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## **Thailand's Banking System Performance in the Year 2009 and Key Developments**

Ms. Nawaporn Maharagkaga, Senior Director, Financial Institutions Policy Group, reported that the overall banking system in the year 2009 was resilient against the background of economic slowdown from the global crisis. Loan decelerated as corporate loan contracted, while consumer loan continued to grow throughout the year. As growth of SME loan showed sign of bottoming out in the second quarter, corporate loan picked up in the fourth quarter and total loan contracted only slightly for the year 2009. In line with banks' caution in business undertaking and continued improvement in risk management, the banking system recorded profit, though decreased slightly from the previous year. This, together with, capital increase, resulted in further strengthening of capital position of the banking system. Nonetheless, there exist domestic and overseas challenging factors, which may pose a challenge to economic recovery and increase capital flow volatility. Thus, banks should continue to remain vigilant in management of credit risk, market risk, and cross-border risk going forward.

Loan growth of the banking system, which has slowed down since the beginning of 2009 and contracted in the third quarter, picked up in the fourth quarter. As a result, the total loan contracted by only 1.8% from the same period last year. Corporate loan which constituted 72.9% of total loan, contracted by 5.0% from decline in loan to large corporate, while SME loan (which accounted for 57% of corporate loan) grew slightly at 0.3% from the same period last year. Consumer loan continued to grow at 8.0%, lower than the last year figure at 14.0%.

Deposit contracted by 0.5%, year-on-year, as depositors shifted their savings to other financial assets with higher yield, while growth of fund mobilization via deposit and bill of exchange (B/E) decelerated to 1.1% also. The banking system's liquidity slightly increased to 85.8%, as loan slowed down faster than deposit.

Gross non-performing loans (gross NPL) amounted to 376 billion baht, decreased by 21 billion baht from the end of 2008. NPL to total loan ratio decreased, with gross NPL and net NPL ratio at 4.8% and 2.7%, respectively. The decline in NPL of both corporate and consumer loans was attributed to loan repayment, debt restructuring and NPL returning to normal loan status. The ratio of delinquent loan to total loan also decreased as banks attentively monitored their asset quality.

The banking system recorded a net profit of 92 billion baht in 2009, down from the previous year by 6.6% due to lower net interest income and dividend. Compared to the same period last year, net interest margin (NIM) declined from 3.2% to 2.9%, while return on asset (ROA) declined from 1.0% to 0.9%. The banking system's capital base strengthened as a result of profit together with capital increase, the ratio of capital-to-risk asset (BIS ratio) of 2009 rose to 16.1%, with the ratio of Tier-1 capital of 12.6%.