BANK OF THAILAND

Banking Sector Quarterly Brief (Q2 2026)

The Thai banking system remains resilient with robust levels of capital, loan loss provisions, and liquidity. In the second quarter of 2026, overall loan growth in the banking system (licensed banks and their subsidiaries) grew by 2.0% year-on-year, driven primarily by lending to large corporate in line with increased demand for working capital to absorb the impact of higher energy and raw material costs. Meanwhile, SMEs and consumer loans continued to contract, reflecting persistently high credit risks. On loan quality, NPL (Stage 3[1]) declined to 534.8 billion baht in the second quarter of 2026, mainly reflecting banks' intensified efforts to manage problem loans. As a result, The NPL ratio remained stable at 2.82%, close to the level observed at the onset of the conflict in the Middle East. Stage 2 loans[2] declined to 6.78%, partly due to the migration of vulnerable borrowers into NPL status, while some borrowers previously classified as significant increase in credit risk (SICR) showed improved credit quality. At the same time, commercial banks have continued to provide support through pre-emptive debt restructuring, which has helped contain NPL formation. **In terms of financial performance, net profits of the commercial banking system increased from the same period last year,** driven mainly by higher fair value gains on financial instruments and increased securities brokerage fee income. This was complemented by lower provisioning expenses, following relatively substantial provisioning in previous periods, as well as improved operating cost management. These factors helped offset the decline in net interest income following lending rate reductions in line with the policy rate direction and continued borrower assistance.

Going forward, ongoing uncertainty related to the conflict in the Middle East and the uneven recovery of the Thai economy could continue to weigh on borrowers' debt-servicing capacity, particularly among vulnerable SMEs and households facing income volatility and higher living costs. In this regard, close monitoring of commercial banks' asset quality remains warranted. Nevertheless, government measures to alleviate debt burdens and continued liquidity support from financial institutions are expected to help cushion the impact on businesses and households.

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[1] Gross non-performing loans (NPL or stage 3)

[2] The ratio of loans with a significant increase in credit risk (SICR or stage 2)

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(Q2 2026)

18 Aug 2026

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Banking Sector Quarterly Brief (Q2 2026)

- Thai banking system remains resilient. However, ongoing uncertainty related to the conflict in the Middle East and the uneven economic recovery could continue to weigh on debt-servicing capacity, particularly among vulnerable SMEs and households facing income volatility and higher living costs. In this regard, close monitoring of commercial banks' asset quality remains warranted.
- Measures to alleviate debt burdens and provide additional liquidity support have helped cushion the impact on businesses and households.

Commercial Banking system

- **Capital, loan loss provisions, and liquidity** in the commercial banking system have remained at high levels.
- **Bank loans continued to expand,** driven primarily by lending to large corporate in line with increased demand for working capital to absorb the impact of higher energy and raw material costs. Meanwhile, SMEs and consumer loans continued to contract, reflecting persistently high credit risks.
- **NPLs remained broadly stable,** supported by banks' intensified efforts to manage problem loans. Continued pre-emptive debt restructuring also helped contain NPL formation. However, new NPL formation mainly reflected renewed deterioration of previously vulnerable borrowers (re-entry).
- **Bank profitability in the second quarter of 2026 increased from the same period last year** driven mainly by higher fair value gains on financial instruments and increased securities brokerage fee income. This was complemented by lower provisioning expenses, following relatively high provisioning in previous periods, and improved operating cost management. These factors helped offset the decline in net interest income.

Household

- **Household debt to GDP ratio declined slightly in the first quarter of 2026,** reflecting subdued growth in household lending as well as a higher nominal GDP base, following increases in energy and raw material prices.

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Commercial Banking System

Thai banking system remains resilient with robust level of capital, loan loss provisions and liquidity.

Banks' capital, loan loss provisions, and liquidity remained at high levels.

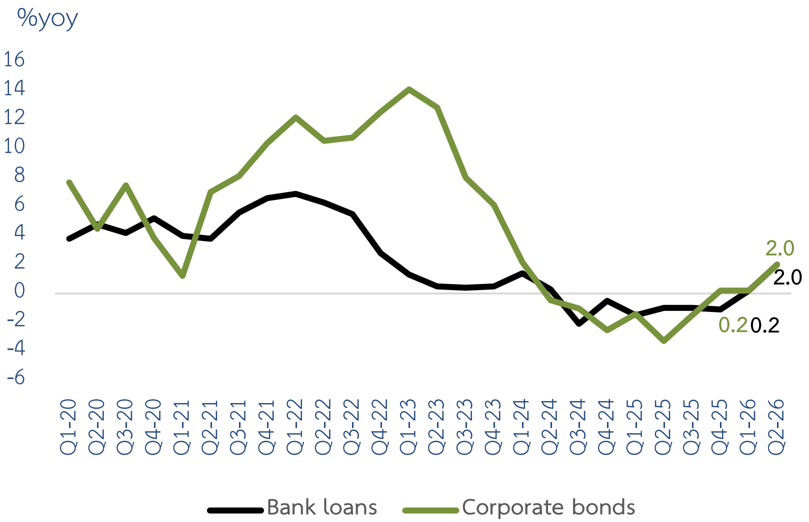
Capital, loan loss provision, and liquidity indicators

	Q2/2026	Q1/2025	Q2/2025
Capital (BIS ratio)	20.0%	20.1%	21.0%
Liquidity (Liquidity coverage ratio: LCR)	197.4%	210.2%	204.8%
Loan loss provision (NPL coverage ratio)	187.6%	187.6%	174.4%

Note: Data is on bank-only basis.

Overall private sector financing activity continued to expand, driven by both bank lending and corporate bond issuance.

Bank loan and corporate bond growth



Note: (1) Bank loans are on full consolidation basis.

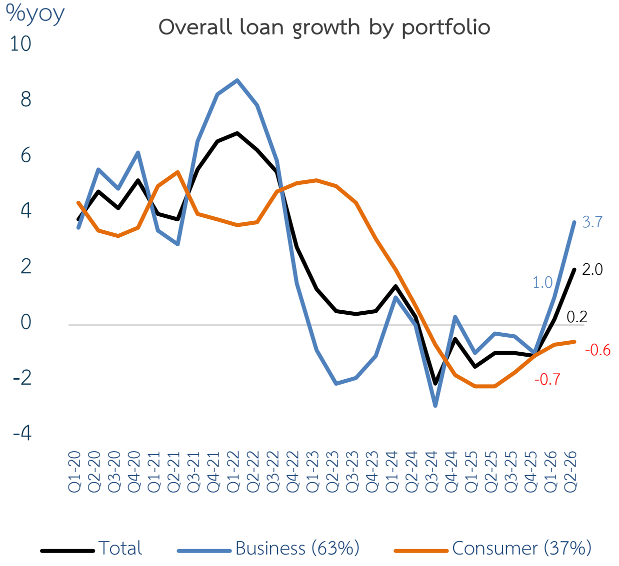
(2) Corporate bonds excluding banking, financial and securities sectors

Source: BOT, SEC and ThaiBMA

Commercial Banking System

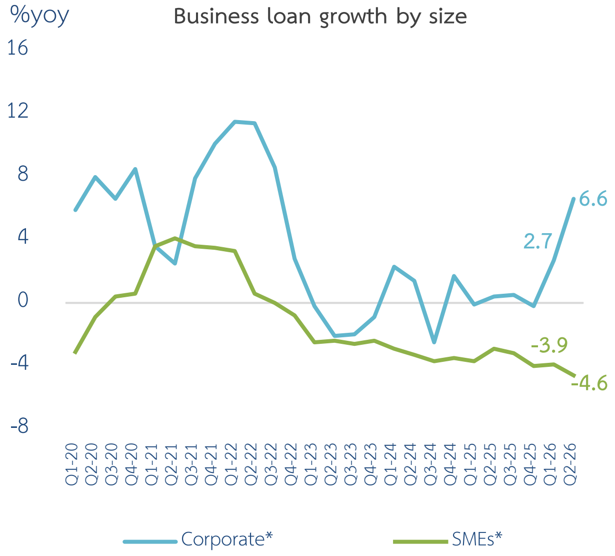
Overall bank loans continued to expand, driven primarily by increased working capital demand from large corporates. Meanwhile, SMEs and consumer loans continued to contract, reflecting persistently high credit risks.

Bank loans continued to expand, driven by corporate loans, while consumer loans contracted at a similar pace.



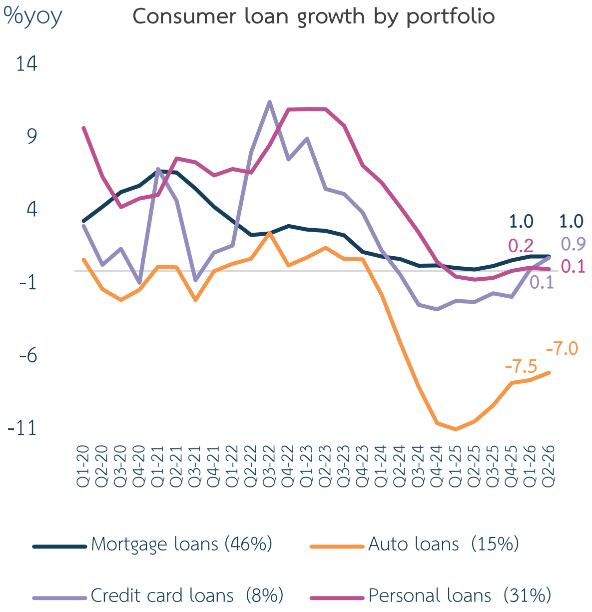
Note: (1) Bank loans are on full consolidation basis.
(2) Numbers in the parentheses show the proportion of total loans

Large corporate loans grew on higher working capital needs, while SME loans continued to contract.



Note: (1) Business loans include business-purpose loan under regulation extended by subsidiaries
(2) * Definition of business loan size based on OSMEP's criteria with an enhancement (based on income and credit line obtained from commercial banks)

Consumer loans slightly improved, particularly in auto loans and credit card loans.



Note: (1) Consumer loans are on full consolidation basis.
(2) Numbers in the parentheses show the proportion of total retail loans.

Source: BOT

Commercial Banking System

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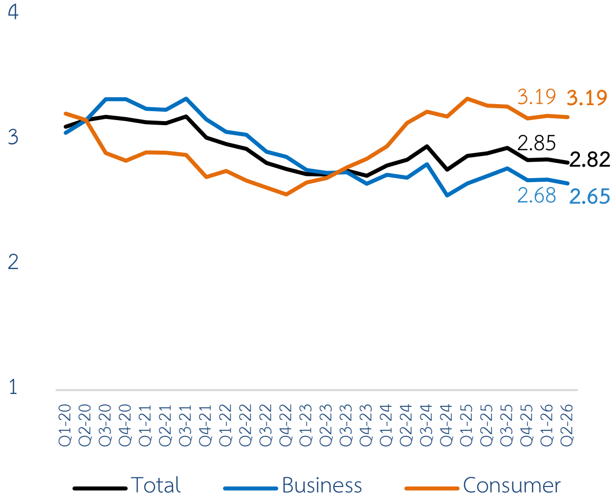
The NPL ratio declined slightly, mainly reflecting banks' intensified efforts to manage problem loans. Meanwhile, debt restructuring has helped slow the migration of loans into NPLs.

Overall NPL ratio declined slightly, mainly due to loan quality management in the business loan.

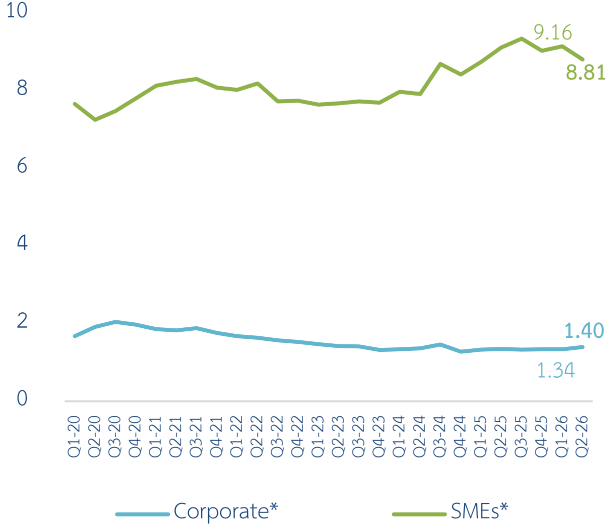
% Stage 3 (NPL) of total loans by portfolio



Note: Bank loans are on full consolidation basis.

NPL ratio of corporate loan increased, driven by previously vulnerable borrowers.

% Stage 3 (NPL) of business loans by size

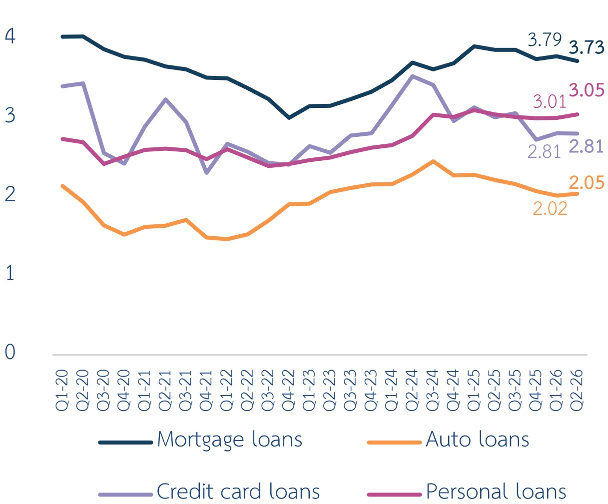


Note: (1) Business loans include business-purpose loan under regulation extended by subsidiaries

(2) * Definition of business loan size based on OSMEP's criteria with an enhancement (based on income and credit line obtained from commercial banks)

Overall NPLs in consumer loans remained stable, while NPLs in personal loan and auto loan increased slightly.

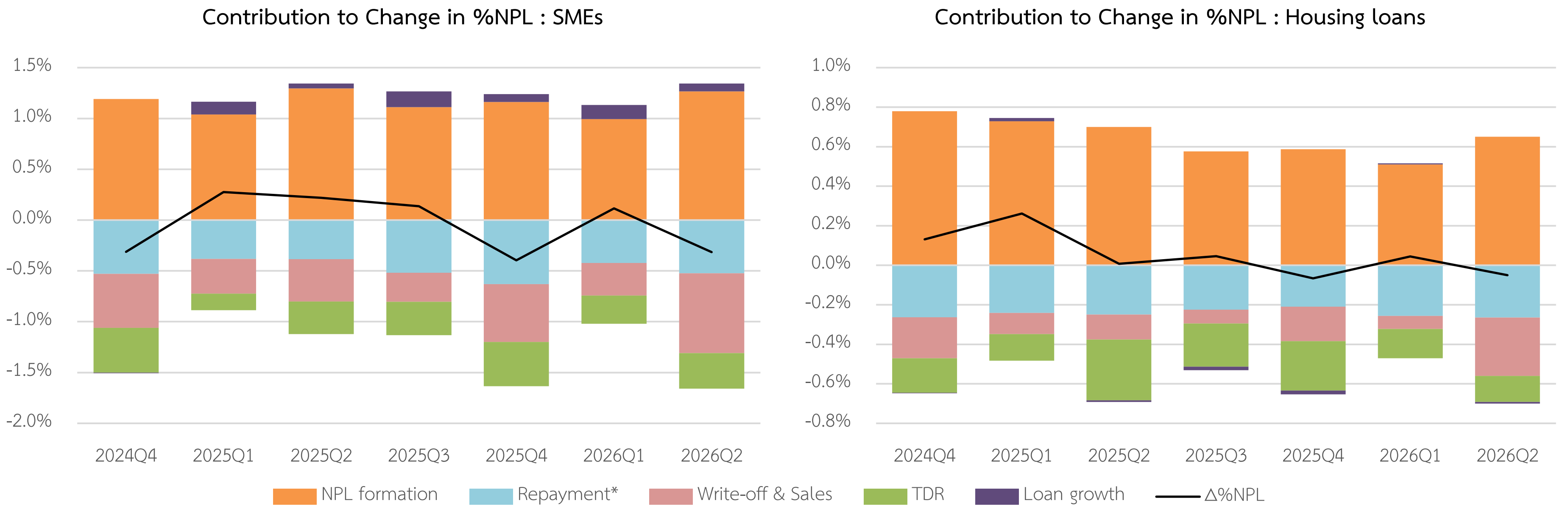
% Stage 3 (NPL) of consumer loans by portfolio



Note: Consumer loans are on full consolidation basis.

Source: BOT

Increased write-offs and sales contributed to a decline in the banking system's NPL ratio from the previous quarter. At the same time, continued debt restructuring helped contain NPL formation.



Note : (1) NPL formation refers to accounts that newly migrated to NPL status from Stage 1 or Stage 2 in the previous quarter.

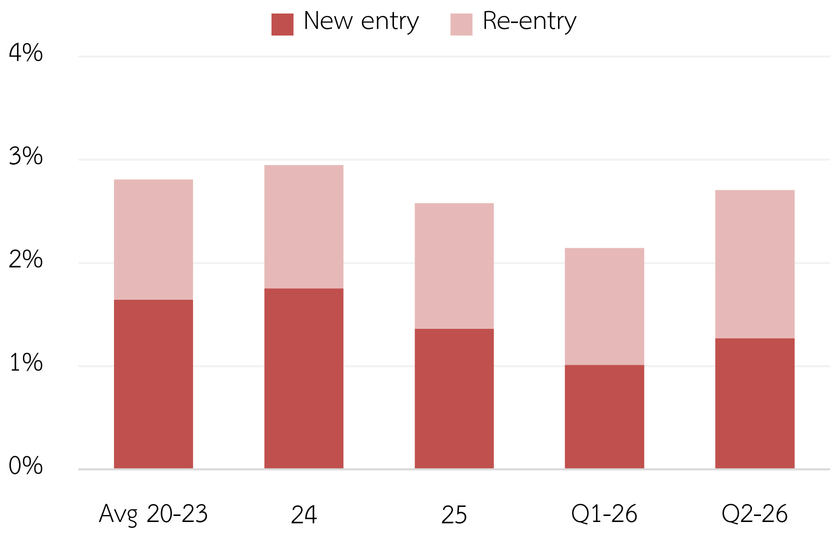
(2) Repayment* refers to debt repayments made on NPL accounts, net of additional lending extended to NPL borrowers.

(3) TDR (Troubled debt restructuring) refers to loans that resumed repayment following debt restructuring while classified as NPLs

The migration rate increased in Q2, mainly among vulnerable borrowers, but remained close to historical averages. Measures to reduce debt burdens and provide additional liquidity support continued to cushion the impact on SMEs and households.

NPL migration rate for SME loans increased from the previous quarter, but remained close to historical averages, partly reflecting banks' continued pre-emptive debt restructuring efforts.

Migration Rate from Stage 2 to Stage 3 for SMEs (% Monthly Average)



Note: (1) New entry refer to loans entering NPL status for the first time.
(2) Re-entry refer to loans that had previously been classified as NPLs at least once and subsequently returned to NPL status.

Measures to alleviate the impact of the war

BOT

SMEs Credit Boost

Approved loans 56 billion baht (70%)

- Credit risk-sharing mechanism for new loans

Group 1 and 2 : SMEs under the Reinvent Thailand + Capability-enhancing loans	Group 3 : SMEs and corporates temporarily affected by the Middle East's conflict
39 billion baht	17 billion baht

- SMEs Secure+ Banks have completed their product programs and begun implementation.
- Extension of the Asset Warehousing and LTV measures
- Guidelines to assist borrowers affected by economic conditions and higher energy prices through pre-emptive debt restructuring.

SFI

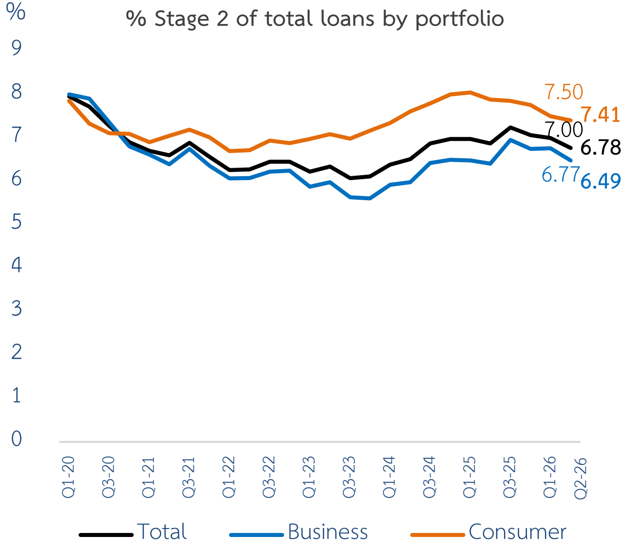
- GSB Soft loan : 51 billion baht (51% of the target)
- Quick Big Win TCG : 48 billion baht (96% of the target)

BOT has prepared additional borrower assistance measures in advance should conditions deteriorate materially, including greater regulatory flexibility to encourage banks to temporarily reduce debt-service installments by a sufficient amount.

Commercial Banking System

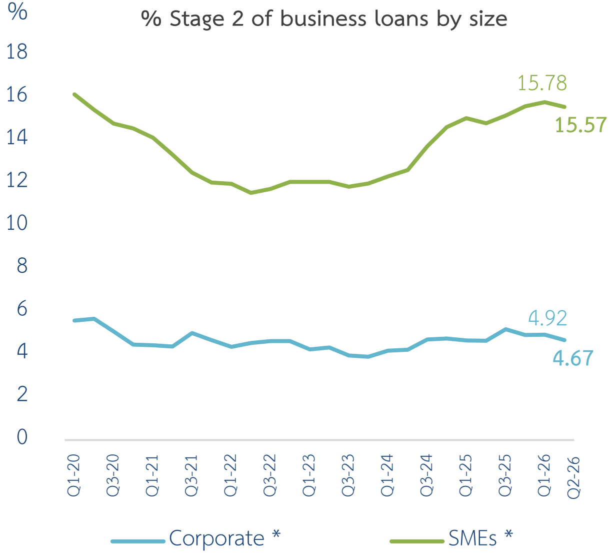
Overall Stage 2 (SM) loans declined, partly due to the migration of vulnerable borrowers into NPL status. Meanwhile, some borrowers previously classified as SICR showed improved credit quality following debt restructuring assistance.

Stage 2 ratio decreased across all portfolios, mainly driven by business loans.



Note: Bank loans are on full consolidation basis.

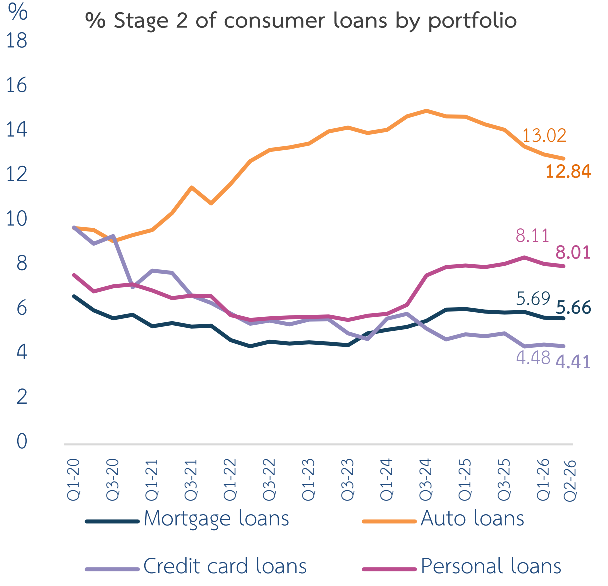
Stage 2 ratio declined in both large corporate and SME loans.



Note: (1) Business loans include business-purpose loan under regulation extended by subsidiaries

(2) * Definition of business loan size based on OSMEP's criteria with an enhancement (based on income and credit line obtained from commercial banks)

Stage 2 ratio declined across all portfolios, driven mainly by auto loan and personal loan.

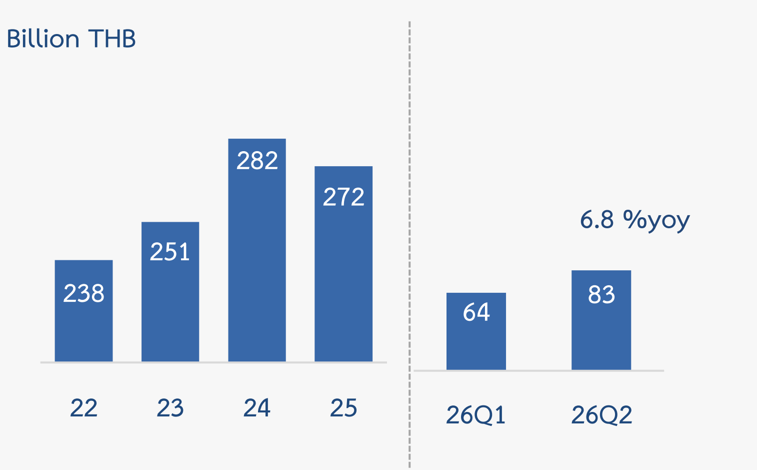


Note: Consumer loans are on full consolidation basis.

Commercial Banking System

Bank profitability increased from the same period last year, driven by higher fair value gains on financial instruments and brokerage fee income, together with lower provisioning and operating expenses, which helped offset the decline in net interest income.

Net Profit



Key ratios	22	23	24	25	26	
					Q1	Q2
NIM (%)	2.62	3.00	3.01	2.68	2.38	2.35
ROA (%)	1.01	1.06	1.17	1.11	1.03	1.31
ROE (%)	7.49	7.92	8.67	8.04	7.5	9.77

Note: Bank profitability is on bank-only basis.

Source: BOT

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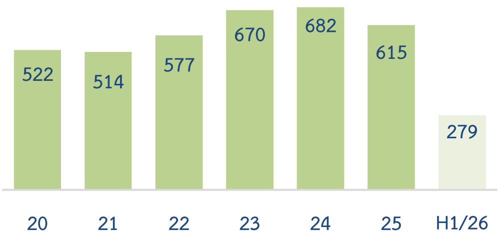
Commercial Banking System

- Net interest income declined, reflecting economic conditions and the direction of interest rates.
- Banks have adjusted their business models to diversify income sources.
- BOT revised fee regulations to promote fairness by ensuring that fees better reflect underlying costs, while reducing frictions in SMEs’ access to credit.
- Provisioning expenses declined following a prolonged period of high provisioning, resulting in adequate buffers to absorb potential risks.

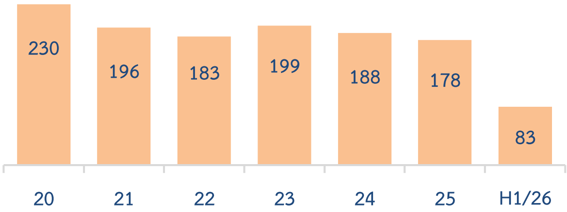
Net interest income (NII)

Billion THB



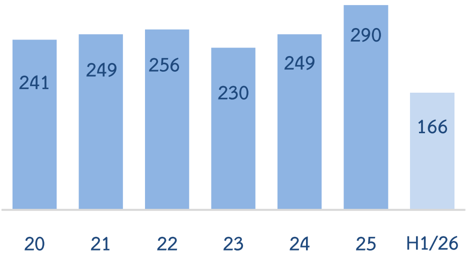
Provisioning expenses

Billion THB

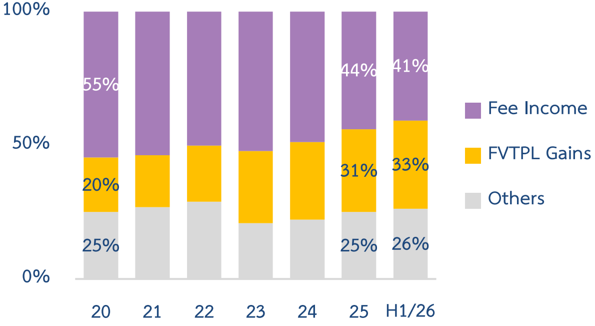


Non-interest income (Non-NII)

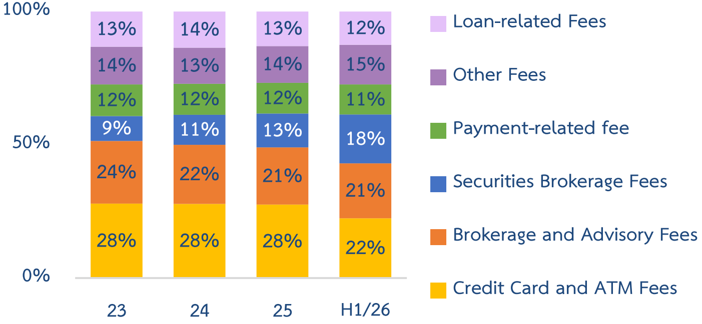
Billion THB



Composition of Net Non-Interest Income



Composition of Fee Income



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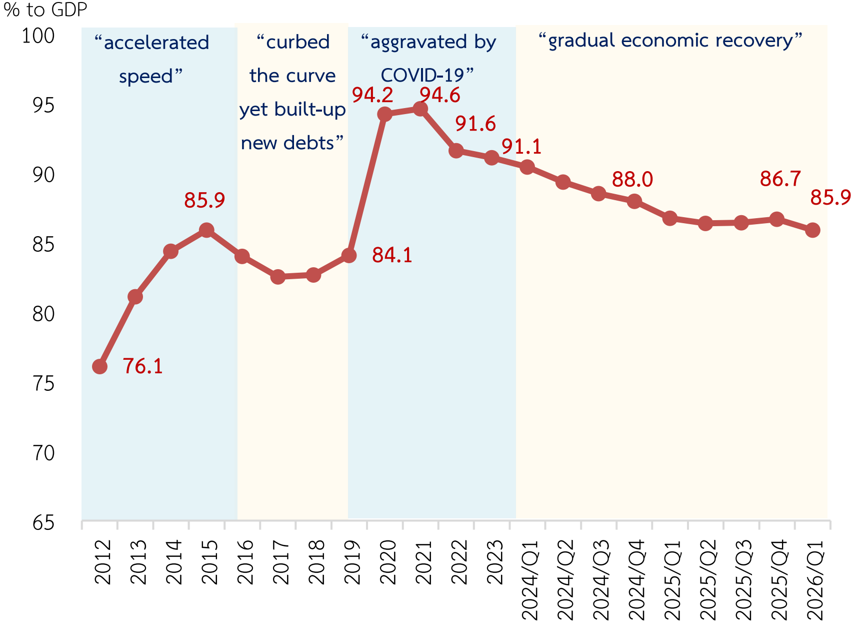
Household

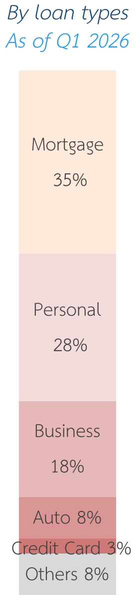
Household debt to GDP ratio decreased, driven by subdued growth in household debt and base effect of a higher GDP.

The household debt-to-GDP ratio continued to decline amid cautious lending and weak debt-servicing capacity of household.

Household debt increased slightly, driven by personal loans extended by savings cooperatives and housing loans from SFIs.

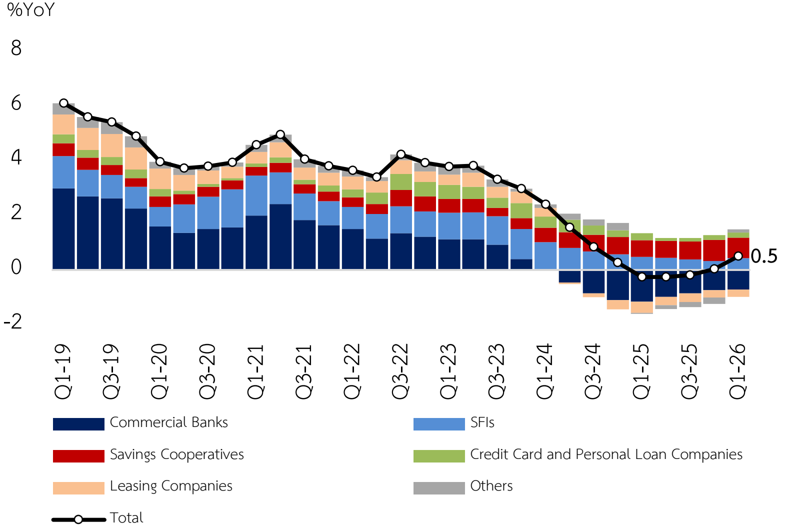
Household debt to GDP





Source: BOT

Contributions to Household Debt Growth by Financial Institution Type



Note:
(1) "Others" includes other deposit-taking institutions, non-life and life insurance companies, securities companies, financial institution asset management businesses, pawnshops, and other financial institutions, such as the Financial Institutions Development Fund, the Thai Credit Guarantee Corporation, provincial microfinance businesses, the Student Loans Fund, the National Housing Authority, and cooperatives other than savings cooperatives.
(2) Data for commercial banks and credit card/personal loan companies were revised during Q4/22 to Q3/23 and Q1/26 due to the transfer of credit card and personal loan businesses to a subsidiary of a commercial bank.
Source: BOT