

# Chinese Banks' Capital Issuance

## September 2013 – July 2014

Issue Date	Bank	Issue Type	Amount Issued (US\$m)	% of Total
<b>Equity Offerings</b>				<b>39.0%</b>
05/08/2014	China Commercial Credit Inc	Additional Equity Offering	7	0.0%
01/09/2014	Ping An Bank <sup>(1)</sup>	Additional Equity Offering	2,443	7.6%
12/20/2013	China Everbright Bank	H Shares Equity Offering	3,205	10.0%
11/20/2013	Chongqing Rural Commercial Bank	Additional Equity Offering	64	0.2%
10/02/2013	China Merchants Bank Co Ltd	H Share Rights Offering	1,019	3.2%
09/11/2013	China Merchants Bank Co Ltd	A Share Rights Offering	4,255	13.3%
09/04/2013	China Construction Bank Corp	Additional Equity Offering	1,470	4.6%
<b>IPOs</b>				<b>9.6%</b>
03/13/2014	Harbin Bank Co Ltd	IPO	1,129	3.5%
11/06/2013	Bank of Chongqing	IPO	559	1.7%
11/12/2013	Huishang Bank Corp	IPO	1,368	4.3%
<b>Debt Markets - Tier 2 Sub. Notes</b>				<b>51.5%</b>
20/03/2014	China Minsheng Banking Corp Ltd	Tier 2 Subordinated due 2024	3,211	10.0%
18/06/2014	Industrial Bank Co Ltd	Tier 2 Subordinated due 2024	3,210	10.0%
10/06/2014	China Everbright Bank Co Ltd	Tier 2 Subordinated due 2024	2,603	8.1%
07/03/2014, 10/04/2014	Ping An Bank Co Ltd	Tier 2 Subordinated due 2024	2,436	7.6%
21/04/2014	China Merchants Bank Co Ltd	Tier 2 Subordinated due 2024	1,816	5.7%
23/06/2014	Chongqing Rural Commercial Bank	Tier 2 Subordinated due 2024	803	2.5%
23/05/2014	Bank of Hangzhou Co Ltd	Tier 2 Subordinated due 2024	641	2.0%
22/04/2014	Tianjin Rural Commercial Bank Co Ltd	Tier 2 Subordinated due 2024	577	1.8%
27/03/2014	Xiamen International Bank	Tier 2 Subordinated due 2024	483	1.5%
30/05/2014	Shengjing Bank Co Ltd	Tier 2 Subordinated due 2024	352	1.1%
28/01/2014	Bank of Jinzhou Co Ltd	Tier 2 Subordinated due 2024	248	0.8%
19/03/2014	Xiamen Rural Commercial Bank Co Ltd	Tier 2 Subordinated due 2024	97	0.3%
<b>Total</b>			<b>31,997</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 (Sep 2013 – Jul 2014)

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

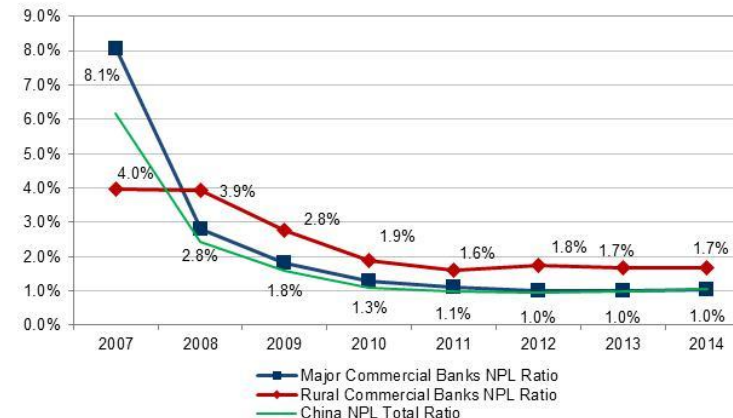
- ICBC: up to c.US\$9.8bn by the end of 2014 – approved by its Board in March 2013
- Bank of China: up to c.US\$9.8bn by the end of 2015 – approved by its Board in April 2013
- China Construction Bank: up to c.US\$3.6bn by the end of 2015 – approved by its Board in August 2013
- Agricultural Bank of China: US\$15bn medium term note program – approved and established in July 2014; up to c.US\$6.4bn Tier 1 capital and c.US\$8.1bn Tier 2 capital issuance by the end of 2015 – approved by its Board in April and June 2013, respectively
- 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 in Tier 1 and Tier 2 capital – approved by its Board in August 2013
- China Minsheng Banking Corp: c.US\$4.4bn in debt offerings since March 2014, o/w US\$3.2bn Tier 2 capital issued in March 2014 that was oversubscribed by c.US\$1.6bn
- China Everbright Bank: c.US\$6.1bn in debt and equity raised since December 2013, o/w US\$2.6bn Tier 2 capital issued in June 2014
- China Merchants Bank: c.US\$5bn medium term note program – approved and submitted application to HKEx in May 2014, in addition to c.US\$1.8bn Tier 2 capital debt issuance in April 2014

Note: (1) Ten potential IPOs planned for end of 2015: Bank of Jiangsu, Jiangsu Jiangyin Rural Commercial Bank, Jiangsu Wujiang Rural Commercial Bank, Jiangsu Changshu Rural Commercial Bank, Jiangsu Zhanjiang Rural Commercial Bank, Bank of Guiyang, Bank of Shanghai, Shengjing Bank, Bank of Chengdu, and Wuxi Rural Commercial Bank

## Board Approved Capital Issuance:

US\$83bn

## NPL Ratios for Chinese Commercial Banks<sup>(2)</sup>



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

- As shown in the table, China's total NPL ratio was 6.2% as at 2007 and reduced to 1.0% as at Q1 2014. During the period 2010-2013, NPL ratios remained relatively flat, trending up slightly in 2014
- Chinese major commercial banks NPL ratio largely tracks China's total NPL ratio in recent years. Analysts expect NPL ratio to reach 3.2%-5.3%, which would result in US\$181bn to US\$262bn loan loss reserve shortfall
- Chinese rural commercial banks NPL amount growth was c.10% for Q4 2013 and Q1 2014, compared to an average growth rate of 5.9% in these two quarters for Chinese major commercial banks
- China banks coverage ratio decreased to 274% as at Q1 2014, down from 287% as at Q3 2013
- Q1 2014 Bad loan charges and credit costs were higher than expected due to large write-offs
- Despite Chinese bank's transfer of over US\$55bn in NPLs to third-party entities over a 3-year period (2013 – 2015) and the acceleration of NPLs transfer in 2014, we believe that forward issuance will substantially exceed the US\$83bn previously agreed by Boards