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NPL Watch 2026

The interim report shows that Asia's NPL ratios remain broadly stable, but risks are diverging across subregions. Machine learning provides sharper foresight, while resolution frameworks and the regional trading platform are progressing. The final report will deliver deeper country case studies and conclusions on what works in practice.

Key Findings

- **Stable but diverging:** Regional NPL ratios held near 1.6%, but subregional gaps widened. East Asia remained stable, while South Asia saw sharp deterioration (Bangladesh >30%, Sri Lanka >12%).
- **Rising volumes**: Total NPLs reached $821 billion in 2025 (+11.5% YoY), with over 70% concentrated in East Asia.
- **Forecasting risk early:** Machine-learning models across 23 economies improved accuracy significantly (Kazakhstan error cut by 69.7%, China by 65.3%). Forecasts show Korea and Malaysia staying low and stable, Thailand trending down, but Mongolia and Kazakhstan remaining elevated due to commodity exposure.
- **Resolution frameworks advancing**: Four structural drivers identified—legal/regulatory, market infrastructure, institutional capacity, and data transparency. Countries are experimenting with debt restructuring programs, stronger collateral enforcement, and AMC-led resolutions.
- **Regional NPL trading platform**: Progress made on data standardization and workflow design, but challenges remain (jurisdictional divergence, confidentiality limits, lack of standardized templates). A non-transactional pilot and regional data repository are planned.