

Statistics

Bank of China FY profit at 81b yuan

By Wang Bo (China Daily)
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BEIJING: Chinese banks are likely to maintain their position as the world's most profitable lenders, as record lending last year helped bolster the world's third-largest economy amid the financial crisis, strengthening their profitability.

The Bank of China, the nation's third largest lender by market value, kicked off the full-year earnings season of Chinese banks on Tuesday by reporting a net profit of 81.07 billion yuan for 2009, up 26 percent from a year earlier.

Industrial and Commercial Bank of China and China Construction Bank, the nation's two largest banks by assets, are expected to report earnings of some 128.7 billion yuan and 108.6 billion yuan respectively, Bloomberg reported, based on a survey of 16 industry analysts. Both could beat the \$13.4 billion (91.1 billion yuan) posted by Goldman Sachs.

"The Bank of China made it thanks to brisk credit growth and reduced impairment provisions," Li Lihui, president of the bank told reporters on Tuesday.

Chinese banks dispersed a record 9.59 trillion yuan in new loans last year, about double the previous year, which spurred on a rush by capital-strained Chinese lenders to raise funds from the market.

Bank of China was the most aggressive in advancing loans among Chinese lenders during last year's lending binge.

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The bank advanced some 1.5 trillion yuan in new loans last year, accounting for 17 percent of the total issued by Chinese banks.

Due to the record credit expansion in 2009, the bank's capital adequacy ratio dropped to 11.14 percent as of the end of last year, barely above the 11 percent regulatory requirement for large Chinese banks.

"We will try to maintain the bank's capital adequacy ratio and core capital adequacy ratio at above 11.5 percent and 8 percent in the next three years," Li said.

The bank stated in a stock exchange filing last Friday that shareholders had given the lender the green light to issue up to 20 percent of its existing shares and as much as 40 billion yuan's in six-year convertible bonds in Shanghai.

Li said the bank is targeting a smaller increase in new loans this year, but expects market demand for credit will still be robust thanks to the ongoing export recovery and additional funding requirements for existing projects.

"We will try to keep balanced and moderate credit growth this year and will not seek to grab market share through repaid credit expansion," the president said.

The bank's non-performing loan ratio stood at 1.52 percent at the end of last year, down from the 2.65 percent at the beginning of 2009.