



Asia-Pacific Banking Country Snapshots

A Choppier Ride For The Rest Of The Year

S&P Global
Ratings

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This report does not constitute a rating action

Key Takeaways



Asia-Pacific financial institutions are satisfactorily managing economic and property-sector risks. The vast majority have stable rating outlooks and our base case is for this scenario to continue.



Market volatility has re-emerged after a period of relative calm. The potential damage to credit profiles is limited, given our rating constructs build in expectations for such movements.



A material downside scenario outside our base case would be more challenging for banks at current rating levels. This could involve much higher-for-longer interest rates and borrowing costs, and a worsening of property sector stress.

Key Risks



Property sector stress worsens



Economic downside risks intensify



High corporate and government sector leverage



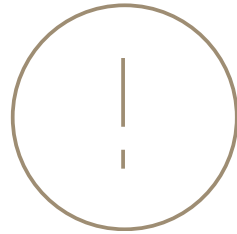
Digitalization, climate change, and cyber to challenge banks' business models

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 may see rising credit risks from real estate project financing.



Residential borrowers grapple with higher interest rates

- Household debt funding for 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 are 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.

CRE | Still Rising Credit Risk, But Exposures Are Manageable For Most

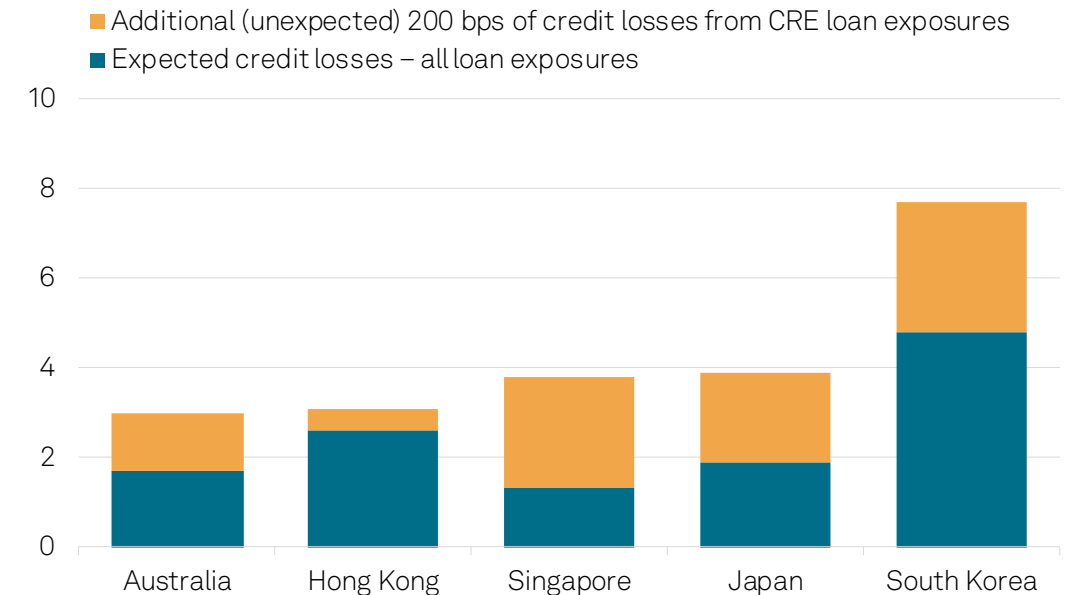
- We estimate that major banks in advanced Asia-Pacific economies can comfortably absorb a hypothetical additional 200 basis points in credit losses on CRE exposures.
- This is in addition to our current base case credit losses across their entire loan portfolios (including CRE).

Banks have manageable CRE exposures...



Data is for 2023 actuals. Commercial property includes income-producing commercial real estate and excludes construction. The chart includes systemically-important banks for each country as a proxy for system data. CRE--Commercial real estate. Source: S&P Global Ratings.

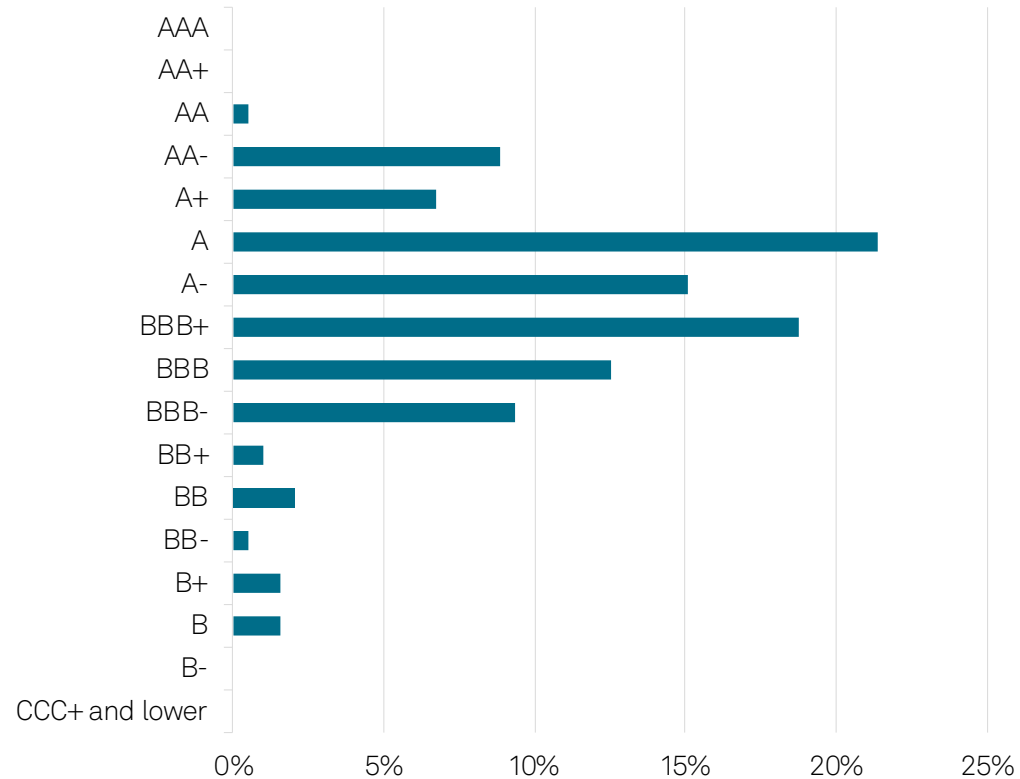
...Even if CRE losses are 200 bps worse than we expect Credit losses as a percentage of total adjusted capital (%)



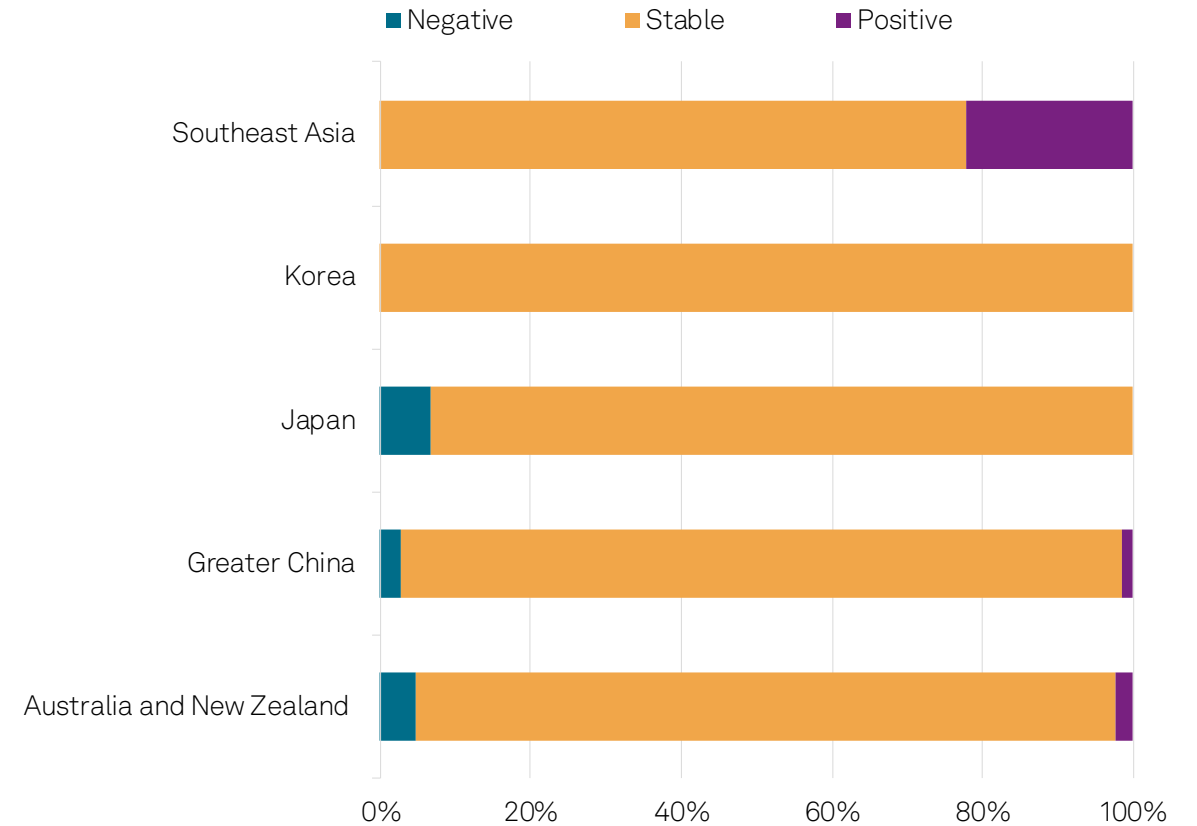
Data is 2024 forecasts. Commercial property includes income-producing commercial real estate and excludes construction. The chart includes systemically-important banks for each country as a proxy for system data. CRE--Commercial real estate. Source: S&P Global Ratings.

Ratings Resilient, Outlook Stable As Risks Lurk

Asia-Pacific banks | Rating distribution

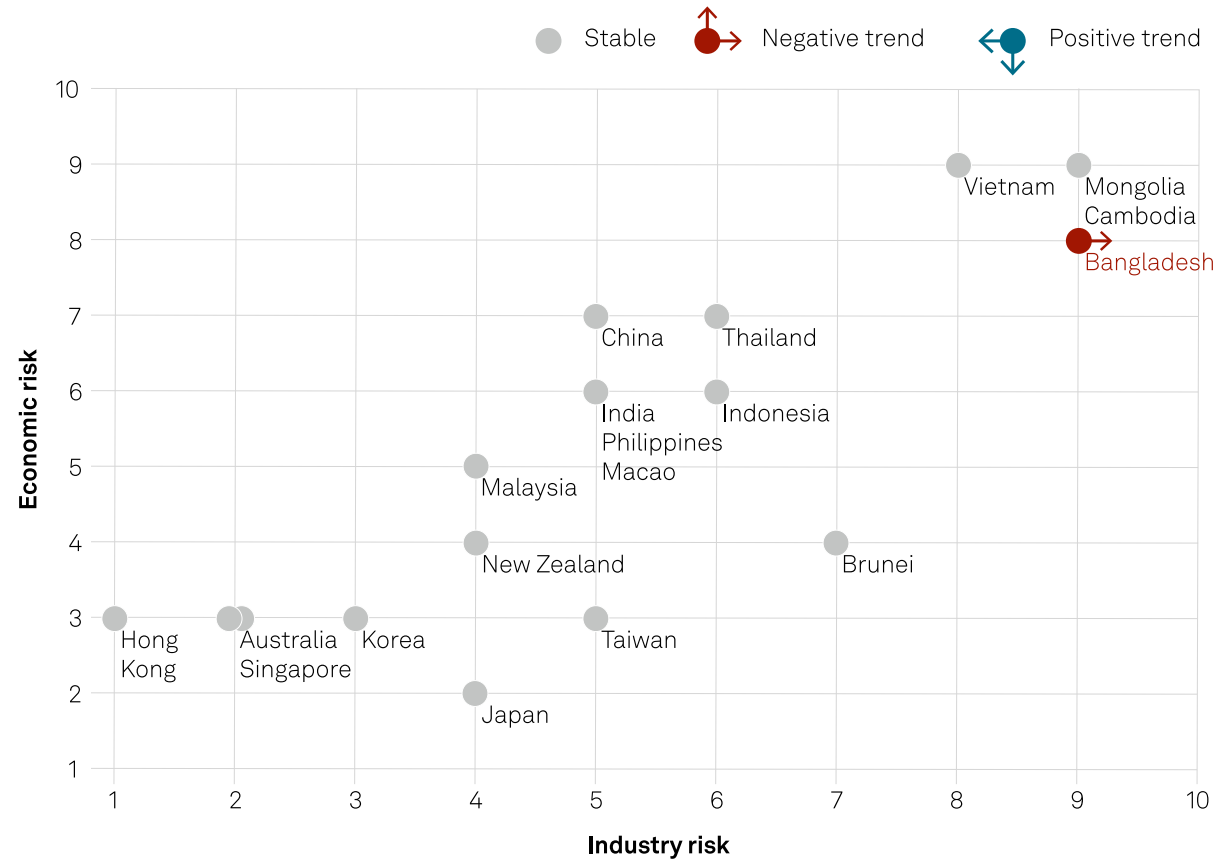


Asia-Pacific banks | Outlook distribution



Data as of August 2, 2024. Source: S&P Global Ratings.

Stable Trends Prevail For Most Countries



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

Macao Special Administrative Region: Revised our economic risk score to '6' from '5' (May 2024)

Australia: BICRA Group to '2' from '3'; industry risk trend to stable from positive and industry risk score to '2' from '3' (April 2024).

Macao Special Administrative Region: Assigned to BICRA Group '5' (January 2024).

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 July 31, 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	H	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 August 20, 2024.

Country Snapshots

Select banking jurisdictions in the Asia-Pacific region

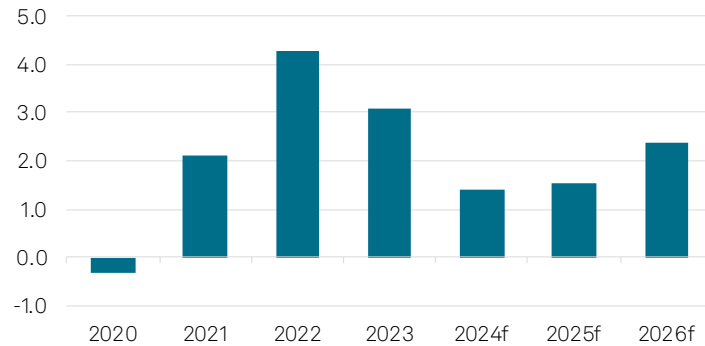
Australia | Low Unemployment Should Shield Against Credit Losses

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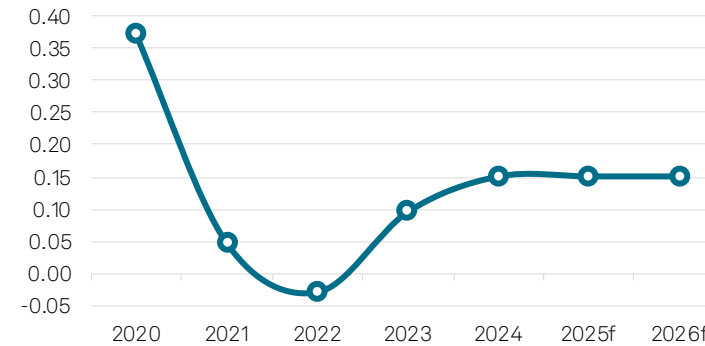
Economic growth to be modest

Real GDP growth (%)



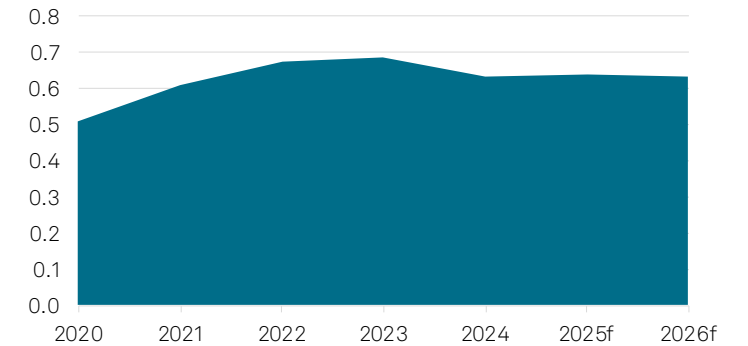
Banks' credit losses should remain low

Credit losses as a % of total loans



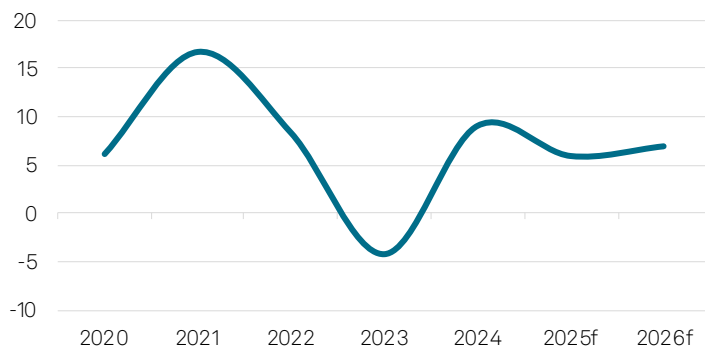
We expect earnings to stay strong

Return on average assets (%)



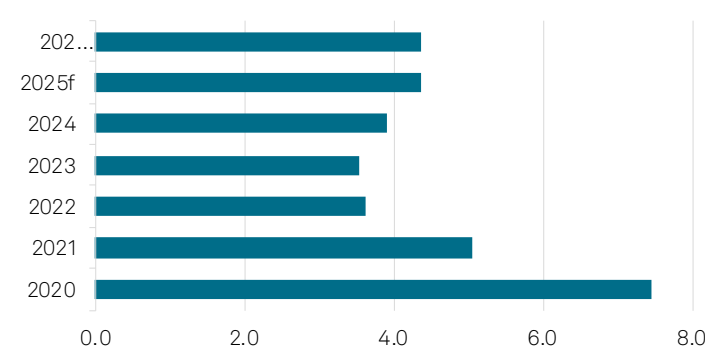
Modest growth in house prices

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



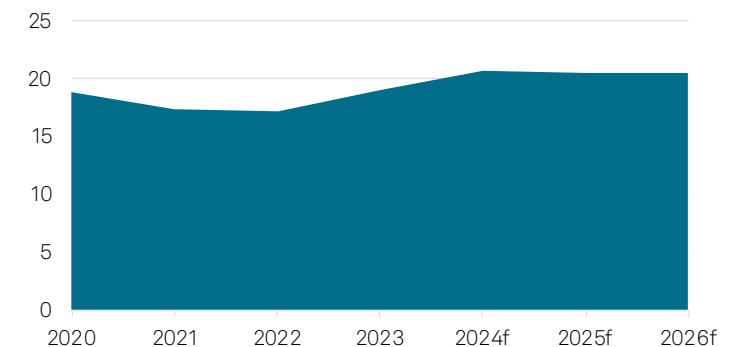
Low unemployment rate

Unemployment rate



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.

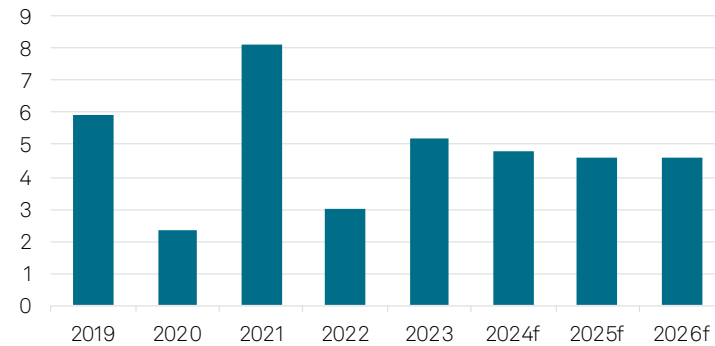
China | Uneven Recovery Pressures Chinese Banks

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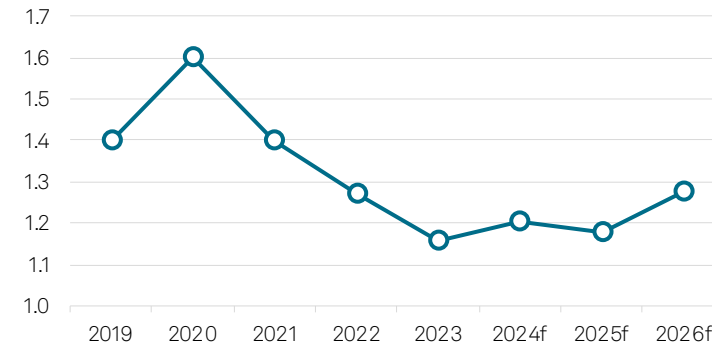
Economic recovery uneven amid modest policy support

Real GDP growth (%)



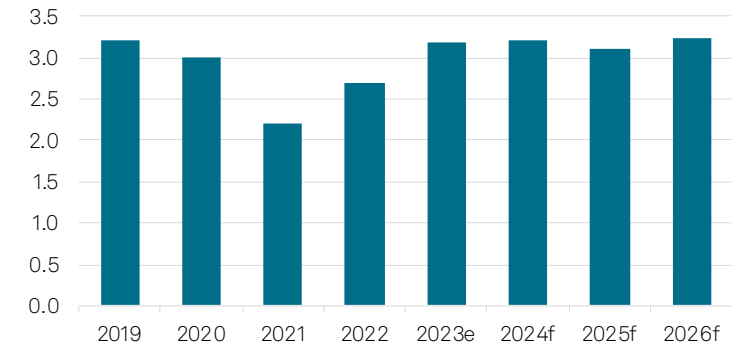
Commercial banks to see slightly higher credit costs

Credit costs as % of average loans



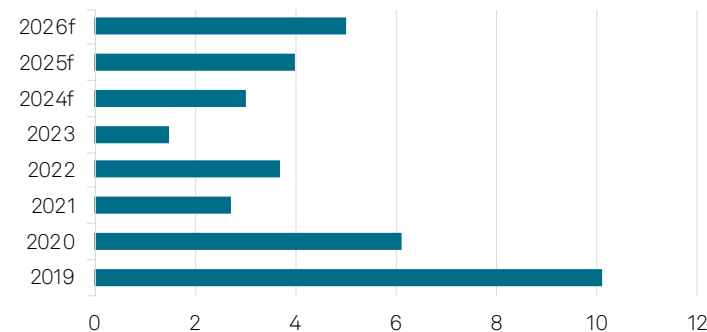
Policy and funding support smaller companies

Micro and small enterprises -- NPL ratio (%)



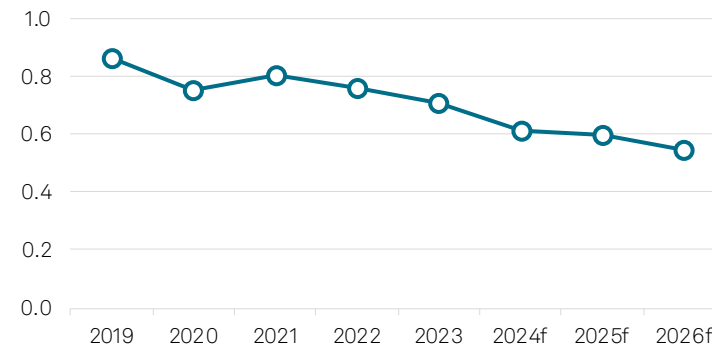
Delay in recovery in real estate loan quality

Property development loan growth (%)



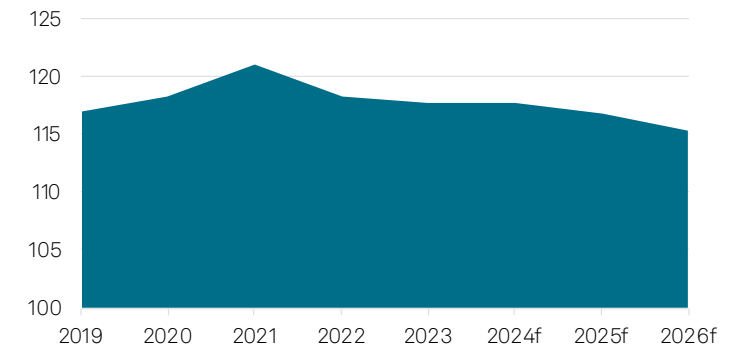
Profitability to remain pressured

Return on average assets (%)



Strong customer deposit base

Domestic loans as a % of systemwide domestic core customer deposits



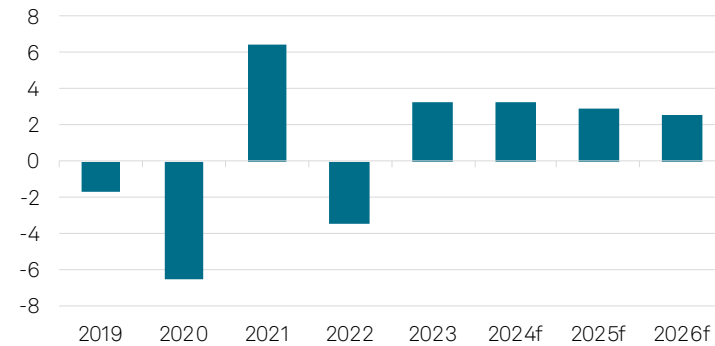
Data as of year ended December. e--Estimate. f--Forecast. NPL--Nonperforming loans. Source: S&P Global Ratings.

Hong Kong SAR | Strong Fundamentals Provide Cushion Against Risks

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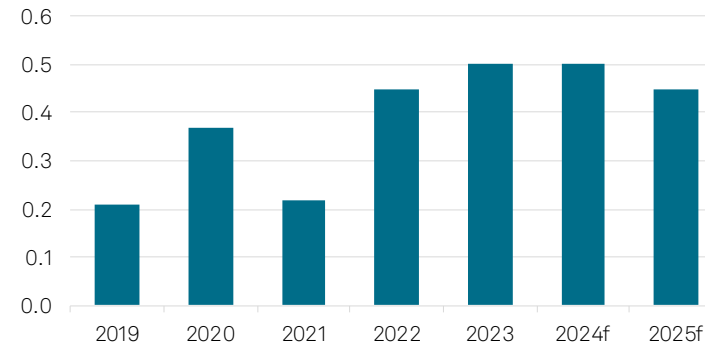
Economic growth to remain largely steady

Real GDP growth (%)



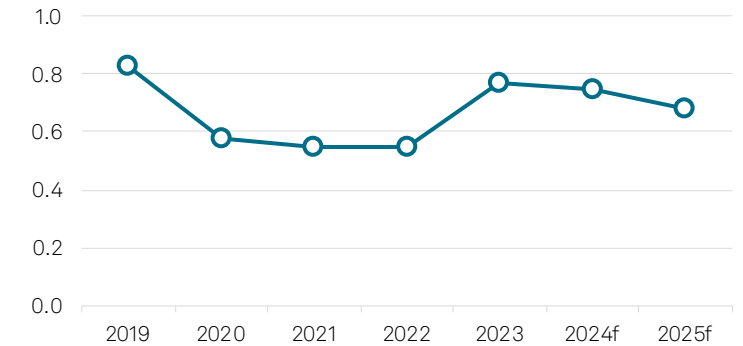
China CRE risk manageable, credit losses to gradually decline

Credit losses as a % of total loans



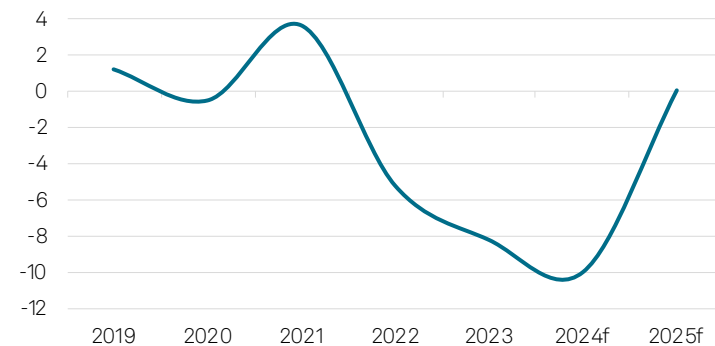
Profitability to be broadly stable

Return on average assets (%)



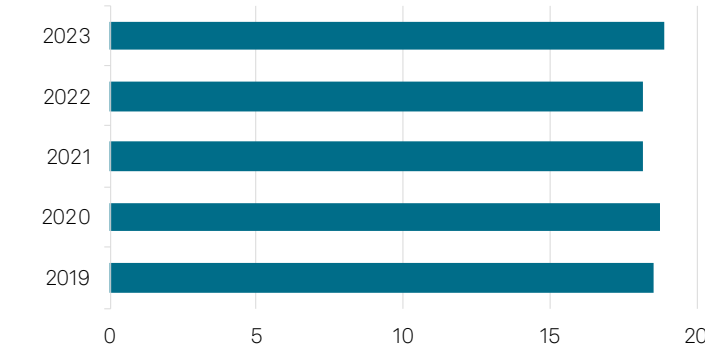
Residential housing prices to soften in 2024

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



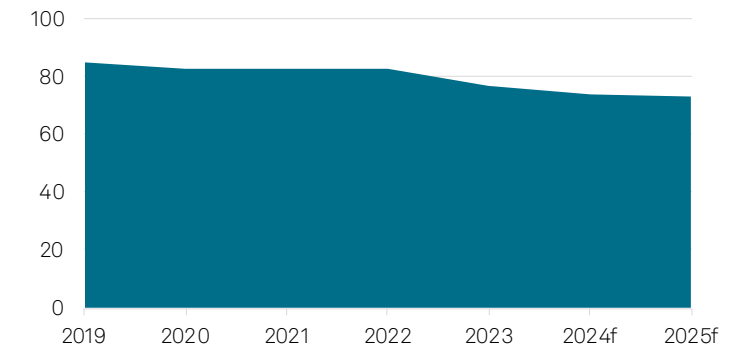
Strong capitalization through the cycles

Tier 1 capital ratio (%)



Solid customer deposits remain a key support

Systemwide loans as a % of systemwide core customer deposits



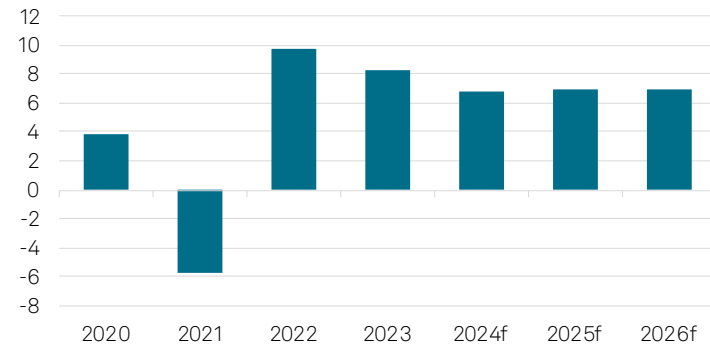
Data as of year ended December. CRE--Commercial real estate. e--Estimate. f--Forecast. Sources: Hong Kong Monetary Authority, S&P Global Ratings.

India | Structural Improvements, Solid GDP Enhance System Resilience

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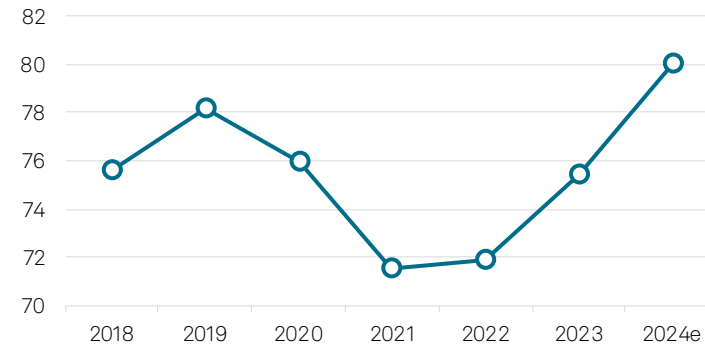
Economic growth momentum to continue

Real GDP growth (%)



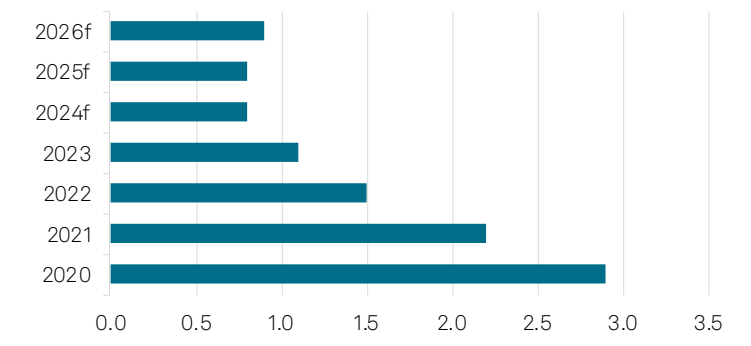
Sharp rise in LDR to cast shadow on future credit growth

Loans-to-deposits ratio (%)



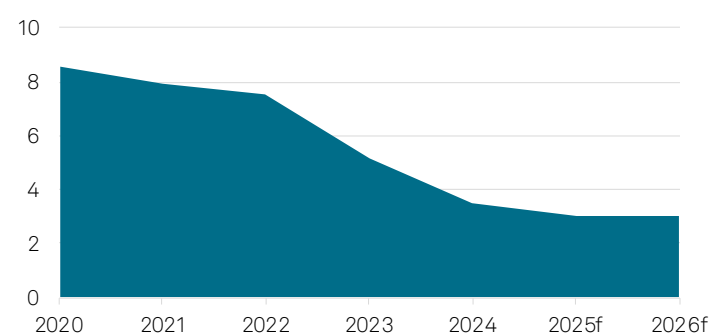
Credit losses to inch up slightly from cyclical low

Credit losses as a % of total loans



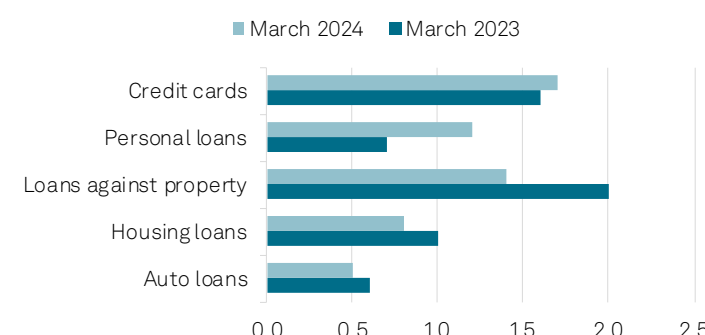
Asset quality to continue to improve

Nonperforming assets as a % of systemwide loans



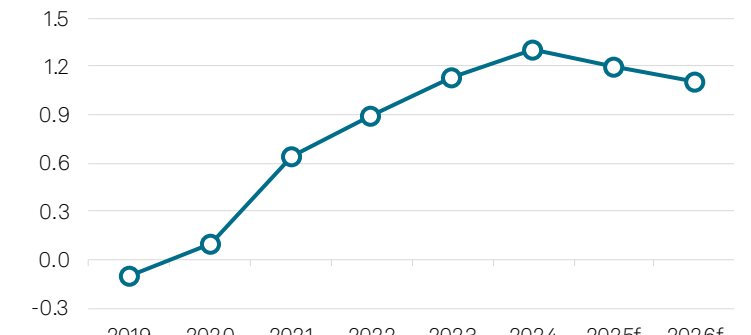
Delinquencies in the retail segment rising from a low base

90+ days past due (%) March 2024 vs. March 2023



Returns have peaked and are likely to moderate slightly

Return on average assets (%)



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.

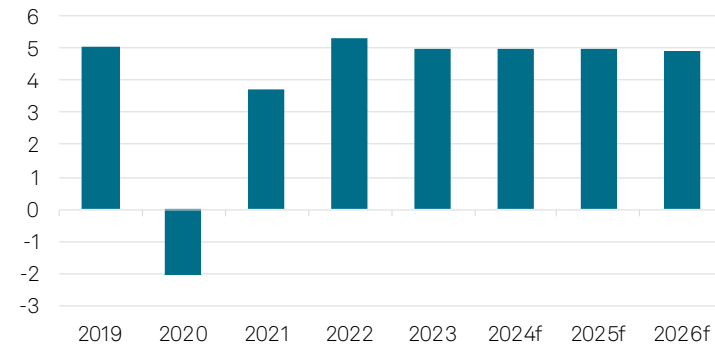
Indonesia | Good Economic Growth Prospects To Bolster Banks

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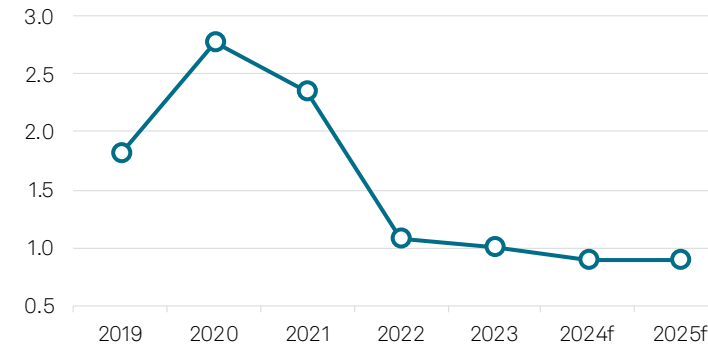
Economic growth is a boost

Real GDP growth (%)



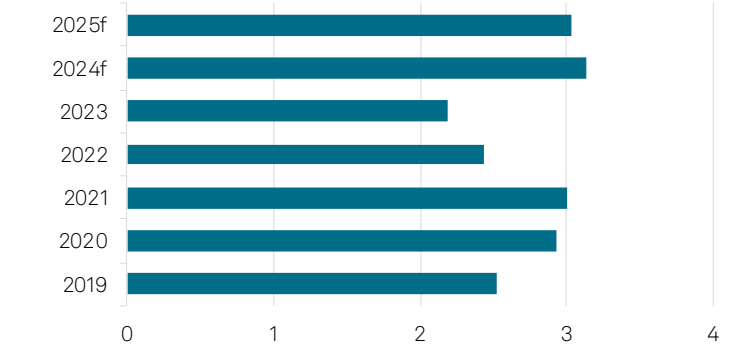
Credit costs should remain under control

Credit losses % of total loans



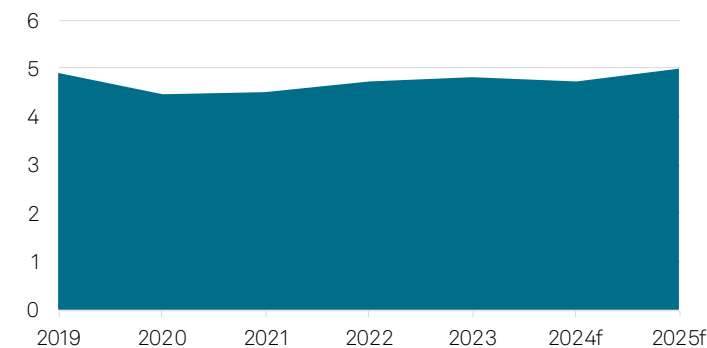
Higher NPLs expected post expiry of COVID restructuring scheme

Nonperforming assets as a % of systemwide loans



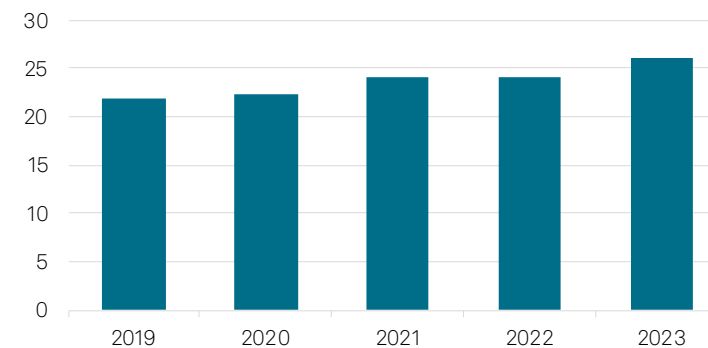
NIMs to compress but remain manageable

Net interest income to average earning assets (%)



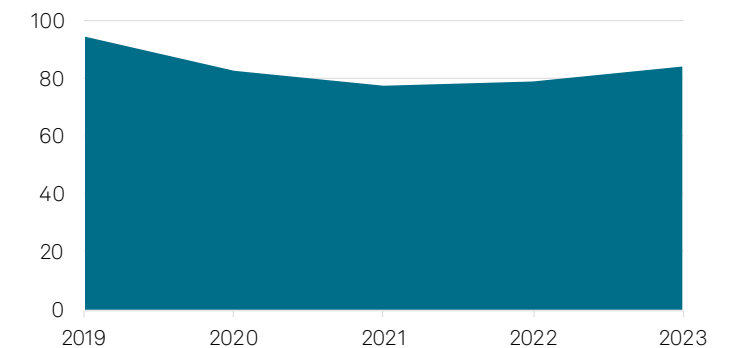
Strong capital buffers

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.

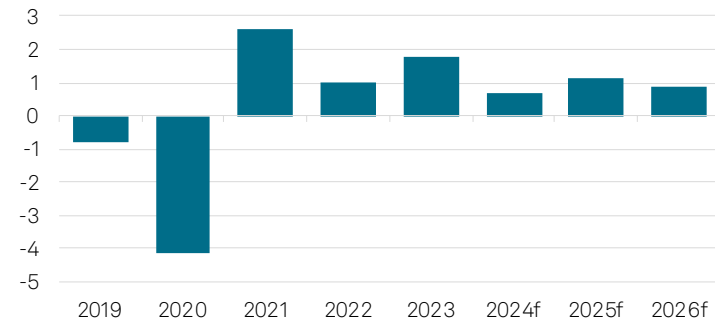
Japan | Gradual Transition Toward Normalization

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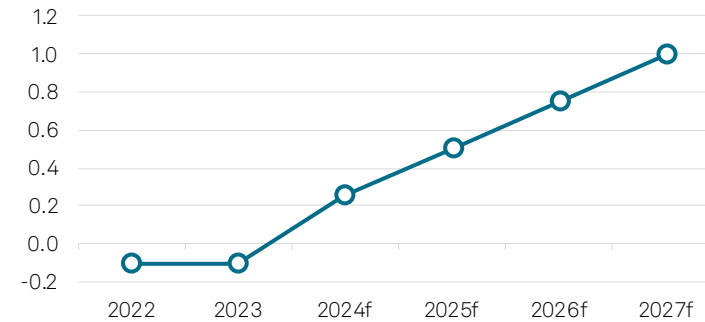
Domestic-oriented economy will continue to grow

Real GDP growth (%)



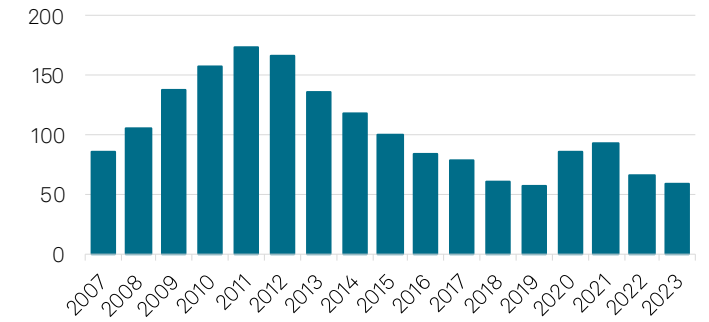
We expect the rise of policy interest rate to be low and slow

Policy rates (year-end) (%)



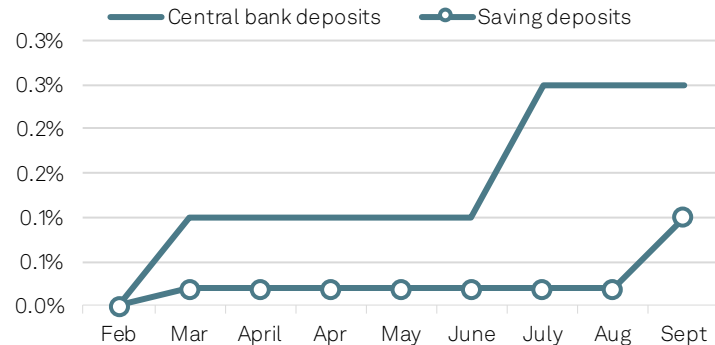
Domestic banks prepare for rate hikes and tapering

Domestic banks' holding of JGBs and Zaito-bonds at FY end (JPY tril.)



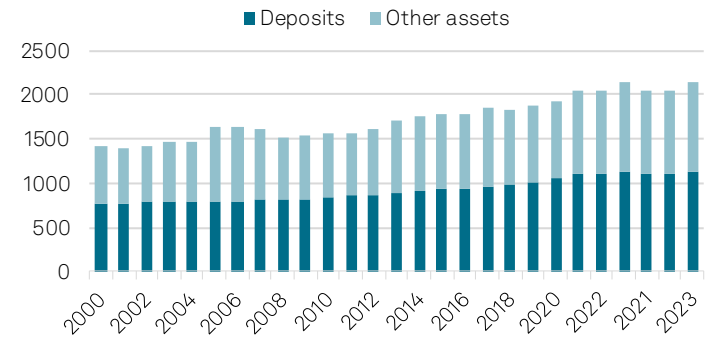
Banks secure wider interest margins over its deposits

Major banks' interest rates on savings deposits vs central bank deposits



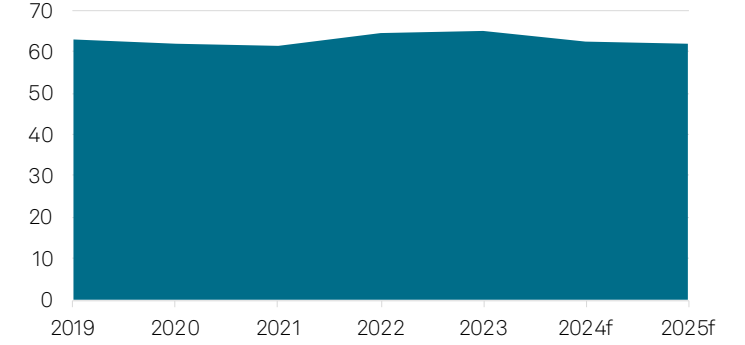
Deposits still occupy majority of household's financial assets

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



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.

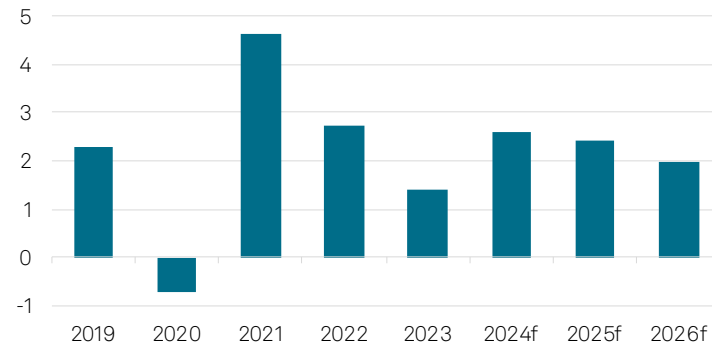
Korea | Banks Can Contain Property Market Risks

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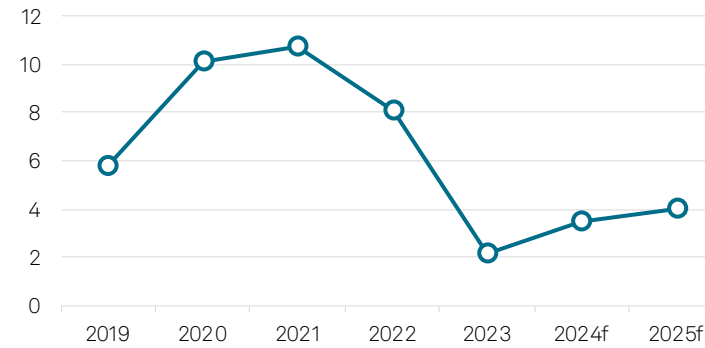
Some recovery in Korea's economy

Real GDP growth (%)



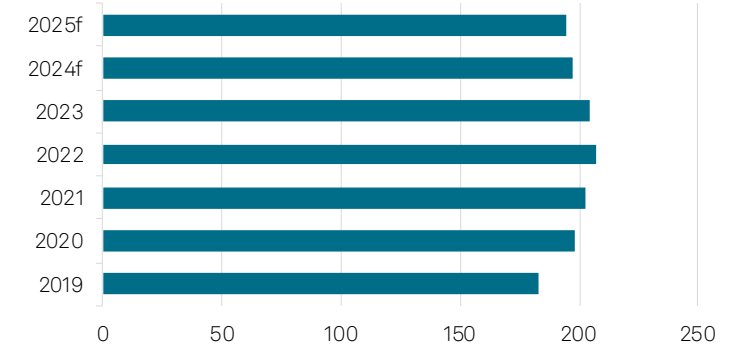
Loan growth to stay moderate

Loan growth (%)



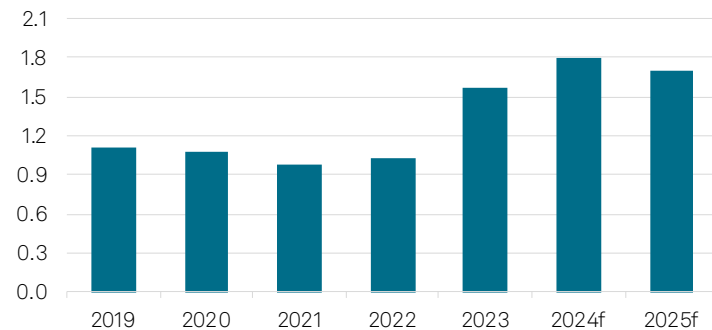
Private-sector leverage is high

Total private sector debt as a % of GDP



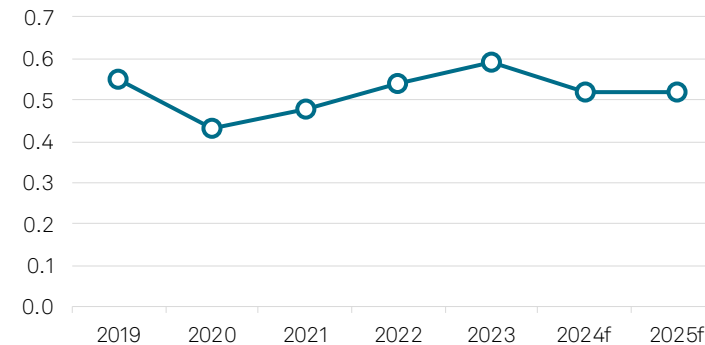
Higher credit risks from nonbank deposit-taking institutions

Nonperforming assets as a % of systemwide loans



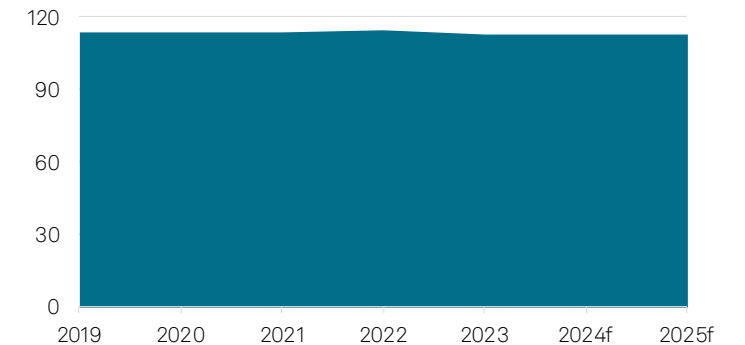
Profitability to weaken slightly in 2024

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. f--Forecast. Source: S&P Global Ratings.

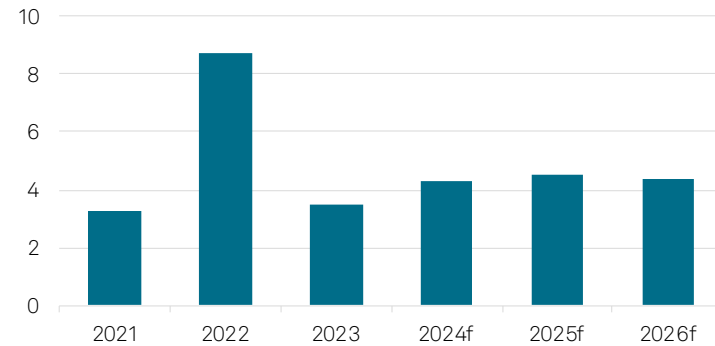
Malaysia | Banks Likely To Stand Firm Against Headwinds

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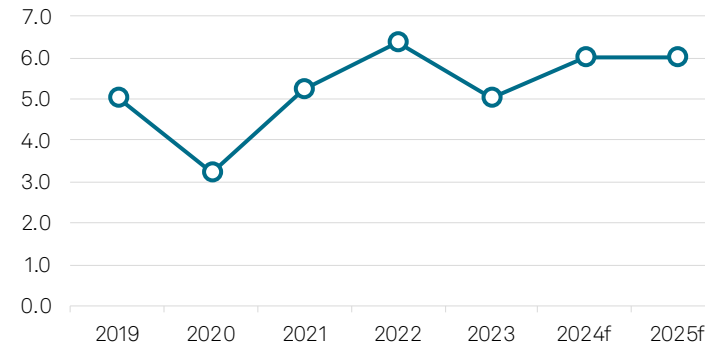
Economic conditions will improve

Real GDP growth (%)



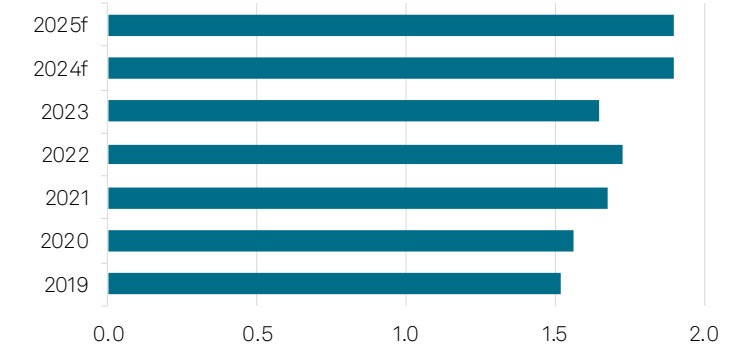
Credit growth will pick up

Loan growth (%)



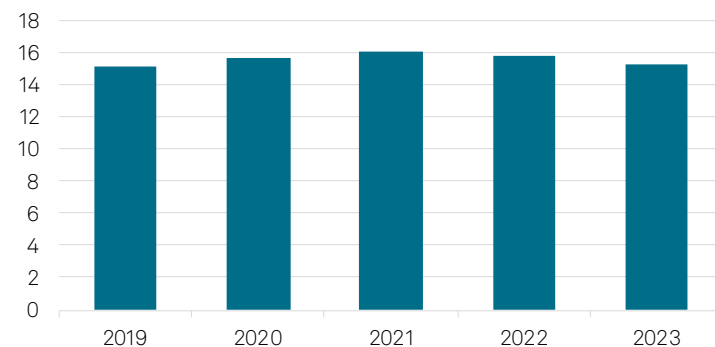
Asset quality deterioration manageable

Nonperforming assets as a % of systemwide loans



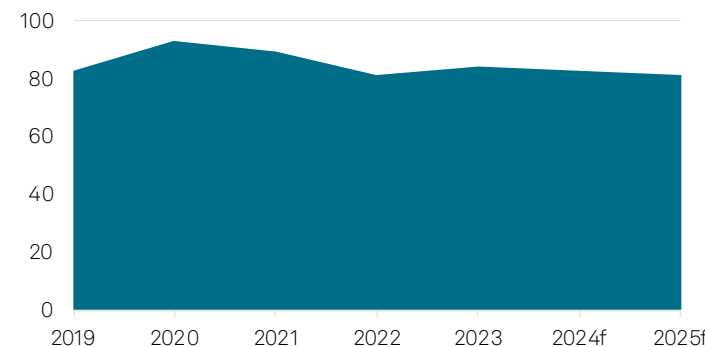
Solid capitalization could offset asset quality pressure

Tier 1 capital ratio (%)



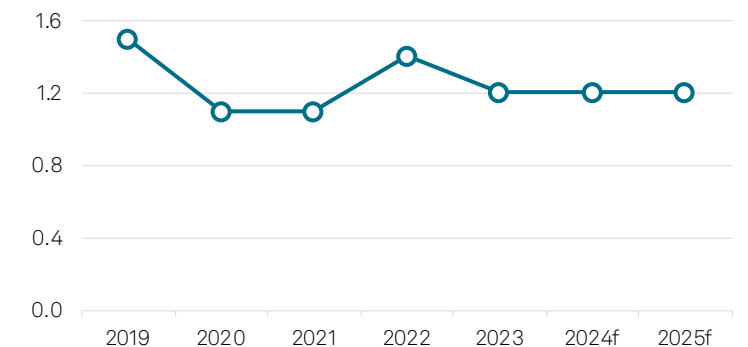
High household leverage poses risk

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.

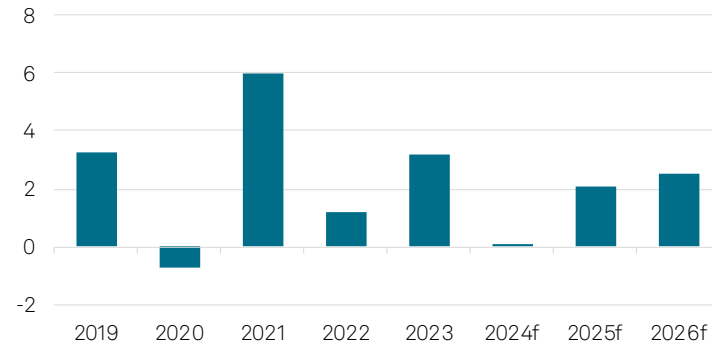
New Zealand | Economic Growth To Rebound In 2025

Lisa Barrett

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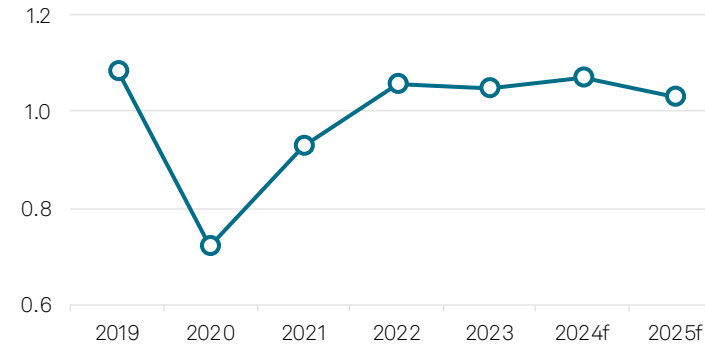
Economic growth weaker in 2024

Real GDP growth (%)



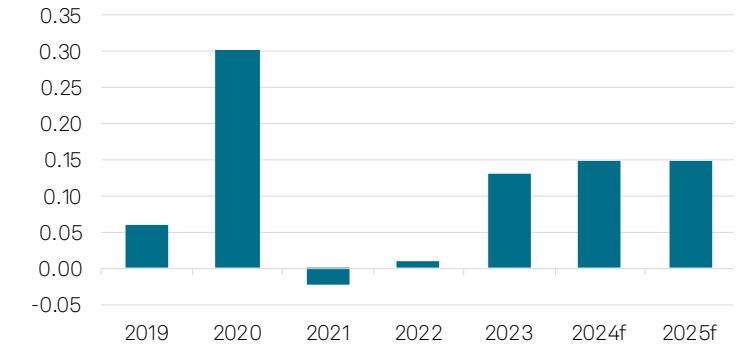
Banks maintain profitability

Return on average assets (%)



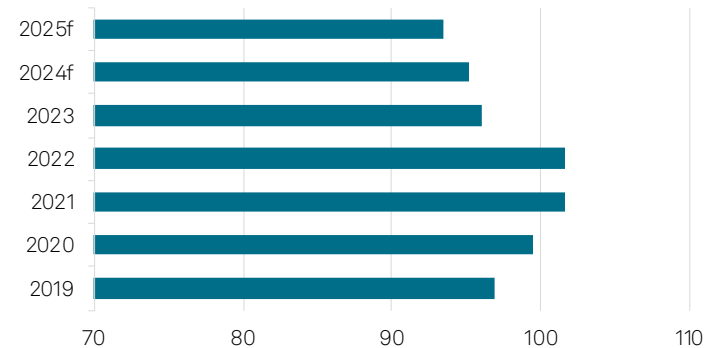
Credit losses to remain low

Credit losses as a % of total loans



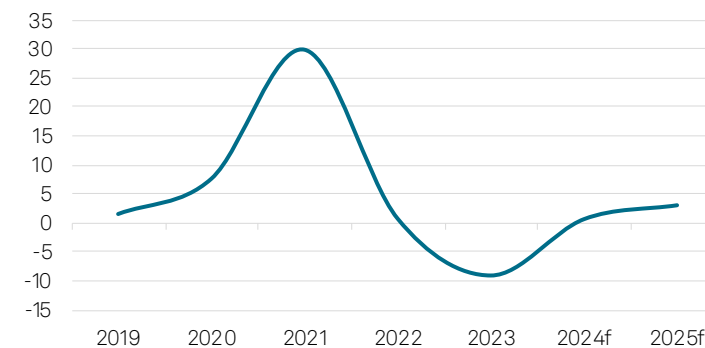
High household indebtedness

Household debt as % of GDP



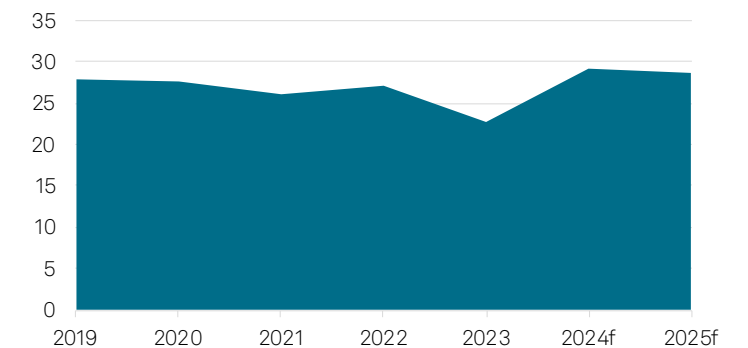
House price growth to remain muted in 2025

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.

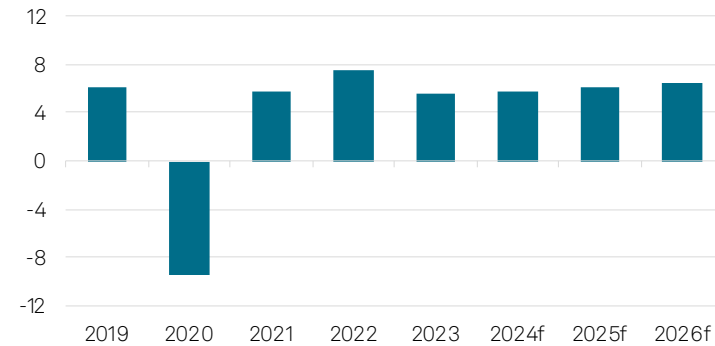
Philippines | Sustained High Interest Rates Would Be A Key Downside Risk

Nikita Anand

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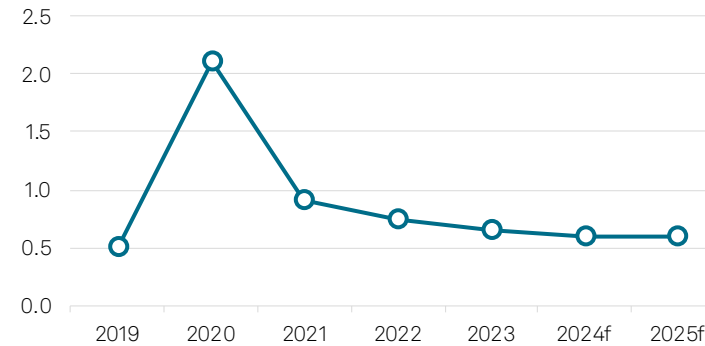
Economic growth will improve

Real GDP growth (%)



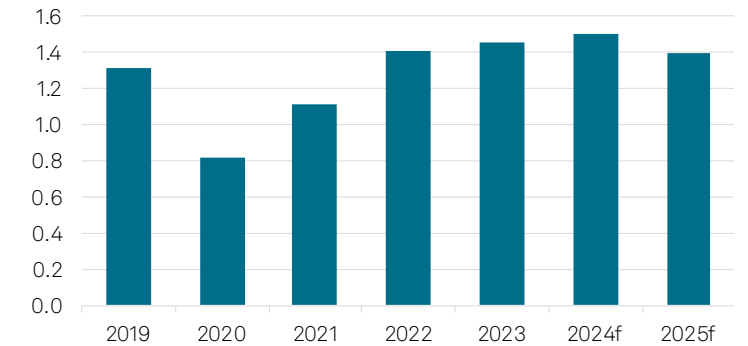
Credit losses will stay near pre-pandemic levels

Credit losses as % of total loans



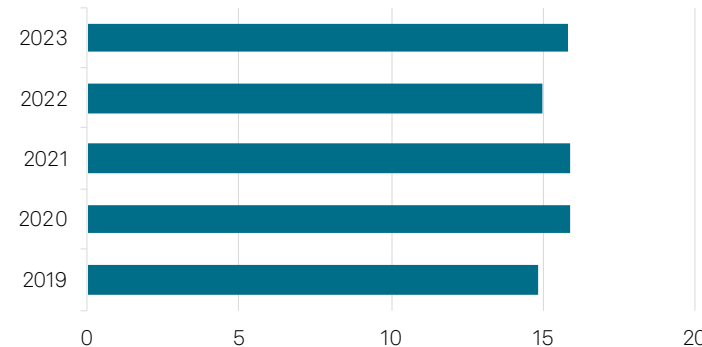
Return on assets has peaked and will gradually decline

Return on average assets (%)



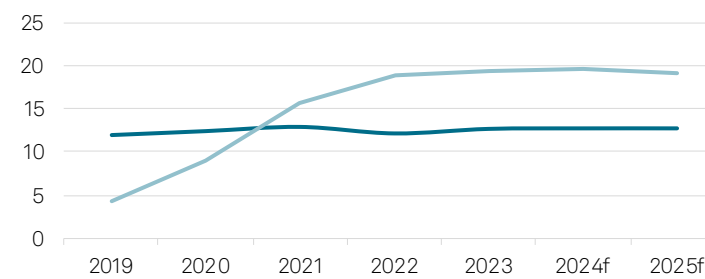
Banks maintain good capital buffers

Common equity tier 1 ratio (%)



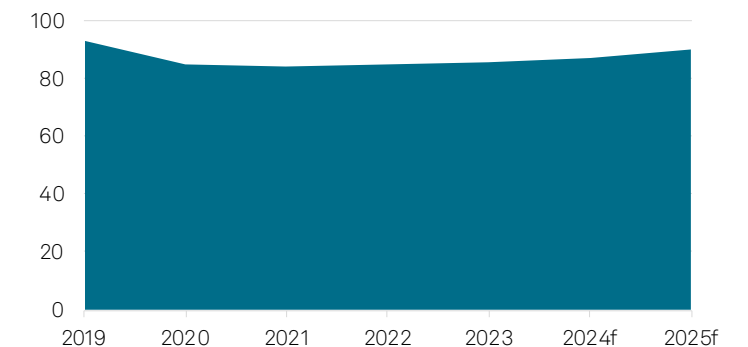
Downside risk of a fallout in property markets remains high

Real estate construction and development loans as a % of total loans
CRE vacancy rates (%)



Loans to deposit ratio will moderate from strong levels

Domestic loans as a % of domestic core customer deposits



Data as of year ended December. CRE vacancy rate is data for office vacancy rate in metro Manila. e--Estimate. f--Forecast. Source: S&P Global Ratings.

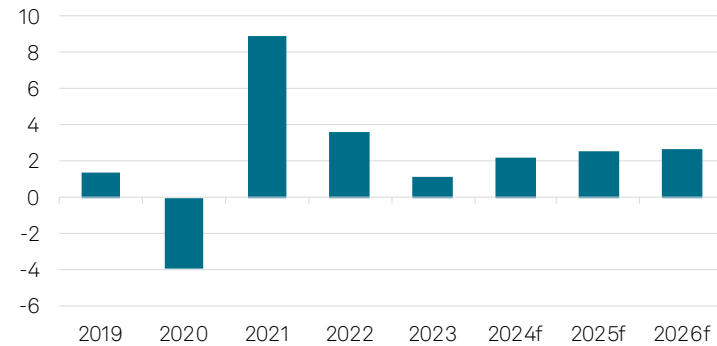
Singapore | The Fed Pivot Will Change Dynamics For The Country's Banks

Ivan Tan

ivan.tan@spglobal.com

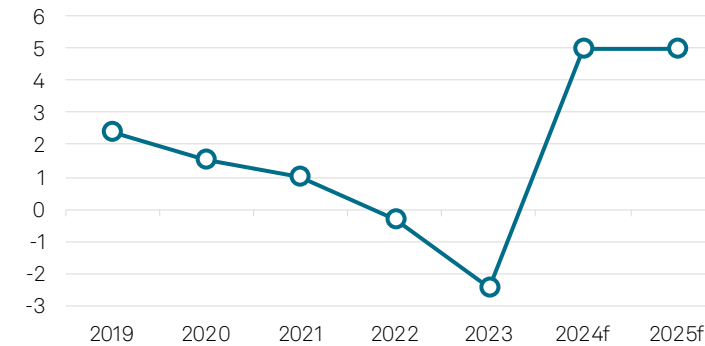
Domestic market recovery will buffer against external stress

Real GDP growth (%)



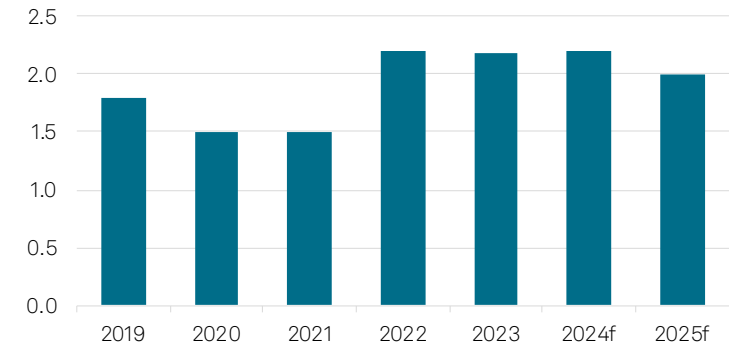
Loan growth will likely remain tepid

Loan growth (%)



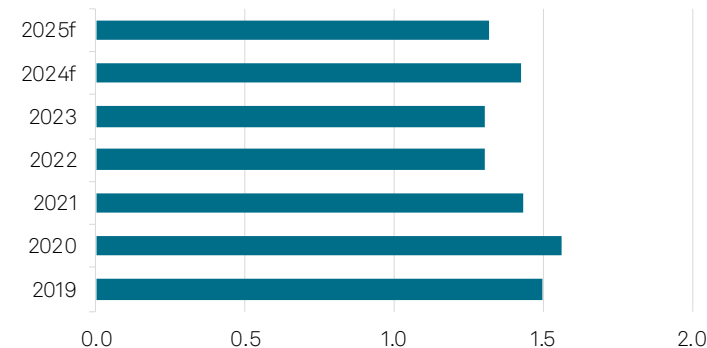
Net interest margins have peaked, some moderation expected

Net interest income to average earning assets (%)



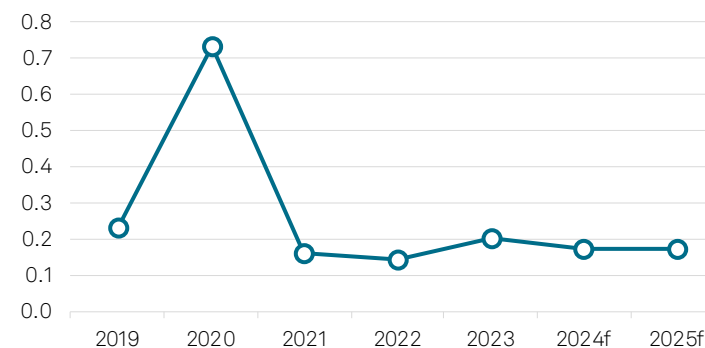
Asset quality should remain resilient

Nonperforming assets as a % of systemwide loans



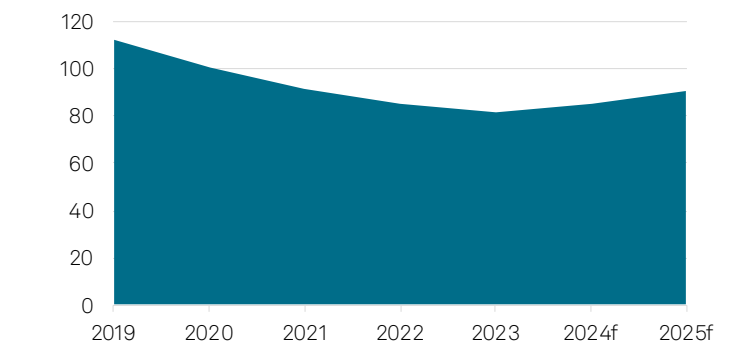
Credit costs to remain manageable

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.

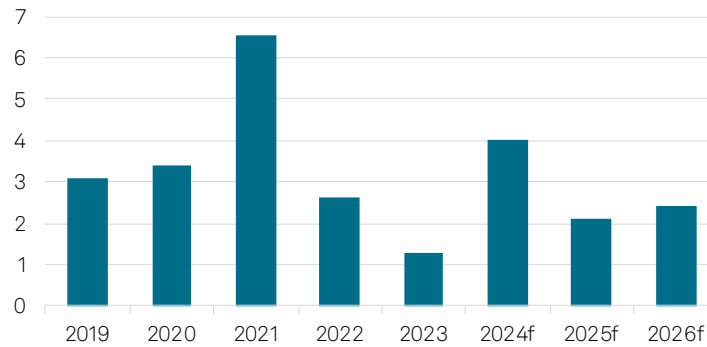
Taiwan | Solid Capitalization Can Absorb Volatility

Yuhan Lan

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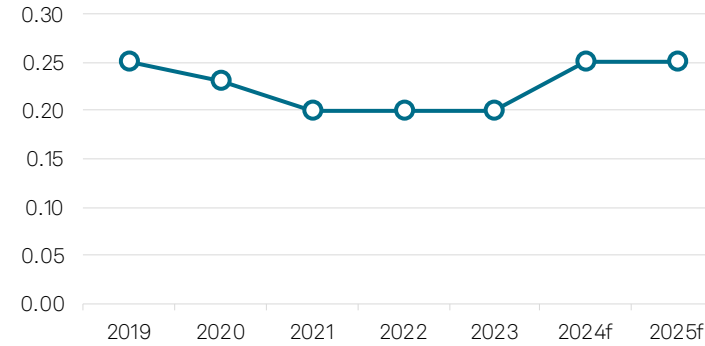
Better economic growth prospects in 2024

Real GDP growth (%)



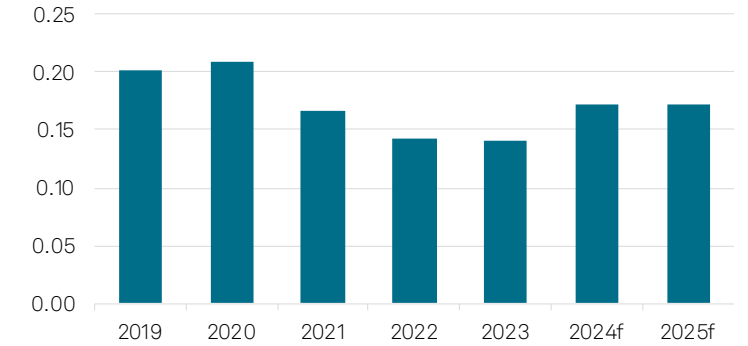
Credit costs to remain elevated

Credit losses as a % of total loans



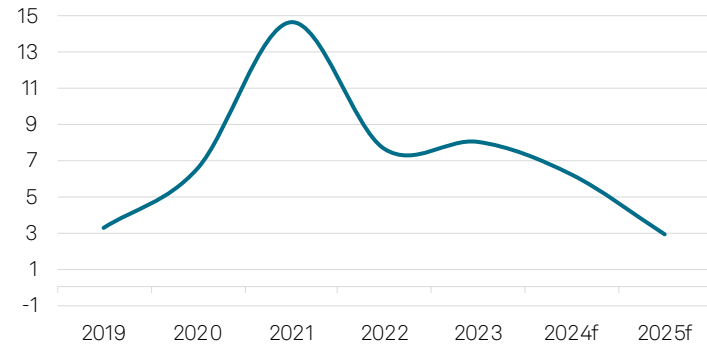
Loan moratorium expiration may push banks' NPA recognition

Nonperforming assets as a % of systemwide loans



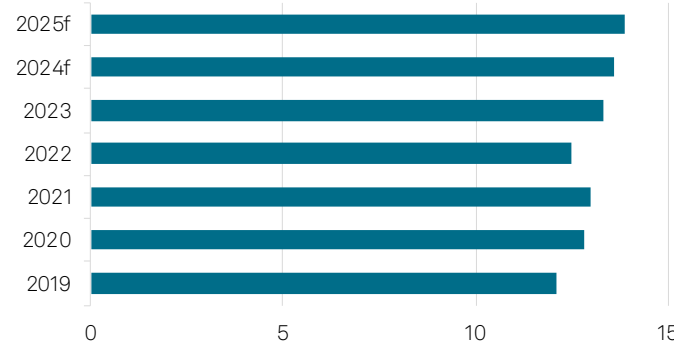
Real estate prices to grow by mid single digit in 2024

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



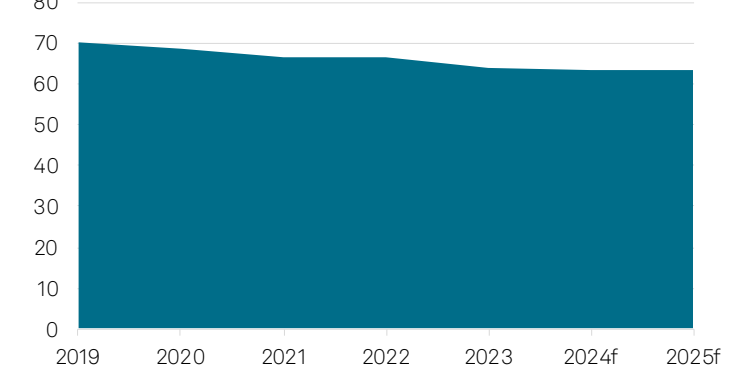
Banks' capitalization to remain solid

Tier 1 capital ratio (%)



Household deposits predominantly fund deposit base

Household deposits as a % of systemwide deposits



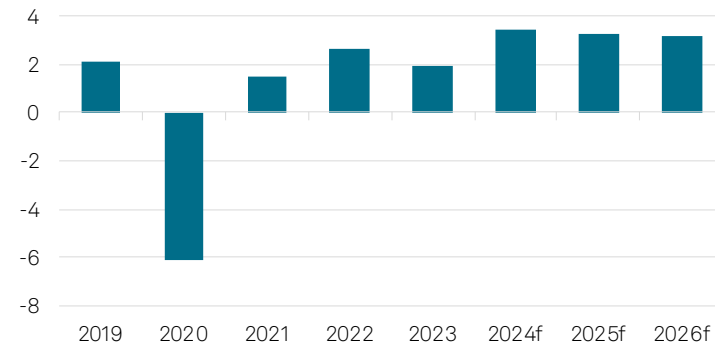
Data as of year ended December. e--Estimate. f--Forecast. Source: S&P Global Ratings.

Thailand | Elevated Credit Costs To Continue Weighing On Thai Banks

Deepali V Seth Chhabria
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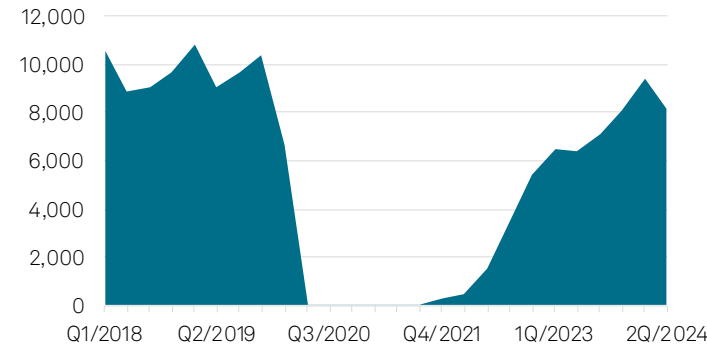
Economic recovery remains weak and uneven

Real GDP growth (%)



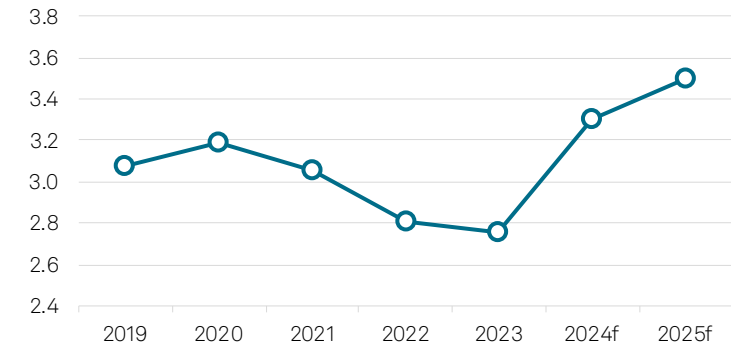
Tourist arrivals are recovering fast, but spending lags

Tourist arrivals ('000s)



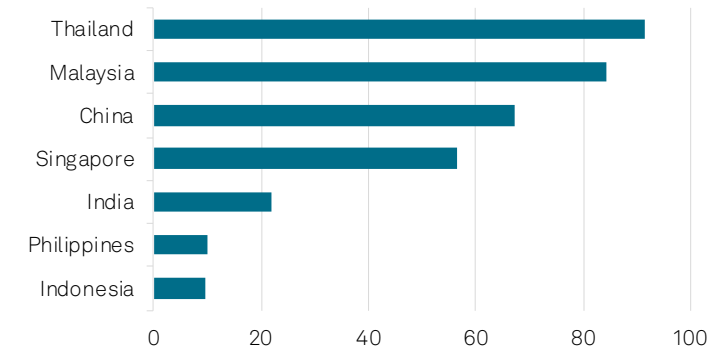
Restructured loans (~10%) to weigh on asset quality

Nonperforming loans as a % of systemwide loans



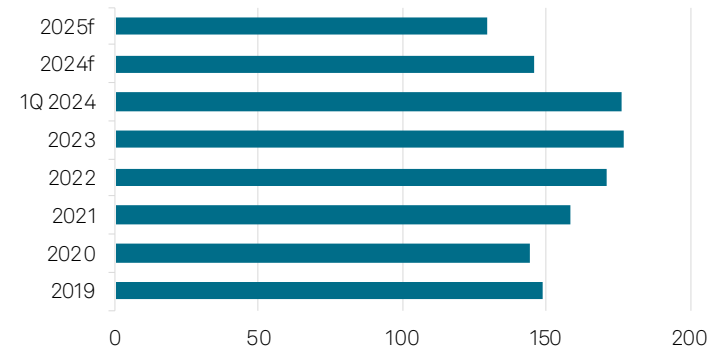
Households have high leverage

Household debt as % of GDP 2023



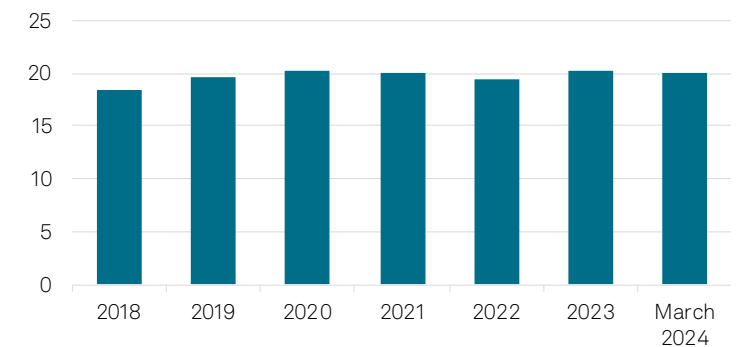
High provisioning coverage provides downside protection

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.

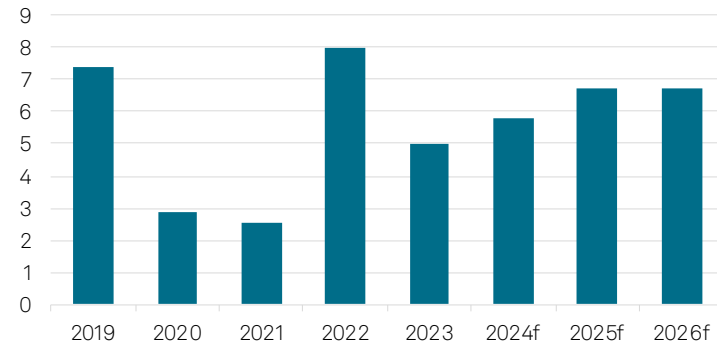
Vietnam | On A Gradual Path To Recovery

Sue Ong

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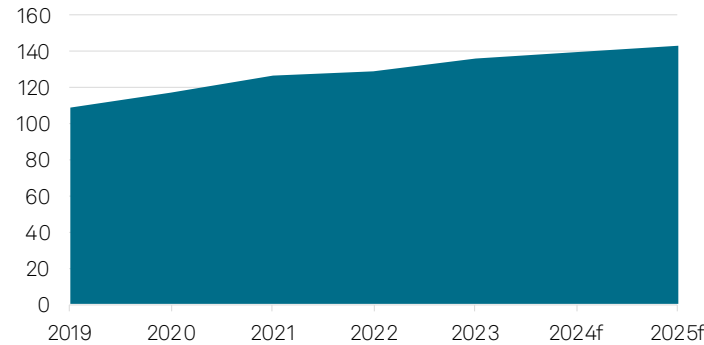
FDI and recovering domestic demand to buttress GDP growth

Real GDP growth (%)



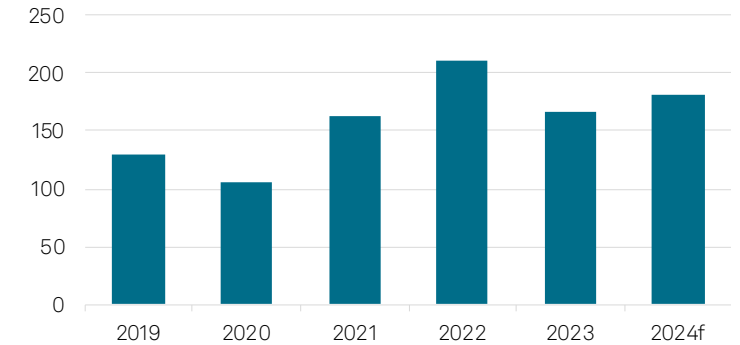
Rising indebtedness continues to pose a risk

Total private sector debt as % of GDP



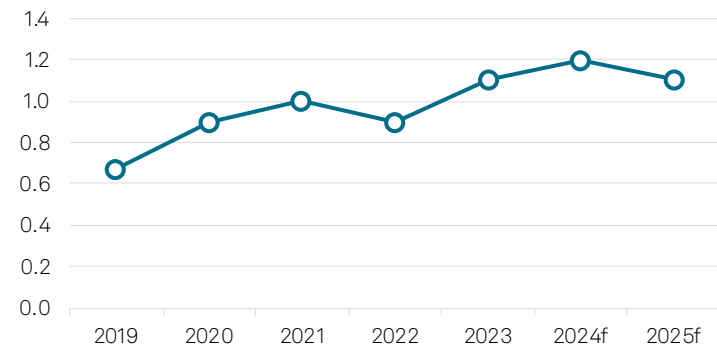
Higher property sales should ease asset-quality pain

Aggregate Vietnam property pre-sales (VND tril.)



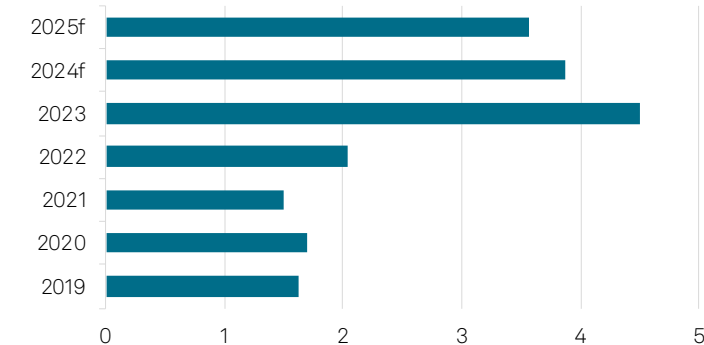
We expect credit costs to remain elevated

Credit losses as % of total loans



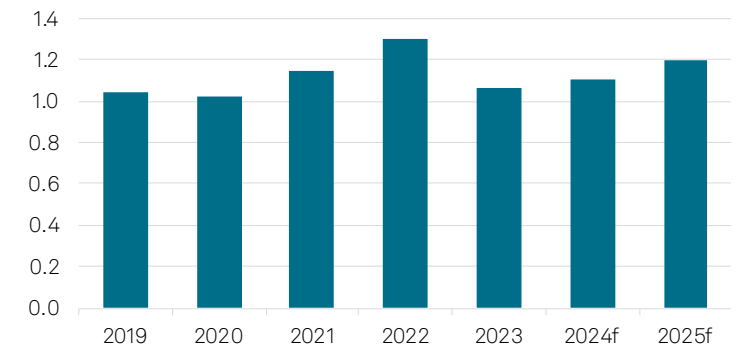
Nonperforming assets are likely to stay elevated

Nonperforming assets as a % of systemwide loans



Returns on assets to remain stable

Return on average assets (%)



Data as of year ended December 2023. Actual and forecast aggregate presales cover two Vietnam developers--Vinhomes Joint Stock Co. and No Va Land Investment Group Corp. FDI--Foreign direct investment. E--Estimate. f--Forecast. VND--Vietnamese dong. Sources: Company disclosures. S&P Global Ratings.

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

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