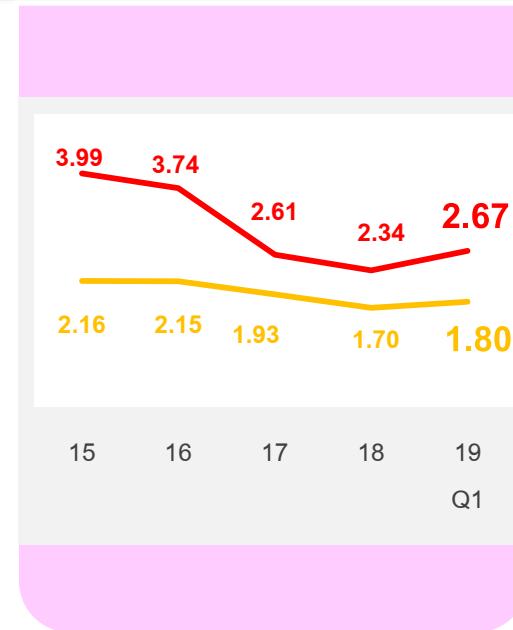
## Housing



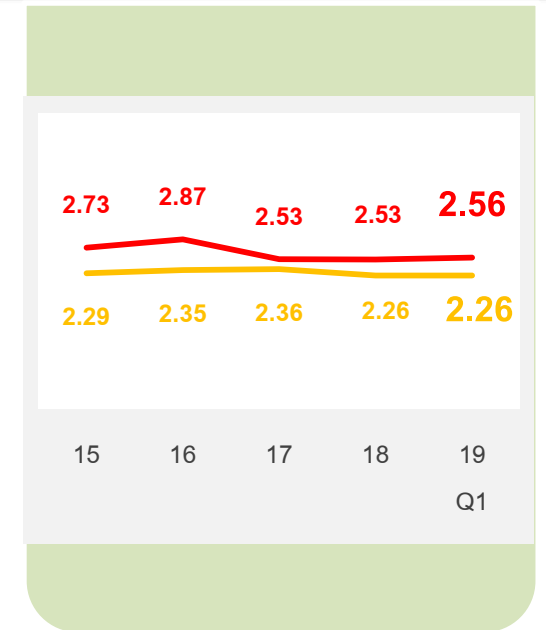
## Auto



## Credit Card

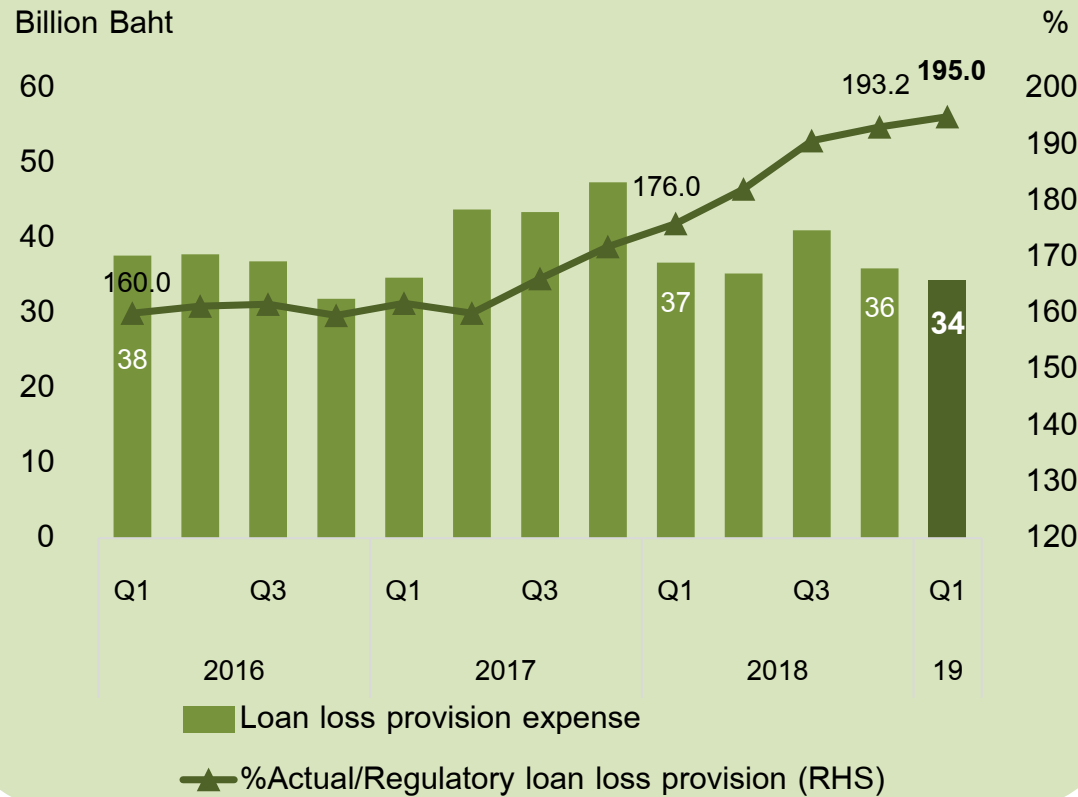


## Personal





## Loan loss provision



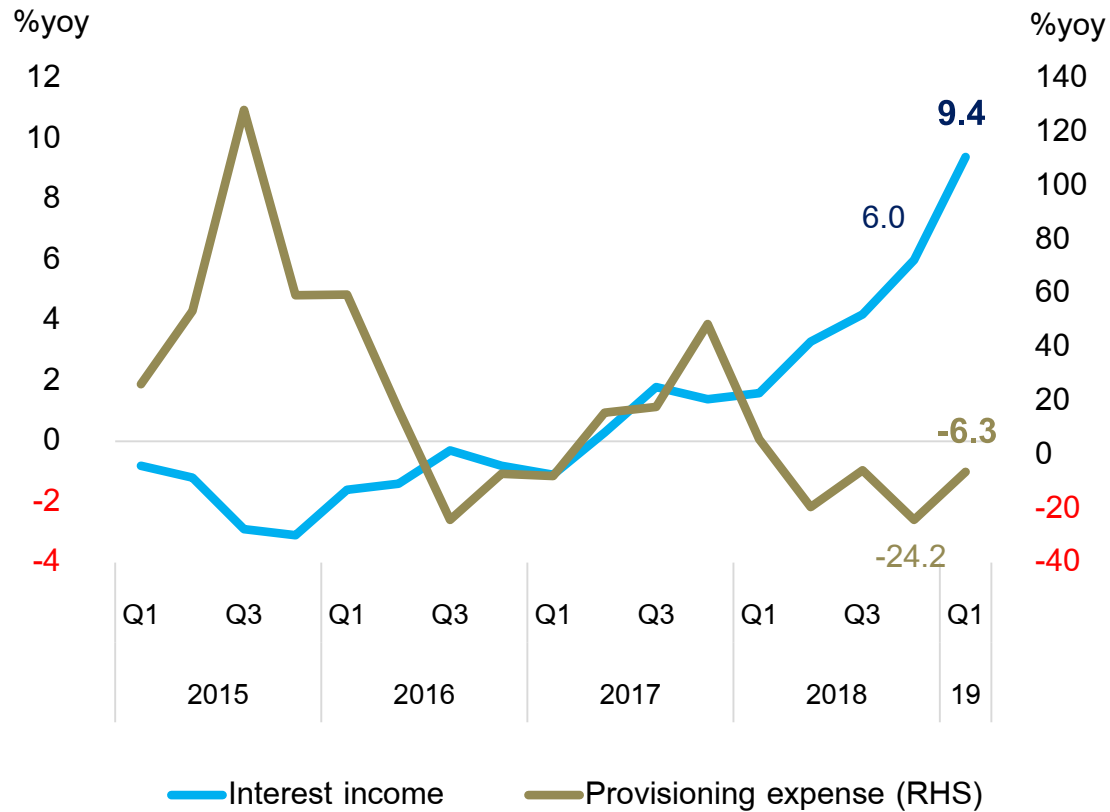
## Capital fund



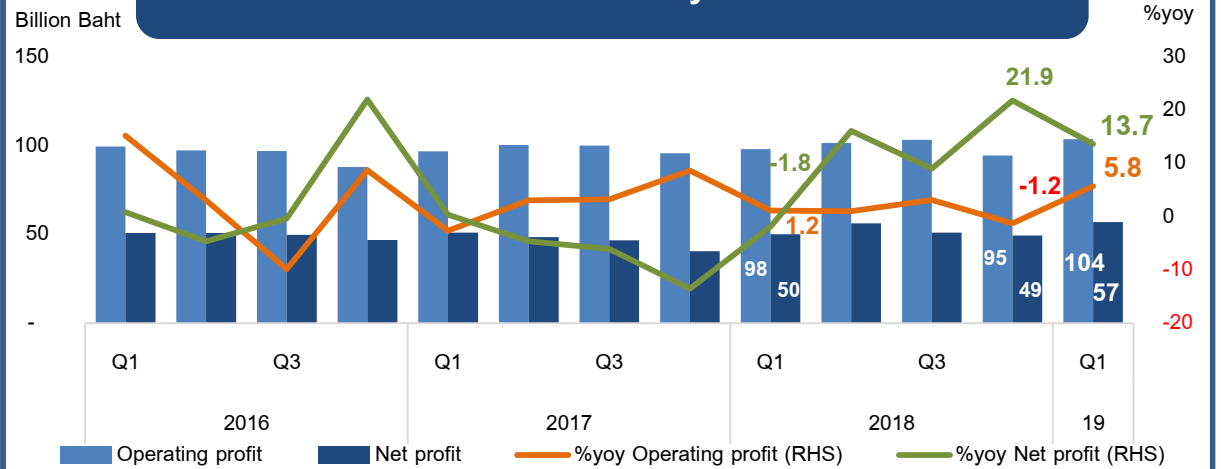


# Net profit increased due to higher interest income from loan expansion, extraordinary income and lower provisioning expenses, resulting in improved profitability ratios.

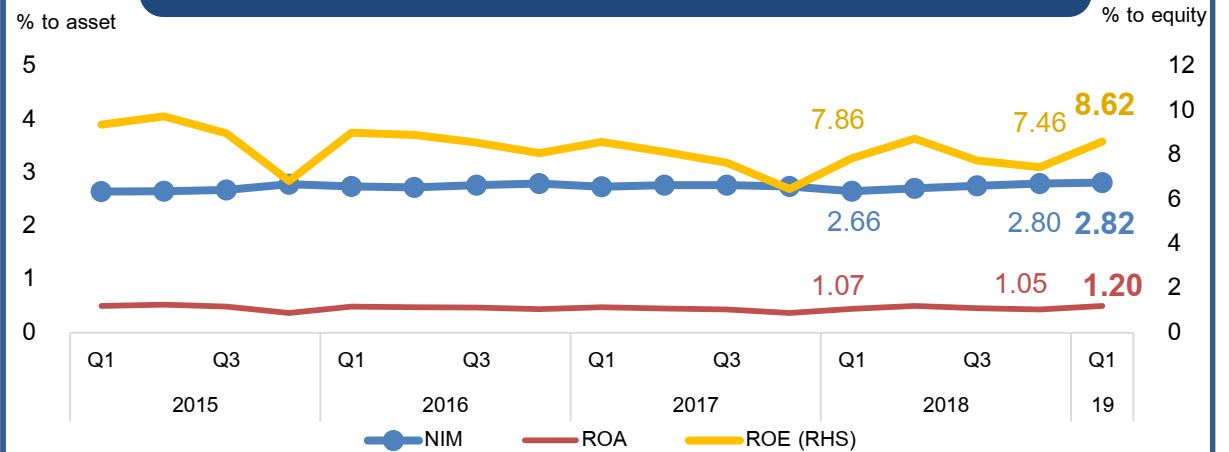
## Growth rate of interest income and provisioning expenses



## Profitability



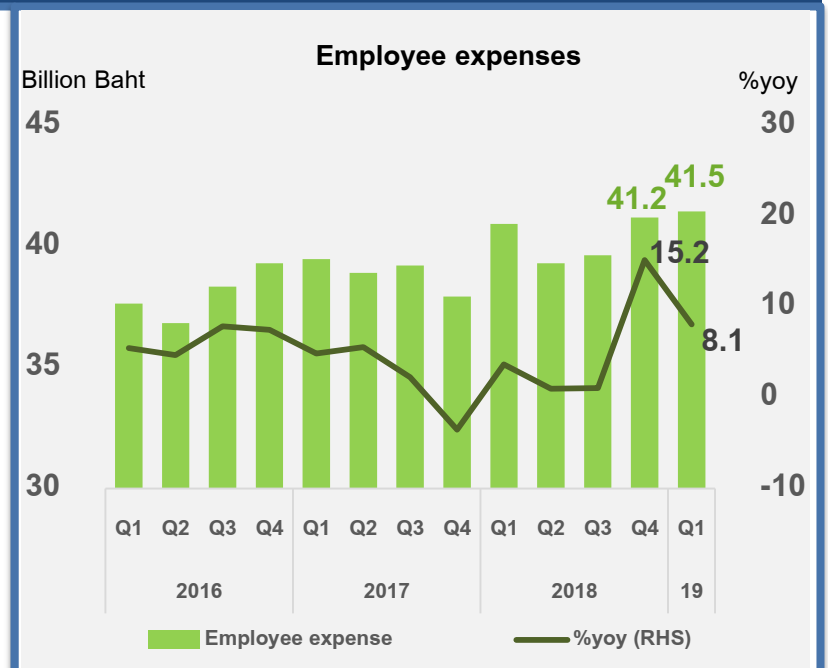
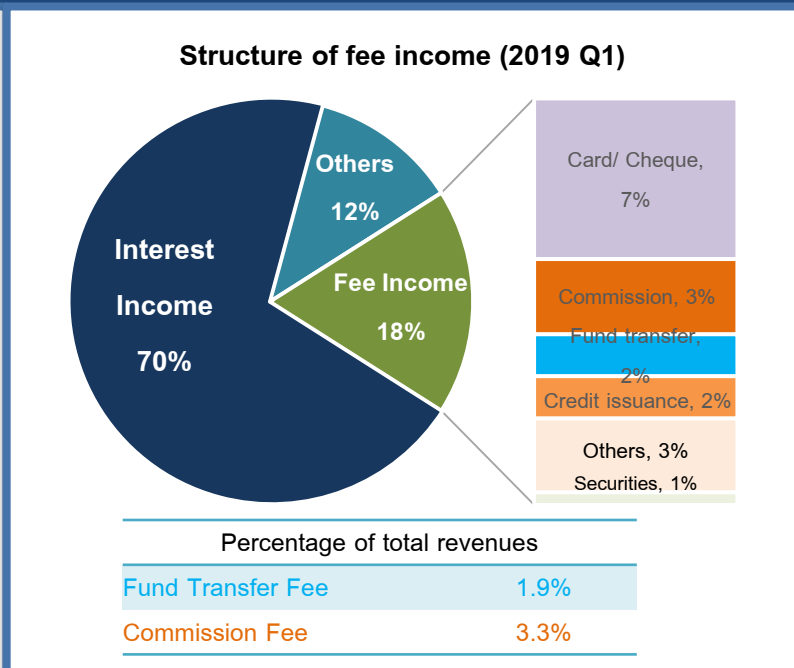
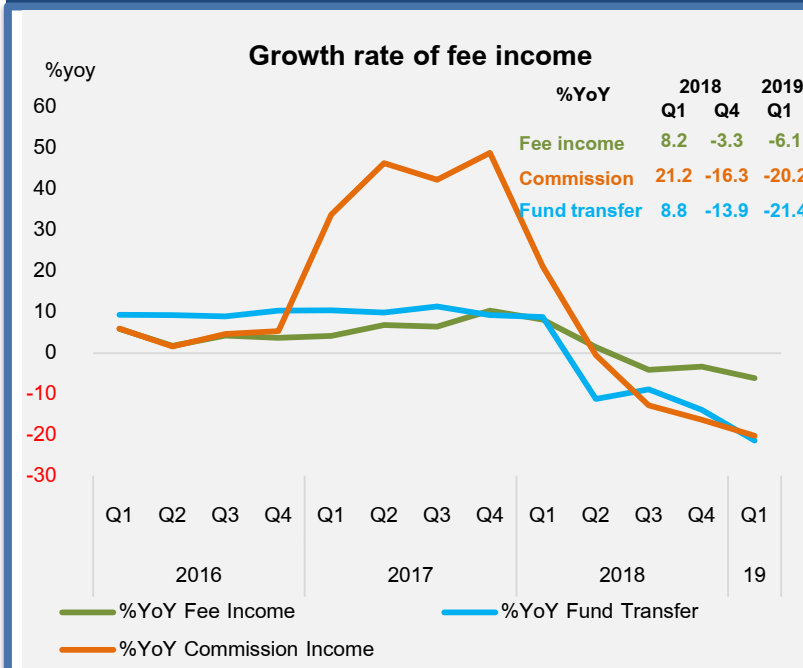
## Profitability ratio





# Fee income continued to contract from decline in fund transfer fee and commission-based income, while employee expenses increased.

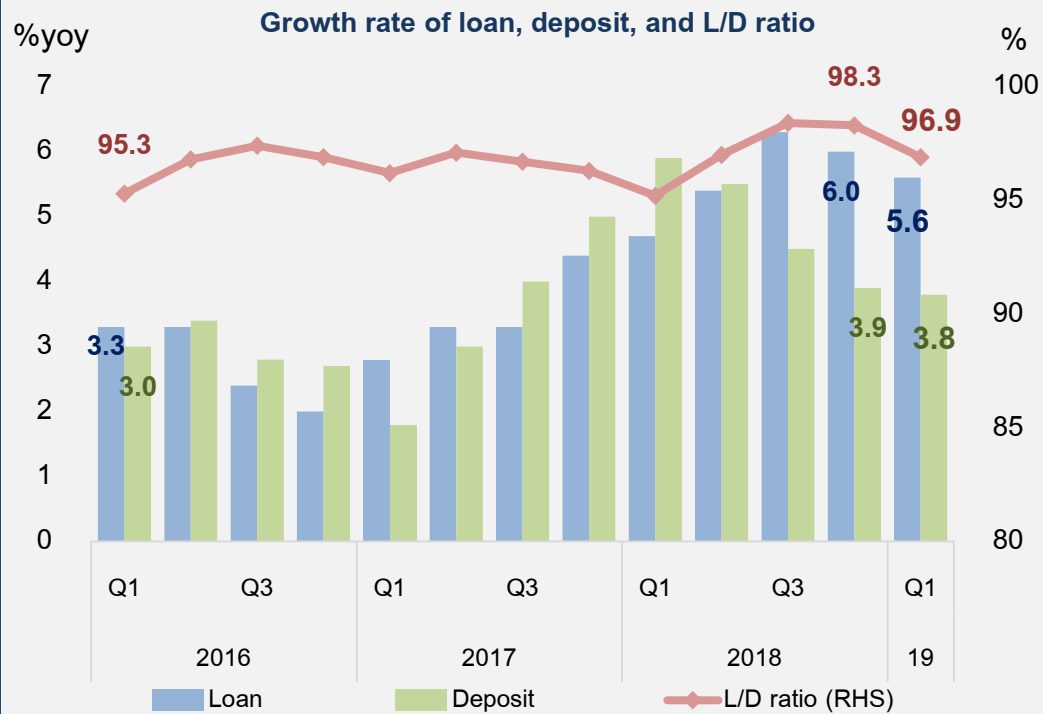
- Fee income dropped as a result of waived digital transaction fee and declined commission fee.
- Employee expenses rose due to provision for employee benefits under new Labour Protection Act.





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

## Loan to Deposit Ratio



## Liquid Assets

