



FINANCIAL STABILITY INSTITUTE

BANK FOR INTERNATIONAL SETTLEMENTS

Asian Banking in Challenging Financial Times

- Asian Banking in a Global Recession -

Federal Reserve Bank of San Francisco

San Francisco, USA

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Hong Kong SAR



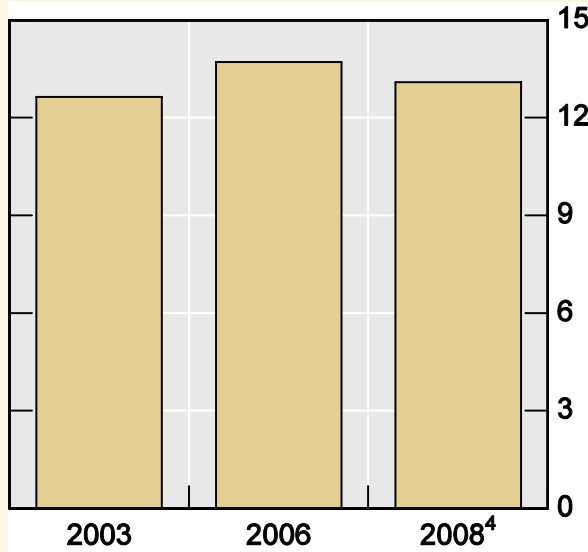
Agenda

- **How have Asian banks fared thus far?**
- **What are the major risks and opportunities for Asian banks in the current environment?**
- **What additional policy measures are needed to support the banking sector in Asia?**

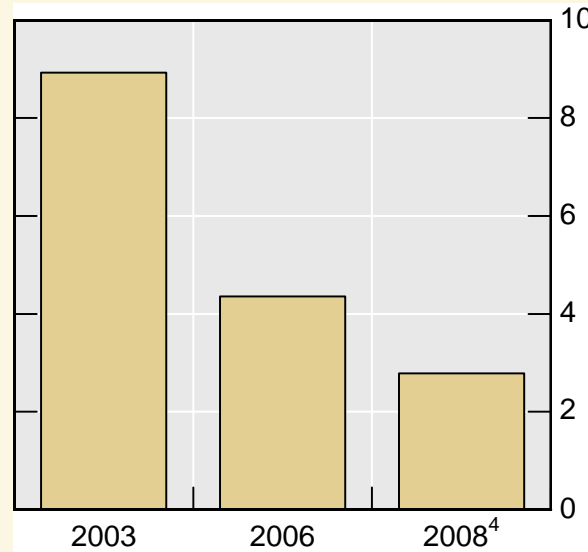


How have Asian banks fared thus far?

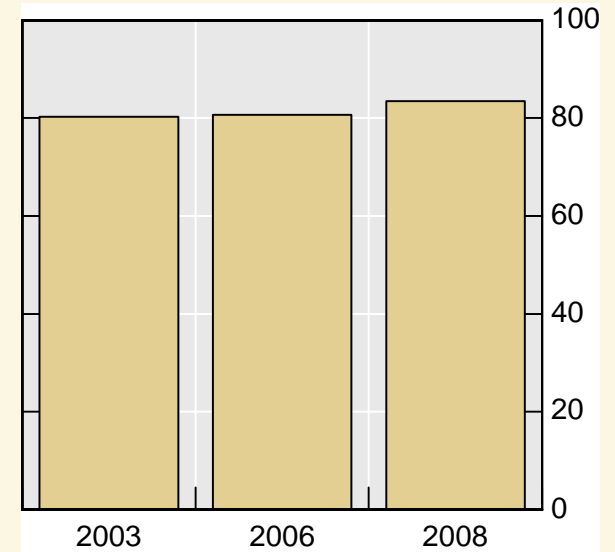
Capital adequacy ratios^{1, 2}



Non-performing loan ratios^{1, 3}



Loan to deposit ratios¹



¹ In per cent; arithmetic averages for Australia, China, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, Philippines, Singapore and Thailand; ² Total capital as a percentage of total risk-weighted assets; ³ Definitions may vary across countries; ⁴ For 2008, latest available figure in GFSR is used.

Sources: IMF Global Financial Stability Report, national data.



How have Asian banks fared thus far?

Summary of policy actions taken in North America, Europe, Asia and the Pacific ¹																	
	CA	US	Euro area	CH	UK	AU	CN	HK	IN	ID	JP	KR	MY	NZ	PH	SG	TH
Expand deposit insurance		√	√		√	√		√		√		√	√	√	√	√	√
Guarantee non-deposit liabilities	√	√	√		√	√						√		√			
Prepare bank capital injection		√	√	√	√			√			√	√					
Create demand for assets	√	√		√		√	√		√	√			√				
Impose short-sale restrictions	√	√	√	√	√	√		√			√	√				√	
Relax mark-to-market rules		√	√ ²	√	√					√	√	√	√		√		

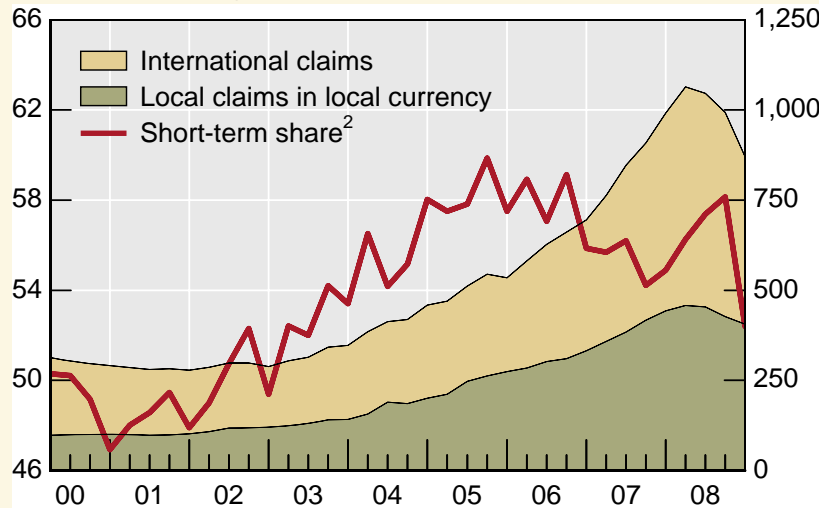
¹ As of early December 2008. This table summarises policy actions proposed but not necessarily implemented; ² Applies to countries whose companies report under IFRS.



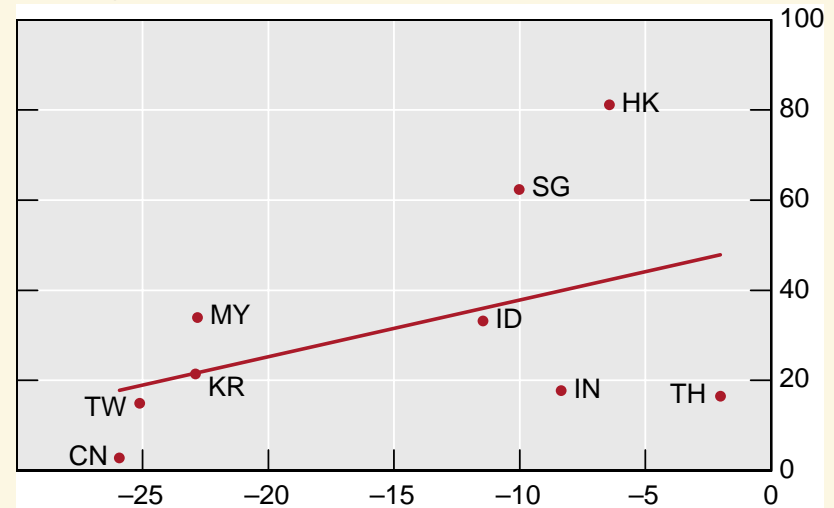
Risks and opportunities for Asian banks

Retreat of foreign banks from non-Japan Asia

Foreign claims on non-Japan Asia¹



Foreign bank participation and cross-border loans³



¹ By banks headquartered in Austria, France, Germany, Italy, Japan, Netherlands, Spain, United Kingdom and United States. Foreign claims are defined as the sum of international claims (cross-border claims in all currencies and foreign claims extended locally by foreign offices) and locally extended claims in local currency. Austria does not report local liabilities in local currency, and only started reporting local claims in local currency in Q2 2005. Shaded areas are billions of US dollars (rhs); solid lines are shares, in per cent (lhs). ² Share of short-term claims in total international claims. ³ The horizontal axis refers to the percentage change in cross-border loans of BIS reporting banks vis-à-vis resident banks in the countries shown; Q4 2008 over Q3 2008. The vertical axis refers to the share of foreign-owned banks in total assets of the banking system; Q4 2008, in per cent.



Additional policy measures in Asia

- **Policy responses taken were generally short-term in nature**
- **In the medium-term, exit strategies needed for various stabilisation programmes**
 - Deposit insurance
 - Debt guarantees
- **Long-term, institutional frameworks for oversight and stability of financial system should be implemented**
 - Strengthening of macroprudential policy tools
 - Pillar 2 of the Basel II framework



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