

## China Rural Commercial Bank Report, 2007



Since the radical reform of the rural credit cooperatives in 2003, great strides have been made in the reform of the property right system and the corporate governance. On the whole, the management ability and the risk resistant ability and the service standard of the rural cooperative financial institutions show a remarkable improvement. Its status as the mainstay of supporting rural development has been further consolidated. Especially a more notable progress has been made in the creation of a group of rural commercial banks based on the principle of shareholding system. The rural commercial banks have basically got onto the track of healthy development and have fundamentally obtained the necessary qualification to make a transition to modern financial rural enterprises.

### List of China Rural Commercial Banks

Name	Establishment Date
Changshu Rural Commercial Bank	Nov. 28 <sup>th</sup> 2001
Zhangjiagang Rural Commercial Bank	Nov. 28 <sup>th</sup> 2001
Jiangyin Rural Commercial Bank	Dec. 6 <sup>th</sup> 2001
Wujiang Rural Commercial Bank	Aug. 13 <sup>th</sup> 2004
Jiangsu Dongwu Rural Commercial Bank	Nov. 26 <sup>th</sup> 2004
Jiangsu Kunshan Rural Commercial Bank	Nov. 28 <sup>th</sup> 2004
Taicang Rural Commercial Bank	Jan. 12 <sup>th</sup> 2005
Jiangsu Wujin Rural Commercial Bank	Jan. 18 <sup>th</sup> 2005
Jiangsu Xizhou Rural Commercial Bank	June 28 <sup>th</sup> 2005
Shanghai Rural Commercial Bank	Aug. 22 <sup>th</sup> 2005
Beijing Rural Commercial Bank	Oct. 19 <sup>th</sup> 2005
Shenzhen Rural Commercial Bank	Dec. 9 <sup>th</sup> 2005
Wuhu Yangzi Rural Commercial Bank	Dec. 29 <sup>th</sup> 2006
Hefei Technology Rural Commercial Bank	Feb. 14 <sup>th</sup> 2007

By the end of Sep. 2007, the outstanding non-performing loans or NPL of the all rural commercial banks has reached RMB13.51 billions, reducing by RMB 1.92 billions compared with the end of last year. The NPL rate was 4.2%, 1.7 percentages points lower than that at the end of last year.

Encouraged by the listing of some urban commercial banks, including Bank of Beijing, China rural commercial banks are eager to follow suit. In Nov. 2007, Jiangsu Offices of China Banking Regulatory Commission confirmed that four rural commercial banks, namely Zhangjiagang Rural Commercial Bank, Wujiang Rural Commercial Bank, Jiangyin Rural Commercial Bank and Changshu Rural Commercial Bank, have received the training for their initial public offering. On June 19, July 24, and August 2 of 2007, the four banks began to receive the IPO training from Huatai Securities, Co., Ltd. and Guotai Jun'an Securities Co., Ltd. and CITICS. Besides the four banks, rural commercial banks in Xizhou, Wujin, Dongwu and other places in the province have begun to make primary preparations for listing by contacting agencies to absorb strategic investors for recapitalization. In December 2007, it was reported that Zhangjiagang Rural Commercial Bank has got approval for its IPO from China's top banking regulator, indicating that the bank is expected to be the first rural commercial bank in China to go public. However, the official IPO still requires the approval from China Securities Regulatory Commission.

Zhangjiagang Rural Commercial Bank is China's first rural commercial bank, which was established through restructuring of rural credit cooperatives. The bank was open to business on November 28th 2001. By the end of September in 2007, the bank, with a registered capital of RMB543 million, has had a total of 785 staffs, 32 branches and 51 sub-branches, meanwhile its total assets have reached RMB 24.22 billions and its net assets has totaled RMB 2.33 billions. By the end of September of 2007, the bank's outstanding deposits and outstanding loans have stood at RMB19.33 billions and 13 billion respectively, an increase of RMB14.23 billion and RMB9.62 billions compared to November 2001. The bank gained a total net profits of RMB344 millions in the first quarters of 2007.

**Key Targets of 2006 Zhangjiagang Rural Commercial Bank (unit: %)**

Projects	In 2005	In 2006
NPL ratio(five classifications)	4.07	3.16
ratio of deposit to loan	65.05	67.72
medium-long term loan ratio	1.21	5.72
current assets ratio	115.93	91.58
ratio of inter-bank borrowing	0	0
Ratio of inter-bank lending	0	0

Jiang Dingzhi, vice-chairman of China Banking Regulatory Commission or CBRC, believes that the purpose of rural commercial banks to get listed is to promote the building of a modern corporate governance system of financial institutions. CBRC will firmly support the qualified rural commercial banks to go public and encourage the rural commercial banks to have trans-regional mergers and acquisitions. After the launch of the policy on reforming China's rural financial system, especially after the launch of the policy to build socialist new rural area, the economic level of rural area has been improved and risks accordingly has been reduced. With the economic development in the rural area and related policies to be put in place, the value of investment in the rural commercial banks will gradually come into being. Meanwhile, with accelerated pace of China's economic development, more and more foreign financial institutions and investors will show interest in investment in rural commercial banks. China's rural commercial banks market has a good potential for development.

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