Bank Sector – Neutral

News update

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Phase 2 still unlikely to move the needle

- **Extensions and expansions of relief programs**
- **Some lending constraints, unlikely to get full take-up**
- **Positive to balance sheet protection, not loans growth**
- **We still prefer KTB and SCB**

The Ministry of Finance, NESDC, and the Bank of Thailand (BoT), in collaboration with commercial banks and selected non-bank lenders, have extended and expanded the **"Khun Sue Rao Chuai" (You Fight, We Help)** Phase 2 debt relief program.

- As of June 30, 2025, over 1.4 million borrowers had registered, covering 1.9 million loan accounts. Of these, approximately 630,000 borrowers (32%) were found eligible, representing Bt460bn in qualified debt—about 52% of the total Bt890bn eligible pool. With continued economic uncertainty, the authorities extended the registration period beyond the original June 30 deadline to 30 September 2025 and introduced expanded relief measures.

- Phase 2 continues to target vulnerable borrowers across the same segments as Phase 1—mortgages, auto hire-purchase, SME loans, and unsecured credit—with debt originated before January 1, 2024 and qualified based on delinquency status as of October 31, 2024. As with Phase 1, eligible borrowers must be listed in the National Credit Bureau (NCB) and are restricted from new consumer loan borrowing for 12 months.

- The three updated relief measures are:

  1) **"Pay Regularly, Keep Assets"** now includes borrowers more than 365 days past due, and those with as little as 1 day overdue who had previously undergone debt restructuring since January 1, 2022. The repayment structure remains unchanged—borrowers pay 50%, 70%, and 90% of the regular monthly principal over three years, with interest fully suspended if terms are met.

  2) **"Pay to Close"** increases debt limits for NPL settlements: up to Bt10,000 for unsecured loans and up to Bt30,000 for secured loans where collateral has already been seized.

  3) **"Pay to Cut Principal"** (a new option) allows unsecured NPL borrowers with debts under Bt50,000 to pay 2% of the principal monthly for three years, with all interest suspended if they stay compliant.

- BoT estimates that Phase 2 will expand coverage to an additional 1.8 million borrowers, 2.0 million accounts, and Bt310bn in debt. Combined with Phase 1, the program would cover 3.7 million borrowers, 4.1 million accounts, and a total of Bt1.2tn in eligible debt (6% of total commercial banks and SFIs loans).

- Of the Bt890bn in eligible loans under Phase 1, commercial banks accounted for Bt400bn, or 45%. According to the BoT, Phase 1 participation was evenly split between commercial banks and SFIs, with mortgage borrowers showing higher uptake than auto loan borrowers.

- While BoT has not disclosed the Phase 2 breakdown between commercial banks and SFIs, the additional eligible borrowers across the three plans are estimated at 830,000 for Plan 1, 360,000 for Plan 2, and 620,000 for Plan 3.

Our View:

- One of the main reasons for the low take-up in Phase 1 was the restriction on new loan origination, which remains in Phase 2. This constraint is particularly challenging for borrowers who rely on revolving credit lines, and as such, we don't expect a meaningful increase in participation under Phase 2.
- That said, even assuming full participation, the foregone interest income (post-FIDF rebate) is estimated at around Bt37bn annually, making the impact manageable at a system-wide level.
- Importantly, the program has allowed banks to pre-empt NPL formation and clean up legacy problem loans with some FIDF support. Any yield pressure from these measures has been partly offset by FIDF fee rebates and lower credit costs. Meanwhile, the delay in repossession activity has reduced the supply of used cars, supporting a recovery in second-hand vehicle prices.
- While the program has helped mitigate rising balance sheet risks amid a deteriorating macro backdrop, we continue to view it as a defensive tool rather than a catalyst for new loan growth.
- Based on Phase 1 participation trends, TTB, KKP, TISCO, and SCB saw higher borrower engagement, while KBANK, KTB, and BBL had lower participation rates.

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