

Pressures On Economy And Sovereign Support Are Main Threats To Australian Banks' Credit Quality

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MELBOURNE (S&P Global Ratings) Feb. 28, 2017—Increasing economic imbalances, pressures on sovereign credit quality, and potential weakening of sovereign supportiveness are the main threats to the credit quality of Australian banks and finance companies. That's according to S&P Global Ratings in a report published today, titled, "Rising Economic Imbalances And Weakening Government Support Pose Risks To Australian Banks' Credit Quality In 2017."

"Most Australian banks and finance companies are on negative outlooks and face a potential one-notch rating downgrade because of economic pressures and potential weakening of sovereign support," said S&P Global Ratings credit analyst Sharad Jain. "Nevertheless, we expect the performance of the banks to remain strong, supported by continued low credit losses on the back of a relatively benign economic outlook and the banking sector's conservative risk appetite."

We assess the economic risk trend for the Australian banking sector as negative. Economic risks that Australian banks face would increase, in our opinion, if we see a trend toward private-sector debt growth of more than five percentage points compared with GDP growth, or inflation-adjusted house prices growth of more than 4%.

WEBCAST

S&P Global Ratings will host a webcast and Q&A at 2:30pm Melbourne time on Wednesday, March 1 to discuss the emerging issues affecting the Australian banking sector. If you would like to attend the webcast, please contact Richard Noonan at richard.noonan@spglobal.com.

The publication is available to subscribers of RatingsDirect at www.globalcreditportal.com and at www.spcapitaliq.com. Ratings information can also be found on S&P Global Ratings public Web site at www.standardandpoors.com; under Ratings in the left navigation bar, select Find a Rating. Members of the media may request a copy of this report by contacting Richard Noonan at (61) 3-9631-2152 or richard.noonan@spglobal.com.

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AUSTRALIA

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