



# Asia-Pacific Banking Country Snapshots

Government Support Buttresses Bank Ratings

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Ratings

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*This report does not constitute a rating action*

## Key Takeaways



The outlooks on most Asia-Pacific bank ratings remain stable, supported by our anticipation of strong government backing for most systemically important banks.



In Vietnam, the impact of a recent typhoon will likely strain the profitability of domestic banks, and we believe Thai banks will weather flood-related damage.



Hong Kong banks face high vacancy rates in office space and a spillover of weak sentiment from mainland China's property downturn.

## Key Risks



Property sector stress worsens



Economic downside risks intensify



High corporate and government sector leverage



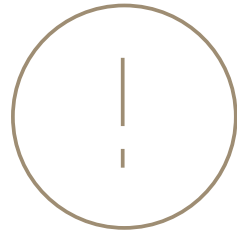
Digitalization, climate change, and cyber to challenge banks' business models

# 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.

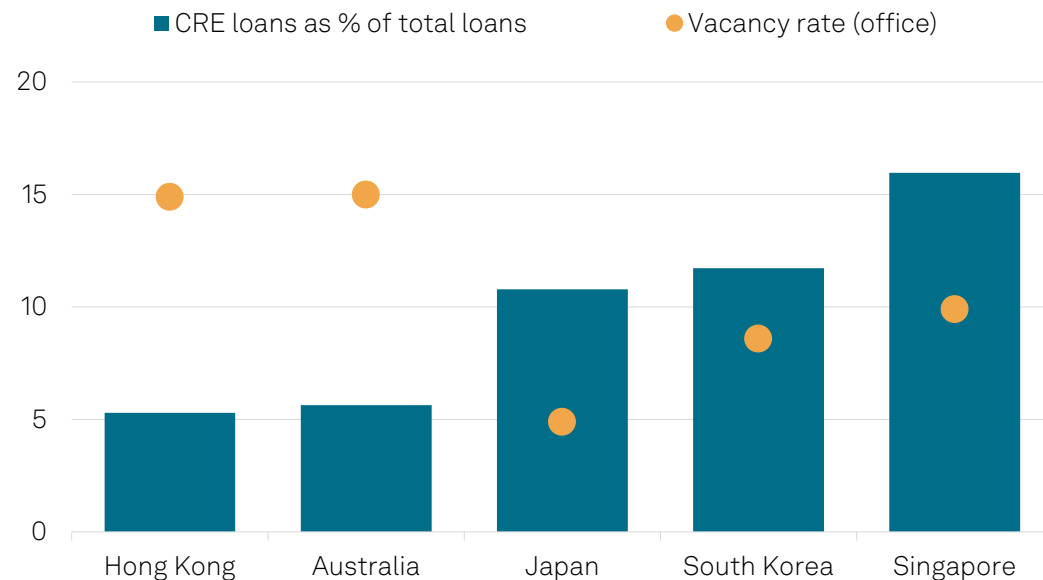
NBFI--Nonbank financial institutions, AMC--Asset management companies.

# 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...

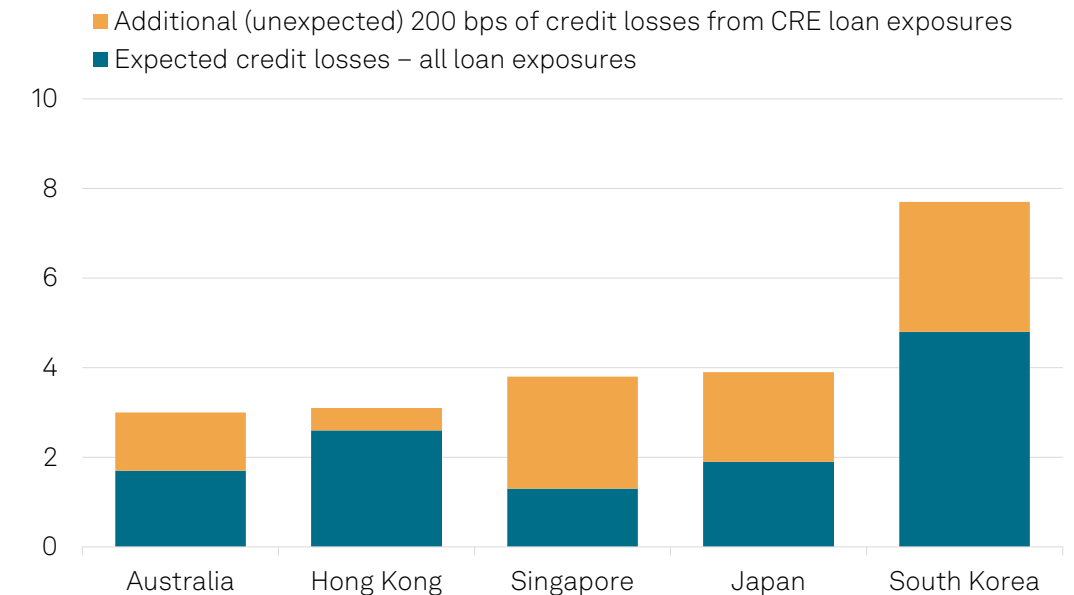
(%)



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

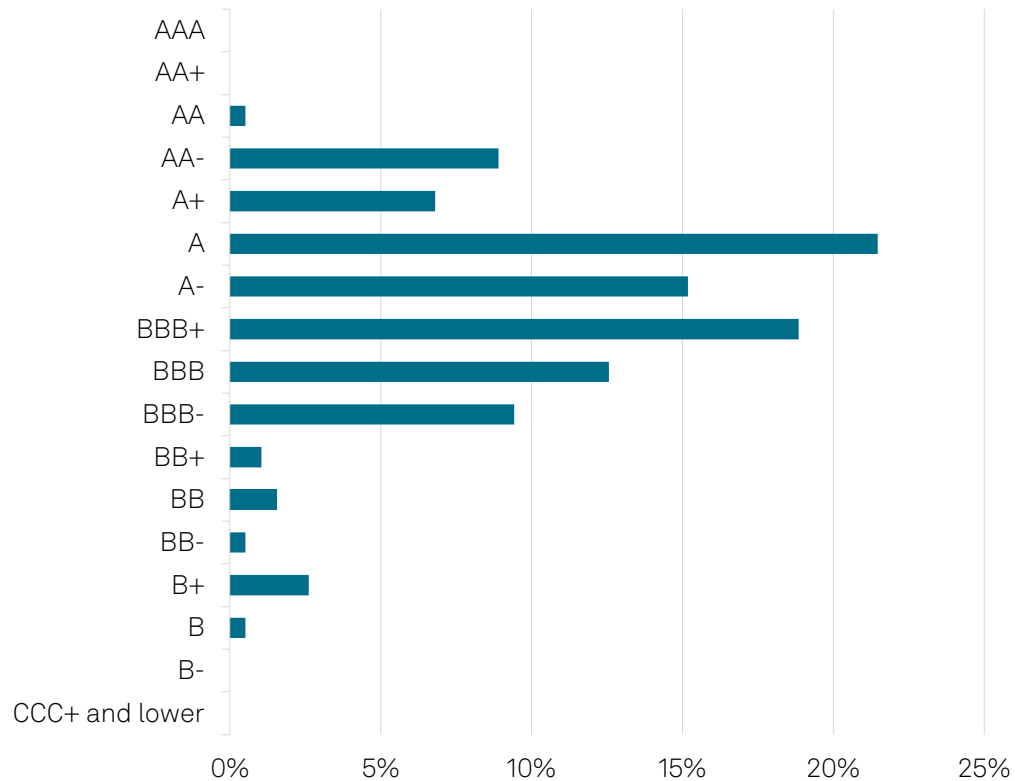
Credit losses as a percentage of total adjusted capital (%)



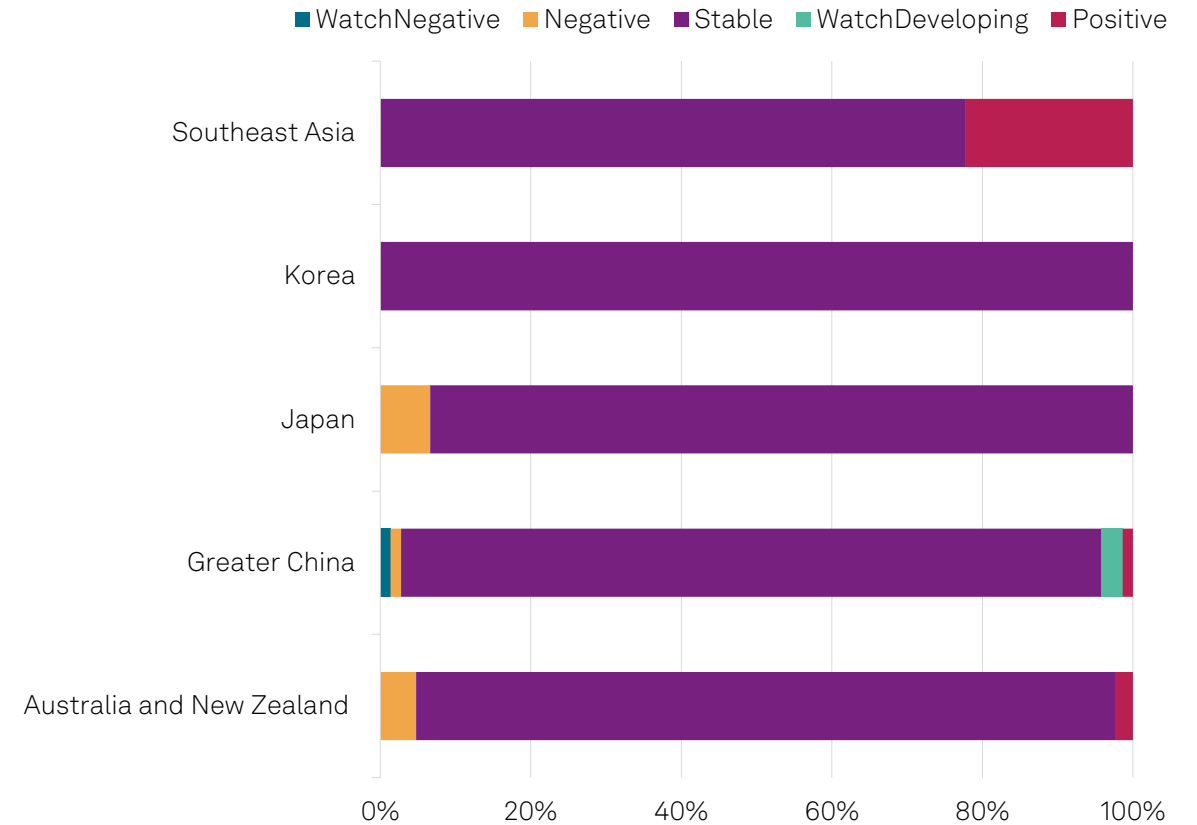
Data is 2024 forecasts. Commercial property includes income-producing commercial real estate and excludes construction. The chart includes systemically-important banks for each country as a proxy for system data. CRE-- Commercial real estate. Source: S&P Global Ratings.

# Ratings Resilient, Outlook Stable As Risks Lurk

Asia-Pacific banks | Rating distribution

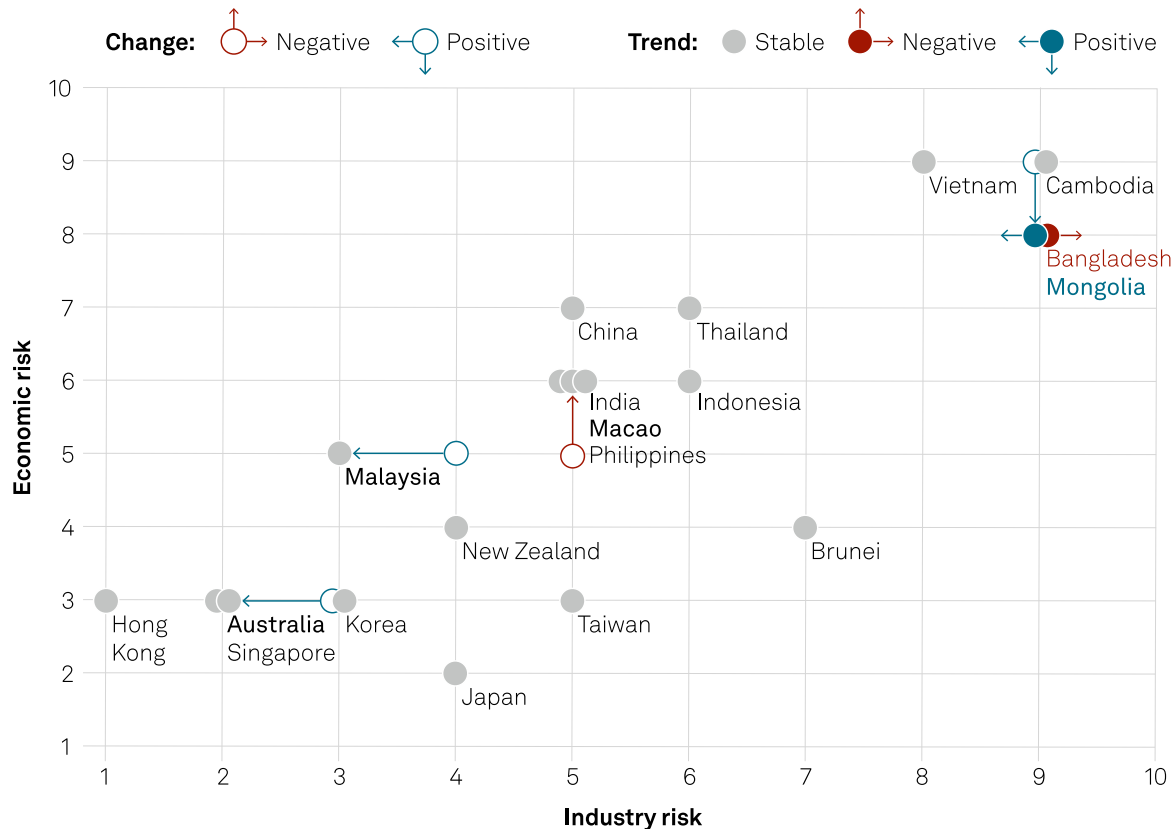


Asia-Pacific banks | Outlook distribution



Data as of October 17, 2024. Source: S&P Global Ratings.

# Stable Trends Prevail For Most Countries



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

**Mongolia:** We revised our economic risk to '8', from '9', and some scores on economic risk-related factors. We also revised the industry risk trend to positive from stable (October 2024).

**Malaysia:** We revised our industry risk to '3' from '4'. We also revised some scores on industry risk-related factors (September 2024).

**Macao Special Administrative Region:** We 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 October 18, 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	I	L
Mongolia	9	Stable	Positive	H	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 October 18, 2024.

# Country Snapshots

Select banking jurisdictions in the Asia-Pacific region

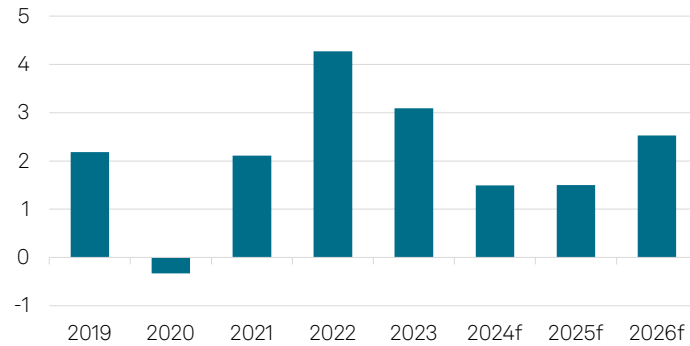


# Australia | Low Unemployment Should Shield Against Credit Losses

Nico DeLange  
Nico.delange@spglobal.com

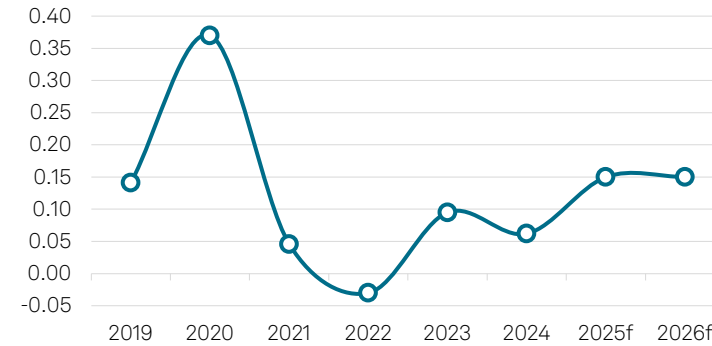
## Economic growth to be modest

Real GDP growth (%)



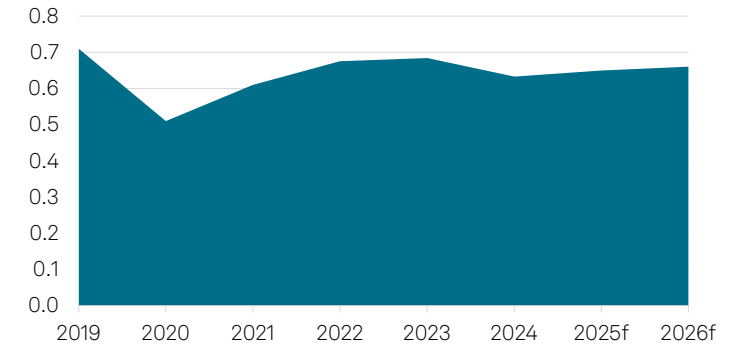
## Banks' credit losses should remain low

Credit losses as a % of total loans



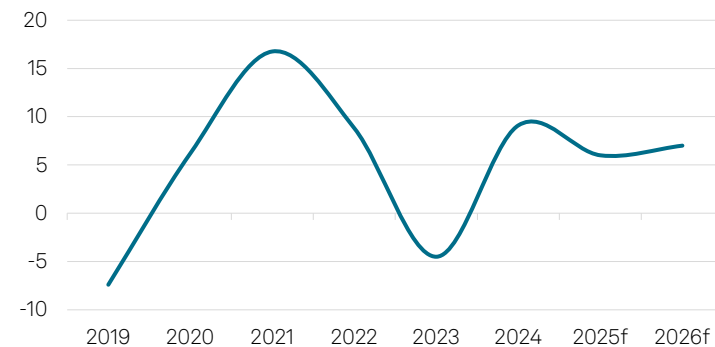
## We expect earnings to stay strong

Return on average assets (%)



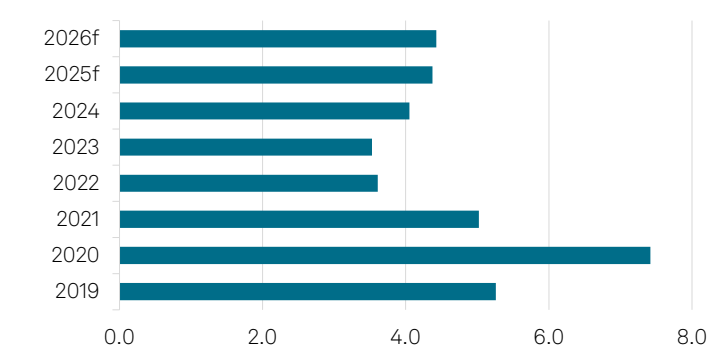
## Modest growth in house prices

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



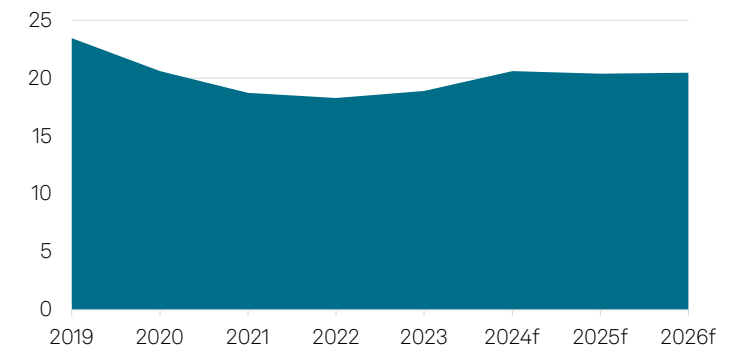
## Low unemployment rate

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.

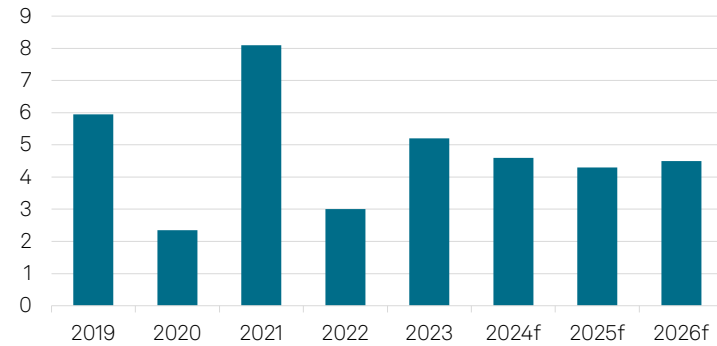
# China | Uneven Recovery Pressures Chinese Banks

Ming Tan

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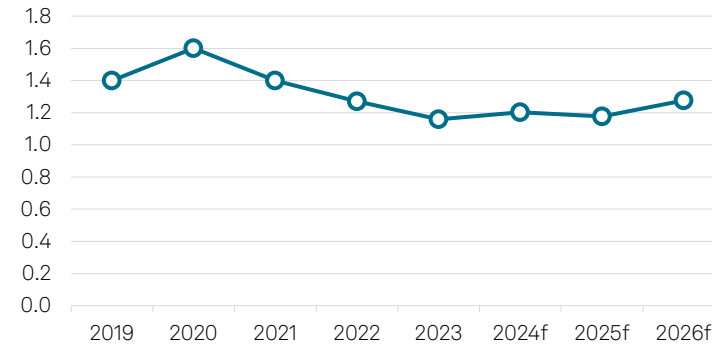
## Economic recovery uneven amid modest policy support

Real GDP growth (%)



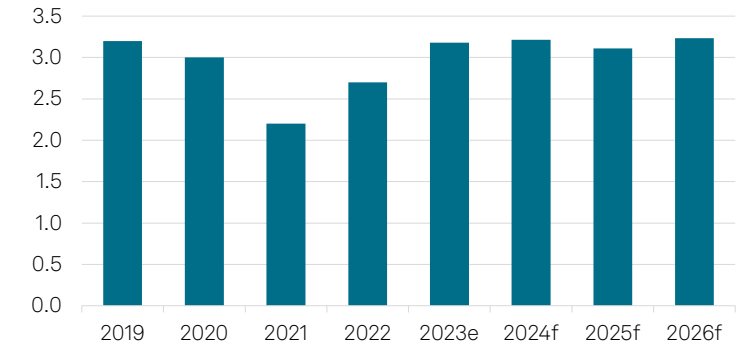
## Commercial banks to see slightly higher credit costs

Credit costs as % of average loans



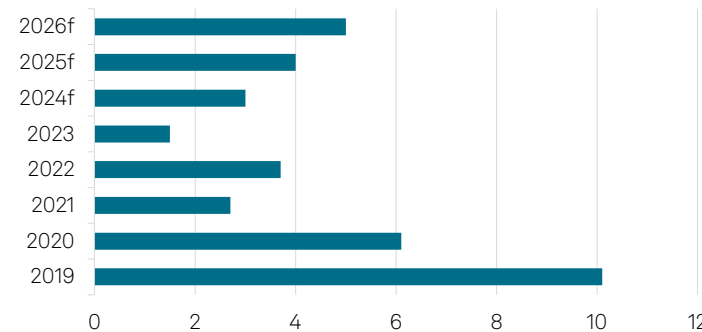
## Policy and funding support smaller companies

Micro and small enterprises -- NPL ratio (%)



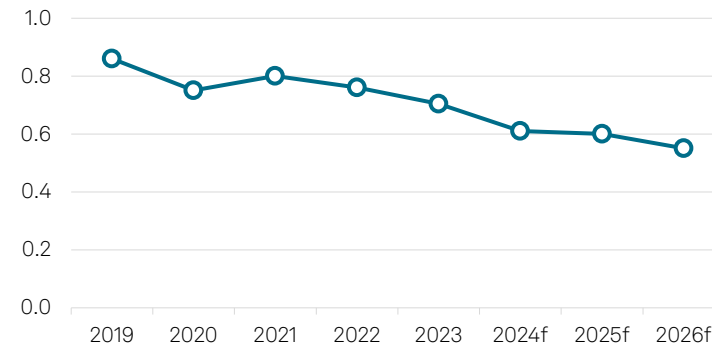
## Delay in recovery in real estate loan quality

Property development loan growth (%)



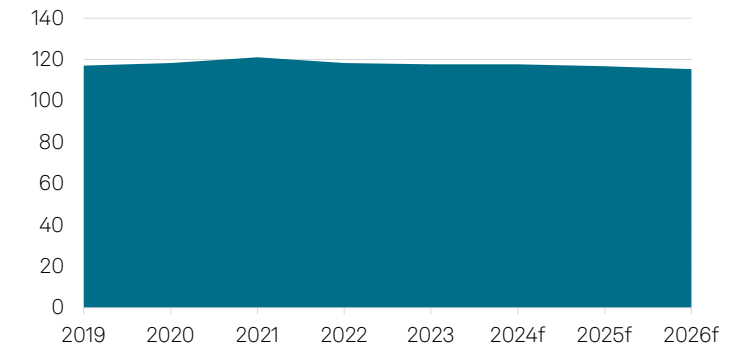
## Profitability to remain pressured

Return on average assets (%)



## Strong customer deposit base

Domestic loans as a % of systemwide domestic core customer deposits

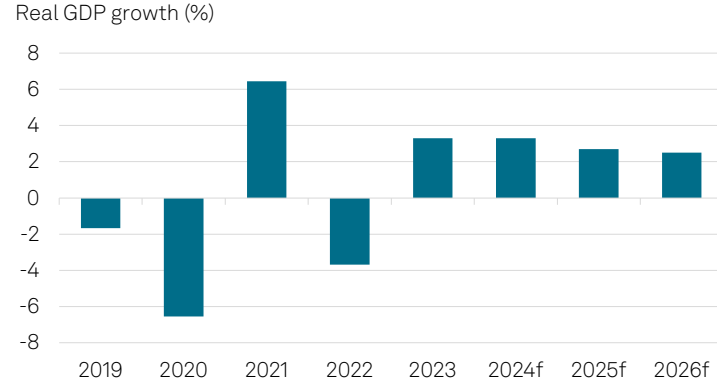


Data as of year ended December. e-Estimate. f--Forecast. NPL--Nonperforming loans. Source: S&P Global Ratings.

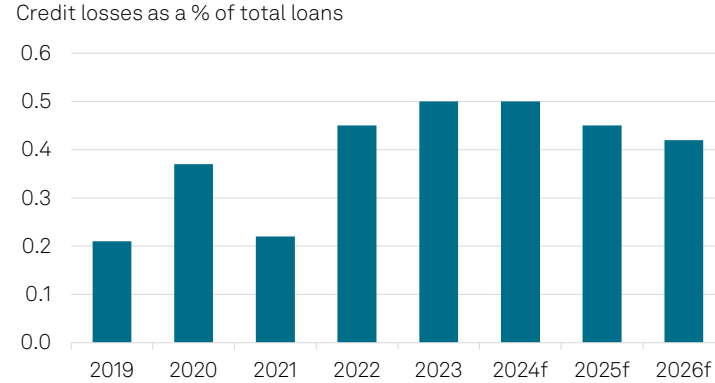
# Hong Kong SAR | Major Hong Kong Banks Can Manage Commercial Real Estate Risk

Shinoy Varghese  
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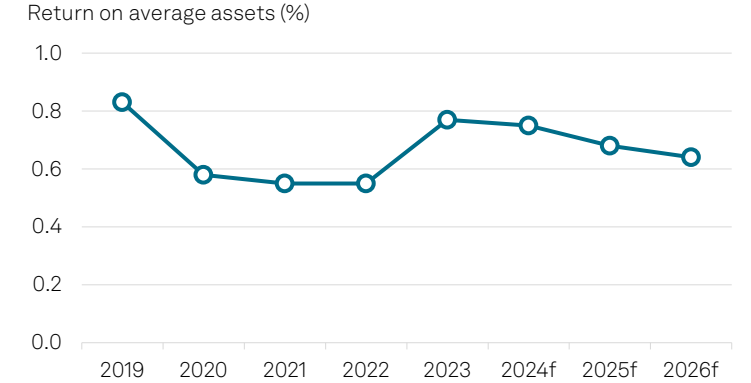
## Economic growth to moderate



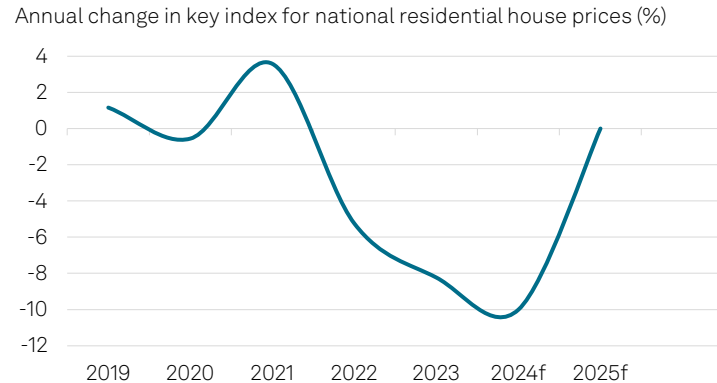
## Hong Kong banks' CRE related provisions to remain contained



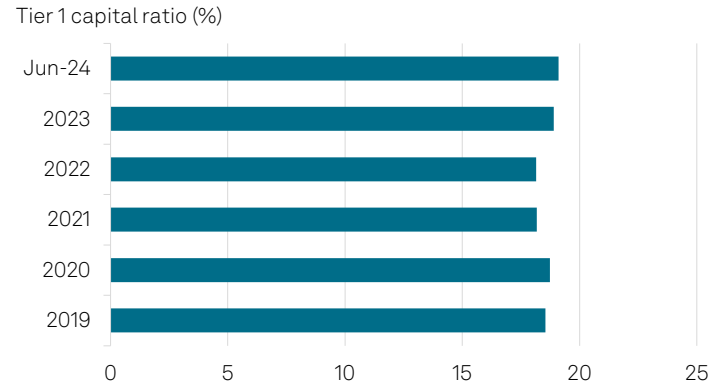
## Profitability to decline in 2025 with a visible dip in NIM



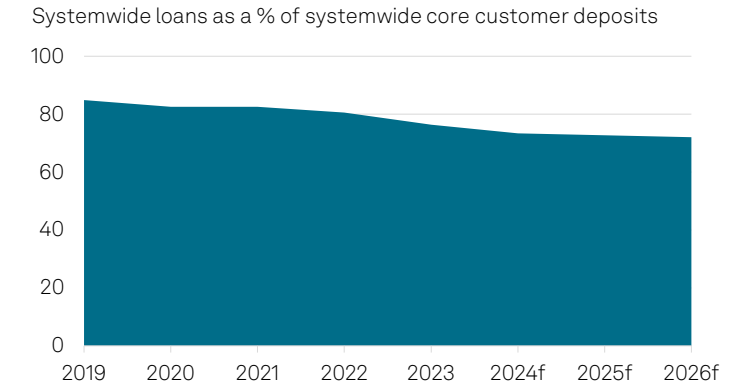
## Residential housing prices to remain flattish in 2025



## Strong capitalization through the cycles



## Solid customer deposits remain a key support

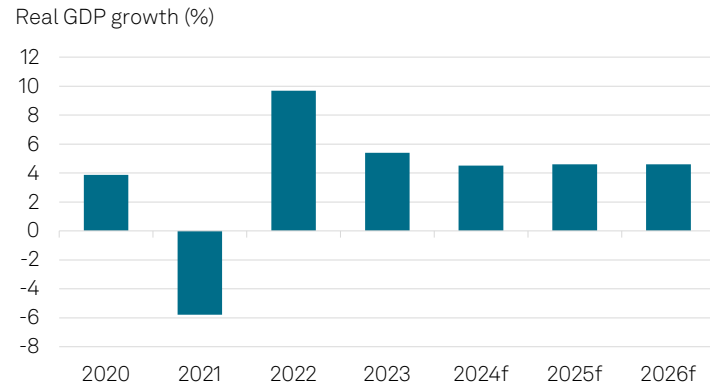


Data as of year ended December. CRE--Commercial real estate. NIM--Net interest margin. e--Estimate. f--Forecast. Sources: Hong Kong Monetary Authority. S&P Global Ratings.

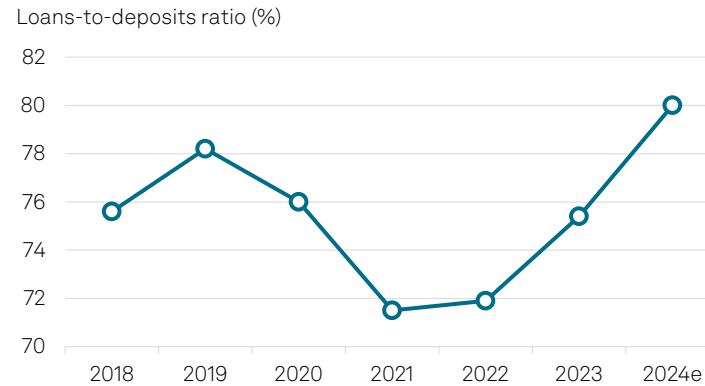
# India | Structural Improvements, Solid GDP Enhance System Resilience

Deepali V Seth Chhabria  
deepali.seth@spglobal.com

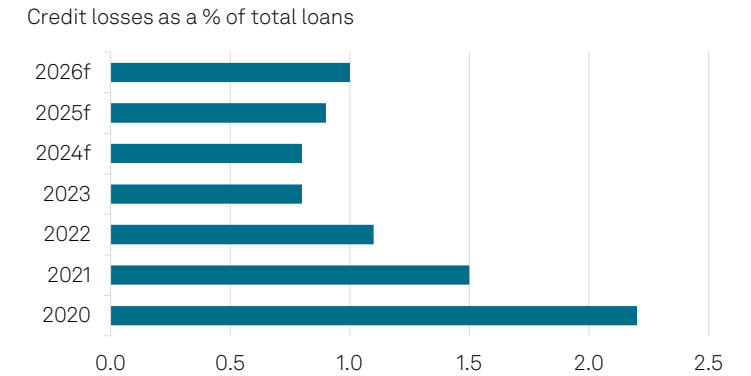
## Economic growth momentum to continue



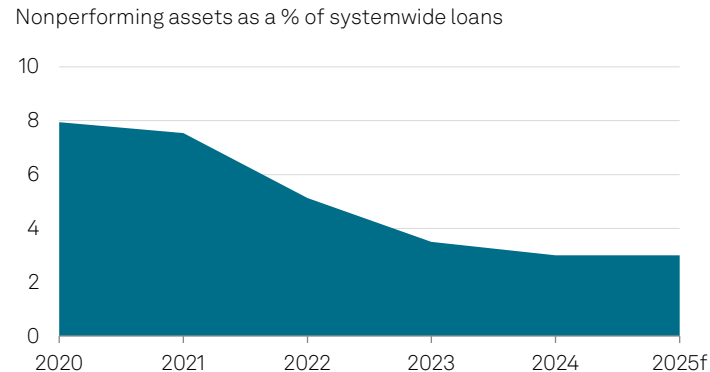
## Sharp rise in LDR to cast shadow on future credit growth



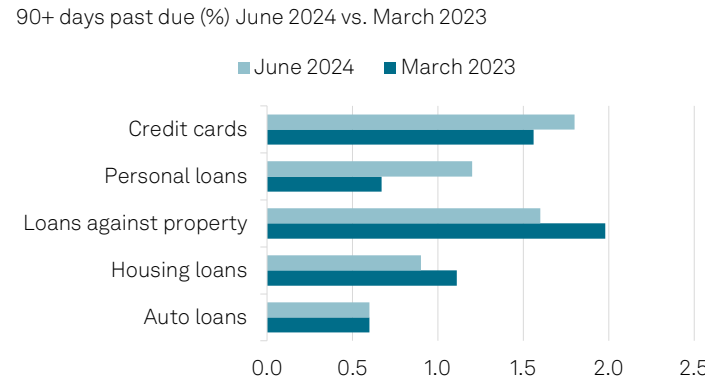
## Credit losses to inch up slightly from cyclical low



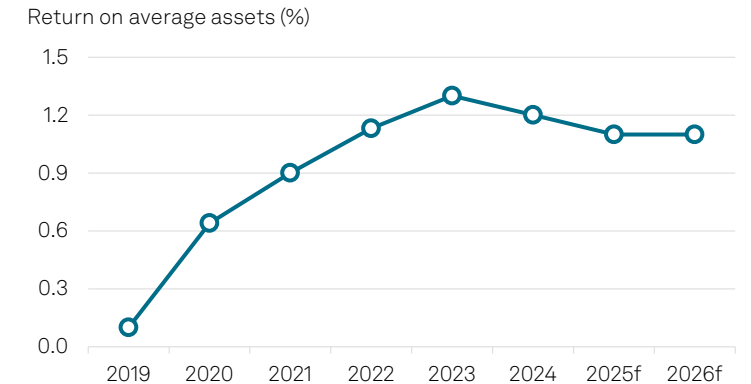
## Asset quality to continue to improve



## Delinquencies in the retail segment rising from a low base



## Returns have peaked and are likely to moderate slightly



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.

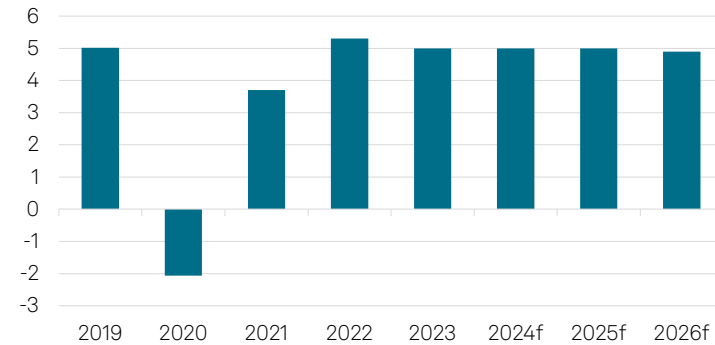
# Indonesia | Good Economic Growth Prospects To Bolster Banks

Ivan Tan

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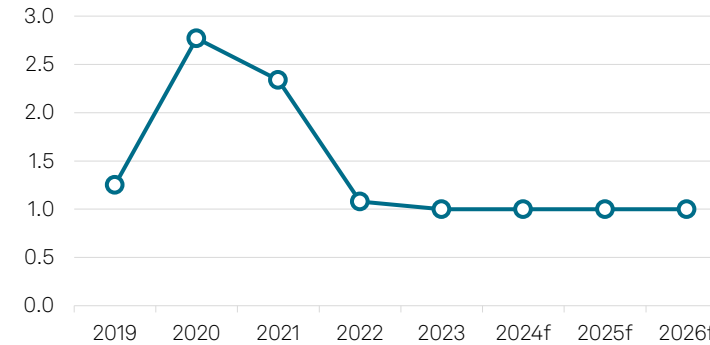
## Economic growth is a boost

Real GDP growth (%)



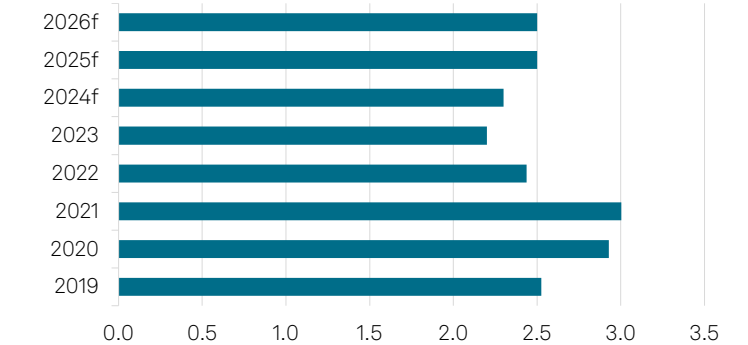
## Credit costs should remain under control

Credit losses % of total loans



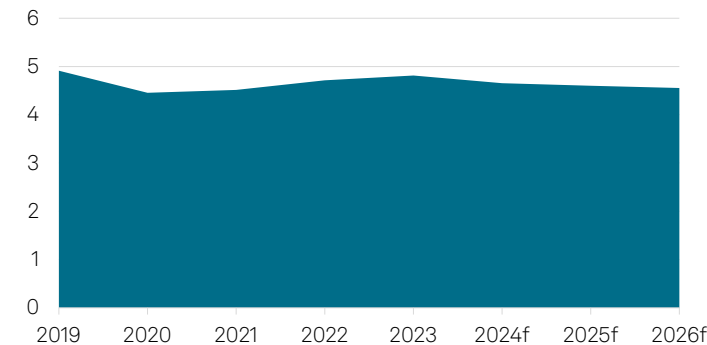
## Manageable impact on NPA from orderly expiry of restructuring scheme

Nonperforming assets as a % of systemwide loans



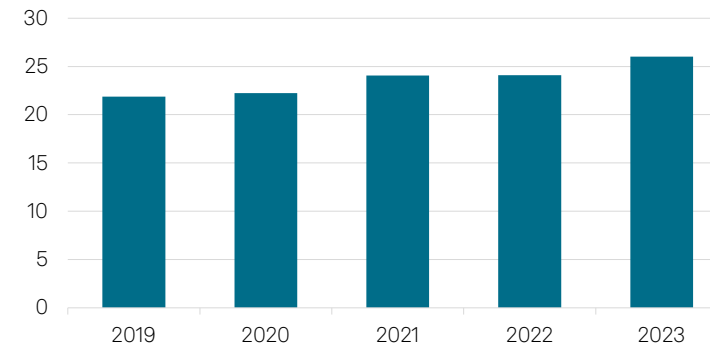
## NIMs to compress but remain manageable

Net interest income to average earning assets (%)



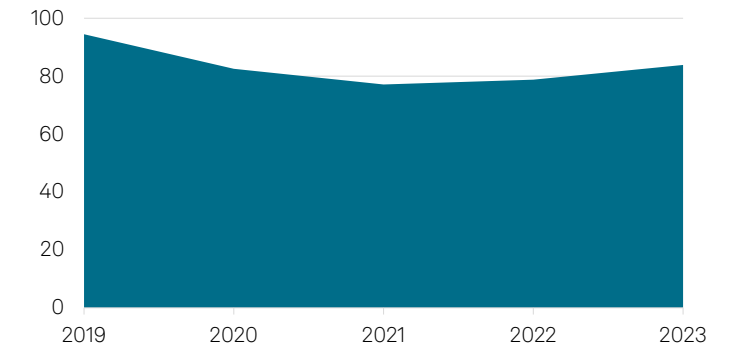
## Strong capital buffers

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.

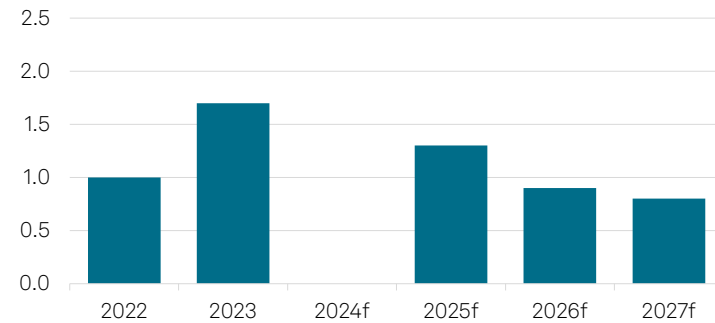
# Japan | Stronger Tailwind for Banks

Kensuke Sugihara

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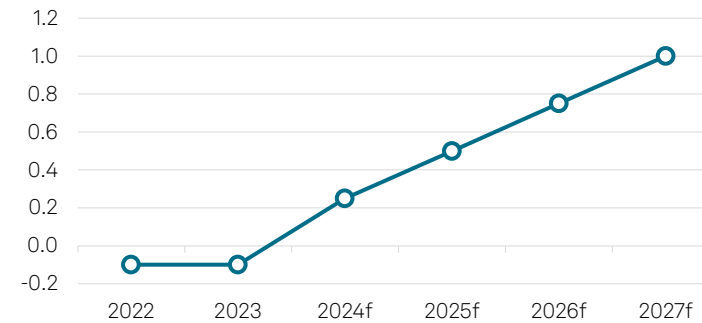
## Domestic-oriented economy will continue to grow

Real GDP growth (%)



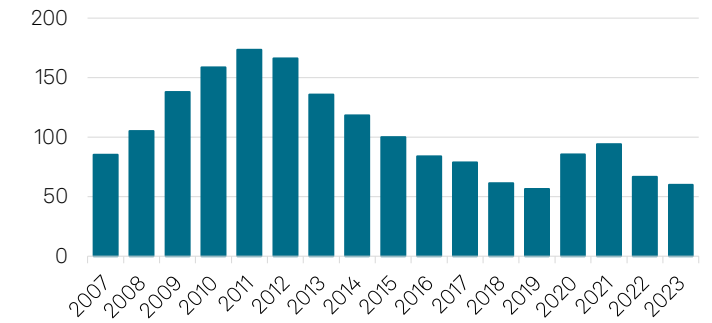
## We expect the rise of policy interest rate to be low and slow

Policy rates (year-end) (%)



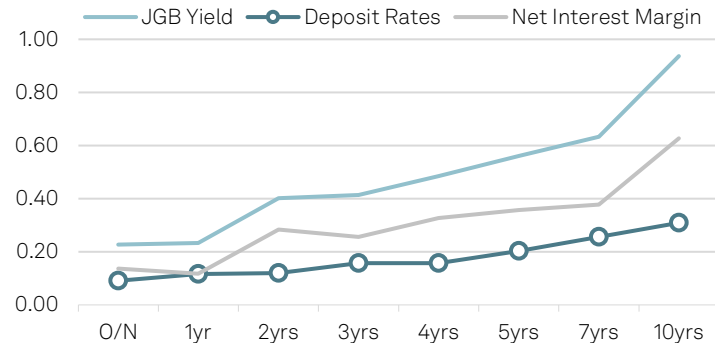
## Domestic banks prepare for rate hikes and tapering

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



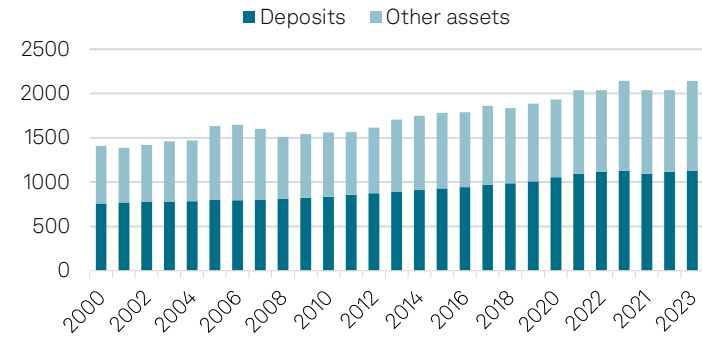
## Banks secure interest margins over its deposits

Banks' interest rates on deposits vs JGB yield curve(%)



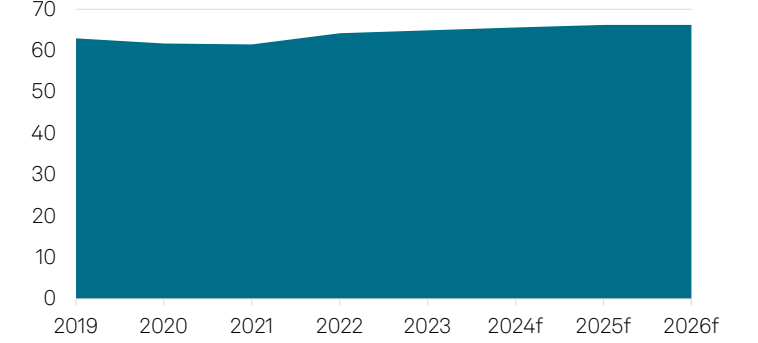
## Deposits still occupy majority of household's financial assets

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.

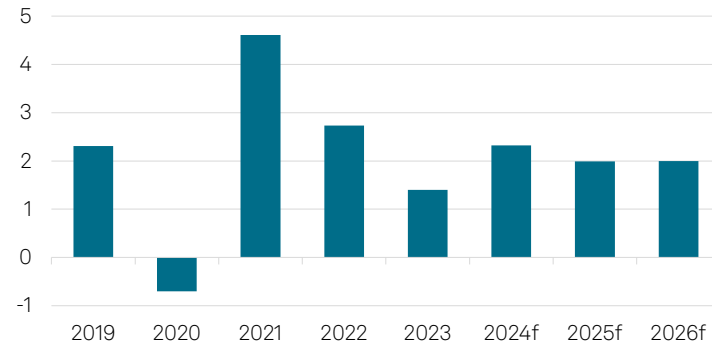
# Korea | Banks To Remain Focused On Risk Control

Daehyun Kim

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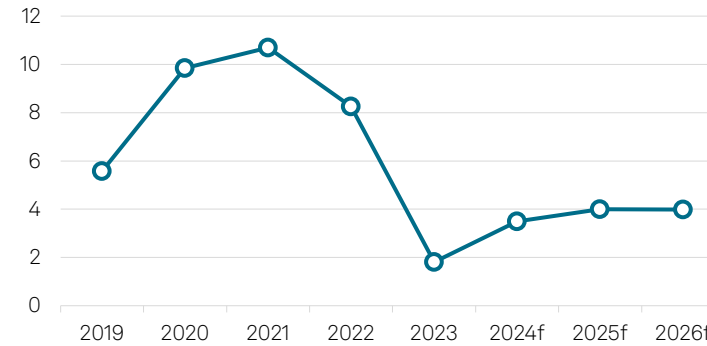
## Korea's steady economic growth prospect

Real GDP growth (%)



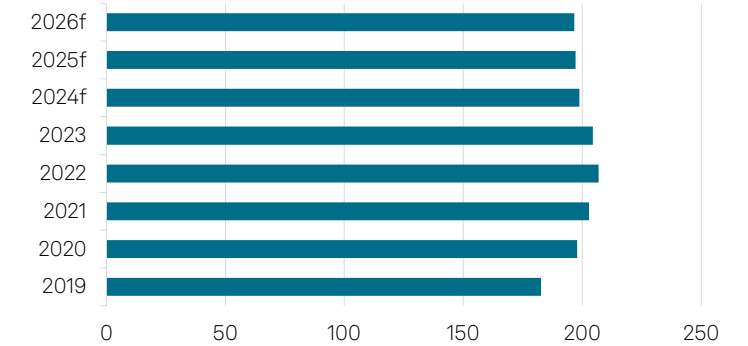
## Loan growth to stay moderate

Loan growth (%)



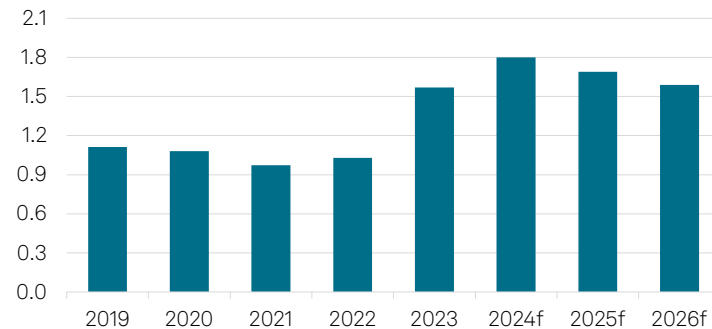
## Private-sector leverage is high

Total private sector debt as a % of GDP



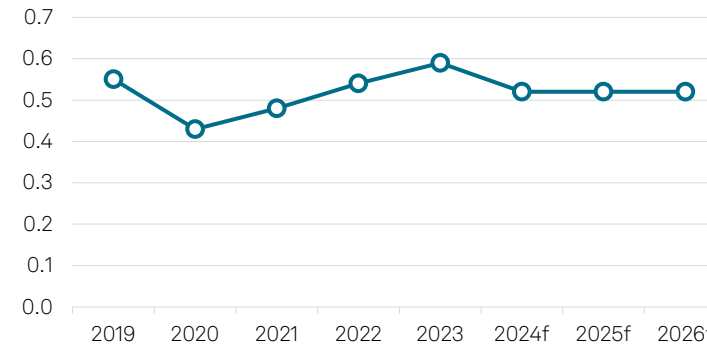
## Higher credit risks from nonbank deposit-taking institutions

Nonperforming assets as a % of systemwide loans



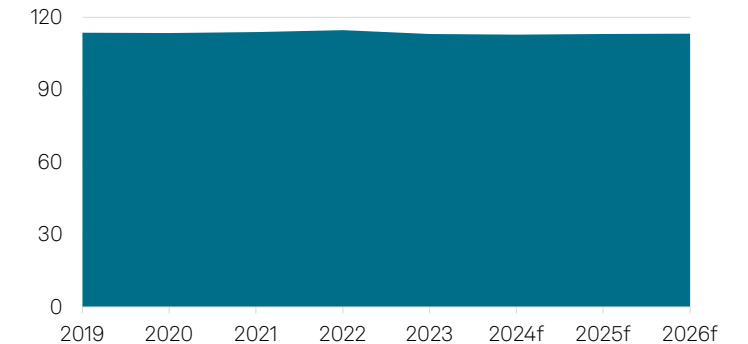
## Largely stable profitability

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.

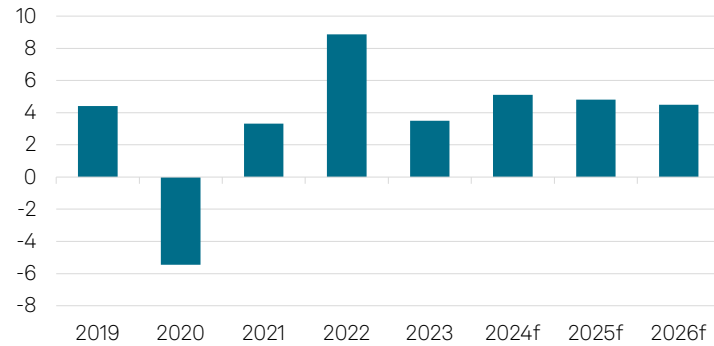
# Malaysia | Banks Likely To Stand Firm Against Headwinds

Nikita Anand

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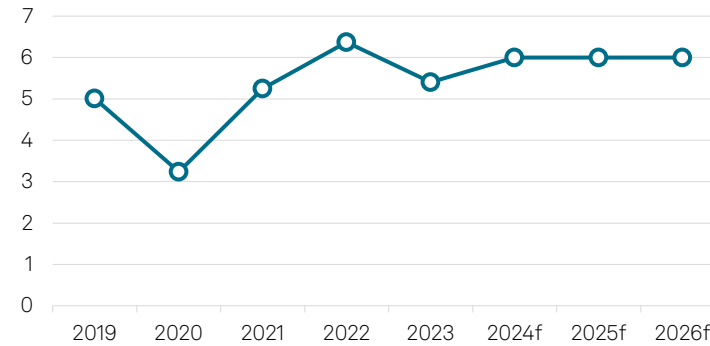
## Economic conditions will improve

Real GDP growth (%)



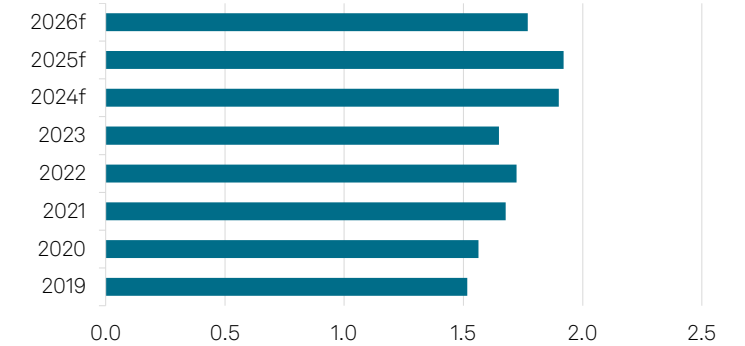
## Credit growth will pick up

Loan growth (%)



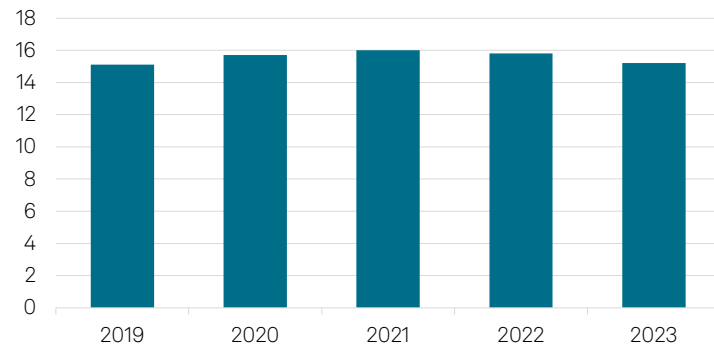
## Asset quality deterioration manageable

Nonperforming assets as a % of systemwide loans



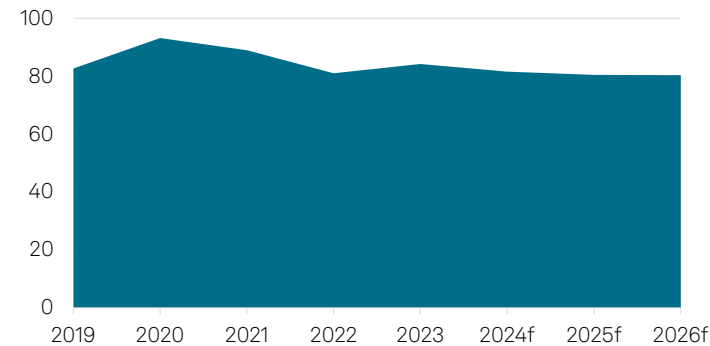
## Solid capitalization could offset asset quality pressure

Tier 1 capital ratio (%)



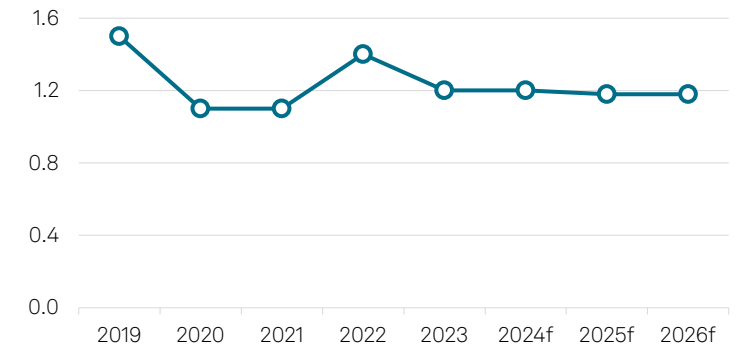
## High household leverage poses risk

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.



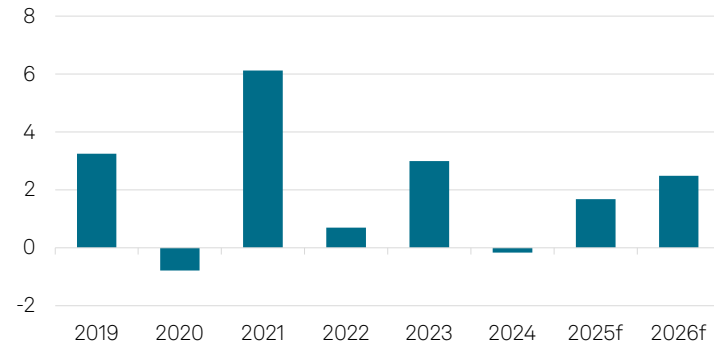
# New Zealand | Central Bank Easing To Support House Price Growth

Lisa Barrett

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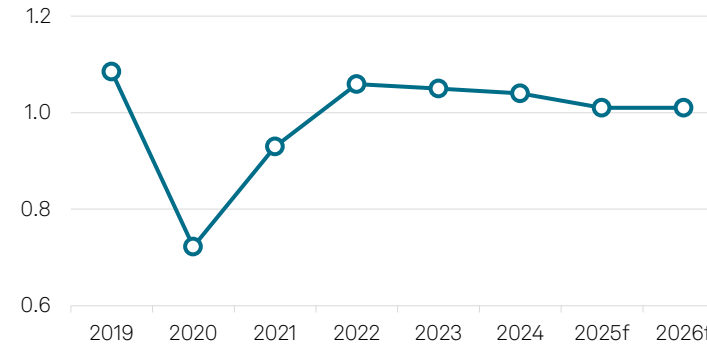
## Economic growth to remain below trend in 2025

Real GDP growth (%)



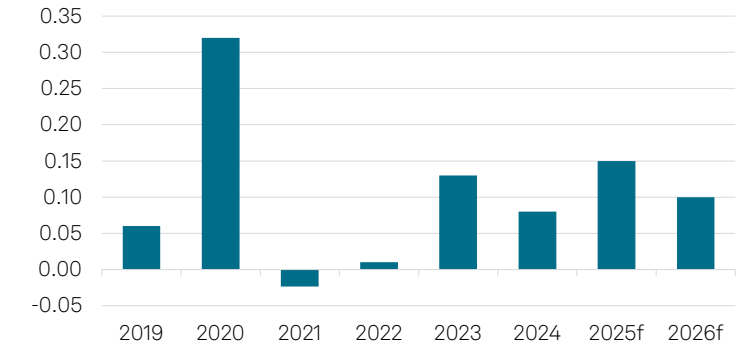
## Banks maintain profitability

Return on average assets (%)



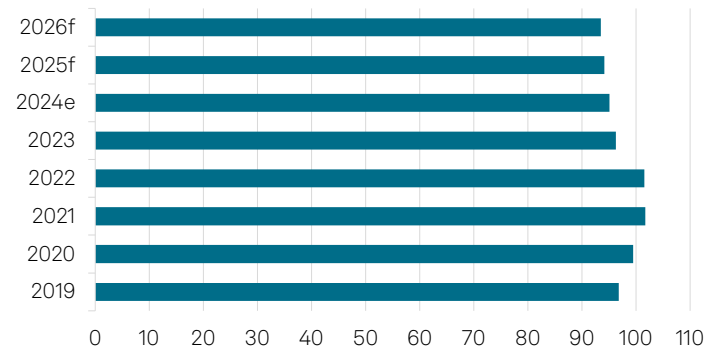
## Credit losses to remain low

Credit losses as a % of total loans



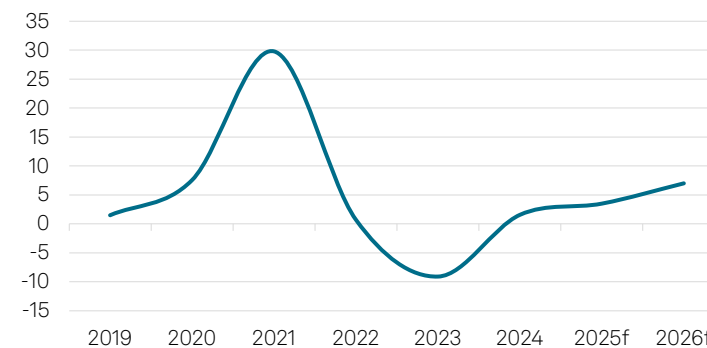
## High household indebtedness

Household debt as % of GDP



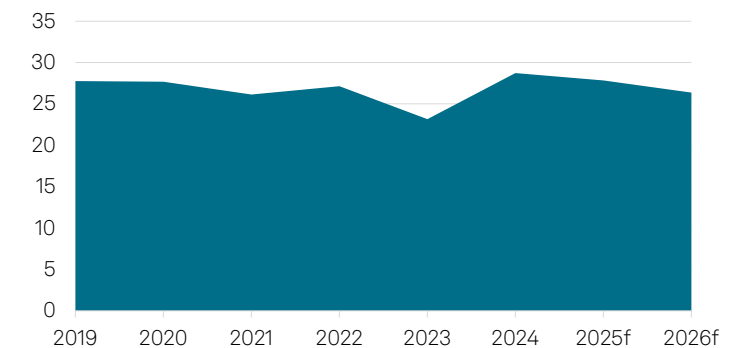
## House price growth to remain muted in 2025

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



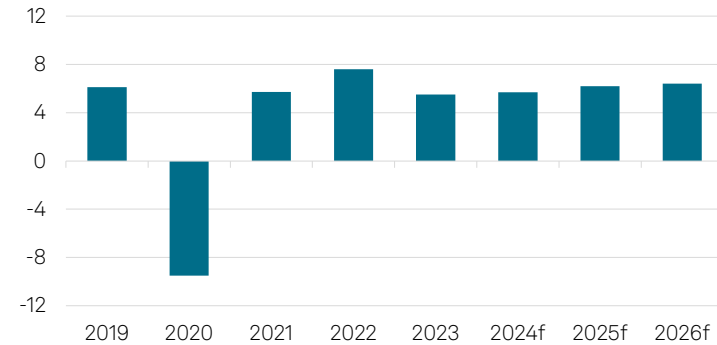
Data as of fiscal year ended June. e- Estimate, f--Forecast. Source: S&P Global Ratings.

# Philippines | Interest Rate Cuts To Boost Loan Growth, Compress Yields

Nikita Anand  
nikita.anand@spglobal.com

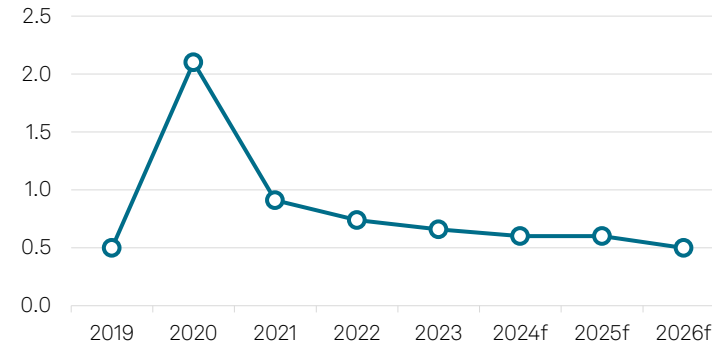
## Economic growth will improve

Real GDP growth (%)



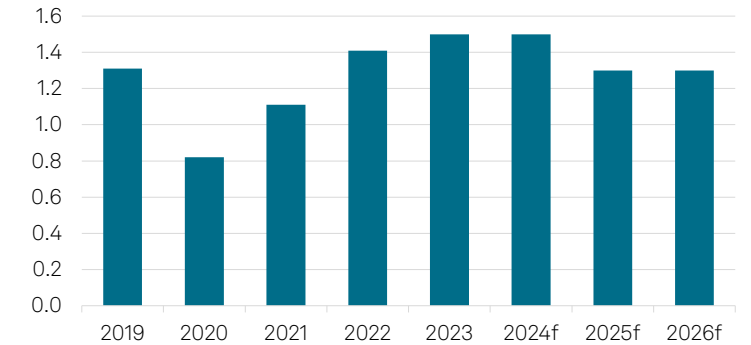
## Credit losses will stay near pre-pandemic levels

Credit losses as % of total loans



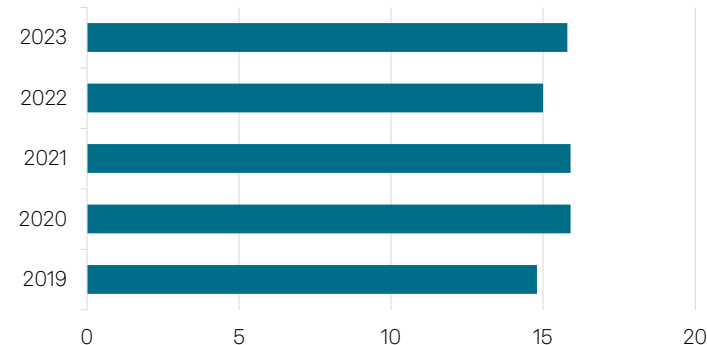
## Return on assets has peaked and will gradually decline

Return on average assets (%)



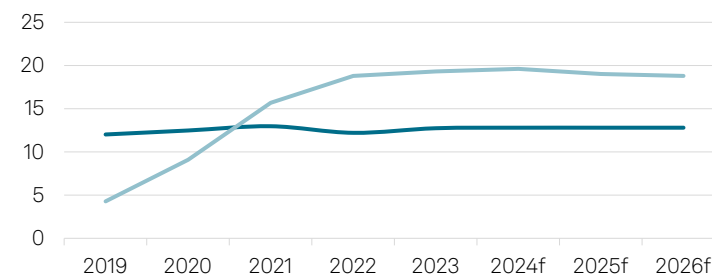
## Banks maintain good capital buffers

Common equity tier 1 ratio (%)



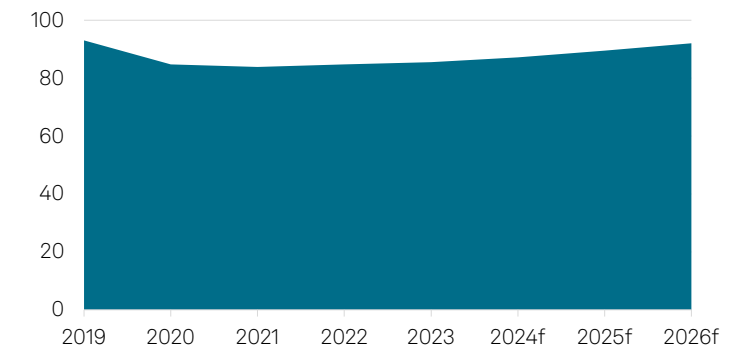
## Downside risk of a fallout in property markets remains high

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.

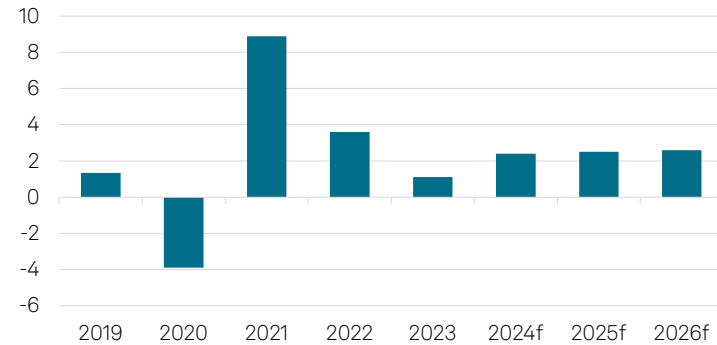
# Singapore | The Fed Pivot Will Change Dynamics For The Country's Banks

Ivan Tan

ivan.tan@spglobal.com

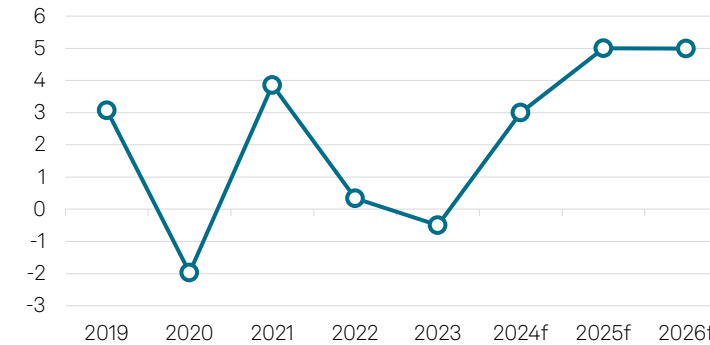
## Domestic market recovery will buffer against external stress

Real GDP growth (%)



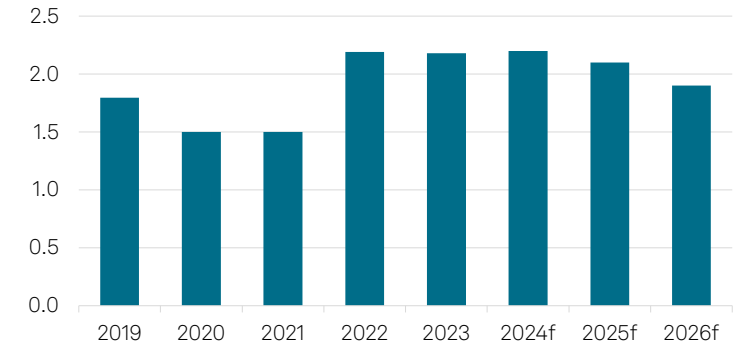
## Loan growth will likely pick up

Loan growth (%)



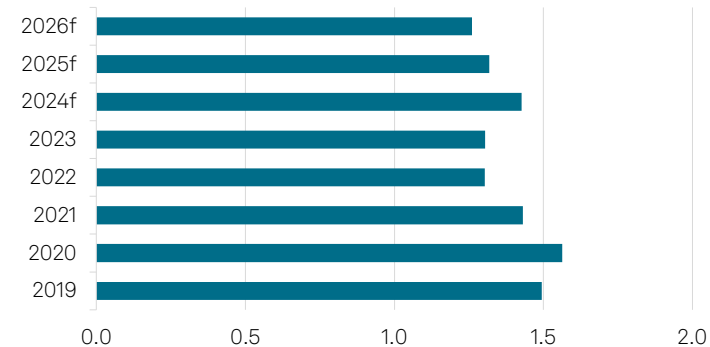
## Net interest margins have peaked, some moderation expected

Net interest income to average earning assets (%)



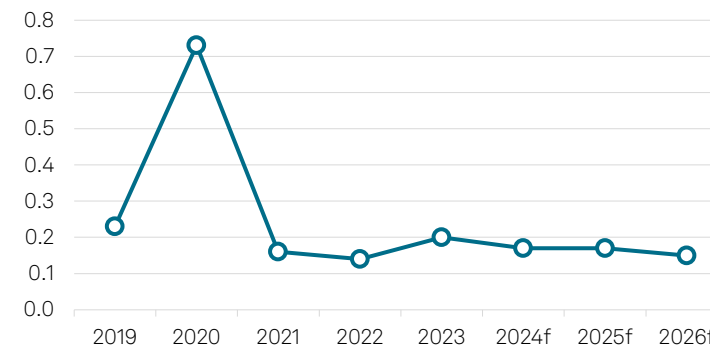
## Asset quality should remain resilient

Nonperforming assets as a % of systemwide loans



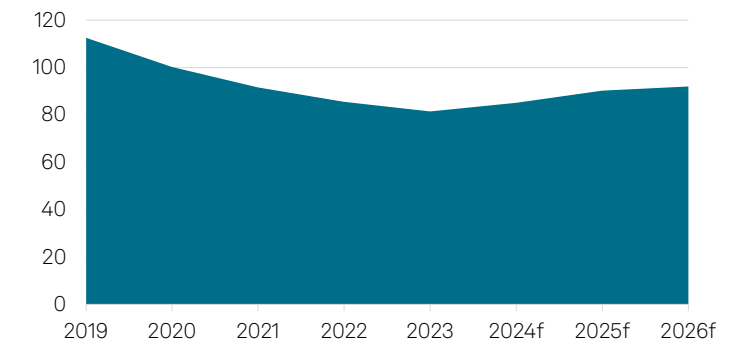
## Credit costs to remain manageable

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.

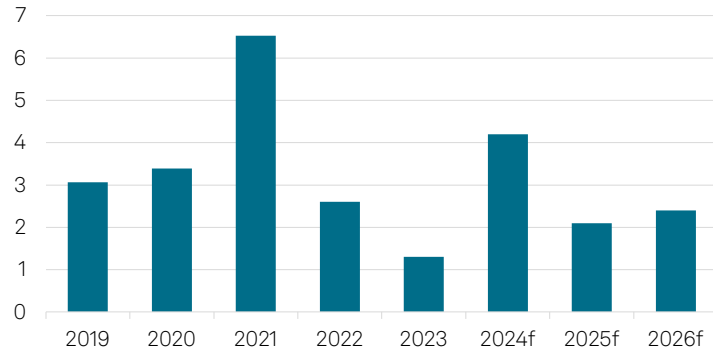
# Taiwan | Solid Capitalization Can Absorb Volatility

Yuhan Lan

yuhan.lan@spglobal.com

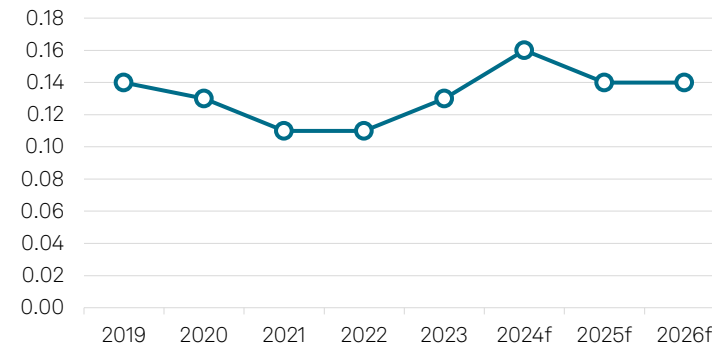
## Better economic growth prospects in 2024

Real GDP growth (%)



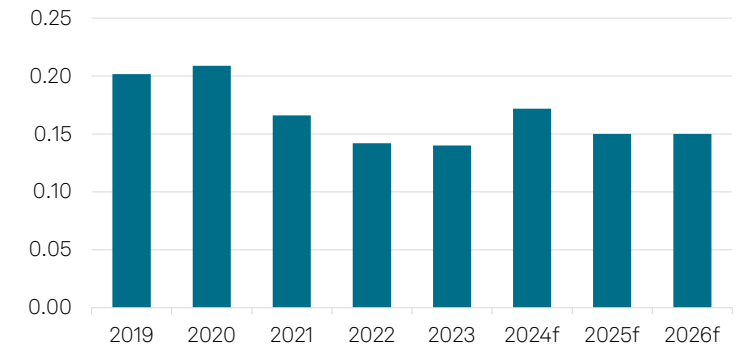
## Credit costs to remain elevated

Credit losses as a % of total loans



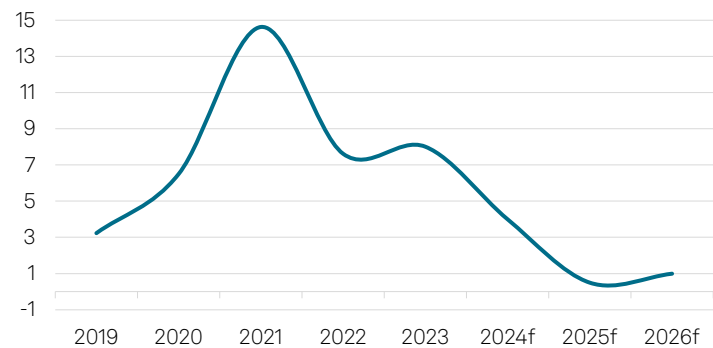
## Loan moratorium expiration may push banks' NPA recognition

Nonperforming assets as a % of systemwide loans



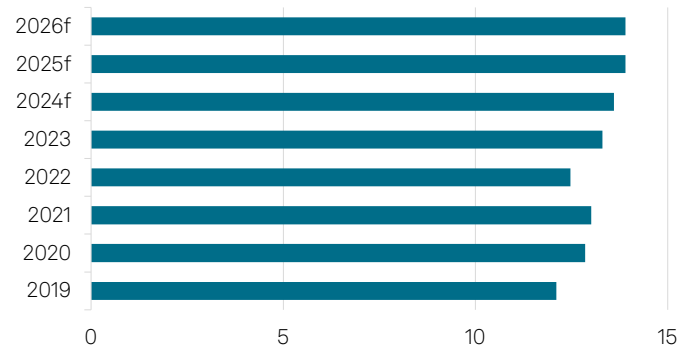
## Real estate prices to grow by mid single digit in 2024

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



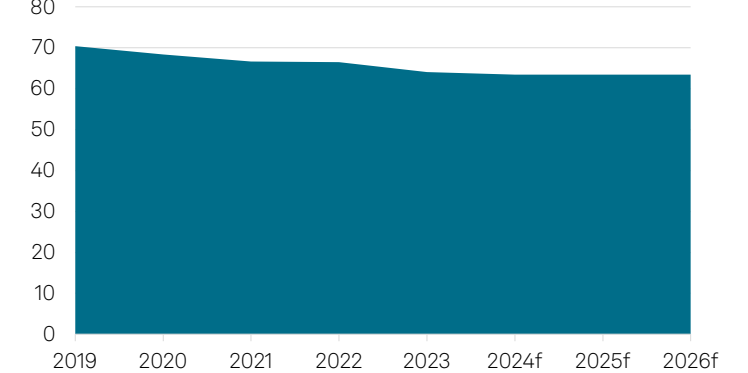
## Banks' capitalization to remain solid

Tier 1 capital ratio (%)



## Household deposits predominantly fund deposit base

Household deposits as a % of systemwide deposits



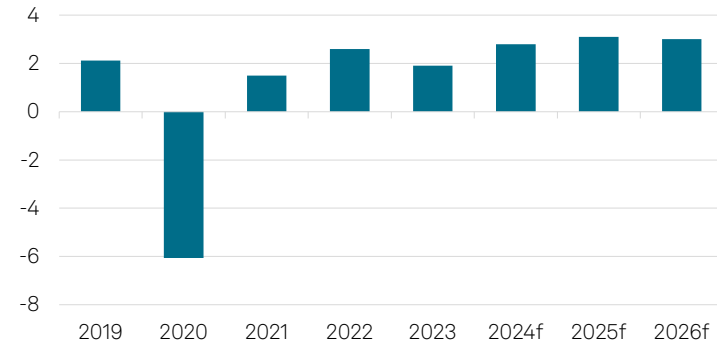
Data as of year ended December. e--Estimate. f--Forecast. Source: S&P Global Ratings.

# Thailand | Elevated Credit Costs To Continue Weighing On Thai Banks

Deepali V Seth Chhabria  
deepali.seth@spglobal.com

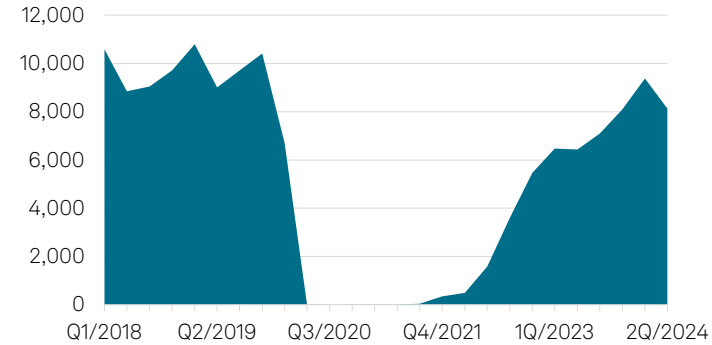
## Economic recovery remains weak and uneven

Real GDP growth (%)



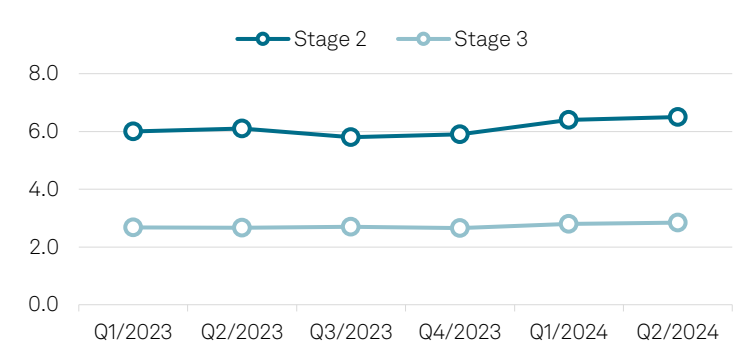
## Tourist arrivals are recovering fast, but spending lags

Tourist arrivals ('000s)



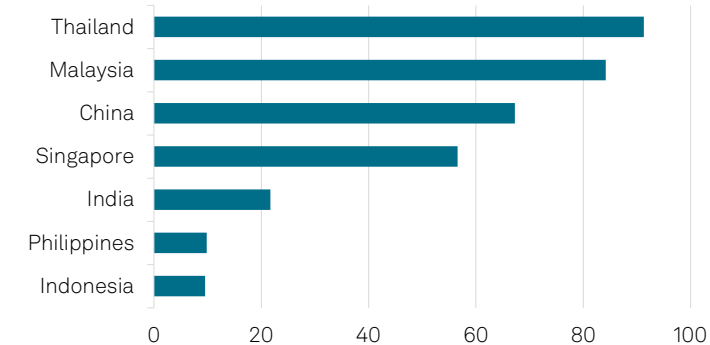
## Rising Stage 2 loans reflect high credit risk in the system

As a % of systemwide loans



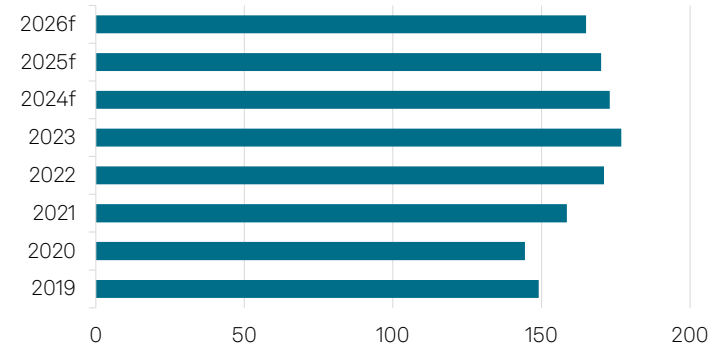
## Households have high leverage

Household debt as % of GDP 2023



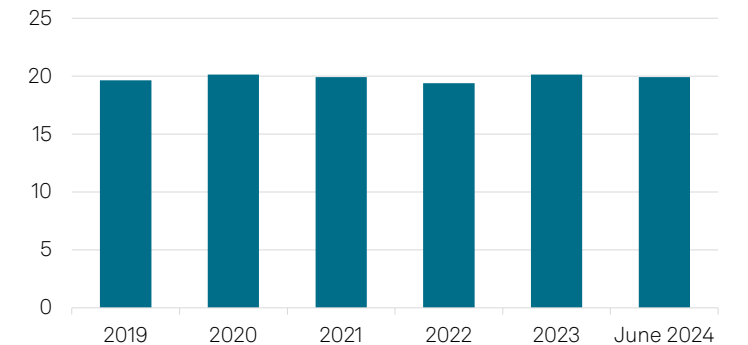
## High provisioning coverage provides downside protection

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.

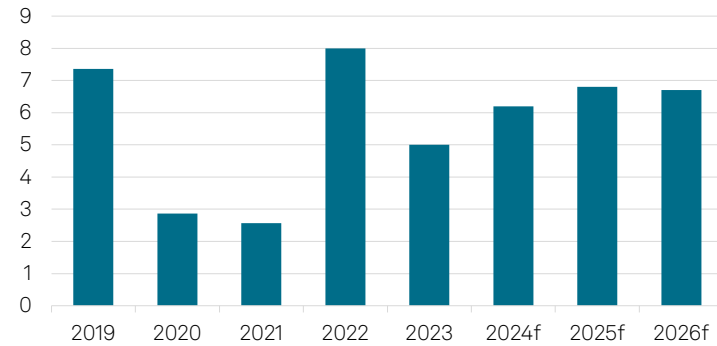
# Vietnam | On A Gradual Path To Recovery

Sue Ong

sue.ong@spglobal.com

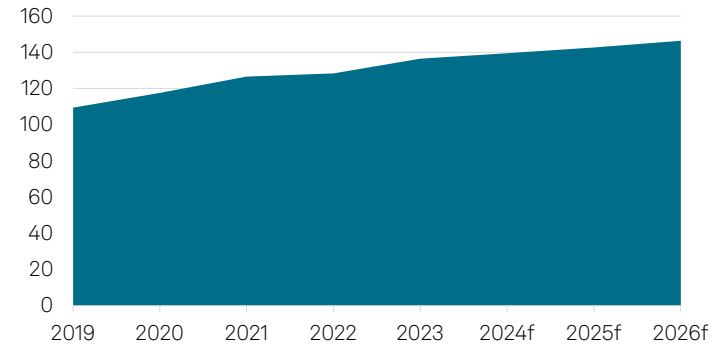
## FDI and recovering domestic demand to buttress GDP growth

Real GDP growth (%)



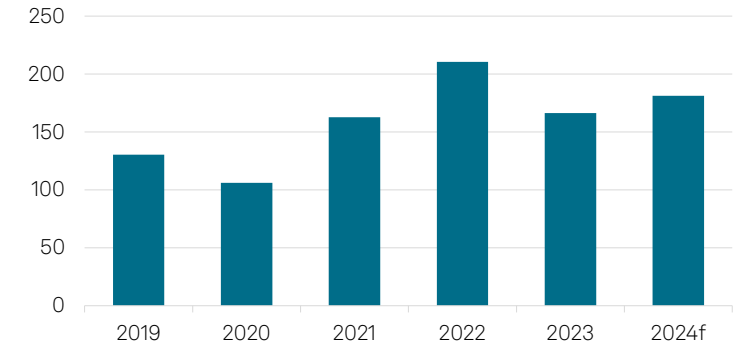
## Rising indebtedness continues to pose a risk

Total private sector debt as % of GDP



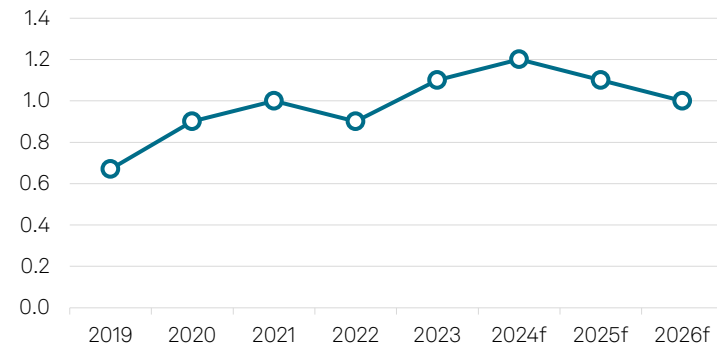
## Higher property sales should ease asset-quality pain

Aggregate Vietnam property pre-sales (VND tril.)



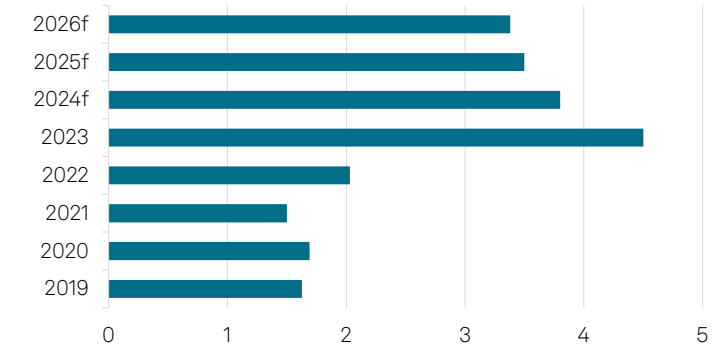
## We expect credit costs to remain elevated

Credit losses as % of total loans



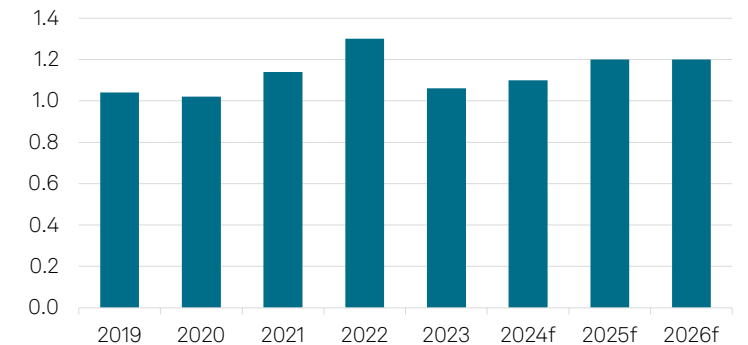
## Nonperforming assets are likely to stay elevated

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.

# Interactive Dashboard

## How to access the Global Banks Midyear Outlook 2024 Dashboard

The Global Banks Midyear 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.

**Click here**

Global Banks Midyear  
Outlook 2024 Dashboard

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- [Asia-Pacific Financial Institutions Monitor 4Q 2024: Government Support Buttresses Bank Ratings](#), Oct. 31, 2024
- [Will China's Latest Stimulus Initiatives Achieve Lift-Off?](#), October 25, 2024
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- [Global Banks Country-By-Country Midyear Outlook 2024: Searching For Calmer Waters](#), July 17, 2024
- [Global Banks Midyear Outlook 2024: Searching For Calmer Waters](#), July 17, 2024



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