



BANK OF THAILAND

BOT Press Release

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Performance of the Thai Banking System in the Third Quarter of 2014

Mr. Jaturong Jantarangs, Senior Director, Financial Institution Policy Group, reported the Thai banking system's performance in the third quarter of 2014 to be resilient with good operating performance. Loan growth continued to slow down while loan quality deteriorated slightly. Nevertheless, the level of provision and capital remained high. Details are as follows.

Economic slowdown led to continued deceleration in the banking system's loan growth to 5.6% (year-on-year) in the third quarter of 2014. The decline in loan growth was observed in both corporate loan, especially that to small-and-medium enterprises, and consumer loan. **Corporate loan** (68.9% of total loan) expanded by 4.5%, decelerating across most sectors. **SME loan** (37.7% of total loan) growth dropped markedly from 8.7% to 4.7%. Loan to large corporate grew steadily at 4.3%, in parallel with some large corporate's increased fund mobilization through debt securities to repay bank loan. **Consumer loan** (31.1% of total loan) grew at 8.0%, slowing from the previous quarter mainly from contraction in car loan and slowdown in credit card loan.

Loan quality deteriorated slightly. Non-Performing Loan (NPL) increased by 10.3 billion baht or 3.6% from previous quarter, largely from consumer loan. Gross NPL and net NPL to total loan increased to 2.34% and 1.18%, from 2.28% and 1.10% in the last quarter, respectively. The ratio of special mention loan (SM : loan overdue above 1 month but not more than 3 months) to total loan was up from 2.40% to 2.54%. Nonetheless, as banks had continuously set aside loan loss provision, the ratio of actual loan loss provision to regulatory loan loss provision stood high at 166.9%.

Performance of the banking system remained good despite lower profit growth. Net profit in the third quarter was recorded at 53.8 billion baht, decreasing from the last quarter,

due to lower seasonal dividend income. Return on asset (ROA) dropped to 1.33% whereas net interest margin (NIM) stabilized at 2.6%. For the first nine months of 2014, net profit totaled 165.5 billion baht, an increase of 10.5 billion baht or 6.8%, compared to the same period last year. This was largely due to control of interest expense by focusing more on current account and saving account (CASA) which had lower funding cost, coupled with the gradual maturing of high-rate fixed deposit. Therefore, NIM and ROA increased to 2.60% and 1.37%, respectively.

Banking system was well capitalized. The increase in capital was attributed to allocation of profit in the first half of the year and issuance of subordinated debt to be counted as Tier 2 capital. Thus, capital adequacy ratio (BIS Ratio) and Tier-1 ratio increased to 17.1% and 13.9% respectively, compared to 15.9% and 13.0% in the last quarter.

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