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Deleveraging Asia

Preparing for the Next Wave

Q2-2023

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Deleveraging Asia

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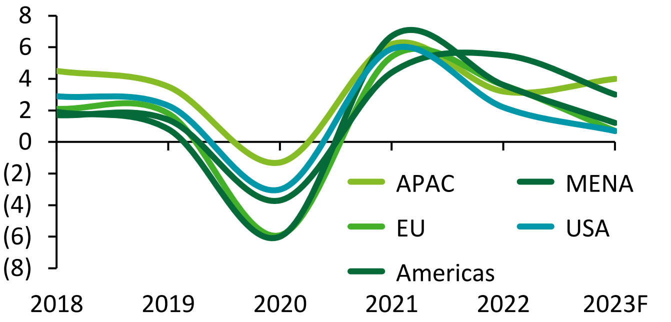
Global Banking Market Update

Extensive monetary and fiscal measures enabled banks to rebound from the pandemic with robust revenue growth from higher margins, lower than expected credit losses and higher capital ratios. However, more recently, increasing risk and uncertainty has led to multiple industry interventions to ensure systemic stability.

Global Macro-Economic Outlook

The post-pandemic economic resurgence in 2021 was tempered in 2022. Global GDP growth is expected to be subdued in 2023 at ~3% (compared to ~6% in 2021). Growth will be uneven and high inflation, energy market volatility, tightening monetary policies and geopolitical tensions are causing uncertainty. Higher interest rates offer opportunities for higher bank profit margins but at the same time impact asset quality and raise borrower default risk.

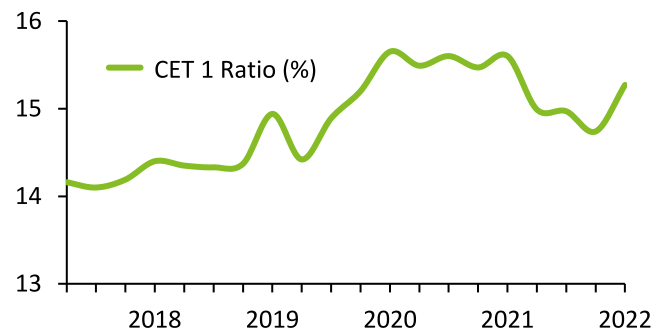
GDP Growth (%)



Regulatory Outlook

Bank capital ratios have significantly increased since the GFC with average Tier 1 capital ratios of ~15% in 2022, in contrast with less than 10% in 2007. Despite the capital buffers, banking stability has been impacted by confidence issues, runs on certain banks, unrealised losses and misaligned liquidity profiles as evidenced in recent interventions in the US and Europe. Bank regulators may respond by implementing stricter regulations and oversight, which may impact bank profitability.

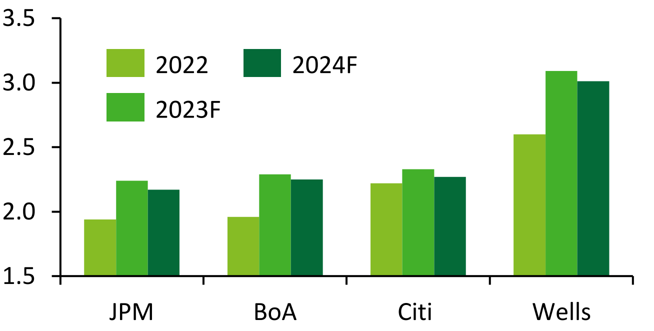
ECB CET 1 Ratios (%)



Bank Profitability and Asset Quality

Generally, bank profitability is improving: largely driven by net interest income. Banks have focused on repricing loans. This may be temporary as liabilities are also expected to be repriced. Some borrowers do not have experience operating in a high interest rate environment which has the potential to lead to higher delinquencies, particularly as government stimulus measures are unwound.

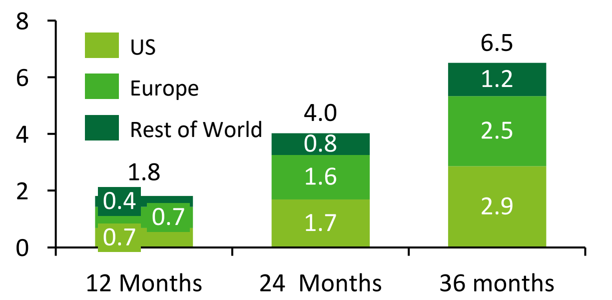
Net Interest Margin (NIM) %



Portfolio Markets Outlook

Secondary market portfolio activity was subdued in 2021 and 2022 with many banks reporting contracting non-performing loan ("NPL") ratios. Activity is expected to gain momentum as the impact of the risks outlined above become more visible. In Q2, we are seeing an increase in NPL trading in Asia in 2023 in single exposures and portfolios, in a prudential effort to resolve legacy issues ahead of a potential next wave of stress.

Refinancing Wall – Debt Maturing (USD'tr)

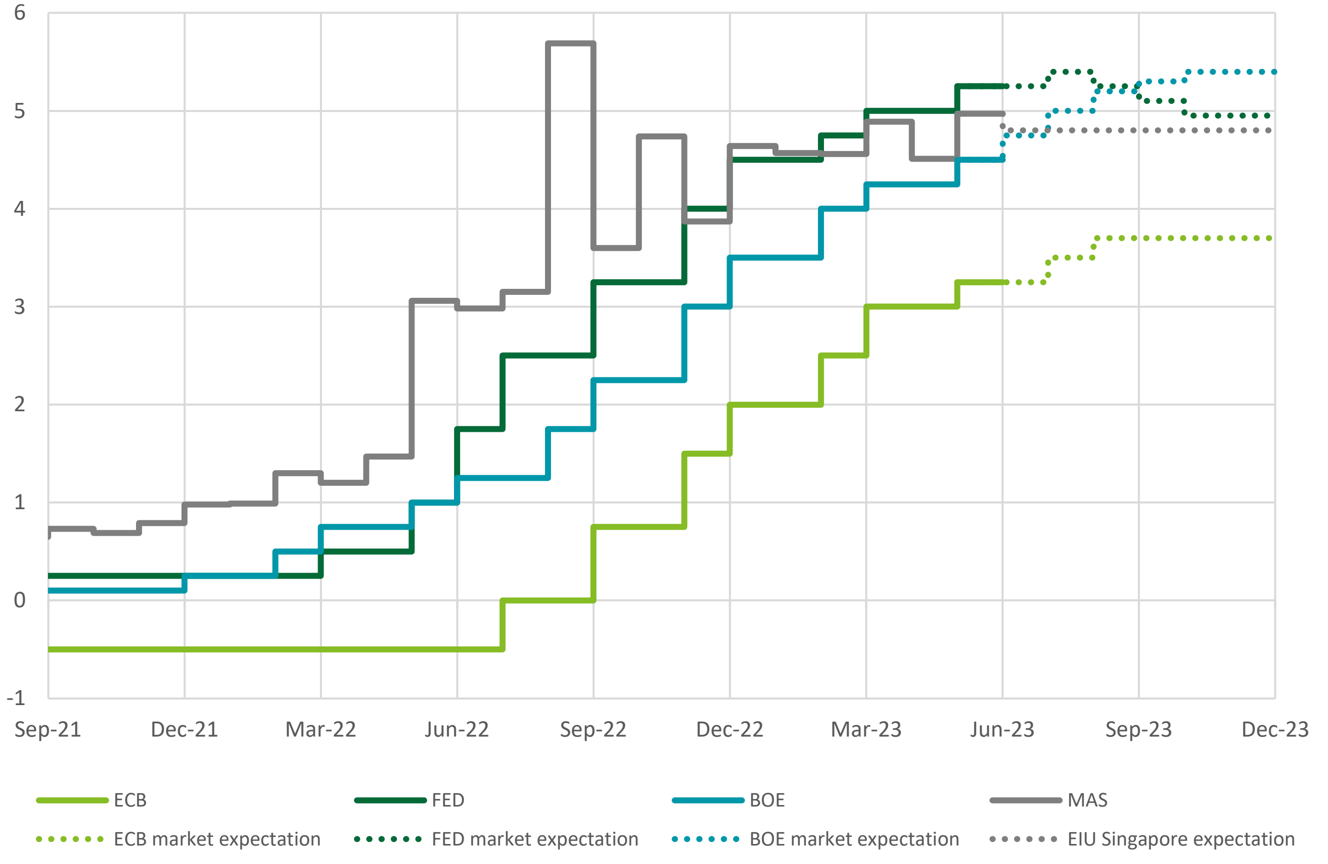


Sources: Economist Intelligence Unit ("EIU"), European Central Bank ("ECB"), S&P Global

Global Banking Market Update | Interest Rates

The outlook for interest rates has changed markedly since the beginning of the year in the face of high inflation across the globe, with central banks in many leading economies increasing rates on successive occasions. The market expectations for future interest rate changes have remained volatile – while rates in the US may be close to their peak, in the EU and UK the market is pricing in further increases to help tame inflation.

Interest Rate Decision History and Market Expectations



European and US Interest Rates

The US Federal Reserve increased the Fed Funds target rate by 25bps to 5-5.25% in May, and at time of writing the market is pricing that this most likely stays constant until November, when probabilities of a reduction increase.

The ECB deposit facility rate increased its benchmark deposit rate by 25bps to 3.25% on 4 May 2023, the seventh consecutive rise since mid-2022, with markets currently pricing further increases later in 2023 (with c.50% probability of rates reaching 3.75%).

The Bank of England (BOE) base rate increased 25bps to 4.50% on 11 May 2023, with markets currently pricing a ~97% probability (at the time of writing) of a further 25bps hike in June with further likely increases in the Summer/ Autumn potentially reaching over 5.25% by December.

Asia Proxy

We have adopted the Monetary Authority of Singapore ("MAS") policy rate as a proxy comparator between global rates and rates in Asia.

Further details on interest rates in Asia, on a country by country basis, are set out on page 8.

Sources: US Federal Reserve, European Central Bank, Bank of England; Monetary Authority of Singapore, EIU

Asia Banking Market Update | Key Themes

The increasing uncertainty and potential for increasing stress in global markets is prompting lenders to adopt a proactive approach to portfolio management and balance sheet optimisation.

Key Themes

Positive macroeconomic outlook The wider Asia Pacific region is expected to outperform on macro indicators in the medium term due to forces including advantageous demographic profiles and a global shift toward supply chain diversity.

Rising interest rates and inflation Higher interest rates have had a positive effect on net interest margins ("NIM"), however, inflationary pressures may impact borrowing costs and credit quality, potentially leading to increased provisioning and NPL ratios.

Write-backs Some banks have benefited from writing back conservative and prudent provisions that were made during the pandemic.

China real estate sector High indebtedness in its real estate sector, and concerns about domestic demand have raised concerns about whether the re-opening is still capable of powering regional growth.

Transition out of the pandemic Expiring pandemic measures such as Government stimulus, moratoria etc. may lead to increased credit risk, impacting asset quality and the overall profitability of banks.

Geopolitical tensions Geopolitical risks such as the war in Ukraine and tensions over Taiwan can disrupt trade flows, impact investor sentiment, and lead to uncertainties in the economic outlook for the region.

Basel 3.1 The implementation of Basel 3.1, which aims to strengthen the capital adequacy and liquidity requirements, may impact bank operations and profitability.

Banking sector volatility The recent bank runs, such as the ones witnessed at regional US banks and European headquartered international banks (some with lending and trading businesses in Asia) have raised concerns globally about potential unrealised liquidity risks in the banking system.

Legislative evolution and digital banks Regulatory considerations, such as licensing requirements and capital adequacy, may impact the operations and growth prospects of digital banks. Most countries in Asia are still developing / refining their regulatory frameworks around digital banks.

Fin-tech Due to a significant portion of the population lacking access to traditional banking services, the region has become a fertile ground for the rise of digital-first business models. Their increasing presence is posing challenges to traditional banks, resulting in potential loss of market share.

Private credit Private credit lending is witnessing a significant increase in investment and market share, often with greater risk tolerances and structuring flexibility.

ESG Increasing focus on environmental and climate change impacts in financing.

Impacts

Higher NIM

Incentive to dispose capital-consuming loan positions with low profitability

Write-backs of conservative provisioning during pandemic

Potential for increasing provisions for banks with high exposure to inflation-sensitive sectors

Higher capital requirement, lower ROE

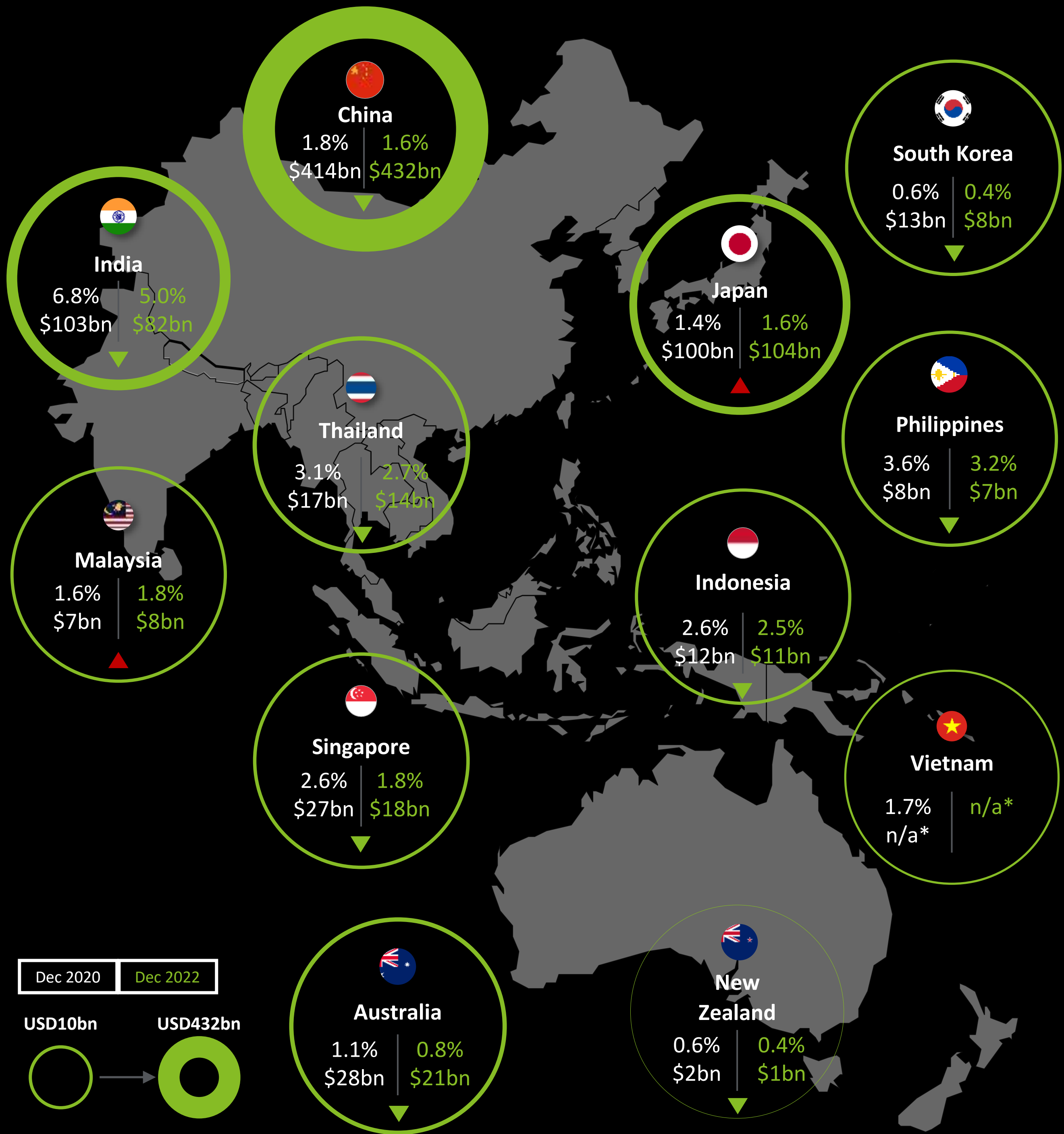
Rising stress and deteriorating credit quality may result in higher NPL ratios

Potential loss of market share in certain asset classes

Asia Banking Market Update | NPL Landscape

Conservative reported estimate of USD707b of NPLs held by banks across APAC as at end-2022. NPL levels are expected to rise in the medium term due to a combination of factors including interest rate rises, winding back of government stimulus and the inability of certain borrowers to refinance due to evolving bank risk tolerances.

Asia Pacific Non-Performing Loan Stock (Bank reported as at 31 December 2022)



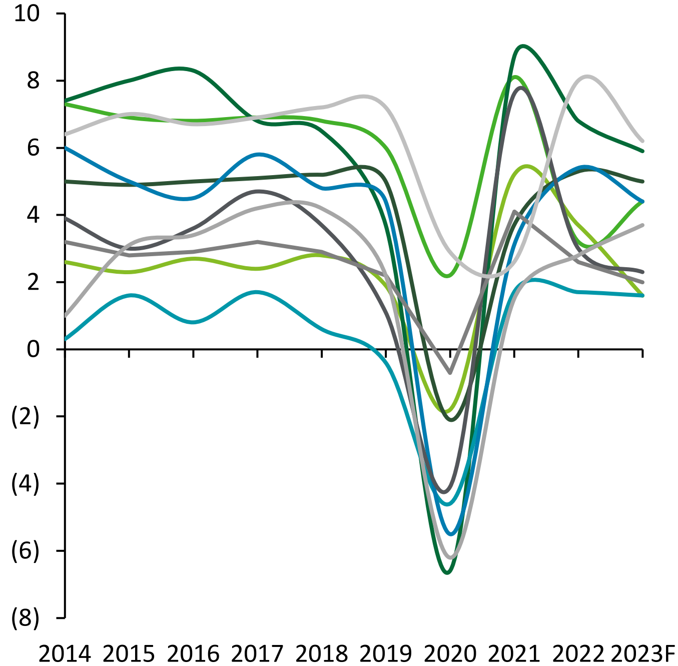
Sources: Latest statistics published by central banks as at 31 December

** Data not available*

Asia Macro-economic Update

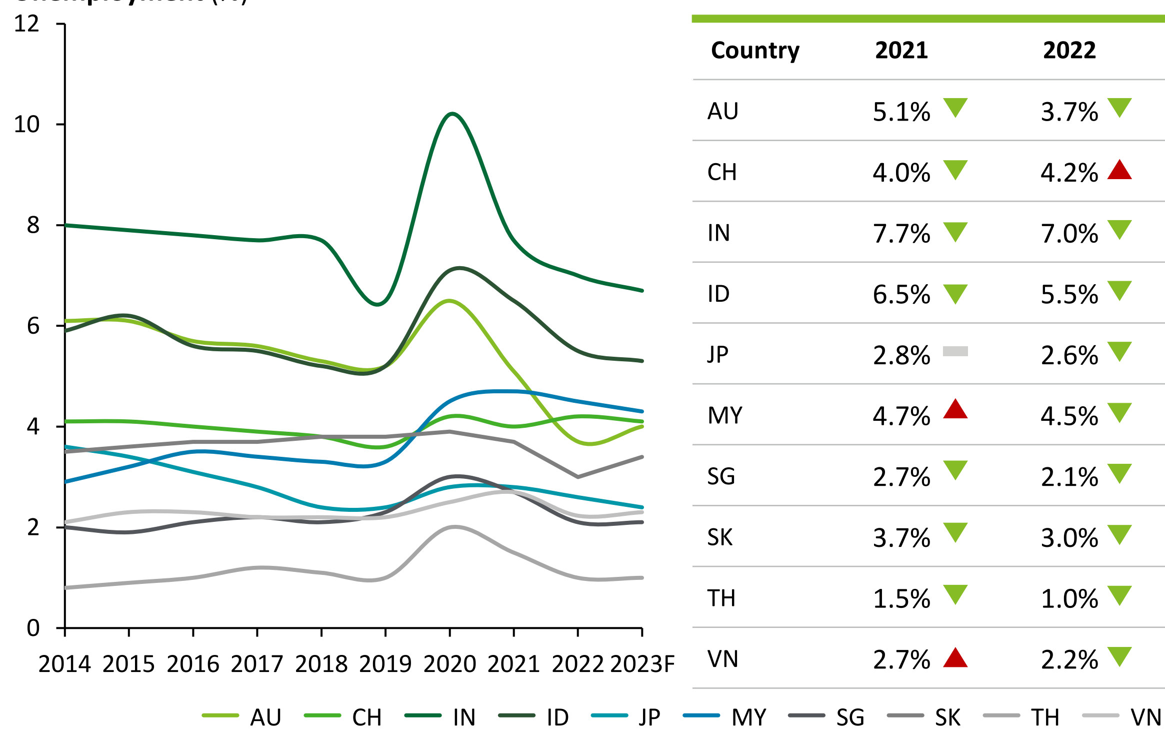
Economies across the Asia Pacific rebounded strongly in 2021 and employment remains strong however growth is projected to slow in 2023. Risks such as historically high inflation, rising interest rates, the potential for recession in some markets, and elevated geopolitical tensions all have the potential to drag on or reverse the growth trajectory.

GDP Growth (%)



Country	2021	2022	2023F
AU	5.2% ▲	3.7% ▼	1.6% ▼
CH	8.1% ▲	3.2% ▼	4.4% ▲
IN	8.7% ▲	6.8% ▼	5.9% ▼
ID	3.7% ▲	5.3% ▲	5.0% ▼
JP	1.7% ▲	1.7% ▬	1.6% ▼
MY	3.1% ▲	5.4% ▲	4.4% ▼
SG	7.6% ▲	3.0% ▼	2.3% ▼
SK	4.1% ▲	2.6% ▼	2.0% ▼
TH	1.5% ▲	2.8% ▲	3.7% ▲
VN	2.6% ▼	8.0% ▲	6.2% ▼

Unemployment (%)



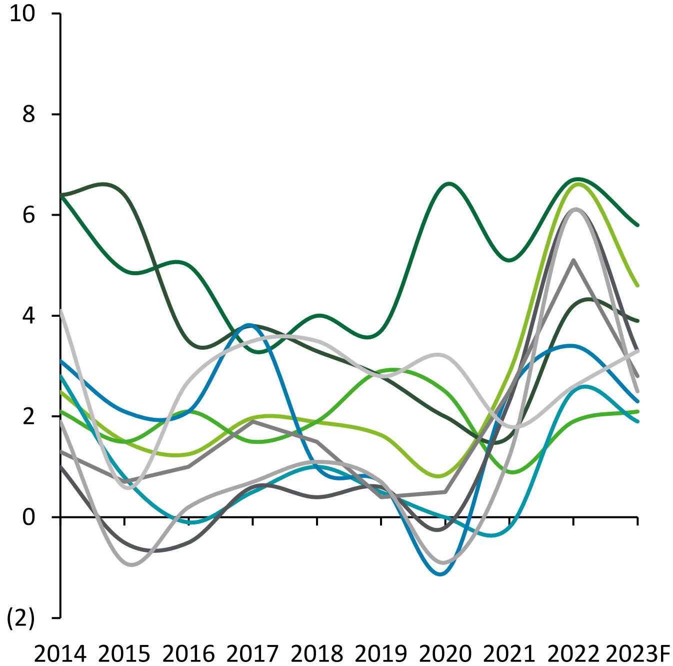
Country	2021	2022	2023F
AU	5.1% ▼	3.7% ▼	4.0% ▲
CH	4.0% ▼	4.2% ▲	4.1% ▼
IN	7.7% ▼	7.0% ▼	6.7% ▼
ID	6.5% ▼	5.5% ▼	5.3% ▼
JP	2.8% ▬	2.6% ▼	2.4% ▼
MY	4.7% ▲	4.5% ▼	4.3% ▼
SG	2.7% ▼	2.1% ▼	2.1% ▬
SK	3.7% ▼	3.0% ▼	3.4% ▲
TH	1.5% ▼	1.0% ▼	1.0% ▬
VN	2.7% ▲	2.2% ▼	2.3% ▲

Sources: Economist Intelligence Unit ("EIU"), Central Banks (various)

Asia Macro-economic Update

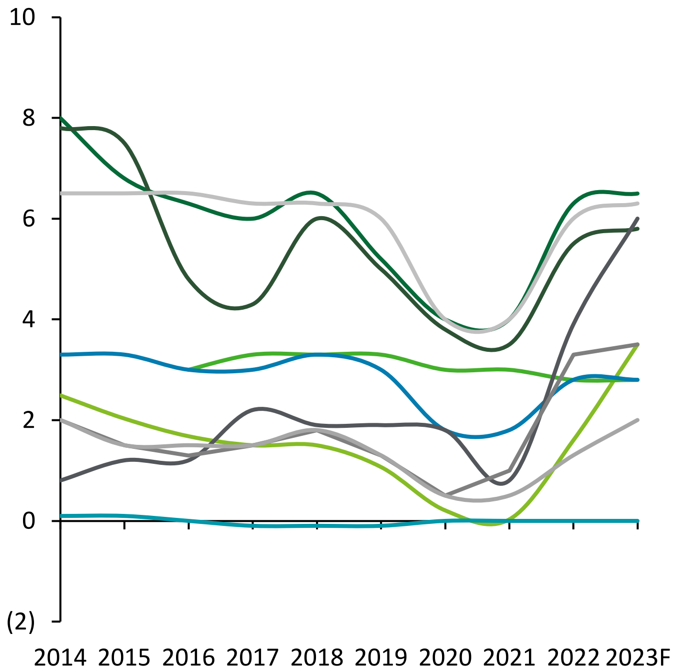
The average inflation rate exceeded 4.5% in Asia in 2022, compared to 2.0% in 2021, although this was lower than in western economies. Governments have responded by tightening macro-economic policies which has been positive for bank profitability in the short-term, but which has the potential to cause increased defaults in the medium-term.

Inflation (%)



Country	2021	2022	2023F
AU	2.9% ▲	6.6% ▲	4.6% ▼
CH	0.9% ▼	1.9% ▲	2.1% ▲
IN	5.1% ▼	6.7% ▲	5.8% ▼
ID	1.6% ▼	4.2% ▲	3.9% ▼
JP	-0.2% ▼	2.5% ▲	1.9% ▼
MY	2.5% ▲	3.4% ▲	2.3% ▼
SG	2.3% ▲	6.1% ▲	3.3% ▼
SK	2.5% ▲	5.1% ▲	2.8% ▼
TH	1.2% ▲	6.1% ▲	2.5% ▼
VN	1.8% ▼	2.6% ▲	3.3% ▲

Interest Rates (%)



Country	2021	2022	2023F
AU	0.03% ▼	1.6% ▲	3.5% ▲
CH	3.0% ▼	2.8% ▼	2.8% ▬
IN	4.0% ▼	6.3% ▲	6.5% ▲
ID	3.5% ▼	5.5% ▲	5.8% ▲
JP	0.0% ▬	0.0% ▬	0.0% ▬
MY	1.8% ▼	2.8% ▲	2.8% ▼
SG	0.8% ▼	3.9% ▲	6.0% ▲
SK	1.0% ▲	3.3% ▲	3.5% ▲
TH	0.5% ▼	1.3% ▲	2.0% ▲
VN	4.0% ▼	6.0% ▲	6.3% ▲

AU CH IN ID JP MY SG SK TH VN

Sources: Economist Intelligence Unit ("EIU"), Central Banks (various)

Australia | Banking Landscape

As the Federal Government's pandemic stimulus through the RBA's Term Funding Facility ("TFF") matures in 2023 and 2024, this requires banks to source alternative funding, potentially reducing liquidity and demand for increased customer deposits. While the authorised deposit institutions' ("ADIs") strong asset quality remains resilient, financial stress is also increasing for some households according to the recent statistics published by the Australian Prudential Regulation Authority ("APRA").

Banking Landscape

The volatile macroeconomic landscape has caused ripple effects across the Australian financial services industry, in particular, the banking industry.

The reduced access to funding, increasing cost of debt and rising yield curve will pose a challenge to banks and will have to be proactive in pricing their products and balancing cost of funds. This is particularly a challenge for fixed rate products, such as personal and automotive loans where the lender has limited ability to reprice the back book (notwithstanding the option to significantly enhance yields on their front books).

Funding maturities of the Big 4 banks are higher in FY23 and FY24 due to the Term Funding Facilities repayment. APRA data suggests deposit growth has been strong and running at or above loan growth which reduces this funding requirement through debt issuances.

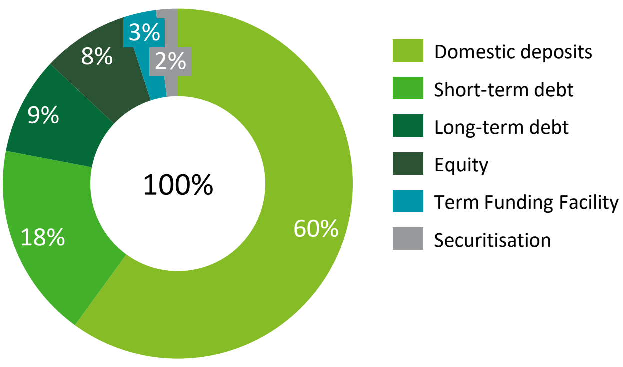
Asset Quality

The Big 4 banks' strong asset quality has been supported by low unemployment, high levels of saving and prepayment buffers, as well as sound lending standards over recent years.

Recent statistics published by APRA indicate that financial stress in mortgages is increasing for some households, consistent with higher interest rates and inflation, which are putting pressure on borrowers' budgets. As such, NPLs are expected to increase over the coming year.

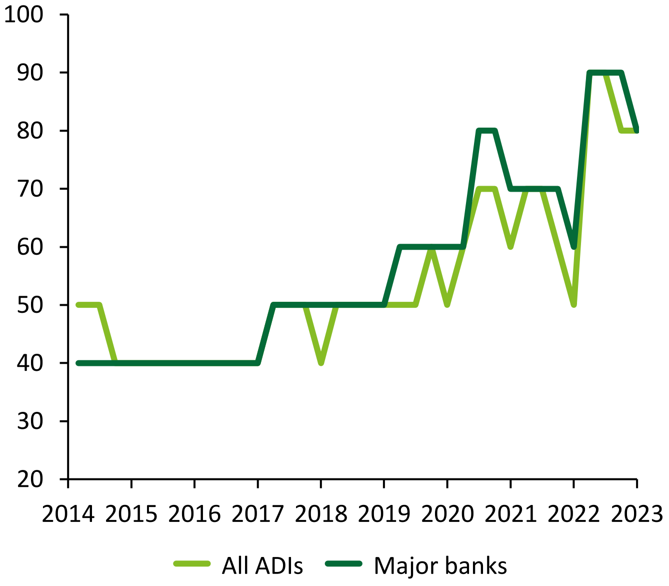
Banks in Australia are well placed to manage this risk while continuing to lend to households and businesses. This is supported by prudential requirements for banks as the banking system holds levels of capital and liquidity well in excess of the Basel III requirements.

2022 Funding Composition of Australia Banks



Source: RBA, ABS, Australian Prudential Regulation Authority ("APRA"), Deloitte analysis

NPL to total loan (bps)



Source: RBA, APRA
Asset quality series have been updated from Mar-22 due to APS 220 changes

Australia | NPL Market Landscape

The implementation of APRA's new capital framework (effective on 1 January 2023) was aligned with Basel mainly on increasing capital requirements for higher risk lending and improving the comparability of bank capital ratios with global peers. Australia's outlook for banks is positive given its simplification and multi-year period of divesting its non-core businesses.

Regulatory Landscape

The implementation of APRA's new capital framework (effective on 1 January 2023) was aligned with the standards agreed by the Basel Committee on Banking Supervision following the global financial crisis in 2009. The main changes include increasing capital requirements for higher risk lending and improving the comparability of bank capital ratios with global peers.

Key areas of the bank that will be potentially impacted by higher capital requirements are the mortgage business and the banks' New Zealand exposures. Commercial property, institutional lending and SME lending businesses are expected to reduce the capital requirements in the bank.

Business Line	Capital Framework Impact
Mortgage	Implementation of risk-weighted assets ("RWA") scalars on investor / interest-only lending
New Zealand exposure	Adoption of relatively conservative Reserve Bank of New Zealand's ("RBNZ") RWA framework
Commercial property	Removal of slotting approach for income-producing real estate exposures
Institutional lending	Adoption of supervisory loss given default ("LGD") and credit conversion factor ("CCF") risk estimates which are lower than prior framework
SME lending	Increase in eligibility thresholds and lower CCF estimates

Outlook

After a multi-year period of divesting non-core businesses in Australia, including exiting from its exposure in Asia, the major banks are now hungry for growth. Divestments and capital raisings have given them strong balance sheets, providing the funds and appetite to invest.

Long-established banks are searching for M&A opportunities to acquire (or through partnerships/alliances) technology and digital capability (particularly in light of current skills shortages), and to improve customer experience, which reflects an industry-wide transition towards considering new service models for the traditionally conservative business segment.

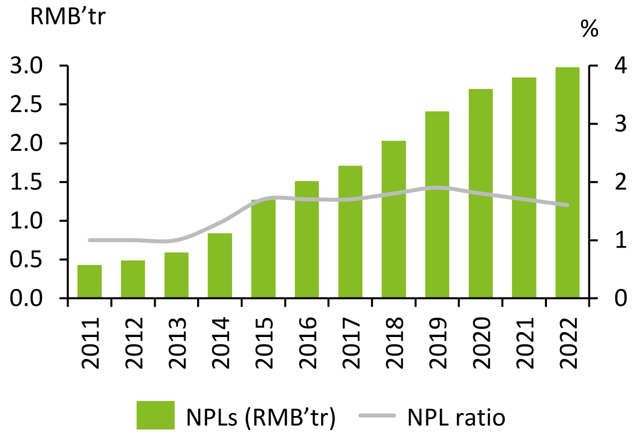
Increasing interest rates are also likely to result in greater funding cost and leverage disparity within a financial sector that has grown accustomed to lower-for-longer interest rates. This should mean a greater focus on relative balance sheet strength and potential financing structures in an M&A context.

Source: APRA

China | Banking Landscape

The major state-owned Chinese banks generally reported marginal improvements to their capital ratios in 2022. Lower reported inflation has contributed to a less aggressive monetary policy measures. Unrealised risk may remain in real estate credit.

Banking System NPLs (RMB'tr)



Source: China Banking and Insurance Regulatory Commission

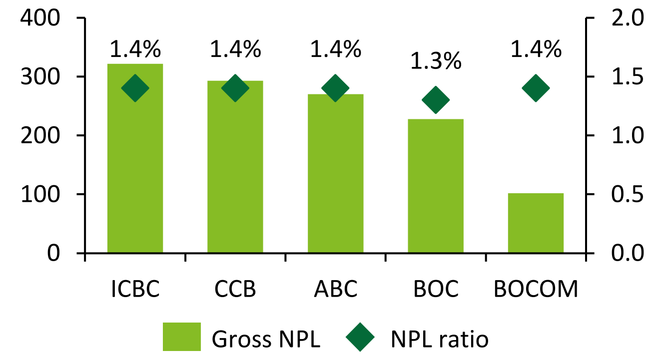
Overview

China's banking sector is dominated by the major state-owned big five banks: Industrial Commercial Bank of China ("ICBC"), China Construction Bank ("CCB"), Agricultural Bank of China ("ABC"), Bank of China ("BOC") and Bank of Communications ("BOCOM").

The reported NPL stock of the banking sector increased in value in 2022 to RMB3.0tr, however the total NPL ratio decreased from 1.7% to 1.6%. This represents the lowest NPL ratio reported by China since 2015.

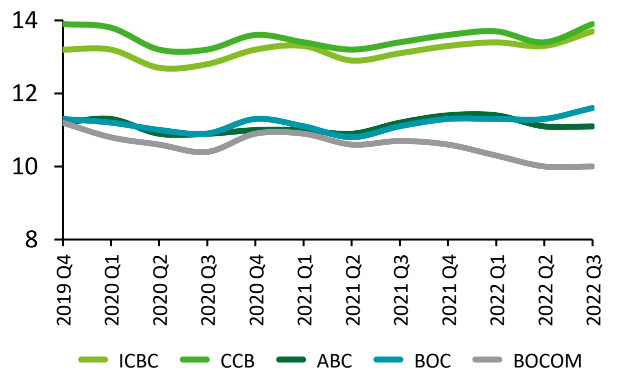
The big five banks all reported lower NPL ratios compared to the country average in 2022.

Gross NPLs (RMB'bn)



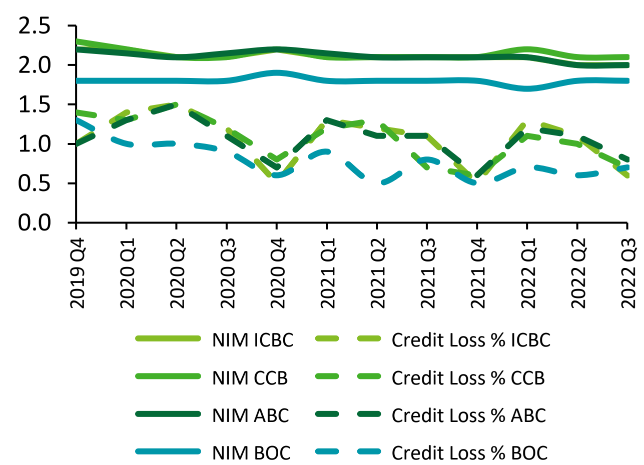
Source: Published financial accounts as of September 2022

CET 1 Ratio (%)



Source: Published financial accounts as of September 2022

NIM & Credit Loss (%)



Sources: Published financial accounts as of September 2022

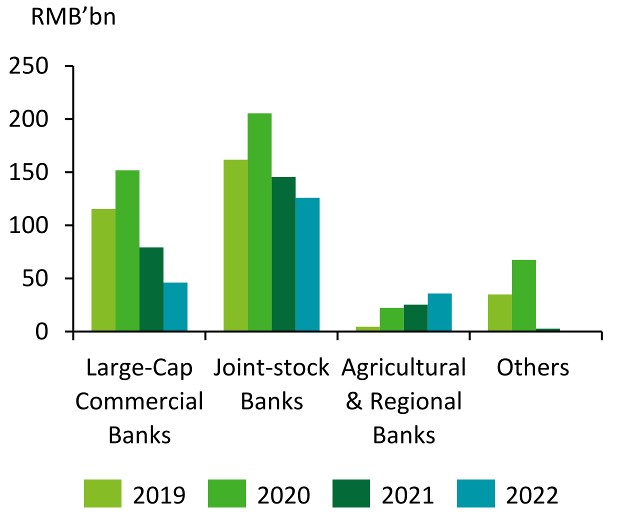
ICBC, CCB and BOC all saw slight increases in their CET 1 Ratios between Q4 2021 and Q3 2022. ABC and BOCOM both saw their CET 1 Ratio decline by 0.3%. However, with their ratios between 10% - 14% as at September 2022, the big 5 are above the 7.5% minimum regulatory requirement.

NIM slightly narrowed for ICBC, ABC and BOCOM between Q4 2021 and Q3 2022. NIMs were consistent for CCB & BOC during the period.

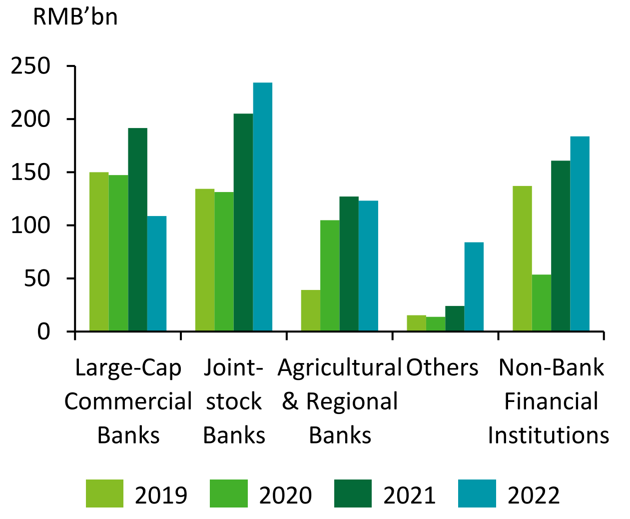
China | NPL Market Landscape

Asset Management Companies ("AMCs") continue to source majority of NPLs through large-cap commercial banks and joint-stock banks in 2022 despite significant declines in the volumes sourced via large-cap commercial banks in 2022.

AMC NPL Sources 2019 to 2022 – China Huarong



AMC NPL Sources 2019 to 2022 – China Cinda



Sources: Published financial accounts, Deloitte Research

Both China Huarong and China Cinda saw a significant decrease in the volume of NPLs sourced via large-cap commercial banks in 2022. China Huarong volume from commercial banks decreased from RMB79bn in 2021 to RMB49 bn in 2022 and China Cinda volume from commercial banks declined from RMB191.63bn to RMB108bn over the same period. The Chinese authorities have also broadly encouraged domestic banks to ramp up their own work-out capabilities, resulting in less transference to the national and local AMCs.

Key Events in the NPL Market

Date	Event
May 2021	• The Authorities are committed to further expanding the mature digital NPL trading infrastructure in China, primarily by facilitating collaborations with the private sector NPL ecosystem, including digital auction companies
April 2022	• People's Bank of China ("PBOC") conducted a deep-dive analysis into the non-performing corporate real estate debt market across the nation in the wake of the debt crisis of the real estate developers, implementing policies for the onshore real estate financing market
September 2022	• Beijing Financial Assets Exchange is promoting the trading of larger NPL portfolios (with loans emanating from the Beijing / Northern PRC banking market) to international investors, signaling similar activities in the other tier-one financial markets in the country; this is occurring with the backdrop of low investment activities in the NPL space by foreign investors since 2020

China | NPL Market Landscape

Since late-2020, the China Banking and Insurance Regulatory Commission ("CBIRC") has been spearheading a program to monitor and facilitate the transfer of NPLs from various financial institutions to the AMCs, primarily via the Yindeng Centre. Under this program, guidelines relating to the disposal of NPLs by financial institutions (domestic and international) have become more prescriptive.

Key Regulatory Updates

Date	Update	Summary
January 2021	CBIRC Memorandum [2021] No. 26 – Carrying out the Pilot Work of Non-Performing Loan Transfer	• In order to standardise the transfer of NPLs of banks and effectively improve the quality and efficiency of the real economy of financial services, the CBIRC has approved and agreed that the Banking Credit Asset Registration and Circulation Center (the Yindeng Centre). The Yindeng Centre will further expand the channels and disposal methods of NPLs on a pilot basis
December 2022	CBIRC Memorandum [2022] No. 1191 – Carrying out the Second Batch of Non-performing Loan Transfer Pilot Work	• Extension of CBIRC memorandum no. 26 was announced • Pilot extended to include China Development Bank, The Export-Import Bank of China, The Agricultural Development Bank of China, trust companies, consumer finance companies, auto finance companies and financial leasing companies
February 2023	CBIRC and the People's Bank of China jointly formulated the "Measures for Classifying Financial Assets Risk of Commercial Banks" to strengthen the management of financial asset risk classifications within commercial banks	• The measures extend the target of risk classification from loans to all financial assets bearing credit risk, clarify the five-level classification definition of financial assets, set the classification standards for retail assets and non-retail assets, put forward risk classification requirements for restructured assets, and require commercial banks to improve the governance structure of risk classification • To be implemented in July 2023

China Real Estate Market

Weakness in China's real estate sector could be a drag on Chinese economic growth and may pose risks to the wider region. These risks have emerged across tier 1 and tier 2 cities and in private developer financing.

Consumer confidence has been shaken and S&P expects China developer sales to fall by up to 5% in 2023. Investor confidence remains impacted with China real estate equities and bonds trading at significant discounts and historically low levels.

Ongoing monitoring of sector credit as well as upstream and downstream impacts will be critical in the coming months. A substantive recovery is likely to require policy interventions and may take years.

Sources: CBIRC, SCMP, S&P, Reuters

India | Banking Landscape

Indian banks experienced a significant turnaround in 2022, with higher credit growth, enhanced asset quality and rising digitalisation resulting in improved profit margins and healthier capital adequacy.

Banking Landscape

The finances of the public sector banks have seen a significant turnaround, with profits being booked at regular intervals and NPLs being fast-tracked for quicker resolution / liquidation under the Insolvency and Bankruptcy Code, 2016.

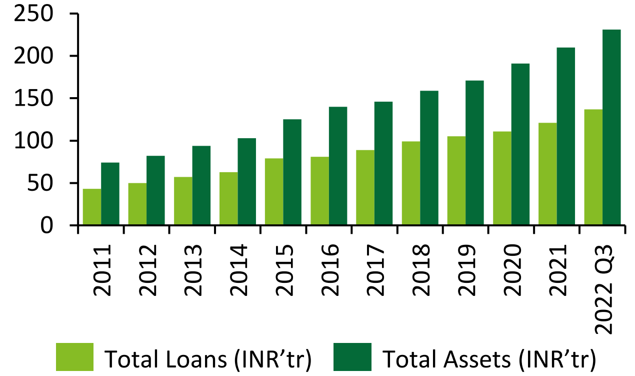
The digital payments transition has triggered significant changes in the way credit is disbursed in India. Buoyant demand for bank credit and early signs of a revival in the investment cycle are also benefiting from improved asset quality, return to profitability, and strong capital and liquidity buffers.

Rating agencies expect the banking system credit growth to be 13.5% year on year in FY24, slightly lower than 15% in the current financial year ended March 2023.

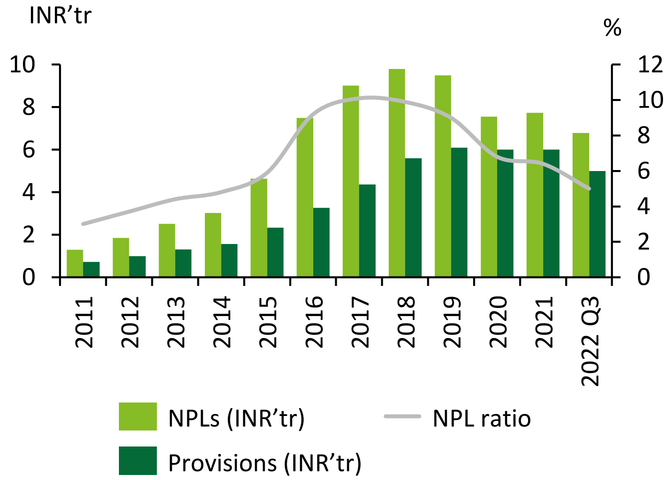
The asset quality of public sector banks has also improved significantly with gross Non-Performing Assets ("NPAs") ratio declining from the peak of 10.1% in 2017 to 5.0% in September 2022. Net NPAs are also recorded at 10 year lows. The state-owned banks' net NPAs are projected to further come down to 1.3% - 1.6% by FY24-end, while the same for private sector lenders are expected to be at 0.8% - 0.9%.

The resilience of the banking system is also evident from the stress tests conducted by the Reserve Bank of India, which showed that banks should be capable of absorbing macroeconomic shocks.

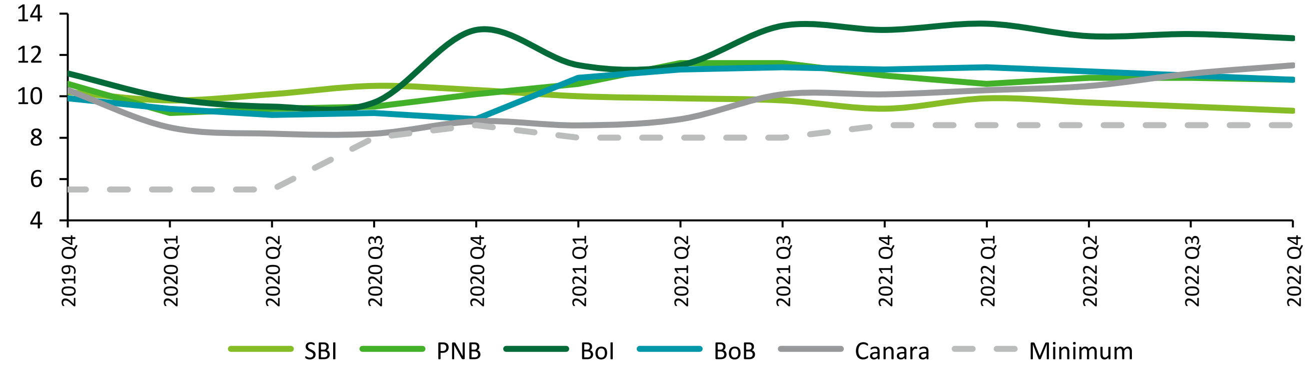
Banking System Assets (INR'tr)



Banking system NPL stock (INR'tr)



CET 1 Ratio (%) - Top Public Sector Banks



Sources: RBI Data, Deloitte research

India | NPL Market Landscape

Recent studies have indicated that Indian banks' gross NPLs are expected to reach sub 4% by FY24, the lowest NPL ratio reported in a decade.

NPL Market Landscape

With the introduction of Insolvency and Bankruptcy Code ("IBC"), banks have the option for resolution of NPAs by entering into insolvency proceedings under IBC, enforcing security interest under the Securitisation and Reconstruction of Financial Assets and Enforcement Security Interest Act, 2002 ("SARFAESI") as well as transferring NPA portfolios to Asset Reconstruction Companies ("ARC").

From ~14 ARCs in 2014, the number of ARCs registered with RBI has more than doubled to 29 as of 2022. In response to increased asset quality deterioration amid COVID-19, the Indian government has also established a national ARC (equivalent to a national AMC) to acquire legacy NPAs from banks with an exposure of Rs 500 crore and above in the Indian banking system (expected NPLs of c.USD10bn in first phase) and manage their recoveries.

Sectors

India's NPL profile is likely to change going forward. In recent years, NPLs came primarily from bigger corporate accounts whereas, in the coming years, smaller accounts, especially the Micro, Small & Medium Enterprises ("MSME") and retail segments, are expected to be more vulnerable to distress.

Non-Banking Financial Company ("NBFC") bad loans are also set to rise with RBI clarification on Income Recognition & Asset Classification norms.

Distressed Funding / Investments

The distressed investment space in India is seeing increasing interest from global funds and investors. Several large global credit opportunity funds have entered India over the past few years through partnerships with existing ARCs. This has enabled increased capital flow for the purchase of NPL portfolios.

Regulatory Changes

The structural changes by the RBI in October 2022 regarding the ARCs are expected to result in improved governance and better disclosures by ARCs. Lower funding requirements for asset acquisitions, and an option to participate as a resolution applicant under IBC are the two crucial changes to benefit an ARC's business. The Securities and Exchange Board of India ("SEBI") has also introduced a new category of 'Special Situation Funds' under the alternative investment fund ("AIF") category, that can directly buy NPLs from banks, thereby allowing direct foreign investments in distressed assets.

Recent Significant Transactions in the NPL Market

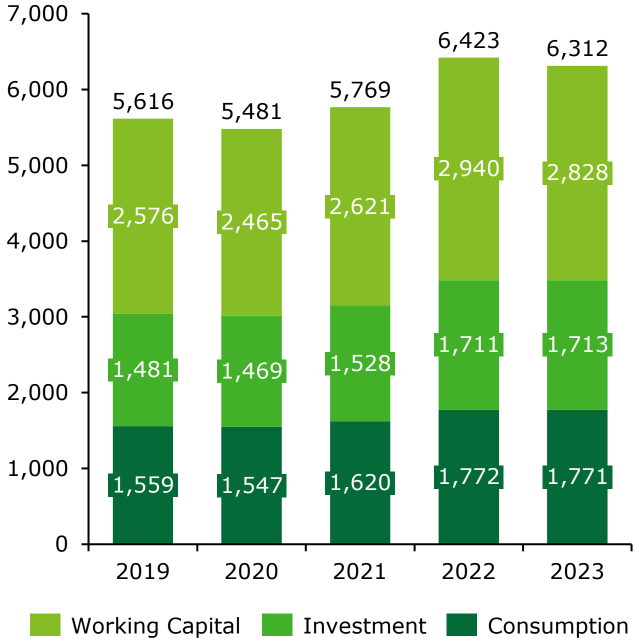
Year	Transaction
2023	• National Asset Reconstruction Company ("NARCL") acquired its first stressed asset of ~USD1.2b from banks
2022	• Yes Bank's sale of ~USD6b NPL portfolio to JC Flowers Asset Reconstruction Company
2022	• Bandhan Bank's sale of ~USD1.1b NPL portfolio of SME and agriculture loans
2022	• State Bank of India sold a ~USD500m NPL portfolio in power sector to Aditya Birla ARC
2022	• L&T Finance sold a ~USD450m NPL portfolio to Phoenix ARC
2022	• IndusInd Bank sold a ~USD500m NPL portfolio to Edelweiss and Omkara

Sources: RBI Data, Deloitte research

Indonesia | Banking Landscape

With encouragement from the Indonesian Government, bank credit has grown since 2020. NIMs for the major banks have increased, in line with rising interest rates. Generally, the Indonesian economy has been supported by elevated commodity prices in 2021 and 2022.

Credit Trajectory (IDR'tr)



Credit Growth

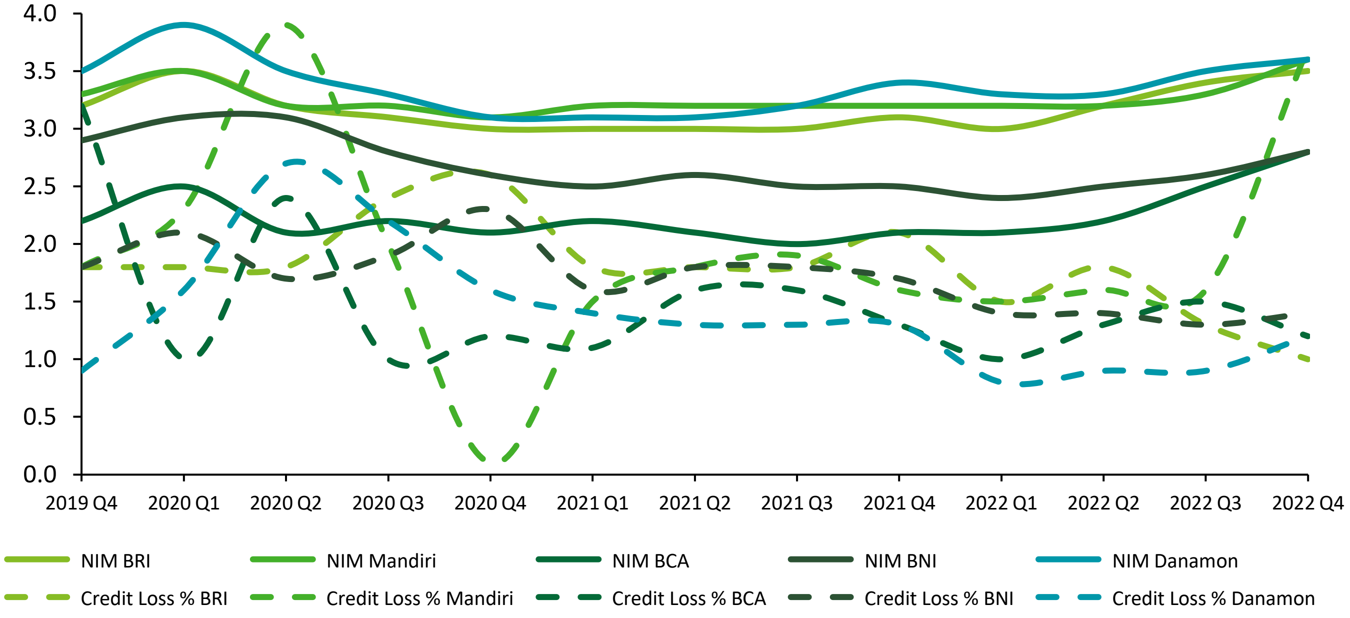
After the pandemic induced economic downturn in 2020, the Indonesian Government encouraged banks to increase lending to improve the rate of economic recovery.

Based on the banking survey by the Bank Indonesia, the projected financing growth is c. 8.9% in 2023. This growth has slowed from the 2022 growth rate of 11.35%.

In 2023, trade and working capital credit lines are expected to come into focus and demand in the manufacturing, trading and retail sectors.

Financial Services Authority or Otoritas Jasa Keuangan ("OJK"), an Indonesian government agency which regulates and supervises the financial services sector issued a policy for restructuring relaxation as a response to the pandemic in early 2020.

NIM & Credit Loss (%) **– Top Banks**

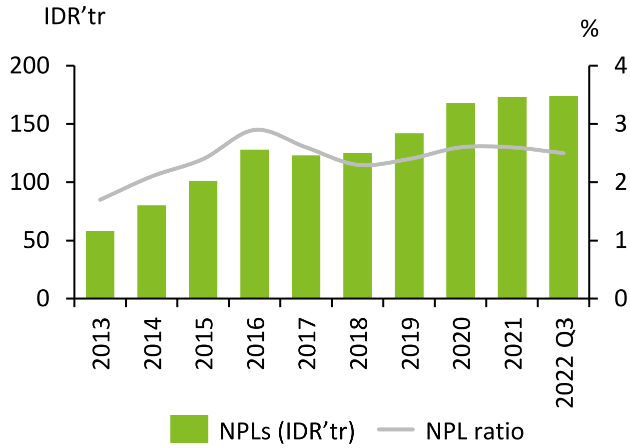


Sources: Published financial accounts

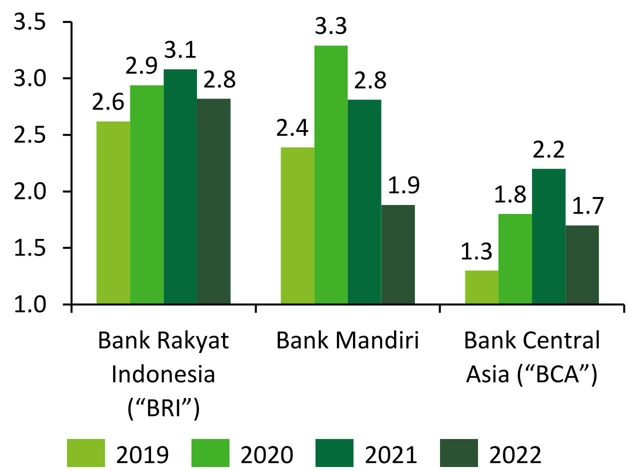
Indonesia | NPL Market Landscape

Although pandemic disruptions caused a spike in reported NPL rates to 2.6% in 2020 from 2.4% in 2019, this has since stabilised to 2.5% in 2022 in the context of a more positive macro-economic environment. The OJK has extended policy relaxation measures until March 2024 which will help the banks to manage their NPL ratios.

Banking system NPL stock (IDR'tr)



NPL % (Top 3 Banks)



Sources: Published annual reports as of December 2022

NPL transactions

In 2020, QNB Indonesia sold a portfolio of NPLs and low-quality loans in to BDFK Limited for ~USD49.2m. This follows the sale, in 2018, by QNB Indonesia of another NPL portfolio, also to BDFK Limited for ~USD110m. Banks in Indonesia are increasingly considering Special Purpose Vehicles ("SPV"), private quasi AMC's to deleverage.

Lending Policy Relaxations

OJK has issued several regulations as a response to the pandemic. For example, in early 2020, POJK No 11/POJK.03/2020 was the first credit relaxation regulation under which OJK requested banks self-assess debtors and sectors impacted by the pandemic and to implement prudent measures including:

- Interest rate reductions
- Extension of tenors
- Reduction of principal arrears
- Deduction of interest arrears
- Additional credit / financing facilities
- Conversion of credit / financing to Temporary Equity Participation

The policy set a guidance of risk management procedures in banks to give more flexibility on:

- Assessment of NPL provisions
- Prerequisites for dividend distribution
- Stress testing

The relaxation policy has been extended to 31 March 2024 for the following sectors only:

- Small Medium Enterprise ("SME")
- Accommodation sector
- Food and Beverage sector
- Industry sector with high manpower, e.g. textiles manufacturing

Outlook

In 2023, the Bank Indonesia policy mix will remain an integral part of the national strategy to strengthen economic resilience.

The government is optimistic that the risk of global economic downturn will not impact the Indonesian economy and the growth targets can be achieved.

However, banks will need to take proactive steps in managing loans to be adequately prepared when the relaxation policy expires in Q1 2024.

Sources: OJK website, https://www.ojk.go.id/id/berita-dan-kegiatan/siaran-pers/Pages/OJK-Perpanjang-Kebijakan-Restrukturisasi-Kredit-dan-Pembiayaan-Secara-Targeted-dan-Sektoral-Atasi-Dampak-Lanjutan-Pandemi.aspx

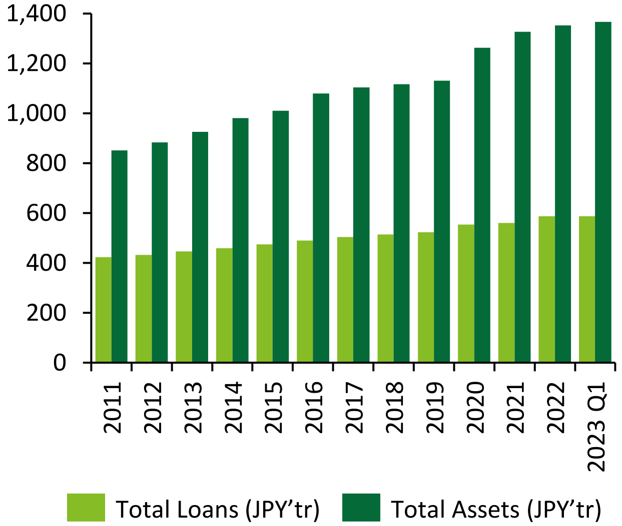
Japan | Banking Landscape

Japan's financial system has been relatively stable, but there is concern regarding credit risk in exposures to internationally active financial institutions against the backdrop of rising interest rates. During the pandemic, NPLs increased across the major banks and the trend will likely continue as the government's pandemic assistance winds down.

Banking Landscape

According to the Financial System Report issued by the Bank of Japan ("BOJ") in October 2022, Japan's financial system managed to maintain stability. Against the backdrop of rising foreign interest rates, the BOJ also highlighted the potential risks posed to financial institutions as their investments in loans to highly leveraged foreign borrowers and foreign bonds have been increasing.

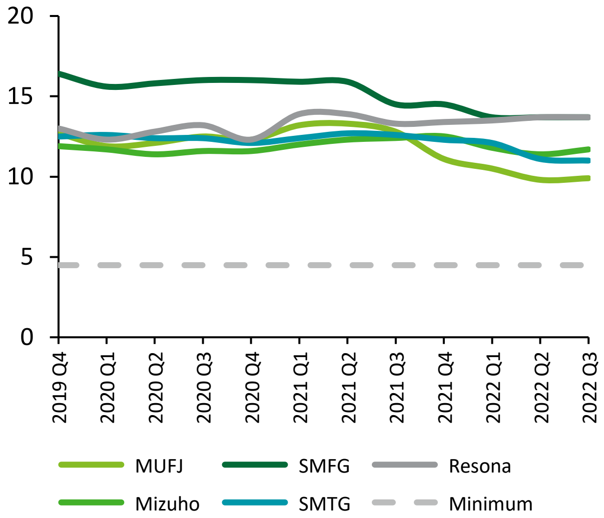
Banking System Assets (JPY'tr)



Sources: Bank of Japan

The total banking system assets continued to expand over the past 10 years even during the pandemic, from JPY925 trillion in 2013 to JPY1,366 trillion in 2023 Q1. The total loans volume also shows a steady growth over the past 10 years.

CET 1 Ratio (%)



Sources: Published financial accounts

Most of the major banks exhibited a deteriorating CET 1 ratio during the pandemic. This echoes the BOJ's concern because as these banks become more active internationally, their risk-weighted assets have increased, pushing down the CET 1 ratio.

The outlook is uncertain in the midst of the bonds and stocks market turmoil, dampened by the rising US interest rate.

Japan | NPL Market Landscape

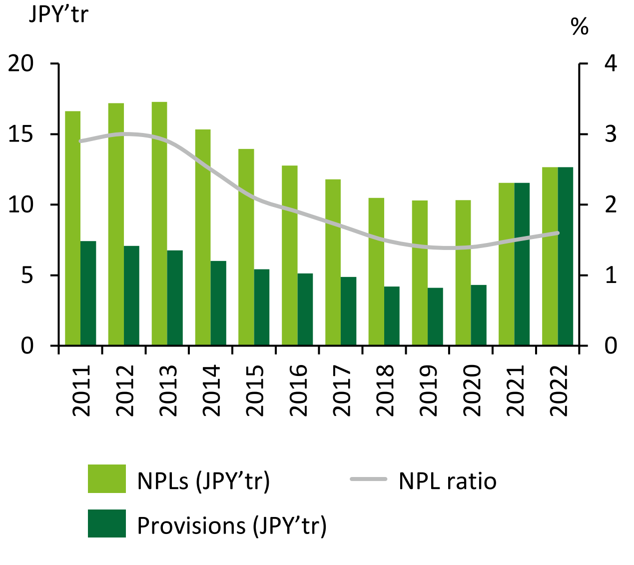
The new chief of BOJ will play a critical role on how to cautiously return the quantitative easing policy to normal which will shape the economic outlook.

NPL Market Landscape

Japanese lenders have traditionally enjoyed a low NPL ratio. The pandemic has caused an uptick in default rates and NPL stock, with the NPL ratio increasing from 1.4% in 2019 to 1.6% in 2022.

Benefiting from the government and banking regulator's pandemic support measures, the NPL increment is lower than expected. As the country is emerging from the pandemic with the supportive measures fading out, NPL ratio is expected to increase further.

Banking System NPLs (JPY'tr)

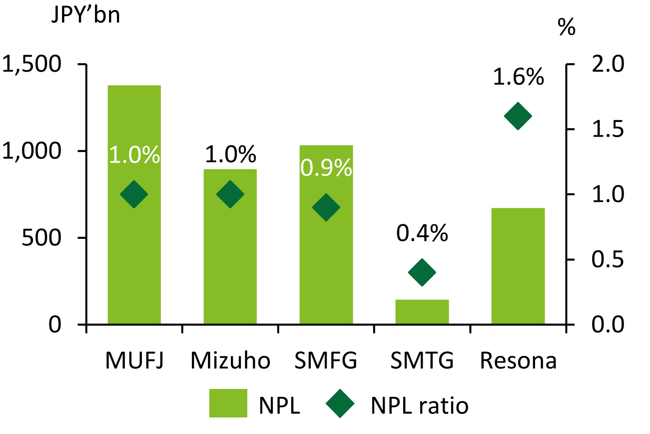


Sources: Financial Services Agency

NPLs increased across the major domestic banks during the pandemic, among which Resona recorded the biggest increase (NPL ratio increased from 1.1% in December 2020 to 1.6% in September 2022).

The NPL market in Japan boomed in the late 1990s following the burst of economic bubble, but the positions were mostly resolved in the 2000s. In Japan, NPLs are usually managed and resolved through internal resolution methods. Hence, the NPL market is expected to stay relatively inactive despite the surge of NPL position as a result of the pandemic.

Gross NPLs (JPY'bn)



Sources: Published financial accounts as of December 2022

The Outlook

While the world's major central banks have raised interest rates significantly in the past year, Japan is still pursuing a loose monetary policy. The spotlight is on the new chief of BOJ on how to cautiously return the policy to normal and catch up with the rest of the world.

Malaysia | Banking Landscape

Malaysian banks remain fundamentally strong despite rising NPL ratios. Competition is also expected to increase in the banking landscape with the advent of digital banks.

Banking Landscape

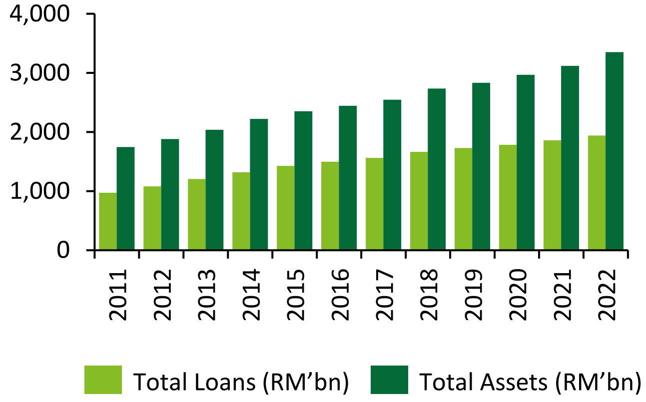
Malaysian banks continued to see growth in total banking system assets in 2022 with a 7.4% increase over the year. Similarly total loans have also increased by 4.5% in 2022. This level of growth exceeds that seen pre-pandemic in 2019.

The growth rate for deposits was greater than loan portfolios, ensuring the banks have sufficient liquidity and capital buffers. The CET 1 ratio for the top five banks in Malaysia is also well above the minimum requirement of 7%.

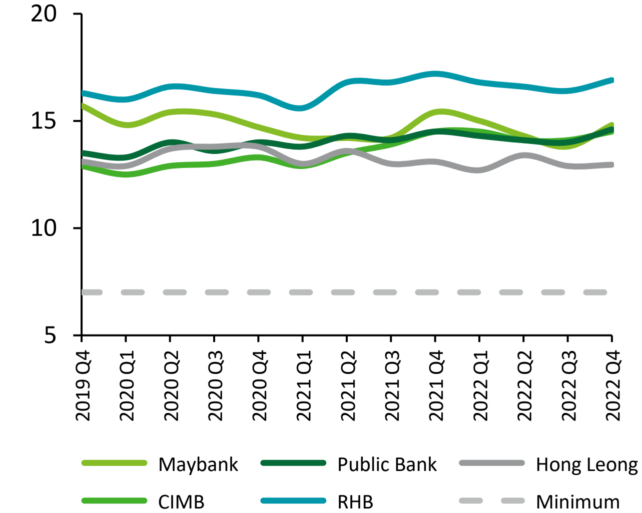
The rising interest rate affects the value of the banks' high-quality liquid assets, such as bank and government bonds. In addition, it also widens the maturity mismatch between deposits and loans as the rate-sensitive depositors shift towards short-term deposits in anticipation of the increase in OPR.

Furthermore, Malaysian banks' profitability is under pressure, as the competition for deposits intensifies and inflation causes an increase in operational expenditure. BNM also issued 5 digital bank licenses to 5 consortiums in 2022, which could affect the profitability of both traditional and digital banks.

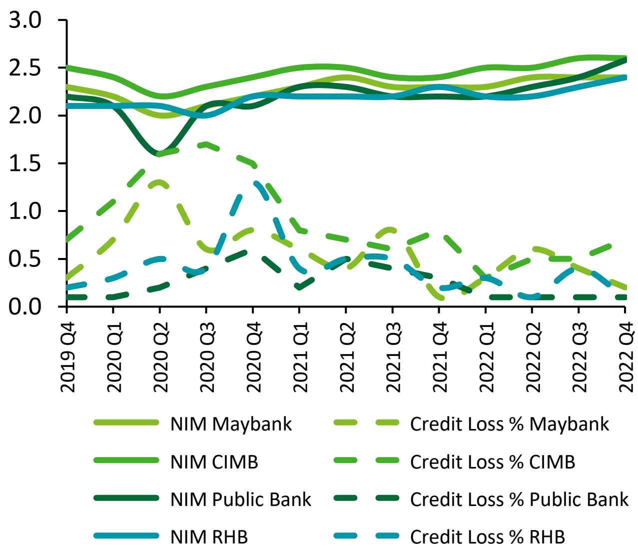
Banking System Assets (RM'bn)



CET 1 Ratio (%)



NIM & Credit Loss (%)



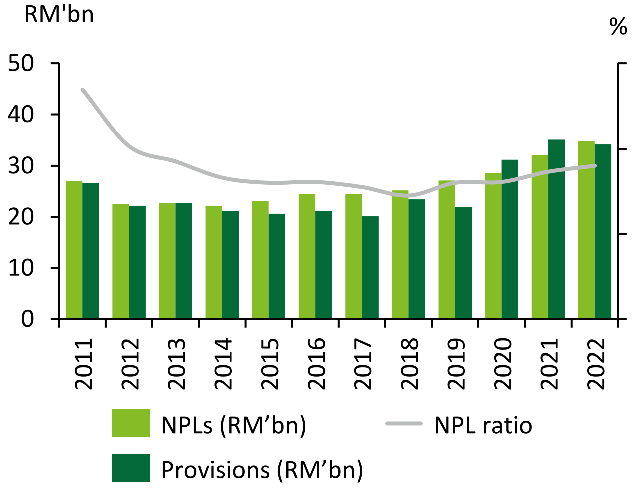
The top five banks in Malaysia recorded slight increases in NIMs across 2022, and above pre-pandemic levels. Credit losses reported by each top bank varied in 2022 due to the timing of recognised expected credit loss. Maybank recorded credit losses of 0.59% in 2022 Q2 and only 0.21% in 2022 Q4, as provisions were reduced after observing the loan repayment behaviour post moratorium and repayment assistance programs. CIMB recognised credit losses of 0.71% in 2022 Q4, citing macroeconomic factors and management overlays as the driver for higher-than-expected credit losses.

Sources: Bank Negara Malaysia, published financial accounts as of December 2022

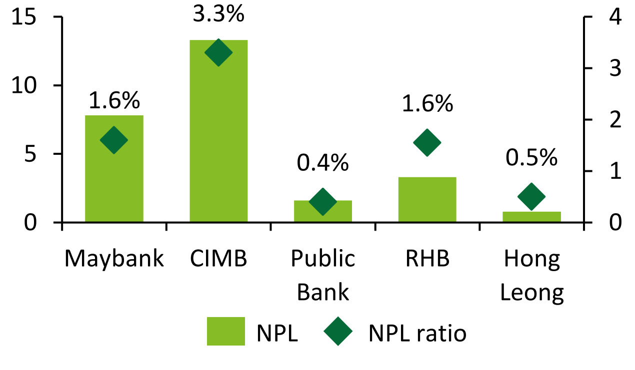
Malaysia | NPL Market Landscape

NPL activity in Malaysia is relatively inactive as compared to other markets in the region. BNM in its Financial Sector Blueprint 2022-2026 revealed that it would enhance the regulatory framework that governs the disposal and purchase of NPLs which includes removing the existing foreign equity limit of 49%. With this recent development in the regulatory framework, we are seeing an increase in activity in the NPL market.

Banking System NPLs (RM'bn)



Gross NPLs (RM’bn)



NPL Landscape

The NPL ratio increased from 1.6% in 2019 to 1.8% in 2022. With the end of the moratorium in 2020 and 2021 and targeted repayment assistance programs, we expect NPL volumes to continue on an upward trend, driven by SME and consumer loans.

Amongst the top 5 banks, CIMB ranked highest in both gross NPL value and NPL ratio, while Public Bank and Hong Leong recorded the lowest gross NPL ratio and value, respectively.

In early 2022, BNM announced plans to remove the foreign equity cap of 49% for NPL sales, as stated in its Financial Sector Blueprint 2022-2026. This would attract greater participation in the market, especially from international players with proven track records which would increase transparency and competition. This, in turn, would make banks more comfortable to dispose of their NPLs as a way to resolve bad debt quickly and increase options for banks. This news is welcomed as the Guidelines on NPL Sales by Banking Institutions have not been updated since 2005.

Buy-now-pay-later (“BNPL”) schemes offered by banks, or in partnership with banks, grew at a moderate pace in year 2022. BNM reported an increasing trend in overdue payments for BNPL users from 7.0% in Q4 2021 to 17.00% in Q4 2022. Notwithstanding the fact that the BNPL exposures only amount to 0.05% of total household debt, the rise in popularity and transaction value of BNPL schemes might affect the financial stability risks of the banks and could be the next popular segment for NPL sales.

Recent NPL Transactions

Year	Details
2019	AmBank Group sold RM554m NPLs to Aiqon Capital’s special purpose vehicle (“SPV”)
2020	CIMB sold a small portion of unsecured retail loans to a third party
2021	A local bank sold a mixed portfolio of personal, mortgage, auto and corporate loans to a local SPV
2022	A global bank in Malaysia sold a secured NPL portfolio to Collectius

Sources Bank Negara Malaysia, published financial accounts as of December 2022

Singapore | Banking Landscape

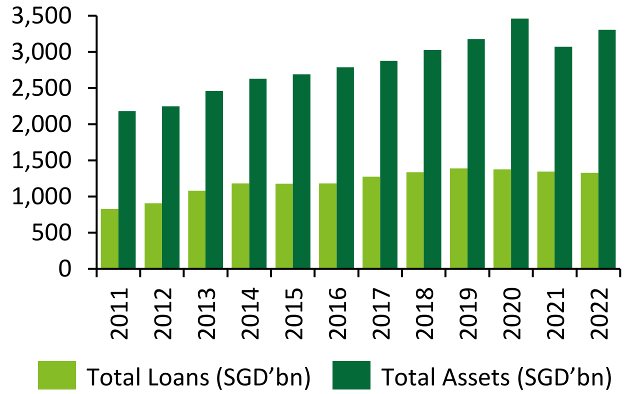
The Singapore banking sector rebounded relatively quickly post pandemic due to the country's strong financial system, regulatory framework and timely and decisive government interventions. The local banks maintain a healthy risk buffer and have achieved strong profits in 2022 on the back of higher interest rates.

Banking Landscape

Moratorium schemes introduced by the government are winding back and the local banks are gaining better visibility on credit quality.

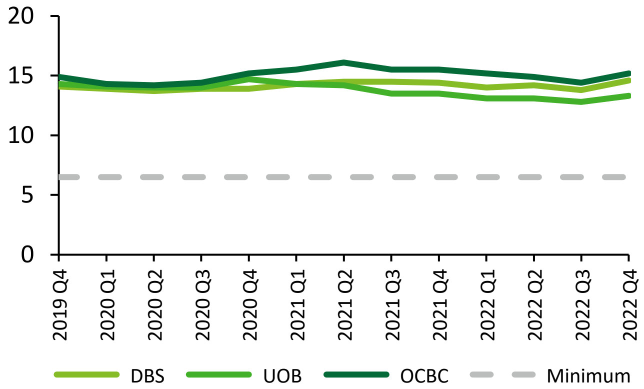
Between 2011 and 2022, there has been a +50% increase in total loans and assets recorded in the Singaporean banking system.

Banking System Assets (SGD'bn)



Source: Monetary Authority of Singapore

CET 1 Ratio (%)



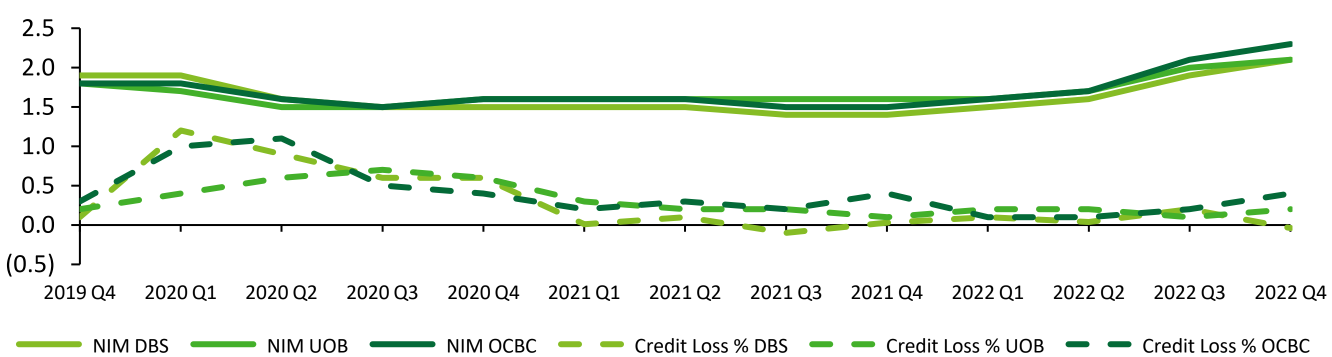
Source: Published financial accounts as of December 2022

The 3 major banks in Singapore maintained a CET 1 ratio of between 13.3% to 15.2%, well above the minimum ratio of 6.5% (or 9% including a capital buffer).

The Singaporean banks have reported increases in the NIMs in 2022 compared to 2021, citing the rate hikes by the central bank (the Monetary Authority of Singapore or "MAS") as the key reason for the improvement.

The reported credit losses have also trended downwards since the start of the pandemic.

NIM & Credit Loss (%) **– Top Banks**

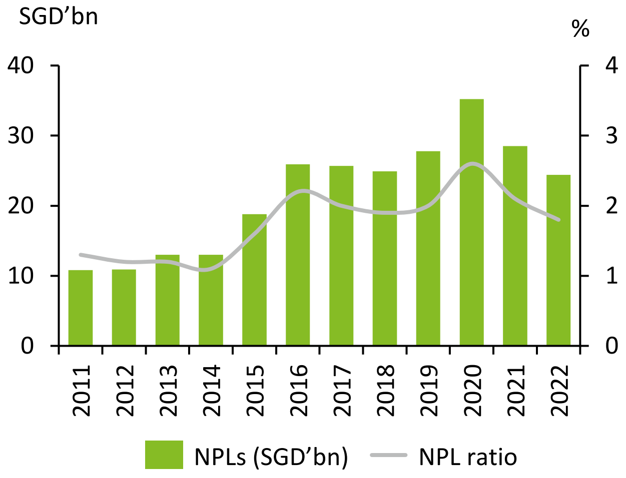


Source: Published financial accounts as of December 2022

Singapore | NPL Market Landscape

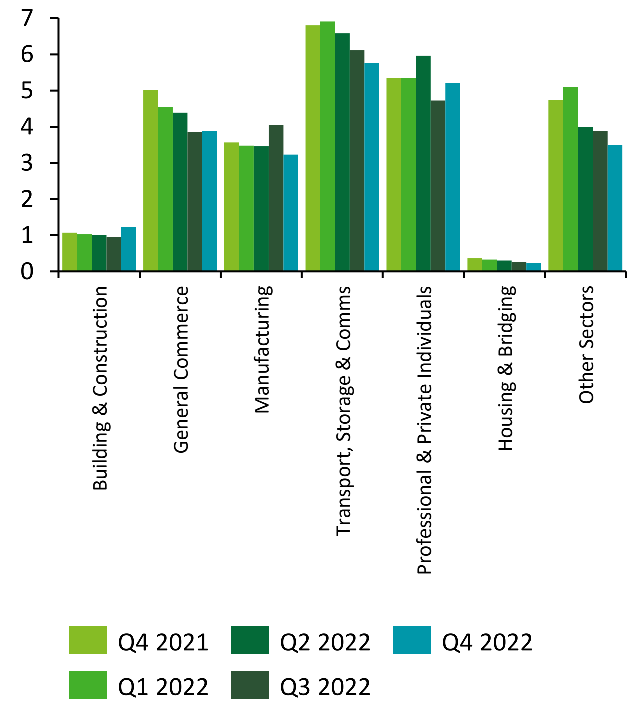
Singapore saw higher NPL ratios across the major banks during the early stages of the pandemic, before rates fell to ~1.8% in 2022. Looking ahead in 2023, there are a number of risks and uncertainties in the global economy which could lead to increasing NPL rates in the highly globalised financial hub.

Banking System NPLs (SGD'bn)



Source: Monetary Authority of Singapore

NPLs by Sectors (SGD'bn)



Source: Monetary Authority of Singapore (Q4 2022)

NPL Market Landscape

Singapore's NPL ratio increased to a peak of 2.6% during the pandemic but has decreased to 1.8% in 2022. As inflation and interest rates increase, borrowers are facing increasing input costs, affecting their bottom line profitability and disposable incomes. These factors may weigh on the asset quality of the local banks.

DBS, OCBC and UOB derive approximately 70-80% of their operating income from Singapore and the Southeast Asia region. The Asian Development Bank has reduced the growth forecast in Asia from 4.9% to 4.6% and lowered the SEA growth expectation from 5.0% to 4.7% in 2023.

Key Sectors

NPL ratios across all sectors have decreased throughout 2022. The transport, storage and communications sectors continue to exhibit higher NPL ratios than other sectors. This is a lag impact of the pandemic. There were marginal increases in NPLs among professional services and, separately, construction in Q4 2022 which was likely driven by inflationary pressures and an increase in interest rates.

NPL Market Outlook

The NPL exposures of major Singapore banks are generally manageable through the usual resolution and workout processes. As a result, Singapore remains generally inactive as a market for NPL portfolio transactions. We expect any portfolio sales in the near future to act primarily as a mechanism for reducing overseas exposures.

South Korea | Banking Landscape

The banking sector in South Korea remained stable in 2022 with total assets increasing and profitability and asset quality remaining flat. However, there may be an uptick in credit losses amid increasing provisioning trends. The possibility of liquidity risk within the non-banking sector is also a concern in the context of increasing project financing ("PF") loan balances.

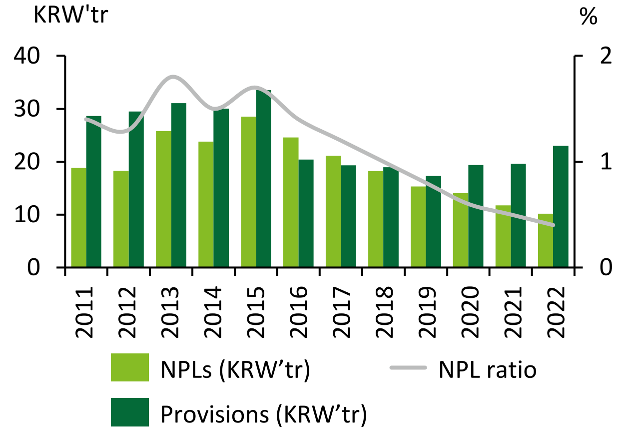
Banking Landscape

The banking sector in South Korea remained stable in 2022, with total assets increasing and stable profitability and asset quality. Banking system NPLs fell to KRW10tr, the lowest in recent years. This may be driven by the effects of the government measures taken to support the economy during the Covid-19 pandemic and with these measures set to expire shortly, NPL rates could rise again. The provisions for bad debt have been increasing since 2019.

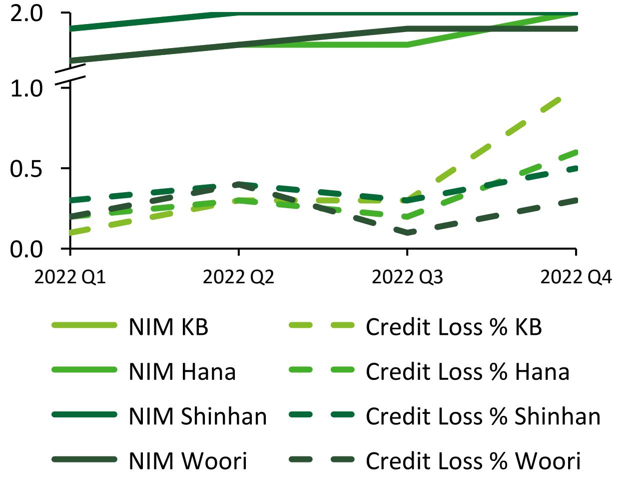
The top banks' NIM in 2022 showed an upward trend quarter by quarter. The average NIM of top banks reached 1.9% in 2022, an increase of 0.2% from 1.7% in 2021. This is largely a result of increasing interest rates offsetting a sharp drop in non-interest margins such as fees and securities profits. However, we are cautious about the possibility of increasing credit losses in the future as the sub-standard loan ratio is rising.

The non-banking sector in South Korea is exposed to liquidity risk with increased PF loans. PF loans have historically been handled passively among banks due to the PF insolvencies between 2011 to 2013. The bulk of PF loans are extended primarily from the non-banking sector. As of 30 September 2022, the PF loan balance in the banking and non-banking sector peaked at KRW117tr. The increase is mainly a result of a surge of loans from the non-banking sector which accounts for approximately 74% of the total balance. Non-bank sectors have increased PF loans in an effort to diversify and improve profitability.

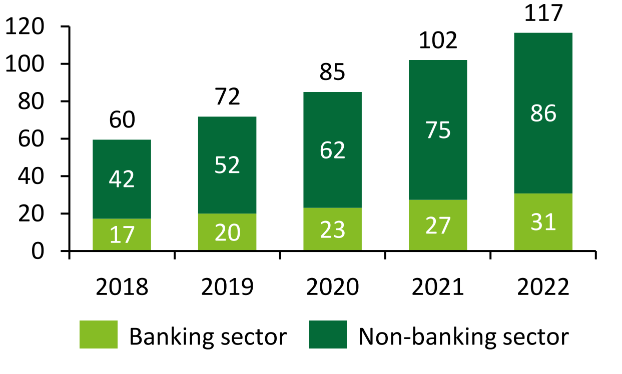
Banking System NPLs (KRW'tr)



NIM & Credit Loss (%) - Top Banks



PF loan balance (KRW'tr)

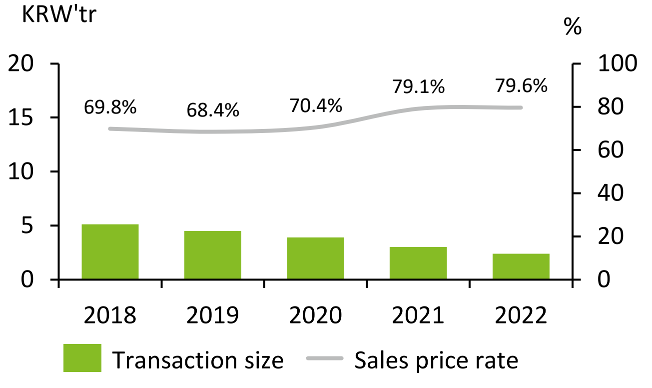


Source: Financial Supervisory Service ("FSS"), Economic Statistics System, Bank of Korea, published financial accounts as of December 2022

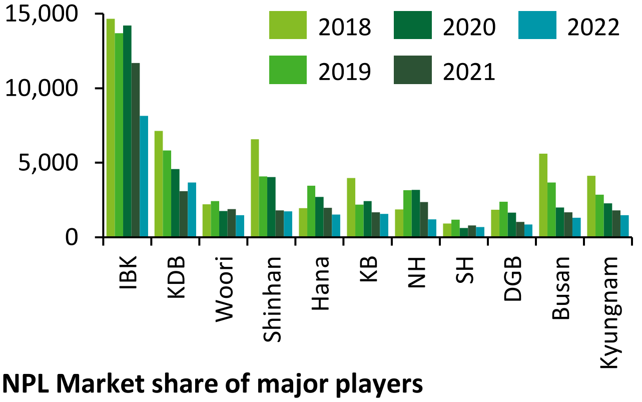
South Korea | NPL Market Landscape

In 2022, the NPL transaction size in South Korea fell to KRW2.4tr, down by KRW0.6tr compared to 2021. The NPL sales price to Outstanding Principal Balance ("OPB") ratio peaked in 2022, the highest rate since 2017. According to industry experts, the NPL market will reach KRW5tr as a result of challenges such as the real estate market contraction and increasing interest rates

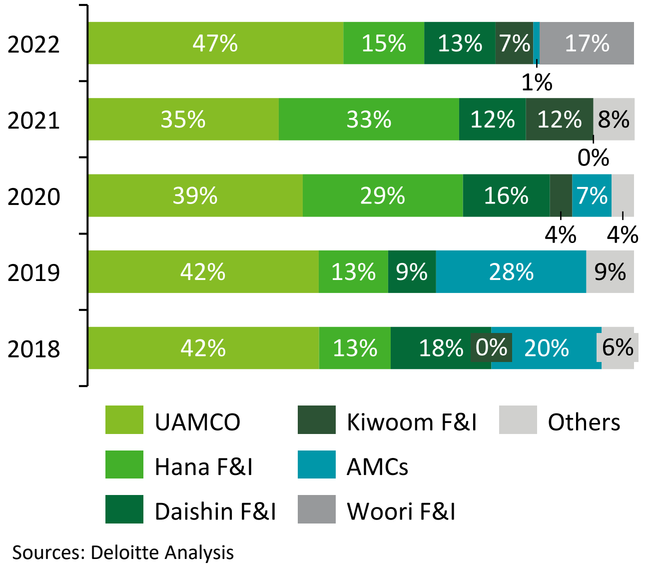
NPL Transaction size and sales price rate (KRW'tr)



NPL deal size by banks (KRW'bn)



NPL Market share of major players



Sources: Deloitte Analysis

NPL Landscape and Market Development

South Korea's NPL market peaked at KRW6.5tr in 2012, reducing to KRW2.4tr in 2022. The market size has been subdued as the government extended support during the Covid-19 the crisis.

The NPL sales price to OPB-ratio has increased consistently since 2019. This was mainly a result of lower interest rates and abundant liquidity in the market, major players' efforts to expand their market share, and the stimulus measures implemented by the Korean Government.

In the NPL sales market, IBK, which focuses on corporate, had the most significant volume of NPL sales from 2018 to 2022.

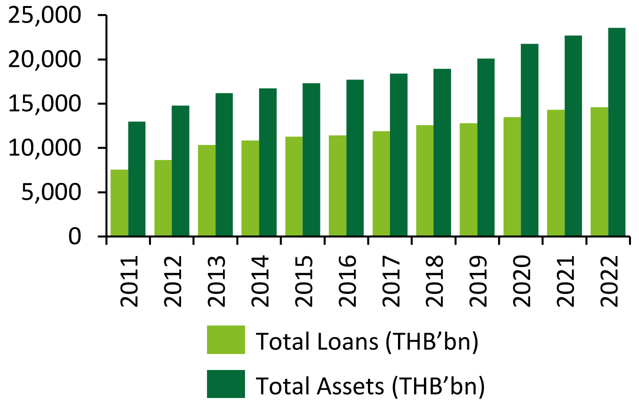
In the second half of 2022, household loan delinquencies are on the rise due to high interest rates and falling housing prices.

In the NPL buying market, the four big players (UAMCO, Hana F&I, Daishin F&I and Woori F&I) represented 92% of total NPL transactions in 2022. United Asset Management (UAMCO) transacted 47% of the total NPL market sales in 2022, a 12% increase from 2021.

Thailand | Banking Landscape

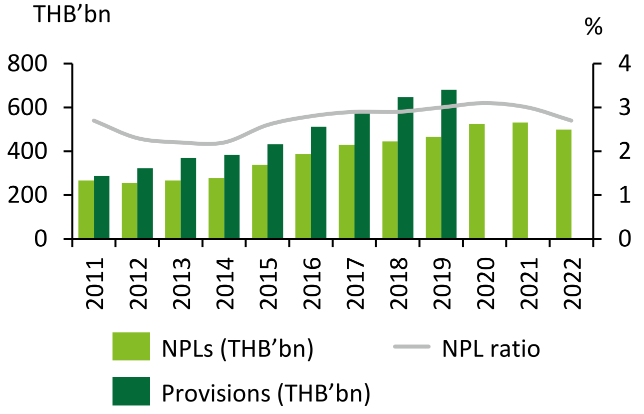
Thai banks are navigating a shifting landscape focused on supporting growth and sustainability amidst rising costs, interest rates and the lingering impacts of the pandemic (in an economy which is heavily reliant on tourism).

Banking System Assets (THB'bn)



Source: Bank of Thailand

Banking System NPLs (THB'bn)



Source: Bank of Thailand

Although the Thai banking sector has experienced slower loan growth in 2022 compared to previous years, it continues to receive backing from major corporations and the government. It is expected that there will be significant growth in corporate loans in the trading sector, as well as mortgage and personal loans in 2023.

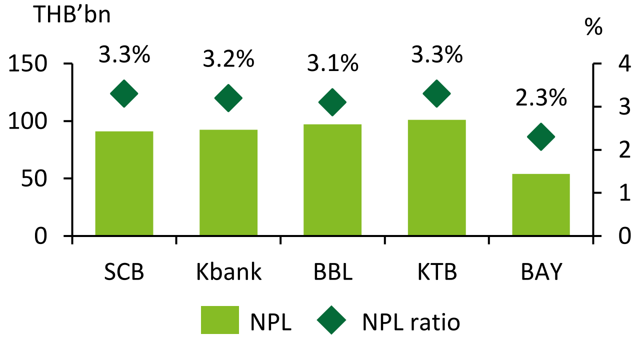
Thai banks have been actively engaging in debt restructuring and deleveraging plans with businesses that are grappling with rising costs.

The increased costs and interest rates have reduced disposable incomes in households and corporates. Although the debt-to-GDP ratios seem to be improving, many borrowers are still struggling to recover from the pandemic-related stresses. This has raised concerns about the quality of assets held by Thai banks.

The NPL ratio has decreased from 3.1% at the height of the pandemic to 2.7% in 2022. However, this number is likely to plateau in 2023 where the NPL rates are expected to hold between 2.6% to 2.8%.

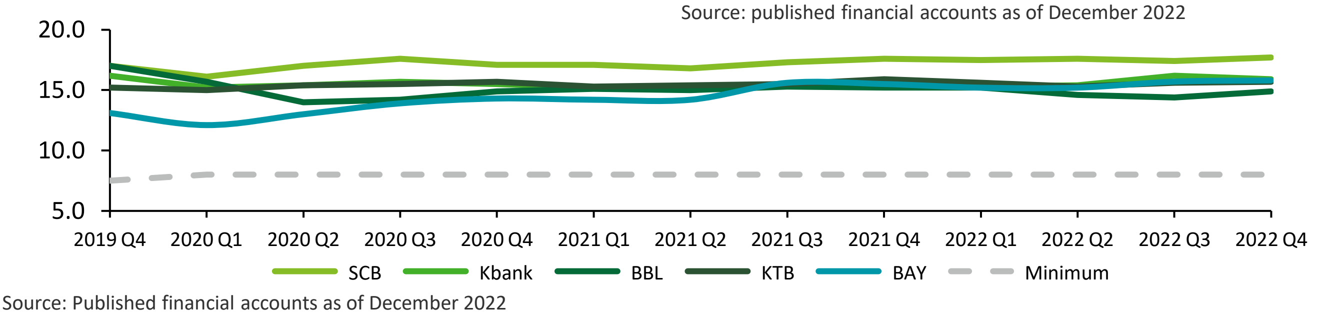
The CET 1 ratios for the top banks in Thailand range from 15-18%, well above the minimum set by the banking authorities.

Gross NPLs (THB'bn)



Source: published financial accounts as of December 2022

CET 1 Ratio (%)

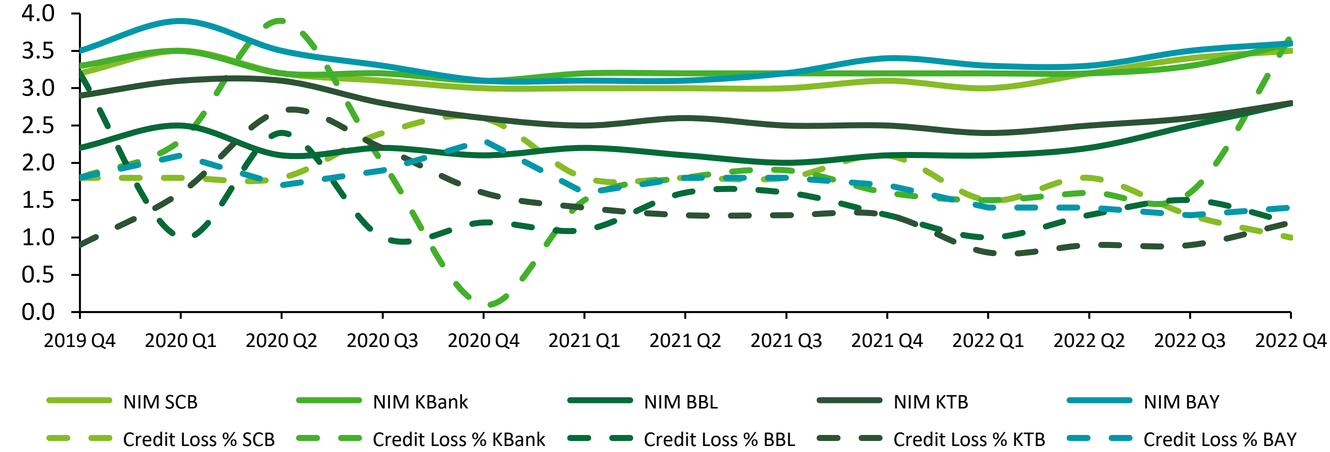


Source: Published financial accounts as of December 2022

Thailand | NIM and NPL

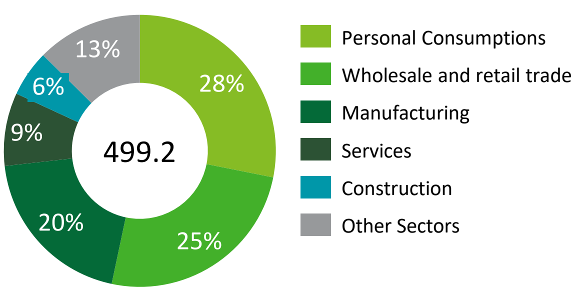
Thailand's financial sector is embracing technology for growth to power profitability and sale participation.

NIM & Credit Loss (%) **– Top Banks**



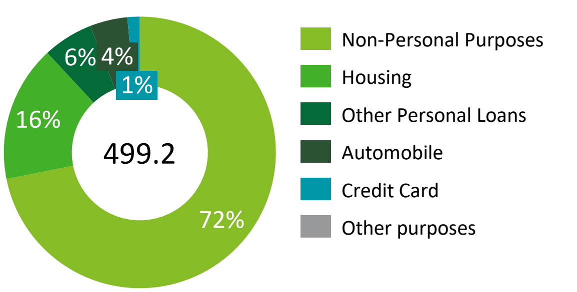
Source: Published financial accounts as of December 2022

NPLs by Sectors (%, THB'bn)



Source: Bank of Thailand

NPLs by Purpose (%, THB'bn)



Source: Bank of Thailand

On the Horizon

The general upward trend of interest rates and the lower provisions for expenses has created a steady growth in the bank's net interest margin which in turn has improved the overall profitability of the top banks.

The Thai financial sector is undergoing a digital transformation, with many industry players shifting their business models and utilising data and technology to create new products and services for customers. The financial sector aims to capitalise on new technologies to provide a full-suite digital experience and offer services to all users. The Bank of Thailand has set a key direction to support the financial sector in leveraging technology and innovation to balance innovation and risk management, thus creating a new framework for virtual banking.

One of the key policies implemented by the Bank of Thailand is that virtual banks should operate in a sustainable manner, without excessive leverage and limiting abuse of dominant market positions that may pose a risk to financial stability.

Vietnam | Banking Landscape

Vietnam saw significant banking asset growth of 39% between 2020 and 2022 despite economic headwinds. Reported NPL ratios increased from 1.7% in 2020 to 2.0% in 2022. The NPL ratios are anticipated to continue to rise in 2023 due to stress from the real estate and construction sector and higher funding costs that could impact bank profitability.

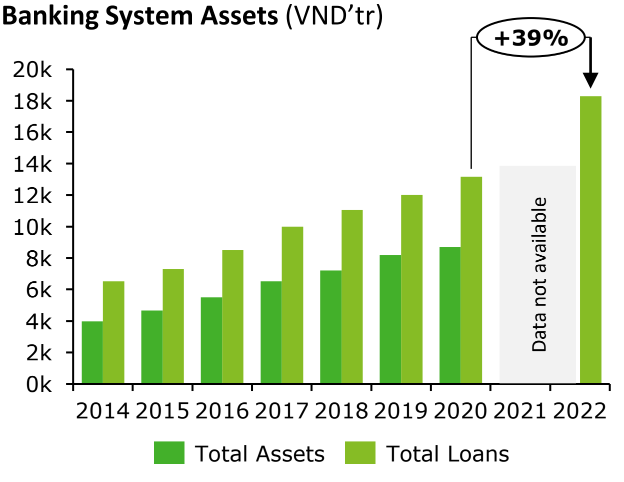
Recent Banking Landscape

NPL ratios increased from 1.5% in 2021 to 2.0% in 2022. Banks are under increasing pressure to manage risk effectively and ensure that new loans are assessed appropriately and within the regulatory framework.

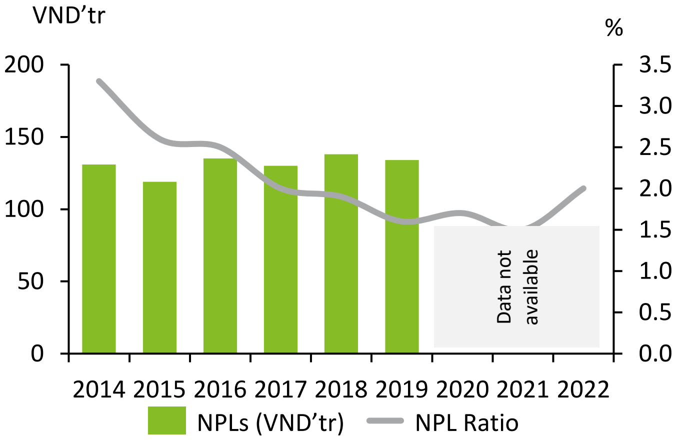
In 2023, NPL ratios are expected to increase to 2.5% due to stress in the real estate / construction sector, coupled with higher funding costs that may affect bank profitability.

To support economic growth and address the funding challenges that some companies may face, the State Bank of Vietnam ("SBV") has increased its credit growth cap.

Banking System Assets (VND'tr)



Banking System NPLs (VND'tr)



Government Initiatives

NPLs have been kept relatively controlled in recent years with Resolution 42 and the efforts of the Vietnam Asset Management Company ("VAMC") to buy NPLs from banks.

VAMC also introduced a Debt Exchange in October 2021 with the aim of helping banks to resolve bad debts by providing a debt market.

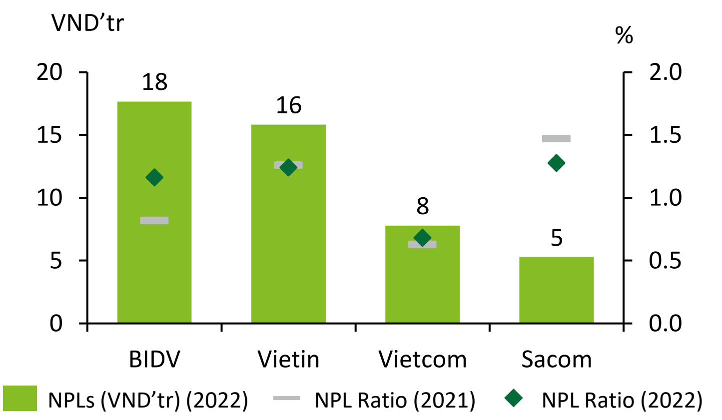
In 2022, SBV issued further requests to the VAMC and banks to continue to accelerate the implementation of Resolution 42 by coordinating with the relevant authorities, accelerate collateral sales, and utilise simplified court processes.

Outlook

The annual reports of the major Vietnamese banks indicate that they have allocated resources towards deploying initiatives to expedite their collection processes. These measures included revising internal processes and enhancing infrastructure.

In March 2023, the Prime Minister formed a Steering Committee for Restructuring the System of Credit Institution to focus specifically on addressing the challenges of Resolution 42. The aim is to speed up the resolution of NPLs and rectify issues within the framework, such as enhancing the legal framework and collateral enforcement process.

Gross NPLs (VND'tr)

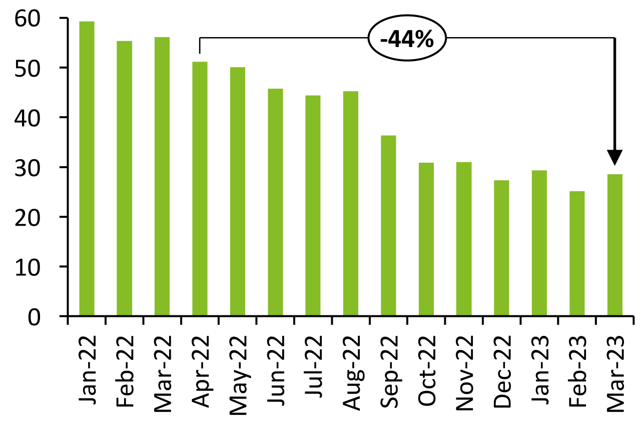


Sources: Published financial accounts, Moody's, State Bank of Vietnam, Vietnam Asset Management Company

Vietnam | Market Developments

The real estate market in Asia has experienced significant disruption, and Vietnam is not immune. These events, combined with an increase in interest rates, inflation and economic uncertainty, have resulted in decreased demand for real estate developments. Banks will need to carefully manage their real estate exposures in 2023.

Vietnam Real Estate Market Capitalisation (USD'b)



Recent Events

The Vietnam real estate sector, which contributes to approximately 3.5% of the country's GDP, has experienced growth in recent years. However, in 2022, a series of arrests of property executives for alleged fraud caused widespread concern in the market, leading to a material contraction in equities. This resulted in the Vietnam real estate market capitlisation falling by 44% in the 12 months up to March 2023.

The alleged frauds also contributed to the collapse of the bond market putting pressure on corporate liquidity and the banking system.

Impact of the Real Estate Sector on Banks

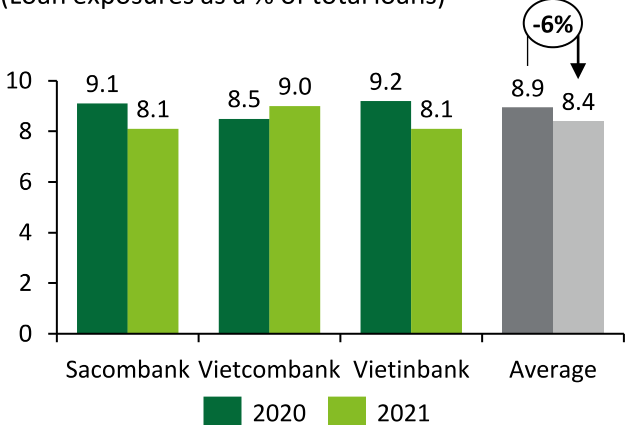
The loss of confidence in the real estate sector, coupled with a slowdown in property demand due to rising interest rates, higher inflation, and general economic uncertainties, could have significant negative impact on Vietnamese banks, whose exposure to real estate / construction sectors is around 10% of their total exposures. Therefore, it is imperative for banks to exercise caution, closely monitor their real estate / construction exposures in the coming quarters, and intervene early if red flags appear.

Banks may also want to consider proactively reducing their exposures to the real estate market.

In the first two months of 2023, data from the General Statistics Office indicates that the number of dissolved businesses operating in the real estate sector increased by almost 20% compared to the same period in the previous year (235 business in the same period).

Real Estate / Construction Loan Exposures

(Loan exposures as a % of total loans)



Sources: S&P Capital IQ, published financial accounts, EIU, General Statistics Office of Vietnam

About Deloitte PLAS

Deloitte's Portfolio Lead Advisory Services team ("PLAS") is a global market leading practice specialising in end-to-end solutions across non-core and non-performing loan portfolios covering deleveraging and strategic advisory, transaction advisory and support, and balance sheet advisory. Our team has advised governments, financial institutions, regulatory authorities, and global investors on deleveraging and loan portfolio transactions across every major asset class covering over +$500 billion of assets

Strategic advisory

Advising financial institutions on loan portfolio analysis; development and implementation of strategic deleveraging options; structural and operational opportunities to maximise value including bad bank establishment, operational carve outs, operational wind-downs and outsourced servicing

Sell-side advisory

Full-service market advisory to financial institutions and sellers of loan portfolios from strategy and preparation to sales execution

Buy-side assistance

Supporting investors with all aspects of due diligence on loan portfolios including analysis, understanding, and pricing

Balance sheet advisory

Advising financial institutions on their capital / liability strategies and options, credit risk management, and de-risking tools. Comprehensive support in stakeholder outreach

Portfolio Lead Advisory Services

01 Balance sheet advisory & capital optimisation

- Capital advisory and solutions, RWA optimisation / asset de-risking / issuance planning and optimisation
- Capital target positioning
- Resolution planning / capital allocation
- Capital performance benchmarking
- Liquidity risk management advisory
- Market intelligence on regulatory, rating agency, and investor developments

02 Strategic deleveraging options

- Identifying the optimal route to disposing of non-core assets

03 Portfolio optimisation

- Helping you identify the optimal portfolio composition to maximise price and minimise P&L and capital impact

04 Data analytics and insights

- Helping you understand the quality and integrity of your data
- We have a very good understanding of the data requirements and expectations of key investors in the loan portfolio market

05 Market analysis/ Transaction preparation

- Helping you understand the market, buyers and key transaction considerations
- We can assist you in the main areas requiring preparation:
  - Data
  - Documents
  - Legal due diligence

06 Portfolio pricing

- Helping you understand the market price of non-core assets

07 Lead advisory execution & transaction support

- Managing and leading the execution of the transaction from preparing marketing materials, advising on process to liaising with investors
- Assisting you in preparing assets and operations for disposal
- We will provide sufficient resources and co-ordinate all workstreams, ensuring that the transaction runs smoothly with a minimal burden on you

08 Migration & operational wind down

- Advising and assisting with the transfer of assets and wind down of non-core operations

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Glossary

Abbreviation	Definition
ABC	Agricultural Bank of China
ABS	Australian Bureau of Statistics
ADI	Authorised Deposit Institutions
AIF	Alternative Investment Fund
AMC	Asset Management Company
APAC	Asia Pacific
ARC	Asset Reconstruction Companies
APRA	Australian Prudential Regulation Authority
AUD	Australian Dollar
BAY	Bank of Ayudhya
BBL	Bangkok Bank
BCA	Bank Central Asia
BI	Bank Indonesia
BIDV	Bank for Investment and Development of Vietnam
Bn	Billion
BNM	Bank Negara Malaysia
BNPL	Buy-Now-Pay-Later
BOB	Bank of Baroda
BOC	Bank of China
BOCOM	Bank of Communications
BOI	Bank of India
BOJ	Bank of Japan
BOK	Bank of Korea
BRI	Bank Rakyat Indonesia
Busan	BNK Busan Bank
CAD	Current Account Deficits
CBIRC	China Banking and Insurance Regulatory Commission
CCB	China Construction Bank
CCF	Credit Conversion Factor
CET 1 ratio	Common Equity Tier 1 Ratio
CIMB	Commerce International Merchant Bankers Berhad
c	Circa or approximately
DBS	Development Bank of Singapore
DGB	Daegu Bank
ECB	European Central Bank
FY	Financial Year
GDP	Gross Domestic Product
Hana	KEB Hana Bank
IBC	Insolvency and Bankruptcy Code
IBK	Industrial Bank of Korea
ICBC	Industrial & Commercial Bank of China
IDR	Indonesian Rupiah
IMF	International Monetary Fund
INR	Indian Rupee
JPY	Japanese Yen
KB	KB Financial Group
Kbank	Kasikorn Bank
KDB	Korea Development Bank
KRW	South Korean Won
KTB	Krungthai Bank
LGD	Loss Given Default

Abbreviation	Definition
M&A	Mergers and Acquisitions
MAS	Monetary Authority of Singapore
MSME	Micro, Small & Medium Enterprises
MUFJ	Mitsubishi UFJ Financial Group
NARCL	National Asset Reconstruction Company
NBFC	Non-Banking Financial Company
NDRC	National Development and Reform Commission
NH	NongHyup Bank
NIM	Net Interest Margin
NPA	Non-performing Assets
NPL	Non-performing Loans
OCBC	Oversea-Chinese Banking Corporation
OJK	Otoritas Jasa Keuangan (Financial Services Authority of Indonesia)
OPB	Outstanding Principal Balance
OPR	Overnight Policy Rate
PBOC	People's Bank of China
PF	Project Finance
PLAS	Deloitte’s Portfolio Lead Advisory Services team
PNB	Punjab National Bank
POJK	Policies set by the OJK
PRC	People's Republic of China
RBA	Reserve Bank of Australia
RBI	Reserve Bank of India
RBNZ	Reserve Bank of New Zealand
RE	Real Estate
RHB	Rashid Hussein Bank
RM	Malaysia Ringgit
RMB	Chinese Yuan
ROE	Return on Equity
RWA	Risk-weighted Assets
SARFAESI	Securitisation and Reconstruction of Financial Assets and Enforcement Security Interest Act
SBI	State Bank of India
SBV	State Bank of Vietnam
SCB	Siam Commercial Bank
SEBI	Securities and Exchange Board of India
SGD	Singapore Dollar
SME	Small and Medium-sized Enterprises
SMFG	Sumitomo Mitsui Financial Group
SMTG	Sumitomo Mitsui Trust Group
SPV	Special Purpose Vehicle
THB	Thailand Baht
Tr	Trillion
TFF	Term Funding Facility
UAMCO	United Asset Management Company
UOB	United Overseas Bank
US	United States of America
USD	United States Dollar
VAMC	Vietnam Asset Management Company
VND	Vietnam Dong

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Notes