



Monetary Authority
of Singapore

FINANCIAL STABILITY REVIEW



Macroprudential Surveillance Department
Economic Policy Group
September 2026

Financial Stability Review

September 2026

Published in September 2026

Macprudential Surveillance Department
Economic Policy Group
Monetary Authority of Singapore

<https://www.mas.gov.sg>

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanised, photocopying, recording or otherwise, without the prior written permission of the copyright owner except in accordance with the provisions of the Copyright Act (Cap. 63). Applications for the copyright owner's written permission to reproduce any part of this publication should be addressed to:

Macprudential Surveillance Department
Economic Policy Group
Monetary Authority of Singapore
10 Shenton Way
MAS Building
Singapore 079117

Contents

	Preface	vi
	Overview	1
1	Global Macrofinancial Environment	
	Global financial developments and vulnerabilities	3
2	Singapore Financial Conditions	
	Singapore Financial Conditions	8
	<i>Box A: Systemic Risk Survey of Singapore's Financial Sector</i>	10
3	Singapore Corporate Sector	
	Assessment of vulnerabilities	12
	Outlook	15
4	Singapore Household Sector	
	Assessment of vulnerabilities	16
	Outlook	18
	<i>Box B: Private Residential Property Market</i>	20
5	Singapore Banking Sector	
	Assessment of vulnerabilities	22
	Outlook	24
	<i>Box C: Top-down Solvency Stress Test of Domestic Systemically Important Banks (D-SIBs)</i>	25
6	Singapore Non-bank Financial Institution (NBFI) Sector	
	Assessment of vulnerabilities	29
	Outlook	32
7	Additional Charts	
	<i>Chart Panel 3A: Small and Medium-sized Enterprise Financing Conditions</i>	36
	<i>Chart Panel 5A: Banking Sector: Credit Growth Trends</i>	37
	<i>Chart Panel 5B: Banking Sector: Asset Quality and Liquidity Indicators</i>	38
	<i>Chart Panel 5C: Banking Sector: Domestic Systemically Important Banks</i>	39
	<i>Chart Panel 6A: Insurance Sector</i>	40
	<i>Chart Panel 6B: Over-the-counter (OTC) Derivatives</i>	42

Statistical appendix may be accessed from:

<https://www.mas.gov.sg/publications/financial-stability-review>

Disclaimer: MAS is not liable for any damage or loss of any kind, howsoever caused as a result (direct or indirect) of the use of any information or data contained in this publication, including but not limited to any damage or loss suffered as a result of reliance on the information or data contained in or available in this publication. You are reminded to observe the terms of use of the MAS website, on which this publication is made available.

Definitions and Conventions

As used in this report, the term “country” does not in all cases refer to a territorial entity that is a state as understood by international law and practice. As used here, the term also covers some territorial entities that are not states but for which statistical data are maintained on a separate and independent basis.

In this report, the following groupings are used:

- “ASEAN-5” comprises Indonesia, Malaysia, Philippines, Singapore and Thailand.
- “AE” refers to advanced economies comprising Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Israel, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom and United States.
- “EM Asia” comprises Asian economies such as China, Hong Kong, India, Indonesia, Malaysia, Singapore, South Korea and Thailand.
- “G3” comprises the European Union, Japan, and the United States.

Abbreviations used for financial data are as follows:

- Currencies: Singapore Dollar (SGD), US Dollar (USD).

Other abbreviations:

AE	Advanced Economy
AI	Artificial Intelligence
AUM	Assets under Management
bps	Basis points
CAPE	Cyclically Adjusted Price-to-earnings
CAR	Capital Adequacy Ratio
CCB	Capital Conservation Buffer
CCP	Central Counterparty
CCyB	Countercyclical Capital Buffer
CDS	Credit Default Swap
CET1	Common Equity Tier 1
CIS	Collective Investment Schemes
CO	Commodity
CR	Credit
CRO	Chief Risk Officer
DDRS	Depository Trust & Clearing Corporation Data Repository (Singapore) Pte Ltd
DOS	Department of Statistics
D-SIBs	Domestic Systemically Important Banks
EC	Executive Condominiums
EM	Emerging Markets

EPG	Economic Policy Group
EQ	Equity
FCI	Financial Conditions Index
FI	Financial Institution
FSB	Financial Stability Board
FSI	Financial Stress Index
FSR	Financial Stability Review
FX	Foreign Exchange
GDP	Gross Domestic Product
GLS	Government Land Sales
HDB	Housing Development Board
HHI	Herfindahl-Hirschman Index
ICR	Interest Coverage Ratio
IPO	Initial Public Offering
IR	Interest Rate
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LTD	Loan-to-deposit
MAS	Monetary Authority of Singapore
MSD	Macroprudential Surveillance Department
NAV	Net Asset Value
NBFI	Non-bank Financial Institution
NPA	Non-performing Assets
NPL	Non-performing Loan
NSFR	Net Stable Funding Ratio
NUS-CRI	National University of Singapore Credit Research Initiative
OTC	Over-the-counter
PD	Probability of Default
PDI	Personal Disposable Income
PPI	Property Price Index
PSTASSA	Professional, Scientific, Technical, Administrative, Support Service Activities
q-o-q	Quarter-on-quarter
RCR	Redemption Coverage Ratio
ROA	Return On Assets
RHS	Right Hand Side
RWA	Risk-weighted assets
SGS	Singapore Government Securities
SGX	Singapore Exchange
SME	Small and Medium-sized Enterprise
SORA	Singapore Overnight Rate Average
S-REIT	Singapore Real Estate Investment Trust
STI	Straits Times Index
TDSR	Total Debt Servicing Ratio
TIPS	Treasury Inflation-protected Securities
TNA	Total Net Assets

URA	Urban Redevelopment Authority
UST	US Treasury
y-o-y	Year-on-year

Preface

The Monetary Authority of Singapore (MAS) regularly conducts assessments of Singapore's financial system to identify potential vulnerabilities and review its resilience to potential shocks and risks. The analyses and results are published in the annual Financial Stability Review (FSR), which aims to contribute to a better understanding of issues affecting Singapore's financial system among market participants, analysts and the public.

Chapter 1 of the FSR provides a discussion of the risks to the external environment, while Chapter 2 assesses financial conditions in Singapore. This is followed by an analysis of the Singapore corporate and household sectors in Chapters 3 and 4. Reviews of the banking and non-bank financial institution (NBFI) sectors are covered in Chapters 5 and 6. This FSR, unless otherwise stated, reflects information available as of 17 September 2026.

The production of the FSR is coordinated and prepared by the Macprudential Surveillance Department (MSD) of the Economic Policy Group (EPG) that comprises Cheryl Ho, Jerald Ho, Sherwin Lau, Wendy Lee, Celest Lam, Leou Jie Dong, Aloysius Lim, Kalena Lim, Janice Loh, Lye Royii, Ng Heng Tiong, Ngoh Jia Hui, Desmond Ong, Alex Phua, Edward Robinson, Celine Sia, Glenda Soh, Suah Jing Lian, Tan Shu Yan, Tan Wei Ting, Teoh Shi-Ying, Don Toh, Christopher Walker, Xiong Wei, and Yeo Han Sia.

The FSR also includes contributions from other MAS departments including Banking Departments I, II & III, Enterprise Knowledge Department, Insurance Department, Investment Intermediaries Department, and Prudential Policy Department.

The FSR may be accessed in PDF format on the MAS website:

<https://www.mas.gov.sg/publications/financial-stability-review>

Overview

Risks to global financial stability have risen amid the expected tightening of financial conditions in the period ahead

The global cost of capital continues to face upward pressure, reflecting elevated sovereign borrowing needs, strong corporate demand for debt financing and heightened macroeconomic uncertainty. Global sovereign yields have risen across major advanced economies (AEs), reflecting higher benchmark rates and increased term premia. Inflation has proven more persistent than expected and upside risks have become more pronounced. The escalation of the Middle East conflict has added to energy price pressures, while diminishing supply buffers have made commodity prices more sensitive to disruptions. Strong artificial intelligence (AI) investment demand continues to strain supply capacity, and trade policy uncertainty increases business costs and exacerbates inflationary pressures. These pressures have prompted a pivot to monetary policy tightening in some AEs.

A persistently higher cost of capital could test global financial resilience. Higher yields would raise sovereign debt-servicing costs, with spillovers to firms and households, while weighing on asset valuations. Abrupt shifts in interest rate expectations could trigger sharp asset repricing, amplified by elevated leverage, maturity mismatches and concentrated exposures, including in AI-related sectors.

Higher global real interest rates are likely to affect Asian economies unevenly, depending on their growth prospects, financing needs and external positions. Economies benefiting from AI-related investment and exports are better placed to absorb higher borrowing costs, but are concurrently more exposed to a pullback in the AI cycle. Economies with weaker AI linkages and larger fiscal or current account deficits could be more affected by tighter global financial conditions, with portfolio outflows and currency depreciation raising risks.

Strong balance sheets and supportive financial conditions have underpinned the resilience of corporates, households and the financial sector in Singapore

Corporates, households and banks in Singapore have remained resilient. Singapore's financial conditions have been broadly supportive over the past year despite a mixed global backdrop, supported by easing borrowing costs, tighter credit spreads and a pickup in bank credit growth. Overall bank credit quality remains good, underpinned by sound corporate and household financial positions.

- Corporates in Singapore have generally maintained or improved their financial positions over the past year, supported by stable earnings and lower borrowing costs. Debt-servicing capacity improved over the past year, while firms maintained healthy debt maturity profiles and adequate liquidity buffers.
- The household sector has remained resilient, supported by financial asset growth that outpaced liabilities. Households' debt-servicing capacity has improved amid

stable income growth and mortgage rates that declined over the past year. Households continue to hold significant liquidity buffers.

- The banking sector continues to benefit from strong capital and liquidity buffers, alongside healthy provisioning coverage. For the non-bank sector, insurers have remained well-capitalised and investment funds have managed liquidity risks well.

The overall resident credit-to-GDP ratio was stable at 133% in Q2 2026, compared with 134% in Q4 2025, as resident credit grew in line with nominal GDP. Accordingly, the resident credit-to-GDP ratio remained below its long-term trend in Q2 2026. MAS will maintain the Countercyclical Capital Buffer (CCyB) at 0% for 2027.

Singapore corporates, households, and financial institutions have adequate buffers but should stay vigilant amid macroeconomic uncertainty

MAS stress tests show that the corporate and household sectors have sufficient buffers to manage shocks to earnings, incomes and financing costs. Most firms and households have strong balance sheets and are expected to remain resilient under stress. However, some highly leveraged firms or those with thinner liquidity buffers could come under strain. Among households, only a small proportion of borrowers with limited savings buffers could face cash flow constraints. In view of the uncertain macroeconomic outlook, firms and households should manage their finances prudently and maintain adequate liquidity buffers against potential stress.

The results of MAS top-down stress tests affirm that banks and insurers are well-capitalised and able to withstand severe macrofinancial shocks, while investment funds have sufficient liquidity to meet redemption requests under stress. Nonetheless, banks should continue to maintain sound risk management practices and healthy provisioning buffers amid the uncertain macroeconomic environment. A broad repricing of risk assets could lead to increased fund redemptions and capital losses for insurers. Investment funds should therefore maintain sound liquidity positions while insurers should ensure that they have adequate capital buffers.

Macroprudential Surveillance Department,
Economic Policy Group
Monetary Authority of Singapore
22 September 2026

1 Global Macrofinancial Environment

The confluence of AI investment, fiscal risks and recurrent supply shocks is keeping the global cost of capital elevated

Global financial stability vulnerabilities have increased as fiscal pressures, the capital-intensive AI investment cycle and geopolitical tensions have placed upward pressures on the global cost of capital (**Chart 1.1**). Long-term nominal and real sovereign yields continue to rise across major AEs, reflecting higher sovereign borrowing needs, stronger investment demand and higher term premia amid the greater macroeconomic uncertainty.

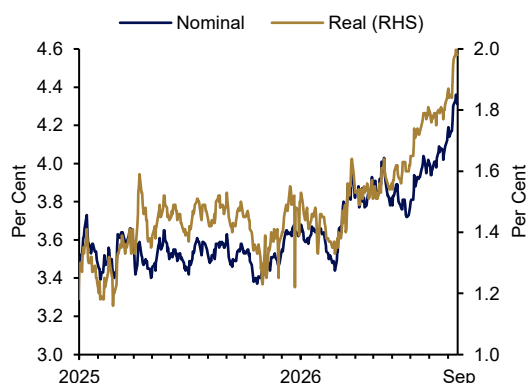
Relative to last year, inflation has proven more persistent than expected and upside risks have become more pronounced. The escalation of the Middle East conflict has added to energy price pressures and raised the likelihood of broader commodity price shocks, while diminishing supply buffers have made commodity prices more sensitive to disruptions. Strong AI investment continues to strain semiconductor and electricity capacity, and trade policy uncertainty is reconfiguring supply chains in ways that raise costs for businesses. These inflationary pressures have induced a pivot to tighter monetary policy in some AEs.

Competition for global long-term capital has also intensified. Elevated sovereign financing needs (**Chart 1.2**) and hyperscalers' record bond issuance are placing competing demands on institutional investors' capacity to absorb duration.

A persistently higher cost of capital could test global financial system resilience. Higher yields intensify debt-servicing and refinancing pressures across households, firms and sovereigns, while uncertainty over the interest rate path raises the risk of abrupt asset repricing. Rising leverage, maturity mismatches and concentrated exposures, including in AI-related sectors, could amplify these pressures.

Chart 1.1 Long-term nominal and real sovereign yields have risen across major AEs

Average 10Y nominal and real yields

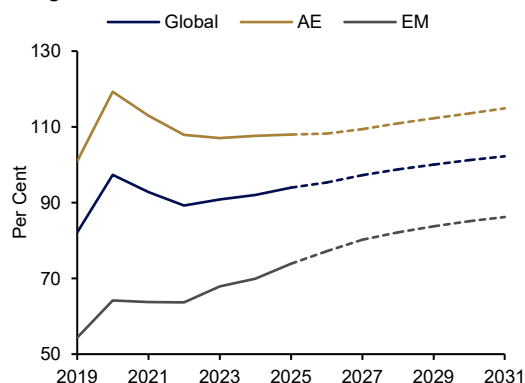


Source: Bloomberg, MAS estimates

Note: Nominal and real yields are averages of 10-year government bond yields across selected AEs with comparable inflation-linked bonds.

Chart 1.2 Public debt continues to trend upwards globally

Gross government debt as a share of nominal GDP



Source: IMF

Note: Dotted lines indicate projections by the IMF.

Fiscal pressures and AI investment demand are intensifying competition for long-term debt financing, pushing real yields higher

Demand for long-duration financing is rising sharply as elevated sovereign borrowing needs coincide with the AI infrastructure buildout. With borrowing costs rising relative to growth, governments face the dual pressure of refinancing large existing debt stocks at elevated rates while running continued deficits. Widening sovereign credit default swap (CDS) spreads in several major economies suggest investors are becoming more sensitive to fiscal sustainability risks.

Concurrently, record bond issuance by hyperscalers is intensifying competition with sovereign borrowers for institutional investors' duration capacity (**Chart 1.3**). More recently, the expansion has included non-USD markets with thinner investor bases (**Chart 1.4**).

These pressures coincide with weakening structural demand for long-duration debt, as central banks continue to unwind asset purchase programmes and regulatory changes have reduced demand from liability-driven investors. Sovereign issuers have responded by shortening debt maturities to contain borrowing costs, but at the expense of higher rollover risk in an environment of elevated rates.

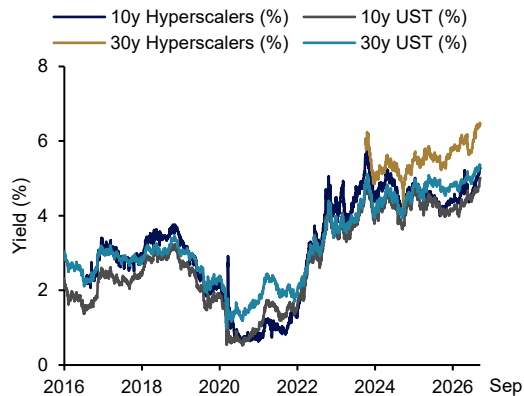
Heightened uncertainty over sovereign borrowing conditions has increased yield volatility. Sharp movements in sovereign yields could trigger margin calls and tighter repo financing conditions for leveraged investors, particularly hedge funds financing government bond positions through repo markets. Forced deleveraging could amplify yield movements, reduce market liquidity and transmit funding stress across interconnected banks and non-bank financial intermediaries.

Together, these forces have pushed real yields and term premia above levels implied by growth expectations (**Chart 1.5**). Higher benchmark yields are carrying over broadly into

corporate financing costs, requiring issuers to offer wider credit spreads to attract long-duration investors (**Chart 1.6**). A persistently higher cost of capital could crowd out lower-rated borrowers, constrain long-term investment and increase the sensitivity of global financial markets to shifts in investor risk appetite and debt absorption capacity.

Chart 1.3 With supply outpacing structural demand, yields at the long end have risen

Long-term yields of US Treasuries and AI hyperscaler bonds

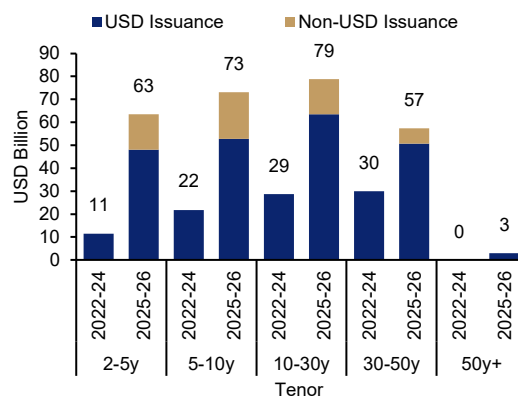


Source: Bloomberg, Macrobond, MAS estimates

Note: AI hyperscalers refer to Google, Microsoft, Meta, Amazon and Oracle.

Chart 1.4 AI bond issuances have risen, including of non-USD currencies

Bond issuances of AI hyperscalers by tenor and currency

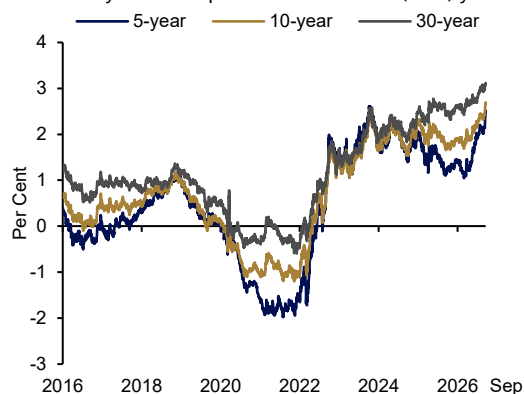


Source: Bloomberg, MAS estimates

Note: (i) AI hyperscalers refer to Google, Microsoft, Meta, Amazon and Oracle, (ii) There were no non-USD issuances in 2022-24.

Chart 1.5 Real yields have risen to historically elevated levels

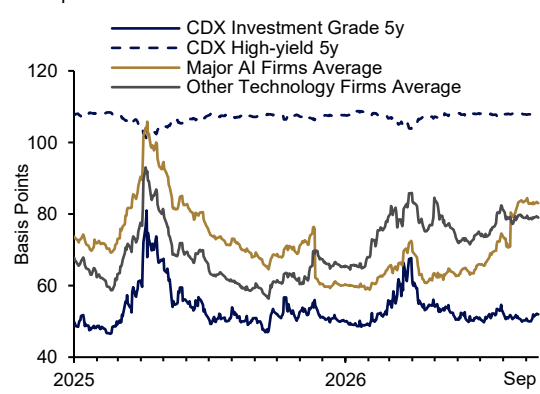
US Treasury Inflation-protected Securities (TIPS) yields



Source: Bloomberg

Chart 1.6 Widening AI sector credit spreads

CDS spreads



Source: Bloomberg, MAS estimates

Note: Major AI firms refer to Tesla, Nvidia, Meta, Alphabet, Amazon, Apple, Microsoft, Oracle, AMD, Intel, TSMC, and Broadcom.

Rising financing costs and leverage raise the hurdle rate for AI investment, increasing the risk of returns shortfall and market corrections

The rapid expansion of AI infrastructure has become an increasingly important driver of global capital demand. Hyperscaler capital expenditure continues to outpace internally generated cash flow, increasing reliance on bond markets, private credit funds and special-

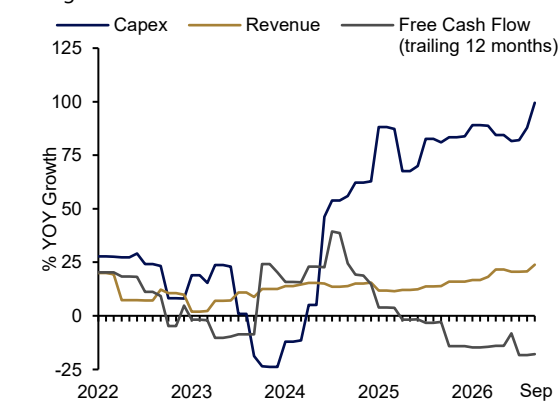
purpose vehicles to finance data centre and semiconductor investment (**Chart 1.7**). While these arrangements broaden available financing, they increase interconnectedness across banks, private credit and institutional investors. Banks often retain indirect exposures through warehouse facilities, syndicated financing and derivatives, obscuring where risks ultimately reside and creating additional channels through which funding stress could propagate across the financial system.

Higher global interest rates, rising semiconductor and electricity costs, as well as increasing dependence on market financing have also raised the hurdle rate for AI investment. Although AI investment continues to support economic activity and corporate earnings, current equity valuations require sustained strong revenue growth and rather sizeable eventual profitability of large investments in data centres and advanced semiconductors (**Chart 1.8**).

A material shortfall in earnings or expected returns could trigger a broader reassessment of AI-related valuations, with losses propagating across public equity, corporate bond and private credit markets. Elevated leverage, concentrated exposures and existing redemption and refinancing pressures in private credit could deepen spillovers to the broader financial system.

Chart 1.7 Hyperscaler capex growth has outpaced revenues and free cash flow

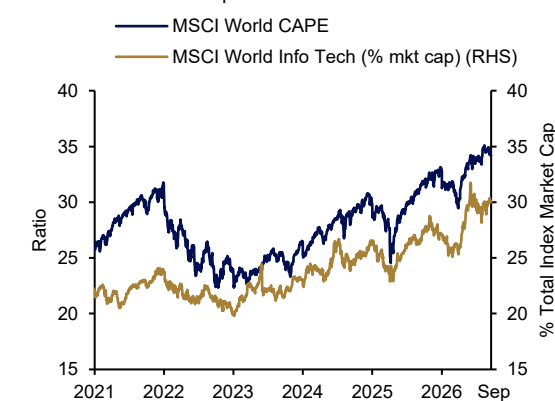
Median y-o-y growth in hyperscaler capex, revenue and trailing 12-month free cash flow



Source: Bloomberg, MAS estimates

Chart 1.8 Equity valuations remain elevated alongside greater technology concentration

MSCI World CAPE ratio and Information Technology share of MSCI World market capitalisation



Source: Bloomberg, MAS estimates

Geopolitical tensions and recurring supply disruptions could renew inflationary pressures and market volatility

Renewed conflict in the Middle East and persistent trade policy uncertainty are adding to supply-side inflation risks. Access to oil reserves cushioned the initial energy shock, but diminishing spare capacity leaves commodity markets increasingly vulnerable to price volatility. Elevated tariffs and the prospect of further trade restrictions are also raising production costs and reducing supply-side flexibility.

More broadly, geopolitical tensions are raising the likelihood of recurrent disruptions across energy markets, shipping lanes, and critical technology supply chains. The increased

frequency and duration of supply shocks could make inflation more volatile and unanchor expectations. Monetary policy may consequently have to be more restrictive for longer, tightening financial conditions across sovereign and corporate debt markets. For economies with weaker external positions, tighter global financial conditions could also trigger capital outflows, exchange-rate pressures and refinancing stress.

Higher global rates and capital outflows could expose EM Asia's weakened buffers, with AI-related gains offering limited and uneven relief

Higher global real interest rates are likely to affect Asian economies unevenly, depending on their growth prospects, financing needs and external positions. Economies benefiting from AI-related investment and exports are better placed to absorb higher borrowing costs if strong earnings and investment continue. However, these economies are also more exposed to a pullback in AI, which could weaken growth and reduce their capacity to absorb shocks.

By contrast, economies with weaker AI linkages, lower trend growth and larger fiscal or current account deficits tend to be more directly affected by tighter global financial conditions. Higher global real interest rates could induce portfolio outflows, currency depreciation and tighter domestic financing conditions, limiting policy space and weighing on growth. Across the region, elevated real interest rates are also raising hurdle rates for investment, making equity fundraising, initial public offerings (IPOs) and long-term infrastructure financing more challenging, particularly for capital-intensive projects with longer payback periods.

The adoption of frontier AI models and advances in quantum computing are reshaping cyber and operational risks in the financial system

Frontier AI models could create new systemic vulnerabilities through concentration, common exposures and cyber risks. Limited model transparency may further complicate supervisory oversight and risk attribution. Meanwhile, quantum computing presents a longer-term but increasingly salient risk. Advances in quantum capabilities threaten the cryptographic standards underpinning payment systems and financial market infrastructures, increasing the urgency of migration to quantum-resistant encryption.

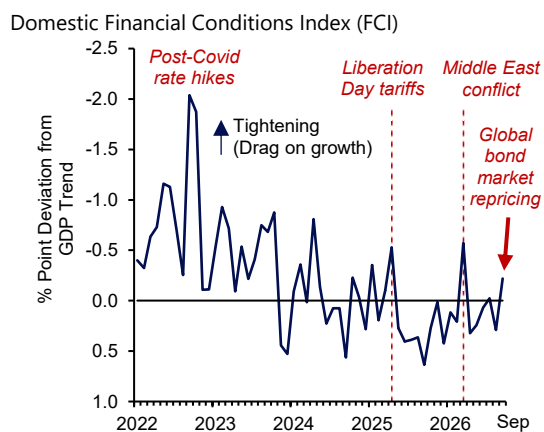
2 Singapore Financial Conditions

Domestic financial conditions have been broadly supportive despite the mixed global backdrop

Following the brief global tightening in financial conditions triggered by the outbreak of the Middle East conflict, equity markets rose and investment-grade credit spreads stayed tight, supported by buoyant investor sentiment and AI optimism. However, global sovereign bond yields have risen in recent weeks amid fiscal concerns, strong AI-related investment demand and higher energy prices. The surge in borrowing cost has sharpened the contrast with the still-buoyant risk asset markets.

Against this global backdrop, domestic financial conditions have been generally accommodative (**Chart 2.1**). Over the past year, domestic borrowing costs have continued to ease, with the 3-month Singapore overnight rate average (SORA) extending its downward trend, and Singapore investment grade credit spreads tightening further (**Table 2.1**). The Straits Times Index (STI) rose 33% y-o-y in Q3 2026 and bank credit growth remained firm, supported by the strong economic growth momentum. Singapore government securities (SGS) yields rose modestly, in tandem with those in most AEs. However, rising global interest rates could exert some tightening pressures in the period ahead.

Chart 2.1 Domestic financial conditions have been accommodative, with episodic tightening



Source: Bloomberg, Macrobond, Department of Statistics (DOS), Urban Redevelopment Authority (URA), MAS estimates

Note: The FCI methodology has been enhanced since the 2025 Financial Stability Review. Estimates and input data are as of 17 September 2026.

Table 2.1 Key indicators of domestic financial conditions

	Q3 2024	Q3 2025	Q3 2026*
Domestic FCI (% point deviation from GDP trend)	0.2	0.5	0.02
3-month compounded SORA (%)	3.59	1.72	1.15
CEMBI Investment Grade+ SG Spread** (bps)	78.8	61.3	38.9
STI (points)	3,443.8	4,222.8	5,614.5
10-year SGS yields (%)	2.82	1.95	2.31

Source: Bloomberg, J.P. Morgan Markets, MAS

Note: Figures are quarterly averages.

* As of 17 September 2026

** This measure is computed by J.P. Morgan Markets as the yield spread of USD corporate bonds over US Treasury bonds

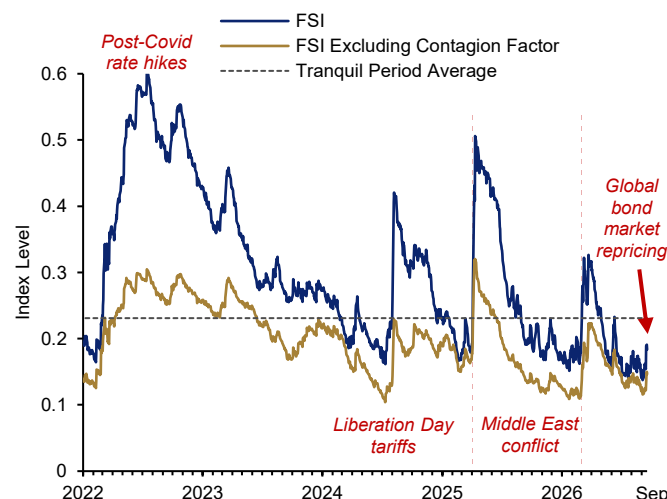
Financial markets continued to function in an orderly manner through episodic volatility

Domestic financial markets have weathered recent bouts of global stress well thus far. At the onset of the Middle East conflict, Singapore's financial stress index (FSI) rose sharply as equity and bond markets turned volatile (**Chart 2.2**). However, this spike was brief, with USD and SGD funding spreads remaining tight throughout. The FSI in turn returned to historically low levels.

More recently, the FSI has edged higher alongside rising global yields. Looking ahead, shifts in global risk sentiment could generate renewed stress. Heightened geopolitical tensions in the Middle East, further trade restrictions or a correction in the AI cycle could trigger sharp, correlated cross-market selloffs and bouts of volatility in core funding markets.

Chart 2.2 Market stress returned to historical norms after a brief period of volatility

Domestic FSI



Source: Bloomberg, MAS estimates

Note: Historical average excludes crisis periods. Estimates and input data are as of 17 September 2026.

Box A

Systemic Risk Survey of Singapore's Financial Sector

Introduction

The 2026 Systemic Risk Survey of Chief Risk Officers (CROs) of financial institutions (FI) in Singapore points to a shifting risk profile. While geopolitical risks remain a key concern, cyber and operational risks have replaced it to become the most cited category, reflecting heightened concerns over AI-assisted cyber-attacks and concentration risks from critical third-party vendors. In addition, financial market stresses including AI-driven market fragilities have emerged as a new frequently-cited category. The most significant risk categories are shown in **Table A1** and discussed in the sections that follow.

Table A1 FIs' perceptions of risks to Singapore's financial system (2026)

Risk categories cited by at least 20% of respondents	2026	
	Impact Ranking	% of Respondents
Geopolitical risk induced by escalation of ongoing conflicts and rising protectionism	1 ▲	77
Cyber and operational risks, incl. AI-assisted cyber-attacks, concentration risks from third party vendors	2 ▲	80
Financial market stresses, incl. AI-driven market fragilities	3 New	57
Macroeconomic uncertainty (e.g. growth slowdown and inflation resurgence)	4 ▼	55
Climate/Transition Risk	5 ▲	23

Source: MAS estimates

Note: (i) Impact ranking considers the proportion of CROs that cited a risk and how severely each ranked it,
(ii) The survey had a response rate of 98% from 57 FIs.

Recurring geopolitical shocks would keep interest rates high and tighten financial conditions

Geopolitical risk has become the most impactful risk for surveyed FIs since the previous survey, with participants particularly concerned about the re-escalation of the Middle East conflict and its economic consequences. FIs highlight Asia's dependence on energy flows through the Straits of Hormuz, noting that higher energy prices have raised firms' input costs and broadened cost pressures beyond energy-intensive sectors (e.g. manufacturing, logistics and commodities). Respondents note that vulnerable groups include emerging markets in parts of Asia that are dependent on commodity imports. Recurring supply shocks could add to inflationary pressures and constrain the scope for further monetary easing.

Beyond the immediate energy shock, respondents remain concerned about the broader economic consequences of geopolitical tensions and growing trade fragmentation. Tariffs are viewed as an ongoing source of uncertainty, reflecting concerns that escalating trade restrictions may be a persistent feature of the global landscape that could weigh on growth prospects and financial conditions.

AI and quantum computing are reshaping the cyber threat landscape

Cyber and operational risks have gained greater prominence in FIs' impact rankings, reflecting concerns that technological advances could make cyberattack tools more accessible, sophisticated and scalable. Several FIs characterise AI-enabled cyberattacks as an upward "level-shift" in the threat landscape. The advancing capabilities of frontier AI models could enable easier vulnerability discovery and exploitation, while improvements in generative AI could lead to increasingly sophisticated fraud and social engineering. FIs also highlight concentration risks from common reliance on shared cloud and AI infrastructure providers.

Looking ahead, respondents identify quantum computing as an emerging risk requiring early attention. While still a nascent threat, expected advances in quantum decryption capabilities have led to concerns that sensitive, encrypted data could be pre-emptively stolen today to be unlocked in the future.

MAS has been building the foundations for a quantum-safe financial sector, having issued advisory guidance in 2024 and conducted technical work with industry on quantum-resilient cryptography. MAS will next release supervisory expectations with clear milestones to guide FIs through migrating to quantum-resilient solutions, with the goal of achieving full quantum resilience before 2030.

A reassessment of AI prospects would raise the risk of cross-market corrections

FIs identify overinvestment in AI-related capacity as a new driver of potential financial market stress, with excess supply of data centres and semiconductors a key concern if demand or profitability falls short. A retrenchment in AI investment could trigger a broader market correction amplified by elevated valuations, concentrated exposures, and rising leverage proxied by record-high margin debt levels. As AI capital expenditure has become an increasingly important support for growth and equity market performance, a reversal could weaken both economic activity and financial conditions.

Climate disruptions could raise insurance and collateral risks

FIs are concerned that adverse weather events, including possible "Super" El Niño conditions this year, have heightened the likelihood of climate-related disruptions in food and energy supply chains. These events could contribute to greater price pressures and raise insurance and collateral risks, particularly in agriculture and water-intensive manufacturing sectors.

3 Singapore Corporate Sector

Overview

Singapore corporates demonstrated resilience over the past year, supported by stable earnings and lower borrowing costs. Debt-servicing capacity improved, while overall indebtedness remained relatively low. Although firms drew down some cash balances, they generally retained healthy liquidity buffers and near-term refinancing needs remained manageable. Foreign currency risk was contained and corporate credit quality stayed healthy.

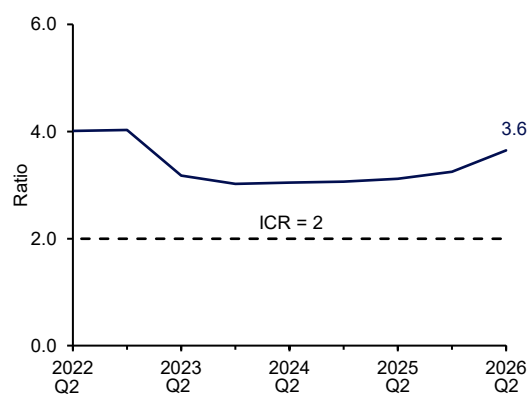
3.1 Assessment of vulnerabilities

Firms' debt-servicing capacity improved as borrowing costs fell and earnings remained stable

Singapore's listed firms' debt-servicing capacity improved over the past year, as lower benchmark interest rates reduced interest expenses (**Charts 3.1 and 3.2**). Corporate indebtedness was also relatively low at 117% of GDP in Q1 2026 (**Chart 3.3**). Most firms reported stable earnings amid strong domestic activity over the past year, which cushioned the impact of external shocks, including higher energy prices (**Chart 3.4**).

Chart 3.1 Firms' debt-servicing capacity has continued to improve in 2026

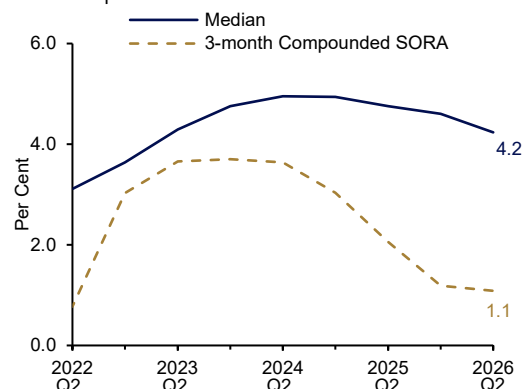
Median interest coverage ratio (ICR) of SGX-listed firms



Source: S&P Capital IQ, MAS estimates

Chart 3.2 Borrowing costs fell further

Interest expense as a share of total debt of SGX-listed firms



Source: S&P Capital IQ, MAS estimates

Chart 3.3 Corporate debt-to-GDP remained at relatively low levels

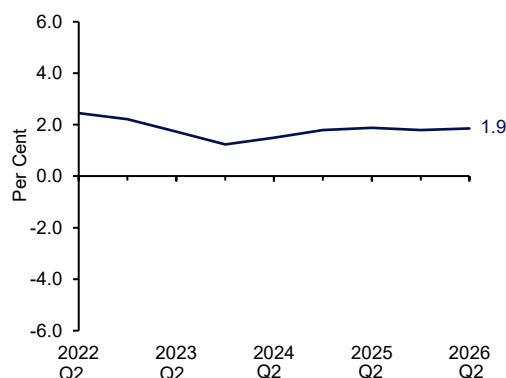
Singapore's corporate debt, % of GDP



Source: BIS, Dealogic, DOS, MAS estimates

Chart 3.4 Corporate profitability was stable

Median return on assets (ROA) of SGX-listed firms



Source: S&P Capital IQ, MAS estimates

Listed firms' refinancing risks remained manageable, supported by healthy liquidity buffers

Debt maturity profiles stayed stable, with short-term debt constituting only 32% of total debt, below the 10-year average (**Chart 3.5**). Bonds due by the end of 2027 accounted for a manageable 19% of total outstanding corporate bonds as of August 2026. Firms' liquidity positions relative to debt were generally sound, despite some drawdowns in their cash buffers amid recent external shocks (**Chart 3.6**).

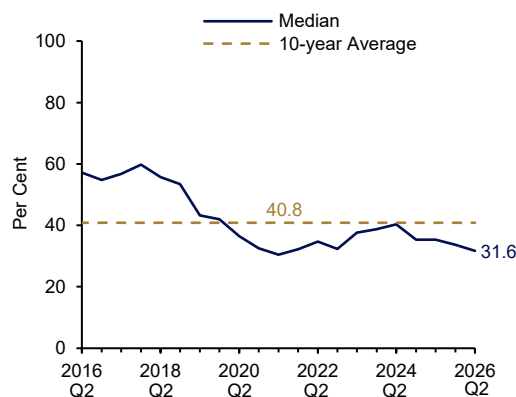
Foreign currency risks were well hedged

Foreign currency denominated bonds have continued to account for a stable 60% of total outstanding corporate bonds in Singapore, broadly unchanged since 2018. Firms disclosing foreign currency borrowings in Singapore Exchange (SGX) filings generally reported either natural hedges (e.g. with revenues denominated in currencies matching their liabilities) or the use of derivatives to mitigate their financial exposures.¹

¹ Based on an AI-assisted review of financial disclosures by SGX-listed firms that reported foreign currency borrowings.

Chart 3.5 Short-term debt to total debt ratios have declined

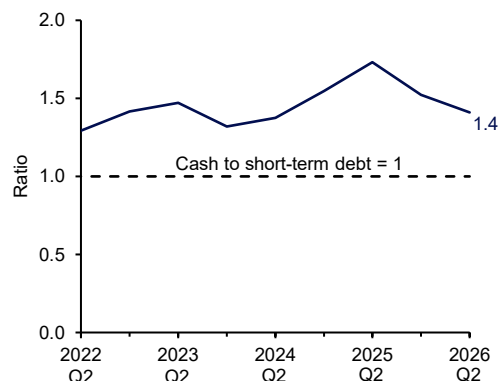
Median short-term debt to total debt ratio of SGX-listed firms



Source: S&P Capital IQ, MAS estimates

Chart 3.6 Firms continued to hold sufficient cash to repay short-term debt

Median cash to short-term debt of SGX-listed firms



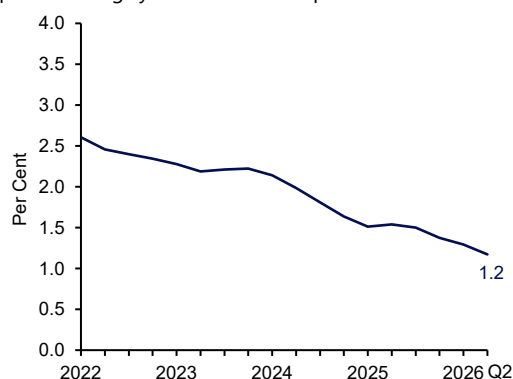
Source: S&P Capital IQ, MAS estimates

Corporate credit quality is generally good

The banking system's corporate non-performing loan (NPL) ratio continued to decline, dropping to an 18-year low of 1.2% in Q2 2026 (**Chart 3.7**). Other indicators of credit quality were also generally reassuring. The median National University of Singapore Credit Research Initiative's (NUS-CRI) probability of default (PD) indicator for listed firms stayed below its 10-year average while the 75th percentile PD, which captures relatively more vulnerable firms, was also subdued, notwithstanding the moderate upticks in Q2 2026 (**Chart 3.8**).

Chart 3.7 Singapore banking system's corporate NPL ratio has continued to decline in 2026

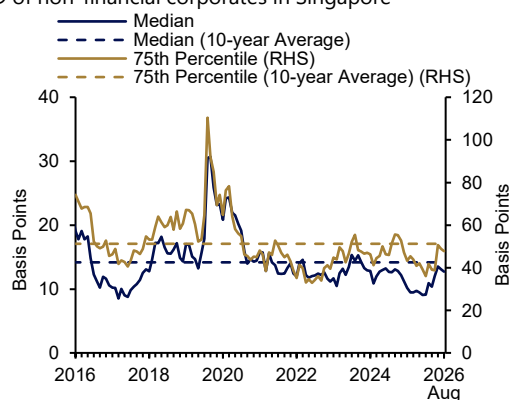
Singapore banking system's overall corporate NPL ratio



Source: MAS

Chart 3.8 Probability of default of Singapore firms has remained below historical averages

PD of non-financial corporates in Singapore



Source: NUS-CRI, MAS estimates

3.2 Outlook

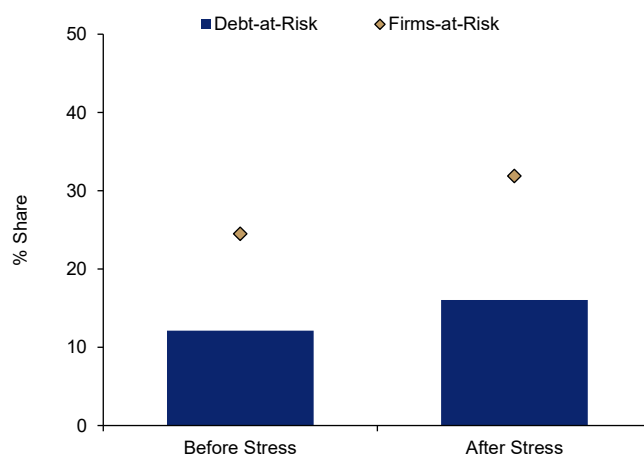
Despite energy supply disruptions and elevated oil prices that have raised firms' input costs, corporate balance sheets are generally sound. Looking ahead, a key risk factor is a possible reassessment of AI-related asset valuations, which could prompt a retrenchment in related investments, weighing on the revenues and earnings of exposed firms.

To support this risk analysis, MAS conducted a stress test featuring a sharp pullback in AI-related investment and loss of revenue along the AI supply chain, against the backdrop of heightened geopolitical tensions. SGX-listed corporates were subjected to severe revenue shocks of up to 30% and differentiated interest rate shocks of up to 400 bps to capture wider credit spreads under stress.² Most firms were able to weather the shock, supported by their earnings and cash reserves. Under this severe stress scenario, 32% of firms were assessed as at-risk,³ accounting for 16% of overall corporate debt (**Chart 3.9**).

The increase in at-risk listed firms was concentrated among highly leveraged, capital-intensive firms and those reliant on working capital financing. Smaller firms also accounted for a disproportionate share of firms-at-risk, reflecting their lower profit margins and thinner cash buffers. Firms in these groups in particular should pay attention to the need to manage their debt obligations prudently and maintain adequate liquidity buffers against potential stress.

Chart 3.9 Most Singapore corporates would remain resilient under adverse shocks to revenues and interest rates

Listed firms with either ICR<1 or negative cash flow with <6 months cash buffer



Source: S&P Capital IQ, MAS estimates

² Stress factors were calibrated according to individual firm's exposure to the AI supply chain.

³ These are conservatively defined as either having ICR of less than one or negative cash flow with cash buffers that cover less than six months of the shortfall.

4 Singapore Household Sector

Overview

Overall, the household sector has remained resilient. While household liabilities growth increased, financial assets grew at an even faster pace, contributing to a further expansion in household net worth. Debt-servicing capacity improved as interest rates, including mortgage rates, declined over the past year. Credit quality has remained strong, and households have sufficient liquidity buffers to guard against adverse shocks.

4.1 Assessment of vulnerabilities

Household borrowing has increased alongside growth in financial assets

Household financial assets grew by 9.5% y-o-y in Q2 2026, outpacing the 8.3% increase in liabilities, contributing to the rise in household net worth (**Chart 4.1**). Buoyant financial markets and continued savings underpinned the growth in financial assets. Meanwhile, more accommodative financing conditions and supportive labour market conditions fostered increases in personal loans and mortgage borrowing (**Chart 4.2**). The rise in mortgage borrowing occurred amid a moderate increase in property prices (see Box B “Update on the Private Residential Property Market”). Reflecting higher outstanding mortgage loans, the household debt to personal disposable income (PDI) ratio edged up modestly from 1.04 times in Q2 2025 to 1.08 times in Q2 2026. This remains below its 10-year average and occurred alongside a strengthening of the household net worth position (**Chart 4.3**).

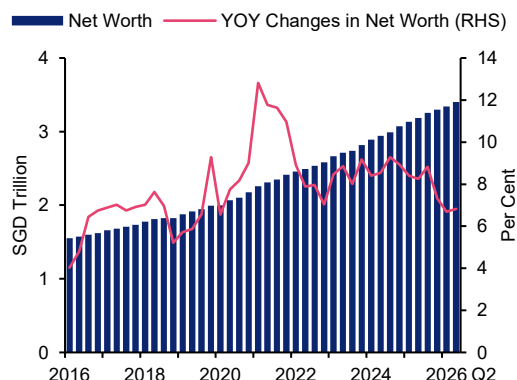
Lower mortgage rates have supported improved debt-servicing capacity

Household debt-servicing capacity improved from a year earlier, supported by lower mortgage rates and stable income growth.⁴ For newly originated FI mortgages, the median mortgage servicing to income ratio remained broadly stable and well below the total debt servicing ratio (TDSR) limit of 55%. The median mortgage rate for newly originated loans has fallen by around 100 bps since Q2 2025, easing debt repayment burdens. At the same time, credit quality of housing loans extended by FIs has remained strong, with the NPL ratio at a low of 0.2% as of Q2 2026 (**Chart 4.4**).

⁴ The moving four-quarter PDI recorded 4.3% y-o-y growth in Q2 2026, moderating from 5.9% in Q2 2025.

Chart 4.1 Household net worth continued to rise in Q2 2026

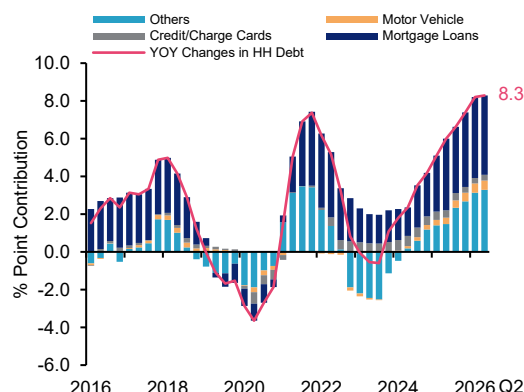
Household net worth



Source: DOS, MAS estimates

Chart 4.2 Increase in household debt was driven mainly by mortgages and personal loans

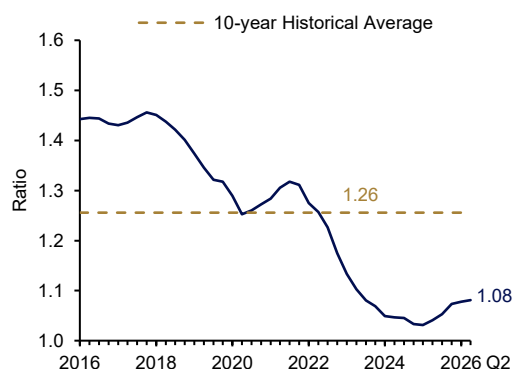
Contribution to the growth in household debt



Source: DOS, MAS estimates

Chart 4.3 Household debt-to-PDI edged up but kept below its historical average

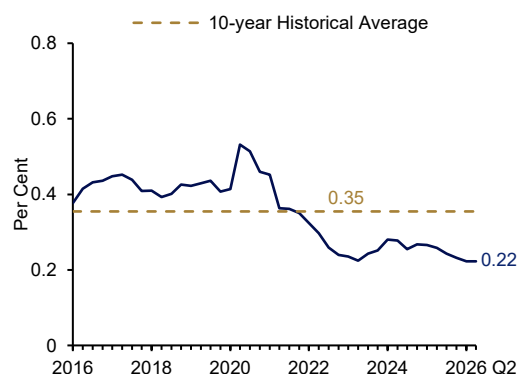
Household debt-to-PDI in Singapore



Source: DOS, MAS estimates

Chart 4.4 Housing NPL ratio remained low in Q2 2026

Housing NPL ratio



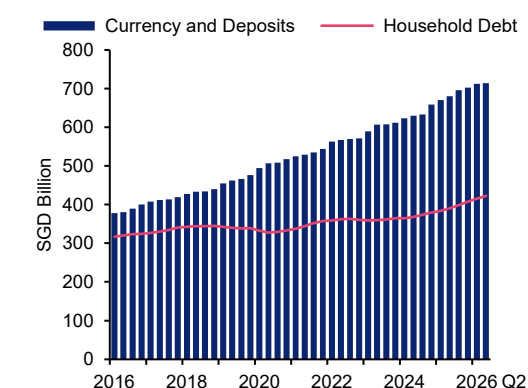
Source: MAS estimates

Households hold strong liquidity buffers

Household liquid financial assets, comprising currency and deposits, continued to exceed total household liabilities (**Chart 4.5**). While the ratio of personal loans to PDI edged up slightly to 0.31, from 0.28 a year earlier, it remained below its 10-year average (**Chart 4.6**). Rollover balances as a share of PDI similarly increased marginally to 2.5% over the past year (**Chart 4.7**), while credit card delinquency rate has stayed below 1%, with most borrowers able to service their credit and charge card debts (**Chart 4.8**).

Chart 4.5 Liquid assets continued to exceed total liabilities

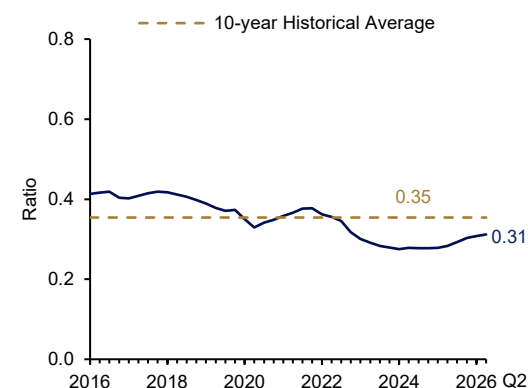
Liquid assets and debt



Source: DOS, MAS estimates

Chart 4.6 Personal loans-to-PDI ratio edged up slightly though remaining low

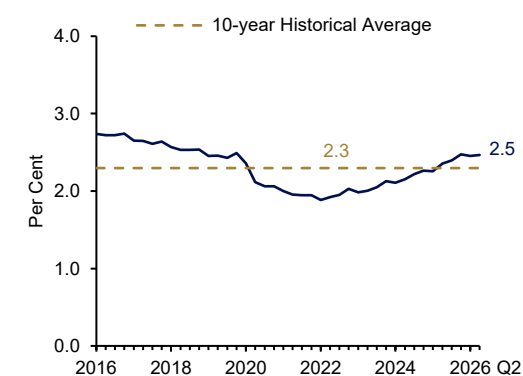
Personal loans to PDI



Source: DOS, MAS estimates

Chart 4.7 Rollover balances as a share of PDI increased marginally over the past year

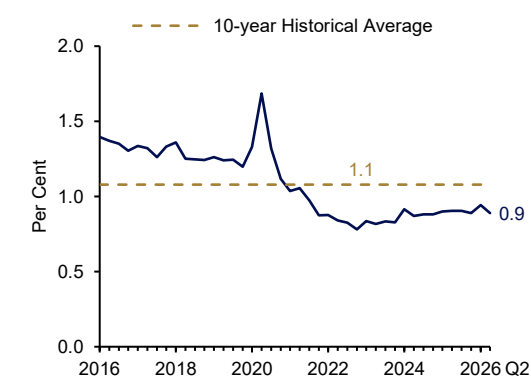
Rollover balances to PDI



Source: DOS, MAS estimates

Chart 4.8 Delinquency rate remained stable at less than 1%

Credit/charge card delinquency rate



Source: MAS estimates

4.2 Outlook

Heightened macroeconomic uncertainty could continue to weigh on households

The ongoing energy supply disruptions have kept oil prices elevated, placing some strains on household budgets. Looking ahead, there are also risks that a sharp retrenchment in AI-related investment could weigh on global growth, business investment and semiconductor demand, adversely impacting household incomes and employment.

Most household borrowers remain resilient under a severe stress test, though a small share of borrowers could face liquidity strains

Against a backdrop of elevated energy prices, MAS' latest stress test assesses households' resilience to a sharp global AI-related downturn. The test assumes a reduction in

household income of around 10% and an attendant rise in resident unemployment. Mortgage rates for loans taken from FIs are also raised by 200 bps as financial conditions tighten.

The results indicate that a significant majority of borrowers have the capacity to manage income and employment shocks amid higher debt-servicing costs. Nonetheless, around 1% of borrowers could face negative cash flows⁵ under the stress scenario with existing savings buffers covering fewer than six months of the resulting income shortfall.⁶ These vulnerable borrowers are mainly middle-aged HDB dwellers with relatively lower income, alongside a smaller segment of middle-income borrowers with sizeable outstanding private housing loans.

In light of the continued uncertain macroeconomic outlook and possible increases in borrowing costs should global interest rates rise further, households should remain cautious in taking on additional leverage and build adequate liquidity buffers.

⁵ Negative cash flow refers to a monthly expenditure-to-income (ETI) ratio exceeding one, that is the household's total monthly expenditure—including the servicing of debt obligations—exceeds their monthly income.

⁶ A three-to-six-month savings buffer reflects a common benchmark for financial resilience, viewed as sufficient to cushion temporary income disruptions. See MoneySense, *Basic Financial Planning Guide*, available at: <https://www.moneysense.gov.sg/planning-your-finances-well>.

Box B**Private Residential Property Market****Property price increases moderated over the past year**

The increase in the URA private residential property price index (PPI) slowed to 3.3% in 2025, from 3.9% in 2024, while its quarterly pace eased to 0.5% in Q2 2026 from 0.9% in Q1 2026 (**Chart B1**). The increase in rents was similarly modest, at 1.7% y-o-y and 0.7% q-o-q in Q2 2026, while vacancy rates, at 6.4%, and rental yields were also broadly stable.

These developments reflect overall supply and demand conditions in the market coming into better balance. Existing macroprudential property market measures continue to restrain excessive demand, while the Government Land Sales (GLS) programme is delivering a high and steady supply of new private housing (**Chart B2**). The 2026 GLS Confirmed List is expected to yield about 9,320 units, more than 50% above the annual average over the past decade. This injection would bring the total pipeline of private housing units (including Executive Condominiums) expected to be completed in the coming years to around 61,000 units. Of these, around 32,000 are unsold units that could be made available for sale over the next two years or so.

Transaction activity held up

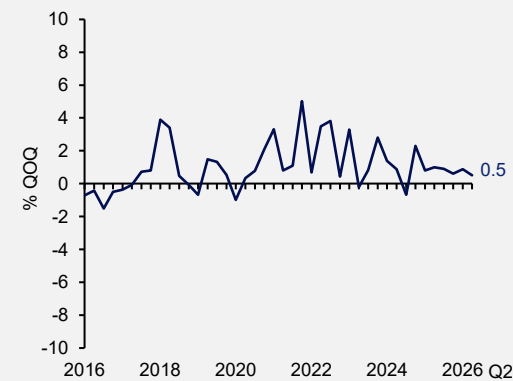
Transaction volume⁷ on a year ago basis held firm across both developer new sales and resale markets amid stable income growth and accommodative domestic interest rate conditions. Domestic interest rates had eased substantially over the past year, with the 3-month compounded SORA halving to around 1.1% by Q2 2026. This was reflected in lower mortgage rates, with fixed rate mortgage packages offered by banks declining to around 1.5% in Q2 2026 from 2.5% in Q2 2025. Nonetheless, the 4% medium-term interest rate floor used to compute the TDSR continues to constrain borrower capacity, even as prevailing mortgage rates declined.

Over the past six months, average quarterly total transaction volumes were broadly comparable to those observed in the past two years, at around 5,800 units (**Chart B3**). Developer new sales accounted for slightly more than one-third of these transactions, supported by continued healthy take-up at new launches.

⁷ Transaction volume figures exclude Executive Condominiums (ECs), unless indicated otherwise.

Chart B1 Property price growth continued to moderate

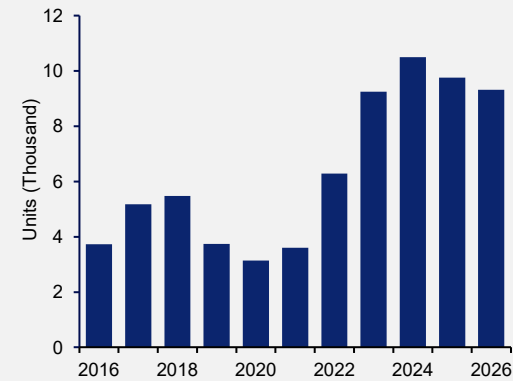
Private residential PPI



Source: URA

Chart B2 The GLS continues to provide a steady pipeline of supply

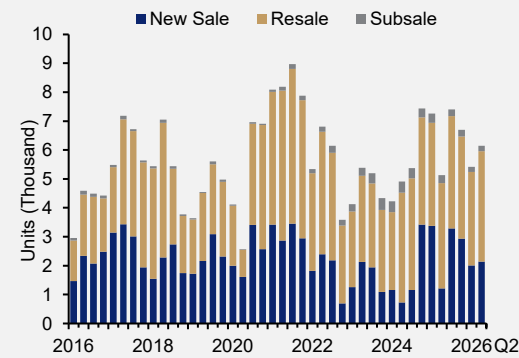
GLS programme confirmed list supply



Source: URA

Chart B3 Transaction volumes remained firm

Number of private residential property transactions



Source: URA

Continued vigilance amid favourable conditions supporting underlying housing demand

Although there are risks to the macroeconomic outlook amid geopolitical tensions and AI-related investment uncertainties, supportive labour market conditions and favourable mortgage financing costs could underpin housing demand and market sentiments.

Households should always exercise prudence in taking on large financial commitments such as property purchases, and particularly in the context of the risk of further rises in global interest rates. The government remains vigilant to market developments, with the objective of ensuring a stable and sustainable private housing market.

5 Singapore Banking Sector

Overview

Singapore banks continue to benefit from strong capital and liquidity buffers, alongside healthy provisioning coverage. Their financial strength has enabled them to expand support for the economy, with credit to non-bank entities rising at a firm pace alongside the better-than-expected performance of the Singapore economy in the first half of the year. Risks to the banking sector from global uncertainties are mitigated by strong buffers.

5.1 Assessment of vulnerabilities

Credit to both resident and cross-border borrowers has continued to grow

Credit to resident non-bank entities expanded at a healthy pace over the past year, with increases in lending to non-financial corporates and individuals.⁸ Corporate credit grew in manufacturing, wholesale trade and information & communication. This partly reflected the above-trend growth in Singapore's technology-related sectors⁹ on the back of resilient global AI demand.

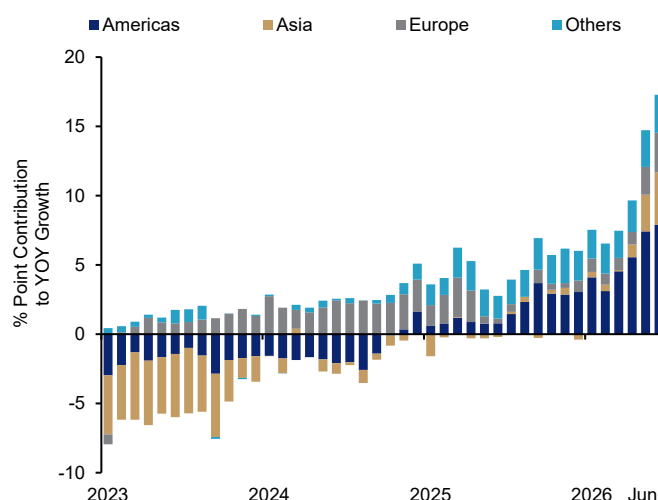
Credit to non-resident non-bank entities grew robustly, with expansion in lending to the Americas and Asia accompanying firm regional and global manufacturing and trade activities (**Chart 5.1**). This underscores Singapore banks' continued role as intermediaries of cross-border financing. Against the attendant credit risks, banks have increased their provisioning buffers to guard against any potential deterioration in credit quality.

⁸ See Chart Panel 5A "Banking Sector: Credit Growth Trends".

⁹ Technology-related sectors comprise electronics and machinery & systems manufacturing, wholesale trade of electronic components and telecommunication equipment & computers, and IT & information services within the information & communications sector.

Chart 5.1 Non-resident credit growth was broad-based across regions, with the Americas and Asia accounting for the bulk of the increase

Outstanding loans to non-resident non-bank entities by region



Source: MAS

Banks' liquidity positions have remained strong amid healthy credit growth

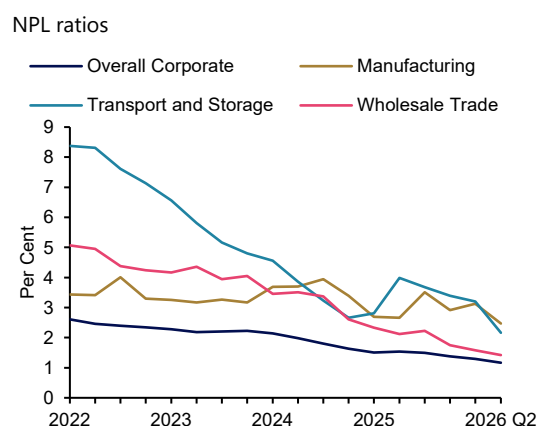
The banking system's funding structure is stable, with non-bank deposits accounting for 80% of total funding. Banks have also maintained ample liquidity buffers, as reflected in liquidity coverage ratios (LCRs) and net stable funding ratios (NSFRs) both well above regulatory requirements.¹⁰ Loan-to-deposit (LTD) ratios have been stable at 69%.¹¹

Banks have maintained strong capital buffers and increased provisions, with good asset quality

Asset quality continues to be generally strong with NPL ratios declining across most sectors (**Chart 5.2**). However, NPL ratios in the retail trade and construction sectors edged up amid elevated operating costs (**Chart 5.3**).

¹⁰ See Chart Panel 5C "Banking Sector: Domestic Systemically Important Banks (D-SIBs)".

¹¹ See Chart Panel 5B "Banking Sector: Asset Quality and Liquidity Indicators".

Chart 5.2 While NPL ratios improved across most sectors, ...

Source: MAS

Chart 5.3 ...retail trade and construction sectors saw a tick up in their NPL ratios

Source: MAS

Banks have increased provisioning coverage to guard against a potential rise in credit costs given the uncertain economic environment. The banking system's total provisioning coverage¹² rose steadily over the past year to reach 147% in Q2 2026.⁴

Local banking groups' robust earnings have continued to underpin their capital strength, with capital ratios remaining well above regulatory requirements.³ Together, strong capital buffers and ample provisions position the local banking groups to withstand a potential deterioration in credit quality.

5.2 Outlook

Risks to the outlook include the possibility of a pullback in AI-related investment that could harm growth prospects and impact corporate profitability, another round of trade tensions, or a further energy shock arising in the Middle East. Although asset quality could come under some pressure in these scenarios, credit risk is expected to stay under control, with the special mention ratio¹³ remaining low at 2.2% as of Q2 2026.⁴

MAS' top-down stress test affirms that Singapore banks have sufficient capital buffers to weather an adverse scenario driven by a downturn in the AI-led global growth cycle amid tensions in the Middle East (see Box C "Top-down Stress Test of D-SIBs").

¹² The banking system's total provisioning coverage is the sum of general and specific provisions as a share of unsecured non-performing assets (NPA).

¹³ Credit facilities that exhibit potential weaknesses but are not yet classified as NPL.

Box C

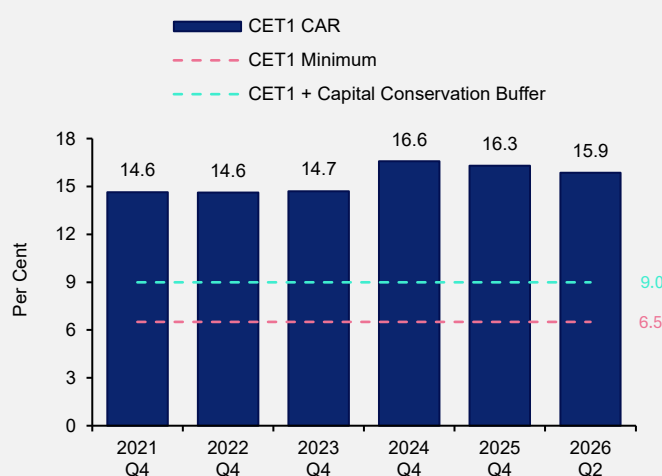
Top-down Solvency Stress Test of Domestic Systemically Important Banks (D-SIBs)

D-SIBs are well-capitalised with strong buffers

D-SIBs maintain strong capital positions, with each D-SIB's Common Equity Tier 1 (CET1) capital adequacy ratio (CAR) well above the regulatory minimum (**Chart C1**). Their substantial capital buffers place them in a strong position to absorb potential credit losses amid uncertainties in the global macroeconomic environment.

Chart C1 D-SIBs' capital positions remain well above regulatory requirements

D-SIBs' aggregate CET1 capital ratios



Source: MAS

MAS' solvency stress test assessed D-SIBs' resilience to macrofinancial shocks under a global AI downturn amid heightened geopolitical tensions

The top-down solvency stress test examined the resilience of D-SIBs' balance sheets and capital positions under two scenarios (Central and Adverse) over a three-year horizon.

The Central scenario assumes steady global economic growth alongside stable inflation. In this scenario, Singapore's economy grows at a near-trend pace with inflationary pressures contained and financial conditions stable.

Under the Adverse scenario, an abrupt reassessment of AI-related growth and earnings prospects triggers global financial stresses (**Table C1**). Amid sharp asset revaluations, global equities come under significant pressure, with the most severe corrections striking markets more exposed to the AI value chain. At the same time, corporate credit spreads widen as risk appetite deteriorates.

Table C1 Selected scenario parameters¹⁴

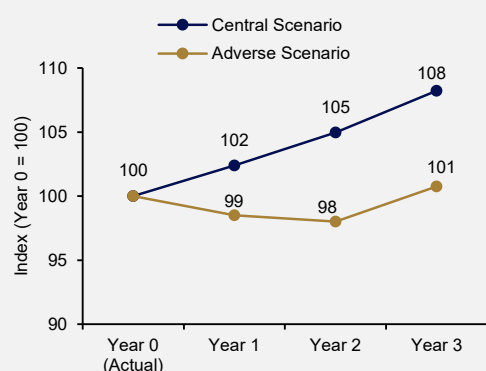
Cumulative change over the stress test scenarios, Year 1 to Year 3		
	Central	Adverse
Equity prices	10% to 20%	–61% to –41%
Property prices	4% to 9%	–23% to –10%
Central bank policy rates (AE)	–50 bps to –25 bps	–100 bps to –75 bps
Corporate credit spreads	Unchanged	300 bps to 480 bps

Source: MAS

As banks restrict credit supply to preserve capital and liquidity buffers in the Adverse scenario, the sharp pullback in lending to corporates and households weighs on economic activity. Global economic activity drops (**Chart C2**), driven by a broad-based decrease in investment and consumption, with economies more exposed to the global technology cycle especially hard hit. Meanwhile, Singapore enters a protracted recession (**Chart C3**) amid a retrenchment in external demand. Despite the broader economic slowdown, elevated geopolitical tensions as well as disruptions to energy markets and supply chains keep cost pressures high.

Chart C2 The global economy contracts under the Adverse scenario...

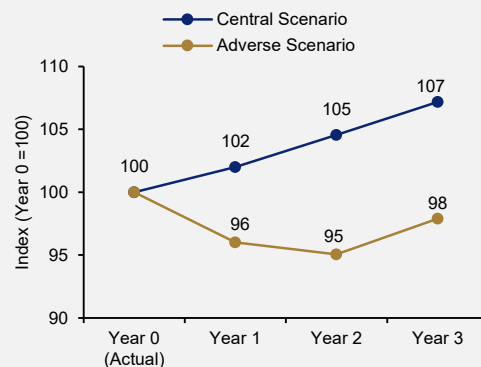
Global real GDP levels



Source: MAS

Chart C3 ... causing the Singapore economy to slip into a deep and protracted recession

Singapore's real GDP levels



Source: MAS

D-SIBs' aggregate CET1 CAR is projected to remain well above regulatory requirements under the Adverse scenario

Under the Adverse scenario, D-SIBs' capital positions remain resilient. D-SIBs' aggregate CET1 CAR is projected to reach a trough of 10.9% in Year 2 but remain well

¹⁴

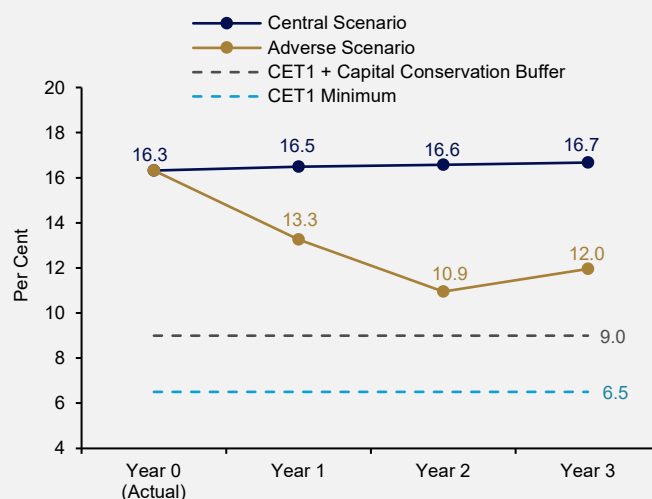
Country scope includes G3 and EM Asia.

above MAS' combined CET1 and capital conservation buffer (CCB) requirement of 9.0% (**Chart C4**). Each D-SIB's CET1 CAR is also projected to remain above the minimum CET1 regulatory requirement.

The decline in D-SIBs' aggregate CET1 CAR over Years 1 and 2 is driven by higher credit impairments and credit risk-weighted assets (RWA). Tighter financial conditions and deteriorating macroeconomic conditions reduce the debt servicing capacity of corporates and households, in turn adversely impacting the credit risk of D-SIBs' loan portfolios. As default risks rise, D-SIBs also face higher loss given default (LGD), reflecting lower recovery rates due to depressed collateral values and weaker balance sheets of their counterparties. However, all D-SIBs maintain adequate CET1 capital cushions.

Chart C4 D-SIBs' aggregate CET1 CAR remains above the regulatory minimum under the Adverse scenario

Projected D-SIBs' aggregate CET1 CAR



Source: MAS estimates

The solvency stress test affirms that the D-SIBs are well placed to weather potential shocks even under an Adverse scenario characterised by a sharp correction in AI-related asset valuations, sharp tightening in financial conditions, surge in credit risks, and a global recession.

6 Singapore NBFI Sector

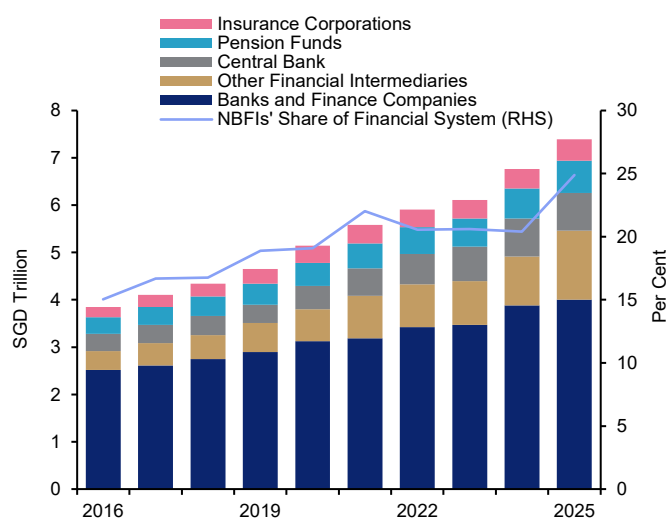
Overview

Singapore's NBFI sector continued to grow rapidly over the past year, expanding by 33% to account for 25% of Singapore's total financial system assets. Investment funds and broker-dealers, identified as Other Financial Intermediaries in **Chart 6.1**, were the main contributors to this expansion. Investment fund assets benefited from portfolio gains and net investor inflows, even as part of the reported increase reflected the inclusion of additional investment funds in the 2025 data.¹⁵ Broker-dealer assets also increased, reflecting stronger trading activity and the introduction of new market entrants.

Overall, the sector has remained resilient and is well-positioned to weather global shocks. Liquidity and leverage risks are well-managed, and insurers continue to be well-capitalised.

Chart 6.1 NBFIs' share of the financial system has continued to grow

Assets and NBFIs' share of financial system assets



Source: MAS estimates

Note: "NBFIs" refer primarily to "Other Financial Intermediaries" as well as "Insurance Corporations". Other Financial Intermediaries include non-bank entities such as investment funds, trust companies and broker-dealers. Prudentially-consolidated broker-dealers are excluded from NBFIs as they are managed as part of banking groups.

¹⁵ In 2026, MAS expanded its data collection beyond authorised and restricted Collective Investment Schemes (CIS), which broadly comprise funds offered to retail and accredited investors, to include other Singapore-domiciled investment funds.

6.1 Assessment of vulnerabilities

Investment funds

Liquidity Management

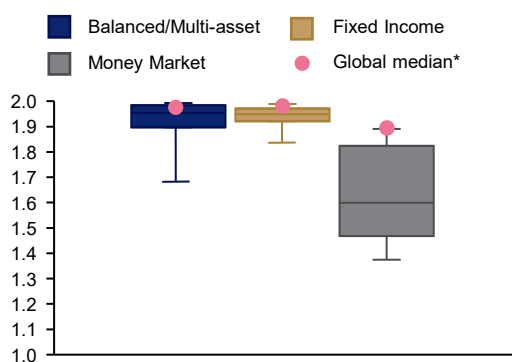
Investment funds in Singapore continued to manage liquidity risks effectively amid elevated market volatility associated with the Middle East conflict and AI-related developments. Investment funds met redemption requests in an orderly manner, supported by adequate liquid holdings. Hedge funds were subject to enhanced supervision during periods of heightened volatility, with a focus on robust risk management and sufficient liquidity to meet margin calls.

Private fund managers in Singapore did not experience the redemption and liquidity pressures observed in some private markets abroad. Private credit funds in Singapore are a relatively small segment of the asset management industry, with assets under management remaining broadly stable over the past year. Accordingly, liquidity risks in this sector appear manageable.

The overall resilience of the investment fund sector was underpinned by generally prudent liquidity risk profiles across different types of funds. In particular, authorised Collective Investment Schemes (CIS), which represent retail-facing investment funds, exhibited lower levels of liquidity transformation¹⁶ than their global peers (**Chart 6.2**).

Chart 6.2 Liquidity transformations in retail-facing CIS are below global levels...

Vulnerability metrics for authorised CIS: Liquidity transformation (end-Jun 2026)



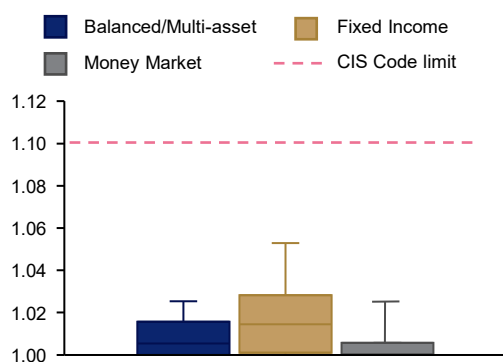
Source: Financial Stability Board (FSB), MAS estimates

Note: Box plots show medians, interquartile ranges and 10th–90th percentiles.

*Global median is estimated as the median of ratios reported by jurisdictions in the FSB Global Monitoring Report on Nonbank Financial Intermediation.

Chart 6.3 ...while leverage levels have remained low

Vulnerability metrics for authorised CIS: Leverage (end-Jun 2026)



Source: MAS estimates

Note: Box plots show medians, interquartile ranges and 10th–90th percentiles. Balance sheet leverage is calculated as total financial assets / equity.

¹⁶ As defined by the FSB, liquidity transformation reflects the degree to which the liquidity of fund assets differs from its liabilities. It is calculated as (Total financial assets – liquid assets [narrow] + short term liabilities [≤30 days] + redeemable equity [≤30 days]) / total financial assets.

Leverage Risks

The leverage levels of Singapore-domiciled investment funds have been broadly stable over the past year. Aggregate borrowings of authorised CIS remain well below the limit of 10% of net asset value (NAV) imposed by the Code on Collective Investment Schemes (“CIS Code”)¹⁷ (**Chart 6.3**). The gross leverage of hedge funds, which includes those domiciled in Singapore, has remained fairly stable as of end-2025 and is generally in line with global norms. Gross leverage of hedge funds was approximately 11.4 times of NAV, while financial leverage was 0.77 times of NAV.

Singapore real estate investment trusts (S-REITs), accounting for 10.5% of NBFIs sector assets, continue to operate within regulatory limits¹⁸ with a median gearing ratio of 39.6% as of June 2026. Debt-servicing capacity is strong, with the median interest coverage ratio improving to 3.3x from 3.0x a year earlier. Near-term refinancing needs are relatively contained, with around 16% of total borrowings due within the next 12 months.¹⁹ Recent industry feedback suggests that SGD financing conditions remain broadly stable, although some S-REITs have seen modest increases in borrowing and hedging costs since June.

Enhanced Supervisory Data Collection

As part of ongoing efforts to strengthen surveillance and supervision of fund managers, MAS has enhanced the coverage, frequency, and granularity of data collection from investment funds, with effect from February 2026.

Insurers

The insurance industry in Singapore continues to be well-capitalised. The average CAR for direct life and general insurers is well above regulatory requirements (**Chart 6A1**).

For the direct life insurance sector, new business premiums grew in H1 2026, compared with the same period last year (**Chart 6A2**). Industry profit levels have been healthy over the past few quarters (**Chart 6A3**). For the direct general insurance sector, there was firm gross premium growth for H1 2026, driven by the Offshore Insurance Fund (**Chart 6A4**), coupled with favourable underwriting results and investment income (**Chart 6A5**). The reinsurance sector has also been resilient, with gross premiums holding steady and continuing positive underwriting results (**Charts 6A6 and 6A7**).

Direct life and composite insurers reported sustained growth in their invested assets, with a slight shift in allocation towards equity securities in recent quarters (**Chart 6.4**). Invested assets of direct general insurers and reinsurers also increased, albeit at a slower pace than

¹⁷ Under the CIS Code, authorised CIS (excluding hedge funds and property funds) may borrow only on a temporary basis to meet redemptions and bridging requirements. The borrowing period may not exceed one month. Moreover, aggregate borrowing is capped at 10% of the fund’s NAV.

¹⁸ Under the CIS code, REITs are subject to an aggregate leverage limit of 50% of its deposited property and a minimum ICR of 1.5 times.

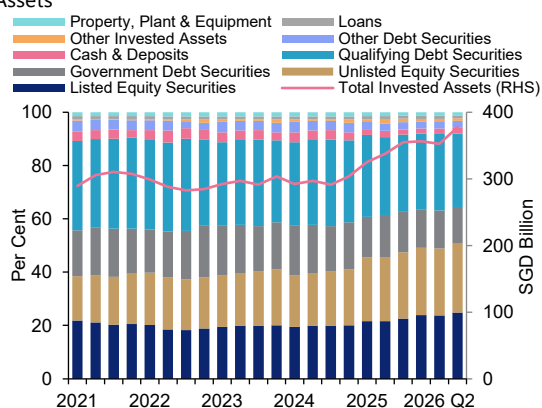
¹⁹ MAS’ estimates of ICRs and the share of borrowings due in the near term are based on submissions from S-REITs.

those of direct life and composite insurers. The asset allocations of direct general insurers and reinsurers were broadly unchanged (**Charts 6.5 and 6.6**).

Credit quality of debt securities held by insurers and reinsurers remained good, with over 90% of these securities classified as investment-grade. Most of the unrated debt securities were issued by Singapore statutory boards and Temasek-linked companies.

Chart 6.4 Invested assets of direct life and composite insurers continue to grow...

Direct Life & Composite Insurers: Breakdown of Invested Assets

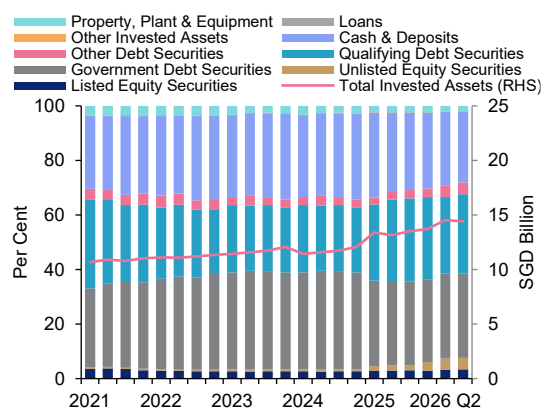


Source: MAS estimates

Note: Equity securities include collective investment schemes and other equity securities, as defined in MAS Notice 129. A qualifying debt security is also defined in MAS Notice 129 and includes a debt security that is issued by a statutory board in Singapore or has an investment grade rating.

Chart 6.5 ...as have those of direct general insurers

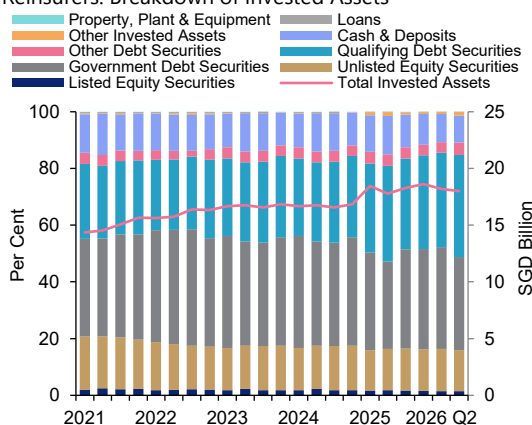
Direct General Insurers: Breakdown of Invested Assets



Source: MAS estimates

Chart 6.6 Invested assets of reinsurers have likewise increased

Reinsurers: Breakdown of Invested Assets



Source: MAS estimates

Note: Please refer to earlier note on equity securities and qualifying debt securities.

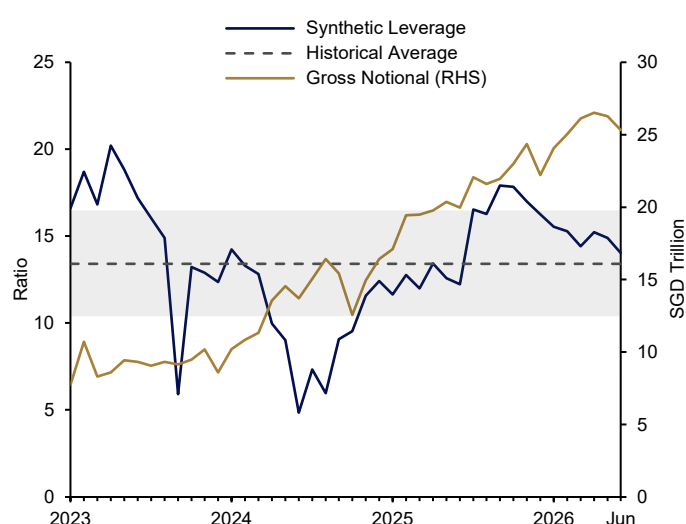
Over-the-counter (OTC) Derivatives

NBFIs' gross notional exposures to OTC derivatives increased over the past year, rising to their highest levels in April 2026. This likely reflected heightened demand for hedging and repositioning in response to energy market disruptions and associated shifts in inflation and monetary policy expectations.

Synthetic leverage undertaken by NBFIs fluctuated considerably but stayed mostly within one standard deviation of its two-year historical average.²⁰ As of June 2026, synthetic leverage stood at 14.0 times gross notional exposure relative to mark-to-market value (**Chart 6.7**).

Chart 6.7 Synthetic leverage increased but remained largely within historical ranges in 2026

NBFIs' OTC derivatives positions



Source: Depository Trust & Clearing Corporation Data Repository (Singapore) Pte Ltd (DDRS), MAS estimates

Note: Shaded area indicates the one standard deviation range from the two-year historical average of synthetic leverage.

6.2 Outlook

The Middle East conflict has lifted energy prices and inflation, resulting in shifting monetary policy expectations across major economies. Meanwhile, longer-term bond yields have risen, even as equity markets remained buoyant. A renewed escalation in geopolitical tensions, or a reassessment of AI earnings expectations, could trigger a broad repricing of risk assets, leading to increased fund redemptions and capital losses for insurers. Nevertheless, stress tests suggest that Singapore investment funds and insurers are well-positioned to weather such global shocks.

²⁰ Synthetic leverage is proxied by the ratio of the gross notional amount to gross market value of NBFIs' OTC derivatives positions, in line with metrics published by the FSB. See FSB. 2023. "The Financial Stability Implications of Leverage in Non-bank Financial Intermediation".

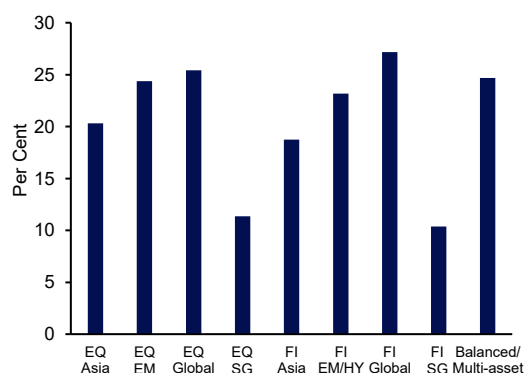
Most investment funds have sufficient liquidity to meet redemption requests

The results of MAS' stress simulations indicate that most authorised CIS will be able to meet redemptions even under a severe liquidity shock. The common redemption shock applied to each fund was calibrated at its 90th percentile of historical redemption outflows, with the resulting outflows ranging from 10.4% (for Singapore-focused fixed income funds) to 27.2% (for global fixed income funds) of total net assets (TNA) (**Chart 6.8**).

A small number of funds, primarily high-yield bond funds, may not have sufficient liquid assets to meet the stressed redemptions, with liquidity shortfalls between 9.9% and 19.4% of TNA (**Chart 6.9**). These funds account for 1.9% by number (or 1.1% of total net assets) of all funds assessed.

Chart 6.8 Historically, Singapore-focused funds have faced less severe outflows under stress

Redemption shock applied (in % of TNA)

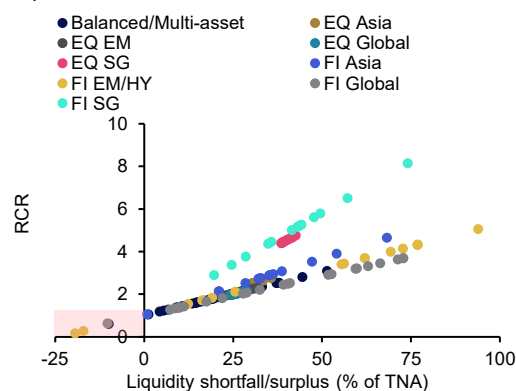


Source: MAS estimates

Note: The redemption shock applied for each fund category corresponds to the 90th percentile of the distribution of all individual fund-level redemption shocks. Redemption shocks at the individual fund-level were calibrated based on the largest 1% of historical net outflow episodes experienced by the fund.

Chart 6.9 High-yield bond funds have less liquid assets and would face larger liquidity shortfalls

Redemption coverage ratio (RCR) and liquidity shortfall/surplus



Source: MAS estimates

Note: Negative values on the x-axis indicate a liquidity shortfall.

"EQ" refers to equity funds and "FI" refers to fixed income funds. "EM", "HY" and "SG" refer to investment focus in emerging markets (EMs), high-yield and Singapore assets, respectively.

The insurance sector is generally resilient to geopolitical and market uncertainties

Insurers in Singapore are well-positioned to manage geopolitical and market uncertainties. They have limited exposure to AI-related assets and are less susceptible to volatility associated with AI-driven equity market movements than other financial institutions. Despite the rise in shipping and energy sector risks from the Middle East conflict, Singapore insurers have continued to provide coverage, with no broad-based increase in premiums observed, apart from higher war-risk premiums for vessels and cargo transiting the affected regions. Insurers' direct financial exposures to the region are limited. The potential impact of a prolonged or wider conflict is likely to be transmitted through second-order effects, including energy prices and financial market volatility, weaker trade flows, supply chain

disruptions, and higher claims costs. MAS closely monitors these transmission channels and the resilience of the insurance sector.

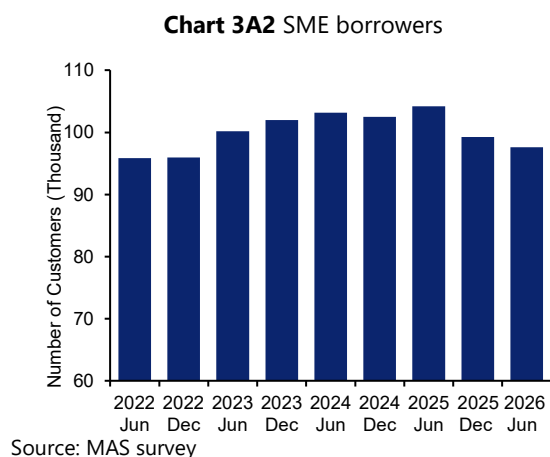
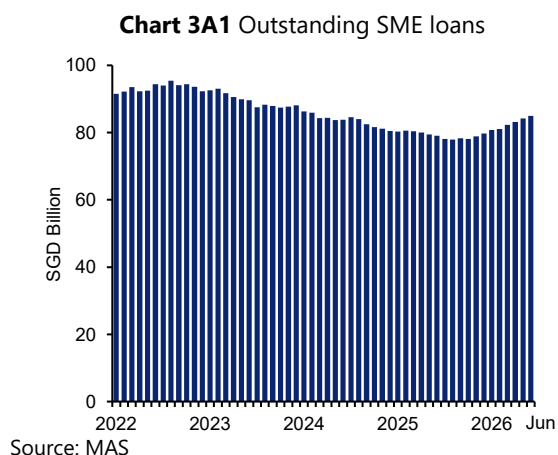
To further assess insurers' resilience to shocks, MAS conducted a top-down stress test on the domestic systemically important insurers under a three-year stress scenario. The scenario assumed higher interest rates, declines in equity prices and wider credit spreads. The main impact on insurers resulted from lower asset valuations triggered by the financial shocks. At the same time, life insurers also benefited from higher interest rates which decreased the value of long-term guaranteed liabilities. Overall, insurers continue to meet regulatory capital requirements, in some cases after taking management actions such as reducing bonus allocations.



Additional Charts

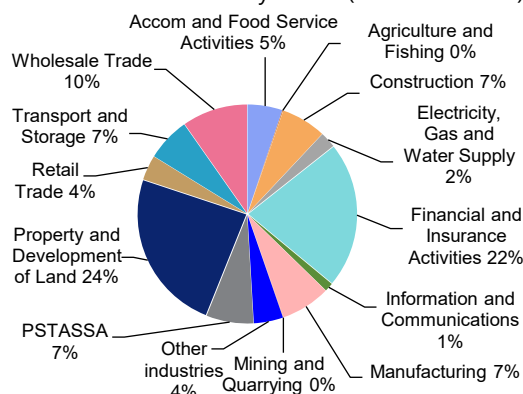
Chart Panel 3A Small and Medium-sized Enterprise Financing Conditions

Credit extended to SMEs has been increasing since August 2025. The number of SME borrowers has come down.



SME loans are broadly diversified across sectors outside of Property and Development of Land and Financial and Insurance Activities.

Chart 3A3 SME loans by sector (as of June 2026)



Source: MAS

The share of unsecured SME loans has been declining, while loans secured by property have been increasing. The SME NPL ratio has remained low as of Q2 2026.

Chart 3A4 Outstanding SME loans by type of collateralisation

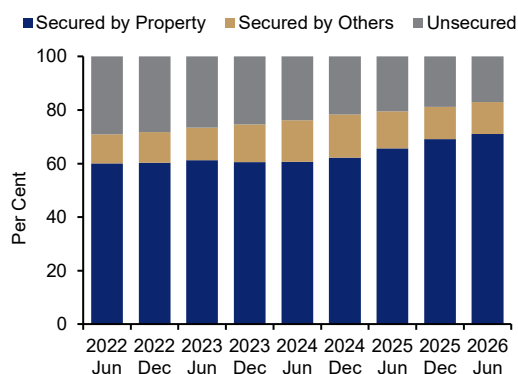


Chart 3A5 SME NPL ratio

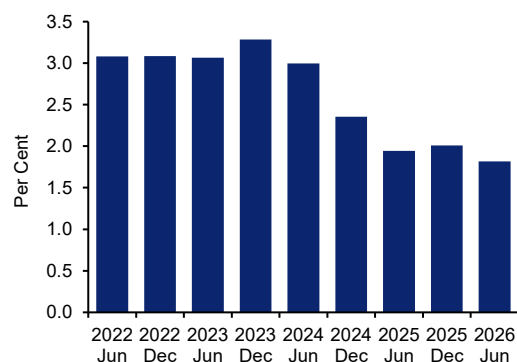
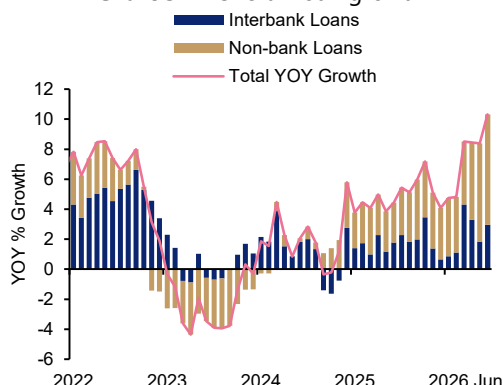


Chart Panel 5A Banking Sector: Credit Growth Trends

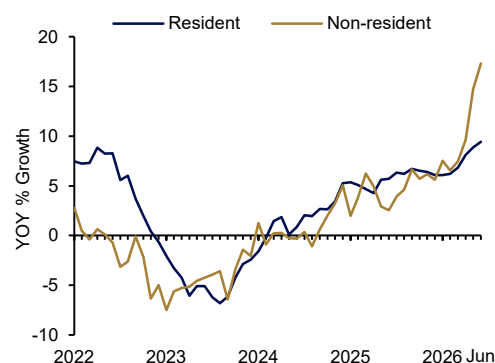
Overall credit expanded over the past year, supported by loan growth to both resident and non-resident non-bank entities.

Chart 5A1 Overall loan growth



Source: MAS

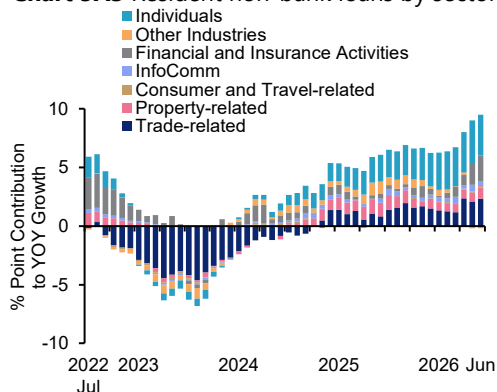
Chart 5A2 Non-bank loan growth by residency



Source: MAS

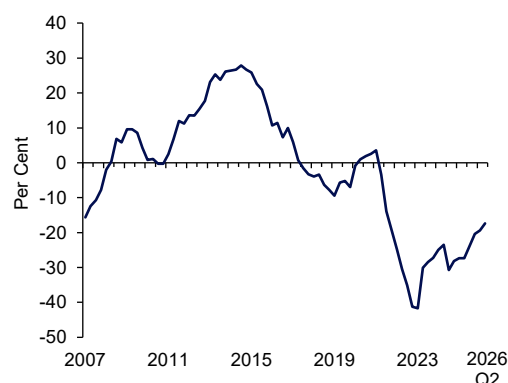
Resident non-bank credit growth was broad-based, led by loans to trade-related sectors and individuals. The credit-to-GDP gap for Singapore remained negative in Q2 2026.

Chart 5A3 Resident non-bank loans by sector²¹



Source: MAS

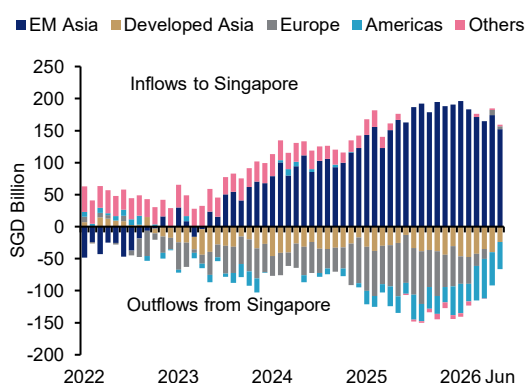
Chart 5A4 Credit-to-GDP gap²²



Source: MAS

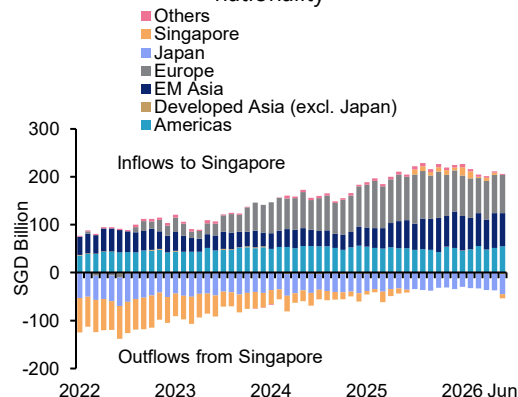
Banks in Singapore continued to intermediate funds from Emerging Asia to Developed Asia and the Americas. European and Emerging Asian banks were the larger intermediators of funds from Emerging Asia.

Chart 5A5 Net lending positions by region



Source: MAS

Chart 5A6 Net lending positions to EM Asia by bank nationality



Source: MAS

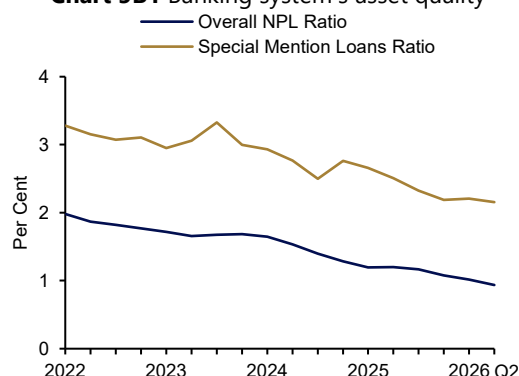
²¹ Consumer and Travel-related refers to Retail Trade and Accommodation and Food Service Activities. Property-related refers to Construction and Property and Development of Land. Trade-related refers to Manufacturing, Wholesale Trade, and Transport and Storage.

²² The credit-to-GDP gap is defined as the difference between the credit-to-GDP ratio and its long-term trend.

Chart Panel 5B Banking Sector: Asset Quality and Liquidity Indicators

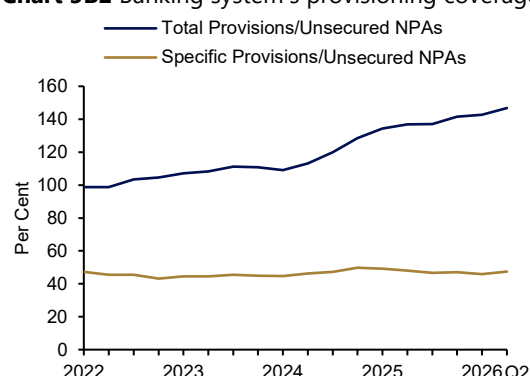
The overall NPL ratio declined to a low of 0.9% as of Q2 2026. Total provisioning coverage increased further to 146.7% as of Q2 2026.

Chart 5B1 Banking system's asset quality



Source: MAS

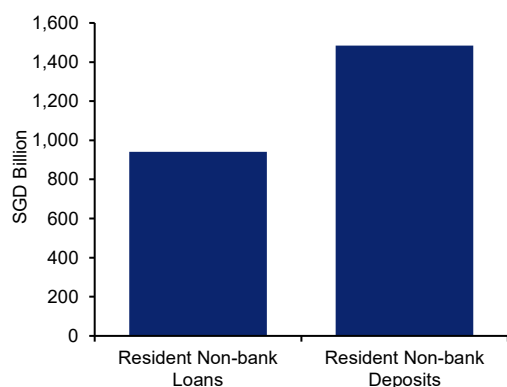
Chart 5B2 Banking system's provisioning coverage



Source: MAS

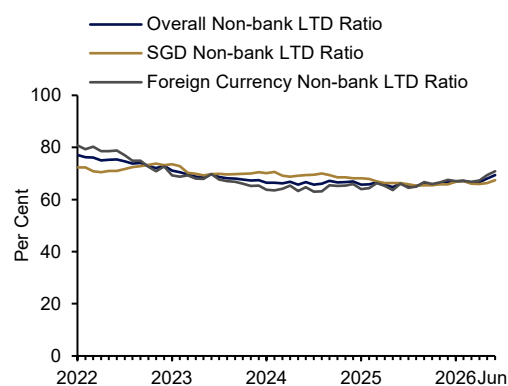
Banks' liquidity positions are healthy. Resident deposits are more than sufficient to fund resident loans. All LTD ratios remained below 100% as of June 2026.

Chart 5B3 Banking system's resident non-bank loans and deposits (as of June 2026)



Source: MAS

Chart 5B4 Banking system's non-bank LTD ratios

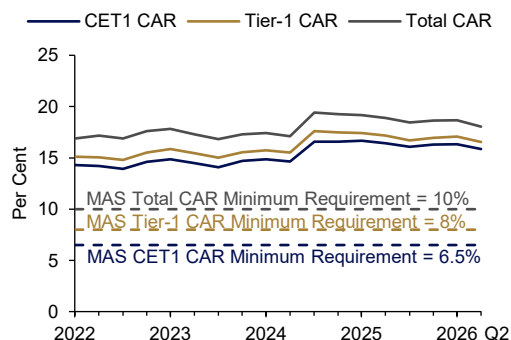


Source: MAS

Chart Panel 5C Banking Sector: Domestic Systemically Important Banks (D-SIBs)

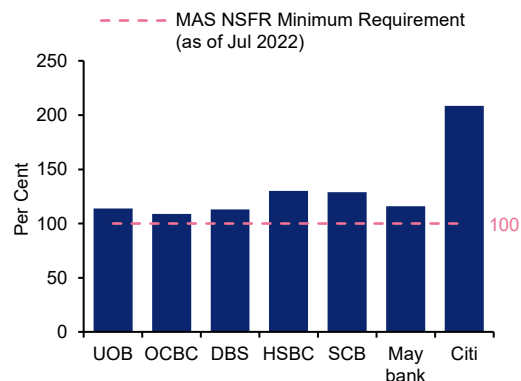
D-SIBs maintained strong capital positions, with aggregate CARs well above regulatory requirements as of Q2 2026. D-SIBs' amount of stable funding was more than sufficient to meet funding needs.

Chart 5C1 D-SIBs' CARs



Source: D-SIBs' financial statements, MAS

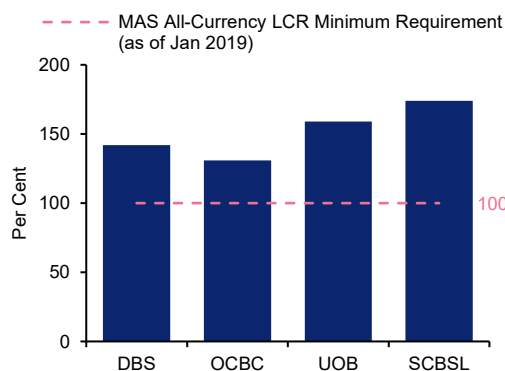
Chart 5C2 D-SIBs' NSFRs (as of Q2 2026)



Source: D-SIBs' financial statements, MAS

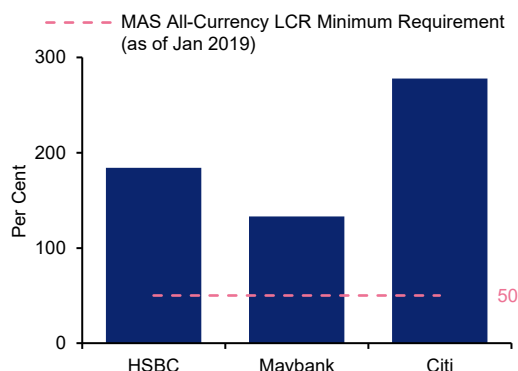
D-SIBs maintained healthy liquidity positions that were well above regulatory requirements.

Chart 5C3 Local banking groups²³ and SCBSL all-currency LCRs (Q2 2026)



Source: Local banking groups' and Standard Chartered Bank (Singapore) Limited's (SCBSL) financial statements, MAS

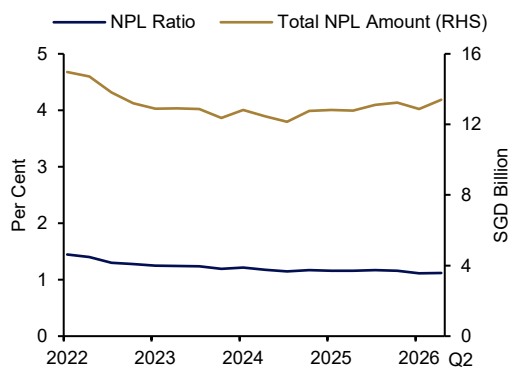
Chart 5C4 Other D-SIBs' all-currency LCRs (Q2 2026)



Source: Other D-SIBs' financial statements, MAS

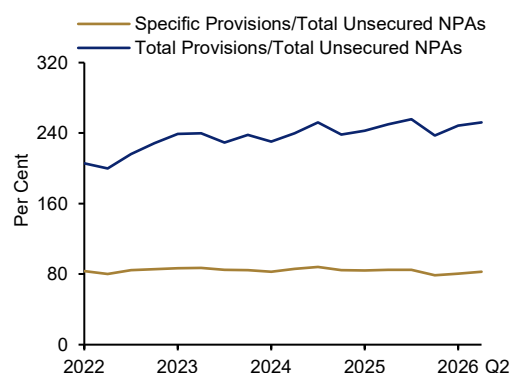
Local banking groups' asset quality remained strong, with NPL ratio at 1.1% as of Q2 2026. Local banking groups maintained a healthy total provisioning coverage of 252%.

Chart 5C5 Local banking groups' NPLs



Source: Local banking groups' financial statements, MAS

Chart 5C6 Local banking groups' provisioning coverage



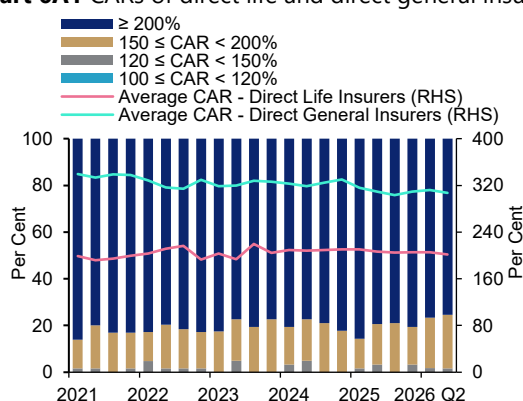
Source: Local banking groups' financial statements, MAS

²³ Local banking groups refer to DBS Bank, Overseas Chinese Banking Corporation and United Overseas Bank.

Chart Panel 6A Insurance Sector

Insurers have CARs well above the regulatory minimum, with most CARs above 150%.

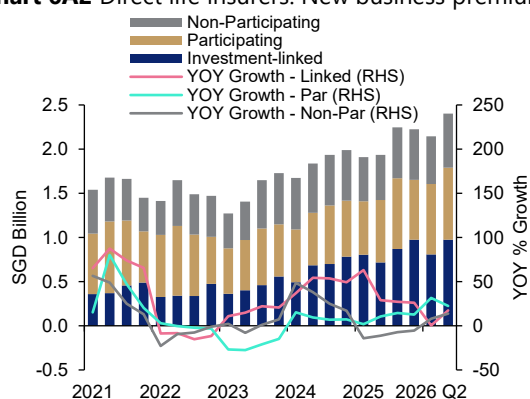
Chart 6A1 CARs of direct life and direct general insurers



Source: MAS estimates

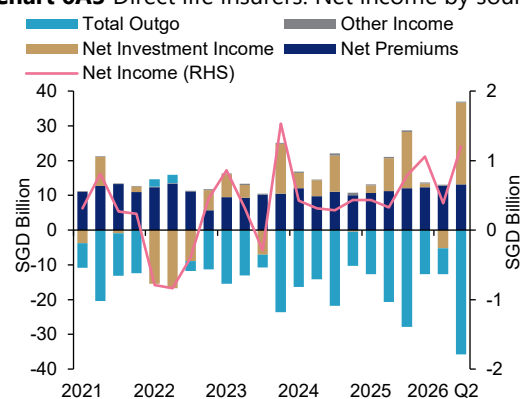
Direct life insurers reported robust new business premiums and maintained stable profit levels.

Chart 6A2 Direct life insurers: New business premiums



Source: MAS estimates

Chart 6A3 Direct life insurers: Net income by source

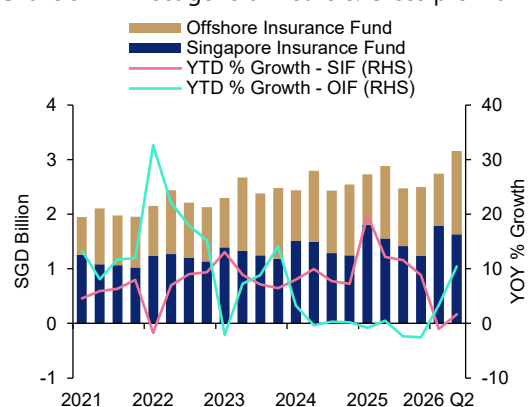


Source: MAS estimates

Note: Net Income refers to the sum of net premium, net investment income and other income, less total outgo (such as claims and expenses).

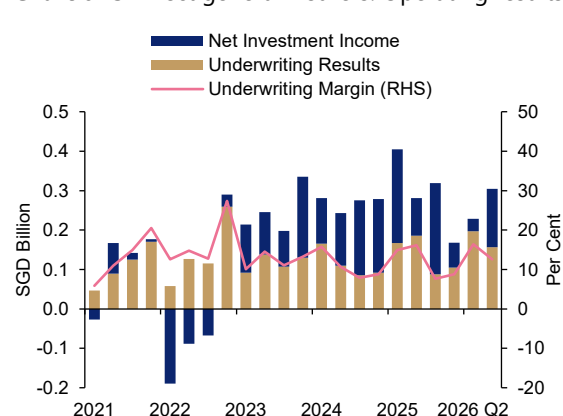
Direct general insurers reported premium growth, coupled with positive underwriting results and investment income.

Chart 6A4 Direct general insurers: Gross premiums



Source: MAS estimates

Chart 6A5 Direct general insurers: Operating results

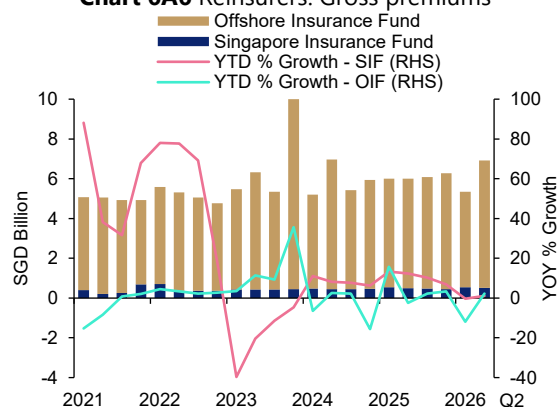


Source: MAS estimates

Note: Underwriting Margin refers to underwriting results divided by premiums earned.

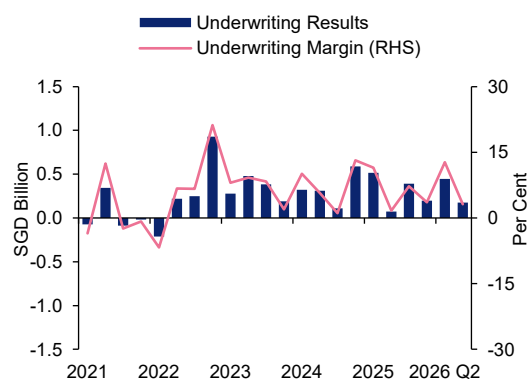
Reinsurers reported relatively stable gross premiums and positive underwriting results.

Chart 6A6 Reinsurers: Gross premiums



Source: MAS estimates

Chart 6A7 Reinsurers: Operating results



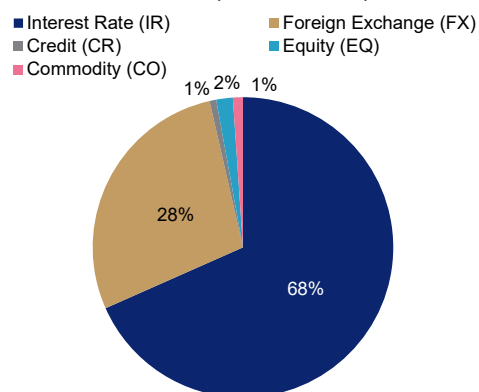
Source: MAS estimates

Note: Underwriting results reflect the profitability of reinsurers' core operations, taking into account the underwriting results reported for general reinsurance business and technical results reported for life reinsurance business, as defined in MAS Notice 129.

Chart Panel 6B Over-the-counter (OTC) Derivatives

IR and FX continue to be the largest asset classes. Foreign banks' and dealers' trades with NBFIs now account for the largest share of trades.

Chart 6B1 OTC derivatives market in Singapore by asset class (end-Jun 2026)



Source: DDRS, MAS estimates

Note: The share of asset classes is calculated based on gross notional outstanding.

Chart 6B2 Cross-sectoral breakdown of notional outstanding (end-Jun 2026)

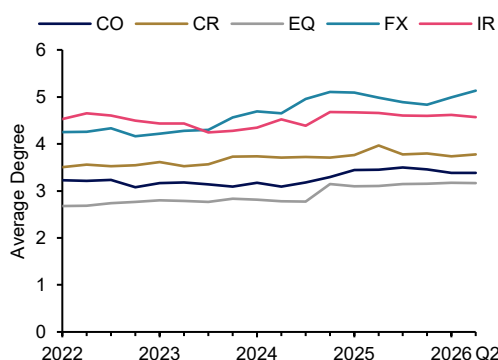
%	LCL BK	FGN B/D	NBFI	C/O	CCP	INDIV
LCL BK	0.3	2.8	0.3	0.1	1.8	0.3
FGN B/D		26.5	32.3	1.3	29.0	0.5
NBFI			0.2	0.1	4.1	<0.1
C/O				0.4	<0.1	

Source: DDRS, MAS estimates

Note: LCL BK = Locally incorporated bank; FGN B/D = Foreign bank or dealer; C/O = corporate or other non-bank entity

Counterparty connectivity was broadly stable. Market concentration for CR and IR increased over the past year.

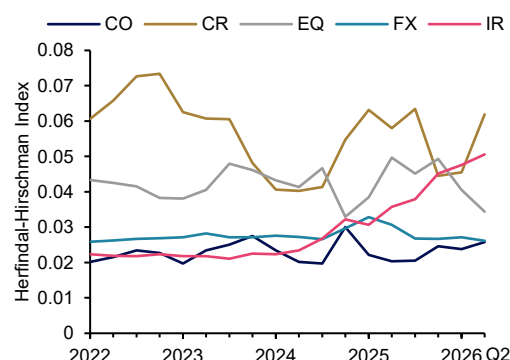
Chart 6B3 Average degree



Source: DDRS, MAS estimates

Note: Degree refers to the number of connections a counterparty has. Connections are counted based on outstanding positions.

Chart 6B4 Herfindahl-Hirschman Index (HHI)

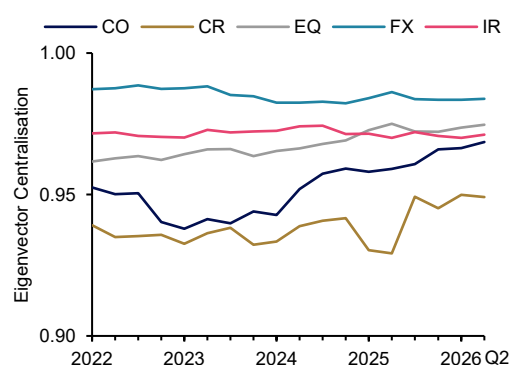


Source: DDRS, MAS estimates

Note: HHI is calculated based on the sum of the squares of the proportion of notional outstanding of each counterparty. Intragroup trades and trades with CCPs have been excluded.

Centralisation remained high across asset classes, with FX most centred around a group of highly connected participants.

Chart 6B5 Eigenvector centralisation



Source: DDRS, MAS estimates