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# The return of balance-sheet discipline in Asia

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A year ago, the debate was about liquidity abundance. Today, the bigger question is who has the funding, appetite and discipline to deploy balance sheet where it matters most.

Demand for trade finance and corporate credit remains strong across Asia. Large corporates continue to seek financing for working capital, inventory and supply-chain investment. Demand is not the constraint.

What has changed is the liquidity position of corporates. Balance sheets are less cash-rich than they were one or two years ago, and companies are increasingly willing to pay for financing. Rising input costs are also being passed through supply chains, reinforcing inflationary pressures and supporting a higher-rate environment.

At the same time, banks face higher funding costs, while risk appetite remains measured. Even large banks in North Asia and ASEAN that historically deployed balance sheet aggressively are becoming more selective. Credit demand is growing, but balance-sheet capacity is not growing at the same pace.

That dynamic is visible in where capital is flowing. A significant share of financing capacity is being directed toward technology and semiconductor ecosystems. Given the sector's strategic importance, that is understandable. What is notable is how much industry-wide balance sheet is converging on the same opportunity. The real test will come later in the cycle, when banks assess whether returns adequately compensated for the concentration of risk accumulated along the way.

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Meanwhile, supply chains continue to regionalize. Intra-Asia corridors are expanding rapidly, while many Chinese-headquartered companies are increasingly pursuing opportunities linking Asia with the Middle East and Europe.

One consequence is that deposits matter again. As banks pursue asset growth in a more selective market, the competition for corporate deposits is intensifying. Funding franchises are becoming a competitive advantage, not just a treasury metric.

Against this backdrop, European banks are performing strongly in Asian trade finance. Their success reinforces a broader lesson: Competitive advantage is increasingly defined by funding strength, corridor

relevance and disciplined balance-sheet allocation, rather than balance-sheet size alone.

For bank leaders, the priorities are clear: Strengthen funding franchises, follow shifting trade corridors and deploy capital with greater precision.

***As credit demand grows and balance sheets become more selective, where are you choosing to deploy capital, and where are you pulling back?***

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www.greenwich.com | ContactUs@greenwich.com

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