



BANK OF THAILAND

BOT Press Release

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Performance of Thai Banking System in the First Quarter of 2012

Ms. Nawaporn Maharagkaga, Senior Director, Financial Institution Policy Group, gave a press release on the performance of Thai banking system in the first quarter of 2012. The banking system remained resilient with continual loan expansion in line with the economic recovery from the flood in the last quarter of 2011. With loan expansion exceeding fund mobilization via deposit and bill of exchange (B/E), liquidity tightened marginally. Non-Performing Loan (NPL) increased slightly. Meanwhile, increased capital was attributable to higher net profit and the issuance of subordinated debt. Details on the performance of Thai banking system are as follows.

Strong economic recovery from the flood contributed to the banking system's loan expansion in March, picking up from a slowdown in the first two months of this year. Loan grew by 13.9% from the same period last year, comparing with the growth of 14.9% at the end of 2011. Corporate loan (comprising 71.0% of total loan) expanded by 13.2%, moderating from 14.8% at the end of 2011, mainly due to decelerated growth of large corporate loan. Furthermore, loan for Small and Medium Enterprises (comprising 51.7% of corporate loan) expanded by 14.8%, increasing from 14.4% at the end of last year. Corporate loan decelerated in manufacturing, commerce and public utilities sectors, while real estate loan accelerated. Consumer loan (comprising 29.0% of total loan) grew by 15.7%, increasing from 15.4% at the end of 2011, with strong growth in credit card and personal loans to accommodate the needs of household spending for repair and replacement of assets damaged from the flood. Meanwhile, car loan decelerated somewhat, but still remained relatively high.

Deposit accelerated, while B/E decelerated due to the end to cost advantage of B/E as they will also be subject to levy collection for the repayment of debt of Financial Institution Development Fund (FIDF). Therefore, some B/E holders switched back to deposits at commercial banks and Specialized Financial Institutions (SFIs) or other instruments such as debentures. Deposits plus B/E, hence, expanded at a decelerating rate of 9.9% from the same period last year, comparing to 13.0% at the end of 2011. The increase in deposits and B/E was exceeded by loan expansion, thereby causing liquidity to tighten slightly. The ratio of loan to deposits plus B/E rose to 90.2% from 89.9% at the end of 2011.

Non-Performing Loan (NPL) stood at 270.0 billion baht, increasing by 4.6 billion baht from the end of 2011, mainly from housing loan, car loan and commerce loan. The ratio of gross NPL to total loan fell from 2.7% to 2.6%, reflecting the continued loan growth. Gross NPL ratio for corporate loan decreased to 2.8%, declining in almost all sectors, except for commerce sector, whereas gross NPL ratio for consumer loan increased to 2.1%, increasing in all sectors. Net NPL to total loan ratio was steady at 1.3%. The ratio of delinquent loan to total loan fell to 2.0%, with the reduction noticeable in consumer loan.

In the first quarter of 2012, the banking system reported net profit of 40.1 billion baht, increasing 29.0% from last quarter. This was due to sharp decline in provision for loan loss from the previous quarter when banks cautiously set aside high provisioning for the loss from the flood. Hence, Return on Asset (ROA) increased to 1.2%. Nevertheless, Net Interest Margin (NIM) decreased to 2.5% due to reduced interest payment for flood-affected debtors and the increase in FIDF levy that had been estimated and recorded by banks as expenses.

Capital of the banking system increased from profit and long-term subordinated debt which was regarded as Tier-2 capital, while risk-weighted assets increased in line with the expansion of loan. As a result, capital adequacy ratio (BIS ratio) rose to 15.2% and Tier-1 ratio declined to 11.5%. The capital remained strong and sufficient to support ongoing economic expansion.

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