

# **Impact of Financial Crisis on the Chinese Banks and Challenges**

Wang Jun

Lead Financial Sector Specialist

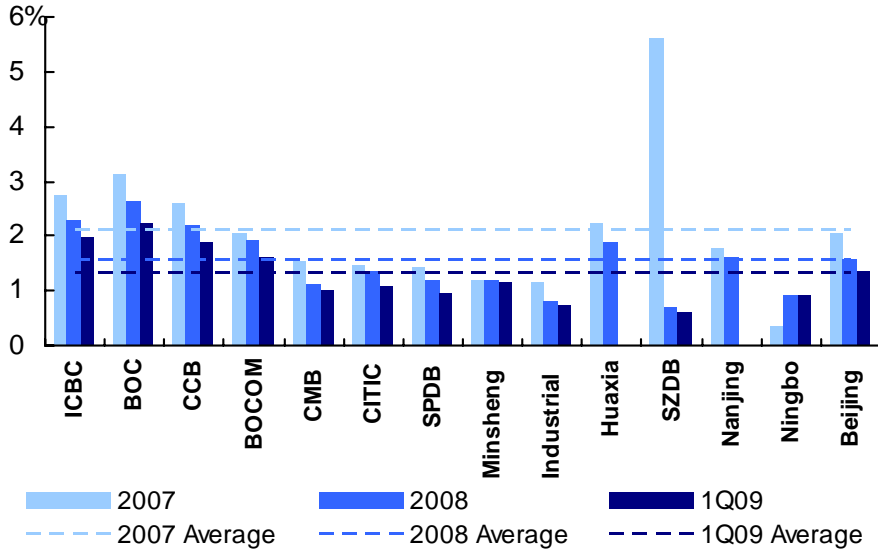
The World Bank EAP Region

June 25, 2009

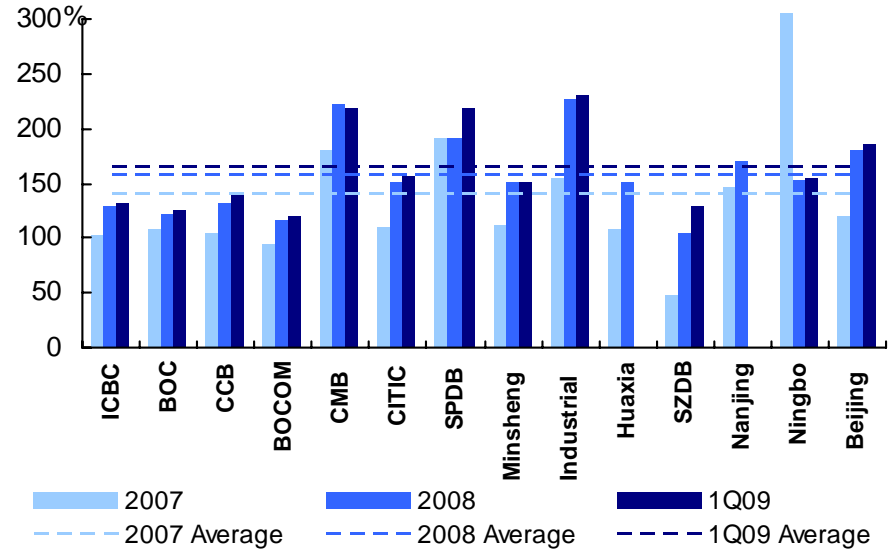
[jwang3@worldbank.org](mailto:jwang3@worldbank.org)

# Chinese banks have held up well thus far...

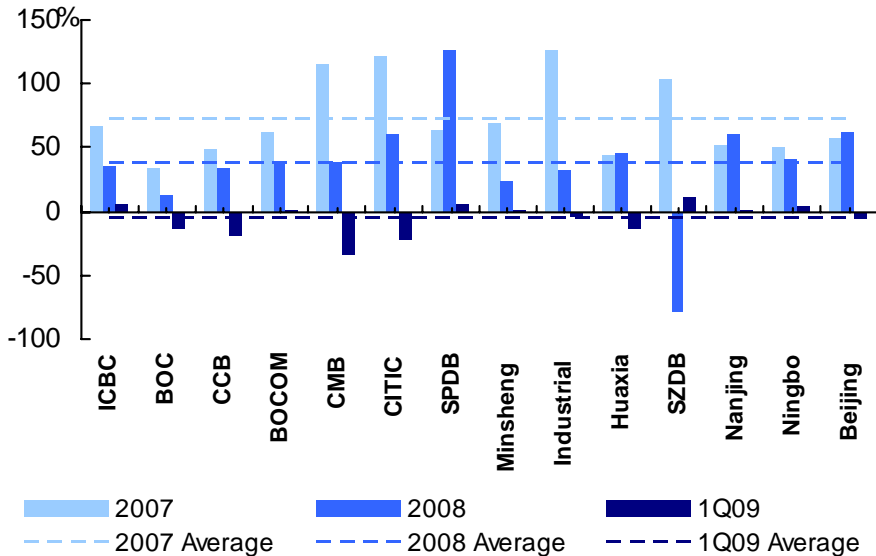
## Ratio of non-performing loans



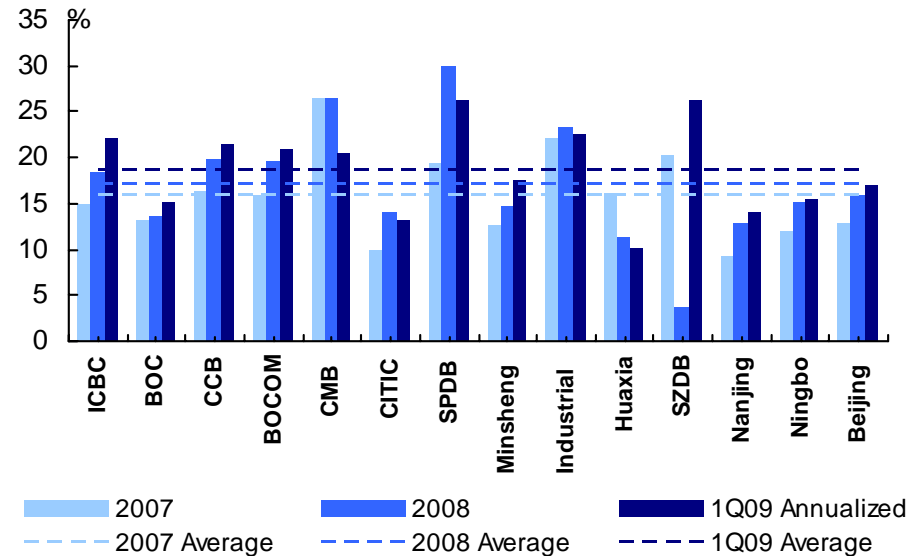
## Loan loss provision coverage



## Profits and losses



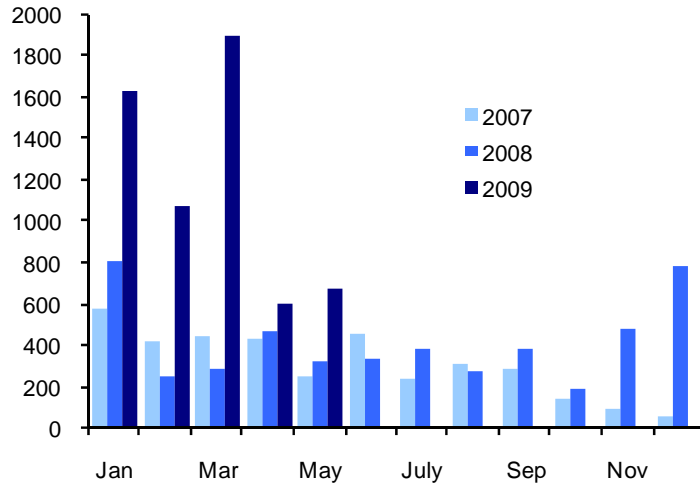
## Return on equity



# ... but risks have increased with credit expansion

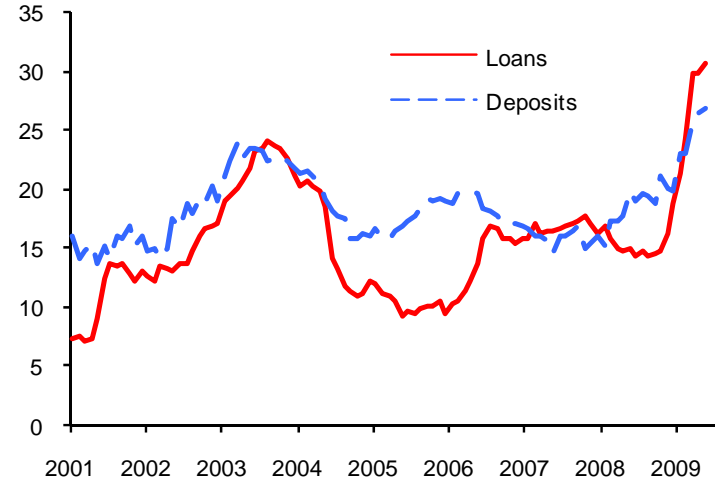
## Monthly disbursement of loans

Monthly newly increased loans (RMB bn)



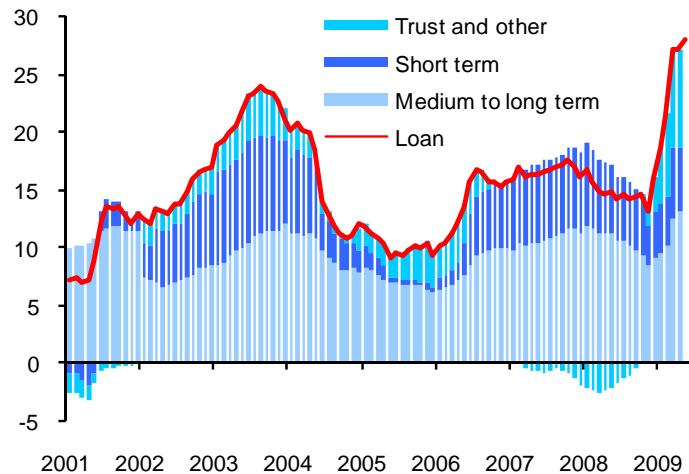
## Loan and deposit growth

Growth (percent yoy)

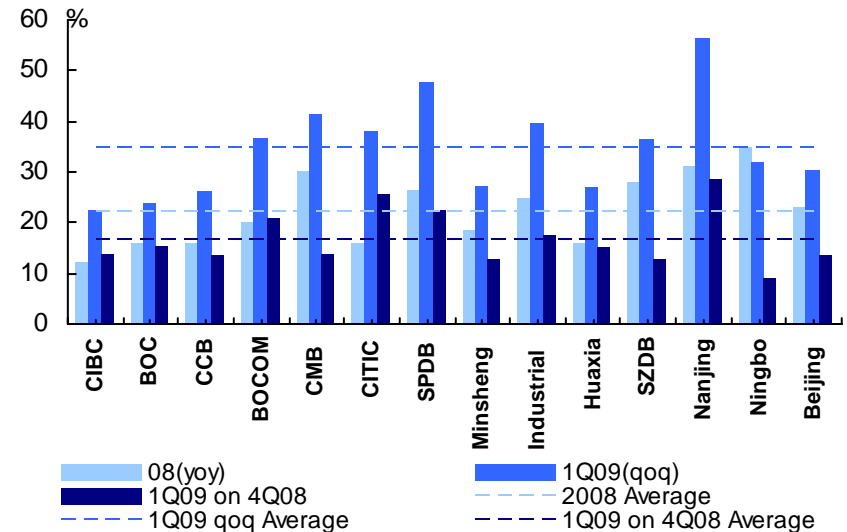


## Contribution to loan growth

Contribution to loan growth (percent yoy)



## Loan growth by banks



# Challenges and future outlook

- ✓ Systemic risks concentrate on the banking sector and banks' resilience has yet to be tested
- ✓ Direction of reform unclear: complacency and sense of urgency co-exist;
- ✓ Technical improvement will continue but corporate governance may become bottleneck to further strengthening of banks
- ✓ Regulatory authorities continue to bear undue burden of banking sector reform and development and risks remain to be diversified out of the state sector