



BANK OF THAILAND

BOT Press Release

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Performance of the Thai Banking System in 2011

Ms. Nawaporn Maharagkaga, Senior Director, Financial Institution Policy Group, gave a press conference on the performance of the Thai banking system in 2011. The banking system remained resilient with continued loan expansion during the first nine months in line with strong economic fundamentals, although the loan growth moderated somewhat in the last quarter due to the floods. With loan expansion exceeding fund mobilization via deposit and bill of exchange (B/E), liquidity tightened slightly. Non-Performing Loan (NPL) continually declined, while net profit increased. Capital remained strong and adequate to support ongoing economic growth. Overall performance in 2011 and the adjustment of the banking system into the adverse impact of the flood in the fourth quarter can be summarized as follows:

1. Overall Performance in 2011

Strong momentum of the Thai economy during the first nine months of 2011, albeit contracted in the last quarter due to the floods, contributed to the loan expansion of the banking system that grew by 14.9% in 2011, accelerating from 11.3% in the previous year. Corporate loan (comprising 71.2% of total loan) expanded in most business sectors, particularly commerce, manufacturing and public utilities, with the growth of 14.8%, increasing from 9.0% last year, while loan for Small and Medium Enterprises (comprising 51.7% of corporate loan) expanded 14.4%, up from 7.2% in 2010. Consumer loan (comprising 28.8% of total loan) grew by 15.4%, down from 17.7% last year, with the slowdown observable in all sectors, except personal loan growth that accelerated due to the household spending needs after the floods.

Fund mobilization via deposit and B/E grew by 13.0% in 2011, increasing from 8.3% last year. However, the increase in deposit and B/E was exceeded by loan expansion, thereby causing liquidity to tighten somewhat. The ratio of loan to deposit plus B/E rose to 89.9%.

In 2011, NPL stood at 265.4 billion baht, declining by 47.2 billion baht from last year as a result of debt repayment and sale of NPL to asset management companies (AMC). The ratios of gross NPL and net NPL to total loan fell to 2.7% and 1.3%, respectively. The ratio of corporate NPL to total loan decreased to 3.0%, declining in all sectors, while the ratio of NPL for consumer loan also reduced to 2.0%. Meanwhile, the ratio of delinquent loan to total loan decreased to 2.3% mainly from corporate sector. However, delinquency ratio rose to 3.3% for consumer loan, increasing in all sectors, particularly car loan as a result of the floods in the fourth quarter.

In 2011, the banking system reported net profit of 144.1 billion baht, up by 21.1 billion baht from last year. This was attributable to an increase in net interest income from loan expansion and improved loan quality, resulting in rising Net Interest Margin (NIM) to 2.5% from 2.4% last year. However, an increased provision for loan loss in response to the impact of the floods contributed to stable Return on Asset (ROA) of 1.1%.

Capital of the banking system in 2011 increased from continued profit and capital injection. However, capital adequacy ratio (BIS ratio) and Tier-1 ratio declined slightly to 15.1% and 11.8% respectively due to rising risk-weighted assets in line with loan expansion, the new accounting standard on future staff-related expenses adopted at the beginning of the year, and the accounting adjustment from the merger of Thanachart Bank and Siam City Bank in the fourth quarter.

2. Adjustment of the Banking System in face of the Adverse Impact of the Flood in the Fourth Quarter

The banking system was impacted by the floods as reflected in the slowdown of loan growth in manufacturing, commerce, and all sectors of consumer loan, except for personal loan which accelerated due to household spending needs during the flood. Meanwhile, delinquency ratio increased to 3.3% in the fourth quarter for consumer loan, with the increase observable in all sectors. An increased provision for loan loss in response to the impact of the floods brought ROA down to 1.1% for the whole year from 1.2% in the first nine months.

In all, the banking system in 2011 remained resilient while banks continued emphasis on risk management, enabled them to be well placed to cope with the ongoing uncertainty and volatility in the global economy. However, going forward, there remain challenges

including the full impact of the floods, global economic volatility, especially from the EU crisis, and the reduction of deposit guaranty coverage to 1 million baht from 11 August 2012 onwards. Therefore, going forward it is important for banks to remain vigilant in managing their credit risk, liquidity risk as well as to ensure strong capital base.

Bank of Thailand
9 February 2012



BANK OF THAILAND

Performance of the Banking System in 2011



1. Overall Performance of the Banking System

In 2011, the banking system remained resilient, with the following key developments.

- **Loan expanded by 14.9% yoy, in line with the continued economic expansion, although loan growth moderated in the last quarter due to the floods.**
 - Corporate loan expanded by 14.8% yoy (SME loan expanded by 14.4% yoy)
 - Consumer loan expanded by 15.4% yoy
- **Fund mobilization via deposit and B/E expanded by 13.0% yoy, lower than loan expansion, causing liquidity to tighten somewhat.**
 - $L / (D + B/E)$ ratio increased to 89.9%
- **Gross NPL declined to 265.4 billion baht due to debt repayment and the sale of NPL to AMC.**
 - Ratios of gross NPL and net NPL to total loan decreased to 2.7% and 1.3%, respectively.
- **Net profit increased from higher net interest income, in line with loan expansion and improved loan quality on the back of strong economic fundamentals in the first nine months.**
 - NIM rose to 2.5% while ROA was stable at 1.1%.
- **Capital increased from continued profit and capital injection. However, BIS ratio and Tier-1 ratio decreased due to loan growth, the adoption of new international accounting standard on staff-related expense early this year, and accounting adjustment from the merger of TBANK and SCIB.**
 - BIS ratio and Tier-1 ratio decreased to 15.1% and 11.8%, respectively.

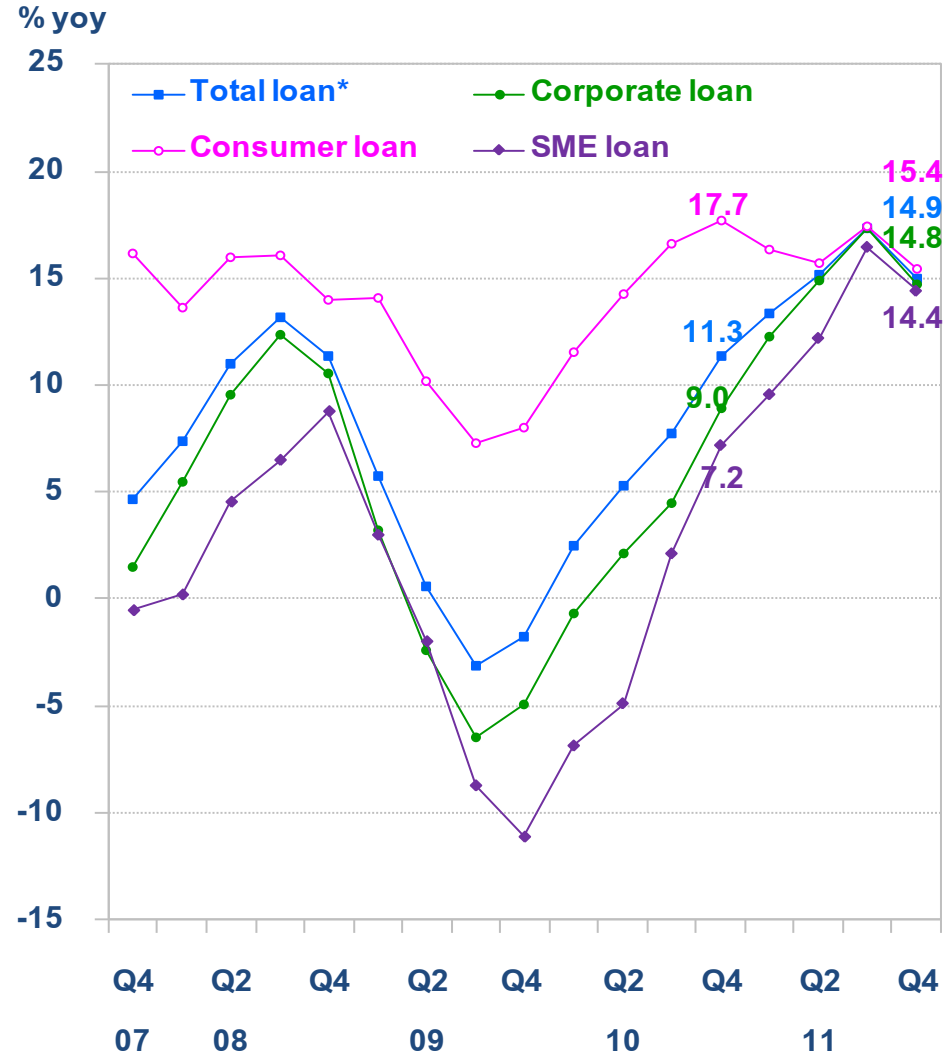
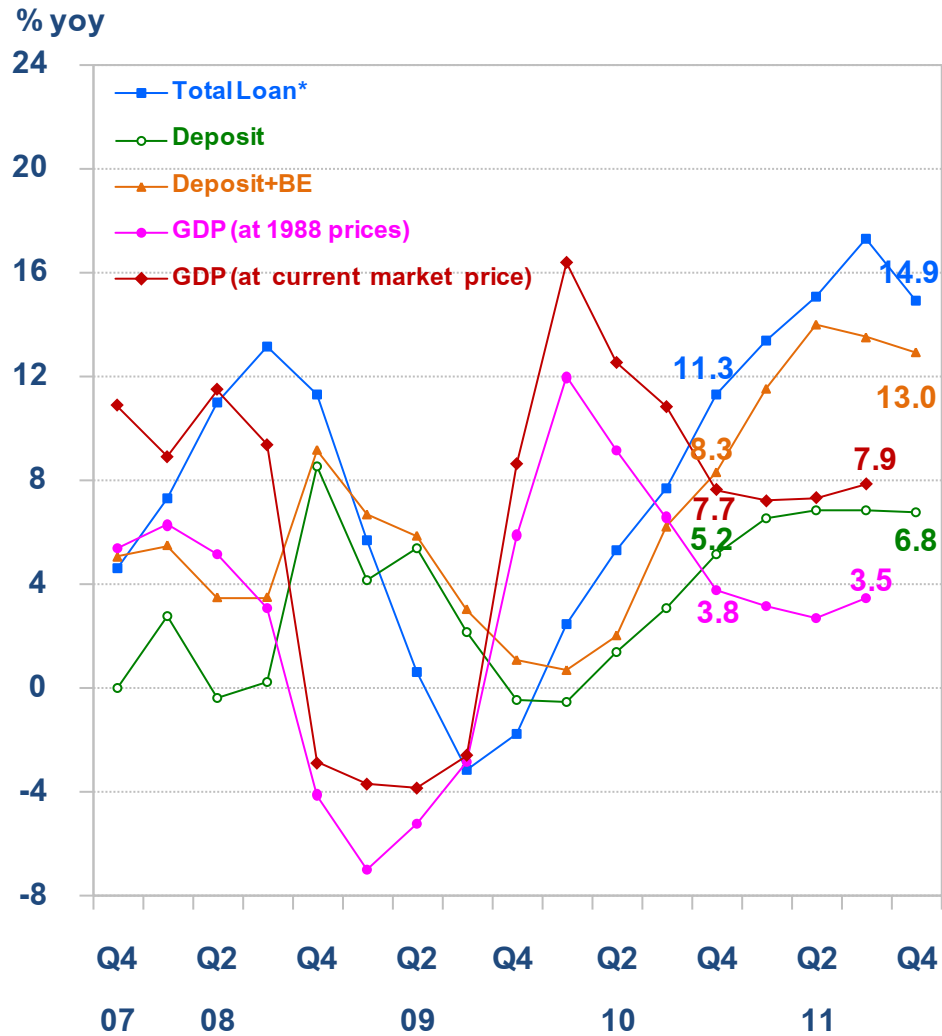


2. Adjustment of the Banking System in face of the Adverse Impact of the Flood in the Fourth Quarter

- **The banking system was affected by the floods as reflected in the slowdown of loan growth in manufacturing, commerce and across all the sectors of consumer loan except personal loan growth that accelerated due to household spending needs.**
- **Delinquency ratio increased to 3.3% in the fourth quarter for consumer loan, with the increase observable in all sectors.**
- **An increased provision for loan loss in response to the impact of the floods resulted in ROA to decrease from 1.2% in the first nine months to 1.1% for the whole year.**
- **With strong capital base, continued focus on risk management, the banking system is well placed to cope well with ongoing challenges and volatility in the global economy.**



Loan Growth



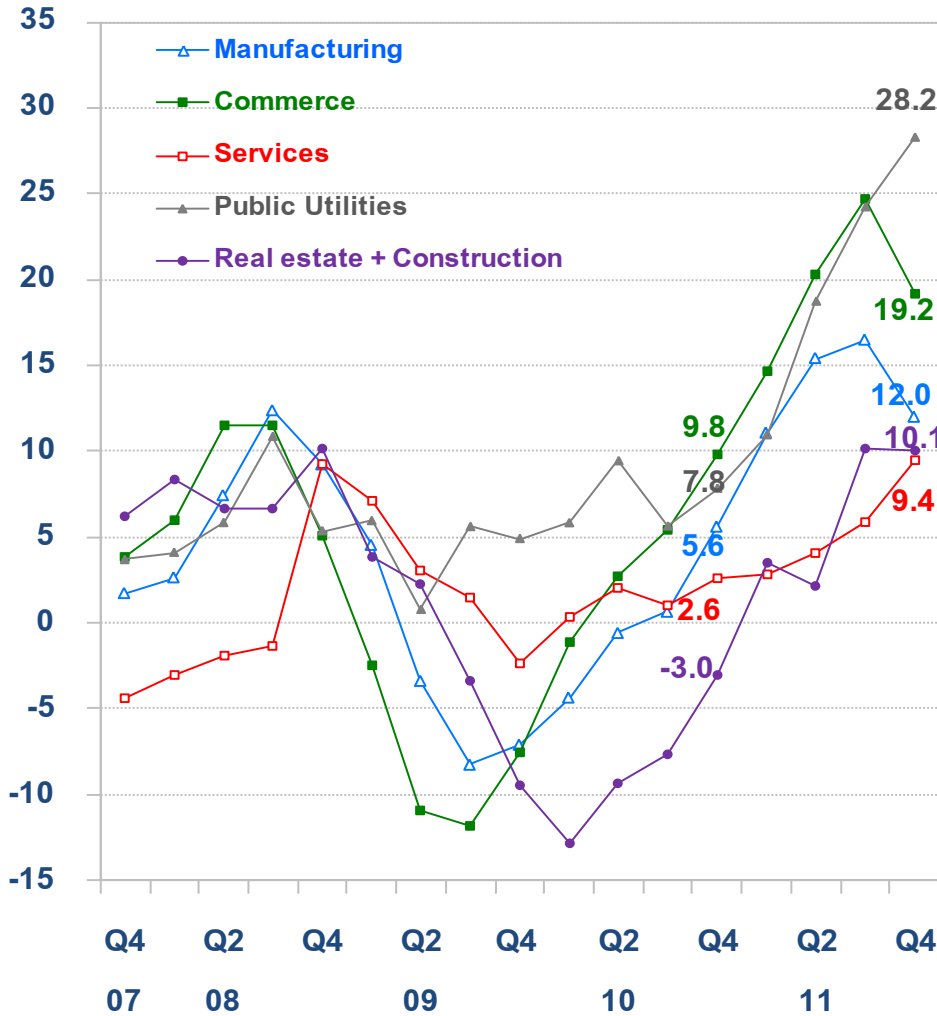
* Excluding interbank, but including KTC and AYC



Loan

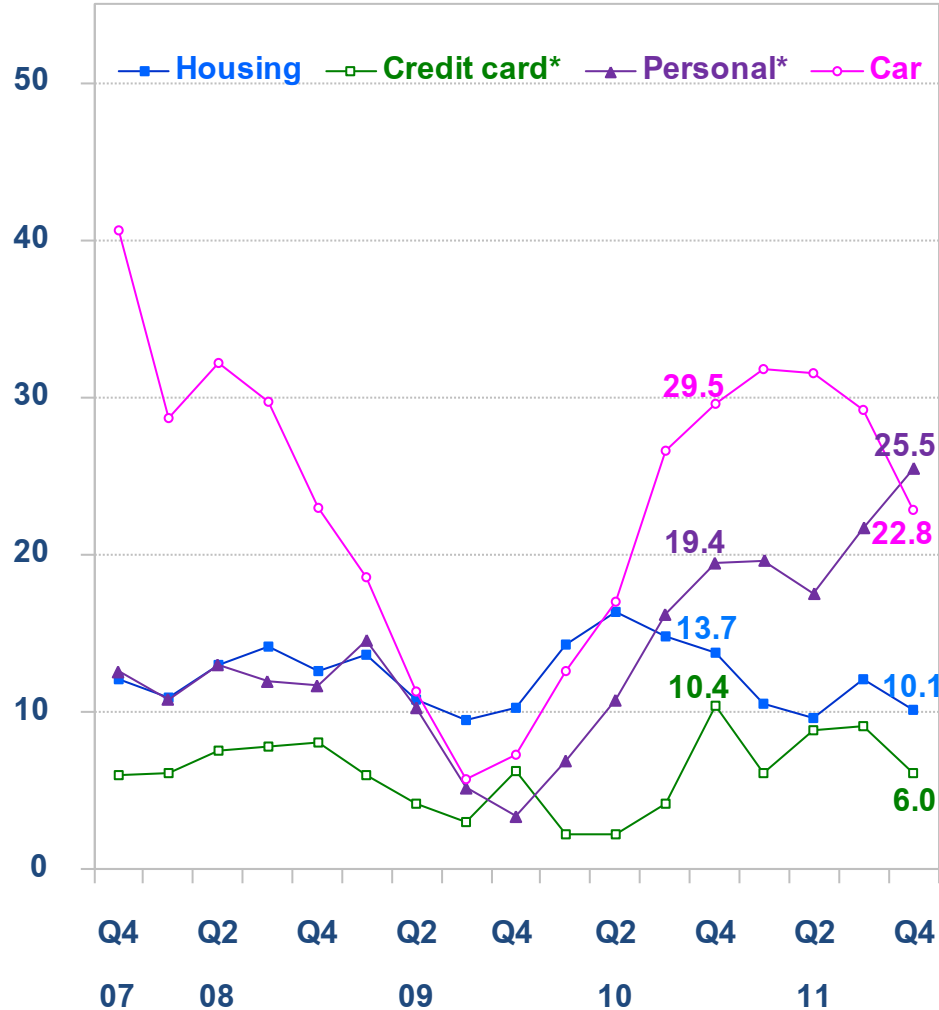
Corporate Loan

% yoy



Consumer Loan

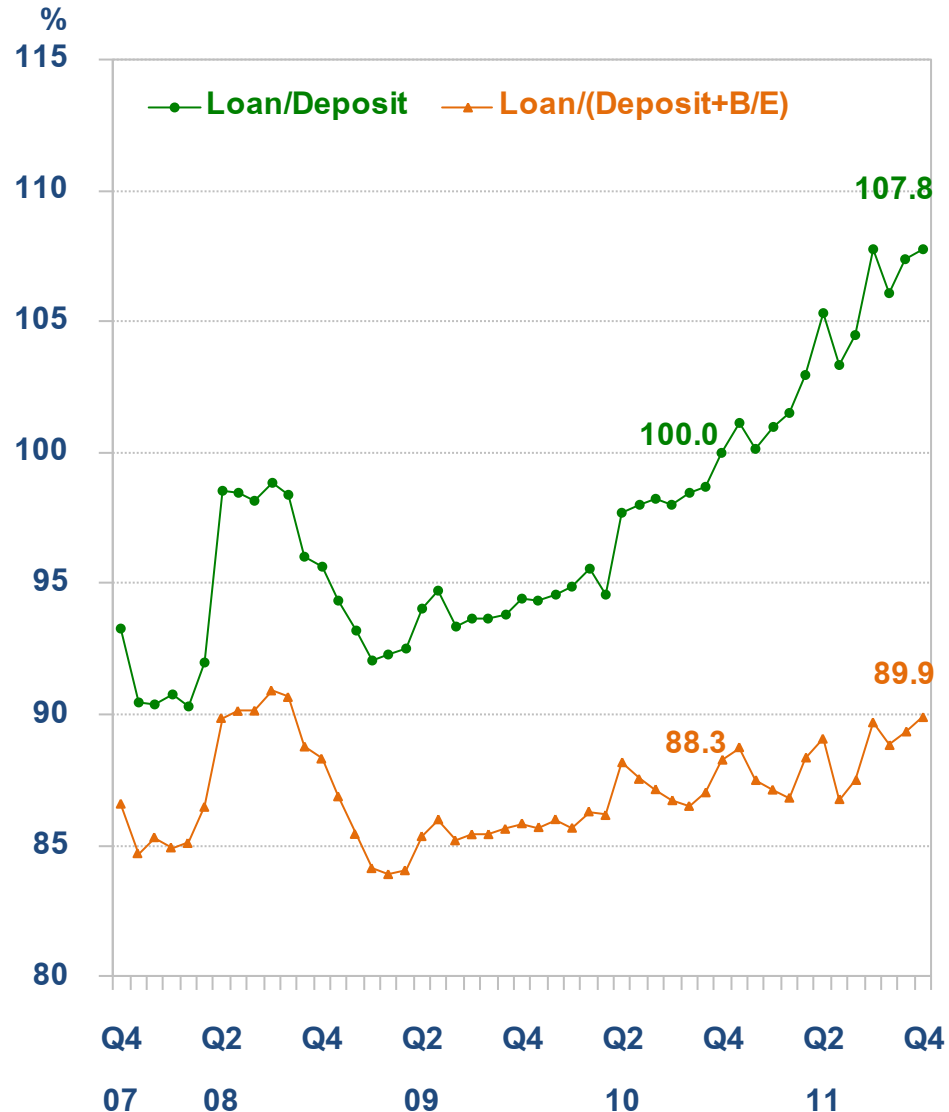
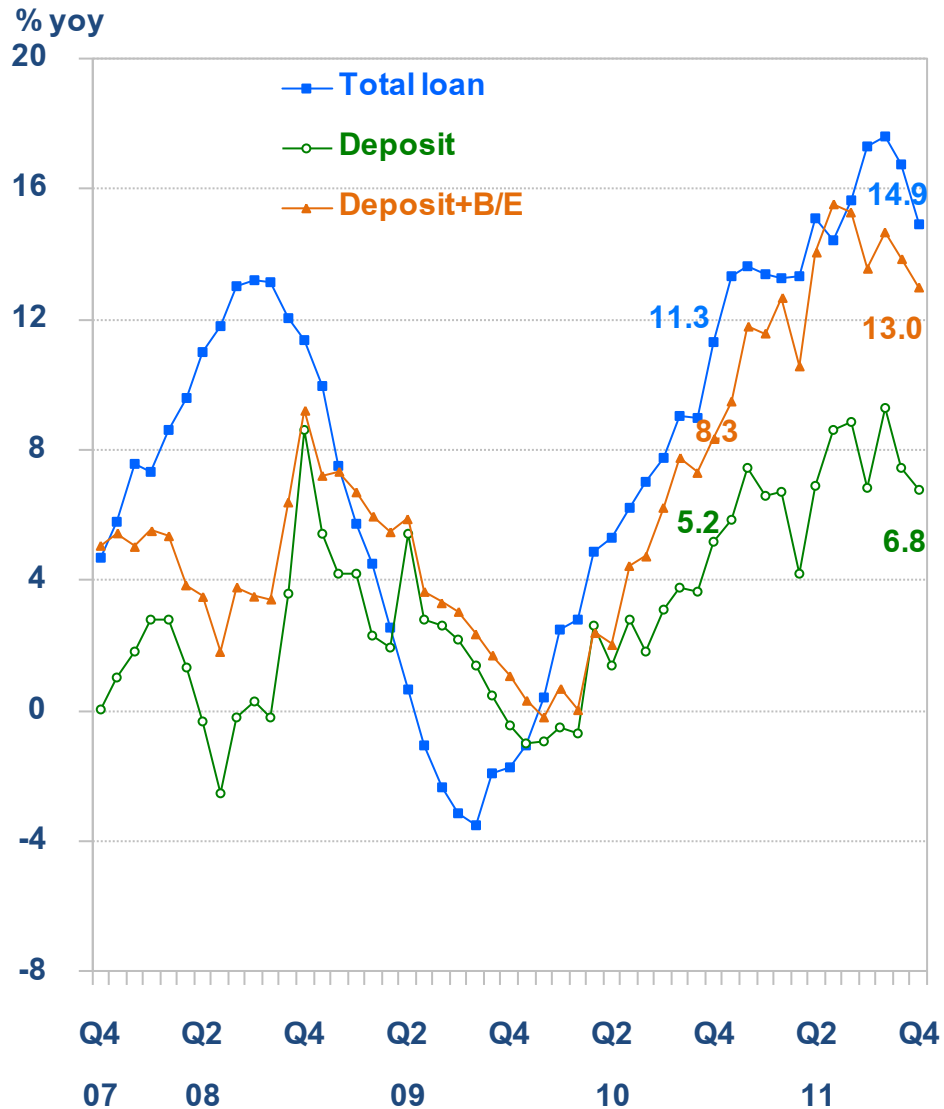
% yoy



* Including KTC and AYC



Loan, Deposit and Liquidity

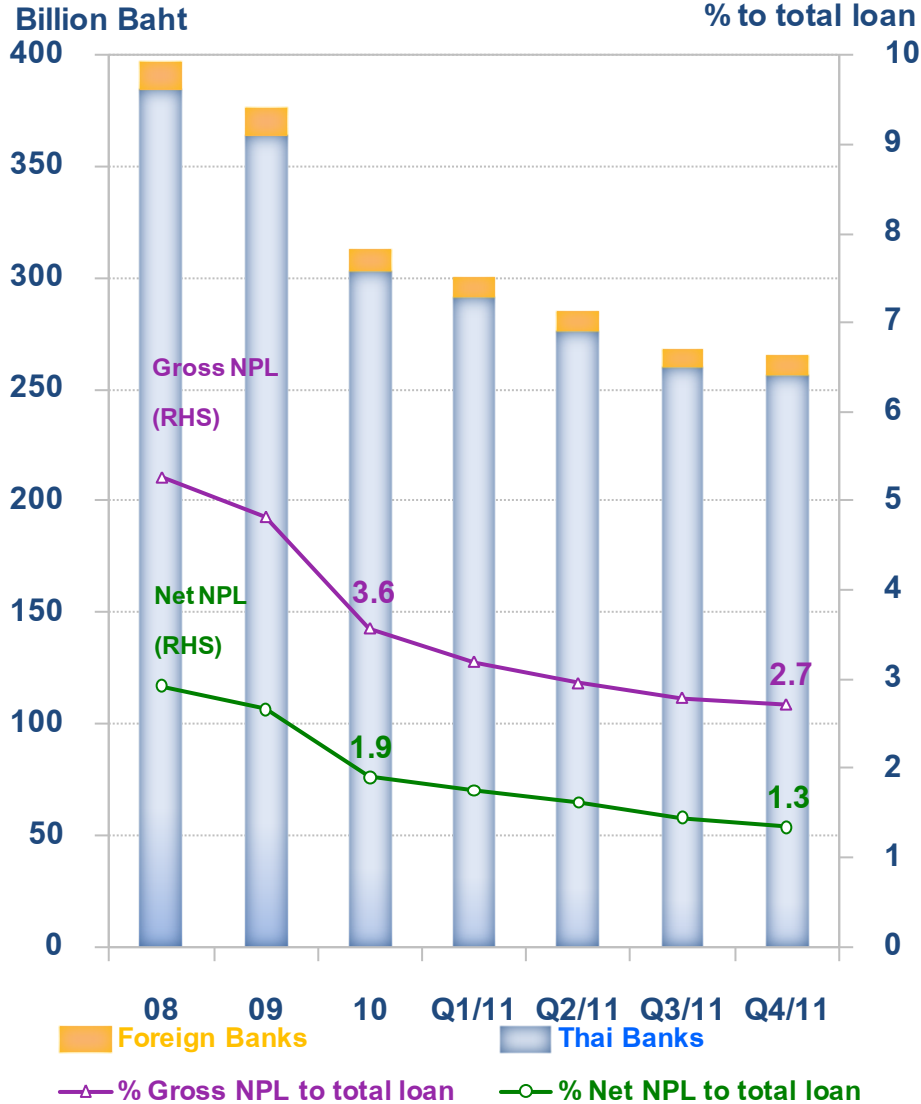


Note : Excluding interbank transactions

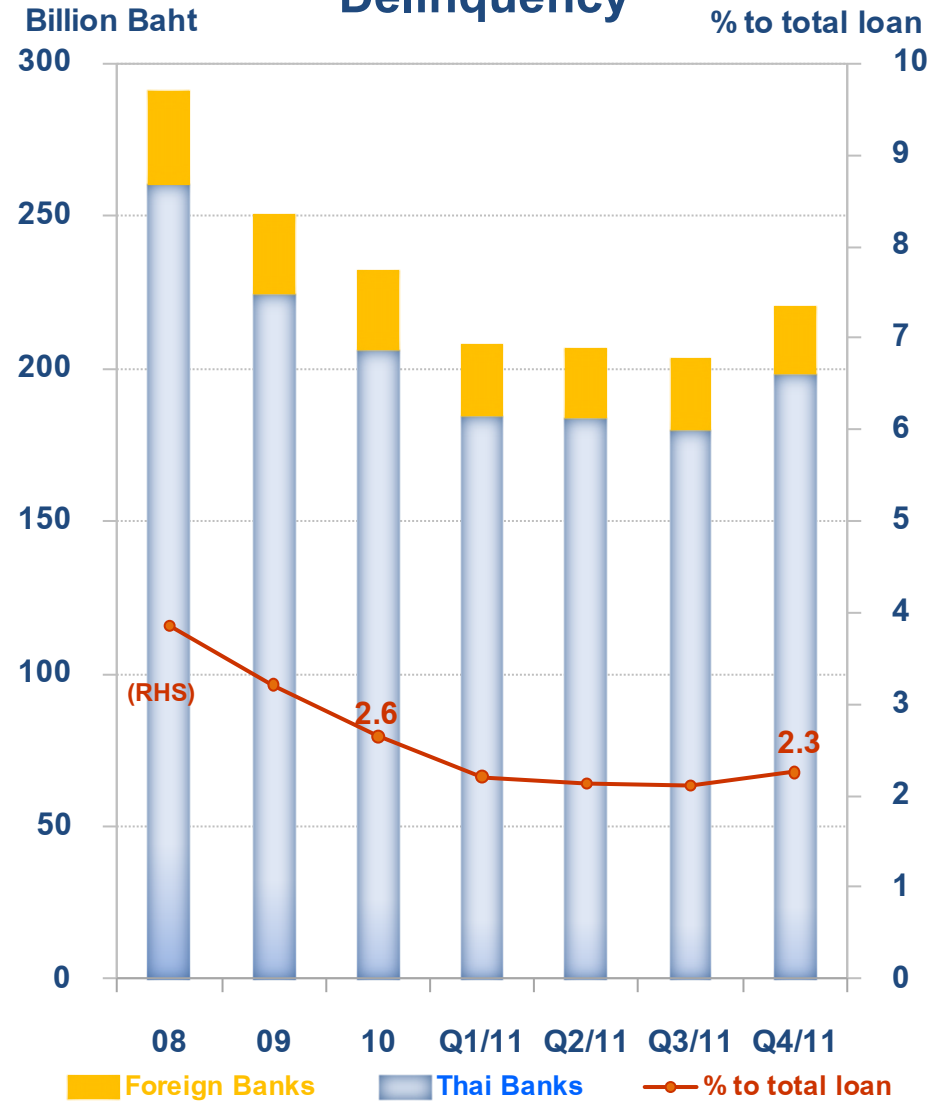


Asset Quality

NPL



Delinquency *



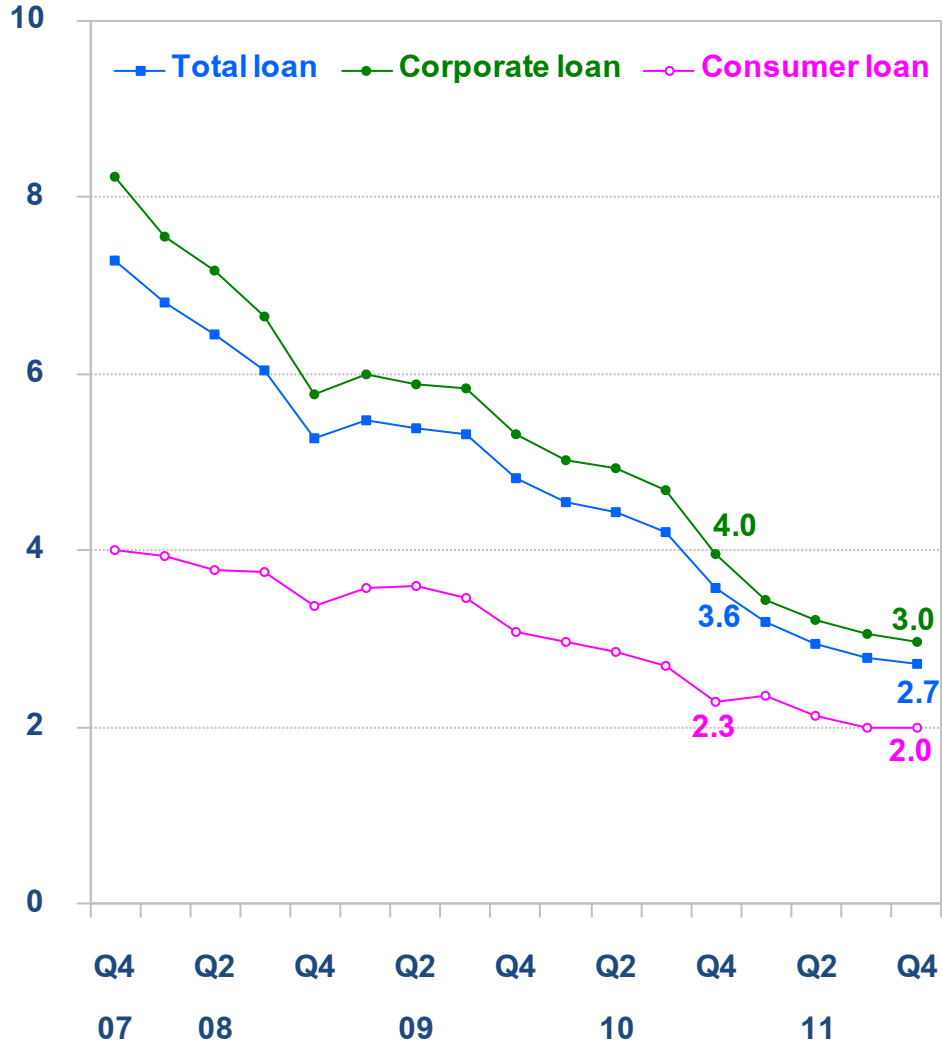
* Special mentioned loans or past due loans over 1 month but not over 3 months



Asset Quality

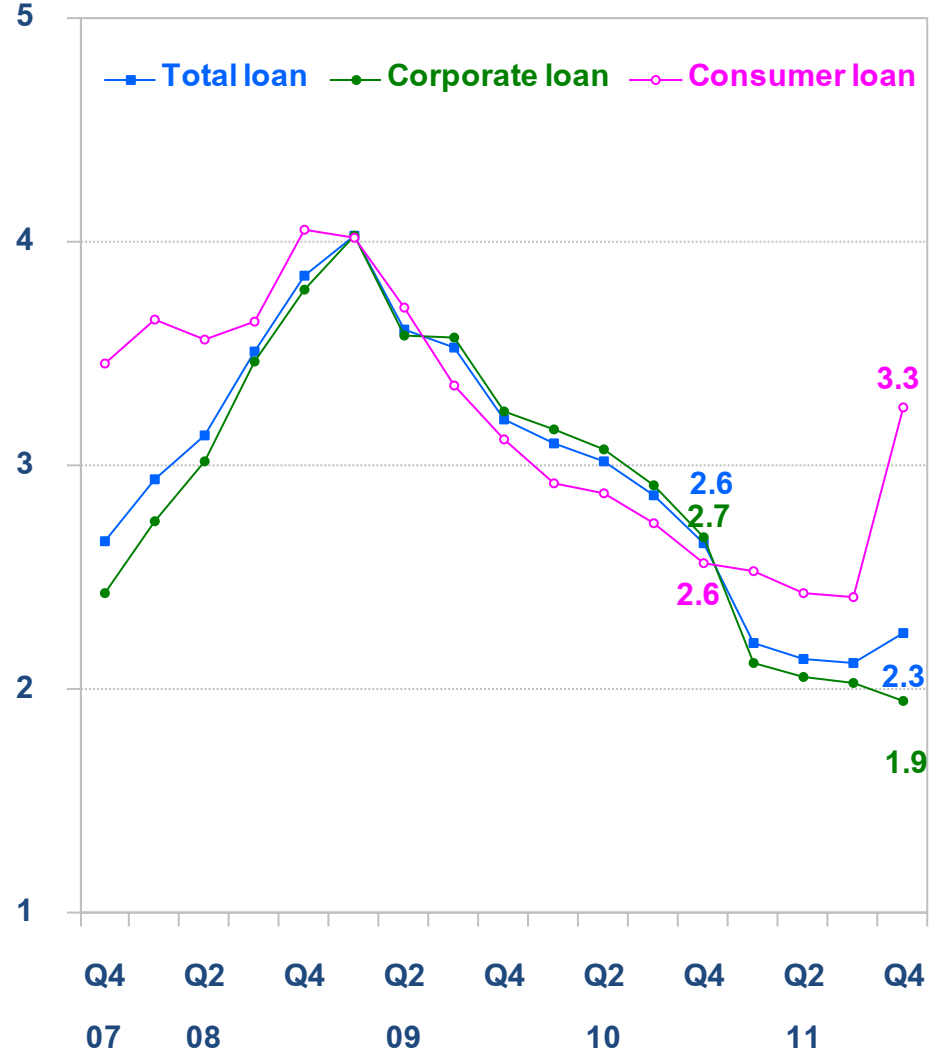
NPL

% to total loan



Delinquency

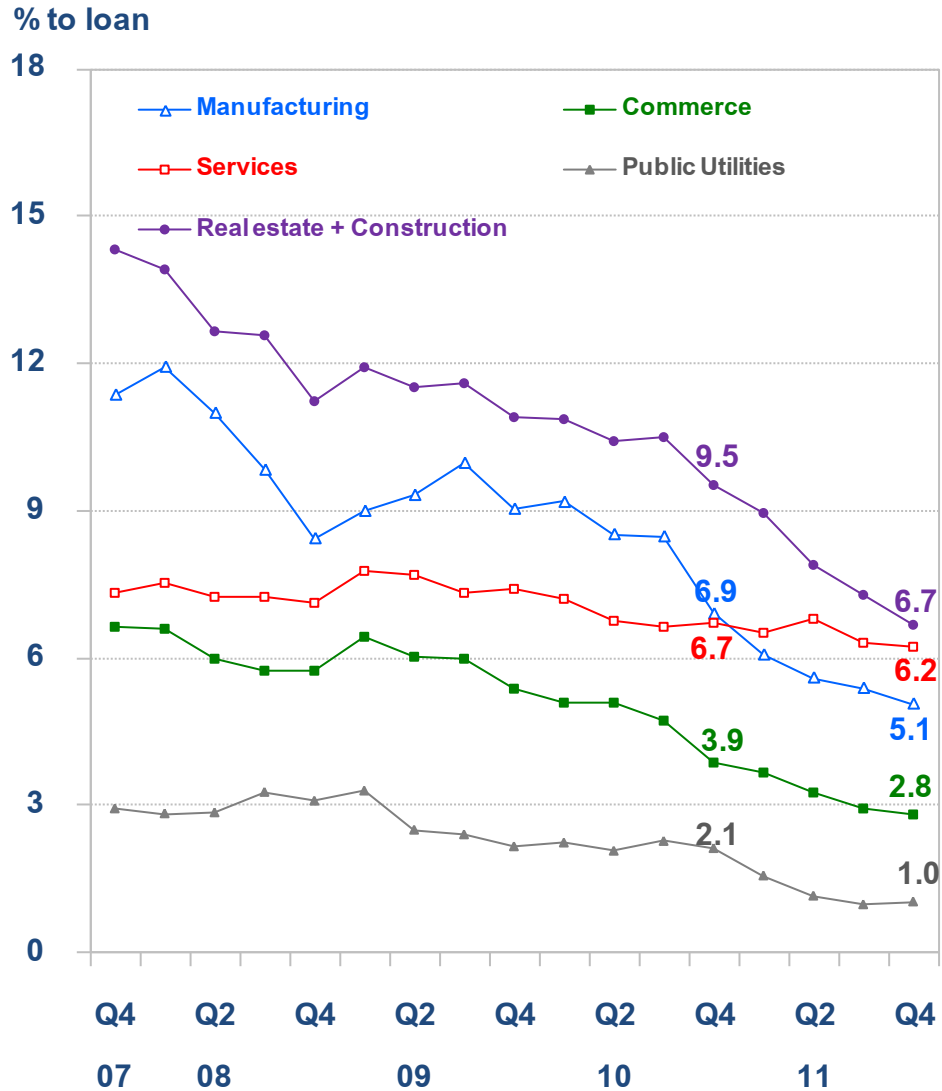
% to total loan



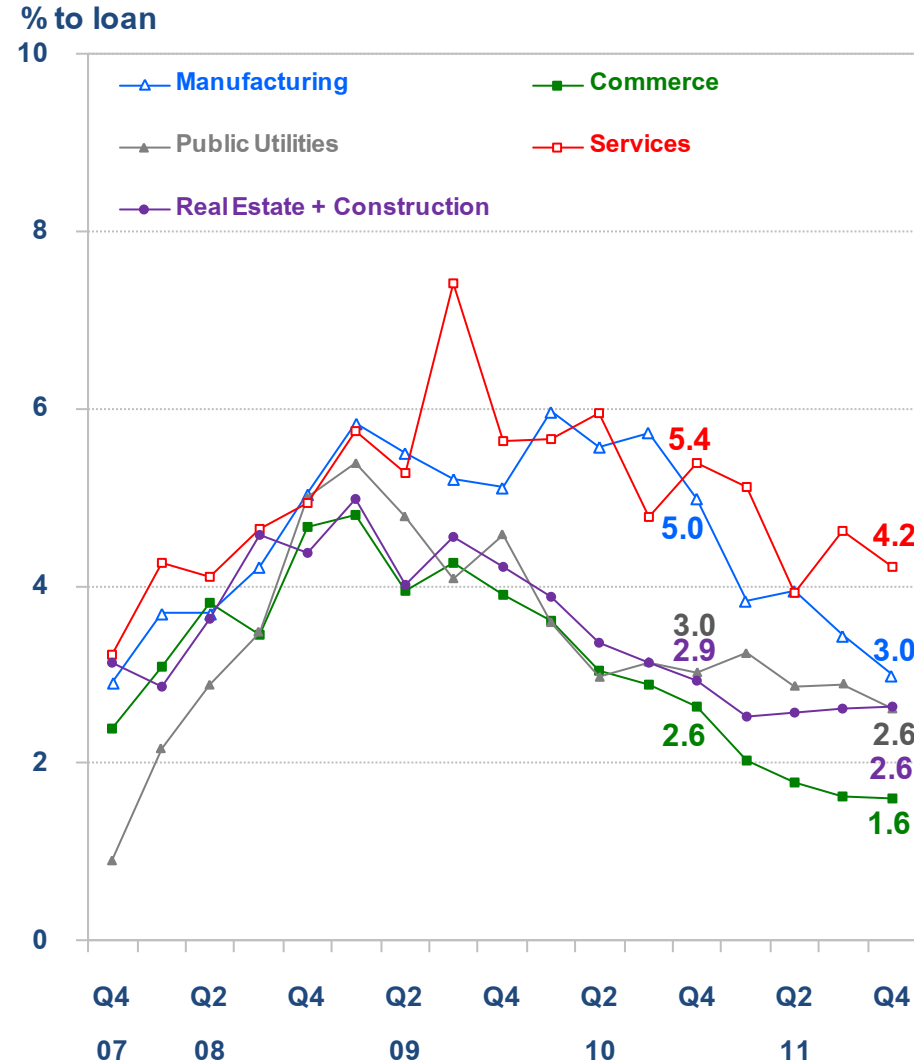


Corporate Loan

NPL



Delinquency

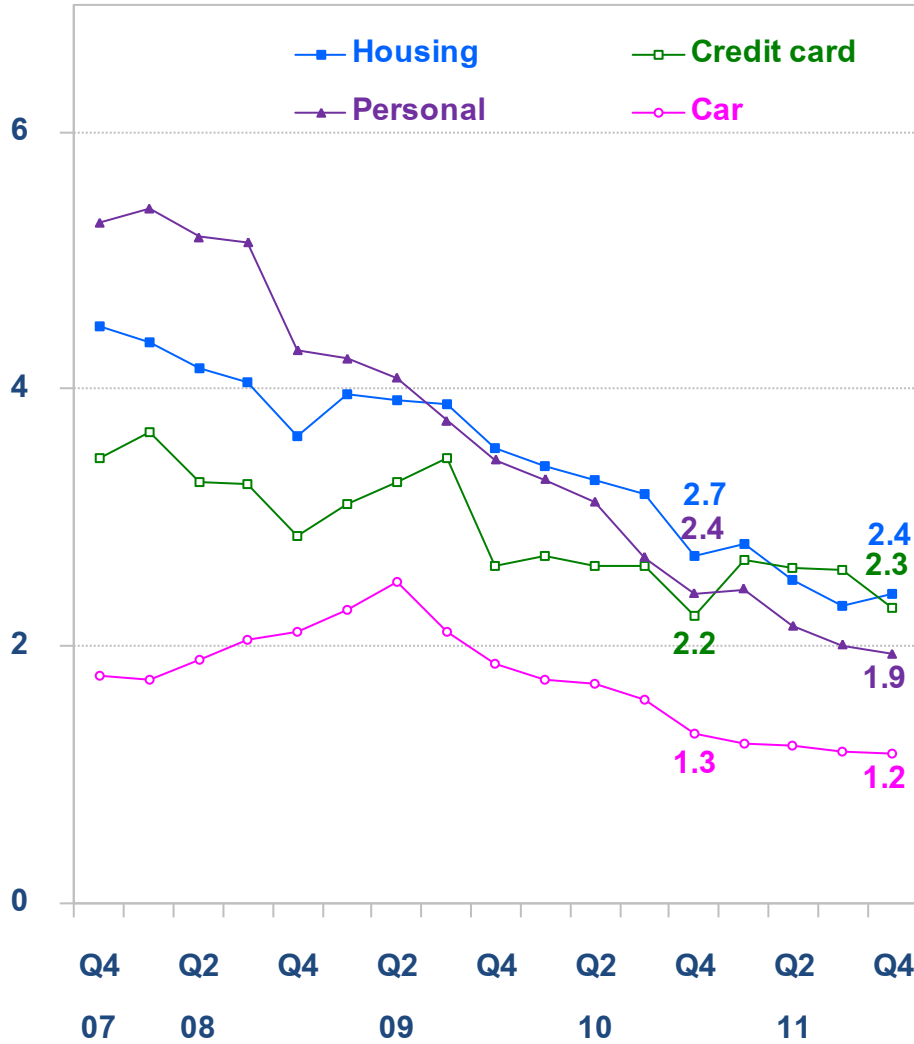




Consumer Loan

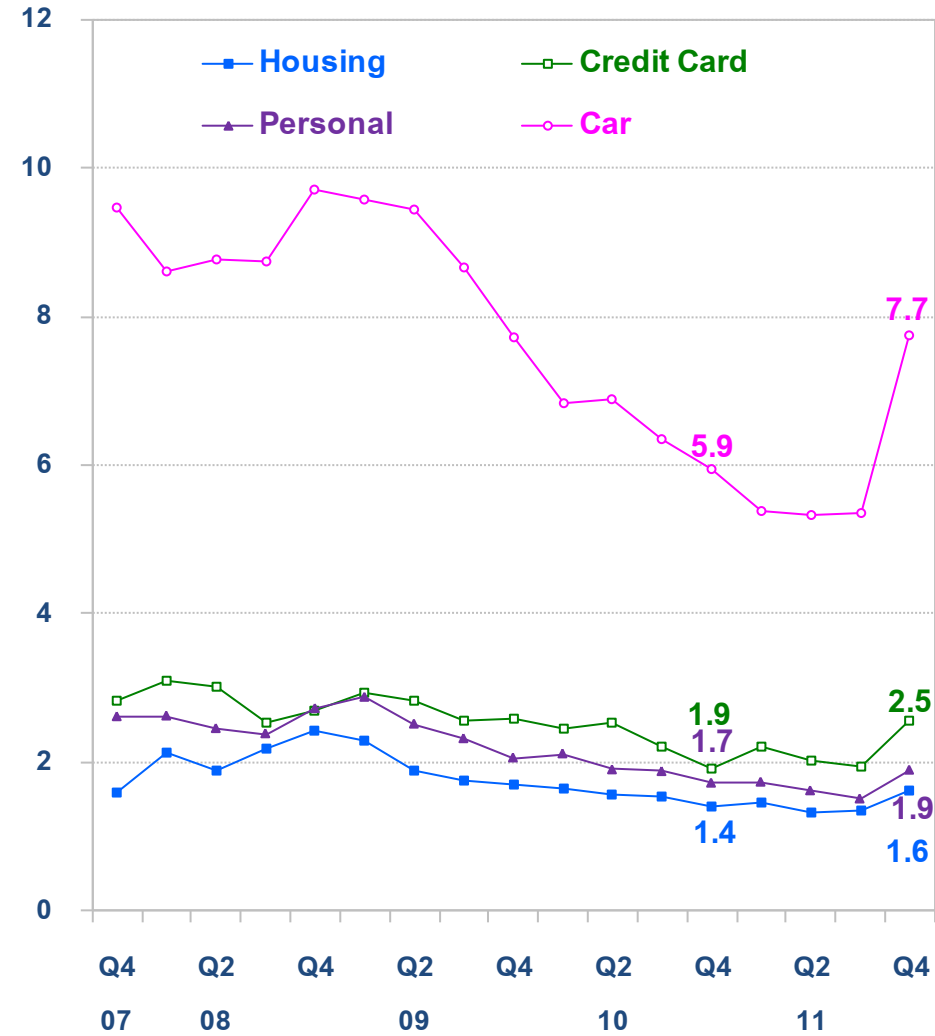
NPL

% to loan



Delinquency

% to loan

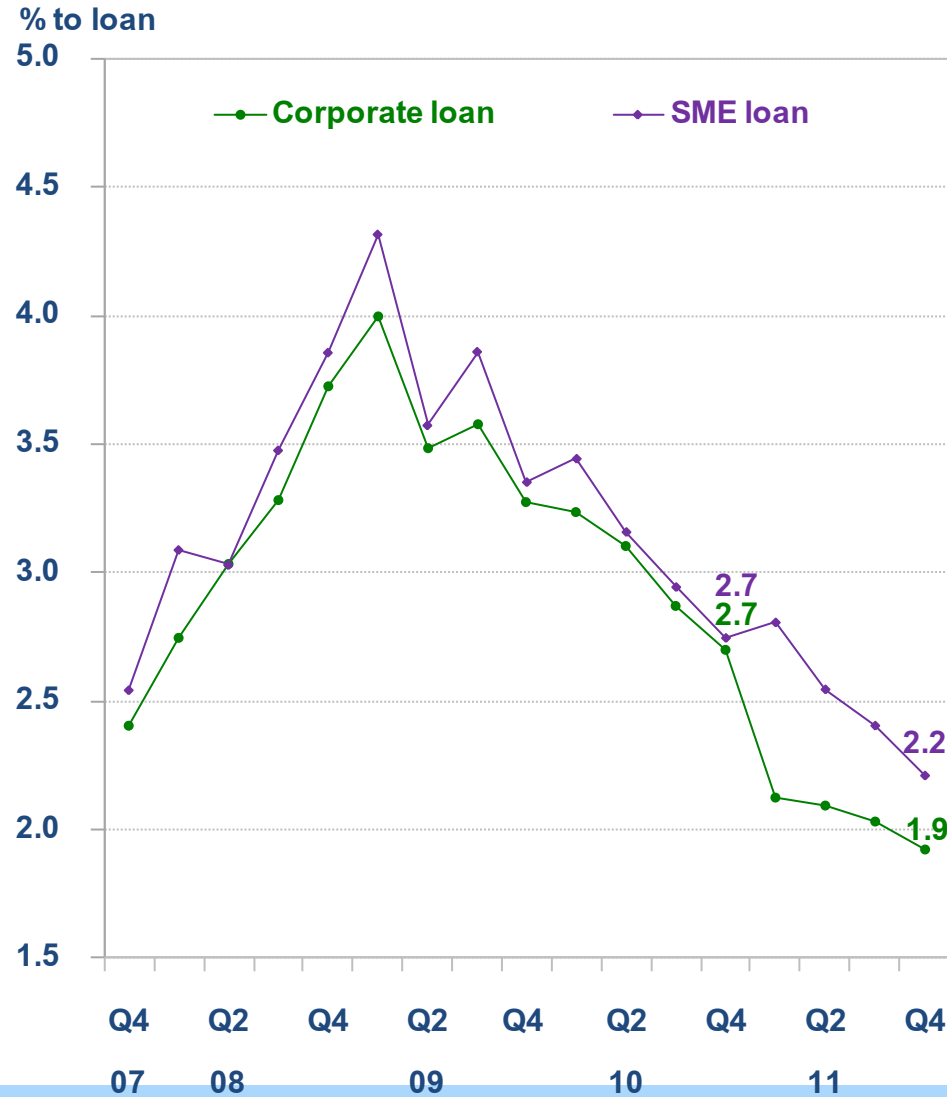
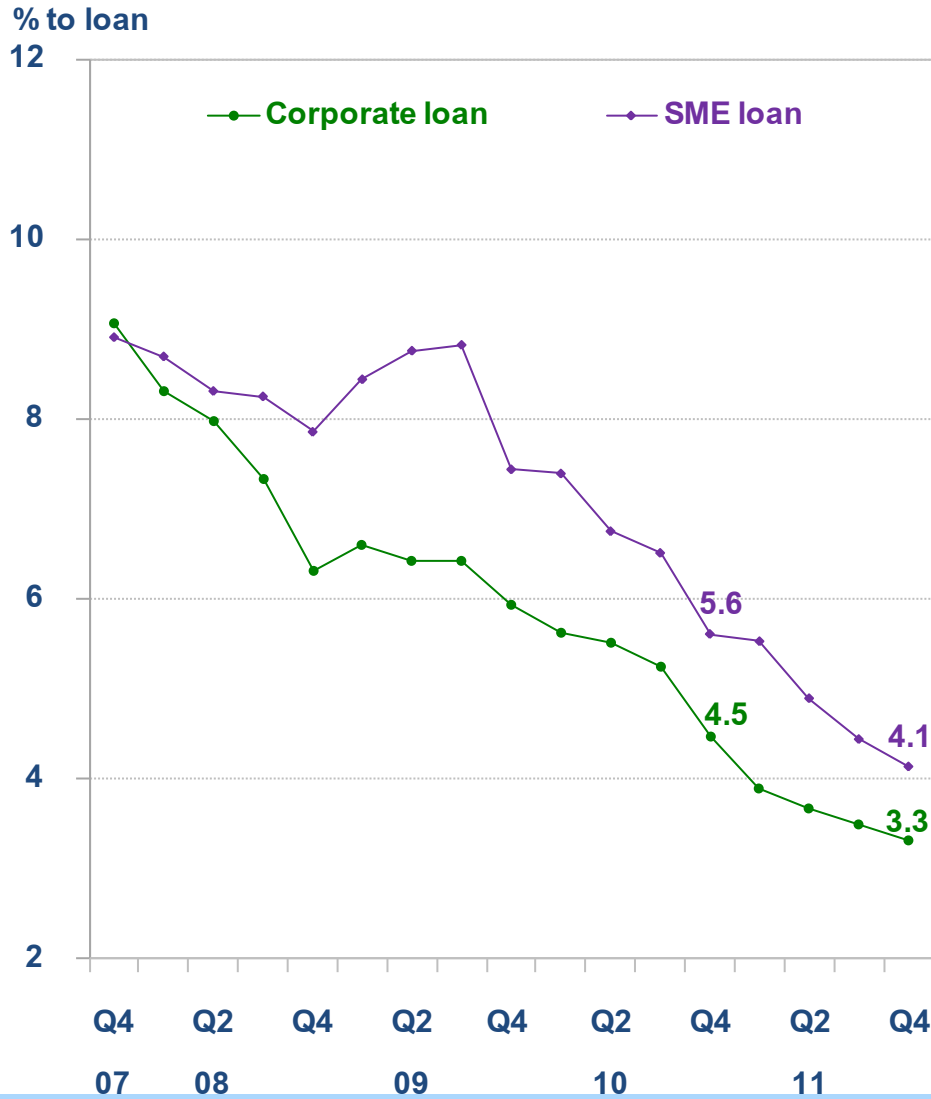




Asset Quality : Thai Banks' Corporate Loan

NPL

Delinquency

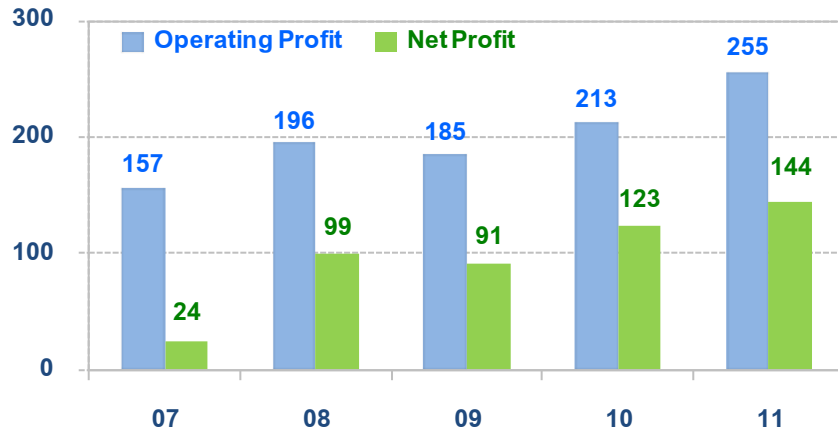




Overall Performance

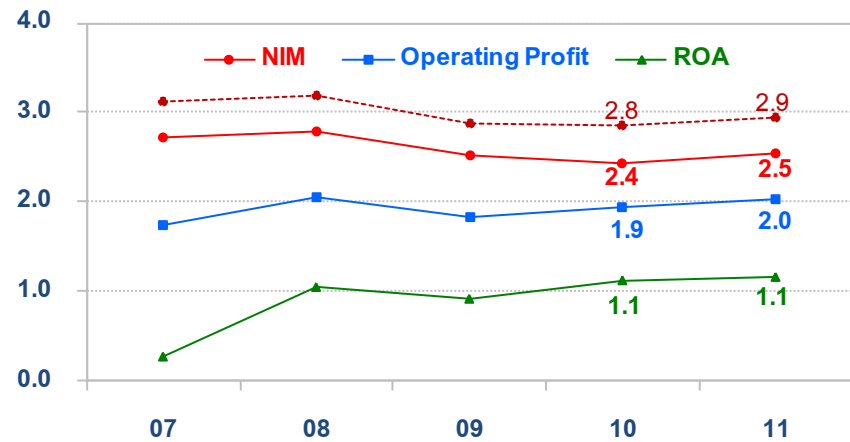
Profit

Billion Baht



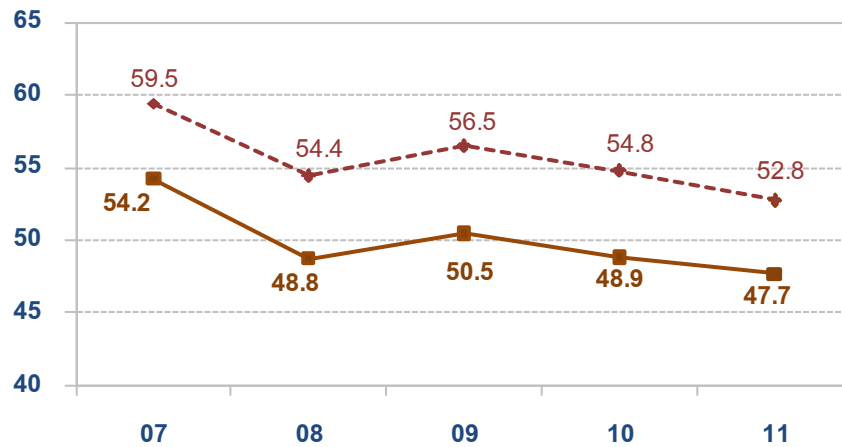
Profitability*

% to avg. assets



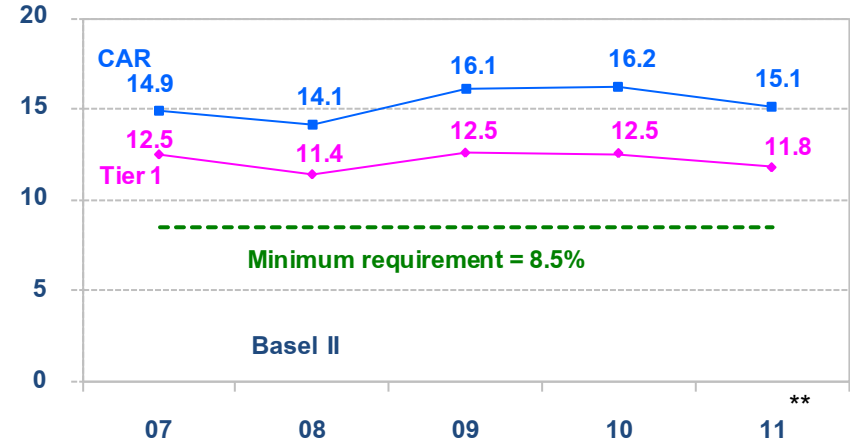
Operating Efficiency ^{1/ *}

%



Capital Adequacy Ratio (CAR)

%



1/ Operating expense / Total income

** Adopt new accounting standard, employee benefits. Q1/11

* Dot lines exhibit the ratios before the adoption of new reporting standard in 2011