



BANK OF THAILAND NEWS

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Thailand's Banking System Performance in the First Quarter of 2009

Ms. Nawaporn Maharagkaga, Senior Director, Financial Institutions Policy Group, reported that the downturn of the global and Thai economy in the last quarter of 2008 has led to the slowdown in banking sector's loans and deposits as well as deterioration of asset quality in the first quarter of 2009. However, the banking system remains robust and stable.

Operating profit of the banking system decreased from the previous quarter by 1.6 billion bahts due mainly to loan decline. Nevertheless, the decline in provisioning expense over the same period resulted in the net profit of 23 billion bahts, and an increase in the return-on-asset (ROA) to 0.9%. This, coupled with banks' capital increase, contributed to the increase in the ratio of capital-to-risk asset (BIS Ratio) to 14.9%, with 11.8% Tier-1 capital.

In the first quarter of 2009, the banking system's loans grew by 5.8% from the same period of last year, decelerating markedly compared with the 11.4% growth in the last quarter of 2008. Corporate loan (constituting 74.5 % of total loans) saw a deceleration in growth to 3.2%, reflecting the lower demand for working capital and private sector fixed investment in line with economic slowdown. Consumer loan growth remained robust at 14.1%, on a year-on-year basis (when compared to the previous quarter, loan growth fell by 2.6%, with corporate loan declining by 3.7% and consumer loan growth of 0.8%, on a quarter-on-quarter basis.).

Deposit growth also slowed down to 4.2%, on a year-on-year basis. Banks' interest rate cut prompted some customers to shift their savings to other savings instruments such as in the form of bill of exchange (B/E) and other types of securities with higher return. The growth of fund mobilization by deposits plus B/E slowed down to 6.7%. The faster deceleration in growth of loans compared to deposit plus B/E has eased the banking system's liquidity, with the ratio of loans to deposits plus B/E fell to 84.1%.

The banking system encountered increased pressure on asset quality. Both NPL and delinquent loans rose from the end of 2008, in line with the slowdown in domestic and global economy, which has negatively affected customer repayment ability. The ratio of

gross and net NPL to total loans increased to 5.5% and 3.1%, respectively, while the ratio of delinquent loans to total loans increased to 4.0%. Future developments on customer repayment ability and asset quality remain important and require vigilance going forward.

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