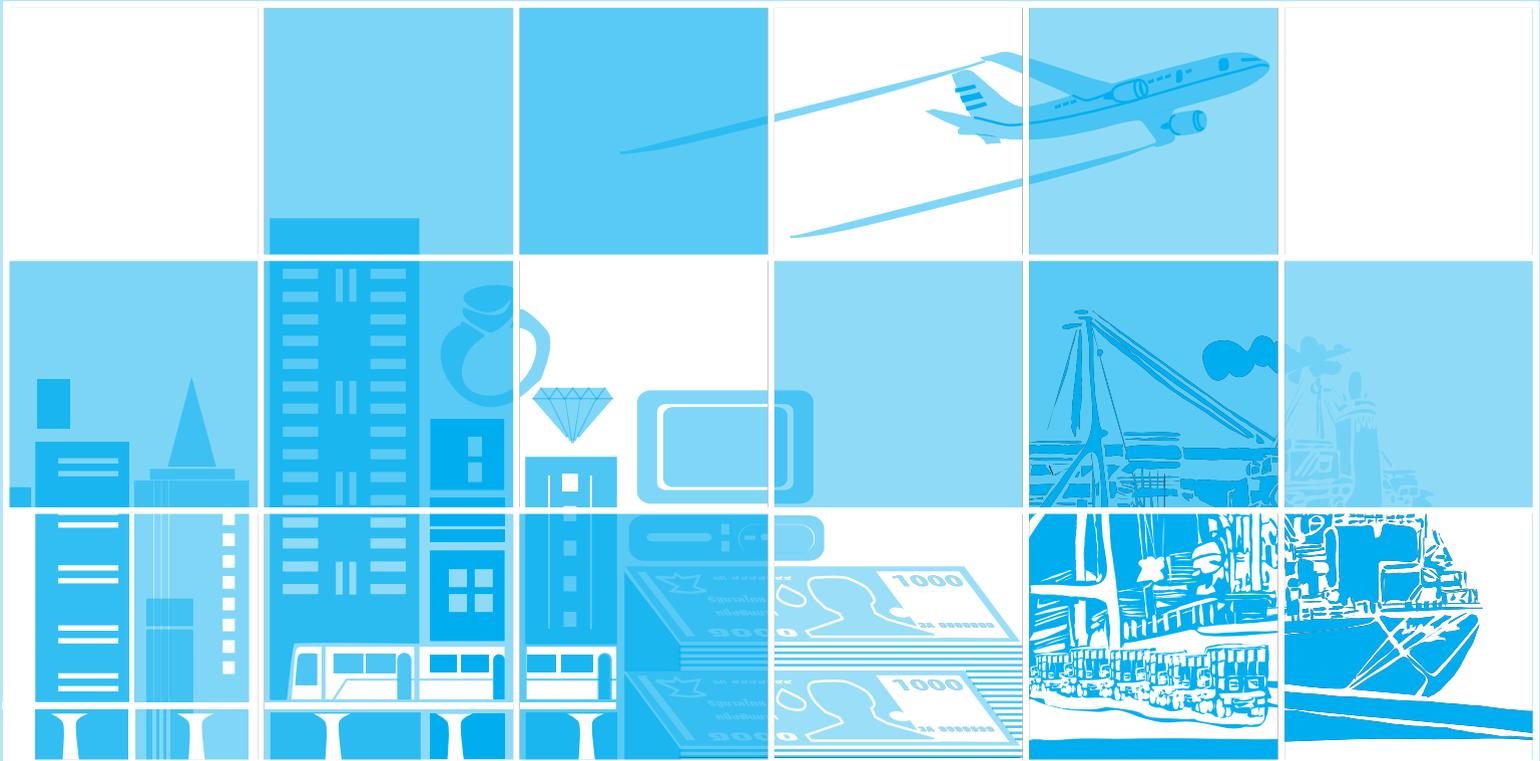




ANNUAL ECONOMIC REPORT 2008





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2008

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SUMMARY REPORT

Economic Performance in 2008

In 2008, the overall economy expanded 2.6 percent, decelerating from 4.9 percent in the previous year. This mainly followed a decline in net exports, particularly in the fourth quarter where global economic downturn and internal political unrest adversely affecting Thai export demand, manufacturing production as well as tourism prospects. Nonetheless, farm income still expanded well from higher major crop productions and prices compared to the previous year. On the domestic demand side, private consumption and investment declined notably in the last quarter, in tandem with import deceleration.

$\Delta\%$	Growth rate		Contribution to Growth	
	2007	2008	2007	2008
Consumption	2.7	2.2	1.7	1.3
Private	1.6	2.5	0.9	1.3
Public	9.2	0.4	0.8	0.0
Gross fixed capital formation	1.3	1.1	0.3	0.3
Private	0.6	3.2	0.1	0.5
Public	3.4	-4.8	0.2	-0.3
Domestic demand	2.3	1.9	1.9	1.6
Change in inventories	5.0 ^{1/}	58.6 ^{1/}	-0.2	1.3
Net exports of goods and services	21.7	-1.1	3.0	-0.2
Exports of goods and services	7.1	5.5	4.9	3.9
Imports of goods and services	3.4	7.5	1.9	4.0
Gross Domestic Product	4.9	2.6	4.9	2.6

Note: 1/ Billion baht
Source: NESDB

With regards to the **agricultural sector**, farm income from major crops rose in line with increases in major crop productions and prices from the previous year. Greater volatility in crop prices was also observed with a fast acceleration from the beginning of 2008 following crude oil prices and global supply shock, before tumbling down in the fourth quarter in tandem with the world's dampened demand. On **non-agricultural sector**, the **Manufacturing Production Index (MPI)** expanded 5.3 percent, decelerating from the preceding year's rate of 8.2 percent. This was primarily attributed to the slowdown in export-

oriented industries, particularly electronics and leather products. On the other hand, productions serving domestic market accelerated during the first half of the year, largely following passenger car and motorcycle production. Capacity utilization in 2008 was at 67.6 percent, dropping across the board, except for food and vehicle categories, from 72.6 percent in the previous year.

In the **service sector**, the number of foreign tourists totalled 14.3 millions, decreasing 1.3 percent. Despite a favourable growth of 13.3 percent year-on-year (yoy) during the first half of 2008, the number of foreign tourists contracted 14.7 percent (yoy) during the latter half as tourist sentiment was eroded by the prolonged political strife which led to a temporary closure of Suvarnabhumi and Don Mueang airports.

As for private demand, **Private Consumption Index (PCI)** expanded 3.5 percent. During the first three quarters, most consumption indicators recorded favourable growth, particularly VAT at constant price, imports of consumer goods as well as passenger car sales which benefited from excise tax reduction on alternative-energy cars (E20) in effect since the beginning of the year. Meanwhile, Fuel Index decelerated as the retail oil prices escalated to record-high levels. Nonetheless, in the fourth quarter, private consumption decelerated in tandem with farm income as well as waning consumer confidence from rising concerns over internal political uncertainty and global financial crisis.

Private Investment Index (PII) increased 2.7 percent (yoy), from equipment and machinery category, particularly imports of capital goods at constant prices which recorded large expansion during the first three quarters, though notably decelerated in the fourth quarter in line with

domestic demand. On the other hand, commercial car sale as well as indicators in the construction category exhibited a contraction mostly throughout the year. This corresponded to a decline in Business Sentiment Index (BSI) from rising costs, particularly from oil and construction material prices, in the first half of the year and growing concerns over economic slowdown and political uncertainty.

On the **external front**, the trade balance registered a surplus of US\$0.2 billion. Export and import rose 16.8 and 26.4 percent, respectively. Both export and import expanded well during the first three quarters, but in the fourth quarter export contracted in line with global economic slowdown while import also decelerated markedly in line with domestic demand and export condition. Services, income, and transfers account registered a deficit of US\$0.4 billion, owing to a reduction in tourist receipts and rising profit and dividend transfers. As a consequence, the current account was in a deficit of US\$0.2 billion. Net capital account was in a surplus of US\$12.8 billion, due primarily to net inflow from banks' foreign exchange forward transactions as well as FDI into non-bank sectors. On the other hand, net outflow was seen in both foreign and Thai securities investment. When taking into account errors and omissions, the balance of payments registered a surplus of US\$24.7 billion. International reserves at year-end stood at US\$111.0 billion, with the BOT net forward position of US\$7.0 billion.

Fiscal conditions for fiscal year 2008. The government continued a deficit budget policy from the fiscal year 2007. The government's gross revenue collection was B1,839.6 billion, increasing 8.0 percent from the previous fiscal year, mostly from tax revenues. Regarding expenditures, even though the first half of the fiscal year saw

disbursement rate accelerating, but as a result of political uncertainty and revisions of investment projects from volatile construction costs, the disbursement became low and delayed during the second half. The disbursement rate for the entire fiscal year 2008 was thus 92.3 percent of the budget, lower than the initial target of 94.0 percent and the previous fiscal year's rate of 93.9 percent. Overall cash balance recorded a B24.0 billion deficit, equal to 0.3 percent of GDP, with net domestic borrowing of B173.0 billion over net foreign loan repayment of B61.8 billion. Consequently, at the end of fiscal year 2008, the treasury cash balance increased B87.1 billion to B229.9 billion.

For fiscal year 2009, the government continued its budget deficit policy with a larger scale, through a B116.7 billion supplementary budget as the global economic slowdown took a greater toll on the Thai economy. In the first quarter of fiscal year 2009 (October-December 2008), the government's cash balance recorded a deficit of B147.6 billion, on top of net domestic and foreign loan repayments of B20.1 and B0.7 billion, respectively, requiring a total use of B168.5 billion of treasury cash. This brought the treasury cash balance down to B61.4 billion at the end of the quarter.

Concerning **monetary conditions**,^{1/} deposits at depository corporations decelerated during the first half of the year, as depositors shifted towards other financial instruments which offered greater returns such as saving bonds and mutual funds. Nonetheless, during the second half, the deposits trended upward again due to investors' flight to quality which included the reverse flow of Thai securities investment abroad reaching maturity. As a consequence, broad money also trended upward

1/ Since September 2008, BOT has extended the coverage of broad money, deposits and private credits to include data from the Thrift and Credit Cooperatives and Money Market Mutual Funds. The broad money series is also adjusted to include Bills of Exchange.

during the second half of the year. Private credits tracked an increasing trend during the first three quarters, but slowed down in the fourth quarter in response to softened economic conditions.

Short term interest rates remained mostly stable during the first half of the year before adjusting downward in the second half in tandem with the policy rate. Consequently, the 1-day repurchase rate and the overnight interbank rate averaged at 3.38 and 3.35 percent per annum, declining from 2007's averages of 3.77 and 3.79 percent per annum, respectively.

For the year 2008, the baht averaged 33.38 baht per US dollar, appreciating 3.5 percent. During the first half of the year, the baht strengthened mostly from current account surpluses, before weakening in the second half due primarily to internal political conditions. For 2008 as a whole, the baht averaged 34.93 baht per US dollar, weakening 3.4 percent from the previous year. When weighted by trading partners currencies, however, the NEER depreciated only slightly by 0.4 percent.

Overall economic stability remained sound. External stability was upheld by high international reserves, while trade and current account were close to balance. Regarding internal stability, headline and core inflation rose 5.5 and 2.4 percent, respectively, accelerating marginally from the previous year. This was in line with higher oil and raw food prices which accelerated markedly during

the first half of the year, resulting in a greater cost pass-through into the core inflation basket. Nonetheless, inflation rates declined continuously in the second half, again also following lower oil prices. Unemployment rate remained low but started to deteriorate in the fourth quarter, particularly in the non-agricultural sector affected by economic slowdown.

Economic Outlook for 2009

For 2009, the Monetary Policy Committee (MPC) assessed the economic contraction to be in the range of 1.5 - 3.5 percent,^{2/} resulting mostly from a sharp slowdown in trading partners' economies. The contraction in exports would lead to softer private investment and consumption. The growth momentum would nevertheless be cushioned by more accommodative monetary and fiscal policies coupled with a rapid decline in the costs of production. On the other hand, inflation was expected to be low in 2009 as a result of softer domestic demand as well as government's measures to support cost of living. Nonetheless, negative risk to economic growth remained. The world economy could be in a more prolonged recessionary period and recovery prospects could be delayed. In addition, government instability could deter the ability to disburse the budget effectively.

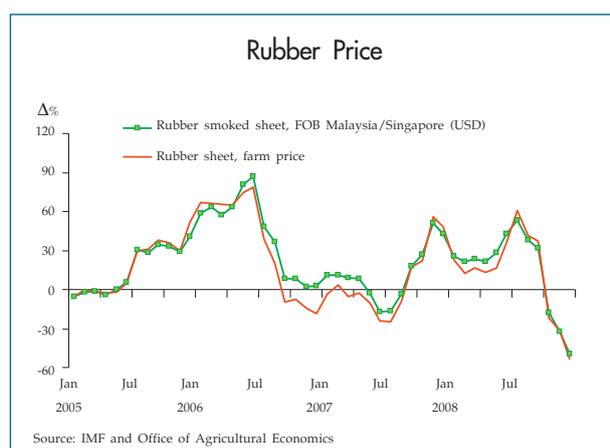
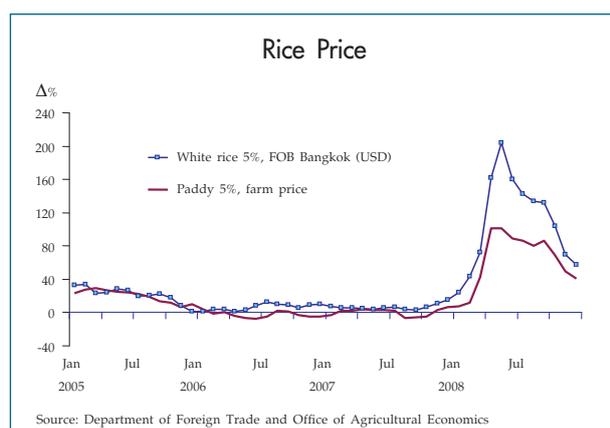
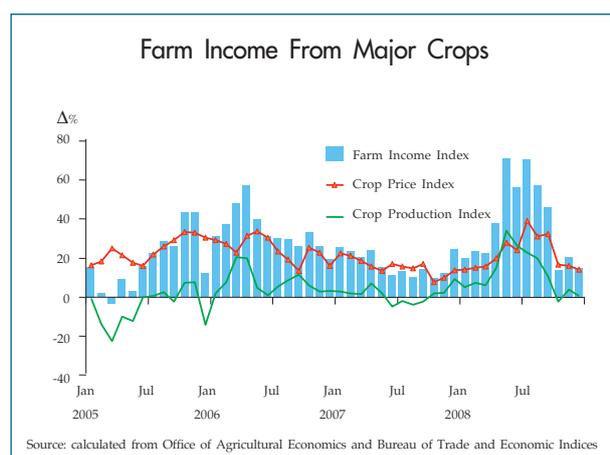
2/ As of April 2009

ECONOMIC CONDITIONS IN 2008

Agricultural Sector

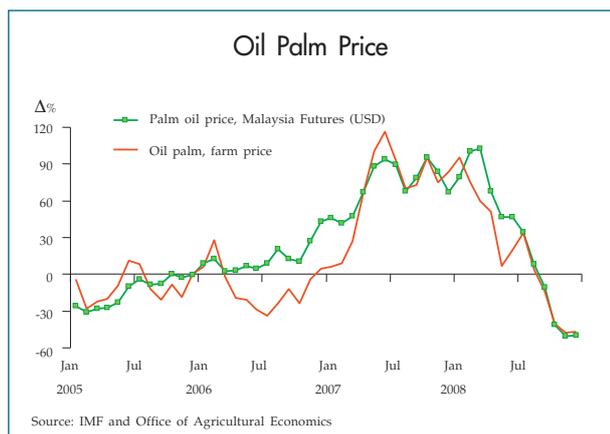
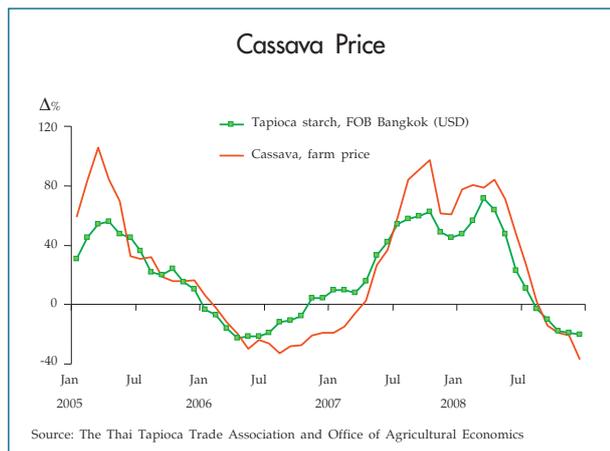
Table 1 : Farm Income from Major Crops, Crop Production and Crop Price

Δ%	2007	2008	2008			
			Q1	Q2	Q3	Q4
Farm income	17.1	34.7	21.0	44.8	61.2	22.2
Crop production	1.5	10.4	5.2	16.9	20.2	5.8
Crop price	15.3	22.0	15.0	23.9	34.2	15.5



According to the report by the National Economic and Social Development Board (NESDB), **agricultural production** (only Agriculture, Hunting, and Forestry category) in 2008 grew 6.4 percent, accelerating from 1.5 percent in the previous year. This corresponded to the acceleration in **crop production index**, which increased 10.4 percent due to: 1) favourable prices, especially in the second and third quarters, encouraging farmers to expand cultivation areas; 2) higher demand for food and energy crops; and 3) favourable climate for production. The major crops whose production increased considerably included second-crop paddy, oil palm and maize.

Crop price index increased 22.0 percent, accelerating from the preceding year from the rise in prices of Hom Mali paddy, other paddies, and rubber. In the first three quarters of 2008, major crops' prices rose continuously owing to: 1) supply disruption of world cereals as a result of unfavorable climate; 2) a substantial rise in crude oil prices which induced growing demand for energy crops as alternative energy sources; and 3) increasing demand for natural rubber to substitute for synthetic rubber. However, in the fourth quarter, the crop prices declined consistently, due partly to easing supply constraints. Besides, demand for agricultural raw materials such as rubber, oil palm as well as cassava also contracted as the adverse repercussions of global financial crisis became more apparent in the production sectors, both internationally and domestically. Overall, despite significant crop prices volatilities in 2008, farm income expanded 34.7 percent, accelerating from the preceding year.



Price index of livestock increased 16.0 percent, accelerating from the previous year. This was in line with accelerating prices of swine, fowl and eggs from higher feed costs, following a considerable price increase in feed crops, especially cereals in the first three quarters of 2008. Price index of fishery rose 7.2 percent, accelerating from the preceding year, particularly the prices of sea fish and cuttlefish. This was a result of oil price hike which led fishery businesses to slow down their operations and substantially increased feed costs.

Thai agricultural price index increased 19.3 percent, accelerating from the previous year across the board.

As for 2009, major crops production is expected to slowdown from lower production and consumption demand for agricultural products as a result of the global economic slowdown. Meanwhile, major crops prices, both food and energy crops, were expected to contract following a weaker demand from trading partner countries and the notably high base effect. Nonetheless, upward pressure on crop prices might occur if climate turns unfavorable.

As a result, farm income is expected to decline with the production slowdown and price contraction. On the other hand, softened outlook for oil prices should help lower costs of farming and somewhat offset for the reduction in agricultural prices.

Table 2 : Thai Farm Prices

(Unit: Baht/tonne)

	2007	2008	2008			
			Q1	Q2	Q3	Q4
Farm Price Index						
(1995 =100)	225.4	268.9	247.2	285.9	278.4	264.0
Δ%	10.4	19.3	13.5	21.2	28.3	14.2
1. Crop Price Index*	275.2	335.8	304.6	362.3	348.7	327.7
(1995 =100)						
Δ%	15.3	22.0	15.0	23.9	34.2	15.5
Hom Mali Paddy	8,772	13,700	11,684	16,661	13,708	12,747
Δ%	7.2	56.2	41.7	92.6	52.8	38.2
Paddy Class 1 (5%)	6,529	10,676	7,949	12,821	11,884	10,051
Δ%	0.5	63.5	20.7	97.3	84.4	52.5
Rubber	68,971	76,549	79,216	87,350	93,158	46,471
Δ%	1.2	11.0	16.8	21.7	46.3	-36.0
Maize	6,804	7,850	7,852	8,342	8,701	6,503
Δ%	31.7	15.4	14.1	22.2	38.8	-10.2
Cassava	1,460	1,808	2,096	2,121	1,741	1,273
Δ%	34.2	23.8	78.8	66.8	3.8	-26.0
2. Livestock Price Index	130.4	151.2	147.1	156.2	152.3	149.4
(1995 =100)						
Δ%	-4.8	16.0	21.3	21.6	11.1	10.9
3. Fisher Price Index**	162.8	174.4	165.7	173.7	181.6	176.7
(1995 =100)						
Δ%	0.1	7.2	0.3	5.8	12.8	9.9
4. Forestry Price Index	122.8	126.8	126.8	126.8	126.8	126.8
(1995 =100)						
Δ%	0.5	3.3	5.0	3.9	3.3	1.1

Note: Δ% represents percentage change from the same period last year

* referred by the vegetable and fruit indices from Office of Agricultural Economics

** adjusted weights between vannamei and black tiger shrimps since 2008

Source: The Farm Price Index is constructed from the data of the Fish Marketing Organization, Office of Agricultural Economics, and Bureau of Trade and Economic Indices

Manufacturing Sector

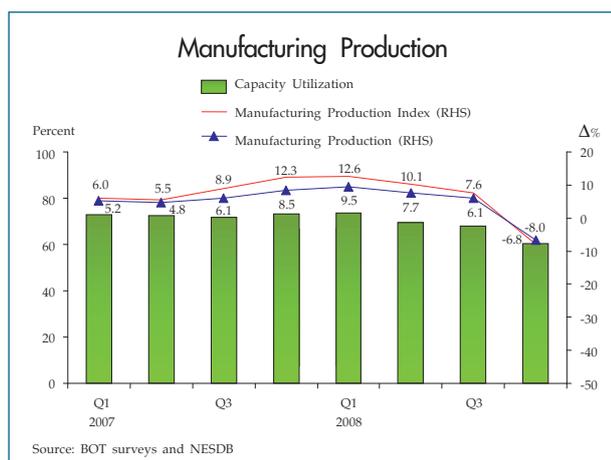


Table 3 : Manufacturing Production Index*
(Year-on-year percentage change)

Industry	Weight	2006	2007	2008 ^{P/}		
				H1	H2	Year
Textiles	12.23	2.2	-2.5	-2.4	-1.9	-2.1
Electronics	10.31	23.8	25.3	28.9	4.2	14.9
Petroleum	9.48	2.4	1.2	7.1	-1.6	2.7
Vehicles and Equipment	6.85	4.8	4.0	24.8	6.0	14.8
Food	6.82	7.6	4.5	5.4	0.3	3.2
Beverages	5.11	14.1	3.3	3.8	2.1	3.0
Electrical Appliances	5.05	-8.1	6.0	16.0	-6.0	4.9
Leather and Leather products	2.79	-26.9	22.7	-75.7	-52.9	-68.9
Chemical Products	2.36	0.4	7.6	5.9	-16.4	-5.9
Iron and Steel Products	2.21	-3.4	-2.3	5.3	-25.2	-9.7
Construction Materials	1.84	5.6	-3.6	-4.8	-12.4	-8.6
Others	10.62	0.3	1.8	-3.1	-6.6	-4.9
Total *	75.68	7.3	8.2	11.4	-0.4	5.3

Note: * Covering 76 products with 75.7 percent of the overall value added in the manufacturing sector
P = Preliminary Data

Source: BOT surveys

Table 4 : Capacity Utilization*
(Unit: Percent)

Industry	Average 1995-1996	2006	2007	2008 ^{P/}		
				H1	H2	Year
Electronics	77.1	76.1	76.5	70.8	64.7	67.5
Petroleum	88.6	84.1	83.5	84.5	78.9	81.7
Vehicles and Equipment	74.7	79.9	73.3	78.0	71.9	74.9
Beverages	69.0	77.1	73.2	75.9	72.7	74.3
Electrical Appliances	87.1	68.1	70.2	66.5	56.7	61.6
Food	40.4	59.5	58.2	72.1	49.0	60.6
Leather and Leathers Products	-	40.2	53.4	24.5	27.7	25.8
Chemical Products	91.4	93.8	95.9	94.2	83.4	88.8
Iron and Steel Products	58.1	58.8	55.5	59.3	41.8	50.6
Construction Materials	87.9	81.6	78.4	76.4	70.2	73.3
Pulp and Paper Products	77.6	91.0	90.8	89.7	72.6	81.0
Rubber and Rubber Products	73.1	64.6	61.0	63.0	58.6	60.8
Others	81.8	64.3	61.3	56.9	54.0	55.4
Total *	76.7	73.5	72.6	71.4	64.0	67.6

Note: * Covering 69 products with 59.1 percent of the overall value added in the manufacturing sector
P = Preliminary Data

Source: BOT surveys

According to the NESDB, the manufacturing production in 2008 expanded 3.9 percent, moderating from 6.2 percent in the previous year. The Bank of Thailand's **Manufacturing Production Index (MPI)**^{3/} also decelerated from the beginning of the year before contracting more sharply in the last quarter of 2008. As a result, the MPI increased only 5.3 percent, slowing down from 8.2 percent in the previous year. This was mainly in line with the export-oriented industries which were negatively affected by trading-partner economic downturn. On the other hand, the industries serving domestic market accelerated from favourable expansion in domestic demand during the first half of the year as the impacts of global economic slowdown remained less severe.

A slowdown from the previous year was observed in the production of electronics, food, electrical appliances, and beverage, while contractions were observed in the production of leather products, furniture, chemical products, pulp and paper, iron and steel, construction materials as well as tobacco. Meanwhile, only vehicles and petroleum production accelerated from the previous year.

Capacity utilization rate averaged at 67.6 percent, lower than 72.6 percent in the previous year. Industries that experienced a capacity expansion included electronics, electrical appliances, vehicles, petroleum, food, chemical products, iron and steel, pulp and paper, and cleaning preparation.

The details of manufacturing production and capacity utilization by sectors are as follows:

Electronics production continued to expand well in the first half of 2008 - particularly hard disk drive that was driven by favourable demand from foreign markets. However, production growth moderated in the second half of the year resulting from weak global demand. The capacity utilization rate stood at 67.5 percent, declining from 76.5 percent in the previous year.

Food production growth moderated slightly from the previous year. Frozen seafood production declined significantly due to its relatively high price.

3/ Covered 75.7 percent of the overall value added in the manufacturing sector

Since canned seafood is a cheaper substitution product of fresh seafood, the order of canned seafood increased during the economic downturn. The importers of canned seafood were mainly from the US. Overall, the capacity utilization rate stood at 60.6 percent, increased slightly from last year's 58.2 percent.

Electrical appliances production growth slightly moderated from the previous year, despite the strong growth in the first half of the year due to an expansion in production of televisions, refrigerators, air-conditioners, and washing machines. Nonetheless, production plummeted in the second half of the year, especially for television, following a shrinkage in external demand. The capacity utilization rate stood at 61.6 percent, a decrease from 70.2 percent in the previous year.

Beverage production growth moderated from the previous year when beer production declined as a result of a reduction in domestic consumers' purchasing power from the economic slowdown. The capacity utilization rate, however, stood at 74.3 percent, close to last year's 73.2 percent.

Leather and leather products declined considerably from last year, especially in the first half of the year. This was mainly due to: 1) the high base effect from foreign special order in the previous year; 2) a contraction in trading-partners' demand as a result of economic crisis; and 3) the presence of high competition, particularly a price competition from China. The capacity utilization rate of the industry therefore declined from 53.4 percent in 2007 to 25.8 percent.

Furniture production continued to decline from last year since manufacturers still faced intensified price competition from China and Vietnam. In addition, trading-partner countries, especially the US, were facing an economic crisis. The capacity utilization rate of this industry thus stood at 30.1 percent, down from 52.5 percent in the previous year.

Chemical production decreased in all products, especially in the second half of the year due to a temporary shutdown for machinery maintenance and deteriorated domestic demand. The capacity utilization rate was down from 95.9 percent in the previous year to 88.8 percent this year.

Pulp and paper production, except for paper board, declined in all categories, following decreased

demand from both foreign and domestic markets, while inventory of this industry remained at a high level. Thus, the capacity utilization rate decreased to 81.0 percent, down from 90.8 percent in the previous year.

Iron and steel industry and construction materials industry exhibited lower production from last year due to softened demand in the real estate sector, as well as the lack of large-scale investment projects. The capacity utilization rate of the industries stood at 50.6 and 73.3 percent, down from 55.5 and 78.4 percent, respectively.

Tobacco production decreased slightly, following a reduction in sales. This was due to economic slowdown especially in the second half of 2008, leading consumers to reduce their spendings. Moreover, the law that prohibited cigarette smoking in public areas was extended to include all market places, pubs and restaurants, both with and without air-conditioners. The capacity utilization rate was at 53.2 percent, close to 53.7 percent in the previous year.

Vehicles and equipments production considerably increased in the first half of the year, mainly from passenger car and commercial car production as both global and local demand still expanded well. In addition, sales of new model passenger cars, that are able to consume gasohol E20 fuel, were stimulated by a 5-percent cut in excise tax. Nevertheless, oil price hike in the first half of 2008, coupled with the US's financial crisis that spread to the global economy, diminished foreign and domestic demands. In particular, commercial car sales in the domestic market started to contract since the second quarter, whereas overall car exports contracted in the last quarter. However, on average, the capacity utilization rate stood at 74.9 percent, rising from 73.3 percent in the previous year owing to strong growth in the first half of the year.

Petroleum production expanded from the previous year, especially in the first half of the year due to the low base effect as there were plants temporarily closed for maintenance and capacity expansion during the same period last year. The capacity expansion partly resulted in the lower capacity utilization rate of 81.7 percent, compared to last year's 83.5 percent.

Services

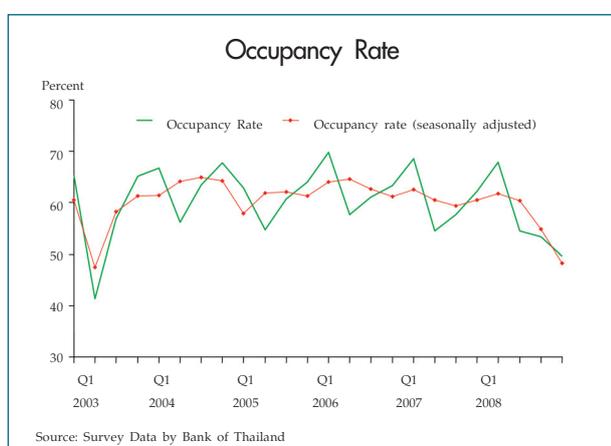
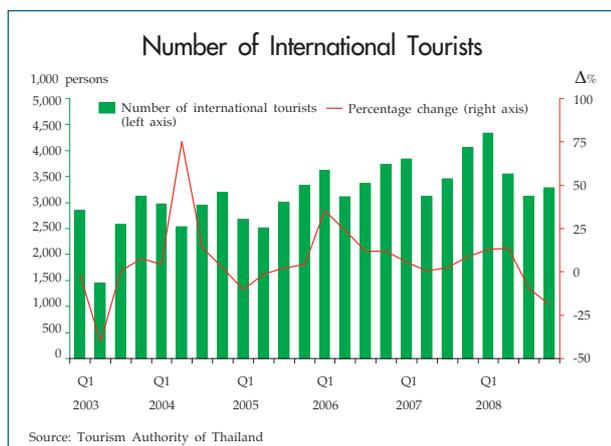


Table 5 : International Tourists Classified by Nationality

Country	Δ%		Market Share (%)	
	Year 2007	Jan.-Nov. 2008	Year 2007	Jan.-Nov. 2008
East asia	-0.1	1.6	52.6	52.9
- Malaysia	-3.2	17.6	10.7	12.1
- China	-4.4	-4.7	6.3	6.0
- Japan	-2.6	-8.8	8.8	8.1
- Korea	-0.8	-14.1	7.5	6.4
Europe	11.9	2.2	27.0	26.5
USA	-0.3	-0.3	6.4	6.2
Oceania	17.3	4.4	5.3	5.5
Middle East	11.1	2.4	3.0	3.1
Others	11.4	0.1	5.7	5.7

Source: Tourism Authority of Thailand

Tourism and Hotel Industry

The tourism and hotel industry in the first half of 2008 continued to expand well from the last quarter of 2007. In the second half of the year, however, the industry was adversely affected by several negative factors, including seven bombing incidences in Songkhla province in early August as well as the political instability which intensified from late August onwards. The political conflicts led to the declaration of the state of emergency in Bangkok, the shutdown of airports and train services in the southern provinces in September, and eventually, the closure of the Suvarnabhumi and Don Mueang airports during late November until early December 2008, which severely affected foreign tourists' confidence. In addition, economic slowdown in a number of countries, which were major sources of Thailand's tourists, resulted in a sharp drop in the number of foreign tourists in the second half of the year. Consequently, the number of foreign tourist arrivals in 2008 totalled 14.3 millions, contracting 1.3 percent from the previous year. Meanwhile, tourism revenue from foreign tourists amounted to 588 billion baht, increasing 5.9 percent.

As for the tourism in the southern region, despite adverse impacts from global economic slowdown and ongoing internal political unrest, overall number of foreign tourists travelling to the southern region continued to rise by 13.7 percent. This was a result of a number of positive developments, including an increase in direct and chartered flights to the southern coast as well as a continual increase in Malaysian tourists travelling across the southern border throughout the year.

In 2008, the composition of foreign tourists classified by nationality was similar to the previous year. Tourists from East Asia continued to account for the largest share at 52.9 percent of the total number of foreign tourists, followed by those from Europe, US and Oceania, respectively. During the first seven months of 2008, the number of tourists from major markets (i.e., Asia, Europe and US) continued to expand from the previous year, mainly from Malaysian visitors. However, the trend reversed towards the end of the year as the number of foreign tourists contracted significantly. Meanwhile, the number of tourists from new target markets (e.g., Oceania and Middle East) registered a decelerated growth, compared to the previous year.

The overall occupancy rate averaged 56.4 percent in 2008, dropping from 60.8 percent in the previous year. For the southern provinces, the

hotel occupancy rate stood at 52.9 percent, decreasing slightly from the previous year. The average hotel room rate (in baht terms) for the whole country in 2008 slightly rose by 5.0 percent from the previous year.

The Thai government has been working closely with private enterprises in the tourism sector to promote domestic tourism activities to partly compensate for the revenue loss from the sharp drop in the number of foreign tourists during the second half of the year. However, the domestic political turmoil and the economic slowdown in Thailand's major tourism markets shall remain key risk factors to the Thai tourism sector going forward. Therefore, the restoration of foreign tourists' confidence would be a critical factor in improving the outlook of Thailand's tourism in 2009.

Table 6 : Tourism Indicators

	2007	2008 ^{P/}	2008 ^{P/}			
			Q1	Q2	Q3	Q4
1. Number of foreign tourist (million persons)	14.5	14.3	4.3	3.5	3.1	3.3
$\Delta\%$	4.6	-1.3	12.9	13.6	-9.6	-19.0
2. Income from tourism (billion baht)	575.4	588.0	190.1	129.6	129.4	137.0
3. Occupancy rate (percent)	60.8	56.4	67.9	54.5	53.4	49.6
4. Room rates (baht)	1,447	1,520	1,679	1,393	1,415	1,593

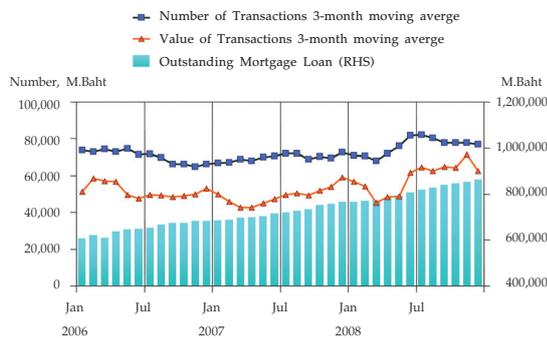
Note: P = Preliminary data

$\Delta\%$ represents percentage change from the same period last year

Sources: Tourism Authority of Thailand and Bank of Thailand

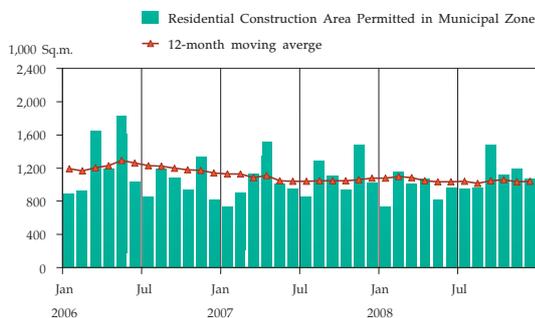
Real Estate

Real Estate Indicator : Demand Side



Source: Department of Lands and Bank of Thailand

Residential Construction Area Permitted



Source: Bank of Thailand

New Housing Registrations in Bangkok and Vicinities



Source: Real Estate Information Center

In 2008, overall real estate market expanded from 2007, due mainly to the government's economic stimulus packages to reduce property transfer and mortgage registration fees. Nevertheless, the real estate sector demand weakened considerably in the fourth quarter following low consumer and business confidences as the economy slowed down from the global financial crisis.

Demand Side Indicators

Overall real estate demand in 2008 expanded from the previous year, reflecting in the number and value of real estate transactions which grew 8.4 and 18.0 percent, respectively. This corresponded to the outstanding mortgage loan growth. In the first quarter of 2008, real estate demand decelerated because consumers postponed their purchases awaiting the government's tax reduction measures on property transfer and mortgage registration fees, which scheduled to be effective on 29 March 2008. In the second and third quarters, real estate demand expanded substantially, reflecting in the number and value of real estate transactions which expanded 14.4 and 30.7 percent (yoy), respectively. However, in the last quarter, real estate demand considerably declined due to a low level of consumer confidence following the domestic economic slowdown from both political instability and the global financial crisis. In addition, consumers postponed decision-makings to have a clearer outlook of housing market prospects after the government launched real estate stimulus packages.

As for 2009, real estate demand was expected to decelerate in tandem with the economy. However, a number of positive factors should help shore up demand, namely, the government's economic stimulus packages, downward trend of interest rate, more stable political conditions, continuous decreases in construction costs, as well

as price-cutting strategies of real estate developers to maintain their liquidity conditions.

Supply Side Indicators

In 2008, the supply side indicators slightly contracted, as reflected in the decrease in permitted residential construction areas and new housing registration (except condominium). This was in line with continued declines in the cement and construction steel sales, due mainly to a weak demand for housing, a low confidence of real estate developers, and financial institutions' tightened credit standards. Nonetheless, the supply of newly registered condominium in 2008 increased more than 80 percent from last year, particularly those located near the mass rapid transportation routes which observed growing demand after the oil price hike during the year.

In 2009, the overall supply was expected to remain almost unchanged from the previous year. Although a large number of new projects were launched in 2008 and would be on sales in the first half of 2009, new supply in 2009 would be limited due to financial institutions' tightened credit standards, especially for the small and medium size real estate developers, as a result of higher risk perceptions.

Price Indicators

In 2008, property prices declined from the previous year following the slowdown in demand. Single detached house price indices, with land and without land, contracted 1.1 and 13.9 percent, respectively. In the first three quarters of 2008, the construction costs significantly rose, reflecting in an acceleration of construction material price index. In particular, the construction steel price index increased sharply in line with the world market. In the last quarter, the costs of construction were back to normal, close to those in 2007.

With regards to the 2009 outlook, property price is expected to remain mostly the same or slightly drop compared to 2008. The weakened demand in real estate sector was due to the economic slowdown which translated into unstable income, weak consumer confidence, less pressure on construction costs in line with a decline in construction material price index as well as financial institutions' tightened credit standards. Property prices, however, is not expected to decrease significantly as in the 1997 crisis as no sign of asset price bubble has been observed. Nevertheless, the property price in some locations such as planned urban development areas and along the mass transportation lines would continue to rise marginally.

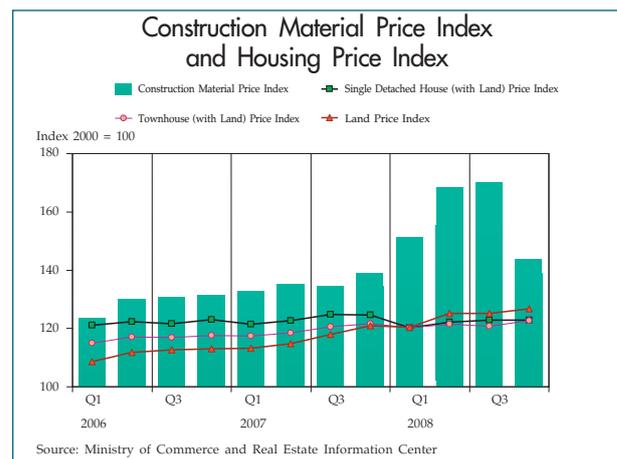
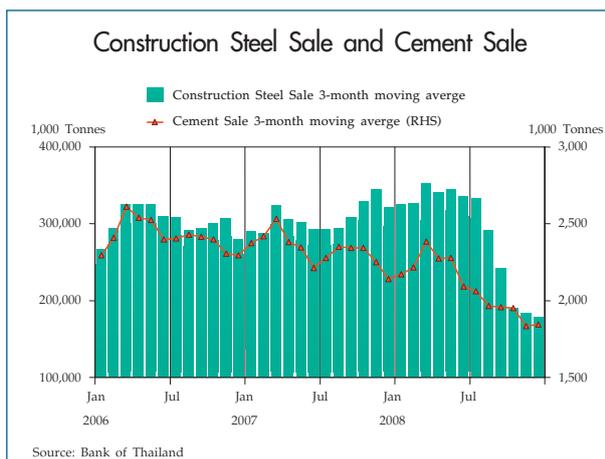


Table 7 : Real Estate Indicators

	2007	2008	2008					
			H1	H2	Q1	Q2	Q3	Q4
Demand Side Indicators								
Value of Transactions ^{1/} (M. baht)	595,483	702,582 ^{P/}	320,490	382,092 ^{P/}	135,900	184,591	194,292	187,800 ^{P/}
Δ%	-3.6	18.0	18.7	17.4	5.9	30.4	31.1	5.9
Total Juristic Act and Right Registration Fees (M. baht)	11,121	8,276 ^{P/}	4,670	3,607 ^{P/}	2,693	1,977	1,840	1,766 ^{P/}
Δ%	0.2	-25.6	-8.2	-40.2	9.7	-24.9	-33.7	-45.8
- 2% Fee ^{2/}	11,118	8,247 ^{P/}	4,661	3,586 ^{P/}	2,693	1,968	1,830	1,756 ^{P/}
Δ%	0.2	-25.8	-8.3	-40.5	9.8	-25.2	-34.1	-46.1
- 0.01% Fee ^{3/}	4	29 ^{P/}	89	20 ^{P/}	0.1	8.6	10.3	10 ^{P/}
Δ%	-40.3	670.6	537.0	747.3	-77.6	970.9	993.6	588.0
Number of Transactions (Unit)	842,680	913,482 ^{P/}	449,620	463,862 ^{P/}	204,031	245,589	233,377	230,485 ^{P/}
Δ%	0.9	8.4	7.5	9.3	-1.1	15.8	12.9	5.9
Real Estate Personal Credit Outstanding ^{4/} (Billion baht)	778	873	818	873	782	818	849	873
Δ%	12.3	12.3	12.7	12.3	10.8	12.7	13.9	12.3
- Mortgage Outstanding	767	864	808	864	772	808	839	864
Δ%	12.3	12.6	13.0	12.6	11.0	13.0	14.2	12.6
- Others	11	9	9	9	9	9	10	9
Δ%	11.3	-12.0	-6.9	-12.0	-6.5	-6.9	-8.8	-12.0
Supply Side Indicators								
Construction Area Permitted in Municipal Zone (1000 Sq.M.)	17,362	17,491 ^{P/}	8,136	9,355 ^{P/}	4,217	3,919	4,491	4,864 ^{P/}
Δ%	-11.3	0.7	-4.7	6.0	14.7	-19.3	8.6	3.7
- Residential	12,917	12,494 ^{P/}	5,743	6,751 ^{P/}	2,892	2,851	3,381	3,370 ^{P/}
Δ%	-5.7	-3.3	-8.0	1.2	4.4	-17.9	4.4	-1.8
- Commercial	2,444	2,908 ^{P/}	1,535	1,374 ^{P/}	870	665	565	809 ^{P/}
Δ%	-29.8	19.0	34.5	5.4	89.4	-2.4	21.5	-3.5
- Industrial	54	90 ^{P/}	26	64 ^{P/}	18	7	15	49 ^{P/}
Δ%	1.9	66.5	2.4	122.5	114.1	-55.4	13.1	214.3
- Services/Transportation	831	1,094 ^{P/}	454	640 ^{P/}	252	202	270	370 ^{P/}
Δ%	-40.7	31.6	-4.6	79.9	50.5	-34.5	65.3	92.2
- Others	1,117	905 ^{P/}	379	526 ^{P/}	185	194	260	266 ^{P/}
Δ%	18.9	-19.0	-41.8	13.0	-32.3	-48.7	2.9	25.0

Table 7 : Real Estate Indicators (Cont.)

	2007	2008	2008					
			H1	H2	Q1	Q2	Q3	Q4
New Housing Registrations in Bangkok and Vicinities (Unit)	74,221	78,473 ^{P/}	30,938	47,535 ^{P/}	14,868	16,070	25,449	22,086 ^{P/}
$\Delta\%$	-5.0	5.7	-3.9	13.1	-4.9	-3.0	16.3	9.6
- Housing Projects	32,741	27,439 ^{P/}	11,605	15,834 ^{P/}	5,306	6,299	7,400	8,434 ^{P/}
- Condominiums	16,229	29,572 ^{P/}	7,918	21,654 ^{P/}	3,784	4,134	11,741	9,913 ^{P/}
- Self-built Houses	25,251	21,462 ^{P/}	11,415	10,047 ^{P/}	5,778	5,637	6,308	3,739 ^{P/}
Cement Sales (1,000 tons)	27,690	24,834	13,434	11,400	7,155	6,280	5,872	5,528
$\Delta\%$	-5.0	-10.3	-5.6	-15.3	-5.9	-5.3	-16.5	-13.9
Construction Steel Sales (M. tons)	3,740	3,323	2,062	1,261	1,057	1,005	727	534
$\Delta\%$	3.0	-11.1	11.3	-33.2	8.6	14.3	-21.3	-44.6
Real Estate Developer Credit Outstanding ^{4/} (Billion baht)	341	417	389	417	337	389	394	417
$\Delta\%$	8.8	22.1	21.8	22.1	7.7	21.8	21.6	22.1
- Residential	177	236	220	236	181	220	220	236
$\Delta\%$	-2.6	33.3	16.5	33.3	-0.4	16.5	20.4	33.3
- Others	164	181	169	181	156	169	174	181
$\Delta\%$	24.5	10.0	29.5	10.0	19.0	29.5	23.1	10.0
<u>Price Indicators</u>								
Construction Material Price Index ^{5/}	135.2	158.4	159.7	157.1	151.1	168.3	170.2	143.9
$\Delta\%$	4.9	17.1	19.3	15.0	13.9	24.6	26.6	3.7
Single Detached House (with Land) Price Index ^{5/}	123.4	122.0	121.2	122.9	120.2	122.1	122.9	122.9
$\Delta\%$	1.1	-1.1	-0.7	-1.4	-1.1	-0.4	-1.5	-1.3
Townhouse (with Land) Price Index ^{5/}	119.5	121.3	120.8	121.7	120.2	121.4	120.8	122.7
$\Delta\%$	2.5	1.5	2.4	0.5	2.4	2.4	0.2	0.9
Land Price Index ^{5/}	116.7	124.4	122.8	125.9	120.4	125.2	125.1	126.8
$\Delta\%$	4.6	6.5	7.8	5.4	6.5	9.0	6.0	4.8
Average MLR of 4 largest banks at end period	6.87	6.75	7.25	6.75	6.87	7.25	7.25	6.75

Note : $\Delta\%$ represents percentage change from the same period last year

P = Preliminary data

1/ Derived from the amount of the Juristic Act and Right Registration Fee, separately classified into 2 percent and 0.01 percent categories

2/ The Juristic Act and Right Registration Fee for immovable property is charged at a rate of 2 percent, in accordance with Ministerial Regulation No. 47 (B.E. 2541), which was issued under the Land Code Amendment Act B.E. 2497 article 2(7).

3/ The Juristic Act and Right Registration Fee for immovable property is charged at a rate of 0.01 percent as specified by the Cabinet.

4/ Credit extended by commercial banks (excluding foreign branches of Thai commercial banks) at end-period.

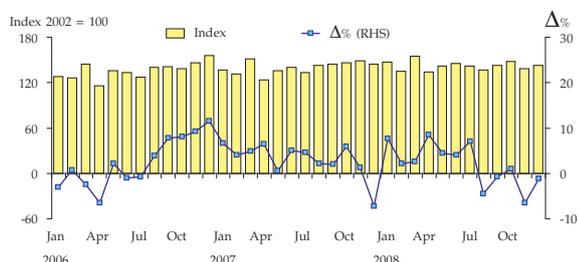
5/ Year 2000 = 100

Source : Departments of Lands, Ministry of Commerce, and Bank of Thailand

Trade

Wholesale Trade Index (2002 Prices)

	2007	2008	2008			
			Q1	Q2	Q3	Q4
Index	139.6	142.5	145.6	140.6	140.6	143.2
Δ%	2.8	1.8	4.0	5.6	0.4	-2.3

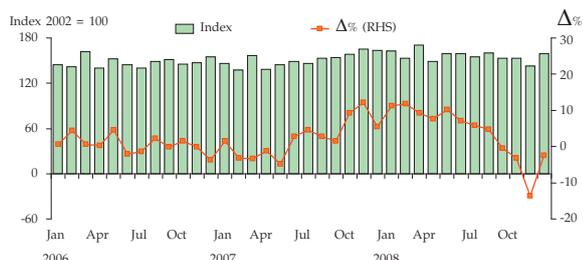


Overall trading activities in 2008 expanded slightly from the preceding year. Both wholesale and retail trade expanded favourably in the first half of 2008, but contracted in the latter half. This was due mainly to political uncertainties and global economic downturn, which caused consumers to be cautious with their spending. Moreover, consumer purchasing power was eroded by the price increases, particularly in the second and third quarters.

Wholesale trade expanded 1.8 percent, moderating from the preceding year in line with the weak domestic demand. A significant drop in sales was observed in durable goods such as electrical appliances, furniture and household goods. The sales of consumption goods continued to expand, particularly agricultural raw materials such as live stocks, foods and beverages. Additionally, gold and jewellery sales increased remarkably, due partly to their investment attribute as stored value goods.

Retail Trade Index (2002 Prices)

	2007	2008	2008			
			Q1	Q2	Q3	Q4
Index	151.0	156.5	162.3	155.8	156.1	151.9
Δ%	2.2	3.6	10.7	8.2	3.3	-6.5



Retail trade grew slightly by 3.6 percent. The sales of indispensable products rose notably, including fresh foods, vegetables and fruits. In addition, the sales from supermarkets and department stores still expanded satisfactorily. However, the sales of durable goods, such as electrical appliances, household goods, and clothes, contracted from last year.

The trading sector in 2009 was expected to continue to soften due to a more apparent adverse impact on the production sector from the world economic crisis. Nonetheless, the government's economic stimulus packages are expected to help shore up producer and consumer confidence as well as counteract large slowdown in trading businesses.

Telecommunication

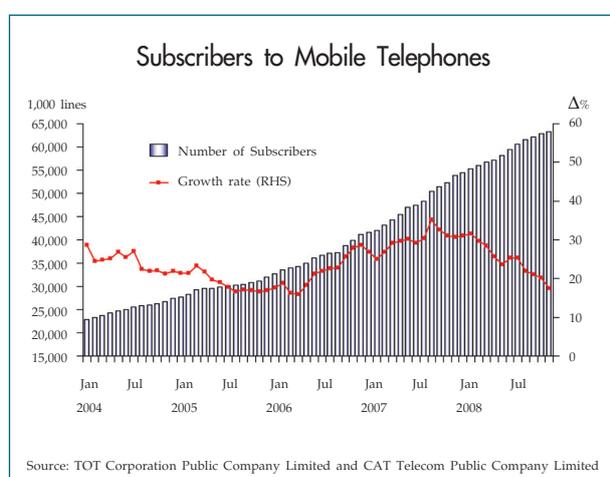
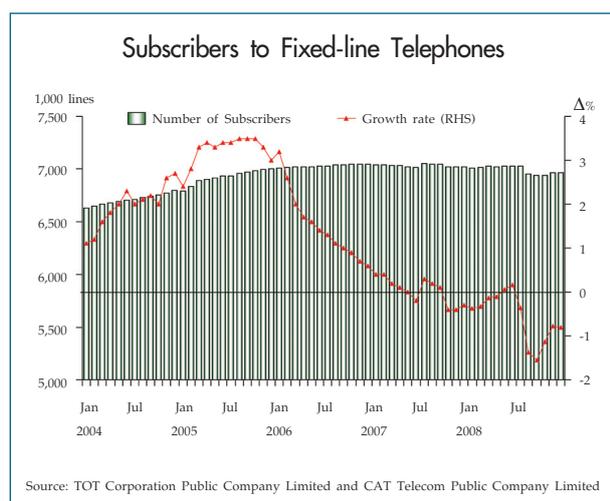


Table 8 : Telecommunication Services

(Million Lines)	2007	2008	2008					
			Q1	Q2	Q3	Q4	Nov ^{E/}	Dec ^{E/}
Fixed-line Telephones ^{1/}	7.02	6.97	7.03	7.03	6.9	6.97	6.97	6.97
Δ%	-0.3	-0.8	-0.1	0.2	-1.6	-0.8	-0.8	-0.8
Mobile Phones ^{1/}	53.9	63.3	56.0	58.2	61.6	63.3	62.9	63.3
Δ%	30.7	17.5	29.6	23.6	21.9	17.5	20.3	17.5

Note: 1/ Data as of end-period

Δ% represents percentage change from the same period last year

E = Estimated

Source: TOT Corporation Public Company Limited and CAT Telecom Public Company Limited

In 2008, overall telecommunication sector decelerated from the previous year, following a decline in fixed-line telephone services as well as a slowdown in mobile phone services. The number of fixed-line service subscribers decreased 0.8 percent from the previous year, mainly due to a drop in the Bangkok metropolitan area following the substitution from new communication technology and network. Meanwhile, the clients in provincial areas increased marginally among the newly established small and medium enterprises (SMEs).

Mobile phone services continued to expand, increasing 17.5 percent from the previous year. The growth was largely attributed to subscribers in provincial area, especially where fixed-line services were poor or unavailable. This expansion mostly focused on prepaid service system which accounted for 90.2 percent of mobile phone market share at the end of 2008.

Overall, the revenue of mobile phone service providers continued to increase, even though the main revenue from voice services decelerated in line with the economic slowdown. Minutes of use (MOU) decreased from last year by 21.7 percent, while the average revenue per user (APRU) decreased by 15.8 percent or an average monthly decrease around 230 baht per number. Nonetheless, revenues from non-voice services picked up from the previous year from EDGE, GPRS, and SMS services.

The telecommunication sector is expected to moderate continuously in 2009. Fixed-line telephone services would continue to be substituted by the new technology, although they are likely to increase in the provincial area. Mobile phone services were expected to grow at a decelerating rate in tandem with the economic slowdown.

Labour Market Conditions

Table 9 : Employment

Δ%	2007	2008	2008			
			Q1	Q2	Q3	Q4
Employed persons	1.6	2.1	1.6	3.1	1.9	1.8
Agriculture	1.0	2.7	0.4	3.6	3.7	2.9
Non-agriculture	2.0	1.7	2.3	2.8	0.6	1.0
Manufacturing	2.1	-3.0	0.4	-2.2	-6.5	-3.8
Construction	-0.1	3.0	0.5	2.0	3.8	6.9
Trade	1.1	3.2	2.4	3.5	2.0	5.1
Service	3.1	2.7	4.4	6.2	3.9	0.8

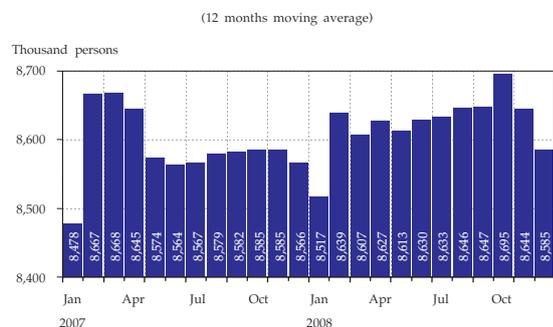
Note: Δ% represents percentage change from the same period last year
Source: NSO

Table 10 : Unemployment

	2007	2008	2008			
			Q1	Q2	Q3	Q4
Unemployed person (Thousand persons)	508.5	522.0	605.5	524.7	450.9	506.9
Unemployment rate (%)	1.4	1.4	1.7	1.4	1.2	1.3

Source: NSO

Number of employed persons in non-agricultural sector who worked more than 50 hours/week

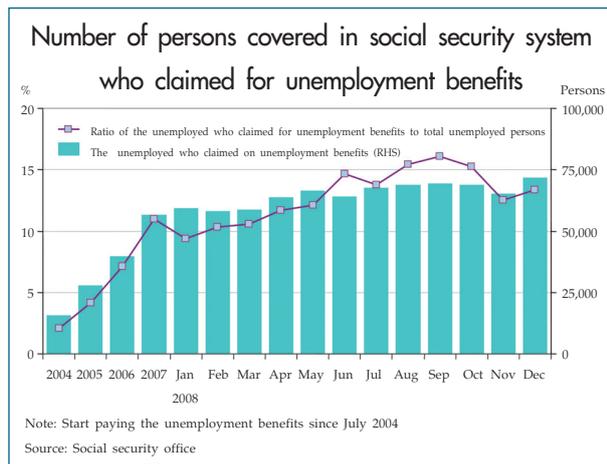


Source: NSO

The overall labour market in 2008 continued to be tight as employment increased by 2.1 percent, accelerating from last year's 1.6 percent. This was mainly driven by employment growth in the agricultural sector, following a shift of labour from the manufacturing sector to the agricultural sector in response to high return on crop production during the second and third quarters. As for the fourth quarter, despite a moderation in crop prices, agricultural employment persistently expanded. However, employment in the manufacturing sector continued to contract as the global economic slowdown became more evident.

Although the Thai economy decelerated notably in 2008, unemployment rate remained low as in the previous year at 1.4 percent of labour force or approximately 522,000 persons. This represented a slight increase from 508,500 persons in the previous year. Moreover, 35 percent of the unemployment was new entry to the labour market, declining from last year's 40 percent. Meanwhile, more than half of the unemployed who had worked before, mostly in manufacturing, construction and trade sectors, could attain a job within 3 months. This reflected certain resilience of the Thai labour market.

Nevertheless, a softened condition in the labour market was observed in the last quarter. According to the Bank of Thailand's survey, businesses affected by the economic slowdown tended to reduce working hours, reflecting in a lower number of workers in non-agricultural sector who worked more than 50 hours per week. However, the sign of job retrenchment was not clearly observed. In the fourth quarter, unemployment rate remained low at 1.3 percent as businesses chose to adapt by enhancing



production efficiency and reducing costs of production, including some lay off of subcontract workers. Meanwhile, terminating skilled labour contracts remained businesses' last choice.

For retrenched workers, some were absorbed by the newly opened plants, which provided a greater number of vacancies than the closed ones^{4/}. In addition, there was a proportion of labour mobilizing from the manufacturing sector to other sectors such as agriculture, construction and trade. For the unemployed in the social security system, they were entitled to unemployment benefits^{5/}. At the end of 2008, those entitled unemployed recorded 71,951 persons or approximately only 13.4 percent of the total unemployment. However, the rest of 86.6 percent of the unemployed persons had no access to the social safety net, reflecting their vulnerability to risk if the economy slows down further and more retrenchment occurs.

4/ The data of the Department of Industrial Work illustrated that in 2008 there were 2,128 plants closed, containing vacancies available for 61,983 workers. Meanwhile, there were a total of 4,216 newly opened plants, which contained 116,300 vacancies.

5/ Unemployment benefits will be paid to the unemployed who entitled with the social security at the amount of 50 percent the wage calculated on the basis of the maximum contributions of 15,000 baht per month. In general, the unemployed receives the benefits no longer than 180 days. However, for the unemployed who is laid-off during the period from 1 December 2008 to 31 December 2009, the duration of unemployment benefits covers longer to 240 days. In the case of voluntary resignation, the unemployed will earn the benefits accounting 30 percent of their wages for no more than 90 days.

Price Level

In 2008, the **headline consumer price index** (CPI) increased by 5.5 percent, accelerating from 2.3 percent in the previous year. This was a result of the acceleration in the prices of food and beverages as well as non-food items. **Core CPI** (excluding raw food and energy prices) increased by 2.4 percent, accelerating from 1.1 percent in the previous year and remaining within the policy target range of 0-3.5 percent.

Key factors contributing to the acceleration of inflation rates in 2008 are as follows:

(1) Domestic retail oil prices rose rapidly since the beginning of the year until July following the increase in global oil prices. However, domestic retail oil prices dropped sharply in the fourth quarter following the decline in global oil prices resulting from the global economic slowdown. The sharp decline was also attributed to the government's measure to alleviate the people's cost of living, namely the so-called "6 measures - 6 months" package.

(2) Prices of public transportation services increased during the first three quarters as a consequence of higher energy costs, before declining in line with oil prices and the government's

measure to alleviate the people's cost of living, in particular third class trains and BMTA bus fares.

(3) Raw food prices, particularly rice, flour and cereal products, rose significantly during the first half of the year following prices in the global market. Meanwhile, prices of vegetables and fruits also accelerated as a result of unfavourable weather conditions.

(4) Prices of seasoning and condiments rose as a result of higher production costs during the first half of the year. Nonetheless, some prices in this category adjusted downwards slightly in the fourth quarter as a consequence of lower costs, especially that of vegetable oil.

(5) Prices of prepared food accelerated in line with price increases in raw food as well as seasoning and condiments during the first half of the year.

Although, the average rate of headline inflation in 2008 accelerated from the previous year, inflation pressure in the fourth quarter declined markedly following the sharp fall in the prices of oil and agricultural products used in the production of alternative energy, coupled with the government's measure to alleviate the people's cost of living.

Table 11 : Consumer Price Index

(Percentage change from the same period last year)

	Weight (Percent)	2007	2008	2008			
				Q1	Q2	Q3	Q4
Headline Consumer Price Index	100.0	2.3	5.5	5.0	7.5	7.3	2.1
Food and beverages	36.1	4.0	11.6	6.8	11.0	13.9	14.4
Non-food and beverages	63.9	1.2	1.7	3.9	5.4	3.0	-5.4
Energy	9.1	2.4	8.0	17.2	23.0	14.9	-20.9
Raw food	15.0	6.5	15.3	10.3	14.5	17.5	18.5
Core Consumer Price Index	75.9	1.1	2.4	1.5	2.8	2.9	2.1

Source: Bureau of Trade and Economic Indices, Ministry of Commerce

The **producer price index (PPI)** increased by 12.4 percent in 2008, notably accelerating from 3.3 percent in the previous year. The acceleration was in line with the price of manufactured and agricultural products, which rose by 11.2 and 20.7 percent, respectively, accelerating from the previous year's rates of 1.7 and 13.7 percent, respectively. Meanwhile, the price of mining products contracted by 2.3 percent, compared to last year's contraction of 5.8 percent.

Prices of agricultural products rose markedly from the acceleration in rice prices during the first half of the year, following those in the global market. The increase in rice prices were due to the decline in the stock of rice and unfavourable weather conditions in major rice exporting countries which led to sharp declines in rice production such that export restrictions were imposed in some

countries. Meanwhile, rubber and oil palm prices increased continuously during the first three quarters of the year, before falling significantly in the last quarter, following the downward trend in oil prices. Prices of vegetables and fruits also increased as a result of unfavourable weather conditions.

Manufactured product prices accelerated considerably during the first three quarters of the year, before adjusting downwards in the fourth quarter in line with the trend of world commodity prices, particularly petroleum products, rubber and plastic products, as well as metal products.

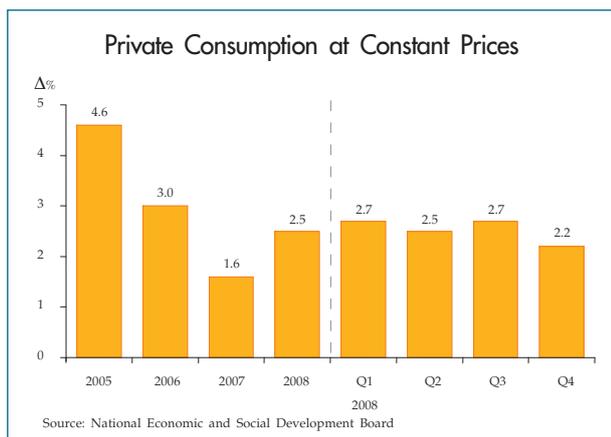
Mining product prices declined. Although the prices of crude oil, natural gas and base metals increased during the first half of the year, these prices dropped sharply during the latter half, following the global economic slowdown.

Table 12 : Producer Price Index
(Percentage change from the same period last year)

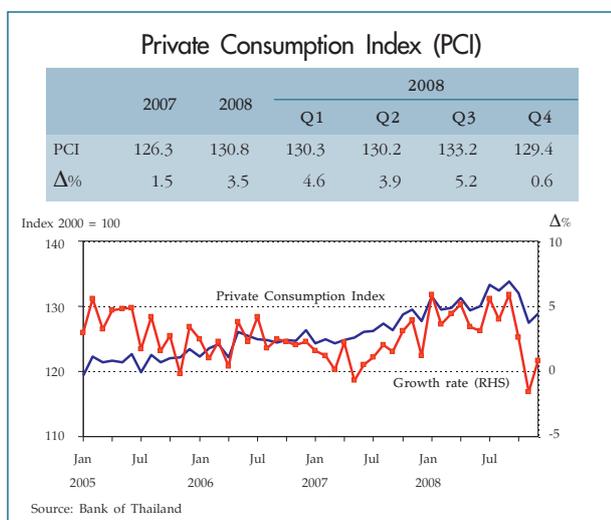
	Weight (Percent)	2007	2008	2008			
				Q1	Q2	Q3	Q4
Producer Price Index	100.0	3.3	12.4	10.8	15.6	20.6	2.9
Agricultural Products	9.5	13.7	20.7	16.3	14.0	35.2	18.1
Mining Products	2.4	-5.8	-2.3	0.9	3.1	2.3	-15.6
Manufactured Products	88.1	1.7	11.2	10.1	16.4	18.4	0.6

Source: Bureau of Trade and Economic Indices, Ministry of Commerce

Private Consumption

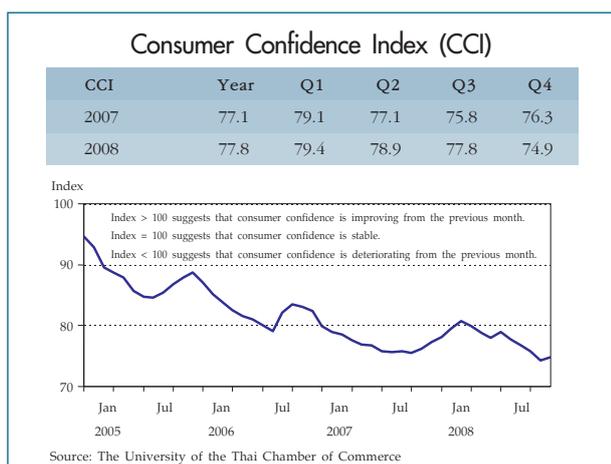


Private consumption expenditure in 2008, according to the NESDB report, expanded 2.5 percent, accelerating from 1.6 percent in the previous year. Household spending expanded well during the first three quarters, despite the rising inflation from higher energy and raw food prices. This was partly in line with increases in farm income and minimum wages compared to the previous year, as well as the government's stimulus measures. Nevertheless, the household consumption decelerated in the last quarter of the year as political tension and global financial crisis weighed down consumer confidence.



The Bank of Thailand's Private Consumption Index (PCI) also increased 3.5 percent, compared with 1.5 percent in 2007. The PCI expanded well during the first three quarters before notably slowing down in the last quarter mainly reflecting decelerations in VAT at constant prices and imports of consumer goods.

Car index expanded well throughout the year, particularly passenger car sales which benefited from excise tax reduction on alternative energy cars (E20), in effect since the beginning of 2008. Motorcycle sales also grew continually in the first three quarters before decelerating in the last quarter in line with a slowdown in farm income. Commercial car sales began contracting in the second quarter as the diesel price outpaced those of some types of benzene.



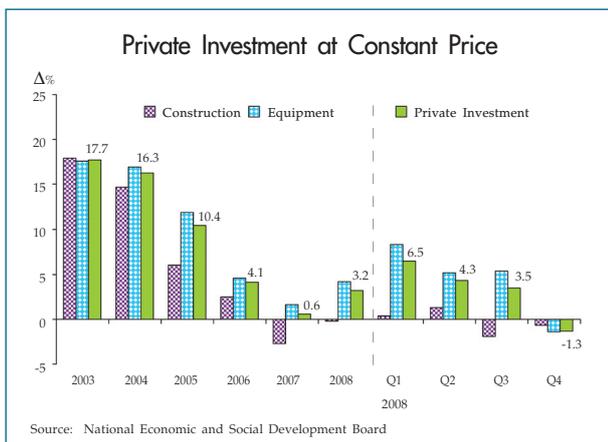
In the first three quarters, even though substitute energy such as LPG and NGV continued to increase, Fuel index trended downward, in tandem with a contraction in diesel and benzene sales following record high prices. Nonetheless, during the last quarter, Fuel index resumed an expansion as a result of lower oil price in the world market and the government's measures.

Table 13 : Private Consumption Indicators

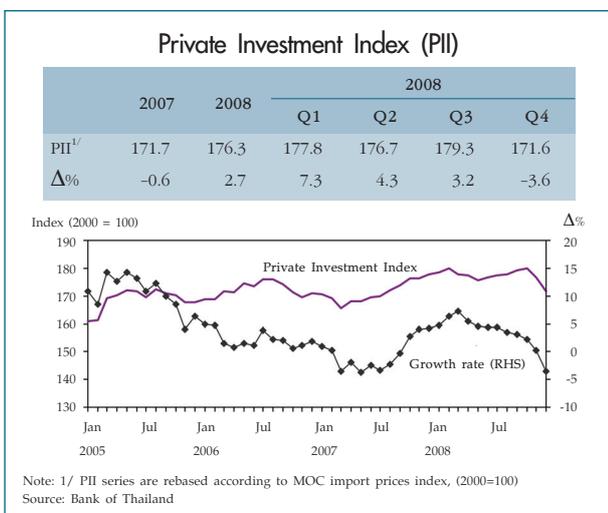
$\Delta\%$	2007	2008	2008			
			Q1	Q2	Q3	Q4
Car Index (base year 2000)	-12.4	15.4	21.5	15.8	11.4	13.7
-Passenger car	-11.4	33.1	39.8	25.0	22.5	47.9
-Motorcycle	-18.9	12.1	4.0	16.2	23.4	5.8
-Commercial car	-5.9	-15.9	7.5	-5.7	-25.9	-32.7
Fuel Index (base year 2000)	3.3	-0.5	1.7	-0.3	-5.5	1.8
-Benzene & Gasohol	1.7	-2.9	-1.9	-5.2	-7.3	2.7
-Diesel	1.8	-5.7	-0.4	-4.0	-14.3	-4.7
-LPG	12.7	18.0	12.5	19.0	26.0	14.5
-NGV	117.6	229.4	190.5	220.2	268.9	224.2
Household Electricity	3.9	2.6	6.0	0.9	3.0	0.9
Imports of Consumer Goods (at 2000 Prices)	9.6	21.1	30.8	26.1	29.7	1.6
VAT (at 2000 Prices)	3.3	9.0	9.9	9.4	16.3	0.8

Source: Bank of Thailand

Private Investment



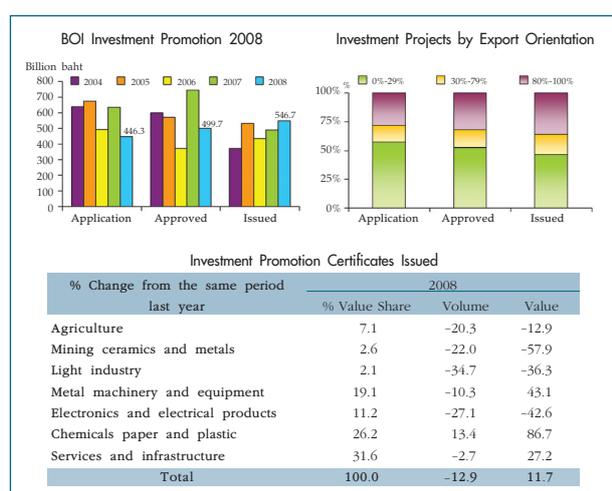
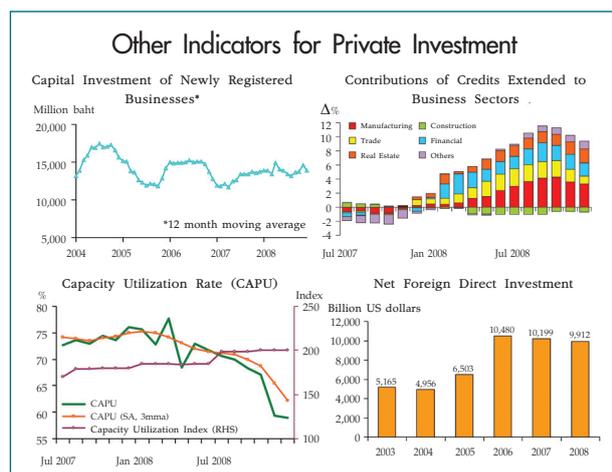
Private investment in 2008, according to the NESDB report, expanded 3.2 percent. In the first quarter of 2008, private investment continued to grow from the end of 2007, partly from improved political stability after the general election. However, since the second quarter onwards, private investment trended downward and contracted 1.3 percent (yoy) in the last quarter, mostly due to a slowdown in machinery and equipment category following deteriorating investors' confidence. Meanwhile, construction category remained at low level throughout the year. This was in line with the Bank of Thailand's Private Investment Index (PII) which increased only 2.7 percent (yoy).



As for private investment indicators, construction area permitted in municipal zone and domestic cement sales continued contraction trends throughout the year. Meanwhile, imports of capital goods at constant prices expanded well before decelerating in the last quarter. Domestic commercial car sales contracted from the previous year as a result of considerable increases in diesel price during mid-year, heightened political uncertainty leading to the airport closures in November, as well as global and domestic economic downturn during the second half of the year.



With these negative factors, both current and expected business sentiment indices (BSI) trended downward throughout the year and hit a record low in November. Although there were certain month-on-month improvements, BSI remained below the 50 point benchmark. This reflected businesses' concerns, particularly over rising oil prices and thus production costs in the first half of the year and over weakened domestic and external demands as well as economic uncertainty in the latter half.



With regards to other indicators, capital investment of newly-registered businesses of SET-listed firms remained stable throughout the year, while foreign direct investment (FDI) contracted from global economic problem. Likewise, commercial banks' credits extended to business sectors slowed down towards year-end. This was due to a somewhat lower demand for credits while commercial banks tightened their credit standards.

Although the investment value of projects receiving promotion certificates issued by the Board of Investment (BOI) in 2008 increased from the previous year, certain projects were subject to delay as a result of economic slowdown, particularly those highly affected industries including iron products, machinery, transport equipment, electronics, and electrical appliances. Furthermore, the low capacity utilization curtailed needs for additional investment, resulting in a decelerating outlook for private investment in 2009.

Nevertheless, positive factors which could help shore up private investment included business sentiment enhancing policy, public investment in Mega Projects, as well as low interest rates.

Table 14 : Private Investment Indicators

	2007	2008	2008			
			Q1	Q2	Q3	Q4
Construction Area Permitted in Municipal Zone						
(12-month backward moving average)	17,809	17,389	4,457	4,273	4,282	4,377
(Unit: 1,000 square meters)	(-11.7%)	(-2.4%)	(-5.8%)	(-4.7%)	(-0.5%)	(2.0%)
Domestic Cement Sales	27,690	24,834	7,155	6,280	5,872	5,528
(Unit: 1,000 tonnes)	(-5.0%)	(-10.3%)	(-5.9%)	(-5.3%)	(-16.5%)	(-13.9%)
Imports of Capital Goods at 2000 Prices	1,220.5	1,387.0	329.8	344.0	365.8	347.4
(Unit: Billion baht)	(4.7%)	(13.6%)	(20.0%)	(14.2%)	(17.5%)	(4.3%)
Domestic Machinery Sales at 2000 Prices	608.4	603.0	154.4	156.1	155.3	137.3
(Unit: Billion baht)	(2.4%)	(-0.9%)	(2.1%)	(2.7%)	(2.4%)	(-10.5%)
Domestic Commercial Car Sales	461.7	388.3	108.3	102.5	83.9	93.6
(Unit: 1,000 units)	(-5.9%)	(-15.9%)	(7.5%)	(-5.7%)	(-25.9%)	(-32.7%)

Note: Number in parenthesis is a year-on-year growth rate

Source: Bank of Thailand

External Sector

World Economy

In 2008, the world economy slowed sharply from the previous year as the US subprime problem escalated and led to the worldwide financial crisis. The International Monetary Fund (IMF)^{6/} forecasted that the world economy would grow at 3.4 percent in 2008 compared to 5.2 percent in 2007.

During the first half of 2008, the main risk to world economic growth was the high prices of both oil and non-oil commodities, which caused inflation to accelerate markedly. Nonetheless, towards the end of the year, the world economy weakened faster than expected as the US financial crisis not only severely affected its own real sector, but also spread to several economies across the world.

Such widespread impacts brought about recessions in major economies such as the US, UK and Japan as well as several Asian economies namely Singapore, Hong Kong and Taiwan. More recently, the IMF^{6/} revised down world economic growth for 2009 even further to 0.5 percent from the previous forecast of 2.2 percent in November 2008.

The US Economy

During the first half of 2008, despite the problems in the financial sectors, the US economic expansion was better than expected. This was partly a result of the government's stimulus measures introduced in the second quarter. Net exports also grew satisfactorily, although investment in the housing market continued to contract from the previous year. However, from the third quarter onwards, the US economy signalled a sharp slowdown as the financial crisis worsened. In

September, Lehman Brothers, one of the largest investment banks, filed for bankruptcy. Moreover, a number of large-scaled financial institutions also faced difficulty, including the Government Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac, which play important roles in the housing market. As a result, consumers began to lose confidence and thus trim down their spending. This, together with the tightening credit standards on both business and consumer loans, led to production cutbacks in several business sectors particularly the automotive industry which later were obliged to seek the government bailout. Moreover, the labor market weakened significantly, with the decline in Non-Farm Payrolls totalled 3 million persons in 2008. Meanwhile, the housing market, where the crisis originated, continued to deteriorate and showed no sign of bottoming out.

Early in 2008, the US authority announced the fiscal stimulus package and, in the fourth quarter, established Trouble Asset Relief Program (TARP) relating to which a financial package for the automotive industry was also later approved.

On 1 December 2008, the National Bureau of Economic Research (NBER) announced that the US economy has entered a recession since December 2007.

The Euro Area Economy

The Euro area economy expanded 0.7 percent in 2008, decelerating from 2.6 percent in the previous year. Due to the high level of financial linkages with the US, losses incurred by financial institutions in the Euro area increased rapidly to a level comparable to those in the US. Furthermore,

6/ As of January 2009

the risk to inflation accelerated sharply in the first half of 2008. Despite the fact that the Euro area economy, with the support from export expansion, grew at a higher-than-expected pace in the first quarter, it turned into a recession from the second quarter onwards. The severity of the recession became more apparent in the second half of the year as the weakened global economy and the appreciation of the Euro impacted the Euro area exports, while credit condition also tightened as the problems of financial institutions in the Euro area intensified.

The Japan Economy

The Japan economy contracted 0.7 percent in 2008, compared with an expansion of 2.4 percent in the previous year. The economy began to contract in the second half of 2008, particularly in the fourth quarter where it shrank 4.6 percent (yoy). Similar to the Euro area, the Japan economy also entered a recession in the second quarter of 2008. Japan has been significantly affected by the US and EU economic slowdown as exports, which was the main engine of growth in the first half of the year, declined drastically. Additionally, the Japanese Yen also appreciated due to risk aversion. Domestic demand also weakened as producer and consumer confidence declined from concerns over the US slowdown as well as rising food and oil prices which sharply increased production costs. Despite a significant decline of price levels, consumers remained unsure of the economic conditions and thus reduced their spending.

Asian Economies

During the first half of 2008, the Asian economies grew satisfactorily on the back of export expansion and strong domestic demand. By the third quarter, however, Asian economic growth began to slow down (except for Taiwan and Singapore where growth rates became negative).

As most economies also faced accelerating inflation rates, authorities introduced a number of supporting measures to maintain consumers' purchasing power. However, in the fourth quarter, particularly towards the end of the year, the Asian economies became unavoidably affected by the significant decline in exports due to substantial slowdown in external demand. Singapore, Taiwan, Korea and Thailand's economies contracted sharply in the fourth quarter. Meanwhile, China, which previously sustained a high growth rate, expanded only 6.8 percent (yoy), whereas countries with close financial linkages with major economies such as Hong Kong, Singapore and Taiwan entered a recession in the fourth quarter.

Several Asian economies announced further fiscal stimulus measures in the fourth quarter, including tax reductions, transfers and public investment spending in order to support the overall economic growth.

Inflation Rate

During the first half of 2008, world inflationary pressure escalated due to: 1) prices of oil and non-oil commodities increased rapidly in line with increasing demand particularly from emerging economies such as China and India; 2) demand for substitute energy rose as oil became more costly; 3) More speculation on commodities that yielded higher returns compared to other assets during the time of low interest rates; and 4) supply was unable to adjust in tandem with the rapid increase in demand.

However, from mid July onwards, oil prices began to decline continually as demand from both developed and emerging economies weakened considerably. Moreover, recession in several economies further eased inflationary pressures across the world.

Inflation in the US for the first nine months averaged at 4.6 percent (yoy) in line with

accelerating oil and non-oil commodities prices. However, inflation rate declined considerably in the fourth quarter, averaging at 1.6 percent (yoy) following the sharp economic contraction. Inflation in the Euro area also increased during the first nine months, averaging 3.6 percent (yoy) - higher than the target of 2 percent. However, EU inflation rate declined rapidly in the last two months of the year. In Japan, even though inflation for the first nine months remained at a low level of 1.5 percent (yoy), it was increased from an average of 0.05 percent (yoy) in the previous year. Likewise, inflation in Asia also picked up, following the rise of oil and food prices. Nonetheless, when oil prices began to drop, inflation in Asia declined considerably albeit at a slower pace than those in developed economies. This was because foods, whose prices declined more slowly than those of oil, accounted for a larger share of Asian inflation baskets.

Monetary Policy

During 2008, the US monetary policy was eased continuously from the previous year. The Federal Reserve (Fed) cut the Fed Funds rate six times (including the inter-meeting cooperative rate cut on 8 October with Bank of England (BOE), European Central Bank (ECB), Bank of Canada, Swiss National Bank and Riksbank (central bank of Sweden), from 4.25 percent at the beginning of the year to 1.0 percent in the normal round of meeting in October. Apart from such aggressive rate cuts, the Fed also continuously implemented unconventional measures to increase liquidity and avert the credit market tightening in order to restore financial stability.

In December, the Fed announced a Fed Funds Target Range of 0-0.25 percent and ensured that, going forward, it would continue to provide support to restore normality in the financial market

and stimulate economic activity by providing liquidity as well as increasing the purchase of debt securities.

Despite increasing inflationary pressures, the European Central Bank (ECB) held the policy rate constant in the beginning of the year as the economy faced significant risks from troubled financial institutions. However, the subsequent risk of higher-than-target inflation rate prompted the ECB to raise policy rate in July. Later on, as risks to growth heightened due to the US slowdown, the ECB began the easing cycle starting from the October Inter-meeting, lowering its rate from 4.25 to 2.5 percent at the end of year.

The Bank of Japan (BOJ) cut its policy rate twice from 0.5 to 0.3 percent in October and once more in December to 0.1 percent as a result of increasing risks to growth.

Several Asian central banks such as Bank Indonesia, Bangko Sentral ng Pilipinas, the Central Bank of the Republic of China (Taiwan), the Bank of India and the Bank of Thailand raised their policy rates in the second quarter and the beginning of the third quarter in order to contain inflationary pressures arising from high oil and non-oil commodities prices as well as to prevent second-round effects. Meanwhile, certain Asian central banks, namely the People's bank of China (PBOC), the Central Bank of the Republic of China (Taiwan) and the Bank of India also increased their commercial banks' Reserve Requirement Ratios (RRR).

Nonetheless, as risks to growth increased due to the contraction of the G3 economies and the deterioration of regional exports, together with receding inflationary pressures, regional central banks began to cut policy rates in the fourth quarter in order to help stimulate economic activities. These included policy rate cuts at the interim meetings in Korea and Taiwan.

International Trade and the Balance of Payments

In 2008, export value continued to expand from the previous year, especially from export prices which increased substantially in line with record-high level of world commodity prices. However, the growth of export volume decelerated as a result of global economic slowdown. Meanwhile, import rose, both in terms of price and volume. An increase in import value was recorded across all major categories, including raw materials, consumer goods, capital goods as well as energy substitutes for oil in response to high crude oil prices. Nevertheless, towards the end of the year, the decrease in world demand as a result of the financial crises in the US, Euro area, and Asia has contributed to the contraction of Thailand's export value in November 2008 - the first contraction since March 2002. Sharp contractions were observed particularly in industries which have been the main drivers of export growth in recent years, namely, electronics and vehicle industries. At the same time, import value also moderated significantly in the fourth quarter as domestic demand softened due to domestic political instability. For the whole year, the trade balance registered a slight surplus. However, the current account recorded a small deficit due to a deficit in services, income and transfer account, which were mainly attributable to decline in tourism receipts. Nevertheless, a relatively large surplus in net capital movement caused the overall balance of payments to record a higher surplus, compared to the previous year.

Export

Export value totalled US\$175.3 billion, expanding by 16.8 percent (or 12.8 percent in baht term). The increase in export value was mainly attributable to the 10.5 percent increase in price, accelerating from the previous year. Meanwhile,

export volume also contributed to the rise in export value, albeit at a decelerating pace, rising only by 5.8 percent. The export categories which recorded particularly high expansion rates were agricultural products and labour-intensive manufactured products. Even when gold exports, which rose markedly due to favourable price development, were excluded, export value still increased robustly by 15.7 percent.

Details of Thailand's major export items are as follows:

Agricultural products. Export value in this category expanded 35.0 percent, accelerating from the previous year. This was mainly as a result of the increase in prices in line with the rise of world commodity prices. On the other hand, export volume of agricultural products expanded at a more moderate pace, as the volume of both rubber and tapioca exports declined from the previous year. Meanwhile, rice exports continued to expand in terms of both price and volume, as bad weather conditions forced a number of export-competing countries such as Vietnam to impose export quotas. Nevertheless, the lift of export restrictions towards the end of the year, coupling with Vietnam's cheaper prices, have contributed to the significant decline in volume of Thai rice exports in the last few months of the year.

Fishery products. Export value in this category rose 6.8 percent, mainly as a result of an increase in export price, particularly the price of frozen shrimps which reflected higher production costs.

Manufactured products. Export value in this category grew 16.5 percent, decelerating from the previous year in line with the export growth of high-technology and resource-based products. Details of manufactured product exports classified by sectors are as follows:

Labour-intensive products. Export value in this category increased by 25.3 percent, accelerating

from the previous year. This was mainly driven by the expansion of precious stone and jewelry exports. Particularly, the export value of unwrought gold totalled US\$3.4 billion, owing to the record-high gold prices in the world market (export value of unwrought gold totalled US\$1.5 billion in the previous year).

High-technology products. Export value of high-technology products rose 13.5 percent, a deceleration from the previous year in line with the slowdown of global economy especially during the last quarter of the year. Key electronic products which saw declining exports were hard disk drives and integrated circuits which followed the world's semi-conductor business cycle. Overall export value of electrical appliances decelerated owing mainly to a moderation in air-conditioner exports as well as a contraction in television exports. Nevertheless, export value of vehicle and parts continued to grow, reflecting increased exports to ASEAN, Australia, and the Middle East. Moreover, the export value of petroleum products has also increased in line with the rising price of world commodities.

Resource-based products. Export value in this category increased 19.9 percent. This was a slight deceleration from the previous year, driven mainly by a decrease in sugar exports. Meanwhile, exports of other resource-based products continued to accelerate. For example, exports of canned fish expanded in terms of both volume and price in line with canned tuna exports. The price increase of canned fish corresponded to a decreased amount of fish caught as a result of global warming. Exports of prepared foods expanded in line with the increasing exports of prepared fowls to the ASEAN, EU, and Japanese markets. Moreover, export of rubber products increased in line with the export of radial tyres for usage in the vehicle and parts industry.

Import

Import value recorded US\$175.1 billion in 2008, increasing by 26.4 percent (or 22.1 percent in baht terms). This represented an acceleration from the previous year in both price and volume at 12.6 percent and 12.2 percent, respectively. This accelerated growth was in tandem with export and domestic demand expansions, especially during the first three quarters of the year. Excluding imports of gold, import value still increased 23.4 percent. Details of Thailand's major import items are as follows:

Consumer goods. Import value of consumer goods rose 25.1 percent, accelerating from the previous year. The increase was observed in imports of both non-durable goods such as food, watches, footwear, medicines and pharmaceutical products, as well as durable goods such as household and electrical appliances.

Intermediate goods and raw materials. Import value in this category increased 21.9 percent, accelerating from the previous year both in terms of price and volume. This was in tandem with the growth in imports of feedstuff, metal, and chemical products. The increase in the value of steel imports partly resulted from higher import price from China as the Chinese authority had reduced export subsidies for primary and intermediate steel products. Import value of integrated circuits and electronic parts declined in line with declining trend of electronics exports. Nevertheless, overall import value of raw materials showed a declining trend towards the end of the year in tandem with the contraction of exports. The exception was imports of feedstuff, which continued to expand in line with the increasing exports of prepared foods.

Capital Goods. Import value of capital goods increased 18.4 percent, accelerating from the previous year. This was in line with an import expansion in non-electrical and electrical machinery in major industries such as the automobile,

construction, pulp and paper, metal, and energy. In addition, there were a number of special import items, including imports of one commercial airplane valued at US\$153 million and 23 train bogies, worth US\$107 million, for the Airport Link project which connects Suvarnabhumi International Airport to urban areas.

Vehicle and parts. Import value of this category increased 24.4 percent, accelerating from the previous year, owing mainly to the expansion of imported vehicle parts in line with vehicle exports.

Fuel and petroleum products. Import value of this category rose 44.2 percent, accelerating from the previous year, mostly attributable to price increases. Import value of crude oil increased 48.5 percent due to the sustained increase in price of 45.6 percent from the previous year. According to the Customs Department, the average import price of crude oil was 102.6 US dollars per barrel, rising from 70.5 US dollars per barrel in the previous year. Import volume of crude oil increased 2.0 percent to 281.9 million barrels, accelerating from the previous year. Additionally, Thailand has also increased its imports of alternative energies such as natural gas, coal, and, especially liquid petroleum gas as demands continued to grow, outpacing domestic production.

Overall high expansion rate of imports in 2008 also reflected the import of the Theos Satellite, valued at US\$170.2 million and unwrought gold, valued at US\$6.1 billion (compared to imports of unwrought gold worth US\$1.6 billion in 2007).

Trade, Services, and Current Account Balances

Trade Account recorded a surplus of US\$0.2 billion, mainly attributed to the trade surplus vis-à-vis major trading partners, including the US, EU, ASEAN, Australia, and Hong Kong. Meanwhile, Thailand still registered trade deficits vis-à-vis

Japan, China, South Korea, Taiwan and especially Myanmar and Middle East countries due to the continued large imports of fuel.

Services, Income, and Transfers Account recorded a deficit of US\$0.4 billion in 2008, compared to a surplus of US\$2.5 billion in 2007. The deficit was mostly owing to the deceleration in tourism revenue and the increase in investment payment by the private sector. Tourism revenue increased 5.9 percent due to the slowdown in the economies which were Thailand's major sources of tourists. In 2008, foreign tourists totalled 14.5 million persons, an increase of only 0.5 percent. Meanwhile, investment income stood at US\$0.5 billion, a decrease of 6.5 percent from the previous year, mostly attributable to the decline in income by the private sector. Nevertheless, tourism expenditure by Thai residents travelling abroad expanded by only 1.6 percent, while the number of outbound tourists actually increased by 6.6 percent from the previous year. Investment payment was at US\$16.9 billion, an increase of 17.1 percent, mainly due to remittances of profits and dividends by the private sector. The deficit in the services, income, and transfers account led to an overall deficit in the current account of US\$0.2 billion, compared to a surplus of US\$14.0 billion in 2007.

Net Capital Movement

In 2008, net capital movement recorded a surplus of US\$12.8 billions, reversing from a small deficit in 2007. This was due to net capital inflows both in the banking and non-banking sectors, mostly in the form of foreign direct investment.

Since March 2008, the Unremunerated Reserve Requirement measure had been lifted as capital flows had become more balanced. This was achieved partly as a result of the gradual relaxation of controls on outflows by local residents, resulting in significant increases in portfolio investment in foreign assets.

Details of Thailand's capital movement are as follows:

Bank of Thailand. Net capital movement of the BOT registered a surplus of US\$0.1 billion, due primarily to the purchases of the baht-denominated BOT bonds by foreign investors in the secondary market.

Government sector. Net capital movement of the government sector recorded a deficit of US\$0.5 billion. This was due mostly to the investment in securities abroad totaling US\$0.9 billion. Meanwhile, the inflows were contributed from purchases of baht bonds by foreign residents in the secondary market as well as the issuance of Samurai Bond for the amount of US\$0.5 billion to refinance due debts.

Banking sector. Net capital movement in the banking sector recorded a surplus of US\$8.1 billion, compared to a deficit of US\$1.1 billion in the previous year. The surplus was mainly attributed to the reduction of net foreign asset holdings by commercial banks. However, some outflows occurred as a result of the sales of bank shares in the stock market by foreign investors

Other sectors. Net capital movement in other sectors was US\$5.2 billion in surplus, mainly from capital inflows to the non-banking sector.

Non-Banking sector. Net capital movement in the non-banking sector registered a surplus of US\$6.1 billion, increasing from the surplus of US\$2.8 billion in the previous year. Foreign direct investment registered a surplus of US\$9.9 billion (including reinvested earnings valued at US\$6.6 billion) due to the net inflow of equity investment

mostly in wholesale, rubber, and vehicles industries. Meanwhile, net portfolio investment registered a deficit of US\$2.3 billion in line with non-residents' outflows following investors' risk aversion amidst the financial crisis, as well as continued portfolio investment abroad by Thai residents, most of which was invested in debt securities. Net flow of loans from non-affiliated companies registered a small deficit. Other investment flows exhibited a deficit due to domestic holding companies and wholesale fuel businesses extended loans to their subsidiaries abroad.

State-enterprise sector. Capital flows to this sector recorded a deficit of US\$1.0 billion. This was due to the redemptions of long-term debt securities and loan repayment by some state-enterprises.

Balance of Payments

Despite a deficit of US\$0.2 billion in the current account, the large capital account surplus caused the balance of payments to register a surplus of US\$24.7 billion, increasing from the US\$17.1 billion surplus in the previous year. Meanwhile, international reserves rose from US\$87.5 billion as of end-2007 to US\$111.0 billion as of end-2008, with net outstanding forward obligations (net buy) of the BOT stood at US\$7.0 billion.

Net errors and omissions in 2008 recorded a small surplus similar to 2007, reflecting some unspecified inflows which would be allocated more appropriately later if and when more data become available from survey.

Table 15 : Balance of Payments

(Unit: Million US dollars)

	2007			2008 ^{1/}		
	H1	H2	Year	H1	H2	Year
Exports, f.o.b.	69,350	80,698	150,048	87,670	87,627	175,297
Δ%	16.7	17.8	17.3	26.4	8.6	16.8
Imports, c.i.f.	65,235	73,241	138,476	85,888	89,172	175,060
Δ%	6.2	11.8	9.1	31.7	21.8	26.4
Trade balance	4,114	7,458	11,572	1,782	-1,545	237
Net services income & transfers	980	1,497	2,477	1,357	-1,773	-416
Current account balance	5,094	8,955	14,049	3,139	-3,317	-178
Capital movements (net)	-1,612	-801	-2,413	10,036	2,773	12,809
Monetary authorities	-766	147	-619	267	-206	61
Government	-1,810	-416	-2,226	157	-659	-501
Bank	-6,660	5,540	-1,121	5,520	2,573	8,093
Other sectors	7,625	-6,072	1,554	4,092	1,065	5,157
- Non-bank	7,245	-4,477	2,768	4,692	1,441	6,133
Foreign Direct Investment	5,549	4,650	10,199	5,063	4,850	9,912
Equity investment and reinvested earnings	5,017	5,200	10,217	4,780	4,680	9,460
Direct loan	532	-550	-18	282	170	452
Portfolio Investment	2,187	-7,913	-5,726	-260	-2,085	-2,345
Foreign	3,024	836	3,860	162	-1,037	-875
Equity securities	2,919	675	3,593	-153	-851	-1,004
Debt securities	105	162	267	315	-186	129
Thai	-837	-8,749	-9,586	-422	-1,048	-1,471
Other Loans	422	933	1,356	-834	810	-25
Others	-913	-2,148	-3,061	724	-2,133	-1,409
- State enterprises	380	-1,594	-1,214	-600	-376	-977
Errors and omissions	2,182	3,284	5,466	2,817	9,245	12,063
Overall balance ^{2/}	5,664	11,438	17,102	15,993	8,701	24,693

Note: 1/ Preliminary data

2/ Actual data

Δ% represents percentage change from the same period last year

Source: Customs Department and Bank of Thailand

External Debt

External debt outstanding at end-2008 stood at US\$64.8 billion, increasing by US\$3.0 billion from end-2007. The increase of US\$2.0 billion arose from the revaluation of external debt in terms of US dollars, as Thai baht, Japanese yen, and the euro all appreciated against the US dollar, while the remaining US\$1.0 billion increase was due to the new borrowings by both banking and private non-banking sectors. The details can be summarized as follows:

Government sector. External debt of the general government sector stood at US\$2.9 billion, up by US\$0.6 billion from 2007. The increase in government external debt was due to non-resident

investors' purchase of baht-denominated government securities in the secondary market as well as an issuance of the Samurai Bond, valued US\$0.5 billion, to refinance matured loans.

Bank of Thailand. External debt of the Bank of Thailand stood at US\$0.4 billion, increasing slightly from the previous year due mainly to foreign investors' purchase of baht-denominated BOT bonds in the secondary market.

Banking sector. External debt of the banking sector registered at US\$7.2 billion, increasing by US\$0.8 billion from end-2007. The increase was largely in line with the rise in short-term borrowings by foreign bank branches in Thailand, partly as liquidity cushion to prepare for potential impact from the global financial turmoil.

Other sectors. External debt of other sectors stood at US\$54.3 billion, increasing by US\$1.6 billion from end-2007 as a result of new debt inflow as well as the revaluation in US dollar terms. Net external borrowing in the non-banking sector increased by US\$1.2 billion in tandem with an increase in short-term loans of affiliated companies, including short-term trade credits especially in the form of open account. Meanwhile, outstanding long-term debt declined. As for the state-enterprise sector, despite the redemption of matured debt securities as well as repayment of external loans, external debt outstanding in this sector in terms of US dollar still rose from the previous year. This was due mainly to the appreciation of Japanese yen against the US dollar (as 57.5 percent of the state-enterprises' outstanding debt was denominated in Japanese yen).

Table 16 : External Debt Outstanding*

(Unit: Million US dollars)

	2006	2007	2008	Dec.-08 compared to Dec.-07
1. Public Sector	4,140	2,270	2,872	602
Short-term	0	3	4	1
Long-term	4,140	2,267	2,868	601
2. BOT	965	394	412	18
Short-term	742	17	322	305
Long-term	223	377	90	-287
3. Banks	6,729	6,361	7,218	857
Short-term	3,156	3,960	4,486	665
Long-term	3,573	2,401	2,732	343
4. Other sectors	47,809	52,713	54,291	1,578
Short-term	14,656	17,660	19,794	2,134
Long-term	33,153	35,053	34,497	-556
4.1 State Enterprises	8,987	9,380	9,681	301
Short-term	63	23	38	15
Long-term	8,924	9,357	9,643	286
4.2 Non-Banks	38,822	43,333	44,610	1,277
Short-term	14,593	17,637	19,756	2,119
Long-term	24,229	25,696	24,854	-842
Total Debt (1+2+3+4)	59,643	61,738	64,793	3,055
External Debt / GDP (%)	32.8	29.4	26.7	
Short-term	18,554	21,640	24,606	2,966
Long-term	41,089	40,098	40,187	89
Share (%)	100.0	100.0	100.0	
Short-term	31.1	35.1	38.0	
Long-term	68.9	64.9	62.0	

Note: * Including valuation change

Source: Bank of Thailand

External Debt Structure

Short-term debt as of end-2008 accounted for 38.0 percent of total external debt, increasing from 35.1 percent at end-2007. This was due mainly to the increase in external loans and trade credits in the non-banking sector as well as the increase in short-term borrowings in the banking sector.

External Debt and Vulnerability Indicators

External stability indicators in 2008 showed that overall external stability of the Thai economy continued to be strong. Regarding the liquidity aspect, despite the rise in the ratio of short-term debt to total external debt, overall external liquidity

position remained resilient. The ratio of gross reserves to short-term external debt was 4.5 times, while the ratio of gross reserves to the value of monthly imports was at 7.6 times. As for the ability to pay external debt, the solvency indicators remained satisfactory. The ratio of external debt to revenue from goods and services exports, as well as the debt service ratio, both improved from the previous year and remained better than the international benchmark. The debt to GDP ratio also declined from the previous year. The ratio of current account to GDP, however, turned from a surplus of 5.7 percent in 2007 to a deficit of 0.1 percent in 2008.

Table 17 : External Vulnerability Indicators

	2006	2007	2008	2007				2008			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Solvency Indicators											
Current Account ^{1/} /GDP (%)	1.0	5.7	-0.1	7.3	1.3	4.5	9.3	4.3	0.2	-2.0	-3.1
Debt / GDP* (%)	32.8	29.4	26.7	31.9	30.4	30.2	29.4	30.6	29.0	27.4	26.7
Debt / XGS* ^{1/} (%)	44.7	39.7	35.5	43.5	41.2	41.0	39.7	41.1	38.8	36.4	35.5
Debt Service Ratio (%)	11.3	11.8	6.8	18.1	10.2	9.7	9.8	8.7	6.1	5.4	7.0
Liquidity Indicators											
Gross Reserves / ST Debt	3.6	4.0	4.5	3.6	3.6	3.8	4.0	4.3	4.1	4.1	4.5
Gross Reserves / Import	6.3	7.6	7.6	6.6	6.7	7.3	7.6	8.8	8.0	7.1	7.6
ST Debt / Total Debt (%)	31.1	35.1	38.0	33.0	34.7	35.2	35.1	38.1	38.6	38.8	38.0

Note: * The new series of the external debt to GDP was revised by adopting the World Bank's approach: using the averaged quarterly GDP for the last 3 years starting from the GDP of the quarter in question (while the previous approach was calculated by dividing the external debt outstanding of the quarter in question by the average GDP of the same year and the previous 2 years).

1/ Since October 2006 reinvested earnings has been recorded as part of direct investment in financial account, and its contra entry recorded as "investment income" in current account. The series have been revised back to 2001.

Source: Bank of Thailand

Fiscal Conditions

In fiscal year 2008, the government continued a deficit budget in order to stimulate the economy from slowing economic conditions. The government expenditure budget for fiscal year 2008 was set at B1,660.0 billion with the estimated net revenue of B1,495.0 billion and thus a deficit of B165.0 billion or 1.8 percent of GDP.

Nevertheless, the fiscal outturn in fiscal year 2008 registered a deficit less than specification in the budget document because revenue collection was higher than what was estimated earlier. The government cash balance recorded a deficit of B24.0 billion, equivalent to 0.3 percent of GDP. Meanwhile, government net domestic borrowing totalled B173.0 billion with net foreign loan repayment totalling B61.8 billion. This resulted in an increased treasury reserves from B142.8 billion at the end of fiscal year 2007, to B229.9 billion at the end of fiscal year 2008.

For fiscal year 2009, the government continued to set a deficit budget and increased its size as the adverse effect of global economy slowdown on the Thai economy became more apparent. The expenditure budget for fiscal year 2009 was set at B1,951.7 billion (including supplementary budget B116.7 billion), with the estimated net revenue B1,604.6 billion (including additional revenue increase of B19.1 billion expected to be generated from the supplementary budget). This resulted in the deficit budget set at B347.1 billion, or 3.7 percent of GDP.

In the first quarter of fiscal year 2009, fiscal position recorded a cash deficit of B147.6 billion. Together with domestic loan repayment of B20.1 billion and foreign loan repayment B0.7 billion, as well as the use of treasury reserves of B168.5 billion, the treasury reserves at the end of first quarter of fiscal year 2009 thus decreased from B229.9 billion at the end of previous fiscal year, to B61.4 billion.

Table 18 : Treasury Cash Balance^{1/}

(Unit: Billion baht)

	Fiscal Year							
	2007	2008	2008		2009 ^{P/}			
			H1	H2	Q1	Oct.08	Nov.08	Dec.08
Revenue	1,432.8	1,548.9	634.7	914.2	275.3	93.7	91.2	90.4
(Δ%)	(6.9)	(8.1)	(4.7)	(10.6)	(-16.6)	(-19.3)	(-22.2)	(-6.7)
Expenditure ^{2/}	1,520.5	1,582.6	790.2	792.4	404.0	97.1	161.4	145.4
(Δ%)	(11.8)	(4.1)	(10.4)	(-1.6)	(3.9)	(-37.4)	(27.1)	(36.4)
Disbursement rate (%)	92.8	91.2	44.4	46.8	20.6	5.0	8.3	7.3
Budget deficit (-) or Surplus (+)	-87.6	-33.7	-155.5	121.8	-128.6	-3.4	-70.2	-55.0
Non-Budgetary Deficit (-) or Surplus (+)	-6.5	9.7	-27.7	37.4	-19.0	-10.6	-15.9	7.5
Cash Deficit (-) or Surplus (+)	-94.2	-24.0	-183.2	159.2	-147.6	-14.0	-86.1	-47.5
(% of GDP)	(-1.1)	(-0.3)	(-4.0)	(3.5)	n.a.	n.a.	n.a.	n.a.
Financing								
Net Domestic Borrowing	158.4	173.0	102.7	70.3	-20.1	-35.1	-3.2	18.1
Net Foreign Borrowing	-60.0	-61.8	-7.7	-54.1	-0.7	-0.4	-0.2	-0.1
Use of Treasury Cash Balance	-4.3	-87.1	88.3	-175.4	168.5	49.4	89.5	29.5
Treasury Cash Balance (end-period)	142.8	229.9	54.5	229.9	61.4	180.5	91.0	61.4

Note: 1/ Data on revenue remitted to the Treasury and expenditure are from Fiscal Policy Office, adjusted to cash basis

2/ Expenditure and disbursement rate excluded both of loan principle repayment and use of treasury cash balance

P = Preliminary data

Fiscal Position

Government Revenue

In fiscal year 2008, the government's revenue collection totalled B1,839.6 billion, up by 8.0 percent from the previous fiscal year. After excluding tax deducted items, the government net revenue was equal to B1,547.2 billion, up by 7.1 percent. This was higher than the initial estimate in the budget document (B1,495 billion) by B52.2 billion, due mainly to higher tax income. In particular, corporate income tax increased from the previous fiscal year by 19.8 percent, following favourable business performance during the year 2007. In addition, there was a low base effect as profits of financial institutions in the previous year were low due to their reserve provisions in compliance with IAS39. VAT also increased by 15.9 percent, in line with increases in consumption as well as prices.

Non-tax revenue collection registered B185.6 billion, decreasing by 10.2 percent due to high non-tax revenue in the previous year because of the special income from dissolving the Exchange Rate Equalization Fund. If this special income was excluded, non-tax revenue collection increased by 9.1 percent from the previous year.

As for the first quarter of fiscal year 2009, the government's revenue collection registered B341.3 billion, decreasing from the previous year 9.2 percent. Tax income decreased by 6.5 percent due to: 1) Economic slowdown; 2) Excise tax cut for gasohol and diesel following the 6 measures - 6 months package; 3) Measures to reduce specific business tax and transfer fee for real estate transactions. Meanwhile, non-tax revenue decreased by 27.7 percent. This was because revenue remittance of some public enterprises were postponed.

Table 19 : Government Revenue *

(Unit: Billion baht)

	Fiscal Year		2009 ^{P/}			
	2007 ^{P/}	2008 ^{P/}	Q1	Oct.08	Nov.08	Dec.08
Total Revenue	1,703.8	1,839.6	341.3	112.8	126.6	101.9
($\Delta\%$)	(7.7)	(8.0)	(-9.2)	(-15.2)	(-5.0)	(-7.1)
Taxes	1,497.1	1,654.0	306.5	105.0	108.8	92.7
($\Delta\%$)	(4.9)	(10.5)	(-6.5)	(0.1)	(-8.7)	(-10.7)
- Income base	643.1	739.5	104.6	33.2	44.4	27.0
($\Delta\%$)	(7.0)	(15.0)	(1.6)	(7.9)	(3.2)	(-7.3)
Personal income tax	192.8	204.8	42.1	15.3	13.5	13.3
($\Delta\%$)	(13.4)	(6.3)	(-2.4)	(2.5)	(2.7)	(-11.8)
Corporate income tax	384.6	460.7	58.8	16.2	29.6	13.1
($\Delta\%$)	(2.7)	(19.8)	(2.4)	(2.1)	(4.2)	(-0.9)
- Consumption base	755.9	806.9	175.8	62.4	56.2	57.2
($\Delta\%$)	(4.6)	(6.7)	(-11.2)	(-4.0)	(-16.1)	(-13.3)
Value added tax	434.3	503.4	115.9	42.4	36.7	36.8
($\Delta\%$)	(3.9)	(15.9)	(-1.5)	(9.2)	(-6.6)	(-6.9)
Excise tax	287.2	278.3	55.4	18.3	18.0	19.1
($\Delta\%$)	(4.8)	(-3.1)	(-22.0)	(-20.9)	(-27.5)	(-17.1)
- International trade base	88.5	97.4	23.7	8.6	7.5	7.7
($\Delta\%$)	(-5.8)	(10.1)	(-3.1)	(4.2)	(-11.7)	(-1.6)
Other incomes	206.7	185.6	34.8	7.8	17.8	9.2
($\Delta\%$)	(34.2)	(-10.2)	(-27.7)	(-72.4)	(25.8)	(58.1)

Note : * Revenue on a collection basis is defined differently from revenue on a cash basis shown in the treasury account position. Difference are from time-overlapping and the deduction from the collection basis set aside for tax rebates and export duties compensation.

$\Delta\%$ represents percentage change from the same period last year

P = Preliminary data

Source : Fiscal Policy Office, Ministry of Finance

Data Management Department, Bank of Thailand

Expenditures

In fiscal year 2008, the government's budget expenditure (including foreign loan repayment and current expenditure plus carry-over expenditure) totalled B1,633.3 billion, up by 3.7 percent from the previous fiscal year. This was comprised of current expenditure B1,304.9 billion (increased by 5.2 percent) and capital expenditure B326.3 billion (decreased by 2.4 percent).

Despite acceleration in the government expenditure during the first half of fiscal year 2008, disbursement in the second half of the year was rather low with delays due to political uncertainty as well as the investment plans modification following volatilities in oil prices and cost of construction materials, taking time for new budget approval. This resulted in the total disbursement rate of 92.3 percent of total budget, less than the

target of 94.0 percent and the disbursement rate of 93.9 percent in the previous fiscal year. Major expenditures were for education (B352.5 billion), economic policy application (B345.6 billion), and universal healthcare (B154.9 billion).

For the first quarter of fiscal year 2009, the government's disbursement rate was 19.8 percent of total budget, lower than 21.6 percent during the same period last year and the target of 22.0 percent. This was because the announcement of the Budget Act was 14-day delayed whereas the announcement regarding decentralization to local administration was delayed until 19 January 2009. This resulted in capital transfer in first quarter of fiscal year 2009 significantly lower than the previous fiscal year.

Table 20 : Budget Expenditure Structure

(Unit : Billion baht)

Fiscal Year

	Disbursement according to GFMIS classification*			Disbursement Rate (Percent)		
	2007	2008	2009 Q1	2007	2008	2009 Q1
1. Current Year	1,470.9	1,532.4	363.7	93.9%	92.3%	19.8%
(Δ %)	15.7	4.2	1.6	0.5	-1.7	-8.1
Current Expenditure	1,208.1	1,264.9	335.5	99.5%	97.7%	23.2%
(Δ %)	19.9	4.7	10.6	-3.2	-1.8	-1.0
Capital Expenditure	262.7	267.5	28.2	74.6%	73.3%	7.3%
(Δ %)	-0.3	1.8	-48.4	0.1	0.0	-51.6
Miscellaneous items	0.1	-	-	-	-	-
(Δ %)	-	-	-	-	-	-
2. Carry over	104.1	100.9	42.5	66.7%	66.4%	22.2%
(Δ %)	-16.8	-3.1	19.5	-0.1	0.0	-4.9
Current Expenditure	32.0	40.0	20.7	68.5%	71.1%	24.6%
(Δ %)	-37.2	25.2	38.8	-12.6	3.8	-7.2
Capital Expenditure	71.5	58.8	21.6	66.1%	63.5%	20.5%
(Δ %)	0.1	-17.8	7.8	-6.5	-3.9	-4.9
Miscellaneous items	0.7	2.2	0.2	52.4%	66.0%	10.8%
(Δ %)	-76.8	224.2	-64.6	-33.3	26.0	-44.7
3. Total Expenditures	1,575.0	1,633.3	406.2	91.4%	90.1%	20.0%
(Δ %)	12.8	3.7	3.2	0.2	(1.4)	-7.7
Current Expenditure	1,240.1	1,304.9	356.2	98.3%	96.6%	23.3%
(Δ %)	17.2	5.2	11.9	-2.8	-1.8	-1.2
Capital Expenditure	334.2	326.3	49.8	72.6%	71.3%	10.1%
(Δ %)	-0.2	-2.4	-33.4	4.2	-1.8	-38.3
Miscellaneous items	0.7	2.2	0.2	56.4%	66.0%	10.8%
(Δ %)	-75.1	201.5	-64.6	-28.3	17.1	-44.7

Note: * Government Fiscal Management Information System

Δ % represents percentage change from the same period last year

Source: The comptroller's General Department, Ministry of Finance

State Enterprises

In fiscal year 2008, the retained income of state enterprises^{7/} registered at B198.1 billion, up by 18.0 percent from the previous fiscal year. Meanwhile, state enterprises' capital expenditure totalled B220.3 billion, decreasing by 2.0 percent from the previous fiscal year. This was partly because state enterprises were still waiting for more explicit government policy. Other negative factors included: 1) The delay in delivering lands for the Eastern rail line development project; and 2) The

investment plan modification due to the increasing costs of construction materials; 3) The delay of mega project investment, in particular, the mass transit project where auctions were behind schedule. All these factors caused delays in investment plans as well as capital expenditure disbursement. Thus, state enterprises' balance recorded a deficit of only B22.2 billion, or 0.2 percent of GDP.

Table 21 : State Enterprises' Balances

(Unit : Billion baht)

	Fiscal Year		
	2006 ^{P/}	2007 ^{P/}	2008 ^{P/}
Retained Income	156.1	167.8	198.1
(Δ %)	(9.0)	(7.5)	(18.0)
Capital Expenditure	172.6	224.8	220.3
(Δ %)	(-19.7)	(30.3)	(-2.0)
State Enterprises' Balances	-16.4	-57.0	-22.2
(% of GDP)	(-0.2)	(-0.7)	(-0.2)

Note: Δ % represents percentage change from the same period last year

P = Preliminary data

Source : National Economic and Social Development Board (NESDB)

^{7/} State enterprises' data from the NESDB's survey (not including some state enterprises such as PTT)

Public Debt

At the end of fiscal year 2008, total public debt registered at B3,408.3 billion, equivalent to 36.9 percent of GDP. This was a decrease from 37.8 percent of GDP at the end of previous fiscal year. Public debt comprised of direct government borrowing B2,162.1 billion (23.4 percent of GDP), guaranteed and non-guaranteed non-financial public enterprise debt B572.6 billion (6.2 percent of GDP) and B415.9 billion (4.5 percent of GDP), respectively, debt outstanding for guaranteed financial public enterprise debt B102.3 billion (1.1 percent of GDP), Financial Institution Development Fund (FIDF) debt B138.2 billion

(1.5 percent of GDP) and other government agency debt (village fund and oil fund) B17.1 billion (0.2 percent of GDP).

Overall fiscal position in fiscal year 2008 was stable and in line with fiscal sustainability framework, both in terms of public debt which registered at 36.9 percent of GDP (less than 50 percent of GDP) and debt service ratio to budget which registered at 10.4 percent (less than 15.0 percent of budget expenditure).

As of end-December 2008, public debt to GDP ratio recorded at 38.1 percent or B3,471.3 billion. This comprised of direct government borrowing B2,134.7 billion (23.5 percent of GDP), non-financial public enterprise debt B1,047.3 billion (11.5 percent of GDP), guaranteed financial public enterprise debt B143.9 billion (1.6 percent of GDP), FIDF debt B136.9 billion (1.5 percent of GDP), and other government agency (village fund and oil fund) B8.5 billion (0.1 percent of GDP).

Table 22 : Public Debt

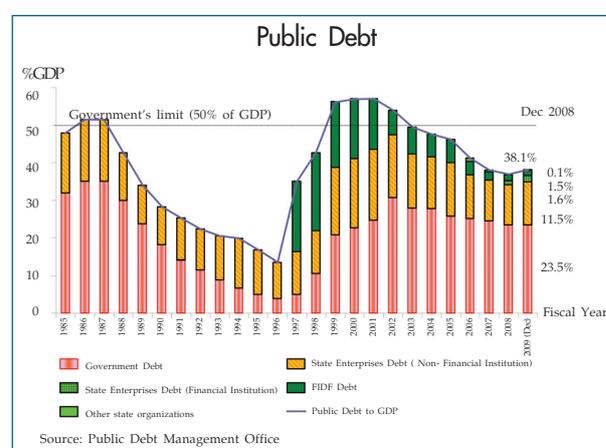
(Unit : Billion baht)
Fiscal Year

	2007 ^{P/}	2008 ^{P/}	2009 ^{P/}
	Q1		
1. Debt incurred from direct borrowing	2,051.4	2,162.1	2,134.7
(% of GDP)	(24.4)	(23.4)	(23.5)
1.1 foreign debt	107.9	67.0	73.7
1.2 domestic debt	1,943.5	2,095.1	2,061.0
2. Debt of non-financial state enterprises	906.4	988.5	1,047.3
(% of GDP)	(10.8)	(10.7)	(11.5)
2.1 government - guaranteed debt	506.8	572.6	586.8
foreign debt	171.1	174.9	191.2
domestic debt	335.7	397.7	395.6
2.2 non-government - guaranteed debt	399.6	415.9	460.5
foreign debt	134.3	136.5	140.9
domestic debt	265.3	279.4	319.6
3. Debt of financial state enterprises	n.a.	102.3	143.9
(% of GDP)	n.a.	(1.1)	(1.6)
3.1 foreign debt	n.a.	9.0	9.8
3.2 domestic debt	n.a.	93.3	134.1
4. Financial Institution Development Fund (FIDF)	185.2	138.2	136.9
(% of GDP)	(2.2)	(1.5)	(1.5)
4.1 government - guaranteed debt	0.0	73.8	73.8
4.2 non-government - guaranteed debt	185.2	64.4	63.1
5. Other state organizations*	35.6	17.1	8.5
(% of GDP)	(0.4)	(0.2)	(0.1)
5.1 government - guaranteed debt	18.0	8.3	8.5
5.2 non-government - guaranteed debt	17.6	8.8	0.0
Total (1+2+3+4+5)	3,178.5	3,408.3	3,471.3
(% of GDP)	(37.8)	(36.9)	(38.1)

Note : * Public Debt Management Office has updated debt report since July 2006

P = Preliminary data

Source : Public Debt Management Office, Ministry of Finance



Monetary Conditions and the Exchange Rate

Monetary Base and Money Supply

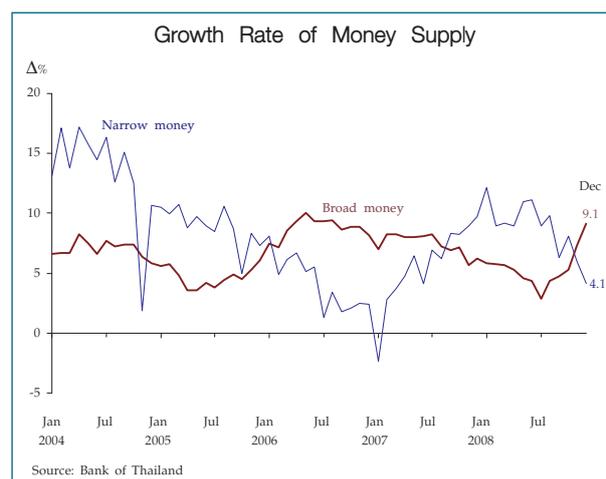
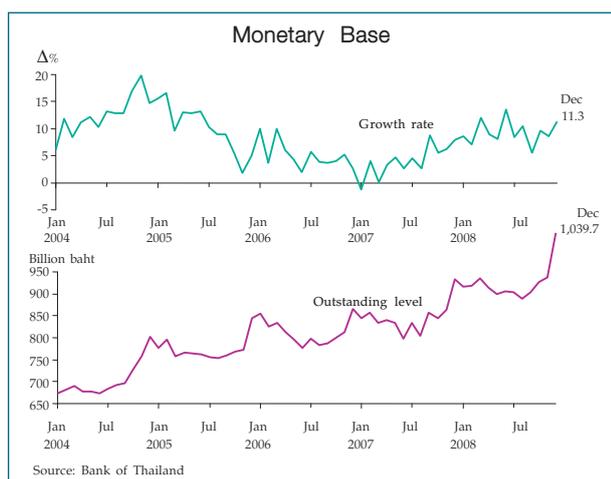
At end-2008, **monetary base** stood at B1,039.7 billion, expanding by 11.3 percent from the previous year. This corresponded to the accelerating growth of the currency in circulation, especially at the end of the year as demand for cash was elevated for transactions during the five consecutive New Year holidays.

In 2008, important developments regarding the supply of the monetary base were: (1) a continued increase in net foreign assets held by the BOT; (2) a rise in the BOT's net claims on government from an increase in government bonds together with lower government deposits at the BOT; and (3) a decline in the BOT's net claims on financial institutions' investment as these financial institutions increased investment volume in repurchase market as well as their holdings of the BOT bonds.

Broad money, at end-2008, totalled B9,942.3 billion, an expansion of 9.1 percent which accelerated from the rate of 5.8 percent in 2007. During the first half of 2008, broad money slowed

down following the decelerating trend of the deposit of other depository corporations, given the downward trend of interest rates. This induced a shift from deposits toward assets with higher returns, especially government bonds. However, in the second half of 2008, the broad money growth accelerated as the elevated risk in the economy drove investors to redirect their funds towards deposits which bore a lower risk. In addition, the money growth was also attributed to portfolio investments in overseas securities reaching maturity which periodically returned into the banking system. It should be noted that the definition of broad money had been expanded to include bills of exchange, money market mutual funds as well as deposits at saving cooperatives. This change of definition was in line with international standards for compilation of financial statistics.

Narrow money expanded at a lower rate, especially in the second half of 2008, reflecting the moderation of economic activities during the period.



Exchange Rate, Interest Rates and Government Bond Yields

1. Exchange rate

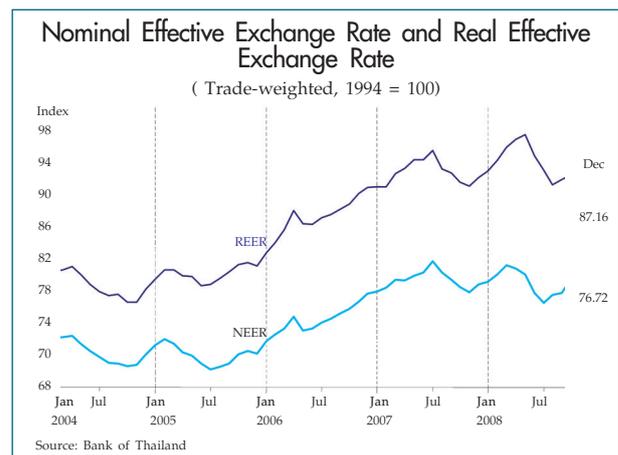
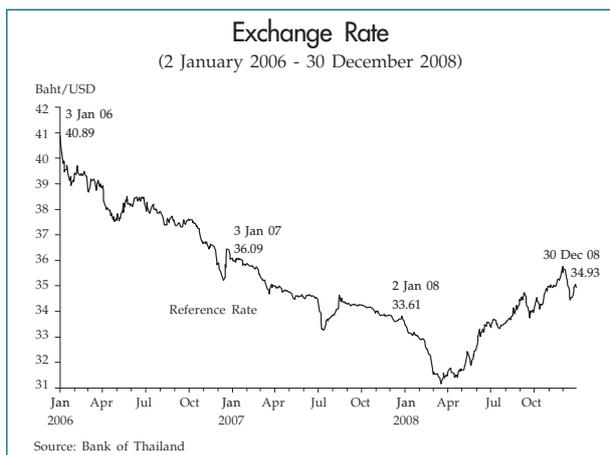
The movement of the exchange rate, the baht against US dollar, was relatively volatile in 2008. The average level was at 33.38 baht per US dollar, appreciating from the average of 34.56 baht per US dollar in 2007. During the first quarter of the year, the baht appreciation was due partly to exporters' forward sales of their foreign currency income with the concerns over US economic recession as well as market expectation of the lifting of the Unremunerated Reserve Requirement measure. However, the baht exhibited a depreciating trend against the US dollar during the rest of the year due to: 1) deterioration of the current account in line with higher import value mainly driven by a surge in world oil prices; 2) lower confidence in the Thai baht and other emerging markets currencies relative to US dollar due to concerns over accelerating inflation which could adversely affect emerging market economic growth in the second quarter; and 3) a capital outflow from the stock market in response to concerns over political instability and the downward revision of Thailand's credit outlook. However, the fund outflows were considered relatively moderate compared to other regional peers. As a result, despite the weakening outlook of the baht against US dollar, the baht appreciated against the regional and other major currencies.

Despite a 3.5 percent appreciation of the baht against US dollar from the previous year, the

Nominal Effective Exchange Rate (NEER), a weighted average of bilateral exchange rates between the baht and major trading partners' currencies, averaged at 77.90 – slightly lower from the average of 78.22 in 2007. This equaled 0.39 percent depreciation over the period, reflecting that the overall baht weakening against the US dollar remained well in line with trading partners' currencies.

The Real Effective Exchange Rate (REER), defined as NEER deflated by relative prices to reflect Thailand's price competitiveness, strengthened 0.78 percent from the average of 90.55 in 2007 to 91.25 in 2008. The REER appreciation coincided with the NEER depreciation that mirrored the deterioration of Thailand's price competitiveness in the first half of 2008 as a result of greater share of petrol in the Thai Consumer Price Index basket compared to those of trading partners. Nevertheless, the REER reverted towards a weakening trend in the second half, in line with a decline in NEER and the decelerating inflation from the continued plunge in oil prices.

In December 2008, the baht against US dollar depreciated by 3.8 percent from the same period last year, while the NEER and REER depreciated by 2.8 and 5.0 percent on average, respectively. In addition, the volatility of the baht in 2008 averaged at 5.10 percent which was considered lower than the majority of neighbouring countries.



2. Money market interest rates

The average short-term money market rates in 2008 declined from the previous year in tandem with the policy interest rate. The 1-day repurchase rate and interbank rate averaged at 3.38 and 3.35 percent per annum, lower than the previous year's averages of 3.77 and 3.79 percent per annum, respectively.

Although risk to inflation elevated from the world oil prices during the first half of 2008, risk to economic growth from the slowdown in the US economy via exports also increased. The Monetary Policy Committee (MPC), as a result, decided to maintain the policy interest rate at 3.5 percent per annum for 4 consecutive meetings.

In the second half of 2008, in the two meetings between July and August, the MPC raised the policy rate to 3.75 percent per annum. This

followed the MPC's assessment that risk to inflation increased markedly and began to affect business confidence and private consumption. This might also be passed on to overall economic growth going forward and hence called for the tightening monetary policy to ensure economic stability.

However, in the last quarter of 2008, the balance of risks has changed substantially.

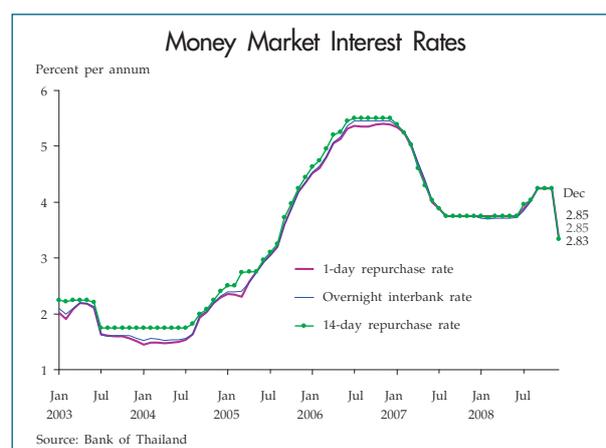


Table 23 : Exchange Rates in the Region

As of Dec 2008	% change from Dec.07			Actual volatility (compared with US dollar) ^{2/}
	NEER ^{1/}	REER ^{1/}	with USD ^{2/}	Jan. - Dec.2008
PHP	-12.5	-7.6	-13.3	8.0
INR	-13.0	-10.0	-19.0	8.2
CNY	12.9	12.7	7.5	2.2
MYR	-3.8	-0.8	-5.9	6.3
SGD	1.8	4.5	-1.8	6.8
THB	-2.8 ^{2/}	-5.0 ^{2/}	-3.8	5.1
JPY	31.8	29.5	23.3	14.9
TWD	-1.3	-2.6	-2.2	4.8
HKD	4.9	5.2	0.37	0.6
KRW	-31.7	-30.6	-31.7	20.1
IDR	-15.4	-9.8	-17.9	9.1

Source: 1/ BIS calculation

2/ BOT calculation

Inflationary pressures significantly declined from lower oil prices following weaker global economic conditions. In the mean time, global financial crisis began to spread impacts to the real sectors of major industrialized countries, which in turn adversely affected exports in the region, including Thailand. In addition, political conflicts, which led to the closure of two international airports during the end of November and early December, further weakening the fragile confidence of consumers and investors as well as entailing a marked decline in revenue of tourism industry.

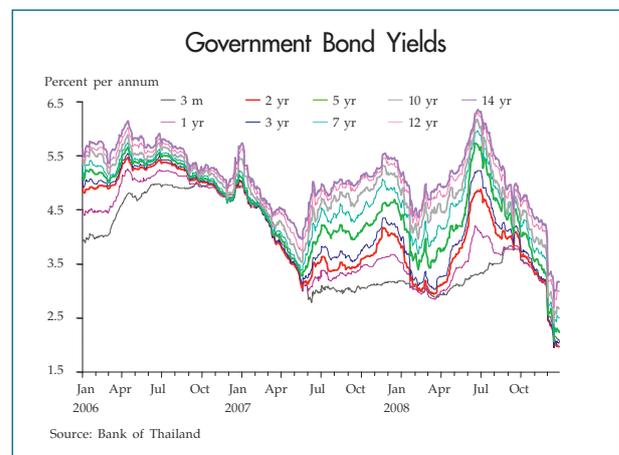
Given above economic outlook and the low inflationary pressure, the MPC viewed that monetary policy could be eased to support an economic recovery and therefore decided to lower the policy interest rate by 1.00 percent per annum, from 3.75 percent per annum to 2.75 percent per annum on 3 December 2008.

3. Government bond yields

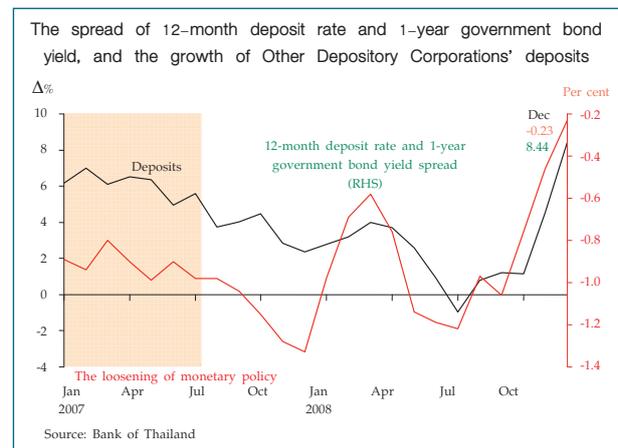
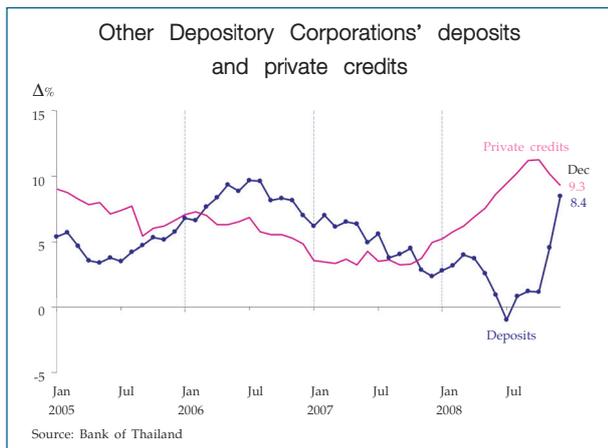
In 2008, the government bond yields exhibited high volatility compared to the previous year. During the first half of the year, the bond yields trended upwards, following market expectation of a policy rate hike in response to

rising concerns over inflation. This was accompanied by a reduction in short-term bond holdings by mutual funds in search for higher-return investment abroad through Foreign Investment Funds (FIF), such as South Korea.

In the second half, the government bond yields fell in tandem with investors' expectation of policy and inflation rates trending downwards from an economic slowdown as well as a continual decline in oil prices. Additionally, the global risk aversion prompted investors to divert their investment from equity market to bond market, which was more risk-resistant, also contributing to the decline in government bond yields.



Other Depository Corporation^{8/} Deposits and Claims



1. Other Depository Corporations' deposits

During the first half of 2008, deposits of Other Depository Corporations continually slowed down and subsequently contracted in the middle of the year as investors shifted their deposits to other alternatives with higher returns, such as government bonds, mutual funds, FIDF saving bonds, and foreign government bonds. Moreover, the slowdown in the bank deposits was also partly due to a switching of commercial bank funding from its traditional deposit-based to bills of exchange with higher returns.

During the second half of the year, the reallocation of investors' deposits to higher-yielded investments was the main factor leading to a contraction of deposits in July. However, in the fourth quarter, the growth of deposits of Other Depository Corporations' expanded robustly due to attractive returns on deposits relative to other assets. This was reflected in the spread between 12-month deposit rate and 1-year government bond yield that rose from -1.33 percent per annum at

end-2007 to -0.23 percent per annum at end-2008. In addition, the global financial crisis resulted in higher risks and volatility for investments in other assets compared to deposits. Lastly, there was also a return of Thai security investment abroad reaching maturity. As a result, the deposits of Other Depository Corporations at the end of 2008 expanded 8.4 percent, accelerating from 7.0 percent in 2007.

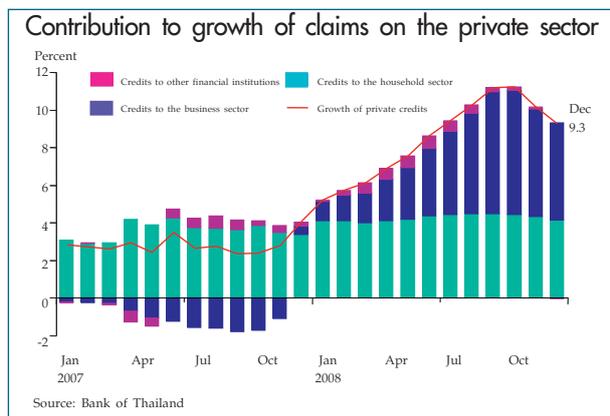
2. Other Depository Corporations' credits

The private credit of Other Depository Corporations exhibited a continued expansion in the first three quarters of 2008. This was attributable mainly to acceleration in the credits extended to the corporate sector in response to improved investors' business sentiment and higher demand for working capital given the sharp rise in raw material costs.

In the last quarter of 2008, nevertheless, the US economic crisis widely affected the global financial sector and economy. Although the direct impact on the Thai financial sector remained small,

^{8/} Other Depository Corporations comprise of domestically registered commercial banks, branches of foreign banks, international banking-facilities, finance companies, Specialised Financial Institutions (including Government Savings Bank, Government Housing Banks, Bank for Agriculture and Agricultural Cooperatives, Export-Import Bank of Thailand, Small and Medium Enterprise Development Bank of Thailand, Islamic Bank of Thailand), saving cooperatives, and money market mutual funds

the risk to economic growth heightened as the demand for Thai exports started decelerating. In response, the depository corporations became more strict and cautious in their lendings. Consequently, the growth of private credit began to slow down in November, consistent with weakened economic outlook and declining pressure on costs of production. Nevertheless, growth rate of credits extended to household sector remained steady throughout the year, reflecting households' consumption demand. Overall, the growth of private credits at end-2008 stood at 9.3 percent, rising from 4.9 percent at end-2007.

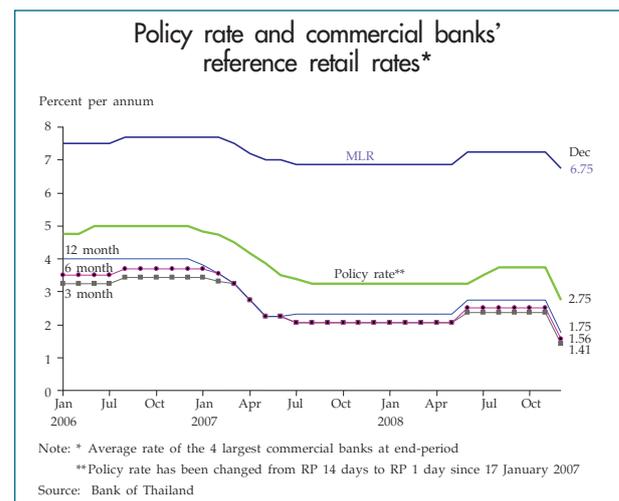


3. Commercial bank interest rates

During the first half of 2008, most commercial banks kept their reference interest rates, both deposits and loans, steady in line with the unchanged policy rate over the period. Concurrently, the inflation expectation increased from the end of 2007 in line with a continued rise in oil prices, putting greater pressure on the domestic price stability. As a result, most commercial banks began to adjust their reference deposit and lending rates upwards in June, in expectations of higher policy interest rate in the upcoming period. As a result, the 3-month and 12-month average time deposit rates of the 4 largest commercial banks increased from 2.06 and 2.31

percent per annum to 2.37 and 2.75 percent per annum, respectively. The average MLR of the 4 largest commercial banks also increased from 6.87 to 7.25 percent per annum. However, the inflation surge in the middle of 2008 resulted in the negative real reference rates for both deposits and loans. In particular, the real MLR^{9/} entered the negative territory for the first time in 28 years.

Following the elevated pressure on inflation, the MPC, in the third quarter of 2008, decided to raise the policy interest rate twice from 3.25 to 3.75 percent per annum. Despite the fact that commercial banks had not adjusted their reference deposit rate and MLR since the last adjustment in June, they continually launched special deposit products to support their liquidity management in an environment of tightening liquidity in the banking sector.

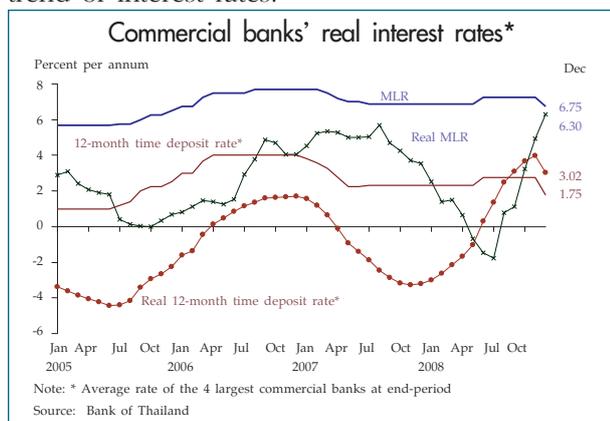


In the last quarter of 2008, an adverse impact of the global financial crisis started to affect the Thai economy, especially the export sector. As a result, risk to economic growth elevated while risk to inflation markedly declined. The MPC, therefore, decided to lower the policy interest rate by 1.00 percent in December 2008, from 3.75 to 2.75 percent per annum, inducing most commercial

9/ Real MLR = MLR - contemporaneous headline inflation

banks to adjust their reference interest rates downward at around 1.00 percent per annum and 0.50 percent per annum, respectively for deposits and loans. In particular, the 3-month, 6-month and 12-month time deposit rates of the 4 largest commercial banks at the end of 2008 averaged at 1.41, 1.56, and 1.75 percent per annum, respectively, while the MLR of the 4 largest commercial banks averaged at 6.75 percent per annum.

The rapid drop of inflation in the second half of 2008, as well as the decelerated 12-month-forward forecasted inflation collectively brought about a continued rise in the real interest rate. At the end of 2008, the real 12-month time deposit rates^{10/} and the real MLR increased from 3.02 and 6.30 percent per annum, despite the downward trend of interest rates.



Performance of Commercial Banks

In 2008, the Thai banking system counted 34 commercial banks, comprising of 18 Thai registered commercial banks and 16 foreign bank branches.

The banking system performance in 2008 was satisfactory. **Interest income from loans** rose in line with credit expansion. In particular, during the first three quarters of the year, credits extended to the corporate sector notably accelerated. An

increase in demand for working capital loans was in tandem with the surge in raw material and energy prices. Meanwhile, credits extended to households also continued to expand. Nonetheless, the average effective lending rate averaged 5.95 percent, declining from 6.25 percent in the previous year due to intense competition and the downward interest rate trend. Although interest income from loans increased, a decrease was observed in other interest receipts and dividends, such as lending in interbank and money markets as well as securities investment. As a result, **total interest income** fell slightly compared to that of 2007.

Meanwhile, **interest payment** fell sharply, contracting by 15.4 percent from the previous year. The decline was due to the maturity of some term deposits which earlier earned high interest rates. Furthermore, some savers relocated their deposits to other higher-yielding assets such as bonds and mutual funds. Meanwhile, the effective deposit rate averaged 1.94 percent, decreasing from 2.43 percent in 2007. Moreover, the increased shares of saving deposits, current deposits as well as bills of exchange (B/E) in the deposit structure reduced commercial banks' financing costs. This considerable drop in interest payment increased the banks' **net interest income** by 7.5 percent from the previous year.

Non-interest income of commercial banks rose by 20.3 percent, owing to the low base last year with large losses from investments in subprime-related assets. Although the Thai banking system's balance sheet also showed some losses this year from the investments in the assets of foreign financial institutions affected by the global financial crisis, such as Lehman Brothers, those losses were limited and lower than those recorded in 2007. In addition, commercial banks registered higher income from fees and currency exchanges.

10/ Real 12-month deposit rate = 12 month deposit rate - average forecasted inflation 12 months ahead

Meanwhile, banks' **non-interest expense** increased modestly compared to the previous year, partly due to personnel expenses which increased in line with the cost of living.

Overall, commercial banks recorded **operating profits** of B196.3 billion in 2008, growing 25.7 percent from the previous year. After deducting taxes and provision expenses, which had declined considerably from the preceding year in which

the International Accounting Standard (IAS 39) was implemented, commercial banks' **net profit** amounted to B99.1 billion, an increase of B76.7 billion from 2007.

Moreover, commercial banks' capital adequacy position remained sound, with the BIS ratio averaging 14.2 percent, comfortably above the minimum requirement of 8.5 percent.

Table 24 : Performance of the Banking System

Unit : Billion baht	2007	2008 ^{P/}	Δ%
1. Interest income	489.4	478.7	-2.2
1.1 Credit	345.7	358.4	3.7
1.2 Inter bank and money market items	52.8	35.6	-32.6
1.3 Leasing and financial rent contract	20.2	24.4	20.8
1.4 Financial investments	67.4	60.2	-10.7
2. Interest expense	206.3	174.6	-15.4
2.1 Deposits	163.7	131.5	-19.7
2.2 Inter bank and money market items	15.9	10.6	-33.3
2.3 Borrowings	24.9	32.4	30.1
2.4 Fees and charges	0.0	0.0	-
3. Net interest income	283.1	304.1	7.5
(3) = (1) - (2)			
4. Non-interest income	104.4	125.6	20.3
5. Operating expense	231.2	233.5	1.0
6. Operating profits	156.2	196.3	25.7
(6) = (3) + (4) - (5)			
7. Loan loss provision and debt	103.7	59.1	-43.0
8. Taxes and special items	30.2	38.0	25.8
9. Net profits	22.4	99.1	342.4
(9) = (6) - (7) - (8)			

Note: P = Preliminary data

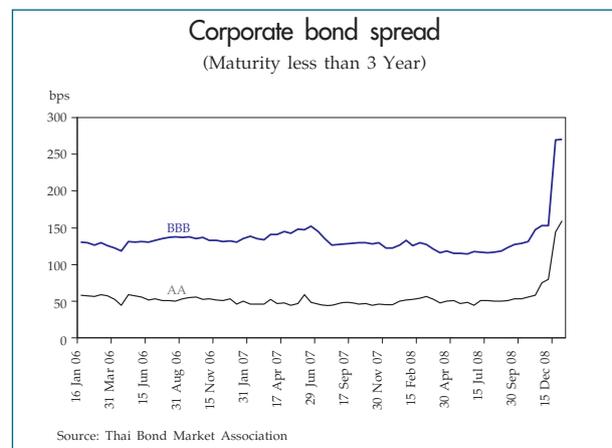
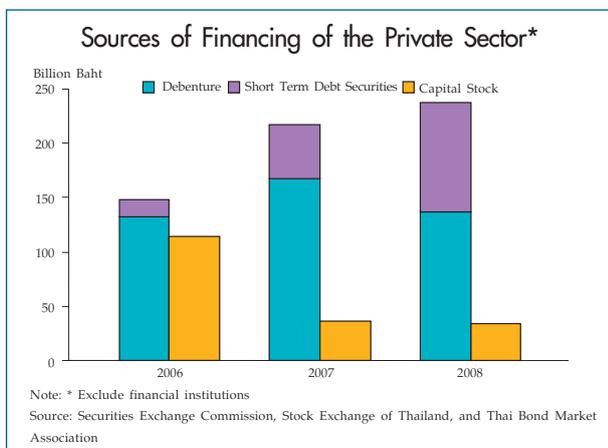
Capital Market

In 2008, the issuance of debt securities by the non-financial corporate sector amounted to B237.5 billion, increasing from B217.2 billion in the previous year. This was due primarily to a rise in short-term debt securities (commercial papers) for working capital, as their financing costs were relatively low compared to other sources of funding. However, long-term financing declined, as reflected by less issuance of long-term corporate bonds with maturity longer than 1 year. This was in line with lower demand for investment funds as a result of weak economic conditions and confidence. Certain bonds issued in 2008 were those of large corporations, such as the energy sector, which had previously tapped funds from abroad. With the intensification of global financial crisis and thus heightened borrowing costs overseas, these corporations turned to raise funds domestically.

Nevertheless, during the fourth quarter of 2008, the notable economic slowdown from both the global financial crisis and internal political

uncertainty resulted in higher risks for the corporate sector. Consequently, costs of issuing domestic debt securities also increased in tandem with elevated risk premiums, reflecting in widening spreads between corporate and government bonds.

With regards to equity securities, the issuance also declined from the previous year. In 2008, the non-financial corporate sector raised 34 billion baht through the primary equity market, a slight decline from 35.7 billion baht in 2007. This was attributed to weakening economic conditions, both domestically and globally. Moreover, political uncertainty and the ongoing risk aversion further undermined the atmosphere for new equity issuance. Nevertheless, businesses still had some financing needs as reflected through the number of initial public offerings (IPO) in the Stock Exchange of Thailand in 2008 which was close to that in the previous year. Firms which raised funds from the equity market were mostly in the energy, manufacturing and real estate sectors.



IMPORTANT MONETARY POLICIES
AND MEASURES

Monetary Measures

Measures	Parties Involved	Main Points	Effective Date	Source
Interest Rate Policy 1. Policy rate MPC decisions on the following dates: <ul style="list-style-type: none"> ● 16 January 2008 ● 27 February 2008 ● 9 April 2008 ● 21 May 2008 		<p>The MPC decided to <u>keep</u> the policy interest rate (the 1-day repurchase rate) at 3.25 percent per annum for 4 consecutive meetings since the last meeting on 4 December 2007. The MPC assessed that both economic growth and inflation were at risk due to continued increase in oil prices, making it necessary for the MPC to closely monitor both issues. However, the MPC would stand ready to perform the appropriate monetary policy, should the inflation continued to accelerate.</p>	16 January 2008 27 February 2008 9 April 2008 21 May 2008	BOT News No.1/2551, 7/2551, 12/2551 and 18/2551, respectively
<ul style="list-style-type: none"> ● 16 July 2008 ● 27 August 2008 		<p>The MPC decided to <u>raise</u> the policy interest rate by 0.25 percent per annum in each of the 2 consecutive meetings. The MPC was of the view that although the economic growth in the second quarter of 2008 tended to slow down, the risk to inflation has risen markedly from the elevated level of inflation as well as inflation expectations. Moreover, uncertainties in the oil prices should still remain in the periods ahead.</p>	16 July 2008 27 August 2008	BOT News No.27/2551, and 34/2551, respectively
<ul style="list-style-type: none"> ● 8 October 2008 		<p>The MPC decided to <u>maintain</u> the policy interest rate at 3.75 percent per annum. The MPC deemed that risks to inflation declined significantly compared to the previous meeting from lower oil prices. Nonetheless,</p>	8 October 2008	BOT News No.39/2551

Measures	Parties Involved	Main Points	Effective Date	Source
<ul style="list-style-type: none"> • 3 December 2008 		<p>inflationary pressure still persisted from the continued pass-through of costs and the global adjustment of prices under the authorities' price administration measures.</p> <p>The MPC decided to lower the policy interest rate by 1.00 percent per annum, from 3.75 to 2.75 percent per annum. The MPC assessed that monetary policy could be eased to help support economic recovery, particularly as the economy faced numerous adverse risks from both on domestic and external fronts.</p>	3 December 2008	BOT News No.44/2551
<p>2. Other interest rates</p> <p>2.1) Rates on bond repurchase agreements with financial institutions to maintain end-of-day liquidity</p>	- All financial institutions (excluding securities companies and IBFs)	The BOT raised the bond repurchase rate from the policy rate \pm 0.25 percent per annum to the policy rate \pm 0.50 percent per annum, considering that financial institutions has already adjusted themselves well after the closure of the repurchase market.	13 May 2008	BOT Circular No.FRD (1 Kor) Wor. 4/2551, dated 13 May 2008
2.2) Rates for Overnight Intraday Liquidity Facilities	- BAHTNET-member institutions	The BOT adjusted the compensation rate for overnight intraday liquidity facilities and for the case where financial institution's right to repurchase debt instruments from overnight intraday facilities expires, from the BOT policy rate plus 0.25 percent per annum to the policy rate plus 0.50 percent per annum, to be in tandem with the compensation rate for the end-of-day liquidity facilities.	13 May 2008	BOT Circular No.PSD (12) Wor. 41/2551, dated 16 May 2008
<p>Money Market Measures</p> <p>1. Repurchase market</p> <p>1.1) BOT's regulations on money market services in purchase and sale of bonds to Primary Dealers with repurchase</p>	Counterparties in repurchase transactions in Bilateral Repo	The BOT amended regulations and related notifications on money market services in purchase and sale of bonds to Primary Dealers with	6 February 2008	BOT circular No. FRD (1Kor.) Wor. 1/2551 dated, 6 February 2008

Measures	Parties Involved	Main Points	Effective Date	Source
agreement via electronic method (e-Bilateral Repo)		repurchase agreement via electronic method (e-Bilateral Repo) to correspond with liquidity adjustment facilities after the closure of the BOT's repurchase market.		
1.2) BOT's regulations on purchase of BOT bonds with repurchase agreement and amendments of their rates of returns to maintain end-of-day liquidity	All financial institutions (except securities companies and IBFs)	To ensure efficiency of the BOT's monetary policy action and the liquidity management of the financial institutions, the BOT repealed Regulation on Repurchase Agreement B.E. 2549 and dispatched the Bank of Thailand Regulation on purchase of BOT bonds with repurchase agreement and amended the rate of returns on the sale or purchase of bonds for end-of-day liquidity adjustment.	13 February 2008	BOT circular No. FRD (1Kor.) Wor. 2/2551, dated 6 February 2008
1.3) Guideline for counting deposits at the BOT as reservable liquid assets.	<ul style="list-style-type: none"> - Commercial banks - Finance companies - Credit foncier companies 	<p>Under the new BOT Act, the BOT will be able to take the interest-bearing time deposits from the financial institutions. Previously, financial institutions are only allowed to hold current account deposit, which earned no interest.</p> <p>Details of reservable assets required to be held by each commercial bank consists of</p> <ol style="list-style-type: none"> 1. A minimum 0.8 percent in non-remunerated current account deposits at the BOT or certain types of loans specified by BOT 2. A time deposit at the BOT, which can be counted as BOT debt instrument. 	21 May 2008	BOT circular No. BOT.PPD (21) Wor. 768/2551, 769/2551, 770/2551, dated 29 April 2008
1.4) Money market service related to the BOT bonds	- All financial institutions (except securities companies and IBFs)	Amendments on BOT regulation and guidelines on the transaction of the BOT bonds with repurchase agreement, for example, altering the telephone service by Electronic Financial Services (EFS) and changing time for the	1 December 2008	BOT circular No. FRD (1 Kor.) Wor. 5/2551, dated 5 November 2008

Measures	Parties Involved	Main Points	Effective Date	Source
2. Foreign Exchange Controls		placement of purchase order.		
2.1) Further relaxation of Exchange Control Regulations	- Commercial banks - Specialized financial institutions	The BOT further relaxed exchange control regulations as follows; - Amend the period within which foreign currency proceeds from exports and other sources shall be acquired to 360 days (from 120 days). - Expand the scope for investment in and lending to affiliated business abroad. - Increase the limit for remittance of funds abroad for purchasing immovable properties. - Relax the regulations regarding foreign currency deposits.	4 February 2008	BOT circular No.ECD (02) Wor. 28/2551, dated 4 February 2008
2.2) Outlining the foreign exchange limit, for carrying either in-bound or out-bound, that requires declaration	- Commercial banks - Specialized financial institutions	The BOT sought cooperation from financial institutions in informing customers regarding the new regulation under the exchange control act stating that Thai nationals who take foreign currency, either inbound or outbound, in an amount exceeding 20,000 US dollars must report to the custom department. Failing to comply with the regulation will be subjected to confiscation and further investigation.	24 February 2008	BOT circular No. ECD (02) Wor. 64/2551, dated 25 July 2008
2.3) Facility to purchase (back-to-back) foreign currency that SMEs sold forward to financial institutions	- Commercial banks - Specialized financial institutions	The BOT provided facility to purchase (back-to-back) foreign currency that SMEs sold forward to financial institutions for a period of 6 months. This program will be terminated on 31 August 2008.	3 March 2008	BOT circular No. BOT.FRD (1 Kor) Wor. 377/2551, dated 29 February 2008
3. Measures to prevent Thai baht speculation				
3.1) Seeking cooperation for compliance with measure to prevent Thai baht speculation	- Commercial banks - Finance companies	The measure was aimed to limit the Thai baht transactions between financial institutions and	3 March 2008	BOT circular No. BOT.ECD (02) Wor. 371/2551, dated 29 February 2008

Measures	Parties Involved	Main Points	Effective Date	Source
3.2) Lifting of the Unremunerated Reserve Requirement (URR) and amendment on rules and practices regarding Non-resident Baht Accounts	<ul style="list-style-type: none"> - Securities companies - Specialized financial institutions - Commercial banks - Specialized financial institutions - Securities companies - Derivative agent and derivative dealer 	<p>non-residents (NRs). The BOT revised its measure to curb capital inflows by reducing the limit that each financial institution can borrow the Thai baht or undertake transactions comparable to Thai baht borrowing from NRs without underlying trade or investment in Thailand to 10 million baht per group of NRs regardless of maturities. (Prior to this, a limit of 50 million baht was imposed on the aggregate outstanding balance of transactions undertaken by all financial institutions per group of NRs with maturities not exceeding 6 months.). In addition, the BOT revised its measures to limit Thai baht liquidity by extending the ceiling of total outstanding balance from 50 to 300 million baht per group of NRs</p> <p>The BOT lifted the URR and amended the rules to segregate the non-resident baht accounts into 2 types, namely 1) Non-resident Baht Account for Securities (NRBS)- for investment in securities and other financial instruments, and 2) Non-resident Baht Account (NRBA)- for general purposes.</p>	3 March 2008	BOT circular No. BOT.ECD (02) Wor. 373/2551, dated 29 February 2008
Payment System Measures 1. Multilateral Funds Transfer service	<ul style="list-style-type: none"> - Members of BAHTNET - Member bank of electronic clearing house 	<p>The BOT improved the Central Settlement System (CCS) by extending scope of services for settlement to support data transmission demand and the use of information in form of net clearing position of individual institution with its counterparties in order to increase the operational effectiveness of the funds</p>	10 November 2008	BOT circular No. PSD (12) Wor. 57/2551, 58/2551, dated 22 September 2008

Measures	Parties Involved	Main Points	Effective Date	Source
Credit Measures		management of BAHTNET service users. The CSS was launched on 10 November 2008.		
1. The modification of regulations of credit card business	- Commercial banks - Financial institutions and non-deposit taking operators of credit card businesses	The BOT expanded the eligibility criteria of main credit-card holders (initially eligible credit cardholders must earn at least 15,000 baht per month). The modifications enabled the credit card operators to consider applications of those who have deposits at commercial banks more than 500,000 baht for a period of at least 6 months or those who have deposits or investments in corporate debentures, mutual funds or all, with a combined value of at least 1 million baht for a period of at least 6 months.	19 April 2008	BOT circular No. BOT.PPD (21) Wor. 714/2551, 715/2551 dated 22 April 2008
2. Cancel the limit on overdraft facility	- Commercial banks	The BOT allowed commercial banks to set the limit of overdraft facility for each client as they deem appropriate (initially the limit set at THB 30 Million). Commercial banks are still obliged to follow other regulations related to credit extension.	21 April 2008	BOT circular No. BOT.PPD (21) Wor. 712/2551, dated 21 April 2008
Financial Institutions Supervision and Development Measures				
1. Permission to engage in the business of hire purchase and leasing	- Commercial banks	The BOT allowed commercial banks to engage in the business of sale and lease-back with ordinary persons without any limitations on type of assets. Initially, commercial banks were allowed to engage in business only with juristic persons.	21 March 2008	BOT circular No. PPD (21) Wor. 47/2551, dated 25 March 2008
2. Appointment of other commercial banks as a paying agent and permission granted to commercial banks to be a paying agent to perform such duties	- Commercial banks	The BOT allowed commercial banks to appoint other commercial banks to be a paying agent to enhance benefits and conveniences of customers. In this connection, the BOT	24 March 2008	BOT circular No. BOT.PPD (21) Wor. 514/2551, dated 24 March 2008

Measures	Parties Involved	Main Points	Effective Date	Source
3. Temporary exemption of regulations on related lending and single lending limits transactions	- Financial Institutions	<p>therefore expanded the scope of business that commercial banks could engage in to include being able to be a paying agents for other commercial banks</p> <p>The BOT temporarily waived regulations on the major shareholders or related lending and rules on single lending limit transactions in order to solve practical problems during the transition period between the Financial Institution Business Act B.E. 2505 and the revised Financial Institution Business Act B.E. 2551.</p>	4 August 2008	FPG 85/2551, dated 4 September 2008
4. Modification of Regulations related to Financial Institution Business Act B.E. 2551	- Financial Institutions	The BOT modified regulations on permitting financial institutions to do business in compliance with the Financial Institutions Business Act B.E.2551 and compiled related regulations together.	4 August 2008	BOT.FPG 01/2551-27/2551, 28/2551-84/2551, dated 3 August 2008
Financial Assistance to Priority Economic Sectors Modification of the BOT's role in giving financial assistance to priority economic sectors.	- Commercial banks - Specialized financial institutions	<p>In accordance with the objectives of the BOT Act (4th edition) B.E. 2551, BOT modified its role in giving financial assistance to priority economic sectors as follows:</p> <p>(1) Entrepreneurs, who already received and approval from BOT, continue to receive financial assistance according to the approved amount and terms</p> <p>(2) The BOT Regulation No. FOG 14/2551 regarding financial assistance extended to Small and Medium Enterprises (SMEs) was cancelled to increase their production efficiency dated 14 March 2008</p>	3 June 2008	BOT circular No. BOT.ECD (22) Wor. 1000/2551, dated 3 June 2008

Note: Specialized financial institutions include (1) Small and Medium Enterprise Development Bank of Thailand (SME Bank), (2) Export-Import Bank of Thailand (EXIM), (3) Bank for Agriculture and Agricultural Cooperatives(BAAC), (4) Islamic Bank of Thailand, and (5) Government Savings Bank (GSB)

THE BANK OF THAILAND'S ACTIVITIES

Reserve Management Performance and Note Printing

1. Reserve Management and Operations

During the year 2008, the BOT managed the country's international reserves based on the principle of risk-awareness, safety and sound rationality, as well as liquidity, in order to achieve a desirable return within the investment guidelines and risk profiles set by the Top Management Committee and closely monitored by the Investment Sub-Committee.

To maximize investment returns within acceptable risk and appropriate liquidity, the bank had to closely monitor economic and financial market developments including policy administration to resolve the economic and financial crises by the governments of the countries where the Bank invests in, that can affect asset price movements in order to assess both short and

long-term exchange rates and interest rates trend of major currencies and debt markets that may lead to return enhancing opportunity or reduce financial exposure.

In 2008, major portfolios under the management of the BOT include Liquidity Portfolio, Asian Fund Portfolio and Investment Portfolios. In addition, derivative instruments such as bond futures and short-term interest rate futures were utilized to maximize the reserves management efficiency.

In March 2008 the Bank of Thailand Act (No.4) B.E. 2551 came into effect that allows the Bank to reap the benefit from financial markets development and allow greater diversification via further expansion of the investment universe.

2. Banknote Issue and Management

At the end of 2008, the number of banknotes in circulation was 3,720 million notes, an increase of 9.6 percent compared to the previous year. The value of banknotes in circulation was B954,484.7

million, an increase of 11.7 percent compared to 2007. The volume of circulating banknotes, by denomination, are shown in below :

Table 1 : Banknotes in Circulation

Denomination (Baht)	500000	1000	500	100	60	50	20	10	5	1	0.50	BOT Note 60 Baht
Volume (million notes)	0.000234	701.7	238.6	974.8	11.3	187.5	1,083.7	335.1	39.1	121.2	18.9	8.0

In the year 2008, 20,975 counterfeit banknotes, equivalent to 7 ppm, were detected and seized. The top three counterfeits were

1000-Baht (12,381 notes or 59.0 percent) 100-Baht (3,213 notes or 15.3 percent) and 50-Baht (2,744 notes or 13.1 percent) respectively.

3. Currency Reserve

At the end of 2008, the Currency Reserves were valued at B954,484.7 million, equal to the value of issued banknotes at the time. The assets in Currency Reserves are shown in below :

Table 2 : Assets in Currency Reserves as of 31 December 2008

Description	Value (million baht)	Share (Percent)
1. Foreign currencies	191,452.0	20.1
2. Foreign securities	763,032.7	79.9
Total	954,484.7	100.0

Note : Foreign assets are translated into baht using exchange rate prevailing at balance sheet date. The rates of major foreign exchanges as at December 31, 2008 were 34.926 THB/USD , 48.823 THB/EUR , 51.053 THB/GBP , 0.385 THB/JPY.

4. Banknote Management Group

Note Printing Works

1. Banknote

Total amount produced: 2,745.0 million notes, an increase of 56.8 percent compared to the previous year (1000-Baht: 451.3 million notes, 500-Baht: 266.7 million notes, 100-Baht: 865.0 million notes, 50-Baht: 235.9 million notes, and 20-Baht: 926.1 million notes)

2. Non-banknote Security Products

Revenue stamp - Total amount produced and delivered: 171.0 million items

Excise stamp - Total amount produced and delivered: 102.4 million items

3. Security Ink and Chemical Products

Total amount produced: 382.1 tons, an increase of 18.5 percent compared to the previous year (security ink: 275.7 tons and chemical products: 106.4 tons)

4. Research and Development

Projects launched: 19 projects with concentration on the development of security features as well as efficient detector, quality control, technology-driven design, and ink for longer lifespan of banknotes.

Projects completed: 7 projects

Banknote Strategic Planning and Administration Department

1. Banknote Management Strategies

The strategic directions for the years 2008-2012 have been formulated to achieve excellence in 3 aspects: banknote, operation, and communication. The goals of excellence have been set to ensure the sufficient circulation of high-quality banknotes with efficient counterfeit deterrence features, the high-performance operating schemes for banknote production and management, and the effective communication to gain the public confidence in banknotes as medium of exchange in the Thai economy.

2. International Standard Attainment

Banknote Management Group, successfully expanded the scope of ISO 9001:2000 certification to cover all Banknote Operation Centers across the country in addition to last year's certified banknote production by the Note Printing Works and some Banknote Operation Centers, was officially awarded nationwide certification by the Management System Certification Institute (MASCI) on 12 September 2008.

3. Risk Management

In alignment with the BOT's policies, the Banknote Management Group applies the risk management framework to its operational process from production to distribution of banknotes. Control Self-Assessment (CSA) has been

implemented within the Group to assure adequacy of internal controls and to identify opportunities for improvement.

4. Central Cash Center for Commercial Banks and Financial Institutions

The establishment of the Central Cash Center, under the collaboration between the BOT and the Thai Bankers' Association, is in progress. Guidelines and directions for its operation in 2008-2012 have been launched. The cross-transfer of fit banknotes, via the Banknote Management Group, among Bangkok-based offices of 6 member banks was initiated as a pilot last year. The countrywide cross-transfer of fit banknotes is planned for commercial banks and financial institutions all over the country in early 2009.

Banking Business

1. Cash Management

1.1 Cash received and paid out

In 2008, the BOT by the Banknote Operation - Bangkok Office and Banknote Operation - Regional Office received cash from commercial banks, financial institutions,

government agencies and others totaling B1,756,817.0 million, an increase of 13.9 percent compared to the previous year's end. Cash paid out, on the other hand, totaled B1,838,160.3 million, an increase of 14.1 percent. In sum, cash was paid out (net amount) B81,343.3 million in 2008.

Unit : Million baht

Cash received and paid out	2007	2008	Increase (Decrease)	Percent
Cash received	1,542,622.3	1,756,817.0	214,194.7	13.9
Cash paid out	1,611,401.3	1,838,160.3	226,759.0	14.1
Net cash received (paid out)	(68,779.0)	(81,343.3)		

1.2 Assets transferred to and withdrawn from the currency reserve account

In 2008, assets transferred to the currency reserve account (to increase note in circulation) were, in net amount, B100,000.0 million higher

than assets withdrawn from the currency reserve account (to reduce note in circulation) resulting in an increase of currency reserve assets to B954,484.7 million in 2008.

Unit : Million baht

Currency Reserve	2007	2008	Increase (Decrease)	Percent
Year-end currency reserve	854,484.7	954,484.7	100,000.0	11.70
- Assets transferred to currency reserve account	345,000.0	170,000.0	(175,000.0)	(50.72)
- Assets withdrawn from currency reserve account	285,000.0	70,000.0	(215,000.0)	(75.44)
- Net assets transferred (withdrawn)	60,000.0	100,000.0		

2. Center of Funds Transfer

2.1 Large Value Funds Transfer (BAHTNET)

At the end of year 2008, there were 69 participants in BAHTNET system; these participants comprised of 18 Thai commercial banks, 16 foreign commercial banks, 14 finance companies, finance and securities companies, and securities companies, 13 specialized financial institutions, government agencies and other institutions and 8 the BOT divisions.

The volume of funds transfer through BAHTNET system in 2008 totaled for 1,928,920 transactions, increased from 1,765,566 transactions or by 9.3 percent while the value totaled for B277.47 trillion, increased from B182.37 trillion or by 52.1 percent, compared to the previous year.

The aforementioned transactions can be categorized as follows;

Table 3 : Funds Transfer via BAHTNET System

Transactions	Volume (Transactions)			Value (trillion baht)		
	2007	2008	Δ%	2007	2008	Δ%
Interbank Funds Transfer	148,542	153,442	3.3	89.38	141.10	57.9
Third Party Funds Transfer*	1,614,528	1,772,860	9.8	85.95	128.02	48.9
Multilateral Funds Transfer	2,496	2,618	4.9	7.04	8.35	18.6
Total	1,765,566	1,928,920	9.3	182.37	277.47	52.1

Note : * Includes Securities Settlement

Source : Payment Systems Department, Bank of Thailand

2.1.1 Interbank Funds Transfer recorded the volume of 153,442 transactions with the value of B141.10 trillion, increased from the previous year by 3.3 percent and 57.9 percent respectively.

2.1.2 Third Party Funds Transfer had 1,772,860 transactions with the value of B128.02 trillion, increased from the previous year by 9.8 percent and 48.9 percent respectively.

2.1.3 Multilateral Funds Transfer had 2,618 transactions with the value of B8.35 trillion,

increased from the previous year by 4.9 percent and 18.6 percent respectively.

2.2 Inter-bank Cheque Clearing System

2.2.1 Interbank Cheque Clearing in Bangkok and Metropolitan areas

In 2008, total out-clearing cheques in Bangkok and Metropolitan areas operated via the Electronic Clearing House were 57.83 million items with the value of B33,911.76 billion. Compared to 2007, the volume decreased by 2 percent while

the value increased by 14.9 percent. The average value of out-clearing cheques per item rose by 17.2 percent, from B0.50 million in 2007 to B0.59 million in 2008.

The volume of the returned cheques in Bangkok and Metropolitan areas was 1.14 million items, amounted to B166.28 billion. The volume

and value of returned cheques decreased by 11.9 percent and 7.3 percent from the previous year. The ratio of the volume and value of the returned cheques to out-clearing cheques were 2.0 percent and 0.5 percent respectively, which were lower compared to those in the previous year.

Table 4 : Volume and Value of Interbank cheque Clearing in the Bangkok and Metropolitan Areas operated via ECS

	Volume (items)			Value (million baht)		
	2007	2008	Δ%	2007	2008	Δ%
Cleared Cheques	59,026,343	57,833,406	-2.0	29,524,016.77	33,911,760.64	14.9
Cleared Cheques amount per item	-	-	-	0.50	0.59	17.2
Returned Cheques	1,292,547	1,138,350	-11.9	179,339.56	166,283.42	-7.3
	(2.2)	(2.0)		(0.6)	(0.5)	
Returned Cheques with insufficient fund	844,728	744,095	-11.9	91,246.38	84,226.08	-7.7
	(1.4)	(1.3)		(0.3)	(0.2)	

Note : () represent the proportion of cheque cleared

ECS = Electronic Cheque Clearing System

Source : Payment Systems Department, Bank of Thailand

The volume of the returned cheques due to insufficient fund was 0.74 million items, valued at B84.23 billion. The volume and value of returned cheques with insufficient funds decreased by 11.9 percent and 7.7 percent from the same period last year. The proportions of the volume and value of the returned cheques with insufficient funds to out-clearing cheques were 1.3 percent and 0.2 percent respectively, which were lower compared to those in the previous year.

2.2.2 Intra Provincial Cheque Clearing

In 2008, the intra provincial cheques cleared in 82 clearing areas nationwide were 14.62

million items in volume, with B2,790.52 billion in value. The volume of cheques went down by 2.9 percent from the previous year while the value slightly increased by 4.6 percent.

Throughout the year, the volume of the returned cheques was 0.27 million items, amounted to B34 billion, decreased in volume and value by 14.4 percent and 8.2 percent from the previous year. The ratios of the volume and value of the returned cheques to those of out-clearing cheques were 1.8 percent and 1.2 percent respectively, which were lower compared to those in the previous year.

Table 5 : Volume and Value of Interbank Cheque Clearing in the Provincial Areas Operated via Provincial Cheque Clearing House

	Volume (items)			Value (million baht)		
	2007	2008	Δ%	2007	2008	Δ%
Cleared Cheques	15,055,946	14,623,409	-2.9	2,667,468.98	2,790,518.22	4.6
Returned Cheques	313,786	268,514	-14.4	37,022.95	33,997.12	-8.2
	(2.1)	(1.8)		(1.4)	(1.2)	
Returned Cheques with insufficient fund	207,728	176,399	-15.1	17,130.80	17,091.27	-0.2
	(1.4)	(1.2)		(0.6)	(0.6)	

Note : () represent the proportion of cheque cleared

Source : Payment Systems Department, Bank of Thailand

The volume of returned cheques due to insufficient funds, were 0.18 million items with the value of B17.09 billion. The volume and value decreased from the previous year by 15.1 percent and 0.2 percent respectively. The proportion of the volume of the returned cheques with insufficient funds to those of the out-clearing cheques decreased from last year by 1.2 percent while the value was stable at 0.6 percent.

2.2.3 Inter Provincial Cheque Clearing

The volume of the inter provincial cheques clearing operated via the Electronic Clearing House was 6.67 million items, amounted

to B372.82 billion. The volume and value increased by 0.3 percent and 7.9 percent respectively.

Throughout the year, the volume of the returned cheques was 0.28 million items with the value of B18.20 billion. The volume of returned cheques decreased by 6.3 percent while the value increased by 2.7 percent from the previous year. The ratios of the volume and value of the returned cheques to those of out-clearing cheques were 4.3 percent and 4.9 percent respectively, which were slightly lower compared to those in the previous year.

Table 6 : Volume and Value of Bill for Collection (B/C) operates via BOT

	Volume (items)			Value (million baht)		
	2007	2008	Δ%	2007	2008	Δ%
Cleared Cheques	6,649,433	6,670,757	0.3	345,680.81	372,821.59	7.9
Returned Cheques	303,038	284,027	-6.3	17,715.86	18,197.76	2.7
	(4.6)	(4.3)		(5.1)	(4.9)	
Returned Cheques with insufficient fund	246,774	228,211	-7.5	13,591.21	13,687.00	0.7
	(3.7)	(3.4)		(3.9)	(3.7)	

Note : () represent the proportion of cheque cleared

Source : Payment Systems Department, Bank of Thailand

Total returned cheques due to insufficient funds were 0.23 million items, valued at B13.69 billion. The volume decreased by 7.5 percent while the value increased from the previous year by 0.7 percent. The proportions of the volume and value

of the returned cheques with insufficient funds to out-clearing cheques were 3.4 percent and 3.7 percent respectively, which were lower compared to those in the previous year.

3. Banker to the Government

Repository of Government's and government agencies' funds

At the end of 2008, balance in the treasury reserve account held with the BOT decreased by 5.1 percent compared to the previous year's end, while balance in the government agencies' and

public organizations' accounts held with the BOT and increased by 44.7 percent compared to the previous year's end.

Unit : Million baht

Account Balance	2007	2008	Increase (Decrease)	Percent
Treasury Reserve	55,692.3	52,878.3	(2,814.0)	(5.1)
Government agencies and public organizations	8,645.4	12,511.6	3,866.2	44.7

4. Banker to Commercial Banks and Financial Institutions

Repository of banks' and other financial institutions' funds

Balance in banks' and financial institutions' accounts held with the BOT at the end of 2008 increased by 19.3 and 494.1 percent, respectively, compared to the previous year's end, while balance

in others' accounts decreased by 8.3 percent compared to the previous year's end.

Balance in financial institutions' accounts increased by 494.1 percent mainly because of the deposit of clearing cheques.

Unit : Million baht

Account Balance	2007	2008	Increase (Decrease)	Percent
Banks	52,738.2	62,905.2	10,167.0	19.3
Financial Institutions	32.4	192.5	160.1	494.1
Others	33,598.6	30,805.9	(2,792.7)	(8.3)

5. Monetary Operations

5.1 Holding of Public Sector Bonds

As of end-2008, the BOT's holding of public sector bonds increased slightly from end-2007, due to the purchase of government bonds in excess of maturing bonds for the purpose

of monetary policy implementation. However, the BOT sold back Financial Institutions Development Fund (FIDF) bonds by more than the amount purchased during the year.

5.2 Securities Position Adjustment Facility

The Securities Position Adjustment Facility was established as a privilege to outright primary dealers with the aim to support their market making activities. Through this facility and at the charge equivalent to the policy rate plus 150 basis points, primary dealers can temporarily acquire specific bonds to deliver to their counterparties. As of end-2008, three issues of government benchmark bonds, as specified by the Thai Bond Market Association, were on offer through this window. In 2008, however, there was no transaction undertaken through this facility.

5.3 Issuance of Bank of Thailand Bonds (BOT Bonds)

In 2008, the BOT continued to issue the BOT bonds to both institutional and retail investors. In particular, three additional issues of the BOT bonds were introduced to institutional investors to help meet market demand and facilitate liquidity management of the BOT. They include discount instruments of 1-month and 2-month maturities and 3-year fixed-coupon bonds. At the same time, the BOT issued savings bonds with 4-year and 7-year maturities to retail investors.

During the second half of 2008, the BOT raised the issue sizes of short-term the BOT bonds while reducing the issue sizes of 1-year, 2-year and 3-year bonds. This was to ensure that the maturity structure of the BOT bonds matched market demand for higher flexibility in short-term liquidity management during the time when bond yields were fairly volatile.

5.4 Bilateral Repurchase Transactions with Primary Dealers (BRP Transactions)

In order to facilitate the closure of the BOT-operated repurchase market as well as to foster the development of private repurchase

market, the BOT increased its BRP transactions while gradually reducing the amount of transactions conducted via the BOT-operated repurchase market until its closure on 13 February 2008. As a result, the BRP volume in 2008 rose to 3.8 times the volume in the previous year.

5.5 The Bank of Thailand's Debt Security Window

The BOT's Debt Security Window was launched on 13 February 2008, to enhance the central bank's liquidity absorption capacity and hence the ability to ensure that short-term money market interest rates could still be kept consistent with the policy interest rate stipulated by the Monetary Policy Committee after the closure of the BOT-operated repurchase market. Through this window, member financial institutions can deposit money with the BOT while receiving debt securities of various specified maturities in return.

In due course, the BOT will modify this window into a deposit facility.

5.6 End-of-Day Liquidity Adjustment Window

The End-of-Day Liquidity Adjustment Window is the facility used by the BOT to limit short-term interest rates within a specified interest rate corridor. Under normal circumstances, the interest rate charged on the use of this facility is the policy rate plus or minus 50 basis points per annum for the case where the BOT provides or absorbs liquidity, respectively.

However, during the three months following the closure of the BOT-operated repurchase market, the BOT temporarily narrowed the width of the interest rate corridor by setting the interest rate charged on the use of this facility at the policy rate plus or minus 25 basis points per annum. This adjustment was made to assist financial institutions during the transition period. After those

three months, however, the BOT and assessed that market participants had already adjusted well to the new market setup and, as a result, deemed it appropriate to return to the interest rate charge equivalent to the policy rate plus or minus 50 basis points as before.

In 2008, most of the transactions through this window were lendings to the BOT.

5.7 Developments of the Reform of the Bank of Thailand's Monetary Operation Framework

The BOT launched the first phase of the BOT monetary policy operation framework reform on 17 January 2007, with the switching of the monetary policy operating target (the policy rate) from the 14-day repurchase rate to the 1-day repurchase rate as well as the synchronization of the reserve maintenance periods with Monetary Policy Committee (MPC) dates.

In 2008, the BOT carried on the second phase of the reform, the integral part of which was the closure of the BOT-operated repurchase market from 13 February 2008 onwards. The objectives of the closure include the enhancement of the effectiveness of monetary policy transmission, increased transparency of monetary policy implementation, and conformity with international practice. Moreover, the closure facilitated the development of the money market.

Due to early preparations for the reform, the BOT's liquidity management following the closure of the BOT-operated repurchase market went on smoothly. As a result, short-term money market interest rates were kept well in line with the policy rate.

6. The Development of Financial Market

6.1 Take part in various committees that spearheading the development of financial markets

(1) Being a member in the Thai Capital Market Development Committee and the Domestic Bond Market Development Sub-committee founded by the Government and the Ministry of Finance, respectively. The first committee had achieved its task in drawing up a comprehensive capital market development roadmap, including both equity and bond markets, while the second committee had also delivered a plan to further develop the domestic bond market in the steps forward. During the year the second committee had also achieved part of its plans in successfully increasing the issue size of benchmark bonds and arranging a more systemic primary auction calendar, both of which are deemed important factors for the secondary market liquidity.

(2) Joining in the main committee and working committees to sketch up the Financial Sector Master Plan Phase II (FSMP II), focusing particularly on the market and liquidity risk management mechanisms of commercial banks.

6.2 Conduct studies on issues relevant to financial market development, namely, Islamic Finance, the Issuance of Inflation Index Linked Bond, as well as the system of trading When-Issued.

Purpose of the study on Islamic Financing was to establish a financial system that complies with Islamic principles, and prepare for the issuance of Islamic bonds by the government. The study on the issuance of Inflation Index Linked Bond supports potential needs by the Ministry of Finance to develop new financial instruments to suit the financial environment, whereas the When-Issued

trading provides a price discovery tool for large-scale government bond auction.

6.3 Arrange the education and training programs for market participants

Training program on Private Repo was arranged to further broaden and deepen the market and an article on "Bills of Exchange" was published on the BOT WebSite, to provide knowledge and understanding on Bills of Exchanges (B/E) to a

larger group of people. The article on B/E was written basically in accordance with market environment where B/E had been very popularly marketed to retail investors as an alternative to deposits in 2008.

6.4 Improve the data reporting

Bond trading data report format was reviewed to strengthen the analyzing ability of the BOT.

7. The Bank of Thailand's Financial Assistance to Priority Economic Sectors in 2008

On June 3, 2008, the BOT announced a change in its role in providing financial assistance, through financial institutions, to priority economic sectors. The change was made so as to be in line with the duties which ought to be of the central bank according to the BOT Act B.E. 2485 and amended by the BOT Act (No.4) B.E. 2551, which came into effect on March 4, 2008. The BOT would no longer provide soft loans to new borrowers, but would continue lending to existing borrowers up until the termination date of each lending program.

At the end of 2008, only 4 lending programs remained with a total credit line of B69,436.7 million. Total lending approved by the BOT to financial institutions in 2008 was B34,966.7 million, while total loan outstanding as at end of 2008 registered B22,395.7 million, a decline of 67.2 percent from the end of 2007. Total loans disbursement in 2008 amounted to B183,071.2 million, a decrease of 36.8 percent from the previous year. Details are as follows:

Table 7 : Financial Assistance Programs in 2008

Unit : Million baht

Program	Credit Line	Approved Lending	Loan Outstanding
Lending to SMEs	38,000.0	10,129.5	4,500.2
Lending to Entrepreneurs Affected by Violence in the Three Southern Border Provinces	25,736.7	21,962.6	16,133.8
Lending to Entrepreneurs in Songkhla and Satun Provinces Affected by Violence in the Three Southern Border Provinces	3,000.0	2,245.3	1,514.1
Lending to SMEs Affected by the Appreciation of the Baht	2,700.0	629.3	247.6
Total	69,436.7	34,966.7	22,395.7

7.1 Regular Lending Program

The BOT's regular lending program provides credit facilities to SMEs through financial institutions. In 2008, the BOT approved lending to financial institutions for on-lending to SMEs altogether B10,129.5 million. Loans disbursement totaled B101,606.9 million, a decrease of 20 percent from the previous year. The total loan outstanding as at end of 2008 stood at B4,500.2 million, falling 76.1 percent from the end of 2007.

7.2 Emergency Lending Programs

In 2008, the BOT's financial assistance consisted of 5 emergency lending programs, details of which are as follows:

(1) Lending to Entrepreneurs Affected by the Outbreak of Avian Flu was a program in existence since 2004. The program was terminated on June 30, 2008 with total loans disbursement since the beginning of the year totaling B2,336.6 million.

(2) Lending to Entrepreneurs Affected by the Tsunami in the Six Southern Provinces was a program put in place since January 2005. This program aimed to assist entrepreneurs that have been directly or indirectly affected by the Tsunami. The program was terminated on February 29, 2008,

with total loans disbursement since the beginning of the year amounting to B12,832 million.

(3) Lending to Entrepreneurs Affected by the Ongoing Violence in the Three Southern Border Provinces focused on entrepreneurs in the three southern provinces that have been affected by social turmoil and violence. With the BOT's approved lending to financial institutions of B21,962.6 million, the program's lending balance as at end of 2008 amounted to B16,133.8 million. Loans disbursement during the year totaled B54,707.3 million.

(4) Lending to Entrepreneurs in Songkhla and Satun Provinces Affected by the Ongoing Violence in the Three Southern Border Provinces Program had an approved lending in 2008 of B2,245.3 million. Loans disbursement totaled B10,532.4 million, while the outstanding lending balance at end of 2008 stood at B1,514.1 million.

(5) Lending to SME Entrepreneurs Affected by the Appreciation of the Baht started in August 2007. In 2008, the BOT approved lending in an amount of B629.3 million while loans disbursement during the year amounted to B1,056 million. As at end of 2008, the program had an outstanding lending balance of B247.6 million.

Table 8 : The BOT's Financial Assistance to Priority Economic Sectors in 2008

Unit: Million baht

Program	2007		2008		Change	
	Accumulative	Outstanding	Accumulative	Outstanding	Accumulative	Outstanding
	Value	at year-end	Value	at year-end	Value	at year-end
	(1)	(2)	(3)	(4)	(3) - (1)	(4) - (2)
1. Regular Lending Program						
- Lending to SMEs	127,014.3	18,795.7	101,606.9	4,500.2	-25,407.4	-14,295.5
2. Emergency Lending Programs						
2.1 Lending to Entrepreneurs Affected by the Outbreak of Avian Flu	27,100.5	7,639.0	2,336.6	0.0	-24,763.9	-7,639.0
2.2 Lending to Entrepreneurs Affected by the Tsunami	74,981.5	23,777.3	12,832.0	0.0	-62,149.5	-23,777.3
2.3 Lending to Entrepreneurs Affected by Violence in the Three Southern Border Provinces	50,704.9	16,487.7	54,707.3	16,133.8	4,002.4	-353.9
2.4 Lending to Entrepreneurs in Songkhla and Satun Provinces Affected by Violence in the Three Southern Border Provinces	9,854.9	1,517.6	10,532.4	1,514.1	677.5	-3.5
2.5 Lending to SMEs Affected by the Appreciation of the Baht	153.3	142.9	1,056.0	247.6	902.7	104.7
Total	289,809.4	68,360.2	183,071.2	22,395.7	-106,738.2	-45,964.5

Acting as Agent of the Government

1. Exchange Control

1.1 Issuance of Ministerial Regulations, Notifications, and Notices related to exchange control regulations

In 2008, the following Ministerial Regulation, Notifications of the Ministry of Finance, and Notices of the Competent Officer related to exchange control regulations were issued:

1.1.1 Ministerial Regulation No. 26 (B.E. 2551) issued under the Exchange Control Act B.E. 2485 dated 24 January 2008 and Notification of the Ministry of Finance on Exchange Control (No. 2) dated 1 February 2008 to extend the period within which foreign currency proceeds from exports and other sources shall be acquired up to 360 days. Such foreign currencies shall be sold or deposited with an authorized financial institution within 360 days.

1.1.2 Notification of the Ministry of Finance on Directions of the Minister to Authorized Financial Institutions (No.7) dated 1 February 2008 and Notice of the Competent Officer on Rules and Practices regarding Currency Exchange (No. 15) dated 4 February 2008 to broaden the scope and raise the limit of investment in and lending to affiliated business abroad, to increase the limit for purchasing immovable properties abroad, and to relax the regulations regarding foreign currency deposit accounts.

1.1.3 Notice of the Competent Officer on Rules and Practices regarding Currency Exchange (No. 17) dated 29 February 2008 to lift the

Unremunerated Reserve Requirement and to amend the rules and practices regarding non-resident Baht accounts.

1.1.4 Notification of the Ministry of Finance on Exchange Control (No.3) dated 20 November 2008 and Notice of the Competent Officer on Rules and Practices regarding Currency Exchange (No. 18) dated 16 December 2008 to allow purchase and sale of gold derivatives in domestic futures exchange and Over-the-Counter (OTC) market. Such gold derivatives shall be in compliance with the Derivatives Act. Trading index derivatives related to gold in the domestic OTC market requires the BOT's prior approval except for inter-bank trading.

1.2 Inspection on proceeds of exports

In 2008, total export value amounted to US\$177,889.5 million, increased by 17.0 percent from last year. The export proceeds totaled US\$171,424.4 million, an increase of 26.2 percent from the previous year. The proceeds were either in Baht from NRBA or in foreign currency which were either deposited in the foreign currency accounts or exchange into Baht. The proceeds are used for loan repayment to authorized financial institutions, or for payment of obligations to nonresidents. Total export proceeds accounted for 96.4 percent of the total export value while the difference resulted from netting transactions and exported goods that are exempt from acquiring foreign currencies.

Table 9 : Export Value VS Receipt of Export Proceeds

Unit : Million of USD

	2007	2008 ^{E/}
1. Export *	152,097.7	177,889.5
Δ%	17.2	17.0
2. Foreign currency received from exports	135,867.0	171,424.4
Δ%	19.9	26.2

Note : * Total value of export

E = Estimated

Source : Customs Department, Bank of Thailand

2. Foreign Exchange Transactions and Net Foreign Exchange Positions of Authorized Financial Institutions, Authorized Money Changer, Money Transfer Agent and Authorized Company

2.1 Authorized Financial Institutions

2.1.1 Number of Authorized Financial Institutions

At year-end 2008, the number of authorized financial institutions totaled 39, consisting of 18 commercial banks registered in Thailand, 16 foreign bank branches and 5 specialized financial institutions, namely, The Export-Import Bank of Thailand, Islamic Bank of Thailand, The Government Savings Bank, Small and Medium Enterprise Development Bank of Thailand and Bank for Agriculture and Agricultural Cooperatives. In 2008, the number of financial institutions decreased by one bank, namely Bank of Nova Scotia which was closed down.

2.1.2 Volume of Transactions

In 2008, the purchase and sale of foreign currencies from and to customers amounted to US\$403,440.0 and US\$389,143.2 million, an increase of 45.2 and 48 percent respectively from the previous year. The purchase and sale of foreign currencies other than foreign trade increased by 55.9 and 53.0 percent respectively due to the increase of the Non-Resident's foreign exchange transaction by 100 percent for position adjustment. In 2008, total purchase volume exceeded sale by US\$14,296.8 million, a decrease of 3.9 percent from the previous year, resulting from the percentage of selling of foreign currencies to importers increased more than the percentage of buying of foreign currencies from exporters.

Table 10 : Purchase and Sale of Foreign Currencies from/to Customers

Unit : Million US\$

	2007	2008 ^{P/}	Δ%
Purchase	277,825.0	403,440.0	45.2
Export	102,017.0	129,296.7	26.7
Other	175,808.0	274,143.3	55.9
Sale	262,943.0	389,143.2	48.0
Import	98,234.0	137,087.7	39.6
Other	164,709.0	252,055.5	53.0
Net Purchase (Sale)	14,882.0	14,296.8	-3.9
Foreign Trade	3,783.0	(7,791.0)	-305.9
Other	11,099.0	22,087.8	99.0

Note : P = Preliminary data

Source: Based on Data set received from authorized financial institutions

2.1.3 Foreign Exchange Positions

As of year-end 2008, authorized financial institutions held a net long foreign currency position of US\$429.0 million. Their long spot position was at US\$10,842.0 million and short forward position was US\$10,413.0 million. As a result of, the further appreciation of foreign currency therefore financial institutions need to hold a net foreign exchange position increase form the previous year.

Table 11 : Foreign Currency Position of Authorized Financial Institutions

Unit : Millions US\$

	End - 2007 (-Short)	End - 2008 ^{P/} (-Short)	Δ%
1. Spot Position	23,182.0	10,842.0	-53.2
Assets	33,998.0	24,906.0	-26.7
Liabilities	10,816.0	14,064.0	30.0
2. Forward Position	-23,091.0	-10,413.0	-54.9
Bought	118,898.0	120,569.0	1.4
Sold	141,989.0	130,982.0	-7.8
3. Net Position (1+2)	91.0	429.0	371.4

Note : P = Preliminary data

Source : Based on Data set received from authorized financial institutions.

2.2 Authorized Money Changer, Money Transfer Agent and Authorized Company

Table 12 : Transaction Volume of Foreign Exchange through Authorized Money Changers, Money Transfer Agents and Authorized Company at end-December 2008^{E/}

Type	Amount		Change from Previous Year		Purchase/ Remittance Volume		Sales/ Remittance Volume	
	No.	Branch	No.	Branch	Million US\$	Δ%	Million US\$	Δ%
	Authorized Money	750	-	79	-	594.53	7.14	594.01
Money Transfer								
Agency	2	1,220	-	13	202.49	26.54	29.63	18.85
Authorized Company	1	-	-	-	0	0	1.02	9.68

Note : Δ% represents the percentage change from the same period of the previous year.

E = Estimated

At end-2008, there were 750 authorized money changers regulated by the BOT (371 by Head Office, 279 by Southern Region Office, 81 by Northern Region Office, and 19 by Northeastern Region Office), increased by a total of 79 from previous year. There were consisted of 114 newly licenses and 35 returned licenses. The BOT continually hold public seminar for interested entrepreneurs resulted in increasing numbers of applications.

In 2008 there were 2 (1,220 branches) money transfer agents regulated by the BOT (463 by the Head Office, 206 by the Southern Region Office, 243 by the Northern Region Office, 308 by the Northeastern Region Office), an increase of 13 branches from previous year.

In 2008, there was only one authorized company as previous year.

3. Public Debt Management

3.1 Outstanding, issuance, redemption and coupon payment

(1) Outstanding, issuance and redemption

Unit : Million baht

Types of Securities	Outstanding (as of 31-Dec.-07)		Issuance		Redemption ^{1/}		Outstanding (as of 31-Dec.-08)	
	No. of issue	Value	No. of issue	Value	No. of issue	Value	No. of issue	Value
Government Bonds ^{2/}	99	1,759,902.0	11	228,132.0	4	137,464.7	106	1,850,562.0
State Owned Enterprise Bonds	293	342,275.3	96	99,205.3	50	62,373.3	339	379,107.3
Bank of Thailand Bonds	30	1,351,405.0	174	9,272,384.0	162	9,232,124.0	42	1,391,665.0
FIDF Bonds	9	243,794.6	1	60,000.0	5	137,000.0	5	166,794.6
IFCT Bonds	1	650.0	-	-	-	-	1	650.0
Treasury Bills	43	114,000.0	133	421,000.0	147	454,000.0	29	81,000.0
Total	475	3,812,026.9	415	10,080,721.3	368	10,022,962.0	522	3,869,778.9

1/ In 2008, the BOT conducted principal payment totaling B14.75 million for 3 issues of specific-purposed government loan bonds

Government Bond in Fiscal Year B.E. 2511/2 1.52 million baht

Government Bond for educational provision of private nonformal education schools 6.48 million baht

Government Bond for vocational education development 6.75 million baht

2/ including government bonds issued in foreign currency into Thai baht by using adjusted rate every year.

(2) Coupon Payment

Unit : Million baht

Types of Securities	Coupon Payment	
	No. of payment	Value
Government Bonds	174	97,773.6
State Owned Enterprise Bonds	616	18,083.7
Bank of Thailand Bonds	32	23,710.4
FIDF Bonds	10	7,761.8
IFCT Bonds	2	50.7
Total	834	147,380.2

3.2 Outstanding value classified by holders as of December 31st 2008

Unit : Million baht

Types of transfer	Value
Bank of Thailand	4,139.0
Commercial Banks	1,048,568.4
Finance Companies	937.9
Others	2,816,133.6
Total	3,869,778.9

3.3 In 2008, totaling 8,568 ownership transfer transactions valued B73,180.4 million

Unit : Million baht

Types of transfer	No. of transaction	Value
From trading	5,564	33,380.1
Others	3,004	39,800.3
Total	8,568	73,180.4

3.4 Collecting fee for debt securities management in 2008

Unit : Million baht

Types of Securities	No. of Issue	Value
Government Bond ^{1/}	106	310.1
State Owned Enterprise Bonds	342	12.4
FIDF Bonds (Savings)	2	7.4
Treasury Bills	133	42.1
IFCT Bonds ^{2/}	1	-
Total	584	372.0

Note : 1/ including collecting fee for specific-purposed government loan bonds (US\$-denominated) worthed 609.60 baht.

2/ collecting fee for IFCT bonds worthed 30,000 baht.

3.5 Tax withheld from interest payment and submitted to the Revenue Department in 2008 (Head Office Only)

Unit : Million baht

Types of Taxes	No. of transaction	Value
Corporate income Tax	12,804	916.0
Personal Income Tax	538,723	3,309.1
Total	551,527	4,225.1

3.6 Deposit and withdrawal of debt securities

Unit : Million baht

Types of Accounts	No. of transaction	Value
Account deposited		
Account at TSD	1,105	281,342.6
RP Account	5	3,361.0
ILF Account	7	11,565.1
Total	1,117	296,268.6
Account withdrawn		
BOT-BE	-	-
TSD	13,958	1,872,639.3
RP	60	69,626.5
ILF	33	22,066.6
Total	14,051	1,964,332.3
Grand Total	15,168	2,260,600.9

3.7 Special Issue Government Savings Bonds, FY. B.E. 2551

The BOT served as a registrar and paying agent for the Special Issue Government Savings Bonds, FY. B.E. 2551.

The totaling issuance value of 2-year bonds worth B12,000 million. Par value per unit was 10,000 baht. The selling conducted between 2-11 April 2008 by selling agent banks.

4. Financial Institutions Supervision Policies

4.1 The enactment of financial laws and the issuance of the Bank of Thailand's notifications to serve the Financial Institutions Businesses Act B.E. 2551 (2008)

(1) Deposit Protection Act B.E.2551 (2008)

The Deposit Protection Act B.E.2551 (DPA), which replaces the blanket deposit guarantee, in place since 1997, became effective on 11 August 2008. The DPA aims to establish a deposit protection mechanism and enhances the safety and soundness of the financial institution system. The salient features of the DPA are as follows:

(1.1) The Deposit Protection Agency (Agency), established as a government organization, is responsible for making compensations to depositors as well as managing intervened financial institutions, including the liquidation process of failed financial institutions.

(1.2) Membership of the Agency is compulsory for Thai commercial banks, branches of foreign commercial banks, finance companies and credit foncier companies. The members are required to pay premium to the Agency at the rate not exceeding 1 percent per annum of average insured deposits as prescribed in the Royal Decree. (The rate currently prescribed in the Royal Decree

is 0.4 percent). The rate imposed on members may differ, depending on the financial institution type and performance.

(1.3) Protected deposit accounts must be in Thai baht and opened in Thailand. Non-resident baht accounts are excluded.

(1.4) The maximum coverage is set at 1 million baht per depositor per institution (including all accounts). For the amount exceeding such coverage, the depositor is able claim on such financial institution's assets. The law prescribes that the limited coverage deposit insurance will be phased-in during the first 4 years, to allow banks and depositors to adjust to the new framework.

Accordingly, the full coverage remains in the first year of the enforcement of the DPA, with the amount reducing to 100 million, 50 million, 10 million and finally 1 million baht in each of the four subsequent years, respectively.

However, in order to enhance the depositors' confidence and to prevent liquidity problems that may arise from cross-border capital movements, resulting from global financial turmoil, on 28 October 2008, the Cabinet decided to extend the current full coverage to cover the first 3 years of the enforcement of the DPA. The amended coverage details are as follows:

Table 13 : Deposit Protection Phase-in Schedule

Year	Period	The coverage under the DPA	The coverage under the Cabinet's resolution on 28 October 2008
1	11 August 2008 - 10 August 2009	Full coverage	Full coverage
2	11 August 2009 - 10 August 2010	100 million baht	Full coverage
3	11 August 2010 - 10 August 2011	50 million baht	Full coverage
4	11 August 2011 - 10 August 2012	10 million baht	50 million baht
5	From 11 August 2012	1 million baht	1 million baht

(2) Financial Institutions Businesses Act B.E.2551 (2008)

The Financial Institutions Businesses Act B.E.2551 (FIBA), which became effective on 3 August 2008, aims to strengthened financial supervisory framework of financial institutions and enhances the efficiency of the framework by unifying the former laws, namely the Commercial Banking Act B.E.2505 (1962) and the Act on the Undertaking of Finance Business, Securities Business, and Credit Foncier Business B.E. 2522 (1979). Moreover, FIBA further strengthened the framework in the following key areas:

(2.1) Prudential measures

(2.1.1) The FIBA empowers the BOT to supervise financial institutions on consolidated basis, to ensure that risk impact of the financial group on the commercial bank's safety and soundness can be supervised on a consolidated basis, in line with international standards, while prescribing clearly the permitted scope of business of the financial group.

(2.1.2) The capital requirement regulation pertaining to Basel II, covering key risks namely credit, market, and operational risk, is also enhanced in FIBA, to ensure adequacy of capital

and risk management of financial institutions, commensurate with their risks. FIBA prescribes standards for capital adequacy and risk management assessment, while placing emphasis on role of supervisory review and market discipline in prudential supervision.

(2.2) Efficiency

FIBA enhances the efficiency of financial institutions by prescribing a more flexible branching regulation so as to allow financial institutions to adjust branch network efficiently to meet their strategy. Outsourcing provision is also prescribed to enable sourcing of services and technology from local and foreign suppliers.

(2.3) Good Governance

Both qualifications and responsibilities of financial institutions' directors are prescribed in the FIBA together with criminal sanctions in cases of fraudulent conduct.

(2.4) Fair Consumer Treatment

Under FIBA, financial institutions are required to systematically disclose material information to facilitate consumer decision-making, including information to facilitate price comparisons. Furthermore, the limit of the guarantor's liability on the principal debt guaranteed is imposed as a result of this law.

(2.5) Macro-Prudential

FIBA empowers the BOT to implement measures necessary to safeguard the stability of the financial system as well as the economic stability, for example, the BOT is empowered to prescribe the sectoral credit limits to complement the conduct of monetary policy to safeguard economic stability.

(3) Rules and regulations issued under the Financial Institutions Businesses Act B.E. 2551 (2008)

The BOT issued 104 regulations in line with FIBA, in place of 501 regulations prescribed under former banking laws which have been repealed, effective on 4 August 2008.

The essence of the majority of the revised regulations remains unchanged. However, some regulations and guidelines have been prescribed according to the new provisions in FIBA or modified to be in line with the current economic conditions. The substantial changes can be summarised as follows:

(3.1) Corporate Governance for Financial Institutions

The BOT has revised key issues; for example, a financial institution needs to seek BOT's approval prior to an appointment of a director, a manager, a person with management authority or an advisor. Moreover, the BOT has also revised the definition of an executive director and qualifications of independent directors in accordance with the related regulation of Securities and Exchange Commission.

(3.2) Credit Risk

The key revisions made are as follows:

(3.2.1) Large Exposure (Single Lending Limit : SLL)

The large exposure limit prescribed for any person is still at 25 percent of financial institution's capital. There are, however, a number of changes made, including: the scope of debtor's related parties is expanded; capital base for the calculation of large exposure is changed to total capital; an exemption is given for low-risk transactions; and guideline for treatment of debtors with credit guarantees (non-credit derivatives transactions) is prescribed.

(3.2.2) Transactions with Major Shareholders or Related Businesses with Beneficial Interest (Related Lending)

The majority of ceilings and ratios prescribed for transactions conducted with major shareholders or related businesses (Related Lending) remain unchanged. The BOT has, however, adjusted some regulations so as to be consistent with the revised guidelines on large exposure, including, adjusting the definition of capital base for the purpose of ratio calculation to total capital, while all types of contingent liabilities have now been included in the calculation.

(3.2.3) Executing the Personal Guarantee Contract

In executing personal guarantee agreement, the BOT has stipulated the requirement that financial institutions to clearly define the principal amount in personal guarantee contract and to inform the guarantor if financial institutions are unable to settle with default debtor within 6 months from the default date.

(3.3) Operational Risk

(3.3.1) Commercial Bank Branch Operation

The BOT has revised the key policies and procedures concerning commercial bank branch operation, such as a general permission given to a "Qualified Bank" to establish branches without prior approval from the BOT. To be considered a qualified bank, a bank has to meet the conditions set by the BOT regarding composite rating, corporate governance and a minimum capital requirement. Moreover, other regulations regarding branch operations have also been relaxed to facilitate banking operations.

(3.3.2) Outsourcing

The BOT has amended the outsourcing regulations to classify outsourcing activities into 3 main groups:

(1) Material Activities: Financial institutions must seek an approval from the BOT before outsourcing activities considered material, except for ones that have been generally permitted in the notification.

(2) Non-Material Activities: The BOT permits financial institutions to outsource any non-material functions to external service providers with conditions set in the outsourcing regulations.

(3) Non-Outsourcing Activities: For this type of activities, financial institutions can use external service providers without being considered as outsourcing and without prior approval from the BOT. This is provided that they have in place internal control process to oversee the external service provider, as financial institutions remain fully responsible for any outsourced activities undertaken by external service providers.

(3.3.3) Regulations on Interest, Discount, Service Charges and Fines

With an aim to ensuring fair consumer treatment, the BOT requires financial institutions to notify each depositor by letter at least 30 days before collecting a maintenance fee for a deposit account which shows no activity for a specified period, and its outstanding balance is lower than a required minimum. At the same time, the 0.5 percent ceiling on additional special interest rate for deposits has been removed to enhance business flexibility.

(3.4) Scope of derivatives transaction

To support the development of the financial market, the BOT expanded the scope of derivatives transactions that banks may undertake

to allow for more complex structure as well as underlying variables. The amended scope was undertaken with due care accorded to ensuring existence of appropriate supporting framework such as legal and accounting frameworks, appropriate risk-based prudential regulation. Importantly, the BOT places emphasis on the bank's risk management which must be commensurate with the risk from such derivatives, as well as the roles and responsibilities of the banks' Board of Director and senior managements in overseeing the effectiveness of the risk management process. In addition, the bank is required to have appropriate product program for every derivatives, as well as to perform client suitability analysis as prescribed by the BOT.

4.2. Preparation for the implementation of Basel II

In 2008, the BOT continued with preparation for the implementation of Basel II set to apply to all banks from the end of 2008, the key progress included:

(1) The recognition of external credit assessment institutions (ECAIs) and rating mapping

The BOT has issued a circular allowing banks to use ratings from 5 ECAIs, namely (1) Standard & Poor's (2) Moody's Investors Service (3) Fitch Ratings (4) Fitch Ratings (Thailand) and (5) TRIS Rating, to calculate credit risk-weighted assets under the Standardised Approach (SA).

(2) Parallel calculation

Banks have started to report their quarterly parallel calculation results from the end of 2007. The parallel calculation takes 1 year for banks adopting the Standardised Approach (SA) or the Foundation Internal Ratings-Based Approach (FIRB) and for 2 years for banks adopting the Advanced Internal Ratings-Based Approach (AIRB)).

(3) Issuance of the BOT Notifications on Basel II Supervisory Regulation

On 27 November 2008, the BOT issued a set of BOT Notifications on capital adequacy regulation under Basel II, which comprised 11 notifications as follows:

(3.1) Regulation on capital adequacy for commercial banks

(3.2) Composition of capital funds for locally incorporated banks

(3.3) Composition of capital funds for branches of foreign banks

(3.4) Regulation on credit risk-weighted asset calculation under the Standardised Approach (SA) for commercial banks

(3.5) Regulation on credit risk weighted asset calculation under the Internal Ratings-Based Approach (IRB) for commercial banks

(3.6) Regulation on credit equivalent amount calculation for OTC derivatives

(3.7) Regulation on credit risk-weighted asset calculation for failed trades and Non-delivery versus payment (Non-DvP) transactions for commercial banks

(3.8) Regulation on market risk and the minimum capital requirement for market risk for financial institutions

(3.9) Regulation on minimum capital maintenance for operational risk

(3.10) Public disclosure of capital maintenance for commercial banks

(3.11) Data submission to the BOT

(4) Enhancing knowledge on capital adequacy regulation under Basel II

The BOT has continued to enhance knowledge on capital adequacy regulation under

Basel II for both internal and external stakeholders to prepare for the Basel II implementation by:

(4.1) Providing courseware on the capital adequacy regulation under Basel II.

The electronic interactive multimedia courseware, contained in CD-ROM, is continued from 2007, and is aimed to broaden knowledge and understanding of participants in the financial industry about capital adequacy regulation under Basel II.

(4.2) Arranging trainings for both internal and external stakeholders.

For 2009, the BOT will continue to work on Basel II related guidelines in preparation for issuing additional related regulations. Moreover, to further enhance public knowledge of Basel II, the BOT plans to develop additional courseware on credit risk-weighted asset calculation under the Internal Ratings-Based Approach (IRB) and also to provide Basel II knowledge to related parties under the new Financial Institutions Businesses Act.

4.3 The Financial Sector Master Plan Phase II (2009-2013)

The BOT has begun working on the second phase of Financial Sector Master Plan (FSMP) in 2007, as the Phase I of the plan which began in 2004 draws into completion in 2008. The Phase II of the plan is a continuation from Phase I, aimed at laying out a medium-term financial system development plan, taking into account the evolving financial environment and landscape that are driving changes in financial business models and intensifying competition. The aim of Phase II is to strengthen financial system efficiency, enhance competitiveness, and widen and deepen financial access to improve financial inclusion.

The formulation process of the FSMP Phase II involved SWOT assessment of the system subsequent to FSMP Phase I, including analysis of changing economic and financial environment, trends in driving forces such as technology, international supervisory standards, and assessing Thailand's financial institutions system against international benchmarks. Importantly, the process places emphasis on input from stakeholders, which is achieved through focus group meetings and hearing sessions. In addition, two committees, namely the FSMP Phase II Working Group and the FSMP Phase II Committee were formed. The FSMP Phase II Working Group was an internal working group that was responsible for the research, analysis and drafting of policies and recommendations. The draft FSMP Phase II was then submitted to the FSMP Phase II Committee, a committee that consisted of representatives from outside experts including related regulatory agencies as well as government offices, for consideration before final submission to the Financial Institutions Policy Committee (FIPC) for approval.

The core of the FSMP Phase II is based on three pillars, as follows:

Pillar 1: Reduce costs without compromising prudential standards and soundness. This pillar targets costs which is a key determinant of efficiency, and affects financial institutions' ability to efficiently serve consumers as well as to compete with foreign financial institutions.

Pillar 2: Promote competition and financial access. Pillar 2 is aimed at strengthening efficiency via increasing degree of financial liberalisation to increase competition, promote wider set of financial products which features and price meeting the demand of the various segment of the population to enhance financial access. Measures under Pillar 2

will be carefully sequenced to ensure safeguarding of financial stability and soundness.

Pillar 3: Strengthen financial infrastructure. In order to enhance financial institutions' efficiency, important institutional infrastructures must be in place to serve the system efficiently and adequately.

Progress: On 15 August 2008, the draft FSMP Phase II was approved by the FIPC. Thereafter, on 28 November 2008, the BOT submitted the final version of the draft FSMP Phase II to the Minister of Finance for consideration.

Once the FSMP Phase II is approved, a committee responsible for the implementation of the FSMP Phase II would be formed together with various sub-committees, consisting of representatives from concerned agencies, to oversee the operation and progress under the action plans.

4.4 Financial Sector Liberalization

The BOT participates in the formulation of financial sector liberalization policies and strategies for negotiations on the banking sector with the Working Group on Financial Services Liberalization headed by the Director-General of Fiscal Policy Office, Ministry of Finance. The liberalization and negotiation framework adheres to the policy framework of the Cabinet-level International Economic Policy Committee headed by the Prime Minister and the Cabinet's Framework for Negotiation stipulated by Article 190 of the Constitution of the Kingdom of Thailand B.E. 2550 (2007).

The BOT contributes and participates in the international negotiations on liberalization of financial services under various fora: multilateral negotiation at the WTO, regional negotiations of ASEAN and negotiation between ASEAN and dialogue partners, and bilateral negotiations between Thailand and its dialogue partners. In all

fora, the BOT emphasizes due care and caution in adhering to the framework approved by the Cabinet.

In 2008, the BOT participated in various negotiations relating to liberalization of financial services and investment. The main activities can be summarized as follows:

(1) Participated in the Working Committee on Financial Services Liberalization under the ASEAN Framework Agreement on Services (WCFSL/AFAS), which is based on successive round of negotiation for progressive financial services liberalization. The WCFSL/AFAS also takes part in formulating positions for negotiation of financial services liberalization with the dialogue partners.

Apart from WCFSL/AFAS, the BOT together with the Fiscal Policy Office, Ministry of Finance participated in negotiation of the ASEAN Comprehensive Investment Agreement (ACIA) which will further promote intra ASEAN trade and investment.

(2) Negotiated with ASEAN's dialogue partners. In 2008, the ASEAN free trade agreements already concluded and pending ratification by the Parliament were ASEAN-Australia-New Zealand FTA, ASEAN-Korea FTA on Trade in Services and ASEAN-China FTA on Investment, while those under negotiation are ASEAN-EU FTA and ASEAN-India FTA

4.5 Policy response to the global financial crisis, Thai Banking System's Performance and Key Developments in 2008

(4.5.1) Policy response to the global financial crisis

Although the 2008 global financial crisis adversely affected financial institutions worldwide, the Thai financial institution system remains strong, able to absorb negative shocks and to continue to

perform intermediary functions. This results partly from the financial institutions' and the BOT's heightened vigilance on risk management and risk supervision, together with a number of macro-prudential measures, issued by the BOT in the past 4-5 years, aimed to enhance financial institution stability in particular while at the same time avert economic bubbles in general. Specific measures were designed to curb household and commercial debts, made possible by putting the regulation of credit card and personal loan businesses under official auspice (2002), and includes issuing a 70-percent loan to value limit for high-value (B10 million or above) mortgages (2003). Moreover, the monitoring and management of asset risks by financial institutions have been enhanced by the imposing of risk-based provisioning in accordance with the International Accounting Standard - IAS No.39, which became effective toward the end of 2006. Finally, in order to promote efficiency in the credit mechanism, financial institutions were allowed to make provisions on an account-by-account, instead of per-debtor, basis, thereby facilitating financial institutions in making working capitals available to the corporate sector and granting credits to the economy at large.

The BOT closely monitored financial institutions through on-site and off-site examinations, as well as held regular dialogues with financial institutions' top executives, all of which helped to ensure that the financial institution

system remains strong, robustly capitalised, and in a better position to absorb adverse impacts from the ongoing global financial crisis.

(4.5.2) Thai Banking System's Performance and Key Developments in 2008

Throughout 2008, the Thai banking system performed strongly and remained stable. This is attributed to cautious business strategy and improved risk management within the banking business. The year 2008 ended in profit and, with additional capitalisation taken place, results in further strengthening of the capital base that will help booster depositors' confidence. However, with the global financial market remaining quite volatile, the BOT stresses the importance of liquidity as well as risk management and continues to hold regular close dialogues with commercial banks to exchange views on market developments and challenges.

4.6 The Assessment under the Financial Sector Assessment Program (FSAP)

In 2007, Thailand participated in the assessment under the Financial Sector Assessment Program (FSAP). The assessment consisted of two missions: the first was during January 17-31, 2007, the second during May 24-June 6, 2007. On June 2008, FSAP Mission sent all the assessment reports under the FSAP to the Thai authorities. Currently, the Thai authorities are considering the publication of the FSAP reports.

5. Financial Institutions Supervision

5.1 Financial Institutions Supervision Policy

In 2008, the BOT supervises financial institutions (FIs) based on the principle of Consolidated Supervision and the principle of Risk-based Supervision. The BOT has closely and continuously monitored, and analysed FIs' financial conditions and performance in order to ensure that the proper actions, prompt preventive actions as well as prompt corrective actions, should be taken in a proper time so that financial crisis of a FI could not create a domino effect on the entire financial system

The BOT's examination policy of 2008 is still unchanged from the previous years whereby the on-site examination for a FI under the BOT's regulation must be performed at least once a year based on its financial performance as well as composite rating. The key issues to be considered while conducting the on-site examinations are good corporate governance, law as well as regulatory compliance, quality of risk management, and capital adequacy in order to ensure that ethics as well as transparency of Board and senior management in governing FI, and also the certain standard on risk management efficiency are being met.

In addition to regular on-site examination, the BOT also conducts special examinations focused on such specific topics as bank's preparation on Basel II implementation, and Macro stress testing.

5.2 Financial Institutions On-site Examination

The frequency to conduct on-site examination depends on previous financial performance as well as composite rating of an FI.

Most FIs under the BOT's regulation, which are Thai Commercial Banks, Retail Banks, Subsidiaries of Foreign Banks, Foreign Bank Branches, Credit Foncier Companies, Specialized Financial Institutions,^{1/} Thai Asset Management Cooperations, other state own Asset Management Companies, and National Credit Bureau company, will be conducted an onsite examination at least once in a year. Foreign Bank Branches with composite ratings of 1 or 2 will be conducted on-site visits for every other year. Private Asset Management companies and Non-bank companies operating in credit card business and personal loan will be conducted on-site once in every three years.

5.2.1 Examination of FI's Financial Conditions, Performance, and Risk Management.

Based on the principle of risk-based supervision, the BOT will prioritise the examined issues based on the aggregate risk rating considered by FI's business structure. Risk areas to be focused by the BOT are capital adequacy under current situation and its potential; the efficiency of risk management in the areas of strategic risk, credit risk, market risk, liquidity risk, and operational risk, corporate governance of Board as well as senior management; capacity of competitiveness; compliances with law, regulation, and also the BOT's orders. In addition, during the high economic volatiles i.e. the international financial turmoil, some risk factors may have significantly impact on FIs' risk positions. Thus, the BOT also take this situation into consideration for FI's risk as well.

^{1/} Specialized Financial Institutions consist of The Bank for Agriculture and Agricultural Cooperatives, The Export-Import Bank of Thailand, The Government Saving Bank, The Government Housing Bank, The Small and Medium Enterprise Development Bank of Thailand, The Islamic Bank of Thailand, The Secondary Mortgage Corporation, The Small Industry Credit Guarantee Corporation.

In examining the Specialized Financial Institutions, the similar process of risk-based examination was performed. However, the results of examination and recommended remedial measures were proposed to the Ministry of Finance for consideration and also to take appropriate actions. In examining the Asset Management Companies, the focus was on the quality of those companies in managing the purchased or transferred assets whereas the examinations of Non-banks with legal licenses to operate credit card business and personal loans were focused on their compliance with the BOT's regulations on consumer protection and on unfair practices of service providers.

In addition, the BOT also closely monitored companies performed as Non-banks by granting personal loans, however, without legal licenses through conducting field trip surveys and coordinated to police officers for taking legal actions against those illegal businesses

5.2.2 Assessment of FIs' Readiness on New Basel Capital Accord (Basel II) Implementation

The BOT also conducted on-site visit for approving Standardised Approach for operational risk capital calculation and assessing the readiness of FIs applying for Internal Rating Based Approach (IRBA) for credit risk capital calculation.

The assessment results on operational risk capital calculations showed that most of them were ready to use SA for capital purpose as they were able to meet the prerequisite requirements set by the BOT as the minimum standard.

In case of IRBA approval process, although the completed approval process will not be finalized until the end of year 2009, the intensive discussions between the BOT and FIs as well as on-site visits were also performed during this year

in order to ensure that FIs applying IRBA are understand the minimum requirements of this approach and will be able to meet those requirements by the end of 2009.

5.2.3 Inspection on the Development of Stress Testing

The BOT had encouraged 14-thai commercial banks to join the BOT in developing Macro stress testing while providing a set of macro stress test scenarios generated from macroeconomic situation such as the US subprime mortgage. Banks would adapt these scenarios and performed stress test analysis on their portfolios. According to the on-site visits, the results were satisfy in term of most Thai commercial banks received the concrete support from senior management and in term of staff knowledge in developing Macro stress testing models. However, the ongoing improvements are still necessary especially in the areas of the linkage between Macroeconomic factors to Microeconomic factors such as to the obligors' performances, and also the changes from judgmental based approach to a more statistical based approach. In addition to the requirement of Pillar 2, they should be able to incorporate their stress test into their internal capital adequacy process (ICAAP) as well as capital planning by the end of 2010.

5.2.4 Examination on the Information Technology

In 2008, only 13 FIs, which are 9 Thai Commercial Banks, including retail banks, 3 Foreign Bank Branches, and 1 Specialized Financial Institution, are assessed on Information Technology in accordance with the Risk-Focused framework. According to the assessments, IT risk management quality of most FIs' are rated as "satisfactory". For the purpose of IT preparation for Basel II implementation, most of FIs are now improving their databases to ensure data quality and adequacy for capital calculation purpose.

In conclusion, the BOT has examined 61 FIs in total during this year (Table 14). The examination results indicated that most FIs' composite ratings were satisfactory where the results of each key risk area were as following; For strategic risk area, each FI has improved in strategic risk management except in the areas of corporate governance of senior management and management actions to the BOT's orders, which are still required further improvement. For credit risk area, most FIs showed improvement in their loan approval processes especially about credit monitoring and credit review processes. For Market risk area, FIs continuously developed their market risk management system and tools, and also improve capability of their staffs. For liquidity risk area, large depositors shows higher interest rate

sensitivity than in retail depositors, and funds were raised through corporate bonds and bill of exchanges. For operation risk area, internal audit system, and compliance unit need further improvement. FIs with the composition ratings were lower than satisfactory, the BOT has ordered them to improve their financial conditions, performances, and risk management systems within limited time frames; to increase their capital to cover risk exposures; and to set up corrective actions for mitigating their loss. The BOT also required those FIs to submit reports indicating the results of the improvement to the BOT. Under the framework of consolidated supervision, the BOT has examined banks' subsidiaries and ordered them to correct their weaknesses to ensure the stability of Thai financial system.

Table 14 : The number of FIs examined by the BOT in 2008

Financial Institutions	Number of total FIs	Number of FIs Examinations
Thai Commercial Banks / Retail Banks	17	17
Foreign Bank Branches / Subsidiaries	17	13
Finance and Credit Foncier Companies	7	6
Specialized Financial Institutions	8	8
Thai Asset Management Company	1	1
Other Asset Management Companies	9	4
Non-Banks	28	11
National Credit Bureau Co., Ltd	1	1
Total	88	61

5.3 Financial Institutions Monitoring and Analysis

Like on-site examination, the off-site monitoring and analysis focuses on financial conditions, performance, capital adequacy, and quality of risk management on both the solo basis as well as the consolidated basis. In 2008, the BOT has performed off-site monitoring and analysis in total of 49 FIs. In addition to the risk-based

framework, and legal compliances, the off-site monitoring and analyses are also included such topics as the investments in foreign securities, liquidity performances, Early warning systems, stress testing of FIs, and customer complaints. Total number of customer complaints with in this year are 853 complaints. Most of those complaints are about troubled debt restructuring, and improper practices of debt collections. At the end of year,

the BOT could solve 755 complaints or about 89 percent of the total.

5.4 Financial Institutions Applications

In 2008, there are 2,078 applications submitted to the BOT for considerations. However, some of those applications are not directly the responsibility of the BOT but of the Ministry of Finance. However, for those applications under the BOT's responsibility, most of them are submitted for banks as well as non-banks licenses, and are questions concerned on legal practices of their business activities. Within the year, there are about 1,483 concerns that the BOT has to follow up on FI's compliance with the approved condition, notifications and circulars such as license granted to open branch, license granted for lending loan, and buy or sell stocks.

5.5 Supervision Efficiency Enhancement

Several activities were conducted in 2008 to enhance the efficiency of supervision function as follows:

5.5.1 Examiners Development

The BOT continuously has developed the examiners through the School for Examiners, provides training for examiners to have sufficient knowledge and readiness to perform supervisory tasks according to the policy and in the standardized practice. In addition, many examiners and managements participates in training courses or

seminars, which are organized either in-house or overseas. Several in-house seminars, lectures and workshops on new knowledge are also held to broaden the examiners' skills and knowledge regarding to the international standard. In addition, many guest speakers, both domestic professionals and international technical assistant from other countries' regulatory agencies, are invited for those training programs.

5.5.2 Supervision Development regarding International Standard

In 2008, The BOT has developed 2 new examination manuals, which are the examination manual for capital adequacy and financial performance, examination manual for consolidated supervision, and has also improved the Risk-based examination manuals by incorporating the content of New Capital Accord (Basel II) and ensuring that the Risk-based examination manuals must be in line with the new Financial Institution Act B.E. 2551 (2008)

5.5.3 Development of the Supervision and Examination Management System

The BOT has continuously developed the supervision and examination management by incorporating new information technology with the purpose to enhance the efficiency of business operations and to ensure the achievement of targeted objectives.

BOT's participation in International Organizations

1. Association of Southeast Asian Nations (ASEAN)

The Association of Southeast Asian Nations or ASEAN was established on 8 August 1967 and has 10 member countries at present. ASEAN's key objectives are (1) to accelerate economic growth, social progress and cultural development, and (2) to promote peace and stability in the region.

In 2008, Governor and Assistant Governor, Monetary Policy Group, of the Thailand participated in the 12th ASEAN Finance Ministers' Meeting (AFMM) and other related meetings during 1-4 April 2008 in Da Nang, Vietnam. The Bank of Thailand's Governor, as one of the members of the troika of ASEAN Central Bank Governors,^{2/} participated alongside ASEAN Finance Ministers to provide views on the issues under the purview of the central banks.

The AFMM discussed a number of important cooperation issues, including the operating guidelines for the establishment of the ASEAN Economic Community (AEC) by 2015 which emphasized on 3 key areas, namely 1) striking the balance between financial liberalization and financial stability, 2) enhancing greater coordination in financial liberalization among working committees under the AFMM as well as the ASEAN Capital Market Forum (ACMF), and 3) building capacity for ASEAN Member Countries (AMCs) in order to narrow the development gaps among AMCs.

In addition, the AFMM also endorsed (1) Medium-Term Strategic Framework to accelerate the development and integration process of ASEAN

capital markets in accordance with the AEC, (2) shortening the timeframe of each negotiation round of financial services liberalization from 3 years to 2 years to be consistent with the timeframe of the AEC, (3) incorporation of the "Article on Prudential Measures, Financial Stability and Exchange Rate" in every free trade agreement between ASEAN and its Dialogue Partners in order to give ASEAN authorities rights to maintain economic and financial stability, (4) Umbrella approach for ASEAN infrastructure financing mechanism to promote more private sector participation in creating the facilitative environment as well as promoting best practices for investment in infrastructure projects while public sector would study the facilitative measures for investing in infrastructure projects, and (5) organizing the 5th ASEAN Finance Ministers' Investor Seminar (ASEAN Roadshow) on 8 October 2008 in Dubai, United Arab Emirates to profile ASEAN as an important investment destination.

Thailand will host the 13th AFMM in April 2009 in Bangkok, in compliance with the Single Chairmanship principle under the ASEAN Charter which requires that Chairman of ASEAN to chair the ASEAN Summit as well as relevant sectoral Ministerial Bodies.

As for the financial cooperation among ASEAN central banks, the BOT handed over the role of Agent Bank for the ASEAN Swap Arrangement (ASA) to the State Bank of Vietnam in November 2008.

^{2/} The troika of ASEAN Central Bank Governors in 2008 comprised Governor of the Bank of Thailand, Governor of the State Bank of Vietnam, and Governor of the Ministry of Finance of Brunei Darussalam, representing past, present, and future chairs of the ASEAN Central Bank Governors' Meeting (ACGM).

2. Association of Southeast Asian Nations plus China, Japan and Korea (ASEAN+3)

The ten member countries of ASEAN as well as China, Japan, and Korea, collectively known as "ASEAN+3", first met in 1999, with an aim to strengthening regional cooperation by initiating new mechanisms for crisis prevention and resolution of the region. The important financial cooperation under ASEAN+3 Finance Ministers Process primarily focuses on the Chiang Mai Initiative (CMI), which is a regional liquidity support mechanism in the form of bilateral currency swaps, and the Asian Bond Markets Initiative (ABMI), focusing on the issuance of local currency bonds as well as market infrastructure development.

Under the ASEAN+3 Finance Ministers' Process, the Finance Ministers' Meeting (AFMM+3) is scheduled to meet annually to discuss and endorse important issues pertaining to development of regional financial cooperation, whereas the Finance and Central Bank Deputies' Meetings (AFDM+3) are held twice each year to review the progress of and provide guidance to the subordinated working groups as well as to conduct the economic surveillance session.

The BOT has actively involved in the Finance Ministers' Process. In addition to participation in the ASEAN+3 Finance and Central Bank Deputies'

Meeting as well as the AFMM+3, the BOT plays an important role in the Taskforce on Multilateralization of the CMI by undertaking an in-depth study and making recommendations on various key elements for establishing the Self-managed Reserve Pooling Arrangement (SRPA).

The work of the Taskforce on Multilateralization of the CMI during 2008 focused on the key concepts of the SRPA, namely surveillance mechanism enhancement, pooling size and contribution proportion, pooling structure as well as conditions and covenants for swap activation.

In this connection, a number of Taskforce's recommendations were endorsed by the AFMM+3 in May 2008, including an initial size of the SPRA of at least US\$80 billion, with contribution ratio of ASEAN members and the plus three (China, Japan and Korea) at 20:80, and the size of currency swaps without participating the IMF-supported program at 20 percent. In addition, regional surveillance process would be strengthened by increasing the frequency of the Economic Review and Policy Dialogue (ERPD), as well as improving the quality of country report with a standardized template.

3. Bank for International Settlements (BIS)

Established on 17 May 1930, the BIS acts as a banker to the central banks and international financial organizations, and provides a forum to promote international cooperation, dialogue, as well as policy analysis among central banks and within the international financial community. It also acts as a centre for economic and monetary research.

In 2008, the BOT has actively participated in the Bi-monthly Governors' Meetings and the Annual General Meeting. These meetings serve as fora for central bank Governors to exchange views on important current issues of global economic and financial market developments.

All Governors' Meeting

In conjunction with the BIS bi-monthly meetings, all Governors are invited to attend the All Governors' meeting. This meeting reviews major issues of interest to central banks, including those addressed by the committees that meet at the BIS. A short discussion paper is prepared by BIS staff as background for the meeting. The meeting is chaired by Mr. Jean-Pierre Roth, Chairman of the BIS Board.

The topics of the All Governors' Meeting in 2008 are as follows:

- January 2008 "The role of monetary and credit aggregates in monetary policy"
- March 2008 "The current financial turmoil: underlying causes and potential economic consequences"
- May 2008 "Accounting for the costs of holding foreign exchange reserves"
- September 2008 "The Financial Turmoil and Basel II implementation: an emerging market economies perspective"
- November 2008 "Foreign currency liquidity pressures, dislocation in FX swap markets and central bank responses"

The Governor, as the head of the BOT delegation, attended the Annual General Meeting and the Bi-monthly Meetings in Basel, Switzerland, as well as in Sao Paulo, Brazil.

Asian Consultative Council

The Asian Consultative Council (ACC) comprises the Governors of the BIS member central banks in the Asia-Pacific region. It provides a vehicle for communication between the Asian and Pacific members of the BIS on matters of interest to the central bank community in the region. The ACC meets twice a year. On these occasions, the

Asian central bank Governors meet with several Governors from outside the region for a Special Meeting to review economic and financial developments and to discuss a particular policy issue. The Chair of the Council is currently held by Dr Zeti Akhtar Aziz, Governor of the Central Bank of Malaysia. The Secretariat is provided by the BIS Representative Office for Asia and the Pacific. The BOT Governor attended two of these Special Governors' Meetings during 3 - 4 February 2008 in Mumbai, India and again during the AGM in Basel, Switzerland.

Central Bank Governance Group

The Central Bank Governance Group serves as a venue for the exchange of views among Governors on matters of interest relating to the design and operation of central banks, and establishes criteria and sets priorities for the work on central bank governance. Meetings are generally held in connection with BIS bi-monthly meetings. In 2008, the BOT Governor was invited to join other eight members at this Group. The current Chairman is Mr. Guillermo Ortiz, Governor of the Bank of Mexico.

Other BIS meetings

BIS Annual Conference

Senior central bankers and academics met during 26-27 June 2008 under the topic of "Whither monetary policy? Monetary policy challenges in the decade ahead." to explore issues of common interest.

Deputy Governors of emerging market central banks

An annual meeting for Deputy Governors from major emerging markets was held during 31 January - 1 February 2008 in Basel, Switzerland. Participants contributed background papers on "Capital flows and financial assets in emerging

markets: determinants, consequences and challenges for central banks" to this meeting.

Working parties on monetary policy in Asia

The BIS organized a regional meeting of working parties on monetary policy in Asia during 4-6 June 2008 in Jakarta, Indonesia. The working parties discussed recent economic and financial

developments in their respective regions on the topic of "A trade-off in monetary stability: interest rate vs exchange rate" as well as specific topics related to the conduct of monetary policy. Participants are senior executives of selected central banks in the respective regions as well as selected other regions.

4. The Executives' Meeting of East Asia-Pacific Central Banks (EMEAP)

The Executives' Meeting of East Asia-Pacific Central Banks (EMEAP) was established in 1991 to serve as a forum for central banks and monetary authorities to strengthen cooperation among members. The annual EMEAP Governors' meeting was first held in Tokyo in 1996, and has continued ever since.

In 2008, the High-Level EMEAP meetings including those among Governors, Deputy Governors, and Monetary and Financial Stability Committee, which made up of Deputies, focused their discussions and activities on the on-going global financial crisis and its implications on regional economies. Through their efforts, a Joint-Press statement had been released on behalf of member central banks, analyzing impacts on the region as well as highlighting the importance of regional cooperation. In addition, EMEAP, specifically under the mandate of the Monetary and Financial Stability Committee, has been developing a Crisis Management/Resolution Framework with a view to putting in place a coordinated crisis management mechanism.

At Working-Level meetings, emphasis has also been made on combating and preventing global financial crisis in accordance with the focus of High-Level meetings. Notably, Working Group on Banking Supervision has undertaken an in-depth study of the application and implementation of the recommendations from Financial Stability Forum's^{3/} "Report on Enhancing Market and Institutional Resilience"^{4/} on individual EMEAP economies.

Furthermore, the three EMEAP working groups namely, Working Group on Banking Supervision, Working Group on Financial Markets, and Working Group on Payment and Settlement Systems, have separately produced Sectoral Monitoring Report, an assessment of risks relating to the works under the purview of respective groups. These reports will serve as inputs, along with macroeconomics analysis, for the Monetary and Financial Stability Committee's Macro-Monitoring Report.

3/ Financial Stability Forum, emerged from an initiative of the G7 Finance Ministers and Central Bank Governors, aims at promoting financial stability and destabilizing global economy.

4/ http://www.fsforum.org/publications/r_0804.pdf

5. International Monetary Fund (IMF)

The International Monetary Fund (IMF) was established in 1944 at the United Nations Monetary and Financial Conference, also known as Bretton Woods Conference, with the objective to promote the stability of the international financial system.

Thailand has become the IMF's member since 3 May 1949. At present, Thailand's quota is 1,081.90 million SDR, corresponding to 11,069 votes or equivalent to 0.5 percent of total votes. The Resolution - Reform of Quota and Voice in the international Monetary Fund, adopted April 28, 2008, will raise Thailand's quota to 1,440.5 million SDR. This increase in quota, however, will only become effective upon the entry into force of the pending Amendment of the Articles of Agreement.

The BOT represents Thailand in the IMF under the Act Authorizing Operations Relating to the International Monetary Fund and the International Bank for Reconstruction and Development B.E. 2494 (1951) and formulates

Thailand's stance on issues related to the IMF's Executive Board, in a concerted effort with 11 other members^{5/}, through the Southeast Asian Voting Group (SEAVG). On November 1, 2008, Philippines officially entered the SEAVG, making it a 13-country constituency.

Representatives from the BOT have assumed positions in the SEAVG to represent Thailand as well as other member countries in various meetings under the IMF's Executive Board. While one representative is currently serving as an Advisor for the two-year term from 1 November 2008, another representative has completed the two-year term as the Alternate executive Director on 30 October 2008.

In 2008, the BOT also represented the SEAVG in the International Monetary and Financial Committee (IMFC)^{6/}. Throughout the year, the BOT's governor headed the BOT delegation to the following IMF meetings in Washington, D.C.:

Meeting	Date
International Monetary and Financial Committee (IMFC) Deputies' Meeting	31 March 2008
International Monetary and Financial Committee (IMFC) Spring Meeting	12 April 2008
The 40 th Annual Meeting of SEAVG ^{7/}	10 October 2008
International Monetary and Financial Committee (IMFC) Meeting	11 October 2008
The Meeting for the New Arrangements to Borrow (NAB)	12 October 2008
The Annual Meeting of the Board of Governors	13 October 2008

For the past year, Thailand and other members supported the IMF in an effort to enhance voice and participation of emerging countries, as well as to expand its investment authority as

a means to strengthen the Fund's financial viability by putting less reliance on its lending revenue alone.

5/ Brunei Darussalam, Cambodia, Fiji, Indonesia, Lao PDR, Malaysia, Myanmar, Nepal, Singapore, Tonga, and Vietnam.

6/ SEAVG's biggest 4 members - Indonesia, Malaysia, Thailand and Singapore take turn in representing the constituency as an IMFC member for a term of 12 months.

7/ Co-meeting between the International Monetary Fund and the World Bank.

The IMF also monitors and assesses the Thai economy as part of the annual Article IV Consultation. The 2008 Article IV mission and a

follow-up staff visit were carried out during 5 – 18 March 2008, and 27 – 31 October 2008, respectively.

6. South-East Asian Central Banks (SEACEN)

SEACEN was established in 1966, with 7 central bank members to discuss, gather and exchange views on issues relating to the economic and financial systems. The SEACEN Centre for research and training was established in 1982 and has gained increasing recognition in the region, with membership having grown to 16 central banks^{8/} at present. The Centre has the following core objectives:

1. To promote a better understanding of the financial, monetary, banking and economic development matters which are of interest to the central banks and monetary authorities of the countries in South East Asia or of interest to the region as a whole; and

2. To stimulate and facilitate cooperation among central banks and monetary authorities in the area of research and training.

Operating Year 2008 was marked the third year of implementation of the Five Year Plan (FYP) in the Centre's journey to become a "**Premier regional training centre in the Asia-Pacific region**". The Strategy Map started with the reorientation of focus, continued with high quality research, enhanced learning and growth of SEACEN staffs, restructured organization structure and expanded collaborations with renowned institutions as strategic partners such as BIS. This journey is envisaged to transform the SEACEN Centre from being a training coordinator to learning consultant.

There are 2 main meetings in each year as follows:

1. **SEACEN Executive Committee (SEACEN EXCO)** oversees operational matters of the SEACEN Centre. The Chairman of the BOG is concurrently the SEACEN EXCO chairman. The EXCO members comprise Deputy Governors of all the other member banks.

2. **SEACEN Governors' Conference and Meeting:** The SEACEN Board of Governors (BOG) is considered the highest policy-making body which consist of governors of all member banks. The Chairman of the SEACEN BOG is elected for a one-year term on a rotation basis. The SEACEN BOG Meeting is held once a year, in conjunction with the SEACEN Governors' Conference where Governors will exchange views and experience on the topical issues. The member bank takes turn to host the SEACEN BOG Meeting and Conference. Main responsibilities of the BOG are Appointment of Executive Director of the SEACEN Centre; Ratification of budget and programme of activities, Consideration of the admission of new members and observers to the SEACEN Centre; and other matters related to the strategy of the SEACEN Centre.

At the 43rd SEACEN Governors' Conference on 21 March 2008 in Jakarta, Indonesia, SEACEN Governors observed that financial deepening in SEACEN economies has taken a more diversified structure, advancing from a bank-centered to a more sophisticated market-based financial system.

8/ The SEACEN 16 members include Ministry of Finance of Brunei Darussalam, National Bank of Cambodia, Reserve Bank of Fiji, Bank Indonesia, The Bank of Korea, Bank Negara Malaysia, The Bank of Mongolia, Central Bank of Myanmar, Nepal Rastra Bank, Bank of Papua New Guinea, Bangko Sentral ng Pilipinas, Monetary Authority of Singapore, Central Bank of Sri Lanka, Central Bank of the Republic of China (Taiwan), Bank of Thailand, and State Bank of Vietnam.

Such advancement is expected to continue despite the recent international financial turbulence. Stronger financial institutions and greater risk diversification can also strengthen an economy's resilience to adverse shock. The theme of the Conference was "Financial Deepening to Support Monetary Stability and Sustainable Economic Growth".

As for the research and training programmes for the operating year 2008, 25 training programmes, 4 research programmes, 6 case studies and 6 meetings were approved at the 27th Meeting of the SEACEN Board of Governors. The BOT had the privilege of hosting a training programme on "SEACEN-IMF-BOT workshop on International Remittances in the Balance of Payment Framework" in Chiangmai province in September 2008.

Legal Development

In period of the year B.E. 2551, the BOT has participated in legal developments which the main are as the following:

1. Reform, including implementation of essential financial laws.
2. Issuance/ amendment of other financial laws/regulations.

1. Reform, including implementation of essential financial laws

To reform main financial laws, the BOT has pushed and coordinated with the government including several related authorities, and finally three of them are effective in the early year B.E. 2551. Presently they are in process of implementation which the salient issues are as follows:

1.1 The Bank of Thailand Act (No.4) B.E. 2551 (The BOT Act B.E. 2551)

The Act, which is promulgated to be come into force on and from the day following the date of its publication in the Government Gazette (published on the 3rd of March B.E. 2551). Its rationale is to modify the objectives, duties and authorities and the structure of the BOT to be suitable for undertaking business as pertain to central banking in order to maintain monetary stability, financial institution system stability and payment systems stability as well as to be in line with international central banking standards. The

governor is independent in business administration and management. The Minister of Finance shall take part in solving problems in relevant to monetary stability and financial institution system stability. Moreover, it is prescribed that as soon as the Deposit Protection Agency law becomes effective, the Financial Institution Development Fund shall have no more power other than to settle exist debts.

The BOT has worked in order to put the Act into practice. This includes:

(1) Supporting process of the BOT Board selection and appointment, which is currently in process of proposing the name list of the suitable persons to the selective committee. After that, the selective committee will select and propose the selected persons to the cabinet who will further tender the name list to His Majesty the King for the appointment. The BOT Board and the BOT shall arrange the appointment of the other Boards

according to the Act; namely, the Monetary Policy Board, the Financial Institution Policy Board, and the Payment Systems Board.

The Act prescribes the duration of one hundred and eighty days for all of the process of the BOT Board appointment; nevertheless, based on the Council of State's opinion, such time is solely for the purpose of expediting the process; not for making the former BOT Board vacate the office. The former BOT Board still remains in the position with the same authorities as the BOT Board under the BOT Act B.E. 2551 shall have, unless it is conflict with the spirit of the Act.

(2) Organizing the promulgation of the Royal Decree of specifying the public agency under the Tortuous Liability of Officials Act B.E. 2539 (No.13) B.E. 2551 so as to provide the BOT officers who acts in good faith protection under the said Act. Since the BOT Act B.E. 2551 provides that the BOT is merely a public agency, neither a government agency nor a state-enterprise, as a result, the BOT is not under the Tortuous Liability of Officials Act B.E. 2539, unless prescribed by the Royal Decree.

(3) Issuing notifications, regulations, orders and rules (secondary regulations) so as to be abide by the BOT Act B.E. 2551. Although, existing secondary regulations still remain effective as to not contravene the provisions of the BOT Act B.E. 2551, the BOT will continue review the regulations in order to prevent conflict.

1.2 The Act of Financial Institution Business B.E. 2551

The Act, which is promulgated to be come into force after duration of 180 days from the date of its publication in the Government Gazette, is published on the 5th of February B.E. 2551. Its rationale is to unify the best practice of all forms of financial businesses, and to unify and elevate

supervision standard to more universality and efficiency. This includes modifying and merging the law of commercial banking and the law of financial business, securities business and credit foncier business to be one law.

The BOT has, for implementation of the Act, issued 107 notifications of which 29 notifications are pertaining to scope of financial institution businesses, 55 notifications are pertaining to supervising financial institutions' risks and stability (Prudential Measures), 6 notifications are pertaining to financial institutions supervising in order to oversee economic system (Macro Prudential), 7 notifications are pertaining to financial institutions supervising in the sense of consumer protection, 3 notifications are pertaining to financial institution's examination, and 7 notifications are pertaining to other issues.

1.3 The Deposit Protection Agency Act B.E. 2551

The Act, which is promulgated to be come into force after period of 180 days from the date of its publication in the Government Gazette, is published on the 3rd of March B.E. 2551. Its rationale is to implement limited deposits protection system and also specify mechanisms to protect deposit systematically. This will enhance public confidence in financial institution system and, consequently, encourage domestic saving and strengthen financial institution stability as a whole. This includes decreasing the Government's financial obligations in full safeguarding deposit in financial institutions.

In process of implementation, the BOT involved mostly as follows:

(1) Establishing the Deposit Protection Agency (DPA) which replaced the former government deposit protection measure i.e. the BOT's Financial Institution Development Fund.

(2) Appointing Mr. Sorasit Soonthornkes, Assistant Governor, Supervision Group, as the Bank of Thailand's representative to be in the Deposit Protection Agency's committee to further arrange the issuance of operational regulations.

(3) Sending experts to work for DPA.

In addition, with regard to duty of sharing examine report and financial institution information between the BOT and the DPA; it is in process of discussion in detail.

2. Issuance/ amendment of other financial laws/regulations

2.1 Royal Decree of Electronic Payment Service Business B.E. 2551

The BOT has a major role to work for issuing the Royal Decree of Supervising Electronic Payment Service Business, by virtue of Section 32, Section 33, and Section 34 of the Electronic Transaction Act B.E. 2544. The Royal Decree, published in the Government Gazette dated 16 September B.E. 2551, is promulgated to come into force after one hundred and twenty days as from the publication date. Its rationale is to control the aforesaid service enterprises which consist of both financial institutions and non-bank service provider.

Besides, Bank of Thailand has involved in drafting one notification of the Electronic Transaction Committee and four notifications of the BOT concerning rules, procedures and conditions in informing, registration and licensing for undertaking electronic payment business. The aforementioned BOT notifications are currently in process of submitting to publish in the Government Gazette.

2.2 Credit Information Business Act (No. 3) B.E. 2551

The Act, which is promulgated to be come into force on and from the day following the date of its publication in the Government Gazette, is published on the 13th of February B.E. 2551. Its rationale is to enable the credit information company to perform credit scoring and do statistical reports in order to provide consumers credit facilities which suit their debt payment capability. In addition, the Act amends the structure of the Committee of Credit Information Protection to be suitable for present situation.

In addition, the BOT has participated in issuing three notifications of the Committee of Credit Information Protection. These notifications specify relating a factoring transaction to be a kind of credit, a juristic person of factoring business to be a kind of financial institution, processing and sending factoring business information, and defining new accounting status code. Those notifications are currently in process of submitting to be published in the Government Gazette.

Information Technology Development

In 2008, the BOT has a total of 52 IT projects under 7 different strategic programs. Each program is supervised by the Computer Steering Sub-Committee (CSSC) who further reports to the BOT's Board of Directors. Under this program management methodology, all IT-related projects

are controlled and aligned with the BOT strategic directions. This year, the overall budget for all IT projects is approximately B178 million. At the end of the year, 21 projects have been completed. A brief summary of each strategic program is provided as following.

Program 1: Data & Statistics Management Excellence

This program aims to provide a single portal that will centralize common infrastructure and database to store, acquire, and disseminate data, information, as well as knowledge among business users and external stakeholders. This program covers both statistical data for monetary policy-making, financial institution supervision, and corporate data for internal decision-making and intends to reduce manual operation. It also enhances effective delivery channels for regulatory reporting between financial institutions and the BOT.

The most significant project in this program is the enhancement of the Data Management System (DMS), which primarily composed of 3 components; Data Acquisition, Data Warehousing and Business Intelligence. Both Data Acquisition and Data Warehousing have been structured to

accommodate data from financial institutions, public and private organizations, as well as from related the BOT's internal systems. Analytical data usage and data dissemination is provided through FI/FM and ECON Data Reporting, Early Warning System and the BOT WebSite etc.

In 2008, DMS ECON Phase II was completed, enhancing the technical infrastructure of economic data system for effective using and supporting the usage of Financial Sector and External Sector data.

The BOT continues to highlight on both Data Warehouse and the systems to maximize data analysis and decision-making capabilities by having new projects such as Real Estate Indicators Development Project, Analytical Data Usage Improvement Project and Financial Institution Stability Surveillance for Financial Institution Project.

Program 2: Financial Market Excellence

This program focuses on developing the Dealing Room System (DRS) that supports the operations of the front-, middle- and back-offices in a full "straight-through processing" manner and enhances overall risk management and proposes data for executives' decision-making and financial market policy-making.

In 2008, this program continues to focus on projects that enhance data analysis capabilities and decision-making, which are Financial Market Surveillance Information System Project and Integrated Risk Information System. The systems are also being enhanced in order to support new instruments developed in e-Standing Facility Project

which focuses on Deposit Facility and End of Day Facility.

Moreover, Dealing Room System upgrade is being prepared and will progress next year.

Program 3: Payment Excellence

This program aims to establish national payment, debt securities management and banknote management strategies by developing the appropriate infrastructures for those to support the BOT functions as a service provider, regulator, and facilitator of the payment industry.

This year, The BOT continues to develop Banknote Management Information System (BMIS).

One of the highlighted projects is the Imaged Cheque Clearing and Archive System (ICAS) which will provide services for member banks to clear, settle and archive electronic image-based cheque payments. Our vision for this project is "one clearing house, one cheque clearing system and one-day clearing" for the whole country.

Program 4 & 5: Financial Excellence and Human Resource Excellence

These programs aim to improve the efficiency of the BOT's administration, financing, accounting, budgeting, inventory management, human resource management, and banknote production processes.

In 2008, most of the financial projects focus on the efficiency improvement by having ERP system enhancement in acquiring financial data from external Institutions, improving the Financial Management Information System as the supervision and policy-making tool for the BOT's executives and the accounting analysis in the BOT and also developing the E-Planning and Budgeting System

to support the BOT's planning and budgeting process.

For the important HR-related projects, the Teleworking@BOT Project Phase II has been enhanced to collect more outcomes in order to explore and enhance Tele-working functionalities for better suit the BOT in the future as well as Flexi e-Working Project, which enables the BOT's employee to work flexibly. Besides, HR System Improvement Project and Data management for HR Management Supporting Project have been deployed.

Program 6: IT Service Excellence

This program focuses on the BOT's working process efficiency and productivity improvement by enhancing the appropriate usage of Information Technology as well as the IT infrastructure and IT security system.

In 2008, the BOT continues to implement the Access Control System by increasing access

control points and attaches the employee's time attendance system to the access control points as well as deploys the Visitor Management System to collect the BOT's visitor information. Besides, Active Directory System had revised and improved in order to increase the capabilities for system development in the future.

As one of the important Project, IT Infrastructure Improvement 2008, BOT had established the infrastructure for the BOT's new buildings as well as supports the appropriate usage of Wireless LAN System and provides better Remote Access Service. In addition, the appropriate usage of Information Technology is preparing for each Region Office and International Representative Offices.

BOT continuously maintains our standard IT security system by issuing the Information Security Policy and the BOT regulations in

"Information Technology Usage" as correspond to many launched laws in 2008 and the International Organization for Standardization (ISO) 27001. Also, education for the BOT's employees about laws on computer crime and publishing IT Security Newsletter.

Moreover, IT Service Improvement Project was presented in order to help increase quality and clients' satisfaction by standardizing Service Desk services including the capabilities of answering system and computer devices.

Program 7: Content Management Excellence

This program aims to leverage content management of unstructured information in order to improve the overall efficiency of document management, records management and web content management. Moreover, this program will also focus on improving the efficiency of information system management for the BOT's financial institution supervision area.

The BOT Document and records management (BOT-DRM) is the most important project that will help the BOT to develop a document and records management system. In 2008, BOT-DRM has developed Business Classification Schemes (BCS) which continued from last year as well as formulated document and records management policy and implemented the system to the pilot departments. We are continuously publishing the project's newsletter and currently arrange the training sessions as continually operate in 2009 followed by the 5-year implementation plan.

Another recent development in 2008 is the BOT's public website, which completely launched in May and currently extends to the BOT WebSite Phase II, which is providing the records of interest rates and fee rates, including public's comments. The BOT has also developed the BOTMAIL Service by maxing the employee's mailbox size and enhance the capabilities of IP Phone and Voice Mail usage. Also, the BOT Knowledge Management (BOT-KM) Improvement Project is in progress to organize the BOT on-line knowledge management.

In supervision area, the Request Approval System Phase III has been operated to improve the current system as correspond to the 2008 Financial Institutions Businesses Act and changed rules to support. The BOT also has enhanced the system in order to support the derivatives transactions request approval and help to improve the overall efficiency of financial institution supervision.

Bank of Thailand Regional Offices

Northern Region Office

The Northern Region Office's organization comprises 4 sections namely: (1) Operation Division including Banking Team, Administration Team, Accounting Team, Museum and Library; (2) Financial Business Investigation Division; (3) Economic Research Division; (4) Human Resources Team. The functional performances in 2008 are as follows:

1. Banking Business Facilities

The Banking Team is responsible for providing current account and clearing services to the financial institutions and government agencies, providing financial assistance to priority economic sectors, acting as government bond agent.

1.1 Funds Deposit and Funds Withdrawal

The amount of fund deposited to and withdrawn from current accounts were B7,910.8 million and B8,879.7 million, respectively, decreasing from the previous year by 32.2 percent and 28.1 percent. The decreases were due to the transfer of the Finance Ministry's transactions to Krung Thai Bank.

1.2 Financial Assistance to Priority Economic Sectors

In 2008 the financial assistance of B5,434.0 million was provided, through financial institutions to 677 businesses in the northern region under the BOT regulations on financial assistance for small and medium entrepreneurs (SMEs) impacted by the appreciation of Thai baht. The outstanding amount at end-2008 was B319.9 million.

1.3 Government Bonds Agent

In 2008, the number of government bondholders totaled 23,515, amounting to B32,817.1 million. There were 1,705 transactions of related bond activities, while bond distribution and redemption were B1,696.8 million and B6.0 million, respectively.

1.4 Cheque Clearing

In 2008, the volume of provincial processed cheques by clearing houses in northern region were 3.1 million issues, decreasing from the previous year by 4.5 percent, while total value were B481,769.5 million, increasing by 3.6 percent from the previous year. The value of returned cheque was B7,117.2 million. The ratio of returned cheques to processed cheques were 1.2 percent by volume and 0.7 percent by value.

2. Financial Business Investigation

The division is responsible for regulating, supervising, examining and analyzing non-bank Financial Business. It also collects data on informal financial business in the northern region, monitors the performance of financial business, particularly non-bank and foreign exchange control. The main functions of the division are as follow:

2.1 Analyzing and Monitoring Financial Business

- Survey leasing business and personal lending business, particularly
- Carry out public regulations for non-bank supervisory regulation
- Develop database for non-bank supervision

2.2 Analyzing and Monitoring Financial Health

Information on major debtors of commercial banks is analyzed to monitor the probable impact on the commercial bank's performance.

2.3 Foreign Exchange Monitoring

In 2008, total foreign currencies sold and purchased by 81 authorized money changers amounted to US\$43.03 million and US\$44.06 million, respectively, increased from the previous year by 41.6 percent and 45.1 percent, respectively.

3. Economic Research Division

The division is responsible for monitoring and analyzing economic conditions of northern region, neighboring countries especially the Union of Myanmar and Yunan Province, as well as, following up the Greatest Mekong Sub-region (GMS) progress, surveying business's performance and monetary policy's effect, disseminating information to public through an economic conditions report, a neighboring countries economic and GMS report, and press release on a regular basis both in Thai and English.

The division conducted 7 research projects in 2008 namely: (1) SMEs' Access to finance and the causes of NPLs: A case study of Northern Region, (2) A comparative analysis of transportation cost between Thailand's Northern Region and China's Southern Region: A case study of R3E route and Mekong waterway, (3) The impact of imports of Chinese fruits and vegetables on Thai economy: A case study of garlic, (4) The condition of Thai and migrant labors: A case study of Northern Region, (5) Thailand direct investment: A case study of energy sector (associated with Monetary Policy Group), (6) The study of cross-border trade settlement between the Northern Part of Thailand and Yunnan Province of the People's Republic of China, (7) The Northern Region business adjustment under exchange rate uncertainty: The case study of rice business, agricultural processing and electronic industry.

In 2008, the division also organized meeting among public and private sectors executives to exchange views of economic issues and promote the BOT's roles, furthermore, and regularly organized meeting among the BOT officials and entrepreneurs under the economic/business information exchange program.

Northeastern Region Office

Performance of Northeastern Region Office (NEO) in year 2008 is classified by 4 functional divisions: Economic Research Division, Financial Business Analysis Division, Operation Division and Human Resource Team and detailed as follows:

1. Economic Research Division

1.1 Monitoring economic condition of the northeastern region

The division has monitored, analyzed, and assessed economic conditions of the northeastern region in order to serve the monthly macroeconomic assessment meetings at the Head Office in Bangkok and to disseminate the

information to the governmental and public sectors on monthly, quarterly and annually bases.

The Business Information Exchange Program (Business Liaison Program) in the Northeastern Region was conducted every month. All required information was contributed to the monthly macroeconomic assessment meetings and prepared as reports on each business and on a quarterly basis.

1.2 Monitoring and Analysing Economic Conditions in the Neighbouring Countries

The border trade conditions between Thai and neighbouring countries, namely Lao PDR and Cambodia as well as economic conditions of Lao PDR, Cambodia and Vietnam were monitored and reported to the Head Office.

In addition, many collaborating projects between the central banks of neighbouring countries and other divisions of the BOT such as Monetary Policy Group and Financial Markets Operations Group were performed as follows:

(1) Projects aimed at extending cooperation under the MOU between the BOT and the Bank of Lao (BOL) were performed as follows:

- Hosting visits of the BOL officers in 7 training courses at the BOT as well as sending the BOT officers to attend 2 training courses at the BOL

- Evaluating the progression of the cooperative project between the Siam Commercial Bank and the Lao Development Bank on promoting Kip-Baht currency exchanges as a part of an agreement to develop payment system in order to facilitate border trades in areas of Mukdahan-Sawannaket, Chiangkhong-Borkaew and other major trading points; and extending the alike cooperation to other interested Thai and Lao commercial banks

(2) Organizing a meeting among the ACLEDA Bank, the Krungthai Bank, the National Bank of Cambodia (NBC) and the BOT during 3-5 June 2008 at the BOT.

(3) Arranging a group visit headed by Assistant Governor of the Operations Group, to the National Bank of Cambodia (NBC) to establish a relationship and extend cooperation in the future.

1.3 Research Projects

The following research projects were conducted in 2008:

(1) Financial Access of Small and Medium Enterprises (SME): a Case Study of the Northeastern Region

(2) Impacts of Gasohol Consumption on Agricultural Sectors and Trade Balance of Thailand

(3) Behaviour of Saving, Debt, and Financial Access of Household

(4) Immigrant Labour of Northeastern Region

(5) Thai Energy Investment in Neighbouring Countries

(6) Business Impact and Management of Foreign Exchange Risk: A Case Study on Entrepreneurs in Sugar Cane and Cassava Businesses

(7) Investment Risk in Rubber Farming in Northeastern Region

(8) Economic Routes to Neighbouring Countries

1.4 Other Businesses

(1) Economic Condition releases and press conference.

(2) Academic seminars on special occasions such as the 40th anniversary of the NEO, and Monetary Policy Group's regional visits.

(3) Collaboration with the Operations Division on the project of "The BOT Economic Knowledge Quizzes" for secondary school students in the Northeastern Region.

(4) Cooperation with other divisions of the BOT and other organizations on meetings, seminars, and presentations by experts of the BOT.

2. Financial Business Analysis Division

2.1 Monitoring and Gathering Financial Business Information in the Northeastern Region

Three research projects on financial business were conducted as follows:

(1) Determinant factors of foreign exchange business in the Northeastern Region

(2) Key Success factors of community's financial organizations with special financial institutions (SFIs)' support in the Northeastern Region

(3) Researches on regional issues:

- Hotel business in Chaiyaphum
- Behaviour of hire purchase and its determinant factors: a case study of Khon Kaen municipal area

(4) A survey report on informal financial sector in 19 provinces to be used as a knowledge base on informal financial sector in the Northeastern Region

2.2 Monitoring and Analysing Financial Conditions

Financial and business conditions of key economic sectors in the Northeastern Region such as sugar mills, rice mills, and automotive businesses were monitored and analysed regularly under the Business Liaison Program as well as prepared as a report on financial and business condition analysis and monitoring of major debtors in the Northeastern Region on a quarterly basis. In

addition, an analysis report on real estate sector in Khon Kaen and Udon Thani provinces was prepared on a quarterly basis.

2.3 Supervision, Examination, and Analysis of Personal Loan Business

The following was the summary performances in 2008.

(1) The examination and supervision report on the C Master Inter Trade Company, located in Udon Thani Province, as of 30 July 2007 was released to all regulated personal loan companies.

(2) Exhibition on personal loan business were organized as well as leaflets on basic financial knowledge were disseminated to the public in the Northeastern Region particularly Nong Bua Lam phu, Buri Ram, Khon Kaen, Nong Khai, Nakhon Ratchasima, Yasothon and Udon Thani as well as to the provincial offices of the Comptroller General's department, the Provincial Governor's Offices, the Provincial Chambers of Commerce, the Provincial Federations of Industries, the Provincial Clearing Houses, educational institutes, hotels, and commercial bank branches.

(3) Information on non-license personal loan businesses (quick cash) in municipal areas of Nakhon Ratchasima, Loei, Udon Thani, Sakon Nakhon, Nakhon Phanom, Mukdahan, Kalasin, Maha Sarakham, Buri Ram, Surin, Si Sa Ket, Ubon Ratchathani (Varin Chamrab) and Roi Et were surveyed and verified in cooperation with provincial police to proceed with legal procedures against illegal personal loan services in Nakhon Ratchasima and Buri Ram.

(4) Information on loan sharks and quick cash business was informed to the public through Ta Phra's local radio network 107.7 MHz every Sunday.

(5) The suppression against unauthorized personal loan services (quick cash) was informed to police rangers of the Police Provincial Region 3 by staff of the Northeastern Region Office on 11 December 2008 in Sarasin Room at the Headquarter of the Police Provincial Region 3 in Nakhon Ratchasima.

2.4 Exchange Control

NEO monitored the reports on foreign currency exchange figures of authorized money changers and information on the money transfer agents. As of December 2008, there were totally 19 authorized money changers and 306 money transfer agents, including the Thailand Post Company. From January to December 2008 there were totalling 2,839 transactions. The total amount of purchases from the foreign currency customers was US\$1,287,603.66 and the total amount of sales was US\$1,287,453.66. The conversion from foreign currency to baht was totalling B43.2 million.

2.5 Other Businesses

(1) Accepted 24 cases of personal complaints and provided 64 cases of financial consultations.

(2) Organized lectures for executives of financial institutions in the Northeastern Region on Basel II and the International Accounting Standard 39 (IAS39) and business law on credit information, in 4 provinces of Khon Kaen, Ubon Ratchathani, Nakhon Ratchasima, and Udon Thani.

(3) Organized lectures for executives of financial institutions in the Northeastern Region on Deposit Insurance Act, Financial Institutions Businesses Act, Credit Information Act.

(4) Provided a seminar on regulations, procedures, and conditions related to credit card business and future financial institution supervision policy

(5) Organized 6 meetings to exchange views on current economic and finance conditions between NEO's executives and executives of individual commercial banks namely the Bangkok Bank, the Krung Thai Bank, the Kasikornbank, the Siam Commercial Bank, the Bank of Ayudhya and the IMB Bank.

3. Operation Division

3.1 Financial Assistance to Priority Economic Sector

The NEO financial credit assistance to regional SMEs, who were adversely affected by exchange rate volatility and the outbreak of avian influenza, through loans to financial institutions with SMEs' promissory notes as guarantee remained at its outstanding amount of B351.5 million, a 75.8 percent decrease as compared to the previous year. The disbursement was totaling B9,592.3 million with repayment of B10,700.6 million, which declined from the previous year by 10.4 and 13.2 percent, respectively.

3.2 Deposit and Withdrawal Funds

The 1,166 deposit transactions were processed in current accounts in the total amount of B11,386.2 million, and 758 withdrawal transactions in the total amount of B12,467.2 million.

3.3 Cheque Clearing

The total of provincial cheques was processed by the Clearing House in the Northeastern Region. The total volume of processed cheques declined from last year by 1.3 percent while the total value increased by 6.7 percent from last year in total amount of B632,394.8 million. The total volume of returned cheques was 49,000 issues in the total value of B7,234.3 million, both figures of which dropped from last year by 15.5 and 9.7 percent, respectively. The ratio of the returned cheques to the processed cheques was 1.5 percent by volume and 1.1 percent by value.

3.4 Government Bonds Agent

As of December 31st, 2008, a total number of privileged bondholders was 17,751 with the total amount of B25,226.3 million. The total number of bondholders and values increased from last year by 6.6 and 6.1 percent, respectively. The

amount of interest payment was higher than last year by 21.3 percent with the total amount of B1,323.2 million. The total number of bond redemption was 11 with the total amount of B1.8 million, both figures of which declined from last year by 99.5 and 99.9 percent, respectively.

Southern Region Office

The Bank of Thailand: Southern Region Office is responsible for four main functions namely banking business facility, financial business investigation, economic research, and local activities support. The performances during 2008 are summarized as follows:

1. Banking Business Facilities

1.1 Fund Deposit and Fund Withdrawal

In 2008, funds deposited to Southern Region's current account amounted to B57,359.3 million and funds withdrew from the account amounted to B62,601.7 million, decreased from the previous year by 13.4 and 6.3 percent respectively.

1.2 Cheque Clearing

In 2008, the volume of the provincial processed cheques by 18 clearing houses in southern region was 4,023.4 thousand items, amounted to B702,060.2 million. The volume decreased by 1.5 percent while the value increased by 7.5 percent. The volume of provincial returned cheques was 82,654 items, with B8,187.8 million in value. The volume and the value dropped by 10.5 and 18.9 percent respectively. The ratios of the volume and value of returned cheques, of which the reasons were insufficient funds, to processed cheques were equal to 1.4 and 0.6 percent respectively.

1.3 Priority Economic Sectors Financial Assistance

At the end of 2008, the total loan outstanding provided through financial institutions was B9,475.2 million, significantly decreased by 35.9 percent from the previous year since the assistance, provided to entrepreneurs affected by the outbreak of avian flu and the Tsunami in the six southern provinces, ended at the beginning of 2008. The details are as follows

- Lending to Entrepreneurs in Songkhla and Satun Provinces Affected by the Ongoing Violence of the Three Southern Boarder Provinces has an outstanding of B1,514.1 million.

- Lending to Entrepreneurs in The Three Southern Provinces Affected by the Ongoing Violence of the Three Southern Boarder Provinces has an outstanding of B7,565.7 million.

- Lending to SEs has outstanding of B371.6 million.

- Lending to SMEs affected by appreciation of the Thai Baht B23.8 million.

1.4 Government Bond Agent

At the end of 2008, a total number of privileged bondholders reached 16,922 bondholders with the amount of B20,058.3 million. In 2008, the interest payment totaling B1,025.9 million were paid to 31,059 transaction. The bond distribution

and redemption were B1,188.1 million and B8.9 million respectively.

2. Financial Business Investigation

2.1 Financial Business Information Analysis

The following research projects were conducted in 2008:

- Success factors of rural financial organizations supported by Government Savings Bank, Bank for Agriculture and Agricultural Cooperatives, and Krung Thai Bank in Southern Region.

- Decision-making factors to operate money exchange business in Southern Region.

- Mortgage lending from individual borrowers in Southern Region.

2.2 Personal Loan Business under Supervision

The performance in 2008 is summarized as follows

- Examined personal loan business in Surat Thani province and observed the non bank registered personal loan.

- Carried out public relations for rules, methods and conditions to operate the personal loan business under supervision.

- Publicized the information regarding the unauthorized personal loan service throughout the southern areas.

2.3 Financial Business Information Analysis

Southern Region Office monitored and analyzed the performance of the key debtors that might have effects on the commercial bank positions. Moreover, the office also followed up the significant change in deposit and NPLs that affected to financial system.

2.4 Exchange Control

At the end of 2008, the number of authorized moneychangers regulated by the Southern region Office totaled 279, rose by 12.5 from the previous year. There were consisted of 43 newly licenses and 12 returned license. The purchase and sale of foreign currencies from and to customers amounted to US\$62.0 million and US\$62.1 million, increased by 0.5 and 1.0 percent respectively. The number of authorized money transfer agents amounted to 206, increased by 1.5 percent. The value of money transferred in and transferred out was US\$10.5 million and US\$3.0 million, an increase of 19.3 and 19.5 percent respectively.

In 2008, 50 authorized moneychangers in the 4 most highly transaction provinces, Phuket, Phang-nga, Songkhla and Surat Thani, were examined. Moreover, The Southern Region Office also hold public seminars to the interested entrepreneurs resulted in the increase of the numbers of application by 85.0 percent.

2.5 Others

- Accepted personal complain note totaled 39 cases.

- Participated in the monthly meeting with Narcotics Control Office Region 8 and Narcotics Control Office Region 9.

- Provided training program on the topics of the Risk Management and Internal Control to the Saving Groups for Production Development.

3. Economic Research

3.1 Monitoring and Analyzing Economic conditions

Southern Region Office took the responsibilities of monitoring and analyzing economic conditions, border trading conditions,

and reporting the special events that affected the economy for contribution informations to the Monetary Policy Group's and monthly macroeconomic meetings. Moreover, under the Business Information Exchange Program, the office conducted interview surveys on main business conditions of Southern areas.

In 2008, the office also held the seminar in economic issues at Songkhla province, a focus group conference at Trang province and the academic disseminations to the publics and related government agents.

3.2 Research project

In 2008, 3 projects were conducted. Those are as follows.

- Situation and Its Impacts on Aliens
- Thailand Direct investment
- Foreign Exchange Hedging of Thai

Business

4. Others

Southern Region Office supported the local activities as follows.

- The 50 years of Bank of Thailand Southern Region Office Foundation gave 22 scholarships amounted to 282,000 baht.
- The Book Corner of year 2008 Project contributed textbooks to 10 libraries in the areas.

Planning and Budgeting

Key achievements and activities on planning and budgeting in 2008 are as follows:

Planning

The BOT had conducted an annual review of key concerns and five-year strategic plan (2007-2011) to identify strategic direction to be pursued by all departments in 2008. The review found that key concerns pinpointed earlier were still pertinent, and may continue to have significant impacts upon the BOT's operations going forward. As such, the overall strategic direction for 2008 marked a continuation from the prior year which encompassed the following areas; monetary stability, financial institutions stability, and internal management. The strategic plan consisted of 15 strategic objectives, 20 strategies, and 32 action plans serving the strategies.

The mean for monitoring and reporting the action plans implementation was the direct

presentation of the action plans achievement against preset milestones to the Assistant Governor of Strategic Capabilities Group. This approach kept senior officials and related committees up-to-date about the progress, as well as enabled them to resolve problems or remove impediments to the success of the action plans in a timely manner. Consequently, almost all of the action plans could be accomplished within the target dates.

In August 2008, the BOT conducted the strategic plan review for the year 2009, and still envisaged similar circumstances for the upcoming 1-2 years ahead. Therefore, the BOT strategic plan for 2009 entails 18 strategic objectives, 23 strategies, and 39 action plans.

Since an enactment of the Bank of Thailand Act B.E. 2485 and amended by the Bank of Thailand Act (No.4) B.E. 2551 (The BOT Act B.E. 2485 as amended), preparation has been underway for the

new Court of Directors to determine the framework for assessing the undertaking of business and operations of the BOT in accordance with the new BOT Act in early 2009.

Budgeting

1. Amendment of Regulations, Rules, and Orders on Budgeting

At present, the BOT is in the process of amending regulations, rules, and orders on budgeting in order to enhance clarity and comprehensiveness in accordance with the new BOT Act.

2. Determination of Policy and Strategy Governing Budget Allocation

The BOT's budget allocation policy and strategy for 2009 emphasize that the allocation of the budget for operating expenses should be made with prudence and cautiousness. In addition, budgeting should be strict, and take into account energy-saving and environmental issues. A budget guideline was then developed to assist in a cohesive budget proposal process bank - wide.

3. Development of Planning and Budgeting System

In 2008, the BOT has furthered the development of online planning and budgeting system (e-planning system) since 2007. The e-planning has been designed to serve departmental budget planning and budget proposal on the intranet. Its feature includes on-line database which provide various information pertaining to

planning and budgeting i.e. the BOT's strategic plan, departments' action plans and budget, as well as related regulations, rules, and orders. The system is accommodating, flexible, and in line with the BOT's modernization strategy.

Cost Management

The BOT is now in the process of issuing regulations and guidelines to be observed by the assets owner departments concerning the management of the BOT's assets, budget and cost so as to optimize the benefits from the BOT's resources. The BOT has also started to study and analyze the possibility of using the Target Cost Framework to determine the flat-rate service charges instead of the current actual cost recovery method. The flat-rate service charge will help promoting cost-efficiency in service operation, as well as enhancing convenience and promptness in the budget operation.

In addition, guideline for the utilization of buildings at the head office was proposed and approved. This is based on cost effectiveness and benefit maximization i.e. reduction of energy, moving, renovation and repair costs.

Risk Management

1. Financial Risk Management

1.1 Risk Management of International Reserves

The BOT manages financial risk of international reserves mainly by establishing the investment benchmarks whose asset and currency allocations reflect the investment objectives (in terms of security/liquidity/return), risk-return preferences, investment restrictions, and other policy considerations. Further details of financial risk management framework for international reserves (including market risk, liquidity risk, and credit risk) are described subsequently in the Notes to Financial Statement.

In 2008, the BOT has carried out a number of additional risk management activities for international reserves in the following areas:

1.1.1 Reserves composition re-adjustment towards better risk diversification

The BOT has annually reviewed the international reserves composition to ensure that its risk and return correspond to the objectives of the investment. In the year 2008, asset and currency compositions were re-adjusted to help diversify risk, maintain the reserve's international purchasing power in the long run and alleviate adverse impacts on the BOT's financial position.

1.1.2 Researches on international reserves management framework to enhance return in the long run

In response to the expanding international reserves, the BOT seeks for higher return from a longer investment horizon. In light of the Bank of Thailand Act B.E. 2485 and amended

by the Bank of Thailand Act (No.4) B.E. 2551, the BOT has been researching on new asset classes and investment composition which can generate appropriate return and risk in the long run. Investing in the new asset classes, however, requires an approval from the BOT Board.

1.1.3 Risk Management Framework and Investment Guidelines

In accordance with the amended Bank of Thailand Act B.E. 2485 and amended by the Bank of Thailand Act (No.4) B.E. 2551, the BOT Board has set up the investment guidelines and risk management framework for international reserve management. The guidelines effectively set out eligible assets and currencies as well as types of instruments to ensure that financial risk are conforming to the risk management framework which covers 3 main types of financial risk, namely market risk, liquidity risk and credit risk.

In 2008, the BOT also strengthened credit risk management measures in the following ways:

- Research on a number of credit risk indicators, in addition to traditional credit ratings which tend to reflect longer-term credit standings, and implement them for determining credit lines for transactions with differing groups of counterparties.
- Tighten various credit limits to control risk during the global financial crisis.
- Encourage the counterparties to speed up the process of signing the ISDA agreements to mitigate risk in certain types of financial transactions.

As evidenced throughout 2008, the BOT did not suffer any loss, nor have an outstanding position, with any bankrupted counterparties whatsoever.

Moreover, the BOT has developed the Integrated Risk Information System which is a system that effectively provides information on position and risk of international reserves for executive management. The project, which launched in 2007, has been completed successfully this year.

1.2 Management and Evaluation of Risks from Policy Implementation through the Domestic Financial Markets

The BOT has set up a framework to manage risks and to evaluate the effectiveness of policy implementation through the foreign exchange market as follows.

1.2.1 Framework for the Management of Credit Risks from FX Operations

The BOT improved the framework for the management of credit risks arising from foreign exchange transactions by conducting a research on additional credit risk measures and implementing them in addition to the normal usages of credit rating and concentration ratio.

1.2.2 Risk Assessment and Evaluation of Market Operations for Policy Purposes

The BOT conducted financial risk assessments of foreign exchange operations on a regular basis as well as assessed their impact on the markets and market expectations. In addition, the BOT evaluated the effectiveness of currency stabilization measures to provide feedbacks for the deliberation of foreign exchange policy.

2. Operational Risk Management

1. Control Self- Assessment (CSA)

In accordance with internal guideline which stipulates that all departments are required to conduct CSA review process at least once a year from 2007 onwards; therefore in 2008, Strategic Services Department in conjunction with other departments conducted CSA review process based on the Committee of Sponsoring Organization of the Treadway Commission (COSO) framework. In addition, operational risk management system "RMS" was implemented as a management tool to assist in the operational risk management process.

2. Business Continuity Plan (BCP)

In 2008, the BOT has set up the Crisis Management Committee (CMC) which clearly identifies roles and functions in the command

structures and decision making process for different crisis scenarios. The BCP practices during financial crisis, banking systemic crisis and business disruptions due to a disaster or political unrest were issued as operational guidelines for departments to follow during the crisis in order to continue their critical functions properly.

The 2008 annual test drill was fully conducted to test for the readiness of security services, staff evacuation process and IT system at the back up data center. The set up of command center at the back up site and the communication channels of the executives during the crisis were also included in the test drill. The overall results of the drill were satisfactory.

Additionally, BCP for Pandemic influenza was conducted by setting up the Working group

on the preparedness for pandemic influenza. The working group consists of relevant departments, jointly considered ways to maintain the BOT's critical functions while to minimize or limit the staff infection during

a pandemic. The Bank-wide BCP for Pandemic Influenza was completed and the departments are in the process of drafting their detailed BCPs which are due to be completed in the mid of 2009.

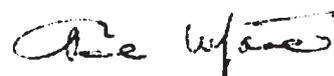
THE REPORT OF THE CHAIRMAN
OF THE AUDIT COMMITTEE

Audit Committee Report

In 2008 the Audit Committee of Bank of Thailand consists of five independent members. Mr. Nontaphon Nimsomboon, a non-executive member of the Bank of Thailand's Court of Directors, as the Audit Committee Chairman. The other members are Professor Thavach Phusitphoykai, Mr. Chetthavee Charoenpitaks, Mr. Nopadol Hengjaroen and Mrs. Nopamart Manoleehagul; with Mr. Krish Follett, Senior Director of the Internal Audit Department (ex- position), serving as secretary of the Audit Committee. Through the 9th May 2008, Mr. Nopadol Hengjaroen had resigned to be the Judge of the Supreme Administrative Court. As the Bank of Thailand Act B.E. 2485 (Updated 3/3/2551) was promulgated, the Audit Committee was terminated and Mrs. Tarisa Watanagase, the Governor was entrusted by the Court of Directors to be on duty of the Audit committee up to the time when the new Audit Committee will be appointed.

The committee's ultimate goal is to function as an effective mechanism of the Bank of Thailand 's Court of Directors to ensure good corporate governance incorporating effective and prudent risk management, internal control, and internal auditing processes, aimed at assisting the management in managing and directing the Bank of Thailand (BOT) 's operations towards achieving its set objectives. During the past year (January - August 2008) the committee convened 8 meetings altogether. The committee reviewed the BOT financial reports to reasonably assure its fair presentation and reliability, employing appropriate accounting policy and adequate disclosure in accordance with the generally accepted accounting standards and the related laws. In addition, the Audit Committee holds occasional meetings with the BOT executives as deemed necessary during the year with good co-operation from the management and related departments. As a result of the meetings, appropriate actions have been taken in order to provide concrete benefits. Moreover, the committee occasionally holds meetings with designated staff of the Office of the Auditor General of Thailand, acting as the external auditor to the BOT. The purpose is to consider significant issues and suggestions regarding accounting, internal control and management of bank operation resulting from audit engagement. The Audit Committee as well enhances the independence of the external auditor and upholds internal auditor's work to being adequately independent, truthful and in line with applicable international standards. It also gives support to appropriate coordination among bank management, external auditor and Internal Audit Department.

In an effort to fulfill its objectives, the Audit Committee has committed itself to carrying out the duty, through providing independent and impartial suggestion to BOT management and the Court of Directors, in order to foster the BOT to be a forward-looking organization with competent staff dedicated to ensuring the resilience of the Thai economy against shock and instability. In the past year, the committee agreed that the BOT was in a good status of good corporate governance, risk management and internal control, which reflected effectiveness of the BOT management.



(Mrs. Tarisa Watanagase)
Chairman, Audit Committee^{deputize for}

26 February 2009

REPORT OF THE AUDITORS
AND
BANK OF THAILAND
FINANCIAL STATEMENTS
FOR THE YEARS 2008 AND 2007



Report of the Auditors

To the Minister of Finance

We have audited the Balance Sheet as of December 31, 2008 and 2007, the Profit and Loss Account, and the Statements of Changes in Capital and Cash Flows for each year then ended of the Bank of Thailand. These financial statements are the responsibility of the Bank of Thailand's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Bank of Thailand's management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position as of December 31, 2008 and 2007, the results of operations, the changes in equity, and the cash flows for each year then ended of the Bank of Thailand, in accordance with generally accepted accounting principles.

Without qualifying opinion on the financial statements, we draw attention to the Note 3 to the financial statements disclosed that the BOT changed its accounting policies to be in conformity with other central banks' practices which are the accounting practices for specific industry as well as the Bank of Thailand Act, B.E. 2485 amended by the Bank of Thailand Act (No. 4), B.E. 2551.

(signed)

(Anchalee Pongkiew)
Director Of Audit Office

(signed)

(Klinpaka Susagiem)
Auditor In-charge

Office of the Auditor General
March 12, 2009

Bank of Thailand
Balance Sheet

As of December 31, 2008 and 2007

Unit : Baht

	Notes	2008	2007
ASSETS			
Cash and Deposits			
Cash		30,528,473,413	11,863,306,971
Foreign Deposits		<u>638,165,075,097</u>	<u>449,616,741,393</u>
		<u>668,693,548,510</u>	<u>461,480,048,364</u>
Reserve Tranche and Holdings of			
Special Drawing Rights	4	<u>12,007,211,849</u>	<u>3,749,876,644</u>
Investments			
Domestic Securities	5	298,209,784,005	286,823,354,037
Foreign Securities		<u>1,406,877,596,733</u>	<u>890,852,990,253</u>
		<u>1,705,087,380,738</u>	<u>1,177,676,344,290</u>
Securities Purchased under Resale Agreements	6	-	205,691,605,117
Loans	7	22,395,686,500	68,360,208,920
Premises and Equipment, net	8	5,940,585,480	6,126,243,302
Other Assets	9	<u>74,083,800,984</u>	<u>72,977,067,468</u>
Total Assets		<u>2,488,208,214,061</u>	<u>1,996,061,394,105</u>

The accompanying notes form part of these financial statements.

Bank of Thailand
Balance Sheet

As of December 31, 2008 and 2007

Unit : Baht

	Notes	2008	2007
LIABILITIES AND EQUITY			
Deposits			
Government		65,865,303,635	64,838,603,375
Financial Institutions		63,097,620,454	52,770,558,831
Others		<u>6,140,298,056</u>	<u>4,444,739,777</u>
		135,103,222,145	122,053,901,983
Allocations of Special Drawing Rights	10	4,553,894,128	4,509,324,388
Securities Sold under Repurchase Agreements	6	332,291,497,374	494,570,625,021
Debt Securities Issued by the Bank of Thailand	11	1,956,484,137,541	1,369,619,402,509
Other Liabilities	12	<u>66,697,273,728</u>	<u>72,670,311,699</u>
Total Liabilities		<u>2,495,130,024,916</u>	<u>2,063,423,565,600</u>
Equity			
Initial Capital		20,000,000	20,000,000
Statutory Appropriation	13	27,307,931,128	27,307,931,128
Reserve for Stabilization of Profit Payable to the Government	14	624,075,747	624,075,747
Assets and Liabilities Revaluation Reserve	15	39,560,898,740	-
Revaluation Surplus on Investments	16	-	9,762,526,050
Accumulated Losses	17	(105,076,704,420)	(94,599,867,094)
Net Profit (Loss) for the Year		<u>30,641,987,950</u>	<u>(10,476,837,326)</u>
Total Equity		<u>(6,921,810,855)</u>	<u>(67,362,171,495)</u>
Total Liabilities and Equity		<u>2,488,208,214,061</u>	<u>1,996,061,394,105</u>

The accompanying notes form part of these financial statements.

(Mrs. Tarisa Watanagase)

Governor

(Mrs. Sarida Sangchant)

Director, Accounting Department

Bank of Thailand
Profit and Loss Account

For the Year Ended December 31, 2008 and 2007

Unit : Baht

	Notes	2008	2007
Revenues			
Interest Income		68,270,885,539	70,202,923,710
Commission		466,306,797	673,551,156
Net Gains on Foreign Exchange		38,657,099,048	-
Others	18	7,491,993,710	7,694,443,668
Total Revenues		<u>114,886,285,094</u>	<u>78,570,918,534</u>
Expenses			
Interest Expense		76,262,853,674	69,697,212,590
Net Losses on Foreign Exchange		-	14,414,643,823
Personnel Expenses		3,264,403,293	3,382,912,971
Others	19	4,717,040,177	1,552,986,476
Total Expenses		<u>84,244,297,144</u>	<u>89,047,755,860</u>
Net Profit (Loss)		<u>30,641,987,950</u>	<u>(10,476,837,326)</u>

The accompanying notes form part of these financial statements.

Bank of Thailand
Statement of Changes in Equity

For the Year Ended December 31, 2008 and 2007

Unit : Baht

	Initial Capital	General Reserve	Statutory Appropriation	Reserve for Stabilization of Profit Payable to the Government	Assets and Liabilities Revaluation Reserve	Revaluation		Net Profit (Loss) for the Year	Total
						Surplus (Deficit) on Investments	Accumulated Losses		
Balance as of January 1, 2007	20,000,000	7,687,252,029	27,307,931,128	624,075,747	-	(3,117,405,560)	-	(102,287,119,123)	(69,765,265,779)
Changes during the Year									
General Reserve transferred									
to cover Net Loss	-	(7,687,252,029)	-	-	-	-	-	7,687,252,029	-
Net Loss transferred									
to Accumulated Losses	-	-	-	-	-	-	(94,599,867,094)	94,599,867,094	-
Revaluation Surplus on									
Investments	-	-	-	-	-	12,879,931,610	-	-	12,879,931,610
Net Loss for the Year	-	-	-	-	-	-	-	(10,476,837,326)	(10,476,837,326)
Balance as of December 31, 2007	20,000,000	-	27,307,931,128	624,075,747	-	9,762,526,050	(94,599,867,094)	(10,476,837,326)	(67,362,171,495)
Changes during the Year									
Net Loss transferred									
to Accumulated Losses	-	-	-	-	-	-	(10,476,837,326)	10,476,837,326	-
Revaluation Surplus on Investments									
transferred to Assets and Liabilities Revaluation Reserve	-	-	-	-	9,762,526,050	(9,762,526,050)	-	-	-
Unrealized Gains on Assets and									
Liabilities Revaluation	-	-	-	-	29,798,372,690	-	-	-	29,798,372,690
Net Profit for the Year	-	-	-	-	-	-	-	30,641,987,950	30,641,987,950
Balance as of December 31, 2008	20,000,000	-	27,307,931,128	624,075,747	39,560,898,740	-	(105,076,704,420)	30,641,987,950	(6,921,810,855)

The accompanying notes form part of these financial statements.

Bank of Thailand
Statement of Cash Flows

For the Year Ended December 31, 2008 and 2007

Unit : Baht

	2008	2007
Cash Flow from Operating Activities		
Net Profit (Loss)	30,641,987,950	(10,476,837,326)
Adjustments to Reconcile Net Profit (Loss) to Net Cash Flow from Operating Activities:		
Depreciation and Amortization Expenses	521,315,886	330,583,344
(Gain) Loss on Disposal of Premises and Equipment	(29,220,797)	7,604,464
(Gain) Loss from Net Asset Value Changes of Investments Managed by External Fund Managers	6,298,569,757	(5,744,446,869)
Gain on Foreign Exchange	-	(9,567,995,017)
Interest Income	(68,270,885,539)	(70,202,923,710)
Interest Expense	76,262,853,674	69,697,212,590
Gain from Non-cash Assets and Liabilities		
Cost Averaging	(9,693,642,802)	-
Gain from Decreasing in Provision for Contingent Losses on Forward Contracts under Resale Agreements	(200,027,745)	-
Net (Increase) Decrease in Accrued Revenues	54,426,104	(163,281,829)
Net Increase (Decrease) in Accrued Expenses	3,970,460	(25,964,977)
Cash Received (Paid) from Operation	35,589,346,948	(26,146,049,330)
Interest Received	67,901,882,034	68,905,696,624
Interest Paid	(47,198,041,162)	(68,237,036,554)
Net Profit (Loss) from Operation before Changing in Operating Assets/Liabilities	56,293,187,820	(25,477,389,260)
(Increase) Decrease in Operating Assets		
Foreign Deposits	(215,892,196,102)	(41,868,761,207)
Reserve Tranche and Holdings of Special Drawing Rights	(4,385,548,327)	23,927,840
Securities Purchased under Resale Agreements	201,196,782,110	210,112,525,457
Loans	45,964,522,420	25,022,808,322
Other Assets	(1,194,395,715)	931,599,461

Bank of Thailand
Statement of Cash Flows

For the Year Ended December 31, 2008 and 2007

	Unit : Baht	
	2008	2007
Increase (Decrease) in Operating Liabilities		
Deposits	13,042,987,151	(23,728,154,060)
Securities Sold under Repurchase Agreements	(157,830,121,282)	(55,489,883,142)
Debt Securities Issued by the Bank of Thailand	557,725,848,758	483,785,647,065
Other Liabilities	(13,822,223,156)	(215,376,079,084)
Net Cash Flow from Operating Activities	<u>481,098,843,677</u>	<u>357,936,241,392</u>
Cash Flow from Investing Activities		
Net Increase in Investments in Domestic Securities	(12,494,729,999)	(146,341,318,135)
Net Increase in Investments in Foreign Securities	(466,664,316,648)	(210,383,188,687)
Net Increase in Premises and Equipment	(198,074,991)	(1,006,301,034)
Net Cash Flow used in Investing Activities	<u>(479,357,121,638)</u>	<u>(357,730,807,856)</u>
Cash Flow from Financing Activities		
Payment of Net Profit to the Government	-	-
Net Cash Flow from Financing Activities	<u>-</u>	<u>-</u>
Effects of Foreign Exchange Rate Changes on Cash	-	(514,099,178)
Assets and Liabilities Revaluation Reserve on Cash	(892,867,350)	-
Net Increase (Decrease) in Cash and Cash Equivalents	848,854,689	(308,665,642)
Cash as of January 1	<u>48,649,276,690</u>	<u>48,957,942,332</u>
Cash as of December 31	<u>49,498,131,379</u>	<u>48,649,276,690</u>
Cash and Cash Equivalents as of December 31		
Cash	30,528,473,413	11,863,306,971
Foreign Deposits (at call)	18,969,657,966	36,785,969,719
Total	<u>49,498,131,379</u>	<u>48,649,276,690</u>

The accompanying notes form part of these financial statements.

BANK OF THAILAND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008 AND 2007

1. Basis of Preparation of the Financial Statements

The financial statements of the Bank of Thailand (BOT) have been prepared in accordance with Section 54 of Chapter 9 of the Bank of Thailand Act, B.E. 2485 amended by the Bank of Thailand Act (No.4), B.E. 2551, stipulating that the accounting of the BOT shall be in compliance with the generally accepted accounting principles except for a particular matter which the BOT Board has prescribed to be in conjunction with general practices of other central banks.

The financial statements are specific to the account of the BOT, not including the accounts of the Currency Reserve, the notes issuance business and the Financial Institutions Development Fund (FIDF), and have been prepared under the historical cost unless otherwise disclosed in Note 2, Summary of Significant Accounting Policies.

2. Summary of Significant Accounting Policies

2.1 Revenues Recognition

Interest revenue is recognized on a time proportion basis that takes into account the effective yield on the asset. Other revenues are accounted for on an accrual basis.

2.2 Expenses Recognition

Expenses are accounted for on an accrual basis.

2.3 Foreign Currency Transactions

Transactions denominated in foreign currencies are translated into baht at the exchange rates prevailing at the date of transaction or at the preceding day-end reference exchange rates.

At the year end, assets and liabilities denominated in foreign currencies are revalued into baht at the exchange rates prevailing on the balance sheet date. Unrealized gains and losses from revaluation of assets and liabilities are presented in the Assets and Liabilities Revaluation Reserve under the equity section.

Gain or loss from foreign currency transactions is recognized in the Profit and Loss Account when the position of each foreign currency is decreased.

2.4 Investments

Domestic securities are held for the purpose of monetary policy implementation and are stated at cost after amortization of premiums or discounts.

Foreign securities are held for the purpose of the international reserve management and are stated at fair value. Unrealized gains and losses from revaluation are presented in the Assets and Liabilities Revaluation Reserve under the equity section, and are recognized in the Profit and Loss

Account on disposal. Except for the assets managed by external fund managers, gain or loss from change in net asset value is recognized in the Profit and Loss Account.

The cost of securities sold during the year is calculated based on the weighted average cost basis.

2.5 Loans

Loans are stated at carrying balances of principals and the accrued interests are included in "Other Assets".

2.6 Premises and Equipment

Land is stated at cost. Buildings and equipment are stated at cost after depreciation.

Buildings and equipment are capitalized when their useful lives are over one year. The depreciation is calculated by the straight-line method, based on the estimated useful lives of the assets, as follows:

Buildings	20	years
Temporary Buildings and Improvements	5	years
Equipment	3-15	years

The cost of fixed assets jointly used by the BOT, the Currency Reserve, the notes issuance business and the FIDF is allocated to each unit according to an asset usage proportion basis.

2.7 Intangible Assets

Intangible assets are stated at cost after amortization. The amortization is allocated by the straight-line method over five years.

2.8 Derivatives

2.8.1 Forward contracts

Forward contracts are used to hedge risk arising from the exchange rate fluctuation and are presented at fair value. Unrealized gains and losses derived from changes in the fair value are presented in the Assets and Liabilities Revaluation Reserve under the equity section. Gains and losses on forward contracts are recognized in the Profit and Loss Account on the settlement date.

2.8.2 Futures contracts

Futures contracts are used to hedge risk arising from the interest rate or bond price fluctuation and are presented at fair values. Changes in the fair value of the contracts are recognized in the Profit and Loss Account when the price revaluation and the settlement of the variation margin take place.

2.9 Provision for Contingent Losses on Forward Contracts under Resale Agreements

The BOT has undertaken commitments with the government agencies and the state enterprises to resell foreign currencies in the future at the specific rates. At the year end, until 2007, the contracts were valued by comparing the year-end exchange rates with the contracted rates. The provision was fully provided for the contracts resulted in contingent loss.

From the year 2008, the BOT discontinued providing additional provision for contingent losses and the outstanding of such provision will be reduced when an individual contract is due. The non-settlement contracts are currently presented at fair values and the changes in the fair value are presented in the Assets and Liabilities Revaluation Reserve under the equity section.

2.10 Pension Fund and Provident Fund

2.10.1 Pension Fund

The BOT's Rules and Regulations for Pension Fund B.E. 2539 including the amendments state that the employees who joined the BOT before December 1, 1996 and are not the members of the "Provident Fund" have the rights to receive pension according to the stipulated conditions and calculation basis.

The BOT has maintained provision in accordance with these rules and regulations. Such provision is provided annually and charged as the expense in the Profit and Loss Account.

2.10.2 Provident Fund

The BOT's Rules and Regulations for Provident Fund B.E. 2539 state that the BOT and the employees who are the members of the Provident Fund have to make contributions to the Provident Fund according to the stipulated conditions. This Provident Fund has already been registered under the Provident Fund Act B.E. 2530.

The contributions paid to the Provident Fund, made by the BOT, are charged to the Profit and Loss Account.

3. Changes in Accounting Policies

In 2008, the BOT changed its accounting policies to better reflect the financial position and operations appropriated for central bank functions. These changes are in conformity with other central banks' practices, the accounting practices for specific industry, as well as the Bank of Thailand Act, B.E. 2485 amended by the Bank of Thailand Act (No. 4), B.E. 2551. The changes are set out below.

3.1 The exchange rates using for translating the foreign currency transactions into baht were changed from the month-end exchange rates to the exchange rates prevailing at the date of transactions or at the end of the previous day.

3.2 The unrealized gains and losses derived from the revaluation of foreign assets and liabilities were changed from recognizing in the Profit and Loss Account to presenting under the equity section. A gain or loss from foreign currency is recognized in the Profit and Loss Account when the position of each foreign currency is decreased.

3.3 The calculation basis for the cost of securities sold was changed from first-in, first out (FIFO) to the weighted average cost.

3.4 The presentation of fair value of the forward contracts was changed from disclosing as unrealized gains or losses in the notes to financial statement to presenting as assets or liabilities and presenting changes in the fair value of the contracts under the equity section.

3.5 The presentation of fair value of the forward contracts under resale agreements was changed from providing full provision by considering only the fair value of the contracts resulted in contingent loss to presenting fair value of both gain and loss contracts as liabilities and presenting the changes of the fair value from the 2007 year-end under the equity section.

The unrealized gains and losses derived from the revaluation of foreign assets and liabilities, the changes in fair value of forward contracts and the changes in fair value of the forward contracts under resale agreements aforementioned in Note 3.2, 3.4 and 3.5 are presented in the Assets and Liabilities Revaluation Reserve under the equity section in compliance with Section 16 of Chapter 3 of the Bank of Thailand Act, B.E. 2485 amended by the Bank of Thailand Act (No. 4), B.E. 2551.

For the changes in accounting policies in 2008, the BOT has applied the prospective approach as the cumulative effects of changes are impracticable for adjusting to the opening balance of equity of the current period. Had the accounting policies been changed and the Bank of Thailand Act, B.E. 2485 amended by the Bank of Thailand Act (No. 4), B.E. 2551 had been enforced since 2007, the financial statements of the year 2007 would have reported net loss higher by B16,004.9 million, assets higher by B3,541.1 million, liabilities higher by B12,693.0 million and equity lower by B9,151.9 million.

4. Reserve Tranche and Holdings of Special Drawing Rights

	Unit : Million baht	
	2008	2007
Quota Subscribed to International Monetary Fund (IMF)	58,201.3	57,631.7
Less: IMF Current Account No.1	(25,324.6)	(29,115.5)
Non-Negotiable with Non-Interest Bearing		
Promissory Notes Payable to IMF	(25,454.4)	(24,772.8)
Reserve Tranche	7,422.3	3,743.4
Holdings of Special Drawing Rights	4,584.9	6.5
Total	12,007.2	3,749.9

Reserve Tranche is classified as the international reserves, calculated from the Quota Subscribed to IMF after deduction of the baht balances existing in the form of IMF Current Account No.1, and Non-Negotiable with Non-Interest Bearing Promissory Notes Payable to IMF.

"Quota Subscribed to IMF-Baht" is presented in "Other Assets" (Note 9). The aforementioned IMF Current Account No. 1, and Non-Negotiable with Non-Interest Bearing Promissory Notes, and IMF Current Account No. 2 for administrative expenses are stated under "Other Liabilities" (Note 12).

Holdings of Special Drawing Rights are also classified as the international reserves.

5. Investments

	Unit : Million baht	
	2008	2007
Domestic Securities		
Cost after amortization of premiums or discounts	298,209.8	286,823.3
Foreign Securities		
Cost after amortization of premiums or discounts	1,363,530.0	881,090.5
<u>Plus</u> : Unrealized gain from price and foreign exchange rate revaluation of investments	43,347.6	9,762.5
	<u>1,406,877.6</u>	<u>890,853.0</u>
Total	<u>1,705,087.4</u>	<u>1,177,676.3</u>

6. Securities Purchased under Resale Agreements and Securities Sold under Repurchase Agreements

	Unit : Million baht	
	2008	2007
Securities Purchased under Resale Agreements		
- Domestic Securities	-	35,401.0
- Foreign Securities	-	170,290.6
Total	<u>-</u>	<u>205,691.6</u>
Securities Sold under Repurchase Agreements		
- Domestic Securities	332,291.5	297,632.0
- Foreign Securities	-	196,938.6
Total	<u>332,291.5</u>	<u>494,570.6</u>

7. Loans

	Unit : Million baht	
	2008	2007
Programs guaranteed by the Ministry of Finance	2,530.3	5,115.8
Programs collateralized with entrepreneur promissory notes endorsed for the BOT by financial institutions	19,865.4	63,244.4
Total	<u>22,395.7</u>	<u>68,360.2</u>

In 2008, the BOT reformed the role of financial assistance to priority economic sectors through financial institutions to comply with the Bank of Thailand Act, B.E. 2485, amended by the Bank of Thailand Act (No. 4), B.E. 2551. The new entrepreneurs were ceased from assistance. However, the loan commitments that were granted before enforcement of this Act shall remain effective until expirations. As of December 31, 2008, the BOT has one lending program financing to economic sectors through financial institutions guaranteed by the Ministry of Finance and four lending programs collateralized with entrepreneur promissory notes endorsed for the BOT by financial institutions.

8. Premises and Equipment, net

	Unit : Million baht			
	Balance	Changing in Book Value		Balance
	Dec 31, 2007	Increase	Decrease	Dec 31, 2008
Land	2,464.8	-	-	2,464.8
Buildings	1,819.0	1,686.8	0.1	3,505.7
Temporary Buildings and Improvements	226.8	0.9	-	227.7
Equipment	1,010.7	1,124.5	52.8	2,082.4
Assets under Construction	2,698.1	264.3	2,848.8	113.6
Total	<u>8,219.4</u>	<u>3,076.5</u>	<u>2,901.7</u>	<u>8,394.2</u>
Less: Accumulated Depreciation				
Buildings	(1,261.6)	(137.1)	-	(1,398.7)
Temporary Buildings and Improvements	(148.9)	(35.4)	-	(184.3)
Equipment	<u>(682.7)</u>	<u>(240.4)</u>	<u>52.5</u>	<u>(870.6)</u>
Total	<u>(2,093.2)</u>	<u>(412.9)</u>	<u>52.5</u>	<u>(2,453.6)</u>
Premises and Equipment, net	<u>6,126.2</u>	<u>2,663.6</u>	<u>2,849.2</u>	<u>5,940.6</u>
Depreciation for the year	219.2			412.9

The new head office building is currently under construction according to the BOT's Master Plan which aimed to develop the overall land and buildings utilization. The Master Plan, with the total budget of B2,751.4 million, was scheduled for completion on October 31, 2009. As of December 31, 2008, B2,570.7 million or 93.4 percent of the total budget was spent. Depreciation of the assets available for use is determined by the specific rule.

9. Other Assets

	Unit : Million baht	
	2008	2007
Quota Subscribed to IMF' Baht	50,779.0	53,888.3
Assets from Derivatives Revaluation	4,685.0	-
Investment in Other Organizations	1,768.0	1,750.8
Staff Loans	2,724.5	2,633.5
Intangible Assets	214.4	255.9
Accrued Income	12,002.8	12,632.3
Others	<u>1,910.1</u>	<u>1,816.3</u>
Total	<u>74,083.8</u>	<u>72,977.1</u>

Intangible assets of the BOT are computer software and systems as shown below.

	Unit : Million baht			
	Balance Dec 31, 2007	Changing in Book Value		Balance Dec 31, 2008
		Increase	Decrease	
Computer Software and Systems	611.2	66.9	-	678.1
Less: Accumulated Amortization	(355.3)	(108.4)	-	(463.7)
Net Intangible Assets	<u>255.9</u>	<u>(41.5)</u>	-	<u>214.4</u>
Amortization for the year	109.7			108.4

10. Allocations of Special Drawing Rights

The IMF's member countries are allocated Special Drawing Rights in proportion to their subscriptions to the IMF. For the year ended 2008, the BOT was allocated the balance of SDR84.7 million, an equivalent of B4,553.9 million.

11. Debt Securities Issued by the Bank of Thailand

	Unit : Million baht	
	2008	2007
Bank of Thailand Bonds		
Remaining maturity :		
- 1 year or less	979,327.3	1,013,139.6
- over 1 year	406,887.6	328,886.3
Less Held by the BOT	(12,614.3)	(22,451.5)
	<u>1,373,600.6</u>	<u>1,319,574.4</u>
Other BOT Debt Securities (Remaining maturity less than 1 year)	582,883.5	50,045.0
Total	<u><u>1,956,484.1</u></u>	<u><u>1,369,619.4</u></u>

The BOT has issued the BOT bonds and the BOT debt securities to be used as monetary instruments as well as to foster the development of money market and debt securities market in Thailand. The BOT debt securities are issued to absorb liquidity through the End-of-Day Liquidity Adjustment Window, the BOT's Bilateral Repurchase Transactions and the BOT Debt Securities Window. In 2008, the interest paid presented as a part of Interest Expense, amount of B51,718.3 million was paid on the BOT bonds and B12,001.7 million was paid on the BOT debt securities.

In addition, the BOT bonds held by the BOT were a result of the BOT bonds buyback operations, which were undertaken to enhance the efficiency of the BOT's liquidity management in the money market.

12. Other Liabilities

	Unit : Million baht	
	2008	2007
IMF Current Accounts No. 1 and 2	25,324.9	29,115.9
Promissory Notes Payable to IMF	25,454.4	24,772.8
Liabilities from Derivatives Revaluation	5,564.8	-
Obligation from Unremunerated Reserve Requirement on Short Term Capital Inflow Measure	0.9	8,211.4
Liabilities from Forward Contracts under Resale Agreements	2,295.5	1,050.2
Accrued Expenses	7,210.5	7,283.8
Others	846.2	2,236.2
Total	66,697.2	72,670.3

13. Statutory Appropriation

In 2002, B165,000 million was transferred from the Special Reserve Account of the Currency Reserve to the BOT in accordance with the Emergency Decree on the Partial Transfer of Assets from the Special Reserve Account, B.E. 2545 in order to compensate for the accumulated losses and to enhance the stability of the BOT. The residual amount, after deducted by the accumulated losses, of B27,307.9 million was presented as Statutory Appropriation.

14. Reserve for Stabilization of Profit Payable to the Government

Reserve for Stabilization of Profit Payable to the Government was accumulated from net profit after appropriated for the year 1990 - 1996 in order to maintain the profit payable to the government. This profit appropriation rule was consented by the Ministry of Finance and the balance of this account could be transferred as additional public revenue on demand of the Ministry of Finance. Since 2002, no profit appropriation has been made to this account.

15. Assets and Liabilities Revaluation Reserve

	Unit : Million baht	
	2008	2007
Unrealized Losses from Foreign Exchange Revaluation of Assets and Liabilities	(1,275.6)	-
Unrealized Gains from Price Revaluation of Investments	43,161.6	-
Unrealized Losses from Revaluation of Derivatives	(879.8)	-
Unrealized Losses from Revaluation of Forward Contracts under Resale Agreements	(1,445.3)	-
Total	39,560.9	-

Subject to Section 13(2) of Chapter 3 of the Bank of Thailand Act, B.E. 2485, amended by the Bank of Thailand Act (No. 4), B.E. 2551, the Assets and Liabilities Revaluation Reserve is established to accumulate gains and losses derived from the revaluation of the BOT's assets and liabilities.

16. Revaluation Surplus on Investments

In 2008, the balance in the Revaluation Surplus on Investments was transferred to the Assets and Liabilities Revaluation Reserve in accordance with Section 16 of Chapter 3 of the Bank of Thailand Act, B.E. 2485, amended by the Bank of Thailand Act (No. 4), B.E. 2551, which stipulated that the gains and losses derived from assets and liabilities revaluation shall be accumulated in or deducted from the Assets and Liabilities Revaluation Reserve.

17. Accumulated Losses

In 2008, the amount of net loss B10,476.8 million was transferred to the Accumulated Losses and the balance of this account as of December 31, 2008 was B105,076.7 million. Movements of the Accumulated Losses are set out in the Statement of Changes in Equity.

18. Other Revenues

	Unit : Million baht	
	2008	2007
Gain from disposal of investments	6,887.8	-
Gain from investments managed by external fund managers	-	7,253.0
Others	604.2	441.4
Total	7,492.0	7,694.4

19. Other Expenses

	Unit : Million baht	
	2008	2007
Loss from disposal of investments	-	231.2
Loss from investments managed by external fund managers	3,345.3	-
Others	1,371.7	1,321.8
Total	4,717.0	1,553.0

20. Commitments and Contingencies

As of December 31, 2008, the outstandings of commitments and contingencies of the BOT are as follows:

20.1 Forward Contracts

20.1.1 Dollar-Baht Forward Contracts

The BOT had net position of outstanding dollar-baht forward contracts to buy USD6,955.0 million due in 2009.

20.1.2 Cross Currency Forward Contracts

The BOT had net position of outstanding cross currency forward contracts to buy EUR106.7 million, GBP141.9 million, USD213.1 million, JPY20,150.0 million, AUD20.0 million and to sell KRW6,150.0 million due in 2009.

20.1.3 Forward Contracts under Resale Agreements

The BOT had the obligations under Resale Agreements to sell JPY14,368.5 million, due in 2009 - 2020.

The fair values of such forward contracts are presented in "Other Assets" (Note 9) or "Other Liabilities" (Note 12).

20.2 ASEAN Swap Arrangement, Bilateral Swap Arrangement and Agreement on Kip-Baht Swap

The BOT renewed the Memorandum of Understanding on the ASEAN Swap Arrangement (ASA), which is the arrangement to provide short-term foreign exchange liquidity support in a total amount of USD2,000.0 million among the 10 ASEAN member countries. The two-year arrangement, expiring on November 16, 2009, obliges the BOT to contribute USD300.0 million and to borrow up to USD600.0 million.

The BOT also undertook a Bilateral Swap Agreement (BSA) under Chiang Mai Initiative with the Bank of Japan (BOJ). This three-year agreement, expiring on November 8, 2010, enables both countries to swap their local currencies (Thai Baht and Japanese Yen) against US dollar. Under the agreement, the BOT can borrow up to USD6,000.0 million, which is to be guaranteed by the Ministry of Finance of Thailand, whereas the BOJ as an agent of the Ministry of Finance of Japan can borrow up to USD3,000.0 million. In addition, the BOT is currently under the negotiation to renew BSAs with the Bank of Korea and the People's Bank of China.

The one-year Agreement on Kip-Baht swap with the Bank of Lao PDR in the amount of B500.0 million was expired on August 16, 2008 without any extension.

In 2008, neither the BOT nor its counterparties activated any of the above mentioned arrangements.

20.3 Lawsuits

As of December 31, 2008, the BOT, in the normal course of business, was taken legal actions at the amount of the claims totalling B17,970.9 million and all of which are in process of court trial. However, the forecasted amount of these claims when the final judgement is made may have no material effect on the BOT's financial position and operations.

21. Risk Management at the Bank of Thailand

21.1 Financial Risk Management

21.1.1 BOT's Balance Sheet Risk

The key financial risks that affect the BOT's balance sheet are the followings:

21.1.1.1 Foreign Exchange Rate Risk

The BOT's assets are exposed to foreign exchange rate risk as they are mainly denominated in foreign currencies, which is necessary for monetary operations in order to ensure the stable financial environments.

21.1.1.2 Interest Rate Risk

Interest rate risk emerges when the interest rate in domestic market, resulting from conducting monetary policies, is significantly different from the interest rate of foreign markets that the BOT invests in.

21.1.2 Financial Risk Management of the International Reserves

Investment of the international reserves in foreign assets has inherent financial risks. There are three types of financial risks: market risk, credit risk and liquidity risk. Notably, the BOT's credit risk and liquidity risk are much lower than its market risk due to the BOT's policy to invest in high credit rated securities and to impose limits on illiquid assets.

The main objectives of financial risk management of the international reserves consist of:

- a. Preserving the value of the international reserves when measured in terms of stable currencies, and
- b. Ensuring an acceptable level of financial risks of the international reserves as well as risk diversification.

Financial risks of the reserves are managed in accordance with the following approaches:

21.1.2.1 Market Risk

Market risk, comprising of interest rate risk and foreign exchange rate risk, is the risk of loss due to changes in the market value of assets or currencies. The BOT manages market risk through benchmarking, which involves setting asset and currency allocations in accordance with the objectives of each portfolio and the BOT's risk tolerance. The BOT performs risk analysis by carrying out stress tests to estimate potential impacts of various market scenarios on the reserves.

The BOT's compliance staff monitor and control market risk to prevent excessive risk incurred from the unapproved deviation of actual investment position from the aforementioned benchmarks. The BOT keeps these risks within acceptable levels by imposing tracking error limits.

21.1.2.2 Credit Risk

Credit risk is the risk that the BOT's counterparties or the issuers of the securities held by the BOT default or are unable to fulfil their financial obligations with the BOT.

The BOT controls credit risk by using the following approaches:

- (1) Minimum Credit Rating, set for counterparties and issuers to limit the credit value-at-risk to a very low level
- (2) Aggregate Credit Exposure Limit, set for counterparties and issuers in the form of deposit equivalent exposure based on the credit rating and number of counterparties

(3) Individual Credit Exposure Limit, set for counterparties based on their credit rating. However, exposure limit for some counterparties will be reduced in the case that the probability of being downgraded, indicated by a set of indicators, increases.

(4) Sovereign Credit Limit, based on country credit ratings (Sovereign credit limits are used as constraints in benchmark construction.)

21.1.2.3 Liquidity Risk

Liquidity risk is the risk of loss arising from the inability to liquidate assets at a reasonable price within the specified period.

The management of liquidity risk focuses on setting appropriate levels for illiquid assets based on the BOT's liquidity needs, and the cost-benefit comparisons between the returns from liquidity premiums and the costs of liquidation.

21.2 Operational Risk Management

21.2.1 Control Self-Assessment (CSA)

In accordance with internal guideline which stipulates that all departments are required to conduct CSA review process at least once a year from 2007 onwards; therefore in 2008, all departments have conducted CSA review process based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. In addition, operational risk management system "RMS" was implemented as a management tool to assist in the operational risk management process.

21.2.2 Business Continuity Plan (BCP)

In 2008, the BOT has set up the Crisis Management Committee (CMC) which clearly identifies roles and functions in the command structures and decision making process for different crisis scenarios. The BCP practices during financial crisis, banking systemic crisis and business disruptions due to a disaster or political unrest were issued as operational guidelines for departments to follow during the crisis in order to continue their critical functions properly.

The 2008 annual test drill was fully conducted to test for the readiness of security services, staff evacuation process and IT system at the backup site. The set up of command center at the backup site and the communication channels of the executives during the crisis were also included in the test drill. The overall results of the drill were satisfactory.

Additionally, BCP for Pandemic influenza was conducted by setting up a working group on the preparedness for pandemic influenza. The working group consists of relevant departments, jointly considered ways to maintain the BOT's critical functions while to minimize or limit the staff infection during a pandemic. The Bank-wide BCP for Pandemic Influenza was completed and the departments are in the process of drafting their detailed BCPs which are due to be completed in the mid of 2009.

22. Significant Events Occurred during the Year 2008

22.1 Enforcement of the Bank of Thailand Act (No.4), B.E. 2551

On March 3, 2008, the Bank of Thailand Act (No.4), B.E. 2551, amending the Bank of Thailand Act, B.E. 2485, was published in the Government Gazette. The Act stipulates that the accounting of the BOT shall be in compliance with the generally accepted accounting principles except for a particular matter which the BOT Board has prescribed to be in conjunction with general practices of other central banks and entitles the BOT to present an unrealized gain or loss arising from the revaluation of foreign assets and liabilities in the Assets and Liabilities Revaluation Reserve under the equity section.

22.2 Lifting of the Unremunerated Reserve Requirement on Short-term Capital Inflows Measure

Since the BOT issued the Notice of the Competent Officer on Rules and Practices regarding Currency Exchange effective December 19, 2006 in order to curb short-term capital inflows, the BOT had relaxed the measure over time. With effect from March 3, 2008, the measure was lifted.

22.3 Closure of the BOT Repurchase Market

Since February 13, 2008, the BOT-operated repurchase market has been closed down and the BOT Debt Securities Window has been established as an alternative channel of liquidity absorption, where member financial institutions with surplus liquidity can place their deposits with the BOT. This aims at enhancing the efficiency and transparency of monetary policy implementation as well as promoting the money market and debt securities market development.

23. Financial Restatements

Financial statements for the year ended December 31, 2007 have been restated in line with the presentation of financial statements for the year 2008 without causing any effect on the Profit and Loss Account.

MANAGEMENT AND PERSONNEL

Organization Structure, Work Systems and Work Processes

Throughout the year 2008, the Bank of Thailand (BOT) had continuously improved the organization structure, the work systems, and streamlined the work processes. This is in accordance with its roles and responsibilities stipulated under the Bank of Thailand Act B.E. 2485 and amended by the Bank of Thailand Act (No.4) B.E. 2551 which explicitly states the efficiency and transparency of the Monetary Stability, Financial Stability and Payment System. This improvement has also supported the BOT's 2009 Strategic Plan which emphasizes on enhancing work efficiency, work environment, employees' quality of life and employee satisfaction. The projects conducted during the year 2008 can be summarized as follows:

1. BOT's Reorganization Structure

1.1 Monetary Policy

The BOT reorganized and redesigned the functions of the Monetary Policy Department in order to strengthen the capability and quality of the monetary policy. The Department is comprised of the Monetary Policy Strategy Division and the Forecasting and Macro Surveillance Division.

The BOT enhanced the roles and responsibilities of the Domestic Economy Department on monitoring and analyzing the real estate sector by establishing database and real estate indicators. In addition, the BOT improved its role and work process on research work in order to deliver higher value and efficiency.

1.2 Financial Markets Operations

The BOT developed the Financial Markets Analysis and Development Division under the Financial Markets Office, and the Reserve Management Analysis and Development Division under the Reserve Management Office. The

development focused on analyzing, monitoring and developing proper investment instruments for the region and the world's financial market situations. The BOT resized the Credit and Refinancing Division into the Credit and Refinancing Team in accordance with the roles and responsibilities.

1.3 Fund Management

Due to the establishment of the Deposit Protection Agency (DPA) in August 2008, the BOT restructured the organization structure and redesigned the functions of the FIDF Management Group by closing down the Project Management and Deposit Insurance Team. The BOT also developed the Office of Accounting Analysis and Management in order to ensure check and balance in the funding and distribution process whereby the back office operations have been separated from the front office operations of the Office of Business Management.

2. BOT's Work System and Work Process Improvement

2.1 Banknote Management

The BOT has continually modernized the work processes of the Banknote Management Group since 2007 by implementing more technologies, outsourcing systems and ISO standards on the banknote management process after implementing such systems successfully on the banknote printing process.

2.2 Outsourcing Study

The BOT has studied new methods to improve and facilitate supporting functions. The BOT has initially implemented the outsourcing strategy on engineering and service functions by subcontracting service providers. The study covers rules, implementation plans and potential impacts towards the BOT's employees, work systems and organization structure.

2.3 Redesigning Work Processes and Working Hours

The BOT redesigned work processes to enhance the effectiveness and efficiency, employees' quality of work life and quality of works. Unnecessary overtime and work on weekends have been gradually reducing.

2.4 Flexible Work Arrangement Strategy

(1) Teleworking@BOT Pilot Project

The BOT has continuously developed the new flexible work arrangements in order to promote the work life balance of the BOT's employees and retain high potential employees. The BOT had launched its Teleworking (or home based working) Pilot Project since 2006. During 2006-2007, there were 53 employees, from officers to middle management, participating in this pilot project. Due to a success of this pilot project, the BOT has approved Teleworking method and put it into practice in the year 2009.

(2) Flexi e-Working Pilot Project is comprised of two sub-projects : the Living

Room@BoT Project whereby the BOT has arranged a workplace with comfortable work environment for working after normal working hours and Flexi e-Working@Home Project whereby the BOT has offered non-interest loans to employees to purchase computer hardware and accessories. This project was launched in 2007 and got good responses from the BOT's employees.

(3) During the end of the year 2008, the BOT had launched a new project called Compressed Workweeks Pilot Project whereby employees work longer hours for 9 days per 2 weeks in exchange for one more day off. This project was firstly implemented on the Security Ink Division of the Note Printing Works and will be continued in the year 2009. The project is designed to enhance the work efficiency, save the energy and reduce the commuting time of the employees.

The abovementioned projects not only help enhancing the quality of life and satisfaction of the employees but also help saving the energy consumption for the country as a whole.

Human Resource Management

Workforce Status and Distribution

As of December 31, 2008, the BOT had in total 3,910 employees, a increase of 30 employees or 0.8 percent of the entire workforce compared to the same period of last year.

Of the decrease of 70 employees, 42 reached their retirement age, 23 resigned, 4 early retired, and 1 passed away.

Of the existing workforce, there are 1,786 male and 2,124 female employees, or the ratio of 46 : 54 Regarding levels of education, 3,295 employees or 84 percent hold bachelor's degrees

or higher. Of this, 1,851 or 47 percent had a bachelor's degree, 1,381 or 35 percent a master's and 63 or 2 percent a doctorate degree.

Human Resource Management

To move forward the organization to be a forward-looking organization with competent staff dedicated to ensuring the resilience of the Thai economy against shock and instability, the Bank has put emphasis on human resource management by setting up HR strategic plans for the year 2007-2011 as follows.

1. For proactive recruitment for talent to ensure the sufficient number of staff with state-of-the-art knowledge and expertise in various required fields, the Bank has added more recruitment and selection methods and modified processes to reach target groups for better effectiveness and efficiency, including increasing the external recruitment channels.

2. To encourage the management at all levels to be fully aware of their roles in personnel management, the Bank conducted "Taking care of employees" workshops for the management at all levels in every department and requested each department to include HR agenda in their regular monthly or quarterly meetings. Follow-up sessions, including employee satisfaction surveys on their immediate bosses have been conducted and feedback to the bosses. All processes have been and will be monitored and refined for better effectiveness.

3. To attract and retain key staff, we are developing a career plan for staff, enforcing rotation across departments and organizations so that job enrichment and enlargement can be achieved. Career opportunity, compensation, and succession planning are continuously reviewed.

4. To keep employees up with the new technologies, especially in trade negotiation and derivatives, classroom training, study visit, secondment and on-the-job training on derivatives and trade negotiation were conducted.

5. Apart from increasing the staff awareness of the Bank's core value through exhibition, activities contest, etc., to align employees' behaviors with core values (PI-WADH: Proactive to Change with Passion to Learn, Integrity, Willing to Share, Ability to communicate, Dedication, Humility), the Bank is seeking all means to further cultivate such values to employees' behavior, including taking it into consideration for annual merit increase.

In addition, the Bank also creates and promotes learning environment via Knowledge Management (BOT-KM), such activities include Community of Practice (COP) - i.e. group of people in organization that form to share what they know, to learn from one another regarding some aspects of their work experiences and to provide a social context, seminars, and e-Magazines on KM. The COP was pioneered in the Supervision Group and followed by other department.

Court of Directors

As of 31 December 2008

Chairman	Mrs. Tarisa	Watanagase
Vice Chairman	Mr. Bandid	Nijathaworn
	Mrs. Atchana	Waiquamdee
Director	Ms. Nitaya	Pibulratanagit
	Mr. Borwornsak	Uwanno
	Mr. Ampon	Kittiampon
	Mr. Nontaphon	Nimsomboon
	Mrs. Pannee	Sathavarodom
	Khun Pornthip	Jala

Executives of The Bank of Thailand

As of 31 December 2008

Governor	Mrs. Tarisa Watanagase
Deputy Governor, Monetary Stability	Mrs. Atchana Waiquamdee
Deputy Governor, Financial Institutions Stability	Mr. Bandid Nijathaworn
Deputy Governor, Corporate Support Services	Ms. Nitaya Pibulratanaagit
Assistant Governor, Monetary Policy Group	Ms. Duangmanee Vongpradhip
Assistant Governor, Financial Markets Operations Group	Mrs. Suchada Kirakul
Assistant Governor, Financial Institutions Policy Group	Mr. Krirk Vanikkul
Assistant Governor, Supervision Group	Mr. Sorasit Soontornkes
Assistant Governor, FIDF Management Group	Mrs. Tong-u-rai Limpiti
Assistant Governor, Management Assistance Group	Mr. Arkabusik Krairiksh
Assistant Governor, Strategic Capabilities Group	Mr. Vichan Amorojanavong
Assistant Governor, Information Technology Group	Mr. Chim Tantiyaswasdikul
Assistant Governor, Operations Group	Mr. Krish Follett
Assistant Governor, Banknote Management Group	Mr. Nopporn Pramojaney

Deputy Governor, Monetary Stability	Mrs. Atchana Waiquamdee
Assistant Governor, Monetary Policy Group	Ms. Duangmanee Vongpradhip
Senior Director, Domestic Economy Department	Mrs. Amara Sriphayak
Director, Monetary Policy Department	Mr. Amporn Sangmanee
Director, International Economics Department	Ms. Vachira Arromdee
Director, Economic Research Department	Mr. Titanun Mallikamas
Director, Office of Macroeconomic Policy and Analysis	Mr. Pichit Patrawimolpon
Assistant Governor, Financial Markets Operations Group	Mrs. Suchada Kirakul
Senior Director, Financial Markets and Reserve Management Department	Mrs. Pongpen Ruengvirayudh
Director, Exchange Control and Credits Department	Mrs. Alisara Mahasandana
Director, Financial Markets Office	Mr. Singhachai Boonyayotin
Director, Reserve Management Office	Ms. Wongwatoe Potirat
Overseas Representative Offices	
Chief, New York Representative Office	Mr. Yoot Khunsihapak
Chief, London Representative Office	Ms. Arunrat Ngamjaruspong
Director, Financial Risk Management and Operations Department	Mr. Mathee Supapongse

Deputy Governor, Financial Institutions Stability	Mr. Bandid Nijathaworn
Assistant Governor, Financial Institutions Policy Group	Mr. Krirk Vanikkul
Senior Director, Financial Institutions Strategy Department	Ms. Nawaporn Maharagkaga
Director, Financial Analysis and International Strategy Office	Mrs. Nawaron Dejsuvan
Senior Director, Prudential Policy Department	Mr. Paiboon Kittissrikangwan
Director, Risk Management Policy Office	Mr. Somboon Chitphantom
Assistant Governor, Supervision Group	Mr. Sorasit Soontornkes
Senior Director, Financial Institutions Monitoring and Analysis Department	Mrs. Ruchukorn Siriyodhin
Senior Director, Onsite Examination Department 1	Mrs. Salinee Wangtal
Senior Director, Onsite Examination Department 2	Ms. Pimpa Thawarayut
Director, Risk Management and Information System Examination Department	Mr. Jaturong Jantarangs
Director, Specialized Financial Institutions and Non-bank Examination Department	Mr. Padoongsak Tiensuwan
Director, Planning and Development Department	Mr. Ronadol Numnonda
Director, Financial Institution Applications Department	Mrs. Niramom Asavamanee
Deputy Governor, Corporate Support Services	Ms. Nitaya Pibulratanagit
Assistant Governor, Strategic Capabilities Group	Mr. Vichan Amorojanavong
Senior Director, Human Resources Department	Ms. Nopawan Mahamusik
Director, Human Resources Development Office	Ms. Wanna Piyasirinond
Director, Human Resources Management Office	Mr. Chanchai Buratavorn
Director, Human Resources Shared Services Office	Mr. Krisda Nilkositya
Director, Strategic Services Department	Ms. Matana Waitayakomol
Director, Organization Development Department	Mrs. Piengta Dattanonda
Director, Accounting Department	Mrs. Sarida Sangchant
Assistant Governor, Information Technology Group	Mr. Chim Tantiyaswasdikul
Senior Director, Payment Systems Department	Ms. Charinya Kaewmanee
Director, Payment Systems Policy and Oversight Office	Mr. Ronasak Ruengvirayudh
Director, Payment Operations Office	Ms. Kannika Junsangaram
Senior Director, Data Management Department	Mr. Suchart Sakkankosone
Director, Statistics Office	Mrs. Pusadee Ganjarerndee
Director, Data Management Development and Planning Office	Mr. Parisun Chantanahom

Senior Director, Information Technology Department	Ms. Sibporn Thavornchan
Director, Business Integration & Technical Management Office	Mrs. Bhusadi Muhpayak
Director, Business Solution Delivery Office 1	Mrs. Pornvadee Tapasanan
Director, Business Solution Delivery Office 2	Mrs. Jintana Tinburanakul
Director, Operation Office	Mrs. Nawaporn Vachirakernkan

Assistant Governor, Operations Group

Director, Deposits and Debt Instruments Department	Mr. Krish Follett
Director, General Administration and Procurement Department	Mrs. Soisukon Niyomvanich
Director, Building Construction Projects and Maintenance Department	Mrs. Nantinee Chatchayanusorn
Director, Security Department	Mr. Montree Weerawong
Senior Director, Northern Region Office	Mr. Anothai Khunorn
Director, Northern Region Office	Mrs. Chantavarn Sucharitakul
Senior Director, Southern Region Office	Mr. Prasopsuk Puangsakorn
Director, Southern Region Office	Mr. Niruth Raksaseree
Senior Director, Northeastern Region Office	Mr. Piratchai Pragobsub
Director, Northeastern Region Office	Mr. Somchai Setakornnukul
	Mr. Praneet Chotikirativech

Assistant Governor, Banknote Management Group

Senior Director, Banknote Issue Department	Mr. Nopporn Pramojaney
Director, Banknote Operation–Bangkok Office	Mrs. Chittima Duriyaprapan
Director, Banknote Operation–Regional Office	Mr. Ruengsak Kittisarakul
Senior Director, Note Printing Works	Mrs. Jongruk Leerasetthakorn
Director, Production Office	Mr. Anuchart Chotimongkol
Director, Product Development and Technical Support Office	Mrs. Suree Jeraratanasopa
Director, Banknote Strategic Planning and Administration Department	Mr. Priyavat Chainuvat
	Mr. Woraporn Tangsaghasaksri

Assistant Governor, FIDF Management Group

Senior Director, Fund Operation Department	Mrs. Tong-u-rai Limpiti
Director, Business and Financial Operation Office	(Vacant)
Director, Legal and Asset Collection Office	Mrs. Povongtip Poramapojn
Director, Project Management Office	Mr. Satorn Topothai
Director, Asset Management Office	Mr. Nat Tapasanan
	Ms. Utsanee Tachapoonpon

Assistant Governor, Management Assistance Group

Senior Director, Management Assistance Department	Mr. Arkabusik Krairiksh
Director, Office of the Governor	Mrs. Wantana Hengsakul
Director, Communications and Relations Office	Mr. Chirathep Senivongs Na Ayudhya
	Ms. Siritida Panomwon na Ayudhya

Senior Director, Legal and Litigation Department	Mr. Chanchai Boonritchaisri
Director, Legal Office	Mr. Pruettipong Srimachand
Director, Litigation Office	Mr. Weerachat Sribunma
Director, Bank of Thailand Museum	Mrs. Supawadee Punsri
(A) Director, Library and Archives	Mrs. Supawadee Punsri

Senior Director, Internal Audit Department	Mr. Phong-Adul Kristnaraj
Director, Office of Business Audit	Ms. Panida Oonyawongse
Director, Office of IT Audit	Mr. Permsuk Sutthinoon

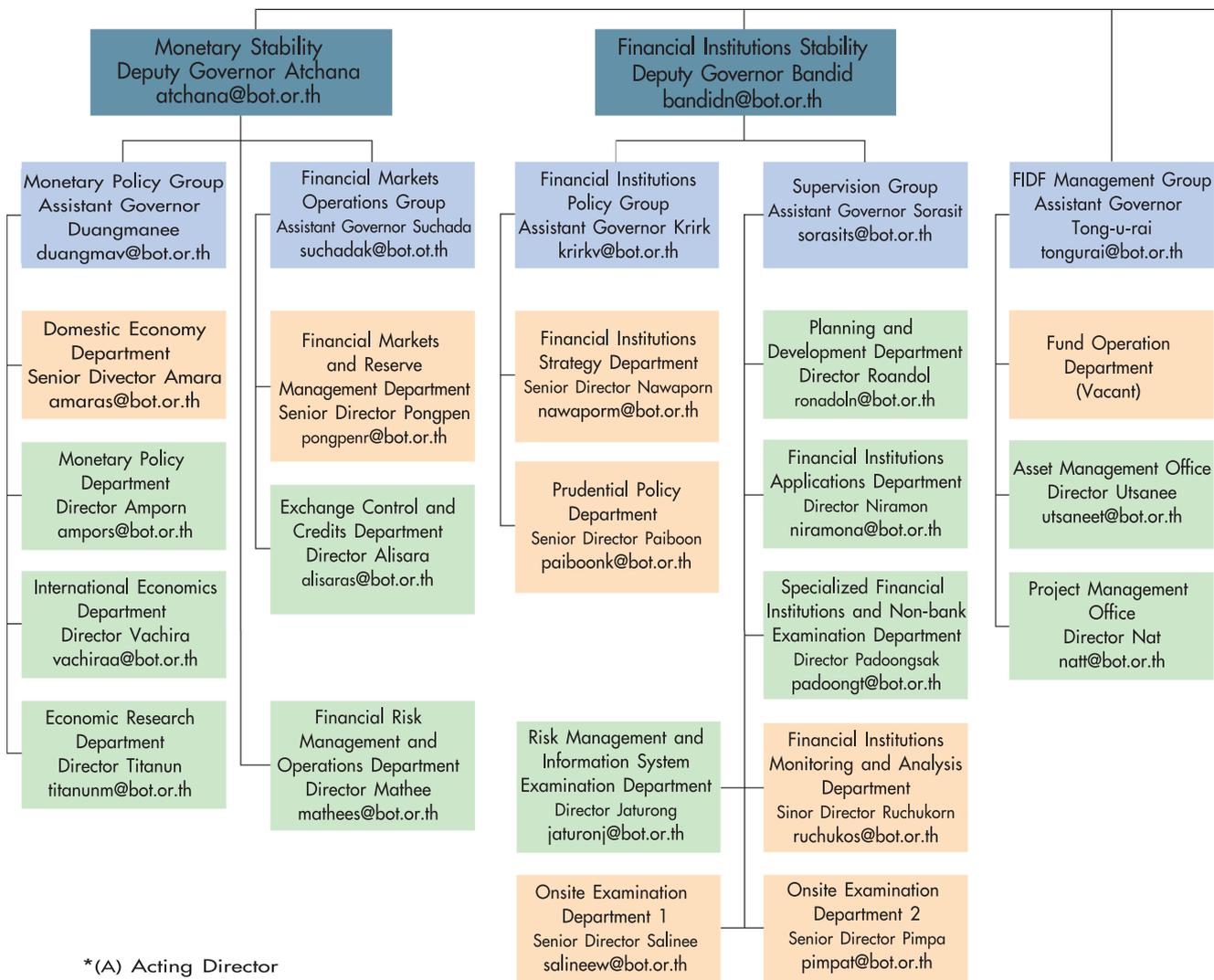
*(A) Acting Director

BANK OF THAILAND'S ORGANIZATION CHART

Bank of Thailand's as of 31 Dec

Court of

Governor
Tarisa Wattanasakuldech
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Organization Chart

December 2008

Directors

Governor
Atanagase
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Internal Audit Department
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Corporate Support Services
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Management Assistant Group
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Management Assistant Department
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Legal and Litigation Department
Senior Director Chanchai
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Bank of Thailand Museum
Director Supawadee
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Library and Archives (A)
Director Supawadee
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Strategic Capabilities Group
Assistant Governor Vichan
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Human Resources Department
Senior Director Nopawan
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Strategic Services Department
Director Matana
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Organization Development Department
Director Piengta
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Accounting Department
Director Sarida
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Northern Region Office
Senior Director Chantavarn
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Information Technology Group
Assistant Governor Chim
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Payment Systems Department
Senior Director Charinya
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Data Management Department
Senior Director Suchart
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Information Technology Department
Senior Director Sibporn
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Northeastern Region Office
Senior Director Somchai
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Operations Group
Assistant Governor Krish
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Deposits and Debt Instruments Department
Director Soisukon
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General Administration and Procurement Department
Director Nantinee
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Building Construction Projects and Maintenance Office
Director Montree
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Security Department
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Southern Region Office
Senior Director Niruth
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Banknote Management Group
Assistant Governor Nopporn
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Banknote Management Department
Senior Director Chittima
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Note Printing Works
Senior Director Anuchart
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Banknote Strategic Planning and Administration Department
Director Woraporn
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