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Performance of Thai Banking System in the Third Quarter of 2012

Mr. Anupap Kuvnichkul, Senior Director, Financial Institution Policy Group, gave a press release on the performance of Thai banking system in the third quarter of 2012. The banking system remained resilient with continued loan expansion, while liquidity improved due to commercial banks' effort to raise deposit for loan expansion and replacement of matured Bill of Exchange (B/E), and issuance of domestic and foreign debentures. Gross NPL ratio decreased, while loan loss provision increased continually and net profit decreased. The increased capital was attributable to profit and the issuance of subordinated debt. Details on the performance of Thai banking system are as follows.

The banking system's loan at the end of the third quarter this year expanded by 14.2% from the same period last year, on the back of expansion of consumer loan as a result of strong domestic consumption and the Soft Loan relief program for the flood in 2011. Corporate loan (comprising 69.9% of total loan) expanded by 12.5% from the same period last year, decelerated from the previous quarter. The loan for public utilities, commerce and financial business sectors still expanded continually. Furthermore, loan for Small and Medium Enterprises grew by 14.3%, though decelerated from the previous quarter. Export loan continued to decrease from the global economic slowdown. Consumer loan (comprising 30.1% of total loan) grew by 18.4%, mainly from the accelerated car loan expansion induced by the first-car tax exemption policy. Housing loan grew at almost the same pace as last quarter whereas personal loan expansion slightly decelerated in line with diminishing demand for spending after the flood.

Deposit accelerated as commercial banks actively raised deposit by offering special interest rate to substitute for matured B/E and government saving bonds, as well as to support loan expansion. Deposits plus B/E at the end of the third quarter this year, hence, expanded by 12.0%. The increase of deposits and B/E, which exceeded loan expansion, helped ease liquidity condition. The ratio of loan to deposits plus B/E declined to 91.4% at the end of this quarter.

In this quarter, commercial banks issued more debt securities which consisted of subordinated debt valued at 28.5 billion baht as part of Tier-2 capital and foreign debentures valued at 2.2 billion US dollar (approximately 68.7 billion baht). As a result of lower borrowing cost, foreign debentures were issued to rebalance the recently increased foreign currency loan.

Non-Performing Loan (NPL) stood at 264.6 billion baht, increasing by 1.8 billion baht from the previous quarter. Due to loan expansion, the ratio of gross NPL to total loan fell to 2.4%. Gross NPL ratio for corporate loan declined in almost all sectors whereas the ratio of consumer loan remained at 2.1% and was stable in almost all sectors. Net NPL to total loan ratio was steady at 1.2%. The ratio of delinquent loan to total loan rose to 2.2%. This was partially due to the phasing out of the flood assistance program in 2011.

In the third quarter of 2012, the operating profit of the banking system was stable, compared to the previous quarter. The banking system reported net profit of 45.2 billion baht, decreasing by 8.0% from the previous quarter, due to an increase in loan loss provision and corporate income tax. Therefore, Return on Asset (ROA) reduced to 1.28% and Net Interest Margin (NIM) decreased to 2.54%. For the first nine months of this year, the banking system reported net profit of 134.7 billion baht, growing by 19.0% from the same period last year. Return on Asset (ROA) rose to 1.31%.

Capital of the banking system increased from profit allocation and long-term subordinated debt issuance to support loan expansion and ahead of Basel III implementation in 2013. As a result, capital adequacy ratio (BIS ratio) and Tier-1 ratio rose to 15.9% and 11.9%, respectively. The capital remained strong and sufficient to support ongoing economic expansion.

Bank of Thailand
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