

Asia (Ex-Japan)  
Special Report**Banks in Asia (Excluding Japan):  
Outlook for 2009****Analysts**

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Over the past year, economic growth forecasts for Asia (which excludes Japan in this report) have fallen steadily under the impact of the global slowdown. This has not only led to lower growth than Fitch Ratings initially expected, but to a sharper slowdown for some Asian economies than their developed country counterparts in 2008, and a likely recession for several economies in 2009. Despite the slowdown, Fitch expects only a few Asian banking systems to report 2008 results and asset quality measures well below the rather conservative estimates the agency made one year ago, thanks to a still strong first half and an inevitable lag in the impact of the downturn.

For 2009, Fitch expects global GDP to increase by just 0.9%, with declines in the US (-1.2%), the Euro area (-0.6%) and Japan (-1.7%). The agency expects a modest recovery in 2010, although growth for these economies will mostly be in the region of 1%.

Among the large Asian economies, Fitch expects China's growth to slow to 6% in 2009, a level which if sustained would probably start to give rise to significant bad debt problems for Chinese banks. However, the agency expects the slowdown to be relatively short-lived and growth to recover to 8.5% in 2010. Given this outlook, Fitch expects the negative effects on Chinese banks in terms of higher NPLs and bad debt charges to be appreciable, but still manageable for most banks. Their emergence may also be somewhat delayed by the time it takes for loans to reach non-performing status in China (see "China" section below).

Fitch's forecast for India is 5% growth in 2009 and 6.3% for 2010, but the agency sees greater downside risk for these forecasts than for China given the more limited policy options available to the Indian government. Indian banks have faced asset quality problems since H207, particularly in some segments of their consumer loan portfolio, and are likely to see significant deterioration (albeit from a low base) in the quality of their SME and corporate loan book during 2009 and 2010 as a result of this slowdown. Furthermore, a recent corporate scandal has raised fresh concerns about corporate governance and the veracity of 'reported numbers' of Indian institutions, which if more widespread, may result in greater downside risk to the performance of Indian banks.

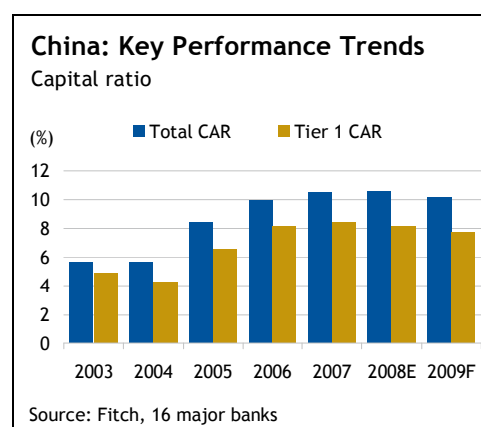
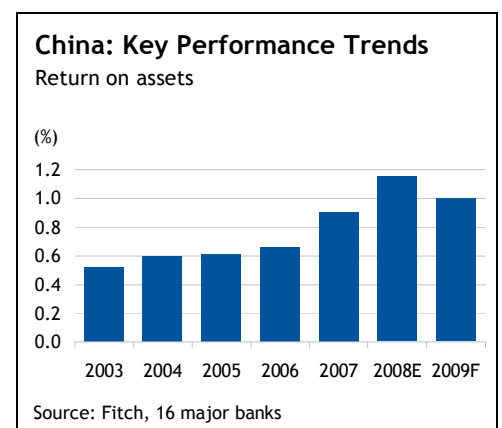
In the rest of Asia in 2009, the agency expects to see positive, but more subdued GDP growth in Indonesia (4.3%), Vietnam (3.0%), Philippines (2.5%) and Malaysia (1.5%). Fitch expects to see negative growth in Korea (-2.4%), Taiwan (-2.1%), Thailand (-1.1%), Hong Kong (-1.2%) and Singapore (-1.0% or lower).

In view of this outlook, Fitch expects to see higher NPLs and bad debt charges across the region, resulting in reduced but still positive levels of net profitability for those systems with good underlying profit margins, which in practice includes most of Asia. Exceptions include Taiwan, where even in a good year profit margins are thin and in a difficult year a net loss for the system is likely. South Korean banks could also face sizeable credit losses following the lending boom of recent years, possibly pushing the system into the red for 2009. Banks and regulators throughout the region are likely to see a need for additional capital both to offset the effect of credit losses and to boost capital levels to the new higher norms that are becoming the standard in the wake of the credit crisis.

In light of this economic outlook, Fitch’s bank analysts have been reviewing the prospects for Asian banks, and its forecasts for 2009, and revised estimates for 2008 are discussed in this report.

## China

With economic growth expected to slow to its lowest level in a decade, Chinese banks inevitably face a bumpy road ahead in 2009. Nevertheless, Fitch expects the headline performance ratios of China’s banks to hold up reasonably well this year compared with many Asian peers due to the government’s large monetary and fiscal stimulus, anticipated robust loan growth, and weaknesses in loan classification that often result in delayed recording of NPLs (for more information on this latter factor, see the report *“Chinese Banks: Asset Quality Under Pressure As Credit Cycle Turns”* published on 12 January 2009 and available at [www.fitchratings.com](http://www.fitchratings.com)). Loan growth was up sharply in both November and December 2008 after the government eliminated credit quotas and began pressuring banks to lend. This strong growth is expected to carry into 2009, and should provide critical support to earnings and help keep NPL ratios in check, at least in the short term.

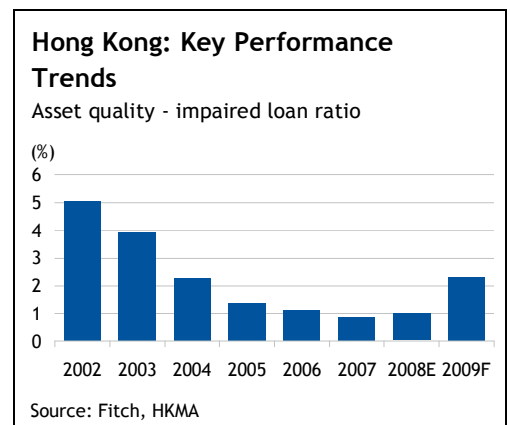
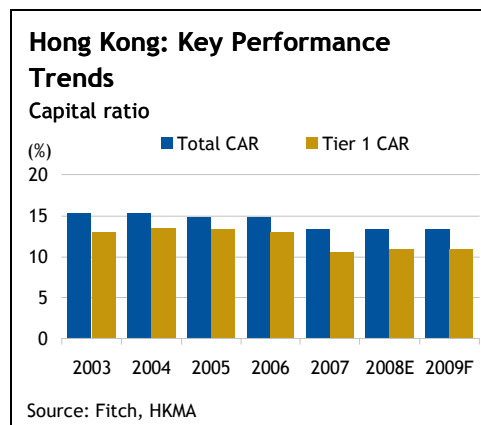
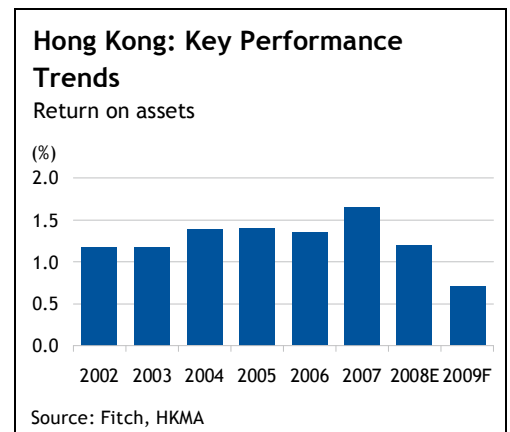
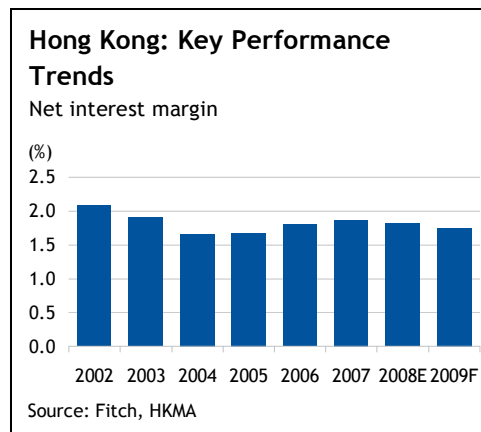


Profitability will face pressure from reduced margins associated with successive cuts in administered interest rates – which have been more aggressive on the lending side than the deposit side – and a rise in deposit costs as depositors increasingly migrate toward longer term, higher cost deposits. A decline in loan pricing power could further weigh on margins should the removal of constraints on credit supply result in an increase in competition among banks for customers, although Chinese banks’ increased conservatism could very well offset this effect. Higher credit costs arising from worsening loan quality will also be a notable factor dragging down earnings. However, in this regard, Fitch notes that there are several features about the way loans are extended and classified in China that can significantly prolong the time for asset quality problems to manifest themselves in

Chinese banks' financial data. As a result, despite a visible rise in stress among borrowers, NPL figures could take significantly longer than expected to show signs of deterioration in this environment. In the meantime, asset quality data may continue to appear in reasonably good shape, and related credit costs could be lower than expected. It is worth noting that a major decline is anticipated in the aggregate NPL ratio for the banking system for Q408 following the massive carveout from Agricultural Bank of China.

Reflecting significant downward revisions to GDP growth estimates in recent weeks, China's banking regulator has begun to ease off on its earlier call for all medium- and small-sized banks to maintain total capital adequacy ratios (CARs) of at least 10% (versus 8% previously). As a result, Fitch expects capital ratios to come under some pressure in 2009 from the combination of rapid growth and muted earnings. Core capital of Chinese banks already is somewhat thin, particularly when potential losses on special-mention loans are taken into account. This uncertainty about the adequacy of existing capital and reserves to cover what remains a fairly unseasoned loan portfolio, and Chinese banks' lack of experience in operating through a full economic cycle since being commercialised, are among the chief reasons Fitch's Individual Ratings on these entities continue to hover at the lower end of the scale despite substantial reform. The outlook for the major banks ratings is generally Stable given that they are underpinned by the strong potential for state support.

### Hong Kong



The operating environment for Hong Kong banks deteriorated significantly in the second half of 2008. In the first half of that year, banks generally reported good performance in their core operations, although a large number reported sizable impairment charges on their structured securities exposures. Since September 2008, however, liquidity conditions in the banking system have tightened significantly

following the collapse of Lehman Brothers, as counterparties lost trust in one another and banks hoarded liquidity. Following forceful interventions by the authorities to provide additional liquidity in the system (both in Hong Kong and around the world) and the Hong Kong Monetary Authority's (HKMA) provision of blanket deposit guarantees in October 2008, stress in the banking system has eased considerably. However, banks remain reluctant to lend to their customers, and have significantly tightened lending standards, as the risks of default have increased with the economies of Hong Kong and neighbouring southern China experiencing slowdowns. The outstanding loan balance in the banking system was little changed from August through November 2008, while loans for trade finance actually fell by 15% during the period.

Exposures to export-oriented SMEs in southern China top the list of concerns regarding Hong Kong banks. As major developed economies around the world succumb to recession in the aftermath of the financial crisis and their consumers rein in spending, demand for export goods produced in southern China has fallen for several consecutive months. There have been reports of a significant number of factory closures in southern China in the toy, garment, consumer electronics and other processing industries. The slowdown in export demand compounded the problems caused by the appreciation of the CNY and rising land and labour costs in the past few years. Hong Kong banks have sizable loan exposures to these export-oriented SMEs, having followed their customers across the border from Hong Kong, particularly in recent years. Despite the banks' recent efforts to impose stricter lending standards, problem loans are bound to increase as economic conditions deteriorate further.

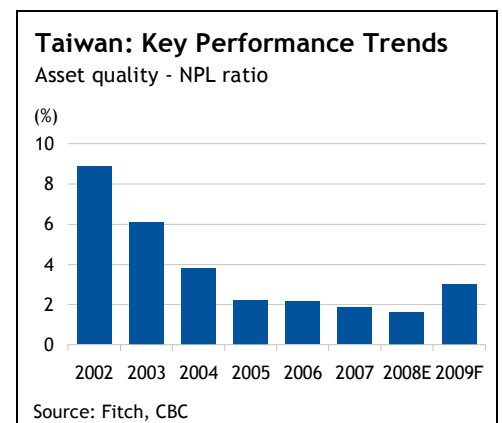
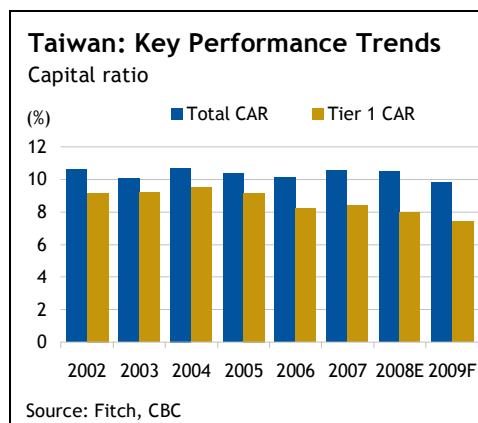
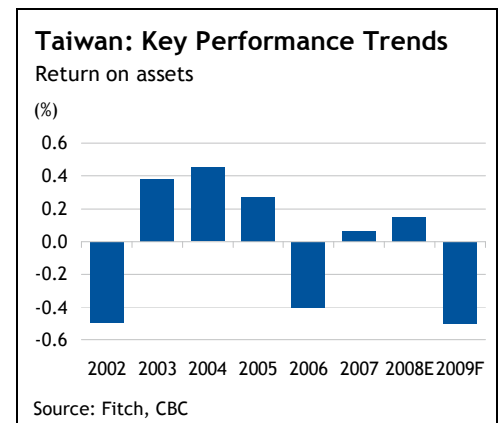
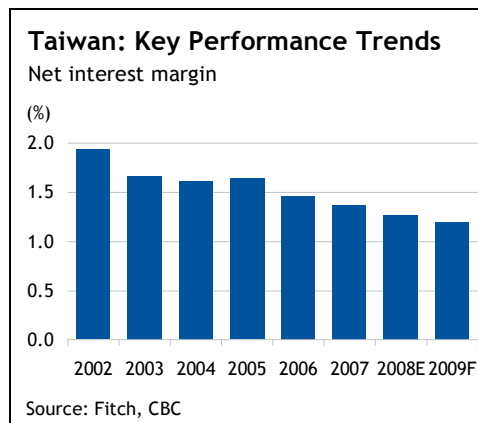
Other economic headwinds at home in Hong Kong, such as higher unemployment, declining corporate cash flows, and falling residential and commercial real estate prices, will also contribute to higher credit costs in 2009. Unemployment is expected to rise as the financial services, real estate/construction, and logistics/transportation industries reduce staff numbers under a more challenging operating environment, while commercial and residential real estate values have fallen by 20%-30% since Q208, and could fall further in 2009, as office vacancy and unemployment rates rise amid corporate retrenchment.

On top of rising credit costs, lower fee income will also pressure bank profitability in 2009. Banks have relied on fee income to supplement their revenue as their interest margins were compressed during the boom years from 2003 through 2007 amid abundant liquidity. However, as stock brokerage volumes decline, merchandise trade activities contract, and wealth management product sales languish following investors' sustained losses in 2008, all major sources of fee income are expected to decline in 2009. The lower fee income may well be compounded by slightly lower net interest margins (NIMs) as well. While higher spreads on loans should arise – especially on riskier SME loans – as banks regain bargaining power amid tight liquidity conditions, this will be limited by low loan growth and a focus on low-risk/low-yielding securities by the banks. Meanwhile, the current prevailing low Hong Kong Interbank Offered Rate (HIBOR) will also pressure NIMs of banks with surplus liquidity as interest rates on deposits have reached 0% and have no further room to fall.

Even though the outlook for Hong Kong banks is gloomy, banks in Hong Kong entered the financial crisis in relatively good financial health, with good asset quality (thanks to their historically prudent credit culture), reasonable profitability, and sound liquidity and capital positions. As such, although profitability and asset quality are both likely to deteriorate as the territory enters a recession in 2009, Fitch expects banks to survive this much more challenging economic environment without too much difficulty. As such, the outlook on their IDRs is generally Stable, albeit with some pressures particularly on Individual Ratings of certain smaller banks with more limited levels of underlying profitability and/or capitalisation.

## Taiwan

Taiwan's economy officially slid into recession in Q308 with GDP shrinking by 1% yoy, due to weakness in domestic spending and an acute contraction in trade activities. Fitch forecasts a 2.1% GDP contraction for 2009, which would be the first year of negative growth since the 2.2% fall in GDP in 2001 in the wake of the bursting of the "tech" bubble. The latest trade data indicates a much worse-than-expected decline in exports – a more than 40% yoy fall in December 2008. This was particularly steep relative to other Asian exporting economies, reflecting Taiwan's role as a major exporter of upstream electronic components and other processed commodities for use in further manufacturing in other neighbouring Asian countries (principally in mainland China) for re-exports to Western markets.



The severity of the economic downturn is forecast to drive Taiwanese banks' already weak profitability into the red (Fitch's net ROA forecast is -0.5%) in 2009 with the negative impact to be felt in interest revenue (owing to extremely low interest rates and stagnant credit growth) and an anticipated sharp rise in corporate delinquencies. NIMs are probably falling rapidly; they have a grim full-year outlook as the central bank has sharply reduced benchmark rediscount rates by 212.5bp since summer 2008 to 1.5%, while banks are being coaxed by the government to reduce mortgage rates and accordingly face rising idle funds mostly composed of high-cost time deposits locked in from Q408.

NPLs are lagging indicators of banks' asset quality. The system NPL ratios, which have been on a multi-year decreasing trend, were mostly still declining steadily throughout 2008; only in November 2008 did the trend begin to reverse. The system NPL ratio edged up to 1.6% at end-November 2008 (1.54% at end-October 2008) and is forecast by Fitch to rise further to 3% in H209, based on the experience of delinquencies in the previous economic downturn and observations of increasing economic stress in the corporate sectors. The agency also takes into account the

generally more conservative corporate balance sheet in this downturn. Fitch forecasts that loan loss provision (LLP) costs will nearly triple to about 103bp of assets in 2009. Last but not least, evaporating wealth management fees (about 20% of total banking fees) amidst widespread bearish investment sentiment will also contribute to the fall in profits in 2009.

System loan growth has been tepid at 2%-3% in the past three years. The previously fast-growing mortgage book moderated to 7% in 2007 and about 2% in 2008 from 11%-16% in 2004-2006 as banks turned cautious after the twin-cards (credit and cash cards) crisis that erupted in late 2005. Household indebtedness was managed down in the wake of the cards crisis. Prospects of loan growth in 2009-2010 are likely to be grim (-3% is forecast for 2009) as large industrial leading corporates (upstream technology manufacturers in semiconductor and LCD panel industries in particular) trim capacity investments and banks are too wary to lend to SMEs.

“DRAM” makers (involving total outstanding bank borrowing of nearly TWD200bn (approximately 10% of system bank equity), property developers and construction companies are the weakest corporate borrowers. Market information indicates that the government is biased toward extending state support to the DRAM companies through loan restructuring, which is likely together with direct fund injections. Given the Taiwanese government’s reputation for being interventionist, DRAM companies are likely to survive in the near-term and a short, sharp and painful resolution of the troubled sector is less likely in the next year or two. Property developers and construction companies are experiencing increased financial pressure as property transactions and prices fall. However, Fitch expects property-related corporate defaults to be more contained this time than during the previous property market downturn in the late 1990s as the industry has generally operated with more conservative leverage through the current cycle.

Taiwan bank system capital ratios have been generally steady in the past few years with Tier 1 and total CARs at 8.11% and 10.59%, respectively. Despite the moves by many developed markets’ banking regulators to raise the bar on the minimum core capital level, most Taiwanese banks are satisfied with their current levels of capitalisation, although they are not high by international standards, and there is no indication that the local regulators will raise the capitalisation demand. Some banks continue to operate on a thin margin above the minimum required capital level of 8% total CAR. The Financial Supervisory Commission (FSC) revised the Banking Law in December 2008 to allow the seizure of any bank with a total CAR that falls below the seemingly very modest level of 2%.

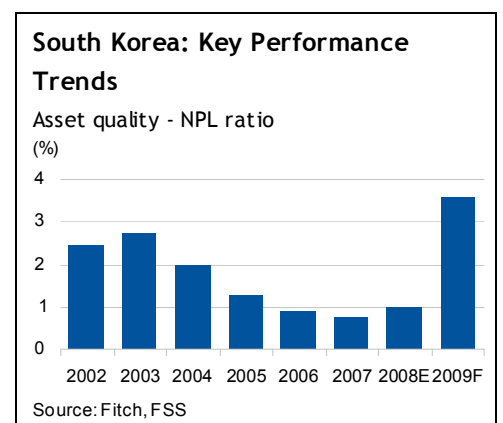
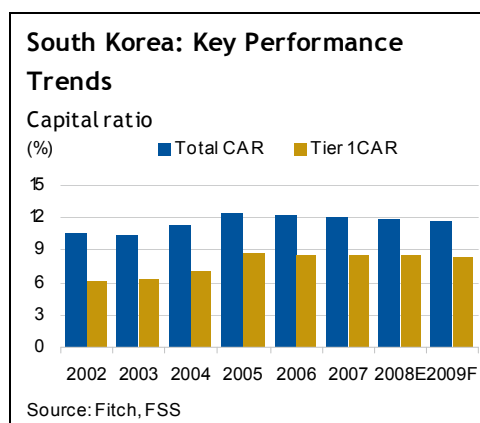
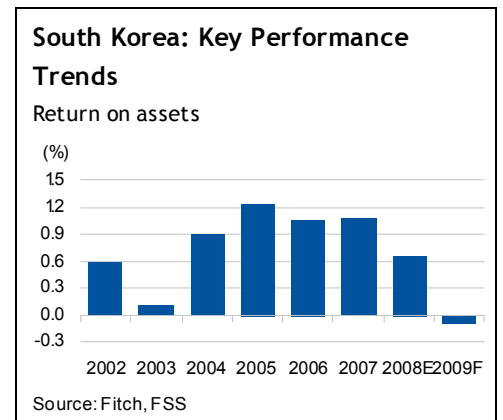
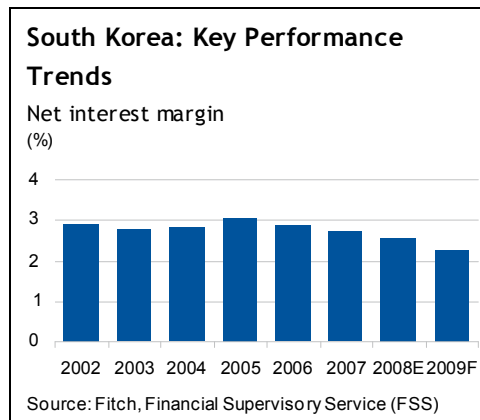
Despite the system’s overall not strong capitalisation, the liquidity glut in the banking system has continued to support weaker banks’ viability. The system average loans-to-deposits and statutory liquidity ratios were comfortable at 81% and 20%, respectively, at end-September 2008. Some weaker private sector banks were indeed suffering from a ‘flight-to-quality’ deposit outflow following Lehman Brothers’ fallout in September 2008. The subsequent offer of a blanket guarantee by the government including interbank placements and foreign currency deposits, effective from October 2008 to end-2009, helped prevent continued outflows. However, Fitch believes the pressure to exit continues to mount on the market’s weaker players and further consolidation is likely.

## South Korea

While South Korea’s economy and its banks held up well during the first three quarters of 2008, after the collapse of Lehman Brothers the banks began to be sharply affected by a lack of foreign currency liquidity amidst the global credit crunch, and the national economy began to slow notably on the back of slowing global growth. As a result, Fitch now forecasts a 2.4% contraction in the country’s GDP for 2009. Meanwhile, for South Korea’s commercial banks, Fitch expects a moderate level of overall net losses to be incurred (negative net ROA of 0.1%,

versus an estimated positive ROA of 0.7% for 2008), largely due to a substantial increase in credit costs given the negative GDP growth, especially from certain particularly weak sectors of the economy.

While asset quality at South Korea's commercial banks was very good in early 2008 (with an historically low NPL ratio of just 0.7% at mid-2008), quality issues were already beginning to arise with a number of construction companies looking weak, and as the banks reported losses on structured securities and derivative positions like the knock-in-knock-out (KIKO) forwards. This was undoubtedly compounded in H208 with the intensification of the global credit crunch, which resulted in much tighter domestic liquidity for South Korean banks and therefore also its corporates, both in KRW and foreign currency. In addition, while these pressures have been and continue to be alleviated somewhat by government measures: including intervention to support the KRW; a sharp cut in policy interest rates (to 2.50% from a high of 5.25% in early October 2008); the establishment of special SME lending programmes as well as a KRW10trn bond stabilisation fund; and the provision of foreign currency to the banks (supported by backup facilities from the American, Chinese and Japanese governments); South Korea's export-oriented economy is still bound to slow considerably on the back of lower general demand in the US and elsewhere. This will be compounded by the weaknesses in its construction industry, a slowdown in shipbuilding activities, and considerable consumer debt levels. Nevertheless, the government's measures are clearly helping, by ensuring some flow of both KRW and foreign currency liquidity, and by keeping interest rates lower than would otherwise be the case, which should in turn keep credit costs for the banks to a manageable level.



Nevertheless, NPLs/credit costs are still expected to increase sharply in 2009 due to the poor performance of certain industries, and particularly the SMEs operating in those industries. This is especially so for the property development/construction industries and to a lesser extent the shipbuilding industries, where very strong

growth in recent years has led to an excess of capacity/supply/inventories with the backdrop now for particularly weak demand. Indeed, the potential for some large corporate groups facing significant difficulties does exist. When and to what extent such problems feed into higher NPLs/credit costs may become particularly difficult to forecast if and as the authorities grant regulatory forbearance to the banks. Notably, banks are believed to be already now rolling over potential problem loans without requiring a partial redemption, as opposed to previously more conservative practices. Taking these factors into account, Fitch forecasts a rise in the reported NPL ratio for South Korea's commercial banks to 3.6% by end-2009.

Unlike their counterparts in most other Asian countries, South Korea's government has not put in place a deposit guarantee. It has offered to give banks access to part of its foreign exchange reserves and has offered to guarantee international bond issues, although no Korean commercial banks have made any such issues as yet.

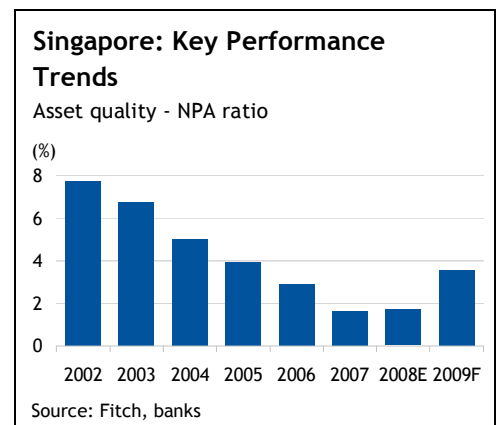
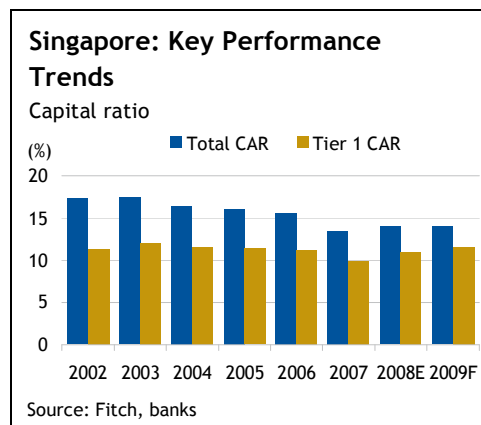
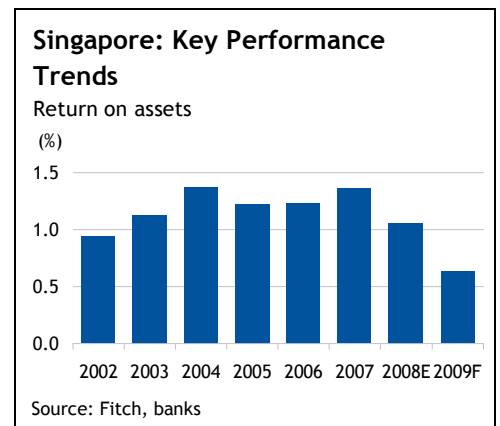
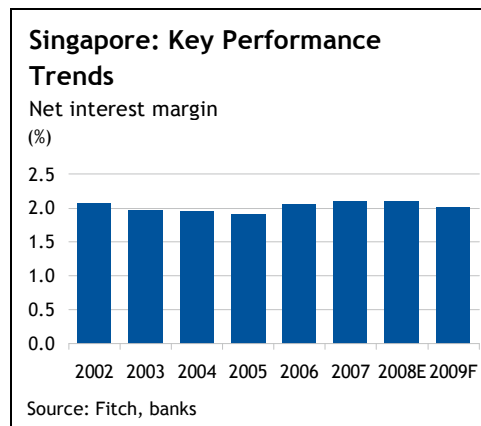
Meanwhile, NIMs for South Korea's banks have contracted since end-2005 as they have competed aggressively for loans, and increased them strongly, requiring them to also aggressively compete for deposits, which in turn was compounded by a significant level of deposits being diverted to higher yielding investments provided by wealth management companies. Clearly there is now likely to be a reversal in all these factors, with loan pricing power in particular very much shifting back towards the banks. Nevertheless, it will take time for the banks to reprice their existing loans. Meanwhile, the booking of new loans will likely be very limited, while investments in relatively low-risk/low-yielding securities may well be considerable. Finally, initially at least, bank margins will come under pressure as interest rates decline given that their liabilities have a longer duration than their assets. In addition, ultra-low interest rates, which now seem likely, are also generally negative for bank margins, although how long these persist remains to be seen. As a result, Fitch expects some further modest contraction in NIMs in 2009.

South Korea's banks began implementing Basel II in 2008. Thanks to the use of the Foundation Internal Rating Based (IRB) approach for credit risk by certain larger banks, the tendency of Basel II was to increase their overall Tier I CAR and total CAR, by an average of 40bp and 26bp, respectively. Otherwise, however, the banks' capitalisation came under considerable pressure in 2008 due to their strong loan/asset growth, which was partly inflated by the appreciation of their foreign currency assets on the back of KRW depreciation. Other factors were a share buyback by Kookmin, South Korea's largest bank, as well as losses on investment securities, and lower profitability due to margin contraction and higher credit costs. As a result, the banks' Tier I and total CARs declined to 8.24% and 10.66%, respectively, at 30 September 2008, versus 8.45% and 11.95% at 31 December 2007. The banks, however, began to substantially shore up their capital in Q408, with some likely to have met the authorities' request for Tier I and total CARs of 9% and 12% in the short term. It is expected that those that cannot achieve these levels will have to make use of the government's KRW20trn Capital Enhancement Fund (CEF), which is due to be set up in several weeks. For end-2008, Fitch estimates Tier 1 and total CARs of 8.6% and 11.9%, respectively, with a moderate decline forecast for 2009, to 8.3% and 11.7%, respectively, assuming the KRW remains at 1,300 to the USD, that the stock and bond markets remain reasonably stable, and that the CEF is available for banks to make up any shortfalls arising from unexpected one-off losses.

## Singapore

After four years of strong growth (average GDP growth of 7.6%), Singapore's economy is now in a recession after its GDP contracted by 0.6% and 2.6% in Q308 and Q408 yoy, respectively. From a positive 2.0% in 2008 (2007: +7.7%), Fitch forecasts that the country's GDP growth may contract by 1% in 2009 although the probability of further downward revision has increased in recent months. Amidst a tougher operating environment, the three local banks' asset quality will inevitably

deteriorate, although this is not likely at this stage to entail a mass rating downgrade. This is primarily due to the strong buffer that all local banks have built in the form of solid levels of high-quality capital, and provision cover in excess of 100% of non-performing assets (NPAs). As a result, while the performance of Singapore banks would weaken, the rating Outlook on balance remains Stable. However, Fitch will monitor their creditworthiness closely and review its stance should the recessionary conditions in Singapore and the rest of the world deepen and be more protracted than the agency's current expectations. Nonetheless, Fitch believes that local banks will continuously take proactive measures, such as more capital raising if necessary (as already evident), to keep their balance-sheet strength intact.



Amidst a difficult operating environment, Singapore banks' performance has understandably moderated, although some minor improvements were nevertheless noted in 2008. NIMs of 2.13% in 9M08, for example, were slightly higher than the 2.11% in 2007 due to some loan repricing and low deposit funding costs. However, over the same period, net ROA of Singapore banks fell to 1.13% from 1.36% due to weaker non-interest income and to some extent, higher loan-related provisions. Fitch forecasts that 2009 ROA will fall further to around 0.7% as credit costs are expected to rise markedly from their relatively low levels over the past three to four years.

This is in line with the agency's expectation of a significant weakening of asset quality – albeit from a very healthy level – amid the difficult credit conditions. The average NPL ratio among the three local banks was still low at 1.39% at end-September 2008, partly due to strong loan growth although there has been a rise in NPL formation rates. While most industries are expected to see a rise in delinquencies during 2009, the broad property and construction segments (including residential mortgages), which have grown rather rapidly over the past two to three years to about 50% of the system's domestic loans, may be more vulnerable. Amid

recessionary conditions in Singapore, SMEs operating in the manufacturing and general commerce sectors, which account for another 15% of loans, may also be more prone to credit deterioration than larger corporates, although recent government initiatives such as the SME guarantee scheme may help mitigate this somewhat. The expected rise in unemployment rates (from very low levels over the past few years) would also result in some deterioration in the consumer loan portfolio, including residential mortgages, thereby indicating a broad-based asset quality deterioration across all segments.

Taking all the above into account and the fact that NPLs are still very low, Fitch believes that absolute NPLs for Singapore banks may more than double in 2009, resulting in an estimated NPL ratio of 3.5%-4.0% by end-2009. If the widespread impact of this economic downturn results in some major corporate bankruptcies, the gross NPL ratio may turn out to be even higher. Notably, Singapore banks have already classified some non-performing CDO investments which contributed to a higher NPA ratio of 1.66% at end-September 2008. On the positive side, the ABS-CDO portfolio has prudent reserve levels (91% on average) while capital impairment risk arising from corporate CDOs and other structured products appears low as the unreserved exposure (after 28% reserve coverage on average) as a proportion of equity ranged between 0.4%-4.0% among the local banks at end-September 2008.

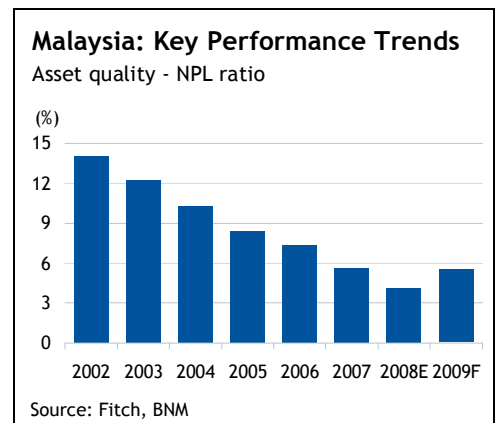
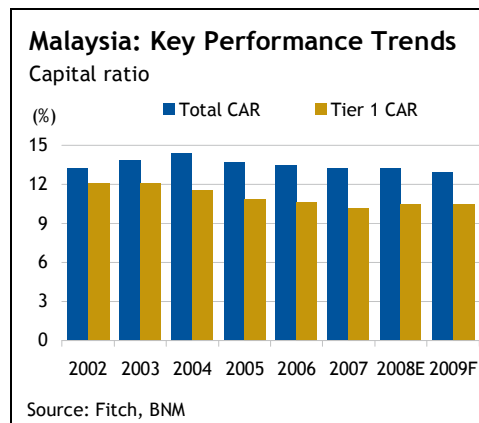
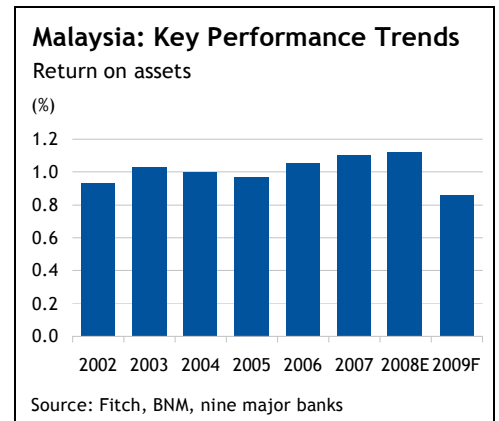
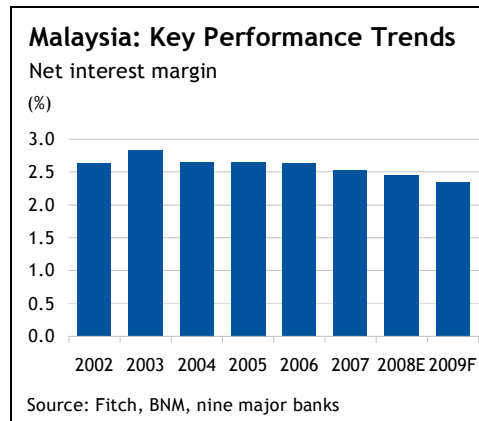
Despite the turbulent environment in which fundraising has become extremely difficult, the three Singapore banks proactively raised preference shares totalling SGD5.3bn (1.3% of risk-weighted assets) in 2008, resulting in a higher Tier 1 CAR of 11.3% at end-September 2008 (end-2007: 9.9%) and thereby an enhanced loss absorption ability. Such moves demonstrate the importance that banks attach to capital preservation in periods where the economic outlook is uncertain, which was in contrast to the capital efficiency objectives which were being previously pursued. Although hybrid Tier 1 securities (which are very equity-like) comprise a fairly large share of Tier 1 capital at around 20%, the core equity/risk-weighted assets ratio nevertheless remained solid at 9.3% on average for the local banks at end-September 2008. DBS Group Holdings, which had the lowest ratio of the three banks at 7.7%, is in the process of raising SGD4bn through a rights issue to further fortify its capital position. This will bring DBS's capital ratios in line with those of its peers. The maintenance of a solid capital position has historically been one of the key factors supporting the local banks' strong solvency position and high credit ratings, and this strength has been one of the main reasons for Fitch to continue to maintain a Stable Outlook on them in these turbulent times.

Singapore banks have not faced significant liquidity constraints and the Monetary Authority of Singapore (MAS) has been vigilant in ensuring that domestic liquidity conditions remain stable. The MAS has been injecting liquidity to stabilise the local interbank market, which had tightened considerably towards end-September 2008. In addition, in a move to maintain market confidence and ensure deposit stability in the banking system, the MAS announced a similar temporary (until end-2010) blanket deposit guarantee to Hong Kong and Malaysia in mid-October 2008, despite the absence of any distress faced by the Singapore banks. Fitch does not have any major concerns with the liquidity position of the local banks – particularly in local currency – in view of the domestic banking system's comfortable loan/deposits ratio (LDR) of 79% and its statutory liquid assets ratio of 18.4% at end-November 2008. Similarly, the funding profile of Singapore banks is believed to be more stable than some other banking systems more reliant on wholesale funds, as "more sticky" retail deposits form the bulk of non-bank deposits at around 50%.

## Malaysia

Malaysia's economy and financial sector may have held up fairly well for most of 2008, but they are not immune to challenges from the more difficult market conditions which are increasingly spilling over into the real economy. As one of the more open economies in the Asia-Pacific region, and after taking into account the

impact of the proposed economic stimulus package, GDP growth in Malaysia is estimated to fall sharply to 1.5% in 2009, from an estimated 5.8% for 2008 (2007: 6.3%). Political issues – although they have abated somewhat in recent months – remain a source of potential instability. In addition, as for most banking systems, rising delinquencies and lower profitability are expected against the backdrop of a more difficult operating environment during 2009. On balance, the rating Outlook still remains broadly Stable as Fitch believes that most Malaysian banks also have a reasonably good loss-absorption buffer thanks to the satisfactory capital position and fairly high NPL reserve levels they have built up over the years.



Volatile market conditions during 2008 resulted in lower income from treasury and asset management businesses, which in turn resulted in the average pre-provision ROA of the nine local banks declining to 1.83% in 9M08 from 1.95% in 2007. However, thanks to much lower LLPs, pre-tax ROA increased to 1.47% from 1.44% in the same period, and the full-year ROA for 2008 may well end at around the same level as in 2007. However, asset quality will likely deteriorate during 2009 and even after taking into account the fairly high NPL reserve coverage, credit costs may still rise to slightly more than 100bp in 2009 from an estimated 60bp in 2008. This would in turn result in weaker profitability for Malaysian banks, although most local banks have reasonably good earnings capacity to absorb such modest loan losses. Pre-provision ROA in 2009 is likely to moderate, although it should still be satisfactory at 1.6%-1.7% of average assets; net interest income and fee income, which together comprise 80%-85% of total income, are likely to provide some stability to the earnings profile of Malaysian banks. This takes into account the slightly lower NIM levels due to competition and possible interest rate cuts by Bank Negara Malaysia (BNM) during 2009 to support economic growth.

The net NPL formation rate of the local banks remained negligible until September 2008, thanks to still good recoveries, one-off NPL sales and early measures to keep new NPLs low. This, together with further write-offs, resulted in the system's gross

NPL ratio declining to 4.3% at end-November 2008 from 5.6% at end-December 2007. Nevertheless, as previously stated, Fitch expects delinquencies to rise as credit conditions are expected to be increasingly difficult over the next 12-18 months. With consumer loans comprising 50%-55% of total loans, a key threat to loan quality is a widespread unemployment scenario. Such risks however could be partly mitigated by the fact that the economy is expected to still show some modest positive growth in 2009. Further reductions in interest rates may also somewhat help ease asset quality pressure. Indeed, Fitch's projected gross NPL ratio of 5.5% by end-2009 suggests that the deterioration in loan quality should be fairly manageable. It is noteworthy that since the Asian financial crisis in 1997/1998, associated risks arising from a concentrated loan book have become less of a concern for Malaysian banks, although in the unlikely scenario of several corporate bankruptcies, the downside risk to asset quality would increase significantly.

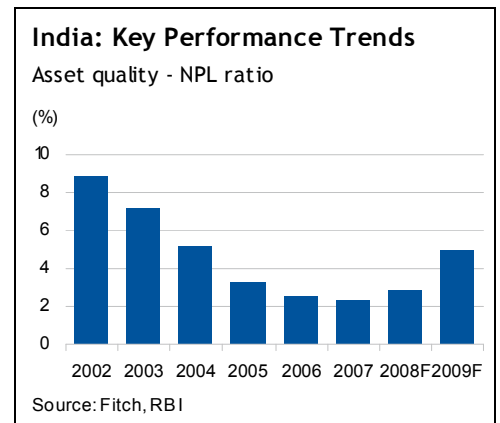
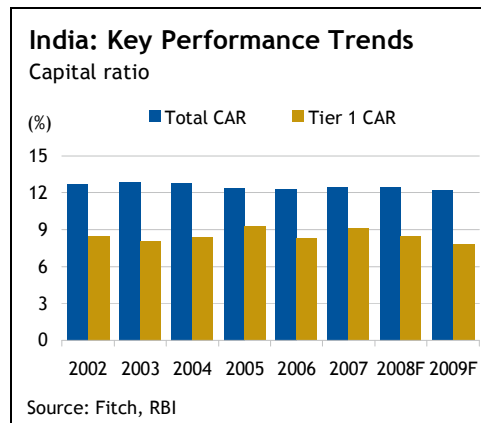
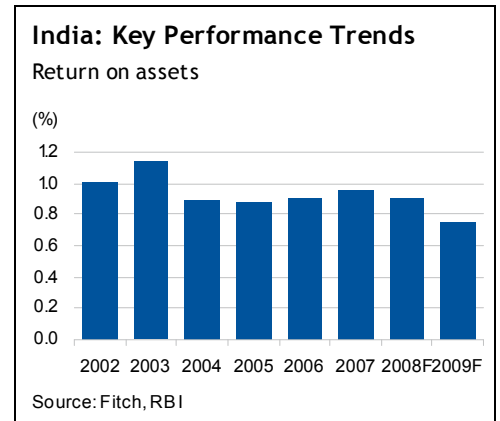
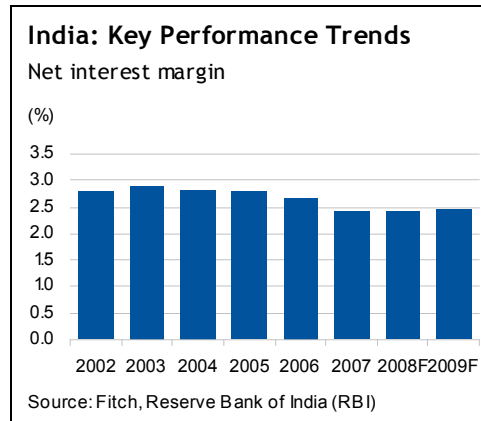
Thanks to the industry-wide consolidation over the years, improved risk management systems and higher NPL reserve coverage of 85%, the solvency position of local banks has markedly improved since the Asian financial crisis with an average net NPL/Tier 1 capital ratio of only 5% at end-September 2008 (end-1998: 105%). Assuming minimum NPL reserve coverage of 60%, Fitch's stress testing reveals that the NPL ratio would need to increase sharply to 11%-12% (from slightly more than 4% at present) before the minimum capital ratios go below the regulatory minimum. The probability of such massive deterioration occurring over a relatively short period seems fairly low at this stage. Moreover, a higher level of loan losses is more likely to have an impact on profitability than on capital. As a result, the capital position of the local banks should remain broadly satisfactory in 2009 and roughly in line with Tier 1 and total CARs of 10.4% and 12.5%, respectively, at end-November 2008. As a percentage of risk-weighted assets, core equity (excluding hybrid securities and preference shares) in the banking system was still quite good at 8% on average at end-September 2008 (end-2006: 9%). Nevertheless, some specific institutions may need to bolster their core equity position in 2009 to preserve their credit profile. For example, Malayan Banking Berhad (rated 'A-' / Rating Watch Evolving) after three consecutive acquisitions in 2008 alone, and having already raised large amounts of quasi-equity, may consider raising common equity, which if successful, would help to support its current ratings and will also raise the proportion of core equity in the banking system.

BNM also introduced a temporary (until end-2010) blanket deposit guarantee (together with Singapore and Hong Kong) in mid-October 2008 as a pre-emptive measure to ensure the stability of the financial system. Liquidity in the local currency market continues to be comfortable, but there have been some difficulties in sourcing USD liquidity over the last few months. Nonetheless, Fitch notes that the local banks have relatively low reliance on wholesale funds (including subordinated debt and hybrids), which are mostly sourced from the local market. As a result, the system-wide LDR remained comfortable at 77% at end-November 2008. Overall, the agency does not have any major concerns with the funding and liquidity profiles of the local banks.

## **India**

Indian banks have experienced asset quality problems over the past 12-18 months in certain specific segments such as unsecured consumer loans, agriculture and other farm-related loans, but their NPL ratios have still been low, and their performance indicators held up reasonably well until September 2008 (when the latest data is available). However, the slowdown in industrial activity – which has been evident for the past several months, and which may be further exacerbated during 2009 – raises more serious asset quality concerns for Indian banks in future. The profitability of both the corporate and the SME sectors has already been affected by shrinking operating margins, and some have also been affected due to the volatile foreign currency movements that have resulted in mark-to-market losses on

derivative transactions. Nevertheless, most Indian banks, thanks to their generally diversified loan portfolio are expected to absorb the effects of the downturn during the next 12 months without significant damage and large-scale rating downgrades are not foreseen at the moment. This of course is based on the premise that the corporate scandal involving a high-profile Indian outsourcing company is an isolated case, and discrepancies between the reported and actual financial position of Indian companies are not a system-wide phenomenon.



However, some banks with regional or sectoral concentrations (such as property-related exposure) may face greater asset quality stress that could affect their standalone Individual and/or national ratings, particularly the ones which registered very high loan growth in recent years. In addition, specific loan loss reserves (LLRs) cover for the banking system has slightly declined over the last two years (FY08: 53%), which may result in capital impairment risk if asset quality were to dramatically deteriorate. Meanwhile, several Indian banks' international ratings are either linked with that of the sovereign or are at the sovereign ceiling, and may be affected should there be a revision in the sovereign ratings. Overall, Fitch maintains a Stable outlook on most Indian banks although with a greater negative bias than that in a more stable environment.

Between December 2004 to January 2007 when the credit environment was benign and loan growth extremely high, the central bank (Reserve Bank of India, RBI), as part of some 'counter-cyclical' measures, had increased the risk-weights and general provisioning requirement on certain risky credit segments, including on commercial real estate and unsecured personal loans. However, in November 2008, in a move which may be seen as a form of regulatory forbearance, the RBI lowered the general provisioning requirements on some such vulnerable segments from a previously more conservative 2.0% to 0.4%. It also simultaneously lowered the risk-weights on new commercial real estate and unrated corporate exposures to 100% from 150%, which together with the lower incremental general provisions appears

less prudent when LLRs and capital cushion should arguably be higher in times of economic difficulties.

Paradoxically, loan growth for the banking system has remained high (until September 2008) even as economic activity has slowed down, largely to meet the funding gap that corporates face due to the drying up of offshore capital market borrowings. Anecdotal evidence suggests that banks have become quite wary of lending after the collapse of Lehman Brothers in mid-September 2008, although recent government actions including aggressive monetary easing seem to be directed to ensuring adequate flow of bank credit to creditworthy borrowers. Nevertheless, some tempering of loan growth is expected as banks turn cautious in 2009, although it would still likely be 15%-20%. Consumer loan demand had already fallen in 2008 due to rising interest rates and creeping asset quality problems. While RBI has reduced repo rates by 350bp since November 2008 in a bid to stimulate demand, banks are yet to pass on the full benefit to consumers, whose confidence also remains low due to the economic slowdown.

As previously mentioned, asset quality is susceptible to corporate defaults, but so far this portfolio has performed very well. In future, “reported” NPL ratios may be understated due to regulatory forbearance extended to ‘restructured’ accounts that are permitted to be classified as performing, though Fitch will continue to adjust for these since a prolonged and deeper than expected slowdown could lead to a large proportion of these being classified as NPLs over the next two to three years. Nevertheless, the overall diversity of the banks’ loan portfolio should help contain the asset quality deterioration, and Fitch believes that the “real” gross NPL ratio in 2009 is unlikely to be significantly above 5% (2.3% at September 2008).

Higher NPL levels would raise specific provisions, particularly as NPL coverage has declined over the last two years. Rising credit costs in the system along with wage increases in government and ‘old’ private banks (together accounting for 74% of system assets) as part of a negotiated settlement would negatively affect the banking system’s ROA, and would likely offset the benefits of slightly wider NIM and mark-to-market gains on the government securities portfolio accruing from falling interest rates during 2009.

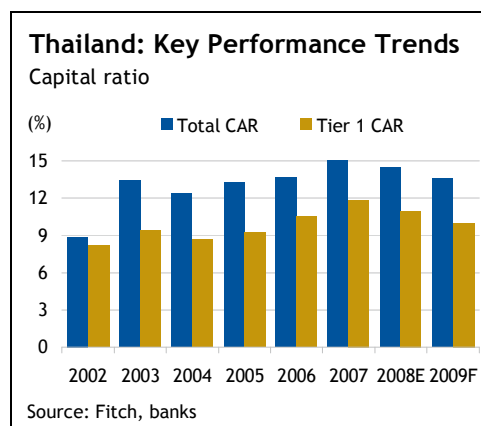
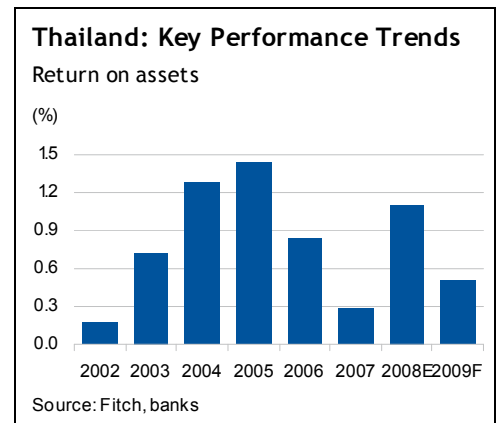
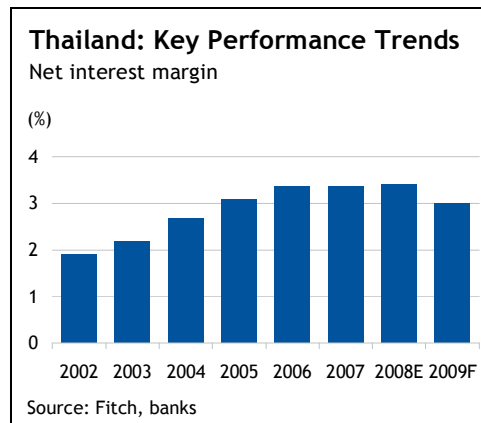
The government has announced a minimum total CAR of 12% for all government banks (average 12.5% at end-March 2008) and plans to inject INR200bn (USD4bn) over the next two years, if necessary. While this would provide some comfort given the banks’ own limited ability to raise equity under the current difficult market conditions along with shareholding restrictions in government banks, the proposed injection will only be about 0.64% of risk-weighted assets in the system and would only be the first step towards recapitalising banks if an asset quality crisis were to develop. The banking system’s Tier 1 ratio of about 8.5% at end-September 2008 was fairly satisfactory and comprised almost entirely (close to 95%) of common equity, giving banks reasonable headroom to raise hybrid Tier 1 and Tier 2 capital from the domestic markets to absorb unexpected loan losses and to fund growth in 2009. However, in the case of certain government banks in which the government shareholding is close to the statutory minimum of 51%, raising common equity may not be possible over the next two to three years unless minimum shareholding norms are revisited for public sector banks.

Indian banks generally have a stable funding profile, with almost 80% of their liabilities funded by deposits, and high statutory reserve requirements which results in their satisfactory liquidity position. Liquidity conditions, which had tightened due to the global financial turmoil, have subsequently eased thanks to the aggressive monetary policy stance taken since October 2008 and RBI’s commitment to provide foreign currencies to local banks for maturing offshore borrowings. Importantly, and possibly due to the fact that the reliance on foreign currency denominated borrowings is limited among Indian banks, confidence in the domestic banking

system, despite some minor hiccups, has largely remained intact. Therefore, the government has not seen the need to introduce a blanket deposit guarantee scheme, a measure seen in many banking systems. That said, during the turbulent period over the last few months, there have been a few instances of deposit outflows from some private banks to government-owned banks. This has led to the possibility of an increase in the maximum insured amount under the local deposit insurance scheme (currently at only around USD2,000), which is reportedly being examined by the authorities.

### Thailand

In December 2008, Fitch revised the international rating Outlooks for most banks to Negative from Stable, followed the revision of the Outlook on the Kingdom of Thailand's international foreign and local currency IDRs to Negative from Stable. The banks' international rating Outlooks are affected by the projected large decline in Thailand's GDP growth to -1.1% in 2009, which could materially affect the health of bank system. Fitch believes the Thai economy is facing a challenging period, as external demand is expected to weaken in line with global economic deterioration and prolonged political instability.



After the poor results in 2006 and 2007, which were affected by large LLPs, Thai banks' performance improved significantly in 9M08. Overall, Thai banks' 9M08 results remained resilient and had not yet been affected by the global financial troubles. Most Thai banks reported stronger yoy performance with the major banks' ROA rising to 1.29% in 9M08 from 0.28% in 2007 due to the lower cost of deposit and fewer LLPs. Major banks like Siam Commercial Bank (SCB) and Kasikornbank (KBANK) continued to report solid performance with net profit up 30.4% and 10.3% yoy, respectively. While Bangkok Bank's (BBL) performance was affected by impairment expenses from investments in Lehman Brothers Holding's debt securities, the bank was able to maintain its net profit of THB15.3bn in 9M08.

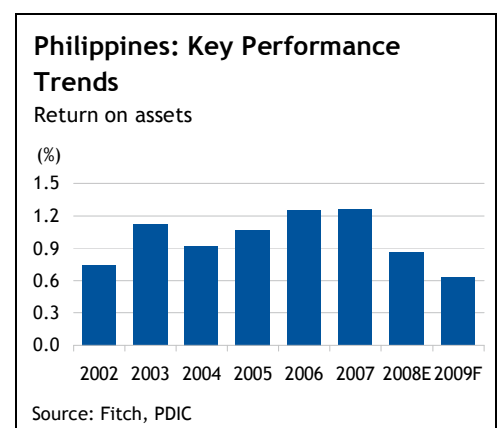
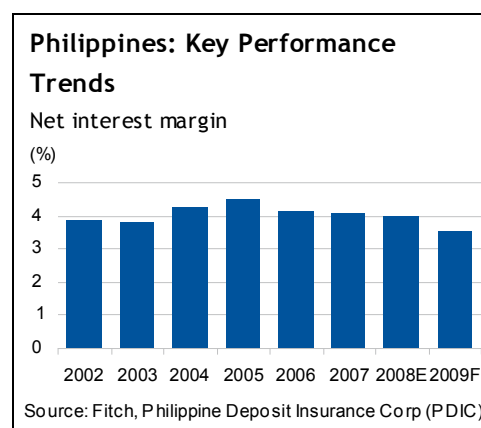
BankThai (BT) was the only bank that reported a net loss in 9M08, which mainly resulted from a loss on its CDO revaluation in H108. Most banks appear to have adequate reserve levels, although Krung Thai Bank (KTB) still has relatively low LLR coverage of around 40% of NPLs, implying the risk of further significant provisioning. At end-September 2008, the average capital ratios increased slightly from end-2007 to 15.6% of risk-weighted assets. Capital ratios are expected to decline by about 100bp due to Basel II and asset growth.

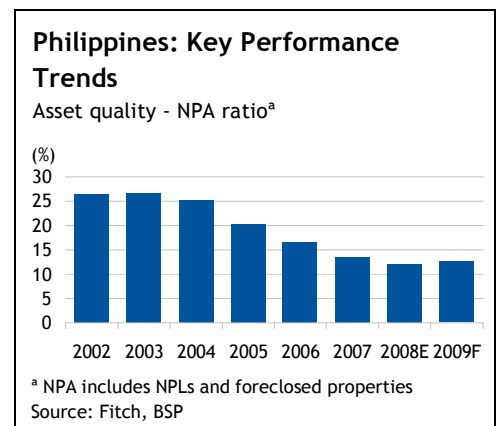
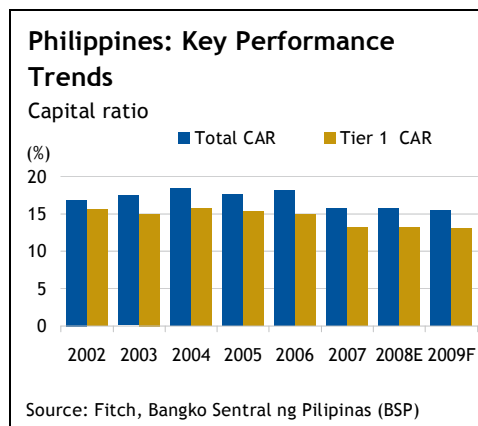
In 2009, Fitch expects the profitability of the banking system to weaken due to slower loan growth and rising provisioning costs. The major banks' ROA is expected to be about 0.5% in 2009. Loan growth in 2009 is expected to slow to about 3.5% compared with the projected 8% in 2008. Consumer loan growth, particularly autos and mortgages, is likely to fall sharply due to the weak economic environment. Margin pressures remain in 2009 due to an expected decline in loan growth, although funding costs could be lower. At end-September 2008, the average NPL ratio fell slightly to about 8% due to NPL disposals and loan restructuring. TMB Bank (TMB) still has relatively high NPLs of 16.5% at end-September 2008 with LLR coverage at 68.2%. The higher reserve coverage should support the acceleration of NPL sales and resolutions of NPLs in the next two years. Fitch expects the overall system's NPL ratio to rise to about 11% at end-2009. The increase in the NPL ratio is largely in light of the weakening credit environment and the domestic economic slowdown.

The system LDRs are fairly moderate at about 90% and the liquid assets ratio is about 20% while some smaller banks have higher LDRs and weaker funding structures. The protection for deposits under the new Deposit Protection Agency Act should help maintain funding stability over the next three years. Fitch expects further consolidation in the banking system as the global financial crisis could add to the pressure to bolster the franchises of some of the smaller banks and present opportunities to the more strongly capitalised banks to acquire a foreign bank portfolio.

## Philippines

The Philippine banks under Fitch's coverage are rated in the 'BB' category, similar to the sovereign, which still faces many fiscal constraints. The prospects for local banks are considered to be negative with weaker profitability and asset quality anticipated amid the economic slowdown. However, the rating Outlook is still Stable as those operating environment related risks are generally well-supported by the local banks' capital position.





Considering that credit demand had been anaemic for many years until 2005, Philippine banks have channelled most of the excess liquidity into government papers and money market placements. As a result, the balance sheet of the Philippine banks has been relatively liquid with the system's LDR at 60%, and short-term liquid assets and other financial assets to deposits of 21% and 31%, respectively at end-H108. The stability of the major local banks' deposit base seems so far unaffected by the global liquidity crunch, despite the delay in the enactment of a higher deposit insurance ceiling or the absence of a blanket guarantee mechanism similar to that in force in some other Asian countries. In addition, encouragingly, funds from the debt capital market appear to still be available for the better rated banks, such as Bank of the Philippine Islands, which raised subordinated notes from the local market in November 2008.

Good trading returns from the long-tenure government paper portfolio, which underscored the banks' above-average ROA in 2005-2007, diminished in H108 due to rising yields against the backdrop of interest-rate hikes (as a monetary response to ease inflation pressures) and higher credit spreads, particularly for sub-investment-grade sovereigns like the Philippines. Nevertheless, some banks managed to partly offset the sudden reversal in treasury fortunes with new corporate loan disbursements in H108 (albeit they were one-off in nature) and sustained fee income during 9M08. In order to support economic activity in the Philippines, the central bank is likely to introduce more interest rate cuts in 2009, the impact of which may result in lower NIMs, but rising trading gains. However, ROA on a net basis is expected to trend downwards further to 0.6%-0.7% for 2009 due to higher credit costs and a much lower level of economic activity.

The system's NPLs were near historically low levels at 5.2% of total loans and well-reserved at 84% at end-H108. However, Philippine banks are slow in disposing of foreclosed properties (which have since 2002 stagnated at around PHP200bn) and have made low reserves on them. Regulatory measures to encourage disposals such as a higher risk-weight under Basel II and tax and stamp duty relief under the SPV Act (which expired in May 2008) have shown little progress. Fitch estimates that a complete write-off of foreclosed assets would impair capital by 40%, and the impact for the lower rated banks would be close to twice the average. NPLs are now likely to rise in 2009 amid the challenging market conditions with vulnerability arising from a concentrated loan book – corporate loans account for 60%-70% of total loans. On balance, such risks could be somewhat mitigated by the fact that Philippine corporates may not have leveraged much considering that loan activity in the banking system only picked up between 2006 and H108. Given the capital impairment risk arising from foreclosed properties together with some weakening in loan quality, the seemingly high capital ratios, with Tier 1 and total CARs estimated at 11% (mostly core equity) and 15%, respectively, at end-September 2008, may well be warranted to absorb unforeseen losses.

## Indonesia

Notwithstanding the strong 9M08 performance among the larger domestic Indonesian banks, earnings and asset quality will be significantly challenged in 2009 with the global economic slowdown. Specifically, Indonesia is likely to face substantial deterioration in loan quality with the much weaker growth prospects. Fitch expects the industry gross NPL ratio to rise to about 5.5%-6.0% in 2009 from 3.9% at end-September 2008, which imputes a more than 50% rise in absolute NPL levels in 2009. While the banks have achieved some degree of diversification into retail-based loan segments in the post-Asian crisis period (versus a concentration in corporate loans pre-crisis), potential lumpy NPLs given the higher risk of corporate defaults could further pressure NPL ratios in 2009 and possibly, in 2010. Unlike some of the other regional markets, however, there should be less pressure from a decline in property prices as the pace of the price increase has been moderated by oversupply in the last few years as well as restrictions on foreign ownership of land and strata-title properties. Growth in home credit has also been from a low base with housing loans accounting for about 30% of consumer loans (with total consumer loans accounting for about 20% of total system loans or about 6% of GDP).



The once high capital ratios of the Indonesian banks have come under some pressure with the rapid loan expansion in the last several years. Tier 1 and total CARs at several of the larger domestic banks tracked by Fitch declined to 13% and 16%, respectively, at end-September 2008 as compared with 15% and 18% at end-2007. Given the much weaker growth climate and the generally riskier operating conditions in Indonesia, further significant reduction from here is not considered to be desirable. These ratios are also prior to possible reductions with the implementation of Basel II where regulatory guidelines have not been released. The lower capital ratios are however partly offset by the lower base of existing NPLs (after the clean-up efforts of legacy loans particularly among the two largest state-owned banks in recent years) and a better reserved position where several of the

larger banks have kept provisions high at about 1.7%-1.8% of average loans in 2007 and 2008 (despite the decline in NPL levels in 2007-2008), which should help protect against the pressure of higher credit costs in 2009 and 2010. Provision cover averaged about 130% for the larger Indonesian banks compared with 108% in 2007 and 85% in 2006.

Based on Fitch's initial estimate on NPLs in 2009, credit costs are expected to increase to about 2.0%-2.1%. Along with much weaker loan growth, lower NIMs due to a higher NPL burden and poor trading income, profitability as measured by ROA is expected to decline to 1.2%-1.3% with further downside risk depending on the macro conditions. Given the currency swings in the October-November 2008 period, some foreign exchange losses can also be expected. Industry loan growth, which has seen strong pick-up in 2008, due partly to some diversion of demand from capital markets (where access was virtually impossible in H208), is expected to halve to about 14%-15% this year. Indonesia's GDP growth is estimated to slow to about 4% in 2009 from about 6% in 2008.

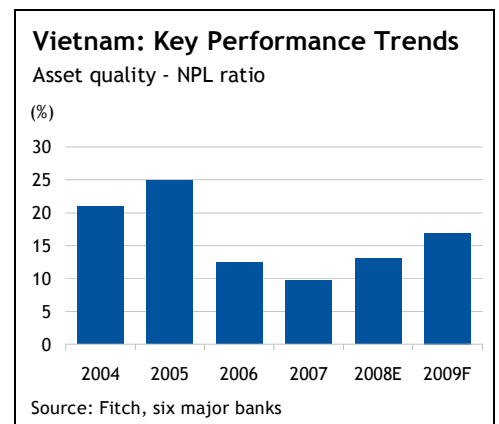
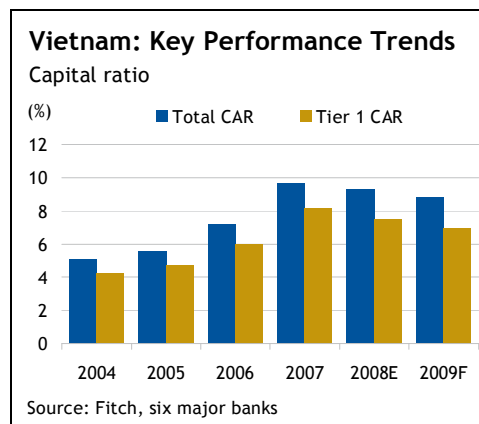
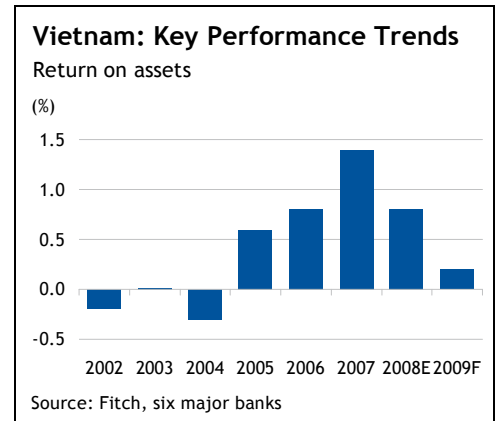
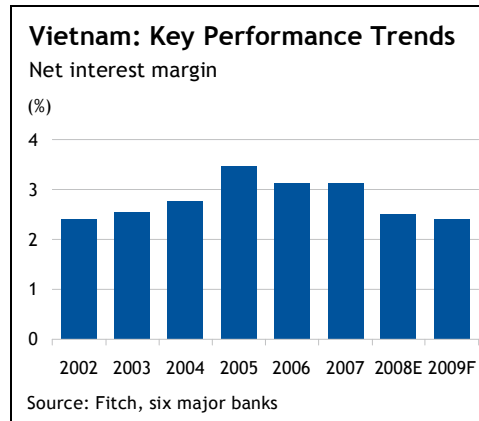
Liquidity pressures have eased following the recent stabilisation of the currency (albeit at lower levels) and reductions in reserve requirements by the central bank in October 2008. Nevertheless, given the volatility in the financial markets and the possible impact on capital flows in the system, the stability of its funding (and strength of its deposit franchise) will continue to be an important factor. The system LDR rose sharply in 2008, but stabilised at about 80% at the end of Q308. Foreign currency loan exposure of the larger banks, which was a source of concern (and trigger for collapse) in the previous financial crisis in 1997-1998, declined slightly to 16% at end-Q308 from 18% at end-2007, and was significantly below the 30%-40% in 2000-2001. While reduced foreign lending in 2008 is partly driven by the lack of access to USD funding, the agency's discussions with a few of the larger banks (including the large state-owned banks) suggest that these banks have turned more cautious in the extension of new USD funding and have been shortening the loan maturities of existing USD credit. At end-October 2008, foreign currency loans were almost fully funded by foreign currency deposits (LDR of 103%) while the local currency-denominated LDR was 75%.

## **Vietnam**

During 2008, Vietnam's banking sector maintained solid 21% loan growth despite a very volatile and challenging domestic economic and regulatory environment. In the first half of 2008, the government focused on stabilising its overheating economy via monetary tightening and inflation control. This led to very tight interbank liquidity around March/April, but loans nevertheless continued to grow by a respectable 18% in H108. This growth came to a standstill in the third quarter due to a tightening of lending practice amidst far higher interest rates (with inflation peaking at 28% in August), which also curtailed credit demand. On the back of steadily declining inflation, the global economic slowdown and its likely negative consequences for Vietnam's export-based economy, the central bank shifted its policy in the fourth quarter to monetary easing and spurring growth.

Fitch's Outlook for Vietnam's banking sector remains Negative. Given the weaker domestic economic outlook – Fitch forecasts GDP growth of 3% or less for 2009 in Vietnam compared to an estimated 6.5% for 2008 – and considering strong loan growth over the last few years, the agency expects sizeable pressure on corporate loan quality over the short to medium term. Weaker borrowers including exporters, importers and SMEs are of particular concern. The available financial data up to end-September 2008 shows that banks' loan portfolios have started to deteriorate. According to the central bank, system-wide NPLs stood at 3.5% of total loans at end-2008, which Fitch would estimate to correspond to an impaired loans ratio of around 13% using IFRS. While the now lower lending rates should contribute somewhat to fewer loan defaults, Fitch remains cautious regarding the quality of new lending as the central bank's aim of facilitating companies' access to

affordable loans could lead to less prudent lending standards, especially at the large four state-owned banks. The agency notes however that delays in reporting NPLs could suppress the NPL ratio in 2009 – as will brisk loan growth – and delay the necessary impairment charges.



Specific areas of concern include declining property markets, which will likely result in higher losses on construction loans and loans financing property investments. These accounted for 9% of system loans at end-October 2008, but their share was much higher at some of the state-owned banks. As property collateral accounted for about 55% of system loans at end-October 2008, downward revaluations are likely to result in some additional provisioning needs, but Fitch generally considers the bank's applied loan-to-market value ratios which are as low as 35% as a good mitigant. The sector's 22% foreign currency loans at end-June 2008 also contain the potential risk of a sudden devaluation in the VND, which would make repayment more expensive. The VND has historically been closely tied to the USD, although two devaluations by the central bank contributed to a 9% valuation decline in 2008.

During H208, banks' liquidity eased and the system's LDR fell to 95% from 104% at end-H108. Deposit growth (2008: 20%, 9M08: 11%) finally caught up with loan growth in Q408, due to fairly strong growth in foreign currency deposits in December (5.9% versus 2.6% for VND deposits) shortly before the SBV devalued the VND by 3% at end-December 2008. To support profitability and NIMs, some banks have tried to match weaker or even negative loan growth by deposit withdrawals, through lowering their deposit rates more than average. Fitch notes that it considers such a strategy which focuses on profitability just after an admittedly short but nevertheless quite severe period of very tight interbank liquidity as quite aggressive, even if conducted by the larger privately owned banks with generally sound deposit franchises. Deposits tend to chase the highest available rates offered, although they are likely to accrue at the state-owned banks in the event of flight to

quality during any system-wide deterioration, even though these banks have very weak stand-alone credit risk profiles.

## Appendices

### Global Real GDP Growth Rates

(%)	2007	2008F	2009F
World	3.5	2.3	0.9
US	2.0	1.4	-1.2
Euro area	2.6	1.2	-0.6
Japan	2.0	0.5	-1.7
Asia ex-Japan	8.5	6.6	4.7
BRICs	9.7	7.9	5.7
Oil (USD/bbl)	73	100	60

Source: Fitch

### Forecasts for Asia-Pacific

GDP growth (%)	2007	2008E previous	2008E latest	2009F previous	2009F latest	2010F
Australia	4.3	3.5	2.4	2.8	-0.8	2.0
China	11.9	10.1	9.5	10.0	6.0	8.5
Hong Kong	6.4	5.3	3.0	4.5	-1.2	2.9
India	9.0	8.2	6.8	7.7	5.0	6.3
Indonesia	6.3	6.1	5.7	6.0	4.3	4.7
Japan	2.1	1.8	0.5	1.3	-1.7	1.2
Korea	5.0	4.1	3.7	4.0	-2.4	3.0
Malaysia	6.3	5.1	5.8	4.9	1.5	3.5
Mongolia	9.9	6.8	7.0	8.5	5.0	6.0
New Zealand	3.4	2.3	0.1	0.5	-1.6	1.6
PNG	6.5	6.6	6.5	6.5	4.5	4.7
Philippines	7.2	5.6	4.3	5.3	2.5	4.0
Singapore	7.7	6.5	2.0	4.5	-1.0	3.5
Sri Lanka	6.8	5.8	5.8	5.6	3.2	5.2
Taiwan	5.7	3.7	1.6	-1.7	-2.1	3.3
Thailand	4.8	4.7	6.4	4.1	-1.1	2.6
Vietnam	8.5	7.8	6.4	6.5	3.0	5.5

Source: Fitch

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