



BANK OF THAILAND NEWS

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Thailand's Banking System Performance in the Second Quarter of 2008

Ms. Nawaporn Maharagkaga, Director, Financial Institutions Policy Group, reported that in the second quarter of 2008 the banking system recorded a net profit of 27 billion baht, a small decrease of 3 billion baht from the first quarter due to decline in investment income and the increase in reserve. Overall, the performance of the banking system for the first half of the year is satisfactory, with the increase in net profit to 57 billion baht as against 6.1 billion baht in second half of 2007 when net profit was constrained by increase in reserve to meet last phased-in period of the strengthened NPL reserve requirement in line with the International Accounting Standard Number 39 (IAS 39).

Total loans of the banking system grew at 11% year-on-year, accelerating from 7.3% in the first quarter, and representing the third consecutive quarters of loan acceleration. Corporate loans (constituting 76.1% of total loans) grew by 9.5%, up from 5.5% in the first quarter, partly reflecting the higher demand for working capital from associated with increased cost of raw material and transportation. Consumer loans grew by 16%, up from 13.5% in the first quarter, mainly from the increase in housing and car loans.

Deposits declined by 0.3% year-on-year, compared with the growth of 2.8% in the first quarter, as commercial banks increased fund mobilization via borrowing in the form of Bill of Exchange (B/E). The fund mobilized by commercial banks via deposit and B/E grew by 3.6% in the second quarter, slowed down from 5.7% in the first quarter partly as a result of the shift of savings to other competing savings instruments such as mutual funds. Thus, liquidity tightened and ratio of loan to deposit plus B/E rose to 89.8% as of end of the second quarter from 84.9% in the first quarter.

Gross non-performing loans (gross NPL) in the second quarter of 2008 amounted to 447.5 billion baht—a 17.7 billion baht decrease from the first quarter. The NPL per total loan ratio has been decreasing for the past three quarters with gross NPL and net NPL ratios standing at 6.4% and 3.4%, respectively. The NPL ratio for corporate loans decreased from 7.6% to 7.2% with the decline in almost all sectors, while NPL ratio for consumer loan in the second quarter of 2008 also decline to 3.8% from 4% in the previous quarter. The decline in NPL reflects the close monitoring of asset quality as well as progress in NPL reduction through loan repayment as well as sales of NPL on the part of the commercial banks.

The banking system's capital strengthened as BIS ratio for the second quarter rose from 14.7% to 15.2%, above 8.5% minimum regulatory requirement, as a result of increased profits and capital increase.

Bank of Thailand

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