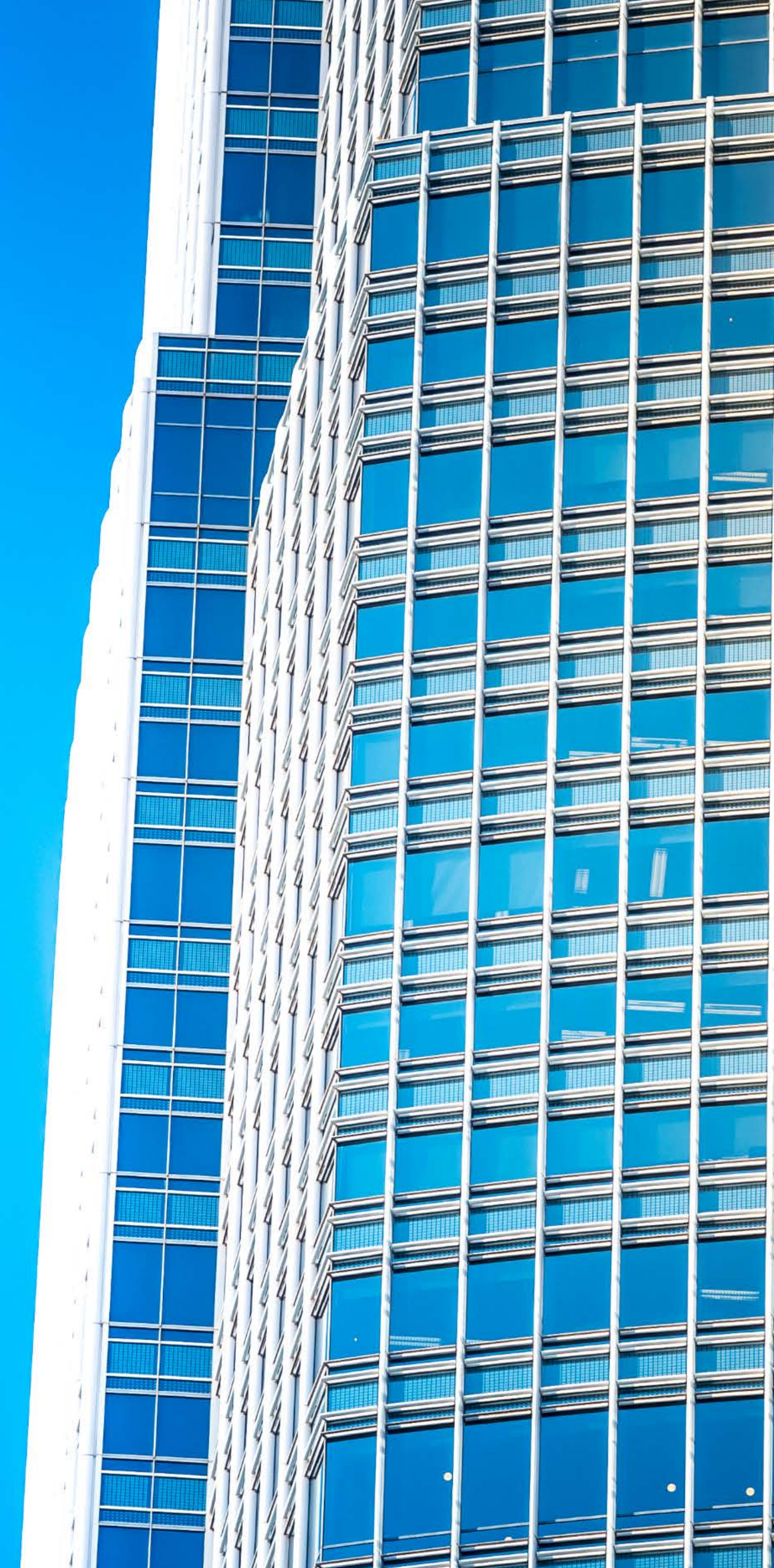
2017 Q2 China's banking sector: Performance of listed banks and hot topics

October 2017



Introduction

China's banking sector: Performance of listed banks and hot topics is a quarterly publication from KPMG China that examines the important topics and key performance indicators of China's banking industry. It provides in-depth analysis on the topical issues to help readers understand the related potential impact on – and future directions of – the industry. The report also reviews the financial performance of China's listed banks.

This issue focuses on strengthening supervision: special campaigns by the CBRC against "Three Violations, Three Arbitrages and Four improprieties", financial services and the belt and road initiative, and the potential impact of *Notice No. 56* issued by the MoF and the SAT on the banking sector.

We hope our discussion on these hot topics, as well as research on the financial position of China's listed banks for the first half of 2017, helps readers gain a better understanding of the banking industry.

For more information, please contact any of the KPMG China professionals listed in the 'Contact us' section.

Content

1 Analysis of 2017 1H financial data of listed banks

Banking sector overview

Since 2017, with the ongoing deep development of China's banking sector reform, banks have continued to make strategy adjustments and optimise their asset and liability structure in tandem with income structure. Based on figures and information from 39 listed banks' half-year reports, China's banking sector continued to support the real economy with the expansion of credit assets. At the same time, the scale of interbank assets fell and the growth of investment slowed down, affected by the stricter Macro Prudential Assessment (MPA) system and interbank risk regulations. Interest-bearing assets of the 'Big Five' state-owned banks (ICBC, CCB, ABC, BOC, BCM) rose steadily, while joint-stock banks and city commercial banks had a marked slowdown. Listed banks paid more attention on asset allocation and risk control optimisation as they are increasingly looking for a balance between capital, risk and income.

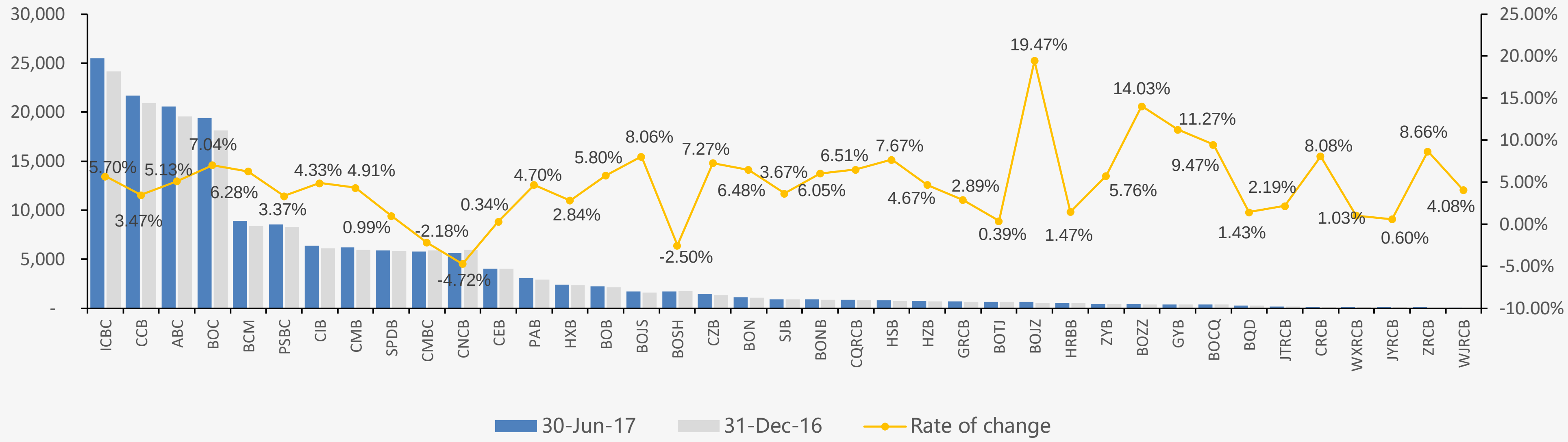
In the first half of 2017, the People's Bank of China shifted its monetary policy to sound neutral, and regulatory measures were more prudent and comprehensive. From a credit and currency perspective, credit assets had solid growth in the first half of 2017 and the aggregate financing to the real economy increased RMB 1.42 trillion from 2016 end to reach RMB 11.17 trillion by 30 June 2017. In addition, regulations became more prudent and comprehensive, especially for the off balance sheet business and interbank business. To help the banking industry develop in a healthy and stable environment, the regulations seek to boost development of the securitisation of non-performing assets and the marketisation of debt-to-equity swaps, etc. Further, the 2017 semi-annual reports of 39 listed banks show that the NPL ratio of listed banks fell marginally – by 0.01 percent – and that the quality of bank assets has remained stable.

Banks are managing their liabilities in a more active and diversified way while bonds and asset securitisation business are also continuing to grow. At the same time, the scale of deposits grew steadily, while the proportion of liabilities from banks and other financial institutions fell significantly. Listed banks continued to optimise their liability structure and pursue stable and reasonably priced funding.

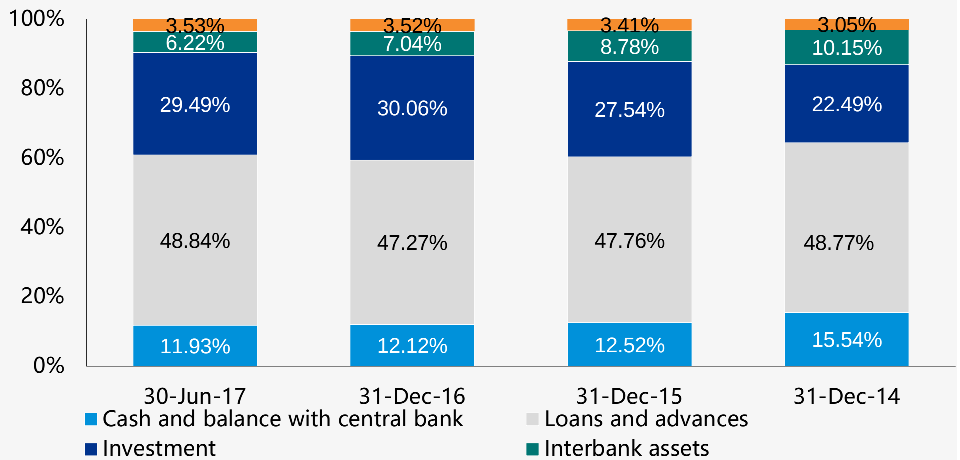
Banking assets - Size and composition

Assets size

RMB billion



Assets composition



Note: The asset composition is calculated based on 39 listed banks' reports.

In the first half of 2017, the total assets of listed banks increased 4.21 percent compared with 2016 Q4, representing a steady growth although notably slower compared with the same period of last year. The application of MPA system and the strengthening of supervision have slowed down the expansion of bank assets.

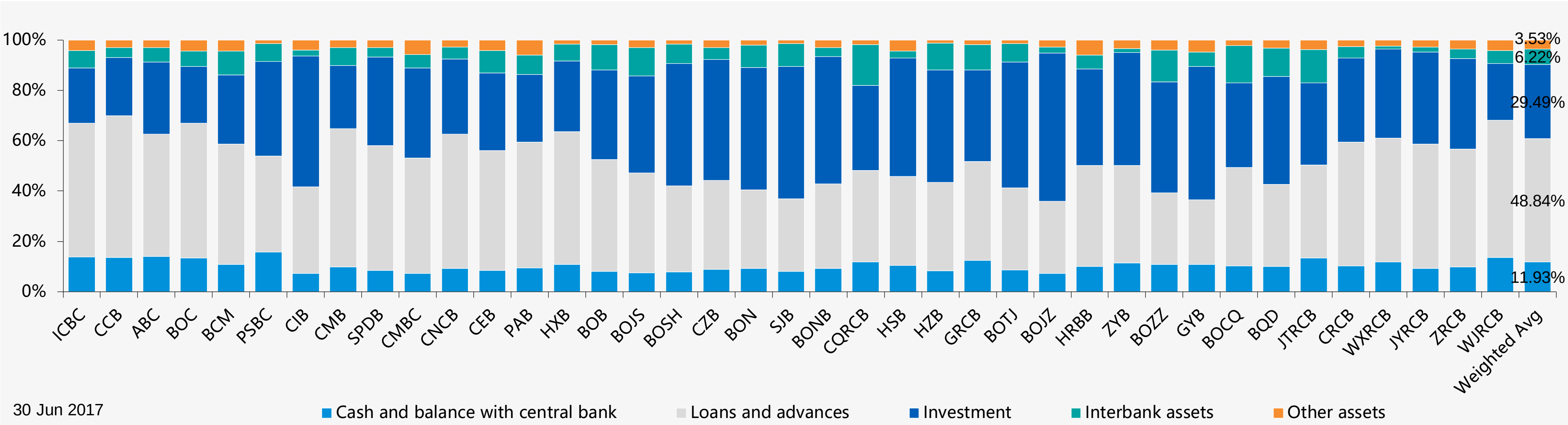
Total assets of most listed banks increased except for CMBC, CNCB and BOSH. BOJZ, for example, had the largest increase at 19.37 percent in total assets, given a more than 50 percent increase in credit assets. Meanwhile, the drop in total assets of CMBC, CNCB and BOSH was mainly attributable to the decline in interbank assets.

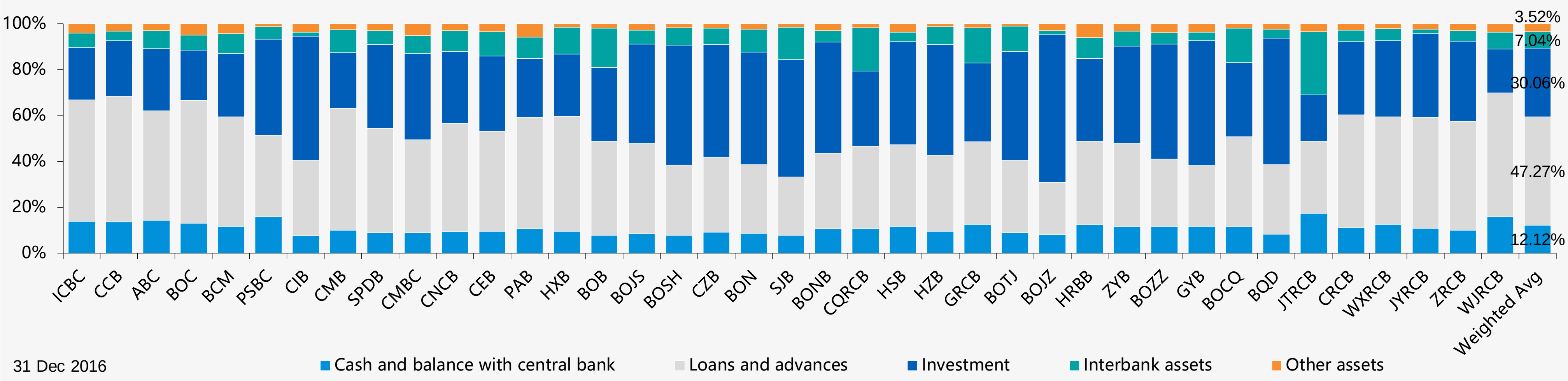
In the first half of 2017, the asset composition of listed banks experienced a slight change. The proportion of loans and advances increased, while the proportion of interbank assets decreased.

Source: The banks' 2017 half-year reports and 2016 annual reports; KPMG China research.

KPMG

Banking assets - Breakdown of listed banks





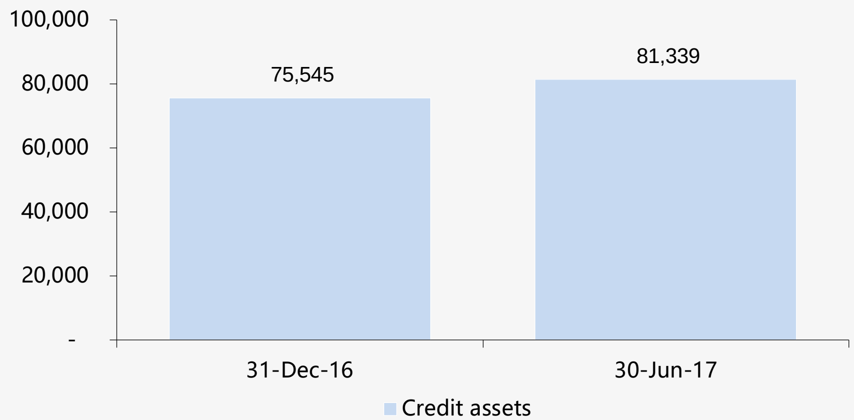
In the first half of 2017, the listed banks continued to support the development of the real economy and pay attention to credit arrangement. At the same time, they continued to optimise their credit structure and strengthen risk control.

The average proportion of loans and advances of 32 listed banks increased. CNCB enjoyed the biggest growth at 6.06 percent.

Source: The banks' 2017 half-year reports and 2016 annual reports; KPMG China research.

Banking assets - Credit assets

Size of credit assets of listed banks



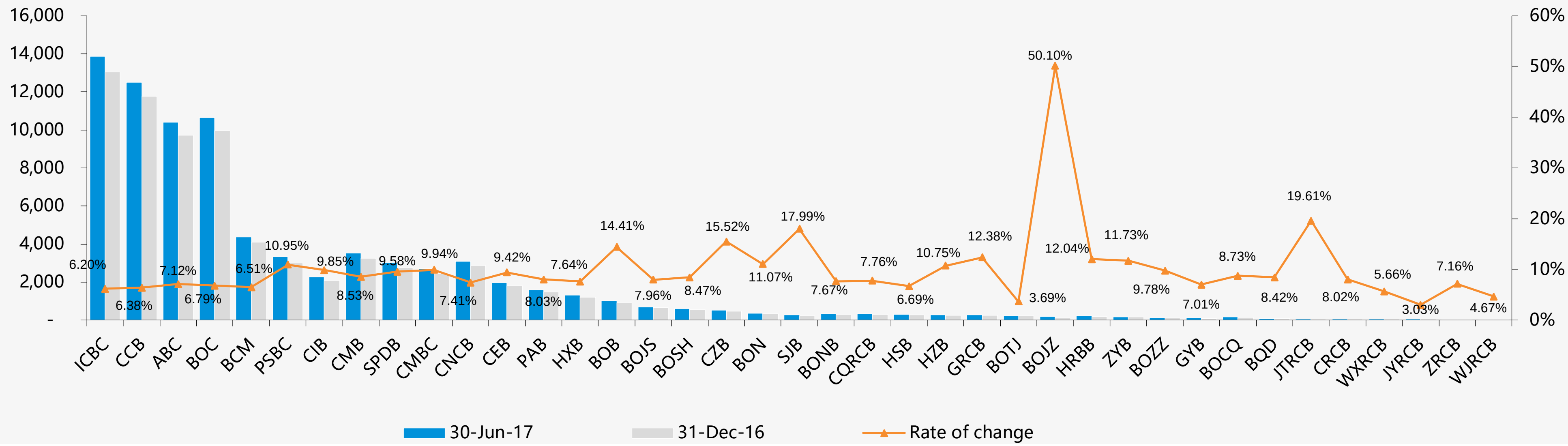
The total credit assets of 39 listed banks stood at RMB 81.34 trillion as at 30 June 2017, which was a 7.67 percent increase over the prior half year.

The 2017 1H Financial Statistics from the PBOC indicated that the scale of RMB and foreign currency loans have increased steadily in 2017. The growth of household sector loans was picking up in conjunction with the financial needs of the real economy.

On the back of this, 39 listed banks are enlarging the scale of their loan business, while concurrently optimising their asset structure and enhancing risk control.

Eleven listed banks recorded double-digit growth in credit assets, which were city commercial banks mostly. BOJZ, for example, experienced the largest growth at 50.12 percent.

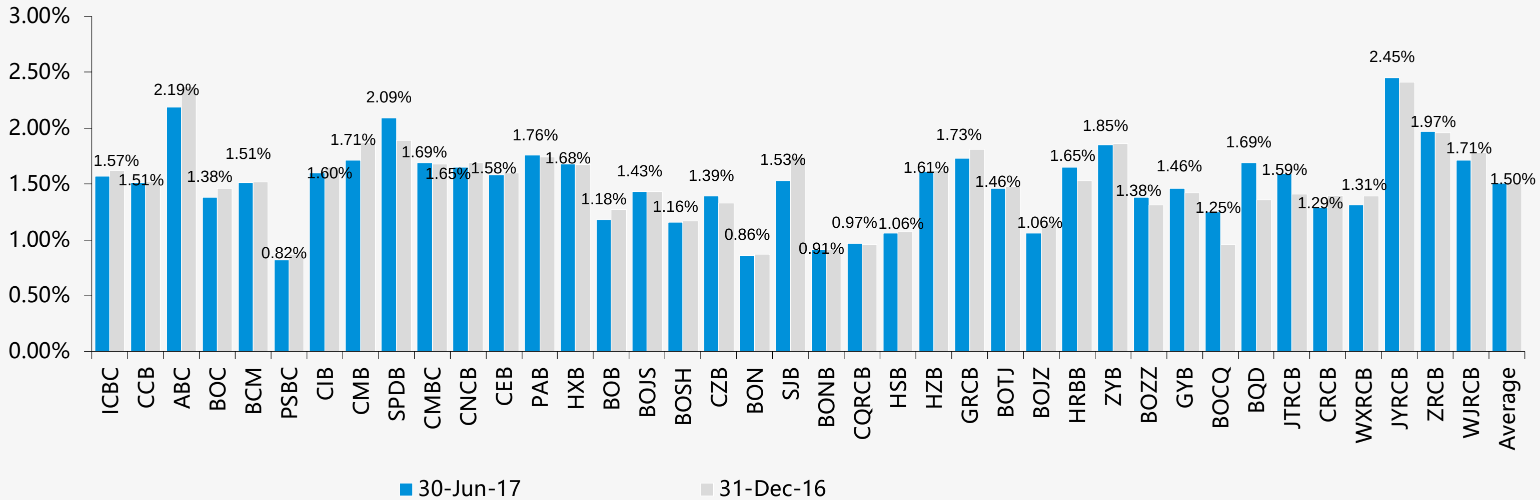
Size of credit assets of listed banks



Source: The banks' 2017 half-year reports and 2016 annual reports; 2017 1H Financial Statistics Report from PBOC; KPMG China research.

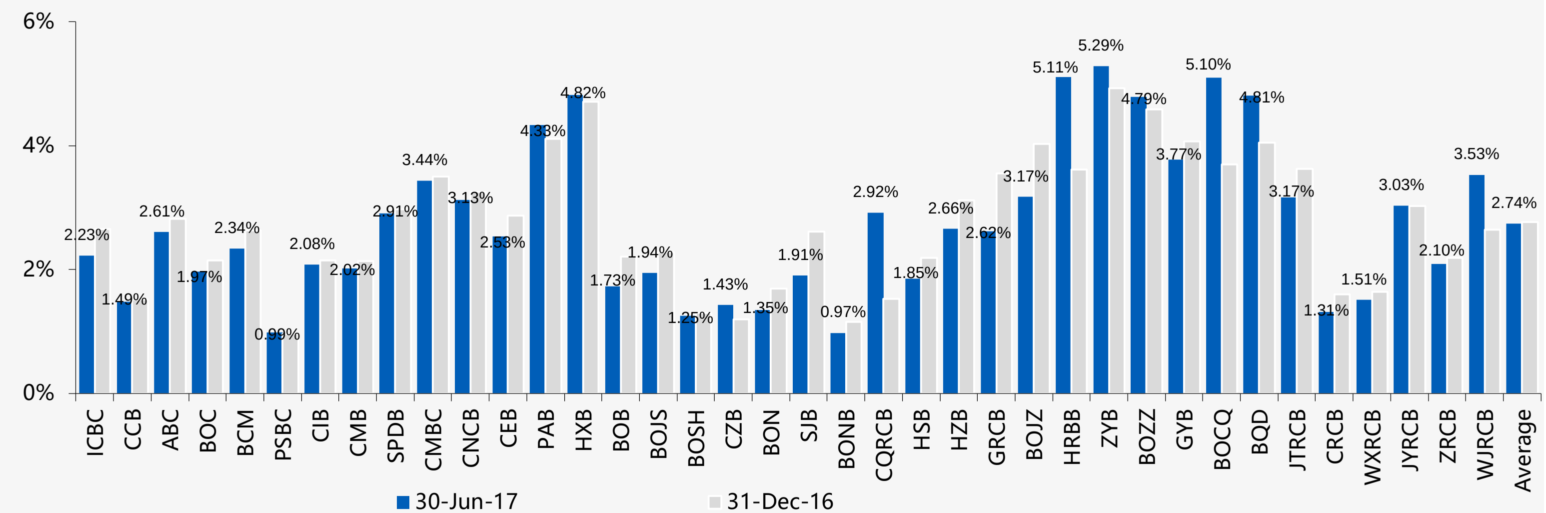
Banking assets - Credit asset quality

NPL ratio



In the first half of 2017, the average NPL ratio of listed banks was 1.50 percent, a decline of 1 bps. The NPL ratio of 23 listed banks fell while that of 14 listed banks increased marginally, and the remaining two kept flat. PSBC recorded the lowest NPL ratio among its peers, coming in at 0.82 percent.

Overdue ratio



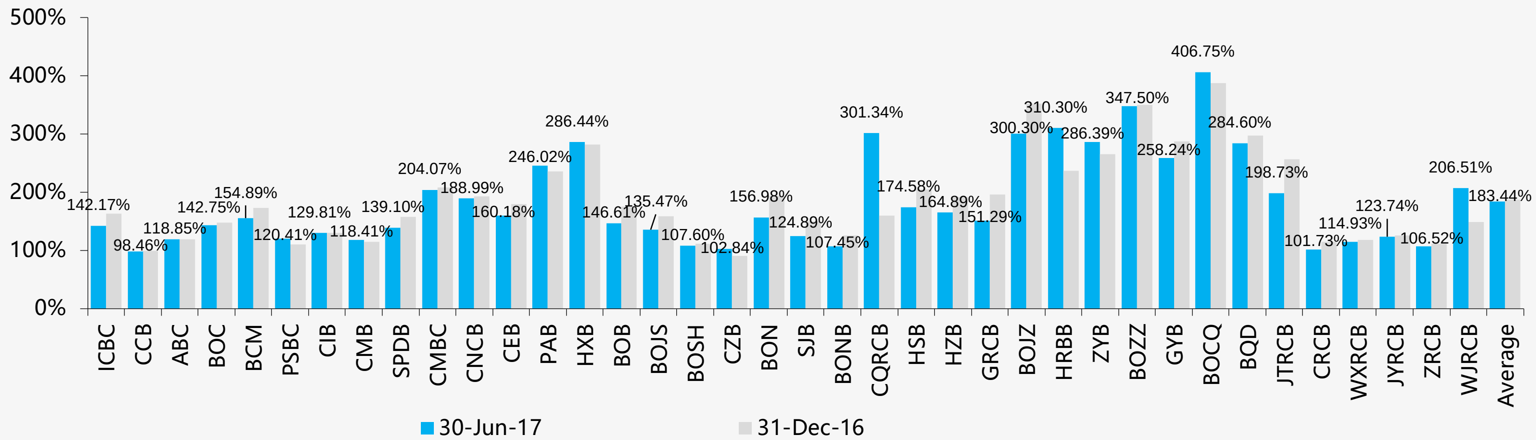
In the first half of 2017, the average overdue ratio was 2.74 percent, a decline of 2 bps. The overdue ratio of 26 listed banks fell. GZRCB had the largest decline at 93 bps.

Note: BOTJ did not disclose the relevant data.

Source: The banks' 2017 half-year reports and 2016 annual reports; KPMG China research.

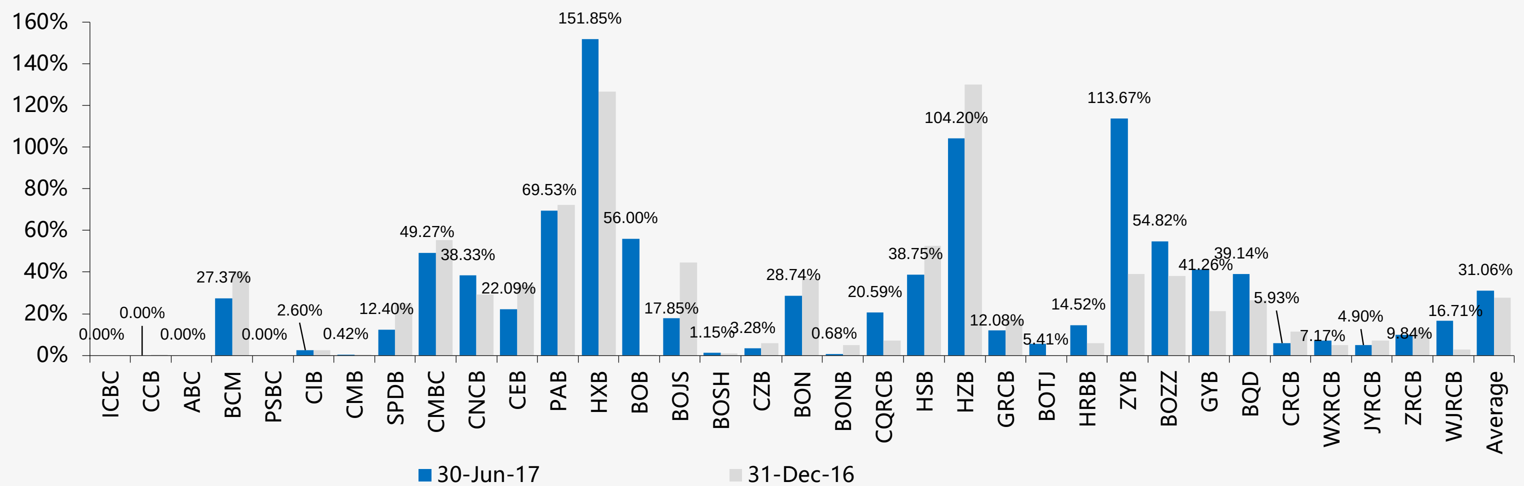
Banking assets - Credit asset quality (continued)

Overdue to NPL ratio



Note: BOTJ did not disclose the relevant data.

Overdue beyond 90 days (non-NPL) to NPL ratio



Note: BOC, SJB, BOJZ, BOCQ and JTRCB did not disclose the relevant data.

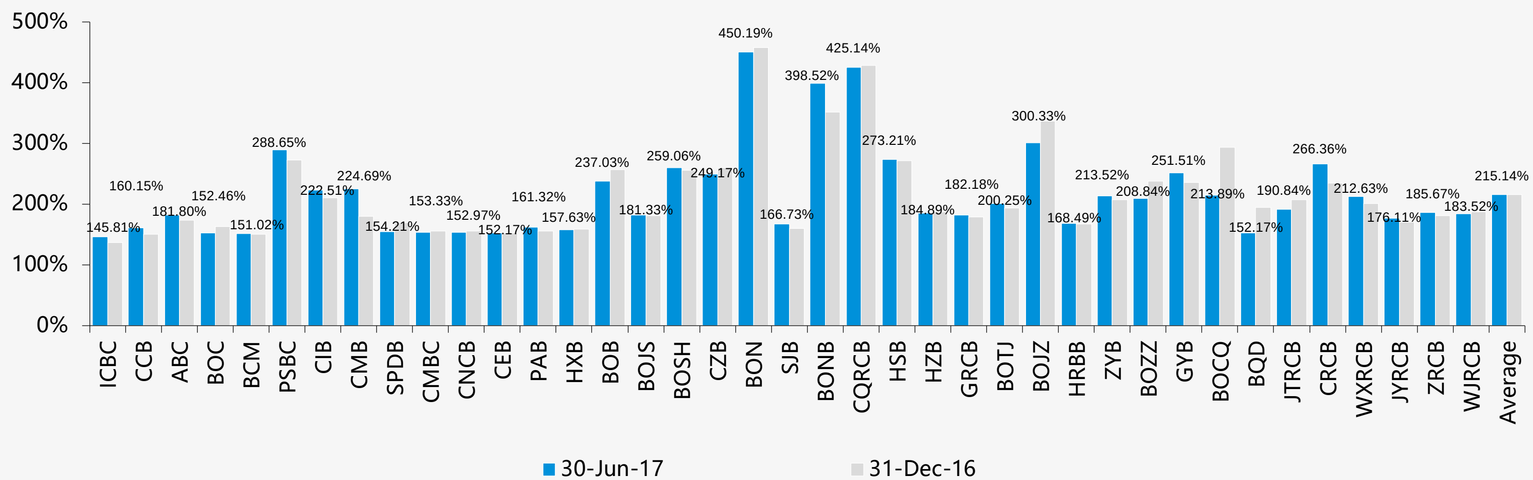
With the same trend of overdue ratio, the average overdue to NPL ratio fell 389 bps in the first half of 2017. Of the 39 listed banks, the overdue to NPL ratio of 27 banks fell. JTRCB recorded the biggest decline at 5,747 bps.

In the first half of 2017, the average overdue beyond 90 days (non-NPL) to NPL ratio increased 179 bps to 27.71 percent. Of the 34 listed banks that disclosed this ratio, ICBC, CCB, ABC and PSBC had no overdue beyond 90 days (non-NPL) exposure and 15 other banks showed a decrease.

Source: The banks’ 2017 half-year reports and 2016 annual reports; KPMG China research

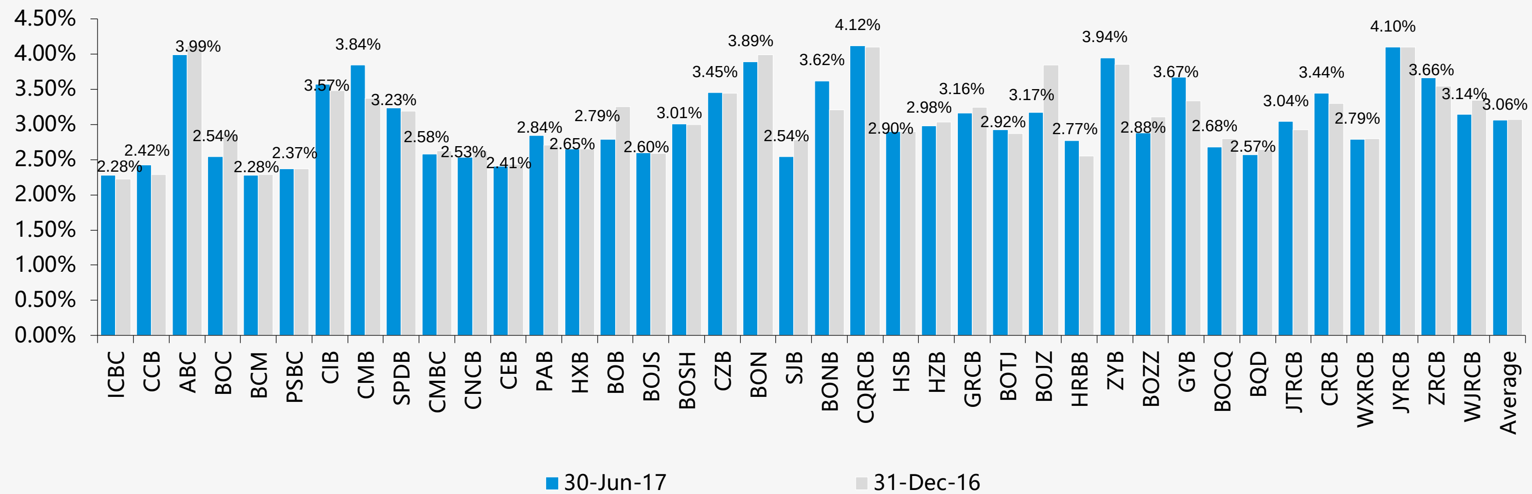
Banking assets - Credit asset quality (continued)

Allowance to NPL ratio



In the first half of 2017, the average allowance to NPL ratio of the listed banks was 215.14 percent, which was roughly the same as 2016 (215.64 percent). Of these, BONJ recorded the highest allowance to NPL ratio at 450.19 percent. The overall allowance to NPL ratio of listed banks was adequate.

Allowance to total loan ratio

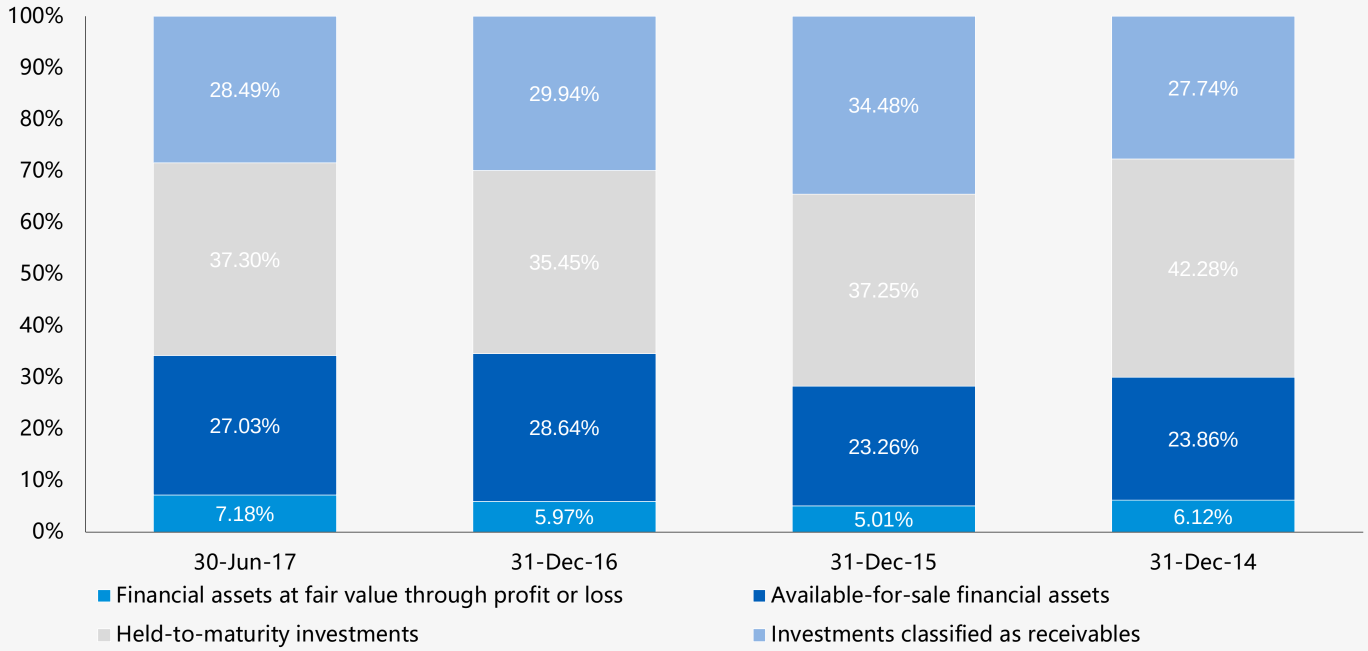


The average allowance to total loan ratio in the first half of 2017 remained stable, down slightly from 3.07 percent in 2016 to 3.06 percent. Of all the listed banks, CQRCB took place ahead of ABC and recorded the biggest allowance to total loan ratio of 4.12 percent.

Source: The banks' 2017 half-year reports and 2016 annual reports; KPMG China research.

Banking assets – Investment breakdown

Investment breakdown



Note: The investment composition was calculated based on 39 listed banks' reports.

Affected by stricter interbank business supervision, the scale of investment of listed banks fell marginally – by 57 bps – in the first half of 2017.

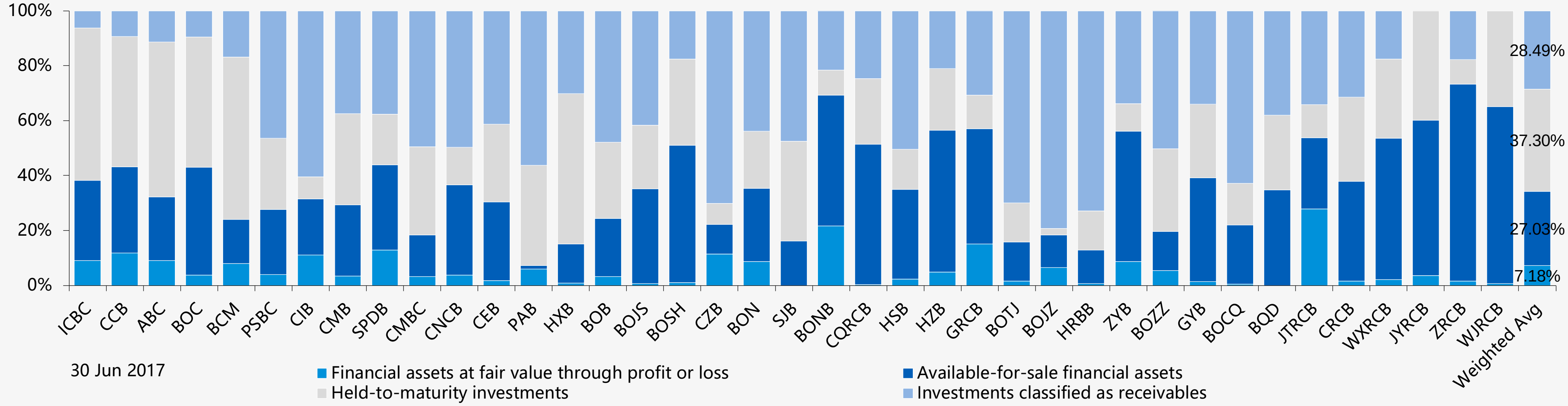
Overall investment breakdown as at 30 June 2017

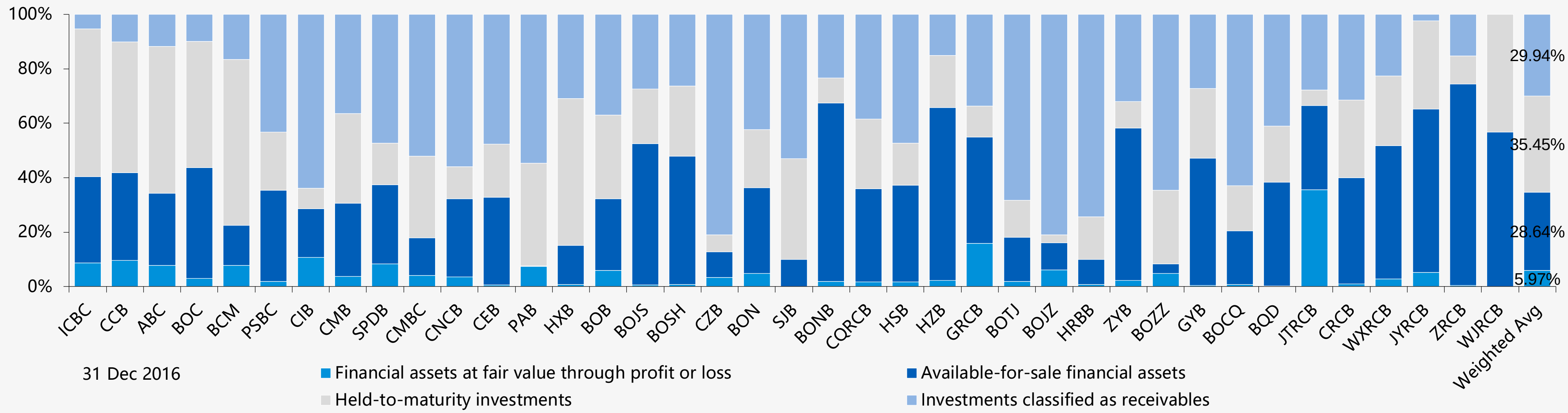
Financial assets at fair value through profit or loss accounted for 7.18 percent, up 121 bps from year end 2016;
Available-for-sale financial assets accounted for 27.03 percent, down 161 bps;
Held-to-maturity investment accounted for 37.30 percent, up 185 bps;
Investment classified as receivables accounted for 28.49 percent, down 145 bps.

Source: The banks' 2017 half-year reports and 2016 annual reports; KPMG China research

Banking assets - Investment breakdown (continued)

Investment breakdown



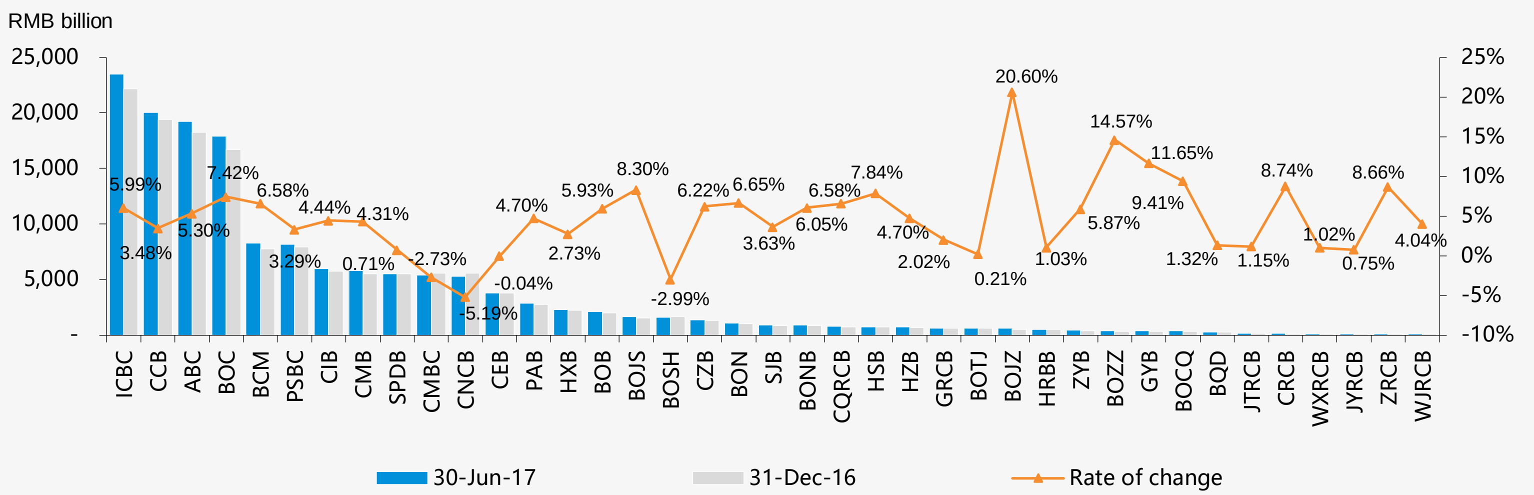


At the end of June 2017, the 'Big five' state-owned banks held a higher percentage of held-to-maturity investments, while other commercial banks held a higher percentage of available-for-sale financial assets and investments classified as receivables.

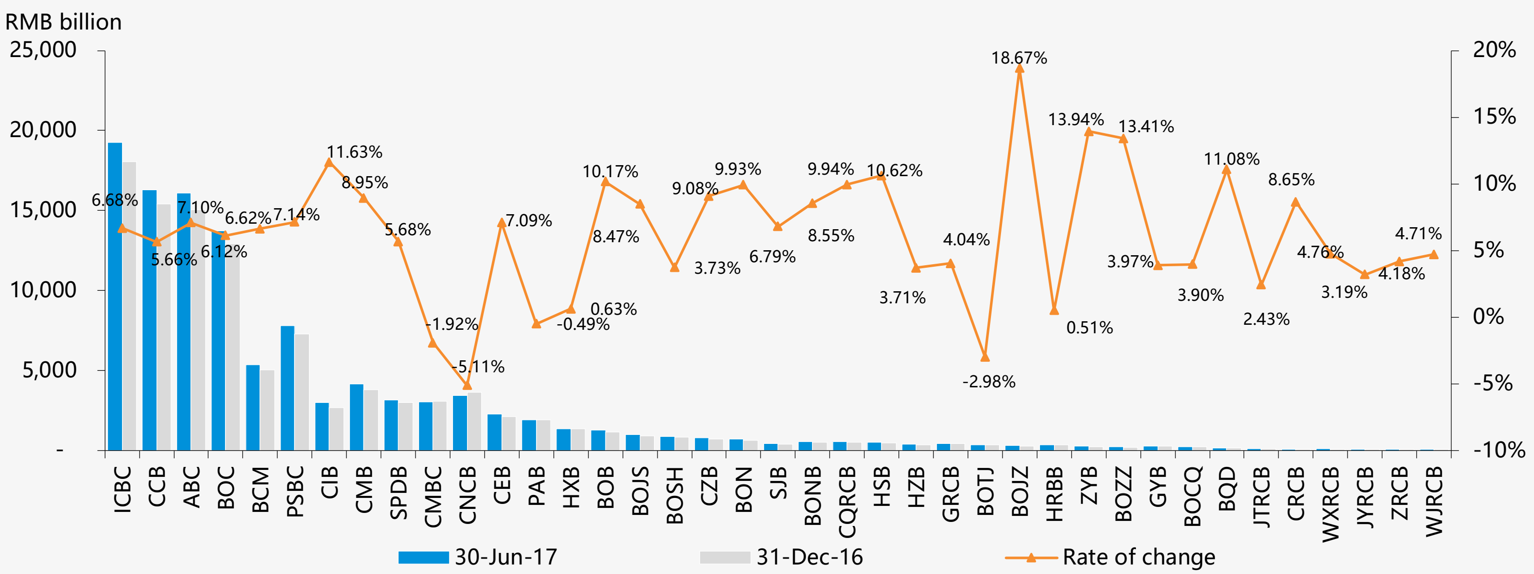
Source: The banks' 2017 half-year reports and 2016 annual reports; KPMG China research.

Total liabilities

Total liabilities



Total deposits



Total liabilities of listed banks increased by 4.23 percent in the first half of 2017, similar to the growth of total assets and recorded RMB 150.65 trillion.

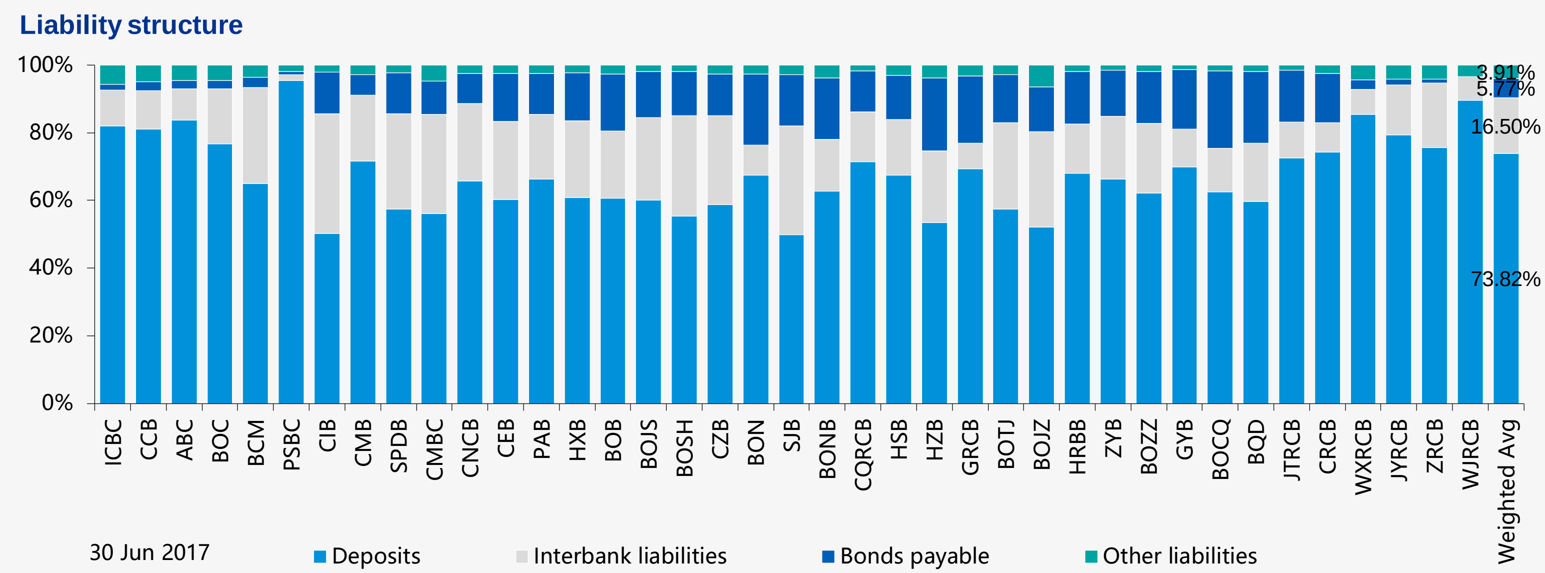
Growth in liabilities was mainly driven by an increase in total deposits and interbank deposits issuance.

At the end of the first half of 2017, deposits remained the most important component of listed banks' liabilities, accounting for 73.82 percent. The total deposits of listed banks increased by 120 bps from 2016 Q4 and recorded RMB 111.21 trillion.

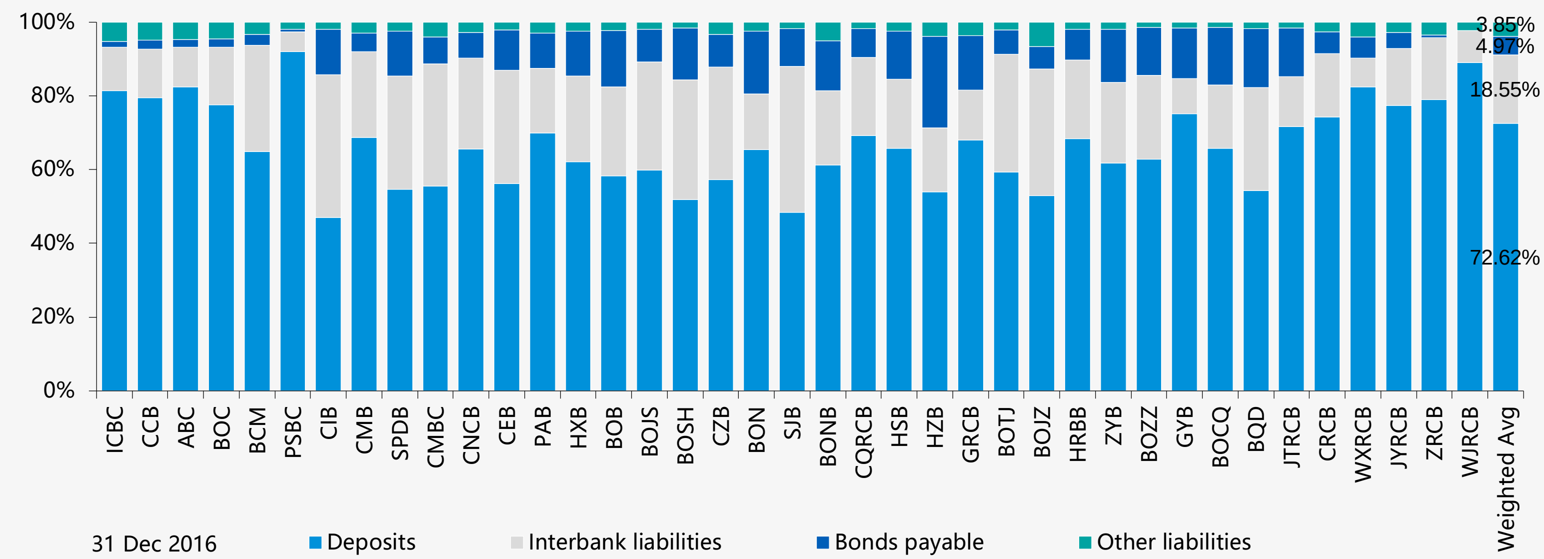
Of the 39 listed banks, the scale of total deposits of 35 listed banks increased and seven recorded double-digit growth.

Source: The banks' 2017 half-year reports and 2016 annual reports; KPMG China research.

Liabilities - Breakdown of listed banks



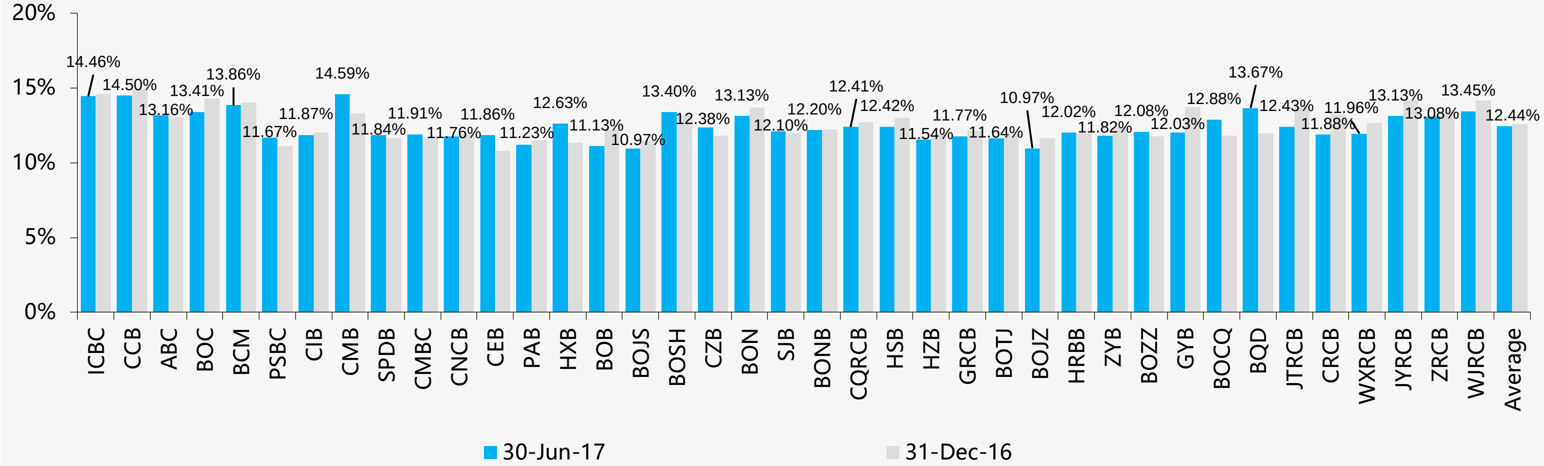
At the end of the first half of 2017, deposits took up more than 50 percent of all listed banks' liabilities with the exception of SJB. Deposits in the state-owned banks and rural commercial banks made up a higher proportion of their liabilities while joint-stock banks and city commercial banks held a higher proportion of interbank liabilities.



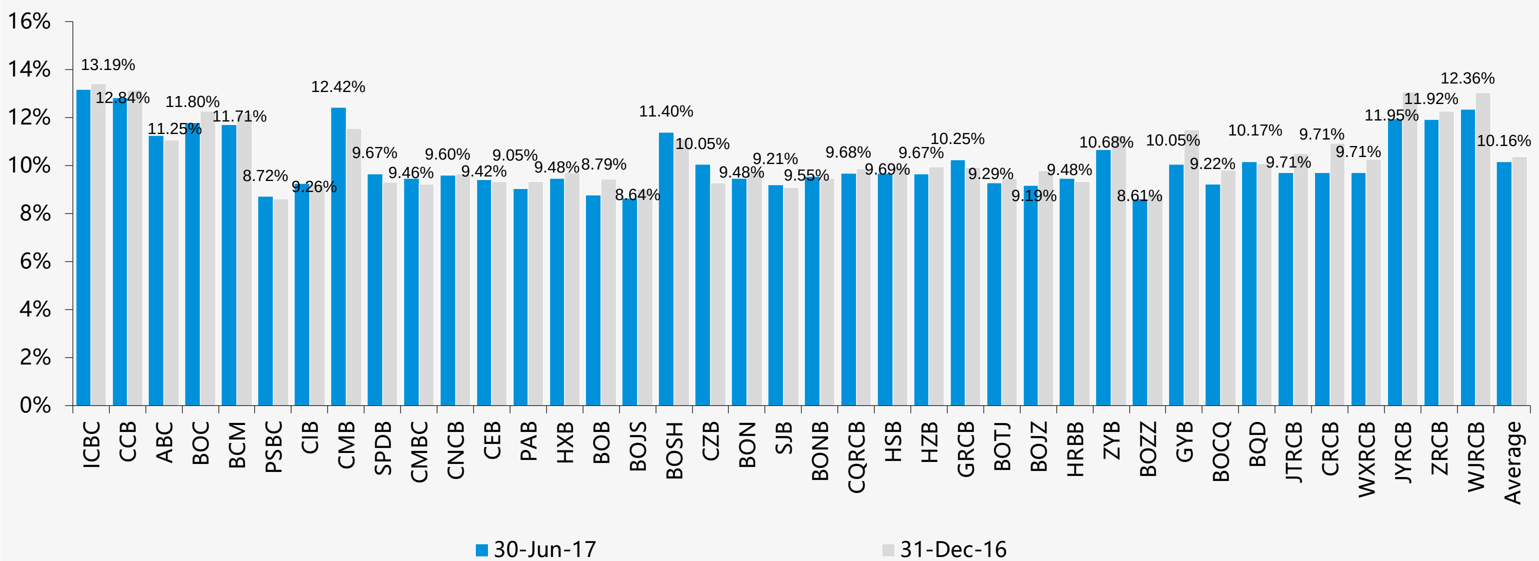
Generally no big changes cropped up in the liability structures of listed banks in the first half of 2017 compared with 2016 Q4. There was, however, intensive competition for funding on the back of interest rate liberalisation and the emergence of various Fintech startups. In response, listed banks have continued to optimise their liability structures, increase efforts to boost deposits, and expand their fund-raising channels.

Source: The banks' 2017 half-year reports and 2016 annual reports; KPMG China research.

Risk management - Capital adequacy ratio and tier 1 capital adequacy ratio



At the end of the first half of 2017, the average capital adequacy ratio of listed banks was 12.44 percent, a marginal decline from 12.60 percent as at 2016 Q4. With the expansion of the banking sector, the capital pressure brought by the development of business continued to emerge. The listed banks need to replenish their capital through various means, such as private placement and preferred stock.



At the end of the first half of 2017, the average tier 1 capital adequacy ratio of listed banks was 10.16 percent, a decline of 23 bps compared with 2016 Q4.

Source: The banks' 2017 half-year reports and 2016 annual reports; KPMG China research.

Profitability - Analysis

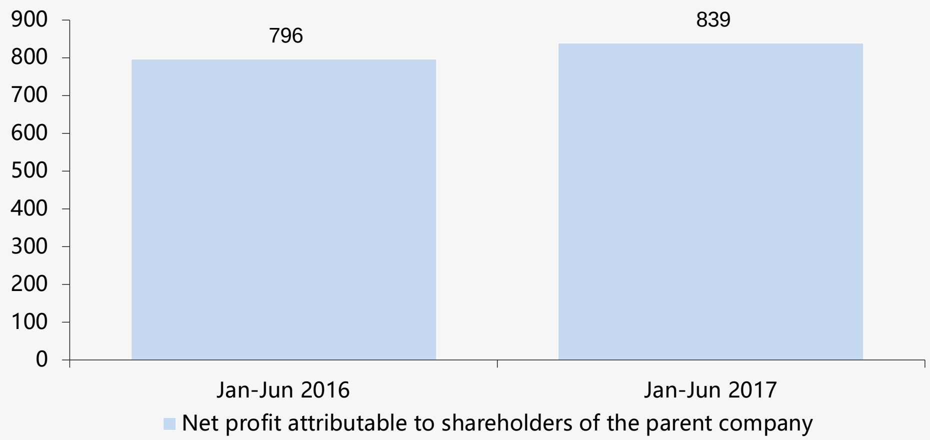
During the first half of 2017, all but three of the 39 listed banks recorded an increase in their profit attributable to shareholders of the parent company. With the interest rate liberalisation advancing continuously and the influence of interest rate and FX fluctuation in the first half of the year, the listed banks have faced considerable challenge in raising profit levels.

The operating income of listed banks in the first half of 2017 fell marginally. This was down to the price-tax-separation effect resulting from VAT reform together with the drop of investment income as a result of the volatility in the domestic bond and FX market. At the same time, the margin effect of profits increase caused by the scale growth has gradually waned. Banks continued to expand the scale of interest-bearing assets but also paid more attention to business efficiency and cost management.

In the first half of 2017, the NPL ratio of listed banks was maintained at a high level. The credit risk was still serious, but at the same time risk exposure speed gradually stabilised. Some credit quality indicators improved. Subsequently, the growth speed of provision for listed banks slowed down, which reduced the burden of continuous profits and business transformation in the complex environment.

Profitability - Net profit attributable to shareholders of the parent company

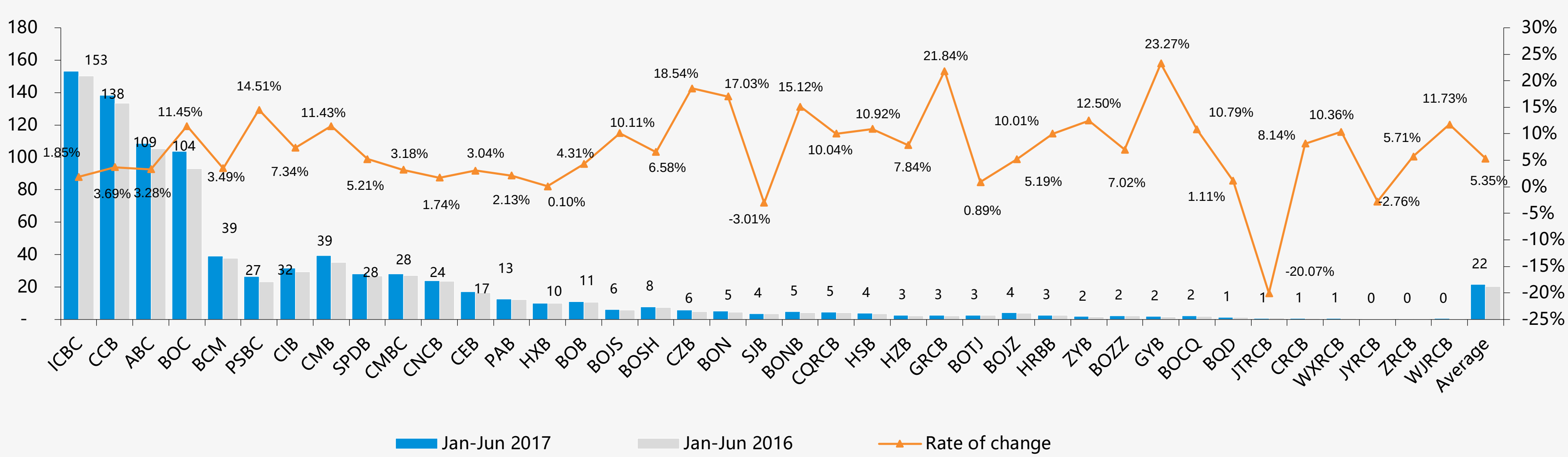
Net profit attributable to shareholders of the parent company by listed banks



In the first half of 2017, benefiting from the expansion of interest-bearing assets, net profit attributable to shareholders of the parent company of listed banks increased 5.35 percent, which was double that from the same period last year. At the same time, the growth speed of provision for listed banks slowed down and reduced the burden of continuous profits based on the stable asset quality.

Sixteen listed banks achieved double-digit growth in net profit attributable to shareholders of the parent company. GYB enjoyed the largest growth of 23.27 percent and GRCB also recorded a growth over 20 percent.

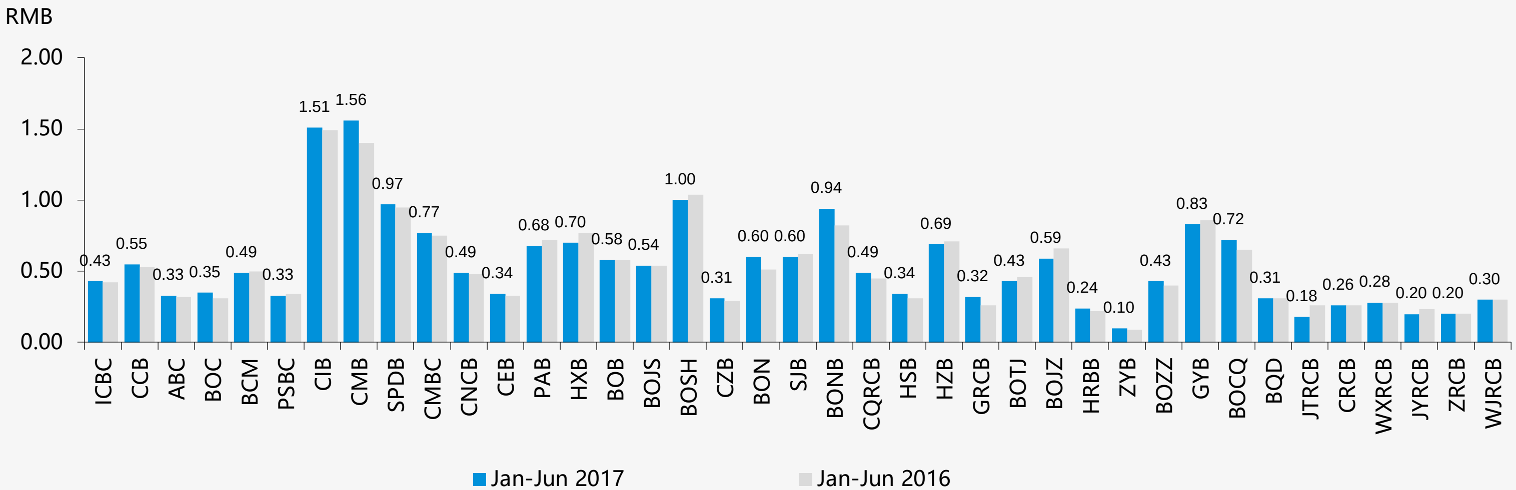
Net profit attributable to shareholders of the parent company by listed banks



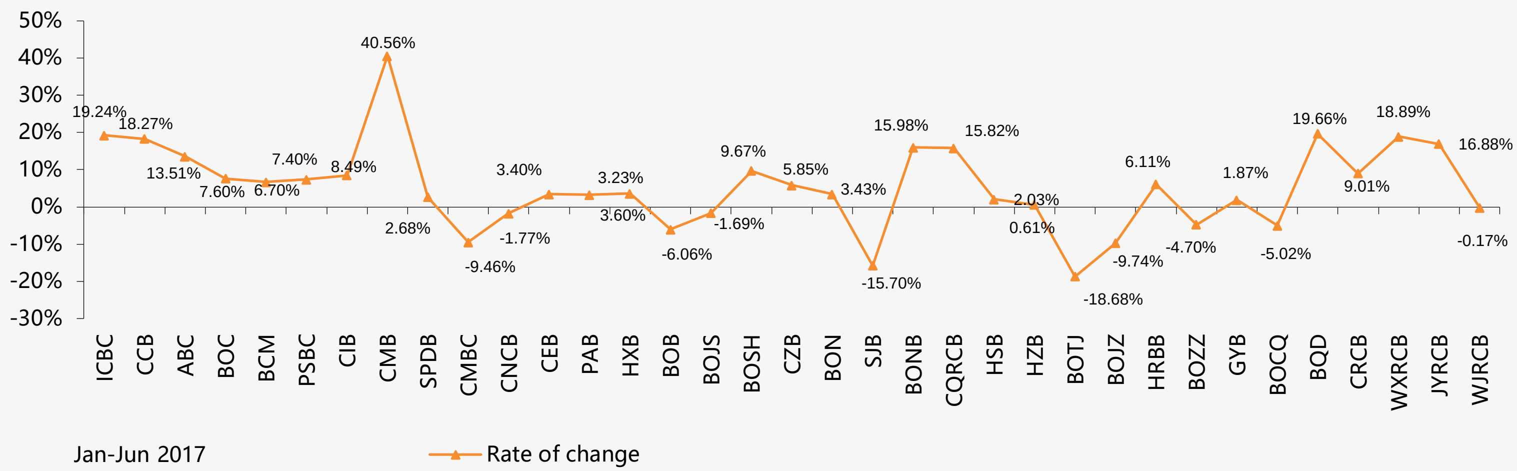
Source: The banks' 2017 half-year reports and 2016 half-year reports; KPMG China research.

Profitability - Key performance indicators

EPS



Change rate of share price



Note 1: GRCB, ZYB, JTRCB and ZRCB were not listed banks as at 31 December 2016.

Note 2: For banks listed on both the SSE and SEHK, we chose the share price in SSE.

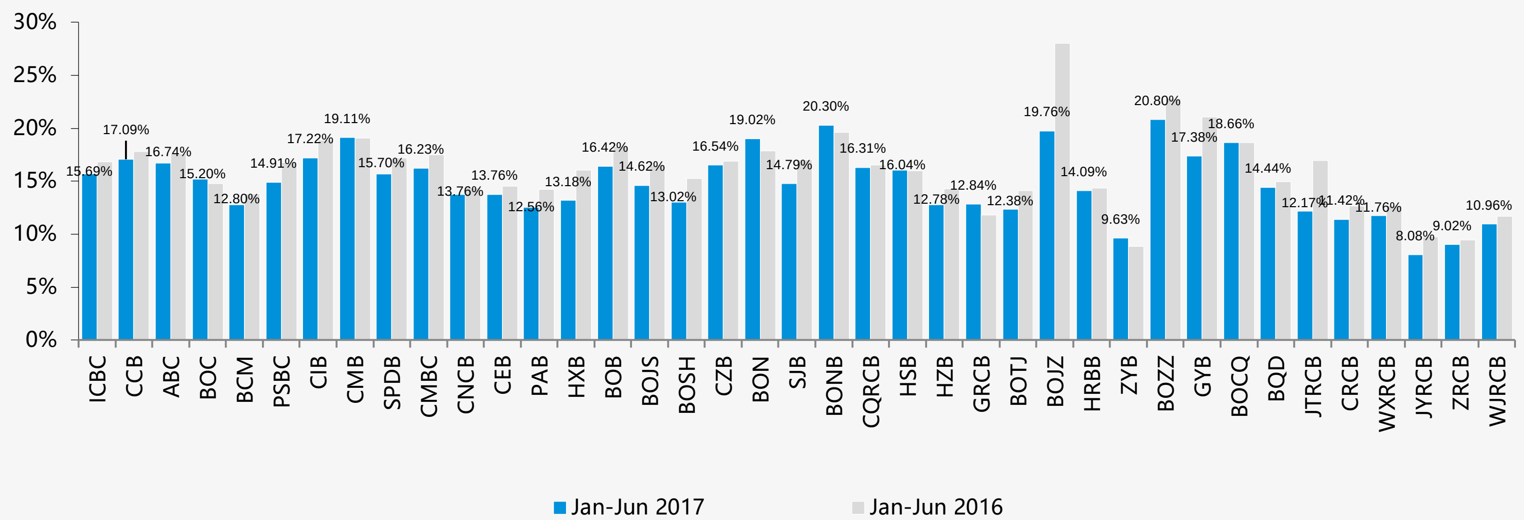
In the first half of 2017, EPS of listed banks showed an increase as a whole, which reflected the stable profitability of the banking sector. The EPS of 20 listed banks recorded an increase, seven listed banks were flat, while 12 listed banks recorded a drop. GRCB had the biggest increase at 23.08 percent.

With the ongoing deep development of financial industry reform, the performance of listed banks has steadily improved. In the first half of 2017, the share price of 25 listed banks increased among the 35 listed banks with comparable data. Share price of state-owned banks increased 13.06 percent on average. CMB was the best performer by ending the half year at RMB 23.91 per share, which was a 40.56 percent spike over 2016 Q4.

Source: The banks' 2017 half-year reports and 2016 half-year reports; KPMG China research.

Profitability - Key performance indicators (continued)

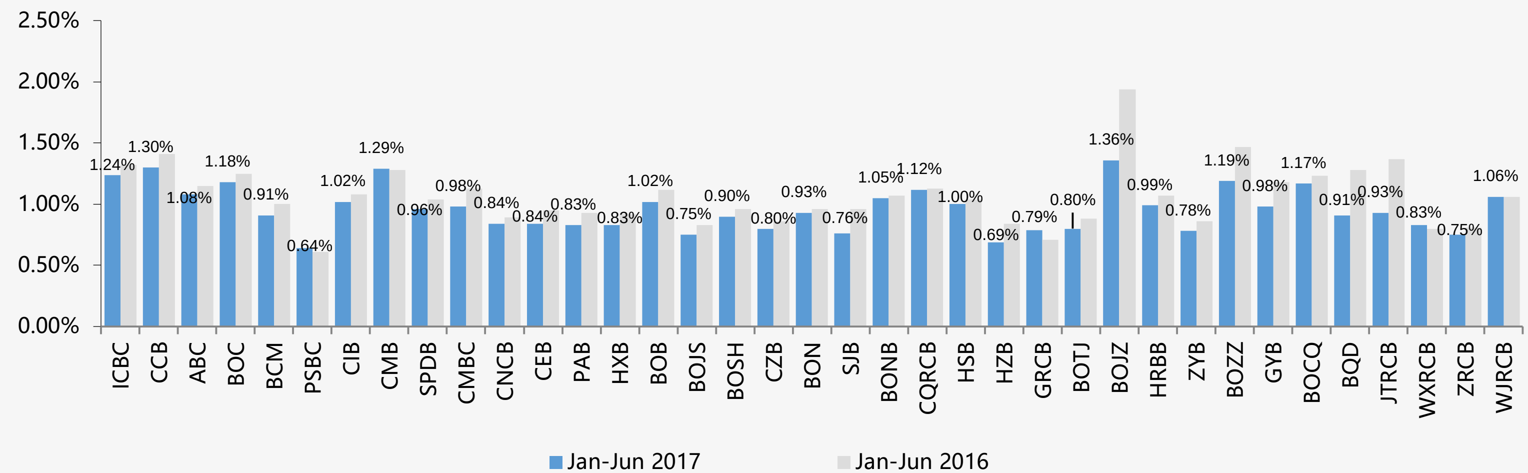
ROE



In the first half of 2017, the arithmetical average ROE of listed banks fell 125 bps to 14.80 percent, stemming from the narrowing of net interest margins and the strengthening of intermediate business supervision.

Only eight listed banks experienced an increase in annualised ROE compared with the same period last year.

ROA



Note: CRCB and JYRCB did not disclose ROA.

Similarly as with ROE, the annualised average ROA fell 11 bps in the first half of 2017.

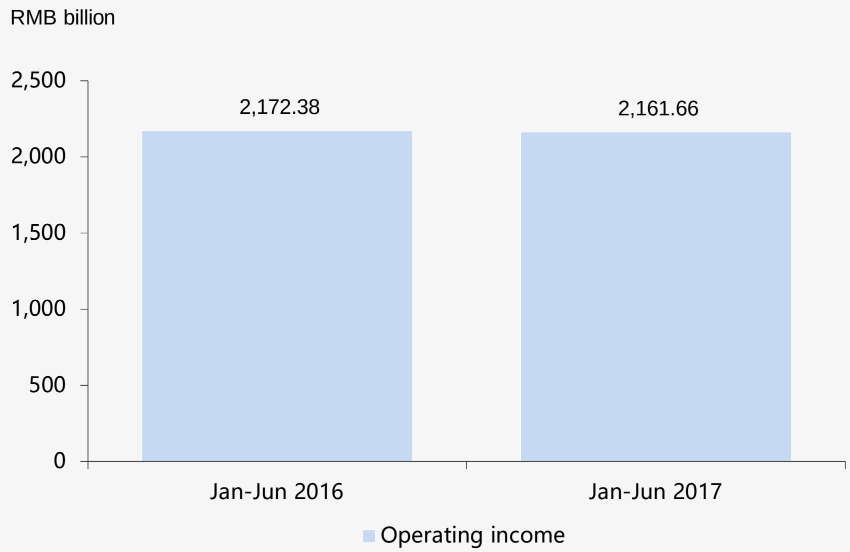
Only four listed banks had an increase compared with the same period last year.

With the continuous development of financial industry reform and interest rate liberalisation, the margin effect of profits increase caused by the scale growth has gradually declined. Banks need to explore the optimisation of assets composition and business efficiency improvement to achieve stable profit growth.

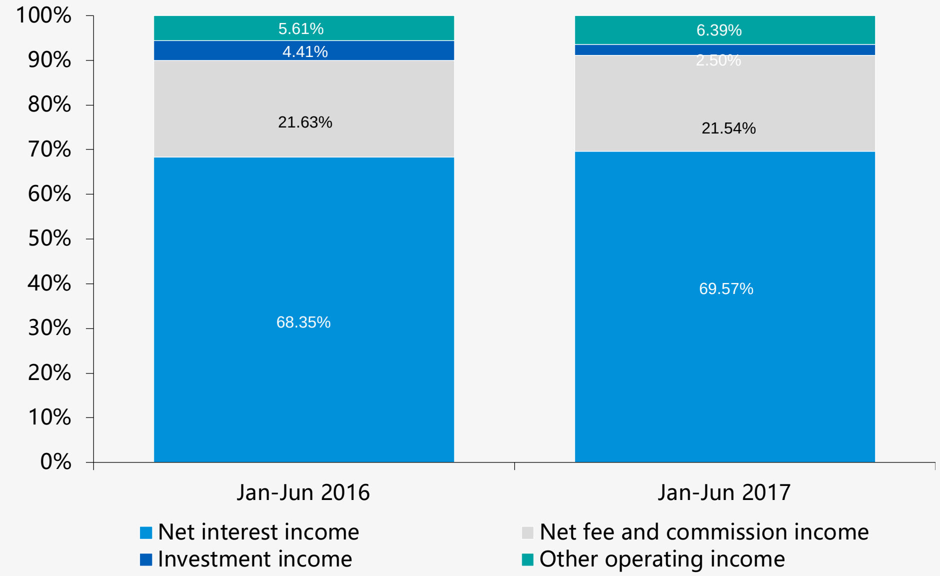
Source: The banks' 2017 half-year reports and 2016 half-year reports; KPMG China research.

Profitability – Operating income and income composition

Operating income



Operating income structure



Note: The income composition is calculated based on 39 listed banks' reports.

In the first half of 2017, the total operating income of listed banks fell 0.49 percent year-on-year. This was attributable to a 43.69 percent decline of investment income as a result of the volatility in the domestic bond and FX markets together with the decline in net interest income as well as net fee and commission income stemming from the VAT reforms.

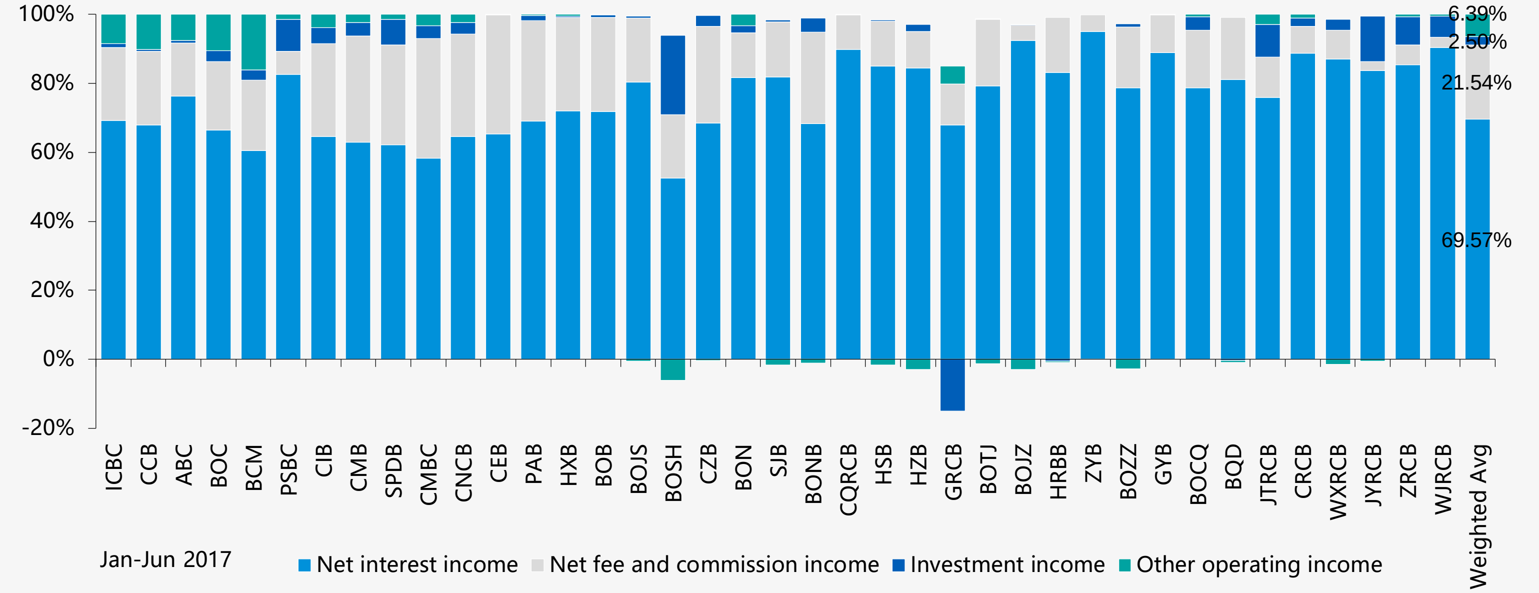
The following is a breakdown of 2017 half-year operating income:

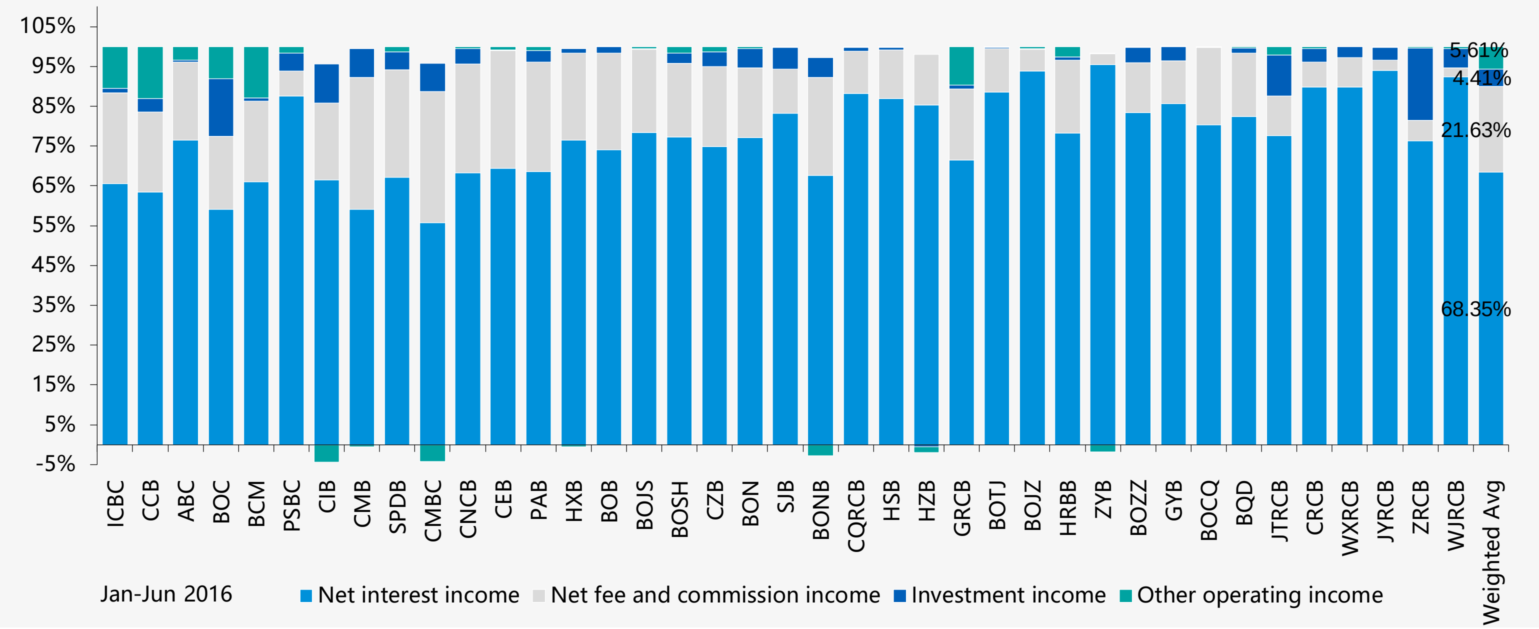
- Net interest income accounted for 69.57 percent of total operating income, a 122 bps increase year-on-year.
- Net fee and commission income accounted for 21.54 percent of total operating income, down 9 bps.
- Investment income accounted for 2.50 percent, down 191 bps.
- Other operating income accounted for 6.39 percent, up 78 bps. This section consists mainly of gains from changes in fair value, FX, and other operating income.

Source: The banks' 2017 half-year reports and 2016 half-year reports; KPMG China research.

Profitability - Operating income and income composition (continued)

Operating income structure





Source: The banks' 2017 half-year reports and 2016 half-year reports; KPMG China research.

In the first half of 2017, net interest income among listed banks accounted for 69.57 percent of operating income, while net fee and commission income and investment income accounted for 21.54 percent and 2.50 percent, respectively.

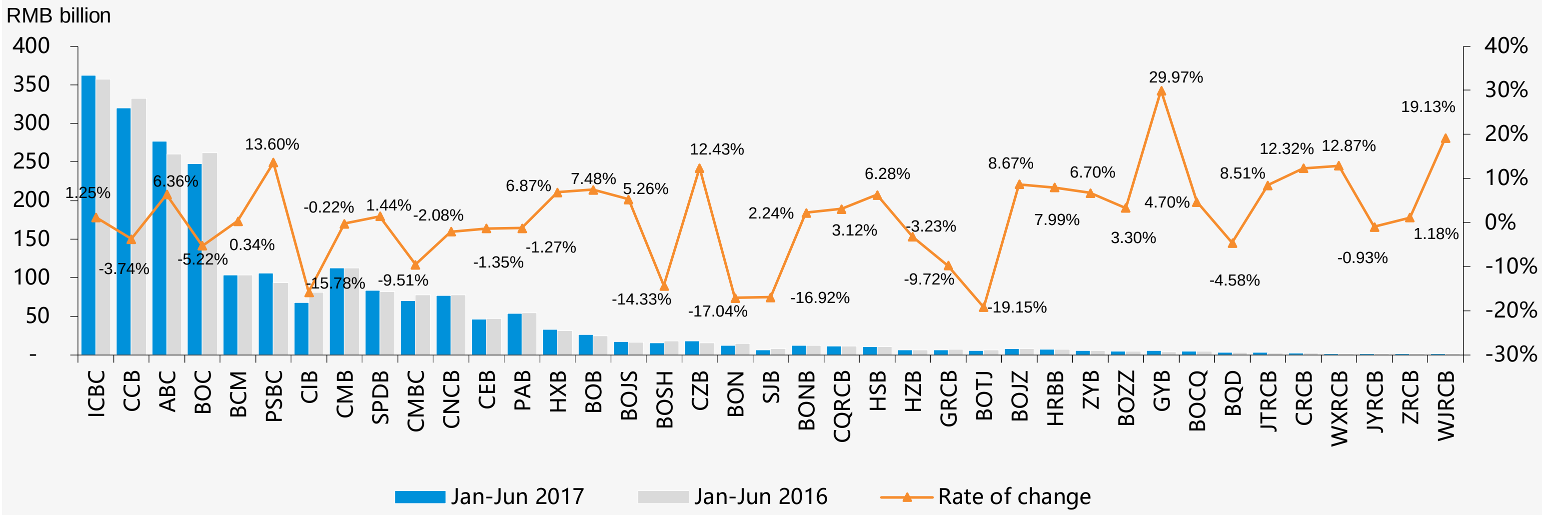
Of the 39 listed banks, net interest income remained the biggest component of operating income.

The operating income structures were more or less flat compared with the same period last year.

Listed banks focused on traditional banking service, such as deposit and loan but also sought the development of intermediate business.

Profitability - Operating income and income structure analysis

Operating income

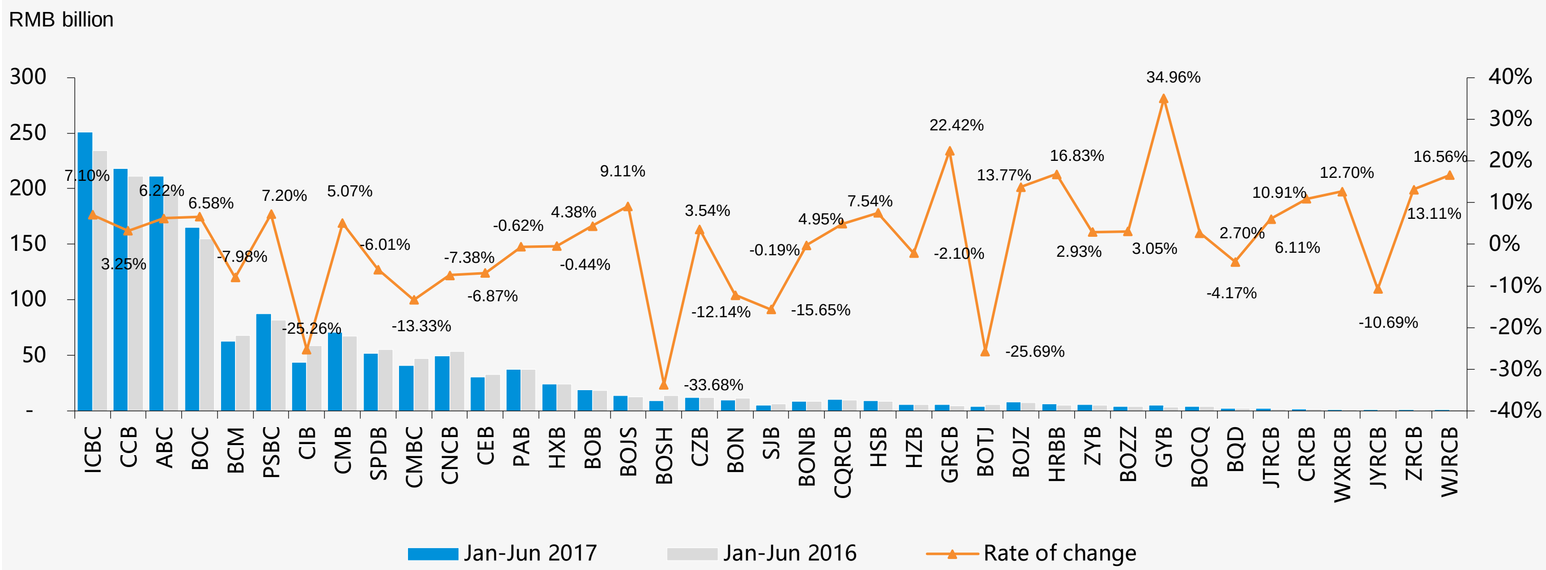


In the first half of 2017, some 23 listed banks recorded a year-on-year increase in operating income while the other 16 listed banks recorded a decline.

GYB had the biggest increase at 29.97 percent of operating income, benefiting from the fast growth in net interest income and net commission income.

Banks with reduced operating income were mainly affected by the sharp decline in investment income.

Net interest income



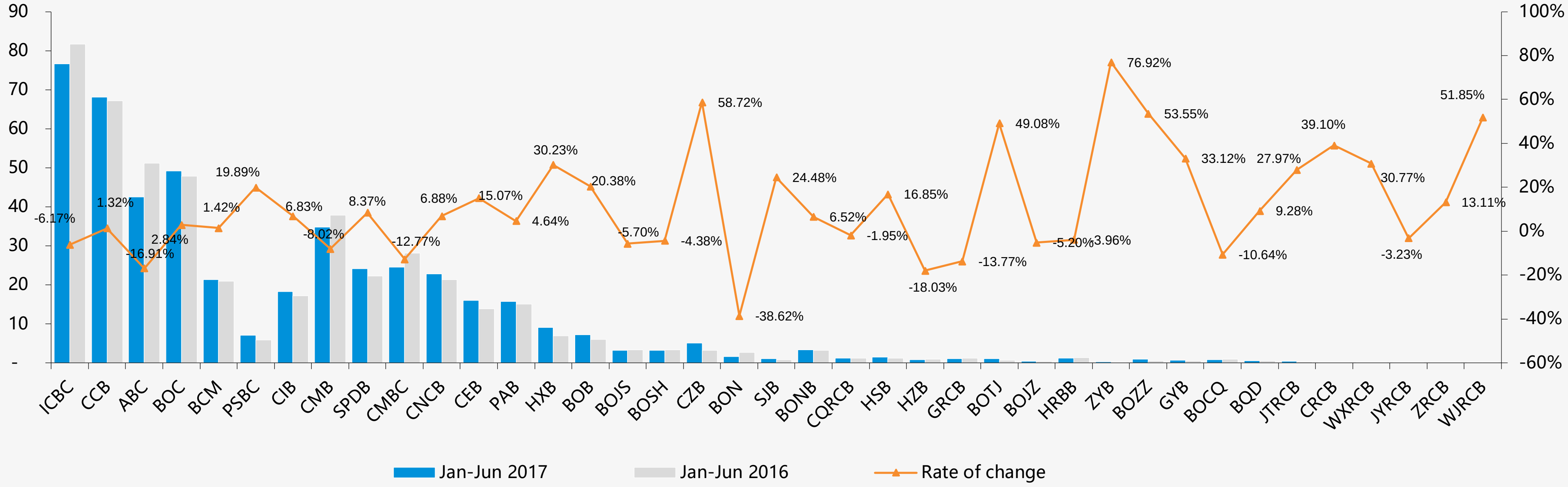
In the first half of 2017, the total net interest income of listed banks increased marginally, by 1.28 percent. The growth speed of net interest income slowed down as a result of the interest rate liberalisation and VAT price-tax-separation effect.

Similarly as with operating income, 23 listed banks recorded an increase in net interest income and the other 16 experienced a decline.

Source: The banks' 2017 half-year reports and 2016 half-year reports; KPMG China research.

Net commission income

RMB billion



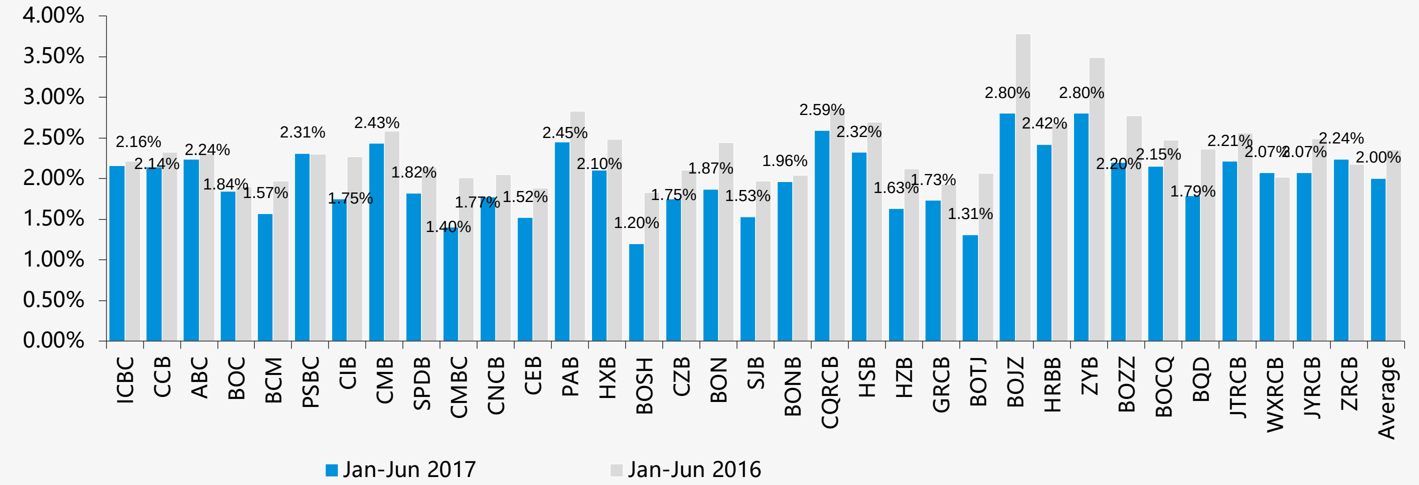
In the first half of 2017, the total scale of net commission income fell approximately 1 percent. This was the result of stricter regulatory policies and the fee rate adjustment, though the sector grew continually. Further, affected by the stricter MPA assessment and the intensive issuance of various regulatory documents, listed banks suspended their non-standard business and interbank business together with some innovative business.

Of the 39 listed banks, the net commission income of 25 listed banks increased while that of the other 14 declined.

Source: The banks' 2017 half-year reports and 2016 half-year reports; KPMG China research.

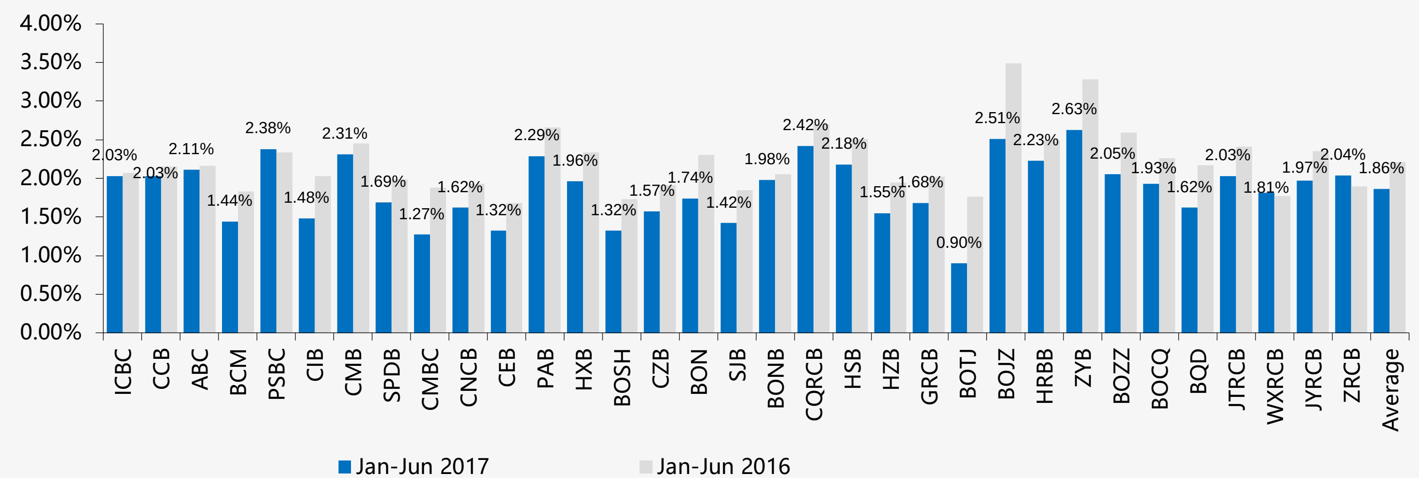
Profitability - Net interest margin and net interest spread

Net interest margin



Note: BOB, BOJS, GYB, CRCB and WJRCB did not disclose the relevant data.

Net interest spread



Note: BOC, BOB, BOJS, GYB, CRCB and WJRCB did not disclose relevant data.

In the first half of 2017, the average net interest margin of listed banks was 2.00 percent, down 36 bps over the same period in 2016. The average net interest spread was 1.86 percent, down 35 bps over the same period in 2016.

Only three listed banks had a marginal increase in net interest margin and net interest spread.

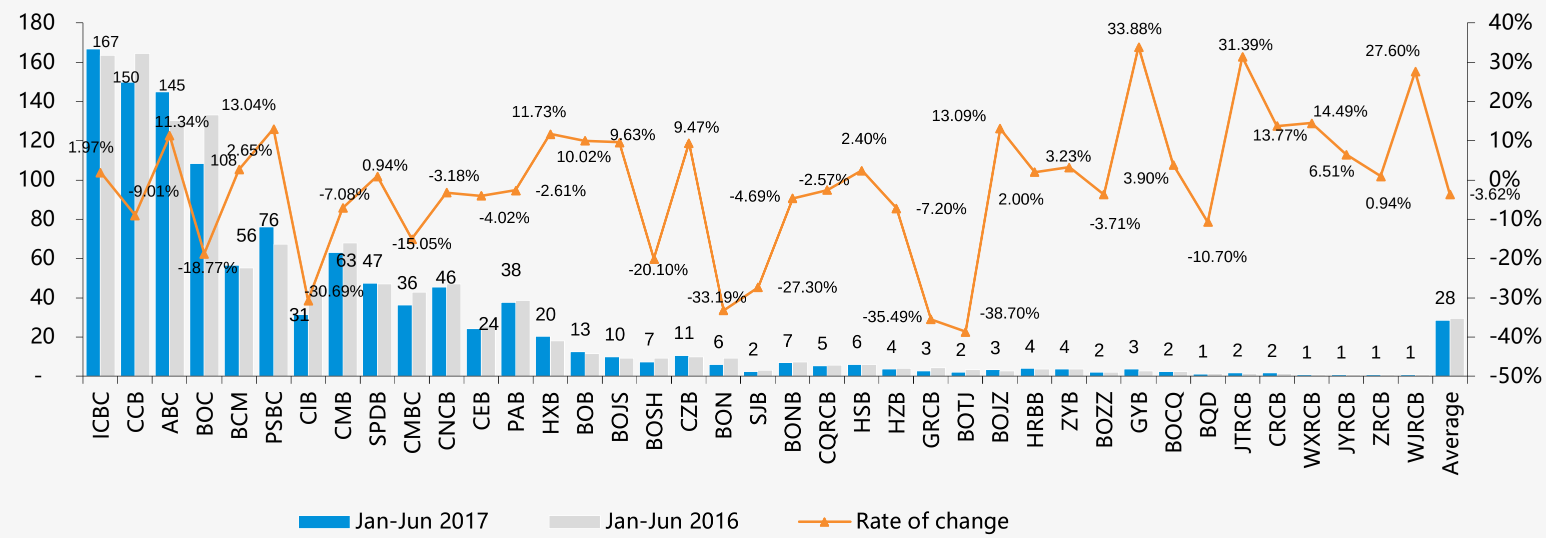
The net interest margin of listed banks narrowed, mainly attributable to: 1) the floating ratio of deposit rate increasing slightly while the return on assets was hard to raise given the interest rate liberalisation and interbank competition; and 2) the average rate of return of interest-bearing assets falling as a result of price-tax-separation effect from VAT reform since 1 May 2016.

Source: The banks' 2017 half-year reports and 2016 half-year reports; KPMG China research.

Profitability – Operating expense and cost-to-income ratio

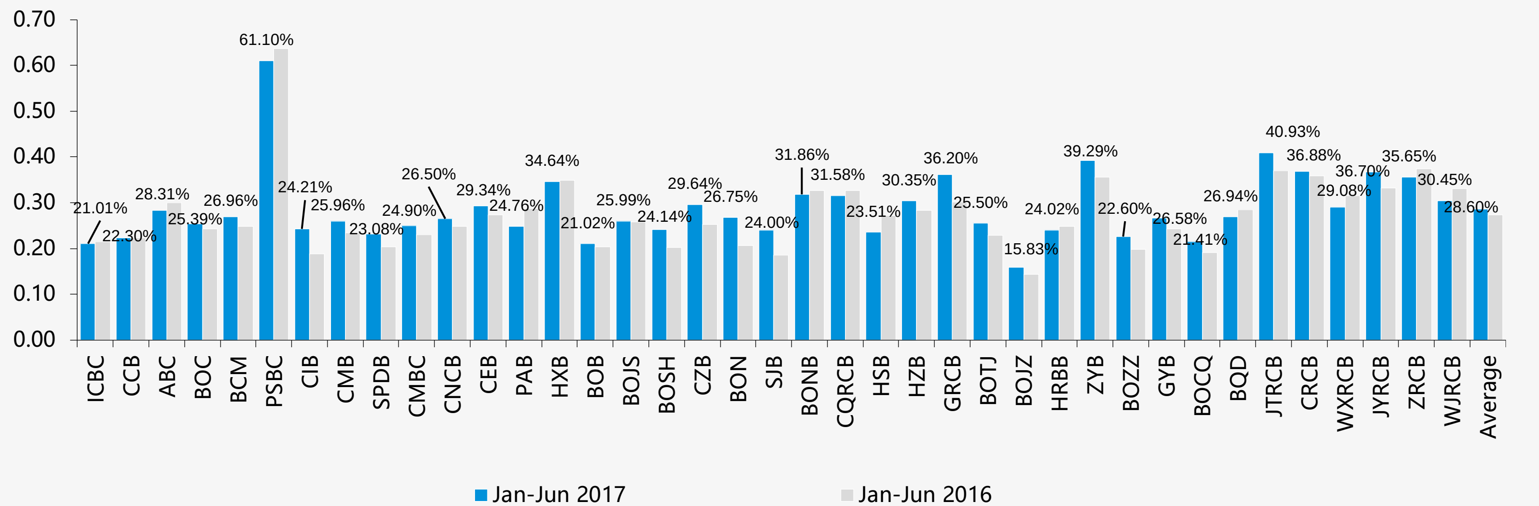
Operating expense

RMB billion



The banking industry has continued to implement cost saving and efficiency improvement in recent years. In the first half of 2017, the operating expense of 18 listed banks fell while the remaining 21 listed banks recorded double-digit increase owing to the expansion of business scale.

Cost-to-income ratio

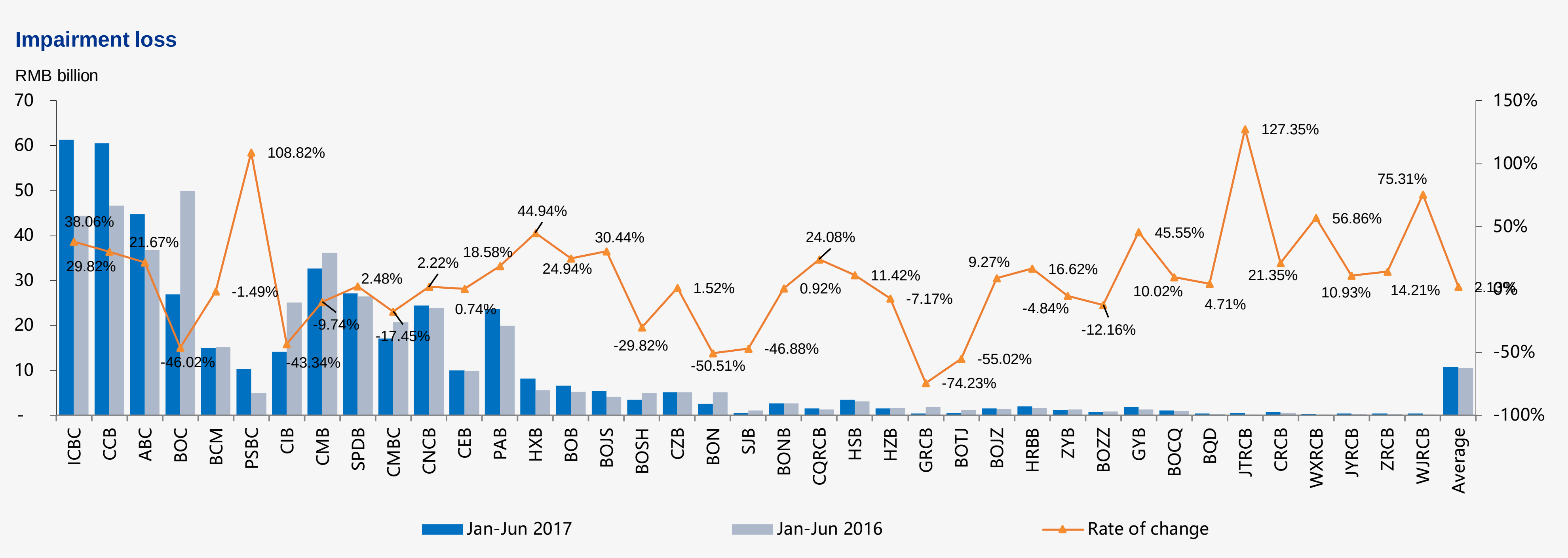


In the first half of 2017, the average cost-to-income ratio of listed banks was 28.60%, an increase of 124 bps. BOJZ recorded the lowest cost-to-income ratio of 15.83%.

Given the increasingly stricter external regulations and the marketisation of the financial industry, banks need to remain competitive and compliant via ongoing product and service innovation, improve business efficiency, and sustain a low cost-to-income ratio to maintain good profitability.

Source: The banks' 2017 half-year reports and 2016 half-year reports; KPMG China research.

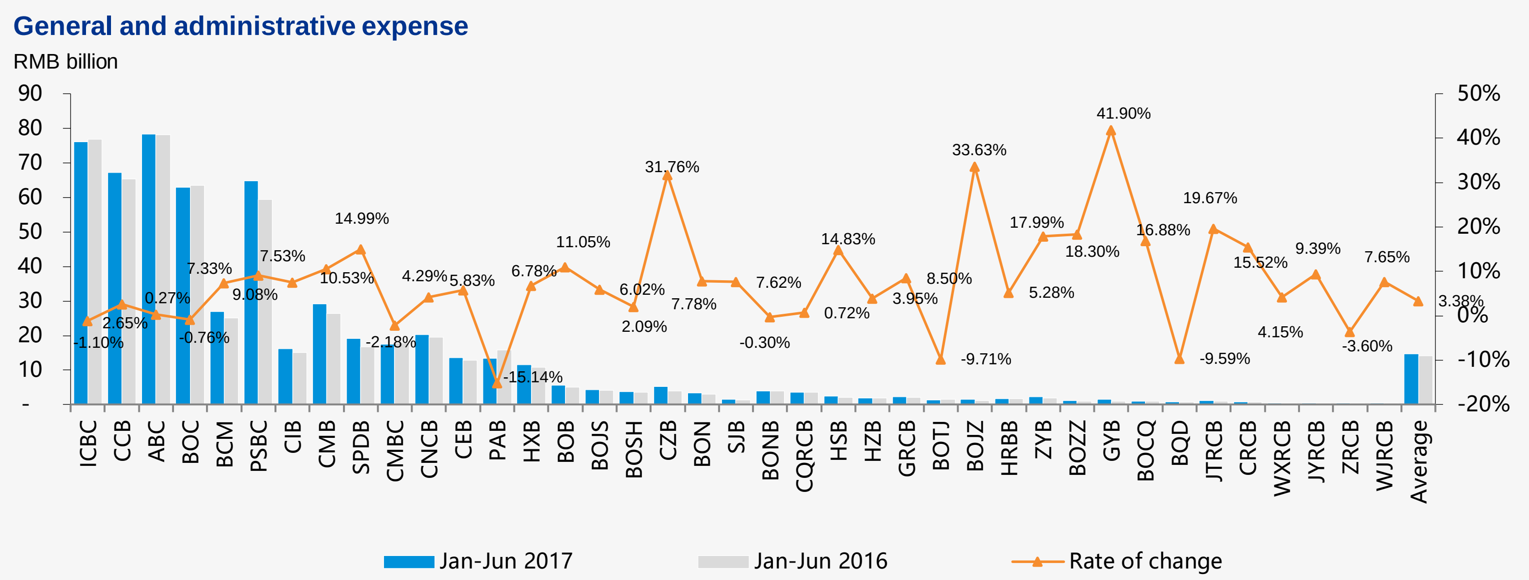
Profitability – Impairment loss



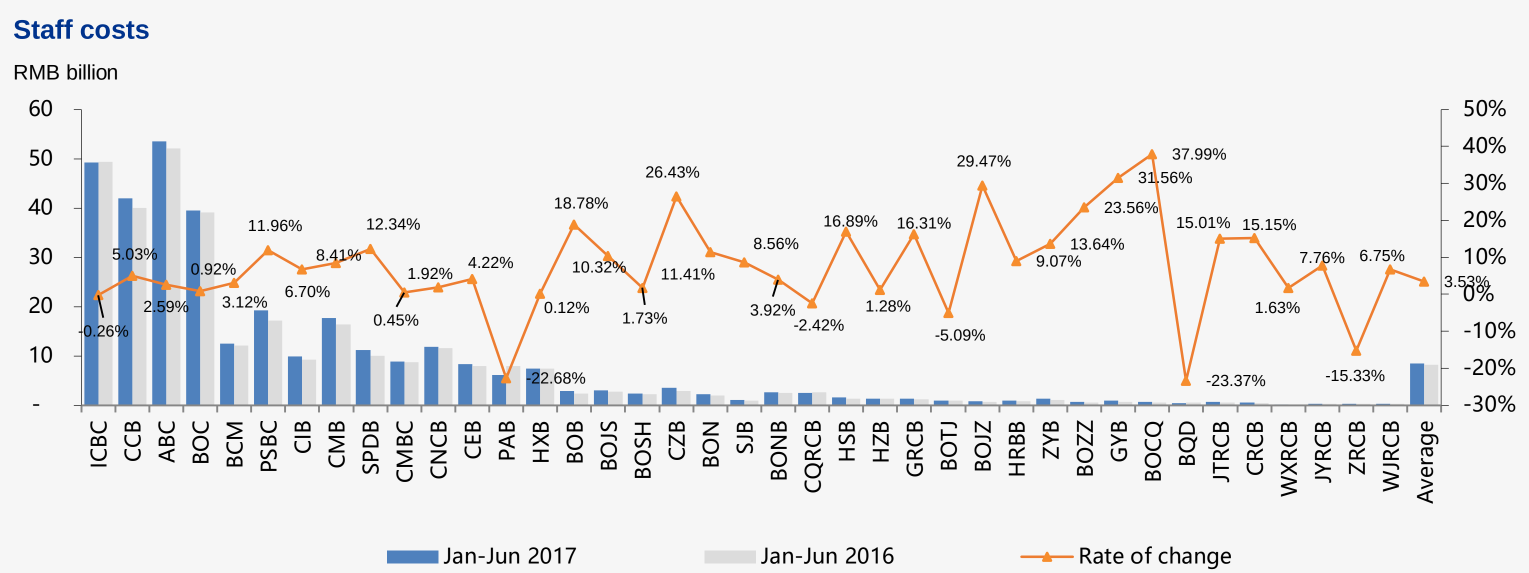
During the first half of 2017, given the effect of the economic slowdown, accelerated industrial restructuring and other factors, the banking sector faced continuous pressure regarding asset quality, but credit risk exposure slowed down. To reflect the growth of credit assets and changes in credit quality, listed banks made more asset impairment provisions with an average growth rate of 2.13%. Twenty-six listed banks experienced an increase in impairment loss while the remaining 13 listed banks slowed down the accrual speed.

Source: The banks' 2017 half-year reports and 2016 half-year reports; KPMG China research.

Profitability - Cost controls - General and administrative expense and staff costs



During the first half of 2017, most listed banks had an increase in general and administrative expense, resulting from the expansion of business scale, adjustments to business strategies, and system expenditure increase during the transformation.

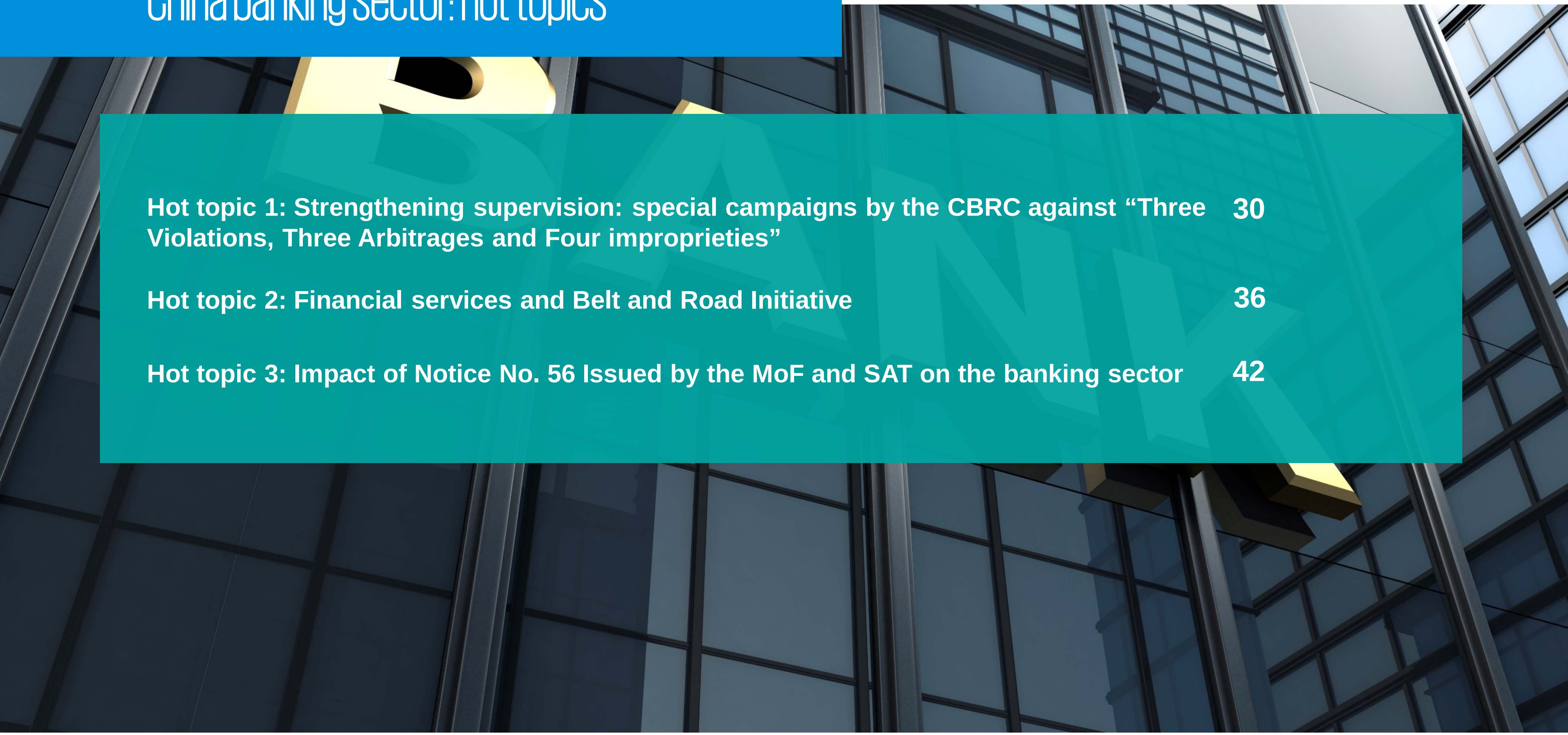


During the first half of 2017, staff costs for 33 listed banks went up by 7.59 percent on average. In particular, BOCQ and GYB saw a rise over 30%.

Source: The banks' 2017 half-year reports and 2016 half-year reports; KPMG China research.

2 Banking sector hot topics

China banking sector: hot topics



Hop topic 1

Strengthening supervision: special campaigns by the CBRC against "Three Violations, Three Arbitrages and Four improprieties"

Hop topic 1: Strengthening supervision - special campaigns by the CBRC against "Three Violations, Three Arbitrages and Four improprieties"

In recent years, China has not only faced clear difficulties and issues in its economy operation, but has also met with extensive challenges during financial development. On top of this, the global economic and financial system has become more complex, unstable and uncertain. Against such backdrop, China's banking sector faces an acute task in defending against risks.

As enunciated at the Central Economic Work Conference held in Beijing in 2016, the basic tone of seeking progress while maintaining stability is not only an important governance principle, but also an effective method for carrying out economic work; the priority of 2017 remains to deepen supply-side structural reform. In line with such tone, the China Banking Regulatory Commission (CBRC) further deliberates and determines the general direction and key areas of banking regulation and supervision, to guide the banking sector to return to the fundamental essence of banking services, enhance respective capacities and standards to serve the real economy, and firmly guard against systemic risks. Thus, since late March this year, the CBRC has unveiled a slew of regulatory documents, among which three Circulars have attracted considerable attention. These three Circulars comprise Circular No. 45 (*Yin Jian Ban Fa [2017]*), which details measures to address violations of financial laws, regulatory rules and internal compliance policies within the banking sector ("Three Violations"); Circular No. 46 (*Yin Jian Ban Fa [2017]*), which stipulates measures to address regulatory arbitrage, idle funds arbitrage and related-party arbitrage within the banking industry ("Three Arbitrages"); and Circular No. 53 (*Yin Jian Ban Fa [2017]*), which sets out measures to address improper innovation, improper transactions, improper incentives and improper fees in the banking sector ("Four Improprieties"). Thus, the three circulars are also referred to as "Three, Three, Four" inspections.

Hot topic 1: Strengthening supervision - special campaigns by the CBRC against "Three Violations, Three Arbitrages and Four improprieties" (continued)

Basic arrangement of the special campaigns against "Three Violations, Three Arbitrages and Four improprieties"

Abbreviation	Doc number	File name	Main content
Three Violations	Yin Jian Ban Fa No. 45	*Notice on Measures to Address Violations of Laws, Regulations and Internal Compliance Policies within the Banking Sector*	The Circular requires banking financial institutions to further strengthen the development of compliance culture, strictly comply with laws, regulations and internal policies during operation, and eliminate blind spots in risk control and management, so as to ensure strict enforcement of orders and prohibitions.
Three Arbitrages	Yin Jian Ban Fa No. 46	*Notice on Measures to Address Regulatory Arbitrage, Idle Funds Arbitrage and Related Entity Arbitrage within the Banking Sector*	Given that current banking financial institutions have myriad issues ranging from high leverage, multi-level nesting, long chains to multiple arbitrage activities in their interbank businesses, investment businesses, wealth management business and other cross-sector financial businesses, the Circular proposes to carry out special campaigns to shorten corporate financing chains, reduce corporate leverage, and inspect and rectify businesses and behaviours that deviate from the objectives of serving the real economy, so that capital will flow to the real economy and commercial banks' abilities and standard to serve the real economy will be enhanced.
Four Improprieties	Yin Jian Ban Fa No. 53	*Notice on Measures to Address Improper Innovation, Improper Transactions, Improper Incentives and Improper Fees in the Banking Sector*	The Circular urges banking financial institutions to return to the fundamental essence of banking services and focus on their major businesses, consciously maintain the financial order, and firmly safeguard against systemic risks.

- In addition, regulatory documents issued during the first half of 2017 include the *Notice on Carrying out Special Campaigns to Regulate Market Disorder within the Banking Sector (Yin Jian Fa [2017] No.5), Guidelines on Bank Risk Prevention and Controls (Yin Jian Fa [2017] No.6),* and *Notice on Remedying Supervisory Shortcomings and Enhancing Regulatory Effectiveness (Yin Jian Fa [2017] No.7).*

Under the general arrangement of the special campaigns against "Three Violations, Three Arbitrages and Four improprieties", banking financial institutions shall organise and implement self-checks at all levels; and all regulatory departments and offices under the CBRC shall provide guidance to, coordinate, supervise and conduct random inspections of such self-checks under their respective jurisdictions. In general, self-checks by institutions and regulatory inspections cover all types of businesses with balances by the end of 2016. In terms of the self-checks against "Three Violations" and "Three Arbitrages", the CBRC required all banking financial institutions to submit their assets report to the competent regulatory departments by June 12, 2017; and to rectify issues discovered during self-checks and regulatory inspections and strengthen accountability, and prepare a report submitted to the competent regulatory departments by November 30, 2017. As to the self-checks against "Four Improprieties", the CBRC requires all banking financial institutions to submit their self-check reports to the competent regulatory departments by July 15, 2017.

Hop topic 1: Strengthening supervision - special campaigns by the CBRC against "Three Violations, Three Arbitrages and Four improprieties" (continued)

1 Salient points of the "Three Violations" campaign

Salient points of the special campaign targeting "violations of financial laws, regulatory rules and internal compliance policies" are as follows. "Key areas" listed below include setting up institutions improperly, conducting businesses illegally, transfer of improper benefits, credit businesses, bank acceptance bill businesses, interbank businesses, wealth management businesses, credit card businesses, and information disclosure.

1. **Institutional construction**
2. **Compliance management**
3. **Risk management**
4. **Process and system control**
5. **Key areas**
6. **Rectification and accountability**

2 Salient points of the "Three Arbitrages" campaign

Salient points of the special campaign targeting regulatory arbitrage, idle funds arbitrage, and related-party arbitrage:

1 Regulatory arbitrage

- Circumvent supervision indices
- Circumvent regulatory policies

2 Idle funds arbitrage

- Arbitrage from credit businesses
- Arbitrage from bank acceptance bills
- Arbitrage from WMP
- Arbitrage from interbank businesses

3 Related-party arbitrage

- Non-compliant credit granting to related parties
- Circumvent regulations on consolidated management

3 Salient points of the "Four Improprieties" campaign

Salient points of the special campaign targeting improper innovation, improper transactions, improper incentives, and improper fees:

1 Improper innovation

- Control and management mechanism
- Management system and process

2 Improper transactions

- Interbank businesses
- Wealth management businesses
- Fiduciary businesses

3 Improper incentives

- Evaluation indicators setting
- Evaluation mechanism management
- Compensation management

4 Improper fees

- Code of conduct on fee collection
- Price information disclosure
- Internal management process

Hop topic 1: Strengthening supervision - special campaigns by the CBRC against "Three Violations, Three Arbitrages and Four improprieties" (continued)

4 Focus of the inspections against "Three Violations, Three Arbitrages, Four improprieties"

All relevant inspection documents regarding "Three Violations, Three Arbitrages and Four improprieties" have set out detailed inspection requirements regarding interbank businesses and wealth management businesses, which have accumulated risk rapidly in recent years.

- Inspections of interbank businesses mainly cover nine key areas: organisational structure, counterparties and product management, multi-level nesting and look-through approach, idle funds, repurchase operations in violation of laws, scale and liquidity of interbank financing, supervision indices for interbank businesses, illegal guarantee, and risk transfers.
- Inspections of wealth management businesses mainly include five key areas: organisational management system, investment direction and risk management, risk isolation, accounting, and standardised selling practices.
- Such inspections cover a wide range of violations and requirements, and reflect the breadth and depth of the special campaigns against interbank businesses and wealth management businesses.

Recent penalties

According to the notifications on administrative penalties released by the CBRC, all penalties imposed on domestic banking financial institutions by the CBRC, its local offices and sub-offices within 100 days after the relevant documents issued for the special campaigns against "Three Violations, Three Arbitrages and Four improprieties" have mainly focused on credit businesses, interbank businesses, and other violations. Based on the major punishment matters, the focus of the supervisory penalties has reflected the spirit of these special campaigns, namely to rectify and correct transactions in violation of laws, and risky businesses and behaviours that deviated from the essence of serving the real economy. As regulatory departments deeply understand the issues observed during their special inspections of banking financial institutions, they will be able to carry out broader and thorough rectification measures for risks and issues hidden within the banking sector.

Recent major penalty matters announced by the CBRC system

- Illegally granting loans or fake loans that do not correspond to the real credit demands.
- Failure to conduct sufficient inspections of credit businesses before, during or after credit granting, poor supervision of the use of loans, and violation of prudent operation rules.
- Issuing bank acceptance bills not based on genuine underlying trades, and illegal operations of bill business.
- Inaccurate classification of loan risks.
- Non-compliant interbank businesses that violate prudent operation rules.
- Compliance and illegal operation issues observed during other daily operations.

Hop topic 1: Strengthening supervision – special campaigns by the CBRC against "Three Violations, Three Arbitrages and Four improprieties" (continued)

5 Periodic summary of the special campaigns against "Three Violations, Three Arbitrages and Four improprieties"

Overall, under the special campaigns launched by the CBRC against "Three Violations, Three Arbitrages and Four improprieties", a series of rectification works have been carried out based on the principle of making progress while maintaining stability. Self-checks by banking financial institutions have enabled the CBRC to understand the big picture, supervision and inspections by regulatory departments have ensured serious self-checks, and rectifications will help promote standardised practices. Through these measures, the CBRC seeks to guide the banking sector to return to the core essence of banking services to support the supply-side structural reform, and place financial risk prevention and control more prominently to guard against systemic risks. Such spirit and principles were further emphasised in China's National Financial Work Conference held in July.

As the above special campaigns proceed, concurrently the profit pattern adopted by banking financial institutions in recent years would effectively change, particularly for entities that issue interbank deposit for financing and invest incremental capital in other banks' financial products or cross-sector financial businesses to expand their balance sheet. KPMG statistical analysis on publicly disclosed financial data of all A-share listed banks shows that in the first half of 2017, investments in debt instruments classified as receivables by A-share listed banks fell 3 percent (in 2016: up 14 percent); total interbank liabilities fell 6 percent (in 2016: up 3 percent); and corporate loans rose 9 percent (in 2016: up 4 percent)[1]. This reflects that domestic banks have scaled back their investment in other banks' financial products and interbank liabilities, and have put more money into the real economy. Clearly, the impact from these special campaigns has already emerged, even in such a short period of time.

Further, through these special campaigns, regulators can attain a broader understanding of – and capacity to address – the common issues and hidden risks faced by current banking financial institutions, accumulate more regulatory information and experience, and lay a solid foundation for orderly risk mitigation going forward.

Footnote 1: According to the respective bank's 2017 half-year reports and 2016 annual reports, and KPMG China research.

Hot topic 2

Financial services and Belt and Road Initiative

Hot topic 2: Financial services and Belt and Road Initiative

- The Belt and Road (B&R) strategic framework was initiated in September 2013 to promote trade, investment, and cultural exchange between Eurasian countries and regions.
- The Belt and Road Initiative (BRI) covers 65 countries in the Asia Pacific, Eurasia and Middle East regions. A total of 4.4 billion people are covered, representing 63 percent of the world population, and economic volume of B&R countries exceeds USD 20 trillion, representing 30 percent of the world economy[2].
- The majority of B&R countries are emerging economies and developing countries that are at an early stage of economic development and have huge demand for infrastructure construction, trade and investment.

Silk Road Economic Belt

To build corridors for international economic cooperation, such as the New Eurasian Land Bridge, China-Mongolia-Russia Corridor, China-Central Asia-West Asia Corridor, and the China-Indochina Peninsula Corridor with central cities along the B&R as the pivot, with major trade zones and industrial parks as the platform for cooperation.

Maritime Silk Road

To build smooth, safe and efficient transport corridors with major ports as nodes, and promote the cooperation along the China-Pakistan Corridor and China-Myanmar-Bangladesh-India Corridor.

Strategic targets

With major trade zones and industrial parks as a platform, BRI connects Central Asia, South Asia, West Asia and Europe and furthers regional economic integration on the basis of economic cooperation.

Short-term targets

To create a new environment of regional economy integration with the Silk Road Economic Belt as its core in which China will have more initiative and stronger voice in world economic cooperation to expand the room for China's outbound investments.

Long-term targets

To establish a new order for the world economy for China to exert and promote positive effect and act as a role model for a new political and cultural order around globally.

Footnote 2: Figures taken from http://www.china.com.cn/opinion/think/2015-04/30/content_35457622.htm

Hot topic 2: Financial services and Belt and Road Initiative (continued)

Belt and Road focus of cooperation

Policy coordination
Closer cooperation between governments to enhance mutual trust politically.

Facilities connectivity
To improve the infrastructure construction of B&R countries.

Free trade
To establish free trade zones by removing investment and trade barriers.

Financial integration
To build a currency stability system, a sound framework for investment, financing, and credit services in Asia; and expand the scope and scale of bilateral currency swap and settlement with B&R countries.

People-to-people bond
To promote extensive cultural and academic exchange, personnel exchange and cooperation, media cooperation, and volunteer services.

- More than 100 countries and international organisations responded positively.
- Over 50 countries have signed cooperation agreements with China.
- Engaged in international production capacity cooperation with over 20 countries.
- Established 56 economic and trade zones with more than 20 B&R countries.
- Recognised by international organisations such as the UN and APEC.
- Deeper fiscal unity led by Silk Road Fund and Asia Infrastructure Investment Bank.

Hot topic 2: Financial services and Belt and Road Initiative (continued)

Major opportunities and challenges

Organisational deployment along Belt and Road	Cooperation between financial institutions of B&R countries	Diversified financing channels	Comprehensive financial services
• The BRI covers 65 countries and regions. As at 2016 end, nine Chinese banks had established tier one institutions in 26 B&R countries. • Financial institutions may enter a new market and expand the coverage of their operating network via self-established entities or overseas M&A.	• The lack of cooperation between financial institutions in B&R countries leads to inadequate exchange of information and heavy pressure on risk control, prompting inefficient and ineffective services. • Financial institutions may enhance cooperation in terms of investment and financing, cross-currency risk mitigation of assets and liabilities, credit rating sharing, and international settlement.	• B&R projects are characterised with long lifecycle and significant investments that require financial support from various sources. • Financial institutions could make use of the favourable price in overseas capital markets during the window period, and increase the issuance of global financial instruments (such as sovereign bonds, offshore special bonds, and asset-backed securities to attract social capital and develop a model of public-private partnership).	• Financial institutions are faced with the demanding challenge of complicated cultural, political and economic factors involved in the BRI. • Financial institutions should not only position themselves simply as a "credit provider", but also need to diversify their product portfolio for more comprehensive financial services.

Hot topic 2: Financial services and Belt and Road Initiative (continued)

Major opportunities and challenges (continued)

Differentiated regional services

- B&R countries differ vastly politically, economically and socially.
- Financial institutions have to develop various financing and fund utilisation models to suit the needs of local B&R countries and regions with unique services.

Risks

- **Credit risk:** loan maturity mismatch; sovereign credit risk spread; sovereign debt crisis, etc.
- **Market risk:** volatility in capital, foreign exchange and commodity markets.
- **Compliance risk:** compliance with international standards and local laws and regulations.
- **Social risk:** political, religious, cultural and ethnical difference.
- **Stability risk:** commercial credit rating system in B&R countries is underdeveloped and capital adequacy ratio of banks is low, leading to limited capacity to withstand risks.

Balancing the "Go Out" policy of real economy with capital outflow

- A few domestic enterprises are involved in irrational offshore investments by following a "Go Out" policy disproportional to their scale and irrelevant to their major activities.
- Financial institutions have to restrict speculative offshore investments and avoid risky M&A deals by pursuing effectively screened and reasonably assessed offshore investments.

Fulfilling corporate social responsibility to achieve Green B&R

- Financial institutions should try to win the recognition of foreign governments, enterprises and people by:
  - ➢ training local staff and offering more promotion opportunities
  - ➢ actively involving in local community and charitable activities to promote the image of Chinese enterprises
  - ➢ supporting the development of an eco-friendly and green economy by implementing green credit.

Hot topic 2: Financial services and Belt and Road Initiative (continued)

Financial services in support of Belt and Road

Multilevel financial services system	• **Asian Infrastructure Investment Bank and Silk Road Fund:** platforms for investment and financing to allocate capital effectively. • **Policy banks and industry investment funds:** provide preliminary support and guidance. • **Capital market:** capital management to lay a solid capital foundation. • **Commercial and investment banks**: guide the allocation of financial resources and provide comprehensive financial services. • **Insurance companies and guarantee institutions**: cross-border insurance and risk coverage.
Comprehensive financial services support	• **Financing for cross-border projects:** financing products include syndicated loans, equity financing, export credit, and overseas issuance of bonds. • **Cross-border CNY services:** include clearing, settlement, foreign exchange, bond and cash management, etc. • **Risk control services:** to avoid and hedge against foreign exchange risk and market risk during operation, control operational costs and raise the capital utilisation efficiency. • **Consulting and advisory services:** financial advisory and information consultation based on respective accumulated databases of information, clients, markets and countries. • **FinTech services:** diversified financial products and expanded scope of services to create convenient and efficient payment methods such as a "Cyber Silk Road".
Professional guidance	• **Experience guidance:** to help enterprises and governments in B&R countries avoid detour by sharing applicable experience. • **Policy guidance:** to help enterprises understand their environment and manage risks by leveraging the analysis and judgement of overseas markets and accurate understanding of political and economic policies and development of the global market, while providing basis for regulators to improve their policies. • **Information guidance:** to help enterprises judge the market, identify opportunities and assess risks by leveraging the information network of offshore and onshore institutions and the large amount of data and information accumulated. • **Model guidance:** to spread China's philosophy in financial regulation and export replicable growth models to B&R emerging economies.

Hot topic 3

Impact of Notice No. 56 Issued by the MoF and SAT on the banking sector

Hot topic 3: Impact of Notice No. 56 Issued by the MoF and SAT on the banking sector

The reform of replacing business tax with VAT (“VAT reform”) in the financial services sector was formally implemented on May 1, 2016. Following its launch, the Ministry of Finance (MoF) and the State Administration of Taxation (SAT) issued a series of regulations to clarify the reform. On December 21, 2016, the authorities released the *Notice on Clarifying the VAT Policy on Financial Services, Real Estate Development, and Educational Services (Cai Shui [2016] No. 140*) (“Notice No. 140”). Article 4 of the Notice provides that, for business activities liable to VAT in the operation of asset management products, the manager of the asset management products shall be the VAT taxpayer. The authorities subsequently followed that up with the *Supplementary Notice on Relevant Issues Concerning VAT Policy on Asset Management Products (Cai Shui [2017] No. 2*). The supplementary provisions took effect on July 1, 2017.

Background for Notice No. 140

Background for Notice No. 56

On June 30, 2017, MoF and SAT issued the *Notice on Issues Relating to VAT on Asset Management Products (Cai Shui [2017] No. 56*) (“Notice No. 56”), which has clarified issues regarding the levying of VAT on asset management products, answered taxpayer questions on the scope of asset management products liable to VAT, the method of levying, accounting, and the filing of tax returns. The levying point has been postponed to January 1, 2018. With the combination of a half-year preparation and the application of simplified calculation method, it would be easier for payment of VAT. However, asset managers still need to determine the tax treatments on asset management products, amend contracts, sort out and transform business processes, and communicate with stakeholders. Specifically, much work remains to be done regarding the upgrading, testing, and launch of systems.

Hot topic 3: Impact of Notice No. 56 Issued by the MoF and SAT on the banking sector (continued)

Significant impact on bank financial products

1

If part or all of the investment income of financial products is VAT-taxable income, VAT cost would incur. If such cost is passed on to investors, the product yield would be affected. Assuming a non-standard debt instrument has a yield of 5 percent, the yield after tax would work out to 4.72 percent under the general tax method for 6 percent VAT. Thus the new VAT could impede on the sale of the financial products.

2

Banks generally tend to pass their payable VAT burden on to investors. This requires banks to carry out a series of activities including communication with investors, adding tax burden to the product release, and calculating the VAT to be deducted from the investment income of the product. Given the variety of bank financial products, the abundance of investment targets, and frequent transactions of the underlying assets, the calculation of deductible VAT can be fairly complex. As a result, banks will need to transform their existing asset management system.

3

According to *Notice No. 140*, the income of guaranteed investment is VAT payable on the basis of loan service income. This means bank guaranteed products could face double taxation – investment income at product level and product income when it is allocated to investors. Double taxation would adversely affect the net return of investors, in turn potentially impeding on the sale of guaranteed products.

4

As VAT taxpayers of asset management products, banks are required to comply with a series of VAT requirements, including VAT invoice, input authentication, tax declaration, and accounting. Consequently, compliance costs for banks increase. Further, regulatory requirements dictate that the operation of products must be independent from the operations of the company, which further increases operational cost as additional manpower is needed to handle VAT compliance at the product level.

Hot topic 3: Impact of Notice No. 56 Issued by the MoF and SAT on the banking sector (continued)

Possible solutions for banks

To mitigate the potential impact of *Notice No. 140* and *Notice No.56*, banks would have to develop a response plan regarding the VAT treatment of asset management products.

	Now	Effective date (1 January 2018)	The first quarter following the implementation
Business	• Evaluate affected products, assess impact on costs and gains • Develop plans for existing products • Design investment framework and contract terms for new products • Communicate the tax burden with investors, determine any expected costs/gains, and amend the contract terms		• Follow the latest regulatory developments and adjust product strategy in a timely manner
Law	• Review contract terms • Review documents to communicate with and notify stakeholders		
IT	• Review and upgrade the system related to product transaction and evaluation • Upgrade tax-related systems		
Finance and tax	• Design the accounting treatment for products • Provide tax training for staff • Design the compliance and risk control process for products • Design the declaration process for products		• Adopt new finance and tax systems • Monitor workflow • Follow the latest regulatory trends

Tax and IT consulting assistance

Actively respond to the impact of Notice No. 140 and Notice No. 56

Implementation of the new VAT rules for asset management products

Conduct the first VAT declaration on 15 April 2018

Hot topic 3: Impact of Notice No. 56 Issued by the MoF and SAT on the banking sector (continued)

Future focus

Notice No. 56 has affirmed on the simplified calculation method for taxing asset management products and several other matters, including the scope of asset management products and asset product managers. However, since *Notice No. 140* was released, some contentious issues in the industry have still to be clarified, giving rise to potentially conflicting judgements and treatments between that of taxpayers and that of the tax authorities. Such issues include but are not limited to the following:

1. How to determine guaranteed and non-guaranteed investment income.

2. Applicability of the definition of held-to-maturity-and-not-for-transfer asset management products.

3. How to define taxable asset management products.

4. Disposal of special assets.

5. How to use the advantage of being in the same industry.

6. Disposal of overseas investments.

Banks must heed attention to these developments in order to pay VAT on their asset management products. If any aspects of the rules are still unclear after the introduction of the above regulations, banks will need to clarify with the relevant tax authorities directly on the interpretations of the regulations.

3 Appendix: 2017 1H financial data of listed banks

Appendix - Total assets

RMB million	Cash and balances with central bank		Loans and advances to customers		Investments		Interbank assets		Other assets		Total assets	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec
ICBC	3,542,773	3,350,788	13,549,396	12,767,334	5,569,993	5,481,174	1,797,897	1,553,100	1,053,987	984,869	25,514,046	24,137,265
CCB	2,941,465	2,849,261	12,204,730	11,488,355	5,045,126	5,068,584	830,526	858,462	670,220	699,043	21,692,067	20,963,705
ABC	2,882,030	2,811,653	9,996,639	9,319,364	5,888,748	5,333,535	1,182,940	1,526,665	623,229	578,844	20,573,586	19,570,061
BOC	2,595,717	2,349,188	10,426,548	9,735,646	4,350,945	3,972,884	1,196,043	1,176,482	856,727	914,689	19,425,980	18,148,889
BCM	963,575	991,435	4,270,542	4,009,046	2,451,158	2,314,445	854,775	715,787	390,788	372,453	8,930,838	8,403,166
PSBC	1,348,535	1,310,273	3,261,436	2,939,217	3,207,682	3,463,841	596,521	442,194	129,652	110,097	8,543,826	8,265,622
CIB	460,813	457,654	2,203,179	2,007,366	3,315,266	3,292,074	146,085	100,994	259,315	227,807	6,384,658	6,085,895
CMB	606,623	597,529	3,404,094	3,151,649	1,555,602	1,450,922	445,343	581,963	188,028	160,248	6,199,690	5,942,311
SPDB	501,390	517,230	2,929,721	2,674,557	2,081,471	2,135,088	221,552	356,116	181,261	174,272	5,915,395	5,857,263
CMBC	424,669	524,239	2,636,361	2,397,192	2,061,332	2,206,909	307,419	461,837	337,428	305,700	5,767,209	5,895,877
CNCB	519,590	553,328	3,012,896	2,802,384	1,691,248	1,852,670	265,020	546,653	162,462	176,015	5,651,216	5,931,050
CEB	345,530	381,620	1,917,181	1,751,644	1,244,582	1,318,143	359,248	425,935	167,005	142,700	4,033,546	4,020,042
PAB	289,977	311,258	1,549,052	1,435,869	826,650	759,438	238,339	273,208	188,124	173,661	3,092,142	2,953,434
HXB	264,035	222,173	1,274,795	1,184,355	680,276	640,162	163,447	271,680	40,545	37,865	2,423,098	2,356,235
BOB	179,457	166,285	998,335	867,955	796,172	676,550	223,738	365,958	41,465	39,591	2,239,167	2,116,339
BOJS	131,057	135,122	682,825	632,555	665,254	688,743	196,824	96,248	51,212	45,624	1,727,172	1,598,292
BOSH	135,548	137,037	582,819	537,397	832,203	916,154	131,599	134,927	29,247	29,856	1,711,416	1,755,371
CZB	130,018	124,269	512,472	443,669	697,216	663,168	69,288	98,442	44,296	25,307	1,453,290	1,354,855
BON	104,926	93,065	354,176	318,543	549,089	521,681	100,508	105,343	24,150	25,268	1,132,849	1,063,900
SJB	76,310	71,376	270,709	228,881	493,628	463,366	83,847	127,967	14,217	13,893	938,711	905,483
BONB	87,859	93,377	313,920	292,788	474,704	427,775	33,211	43,463	28,835	27,617	938,529	885,020
CQRCB	101,027	85,836	310,396	288,116	289,221	263,656	139,803	150,854	14,979	14,696	855,426	803,158
HSB	85,483	88,059	287,327	269,336	381,223	338,148	22,139	30,797	36,506	28,434	812,678	754,774
HZB	61,894	68,902	264,975	239,130	337,284	347,326	80,712	56,421	9,220	8,645	754,085	720,424
GRCB	84,074	83,023	267,601	237,935	247,969	226,052	67,996	102,255	12,409	11,686	680,049	660,951
BOTJ	56,753	58,108	215,413	207,855	329,627	310,738	48,833	73,175	9,258	7,434	659,884	657,310
BOJZ	46,825	43,667	184,292	121,931	379,230	347,991	14,992	8,674	18,674	16,797	644,013	539,060
HRBB	55,132	67,010	219,638	196,488	208,780	193,995	30,657	48,539	32,720	32,984	546,927	539,016
ZYB	52,449	49,371	176,973	158,547	205,659	182,996	7,212	28,104	15,717	14,053	458,010	433,071
BOZZ	45,669	42,586	118,445	107,633	183,825	183,144	52,627	18,293	16,969	14,492	417,535	366,148
GYB	45,276	43,182	105,646	99,079	219,972	202,338	23,406	13,538	19,891	14,116	414,191	372,253
BOCQ	42,040	42,813	159,806	146,789	137,169	120,314	60,049	55,706	9,365	7,482	408,429	373,104
BQD	28,215	22,698	92,079	84,865	120,885	152,928	31,650	10,998	9,147	6,499	281,976	277,988
JTRCB	26,315	32,984	72,020	60,286	64,105	38,754	25,652	52,965	7,569	6,482	195,661	191,471
CRCB	14,327	14,240	69,277	64,229	46,746	41,244	6,552	6,684	3,585	3,585	140,487	129,982
WXRCB	14,980	15,530	61,891	58,570	44,397	41,376	1,629	6,448	3,020	2,709	125,917	124,633
JYRCB	9,643	11,176	51,778	50,372	38,205	37,987	2,131	2,103	2,956	2,447	104,713	104,085
ZRCB	9,755	9,074	45,761	42,754	35,341	31,471	3,634	4,045	3,498	2,834	97,989	90,178
WJRCB	11,554	12,851	46,072	43,927	19,088	15,577	4,307	6,074	3,643	2,919	84,664	81,348
Total	19,323,308	18,839,270	79,101,216	73,463,608	47,767,071	46,723,341	10,068,151	10,939,097	5,711,319	5,463,713	161,971,065	155,429,029

Source: The banks' 2017 half-year reports and 2016 annual reports, KPMG China research.

Appendix - Loan quality

%	NPL ratio		Allowance to NPL		Allowance to total loans ratio	
	2017	2016	2017	2016	2017	2016
	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec
ICBC	1.57%	1.62%	145.81%	136.69%	2.28%	2.22%
CCB	1.51%	1.52%	160.15%	150.36%	2.42%	2.29%
ABC	2.19%	2.37%	181.80%	173.40%	3.99%	4.12%
BOC	1.38%	1.46%	152.46%	162.82%	2.54%	2.87%
BCM	1.51%	1.52%	151.02%	150.50%	2.28%	2.29%
PSBC	0.82%	0.87%	288.65%	271.69%	2.37%	2.37%
CIB	1.60%	1.65%	222.51%	210.51%	3.57%	3.48%
CMB	1.71%	1.87%	224.69%	180.02%	3.84%	3.37%
SPDB	2.09%	1.89%	154.21%	169.13%	3.23%	3.19%
CMBC	1.69%	1.68%	153.33%	155.41%	2.58%	2.62%
CNCB	1.65%	1.69%	152.97%	155.50%	2.53%	2.62%
CEB	1.58%	1.60%	152.17%	152.02%	2.41%	2.43%
PAB	1.76%	1.74%	161.32%	155.37%	2.84%	2.71%
HXB	1.68%	1.67%	157.63%	158.73%	2.65%	2.65%
BOB	1.18%	1.27%	237.03%	256.06%	2.79%	3.25%
BOJS	1.43%	1.43%	181.33%	180.56%	2.60%	2.59%
BOSH	1.16%	1.17%	259.06%	255.50%	3.01%	3.00%
CZB	1.39%	1.33%	249.17%	259.33%	3.45%	3.44%
BON	0.86%	0.87%	450.19%	457.32%	3.89%	3.99%
SJB	1.53%	1.74%	166.73%	159.17%	2.54%	2.78%
BONB	0.91%	0.91%	398.52%	351.42%	3.62%	3.21%
CQRCB	0.97%	0.96%	425.14%	428.37%	4.12%	4.10%
HSB	1.06%	1.07%	273.21%	270.77%	2.90%	2.90%
HZB	1.61%	1.62%	184.89%	186.76%	2.98%	3.03%
GRCB	1.73%	1.81%	182.18%	178.58%	3.16%	3.24%
BOTJ	1.46%	1.48%	200.25%	193.56%	2.92%	2.87%
BOJZ	1.06%	1.14%	300.33%	336.30%	3.17%	3.84%
HRBB	1.65%	1.53%	168.49%	166.77%	2.77%	2.55%
ZYB	1.85%	1.86%	213.52%	207.09%	3.94%	3.85%
BOZZ	1.38%	1.31%	208.84%	237.38%	2.88%	3.11%
GYB	1.46%	1.42%	251.51%	235.19%	3.67%	3.33%
BOCQ	1.25%	0.96%	213.89%	293.35%	2.68%	2.80%
BQD	1.69%	1.36%	152.17%	194.01%	2.57%	2.64%
JTRCB	1.59%	1.41%	190.84%	206.57%	3.04%	2.92%
CRCB	1.29%	1.40%	266.36%	234.83%	3.44%	3.30%
WXRCB	1.31%	1.39%	212.63%	200.77%	2.79%	2.80%
JYRCB	2.45%	2.41%	176.11%	170.14%	4.10%	4.10%
ZRCB	1.97%	1.96%	185.67%	180.36%	3.66%	3.54%
WJRCB	1.71%	1.78%	183.52%	187.46%	3.14%	3.34%
Average	1.50%	1.51%	215.14%	215.64%	3.06%	3.07%

Source: The banks' 2017 half-year reports and 2016 annual reports, KPMG China research.

Appendix – Loan quality (continued)

%	Overdue ratio		Overdue to NPL ratio	
	2017	2016	2017	2016
	30 Jun	31 Dec	30 Jun	31 Dec
ICBC	2.23%	2.65%	142.17%	163.42%
CCB	1.49%	1.51%	98.46%	99.67%
ABC	2.61%	2.83%	118.85%	118.98%
BOC	1.97%	2.15%	142.75%	147.26%
BCM	2.34%	2.64%	154.89%	173.37%
PSBC	0.99%	0.96%	120.41%	110.30%
CIB	2.08%	2.15%	129.81%	129.70%
CMB	2.02%	2.14%	118.41%	114.33%
SPDB	2.91%	2.98%	139.10%	157.53%
CMBC	3.44%	3.50%	204.07%	207.93%
CNCB	3.13%	3.26%	188.99%	192.99%
CEB	2.53%	2.87%	160.18%	179.57%
PAB	4.33%	4.11%	246.02%	236.21%
HXB	4.82%	4.72%	286.44%	281.97%
BOB	1.73%	2.22%	146.61%	174.89%
BOJS	1.94%	2.28%	135.47%	159.07%
BOSH	1.25%	1.31%	107.60%	111.31%
CZB	1.43%	1.20%	102.84%	90.38%
BON	1.35%	1.70%	156.98%	194.30%
SJB	1.91%	2.62%	124.89%	150.17%
BONB	0.97%	1.15%	107.45%	126.08%
CQRCB	2.92%	1.53%	301.34%	159.83%
HSB	1.85%	2.19%	174.58%	204.38%
HZB	2.66%	3.12%	164.89%	192.18%
GRCB	2.62%	3.56%	151.29%	196.27%
BOJZ	3.17%	4.03%	300.30%	352.49%
HRBB	5.11%	3.61%	310.30%	236.44%
ZYB	5.29%	4.93%	286.39%	265.45%
BOZZ	4.79%	4.59%	347.50%	350.24%
GYB	3.77%	4.07%	258.24%	287.60%
BOCQ	5.10%	3.70%	406.75%	387.46%
BQD	4.81%	4.05%	284.60%	297.22%
JTRCB	3.17%	3.63%	198.73%	256.20%
CRCB	1.31%	1.60%	101.73%	114.26%
WXRCB	1.51%	1.64%	114.93%	117.74%
JYRCB	3.03%	3.03%	123.74%	125.83%
ZRCB	2.10%	2.19%	106.52%	111.25%
WJRCB	3.53%	2.64%	206.51%	148.27%
Average	2.74%	2.76%	183.44%	187.44%

Note: BOTJ did not disclose relevant data.

Source: The banks' 2017 half-year reports and 2016 annual reports, KPMG China research.

Appendix - Investment structure

RMB million	Financial assets at fair value through profit or loss		Available-for-sale financial assets		Held-to-maturity investment		Investment classified as receivables		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec
ICBC	503,544	474,475	1,632,329	1,742,287	3,090,298	2,973,042	343,822	291,370	5,569,993	5,481,174
CCB	598,654	488,370	1,576,618	1,633,834	2,395,855	2,438,417	473,999	507,963	5,045,126	5,068,584
ABC	532,973	417,955	1,362,623	1,408,881	3,320,161	2,882,152	672,991	624,547	5,888,748	5,333,535
BOC	162,880	124,090	1,711,207	1,609,830	2,060,889	1,843,043	415,969	395,921	4,350,945	3,972,884
BCM	196,932	179,221	393,938	342,755	1,449,859	1,407,449	410,429	385,020	2,451,158	2,314,445
PSBC	123,726	68,976	766,353	1,160,187	826,514	736,154	1,491,089	1,498,524	3,207,682	3,463,841
CIB	368,246	354,595	678,249	584,850	262,385	249,828	2,006,386	2,102,801	3,315,266	3,292,074
CMB	52,956	55,972	404,182	389,138	516,094	477,064	582,370	528,748	1,555,602	1,450,922
SPDB	268,850	177,203	644,554	620,463	385,363	326,950	782,704	1,010,472	2,081,471	2,135,088
CMBC	66,576	89,740	311,700	307,078	663,652	661,362	1,019,404	1,148,729	2,061,332	2,206,909
CNCB	64,121	64,911	556,285	534,533	229,483	217,498	841,359	1,035,728	1,691,248	1,852,670
CEB	20,804	7,834	356,871	425,131	352,405	257,500	514,502	627,678	1,244,582	1,318,143
PAB	49,083	57,179	10,293	1,179	302,822	286,802	464,452	414,278	826,650	759,438
HXB	5,912	4,939	96,119	92,252	373,708	345,593	204,537	197,378	680,276	640,162
BOB	25,656	40,952	167,917	177,026	221,365	208,431	381,234	250,141	796,172	676,550
BOJS	4,552	4,681	229,950	356,736	153,886	138,720	276,866	188,606	665,254	688,743
BOSH	8,216	7,145	417,182	432,146	260,216	236,540	146,589	240,323	832,203	916,154
CZB	79,274	23,132	76,002	61,467	52,695	41,533	489,245	537,036	697,216	663,168
BON	47,604	25,250	146,831	163,861	113,502	111,828	241,152	220,742	549,089	521,681
SJB	-	-	80,285	46,329	179,059	171,505	234,284	245,532	493,628	463,366
BONB	102,974	8,276	225,666	280,552	43,735	39,371	102,329	99,576	474,704	427,775
CQRCB	926	4,521	147,826	90,142	68,962	67,842	71,507	101,151	289,221	263,656
HSB	8,501	5,742	124,563	120,384	55,703	52,351	192,456	159,671	381,223	338,148
HZB	16,310	7,951	174,130	220,245	75,766	66,674	71,078	52,456	337,284	347,326
GRCB	37,217	35,980	104,396	88,278	30,237	25,782	76,119	76,012	247,969	226,052
BOTJ	4,998	5,880	47,200	50,590	46,697	42,341	230,732	211,927	329,627	310,738
BOJZ	24,798	21,151	45,061	34,723	8,486	10,436	300,885	281,681	379,230	347,991
HRBB	1,316	1,704	25,606	17,597	29,682	30,501	152,176	144,193	208,780	193,995
ZYB	17,991	4,207	97,563	102,259	20,639	17,852	69,466	58,678	205,659	182,996
BOZZ	9,982	8,946	26,263	6,302	55,250	49,671	92,330	118,225	183,825	183,144
GYB	2,916	944	83,269	94,617	58,878	51,575	74,909	55,202	219,972	202,338
BOCQ	725	882	29,457	23,885	20,679	19,796	86,308	75,751	137,169	120,314
BQD	-	320	42,114	58,411	32,797	31,325	45,974	62,872	120,885	152,928
JTRCB	17,807	13,798	16,697	12,003	7,732	2,185	21,869	10,768	64,105	38,754
CRCB	756	442	16,920	16,069	14,371	11,770	14,699	12,963	46,746	41,244
WXRCB	955	1,176	22,869	20,263	12,795	10,587	7,778	9,350	44,397	41,376
JYRCB	1,380	1,999	21,630	22,806	15,195	12,282	-	900	38,205	37,987
ZRCB	586	147	25,331	23,300	3,177	3,236	6,247	4,788	35,341	31,471
WJRCB	118	-	12,307	8,851	6,663	6,726	-	-	19,088	15,577
Total	3,430,815	2,790,686	12,908,356	13,381,240	17,817,655	16,563,714	13,610,245	13,987,701	47,767,071	46,723,341

Source: The banks' 2017 half-year reports and 2016 annual reports, KPMG China research.

Appendix - Total liability

RMB million	Deposits		Liabilities from banks and other financial Institutions		Debt certificates issued		Other liabilities		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec
ICBC	19,249,268	18,043,729	2,497,481	2,606,650	413,016	357,937	1,323,647	1,147,786	23,483,412	22,156,102
CCB	16,274,393	15,402,915	2,256,950	2,565,460	535,093	451,554	981,029	954,122	20,047,465	19,374,051
ABC	16,104,949	15,038,001	1,784,791	1,954,949	439,986	388,215	885,419	867,305	19,215,145	18,248,470
BOC	13,732,059	12,939,748	2,926,819	2,590,413	435,433	362,318	803,797	769,318	17,898,108	16,661,797
BCM	5,381,820	5,047,539	2,349,366	2,231,060	260,945	229,515	290,299	262,645	8,282,430	7,770,759
PSBC	7,806,235	7,286,311	146,013	425,634	74,925	54,943	151,871	151,846	8,179,044	7,918,734
CIB	3,008,219	2,694,751	2,119,372	2,216,489	732,945	713,966	125,570	106,279	5,986,106	5,731,485
CMB	4,142,254	3,802,049	1,122,258	1,297,533	346,902	275,082	166,452	164,285	5,777,866	5,538,949
SPDB	3,172,519	3,002,015	1,552,582	1,679,917	672,491	664,683	125,629	137,714	5,523,221	5,484,329
CMBC	3,023,127	3,082,242	1,587,740	1,836,712	529,751	398,376	252,069	226,520	5,392,687	5,543,850
CNCB	3,453,476	3,639,290	1,205,598	1,369,561	472,227	386,946	127,217	150,757	5,258,518	5,546,554
CEB	2,271,303	2,120,887	872,726	1,154,050	531,006	412,500	92,336	81,537	3,767,371	3,768,974
PAB	1,912,333	1,921,835	546,679	483,015	350,650	263,464	71,026	82,949	2,880,688	2,751,263
HXB	1,376,875	1,368,300	513,651	512,964	321,843	268,184	51,116	53,814	2,263,485	2,203,262
BOB	1,267,905	1,150,904	412,902	475,039	352,245	301,765	56,394	44,852	2,089,446	1,972,560
BOJS	984,311	907,412	401,887	444,363	221,525	131,743	32,104	30,567	1,639,827	1,514,085
BOSH	880,752	849,073	472,179	533,329	208,119	231,080	29,125	25,670	1,590,175	1,639,152
CZB	803,068	736,244	359,024	394,109	168,146	114,595	37,238	42,431	1,367,476	1,287,379
BON	720,289	655,203	95,545	151,172	223,947	170,165	28,359	24,982	1,068,140	1,001,522
SJB	443,457	415,246	287,034	341,406	134,287	87,289	25,506	15,167	890,284	859,108
BONB	555,112	511,405	135,222	167,868	162,159	112,985	32,654	42,376	885,147	834,634
CQRCB	569,677	518,186	119,172	158,958	96,520	58,487	12,914	13,337	798,283	748,968
HSB	511,080	462,014	124,551	131,192	98,092	91,505	22,864	16,880	756,587	701,591
HZB	381,954	368,307	151,601	118,443	153,478	168,510	26,885	26,602	713,918	681,862
GRCB	440,875	423,742	47,838	84,514	126,733	92,295	20,254	22,560	635,700	623,111
BOTJ	354,571	365,471	157,249	196,689	87,270	40,632	17,782	12,763	616,872	615,555
BOJZ	312,060	262,969	169,090	170,059	79,075	30,223	38,171	32,914	598,396	496,165
HRBB	344,901	343,151	73,866	107,097	78,372	41,883	9,733	9,550	506,872	501,681
ZYB	279,554	245,353	77,831	87,453	57,528	57,388	6,012	7,379	420,925	397,573
BOZZ	245,401	216,390	81,337	78,242	60,145	44,660	7,579	4,995	394,462	344,287
GYB	273,256	262,998	44,027	33,649	68,437	48,108	5,338	5,498	391,058	350,253
BOCQ	238,705	229,594	49,756	60,350	87,041	54,598	6,642	4,750	382,144	349,292
BQD	157,297	141,605	45,542	72,419	56,138	41,786	4,811	4,542	263,788	260,352
JTRCB	130,503	127,409	19,004	24,106	27,627	23,396	2,663	2,837	179,797	177,748
CRCB	96,496	88,810	11,264	20,584	18,999	6,991	3,244	3,166	130,003	119,551
WXRCB	100,007	95,461	8,612	9,006	3,302	6,687	5,015	4,606	116,936	115,760
JYRCB	75,991	73,641	14,108	14,619	1,694	4,105	3,992	2,707	95,785	95,072
ZRCB	67,988	65,257	17,106	14,036	1,057	613	3,743	2,823	89,894	82,729
WJRCB	68,470	65,388	5,440	6,432	-	-	2,527	1,650	76,437	73,470
Total	111,212,510	104,970,845	24,863,213	26,819,541	8,689,149	7,189,172	5,889,026	5,562,481	150,653,898	144,542,039

Source: The banks' 2017 half-year reports and 2016 annual reports, KPMG China research.

Appendix - Capital adequacy ratio and tier 1 capital adequacy ratio

%	Capital adequacy ratio		Tier 1 capital adequacy ratio	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
ICBC	14.46%	14.61%	13.19%	13.42%
CCB	14.50%	14.94%	12.84%	13.15%
ABC	13.16%	13.04%	11.25%	11.06%
BOC	13.41%	14.28%	11.80%	12.28%
BCM	13.86%	14.02%	11.71%	12.16%
PSBC	11.67%	11.13%	8.72%	8.63%
CIB	11.87%	12.02%	9.26%	9.23%
CMB	14.59%	13.33%	12.42%	11.54%
SPDB	11.84%	11.65%	9.67%	9.30%
CMBC	11.91%	11.73%	9.46%	9.22%
CNCB	11.76%	11.98%	9.60%	9.65%
CEB	11.86%	10.80%	9.42%	9.34%
PAB	11.23%	11.53%	9.05%	9.34%
HXB	12.63%	11.36%	9.48%	9.70%
BOB	11.13%	12.20%	8.79%	9.44%
BOJS	10.97%	11.51%	8.64%	9.02%
BOSH	13.40%	13.17%	11.40%	11.13%
CZB	12.38%	11.79%	10.05%	9.28%
BON	13.13%	13.71%	9.48%	9.77%
SJB	12.10%	11.99%	9.21%	9.10%
BONB	12.20%	12.25%	9.55%	9.46%
CQRCB	12.41%	12.70%	9.68%	9.86%
HSB	12.42%	12.99%	9.69%	9.94%
HZB	11.54%	11.88%	9.67%	9.95%
GRCB	11.77%	12.16%	10.25%	9.92%
BOTJ	11.64%	11.88%	9.29%	9.48%
BOJZ	10.97%	11.62%	9.19%	9.80%
HRBB	12.02%	11.97%	9.48%	9.35%
ZYB	11.82%	12.37%	10.68%	11.25%
BOZZ	12.08%	11.76%	8.61%	8.80%
GYB	12.03%	13.75%	10.05%	11.51%
BOCQ	12.88%	11.79%	9.22%	9.82%
BQD	13.67%	12.00%	10.17%	10.08%
JTRCB	12.43%	13.79%	9.71%	10.52%
CRCB	11.88%	13.22%	9.71%	10.93%
WXRCB	11.96%	12.65%	9.71%	10.28%
JYRCB	13.13%	14.18%	11.95%	13.08%
ZRCB	13.08%	13.42%	11.92%	12.26%
WJRCB	13.45%	14.18%	12.36%	13.04%
Average	12.44%	12.60%	10.16%	10.39%

Source: The banks' 2017 half-year reports and 2016 annual reports, KPMG China research.

Appendix - Net profit attributable to parent's shareholders

RMB million	Jan-Jun 2017	Jan-Jun 2016	Rate of change
ICBC	152,995	150,217	1.85%
CCB	138,339	133,410	3.69%
ABC	108,593	105,148	3.28%
BOC	103,690	93,037	11.45%
BCM	38,975	37,661	3.49%
PSBC	26,600	23,229	14.51%
CIB	31,601	29,441	7.34%
CMB	39,259	35,231	11.43%
SPDB	28,165	26,770	5.21%
CMBC	28,088	27,223	3.18%
CNCB	24,011	23,600	1.74%
CEB	16,939	16,439	3.04%
PAB	12,554	12,292	2.13%
HXB	9,836	9,826	0.10%
BOB	11,079	10,621	4.31%
BOJS	6,177	5,610	10.11%
BOSH	7,796	7,315	6.57%
CZB	5,613	4,735	18.56%
BON	5,105	4,362	17.03%
SJB	3,507	3,616	-3.01%
BONB	4,765	4,139	15.12%
CQRCB	4,594	4,175	10.04%
HSB	3,780	3,408	10.92%
HZB	2,531	2,347	7.84%
GRCB	2,622	2,152	21.84%
BOTJ	2,616	2,593	0.89%
BOJZ	3,991	3,794	5.19%
HRBB	2,660	2,418	10.01%
ZYB	1,719	1,528	12.50%
BOZZ	2,271	2,122	7.02%
GYB	1,902	1,543	23.27%
BOCQ	2,249	2,030	10.79%
BQD	1,276	1,262	1.11%
JTRCB	693	867	-20.07%
CRCB	571	528	8.14%
WXRCB	522	473	10.36%
JYRCB	352	362	-2.76%
ZRCB	352	333	5.71%
WJRCB	438	392	11.73%
Total	838,826	796,249	5.35%
Average	21,508	20,417	5.35%

Source: The banks' 2017 half-year reports and 2016 annual reports, KPMG China research.

Appendix - Key performance indicators

%	ROE		EPS	
	Jan-Jun 2017	Jan-Jun 2016	Jan-Jun 2017	Jan-Jun 2016
ICBC	15.69%	16.83%	0.43	0.42
CCB	17.09%	17.80%	0.55	0.53
ABC	16.74%	17.63%	0.33	0.32
BOC	15.20%	14.78%	0.35	0.31
BCM	12.80%	13.82%	0.49	0.50
PSBC	14.91%	16.79%	0.33	0.34
CIB	17.22%	18.92%	1.51	1.49
CMB	19.11%	19.07%	1.56	1.40
SPDB	15.70%	17.18%	0.97	0.95
CMBC	16.23%	17.49%	0.77	0.75
CNCB	13.76%	14.42%	0.49	0.48
CEB	13.76%	14.55%	0.34	0.33
PAB	12.56%	14.25%	0.68	0.72
HXB	13.18%	16.04%	0.70	0.77
BOB	16.42%	18.26%	0.58	0.58
BOJS	14.62%	16.52%	0.54	0.54
BOSH	13.02%	15.26%	1.00	1.04
CZB	16.54%	16.88%	0.31	0.29
BON	19.02%	17.88%	0.60	0.51
SJB	14.79%	17.02%	0.60	0.62
BONB	20.30%	19.62%	0.94	0.82
CQRCB	16.31%	16.55%	0.49	0.45
HSB	16.04%	15.96%	0.34	0.31
HZB	12.78%	14.28%	0.69	0.71
GRCB	12.84%	11.79%	0.32	0.26
BOTJ	12.38%	14.12%	0.43	0.46
BOJZ	19.76%	28.03%	0.59	0.66
HRBB	14.09%	14.36%	0.24	0.22
ZYB	9.63%	8.87%	0.10	0.09
BOZZ	20.80%	22.84%	0.43	0.40
GYB	17.38%	21.06%	0.83	0.86
BOCQ	18.66%	18.64%	0.72	0.65
BQD	14.44%	14.98%	0.31	0.31
JTRCB	12.17%	16.98%	0.18	0.26
CRCB	11.42%	12.68%	0.26	0.26
WXRCB	11.76%	12.72%	0.28	0.28
JYRCB	8.08%	9.78%	0.20	0.23
ZRCB	9.02%	9.46%	0.20	0.20
WJRCB	10.96%	11.68%	0.30	0.30
Average	14.80%	16.05%	0.54	0.53

Source: The banks' 2017 half-year reports and 2016 annual reports, KPMG China research.

Appendix - Operating income

RMB million	Net interest income		Net commission and fee income		Investment income		Other operating income		Operating income	
	Jan-Jun 2017	Jan-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jan-Jun 2017	Jan-Jun 2016
ICBC	250,922	234,280	76,670	81,715	3,787	4,114	30,772	37,561	362,151	357,670
CCB	217,854	210,990	68,080	67,190	2,045	10,879	32,409	43,793	320,388	332,852
ABC	211,323	198,957	42,465	51,108	2,218	1,498	20,947	8,822	276,953	260,385
BOC	165,042	154,858	49,187	47,827	8,000	37,853	26,007	21,357	248,236	261,895
BCM	62,708	68,148	21,261	20,964	3,015	894	16,704	13,333	103,688	103,339
PSBC	87,514	81,637	7,033	5,866	9,835	4,264	1,591	1,519	105,973	93,286
CIB	44,003	58,878	18,310	17,139	3,190	8,702	2,604	-3,849	68,107	80,870
CMB	70,896	67,477	34,750	37,779	4,409	8,283	2,611	-620	112,666	112,919
SPDB	51,803	55,115	24,154	22,288	6,138	3,710	1,259	1,059	83,354	82,172
CMBC	41,115	47,438	24,477	28,059	2,621	6,007	2,322	-3,553	70,535	77,951
CNCB	49,494	53,436	22,761	21,296	2,452	3,072	1,873	401	76,580	78,205
CEB	30,383	32,625	15,992	13,898	-69	10	28	435	46,334	46,968
PAB	37,361	37,595	15,748	15,049	739	1,608	225	517	54,073	54,769
HXB	24,003	24,110	9,020	6,926	143	335	182	-166	33,348	31,205
BOB	19,049	18,249	7,218	5,996	169	387	62	23	26,498	24,655
BOJS	13,833	12,678	3,192	3,385	87	20	-92	86	17,020	16,169
BOSH	9,205	13,880	3,190	3,336	4,050	451	-1,051	301	15,394	17,968
CZB	12,385	11,962	5,090	3,207	547	584	-73	211	17,949	15,964
BON	10,150	11,552	1,615	2,631	255	719	405	75	12,425	14,977
SJB	5,470	6,485	1,068	858	41	425	-109	20	6,470	7,788
BONB	8,603	8,619	3,332	3,128	516	650	-135	-351	12,316	12,046
CQRCB	10,271	9,787	1,155	1,178	-	101	19	33	11,445	11,099
HSB	9,575	8,904	1,470	1,258	35	64	-190	21	10,890	10,247
HZB	5,911	6,038	741	904	138	-38	-207	-101	6,583	6,803
GRCB	6,051	4,943	1,065	1,235	-1,336	69	462	667	6,242	6,914
BOTJ	4,299	5,785	1,051	705	2	23	-73	16	5,279	6,529
BOJZ	8,387	7,372	401	423	17	9	-273	47	8,532	7,851
HRBB	6,324	5,413	1,213	1,263	-41	64	-24	179	7,472	6,919
ZYB	5,614	5,454	276	156	-2	2	-12	-105	5,876	5,507
BOZZ	4,060	3,940	909	592	52	177	-142	14	4,879	4,723
GYB	5,053	3,744	627	471	-4	155	5	1	5,681	4,371
BOCQ	4,033	3,927	848	949	201	4	38	10	5,120	4,890
BQD	2,345	2,447	518	474	-8	38	-20	12	2,835	2,971
JTRCB	2,188	2,062	334	261	272	277	87	55	2,881	2,655
CRCB	2,095	1,889	185	133	57	70	25	11	2,362	2,103
WXRCB	1,242	1,102	119	91	45	35	-20	-	1,386	1,228
JYRCB	994	1,113	30	31	156	38	-7	2	1,173	1,184
ZRCB	1,027	908	69	61	98	215	9	5	1,203	1,189
WJRCB	1,232	1,057	41	27	85	54	6	7	1,364	1,145
Total	1,503,817	1,484,854	465,665	469,857	53,955	95,822	138,224	121,848	2,161,661	2,172,381

Source: The banks' 2017 half-year reports and 2016 annual reports, KPMG China research.

Appendix - Net interest margin and net interest spread

%	Net interest margin		Net interest spread	
	Jan-Jun 2017	Jan-Jun 2016	Jan-Jun 2017	Jan-Jun 2016
ICBC	2.16%	2.21%	2.03%	2.07%
CCB	2.14%	2.32%	2.03%	2.15%
ABC	2.24%	2.31%	2.11%	2.16%
BOC	1.84%	1.90%	N/A	N/A
BCM	1.57%	1.97%	1.44%	1.83%
PSBC	2.31%	2.30%	2.38%	2.34%
CIB	1.75%	2.27%	1.48%	2.03%
CMB	2.43%	2.58%	2.31%	2.45%
SPDB	1.82%	2.14%	1.69%	1.99%
CMBC	1.40%	2.01%	1.27%	1.88%
CNCB	1.77%	2.05%	1.62%	1.93%
CEB	1.52%	1.88%	1.32%	1.68%
PAB	2.45%	2.83%	2.29%	2.66%
HXB	2.10%	2.48%	1.96%	2.34%
BOJS	1.60%	N/A	1.46%	N/A
BOSH	1.20%	1.83%	1.32%	1.73%
CZB	1.75%	2.10%	1.57%	1.91%
BON	1.87%	2.44%	1.74%	2.30%
SJB	1.53%	1.97%	1.42%	1.85%
BONB	1.96%	2.04%	1.98%	2.05%
CQRCB	2.59%	2.85%	2.42%	2.70%
HSB	2.32%	2.69%	2.18%	2.51%
HZB	1.63%	2.12%	1.55%	1.95%
GRCB	1.73%	1.93%	1.68%	2.02%
BOTJ	1.31%	2.06%	0.90%	1.76%
BOJZ	2.80%	3.78%	2.51%	3.49%
HRBB	2.42%	2.68%	2.23%	2.49%
ZYB	2.80%	3.49%	2.63%	3.28%
BOZZ	2.20%	2.77%	2.05%	2.59%
GYB	2.64%	N/A	2.53%	N/A
BOCQ	2.15%	2.47%	1.93%	2.26%
BQD	1.79%	2.36%	1.62%	2.17%
JTRCB	2.21%	2.56%	2.03%	2.41%
CRCB	2.93%	N/A	2.73%	N/A
WXRCB	2.07%	2.02%	1.81%	1.77%
JYRCB	2.07%	2.49%	1.97%	2.35%
ZRCB	2.24%	2.17%	2.04%	1.90%
Average	2.04%	2.36%	1.90%	2.21%

Note: BOB and WJRCB did not disclose relevant data.

Source: The banks' 2017 half-year reports and 2016 annual reports, KPMG China research.

Glossary of abbreviated terms

Bank names

- ICBC – Industrial and Commercial Bank of China
- CCB – China Construction Bank
- ABC – Agricultural Bank of China
- BOC – Bank of China
- BCM – Bank of Communications
- PSBC – Postal Savings Bank of China
- CIB – Industrial Bank
- CMB – China Merchants Bank
- SPDB – Shanghai Pudong Development Bank
- CMBC – China Minsheng Bank
- CNCB – China CITIC Bank
- CEB – China Everbright Bank
- PAB – PingAn Bank
- HXB – Hua Xia Bank
- BOB – Bank of Beijing
- BOJS – Bank of Jiangsu
- BOSH – Bank of Shanghai
- CZB – China Zheshang Bank
- BON – Bank of Nanjing
- SJB – Shengjing Bank
- NBCB – Bank of Ningbo
- CQRCB – Chongqing Rural Commercial
- HSB – Huishang Bank
- HZB – Bank of Hangzhou
- GZRCB – Guangzhou Rural Commercial Bank
- BOTJ – Bank of Tianjin
- BOJZ – Bank of Jinzhou
- HRBB – Harbin Bank
- ZYB – Zhongyuan Bank
- BOZZ – Bank of Zhengzhou
- GYB – Bank of Guiyang
- CQCB – Bank of Chongqing
- BQD – Bank of Qingdao
- JTRCB – Jiutai Rural Commercial Bank
- CRCB – Changshu Rural Commercial Bank
- WXRCB – Wuxi Rural Commercial Bank
- JYRCB – Jiangyin Rural Commercial Bank
- ZRCB – Rural Commercial Bank of Zhangjiagang
- WJRCB – Wujiang Rural Commercial Bank

General terms

- MOF – Ministry of Finance
- PBOC – People's Bank of China
- CBRC – China Banking Regulatory Commission
- NIM – Net interest margin
- SSE – Shanghai Stock Exchange
- HKEX – Hong Kong Exchanges

NOTE: As at 30 June 2017, there were 25 A-share listed banks. They are ICBC, CCB, ABC, BOC, BCM, CIB, CMB, SPDB, CMBC, CNCB, CEB, PAB, HXB, BOB, BOJS, BOSH,BON, NBCB, HZB, GYB , CRCB ,WXRCB, JYRCB, ZRCB and WJRCB. Of these, ICBC, CCB , ABC, BOC, BCM, CMB ,CMBC, CNCB and CEB are listed on both the SSE and HKEX. PAB, NBCB, JYRCB and ZRCB are listed on the Shenzhen Stock Exchange. The rest are listed on the SSE.

As at 30 June 2017, there were 14 H-share listed banks. They are PSBC, CZB, SJB, CQRCB, HSB, GZRCB, BOTJ, BOJZ, HRBB, ZYB, BOZZ, CQCB, BQD and JTRCB.

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KPMG China operates in 16 cities across China, with around 10,000 partners and staff in Beijing, Beijing Zhongguancun, Chengdu, Chongqing, Foshan, Fuzhou, Guangzhou, Hangzhou, Nanjing, Qingdao, Shanghai, Shenyang, Shenzhen, Tianjin, Xiamen, Hong Kong SAR and Macau SAR.

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