



## **BANK OF THAILAND NEWS**

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**NO. 54/2010**

### **Thailand's Banking System Performance in the Third Quarter of 2010**

Ms. Nawaporn Maharagkaga, Senior Director, Financial Institution Policy Group, reported that the overall banking system in the third quarter of 2010 was resilient. Loan continued to grow. The accelerated growth of fund mobilization via deposit and Bill of Exchange (B/E) helped ease liquidity in the banking system. Non-Performing Loan (NPL) continued to decline. The operating profit was stable, while net profit declined marginally due to higher income tax. The banking system has strong capital base, supportive of ongoing economic expansion and upcoming challenges.

The banking system's loan expanded 7.8 percent over the same period last year, up from 5.3 percent growth in the previous quarter, due to the accelerated growth in both corporate loan and consumer loan. Corporate loan, constituting 70.9 percent of total loan, rose 4.5 percent, growing for two consecutive quarters, in line with economic expansion that was driven by internal and external demand. SME loan, constituting 52.6 percent of corporate loan, expanded 4.1 percent. Consumer loan surged by 16.6 percent, accelerating in every sector except the housing loan that grew at a decelerated rate, as the property stimulus measure ended in June 2010.

Liquidity conditions eased as a result of an accelerated 6.2 percent growth of deposit plus B/E over the same period last year. The ratio of loan to deposit plus B/E declined from 88.2 percent to 86.7 percent.

Gross NPL of the banking system that amounted to 347 billion baht, continued to decline from the previous quarter by 9.4 billion baht, mainly due to loan repayment, debt restructuring and NPL sell-off. The ratios of gross NPL and net NPL to total loan declined to 4.2 percent and 2.3 percent, respectively. Delinquent loan (special mentioned loan) also declined, and the ratio of delinquent loan to total loan dropped to 2.9 percent. The NPL ratio of corporate loan declined from 4.9 percent to 4.7 percent and that of consumer loan declined from 2.9 percent to 2.7 percent. Furthermore, the NPL ratio of SME loan declined to 6.5 percent, a similar trend observable in almost all sectors of SME.

In the third quarter of 2010, the banking system recorded stable operating profit, when compared to the previous quarter. Interest income slightly increased following loan expansion. Net Interest Margin (NIM) stayed stable at 2.9 percent. Net profit, totaling 33 billion baht, however, declined slightly due to higher income tax. Return on Asset (ROA) declined to 1.2 percent. The profit yielded strong capital base with the ratio of capital- to- risk asset (BIS ratio) and Tier-1 capital ratio of 16.9 percent and 13.0 percent, respectively.

In all, the banking system in the third quarter of 2010 was resilient. However, there remain challenges from external and internal factors that warrant close surveillance. Key challenges stem from uncertainty in the global economic recovery especially that of Thailand's trading partners, and volatility in the international financial market due to capital flow. All these challenges could have bearings on commercial banks and their customers, and therefore, call for vigilance in risk management, as well as continued monitoring of the impacts from the flood.

Bank of Thailand

4 November 2010



## Performance of the Thai Banking System In the Third Quarter of 2010



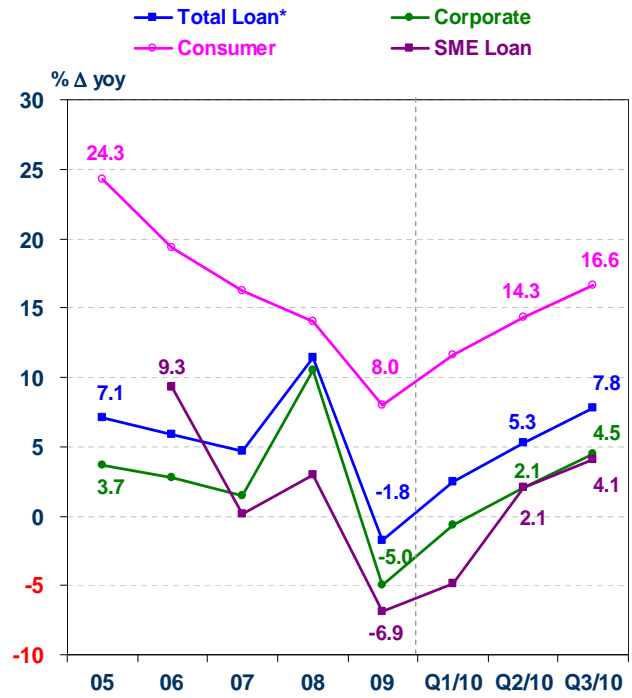
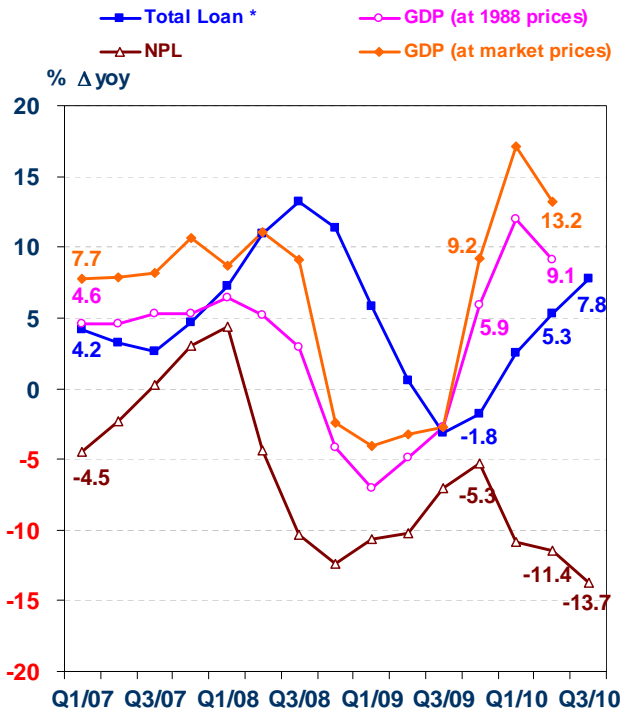
### Overall Performances

In the Q3/2010, the Thai banking system was resilient, supporting the recovery of economy.

- Loan expanded 7.8%yoy in line with the economic recovery.
  - Corporate loan expanded 4.5% (SME loan expanded 4.1%) and consumer loan expanded 16.6%.
- Fund mobilization via deposit plus B/E expanded 6.2%yoy, thereby easing liquidity.
  - Ratio of loan to deposit plus B/E decreased to 86.7%.
- Gross NPL decreased by 9.4 billion baht to record at 347 billion baht.
  - Gross NPL Ratio and Net NPL Ratio declined to 4.2% and 2.3%, respectively.
- Operating profit was stable, while net profit registered at 33 billion baht, a slight decline from Q2/2010 due to higher income tax.
  - NIM was stable at 2.9% and ROA fell marginally to 1.2%.
- Strong capital base is supportive of ongoing economic expansion.
  - BIS ratio stayed at 16.9% and Tier 1 ratio at 13.0%.



# Loan Growth

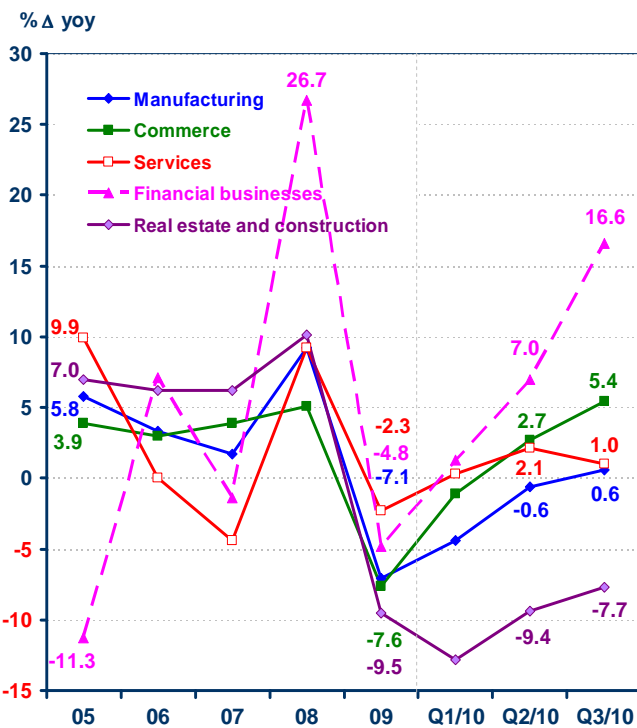


\* Exclude interbank, but include KTC และ AYC

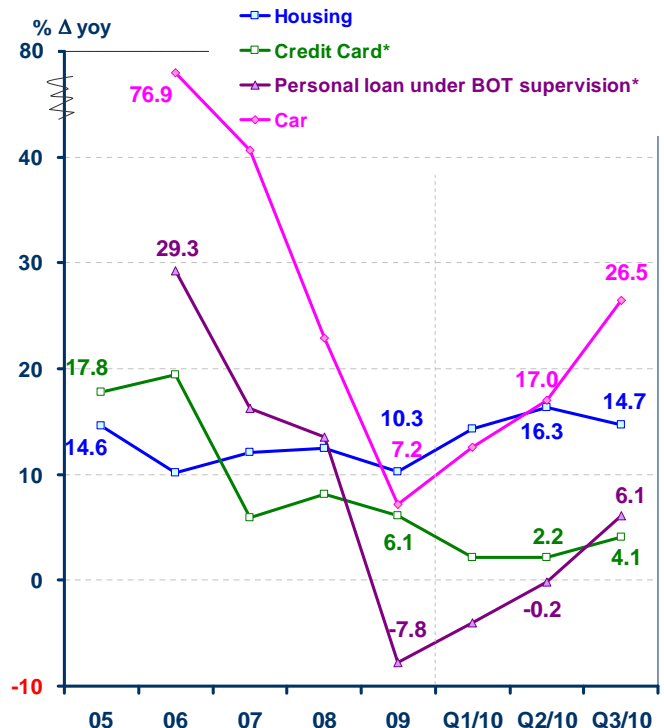


# Loan

## Corporate Loan



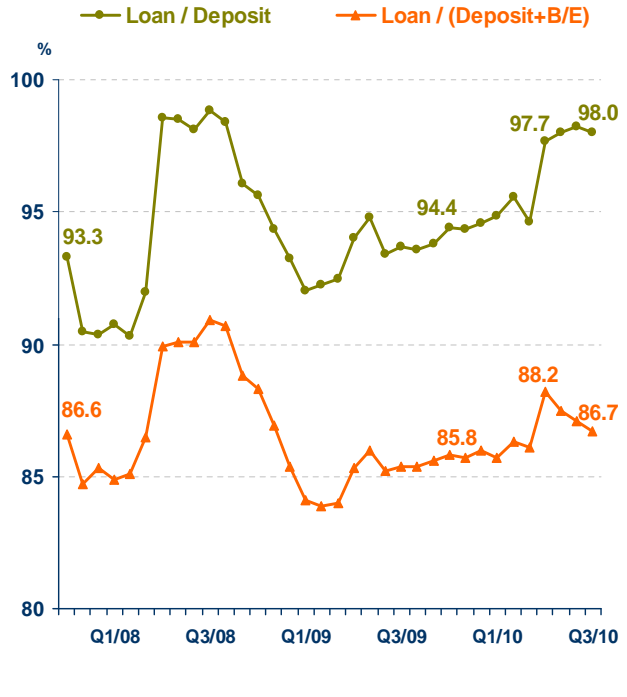
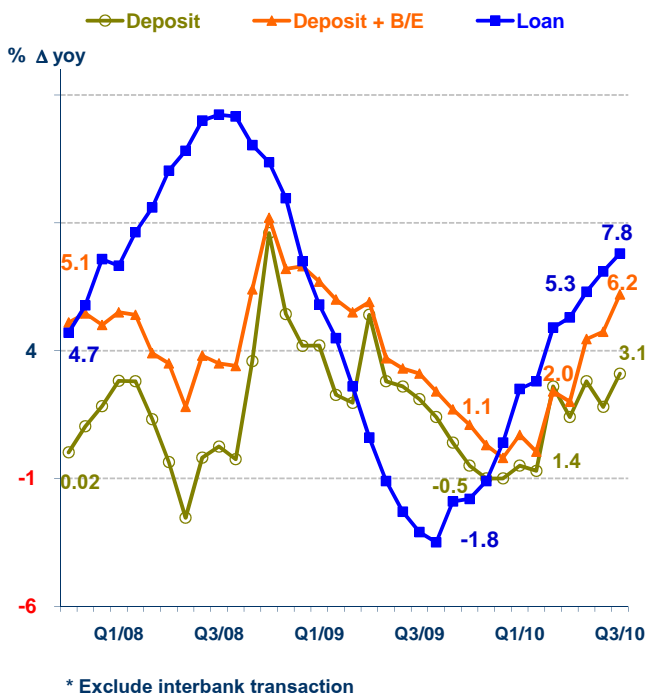
## Consumer Loan



\* Include KTC and AYC

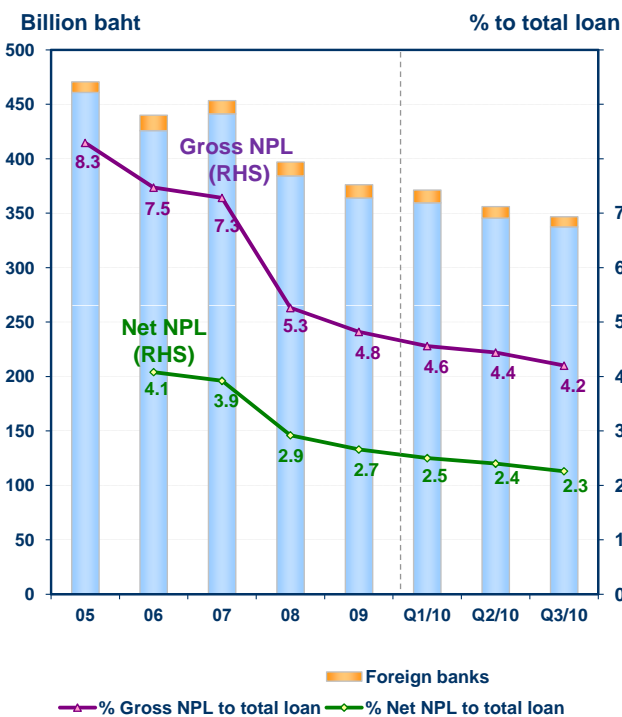


# Loan, Deposit and Liquidity

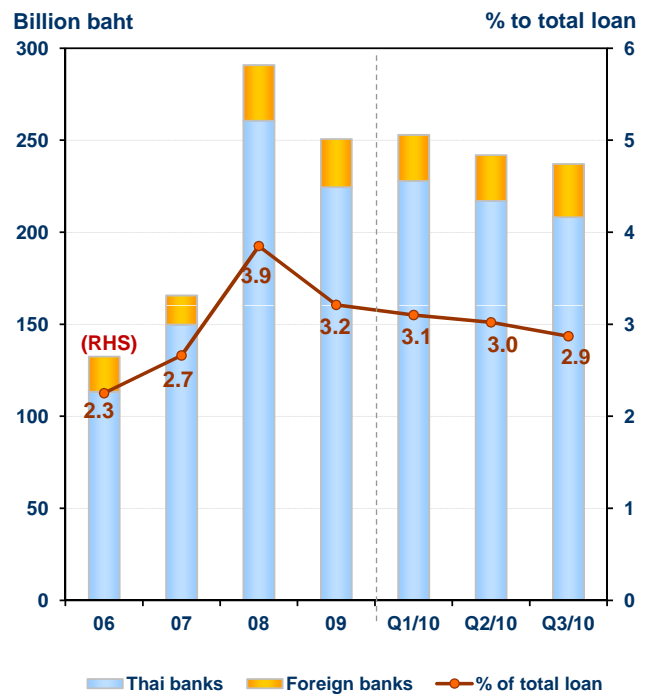


# NPL and Delinquency

## NPL



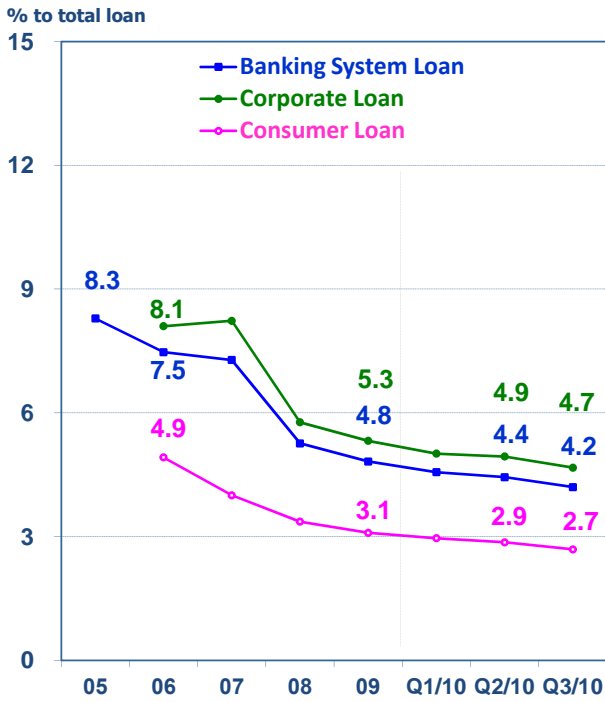
## Delinquency \*



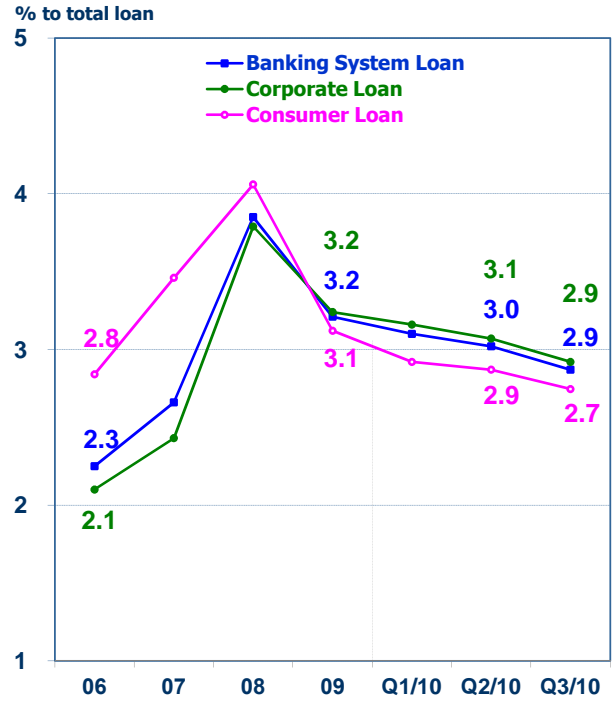
\* Special mentioned loan or past due loan over 1 month but not over 3 months



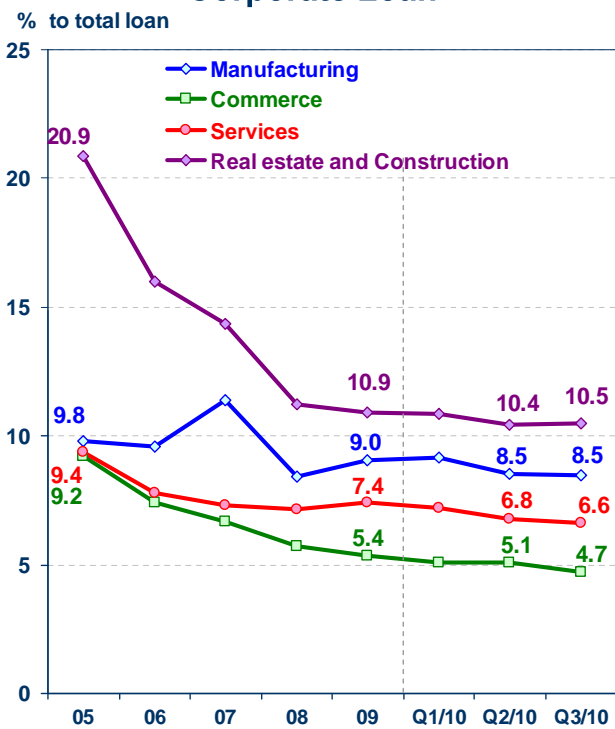
## NPL



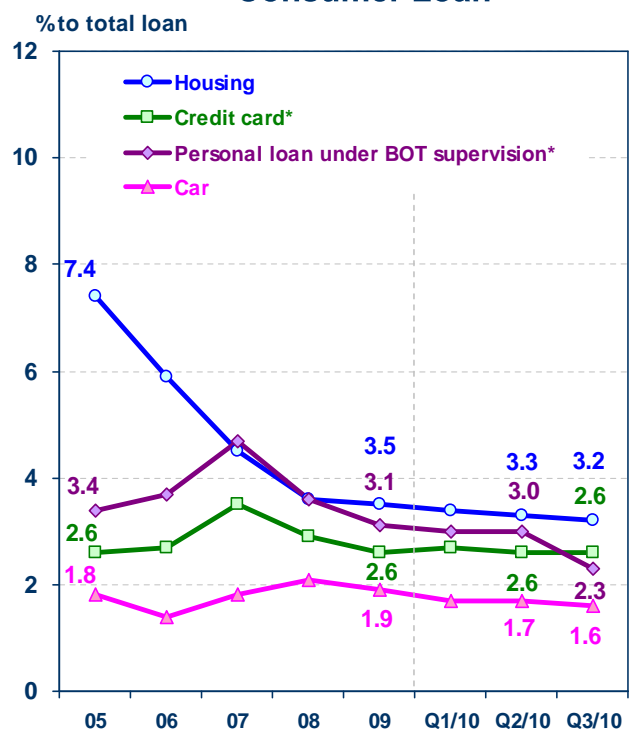
## Delinquency



## Corporate Loan



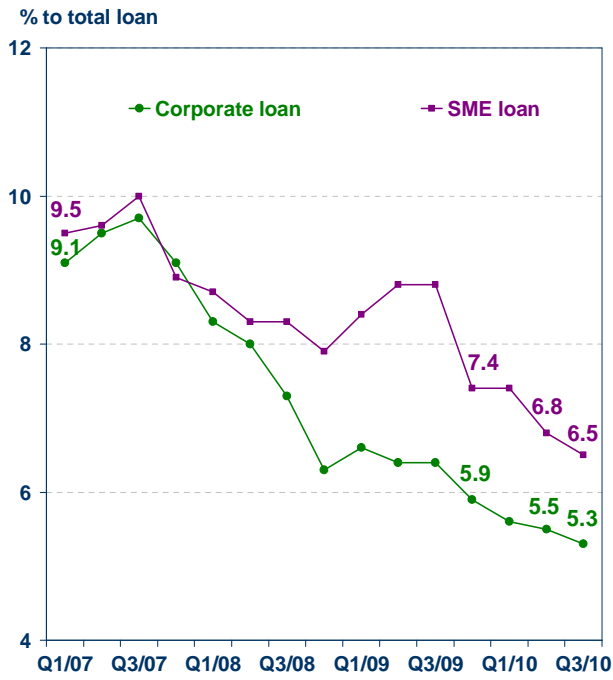
## Consumer Loan



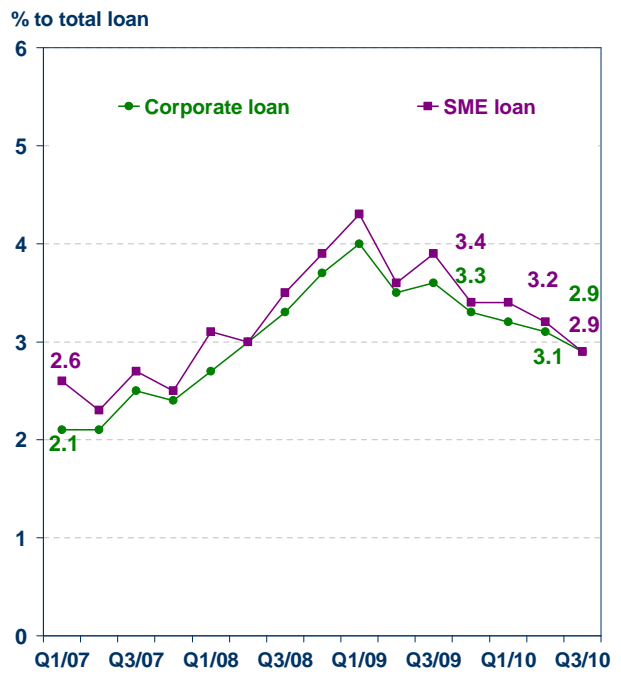


# NPL and Delinquency ratio : Thai Banks' Corporate Loan

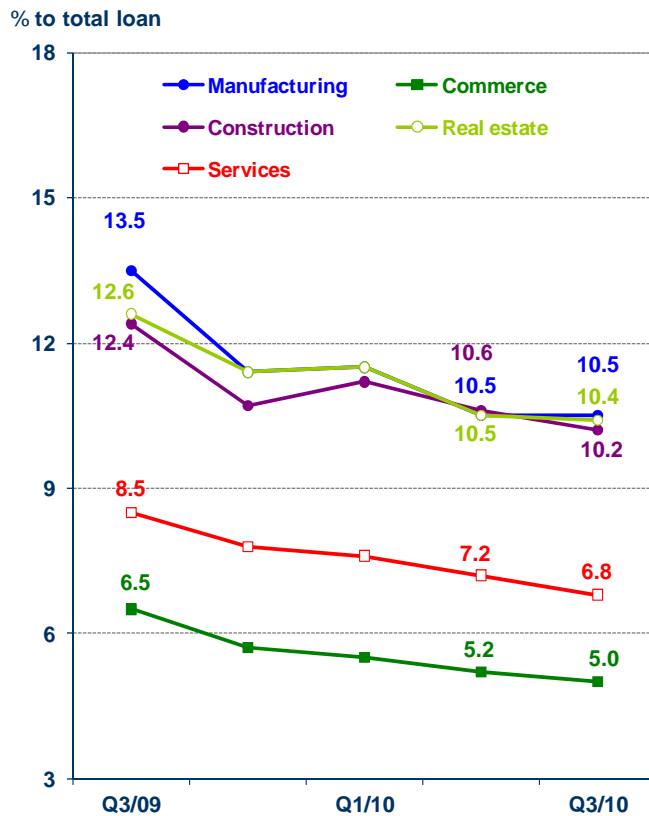
## NPL



## Delinquency



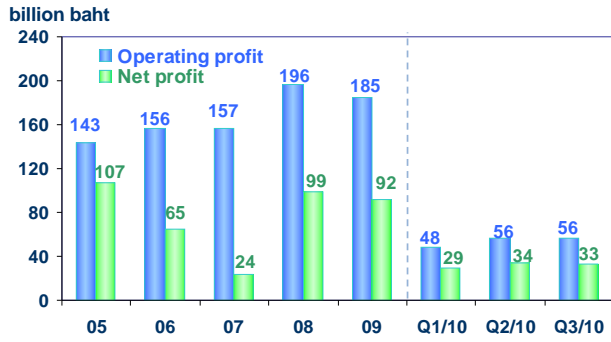
# NPL ratio : Thai Banks' SME Loan



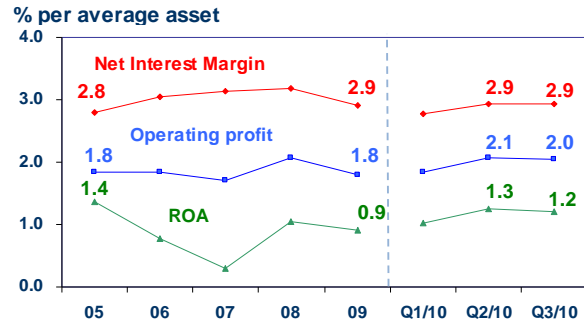


# Overall Performance

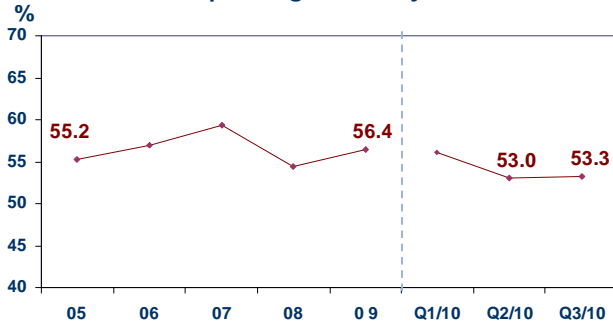
**Profit**



**Profitability**

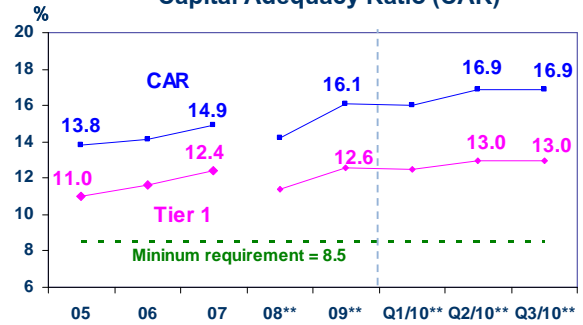


**Operating Efficiency \***



\* Operating expense / Total income

**Capital Adequacy Ratio (CAR)**



\*\* According to Basel II