

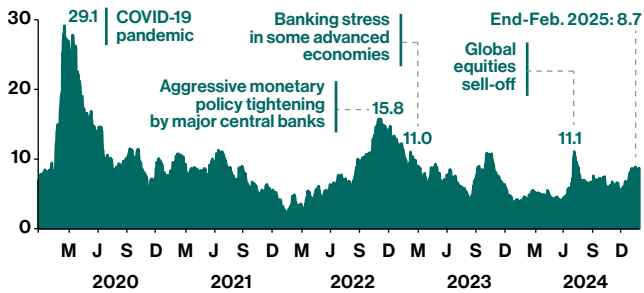
Key Highlights on Financial Stability Review – Second Half 2024

Domestic financial markets remained orderly despite bouts of volatility

Slightly elevated market stress amid growing concern over escalating global trade tensions and disruptive AI innovations

Financial Market Stress Index (FMSI)

Stress level, % (Minimum=0, Maximum=100)



Spillovers to domestic financial stability are expected to be manageable, supported by ...



Deep and liquid domestic capital markets



Sustained demand for government bonds in the primary market



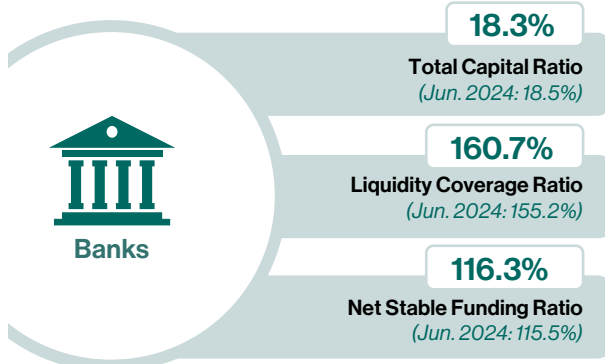
Sound and resilient banking system



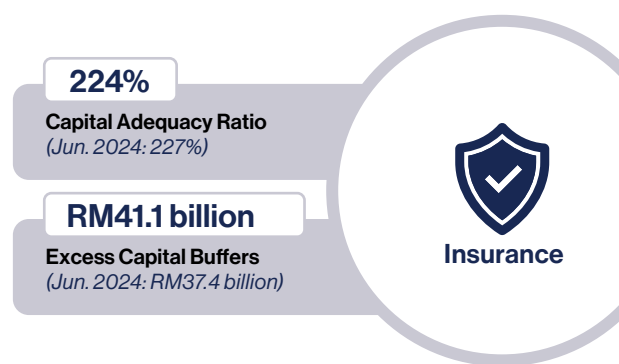
Favourable economic prospects and domestic structural reforms

Financial institutions are well-capitalised with strong buffers to support financial intermediation for the economy

Banks continue to maintain strong capital and liquidity buffers

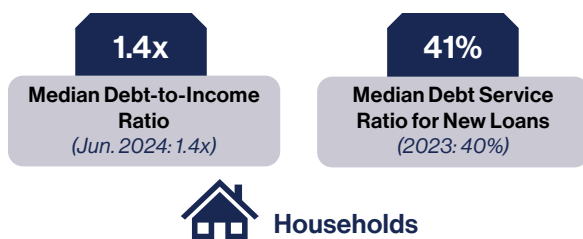


Insurers and takaful operators remained well-capitalised



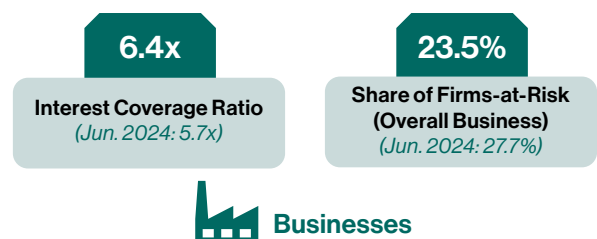
Households and businesses' debt repayment capacity continued to be preserved supported by sustained economic activity

Households remained financially resilient amid favourable labour market conditions



Households

Businesses continued to be resilient despite rising cost pressures

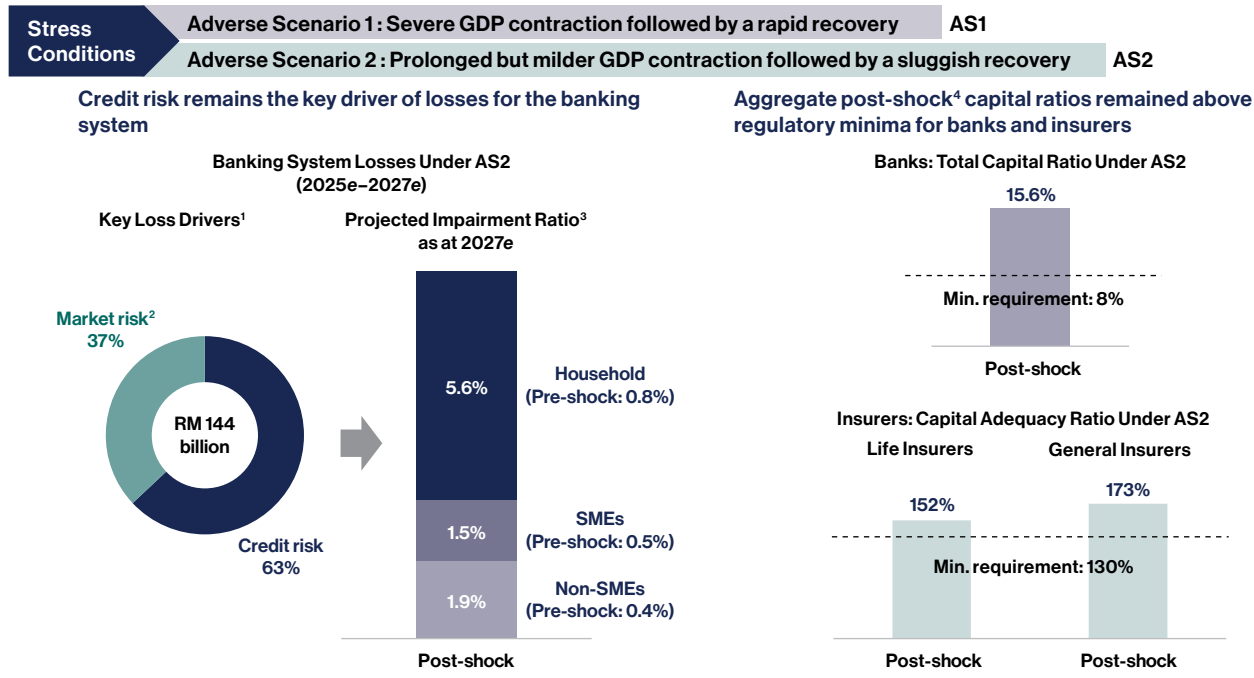


Businesses



Latest stress test reaffirms financial institutions' ability to withstand adverse shocks and support economic growth

Two adverse scenarios more severe than the 2008 Global Financial Crisis and the 2020 pandemic were used to assess financial institutions' resilience

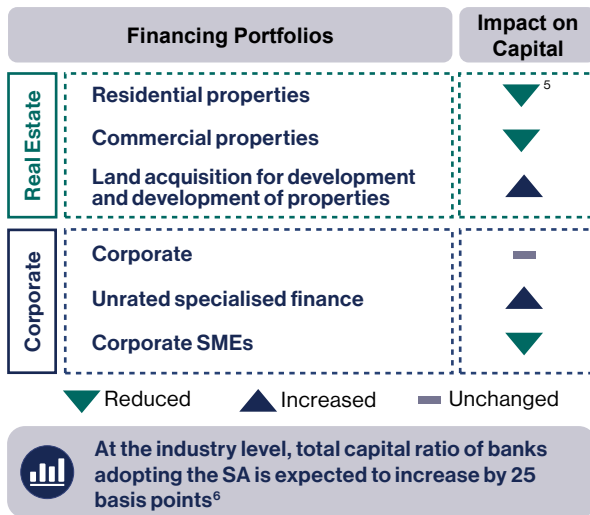


Box Article: Implementation of the Standardised Approach for Credit Risk (SA) – Key Revisions under Basel III and the Impact on Banks

The SA revision strengthens capital buffers that banks hold against shocks in two ways:

- 1 Improve the risk sensitivity and robustness of the SA in computing capital**
 - Introduce new asset classes for corporate and real estate exposures with more granular asset classification and risk weights**
 - ✓ Better reflect underlying characteristic and risk profile of exposures
 - ✓ Increase comparability with the Internal Ratings-based approach for Credit Risk (IRB)
- 2 Improve the quality and reliability of credit ratings used in capital computation**
 - Introduce a due diligence requirement**
 - ✓ Risk management requirements to curb mechanistic reliance on external credit ratings

Expected impact on individual banks adopting the SA depends on their financing portfolios and risk profiles



e Estimated

¹ Loss numbers are consolidated losses from both domestic and overseas operations.

² Market risk for banks includes revaluation losses on bonds held in the fair value through other comprehensive income (FVOCI) portfolio.

³ Impairment ratios reflect total impaired loans for each borrower segment as a share of total banking system loans.

⁴ Refers to the lowest aggregate post-shock capital ratios over the 3-year stress test horizon.

⁵ Assuming growth in property values remains stable.

⁶ Based on the results from the Quantitative Impact Study for the position as at 31 December 2023.