



## **BANK OF THAILAND NEWS**

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### **Financial Institutions' Performance in 2000**

The Bank of Thailand (BOT) recently reported on the performance of financial institutions in 2000 significantly improved. This positive trend points to further improvements in the financial institutions' performance this year as well.

Mr. Oubaur Kruthanooch, BOT Deputy Spokesperson, recently announced that: "In the year 2000 the finance institutions' performance compared to the year 1999, had improved significantly. The loss for all commercial banks and finance companies amounted to Baht 13.8 billion compared to a combined loss of Baht 359.4 billion in 1999."

Furthermore, the Thai commercial banking system reported a gross operating earning (before loan-loss provision) of Baht 3.5 billion. Five private commercial banks reported a Baht 20.6 billion earning after allowance for bad debt and doubtful debt of Baht 119.4 billion. Overall the entire system's net loss last year fell significantly to Baht 11.5 billion from Baht 335 billion the year before.

Some state commercial banks adjusted their accounting as revenue by transferring the provision set aside for the doubtful debts from their asset management companies (AMCs). This contributed to a Baht 68.6 billion (net) earning for the Thai commercial banking system, as well as to its net loss in the first half of the year.

Moreover, since 1999 Thai commercial banks' burden in loan-loss provision has decreased gradually because most of them have established a 100% loan-loss provision for non-performing loans as required by the authority. As a result, their performance has been improving.

The performance of the 21 finance companies has also improved significantly. Last year, their gross operating loss was Baht 2.3 billion compared to Baht 24.4 billion in 1999. The number of finance firms reporting profits increased from 6 companies in 1999 to 11 last year.

Similar to the Thai commercial banks' burden, the finance companies' loan-loss provision has dropped significantly - only 7 firms' provision needed to be increased in the second half of last year. The entire financial company system would require only Baht 6.4 billion for loan-loss provision, representing only a quarter of the year before.

The other positive sign was a Baht 1.1 billion increase in their interest earning from Baht 4.1 billion in 1999. In addition, financial companies could effectively control their expenses while made more earnings from brokering stock trading.

Bank of Thailand

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