

DEVELOPMENTS IN THE BANKING SECTOR

The banking sector remained resilient with key financial soundness indicators at healthy levels. With a sound financial position and ample liquidity, the banking system remains well-positioned to weather the challenging environment envisaged in 2009, whilst continuing its intermediation role effectively to support the financial needs of the economy.

Capitalisation level remained high

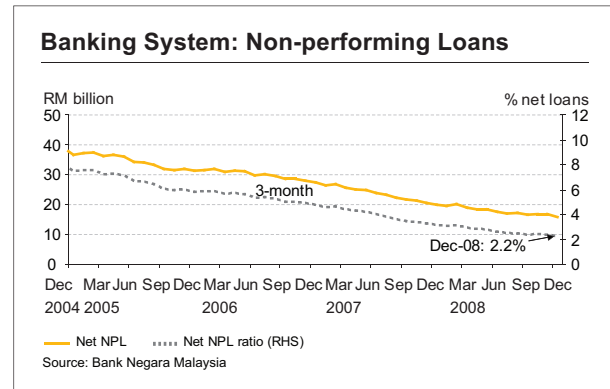
As at end-December 2008, the banking system's risk-weighted capital ratio (RWCR) and core capital ratio (CCR) was at 12.7% and 10.6% respectively. Capital base moderated marginally by 0.3%, mainly on account of higher investments in subsidiary companies. Nevertheless, excess capital above the minimum 8% requirement remained high at RM38.8 billion at end-2008.

	2007	2008			
	4Q	1Q	2Q	3Q	4Q
Capital					
CCR (%)	10.2	10.4	10.8	10.6	10.6
RWCR (%)	13.2	13.3	13.6	13.0	12.7

Source: Bank Negara Malaysia

Profitability remained high amidst challenging environment

The banking system recorded a pre-tax profit (PBT) of RM5.1 billion (3Q 08: RM 4.0 billion) during the quarter supported by better performance of treasury-related activities and improved interest income from intermediation activity. The annualised average returns on assets and equity remained stable at 1.5% (3Q 08: 1.5%) and 18.6% (3Q 08: 18.7%) respectively.



Level of non-performing loans continued to decline

The quality of banking system loan portfolio recorded further improvement during the quarter. Net NPLs declined by 5.0% to RM15.8 billion (3Q 08: RM16.6 billion) to account for 2.2% of total net loans as at end-2008 (3Q 08: 2.4%).