

# A-share IPO Strengthens Position of Shanghai Rural Commercial Bank as a Leading Regional Bank in China

August 23, 2021

S&P Global (China) Ratings today said that the initial public offering on the A-share market of Shanghai Rural Commercial Bank Co., Ltd. (SRCB; AA<sub>spc</sub>-/stable) has improved its capital supplement channel and further consolidated its position as a regional bank with the highest credit quality in China.

SRCB's A-share market listing further enhances its capital strength. It raised about 8.6 billion RMB in the IPO which elevated its capital adequacy ratios. Before the IPO, the bank's tier-1 capital adequacy ratio and total capital adequacy ratio were 12.05% and 14.28% respectively by the end of June 2021, comfortably above the minimum regulatory requirements.

After the listing, state-owned enterprises of Shanghai continue to hold the majority of its equity. We believe that the bank will remain highly important for Shanghai municipal government. With the increased capital base, the bank will play a greater role in serving local small and micro businesses and the rural sector.

The asset quality of SRCB is significantly better than the industry average, and its strong reserve buffer ensures the high quality of its capital. By the end of 2020, its non-performing loan ratio was 0.99%, and its special-mention loan ratio was 0.76%, 0.85% and 1.81% lower than the industry average respectively; its reserve coverage ratio was 419%, far higher than the average industry level of 184%.

In the first half of 2021, SRCB performed well. As of the end of June 2021, its total assets were 1.1 trillion RMB, up by 4% from the end of 2020. In the first half of the year, the bank realized an operating revenue of 12 billion RMB, and a net income attributable to parent of 5.1 billion RMB, representing a YoY increase of 7% and 18% respectively, showing robust development potential in the post-COVID era.

#### ANALYST

**Wang Yifu, CFA, CPA**

Beijing

yifu.wang@spgchinaratings.cn

**Luan Xiaochen, CFA, FRM**

Beijing

collins.luan@spgchinaratings.cn

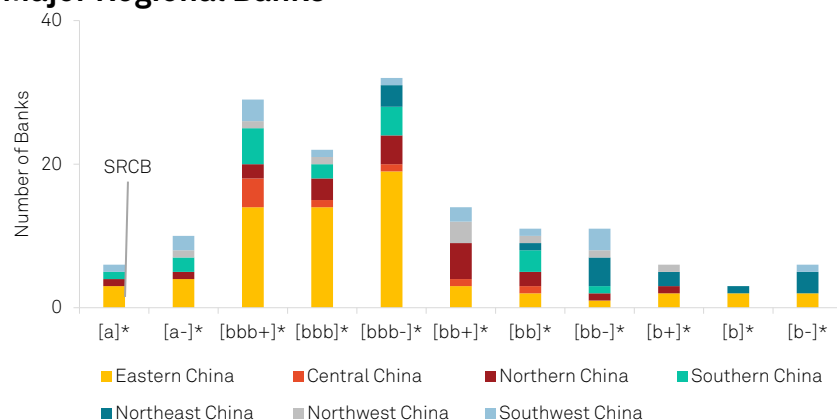
**Cui Cong**

Beijing

cong.cui@spgchinaratings.cn

Chart 1

## Distribution of Indicative Stand-alone Credit Quality of 150 Major Regional Banks



Note 1: Our assessment of indicative stand-alone credit quality does not consider the possibility of group or government support in times of stress.

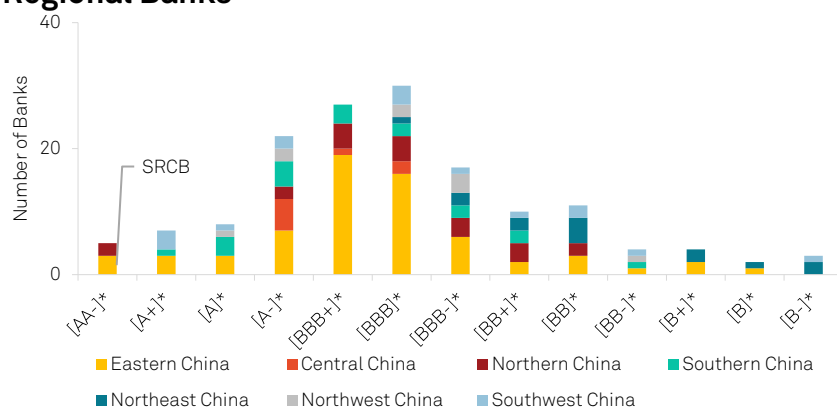
Note 2\*: The indicative credit quality distributions expressed in this report are only S&P China's indicative views of credit quality derived from a desktop analysis based on public information without interactive review with any particular institution or the full credit rating process such as a rating committee. The opinions expressed herein are not and should not be represented as a credit rating and should not be taken as an indication of a final credit rating of any particular institution.

Source: S&P Global (China) Ratings.

Copyright ©2021 by S&P Ratings (China) Co., Ltd. All rights reserved.

Chart 2

## Distribution of Indicative Issuer Credit Quality of 150 Major Regional Banks



Note 1: Our assessment of indicative issuer credit quality considers the possibility of group or government support in times of stress.

Note 2\*: The indicative credit quality distributions expressed in this report are only S&P China's indicative views of credit quality derived from a desktop analysis based on public information without interactive review with any particular institution or the full credit rating process such as a rating committee. The opinions expressed herein are not and should not be represented as a credit rating and should not be taken as an indication of a final credit rating of any particular institution.

Source: S&P Global (China) Ratings.

Copyright ©2021 by S&P Ratings (China) Co., Ltd. All rights reserved.

## Related Rating Report:

Credit Rating Report: Shanghai Rural Commercial Bank Co. Ltd. "AA<sub>spc</sub>-" Rating  
Affirmed; Outlook Stable

This bulletin does not constitute a rating action.

**This document is prepared in both English and Chinese. The English translation is for reference only, and the Chinese version will prevail in the event of any inconsistency between the English version and the Chinese version.**

Copyright © 2021 by S&P Ratings (China) Co., Ltd. All rights reserved.

S&P Ratings (China) Co., Ltd. ("S&P Ratings") owns the copyright and/or other related intellectual property rights of the abovementioned content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content). No Content may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Ratings. The Content shall not be used for any unlawful or unauthorized purposes. S&P Ratings and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively "S&P Parties") do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P Ratings' opinions, analyses, forecasts and rating acknowledgment decisions (described below) are not and should not be viewed as recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Ratings assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and / or clients when making investment and other business decisions. S&P Ratings does not act as a fiduciary or an investment advisor except where registered as such. While S&P Ratings has obtained information from sources it believes to be reliable, S&P Ratings does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

S&P RATINGS IS NOT PART OF THE NRSRO. A RATING ISSUED BY S&P RATINGS IS ASSIGNED ON A RATING SCALE SPECIFICALLY FOR USE IN CHINA, AND IS S&P RATINGS' OPINION OF AN OBLIGOR'S OVERALL CREDITWORTHINESS OR CAPACITY TO MEET SPECIFIC FINANCIAL OBLIGATIONS, RELATIVE TO THAT OF OTHER ISSUERS AND ISSUES WITHIN CHINA ONLY AND PROVIDES A RANK ORDERING OF CREDIT RISK WITHIN CHINA. AN S&P RATINGS' RATING IS NOT A GLOBAL SCALE RATING, AND IS NOT AND SHOULD NOT BE VIEWED, RELIED UPON, OR REPRESENTED AS SUCH. S&P PARTIES ARE NOT RESPONSIBLE FOR ANY LOSSES CAUSED BY USES OF S&P RATINGS' RATINGS IN MANNERS CONTRARY TO THIS PARAGRAPH.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P Ratings reserves the right to assign, withdraw or suspend such acknowledgement at any time and in its sole discretion. S&P Ratings disclaims any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgement as well as any liability for any damage alleged to have been suffered on account thereof.

S&P Ratings keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P Ratings may have information that is not available to other S&P Ratings business units. S&P Ratings has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P Ratings may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Ratings reserves the right to disseminate its opinions and analyses. S&P Ratings' public ratings and analyses are made available on its Web site [www.spgratings.cn](http://www.spgratings.cn), and may be distributed through other means, including via S&P Ratings' publications and third-party redistributors.