



# BANK OF THAILAND NEWS

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## Performance of the Thai Banking System in the Second Quarter of 2011

Ms. Nawaporn Maharagkaga, Senior Director, Financial Institution Policy Group, gave a press conference on the performance of the Thai banking system in the second quarter of 2011. The banking sector was strong and profitable due to continued loan growth and decline in non-performing loan (NPL). Liquidity was slightly tightened although fund mobilization via deposit and Bill of Exchange (B/E) accelerated. Meanwhile, capital remained strong from increased profit, and adequate to support ongoing credit growth.

In the second quarter of 2011, loan expanded by 15.1% year-on-year, increasing from 13.4% in the last quarter, attributable to corporate loan (comprising 71.4% of total loan) which grew by 14.9%, compared to 12.2% in the last quarter. The growth in corporate loan was in line with the economic expansion and resumption of production in industries previously affected by supply disruption from the disaster in Japan in March 2011. Loan for large corporate and SME grew at 17.9% and 12.2%, respectively, with strong expansion in manufacturing, commerce and public utilities sectors. However, loans extended to the real estate and construction sector slowed down owing to the expiration of government's stimulus package for the real estate sector. Consumer loan grew by 15.7%, down from 16.3% in the previous quarter, partly due to moderation in housing loan growth.

Fund mobilization via deposit and B/E accelerated by 14.0%, increased from 11.6% in the previous quarter, partly in response to competition in fund raising to support credit growth. However, the increase in deposit and B/E was exceeded by credit expansion, thereby resulting in slightly tightened liquidity. The ratio of loan to deposit plus B/E rose to 89.1%, compared to 87.1% in the last quarter.

Non-performing loan declined by 15.7 billion baht, to 284.7 billion baht at the end of second quarter 2011. The decline resulted mainly from the transfer of debts to asset management companies (AMC) and debt repayment. The ratio of gross NPL to total loan fell from 3.2% to 3.0% and that of NPL net of provision (net NPL) also declined from 1.7% to 1.6%. The NPL ratio for corporate loan decreased to 3.2%, decreasing in almost all sectors of both large corporate and SME, while NPL ratio of consumer loan also reduced to 2.1%. Moreover, the ratio of delinquent loan to total loan declined to 2.1%.

In the second quarter of 2011, the banking system reported operating profit and net profit at 68.9 billion baht and 45.3 billion baht, increasing by 10.7 billion baht and 11.5 billion baht, respectively. This was attributable mainly to an

increase in net interest income from credit expansion, resulting in rising Net Interest Margin (NIM) from 2.4% to 2.6% and the Return on Asset (ROA) from 1.1% to 1.5%.

The capital of the banking system increased with continued profitability, while risk-weighted assets also increased in line with credit expansion, resulting in a slight decrease in capital adequacy ratio (BIS ratio) and Tier-1 ratio to 15.4% and 12.0%, respectively. However, the level of capital remained high and adequate to support ongoing economic growth.

The banking system continued to record positive profit and robust performance. Going forward, it is important to remain vigilant in risk management, in the light of the uncertainty in economic environment, particularly volatile global economic conditions.

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*Vision : A forward-looking organization with competent staff dedicated to ensuring the resilience of the Thai economy against shock and instability*