

# Welcome!



Herzlich willkommen!  
Bienvenue!  
Benvenuto!  
¡Bienvenido!  
Dobro dosli!  
Bine ati venit!  
Vítame vás!  
Üdvözöljük!  
Witamy serdecznie!  
**ДОБРО ПОЖАЛОВАТЬ!**  
**热烈欢迎!**

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# The World Financial Crisis and Chinese Banks – Recap and Outlook

- The Crisis in the West – a short analysis
- The Chinese financial system – indeed with “Chinese Characteristics”
- The situation at the start of the stimulus package
- The situation after 10/2008 and during H1/2009
- The current situation and what to expect in the next 6-12 months
- What does this mean for Austrian companies in China ?

## The Crisis in the West – a Short Analysis

- Write-offs destroyed the capital base of all financial institutions involved
- General market perception before 09/2008:  
Western governments and large banks cannot go bust
- Lehman and Iceland destroyed this perception
- Result: crisis of confidence which froze lending between banks which
  - stopped those banks lending to companies and
  - triggered of a crash-landing of the world

## The Chinese Financial System – Indeed with Chinese Characteristics

- Dominated by 4 state-owned banks (>60% market-share), e.g. supported by the government's USD 2 trn. FX reserves
- All banks under tight control of government – but not as tight as they used to be
- Banks are sufficiently capitalized
- Banks lend only approx. 70% of their deposits: no external funding needs, e.g. lending between banks necessary to fund loans
- Huge deposit base

## The Situation at the Start of the Stimulus Package

- No confidentiality crisis: most banks are state owned
- No Tier-1 capital ratio problem: USD 2 trn. to support the large banks if necessary
- No liquidity crisis: since almost all banks have more deposits than loan, only very little interbank lending
- But: artificial credit crunch: the government forced banks to stop lending
- Result: a suffocated economy, export firms especially hard hit

## *The Situation After 10/2008 and During H1 2009*

### Stimulus Package:

- A U-turn: Full throttle !
- Direct investment by the government – but mostly out of its own pocket !
- Fast results: money was on the account sometimes even before projects were approved
- Minimum-quotas and schedules for bank lending and local government spending were introduced to ensure speed

## *The Situation After 10/2008 and During H1 2009*

- More than RMB 7 trn. of fresh loans
- Bulk of new exposure went to government projects and SOEs
- But: much looser conditions for medium/large private enterprises
- Interest rates collapsed for those firms eligible for new loans
- Stiff competition among local banks for new loans, not (as in the past) deposits
- Statistics of new loans incorrect: many shennigans to fulfill loan quotas

## The Current Situation and What to Expect in the Next 6-12 Months

- Monetary policy, e.g. bank lending, still very loose, but first signs of tightening
- Loan quota restrictions, although at high level, were silently re-introduced
- Deposit reserve rate was adjusted: up !
- Jobs, inflation and GDP growth will be the determinants for Chinese bank lending

## The Current Situation and What to Expect in the Next 6-12 Months

- Recall of short-term loans have started already to help curb excessive loan growth in H2/09
- Impetus for new lending dropped visibly

## What Does This Mean for Austrian Companies in China ?

- Window of opportunity to get financing from local banks at comparatively attractive conditions
- Window of opportunity to get financing from local banks at all !
- This Window is likely to close very soon !
- RZB: is always open for Austrian customers (RZB-Concern policy)
- RZB acts anticyclical to local banks: credit was tightest in H2/09 but is now significantly easing (thanks to relaxing situation in Austria and CEE/CIS)

## What Does This Mean for Austrian Companies in China ?

- Private Equity: there are large amounts of capital at the sidelines waiting to enter the market in Asia and China in particular.
  - Best places: Hongkong and Singapore
  - Relatively good appetite of lenders and funds in Hongkong for medium-term projects
  - But: they expect above average returns !!

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Good bye!



Auf Wiedersehen!

Au revoir!

Arrivederci!

¡Adios!

Na svidenje!

Na shledanou!

Dovidenia!

Viszontlátásra!

Do widzenia!

**ДО СВИДАНИЯ!**

再见!

خدا حافظ