

Fitch Teleconference: "Challenges Facing Chinese Banks in 2010"

17 Dec 2009 4:09 AM (EST) Fitch Ratings-Beijing/Hong Kong-17 December 2009: Chinese banks may have emerged from the recent financial crisis relatively unscathed, but according to Fitch Ratings' most recent special report on the sector, Chinese banks and regulators will face a daunting task in balancing continued brisk growth amid accelerating capital burn in 2010.

Loans are expected to rise by upwards of 32% yoy in 2009, or USD1.5trn, with total loans/GDP increasing to 126% from 106% at end-2008.

"This is a tremendous amount of money to enter an emerging-market economy in the span of one year," said Charlene Chu, Senior Director and Head of China Bank Ratings. "Credit growth of this magnitude inevitably places a strain on banks' internal risk management, and raises concerns about a future deterioration in loan quality."

The report entitled "Chinese Banks - Annual Review and Outlook" also highlights the growing popularity of unreported loan transactions, which Fitch believes are increasingly distorting credit growth figures at an institutional and systemic level and represent an expanding pool of hidden credit risk.

"Over the past two years, the most disconcerting trend Fitch has observed in China's banking sector is the growing prominence of undisclosed loan transactions," said Chu.

Fitch will sponsor a teleconference to discuss recent developments in China's banking sector and the major challenges heading into 2010 on Friday, 18 December 2009 at 11:00AM Beijing Time.

Charlene Chu and David Marshall, Managing Director and Head of Asia-Pacific Bank Ratings, will hold the call. The presentation will last for approximately 30 minutes followed by a question and answer session. The report will be distributed to registered participants before the commencement of the teleconference.

To register for the event, please contact Cynthia Zhao at Cynthia.Zhao@fitchratings.com; Sophie Zhang at Sophie.Zhang@fitchratings.com or +8610 8567 9898.

Media participants please register with Karen Cho at Karen.Cho@fitchratings.com or +852 2263 9935
Dial in details:

Hong Kong 3005 2050

Australia 1800 230 935

China 400 681 6949

India 1800 200 4244

Singapore 800 852 3576

Participant Code: 144711#



Contact: Charlene Chu, Beijing, +8610 8567 9898 ext [112/Charlene.Chu@fitchratings.com](mailto:Charlene.Chu@fitchratings.com)

Media Relations: Karen Cho, Hong Kong, Tel: +852 2263 9935, Email: karen.cho@fitchratings.com.

Additional information is available at www.fitchratings.com.

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