Asia-Pacific Banking Country Snapshots

Most Banks Will Absorb U.S. Policy Volatility

Primary credit analyst

Gavin Gunning

Secondary credit analysts

Geeta Chugh

Kensuke Sugihara

Ryan Tsang

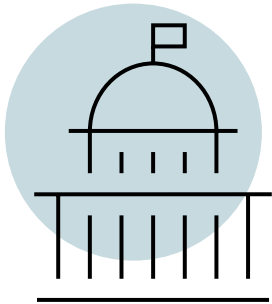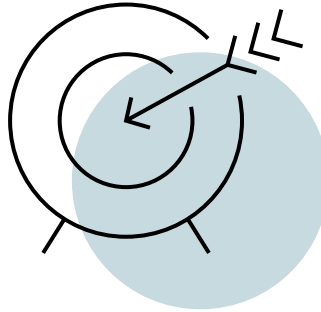**Research contributor**

Priyal Shah

Feb. 17, 2025

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Key Takeaways

2025 will bring greater political maneuvering. This will hit households and businesses, and, in turn, banks

Asia-Pacific will be pulled into the strategic contest between the U.S. and China, including in regions without a strong allegiance to either country. Banks will experience secondary effects and will not be immune from volatility and uncertainty
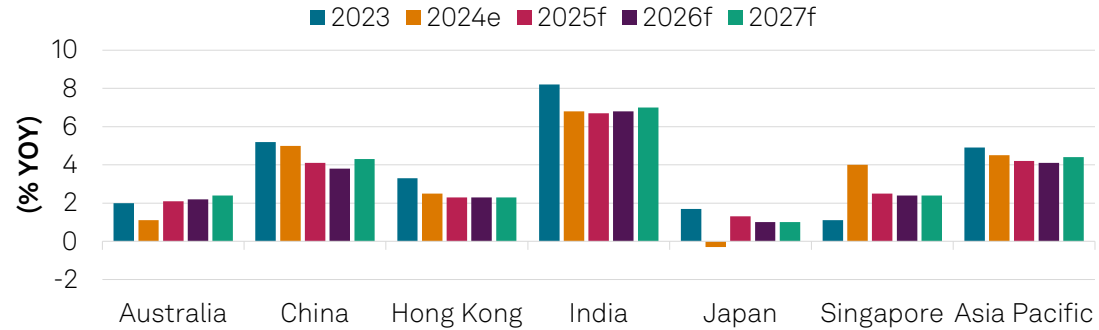
While we expect credit losses across Asia-Pacific will increase over the next two years we believe they will remain within tolerances for many banks at current rating levels
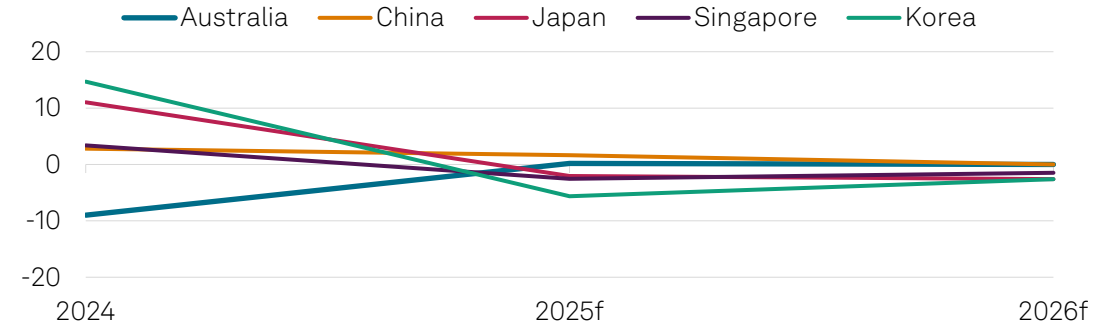
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What are we watching in 2025?

Economic growth does not falter
Real GDP growth

Legend: 2023, 2024e, 2025f, 2026f, 2027f
Y-axis: (% YOY)
X-axis: Australia, China, Hong Kong, India, Japan, Singapore, Asia Pacific

Currency volatility will test banks
% change from year-end USD exchange rate

Legend: Australia, China, Japan, Singapore, Korea
X-axis: 2024, 2025f, 2026f

Leverage will stay elevated amid still-high interest rates
Private sector debt as % of GDP (2024e)

X-axis: Singapore, Australia, Malaysia, Japan, Thailand, Taiwan, Korea, China
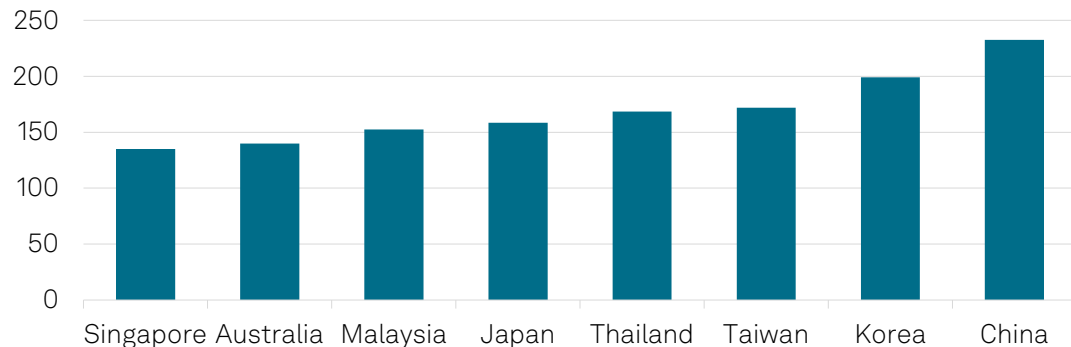
Banks' property exposure will remain a key risk
Hong Kong's residential inventories to remain elevated

Y-axis: (No. of units)
X-axis: 2010, 2012, 2014, 2016, 2018, 2020, 2022, Sept-24
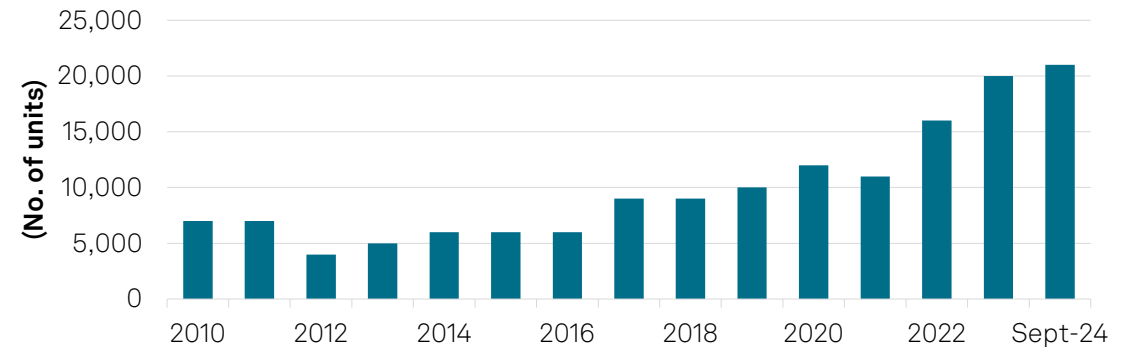
1. For India, 2023 = FY 2023 / 24 and so on. Source: S&P Global Ratings. 2. Source: S&P Global Ratings. 3. Source: S&P Global Ratings. 4. All data is for the year ending Dec. 31, except for 2024 data which references data as of Sept. 30. Data reflects completed primary residential units. F—Forecast. Sources: Housing Bureau of Hong Kong, S&P Global Ratings.
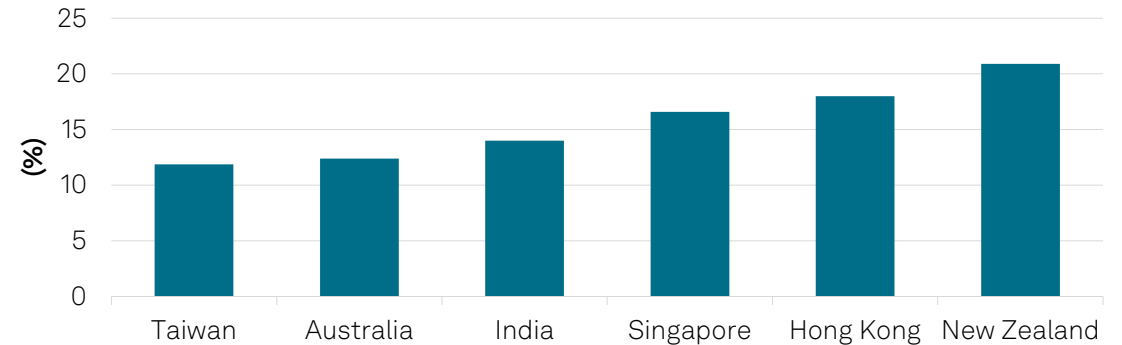
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Bank Buffers Alleviate Concerns

Credit losses will increase but within rating boundaries

■ China   ■ Asia-Pacific (excluding China)
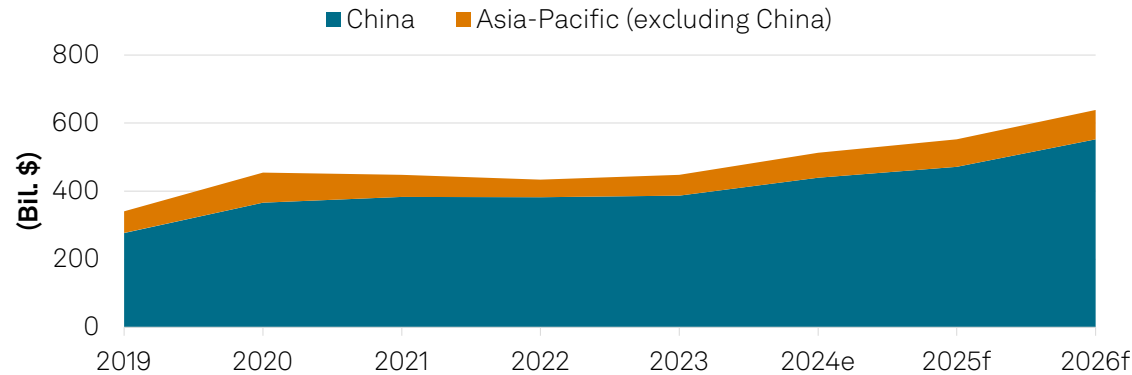
Capital remains supportive for most jurisdictions

Common equity tier 1 ratio – selected banking systems

Prudent bank regulations will support credit quality

Institutional framework assessment – selected banking system

Very low risk	Low risk	Intermediate risk
Australia		Japan
Hong Kong		Korea
Singapore		Malaysia
		New Zealand
		Taiwan

Asia-Pacific governments will remain supportive of SIBs

■ Highly supportive   ■ Supportive   ■ Uncertain
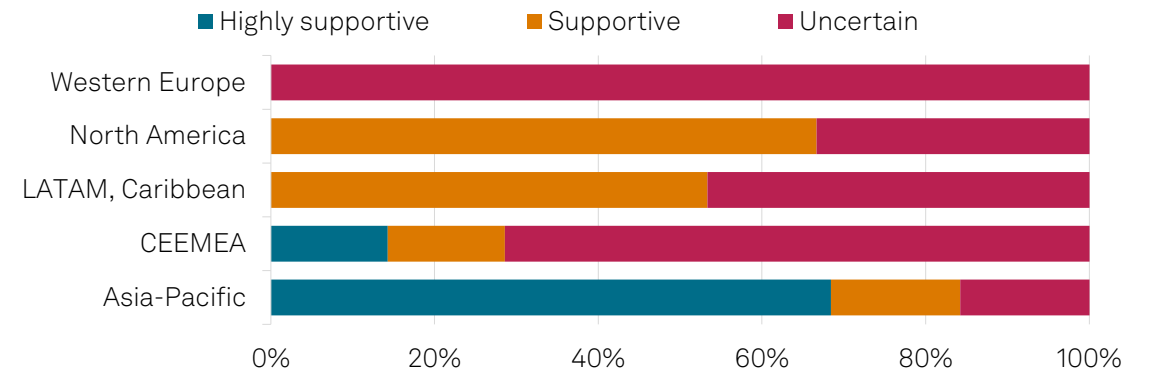
1. Data shown on a constant currency basis, based on 2023 year-end exchange rates. Data for China relates to commercial banks. e--Estimate. f--Forecast. Source: S&P Global Ratings. 2. Data as of September 2024. Sources: central banks, S&P Global Ratings calculations. 3. Source: S&P Global Ratings. 4. SIB--Systemically important banks. CEEMEA--Central and Eastern Europe, the Middle East, and Africa. LATAM--Latin America. Data as of Jan. 2025. Source: S&P Global Ratings.

Ratings Resilient, Outlook Stable Amid Trade And Other Policy Uncertainties

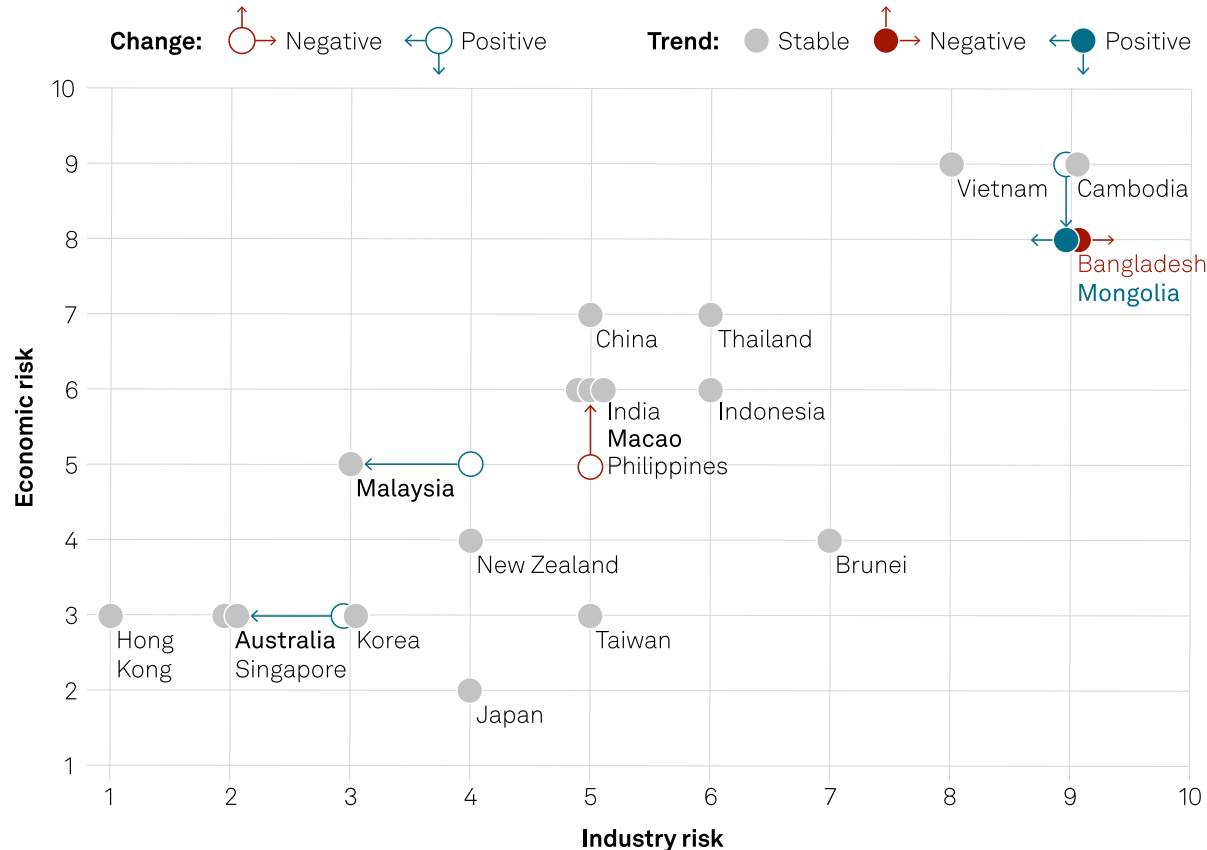## Asia-Pacific banks | Rating distribution
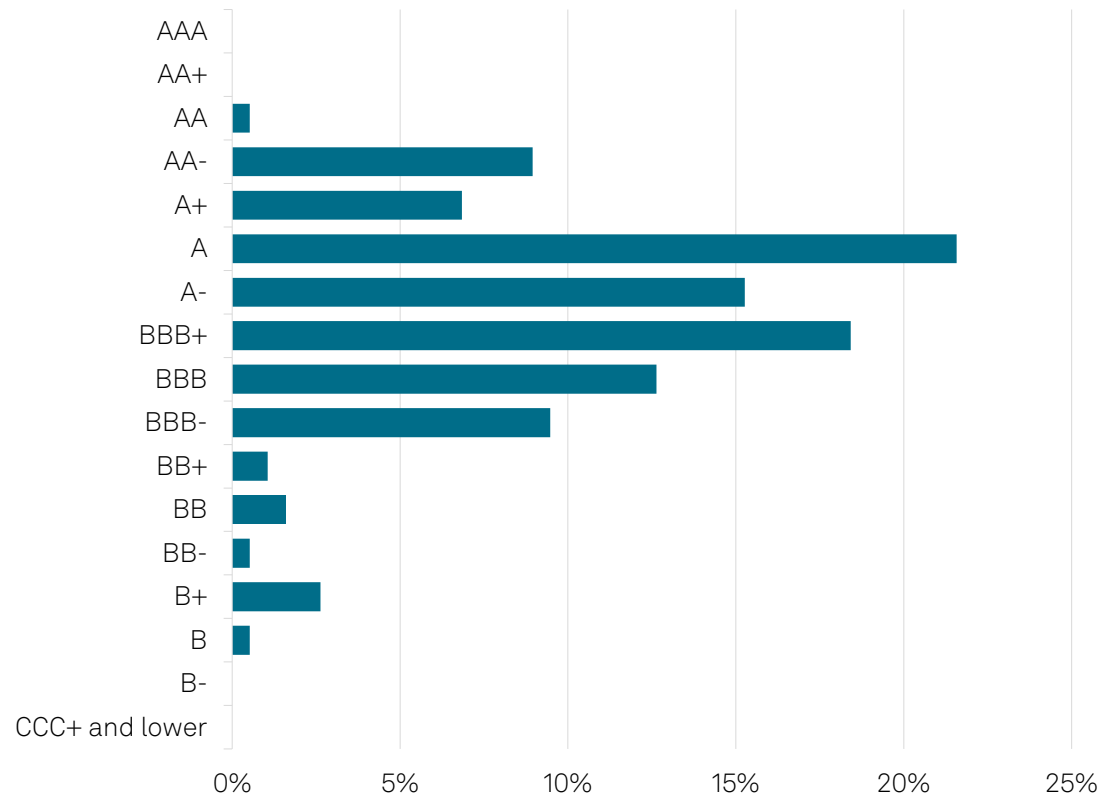
Asia-Pacific banks | Outlook distribution

Legend: Watch neg, Negative, Stable, Watch dev, Positive, Watch pos
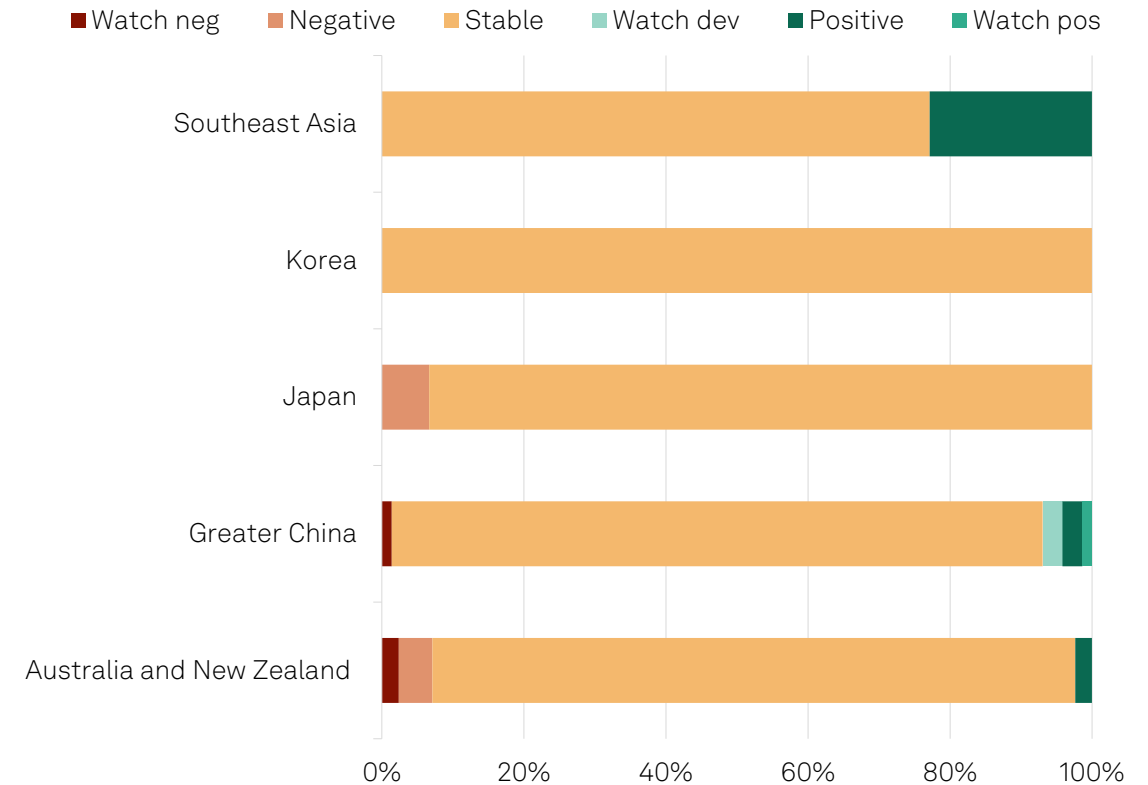
Data as of January 16, 2025. Source: S&P Global Ratings.

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5

Stable Trends Prevail For Most Countries

Change: ○→ Negative ←○ Positive   Trend: ● Stable ●→ Negative ←● Positive

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 January 30, 2025. Source: S&P Global Ratings.

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).

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 January 30, 2025.

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Country Snapshots

Select banking jurisdictions in Asia-Pacific

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Australia | Low Unemployment Supports Credit Quality

Nico DeLange

Nico.delange@spglobal.com
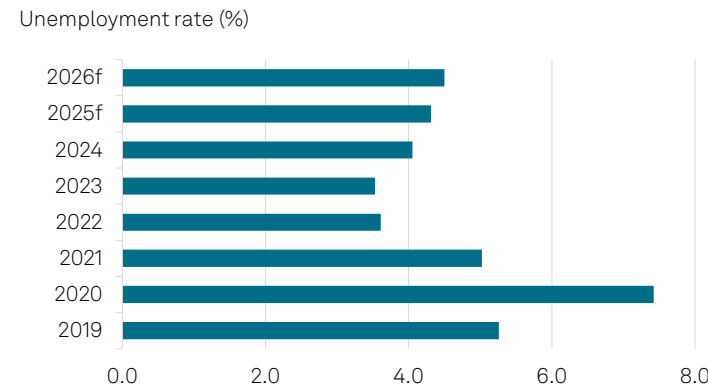
Economic growth to be modest

Real GDP growth (%)
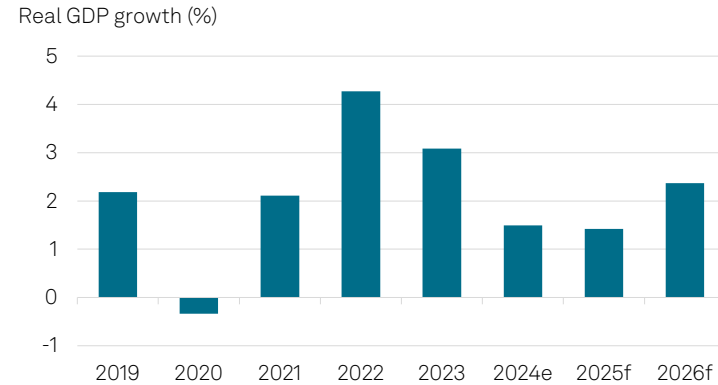
Banks' credit losses should remain low

Credit losses as a % of total loans
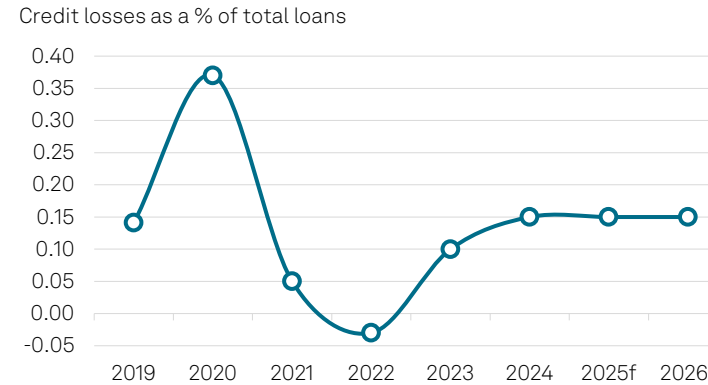
We expect earnings to stay strong

Return on average assets (%)
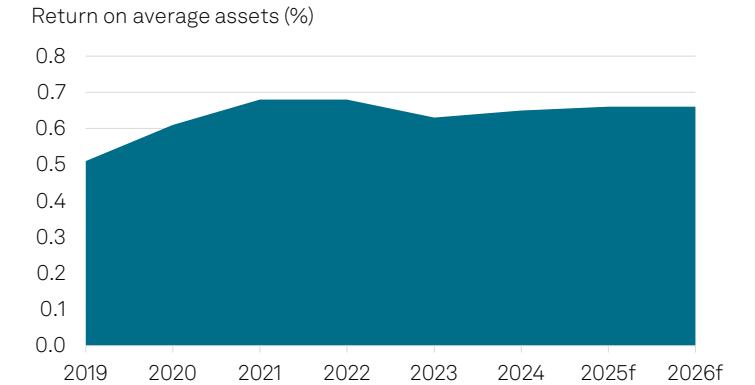
Modest growth in house prices

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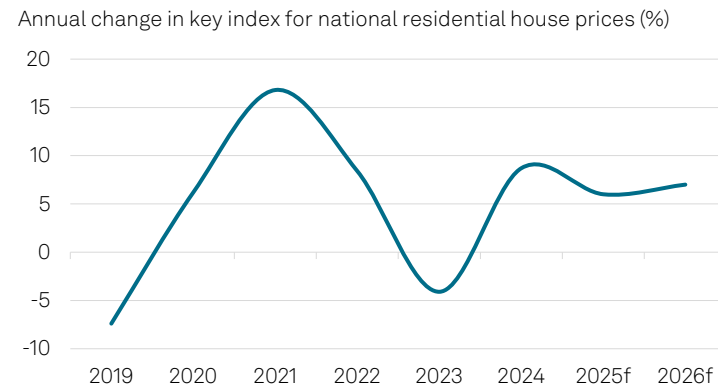
Low unemployment rate

Unemployment rate (%)

Reliance on net external borrowings is sizable

Net banking sector external debt as % of systemwide domestic loans
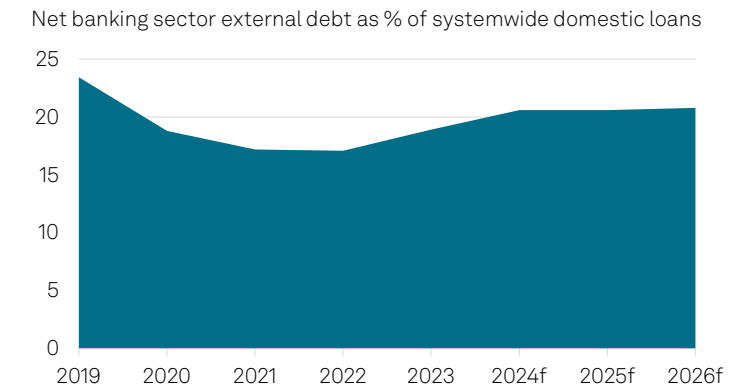
Figures as of fiscal year ending June. f--Forecast. Source: S&P Global Ratings.

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Ming Tan
ming.tan@spglobal.com

Economic recovery uneven amid modest policy support
Real GDP growth (%)
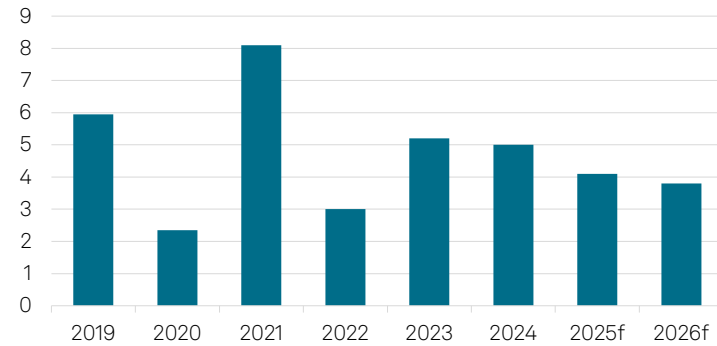
Commercial banks to see slightly higher credit costs
Credit costs as % of average loans
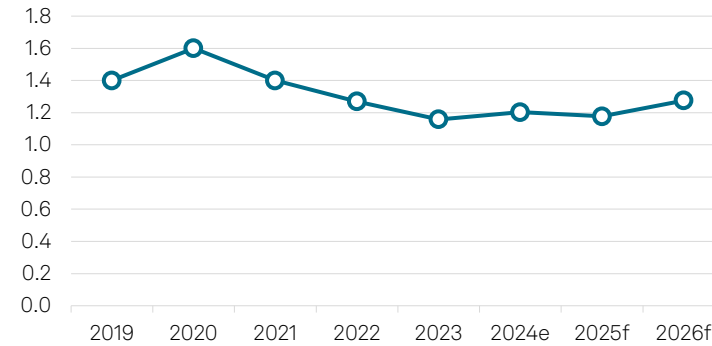
Policy and funding support smaller companies
Micro and small enterprises -- NPL ratio (%)
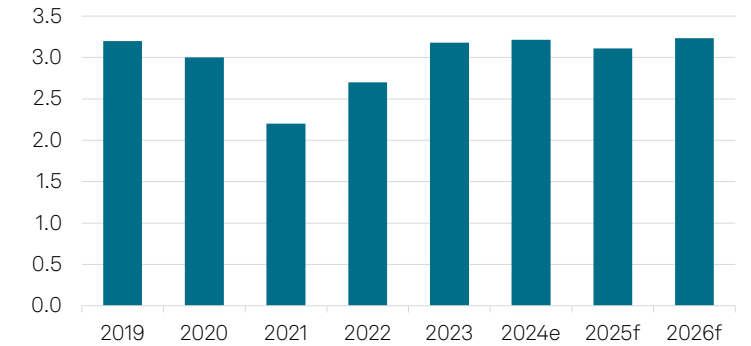
Delay in recovery in real estate loan quality
Property development loan growth (%)
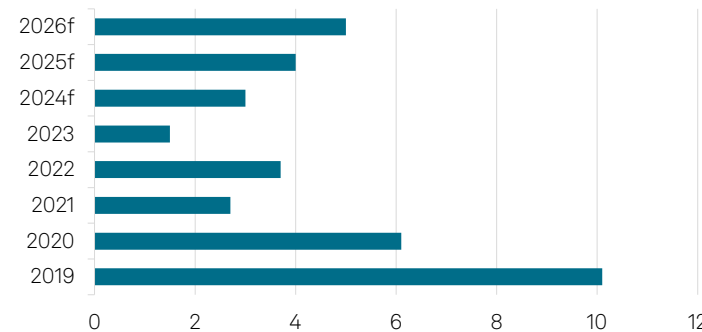
Profitability to remain pressured
Return on average assets (%)
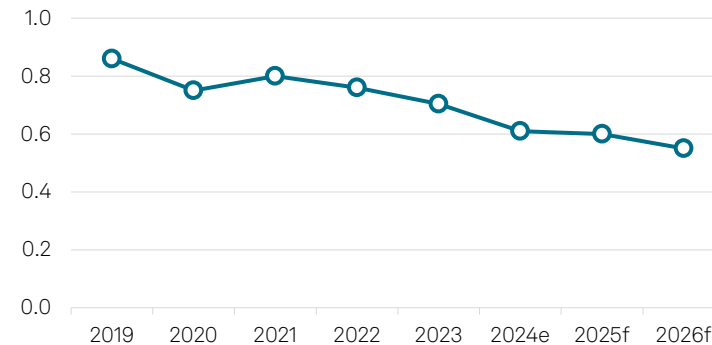
Strong customer deposit base
Domestic loans as a % of systemwide domestic core customer deposits
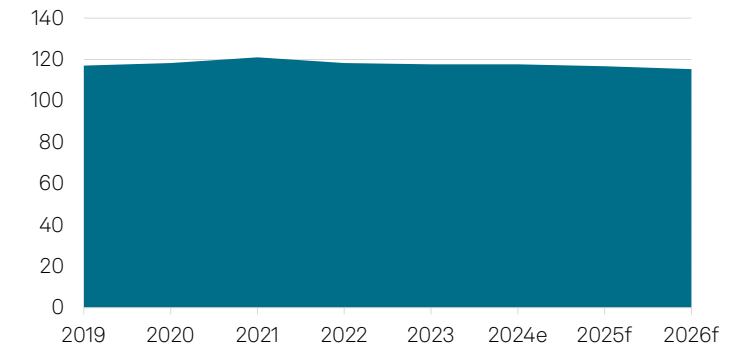
Data as of year ended December. e-Estimate. f--Forecast. NPL--Nonperforming loans. Source: S&P Global Ratings.

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Hong Kong SAR | Majors Can Manage CRE Risk

Phyllis Liu

Phyllis.Liu@spglobal.com

Economic growth to moderate

Real GDP growth (%)
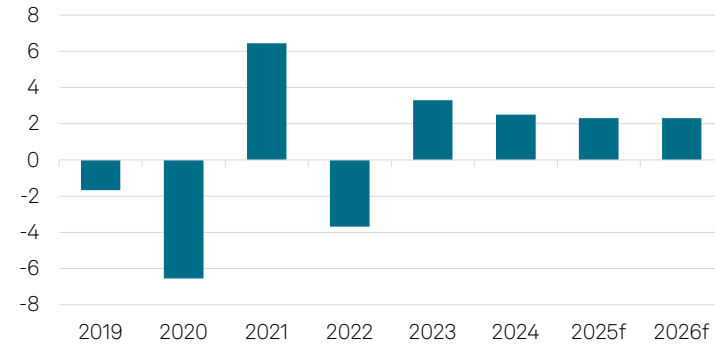
Hong Kong banks' CRE related provisions to remain contained

Credit losses as a % of total loans
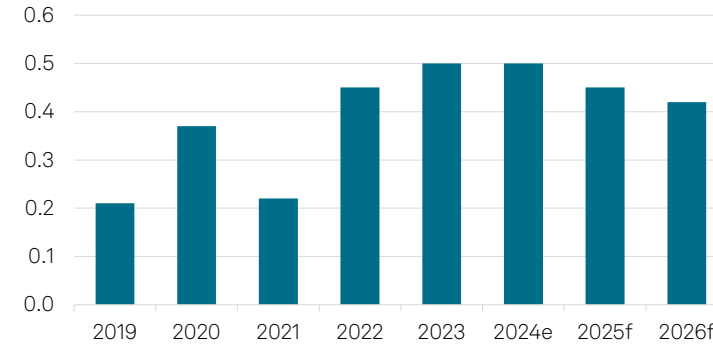
Profitability to slightly decline in 2025-2026

Return on average assets (%)
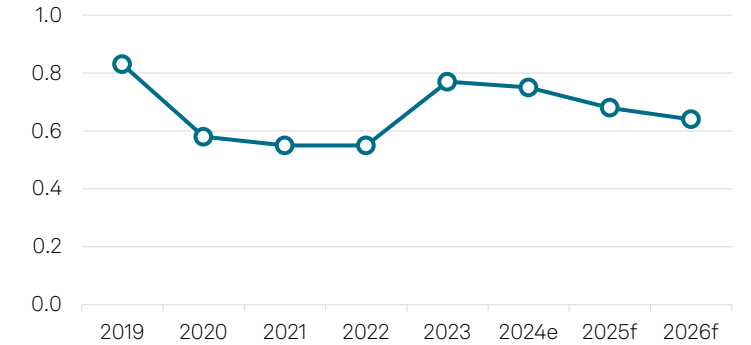
Residential housing prices to remain flattish in 2025

Annual change in key index for national residential house prices (%)
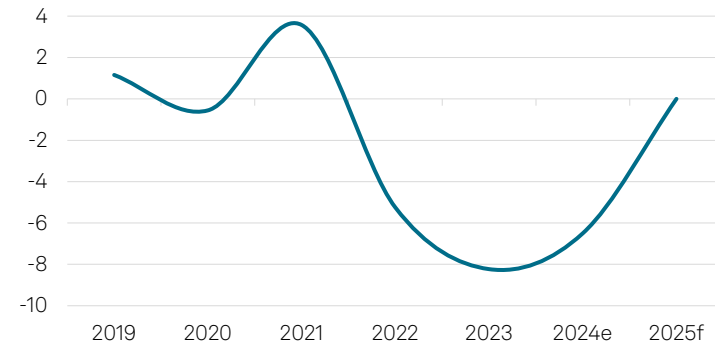
Strong capitalization through the cycles

Tier 1 capital ratio (%)
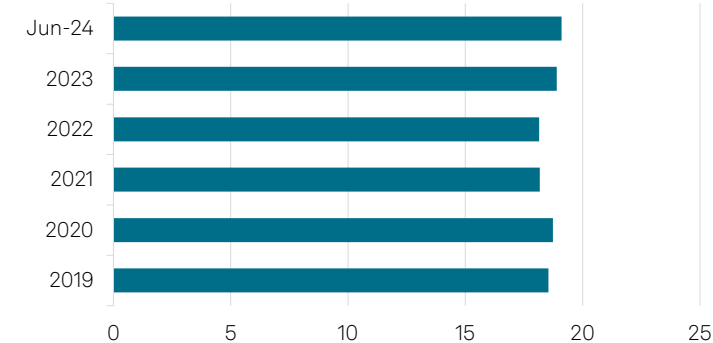
Solid customer deposits remain a key support

Systemwide loans as a % of systemwide core customer deposits
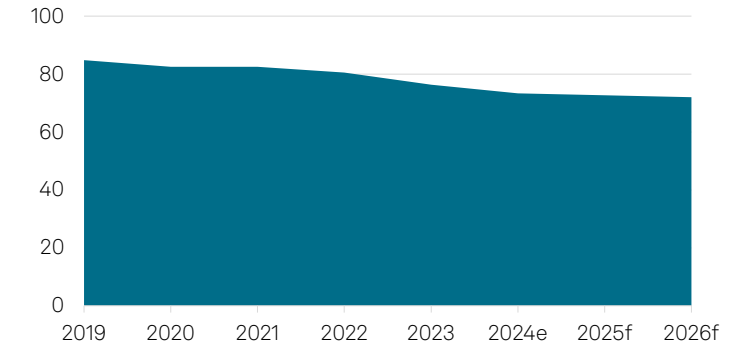
Data as of year ended December. CRE--Commercial real estate. NIM--Net interest margin. e--Estimate. f--Forecast. Sources: Hong Kong Monetary Authority. S&P Global Ratings.

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India | Structural Fixes, GDP Boost System Resilience

Deepali V Seth Chhabria
deepali.seth@spglobal.com

Economic growth momentum to continue
Real GDP growth (%)
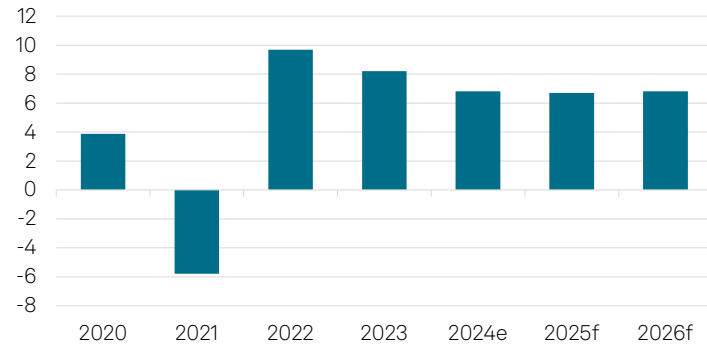
Sharp rise in LDR to cast shadow on future credit growth
Loans-to-deposits ratio (%)
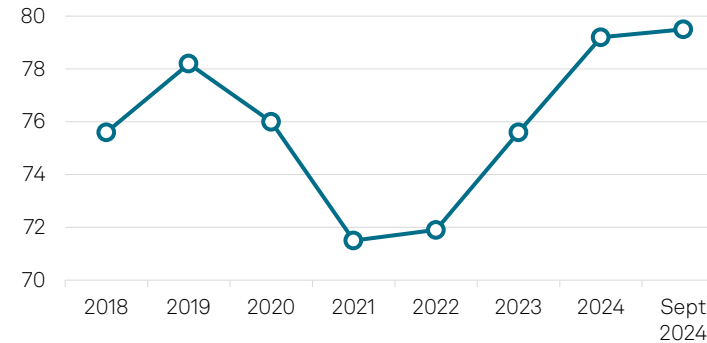
Credit losses to inch up slightly from cyclical low
Credit losses as a % of total loans
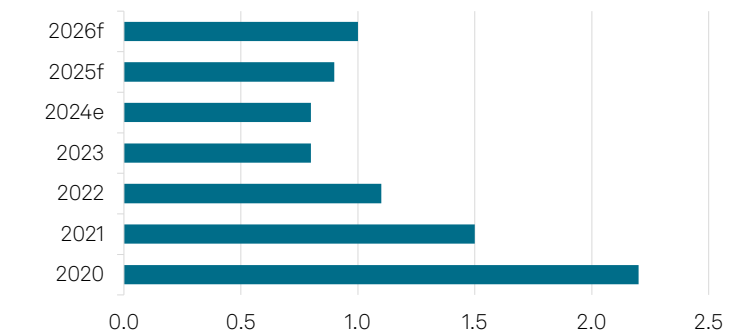
Asset quality to continue to improve
Nonperforming assets as a % of systemwide loans
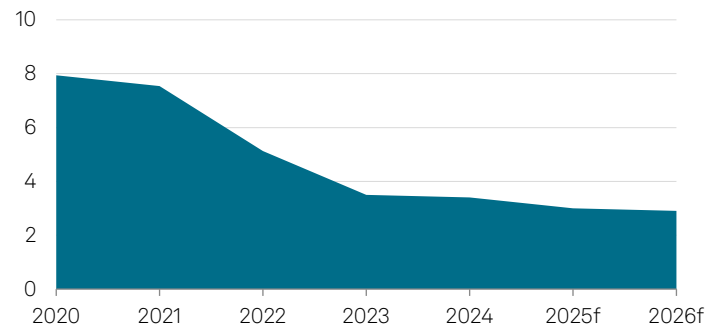
Delinquencies in the retail segment rising from a low base
90+ days past due (%) June 2024 vs. March 2023
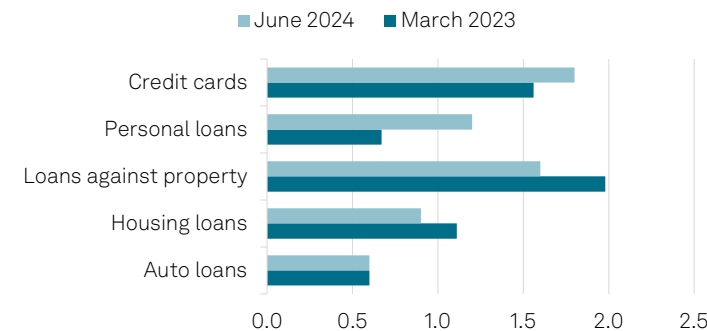
Returns have peaked and are likely to moderate slightly
Return on average assets (%)
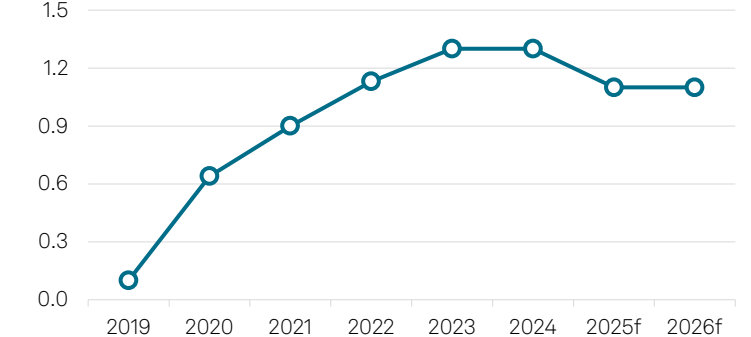
Figures as of fiscal year ending March. Nonperforming assets includes nonperforming loans (NPL) and standard restructured loans. LDR--Loans-to-deposits ratio. Sources: Reserve Bank of India. Company financials. TransUnion CIBIL. S&P Global Ratings estimates.

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Ivan Tan

ivan.tan@spglobal.com

Economic growth is a boost
Real GDP growth (%)
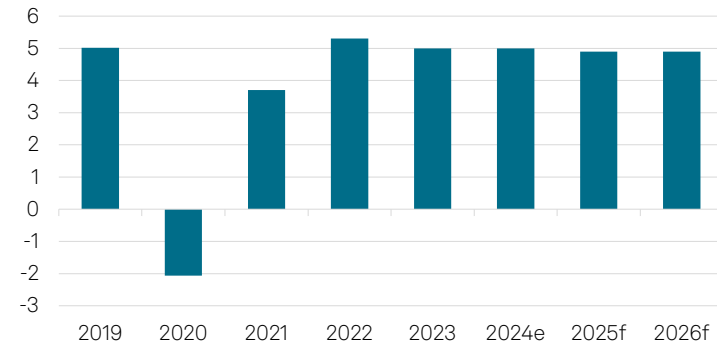
Credit costs should remain under control
Credit losses % of total loans
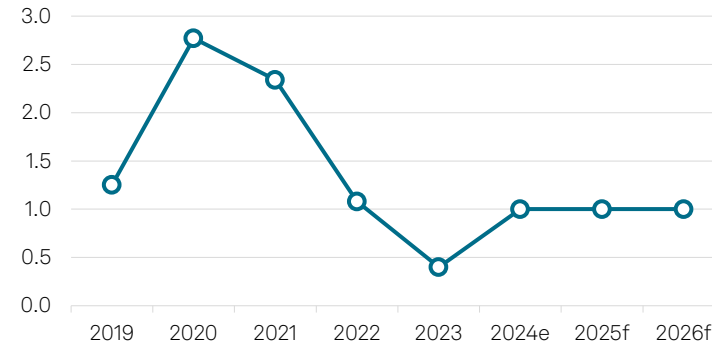
Asset quality to remain manageable
Nonperforming assets as a % of systemwide loans
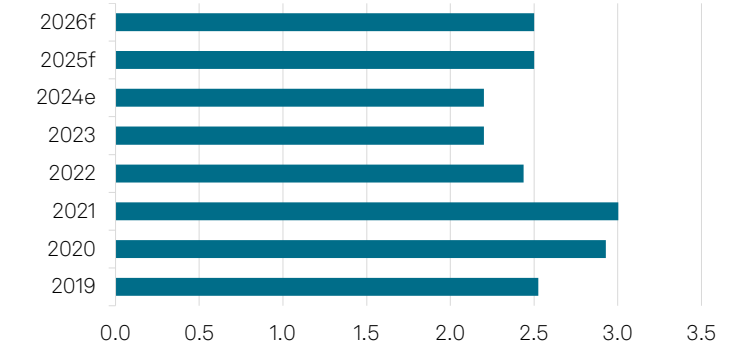
NIMs to compress but remain manageable
Net interest income to average earning assets (%)
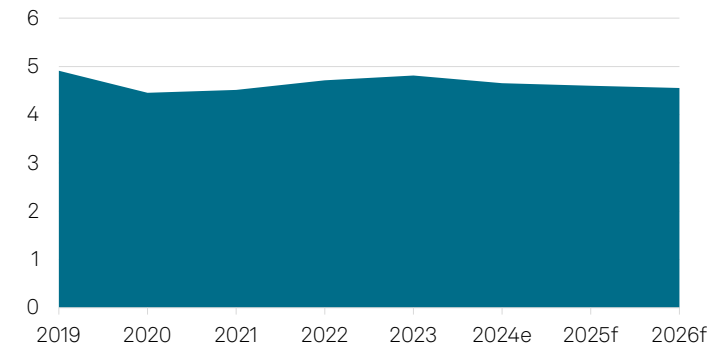
Strong capital buffers
Tier 1 capital ratio (%)
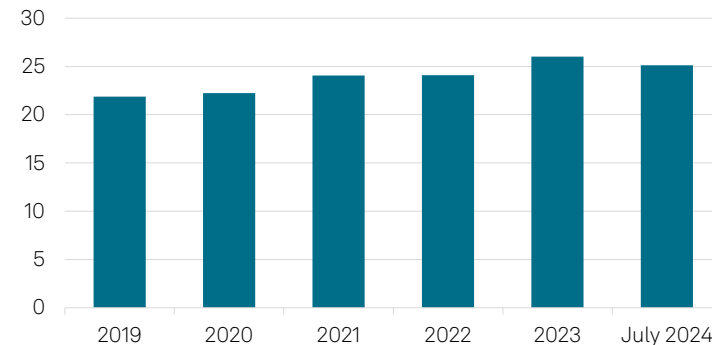
Strong funding support from customer deposits
Loans-to-deposits ratio (%)
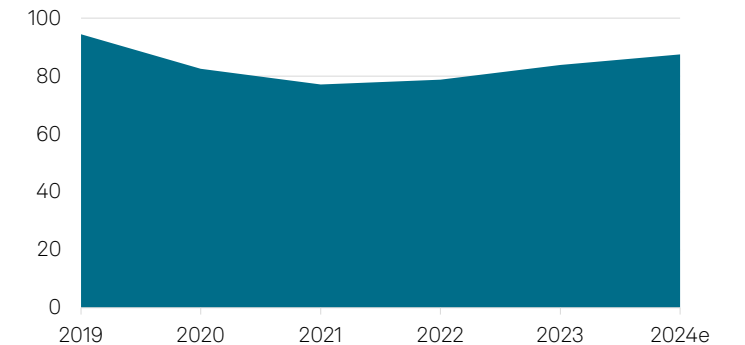
Data as of year ended December. e--Estimate. f--Forecast. NIM--Net interest margin. NPL--Nonperforming loans. Sources: OJK. S&P Global Ratings.

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Kensuke Sugihara

kensuke.sugihara@spglobal.com

Domestic-oriented economy will continue to grow
Real GDP growth (%)
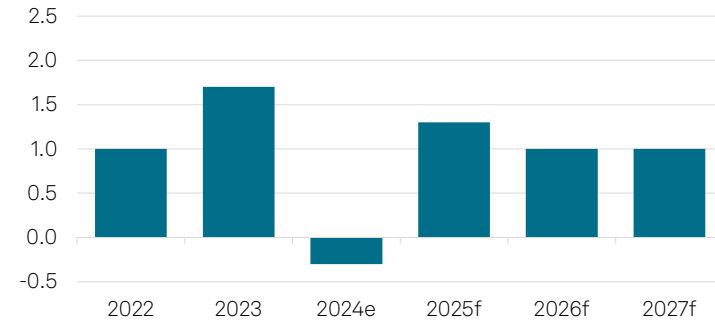
We expect the rise of policy interest rates to be low and slow
Policy rates (year-end) (%)
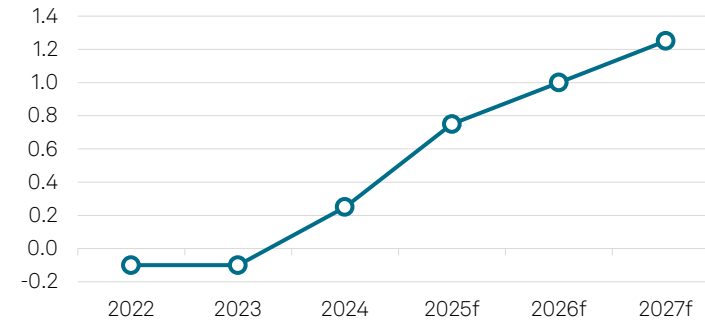
Domestic banks prepare for rate hikes and tapering
Domestic banks' holding of JGBs and Zaito-bonds at FY end (JPY tril.)
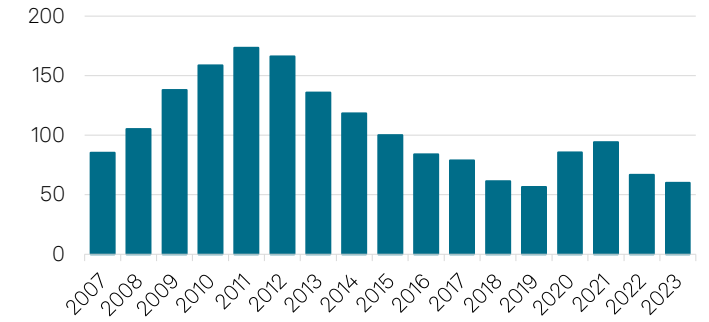
Banks secure interest margins over its deposits
Banks' interest rates on deposits vs JGB yield curve(%)

JGB Yield — Deposit Rates — Net Interest Margin
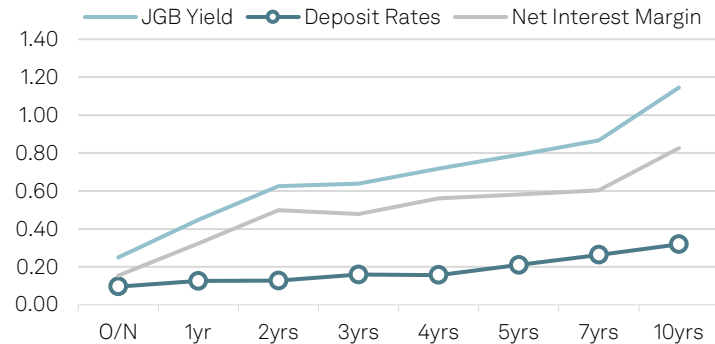
Deposits still occupy majority of household's financial assets
Household deposits and other financial assets (year-end; JPY tril.)

Deposits ■ Other assets
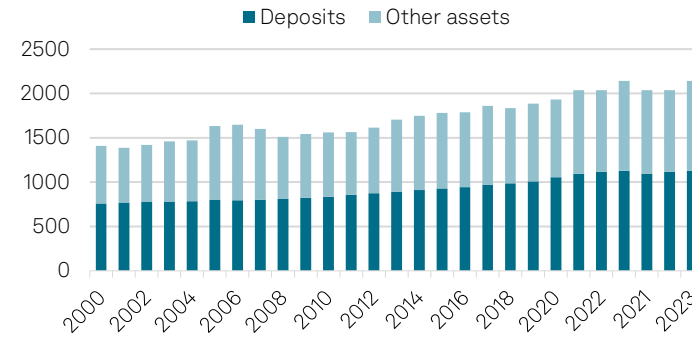
Stable deposit base a key strength for the banking system
Domestic loans as a % of systemwide domestic core customer deposits
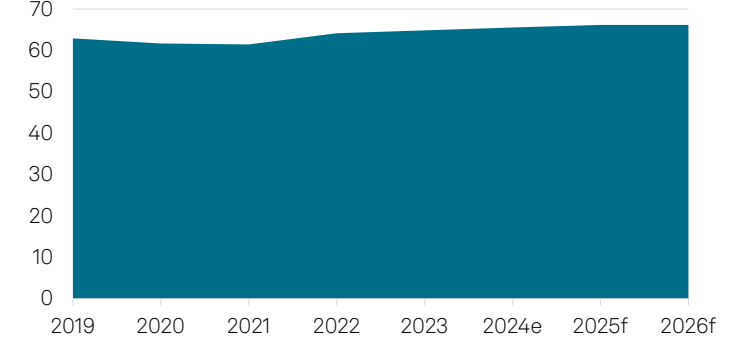
Data as of fiscal year ended March. Top-10 indicates top ten banks and so on for others. AFS--Available for sale. BoJ--Bank of Japan. e--Estimate. f--Forecast. Sources: Bank financial disclosures. Bank of Japan. S&P Global Ratings.

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Korea | Banks Face Volatile Near-Term Financial Markets

Daehyun Kim
daehyun.kim@spglobal.com

Korea is a well-diversified and prosperous economy
Real GDP growth (%)
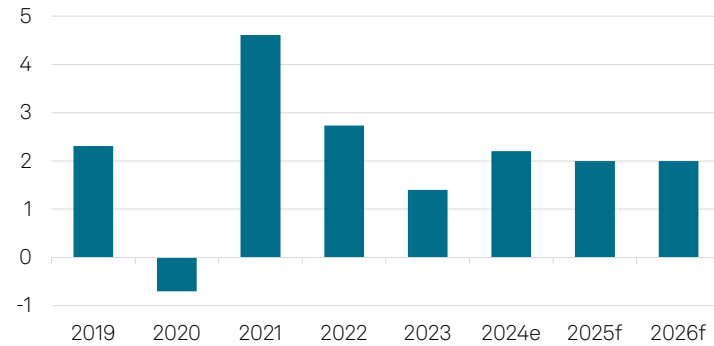
Loan growth to stay moderate
Loan growth (%)
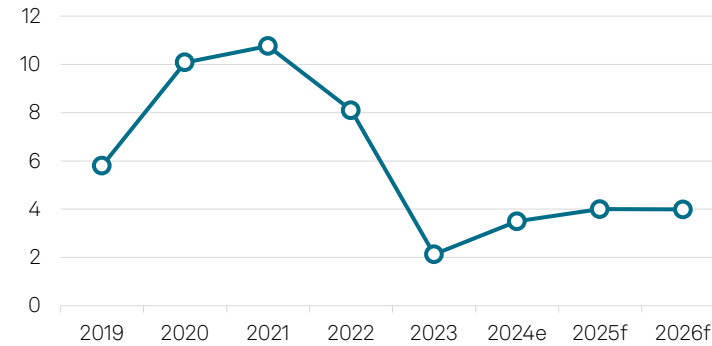
Private-sector leverage is high
Total private sector debt as a % of GDP
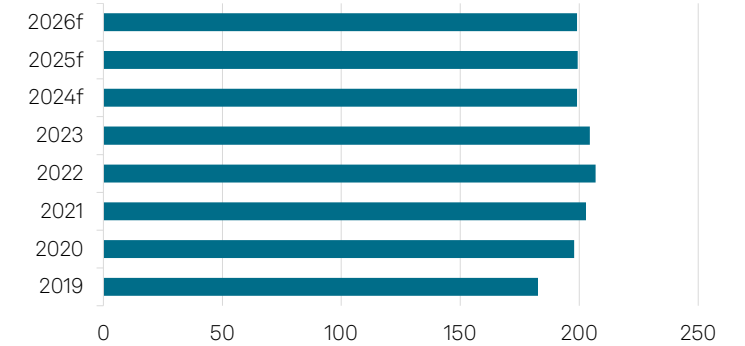
Higher credit risks from nonbank deposit-taking institutions
Nonperforming assets as a % of systemwide loans
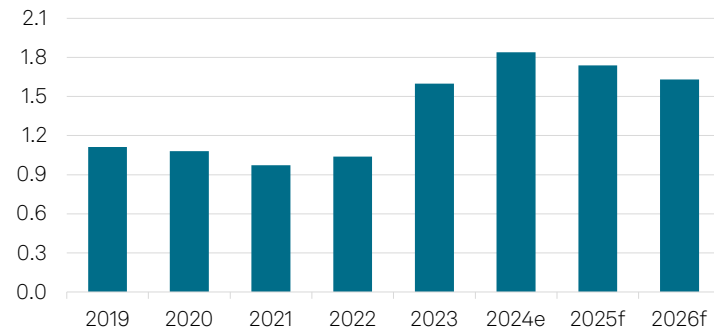
Net interest margin contraction weighs on profitability
Return on average assets (%)
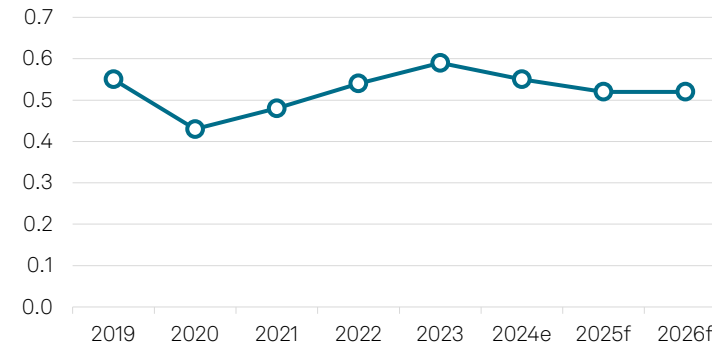
Stable funding backed by customer deposits
Domestic loans as a % of systemwide domestic core customer deposits
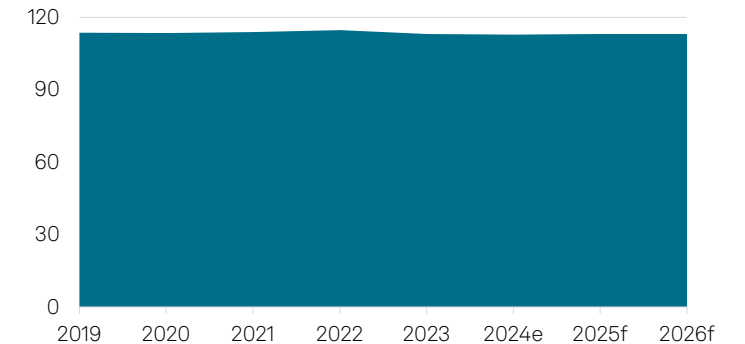
Data as of year ended December. f--Forecast. Source: S&P Global Ratings.

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Sue Ong

sue.ong@spglobal.com

Economic conditions will improve
Real GDP growth (%)
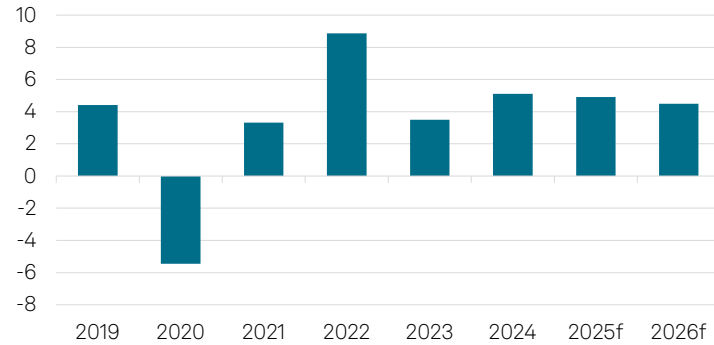
Credit growth will pick up
Loan growth (%)
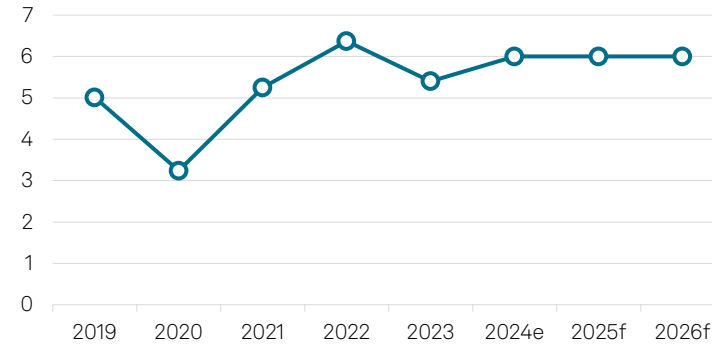
Asset quality deterioration manageable
Nonperforming assets as a % of systemwide loans
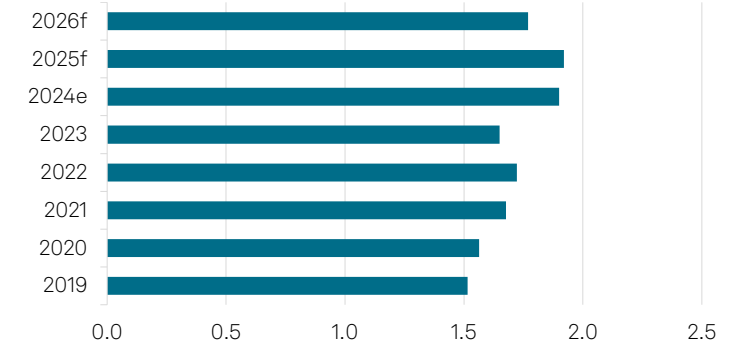
Solid capitalization could offset asset quality pressure
Tier 1 capital ratio (%)
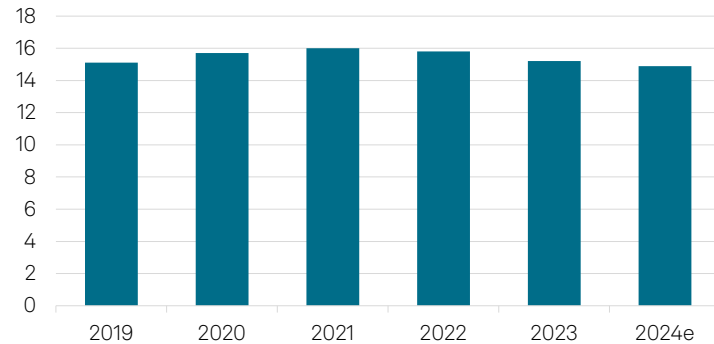
High household leverage poses risk
Household debt as a % of GDP
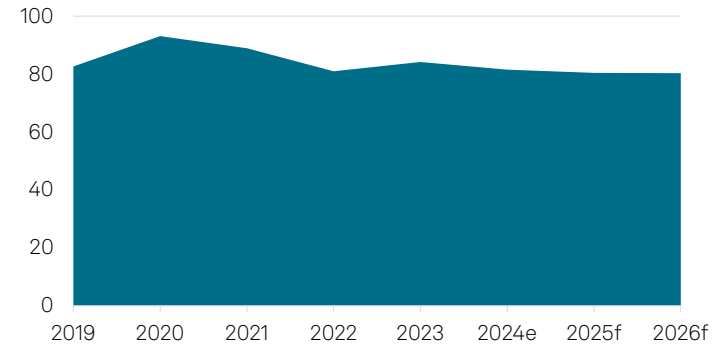
Earnings will stay flattish
Return on average assets (%)
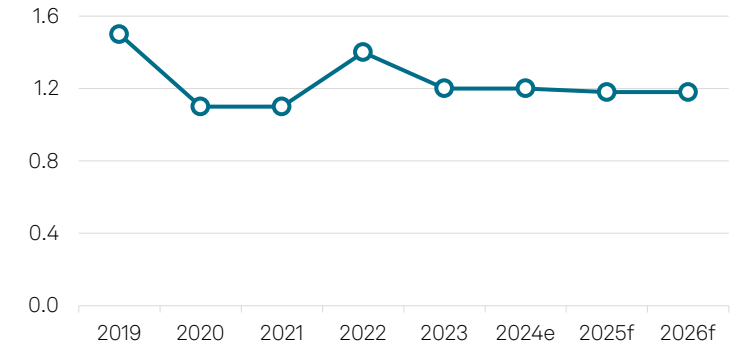
Data as of year ended December. e--Estimate. f--Forecast. Sources: BNM, S&P Global Ratings.

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New Zealand | Rates Easing Supports Borrowers

Lisa Barrett
lisa.barrett@spglobal.com

Economic growth to remain below trend in 2025
Real GDP growth (%)
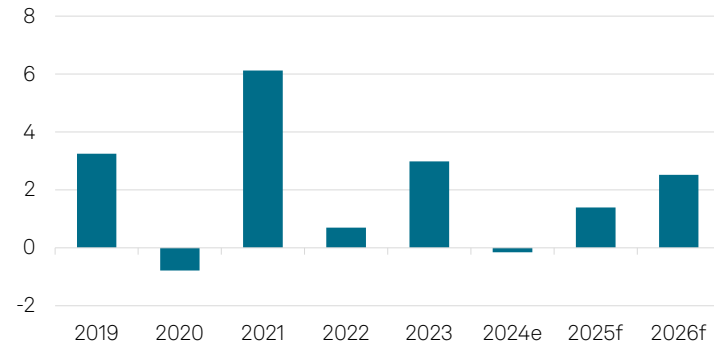
Banks maintain profitability
Return on average assets (%)
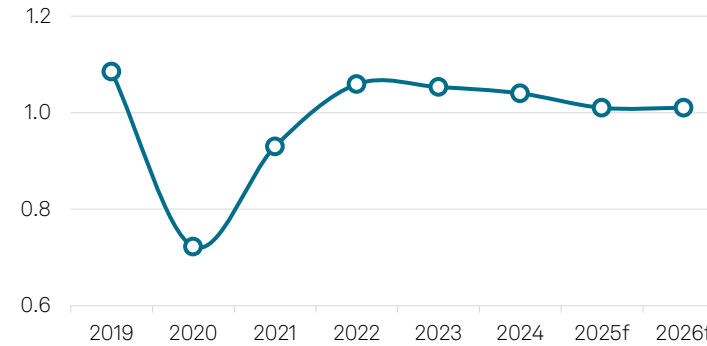
Credit losses to remain low
Credit losses as a % of total loans
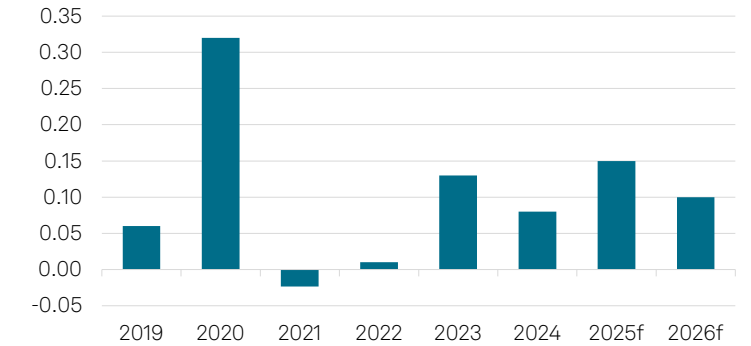
High household indebtedness
Household debt as % of GDP
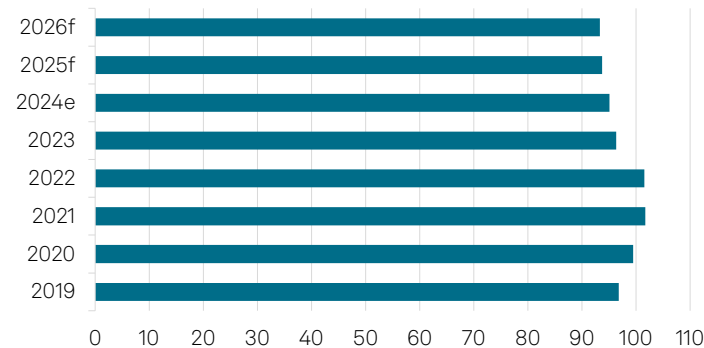
House price growth to remain muted in 2025
Annual change in key index for national residential house prices (%)
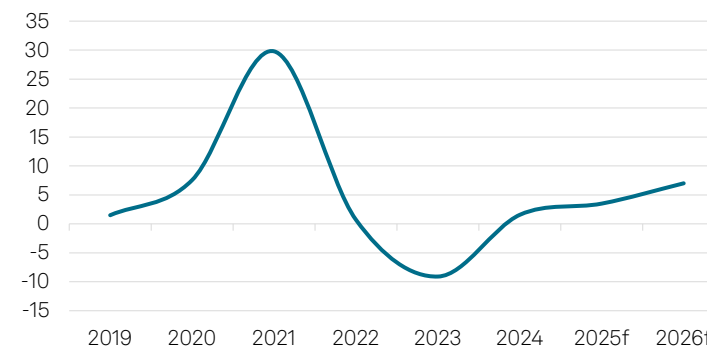
High net external borrowings and limited customer deposits
Net banking sector external debt as a % of systemwide domestic loans
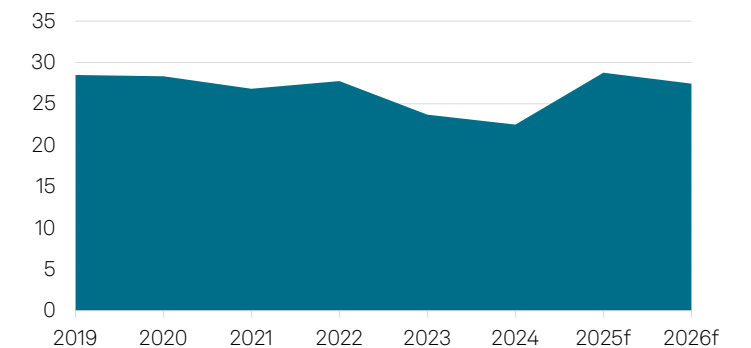
Data as of fiscal year ended June. e– Estimate, f--Forecast. Source: S&P Global Ratings.

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Philippines | Rate Cuts To Boost Loan Growth, Compress Yields

Nikita Anand

nikita.anand@spglobal.com

Economic growth will improve

Real GDP growth (%)
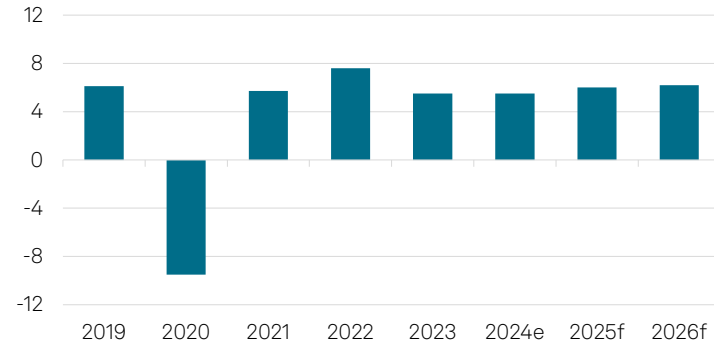
Credit losses will stay near pre-pandemic levels

Credit losses as % of total loans
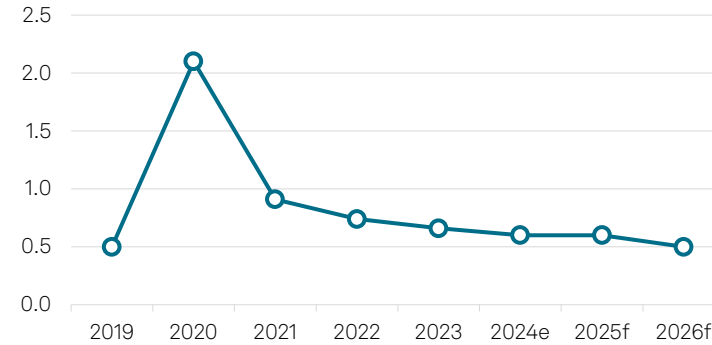
Return on assets has peaked and will gradually decline

Return on average assets (%)
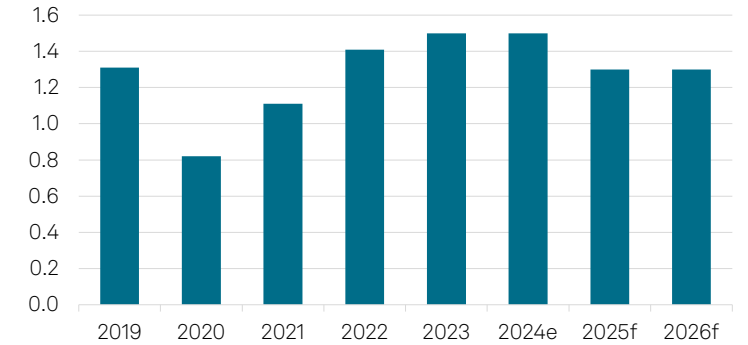
Banks maintain good capital buffers

Common equity tier 1 ratio (%)
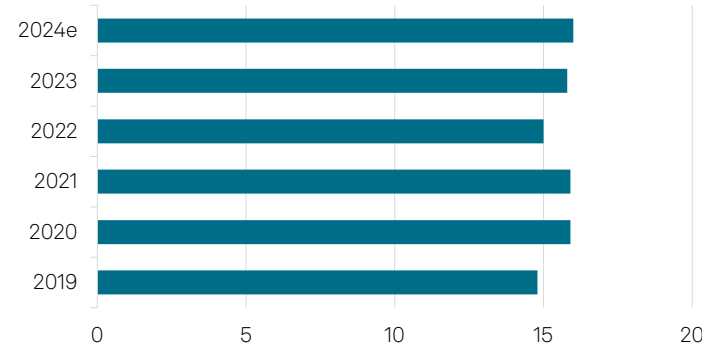
Downside risk of a fallout in property markets remains high

— Real estate construction and development loans as a % of total loans
— CRE vacancy rates (%)
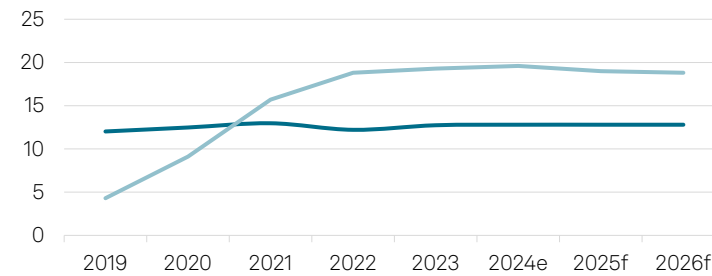
Loans to deposit ratio will moderate from strong levels

Domestic loans as a % of domestic core customer deposits
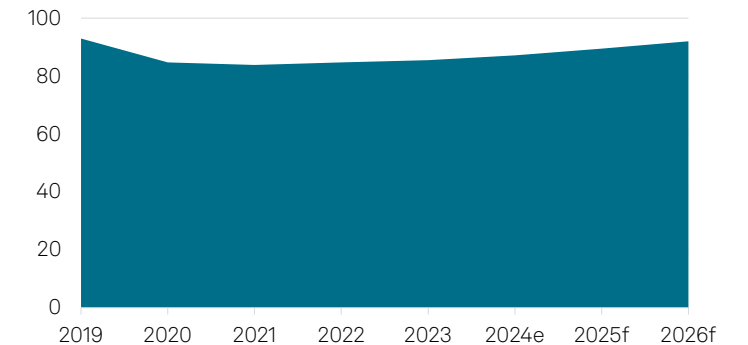
Data as of year ended December. CRE vacancy rate is data for office vacancy rate in metro Manila. e--Estimate. f--Forecast. Source: S&P Global Ratings.

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Singapore | Strong, Stable Credit Quality To Continue

Ivan Tan
ivan.tan@spglobal.com

Domestic market recovery will buffer against external stress
Real GDP growth (%)
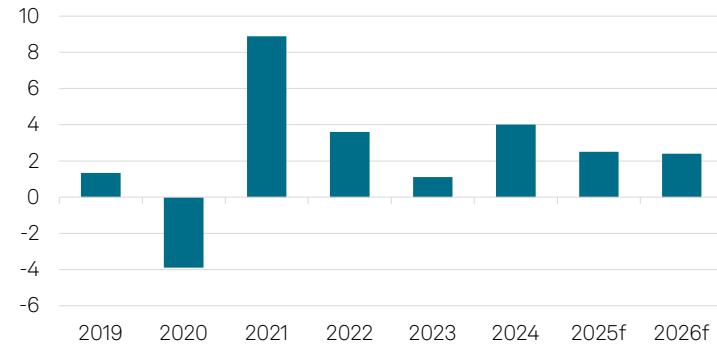
Loan growth will likely pick up moderately
Loan growth (%)
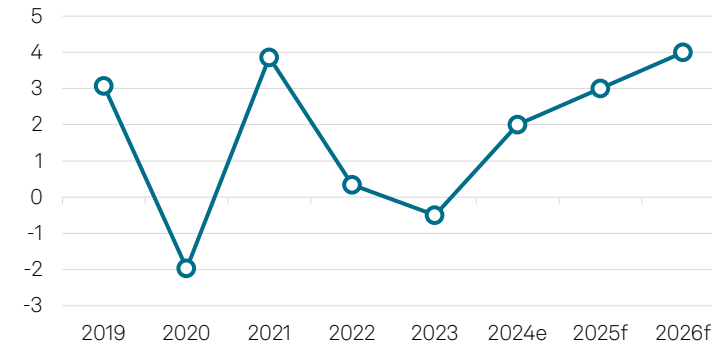
NIMs have peaked, we expect some moderation
Net interest income to average earning assets (%)
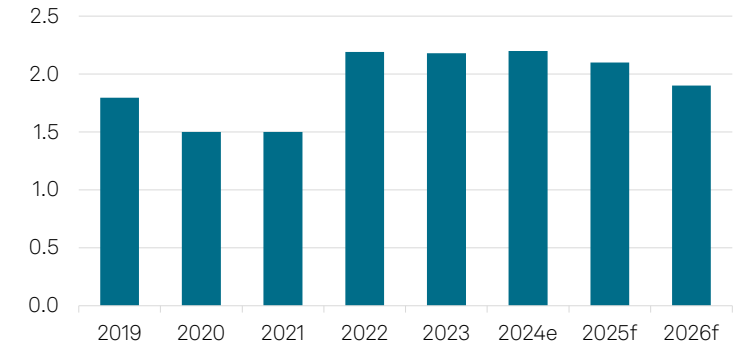
Asset quality should remain resilient
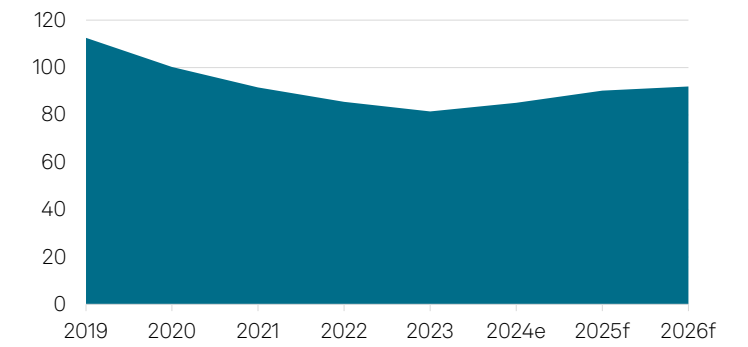Nonperforming assets as a % of systemwide loans
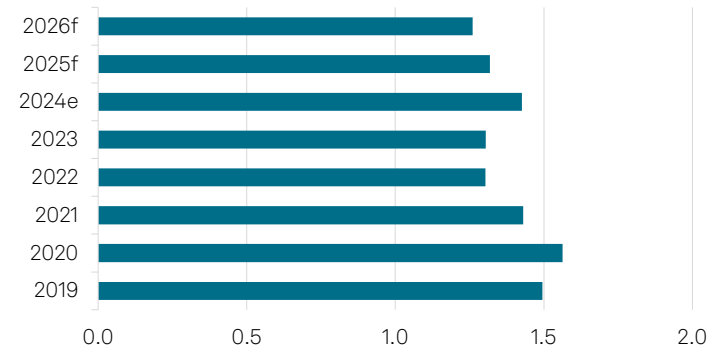
Credit costs to remain manageable
Credit losses as a % of total loans
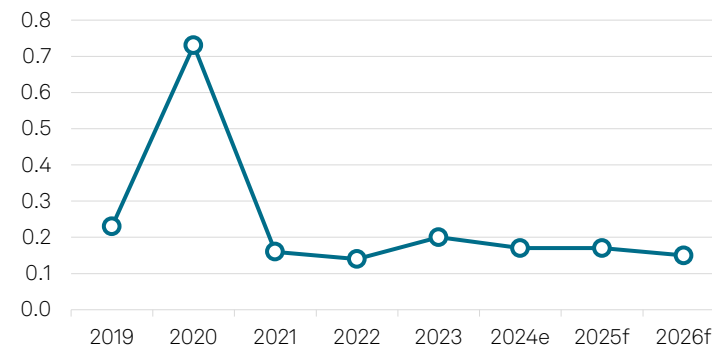
Stable customer deposits underpin funding
Domestic loans as a % of systemwide domestic core customer deposits

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. NIM– Net interest margin. Source: S&P Global Ratings.

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Taiwan | Solid Capitalization Can Absorb Volatility

Yuhan Lan

yuhan.lan@spglobal.com

Better economic growth prospects in 2024
Real GDP growth (%)
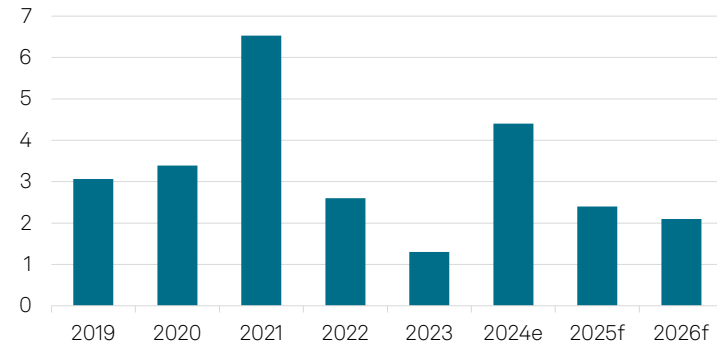
Credit costs remain steady
Credit losses as a % of total loans
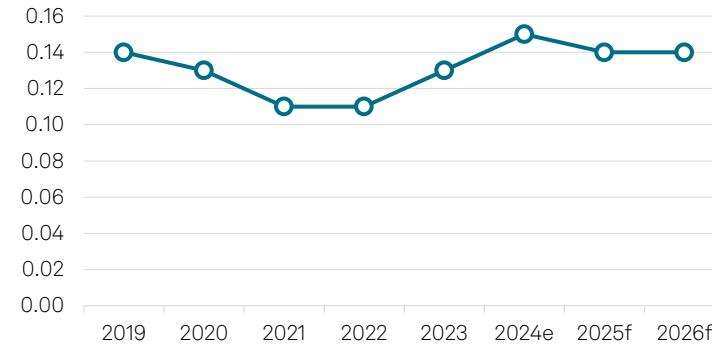
Loan moratorium expiration may push banks' NPA recognition
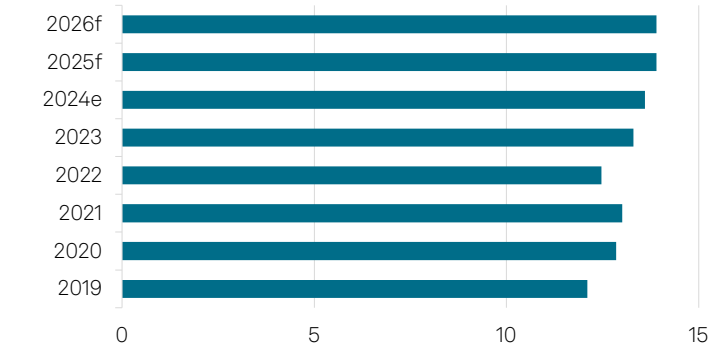Nonperforming assets as a % of systemwide loans
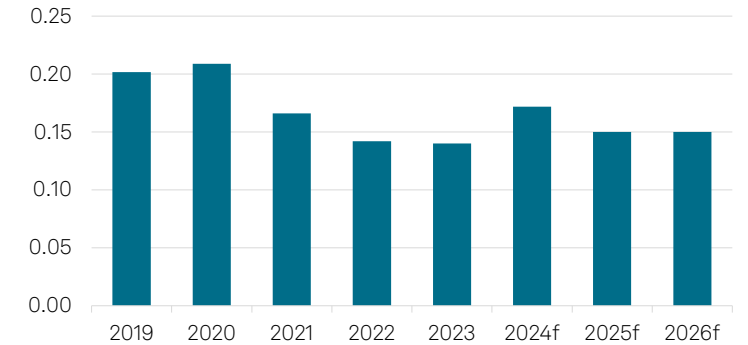
Real estate prices to grow marginally in 2025
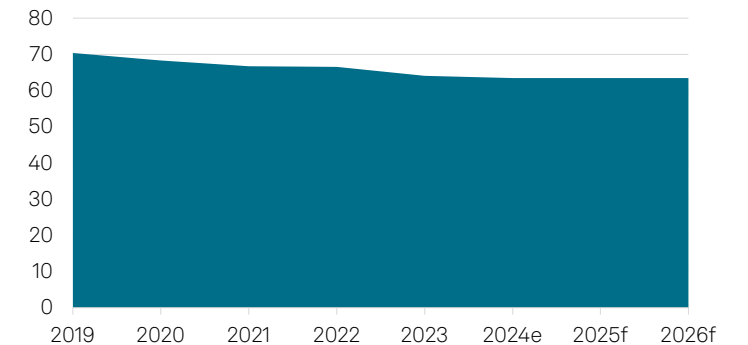Annual change in key index for national residential house prices (%)
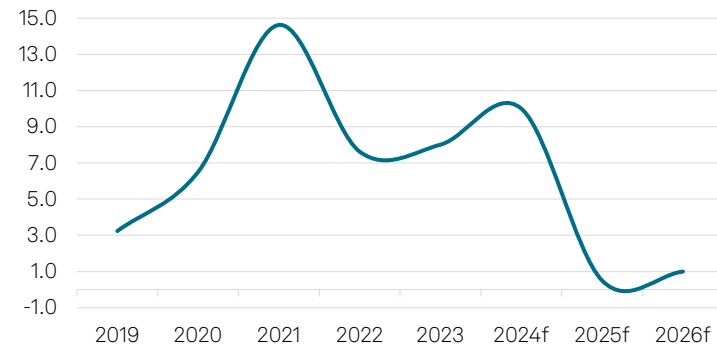
Banks' capitalization to remain solid
Tier 1 capital ratio (%)

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.

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Thailand | Elevated Credit Costs Will Remain A Burden

Deepali V Seth Chhabria

deepali.seth@spglobal.com

Economic recovery remains weak and uneven
Real GDP growth (%)
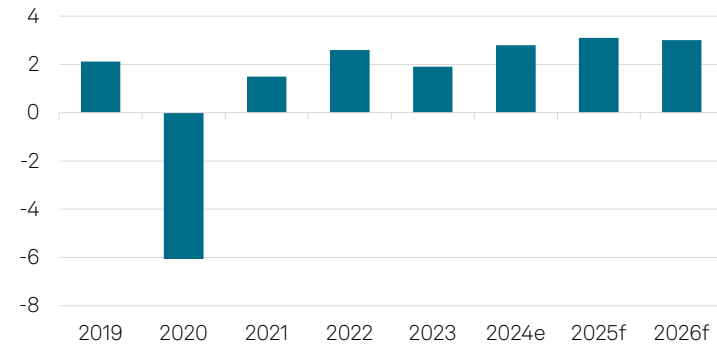
Tourist arrivals are recovering fast, but spending lags
Tourist arrivals ('000s)
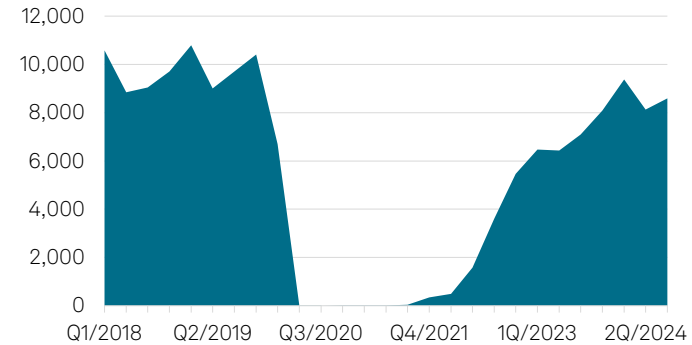
Rising Stage 2 loans reflect high credit risk in the system
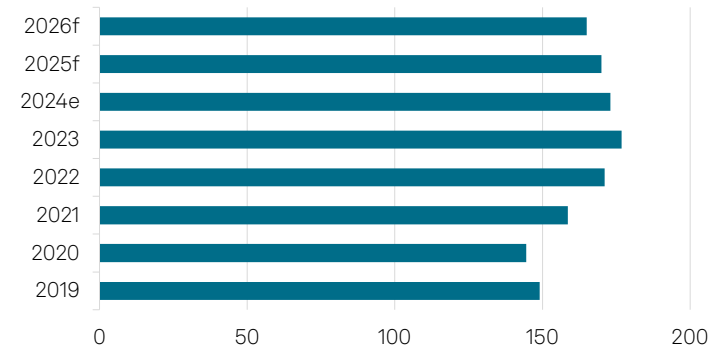As a % of systemwide loans
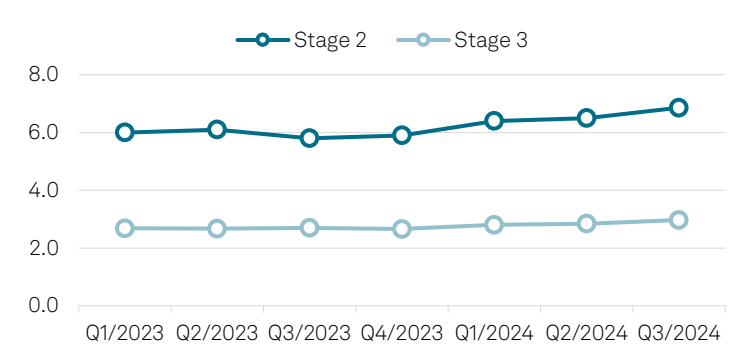
Households have high leverage
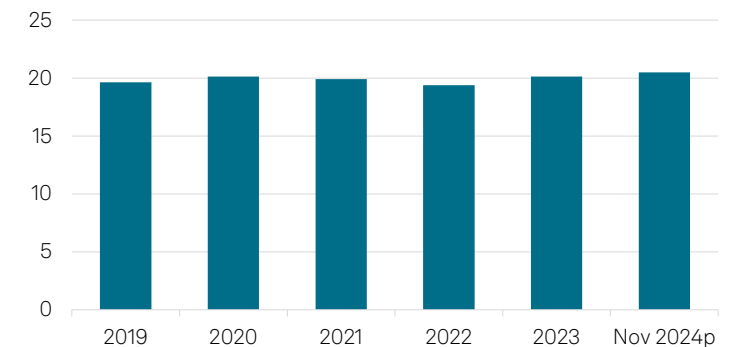Household debt as % of GDP 2024e
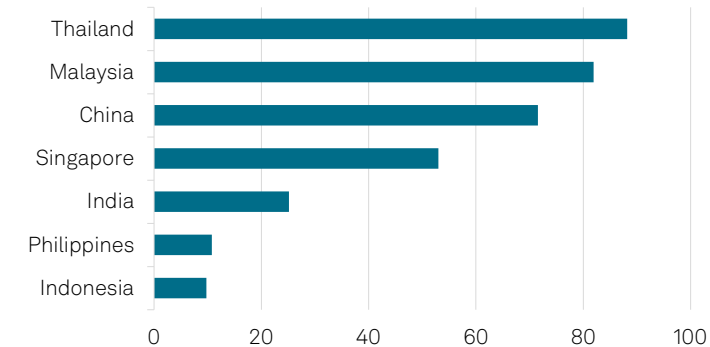
High provisioning coverage provides downside protection
Loan loss reserves / nonperforming loans (%)

Strong capitalization offers some cushion
Total capital ratio (%)

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

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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 (%)
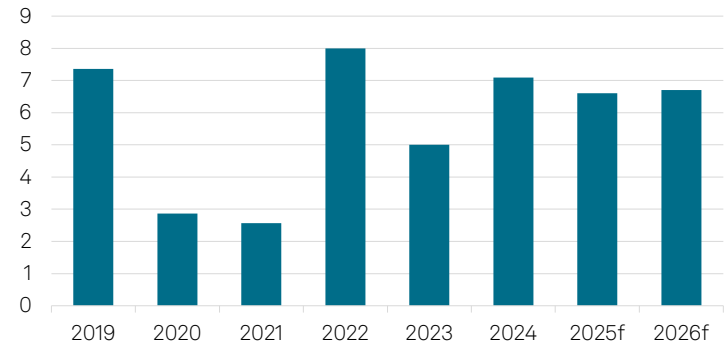
Rising indebtedness continues to pose a risk

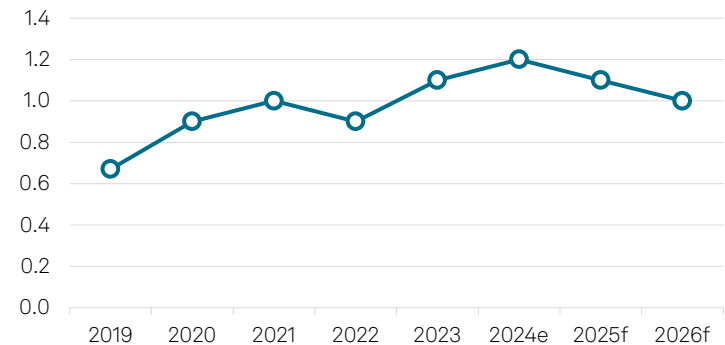Total private sector debt as % of GDP
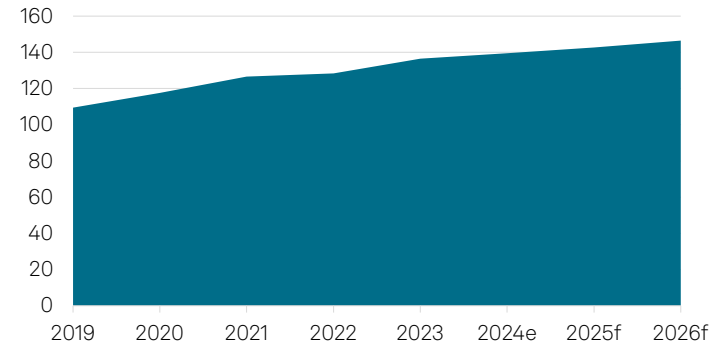
Higher property sales should ease asset-quality pain
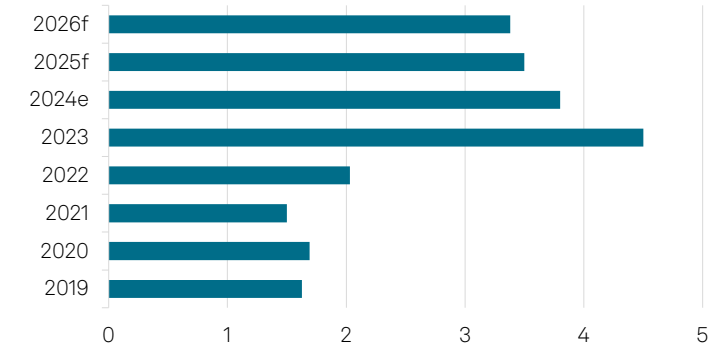
Aggregate Vietnam property pre-sales (VND tril.)
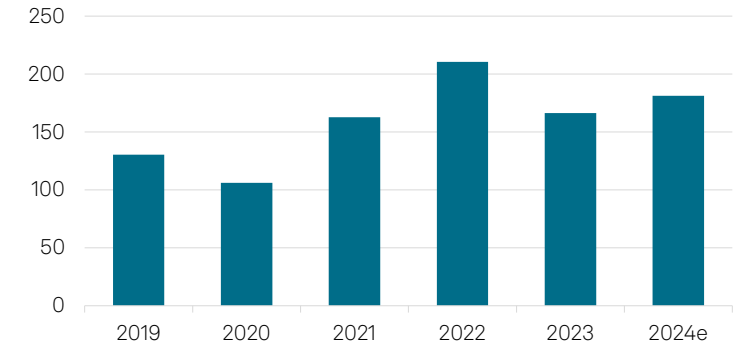
We expect credit costs to remain elevated
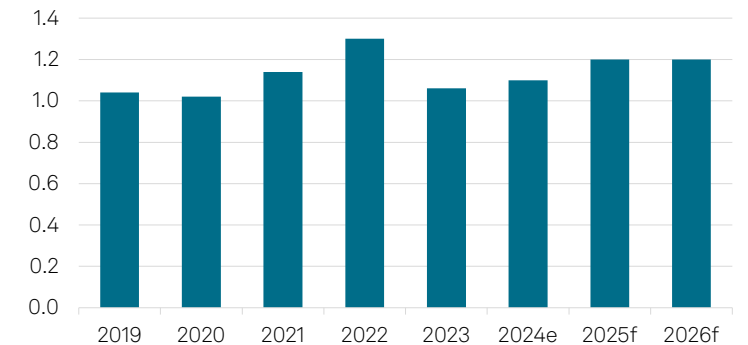
Credit losses as % of total loans

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 2024. 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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Analytical Contacts

Primary credit analyst

Gavin Gunning

Managing Director,
Financial Institutions Ratings

gavin.gunning@spglobal.com

Secondary credit analysts

Kensuke Sugihara

Managing Director,
Financial Institutions Ratings

kensuke.sugihara@spglobal.com

Geeta Chugh

Managing Director,
Financial Institutions Ratings

geeta.chugh@spglobal.com

Ryan Tsang

Managing Director,
Financial Institutions Ratings

ryan.tsang@spglobal.com

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Ratings

Analytical Contacts

Nico DeLange

Director, Financial Institutions Ratings

nico.delange@spglobal.com

Deepali V Seth Chhabria

Associate Director, Financial Institutions Ratings

deepali.seth@spglobal.com

Nikita Anand

Director, Financial Institutions Ratings

nikita.anand@spglobal.com

Sue Ong

Associate, Financial Institutions Ratings

sue.ong@spglobal.com

Ming Tan

Director, Financial Institutions Ratings

ming.tan@spglobal.com

Ivan Tan

Director, Financial Institutions Ratings

ivan.tan@spglobal.com

Lisa Barrett

Director, Financial Institutions Ratings

lisa.barrett@spglobal.com

Phyllis Liu

Director, Financial Institutions Ratings

phyllis.liu@spglobal.com

Daehyun Kim

Director, Financial Institutions Ratings

daehyun.kim@spglobal.com

Yuhan Lan

Director, Financial Institutions Ratings

yuhan.lan@spglobal.com

Editors

Lex Hall, Jasper Moiseiwitsch

Digital designer

Halie Mustow

Research contributor

Priyal Shah

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