



## **BANK OF THAILAND NEWS**

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### **Conditions of the Banking System in the First Half of 2007**

Despite the slowdown in the domestic economy and uncertainty in both domestic and international financial markets, the banking system performance for the first half of 2007 continued to be satisfactory with operating profit of 91.2 billion baht, up by 5.4 billion baht (6.4%) from the previous year. Profitability of the banking system remained favourable. Net profit, amounting to 30 billion baht, however, declined by 42.5% from the same period last year due to step-up in provisioning in line with the IAS 39.

The banking system has a strong capital adequacy ratio at 14.3 percent of risk weighted assets as of June 07, higher than the minimum regulatory requirement of 8.5 percent. Some 27 billion baht of new capital was raised in the first half of this year.

Total loan of the banking system grew by 3.1 percent, moderating from 9.6 percent during the same period last year despite the decline in the interest rate, due to the economic slowdown. Corporate loan (constituting around three quarters of total loan portfolio) contracted by 0.6 percent, while consumer loan growth moderated to 17.9 percent. The favourable liquidity conditions combined with monetary policy relaxation contributed to lowering commercial banks' deposit and lending rates, while the L/D Ratio remained stable at 88.4.

Non-performing loans (NPLs) increased by 27 billion baht in the first half of 2007 with NPLs-to- total loan standing at 7.8 percent, up from 7.5 percent at end-2006. NPLs net of provision (net NPLs) increased by 18.3 billion baht. Ratio of net NPLs to total loan was 4.4 percent.

Bank of Thailand

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