



BANKING

# Mainland China Banking Survey 2009

FINANCIAL SERVICES



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## Introduction

Since the global financial crisis took hold in late 2008, there has been an increased focus on China and, in particular its banking sector. Much of this has been speculation regarding the RMB 4 trillion stimulus package and the surge in bank lending, which have been widely recognised as shielding China from significant economic downturn and being a key factor behind its continued growth.

While profits for banks globally were on a sharp decline in 2008, net profit for the Chinese banking sector in percentage terms as a whole increased by an impressive 37 percent from 2007 to 2008, reaching record highs although profit growth was less than in the previous year. The listed banks have yet to reach the same market capitalization of 2007 when the stock markets peaked. The total market capitalisation of listed banks as at 15 September 2009 increased to RMB 5,739 trillion, compared with a market capitalisation of RMB 4.191 trillion as at 15 September 2008.

One of the key outcomes of the global financial crisis on China's banking sector has been increased oversight by the China Banking Regulatory Commission (CBRC) as it seeks to set even higher standards for China's banks through increased regulation, which includes introduction of BASEL II. There has also been a significant slowdown in overseas investments and overseas expansion. Yet the sector has progressed further in the last year, with great progress made in the rural banking sector and in terms of growth of non-interest income. These ongoing changes and improvements have made the banking sector a key driver of China's growth.

However, the road ahead for the banking sector holds more uncertainty. While China has largely avoided the global financial turmoil due to its relatively closed banking system and strong regulatory structure, there has been concern about the increase in bank lending as well as signs of over-reliance on bank financing. Money supply grew by the end of the first quarter in 2009 as growth in foreign exchange reserves flattened, and the People's Bank of China (PBC) implemented a relaxed monetary policy to expand domestic demand and consumption and guarantee the supply of monetary credit. The PBC also reduced deposit reserve requirements for commercial banks to 15 percent in December 2008.

There were no new banks listed since last year's Mainland China Banking Survey but this is expected to change in the near future and a number of banks have reportedly applied to list or are currently in preparations, including China Everbright Bank, Shengjing Bank and Yingkou Bank.

The level of professionalism and transparency being exhibited by the mainland China banking sector has grown greatly over the past three years. The coverage in this year's survey has reached a record high of 130 banks, compared to last year's coverage of 83 banks, representing 87 percent of all banking assets in China. One of the more exciting developments in this year's survey is the inclusion of financial information for 12 of the 30 foreign incorporated banks established prior to year end 2008. Financial information for other banks was not publicly available at the time of writing this survey and has thus been excluded.



## Profitability

Net profit for many banks reached record highs in 2008 although growth rates were more modest than in the previous year. Among the more notable increases were Industrial and Commercial Bank of China (ICBC) recording profit growth of 36 percent which made it the most profitable bank in the world in absolute terms (RMB 111 billion). China Construction Bank (CCB) recorded growth of 34 percent and Bank of China (BoC) 5 percent growth. Bank of Communications (BoComm) with 38 percent net profit growth also fared very well. Despite increasing its Loan Loss Provision Coverage Ratio to 150 percent, Guangdong Development Bank (GDB) still recorded notable net profit growth of 4 percent. Among the more notable increases in profit was with a number of rural commercial banks, particularly ANZ-invested Shanghai Rural Commercial Bank and IFC-invested Binhai Bank, which had net profit growth of 100 percent and 373 percent respectively.

On a sector-wide basis, the increase in net profit from 2007 to 2008 was substantial despite the decrease in interest rate margins. For the 123 banks that provided net profit figures for both 2007 and 2008, the average increase in net profit was 37 percent. The largest increases were achieved by rural commercial banks (82 percent), outperforming joint stock banks (41 percent) and city commercial banks (30 percent).

Unlike last year where higher net interest margins were the key factor in profit growth, this year profit has been driven by increased lending and growth of non-interest income. Similar to last year's findings, the figures compiled this year show that lending has grown remarkably but not in line with the growth of customer deposits. Our survey reveals that from 2007 to 2008, for the 122 banks that provided figures for both 2007 and 2008, advances to customers grew by 15 percent, while for the 123 banks that provided deposit figures, total deposits from customers grew by 20 percent. This compares to last year's figures (2006 to 2007) when the 83 banks covered had rates of 16 percent and 13 percent respectively. This rate was less pronounced for the big four banks, which had loan growth of 8 percent and deposit growth of 18 percent. Perhaps in response to the potential unreliability of interest income, non-interest income has also grown at a more rapid pace. Non-interest income as a percentage of total income increased from 10.4 percent in 2007 to 12.9 percent in 2008 for the 118 banks that disclosed information for both years. More interestingly, non-interest income actually grew by 55 percent on average from 2007 to 2008 for the 118 banks



Table 1: Total bank assets in China (in RMB billion)

Institutions/Year	2003	2004	2005	2006	2007	2008
<b>Banking institutions</b>	27,658.38	31,598.98	36,469.69	43,949.97	52,598.25	62,387.63
Policy banks	2,124.70	2,412.25	2,928.32	3,473.23	4,278.10	5,645.39
Large commercial banks	16,051.17	17,981.67	21,005	24,236.35	28,007.09	31,835.80
Joint-stock commercial banks	2,959.86	3,647.60	4,465.49	5,444.59	7,249.40	8,809.15
City commercial banks	1,462.17	1,705.63	2,036.69	2,593.79	3,340.48	4,131.97
Rural commercial banks	38.48	56.54	302.89	503.81	609.67	929.05
Rural cooperative banks	–	–	275.04	465.36	645.98	1,003.33
Urban credit cooperatives	146.83	178.68	203.27	183.07	131.17	80.37
Rural credit cooperatives	2,650.92	3,076.70	3,142.67	3,450.28	4,343.44	5,211.26
Postal savings bank	898.44	1,084.96	1,378.68	1,612.20	1,768.75	2,216.29
Foreign banks	415.97	582.29	715.45	927.87	1,252.47	1,344.78

Source: CBRC 2008 Annual Report

### New banking services

The trend towards an expansion of services by banks is less pronounced this year compared to last. While many banks continue to offer increasingly specialised services and bring more sophisticated financial tools to bear, there are now more limits in place and greater supervision on introducing new lines of business and wealth management products. In light of the financial crisis, the CBRC has made moves to restrict higher risk areas, particularly the securitization of bank assets. The CBRC has also intensified supervision of the wealth management departments of banks in order to reduce risks relating to highly structured, innovative products and the possible mis-selling of such products. Banks are also being compelled to adhere to stricter requirements in their wealth management business and must operate under the principle of controllable risk, measurable cost, and adequate information disclosure.<sup>1</sup>

However, banks are nonetheless aware that growth prospects in traditional areas of banking are limited in the long run, and that further growth can come from new products or new business lines. This has led to banks competing fiercely to gain advantage in terms of product innovation and operating capabilities. Customers are also becoming more sophisticated and better educated about their investing and financing options. Thus, to meet customers' demands and maintain customer relationships, banks will need to make significant changes to their operating mechanisms, and dramatically improve product innovation, system support, risk management, channel construction and human resources.

Another key development in 2008 was the issuance of *Guidance of Risk Management on Merger and Acquisition Loans of Commercial Banks* by the CBRC which allows bank to issue loans for M&A purposes.



<sup>1</sup> CBRC 2008 Annual Report

## Small and Medium-sized Enterprise (SME) finance

SME finance has remained a thorny issue which has been exacerbated by recent financial difficulties and bankruptcies caused by the impact of the global financial crisis on exporters in eastern and southern China. There is an inherent conflict between government efforts to push lending into that sector and banks' natural reluctance to make high risk loans, particularly given limitations on pricing for risk.

While meeting the financing needs of SMEs is an issue for almost all countries worldwide, it is proving to be a particularly daunting issue in China. The importance of SMEs — defined as entities with annual revenues of less than 250 million USD — to the Chinese economy is undisputed; they contribute nearly 60 percent of GDP, 50 percent of tax revenues and over 70 percent of China's employment.<sup>2</sup> Many of these entities rely on profit-based funding and financing from underground banks and certain non-bank financial institutions (NBFIs). According to GE Capital, SMEs typically require financial resources to purchase equipment fuelling capacity expansion, increase working capital, support growing trade and mitigate risk for doing business with overseas buyers and suppliers.<sup>3</sup>

However, the inherent nature of bank lending in China makes it difficult for them to secure bank financing. First and foremost, for historical reasons bank are partial to loans secured with real estate as collateral. However, many SMEs lack firm land use rights or have insufficient property or real estate to put up as collateral. This is the case even more so for SMEs based in rural areas as they are on land that was previously used for farming and is thus collectively owned meaning it can not be used as collateral. The assets SMEs do have, such as equipment, inventory and intangible assets, are rarely well received by banks as they are hard to value and often beyond the ability of banks' credit teams. There are obviously exceptions; Bank of Beijing for example has started accepting intellectual property, such as patents, as collateral, but by and large the resources and processes required to assess such loans tends to be in short supply at most banks.<sup>4</sup>

More problematic though are the limits on the ability of banks to price for risk. Ceilings on loan interest rates essentially act as a disincentive for a commercial bank to make higher risk loans at a low return to SME clients. In response to this challenge, governments in cities with large numbers of SMEs, such as Dongguan and Shangyu in Zhejiang province, have offered to provide interest subsidies to SME borrowers and partial repayment guarantees to lending banks. The success of this initiative has prompted the Ministry of Finance to commit RMB 1.8 billion to support such efforts.<sup>5</sup>



<sup>2</sup> Chinese SMEs warned of hard times ahead, October 28, 2008, *Xinhua*

<sup>3</sup> SMEs Look to Non-Traditional Lenders, March 5, 2009, *Amcham China Brief (submission by GE Capital)*

<sup>4</sup> Small firms in tight spot over financing Risk-averse banks reluctant to heed Beijing's call to lend, 24 November 2008, *South China Morning Post*

<sup>5</sup> Converting the Downturn to Advantage, 1 March 2009, *China Business Review*

The shortage of bank financing for SMEs is also not simply a problem for just the banks. There are clearly issues with the quality of financial information provided by SMEs as well as the fact that they tend to have greater exposure to potential tax liabilities and legal issues. Moreover, the string of bankruptcies caused by the export crisis in late 2008 and early 2009 (and the subsequent non-performing loans for banks that lent to those companies) will have undoubtedly not helped the situation. Smaller SMEs also tend to lack a credit record.

In spite of these challenges, the regulators and the PBC both recognise that there is a great need to enlarge SME financing options and access and are taking appropriate steps to help realise this. The CBRC in particular has indicated that it will alter the big five bank's incentive structures through the application of preferential tax rates on SME interest income.<sup>6</sup> In addition, the CBRC issued a directive urging commercial banks to establish special service desks specifically for SMEs as well as requiring that growth rates for SME loans should not be lower than the average credit growth rate.<sup>7</sup> At present some banks have indeed heeded the call to set up these specialist units focusing on SME lending. However, there is a lack of transparency regarding some of these loans and it is still not entirely clear how many such loans actually make their way into the hands of the SMEs that have the greatest need for finance. The CBRC has also broadened the eligible collateral for rural credit loans to include lending against forest ownership pledges.<sup>8</sup> There are also discussions taking place about setting up a fourth policy bank to specifically focus on SMEs.<sup>9</sup>

## Rural banking

The rural banking sector in China has made tremendous progress in the past few years and actually enjoyed the highest growth rate (21 percent) by total assets from 2007 to 2008 of any other type of banking institution in China with the exception of the policy banks.<sup>10</sup> Rural commercial banks in particular grew at a rate of 34 percent. Urban credit cooperatives actually shrunk in terms of total assets which can be attributed to the fact that many of them have been restructured into rural commercial banks or regional banks.

The rural financial market is vast and encompasses a population of 750 million people and a growing number of SMEs in an area covering 2,800 counties, 40,000 townships, and around 400,000 villages.<sup>11</sup> It is important to recognise the variation between these areas. The term *rural* is often associated with farming regions which is something of a misconception since the term is used more as a political categorisation in China to separate different administrative units. Certain counties in China, which fall under the rural banking system, are home to some of China's most profitable industrial areas and innovative SMEs. For many of these counties, the agricultural sector is only a minor contributor, with the bulk of the local economy based on industry. Hence, rural China should be viewed as an area that covers some highly industrialised small cities and towns, as well as the countryside.



<sup>6</sup> New hope for SMEs, 2 June 2008, Industry Updates: *China Daily Information Company*

<sup>7</sup> CBRC website

<sup>8</sup> CBRC 2008 Annual Report

<sup>9</sup> Policy bank eyed to help finance cash-tight SMEs, 1 September 2008, *South China Morning Post*

<sup>10</sup> 2008 CBRC Annual Report

<sup>11</sup> Gold in China's Rural Hills, 9 January 2009, *Far Eastern Economic Review*

One of the more exciting developments in rural banking took place in 2006. As part of its effort to bolster the rural banking sector, the CBRC launched a pilot program that year to create three new type financial institutions — microloan companies, rural mutual credit cooperatives (RMCC) and village/township banks (VTB) — which are specifically aimed at expanding financial services in the rural areas. The success of this initiative exceeded expectations and the programme was rolled out nationwide in 2007. According to the CBRC, as of the end of January 2009, there were 108 new rural financial institutions, comprising 92 VTBs, 10 rural mutual credit cooperatives and six microloan companies. As a percentage of the overall banking sector, these institutions don't register significantly, however in absolute figures they are quite sizable and growing rapidly. By the end of January 2009 they had combined equity of RMB 4.2 billion, RMB 6.2 billion in deposits, and total loans of RMB 5.5 billion, 95 percent of which went toward small, rural businesses and farmers. The existing network of the other rural institutions (rural credit cooperatives, rural commercial banks, urban credit cooperatives and rural cooperative banks) though are still the key players in rural areas. Rural credit cooperatives in particular play a leading role in providing financial services for the rural economy although they have been less successful in constructing a full range of financial services due to high non-performing loan (NPL) ratios, heavy losses, and competition with informal lenders. Rural commercial banks have continued to reform steadily and there is strong domestic and foreign interest in their development. They continue to go further than any other rural banking institution to increase competitiveness and commercialise.

Among the new type financial institutions, VTBs have drawn the greatest amount of interest as they can operate much like a commercial bank and issue loans, accept deposits and provide a wide variety of financial services. These institutions also face fewer restrictions in setting lending rates as they are capped at a rate as high as four times the central bank's base rate, giving them greater capacity to price for risk.<sup>12</sup> Not surprisingly, this has drawn the involvement of some of the larger commercial banks, foreign banks and city commercial banks who are keen to expand beyond their city borders. Among some of the more notable banks to set up such operations are HSBC, Minsheng Bank, CCB and Standard Chartered.

Increased interest in the rural banking sector can largely be attributed to two factors. First, projections estimate a loan demand of RMB 20 trillion by 2020 in rural areas, making rural banking a very attractive long-term investment with limited competition.<sup>13</sup> Second, the risks associated with rural banking are far less than they were in the past, particularly as the government has made development of rural areas a cornerstone of its policy over the coming decade.

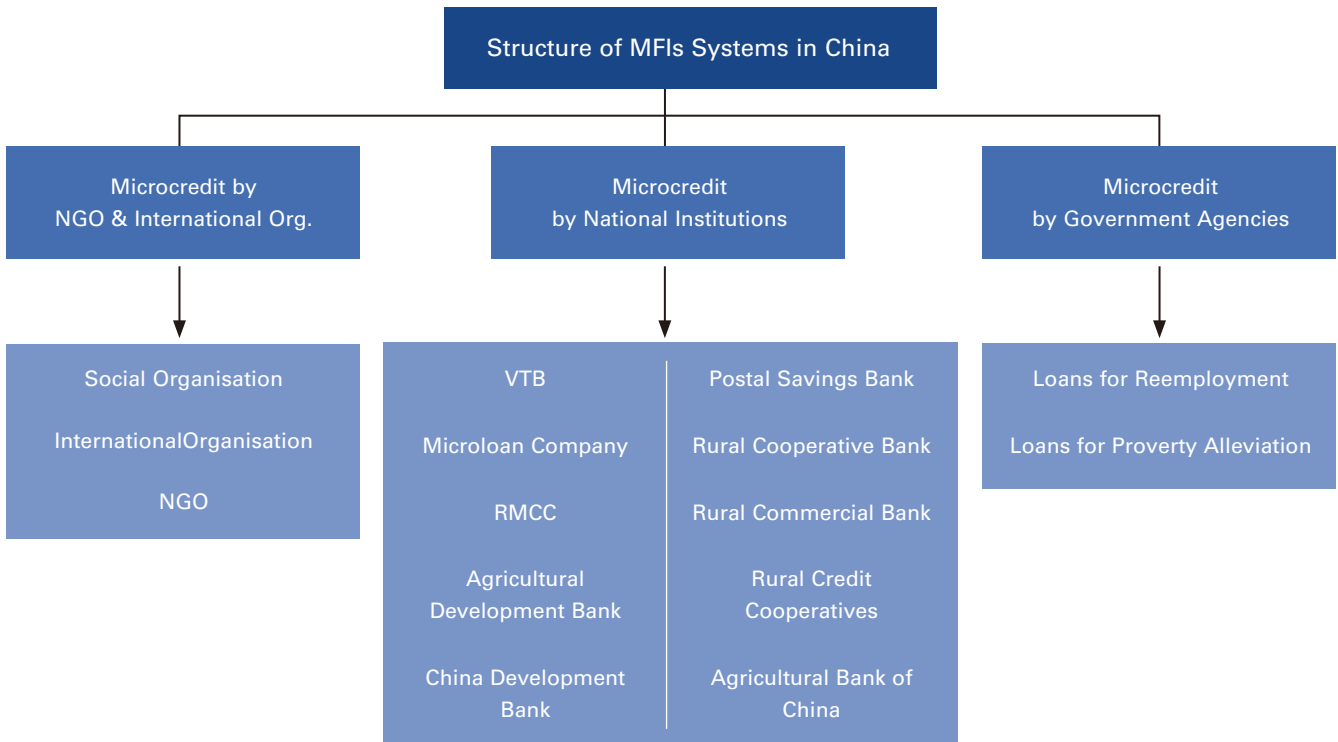
<sup>12</sup> Gold in China's Rural Hills, 9 January 2009, *Far Eastern Economic Review*  
<sup>13</sup> Door to rural China opens, 28 May 2008, *Australian Financial Review*

**Microfinance**

The success of microfinance initiatives overseas, particularly that of Grameen Bank in Bangladesh, has prompted greater interest in this area in China as a means to poverty alleviation using a commercial model. Currently there are three tiers of microfinance institutions (MFI) in China (see Figure 1), although the key driver of microfinance in China is that run through financial institutions and to a lesser extent non-governmental organizations (NGO). The establishment of the Postal Savings Bank of China (PSBC) is a particularly important boost to the roll out of microfinance and it is now the single largest lender of microloans in China. It is currently engaged in a variety of different services, including a special funding service for the new countryside, dispensing small loans with a pledge of deposit receipts, and micro credit loans. According to the CBRC’s 2008 annual report (PSBC’s financial statements are not yet publicly available), PSBC made over RMB60 billion in small deposit-pledged-loans and micro-loans, of which more than 70 percent was used in rural areas.



Figure 1: Structure of MFIs Systems in China



Source: China Association of Microfinance, 9 February 2009, *China Microfinance Industry Assessment Report*

However, many of the smaller, nimbler financial institutions are increasingly coming up with innovative financial products specifically tailored to meet the dynamics for microcredit, which may better serve the needs of rural inhabitants. In May 2008 the PBC and the CBRC revised the standards to establish micro-loan companies as part of the “Three Agricultural Initiatives” policy.<sup>14</sup> While these institutions are relatively limited compared to village banks, in that they are not deposit taking institutions, they enjoy greater leeway in product development and

are more straightforward to set up. Unintentionally, they have largely focused their efforts on loans to SMEs, which was not the original thinking behind their establishment but a positive development nonetheless. They also have the added attraction of being able to convert to a village bank after meeting certain, somewhat onerous CBRC requirements:

1. been in operation for over 3 years,
2. been profitable for the previous two years,
3. have a loan / asset ratio greater than 75 percent,
4. agricultural-related loans must represent at least 60 percent of total loans
5. no single loan can exceed 5 percent of net capital and no single group of client loans can exceed 10 percent of net capital, and
6. the debt / asset ratio cannot exceed 10 percent.

Another interesting success case for microfinance is Zhejiang Tailong Commercial Bank, which was formed in 2006 from a successful credit cooperative focused on loans to small companies individuals and is included in this year's survey for the first time (see Financial Highlights for their financial information). The private, employee-owned bank has sustained this focus while maintaining high profit growth and low default rates. Of particular interest is the innovative method it applies in granting microloans. Customers are not required to have any assets when applying for a loan, but they must have a sponsor who is willing to accept responsibility for the loan. Even when the customer does have assets, sponsorship is still required as a mean of a credit check as most Chinese individuals lack a credit history.<sup>15</sup>

## Retail banking

The Chinese retail banking sector has gradually evolved into one of the more mature areas of the banking sector here, marked by fierce competition and relatively higher levels of innovation. The credit card industry has been a particularly fought after space. While still small compared to cash based spending, cards are now accounting for a growing share of transactions and more innovative approaches, such as the use of SMS messages to inform card users about transaction amounts of debited accounts and new technologies such as mobile payments and stored value cards which, while only representing a blip on the radar, are already significant in absolute terms.

Banks setting up a card business in China have had to fight hard to attract customers. Strong competition in the market, between local banks growing market share and foreign banks trying to establish a foothold, means that banks can generally not charge annual fees. Moreover, despite the positive findings reported in credit card use among high net worth individuals (see private banking section), the majority of Chinese credit card holders are dormant (meaning they use their credit cards four times or less per month). According to a 2009



<sup>14</sup> CBRC website

<sup>15</sup> China's New Stars: Banks, 1 February 2009, Global Finance

study by Citic Bank, the frequency of use of Chinese credit cards is extremely low in China, with 80 percent of Chinese credit cards deemed dormant. This research also revealed that the reputation of a credit card is directly linked to the reputation of the issuing bank. Only 6 percent of credit card holders in China make any distinction between a bank's credit card services and other services. Likewise, the majority of credit card users fall into certain demographic groupings: most are below the age of 40, most have some level of senior secondary education and most are in a white collar profession.<sup>16</sup> This is not particularly surprising when you account for the fact that only 11.6 percent of credit card holders have an income of less than RMB 2,000.

In the current environment, most banks have taken to offering special promotions to attract new customers and then face a challenge in getting those customers to activate and use the cards. Some have offered life time bonus point programs to attract customers and to waive card fees as long as customers use their cards a certain number of times per year. In addition, banks are grappling with low rates of revolving credit on cards. Few Chinese card users currently carry revolving balances on their cards, depriving issuers from what is the mainstay of their profits in other markets.

Table 2: Card Growth in China

Year	Credit card	Debit card	Purchase volume (RMB million)	Card volume (RMB million)
2001	23,188,265	359,592,648	128,000	5,968,974
2002 growth rate	23,058,041 -1%	473,461,470 32%	187,482 46%	4,352,483 -27%
2003 growth rate	26,947,375 -17%	621,658,155 31%	328,575 91%	6,846,856 57%
2004 growth rate	31,872,538 18%	736,654,352 12%	604,009 84%	9,789,137 43%
2005 growth rate	40,404,843 27%	919,004,628 25%	936,882 55%	18,081,090 85%
2006 growth rate	49,293,908 22%	1,080,000,000 17%	1,835,000 97%	23,650,066 30.8%
2007 growth rate	90,260,000 82%	1,410,000,000 28%	2,900,000 58%	30,140,000 28%
2008 growth rate	142,300,000 57.7%	1,658,100,000 18%	-	-

Volume includes both credit and debit cards

Source: PBC and China Union Pay

<sup>16</sup> 国内首个信用卡服务指数在京发布, 5 March 2009, Citic Bank (<http://bank.ecitic.com/cards/yhhd/fw090306/index.htm>)

Another obstacle for banks issuing cards in China is the low fees set by the PBC. Government rules stipulate what merchant acquirers can charge merchants. In most countries, the biggest component of this fee, the interchange rate, is dictated by market forces. In China, however, there are maximum interchange rates for all local-currency transactions. For more information on the payments environment in China, please refer to KPMG's 2009 report, *Card payments in Asia Pacific: The state of the nations*.

## Private banking

Since Citibank became the first bank to set up private banking operations in China by opening an office in Shanghai in March of 2006, the private banking sector has taken off with a wide variety of players entering the market.

**Table 3: Private banking operations in China (as of 18 August 2009)**

Bank	Investment Threshold
Industrial and Commercial Bank of China	>RMB 8 million
China Construction Bank	>RMB 10 million
Bank of China	>USD 1 million
Bank of Communications	>USD 2 million
China Merchants Bank	>RMB 10 million
China CITIC Bank	>RMB 8 million
China Minsheng Banking Corporation	>RMB 10 million
Standard Chartered (China)	>USD 1 million
BNP Paribas (China)	>USD 1 million
Deutsche Bank (China)	>RMB 10 million
CitiBank (China)	>USD 10 million
Societe Generale (China)	>USD 1 million
HSBC (China)	>USD 1 million
ABN AMRO (China)	>USD 1 million
Bank of East Asia (China)	>USD 1 million
DBS (China)	>USD 1 million



This is not a small market. China's household savings reached an estimated RMB20 trillion in 2008, equivalent to 72.5 per cent of China's 2008 gross domestic product (GDP).<sup>17</sup> With the number of USD millionaire households predicted to reach 609,000 by 2011 and a 250-million person middle class, there is no doubt that the market for private banking is one of the areas with the highest potential in China's banking sector.<sup>18</sup> This has not gone unnoticed by either foreign or domestic banks and competition in this space has proved to be particularly fierce.

The common perception of the Chinese consumer is of someone who is highly conservative and savings-oriented compared to their counterparts in Western countries, but this does not seem to apply to high net worth individuals (HNWIs) in China. China has now overtaken the United States as the second largest luxury goods market in the world, coming in just behind Japan.<sup>19</sup> A KPMG survey in 2008 on the development of the luxury goods market in China showed that retail sales in China topped RMB 8.9 trillion (USD 975 billion) for 2007, an increase of more than 17 percent from 2006 and double the retail spending in 2002.<sup>20</sup>

More interestingly, as part of the roll out of its private banking operations, China Merchants Bank (CMB), together with VISA, issued a no-limit credit card in April 2008, targeting the top one percent of wealthy consumers in China. According to research on the figures, in the proceeding eight months, each cardholder spent an average of \$85,000 (primarily on luxury products) or around 70,000 RMB per month. Also noted in the same report was that high net worth individuals in China (HNWIs) use credit cards the most among their counterparts in Asia. According to CMB, cardholders of this unlimited credit card are spending 50 times more in terms of value than ordinary credit cardholders.<sup>21</sup>

The report also showed that about 61 percent of wealthy people in the mainland are aged between 31 and 46, quite different from other countries that usually have the elderly as the wealthiest demographic. These wealthy people tend to be professionals with high, stable incomes who go on regular business trips.<sup>22</sup>

In an effort to mitigate the negative effects of competition, several foreign banks and domestic commercial banks have signalled their intention to differentiate their private banking services. Credit Suisse, for example, plans to exclusively target the "ultra-high net worth segment" of the private banking market.<sup>23</sup> While Bank of China's investment into the French private bank La Compagnie Financiere Edmond de Rothschild ultimately did not go through, it showed its dedication to this space and the bank has noted that it will continue to seek other forms of co-operation with Rothschild, particularly in the private banking space.<sup>24</sup>

<sup>17</sup> National Bureau of Statistics, 2008

<sup>18</sup> CCB sets foot on private banking service, 16 July 2008, *Xinhua's China Economic Information Service*

<sup>19</sup> China becomes world's 2nd largest luxury market, 27 July 2009, *People's Daily*

<sup>20</sup> China's Luxury Consumers: Moving up the curve, May 2008, KPMG

<sup>21</sup> Wealthy Chinese Spend 50 Times More, 19 March 2009, *NewsTrak Daily*

<sup>22</sup> Wealthy Chinese Spend 50 Times More, 19 March 2009, *NewsTrak Daily*

<sup>23</sup> Credit Suisse eyes private banking in China, 29 May 2008, *Reuters News*

<sup>24</sup> ANALYSIS-Mideast, Asian firms poised for private bank deals, 26 June 2009, *Reuters News*

## Treasury and investment banking operations

The recovery of the stock markets in 2009 has been a big boost to the treasury business of Chinese banks, particularly as many banks have implemented a diversified treasury business structure, primarily consisting of investment banking and customer driven trading. This structure covers a variety of products, ranging from traditional products (mainly debt securities) to derivatives (including foreign exchange and interest rate swaps). It allows banks to increase revenues by meeting the more specific needs of customers whilst at the same time deploying surplus funds in liquid assets in order to maintain liquidity. However, the success of this new structure has been offset somewhat by losses linked to the global financial crisis. Losses suffered by a number of Chinese enterprises and financial institutions due to their derivative trading activities have been quite significant in some instances and banks are now discouraged from developing complex, customer-driven derivative strategies, which are irrelevant to their clients' foreign exchange rate risks, interest rate risks, or the risks resulting from their major business lines.



The key benefit of the stock market rebound has been in the form of an increase in intermediary income and commission income stemming from the sales of asset management products linked to equity and QDII fund products as well as the growth in bond issuances due to the moratorium on IPO activity and the recovery in the credit markets. The Chinese bond market in particular has increased significantly in size this year, partly as a result of the government's stimulus measures. This has allowed Chinese banks to ramp up their bond underwriting activities. Banks' treasury functions have continued to improve their trading and risk management capabilities with upgraded trading platforms and western know-how acquired from their foreign counterparties or strategic alliance partners. There have been developments in new financial tools and derivative products, which include non-recourse repurchase of bonds, bond forwards, interest rate swaps, foreign exchange forwards, foreign exchange swaps, commercial paper and asset backed securities. Banks in China continue to work to strengthen their risk management controls and infrastructure, work which has been given added impetus by the events which took place last year in the United States and Europe.

Rapid financial reform, frequent macro-economic adjustments and increased customer demands as well as a spate of new regulations in light of the financial crisis also present challenges to banks' treasury business. Despite having originated in the west and leaving Chinese banks largely unscathed, the global financial crisis has sparked new regulation out of concern about something similar happening in China. Listed banks now also have increased disclosure requirements in relation to their treasury-related activities.

In a move designed to protect Chinese banks and their customers from exposure to derivative products which are perceived as being high risk, the China Banking Regulatory Commission (CBRC) has unveiled stringent new rules to further regulate the issue and use of derivative products. The *Notice on Further Strengthening Risk Management for Derivatives Transactions between Banking Financial Institutions and Corporate Clients (Notice)* issued on 31 July 2009 imposes restrictions on the ability of onshore banks with derivatives licences to engage in derivatives transactions with onshore corporate clients along with setting out significant ongoing administrative obligations on both the clients and the banks. All such banks engaging in derivatives transactions (including the mainland operations of foreign banks) must submit a report to the CBRC by 31 October 2009 detailing their plans to comply with these new regulations.

These new regulations will apply to future derivatives transactions between onshore banks and corporate clients and will not apply to individuals and other financial institutions. The requirements to enter into a derivatives contract are more stringent than before, with banks required to establish the customer's objectives for entering into the transaction, and then determine whether or not the product is suitable given those objectives and the customer's circumstances. There is little guidance on how this suitability test should be performed but it is stated that the main risk profile of the derivatives transaction must have a "reasonable degree of relevance" to the main risk profile of the underlying assets or liabilities.<sup>25</sup> This new regulation also strictly prohibits onshore banks from allowing corporate clients to enter into derivatives with non-RMB underlying risks to manage risks arising from their RMB debt. These regulations seemed to be aimed at preventing the use of derivative products for speculative purposes and reorient the focus back onto their use by corporate customers as a tool for the management of genuine financial risks. Likewise, all derivative products offered by banks must have a risk profile that can be analysed and priced by the bank, the implication being that if the bank does not have an appropriate evaluation and pricing system it will not be able to offer anything other than the most basic of products. This is clearly to avoid situations where banks are over-reliant on overseas counterparties to value complex exotic products, and as a result are unable to accurately measure the risks to which they and their customers are exposed.

Banks are also now required to have in place internal compliance procedures, risk evaluation processes and pricing models that meet the requirements of the CBRC while ensuring that all internal staff are properly trained and all sales persons authorised to promote the products. They must also strengthen credit risk monitoring and management controls over their customer driven derivative activities in order to minimise future credit losses arising from customers who either can't or won't settle losses relating to such products. Clearly the government's objective is protecting onshore banks and their customers from the risks associated with derivative products but it is likely that onshore banks will have to devote considerable time, energy and resources to developing the necessary internal compliance procedures and evaluation processes to satisfy the CBRC. In the meantime, we therefore may see a reduction in the amount and complexity of derivative transactions which are taking place between banks and their domestic customers.

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<sup>25</sup> CBRC website

## Policy banks

Efforts to further commercialise China's policy banks have continued apace this year. Set up in 1993, these banks were established to take over policy-driven investments and allow the major banks to develop into more commercially-focused institutions. Very sizable institutions on their own, they now account for 9.2 percent of banking assets in China.<sup>26</sup> As a result of market economy development and China's external sector development, their role has undergone major changes, and in recent years their business has become increasingly market-based, as the proportion of subsidised, government-directed business has decreased and self-initiated business increased. Certainly, the conditions are in place for them to readjust their roles and functions and undergo this transformation. These banks are now being pushed to focus more on profitability and will face increased scrutiny, though they will still function to some extent as policy lenders and will continue to raise capital through bonds guaranteed by the Ministry of Finance.



China Development Bank (CDB) is the largest of the three policy banks and was the first to officially restructure on 11 December 2008 into a commercial joint stock banking institution under the ownership of the Ministry of Finance and Central Huijin Investment Corp. However, CDB has not been granted the right to accept deposits from individuals, as other commercial lenders can, although it can take in deposits from corporate clients. Nonetheless, it will continue to rely on bond issuances in the interbank market to an extent and this will be aided by the fact that its sovereign rating will be maintained until 2010.

As part of this transformation CDB has voiced its intention to become a fully international bank and to this end it opened its first branch outside the mainland in Hong Kong on 29 July 2009. CDB has also announced that it intends to set up offices in Russia and Egypt by the end of the year and in Venezuela and Brazil by 2010.<sup>28</sup>

In the short term, CDB is unlikely to shift away from its current focus on infrastructure, construction and other industrial sectors although it has voiced an interest in getting into retail banking as well as expanding into other areas of the financial services sector, such as investment banking and fund management. With a strong financial position, CDB has been relatively more active in overseas acquisitions. It acquired a 3.1 per cent stake in British bank Barclays in 2007 and was reportedly involved in an aborted bid for Dresdner Bank in 2008.

The Export-Import Bank of China (Exim Bank) is undergoing a similar transformation and has begun to widen the scope of its operations. In a sign of how this is progressing, in March 2009 the PBC formed a task team to push forward with the reform of Exim Bank and it is expected that at the first stage the transformation will involve the bank operating both its policy banking business and commercial banking business as separately managed units.<sup>29</sup> In this way it can continue to focus on boosting foreign trade and economic cooperation

<sup>26</sup> CBRC, 2008 Annual Report

<sup>27</sup> CDB moves closer to full commercial bank status, 17 December 2008, South China Morning Post

<sup>28</sup> China Development Bank opens first overseas branch in HK, 3 August 2009, Xinhua China Money

<sup>29</sup> Chinese Policy Financial Institutions in Reform, 6 August 2009, SinoCast Banking Beat

by providing policy financing, foreign government loans and foreign aid oriented concessional loans (mostly for infrastructure development) while pursuing other more commercial endeavours.

In late 2007, CDB and Exim Bank joined hands with Italian bank Intesa Sanpaolo to establish a joint venture private equity fund called Mandarin Capital Partners. The JV focuses on investments into Italian companies to support an expansion strategy in China and on investments into Chinese companies to support an expansion strategy in Europe, which is a fully commercial undertaking that fits nicely with its mandate of supporting the overseas expansion of Chinese enterprises.<sup>30</sup>

The Agricultural Development Bank of China (ADBC) is likely to face the greatest challenge in commercialising its operations as it has taken over the previous mandate of the Agricultural Bank of China, and thus focuses on poverty alleviation-oriented loans in rural areas as well as safeguarding China's food security. While the bank is set to continue to focus on rural small enterprise business lending, green industries, agricultural technology loans, rural basic infrastructure construction loans and short-term agricultural production resources loans, there have been some moves to commercialise, such as issuing a joint credit card with ICBC. However, ADBC has explicitly ruled out a full restructuring along the lines of CDB in the near future.<sup>31</sup> The government has also highlighted the importance of ADBC in its new countryside programme. In its current form, its business will focus not only on loans for grain, cotton and oil purchase, but also on loans to leading agricultural enterprises as well as on loans to develop infrastructure in those regions.<sup>32</sup>

Another interesting development for ADBC is the memorandum of understanding signed with National Australia Bank in August 2008 to cooperate in the field of rural banking expertise and staff training. This cooperation may eventually be extended into areas like trade finance, agricultural infrastructure finance, and the development of banking products.<sup>33</sup>

There have also been indications that the government is giving consideration to setting up a new policy bank to specifically focus on lending to SMEs.<sup>34</sup>

<sup>30</sup> Mandarin Capital Partners website: [www.mandarincp.com](http://www.mandarincp.com)

<sup>31</sup> Agricultural Development Bank Of China: No Restructuring Plan, 11 June 2009, *Dow Jones Chinese Financial Wire*

<sup>32</sup> CBRC 2008 Annual report

<sup>33</sup> NAB sets China alliance with farm policy lender: Australia bank aims to begin by learning, then pursue ventures, 11 August 2008, *The Wall Street Journal Asia*

<sup>34</sup> Policy bank eyed to help finance cash-tight SMEs, 1 September 2008, *South China Morning Post*

## City commercial banks and regional banks

The establishment of provincial or regional banks has also continued at a brisk pace and is being done primarily through the consolidation of certain city commercial banks and rural financial institutions within one province. China's banking regulator has strongly encouraged these mergers as a way to improve the capital strength and competitiveness of smaller banks and to provide local businesses a greater selection of financial services, which these larger banks are more capable of rolling out across their expanded branch network. Jilin Bank, for example, was formed from the merger of Changchun City Commercial Bank, Jilin City Commercial Bank and Liaoyuan City Commercial Bank. Currently there are at least 12 such banks in existence — Bank of Ningxia, Wuhan Rural Commercial Bank, Binhai Bank, Bank of Jiangsu, Huishang Bank, Beibu Gulf Bank, Jinshang Bank, Yunnan Fudian Bank, Hankou Bank, Three Gorges Bank, Bank of Wenzhou, and Jilin Bank. A number of other provinces have also reportedly looked at undergoing the same process, namely Hunan province (Xiaoxiang Bank), and Hebei province (Great Wall Bank).

Moreover, with increasing asset quality and risk management systems, a growing number of city commercial banks are being granted trans-regional expansion licenses allowing them to do business outside of their immediate regions. The criterion to get these licenses is quite rigorous and include maintaining a sound record of supervisory ratings and high performance in terms of risk management. It is no coincidence that to date most of the banks that have received approval have either been listed, have a strategic foreign investor, or have already been restructured.



Table 4: Banks granted trans-regional expansion licenses (as of 1 September 2009)

Bank	Established	Approved	Bank	Established	Approved
Bank of Beijing	Tianjin, Shanghai, Xi'an, Shenzhen, Hangzhou, Changsha		Bank Of Weifang	Qingdao	
Bank of Ningbo	Shanghai, Hangzhou, Nanjing, Shenzhen, Suzhou		Shijiazhuang City Commercial Bank	Tangshan	
Bank of Hangzhou	Zhoushan, Shanghai, Beijing, Shenzhen, Ningbo		Bank of Shanghai	Nanjing, Ningbo, Hangzhou, Tianjin, Chengdu, Yuyao, Shenzhen	
Ping An Bank	Shanghai, Fuzhou, Quanzhou, Xiamen, Hangzhou, Guangzhou		Bank of Nanjing	Beijing, Yixing, Wuxi, Taizhou, Shanghai	Nantong
Bank of Qingdao	Jinan		Laishang Bank	Heze	Xuzhou
Bank of Wenzhou	Quzhou, Ningbo	Hangzhou	Bank of Dalian	Shenyang, Tianjin, Beijing	
Harbin Bank	Dalian, Shuangyashan*, Tianjin, Jixi	Chengdu, Hegang	Hankou Bank	Ezhou	
Binhai Bank	Kashi		Shengjing Bank	Beijing, Tianjin	
Bank of Changsha	Zhuzhou		Bank of Rizhao	Qingdao	
Daqing City Commercial Bank	Zhaodong		Fudian Bank	Baoshan, Honghe	
Fuzhou City Commercial Bank	Longyan, Zhangzhou	Ningde	Huishang Bank	Nanjing	
Qi Lu Bank	Liaocheng, Tianjin		Bank of Chongqing	Chengdu	
Bank Of Jinzhou	Tianjin, Shenyang	Dalian	Zhejiang Mintai Commercial Bank	Chengdu, Hangzhou, Ningbo, Zhoushan	
Bank Of Lanzhou	Jiuquan, Tianshui		Bank of Yingkou	Shenyang	
Baoshang Bank	Shenzhen, Ningbo		Bank of Tianjin	Binhai, Beijing, Tangshan	Shanghai
Zhejiang Chouzhou Commercial Bank	Nanjing, Hangzhou, Lishui		Bank of Nanchang	Pingxiang	
Bank Of Jiujiang	Ji'an		Qishang bank	Binzhou	

Source: Publicly available sources

\* Harbin Bank opened its Shuangyashan branch through the acquisition of Shuangyashan City Credit Cooperatives

## Income diversification: The move to financial conglomerates

Diversification into other areas of the financial services sector has slowed down in 2009, as the CBRC has taken a more cautious stance in approving investments but there have been some developments of note. The regulators are still very much committed to the goal of allowing banks to develop into financial conglomerates although a note of caution has been added in light of the contribution made in certain instances by the universal banking model to the financial crisis and the increased difficulties in regulating multi-faceted entities. Nonetheless, the uncertainty surrounding interest income may still be a key driver for banks to diversify their income sources. The global financial crisis has also dampened the desire for overseas investments, with no new deals of a significant size being completed since our 2008 survey.

Domestic consolidation on the other hand has continued at a healthy pace with the development of a number of new regional banks as well as through normal merger and acquisition activity.

### **Diversification into other financial services**

Fund management has remained a key area of interest for domestic banks and more than ten banks have established, or are in the process of setting up, fund management subsidiaries either via a joint venture (normally with a foreign partner) or through stake purchases in existing fund management operations.

The recovery of the stock indices in 2009 has probably been a key factor in prompting this as well as increasing competition among banks. The synergies between the banking sector and fund management sector are particularly obvious, given that the distribution of fund management products in China (in contrast to many other countries worldwide) is almost entirely bank-led. As a result, the lack of distribution channels along with high custodian fees charged by banks are some of the biggest challenges facing the fund management sector.

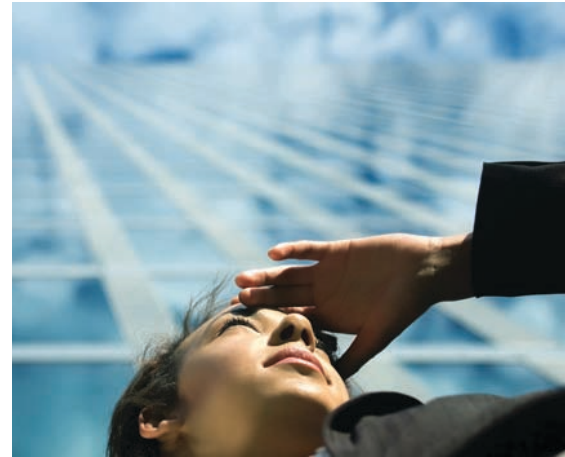


Table 5: Chinese banks with fund management subsidiaries (as of 20 October 2008)

Bank	Name of fund management JV	Stake size held by bank	Method of establishment
China Merchants Bank	China Merchants Fund Management	40%	Stake purchase in existing fund management company
Industrial and Commercial Bank of China	ICBC Credit Suisse Asset Management <sup>35</sup>	55%	Joint venture
		100%	Acquisition
China Construction Bank	CCB Principal Asset Management	65%	Joint venture
Bank of China	Bank of China Investment Management	84%	Joint venture
	Heritage Fund Management (Switzerland)	30%	Stake purchase in existing fund management company
Agricultural Bank of China	ABC-Credit Agricole Fund Management	51%	Joint venture
Bank of Communications	Bank of Communications Schroder Fund Management	65%	Joint venture
China Minsheng Bank	Minsheng Royal Fund Management	60%	Joint venture
Shanghai Pudong Development Bank	AXA SPDB Investment Managers Co	51%	Joint venture
Bank of Shanghai <sup>36</sup>	Hua An Fund Management	20%	Stake purchase in existing fund management company
Industrial Bank <sup>37</sup>	n/a	57%	Joint venture
Bank of Beijing <sup>38</sup>	Bank of Beijing Scotiabank Asset Management	67%	Joint venture
Huaxia Bank <sup>39</sup>	n/a	n/a	Joint venture

\* Harbin Bank opened its Shuangyashan branch through the acquisition of Shuangyashan City Credit Cooperatives

Another area that was opened by the CBRC to investment by domestic banks is the trust sector. Trust companies are unique financial institutions and represent an excellent platform for banks to engage in a much wider range of financial services while complementing existing business lines. In particular, wealth management and securitisation are both areas of great interest for the banks.

Trust companies enjoy an ever-expanding business scope in an environment where there is still strict demarcation between institutions in the financial services sector. Moreover, their exclusive business mandates allow them to be a significant player in bringing standardised products (mainly securitisation related) to the inter-bank market, and to make private equity style investments with privately-collected funds. Thus, instead of competing with banks in areas where business overlaps, trust companies can work in partnership with them to leverage each other's relative strengths and advantages, particularly with respect to developing products for distribution to banking clients and facilitating bank originated asset securitisation.

<sup>35</sup> Worldsec Asset Management is a Hong Kong asset management company and was acquired through ICBC's subsidiary ICBC (Asia).

<sup>36</sup> The stake purchase by Bank of Shanghai is currently awaiting regulatory approval.

<sup>37</sup> Industrial Bank announced that it plans to form a fund management JV with Natixis Global Asset Management SA, and is currently awaiting approval.

<sup>38</sup> Bank of Beijing and Scotiabank have agreed to form a fund management JV with a registered capital of RMB 300 million, but the deal has yet to receive approval.

<sup>39</sup> F&C Asset Management has signed a Memorandum of Understanding with Hua Xia Bank agreeing to form a joint venture fund management company.

Table 6: Chinese bank investments in trust companies (as of 5 September 2009)

Bank	Trust Company	Stake size
Bank of Communications	Bank of Communications International Trust Company*	85%
China Merchants Bank	Tibet Trust & Investment Company	61%
China Construction Bank	Hefei Xingtai Trust	80%
Bank of Shanghai	Union Trust**	–

\*Renamed from Hubei International Trust and Investment

\*\*Deal has yet to have received regulatory approval

Investments in insurance have proceeded steadily since 2008, when the CBRC designated four banks (ICBC, CCB, BoCom, and Bank of Beijing) to be the first to take part in a pilot programme allowing banks to take stakes in insurance companies. Subsequently, ICBC (Asia) has been approved for its stake holding of 12.45 percent in Taiping Insurance; CCB has applied to take a stake in Beijing-based Happy Life Insurance Company; Bank of Communications has received CIRC approval for the purchase of a 51 percent stake of China Life-CMG Life Insurance Co; and Bank of Beijing has been approved to take a stake in ING Capital Life Insurance Co., Ltd. China Merchants Bank has also sought approval to take a 50 percent stake in CIGNA & CMC Life Insurance Co, a Sino-American life insurance joint venture. Standard Life also reported that it is in the final stages of selling a majority stake in Heng An Standard Life, an insurance joint venture between Standard Life and Teda International, to BOC.

This will have wide-reaching repercussions for both the insurance and banking sectors. Banks will be able to diversify further, while investment returns from insurance companies may create an additional source of intermediary income. It will also offer a new source of clients and the opportunity to create more sophisticated, insurance-linked financial products. For insurance companies, large capital injections from commercial banks may help them expand capital supply, increase payment ability and enhance market competitiveness, while also increasing distribution channels.

BNP Paribas (China) has also entered into a memorandum of understanding with Shanghai Pudong Development Bank regarding the establishment of a Sino-foreign insurance venture.<sup>40</sup> This may become a popular approach in the future, as a foreign lender can bring its international experience in insurance to its Chinese partner, while the Chinese partner can provide support via its wide business network and customer base in China. However, detailed regulations about the establishment of Sino-foreign insurance ventures by banks have yet to be released.

Lastly, financial leasing is another area that has gained a lot of interest from banks since it was opened to them although there are no new deals to report this year. Regulations overseeing bank investments into leasing require banks to have a minimum capital requirement of RMB 100 million as well as maintain specific capital adequacy ratios. Bank in question must also have no less than RMB 80 billion (or equivalent convertible currencies) in total assets at the

<sup>40</sup> BNP Paribas, Pudong Development Bank to launch insurance JV, 30 June 2008, *SinoCast China Financial Watch*

end of the latest year and must have been profitable for the preceding two years.<sup>41</sup> While there are now six bank-led leasing firms in China, most of these entities have struggled in a highly competitive environment marked by a lack of regulatory and tax clarification on certain issues important to the financial leasing sector. These leasing subsidiaries are also strongly discouraged by the regulatory authorities from sourcing financing from their parent bank, and are rather expected to seek financing on the open market, which obviously increases costs and reduces product competitiveness. However it is expected that this issue will be tempered by new regulations issued in August 2009 permitting financial leasing companies to issue financial bonds if they meet certain requirements, which should allow them to gain access to more fund sources and expand their financial leasing businesses.<sup>42</sup>

The prospects for financial leasing in general and for banks' participation in this area are very positive going forward. The State Council has specifically earmarked the leasing sector for development and has stated its intention to approve up to ten new bank-led financial leasing companies over the following two years.<sup>43</sup>

Table 7: Chart of bank led leasing companies

Bank	Name of leasing subsidiary	Establishment method	Scope of leasing business
China Development Bank	CDB Financial Leasing	Acquisition of Shenzhen Financial Leasing	Aircraft and telecommunications equipment leasing along with equipment leasing to hi-tech companies and SMEs
Industrial and Commercial Bank of China	ICBC Financial Leasing	Wholly owned financial leasing unit	Aviation, shipping and heavy equipment leasing
Bank of China	BOC Aviation	Acquisition of Singapore Aircraft Leasing	Aircraft leasing
China Construction Bank	CCB Leasing	Joint venture with Bank of America	Equipment and facilities leasing, particularly in the power generation and transmission industries
China Merchants Bank	China Merchants Financial Leasing	Wholly owned financial leasing unit	Leasing of equipment with a focus on the equipment manufacturing, infrastructure construction and environmental protection industries
Minsheng Bank	Minsheng Financial Leasing	Joint venture with Tianjin Free Trade Zone	Ship, aircraft and equipment manufacturing leasing
Bank of Communications	Bank of Communications Financial Leasing	Wholly owned financial leasing unit	Leasing services to a number of industries including aviation, shipping, manufacturing and infrastructure
Bank of Beijing <sup>44</sup>	–	Joint venture	–
Industrial Bank <sup>45</sup>	–	Wholly owned financial leasing unit	–
Chongqing Rural Commercial Bank <sup>46</sup>	–	Minority shareholder	–

\*Deal has yet to receive CBRC approval

<sup>41</sup> CBRC website

<sup>42</sup> Financial leasing companies and auto finance companies allowed to issue financial bonds, 31 August 2009, *States News Service*

<sup>43</sup> China to see 10 new financial leasing firms in 2 years: CBRC, 7 July 2009, *China Knowledge Press*

<sup>44</sup> Bank of Beijing to invest CNY1bn to set up leasing firm, 1 August 2009, *Global Banking News*

<sup>45</sup> Industrial Bank announced it will set up a financial leasing company in Tianjin, with a registered capital of RMB 2 billion although it has yet to receive approval. Industrial Bank 07 net profit soared 126.04 percent, 21 March 2008, *Sinocast China Financial Watch*

<sup>46</sup> Chongqing Rural Commercial Bank is a minority shareholder in the yet to be established leasing company, which will ultimately be controlled by China National Petroleum Company. CNPC to Set up Financial Leasing JV, 4 June 2009, *SinoCast Banking Beat*

## Risks

Some of the risks facing the banking industry have increased over the past year. The fact that the US financial crisis was caused in part by insufficient regulatory oversight is not a fact that has been lost on the CBRC and supervision of the banking sector has increased accordingly. As part of its response, the CBRC has required banks to pay greater attention to their securities-related business and urged them to assess the impact of the sub-prime crisis on their business and make adequate loan loss provisions. According to CBRC figures, at the end of 2008, the adequacy ratio of loan loss provisions for the major commercial banks reached 153 percent, representing an increase of 122.2 percent over the previous year.<sup>47</sup> This increase in loan provisioning is in large part a reflection of the current credit market environment.

The CBRC has also placed greater restrictions on and increased oversight of asset securitization through the prohibition of the securitization of certain assets by banks, particularly non-performing real estate loans.<sup>48</sup> Moreover, the CBRC has strengthened and expanded risk monitoring to areas such as loan migration and write-offs while increasing supervision of significant NPLs in large commercial banks, changes in customer profile and progress in distressed assets disposal. Banks are also now required to submit a monthly analysis on foreign currency bond investments, a quarterly analysis on potential high-risk enterprises and a monthly summary of profits and losses on bond investments.<sup>49</sup>

Compared with last year, there has been a significant increase in credit risk in light of growing numbers of bankruptcies and companies falling into loss making positions, leaving them unable to meet debt obligations. However, overall the risk of a dramatic spike in NPLs looks unlikely as most banks have recognised these risks, strictly adhered to new CBRC risk management requirements and taken steps to reduce NPL growth. However, should growth halt or slow significantly, mainland banks will need to ensure that their credit management processes are robust enough to quickly identify and reduce the consequences of an increase in NPLs. According to 2008 figures, 5 of the 130 banks surveyed had NPL ratios over 5 percent, 48 had ratios between 2 and 5 percent and 70 had ratios below 2 percent while 7 did not provide NPL data. In some cases, the drop in NPLs has been astonishing. For instance, following its restructuring, Guangdong Development Bank has seen its NPL ratio drop from double digits to a record low of 2.85 percent in 2008. Commercial banks have also been urged by the regulatory authorities to actively deal with impaired assets via collection, auction, or write-off while increasing provision coverage.

The drastic growth in lending in 2009 has also prompted some concern in various corners about loan quality. However, the majority of these new loans are being granted for infrastructure projects which are considered to be lower risk by bank management.

Liquidity management has become more difficult as the combination of the global financial crisis and pressure to appreciate the Renminbi continues to increase market risk. While appreciation of the RMB has stalled for the moment, it is expected to continue appreciating gradually which will lead to the possibility of conversion losses for banks with significant foreign exchange exposures.



<sup>47</sup> CBRC 2008 Annual Report  
<sup>48</sup> CBRC 2008 Annual Report  
<sup>49</sup> CBRC 2008 Annual Report

## Anti-money laundering (AML) and Combating the Financing for Terrorism (CFT) requirements

The prevention of money laundering has been the subject of considerable efforts by the regulatory authorities and financial institutions in China for the past few years although it has gained even greater importance recently.

From 2006 to 2007, China enacted various AML/CFT rules and regulations, culminating in the Anti-Money Laundering Law of January 2007, designed to serve as a framework to coordinate the Chinese government's efforts to combat money laundering and terrorist financing. Since 2003, the PBC has been given responsibility as the leading government department for AML in China. It is tasked with directing and deploying the country's AML/CFT efforts in the financial system through the monitoring of funds movement. However, it is anticipated that the individual regulators themselves will take the lead in formulating policy on, and assessing compliance with, appropriate internal control standards.

The change in the AML landscape over the past few years has been considerable. Thus far, China's financial sector has achieved much in implementing AML programmes from a standing start. Guided by the new AML laws and regulations, domestic financial institutions are increasingly looking to implement, expand, and test their AML programmes.

Many current reporting systems in China tend to be more focused on the recording and reporting of large transactions, rather than on suspicious transactions. With the new system now in place, there is more familiarity with suspicious transaction reporting (STR) concepts and expectations. Consequently, institutions need to develop their capability to identify transactions that are subjectively suspicious. To enforce this, administrative penalties, which can include warnings, fines and removal of responsible individuals from office, can be imposed for failure to comply with the AML/CFT laws, rules and regulations. These sanctions give a clear message regarding the seriousness that the Chinese authorities attach to institutions complying with their AML/CFT obligations. These rules apply equally to foreign bank subsidiaries in China, which may be complicated by the fact that their AML/CFT policies and procedures may have been set up to accord with group-wide policies on AML/CFT, which might not exactly meet the Chinese requirements in every respect. It is clear that the Chinese authorities expect these foreign bank subsidiaries to comply fully with the local requirements.

The recent issuance of a pilot program to introduce RMB settlement of certain cross border trades, *Administrative Measures for Pilot Operation of RMB Settlement for Cross-border Trade*, as a response to increasing risks associated with using third nation currencies for international trade settlement will also put pressure on banks to improve their AML systems. In light of the global economic crisis, the exchange rates of major international settlement currencies are subject to larger than normal fluctuations, increasing the FX risks for banks



when conducting trade settlements with the currency of a third nation. In order to maintain stable trade between China and neighboring countries and regions, and providing more facilities for its enterprises, on April 8, 2009 the State Council approved a pilot operation to use the RMB for cross-border trade settlement in Shanghai and four cities in Guangzhou Province. The PBC explicitly notes that the selected domestic settlement banks must do so in line with relevant provisions regarding anti-money laundering while also ensuring that effective measures are undertaken to obtain information about clients and the purposes and nature of any such transactions, such as the people in actual control of clients and the actual beneficiaries of transactions.<sup>50</sup> For more information on AML/CFT rules and regulations in China, please refer to KPMG's 2009 publication, *Anti-money laundering (AML) and Combating the Financing for Terrorism (CFT) Services, China and Hong Kong*.

## BASEL II

CBRC has issued a number of papers covering different areas of Basel II. Perhaps the most notable one is the draft paper setting out for the first time how banks are expected to go about the implementation of Pillar II of Basel II. The proposals have significant implications for how the amount of capital a bank needs to hold is assessed, how it manages its capital on an ongoing basis, and the range of risks its risk management processes are required to address. Pillar I, the "minimum capital requirements", sets out the capital requirements in respect of three risks: credit, market and operational. Pillar II of Basel II, the "supervisory review process", has two objectives: first, to ensure that banks have adequate capital to support all the risks in their business; and, second, to encourage banks to develop and use better risk management techniques in monitoring and managing their risks.

To achieve these objectives, Pillar II requires each bank to develop an internal capital adequacy assessment process (ICAAP) and to set capital targets that are commensurate with risk profile and the control environment. Banks' boards of directors and senior management bear primary responsibility for ensuring that there is adequate capital to support risks beyond the Pillar I minimum requirements. This may mean holding capital in excess of the statutory minimum (i.e. above 8 percent) to cover the "Pillar II risks". Tellingly a number of the major banks have already taken steps to increase their capital adequacy ratio (CAR) levels, most notably GDB who increased its CAR to 11.63 percent in 2008 from 7.14 percent in 2007.

Pillar II further requires supervisors to evaluate how well each bank is assessing its capital needs relative to its own risks, and to intervene where appropriate. At a minimum, the CBRC will expect banks to consider the following areas in their ICAAPs:

- aspects of credit, market and operational risk not fully covered under Pillar I, such as credit concentration risk
- risks not covered under Pillar I, particularly banking book interest rate risk, liquidity risk, reputation risk, strategic risk, asset securitisation risk, valuation and remuneration
- external factors faced by banks, in particular the risks brought by the economic cycle, which will require banks to undertake rigorous and forward-looking stress-testing.

<sup>50</sup> Answers of PBC on questions regarding administrative measures for pilot operation of RMB settlement for cross-border trade, 14 July 2009, *States News Service*

It is clear that the CBRC expects banks, as a result of their ICAAP process, to aim to hold capital in excess of the statutory minimum of 8 percent. Importantly, the CBRC notes that while an increase in the capital requirement cannot replace solid risk management, the CBRC might require banks facing higher risk to increase their capital. This is a clear indication that banks may have their capital target challenged and requirements increased if they run excessive risks or have inadequate risk management, which sends a strong message that banks need to ensure the robustness of their ICAAP and their risk management systems.

Many banks in China have made great strides in implementing Pillar I of Basel II, a process that has required them to significantly enhance their risk management in the areas of credit risk, market risk and operational risk. Implementation of Pillar II will represent a further challenge as it will require them to enhance their risk management in new areas, their capital planning process (including perhaps developing an economic capital model) and their stress-testing. Banks will have to carefully consider what kind of target capital level they should maintain. And they need to satisfy the CBRC that all these processes are robust and they have appropriate risk management of these risks in place.

## Conclusion

Despite the financial turmoil abroad, Chinese banks have enjoyed another year of rising profits and increasing commercialisation. While this has been accompanied by a slow down in certain activities, such as overseas M&A and diversification into other areas of the financial services sector, overall 2008 and 2009 have been very positive for Chinese banks.

KPMG China is pleased with the changes that have taken place over the past year and the marked increase in transparency across the sector. From our inaugural Mainland China Banking Survey in 2006, which had the numbers for 21 banks, primarily the joint stock banks and the big four state-owned banks, the survey has expanded greatly to cover 130 banks, including city commercial banks, rural banks and foreign incorporated banks. We look forward to this number going even higher in the coming years.





# Financial highlights

Name of bank (ranked by total assets)		Profit and loss (in RMB million)							
		Net interest income		Non-interest income		Operating expenses		Operating profit before provisions	
		2008	2007	2008	2007	2008	2007	2008	2007
1	Industrial and Commercial Bank of China	263,037	224,465	46,293	28,268	110,271	102,142	199,059	150,591
2	China Construction Bank	224,920	192,775	42,471	26,517	97,955	91,162	169,436	128,130
3	Agricultural Bank of China	193,845	157,465	17,344	21,772	107,640	71,216	103,549	108,021
4	Bank of China	162,936	152,745	51,572	31,156	83,324	74,168	131,184	109,733
5	China Development Bank*	83,902	69,829	(706)	(4,948)	14,587	10,681	68,609	54,200
6	Bank of Communications	65,636	53,742	10,933	8,468	28,951	23,902	47,618	38,308
7	China Merchants Bank	46,885	33,902	8,423	7,056	23,742	16,738	31,566	24,220
8	Agricultural Development Bank of China	34,711	27,098	(11)	(13)	12,208	10,586	22,492	16,499
9	Shanghai Pudong Development Bank	31,534	24,180	2,808	1,450	15,292	11,393	19,050	14,237
10	China CITIC Bank	36,091	26,170	4,064	1,668	16,096	11,747	24,059	16,091
11	China Minsheng Banking Corporation	30,380	22,580	4,367	2,636	17,817	13,752	16,930	11,464
12	Industrial Bank	26,192	20,846	3,500	1,157	12,306	9,475	17,386	12,528
13	China Everbright Bank	22,336	17,772	2,342	2,236	10,261	7,843	14,417	12,165
14	Hua Xia Bank	13,492	11,247	4,110	3,004	8,674	6,852	8,928	7,399
15	The Export-Import Bank of China	3,797	2,517	(1,242)	(1,070)	n/a	n/a	n/a	n/a
16	Guangdong Development Bank	15,716	11,323	1,953	1,015	7,827	6,458	9,842	5,880
17	Shenzhen Development Bank	12,598	9,606	1,915	1,202	6,376	5,032	8,137	5,776
18	Bank of Beijing	11,088	7,200	1,204	431	3,608	2,390	8,684	5,241
19	Bank of Shanghai	9,180	7,491	617	164	4,149	2,923	5,648	4,732
20	Bank of Jiangsu	6,925	4,781	319	62	3,154	2,220	4,090	2,623
21	Beijing Rural Commercial Bank	5,761	4,524	16	(65)	2,795	2,214	2,982	2,245
22	Shanghai Rural Commercial Bank	5,165	4,204	(92)	(11)	1,985	1,715	3,088	2,478
23	Chongqing Rural Commercial Bank	4,656	3,333	(1,687)	(925)	149	786	2,820	1,622
24	HSBC (China)	3,144	1,831	2,238	971	3,167	1,928	2,215	874
25	Evergrowing Bank	2,647	1,836	401	(10)	1,167	776	1,881	1,050
26	Ping An Bank	3,814	3,409	63	173	2,100	1,641	1,777	1,941
27	Huishang Bank	4,222	2,726	167	20	1,974	1,254	2,415	1,492
28	Bank of Tianjin	3,297	2,279	326	118	1,149	781	2,474	1,616
29	Bank of East Asia (China)	2,590	1,590	325	(51)	1,488	776	1,427	763
30	Bank of Ningbo	2,891	2,062	513	179	1,596	958	1,808	1,283
31	Bank of Hangzhou	2,967	2,048	180	133	1,261	878	1,886	1,303
32	Bank of Nanjing	2,596	1,956	627	(31)	999	700	2,224	1,225
33	Bank of Dalian	2,758	2,217	212	77	1,110	796	1,860	1,498
34	China Zheshang Bank	2,105	1,423	42	118	1,201	833	946	708
35	Bank of Chengdu	2,368	1,576	74	5	788	622	1,654	959
36	Bank of Dongguan	1,890	1,604	298	76	802	675	1,386	1,005
37	Harbin Bank	1,766	1,389	349	86	712	494	1,403	981
38	China Bohai Bank	1,221	600	47	9	872	456	396	153
39	Baoshang Bank	1,475	1,325	240	(117)	679	514	1,036	694
40	Bank of Chongqing	1,822	1,292	90	258	820	600	1,092	950
41	Xi' An City Commercial Bank	1,513	1,132	145	(25)	516	473	1,142	634
42	Qilu Bank	1,830	1,319	77	27	680	505	1,227	841
43	Hangzhou United Bank	1,637	1,169	(325)	(117)	n/a	n/a	n/a	n/a
44	Xiaoshan Rural Cooperative Bank	1,239	1,001	(9)	(64)	n/a	n/a	n/a	n/a
45	Xiamen International Bank	1,129	990	1	178	625	493	505	675
46	Hankou Bank	1,188	1,019	85	38	577	500	696	557
47	Shijiazhuang City Commercial Bank	1,001	801	31	42	453	382	579	461
48	Fudian Bank	1,242	n/a	120	n/a	698	n/a	664	n/a
49	DBS (China)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
50	Changshu Rural Commercial Bank	849	675	90	21	294	252	645	444
51	Bank of Jinzhou	1,081	775	27	(4)	492	357	616	414
52	Bank of Nanchang	1,357	1,021	64	63	517	435	904	649
53	Bank of Wenzhou	1,204	907	36	9	541	417	699	499
54	Commercial Bank of Zhengzhou	1,011	724	65	17	366	290	710	451
55	Bank of Lanzhou	724	607	(28)	2	422	367	274	242
56	Ningbo Yinzhou Rural Cooperative Bank	1,269	854	71	36	386	338	954	552
57	Jiangsu Jiangyin Rural Commercial Bank	1,338	961	24	22	293	227	1,069	756
58	Wujin Rural Commercial Bank	1,337	837	(452)	3	n/a	n/a	n/a	n/a
59	Fuzhou City Commercial Bank	901	759	6	78	350	296	557	541
60	Shaoxing City Commercial Bank	881	766	30	16	298	264	613	518
61	Bank of Ningxia	1,187	879	57	35	479	394	765	520
62	Jiangsu Xizhou Rural Commercial Bank	n/a	n/a	n/a	n/a	810	537	n/a	n/a
63	Weihai City Commercial Bank	676	528	12	10	319	237	369	301
64	Yantai Bank	726	614	2	(1)	361	319	367	294
65	Bank of Weifang	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
66	Rural Commercial Bank of Zhangjiagang	902	771	38	25	278	224	662	572
67	Wujiang Rural Commercial Bank	993	875	24	23	383	372	634	526
68	Jiangsu Dongwu Rural Commercial Bank	930	682	23	13	325	276	628	419
69	Taizhou Commercial Bank	n/a	839	n/a	31	n/a	302	n/a	568
70	Qi Shang Bank	1,112	947	27	25	404	329	735	643
71	Bank of Luoyang	797	561	40	31	220	170	617	422
72	Binhai Bank	694	462	127	(21)	252	166	569	275
73	Yuhang Rural Cooperative Bank	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
74	Jinhua City Commercial Bank	756	582	29	18	334	248	451	352
75	Zhejiang Chouzhou Commercial Bank	545	356	23	5	225	143	343	218

\* Denote IFRS figures

## Profit and loss (in RMB million)

Charge for bad and doubtful debts		Exceptional and other items		Profit before tax		Net profit after tax	
2008	2007	2008	2007	2008	2007	2008	2007
36,512	33,061	1,770	1,929	145,301	115,114	111,151	81,990
36,246	20,106	1,134	281	119,741	100,816	92,642	69,142
39,858	21,115	278	810	52,349	78,257	51,453	43,787
16,792	8,252	98	485	86,251	89,955	65,073	62,017
23,376	6,346	5,108	107	27,938	43,571	20,755	28,776
10,715	6,492	35	188	35,818	31,038	28,520	20,641
3,703	3,006	347	128	26,759	21,043	20,946	15,243
19,757	13,249	(100)	(230)	2,610	2,935	1,627	1,471
3,471	3,517	(29)	(5)	15,303	10,758	12,516	5,499
5,379	2,860	131	37	17,746	13,140	13,320	8,290
5,686	2,237	76	13	10,488	9,212	7,893	6,335
3,238	1,591	67	61	14,037	10,910	11,385	8,586
6,050	3,706	(205)	(76)	7,924	8,389	7,316	5,039
4,507	3,311	(27)	(35)	4,007	3,821	3,071	2,101
n/a	n/a	0	0	526	179	200	109
6,678	1,000	107	76	3,084	4,988	2,784	2,682
6,973	1,946	(10)	50	793	3,772	614	2,650
1,725	650	108	(33)	6,945	4,629	5,417	3,348
1,928	920	(27)	71	3,454	3,796	3,077	2,934
1,009	48	(5)	13	3,036	2,520	2,222	1,477
n/a	n/a	(6)	(267)	1,059	878	633	339
3,000	1,800	878	45	966	723	741	371
2,001	1,006	11	40	830	656	727	656
24	(13)	0	0	2,191	887	1,799	714
713	359	4	(29)	1,170	627	934	449
212	(116)	101	410	1,609	2,187	1,636	1,584
860	105	46	17	1,591	1,390	1,261	882
866	663	0	(78)	1,505	875	1,292	713
83	13	0	0	1,343	750	1,020	502
257	99	(28)	2	1,523	1,185	1,332	951
320	22	(11)	(22)	1,545	1,257	1,277	848
400	188	5	26	1,741	1,063	1,456	909
n/a	153	(6)	41	1,114	1,376	893	874
257	121	3	(3)	655	584	591	370
487	240	41	49	1,201	706	915	443
n/a	n/a	(1)	37	1,133	1,091	905	789
256	112	(22)	(621)	1,126	367	840	255
213	108	28	81	211	126	127	46
1	n/a	4	0	978	553	788	506
230	94	(12)	8	852	875	655	557
157	384	3	2	909	266	676	138
757	n/a	2	3	468	424	351	234
n/a	n/a	49	16	813	669	487	367
n/a	n/a	10	9	791	610	594	386
n/a	n/a	7	0	493	534	369	369
129	n/a	22	(9)	439	287	364	174
96	332	(23)	(37)	88	92	44	34
n/a	n/a	813	n/a	1,445	n/a	1,124	2,356
n/a	n/a	n/a	n/a	408	107	315	76
150	n/a	12	1	505	410	445	348
250	(2)	10	(8)	388	410	342	276
288	98	(1)	18	642	356	471	175
102	1	1	7	593	504	466	341
n/a	n/a	(2)	(9)	248	207	190	143
144	n/a	3	7	133	121	108	73
n/a	n/a	(7)	(9)	607	524	459	345
293	46	(6)	(7)	764	708	598	483
n/a	n/a	(25)	(121)	572	469	367	373
n/a	n/a	(5)	(3)	413	440	376	367
n/a	n/a	41	(9)	436	438	342	290
387	n/a	7	268	610	811	471	516
65	n/a	117	19	402	281	317	206
305	n/a	(12)	(44)	51	101	41	61
46	n/a	8	12	298	226	256	124
n/a	n/a	(188)	(99)	222	91	165	35
n/a	n/a	3	3	591	556	500	468
n/a	n/a	60	29	467	565	370	335
164	n/a	(7)	16	454	374	331	238
15	29	(4)	(2)	784	536	593	346
334	313	(4)	0	382	315	290	199
283	48	3	(3)	316	300	250	187
80	112	(1)	(4)	435	128	336	71
n/a	n/a	n/a	n/a	525	309	380	180
140	110	1	(1)	280	241	207	167
n/a	n/a	(2)	1	257	210	195	137

# Financial highlights

Name of bank (ranked by total assets)	Profit and loss (in RMB million)							
	Net interest income		Non-interest income		Operating expenses		Operating profit before provisions	
	2008	2007	2008	2007	2008	2007	2008	2007
76 Bank of Rizhao	894	581	24	17	252	239	666	359
77 Zhejiang Tailong Commercial Bank	653	402	26	7	287	157	392	252
78 Linshang Bank	922	825	22	15	581	526	363	314
79 Nanchong City Commercial Bank	427	218	11	0	172	98	266	120
80 Guangxi Beibu Gulf Bank	454	351	14	10	214	130	254	231
81 First Sino Bank	473	325	146	47	206	138	413	234
82 OCBC Bank (China)	470	141	(50)	(61)	316	105	104	(25)
83 Huhhot City Commercial Bank	609	430	8	10	298	206	319	234
84 Zhanjiang Commercial Bank	588	388	22	9	164	115	446	282
85 Laishang Bank	622	524	45	15	261	178	406	361
86 Huludao City Commercial Bank	452	376	19	30	197	167	274	239
87 Dongying City Commercial Bank	503	403	(2)	(12)	198	146	303	245
88 Jiaxing City Commercial Bank	541	422	16	10	220	179	337	253
89 Datong City Commercial Bank	301	263	0	(4)	159	141	142	118
90 Chongqing Three Gorges Bank	265	100	187	3	115	58	337	45
91 Bank of Jiujiang	402	237	15	0	169	94	248	143
92 Panzhihua City Commercial Bank	494	361	6	4	146	126	354	239
93 Hefei Science & Technology Rural Commercial Bank	407	304	2	0	n/a	n/a	n/a	n/a
94 Deyang City Commercial Bank	463	290	11	10	141	94	333	206
95 Bank of Cangzhou	413	278	21	3	179	119	255	162
96 Tieling Commercial Bank	291	252	5	2	144	118	152	136
97 Wing Hang Bank (China)	284	141	43	29	149	75	178	95
98 Mianyang City Commercial Bank	304	195	9	6	102	91	211	110
99 Woori Bank (China)	283	55	92	51	183	36	192	70
100 Quanzhou City Commercial Bank	396	300	10	6	154	118	252	188
101 Huzhou City Commercial Bank	420	335	8	3	194	153	234	185
102 Zhejiang Wenling Rural Cooperative Bank	662	464	(217)	(59)	188	n/a	257	n/a
103 Xinxiang City Commercial Bank	420	383	5	5	107	105	318	283
104 LiuZhou City Commercial Bank	409	293	13	1	243	137	179	157
105 Bank of Ganzhou	315	242	10	5	138	101	187	146
106 Zunyi City Commercial Bank	365	291	10	5	172	146	203	150
107 Jiaozuo City Commercial Bank	310	312	6	4	118	103	198	213
108 Taicang Rural Commercial Bank	378	240	12	51	149	118	241	173
109 Guilin City Commercial Bank	343	222	14	1	155	95	202	128
110 Chengde City Commercial Bank	396	204	(5)	(3)	84	57	307	144
111 Xiangtan City Commercial Bank	208	194	25	18	120	104	113	108
112 Zhuzhou City Commercial Bank	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
113 Shinhan Bank (China)	138	0	(39)	0	99	0	0	0
114 Heng Yang City Commercial Bank	110	102	4	(11)	92	126	22	(35)
115 Jingzhou City Commercial Bank	145	98	7	3	75	62	77	39
116 Jining City Commercial Bank	338	256	12	5	133	103	217	158
117 Bank of Xuchang	185	195	0	1	92	83	93	113
118 Leshan City Commercial Bank	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
119 Shangrao City Commercial Bank	189	107	16	4	100	59	105	52
120 Jilin Jiutai Rural Commercial Bank	195	190	(54)	(38)	n/a	n/a	n/a	n/a
121 Zaozhuang City Commercial Bank	184	147	2	1	70	57	116	91
122 CITIC Ka Wah Bank (China)	79	n/a	22	n/a	68	n/a	33	n/a
123 Huangshi City Commercial Bank	136	115	16	0	63	52	89	63
124 Jiangsu Sheyang Rural Commercial Bank	189	167	1	(1)	85	64	105	102
125 Karamay City Commercial Bank	79	57	11	2	40	32	50	27
126 Guizhou Xingyi Rural Cooperative Bank	112	84	1	(0)	66	52	47	32
127 Xiaogan City Commercial Bank	70	56	1	0	26	18	45	38
128 Dah Sing Bank (China)	13	n/a	26	n/a	24	n/a	15	n/a
129 Bank International Ningbo	81	80	24	21	41	32	64	69
130 Kunshan Rural Commercial Bank	n/a	532	n/a	19	n/a	n/a	n/a	n/a

## Profit and loss (in RMB million)

Charge for bad and doubtful debts		Exceptional and other items		Profit before tax		Net profit after tax	
2008	2007	2008	2007	2008	2007	2008	2007
n/a	n/a	2	4	510	338	392	226
71	20	(1)	(3)	320	226	239	154
n/a	n/a	(1)	(7)	92	172	68	147
45	n/a	(3)	1	217	106	185	86
122	(197)	72	730	202	1,150	152	1,122
72	36	0	(1)	341	197	259	148
10	16	24	8	118	(33)	93	(23)
181	n/a	1	1	166	138	103	69
45	20	(1)	(3)	400	259	330	186
99	1	(8)	(1)	299	361	232	232
160	134	(2)	(1)	112	104	53	24
n/a	n/a	(1)	1	227	175	168	101
175	n/a	(5)	(3)	157	210	127	140
100	n/a	(1)	1	41	46	31	29
31	n/a	0	0	305	45	229	25
n/a	n/a	(2)	0	193	126	158	96
n/a	n/a	(1)	(3)	333	223	250	146
n/a	n/a	1	0	132	71	100	41
260	180	12	5	85	31	85	21
92	n/a	1	1	231	154	181	98
71	27	8	0	101	89	75	50
61	7	0	23	117	111	101	105
n/a	n/a	0	(18)	21	27	21	22
n/a	n/a	0	30	179	93	141	77
60	82	(2)	(5)	132	101	75	54
n/a	n/a	0	4	180	156	135	95
194	n/a	2	(5)	259	237	150	125
n/a	n/a	0	0	236	266	158	178
25	59	3	2	157	108	119	72
13	9	1	0	153	120	120	91
81	n/a	0	0	122	67	92	24
133	90	(8)	0	67	123	51	74
79	n/a	3	3	159	112	122	66
75	118	0	0	110	57	85	38
32	4	1	(2)	276	138	214	93
n/a	n/a	28	(3)	118	101	100	81
1	n/a	1	n/a	88	n/a	64	n/a
8	0	27	0	18	-	12	n/a
9	n/a	14	3	27	(34)	27	(34)
9	4	(33)	(10)	28	24	24	18
83	n/a	2	(24)	122	88	84	52
22	n/a	3	1	64	71	46	45
71	n/a	n/a	n/a	n/a	n/a	33	n/a
n/a	n/a	0	1	82	32	69	25
n/a	n/a	0	(0)	92	109	92	109
61	n/a	2	(1)	57	46	35	28
16	n/a	20	n/a	37	n/a	31	n/a
n/a	n/a	2	1	69	52	55	36
n/a	n/a	(9)	(8)	62	16	43	11
n/a	n/a	0	0	45	29	38	22
n/a	n/a	1	6	32	21	22	7
17	17	(5)	(1)	23	20	22	16
5	n/a	22	n/a	32	n/a	23	n/a
0	0	0	6	64	74	48	61
n/a	n/a	n/a	(7)	n/a	277	n/a	173

# Financial highlights

Name of bank (ranked by total assets)		Size and strength measures (in RMB million)					
		Total assets		Gross advances to customers		Provisions against customer advances	
		2008	2007	2008	2007	2008	2007
1	Industrial and Commercial Bank of China	9,757,654	8,684,288	4,571,994	4,073,229	135,983	115,687
2	China Construction Bank	7,555,452	6,598,177	3,793,943	3,272,157	110,368	88,928
3	Agricultural Bank of China	7,014,351	5,305,506	3,100,159	3,474,174	85,175	764,982
4	Bank of China	6,955,694	5,995,553	3,296,146	2,850,561	106,494	96,068
5	China Development Bank*	3,820,102	2,894,657	2,898,555	2,261,677	57,874	33,449
6	Bank of Communications	2,678,255	2,103,626	1,328,590	1,104,460	29,814	21,702
7	China Merchants Bank	1,571,797	1,310,552	874,362	673,167	21,608	18,750
8	Agricultural Development Bank of China	1,354,649	1,065,094	1,219,279	1,022,439	12,377	10,410
9	Shanghai Pudong Development Bank	1,309,425	914,980	697,565	550,988	16,298	15,331
10	China CITIC Bank	1,187,837	1,011,236	664,924	575,208	13,572	9,342
11	China Minsheng Banking Corporation	1,054,350	919,796	658,360	554,959	11,885	7,663
12	Industrial Bank	1,020,899	851,335	499,386	400,143	9,401	7,114
13	China Everbright Bank	851,838	739,354	464,574	412,284	14,053	17,180
14	Hua Xia Bank	731,637	592,338	355,478	306,078	9,810	7,528
15	The Export-Import Bank of China	566,729	378,741	451,240	321,055	5,113	4,218
16	Guangdong Development Bank	546,015	437,727	311,699	248,386	13,360	7,841
17	Shenzhen Development Bank	474,440	352,539	283,741	221,814	2,027	6,024
18	Bank of Beijing	417,021	354,223	193,074	157,208	5,383	3,884
19	Bank of Shanghai	367,736	308,986	178,002	149,776	5,375	3,896
20	Bank of Jiangsu	230,333	183,933	134,231	105,078	2,279	1,341
21	Beijing Rural Commercial Bank	227,616	182,687	117,830	97,431	3,962	3,026
22	Shanghai Rural Commercial Bank	173,327	157,474	92,732	82,714	1,476	1,399
23	Chongqing Rural Commercial Bank	169,903	143,326	77,603	64,078	4,244	2,833
24	HSBC (China)	153,913	142,837	54,195	59,701	275	269
25	Evergrowing Bank	150,996	108,030	65,756	45,989	722	452
26	Ping An Bank	145,923	141,619	72,486	61,900	601	420
27	Huishang Bank	131,309	105,405	76,736	55,608	1,972	1,132
28	Bank of Tianjin	122,835	102,712	50,032	41,268	1,878	1,118
29	Bank of East Asia (China)	120,429	101,218	81,618	70,747	163	187
30	Bank of Ningbo	103,263	75,511	49,156	36,502	690	468
31	Bank of Hangzhou	99,617	69,271	58,106	40,622	879	599
32	Bank of Ningjing	93,706	76,064	40,180	30,629	1,122	806
33	Bank of Dalian	85,548	76,307	46,480	40,653	1,604	1,575
34	China Zhesang Bank	83,803	57,337	51,388	34,042	621	364
35	Bank of Chengdu	72,512	52,607	40,430	30,881	2,146	1,698
36	Bank of Dongguan	70,041	63,779	28,167	26,655	835	699
37	Harbin Bank	63,315	53,601	33,654	30,492	675	445
38	China Bohai Bank	62,235	32,486	34,749	18,123	396	183
39	Baoshang Bank	61,936	52,220	23,162	17,882	270	269
40	Bank of Chongqing	56,442	44,631	28,793	23,720	668	451
41	Xi' An City Commercial Bank	51,665	40,297	27,077	25,630	1,016	879
42	Qilu Bank	49,545	37,973	28,156	25,001	1,028	434
43	Hangzhou United Bank	45,701	34,738	27,217	22,613	1,091	565
44	Xiaoshan Rural Cooperative Bank	45,618	36,240	23,210	20,090	681	493
45	Xiamen International Bank	44,089	42,975	n/a	n/a	n/a	n/a
46	Hankou Bank	43,040	36,741	21,190	19,359	458	422
47	Shijiazhuang City Commercial Bank	42,561	38,085	19,665	17,185	342	285
48	Fudian Bank	39,073	36,459	20,613	16,348	689	n/a
49	DBS (China)	37,084	30,286	27,026	23,610	474	295
50	Changshu Rural Commercial Bank	35,703	30,187	18,184	15,096	468	308
51	Bank of Jinzhou	35,566	27,989	20,336	15,826	615	365
52	Bank of Nanchang	35,090	26,611	17,459	15,198	927	651
53	Bank of Wenzhou	34,141	30,083	20,479	17,142	328	235
54	Commercial Bank of Zhengzhou	33,993	30,384	16,203	13,609	n/a	n/a
55	Bank of Lanzhou	33,804	29,327	19,228	16,674	483	338
56	Ningbo Yinzhou Rural Cooperative Bank	32,467	25,380	19,286	16,627	627	315
57	Jiangsu Jiangyin Rural Commercial Bank	32,058	28,096	19,832	16,201	508	404
58	Wujin Rural Commercial Bank	30,837	25,214	17,718	14,719	570	181
59	Fuzhou City Commercial Bank	30,795	32,706	15,908	14,826	288	189
60	Shaoxing City Commercial Bank	29,380	23,201	18,587	15,879	n/a	347
61	Bank of Ningxia	29,317	23,846	16,501	14,305	662	350
62	Jiangsu Xizhou Rural Commercial Bank	28,423	23,362	16,329	12,321	389	245
63	Weihai City Commercial Bank	27,377	21,267	14,942	12,579	135	6
64	Yantai Bank	27,191	26,126	15,866	16,246	431	438
65	Bank of Weifang	26,874	21,299	14,985	12,530	295	248
66	Rural Commercial Bank of Zhangjiagang	26,824	24,543	13,327	11,362	351	287
67	Wujiang Rural Commercial Bank	25,907	21,219	15,983	13,448	465	242
68	Jiangsu Dongwu Rural Commercial Bank	25,286	20,496	14,070	12,226	504	339
69	Taizhou Commercial Bank	25,215	18,096	14,855	11,539	101	108
70	Qi Shang Bank	24,864	21,086	15,604	14,323	430	393
71	Bank of Luoyang	24,471	21,337	13,542	11,509	427	227
72	Binhai Bank	21,493	13,059	11,267	6,307	279	196
73	Yuhang Rural Cooperative Bank	21,417	17,056	12,671	10,510	375	256
74	Jinhua City Commercial Bank	20,300	15,792	11,439	10,430	162	67
75	Zhejiang Chouzhou Commercial Bank	18,789	11,211	11,431	6,151	153	65

\* Denote IFRS figures

## Size and strength measures (in RMB million)

Total deposits from customers		Total equity		Capital adequacy ratio		Liquidity ratio	
2008	2007	2008	2007	2008	2007	2008	2007
8,223,446	6,898,413	607,138	544,252	13.06%	13.09%	33.30%	26.80%
6,375,915	5,329,507	467,562	422,281	12.16%	12.58%	52.74%	40.98%
6,097,428	5,287,194	290,541	(727,605)	9.41%	n/a	44.79%	37.04%
5,173,352	4,480,585	493,901	454,993	13.43%	13.34%	48.80%	32.60%
245,012	157,773	348,528	348,174	11.31%	12.77%	n/a	n/a
1,865,815	1,555,809	145,642	128,797	13.47%	14.44%	39.72%	27.07%
1,250,648	943,534	79,515	67,984	11.34%	10.67%	43.14%	41.70%
183,285	163,161	22,685	20,418	n/a	n/a	n/a	n/a
947,294	763,473	41,702	28,298	9.06%	9.15%	55.24%	39.60%
945,835	787,211	95,346	84,141	14.32%	15.27%	51.37%	38.90%
785,786	671,219	54,672	50,186	9.22%	10.73%	45.50%	34.94%
632,426	505,371	49,022	38,897	11.24%	11.73%	41.04%	39.22%
605,170	540,661	33,232	24,689	9.10%	7.19%	47.61%	42.53%
485,350	438,782	27,421	13,056	11.40%	8.27%	52.90%	48.15%
41,138	31,777	9,466	9,100	n/a	n/a	n/a	n/a
404,655	352,735	19,602	15,631	11.63%	7.14%	52.59%	36.46%
360,514	281,277	16,401	13,006	8.58%	5.77%	41.50%	39.33%
315,840	259,687	33,814	26,668	19.66%	20.11%	63.00%	72.01%
266,363	220,889	18,840	14,761	11.27%	11.27%	38.21%	26.95%
199,852	162,441	12,394	10,587	10.50%	9.26%	55.82%	66.13%
206,431	169,475	7,433	7,029	10.50%	8.32%	55.15%	60.26%
147,043	128,317	11,643	11,159	11.80%	9.16%	61.08%	42.43%
116,871	96,268	8,397	4,189	9.80%	n/a	n/a	n/a
100,094	78,221	11,644	10,760	16.00%	15.40%	n/a	n/a
85,137	65,208	4,103	1,991	8.91%	7.02%	68.13%	85.08%
106,814	113,053	8,641	6,268	10.69%	9.07%	66.99%	53.31%
100,249	79,442	11,957	3,976	15.83%	8.06%	39.44%	31.99%
105,850	83,792	8,007	5,541	12.38%	11.51%	63.96%	52.97%
66,516	40,123	10,290	9,262	15.17%	16.09%	59.00%	61.80%
76,222	55,514	8,805	8,022	16.15%	21.00%	56.44%	61.62%
82,043	60,774	4,809	3,839	10.70%	9.04%	64.83%	51.45%
62,731	50,932	11,346	9,942	24.12%	30.14%	50.24%	43.80%
75,195	68,114	5,270	4,097	10.94%	9.11%	52.46%	38.90%
71,468	46,128	4,302	2,178	10.01%	8.55%	62.60%	63.43%
62,908	47,773	6,669	1,499	16.84%	4.89%	60.67%	45.16%
49,768	45,520	3,504	2,710	14.37%	10.96%	47.75%	56.57%
53,080	39,419	3,177	2,398	10.66%	8.58%	45.95%	25.97%
48,653	22,951	4,990	4,853	13.23%	26.05%	50.29%	31.90%
47,768	41,048	3,032	1,934	12.50%	11.90%	45.81%	47.33%
42,244	35,331	3,291	2,629	10.77%	10.66%	37.62%	32.11%
39,914	32,981	1,831	1,162	12.72%	8.84%	36.14%	24.83%
43,891	31,679	2,671	1,901	11.34%	10.13%	60.45%	37.77%
40,661	30,492	3,183	2,593	10.00%	n/a	76.17%	n/a
35,808	28,171	2,943	2,092	11.68%	10.70%	77.98%	64.77%
31,986	32,426	2,410	2,093	n/a	n/a	n/a	n/a
34,573	31,298	3,444	2,940	13.04%	11.75%	48.60%	39.70%
34,502	29,996	1,822	872	10.82%	5.71%	47.19%	n/a
28,318	23,943	2,937	1,074	16.03%	12.98%	33.97%	29.07%
18,332	10,934	4,413	4,098	17.50%	17.40%	91.50%	93.70%
28,456	24,357	2,333	1,869	14.78%	13.81%	40.63%	32.74%
29,911	24,480	2,266	1,708	11.38%	10.74%	56.17%	48.24%
28,652	22,447	3,687	3,206	16.41%	18.18%	51.09%	45.10%
24,660	21,163	1,800	1,420	10.60%	8.66%	52.61%	41.26%
27,171	24,392	1,851	1,278	10.65%	7.11%	44.67%	32.77%
29,024	25,323	1,634	1,366	8.65%	8.12%	46.96%	45.83%
26,646	22,623	1,866	1,306	12.37%	11.22%	87.17%	47.63%
28,317	23,623	2,169	1,558	13.70%	10.75%	n/a	n/a
24,986	20,188	1,867	1,515	11.46%	9.22%	n/a	n/a
24,624	25,727	1,823	1,352	11.59%	9.41%	42.48%	32.46%
25,058	20,068	1,991	1,748	10.40%	12.74%	90.34%	73.25%
24,412	20,138	2,193	1,138	13.92%	8.55%	39.33%	29.47%
24,116	20,551	1,838	1,077	12.96%	8.87%	35.46%	85.66%
20,751	16,581	1,473	1,416	10.55%	10.47%	n/a	n/a
21,541	19,025	1,170	839	8.58%	6.73%	41.14%	33.92%
22,991	19,649	1,638	1,128	12.21%	10.30%	85.53%	61.68%
20,596	18,053	2,872	2,457	14.67%	12.88%	59.33%	74.08%
23,308	19,329	1,658	1,340	14.01%	10.23%	32.99%	49.42%
21,080	18,093	1,472	1,189	9.32%	n/a	34.14%	n/a
22,146	16,462	1,696	1,094	10.77%	9.18%	54.85%	40.03%
21,841	18,138	1,679	1,337	14.20%	10.49%	67.45%	49.67%
20,548	18,051	1,473	1,087	12.38%	8.59%	50.14%	45.32%
17,335	10,960	2,483	264	20.61%	n/a	84.39%	n/a
17,688	14,038	1,233	827	10.77%	n/a	68.88%	n/a
17,120	14,159	778	945	10.22%	9.41%	74.91%	46.38%
15,495	9,973	1,044	850	10.59%	10.79%	76.72%	58.64%

## Financial highlights

Name of bank (ranked by total assets)		Size and strength measures (in RMB million)					
		Total assets		Gross advances to customers		Provisions against customer advances	
		2008	2007	2008	2007	2008	2007
76	Bank of Rizhao	18,159	17,850	10,271	10,686	303	184
77	Zhejiang Tailong Commercial Bank	18,096	11,891	10,195	7,483	129	74
78	Linshang Bank	17,075	15,295	10,620	10,190	504	369
79	Nanchong City Commercial Bank	16,418	10,577	6,466	3,401	117	80
80	Guangxi Beibu Gulf Bank	16,069	10,557	7,517	2,853	207	98
81	First Sino Bank	15,878	14,251	11,412	9,730	175	104
82	OCBC Bank (China)	15,824	12,612	9,218	10,631	70	67
83	Huhhot City Commercial Bank	15,795	14,015	8,327	7,720	336	155
84	Zhanjiang Commercial Bank	15,502	11,391	9,155	6,352	92	65
85	Laishang Bank	14,572	12,969	7,829	8,086	195	96
86	Huludao City Commercial Bank	14,467	11,794	8,317	7,459	436	306
87	Dongying City Commercial Bank	14,266	12,613	8,617	7,530	182	141
88	Jiaxing City Commercial Bank	14,105	11,795	9,056	7,234	341	135
89	Datong City Commercial Bank	13,961	11,493	5,661	5,418	352	252
90	Chongqing Three Gorges Bank	13,633	5,304	3,784	1,154	43	13
91	Bank of Jiujiang	13,443	8,595	7,119	4,238	87	51
92	Panzhuhua City Commercial Bank	13,386	10,656	7,967	7,696	97	91
93	Hefei Science & Technology Rural Commercial Bank	13,037	9,802	7,596	5,346	109	n/a
94	Deyang City Commercial Bank	12,581	8,698	6,566	4,460	247	133
95	Bank of Cangzhou	12,243	7,500	5,818	4,308	167	75
96	Tieling Commercial Bank	11,994	9,363	6,301	5,249	187	116
97	Wing Hang Bank (China)	11,561	10,419	8,452	7,408	84	43
98	Mianyang City Commercial Bank	11,392	7,871	5,483	3,874	146	76
99	Woori Bank (China)	11,381	10,654	n/a	n/a	n/a	n/a
100	Quanzhou City Commercial Bank	10,865	8,961	5,794	5,148	147	106
101	Huzhou City Commercial Bank	10,840	8,528	6,300	5,400	135	92
102	Zhejiang Wenling Rural Cooperative Bank	10,827	10,017	6,847	6,031	331	148
103	Xinxiang City Commercial Bank	10,133	9,546	6,302	5,764	224	190
104	LiuZhou City Commercial Bank	10,099	8,738	6,055	5,217	119	109
105	Bank of Ganzhou	10,068	7,073	5,695	4,461	64	51
106	Zunyi City Commercial Bank	9,827	7,178	5,442	4,840	193	113
107	Jiaozuo City Commercial Bank	9,791	8,705	6,007	5,360	267	154
108	Taicang Rural Commercial Bank	9,784	8,406	6,241	5,070	172	120
109	Guilin City Commercial Bank	9,190	7,198	5,097	3,566	98	96
110	Chengde City Commercial Bank	8,273	6,013	4,144	2,673	77	45
111	Xiangtan City Commercial Bank	8,210	6,669	3,362	2,912	71	53
112	Zhuzhou City Commercial Bank	8,178	7,257	3,598	3,077	52	51
113	Shinhan Bank (China)	7,490	n/a	5,203	n/a	70	n/a
114	Heng Yang City Commercial Bank	7,270	6,482	3,499	3,309	85	76
115	Jingzhou City Commercial Bank	6,897	5,089	2,167	1,733	28	20
116	Jining City Commercial Bank	6,841	5,304	4,159	3,814	163	98
117	Bank of Xuchang	6,421	5,393	3,448	2,772	76	72
118	Leshan City Commercial Bank	6,309	5,077	3,533	2,749	86	37
119	Shangrao City Commercial Bank	6,306	4,569	3,448	2,700	94	71
120	Jilin Jiutai Rural Commercial Bank	4,613	3,286	1,713	1,265	30	23
121	Zaozhuang City Commercial Bank	4,390	3,182	2,101	2,027	79	46
122	CITIC Ka Wah Bank (China)	4,347	n/a	3,776	n/a	23	n/a
123	Huangshi City Commercial Bank	4,241	3,632	2,477	2,112	61	46
124	Jiangsu Sheyang Rural Commercial Bank	4,122	3,356	2,582	2,080	123	90
125	Karamay City Commercial Bank	3,835	3,252	725	614	10	6
126	Guizhou Xingyi Rural Cooperative Bank	2,865	2,291	1,507	1,151	65	51
127	Xiaogan City Commercial Bank	2,603	2,176	1,341	1,118	40	33
128	Dah Sing Bank (China)	1,925	n/a	752	n/a	7	n/a
129	Bank International Ningbo	1,922	1,957	214	412	0	0
130	Kunshan Rural Commercial Bank	n/a	16,684	12,994	10,459	n/a	272

## Size and strength measures (in RMB million)

Total deposits from customers		Total equity		Capital adequacy ratio		Liquidity ratio	
2008	2007	2008	2007	2008	2007	2008	2007
13,765	11,675	1,377	1,048	17.67%	17.82%	78.16%	65.21%
15,624	10,909	845	575	11.89%	11.03%	62.89%	55.47%
14,762	12,111	1,331	1,329	11.20%	11.49%	46.06%	n/a
10,038	6,515	748	477	11.29%	13.68%	98.39%	60.20%
13,228	10,004	2,576	352	38.09%	9.66%	63.23%	71.23%
12,085	9,011	1,629	1,390	15.87%	16.48%	n/a	n/a
6,231	2,599	3,568	3,487	45.71%	47.91%	n/a	n/a
14,795	13,126	780	566	10.04%	7.20%	40.23%	37.62%
14,130	10,231	941	573	8.73%	8.30%	81.25%	60.30%
12,567	8,822	908	787	14.54%	14.59%	112.50%	90.17%
12,000	10,472	956	335	9.34%	4.08%	63.50%	35.50%
11,848	10,240	878	550	12.31%	10.11%	45.99%	47.74%
12,639	10,659	938	856	10.36%	10.86%	45.49%	44.45%
12,707	10,326	637	623	10.22%	11.88%	56.55%	38.43%
9,399	3,205	2,265	2,036	52.15%	150.33%	86.04%	174.36%
9,521	6,288	1,474	509	25.46%	12.68%	59.92%	73.27%
11,897	9,498	650	439	9.19%	9.04%	56.90%	36.13%
10,650	7,740	749	649	10.10%	10.35%	64.32%	102.69%
10,669	7,157	480	366	9.19%	8.72%	47.83%	41.86%
10,677	7,002	777	206	14.35%	8.30%	103.05%	33.46%
10,326	8,542	719	513	9.06%	n/a	64.12%	n/a
4,765	2,401	1,838	1,307	28.00%	n/a	n/a	n/a
9,553	5,580	303	226	9.45%	9.03%	54.11%	75.95%
3,219	2,410	2,324	2,333	n/a	n/a	n/a	n/a
9,501	7,615	955	912	11.68%	11.93%	65.20%	51.55%
9,226	7,706	605	499	8.85%	8.48%	72.83%	55.78%
9,437	8,057	1,127	969	15.50%	15.32%	49.72%	40.08%
8,781	8,194	659	537	10.61%	9.56%	80.29%	64.50%
9,402	7,913	536	450	9.12%	10.36%	39.11%	38.29%
8,790	6,473	725	488	12.51%	8.30%	58.41%	33.46%
9,150	6,748	518	233	10.91%	5.78%	47.24%	36.51%
8,834	7,384	635	584	9.78%	13.40%	69.50%	64.80%
8,810	7,373	699	437	13.73%	9.50%	n/a	n/a
7,595	5,638	563	454	10.19%	11.22%	34.18%	35.06%
7,364	5,682	659	224	17.16%	9.58%	57.74%	48.02%
6,334	5,360	407	308	10.16%	8.77%	51.57%	41.33%
7,093	6,171	677	580	10.73%	n/a	45.67%	n/a
1,947	n/a	2,016	n/a	37.88%	n/a	n/a	n/a
5,995	5,592	456	429	8.88%	9.09%	41.29%	31.22%
4,320	3,689	487	404	12.44%	12.67%	72.46%	55.44%
5,748	4,841	544	300	14.89%	n/a	108.78%	n/a
5,007	4,255	289	249	13.04%	12.52%	38.96%	34.45%
5,558	4,179	386	323	10.72%	8.83%	59.20%	n/a
5,180	4,127	737	276	18.89%	8.64%	107.46%	114.26%
3,874	2,662	371	325	20.34%	n/a	n/a	n/a
4,022	2,793	264	260	13.00%	14.21%	72.65%	53.21%
1,071	n/a	1,037	n/a	33.30%	n/a	n/a	n/a
3,861	3,342	311	211	12.80%	11.09%	64.99%	49.59%
3,657	3,031	331	220	12.54%	n/a	n/a	n/a
3,185	2,972	239	132	20.75%	n/a	78.66%	n/a
2,661	2,109	109	80	7.36%	4.83%	n/a	52.15%
2,326	1,973	235	181	13.54%	12.36%	59.21%	55.82%
121	n/a	988	n/a	134.00%	n/a	380.00%	n/a
735	812	827	1,001	244.30%	161.00%	n/a	n/a
17,515	15,393	n/a	703	12.81%	10.32%	n/a	32.75%

# Key ratios

Name of bank (ranked by total assets)		Performance measures					
		Net loan/deposit ratio		Non-interest income/ total operating income		Net interest income/total assets	
		2008	2007	2008	2007	2008	2007
1	Industrial and Commercial Bank of China	53.94%	57.37%	14.97%	11.18%	2.70%	2.58%
2	China Construction Bank	57.77%	59.73%	15.88%	12.09%	2.98%	2.92%
3	Agricultural Bank of China	49.45%	51.24%	8.21%	12.15%	2.76%	2.97%
4	Bank of China	61.66%	61.48%	24.04%	16.94%	2.34%	2.55%
5	China Development Bank <sup>#</sup>	1,159.40%	1,412.30%	(0.85%)	(7.63%)	2.20%	2.41%
6	Bank of Communications	69.61%	69.59%	14.28%	13.61%	2.45%	2.55%
7	China Merchants Bank	68.18%	69.36%	15.23%	17.23%	2.98%	2.59%
8	Agricultural Development Bank of China	658.48%	620.26%	(0.03%)	(0.05%)	2.56%	2.54%
9	Shanghai Pudong Development Bank	71.92%	70.16%	8.18%	5.66%	2.41%	2.64%
10	China CITIC Bank	68.87%	71.88%	10.12%	5.99%	3.04%	2.59%
11	China Minsheng Banking Corporation	82.27%	81.54%	12.57%	10.45%	2.88%	2.45%
12	Industrial Bank	77.48%	77.77%	11.79%	5.26%	2.57%	2.45%
13	China Everbright Bank	74.45%	73.08%	9.49%	11.18%	2.62%	2.40%
14	Hua Xia Bank	71.22%	68.04%	23.35%	21.08%	1.84%	1.90%
15	The Export-Import Bank of China	1,084.46%	997.06%	(48.61%)	(73.95%)	0.67%	0.66%
16	Guangdong Development Bank	73.73%	68.19%	11.05%	8.23%	2.88%	2.59%
17	Shenzhen Development Bank	78.14%	76.72%	13.20%	11.12%	2.66%	2.72%
18	Bank of Beijing	59.43%	59.04%	9.79%	5.65%	2.66%	2.03%
19	Bank of Shanghai	64.81%	66.04%	6.30%	2.14%	2.50%	2.42%
20	Bank of Jiangsu	66.02%	63.86%	4.40%	1.28%	3.01%	2.60%
21	Beijing Rural Commercial Bank	55.16%	55.70%	0.28%	(1.46%)	2.53%	2.48%
22	Shanghai Rural Commercial Bank	62.06%	63.37%	(1.81%)	(0.26%)	2.98%	2.67%
23	Chongqing Rural Commercial Bank	62.77%	63.62%	(56.82%)	(38.41%)	2.74%	2.33%
24	HSBC (China)	53.87%	75.98%	41.58%	34.65%	2.04%	1.28%
25	Evergrowing Bank	76.39%	69.83%	13.16%	(0.55%)	1.75%	1.70%
26	Ping An Bank	67.30%	54.38%	1.62%	4.83%	2.61%	2.41%
27	Huishang Bank	74.58%	68.57%	3.80%	0.73%	3.22%	2.59%
28	Bank of Tianjin	45.49%	47.92%	9.00%	4.92%	2.68%	2.22%
29	Bank of East Asia (China)	122.46%	175.86%	11.15%	(3.31%)	2.15%	1.57%
30	Bank of Ningbo	63.59%	64.91%	15.07%	7.99%	2.80%	2.73%
31	Bank of Hangzhou	69.75%	65.86%	5.72%	6.10%	2.98%	2.96%
32	Bank of Nanjing	62.26%	58.55%	19.45%	(1.61%)	2.77%	2.57%
33	Bank of Dalian	59.68%	57.37%	7.14%	3.36%	3.22%	2.91%
34	China Zheshang Bank	71.03%	73.01%	1.96%	7.66%	2.51%	2.48%
35	Bank of Chengdu	60.86%	61.09%	3.03%	0.32%	3.27%	3.00%
36	Bank of Dongguan	54.92%	57.02%	13.62%	4.52%	2.70%	2.51%
37	Harbin Bank	62.13%	76.22%	16.50%	5.83%	2.79%	2.59%
38	China Bohai Bank	70.61%	78.17%	3.71%	1.48%	1.96%	1.85%
39	Baoshang Bank	47.92%	42.91%	13.99%	(9.69%)	2.38%	2.54%
40	Bank of Chongqing	66.58%	65.86%	4.71%	16.65%	3.23%	2.89%
41	Xi' An City Commercial Bank	65.29%	75.05%	8.75%	(2.26%)	2.93%	2.81%
42	Qilu Bank	61.81%	77.55%	4.04%	2.01%	3.69%	3.47%
43	Hangzhou United Bank	64.25%	72.31%	(24.77%)	(11.12%)	3.58%	3.37%
44	Xiaoshan Rural Cooperative Bank	62.92%	69.56%	(0.73%)	(6.83%)	2.72%	2.76%
45	Xiamen International Bank	n/a	n/a	0.09%	15.24%	2.56%	2.30%
46	Hankou Bank	59.97%	60.51%	6.68%	3.60%	2.76%	2.77%
47	Shijiazhuang City Commercial Bank	56.01%	56.34%	3.00%	4.98%	2.35%	2.10%
48	Fudian Bank	70.36%	n/a	8.81%	n/a	3.18%	n/a
49	DBS (China)	144.84%	213.23%	n/a	n/a	n/a	n/a
50	Changshu Rural Commercial Bank	62.26%	60.71%	9.58%	3.02%	2.38%	2.24%
51	Bank of Jinzhou	65.93%	63.16%	2.44%	(0.52%)	3.04%	2.77%
52	Bank of Nanchang	57.70%	64.81%	4.50%	5.81%	3.87%	3.84%
53	Bank of Wenzhou	81.72%	79.89%	2.90%	0.98%	3.53%	3.01%
54	Commercial Bank of Zhengzhou	n/a	n/a	6.04%	2.29%	2.97%	2.38%
55	Bank of Lanzhou	64.58%	64.51%	(4.02%)	0.33%	2.14%	2.07%
56	Ningbo Yinzhou Rural Cooperative Bank	70.03%	72.10%	5.30%	4.04%	3.91%	3.36%
57	Jiangsu Jiangyin Rural Commercial Bank	68.24%	66.87%	1.76%	2.24%	4.17%	3.42%
58	Wujin Rural Commercial Bank	68.63%	72.01%	(51.06%)	0.38%	4.34%	3.32%
59	Fuzhou City Commercial Bank	63.43%	56.89%	0.66%	9.32%	2.93%	2.32%
60	Shaoxing City Commercial Bank	n/a	77.40%	3.34%	2.05%	3.00%	3.30%
61	Bank of Ningxia	64.88%	69.30%	4.58%	3.83%	4.05%	3.69%
62	Jiangsu Xizhou Rural Commercial Bank	66.10%	58.76%	n/a	n/a	n/a	n/a
63	Weihai City Commercial Bank	71.36%	75.83%	1.74%	1.86%	2.47%	2.48%
64	Yantai Bank	71.65%	83.09%	0.27%	(0.16%)	2.67%	2.35%
65	Bank of Weifang	63.89%	62.51%	n/a	n/a	n/a	n/a
66	Rural Commercial Bank of Zhangjiagang	63.00%	61.35%	4.04%	3.14%	3.36%	3.14%
67	Wujiang Rural Commercial Bank	66.58%	68.32%	2.36%	2.56%	3.83%	4.12%
68	Jiangsu Dongwu Rural Commercial Bank	64.35%	65.70%	2.41%	1.87%	3.68%	3.33%
69	Taizhou Commercial Bank	66.62%	69.44%	n/a	3.56%	n/a	4.64%
70	Qi Shang Bank	69.47%	76.80%	2.37%	2.57%	4.47%	4.49%
71	Bank of Luoyang	63.83%	62.50%	4.78%	5.24%	3.26%	2.63%
72	Binhai Bank	63.39%	55.76%	15.47%	(4.76%)	3.23%	3.54%
73	Yuhang Rural Cooperative Bank	69.52%	73.04%	n/a	n/a	n/a	n/a
74	Jinhua City Commercial Bank	65.87%	73.19%	3.69%	3.00%	3.72%	3.69%
75	Zhejiang Chouzhou Commercial Bank	72.78%	61.02%	4.05%	1.39%	2.90%	3.18%

<sup>#</sup> Denote IFRS figures

## Performance measures

Cost/income ratio		Net interest margin		ROA		ROE	
2008	2007	2008	2007	2008	2007	2008	2007
35.65%	40.41%	2.95%	2.80%	1.14%	0.94%	18.31%	15.06%
36.63%	41.57%	3.24%	3.18%	1.23%	1.05%	19.81%	16.37%
50.97%	39.73%	3.03%	2.82%	0.73%	0.83%	17.71%	(6.02%)
38.84%	40.33%	2.63%	2.76%	0.94%	1.03%	13.18%	13.63%
17.53%	16.46%	n/a	n/a	0.54%	0.99%	5.96%	8.26%
37.81%	38.42%	3.01%	2.84%	1.06%	0.98%	19.58%	16.03%
42.93%	40.87%	3.42%	3.11%	1.33%	1.16%	26.34%	22.42%
35.18%	39.08%	n/a	n/a	0.12%	0.14%	7.17%	7.20%
44.53%	44.45%	3.05%	3.12%	0.96%	0.60%	30.01%	19.43%
40.08%	42.20%	3.33%	3.12%	1.12%	0.82%	13.97%	9.85%
51.28%	54.54%	n/a	n/a	0.75%	0.69%	14.44%	12.62%
41.45%	43.06%	n/a	n/a	1.12%	1.01%	23.22%	22.07%
41.58%	39.20%	n/a	n/a	0.86%	0.68%	22.01%	20.41%
49.28%	48.08%	n/a	n/a	0.42%	0.35%	11.22%	16.09%
n/a	n/a	n/a	n/a	0.04%	0.03%	2.11%	1.20%
44.30%	52.34%	n/a	n/a	0.51%	0.61%	14.20%	17.16%
43.93%	46.56%	3.02%	3.10%	0.13%	0.75%	3.74%	20.38%
29.35%	31.32%	n/a	n/a	1.30%	0.95%	16.02%	12.55%
42.35%	38.18%	n/a	n/a	0.84%	0.95%	16.33%	19.88%
43.54%	45.84%	n/a	n/a	0.96%	0.80%	17.93%	13.95%
48.38%	49.65%	n/a	n/a	0.28%	0.19%	8.52%	4.82%
39.13%	40.90%	n/a	n/a	0.43%	0.24%	6.36%	3.32%
5.02%	32.64%	n/a	n/a	0.43%	0.46%	8.66%	15.66%
58.84%	68.81%	n/a	n/a	1.17%	0.50%	15.45%	6.64%
38.29%	42.50%	n/a	n/a	0.62%	0.42%	22.76%	22.55%
54.17%	45.81%	n/a	n/a	1.12%	1.12%	18.93%	25.27%
44.98%	45.67%	n/a	n/a	0.96%	0.84%	10.55%	22.18%
31.71%	32.58%	n/a	n/a	1.05%	0.69%	16.14%	12.87%
51.05%	50.42%	n/a	n/a	0.85%	0.50%	9.91%	5.42%
46.89%	42.75%	n/a	n/a	1.29%	1.26%	15.13%	11.85%
40.07%	40.26%	n/a	n/a	1.28%	1.22%	26.55%	22.09%
31.00%	36.36%	n/a	n/a	1.55%	1.20%	12.83%	9.14%
37.37%	34.70%	n/a	n/a	1.04%	1.15%	16.94%	21.33%
55.94%	54.06%	n/a	n/a	0.71%	0.65%	13.74%	16.99%
32.27%	39.34%	n/a	n/a	1.26%	0.84%	13.72%	29.55%
36.65%	40.18%	n/a	n/a	1.29%	1.24%	25.83%	29.11%
33.66%	33.49%	n/a	n/a	1.33%	0.48%	26.44%	10.63%
68.77%	74.88%	n/a	n/a	0.20%	0.14%	2.55%	0.95%
39.59%	42.55%	n/a	n/a	1.27%	0.97%	25.99%	26.16%
42.89%	38.71%	n/a	n/a	1.16%	1.25%	19.90%	21.19%
31.12%	42.73%	n/a	n/a	1.31%	0.34%	36.92%	11.88%
35.66%	37.52%	n/a	n/a	0.71%	0.62%	13.14%	12.31%
n/a	n/a	n/a	n/a	1.07%	1.06%	15.30%	14.15%
n/a	n/a	n/a	n/a	1.30%	1.07%	20.18%	18.45%
55.31%	42.21%	n/a	n/a	0.84%	0.86%	15.31%	17.63%
45.33%	47.30%	n/a	n/a	0.85%	0.47%	10.57%	5.92%
43.90%	45.31%	n/a	n/a	0.10%	0.09%	2.41%	3.90%
51.25%	n/a	n/a	n/a	2.88%	6.46%	38.27%	219.37%
n/a	n/a	n/a	n/a	0.85%	0.25%	7.14%	1.85%
31.31%	36.21%	n/a	n/a	1.25%	1.15%	19.07%	18.62%
44.40%	46.30%	n/a	n/a	0.96%	0.99%	15.09%	16.16%
36.38%	40.13%	n/a	n/a	1.34%	0.66%	12.77%	5.46%
43.63%	45.52%	n/a	n/a	1.36%	1.13%	25.89%	24.01%
34.01%	39.14%	n/a	n/a	0.56%	0.47%	10.26%	11.19%
60.63%	60.26%	n/a	n/a	0.32%	0.25%	6.61%	5.34%
28.81%	37.98%	n/a	n/a	1.41%	1.36%	24.60%	26.42%
21.51%	23.09%	n/a	n/a	1.87%	1.72%	27.57%	31.00%
n/a	n/a	n/a	n/a	1.19%	1.48%	19.65%	24.61%
38.59%	35.36%	n/a	n/a	1.22%	1.12%	20.63%	27.14%
32.71%	33.76%	n/a	n/a	1.16%	1.25%	17.18%	16.59%
38.50%	43.11%	n/a	n/a	1.61%	2.16%	21.48%	45.34%
n/a	n/a	n/a	n/a	1.11%	0.88%	29.43%	23.06%
46.37%	44.05%	n/a	n/a	0.15%	0.29%	2.78%	4.31%
49.59%	52.04%	n/a	n/a	0.94%	0.47%	21.88%	14.78%
n/a	n/a	n/a	n/a	0.61%	0.16%	10.07%	3.10%
29.57%	28.14%	n/a	n/a	1.86%	1.91%	17.41%	19.05%
37.66%	41.43%	n/a	n/a	1.43%	1.58%	22.32%	25.00%
34.10%	39.71%	n/a	n/a	1.31%	1.16%	22.49%	20.02%
n/a	34.71%	n/a	n/a	2.35%	1.91%	34.96%	31.63%
35.47%	33.85%	n/a	n/a	1.17%	0.94%	17.27%	14.88%
26.28%	28.72%	n/a	n/a	1.02%	0.88%	16.97%	17.20%
30.69%	37.64%	n/a	n/a	1.56%	0.54%	13.53%	26.89%
n/a	n/a	n/a	n/a	1.77%	1.06%	30.82%	21.77%
42.55%	41.33%	n/a	n/a	1.02%	1.06%	26.61%	17.67%
39.61%	39.61%	n/a	n/a	1.04%	1.22%	18.68%	16.12%

# Key ratios

Name of bank (ranked by total assets)		Performance measures					
		Net loan/deposit ratio		Non-interest income/ total operating income		Net interest income/total assets	
		2008	2007	2008	2007	2008	2007
76	Bank of Rizhao	72.42%	89.95%	2.61%	2.84%	4.92%	3.25%
77	Zhejiang Tailong Commercial Bank	64.43%	67.92%	3.83%	1.71%	3.61%	3.38%
78	Linshang Bank	68.53%	81.09%	2.33%	1.79%	5.40%	5.39%
79	Nanchong City Commercial Bank	63.25%	50.97%	2.51%	0	2.60%	2.06%
80	Guangxi Beibu Gulf Bank	55.26%	27.54%	2.99%	2.77%	2.83%	3.32%
81	First Sino Bank	92.98%	106.82%	23.59%	12.63%	2.98%	2.28%
82	OCBC Bank (China)	146.81%	406.46%	(11.90%)	(76.25%)	2.97%	1.12%
83	Huhhot City Commercial Bank	54.01%	57.63%	1.30%	2.27%	3.86%	3.07%
84	Zhanjiang Commercial Bank	64.14%	61.45%	3.61%	2.27%	3.79%	3.41%
85	Laishang Bank	60.75%	90.57%	6.75%	2.78%	4.27%	4.04%
86	Huludao City Commercial Bank	65.68%	68.31%	4.03%	7.39%	3.12%	3.19%
87	Dongying City Commercial Bank	71.19%	72.16%	(0.40%)	(3.07%)	3.53%	3.20%
88	Jiaxing City Commercial Bank	68.95%	66.60%	2.87%	2.31%	3.84%	3.58%
89	Datong City Commercial Bank	41.78%	50.03%	0	(1.54%)	2.16%	2.29%
90	Chongqing Three Gorges Bank	39.80%	35.60%	41.37%	2.91%	1.94%	1.89%
91	Bank of Jiujiang	73.86%	66.59%	3.60%	0	2.99%	2.76%
92	Panzhuhua City Commercial Bank	66.15%	80.07%	1.20%	1.10%	3.69%	3.39%
93	Hefei Science & Technology Rural Commercial Bank	70.30%	n/a	0.46%	0	3.12%	3.10%
94	Deyang City Commercial Bank	59.23%	60.46%	2.32%	3.33%	3.68%	3.33%
95	Bank of Cangzhou	52.93%	60.45%	4.84%	1.07%	3.37%	3.71%
96	Tieling Commercial Bank	59.21%	60.09%	1.69%	0.79%	2.43%	2.69%
97	Wing Hang Bank (China)	175.61%	306.75%	13.15%	17.06%	2.46%	1.35%
98	Mianyang City Commercial Bank	55.87%	68.06%	2.88%	2.99%	2.67%	2.48%
99	Woori Bank (China)	269.34%	358.26%	24.53%	48.11%	2.49%	0.52%
100	Quanzhou City Commercial Bank	59.44%	66.21%	2.46%	1.96%	3.64%	3.35%
101	Huzhou City Commercial Bank	66.82%	68.88%	1.87%	0.89%	3.87%	3.93%
102	Zhejiang Wenling Rural Cooperative Bank	69.05%	n/a	(48.76%)	(14.57%)	6.11%	4.63%
103	Xinxiang City Commercial Bank	69.22%	68.03%	1.18%	1.29%	4.14%	4.01%
104	LiuZhou City Commercial Bank	63.14%	64.55%	3.08%	0.34%	4.05%	3.35%
105	Bank of Ganzhou	64.06%	68.13%	3.08%	2.02%	3.13%	3.42%
106	Zunyi City Commercial Bank	57.37%	70.05%	2.67%	1.69%	3.71%	4.05%
107	Jiaozuo City Commercial Bank	64.98%	70.50%	1.90%	1.27%	3.17%	3.58%
108	Taicang Rural Commercial Bank	68.89%	67.14%	2.96%	17.53%	3.87%	2.86%
109	Guilin City Commercial Bank	65.82%	61.55%	3.92%	0.45%	3.73%	3.08%
110	Chengde City Commercial Bank	55.23%	46.25%	(1.28%)	(1.49%)	4.79%	3.39%
111	Xiangtan City Commercial Bank	51.96%	53.34%	10.73%	8.49%	2.53%	2.91%
112	Zhuzhou City Commercial Bank	49.99%	49.04%	n/a	n/a	n/a	n/a
113	Shinhan Bank (China)	263.64%	n/a	(39.39%)	n/a	1.84%	n/a
114	Heng Yang City Commercial Bank	56.95%	57.81%	3.51%	(12.09%)	1.51%	1.57%
115	Jingzhou City Commercial Bank	49.51%	46.44%	4.61%	2.97%	2.10%	1.93%
116	Jining City Commercial Bank	69.52%	76.76%	3.43%	1.92%	4.94%	4.83%
117	Bank of Xuchang	67.35%	63.45%	0	0.51%	2.88%	3.62%
118	Leshan City Commercial Bank	5.40%	6.84%	n/a	n/a	n/a	n/a
119	Shangrao City Commercial Bank	64.75%	63.70%	7.80%	3.60%	3.00%	2.34%
120	Jilin Jiutai Rural Commercial Bank	43.43%	46.65%	(38.47%)	(24.97%)	4.23%	5.78%
121	Zaozhuang City Commercial Bank	50.27%	70.93%	1.08%	0.68%	4.19%	4.62%
122	CITIC Ka Wah Bank (China)	350.42%	n/a	21.78%	n/a	1.82%	n/a
123	Huangshi City Commercial Bank	62.57%	61.82%	10.53%	0	3.21%	3.17%
124	Jiangsu Sheyang Rural Commercial Bank	67.23%	65.65%	0.32%	(0.60%)	4.59%	4.98%
125	Karamay City Commercial Bank	22.45%	20.46%	12.22%	3.39%	2.06%	1.75%
126	Guizhou Xingyi Rural Cooperative Bank	54.19%	52.16%	0.88%	(0.48%)	3.91%	3.68%
127	Xiaogan City Commercial Bank	55.93%	54.99%	1.41%	0	2.69%	2.57%
128	Dah Sing Bank (China)	615.70%	n/a	66.67%	n/a	0.68%	n/a
129	Bank International Ningbo	29.12%	50.74%	22.86%	20.79%	4.21%	4.09%
130	Kunshan Rural Commercial Bank	n/a	66.18%	n/a	3.45%	n/a	3.19%

## Performance measures

Cost/income ratio		Net interest margin		ROA		ROE	
2008	2007	2008	2007	2008	2007	2008	2007
27.45%	39.97%	n/a	n/a	2.16%	1.27%	28.47%	21.56%
42.27%	38.39%	n/a	n/a	1.32%	1.30%	28.28%	26.78%
61.55%	62.62%	n/a	n/a	0.40%	0.96%	5.11%	11.06%
39.27%	44.95%	n/a	n/a	1.13%	0.81%	24.73%	18.03%
45.73%	36.01%	n/a	n/a	0.95%	10.63%	5.90%	318.75%
33.28%	37.10%	n/a	n/a	1.63%	1.04%	15.90%	10.65%
75.24%	131.25%	n/a	n/a	0.59%	(0.18%)	2.61%	(0.66%)
48.30%	46.82%	n/a	n/a	0.65%	0.49%	13.21%	12.19%
26.89%	28.97%	n/a	n/a	2.13%	1.63%	35.07%	32.46%
39.13%	33.02%	n/a	n/a	1.59%	1.79%	25.55%	29.48%
41.83%	41.13%	n/a	n/a	0.37%	0.20%	5.54%	7.16%
39.52%	37.34%	n/a	n/a	1.18%	0.80%	19.13%	18.36%
39.50%	41.44%	n/a	n/a	0.90%	1.19%	13.54%	16.36%
52.82%	54.44%	n/a	n/a	0.22%	0.25%	4.87%	4.65%
25.44%	56.31%	n/a	n/a	1.68%	0.47%	10.11%	1.23%
40.53%	39.66%	n/a	n/a	1.18%	1.12%	10.72%	18.86%
29.20%	34.52%	n/a	n/a	1.87%	1.37%	38.46%	33.26%
n/a	n/a	n/a	n/a	0.77%	0.42%	13.37%	6.32%
29.75%	31.33%	n/a	n/a	0.68%	0.24%	17.71%	5.74%
41.24%	42.35%	n/a	n/a	1.48%	1.31%	23.29%	47.57%
48.65%	46.46%	n/a	n/a	0.63%	0.53%	10.43%	9.75%
45.57%	44.12%	n/a	n/a	0.87%	1.01%	5.50%	8.03%
32.59%	45.27%	n/a	n/a	0.18%	0.28%	6.93%	9.73%
48.80%	33.96%	n/a	n/a	1.24%	0.72%	6.07%	3.30%
37.93%	38.56%	n/a	n/a	0.69%	0.60%	7.85%	5.92%
45.33%	45.27%	n/a	n/a	1.25%	1.11%	22.31%	19.04%
42.25%	n/a	n/a	n/a	1.39%	1.25%	13.31%	12.90%
25.18%	27.06%	n/a	n/a	1.56%	1.86%	23.98%	33.15%
57.58%	46.60%	n/a	n/a	1.18%	0.82%	22.20%	16.00%
42.46%	40.89%	n/a	n/a	1.19%	1.29%	16.55%	18.65%
45.87%	49.32%	n/a	n/a	0.94%	0.33%	17.76%	10.30%
37.34%	32.59%	n/a	n/a	0.52%	0.85%	8.03%	12.67%
38.18%	40.55%	n/a	n/a	1.25%	0.79%	17.48%	15.10%
43.42%	42.60%	n/a	n/a	0.92%	0.53%	15.10%	8.37%
21.48%	28.36%	n/a	n/a	2.59%	1.55%	32.47%	41.52%
51.50%	49.06%	n/a	n/a	1.22%	1.21%	24.57%	26.30%
n/a	n/a	n/a	n/a	0.78%	n/a	9.45%	n/a
100.00%	n/a	n/a	n/a	0.16%	n/a	0.60%	n/a
80.70%	138.46%	n/a	n/a	0.37%	(0.52%)	5.92%	(7.93%)
49.34%	61.39%	n/a	n/a	0.35%	0.35%	4.93%	4.46%
38.00%	39.46%	n/a	n/a	1.23%	0.98%	15.44%	17.33%
49.73%	42.35%	n/a	n/a	0.72%	0.83%	15.92%	18.07%
n/a	n/a	n/a	n/a	0.52%	n/a	n/a	n/a
48.78%	53.15%	n/a	n/a	1.09%	0.55%	9.36%	9.06%
n/a	n/a	n/a	n/a	2.00%	3.31%	24.92%	33.49%
37.63%	38.51%	n/a	n/a	0.80%	0.88%	13.26%	10.77%
67.33%	n/a	n/a	n/a	0.71%	n/a	2.99%	n/a
41.45%	45.22%	n/a	n/a	1.30%	0.99%	17.68%	17.06%
44.74%	38.55%	n/a	n/a	1.04%	0.33%	12.88%	5.00%
44.44%	54.24%	n/a	n/a	0.99%	0.68%	15.90%	16.67%
58.41%	61.90%	n/a	n/a	0.77%	0.31%	20.28%	8.75%
36.62%	32.14%	n/a	n/a	0.85%	0.74%	9.36%	8.84%
61.54%	n/a	4.93%	n/a	1.19%	n/a	2.33%	n/a
39.05%	31.68%	n/a	n/a	2.50%	3.12%	5.80%	6.09%
n/a	n/a	n/a	n/a	n/a	1.04%	n/a	24.61%

## Key ratios

Name of bank (ranked by total assets)		Asset quality (in RMB million)			
		Gross NPLs		Gross NPLs/gross advances to customers	
		2008	2007	2008	2007
1	Industrial and Commercial Bank of China	104,482	111,774	2.29%	2.74%
2	China Construction Bank	83,882	85,170	2.21%	2.60%
3	Agricultural Bank of China	134,067	818,853	4.32%	23.57%
4	Bank of China	87,490	88,802	2.65%	3.12%
5	China Development Bank#	27,827	13,344	0.96%	0.59%
6	Bank of Communications	25,520	22,694	1.92%	2.05%
7	China Merchants Bank	9,677	10,394	1.11%	1.54%
8	Agricultural Development Bank of China	46,338	64,314	3.80%	6.29%
9	Shanghai Pudong Development Bank	8,467	8,023	1.21%	1.46%
10	China CITIC Bank	9,046	8,492	1.36%	1.48%
11	China Minsheng Banking Corporation	7,921	6,773	1.20%	1.22%
12	Industrial Bank	4,149	4,583	0.83%	1.15%
13	China Everbright Bank	9,362	18,748	2.02%	4.55%
14	Hua Xia Bank	6,487	6,890	1.82%	2.25%
15	The Export-Import Bank of China	n/a	n/a	n/a	n/a
16	Guangdong Development Bank	8,870	9,932	2.85%	4.00%
17	Shenzhen Development Bank	1,928	12,476	0.68%	5.62%
18	Bank of Beijing	2,987	3,240	1.55%	2.06%
19	Bank of Shanghai	3,979	3,617	2.24%	2.41%
20	Bank of Jiangsu	2,444	2,073	1.82%	1.97%
21	Beijing Rural Commercial Bank	5,799	6,653	4.92%	6.83%
22	Shanghai Rural Commercial Bank	2,126	1,935	2.29%	2.34%
23	Chongqing Rural Commercial Bank	6,020	n/a	7.76%	n/a
24	HSBC (China)	n/a	n/a	n/a	n/a
25	Evergrowing Bank	361	n/a	0.55%	n/a
26	Ping An Bank	391	511	0.54%	0.83%
27	Huishang Bank	935	983	1.22%	1.77%
28	Bank of Tianjin	992	1,079	1.98%	2.61%
29	Bank of East Asia (China)	208	206	0.25%	0.29%
30	Bank of Ningbo	452	130	0.92%	0.36%
31	Bank of Hangzhou	489	332	0.84%	0.82%
32	Bank of Nanjing	660	548	1.64%	1.79%
33	Bank of Dalian	1,139	1,577	2.45%	3.88%
34	China Zheshang Bank	202	n/a	0.39%	n/a
35	Bank of Chengdu	1,393	1,931	3.45%	6.25%
36	Bank of Dongguan	529	642	1.88%	2.41%
37	Harbin Bank	1,063	1,096	3.16%	3.59%
38	China Bohai Bank	88	1	0.25%	0.00%
39	Baoshang Bank	122	126	0.53%	0.70%
40	Bank of Chongqing	223	252	0.77%	1.06%
41	Xi' An City Commercial Bank	1,316	1,271	4.86%	4.96%
42	Qilu Bank	717	333	2.55%	1.33%
43	Hangzhou United Bank	452	313	1.66%	1.38%
44	Xiaoshan Rural Cooperative Bank	384	370	1.65%	1.84%
45	Xiamen International Bank	n/a	n/a	n/a	n/a
46	Hankou Bank	404	n/a	1.91%	n/a
47	Shijiazhuang City Commercial Bank	576	631	2.93%	3.67%
48	Fudian Bank	660	n/a	3.20%	n/a
49	DBS (China)	558	144	2.06%	0.61%
50	Changshu Rural Commercial Bank	332	208	1.83%	1.38%
51	Bank of Jinzhou	605	675	2.98%	4.27%
52	Bank of Nanchang	501	376	2.87%	2.47%
53	Bank of Wenzhou	298	128	1.46%	0.75%
54	Commercial Bank of Zhengzhou	365	366	2.25%	2.69%
55	Bank of Lanzhou	482	945	2.51%	5.67%
56	Ningbo Yinzhou Rural Cooperative Bank	373	360	1.93%	2.17%
57	Jiangsu Jiangyin Rural Commercial Bank	451	403	2.27%	2.49%
58	Wujin Rural Commercial Bank	372	432	2.10%	2.94%
59	Fuzhou City Commercial Bank	370	287	2.33%	1.94%
60	Shaoxing City Commercial Bank	527	192	2.84%	1.21%
61	Bank of Ningxia	440	n/a	2.67%	n/a
62	Jiangsu Xizhou Rural Commercial Bank	699	610	4.28%	4.95%
63	Weihai City Commercial Bank	239	245	1.60%	1.95%
64	Yantai Bank	635	854	4.00%	5.26%
65	Bank of Weifang	291	242	1.94%	1.93%
66	Rural Commercial Bank of Zhangjiagang	211	128	1.58%	1.13%
67	Wujiang Rural Commercial Bank	403	258	2.52%	1.92%
68	Jiangsu Dongwu Rural Commercial Bank	419	n/a	2.98%	n/a
69	Taizhou Commercial Bank	66	61	0.44%	0.53%
70	Qi Shang Bank	421	403	2.70%	2.81%
71	Bank of Luoyang	193	221	1.43%	1.92%
72	Binhai Bank	280	428	2.49%	6.79%
73	Yuhang Rural Cooperative Bank	252	309	1.99%	2.94%
74	Jinhua City Commercial Bank	313	291	2.74%	2.79%
75	Zhejiang Chouzhou Commercial Bank	89	9	0.78%	0.15%

# Denote IFRS figures

## Asset quality (in RMB million)

Bad debt charge/gross advances to customers		Provision coverage ratio	
2008	2007	2008	2007
0.80%	0.81%	2.97%	2.84%
0.96%	0.61%	2.91%	2.72%
1.29%	0.61%	2.75%	22.02%
0.51%	0.29%	3.23%	3.37%
0.81%	0.28%	2.00%	1.48%
0.81%	0.59%	2.24%	1.96%
0.42%	0.45%	2.47%	2.79%
1.62%	1.30%	1.02%	1.02%
0.50%	0.64%	2.34%	2.78%
0.81%	0.50%	2.04%	1.62%
0.86%	0.40%	1.81%	1.38%
0.65%	0.40%	1.88%	1.78%
1.30%	0.90%	3.02%	4.17%
1.27%	1.08%	2.76%	2.46%
n/a	n/a	1.13%	1.31%
2.14%	0.40%	4.29%	3.16%
2.46%	0.88%	0.71%	2.72%
0.89%	0.41%	2.79%	2.47%
1.08%	0.61%	3.02%	2.60%
0.75%	0.05%	1.70%	1.28%
n/a	n/a	3.36%	3.11%
3.24%	2.18%	1.59%	1.69%
2.58%	1.57%	5.47%	4.42%
0.04%	(0.02%)	0.51%	0.45%
1.08%	0.78%	1.10%	0.98%
0.29%	(0.19%)	0.83%	0.68%
1.12%	0.19%	2.57%	2.04%
1.73%	1.61%	3.75%	2.71%
0.10%	0.02%	0.20%	0.26%
0.52%	0.27%	1.40%	1.28%
0.55%	0.05%	1.51%	1.47%
1.00%	0.61%	2.79%	2.63%
n/a	0.38%	3.45%	3.87%
0.50%	0.36%	1.21%	1.07%
1.20%	0.78%	5.31%	5.50%
n/a	n/a	2.96%	2.62%
0.76%	0.37%	2.01%	1.46%
0.61%	0.60%	1.14%	1.01%
0.00%	n/a	1.17%	1.50%
0.80%	0.40%	2.32%	1.90%
0.58%	1.50%	3.75%	3.43%
2.69%	n/a	3.65%	1.74%
n/a	n/a	4.01%	2.50%
n/a	n/a	2.93%	2.45%
n/a	n/a	n/a	n/a
0.61%	n/a	2.16%	2.18%
0.49%	1.93%	1.74%	1.66%
n/a	n/a	3.34%	n/a
n/a	n/a	1.75%	1.25%
0.82%	n/a	2.57%	2.04%
1.23%	(0.01%)	3.02%	2.31%
1.65%	0.64%	5.31%	4.28%
0.50%	0.01%	1.60%	1.37%
n/a	n/a	n/a	n/a
0.75%	n/a	2.51%	2.03%
n/a	n/a	3.25%	1.89%
1.48%	0.28%	2.56%	2.49%
n/a	n/a	3.22%	1.23%
n/a	n/a	1.81%	1.27%
n/a	n/a	n/a	2.19%
2.35%	n/a	4.01%	2.45%
0.40%	n/a	2.38%	1.99%
2.04%	n/a	0.90%	0.05%
0.29%	n/a	2.72%	2.70%
n/a	n/a	1.97%	1.98%
n/a	n/a	2.63%	2.53%
n/a	n/a	2.91%	1.80%
1.17%	n/a	3.58%	2.77%
0.10%	0.25%	0.68%	0.94%
2.14%	2.19%	2.76%	2.74%
2.09%	0.42%	3.15%	1.97%
0.71%	1.78%	2.48%	3.11%
n/a	n/a	2.96%	2.44%
1.22%	1.05%	1.42%	0.64%
n/a	n/a	1.34%	1.06%

## Key ratios

Name of bank (ranked by total assets)		Asset quality (in RMB million)			
		Gross NPLs		Gross NPLs/gross advances to customers	
		2008	2007	2008	2007
76	Bank of Rizhao	96	70	0.93%	0.66%
77	Zhejiang Tailong Commercial Bank	81	45	0.79%	0.60%
78	Linshang Bank	457	364	4.30%	3.57%
79	Nanchong City Commercial Bank	74	71	1.14%	2.09%
80	Guangxi Beibu Gulf Bank	143	152	1.90%	5.33%
81	First Sino Bank	n/a	4	n/a	0.04%
82	OCBC Bank (China)	n/a	n/a	n/a	n/a
83	Huhhot City Commercial Bank	264	308	3.17%	3.99%
84	Zhanjiang Commercial Bank	50	30	0.55%	0.47%
85	Laishang Bank	63	36	0.80%	0.45%
86	Huludao City Commercial Bank	402	571	4.83%	7.66%
87	Dongying City Commercial Bank	89	90	1.03%	1.20%
88	Jiaxing City Commercial Bank	225	122	2.48%	1.69%
89	Datong City Commercial Bank	382	327	6.75%	6.04%
90	Chongqing Three Gorges Bank	27	37	0.71%	3.21%
91	Bank of Jiujiang	30	37	0.42%	0.87%
92	Panzhuhua City Commercial Bank	17	17	0.21%	0.22%
93	Hefei Science & Technology Rural Commercial Bank	240	312	3.16%	5.84%
94	Deyang City Commercial Bank	195	119	2.97%	2.67%
95	Bank of Cangzhou	106	107	1.82%	2.48%
96	Tieling Commercial Bank	219	168	3.48%	3.20%
97	Wing Hang Bank (China)	46	55	0.54%	0.74%
98	Mianyang City Commercial Bank	219	75	3.99%	1.93%
99	Woori Bank (China)	n/a	n/a	n/a	n/a
100	Quanzhou City Commercial Bank	200	248	3.45%	4.82%
101	Huzhou City Commercial Bank	90	81	1.43%	1.50%
102	Zhejiang Wenling Rural Cooperative Bank	165	151	2.41%	2.50%
103	Xinxiang City Commercial Bank	215	164	3.41%	2.85%
104	LiuZhou City Commercial Bank	108	108	1.78%	2.07%
105	Bank of Ganzhou	13	13	0.23%	0.29%
106	Zunyi City Commercial Bank	271	197	4.98%	4.07%
107	Jiaozuo City Commercial Bank	257	161	4.28%	3.00%
108	Taicang Rural Commercial Bank	116	118	1.86%	2.32%
109	Guilin City Commercial Bank	94	79	1.84%	2.22%
110	Chengde City Commercial Bank	104	48	2.51%	1.80%
111	Xiangtan City Commercial Bank	49	53	1.46%	1.82%
112	Zhuzhou City Commercial Bank	21	7	0.58%	0.23%
113	Shinhan Bank (China)	n/a	n/a	n/a	n/a
114	Heng Yang City Commercial Bank	173	226	4.94%	6.83%
115	Jingzhou City Commercial Bank	36	38	1.66%	2.19%
116	Jining City Commercial Bank	82	69	1.97%	1.81%
117	Bank of Xuchang	n/a	n/a	n/a	n/a
118	Leshan City Commercial Bank	69	110	17.88%	34.06%
119	Shangrao City Commercial Bank	63	76	1.83%	2.81%
120	Jilin Jiutai Rural Commercial Bank	34	38	1.99%	3.00%
121	Zaozhuang City Commercial Bank	41	41	1.95%	2.02%
122	CITIC Ka Wah Bank (China)	47	n/a	1.24%	n/a
123	Huangshi City Commercial Bank	40	41	1.61%	1.94%
124	Jiangsu Sheyang Rural Commercial Bank	129	151	5.00%	7.26%
125	Karamay City Commercial Bank	8	n/a	1.10%	n/a
126	Guizhou Xingyi Rural Cooperative Bank	138	171	9.16%	14.86%
127	Xiaogan City Commercial Bank	26	37	1.94%	3.31%
128	Dah Sing Bank (China)	9	n/a	1.20%	n/a
129	Bank International Ningbo	0	0	0	0
130	Kunshan Rural Commercial Bank	385	182	2.96%	1.74%

## Asset quality (in RMB million)

Bad debt charge/gross advances to customers		Provision coverage ratio	
2008	2007	2008	2007
n/a	n/a	2.95%	1.72%
0.70%	0.27%	1.27%	0.99%
n/a	n/a	4.75%	3.62%
0.70%	n/a	1.81%	2.35%
1.62%	(6.91%)	2.75%	3.43%
0.63%	0.37%	1.53%	1.07%
0.11%	0.15%	0.76%	0.63%
2.17%	n/a	4.04%	2.01%
0.49%	0.31%	1.00%	1.02%
1.26%	0.01%	2.49%	1.19%
1.92%	1.80%	5.24%	4.10%
n/a	n/a	2.11%	1.87%
1.93%	n/a	3.77%	1.87%
1.77%	n/a	6.22%	4.65%
0.82%	n/a	1.14%	1.13%
n/a	n/a	1.22%	1.20%
n/a	n/a	1.22%	1.18%
n/a	n/a	1.43%	n/a
3.96%	4.04%	3.76%	2.98%
1.58%	n/a	2.87%	1.74%
1.13%	0.51%	2.97%	2.21%
0.72%	0.09%	0.99%	0.58%
n/a	n/a	2.66%	1.96%
n/a	n/a	n/a	n/a
1.04%	1.59%	2.54%	2.06%
n/a	n/a	2.14%	1.70%
2.83%	n/a	4.83%	n/a
n/a	n/a	3.55%	3.30%
0.41%	1.13%	1.97%	2.09%
0.23%	0.20%	1.12%	1.14%
1.49%	n/a	3.55%	2.33%
2.21%	1.68%	4.44%	2.87%
1.27%	n/a	2.76%	2.37%
1.47%	3.31%	1.92%	2.69%
0.77%	0.15%	1.86%	1.68%
n/a	n/a	2.11%	1.82%
0.03%	n/a	1.45%	1.66%
0.15%	n/a	1.35%	n/a
0.25%	n/a	2.43%	2.30%
0.42%	0.23%	1.29%	1.15%
2.00%	n/a	3.92%	2.57%
0.64%	n/a	2.20%	2.60%
18.39%	n/a	22.28%	11.46%
n/a	n/a	2.73%	2.63%
n/a	n/a	1.75%	1.83%
2.90%	n/a	3.76%	2.27%
0.42%	n/a	0.61%	n/a
n/a	n/a	2.46%	2.18%
n/a	n/a	4.76%	4.33%
n/a	n/a	1.38%	0.98%
n/a	n/a	4.31%	4.43%
1.27%	1.52%	2.98%	2.95%
0.66%	n/a	0.93%	n/a
0	0	0	0
n/a	n/a	n/a	2.60%

## Foreign investments in mainland Chinese banks

Chinese bank	Foreign investor	Stake (as a percentage)	USD (million)
Industrial & Commercial Bank of China	American Express	0.4%	n/a
	Goldman Sachs	4.9%	n/a
	Allianz Investments (Luxembourg)	1.9%	n/a
China Construction Bank	Bank of America	10.65%	n/a
	Reca Investment Limited	0.34%	n/a
	Temasek Holdings	5.81%	n/a
	Fullerton Financial Holdings	5.65%	n/a
Bank of China	The Bank of Tokyo-Mitsubishi UFJ Ltd.	0.19%	n/a
	Li Ka Shing	1.21%	n/a
	Asian Development Bank (ADB)	0.20%	75
Bank of Communications	HSBC	19.9%	2027
Bank of Dalian	Bank of Nova Scotia <sup>1</sup>	19.9%	n/a
	International Finance Corporation (IFC)	5%	n/a
Shanghai Pudong Development Bank	Citigroup	3.78%	67
Minsheng Bank	IFC	0.93%	23
Industrial Bank	Hang Seng Bank	12.78%	208
	IFC	3.2%	52
	GIC Special Investments of Singapore	4%	65
Huaxia Bank	Deutsche Bank	13.7%	879
	Sal Oppenheim	4.08%	n/a
Shenzhen Development Bank	Newbridge Capital <sup>2</sup>	16.07%	150
Guangdong Development Bank	Citigroup	20%	n/a
	IBM Credit LLC	4.74%	n/a
Bank of Beijing	ING Group	16.7%	215
	IFC	4.04%	54
Bank of Shanghai	HSBC	8%	63
	Shanghai Commercial Bank	3%	23
	IFC	7%	47
Bank of Nanjing	IFC	5%	27
	BNP Paribas	12.6%	87
China Bohai Bank	Standard Chartered	19.99%	123
Bank of Hangzhou	Commonwealth Bank of Australia <sup>3</sup>	19.99%	78
	ADB	4.9%	30
Qilu Bank	Commonwealth Bank of Australia	19.99%	n/a
Xi'an City Commercial Bank	IFC	1.5%	20
	Bank of Nova Scotia	1.4%	20
United Rural Cooperative Bank of Hangzhou	Rabobank	10%	31
	IFC	5%	
Nanchong City Commercial Bank	Deutsche Investitions-und Entwicklungsgesellschaft (DEG)	10%	4
	Sparkassen International Development Trust (SIDT)	3.3%	1.5
China Everbright Bank	Asian Development Bank (ADB)	2%	20
Tianjin Bank	ANZ Bank	19.9%	120
Binhai Bank	IFC	10%	n/a
Shanghai Rural Commercial Bank	ANZ Bank	19.9%	263
CITIC Bank	Banco Bilbao Vizcay Argentaria (BBVA)	10%	n/a
	Mizuho Bank	0.18%	51

Source: Publicly available information

- <sup>1</sup> Bank of Dalian has signed an MOU to sell a 20 per cent stake to the Bank of Nova Scotia through a share placement. No deal has yet went through.
- <sup>2</sup> On June 12, 2009, Ping An entered into a share purchase agreement with Newbridge to purchase its entire stock holding in Shenzhen Development Bank for USD 1.68 billion or by issuing 300 million new H shares in Ping An to Newbridge. The deal has yet to be completed.
- <sup>3</sup> On August 19, 2009, Commonwealth Bank of Australia announced that it had agreed to subscribe to new shares of Bank of Hangzhou for around 160-164 million Australian dollars to maintain its 19.99% stake in the Chinese bank.

Chinese bank	Foreign investor	Stake (as a percentage)	USD (million)
Urumqi City Commercial bank <sup>4</sup>	Habib bank	19.90%	n/a
Evergrowing Bank	United Overseas Bank (UOB)	15.38%	113
Jilin Bank*	Hana Bank	19.7%	327
Bank of Qingdao	Intesa Sanpaolo Rothschild Bank	19.9% 5%	137.5 34
Xiamen International Bank	ADB Sino Finance Group Shinsei Bank	10% 5% 10%	10.3 5.2 10.3
Bank of Changsha*	Groupe Banque Populaire (GBP)	20%	29
United Commercial Bank <sup>5</sup>	Business Development Bank	100%	205
Qingdao International Bank <sup>6</sup>	Hana Bank	72.3%	25
Xiamen City Commercial Bank	Fubon Financial Holding	20%	34
Nan Tung Bank <sup>7</sup>	Morgan Stanley	100%	n/a
Bank of Chongqing	Dah Sing Bank	17%	87.5
Bank of Ningbo	Oversea-Chinese Banking Corporation	10%	70
BNP Paribas (China) <sup>8</sup>	BNP Paribas	100%	n/a
Yantai Bank	Hang Seng Bank Wing Lung Bank	19.9% 4.99%	111 28
Bank of Chengdu	Hong Leong Bank (HLBB)	19.9%	261

Chinese bank	Foreign target	Stake (as a percentage)	USD (million)
China Development Bank	Barclays	3.1%	3000
ICBC	PT Bank Halim Indonesia	90%	n/a
	ICBC (Asia) <sup>9</sup>	63%	n/a
	IEC Investments**	40%	17.7
	ACL Bank <sup>10</sup>	19%	n/a
	Bank of East Asia (Canada)**	70%	75
	ICBC Macau Company <sup>11</sup>	79.93%	585
	Standard Bank	20%	5460
	Worldsec Asset Management**	100%	3.6
CCB	China Construction Bank (Asia) <sup>12</sup>	100%	1200
	AIG Finance*	100%	70
BoC	BOC Aviation Leasing <sup>13</sup>	100%	965
	Heritage Fund Management (HFM)	30%	8.7
	Bank of East Asia **	4.94%	500
China Merchants Bank	Wing Lung Bank	53.12%	2500
China Minsheng Banking Corp	United Commercial Bank (UCBH)	9.9%	126

Source: Publicly available information

\* The deal has been agreed to, but is awaiting regulatory approval.

\*\* Indicates that the stake was purchased through the mainland bank's Hong Kong subsidiary.

<sup>4</sup> Habib Bank and Urumqi City Commercial bank signed a memorandum of understanding in February 2006 but the deal has yet to go through.  
<sup>5</sup> Business Development Bank was established in 1992 as China's first foreign-owned bank under a special provision to assist in the importing of food from Thailand, hence why UCB was able to take a 100% stake.  
<sup>6</sup> This bank is a joint venture between Hana Bank and ICBC, hence why Hana Bank was able to take a controlling stake.  
<sup>7</sup> Morgan Stanley was able to acquire this bank because Nan Tung is considered a foreign-funded bank as it was formerly owned by Bank of China's Macao subsidiary.  
<sup>8</sup> The International Bank of Paris and Shanghai was originally a JV between ICBC and BNP Paribas but ICBC sold out its holding to the French bank in 2003, which then renamed it BNP Paribas (China).  
<sup>9</sup> Renamed ICBC (Asia) from Union Bank of Hong Kong.  
<sup>10</sup> ICBC has agreed to a 19% in ACL Bank that is still awaiting regulatory approval. It is seeking to increase its holding to a majority stake.  
<sup>11</sup> Following ICBC's acquisition of Seng Hang Bank, it was merged with ICBC's Macau branch and renamed ICBC Macau Company.  
<sup>12</sup> After acquiring Bank of America (Asia), China Construction Bank renamed the entity China Construction Bank (Asia).  
<sup>13</sup> After acquiring Singapore Aircraft Leasing, Bank of China renamed the entity BOC Aviation Leasing.

## Financial highlights and key ratio explanation

1	Net interest income	Interest income less interest expenses (including interest income from investments or investment income where interest income from investment is not specifically disclosed)
2	Non-interest income	All operating income not included in net interest income
3	Operating expenses	Includes all expenses charged to arrive at profit before tax (excluding interest expenses, charges for bad and doubtful debts and exceptional and other items)
4	Operating profit before provisions	Total operating income less operating expenses
5	Charge for bad and doubtful debts	Charges to the profit and loss accounts for bad debts, provisions for doubtful debts and net of recoveries against customer advances
6	Exceptional and other items	Non-operating income and expenses and exceptional items
7	Profit before tax	Operating profit after provisions, exceptional items and other items
8	Net profit after tax	Profit before minority interest and transfers to/from reserves and appropriations
9	Gross advances to customers	Loan and advances to customers before provisions, including advances to non-bank group undertakings and trade bills receivables. Excludes advances to banks, accrued interest, and other accounts
10	Provisions against customer advance	Includes individually and collectively assessed provisions for impairment
11	Total deposits from customers	Current, fixed savings, and other deposits from customers including non-bank group undertakings. Excludes current accounts and overdrafts with banks
12	Total equity	Share capital plus distributable and non-distributable reserves and minority interests
13	Capital adequacy ratio	In accordance with the respective regulatory guidelines
14	Liquidity ratio	In accordance with the respective regulatory guidelines
15	Net loan/deposit ratio	Gross advances to customers, less provisions for loan losses as a percentage of deposits from customers
16	Non-interest income/total operating income	Non-interest income as a percentage of total operating income
17	Net interest income/total assets	Net interest income as a percentage of total assets
18	Cost/income ratio	Operating expenses as a percentage of total operating income
19	Net interest margin	Interest income less interest expenses as a percentage of average interest bearing assets
20	Return on assets (ROA)	Profit after tax as a percentage of total assets
21	Return on equity (ROE)	Profit after tax as a percentage of total equity
22	Gross non-performing loans (NPLs)	Customer advances defined as non-performing or impaired in the financial statements
23	Gross NPLs/gross advances to customers	Gross NPLs as a percentage of gross advances to customers
24	Bad debt charge/gross advances to customers	Charge for bad and doubtful debts as a percentage of gross advances to customers
25	Provision coverage ratio	Provision as a percentage of gross advances to customers

# Notes

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