Annex 1

Illustrative list of information that may be relevant in assessing changes in credit risk

a. significant changes in internal pricing factors of credit risk as a result of a change in credit risk since inception, including, but not limited to, the credit spread that would result if a particular financial instrument or similar financial instrument with the same terms and the same counterparty were newly originated or issued at the reporting date.

b. other changes in the rates or terms of an existing financial instrument that would be significantly different if the instrument was newly originated or issued at the reporting date (such as more stringent covenants, increased amounts of collateral or guarantees, lower loan-to-value (LTV) ratio, or higher income coverage) because of changes in the credit risk of the financial instrument since initial recognition.

c. significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life. Changes in market indicators of credit risk include, but are not limited to:

   (i) the credit spread;

   (ii) the credit default swap prices for the borrower;

   (iii) the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost; and

   (iv) other market information related to the borrower, such as changes in the price of a borrower's debt and equity instruments.

d. an actual or expected significant change in the financial instrument's external credit rating.

e. an actual or expected internal credit rating downgrade for the borrower or decrease in behavioural scoring used to assess credit risk internally

f. existing or forecasted adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations, such as an actual or expected increase in interest rates or an actual or expected significant increase in unemployment rates

g. an actual or expected significant change in the operating results of the borrower. Examples include actual or expected declining revenues or margins, increasing operating risks, working capital deficiencies, decreasing asset quality, increased balance sheet leverage, liquidity, management problems or changes in the scope of business or organisational structure (such as the discontinuance of a segment of the business) that results in a significant change in the borrower’s ability to meet its debt obligations.

h. significant increases in credit risk on other financial instruments of the same issuer/ borrower.

i. an actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower’s ability to meet its debt obligations, such as a decline in the demand for the borrower’s sales product because of a shift in technology.

j. significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower’s economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring. For example, if the value of collateral declines because house prices decline, borrowers in some jurisdictions have a greater incentive to default on their mortgages.

k. a significant change in the quality of the guarantee provided by a shareholder (or an individual’s parents) if the shareholder (or parents) have an incentive and financial ability to prevent default by capital or cash infusion.

l. significant changes, such as reductions in financial support from a parent entity or other affiliate or an actual or expected significant change in the quality of credit enhancement, that are expected to reduce the borrower’s economic incentive to make scheduled contractual payments. Credit quality enhancements or support include the consideration of the financial condition of the guarantor and/or, for interests issued in securitisations, whether subordinated interests are expected to be capable of absorbing ECL (for example, on the loans underlying the security).

m. expected changes in the loan documentation including an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees, delays in review/renewal of the loan account *vis-à-vis* pre-determined schedule or other changes to the contractual framework of the instrument.

n. significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group (for example, an increase in the expected number or extent of delayed contractual payments or significant increases in the expected number of credit card borrowers who are expected to approach or exceed their credit limit or who are expected to be paying the minimum monthly amount).

o. changes in the bank's credit management approach in relation to the financial instrument; ie based on emerging indicators of changes in the credit risk of the financial instrument, the bank's credit risk management practice is expected to become more active or to be focused on managing the instrument, including the instrument becoming more closely monitored or controlled, or the bank specifically intervening with the borrower.

p. bank's stressed exposures which are classified under "Watch-list" or equivalent classification, as reported to the Board or Board-level Committees based on Board approved policies of the bank.

q. past due information.

r. Any delay in payment of fee/ charges from the due date as per the internal policy of the bank.