

# Chinese Banks' Capital Issuance

CHINA INVESTMENT RESEARCH

September 2013 – February 2014

Issue Date	Bank	Offer Type	Offer Size (US\$m)	% of Total
<b>Equity Offerings</b>				<b>51.7%</b>
07-Jan-14	Ping An Bank <sup>(1)</sup>	Additional Equity Offering	2,443	11.3%
13-Dec-13	China Everbright Bank	H Shares Equity Offering	3,205	14.8%
20-Nov-13	Chongqing Rural Commercial Bank	Additional Equity Offering	64	0.3%
19-Sep-13	China Merchants Bank	Additional Equity Offering	5,502	25.4%
<b>IPOs</b>				<b>19.5%</b>
12-Dec-13	China Cinda Asset Management	IPO	2,500	11.5%
31-Oct-13	Bank of Chongqing	IPO	548	2.5%
11-Nov-13	Huishang Bank Corp	IPO	1,188	5.5%
<b>Debt Markets</b>				<b>28.7%</b>
24-Jan-14	Bank of Jinzhou	Tier-2 Sub. Notes due 2024	246	1.1%
09-Jan-14	Bank of China (London)	Notes due 2017	409	1.9%
10-Dec-13	Agricultural Bank of China	Notes due 2018	500	2.3%
27-Nov-13	Ping An Insurance	Convertible Bond due 2019	4,270	19.7%
08-Nov-13	China Citic Bank	Tier-2 Sub. Notes due 2024	300	1.4%
02-Oct-13	ICBC (Asia)	Tier-2 Sub. Notes due 2023	500	2.3%
<b>Total</b>			<b>21,675</b>	

Note:

(1) Ping An Bank raised US\$2.4bn by selling stock to Ping An Insurance, its main shareholder, which raised its stake in Ping An Bank to 59.0% from 52.4%

# Chinese Banks' Capital Needs

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## Selected Board Approved New Issuance (2014-2016) <sup>(1) (2)</sup>

- ICBC: up to c. US\$9.8bn by the end of 2014 – approved by its Board in March 2013
- Bank of China: up to c. US\$9.8bn by the end of 2015 – approved by its Board in April 2013
- China Construction Bank: up to c. US\$3.6bn by the end of 2015 – approved by its Board in August 2013
- Agricultural Bank of China: up to c. US\$8.2bn by the end of 2015 – approved by its Board in June 2013 (up to c. US\$6.6bn Tier-1 approved in April 2013) (Standard Chartered)
- Bank of Communications: up to c. US\$6.6bn by the end of 2016 – approved by its Board in January 2014 (HSBC)
- Citic Bank: up to US\$6.0bn by the end of 2015 – approved by its Board in August 2013
- Minsheng: up to c. US\$3.3bn by the end of 2014 – approved by its Board in June 2013 and CBRC in November 2013
- China Everbright Bank : up to c. US\$2.7bn – approved by CBRC in September 2013

### Board Approved Capital Issuance:

US\$57bn

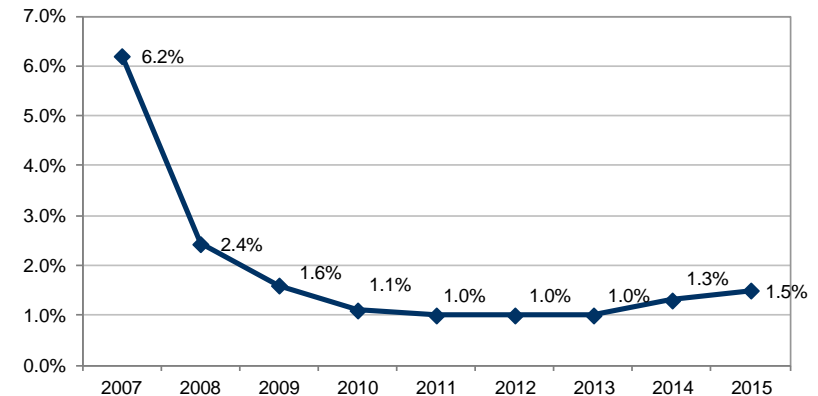
Notes:

(1)China Merchants Bank: approval by its Board in April 2013 to extend the period (until June 2014) for the issue of new Tier-2 capital instruments to substitute c. US\$3.8bn maturing Tier-2 bonds

(2)Two potential preferred shares issues discussed but not yet approved by Boards: Agricultural Bank of China and Shanghai Pudong Development Bank and four potential IPOs: Harbin Bank, China Guangfa, Bank of Beijing, Bank of Shanghai

Source: Numerous, Grisons Peak Estimates

## NPL Ratios for Chinese Commercial Banks <sup>(3)</sup>



(3) The table represents commercial banks' NPLs, which represent the majority of total outstanding loans

- As shown in the table, NPLs for Chinese commercial banks were at 6.2% in 2007. During the period 2010-2013, NPLs remained relatively flat, trending up slightly in 2013
- The ratio of loan-loss provisions to overall loans decreased to 287% at 30/09/13, down from 293% at the end of June 2013
- Despite Chinese banks' transfers of over USD50bn in NPLs to third-party entities over a 3-year period, we believe that forward issuance will substantially exceed the US\$57bn previously agreed by Boards