



BANK OF THAILAND NEWS

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Performance of the Banking System in the First Quarter of 2008

Mrs. Ruchukorn Siriyodhin, Senior Director, Financial Institutions Policy Group, gave a press conference on performance of the banking system in the first quarter of 2008 with salient points as summarized below.

The overall performance of the banking system for the first quarter of 2008 continued to be satisfactory. The banking system's net profit after provision and tax rose to 31 billion baht, as against the loss of 7.5 billion baht in the last quarter of 2007, due to the completion of the last phase of strengthened NPL provisionings rule in line with International Accounting Standard No.39 – IAS 39 in December 2007, together with higher profits from investment and foreign exchange.

Total loan growth of the banking system continued to accelerate in the last two quarters after the trough in the third quarter of 2007. For the first quarter of 2008, total loans grew by 7.3 percent, compared to 4.6 percent at the end of 2007, attributable to the acceleration in corporate loan growth to 5.5 percent, from 1.5 percent at the end of 2007, in line with the expansion of domestic demand. Meanwhile, consumer loans, which accounts for 23.6 percent of the total loan portfolio, increased by 13.5 percent, slowing down from the previous quarter due to greater caution in consumer spending in face of increased costs of living.

Total deposits grew by 2.8 percent, picking up from the lowest growth of 0.4 percent at the end of 2007, as most banks stepped up deposit raising to finance loan expansion. If bills of exchange (B/E) issued by commercial banks are combined with bank deposits, the growth of deposits plus bills of exchange was 5.7 percent.

Gross non-performing loans (gross NPLs) amounted to 465 billion baht with its ratio to total loans declining from 7.3 percent at the end of 2007 to 6.8 percent, while the ratio of NPLs net of provision (net NPLs) declined from 3.9 percent to 3.7 percent. At the same time, the respective gross NPL ratio for corporate loan fell to 7.6 percent from 8.2 percent at the end of 2007, attributable to the decline in almost all sectors, while the ratio for consumer loan remained at 4.0 percent.

The capital to risk-weighted asset ratio (BIS ratio) declined slightly to 14.8 percent, compared to 14.9 percent at the end of 2007, owing to loan expansion, but remained well above the minimum regulatory requirement of 8.5 percent.

Bank of Thailand

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