S&P Global Market Intelligence

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Asia-Pacific bank dividends

In search of new drivers

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Table of contents

About us

S&P Global Market Intelligence Dividend Forecasting (S&P Global MI DF) serves top-tier financial institutions with their investment decision-making and risk management through provision of timely data, insights, and commentary on dividend forecasts. Powered by a global team of 40 dividend analysts closely maintaining precise forecasts on the size and timing of payments based on bottom-up fundamental research as well as a proprietary advanced analytics model, our dataset incorporates the latest company news and market developments. We pride ourselves in an unmatched coverage that spans over 28,000+ stocks across the globe and our analysts are always available to engage in discussion and add color to users' queries.

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https://www.marketplace.spglobal.com/en/datasets/dividend-forecasting-(254)

The banking sector has always been distinguished among the 20 sectoral coverages. The sector is not only the unparalleled single largest dividend contributing sector, but also the main driver behind the robust growth in the regional dividend landscape. The banking sector has consistently delivered high single-digit growth year over year, demonstrating a notable degree of resilience, even during COVID-19. Against a highly volatile dividend environment in the Asia-Pacific region, the banking sector was arguably the one which most closely follow the traditional definition of attractive dividend stocks—large market caps, relatively stable share price and progressive payout.

However, we are seeing growing challenges for Asia-Pacific banks to uphold this reputation. The dividend momentum from mainland Chinese banks is faltering due to multiple economic hurdles mainland China is facing since the delayed ease of COVID-19-led restrictions. The common problems rendered by prolonged high interest rates—falling of loan quality, reduced corporate investments, dampened consumer sentiment amid inflation and woes on strength of respective local currencies to the US dollar, especially in developed Asia-Pacific where the banks are more contagious to global economy—pose a fundamental question of how will banks uphold the high expectation on their dividends beyond 2023. This report presents our independent opinions and analysis based on the proprietary forward-looking dividend data on how Asia-Pacific bank dividends will respond as the region enters a cooling-off period.

Key takeaways

– With 93% of bank dividends to be paid in calendar year 2023 locked in, we are positive that the aggregate dividend from key banks in Asia-Pacific region will reach a new high of US$141 billion, up 6% from last year. Singapore and Australia banks made notable addition.

– We anticipate a clear slowdown in bank dividend growth in the region in 2024 to 2% as they opt for a conservative stance in brace of economy uncertainties. India and Malaysia are only two markets defying the trend, to keep up double digit payout growth in 2024.

– Trajectory for 2025 is under high uncertainty. Our current analysis shows mainland China is essentially the sole driver of 6% year-on-year growth. Banks in other top contributing markets will largely maintain low growth mode.

– We highlight key points to take note on banks in 11 markets in the region. The highly fragmented local dynamics offer different points to consider—such as contrasting payout trajectory between the “big four” banks and the rest in mainland China, as well as dividend yield trend in India.

2023: Solid growth against currency headwinds

APAC bank dividends to continue breaking new high (US$ million)

Aggregate dividends from banks in the region

Data compiled Aug. 15, 2023.

*Amount status confirmed include historial announcement and compmany guidance.

Source: S&P Global Market Intelligence.

2022–23 year-on-year payment growth

Market	Moving FX	Constant currency
Japan	6%	12%
Australia	12%	17%
South Korea	3%	8%
Hong Kong SAR	0%	8%
Singapore	51%	46%
Developed Asia-Pacific	9%	15%
Mainland China	1%	8%
India	36%	44%
Indonesia	48%	57%
Malaysia	-2%	2%
Taiwan	-26%	-22%
Thailand	38%	39%
Emerging Asia-Pacific	4%	10%
Asia-Pacific Total	6%	12%

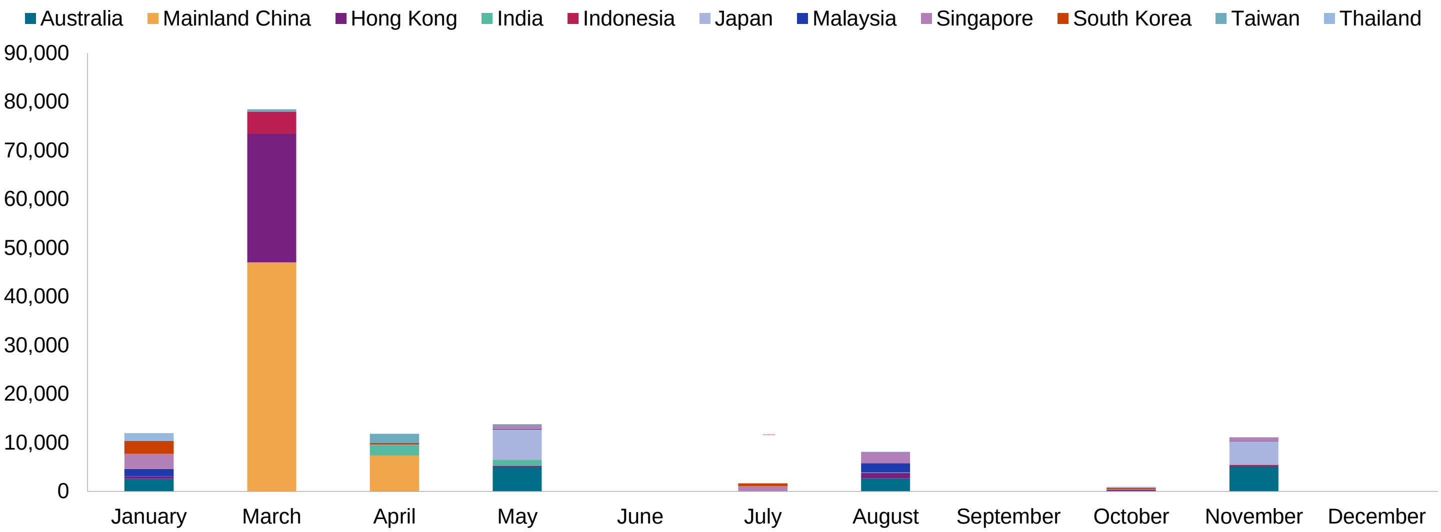
With 93% of bank dividends with payment date in calendar year 2023 already been locked in (as of Aug. 15, 2023), we project the aggregate dividends from 115 key banks across 11 markets in the region to reach a new high of US$141 billion in 2023, up 6% year over year. Considering most of the currencies in the region are still recovering from the depreciation against the US dollar, we estimate the year-over-year rate in constant currency to be much higher, at 12%.

Major banks in Asia-Pacific benefited from a high interest rate environment and bursts of expansionary economic activities as three years of tight COVID-19 rules were removed in early 2022. Banks in the region are generally seeing increased profitability, which translate into double-digit payout growths in 2023 payment thanks to a strong rebound in business in 2022. Notable markets includes India, Thailand and Indonesia, where domestic loan demand is showing robust growth on the back of optimism for continued economic expansions.

It is worth noting that mainland China is not within the top payment growth contributor. Given the sheer size of payouts (about 40% of Asia-Pacific bank dividends), mainland Chinese banks (excluding the portion of dividend paid in Hong Kong listings) spearheaded dividends in the past four years. The payout additions from Singapore and Australia are set to be at least 4.7x and 2.7x of mainland China, respectively, and Australia could potentially widen the gap in the upcoming earnings season in November.

7% of 2023 bank dividends to be finalized and paid (US$ million)

Bank dividend distribution in 2023 by announcement months

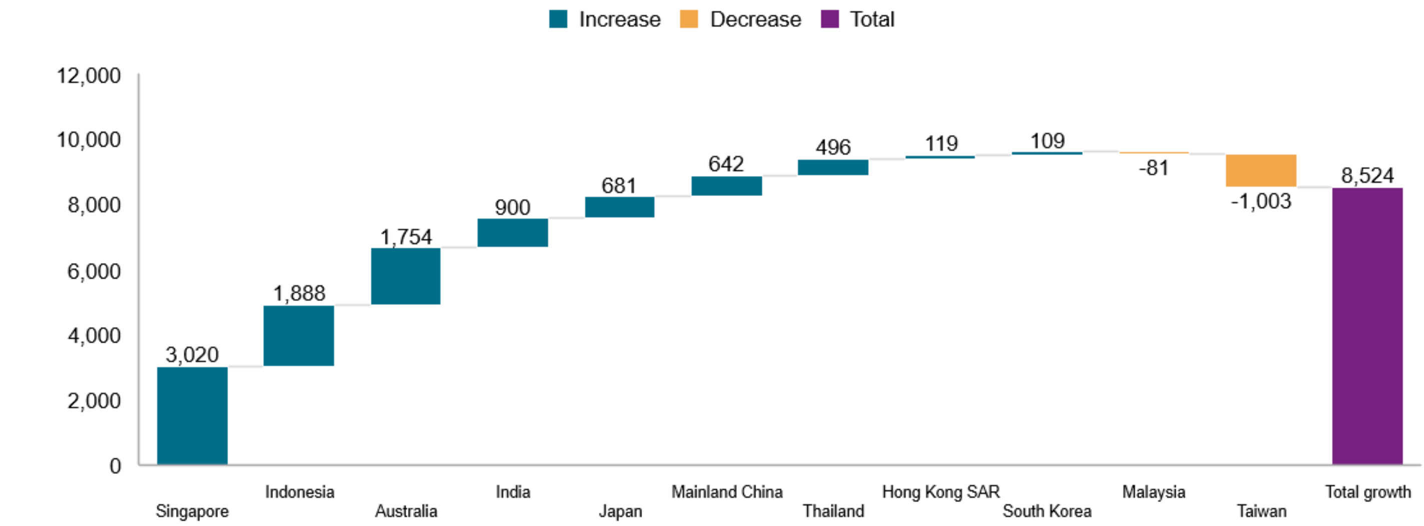


Data compiled Aug. 15, 2023.

Source: S&P Global Market Intelligence.

Mainland China is no longer the largest growth contributor (US$ million)

Calendar year 2023 payment change contribution by market



Data compiled Aug. 15, 2023.

Source: S&P Global Market Intelligence.

2024–25: Slowing growth

The concern for inflation and global recession fully set in 2023. Although the level of impact will be varying widely in the respective market, we anticipate a clear trend of banks taking conservative stance in cash distribution through 2025. Our bottom-up analysis based on 115 key banks in the region shows that the pace of aggregate payment growth will be reduced by more than half to 3% in 2024. At the same time, we could also confirm that this is not a trend skewed by several heavy contributors, but a collective movement observed among the players. Building up cash buffer in brace of credit loss surge will take priority over shareholder return in coming two years, except India where optimism for economy growth blooms.

APAC bank dividend growth will slow down. Will Mainland China banks be able to spearhead 2025 growth?

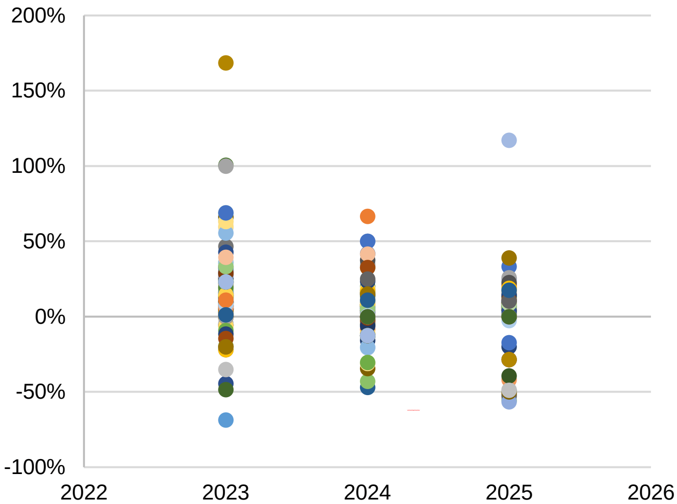
Payment Year	2018	2019	2020	2021	2022	2023E	2024E	2025E
Japan	7%	4%	-5%	11%	10%	12%	6%	1%
Australia	1%	-5%	-56%	88%	6%	17%	3%	2%
South Korea	26%	10%	28%	-3%	47%	8%	-4%	4%
Hong Kong SAR	6%	7%	3%	-1%	8%	8%	5%	8%
Singapore	86%	1%	-19%	-5%	35%	46%	-9%	8%
Developed APAC	11%	2%	-16%	13%	12%	15%	2%	5%
Mainland China	6%	13%	18%	-1%	12%	8%	3%	8%
India	-34%	39%	Suspension	Resumption	112%	44%	14%	14%
Indonesia	27%	18%	33%	-31%	80%	57%	5%	11%
Malaysia	9%	7%	-38%	91%	-2%	2%	11%	
Taiwan	5%	10%	4%	-8%	19%	-22%	0%	16%
Thailand	-4%	9%	-11%	-27%	12%	39%	2%	
Emerging APAC	6%	13%	11%	2%	16%	10%	4%	7%
APAC aggregate	8%	7%	-3%	7%	14%	12%	3%	6%

As of Aug 15, 2023. Year-on-year change measured in constant currency. Malaysia and Thiland forecasts for 2025 is currently not available. Bars on the right-most column indicate payout in 2017-2025E with the highest value marked in green.

Source: S&P Global Market Intelligence.

APAC banks will be conservative in dividend distribution

Calendar year dividend per share payout change distribution

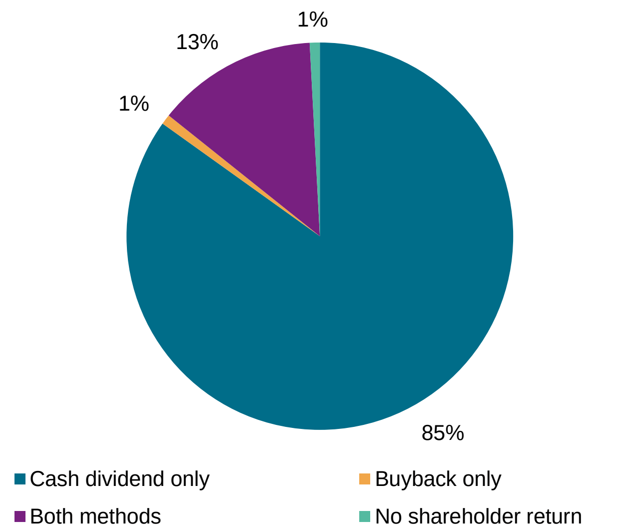


Data compiled Aug. 15, 2023.

Source: S&P Global Market Intelligence.

Buyback is not a prefered shareholder return method

Shareholder return types of APAC banks in 2022, by ISIN counts



Data compiled Aug. 15, 2023.

Source: S&P Global Market Intelligence.

At the aggregate level, this means that the region will be short of a solid driver to lift combined payout. Reduced annual increment from top paying markets such as Australia, Japan will leave the regional bank dividend scene lackluster. Our current projection for mainland Chinese banks is to regain the momentum in 2025 assuming the various government supports successfully revive the pulse of the mega economy. Double-digit growth from Indian banks will not be able to provide a sufficient drive given the market only account for ~3% of the regional payout. Thus, the bank dividend momentum shift hinges on that of the mainland Chinese banks.

Share repurchase/cancellation could be an option for banks to consider. While we do not rule out a possibility of companies opting to this less cash-intensive method, it needs to be noted that buyback is not as extensively used among

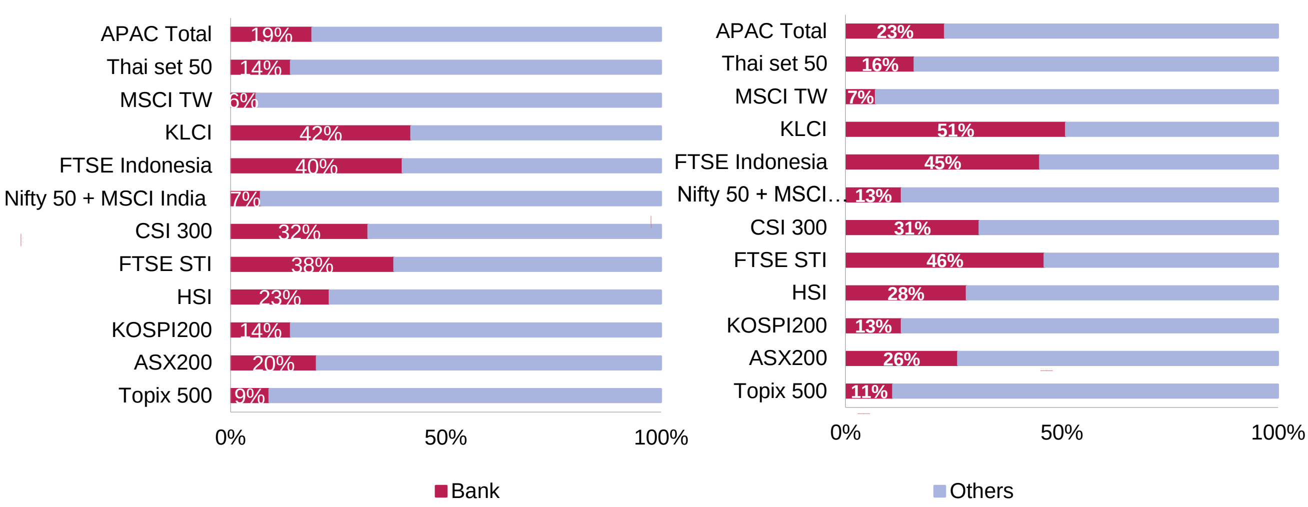
Asia-Pacific banks in relative to global peers. Australian, Singaporean and only recently a handful South Korean banks are deploying a mixture of share repurchase and cash dividend to reward shareholders. The cultural nuances, regulatory rules and shareholder profiles are amongst prominent reasons. It appears that a significant deal of shareholder education and awareness raising required beforehand would make buyback an ideal option.

Risk and opportunities

We do not see the importance of banks to be toppled in the dividend scene despite the notable slowdown in their growth in next two years. The players will remain as the pillar of the region's aggregate payout, continue to contribute more than 20% through 2025. Beyond the benchmark indices in their respective market, the sheer size of Asia-Pacific bank payouts make the investment exposure almost inevitable. The upward trending dividend yield of around 5% in addition to the resilience demonstrated through the pandemic reinforce the appeal especially when the uncertainty on global economy persists.

Banks will remain as a key paying sector

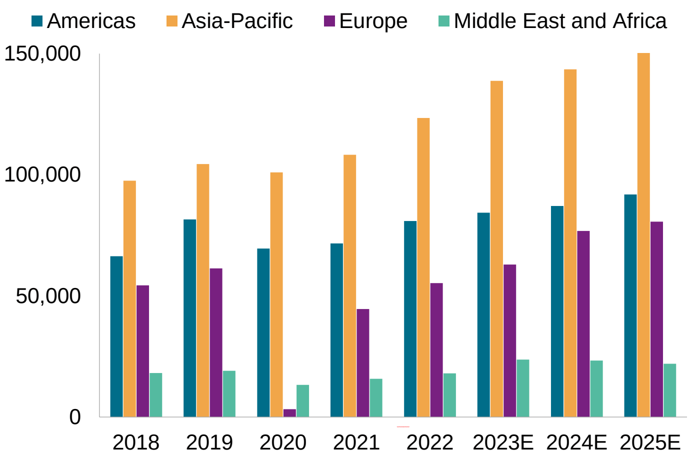
Bank dividend contribution to key index, payment year 2022 vs 2025E



Data compiled Aug. 15, 2023.
Source: S&P Global Market Intelligence.

Asia-Pacific banks continue to dominate global bank dividend… (US$ million)

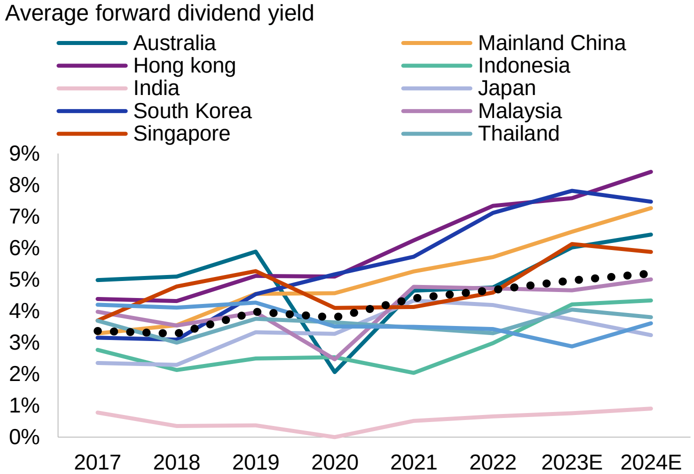
Payment amount in the calendar year



Data compiled Aug. 15, 2023.
Source: S&P Global Market Intelligence.

...and offer attractive dividend yields

Average forward dividend yield

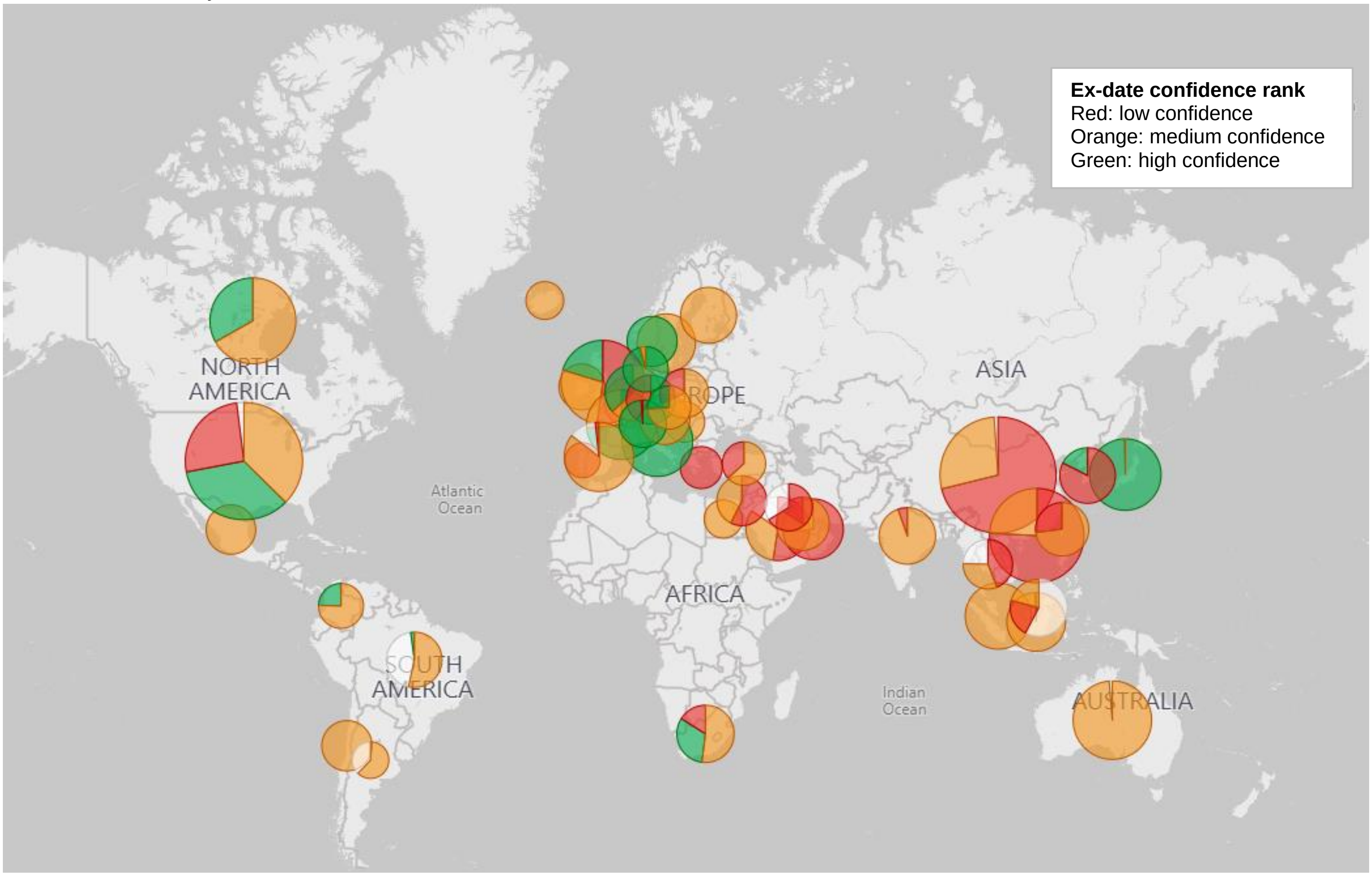


Data compiled Aug. 15, 2023.
Dividend yield computed based on the payment year, with close price of the prior year's last trading day. 2024 forward yield based on August 15 close price.
Source: S&P Global Market Intelligence.

The visible risk mainly persists on ex-dividend date (ex-date). It is a well-known fact that the megabanks listed in mainland China and Hong Kong SAR lack in ex-date consistency with the gap in their Annual General Meetings ranging from 3 to 11 business days. South Korean banks are adding to the risk this year as the market is undergoing a fundamental change in ex-date rule: to move away from the traditional exchange-fixed ex-date to a floating ex-date. Banks have been the first adapters of this change, indicating fiscal year (FY) 2023 final ex-date to come after dividend announcements in February 2024.

Chinese megabanks and South Korean banks show high ex-date risk

2024 bank dividend by ex-date confidence rank



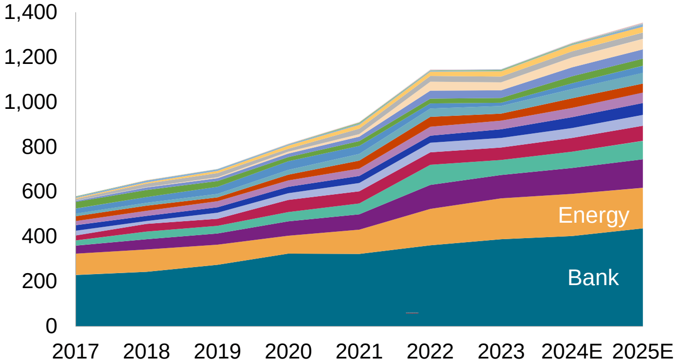
As of Aug 15, 2023
Ex-date confidence rank for 2024 dividends. Red indicates low confidence (i.e. high level of risk)
Source: S&P Global Market Intelligence.
Microsoft product screen shot reprinted with permission from Microsoft Corporation.
Underlying base map provided by Bing Maps.

Ex-date risk is inherent in Asia excluding Japan where the history and awareness of dividends are less established than the Americas and Europe. While the risk level is showing gradual decline over the years with companies, including banks, becoming more upfront in communication, a massive rule change that deviates completely from the historical pattern could emerge as the markets undergoes development. Hence, dedicated monitoring and scenario analysis are essential for exploring various dividend strategies.

Mainland China

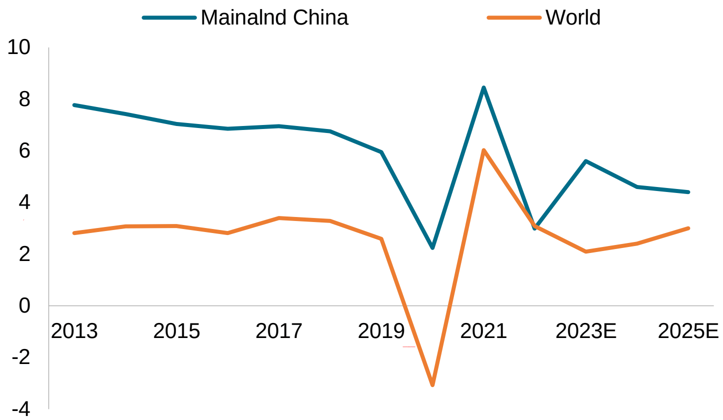
Mainland China bank dividends to stay resilient (billion yuan)

CSI 300 calendar year dividend payout in CNY billion



Data compiled Aug. 15, 2023.
Alll of 2023 dividends are announced.
Source: S&P Global Market Intelligence.

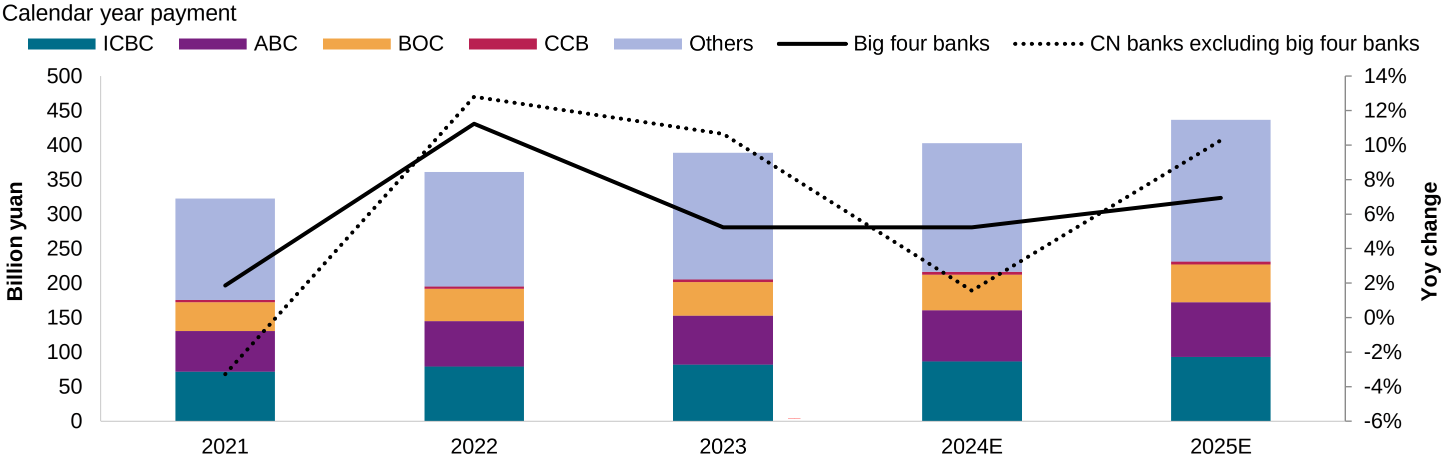
Mainland China economy is slowing (GDP growth yoy, %)



Data compiled July 25, 2023.
Source: World Bank

Big four banks' payouts will be more resilient than the rest

Calendar year payment



Data compiled Aug. 15, 2023.

Payout for A shares only. All dividend payment in 2023 has been announced. ICBC = Industrial and Commercial Bank of China; ABC = Agricultural Bank of China; BOC =
Source: S&P Global Market Intelligence.

– Mainland China bank dividends grew by 8% (to 389.0 billion yuan) in 2023 and will continue surge by 3% (to 402.6 billion yuan) in 2024 and 8% (to 436.7 billion yuan) 2025. The pace of dividend growth is moderating to low single-digits for the first time in multiple years (aside from a 0.5% contraction in 2021).

– Against growing uncertainties and unfavorable outlook—fear of deflation, delayed recovery in real estate loan quality, possibility of further cut in already historical low base rate—we think the bank dividends will demonstrate notable resilience.

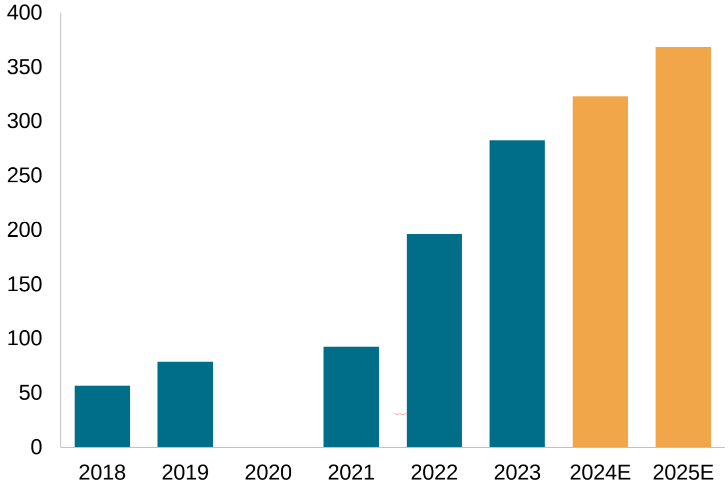
– The resilience mainly stems from the big four banks, which historically account for about 54% of the aggregate bank dividends in mainland China. In our view, the four banks' payouts will remain intact in 2024, upholding 5% annual payout growth. Payout growth from the rest of the banks will stay almost stagnant at a muted 2% in the meantime. The reasons behind this different degree of resilience are manifold—the big four are less vulnerable to real estate credit loss from better risk control and cash buffers; these is also underlying pressure from the state as dividend income is an important source to finance the government budget.

– It needs to be noted that the growth acceleration in 2025 assumes that mainland China's growth will pick up the pace. The optimism will be overturned if the underlying economic activities remain sluggish and will potentially pull down the bank payout outlook of the entire Asia-Pacific region.

India

The only market with doube-digit payout growth (billion rupees)

Nifty 50 and MSCI India banks dividend payouts

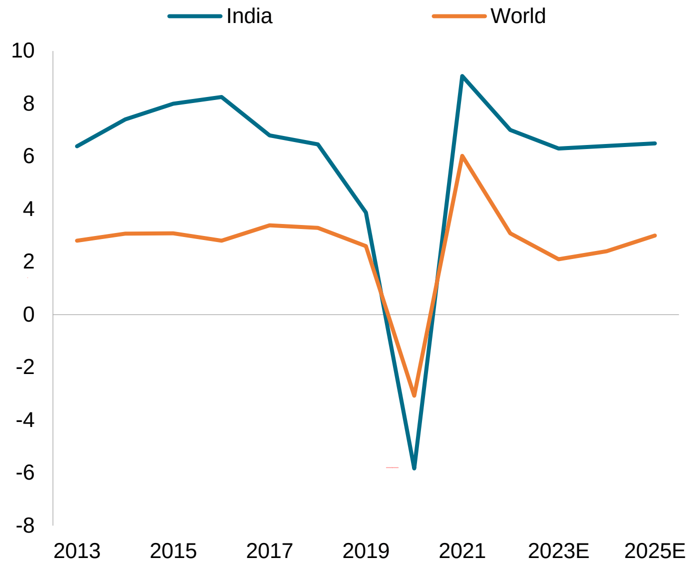


Data compiled Aug. 15, 2023.

Alll of 2023 dividends are announced.

Source: S&P Global Market Intelligence.

India economy to bloom (GDP growth yoy, %)

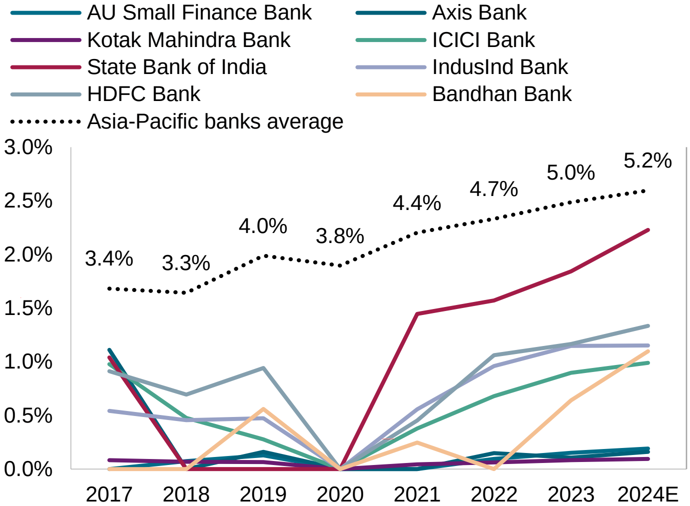


Data compiled Jul. 25, 2023.

Source: World Bank

Indian bank dividend yield is trening low

Forward dividend yield by payout in the calendar year



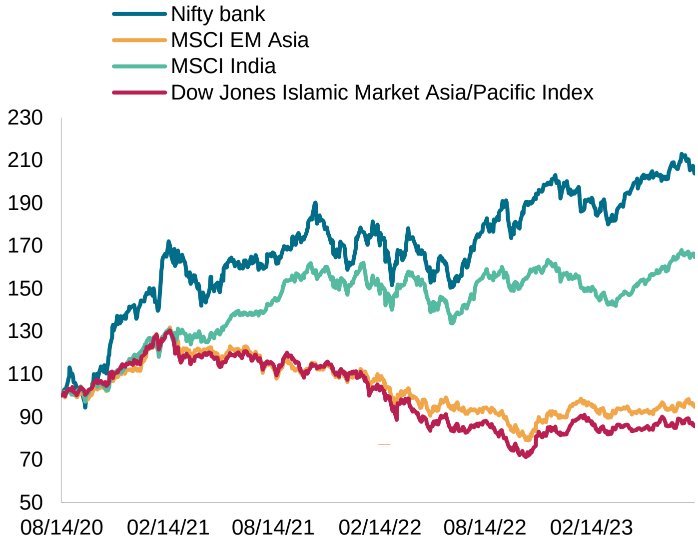
Data compiled Aug 15, 2023.

Asia-Pacific bank average dividend yield as specified.

Source: S&P Global Market Intelligence.

Indian banks soar

Three-year price change rebased



Data compiled Aug. 15, 2023.

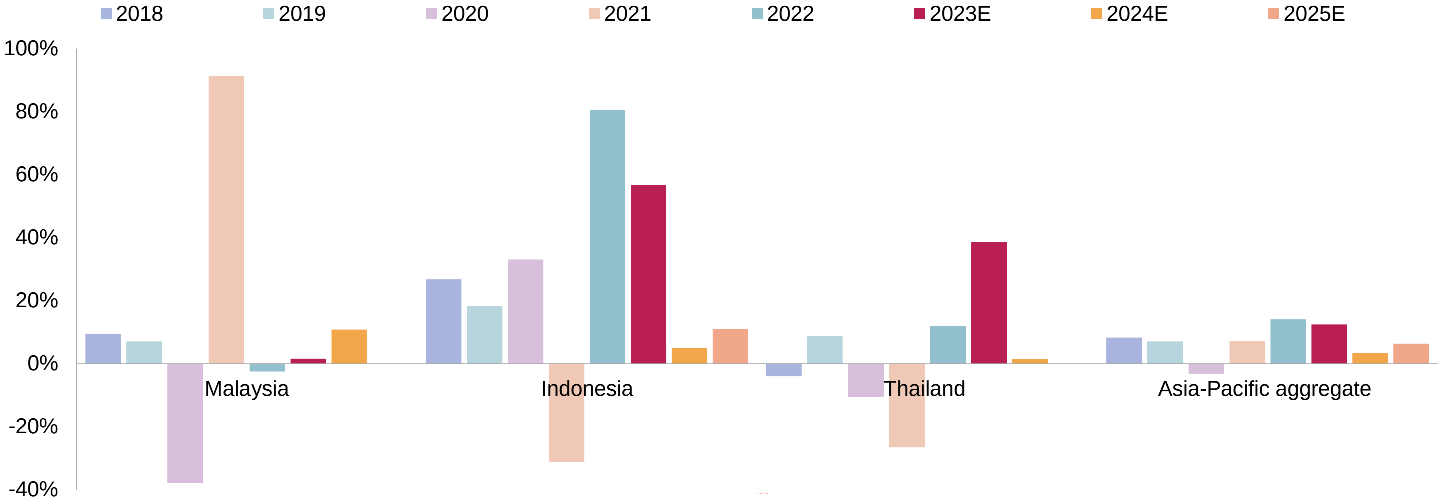
Source: S&P Global, MSCI

- Indian bank dividend showed a dramatic growth of 44% (to 282.6 billion rupees) in calendar year 2023 and will uphold double-digit growth 14% in 2024 (323.0 billion rupees) and 2025 (368.4 billion rupees) respectively, clearly outperforming the regional outlook of 4% in 2024 and 1% in 2025.
- The payout growth is supported by optimistic economy growth, improving asset quality and robust loan demand as India made a strong comeback from COVID-19 restrictions. In addition, a reduction in interest rates by the Reserve Bank of India (RBI) will help banks achieve higher margins, as they will lower the interest rates on deposits with immediate effect, with a lag on rates levied on loans.
- We flag that forward dividend yields of Indian banks are much lower than that of the regional peers due to the rally in the Indian equity market.

Malaysia, Thailand and Indonesia

Bank dividends of Malaysia, Indonesia and Thaialnd are highly volatile

Yoy payout change comparison



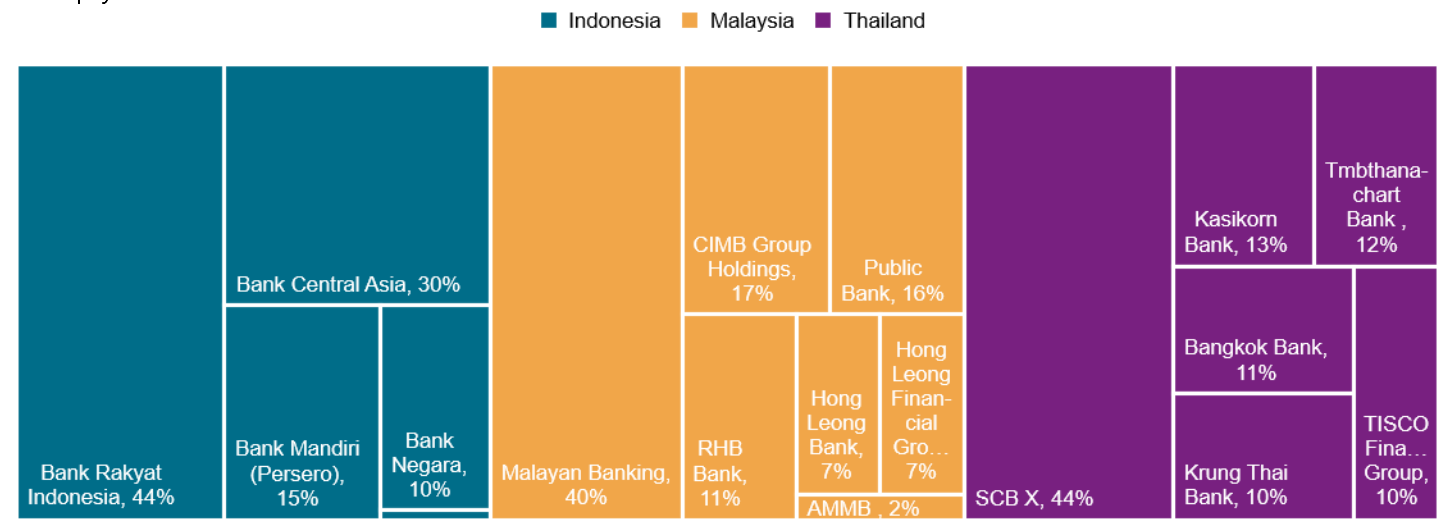
Data compiled Aug 15, 2023.

Calendar year 2025 payout growth esimates for Malaysia and Thailand are currently not available.

Source: S&P Global Market Intelligence.

Bank dividend is skewed to a single dominant payor in Indonesia, Malaysia, Thailand

2024E payout contribution breakdown



Data compiled Aug. 15, 2023.

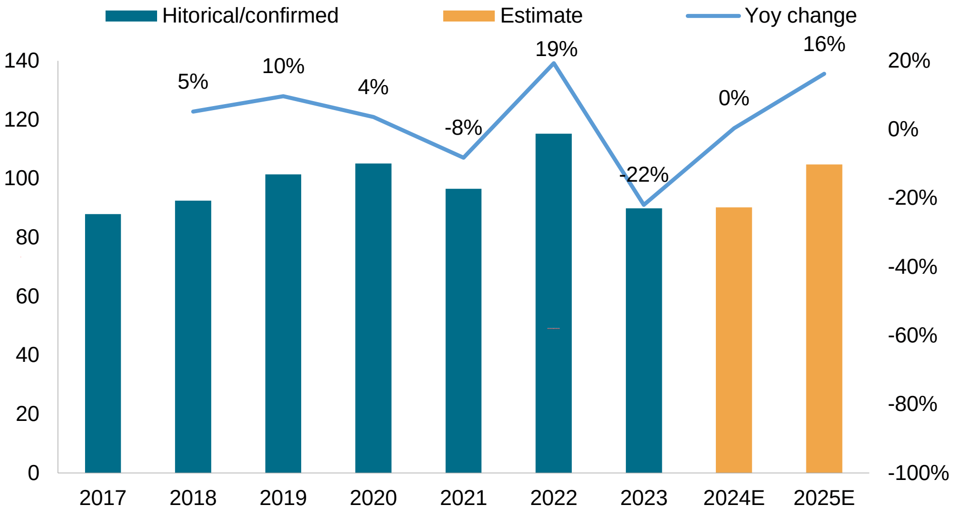
Source: S&P Global Market Intelligence.

- The banks in the three Southeast Asian market are characterized by a highly volatile payout trend in relative to the regional peers. High double-digit year-over-year movement is more commonplace, which exposes KLCI and FTSE Indonesia—where banks account for more than 40% of aggregate payout—to the yearly fluctuation.
- It also needs to be noted that payout is dominated by a single heavy contributor, whose payout accounts for over 40% of aggregate dividend. A company-specific event could be mistaken as the general industry trend; in other words, the global industry trend might not be as closely applicable to these markets, depending on the response of the single dominant payor.
- The top banks—Bank of Rakyat Indonesia, Malayan Banking and SCB X—in the three markets will stay committed in the robust payout of above 10% year-over-year growth back by steady rebound in private consumption and reviving loan demand, pointing to optimistic GDP growth outlook.

Taiwan

Tawianese banks are still recovering from COIVD-19-related loss (NT$)

Taiwanese bank dividend payment in calendar year



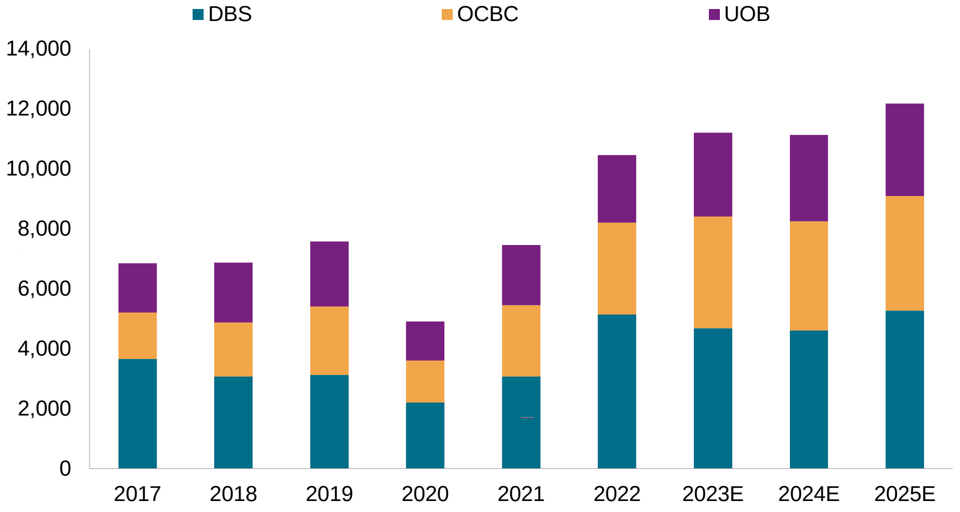
Data compiled Aug 15, 2023.
Source: S&P Global Market Intelligence.

- The Taiwanese bank dividend trajectory has been starkly different from the rest of the region. After a one-off sharp rebound from the equity rally in 2022, most of banks cut payouts, some even to below pre-COVID-19 levels. This is mainly due to COVID-19-related claim losses in the insurance business.
- Supported by robust household deposit and loan growth—thereby interest income, we expect bank dividend to revive in 2024 and 2025, although the upside is limited as loan demand is likely to suffer from the slowing global trade.

Singapore

Singapore bank dividends to stay elevated but growth clearly slowing (S$)

Fiscal year payment



Data compiled Aug 15, 2023.

Source: S&P Global Market Intelligence.

– Payout from Singaporean banks will stay elevated at around S$11 million with limited downside risk. Aggregate payout from the three banks combined will stay muted at -1% in FY 2024 and subsequently resume to upward trajectory of 9% in FY 2025. This mainly stems from DBS, which will show two consecutive years of moderate contraction before pivoting to growth in FY 2025.

– FY 2022 (i.e., which is mostly captured in calendar year 2023) was a leap year for Singapore-based banks as they solidified their footing in a new found high after an over 50% hike in previous years. A growth of the same level is unlikely to be repeated without another boost to earnings, although trading and investment income is reviving since the first half of 2023.

South Korea

South Korean banks showing unprecedented uncertainty in dividend amount and ex-date

Top four banking group dividend information

Name	Payout policy	FY 2022 DPS in KRW	FY 2023 DPS forecast in KRW	Amount forecast confidence rank	FY 2022 final ex-date	FY 2023 final ex-date forecast	Ex-date forecast confidence rank
Shinhan Financial Group	Quarterly since FY 2021	2065	2100	low	28-Dec-2022	4-Apr-2024	low
KB Financial Group	Quarterly since FY 2022	2950	3230	low	28-Dec-2022	8-Apr-2024	low
Hana Financial Group	Quarterly since FY 2023	3350	3450	low	28-Dec-2022	27-Dec-2023	low
Woori Financial Group	Semi-annually since FY 2021	1130	1180	low	28-Dec-2022	27-Dec-2023	low

Data compiled Aug. 15, 2023.

DPS = dividend per share, KRW = South Korean won.

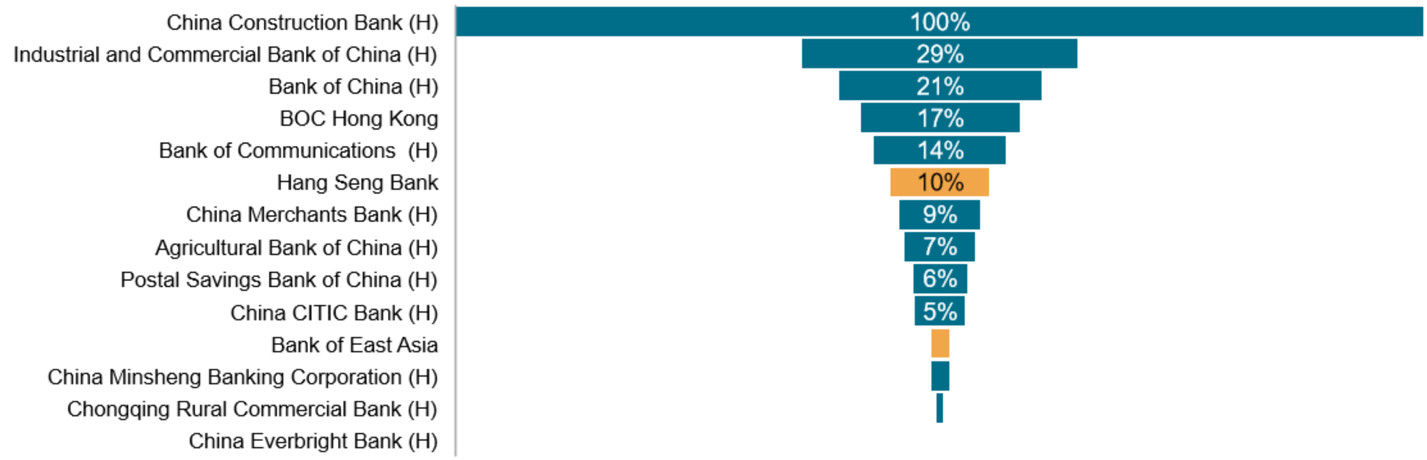
Source: S&P Global Market Intelligence.

- South Korean bank dividends will stay elevated above 5 trillion won with a moderate single-digit fluctuation. After a solid 8% growth in 2023, a 4% fall in 2024 and 4% rebound are estimated for the payment in calendar year 2024 and 2025. Year-over-year change is distorted by change in the split ratio of annual payouts. At the fiscal year level, the banks are expected to inch up payout every year without a notable hike/cut.
- Korean banks have been undergoing multiple major changes in the recent two to three years in efforts to reinforce shareholder returns, which led to unprecedented level of uncertainty, although this will be short-lived.
  - All four major banking groups moved away from annual to quarterly/semi-annual distribution. The split ratio pattern is yet to firm up.
  - They are also increasingly introducing share buybacks/cancellations to shareholder returns. This is aligned with tightening regulatory requirements to brace for contagious global uncertainty. Cash dividend is decided from the pool of total shareholder returns of a respective bank. Without any communication in advance, it is highly difficult to gauge the proportion of cash dividend allocated.
  - In response to Financial Service Commission of Korea’s call to shift dividend ex-date to post annual general meeting (AGM, or quarterly announcement date), banking sector has been more proactive than other sectors in adopting the new rule. We revised FY 2023 final dividend ex-date forecast of Shinhan Financial Group, KB Financial Group and BNK Financial Group from end-December 2023 to early April 2024.

Hong Kong SAR

Hong Kong banking sector dividend is heavily exposed to mainland Chinese banks

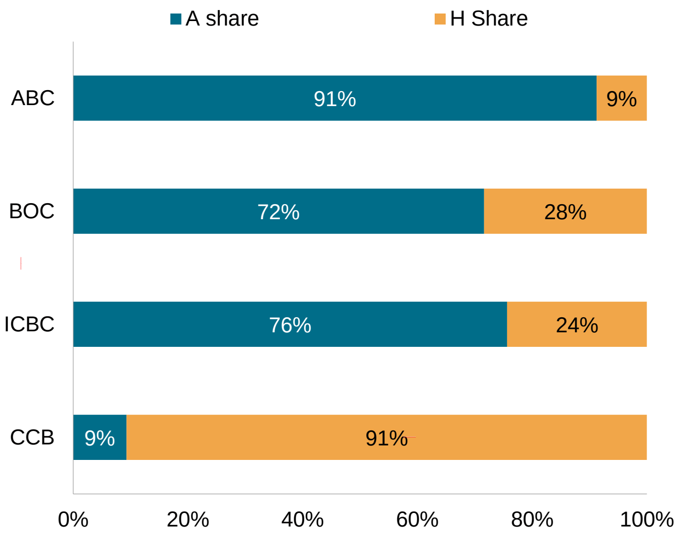
2024E Hong Kong banking sector dividend payout breakdown in US$ million



Data compiled Aug 15, 2023.
Source: S&P Global Market Intelligence.

Big four mainalnd China bank share listing breakdown

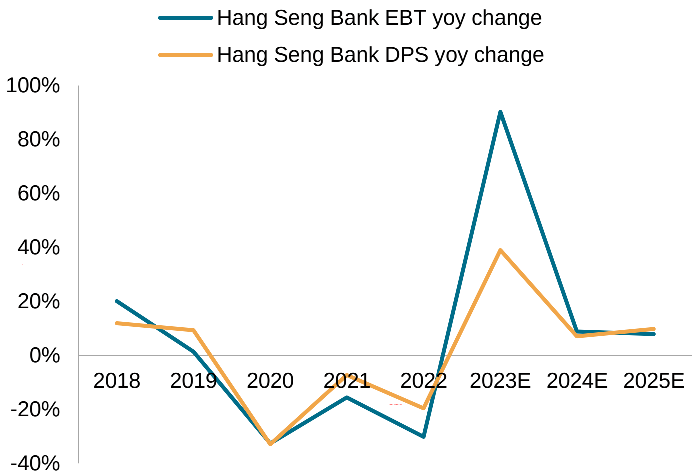
Percentage of shares reported as of FY 2022



Data compiled Aug 15, 2023.
Source: S&P Global Market Intelligence.

Hang Seng Bank dividends to grow with EBT

Fiscal year dividend and noramlised earnings before tax change trend



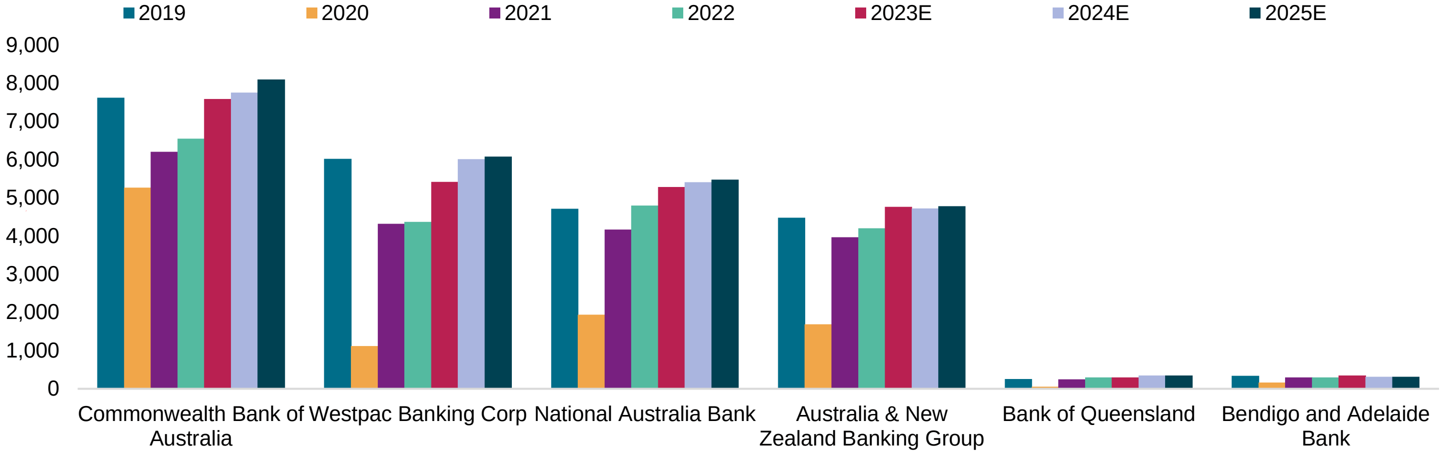
Data compiled Aug 15, 2023.
EBT = earnings before tax.
Source: S&P Global Market Intelligence.

– The payout trajectory of Hong Kong SAR banks will largely resemble to that of mainland China due to the large exposure to mainland banks. Extending the aforementioned assumption of reviving mainland economy growth, we expect the bank payout in Hong Kong to stay resilient. The calendar year payment will sustain 8% in 2023E, moderately dip to 5% in 2024E and pick up 8% growth again in 2025.

– Of the seven banks in the Hang Seng Index, only two—Hang Seng Bank and Bang of East Asia—are originally Hong Kong-based banks, providing a close reflection of the local economy. The two local banks are set to see solid payout growth as economic activities normalize which will finally push up the profitability to pre-COVID levels. The cash buffer generated in the backdrop of high interest rate of 5-5.75% sustained in past three years and prudent control on real estate exposure position them to resume progressive payout. The only downside scenario is adjustment of payout ratio. Both banks have raised payout ratio in recent years to maintain stable shareholder return. We caution that the upside potential could be curtailed if the banks decide to lower the payout ratio.

Australia

Australian banks will be conservative in dividends (A$)
Calendar year payout



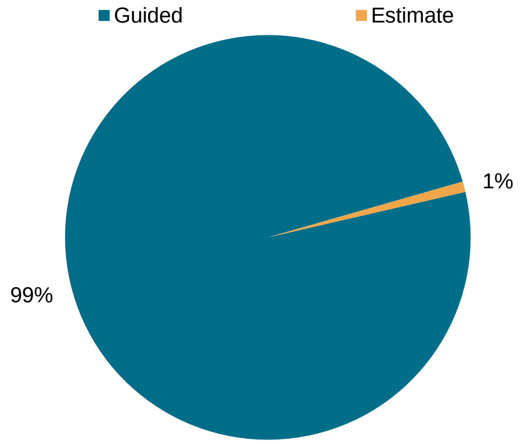
Data compiled Aug 15, 2023.
Estimate of BEN for 2026 is not available at the moment.
Source: S&P Global Market Intelligence.

- Dividend from Australian banks is set to show a robust growth of 16% in calendar year 2023. The banks are on track to recover to pre-covid level payout of A$23-24 billion. The aggregate payout is estimated to break the A$25-billion point in 2025 despite slowing economy.
- Behind the robust payout growth in 2023E is historically high interest rate which was inched up from 0.25% to 4.1% over the span of less than 2 years to curb inflation and protect the currency against the appreciating US dollar. The banks have been passing the burden of increased rate to customers. The low unemployment level and modest economic growth are allowing the banks to protect profitability, which is reflected in the progressive payout.
- The concerns for high consumer price, diminished business and consumer confidence and shrinking margin from stiff competition poses threats which will render the banks to take a conservative stance by reducing the level of annual increment.

Japan

The majority of Japanese bank provide one-year DPS guidance

FY ending in March 2024 aggregate payout status breakdown



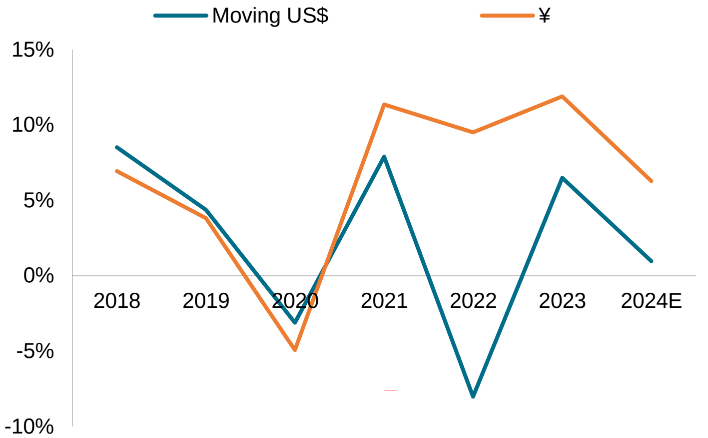
Data compiled Aug. 15, 2023.

Aozora Bank and SBI Shinsei Bank are the only two banks that do not guide dividend among Japanese banks within Topix 500.

Source: S&P Global Market Intelligence.

Weak yen may undermine underlying dividend growth

Calendar year payout year-over-year change measured in US dollar and yen



Data compiled Aug. 15, 2023.

FX rate of the respective announcement date applied for 2024 dividends guided by the companies.

Source: S&P Global Market Intelligence.

– Most Japanese banks provide dividend guidance along with one year performance at the end/beginning of the fiscal year and diligently follow their guidance. Upholding their reputation as "sticky" payors, we project the banks to inch up the payout to ¥1.6 trillion despite slowing calendar payout year-over-year growth from 12% in 2023 to 6% in 2024 and 1% in 2025.

– Decades of ultra-low rates have pushed banks to expand their business overseas, seek greater exposure in foreign securities and bonds investment, which makes the earnings inevitably vulnerable to global economy and foreign exchange movement. The weak yen against US dollar benefited banks in recent years, as felt through the dividend stream.

– However, it also needs to be considered that the annual dividend inch-up could be eroded by FX. For instance, the aggregate Japanese banks' payout in 2022 grew by 10% measured in yen but contracted by 8% measured in US dollar.