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## Hong Kong banks well positioned to cope with economic uncertainty

Hong Kong banks are well-positioned to cope with a more uncertain operating environment, Fitch Ratings said.

It noted concerns that credit costs could rise, particularly across the border in China where some smaller, low value-added exporters are struggling.

Nevertheless, economic growth in China is generally expected to remain quite strong, it said.

Even if the mainland economy turns weaker than expected, Hong Kong banks' generally prudent lending policies and solid balance sheets should stand them in good stead, it said.

Hong Kong banks' net exposure to structured investments is manageable relative to their equity capital and does not pose a threat to their credit ratings, Fitch said.

The banks' 2007 net interest spreads were stable, although low at around 1.79 pct due to their low loan-to-deposit ratios and high liquidity, particularly in foreign currencies which accounted for almost half their deposits.

Fitch said most Hong Kong banks' China-related lending has been to Hong Kong-based companies and larger Chinese state-owned enterprises, highlighting the banks' generally prudent approach to China and their good understanding of the risks involved.

- Thomson Financial News