

# What Keeps CROs awake at night?

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RISK MANAGEMENT CONFERENCE

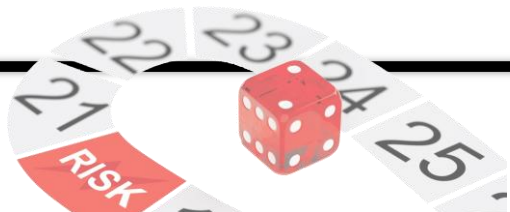
**NAVIGATING THE NEW PLAYING FIELD**

PARKROYAL HOTEL  
KUALA LUMPUR  
11-12 NOVEMBER 2013

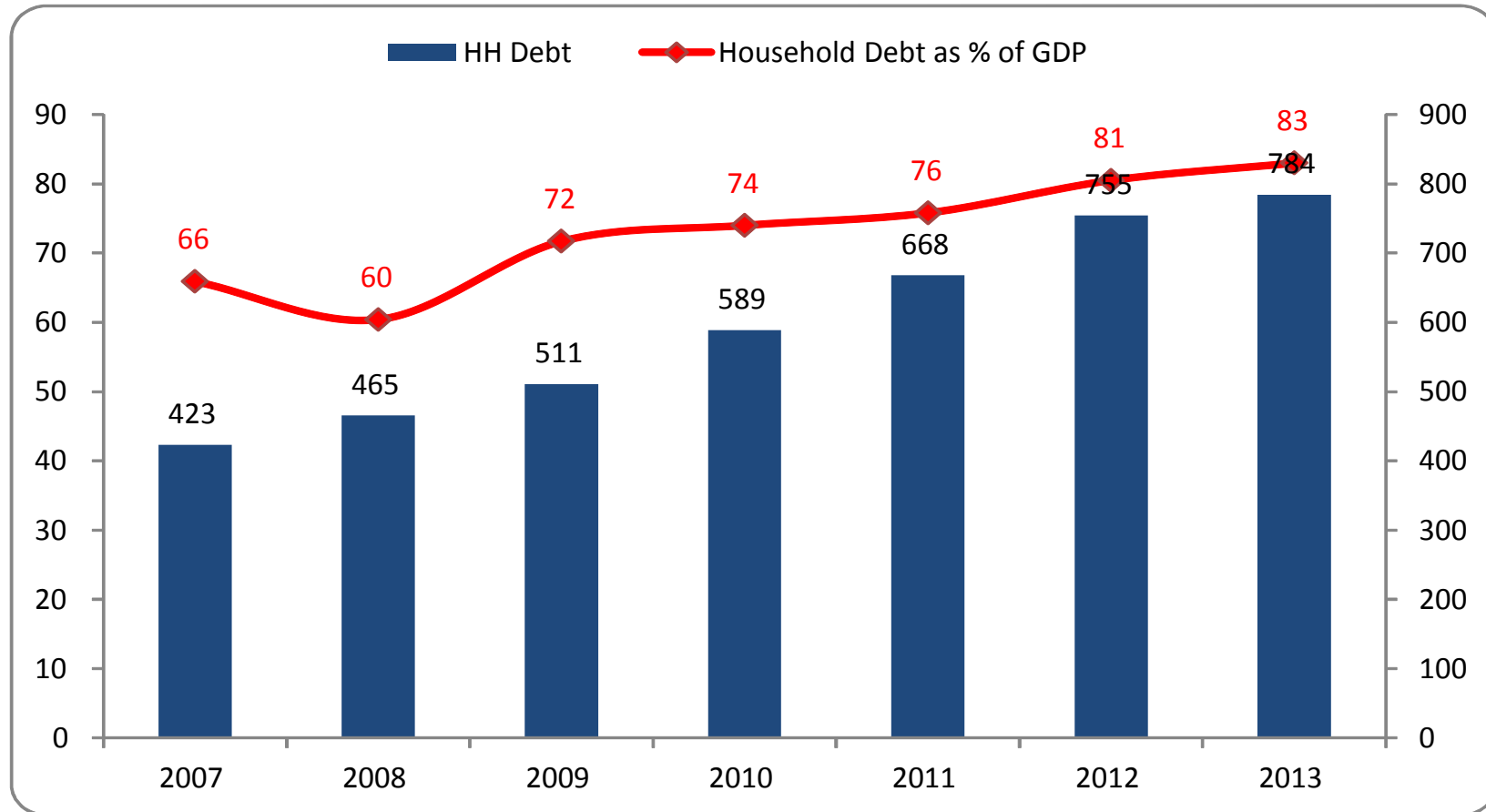


## Presentation Coverage

- The Rise and Rise of Household Debt
- Where is the debt concentrated?
- House Price Index – where is it headed?
  - Trends with other markets
  - Supply Overhang
- NBFII Debt – what are the implications on the overall Debt?
- Have NPL rates bottomed out?
- In Summary



# HOUSEHOLD DEBT



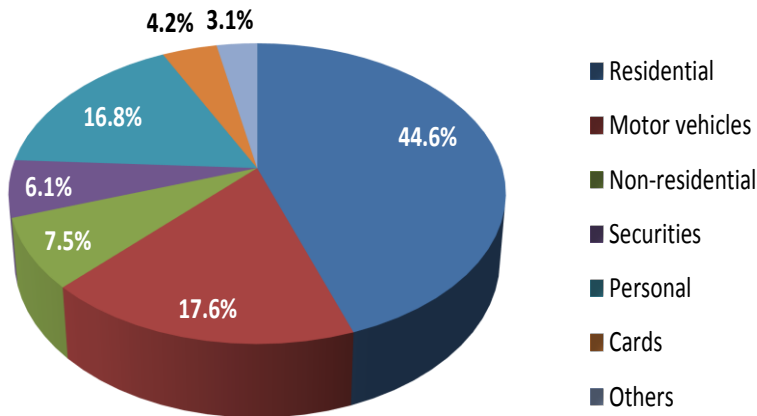
Source: Bank Negara Malaysia Financial  
Stability and Payment Systems Report (various)

- Is the rise in Household Debt likely to stop?
- Are the tightening measures sufficient to stop the increasing trend?
- Are we missing anything?



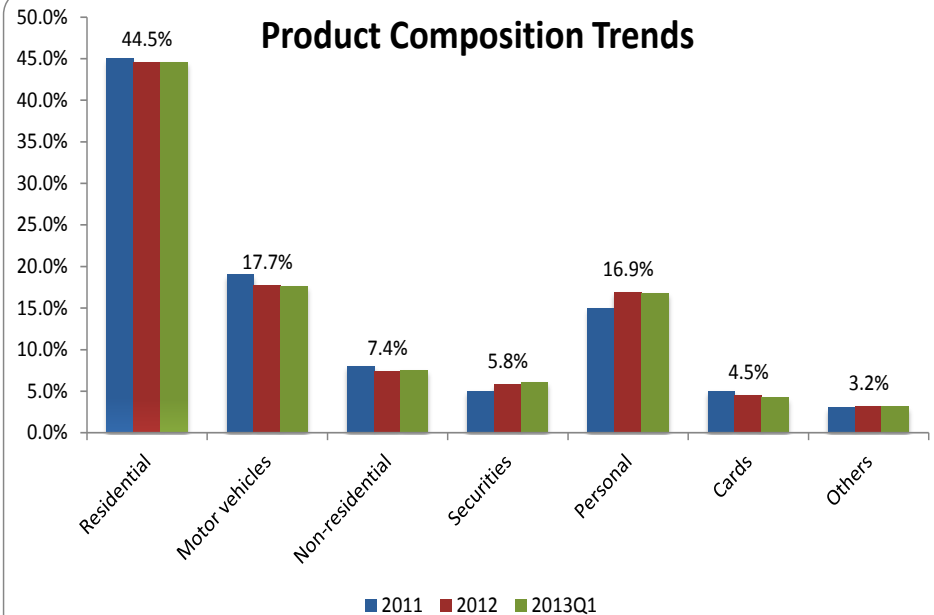
# HOUSEHOLD DEBT

## Composition by Product - Q1-2013



Source: Bank Negara Malaysia Financial Stability and Payment Systems Report (various)

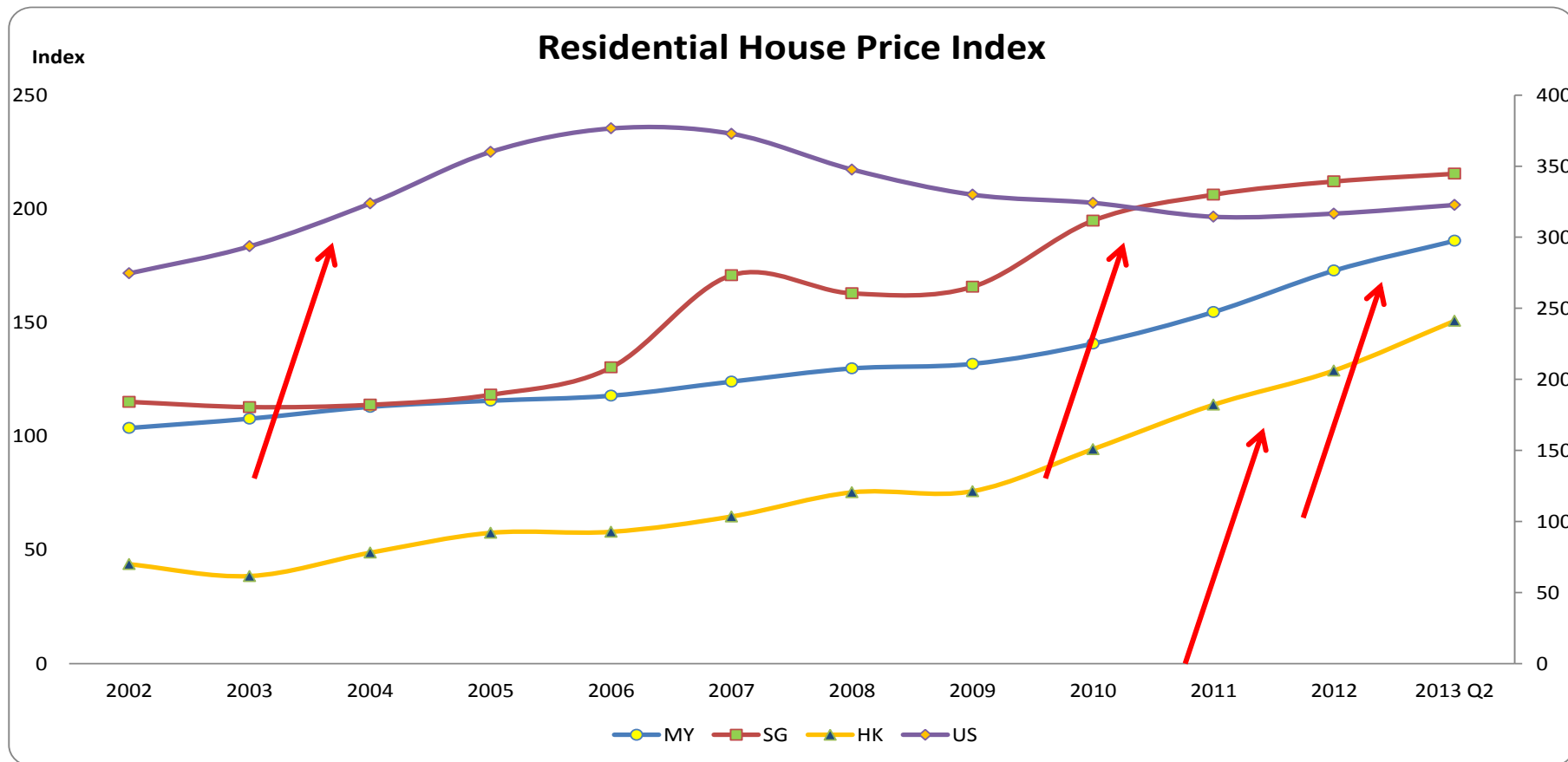
## Product Composition Trends



Source: Bank Negara Malaysia Financial Stability and Payment Systems Report (2012)

- 45% in Residential Mortgages, but 20% in Unsecured Debt?
- Why is HH Debt growing especially in Residential Property Loans and Unsecured Personal Loans?
- Have the guidelines really impacted lending?



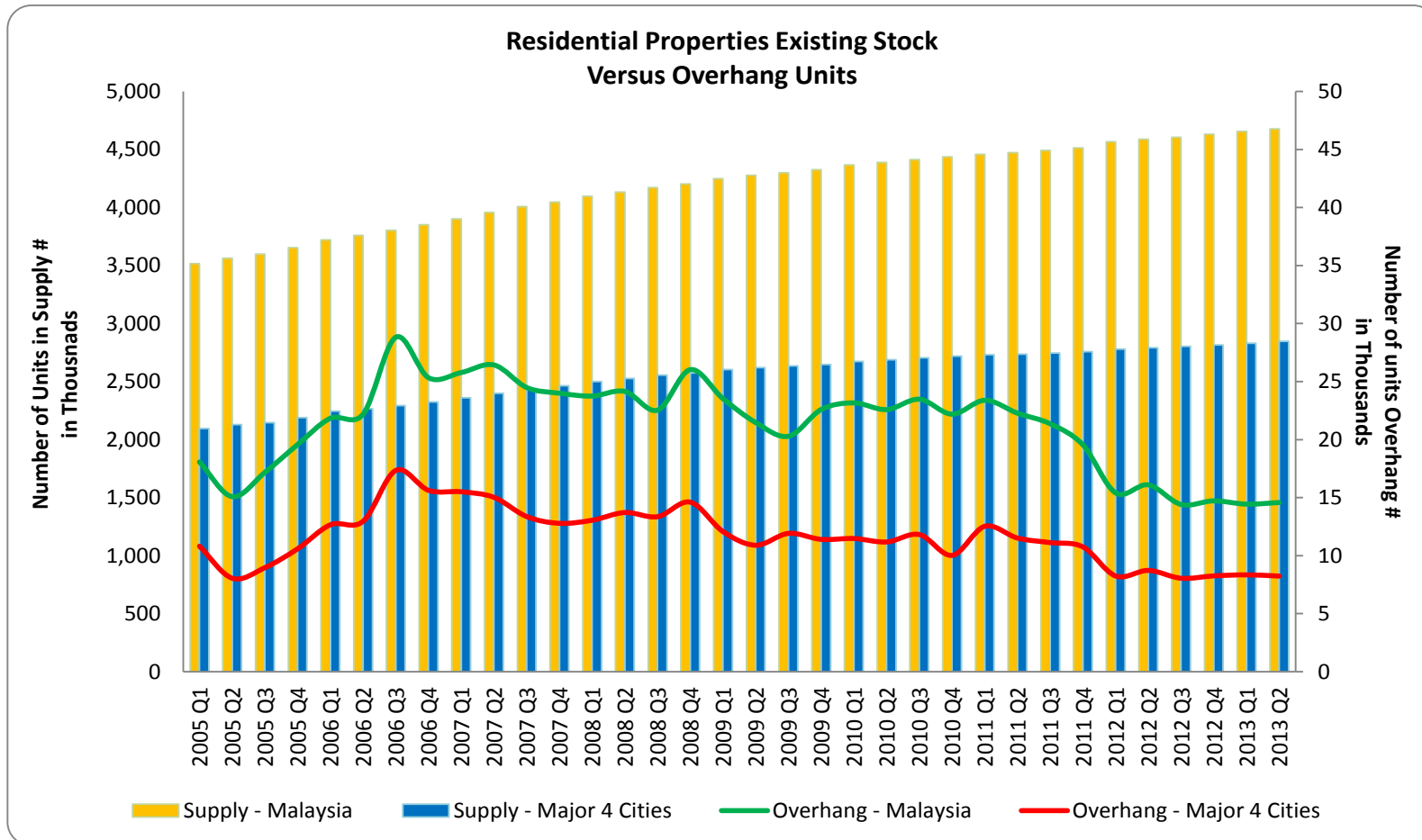


- Have we reached the Top of the HPI Curve?
- Looking at the US HPI Trends, is the Asian Mortgage Bubble about to burst?
- Malaysia HPI trend since 2008 – How worried should we be?

\*Source:  
 MY: Valuation and Property Services Department  
 SG: Department of Statistics Singapore  
 HK: HK Rating and Valuation Department  
 US: Federal Housing Finance Agency



# SUPPLY OVERHANG



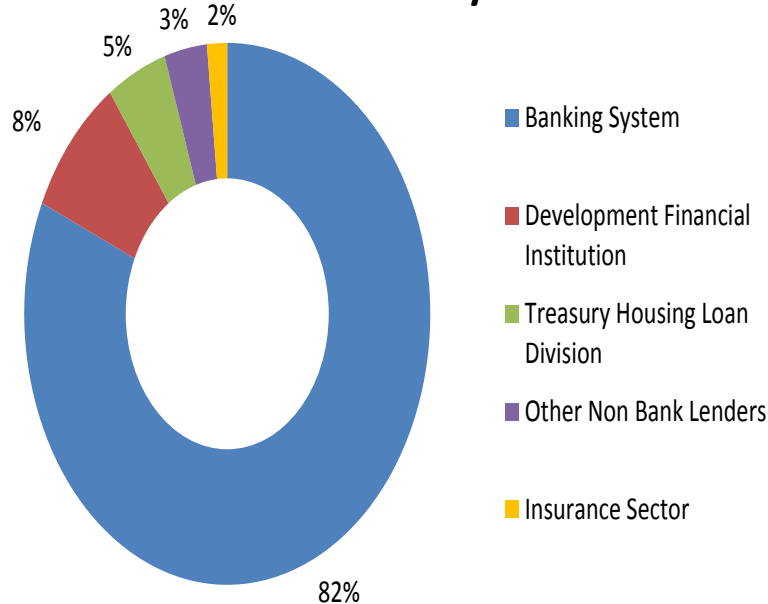
*\* Source: Valuation and Property Services Department*

- **Supply continues to grow. Overhang – as defined by incomplete units – is not a challenge.**
- **Do we understand the challenge posed by vacant units? What risk does that create?**
- **What risk does DIBS pose?**



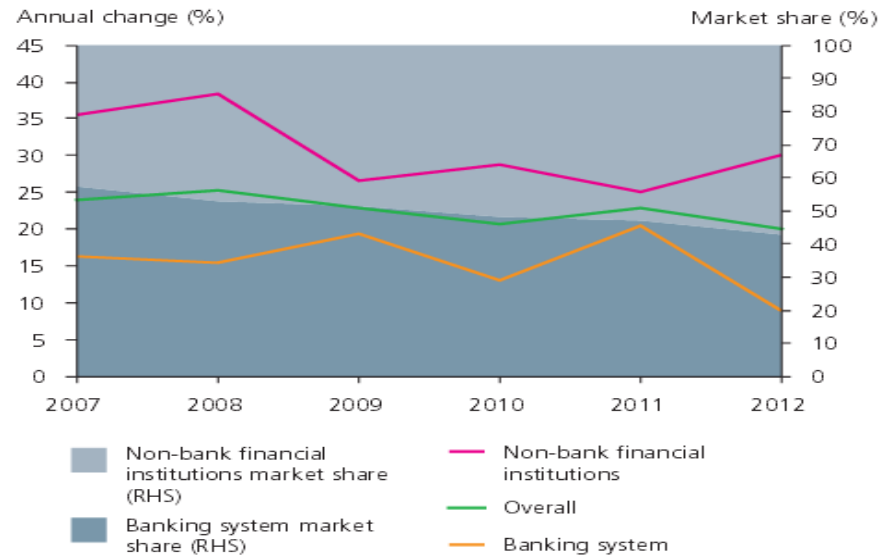
## GROWTH IN NBFI DEBT

### Household Debt by Lender



Source: Bank Negara Malaysia Financial Stability and Payment Systems Report (2012)

### Household Sector: Annual Change and Market Share of Personal Financing by Banks and Non-bank Financial Institutions



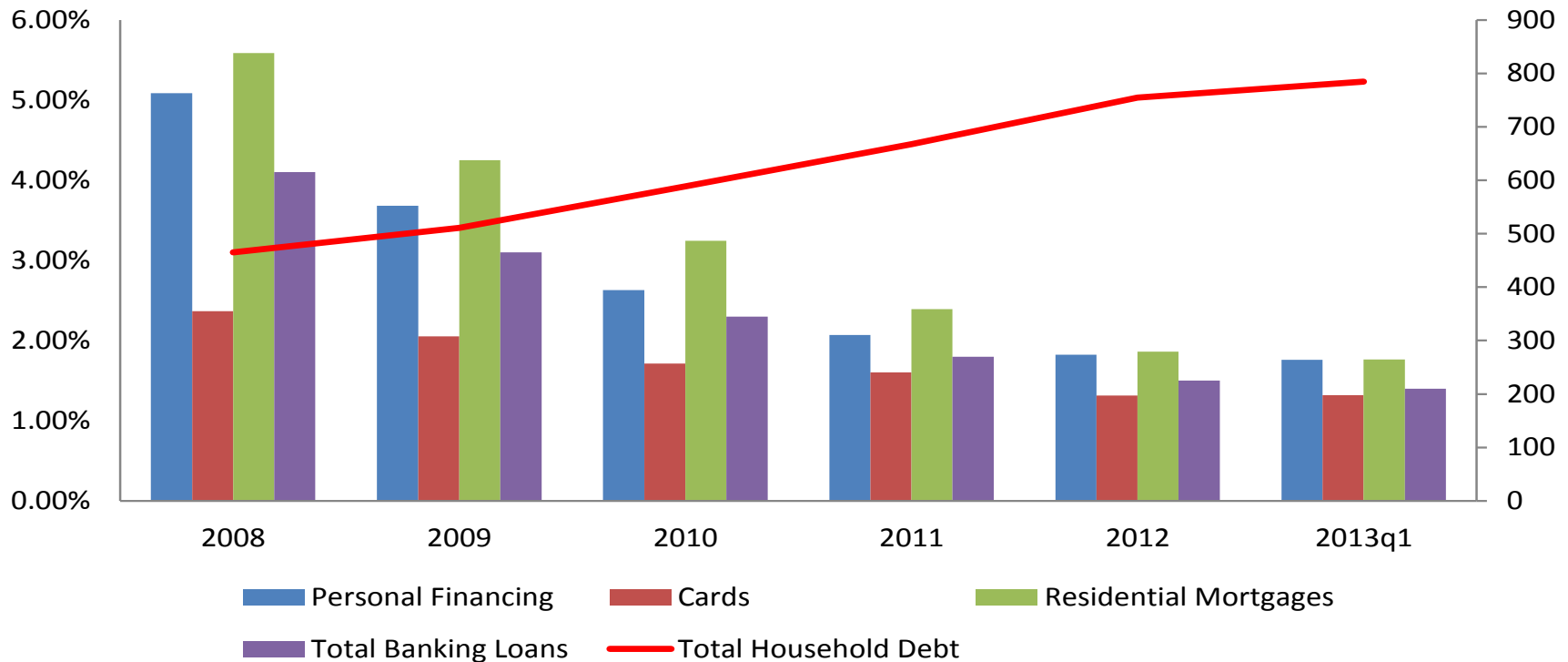
Source: Bank Negara Malaysia Financial Stability and Payment Systems Report (2012)

- Growth rates in Personal Financing for NBFI have continued to grow sharply despite BNM guidelines on responsible finance and cards.
- Main composition of NBFI debt ( 80%) is through personal financing.
- This debt not being reported to CCRIS – creates a problem of “Unknown” for Banks.
- In an economic crisis, what does Risk does this add ?



# IMPAIRMENT RATES

## Impairment Rate Trends



Source: Bank Negara Malaysia monthly statistics

- Have impairment rates bottomed out?
- How much of the NPL reduction is due to the base effects?
- In a crisis, with impairment rates close to 2008, what impact does the higher volume create?





# IN SUMMARY

- Household Debt position is a source of concern.
- New measures by BNM are definitely in the right direction and will help in the long run.
- Real Estate Market needs to be watched in 2014 post the new measures on RPGT / DIBS and Refinancing.
- CCRIS Information – needs to be augmented with NBFIs Debt so that the full picture on debt leverage is available to all lenders.
- NPL trends are comforting but should not become complacent as the combination of base effect and good economy can easily be reversed in a downturn.
- Stay Vigilant – Be Prudent!

