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## China Banking Sector's Widening Credit Divide Threatens Smaller Lenders

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HONG KONG (Standard & Poor's) Nov. 2, 2015--China's policy easing is unlikely to cure the pains facing the country's banking sector and could prove to be a double-edged sword for many lenders. In particular, widening gaps in credit quality may leave small lenders at risk of being taken over by their larger peers. That's according to a report, titled "China Credit Spotlight: Policy Tonics May Alleviate But Not Cure The Pain Facing China's Top Banks," published today by Standard & Poor's Ratings Services.

Chinese policymakers have wheeled out various initiatives since 2014 to sustain the economy and shoulder some of the burden for the banking sector. However, in view of the credit implications of the government's policy measures and the credit standings of the banks themselves, smaller banks may be at risk, according to the report.

"We believe China's slowing economy and worsening supply glut in many industries could weigh heavily on the profitability and asset quality of the country's banks," said Qiang Liao, a credit analyst at Standard & Poor's, and author of the report. "In our view, the top 50 lenders covered in this report are likely to demonstrate varying levels of credit resilience over the next two years, depending on their exposures to risky segments and their business and financial preparedness for a rapidly changing environment."

In the 2015 survey of China's top 50 banks by asset size, we analyze the major forces driving the changes in these banks' credit profiles and identify a few key themes for the sector. We also rank the banks based on our assessment of their stand-alone creditworthiness relative to each other. Such credit views

complement the issuer credit ratings we have assigned to 14 of the top banks. While the majority of the top banks are likely to survive the unfolding credit downturn, we believe there is a real risk of bank failure ahead for some small players.

The report is available to subscribers of RatingsDirect at [www.globalcreditportal.com](http://www.globalcreditportal.com) and at [www.spcapitaliq.com](http://www.spcapitaliq.com). If you are not a RatingsDirect subscriber, you may purchase a copy of the report by calling (1) 212-438-7280 or sending an e-mail to [research\\_request@standardandpoors.com](mailto:research_request@standardandpoors.com). Ratings information can also be found on Standard & Poor's public Web site by using the Ratings search box located in the left column at [www.standardandpoors.com](http://www.standardandpoors.com). Members of the media may request a copy of this report by contacting the media representative provided.

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