



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 the First Quarter of 2016

Mr. Don Nakornthab, Senior Director, Financial Institutions Policy Group, reported that the Thai banking system's performance in the first quarter of 2016 remained sound with high levels of loan loss provision, capital fund, and liquidity to support loan growth and facilitate economic recovery going forward. This was despite the fact that slow economic recovery contributed to moderation in loan growth and deterioration of loan quality, which in turn affected bank profitability. Details are as follows.

Slow economic recovery, coupled with banks' more vigilant credit standards led to loan growth of 3.3% year-on-year. SME loan growth accounted for most of the deceleration as large corporate loan growth steadied and consumer loan growth increased slightly.

Corporate loans (68% of total loans) expanded at 1.5% year-on-year, decelerating from the same period last year with contraction in the commerce and the manufacturing sectors. **Loans to large corporate** remained stable at 0.2%, partly due to debt repayment. **SME loan** growth decelerated markedly to 2.5% from 5.6% last quarter, after acceleration of loan utilization under the government's "Soft loan for SME program" at the end of last year.

Consumer loans (32% of total loans) increased marginally to 7.3% from 7.1% at the end of last year, with continued positive growth of car loans for the second quarter at 1.7% and slight increase in personal loans. Housing loans remained stable, while credit card loans continued to slow down to 5.4% from 6.4% last year.

Non-Performing Loans (NPLs) recorded at 357.4 billion baht, increasing by 19.9 billion baht from last year, resulting in gross NPL-to-total loan ratio of 2.64% from 2.55%. **Special mention loans** (SMs : loan overdue above 1 month but not more than 3 months) amounted to 305.9 billion baht, declining by 8.2 billion baht. SM-to-total loan ratio declined to 2.26% from 2.38% at the end of 2015. Nevertheless, banks continued to accumulate loan loss provision to

cushion for loan quality deterioration. Thus, total provision rose by 24.1 billion baht to 468.6 billion baht, and the ratio of actual to regulatory loan loss provision increased from 156.3% to 160%.

The banking system recorded operating profit of 100.1 billion baht or 15.8% year-on-year growth, on account of funding cost management and increase in non-interest income such as dividend and fee income. Meanwhile, net profit amounted to 51.3 billion baht or 1.7% year-on-year growth, as a result of increased provisioning expense. Return on assets (ROA) increased to 1.2% from 0.9%, while net interest margin (NIM) remained unchanged at 2.6%.

Capital fund of the banking system totaled at 2,236.8 billion baht with a slight increase in capital adequacy ratio (BIS ratio) of 17.5%.

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Contact: Financial Performance and Loan Analysis Team

Tel: +66 (0) 2283 5980

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