



BANK OF THAILAND

Performance of the Thai Banking System in the Second Quarter of 2016



Overall Performance of the Thai Banking System in the Second Quarter of 2016

The Thai banking system remained sound with high level of loan loss provision and capital fund, although gradual economic growth had affected loan growth and credit quality, thereby affecting bank profitability.



- Loan growth remained subdued at 3.3%yoy, with slight increase in corporate loans as a result of loans for acquisition of large retailers, while consumer loans continued to decline.



- Loan quality deteriorated further in both corporate loans, especially SME, and consumer loans.
- NPL-to-total loan ratio increased to 2.72% from 2.64% last quarter.



- Loan loss provision remained high.
- Ratio of actual to regulatory loan loss provision increased to 161.3%.



- Net profits were affected by increased provisioning expenses to cushion for loan quality deterioration.

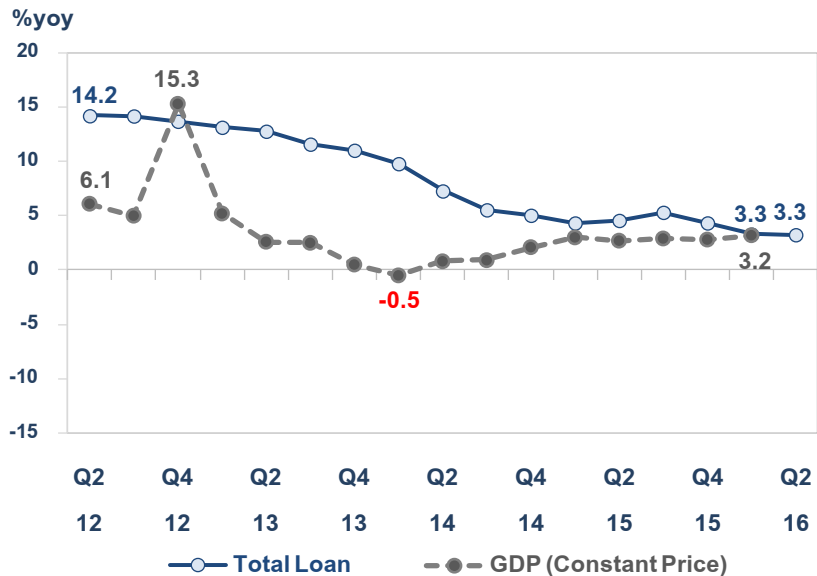


- Capital fund remained high.
- BIS ratio and Tier-1 ratio stood at 17.5% and 14.7%, respectively.

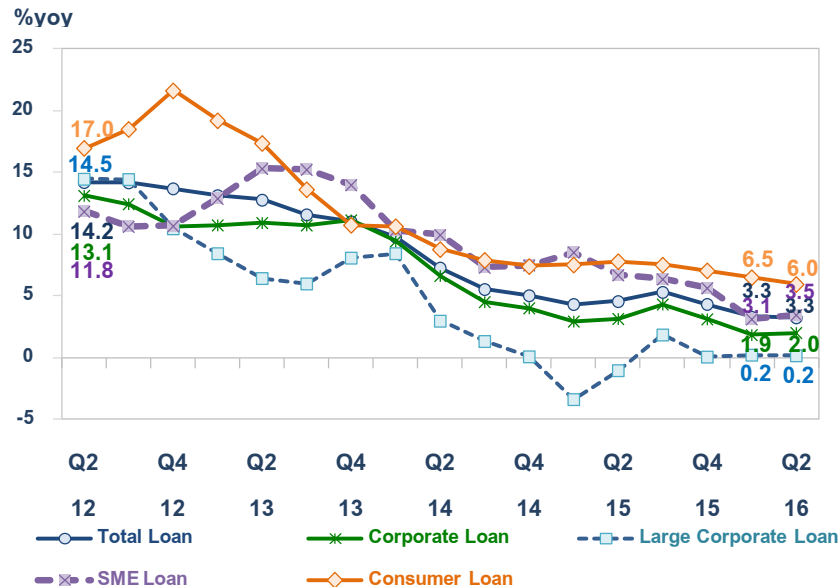


Loan growth remained subdued. Corporate loans expanded from acquisition of large retail businesses while consumer loans continued to decelerate.

GDP and Loan Growth



Commercial Bank Loan Growth

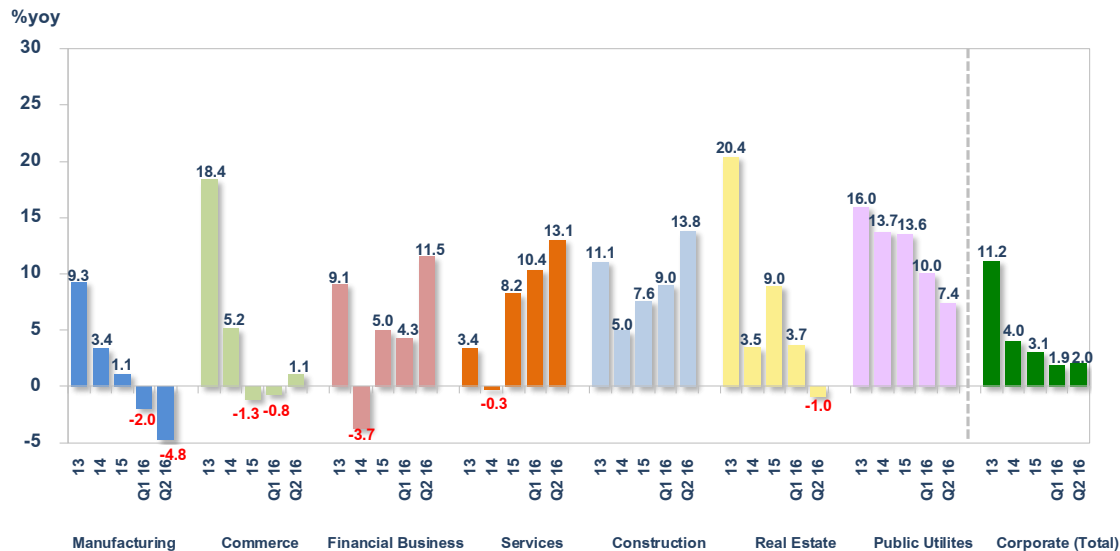


Note : Loan given to an affiliate of one large corporate to fund acquisition of a large retailer is reported as SME loans, according to the definition of Small and Medium Enterprises (SMEs) by Ministry of Industry. If excluding this case, SME loan growth would be at 1.6%yoy, down from 3.1%yoy in the previous quarter.

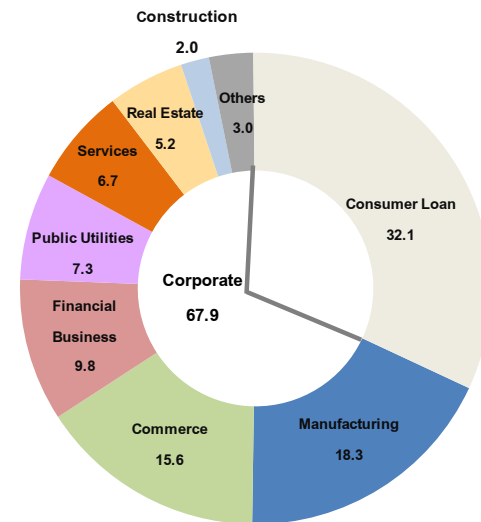


Corporate loans expanded well in the financial business (acquisition of large retailers), services and construction, while contracting in the manufacturing and real estate sector.

Corporate Loan Growth



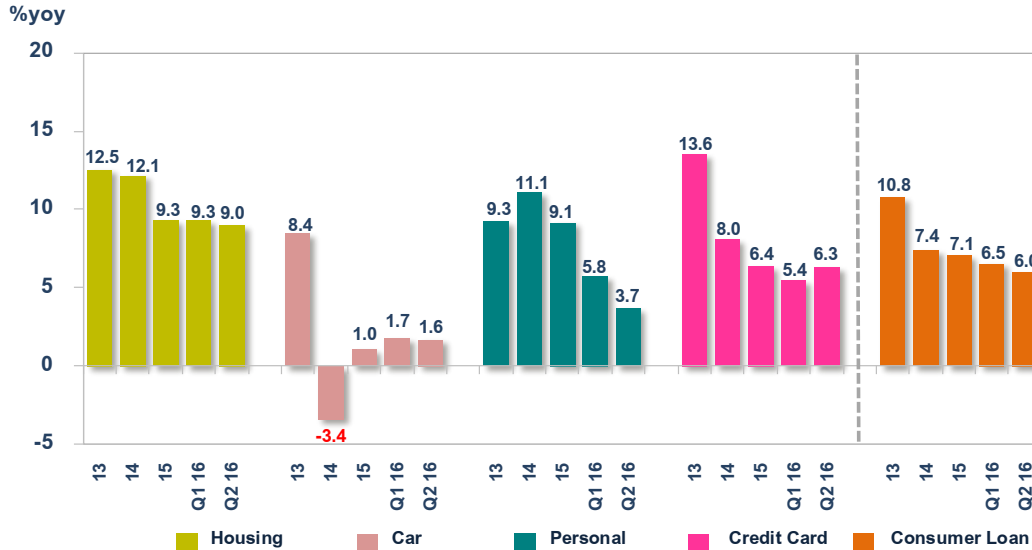
Structure of Corporate Loans as of June 2016 (% to total loans)



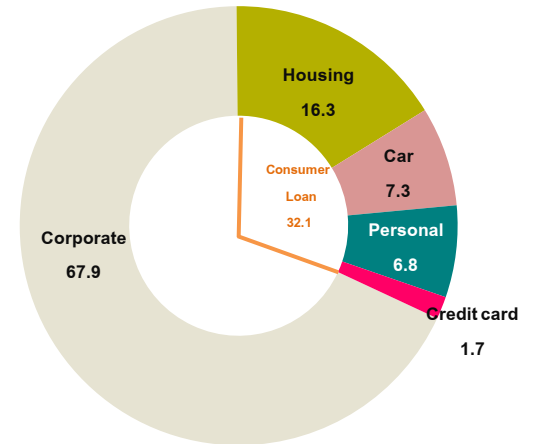


Consumer loans decelerated from housing and personal loans, while credit card loans increased.

Consumer Loan Growth



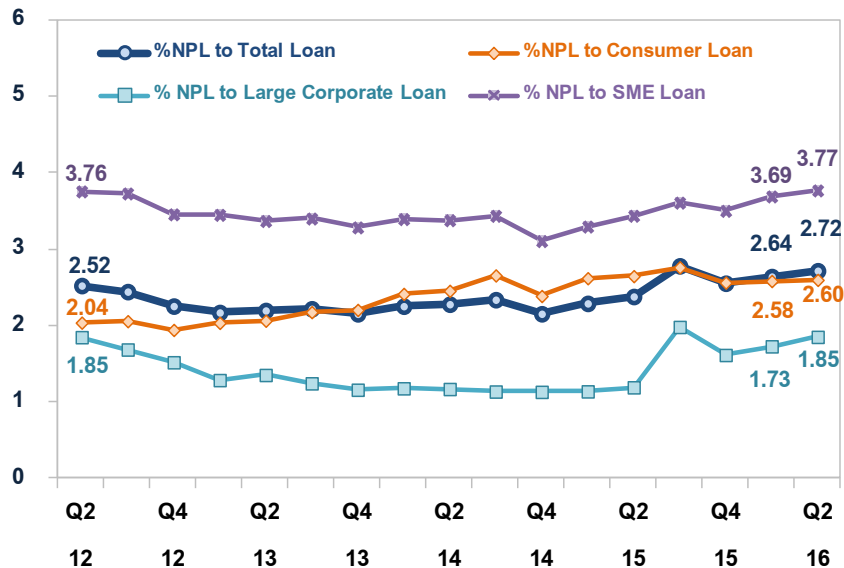
Structure of Consumer Loans as of June 2016 (% to total loans)



Loan quality continued to decline in all loan types.

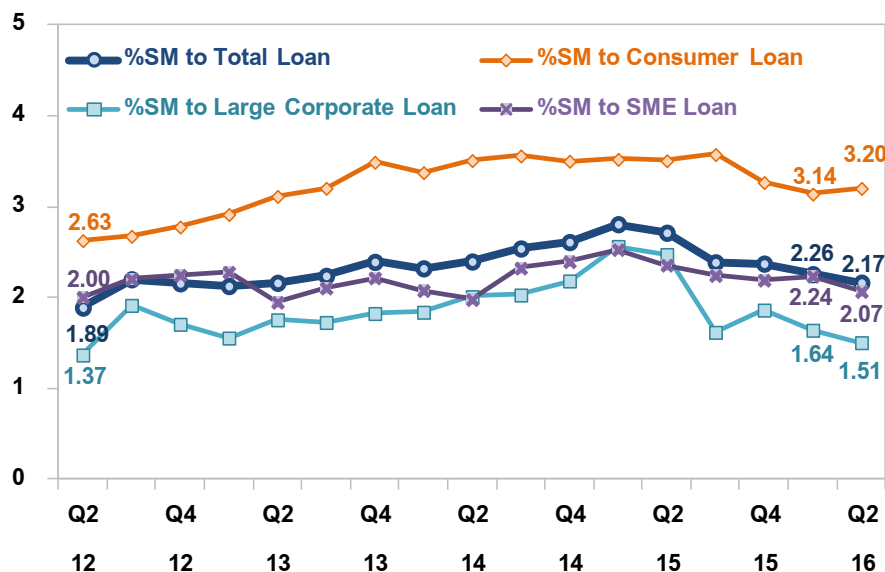
Non-Performing Loans (NPLs)

% to Total Loan



Special Mention (SM)

% to Total Loan



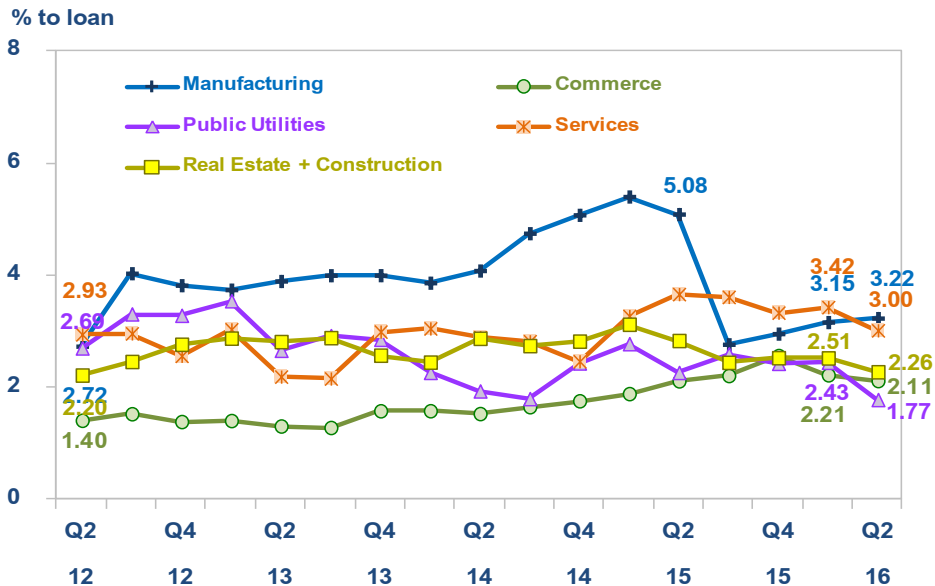
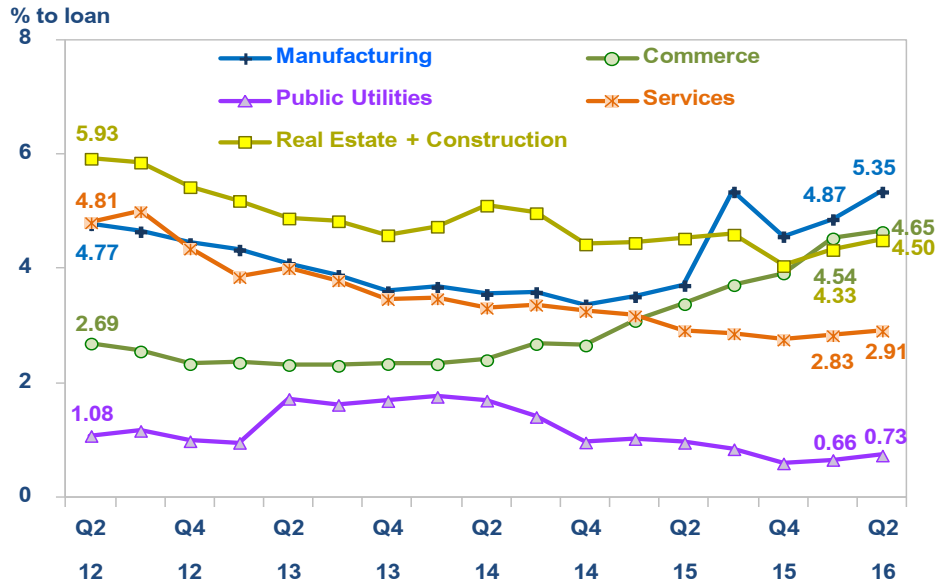
Note : Loan given to an affiliate of one large corporate to fund acquisition of a large retailer is reported as SME loans, according to the definition of Small and Medium Enterprises (SMEs) by Ministry of Industry. If excluding this case, %NPL of SME loan would be at 3.84%, up from 3.69%, while %SM would be at 2.1%, down from 2.24% last quarter.



Corporate loan quality deteriorated in all sectors, particularly in manufacturing, real estate and construction sector.

Non-Performing Loans (NPLs)

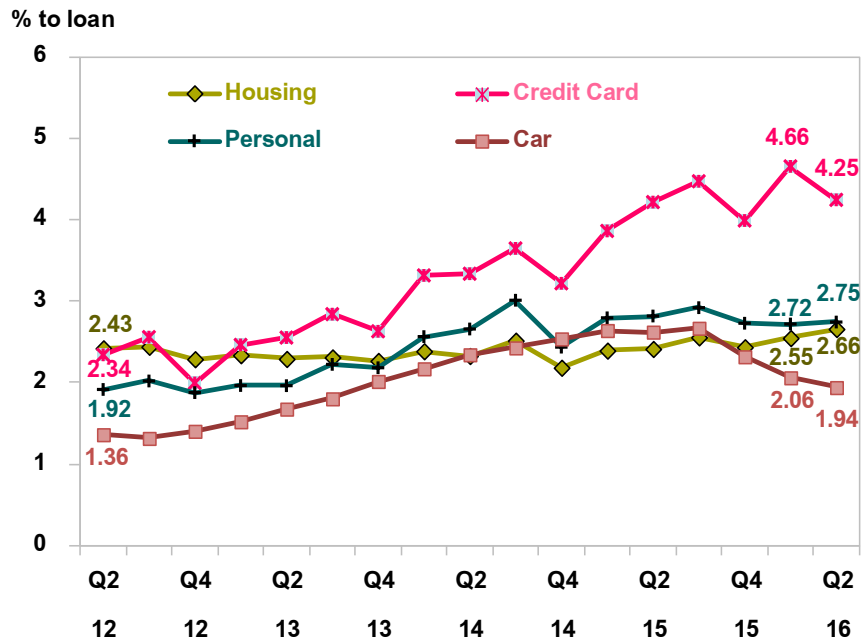
Special Mention (SM)



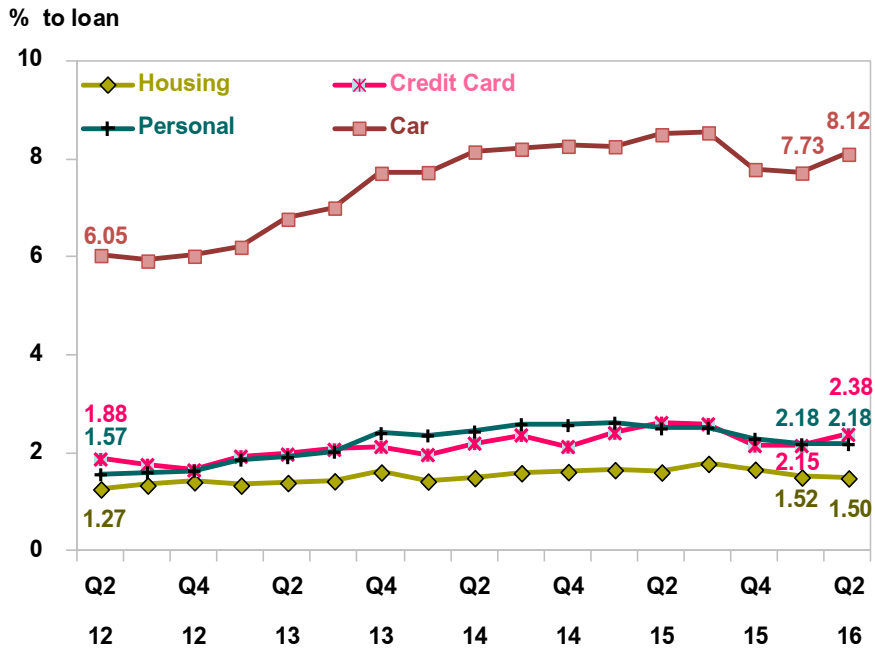


Consumer loan quality deteriorated slightly in housing and personal loans, while NPL ratio of car and credit card loans declined.

Non-Performing Loans (NPLs)

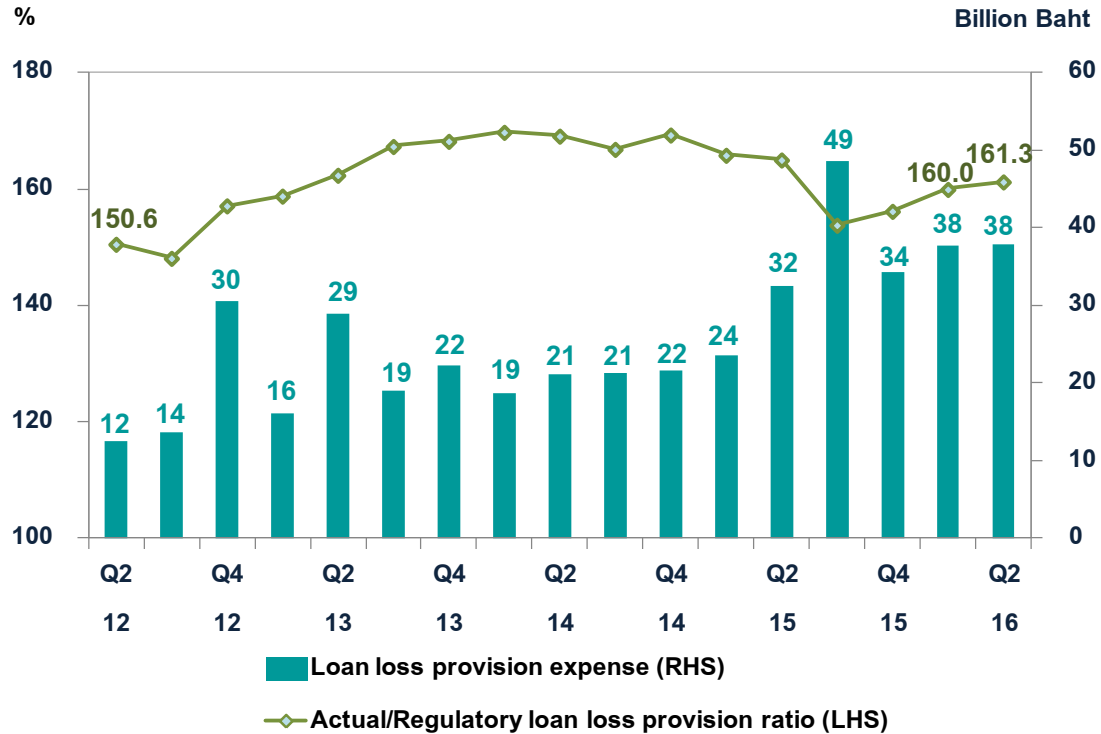


Special Mention (SM)





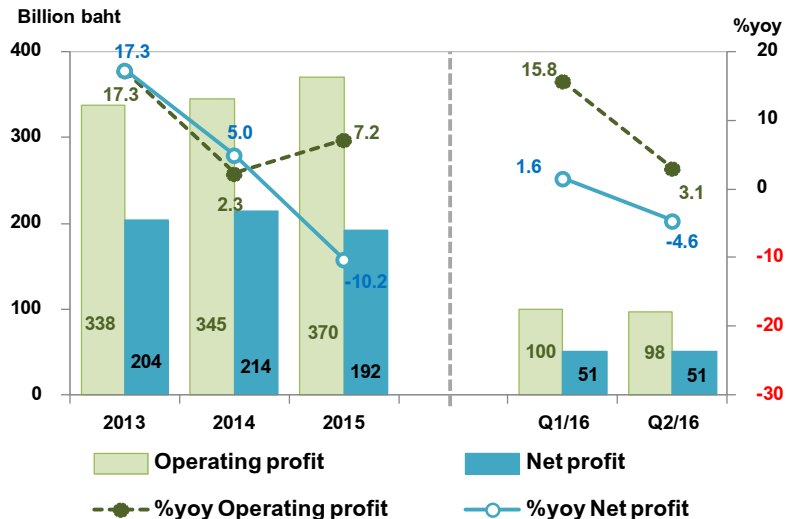
Loan loss provision remained high.



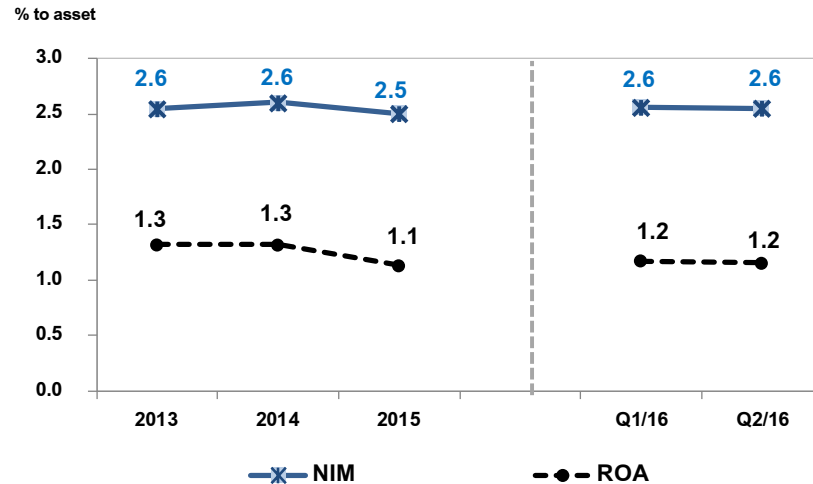


Banks' operating profits increased from funding cost management and dividend income, while net profits were affected by provisioning expense.

Profitability

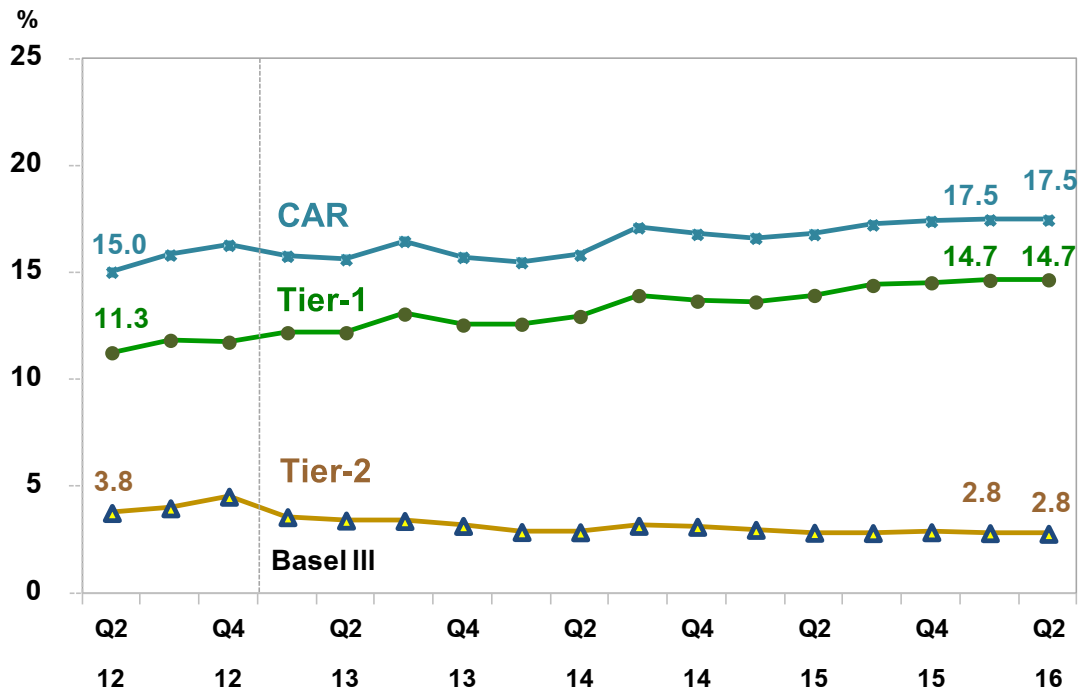


Return on Asset and Net Interest Margin





Capital fund remained high.

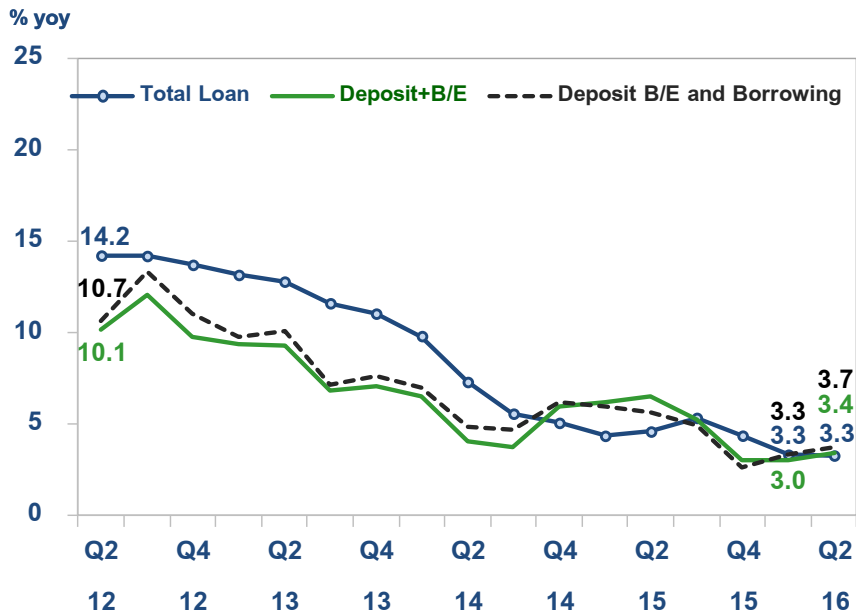


Basel III regulation adopted in 2013



Loan/(Deposit+BE) ratio increased due to increase in lending.

Loan, Deposit and Borrowing Growth



Loan to Deposit and Borrowing

