



BANK OF THAILAND

BOT Press Release

Communications and Relations Office, Corporate Communications Department
Tel. 0-2283-5016-7 Fax. 0-2281-5648 www.bot.or.th

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Performance of the Thai Banking System in 2016

Mr. Somboon Chitphentom, Assistant Governor, Bank of Thailand, reported on the Thai banking system's performance in 2016 that gradual economic expansion resulted in subdued loan growth and loan quality deterioration. However, the Thai banking system remained resilient with high level of loan loss provision and capital fund, and increased net profit from management of deposit portfolio. Details are as follows.

Gradual economic expansion, coupled with increased corporate fund raising through debt securities and equity during low interest rate environment, attributed to 2% loan growth in 2016, down from 4.3% in 2015. However, corporate loan growth in some sectors rose in the second half of 2016, for example, food manufacturing, rubber and plastics production as well as commerce and public utility sectors. Consumer loans expanded especially during the last quarter attributable to the shopping season and the government's tax incentives toward the end of the year.

Corporate loans (67.4% of total loans) expanded at 0.6% in 2016, partly due to debt repayment of loans for acquisition during the year. **Loans to large corporate** (excluding financial business) contracted more at 1.1%, mainly from debt repayment of the government. **Loans to SME** (excluding financial business) expanded at 1.8%, decelerated from 5.6%, mainly from contraction in manufacturing and real estate sectors. However, loans to SME in commerce, construction and services sectors exhibited a higher growth rate than last year.

Consumer loans (32.6% of total loans) decelerated to 4.9% from 7.1% last year as a result of slowdown in housing, credit card and personal loans at 6.9%, 5.9%, and 3.8%, respectively. Car loan expanded at 1.3%, increased for two consecutive years.

Non-Performing Loans (NPLs) recorded at 385.7 billion baht, increased by 48.1 billion baht from last year, mainly from SME sector. Gross NPL-to-total loan ratio rose to 2.83% from

2.55% in 2015. Corporate loan quality deteriorated in commerce, services, real estate and construction sectors, whereas consumer loan quality deteriorated mainly from housing loan. **Special mention loans** (SMs : loan overdue above 1 month but not more than 3 months) amounted to 358 billion baht, increased by 43.9 billion baht from last year, thereby increasing SM-to-total loan ratio to 2.63% from 2.38%. Nevertheless, banks continued to accumulate loan loss provision, with 19% increase in total provision to 528.9 billion baht, resulting in the ratio of actual to regulatory loan loss provision of 159.6%, compared to 156.3% last year.

In 2016, although the banking system had incurred higher provisioning expense set aside as cushion for loan quality deterioration, the banking system recorded net profit of 199 billion baht, up 3.6% from last year. This was largely attributable to banks' deposit portfolio management by raising the proportion of current and saving accounts (CASA). Meanwhile, return on assets (ROA) was stable at 1.1%.

Capital fund of the banking system was at 2,363.2 billion baht, increased from appropriation of retained earnings. Hence, capital adequacy ratio (BIS ratio) and Tier-1 ratio increased to 18% and 15.1%, respectively.

Bank of Thailand

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Contact: Financial Performance and Loan Analysis Team

Tel: +66 (0) 2283 5980

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



Overall Performance of the Thai Banking System in 2016

Gradual economic expansion resulted in subdued loan growth and loan quality deterioration. However, the Thai banking system remained resilient with high level of loan loss provision and capital fund, and increased net profit from management of deposit portfolio.



- Loans expanded at 2%yoy, down from 4.3%yoy in 2015. However, loan growth in some sectors rose in the second half of 2016.



- Loan quality deteriorated, mainly from SME sector.
- NPL-to-total loan ratio rose to 2.83% from 2.55% in 2015.



- Loan loss provision remained high.
- Ratio of actual to regulatory loan loss provision was at 159.6%.



- Net profits increased 3.6%yoy, largely attributable to banks' management of deposit portfolio, while provisioning expense increased.

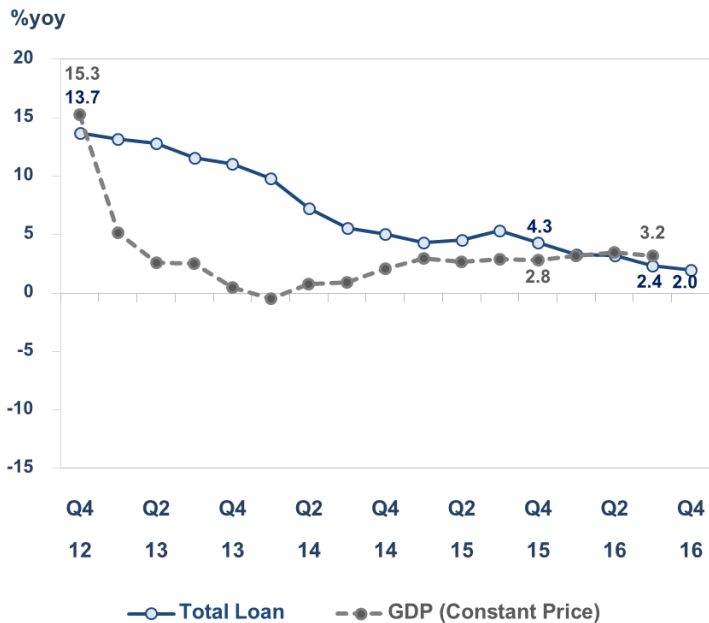


- Capital fund remained high.
- BIS ratio and Tier-1 ratio increased to 18% and 15.1%, respectively.

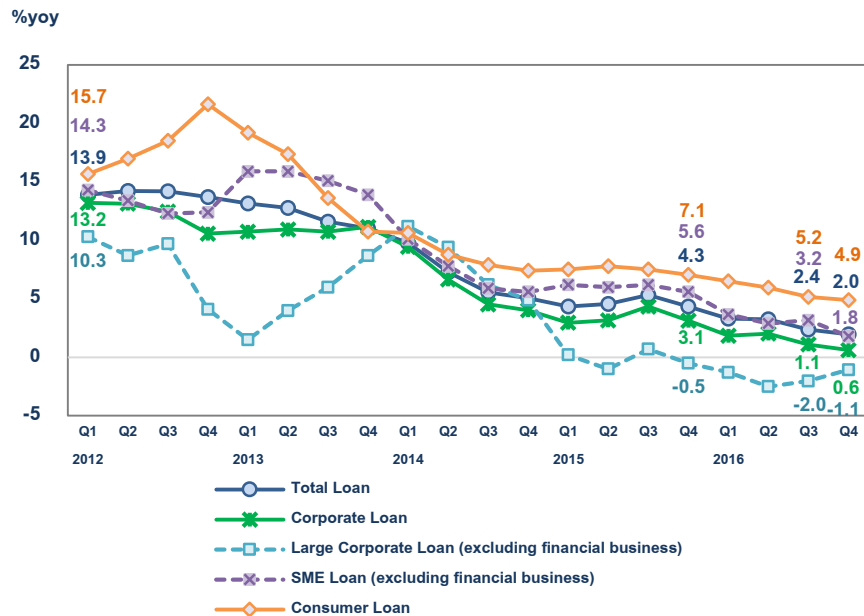


Bank loan growth continued to decline.

GDP and Loan Growth



Commercial Bank Loan Growth

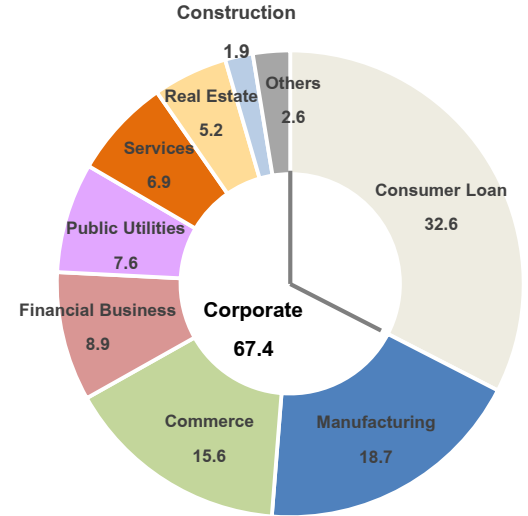
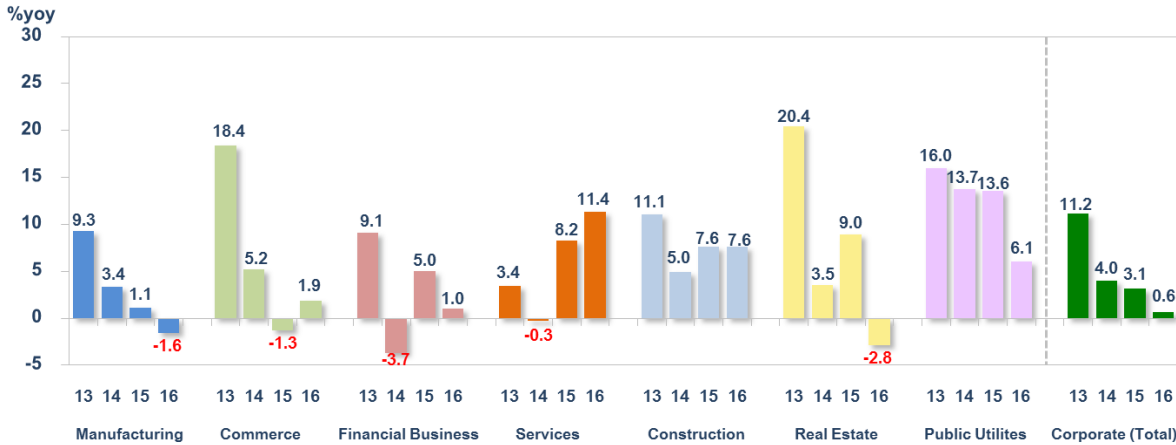




Corporate loan growth declined in almost all sectors, except loans in the service and commerce sectors which exhibited higher growth rate than last year. Meanwhile, loan growth in some sectors rose in the second half of 2016.

Corporate Loan Growth

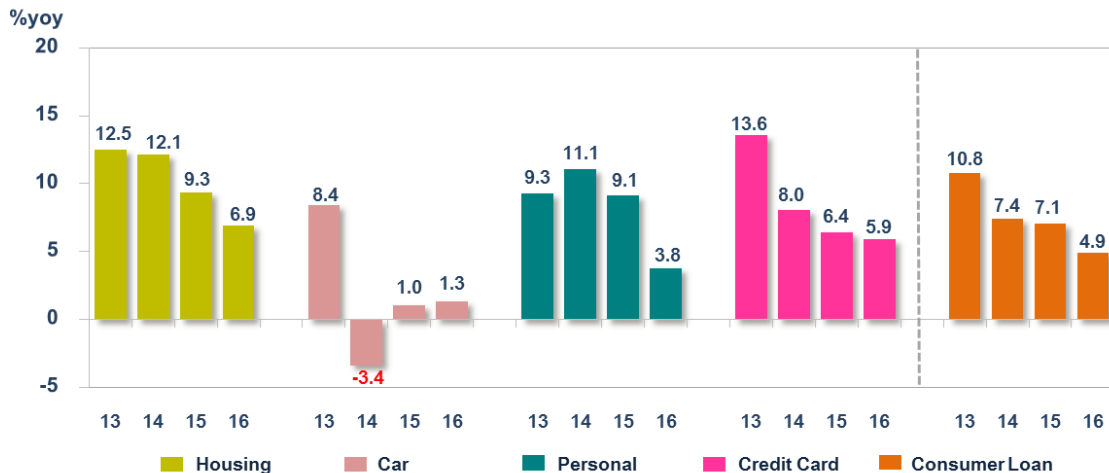
Structure of Corporate Loans as of December 2016 (% to total loans)



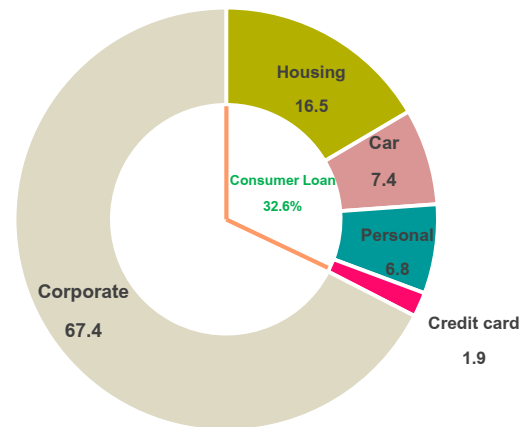


Consumer loan growth decelerated in all loan types except car loan.

Consumer Loan Growth

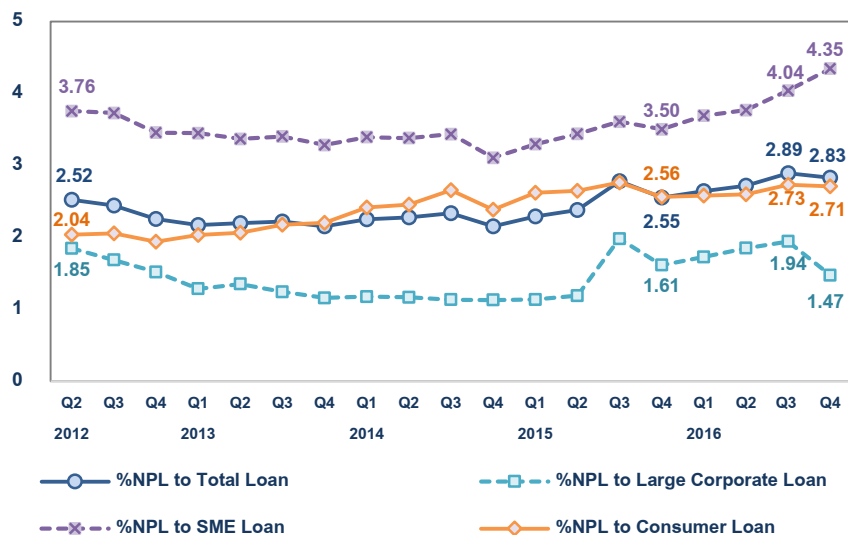


Structure of Consumer Loans as of December 2016 (% to total loans)



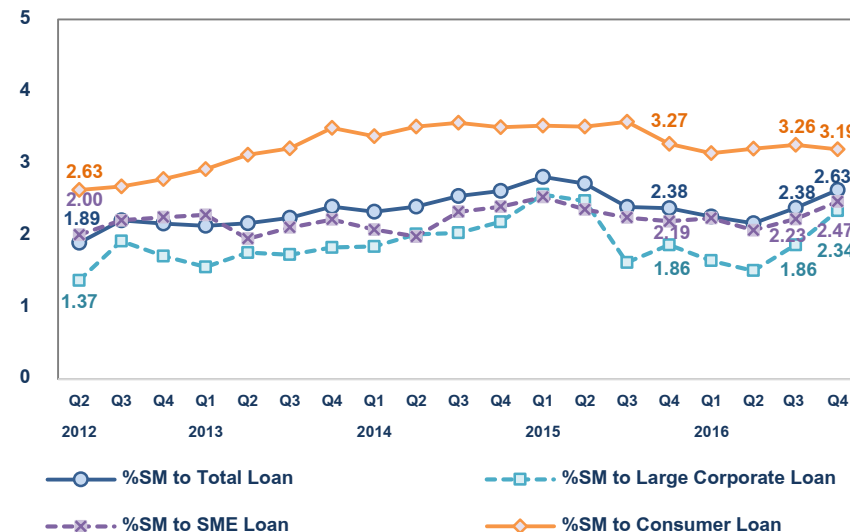
Non-Performing Loans (NPLs)

%NPL



Special Mention (SM)

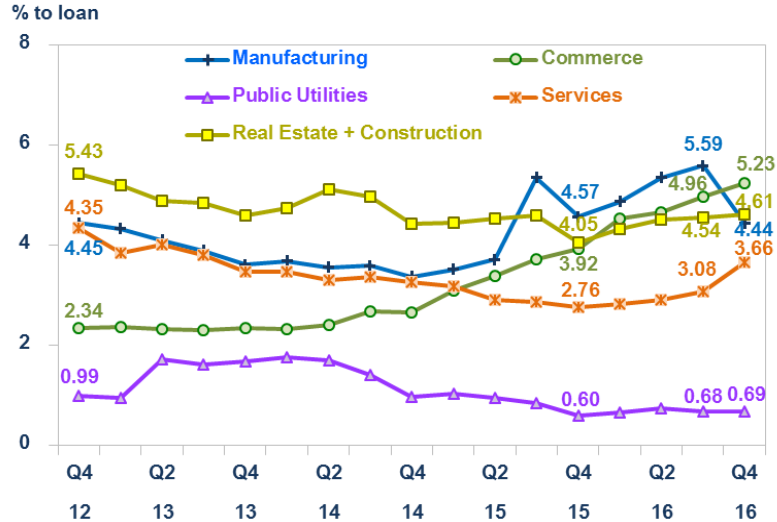
%SM



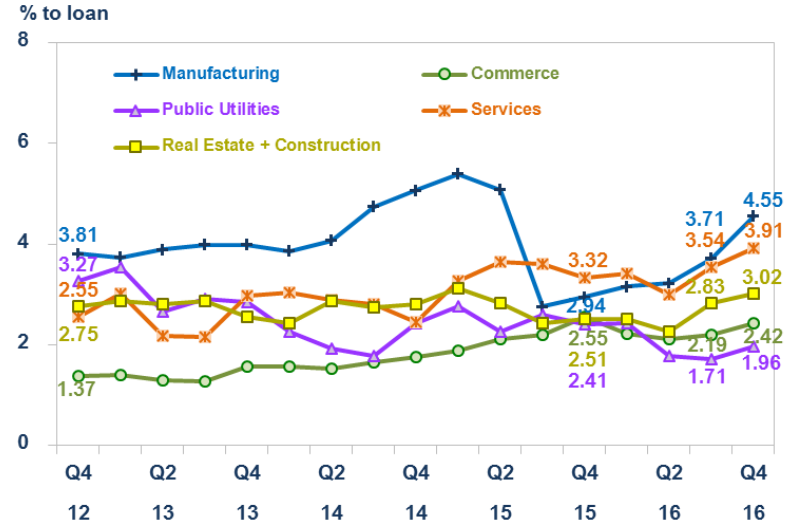


Corporate loan quality deteriorated in commerce, service, real estate and construction sectors.

Non-Performing Loans (NPLs)



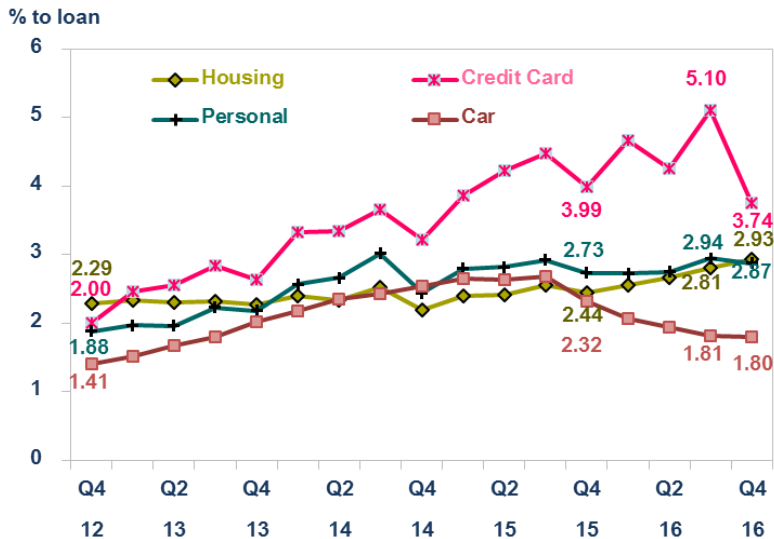
Special Mention (SM)



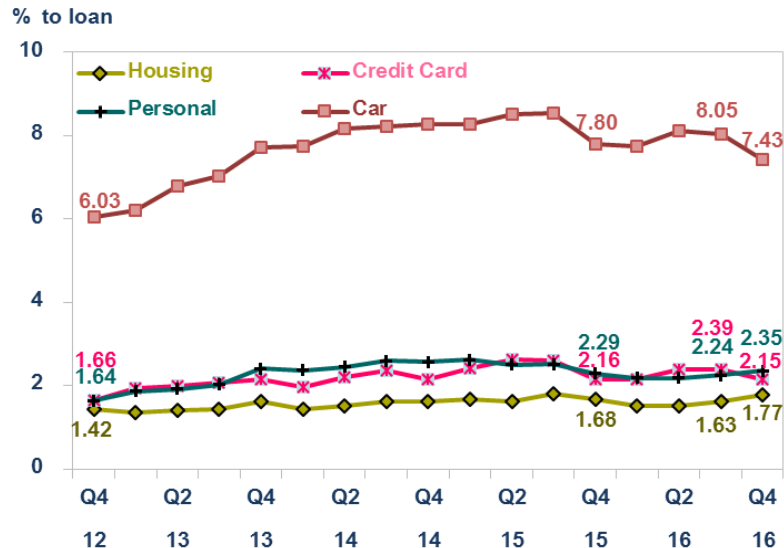


Consumer loan quality deteriorated mainly from housing loan.

Non-Performing Loans (NPLs)

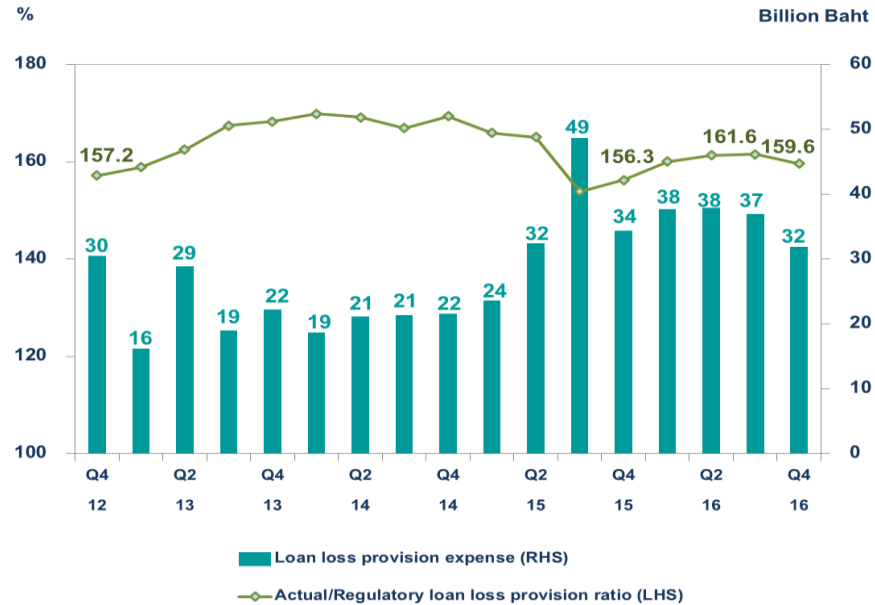


Special Mention (SM)





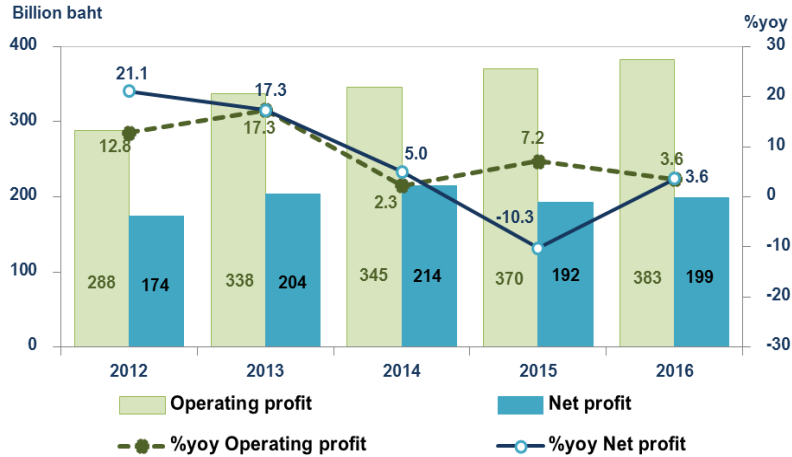
Loan loss provision remained high.



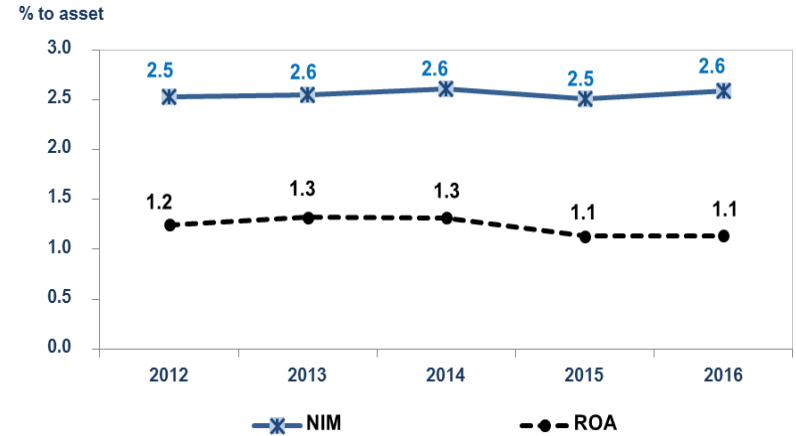


Net profits increased, largely attributable to banks' management of deposit portfolio, while provisioning expense increased.

Profitability

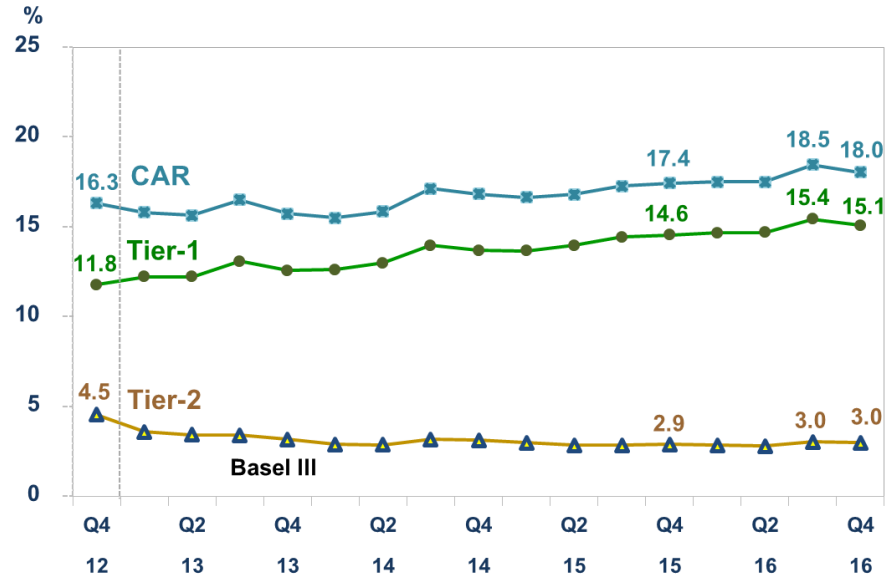


Return on Asset and Net Interest Margin





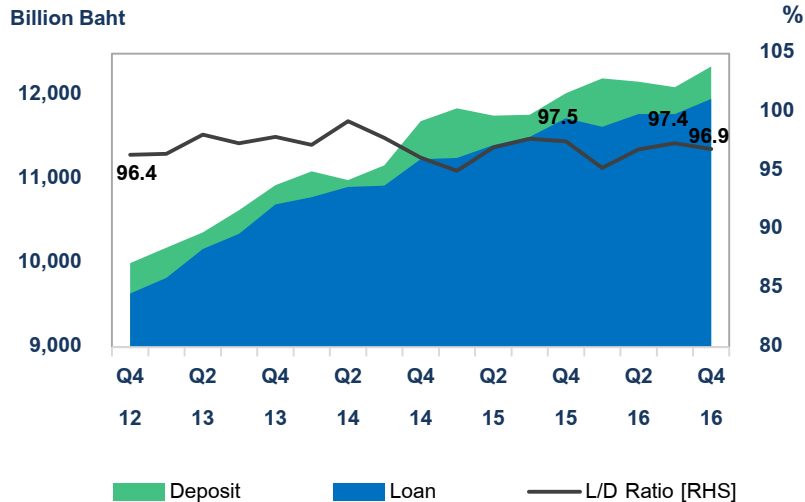
Capital fund remained high.



Basel III regulation adopted in 2013



Loan to Deposit Ratio



Liquidity Coverage Ratio (LCR)

