



Asia-Pacific Banking Country Snapshots

Stable Ratings As Property Risks Persist

S&P Global
Ratings

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This report does not constitute a rating action

Key Takeaways



Asia-Pacific banks are managing property-sector risks and the vast majority have stable ratings outlooks.



However, we see limited upside ratings potential during 2024, given higher-for-longer interest rates and weaker economic growth.



More so, if downside risks emerge in property or other areas, it could become tougher for banks to maintain outlooks at current levels.

Key Risks



Property sector stress worsens



Economic downside risks intensify



High corporate and government sector leverage



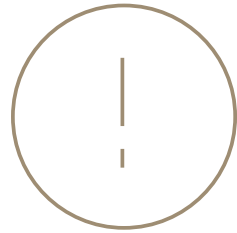
Digitalization, climate change, and cyber to challenge banks' business models

Property Is The Biggest Risk To Financial Institutions Ratings In 2024



Commercial property risks weigh on banks

- Downside commercial property risks could hurt banks' asset quality, particularly in China and Vietnam.
- Commercial real estate in Hong Kong is under pressure, with high vacancy rates.



Some NBFIs are more highly exposed than banks

- China's state-owned AMCs face further impairment losses in 2024 but government support remains strong.
- Korean nonbanks face rising credit risks from real estate project financing.



Residential borrowers grapple with higher interest rates

- Household debt funding residential mortgages is high in Korea, Australia, and New Zealand.
- Banks' asset quality in these jurisdictions remains resilient.



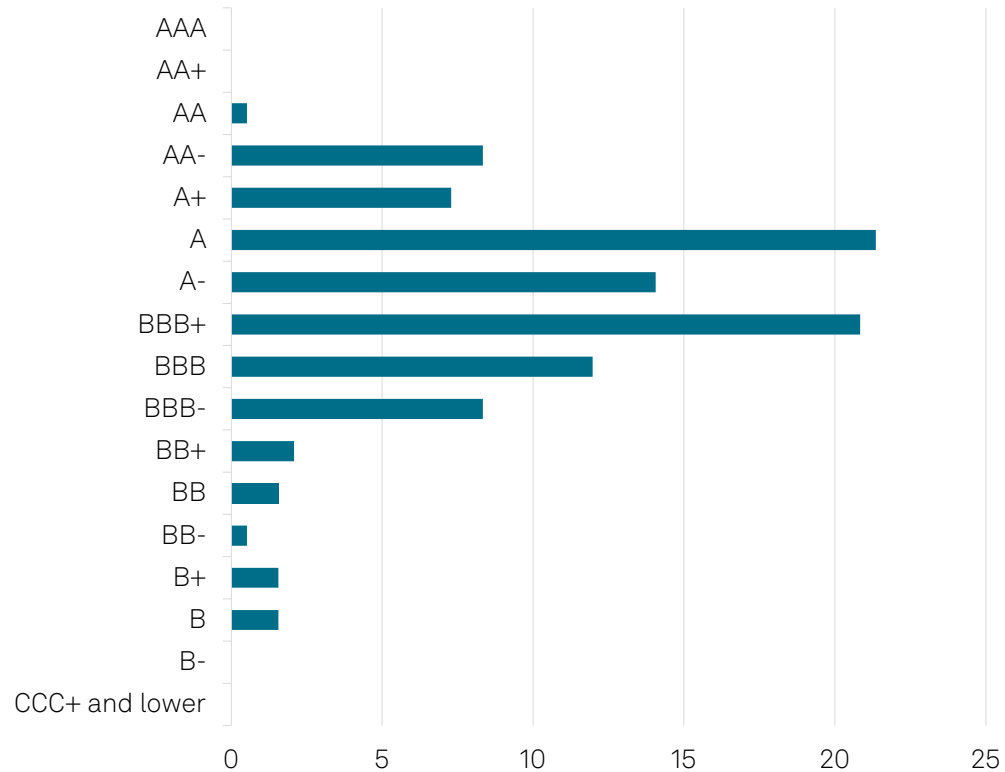
Buffers alleviate concerns

- Profitability and capitalization prospects remain sound for most institutions.
- A downside scenario hitting property outside our current base case would test rating outlooks.

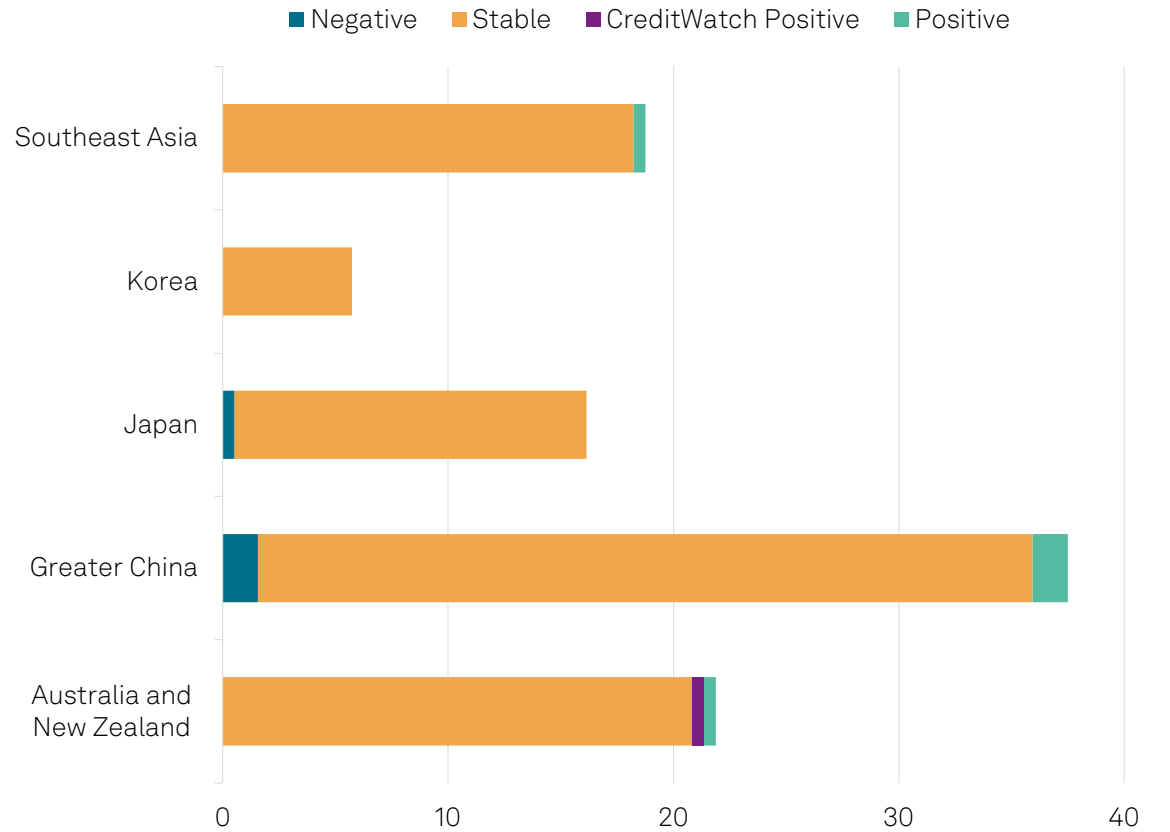
NBFI--Nonbank financial institutions, AMC--Asset management companies.

Ratings Resilient, Outlook Stable As Risks Lurk

Asia-Pacific Banks | Rating Distribution (%)

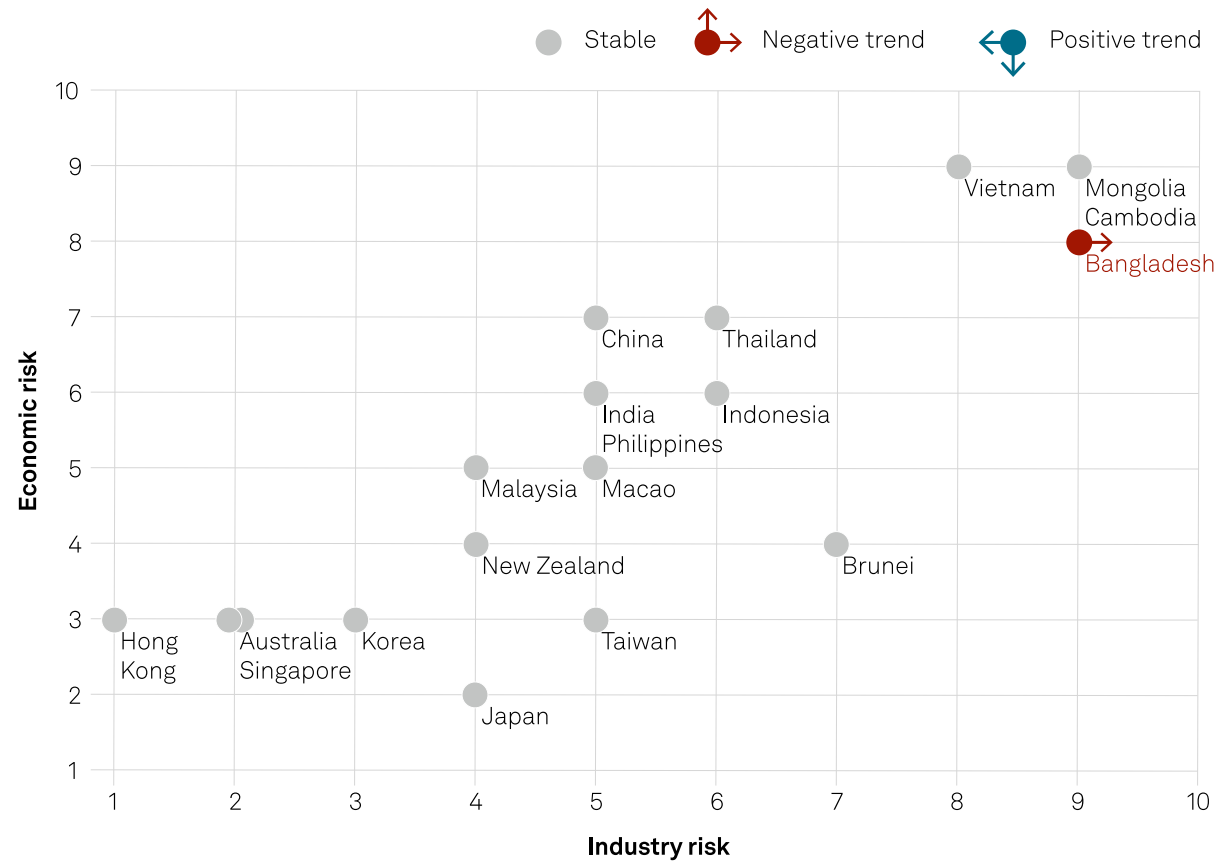


Asia-Pacific Banks | Outlook Distribution (%)



Data as of April 3, 2024. Source: S&P Global Ratings.

Stable Trends Prevail For Most Countries



Banking Industry Country Risk Assessment (BICRA) changes in 2024:

Australia: BICRA Group to '2' from '3'; industry risk trend to stable from positive and industry risk score to '2' from '3'.

Macao Special Administrative Region: Assigned to BICRA Group '5'.

Economic risk and industry risk scores are on a scale from 1 to 10, with 1 representing the lowest-risk and 10 the highest-risk. Data as of April 3, 2024. Source: S&P Global Ratings.

Banking Industry Country Risks | The Strong, The Weak And The In Between

Country	BICRA Group	Economic risk trend	Industry risk trend	Economic resilience	Economic imbalances	Credit risk in the economy	Institutional framework	Competitive dynamics	Systemwide funding
Australia	2	Stable	Stable	VL	H	L	VL	L	I
Bangladesh	9	Stable	Negative	VH	I	EH	EH	EH	I
Brunei	6	Stable	Stable	I	L	H	EH	I	L
Cambodia	9	Stable	Stable	VH	H	EH	EH	H	VH
China	6	Stable	Stable	I	H	VH	H	H	VL
Hong Kong	2	Stable	Stable	L	I	I	VL	L	VL
India	5	Stable	Stable	H	L	VH	H	H	L
Indonesia	6	Stable	Stable	H	L	VH	H	H	I
Japan	3	Stable	Stable	L	VL	I	I	H	VL
Korea	3	Stable	Stable	L	L	I	I	I	L
Macao	5	Stable	Stable	I	I	H	VH	I	L
Malaysia	4	Stable	Stable	H	L	H	I	H	L
Mongolia	9	Stable	Stable	VH	H	EH	EH	H	VH
New Zealand	4	Stable	Stable	VL	H	I	I	L	H
Philippines	5	Stable	Stable	VH	L	H	H	I	I
Singapore	2	Stable	Stable	VL	I	I	VL	L	L
Taiwan	4	Stable	Stable	L	L	I	I	VH	VL
Thailand	7	Stable	Stable	H	H	VH	VH	H	L
Vietnam	9	Stable	Stable	VH	H	EH	EH	VH	I

Positive economic or industry risk trend		Stable economic or industry risk trend			Negative economic or industry risk trend	
Very low risk (VL)	Low risk (L)	Intermediate risk (I)	High risk (H)	Very high risk (VH)	Extremely high risk (EH)	

The table presents S&P Global Ratings' views about key risks and risk trends for banking sectors in Asia-Pacific countries where we rate banks.

For more detailed information, please refer to the latest Banking Industry Country Risks Assessment (BICRA) on a given country.

According to our methodology, BICRAs fall into groups from '1' to '10', ranging from what we view as the lowest-risk banking systems (group '1') to the highest-risk (group '10').

Data as of April 3, 2024.

Country Snapshots

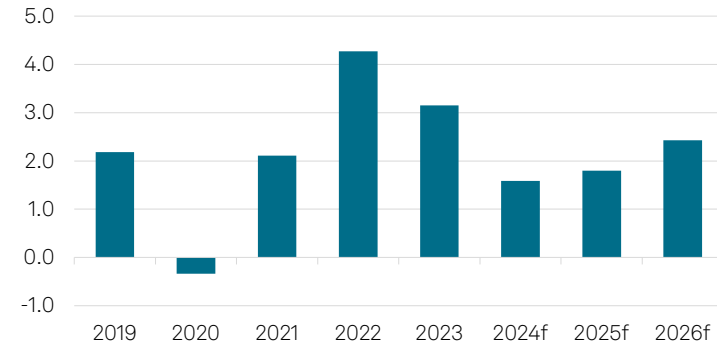
Select banking jurisdictions in the Asia-Pacific region

Australia | Low Unemployment To Restrain Credit Losses

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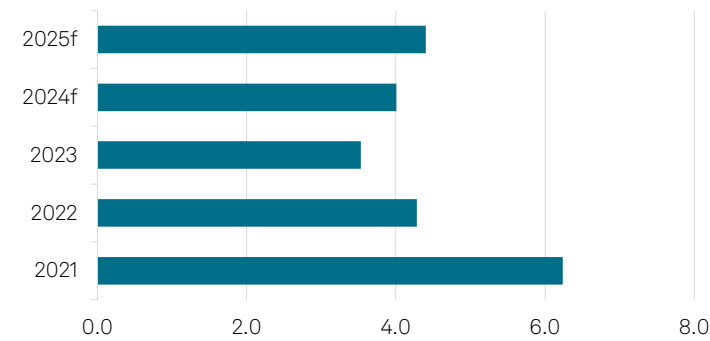
Economic growth to be modest

Real GDP growth (%)



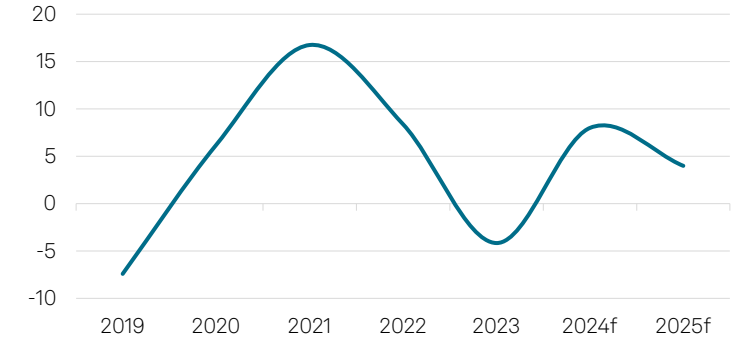
Low unemployment rate

Unemployment rate (%)



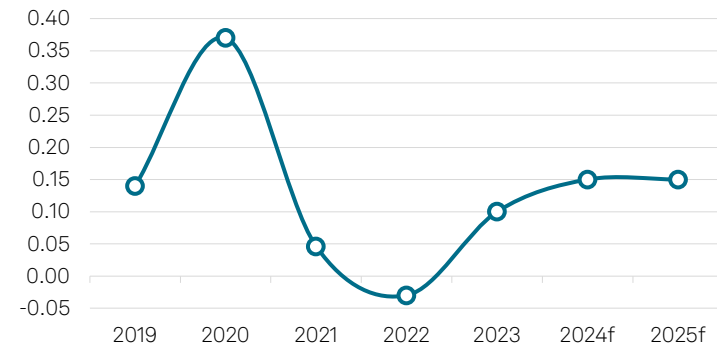
Modest growth in house prices

Annual change in key index for national residential house prices (%)



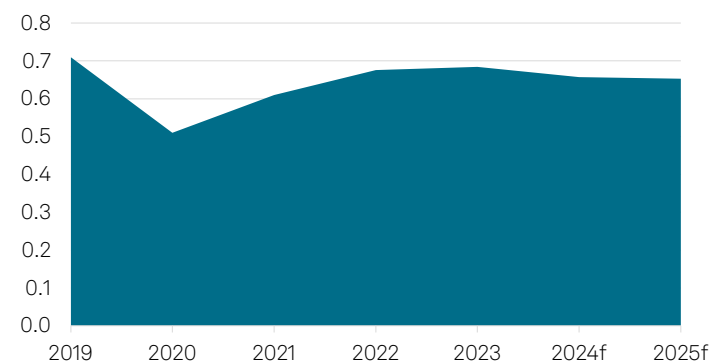
Banks' credit losses should remain low

Credit losses as a % of total loans



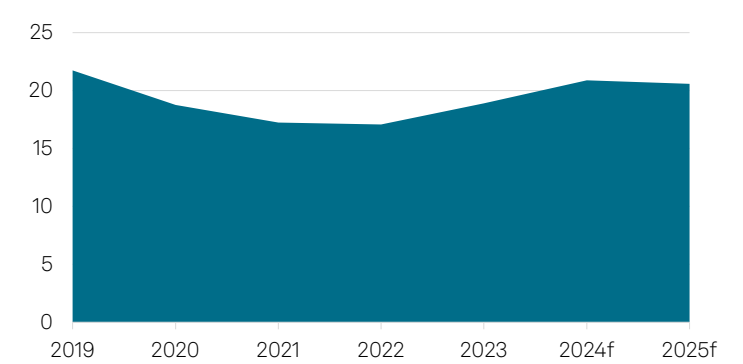
We expect earnings to remain strong

Return on average assets (%)



Reliance on net external borrowings is sizable

Net banking sector external debt as % of systemwide domestic loans



Figures as of fiscal year ending June. f--Forecast. Source: S&P Global Ratings.

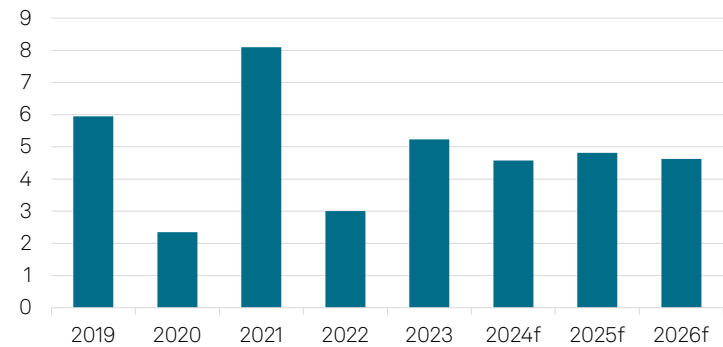
China | Strains On Profitability As GDP Recovers Unevenly

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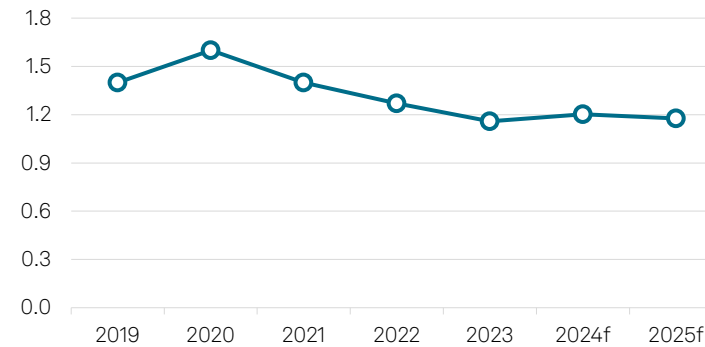
Economic recovery uneven amid modest policy support

Real GDP growth (%)



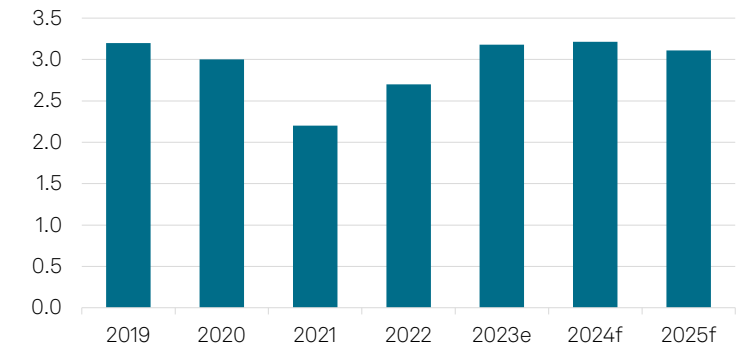
Commercial banks to see slightly higher credit costs

Credit costs as % of average loans



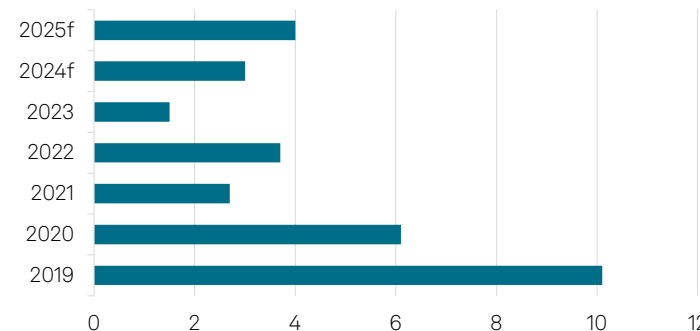
Policy and funding support smaller companies

Micro and small enterprises -- NPL ratio (%)



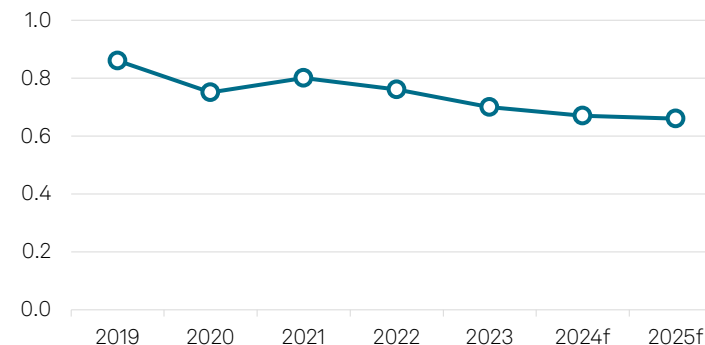
Delay in recovery in real estate loan quality

Property development loan growth (%)



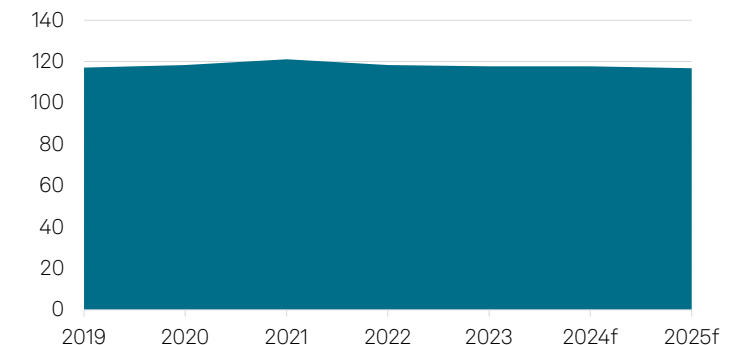
Profitability to remain pressured

Return on average assets (%)



Strong customer deposit base

Domestic loans as a % of systemwide domestic core customer deposits



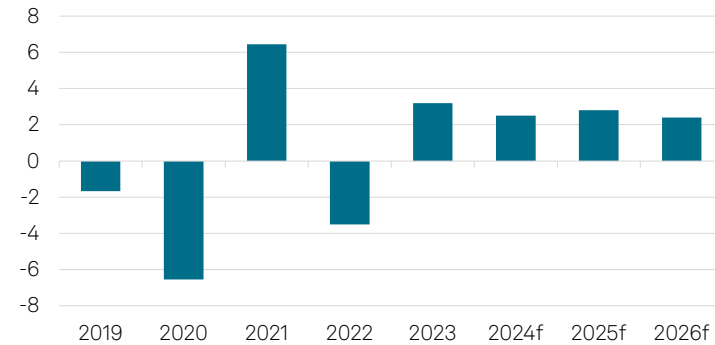
Data as of year ended December. e-Estimate. f--Forecast. NPL--Nonperforming loans. Source: S&P Global Ratings.

Hong Kong SAR | Strong Fundamentals Provide Cushion Against Headwinds

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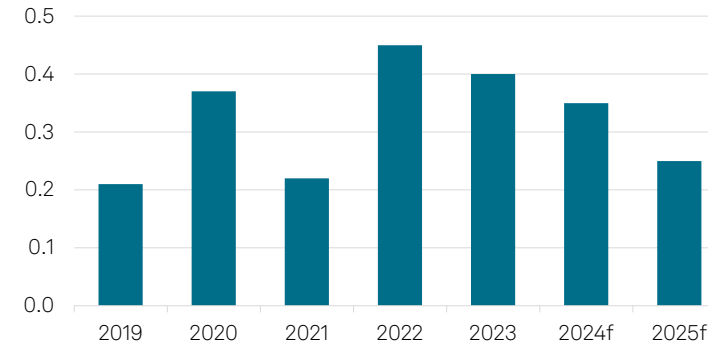
Economic growth to remain largely steady

Real GDP growth (%)



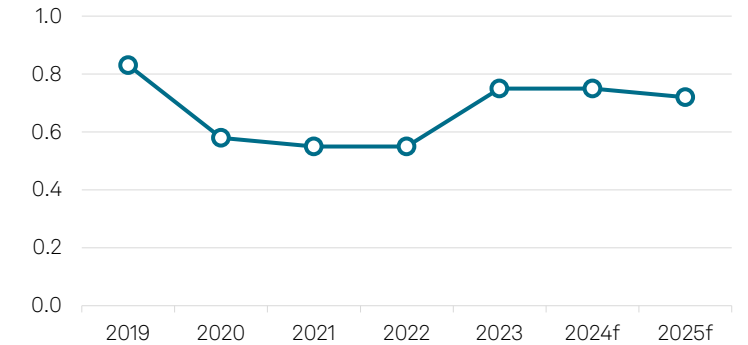
China CRE risk manageable, credit losses to gradually decline

Credit losses as a % of total loans



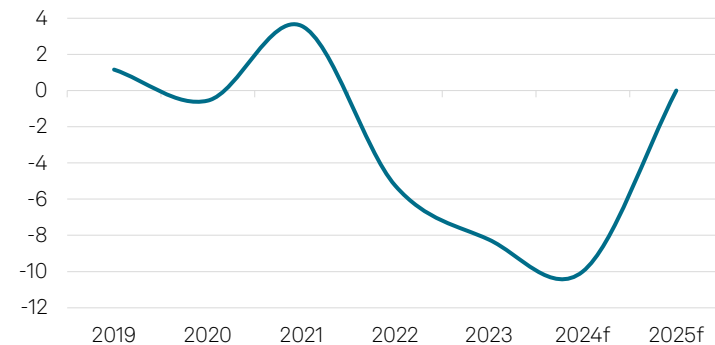
Profitability to be broadly stable

Return on average assets (%)



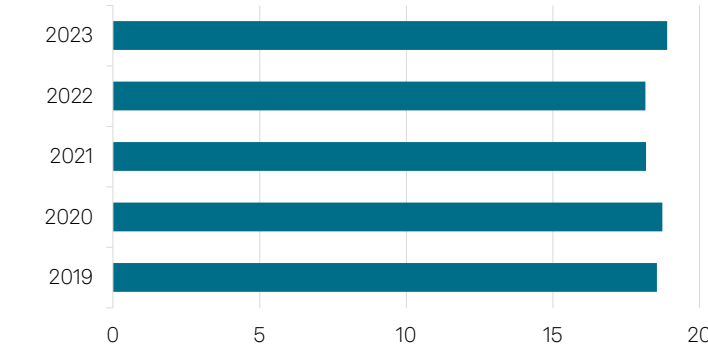
Residential housing prices to soften in 2024

Annual change in key index for national residential house prices (%)



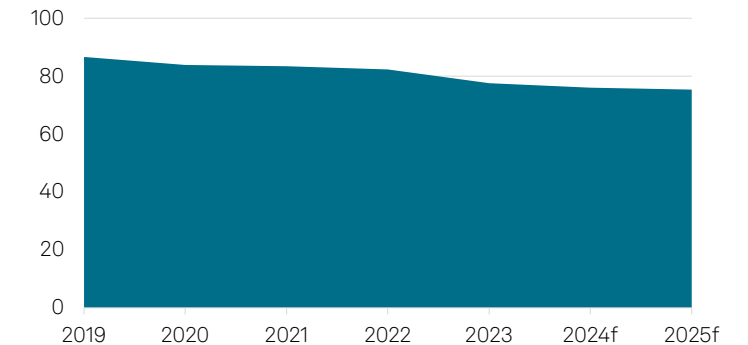
Strong capitalization through the cycles

Tier 1 capital ratio (%)



Solid customer deposits remain a key support

Systemwide loans as a % of systemwide core customer deposits

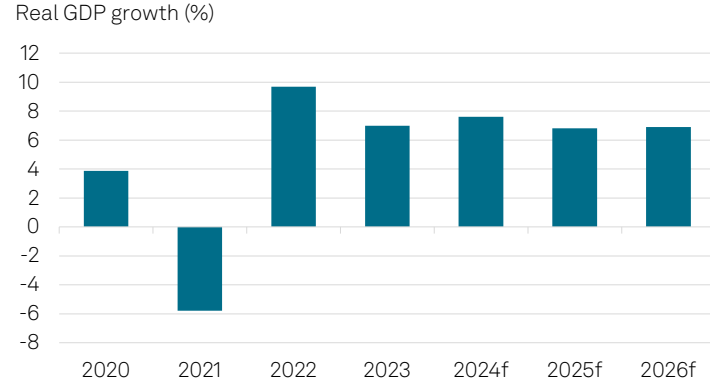


Data as of year ended December. CRE--Commercial real estate. e--Estimate. f--Forecast. Sources: Hong Kong Monetary Authority. S&P Global Ratings.

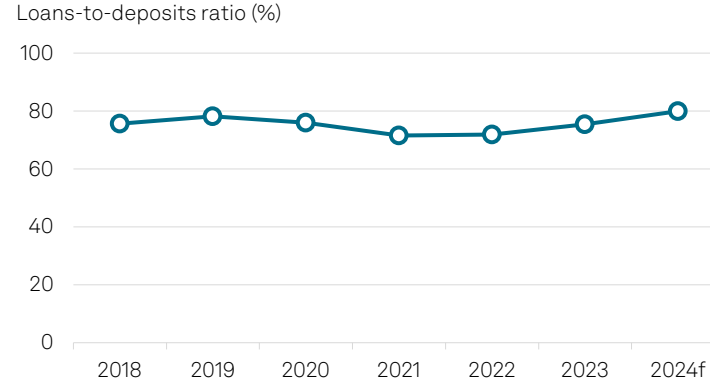
India | Banks Riding On Strong Economic Prospects

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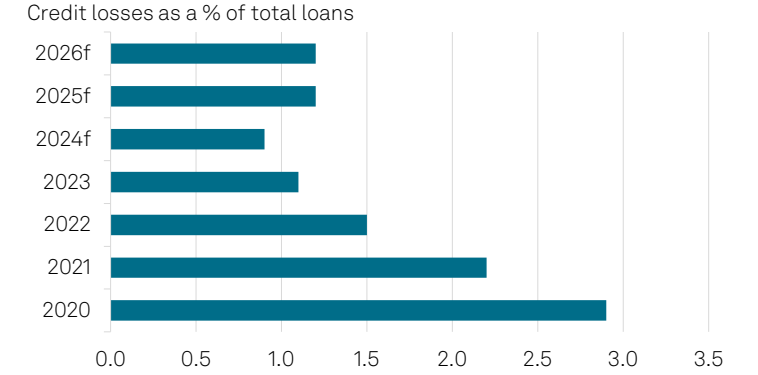
Economic growth momentum to continue



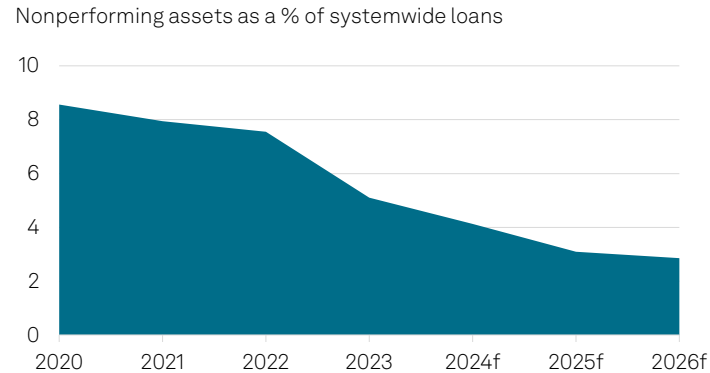
Sharp rise in LDR to cast shadow on future credit growth



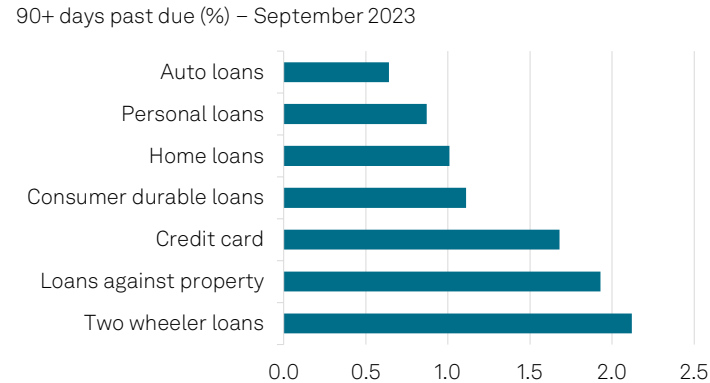
Credit losses to inch up slightly from cyclical low



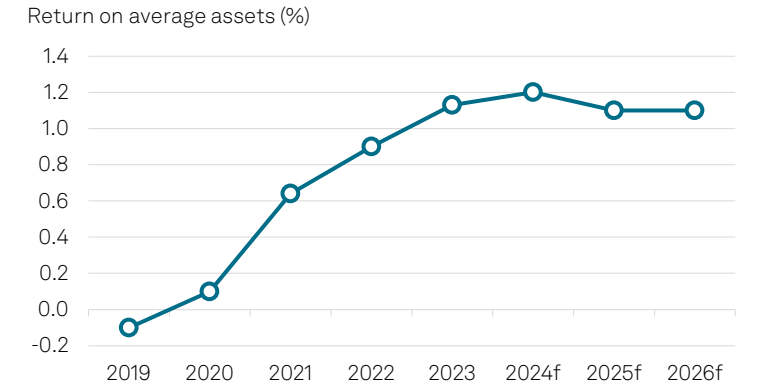
Asset quality to continue to improve



Delinquencies in the retail segment remain low



Returns have recovered and are comparable to peers'



Figures as of fiscal year ending March. Nonperforming assets includes nonperforming loans (NPL) and standard restructured loans. LDR--Loans-to-deposits ratio. Sources: Reserve Bank of India. Company financials. TransUnion CIBIL. S&P Global Ratings estimates.

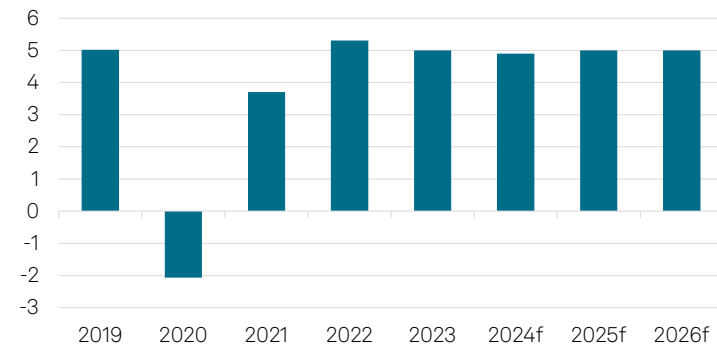
Indonesia | Riding The Economy's Growth Momentum

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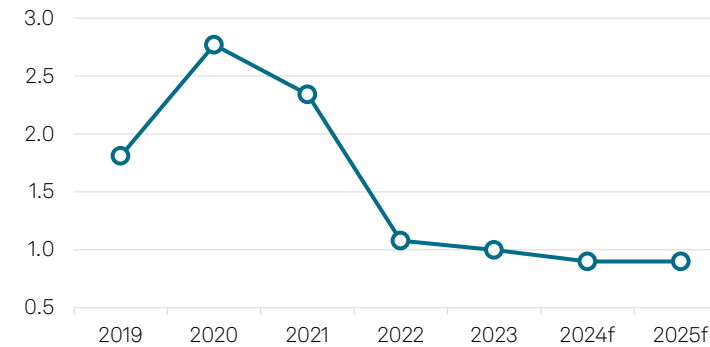
Economic growth is a boost

Real GDP growth (%)



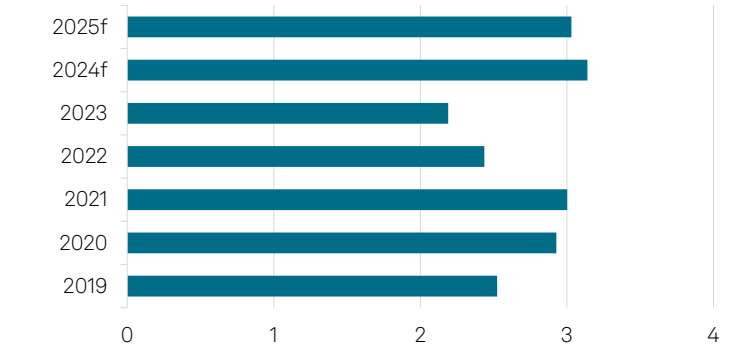
Credit costs should remain under control

Credit losses % of total loans



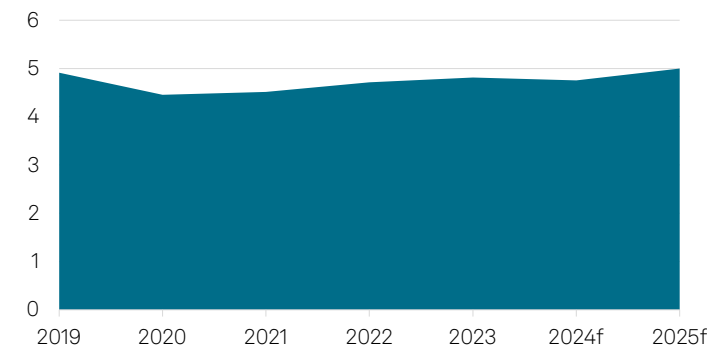
Higher NPLs expected as COVID restructuring scheme expires

Nonperforming assets as a % of systemwide loans



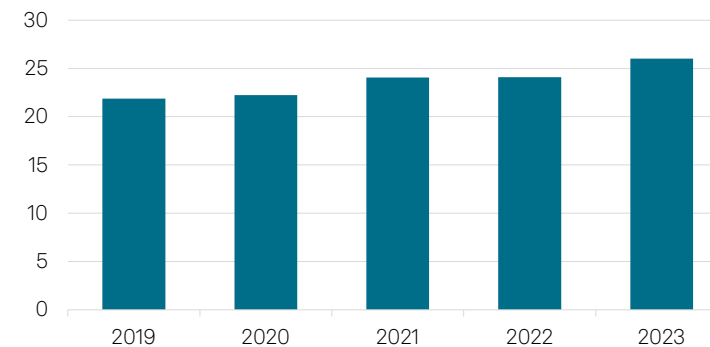
NIMs to compress but remain manageable

Net interest income to average earning assets (%)



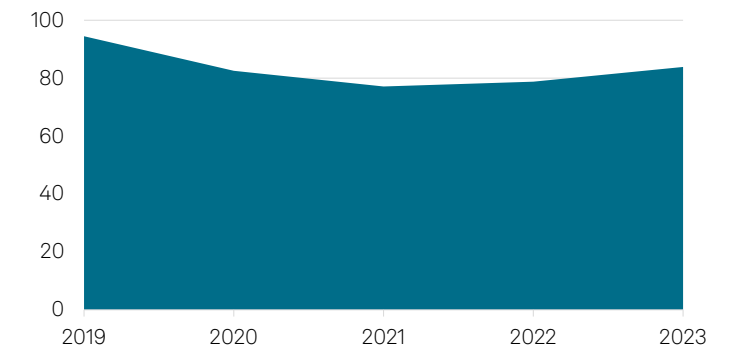
Strong capital buffers

Tier 1 capital ratio (%)



Strong funding support from customer deposits

Loans to deposits ratio (%)



Data as of year ended December. e--Estimate. f--Forecast. NIM--Net interest margin. NPL--Nonperforming loans. Sources: OJK, S&P Global Ratings.

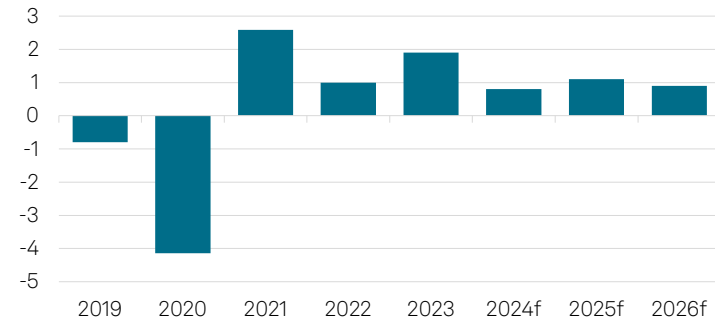
Japan | Rate Hike Takes Off Slowly And Cautiously

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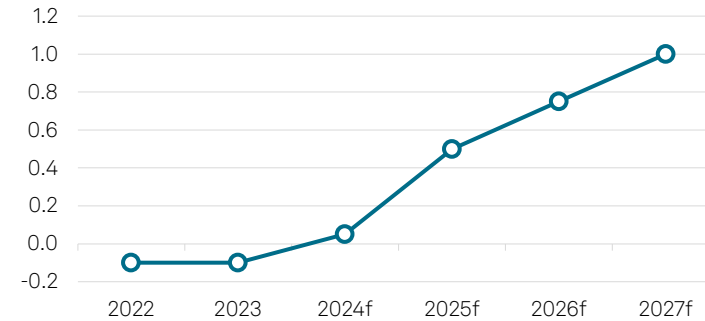
Domestic-oriented economy will continue to grow

Real GDP growth (%)



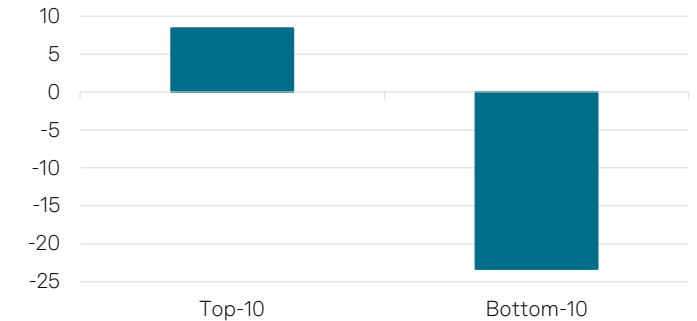
We expect the rise of policy interest rate to be low and slow

Policy rates (year-end) (%)



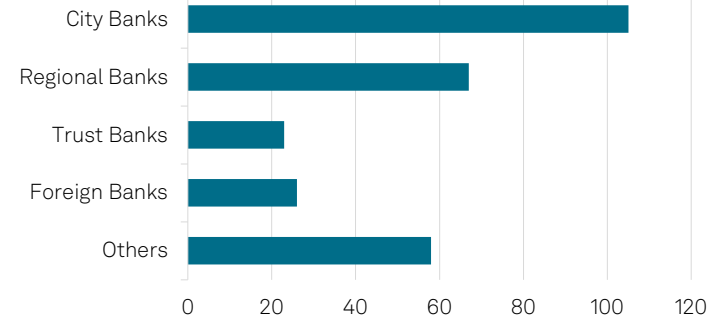
Widening differences in valuation of AFS securities

Change in valuation differences divided by net worth (%) by category (Sept-2023)



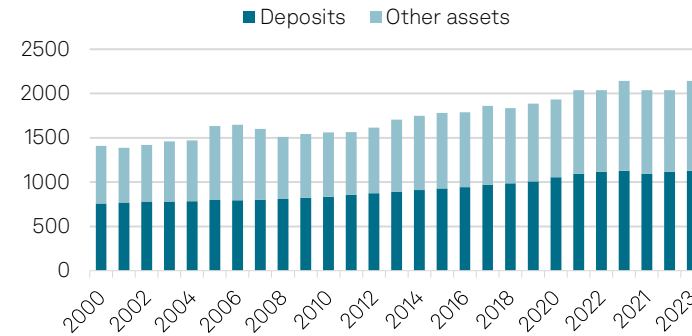
Higher interest income expected from central bank deposits

Banks' deposits at BOJ under zero or negative interest rates (monthly average balance during mid-February to mid-March 2024; JPY trillion)



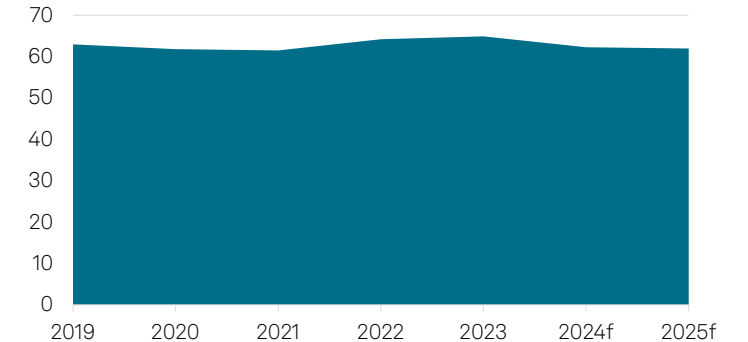
Deposits still occupy majority of household's financial assets

Household deposits and other financial assets (year-end; JPY trillion)



Stable deposit base a key strength for the banking system

Domestic loans as a % of systemwide domestic core customer deposits



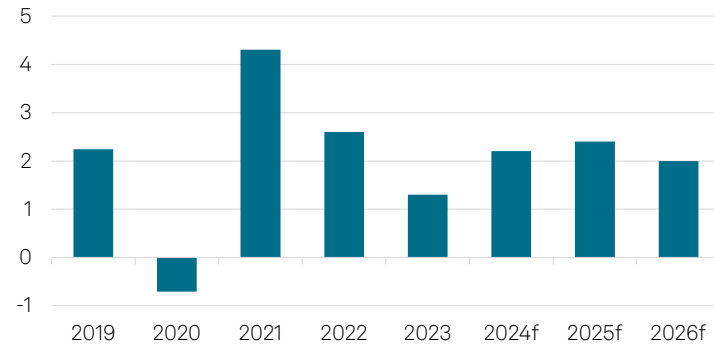
Data as of fiscal year ended March. Top-10 indicates top ten banks and so on for others. AFS--Available for sale. BoJ--Bank of Japan. e--Estimate. f--Forecast. Sources: Bank financial disclosures. Bank of Japan. S&P Global Ratings.

Korea | Banks Can Ride Out Rough Operating Conditions

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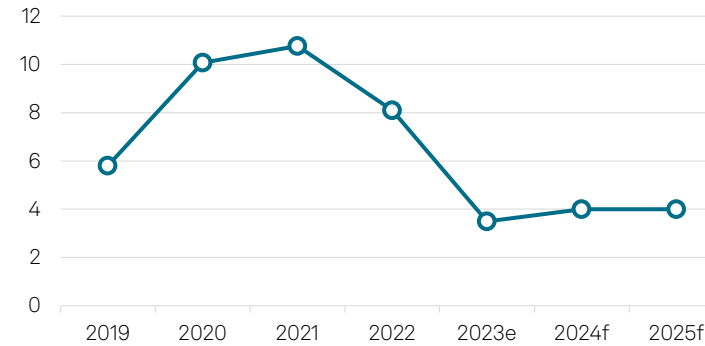
Some recovery in Korea's economy

Real GDP growth (%)



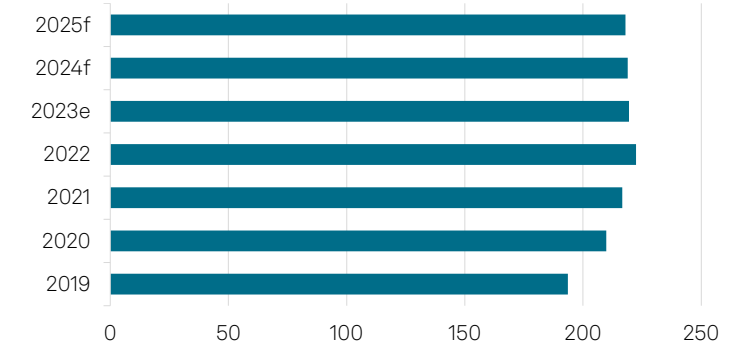
Loan growth to stay moderate

Loan growth (%)



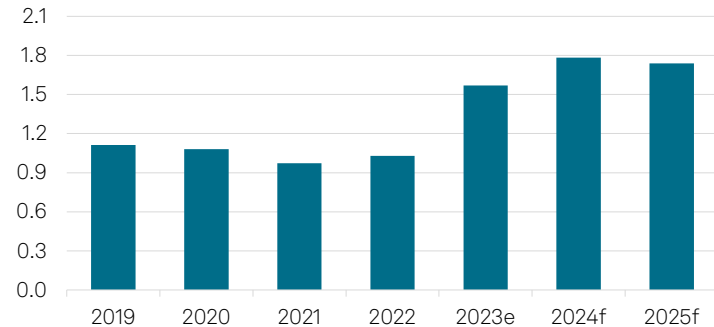
Private-sector leverage is high

Total private sector debt as a % of GDP



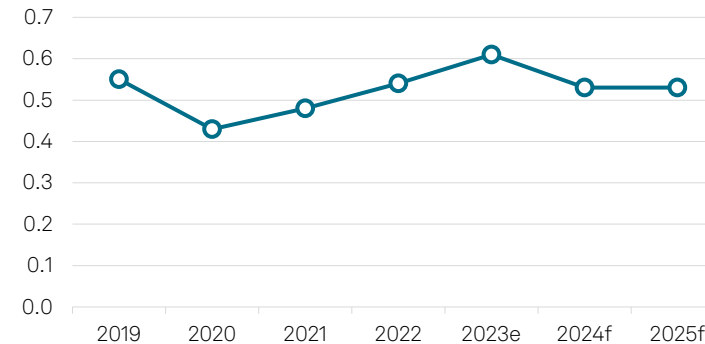
Higher credit risks from nonbank deposit-taking institutions

Nonperforming assets as a % of systemwide loans (deposit-taking institutions)



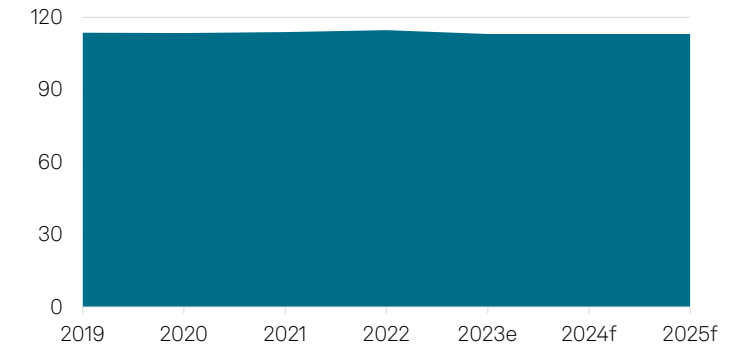
Profitability to weaken slightly in 2024

Return on average assets (%)



Stable funding backed by customer deposits

Domestic loans as a % of systemwide domestic core customer deposits



Data as of year ended December. e--Estimate. f--Forecast. Source: S&P Global Ratings.

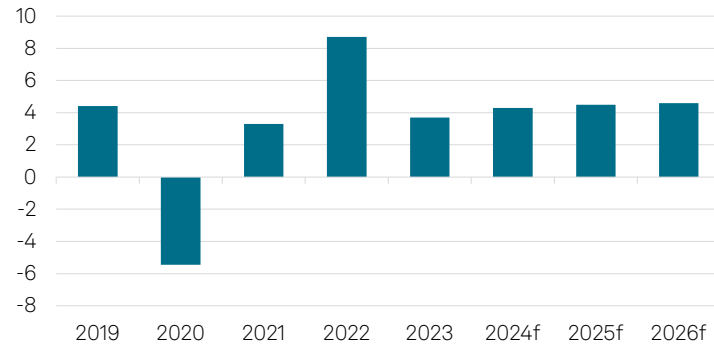
Malaysia | Profitability Could Hold Up Amid Margin Squeeze

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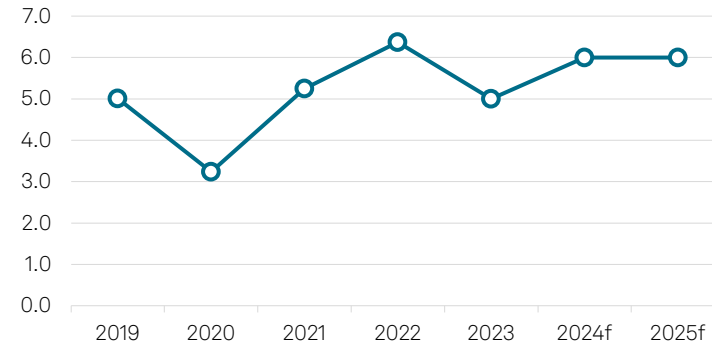
Economic conditions will improve

Real GDP growth (%)



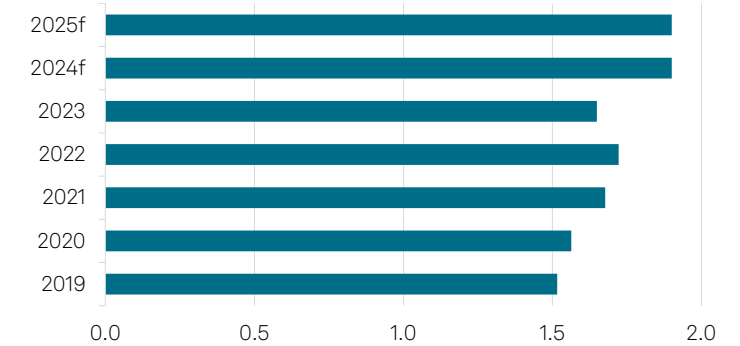
Credit growth will pick up

Loan growth (%)



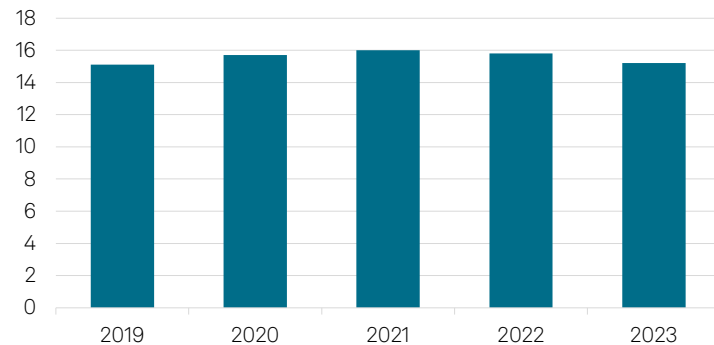
Asset quality deterioration manageable

Nonperforming assets as a % of systemwide loans



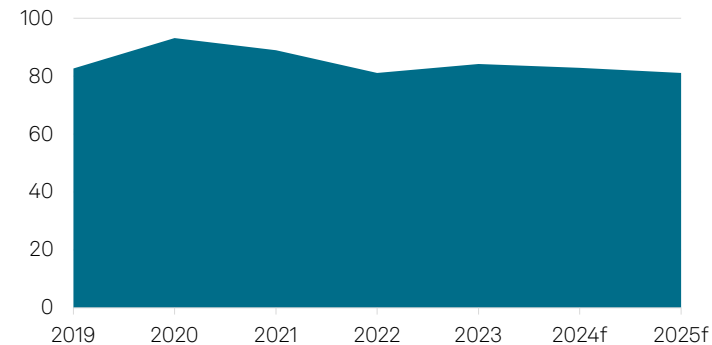
Solid capitalization could offset asset quality pressure

Tier 1 capital ratio (%)



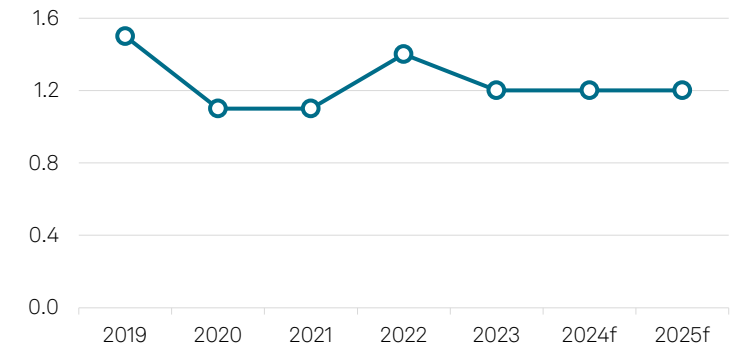
High household leverage poses risk

Household debt as a % of GDP



Earnings will stay flattish

Return on average assets (%)



Data as of year ended December. e--Estimate. f--Forecast. Sources: BNM, S&P Global Ratings.

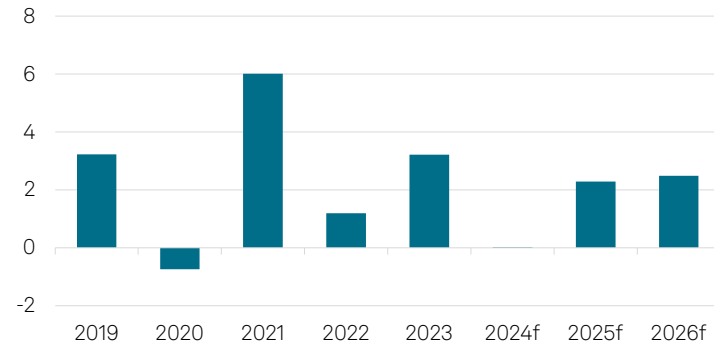
New Zealand | Economic Imbalances Unwind

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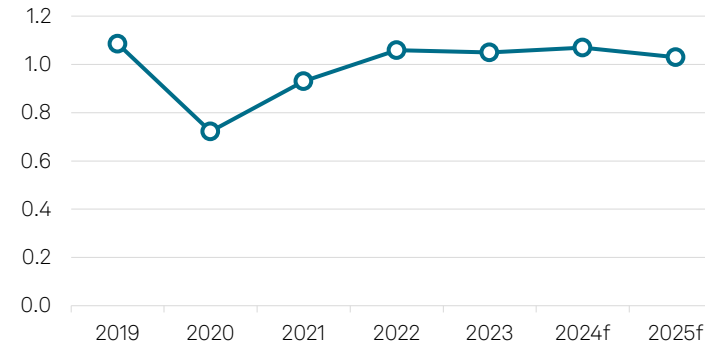
Economic growth weaker in 2024

Real GDP growth (%)



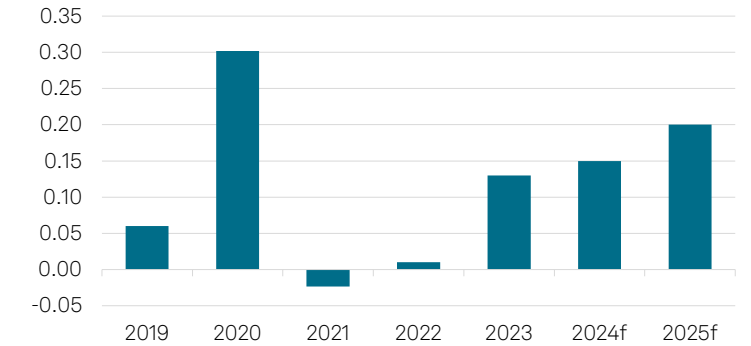
Banks maintain profitability

Return on average assets (%)



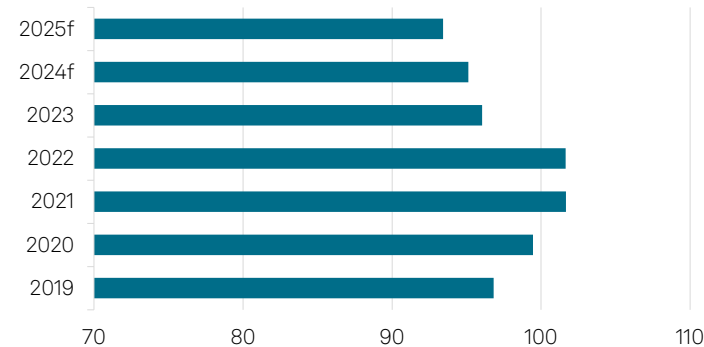
Credit losses to remain low

Credit losses as a % of total loans



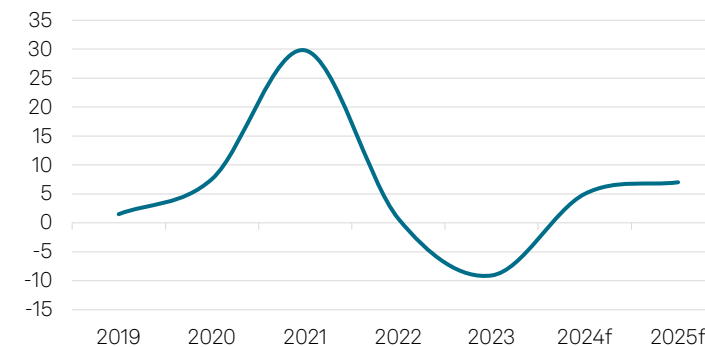
High household indebtedness

Household debt as % of GDP



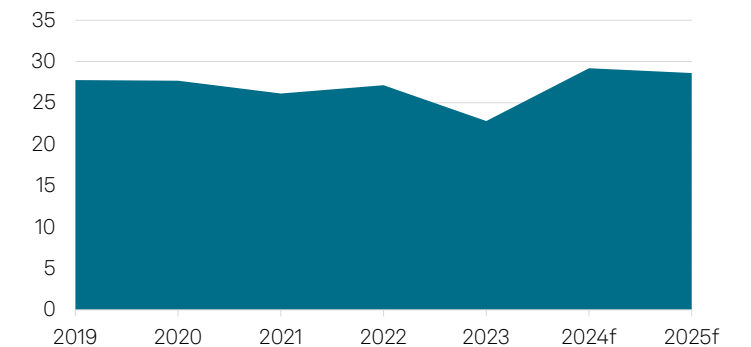
Recent house price increases reduce risk

Annual change in key index for national residential house prices (%)



High net external borrowings and limited customer deposits

Net banking sector external debt as a % of systemwide domestic loans



Data as of fiscal year ended June. f--Forecast. Source: S&P Global Ratings.

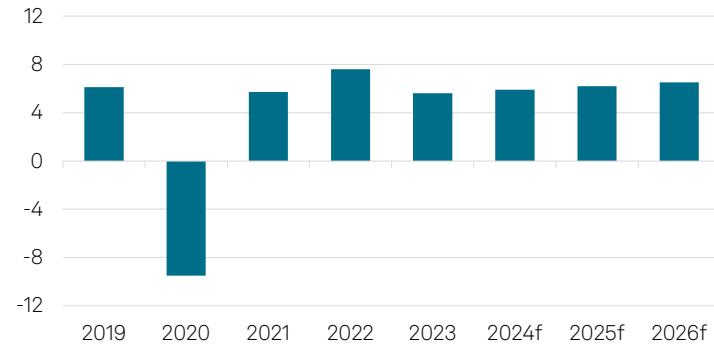
Philippines | Better Economic Conditions Will Bolster Sector

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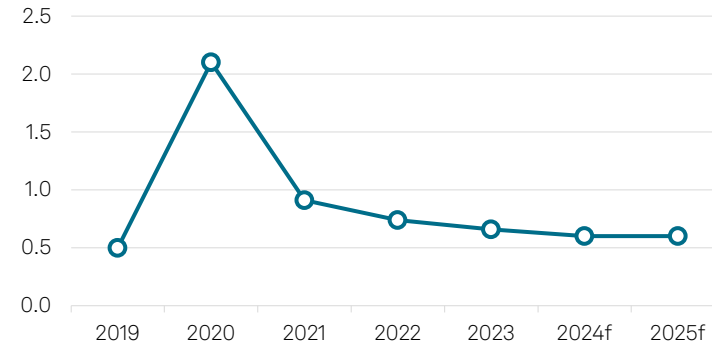
Economic growth will improve

Real GDP growth (%)



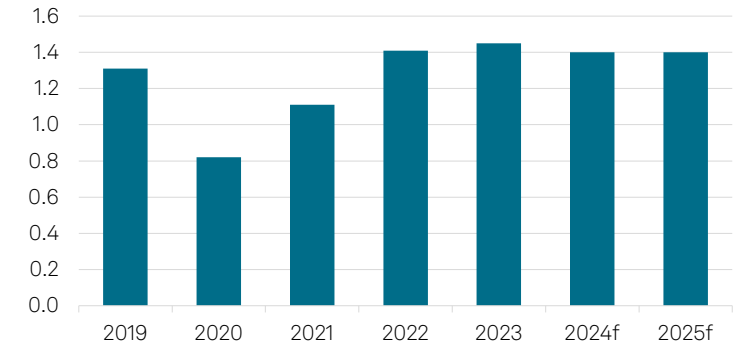
Credit losses will stay near pre-pandemic levels

Credit losses as % of total loans



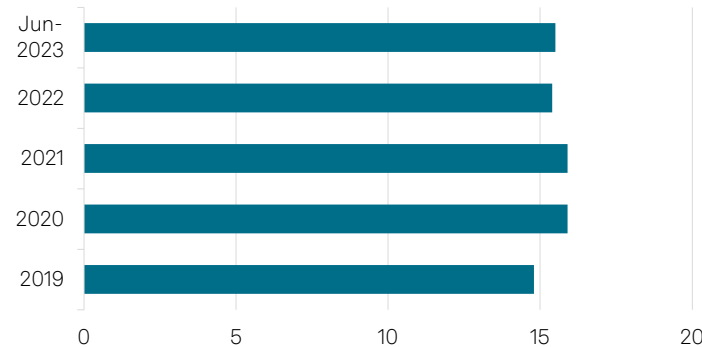
Return on assets has peaked and will gradually decline

Return on average assets (%)



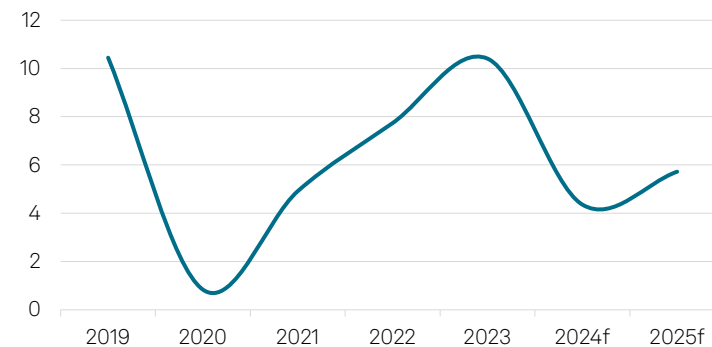
Banks maintain good capital buffers

Common equity Tier 1 ratio (%)



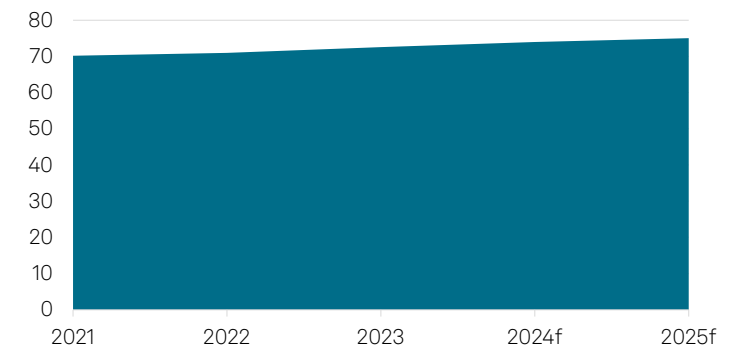
Downside risk of a fallout in property markets

Annual change in key index for national residential house prices (%)



Strong deposit base supports funding profile

Loans-to-deposit ratio



Data as of year ended December. e--Estimate. f--Forecast. Source: S&P Global Ratings.

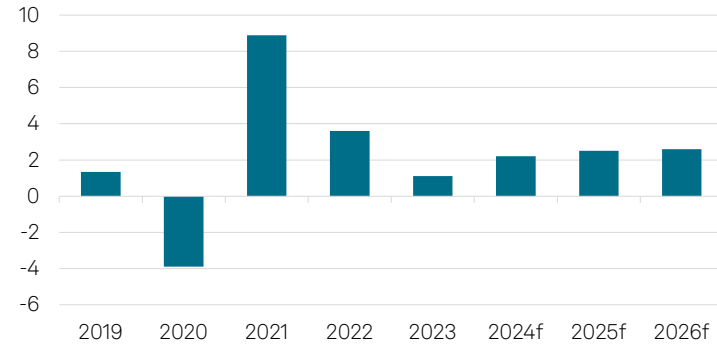
Singapore | Moderation On The Horizon After Strong Start To 2024

Ivan Tan

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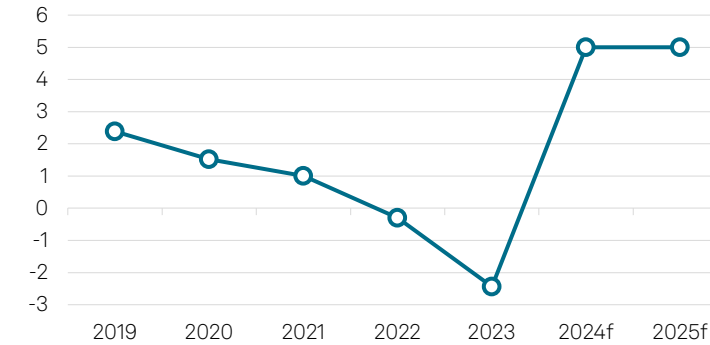
Domestic market recovery will buffer against external stress

Real GDP growth (%)



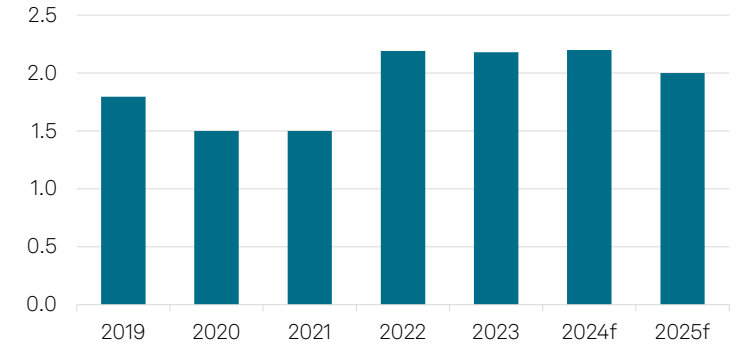
Loan growth will likely remain tepid

Loan growth (%)



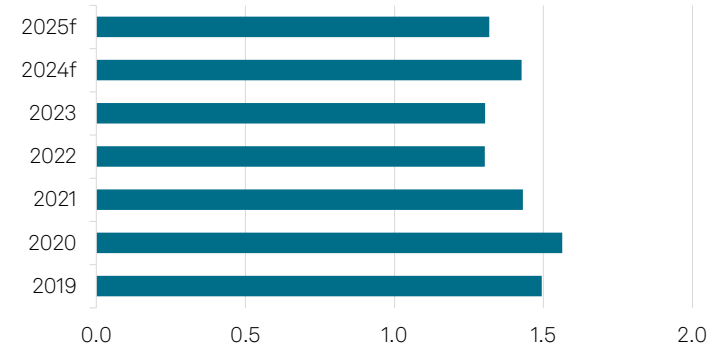
Net interest margins have peaked, some moderation expected

Net interest income to average earning assets (%)



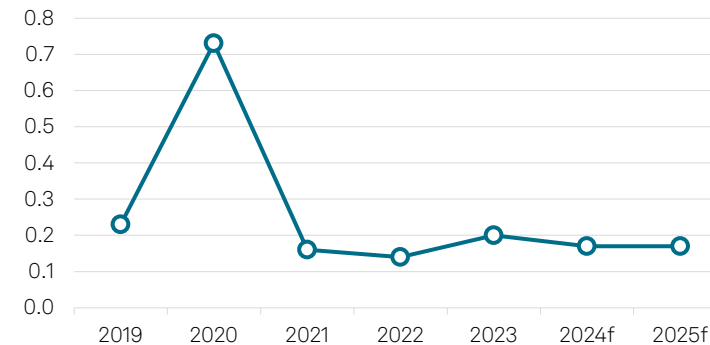
Asset quality should remain resilient

Nonperforming assets as a % of systemwide loans



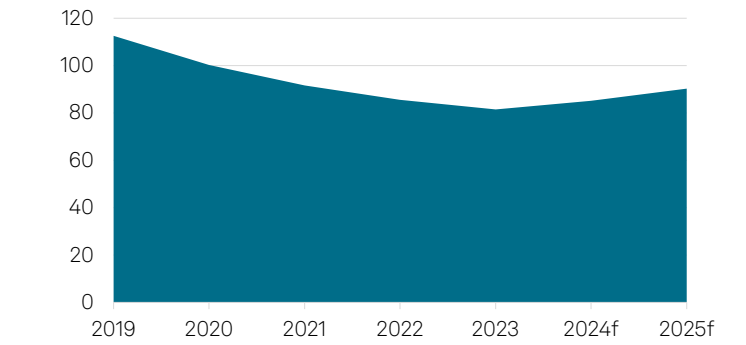
Credit costs to remain manageable

Credit losses as a % of total loans



Stable customer deposits underpin funding

Domestic loans as a % of systemwide domestic core customer deposits



Data as of year ended December. Loan growth data for 2021 is based on our internal estimates and rated bank data. e--Estimate. f--Forecast. Source: S&P Global Ratings.

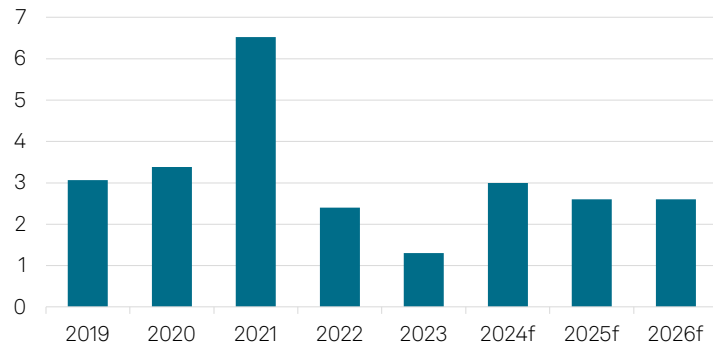
Taiwan | Solid Capitalization Provides Buffer

Yuhan Lan

yuhan.lan@spglobal.com

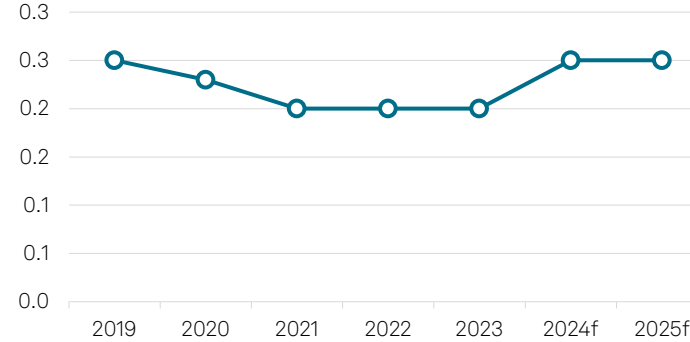
Better economic growth prospects in 2024

Real GDP growth (%)



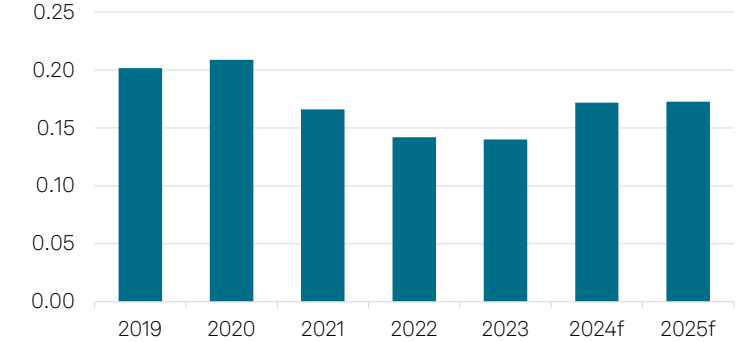
Credit costs to remain elevated

Credit losses as a % of total loans



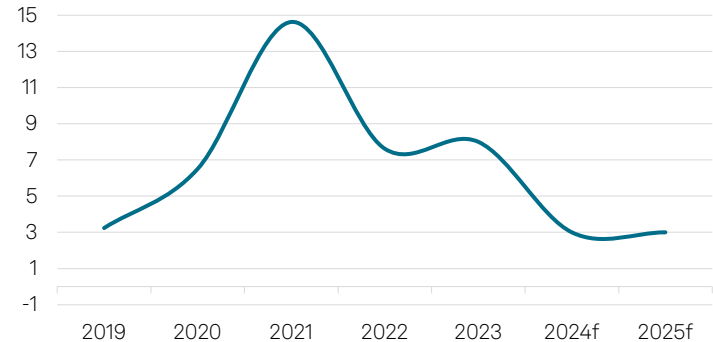
Loan moratorium expiration may push banks' NPA recognition

Nonperforming assets as a % of systemwide loans



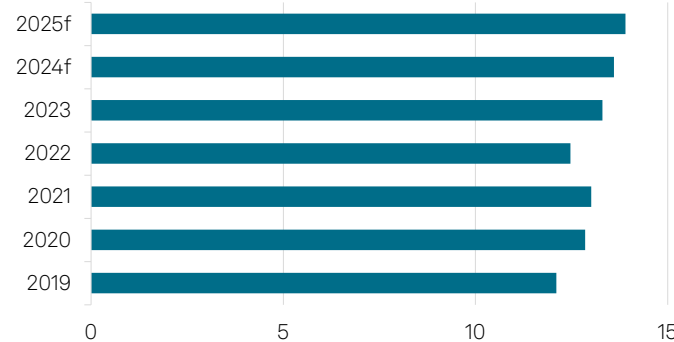
Real estate prices to grow by low single digit in 2024

Annual change in key index for national residential house prices (%)



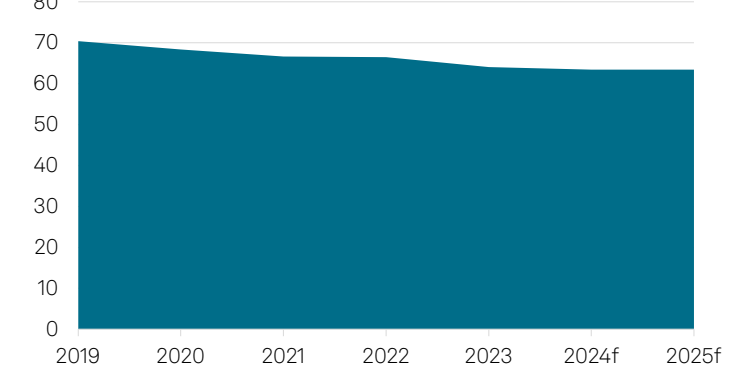
Banks' capitalization to remain solid

Tier 1 capital ratio (%)



Household deposits predominantly fund deposit base

Household deposits as a % of systemwide deposits



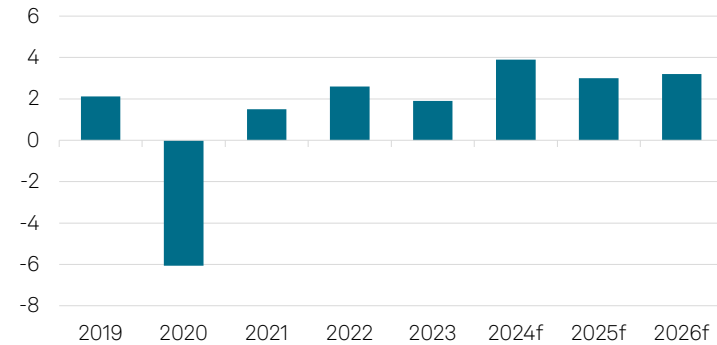
Data as of year ended December. e--Estimate. f--Forecast. Source: S&P Global Ratings.

Thailand | Sluggish Economy Is Weighing Down Banks

Deepali V Seth Chhabria
deepali.seth@spglobal.com

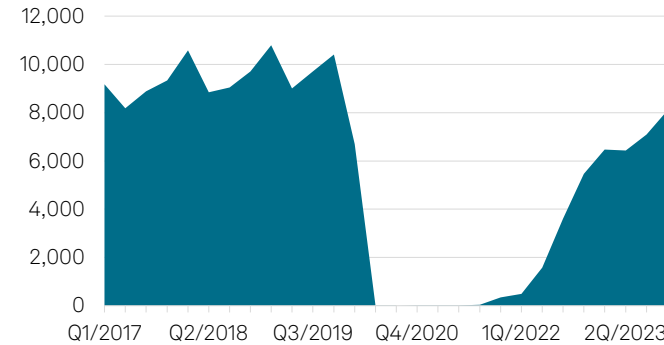
Economic recovery remains weak and uneven

Real GDP growth (%)



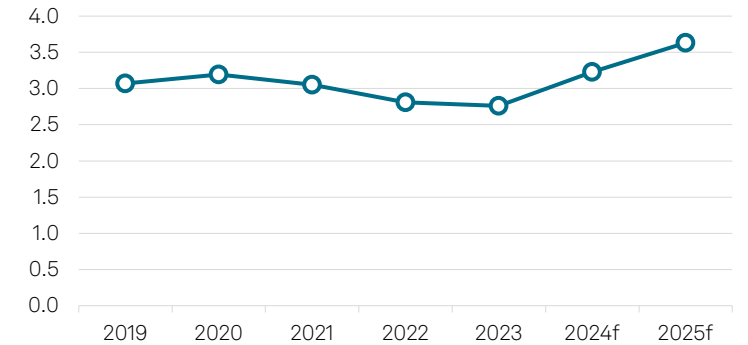
Tourist arrivals are recovering fast

Tourist arrivals ('000s)



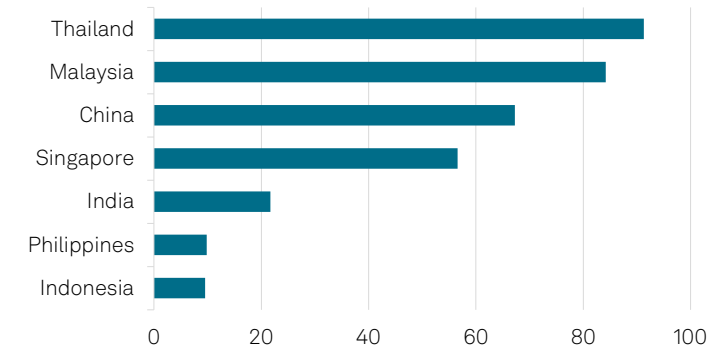
Restructured loans (~10%) to weigh on asset quality

Nonperforming loans as a % of systemwide loans



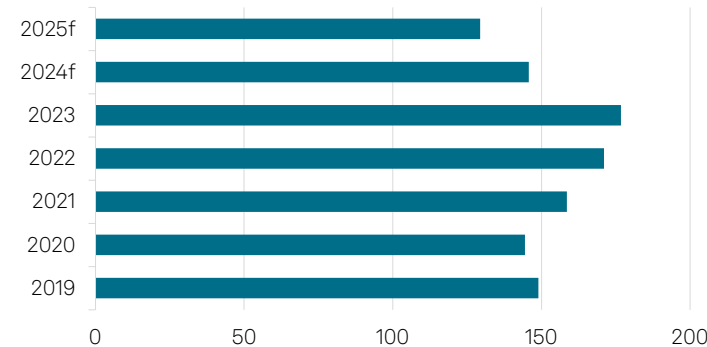
Households have high leverage

Household debt as % of GDP 2023



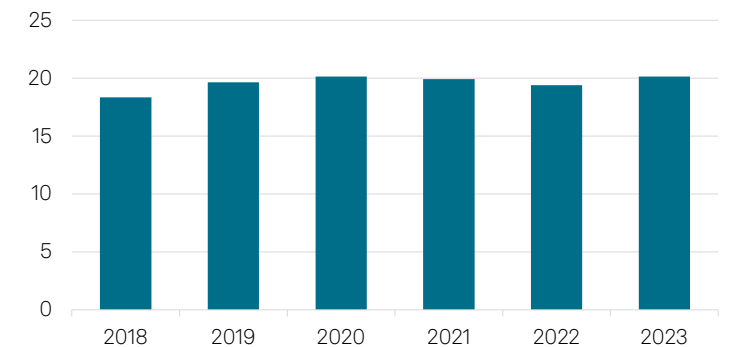
High provisioning coverage provides downside protection

Loan loss reserves / nonperforming loans (%)



Strong capitalization offers some cushion

Total capital ratio (%)



Data as of period ended December. f--Forecast. Source: S&P Global Ratings.

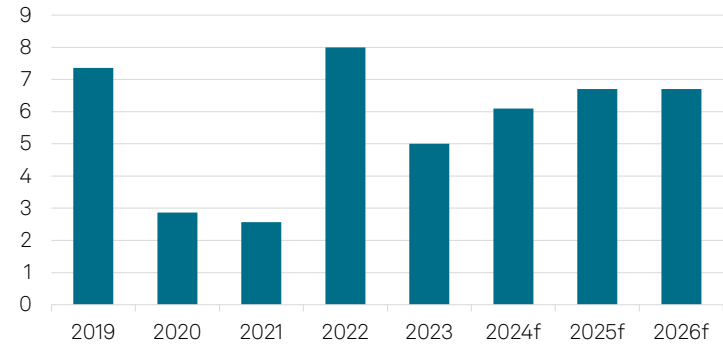
Vietnam | On A Gradual Path To Recovery

Sue Ong

sue.ong@spglobal.com

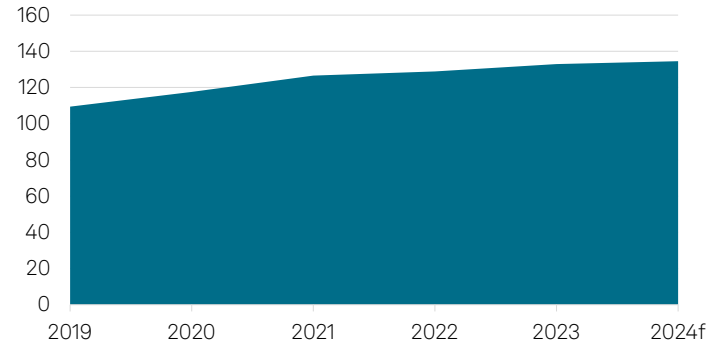
FDI and recovering domestic demand to buttress GDP growth

Real GDP growth (%)



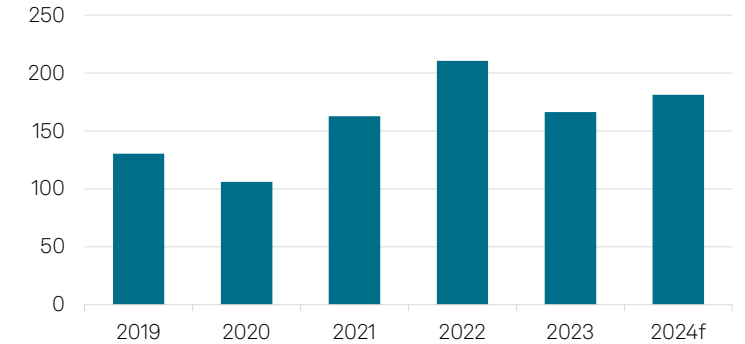
Rising indebtedness continues to pose a risk

Total private sector debt as % of GDP



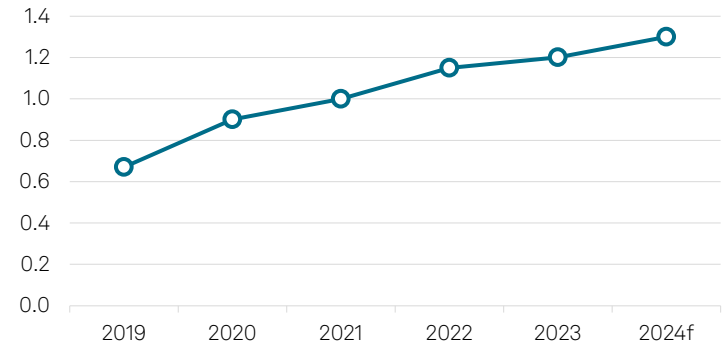
Asset quality pressure to ease on higher property sales

Aggregate Vietnam property pre-sales (VND Tril.)



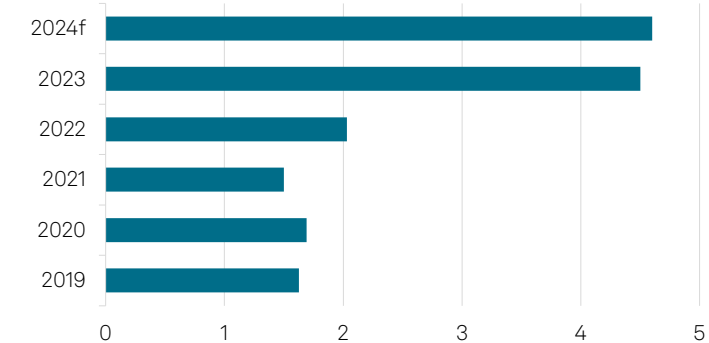
We expect credit costs to remain elevated

Credit losses as % of total loans



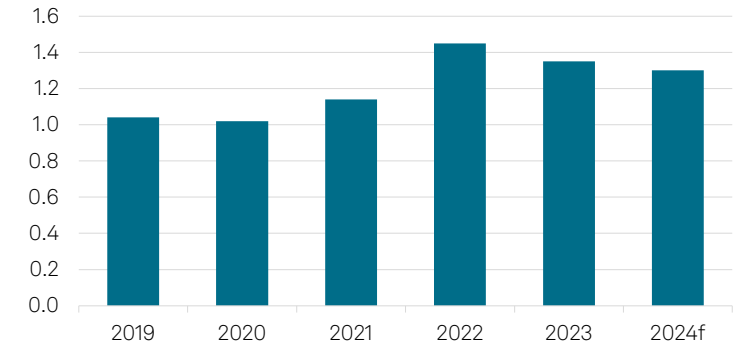
Nonperforming assets are likely to increase

Nonperforming assets as a % of systemwide loans



Returns on assets to decline moderately

Return on average assets (%)



Actual and forecast aggregate pre-sales cover two Vietnam developers, including Vinhomes Joint Stock Co. and No Va Land Investment Group Corp. FDI--Foreign direct investment. E--Estimate. f--Forecast. VND--Vietnamese dong. Data as of year ended December. Sources: Company disclosures. S&P Global Ratings.

Interactive Dashboard

How to access the Global Banks Outlook 2024 Dashboard

The Global Banks Outlook 2024 Dashboard includes our in-house sector insights and trends, latest global and regional banking statistics and aggregate data.

Using the link, compare a banking system with its peers according to geographic region or BICRA group.

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Global Banks Outlook 2024
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- [Global Banks Country-By-Country Outlook 2024: Forewarned Is Forearmed](#), Nov. 16, 2023
- [Global Banks Outlook 2024: Forewarned Is Forearmed](#), Nov. 16, 2023

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