



BANK OF THAILAND NEWS

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Thailand's Banking System Performance in the First Quarter of 2010

Ms. Nawaron Dejsuvan, Director of Financial Institutions Policy Group, reported that the overall banking system in the first quarter of 2010 was resilient, against the backdrop of domestic economic expansion driven by global economic recovery. Comparing to the same period last year, the banking system's loan growth was on a positive side, while liquidity condition remained stable. Deposit plus bill of exchange (B/E) grew at a moderate rate. Non-performing loan continued to decline. The banking system recorded net profit with strong capital base. Notwithstanding the clear sign of domestic and global economic recovery, uncertainty in the global economic conditions coupled with the current political conditions could affect confidence of the private sector to consume and invest as well as tourism-related businesses. For these reasons, banks' target loan growth and debtors' ability to pay might be under pressure. Therefore, banks should remain vigilant on managing credit and market risks, and closely monitor debtors as have been done in the past.

The banking system's loan expanded 2.5 percent from the same period last year, as opposed to 1.8 percent contraction at the end of last year. Corporate loan, which constituted 72.2 percent of total loan, contracted by 0.7 percent, a rate lower than last year as a result of improvement in export, domestic consumption, investment, and government spending. Consumer loan grew mainly from housing and car loans. The housing loan increase resulted from buyers' speeding up the transfer of title deeds before the expiration of tax and fee incentives on 28 March 2010 which has been extended later to 31 May 2010, while the car loan increase was in line with the rise in auto sales.

Deposit plus B/E expanded at 0.7 percent, slightly lower than the end of 2009 as a result of withdrawal of large corporate and depositors who turned to more lucrative investment. Nevertheless, the banking system liquidity remained stable with the ratio of loan to deposit plus B/E at 85.7 percent.

Gross NPL of the banking system amounted to 371 billion baht, down by 4.8 billion baht from the end of 2009 mainly from loan repayment and debt restructuring. The ratio of gross NPL and net NPL declined to 4.6 percent and 2.5 percent, respectively. The trend was observed in both corporate and consumer sectors. Delinquent loan (special mention loan) slightly increased, but the ratio of delinquent loan to total loan decreased to 3.1 percent.

The banking system recorded net profit of 27 billion baht in the first quarter of 2010, up from the previous quarter by 2.1 billion baht, primarily from higher non-interest income. Net interest margin (NIM) slightly declined from 2.9 percent in 2009 to 2.8 percent, while return on asset (ROA) improved to 1.0 percent. As a result, the banking system's capital base remained sound, with the ratio of capital-to-risk asset (BIS ratio) at 16.0 percent and the ratio of Tier-1 capital at 12.5 percent.

Bank of Thailand

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