

Class 5: China's Financial System 中国金融系统

Financial Markets, Spring 2021, SAIF

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Outline

- China's financial system is dominated by giant banks:
 - ▶ Banks' total assets-to-GDP: close to 300% in China and 80% in the US.
 - ▶ Top four Chinese banks: each with total assets over \$3T; JPMorgan at \$2.74T.
- The magnitude of bank loans dwarfs that of the credit market:
 - ▶ Total bank loans at 157T CNY, including 98T extended to non-financial firms.
 - ▶ By comparison, market-based credit extended to non-financial firms: 27T.
 - ▶ Shadow banking, an extension of the banks, is estimated at 59T.
- Banks capture most of the household savings and investments:
 - ▶ Around 200T bank deposits, with 85T from residents.
 - ▶ Wealth management product at 23T, managed by banks and their subsidiaries.
 - ▶ By comparison, mutual funds are at 13T, including 8T money market funds.
- Banks also have unparalleled presence in capital markets, holding 67% of the 64T interbank-traded bonds (China bond depository balance).

The Chinese Financial System 中国金融系统



Credit Extension in China

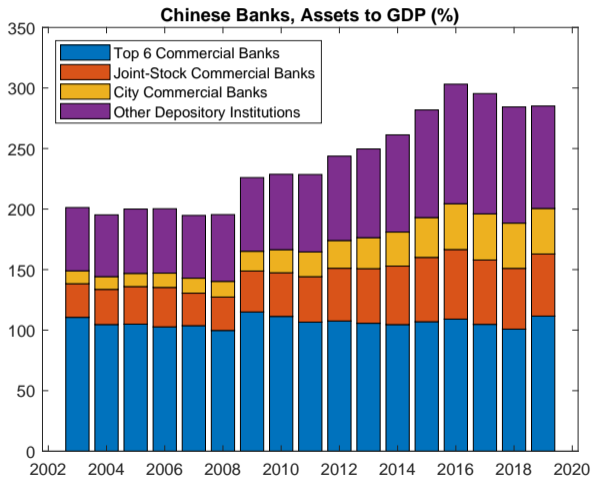
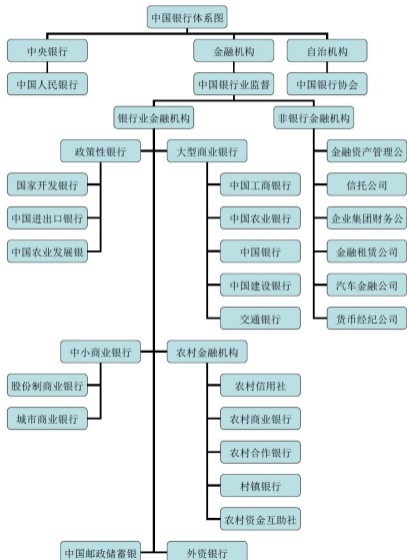
As of Feb. 2020:

- Total Bank Loan 总贷款存量: 156.65 万亿.
 - ▶ 居民贷款: 54.85T.
 - ▶ 非金融企业贷款: 97.73T.
- Total Bond Market 债市总存量: 100.40 万亿.
 - ▶ Policy Banks: 15.98T.
 - ▶ Central Government: 16.79T.
 - ▶ Local Government: 22.57T.
 - ▶ 信用债 Credit: 34.61T.
 - ★ 金融债 Financial: 7.45T.
 - ★ 城投债 Chengtou: 9.37T.
 - ★ 非金融非城投企业: 17.84T.
- Shadow Banking 影子银行: 59 万亿 (estimated).

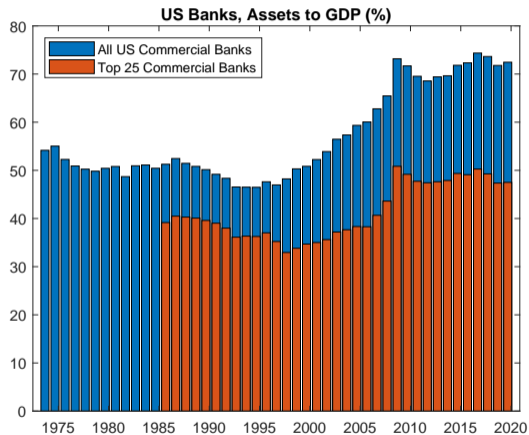
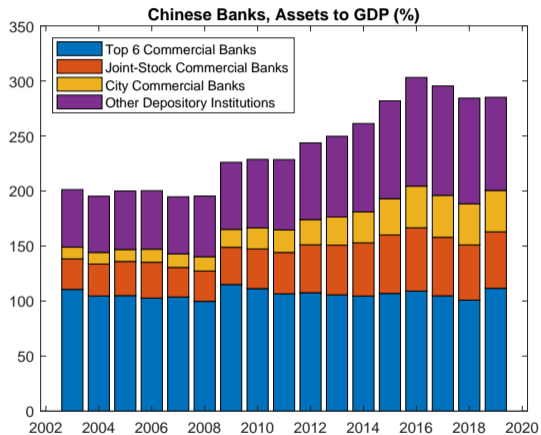


- Total Increase: 5.15T.
(previously estimated: 3.14T)
- New yuan loans: 2.85T.
- Corp bond issuance: 1T.
- Government bond: 636B.

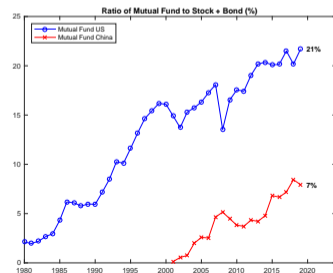
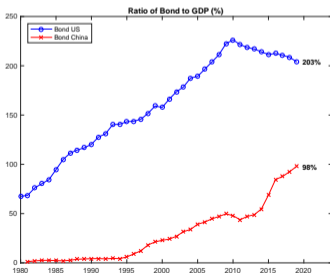
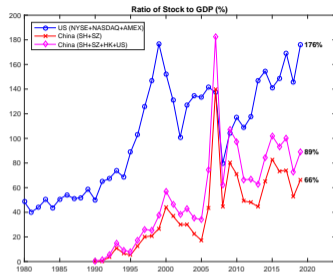
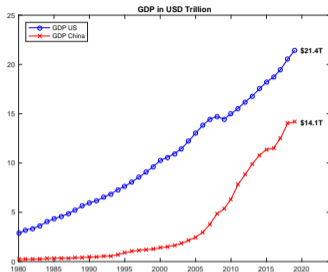
中国银行体系



The Presence of Banks in the Chinese and US Economies



The Presence of Capital Markets in the Chinese and US Economies

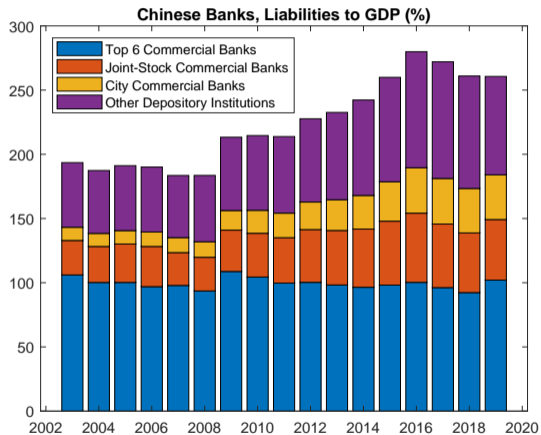


Assets of Top Commercial Banks in China

Top US Banks in USD			Top Chinese Banks in CNY	
1	JPMorgan Chase	2.74T	中国工商银行	27.70T
2	Bank of America	2.38T	中国建设银行	23.22T
3	Citigroup	1.96T	中国农业银行	22.61T
4	Wells Fargo	1.89T	中国银行	21.27T
5	Goldman Sachs	0.93T	交通银行	9.53T
6	Morgan Stanley	0.88T	中国邮政储蓄银行	9.51T

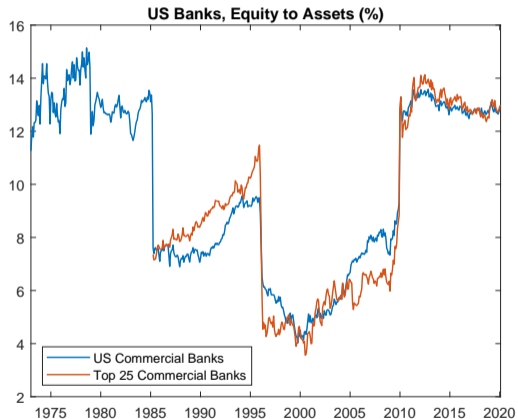
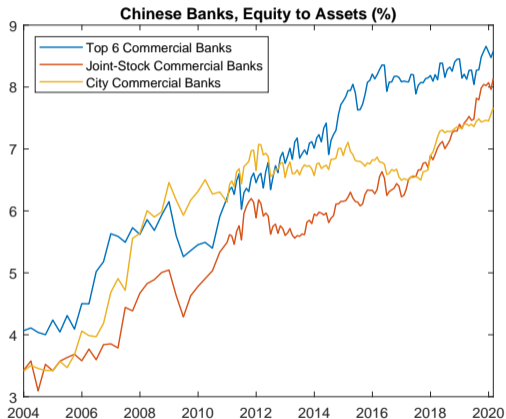
Numbers are as of end 2018.

Liabilities of Banks in China

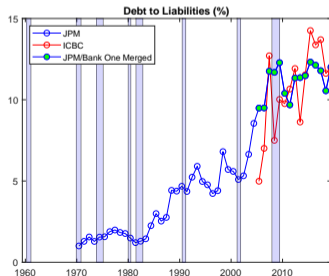
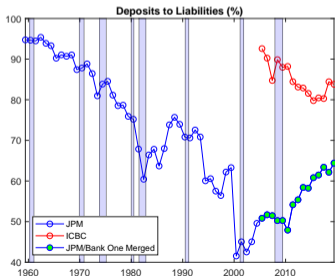
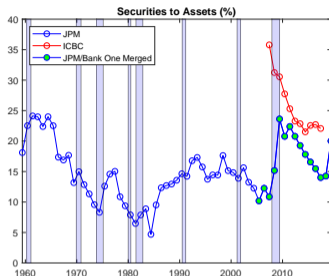
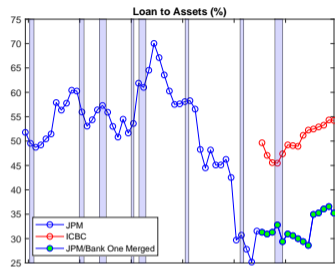


	发行人	总负债(亿元)	发行人类型	最新报告期	城市
1	中国工商银行股份有限公司	253,546.5700	国有商业银行	2018-12-31	北京市
2	中国建设银行股份有限公司	212,310.9900	国有商业银行	2018-12-31	北京市
3	中国农业银行股份有限公司	209,346.8400	国有商业银行	2018-12-31	北京市
4	中国银行股份有限公司	195,418.7800	国有商业银行	2018-12-31	北京市
5	中国邮政储蓄银行股份有限公司	96,718.2700	国有商业银行	2019-12-31	北京市
6	交通银行股份有限公司	88,258.6300	国有商业银行	2018-12-31	上海市
7	招商银行股份有限公司	67,995.3300	股份制商业银行	2019-12-31	深圳市
8	兴业银行股份有限公司	62,390.7300	股份制商业银行	2018-12-31	福州市
9	上海浦东发展银行股份有限公司	58,112.2600	股份制商业银行	2018-12-31	上海市
10	中信银行股份有限公司	56,136.2800	股份制商业银行	2018-12-31	北京市
11	中国民生银行股份有限公司	55,638.2100	股份制商业银行	2018-12-31	北京市
12	中国光大银行股份有限公司	40,348.5900	股份制商业银行	2018-12-31	北京市
13	平安银行股份有限公司	36,260.8700	股份制商业银行	2019-12-31	深圳市
14	华夏银行股份有限公司	24,618.6500	股份制商业银行	2018-12-31	北京市
15	北京银行股份有限公司	23,787.3100	城市商业银行	2018-12-31	北京市
16	广发银行股份有限公司	22,023.4800	股份制商业银行	2018-12-31	广州市
17	上海银行股份有限公司	18,660.0379	城市商业银行	2018-12-31	上海市
18	江苏银行股份有限公司	18,013.1829	城市商业银行	2018-12-31	南京市
19	浙商银行股份有限公司	15,442.4621	股份制商业银行	2018-12-31	杭州市
20	恒丰银行股份有限公司	12,592.0000	股份制商业银行	2017-12-31	济南市

Capital Adequacy



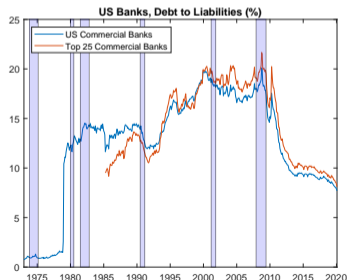
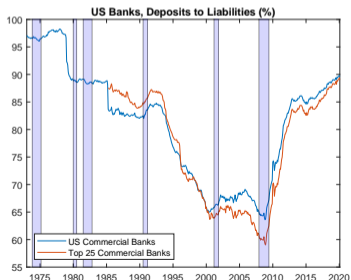
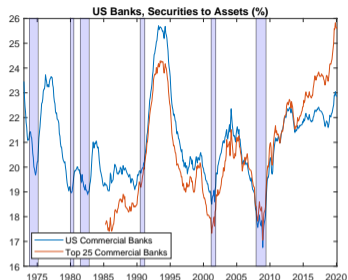
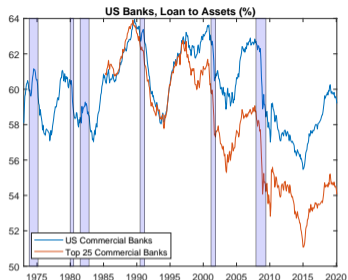
Core Drivers of Assets and Liabilities, JPM vs ICBC



	JPM	ICBC	
	(USD)	(USD)	(CNY)
	trillion	trillion	万亿
Assets	2.69	4.32	30.1
Loans	0.95	2.34	16.3
Liabilities	2.42	3.94	27.4
Deposits	1.56	3.30	23.0

as of end 2019

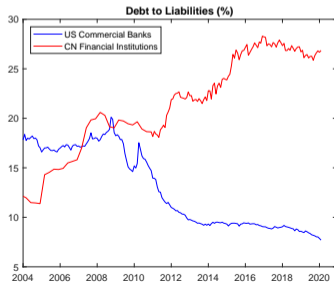
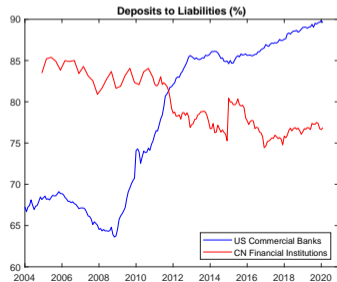
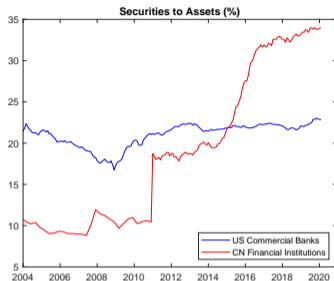
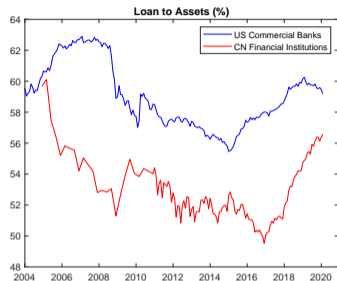
Core Drivers of Assets and Liabilities, US Banks



	All trillion	Top25 trillion
Assets	15.73	10.33
Loans	9.32	5.58
Liabilities	13.72	8.99
Deposits	12.30	8.00

as of 2020/2

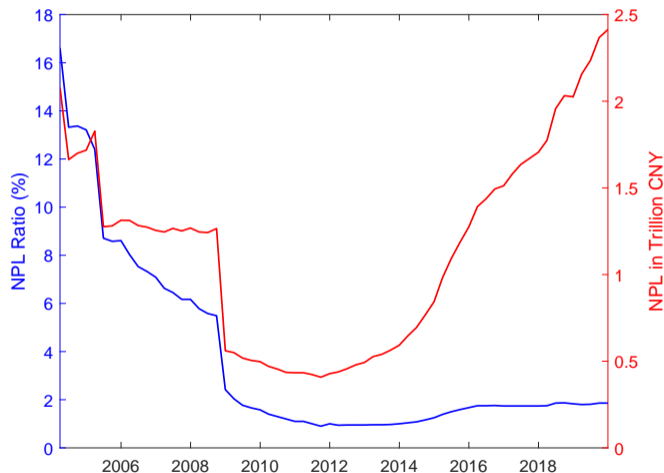
Core Drivers of Assets and Liabilities, Chinese vs US Banks



	US	CN	
	(USD)	(USD)	(CNY)
	trillion	trillion	万亿
Assets	15.73	41.18	288.3
Loans	9.32	23.30	163.1
Liabilities	13.72	37.60	263.2
Deposits	12.30	28.91	202.3

as of 2020/2

Nonperforming Loans in China



- China, Q4 2019 (latest):
 - ▶ NPL: 2.41T CNY.
 - ▶ NPL ratio: 1.83%.
- US NPL ratios:
 - ▶ 0.86% Q3 2019 (latest).
 - ▶ 4.99% Q1 2010.

Price to Book, Bank Stocks



As of Apr 2020:

- ICBC: 0.73.
- CCB: 0.68.
- BOC: 0.48.
- Citic: 0.39.
- Merchant: 1.40.
- Ping An: 0.91.
- JPM: 1.35.
- Goldman Sachs: 0.81.
- Morgan Stanely: 0.90.

Shadow Banking in China

- Why? State-owned banks facing increasing competitions:
 - ▶ Interest rate liberalization.
 - ▶ Private-owned banks.
- How? Regulatory arbitrage by moving capital off balance sheet to avoid:
 - ▶ Regulatory requirements.
 - ▶ 宏观调控.
 - ▶ Mechanisms includes 各类通道, 委外管理人.
- From where? Funding sources:
 - ▶ Savings diverted from bank deposits to wealth management products.
 - ▶ 同业负债 (含同业存单) .
- To where? Assets on:
 - ▶ Small-medium enterprises.
 - ▶ 受监管限制行业企业: 房地产, 地方政府融资平台, 两高一剩行业.
 - ▶ 权益、非标等资产.

Estimates of Shadow Banking Size by Moody's

Broad shadow banking	Core shadow banking	End-2019Q3	As % of	End-2018	As % of	End-2017	As % of	End-2016	As % of	End-2015	As % of
		(RMB trillion)	total banking assets (%)	(RMB trillion)	total banking assets (%)	(RMB trillion)	total banking assets (%)	(RMB trillion)	total banking assets (%)	(RMB trillion)	total banking assets (%)
	Credit Intermediation Products										
	Entrusted loans	11.7	4.2	12.4	4.7	14.0	5.7	13.2	5.8	10.9	5.6
	Trust loans	7.7	2.8	7.9	3.0	8.5	3.5	6.3	2.8	5.4	2.8
	Undiscounted bankers' acceptances	3.3	1.2	3.8	1.5	4.4	1.8	3.9	1.7	5.9	3.0
	Assets funded by WMPs/AMPs	23.4	8.4	24.4	9.3	26.5	10.8	30.1	13.3	21.4	11.1
	Banks' off-balance sheet	16.1	5.8	15.8	6.1	15.2	6.2	17.1	7.5	12.4	6.4
	Securities firms and funds	7.3	2.6	8.6	3.3	11.3	4.6	13.0	5.8	9.0	4.6
	Loans by finance companies	3.3	1.2	3.2	1.2	3.1	1.3	3.0	1.3	2.6	1.3
	Informal lending*	3.4	1.2	3.4	1.3	3.4	1.4	3.4	1.5	3.4	1.7
	Other†	6.5	2.3	6.3	2.4	5.8	2.3	4.6	2.0	3.8	2.0
	TOTAL	59.2	21.4	61.3	23.5	65.6	26.7	64.5	28.5	53.3	27.5