

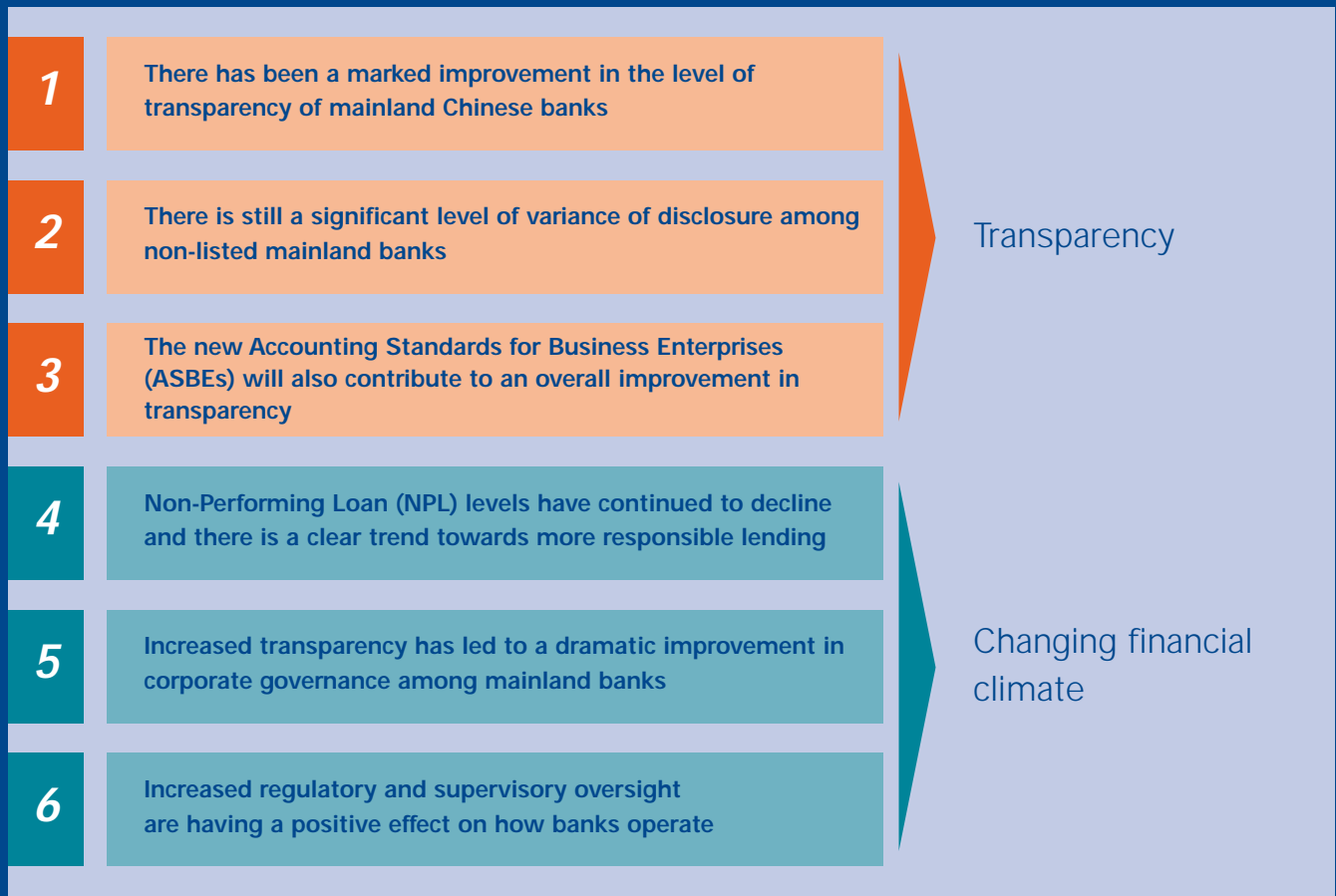


BANKING

# Mainland China Banking Survey 2006

FINANCIAL SERVICES

# Six key findings from our research



# Contents

<b>Introduction</b>	<b>2</b>
<b>The changing financial climate</b>	<b>3</b>
<b>The impact of the new ASBEs on mainland Chinese banks</b>	<b>7</b>
<b>Financial highlights</b>	<b>10</b>
<b>Key ratios</b>	<b>12</b>
<b>Sector rankings</b>	<b>14</b>
<b>Financial highlights and key ratio explanation</b>	<b>16</b>
<b>Amount raised (IPO+PO)</b>	<b>16</b>
<b>Foreign investment in mainland Chinese banks</b>	<b>17</b>
<b>IFRS financial highlights</b>	<b>18</b>
<b>Contact us</b>	<b>20</b>

## Introduction

The transition made by China's banking sector to a market-oriented system since the opening of the economy in 1978 has been one of the most rapid transformations of a country's banking sector in history. As part of this transition, numerous Chinese banks have listed on the Hong Kong, Shanghai and Shenzhen stock exchanges, raising over RMB 418 billion (USD 53 billion). As of 29 November 2006, the market capitalisation of all listed Chinese banks came to RMB 3.86 trillion.

While this transition hasn't been painless, the level of professionalism and transparency now being exhibited by some mainland Chinese banks is comparable to that of their European or American counterparts. Testament to this fact is the more than RMB 170 billion invested by foreign banks in the last five years, an unprecedented level of investment in the Chinese banking sector that reflects the extent of the sector's maturity as well as optimism about its future.

KPMG in China and Hong Kong SAR is delighted to release its first report on banks in mainland China. This survey covers the financial information of 22 mainland Chinese banks, including the big four state-owned commercial banks (Bank of China, Industrial & Commercial Bank of China, China Construction Bank and Agricultural Bank of China), for 2003, 2004 and 2005.

This report will also include financial information for the seven mainland banks that issued IFRS financial statements as well as examine the expected impact of the new Accounting Standards for Business Enterprises (ASBEs) on mainland banks and their financial information.

In light of the fact that there are 336 commercial banks in China, the 22 banks covered in this report may seem unrepresentative. However, it should be noted that these 22 banks account for almost three quarters of all banking assets in China. The financial information of other Chinese banks was not publicly available at the time of writing this survey and so has been exempted. In some cases, the exemptions were very notable, highlighting the gap that still exists between some banks in terms of transparency. As this report is intended as an analysis of the progress made by the mainland banking sector, the financial information for foreign banks operating in China has also been excluded. It should be noted that such assets are small in size and represent less than 2 percent of all banking assets in China.



## Changing financial climate

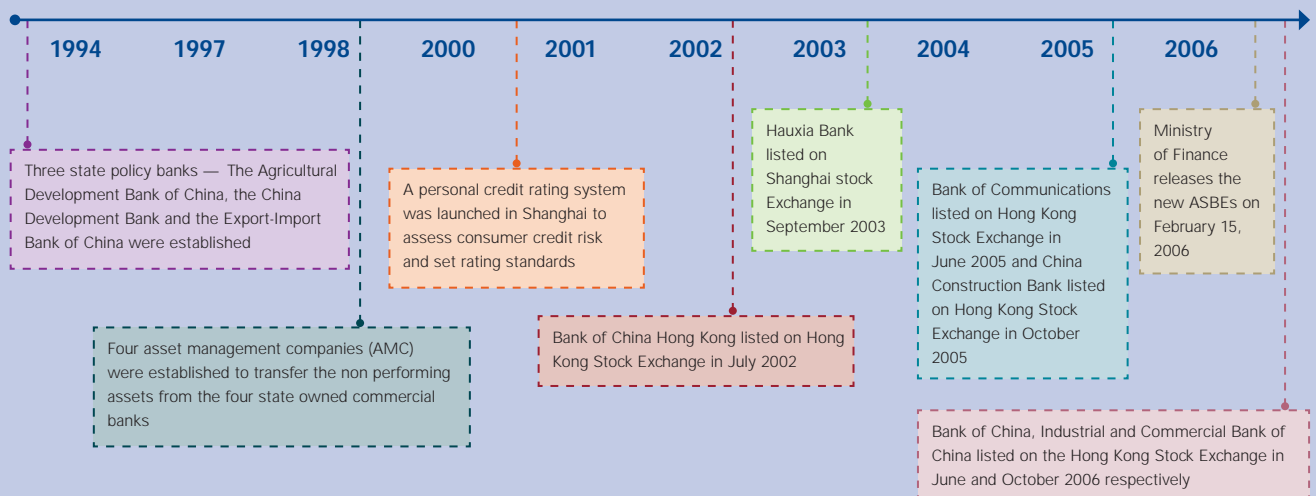
By just about any measure, the banking sector in China has improved remarkably over the last five years, but this is particularly the case with respect to lending practices, which have undergone incredible progress as banks reorient themselves from government-driven entities to market-driven entities as part of the restructuring of state-owned enterprises by the government. This is in great part driven by an increasing number of Chinese banks becoming publicly listed entities. In fact, with the IPO of the Industrial & Commercial Bank of China on 27 October 2006, three of the big four banks, representing more than one-third of all banking assets in China, are now public. These banks are now much more focused on making a profit and producing impressive quarterly results. It has also changed the manner in which the viability of a loan is assessed.

Previously, banks looked purely at tangible assets when assessing a loan request, which meant companies in mining, heavy industry, real estate and other asset-heavy industries had few problems securing bank funding. By contrast, companies with more intangible assets, such as those in the entertainment or services industries, found it incredibly difficult to secure a bank loan. This is now changing. Banks are now increasingly looking at business plans, future projected earnings and, most importantly, supporting financials when considering loans.

According to the China Banking Regulatory Commission (CBRC), the non-performing loan ratio of major commercial banks in the mainland has dropped from 17.9 percent at the end of 2003 to 7.5 percent at the end of June 2006, while the number of banks having met the regulatory capital requirement of 8 percent increased from eight in 2003 to 53 at the end of 2005.<sup>1</sup>



### Timeline of the development of the banking sector in China



Note: PBOC is the People's Bank of China, the then financial sector regulatory authority; CSRC is the China Securities Regulatory Commission

Source: CBRC Web site

<sup>1</sup> CBRC Web site: [www.cbrc.gov.cn](http://www.cbrc.gov.cn)

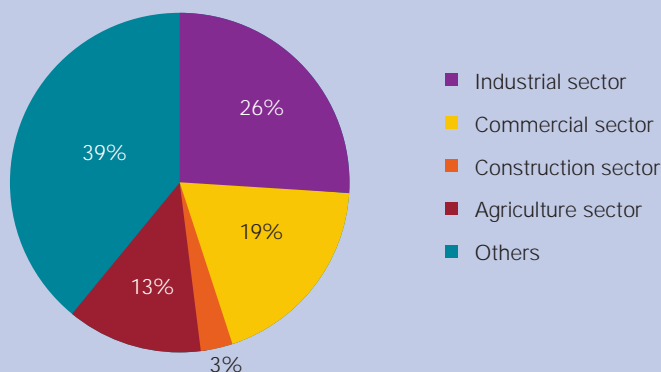
A less positive characteristic of the lending environment is the current ratio between loans made to companies and loans made to consumers. Although growing more rapidly than company lending, consumer lending still only accounts for a small portion of overall lending activity. For example, in 2004 mortgages accounted for just 11 percent of the country's GDP and total consumer credit in China was only 13 percent of GDP, which stands in stark contrast to most developed countries where such loans are normally equivalent to half of GDP. Even within the corporate sector there is still room for improvement as banks still mostly focus on loans to large state-owned enterprises (SOEs). Private small to medium sized enterprises, together with foreign companies, now represent over half of China's GDP but only 27 percent of all outstanding loans.

Overall, the level of lending is expected to grow slowly as banks face increasing government pressure to limit lending and adhere to the government-mandated capital adequacy ratio of 8 percent. However, given the pressures of balance sheet growth and increasing deposit bases, absolute decreases are not expected. Rather, there are indications that while total advances to customers for the sector are growing, and are expected to continue to grow, they do not appear to be keeping pace with the growth in deposits. Our survey appears to corroborate this: from 2003 to 2005, for the 18 of the 22 banks surveyed that had loan and deposit information for both 2003 and 2005, advances to customers grew by 35 percent, while total deposits from customers grew by 47 percent. This rate was even more pronounced for the big four banks, which had deposit growth of 28 percent and loan growth of 13 percent.

"A lot of foreign investors have trouble believing the progress banks here in China have made in terms of management and transparency. It's astounding what this sector has accomplished in five years."

Simon Gleave,  
Partner in charge,  
Financial Services,  
KPMG in China and Hong Kong SAR

Lending breakdown of banks in China



Source: KPMG Analysis (2005)

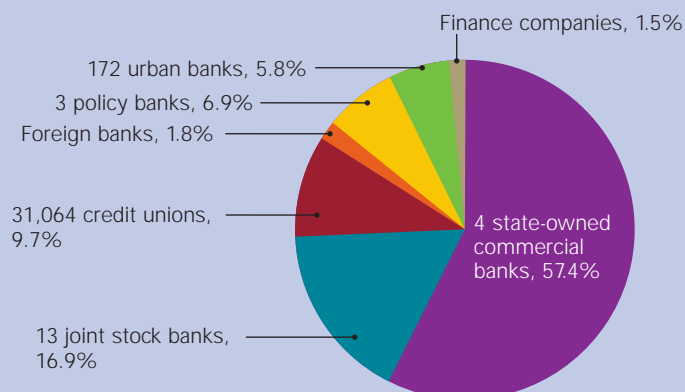
Note: The above analysis is based on an industry analysis of short-term loans, which account for 42.3 percent of total loans

The release of the new ASBEs will be a major driver in the improvement of the banking environment in China as it will incorporate even higher standards of financial reporting, transparency and measurement of impaired loans. The main force behind the new ASBEs, and to a great extent the positive changes that have occurred in the banking sector over the past five years, has been the various government ministries overseeing the banking sector, particularly the Ministry of Finance and the CBRC. As part of its supervisory efforts, the CBRC has helped to not only implement a great deal of needed change and operational improvements, but it has also been key in making sure such changes were actively implemented. Many of the banks have, in line with international best practices and under the guidance of the CBRC, set up independent internal audit functions as well as a new decision-making system in which decisions are made by specialised committees under a board of directors rather than by individuals. As a result, there have been notable improvements in risk management and internal controls (areas which used to be largely neglected), which have in turn led to greatly enhanced capital adequacy management, improved loss provisioning, and an overall strengthening of the capacity to control credit risk, market risk and operational risk.

The benefits of these accounting reforms for the banking industry in China as a whole are quite clear although putting them into practice will be no easy task. In the long term though, they will incorporate accounting principles that are not only familiar to the international banking community but also encourage best practices in financial reporting and greater transparency among mainland banks.

**CBRC:** Responsible for formulating supervisory rules and regulations governing banking institutions in China. In this role, it oversees the establishment, termination and business scope of banking institutions, conducts on-site examination and off-site surveillance of banking institutions, and is responsible for taking action against violations of banking rules. It is also responsible for the administration of the supervisory boards of the major state-owned banking institutions.<sup>2</sup>

#### Banking distribution in PRC in terms of total assets



Source: Joint Economic Committee, United States Congress, July 2006

Note: Figures shown are for all banks and other depository institutions as of year end 2005

<sup>2</sup> Source: CBRC Web site

### Future challenges

Derivatives currently represent a small portion of the business of mainland banks, however they are rapidly gaining importance. This has been brought about by two key changes in the mainland banking sector: the partial unpegging of the renminbi, which is now experiencing price fluctuations, and the partial deregulation of interest rates. These changes have introduced a previously unknown level of volatility to the market, creating a need for derivatives for both banks and banking customers to hedge risk. As the derivatives market grows, it will not only become increasingly important for banks to introduce the necessary risk management policies and tools to effectively manage and monitor these financial instruments but also for the CBRC to be able to effectively supervise and assess banks' ability to manage them. While the CBRC has issued detailed market risk guidelines, the relative lack of experience among mainland banks in dealing with derivatives will pose a daunting challenge for some.

Overall, it is expected that all banks will face some degree of difficulty adjusting to this rapidly modernising sector. However, it is clear that this level of difficulty will not be uniform and some banks will find it more difficult than others to institute the changes needed. Those banks that already adhere to high standards of transparency will certainly be better situated to face these future challenges.

The current level of non-performing loans being disclosed by mainland banks is low even by international standards. This reflects the effect of the government restructuring on the industry and the rapid growth of the Chinese economy. However, should growth halt or slow significantly, mainland banks will need to have developed robust credit management processes to quickly identify and reduce the consequences of an increase in NPLs.

The overall transparency of the sector has shown a phenomenal improvement over the past two years and it is our expectation that the other banks not included in this report will also make equally positive changes in the coming years.



## The impact of the new ASBEs on mainland Chinese banks

On 15 February 2006, the new ASBEs were released. They consist of a new Basic Standard and 38 Specific ASBEs. ASBE covers nearly all of the topics under the current IFRS and are mandatory for listed Chinese enterprises from 1 January 2007. Other enterprises are also encouraged to adopt these new PRC standards.

These standards are very similar in form and content to IFRS, except for certain modifications which reflect China's unique circumstances and environment.

### Key changes to the current PRC GAAP affecting banks

Given the size and diversity of the banking sector in China, it is safe to say that every one of the ASBEs will have an effect on banks in China to some degree. However, the following list will look closely at those ASBEs which have a significant and direct impact on the operations of banks in China.

The basic standard put forth by the new ASBEs does not represent a major departure from the current PRC GAAP although it does strongly reaffirm the use of the concept of "substance over form". This concept has significant ramifications for banks as it stresses that legal rights and obligations, while important, should not be permitted to obscure the economic realities of the underlying situation.

The most visible change brought on by the new ASBEs will be the application of ASBE 30, *Presentation of Financial Statements*, which calls for a number of changes in the format and presentation of financial statements. This item requires entities to disclose comparative information for all amounts in their financial statements with respect to the previous period as opposed to the current PRC GAAP which only requires such information on the primary statements and selected notes. Moreover, financial entities may now present assets and liabilities in order of liquidity when this provides information that is reliable and more relevant. Statements of profit appropriation will no longer be required; rather enterprises must prepare a statement of changes in equity and present minority interests separately. ASBE 30 also adds the definition for "materiality".

The most wide-reaching and relevant ASBE for mainland Chinese banks is ASBE 22, *Recognition and Measurement of Financial Instruments*. The current investments standard only covers investments in debt and equity securities, whereas ASBE 22 encompasses all financial instruments, including equity and debt securities, payables, receivables (including loans which may have a different value under the new ASBEs), derivatives, cash/bank deposits, convertible bonds and preference shares. Some of these instruments are difficult to value.



**Current PRC Generally-Accepted Accounting Principles (GAAP):** The rules and regulations governing all financial reporting and accounting in China. The new ASBEs are changes and additions to the current PRC GAAP.

The requirement that all financial instruments be measured at fair value at initial recognition can be particularly onerous — determination of fair value for derivatives or non-listed investment securities is especially complicated. Subsequent measurement is done at either fair value or amortised cost depending on the type of asset, with the exception of derivatives which can only be measured at fair value. Greater volatility in balance and profit & loss statements should be expected as a result of these requirements.

Moreover, ASBE 22 introduces several new categories of financial instruments:

#### Financial assets:

- Loans and receivables
- Held-to-maturity investments
- Financial assets measured at fair value through profit and loss
- Available-for-sale investments.

#### Financial liabilities:

- Financial liabilities at fair value through profit or loss
- Other financial liabilities measured at amortised cost using the effective interest method.

These additions change the way in which loans are provisioned and may lead to currently recognised financial instruments being measured differently. Banks will also be required to assess provisions on an impaired loans basis, which will present a particularly onerous challenge for certain banks. This is in marked contrast to the situation as little as two years ago when many banks did not need to make any specific provisions at all.

Rules regarding the impairment of assets have been changed by ASBE 8. Under the new standard, all costs, direct or indirect, will now be tested for impairment.

This is quite different from the current PRC GAAP, where an impairment test is only required for individual assets, with the concept of “asset group” not addressed. Assets are now grouped where the fair value cannot be assessed. While adhering to this will prove more onerous, it will improve the overall financial picture of a financial institution.

ASBE 12, *Debt Restructuring*, directly impacts the presentation of profit and loss in relation to loans as it requires assets or equity interests received or surrendered by the debtor or the creditor to be measured at fair value. The resulting gains or losses then need to be recognised in profit or loss as opposed to the current PRC GAAP where fair value is not used and the resulting gain consigned to “capital reserve”.

**IFRS:** A set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements. IFRS are issued by the International Accounting Standards Board. IFRS are sometimes confused with International Accounting Standards (IAS), which are the older standards that IFRS replaced (IAS were issued from 1973 to 2000).

China is one of the earlier adopters of IFRS accounting standards, closely following the European Union and ahead of many developed economies.

ASBE 18, *Income Taxes*, restructures the calculation of income tax. Previously, a number of options were available to entities; however, under the new standard, the tax payable method has been disallowed and it is now necessary for entities to adopt the deferred tax and liability method.

ASBE 24, *Hedging*, is a new standard altogether as the current PRC GAAP does not address hedging in any form. This new ASBE will affect banks wishing to hedge accounts for transactions aligned to lesser risk. To qualify for hedge accounting, an enterprise must prove the effectiveness of the hedge at inception.

The effects of ASBE 35, *Segment Reporting*, will be limited to banks operating on a national scale. It requires one basis of segmentation to be primary and the other to be secondary, with considerably less information needed for the secondary segment. This is quite different from the current PRC GAAP which requires disclosure of the same amount of information for both business segments and geographical segments.

ASBE 36, *Related Party Disclosures*, expands the scope of related party disclosures. If two parties are subject to joint control or significant influence from the same party, under the new rules they are now considered related parties. This may prove to be extremely onerous and difficult to put into practice for banks as the concept of related parties under joint control is not clearly defined, leaving it open to a great deal of interpretation.

ASBE 38, *First-time Adoption of ASBEs*, does not offer any relief to listed banks. All listed banks in China will be required to not only follow the new ASBEs for the year 2007 but also to prepare their 2006 financial statements according to the new accounting standards. This is needed for comparison purposes as the 2007 statements must be made comparable to the previous year.

These new accounting standards will, in the long term, improve the overall transparency and management of banks. However, they also call for more use of fair values, particularly with respect to financial instruments, which will likely increase volatility of earnings and positively or negatively impact capital adequacy ratios.

In addition to all of the changes introduced by the new ASBEs, there are also a few noteworthy exceptions, such as the failure of the new ASBEs to address how to recognise and measure liabilities under defined benefits schemes for employees. These liabilities could be potentially very substantial depending on the schemes a bank has in place. If you would like more information on the impact of the new ASBEs, please feel free to contact KPMG in China.

## Financial highlights

In RMB 1million	Profit and loss								
	Net interest income			Non-interest income			Operating expenses		
	2005	2004	2003	2005	2004	2003	2005	2004	2003
*1 Industrial & Commercial Bank of China	141,874	118,704	123,170	12,716	10,506	8,971	88,429	71,733	57,480
2 Agricultural Bank of China	67,013	69,299	61,758	12,231	9,009	5,359	66,438	64,532	59,235
*3 China Construction Bank	115,764	101,085	90,167	11,356	11,687	6,368	49,522	43,960	42,192
*4 Bank of China	100,157	86,063	80,317	15,871	18,387	12,522	51,284	46,896	38,013
*5 Bank of Communications <sup>1</sup>	31,591	24,738	19,757	2,109	2,801	2,192	18,012	13,237	10,330
*6 China Merchants Bank	16,999	14,149	10,187	2,407	1,590	1,120	9,127	7,491	5,461
7 China CITIC Bank	12,334	9,818	6,750	1,257	824	615	7,016	5,405	3,818
*8 Shanghai Pudong Development Bank	13,556	10,832	8,046	878	683	582	6,810	5,250	3,964
*9 China Minsheng Bank	12,051	8,983	6,256	716	614	323	7,028	5,146	3,457
10 China Everbright Bank	n/a	n/a	6,801	n/a	n/a	563	n/a	n/a	4,030
11 Industrial Bank	9,240	6,851	5,121	420	340	216	4,625	3,424	2,490
*12 Huaxia Bank	7,360	6,031	5,045	454	325	944	4,094	3,209	2,626
*13 Shenzhen Development Bank	4,887	4,841	3,500	707	509	401	3,014	2,870	2,315
14 Bank of Beijing	4,099	3,866	n/a	234	124	n/a	1,620	1,540	n/a
15 Bank of Shanghai	5,058	4,780	3,888	299	166	172	2,145	2,041	1,983
16 Shenzhen Commercial Bank	1,525	1,269	1,064	185	73	66	825	782	651
17 Nanjing City Commercial Bank	1,080	835	591	69	47	45	533	459	358
18 Ningbo Commercial Bank	1,167	919	658	97	75	53	556	478	384
19 Xi'an City Commercial Bank	n/a	766	650	n/a	12	17	n/a	496	365
20 Chongqing Commercial Bank	n/a	546	n/a	n/a	21	n/a	294	437	n/a
21 Wenzhou City Commercial Bank	614	393	298	16	12	6	296	219	177
22 Suzhou City Commercial Bank	458	358	n/a	12	11	n/a	184	135	n/a

In RMB 1million	Size and strength measures								
	Total assets			Gross advances to customers			Provisions against customer advances		
	2005	2004	2003	2005	2004	2003	2005	2004	2003
*1 Industrial & Commercial Bank of China	6,454,106	5,041,943	5,279,120	3,289,553	3,707,748	3,392,937	83,692	598,557	20,987
2 Agricultural Bank of China	4,771,019	4,013,769	3,494,016	2,829,291	2,590,072	2,268,393	36,025	32,379	28,496
*3 China Construction Bank	4,584,349	3,908,044	3,553,070	2,456,298	2,225,610	1,937,149	63,072	53,829	54,359
*4 Bank of China	4,742,806	4,270,443	3,979,965	2,235,046	2,146,462	2,157,473	83,153	74,769	236,342
*5 Bank of Communications <sup>1</sup>	1,423,439	1,138,634	928,633	771,374	637,958	550,012	12,601	8,591	38,863
*6 China Merchants Bank	733,983	586,574	503,893	472,185	374,017	307,480	13,510	10,920	8,520
7 China CITIC Bank	611,935	505,010	419,803	370,604	306,422	306,440	11,938	14,558	3,127
*8 Shanghai Pudong Development Bank	533,067	455,532	371,057	377,223	310,905	261,891	10,577	8,919	6,268
*9 China Minsheng Bank	557,136	445,399	361,064	378,072	288,362	201,773	4,992	4,248	3,226
10 China Everbright Bank	n/a	n/a	394,423	n/a	n/a	248,568	n/a	n/a	10,342
11 Industrial Bank	473,988	339,961	259,999	242,572	203,011	156,945	5,112	4,416	2,351
*12 Huaxia Bank	356,128	304,326	246,829	233,688	181,112	150,756	4,932	4,409	3,640
*13 Shenzhen Development Bank	229,216	204,443	193,453	156,103	126,195	131,370	6,233	5,112	4,174
14 Bank of Beijing	232,558	208,755	171,030	119,573	109,122	n/a	2,866	1,814	n/a
15 Bank of Shanghai	239,420	219,838	193,368	121,915	110,146	99,821	2,223	4,266	1,617
16 Shenzhen Commercial Bank	69,937	68,257	59,258	43,720	39,186	34,567	1,064	675	437
17 Nanjing City Commercial Bank	44,160	38,145	29,582	20,303	16,077	14,063	634	520	497
18 Ningbo Commercial Bank	42,132	34,322	30,744	19,559	17,273	16,642	310	176	1
19 Xi'an City Commercial Bank	n/a	25,266	25,306	n/a	16,604	15,966	n/a	111	126
20 Chongqing Commercial Bank	30,443	23,491	24,443	17,324	12,940	12,712	197	187	131
21 Wenzhou City Commercial Bank	18,527	14,884	11,107	10,747	8,551	6,868	169	118	94
22 Suzhou City Commercial Bank	17,926	13,462	n/a	9,683	7,771	n/a	210	124	n/a

Note: Banks with " \* " marked in front of the number represent the listed ones.

<sup>1</sup> The 2005 figures for Bank of Communications were compiled under IFRS

## Profit and loss

	Operating profit before provisions			Charge for bad and doubtful debts			Exceptional and other items			Profit before tax			Net profit after tax		
	2005	2004	2003	2005	2004	2003	2005	2004	2003	2005	2004	2003	2005	2004	2003
	78,063	74,545	50,033	18,709	21,667	34,303	(1,776)	1,165	(13,072)	59,354	52,878	2,658	34,168	30,344	2,658
	(10,943)	(777)	(2,941)	n/a	n/a	n/a	(5,058)	(4,968)	(5,540)	7,878	8,441	1,942	1,044	2,003	1,922
	69,391	61,472	45,642	14,533	8,827	8,169	n/a	(1,454)	(4,832)	55,341	51,191	37,473	47,103	49,042	22,387
	64,744	57,841	54,826	10,985	23,797	16,432	1,381	532	179	55,140	34,576	38,573	27,492	20,932	28,707
	17,141	13,704	11,185	4,298	4,813	6,401	0	(1,772)	(721)	12,843	7,119	4,062	9,243	915	4,312
	9,949	7,888	5,585	3,331	2,656	2,045	78	82	1	6,634	5,012	3,445	3,930	3,144	2,230
	6,369	5,103	3,455	906	1,267	976	62	(72)	(26)	5,364	3,682	2,453	2,980	2,167	1,544
	7,421	6,162	4,603	3,180	3,131	2,087	6	25	(9)	4,231	3,049	2,344	2,486	1,930	1,566
	5,598	4,348	3,024	1,255	1,360	1,015	2	21	(27)	4,243	2,865	1,941	2,703	2,038	1,391
	n/a	n/a	2,846	n/a	n/a	1,510	n/a	n/a	(521)	n/a	n/a	815	n/a	n/a	433
	4,956	3,726	2,820	1,422	1,011	1,190	16	(5)	10	3,528	2,660	1,633	2,455	1,675	985
	3,545	3,076	2,614	1,337	1,253	1,067	(182)	(157)	(153)	2,003	1,661	1,375	1,289	1,017	802
	2,894	2,799	1,687	1,803	1,881	1,067	(36)	(7)	(15)	639	498	354	352	295	425
	2,523	2,385	n/a	1,511	1,593	n/a	8	(90)	n/a	1,023	707	n/a	551	336	605
	3,212	2,906	2,079	1,785	1,093	776	(13)	3	54	1,414	1,815	1,323	1,266	1,463	1,141
	876	656	535	530	377	242	30	22	20	346	217	252	269	155	204
	596	408	267	185	123	89	(1)	(2)	(9)	410	283	170	311	215	170
	685	505	317	179	373	164	(74)	(55)	(71)	432	77	82	300	77	68
	n/a	333	296	n/a	242	169	n/a	9	(36)	n/a	101	90	n/a	87	90
	335	251	n/a	91	n/a	n/a	3	0	n/a	171	117	n/a	99	78	49
	319	180	125	223	116	69	(2)	1	(6)	95	65	50	69	52	43
	273	232	n/a	110	129	n/a	(3)	1	0	161	103	n/a	89	53	n/a

	Total deposits from customers			Shareholders' funds			Capital adequacy ratio			Liquidity ratio		
	2005	2004	2003	2005	2004	2003	2005	2004	2003	2005	2004	2003
	4,036,854	3,491,549	2,997,288	79,607	78,063	137,969	n/a	n/a	n/a	n/a	n/a	n/a
	3,703,777	3,342,477	3,035,956	233,842	205,351	203,752	10.42%	10.04%	n/a	n/a	n/a	n/a
	634,403	512,586	406,885	24,671	20,881	18,261	9.06%	9.55%	9.49%	77%	77%	76%
	507,413	397,635	323,124	15,526	13,510	12,011	8.04%	8.03%	8.64%	121%	116%	115%
	n/a	n/a	345,545	n/a	n/a	13,336	n/a	n/a	4.65%	n/a	n/a	77%
	312,129	269,668	210,221	10,453	9,609	8,627	8.23%	8.61%	10.32%	83%	90%	88%
	198,829	175,426	n/a	8,859	7,133	6,027	10.83%	5.27%	n/a	66%	72%	n/a
	62,858	58,095	44,764	2,403	2,138	2,047	3.14%	2.07%	-0.38%	50%	55%	62%
	37,286	29,720	24,062	2,183	1,916	816	10.81%	10.80%	5.01%	76%	72%	67%
	22,698	18,713	16,424	1,879	1,785	1,710	9.71%	4.29%	n/a	63%	58%	n/a
	15,902	12,256	n/a	772	684	n/a	8.16%	8.11%	7.46%	81%	72%	46%

## Key ratios

In RMB 1million	Performance measures								
	Net loan/deposit ratio			Non-interest income/total operating income before provisions			Net interest income/total assets		
	2005	2004	2003	2005	2004	2003	2005	2004	2003
*1 Industrial & Commercial Bank of China	56%	60%	72%	16%	14%	18%	2.2%	2.4%	2.3%
2 Agricultural Bank of China	69%	73%	75%	-112%	-1159%	-182%	1.4%	1.7%	1.8%
*3 China Construction Bank	60%	63%	62%	n/a	19%	14%	n/a	2.6%	2.5%
*4 Bank of China	58%	62%	63%	25%	32%	23%	2.1%	2.0%	2.0%
*5 Bank of Communications	62%	62%	59%	n/a	20%	20%	n/a	2.2%	2.1%
*6 China Merchants Bank	72%	71%	73%	24%	20%	20%	2.3%	2.4%	2.0%
7 China CITIC Bank	66%	72%	87%	20%	16%	18%	2.0%	1.9%	1.6%
*8 Shanghai Pudong Development Bank	72%	76%	79%	12%	11%	13%	2.5%	2.4%	2.2%
*9 China Minsheng Bank	76%	75%	72%	13%	14%	11%	2.2%	2.0%	1.7%
10 China Everbright Bank	n/a	n/a	69%	n/a	n/a	20%	n/a	n/a	1.7%
11 Industrial Bank	67%	70%	74%	n/a	n/a	n/a	1.9%	2.0%	2.0%
*12 Huaxia Bank	73%	66%	70%	13%	11%	36%	2.1%	2.0%	2.0%
*13 Shenzhen Development Bank	74%	72%	89%	24%	18%	24%	2.1%	2.4%	1.8%
14 Bank of Beijing	59%	61%	n/a	9%	5%	n/a	1.8%	1.9%	n/a
15 Bank of Shanghai	57%	58%	60%	9%	6%	8%	2.1%	2.2%	2.0%
16 Shenzhen Commercial Bank	68%	66%	76%	21%	11%	12%	2.2%	1.9%	1.8%
17 Nanjing City Commercial Bank	55%	55%	59%	12%	12%	17%	2.4%	2.2%	2.0%
18 Ningbo Commercial Bank	52%	58%	69%	14%	15%	17%	2.8%	2.7%	2.1%
19 Xi'an City Commercial Bank	n/a	72%	79%	n/a	4%	6%	n/a	3.0%	2.6%
20 Chongqing Commercial Bank	62%	68%	77%	n/a	8%	n/a	n/a	2.3%	n/a
21 Wenzhou City Commercial Bank	73%	77%	80%	5%	7%	5%	3.3%	2.6%	2.7%
22 Suzhou City Commercial Bank	61%	64%	61%	4%	5%	n/a	2.6%	2.7%	n/a

In RMB 1million	Assets quality					
	Gross NPLs			Gross NPLs/gross advances to customers		
	2005	2004	2003	2005	2004	2003
*1 Industrial & Commercial Bank of China	154,417	784,656	824,648	4.69%	21.16%	24.30%
2 Agricultural Bank of China	n/a	n/a	n/a	n/a	n/a	n/a
*3 China Construction Bank	94,469	87,380	85,252	3.84%	3.92%	4.40%
*4 Bank of China	103,226	109,920	351,224	4.62%	5.12%	16.28%
*5 Bank of Communications	18,068	18,550	70,148	2.34%	2.91%	12.75%
*6 China Merchants Bank	12,182	10,773	9,686	2.58%	2.88%	3.15%
7 China CITIC Bank	14,257	17,107	19,613	3.85%	5.58%	6.40%
*8 Shanghai Pudong Development Bank	7,443	7,617	6,455	1.97%	2.45%	2.46%
*9 China Minsheng Bank	4,826	3,773	2,769	1.3%	1.31%	1.37%
10 China Everbright Bank	n/a	n/a	23,210	n/a	n/a	0
11 Industrial Bank	5,647	5,077	3,902	2.33%	2.50%	2.49%
*12 Huaxia Bank	7,113	7,173	6,371	3.04%	3.96%	4.23%
*13 Shenzhen Development Bank	14,572	14,404	11,596	9.3%	11.41%	8.83%
14 Bank of Beijing	5,046	5,358	n/a	4.22%	4.91%	n/a
15 Bank of Shanghai	4,774	5,445	5,959	3.92%	4.99%	5.97%
16 Shenzhen Commercial Bank	3,687	3,108	3,148	8.43%	7.93%	9.11%
17 Nanjing City Commercial Bank	654	672	817	3.2%	4.18%	5.81%
18 Ningbo Commercial Bank	119	199	383	0.61%	1.15%	2.30%
19 Xi'an City Commercial Bank	n/a	n/a	n/a	n/a	n/a	n/a
20 Chongqing Commercial Bank	854	1,790	2,870	4.93%	13.83%	22.58%
21 Wenzhou City Commercial Bank	294	475	646	2.7%	5.55%	9.40%
22 Suzhou City Commercial Bank	92	93	n/a	0.95%	1.20%	n/a

Note: Banks with " \* " marked in front of the number represent the listed ones.

## Performance measures

	Cost/income ratio			Net interest margin			ROA			ROE		
	2005	2004	2003	2005	2004	2003	2005	2004	2003	2005	2004	2003
	57%	42%	47%	3%	2%	3%	0.53%	0.60%	0.05%	13%	-6%	2%
	83.8%	82.4%	88.3%	2%	2%	2%	0.02%	0.05%	0.06%	1%	3%	1%
	39.0%	39.0%	43.7%	n/a	3%	3%	1.03%	1.25%	0.63%	16%	25%	12%
	44.2%	44.8%	40.9%	4%	4%	3%	0.58%	0.61%	0.68%	12%	10%	11%
	53.4%	48%	47%	n/a	3%	2%	0.65%	0.08%	0.46%	11%	2%	24%
	47.0%	47.6%	48.3%	3%	3%	2%	0.54%	0.54%	0.44%	16%	15%	12%
	41.0%	50.8%	51.8%	2.2%	2%	2%	0.49%	0.43%	0.37%	14.0%	22%	9%
	41%	45.6%	45.9%	3%	3%	2%	0.47%	0.42%	0.42%	16%	14%	13%
	55%	54%	53%	2.6%	3%	2%	0.49%	0.46%	0.39%	17.5%	16%	14%
	n/a	n/a	54.7%	n/a	n/a	2%	n/a	n/a	0.11%	n/a	n/a	3%
	47.9%	47.6%	46.7%	2.8%	3%	3%	0.52%	0.49%	0.38%	20.3%	17%	14%
	52.4%	50.5%	43.8%	2%	3%	3%	0.36%	0.33%	0.32%	12%	11%	9%
	54%	54%	59%	2.7%	4%	3%	0.15%	0.14%	0.22%	7.0%	6%	10%
	37.4%	38.6%	n/a	2%	2%	2%	0.24%	0.16%	n/a	6%	5%	n/a
	40.0%	41.3%	48.8%	2.5%	3%	2%	0.53%	0.67%	0.59%	13.0%	20%	13%
	45.1%	58.3%	57.6%	n/a	2%	2%	0.38%	0.23%	0.34%	11%	7%	10%
	46%	52%	56%	3.5%	4%	2%	0.70%	0.56%	0.57%	16.8%	14%	13%
	44.0%	48.1%	54.0%	4%	4%	3%	0.71%	0.22%	0.22%	14%	4%	8%
	n/a	63.8%	54.7%	n/a	4%	3%	n/a	0.34%	0.36%	n/a	7%	7%
	n/a	77.1%	n/a	n/a	2%	n/a	0.33%	0.33%	0.20%	n/a	4%	5%
	34.3%	31%	34%	5.1%	4%	4%	0.37%	0.35%	0.39%	10.9%	9%	10%
	33%	29%	n/a	3%	3%	n/a	0.57%	0.45%	n/a	12%	9%	8%

## Assets quality

	Bad debt charge/gross advances to customers			Provision coverage ratio		
	2005	2004	2003	2005	2004	2003
	0.57%	0.58%	1.01%	2.54%	16.14%	0.62%
	n/a	n/a	n/a	1.27%	1.25%	1.26%
	0.59%	0.40%	0.42%	2.57%	2.42%	2.81%
	0.49%	1.11%	0.76%	3.72%	3.48%	10.95%
	0.56%	0.75%	1.16%	1.63%	1.35%	7.07%
	0.71%	0.71%	0.67%	2.86%	2.92%	2.77%
	0.24%	0.41%	0.32%	3.22%	4.75%	1.02%
	0.84%	1.01%	0.80%	2.80%	2.87%	2.39%
	0.3%	0.47%	0.50%	1.3%	1.47%	1.60%
	n/a	n/a	0.61%	n/a	n/a	4.16%
	0.59%	0.50%	0.76%	2.11%	2.18%	1.50%
	0.57%	0.69%	0.71%	2.11%	2.43%	2.41%
	1.2%	1.49%	0.81%	4.0%	4.05%	3.18%
	1.26%	1.46%	n/a	2.40%	1.66%	n/a
	1.46%	0.99%	0.78%	1.82%	3.87%	1.62%
	1.21%	0.96%	0.70%	2.43%	1.72%	1.26%
	0.9%	0.77%	0.63%	3.1%	3.23%	3.53%
	0.92%	2.16%	0.99%	1.58%	1.02%	0.01%
	n/a	1.46%	1.06%	n/a	0.67%	0.79%
	0.53%	n/a	n/a	1.14%	1.45%	1.03%
	2.1%	1.36%	1.00%	1.6%	1.38%	1.37%
	1.14%	1.66%	n/a	2.17%	1.60%	n/a

## Sector rankings

Ranking total assets		Ranking net profit after tax		Ranking cost/income ratio				
2005	RMB'M	2005	RMB'M	2005	RMB'M			
1	Industrial & Commercial Bank of China	6,454,106	1	China Construction Bank	47,103	1	Suzhou City Commercial Bank	33%
2	Agricultural Bank of China	4,771,019	2	Industrial & Commercial Bank of China	34,168	2	Wenzhou City Commercial Bank	34%
3	Bank of China	4,742,806	3	Bank of China	27,492	3	Bank of Beijing	37%
4	China Construction Bank	4,584,349	4	Bank of Communications	9,243	4	China Construction Bank	39%
5	Bank of Communications	1,423,439	5	China Merchants Bank	3,930	5	Bank of Shanghai	40%
6	China Merchants Bank	733,983	6	China CITIC Bank	2,980	6	China CITIC Bank	41%
7	China CITIC Bank	611,935	7	China Minsheng Bank	2,703	7	Shanghai Pudong Development Bank	41%
8	China Minsheng Bank	557,136	8	Shanghai Pudong Development Bank	2,486	8	Bank of China	44%
9	Shanghai Pudong Development Bank	533,067	9	Industrial Bank	2,455	9	Ningbo Commercial Bank	44%
10	Industrial Bank	473,988	10	Huaxia Bank	1,289	10	Shenzhen Commercial Bank	45%
11	Huaxia Bank	356,128	11	Bank of Shanghai	1,266	11	Nanjing City Commercial Bank	46%
12	Bank of Shanghai	239,420	12	Agricultural Bank of China	1,044	12	China Merchants Bank	47%
13	Bank of Beijing	232,558	13	Bank of Beijing	551	13	Industrial Bank	48%
14	Shenzhen Development Bank	229,216	14	Shenzhen Development Bank	352	14	Huaxia Bank	52%
15	Shenzhen Commercial Bank	69,937	15	Nanjing City Commercial Bank	311	15	Bank of Communications	53%
16	Nanjing City Commercial Bank	44,160	16	Ningbo Commercial Bank	300	16	Shenzhen Development Bank	54%
17	Ningbo Commercial Bank	42,132	17	Shenzhen Commercial Bank	269	17	China Minsheng Bank	55%
18	Chongqing Commercial Bank	30,443	18	Chongqing Commercial Bank	99	18	Industrial & Commercial Bank of China	57%
19	Wenzhou City Commercial Bank	18,527	19	Suzhou City Commercial Bank	89	19	Agricultural Bank of China	84%
20	Suzhou City Commercial Bank	17,926	20	Wenzhou City Commercial Bank	69	20	China Everbright Bank	n/a
21	China Everbright Bank	n/a	21	China Everbright Bank	n/a	21	Xi'an City Commercial Bank	n/a
22	Xi'an City Commercial Bank	n/a	22	Xi'an City Commercial Bank	n/a	22	Chongqing Commercial Bank	n/a
2004	RMB'M	2004	RMB'M	2004	RMB'M			
1	Industrial & Commercial Bank of China	5,041,943	1	China Construction Bank	49,042	1	Suzhou City Commercial Bank	29%
2	Bank of China	4,270,443	2	Industrial & Commercial Bank of China	30,344	2	Wenzhou City Commercial Bank	31%
3	Agricultural Bank of China	4,013,769	3	Bank of China	20,932	3	Bank of Beijing	39%
4	China Construction Bank	3,908,044	4	China Merchants Bank	3,144	4	China Construction Bank	39%
5	Bank of Communications	1,138,634	5	China CITIC Bank	2,167	5	Bank of Shanghai	41%
6	China Merchants Bank	586,574	6	China Minsheng Bank	2,038	6	Industrial & Commercial Bank of China	42%
7	China CITIC Bank	505,010	7	Agricultural Bank of China	2,003	7	Bank of China	45%
8	Shanghai Pudong Development Bank	455,532	8	Shanghai Pudong Development Bank	1,930	8	Shanghai Pudong Development Bank	46%
9	China Minsheng Bank	445,399	9	Industrial Bank	1,675	9	Ningbo Commercial Bank	48%
10	Industrial Bank	339,961	10	Bank of Shanghai	1,463	10	China Merchants Bank	48%
11	Huaxia Bank	304,326	11	Huaxia Bank	1,017	11	Bank of Communications	48%
12	Bank of Shanghai	219,838	12	Bank of Communications	915	12	Industrial Bank	48%
13	Bank of Beijing	208,755	13	Bank of Beijing	336	13	China CITIC Bank	51%
14	Shenzhen Development Bank	204,443	14	Shenzhen Development Bank	295	14	Huaxia Bank	51%
15	Shenzhen Commercial Bank	68,257	15	Nanjing City Commercial Bank	215	15	Nanjing City Commercial Bank	52%
16	Nanjing City Commercial Bank	38,145	16	Shenzhen Commercial Bank	155	16	China Minsheng Bank	54%
17	Ningbo Commercial Bank	34,322	17	Xi'an City Commercial Bank	87	17	Shenzhen Development Bank	54%
18	Xi'an City Commercial Bank	25,266	18	Chongqing Commercial Bank	78	18	Shenzhen Commercial Bank	58%
19	Chongqing Commercial Bank	23,491	19	Ningbo Commercial Bank	77	19	Xi'an City Commercial Bank	64%
20	Wenzhou City Commercial Bank	14,884	20	Suzhou City Commercial Bank	53	20	Chongqing Commercial Bank	77%
21	Suzhou City Commercial Bank	13,462	21	Wenzhou City Commercial Bank	52	21	Agricultural Bank of China	82%
22	China Everbright Bank	n/a	22	China Everbright Bank	n/a	22	China Everbright Bank	n/a
2003	RMB'M	2003	RMB'M	2003	RMB'M			
1	Industrial & Commercial Bank of China	5,279,120	1	Bank of China	28,707	1	Wenzhou City Commercial Bank	34%
2	Bank of China	3,979,965	2	China Construction Bank	22,387	2	Bank of China	41%
3	China Construction Bank	3,553,070	3	Bank of Communications	4,312	3	Bank of Communications	41%
4	Agricultural Bank of China	3,494,016	4	Industrial & Commercial Bank of China	2,658	4	China Construction Bank	44%
5	Bank of Communications	928,633	5	China Merchants Bank	2,230	5	Huaxia Bank	44%
6	China Merchants Bank	503,893	6	Agricultural Bank of China	1,922	6	Shanghai Pudong Development Bank	46%
7	China CITIC Bank	419,803	7	Shanghai Pudong Development Bank	1,566	7	Industrial & Commercial Bank of China	47%
8	China Everbright Bank	394,423	8	China CITIC Bank	1,544	8	China Merchants Bank	48%
9	Shanghai Pudong Development Bank	371,057	9	China Minsheng Bank	1,391	9	Bank of Shanghai	49%
10	China Minsheng Bank	361,064	10	Bank of Shanghai	1,141	10	China CITIC Bank	52%
11	Industrial Bank	259,999	11	Industrial Bank	985	11	China Minsheng Bank	53%
12	Huaxia Bank	246,829	12	Huaxia Bank	802	12	Ningbo Commercial Bank	54%
13	Shenzhen Development Bank	193,453	13	Bank of Beijing	605	13	China Everbright Bank	55%
14	Bank of Shanghai	193,368	14	China Everbright Bank	433	14	Xi'an City Commercial Bank	55%
15	Bank of Beijing	171,030	15	Shenzhen Development Bank	425	15	Nanjing City Commercial Bank	56%
16	Shenzhen Commercial Bank	59,258	16	Shenzhen Commercial Bank	204	16	Shenzhen Development Bank	59%
17	Ningbo Commercial Bank	30,744	17	Nanjing City Commercial Bank	170	17	Shenzhen Commercial Bank	68%
18	Nanjing City Commercial Bank	29,582	18	Xi'an City Commercial Bank	90	18	Agricultural Bank of China	88%
19	Xi'an City Commercial Bank	25,306	19	Ningbo Commercial Bank	68	19	Bank of Beijing	n/a
20	Chongqing Commercial Bank	24,443	20	Chongqing Commercial Bank	49	20	Industrial Bank	n/a
21	Wenzhou City Commercial Bank	11,107	21	Wenzhou City Commercial Bank	43	21	Chongqing Commercial Bank	n/a
22	Suzhou City Commercial Bank	n/a	22	Suzhou City Commercial Bank	n/a	22	Suzhou City Commercial Bank	n/a



Ranking return on equity			Ranking growth in assets			Ranking growth in net profit after tax		
2005		RMB'M	2005		RMB'M	2005		RMB'M
1	Industrial Bank	20%	1	Industrial Bank	39%	1	Bank of Communications	910%
2	China Minsheng Bank	18%	2	Suzhou City Commercial Bank	33%	2	Ningbo Commercial Bank	290%
3	Nanjing City Commercial Bank	17%	3	Chongqing Commercial Bank	30%	3	Shenzhen Commercial Bank	74%
4	Shanghai Pudong Development Bank	16%	4	Industrial & Commercial Bank of China	28%	4	Suzhou City Commercial Bank	68%
5	China Construction Bank	16%	5	China Merchants Bank	25%	5	Bank of Beijing	64%
6	China Merchants Bank	16%	6	China Minsheng Bank	25%	6	Industrial Bank	47%
7	China CITIC Bank	14%	7	Bank of Communications	25%	7	Nanjing City Commercial Bank	45%
8	Ningbo Commercial Bank	14%	8	Wenzhou City Commercial Bank	24%	8	China CITIC Bank	38%
9	Industrial & Commercial Bank of China	13%	9	Ningbo Commercial Bank	23%	9	Wenzhou City Commercial Bank	33%
10	Bank of Shanghai	13%	10	China CITIC Bank	21%	10	China Minsheng Bank	33%
11	Huaxia Bank	12%	11	Agricultural Bank of China	19%	11	Bank of China	31%
12	Bank of Communications	12%	12	China Construction Bank	17%	12	Shanghai Pudong Development Bank	29%
13	Bank of China	12%	13	Huaxia Bank	17%	13	Chongqing Commercial Bank	27%
14	Suzhou City Commercial Bank	12%	14	Shanghai Pudong Development Bank	17%	14	Huaxia Bank	27%
15	Wenzhou City Commercial Bank	11%	15	Nanjing City Commercial Bank	16%	15	China Merchants Bank	25%
16	Shenzhen Commercial Bank	11%	16	Shenzhen Development Bank	12%	16	Shenzhen Development Bank	19%
17	Shenzhen Development Bank	7%	17	Bank of Beijing	11%	17	Industrial & Commercial Bank of China	13%
18	Bank of Beijing	6%	18	Bank of China	11%	18	China Construction Bank	-4%
19	Agricultural Bank of China	1%	19	Bank of Shanghai	9%	19	Bank of Shanghai	-13%
20	China Everbright Bank	n/a	20	Shenzhen Commercial Bank	2%	20	Agricultural Bank of China	-48%
21	Xi'an City Commercial Bank	n/a	21	China Everbright Bank	n/a	21	China Everbright Bank	n/a
22	Chongqing Commercial Bank	n/a	22	Xi'an City Commercial Bank	n/a	22	Xi'an City Commercial Bank	n/a
<b>2004</b>			<b>2004</b>			<b>2004</b>		
		RMB'M			RMB'M			RMB'M
1	China Construction Bank	25%	1	Wenzhou City Commercial Bank	34%	1	Industrial & Commercial Bank of China	1042%
2	China CITIC Bank	22%	2	Industrial Bank	31%	2	China Construction Bank	119%
3	Bank of Shanghai	20%	3	Nanjing City Commercial Bank	29%	3	Industrial Bank	70%
4	Industrial Bank	17%	4	China Minsheng Bank	23%	4	Chongqing Commercial Bank	59%
5	China Minsheng Bank	16%	5	Huaxia Bank	23%	5	China Minsheng Bank	47%
6	China Merchants Bank	15%	6	Shanghai Pudong Development Bank	23%	6	China Merchants Bank	41%
7	Shanghai Pudong Development Bank	14%	7	Bank of Communications	23%	7	China CITIC Bank	40%
8	Nanjing City Commercial Bank	14%	8	Bank of Beijing	22%	8	Bank of Shanghai	28%
9	Huaxia Bank	11%	9	China CITIC Bank	20%	9	Huaxia Bank	27%
10	Bank of China	10%	10	China Merchants Bank	16%	10	Nanjing City Commercial Bank	26%
11	Wenzhou City Commercial Bank	9%	11	Shenzhen Commercial Bank	15%	11	Shanghai Pudong Development Bank	23%
12	Suzhou City Commercial Bank	9%	12	Agricultural Bank of China	15%	12	Wenzhou City Commercial Bank	21%
13	Shenzhen Commercial Bank	7%	13	Bank of Shanghai	14%	13	Ningbo Commercial Bank	13%
14	Xi'an City Commercial Bank	7%	14	Ningbo Commercial Bank	12%	14	Agricultural Bank of China	4%
15	Shenzhen Development Bank	6%	15	China Construction Bank	10%	15	Xi'an City Commercial Bank	-3%
16	Bank of Beijing	5%	16	Bank of China	7%	16	Shenzhen Commercial Bank	-24%
17	Chongqing Commercial Bank	4%	17	Shenzhen Development Bank	6%	17	Bank of China	-27%
18	Ningbo Commercial Bank	4%	18	Xi'an City Commercial Bank	0%	18	Shenzhen Development Bank	-31%
19	Agricultural Bank of China	3%	19	Chongqing Commercial Bank	-4%	19	Bank of Beijing	-44%
20	Bank of Communications	2%	20	Industrial & Commercial Bank of China	-4%	20	Bank of Communications	-79%
21	Industrial & Commercial Bank of China	-6%	21	China Everbright Bank	n/a	21	China Everbright Bank	n/a
22	China Everbright Bank	n/a	22	Suzhou City Commercial Bank	n/a	22	Suzhou City Commercial Bank	n/a
<b>2003</b>			<b>2003</b>			<b>2003</b>		
		RMB'M			RMB'M			RMB'M
1	Bank of Communications	24%						
2	China Minsheng Bank	14%						
3	Industrial Bank	14%						
4	Bank of Shanghai	13%						
5	Shanghai Pudong Development Bank	13%						
6	Nanjing City Commercial Bank	13%						
7	China Merchants Bank	12%						
8	China Construction Bank	12%						
9	Bank of China	11%						
10	Wenzhou City Commercial Bank	10%						
11	Shenzhen Commercial Bank	10%						
12	Shenzhen Development Bank	10%						
13	Huaxia Bank	9%						
14	China CITIC Bank	9%						
15	Ningbo Commercial Bank	8%						
16	Suzhou City Commercial Bank	8%						
17	Xi'an City Commercial Bank	7%						
18	Chongqing Commercial Bank	5%						
19	China Everbright Bank	3%						
20	Industrial & Commercial Bank of China	2%						
21	Agricultural Bank of China	1%						
22	Bank of Beijing	n/a						

## Financial highlights and key ratio explanation

1	Net interest income	Interest income less interest expenses (Including income from investments)
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 and charges for bad and doubtful debts)
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	Total assets	Excludes acceptances
10	Gross advances to customers	Loan and advances to customers before provisions, including advances to non-bank group undertakings. Excludes advances to banks, trade bills receivables, accrued interest, and other accounts
11	Provisions against customer advances	Includes specific and general provisions
12	Total deposits from customers	Current, fixed savings, and other deposits from customers including non-bank group undertakings. Excludes current accounts and overdrafts with banks
13	Shareholders' funds	Share capital plus distributable and non-distributable reserves
14	Capital adequacy ratio	In accordance with the CBRC regulatory guidelines
15	Liquidity ratio	Current assets as a percentage of current liability
16	Net loan/Deposit ratio	Gross advances to customers, less provisions for loan losses as a percentage of deposits from customers
17	Non-interest income/Total operating income	Non-interest income as a percentage of total operating income
18	Net interest income/Total assets	Net interest income as a percentage of total assets
19	Cost/Income ratio	Operating expenses as a percentage of total operating income
20	Net interest margin	Interest income less interest expenses as a percentage of average interest bearing assets
21	Return on assets (ROA)	Profit after tax as a percentage of total assets
22	Return on equity (ROE)	Profit after tax as a percentage of shareholders' funds
23	Gross non-performing loans (NPLs)	Customer advances overdue for more than 90 days, and/or on which interest or principal has ceased to be accrued
24	Gross NPLs/Gross advances to customers	Gross NPLs as a percentage of gross advances to customers
25	Bad debt charge/Gross advances to customers	The charge for bad and doubtful debts as a percentage of gross advances to customers
26	Provision coverage ratio	Provision as a percentage of gross advances to customers

## Amount raised (IPO + PO)

	Location	Number of shares (million)	Price	Type	Amount raised (million)
Industrial & Commercial Bank of China	China	14,950	3.12	IPO	46,644
	HK	40,700	3.07	IPO	124,949
Bank of China	China	6,494	3.08	IPO	20,002
	HK	29,404	2.95	IPO	86,742
China Construction Bank	HK	30,459	2.35	IPO	71,579
China Merchants Bank	China	1,500	7.30	IPO	10,950
	HK	2,420	8.55	IPO	20,691
Bank of Communications	HK	6,734	2.50	IPO	16,835
Huaxia Bank	China	1,000	5.60	IPO	5,600
China Minsheng Bank	China	350	11.80	IPO	4,130
Shanghai Pudong Development Bank	China	400	10.00	IPO	4,000
	China	236	13.64	PO	3,219
	China	300	8.45	PO	2,535
Shenzhen Development Bank <sup>1</sup>	China	0.68	40	IPO	27
<b>Total amount raised from Mainland China listing (RMB)</b>					<b>RMB 97,080</b>
<b>Total amount raised from Hong Kong listing (HKD)</b>					<b>HKD 320,796</b>

Source: Bloomberg

<sup>1</sup> Shenzhen Development Bank was the first Chinese bank to list (1989) hence the small amount raised

# Foreign investment in mainland Chinese banks

Chinese Bank	Foreign Investor	Stake purchased (as a percentage)	USD (million)
Industrial & Commercial Bank of China	Goldman Sachs, American Express and Allianz Group	8.45%	3800
China Construction Bank	Bank of America Temasek Holdings	9.10% 5.10%	2500 1460
Dalian City Commercial Bank	International Finance Corporation (IFC)	5%	
Bank of China	Royal Bank of Scotland Merrill Lynch, Li Ka-Shing Temasek Holdings UBS Asian Development Bank	10% 5% 5% 1.60% 0.24%	3100 1500 1500 500 75
Bank of Communications	HSBC	19.90%	1747
Shanghai Pudong Development Bank	Citigroup	4.6% (may increase to 19.9%)	67
Minsheng Bank	IFC Temasek Holdings	1.60% 4.60%	23 110
Industrial Bank	Hang Seng Bank IFC GIC Special Investments of Singapore	15.98% 4% 5%	208 52 65
Huaxia Bank	Deutsche Bank Sal Oppenheim Pangaea Capital Management <sup>4</sup>	9.90% 4.08% 6.90%	327 150
Shenzhen Development Bank	Newbridge Capital GE Capital	17.98% (will drop) 7.3% (pending)	150 100
Guangdong Development Bank	Citigroup <sup>1</sup> IBM	20% 4.74%	697 165
Bank of Beijing	ING Group IFC	19.90% 5%	215 54
Bank of Shanghai	HSBC IFC	8% 7%	63 47
Nanjing City Commercial Bank	IFC <sup>2</sup> BNP Paribas	15% 19.20%	27 87
Tianjin Bohai Bank	Standard Chartered	19.99%	123
Hangzhou City Commercial Bank	Commonwealth Bank of Australia Asian Development Bank	19.99% 4.99%	78 30
Jinan City Commercial Bank	Commonwealth Bank of Australia	11%	17
Xian City Commercial Bank	IFC Bank of Nova Scotia	12.50% 12.40%	N/A N/A
Ping An Bank <sup>3</sup>	HSBC	27%	N/A
United Rural Cooperative Bank of Hangzhou	Rabobank IFC	10% 5%	31
Nanchong City Commercial Bank	Deutsche Investitions-und Entwicklungsgesellschaft (DEG) Sparkassen International Development Trust (SIDT)	10% 3.30%	4 1.5
Ningbo City Commercial Bank	Oversea-Chinese Banking Corp.	12.20%	70
China Everbright Bank	IFC	4.90%	19
Tianjin City Commercial Bank	ANZ Bank	19.90%	120
Shanghai Rural Bank	ANZ Bank	19.90%	252
CITIC Bank	Banco Bilbao Vizcaya Argentaria	5%	648
Qingdao International Bank <sup>4</sup>	Hana Bank	72.31%	25
Xiamen Commercial Bank <sup>5</sup>	Fubon Financial Holding	20%	62
Nan Tung Bank <sup>6</sup>	Morgan Stanley	100%	N/A
Chongqing Commercial Bank <sup>8</sup>	Dah Sung Bank	17%	89

Source: Publicly available information

<sup>1</sup> On 16 November 2006, a Citigroup-led consortium won the right to buy 85% of China's Guangdong Development Bank

<sup>2</sup> Total investment in Nanjing City Commercial Bank still remains below 25% as IFC's stake was reduced upon BNP Paribas' purchase

<sup>3</sup> Previously called Fujian Asia Bank

<sup>4</sup> Pangaea made the purchase but the China Banking Regulatory Commission declined to approve the deal in the end

<sup>5</sup> Morgan Stanley was able to acquire this bank because Nan Tung is a foreign-funded bank formerly owned by Bank of China's Macau subsidiary

<sup>6</sup> This bank is a joint venture between Hana Bank and ICBC, hence why Hana Bank has a controlling stake

<sup>7</sup> The Financial Supervisory Commission of Taiwan has held up the deal although its jurisdiction in this case is unclear as the deal is going

through a Hong Kong subsidiary of Fubon Financial

<sup>8</sup> Deal agreed in December 2006

## IFRS financial highlights

In RMB 1million	Profit and loss					
	Net interest income		Net non-interest income		Operating expenses	
	2005	2004	2005	2004	2005	2004
1 Bank of China	101,008	88,435	9,247	8,557	59,984	54,879
2 ICBC	153,603	134,728	10,546	8,208	81,585	62,639
3 China Construction Bank	116,551	101,488	8,455	6,471	73,350	62,777
4 Bank of Communications	31,591	25,192	2,109	1,675	18,012	16,992
5 CITIC	12,660	10,383	418	318	13,655	11,146
6 China Merchants Bank	16,642	14,292	1,567	889	9,115	7,432
7 China Minsheng Bank	12,536	9,113	377	157	7,156	5,230

In RMB 1million	Size and strength measures			
	Total assets		Gross advances to customers	
	2005	2004	2005	2004
1 Bank of China	4,740,048	4,265,221	2,235,265	2,147,688
2 ICBC	6,456,131	5,069,324	3,289,553	3,707,748
3 China Construction Bank	4,585,742	3,909,920	2,458,398	2,227,426
4 Bank of Communications	1,423,439	1,144,005	771,374	640,058
5 CITIC	594,602	495,445	370,260	306,879
6 China Merchants Bank	734,613	586,715	472,185	374,017
7 China Minsheng Bank	557,373	445,297	386,360	299,700

\* excluding minority interests

## Profit and loss

	Operating profit before provisions		Charge for bad and doubtful debts		Profit before tax		Net profit after tax	
	2005	2004	2005	2004	2005	2004	2005	2004
	65,122	60,934	11,486	23,812	53,811	37,263	31,558	27,065
	90,035	85,320	27,014	30,859	63,026	54,411	38,019	31,218
	70,622	60,557	15,258	9,358	55,364	51,199	47,096	49,040
	17,141	10,965	4,298	3,215	12,843	7,750	9,243	1,604
	6,551	5,695	1,098	1,634	5,453	4,061	3,084	2,428
	10,099	8,244	3,637	3,066	6,462	5,178	3,749	3,276
	5,852	4,202	1,534	1,397	4,318	2,805	2,759	2,007

## Size and strength measures

	Provisions against customer advances		Total deposits from customers		Shareholders' funds (including minority interest)	
	2005	2004	2005	2004	2005	2004
	83,153	74,769	3,699,464	3,338,448	255,519	227,907
	83,692	598,557	5,736,866	5,176,282	259,876	(508,045)
	63,085	53,864	4,006,046	3,491,121	287,677	195,551
	12,601	8,446	1,220,839	1,029,941	83,146	52,103
	12,230	14,958	530,573	435,020	23,225	10,763
	13,510	10,920	634,404	512,586	25,997	21,958
	5,087	4,343	488,833	380,081	15,454*	12,717*

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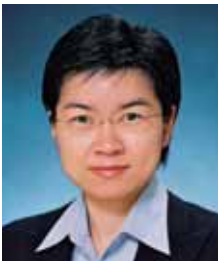
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