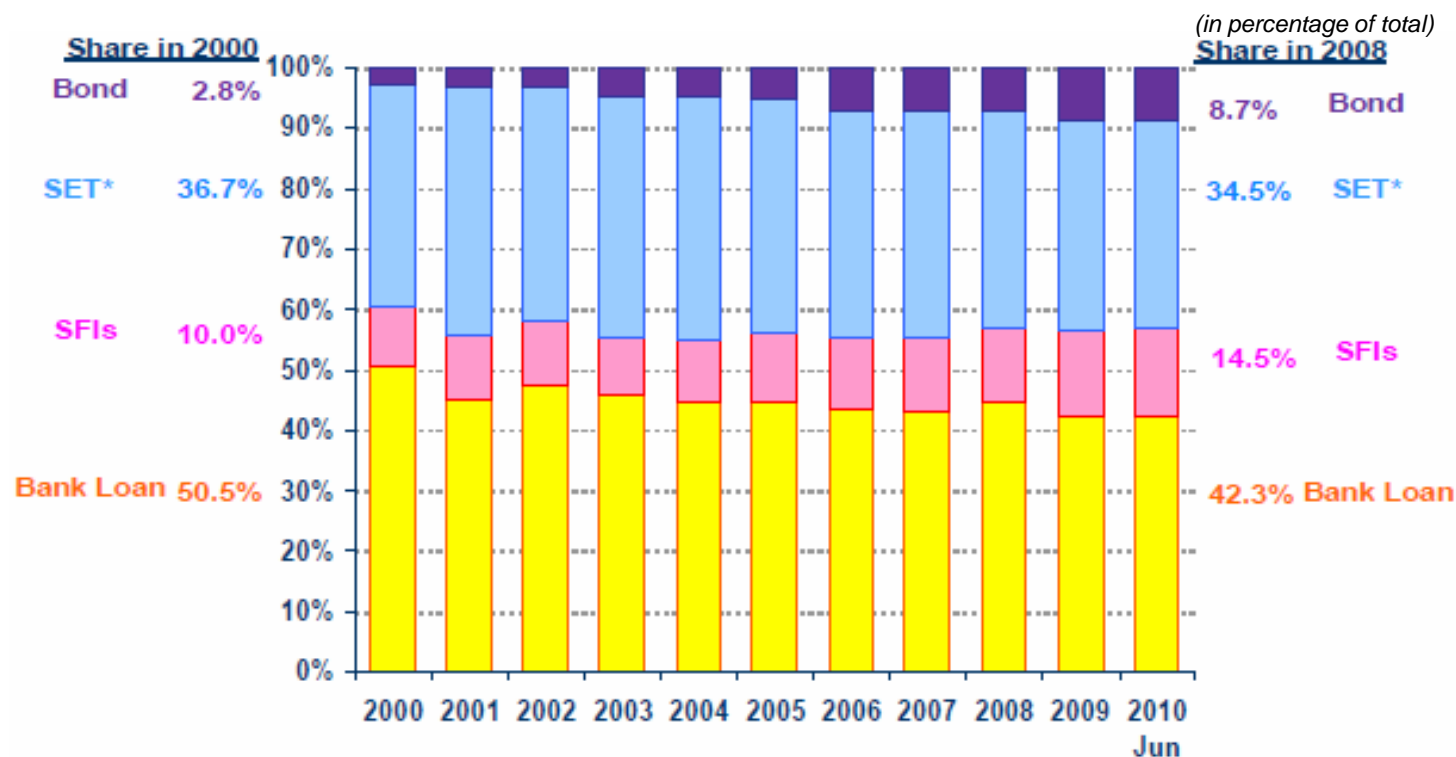

EE431: Lecture 5 (Spring 2012)
Thai Banking Landscape,
Tidbits and Those Other Things

Financial Landscape:

After 1997 Crisis, What Changes?

Composition of Private Sector Financing

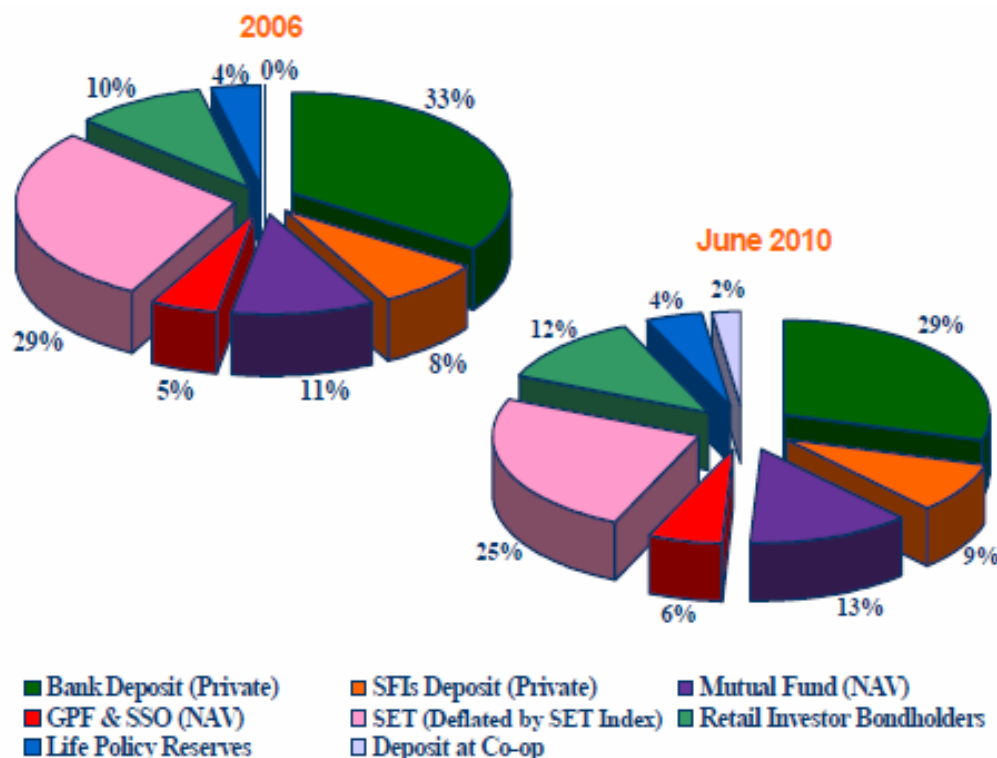


- Although Thailand still has a bank-based financial system, other financial institutions such as capital markets and SFIs are assuming a more prominent role.
- An increase in SFIs' intermediary roles in recent years was also a result of the crisis. When commercial banks hesitated to lend during economic turbulences, SFIs were then used by the government to stabilize economy via direct lending programs to certain target sectors and underserved segments of the population.

Note: **Bank loan**: Claims on business and household sector, **SET**: SET Market capitalization deflated by SET index, **Bonds**: Corporate Bond outstanding values, **SFIs**: Claims on business and household sector

Source: Bank of Thailand

Churning of Loanable Funds & Saving Alternatives



- Banks is still a dominant player in the financial market. The rapid increase in the market share of institutional savings is a result of the government policy to encourage long-term savings, such as tax incentives from investing in Retirement Mutual Fund (RMF) or Long Term Equity Fund (LTF), and from paying life assurance premiums.

What Changes in Banking Sector Landscape After 1997 Crisis

- The Thai banking sector has experienced a lot of transformation due to financial liberalization efforts, induced by the Asian crisis, and to the Financial Sector Master Plan I (FSMP I), introduced in 2004. As a result of these driving forces, the banking sector has gone through more consolidation, increase in foreign penetration and more competition.

Consolidation

Number of Financial Institutions	Pre-crisis (Jan 1997)	Current (June 2010)
Commercial Banks	31	32
Locally incorporated	15	14
Foreign bank branches	16	15
Retail Banks	-	2
Subsidiary	-	1
Finance and securities companies	91	3
Credit foncier companies	12	3
IBF	42	-
SFIs	7	8
Total	183	46

- The number of both Thai and foreign commercial banks is almost the same as it had been pre-Asian crisis. However, the number of financial institutions declined from 183 prior to the crisis to 46 in 2010 Q2. After the crisis, a number of weak financial institutions were closed down, merged or being acquired by other financial institutions—either Thai or foreign investors.
- Furthermore, Financial Sector Master Plan I (FSMP I), introduced in 2004, encouraged financial institutions, such as finance companies and credit foncier companies, to upgrade or merge-and-upgrade to become commercial banks or retail banks.

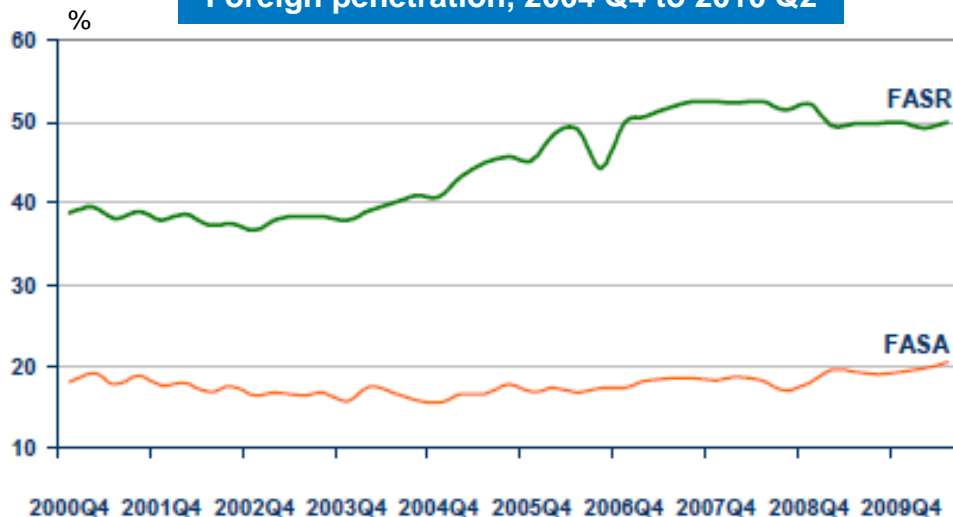
Penetration

Percent of foreign ownership

Bank Name	1997 Q3	2010 Q2
ACL Bank	24.94	97.59
Bank of Ayudhya	20.69	47.06
Bangkok Bank	24.19	42.58
CIMBT	26.52	97.16
Kasikorn Bank	24.45	48.61
Krung Thai Bank	15.28	23.91
Siam City Bank	22.65	15.12
Siam Commercial Bank	24.09	35.12
TMB	22.94	41.29

Note: foreign ownership calculated as percent of share hold by foreign investor to total share

Foreign penetration, 2004 Q4 to 2010 Q2



- FASR calculated as the ratio of the sum of each bank's asset multiplied by the percentage of equity held by foreigners to total bank assets.
- FASA is the assets of foreign bank branches and hybrid banks as a percent of total commercial bank assets

Competition

- Two methods were used to measure the level of competition structural and non-structural approaches. The structural approach associates competition with bank concentration or efficiency while the non-structural approach considers banks' competitiveness, using industrial organization and game theory techniques.
- The structural analysis includes the concentration ratio (CR5), Herfindahl-Hirschman Index⁵ (HHI) and the Boone indicator, while the nonstructural approach regards the Panzar-Rosse's H-statistic.

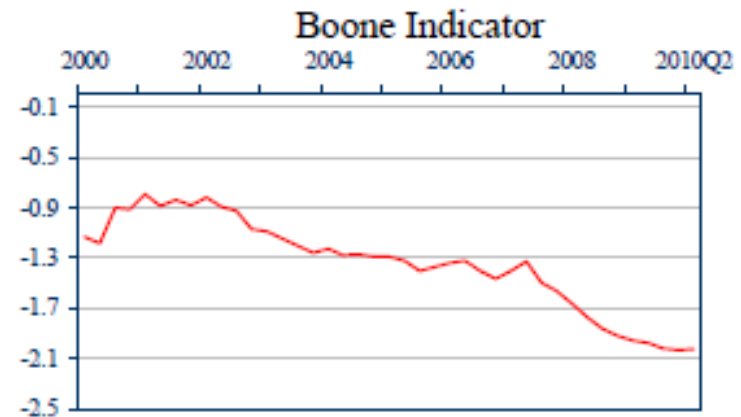
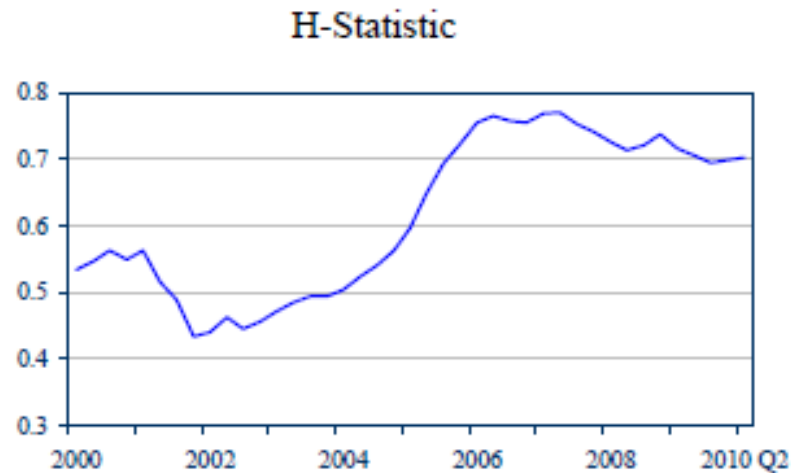
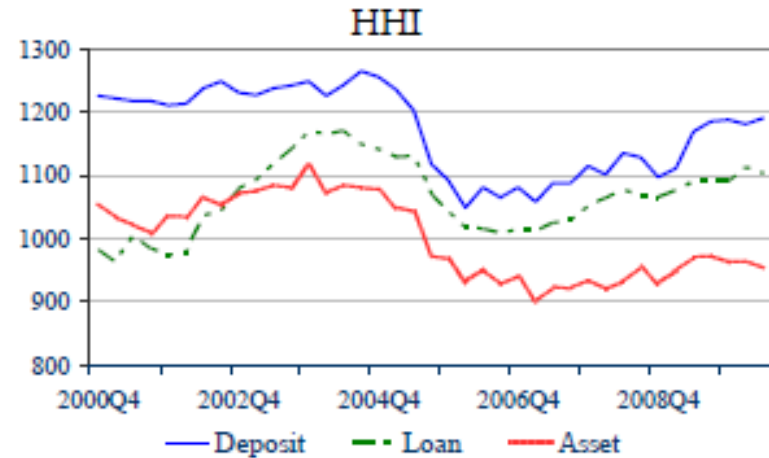
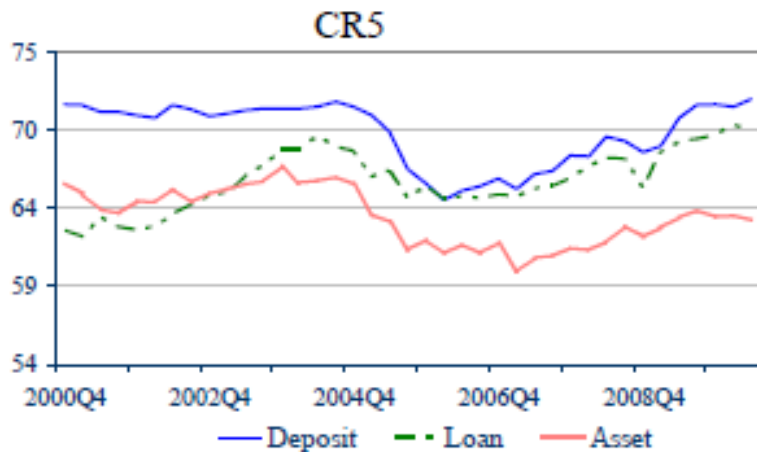
$$CR5 = \sum_{i=1}^5 s_i \text{ where } s_i = \text{market share of firm } i$$

$$HHI = \sum_{i=1}^n s_i^2 \text{ where } n \text{ is the number of firms in the industry}$$

- The Boone indicator is based on the Efficiency Hypothesis, which assumes that bank's performance is driven by its efficiency. Under perfect competition, the more efficient firms gain higher market shares or higher profits.
- The Panzar-Rosse approach estimates the elasticities (H-statistic) of a firm's revenue with respect to input prices. The measure based on the idea that competitive firms are price takers and must pass on the cost to customers, while a monopoly can vary output to maximize profits in the face of higher input prices. The value of H-statistic ranges from $-\infty$ to 1. A negative H-statistics means market is monopolistic whereas a unit of H-statistic means market is perfect competition.

Competition

Various competition measurements

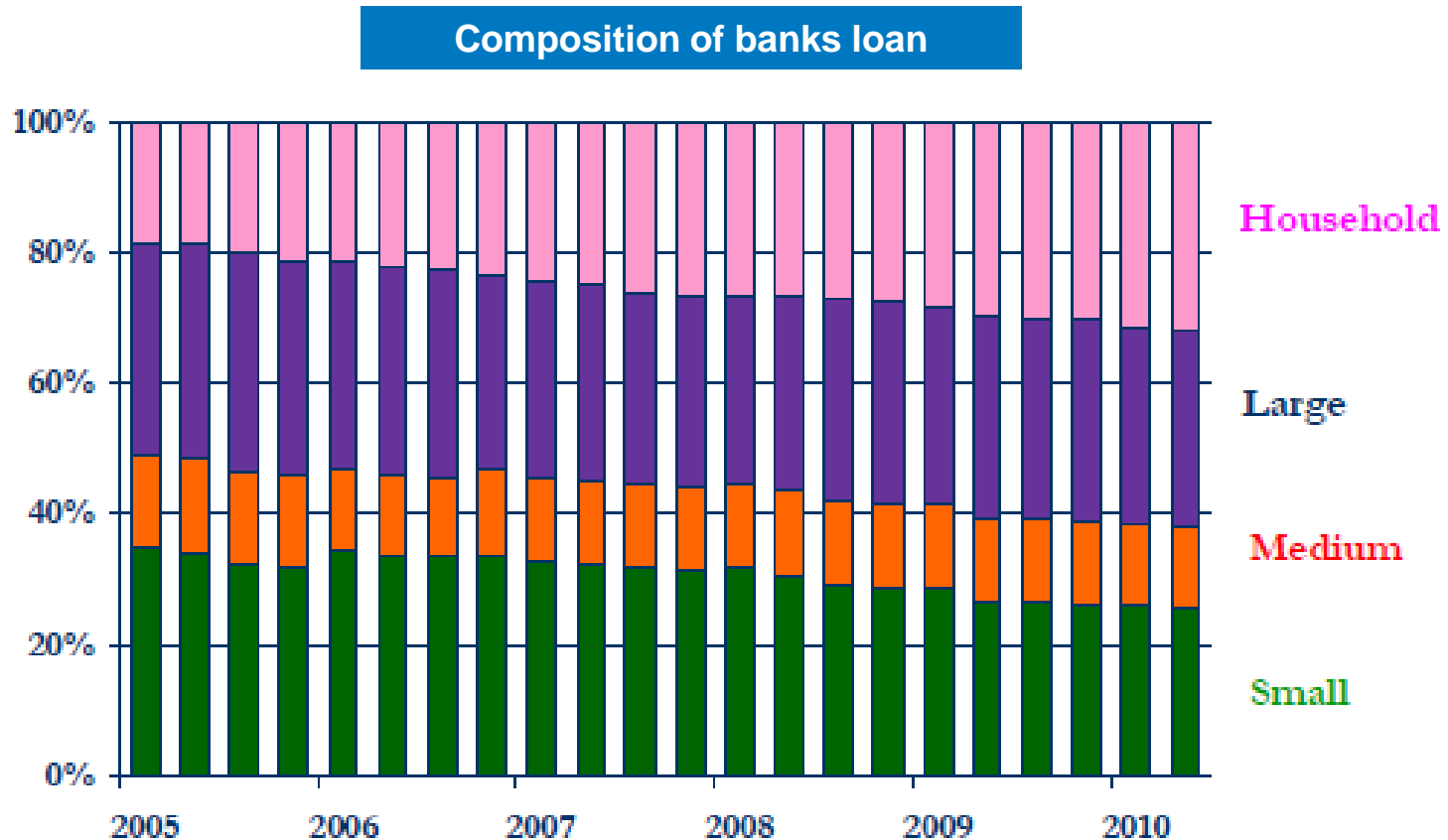


Note: H-Statistic and Boone indicator: sample includes: BAY, BBL, CIMBT, KBANK, KTB, SCB, TMB, SCIB, SCBT*, and UOBT* (*Data up to 2008Q4)
Source: BOT, SETSMART

Competition

- CR5, HHI and H-Statistics showed a similar trend that the banking sector became less concentrated or more competitive after the implementation of the FSMP I in 2004. However, the banking sector grew to be more concentrated or less competitive again a few years later during the politically unstable time period.
- In contrast to the above measurements, the Boone indicator, which reflects the competition in the loan market, revealed that the banking sector became more competitive. The fact that the Boone indicator pointed to more competition may suggest that the loan market itself has become more competitive and some small banks may have gained more competitiveness.

Bank Lending Behavior



- Since the 1997 crisis, banks have changed their business models from lending mainly to large corporations to lending to smaller corporations and households. One of the reasons is the attempt to reduce the vulnerability of the bank since a default from one large borrower can cause a huge damage to the bank.

Financial Landscape:

Getting to Know Thai Banking Sector:

Thai Banking: Deposit Structure

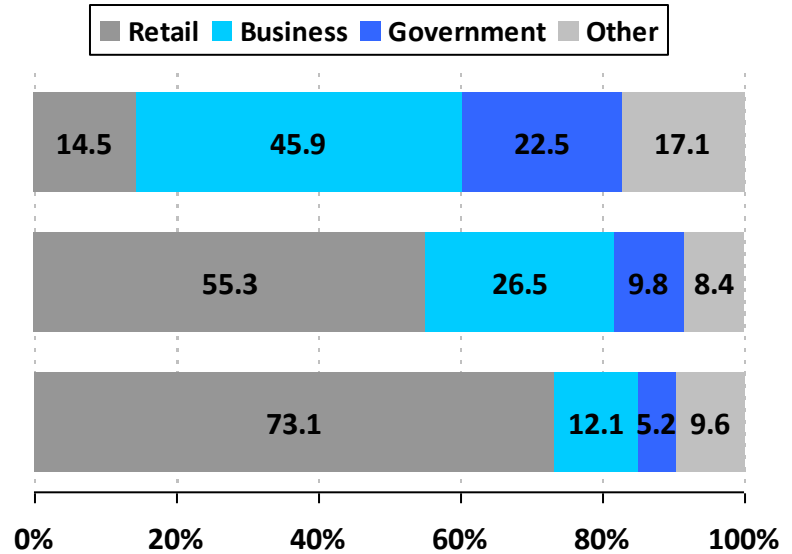
THB mn

57,153	180,613	88,556	67,330
1,835,783	878,537	326,506	279,011
2,550,444	422,445	181,200	333,700

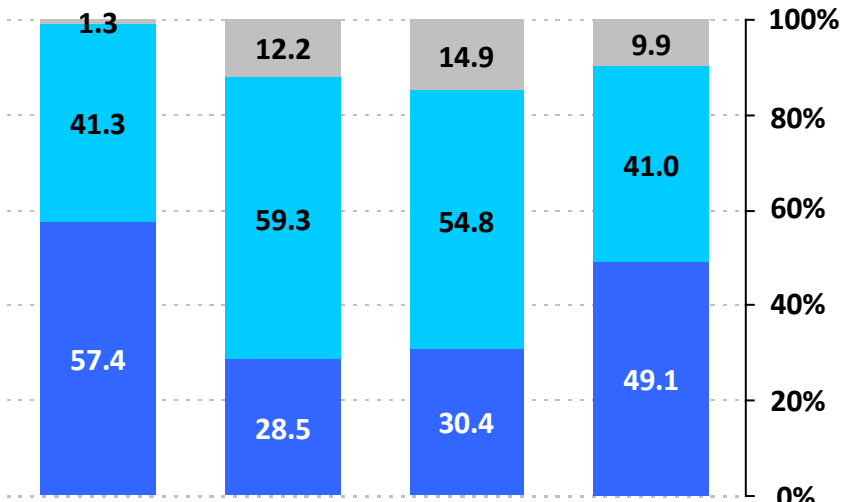
Current

Saving

Time

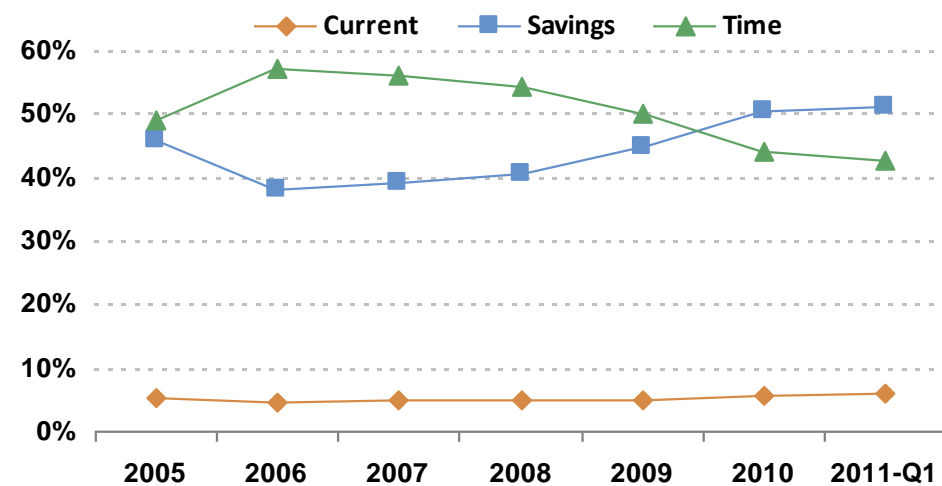


Retail Business Government Other



Current Saving Time

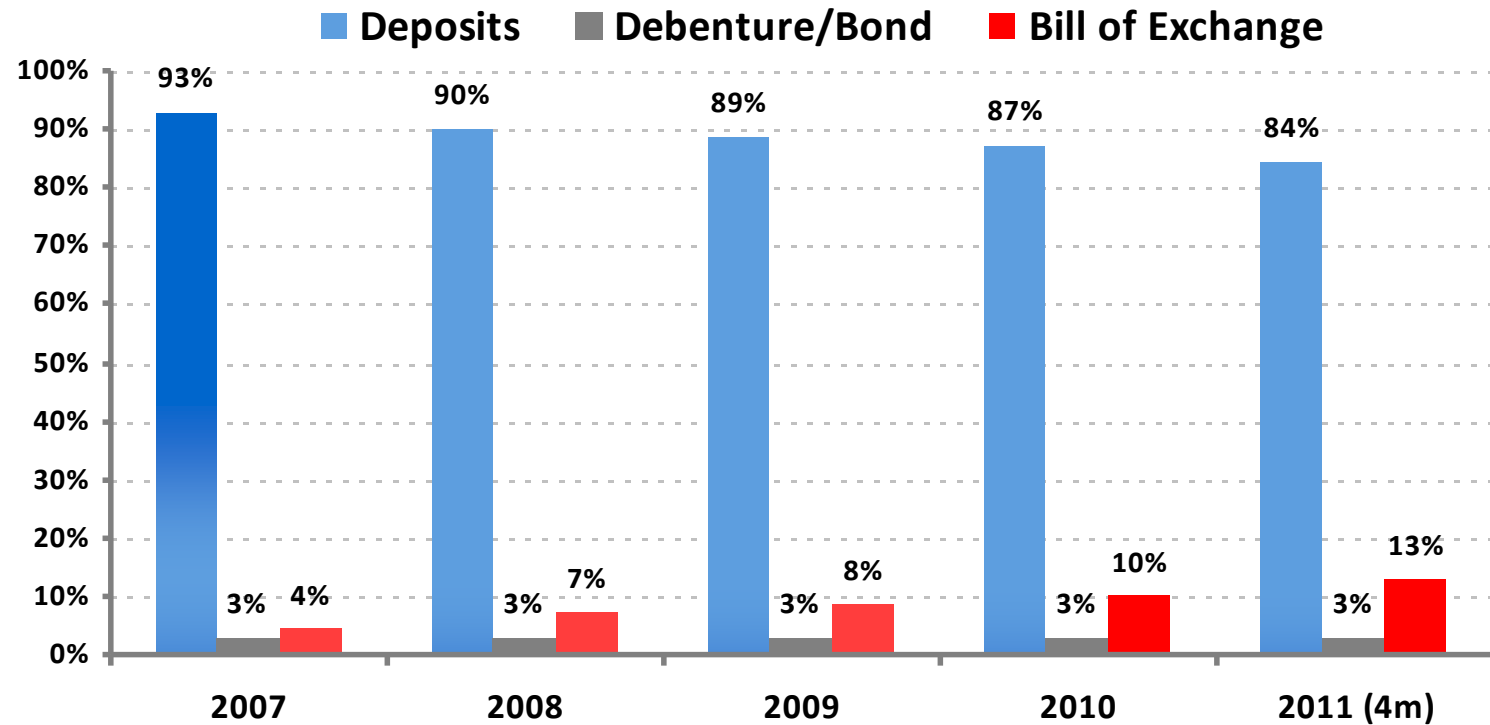
Deposit by Types



Note: Data average 2009-2011
Source: BOT

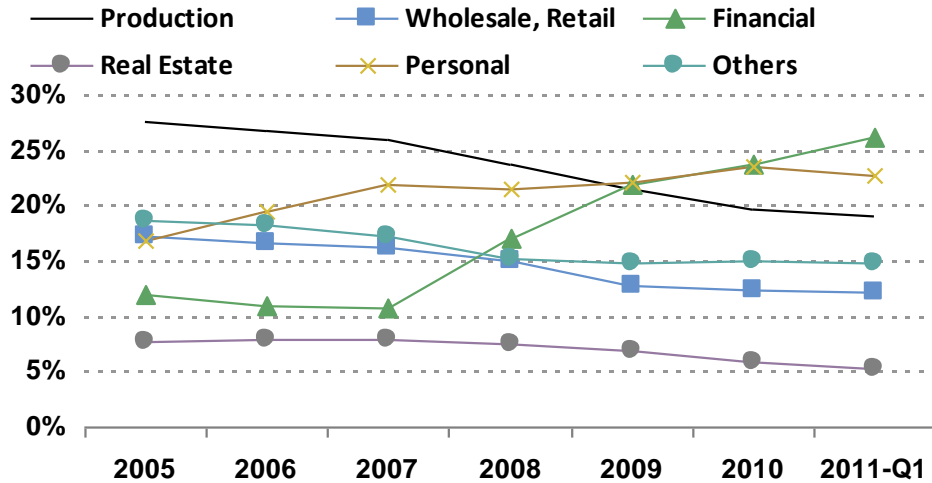
Funding Structure of Thai Banks

Aggregate CB: Funding Structure

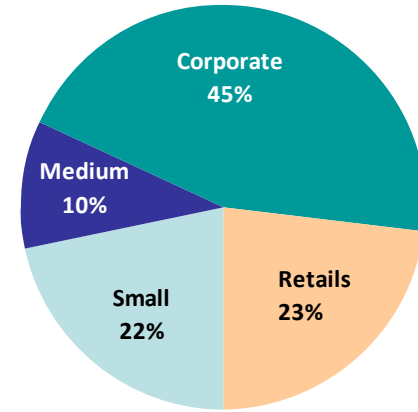


Thai Banking: Lending Structure

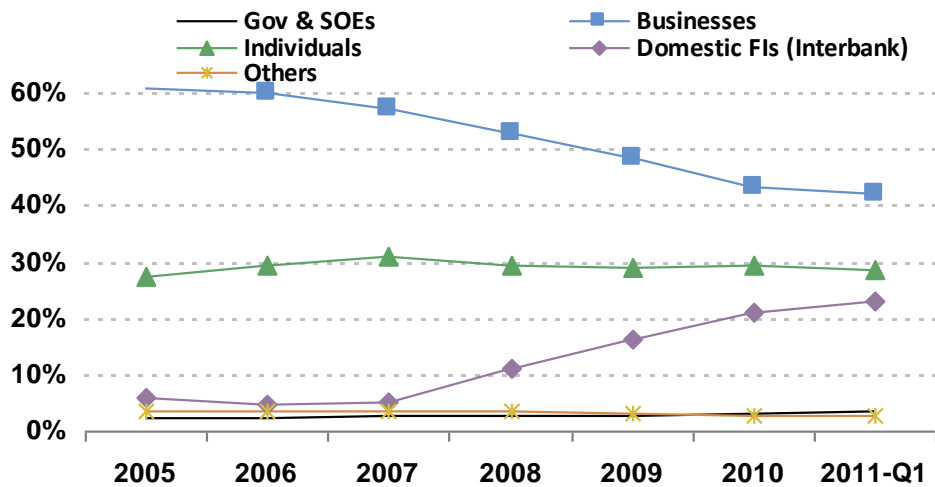
Lending by Businesses



Lending by Sizes (1Q2011)

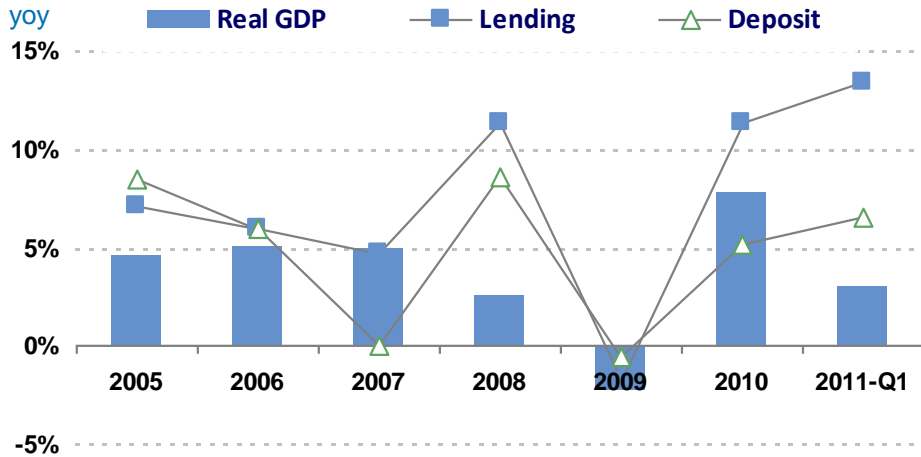


Lending by Debtors

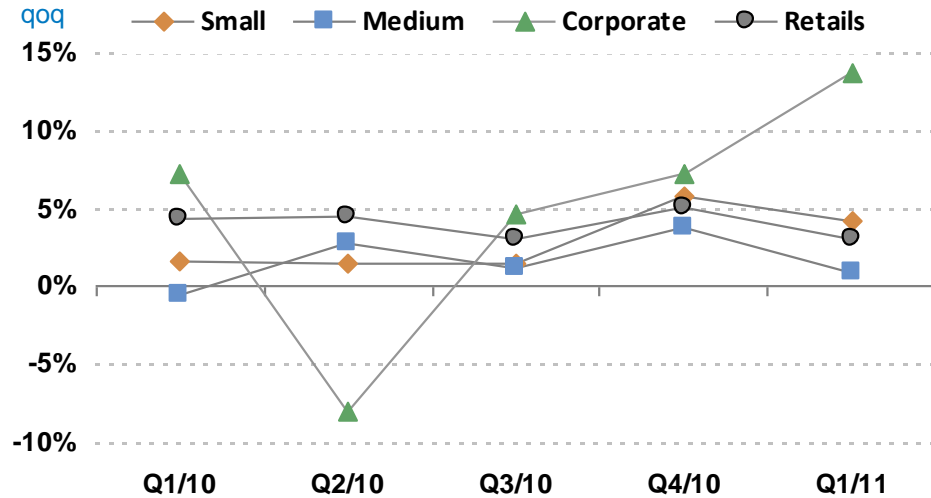


Thai Banking: Growth

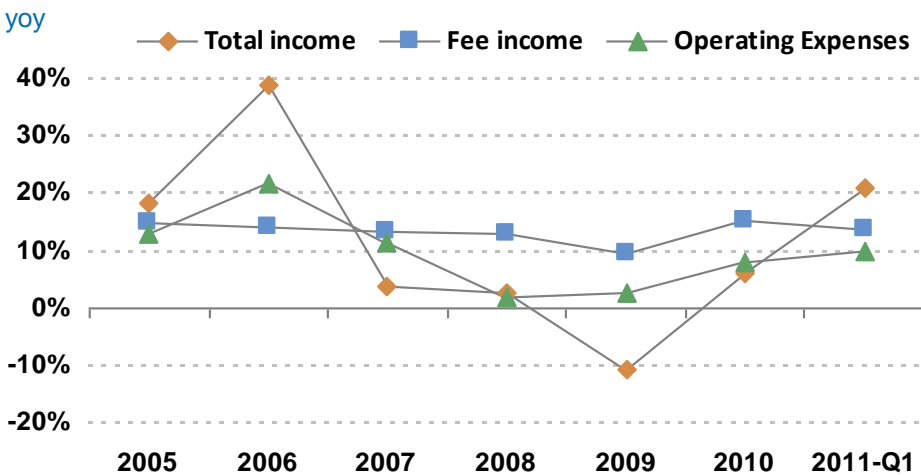
Lending, Deposit & Economic Growth



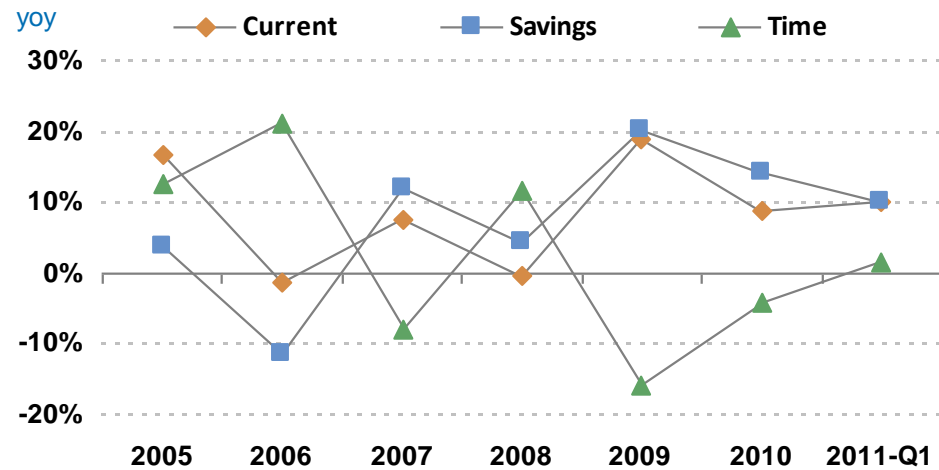
Lending by Sizes



Income & Expenses

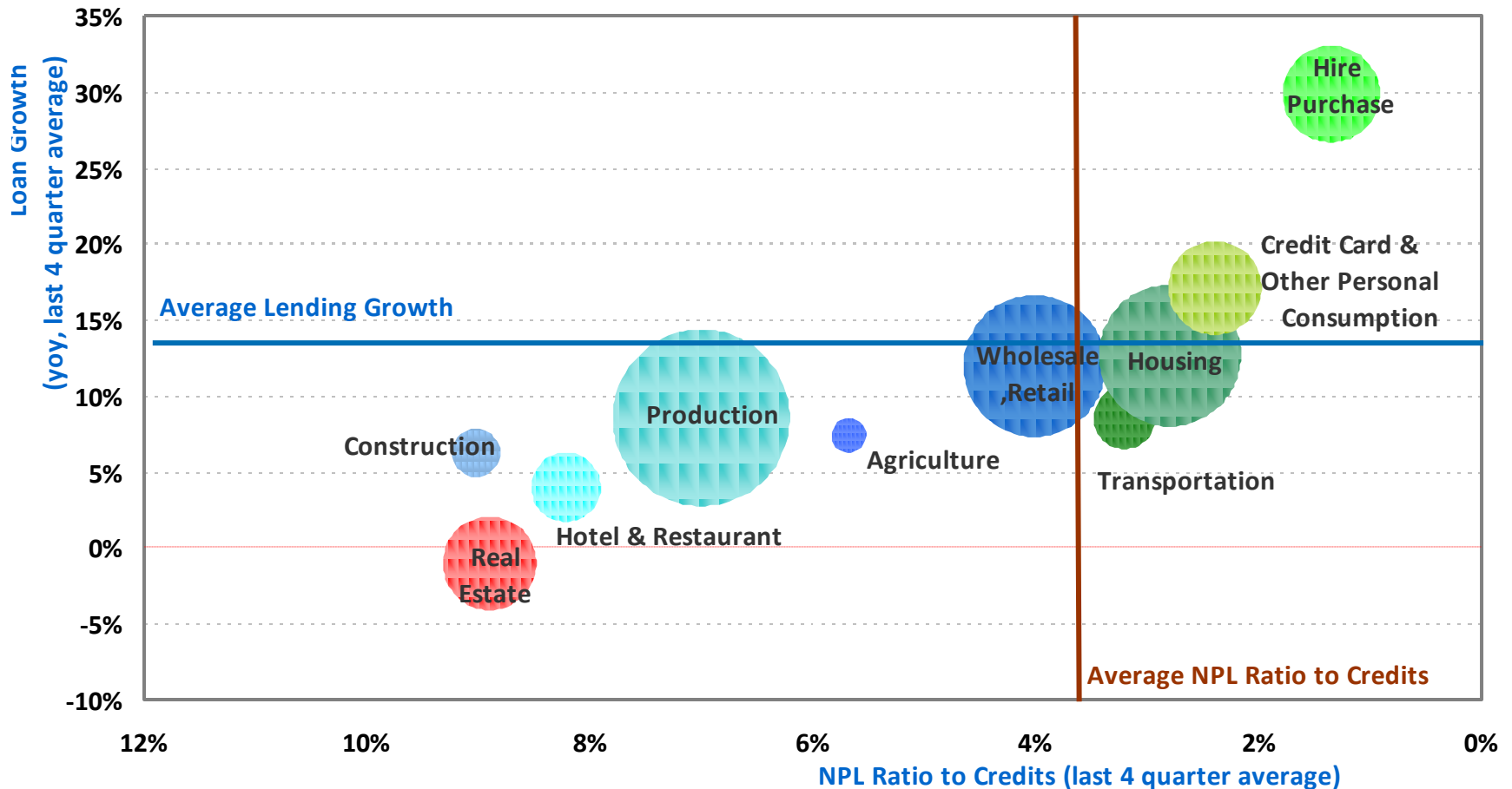


Deposit by Sizes



Source: BOT and TMB Analytics

Credit Growth v.s. NPL: By Segments

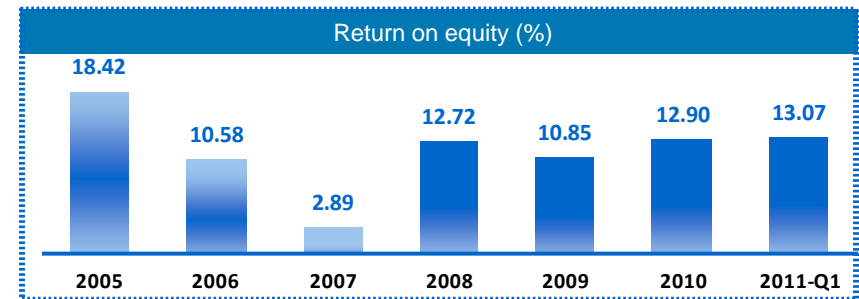
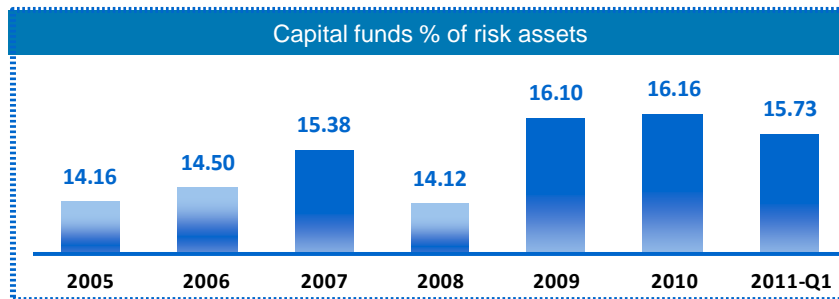
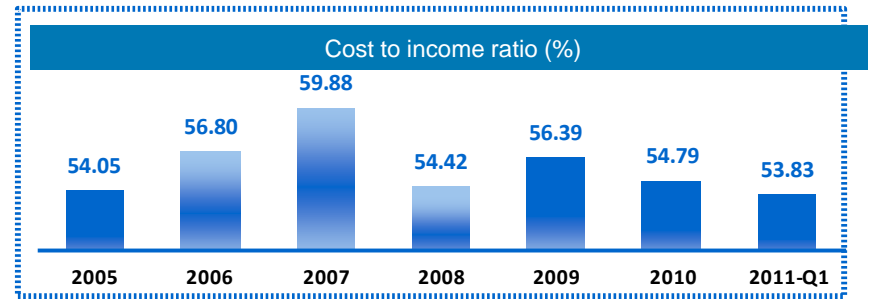
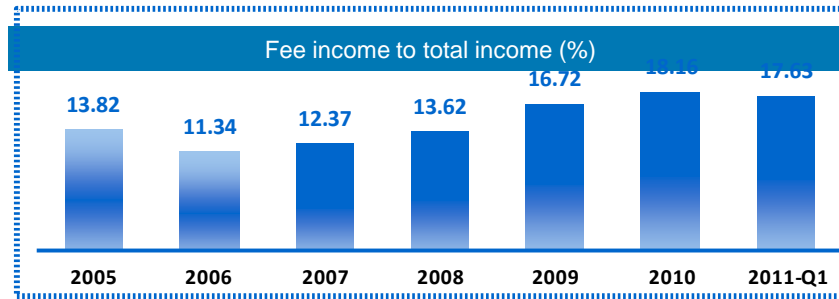
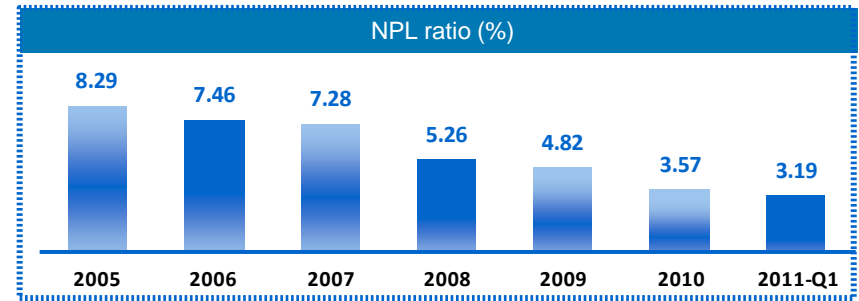
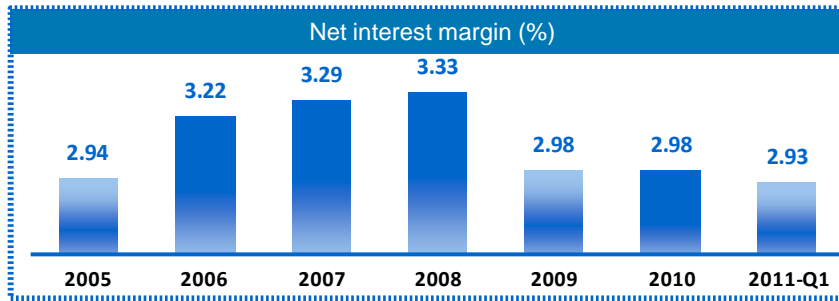


- For last 4 quarters, aggregate loan growth is averaging around 13%, led by retail segments.
- Hire-purchase credit has exhibited staggering growth, while maintaining lowest NPL ratio.

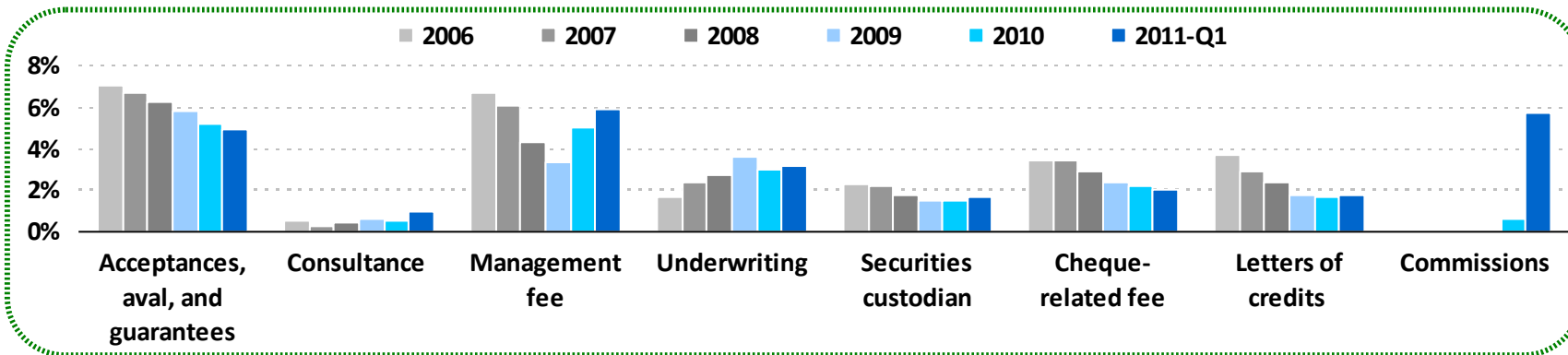
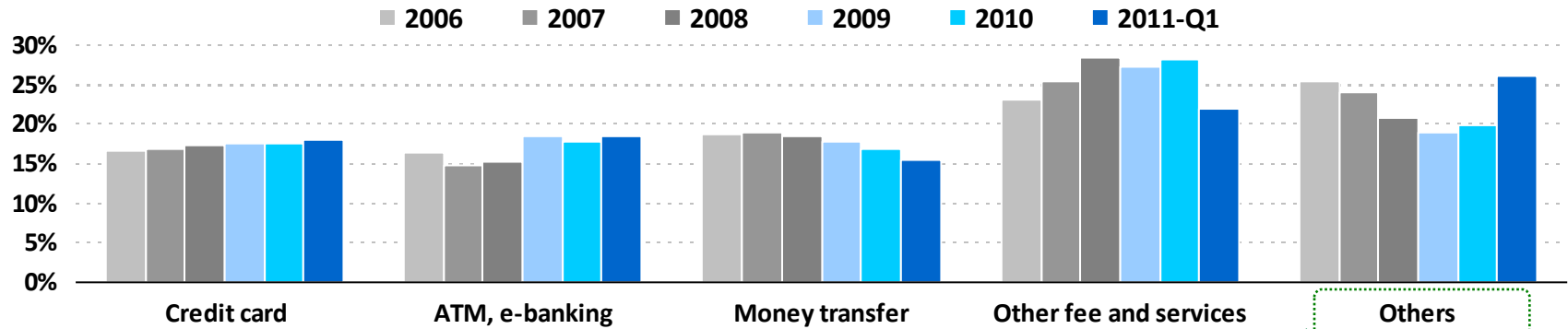
Source: BOT and TMB Analytics (Jun 2011)

Note: Latest 4 quarters average. Size of bubbles indicate size of credits

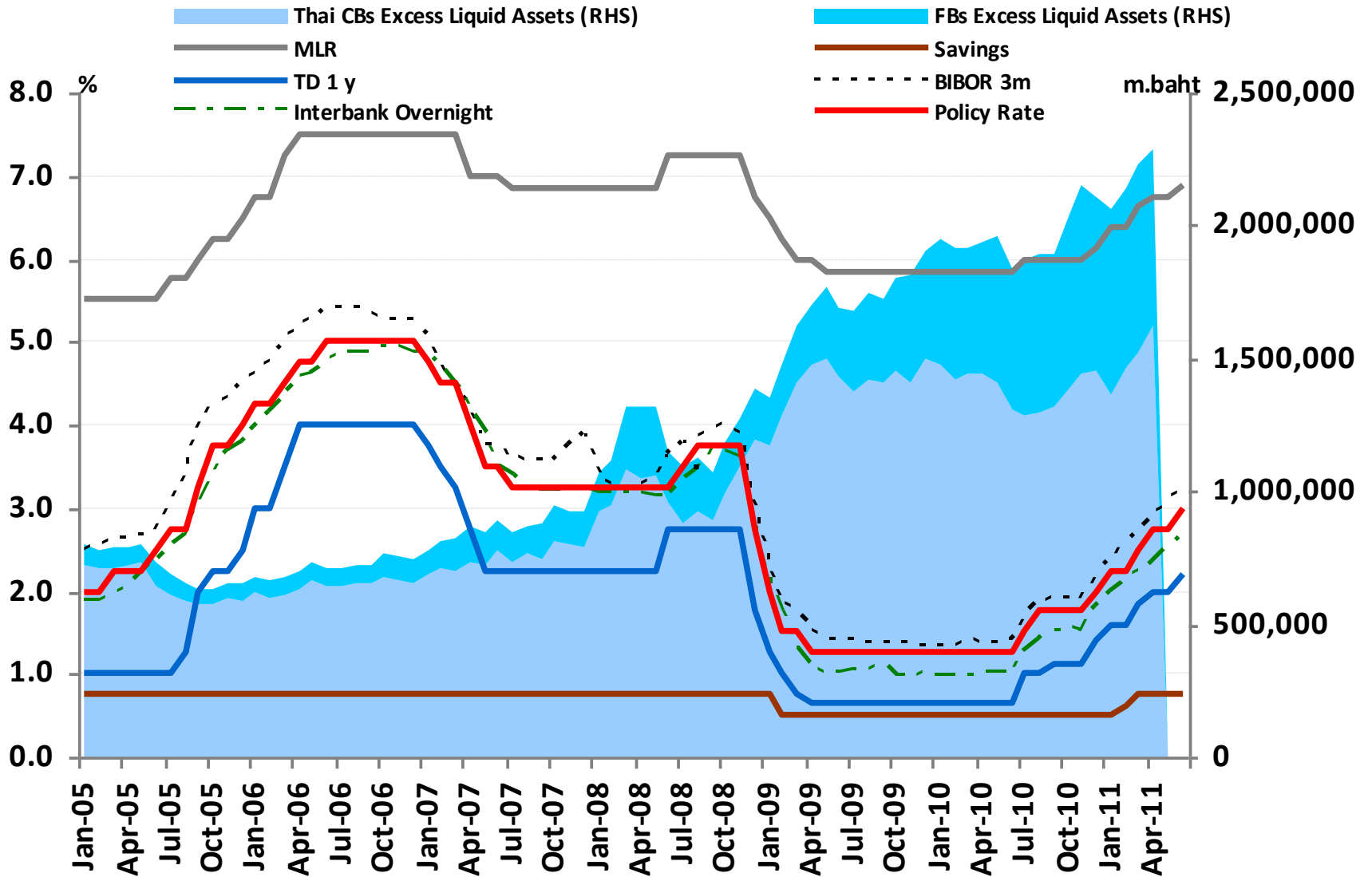
Key Ratios of Thai Banking Sector



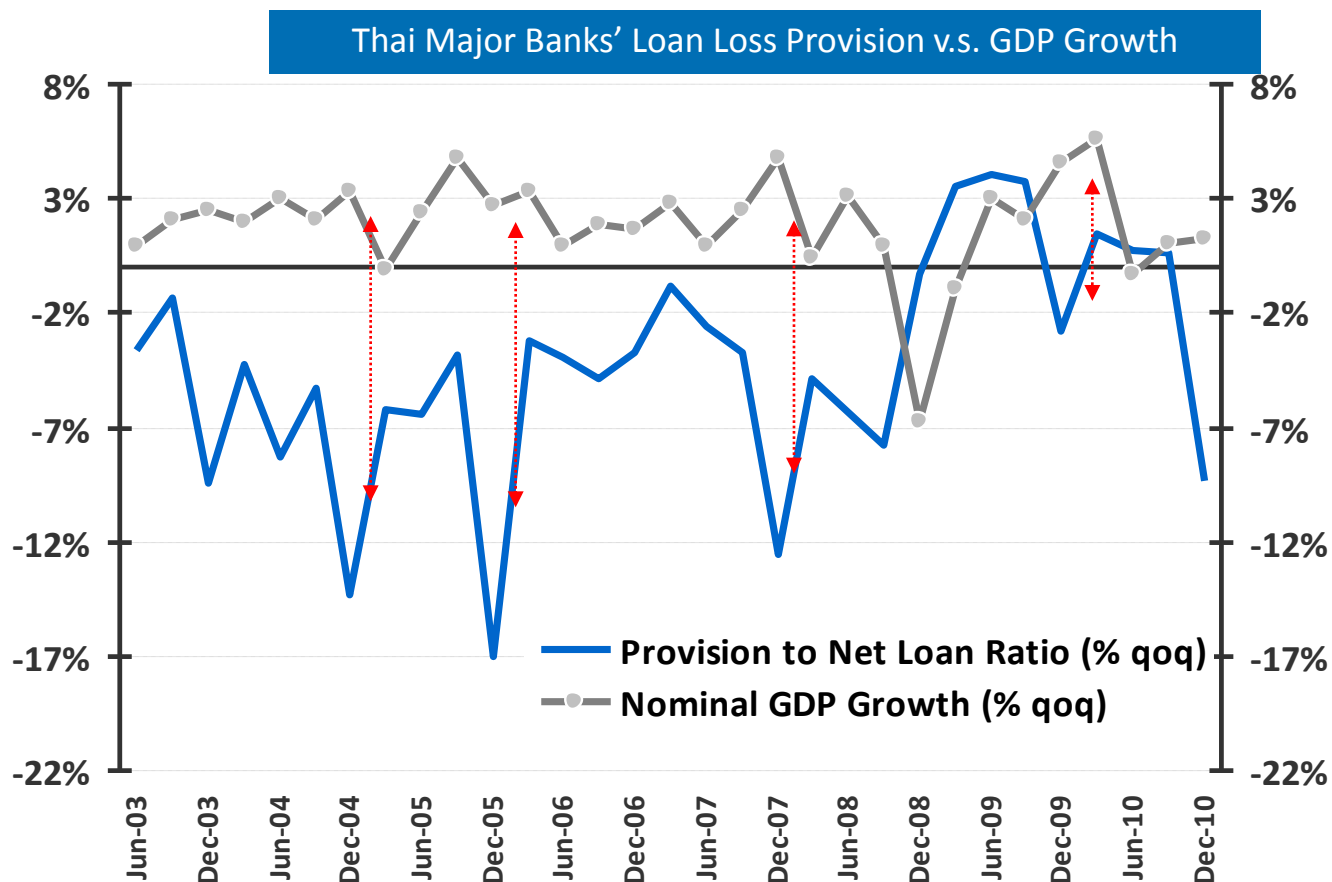
Fee Income Structure



Thai Banks: Interest Rates and Liquidity



Thai Banks: Procyclicality of Loan Loss Provisioning



- BCBS proposed *countercyclical buffer* in the range of 0-2.5% will be decided by BOT of its appropriateness for each country.

Banking Sector:

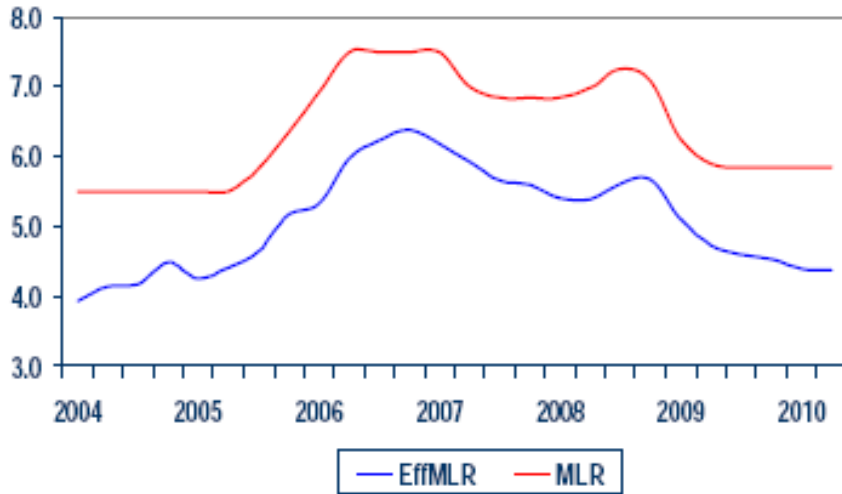
Efficiency Assessment in The Thai Banking System

Efficiency Assessment in The Thai Banking System

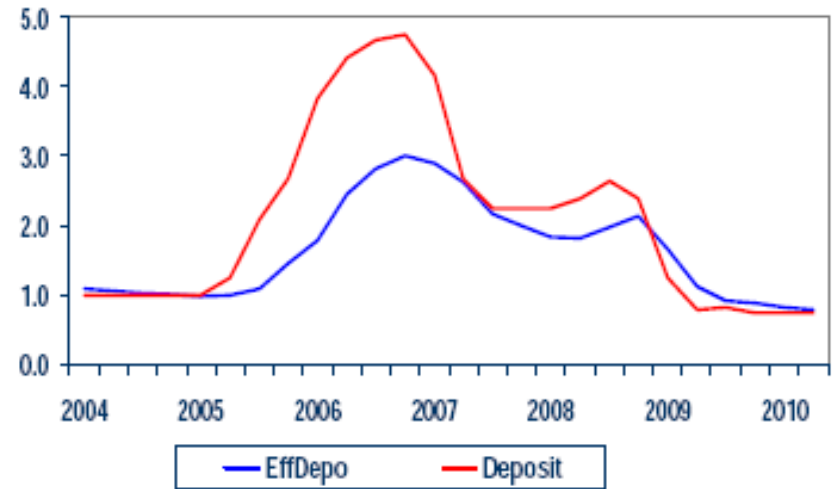
- Thai banking system has a relatively high level of net interest margin but low rate of return on asset, suggesting that the operating cost and/or expected loss, as reflected by loan loss provision, may be high.
- Closer examination using the methodology of risk-adjusted return on capital (RAROC) confirms the hypothesis that banks have high operating cost as well as expected loss. Furthermore, there are some frictions in the system that prevents banks from efficiently intermediating funds to the economy.

How to Measure Efficiency

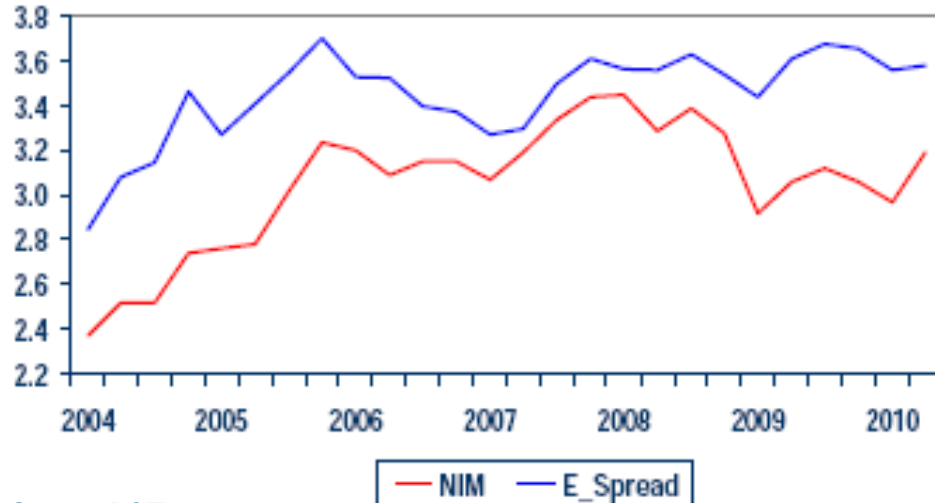
Effective MLR & MLR



Effective deposit rate & deposit rate



Effective spread & NIM

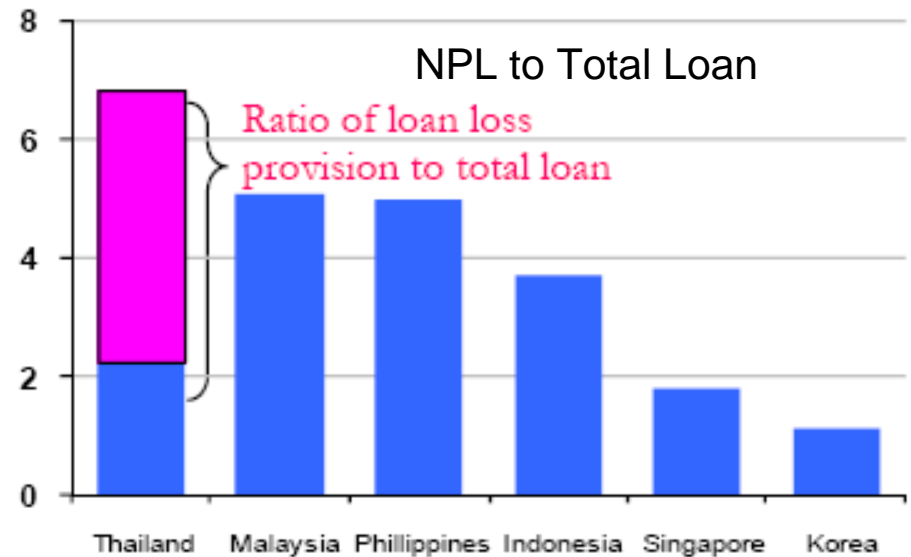
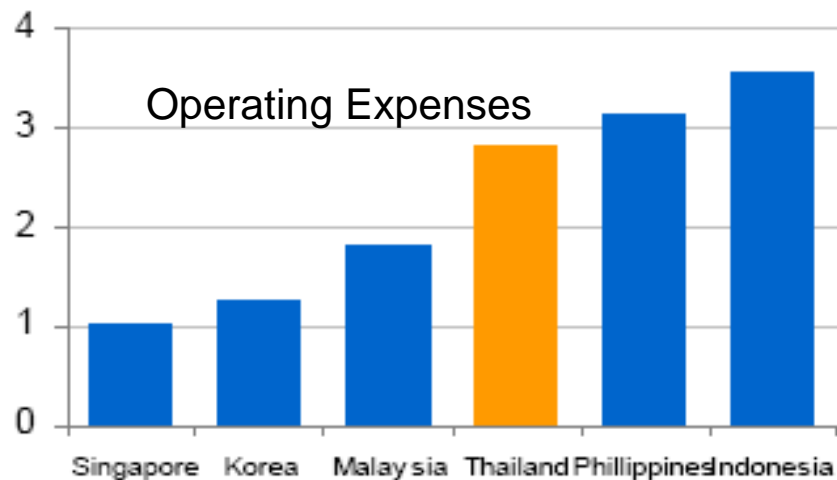
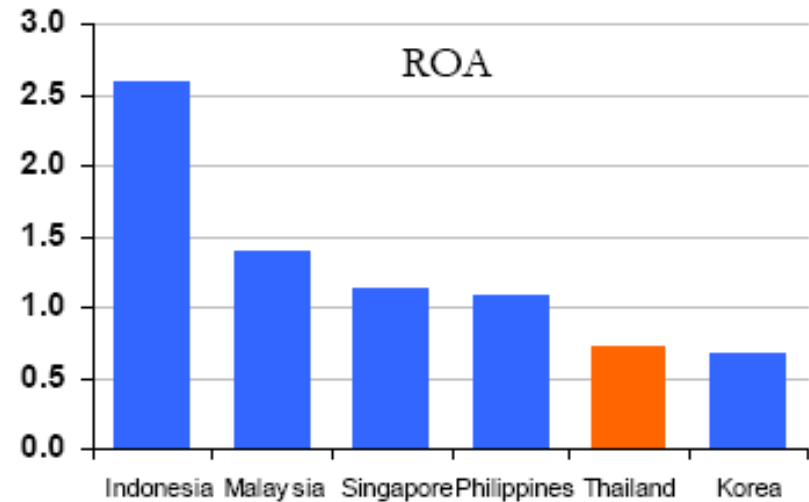
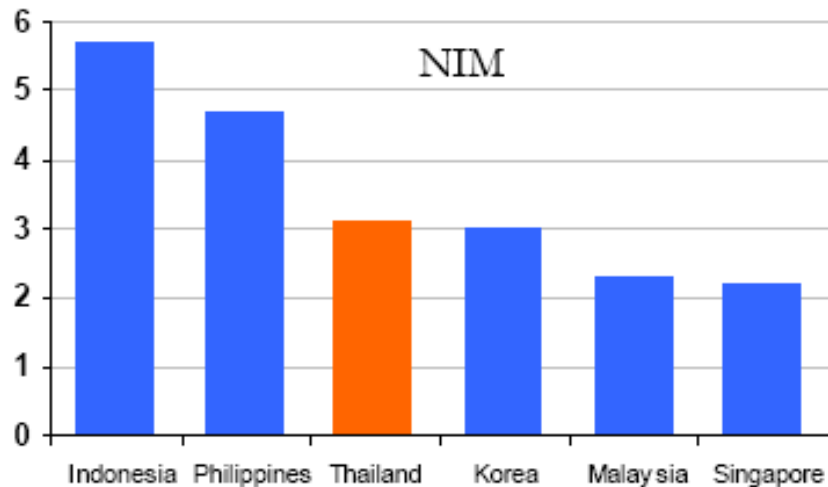


- In the case of Thailand, the general public normally considers the difference between the minimum loan rate (MLR) and the deposit rate as a measure of bank efficiency.
- In reality, we need to look at the net interest spread or effective interest spread which better reflects the actual interest earnings and interest expenses of banks.

Measuring Efficiency

- Although the non-interest income as a share of operating income for Thai banks is relative low, the non-interest income share in terms of total assets remains high, implying that higher costs are the main factor constraining ROA.
- For the case of Thailand, high operating costs may be a result of high level of non-performing loans (NPLs), leading to banks having longer special loan work-out units. Generally, these units are rather costly, as they involve negotiations with borrowers and sometimes litigation fees.
- NPLs in Thailand also impose significant costs on banks, thus further lowering bank profitability. In addition to high administrative costs of managing NPLs mentioned previously, banks must also set aside provisioning when their loans become past due for more than three months. Although, the level of nonperforming loans in Thai banking system has come way down from its peak in 1998 to a single-digit number, it remains the highest in the region.
- It is notable that a significant portion of the non-performing loans has been fully provisioned but Thai banks choose to keep them on the balance sheet, instead of writing them off for legal and tax reasons.

Measuring Efficiency



Decomposition of Interest Spread of Thai Banks

Loan pricing (risk-adjusted return on capital)

Lending Rate	5.85%		
Deposit Rate	0.81%		
Spread	5.04%	504 bps	share of spread
<i>Operating Cost</i>		<i>155 bps</i>	<i>30.8</i>
<i>Expected Loss</i>		<i>160 bps</i>	<i>31.7</i>
<i>DI Fee</i>		<i>40 bps</i>	<i>7.9</i>
<i>Tax</i>		<i>58 bps</i>	<i>11.5</i>
<i>Net return</i>		<i>91 bps</i>	<i>18.1</i>

- The interest rate spread roughly represents the gross profit of a bank.
- The risk-adjusted rate of return on capital (RAROC) is a risk-based pricing model which has been increasingly used by Thai commercial banks. It decomposes interest spread into cost of fund, operating costs, expected loss and required return on capital.
- Only credit risk has been decomposed from our estimate of RAROC. Other risks such as liquidity have not been decomposed. The estimate has not also taken into account the return from investing the required capital in, for example, in a risk-free asset.

Risk adjusted return on capital (RAROC) ... Intro

- Risk adjusted return on capital (RAROC) is a risk-based profitability measurement framework for analyzing risk-adjusted financial performance and providing a consistent view of profitability across businesses. The concept was developed by Bankers Trust and principal designer Dan Borge in the late 1970s.

$$\text{RAROC} = (\text{Expected Return})/(\text{Economic Capital}) \quad \text{or}$$

$$\text{RAROC} = (\text{Expected Return})/(\text{Value at risk})$$

- RAROC system allocates capital for 2 basic reasons:
 - Risk management
 - Performance evaluation
- For risk management purposes, the main goal of allocating capital to individual business units is to determine the bank's optimal capital structure—that is economic capital allocation is closely correlated with individual business risk. As a performance evaluation tool, it allows banks to assign capital to business units based on the economic value added of each unit.

Transparency of Credit Information

Credit bureau coverage ratio (% of adults)

Country	Public coverage		Private coverage	
	2005	2009	2005	2009
Australia	0	0	95.4	100
China	0.4	62.1	0	0
Germany	0.6	0.8	85.6	98.3
Hong Kong	0	0	61.5	71.9
India	0	0	0	10.2
Indonesia	0.4	22	0	0
Japan	0	0	61.5	76.2
Korea, Rep.	0	0	-	93.8
Malaysia	33.9	48.5	-	82
Philippines	0	0	3.4	6.1
Singapore	0	0	33.5	40.3
Taiwan	0	0	33.4	63.2
Thailand	0	0	15	32.9
United Kingdom	0	0	-	100
United States	0	0	100	100
Vietnam	0.8	19	0	0

- Several researches have lent support to the importance of the credit bureau establishment in facilitating lending practices and risk management
- The National Credit Bureau (NCB) of Thailand was first established in 2005 as a result of a merger between two existing credit reporting agencies at the time. The bureau contains personal information on the loan and credit card products only.

Transparency of Credit Information

- Thailand's credit bureau information coverage still lagged behind some other countries.
- This may have been contributed from the limited data collection, which covers only the loans and credit card usage, as well as from the fact that a substantial amount of adults may not have either loans or credit cards either from having no demand for it or was denied access.
- In addition to the limitation on types of data collected in the NCB, the legislation governing the usage of credit bureau information is quite restricted in Thailand. Few of these limitations as follows:
 - Members of NCB are not allowed to inquire information of a guarantor as well as an owner or a board member of a business entity (in case of a business loan), directly from NCB, even with their consent. Instead, the guarantors are required to self-inquire through NCB and then submit the results to banks.
 - The law permits members of NCB to use credit information only for credit analysis (for example using as input for credit scoring) but does not allow the usage of information in model development or testing.

Banking Sector:

Important Players

List of Commercial Banks Registered in Thailand

<i>Unit: billion baht</i>		Assets	Credits	Deposits
BANGKOK BANK PUBLIC COMPANY LTD.	BBL	1,969	1,270	1,422
KRUNG THAI BANK PUBLIC COMPANY LTD.	KTB	1,852	1,295	1,320
SIAM COMMERCIAL BANK PUBLIC COMPANY LTD.	SCB	1,588	1,117	1,123
KASIKORNBANK PUBLIC COMPANY LTD.	KBANK	1,794	1,081	1,192
BANK OF AYUDHYA PUBLIC COMPANY LTD.	BAY	902	598	573
TMB BANK PUBLIC COMPANY LTD.	TMB	614	363	419
THANACHART BANK PUBLIC COMPANY LTD.*	TBANK	499	343	210
THE SIAM CITY BANK PUBLIC COMPANY LTD.*	SCIB	388	271	268
STANDARD CHARTERED BANK (THAI) PUBLIC COMPANY LTD.	SCBT	368	97	107
UNITED OVERSEAS BANK (THAI) PUBLIC COMPANY LTD.	UOB	249	166	132
CIMB Thai Bank Public Company LTD.	CIMBT	142	97	88
TISCO BANK PUBLIC COMPANY LTD.	TISCO	178	165	40
KIATNAKIN BANK PUBLIC COMPANY LTD.	KK	164	117	70
INDUSTRIAL AND COMMERCIAL BANK OF CHINA (THAI) PUBLIC COMPANY LTD.	ICBCT	72	54	24
LAND AND HOUSES RETAIL BANK PUBLIC COMPANY LTD.	LH	65	42	23
THE THAI CREDIT RETAIL BANK PUBLIC COMPANY LTD.	TCR	19	15	14
MEGA INTERNATIONAL COMMERCIAL BANK PUBLIC COMPANY LTD.	MEGA	17	13	5
Total		10,879	7,103	7,031

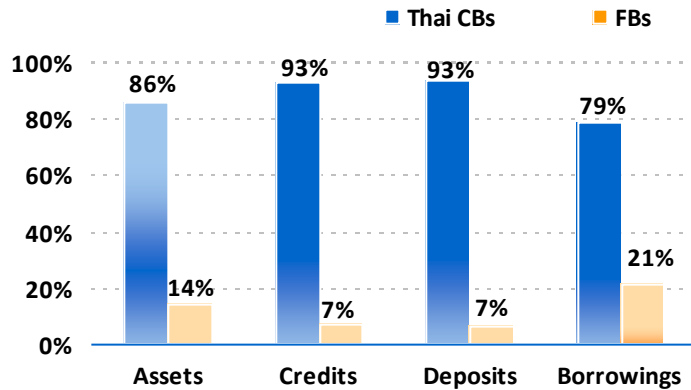
Source: BOT and TMB Analytics

Note: Data as of Apr 2011

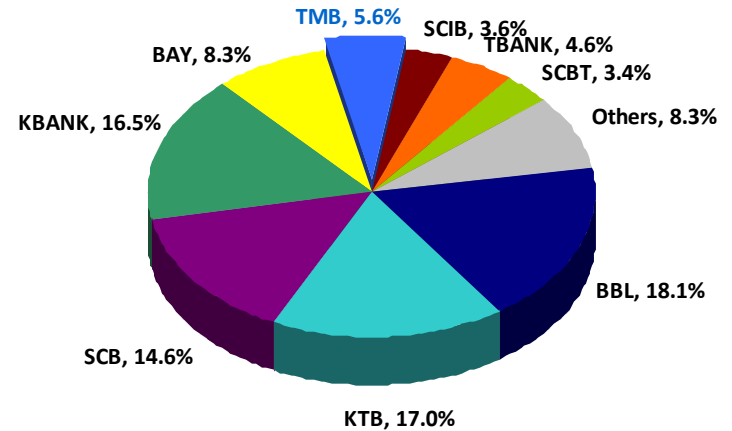
*SCIB to completely merge with TBANK in Q4/11

Market Shares of CBs

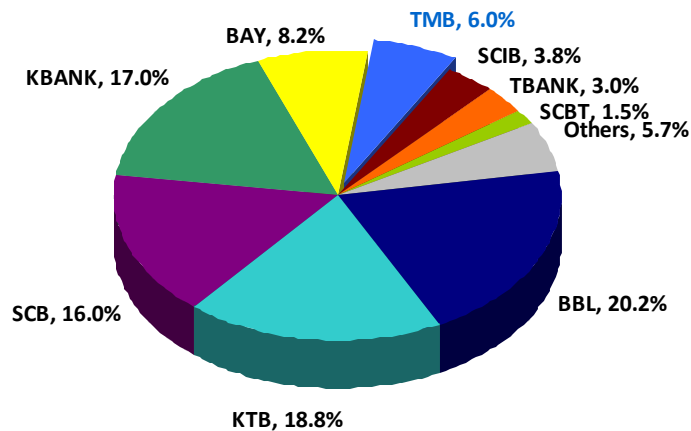
17 Thai CBs and 15 Foreign Bank Branches



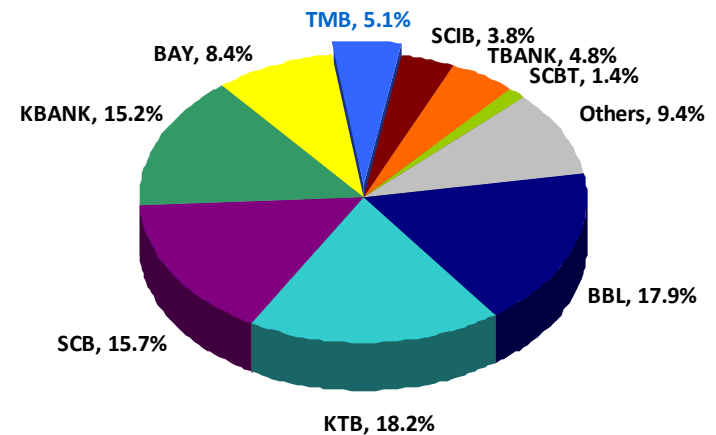
Assets (Thai CBs)



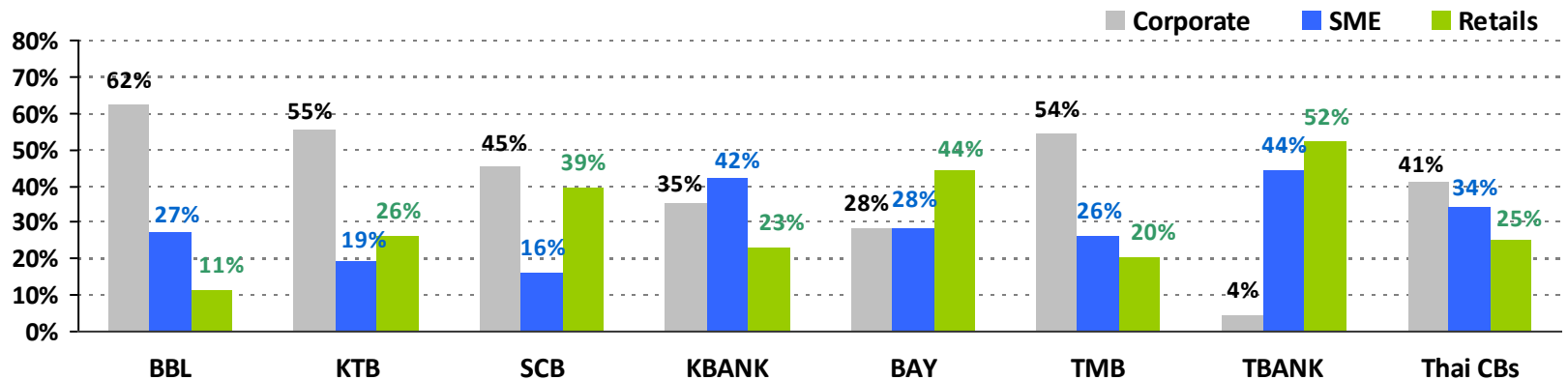
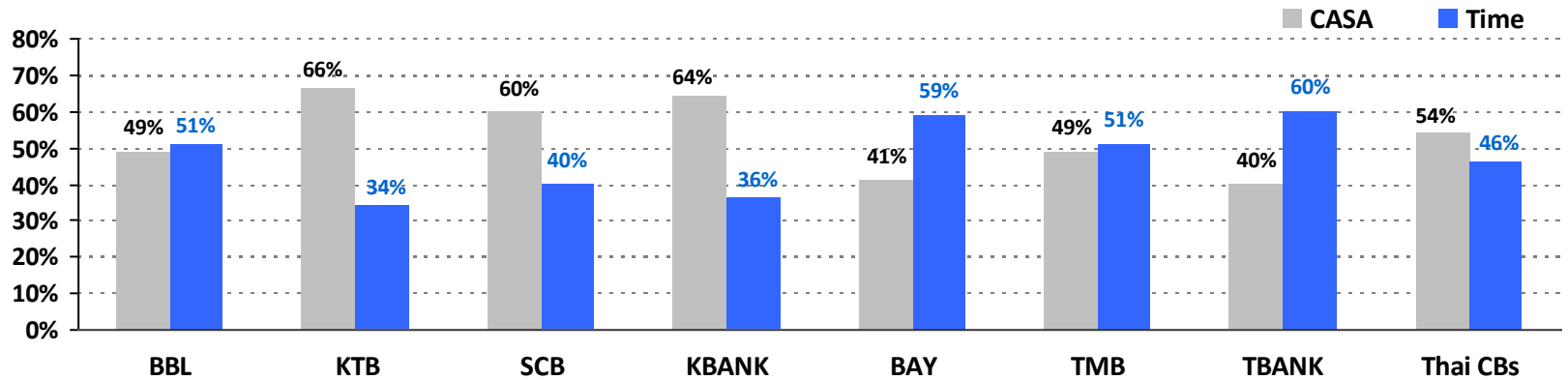
Deposits (Thai CBs)



Credits (Thai CBs)

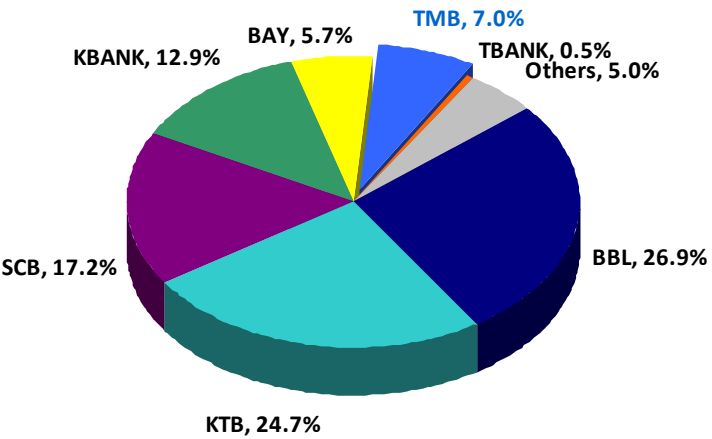


7 Largest Banks' Deposit and Lending Structures

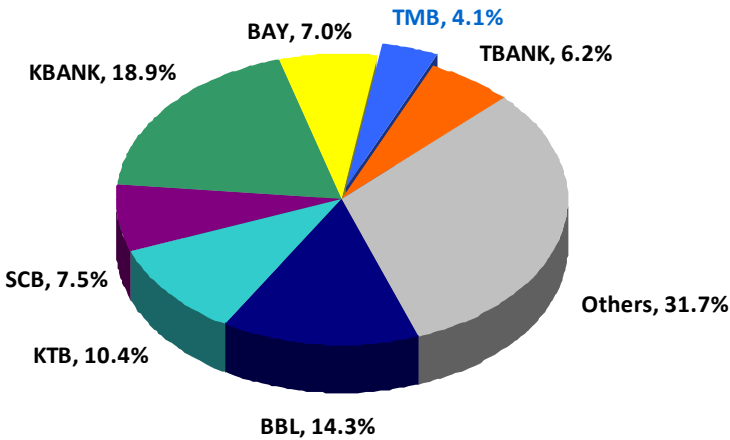


Estimated Market Share by Lending Size

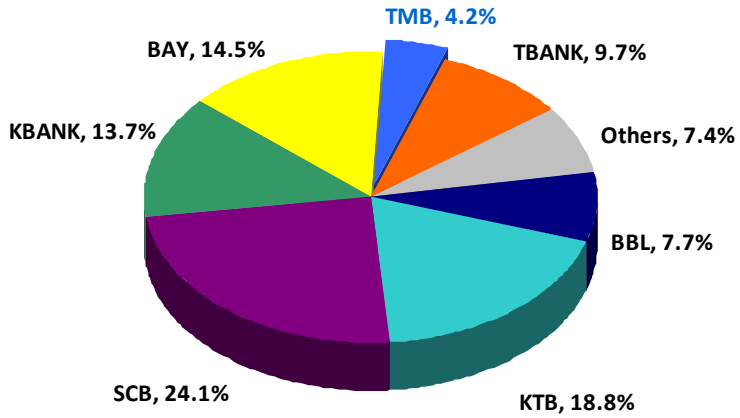
Corporate



SME



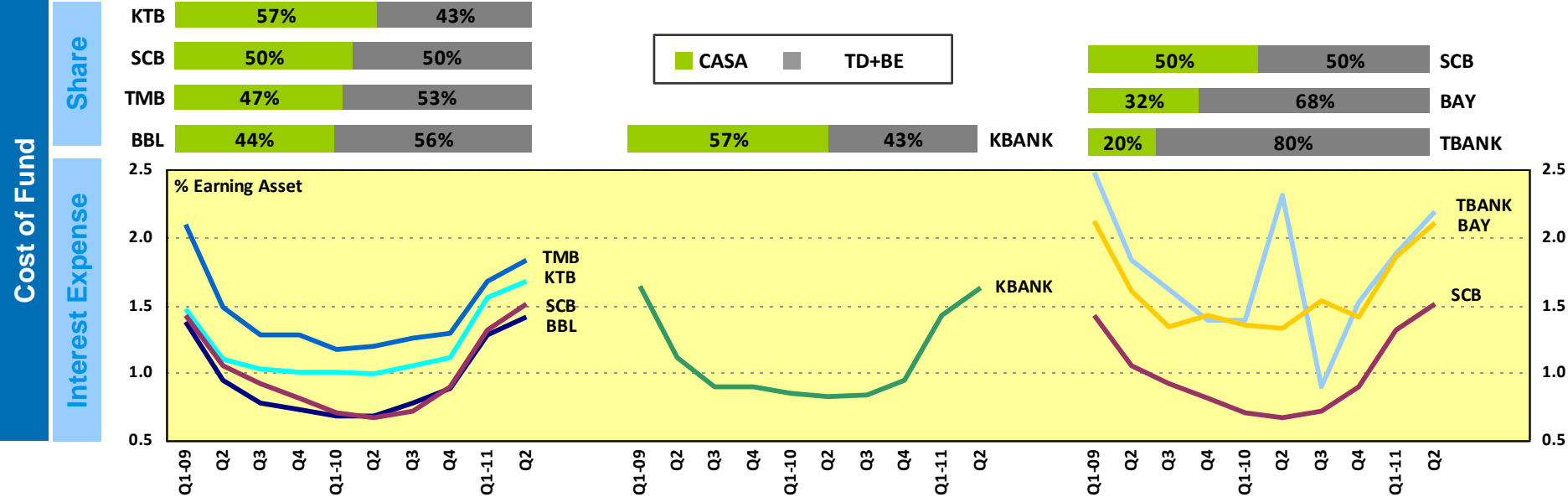
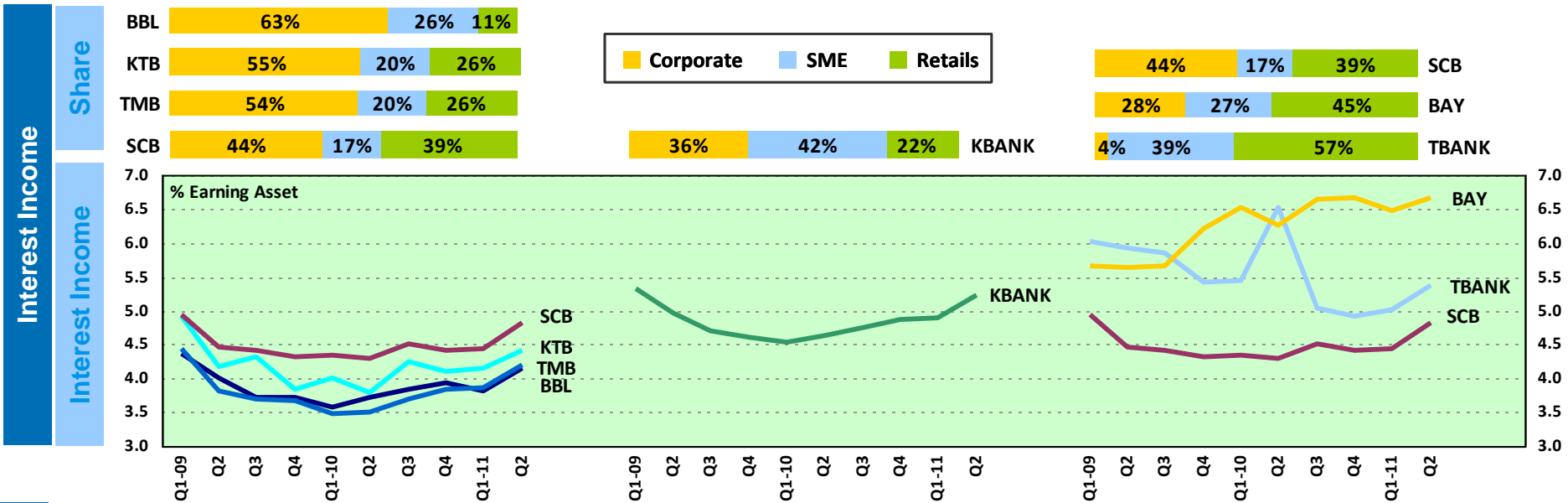
Retails



Source: BOT and TMB Analytics
Note: Data as of Mar 2011

Who Fares Better in Rising Rate Environment ? (1)

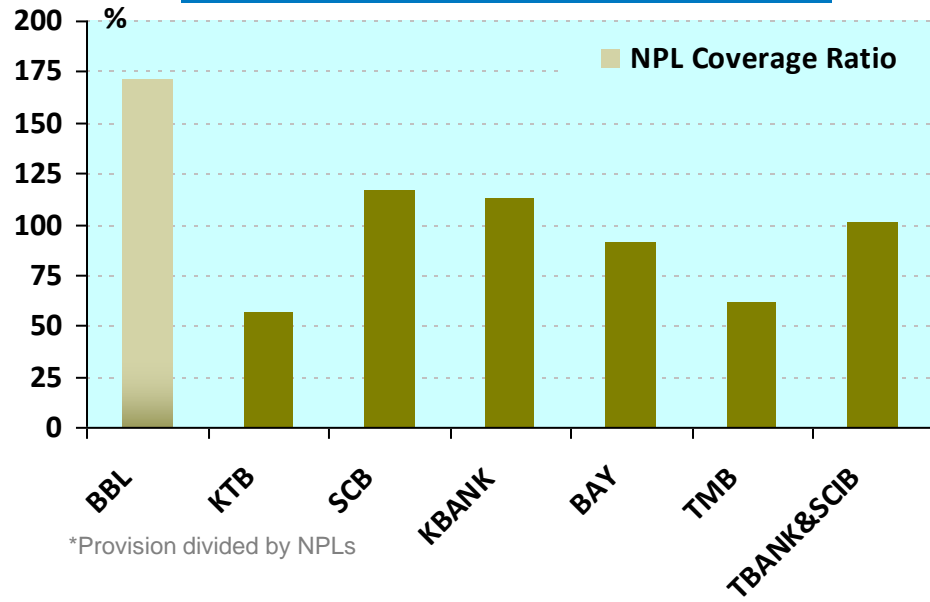
Corporate SME Retails



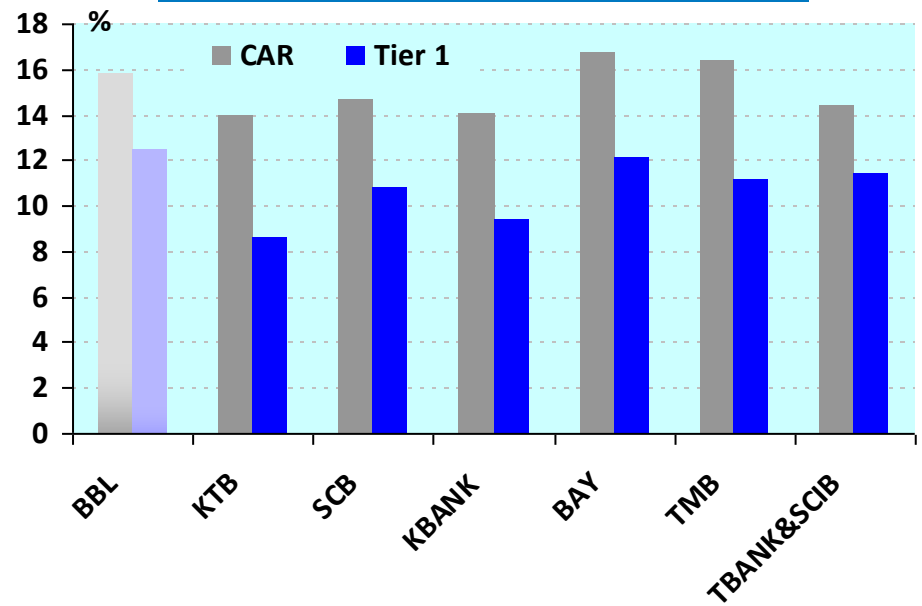
Source: Banks' report as of July 2011 and TMB Analytics.

NPL and CAR of CBs

NPL Coverage Ratio*

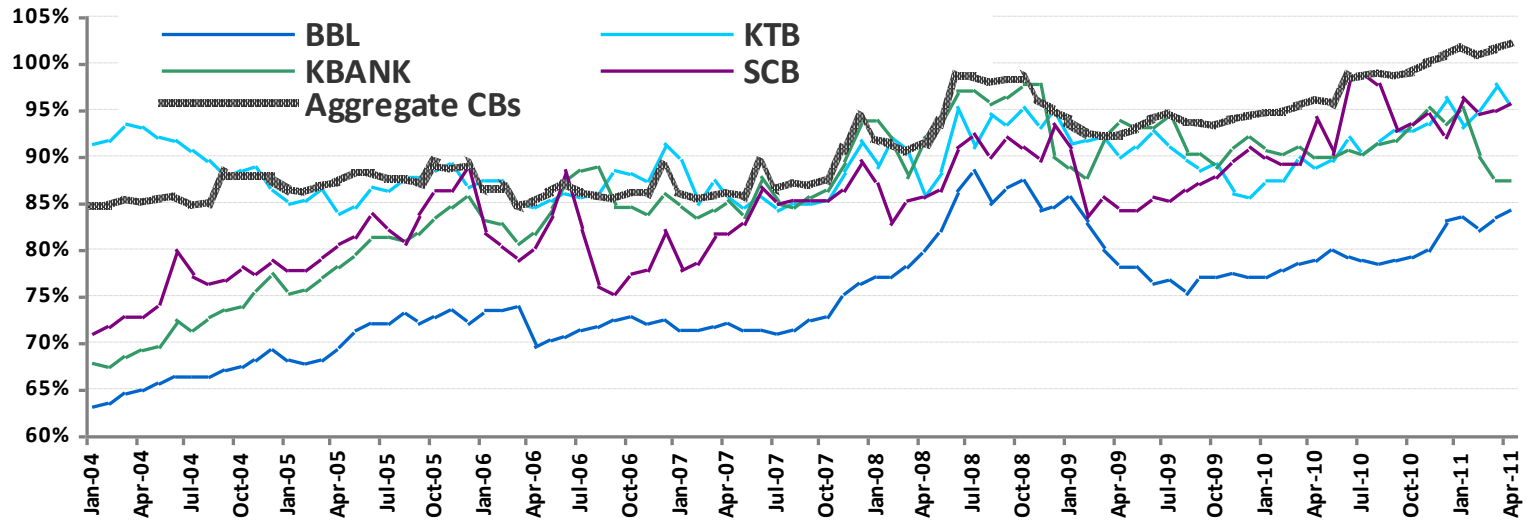


Capital Adequacy Ratio

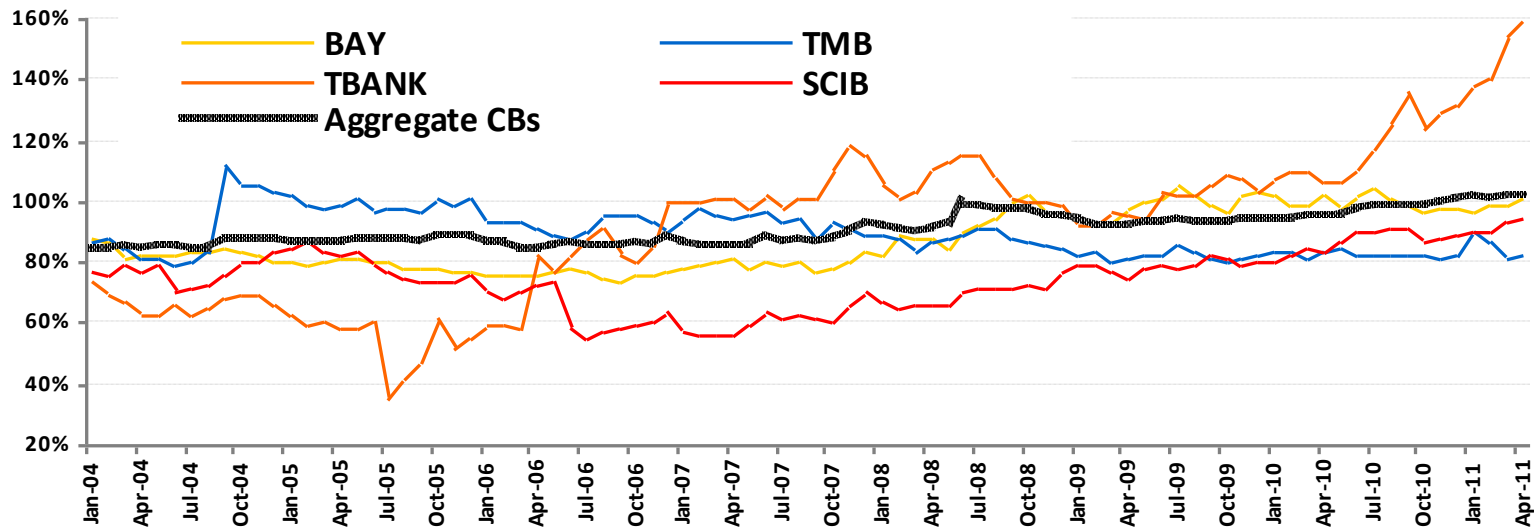


LD Ratios

Large Banks



Medium Banks



Source: BOT and TMB Analytics

Note: For individual bank's LD ratio, Loan data refers to net loan (after provision).

Competition:

ASEAN Neighbors

Liberalizing Capital Markets: All in the Plan (Slowly)

	2010	2012	2014	2015
AEC : Free Flows of Services	<ul style="list-style-type: none"> ➢ Limit raised to at least 51% of foreign ownership 			<ul style="list-style-type: none"> ➢ Limit raised to at least 70% of foreign ownership
FSMP II 2010-2014	<ul style="list-style-type: none"> ➢ Thai CBs Strengthening <ul style="list-style-type: none"> • Reduce NPL and Regulatory Costs • Liberalization of branch network • Expand economy of scale and economy of scope (merger, mutual fund, capital fund management) • Upgrade retail banks (e.g., TCR & LH) • Boost financial access via CBs' microfinance 	<ul style="list-style-type: none"> ➢ New entry to fill gaps and create value-added of financial services e.g. microfinance, Islamic bank ➢ Foreign bank branches and subsidiary upgrading >> stronger competition in corporate and retail sectors 		<ul style="list-style-type: none"> ➢ Possibility of new licenses
IDP II 2010-2014	<ul style="list-style-type: none"> ➢ Enhance distribution channels via CBs ➢ Insurance product development in line with risk profile, consumer need, and standardization of policies ➢ Tax supporting for insurance business e.g. tax deduction for policyholder ➢ Policyholder's protection development 		<ul style="list-style-type: none"> ➢ Goal for 2014 <ul style="list-style-type: none"> • Insurance Penetration = 6% (Y2009 = 4%) • Insurance Density = THB 7,500 (life = 4,200 and non-life = 3,300) (Y2009= THB 4,600) • Life insurance policy to total population = 40% (Y2009=27%) • Micro insurance product growth rate = 20% from Y2010 	
CMDP 2010-2014	<ul style="list-style-type: none"> ➢ Liberalize commission for large customers, not exceeding 1% 	<ul style="list-style-type: none"> ➢ Liberalize commission for all customers, not exceeding 1% ➢ Liberalize securities licenses 		

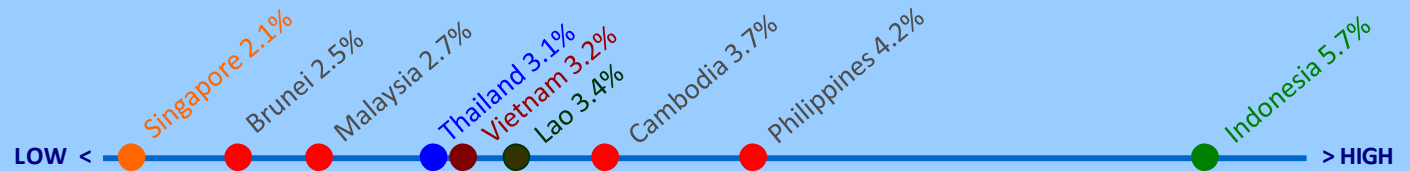
Summary of Findings

- **ASEAN Strategy of major ASEAN banks*:**
 - *Pro-active:* **Singaporean** (DBS, UOB, OCBC) and **Malaysian** (CIMB, Maybank)
 - *Passive:* **Malaysian** (RHB), **Thai** (BBL, KBANK, SCB)
 - *Defensive:* **Thai** (KTB, BAY), **Indonesian** (Bank Mandiri, Bank Rakyat Indonesia, Bank Negara Indonesia, Bank of Central Asia), **Filipino** (Banco de Oro, Bank of Philippines Islands, Metrobank)
- **Major banks in Singapore and Malaysia are most ready to embrace the come AEC given their financial strength and size.**
- **Albeit its well-diversified lending portfolios, Thai banks have the highest number of branches per institution in ASEAN by at least 50% which may undermine its cost structure and competitiveness.**
- **Indonesian market has the high potential for retail lending due to its large population base with growing purchasing power. However, its credit cost (loan loss reserve) has been higher than its peers.**
- **Philippines' archipelagic geography could be the reason that pushes its bank's cost to income ratio much higher than other ASEAN bank industry.**

* We define "Pro-active" strategy as owning or pursuing businesses and subsidiaries in ASEAN countries other than home; "Passive" as having regional branches mostly to serve home country's clients' activities; "Defensive" as focusing on home market alone in the face of possible foreign competitions.

ASEAN Banks: Lining Up with Peers

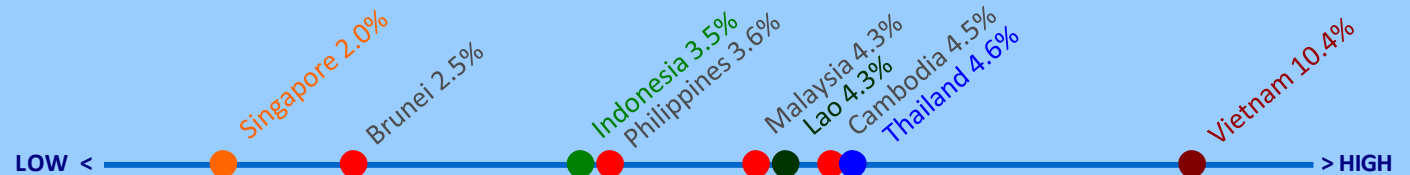
NIM*



Loan Growth*

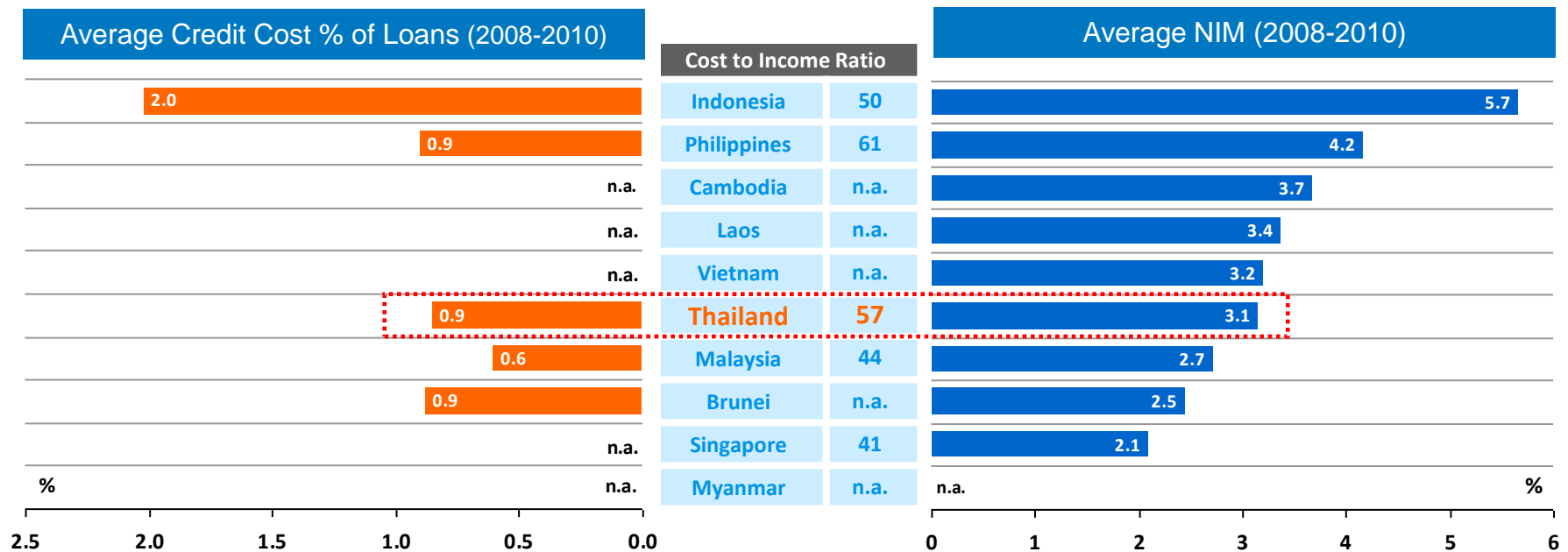


NPL*



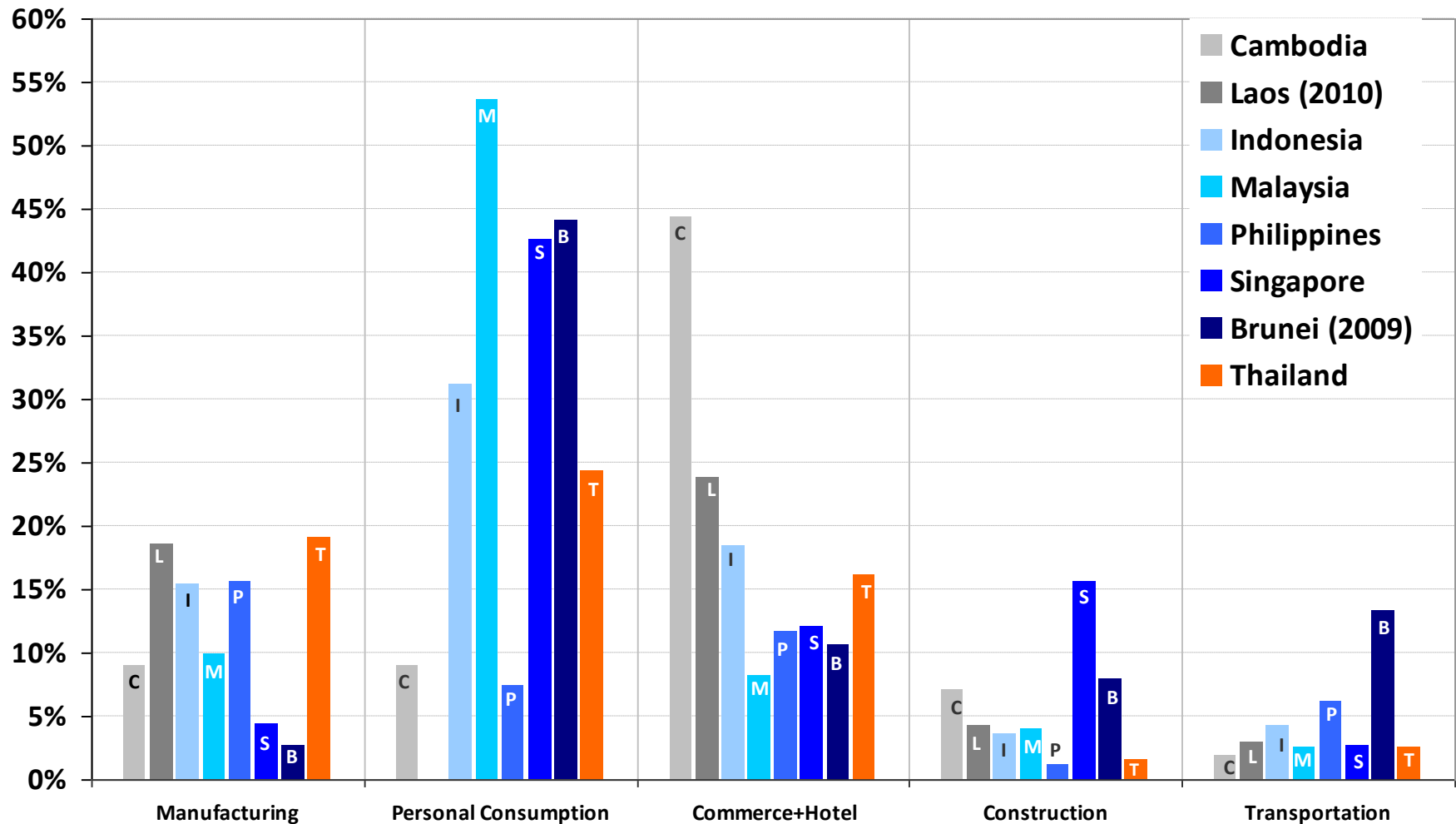
- CLMV are the fastest growing banking sector due to their currently small loan books, making growth rate astronomical.
- Thai banks' NPLs are still high comparing to peers, with Corporate NPLs falling faster than Consumer NPLs in recent years.

ASEAN Banks: Credit Cost for NIM



- Although, Indonesia has the highest average NIM over the span of 2008-10, it also has the highest average credit cost as percent of loans.
- Higher NIM from Filipino banks may be explainable from its higher cost to income ratio due to its archipelagic geography.
- Average credit cost appears fairly similar in other parts of ASEAN when data are available. However, bear in mind that different countries (and entities) may have different regulations and rubrics regarding the calculation of credit costs or loan loss reserves.

ASEAN Bank Industry: Lending Portfolio



- Thai banking industry are more diversified than ASEAN peers whose concentrations are more on loans for personal consumption (Malaysia and Indonesia have big microfinance).

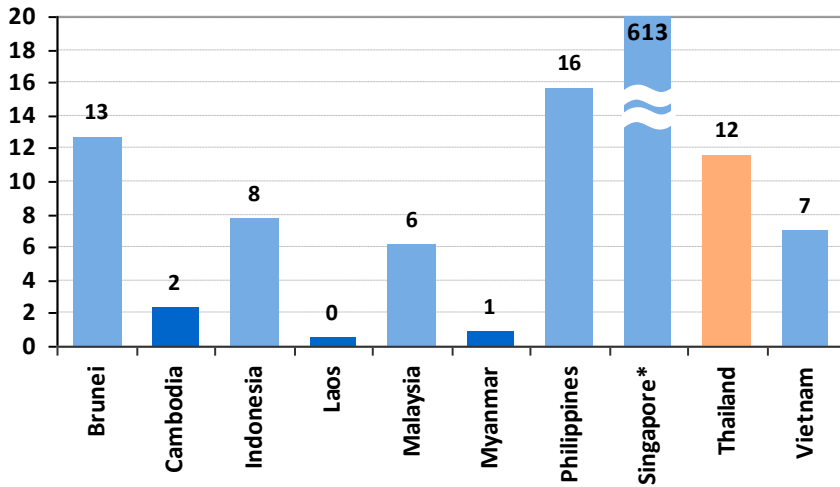
These categories occupied 70% or more of total loan in each country except Thailand 64%, Lao's 50%, and Philippines 42%.

Source: CEIC (2011 data)

Note: Myanmar and Vietnam data not available

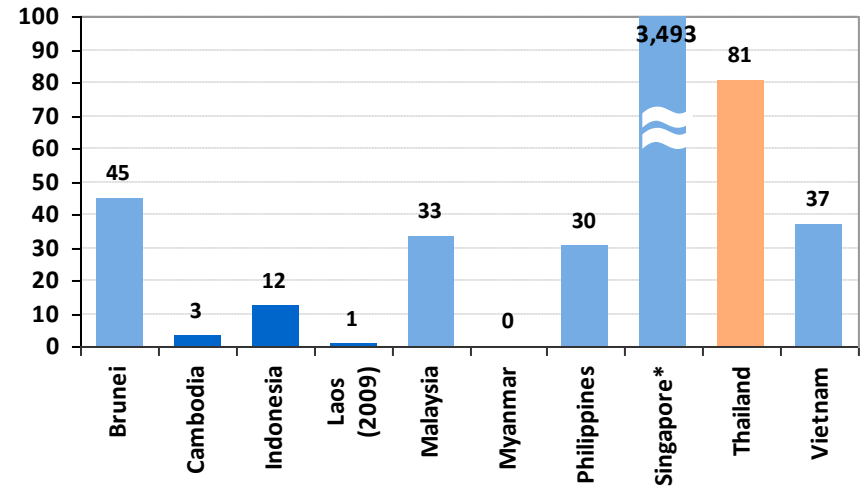
ASEAN Banks: Physical Presence v.s. Efficiency

Number of Commercial Bank Branches per 1000 Km²



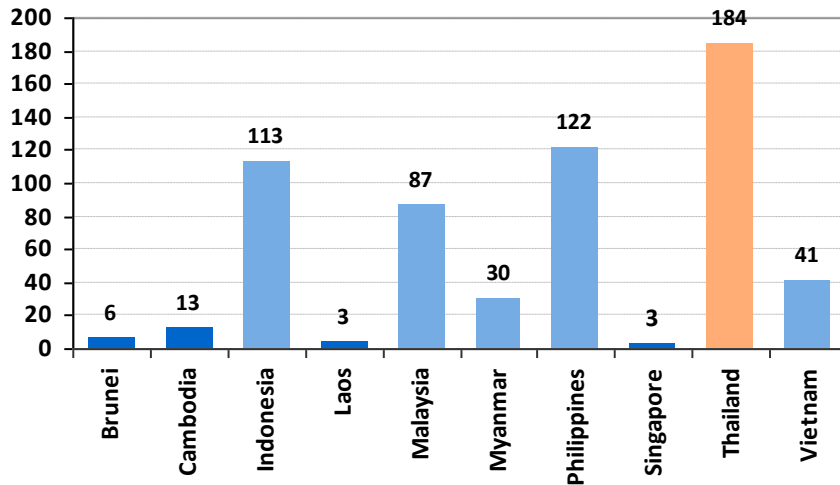
* Singapore's area is 694 Km²

Number of ATMs per 1000 Km²



* Singapore's area is 694 Km²

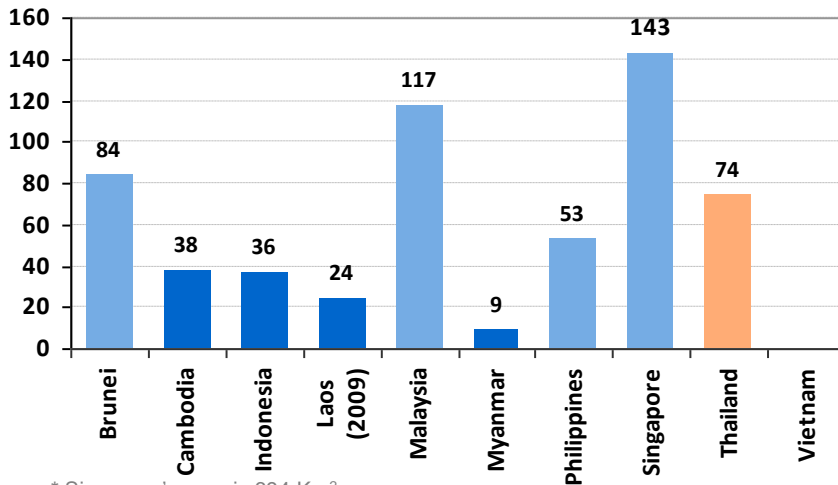
Number of Branches per Institution



- Besides Singapore, Thai banks top its ASEAN peers when it comes to density of ATMs per 1000 km².
- Even though branches per 1000 km² in Thailand do not top the list, the number of branches per banking institution in Thailand surpasses *all* ASEAN countries by at least 50%, even more than island nations like Philippines and Indonesia.

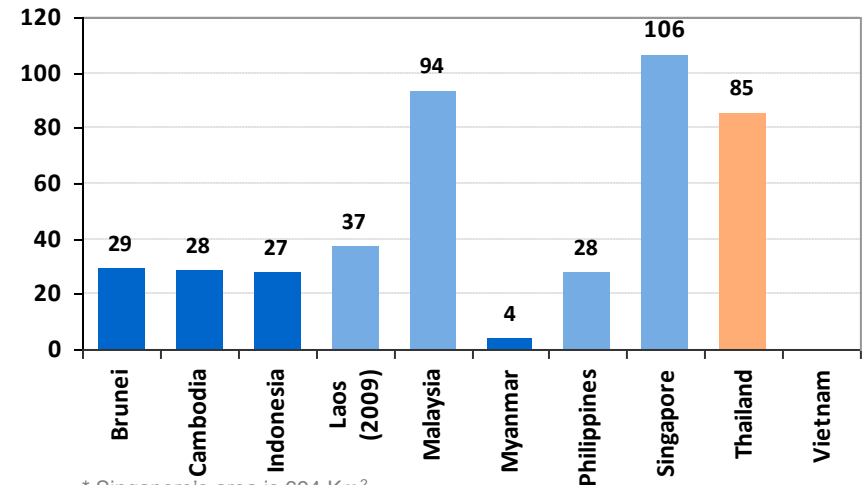
ASEAN Banks: Use of Financial Services

Outstanding Deposits with Commercial Banks (% GDP)



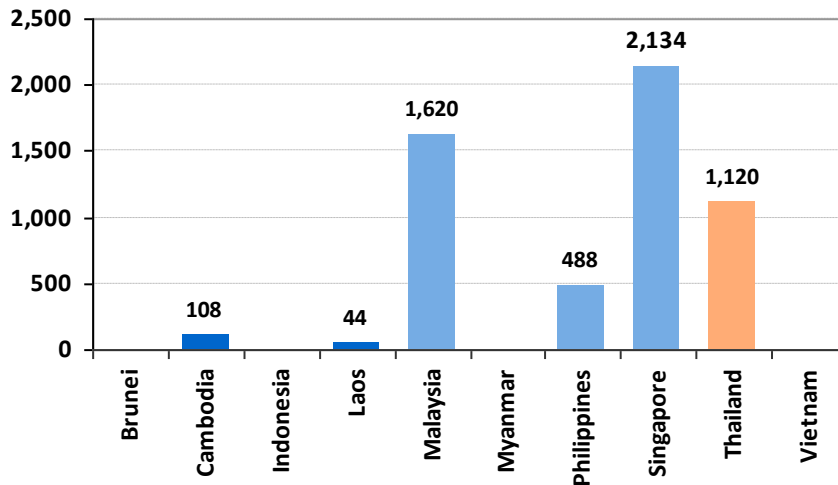
* Singapore's area is 694 Km²

Outstanding Loans from Commercial Banks (% GDP)

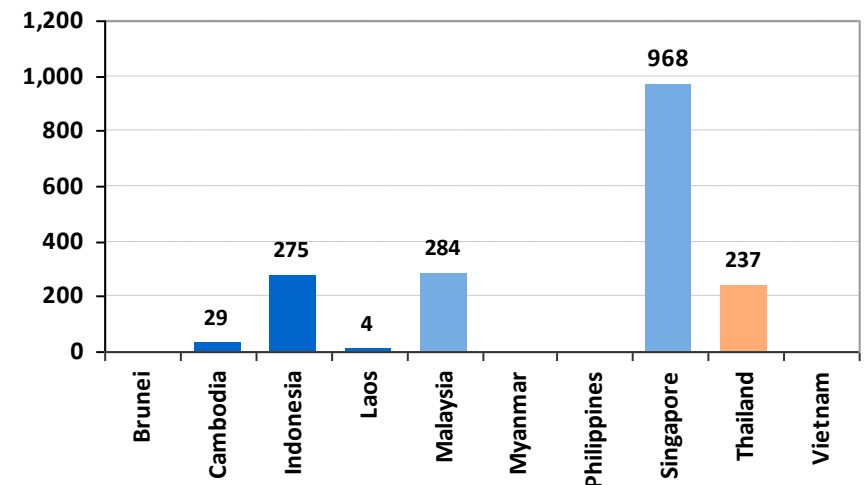


* Singapore's area is 694 Km²

Depositors with Commercial Banks per 1000 Adults

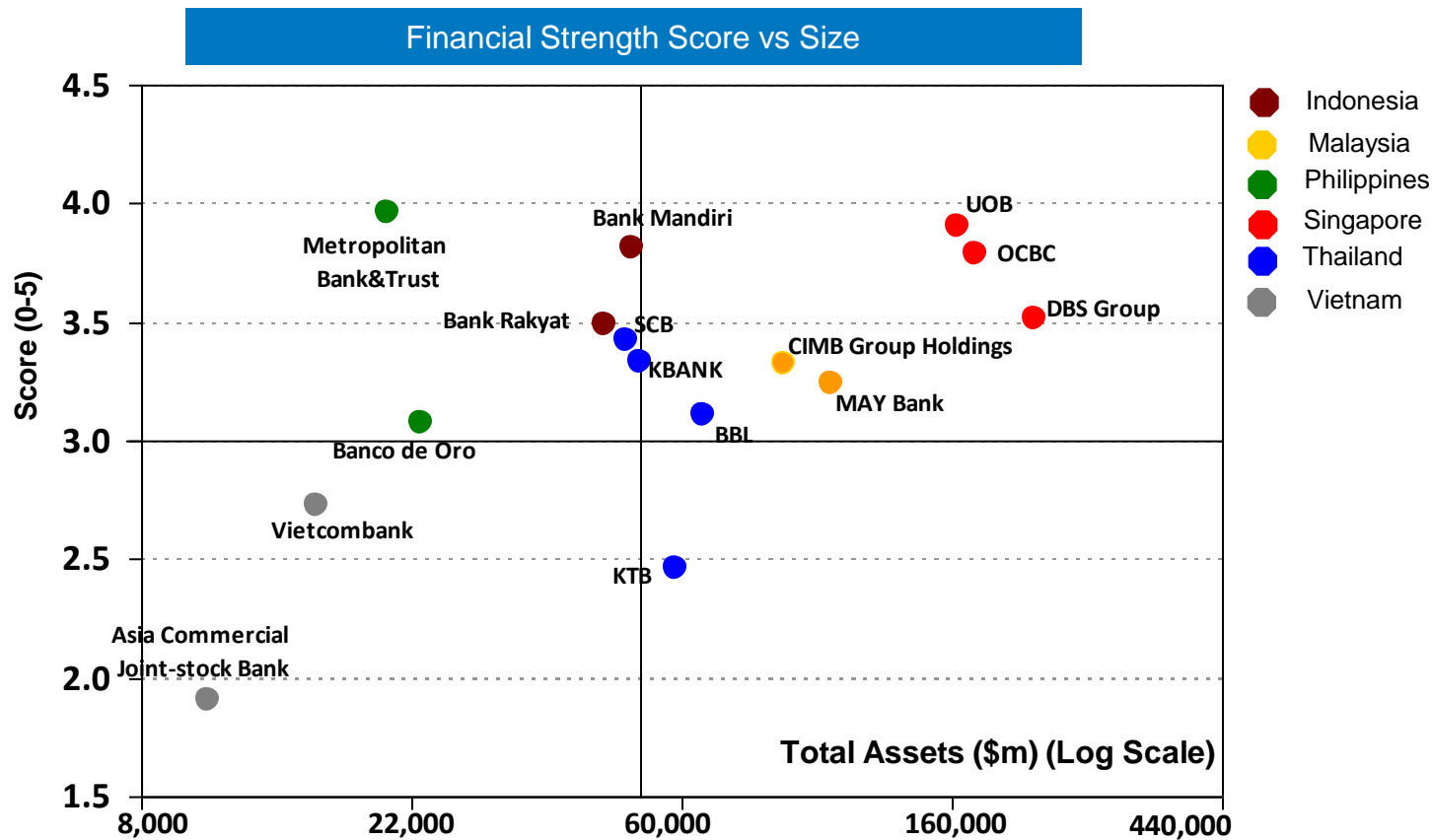


Borrowers From Commercial Banks per 1000 Adults



- Singapore, Malaysia, and Thailand have the most financial depth, respectively. However, when it comes to number of borrowers, microfinance helps push Indonesia into the map.

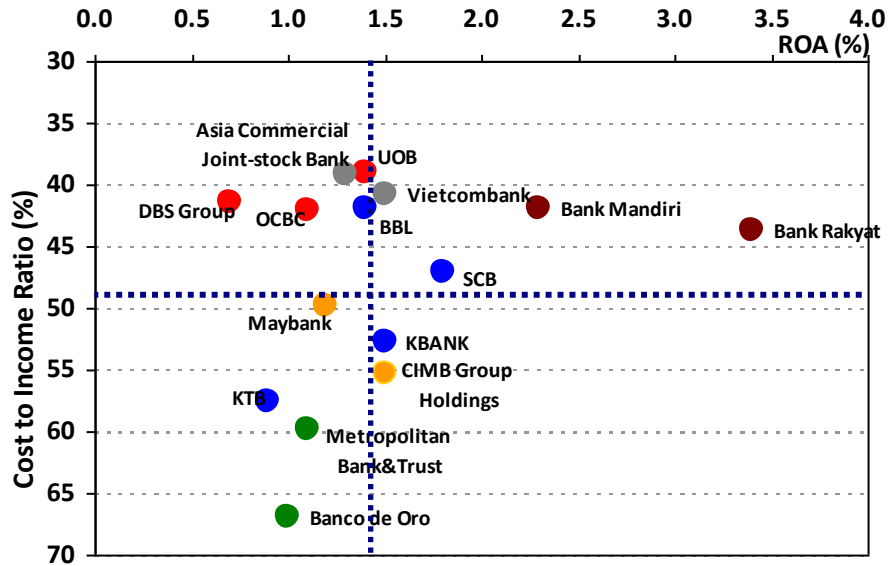
ASEAN CBs: Some Are More Ready Than Others



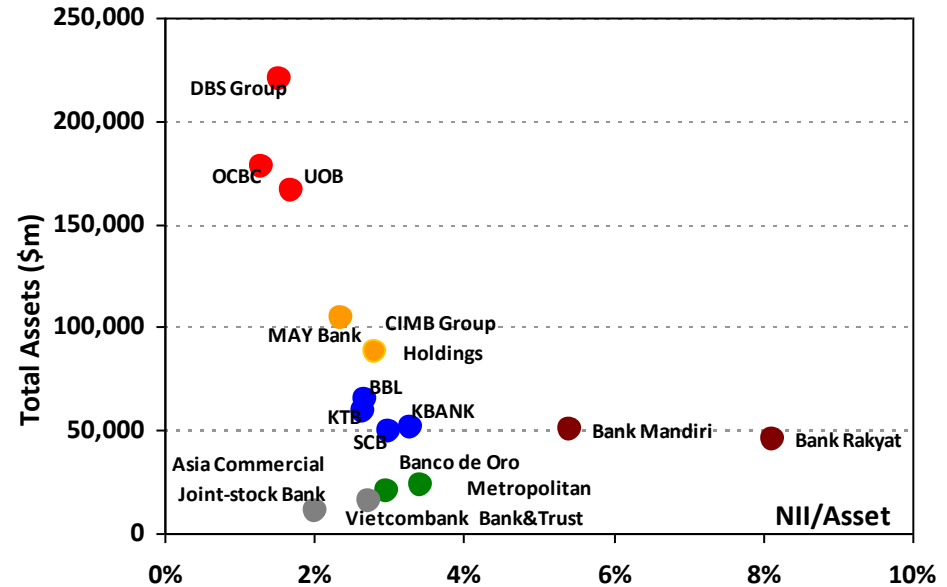
- Banks with large assets and high score are banks more equipped to pursue aggressive strategy in ASEAN. These include major Singaporean and Malaysian banks.
- For Thai commercial banks, BBL is the closest to other ASEAN leading banks and most ready to pursue more aggressive ASEAN strategy.

ASEAN CBs: Breaking Down The Performance

Cost to Income Ratio vs ROA



Size vs Net Interest Income to Total Assets



● Indonesia
 ● Malaysia
 ● Philippines
 ● Singapore
 ● Thailand
 ● Vietnam

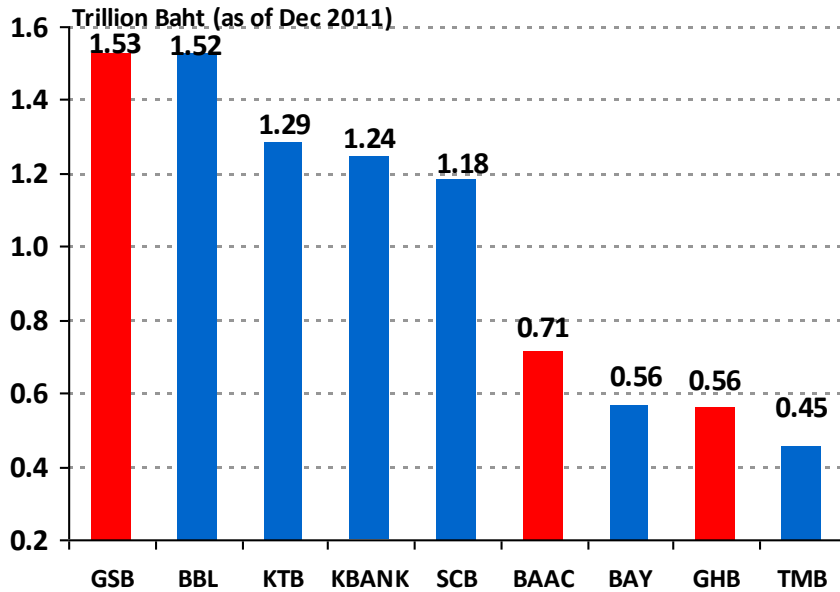
- Indonesian banks have high ROA due to their large retail businesses (microfinance) with relatively low Cost to Income Ratio comparing to regional peers, while Filipino banks have higher CIR due to their archipelagic geography.
- Inline with other parts of the banking world, the larger the bank, the lower the NII to asset (a proxy for NIM) as fee income replaces interest income.

Competition:

SFI and Non-Bank

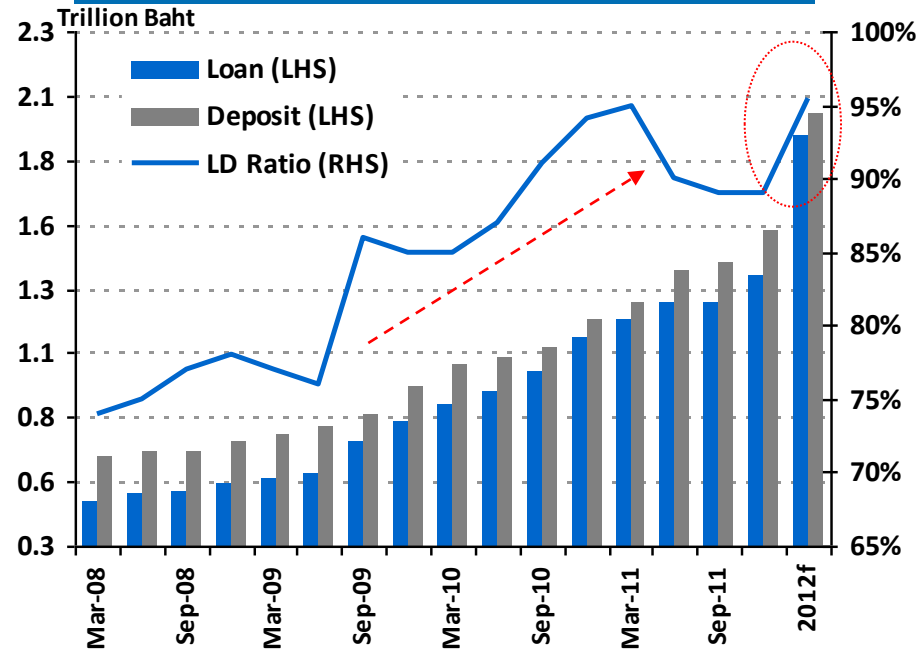
2012 : Funding Pressured by SFIs

Deposit O/S Comparison: CBs & SFIs

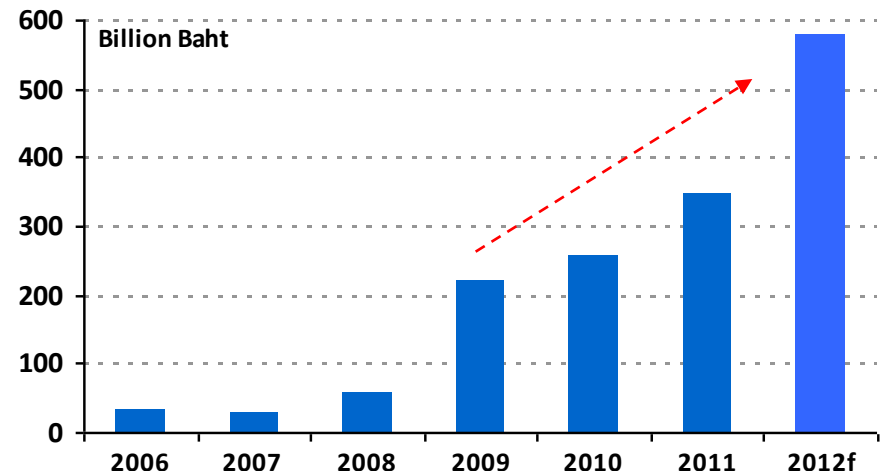


- GSB has surpassed BBL in deposit balances (including saving lottery).
- BAAC and GHB are becoming prominent players, relative to medium-sized banks.
- 2012 : expect stiff funding competition from SFIs.
- GSB needs to raise extra THB 577 billion in 2012 to maintain current LD ratio.

GSB: LD Ratio, Loan & Deposit



GSB: Extra Funding Needs



Uncommon Competitors: SFI and Non-bank

SFI
BANK FOR AGRICULTURE AND AGRICULTURAL COOPERATIVES
EXPORT-IMPORT BANK OF THAILAND
ISLAMIC BANK OF THAILAND
SMALL AND MEDIUM ENTERPRISE DEVELOPMENT BANK OF THAILAND
THE GOVERNMENT HOUSING BANK
THE GOVERNMENT SAVINGS BANK

Non-bank financial companies (NBFCs) are financial institutions that provide banking services without meeting the legal definition of a bank, i.e. one that does not hold a banking license. These institutions are not allowed to take deposits from the public. Nonetheless, all operations of these institutions are still exercised under bank regulation. However this depends on the jurisdiction, as in some jurisdictions, any company can do the business of banking, and there are no banking licenses issued.

Source: http://en.wikipedia.org/wiki/Non-banking_financial_company

Non-bank
Credit Card and/or Personal Loan Company
AMERICAN EXPRESS (THAI) COMPANY LIMITED
ASIA SERMKIJ LEASING PUBLIC COMPANY LIMITED
AYUDHYA CAPITAL AUTO LEASE PUBLIC COMPANY LIMITED
AYUDHYA CAPITAL SERVICES COMPANY LIMITED
AYUDHYA CARD SERVICES COMPANY LIMITED
CAPITAL OK COMPANY LIMITED
CINMIT CO., LTD.
CITI CONSUMER PRODUCTS (THAILAND) LIMITED
CITICORP LEASING (THAILAND) CO., LTD.
CYBER NETICS CO., LTD.
EASY BUY PUBLIC COMPANY LIMITED
GENERAL CARD SERVICES LIMITED
K T B LEASING CO., LTD.
KRUNG SRIAYUDHYA CARD CO.LTD.
KRUNGTHAI CARD PUBLIC COMPANY LIMITED
MUANGTHAI LEASING CO.,LTD
PROMISE (THAILAND) COMPANY LIMITED
SAKSIAMPANICH LEASING CO., LTD.
SIAM CITY SURAT LEASING CO., LTD.
SIAM COMMERCIAL LEASING PUBLIC COMPANY LIMITED
SIAM GENERAL FACTORING PUBLIC COMPANY LIMITED
SINGER THAILAND PUBLIC COMPANY LTD.
TESCO CARD SERVICES LIMITED
TOYOTA LEASING (THAILAND) CO., LTD.
V CASH ENTERPRISE CO.,LTD.
WATTANA THANA SINSAP CO., LTD.
AEON THANA SINSAP (THAILAND) PUBLIC COMPANY LIMITED

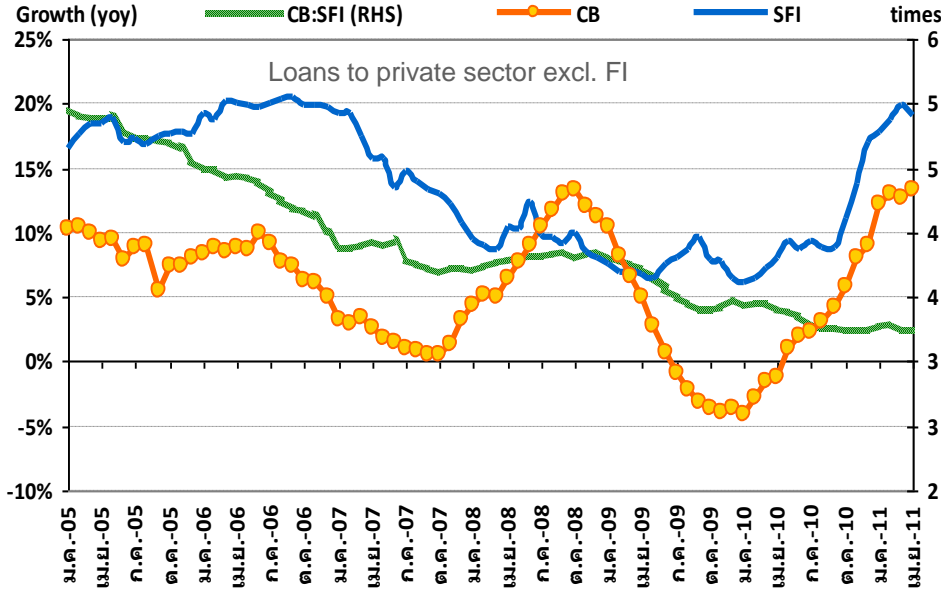
Source: BOT and TMB Analytics

Note: SFI is Depository Specialized Financial Institutions

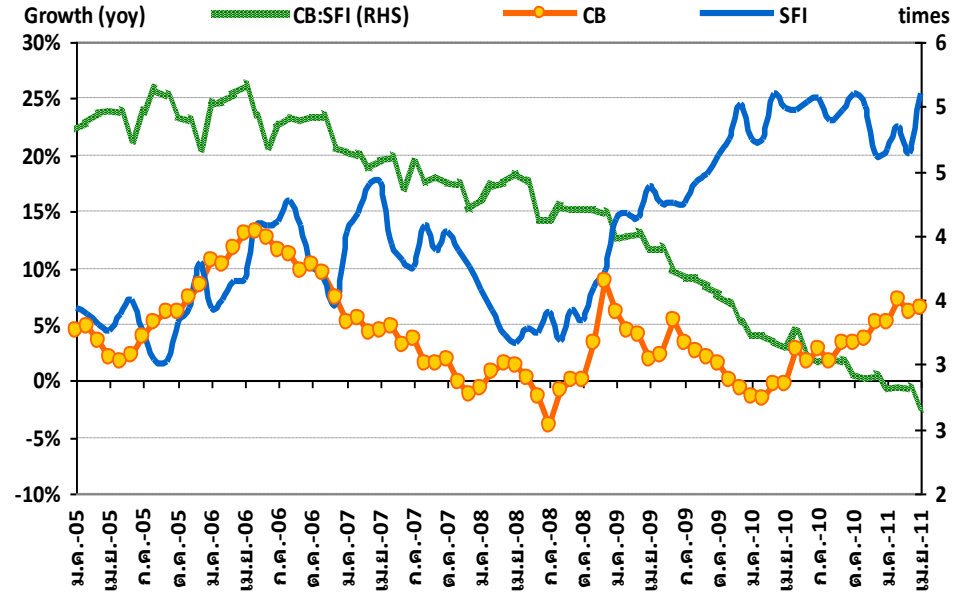
: Personal Loan under Supervision refers to uncollateralized personal loans, hire purchases, and leasing loans on goods which the licensed lenders are usually not in the business of selling. Excluded from this category are (1) hire purchases and leasing of automobiles and motorcycles (2) Loans for education (3) Loans for working abroad (4) Loans for medical care (5) Loans pertaining to employee benefits under an agreement between the employers and the lenders. (6) Loans prescribed by the Bank of Thailand.

External Competitors: SFI

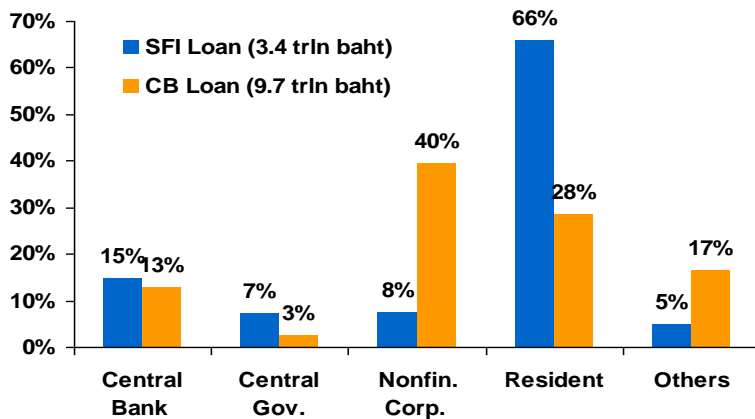
Outstanding Growth and CBs to SFI Loan Ratio



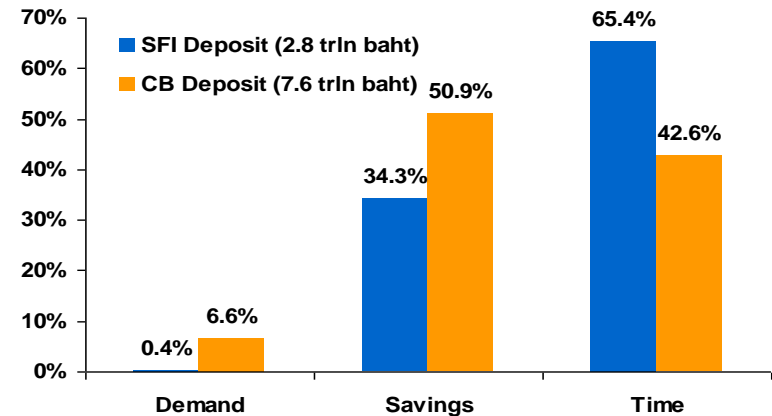
Outstanding Growth and CBs to SFI Deposit Ratio



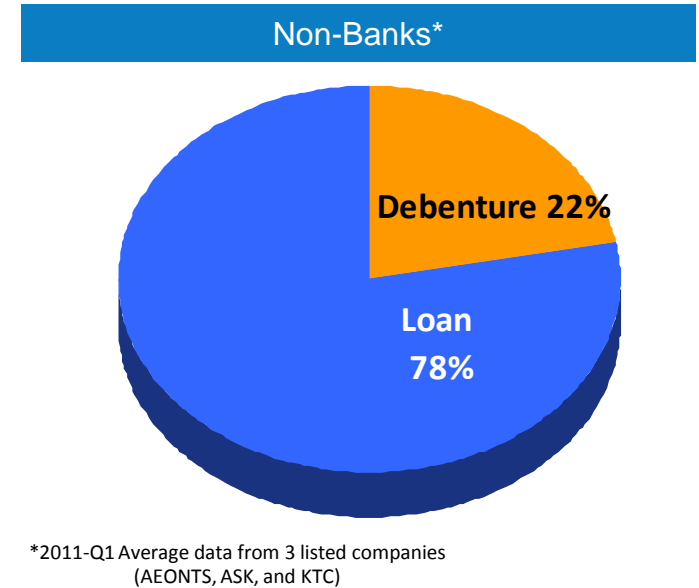
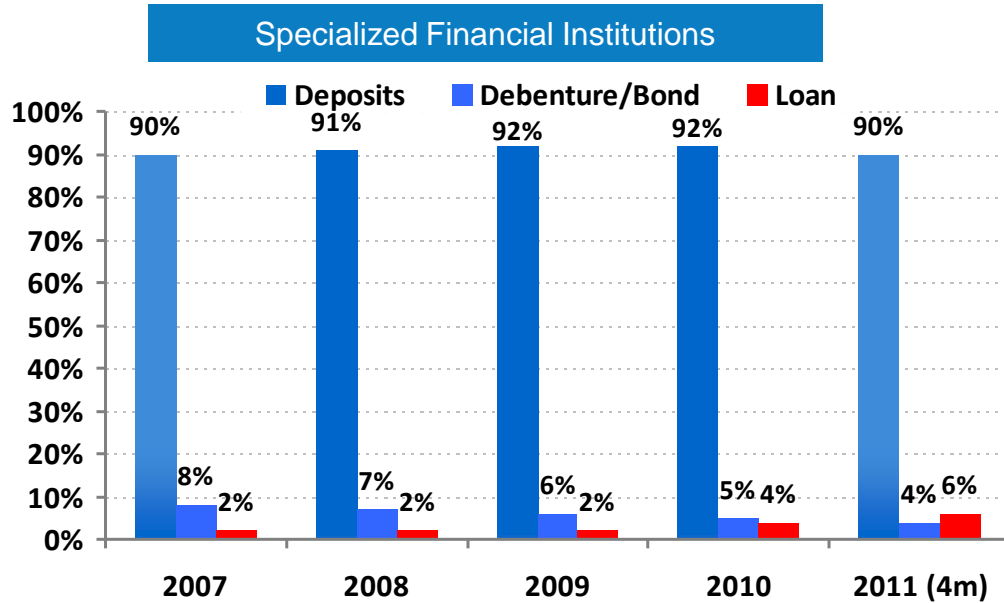
Loan Share by Debtors: CB vs SFI (as of Apr 2011)



Deposit Structure: CB vs SFI (as of Apr 2011)

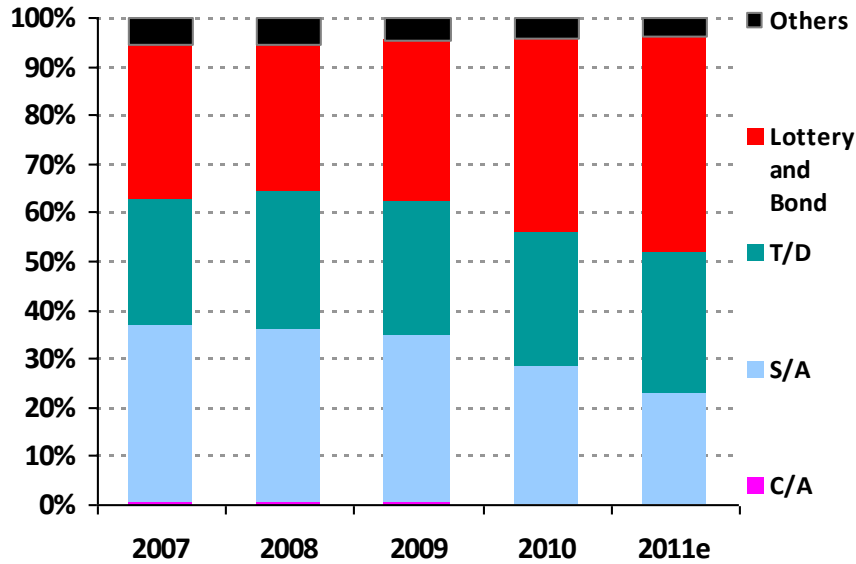


Funding Structure of SFIs and Non-Banks

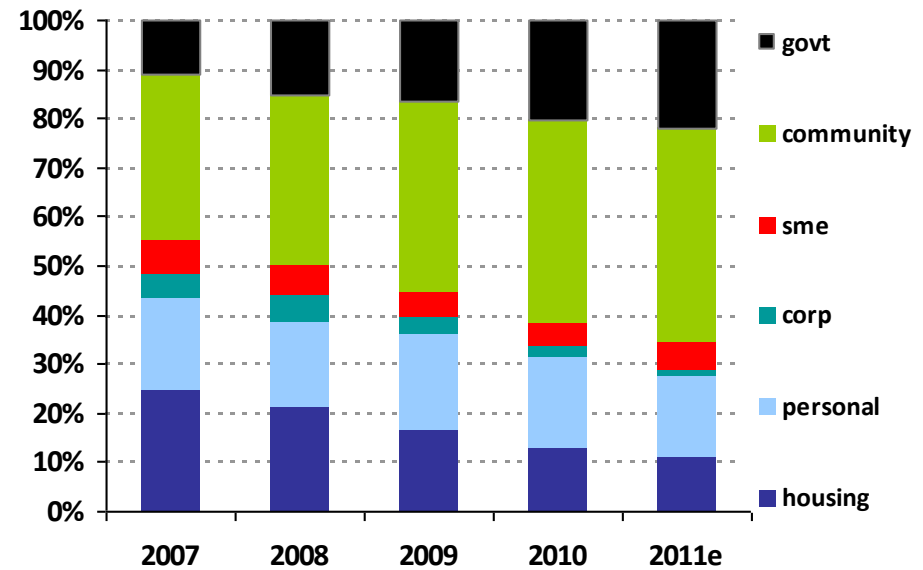


Getting Acquainted with Government Savings Bank

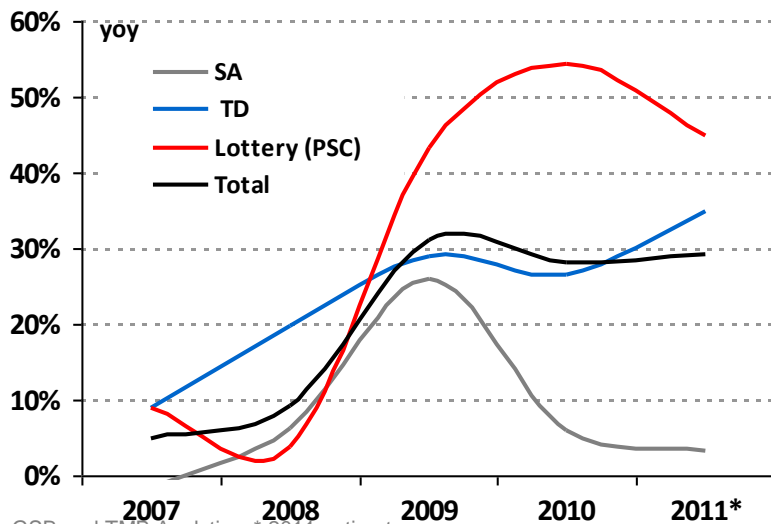
GSB: Funding Decomposition



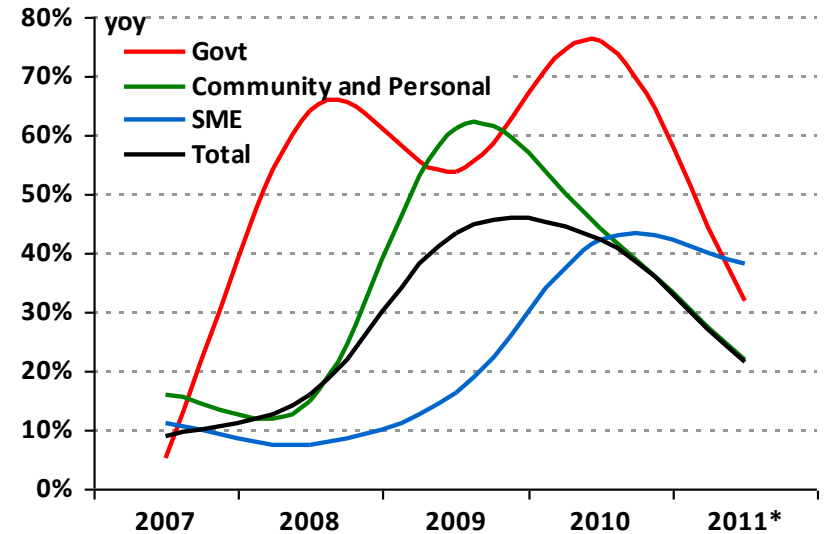
GSB: Lending Decomposition



GSB: Funding Growth



GSB: Lending Growth



Source: GSB and TMB Analytics, * 2011 estimate.

Note: PSC is Premium Savings Certificate (known as lottery savings)

Reference

- Wesaratchakit, W. et.al. (2010), “Financing Thailand for Balanced and Sustainable Growth”, presented in “*BOT Symposium 2010*”, Sep 2010.
- Resources from TMB Bank Plc.