



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

**No. 58/2016**

**Performance of the Thai Banking System in the Third Quarter of 2016**

Mr. Don Nakornthab, Senior Director, Bank of Thailand, reported that the Thai banking system's performance in the third quarter of 2016 remained sound with high level of loan loss provision and capital fund to facilitate credit expansion going forward. However, the gradual and uneven economic recovery resulted in continued subdued loan growth and credit quality deterioration, thereby affecting banks' profitability. Details are as follows.

Gradual economic recovery coupled with debt repayment of loans to some corporate, which switched to issuance of debt securities for funding given low interest rate environment, led to subdued loan growth at 2.4% year-on-year.

**Corporate loans** (67.6% of total loans) expanded at 1.1% year-on-year, down from 2% last quarter, mainly from loans in the financial business sector (due to debt repayment of a holding company loans for the acquisition of a large retailer) and government sector. **Loans to large corporate** (excluding financial business) contracted less at 2% due mainly to the manufacturing sector, while expanding in service and commerce sectors. Loans to SME (excluding financial business) expanded at 3.2% up from 2.9%, mainly from the service sector, as a result of share buyback of a telecommunication company.

**Consumer loans** (32.4% of total loans) continued to decelerate to 5.2% from 6% last quarter, attributable to slowdown in housing, personal, and credit card loans at 7.7%, 2.7% and 6%, respectively. Car loan growth increased to 1.9% in line with increase in domestic car sales.

**Loan quality** continued to deteriorate in both corporate, especially in SMEs, and consumer loans. **Non-Performing Loans** (NPLs) recorded at 393.6 billion baht, increased by 19.9 billion baht from last quarter, resulting in gross NPL-to-total loan ratio of 2.89%, up from 2.72%. **Special mention loans** (SMs : loan overdue above 1 month but not more than 3 months) amounted to 324 billion baht, increased by 26 billion baht from last quarter, thereby increasing

SM-to-total loan ratio to 2.38% from 2.17%. Nevertheless, banks continued to accumulate high level of loan loss provision to cushion for loan quality deterioration, with 21 billion baht increase in total provision to 513.2 billion baht. Consequently, the ratio of actual to regulatory loan loss provision increased to 161.6% from 161.3%.

In the third quarter of 2016, the banking system recorded higher net interest income, attributable mainly to funding cost management. Operating profits were 97.1 billion baht, 9.8% decline year-on-year, from higher base in the same period last year as a result of sale of investments and dividend income. Net profit amounted to 49.8 billion, a marginal decline of 0.3% year-on-year. Net interest margin (NIM) stabled at 2.6% and return on assets (ROA) decreased slightly to 1.1% from 1.2% last quarter.

Overall financial performance of the Thai banking system remained sound, with capital fund totaling at 2,372.3 billion baht, increased from appropriation of retained earnings, and capital adequacy ratio (BIS ratio) rose to 18.5%.

Bank of Thailand  
November 10, 2016

Contact: Financial Performance and Loan Analysis Team  
Tel: +66 (0) 2283 5980  
e-mail: FP&LTeam@bot.or.th