BANK OF THAILAND

Financial Stability Review
2025

Contents

Executive Summary

In the first half of 2025, the Thai financial system remained stable and continued to facilitate economic activities. Overall, financial institutions including commercial banks (CBs), specialized financial institutions (SFIs), non-bank retail lenders (NBRLs), and savings cooperatives maintained strong financial positions, despite some deterioration in loan quality. In addition, the household debt to gross domestic product (GDP) ratio continued to decline, reflecting a gradual deleveraging process that will help mitigate financial stability over the long term.

Nevertheless, **the Thai economy and the financial system will continue to face heightened uncertainties going forward arising from both domestic and external factors**. These include uncertainties surrounding U.S. trade policy, **amid a slowdown in economic growth** following an earlier acceleration in exports. Furthermore, the Thai economy has faced headwinds from weaker private consumption due to slowing income growth, subdued investment as businesses remain cautious about economic conditions, and from the recent impact of flooding in the southern region of Thailand. **Structural challenges that also hinder growth in Thailand still remain, and although the level of household debt has moderated somewhat, it continues to be elevated. As such, four areas of financial stability risks that must be closely monitored going forward are as follows:**

(1) Prolonged tight financial conditions may further affect the liquidity of businesses and households, as well as economic activities going forward. This is reflected in the contraction of credit and the outstanding amount of private-sector debt securities, stemming from both weaker credit demand among large corporates amid continued economic uncertainty, as well as more cautious lending by financial institutions in response to heightened credit risk. Such credit risks are particularly evident among small and medium enterprises (SMEs), whose incomes have declined and continue to face structural challenges related to competitiveness, alongside lengthening trade credit terms. Micro SMEs, in particular, experienced the largest reduction in credit in 2025 and faced higher interest rates than other corporate borrowers. Meanwhile, liquidity conditions for vulnerable households remain strained, reflecting incomes that have become insufficient to cover expenditures amid elevated debt burdens, resulting in weaker debt-servicing capacity and reduced access to credit. In addition, the debt-servicing capacity of SMEs with consumer credit lines warrants close monitoring, as stress in this segment could spill over to consumer loan repayment and weaken overall credit quality through potential cross-default.

(2) Investor confidence remains sensitive to both domestic and external factors amid prolonged uncertainty. A deterioration in investor confidence could further affect the fund-raising capacity of higher-risk corporates, particularly for high-yield bonds that are approaching maturity in the periods ahead. This risk is amplified by the current risk-off sentiment, as investors remain cautious and continue to favor lower-risk assets. Nevertheless, corporates with investment-grade credit ratings are generally expected to be able to roll over their bonds as usual.

(3) Some highly leveraged large corporations (HLLCs) have become more vulnerable, particularly those with high net debt-to-equity ratios or those facing income pressures stemming from weaker exports and a slowdown in domestic consumption. As a result, the debt-servicing capacity and fund-raising ability of these HLLCs warrant close monitoring, especially when their creditors include both financial institutions and bond investors. Financial distress among these corporates could have spillover effects on investor confidence.

(4) The financial positions of some real estate developers remain vulnerable amid a prolonged slowdown in the property sector. While residential sales have improved for the second-and-subsequent mortgage segment following the relaxation of the loan-to-value (LTV) regulation in May 2025, housing demand and purchasing power have yet to recover meaningfully and continue to exert downward pressure on the real estate sector. This is reflected in weaker transfers of ownership for both low-rise and high-rise residential properties, as well as a decline in new project launches. At the same time, the level of housing inventories remains elevated. Under these conditions, the financial positions of some real estate developers have become increasingly fragile, heightening the risks to bond rollovers.

Since the publication of the previous Financial Stability Report in April, public sector authorities **have introduced a range of measures** to support debtors affected by current macroeconomic and financial conditions. These measures **include debt relief initiatives, actions to enhance debt repayment capacity and facilitate faster resolution of problem debt. In addition, measures have been introduced to improve credit access to borrowers**

with viable prospects, alongside efforts to enhance competitiveness and their potential, **as well as improve the efficiency of non-performing loan management** (Table 1).

Measures	Relieve debt burden	Enhance debt repayment capacity	Help resolve problematic debt	Improve credit access to borrowers with viable potential / increase liquidity	Improve NPL management
Bank of Thailand's measures					
Policy rate cuts	✓	✓			
"Khun Soo, Rao Chuay" Phase 2 (focuses on secured loans)		✓	✓		
"Pid Nee Wai, Pai Tor Dai" Program (focuses on unsecured loans)		✓	✓		
Establishment of JVAMC		✓			✓
Other measures (including measures with BOT assistance)					
Quick Big Win to enhance liquidity and credit access to Thai SMEs with viable potential: - "SMEs Quick Big Win" credit guarantee scheme - soft loan program for business revival (GSB Bank) - Loans for farmers (BAAC) - Loans for SMEs (SME Bank) - EXIM Expand Shield loan program (EXIM Bank) - Loan for Real Estate Developer (GHB Bank) - Big brother program to support companies in the supply chain - Loans for Government Counterparties via the PromptBiz system **BOI Thailand fast pass (BOI):** - Upskill & Reskill to new/ higher value industries - Facilitate firms to adapt and change for higher competitiveness				✓	

In addition, **longer-term financial measures have been introduced to support ongoing developments in financial infrastructure**. Such measures include: **(1) enhancing credit guarantee mechanism** to mitigate credit risks of small and medium-sized enterprises (SMEs), particularly those without collateral or with insufficient collateral, thereby strengthening incentives for financial institutions to extend credit; **(2) pushing forward "Your Data" initiative to improve credit access and support sound financial management** by enabling individuals to share their personal data with participating credit providers, which enhances lenders' ability to assess borrowers' risk in credit approval; **(3) permitting the establishments of virtual banks** that deliver financial services through lower-cost digital channels, enabling the provision of tailored credit and financial products to retail borrowers and SMEs that may be less viable under the cost structure and risk-monitoring frameworks of traditional banks; **(4) promoting risk-based pricing (RBP) for unsecured retail lending,** allowing lenders to set interest rates in line with borrowers' risk. This would enable lower-risk borrowers to benefit from lower interest rates, while potentially improving credit access for higher-risk borrowers if pricing can appropriately reflect their credit risk; and **(5) measures to strengthen investor confidence via improving the standard for**

corporate debt securities issuance and offering. In this regard, the Thai Bond Market Association (ThaiBMA) in collaboration with the Securities and Exchange Commission (SEC) is exploring potential guidelines on financial covenants for high-yield bond issuers to promote greater market discipline, including stricter limitations on accumulated debt build-up and payout policies that could impair issuers' debt-servicing capacity.

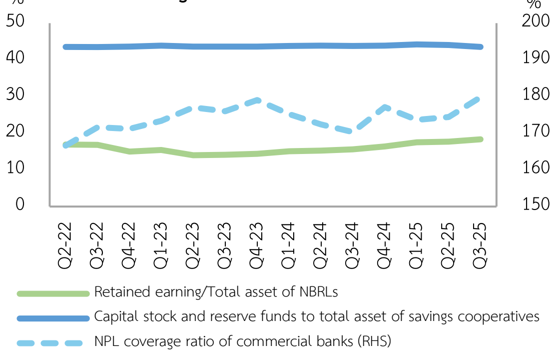
Chapter 1: Risk issues regarding Thailand's financial stability

1.1 Overall financial stability

The Thai financial system remains resilient and continues to support real economic activities. Financial institutions have maintained strong financial positions, with commercial banks and specialized financial institutions (SFIs) maintaining high levels of non-performing loan (NPL) coverage ratios, capital adequacy ratios (BIS ratios), and ample liquidity. Non-bank retail lenders (NBRLs) continue to report high accumulated profits relative to assets and therefore are capable of absorbing some further deterioration in credit quality. Meanwhile, the capital stock and reserve funds of savings cooperatives have continued to expand on an ongoing basis (Figure 1). **Financial markets continue to function in an orderly manner, with no signs of significant redemptions** from daily fixed-income mutual funds (Daily Fixed Income: DFI), while these funds maintain a high proportion of liquid assets.

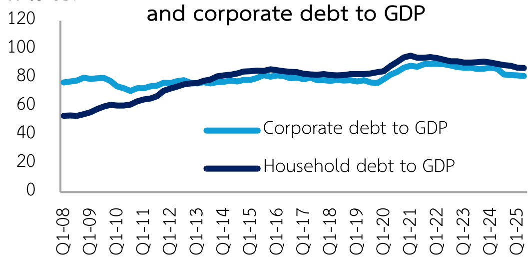
In addition, household and corporate debt levels continue to gradually decline, which should help reduce financial stability risks over the longer term. The household debt to gross domestic product (GDP) ratio stood at 86.8 percent in the second quarter of 2025, declining from 88.4 percent at the end of 2024. Similarly, corporate debt has continued to trend downward for both loans and corporate bonds. The corporate debt to GDP ratio stood at 81.3 percent in the second quarter of 2025, compared with 81.8 percent at end of 2024 (Figure 2). The decline in household and corporate debt reflects weaker credit demand amid subdued domestic purchasing power and heightened economic uncertainty, as well as more cautious lending practices by financial institutions on higher-risk borrowers, particularly small and medium enterprises (SMEs). In addition, investor confidence remains cautious, with a continued investment preference for lower-risk assets.

Figure 1: Reserve ratio



Note: NBRLs are calculated from the weighted average of total assets from 30 financial institutions.
Source: BOT, SETSMART, and CPD

Figure 2: Household debt to GDP and corporate debt to GDP



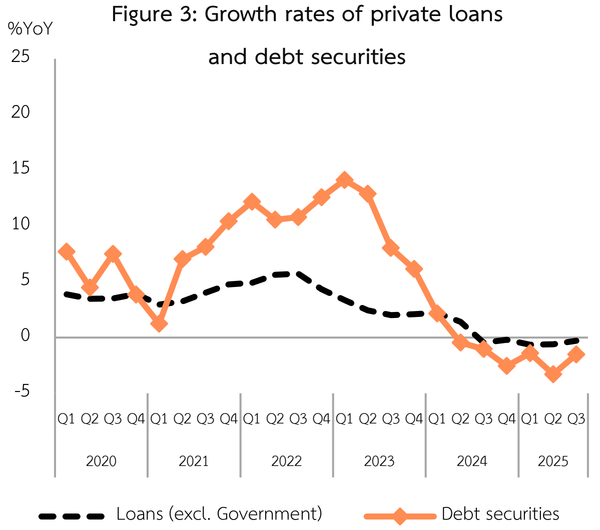
Note: Since Q3-24, loan data has migrated to the RDT database. In addition, some sectors have been reclassified, such as treasury centers and Special Purpose Entities (SPEs), to better reflect the underlying activities of these entites. This has affected NR data in debt securities and results in a reduction in the reported level of corporate sector debt compared to previous figures.
Source: BOT

1.2 Key financial stability risks going forward

While the overall financial system remains stable, both the financial system and the real economy continue to face heightened uncertainty. One main source of uncertainty pertains to U.S. trade policy. Although gaining more clarity following the announcement of import tariff rates on goods entering the United States, uncertainty still remains over transshipment-related tariffs and conditions for obtaining access to Thai markets. Moreover, rising public debt levels could have implications on Thailand's sovereign credit rating. **Looking ahead, economic growth is expected to moderate,** reflecting a slowdown in exports following earlier front-loading, weaker private consumption in line with slower income growth, subdued investment amid businesses' wait-and-see stance, and the impact of the recent flood in the southern region. **Against this backdrop, risks that could further amplify existing vulnerabilities that warrant close monitoring** include:

(1) Potentially tighter financial conditions and their impact on business and household liquidity. Financial conditions have become more restrictive, as in the third quarter of 2025, private credit extended by financial institutions contracted by 0.3 percent, despite continued new loan disbursements. At the same time, issuance of private-sector debt securities continued to decline, contracting by 1.5 percent (Figure 3). These developments reflect two key factors. **1) rising credit risk of borrowers** has led financial institutions and investors to adopt a more cautious approach to lending, particularly to vulnerable households and SMEs, as well as higher-risk bond issuers. Overall, SMEs continue to face challenges in accessing credit, with very small enterprises (micro-SMEs) experiencing the sharpest decline in credit during 2024–25 (Figure 4). These firms also face higher borrowing costs than other corporate borrowers, reflecting elevated credit risk associated with weaker profitability prospects. **2) credit demand has declined, particularly among large corporates,** in line with

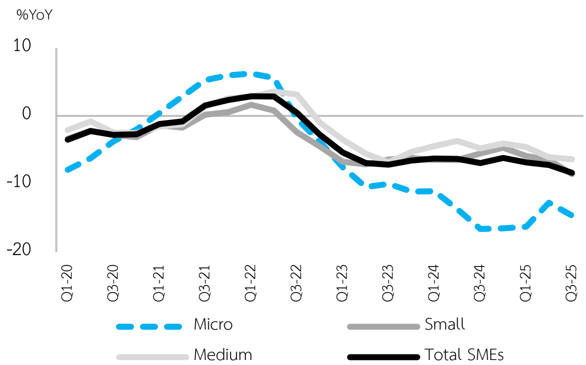
Figure 3: Growth rates of private loans and debt securities



Note: (1) Total loans comprise of corporate and retail loans, coveering credit provided by commercial banks, including their subsidiaries, SFIs, and NBRLs under the regulation of the BOT. (2) Debt securities refer to the revised and enhanced statistics on private sector loans and debt securities (Jun-23).
Source: BOT, SEC, and ThaiBMA

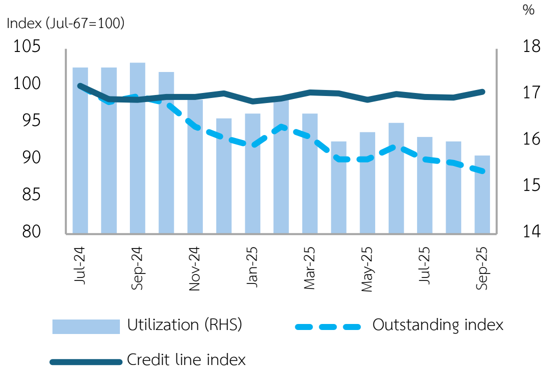
the economic slowdown and a wait-and-see approach toward future economic conditions. This is reflected in a continued decline in credit utilization rates, which fell to 15.7 percent in the third quarter of 2025. The decline was driven by lower drawdowns of outstanding credit, associated with a reduction in the utilization of working capital, while approved credit lines remained broadly unchanged (Figure 5).

Figure 4: SMEs Loan Growth



Note: Loans cover commercial banks only, with SMEs defined by business loan size based on credit limits.
Source: BOT

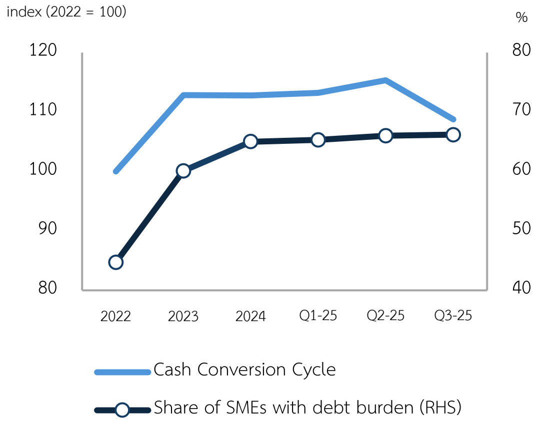
Figure 5: Utilization of Corporate OD Loans



Note: Utilization = credit line drawdown / credit line, covering corporate loans in the form of overdraft (OD) provided by commercial banks.
Source: BOT

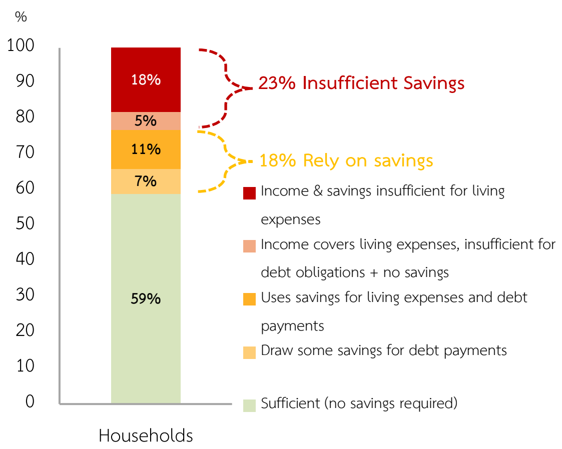
For the second half of 2025, financial conditions are expected to remain tight, particularly for (1) SMEs that are faced with elevated debt burdens from the COVID-19 pandemic, alongside weakened competitiveness and tight liquidity conditions. These conditions have led to longer trade credit terms for firms, with the cash conversion cycle measuring the period from the initiation of production or service delivery to the receipt of payment remaining at elevated levels (Figure 6). Also, **(2) vulnerable households also continue to face liquidity constraints and insufficient savings.** According to a survey by the National Statistical Office (NSO), such households account for 41 percent of all Thai households. Of this group, 23 percent have insufficient income to cover living expenses and debt obligations and lack adequate savings to absorb additional expenditures. These households are predominantly employed in the agricultural and service sectors, as well as among pension and social assistance recipients with monthly income below 20,000 baht. Meanwhile, a further 18 percent of Thai households rely on savings to meet debt obligations and daily expenses (Figure 7).

Figure 6: Cash Conversion Cycle (CCC) and share of SMEs with debt burdens



Note: (1) CCC = Days Inventory Outs + Days Sale outs – Days Payable Outs where CCC of SMEs is based on a quarterly survey.
(2) Share of SMEs for 2022 - 2024 are based on data as of Q4.
Source: OSMEP calculated by the BOT

Figure 7: Share of Vulnerable Households

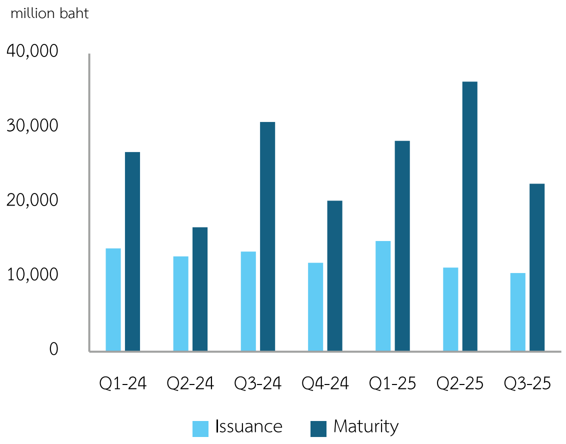


Note: Vulnerable households are defined as those whose income is insufficient to cover expenses and debt burdens (i.e., negative financial margin). These household are classified into two groups: (1) households with adequate buffers, meaning they hold sufficient liquid assets to offset the negative financial margin for one year; and (2) households with insufficient liquid assets to do so.
Source: SES 2023, NSO calculated by the BOT

In addition, **the debt-servicing capacity of SMEs with consumer credit lines warrants close monitoring,** as stress in this segment could spill over to consumer loan repayment and weaken overall credit quality through potential cross-default.

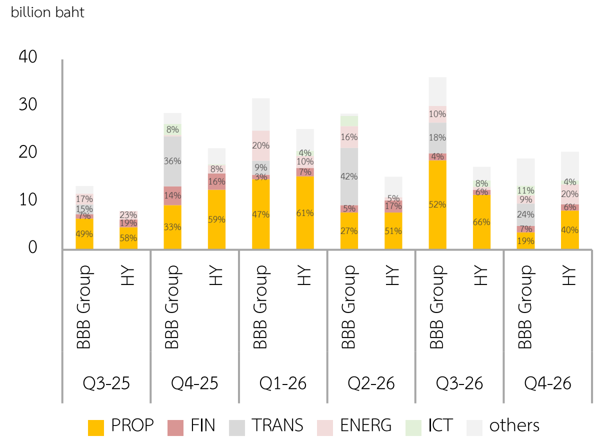
(2) Investor confidence remains sensitive to both domestic and external factors amid prolonged uncertainty, including weak economic growth stemming from structural challenges, uncertainty surrounding the impact of U.S. trade protection measures, and volatility in global financial markets, which could affect asset prices both domestically and abroad. **A further deterioration in investor confidence could weaken fundraising capacity for higher-risk corporates**, particularly at a time when investors already exhibit risk-off sentiment. This is reflected in the contraction of private sector bond issuance, driven mainly by reduced fundraising by higher-risk firms. In particular, the issuance value of high-yield bonds has continued to fall short of the amount maturing in recent periods (Figure 8). The real estate sector, in particular, warrants close monitoring regarding its fundraising capabilities going forward (Figure 9). Nevertheless, large corporates are generally expected to be able to roll over their bonds as usual, especially those with investment grade credit ratings.

Figure 8: High Yield Corporate Bonds New Issuance and Maturing Amount



Note: (1) The value of maturing corporate bonds excludes the banking sector.
(2) Includes only corporate bonds with a maturity of more than one year.
Source: ThaiBMA calculated by the BOT

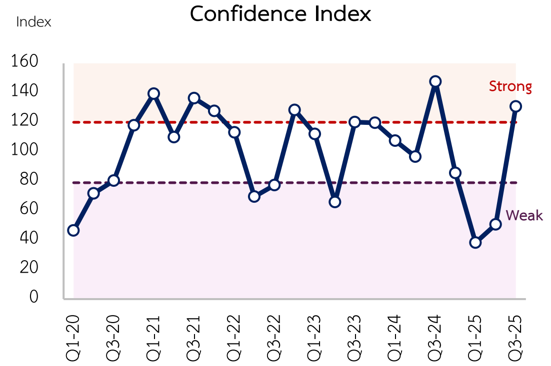
Figure 9: Value of Maturing Corporate Bonds



Note: (1) The value of maturing corporate bonds excludes the banking sector.
(2) Includes only corporate bonds with a maturity of more than one year.
Source: ThaiBMA calculated by the BOT

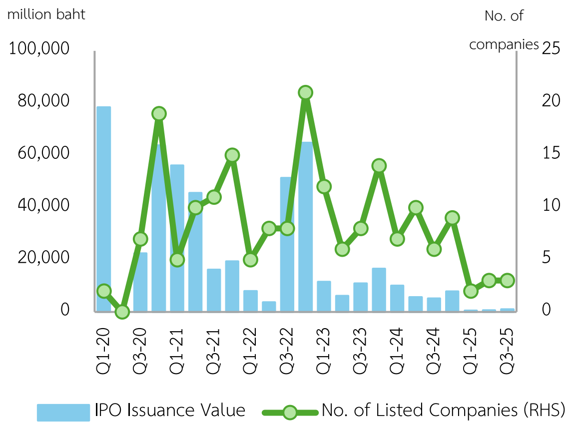
In the equity market, the FETCO retail investor confidence Index rebounded to 130.7 in Q3 2025, supported by government economic stimulus measures, after having been previously weighed down by U.S. trade policy and geopolitical tensions (Figure 10). Meanwhile, initial public offering (IPO) activity during the first three quarters of 2025 remained subdued, both in terms of issuance value and the number of newly listed companies (Figure 11). Looking ahead, the economic slowdown is likely to remain a headwind for fundraising through the equity market.

Figure 10: FETCO Retail Investor Confidence Index



Note: 0 – 79 refers to "weak" investor confidence; 120 – 160 refers to investor "strong" investor confidence.
Source: FETCO calculated by the BOT using end of quarter data

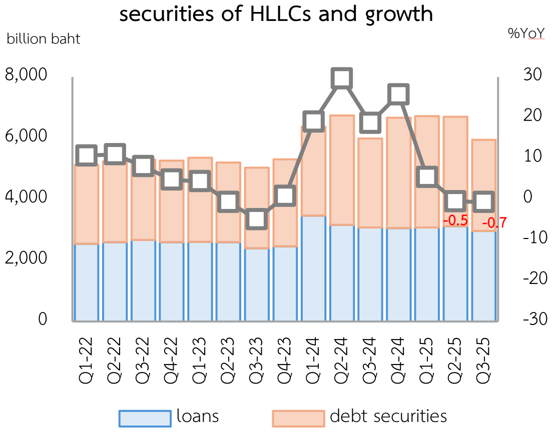
Figure 11: Initial Public Offering (IPO)



Source: SETSMART

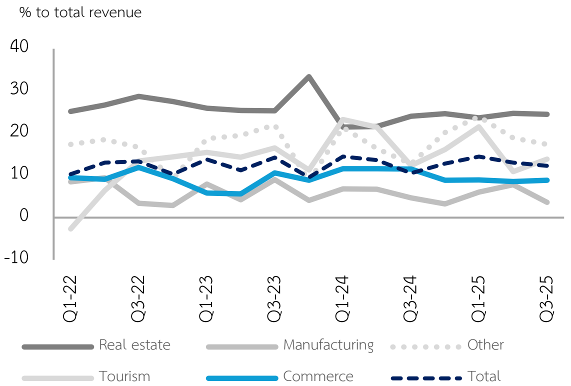
(3) Some highly leveraged large corporations (HLLCs) have become more vulnerable, even though the overall debt accumulation among HLLCs has moderated recently, reflecting the dampened demand in new borrowing as businesses are in the wait-and-see approach toward future macroeconomic and financial development. Outstanding loans and debt securities of HLLCs decreased markedly in the first half of 2025 compared with 2024 (Figure 12). Meanwhile, the overall debt-to-equity (D/E) ratio remains elevated. **Financial performance of HLLCs is still sound, although debt serviceability declines slightly from 2024**, particularly among HLLCs in the trade sector, reflecting slower growth in domestic consumption, and those in the tourism sector, in line with the slowdown in tourism experienced during the first half of 2025, as seen in a decline in operating profit margin (OPM) (Figure 13).

Figure 12: Outstanding loans and debt securities of HLLCs and growth



Source: BOT and Securities and Exchange Commission (SEC).

Figure 13: HLLCs profitability (OPM)

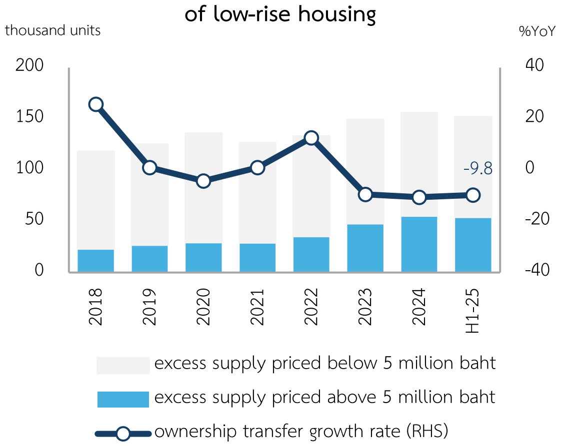


Note: (1) Manufacturing includes manufacturing andpetroleum businesses.
(2) Tourism-related includeshotel, airline, restaurant, and trade businesses.
(3) OPM = Operating Profit Margin (EBIT/ total revenue).
Source: SET, calculated by the BOT using median.

Going forward, the financial positions of some HLLCs may become more vulnerable, particularly for certain real estate companies with high net debt-to-equity ratios as well as some firms in the trade sector facing headwinds on their ability to generate revenue due to a weakening export trend and a slowdown in domestic consumption. Therefore, it is important to monitor the ability of these HLLCs to repay debt to their creditors, which include both financial institutions (FIs) and investors in debt securities, as well as potential spillover effects on the confidence of investors and depositors. At the end of the third quarter of 2025, HLLCs had outstanding loans from financial institutions and the corporate bonds totaled 6 trillion baht, comprising of 3 trillion baht in loans from FIs (25% of total outstanding business loans) and 3 trillion baht in corporate bonds (60% of total outstanding in the corporate bond market).

(4) The financial status of some property developers may become more fragile amid the slowdown in the real estate sector, despite some benefits incurred from the easing of the loan-to-value (LTV) measure over the past few months. For the first half of 2025, transfers of residential properties for both low-rise and high-rise units contracted by 9.8% and 13.1% respectively, compared to the same period last year. Meanwhile, the stock of unsold units remains elevated, particularly in the low-rise segment with the unit value above 5 million baht (Figures 14–15). **These conditions have weakened the financial status of some developers and consequently increase the rollover risk of their corporate bonds.** Hence, BOT would attentively monitor the development and any vulnerabilities that may arise in the real estate sector going forward.

Figure 14: Demand and supply of low-rise housing



Source: Agency for Real Estate Affairs (AREA), calculated by the BOT.

Figure 15: Demand and supply of high-rise housing

Source: Agency for Real Estate Affairs (AREA), calculated by the BOT.

1.3 Policies implemented to safeguard financial stability recently

Since the publication of the Financial Stability Report in April 2025, public sector authorities **have rolled out short-term policies to help alleviate overall financial burdens, support borrowers in servicing their debts as well as providing troubled debt resolution. In addition, there are policies to enhance credit access, especially for SMEs facing prolonged limited credit access**, as reflected in SMEs credit contraction for 13 consecutive quarters, **as well as measures aimed at strengthening the management of impaired assets.** The details of these measures can be summarized as follows.

<u>Short-term measures</u> **include:**

(1) <u>The accommodative monetary policy</u>. The Monetary Policy Committee (MPC) gradually lowered the policy rate three times in 2025, in April, August, and December, bringing the policy rate to 1.25% per annum at present. This is to facilitate the business transitions toward higher potential and ease financial burdens of vulnerable groups, particularly SMEs and households having floating-rate loans.

(2) The "Khun Soo, Rao Chuay" Phase 2 which is the debt restructuring program for retail and SMEs borrowers (effective during 1 July–30 September 2025). This program aims to ease liquidity constraints and reduce debt service burdens for borrowers through installment reductions and interest exemptions. It also helps with deleveraging by earmarking payments made by borrowers solely for principal reduction. The eligibility conditions for Phase 2 were relaxed compared to Phase 1 to encourage more participation in the program as follows: (2.1) expanding the coverage of the "Jai Trong Kong Sup" measure to include two more borrower groups: (i) borrowers with days past due of more than 365 days (as of 31 October 2024), and (ii) borrowers who can still honor their debt obligations or those with days past due not exceeding 30 days (as of 31 October 2024); (2.2) raising the eligible debt outstanding (including interests) limit for the "Jai Pid Jop" measure from 5,000 baht per account covering all types of loans for individuals to 10,000 baht per account for unsecured loans, and to 30,000 baht per account for secured loans backed by the collateral that has already been repossessed or auctioned off; and (2.3) introducing the "Jai Tat Ton" measure for unsecured loans that are classified as non-performing loans (NPLs) with the outstanding not exceeding 50,000 baht per account. If qualified, the debt will be restructured so that the monthly installment is set at 2% of the principal amount calculated prior to entering the program, while interests accrued during the program will be waived should borrowers fulfill the obligations required by the program.

(3) The "Pid Nee Wai, Pai Tor Dai" Program to address the troubled asset problem through the purchase of retail loans by asset management companies (AMCs) (starting 5 January 2026). This program aims to provide further support to vulnerable retail borrowers with obligations on their remaining NPLs. This is treated as a one-off, special measure to prevent moral hazard, with the emphasis on unsecured NPLs. The target group consists of retail borrowers with total outstanding NPLs across all loan types and all financial service providers together not exceeding 100,000 baht per borrower as of 30 September 2025. During the initial phase, the program will be applied to borrowers of commercial banks and their subsidiaries, covering approximately 1.6 million accounts or 1.2 million borrowers with the outstanding debt of around 43.6 billion baht. Sukhumvit Asset Management Co., Ltd. (SAM) will be responsible for the purchase of the target group's troubled loans for subsequent debt restructuring with more accommodative terms to provide borrowers with a better chance for honoring their debt obligations. Meanwhile, borrowers of SFIs will be assisted by Ari Asset Management Co., Ltd. (Ari-AMC), covering an additional 330,000 accounts. In total, the program is expected to help up to 1.9 million accounts of retail borrowers.

(4) <u>**Permission to temporarily form joint venture asset management companies (JV-AMCs) between commercial banks, specialized financial institutions, or non-banks and asset management companies or entities engaged in asset management businesses**</u>. This is to serve as an additional channel for impaired asset management to better provide support for borrowers. The permission includes a two-year window for submitting an application to form a joint venture, and a 15-year operation period. According to the legislation, joint ventures must provide assistance such as debt restructuring to distressed borrowers obtained through asset purchases. Such aid must be offered in a way that prioritizes benefits of borrowers as well as their debt-servicing ability. In addition, existing joint ventures established by specialized financial institutions will be able to purchase impaired asset from commercial banks and NBRLs, an extension from the old regulation which only allows asset purchases/transfers only from specialized financial institutions.

(5) <u>**Providing liquidity and cost reduction for SMEs through financial measures under the "Quick Big Win for Thai SMEs" Program with 267 billion baht in funding**</u>. This program was approved by the Cabinet on 2 December 2025 with the following details.

(5.1) The "SMEs Quick Big Win" credit guarantee scheme with 50 billion baht funding through the Thai Credit Guarantee Corporation (TCG). This aims to boost financial institutions' confidence in extending credit to SMEs. In addition, the Portfolio Guarantee Scheme (PGS) Phase 11, which at present still has some funding left for additional credit guarantees, will be offered through 30 December 2026.

(5.2) The soft loan program for business revival by Government Savings Bank (GSB) with 100 billion baht funding. The Bank of Thailand has coordinated with FIs, the Federation of Thai Industries, and the Thai Chamber of Commerce to provide inputs to the Ministry of Finance on the design of policies so that they are effective and appropriately targeted. GSB will provide low-cost funding to SMEs across four sub-programs: (1) liquidity support to mitigate the impact on businesses affected by the recent flood; (2) "Reinvent Thailand" loans to stimulate the new dynamics in the Thai economy going forward; (3) transformation loans to support business transitions toward higher potential; and (4) loans for capability enhancement for businesses in the tourism sector.

(5.3) Other lending programs to support SMEs such as: (1) the "Sustainable Thai" and "SME Thai Chaiyo" loan programs with the total funding of 80 billion baht to support agricultural lending by the Bank for Agriculture and Agricultural Cooperatives (BAAC); (2) the 20 billion baht "Empowering SMEs" and "Beyond Putting Wings on SMEs" loan programs by SME Bank with the revised lending criteria to include micro-SMEs with the credit limit up to 1 million baht and general SMEs with credit limit up to 30 million baht; (3) the 12 billion baht "EXIM Expand Shield" working-capital loan program by the Export-Import Bank of Thailand to support exporters in addition to the export insurance program which offers special insurance premium rate for exporters; (4) a program to support Muslim entrepreneurs, with 3 billion baht funding by the Islamic Bank, for SMEs seeking business transitions to more environmentally friendly operations as well as producers of halal products; and (5) a program to support real estate developers totaling 2 billion baht by the Government Housing Bank (GHB) for the construction or purchases of residential units, purchases of land for building construction, renovation/repair of existing units, and to support lending to regional housing developers for construction of buildings and utilities.

(6) <u>Enhancing efficiency of SMEs through tax measures under the "Quick Big Win for Thai SMEs" packages,</u> comprising: **(6.1) the "Big Brother Helps Little Brothers"** program which grants tax benefits via expediting tax refunds to large enterprises listed on the Stock Exchange of Thailand (SET) who provide resources and technology to companies in their supply chains. Moreover, the Fast Track system will be introduced so that some 20,000 SMEs **will have a faster tax refund**, totaling 60 billion baht. Going forward, linking the PromptBiz system to supply chain financing would yield better opportunities for SMEs in the supply chain in obtaining SMEs credit. **(6.2) measures to support lending to government counterparties through the PromptBiz system.** The Ministry of Finance is currently piloting data linkage services between procurement information from the Electronic Government Procurement (e-GP) system and disbursement information from the New GFMIS Thai system. Financial institutions can then use this more enriched data for business credit assessment. In addition, transfer of receivable rights to banks or third parties will be permitted, which should make it **easier for SMEs and government counterparties to access credit and improve their liquidity positions.**

(7) **<u>Measures to uplift the potential of businesses and human capital</u>** led by the Board of Investment (BOI). The enhancement of business and human capital capability will translate to better opportunities to obtain credit. The measures include: **(7.1) the "Upskill & Reskill" program** for 100,000 people, aiming at enhancing workforce capabilities needed in nine high-potential industries for the future. The government will cover costs such as course fees and allowances through training providers, namely educational institutions and legal entities with the specialty in human resource development; **(7.2) measures to support Thai entrepreneurs in competitiveness enhancement**, focusing on tax incentives and giving subsidies up to 100 million baht per company, covering 30–50% of capital investment and actual expenses, should businesses need to improve efficiency through the implementation of new technologies, research and development, and transition toward new business models or green industries.

<u>Long-term measures currently in progress</u> **to strengthen infrastructure, improve access to credit for borrowers with strong potential, as well as enhance confidence in the corporate bond market and promote long-term market stability include:**

(1) **<u>Enhance credit guarantee mechanism to improve access to funding sources and strengthen business competitiveness, particularly for SMEs</u>**. This works through reducing credit risk of SMEs, hereby creating stronger incentives for financial institutions to lend to SMEs. The Bank of Thailand, in collaboration with the Ministry of Finance, has laid out guidelines to: **(1.1) enhance the capability of credit guarantee mechanism**, including the ability to continuously assess credit risks of borrowers by employing the up-to-date customer data after guarantees have commenced. This will enable the guarantee fees to be properly set and adjusted according to the risk of each segment of borrowers and the ability to be financially self-sufficient, supported by stable funding sources from both public and private sectors; and **(1.2) broaden the scope of guarantees from the current coverage, which is limited to loans extended by financial institutions and their subsidiaries, to include non-bank financial service providers and corporate debt issuance**. This should help expand ways businesses can access credit so that they can raise fund through the most appropriate funding channels. This goal to provide support to targeted businesses also aligns with the country's long-term economic transformation objectives. Funding needs by businesses for transformation purposes would also be facilitated to support smooth transitions. Such mechanism would lead to the risk sharing when granting credit to SMEs, especially those without collateral or having insufficient collateral.

(2) Pushing forward "Your Data" initiative to improve credit access and support sound financial management. This program enables individuals to exercise their rights to request and transfer data to participating credit providers. This would provide lenders with more information to be used for borrowers' risk assessment in the credit approval process. The regulatory framework governing the drafting of a mechanism for borrowers to exercise their rights to digital data-sharing took effect at the end of October 2025. Hence, it is expected that borrowers will be able to authorize the transfer of the first set of data by the end of 2026. At present, relevant stakeholders are in the process of discussing common standards and operational guidelines for data transfer on both senders and recipients of data. For non-financial data, such as water and electricity usage and bill payments, individuals are able to exercise their rights to information retrieval on behalf of participating credit providers via the government application "Thang Rat" since 30 June 2025. For tax-related data, it is expected that individuals can begin exercising data transfer rights within 2025.

(3) Permitting the establishments of virtual banks. Virtual banks would operate through digital channels and provide lower cost services than traditional banking. The key is to utilize a broad range of data to better understand customers and hence can offer more tailored loans and products for retail customers and SMEs, whose loan origination and risk monitoring costs usually exceed the benefits under the operating models of traditional banks. In June 2025, the authorities permitted the establishments of three licensed virtual bank operators, all of which are expected to commence operations around mid-2026.

(4) Promoting risk-based pricing (RBP) for unsecured retail lending, so that lenders can set interest rates of the unsecured loans based on the risk profile of individual retail borrowers rather than applying uniform rates for all borrowers alike. This would allow lower-risk borrowers or those with strong repayment behavior to receive lower borrowing rates, while higher-risk borrowers may gain better access to credit if lenders can price loans according to borrowers' risks.

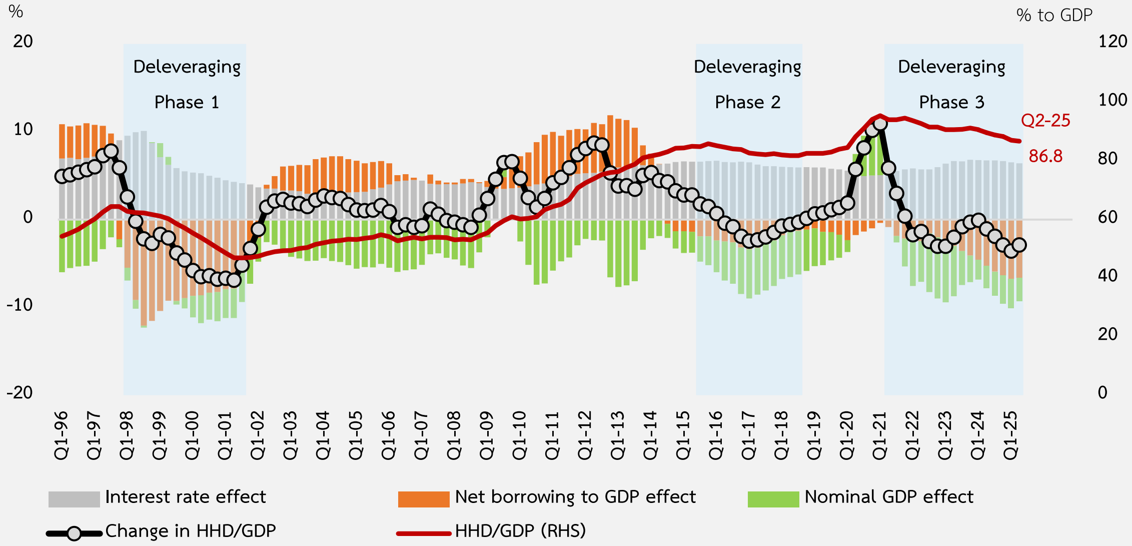
(5) <u>Improving the standard for corporate debt securities issuance and offering</u>. The Thai Bond Market Association (ThaiBMA), together with the Securities and Exchange Commission (SEC), is currently exploring potential guidelines for financial covenants for high-yield bond issuers, with stronger restrictions introduced on key areas such as limiting additional corporate leverage build-up, or constraints on payments that could undermine bond repayment capacity. Such payment may include dividend distributions and share buybacks, which may materially affect the repayment capacity of corporate debt issuers. Exceptions on payment transactions would be granted under the case where issuers' financial metrics indicate sufficient ability to take on additional debt, for example, where the debt service coverage ratio (DSCR) exceeds a prescribed threshold.

Box: The Household Debt Deleveraging Conditions and Policy Measures to Help Mitigate the Household Debt Problem

Household debt deleveraging conditions in the recent period

Overall, the financial system remains stable, but vulnerabilities persist in certain areas, particularly household debt, which, although declining continuously, remains elevated. In Q2 2025, the household debt to GDP ratio stood at 86.8%, down from its peak of 95.5% in Q1 2021. **The most recent decline in the household debt to GDP ratio (household debt deleveraging) is driven mainly by a reduction in household borrowing, reflecting tighter financial conditions** (the orange bars in Figure 1). This partly reflects the deleveraging process following a period of accelerated debt accumulation. Meanwhile, economic expansion also contributes to a reduction in household debt, but at a slower pace given the gradual recovery of the economy (the green bars in Figure 1).

Figure 1: Source of the change in the household debt to GDP



Note: (1) Household debt to GDP is calculated as household debt divided by nominal QGDP on a trailing four-quarter basis. The change is measured as the current quarter's debt to GDP minus the level in the same quarter a year earlier; Minimum retail rate (MRR) is used for i_t ; Nominal GDP growth from Nominal QGDP 4Q Rolling basis used for g_t
(2) The baseline projection of household debt-to-GDP is based on the assumptions that credit growth in 2025 and 2026 expands by 0.2% and 0.8%, respectively.
Source: BOT.

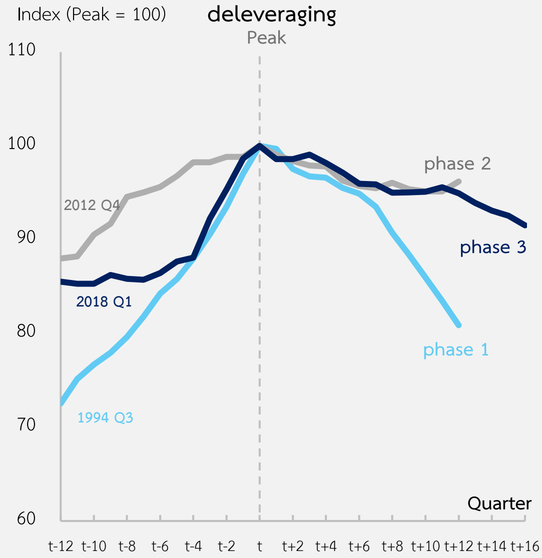
A slowdown in household debt accumulation from an elevated level, while necessary and beneficial for the economy in the long run, **could be harmful if the household deleveraging process occurs too rapidly or too intensely (disorderly deleveraging). It could adversely affect households' well-being** and weigh on the broader economy. Under disorderly deleveraging, a credit crunch is often observed, leading to deteriorating liquidity positions and lower spending by both businesses and

Box: The Household Debt Deleveraging Conditions and Policy Measures to Help Mitigate the Household Debt Problem

households. It may also be accompanied by widespread defaults, which could in turn undermine confidence and trigger fire sales of assets by financial institutions, leading to a sharp decline in asset prices, including real estate prices.

Although financial conditions have tightened, there are still no signs of disorderly deleveraging. The current decline in household debt remains gradual (Phase 3 in Figure 2), in contrast to the deleveraging process during the 1997 “Tom Yum Kung” Crisis (Phase 1), when household debt fell rapidly. Moreover, there is no evidence of widespread defaults. Meanwhile, consumption continues to expand, growing by 2.6% in Q2 2025, though moderated somewhat. This is partly due to a slow income recovery experienced after the COVID-19 crisis amid some structural changes, and an elevated level of cost of living. At the same time, overall real estate prices continues to edge up slightly.

Figure 2: Thailand's household debt deleveraging



Source: BOT

Key issues that should continue to be closely monitored include: 1) the dynamics of household debt accumulation (Figure 3), and 2) the trend in new borrowing, particularly for higher-quality borrowers, whether they continue to be able to access credit and have sufficient liquidity (Figure 4).

Box: The Household Debt Deleveraging Conditions and Policy Measures to Help Mitigate the Household Debt Problem

Figure 3: Source of the elevate / decline in household debt[1/]

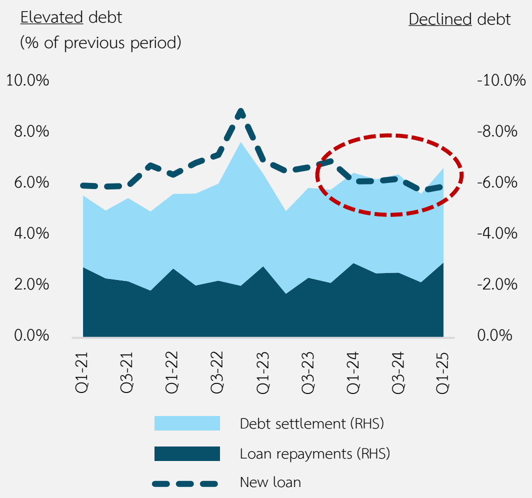
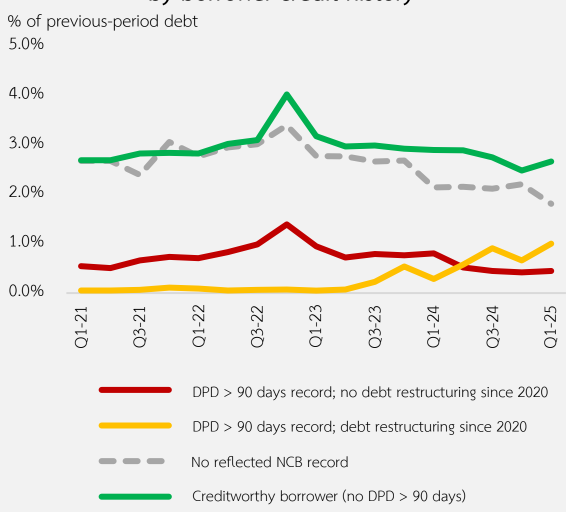


Figure 4: Trend in new credit origination, by borrower credit history[2/]



Note:
1/ Credit changes are defined as: new credit (accounts not observed in the previous month), repayments (balance changes for accounts observed in both months), and debt closures (accounts observed in the previous month but not in the current month)
2/ Borrower history is assessed using the preceding three years of data from the month a new account is opened, to proxy a creditor's credit-bureau check. Borrowers are classified as DPD > 90 days if they have at least one instance of DPD > 90 days in any account; as good-history borrowers if they have no DPD > 90 days in any account; and as no NCB history observed if there is no NCB record over the past three years
Source: NCB, calculated by the BOT

Policy implementation to reduce the risk of disorderly deleveraging and the effectiveness of past policies

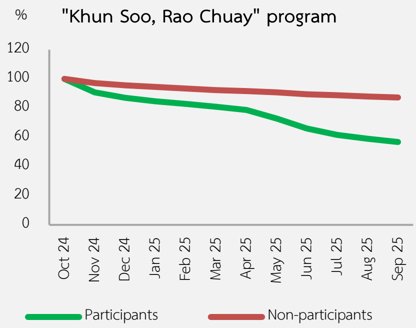
In the past year, the Bank of Thailand (BOT) implemented comprehensive measures to address household debt problems in a manner that is continuous, comprehensive and consistent with the evolving context of debt vulnerabilities at different times. BOT has placed a strong emphasis on safeguarding debtors' liquidity, while underscoring the importance of income-enhancing measures alongside debt-burden reduction through policy rate cuts and support for debt restructuring. These efforts are pursued through the issuance of the Responsible Lending Guidelines and the "Khun Soo, Rao Chuay" Program, both of which have helped slow the rise in non-performing loans (NPLs), apart from the temporary easing of financial institutions' lending standards on new loans, notably the relaxation of loan-to-value (LTV) requirements. The LTV measure has somewhat helped increase housing demand and provide some support to the real estate sector and its related businesses.

Box: The Household Debt Deleveraging Conditions and Policy Measures to Help Mitigate the Household Debt Problem

1. Policy rate reductions: A lower policy rate has helped reduce households' interest burden to some extent. Based on the retail lending data of the commercial banking system, more than half of total outstanding loan is subjected to floating rates, particularly housing loans and other personal loans, whereas around half is referenced using the minimum retail rate (MRR). The four policy rate cuts from October 2024 through August 2025 have together transmitted to M-rates in the commercial banking system by about 57%, resulting in a decline in the average effective interest rate (EIR) faced by retail borrowers of roughly 0.3–0.4 percentage points. If considered only loan contracts with floating rates, the borrowers' interest burden has been reduced by an average of around 5,000 baht per debtor per year.

2. The "Khun Soo, Rao Chuay" Program: The program has helped slow the increase in NPLs, particularly among SMEs borrowers and vulnerable retail borrowers. This is reflected in the reduced share of NPL accounts (Figure 5) and a slightly improved transition rate from Stage 2 to Stage 3 (NPL) loans among program participants during the first half of 2025, compared to the period prior to entering the program. The program has also increased household liquidity by an average of 3,000 to 5,200 baht per month per each participant. The combined effects of installment reductions and interest payment relief for three years, together with earmarking all payments toward principal reduction, have enabled borrowers to repay principal by an average of 1.5–2.0 times more per month than before. As a result, average outstanding debt among participants in the housing and SME loans has declined faster compared to the outstanding prior to joining the program. For hire-purchase loans, although the principal repayment has been somewhat lower, borrowers still benefit from improved liquidity positions (Figure 6).

Figure 5: Share of NPL accounts that meet the eligibility criteria for the "Khun Soo, Rao Chuay" program



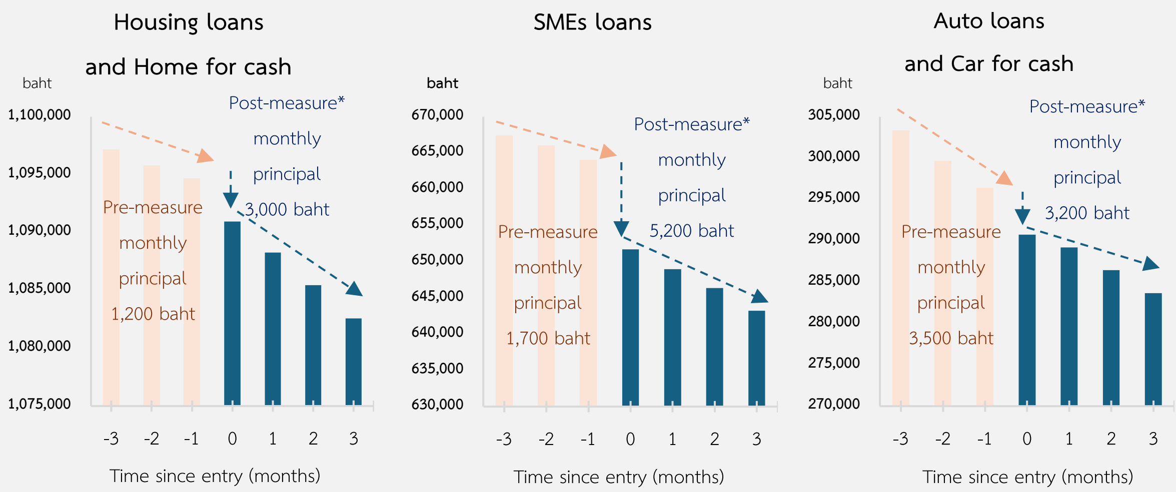
Notes: Coverage is limited to NPL accounts as of October 2024.
Source: BOT.

1/ Most housing loans have fixed installments, so households do not benefit directly from lower debt service; the benefit comes via a shorter repayment tenor as higher principal is repaid each installment. For other fixed-rate loans, households benefit from rate cuts only on new loans

2/ The average interest rate faced by retail borrowers is calculated using only performing contracts (stage 1) with no arrears (no days past due)

Box: The Household Debt Deleveraging Conditions and Policy Measures to Help Mitigate the Household Debt Problem

Figure 6: Average outstanding principal of debtors participating in the "Jai Trong Kong sup" measure

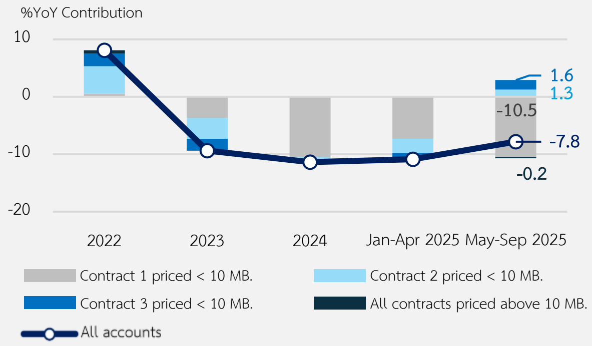


Source: BOT.

3. Temporary relaxation of LTV (Loan-to-Value) requirements: The relaxation of LTV measures, effective since May 2025, has delivered outcomes broadly in line with the pre-program assessments. It has helped provide some support to the real estate sector and its related businesses by boosting housing demand among buyers who still have purchasing capacity and by partially alleviating the problem of persistently high level of accumulated inventories. However, the overall impact on the real estate sector and on economic stimulus remains relatively limited. The latest development of the real estate sector includes: (1) the number of newly originated housing loan accounts for residential units priced below 10 million baht for second mortgage contracts during May–September 2025 increased by 12.5% year-over-year and by and by 86.4% for the third mortgage contracts onwards, translating to a contribution to growth of 1.3% and 1.6%, respectively (Figure 7), and (2) the accumulated inventories as of June 2025 declined to 223,000 units from 234,000 units at end-2024. Nevertheless, the overall real estate sector has continued to slow, with weak household purchasing power remaining a key headwind. As a result, developers have launched fewer new projects, with newly launched housing projects in Bangkok and its vicinity contracting by 29.6% year-over-year during the first nine months of 2025 (Figure 8).

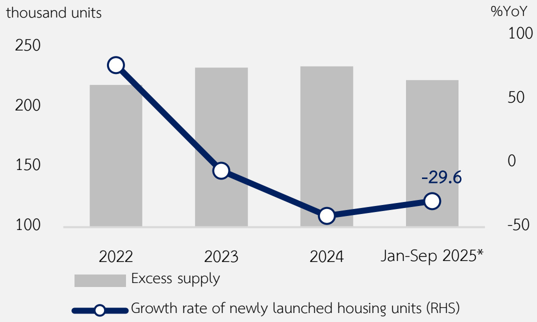
Box: The Household Debt Deleveraging Conditions and Policy Measures to Help Mitigate the Household Debt Problem

Figure 7: Contribution to growth of newly originated housing loan accounts in the FIs



Source: BOT.

Figure 8: Excess supply and new housing supply in Bangkok and vicinity



Note: * = excess supply as of June 2025

Source: Agency for Real Estate Affairs (AREA).

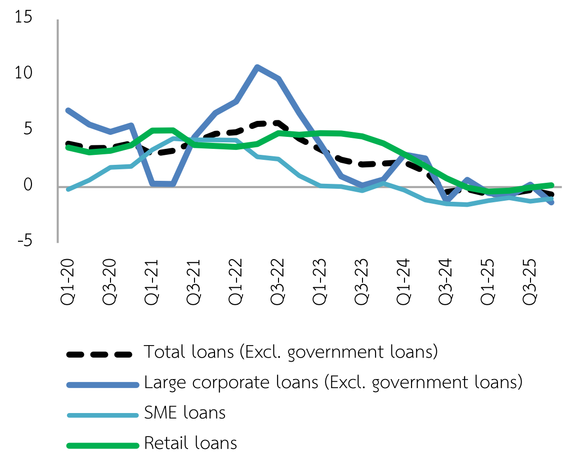
Chapter 2: Thailand's financial stability assessment

2.1 Macro-financial backdrop

2.1.1 Financial conditions

Financial conditions in the third quarter of 2025 remained tight, as reflected by a contraction in credit extended by financial institutions in the system, a decline in corporate bond issuance, and a reduction fund raising through the equity market. Total credit in the financial institution system contracted by 0.3 percent year-over-year (Figure 16), driven primarily by a 1.3 percent year-over-year contraction in small and medium enterprises (SMEs) loans. This reflects heightened credit risk among borrowers, prompting financial institutions to adopt a more cautious lending approach toward higher-risk and unsecured borrowers. The contraction is particularly pronounced among (1) SMEs affected by intensified competition from import flooding, which may become more severe as other countries seek alternative export markets, (2) SMEs in the trade, tourism, hotel, and restaurant sectors, and (3) micro SMEs, which experience a decline in credit extended (Figure 17). Nevertheless, there is still demand for working capital loan among SMEs, as businesses continue to seek liquidity support for ongoing operations. Meanwhile, large corporate loans expanded marginally by 0.2 percent year-over-year, slowing from the growth rate of 0.6 percent in the same period of 2024. This reflects weaker credit demand amid heightened economic and trade policy uncertainty, which weigh on investment demand for new large-scale projects. In addition, large corporates relies more on internal liquidity and retained earnings for funding, while most commercial banks have not tightened lending standards for large corporate borrowers.

Figure 16: Private credit

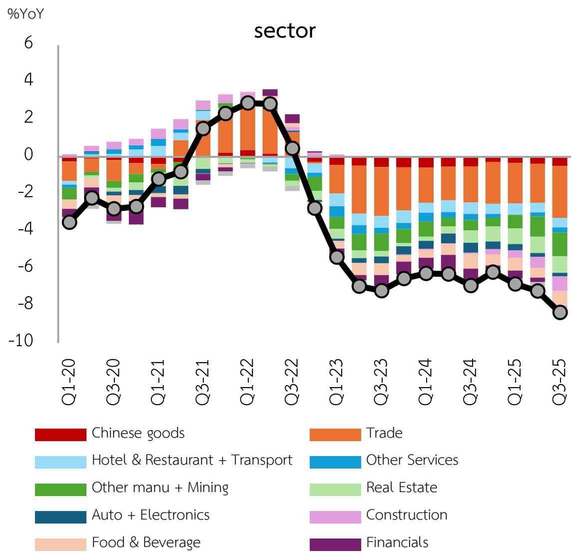


Note: (1) Business loan size classification: Business loans extended by commercial banks (bank-only) are classified based on the new definition (OSMEP × credit limit). For SFIs, the classification is based on the revenue and employment criteria defined by OSMEP. For NBRLs under the supervision of the BOT, all loans are classified as SME loans, including nano finance loans and regulated personal loans used for occupational purposes (excluding title loans).

(2) Retail loan data covers loans extended by commercial banks (including affiliated companies), SFIs, and NBRLs under the supervision of the BOT.

Source: BOT.

Figure 17: Sources of SME loan growth by sector



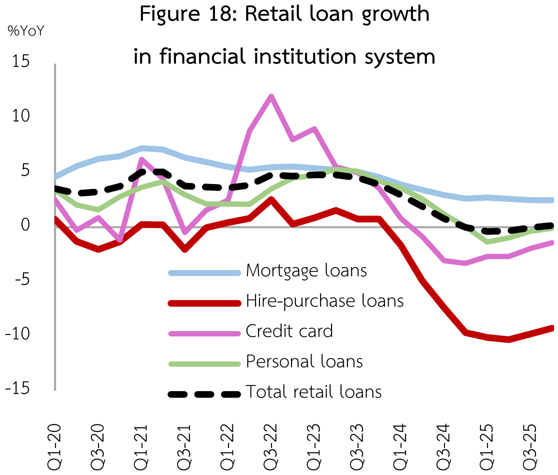
Note: (1) SME business loan size classification covers loans extended by commercial banks (bank-only) and is based on credit-limit criteria.

(2) Chinese goods refer to businesses producing goods in basic metals, electrical equipment, furniture, and textiles and apparel categories.

Source: BOT.

Retail loan growth continues to slow across all loan categories. Total retail loans contracted by 0.1 percent year-over-year (Figure 18), reflecting more cautious lending practice by financial institutions amid weakened debt serviceability among borrowers. The slowdown is particularly evident in unsecured personal loans, which continue to contract as financial institutions become more selective and give priority to high-quality borrowers while shifting toward lower-risk lending. Mortgage loans slow in line with weaker demand and tighter lending conditions. However, government support measures implemented in the second quarter of 2025, including reductions in property transfer and mortgage registration fees and the easing of the loan-to-value (LTV) limits, have provided some tailwind to mortgage loan growth. Credit card loans contract, in line with a broad-based slowdown in spending via credit cards across all income groups. Hire-purchase loans also continue to contract amid cautious lending stance by financial institutions, although some

Figure 18: Retail loan growth in financial institution system

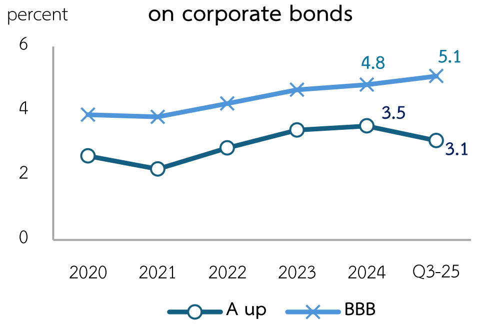


Note: The financial institution system comprises commercial banks (including affiliated companies), SFIs, and NBRLs under the supervision of the BOT.

Source: BOT.

improvement has been observed, as seen in a decline in vehicle repossessions and a gradual recovery in used-car prices.

Figure 19: Coupon rates on corporate bonds



Note: Calculated as average for each credit rating category.

Source: FETCO and ThaiBMA, calculated by the BOT.

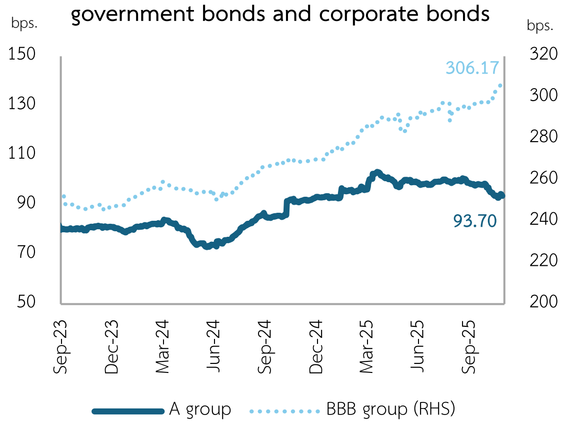
Corporate bond issuance contracted by 1.5 percent year-over-year, partly due to sufficient liquidity buffers among some issuers and the absence of new investment plans. In addition, investors remain cautious, with an increase in allocation toward investment-grade bonds rated A and above, as seen in a decline in average coupon rates (Figure 19), alongside reduced investments in certain BBB-rated, non-investment-grade, and unrated bonds. Such behavior increases rollover risk, as new issuance of high-yield bonds consistently falls below maturing amounts.

Equity fundraising through initial public offering (IPO) on the stock exchange during the first three quarters of 2025 amounted to 1,986 million baht, down from 20,888 million baht in the same period last year. This is partly due to heightened uncertainty in financial market conditions, as well as the outlook for a slowdown in the Thai economy amid U.S. trade policies.

2.1.2 Asset prices

In 2025, there were no signs of speculative activity in financial asset prices. The yield on the 10-year Thai government bond was 1.4 percent at the end of November 2025, declining by 89 basis points (bps) from the end of 2024, in line with expectations of a slowdown in the Thai economy. Meanwhile, corporate bond spreads over short-term government bond yields, particularly for BBB-rated bonds, widened, driven mainly by the decline in government bond yields (Figure 20).

Figure 20: Credit spreads between government bonds and corporate bonds

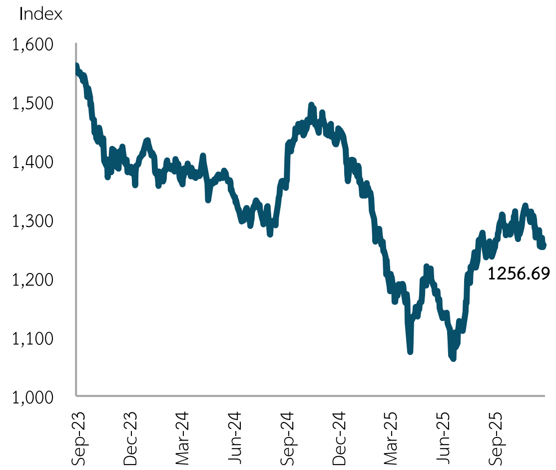


Note: Average spread of corporate bonds (tenor ≤ 3 years).

Source: ThaiBMA, data as of 28 November 2025.

The Stock Exchange of Thailand (SET) index declines slightly from the beginning of the year (Figure 21). At the end of November 2025, the SET index was at 1,256.69 points, representing a decline of 123 points, or 9 percent, from the beginning of 2025. The decline during the first half of 2025 was driven by the impact of the earthquake, and investors' concern over the economic outlook amid heightened uncertainty surrounding U.S. trade policies. However, the SET index did recover in the third quarter of 2025, following better clarity on U.S. tariff measures and economic stimulus plans following the formation of the new government.

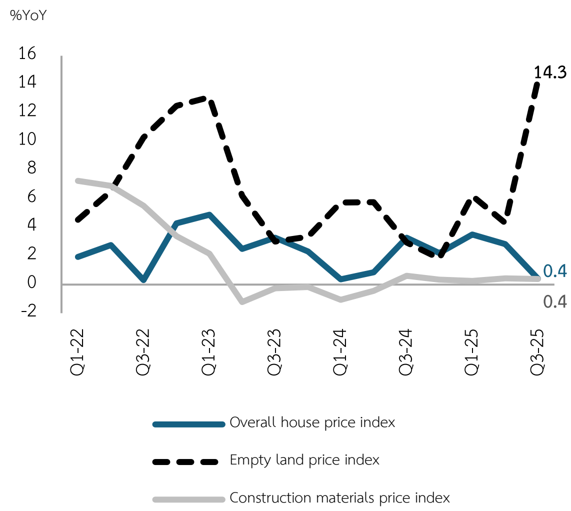
Figure 21: SET index



Source: Bloomberg, data as of 28 November 2025.

In the real estate sector, the house price index in the third quarter of 2025 increased by 0.4 percent year-over-year (Figure 22). Land prices have risen in certain locations along mass transit lines and in suburban areas that benefit from the announcement of the new urban planning scheme. Meanwhile, housing market conditions show some improvement from May 2025, following the implementation of government support measures, including a reduction in property transfer and mortgage registration fees to 0.01 percent for residential units priced below 7 million baht and the easing of LTV limits. However, the oversupply problem still persists in the housing segment priced above 5 million baht.

Figure 22: Housing price index



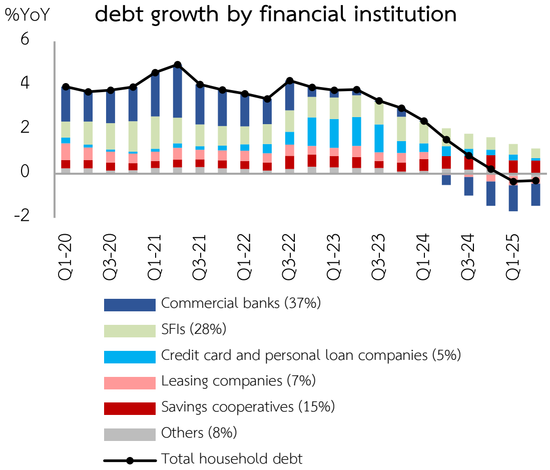
Note: Single-detached house price index (including land) and empty land price index, specifically in Bangkok and vicinity.
Source: BOT, Real Estate Information Center (REIC), and Trade Policy and Strategy Office (TPSO).

2.2 Financial health of household and corporate sectors

2.2.1 Leverage levels of households and corporates

Household and corporate debt levels continue to gradually decline. The ongoing debt deleveraging process will help reduce risks to financial stability over the long term. The household debt to gross domestic product (GDP) ratio stood at 86.8 percent in the second quarter of 2025, declining from 88.4 percent at the end of 2024. The decline is driven mainly by slower debt accumulation, reflecting more cautious lending practices by commercial banks and leasing companies (Figure 23). As a result, vulnerable households with high debt burdens face reduced access to credit, while other segments experience weaker credit demand. These issues and their implications for short-term economic activities should be monitored. Nevertheless, lower household debt over the longer term will help mitigate risks to financial stability, as households' capacity to absorb future uncertainty will improve, particularly in the event of severe income shocks.

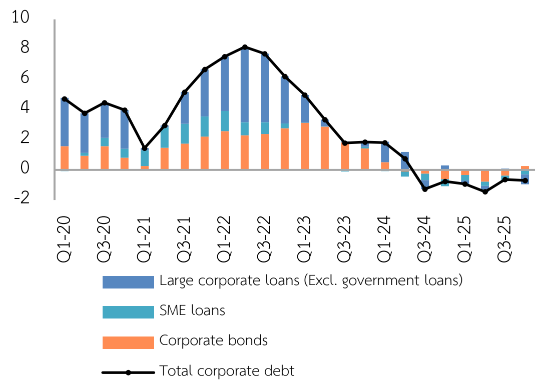
Figure 23: Contributions to household debt growth by financial institution



Note: Figures in parentheses indicate the share of household debt by each financial institution as of the second quarter of 2025.
Source: BOT.

Corporate debt level continues to trend downward across both loans and corporate bonds. The corporate debt to GDP ratio stood at 81.3 percent in the second quarter of 2025, declining from 81.8 percent at the end of 2024. The decline reflects weaker credit demand amid a slowdown in investment, in line with subdued domestic purchasing power and ongoing economic uncertainty. In addition, the supply side headwinds stem from financial institutions taking a more cautious approach in lending to borrowers with higher credit-risk, while investor confidence remained sensitive amid risk-off sentiment (Figure 24).

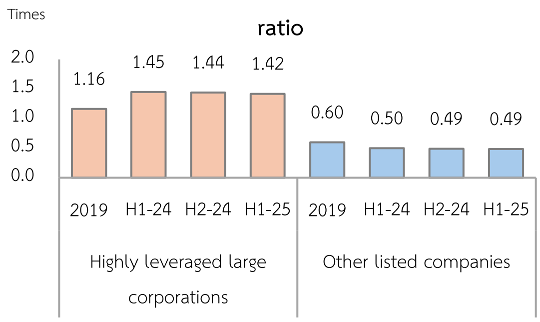
Figure 24: Contributions to corporate debt growth



Note: Business loan size classification: Business loans extended by commercial banks (bank-only) are classified based on the new definition (OSMEP × credit limit). For SFIs, the classification is based on the revenue and employment criteria defined by OSMEP. For NBRLs under the supervision of the BOT, all loans are classified as SME loans, including nano finance loans and regulated personal loans used for occupational purposes (excluding title loans).
Source: BOT.

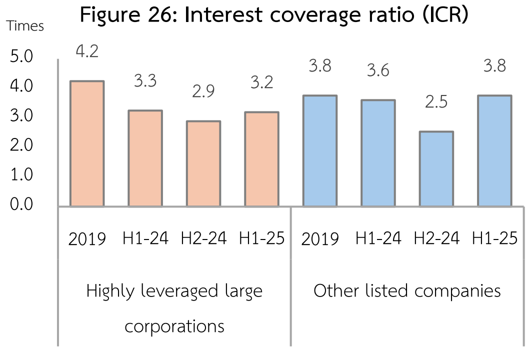
For **highly leveraged large corporations (HLLCs), debt accumulation has slowed down.** Outstanding loans and corporate bonds in the second quarter of 2025 declined slightly from the end of 2024. Meanwhile, the net debt-to-equity ratio (net D/E) stood at 1.42 times in the first half of 2025, broadly unchanged from the same period in the previous year (Figure 25). At the same time, SMEs also experience a slowdown in debt accumulation, reflecting the continued contraction in credit.

Figure 25: Net debt-to-equity (net D/E) ratio



Note: The annual average net D/E ratio is calculated from the quarterly average net D/E ratio.
Source: SETSMART.

Figure 26: Interest coverage ratio (ICR)

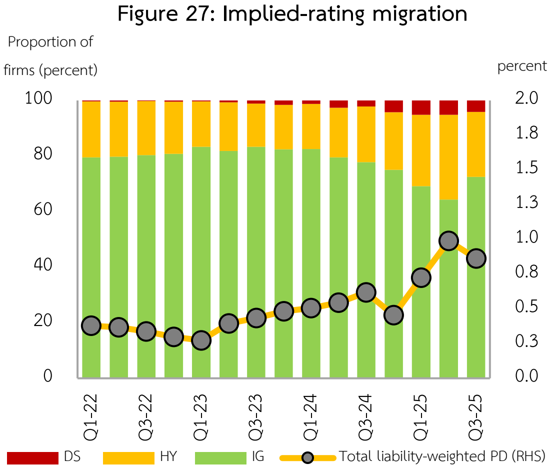


Source: SETSMART.

2.2.2 Debt serviceability of household and corporates

The overall operating performance of HLLCs remain sound, while debt serviceability deteriorated slightly. This is evident in the interest coverage ratio (ICR), which stood at 3.2 times in the first half of 2025, declining marginally from the same period last year (Figure 26). Nevertheless, vulnerabilities increase for some HLLCs, particularly certain firms in the real estate sector with high net D/E ratios, as well as some firms in the trade sector facing revenue pressures from weaker exports and slowing domestic consumption, consistent with a decline in operating profit margins (OPM).

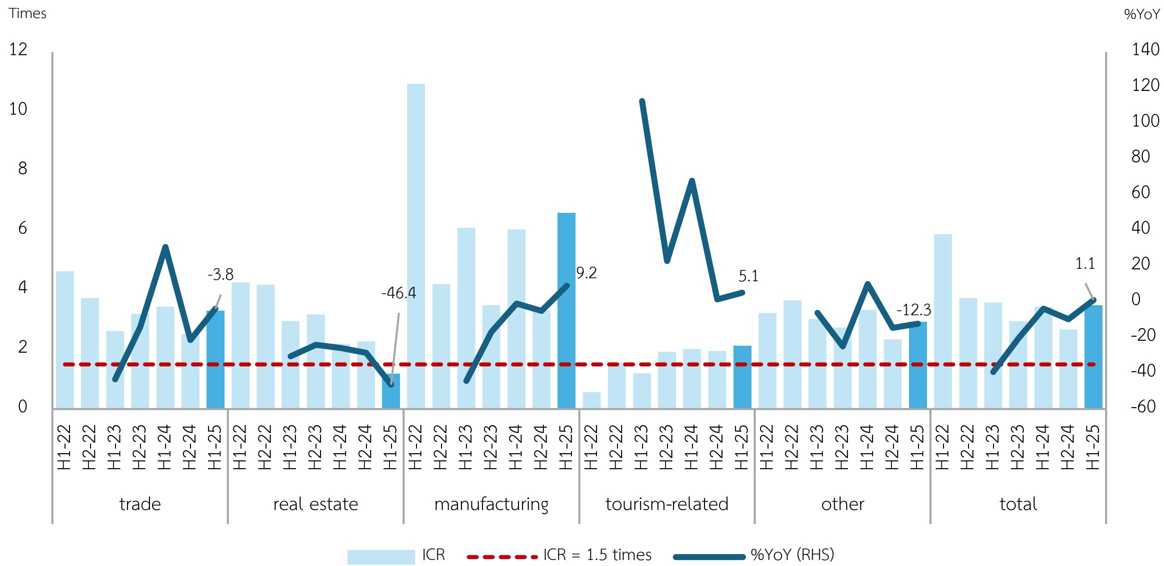
Figure 27: Implied-rating migration



Source: Bloomberg.

Financial vulnerabilities among large corporates have increased, as seen in a higher share of listed companies with implied ratings in the high-yield and distressed categories, as well as an increase in the probability of default (PD) (Figure 27). Although the ICR for large corporates stood at 3.48 times in the first half of 2025, broadly unchanged compared to the same period last year, firms in the real estate sector become more vulnerable, with some facing pressure from continued weak domestic demand. Nevertheless, ICRs for most large corporates remain well above the 1.5-times threshold associated with heightened default risk (Figure 28).

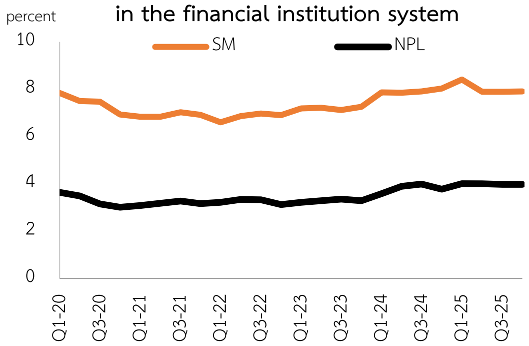
Figure 28: Interest coverage ratio (ICR) of large corporates by business type



Note: (1) Manufacturing includes manufacturing and petroleum businesses. (2) Tourism-related includes hotel, airline, restaurant, and trade businesses.
Source: SETSMART, calculated by the BOT using median.

Debt serviceability of households and SMEs shows signs of deterioration, exacerbating tight liquidity conditions. Household debt serviceability weakens, particularly among vulnerable households, as income growth lagged behind living expenses and debt burdens, leading to a deterioration in household credit quality. This is reflected in the special-mentioned loan (SM or Stage 2) ratio, which remained stable at 7.9 percent in the third quarter of 2025, while the non-performing loan (NPL or Stage 3) ratio rose to 4.0 percent, from 3.8 percent at the end of 2024 (Figure 29). The deterioration is particularly evident in mortgages, with the share of accounts more than 30 days past due (DPD) increasing across all loan-size segments (Figure 30). In the housing segment priced below 5 million baht, delinquency rate increases partly owing to more accommodative lending standards by SFIs during 2021–23, which include lending to higher-risk borrowers whose income had yet to fully recover. For hire-purchase loans, the share of accounts with more than

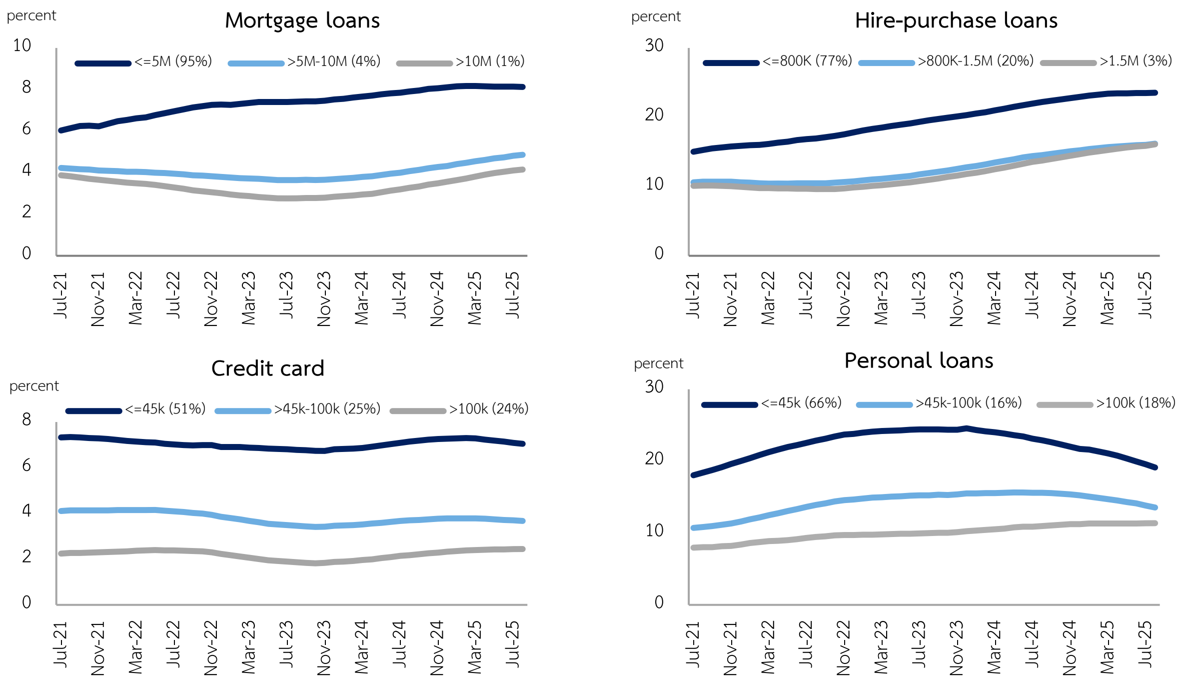
Figure 29: Retail loan quality in the financial institution system



Note: Financial institution system consists of commercial banks (including affiliated companies), SFIs, and NBRLs under the supervision of BOT.
Source: BOT.

30 day past due continues to rise, reflecting debt overhang associated with vehicle repossessions, while newly defaulted loans have begun to gradually decline.

Figure 30: Proportion of accounts with 30 DPD by portfolio



Note: The data cover commercial banks (including affiliated companies), SFIs, NBRLs, and other companies that are members of the National Credit Bureau (NCB) as of August 2025, and are presented as a 12-month moving average. Data in parentheses indicate the proportion of accounts in each portfolio.
Source: NCB, calculated by the BOT.

Debt serviceability of SMEs deteriorates, as seen in an increase in the SM ratio for SMEs to 11.7 percent in the third quarter of 2025, from 10.8 percent at the end of 2024, while the NPL ratio for SMEs remained broadly stable (Figures 31-32). At the same time, SMEs' debt burdens continue to rise, as indicated by an increasing share of SMEs with higher debt levels, as income growth slowed compared to the pre-COVID-19 period (Figure 33). In addition, liquidity conditions for SMEs tighten due to longer credit terms. This is reflected in a longer cash conversion cycle which measures the period from the initiation of production or service delivery to the receipt of payment (Figure 34).

Figure 31: SM of business loans in financial institution system

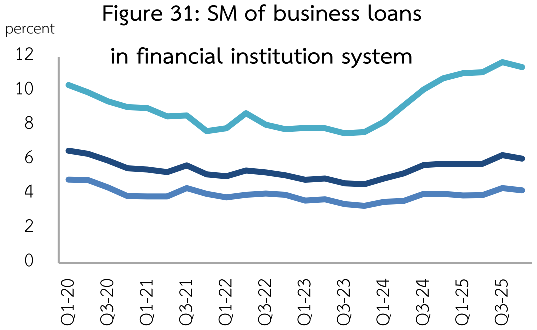
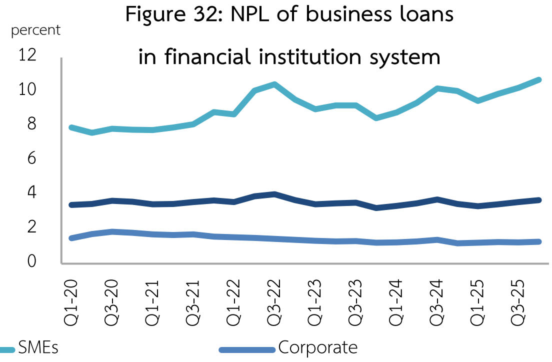


Figure 32: NPL of business loans in financial institution system

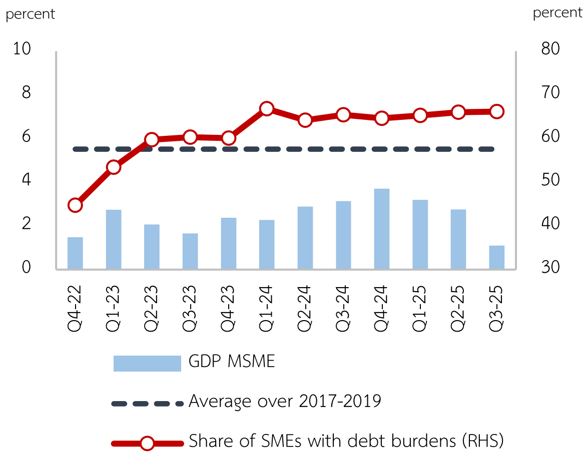


Note: (1) Financial institution system consists of commercial banks (including affiliated companies), SFIs, and NBRLs under the supervision of BOT.

(2) Business loan size classification: Business loans extended by commercial banks (bank-only) are classified based on the new definition (OSMEP × credit limit). For SFIs, the classification is based on the revenue and employment criteria defined by OSMEP. For NBRLs under the supervision of the BOT, all loans are classified as SME loans, including nano finance loans and regulated personal loans used for occupational purposes (excluding title loans).

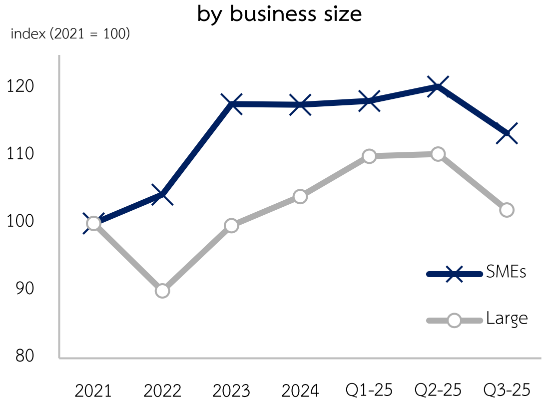
Source: BOT.

Figure 33: Real GDP growth of MSMEs and share of SMEs with debt burdens



Source: OSMEP.

Figure 34: Cash Conversion Cycle (CCC) by business size



Note: CCC = Days Inventory Outstanding + Days Sales Outstanding – Days Payables Outstanding.

CCC for large firms is calculated using data from companies listed on the SET, while CCC for SMEs is based on quarterly survey data.

Source: SET, OSMEP, CPFS, and LAR; calculations by the BOT.

2.3 Resilience of financial intermediaries in the system

The Thai financial institution system remains solvent and resilient across all types of financial institutions, including commercial banks, non-bank retail lenders (NBRLs), savings cooperatives (co-ops), insurance companies, and daily fixed income (DFI) funds.

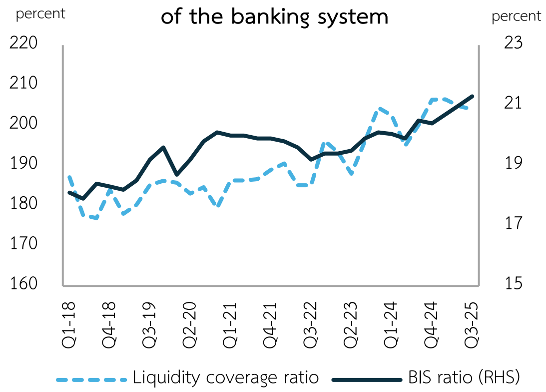
Thai commercial banks remain resilient, as reflected in strong capital and liquidity positions. In the third quarter of 2025, the capital adequacy ratio (BIS ratio) stood at 21.3 percent, increasing from the end of 2024 and remaining well above the regulatory minimum[1]. Meanwhile, the liquidity coverage ratio (LCR) was 204 percent, declining slightly from the end of 2024 but remaining higher than the minimum requirement[2] (Figure 35).

[1] The BIS ratio requirement is 12% for domestic systemically important banks (D-SIBs) and 11% for commercial banks that are not D-SIBs.

[2] The LCR requirement for commercial banks is 100%.

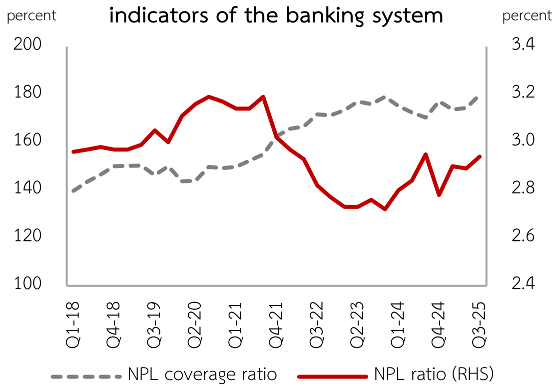
At the same time, the NPL ratio stood at 2.9 percent, rising slightly from the end of 2024, driven mainly by the deterioration in business loan quality. Nevertheless, as commercial banks have been able to effectively manage distressed debt through debt restructuring and NPL write-offs, the NPL ratio remained below the average level during the COVID-19 period of 3.1 percent[3]. In addition, the NPL coverage ratio remained high at 179.8 percent (Figure 36). Furthermore, **the results of the 2025 stress test indicate that all commercial banks possess sufficient capital buffers to absorb losses, as well as adequate liquidity and suitable liquidity contingency plans to withstand large-scale deposit withdrawals** under a severe economic contraction scenario, in which credit quality deteriorates sharply and investment values decline significantly.

Figure 35: Capital and liquidity indicators of the banking system



Note: Commercial bank data exclude affiliated companies.
Source: BOT.

Figure 36: Provisioning and asset quality indicators of the banking system



Note: (1) NPL coverage ratio is based on commercial bank data (excluding affiliated companies). (2) NPL Ratio data include affiliated companies.
Source: BOT.

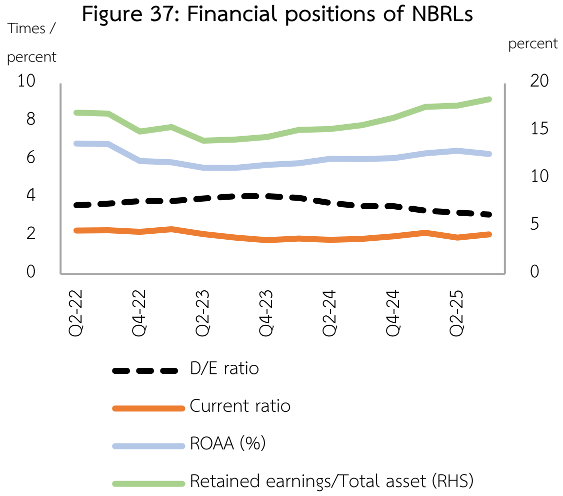
Regarding the commercial banks' operating performance in the first half of 2025, net profits increased year-over-year, driven by investment income. However, the pace of profit growth moderated as a result of higher provisioning expenses and a decline in net interest income. This is consistent with recent credit contraction, the reduction in the policy rate, and assistance provided to vulnerable borrowers under the “Khun Soo, Rao Chuay” program.

NBRLs remain financially sound, with retained earnings amounting to 18.3 percent of total assets at the end of the third quarter of 2025 (Figure 37). Loan loss provision also remains adequate (Figure 38). In addition, the D/E ratio continues to decline, reaching 3.1 percent at the end of the third quarter of 2025, in line with a slowdown in credit expansion.

[3] The average NPL ratio was calculated over the period from 2020Q1 to 2022Q2.

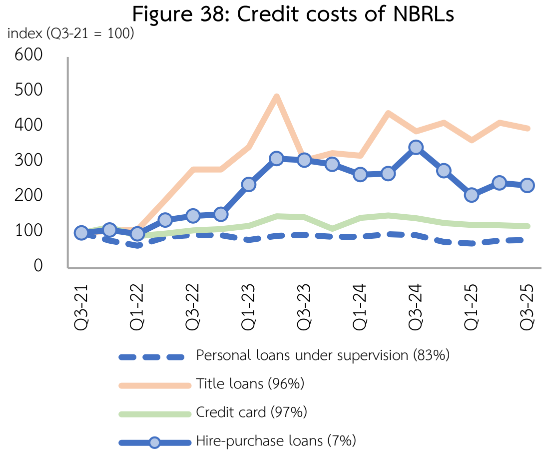
Profitability of NBRLs shows signs of slight improvement from the previous year, as reflected in an increase in the return on average assets (ROAA) to 6.3 percent. This improvement is supported by a reduction in asset size amid more cautious lending practices, leading to slower credit growth, as well as lower funding costs in line with the easing of the policy rate (Figure 39). However, amid tighter financial conditions in both the credit and corporate bond markets, some NBRLs with weaker financial positions continue to face refinancing risks, with approximately 50 percent of their funding coming from financial institutions and the corporate bond market (Figure 40).

Figure 37: Financial positions of NBRLs



Source: SETSMART and BOT, calculated as a weighted average based on total asset shares of 30 companies.

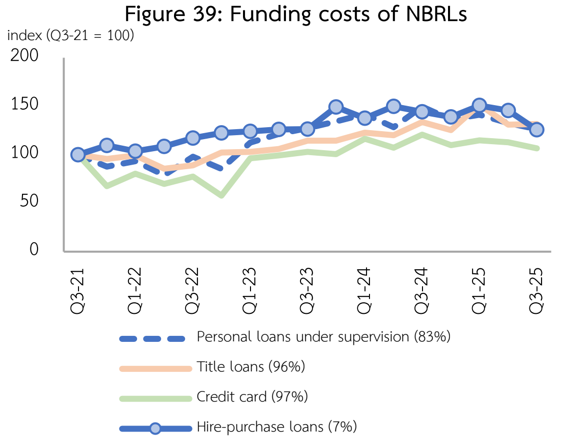
Figure 38: Credit costs of NBRLs



Note: Weighted averages are calculated based on loan shares of companies with the largest exposures in each portfolio. The calculation covers 20 personal loan companies under supervision, 19 title loan companies, 7 credit card companies, and 13 hire-purchase companies. Figures in parentheses indicate the share of loans relative to total loans in each portfolio.

Source: SETSMART and financial statements submitted to the BOT, calculated by the BOT.

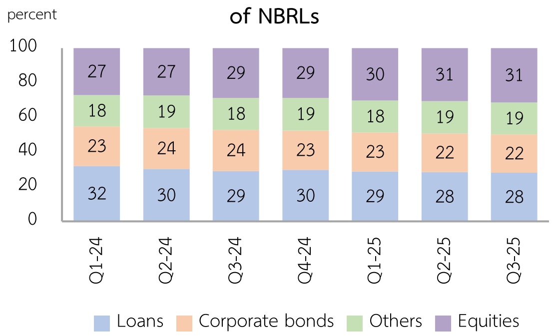
Figure 39: Funding costs of NBRLs



Note: Weighted averages are calculated based on loan shares of companies with the largest exposures in each portfolio. The calculation covers 20 personal loan companies under supervision, 19 title loan companies, 7 credit card companies, and 13 hire-purchase companies. Figures in parentheses indicate the share of loans relative to total loans in each portfolio.

Source: SETSMART and financial statements submitted to the BOT, calculated by the BOT.

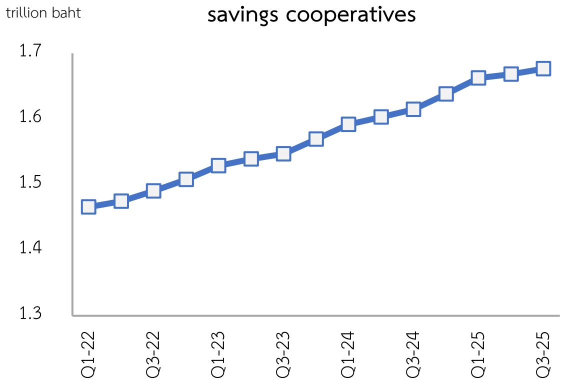
Figure 40: Proportion of funding sources of NBRLs



Source: BOT, calculated as a weighted average based on total asset shares of 30 companies.

Co-ops' financial position remains sound. In the third quarter of 2025, share capital and reserves amounted to 1.68 trillion baht, increasing from the end of 2024 (Figure 41). Outstanding loans continue to expand, while credit risk remains limited, as co-ops possess senior debtor rights and are able to deduct loan repayments directly from members' salaries. At the same time, investments in assets by co-ops continue to increase.

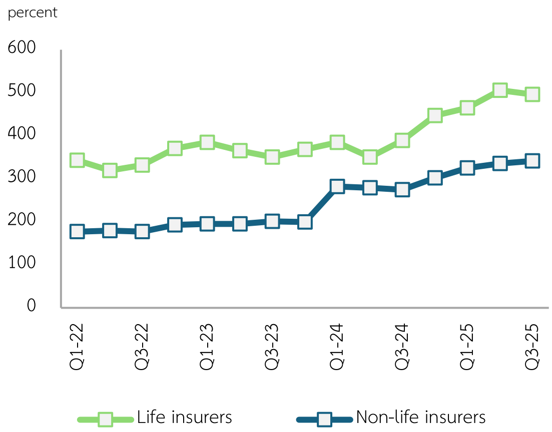
Figure 41: Share capital and reserves of savings cooperatives



Note: The data include savings cooperatives and the Federations of Savings and Credit Cooperatives.
Source: CPD, calculated by the BOT.

Insurance companies maintain strong financial positions and adequate liquidity. In the third quarter of 2025, the capital adequacy ratio (CAR) stood at 496.2 percent for life insurers and 341.5 percent for non-life insurers (Figure 42), well above the supervisory CAR requirement of 140 percent. During 2025, CARs of most life insurance companies increased, driven by a decline in government bond yields, particularly for long-term bonds, which raise the value of investment assets. This leads to a significant increase in total capital available (TCA). Meanwhile, non-life insurers are affected by weaker capital market conditions, which reduce the concentration of equity asset values, resulting in a decline in concentration risk charges and market risk charges.

Figure 42: Capital adequacy ratio (CAR) of the insurance industry

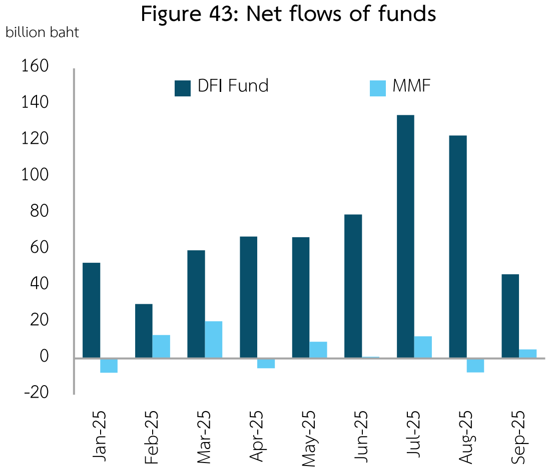


Source: OIC, calculated by the BOT.

Regarding the recent flood in the southern region, the Office of Insurance Commission (OIC) conducted a climate stress test to assess the impact of natural disasters on the capital adequacy and liquidity of the non-life insurance sector. The results indicate that non-life insurers are able to maintain CARs above the regulatory minimum and hold sufficient liquid assets. Nevertheless, the impact of insurance claim payouts to policyholders will need to be closely monitored going forward.

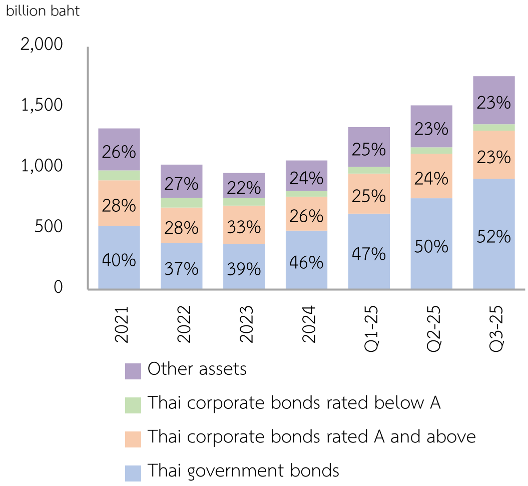
DFI funds continued to record net inflows during the first three quarters of 2025 (Figure 43), supported by investors' expectations that interest rates are entering a downward cycle. In addition, DFI funds maintain adequate liquidity to meet redemption needs, mainly through an rising investment in Thai government bonds, which are highly liquid assets (Figure 44).

Figure 43: Net flows of funds



Source: Morningstar.

Figure 44: Investment of DFI funds



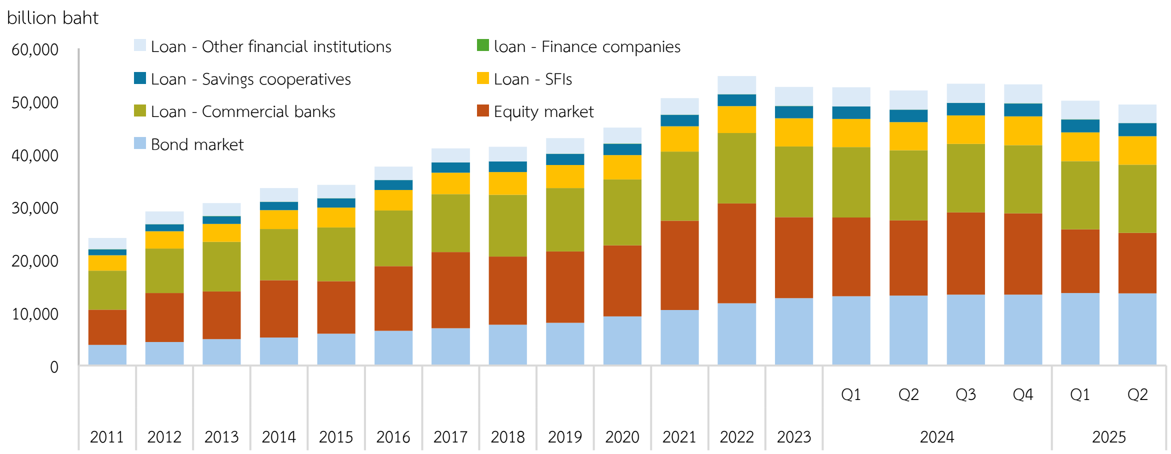
Source: SEC, calculated by the BOT.

Going forward, two key factors that may affect the stability of the financial institution system and other financial intermediaries and should be monitor closely are: (1) the impact of feedback loops between the real economy and the financial sector, due to financial conditions that may tighten further, as financial institutions become increasingly cautious in lending following the recent deterioration in credit quality. This could further constrain liquidity for businesses and households, thereby weighing on overall economic activities **and (2) investor confidence, which may become more sensitive,** as signs of investment concentration in certain asset classes have emerged. Should these assets be subject to selloffs, financial market volatility could increase, potentially further undermining investor confidence.

Annex: Thailand's financial system data

1. Structure of the Thai financial system

1.1 The Thai financial system: Sources of funding



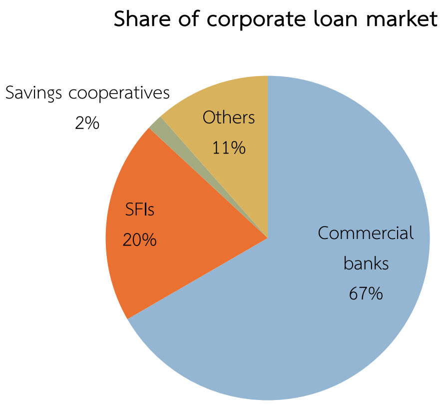
Note: 1. Loan to households, non-profit financial organizations, and public non-financial corporations.
2. SET and MAI market capitalizations excluding financial issuers and non-resident.
3. Par value of bonds issued in Thailand excluding financial issuers and non-resident.

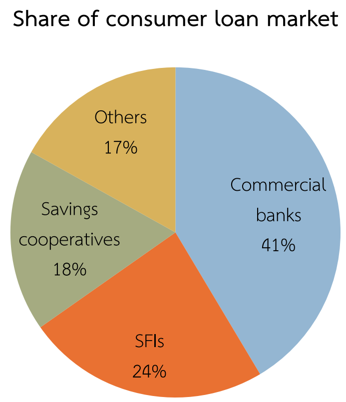
1.2 Financial institution system: Number and asset size of major financial institutions

Type of financial institutions	2025 Q2[P]	
	Number	Proportion of asset size (%)
Depository corporations		
Commercial banks	28	45.3
Specialized financial institutions (SFIs)	6	16.2
Savings cooperatives[1/]	1,381	6.8
Finance companies	4	0.04
Money market mutual funds (MMFs)	53	0.7
Other financial corporations		
Mutual funds (excluding MMFs)	2,260	9.4
Insurance companies	70	8.9
Leasing companies	822	1.9
Credit card, personal loan, and nano finance companies under supervision[2/3/]	132	3.1
Provident funds	343	2.7
Government pension fund	1	2.6
Asset management companies	87	0.8
Securities companies	49	0.8
Other non-depository financial institutions[4/]	846	0.5

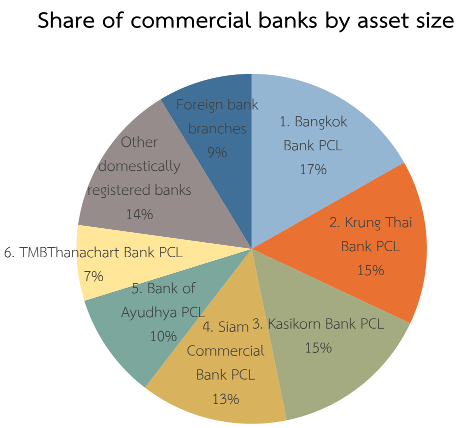
Note: [P] Preliminary data.
[1/] Savings cooperative data does not include credit unions cooperatives.
[2/ 3/] Credit cards and personal loans under supervision include only financial institutions that operate with licenses issued by the BOT and satisfy the definition of financial institutions according to the International Monetary Fund (IMF) Monetary and Financial Statistics Manual (2000).
[3/] There were 54 nano-finance operators as of 2025Q2.
[4/] Consists of the Thai Credit Guarantee Corporation (TCG) and pawnshops.

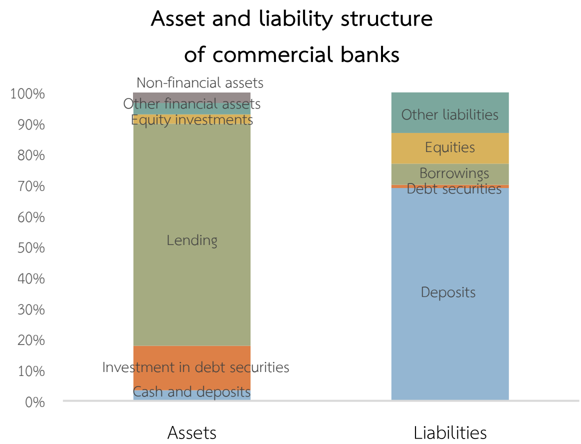
1.3 Loan: Corporate and consumer loans (as of 2025Q2)



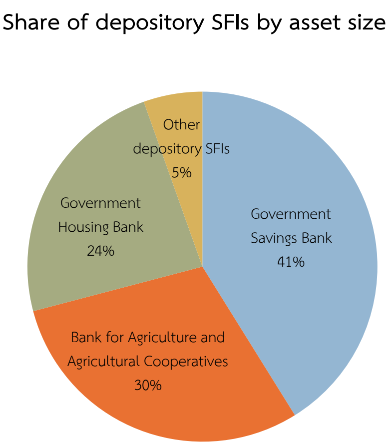


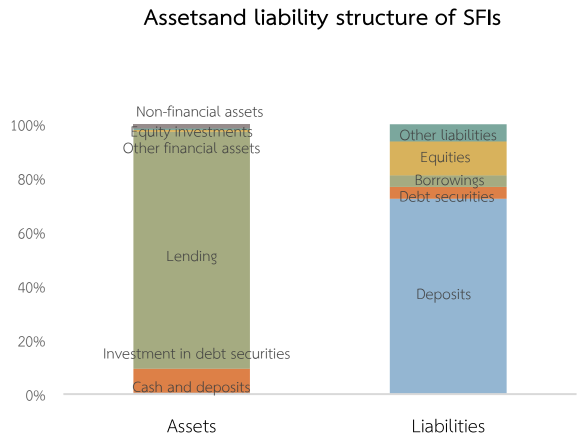
1.4 Structure of the commercial banking system (as of 2025Q2)





1.5 Structure of deposit-taking specialized financial institutions (as of 2025Q2)





2. Financial condition and financial stability risk indicators

Financial condition and financial stability risk indicators

Indicators	2022	2023	2024	2024				2025	
				Q1	Q2	Q3	Q4	Q1	Q2
Overall financial system									
Nominal GDP (million baht)[1/]	17,377,997	17,954,668	18,582,671	18,053,830	18,238,398	18,398,114	18,582,671	18,722,307	18,779,866
Funding structure									
Private sector loans to GDP (times)[2/]	1.8	1.8	1.7	1.8	1.8	1.7	1.7	1.7	1.7
Stock market capitalization to GDP (times)	1.2	1.0	0.9	0.9	0.9	1.0	0.9	0.8	0.7
Bond market capitalization to GDP (times)	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
1. Financial institutions									
Commercial banks[3/]									
Total assets (billion baht)	23,574	23,906	24,139	24,273	24,035	24,067	24,139	24,264	24,378
% YoY	3.9	1.4	1.0	2.8	1.4	0.0	1.0	0.0	1.4
Deposits (excluding interbank) (billion baht)	16,770	16,913	17,291	17,151	17,104	16,934	17,291	17,386	17,259
% YoY	4.5	0.9	2.2	1.3	2.3	1.2	2.2	1.4	0.9
Loans (excluding interbank) (billion baht)	15,430	15,380	15,288	15,446	15,339	15,113	15,288	15,222	15,190
% YoY	2.1	-0.3	-0.6	0.7	-0.3	-2.3	-0.6	-1.4	-1.0
Business loans (billion baht)	10,075	9,901	9,931	10,013	9,929	9,744	9,931	9,924	9,903
% YoY	2.3	-1.7	0.3	0.4	-0.5	-2.8	0.3	-0.9	-0.3
- Credit line up to 500 million baht (excl. financial companies)[4/]	-2.1	-6.0	-5.1	-5.6	-5.6	-5.9	-5.1	-6.0	-6.2
- Credit line more than 500 million baht (excl. financial companies)[4/]	5.3	0.6	3.2	3.7	2.2	-0.9	3.2	1.6	2.7
Consumer loans (billion baht)	5,356	5,479	5,357	5,433	5,410	5,369	5,357	5,298	5,287
% YoY	1.7	2.3	-2.2	1.1	0.0	-1.3	-2.2	-2.5	-2.3
- Mortgage loans	3.1	1.3	0.3	1.0	0.8	0.4	0.3	0.2	0.1
- Hire-purchase loans	0.3	-0.4	-11.4	-3.0	-6.2	-9.1	-11.4	-11.6	-10.9
- Credit card	-14.2	2.6	-3.9	0.2	-2.4	-4.7	-3.9	-3.4	-1.5
- Personal loans	3.7	7.0	0.9	5.4	4.3	2.9	0.9	0.1	0.1
Liquidity									
Loans to deposits (%)	92.0	91.0	88.5	90.1	89.7	89.3	88.5	87.6	88.0
Loans to deposits and B/E (%)	92.0	91.0	88.4	90.1	89.7	89.3	88.4	87.5	88.0
Asset quality									
NPL Ratio (%)[5/]	2.73	2.66	2.73	2.75	2.78	2.91	2.73	2.84	2.86
SM Ratio (%)[5/]	6.23	5.88	6.75	6.14	6.25	6.61	6.75	6.75	6.82
Provisions for loans/NPL (%)[5/]	171.2	179.0	177.2	175.1	172.4	170.3	177.2	173.6	174.4
Profitability									
Operating profit (billion baht)	474	503	528	129	140	134	125	128	138
Net profit (billion baht)	238	251	282	68	76	71	67	70	77
Return on assets (%)	1.0	1.1	1.2	1.1	1.3	1.2	1.1	1.2	1.3
Net Interest Margin (%)	2.6	3.0	3.0	3.0	3.0	3.0	3.0	2.8	2.7
Capital adequacy									
Regulatory capital to risk-weighted assets (%)	19.4	20.1	20.4	20.1	19.9	20.4	20.4	20.7	21.0
Tier 1 Ratio (%)	16.6	17.3	18.0	18.0	17.4	18.0	18.0	18.1	18.4
Common Equity Tier 1 (%)	16.1	16.8	17.5	17.4	16.8	17.5	17.4	17.5	17.8
Interest rates[6/]									
Weighted average minimum loan rate (MLR) (%)	3.5	4.6	4.4	4.5	4.6	4.5	4.4	4.2	4.1
12-month fixed deposit rate (%)	1.0	1.7	1.5	1.7	1.7	1.7	1.5	1.5	1.3

Note: [1/] Nominal GDP (or GDP at current prices) data has been revised from 2012 onward. Quarterly data is calculated from four-quarter moving sum of nominal GDP.

[2/] Loans to the private sector include loans granted to households, non-profit financial institutions and non-financial corporations.

[3/] Commercial bank data excludes affiliated companies.

[4/] Corporates' credit lines with each commercial bank.

[5/] Since 2020Q1, NPL means Stage 3 loans and SM means Stage 2 loans with a significant increase in credit risk, which has a greater coverage compared to SM classifications prior to TFRS9.

[6/] Interest rates for retail customers, based on rates from 6 commercial banks (Bangkok Bank, Krung Thai Bank, Siam Commercial Bank, Kasikorn Bank, Bank of Ayudhya, and TMBThanachart Bank).

Financial condition and financial stability risk indicators (continued)

Indicators	2022	2023	2024	2024				2025	
				Q1	Q2	Q3	Q4	Q1	Q2
2. Financial markets									
Government bond market									
Bond spread (10 years - 2 years) (%)[7/]	1.0	0.4	0.3	0.4	0.3	0.3	0.3	0.3	0.2
Non-Resident holdings (%)[8/]	9.8	8.2	7.1	7.5	7.4	7.7	7.1	6.9	7.2
Stock markets (SET and mai)									
SET Index (end of period)	1668.7	1415.9	1400.2	1377.9	1301.0	1448.8	1400.2	1158.1	1089.6
SET Actual volatility (%)	11.0	11.8	11.3	10.0	10.5	12.7	11.3	17.1	22.6
SET Price to Earnings Ratio (times)	18.2	18.4	19.3	18.1	17.1	18.0	19.3	15.8	14.8
mai Index (end of period)	584.2	411.6	311.8	411.7	355.5	354.4	311.8	243.2	230.6
mai Actual volatility (%)	21.2	18.1	11.3	10.0	10.5	12.7	11.3	18.1	23.6
mai Price to Earnings Ratio (times)	54.5	109.2	41.8	109.4	41.0	38.0	41.8	37.5	60.0
Foreign exchange market									
Exchange rates (end of period) (USD/THB)	34.6	34.1	34.1	36.4	36.7	32.2	34.1	33.9	32.5
Actual volatility (%annualized)	8.7	9.1	8.2	8.6	6.4	7.9	9.8	7.9	9.2
Nominal effective exchange rate (NEER) (2012 = 100)	115.5	119.8	121.1	118.8	117.2	121.8	126.2	127.6	127.2
Real effective exchange rate (REER) (2012 = 100)	103.3	104.3	102.8	100.9	100.0	103.6	106.7	106.8	105.5
3. External sector									
Current account to GDP[9/] (%)	-3.4	1.7	2.2	3.2	-0.1	1.8	3.6	8.0	0.7
External debt to GDP[10/] (%)	42.1	39.0	35.8	37.7	37.8	38.5	35.8	35.8	35.5
Foreign currency external debt to GDP (%)	27.7	25.8	24.3	25.0	24.9	25.5	24.3	24.2	24.1
External debt (million USD)	201,426	196,547	195,433	190,883	187,687	203,851	195,433	197,275	201,189
Short-term (%)	40.3	41.3	44.3	42.5	43.7	44.2	44.3	43.3	42.1
Long-term (%)	59.7	58.7	55.7	57.5	56.3	55.8	55.7	56.7	57.9
International reserves									
Net reserves (million USD)	245,813	254,589	262,186	252,913	252,644	269,032	262,186	270,184	290,341
Gross reserves to short-term external debt (times)	2.2	2.4	2.4	2.4	2.4	2.4	2.4	2.5	2.7
Capital flows									
Net capital flow (million USD)	7,328	-13,174	-7,308	-5,578	-549	2,762	-3,944	-10,224	85
Direct investment (million USD)									
Thailand direct investment abroad	-7,640	-13,683	-7,355	-945	-1,845	-2,893	-1,673	-1,599	-4,454
Foreign direct investment in Thailand	11,855	10,328	14,302	4,061	2,848	2,168	5,225	3,338	6,844
Portfolio investment (million USD)									
Thailand portfolio investment abroad	-2,430	-3,741	-17,439	-7,295	-583	-4,732	-4,828	-9,527	-4,321
Foreign portfolio investment in Thailand	8,210	-10,390	-2,664	2,234	-2,235	2,766	-5,428	-710	-2,529
4. Households									
Household debt to GDP (%)	91.6	91.3	88.4	90.7	89.7	88.9	88.4	87.1	86.8
Household debt growth YoY (%)	3.9	3.0	0.2	2.4	1.6	0.8	0.2	-0.3	-0.3
Financial assets to debt (times)	2.7	2.6	2.7	2.7	2.7	2.7	2.7	2.6	2.7
Proportion of consumer loans more than 30 DPD of commercial banks (NPL and SM ratio) (%)[5/] :									
- Mortgage loans	7.54	8.33	10.00	8.63	8.98	9.43	10.00	10.26	10.11
- Hire-purchase loans	15.54	16.42	17.71	16.63	17.35	17.99	17.71	17.94	17.59
- Credit card	7.70	7.79	8.42	9.38	10.42	9.77	8.42	8.91	8.23
- Personal loans	7.1	7.2	8.3	7.3	7.7	8.0	8.3	8.4	8.2

Note: [7/] Calculated using the interpolated yield curve from ThaiBMA.

[8/] Non-resident holding data includes government bonds, BOT bonds, and state-owned enterprises' bonds for which the BOT serves as a registrar.

[9/] Current account to GDP is calculated using quarterly nominal GDP of the same period.

[10/] External debt to GDP is calculated as the ratio of external debt to four-quarter moving sum of nominal GDP.

Financial condition and financial stability risk indicators (continued)

Indicators	2022	2023	2024	2024				2025	
				Q1	Q2	Q3	Q4	Q1	Q2
5. Corporates									
Corporate debt to GDP (%)	87.5	86.5	81.8	87.2	86.4	82.3	81.8	81.6	81.3
Proportion of business loans more than 30 DPD of commercial banks (NPL and SM ratio) (%)[5/] :									
- Credit line up to 500 million baht[4/]	17.46	17.50	19.81	18.15	18.23	19.10	19.81	20.68	20.80
- Credit line more than 500 million baht[4/]	5.28	4.47	5.10	4.75	4.85	5.26	5.10	5.00	5.41
Performance of non-financial listed companies									
Operating profit margin (%)	7.8	7.2	7.3	7.9	7.8	6.9	6.8	7.7	6.4
Debt to equity ratio (times)	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Interest coverage ratio (times)	6.5	4.8	4.5	5.3	4.7	4.0	4.2	5.5	4.3
Current ratio (times)	1.8	1.8	1.7	1.7	1.7	1.8	1.7	1.7	1.7
6. Real estate sector									
Number of mortgages approved by commercial banks (Bangkok and vicinity)									
Single- and semi-detatched houses (unit)	18,559	15,393	13,487	3,156	3,566	3,411	3,354	2,468	3,352
Townhouses and commercial buildings (unit)	19,745	16,062	12,685	3,158	3,337	3,209	2,981	2,391	2,923
Condominiums (unit)	25,415	20,630	20,280	4,365	5,120	5,590	5,205	3,373	3,548
Number of new housing units for sale (Bangkok and vicinity)									
Single- and semi-detatched houses (unit)	24,748	30,929	20,940	6,617	5,313	3,427	5,583	2,151	2,622
Townhouses and commercial buildings (unit)	28,525	21,577	12,582	4,071	3,800	3,157	1,554	1,562	1,032
Condominiums (unit)	53,778	49,030	27,931	5,877	7,893	2,534	11,627	6,173	1,220
House price index (Bangkok and vicinity) (2011 = 100)									
Single-detatched houses (including land)	138.0	141.7	142.5	141.3	141.0	143.4	144.4	144.3	143.0
Townhouses (including land)	163.7	167.8	170.8	166.9	168.0	173.4	174.8	176.0	176.3
Condominiums	184.0	191.3	197.9	196.1	193.9	200.1	201.3	200.5	197.3
7. Fiscal sector									
Public debt to GDP (%)	60.9	61.7	63.8	63.6	63.3	63.2	63.8	64.5	64.3

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