

Chinese Bankers Carry Hopes for Future Balances

Liu Mingkang

Chairman, the CBRC

Hong Kong SAR

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Good morning, Ladies and Gentlemen!

Today, I would like to brief on 3 questions. First, there have been reservations about China's banking industry, sustainable or not? Second, doubts have been expressed regarding the credit growth we had so far. Third, it has been argued how we view today's banking supervision and regulation?

Allow me to address each of those in turn, beginning with the banking situation.

China is one of the fastest growing economies in the world. Chinese banking sector played a pivotal funding role in the mainland's spectacular growth story. The scale of the banking sector's assets has been significant, reaching around 90% of the total financial assets. In line with the growing economy, the banking sector itself has grown much stronger and more resilient. In the renowned list of world top ten banks by market capitalization, there are three Chinese banks on the list which is topped by the ICBC, even against the headwinds of the crisis.

Clearly we used to be plagued by large amount of non-performing loans (NPLs), low profitability, rigid organizational structure and outdated mindsets, substantial and qualitative changes took place over recent

years. For example, the banking assets increased from RMB 27.6 trillion the year 2003 to RMB 78.8 trillion the year 2009, while the NPLs decreased from 17.9% to 1.58% respectively. The ROA and ROE of banks grew from 0.1% and 3% the year 2003 to 1% and 17.8% respectively by the end of third quarter of 2009. Besides, banks in compliance with our capital adequacy requirements numbered 224, and took up 99.9% of the total banking assets, up from the previous 8 in numbers with only 0.6% of the total assets in the year 2003.

The satisfactory score sheet is not only rooted in the fundamental reform and opening-up of the banks' structures and mindsets, but also cannot go without the relentless efforts of the banking supervision and regulation. We have since inception been executing a risk-based and consolidated supervision with strong control and great transparency. The supervisory framework combines both the micro- and macro-front measures, including clear regulatory rules, dynamic supervisory toolkit and prompt regulatory actions.

More importantly, we have been sticking to a set of simple, useful and effective ratios, limits and targets, modeling those used by some developed markets in the past and were later abandoned by themselves during the frenzy innovation and deregulation. For example, apart from the CAR ratio, we emphasized the quality first and required a simple structure of the capital, with common equity and retained earnings occupying no less than 75% of Tier-1 capital, much higher than the 25% in some developed markets. The provisioning coverage ratio surged from 19.7% when I took the Chairman of the CBRC to 155% the end of 2009, a strong buffer against expected losses. The loan-to-deposit ratio is 75%, core funding ratio 60%, and liquidity ratio of 25%. The major deposit-taking institutions are also required to have a 16% reserve ratio with the central bank, which automatically gives them access to liquidity facility in case of need. We also have a dynamic loan-to-value (LTV) ratio and at

least 40% down payment requirement for second home mortgage loans today, which proves to be quite effective in curbing excessive speculative risks in the property market.

Sometimes small is beautiful, and sometimes simple and basic is also beautiful. These prudential rules, ratios, limits and targets, together with other prudential requirements, helped to build a robust buffer for the banking sector in the past years. Thanks to them, our banking sector was far away from the crisis and provided enormous underpinning to the real economy.

Second, the credit growth. Looking back, the mainland may well end the year 2009 with over 8% GDP growth, with the third quarter growth accelerating to 9%, up from roughly 6% in the first quarter and 7% in the second. The recovery is broad-based, as exemplified by the following encouraging figures. Industrial production has gained double-digit growth since late June. Purchasing Managers Index (PMI) registered at 55.6% in late December, the highest for the past 20 months. The electricity consumption was up by 25.7% y-o-y and 4.8% m-o-m in December.

That was not easy. Following the bankruptcy of Lehman Brothers, the financial crisis worsened and dragged US and major EU economies into full-blown recessions. The Chinese government timely gauged the world situation before promptly unveiling the stimulus packages worth of RMB 4 trillion and easing monetary policy against impacts of the crisis, which should be highly applauded for turning over the economy.

Among the packages, credit played the primary role in supporting massive infrastructure investment, as evidenced by the new enormous credit supply of RMB 9.5 trillion for the whole year, a dramatic rebound from the tightening of credit in 2008. That said, we actually controlled the credit growth the whole year around. If we take a look at the breakdown by quarters, we would find that the most rapid monthly credit expansion

was in the first quarter, which was highly necessary. Every month in that quarter we disbursed RMB 1.52 trillion. But quickly with our prudential management, it was followed by a gradual slowdown to normal levels the next three quarters, which was RMB 920 billion, 430 billion and 310 billion respectively. On average, the credit supply in 2009 grew by 31.7% y-o-y. Such rapid credit buildup stabilized market confidence, eased liquidity stress and picked up the economy. This year, we will continue to control the pace and amount of the credit, i.e., credit supply will go down to roughly RMB7.5 trillion and grow by 18% y-o-y.

In the meantime, we cultivated all the banks to heighten their vigilance against any possible embedded credit risks. Actually, measures were already taken as the first quarter credit hike was witnessed.

First thing first, we closely monitored the associated credit risks of the extended loans. To be specific, we analyzed risks associated with fixed asset loans, especially those placed by local government sponsored projects and the real estate sector. We issued warning signals in a timely manner to alert banks of the prominent risks. We also converged the related information of large exposures of over 190 banking institutions under our radar screen into our database for better examination and scrutiny. Prompt remedial and corrective actions were taken against the excessive concentrated portfolios, irregularities in the credit cards issuance and bill acceptance, disqualified projects with shortfall of equity as well as abuse of the loans for speculation. And that is clear: with more than RMB 1 trillion cushion of provisioning, we are confident that risks envisaged could be well absorbed. Though the first few days of January 2010 witnessed a relatively strong lending momentum, that is because of the lagging effect of last year's credit buildup and such trend will definitely be eased as the effective demand satisfied.

Third, sound supervision and regulation. Apart from targeted regulation from the micro perspective, we conducted macro-prudential supervision

and countercyclical regulatory measures. Based on scientific calibration, we released dynamic provisioning and capital adequacy requirements. Soon we are also going to issue leverage ratio and liquidity ratio requirements to supplement the traditional ratios, limits and targets. And last year, we made two milestone decisions: A is to prohibit banks from guaranteeing corporate bonds; and B is to forbid banks from cross holding the subordinated debts as Tier-2 capital so as to ensure a healthy firewall in between. At the same time, we guided the commercial banks to adjust their business development plans, capital replenish schemes, profit distribution and compensation packages so as to be ready for the wrong kind of borrowers and the wrong kind of weather. By such a doing, we broaden our toolbox and get focused on risk-based supervision with a clear roadmap, and banks will be better to absorb both the expected and unexpected losses. We think we are balancing the two stories, limiting systemic risk by a brand new framework and building a banking system that fulfills its role in the Chinese economy.

Lastly, four of the most important lessons to be learned from the crisis is that we must not underestimate risk, the importance of firewalls, the importance of back to basics, and the importance of balanced supervision and regulation. I just want to mention several facts: we should not ignore the fact that the banking systems that have best withstood the crisis are precisely those where there was closer banking supervision and greater oversight. Another fact is, capital levels and liquidity levels must respond to the situation of the balance sheet, the business model and corporate governance of each bank. Who knows these aspects of the bank better than its own supervisor? Still, who knows better than the regulator and supervisor regarding the systemic risks and the landscape of the national and international challenges? In short, the Chinese banking system of the future must be grounded in effective supervision and appropriate regulation with reasonable requirements that kill the big bubbles and in the meantime, would not be counterproductive.

Looking ahead, our list of challenges is not short. In addition to the credit risk, the market and operational risks are real, too. And the mission to cultivate and guide the banks to support small businesses, rural finance, environment protection are not easy. All these mean that the 2009 issues would not easily make a soft landing in 2010. As 2009 might be the most difficult year for China's economy, the 2010 could be the most complicated year with uncertainties. As Charles Dickens wrote in his famous 'A tale of two cities', it was the best of times, it was the worst of times; it was the age of wisdom, it was the age of foolishness. Notwithstanding the challenges and uncertainties, we need to stick to our own roadmap, because we believe it is better, and dare to make changes to seek a stronger financial architecture.

With that, ladies and gentlemen, I come to the end of my speech. Thank you!

中國銀行家們對未來的平衡發展肩負希望

銀監會主席劉明康在“亞洲金融論壇”上的演講

2010年1月20日，香港

女士們，先生們：

早上好!

今天，我想和大家談三個問題。第一，現在對中國銀行業能否持續發展備受關注。第二，對於截至目前的信貸快速增長存有懷疑。第三，對於如何看待當今的銀行業監管尚有爭議。下面我將逐一談談我的看法。

首先，我們來看中國銀行業的情況。中國是當今全球經濟增長最快的經濟體之一。中國銀行業在快速的經濟增長中發揮了至關重要的融資作用。銀行業資產規模占總體金融資產約90%。隨著經濟快速發展，銀行業自身實力不斷壯大，也更為堅韌。當前全球市值排名前10大銀行中，3家中資銀行榜上有名，而且工商銀行獨佔鰲頭，即使金融危機加劇時也是如此。

中國銀行業過去面臨不少的問題，包括不良貸款高企，利潤率低，組織架構僵化，思維落後等，但近些年來的進步是巨大的，實現了質的飛躍。例如，銀行資產規模由2003年的27.6萬億元上升到了2009年的78.8萬億元，而同期不良貸款率則從17.9%下降至1.58%。銀行資產收益率和資本收益率由2003年的0.1%和3%上升至2009年3季度末的1%和17.8%。資本充足率達標行由2003年的8家上升至224家，資產占比從0.6%增加到99.9%。

這樣好的成績單不僅源於銀行對組織架構和思維進行了根本性的變革和開放，也離不開監管者的不懈努力。自成立伊始，我們就堅持“管法人、管風險、管內控和提高透明度”的良好監管理念，形成了覆蓋宏觀審慎和微觀審慎的監管框架，制定了清晰的監管規章制度，運用了動態監管工具箱，並重視採取及時糾正措施。更為重要的是，我們一直堅持使用一套簡單、實用、有效的監管比率、限額和指標。這些是借鑒了過去發達國家的良好監管標杆，然而這些國家在後來狂熱的金融創新和放鬆管制過程中放棄了這些標杆。

例如，除對資本充足率的要求，我們非常重視資本品質，要求資本結構簡單，一級資本中普通股和留存收益必須占 75% 以上，遠遠高出一些發達國家 25% 的要求。撥備覆蓋率從 2003 年的 19.7% 上升至 2009 年末的 155%，這使得我們有足夠能力吸收預期損失。此外，存貸比為 75%，核心融資比為 60%，流動性比率為 25%。對主要商業銀行規定了 16% 的存款準備金要求，這使得它們在緊急情況下可自動獲得流動性支持。我們還實施了動態的貸款價值比，並要求二套房貸款首付比例不得低於 40%，這些都是抑制房地產投機的有力工具。

有時小的就是美的，有時簡單和根本的也是美的。上述審慎規定、比率、限額和指標以及其他審慎監管要求在近年來為銀行業奠定了堅實基礎。因此，我們的銀行業並未受到此次危機的衝擊，同時還給實體經濟提供了強有力的支撐。

第二，信貸增長。回顧過去一年，中國大陸國內生產總值有望實現 8% 的增長，其中，三季度為 9%，二季度和一季度分別約為 6% 和 7%。經濟的復蘇是全面的。工業生產總值從 2009 年 6 月至 9 月實現了連續 4 個月的兩位數增長。採購經理人指數（PMI）2009 年 12 月末達 55.6%，創過去 20 個月新高。用電量在 12 月份同比增長 25.7%，環比增長 4.8%。

這些成績來之不易。在雷曼兄弟倒閉後，金融危機一度惡化，導致歐美主要經濟體陷入全面衰退。中國政府審時度勢，及時出臺了 4 萬億元經濟刺激計畫，採取了寬

鬆的貨幣政策，幫助經濟渡過難關。在這些計畫中，信貸發揮了主要作用，為大型基礎設施項目提供了資金。這表現在 2009 年全年新增信貸 9.5 萬億元人民幣，與 2008 年信貸緊縮形成鮮明對比。儘管如此，我們還是注意控制全年的信貸增長規模。事實上，一季度信貸增幅最快，月均增長 1.52 萬億元。對此我們及時採取了審慎監管措施，使得後三季度增幅回落至正常水準，即二季度月均 9200 億元，三季度月均 4300 億元，四季度月均 3100 億元。2009 年信貸平均增幅為 31.7%。大量的信貸供給有效穩定了市場信心，緩解了流動性壓力並推動了經濟的復蘇。

與此同時，我們要求銀行對可能出現的信貸風險保持高度警惕。事實上，當去年一季度出現信貸激增時我們就已經採取了相應措施。首先，我們密切跟蹤貸款發放可能導致的信用風險。具體而言，我們分析了固定資產貸款的相關風險，尤其是地方融資平臺和房地產貸款。我們及時發出預警提醒銀行關注突出風險。我們將 190 多家銀行大額風險暴露的資訊收集匯總做好檢查和監測工作。針對過度集中領域、信用卡和票據違規操作、專案資本金不達標和挪用貸款進行投機的行為，我們採取了及時糾偏行動。我們明確表示：目前我們的撥備達 1 萬億元，因此我們很有信心應對可能的損失。儘管 2010 年 1 月的前 10 天內貸款增速仍較高，但這主要是由於去年貸款增速過快積累所致。但隨著有效需求得到滿足，這種趨勢將很快有所緩和。

第三，良好的監管。除了微觀審慎監管，我們也實施了宏觀審慎和逆週期監管措施。根據科學測算，我們發佈了動態撥備和動態資本充足監管要求。我們很快還將發佈杠杆率和流動性比率要求，輔之以傳統的比率、限額和指標。去年，我們做了兩個歷史性決定：一是禁止銀行為公司債提供擔保。二是禁止銀行將互持次級資本作為二級資本。這也將使我們更好的吸收預期和非預期損失。與此同時，我們要求商業銀行及時調整商業發展計畫、資本補充計畫、利潤分配和薪酬計畫，以備不時之需。因此，我們擴大了我們的監管工具箱範圍，並強調風險為本的監管。我們應該在出臺全新的監管框架以控制系統性風險和推動銀行支持經濟平穩較快發展之間把握平衡。

最後，本次危機帶給我們四個重要經驗，那就是，不要低估風險，重視防火牆，回歸基本面和實行平衡的監管。我還想強調以下兩點。一是我們不應忽視在本次危機中表現得最好的銀行體系正是那些擁有最堅實監管的體系。二是資本和流動性水準必須與銀行資產負債表、商業模式和公司治理相匹配。有誰能比我們監管者更好地瞭解銀行這些方面呢？有誰能比我們監管者更清楚各國和國際上所面臨的挑戰呢？總之，中國銀行業未來必須深深根植於有效適度的監管之中，通過合理的監管要求抑制泡沫並避免矯枉過正。

展望未來，我們的挑戰仍然不少。除了信用風險，銀行的市場和操作風險也不容小視。我們的任務還包括引導銀行提高對小企業融資、發展農村金融、推動環境保護，擔子同樣不輕。2009年遺留下來的問題將在2010年認真去解決。2009年對中國經濟而言可能是最困難的一年，而2010年也許會是最複雜、最不確定性的一年。正如狄更斯在《雙城記》中所寫到的，“這是最好的時代，這是最壞的時代；這是智慧的時代，這是愚蠢的時代。”無論如何，我們都將按照我們被證明是有效的路線圖繼續前行，並勇於推動變革創造一個更強勁的金融體系。

謝謝大家！