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Performance of the Banking System in the year 2007

Mrs. Ruchukorn Siriyodhin, Senior Director, Financial Institutions Policy Group, gave a press conference on performance of the banking system in the year 2007 with salient point as summarized below.

The overall performance of the banking system for the year 2007 remained satisfactory, as the banking system has been able to adjust well to economic and financial challenges, in particular the fluctuations in the international financial markets. As a result, the banking system's operating profit rose to 158 billion baht. Net profit after provision and tax declined from the previous year to 25 billion baht because of the strengthened provisioning requirement in accordance with the adoption of the International Accounting Standard (IAS) – No. 39 for the fair valuation of non-performing loans.

Total loans of the banking system expanded by 4.6 percent, moderating from 5.9 percent at the end of 2006, as domestic demand, both consumption and investment, continued to soften before picking up slightly in the fourth quarter of 2007. Corporate loans, which accounted for 76.5 percent of the total loan portfolio, grew by 1.5 percent, slowing down from the previous year. At the same time, consumer loans, which constituted 23.5 percent of the total loans, increased by 16.0 percent, decelerating slightly from the previous year due to greater caution in consumer spending in face of increased costs of living.

Owing to the downward trend of the interest rates, total deposits expanded by 0.5 percent, decelerating from 6.0 percent as of 2006, as savings shifted to mutual funds, bonds, and bills of exchange. Liquidity in the banking system remained favorable nevertheless, while the loan-deposit ratio registered at 92.8 percent at the end of the year 2007.

The gross non-performing loans (gross NPLs) amounted to 453 billion baht with its ratio to total loans declining slightly from 7.5 percent in 2006 to 7.3 percent, while the ratio of NPLs net of provision (net NPLs) declined from 4.1 percent to 3.9 percent.

Corporate NPLs increased by 17 billion baht with the ratio of corporate NPLs to total loans at 8.2 percent for the year 2007, compared to 8.1 percent in the previous year. Consumer NPLs fell by 4 billion baht, with the ratio of consumer NPLs to total loans decreasing from 4.8 percent in the previous year to 4.0 percent, attributable essentially to the decline in NPLs of housing loans.

Despite the economic slowdown and softened business performance, the Thai banking system has shown flexibility and resilience in adjusting to global forces and managing attendant risks. The strengthening of risk management has been well emphasized by the banking system, which helped to manage their assets and maintain profitability. Additionally, the capital to risk asset ratio stood at 15.0 percent, well above the minimum regulatory requirement of 8.5 percent, supported by capital injection of 95 billion in the banking system. The strengthened capital base and risk management will facilitate the banking system further business expansion.

Bank of Thailand
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