



No. 41/2012

Performance of Thai Banking System in the Second 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 second quarter of 2012. The banking system remained resilient. Loan expanded in line with economic recovery in the second quarter, resulting in tightened liquidity. In response, banks mobilized deposit to support extension of loan and replace the issuance of bills of exchange (B/E). Loan expansion in parallel with improved loan quality, as seen from the decrease in non-performing loan (NPL), resulted in higher interest income and profit. With the increase in profit and debenture issuance, capital of the banking system rose in support of economic activities and in the face of global economic uncertainties. Moreover, banks increased provisioning in anticipation of the global economic uncertainties, which was in line with BOT's supervision. Details on the performance of Thai banking system are as follows.

The banking system's loan grew by 14.2% from the same period last year, increasing from 13.9% at the end of the first quarter. Corporate loan (comprising 70.7% of total loan) expanded by 13.1% from the same period last year. When it was considered on a quarterly basis to extract base year effect to demonstrate the economic turning point in the short term from two opposing factors: the recovery from the flood and adverse global economy, corporate loan growth accelerated to 3.3% in the second quarter, from 2.2% in the previous quarter, indicating economic recovery from the flood at the end of last year. Loan expansion accelerated in almost all sectors, except for service sector. Moreover, loan for Small and Medium Enterprises (comprising 50.6% of corporate loan) increased by 11.8% from the same period last year. Consumer loan (comprising 29.3% of total loan) grew by 16.9% from the same period last year. When considered on a quarterly basis, consumer loan expanded due to car loan expansion from the recovery of automobile companies' assembly lines and the policy on first-car tax exemption, as well as the continued growth of housing loan in the second quarter.

Deposit accelerated, while B/E contracted as a result of levy collection for the repayment of Financial Institution Development Fund (FIDF) debt at a rate of 0.46% and stricter regulations on B/E issuance. Deposit plus B/E, hence, expanded 10.1% from the same period last year. The increase in deposit plus B/E was exceeded by loan expansion, thereby causing

tightened liquidity. The ratio of loan to deposit plus B/E rose to 92.4% from 90.2% in the first quarter.

NPL stood at 262.8 billion baht, decreasing by 7.2 billion baht from last quarter, mainly from the decrease in corporate NPL. The ratio of gross NPL to total loan fell from 2.6% to 2.5%. Gross NPL ratio of corporate loan decreased continually to 2.7%, declining in almost all sectors. Consumer NPL outstanding increased slightly from car loan and personal loan. Gross NPL ratio of consumer loan was, however, steady at 2.1%, reflecting higher loan growth. NPL net of provision to total loan decreased to 1.2%. The ratio of delinquent loan to total loan fell to 1.9%, decreasing in both corporate loan and consumer loan.

In the second quarter of 2012, the banking system reported net profit of 49.1 billion baht, increasing 20.7% from the last quarter. This was partly due to the reduction of corporate income tax rate which caused Return on Asset (ROA) to increase to 1.43%. Moreover, Net Interest Margin (NIM) rose to 2.56% from higher net interest income in line with increasing loan growth and better quality of loan, as seen from the decrease of NPL.

Capital of the banking system increased from continued profit and issuance of long-term subordinated debt which was categorized as Tier-2 capital, while risk-weighted assets increased in line with the loan expansion. Thus, capital adequacy ratio (BIS ratio) decreased slightly to 15.0% and Tier-1 ratio declined to 11.2%, which was sufficient to support the ongoing loan expansion.

Bank of Thailand

9 August 2012