



# BANK OF THAILAND NEWS

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## Thailand's Banking System Performance in the Third Quarter of 2009

Ms. Nawaporn Maharagkaga, Senior Director, Financial Institutions Policy Group, reported that the overall banking system in the third quarter of 2009 remained resilient. Loan growth contracted from the same period last year in line with the economy, though SME loan increased from the previous quarter. Deposit growth decelerated, while banking system liquidity remained stable. Slight decrease of non-performing loan (NPL) contributed to stable operating profit and slight increase in capital fund.

In the third quarter of 2009, the banking system loan contracted 3.1 percent from the same period last year. Corporate loan, which constitutes 73.1 percent of total loan, contracted by 6.5 percent, while the number of loan applications rose compared to the previous quarter. Banks continued to uphold the underwriting standard to maintain asset quality, thereby keeping NPL on the downward trend. SME loan expanded from the previous quarter, though contracted at 8.7 percent from the same period last year. Concurrently, consumer loan grew at a decelerated rate of 7.3 percent, with 9.4 percent growth in housing loan.

Although, deposit decelerated at the rate of 2.2 percent, on a year-on-year basis, due to withdrawal by the government (for fiscal year-end spending) and by depositors (for investing in government bonds and mutual funds), liquidity in the banking system remained stable. The ratio of loan to deposit plus B/E increased only marginally from 85.3 percent in the previous quarter to 85.4 percent.

In the third quarter of 2009, lower new NPL and higher loan repayment led to the decline in the ratio of gross and net NPL to total loans, to 5.3 percent and 2.9 percent, respectively. The ratio of delinquent loan to total loan declined to 3.5 percent, as banks cautiously monitored asset quality to prevent build-up of NPL. Nevertheless, as prospect of economic recovery is the key factor affecting customer repayment ability and asset quality, continued close monitoring remains important going forward.

Operating profit of the banking system amounted to 50 billion baht, close to the previous quarter, with net interest margin (NIM) of 2.9 percent. Decrease in provisioning expense resulted in net profit of 26 billion baht, or 6 billion baht increase from the previous quarter. Return-on-asset (ROA) increased to 1.0 percent. With continuous profit, the ratio of capital-to-risk asset (BIS Ratio) of the banking system rose to 16.5 percent, with Tier-1 capital of 12.9 percent.

Bank of Thailand

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