



BANK OF THAILAND

BOT Press Release

Communications and Relations Office, Corporate Communications Department
Tel. 0-2283-5016-7 Fax. 0-2281-5648 www.bot.or.th

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Performance of the Thai Banking System in the First Quarter of 2013

Mr. Anupap Kivinichkul, Senior Director, Financial Institution Policy Group, reported the Thai banking system's performance in the first quarter of 2013 to remain resilient with continuous loan expansion, sound loan quality, increased net profits, and solid capital position. Details are as follows.

Domestic demand from both private consumption and investment contributed to economic growth in the first quarter of 2013. Correspondingly, the banking system's loan expanded continuously although at lower rate at 13.2% from the same period last year. Corporate loan (comprising 69.9% of total loan) grew by 10.4%. The slight drop in corporate loan's growth was partly because large corporations raised more funds via debentures and equity instruments. Loan for small and medium enterprises (comprising 36.7% of total loan) expanded well at 16.2%. Corporate loan sectors that continued to expand well included commerce, manufacturing, real estate and public utility. Consumer loan (comprising 30.1% of total loan) grew by 20.0%, down from the previous year. Car loan growth continued to be high as cars under the first-car tax rebate policy remain to be delivered in this quarter. Housing loan expanded both for low-rise and high-rise properties, while personal loan and credit card loan grew in line with demand for consumption.

The loan quality remained sound. Non-Performing Loan (NPL) stood at 256.0 billion baht, a slight increase from the previous quarter. The ratio of gross NPL and net NPL to total loan fell to 2.2% and 1.0%, respectively. Special mention loan (SM) was at 251.2 billion baht, notably increased in car loan, whereas the ratio of SM to total loan reduced to 2.1%. Although loan quality remained sound, banks conservatively increased loan loss provision as a buffer to cope with economic uncertainties. Thus, the ratio of existing loan loss provision to regulatory loan loss provision rose to 158.9%.

The banking system liquidity was stable, despite continued loan expansion. Banks' funding through deposit increased by 22.4% from the same period last year and the ratio of loan to deposit plus borrowing was at 88.1%.

In this quarter, the banking system's net interest income was relatively stable compared to the previous quarter despite continued loan growth. Intense competition in consumer loan segment resulted in lower net interest margin (NIM) of 2.49%, whereas fee-based income increased. Nonetheless, net profit recorded at 52.3 billion baht, or increased by 33.5% from last quarter. This was due to a decline in loan loss provision compared to the previous quarter when banks set aside high provision for economic uncertainties. Therefore, the return on asset (ROA) improved to 1.4%.

The banking system's capital position was robust. Basel III implementation at the beginning of 2013 has slight impact on the capital adequacy ratio (BIS ratio) as banks are required to gradually deduct subordinated debt from their capital fund, resulting in the BIS ratio of 15.8%. On the other hand, Tier-1 capital ratio increased to 12.3% as both the surplus on revaluation of land and premise and the profit (loss) from revaluation of available-for-sale investment are recognized as Tier-1 capital under the Basel III regulation.

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