



BANK OF THAILAND NEWS

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

Ms. Nawaporn Maharagkaga, Senior Director, Financial Institutions Policy Group, reported that despite the continuing global and Thai economic slowdown since the last quarter of 2008, the banking system performance remains resilient, recording a net profit close to that of the previous quarter, while capital base rose further. The economic slowdown, however, led to the deceleration in loan and deposit growths, but non-performing loans (NPL) remains stable, reflecting the vigilance in risk management.

Operating profit of the banking system increased from the previous quarter by 6.1 billion baht due to stable interest income which is the major source of income from credit extension, while Net Interest Margin (NIM) stayed close to that of the previous quarter at 2.9 percent. Nevertheless, the increase of 11 billion baht in provisioning expense resulted in a decrease in net profit of the banking system to 20 billion baht, down by 3 billion baht from the previous quarter. Meanwhile return-on-asset (ROA) was stable at 0.8 percent. As a result of operating profit and capital increase, the ratio of capital-to-risk asset (BIS Ratio) of the banking system rose to 15.9 percent with 12.4 percent Tier-1 capital.

In the second quarter of 2009, the banking system's loans grew by 0.6 percent on a year-on-year basis, decelerating considerably compared with the growth of 5.8 percent in the previous quarter. Corporate loan that constitutes 73.8 percent of total loans shrank by 2.4 percent, in tandem with the economic slowdown, coupled with an increase in bonds issued by the business sector which is a competing source of fund away from bank loans. In contrast, consumer loan continued to grow, although decelerated somewhat at 10.1 percent. In comparison with the first quarter of 2009, total loans fell by 0.8 percent, as with corporate loan that declined by 1.7 percent, while consumer loan grew by 1.9 percent.

Deposit grew by 5.4 percent, while the growth of deposit and bill of exchange (B/E) slowed to 5.9 percent as depositors switched to more lucrative investments such as domestic and foreign mutual funds as well as debentures issued by the private sector. As a result, liquidity in the

banking system was marginally tightened from the previous quarter with the ratio of loans to deposit plus B/E climbing to 85.3 percent.

The banking system is still under pressure from asset quality in line with the slowdown in both domestic and global economies. Compared with the end of 2008, the NPL level remained stable while delinquent loan, defined as loan past due over one month but not exceeding three months, slightly decreased from the first quarter this year. The ratio of gross and net NPL to loans remained stable at 5.4 percent and 3.1 percent, respectively, while the ratio of delinquent loan to total loans decreased to 3.6 percent. Going forward, vigilance should focus on the developments in customer repayment ability and asset quality.

Bank of Thailand

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