Seizing Opportunities for Change and Progress

Mainland China Banking Survey 2022 Summary

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Foreword

Tony Cheung

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Like the rest of the world, in 2022, China has been grappling with increasing uncertainty in the face of geopolitical issues and extreme climate events; and new challenges are emerging as the country tries to stabilise its economic growth, financial sector and employment. This year, China will pursue progress while maintaining stability after a successful start to the 14th Five-Year Plan last year. The year 2022 marks the first year following the transition period for the new asset management regulations, the year in which the registration-based IPO system will be fully rolled out, and the year in which the "1+N" policy framework will be implemented for carbon peaking and neutrality. Against this backdrop, the financial industry is entering uncharted waters as it adheres to its fundamental mission of serving the real economy while also undergoing digital transformation. The industry's current stage of development is a momentous one that is characterised by intelligent services, scenario-based operations, omni-channel operations, open platforms and deeper integration. However, in a changing market, it is always a challenge for industry participants to prepare strategic plans and capture the right opportunities for change.

In this report, we will focus on the opportunities and challenges for banks in the digital era and discuss important topics from three perspectives: business reshaping, technology initiatives and risk frontier. In addition, we will share comprehensive insights and expert recommendations on China's banking industry to help banks identify opportunities and forge ahead.

Sam Shi

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At present, China's banking industry is embarking on a "new voyage" in its pursuit of high-quality development and digital transformation. For two years since the outbreak of COVID-19, banking institutions have been increasingly constrained by the inadequate integration of their digital transformations with advances in innovative technologies. Issues on the table span a range of areas—from a business perspective, the overall implementation of strategic solutions, the construction of customer experience management systems, green transformation, intelligent tax, and business process re-engineering; from a technology perspective, technology empowerment, data-empowered talent cultivation, digitalisation of customer services, and data governance; and from a risk perspective, changes in liability management, advanced anti-money laundering (AML) management, protection of financial consumer rights, and responses to climate risks. Meanwhile, as strategic business planning evolves, emerging industries and service models for key areas are also improving. Against this backdrop, commercial banks are gaining momentum for further reform and transformation, and they are implementing innovative strategies to promote green finance and inclusive finance and accelerate the business and digital transformation of their wealth management services.

In the coming years, banks still have a long way to go before reaching full digitalisation. They need to go to greater lengths to tap the value of data, improve financial technology (fintech) governance, promote core technologies and build digital infrastructure. Only banks that accurately identify new developments, respond to them in a systematic way, and take the initiative to make changes will be able to capture opportunities, overcome challenges and ultimately make progress.

Thomas Chan

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Recurring COVID-19 pandemic outbreaks in China and international geopolitical issues are posing new challenges to China's financial stability. As major players in the country's financial system, banks need to possess robust risk resistance capabilities so that they can help maintain financial stability. Against this backdrop, domestic regulators are strengthening and refining their policies, with an increasing focus on "risk prevention." In response to this policy trend, commercial banks should strengthen their business management and risk resistance capabilities and focus on AML management, green finance, corporate governance, digital transformation and financial standardisation. As financial digitalisation and green transformation continue, banks should be aware of new risks that are arising in relation to information technology (IT) and the climate, and they should be more proactive in balancing the development of innovative business with risk prevention.

In this report, we share with banks our experience and insights on liability management, AML management, protection of financial consumer rights and climate risk management. Going forward, we hope that the banking industry will adhere to its strategy of digital and lightweight transformation, increase investment in sustainable development, and enhance its risk management capabilities. By following this path, we believe banks can gain a competitive edge and identify opportunities amid the current complexities in economic and financial development.

Raymond Li

Partner, Financial Services
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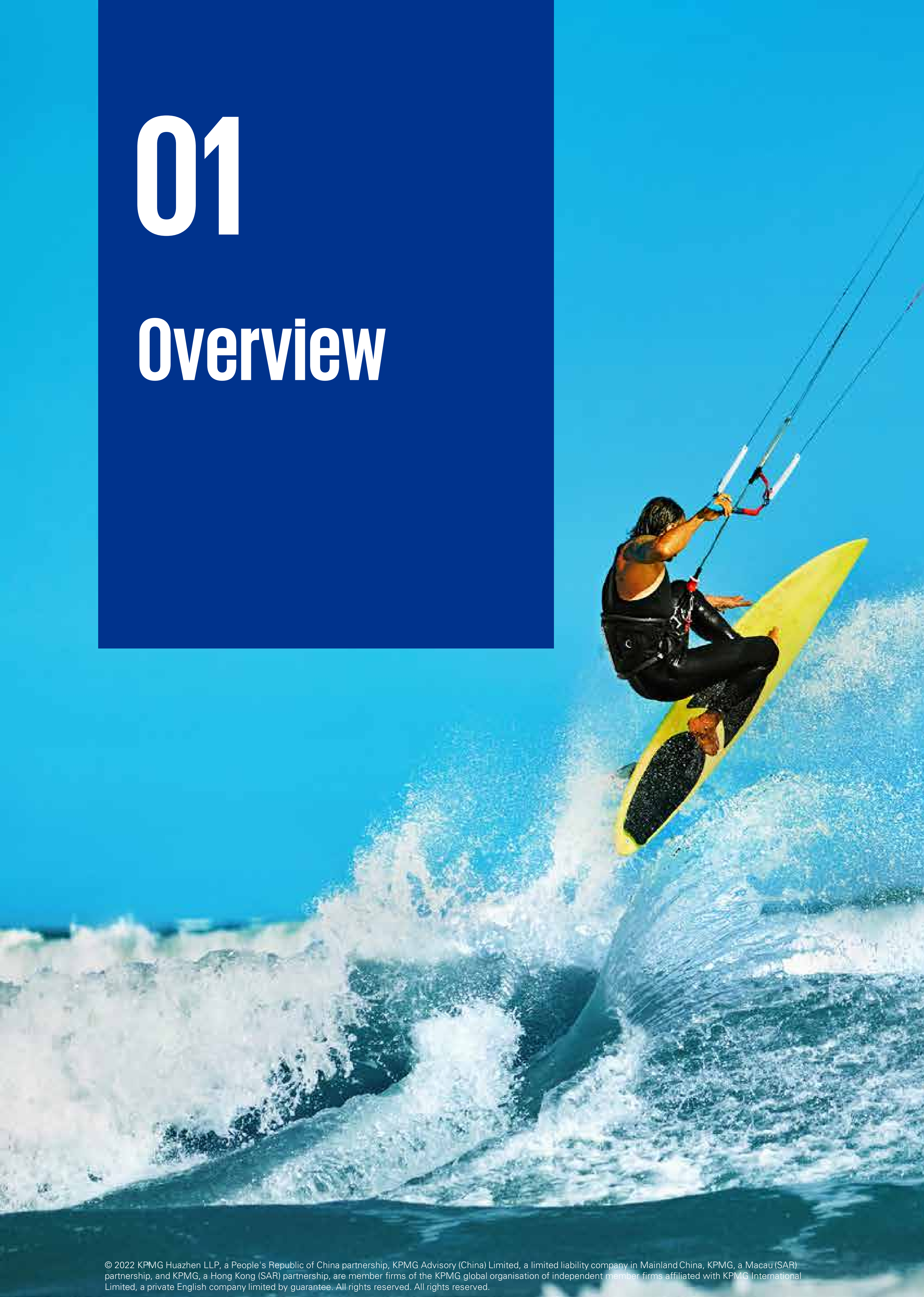
This report is the 16th annual survey that KPMG has published for China's banking industry. In this edition, we describe how the pace of asset expansion in the country's banking sector slowed in 2021 despite adjustments to macroeconomic policies; and we also analyse the five major forces that will drive the development of commercial banks for the foreseeable future amid the growing complexity both within and outside China: stronger credit support, better services for the real economy, higher financial stability, better protection of financial consumers' rights, and the comprehensive digital transformation of banks. In part two of the report, professionals with extensive experience in banking strategic planning, wealth management, fintech, risk management and tax analyse and provide insights into important topics such as the implementation of banks' digitalisation strategies, wealth management, digital operations, the regional development of banks in the Greater Bay Area (GBA), green transformation, AML management, tax issues, and climate risk from the three perspectives of business reshaping, technology initiatives and risk frontier. We also share our insights into banks' digital transformations and propose our own solutions to the changes that are ongoing in this area. Finally, in part three of the report, our professional team delves into the performance and key indicators of 200 listed and non-listed commercial banks in 2021, covering their scale of business, profitability, asset quality and capital adequacy.

Overall, we hope to use our experience to provide professional insights and relevant cases that are widely applicable to the commercial banking industry. The future is here, and we look forward to serving as a steadfast partner to banks as they navigate changing trends and make new achievements.

01

Overview



1 Economic and financial review and outlook

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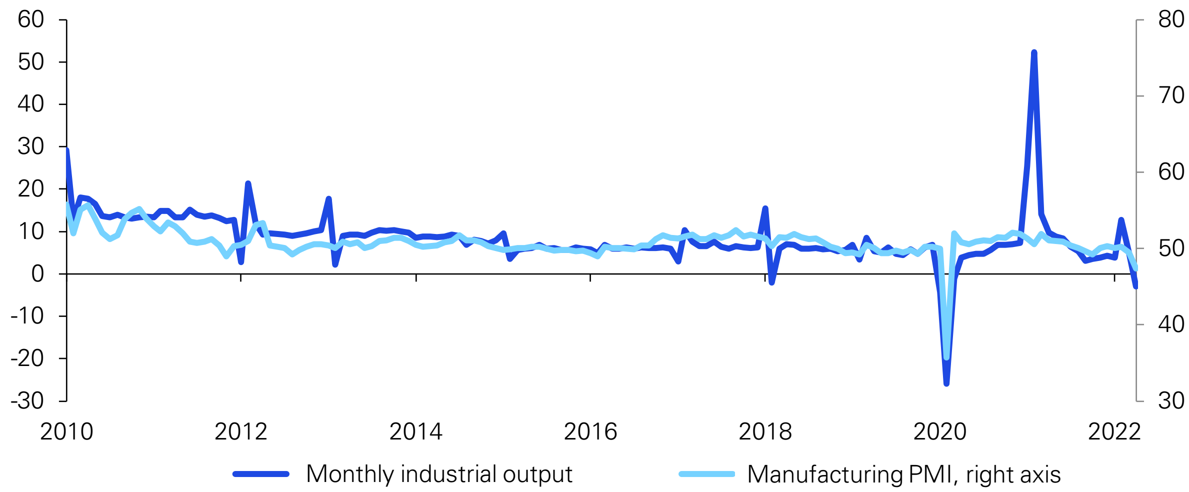
Recovery momentum slows under the threat of the pandemic, with the economy facing a higher risk of recession

In 2021, China's economic recovery generally maintained its momentum, but growth was flat during the second half of 2021, and the year concluded with year-on-year (YOY) economic growth of 8.1%. Thanks to this steady growth, China's GDP per capita reached USD 12,500 in 2021, above the world average and near the World Bank's definition of a high-income economy (gross national income per capita of USD 12,695 or more in 2021). China notched YOY growth of 4.8% in 2022 Q1, 0.8 percentage points higher than the increase in 2021 Q4. Recurring outbreaks of the pandemic caused by the highly transmissible Omicron variant started in March 2022, which were widespread and frequent and characterized by numerous asymptomatic infections. As a result, under its dynamic zero-COVID policy, China placed a number of major cities under "closed-off management" amid efforts to efficiently coordinate epidemic control with socio-economic development. Epidemic control measures are expected to have had a greater impact on the economy in 2022 Q2. At the same time, the global economy is also facing increasing uncertainty, such as commodity price volatility caused by geopolitical conflicts, continued disruptions to international supply chains, and more hawkish monetary policy in developed economies. As a result, China is facing a higher risk of recession in the near future, and macroeconomic policies are expected to play a more important role in supporting financial and monetary policies and stabilizing economic growth.

Stimulated by strong exports, in 2021, China's industrial production rapidly recovered, rising 9.6% from the previous year. Industrial output growth at China's major industrial companies slackened from January to April 2022, only increasing 4.0% YOY, which was lower than pre-COVID growth. As epidemic control measures were tightened, industrial output declined 2.9% YOY in April 2022, the first contraction recorded since April 2020. Meanwhile, since late March, China's Finished Vehicle Road Transport Price Index (FRPI) has declined significantly as cross-regional freight and logistics have been seriously disrupted by the spread of the epidemic, with the FRPI dropping 26.6% YOY in April. In addition, supplier delivery times in the China Manufacturing Purchasing Managers Index (PMI) fell from 48.2 in February to 37.2 in April, the second lowest figure on record since February 2020, indicating delays in suppliers' deliveries of manufacturing raw materials. To ensure smooth transportation of important manufacturing materials, alleviate bottlenecks along freight routes, and stabilise the supply chain for industrial production, the government has taken measures to boost freight and logistics across the country by ensuring normal operation of ports and airports, encouraging manufacturing enterprises to resume closed-loop production and issuing national passes. In April, PMI fell to 47.4 in April, continuing its decline from March (Figure 1). Going forward, disruptions to logistics and supply chains are expected to have a significant impact on industrial production in the short term.

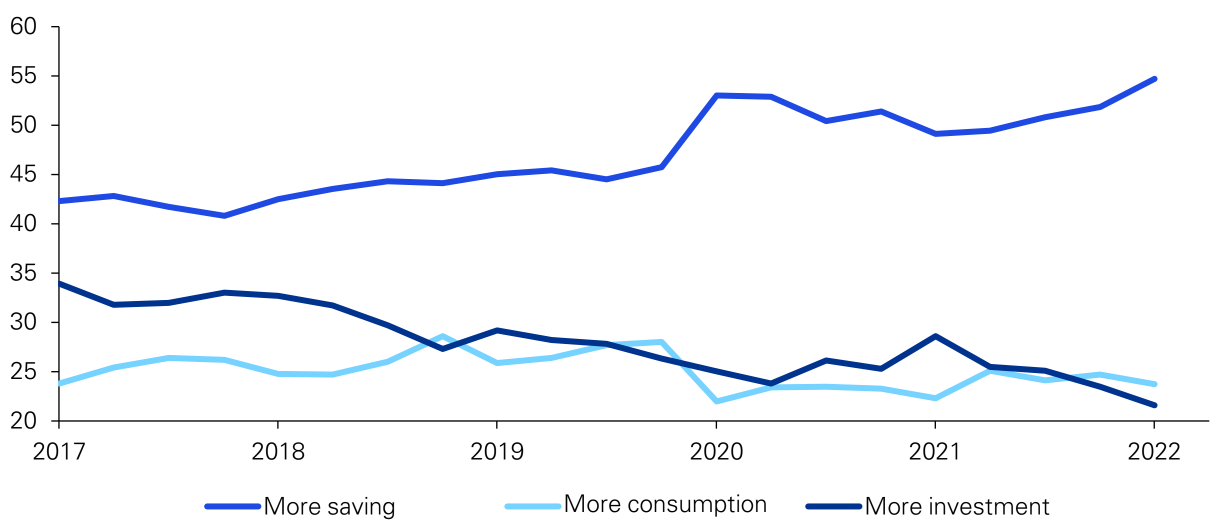
Figure 1 **Industrial output and manufacturing PMI**



Source: Wind and KPMG analysis

As a major driver of economic development in China, consumption contributes the most to economic growth. Due to pandemic developments and control policies, the consumer sectors, especially contact-based services, have experienced a sluggish recovery. As epidemic control measures tightened in response to the resurgence of COVID-19, service sectors such as catering, hospitality and tourism again shouldered the brunt of the impact. Total retail sales of consumer goods decreased by 11.1% in April 2022, and sales in the catering sector in particular plunged by 22.7%. Also in April, retail sales of consumer goods of companies above the designated size fell by more than 30% YOY in the Yangtze River Delta and Northeastern region, where the impact of the pandemic was felt most acutely. Unfortunately, residents' willingness to consume has not yet recovered. According to the Urban Depositor Survey[1] conducted by the People's Bank of China (PBOC) in Q1, 23.7% of people were inclined to consume more, down 1 percentage point from the previous quarter and lower than the pre-COVID level; and only 21.6% of people were inclined to invest more, the lowest number on record since 2009 when the PBOC first conducted the survey. Meanwhile, respondents who wanted to save more reached a record high of 54.7%, up 2.9 percentage points from the previous quarter (Figure 2). Residents are still cautious when it comes to spending on consumption and investment, and consumption is unlikely to rebound until the pandemic has been fully brought under control.

Figure 2 **PBOC quarterly urban depositor survey (%)**



Source: Wind and KPMG analysis

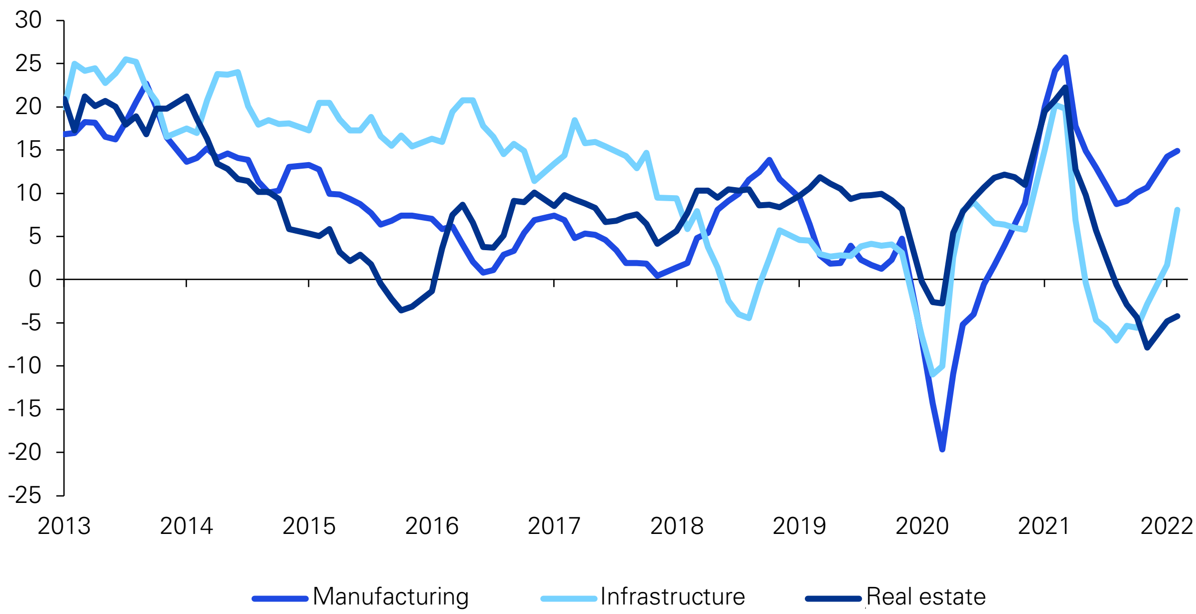
[1] 2021 Urban Depositor Survey in Q1 2022 (《2022 年第一季度城镇储户问卷调查报告》), the People's Bank of China (PBOC) , March 2022, http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/4520008/2022033014390154481.pdf

Interestingly, pandemic prevention and control efforts are converting demand for certain physical products from offline to online channels, causing online retail sales to account for 23.8% of total retail sales in April, up 1.6% YOY. Despite the significant YOY decline in car sales, new energy vehicles (NEVs) maintained strong YOY growth, with NEV sales as a share of total car sales rising. Specifically, NEV sales in March and April accounted for more than 20% of overall car sales, marking an early achievement of the goal set in the *New Energy Vehicle Industry Development Plan (2021-2035),* which called for raising NEV sales in China to 20% of overall new car sales by 2025. In view of pandemic prevention efforts and the sluggish economy, residents' willingness to consume needs to be stimulated in the short term, and more relief should be granted to support the catering and retail industries. In addition, smooth logistics should be guaranteed, and green consumption in areas such as NEVs and energy-efficient appliances should be promoted to stabilise consumer confidence and facilitate the recovery of the consumer market.

Among the three pillars of investment, manufacturing and infrastructure investment are picking up steadily; and real estate investment is still declining (Figure 3) under tighter liquidity conditions, although the decline in the growth rate has been subsiding since the beginning of 2022. A positive sign of recovery can also be observed in manufacturing investment. This is partly due to the fact that the machinery and equipment manufacturing and computer communications industries have maintained investment growth with the support of strong export demand; and partly due to policy support for the high-quality development of the manufacturing industry, which has resulted in increased investment in high-tech industries. Going forward, technological innovation, transformation and upgrading, and green and low-carbon fields are expected to be the focus areas of corporate investment, and these areas will drive rapid growth in manufacturing investment. Due to the low base effect and macroeconomic policy support, infrastructure investment has also grown significantly and become a key lever in stabilizing the economy.

Real estate investment has been dwindling since the second half of 2021. As COVID-19 cases have resurged since March 2022, residents' intention to purchase homes has been further dampened, and real estate developers are reluctant to acquire land for future development under tighter liquidity conditions. Against this backdrop, since early 2022, local governments have been introducing favourable to support the real estate industry. During the period from January to April 2022, authorities have released 137 relaxation policies, including relaxation of limitations on purchases and sales, lower thresholds for using the housing fund, reduced percentages for down payments, and more favourable talent attraction policies. These relaxation policies account for 68% of real estate regulation policies issued during the period, demonstrating the significant loosening of real estate regulation. In this context, real estate sales and investment are expected to stabilise during the second half of 2022.

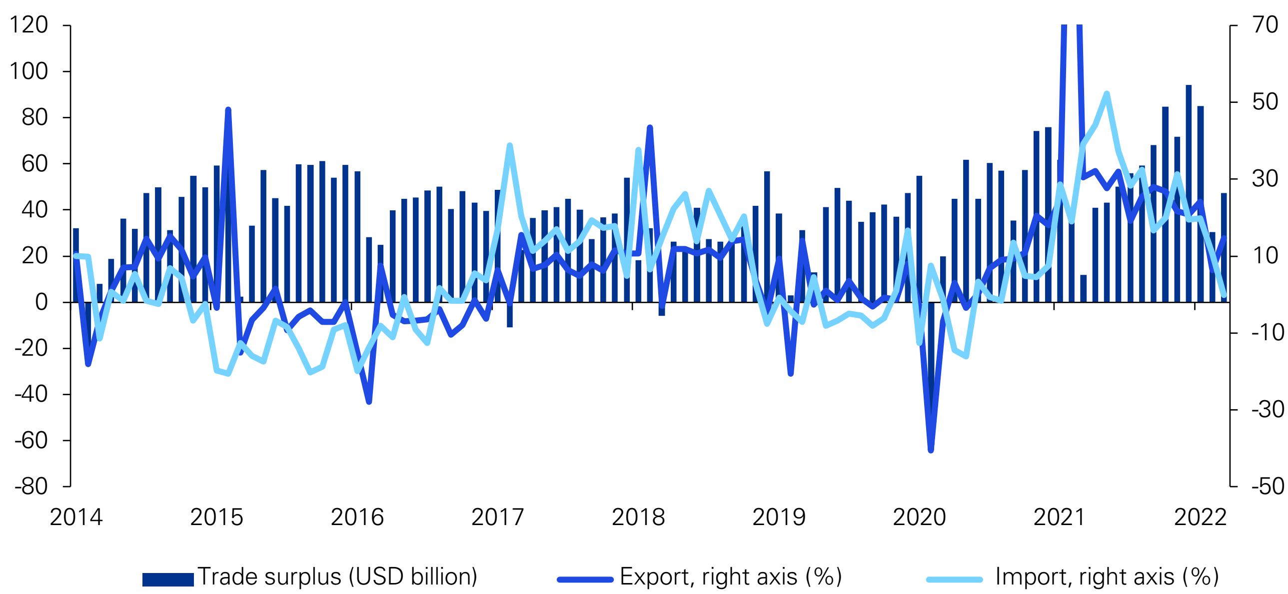
Figure 3 **Monthly moving weighted average fixed asset investment by sector (%)**



Source: Wind and KPMG analysis

China has recently registered rapid growth in exports, and its exports as a share of the total value of world trade in goods over the last 2 years has been increasing as COVID-19 has spread abroad. However, during the period from January to April 2022, export growth slowed to 12.5%, which was 17 percentage points lower than the figure recorded in 2021 (Figure 4). The Port of Shanghai, the Port of Ningbo-Zhoushan and the Port of Shenzhen are China's three major ports, and their total container throughput accounts for 43% of the total throughput of coastal ports. Unfortunately, reduced customs clearance efficiency at the Port of Shanghai and Port of Shenzhen due to the resurgence of COVID-19 since March has had an adverse impact on exports. Meanwhile, YOY import growth declined from 30% in 2021 to 7.1% as of the end of April 2022, mainly as a result of weaker domestic demand due to stringent pandemic prevention measures in China, delays in customs declaration due to port congestion, and lower import demand due to increases in global energy prices. As other countries resume work and production more quickly, the demand for Chinese exports as a replacement for local alternatives will abate. Combined with the 2021 base effect, we expect China's export growth to continue to slow. However, in general, the country's export activity will continue to be resilient as international demand for Chinese products will remain strong during the global recovery.

Figure 4 **Monthly import and export activity**



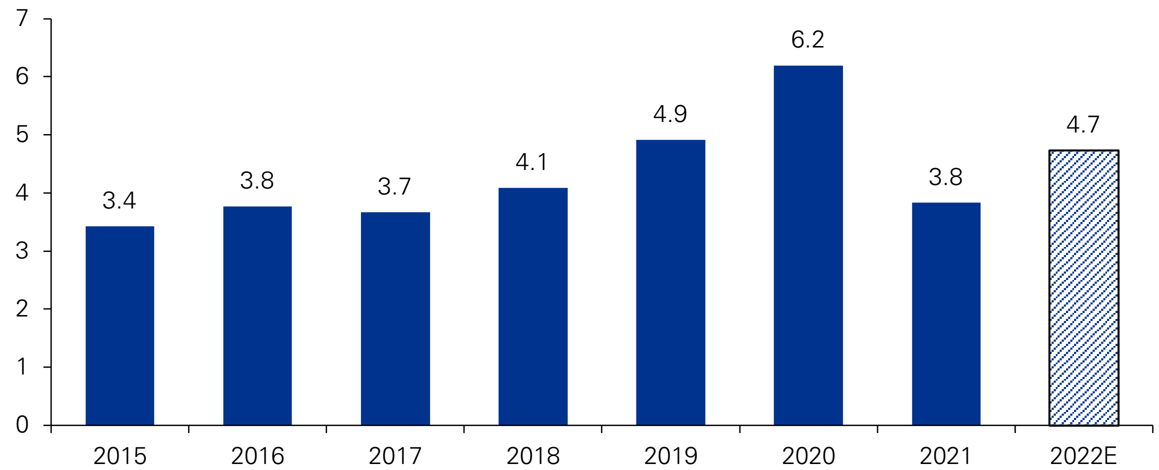
Source: Wind and KPMG analysis

Effective macroeconomic policies will stabilise economic growth

To deal with the economic downturn, macroeconomic policies have been introduced to ensure the stable growth of the economy. At a meeting on 29 April 2022, the Political Bureau of Central Committee of the Communist Party of China called for intensifying adjustments to macroeconomic policies, ensuring economic stability, striving to achieve economic and social development goals for the year, and keeping economic growth within a reasonable range.

In terms of fiscal policies, total government expenditure is budgeted to increase by more than RMB 2 trillion in 2021 to RMB 26.7 trillion in 2022, representing YOY growth of 8.4%, which is significantly higher than the 0.3% recorded last year. This increase will cause the actual deficit-to-GDP ratio (funds transferred and carried forward excluded) to rise by 1 percentage point from 3.8% last year (Figure 5). As of the end of April 2022, total government expenditure had increased by approximately RMB 450 billion YOY. More government expenditure has been budgeted to protect people's livelihood; and expenditure to improve social security and people's well-being in areas such as employment, education, and medical care has increased notably from 37% of total government expenditure in 2021 to 41% in 2022.

Figure 5 **Historical deficit-to-GDP ratios (funds transferred and carried forward excluded) (%)**



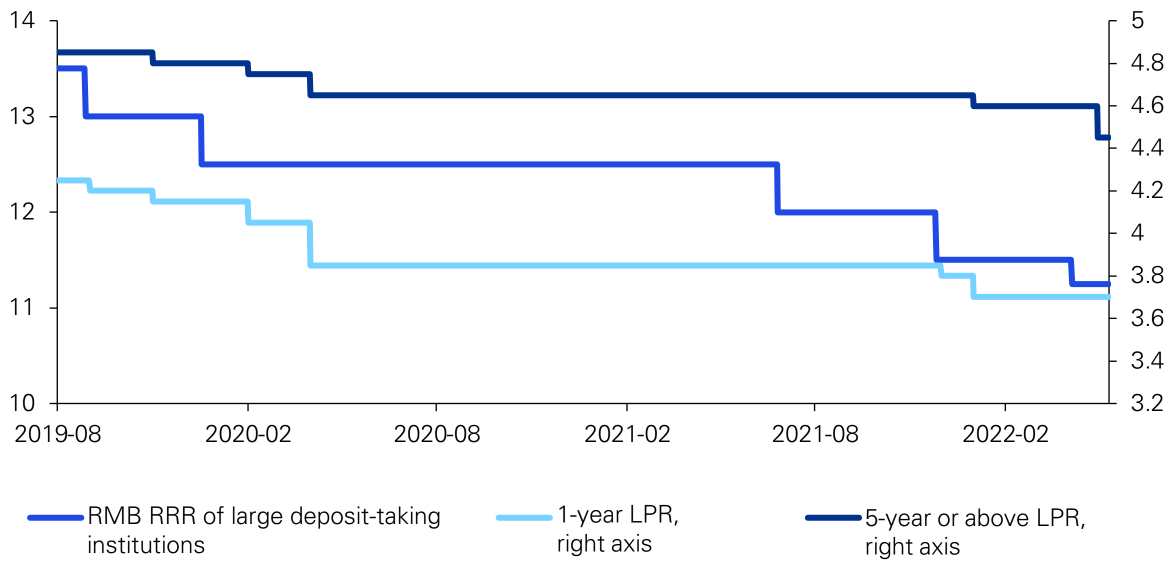
Source: Wind, Ministry of Finance and KPMG analysis

Note: 2022 figures are estimates

As unused special bond quotas from last year were carried forward, the amount of special bond funds available to local governments is higher in 2022 compared to last year. Meanwhile, the central government's transfer payments to local governments will increase by RMB 1.5 trillion compared to the budget last year to RMB 9.8 trillion. The increased funds available for the use of local governments this year will serve as an effective multiplier and maximize government investment. Local governments have been making great effort in reserving projects funded by special bonds, and a total of 71,000 projects have been reserved in two batches to raise the efficiency of fund usage. As of mid-May 2022, local governments across China had issued additional special bonds of nearly RMB 1.6 trillion, or 44% of the total annual quota of RMB 3.65 trillion, indicating a much faster pace of bond issuance than in previous years. On 26 April, infrastructure was emphasised as an important pillar of economic and social development at the 11th meeting of the Central Committee for Financial and Economic Affairs. Going forward, government expenditures, combined with faster issuance of special bonds, will become an important lever to promote infrastructure investment and stabilising the economy.

In the context of monetary policy, the PBOC has introduced a series of policies to stabilise economic development since December 2021. For example, the required reserve ratio (RRR) has been cut twice to release RMB 1.73 trillion in funds; the interest rates for 1-year medium-term lending facilities (MLF) and 7-day reverse repos have been reduced once; and the 1-year and 5-year loan prime rates (LPR) have been reduced. On 20 May 2022, the PBOC cut the 5-year LPR by 15 basis points again; this was the first time that the 5-year LPR had been singled out for a cut, and also the largest LPR cut since the PBOC revamped the LPR's pricing mechanism in August 2019 (Figure 6). Despite abundant liquidity in China, demand for financing remains slack under the impact of the COVID-19 resurgence and the economic downturn. However, the government has demonstrated its determination to support the stability of the real estate market by cutting interest rates for the medium and long-term LPR. These cuts will also help reduce financing costs for the real economy, promote demand for medium- and long-term financing, and improve the credit structure. We should note that China's monetary policy, which focuses on domestic concerns, is well-suited to the actual status of economic development in China. However, the room for China to adjust its monetary policy is narrowing as developed economies speed up the introduction of restrictive monetary policies. As a result, the PBOC needs to strike a balance between domestic and international needs as it promotes economic growth and stabilises exchange rates and the balance of payments.

Figure 6 **RMB RRR and LPR movements (%)**



Source: Wind and KPMG analysis

On 15 May 2022, the PBOC and the China Banking and Insurance Regulatory Commission (CBIRC) issued differentiated personal home loan policies. According to the policies, the interest rate floor for first-home personal loans should be no less than the LPR for corresponding maturities minus 20 basis points. Meanwhile, the rate floor for second-home personal home loans should adhere to existing provisions. In this regard, interest rate pricing at the provincial level should be determined based on local conditions. Following the cuts to the first-home loan interest rate and the 5-year and over-5-year LPRs, the interest rate for first-home loans may fall to as low as 4.25%, which is almost 1 percentage point lower than the prevailing interest rate for first-home loans in major Chinese cities of 5.17% at the end of April. These interest rate cuts will reduce interest payments for residents on home loans, raise the demand for housing, and relieve downward pressure on the real estate market.

Going forward, we expect for monetary policy to serve as an increasingly effective tool. Apart from cutting the RRR and interest rates to reduce financing costs for the real economy, the PBOC will continue to use structural monetary policies to provide stronger support for key areas. Since 2021, the PBOC has released several refinancing tools to provide special support for certain sectors, including technological innovation refinancing, inclusive elderly-care refinancing, carbon-reduction support tools, and refinancing mechanisms for agriculture and small businesses (Table 1). The China Monetary Policy Report 2022 Q1 says that the market-oriented adjustment mechanism for deposit interest rates should also play an important role in this regard. In April 2022, a market-oriented adjustment mechanism for deposit interest rates was established under the PBOC's interest rate pricing and self-discipline program. Under this mechanism, member banks of the self-discipline program reasonably adjust their deposit interest rates based on the yield on China's 10-year government bond and 1-year LPR. The new mechanism helps banks price deposit interest rates on a more market-oriented basis and maintain healthy competition. Against the backdrop of a general decline in market interest rates, this move will also help banks stabilise debt costs and reduce effective interest rates on loans.

Table 1 **Major structural monetary policy tools recently adopted by the PBOC**

Timeline	Tools	Description
31 May 2022	The financial support proportion of inclusive loans granted to SMEs was increased from 1% to 2%	The financial support proportion of inclusive loans granted to SMEs was increased from 1% to 2%. In other words, the PBOC provides 2% of the increase in the balance of inclusive loans granted by relevant local corporate banks to micro- and small-sized enterprises (including inclusive micro- and small-sized loans formed through deferred repayment of principal and interest), so as to better guide and support local corporate banks to grant inclusive micro- and small-sized loans.
31 May 2022	The quota of emergency loans for civil aviation was increased by RMB 150 billion	The quota of emergency loans for civil aviation was increased by RMB 150 billion, and the scope of support was appropriately expanded to help struggling aviation enterprises tide over difficulties.
6 May 2022	RMB 100 billion in refinancing will be granted as soon as possible to support financing for the transportation, logistics and warehousing industries	As cross-regional industries such as transportation and logistics industries are heavily affected by the pandemic, the PBOC will grant RMB 100 billion in refinancing as soon as possible to support financing for the transportation, logistics and warehousing industries and address pain points and difficulties in pandemic prevention and control.
4 May 2022	Additional RMB 100 billion in refinancing to support clean and efficient use of coal	(1) In addition to the original RMB 200 billion refinancing facility granted by the PBOC, an additional RMB 100 billion will be granted to support the clean and efficient use of coal, raising the total refinancing facility to RMB 300 billion. (2) The additional refinancing facility is designated to support coal development and use, increase coal reserve capacity to support fields such as safe production and coal reserves, and guarantee coal supply for the power generation of coal-powered entities.
29 April 2022	RMB 40 billion in inclusive elderly-care refinancing (pilot)	(1) Granted through the direct funding mechanism of lending-before-borrowing (banks apply for funding at an amount equal to the principal) at a refinancing interest rate of 1.75% per year, which should be roughly the same as the market-quoted LPR for the same maturity. (2) Granted to inclusive elderly-care institutes. (3) Piloted in five provinces: Zhejiang, Jiangsu, Henan, Hebei and Jiangxi. (4) Pilot financial institutions include seven large national banks: China Development Bank (CDB), Export-Import Bank of China, Industrial and Commercial Bank of China (ICBC), Agricultural Bank of China (ABC), Bank of China (BOC), China Construction Bank (CCB), and Bank of Communications (BoCom).
28 April 2022	RMB 200 billion in technological innovation refinancing	(1) Granted through the direct funding mechanism of lending-before-borrowing (banks apply for funding at an amount equal to 60% of the principal) at a refinancing interest rate of 1.75% per year. (2) Scope of support includes technological enterprises such as hi-tech enterprises, small- and medium-sized enterprises that specialize in niche sectors, national technological innovation model enterprises, and leading enterprises specializing in one particular manufacturing sector. (3) Granted to 21 financial institutions, including CDB, policy banks, state-owned commercial banks, Postal Savings Bank of China (PSBC) and joint-stock commercial banks.
15 December 2021	Renewal and conversion of two refinancing tools	(1) Deferred repayment facilities for inclusive loans converted to inclusive loans granted to SMEs. During the period from 2022 to the end of June 2023, the PBOC provides 1% of the increase in the balance of qualified inclusive loans granted by local corporate banks to SMEs to encourage local banks to grant more inclusive loans to SMEs. (2) Since 2022, the support plan for inclusive credit loans has been terminated, and the RMB 400 billion that was earmarked to support inclusive credit loans has been incorporated into the refinancing facility to support agriculture and small businesses, and its quota has been increased accordingly (the PBOC cut the 1-year refinancing interest rate to support agriculture and small businesses by 0.25 percentage points to 2% on 7 December 2021).
17 November 2021	RMB 200 billion in refinancing to support clean and efficient use of coal	(1) Granted through the direct funding mechanism of lending-before-borrowing (banks apply for funding at an amount equal to the principal) at an interest rate roughly the same as the market-quoted LPR for the same maturity. (2) Scope of support includes seven sectors, including clean and efficient processing of coal.
8 November 2021	Carbon-reduction support tool	(1) No ceiling. (2) Granted through the direct funding mechanism of lending-before-borrowing (banks apply for funding at an amount equal to 60% of the principal) at a refinancing interest rate of 1.75% per year, which should be roughly the same as the market-quoted LPR for the same maturity. (3) Supports the three carbon-reduction sectors of clean energy, energy efficiency and environmental protection, and carbon reduction technologies.
9 September 2021	Additional RMB 300 billion refinancing facility to support small businesses	(1) Granted through the direct funding mechanism of lending-before-borrowing (banks apply for funding at an amount equal to the principal). (2) An average interest rate of approximately 5.5% is charged to loans granted by banks to SMEs and owner-operator businesses.

Source: People's Bank of China and KPMG analysis

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2 2021 review and 2022 outlook for the banking industry

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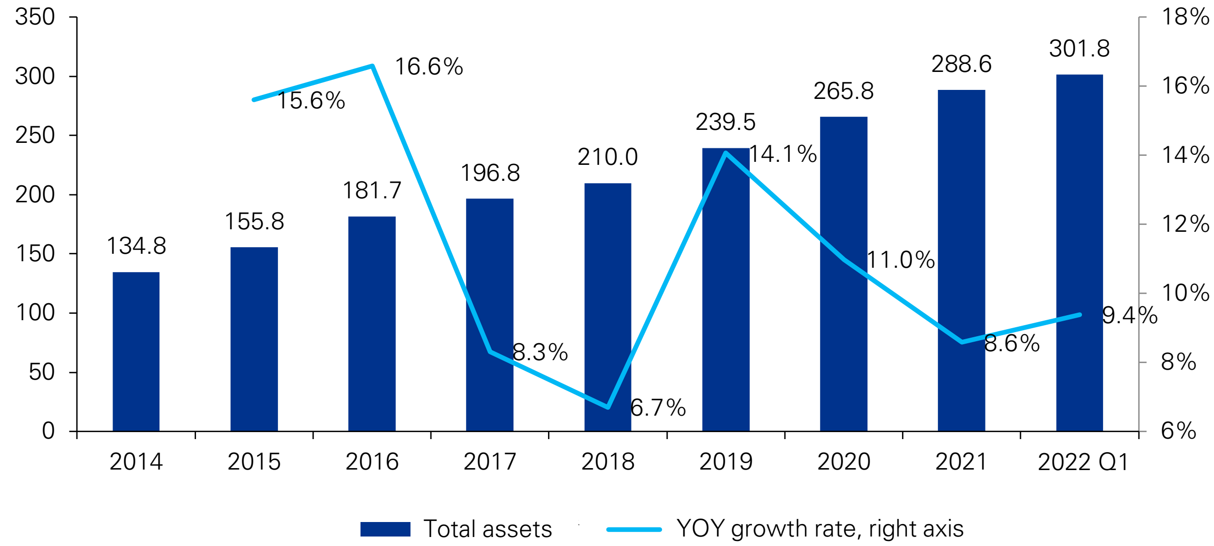
Macroeconomic policy in 2021 still focused on raising the quality and effectiveness of the financial industry's services for the real economy, deepening supply-side structural reform in the financial sector, preventing and mitigating financial risk, and regulating and rectifying key sectors. As a result, declining corporate financing costs have delivered significant support for the recovery of the real economy. Against this backdrop and in combination with the epidemic being brought under control and the slow but gradual recovery of the global economy, assets in China's banking industry continued to grow in 2021 but at a slower pace. During the year, the industry's performance was stable in general, with profitability and asset quality improving and capital remaining adequate.

Asset perspective

Total assets grow, although YOY growth slows

As at the end of 2021, total assets of commercial banks amounted to RMB 288.6 trillion, up 8.6% YOY, which was 2.4 percentage points lower than the growth rate in 2020. In other words, the rapid expansion of commercial banks' total assets that was seen in 2019 and 2020 has finally receded (Figure 7). Total assets at the end of 2022 Q1 stood at RMB 301.8 trillion, up 9% YOY and similar to the end of 2021. As pro-growth credit policies introduced at the end of May 2022 become effective, total assets in the banking industry are expected to surge again in 2022.

Figure 7 **Commercial banks' total assets (in RMB trillions)**

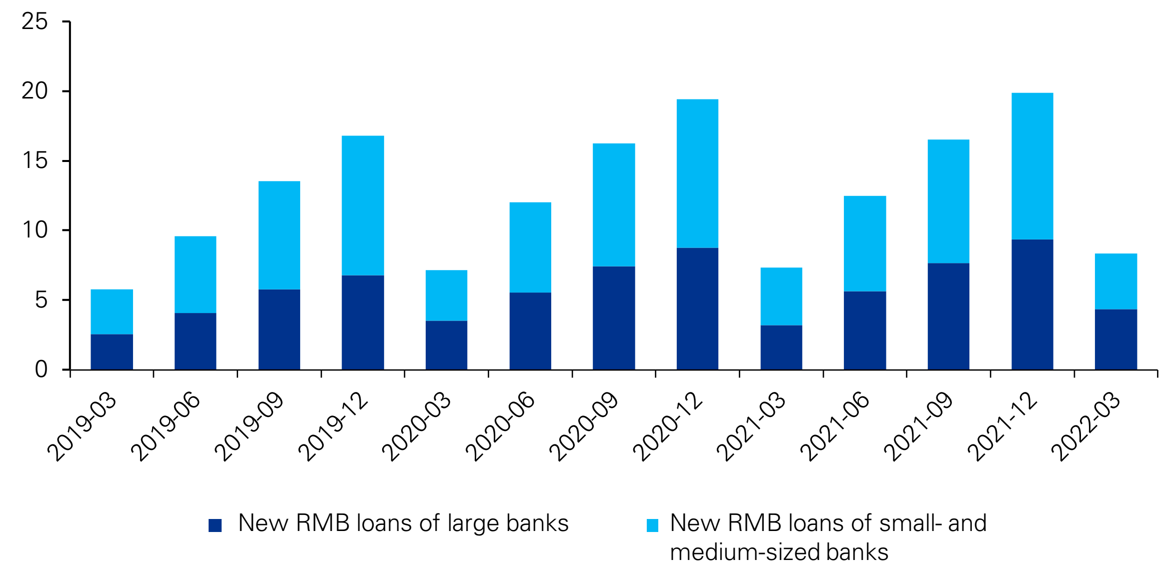


Source: Wind and KPMG analysis

The PBOC's statistics show that total new RMB loans granted by financial institutions stood at approximately RMB 20 trillion in 2021, similar to the total amount in 2020 after accounting for mild growth of 1.6% (Figure 8). Specifically, new RMB loans issued by Chinese-funded large banks[2] reached RMB 9.4 trillion in 2021, representing a YOY increase of 7%; while new RMB loans issued by Chinese-funded small- and medium-sized banks[3] amounted to RMB 10.5 trillion in 2021, representing a YOY decrease of 1.9%.

Total new RMB loans granted by financial institutions at the end of 2022 Q1 amounted to RMB 8.3 trillion, representing YOY growth of RMB 663.6 billion or 7.8%. During this period, new RMB loans issued by large banks increased by RMB 4.3 trillion, which was RMB 1.1 trillion or 35% higher than the increase in 2020. Meanwhile, new RMB loans issued by small- and medium-sized banks increased by RMB 4.0 trillion, which was RMB 101.9 billion or 2.5% lower than the increase in 2020.

Figure 8 **Quarterly new RMB loans of large and small- and medium-sized banks (in RMB trillions)**



Source: Wind and KPMG analysis

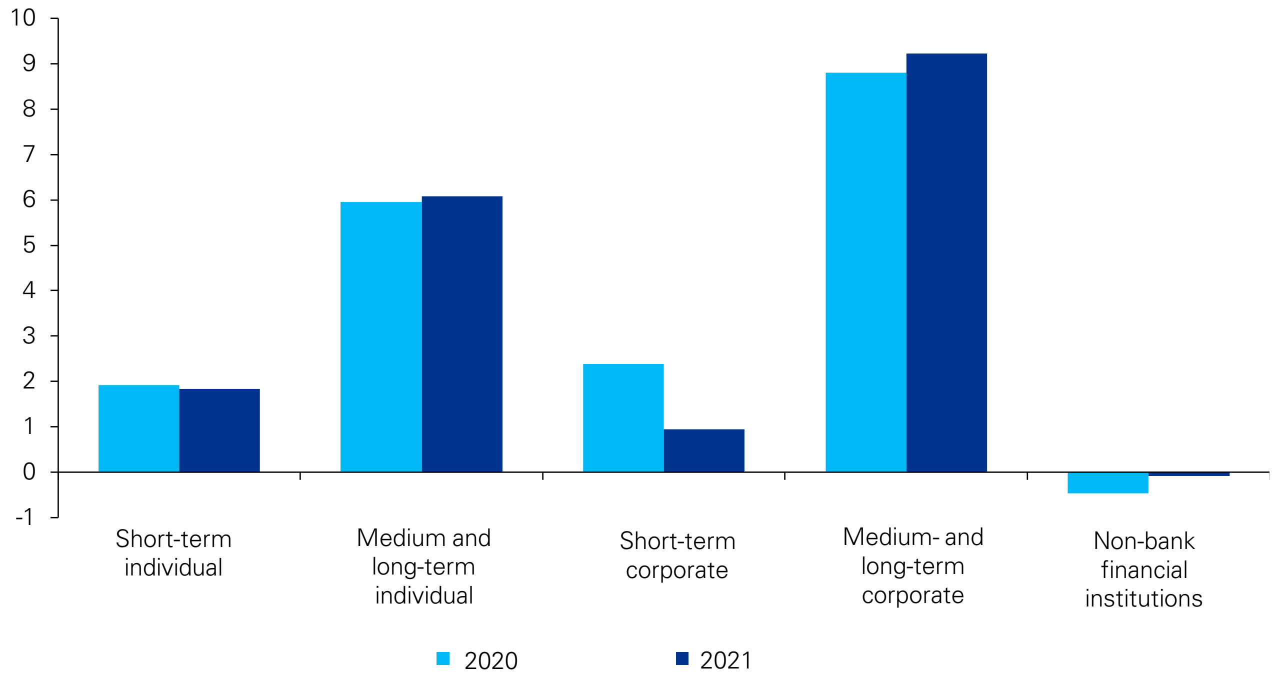
[2] Banks with total assets in domestic and foreign currencies of over RMB 2 trillion (total assets in domestic and foreign currencies of financial institutions at the end of 2008), including ICBC, CCB, ABC, BOC, CDB, BoCom and PSBC. Source of definition: People's Bank of China

[3] Cross-provincial banks with total assets in domestic and foreign currencies of under RMB 2 trillion (total assets in domestic and foreign currencies of financial institutions at the end of 2008). Source of definition: People's Bank of China

Medium- and long-term corporate loan growth decelerates for 3 consecutive quarters, and personal lending posts a weak performance

Structurally, 76% of the total RMB loans granted in 2021 consisted of medium- and long-term corporate and individual loans (Figure 9). From a sectoral perspective, medium- and long-term corporate loans grew by RMB 9.2 trillion in 2021, which was RMB 430 billion or 5% higher than the increase in 2020. Since July 2021, corporate credit demand has generally been weak due to the adverse impact on corporate production planning and operations brought by the resurgence of COVID-19 and the rise in commodity prices. In general, medium and long-term personal loans are primarily related to personal home loans. In 2021, medium- and long-term personal loans grew by RMB 6.1 trillion, which was RMB 130 billion or 2.2% higher than the increase in 2020. In the face of tightening real estate regulation during 2021 Q3, residents were not enthusiastic about purchasing real estate properties, causing medium- and long-term personal loans to decrease significantly. Afterwards, the partial relaxation of real estate regulation in certain regions during 2021 Q4 stimulated residents' purchase intentions, and medium and long-term personal loans grew as a result. On the whole, the increase in short-term personal loans in 2021 was RMB 80 billion lower than the increase in 2020. The weak performance of short-term personal lending in 2021 can be attributed to the resurgence of COVID-19 during the year and the lukewarm recovery in residents' incomes.

Figure 9 **Composition of new RMB loans (in RMB trillions)**



Source: Wind and KPMG analysis

Although short-term corporate loans saw a marked increase in 2022 Q1, long-term corporate loans and personal loans all declined during the quarter. From a sectoral perspective, the growth in short-term corporate loans in 2021 was RMB 1.0 trillion higher than the increase in 2020, while the growth in medium- and long-term corporate loans was RMB 0.5 trillion lower. In response to short-term cash flow problems arising from rentals and labor costs during the closed-off management, the demand for short-term financing rose during the year. On the other hand, the negative corporate outlook in the medium- and long-term due to the unexpected development of the pandemic has reduced demand related to investment and production expansion. From a sectoral perspective, growth in short-term and medium- to long-term personal loans all decelerated. Despite policies that have been introduced in several regions to relax real estate regulation since the beginning of 2022, the resurgence of COVID-19 has dampened residents' willingness to purchase homes, leading to a slump in real estate sales.

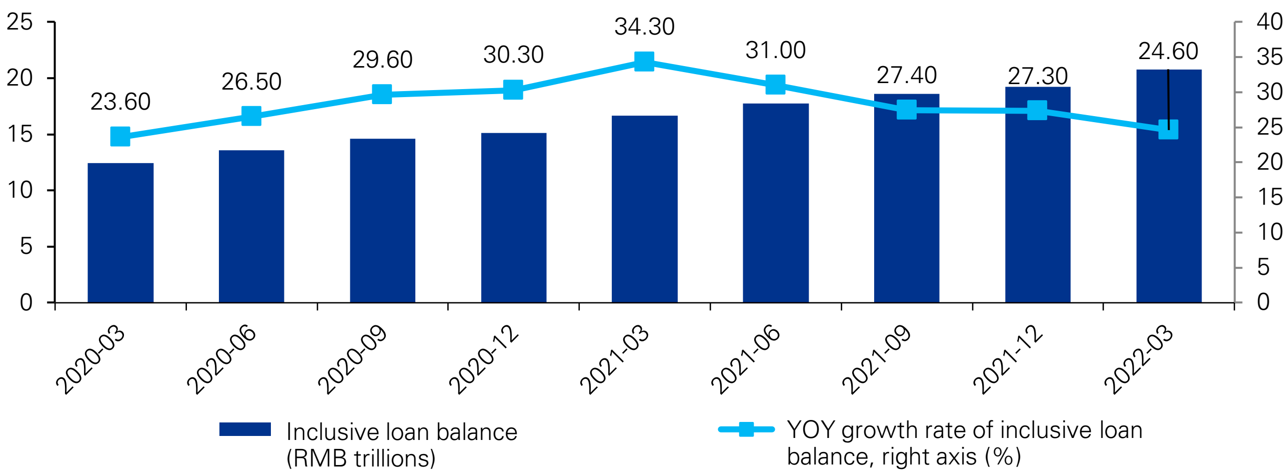
Manufacturing loans, inclusive loans granted to SMEs, and green loans maintain strong YOY growth, while growth in real estate loans is expected to recede

Structurally, financial institutions are stepping up support for the real economy and optimizing the credit structure by maintaining strong YOY growth in manufacturing loans, inclusive loans granted to SMEs, and green loans.

The balance of medium and long-term manufacturing loans at the end of 2021 grew 31.8% YOY, which was 20.2 percentage points higher than all other loans; and the balance of medium and long-term loans granted to hi-tech manufacturers grew by 32.8% YOY. Moreover, the balance of medium and long-term manufacturing loans at the end of 2022 Q1 grew 29.5% YOY, which was 18.1 percentage points higher than all other loans; while the balance of medium and long-term loans issued to hi-tech manufacturers grew by 31.9% YOY.

The balance of inclusive loans granted by financial institutions to SMEs at the end of 2021 amounted to RMB 19.2 trillion, representing YOY growth of 27.3% or RMB 4.1 trillion for the year. The growth in this balance was 3 percentage points lower but RMB 608.3 billion higher in amount than the growth recorded for 2020. Meanwhile, inclusive loans granted to SMEs as a share of the total balance of loans reached 10% at the end of 2021. The balance of inclusive loans granted to SMEs at the end of 2022 Q1 stood at RMB 20.8 trillion, representing YOY growth of 24.6%, which was 9.7 percentage points lower than in 2021 Q1. Since 2019, China has released targets for growth in inclusive loans granted to SMEs for 3 consecutive years (Table 2). The 2022 Report on the Work of the Government does not provide a specific target for growth in inclusive loans granted to SMEs, but the government urges banks to make "good use of instruments to support inclusive loans to micro and small businesses, and increase refinancing for agricultural and small enterprises." The Report also says, "Supervision and assessment will be strengthened to promote a marked increase in inclusive loans granted to SMEs and an additional rise in the proportion of collateral-free loans and first-time loans." In our view, in the upcoming year, banks should continue developing business related to inclusive loans for SMEs.

Figure 10 Quarterly balance of inclusive loans granted to SMEs (in RMB trillions)



Source: Wind and KPMG analysis

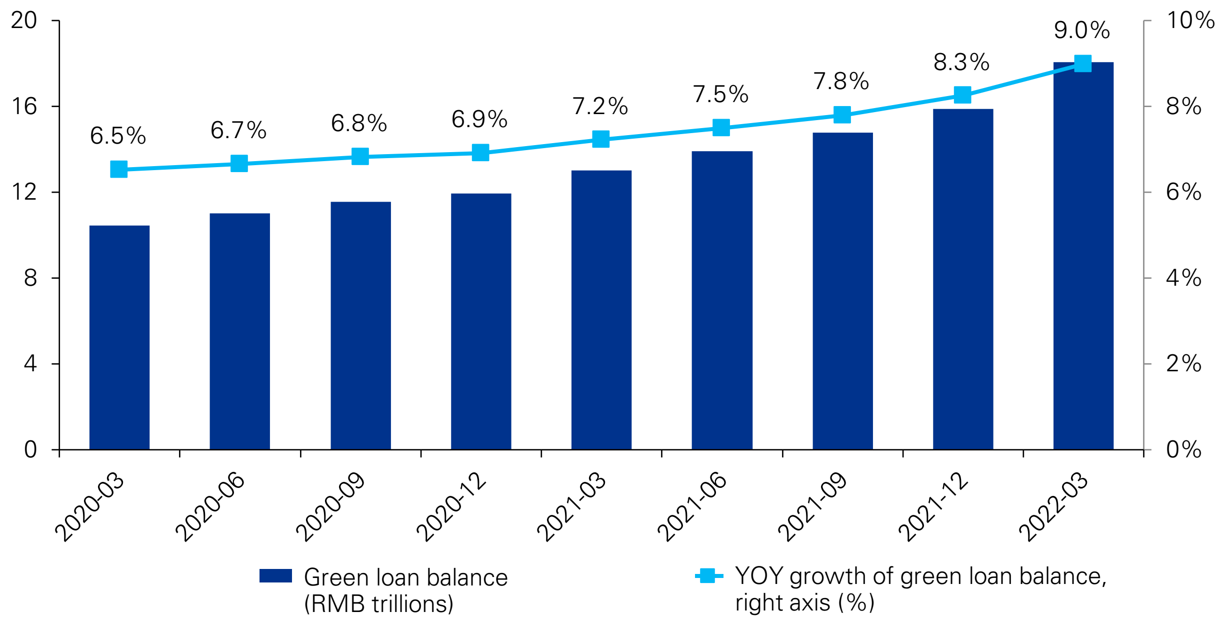
Table 2 Growth targets for inclusive loans granted to SMEs in historical Reports on the Work of the Government

YEAR	GROWTH TARGETS
2019	Loans granted to SMEs by large state-owned commercial banks increase by more than 30%
2020	Inclusive loans granted to SMEs by large commercial banks increase by more than 40%
2021	Inclusive loans granted to SMEs by large commercial banks increase by more than 30%
2022	Marked increase in inclusive loans granted to SMEs and a further rise in the proportion of collateral-free loans and first-time loans

Source: Historical Reports on the Work of the Government and KPMG analysis

Green loans are playing a pivotal role in the green financial system, and they represent an important source of funding for the development of a green and low-carbon economy. As at the end of 2021, the balance of green loans totalled RMB 15.9 trillion, up RMB 4.0 trillion or 33.1% from the end of 2020. The balance of green loans posted YOY growth of 38.6% at the end of 2022 Q1, which was 5.6 percentage points higher than growth in 2021 Q1 (Figure 11). Meanwhile, green loans as a share of the total balance of loans has also been rising, reaching 9% at the end of 2022 Q1, which represented YOY growth of 1.8 percentage points.

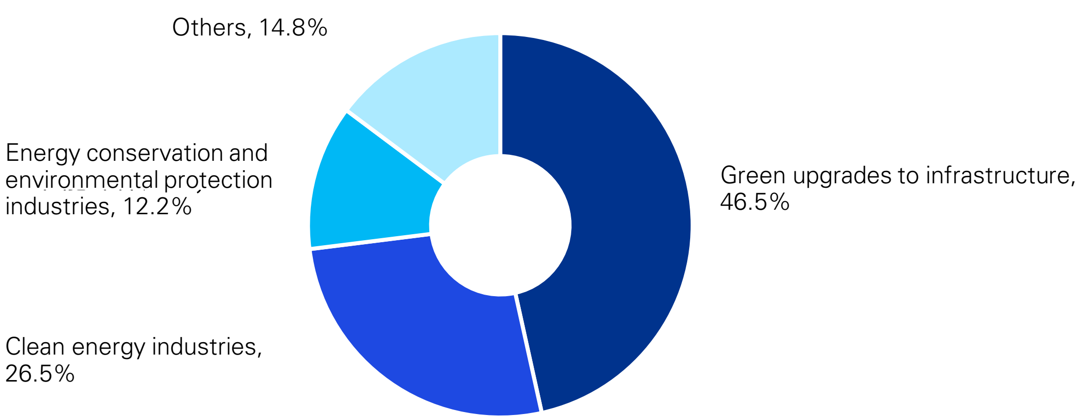
Figure 11 **Quarterly balance and proportion of green loans**



Source: Wind and KPMG analysis

As at the end of 2021, the balance of loans granted for green upgrades to infrastructure amounted to RMB 7.4 trillion, which accounted for 46.5% of the total balance of green loans, making it the most common type of green loan. At the end of 2021, the balance of loans granted to clean energy industries amounted to RMB 4.2 trillion, accounting for 26.5% of the total balance. Next, the balance of loans granted to energy conservation and environmental protection industries stood at RMB 1.9 trillion, accounting for 12.2%. As at the end of 2022 Q1, the balances of loans granted for green upgrades to infrastructure, clean energy industries, and energy conservation and environmental protection industries stood at RMB 8.27 trillion, RMB 4.74 trillion and RMB 2.32 trillion, representing YOY growth rates of 31.3%, 39.3% and 58% respectively (Figure 12).

Figure 12 **Structure of China's green loans in 2021 (by purpose) (%)**



Source: Wind and KPMG analysis

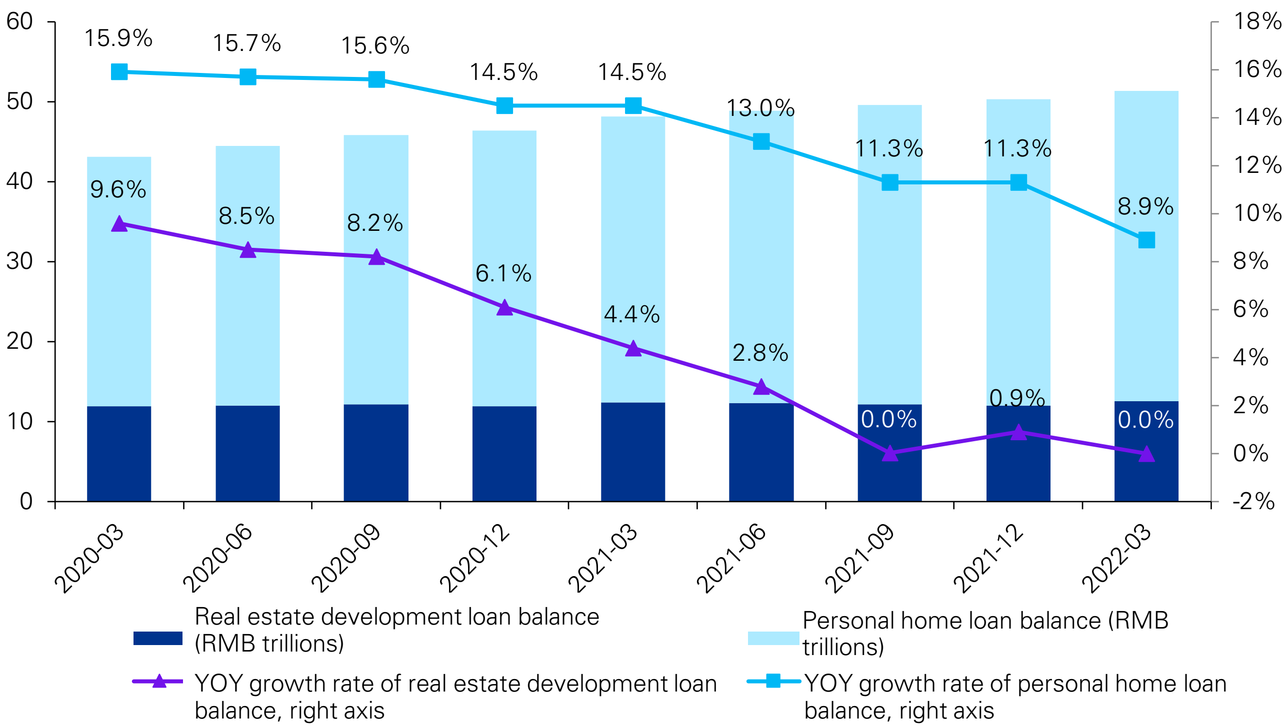
As at the end of 2021, the balance of real estate loans amounted to RMB 52.2 trillion, which accounted for 27.1% of total loans and represented YOY growth of 7.9%. The growth of real estate loans has been held back in 2021 by regulatory restrictions that were imposed on real estate lending, causing the market to turn gloomy during the year. As a result, in 2021, the growth rate of real estate loans declined by 3.8 percentage points YOY. In addition, the balance of real estate loans at the end of 2022 Q1 was RMB 53.2 trillion, representing YOY growth of 6.0%, which was 4.9 percentage points lower than the growth recorded in 2021 Q1 (Figure 13). On 23 May 2022, the PBOC and CBIRC held a joint meeting with financial institutions to discuss the current monetary and credit situation. At the meeting, policymakers noted that the balance of real estate loans should grow steadily in the second half of 2022 to stabilise economic growth, and limitations on property purchases will be appropriately relaxed to accommodate the economic recovery.

Figure 13 Quarterly balance and YOY growth rate of real estate loans

Source: Wind and KPMG analysis

The PBOC's statistics provide a breakdown between real estate development loans and personal housing loans. Specifically, the balance of real estate development loans at the end of 2021 stood at RMB 12.0 trillion, up 0.9% YOY; while personal housing loans, which account for 73% of total real estate loans, had a balance of RMB 38.3 trillion, up 11.3% YOY. The balance of real estate development loans at the end of 2022 Q1 stood at RMB 12.6 trillion, representing a YOY decline of 0.4%, which was 1.3 percentage points lower than the growth rate at the end of 2021. Meanwhile, at the end of Q1, the balance of personal housing loans stood at RMB 38.84 trillion, representing YOY growth of 8.9%, which was 2.3 percentage points lower than the growth rate at the end of 2021 (Figure 14). At present, policymakers are requiring financial entities to "quickly correct the previous practice of restricting credit to private housing enterprises" from both the supply and demand sides, while also emphasising the importance of meeting reasonable housing needs based on local conditions on the demand side.

Figure 14 **Quarterly balance of real estate development and individual housing loans**

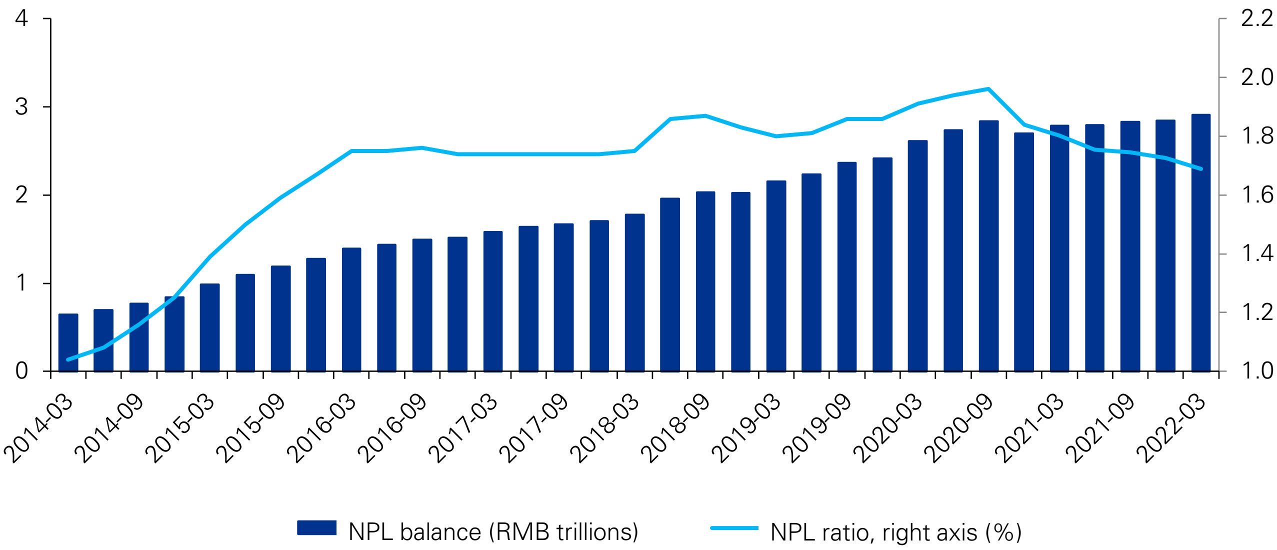


Source: Wind and KPMG analysis

Dynamic provisioning management and disposal of non-performing loans (NPLs) face increasing challenges

As at the end of 2021, the total balance of commercial banks' NPLs stood at RMB 2.85 trillion, representing YOY growth of 5.4%, which was slower than in the previous year (Figure 15). The NPL ratio of commercial banks at the end of 2021 was 1.73%, marking the fifth consecutive quarter in which this metric has fallen. As at the end of 2022 Q1, the balance of commercial banks' NPLs stood at RMB 2.91 trillion, and the NPL ratio amounted to 1.7%, representing a small decrease of 0.04 percentage points from the end of 2021.

Figure 15 **Quarterly balance and ratio of commercial banks' NPLs**

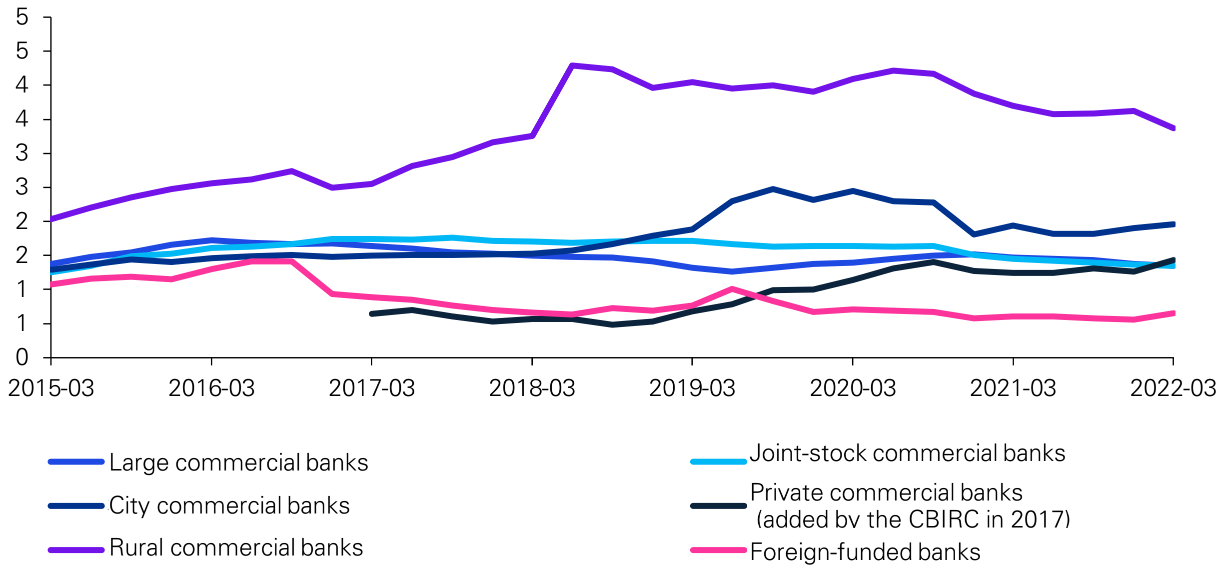


Source: Wind and KPMG analysis

Among different banks, the NPL ratio of large banks and joint-stock commercial banks continued to improve in 2021. Both large banks and joint-stock commercial banks maintained a relatively low NPL ratio of 1.4%, which for the latter represented a YOY decline of 13 basis points. Conversely, the NPL ratios of city commercial banks and rural commercial banks stayed relatively high. The NPL ratio of city commercial banks rose by 9 basis points YOY to 1.9%; while that of rural commercial banks dropped 25 basis points YOY to 3.6%. Rural commercial banks still have a relatively high NPL ratio, which they are being pressured to bring down (Figure 16). At the end of 2022 Q1, the NPL ratio of large banks and joint-stock commercial banks remained basically unchanged; and the NPL ratio of rural commercial banks dropped an additional 26 basis points quarter-on-quarter (QOQ). However, the NPL ratio of city commercial banks rose by 5 basis points QOQ. In the face of the upcoming economic downturn, small- and medium-sized financial institutions should closely monitor their asset quality. Recently, China Orient Asset Management Co., Ltd. conducted a survey of 215 banking practitioners and released the results in its 2022 Market Survey Report on China's Financial Non-performing Assets[4]. In the survey, 35.8% of respondents indicated that city commercial banks would face the most pressure to dispose of NPLs in 2022, higher than 17.7% who selected joint-stock commercial banks, 15.4% who selected rural commercial banks, and 11.6% who selected large state-owned banks.

[4] "Assigning Higher Priority to the Disposal of Non-performing Loans," Economic Daily, 20 May 2022, http://ipaper.ce.cn/pc/content/202205/20/content_254308.html

Figure 16 **Quarterly NPL ratios of different commercial banks (%)**



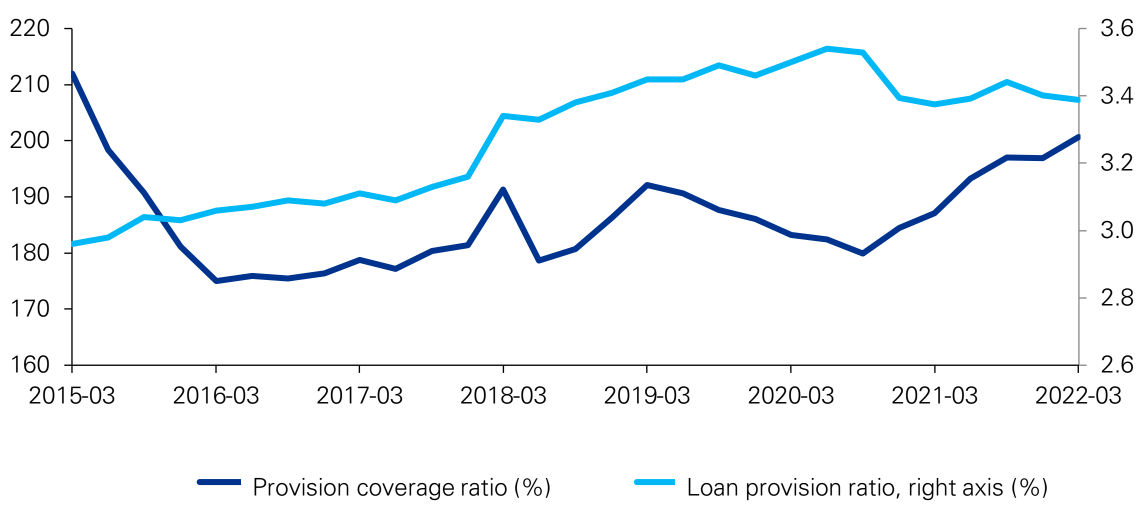
Source: Wind and KPMG analysis

At the end of 2021, the provision coverage ratio of commercial banks reached 197%, representing an increase of 13 percentage points from the end of 2020 and marking the fifth consecutive quarter in which this metric has risen. Meanwhile, their loan provision ratio amounted to 3.4%, which was similar to that at the end of the previous quarter. In 2022 Q1, the provision coverage ratio of commercial banks continued to rise, reaching 200.7%; and their loan provision ratio remained unchanged at 3.4%. The steady increase in the provision coverage ratio is a sign that commercial banks have strengthened their risk mitigation capabilities (Figure 17).

At the Standing Committee Meeting of the State Council on 13 April 2022, officials encouraged large banks with high provisions to reduce their provision coverage ratios in an orderly manner, make use of monetary policy tools including RRR cuts, increase credit facilities, and offer additional support for the real economy, especially for industries and micro-, small- and medium-sized enterprises (MSMEs) and owner-operator businesses that have been seriously harmed by the pandemic. The provision coverage ratio and NPL ratio of large commercial banks amounted to 239% and 1.4% at the end of 2021 respectively. The two ratios at the end of 2022 Q1 were 245% and 1.4% respectively; and both were well above the regulatory requirements and industry average, so these banks still have significant room to reduce their provisions. Eight listed banks, including PSBC and China Merchants Bank (CMB), reduced their provision ratios during 2022 Q1. CMB notched the largest cut, lowering its provision coverage ratio by 21.2 percentage points YOY to 462.7% in Q1[5].

The provision coverage ratio refers to the ratio of the impairment provision to the total balance of NPLs. One of the main ways to reduce the provision coverage ratio is to reduce the loan impairment amount, which is conducive to raising banks' net profits and increasing credit facilities as more core tier 1 capital will be retained. In addition, a higher tolerance for NPLs may also help banks achieve their goal of reducing the provision coverage ratio. Moreover, when they lower their loan provision ratios, banks can use part of the provision that is released to write off and dispose of NPLs and replenish their own capital.

Figure 17 **Quarterly loan provision ratio and provision coverage ratio of commercial banks**



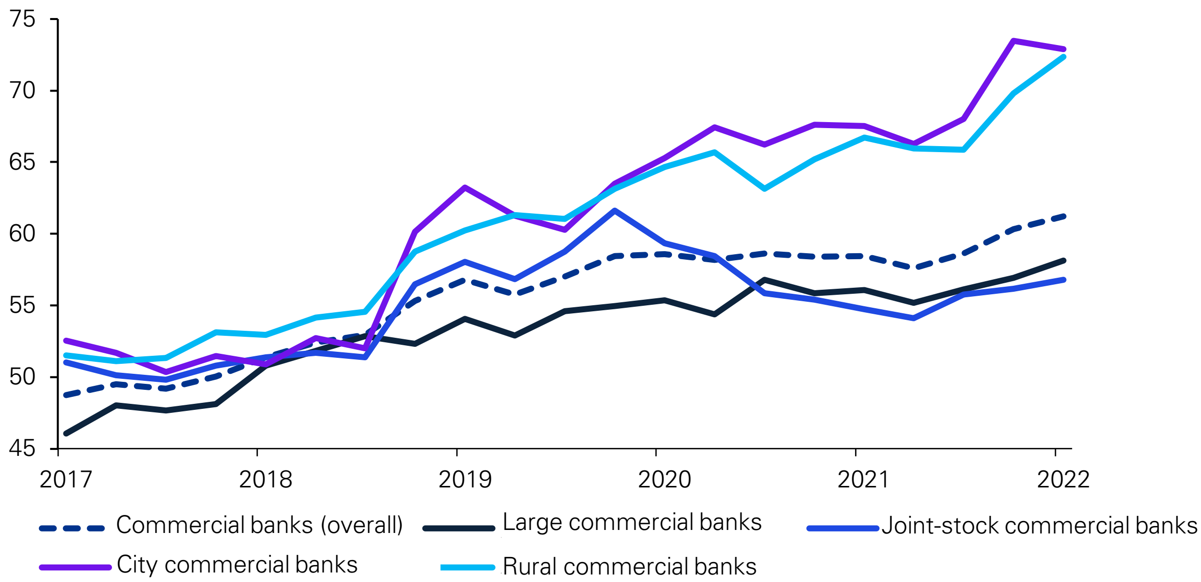
Source: Wind and KPMG analysis

[5] Eight banks cut provision coverage ratios during 2022 Q1, Sina Finance, https://finance.sina.com.cn/jjxw/2022-05-05/doc-imcwiwst5650199.shtml

Rising liquidity

The overall liquidity ratio of commercial banks at the end of December 2021 stood at 60.3%, which was 1 percentage point higher than the previous quarter. Liquidity among the different types of banks is generally improving. In 2021, large banks' liquidity ratio increased by 1 percentage point; joint-stock commercial banks' remained basically unchanged; and city commercial banks' and rural commercial banks' increased by 6 and 5 percentage points respectively. In 2022 Q1, the overall liquidity of commercial banks continued to rise, reaching 61.2% at the end of the quarter. Except for the slight fall in the liquidity ratio of city commercial banks, the liquidity ratios of all other types of banks went up in Q1, especially that of rural commercial banks, which jumped 2.5 percentage points QOQ, marking the second consecutive quarter in which this metric has increased (Figure 18).

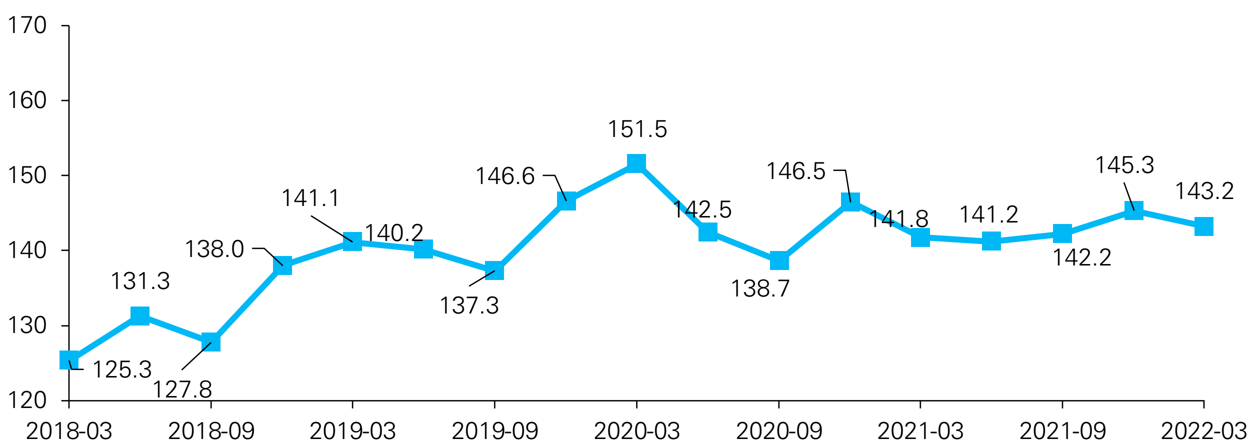
Figure 18 **Quarterly liquidity ratios of commercial banks (%)**



Source: Wind and KPMG analysis

The liquidity coverage ratio refers to the ratio of high-quality liquid asset reserves to net fund outflows in the next 30 days. The liquidity coverage ratio of commercial banks stood at 145.3% at the end of 2021, down 1 percentage point YOY, but higher than the regulatory indicator of 100% specified in the Administrative Measures on Liquidity Risk of Commercial Banks (Figure 19). The slight drop in this indicator may be a sign of commercial banks' concerns around liquidity costs. At the end of 2022 Q1, the liquidity coverage ratio of commercial banks stood at 143.2%, up 1.4 percentage points YOY, but down 2 percentage points QOQ.

Figure 19 **Quarterly liquidity coverage ratio of commercial banks (%)**

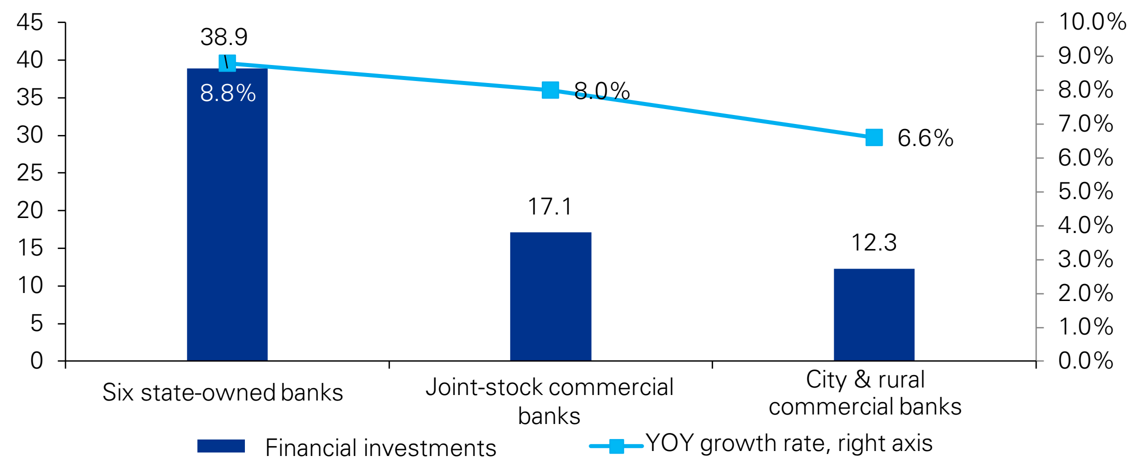


Source: Wind and KPMG analysis

Bonds comprise 80% of listed banks' financial investments, with government bonds leading the way

Financial investments are the second largest component of commercial banks' assets following loans. In 2021, the financial investments of 59 listed commercial banks (including A share-, H share- and A+H share-listed commercial banks), including the six state-owned commercial banks, joint-stock commercial banks, city commercial banks and rural commercial banks, had a balance of RMB 68.3 trillion, representing YOY growth of RMB 5 trillion or 7.9%. The different types of banks all recorded growth in their financial investments in 2021. Specifically, the balance of the six state-owned commercial banks' financial investments stood at RMB 38.9 trillion, up 8.8% YOY; joint-stock commercial banks' financial investments stood at RMB 17.1 trillion, up 8.0% YOY; and city commercial banks and rural commercial banks' financial investments stood at RMB 12.3 trillion, up 6.6% YOY (Figure 20). The six state-owned commercial banks registered the highest growth in their financial investments in 2021 after increasing their holdings of treasury bonds and local government bonds in an effort to bolster support for the real economy.

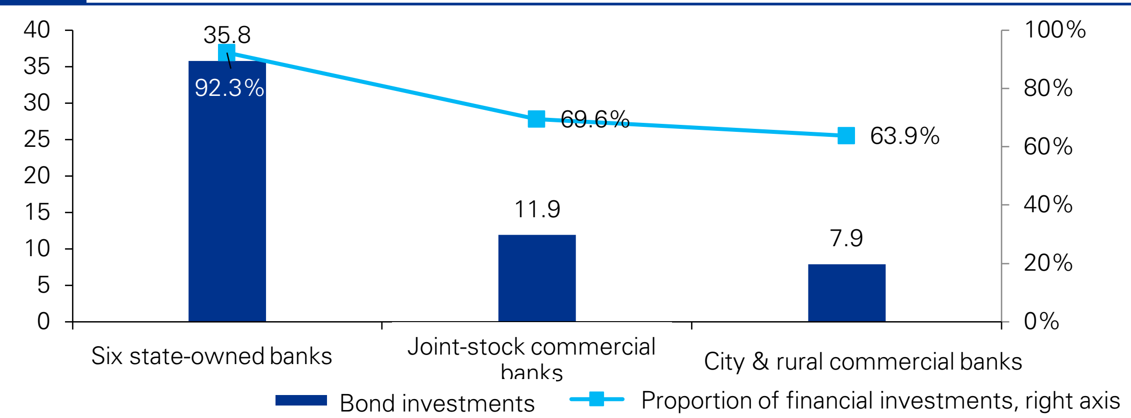
Figure 20 Financial investments of different commercial banks (in RMB trillions, %)



Source: KPMG analysis of summarised findings from listed banks' annual reports

Commercial banks are facing stringent investing requirements due to regulations that aim to ensure the strength of their operations. In this context, bonds have become an attractive option for commercial banks' financial investments due to their stable returns, strong liquidity and massive market circulation. Bond investments of the 59 commercial banks reached RMB 55.6 trillion in 2021, accounting for 81.4% of financial investments, up 1 percentage point YOY. Specifically, bond investments of the six state-owned commercial banks stood at RMB 35.8 trillion, accounting for 92.3% of the major state-owned banks' financial investments; bond investments of joint-stock commercial banks stood at RMB 11.9 trillion, accounting for 69.6% of joint-stock commercial banks' financial investments; and bond investments of city commercial banks and rural commercial banks stood at RMB 7.9 trillion, accounting for 63.9% of city and rural commercial banks' financial investments (Figure 21). Based on these figures, we can see that the six state-owned banks are relatively prudent in their financial investments, as more than 90% of their financial investments are bonds; but only about 60% of city and rural commercial banks' financial investments are bonds as they focus more on equity-related products.

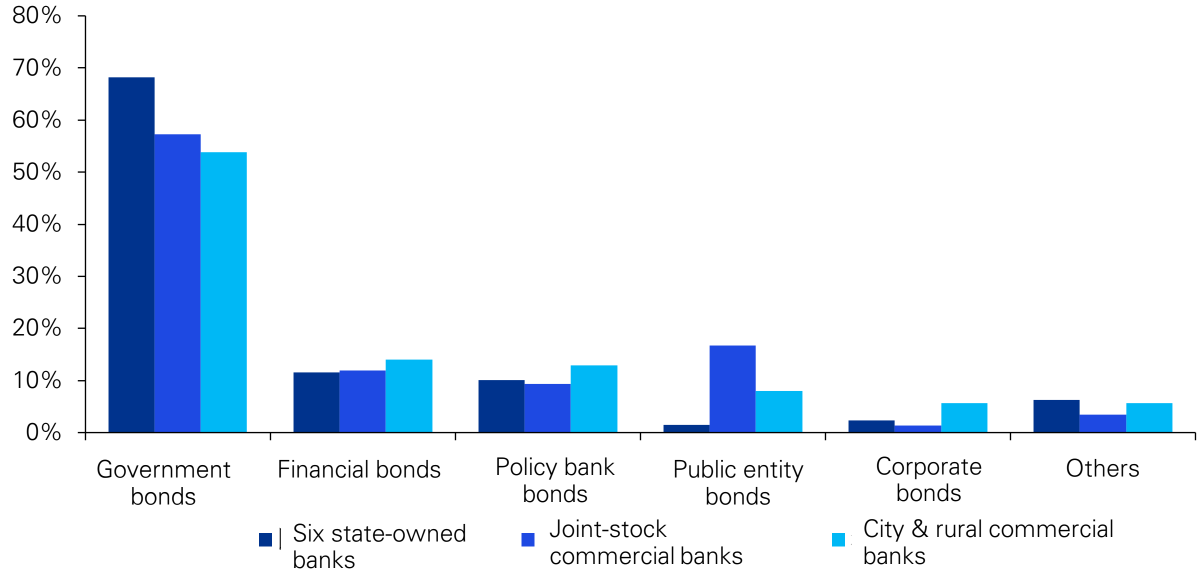
Figure 21 Debt investments of different commercial banks (in RMB trillions, %)



Source: Summarized findings from listed banks' annual reports and KPMG analysis

Commercial banks mainly invest in government bonds, policy bank bonds, financial bonds, corporate bonds and public entity bonds. Most commercial banks prefer government bonds, as evidenced by the fact that government bonds held by the 59 commercial banks amounted to RMB 35.3 trillion in 2021, or 63.5% of their total bond investments, much more than all other types of bonds. Coming in second, financial bonds held by the 59 commercial banks amounted to RMB 6.6 trillion in 2021, or 11.8% of all bond investments. In third, policy bank bonds held by the 59 commercial banks stood at RMB 5.7 trillion, accounting for 10.2% of their bond investments (Figure 22). Finally, corporate bonds held by the 59 commercial banks amounted to RMB 1.4 trillion, or 2.5% of bond investments, the lowest among all bond investments. As a share of their total bond holdings, the six state-owned commercial banks held higher proportions of government bonds, while city commercial banks and rural commercial banks tended to hold a greater share of financial bonds, policy bank bonds and corporate bonds.

Figure 22 **Bond investment structure of commercial banks (%)**



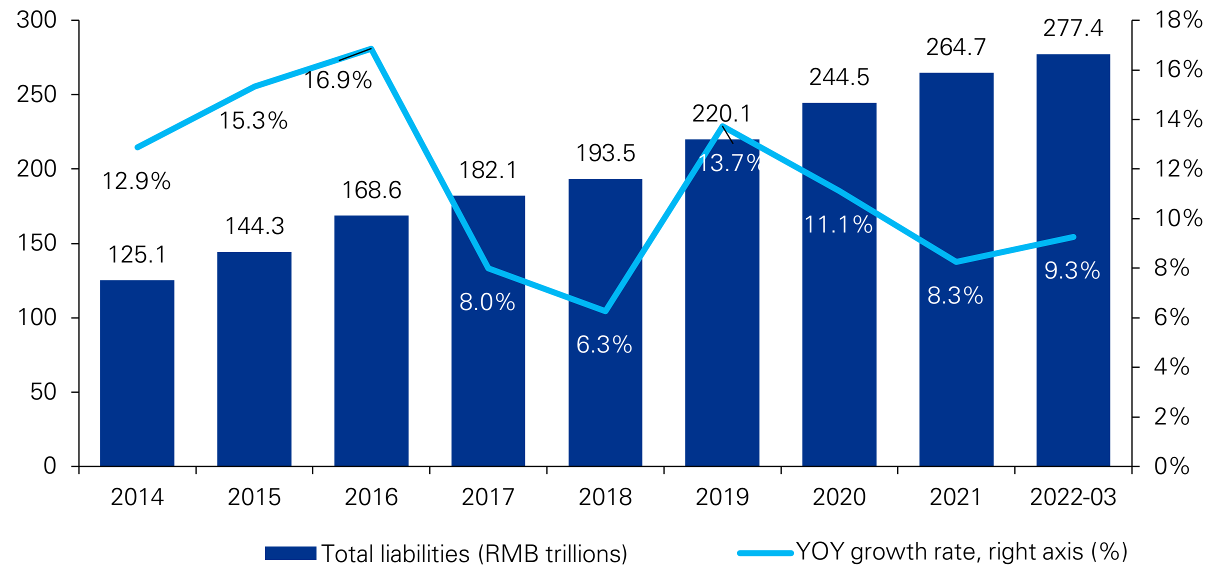
Source: KPMG analysis of summarised findings from listed banks' annual reports

Liability perspective

YOY growth slows, although total liabilities are still rising

As at the end of 2021, total liabilities of China's commercial banks amounted to RMB 264.7 trillion, up RMB 20.2 trillion or 8.3% YOY, which was 2.8 percentage points lower than the growth rate in 2020. The total balance of commercial banks' liabilities at the end of 2022 Q1 was RMB 277.4 trillion, representing YOY growth of 9.3%, which was 0.3 percentage points lower than the growth rate in 2021 Q1 (Figure 23).

Figure 23 **Total liabilities and liability growth rates of Chinese commercial banks**



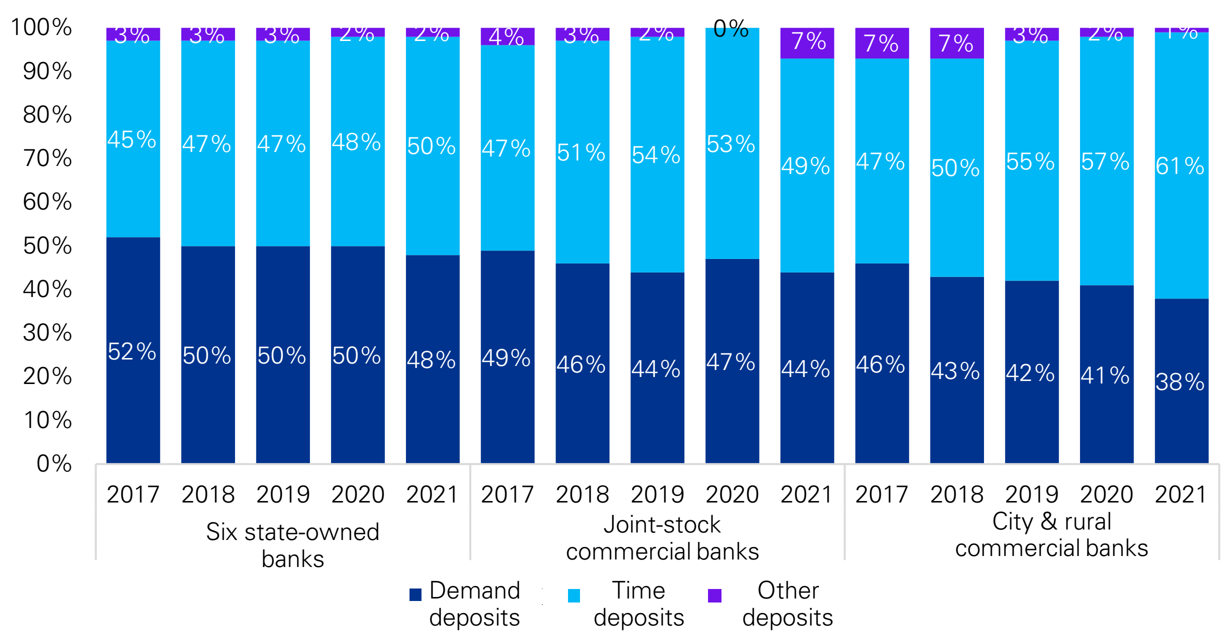
Source: Wind and KPMG analysis

The six state-owned banks have a stable deposit maturity structure, but small banks are facing tremendous pressure in controlling liability costs

The deposit maturity structures of different commercial banks differ vastly. For example, the demand deposits and time deposits of the six state-owned banks accounted for 48% and 50% of their deposits respectively at the end of 2021, reflecting relatively balanced business development. On the other hand, the proportion of time deposits of joint-stock commercial banks, city commercial banks and rural commercial banks was markedly higher than that of demand deposits. Specifically, the proportion of time deposits at joint-stock commercial banks was 5 percentage points higher than that of demand deposits; and in the case of city commercial banks and rural commercial banks, this difference in proportion reached as high as 13 percentage points (Figure 24).

In recent years, demand deposits have been sliding and time deposits have been increasing among listed commercial banks generally. The six state-owned banks' deposits have generally been stable. From 2017 to 2021, other deposits at these banks remained basically unchanged; demand deposits decreased by 4 percentage points; and time deposits increased by 5 percentage points. Meanwhile, the deposit maturity structure of joint-stock commercial banks was relatively volatile. From 2017-2021, the proportion of demand deposits at these banks fell from 49% to 44%, while that of time deposits climbed from 47% to 49%. Meanwhile, from 2020 to 2021, other deposits rose from nearly 0% to 7%. We can see that city commercial banks and rural commercial banks have experienced a similar trend. The proportion of time deposits at these banks soared by 14 percentage points from 47% in 2017 to 61% in 2021, but the proportion accounted for by both demand deposits and other deposits has been falling. City commercial banks and rural commercial banks mainly attract deposits by converting demand deposits to time deposits, so they are facing greater pressure in controlling the costs of interest-bearing deposits.

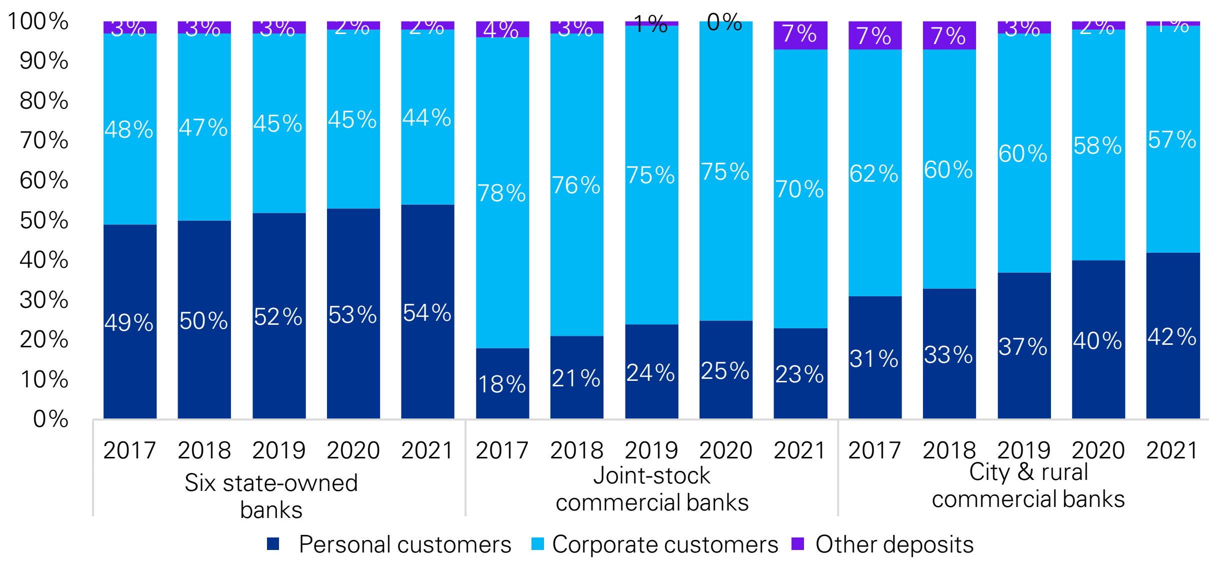
Figure 24 **Deposit maturity structure of different listed commercial banks**



Source: Wind and KPMG analysis

The customer mix of the six state-owned banks is relatively balanced, with personal customers and corporate customers accounting for 54% and 44% of deposits respectively at the end of 2021. Comparatively, joint-stock commercial banks have a higher proportion of corporate customers than the six state-owned banks and city commercial banks and rural commercial banks. Specifically, joint-stock commercial banks' corporate customer deposits were three times that of personal customers at the end of 2021. In recent years, city commercial banks and rural commercial banks have seen personal customers account for a rising share of deposits. As at the end of 2021, personal customers accounted for 42% of city commercial banks and rural commercial banks' total deposits, 11 percentage points higher than at the end of 2017. In terms of scale, the size of personal customer deposits at city commercial banks and rural commercial banks rocketed by 90.7% from 2017 to 2021, reflecting the degree to which these banks have been vigorously developing personal customer business (Figure 25).

Figure 25 **Proportion of personal and corporate deposits of different listed commercial banks**



Source: Wind and KPMG analysis

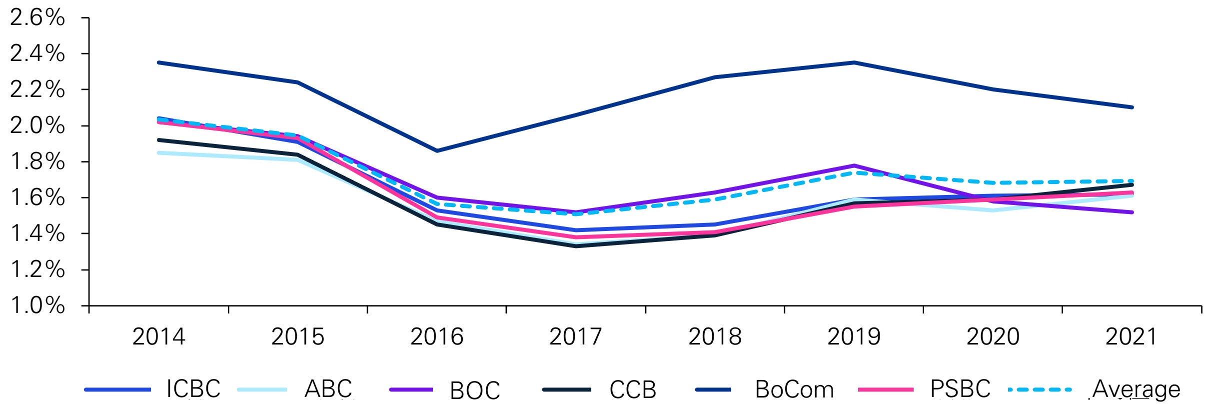
The overall cost of interest-bearing deposits at large commercial banks notches a small increase

The average cost of interest-bearing deposits of the six state-owned commercial banks stood at 1.69% in 2021, up 0.01 percentage point YOY, reflecting a small upward trend that did not apply to all banks.

In 2021, four of the state-owned banks' cost of interest-bearing deposits rose. Specifically, CCB's cost of interest-bearing deposits was 1.67%; PSBC's was 1.63%; ICBC's was 1.62% and ABC's was 1.61%. Among them, the cost of interest-bearing deposits of ABC and CCB increased by 0.1 percentage point, and that of PSBC and ICBC rose by 0.04 and 0.01 percentage points respectively in 2021.

On the other hand, BoCom's and BOC's cost of interest-bearing deposits declined considerably in 2021. BoCom experienced the most significant decline as its cost of interest-bearing deposits dropped to 2.1%, 0.1 percentage point lower than in 2020. Meanwhile, BOC's cost of interest-bearing deposits stood at 1.5%, 0.06 percentage points lower than in 2020, after its cost of interest-bearing deposits in foreign currencies fell (Figure 26).

Figure 26 **Cost of interest-bearing deposits of the six state-owned commercial banks**



Source: KPMG analysis of annual reports of the six state-owned commercial banks from 2015-2021

Treasury bonds + LPR-based reference pricing will facilitate the convergence of deposit interest rates

In June 2021, the method for determining the self-disciplinary ceiling for deposit interest rates was changed from adjusting benchmark deposit rates based on a designated multiplier to adding basis points to the benchmark interest rates; and as a result, deposit interest rates began to shift downward. However, due to intense long-term competition in the deposit market, many banks offer interest rates on time deposits and certificates of deposit that are close to the self-disciplinary ceiling, and the market interest rate and policy interest rate cannot effectively converge with the deposit interest rate.

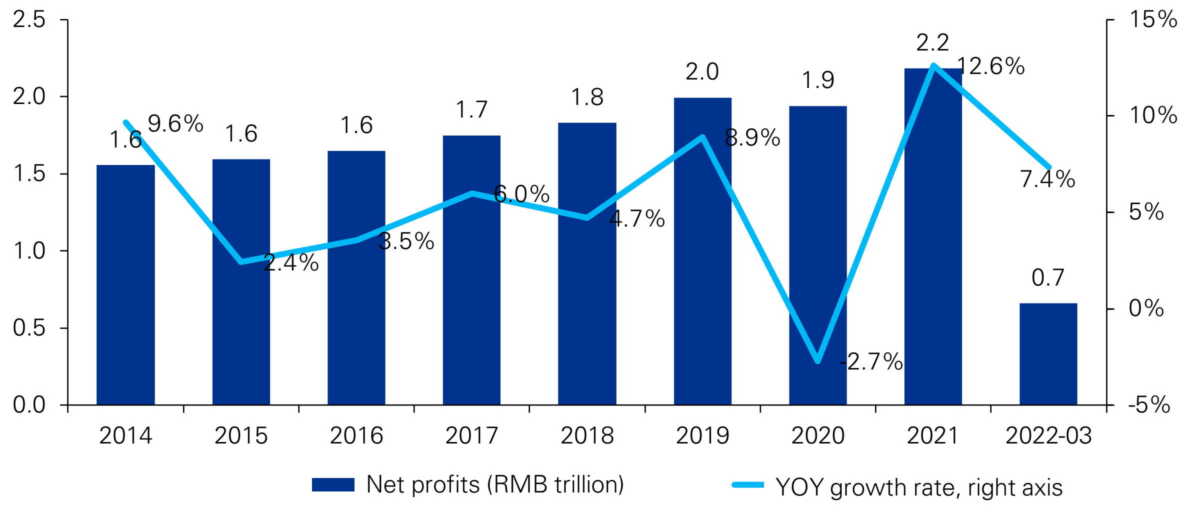
In April 2022, a market-oriented adjustment mechanism for deposit interest rates was established under the PBOC's interest rate pricing and self-discipline program. Under this mechanism, member banks of the self-discipline program reasonably adjust deposit interest rates based on the yield on China's 10-year treasury bonds and 1-year LPR. After the implementation of the mechanism, the weekly weighted average interest rate of new deposits accepted by financial institutions nationwide in the last week of April stood at 2.37%, which was 0.1 percentage point lower than the rate in the previous week. Under this mechanism, deposit interest rates have resumed their downward trend.

Profit perspective

The profits of China's commercial banks resumed growth in 2021, with net profits totalling RMB 2.2 trillion for the year, which represented a YOY increase of RMB 24.49 billion or 12.6%. Despite the resurgence of COVID-19 in several regions in 2022 Q1, the net profits of commercial banks maintained steady growth as they continued to improve their financial service offerings. The net profits of commercial banks at the end of 2022 Q1 stood at RMB 0.7 trillion, representing a YOY increase of 7.4% (Figure 27).

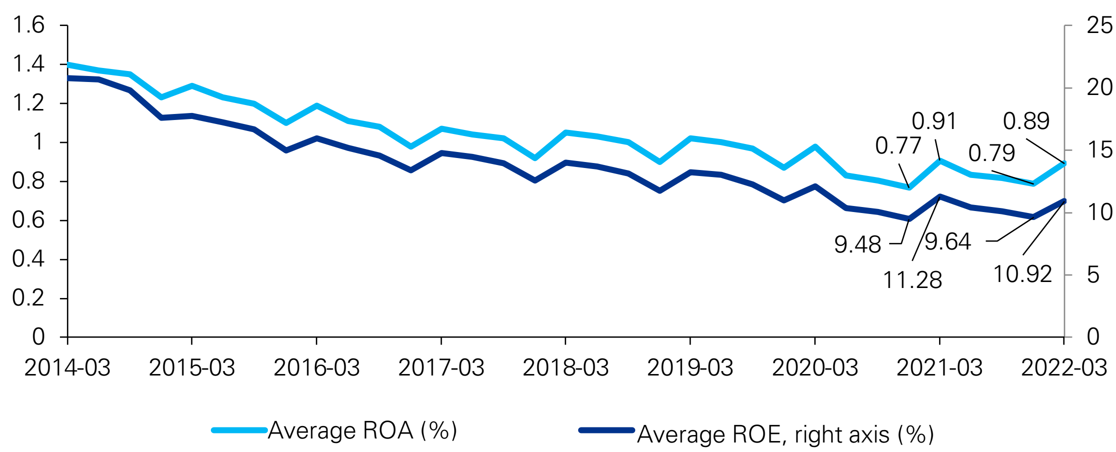
As at the end of 2021, both average return on assets (ROA) and average return on equity (ROE) had decreased compared to 2020. Specifically, at the 2021 year end, ROA stood at 0.8%, 0.02 percentage points higher than in 2020, while average ROE stood at 9.6%, which was 0.2 percentage points higher than in 2020 (Figure 28). These figures show that the banking industry's profitability has generally improved. In 2022 Q1, commercial banks' ROA and ROE grew by 0.1% and 1.3% compared to the previous quarter.

Figure 27 Net profits and growth rates of China's commercial banks



Source: Wind and KPMG analysis

Figure 28 Average quarterly ROA and average quarterly ROE of China's commercial banks



Source: Wind and KPMG analysis

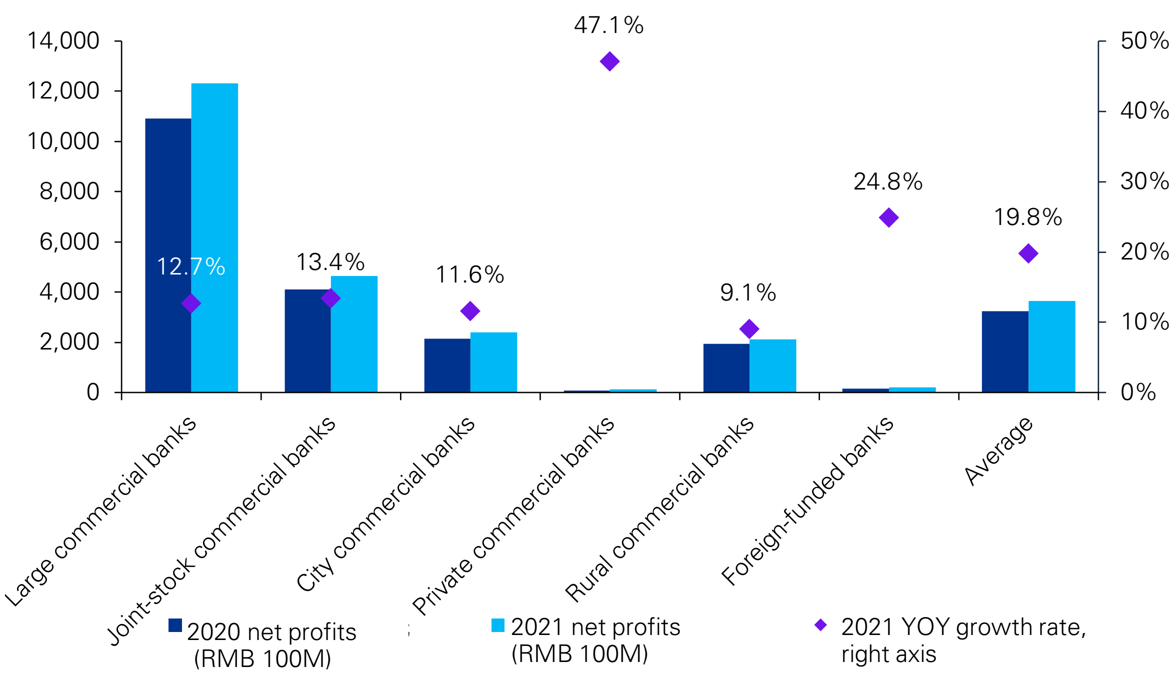
Net profits recover, although to different degrees for different banks

As the pandemic has been brought back under control, the macro economy is picking up in a relatively stable environment. This fact, coupled with the relatively low base in the previous year, has resulted in a general improvement in banks' net profits in 2021. During the year, all commercial banks kept pace with the upward trend in the industry, sustaining positive net profit growth rates ranging from 9.1% to 47.1% (Figure 29).

Different commercial banks may experience different levels of profitability based on their varied geographies, natures and business focuses; and their diverse performances show that the strong are getting stronger. In 2021, large commercial banks and joint-stock commercial banks maintained a steady recovery, as shown in the relatively high net profits recorded by these banks. Despite the positive growth of city commercial banks and rural commercial banks, their growth levels are below the industry average, and they still face potential risks around the disposal of NPLs. Meanwhile, thanks to increasing income from foreign exchange and bond transactions, foreign-funded banks recorded higher net profit growth rates in 2021, shifting from a negative YOY figure in the previous year to positive 24.8%, demonstrating their future development potential.

Large commercial banks and joint-stock commercial banks posted YOY net profit increases of 8.8% and 10.2% respectively in 2022 Q1, which were 3 to 4 percentage points lower than their 2021 Q1 figures. Meanwhile, net profits of rural commercial banks increased by 8.7% YOY, similar to their 2021 Q1 figure. On the other hand, in 2022 Q1, city commercial banks and foreign-funded banks registered YOY declines in net profits of 4% and 17.5% respectively.

Figure 29 Net profits and YOY growth rates of different commercial banks

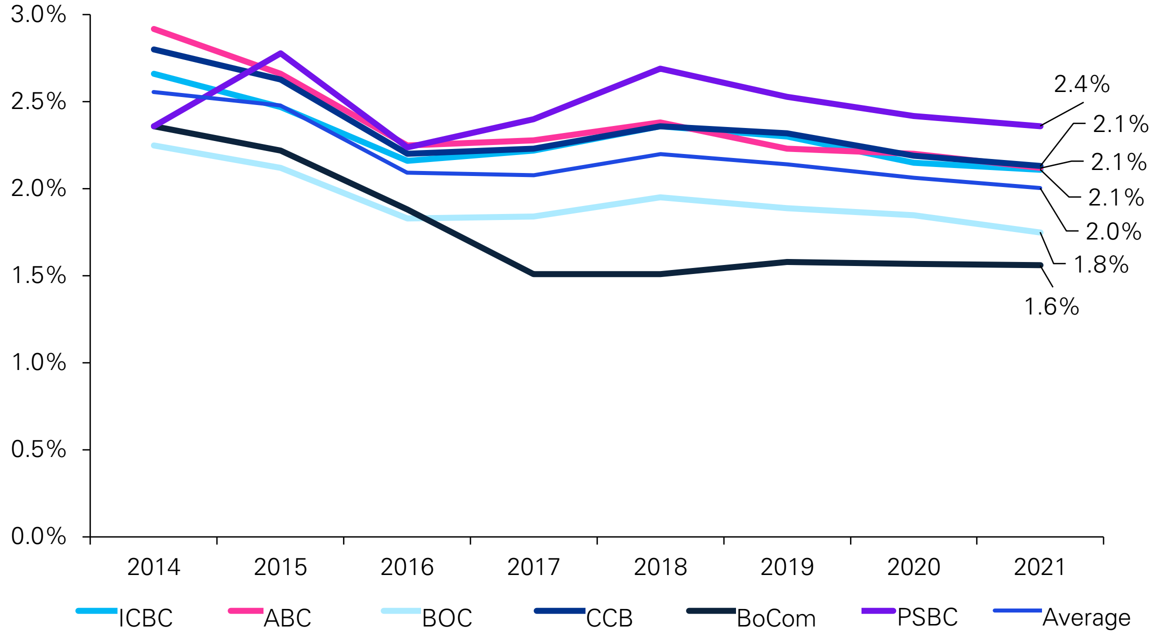


Source: Wind and KPMG analysis

The six state-owned banks post slight decreases in net interest margins

In response to national policies, in 2021, listed banks reduced fees to support the development of the real economy. Income derived from assets decreased as banks reduced corporate financing costs and loan rates after the reform of the LPR pricing mechanism. Against this backdrop, in 2021, the net interest margins of the six state-owned commercial banks generally narrowed YOY, with their average net interest margin experiencing a small decline of 0.1 percentage point (Figure 30). In the last 5 years, PSBC has topped the rankings of net interest margins among the six state-owned banks. In 2021, PSBC registered a net interest margin of 2.4%, which was 0.2 percentage points higher than second-ranking CCB.

Figure 30 Net interest margins of China's six major state-owned commercial banks (%)



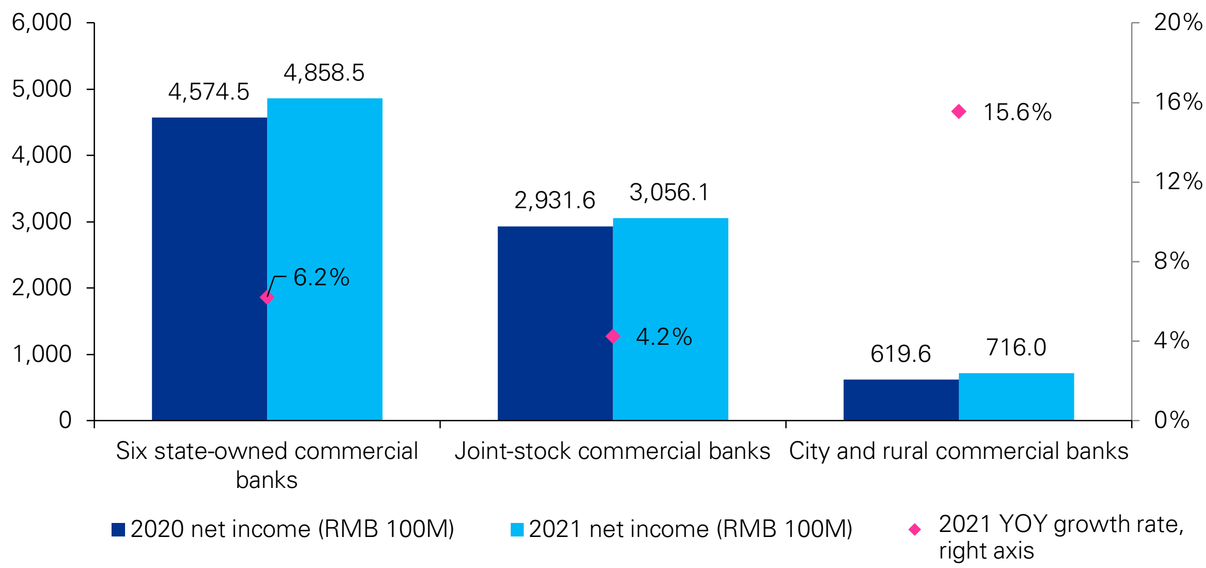
Source: The six state-owned commercial banks' 2021 annual reports and KPMG analysis

Intermediary business and asset management business are flourishing

In 2021, listed banks posted strong income growth in intermediary business. For the year, the average net fee and commission income of the 59 listed banks stood at RMB 14.63 billion, representing YOY growth of RMB 0.86 billion or 6.2%. Asset management business, such as wealth management, agency and custodian business, is the key driver of this growth in banks' fee and commission income.

Among the three types of listed banks, in 2021, the six state-owned banks generated more net fee and commission than joint-stock commercial banks, while joint-stock commercial banks generated more net fee and commission income than city and rural commercial banks. In 2021, net fee and commission income generated by the six state-owned banks rose by RMB 28.41 billion YOY, representing YOY growth of 6.2%. Focusing on serving the real economy, joint-stock commercial banks took more measured steps in reform and transformation, and their net fee and commission income grew by RMB 12.46 billion YOY, shifting from a negative YOY movement in the previous year to positive YOY growth of 4.2%, which was 19.8 percentage points higher than in the previous year. City and rural commercial banks may not have assets that are comparable to the other two types of listed banks, but they managed to achieve growth of RMB 9.64 billion in net fee and commission income by aggressively engaging in intermediary business, lifting their YOY growth from -6.8% in the previous year to 15.6%, which was much higher than the rate posted by the six state-owned banks and joint-stock commercial banks (Figure 31).

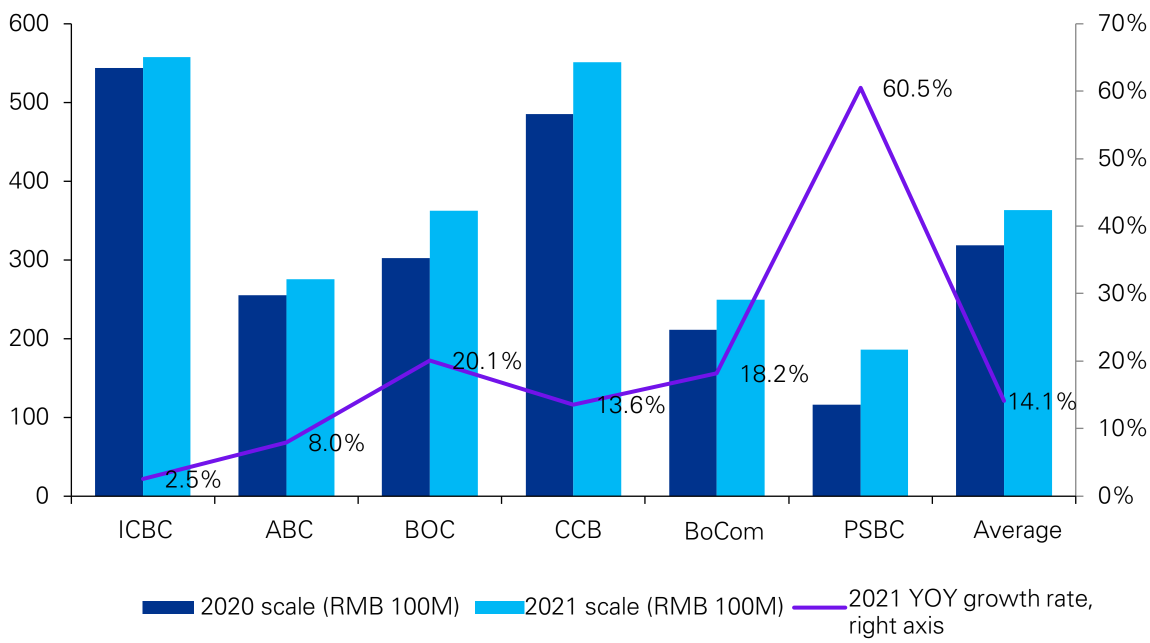
Figure 31 **Net fee and commission income of listed commercial banks**



Source: Wind, the six state-owned commercial banks' 2021 annual reports and KPMG analysis

In recent years, the steady improvement in people's living standards has spurred demand for asset and wealth management services in China. Following the implementation of the new asset management regulations, banks are improving and upgrading their wealth management products, which is in turn promoting the development of wealth management-related business. In 2021, the six state-owned commercial banks generated an average of RMB 36.35 billion in income from asset management business, including wealth management, agency and custodian business, which represented YOY growth of RMB 4.48 billion or 14.1% (Figure 32). During the year, the income that BOC, CCB and PSBC derived from wealth management, agency and custodian business each increased by more than RMB 6 billion, and PSBC's income grew by RMB 7 billion or 60.5%, mainly due to a jump in income from agency business. The income that ICBC, ABC and BoCom generated from this business also increased YOY to different degrees. In 2021, ICBC derived RMB 55.71 billion from asset management-related business, the highest among the six state-owned banks. In 2022, income from asset management business will continue to grow rapidly for the six state-owned banks.

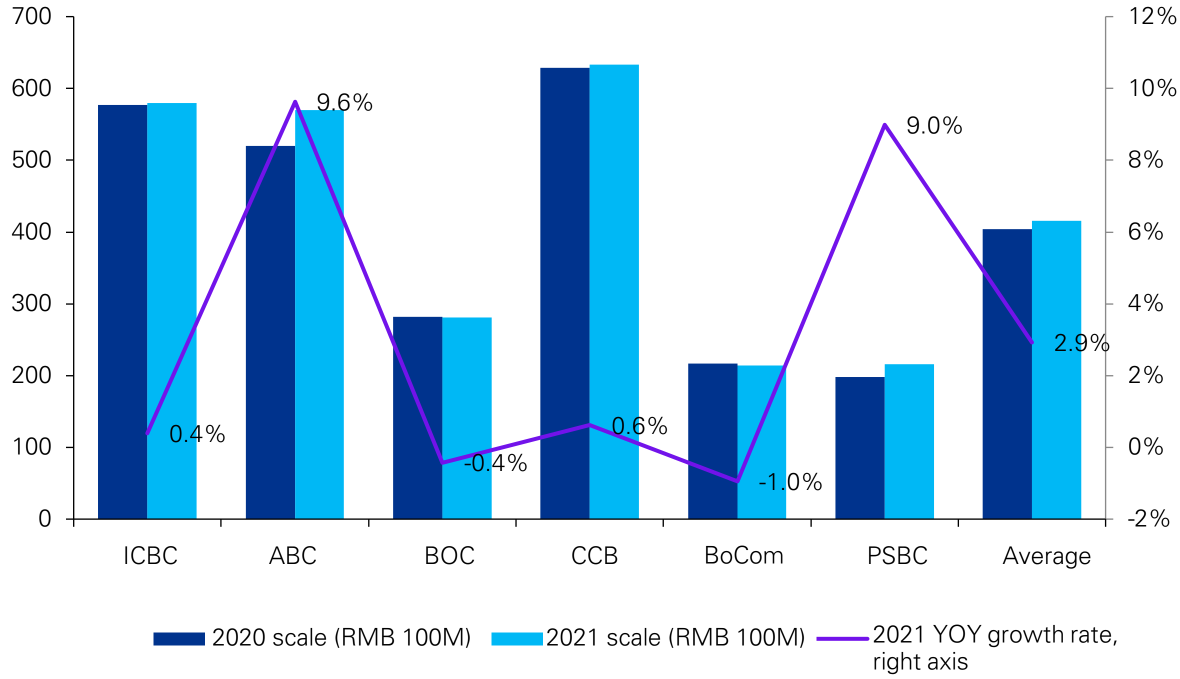
Figure 32 **Scale and growth rate of the six state-owned commercial banks' wealth management, agency and custodian businesses**



Source: The six state-owned commercial banks' 2021 annual reports and KPMG analysis

In 2021, the six state-owned commercial banks generated an average of RMB 41.56 billion in income from bank card, e-banking, settlement and clearing business, representing YOY growth of RMB 1.18 billion or 2.9% (Figure 33). The income that both ABC and PSBC generated grew by more than 8% YOY, and ABC's income increased by RMB 7 billion. In addition, ICBC and CCB saw positive growth in this income stream during the year. However, BOC and BoCom both posted negative growth rates again this year, although their figures were slightly improved from 2020.

Figure 33 **Scale and growth rate of the six state-owned banks' bank card, e-banking, settlement and clearing business**



Source: The six state-owned commercial banks' 2021 annual reports and KPMG analysis

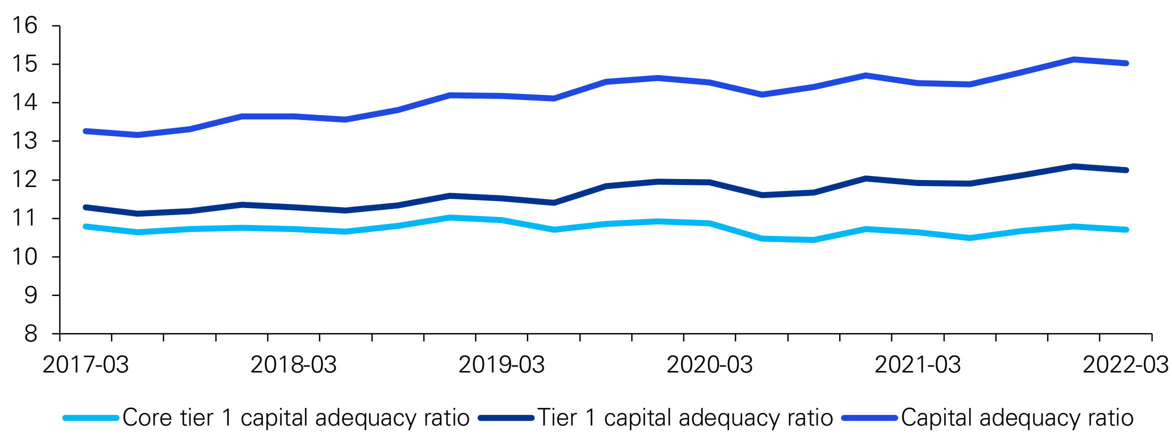
Capital perspective

Capital adequacy ratios are rising

At the end of 2021, the average capital adequacy ratio of commercial banks was 15.13%, an increase of 0.43 percentage points YOY; the tier 1 capital adequacy ratio was 12.35%, an increase of 0.31 percentage points; and the core tier 1 capital adequacy ratio was 10.78%, an increase of 0.06 percentage points (Figure 34). The overall capital adequacy ratio of commercial banks improved in 2021 for several reasons. First, following the implementation of regulatory requirements and additional capital requirements for China's systemically important banks in 2021, systemically important banks can replenish capital using perpetual bonds, special bonds, convertible bonds and private placements. Second, banks have improved their asset quality by optimizing their asset structure, reducing real estate loans, and increasing their asset allocation in areas such as green credit[6]. Last, banks are optimizing the use of risk assets; specifically, risk-weighted assets increased by 1% in 2021, lower than capital growth of 4%, which helped improve the industry's capital adequacy ratio.

At the end of 2022 Q1, the average capital adequacy ratio of commercial banks was 15.0%, 0.11 percentage points lower than in 2021 Q4; the tier 1 capital adequacy ratio was 12.3%, 0.10 percentage points lower; and the core tier 1 capital adequacy ratio was 10.7%, 0.08 percentage points lower. The three ratios deteriorated during the first quarter for several reasons. First, growth in commercial banks' net profits plunged from 12.6% in 2021 to 7.4% in 2022 Q1, and this slower pace of growth dampened banks' internal sources for capital replenishment. Second, commercial banks' NPLs increased notably during the quarter. At the end of 2022 Q1, the balance of NPLs increased by RMB 65.3 billion compared to 2021 Q4, while the balance of NPLs at the end of 2021 only increased by RMB 13.5 billion QOQ. Finally, banks saw an increase in risk capital during the quarter. In 2022 Q1, capital increased by 2.9%, but risk capital increased by 3.7%, leading to a deterioration in the capital adequacy ratio. Faced with tightening capital regulatory requirements and the need to step up support for companies affected by the pandemic in 2022, banks will need to further replenish their capital. Specifically, small- and medium-sized banks are facing greater pressure in capital replenishment as their ability to resist risks is relatively poor and they have access to fewer channels for capital replenishment.

Figure 34 **Quarterly capital adequacy ratio of commercial banks (%)**

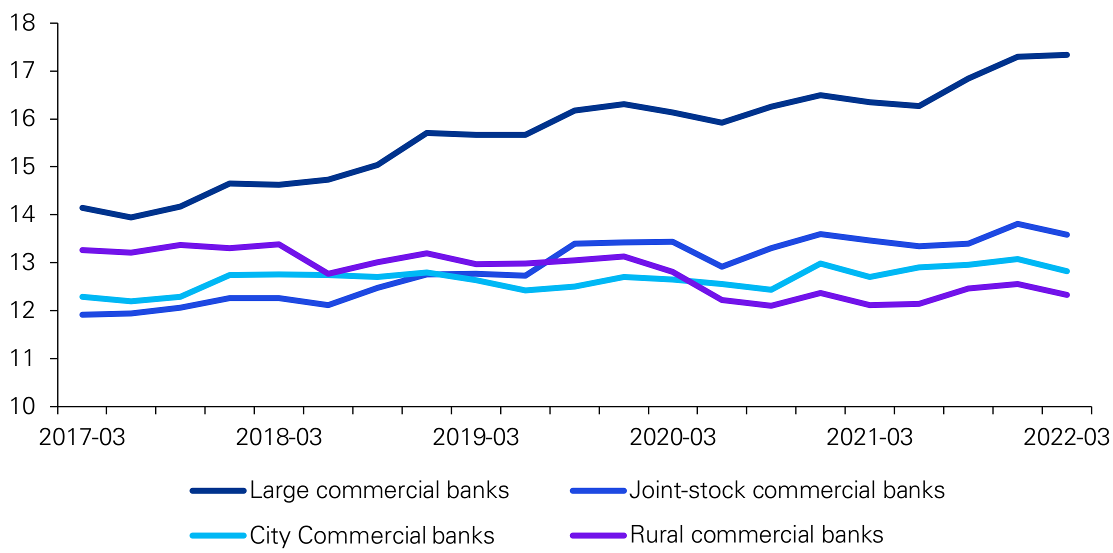


Source: Wind and KPMG analysis

[6] 2021 Banking Analysis and 2022 Outlook (《2021银行业运行分析与2022年展望》), National Institution for Finance & Development, March 2022, http://www.nifd.cn/SeriesReport/Details/3209

According to data over a five-year period, the overall capital adequacy ratio of commercial banks improved in 2021, although the ratio of small- and medium-sized banks, including rural commercial banks, worsened. In 2021, the capital adequacy ratios of large commercial banks, joint-stock commercial banks and city commercial banks all reached five-year highs; but the ratio of rural commercial banks took a downward turn, landing at 0.4 percentage points lower than in 2017. In recent years, large commercial banks have continued to expand their channels for capital replenishment, which has allowed them to maintain considerably higher capital levels than their peer banks. This trend has widened the gap between large banks and small- and medium-sized banks. As at the end of 2021, the capital adequacy ratio of large commercial banks was 17.3%; that of city commercial banks was 13.1%; and that of rural commercial banks was 12.6%. From 2017 to 2021, the gap in capital adequacy ratios between large commercial banks and city commercial banks and large commercial banks and rural commercial banks widened by 1.6 and 3.3 percentage points respectively. While large commercial banks continued to improve their capital adequacy ratio in 2022 Q1, the ratios of joint-stock commercial banks, city commercial banks and rural commercial banks all deteriorated to different extents, further widening the gap in capital adequacy ratios between large commercial banks and other banks (Figure 35).

Figure 35 **Capital adequacy ratio of different commercial banks**



Source: Wind and KPMG analysis

The capital adequacy ratio of small- and medium-sized banks declines, making capital replenishment more urgent

Through various capital replenishment channels, small- and medium-sized banks relieved some pressure on capital replenishment in 2021. This was partly due to the improvement in asset quality brought by the economic recovery. In 2021, city commercial banks and rural commercial banks registered significant net profit growth of 9.6% and 11.6% respectively, which gave them room to replenish capital using internal sources. Another reason for the improvement was regulatory encouragement for small- and medium-sized banks to replenish their capital and strengthen their ability to resist risks. The 2021 Report on the Work of the Government proposed to "continue to replenish capital and strengthen corporate governance of small- and medium-sized banks through multiple channels," and the Ministry of Finance earmarked RMB 200 billion of local governments' special bonds to support small- and medium-sized banks in their capital replenishment efforts. Through capital replenishment channels such as perpetual bonds and local governments' special bonds, small- and medium-sized banks were able to improve their capital adequacy metrics in 2021. The capital adequacy ratio of city commercial banks was 12.7%, 12.9%, 13.0% and 13.1% respectively in 2021 Q1, Q2, Q3 and Q4, while the capital adequacy ratio of rural commercial banks was 12.1%, 12.1%, 12.5% and 12.6% respectively, demonstrating a rising trend QOQ. However, since the beginning of 2022, the complex development of China's economy, scattered outbreaks of COVID-19 across the country, and uncertainty overseas have been presenting challenges. Banks, especially small- and medium-sized banks, are facing a deteriorating business environment, with profitability growing at a slower pace, NPL balances rebounding and capital adequacy ratios taking a downward turn.

Small- and medium-sized banks in particular are facing significant challenges around capital replenishment. These banks mainly serve SMEs, which are experiencing operational difficulties under the impact of the pandemic. In addition, small- and medium-sized banks are vigorously implementing the policy of supporting the real economy and increasing credit facilities granted to SMEs, which has accelerated the consumption of their capital. In 2021, the balance of city and rural commercial banks' NPLs stood at RMB 765.5 billion and RMB 440.3 billion, up 20.3% and 7.4% YOY respectively, but the balance of large commercial banks' NPLs only increased by 1.7%. In light of the scattered outbreak of the pandemic in cities such as Shenzhen and Shanghai since the beginning of 2022, SMEs are facing difficulties in operations and loan repayment, and small- and medium-sized banks have fewer ways to replenish capital internally as a result of their increasing NPL balances. Unfortunately, banks may face stricter requirements if they wish to replenish capital through external sources. Capital replenishment channels such as capital increases and IPOs are generally subject to strict requirements on shareholders' qualifications and banking operations. Meanwhile, investors may not be interested in convertible bonds and preference shares as they are subject to the approval of the China Securities Regulatory Commission (CSRC). With respect to perpetual bonds, which represent a new form of capital replenishment, many small- and medium-sized banks may not be qualified to be included on the PBOC's Central Bank Bills Swap (CBS) list. On the other hand, the tier-2 capital bonds of small- and medium-sized banks' are not widely recognized in the aftermath of the 100% loss of principal and unpaid interest incurred by holders of Baoshang Bank's tier-2 capital bonds[7].

[7] Li He and Yuan Yang, On the Mechanism, Issues and Solutions of Replenishing Small- and Medium-sized Banks' Capital by Issuing Local Government Special Bonds (地方政府专项债定向补充中小银行资本机制、问题与对策探讨) [J], Financial Theory and Practice, 2022(5): 53

2022 outlook for the banking industry

In 2022, the domestic and international environment have become increasingly complex, and companies are facing greater instability and uncertainty. Externally, global inflation, supply chain crunches and international geopolitical conflicts present significant problems, at least in the short term. Domestically, the future trajectory of COVID-19 remains uncertain, and China is still experiencing shrinking demand, supply shocks and weakening expectations.

As finance is the lynchpin of the economy, financial institutions shoulder the heavy responsibility of supporting and stabilizing the macroeconomy. In response to recent jolts to the economy, the PBOC, the CBIRC and other financial regulators have introduced various financial policy initiatives, including lowering reserve requirement ratios and interest rates, as well as an array of monetary policy tools that are designed to defer debt service obligations for market players that are facing difficulties. Overall, in 2022, banking financial institutions should focus mainly on strengthening credit support for companies and bailing them out where necessary. At the same time, they should also promote innovative strategies in areas such as green finance and inclusive finance, accelerate the transformation of wealth management business, and continue pursuing digital transformation.

Trend 1 Bolstering credit support to cope with the impact of the pandemic

On 31 May, the Notice of the State Council on the Promulgation of a Package of Policies and Measures for Firmly Stabilizing the Economy was issued, which includes financial support policies for MSMEs, infrastructure construction and the aviation industry[8] In addition, the PBOC and the CBIRC held a meeting to analyse the monetary and credit conditions of major financial institutions, emphasizing that the financial system should deploy various types of policy tools, increase the scale of credit, and stabilise existing loans so as to support high-quality economic development. They also put forward requirements for the credit allocation of various types of banking financial institutions. In response to these calls, major state-owned commercial banks should take the initiative to deliver greater support; joint-stock banks should fully tap their potential; and major city commercial banks should leverage their geographic advantages to increase credit support for key areas[9]. Specifically, in 2022, banks should focus on granting and expanding credit in the following areas:

Financial support for MSMEs and related customers

- **Increase inclusive loans to small and micro businesses:** The central bank recently raised the ratio of funding support for inclusive loans granted to small and micro businesses from 1% to 2%. That is, the PBOC will fund 2% of the increment in the balance of such loans (including loans extended by deferring principal and interest repayment) provided by local corporate financial institutions so as to guide local banks to grant more loans to small and micro businesses. In addition, the central bank is encouraging financial institutions and large corporations to support MSME financing, such as pledges of accounts receivable; shorten the payment period for commercial acceptance bills from 1 year to 6 months; and increase rediscounting support for supply chain financing. The PBOC is also encouraging banks and companies to cooperate to support the latter's financing needs. By steadily reducing overall financing costs for small and micro businesses, the real economy will be able to retain a larger portion of its profits.
- **Strengthen support for related customer groups:** Commercial banks and other financial institutions should continue to negotiate independently with MSMEs (including MSME owners), individual entrepreneurs, truck drivers, etc. based on market-based principles to defer their loan service obligations to the greatest extent possible. However, in principle, the date of debt service deferment should not extend beyond 2022. For borrowers who are hospitalized, quarantined, or subject to isolated observation, or who have lost their income sources due to the pandemic, financial institutions can flexibly adjust their repayment schedules by reasonably deferring the payment date or principal repayment of their mortgage and consumer loans, or extend the loan terms. Deferred loans should be assessed based on their substantive risks, and their risk ratings should not be downgraded based on the pandemic alone. In addition, borrowers' credit records should not be adversely impacted by these arrangements, and penalty interest should not be levied.

[8] Notice of the State Council on the Promulgation of a Package of Policies and Measures for Firmly Stabilizing the Economy, Chinese government website, 31 May 2022, http://www.gov.cn/zhengce/content/2022-05/31/content_5693159.htm

[9] The PBOC and the CBIRC held a meeting to analyse the monetary and credit conditions of major financial institutions and to study and plan efforts to increase the credit supply, May 2022, http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/4562401/index.html

Providing differentiated financial services for key industries hit by the pandemic

- **Increase relief for the airline industry:** While providing special refinancing loans to support the clean and efficient use of coal, transportation and logistics, technological innovation, and pensions, banks have also increased the scale of emergency loans for the airline industry by RMB 150 billion and broadened their service scope to cover struggling airlines and help them weather their difficulties. In addition to supporting the industry's issuance of RMB 200 billion worth of bonds, banks are devising solutions to address funding problems around civil aviation construction needs, while also studying specific plans to inject capital into aviation companies.
- **Support the sound development of private enterprises:** Adhering to the principle of the "two unwavering efforts" (i.e. unwaveringly consolidating and developing the public sector economy, and unwaveringly encouraging and guiding the development of the private sector economy), the PBOC's financial policies in areas such as lending and bond financing apply equally to the state-owned economy and the private sector economy. Financial institutions are encouraged to build medium- and long-term relationships with private enterprises, set service targets for private enterprises to meet their financial needs, and raise the proportion of loans to private enterprises among new loans to enterprises. In this regard, the national financing guarantee fund will play a leading role. In addition, the PBOC is encouraging the establishment of special loan risk compensation funds or credit guarantee funds for private enterprises in regions where conditions permit, with a focus on providing credit enhancement services for first loans, on-lending and loan renewal. Efforts should also be made to improve financing support for private enterprises' bond issuances, and financial institutions are encouraged to increase their investment in corporate bonds issued by private enterprises [10].

Increasing support for infrastructure

- Infrastructure is a key focus of this year's policy for stabilising growth. Since the beginning of the year, a number of important meetings have underscored "moderately increasing investment in infrastructure." In April 2022, the PBOC and the State Administration of Foreign Exchange (SAFE) issued the Notice on Properly Providing Financial Services for Epidemic Prevention and Control, and Economic and Social Development, pointing out that financial institutions should take the initiative to support major projects in fields such as water conservation, transportation, pipeline networks, and municipal infrastructure, as well as the construction of new infrastructure such as fifth-generation mobile communications (5G), industrial Internet and data centers. Regulators also said that financial institutions should promote the construction of new projects as soon as possible[11]. In May 2022, the PBOC proposed for financial institutions to accelerate loan disbursement, and announced that it was opening a new policy-based credit line of RMB 800 billion to support the construction of transportation, energy, and water conservation infrastructure. The rapid growth of infrastructure construction will also result in a greater demand for capital and financial services. Banks can actively participate in the construction of infrastructure projects through the issuance of loans, bonds and public REITs, asset securitisation, and other innovative financial products and services.

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[10] Notice on Properly Providing Financial Services for Epidemic Prevention and Control, and Economic and Social Development, Chinese government website, April 2022, http://www.gov.cn/xinwen/2022-04/18/content_5685923.htm

[11] Notice on Properly Providing Financial Services for Epidemic Prevention and Control, and Economic and Social Development, Chinese government website, April 2022, http://www.gov.cn/xinwen/2022-04/18/content_5685923.htm

Trend 2 Better serving the real economy and promoting development in key areas

In addition to alleviating the impact of the pandemic and stabilising the economy, the banking sector also needs to focus on long-term economic development, contribute to China's economic transformation and upgrading, and promote high-quality growth. In its effort to support the real economy, the banking industry should focus on the three key areas of manufacturing, the green economy, and technological innovation.

Demand for corporate loans rebounds as the manufacturing industry develops rapidly

Bank loans are still the main source of financing driving the development of China's manufacturing industry. In 2021, the growth rate of loans in this sector was significantly higher than the overall loan growth rate. Under the policy of stabilizing growth, the industry's demand for loans rebounded, with the loan demand index[12] reaching 70.3% in 2022 Q1, up 3.3 percentage points from the previous quarter. Banks should play an active role in providing financial support to the real economy and the manufacturing industry. To this end, they should precisely target manufacturing enterprises affected by the pandemic, and help distressed manufacturers by offering them loan extensions, debt-to-equity swaps and service fee reductions. Furthermore, banks should launch innovative technological financial products to meet the financial needs of manufacturing enterprises, particularly new and high-tech enterprises and "special and new" enterprises; develop supply chain finance business with a focus on core enterprises; and provide leading enterprises with supply chain-related financial solutions.

[12] Loan demand index of the manufacturing industry: a diffusion index reflecting bankers' judgment of the demand for manufacturing loans. The index is obtained by calculating the percentages of surveyed bankers who think the demand for manufacturing loans is "growing" and "basically unchanged" in the current quarter, then assigning weights of 1 and 0.5 respectively and summing them up. The index is published by the PBOC.

Green finance policies promote strategic environmental, social, and governance (ESG) transformation

Financial support drives the development of the green economy; and for this reason, regulators introduced various policies to promote green finance in 2021. At the beginning of 2021, the PBOC established the policy concepts of "three functions" and "five pillars" for the development of green finance, guiding banks to increase green finance in a controlled manner. With respect to green credit, regulators have released tools that support emission reduction and special refinancing loans in order to promote the clean and efficient use of coal. To encourage green investment, green bonds have been included in the system for evaluating the green finance business of banking financial institutions. The development of green finance is conducive to the transformation and upgrading of banks, and it enhances their brand image and sharpens their competitiveness. In recent years, green finance has developed rapidly, with green loans growing 33.1% YOY in 2021. Specifically, during the year, loans granted to projects that will directly and indirectly reduce emissions amounted to RMB 7.3 trillion and RMB 3.36 trillion respectively, which together accounted for 67% of total green loans[13].

With the support of green finance policies, we expect green loans to continue to focus on emission reduction projects. Going forward, banks should continue to seize green finance opportunities and vigorously promote the development of this business. First, banking financial institutions should systematically plan green finance across their organizations and devise bank-wide ESG transformation strategies as soon as possible. Second, they need to formulate special business plans, which can take many forms. For example, banks can rapidly promote green finance business by setting development goals, participating in advantageous industries and niche markets, and offering innovative products. Third, banking financial institutions should promote the implementation of strategic ESG plans. Under their strategic plans, banks should design and implement transformation strategies to ensure the achievement of their green and low-carbon transformation goals. Finally, banks should set their own "carbon neutrality targets," establish sound green operation mechanisms, and promote carbon neutrality in their own operations.

Providing direct and indirect financing to support technological innovation

Innovation is the engine that drives development. As the foundation of the modern economy, finance can integrate technology, talent, equipment and other innovation factors to provide financial support for technological research and development. The financial sector has always been an important driving force for technological progress. In April 2022, the 25th meeting of the Central Comprehensively Deepening Reforms Commission deliberated on and approved the Work Plan for Improving the Financial System to Support Innovation in the 14th Five-Year Plan Period, which includes goals such as "accelerating the construction of a financial system to support innovation," "enhancing credit service capacity for technological innovation," "strengthening the direct financing function of the multi-level capital market," and "coordinating financial support for technological innovation and financial risk mitigation."

In terms of direct financing, technology enterprises present high grow potential; but they have long investment cycles and face significant investment risks; and equity financing tends to be a more suitable option for them considering these characteristics. Participants in the capital market should adopt differentiated approaches to support the listing of technology enterprises with strong innovation capabilities and high growth potential on the main board. In addition, "special and new" technology enterprises are being encouraged to go public on the Beijing Stock Exchange, the Science and Technology Innovation Board, and the New Third Board, which should effectively reduce their financing costs and leverage ratios.

In terms of indirect financing, banks and other financial institutions should, on the one hand, eliminate their excessive reliance on collateral guarantees, explore the use of trademarks and patents as the basis for credit granting, and vigorously develop intellectual property pledge financing to better meet the financing needs of technology enterprises. On the other hand, banks should explore the "investment and loan linkage" approach, under which they can combine equity investment and credit extension in order to provide funds to entities. Compared with conventional corporate loans, the investment and loan linkage approach is more inclined toward equity investment and targets high-growth technology startups. As it usually takes years for these companies to reap profits, this business is characterized by high risks and high returns. In April 2016, the former China Banking Regulatory Commission (CBRC), the Ministry of Science and Technology, and the PBOC issued the Guiding Opinions on Encouraging Banking Financial Institutions to Step up Innovative Efforts in Pilot Investment and Loan Linkage for Technology Startups, in which they proposed that five regions and 10 commercial banks engage in pilot investment and loan linkage business. In recent years, many banks have been steadily developing this business model for technology start-ups.

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[13] 2021 Statistical Report on the Lending Direction of Financial Institutions, People's Bank of China, March 2022, http://www.gov.cn/xinwen/2022-01/31/5671459/files/1c1fddd768634d98935e97f2549fefe6.pdf

Trend 3 Enhancing financial stability and ensuring stable growth while keeping risks at bay

Recently, China has been loosening monetary policy in order to stabilise economic growth; and in this context, banking financial institutions need to guard against increased systemic financial risks and strike a balance between credit growth and financial risk prevention.

Supporting long-term financial stability at the institutional level

The adverse impact of the pandemic on the real economy coupled with the complex international situation has presented new risks to financial stability. Since December 2021, the central bank has issued three key documents: the Regulations on Local Financial Supervision and Administration (Exposure Draft), the Macro-prudential Policy Guidelines (Trial), and the Financial Stability Law of the People's Republic of China (Exposure Draft) (the "Financial Stability Law"). Going forward, these three documents will form the pillars for financial stability and provide the foundation for long-term financial stability.

Long-accumulated financial risks have gradually emerged amid the complex economic situation at home and abroad. In the past, regulators tended to focus more on risk resolution than risk prevention, resulting in lagging risk control. At a basic level, regulatory laws for the financial sector are segmented and focus on different areas, resulting in a lack of coordinated regulation that makes it difficult for the industry to effectively respond to systemic financial risks. To rectify this issue, the Financial Stability Law was drafted. The Financial Stability Law stipulates provisions on ex ante prevention, in-process resolution and ex post disposal of financial risks, which will help improve financial risk prevention, resolution and disposal, as well as resource allocation. In addition, the law describes the risk mitigation responsibilities of all parties, and will prevent singular local risks from evolving into systemic global risks.

The Regulations on Local Financial Supervision and Administration (Exposure Draft) (the "Regulations") clarify the rules and standards of local financial supervision, provide top-level design planning, and outline an institutional framework that covers central-local regulatory coordination, with the goal of preventing and resolving regional financial risks. Local financial supervision still has a long way to go before it reaches maturity, and there is still a great deal of work to be done to strengthen it. In this regard, goals include improving local supervisory capabilities; increasing the number of professional supervisory personnel; enriching regulatory tools; granting local financial regulators enforcement, punishment and quasi-judicial powers; and enhancing the overall quality of the institutional and legal systems that underpin local financial supervision. The Regulations will help assign risk disposal responsibilities at the local level, enhance local governments' understanding of financial risks, strengthen financial resource allocation, and improve local governments' proactiveness and initiative in risk disposal[14].

The Macro-prudential Policy Guidelines (the "Guidelines") specify the elements for establishing a robust macro-prudential policy framework in China, including defining the relevant concepts, expounding the components of the framework, and proposing the support and coordination required for the implementation of the policy. The Guidelines will help build a smooth macro-prudential governance mechanism, promote the formation of a coordinated system for preventing and resolving systemic financial risks, and promote the healthy development of the financial system.

[14] Design of the Central and Local Financial Supervision Coordination Mechanism and Effect Analysis, People's Bank of China, January 2021, http://www.pbc.gov.cn/redianzhuanti/118742/4122386/4122510/4157768/index.html

Enhancing banks' business management and risk resilience at the operational level

- Replenishing banks' capital: The pressure that commercial banks are experiencing in relation to non-performing assets may rise as the risk of debt default associated with companies and other market entities increases amid the unstable domestic economic recovery, recurring outbreaks of the pandemic in China, and severe international conditions. The PBOC has pointed out that banks should replenish their capital through multiple channels to resolutely guard against systemic financial risks[15]. Meanwhile, the Administrative Measures for the Total Loss-absorbing Capacity (TLAC) of Global Systemically Important Banks (G-SIBs)[16] (the "Measures") require that the ratio of G-SIBs' TLAC capital to risk-weighted assets ("TLAC adequacy ratio") should not be less than 16%, and that G-SIBs should comply with requirements on reserve capital, countercyclical capital and additional capital for systemically important banks. The Measures impose higher capital replenishment requirements on the four major state-owned banks. However, at present, the TLAC adequacy ratios of the four large state-owned banks still fall short of the targets they need to reach by 2025, and they are under pressure to replenish capital. Going forward, banks need to effectively handle capital replenishment issues in order to cope with risk losses, enhance their risk resilience, and promote the steady development of the financial system.

- Promoting anti-money laundering (AML): Major banking institutions (groups) are strengthening overall management of AML in their subordinate entities. Recently, risk-based AML regulatory concepts have gradually taken over, and domestic AML compliance requirements are being tightened. The risk of gaps in AML monitoring and analysis among the major banking institutions such as the big five banks and large joint-stock commercial banks, as well as the different AML regulatory requirements and different money laundering risks faced by their subordinate entities, poses challenges to overall AML management and guidance at the group level. Major banking institutions (groups) occupy an important position in the banking system and are at the forefront of AML efforts in general. To more effectively conduct AML management, they should develop a system to assess money laundering risks at the headquarters level, incorporate related risk management practices into the group's comprehensive risk management system, and establish a robust internal control system. Moreover, they should identify, monitor and control cross-market, cross-industry and cross-institutional risks; clarify the division of AML responsibilities and work; integrate data at the group level; develop monitoring models and processes; and supervise and guide their subordinate entities' AML performance to prevent risk transmission.

- Broadening channels for the disposal of non-performing assets: In addition to customary write-offs and collections, banks have also developed new approaches for disposing of non-performing assets, such as bulk transfers. In January 2021, the CBIRC issued the Notice on Launching the Pilot Program for the Transfer of Non-Performing Loans, introducing the pilot program for the transfer of single corporate NPLs and bulk personal NPLs. "6+12" pilot banks were approved to conduct bulk personal NPL transfers, which opens a new channel for major commercial banks and joint-stock commercial banks to dispose of personal NPLs. We expect this new policy to spur demand for NPL transfers as the expansion of the pilot program ushers in a broader market for NPL disposal. For regional financial institutions such as city and rural commercial banks, mergers and restructuring are also effective ways to dispose of non-performing assets. Through mergers and restructuring, regional financial institutions can gradually reduce their NPL ratios and enhance their risk resistance capabilities.

- Incorporating climate factors into the financial risk management framework: As climate and environmental risks faced by financial institutions grow, regulators have begun to explore new mechanisms to address climate risks, and commercial banks are committed to steadily improving their environmental and social risk management. At the early stage of climate risk management, commercial banks often encounter tough challenges associated with data, models, and resource inputs. To address these challenges, financial institutions need to formulate effective risk management methodologies, establish climate and environmental risks as a single risk category in their comprehensive risk management frameworks, and develop management systems and processes for identifying, assessing, managing and controlling climate-related risks.

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[15] China Regional Financial Operation Report (2021), People's Bank of China, June 2021,http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/4264899/index.html

[16] Total loss-absorbing capacity, also known as TLAC, refers to the sum of capital and debt instruments that can absorb losses through write-downs or conversion to common stock when a global systemically important bank enters the disposal stage.

Trend 4 Protecting financial consumers' rights and interests amid new opportunities in wealth management

Following the implementation of the new asset management rules, China's wealth management industry is better regulated, and it offers huge room for development. In recent years, household preferences for investment have gradually shifted from physical assets such as real estate to financial assets, opening up new opportunities for the wealth management industry. Macro-controls over the real estate industry have made property less attractive as an investment vehicle. Under the policy principle of "housing is for living in, not for speculation," which was included in the 14th Five-Year Plan, together with the general reining in of the real estate industry since last year, residents no longer expect property prices to continuously rise. In 2022 Q1, only 16.3% of residents expected property prices to increase, the second lowest in a decade[17]. Meanwhile, the variety of investment channels and financial products available to residents has increased. During the reform and opening up of its capital markets, China has strengthened the construction of the investment side of the capital markets, supported the development of innovative financial products, and enriched wealth management offerings. In 2021, the contribution of real estate to wealth growth continued to decline. According to the Survey and Research Center for China Household Finance, real estate contributed 60.4% to wealth growth in 2021 Q4, slipping from the previous quarter, while financial investments contributed 30.2%, which represented an increase from the previous quarter[18].

In addition, the Common Prosperity Initiative will raise the overall income of residents, offering potential opportunities for the wealth management industry. In particular, the implementation of the personal pension system is expected to not only improve the unbalanced structure of the existing pension system, but also bring a stable, long-term supply of capital to the wealth management sector. As a result, the future of the industry is bright. As at the end of 2020, China was the second largest wealth management market in terms of personal financial assets, and it is expected to reach a brisk compound annual growth rate of 10% by 2025[19]. Given the high growth potential of residents' financial assets, we expect wealth management to continue to increase banks' revenue and profits in the future. Going forward, banks will focus on developing differentiated and distinctive wealth management businesses to improve their competitiveness.

Since the release of the new asset management rules, the protection of financial consumers' rights and interests has been steadily emphasized and strengthened. The CBIRC issued the Measures for Regulatory Evaluation of the Protection of Consumer Rights and Interests by Banking and Insurance Institutions in July 2021, and the PBOC issued the Financial Practice Regulations for Wealth Management in December 2021, which put forward guidelines for protecting financial consumers' rights and interests. In addition, during the Two Sessions in 2022, Liu Guiping, deputy governor of the PBOC, called for the formulation of a protection law to compensate for shortcomings in the protection system, unify regulatory standards, and effectively protect the long-term, fundamental interests of financial consumers[20]. With the implementation of the new asset management rules and the intensive introduction of personal information protection rules, the regulation of the wealth management sector is becoming increasingly focused, enhancing the protection of consumers' rights and interests.

[17] Urban Depositor Survey Report in 2022 Q1, People's Bank of China, March 2022, http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/4520008/index.html

[18] Wealth Trend of Chinese Households in the Post-Pandemic Era – Research Report on the China Household Wealth Index (2021 Q4), Survey and Research Center for China Household Finance, Southwestern University of Finance and Economics, January 2022, https://chfs.swufe.edu.cn/zkcg/cgbg.htm

[19] Digital Innovation in Wealth Management, McKinsey, September 2021, https://www.mckinsey.com.cn/

[20] Liu Guiping: Accelerating the Formulation of the Financial Consumer Rights Protection Law, Financial sector , March 2022, http://finance.jrj.com.cn/2022/03/08173634541757.shtml

Trend 5 Deepening the digital transformation of banking

With the development of fintech, big data, cloud computing, and artificial intelligence, information technologies are reshaping the banking world, and banks of all stripes are pursuing digital transformation. In December 2021, the PBOC issued the Fintech Development Plan (2022–2025), which calls for shifting the development of fintech from "building pillars and beams" to a new stage of "building momentum" based on "accumulation." The Plan also sets a goal for the sector to achieve leapfrog improvement in its overall status and core competitiveness by 2025. Meanwhile, in January 2022, the CBIRC issued the Guiding Opinions on the Digital Transformation of the Banking and Insurance Industries," requiring the banking and insurance industries to achieve fruitful results in digital transformation by 2025. Taken together, these two documents set out the guidelines and focuses for the digital transformation of the banking industry in the coming years.

The epidemic has put a dampener on banks' brick-and-mortar business to a certain extent, and an increasing number of banks are employing big data, artificial intelligence and other technologies to move their business online. In this sense, the pandemic has pressed the accelerator on the digital transformation of banks. Against this backdrop, banks are embracing digitalisation to reshape their business systems and gain a competitive edge. Large state-owned banks, joint-stock banks and other large banks have stepped up independent technology research and development to transform core systems and support digital finance. Meanwhile, small- and medium-sized banks, such as city and rural commercial banks, are cooperating with technology companies or other banks to digitally transform in ways that leverage their own advantages. In general, banks of all sizes are increasing their investment in digitalisation. The average proportion of fintech investment to operating income of large state-owned banks and certain joint-stock banks recently increased to 3%, while that of most regional banks was less than 3%[21]. While they are increasing their investments, banks are being careful to no longer blindly invest without considering business value. Instead, more and more banks are evaluating the benefits they can gain from digitalisation. For this reason, as part of their digital transformations, banks need to focus on establishing a clear and rational mechanism for measuring fintech inputs and value outputs.

Special thanks to Wang Wei, Ma Man, Yan Xi and Zhou Qiongyu (intern) for their contribution.

[21] 2021 China Digital Finance Survey Report, China Financial Certification Authority, November 2021, https://www.cebnet.com.cn/20211125/102781761.html

3 Closely following regulatory policies to prevent financial risks

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The central bank proposes amendments to expand the AML investigation body and its scope and strengthen punishment

As the AML compliance landscape continues to change, AML regulation has shifted from rule-based to risk-based, and AML obligations have been expanded to cover counter-terrorism financing and non-proliferation financing. At the same time, gaps and deficiencies have been identified in the current AML laws, such as a narrow scope regarding the types of predicate crimes, unclear provisions on supervision and punishment, a lack of AML requirements for entities and individuals, a lack of provisions for the beneficial ownership system, and a weak AML regime for certain non-financial industries. These issues are impeding the effective implementation of AML rules. On 1 June 2021, the PBOC drafted the Anti-Money Laundering Law of the People's Republic of China (Revised Exposure Draft) (the "Exposure Draft") to solicit public comment.

The Exposure Draft clarifies AML concepts and tasks, and emphasizes risk-based AML supervision. In addition, the Exposure Draft makes it clear that AML not only includes the prevention of money laundering crimes, but also the deterrence of illegal activities related to money laundering. Under the proposed law, financial institutions are required to establish robust AML internal control, assess the risk of money laundering, and formulate corresponding risk management measures to build a proper AML system that suits their own circumstances. Furthermore, financial institutions should establish a customer due diligence system to understand the identity, transaction background and risk profile of customers, and adopt corresponding risk management measures to prevent the financial system from being used for money laundering and other illegal activities.

With respect to refining the provisions on AML investigations, the Exposure Draft expands the investigation body and its scope, extending the investigation body to the city-level offices of the State Council's administrative department that is in charge of AML and including specific non-financial institutions such as real estate developers and precious metal dealers in the scope of investigation. In fact, the Measures for the Supervision and Administration of Anti-Money Laundering and Counter-terrorist Financing of Financial Institutions[22] issued by the central bank in April 2021 included non-bank payment institutions, online microfinance companies, consumer finance companies, lending companies, and banks' wealth management subsidiaries in the scope of investigation.

Regarding administrative penalties of a disciplinary nature, the Exposure Draft adjusts the range of fines for violations to better align the level of legal liability with the penalties; includes "failure to establish a robust internal control system and risk management policy in accordance with regulations," "failure to implement special preventive measures against money laundering in accordance with regulations" and other violations in the scope of punishment; improves the types of penalties; calls for more frequent use of warnings; and increases the legal liability for violations committed by other entities and individuals.

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[22] Measures for the Supervision and Administration of Anti-Money Laundering and Counter-terrorist Financing of Financial Institutions, People's Bank of China, http://www.pbc.gov.cn/tiaofasi/144941/144957/4232619/index.html

The interim measures for bancassurance institutions stress self-rescue capabilities

On 9 June 2021, the CBIRC issued the Interim Measures for the Implementation of Recovery and Disposal Plans for Banking and Insurance Institutions (the "Measures"), which aim to enable financial institutions to take self-rescue actions to restore their critical functions when major risk scenarios that threaten their ability to continue as a going concern arise. When it is determined that the self-rescue actions are futile, their assets shall be disposed of in an orderly manner to maintain financial and social stability.

According to the Measures, a recovery plan is a response plan formulated in advance by a bank or insurer and approved by the regulatory authority that can be used to address capital and liquidity shortages and restore the institution's ability to continue as a going concern through market-based methods such as self-rescue actions and shareholder bailouts in the event of a major risk scenario. Similarly, a disposal plan is a response plan formulated in advance by a bank or insurer and reviewed and approved by the regulatory authority that can be used in the event that the recovery plan is not effective. When the recovery plan cannot effectively resolve significant risks, or when there is a possibility of triggering regional or systemic risks, the disposal plan will be implemented to dispose of assets in an orderly manner and maintain financial stability. The Measures sets out four basic principles—lawfulness and orderliness, self-rescue, prudence and effectiveness, and division of labor and cooperation—and specify that any bank or insurer meeting the following conditions is required to formulate a recovery plan and a disposal plan:

- Commercial banks, financial asset management companies and financial leasing companies whose adjusted on-balance-sheet and off-balance-sheet assets (the denominator of the leverage ratio) reached RMB 300 billion or more at the end of the previous year (at home and abroad) on a consolidated basis;
- Insurance (holding) groups and insurance companies whose total assets on the balance sheet at the end of the previous year (at home and abroad) reached RMB 200 billion or more on a consolidated basis; and
- Any other bancassurance institution that is required by the CBIRC or its local offices to formulate a recovery plan and disposal plan, despite not meeting the above conditions.

There are about 60 banks in China that meet the above conditions, including the six major state-owned banks, joint-stock banks, most large city commercial banks and individual rural commercial banks[23].

[23] Regulators Encourage Financial Institutions to Formulate Recovery and Disposal Plans to Control Risks, KPMG China, https://mp.weixin.qq.com/s/5BlgZaHacf25k9-AXyMy6Q

The PBOC launches the green finance evaluation plan

On 9 June 2021, the PBOC issued the Green Finance Evaluation Plan for Banking Financial Institutions (the "Plan"), which defines green finance business as various business activities conducted by banking financial institutions that meet green finance criteria and related requirements, including but not limited to green loans, green securities, green equity investments, green leasing, green trusts, and green wealth management.

According to the Plan, the evaluation indicators fall under either the quantitative category or the qualitative category, with an 80% weighting assigned to quantitative indicators and a 20% weighting assigned to qualitative indicators. Quantitative indicators include the proportion of an entity's green finance business to its overall business, the proportion of an entity's green finance business to the green finance business of all participating entities, YOY growth, and the proportion of risk associated with such business. Meanwhile, qualitative indicators include the implementation of national and local green finance policies, the development and implementation of institutional green finance systems, and financial support for green industries. The release of the Plan will encourage banking financial institutions to extend credit to energy-saving and emission-reducing enterprises and projects, allocate more resources to green, low-carbon and sustainable industries under the "dual carbon goals" strategy, and accelerate the green and low-carbon transformation of domestic industries. At the same time, the Plan will help banking financial institutions enhance their related risk management capabilities so as to address potential systemic risks arising from climate change, promote sound and sustainable financial and economic development, and facilitate the realisation of the national green development strategy.

Corporate governance standards stress the independence and professionalism of independent directors

To improve the quality and efficiency of corporate governance and the healthy development of bancassurance institutions, on 8 June 2021, the CBIRC issued the Corporate Governance Standards for Bank and Insurance Institutions (the "Standards"), which require banks and insurers to improve their corporate governance.

The Standards define the responsibilities of each governance body to bolster the governance mechanism. In particular, the Standards specify the rights and obligations of shareholders, the powers and functions of the shareholders' meeting, and the rules related to shareholders' meetings and voting; restrict investment in bancassurance institutions to proprietary funds from legitimate sources and prohibit the use of third-party funds such as entrusted or borrowed funds; and require compliance with rules around the shareholding ratio and the number of shareholder entities.

In addition, the Standards include a chapter that sets forth requirements on the performance of independent directors and the related supervisory mechanism , and highlights the independence and professionalism requirements for independent directors. For example, shareholders who have nominated non-independent directors and their associates are not allowed to nominate independent directors. In addition, to ensure that independent directors have sufficient time and energy to properly perform their duties, a natural person may serve as an independent director in a maximum of five domestic or foreign enterprises simultaneously. If an independent director is unable to attend the board meeting in person for any reason, he or she cannot delegate a non-independent director to attend on his or her behalf. In addition, the Standards set a limit on each independent director's cumulative period of service in a bank or insurer to avoid cases in which their independence is undermined due to serving on the board for too long.

Since the issuance of the Standards, many local CBIRC offices have conducted a "retrospective" review of financial institutions' corporate governance work, and banks and insurers have been required to inspect their own shareholding structure, organizational structure and division of responsibilities. Under the Standards, regulators have clarified the current rules for banks' and insurers' organizational structures with respect to shareholders' meetings, the board of directors, the board of supervisors and senior management in order to promote the rectification of problems and improve the effective performance of various governance bodies[24].

[24] Retrospective Review of Financial Institutions' Corporate Governance, Shanghai Securities Journal, https://news.cnstock.com/news,yw-202205-4881507.htm

The CBIRC upgrades the overall supervisory rating system for commercial banks

In recent years, economic conditions and commercial banks' business models, risks, regulatory rules and key focuses have been changing notably. In order to accurately reflect these changes and assess banks' management performance, the CBIRC issued the Measures for the Supervisory Rating of Commercial Banks (the "Measures") on 22 September 2021, setting out additional requirements on supervisory ratings for commercial banks. Based on the traditional "CAMELS+" rating system, the Measures optimise the system's rating elements by taking into account the current risk characteristics and regulatory priorities of banks. The rating elements include capital adequacy (15%), asset quality (15%), corporate governance and management quality (20%), profitability (5%), liquidity risk (15%), market risk (10%), data governance (5%), information technology risk (10%), and institutional differentiation (5%).

According to the Measures, the supervisory rating results shall be divided into Grades 1 through 6 and Grade S, with higher values indicating greater institutional risk. Commercial banks that are in the process of restructuring, being taken over or exiting the market will be directly classified as Grade S by regulatory authorities and will not participate in the supervisory rating process for that year. Based on the rating results and the principle of slowly increasing regulatory input, the Measures require regulators to take measures and actions that correspond to the relevant risks. Banks with better ratings should pay attention to possible weaknesses and hints of risk and enhance tracking and risk alerts; banks with poor ratings should promptly adopt corrective measures to prevent risks early, stop risks from worsening or spreading, and ensure that risk hazards do not turn into serious problems. The Measures will help improve the standardized comparison and differentiated supervision of commercial banks, reasonably allocate supervisory resources, and promote the sustainable and healthy development of commercial banks.

The CBIRC is rigorously supervising the conduct of bancassurance institutions' major shareholders

In recent years, major shareholders of some financial institutions have interfered with the entities' operations and conducted related-party transactions in violation of regulations, causing risks to arise frequently. To regulate and restrain major shareholders' behaviors and ensure the sound operation of banks and insurers, the CBIRC issued the Measures for Supervising the Conduct of Major Shareholders of Banks and Insurance Institutions (Trial) (the "Measures") on 14 October 2021.

The Measures expand the definition of bancassurance institutions to include non-bank financial institutions such as insurance asset management companies, trust companies, financial asset management companies, financial leasing companies, consumer finance companies and auto finance companies. With regard to major shareholders' behaviors related to shareholding, specific requirements are set forth on sources of capital, penetrating reviews of shareholders' qualifications, cross-holding, and the prohibition on exercising voting rights when the proportion of shares pledged exceeds the set limit. On the governance front, major shareholders are required to allow bancassurance institutions to operate independently, and any improper interference is strictly prohibited. In addition, the Measures include rules around "prudent nominations" and state that "no concurrent appointments are allowed in principle," while also specifying the responsibilities and obligations of major shareholders. Furthermore, the Measures describe which types of related-party transactions are prohibited. Under the Measures, bancassurance institutions are required to prudently control the number and scale of related-party transactions, and dynamically manage such transactions. In addition, the Measures increase the responsibilities that banks and insurers must shoulder with regard to equity management, and clarify that the board of directors assumes ultimate responsibility for equity management. The introduction of the Measures is conducive to reinforcing the supervision of banks' and insurers' corporate governance, regulating the behaviors of their major shareholders, and effectively safeguarding the sound operation of bancassurance institutions and the legitimate rights and interests of their stakeholders.

The CBIRC issues rules to standardize banks' implementation of the expected credit loss (ECL) method

On 18 May 2022, the CBIRC issued the Measures for the Implementation of the Expected Credit Loss Method for Commercial Banks (the "Measures"). The Measures represent a major initiative on the part of the CBIRC to regulate credit risk management, which is of great significance in strengthening commercial banks' provision management, improving their ability to prevent and resolve risks, promoting the sound operation of banks, and ensuring they are effectively serving the real economy. Regarding the internal control mechanism and management process for implementing the ECL method, the Measures focus on the following aspects:

- **Clarifying the governance mechanism for implementing the ECL method:** The Measures define the responsibilities of the board of directors and its special committees, the board of supervisors, senior management, lead departments and other relevant departments of commercial banks in implementing the ECL method, with a focus on strengthening the board of directors' approval responsibilities and supervisory responsibilities in connection with the quality of external audit.
- **Laying a solid foundation for the implementation of the ECL method:** Commercial banks are required to establish a complete ECL management system, set up an ECL management team, develop a related information system, and improve the accumulation of historical credit risk data and information collection and maintenance.
- **Standardizing the implementation processes:** Commercial banks are required to improve the level of standardization and prudence in the implementation processes, including with respect to credit risk grouping, stage delineation, model building, prospective adjustment, management overlay, parameter management, and model validation.
- **Bolstering the supervision of the ECL method:** Regulators at all levels shall supervise commercial banks' implementation of the ECL method through off-site supervision and on-site inspection, adopt oversight measures in response to problems that arise, and impose administrative penalties in accordance with the law.

New non-capital TLAC bond rules improve the regulatory system for G-SIBs

As their global influence has increased, BOC, ICBC, CCB and ABC have been successively selected as G-SIBs. In order to promote the stability and health of China's financial system, ensure that Chinese G-SIBs have sufficient loss-absorbing and recapitalisation capabilities, and prevent and resolve systemic financial risks, the PBOC, together with the CBIRC and the Ministry of Finance, issued the Administrative Measures for Total Loss-absorbing Capacity of Global Systemically Important Banks (the "Measures") on 29 October 2021. The TLAC Measures:

- **Establish a TLAC regulatory system, set two indicators, i.e. the risk-weighted ratio and leverage ratio, and divide regulatory requirements into three levels.** The first level is the minimum requirement that the risk-weighted ratio and leverage ratio should reach 16% and 6% respectively by early 2025, and 18% and 6.75% respectively by early 2028; the second level necessitates that banks meet the capital requirements for buffer capital; and the third level gives the PBOC and the CBIRC the right to impose more prudent requirements on individual banks when necessary.
- **Define TLAC.** The eligibility criteria for various types of external TLAC instruments are stipulated according to general international rules, and the loss-absorbing order of various instruments is explained.
- **Describe the scope of supervision and regulatory bodies.** The PBOC, the CBIRC and the Ministry of Finance supervise and inspect the TLAC of Chinese G-SIBs, and manage the issuance of non-capital TLAC debt instruments in accordance with regulations and their division of responsibilities.

On 29 April 2022, the PBOC and the CBIRC jointly issued the Notice on Matters Concerning the Issuance of Non-capital TLAC Debt Instruments by Global Systemically Important Banks (the "Notice") to launch non-capital TLAC debt instruments in China. The Notice sets out and defines the core elements and management requirements for the issuance of non-capital TLAC bonds, including repayment orders, loss absorption method, information disclosure, issuance pricing, registration and custody, providing the basis for the issuance of such instrument by G-SIBs.

Issuing non-capital TLAC bonds will help Chinese G-SIBs meet TLAC requirements, improve major commercial banks' ability to serve the real economy and keep risks at bay, and enhance the overall strength of China's financial system. Chinese G-SIBs should, after taking into account their own circumstances, adhere to a prudent capital management strategy, strengthen the constraining and guiding role of capital by improving the efficiency of capital use and promoting asset-light and capital-light development, and enhance their financial service capabilities in wealth management and transactional business. By following this path, they can optimize their business structure and income structure. Additionally, by steadily issuing innovative non-capital TLAC debt instruments, G-SIBs will be better positioned to gradually comply with TLAC requirements.

The Futures and Derivatives Law strengthens protection for ordinary traders

On 20 April 2022, the 34th Session of the Standing Committee of the 13th National People's Congress approved the promulgation of the Futures and Derivatives Law of the People's Republic of China (the "Law"), which came into effect on 1 August this year. By referring to historical experience and useful international practices, the Law defines derivatives trading for the first time, in addition to defining futures trading, and it includes derivatives trading in the scope of regulation. In general, the Law provides a solid legal basis for the healthy development of the futures and derivatives markets, and will improve China's financial legal system.

The Law makes a series of institutional arrangements, one of which focuses on protecting ordinary traders. Reflecting its people-oriented nature, the Law reserves a chapter for futures trading and develops a trader protection system. In addition, the Law defines the concept of a trader and provides for the rights of traders, such as the right to information, the right to inquiry, and the right to confidentiality; and it differentiates speculators and hedgers, accurately distinguishing them from investors in the securities market.

In light of the above, it is no coincidence that the PBOC, the CBIRC, the CSRC and the SAFE address the protection of personal customers in the Guiding Opinions on Promoting the Standardized Development of Derivatives Business (Exposure Draft) (the "Exposure Draft"), which was released on 3 December 2021. The Exposure Draft proposes that financial institutions should conduct derivatives business that targets institutional investors and rigorously review the qualifications of investors. Bancassurance institutions should neither conduct derivatives transactions directly with personal customers over the counter, nor provide trading services to entities for non-hedging purposes. Other financial institutions that provide derivatives trading services for personal customers should impose prudent participation requirements on these customers.

In addition, the Exposure Draft requires financial institutions to boost internal control management to ensure that their derivatives business aligns with their own operational development and management capabilities, and to include derivatives business in the comprehensive risk management framework covering market risk, credit risk, operational risk and liquidity risk.

For several years, China's commodity futures market has ranked first globally in terms of transaction volume, and it is the largest futures market for agricultural products, non-ferrous metals, coke, steam coal and black construction materials. Improving regulations and policies related to futures and derivatives, as these recent regulatory releases do, is conducive to regulating derivatives business, promoting the development of the domestic derivatives market, protecting the legitimate rights and interests of all parties, and preventing systemic risks[25].

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25 Approval of the Futures and Derivatives Law, National People's Congress,http://www.npc.gov.cn/npc/c30834/202204/b1f78a6769b74a2d8a28300273500379.shtml

The CBIRC strengthens regulations around IT outsourcing risk management[26]

In recent years, in the process of promoting digital transformation, banks and insurers have become increasingly dependent on IT outsourcing services, and some of them exercise inadequate control over IT outsourcing risks, which has sometimes led to business interruptions and leakage of sensitive information. Furthermore, a high concentration of outsourcing service providers in some areas has given rise to sector concentration risk. Against this backdrop, the CBIRC issued the Measures for the Regulation of IT Outsourcing Risks of Banking and Insurance Institutions ("the IT outsourcing Measures") on 30 December 2021 to strengthen supervision of IT outsourcing risks of bancassurance institutions and enhance their risk control capabilities.

Adopting a risk-based approach, the IT outsourcing Measures regulate the IT outsourcing systems of banks and insurers from three perspectives: governance, management and supervision. These areas cover the governance structure and responsibilities, outsourcing strategy, whole life cycle management processes (access, monitoring, evaluation, etc.), outsourcing risk control, and supervision by regulators. Compared with the Guidelines for the Regulation of IT Outsourcing Risks of Banking Financial Institutions (2013 version, which has been repealed), the IT outsourcing Measures increase the responsibilities borne by bancassurance institutions, and specify the scope of major businesses that is allowed to be outsourced as well as the scope of business that should not be outsourced. Banks and insurers are required to adopt differentiated management measures based on the principle of hierarchical control. The IT outsourcing Measures also stipulate requirements on key issues involved in outsourcing activities, such as personal information protection, network security, related-party and peer outsourcing, and business continuity.

The CBIRC regulates credit card business and enhances banks' management capabilities in seven areas

On 16 December 2021, the CBIRC issued the Notice on Further Promoting the Standardized and Healthy Development of Credit Card Business (Exposure Draft) (the "Notice") to solicit public comment.

The Notice sets forth requirements for the supervision and management of commercial credit card business in seven areas: card business operations and management, card issuance management, credit extension management, installment management, interest and fee collection and information disclosure, protection of consumer rights and interests, and management of external partners. For institutions that do not comply with the provisions, the Notice provides a 24-month transitional period for rectification and reform, giving banks the time to address industry problems such as sloppy business philosophies, insufficient service awareness, inadequate risk control, and violations of consumers' legitimate rights and interests. With respect to technological innovation, the CBIRC encourages commercial banks to take the initiative to adapt to economic development and consumers' evolving financial needs by constantly optimising card service functions, enriching product offerings, reducing the cost of using credit cards, and enhancing customers' sense of access, convenience and security with respect to card use.

[26] Interpretation of the Measures for the Regulation of IT Outsourcing Risks of Banking and Insurance Institutions, KPMG China, https://mp.weixin.qq.com/s/1Szlr0uJrPLcmPVPTwlOHg

Banks and insurers are subject to regulatory evaluation for consumer rights protection based on 24 indicators

In order to further enhance the regulatory system that focuses equally on prudential and behavioral supervision and effectively protect the legitimate rights and interests of consumers of banking and insurance products, the CBIRC issued the Measures for Regulatory Evaluation of Consumer Rights and Interests Protection by Banking and Insurance Institutions (the "RECRIP Measures") on 5 July 2021. The RECRIP Measures apply to banking and insurance institutions incorporated in China that offer financial products or services to consumers, including commercial banks, wealth management companies, trust companies, auto finance companies, consumer finance companies, and insurers, among others. The evaluation covers 24 indicators under 6 categories that integrate regulatory requirements and standards on consumer rights protection for banks and insurers. The 6 categories are System Construction, Mechanisms and Their Operation, Operations and Services, Education and Publicity, Dispute Resolution, and Supervision and Inspection.

Among these indicator categories, the System Construction category carries a weight of 10% and mainly evaluates banks' and insurers' corporate governance and organizational structures related to consumer rights protection. The Mechanisms and Their Operation category, which has been assigned a weight of 25%, mainly focuses on the construction and operation of banks' and insurers' consumer rights protection mechanisms, including consumer rights protection review, information disclosure, personal information protection, internal training, assessment and audit, etc. The Operations and Services category carries a weight of 30% and mainly looks at how banks and insurers have implemented the relevant requirements for consumer rights protection in their day-to-day operations and services, including but not limited to marketing and publicity, suitability management, sales behavior management, partnerships management, service quality, service charges, etc. Next, the Education and Publicity category has a weight of 10% and mainly evaluates banks' and insurers' general arrangements for consumer education and awareness, centralized education and awareness activities, day-to-day work related to consumer education, and related areas. Meanwhile, the Dispute Resolution category bears a weight of 25% and focuses on banks' and insurers' complaint management, the number of complaints lodged, and banks' and insurers' implementation of a diverse range of dispute resolution mechanisms. Finally, the weight of the Supervision and Inspection category is adjusted based on on-site inspections of consumer protection-related work, investigations of tip-offs, inspections of complaints, review of litigation, public opinion, major negative events, and the implementation of relevant remedial actions.

The RECRIP Measures have provided a strong starting point for the CBIRC to do a good job of consumer protection regulation. Regulatory evaluation of consumer rights protection will serve as an important basis for the regulator to allocate regulatory resources and implement a differentiated regulatory approach. Based on the results of its evaluations, the CBIRC will put in place customized regulatory measures for different banks and insurers and urge them to take remedial actions in a timely manner, so as to improve the quality and efficiency of consumer rights protection.

The digital transformation of the banking and insurance industries is building a new landscape for digital finance

On 26 January 2022, the CBIRC issued the Guiding Opinions on the Digital Transformation of the Banking and Insurance Industries (the "DTBII Opinions"), which put forward 27 specific measures across 6 areas: strategic planning and organizational processes, digitization of business operations and management, data capability building, technological capability building, risk prevention, and organizational safeguards and supervision and management. In general, the measures are designed to facilitate the digital transformation of the banking and insurance industries, promote their high-quality development, build a new landscape for digital finance that aligns with the latest economic developments, improve the financial industry's ability to serve the real economy, and effectively prevent and resolve financial risks.

The DTBII Opinions focus on the following 6 directions for digital transformation: developing industrial digital finance, promoting the digital transformation of personal financial services, further digitalizing financial market transactions, developing a digital operations and service system, building a sound and efficient financial service ecosystem that benefits all parties, and strengthening digital risk management capabilities. The DTBII Opinions cover industrial finance, personal finance, and financial market transactions; stress the importance of building a financial service ecosystem and digital operating and risk management capabilities; and comprehensively set out the pathway for business operations and management digitalisation. According to the DTBII Opinions, banks and insurers should integrate digital technologies with business scenarios to identify opportunities that align with their business strategies, goals and visions. In particular, they should focus on customers, empower product innovation, build intelligent marketing and risk management capabilities, digitalize operations and services, and build a sound and efficient financial service ecosystem to effectively drive corporate value[27].

[27] See our interpretations of the Guiding Opinions on the Digital Transformation of the Banking and Insurance Industries and the Fintech Development Plan (2022-2025) at https://home.kpmg/cn/zh/home/insights/2022/03/building-a-new-pattern-of-digital-finance.html

Banks' and insurers' related-party transactions will be subject to coordinated regulation

As new entities and business models emerge in the financial market, the transactions of banks and insurers are becoming more diversified and complex, presenting challenges for related-party transaction management. On 14 January 2022, the CBIRC issued the Measures for the Administration of Related-party Transactions of Banking and Insurance Institutions (Order No. 1 of 2022) (the "RPTBII Measures"). This document puts forward broader and more detailed requirements for banks' and insurers' management of related-party transactions. The RPTBII Measures apply to all types of banking and insurance institutions that are subject to regulation by the CBIRC, including trust companies, financial asset management companies, financial leasing companies, auto finance companies and consumer finance companies incorporated in China. The RPTBII Measures mainly cover the following areas:

- **Coordinating and standardising regulation.** The RPTBII Measures aim to integrate the systemic advantages of the banking and insurance industries, introduce consistent rules for the management of related-party transactions, and optimise the identification of related parties based on the characteristics of different types of institutions. These regulations expand the scope of what constitutes a related party, and they also make adjustments to the different types of related-party transactions to enable a differentiated regulatory approach based on consistent standards.
- **Clarifying general principles.** Banking and insurance institutions should maintain their operational independence, improve their competitiveness, control the number and scale of related-party transactions, and steer clear of complex arrangements such as multi-level nesting, with a focus on preventing tunnelling risks in relation to shareholders and their related parties.
- **Taking a problem-oriented approach.** The RPTBII Measures prohibit individuals and companies from tunnelling and evading regulation through complex transaction structures or channel-based business, and they define certain regulatory red lines. Institutions are required to optimize their identification of related parties and related-party transactions in accordance with the "substance over form" principle and and the "look-through" regulatory approach, and strengthen their management of related-party transactions in key areas, especially for off-balance-sheet transactions, asset management transactions and inter-bank transactions.
- **Defining management responsibilities.** The RPTBII Measures reaffirm the responsibilities of institutions in relation to the management of related-party transactions. In this regard, they are required to establish an accountability mechanism covering all levels, strengthen the functions of the related-party transaction control committee, set up a cross-departmental related-party transaction management office at the managerial level, and clarify the leading department for related-party transactions and set up dedicated positions. Furthermore, they are required to effectively perform their management responsibilities in relation to the identification and reporting of related parties; the collection and management of information about related parties; pricing, review, reporting, disclosure, auditing and accountability for related-party transactions; and cases where relevant officers should refrain from voting on matters involving related-party transactions.
- **Adding variety to regulatory measures.** The RPTBII Measures define and clarify disclosure requirements, frequency of disclosure, exemptions, and regulatory measures and penalties, among other issues. The regulations also stipulate the regulatory measures and penalties that have been established by the CBIRC for cases in which banking and insurance institutions or their directors, supervisors, and senior officers breach the relevant regulations.

In line with the CBIRC's priorities in 2022, and in order to strengthen the regulation of equity and related-party transactions and promote the rectification of key issues, the CBIRC recently issued the Notice on Key Points of Rectification for the Equity and Related-party Transactions of Banking and Insurance Institutions in 2022 (the "Notice"), which puts forward plans and arrangements for such rectifications in 2022. The Notice states that the CBIRC will continue to investigate and handle highs risks associated with equity and related-party transactions, strengthen the "look-through" approach to regulation, and guard against risks around major shareholders exercising insider control or engaging in manipulation to hollow out financial institutions. Moreover, the Notice says that the CBIRC will continue to ensure that existing problems are rectified to the largest extent possible, enhance small- and medium-sized institutions' infrastructure for equity and related-party transactions, and improve small- and medium-sized institutions' risk management systems. [28]

[28] Special Rectification of Equity and Related-party Transactions of Banks and Insurers Will Be Launched in 2022 to Prevent the Risks of Insider Control and Manipulation by Major Shareholders, China Securities Journal, https://news.cnstock.com/news,bwkx-202205-4876969.htm

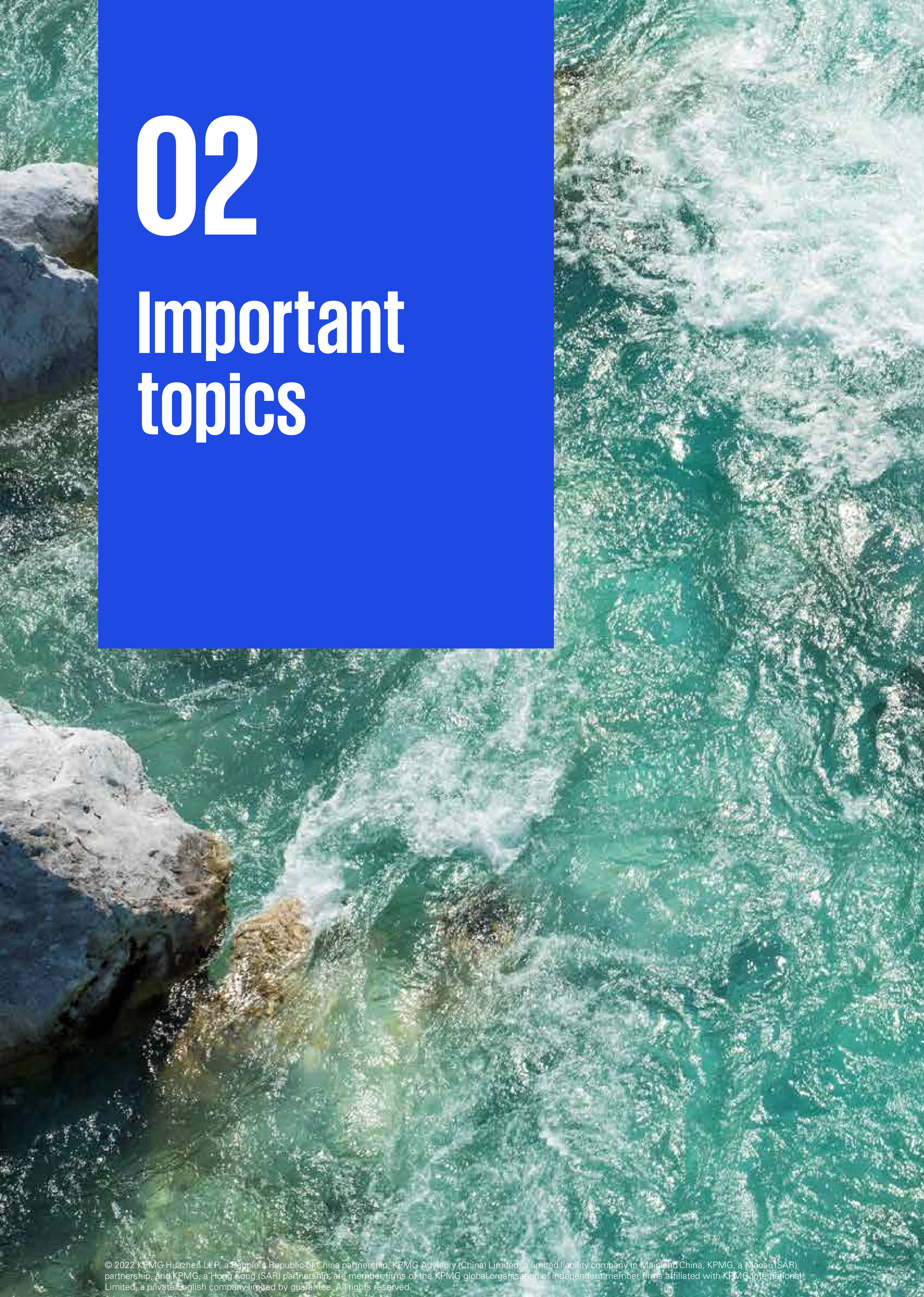
The PBOC and the SAFE introduce standards to support overseas lending by Chinese banks

In order to contribute to the formation of a new development pattern and support Chinese banks in their efforts to carry out overseas lending, on 29 January 2022, the PBOC and SAFE jointly issued the Notice on Matters Concerning the Overseas Loan Business of Banking Institutions (the "Notice"), which came into effect on 1 March 2022. The Notice focuses on the following areas: (1) Establishing an integrated policy framework for banks' overseas loans denominated in both RMB and foreign currencies to manage them on an unified basis, expanding the scope of banks' overseas RMB lending, and facilitating the use of RMB in overseas lending. (2) Incorporating overseas loan-related cross-border capital flows into the macro-prudential management policy framework. (3) Defining requirements for banks in relation to the handling of overseas loan business and the use of related cross-border funds to effectively prevent risks. In general, the Notice introduces consistent standards to support the overseas loan business of banks and facilitate cross-border trade and investment. At the same time, higher requirements on risk prevention have also been put forward to incorporate cross-border capital flows arising from overseas lending into the macro-prudential management policy framework and strengthen banks' risk management capabilities in international operations.

Conclusion

In 2022, international conditions have become increasingly challenging and complex. At the same time, recurring outbreaks of COVID-19 have occurred across various regions in China, putting a dampener on economic growth. Against this backdrop, stabilizing the macro economy has become a task of strategic importance. Meanwhile, financial institutions are also facing opportunities and challenges, such as stabilizing their own growth, preventing risks, strengthening consumer rights protection, and further digitalizing banking operations. In light of these issues, in the previous sections, we have sought to shed light on 18 hot topics related to the banking industry's current development and business scenarios, in order to help banking professionals better understand industry developments, cut through complexity and capture opportunities.

Special thanks to Daniel Zhi, Jin Cao, Silvester Liu, Cathy Zhou, Jason Si, Aaron Ren, Catherine Jin, Ronald Wang, Lorna Meng and Lychee Fan for their contribution.



02

Important topics

Meeting current challenges by focusing on the fundamentals:

Six transformational recommendations for China's banking industry in 2022

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Since the outbreak of COVID-19 in early 2022, China has demonstrated an outstanding ability to coordinate and implement countermeasures in response to the pandemic, and the country has made remarkable achievements during this time. Unfortunately, it has become increasingly clear that the pandemic will probably last for a long time, and the shadow of the pandemic coupled with the volatile international political environment will continue to have a profound impact on China's economy and society in general.

Although China is adhering to its Dynamic Zero-Covid policy in combatting the pandemic, its macro-economic policies are now focusing on striking a balance between preventing and containing COVID-19 and stabilizing economic growth. In order to address the impact of outbreaks during the first half of 2022, the State Council released the Package of Policies and Measures for Firmly Stabilizing the Economy, introducing 33 specific policies and arrangements across 6 areas to support economic growth, bolster market confidence, and solidify market expectations.

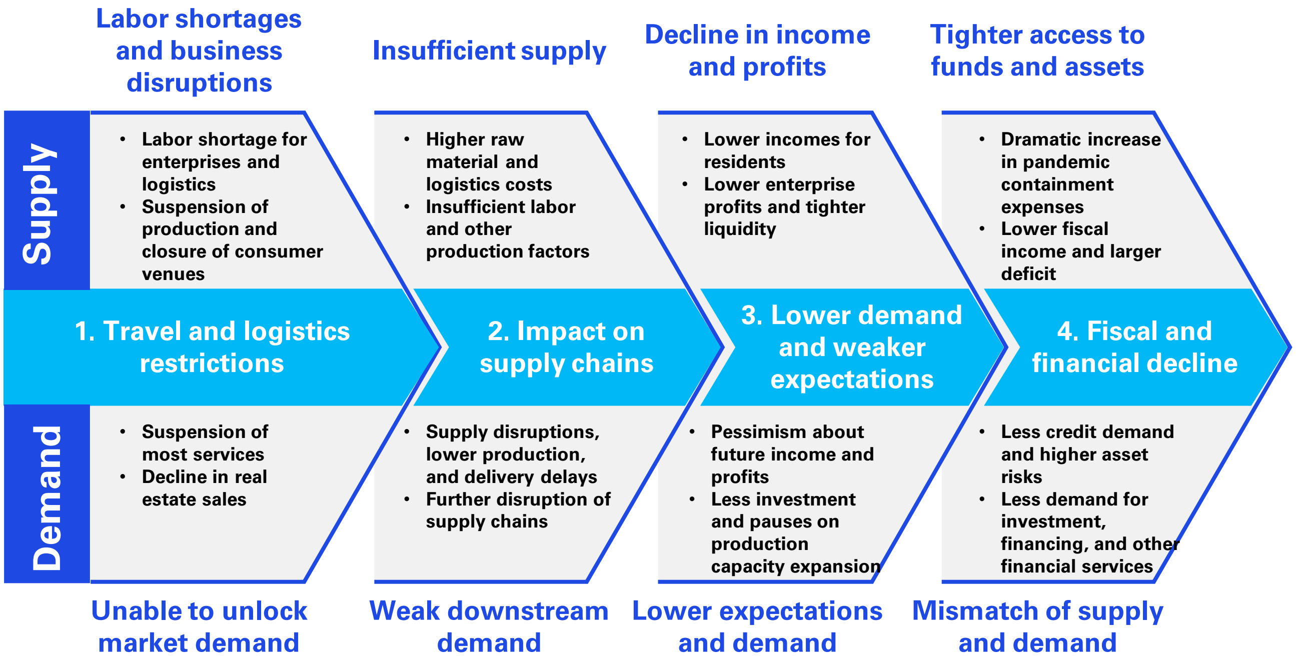
The banking industry plays an essential part in China's macro-economy and financial sector. While learning to cope with higher external uncertainty, the industry should make preparations to boost the real economy and stabilise the financial market. Generally, looking ahead, we expect to see the banking industry face increasing challenges related to the macro-economy, regulators, clients, peers, and their own internal operations.

Challenge 1 — Softer macro-economy in the short term, slower growth in the long term, and higher uncertainty

According to the National Bureau of Statistics of China, average GDP growth rate in 2020 and 2021 after the outbreak of COVID-19 stood at 5.1%, which the State Council has described as "a sign of gradual recovery," "an economic result that outpaced the rest of the world's," and "a preliminary achievement of the goals in the 14th Five-Year Plan." Since the beginning of 2022, however, changes in the international political landscape, pandemic outbreaks, and other challenges, such as Sino-US trade friction and "Gray Rhino" events like the real estate bubble, have delivered a significant blow to the Chinese economy as a whole.

While it is not yet clear whether foreign COVID-19 policies present systemic risks, we can see that the Russia-Ukraine conflict and other factors have disrupted supply chains and driven up commodity prices, including for energy and food. These price increases have caused inflation in many countries to reach record highs and added uncertainty to the global economic recovery. At the same time, the economic situation in China is not so optimistic either. Travel restrictions are still in place, and enterprises and residents are not confident enough to invest and spend. In this context, the financial sector is experiencing significant pressure; supply chains are not running smoothly; and small- and medium-sized enterprises are facing business difficulties and presenting higher default risks. In light of this significant economic uncertainty, Chinese policymakers will focus on ensuring economic growth, adjusting the structure of the economy, improving the quality of economic growth, and protecting the livelihood of citizens in the medium and long term.

Figure 36 Impact of COVID-19 on China's economy



Challenge 2 Growing pressure on banking business, declining profitability, and lower asset quality

Interest income is an important income stream for Chinese banks. Since the beginning of the 14th Five-Year Plan period, Chinese banks have faced shrinking net interest margins as their debt costs have stayed steady while asset prices have dropped. This downward trend in net interest margins has been more dramatic for small- and medium-sized banks than for larger banks. According to statistics from the CBIRC, the average net interest margin of city commercial banks and rural commercial banks has decreased by 9 basis points and 16 basis points respectively in the period from 2020 to 2021.

In order to facilitate its macro-economic policy, China's monetary policy will remain accommodative for a considerable period of time. At the beginning of 2022, the PBOC lowered its 1-year LPR and 5-year LPR by 10 and 5 basis points respectively, and reduced the latter by an additional 15 basis points in May. The Package of Policies and Measures for Firmly Stabilizing the Economy includes clear provisions that require banks to steadily reduce their actual loan interest rates and increase access to inclusive loans to small and micro enterprises, while also offering interest rate reductions and principal and interest repayment deferrals to such enterprises. In terms of liabilities, while deposit interest rates have shrunk, banks do not have much room to lower their debt costs due to fierce competition from both within and outside the banking industry, and some banks with weaker client bases or business models have even seen their debt costs increase. Therefore, we expect net interest margins to continue to narrow in the short and medium term.

More importantly, banks should be aware that the expansion in credit coupled with the general economic slowdown has caused solvency issues for many enterprises and individuals, subjecting banks to greater downward pressure on asset quality and requiring them to more effectively dispose of non-performing assets. In the future, banks should employ a mix of approaches, such as collection and restructuring, proactive write-offs, and transfer and securitization of non-performing assets, to more effectively dispose of non-performing assets and mitigate risk.

Challenge 3 Banking regulation is becoming stricter, and banks' "policy tasks" have increased

Since the 19th CPC National Congress in 2017, banking regulation has tightened considerably, primarily in order to prevent financial risks. Over the past 5 years, China's government and regulators have launched many initiatives to clarify the positioning and business scope of different types of banks, so as to encourage them to reduce leverage, regulate their operations, and better serve the real economy.

Banks are facing multiple regulatory trends in the short and medium term. First, new regulatory guidance around consumer protection, client information security, digital transformation, sustainable finance, and other areas has presented banks with new transformation requirements. Second, short-term policies have been enacted for banks in order to make counter-cyclical adjustments; and restrictions on the platform economy, real estate finance, and infrastructure investment are being eased. Third, banks are in effect being asked to facilitate administrative policies, and Chinese regulators are expecting banks to do more to support the real economy. For example, the Chinese government has recently encouraged banks to lend a helping hand to the manufacturing industry, small and micro enterprises, agriculture, rural areas and farmers, and other sectors that have been severely impacted by COVID-19 by granting more loans, reducing interest rates, and deferring repayment, among other measures. In order to take these actions, banks will need to ensure that their business operations and risk management are performing at a high level.

China will hold its 6th National Financial Conference in the latter half of 2022, and we expect the country to continue to deepen the reform and opening up of its financial sector, reaffirm the general direction of serving the real economy, and enhance measures to prevent systemic financial risks and protect financial security. In the long run, banking will remain under strict supervision as regulators continue to implement the prudent financial regulatory framework.

Challenge 4 Client mix is rapidly changing as demand evolves

During the 13th and 14th Five-Year Plan periods, China's society, economy, culture, and technology have been developing steadily, and "supply-side reform" in the financial sector has subjected banks to quick changes in the mix and demand of both wholesale and retail clients. At the same time, the booming platform economy and the outbreak of the COVID-19 pandemic have accelerated these processes.

For enterprises, the outline of the 14th Five-Year Plan focuses on pursuing high-quality development, implementing China's new development philosophy, and accelerating the establishment of a modern economic system. Meanwhile, the country's "dual carbon goals" will help promote green, low-carbon primary manufacturing, drive growth in the new energy industry, and attract more investment to green industries and technologies. Recently, the optimization of industry structures and the transition from traditional economic development to higher-quality growth (referred to officially as "new and old kinetic energy conversion") have resulted in quick changes to the client mix of banks. Certain energy-intensive industries are stagnating or being phased out, and new technologies, business models, and economic patterns are emerging, resulting in more diversified needs for financing and financial services.

In recent years, the number of high-net-worth individuals in China has grown steadily, and the scale of investable financial assets held by residents has expanded as well. Against this backdrop, consumers are expecting better financial investment opportunities and services. Meanwhile, during the 13th Five-Year Plan, the mobile Internet grew to cover the vast majority of the country's population, and it has gradually become embedded in people's daily lives, purchases, and financial services, opening up various new digital scenarios. In addition, individual client groups, such as new migrants, families, and seniors, are becoming more discernible due to their different needs.

Challenge 5 Fierce competition from within and outside the banking sector

Looking ahead, we expect competition among Chinese banks to intensify. Although some banks, such as China Merchants Bank and Bank of Ningbo, have demonstrated strength in certain areas, most banks have struggled in recent years because their product and service offerings appear to be the same. As premium asset sources become scarce, interest spreads narrow, and risk exposures increase, competition in the banking industry will become fiercer. Currently, banks are ramping up investments in digitalisation and fintech in the hopes of gaining an upper hand, but these efforts will likely only translate into a competitive edge for a few of them.

China's banking industry will need to cope with competitors from other industries as well. Innovative business models, especially in platform finance, continue to disrupt banking business. In this context, the Internet titans, which have been subject to greater regulation recently in order to contain the disorderly expansion of capital in the Internet finance sector, will surely leverage their strength in technology, data, user interaction, and business scenarios to regain lost ground. Several months ago, Premier Li Keqiang gave a speech on the platform economy endorsing its development[29]. Moreover, under the new regulatory framework, banks will also face competition from non-banking financial institutions in the field of intermediary services, such as asset management, wealth management, and investment banking. During the 14th Five-Year Plan period, China is optimizing its multi-level capital market system and encouraging market participants to increase the proportion of direct financing, with a particular emphasis on equity financing. These developments will likely cost banks some of their overall share in the financial market.

From the original outbreak and spread of the COVID-19 pandemic to China's successful implementation of the Dynamic Zero-COVID policy to combat recent outbreaks in Xi'an, Jilin, Shanghai, and other cities, we have seen both the profound impact of the pandemic on the country's economy and people's lives and the Chinese government's ability to effectively exercise macro-economic control, safeguard the economy, and mobilise Chinese citizens to respond to emergencies. In 2021, the banking industry managed to deliver satisfactory results in spite of this turbulence. During the year, the total assets and profits of commercial banks increased by 8.6% and 12.6% respectively, while their NPL ratio dropped 0.11% from the end of 2020.

Looking ahead, we see both challenges and opportunities for the banking industry. In the era of comprehensive digitalisation that is on the horizon, efficiency and experience will be the key to success. Meanwhile, government initiatives that aim to stabilise growth, maintain employment, encourage consumption, and adjust and upgrade industries are creating exciting opportunities and growth drivers amid other challenges. Based on our experience serving the banking industry, we think that Chinese banks should adopt the following six recommendations in order to face down their challenges and achieve success:

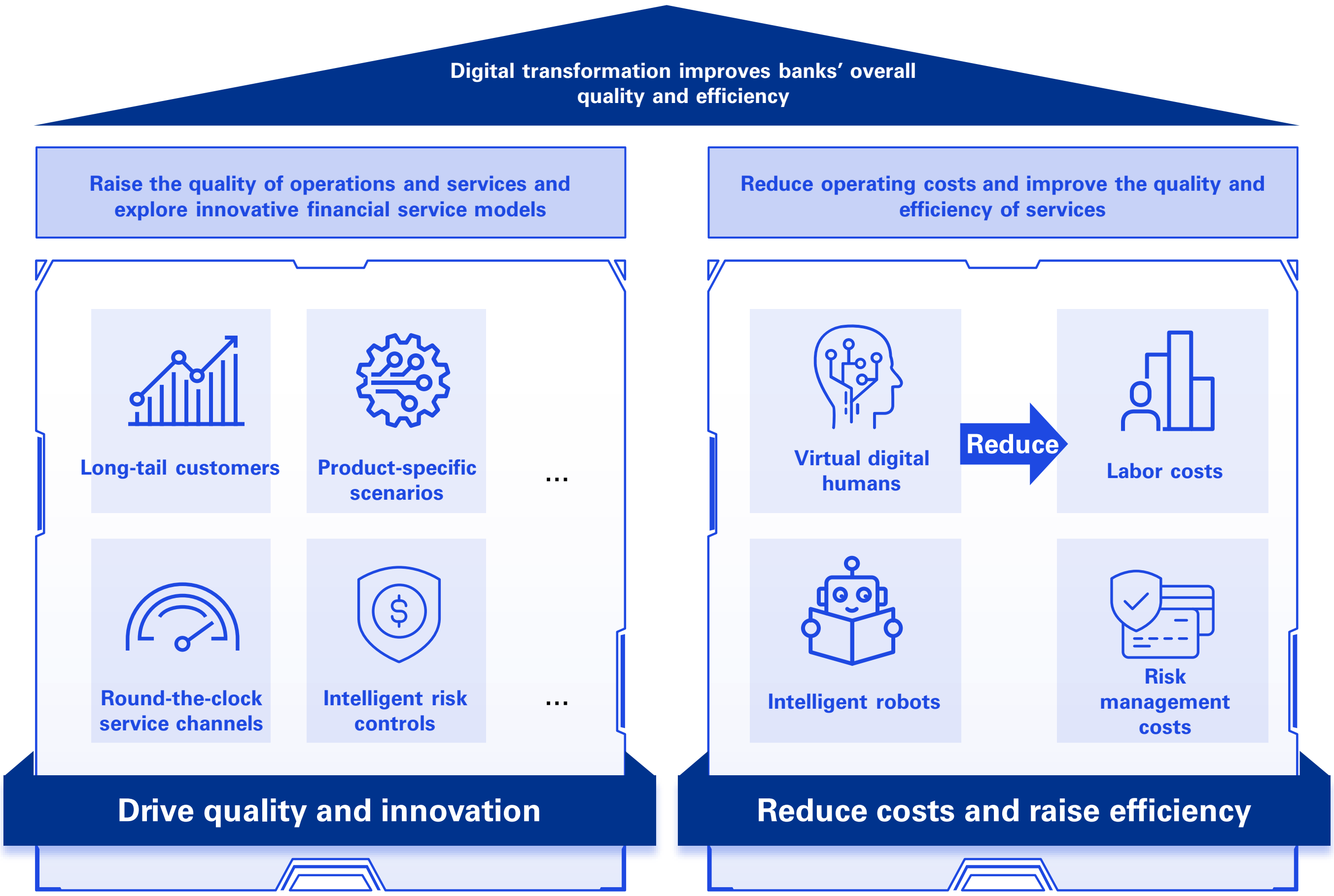
Recommendation 1 | Accelerate digital transformation to comprehensively improve quality and efficiency

Digital transformation is an important means for making financial services more accessible and convenient, and it represents the only path forward for traditional banks pursuing success in the digital economy and pivoting towards the future of banking. A domestic survey conducted by KPMG China in 2021 showed that banks expected their direct investment in digital transformation over the next 3 years to account for 3% of their operating income, with an annual growth rate of over 20%.

For banks, digital transformation is attractive mostly because it drives quality, innovation, and efficiency and lowers costs. First, digital transformation enables banks to improve business operations and service quality and introduce innovative financial business models that address the demands of long-tail customers, facilitate product-specific scenarios, deploy round-the-clock service channels, set up intelligent risk controls, convert data into assets, and offer open platforms. It also allows banks to innovate scenario-based customer acquisition, risk control models, and mobile finance services. Second, with digital transformation, banks can deliver quality services in a more efficient and cost-effective way. Using virtual digital humans, intelligent robots, model monitoring and other intelligent tools, banks can reduce their labor costs at business outlets, risk management costs, and marketing and customer acquisition costs. Banks can also put in place customer-oriented process monitoring models to identify redundant processes and drive process reshaping, and they can employ labels to develop customer profiles, enhance risk control and enable more targeted marketing for better overall service efficiency.

[29] Premier Li Keqiang chaired a State Council executive meeting, Xin Hua Net, http://www.news.cn/politics/leaders/2022-05/05/c_1128623676.htm

Figure 37 Digital transformation drives quality, innovation, and efficiency and lowers costs



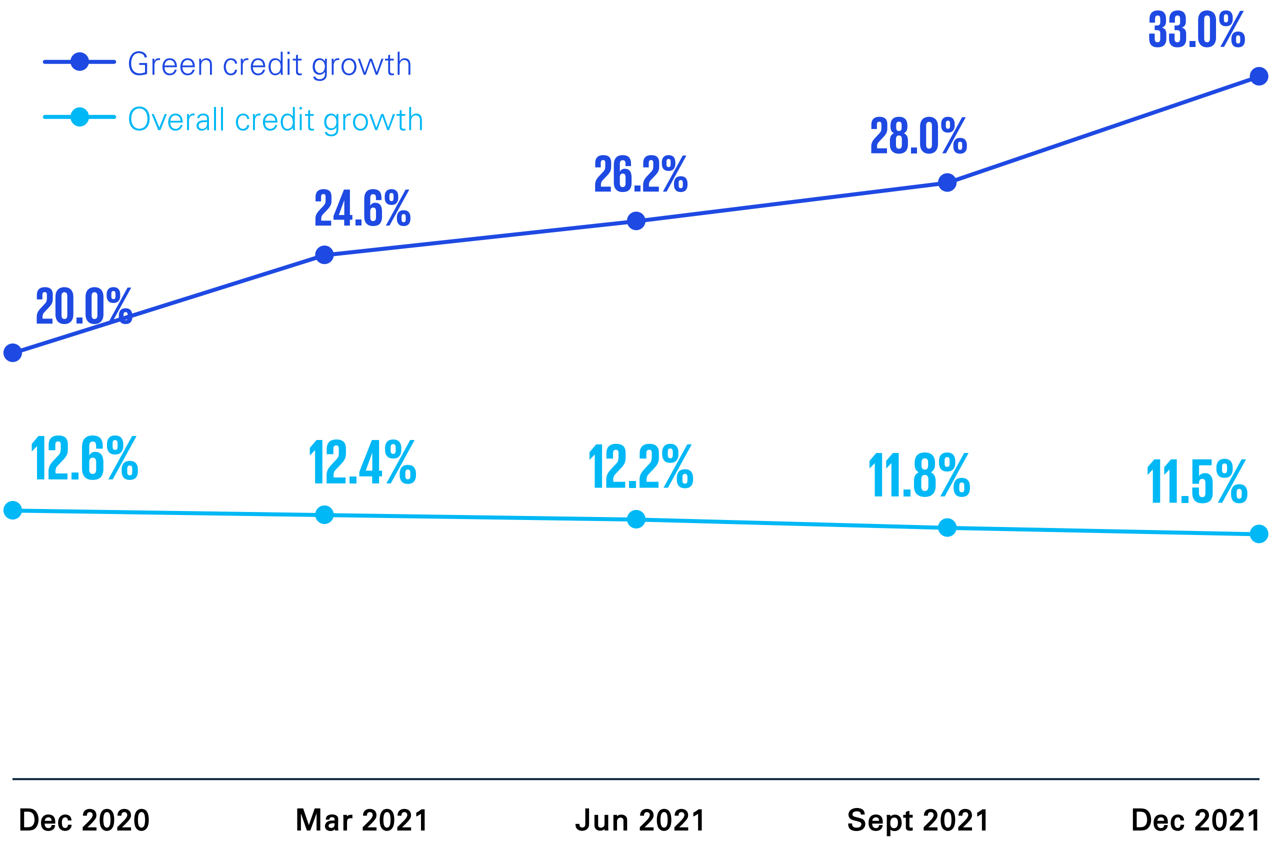
Source: KPMG analysis

Recommendation 2 | Gain an edge in ESG and green finance

The "dual carbon goals" have become an important long-term development strategy for China, and the development of the country's green finance market has recently moved into the fast lane. Over the past year, the green finance market's top-level design and rules were made clearer; green finance regulations and incentives were rolled out; the scale of green credit expanded at a brisk pace; more green finance products and sustainable investment offerings were introduced in the market; carbon finance continued to develop; and banks of all sizes made diversified efforts to establish a green finance system and engage in green finance. All of these trends contributed to the green finance market's steady growth during the year.

Significant green finance reforms have created business opportunities for banks, but these opportunities come with unprecedented responsibilities. Bearing these responsibilities in mind, banks should improve their ESG performance, adopt green finance strategies, explore green finance innovation, and promote the pivotal role of green finance in the development of a greener economy and society.

Figure 38 **Green credit growth vs. overall credit growth in recent years**



Source: PBOC

Table 3 Banks' green finance practices

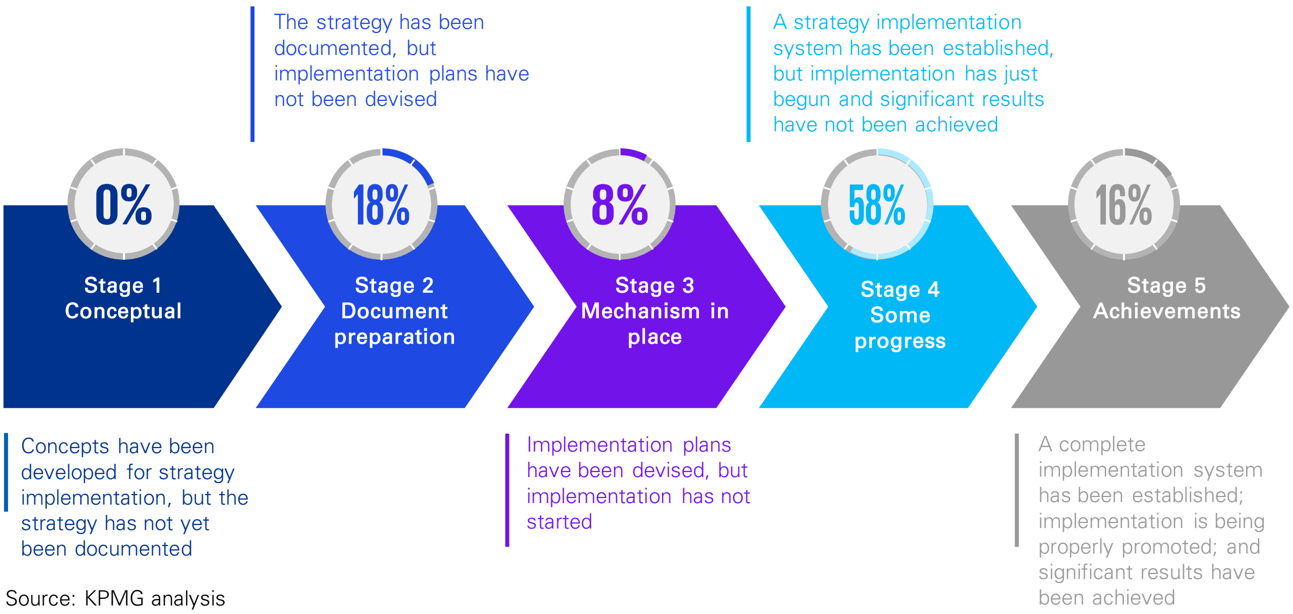
Bank type	Bank name	Strategic goals and practices in green finance development
Large banks	Industrial and Commercial Bank of China	ICBC aims to develop an international reputation as a leading green bank. To this end, the bank is implementing environmental (climate) stress tests and social risk assessments, and proactively engaging in green business involving credit, bonds, funds, wealth management, investment, leasing, and inclusive finance, among other areas.
	Agricultural Bank of China	ABC aims to build a widely recognized green finance brand. It has set up a "carbon neutrality" working committee and green finance committee, and it is stepping up efforts to grant more green loans and innovate green financial products.
	Bank of China	BOC is striving to become the preferred domestic provider of green financial services and make a leap in its green finance business. It has signed the United Nations' (UN) Principles for Responsible Banking, included green finance and inclusive finance in its "eight major areas of finance" strategy, and formulated a proprietary 14th Five-Year Plan for green finance.
	China Construction Bank	CCB is committed to becoming a global leader in sustainability. It has launched the "Green Core (绿芯)" green finance program, established a peak emissions and carbon neutrality steering committee, and planned 20 actions for achieving peak emissions and carbon neutrality. It has also issued the first green bonds under the *EU-China Common Ground Taxonomy – Climate Change Mitigation* framework.
Medium-sized national joint-stock commercial banks	Industrial Bank	Industrial Bank is the first "Equator Bank" in China, and it also aims to develop into a "green finance group." It has signed the UN's Principles for Responsible Banking and engaged in the UN Framework Convention on Climate Change's (UNFCCC) Climate Neutral Now Initiative. Recently, it has developed a comprehensive group-wide pipeline of green finance products covering loans, bonds, wealth management, trusts, and equity investments, and it is actively pursuing green finance innovation.
	Shanghai Pudong Development Bank	SPDB is engaging in green banking and developing green finance under the brand of "SPDB Green Innovation (浦发绿创)." As one of the first Chinese banks to launch comprehensive green finance services, it has pioneered many initiatives in the banking industry, such as granting the first infrastructure sustainability loan, the first loan for carbon neutrality, and the first carbon neutrality loan for ecological restoration.
	Hua Xia Bank	Hua Xia Bank is striving to make green finance its watermark and develop into a climate-friendly bank. To this end, it has signed the UN's Principles for Responsible Investment, and set up a green finance management committee to coordinate its green finance business. It is also focusing on green credit, conducting environment stress testing, and supporting Climate-related Financial Disclosures (TCFD).
	Ping An Bank	Ping An Bank aims to transform into a green finance brand. It has actively engaged in green finance and ESG investments, incorporated green finance and ESG into its overall plans, and developed ESG-themed products.
Small- and medium-sized regional commercial banks	Bank of Huzhou	Bank of Huzhou, which is based in Huzhou city, has established a strong presence in the Yangtze River Delta in order to serve small- and medium-sized enterprises and residents. It is a modern listed regional joint-stock bank, and it has developed a significant level of influence in the field of green finance. In addition, as the third "Equator Bank" in the Chinese mainland, it serves as an example for small- and medium-sized regional banks looking to adopt the Equator Principles.
	Bank of Jiangsu	Bank of Jiangsu aims to develop a green finance brand that is a leader in China and competitive globally. It was the first banking entity in China to release an action plan to facilitate the "carbon neutrality" goal through financial services, and it was the first city commercial bank to adopt both the Principles for Responsible Banking and the Equator Principles. The bank has also implemented ESG ratings and environmental protection credit ratings to manage environmental risks arising from customers and put in place an environmental and social risk management system. In addition, Bank of Jiangsu conducts climate risk sensitivity analysis on credit assets in the steel, concrete, and thermal power industries.
	Bank of Nanjing	Bank of Nanjing has put in place a well-established green finance policy system, incorporated green finance indicators into its bank-wide KPIs to measure its social responsibility performance, issued ESG-themed products, provided carbon performance-linked loans, and underwritten green bonds for carbon neutrality, among other green activities.
	Bank of Chongqing	Bank of Chongqing has incorporated green development into its bank-wide strategic plan and made efforts to standardize green finance. It has also participated in Chongqing's research on green and low-carbon development and fully engaged in the city's efforts to pursue green finance innovation and reform.
	Bank of Guizhou	Repositioning itself as a green bank, Bank of Guizhou has devised a strategic plan for green finance development, put in place a strategic system covering eight major green finance areas, defined green credit milestones, and enhanced carbon footprint management.

Source: Public information

Recommendation 3 | Transform using a scientific and systematic strategy

In the face of a volatile external environment, banks need to devise proper strategic plans to guide them through their transformations. Most Chinese banks have developed strategic plans for the 14th Five-Year Plan period or for the medium and long term. However, without down-to-earth implementation, such plans will not fare well amid social uncertainty. A recent survey conducted by KPMG found that although most banks have underlined the importance of implementation, they are facing bottlenecks due to various difficulties, such as lack of experience and lack of systematic implementation plans. As a result, over one-fourth of surveyed banks have not yet put their plans into action.

Figure 39 **Strategy implementation status**



Source: KPMG analysis

Leading banks have enhanced strategy management in three ways: 1. interpreting the strategy to reach bank-wide consensus, and analysing and breaking down the strategy to get a clear picture of the measures that need to be taken; 2. setting up an implementation system, which includes a strategy management structure, a review mechanism, a collaboration mechanism, and an agile team; and 3. reshaping the performance appraisal system so that it includes an optimised appraisal of strategy implementation performance, and putting in place a mechanism to review and revise the strategy. By focusing on these areas, banks can improve strategy management, steadily empower their business, personnel, and management tools, and ultimately turn their strategy into a reality.

Recommendation 4 | Enhance business models based on scenarios and experience

In the era of Internet finance and digitalisation, banks need to develop products and customer service processes based on scenarios. For example, they may offer transaction banking to facilitate the development of the Industrial Internet of Things, combine investment and financing to address customers' needs for comprehensive financial services, deliver efficient cash management services to help customers with financial management, develop open banking capabilities to integrate scenarios, and provide B2B2C services that connect individuals with enterprises. Each of these service capabilities will enable banks to transform toward scenario finance. By fostering internal capabilities and cooperating with third parties, banks can access scenarios around daily life and purchases, industrial digitalisation, and government informationization, allowing them to reach customers any time, anywhere through imperceptible financial services.

As the core of customer management, customer experience drives competitiveness when it is done well. Fortunately, digital transformation makes precise customer experience management possible. Using digital capabilities, banks can reshape their processes and customer experience on an ongoing basis; link their products, services, channels, and marketing efforts; identify demands and pain points from the customer's perspective; and establish an interactive customer feedback mechanism to proactively communicate and follow up with customers, regularly carry out experience assessments, address pain points in an agile manner, and create benefits. In this way, banks can improve the customer experience in a closed-loop manner.

Recommendation 5 | Cultivate unique features to earn brand recognition and build a competitive edge

As customer demands diversify, it is neither easy nor necessary for a single bank to address all customers' needs, especially when the bank is small- or medium-sized. The changing customer and demand mix, the development of fintech, and the regulation of banks by category are all presenting opportunities for banks to develop more unique features.

For example, the upgrading of economic cycles and industry clusters will generate significant demand for comprehensive financial services; sectors that enjoy favorable national policies, such as technological innovation and the green economy, will present significant potential in terms of acquiring new business; consumption upgrading and the rise of the next generation of consumers will create a huge consumer finance market; the increasing number of high-net-worth and well-off individuals will give rise to substantially greater demand for wealth management services; and efforts on the part of local governments to develop local economies and serve local residents will generate demand for G2B and G2C initiatives, which banks should play a role in. In the face of these diverse opportunities, banks should focus on one or several fields based on their available resources, applicable regulations, and development stage. In this way, they can cultivate unique brands and gain a competitive edge in an increasingly homogenized marketplace.

Recommendation 6 | Enhance compliance and risk management

Banks need to take a deeper dive into regulatory policies to gain a better understanding and improve their foresight. In addition to complying with policies, they should go a step further and identify what is driving regulatory trends. For example, they should be able to rapidly and proactively respond to regulatory calls for banks to support Common Prosperity, low carbon and green growth, and the real economy, and they should be able to adjust their business in an agile manner to align with the latest policies.

Most Chinese banks need to redefine and reposition risk management as the driver of business development and a core competitive advantage. Banks should not only develop an adequate understanding of traditional credit risks and market risks, but also put in place preventive measures and emergency plans to address information security risks, geopolitical risks, and other emerging risks that present external uncertainty. The risk department and business departments should work more closely together, share KPIs and form agile joint task forces to improve E2E risk management.

In the digital era, changes in how society and the economy develop will have a long-term, profound impact on the development of the banking sector. For this reason, we recommend that Chinese banks accelerate digital transformation, actively drive green finance, upgrade customer service models, implement plans to quickly adapt their business to new trends, build unique brand features, and enhance risk management and compliance. Banks will only be able to seize the opportunities and tackle the challenges presented by the digital economy if they can accurately identify changes, properly respond to them, and proactively adapt.

We look forward to continuing to offer strong support for China's banking sector as it embarks on the next chapter of its journey.

03 Commercial banks' financial summary

2022 rankings

			Total assets		Net assets attributable to the parent company		Total loans	
			Unit: Million		Unit: Million		Unit: Million	
	Name of bank	Currency	2021	2020	2021	2020	2021	2020
1	Industrial and Commercial Bank of China Co., Ltd.	RMB	35,171,383	33,345,058	3,257,755	2,893,502	20,712,964	18,666,628
2	China Construction Bank Corporation	RMB	30,253,979	28,132,254	2,588,231	2,364,808	18,807,830	16,787,432
3	Agricultural Bank of China Limited	RMB	29,069,155	27,205,047	2,414,605	2,204,789	17,175,073	15,170,442
4	Bank of China Limited	RMB	26,722,408	24,402,659	2,225,153	2,038,419	15,712,574	14,216,477
5	Postal Savings Bank of China Co., Ltd.	RMB	12,587,873	11,353,263	794,091	671,799	6,454,099	5,716,258
6	Bank of Communications Co., Ltd.	RMB	11,665,757	10,697,616	964,647	866,607	6,574,385	5,861,404
7	China Merchants Bank Co., Ltd.	RMB	9,249,021	8,361,448	858,745	723,750	5,580,885	5,038,883
8	Industrial Bank Co., Ltd.	RMB	8,603,024	7,894,000	684,111	615,586	4,440,183	3,975,389
9	Shanghai Pudong Development Bank Co., Ltd.	RMB	8,136,757	7,950,218	670,007	638,197	4,801,297	4,549,549
10	China CITIC Bank Corporation Limited	RMB	8,042,884	7,511,161	626,303	544,573	4,869,033	4,485,899
11	China Minsheng Banking Corp., Ltd.	RMB	6,952,786	6,950,233	574,280	529,537	4,071,485	3,878,839
12	China Everbright Bank Company Limited	RMB	5,902,069	5,368,163	482,489	453,470	3,316,285	3,017,968
13	Ping An Bank Co., Ltd.	RMB	4,921,380	4,468,514	395,448	364,131	3,074,009	2,673,662
14	Hua Xia Bank Co., Ltd.	RMB	3,676,287	3,399,816	298,292	280,613	2,221,449	2,115,285
15	China Guangfa Bank Co., Ltd.	RMB	3,359,985	3,027,972	234,501	218,150	2,022,379	1,803,981
16	Bank of Beijing Co., Ltd.	RMB	3,058,959	2,900,014	295,054	219,219	1,677,730	1,573,657
17	Bank of Shanghai Co., Ltd.	RMB	2,653,199	2,462,144	205,204	190,398	1,227,075	1,101,536
18	Bank of Jiangsu Co., Ltd.	RMB	2,618,874	2,337,893	192,227	178,038	1,405,709	1,206,549
19	China Zheshang Bank Co., Ltd.	RMB	2,286,723	2,048,225	164,169	130,512	1,347,239	1,197,698
20	Bank of Ningbo Co., Ltd.	RMB	2,015,607	1,626,749	149,424	118,480	866,160	690,383
21	Bank of Nanjing Co., Ltd.	RMB	1,748,947	1,517,076	121,360	106,876	792,022	676,392
22	China Bohai Bank Co., Ltd.	RMB	1,582,708	1,393,523	106,564	103,246	960,651	891,946
23	Bank of Hangzhou Co., Ltd.	RMB	1,390,565	1,169,257	90,071	80,863	589,512	484,330
24	Huishang Bank Corporation Limited	RMB	1,383,662	1,271,701	108,564	103,041	656,222	574,051
25	Chongqing Rural Commercial Bank Co., Ltd.	RMB	1,265,851	1,135,926	104,513	93,229	582,166	507,886
26	Hengfeng Bank Co., Ltd.	RMB	1,217,259	1,114,155	117,145	104,871	650,290	554,856
27	Guangzhou Rural Commercial Bank Co., Ltd.	RMB	1,161,629	1,027,872	80,027	69,487	657,663	568,926
28	Shanghai Rural Commercial Bank Co., Ltd.	RMB	1,158,376	1,056,977	93,768	77,211	614,631	531,582
29	Beijing Rural Commercial Bank Co., Ltd.	RMB	1,075,202	1,029,284	70,470	64,595	362,605	361,261
30	Xiamen International Bank Co., Ltd.	RMB	1,007,169	950,146	64,746	57,408	569,382	528,033
31	Shengjing Bank Co., Ltd.	RMB	1,006,126	1,037,958	79,879	79,452	608,116	555,023
32	Bank of Jinzhou Co., Ltd.	RMB	849,662	777,992	68,598	67,659	612,802	515,898
33	Bank of Changsha Co., Ltd.	RMB	796,150	704,235	55,022	44,333	370,833	316,078
34	Bank of Chengdu Co., Ltd.	RMB	768,346	652,434	51,939	46,033	389,626	284,067
35	Zhongyuan Bank Co., Ltd.	RMB	768,233	757,482	61,210	58,262	390,647	359,376
36	Bank of Guangzhou Co., Ltd.	RMB	720,097	641,632	50,900	42,849	389,421	332,296
37	Bank of Tianjin Co., Ltd.	RMB	719,904	687,760	56,705	53,130	337,020	307,822
38	Harbin Bank Co., Ltd.	RMB	645,046	598,604	60,794	49,247	297,418	283,455
39	Bank of Chongqing Co., Ltd.	RMB	618,954	561,641	47,273	40,175	318,062	283,227
40	Chengdu Rural Commercial Bank Co., Ltd.	RMB	618,171	519,721	48,332	43,983	305,967	263,865

The data quoted in this report came from the 2020 and 2021 annual reports publicly released by various banks, their official websites, and Wind. Data that was unavailable at the time this report was finalized was excluded.
Note 1: "Total loans" was calculated by adding the loan amounts in the balance sheet and loan loss provisions measured at amortized cost; if this data was not available, then "total loans" was calculated based on the loan amounts reported in the balance sheet.
Note 2: "Total deposits" was calculated based on the deposit amounts reported in the balance sheet.

Total deposits		Operating income		Net fee income		Net interest income		Net profit attributable to the parent company		Cost-to-income ratio	
Unit: Million		Unit: Million		Unit: Million		Unit: Million		Unit: Million		% (rounded to 2 decimal places)	
2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
26,441,774	25,134,726	942,762	882,665	133,024	131,215	690,680	646,765	348,338	315,906	23.97%	22.30%
22,378,814	20,614,976	824,246	755,858	121,492	114,582	605,420	575,909	302,513	271,050	27.43%	25.12%
21,907,127	20,372,901	719,915	657,961	80,329	74,545	577,987	545,079	241,183	215,925	30.46%	29.23%
18,142,887	16,879,171	605,559	565,531	81,426	75,522	425,142	415,918	216,559	192,870	28.17%	26.73%
11,354,073	10,358,029	318,762	286,202	22,007	16,495	269,382	253,378	76,170	64,199	59.01%	57.88%
7,039,777	6,607,330	269,390	246,200	47,573	45,086	161,693	153,336	87,581	78,274	29.00%	28.29%
6,385,154	5,664,135	331,253	290,482	94,447	79,486	203,919	185,031	119,922	97,342	33.12%	33.30%
4,355,748	4,084,242	221,236	203,137	42,680	37,710	145,679	143,515	82,680	66,626	25.68%	24.16%
4,463,608	4,122,407	190,982	196,384	29,134	33,946	135,958	138,581	53,003	58,325	26.17%	23.78%
4,789,969	4,572,286	204,557	194,731	35,870	28,836	147,896	150,515	55,641	48,980	29.20%	26.65%
3,825,693	3,768,151	168,804	184,951	27,566	27,664	125,775	135,224	34,381	34,309	29.17%	26.19%
3,675,743	3,480,642	152,751	142,572	27,314	24,409	112,155	110,697	43,407	37,835	28.02%	26.41%
2,990,518	2,695,935	169,383	153,542	33,062	29,661	120,336	113,470	36,336	28,928	28.30%	29.11%
1,927,349	1,837,020	95,870	95,309	9,252	10,558	79,605	81,967	23,535	21,275	29.06%	27.93%
2,094,773	1,852,555	74,905	80,525	12,182	11,302	55,499	62,847	17,476	13,812	36.40%	28.66%
1,723,837	1,656,149	66,275	64,299	5,990	6,390	51,397	51,605	22,226	21,484	24.96%	22.07%
1,472,966	1,315,725	56,230	50,746	9,047	5,609	40,438	36,394	22,042	20,885	21.52%	18.93%
1,478,812	1,329,870	63,771	52,026	7,490	5,357	45,480	36,987	19,694	15,066	22.44%	23.46%
1,415,705	1,335,636	54,471	47,703	4,050	4,250	41,952	37,095	12,648	12,309	25.31%	25.96%
1,062,328	933,164	52,774	41,111	8,262	6,342	32,697	27,859	19,546	15,050	36.95%	37.96%
1,087,968	959,173	40,925	34,465	5,801	4,965	27,103	23,694	15,857	13,101	29.22%	28.46%
835,921	758,236	29,194	32,492	2,238	2,902	25,179	28,477	8,630	8,445	32.88%	26.52%
817,233	703,680	29,361	24,806	3,608	3,015	21,036	19,272	9,261	7,136	27.30%	26.35%
783,813	726,743	35,514	32,290	4,431	3,617	26,856	25,752	11,460	9,570	24.45%	23.71%
759,360	725,000	30,842	28,186	2,724	2,903	26,235	24,249	9,560	8,401	27.52%	27.09%
677,377	604,558	23,879	21,028	2,837	2,115	17,659	15,649	6,381	5,310	37.51%	39.47%
849,767	778,425	23,481	21,218	1,319	1,327	19,559	17,647	3,175	5,081	26.08%	31.95%
855,367	763,617	24,164	22,040	2,166	2,332	19,371	17,871	9,698	8,161	29.95%	28.86%
723,846	683,646	16,586	16,565	944	851	13,433	14,052	7,578	7,415	36.81%	36.88%
671,495	655,411	16,792	17,919	1,442	2,000	13,879	13,754	4,258	4,513	31.89%	26.90%
754,881	697,364	15,467	16,267	429	689	12,388	14,558	402	1,204	36.26%	29.76%
476,073	439,224	12,568	9,309	368	175	12,048	9,299	1,273	405	22.68%	32.35%
516,186	463,646	20,868	18,022	1,064	797	16,112	14,961	6,304	5,338	28.44%	29.69%
544,142	444,988	17,890	14,600	532	366	14,422	11,827	7,831	6,025	22.80%	23.87%
455,692	431,341	19,283	19,428	1,932	1,786	16,693	16,565	3,565	3,301	35.95%	35.61%
414,363	417,118	16,564	14,918	1,546	1,246	12,666	11,945	4,101	4,455	25.05%	25.45%
382,479	355,982	17,694	17,197	1,784	2,311	12,925	13,646	3,196	4,308	23.81%	21.80%
506,780	476,333	12,320	14,606	697	880	10,061	12,309	274	746	38.28%	32.06%
338,695	314,500	14,515	13,048	769	1,037	11,597	11,061	4,664	4,424	21.44%	20.64%
461,945	386,241	13,856	12,675	369	369	11,867	10,879	4,474	3,829	28.26%	28.29%

			Return on average equity		Net interest spread		Net interest margin	
			% (rounded to 2 decimal places)		% (rounded to 2 decimal places)		% (rounded to 2 decimal places)	
2022 rankings	Name of bank	Currency	2021	2020	2021	2020	2021	2020
1	Industrial and Commercial Bank of China Co., Ltd.	RMB	12.15%	11.95%	1.92%	1.97%	2.11%	2.15%
2	China Construction Bank Corporation	RMB	12.55%	12.12%	1.94%	2.04%	2.13%	2.19%
3	Agricultural Bank of China Limited	RMB	11.57%	11.35%	1.96%	2.04%	2.12%	2.20%
4	Bank of China Limited	RMB	11.28%	10.61%	1.62%	1.72%	1.75%	1.85%
5	Postal Savings Bank of China Co., Ltd.	RMB	11.86%	11.84%	2.30%	2.36%	2.36%	2.42%
6	Bank of Communications Co., Ltd.	RMB	10.76%	10.35%	1.47%	1.48%	1.56%	1.57%
7	China Merchants Bank Co., Ltd.	RMB	16.96%	15.73%	2.39%	2.40%	2.48%	2.49%
8	Industrial Bank Co., Ltd.	RMB	13.94%	12.62%	2.02%	2.11%	2.29%	2.36%
9	Shanghai Pudong Development Bank Co., Ltd.	RMB	8.75%	10.81%	1.77%	1.97%	1.83%	2.02%
10	China CITIC Bank Corporation Limited	RMB	10.73%	10.11%	1.99%	2.18%	2.05%	2.26%
11	China Minsheng Banking Corp., Ltd.	RMB	6.59%	6.81%	1.81%	2.12%	1.91%	2.14%
12	China Everbright Bank Company Limited	RMB	10.64%	10.72%	2.07%	2.20%	2.16%	2.29%
13	Ping An Bank Co., Ltd.	RMB	10.85%	9.58%	2.74%	2.78%	2.79%	2.88%
14	Hua Xia Bank Co., Ltd.	RMB	9.04%	8.64%	2.26%	2.48%	2.35%	2.59%
15	China Guangfa Bank Co., Ltd.	RMB	8.52%	6.98%	1.74%	2.21%	1.88%	2.34%
16	Bank of Beijing Co., Ltd.	RMB	10.29%	10.65%	1.80%	1.88%	1.83%	1.93%
17	Bank of Shanghai Co., Ltd.	RMB	11.80%	12.09%	1.78%	1.94%	1.74%	1.82%
18	Bank of Jiangsu Co., Ltd.	RMB	12.60%	11.91%	2.03%	1.90%	2.28%	2.14%
19	China Zheshang Bank Co., Ltd.	RMB	9.83%	10.03%	2.07%	1.99%	2.27%	2.19%
20	Bank of Ningbo Co., Ltd.	RMB	16.63%	14.90%	2.46%	2.54%	2.21%	2.30%
21	Bank of Nanjing Co., Ltd.	RMB	14.85%	14.32%	2.02%	1.99%	1.88%	1.86%
22	China Bohai Bank Co., Ltd.	RMB	8.88%	10.68%	1.61%	2.18%	1.72%	2.35%
23	Bank of Hangzhou Co., Ltd.	RMB	12.33%	11.14%	1.86%	1.96%	1.83%	1.98%
24	Huishang Bank Corporation Limited	RMB	12.33%	12.94%	1.98%	2.17%	2.20%	2.42%
25	Chongqing Rural Commercial Bank Co., Ltd.	RMB	9.87%	9.28%	2.01%	2.08%	2.17%	2.25%
26	Hengfeng Bank Co., Ltd.	RMB	6.16%	6.02%	1.67%	1.62%	1.73%	1.68%
27	Guangzhou Rural Commercial Bank Co., Ltd.	RMB	4.43%	7.10%	2.01%	1.98%	2.00%	2.01%
28	Shanghai Rural Commercial Bank Co., Ltd.	RMB	11.39%	11.02%	1.77%	1.83%	1.86%	1.91%
29	Beijing Rural Commercial Bank Co., Ltd.	RMB	11.22%	11.85%	1.18%	1.39%	1.30%	1.43%
30	Xiamen International Bank Co., Ltd.	RMB	7.78%	8.69%	1.30%	1.48%	1.46%	1.76%
31	Shengjing Bank Co., Ltd.	RMB	0.54%	1.55%	1.39%	1.55%	1.40%	1.62%
32	Bank of Jinzhou Co., Ltd.	RMB	2.19%	0.78%	1.38%	1.68%	1.60%	1.42%
33	Bank of Changsha Co., Ltd.	RMB	13.26%	13.76%	2.48%	2.69%	2.40%	2.58%
34	Bank of Chengdu Co., Ltd.	RMB	17.60%	15.94%	2.15%	2.31%	2.13%	2.19%
35	Zhongyuan Bank Co., Ltd.	RMB	5.99%	5.70%	2.13%	2.36%	2.31%	2.48%
36	Bank of Guangzhou Co., Ltd.	RMB	9.29%	10.70%	2.16%	2.37%	2.04%	2.27%
37	Bank of Tianjin Co., Ltd.	RMB	5.77%	8.26%	1.85%	1.98%	2.12%	2.26%
38	Harbin Bank Co., Ltd.	RMB	0.55%	1.51%	1.74%	2.18%	1.78%	2.20%
39	Bank of Chongqing Co., Ltd.	RMB	10.99%	12.23%	1.93%	2.18%	2.06%	2.27%
40	Chengdu Rural Commercial Bank Co., Ltd.	RMB	9.51%	8.88%	2.06%	2.32%	2.18%	2.40%

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Note 1: "Total loans" was calculated by adding the loan amounts in the balance sheet and loan loss provisions measured at amortized cost; if this data was not available, then "total loans" was calculated based on the loan amounts reported in the balance sheet.
Note 2: "Total deposits" was calculated based on the deposit amounts reported in the balance sheet.

Non-performing loan (NPL) ratio % (rounded to 2 decimal places)		Allowance to total loans ratio % (rounded to 2 decimal places)		Provision coverage ratio % (rounded to 2 decimal places)		Capital adequacy ratio % (rounded to 2 decimal places)		Tier 1 capital adequacy ratio % (rounded to 2 decimal places)		Core tier 1 capital adequacy ratio % (rounded to 2 decimal places)	
2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
1.42%	1.58%	2.92%	2.85%	205.84%	180.68%	18.02%	16.88%	14.94%	14.28%	13.31%	13.18%
1.42%	1.56%	3.40%	3.33%	239.96%	213.59%	17.85%	17.06%	14.14%	14.22%	13.59%	13.62%
1.43%	1.57%	4.30%	4.17%	299.73%	266.20%	17.13%	16.59%	13.46%	12.92%	11.44%	11.04%
1.33%	1.46%	2.83%	2.96%	187.05%	177.84%	16.53%	16.22%	13.32%	13.19%	11.30%	11.28%
0.82%	0.88%	3.43%	3.60%	418.61%	408.06%	14.78%	13.88%	12.39%	11.86%	9.92%	9.60%
1.48%	1.67%	2.46%	2.40%	166.50%	143.87%	15.45%	15.25%	13.01%	12.88%	10.62%	10.87%
0.91%	1.07%	4.42%	4.67%	483.87%	437.68%	17.48%	16.54%	14.94%	13.98%	12.66%	12.29%
1.10%	1.25%	2.96%	2.74%	268.73%	218.83%	14.39%	13.47%	11.22%	10.85%	9.81%	9.33%
1.61%	1.73%	2.31%	2.64%	143.96%	152.77%	14.01%	14.64%	11.29%	11.54%	9.40%	9.51%
1.39%	1.64%	2.50%	2.82%	180.07%	171.68%	13.53%	13.01%	10.88%	10.18%	8.85%	8.74%
1.79%	1.82%	2.60%	2.53%	145.30%	139.38%	13.64%	13.04%	10.73%	9.81%	9.04%	8.51%
1.25%	1.38%	2.34%	2.53%	187.02%	182.71%	13.37%	13.90%	11.41%	11.75%	8.91%	9.02%
1.02%	1.18%	2.94%	2.37%	288.42%	201.40%	13.34%	13.29%	10.56%	10.91%	8.60%	8.69%
1.77%	1.80%	2.67%	2.65%	150.99%	147.22%	12.82%	13.08%	10.98%	11.17%	8.78%	8.79%
1.41%	1.55%	2.63%	2.76%	186.27%	178.32%	12.37%	12.50%	9.84%	9.85%	7.93%	7.80%
1.44%	1.57%	3.03%	3.38%	210.22%	215.95%	14.63%	11.49%	13.45%	10.28%	9.86%	9.42%
1.25%	1.22%	3.76%	3.92%	301.13%	321.38%	12.16%	12.86%	9.95%	10.46%	8.95%	9.34%
1.08%	1.32%	3.33%	3.38%	307.72%	256.40%	13.38%	14.47%	11.07%	11.91%	8.78%	9.25%
1.53%	1.42%	2.68%	2.72%	174.61%	191.01%	12.89%	12.93%	10.80%	9.88%	8.13%	8.75%
0.77%	0.79%	4.03%	4.01%	525.52%	505.59%	15.44%	14.84%	11.29%	10.88%	10.16%	9.52%
0.91%	0.91%	3.63%	3.58%	397.34%	391.76%	13.54%	14.75%	11.07%	10.99%	10.16%	9.97%
1.76%	1.77%	2.39%	2.81%	135.63%	158.80%	12.35%	12.08%	10.76%	11.01%	8.69%	8.88%
0.86%	1.07%	4.86%	5.02%	567.71%	469.54%	13.62%	14.41%	10.40%	10.83%	8.43%	8.53%
1.78%	1.98%	4.27%	3.61%	239.74%	181.90%	12.23%	12.12%	9.54%	9.89%	8.45%	8.04%
1.25%	1.31%	4.27%	4.12%	340.25%	314.95%	14.77%	14.28%	12.98%	11.97%	12.47%	11.96%
2.12%	2.67%	3.22%	4.02%	151.56%	150.37%	12.11%	11.91%	11.36%	10.94%	8.67%	9.01%
1.83%	1.81%	3.06%	2.81%	167.04%	154.85%	13.09%	12.56%	11.06%	10.74%	9.68%	9.20%
0.95%	0.99%	4.20%	4.14%	442.50%	419.17%	15.28%	14.40%	13.10%	11.70%	13.06%	11.67%
1.17%	0.90%	3.76%	3.69%	322.76%	409.57%	16.05%	15.89%	13.03%	12.76%	13.03%	12.76%
1.06%	0.84%	2.12%	2.17%	202.73%	259.80%	11.73%	12.06%	10.44%	9.49%	9.44%	9.15%
3.28%	3.26%	4.29%	3.72%	130.87%	114.05%	12.12%	12.23%	10.54%	11.07%	10.54%	11.07%
2.75%	2.07%	4.59%	4.11%	166.82%	198.67%	11.50%	11.76%	9.73%	9.65%	8.29%	8.23%
1.20%	1.21%	3.56%	3.54%	297.87%	292.68%	13.66%	13.60%	10.90%	9.97%	9.69%	8.61%
0.98%	1.37%	3.95%	4.01%	402.88%	293.43%	13.00%	14.23%	9.84%	10.65%	8.70%	9.26%
2.18%	2.21%	3.35%	3.39%	153.49%	153.31%	13.30%	13.20%	10.39%	10.35%	8.70%	8.59%
1.57%	1.10%	2.96%	2.65%	189.43%	241.75%	13.26%	12.43%	10.16%	10.10%	9.16%	10.10%
2.41%	2.16%	3.72%	3.96%	154.26%	183.45%	13.49%	14.48%	10.74%	11.12%	10.73%	11.12%
2.88%	2.97%	4.68%	3.96%	162.45%	133.26%	12.54%	12.59%	11.33%	10.20%	9.28%	10.18%
1.30%	1.27%	3.56%	3.92%	274.01%	309.13%	12.99%	12.54%	10.45%	9.57%	9.36%	8.39%
1.65%	1.79%	3.90%	3.39%	235.97%	189.37%	14.15%	13.87%	11.33%	12.71%	11.33%	12.70%

			Total assets		Net assets attributable to the parent company		Total loans	
			Unit: Million		Unit: Million		Unit: Million	
2022 rankings	Name of bank	Currency	2021	2020	2021	2020	2021	2020
41	Bank of Guiyang Co., Ltd.	RMB	608,687	590,680	52,348	42,944	255,866	231,917
42	Dongguan Rural Commercial Bank Co., Ltd.	RMB	593,361	548,402	47,379	36,146	298,713	261,983
43	Shenzhen Rural Commercial Bank Co., Ltd.	RMB	586,854	519,207	47,410	35,294	300,801	244,888
44	Bank of Zhengzhou Co., Ltd.	RMB	574,980	547,813	57,766	44,495	290,467	239,006
45	HSBC Bank (China) Company Limited	RMB	574,212	565,802	53,057	51,717	243,115	217,061
46	Bank of Qingdao Co., Ltd.	RMB	522,250	459,828	32,635	30,285	245,035	207,646
47	Jiangxi Bank Co., Ltd.	RMB	508,560	458,693	40,917	35,268	278,278	224,022
48	Bank of Guizhou Co., Ltd.	RMB	503,880	456,401	38,988	36,028	251,117	214,366
49	Bank of Jilin Co., Ltd.	RMB	488,335	434,500	38,064	37,746	349,471	300,152
50	Bank of Dongguan Co., Ltd.	RMB	482,784	416,326	29,755	26,981	270,675	229,626
51	Hankou Bank Co., Ltd.	RMB	468,756	438,893	30,939	22,930	250,131	216,754
52	Jiangsu Jiangnan Rural Commercial Bank Co., Ltd.	RMB	462,710	437,441	37,361	31,172	269,567	230,141
53	Bank of Jiujiang Co., Ltd.	RMB	461,503	415,794	34,684	25,976	250,470	210,880
54	Bank of Dalian Co., Ltd.	RMB	455,700	419,857	30,270	26,422	244,921	224,971
55	Bank of Suzhou Co., Ltd.	RMB	453,029	388,068	32,646	29,730	213,636	188,451
56	Guilin Bank Co., Ltd.	RMB	442,558	376,984	25,093	24,017	247,661	207,783
57	Bank of Hebei Co., Ltd.	RMB	441,603	395,702	33,936	30,626	275,169	246,285
58	WeBank Co., Ltd.	RMB	438,748	346,430	27,724	21,028	266,264	202,723
59	Qilu Bank Co., Ltd.	RMB	433,414	360,232	32,357	27,082	217,245	172,408
60	Qingdao Rural Commercial Bank Co., Ltd.	RMB	430,438	406,811	34,164	28,842	232,984	218,256
61	Huarong Xiangjiang Bank Corporation Limited	RMB	425,984	405,976	33,017	30,943	250,809	228,900
62	Zhejiang E-Commerce Bank Co., Ltd.	RMB	425,831	311,256	17,940	13,989	176,887	126,908
63	Guangdong Shunde Rural Commercial Bank Co., Ltd.	RMB	405,724	367,312	32,148	29,923	206,461	186,810
64	Bank of Lanzhou Co., Ltd.	RMB	400,341	362,319	28,712	27,152	217,295	195,192
65	Chang'An Bank Co., Ltd.	RMB	378,181	316,406	22,187	17,418	224,607	184,433
66	Guangdong Huaxing Bank Co., Ltd.	RMB	374,424	330,169	21,948	19,875	189,541	161,382
67	Wuhan Rural Commercial Bank Co., Ltd.	RMB	372,758	332,236	23,255	23,103	216,378	180,802
68	Tianjin Rural Commercial Bank Co., Ltd.	RMB	372,754	349,596	30,129	29,670	191,866	181,752
69	Guangxi Beibu Gulf Bank Co., Ltd.	RMB	360,532	305,279	23,288	21,089	197,582	157,795
70	Bank of Gansu Co., Ltd.	RMB	358,505	342,364	32,019	31,429	198,595	181,826
71	Bank of Kunlun Co., Ltd.	RMB	355,234	349,884	35,352	33,843	176,958	160,796
72	Hubei Bank Co., Ltd.	RMB	351,120	305,584	27,942	26,012	181,960	147,979
73	Hangzhou United Rural Commercial Bank Co., Ltd.	RMB	346,869	302,839	26,990	22,384	232,851	197,959
74	Bank of Xi'an Co., Ltd.	RMB	345,864	306,392	27,541	25,565	182,309	172,545
75	Shaanxi Qingnong Rural Commercial Bank Co.,ltd.	RMB	338,581	280,984	16,371	13,356	195,638	156,142
76	Xiamen Bank Co., Ltd.	RMB	329,495	285,150	22,757	19,363	175,351	140,928
77	Bank of Wenzhou Co., Ltd.	RMB	324,797	287,183	19,987	15,715	173,272	139,948
78	Fudian Bank Co., Ltd.	RMB	322,015	306,822	19,879	19,690	182,450	164,482
79	Bank of Taizhou Co., Ltd.	RMB	316,158	275,532	24,907	21,053	193,165	168,908
80	Zhejiang Tailong Commercial Bank Co., Ltd.	RMB	312,553	258,073	23,935	20,523	203,145	166,301

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Note 1: "Total loans" was calculated by adding the loan amounts in the balance sheet and loan loss provisions measured at amortized cost; if this data was not available, then "total loans" was calculated based on the loan amounts reported in the balance sheet.
Note 2: "Total deposits" was calculated based on the deposit amounts reported in the balance sheet.

Total deposits		Operating income		Net fee income		Net interest income		Net profit attributable to the parent company		Cost-to-income ratio	
Unit: Million		Unit: Million		Unit: Million		Unit: Million		Unit: Million		% (rounded to 2 decimal places)	
2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
367,428	360,885	15,004	16,081	664	869	12,993	13,718	6,045	5,922	27.46%	23.84%
419,066	377,549	12,996	12,047	792	940	10,533	9,932	5,590	4,857	34.18%	31.51%
462,327	403,459	12,781	12,304	493	290	10,367	10,206	5,589	4,254	32.34%	30.24%
321,574	316,513	14,801	14,607	1,242	1,730	11,949	11,239	3,226	3,168	22.98%	22.40%
308,794	307,182	12,462	11,764	2,489	1,994	7,608	7,654	3,923	3,589	62.52%	63.54%
317,966	275,751	11,136	10,541	1,955	1,692	7,646	8,147	2,923	2,394	33.91%	33.61%
343,726	315,771	11,144	10,285	699	579	8,762	9,054	2,070	1,859	31.46%	32.96%
305,521	289,043	11,737	11,248	428	363	9,514	10,121	3,706	3,671	31.09%	30.29%
379,435	329,415	11,085	10,908	661	503	9,466	9,572	1,981	1,257	39.30%	37.23%
322,651	295,939	9,511	9,158	881	787	7,286	7,557	3,316	2,876	34.55%	30.67%
316,405	295,739	6,802	5,602	802	1,028	4,674	3,879	1,248	1,062	35.09%	38.99%
324,068	283,858	11,760	10,918	921	837	9,701	9,529	2,964	2,707	28.52%	25.93%
344,851	313,805	10,347	10,192	693	624	8,457	7,861	1,729	1,673	28.57%	27.28%
303,183	279,480	7,940	7,615	762	562	5,980	6,065	802	1,004	33.11%	40.01%
278,343	250,109	10,829	10,364	1,222	945	7,533	7,525	3,107	2,572	32.02%	29.74%
302,709	265,537	9,512	7,892	90	88	8,534	4,884	1,341	1,094	35.70%	35.71%
311,974	287,595	9,808	8,602	334	360	9,168	8,217	2,071	1,696	28.94%	28.55%
302,874	262,829	26,989	19,881	8,708	6,440	17,982	13,460	6,884	4,957	25.87%	31.15%
298,458	249,018	10,167	7,936	947	630	7,485	6,414	3,036	2,519	26.27%	28.81%
268,823	250,694	10,297	9,572	492	302	8,048	8,085	3,066	2,960	29.22%	28.79%
257,875	251,557	11,507	10,461	506	(880)	9,801	10,523	3,076	2,871	24.82%	23.14%
198,964	164,689	13,903	8,618	3,779	1,928	10,017	6,610	2,092	1,286	34.60%	36.87%
266,105	248,219	8,406	6,345	624	440	7,108	6,733	3,562	2,744	34.92%	42.62%
305,655	286,363	7,836	7,304	384	224	6,013	4,790	1,566	1,493	29.05%	29.49%
289,997	234,413	8,255	7,911	(577)	(355)	8,305	7,025	1,896	1,745	34.05%	31.83%
269,453	240,234	9,118	7,376	493	359	6,354	6,810	3,129	2,228	38.11%	36.84%
265,854	232,953	8,445	7,991	(1)	190	7,685	3,912	1,062	898	41.54%	41.01%
256,536	235,209	8,249	7,649	823	316	6,311	6,963	2,530	2,261	32.75%	31.46%
239,584	205,850	7,823	6,014	287	263	6,218	5,399	2,021	1,538	29.69%	30.78%
255,988	249,678	6,278	6,493	351	329	4,924	5,750	571	558	34.52%	34.30%
209,034	198,144	6,032	5,920	(1,203)	5	5,649	3,940	2,536	2,911	36.30%	33.44%
254,818	215,052	7,673	7,766	99	188	6,653	7,361	1,756	1,498	29.64%	23.86%
262,813	232,013	9,664	8,028	404	81	8,135	7,285	2,642	2,279	29.33%	31.69%
234,724	211,730	7,203	7,138	560	596	5,993	6,207	2,804	2,756	26.06%	25.33%
263,577	221,894	6,005	5,063	115	64	4,691	4,583	1,653	1,382	45.51%	40.76%
185,524	155,451	5,316	5,556	376	327	4,430	4,612	2,169	1,823	34.56%	28.64%
223,649	198,509	5,542	4,234	271	110	4,123	3,930	198	159	38.85%	40.91%
211,061	193,663	5,794	5,177	82	192	5,046	4,530	613	536	39.69%	40.73%
241,518	207,510	11,186	10,099	50	81	10,344	7,891	3,943	3,569	36.79%	37.15%
219,553	179,959	12,681	10,170	219	114	9,838	8,333	3,536	2,897	44.59%	46.73%

2022 rankings	Name of bank	Currency	Return on average equity % (rounded to 2 decimal places) 2021	2020	Net interest spread % (rounded to 2 decimal places) 2021	2020	Net interest margin % (rounded to 2 decimal places) 2021	2020
41	Bank of Guiyang Co., Ltd.	RMB	13.34%	15.75%	2.11%	2.43%	2.26%	2.52%
42	Dongguan Rural Commercial Bank Co., Ltd.	RMB	12.87%	13.64%	1.90%	2.10%	1.96%	2.16%
43	Shenzhen Rural Commercial Bank Co., Ltd.	RMB	14.37%	13.61%	2.12%	2.51%	2.13%	2.49%
44	Bank of Zhengzhou Co., Ltd.	RMB	7.17%	8.37%	2.24%	2.46%	2.31%	2.40%
45	HSBC Bank (China) Company Limited	RMB	7.49%	7.02%	1.26%	1.32%	1.39%	1.46%
46	Bank of Qingdao Co., Ltd.	RMB	10.40%	8.56%	1.87%	2.14%	1.79%	2.13%
47	Jiangxi Bank Co., Ltd.	RMB	5.74%	5.33%	1.88%	2.07%	1.94%	2.10%
48	Bank of Guizhou Co., Ltd.	RMB	9.88%	10.50%	2.37%	2.44%	2.29%	2.55%
49	Bank of Jilin Co., Ltd.	RMB	5.32%	3.77%	2.17%	2.31%	2.24%	2.48%
50	Bank of Dongguan Co., Ltd.	RMB	12.36%	12.17%	1.82%	2.11%	1.79%	2.08%
51	Hankou Bank Co., Ltd.	RMB	4.91%	5.09%	0.92%	0.98%	1.05%	1.01%
52	Jiangsu Jiangnan Rural Commercial Bank Co., Ltd.	RMB	9.47%	9.84%	2.28%	2.38%	2.33%	2.42%
53	Bank of Jiujiang Co., Ltd.	RMB	6.48%	6.58%	1.92%	2.22%	2.00%	2.18%
54	Bank of Dalian Co., Ltd.	RMB	2.83%	3.85%	1.32%	1.42%	1.57%	1.64%
55	Bank of Suzhou Co., Ltd.	RMB	9.96%	8.96%	1.98%	2.28%	1.91%	2.22%
56	Guilin Bank Co., Ltd.	RMB	5.46%	4.99%	2.70%	2.41%	2.45%	1.83%
57	Bank of Hebei Co., Ltd.	RMB	6.84%	6.22%	3.29%	3.29%	2.86%	2.79%
58	WeBank Co., Ltd.	RMB	28.24%	26.69%	4.55%	4.19%	4.75%	4.38%
59	Qilu Bank Co., Ltd.	RMB	11.40%	11.43%	1.93%	2.14%	2.02%	2.15%
60	Qingdao Rural Commercial Bank Co., Ltd.	RMB	10.63%	11.58%	2.18%	2.60%	2.16%	2.52%
61	Huarong Xiangjiang Bank Corporation Limited	RMB	9.60%	10.44%	2.27%	2.63%	2.43%	2.74%
62	Zhejiang E-Commerce Bank Co., Ltd.	RMB	13.10%	10.49%	2.57%	2.72%	2.76%	2.99%
63	Guangdong Shunde Rural Commercial Bank Co., Ltd.	RMB	11.48%	9.35%	2.04%	1.81%	2.04%	1.97%
64	Bank of Lanzhou Co., Ltd.	RMB	5.76%	6.86%	1.74%	1.66%	1.72%	1.53%
65	Chang'An Bank Co., Ltd.	RMB	10.54%	10.66%	2.31%	2.37%	2.47%	2.46%
66	Guangdong Huaxing Bank Co., Ltd.	RMB	16.47%	13.56%	2.37%	2.27%	2.05%	2.36%
67	Wuhan Rural Commercial Bank Co., Ltd.	RMB	4.58%	3.89%	undisclosed	1.35%	undisclosed	2.27%
68	Tianjin Rural Commercial Bank Co., Ltd.	RMB	8.89%	7.69%	1.75%	2.31%	1.86%	2.33%
69	Guangxi Beibu Gulf Bank Co., Ltd.	RMB	10.10%	8.56%	1.94%	1.79%	1.99%	2.01%
70	Bank of Gansu Co., Ltd.	RMB	1.81%	2.00%	1.48%	1.72%	1.65%	1.97%
71	Bank of Kunlun Co., Ltd.	RMB	7.33%	8.65%	1.88%	1.34%	1.94%	1.30%
72	Hubei Bank Co., Ltd.	RMB	6.51%	6.08%	2.00%	2.96%	2.12%	2.94%
73	Hangzhou United Rural Commercial Bank Co., Ltd.	RMB	11.20%	10.79%	2.36%	2.50%	2.64%	2.78%
74	Bank of Xi'an Co., Ltd.	RMB	10.59%	11.24%	1.76%	2.01%	1.91%	2.16%
75	Shaanxi Qingnong Rural Commercial Bank Co.,ltd.	RMB	10.89%	10.00%	1.42%	1.78%	1.48%	2.34%
76	Xiamen Bank Co., Ltd.	RMB	10.98%	11.23%	1.52%	1.53%	1.62%	1.65%
77	Bank of Wenzhou Co., Ltd.	RMB	1.11%	1.74%	0.92%	1.28%	1.39%	1.66%
78	Fudian Bank Co., Ltd.	RMB	3.10%	2.75%	1.79%	1.62%	1.77%	1.70%
79	Bank of Taizhou Co., Ltd.	RMB	18.51%	19.13%	3.32%	3.12%	3.55%	3.95%
80	Zhejiang Tailong Commercial Bank Co., Ltd.	RMB	15.91%	15.87%	3.38%	3.58%	3.61%	4.39%

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Note 1: "Total loans" was calculated by adding the loan amounts in the balance sheet and loan loss provisions measured at amortized cost; if this data was not available, then "total loans" was calculated based on the loan amounts reported in the balance sheet.
Note 2: "Total deposits" was calculated based on the deposit amounts reported in the balance sheet.

Non-performing loan (NPL) ratio		Allowance to total loans ratio		Provision coverage ratio		Capital adequacy ratio		Tier 1 capital adequacy ratio		Core tier 1 capital adequacy ratio	
% (rounded to 2 decimal places)		% (rounded to 2 decimal places)		% (rounded to 2 decimal places)		% (rounded to 2 decimal places)		% (rounded to 2 decimal places)		% (rounded to 2 decimal places)	
2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
1.45%	1.53%	3.94%	4.25%	271.03%	277.30%	13.96%	12.88%	11.75%	10.53%	10.62%	9.30%
0.84%	0.82%	3.15%	3.06%	375.34%	375.13%	16.29%	14.00%	13.94%	11.57%	13.90%	11.54%
0.84%	1.13%	3.07%	3.38%	365.08%	297.84%	16.06%	14.37%	14.01%	12.20%	13.20%	11.27%
1.85%	2.08%	2.90%	3.33%	156.58%	160.44%	15.00%	12.86%	13.76%	10.87%	9.49%	8.92%
0.17%	0.19%	1.52%	1.52%	907.50%	800.10%	15.70%	16.80%	14.80%	15.90%	14.80%	15.90%
1.34%	1.51%	2.64%	2.56%	197.42%	169.62%	15.83%	14.11%	11.04%	11.31%	8.38%	8.35%
1.47%	1.73%	2.76%	2.97%	188.26%	171.56%	14.41%	12.89%	11.80%	10.30%	9.66%	10.29%
1.15%	1.15%	4.90%	3.84%	426.41%	334.36%	13.78%	13.67%	11.79%	11.63%	11.79%	11.63%
1.79%	1.89%	2.59%	2.96%	151.67%	156.06%	12.97%	11.96%	11.28%	11.01%	10.24%	11.00%
0.96%	1.19%	2.49%	2.60%	259.48%	219.17%	13.32%	14.54%	9.34%	10.03%	8.64%	9.20%
2.87%	2.93%	3.88%	4.00%	135.24%	136.52%	12.29%	11.82%	10.47%	8.94%	8.70%	8.15%
1.33%	1.60%	2.94%	3.23%	221.40%	201.90%	13.98%	13.10%	11.03%	9.99%	9.25%	9.01%
1.41%	1.55%	3.02%	2.58%	214.66%	165.97%	13.21%	10.71%	11.08%	9.02%	8.28%	9.02%
2.46%	3.94%	3.72%	4.75%	151.39%	120.62%	11.95%	11.62%	9.42%	9.21%	9.42%	9.21%
1.11%	1.38%	4.70%	4.02%	422.91%	291.74%	13.06%	14.21%	10.41%	11.30%	10.37%	11.26%
1.69%	1.68%	2.44%	2.36%	144.26%	140.67%	11.75%	11.67%	8.91%	9.05%	7.65%	7.74%
1.77%	1.98%	3.10%	2.64%	175.43%	133.41%	12.19%	13.32%	10.98%	11.33%	9.30%	10.17%
1.20%	1.20%	5.63%	5.17%	467.46%	431.26%	12.11%	12.41%	11.06%	11.36%	11.06%	11.36%
1.35%	1.43%	3.43%	3.06%	253.95%	214.60%	15.31%	14.97%	11.63%	11.64%	9.65%	9.49%
1.74%	1.44%	4.02%	4.01%	231.77%	278.73%	13.07%	12.32%	11.27%	10.46%	9.62%	9.73%
1.90%	1.84%	2.96%	2.92%	155.22%	158.30%	13.39%	13.08%	10.75%	10.41%	9.00%	8.61%
1.53%	1.52%	5.57%	4.78%	363.95%	310.90%	12.50%	11.89%	undisclosed	10.79%	undisclosed	8.86%
0.96%	0.94%	3.24%	3.14%	338.39%	335.81%	14.64%	14.01%	12.16%	12.87%	12.16%	12.87%
1.73%	1.75%	3.32%	3.18%	191.88%	181.36%	11.56%	13.26%	10.38%	11.08%	8.58%	9.05%
1.83%	1.86%	3.33%	3.28%	181.92%	175.80%	11.93%	11.33%	9.44%	8.60%	8.08%	8.60%
0.89%	0.75%	2.69%	2.47%	303.38%	328.60%	11.41%	11.93%	9.03%	9.34%	7.94%	8.05%
2.55%	3.31%	4.88%	5.06%	191.08%	153.04%	12.12%	12.34%	9.35%	9.49%	9.11%	9.46%
2.24%	2.42%	3.53%	3.73%	156.14%	154.86%	13.68%	15.25%	11.08%	11.83%	11.06%	11.82%
1.27%	1.30%	2.53%	2.51%	199.18%	192.22%	12.11%	13.62%	9.51%	10.70%	8.11%	8.97%
2.04%	2.28%	2.70%	2.99%	132.04%	131.23%	12.44%	13.39%	11.95%	12.85%	11.95%	12.85%
0.95%	0.95%	3.10%	3.13%	325.83%	329.97%	13.05%	13.35%	11.87%	12.18%	11.87%	12.18%
2.10%	2.49%	4.57%	4.12%	217.67%	165.19%	13.85%	13.11%	10.96%	11.01%	10.58%	11.01%
0.88%	1.05%	4.47%	3.92%	508.07%	372.88%	13.69%	13.92%	10.20%	10.43%	9.41%	10.36%
1.32%	1.18%	2.95%	3.18%	224.21%	269.39%	14.12%	14.50%	12.09%	12.37%	12.09%	12.37%
2.42%	2.73%	3.86%	4.37%	162.82%	160.76%	13.46%	10.86%	10.33%	8.71%	9.75%	8.71%
0.91%	0.98%	3.38%	3.61%	370.64%	368.03%	16.40%	14.49%	11.77%	11.97%	10.47%	11.34%
0.75%	0.94%	1.42%	1.44%	188.77%	153.17%	11.33%	10.75%	10.18%	9.27%	10.18%	9.27%
1.99%	2.30%	3.14%	2.91%	157.61%	126.69%	13.12%	13.33%	9.82%	10.15%	9.81%	10.14%
0.96%	1.23%	3.01%	2.71%	312.49%	220.91%	16.38%	15.48%	13.13%	12.55%	11.70%	11.58%
0.93%	0.95%	2.72%	2.66%	293.79%	279.29%	14.77%	15.80%	10.84%	11.30%	9.68%	9.91%

			Total assets		Net assets attributable to the parent company		Total loans	
			Unit: Million		Unit: Million		Unit: Million	
2022 rankings	Name of bank	Currency	2021	2020	2021	2020	2021	2020
81	Weihai City Commercial Bank Co., Ltd.	RMB	304,521	267,602	19,157	17,906	143,961	120,816
82	Jinshang Bank Co., Ltd.	RMB	303,292	270,944	22,136	21,014	156,285	136,691
83	Zhejiang Chouzhou Commercial Bank Co., Ltd.	RMB	296,046	271,219	22,143	18,795	154,041	128,521
84	Bank of Zhangjiakou Co., Ltd.	RMB	293,111	277,398	21,364	18,321	157,681	136,798
85	Longjiang Bank Co., Ltd.	RMB	282,964	282,109	17,452	17,706	124,753	112,476
86	China Resources Bank of Zhuhai Co., Ltd.	RMB	279,317	235,312	21,164	19,250	152,267	127,942
87	Standard Chartered Bank (China) Limited	RMB	258,946	293,640	27,413	25,156	101,534	102,136
88	Bank of Rizhao Co., Ltd.	RMB	248,857	210,154	17,701	16,206	136,509	107,895
89	Guangdong Nanhai Rural Commercial Bank Co., Ltd.	RMB	248,572	224,067	23,314	21,024	125,251	112,830
90	Jiangsu Changshu Rural Commercial Bank Co., Ltd.	RMB	246,583	208,685	19,788	17,960	163,256	132,088
91	Bank of Ganzhou Co., Ltd.	RMB	244,595	220,914	15,318	13,547	150,080	123,306
92	Bank of Langfang Co., Ltd.	RMB	243,551	227,942	22,985	23,328	146,769	123,173
93	Chongqing Three Gorges Bank Co., Ltd.	RMB	240,366	236,763	20,425	19,183	120,431	103,067
94	Zhejiang Xiaoshan Rural Commercial Bank Co., Ltd.	RMB	238,991	203,345	18,665	15,572	132,597	117,556
95	Jilin Jiutai Rural Commercial Bank Company Limited	RMB	234,140	200,363	14,575	13,672	156,850	130,076
96	Sichuan Tianfu Bank Co., Ltd.	RMB	226,218	224,691	12,279	17,070	138,192	130,516
97	Liaoshen Bank Co., Ltd	RMB	225,013	N/A	18,819	N/A	21,749	N/A
98	Bank of Tangshan Co., Ltd.	RMB	216,555	201,243	18,402	17,387	113,033	87,617
99	Ningbo Yinzhou Rural Commercial Bank Co., Ltd.	RMB	213,649	171,536	17,681	14,788	127,024	109,971
100	Tianjin Binhai Rural Commercial Bank Co., Ltd.	RMB	208,875	191,507	12,438	15,527	114,255	100,176
101	Guangdong Nanyue Bank Co., Ltd.	RMB	207,139	240,570	19,086	18,012	96,124	122,412
102	Jiangsu Zijin Rural Commercial Bank Co., Ltd.	RMB	206,666	217,664	15,999	14,815	140,307	120,878
103	Bank of Handan Co., Ltd.	RMB	205,492	183,312	12,643	9,799	95,636	75,224
104	Bank of Weifang Co., Ltd.	RMB	204,288	175,647	13,408	13,628	104,384	82,870
105	Zhejiang Mintai Commercial Bank Co., Ltd.	RMB	203,272	184,366	13,032	12,272	141,358	118,135
106	Wuxi Rural Commercial Bank Co., Ltd.	RMB	201,770	180,018	15,795	13,979	117,993	99,852
107	Fujian Haixia Bank Co., Ltd.	RMB	201,223	181,849	13,829	13,698	106,721	88,774
108	Bank of Shangrao Co., Ltd.	RMB	192,104	160,552	14,528	10,929	106,199	84,468
109	Bank of Qishang Co., Ltd.	RMB	191,474	150,138	16,024	13,053	122,103	95,201
110	Bank of East Asia (China) Limited	RMB	190,936	183,449	21,231	21,119	107,109	93,085
111	Citibank (China) Co., Ltd.	RMB	188,078	196,854	25,137	23,027	62,524	63,450
112	Sichuan Bank Co., Ltd.	RMB	184,820	136,918	30,977	30,319	101,693	65,459
113	Bank of Shaoxing Co., Ltd.	RMB	184,802	153,873	11,713	9,123	106,448	85,386
114	Bank of Cangzhou Co., Ltd.	RMB	183,334	171,469	13,609	12,356	111,768	100,379
115	Bank of Urumqi Co., Ltd.	RMB	181,421	171,484	15,581	15,259	97,262	84,106
116	Bank of Liuzhou Co., Ltd.	RMB	174,128	167,306	14,482	15,322	102,799	82,999
117	Mengshang Bank Co., Ltd.	RMB	172,700	199,043	21,436	20,457	73,983	51,286
118	Bank of Ningxia Co., Ltd.	RMB	172,175	161,309	13,408	12,355	92,127	84,619
119	Bank of Chengde Co., Ltd.	RMB	171,431	160,516	9,639	8,514	78,823	71,616
120	Bank of Laishang Co., Ltd.	RMB	171,206	154,084	12,358	11,927	104,078	89,379

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Note 1: "Total loans" was calculated by adding the loan amounts in the balance sheet and loan loss provisions measured at amortized cost; if this data was not available, then "total loans" was calculated based on the loan amounts reported in the balance sheet.
Note 2: "Total deposits" was calculated based on the deposit amounts reported in the balance sheet.

Total deposits		Operating income		Net fee income		Net interest income		Net profit attributable to the parent company		Cost-to-income ratio	
Unit: Million		Unit: Million		Unit: Million		Unit: Million		Unit: Million		% (rounded to 2 decimal places)	
2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
206,842	179,589	7,377	6,034	592	464	6,048	4,658	1,745	1,510	20.50%	25.08%
199,207	176,782	5,391	4,868	765	713	3,554	3,441	1,686	1,567	36.84%	36.01%
199,810	181,928	7,598	6,905	(182)	(476)	3,932	4,009	1,738	1,612	34.11%	31.92%
230,870	212,906	6,369	5,855	(63)	18	5,422	5,693	1,137	1,110	35.62%	35.53%
234,148	198,327	4,491	4,640	581	614	2,670	3,977	731	784	41.75%	36.01%
186,671	161,665	7,499	6,699	451	478	5,962	5,872	1,844	1,700	32.92%	32.83%
152,039	148,491	7,269	6,529	1,398	1,288	4,107	4,097	2,191	1,490	57.88%	60.37%
184,387	158,654	6,236	5,844	326	404	5,345	5,291	1,209	899	27.35%	25.97%
181,384	168,497	5,976	5,303	313	317	3,989	4,145	3,043	2,934	32.96%	32.25%
187,559	162,485	7,655	6,582	238	148	6,691	5,966	2,188	1,803	41.40%	42.77%
185,744	179,468	5,093	4,122	329	353	4,424	3,641	803	730	32.88%	33.31%
185,535	168,233	5,255	5,377	42	46	4,562	4,945	1,426	1,362	33.48%	34.14%
149,344	153,262	5,247	4,543	460	184	4,233	3,958	1,497	1,504	26.63%	28.23%
185,196	156,665	5,723	4,955	80	277	4,537	2,457	1,637	1,522	21.21%	22.42%
193,106	149,763	6,362	5,547	73	231	6,176	5,098	1,129	1,104	46.90%	47.96%
163,631	157,276	3,967	4,325	424	307	2,807	3,688	825	821	49.39%	43.89%
200,015	N/A	(474)	N/A	(11)	N/A	(1,406)	N/A	(1,190)	N/A	-84.11%	N/A
159,048	149,019	3,900	3,510	58	3	3,154	3,070	1,549	1,356	29.01%	25.27%
159,279	133,056	4,717	4,174	33	74	3,484	2,702	1,709	1,354	30.74%	33.38%
168,601	143,048	2,392	2,464	(358)	(492)	2,115	2,588	367	211	53.06%	49.61%
139,738	167,902	3,263	4,938	408	389	2,083	4,379	364	1,551	57.25%	37.52%
159,520	150,614	4,502	4,477	123	126	3,959	3,840	1,515	1,441	35.85%	30.36%
170,358	147,328	3,591	2,620	1	3	2,021	1,585	1,019	836	34.05%	44.54%
151,928	131,115	4,346	4,314	137	130	4,150	978	1,169	800	37.57%	34.42%
152,734	129,262	5,751	5,057	357	340	5,024	3,031	1,058	702	50.94%	50.98%
161,811	145,293	4,349	3,896	183	176	3,504	3,277	1,580	1,312	28.77%	27.15%
123,828	103,927	4,444	3,753	22	152	3,646	3,519	683	548	31.71%	34.30%
140,915	122,443	4,404	3,867	(11)	(133)	3,469	1,822	887	730	29.05%	29.87%
152,512	122,079	3,219	2,622	205	102	2,807	2,509	639	560	43.04%	46.49%
121,904	110,845	3,947	4,484	460	654	3,239	3,681	31	(902)	68.92%	61.11%
130,651	149,043	5,445	5,584	1,115	1,033	2,731	3,040	1,801	1,728	undisclosed	undisclosed
132,422	94,562	3,510	463	67	16	3,139	442	620	(49)	45.09%	55.09%
117,764	105,525	3,634	3,064	102	163	3,079	2,848	1,180	441	34.12%	34.15%
167,601	152,200	3,637	3,759	(6)	5	3,724	3,743	1,252	1,132	44.29%	39.16%
116,924	107,738	3,342	3,218	71	70	2,802	3,122	965	1,190	35.73%	32.49%
114,138	109,955	3,624	3,430	148	105	3,248	3,263	646	546	42.48%	39.91%
111,112	90,799	5,628	574	823	717	817	(213)	621	(3,494)	53.96%	354.42%
109,600	101,449	3,394	3,036	101	75	2,217	2,225	664	638	40.18%	41.80%
124,777	118,714	3,914	3,802	(661)	(474)	3,512	2,118	1,380	1,259	26.19%	23.81%
136,616	112,692	3,761	4,084	(268)	(349)	3,822	2,430	667	599	33.63%	28.45%

	Name of bank	Currency	Return on average equity % (rounded to 2 decimal places) 2021	Return on average equity 2020	Net interest spread % (rounded to 2 decimal places) 2021	Net interest spread 2020	Net interest margin % (rounded to 2 decimal places) 2021	Net interest margin 2020
81	Weihai City Commercial Bank Co., Ltd.	RMB	8.55%	8.42%	2.12%	1.88%	2.24%	1.99%
82	Jinshang Bank Co., Ltd.	RMB	7.77%	7.63%	1.47%	1.59%	1.43%	1.54%
83	Zhejiang Chouzhou Commercial Bank Co., Ltd.	RMB	8.68%	8.88%	1.83%	2.75%	1.65%	2.71%
84	Bank of Zhangjiakou Co., Ltd.	RMB	5.73%	6.77%	3.18%	3.78%	2.55%	3.20%
85	Longjiang Bank Co., Ltd.	RMB	3.98%	5.22%	0.83%	1.41%	0.97%	1.59%
86	China Resources Bank of Zhuhai Co., Ltd.	RMB	9.60%	10.34%	2.44%	2.78%	2.35%	2.89%
87	Standard Chartered Bank (China) Limited	RMB	8.30%	6.10%	1.52%	1.57%	1.66%	1.73%
88	Bank of Rizhao Co., Ltd.	RMB	8.25%	6.42%	2.34%	2.65%	2.46%	2.84%
89	Guangdong Nanhai Rural Commercial Bank Co., Ltd.	RMB	13.83%	14.57%	2.05%	2.31%	1.98%	2.26%
90	Jiangsu Changshu Rural Commercial Bank Co., Ltd.	RMB	11.62%	10.34%	2.95%	3.01%	3.06%	3.18%
91	Bank of Ganzhou Co., Ltd.	RMB	5.56%	8.09%	1.84%	0.65%	1.98%	0.80%
92	Bank of Langfang Co., Ltd.	RMB	6.34%	6.87%	2.01%	2.07%	2.14%	2.29%
93	Chongqing Three Gorges Bank Co., Ltd.	RMB	8.33%	9.24%	1.78%	1.85%	2.09%	2.14%
94	Zhejiang Xiaoshan Rural Commercial Bank Co., Ltd.	RMB	9.56%	10.12%	2.00%	1.28%	2.15%	1.40%
95	Jilin Jiutai Rural Commercial Bank Company Limited	RMB	8.33%	8.18%	2.81%	2.58%	2.91%	2.75%
96	Sichuan Tianfu Bank Co., Ltd.	RMB	5.62%	4.88%	1.93%	2.71%	1.53%	2.19%
97	Liaoshen Bank Co., Ltd	RMB	-12.60%	N/A	-1.51%	N/A	-1.23%	N/A
98	Bank of Tangshan Co., Ltd.	RMB	8.66%	7.98%	1.76%	2.58%	1.70%	2.04%
99	Ningbo Yinzhou Rural Commercial Bank Co., Ltd.	RMB	10.75%	10.13%	1.62%	1.48%	1.84%	1.76%
100	Tianjin Binhai Rural Commercial Bank Co., Ltd.	RMB	2.62%	1.37%	1.17%	2.14%	1.16%	1.79%
101	Guangdong Nanyue Bank Co., Ltd.	RMB	2.77%	8.90%	1.21%	2.72%	1.08%	2.40%
102	Jiangsu Zijin Rural Commercial Bank Co., Ltd.	RMB	9.85%	10.14%	1.65%	1.77%	1.83%	1.91%
103	Bank of Handan Co., Ltd.	RMB	9.03%	8.82%	1.01%	0.89%	1.08%	0.94%
104	Bank of Weifang Co., Ltd.	RMB	8.65%	6.81%	2.36%	1.00%	2.38%	0.74%
105	Zhejiang Mintai Commercial Bank Co., Ltd.	RMB	8.75%	6.28%	2.82%	2.35%	2.83%	2.85%
106	Wuxi Rural Commercial Bank Co., Ltd.	RMB	11.41%	10.84%	1.71%	1.90%	1.95%	2.07%
107	Fujian Haixia Bank Co., Ltd.	RMB	5.15%	4.08%	2.14%	2.48%	2.01%	1.87%
108	Bank of Shangrao Co., Ltd.	RMB	8.24%	7.23%	2.04%	1.59%	2.11%	2.80%
109	Bank of Qishang Co., Ltd.	RMB	4.27%	4.22%	1.64%	1.99%	1.74%	1.99%
110	Bank of East Asia (China) Limited	RMB	0.15%	-4.17%	1.55%	1.78%	1.82%	2.03%
111	Citibank (China) Co., Ltd.	RMB	7.48%	7.77%	undisclosed	undisclosed	undisclosed	undisclosed
112	Sichuan Bank Co., Ltd.	RMB	2.07%	2.04%	1.71%	2.01%	2.06%	2.00%
113	Bank of Shaoxing Co., Ltd.	RMB	11.36%	5.42%	2.27%	2.11%	2.10%	2.13%
114	Bank of Cangzhou Co., Ltd.	RMB	9.80%	9.42%	1.93%	2.10%	2.11%	2.24%
115	Bank of Urumqi Co., Ltd.	RMB	6.26%	7.94%	1.55%	2.12%	1.68%	1.94%
116	Bank of Liuzhou Co., Ltd.	RMB	4.34%	3.56%	1.74%	1.87%	1.98%	2.19%
117	Mengshang Bank Co., Ltd.	RMB	2.94%	-17.32%	0.20%	undisclosed	0.47%	undisclosed
118	Bank of Ningxia Co., Ltd.	RMB	5.16%	5.23%	1.23%	2.00%	1.37%	2.14%
119	Bank of Chengde Co., Ltd.	RMB	15.37%	15.18%	2.03%	1.31%	2.16%	1.45%
120	Bank of Laishang Co., Ltd.	RMB	5.49%	5.57%	2.46%	2.08%	2.53%	3.08%

2022 rankings

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Note 1: "Total loans" was calculated by adding the loan amounts in the balance sheet and loan loss provisions measured at amortized cost; if this data was not available, then "total loans" was calculated based on the loan amounts reported in the balance sheet.
Note 2: "Total deposits" was calculated based on the deposit amounts reported in the balance sheet.

Non-performing loan (NPL) ratio		Allowance to total loans ratio		Provision coverage ratio		Capital adequacy ratio		Tier 1 capital adequacy ratio		Core tier 1 capital adequacy ratio	
% (rounded to 2 decimal places)		% (rounded to 2 decimal places)		% (rounded to 2 decimal places)		% (rounded to 2 decimal places)		% (rounded to 2 decimal places)		% (rounded to 2 decimal places)	
2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
1.47%	1.47%	2.53%	2.56%	171.56%	173.39%	14.59%	15.18%	11.33%	11.53%	9.35%	9.88%
1.84%	1.84%	3.39%	3.58%	184.77%	194.06%	12.02%	11.72%	10.10%	10.72%	10.10%	10.72%
1.42%	1.46%	2.86%	2.93%	201.02%	201.05%	14.22%	14.04%	10.29%	9.73%	9.21%	9.73%
2.56%	2.06%	3.65%	2.86%	142.84%	139.65%	12.61%	12.22%	10.68%	10.42%	8.59%	9.09%
3.31%	2.19%	4.74%	3.65%	143.29%	166.70%	15.20%	12.16%	11.78%	9.29%	9.84%	9.29%
1.78%	1.81%	4.00%	3.97%	224.48%	220.13%	13.71%	14.62%	10.96%	12.18%	9.89%	10.89%
0.61%	0.79%	1.96%	2.41%	321.00%	306.00%	17.30%	17.40%	14.50%	14.50%	14.50%	14.50%
1.62%	1.63%	3.46%	3.27%	213.33%	199.90%	11.96%	12.04%	9.93%	9.96%	8.19%	8.05%
1.08%	1.05%	3.19%	3.28%	295.31%	312.90%	15.99%	15.66%	14.84%	14.52%	14.84%	14.52%
0.81%	0.96%	4.33%	4.66%	531.82%	485.33%	11.95%	13.53%	10.26%	11.13%	10.21%	11.08%
1.68%	1.80%	2.85%	2.75%	169.77%	138.00%	11.01%	11.62%	10.23%	9.98%	7.73%	8.53%
2.01%	2.03%	3.20%	3.21%	158.98%	157.97%	13.93%	16.07%	12.97%	14.00%	11.26%	12.18%
1.33%	1.30%	2.69%	2.24%	202.41%	172.38%	15.36%	14.34%	12.00%	11.36%	10.39%	9.75%
0.86%	1.03%	5.32%	6.34%	617.38%	613.99%	14.99%	15.39%	12.61%	12.78%	12.61%	12.78%
1.88%	1.63%	2.95%	2.69%	157.33%	164.82%	11.63%	11.37%	8.96%	9.15%	8.83%	9.05%
2.37%	2.00%	4.99%	3.16%	222.87%	157.92%	11.40%	12.20%	9.87%	8.82%	9.81%	8.77%
6.02%	N/A	36.14%	N/A	600.13%	N/A	24.98%	N/A	21.98%	N/A	21.98%	N/A
1.03%	1.47%	5.54%	5.01%	540.47%	340.02%	13.01%	13.50%	11.89%	12.38%	10.98%	12.38%
0.96%	1.11%	3.66%	3.10%	273.56%	236.10%	15.72%	16.24%	13.96%	14.03%	12.71%	14.03%
2.60%	2.08%	3.23%	2.72%	124.35%	130.96%	16.41%	13.65%	13.60%	10.02%	7.95%	10.02%
1.62%	1.15%	3.86%	3.39%	238.92%	271.10%	13.14%	12.89%	11.59%	11.03%	11.59%	11.02%
1.45%	1.68%	3.36%	3.70%	232.00%	220.15%	15.20%	16.81%	10.65%	11.19%	10.65%	11.19%
1.96%	1.90%	3.57%	3.34%	182.26%	175.63%	13.15%	11.22%	10.52%	8.64%	9.33%	8.64%
1.28%	1.23%	1.87%	2.10%	145.66%	171.08%	11.75%	13.55%	10.28%	11.28%	8.06%	8.78%
1.35%	1.55%	2.31%	2.48%	170.74%	159.73%	11.68%	12.37%	8.77%	9.28%	8.73%	9.25%
0.93%	1.10%	4.46%	3.92%	477.19%	355.88%	14.35%	15.21%	10.13%	10.20%	8.74%	9.03%
1.35%	1.49%	2.64%	2.43%	195.76%	163.24%	13.02%	12.74%	10.75%	10.51%	10.03%	10.51%
1.78%	1.84%	5.58%	5.33%	313.00%	289.60%	13.87%	12.18%	12.71%	10.13%	9.57%	10.13%
1.68%	1.48%	2.36%	1.97%	141.35%	133.09%	12.50%	12.29%	11.46%	10.75%	9.47%	10.72%
1.77%	1.88%	2.30%	2.82%	130.05%	150.02%	14.58%	16.54%	13.27%	14.84%	13.27%	14.84%
0.69%	0.63%	1.91%	2.60%	276.87%	410.64%	23.10%	21.00%	22.42%	20.00%	22.42%	20.00%
1.59%	2.11%	5.09%	7.06%	319.93%	334.14%	26.17%	42.67%	24.96%	41.40%	24.94%	41.38%
0.97%	1.30%	2.99%	3.00%	309.97%	231.11%	13.26%	13.07%	9.65%	8.94%	8.42%	8.93%
1.99%	2.15%	3.73%	3.74%	186.97%	174.19%	12.20%	13.73%	11.04%	11.46%	11.04%	11.46%
1.67%	1.72%	3.14%	3.21%	196.74%	186.84%	19.12%	19.05%	16.92%	16.79%	16.92%	16.79%
1.81%	1.84%	3.04%	3.78%	168.84%	205.31%	12.69%	14.31%	11.68%	13.10%	11.43%	12.83%
4.15%	4.20%	7.35%	7.25%	177.27%	172.67%	14.21%	14.73%	13.01%	13.68%	13.01%	13.68%
3.08%	3.54%	4.52%	4.96%	146.96%	140.01%	12.85%	12.80%	9.92%	9.81%	9.92%	9.81%
1.72%	1.86%	4.02%	3.84%	233.80%	206.70%	14.12%	14.03%	10.67%	10.92%	10.66%	10.90%
1.88%	1.89%	3.09%	3.16%	164.32%	174.69%	11.40%	13.06%	10.10%	10.29%	8.48%	8.61%

2022 rankings	Name of bank	Currency	Total assets (Unit: Million) 2021	Total assets (Unit: Million) 2020	Net assets attributable to the parent company (Unit: Million) 2021	Net assets attributable to the parent company (Unit: Million) 2020	Total loans (Unit: Million) 2021	Total loans (Unit: Million) 2020
121	Zhongshan Rural Commercial Bank Co., Ltd.	RMB	169,825	144,715	14,162	9,265	86,104	73,134
122	Foshan Rural Commercial Bank Co., Ltd.	RMB	167,957	162,271	17,549	16,416	92,187	84,577
123	Changsha Rural Commercial Bank Co., Ltd.	RMB	167,863	148,104	15,925	15,013	91,042	77,680
124	Jiangsu Zhangjiagang Rural Commercial Bank Co., Ltd.	RMB	164,579	143,818	14,417	11,205	100,031	85,034
125	Zhejiang Hangzhou Yuhang Rural Commercial Bank Co., Ltd.	RMB	161,422	134,698	11,879	9,327	90,734	76,280
126	Jiangsu Suzhou Rural Commercial Bank Co., Ltd.	RMB	158,725	139,440	13,147	12,020	95,423	78,706
127	Jiangsu Jiangyin Rural Commercial Bank Co., Ltd.	RMB	153,128	142,766	13,026	12,131	91,635	80,367
128	Dongying Bank Co., Ltd.	RMB	151,206	127,662	11,068	10,963	81,269	64,768
129	Mianyang City Commercial Bank Co., Ltd.	RMB	150,404	125,949	10,942	8,418	80,785	63,454
130	Bank of Jining Co., Ltd.	RMB	148,416	123,865	10,092	9,652	85,189	70,404
131	Nanyang Commercial Bank (China) Limited	RMB	147,330	142,951	15,393	14,647	83,796	82,355
132	Yunnan Hongta Bank Co., Ltd.	RMB	146,932	129,361	12,363	11,606	56,899	46,149
133	Leshan City Commercial Bank Co., Ltd.	RMB	145,437	125,086	11,009	10,728	77,023	57,584
134	Sumitomo Mitsui Banking Corporation (China) Limited	RMB	145,119	153,685	21,025	20,230	44,465	42,824
135	DBS Bank (China) Limited	RMB	139,931	134,468	12,762	11,976	49,498	42,331
136	Bank of Quanzhou Co., Ltd.	RMB	139,676	128,963	9,535	8,516	82,218	69,468
137	Haikou Rural Commercial Bank Co., Ltd.	RMB	139,051	138,612	9,331	8,567	74,108	66,071
138	Fubon Bank (China) Co., Ltd.	RMB	137,263	116,577	7,835	6,286	53,601	46,827
139	Hang Seng Bank (China) Limited	RMB	137,067	119,405	12,355	11,564	70,107	64,650
140	Zhejiang Shaoxing Ruifeng Rural Commercial Bank Co., Ltd.	RMB	136,868	129,516	13,573	11,028	85,180	76,778
141	Bank of Xingtai Co., Ltd.	RMB	135,440	121,943	7,281	6,831	75,218	68,096
142	Bank of Qinhuangdao Co., Ltd.	RMB	135,195	121,340	6,250	5,831	59,050	50,151
143	Mizuho Bank (China), Ltd.	RMB	135,153	146,452	18,534	17,550	54,306	51,263
144	Jiangsu Kunshan Rural Commercial Bank Co., Ltd.	RMB	134,849	121,383	11,635	10,412	80,507	66,967
145	Luzhou Bank Co., Ltd.	RMB	134,510	118,886	9,702	8,949	74,873	59,624
146	Xiamen Rural Commercial Bank Co., Ltd.	RMB	133,176	130,933	10,965	10,020	69,733	65,308
147	Guiyang Rural Commercial Bank Co., Ltd.	RMB	131,248	116,084	7,757	4,641	75,458	64,286
148	Bank of Linshang Co., Ltd.	RMB	129,418	107,945	10,083	8,572	86,202	70,585
149	Dalian Rural Commercial Bank Co., Ltd.	RMB	128,099	118,162	8,264	8,280	69,945	64,973
150	The Chinese Merchandise Bank, Ltd.	RMB	127,845	123,779	14,888	13,510	64,864	60,689
151	Yanbian Rural Commercial Bank Co.,Ltd.	RMB	124,639	116,802	5,476	5,377	81,619	70,036
152	Jiangmen Rural Commercial Bank Co., Ltd.	RMB	124,014	112,704	12,753	12,329	64,633	57,537
153	Great Wall West China Bank Co.,ltd.	RMB	123,904	113,577	9,176	8,658	71,421	63,707
154	Ningbo Commerce Bank Co., Ltd.	RMB	123,360	107,877	10,786	8,475	55,563	46,872
155	Yantai Bank Co., Ltd.	RMB	122,971	116,427	7,979	7,752	60,894	51,653
156	Bank of Jiaxing Co., Ltd.	RMB	122,388	104,673	8,044	5,577	70,482	56,817
157	Bank of Baoding Co., Ltd.	RMB	118,226	113,253	9,165	8,740	62,431	51,275
158	Ordos Bank Co.,Ltd.	RMB	116,825	108,409	5,951	9,027	69,581	68,489
159	Shanxi Yaodu Rural Commercial Bank Co., Ltd.	RMB	114,764	75,043	6,174	6,334	82,446	40,699
160	Ningbo Cixi Rural commercial Bank Co.,Ltd.	RMB	114,744	101,119	9,994	8,786	61,594	51,028

The data quoted in this report came from the 2020 and 2021 annual reports publicly released by various banks, their official websites, and Wind. Data that was unavailable at the time this report was finalized was excluded.
Note 1: "Total loans" was calculated by adding the loan amounts in the balance sheet and loan loss provisions measured at amortized cost; if this data was not available, then "total loans" was calculated based on the loan amounts reported in the balance sheet.
Note 2: "Total deposits" was calculated based on the deposit amounts reported in the balance sheet.

Total deposits		Operating income		Net fee income		Net interest income		Net profit attributable to the parent company		Cost-to-income ratio	
Unit: Million		Unit: Million		Unit: Million		Unit: Million		Unit: Million		% (rounded to 2 decimal places)	
2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
118,428	106,622	3,573	3,262	126	119	2,680	2,918	1,665	1,455	36.39%	37.45%
138,185	130,137	3,128	3,217	82	59	2,706	2,862	1,396	1,381	44.47%	40.42%
119,702	105,281	4,430	3,716	1	22	4,222	3,647	1,305	1,201	31.79%	34.16%
124,608	109,794	4,616	4,195	124	(10)	3,691	3,601	1,304	1,001	31.11%	31.27%
142,450	117,408	3,917	3,322	16	8	3,572	1,997	1,141	973	27.13%	28.59%
122,637	106,725	3,834	3,753	218	130	3,036	3,003	1,160	951	32.88%	32.72%
117,447	105,759	3,367	3,351	138	100	2,831	2,559	1,274	1,057	33.40%	31.47%
119,373	99,163	2,861	2,424	120	100	2,636	2,222	474	448	34.73%	34.86%
103,099	77,992	3,866	3,148	216	167	3,045	2,754	783	582	26.72%	29.35%
116,440	95,040	3,643	3,140	(1,209)	(1,010)	4,570	4,146	905	597	28.52%	27.80%
98,021	96,372	2,364	2,655	295	317	1,745	1,872	605	552	50.39%	42.79%
107,072	97,140	2,032	2,012	112	119	1,569	1,440	916	791	34.45%	33.73%
85,783	72,390	3,030	2,543	49	(45)	2,936	2,545	464	464	32.62%	36.10%
95,824	103,532	2,574	2,407	88	58	1,581	1,178	841	941	49.36%	50.18%
72,069	64,401	2,942	2,705	326	285	1,750	1,786	735	175	61.68%	62.57%
101,105	85,654	3,281	2,800	(287)	(203)	3,111	2,525	522	313	38.26%	35.85%
117,979	101,174	4,138	3,698	117	132	3,587	3,225	805	492	37.63%	41.96%
101,165	92,870	1,728	1,571	(305)	(160)	2,422	1,758	512	436	57.40%	54.64%
53,938	47,013	2,460	2,409	378	348	1,843	1,969	715	833	52.89%	48.41%
102,359	92,550	3,310	3,009	(133)	(167)	2,996	2,982	1,271	1,105	32.22%	32.86%
119,208	103,644	2,048	2,143	(59)	(29)	1,950	2,086	429	211	46.58%	42.16%
119,692	103,935	2,377	2,037	(5)	8	1,167	764	681	559	36.04%	32.74%
101,473	99,386	2,370	2,153	108	61	1,643	1,166	975	836	50.18%	52.97%
105,338	94,015	3,855	3,891	310	273	2,748	2,839	1,342	1,218	34.80%	28.93%
94,769	85,223	3,776	3,155	57	5	2,938	2,756	734	576	38.59%	36.09%
107,067	104,291	2,783	3,350	13	(131)	2,406	2,923	701	829	33.50%	29.67%
101,982	90,026	3,009	3,121	133	79	2,725	2,213	628	310	40.99%	28.98%
104,079	89,701	3,439	2,862	27	35	3,246	1,964	406	452	37.08%	34.79%
113,125	100,568	2,080	1,674	14	(23)	1,432	1,247	61	53	60.66%	65.30%
27,070	26,502	1,950	1,990	186	145	2,131	2,089	958	819	19.78%	18.48%
105,204	94,572	2,848	2,356	(20)	(11)	2,600	1,735	246	200	56.62%	61.91%
94,434	86,954	2,857	2,709	39	55	2,341	2,468	1,155	1,086	36.69%	37.49%
85,011	80,033	2,462	2,662	146	154	1,956	2,053	325	359	27.61%	20.24%
76,605	67,951	2,936	2,713	3	61	2,661	2,577	964	766	37.05%	39.99%
92,340	83,824	2,366	2,159	101	65	2,041	2,003	302	216	35.63%	48.40%
88,751	74,567	2,946	2,546	151	119	2,012	1,768	832	641	37.25%	38.75%
105,609	86,751	2,685	2,860	(1)	62	2,026	1,226	768	1,073	30.31%	25.88%
103,980	86,576	2,163	1,979	18	32	2,099	1,499	13	4	undisclosed	47.99%
57,798	51,553	2,033	2,156	(85)	(12)	1,712	2,136	340	583	38.71%	34.66%
92,033	80,630	2,181	1,877	3	4	1,839	645	863	815	32.67%	37.11%

2022 rankings	Name of bank	Currency	Return on average equity % (rounded to 2 decimal places) 2021	2020	Net interest spread % (rounded to 2 decimal places) 2021	2020	Net interest margin % (rounded to 2 decimal places) 2021	2020
121	Zhongshan Rural Commercial Bank Co., Ltd.	RMB	14.22%	16.56%	1.62%	2.14%	1.75%	2.17%
122	Foshan Rural Commercial Bank Co., Ltd.	RMB	8.22%	9.13%	1.51%	1.83%	1.69%	1.98%
123	Changsha Rural Commercial Bank Co., Ltd.	RMB	8.20%	8.05%	2.56%	2.35%	2.62%	2.53%
124	Jiangsu Zhangjiagang Rural Commercial Bank Co., Ltd.	RMB	11.08%	9.15%	2.18%	2.53%	2.43%	2.74%
125	Zhejiang Hangzhou Yuhang Rural Commercial Bank Co., Ltd.	RMB	10.76%	11.23%	2.34%	1.32%	2.47%	1.58%
126	Jiangsu Suzhou Rural Commercial Bank Co., Ltd.	RMB	9.31%	8.07%	2.04%	2.32%	2.24%	2.50%
127	Jiangsu Jiangyin Rural Commercial Bank Co., Ltd.	RMB	10.15%	8.85%	1.89%	1.94%	2.14%	2.19%
128	Dongying Bank Co., Ltd.	RMB	4.30%	4.66%	1.98%	2.30%	2.05%	2.20%
129	Mianyang City Commercial Bank Co., Ltd.	RMB	10.19%	9.36%	2.26%	1.31%	2.61%	2.76%
130	Bank of Jining Co., Ltd.	RMB	9.17%	7.42%	3.46%	3.50%	3.55%	3.71%
131	Nanyang Commercial Bank (China) Limited	RMB	4.03%	3.81%	0.96%	1.10%	1.22%	1.33%
132	Yunnan Hongta Bank Co., Ltd.	RMB	7.64%	6.92%	1.02%	1.20%	undisclosed	1.29%
133	Leshan City Commercial Bank Co., Ltd.	RMB	4.27%	4.61%	2.80%	4.21%	2.58%	3.27%
134	Sumitomo Mitsui Banking Corporation (China) Limited	RMB	4.08%	4.75%	0.78%	0.61%	1.09%	0.85%
135	DBS Bank (China) Limited	RMB	5.94%	1.47%	1.28%	1.34%	1.43%	1.53%
136	Bank of Quanzhou Co., Ltd.	RMB	6.27%	4.14%	2.21%	2.05%	2.50%	2.29%
137	Haikou Rural Commercial Bank Co., Ltd.	RMB	4.42%	4.46%	2.63%	2.47%	2.75%	2.61%
138	Fubon Bank (China) Co., Ltd.	RMB	7.25%	7.04%	1.86%	1.59%	1.96%	1.70%
139	Hang Seng Bank (China) Limited	RMB	5.98%	7.44%	1.30%	1.63%	1.48%	1.83%
140	Zhejiang Shaoxing Ruifeng Rural Commercial Bank Co., Ltd.	RMB	10.33%	10.43%	2.24%	2.27%	2.34%	2.51%
141	Bank of Xingtai Co., Ltd.	RMB	6.08%	3.11%	1.26%	1.59%	1.50%	1.85%
142	Bank of Qinhuangdao Co., Ltd.	RMB	11.38%	10.01%	0.91%	0.79%	0.95%	1.38%
143	Mizuho Bank (China), Ltd.	RMB	5.41%	4.87%	1.07%	0.73%	1.23%	0.90%
144	Jiangsu Kunshan Rural Commercial Bank Co., Ltd.	RMB	12.20%	12.33%	2.40%	2.92%	2.40%	2.92%
145	Luzhou Bank Co., Ltd.	RMB	7.89%	7.11%	2.59%	2.75%	2.49%	2.78%
146	Xiamen Rural Commercial Bank Co., Ltd.	RMB	6.69%	8.31%	1.66%	2.13%	1.86%	2.29%
147	Guiyang Rural Commercial Bank Co., Ltd.	RMB	10.05%	7.40%	2.30%	2.25%	2.32%	2.19%
148	Bank of Linshang Co., Ltd.	RMB	4.35%	5.46%	2.93%	2.18%	2.96%	2.20%
149	Dalian Rural Commercial Bank Co., Ltd.	RMB	0.74%	0.65%	1.30%	1.47%	1.29%	1.37%
150	The Chinese Merchandise Bank, Ltd.	RMB	6.75%	6.16%	1.41%	undisclosed	1.71%	undisclosed
151	Yanbian Rural Commercial Bank Co.,Ltd.	RMB	4.54%	3.69%	2.37%	2.02%	2.39%	2.16%
152	Jiangmen Rural Commercial Bank Co., Ltd.	RMB	9.21%	8.93%	1.89%	2.13%	2.06%	2.33%
153	Great Wall West China Bank Co.,ltd.	RMB	3.64%	4.22%	undisclosed	1.78%	undisclosed	1.96%
154	Ningbo Commerce Bank Co., Ltd.	RMB	10.86%	9.18%	2.44%	2.29%	2.50%	2.56%
155	Yantai Bank Co., Ltd.	RMB	3.83%	3.12%	1.89%	2.41%	1.87%	2.15%
156	Bank of Jiaxing Co., Ltd.	RMB	12.22%	11.95%	1.65%	1.79%	2.05%	2.04%
157	Bank of Baoding Co., Ltd.	RMB	8.38%	12.27%	2.54%	1.34%	1.77%	2.60%
158	Ordos Bank Co.,Ltd.	RMB	undisclosed	0.05%	undisclosed	0.83%	undisclosed	0.76%
159	Shanxi Yaodu Rural Commercial Bank Co., Ltd.	RMB	5.44%	9.22%	undisclosed	3.46%	undisclosed	3.49%
160	Ningbo Cixi Rural commercial Bank Co.,Ltd.	RMB	9.19%	9.58%	undisclosed	0.45%	undisclosed	1.85%

The data quoted in this report came from the 2020 and 2021 annual reports publicly released by various banks, their official websites, and Wind. Data that was unavailable at the time this report was finalized was excluded.
Note 1: "Total loans" was calculated by adding the loan amounts in the balance sheet and loan loss provisions measured at amortized cost; if this data was not available, then "total loans" was calculated based on the loan amounts reported in the balance sheet.
Note 2: "Total deposits" was calculated based on the deposit amounts reported in the balance sheet.

Non-performing loan (NPL) ratio		Allowance to total loans ratio		Provision coverage ratio		Capital adequacy ratio		Tier 1 capital adequacy ratio		Core tier 1 capital adequacy ratio	
% (rounded to 2 decimal places)		% (rounded to 2 decimal places)		% (rounded to 2 decimal places)		% (rounded to 2 decimal places)		% (rounded to 2 decimal places)		% (rounded to 2 decimal places)	
2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
0.90%	0.90%	3.94%	4.80%	439.38%	533.22%	17.37%	14.74%	14.67%	11.71%	14.67%	11.71%
0.74%	1.15%	2.61%	2.89%	355.55%	251.20%	18.93%	21.12%	17.78%	18.23%	17.78%	18.23%
1.60%	1.40%	3.38%	3.15%	202.37%	217.43%	14.22%	14.70%	13.07%	13.54%	13.07%	13.54%
0.95%	1.17%	4.49%	3.61%	475.35%	307.83%	14.30%	13.75%	11.53%	10.35%	9.82%	10.35%
0.80%	0.84%	3.21%	4.73%	403.09%	559.65%	14.79%	13.93%	12.11%	10.94%	10.98%	9.58%
1.00%	1.28%	4.14%	3.92%	412.22%	305.31%	12.99%	13.53%	10.72%	11.38%	10.72%	11.38%
1.32%	1.79%	4.36%	4.02%	330.62%	224.27%	14.11%	14.48%	12.97%	13.36%	12.96%	13.34%
1.52%	1.63%	undisclosed	undisclosed	undisclosed	undisclosed	12.23%	13.03%	undisclosed	undisclosed	7.96%	8.63%
1.85%	1.95%	5.14%	4.21%	278.34%	216.66%	13.20%	12.93%	11.11%	10.57%	9.07%	8.04%
1.30%	1.61%	2.97%	2.85%	227.67%	177.16%	14.00%	14.92%	11.46%	12.26%	9.32%	9.81%
0.83%	0.86%	2.12%	2.00%	257.44%	233.52%	16.15%	16.58%	15.07%	15.57%	15.07%	15.57%
0.56%	0.83%	2.75%	3.08%	491.41%	370.77%	15.68%	17.76%	13.02%	16.76%	13.02%	16.76%
1.78%	1.69%	2.65%	3.22%	159.53%	190.23%	13.89%	14.34%	11.45%	11.30%	9.77%	11.30%
0.00%	0.00%	1.99%	1.63%	N/A	N/A	20.71%	21.31%	19.87%	20.61%	19.87%	20.61%
0.70%	1.10%	1.90%	2.10%	282.70%	183.20%	15.30%	13.30%	12.70%	12.90%	12.70%	12.90%
1.68%	1.43%	2.53%	2.16%	152.45%	151.23%	11.75%	12.36%	9.92%	9.46%	7.58%	7.72%
3.56%	4.59%	6.65%	8.16%	216.87%	177.83%	12.70%	15.09%	11.55%	11.36%	11.55%	11.36%
0.53%	0.55%	1.56%	1.87%	289.90%	340.91%	13.64%	13.96%	10.27%	9.81%	10.27%	9.81%
undisclosed	undisclosed	2.54%	2.62%	411.00%	248.00%	13.60%	14.60%	12.40%	13.40%	12.40%	13.40%
1.25%	1.32%	3.17%	3.09%	252.90%	234.41%	18.85%	18.25%	15.42%	14.67%	15.41%	14.66%
2.70%	2.79%	5.09%	5.00%	188.81%	179.17%	14.94%	13.78%	10.15%	10.46%	10.15%	10.46%
1.96%	1.96%	3.20%	3.05%	163.27%	160.57%	13.46%	12.31%	10.22%	9.00%	8.76%	9.00%
0.04%	0.04%	1.50%	1.61%	3773.63%	3786.96%	17.36%	16.64%	16.66%	15.91%	16.66%	15.91%
0.96%	1.19%	6.23%	6.26%	648.80%	527.21%	14.67%	15.32%	12.49%	13.00%	12.49%	13.00%
1.42%	1.83%	3.72%	3.43%	262.49%	187.43%	13.36%	13.87%	9.75%	10.01%	8.05%	8.11%
1.39%	0.94%	2.67%	2.43%	192.59%	259.07%	12.55%	12.45%	11.59%	10.43%	11.58%	10.43%
undisclosed	undisclosed	3.79%	3.77%	198.15%	180.08%	11.60%	8.56%	8.52%	6.28%	8.52%	6.28%
2.62%	1.69%	3.88%	3.61%	148.12%	213.35%	13.30%	12.89%	11.33%	10.37%	8.86%	10.37%
4.24%	4.86%	3.20%	3.17%	undisclosed	undisclosed	undisclosed	undisclosed	undisclosed	undisclosed	undisclosed	undisclosed
1.37%	1.35%	3.32%	3.21%	242.72%	238.00%	17.37%	16.88%	16.19%	15.71%	16.19%	15.71%
2.10%	2.07%	3.30%	3.06%	157.37%	147.84%	11.86%	11.46%	9.42%	9.17%	8.21%	8.81%
1.31%	1.47%	2.93%	3.04%	223.91%	206.88%	14.53%	16.52%	13.59%	15.44%	13.59%	15.44%
2.07%	3.55%	undisclosed	undisclosed	130.82%	126.16%	14.46%	11.20%	11.61%	10.45%	9.94%	10.45%
1.06%	1.13%	3.03%	2.69%	290.30%	242.03%	13.52%	12.37%	10.67%	9.50%	9.18%	9.50%
1.93%	2.41%	3.48%	4.29%	180.17%	178.53%	12.66%	13.47%	9.71%	10.42%	7.88%	8.40%
0.77%	0.97%	4.65%	5.04%	602.59%	521.41%	13.14%	13.37%	10.13%	8.59%	8.18%	8.57%
2.30%	1.96%	3.59%	3.07%	156.28%	156.23%	13.97%	14.93%	12.11%	13.16%	12.11%	13.16%
3.97%	6.26%	5.35%	4.05%	134.95%	64.84%	11.20%	11.56%	11.15%	11.51%	7.99%	8.24%
1.20%	2.44%	2.76%	4.35%	230.30%	178.24%	11.51%	12.40%	undisclosed	10.20%	9.21%	9.69%
undisclosed	0.99%	undisclosed	5.37%	undisclosed	543.24%	15.35%	16.57%	14.34%	15.59%	14.34%	15.59%

2022 rankings	Name of bank	Currency	Total assets (Unit: Million) 2021	Total assets (Unit: Million) 2020	Net assets attributable to the parent company (Unit: Million) 2021	Net assets attributable to the parent company (Unit: Million) 2020	Total loans (Unit: Million) 2021	Total loans (Unit: Million) 2020
161	Hefei Science & Technology Rural Commercial Bank Co., Ltd.	RMB	110,771	104,502	8,797	7,767	56,050	48,784
162	Zhejiang Wenzhou Lucheng Rural Commercial Bank Co., Ltd.	RMB	110,604	99,554	7,141	5,860	79,893	67,006
163	Bank of Qinghai Co., Ltd.	RMB	110,142	108,606	9,546	9,030	55,365	60,608
164	Bank of Huzhou Co., Ltd.	RMB	101,399	85,484	6,893	6,178	53,546	44,060
165	Jiangsu Suning Bank Co., Ltd.	RMB	101,221	72,561	5,112	4,422	44,840	39,644
166	Zhejiang Yiwu Rural Commercial Bank Co., Ltd.	RMB	96,058	86,341	8,431	7,644	62,036	51,634
167	Bank of Hainan Co., Ltd.	RMB	91,636	73,085	5,304	5,055	41,667	31,457
168	Bank of Taian Co., Ltd.	RMB	90,289	81,680	7,609	7,662	50,191	41,016
169	Bank of Zigong Co., Ltd.	RMB	89,427	88,104	5,481	5,458	36,400	32,053
170	Hebei Tangshan Rural Commercial Bank Co., Ltd.	RMB	88,502	81,524	5,929	5,799	53,959	49,387
171	Wuhan Zhongbang Bank Co., Ltd.	RMB	87,124	72,460	4,682	4,497	41,294	33,019
172	Bank of Jinhua Co., Ltd.	RMB	86,559	73,907	5,505	4,145	50,724	44,414
173	Huizhou Rural Commercial Bank Co., Ltd.	RMB	85,858	70,399	6,662	6,034	49,854	38,942
174	Bank of Dazhou Co., Ltd.	RMB	84,541	76,732	7,158	6,674	38,283	28,732
175	Changchun Rural Commercial Bank Co., Ltd.	RMB	82,160	80,246	5,966	5,734	51,170	47,723
176	Zhejiang Leqing Rural Commercial Bank Co.,Ltd.	RMB	79,145	71,289	8,521	7,520	49,276	41,976
177	United Overseas Bank (China) Limited	RMB	78,220	80,488	7,456	7,056	40,125	37,056
178	Jiangsu Rugao Rural Commercial Bank Co., Ltd.	RMB	78,121	69,197	5,643	4,027	51,095	45,054
179	Anhui Maanshan Rural Commercial Bank Co., Ltd.	RMB	77,348	65,461	5,358	4,480	47,581	41,361
180	Jiangsu Nantong Rural Commercial Bank Co., Ltd.	RMB	76,924	76,241	7,347	6,957	51,055	46,345
181	Jiangsu Haian Rural Commercial Bank Co., Ltd.	RMB	76,652	70,854	7,982	7,102	48,259	42,846
182	Zhejiang Wenzhou Ouhai Rural Commercial Bank Co., Ltd.	RMB	75,607	69,711	6,216	5,493	49,262	43,386
183	Deutsche Bank (China) Co., Ltd.	RMB	74,005	74,955	9,541	8,985	17,746	16,536
184	Bank of Shizuishan Co.,Ltd.	RMB	73,742	72,086	4,571	4,372	46,512	46,909
185	Nanchang Rural Commercial Bank Co., Ltd.	RMB	72,846	69,167	4,697	5,765	50,462	46,245
186	Inner Mongolia Hohhot Jingu Rural Commercial Bank Co., Ltd.	RMB	72,745	71,028	6,593	5,995	38,450	35,697
187	Xinjiang Bank Co., Ltd	RMB	72,031	52,039	5,779	5,547	37,636	26,855
188	Zhejiang Shangyu Rural Commercial Bank Co., Ltd.	RMB	71,894	65,096	6,256	5,559	44,888	37,802
189	Zhejiang Hecheng Rural Commercial Bank Co., Ltd.	RMB	71,561	61,181	5,536	4,592	42,777	31,979
190	Zhejiang Haining Rural Commercial Bank Co.,Ltd.	RMB	69,937	62,425	5,885	4,670	45,092	36,677
191	Yuyao Ningbo Rural Commercial Bank	RMB	68,648	57,812	5,400	4,588	40,928	33,575
192	Zhuhai Rural Commercial Bank Co., Ltd.	RMB	68,017	63,725	5,773	5,506	37,672	33,338
193	Dezhou Bank Co., Ltd.	RMB	67,778	60,360	5,033	5,037	39,608	32,836
194	Yibin City Commercial Bank Co., Ltd.	RMB	67,265	56,410	7,181	5,356	32,541	24,792
195	Qujing City Commercial Bank Co., Ltd.	RMB	63,241	60,845	8,526	8,283	33,755	32,153
196	Zhejiang Zhuji Rural Commercial Bank Co., Ltd.	RMB	61,980	57,789	5,390	4,362	37,763	33,756
197	Jilin Yillion Bank Co., Ltd.	RMB	59,896	45,128	3,222	3,169	37,690	32,465
198	Jiangsu Taicang Rural Commercial Bank CO.,LTD.	RMB	58,877	53,375	5,373	4,195	36,650	31,922
199	Zhejiang Deqing Rural Commercial Bank Co., Ltd.	RMB	50,581	43,450	4,685	3,987	31,352	25,738
200	Zhejiang Nanxun Rural Commercial Bank Co., Ltd.	RMB	48,572	41,921	4,257	3,850	31,725	25,791

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Note 1: "Total loans" was calculated by adding the loan amounts in the balance sheet and loan loss provisions measured at amortized cost; if this data was not available, then "total loans" was calculated based on the loan amounts reported in the balance sheet.
Note 2: "Total deposits" was calculated based on the deposit amounts reported in the balance sheet.

Total deposits		Operating income		Net fee income		Net interest income		Net profit attributable to the parent company		Cost-to-income ratio	
Unit: Million		Unit: Million		Unit: Million		Unit: Million		Unit: Million		% (rounded to 2 decimal places)	
2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
79,726	68,745	2,290	2,048	67	64	731	1,945	939	750	27.61%	27.67%
88,720	73,471	4,042	3,592	(109)	96	3,568	2,570	1,282	1,228	38.95%	40.04%
75,911	73,932	2,695	2,185	(167)	(119)	1,224	1,419	535	486	26.80%	30.93%
71,276	61,962	2,268	1,800	43	4	2,111	1,533	845	649	36.93%	39.55%
64,013	57,294	3,456	2,803	(295)	(16)	4,086	3,493	603	427	21.97%	25.84%
75,272	63,757	1,949	1,978	(12)	4	1,653	1,057	662	655	31.11%	31.89%
61,069	45,984	1,583	1,263	64	32	1,232	1,234	417	385	38.21%	44.21%
68,710	58,158	1,717	1,927	(36)	(137)	1,357	2,013	324	402	33.71%	29.65%
77,577	77,157	1,462	1,143	174	234	1,203	784	20	107	37.05%	43.20%
71,121	65,516	1,741	1,518	10	6	864	937	396	314	32.49%	35.15%
56,332	47,814	1,501	1,195	(817)	(353)	1,105	1,521	328	255	37.89%	34.98%
65,229	56,266	1,770	988	75	69	711	49	332	93	56.81%	75.70%
67,817	55,790	2,360	2,126	41	26	2,269	1,960	1,013	830	32.72%	33.68%
54,561	48,586	1,969	1,747	45	119	1,888	1,619	501	286	25.32%	23.08%
66,390	63,092	1,663	1,701	(31)	(7)	1,565	987	328	289	63.30%	54.99%
61,981	52,681	2,578	2,438	(19)	22	2,320	1,575	1,201	1,110	22.40%	24.84%
41,713	36,463	1,598	1,434	164	143	1,111	992	333	109	65.70%	72.40%
67,759	61,184	1,520	1,339	(5)	7	1,037	903	344	274	36.76%	37.74%
60,650	52,183	1,646	1,570	(6)	(7)	1,639	1,548	650	601	34.15%	32.97%
63,817	63,426	1,800	1,610	(99)	(120)	1,826	1,603	540	412	38.09%	37.61%
61,406	58,412	2,030	1,880	7	(7)	1,827	1,747	777	684	26.77%	25.31%
58,451	53,751	1,962	1,688	(16)	(2)	1,738	1,102	718	649	39.50%	40.80%
42,226	44,133	1,612	1,088	140	81	790	659	523	228	55.24%	76.29%
63,200	61,375	1,385	1,500	(211)	(418)	1,603	1,815	199	191	35.44%	33.50%
58,975	57,451	1,896	1,917	22	63	1,826	1,311	17	423	35.99%	34.99%
50,603	48,565	1,454	1,652	(13)	(6)	799	1,014	376	385	60.94%	52.21%
52,898	33,099	1,219	975	62	55	967	385	295	208	37.84%	33.48%
60,947	51,539	1,569	1,432	(43)	(26)	1,360	851	517	513	31.78%	31.88%
59,164	49,694	1,582	1,298	9	(3)	1,274	540	651	496	30.58%	31.31%
57,623	50,202	1,667	1,437	(2)	(4)	1,514	797	606	500	undisclosed	30.92%
57,063	46,751	1,381	1,178	(5)	(5)	1,178	611	513	430	32.19%	33.68%
53,110	49,502	1,571	1,602	33	30	1,296	1,416	541	510	40.51%	36.39%
58,622	52,445	1,233	989	51	36	1,061	385	227	166	55.65%	64.81%
48,343	41,658	1,755	1,286	121	67	1,424	696	255	161	30.05%	36.48%
40,236	39,138	1,238	1,363	(44)	(23)	1,177	354	236	214	46.32%	40.48%
51,467	44,991	1,688	1,393	(13)	51	1,325	760	421	350	26.31%	27.05%
35,509	31,114	1,435	1,567	(32)	(33)	1,357	1,555	52	220	28.01%	28.11%
47,494	43,029	1,454	1,328	(10)	17	1,285	1,171	419	382	38.10%	37.03%
40,116	33,303	1,335	1,235	2	43	1,179	803	546	466	29.81%	32.75%
39,947	33,645	1,235	1,094	(13)	22	1,119	721	455	382	45.70%	35.88%

2022 rankings	Name of bank	Currency	Return on average equity % (rounded to 2 decimal places) 2021	2020	Net interest spread % (rounded to 2 decimal places) 2021	2020	Net interest margin % (rounded to 2 decimal places) 2021	2020
161	Hefei Science & Technology Rural Commercial Bank Co., Ltd.	RMB	11.33%	9.93%	0.52%	1.74%	0.69%	1.90%
162	Zhejiang Wenzhou Lucheng Rural Commercial Bank Co., Ltd.	RMB	19.73%	22.80%	3.35%	2.90%	3.51%	3.02%
163	Bank of Qinghai Co., Ltd.	RMB	5.72%	5.30%	0.95%	1.47%	1.14%	1.46%
164	Bank of Huzhou Co., Ltd.	RMB	15.78%	13.87%	2.16%	2.21%	2.31%	2.20%
165	Jiangsu Suning Bank Co., Ltd.	RMB	12.64%	9.95%	4.63%	5.13%	4.77%	5.24%
166	Zhejiang Yiwu Rural Commercial Bank Co., Ltd.	RMB	8.23%	8.81%	undisclosed	1.45%	undisclosed	1.50%
167	Bank of Hainan Co., Ltd.	RMB	8.06%	7.88%	1.55%	1.74%	1.59%	1.93%
168	Bank of Taian Co., Ltd.	RMB	4.24%	5.96%	1.52%	2.63%	1.66%	2.86%
169	Bank of Zigong Co., Ltd.	RMB	0.37%	1.98%	5.08%	4.47%	2.46%	1.70%
170	Hebei Tangshan Rural Commercial Bank Co., Ltd.	RMB	6.76%	5.43%	0.85%	1.13%	1.05%	1.66%
171	Wuhan Zhongbang Bank Co., Ltd.	RMB	7.15%	7.55%	2.80%	2.36%	3.06%	2.68%
172	Bank of Jinhua Co., Ltd.	RMB	6.89%	2.24%	0.88%	0.31%	0.94%	1.26%
173	Huizhou Rural Commercial Bank Co., Ltd.	RMB	15.96%	14.58%	2.87%	2.93%	2.97%	3.03%
174	Bank of Dazhou Co., Ltd.	RMB	7.19%	6.19%	3.50%	5.69%	3.03%	3.87%
175	Changchun Rural Commercial Bank Co., Ltd.	RMB	6.13%	5.73%	2.31%	1.97%	2.19%	1.61%
176	Zhejiang Leqing Rural Commercial Bank Co.,Ltd.	RMB	14.97%	15.68%	undisclosed	undisclosed	undisclosed	3.07%
177	United Overseas Bank (China) Limited	RMB	4.60%	1.60%	1.49%	1.34%	1.61%	1.46%
178	Jiangsu Rugao Rural Commercial Bank Co., Ltd.	RMB	7.12%	5.88%	undisclosed	1.32%	2.07%	1.99%
179	Anhui Maanshan Rural Commercial Bank Co., Ltd.	RMB	13.22%	14.03%	2.16%	2.26%	2.34%	2.42%
180	Jiangsu Nantong Rural Commercial Bank Co., Ltd.	RMB	7.50%	5.97%	2.23%	1.98%	2.43%	2.15%
181	Jiangsu Haian Rural Commercial Bank Co., Ltd.	RMB	10.33%	10.05%	undisclosed	2.29%	undisclosed	2.52%
182	Zhejiang Wenzhou Ouhai Rural Commercial Bank Co., Ltd.	RMB	12.26%	12.28%	2.27%	1.58%	2.46%	1.77%
183	Deutsche Bank (China) Co., Ltd.	RMB	5.65%	2.54%	undisclosed	0.94%	undisclosed	1.06%
184	Bank of Shizuishan Co.,Ltd.	RMB	4.44%	undisclosed	2.37%	2.82%	2.41%	2.84%
185	Nanchang Rural Commercial Bank Co., Ltd.	RMB	0.08%	7.20%	2.47%	1.83%	2.63%	2.00%
186	Inner Mongolia Hohhot Jingu Rural Commercial Bank Co., Ltd.	RMB	5.97%	6.57%	1.14%	1.65%	1.91%	2.22%
187	Xinjiang Bank Co., Ltd	RMB	5.22%	3.68%	1.37%	0.59%	1.59%	2.05%
188	Zhejiang Shangyu Rural Commercial Bank Co., Ltd.	RMB	8.76%	9.50%	1.94%	1.88%	2.09%	2.50%
189	Zhejiang Hecheng Rural Commercial Bank Co., Ltd.	RMB	12.86%	11.20%	1.95%	2.07%	2.06%	2.17%
190	Zhejiang Haining Rural Commercial Bank Co.,Ltd.	RMB	11.48%	11.18%	undisclosed	1.33%	undisclosed	1.48%
191	Yuyao Ningbo Rural Commercial Bank	RMB	10.21%	9.56%	undisclosed	0.94%	undisclosed	1.19%
192	Zhuhai Rural Commercial Bank Co., Ltd.	RMB	9.59%	9.54%	1.99%	2.24%	2.11%	2.38%
193	Dezhou Bank Co., Ltd.	RMB	4.51%	3.34%	undisclosed	0.72%	undisclosed	0.75%
194	Yibin City Commercial Bank Co., Ltd.	RMB	4.06%	3.53%	2.31%	1.67%	2.45%	1.60%
195	Qujing City Commercial Bank Co., Ltd.	RMB	2.81%	2.60%	2.06%	0.80%	2.16%	0.74%
196	Zhejiang Zhuji Rural Commercial Bank Co., Ltd.	RMB	8.65%	8.29%	2.11%	1.47%	2.28%	1.56%
197	Jilin Yillion Bank Co., Ltd.	RMB	1.62%	10.26%	1.89%	3.76%	2.62%	4.16%
198	Jiangsu Taicang Rural Commercial Bank CO.,LTD.	RMB	8.66%	9.36%	2.18%	2.23%	2.35%	2.39%
199	Zhejiang Deqing Rural Commercial Bank Co., Ltd.	RMB	12.58%	12.01%	2.90%	2.61%	3.07%	2.75%
200	Zhejiang Nanxun Rural Commercial Bank Co., Ltd.	RMB	11.23%	10.26%	3.00%	3.33%	3.20%	2.91%

The data quoted in this report came from the 2020 and 2021 annual reports publicly released by various banks, their official websites, and Wind. Data that was unavailable at the time this report was finalized was excluded.
Note 1: "Total loans" was calculated by adding the loan amounts in the balance sheet and loan loss provisions measured at amortized cost; if this data was not available, then "total loans" was calculated based on the loan amounts reported in the balance sheet.
Note 2: "Total deposits" was calculated based on the deposit amounts reported in the balance sheet.

Non-performing loan (NPL) ratio		Allowance to total loans ratio		Provision coverage ratio		Capital adequacy ratio		Tier 1 capital adequacy ratio		Core tier 1 capital adequacy ratio	
% (rounded to 2 decimal places)		% (rounded to 2 decimal places)		% (rounded to 2 decimal places)		% (rounded to 2 decimal places)		% (rounded to 2 decimal places)		% (rounded to 2 decimal places)	
2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
1.79%	1.83%	4.05%	3.85%	227.38%	210.14%	13.45%	14.14%	12.28%	11.10%	12.28%	11.10%
0.84%	0.88%	3.08%	2.86%	367.89%	undisclosed	13.87%	13.13%	11.10%	10.56%	11.10%	10.38%
2.95%	3.24%	5.25%	5.09%	179.78%	158.66%	13.98%	13.53%	12.82%	12.36%	12.82%	12.36%
0.78%	0.84%	3.33%	3.41%	424.94%	405.94%	13.44%	14.38%	10.66%	11.37%	8.80%	9.15%
1.01%	0.94%	2.54%	2.49%	251.07%	262.98%	11.48%	12.00%	10.38%	10.85%	10.38%	10.85%
0.85%	1.18%	4.63%	5.03%	542.59%	425.07%	15.30%	14.68%	14.14%	13.53%	14.14%	13.53%
1.36%	1.29%	3.01%	3.66%	222.09%	283.67%	11.01%	11.54%	9.83%	10.36%	9.83%	10.36%
1.92%	1.49%	2.51%	2.06%	131.00%	137.78%	14.14%	12.54%	13.67%	12.16%	9.90%	9.69%
3.48%	1.98%	5.24%	3.41%	150.59%	172.40%	15.01%	11.43%	13.96%	10.57%	9.14%	10.57%
2.92%	2.67%	4.38%	4.20%	150.37%	157.35%	13.99%	14.44%	10.23%	10.55%	10.23%	10.55%
1.11%	0.65%	3.35%	2.50%	301.39%	387.38%	11.82%	14.66%	undisclosed	undisclosed	10.65%	13.49%
1.47%	1.68%	2.25%	2.26%	152.53%	134.90%	11.28%	12.51%	9.70%	8.72%	9.70%	8.72%
0.92%	0.88%	2.41%	3.10%	263.45%	353.35%	14.47%	16.27%	11.34%	12.71%	11.34%	12.71%
1.93%	1.94%	2.53%	2.68%	131.43%	138.16%	12.60%	13.09%	12.20%	12.69%	12.20%	12.69%
undisclosed	undisclosed	2.77%	2.71%	undisclosed	undisclosed	undisclosed	undisclosed	undisclosed	undisclosed	undisclosed	undisclosed
0.89%	1.06%	undisclosed	5.11%	612.89%	482.46%	17.70%	19.61%	16.65%	18.52%	16.65%	18.52%
0.30%	0.40%	2.50%	2.40%	796.30%	664.10%	16.00%	16.40%	13.20%	13.40%	13.20%	13.40%
2.22%	2.63%	4.52%	4.19%	203.37%	159.13%	12.41%	12.08%	11.26%	10.94%	11.26%	10.94%
undisclosed	undisclosed	2.62%	2.95%	undisclosed	undisclosed	19.66%	18.91%	17.21%	16.33%	17.21%	16.33%
1.32%	1.61%	4.56%	3.98%	345.46%	246.71%	15.36%	15.68%	14.21%	14.53%	14.21%	14.53%
0.99%	1.25%	4.18%	4.08%	420.99%	326.53%	15.62%	15.04%	14.47%	13.88%	14.47%	13.88%
0.77%	0.82%	3.16%	3.23%	416.39%	381.12%	17.73%	18.54%	14.47%	14.89%	14.40%	14.97%
0.07%	0.11%	2.50%	2.50%	3356.00%	2361.00%	17.27%	18.45%	16.53%	17.67%	16.53%	17.67%
2.30%	2.33%	3.35%	2.90%	145.64%	124.15%	12.44%	12.02%	undisclosed	10.25%	undisclosed	10.25%
3.73%	2.24%	3.90%	3.51%	104.57%	156.56%	10.94%	14.75%	9.72%	12.53%	9.72%	12.53%
2.13%	2.30%	3.69%	3.72%	172.99%	161.99%	14.99%	15.45%	12.15%	11.23%	11.25%	11.23%
1.57%	0.19%	3.19%	2.74%	204.09%	1441.18%	12.64%	15.67%	11.44%	14.48%	11.44%	14.48%
0.90%	1.26%	3.06%	3.44%	338.23%	272.88%	14.56%	14.43%	11.67%	12.26%	11.67%	12.26%
0.86%	1.25%	3.87%	4.81%	448.56%	385.75%	13.22%	14.50%	10.37%	11.34%	10.37%	11.34%
0.87%	1.03%	undisclosed	6.06%	486.57%	588.31%	13.73%	11.62%	undisclosed	10.47%	11.58%	10.47%
0.68%	0.82%	3.96%	4.71%	580.90%	572.11%	16.80%	15.11%	13.23%	14.02%	13.22%	14.01%
1.25%	1.27%	2.73%	2.87%	218.30%	225.75%	15.89%	16.59%	11.89%	12.33%	11.89%	12.33%
1.93%	2.40%	undisclosed	3.07%	165.13%	127.74%	12.05%	11.28%	11.07%	10.81%	9.88%	10.81%
1.74%	1.90%	undisclosed	undisclosed	323.99%	196.91%	17.64%	16.09%	16.57%	14.97%	16.57%	14.97%
3.27%	2.71%	6.38%	5.25%	194.86%	193.98%	21.96%	22.44%	20.80%	21.28%	20.80%	21.28%
0.92%	1.25%	6.03%	7.10%	659.11%	566.43%	15.46%	14.94%	13.11%	12.45%	13.11%	12.45%
1.75%	1.67%	2.67%	2.32%	152.41%	138.89%	11.04%	11.68%	9.98%	10.91%	9.98%	10.91%
1.28%	1.29%	4.62%	4.44%	360.17%	343.02%	15.17%	13.04%	13.95%	11.82%	11.83%	11.79%
0.49%	0.76%	3.56%	4.16%	699.11%	546.35%	14.70%	14.14%	12.75%	13.83%	11.72%	12.36%
0.47%	0.64%	3.06%	3.16%	648.50%	490.59%	13.66%	14.57%	11.00%	11.73%	11.00%	11.73%

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