Content

Preface 04

Executive Summary 06

1. Macro Environment

2. Development Strategy

3. Business Development

4. Risk Controls, Human Resources and Financial Management

5. FinTech

6. Corporate Governance and Social Responsibility

7. Regulatory Evaluation

8. Outlook

9. Bankers as a group

Appendices 22
Preface

Now in its eleventh year, the Chinese Bankers Survey 2019 report tracks developments in the sector from the perspective of Chinese bankers. We hope this report helps you better understand the developments in and prospects for China’s banking sector.

We are pleased to present the Chinese Bankers Survey report, prepared jointly by the China Banking Association (CBA) and PwC. Now in its eleventh year, the report tracks developments in the sector from the perspective of Chinese bankers.

This year’s survey digs deep into the core issues while also maintaining a broad scope. The CBA was responsible for project management, while Dr. Ba Shusong, together with the project team, interviewed bankers from financial institutions to gain their insights into the sector. The interviews complement an online survey covering 31 provinces in mainland China and the Hong Kong Special Administrative Region, resulting in a broad representation of China’s banking sector with a high level of quality and efficiency. The survey was conducted through online questionnaires, face-to-face interviews, telephone interviews and mail correspondence. The survey tracks internal and external economic conditions, and looks into hot topics and challenges facing the sector through extensive studies. A large amount of accurate and valuable data has been collected with a total of 2,258 valid responses obtained over eight months.

2019 marked the 70th anniversary of the founding of the People’s Republic of China, and was also a crucial year for building a moderately prosperous society in all respects. During the year, the Chinese economy faced a more complex external and internal environment. The world economy continued to slow down, and external uncertainties and destabilising factors persisted. Nevertheless, China is still undergoing an important period of strategic development, and despite the novel coronavirus outbreak, China’s sound economic fundamentals for long-term high-quality growth remain unchanged. As an important part of China’s financial system, the banking sector has not only played an active role in the building of a moderately prosperous society in all respects and in combatting the three tough battles (i.e. mitigating major risks, alleviating poverty and protecting environment), but has also contributed in supporting the victory in the battle against the emerging epidemic.

Since the novel coronavirus outbreak, China’s banking sector has resolutely implemented the spirit of President Xi Jinping’s instructions, and has acted on the decisions made by the CPC Central Committee and the State Council, the People’s Bank of China (PBOC), China Banking and Insurance Regulatory Commission (CBIRC), and the State Administration of Foreign Exchange, in ensuring the provision of financial services for economic and social development, and in taking concrete actions to help with the coronavirus epidemic prevention and control, which is the most important work at present.
The survey shows that more than 60% of respondents see the new model of China-U.S. competition and slowing economic growth as the main risks faced by China, while FinTech and inclusive finance are the areas bankers pay most attention to. Bankers have shown higher satisfaction with the effects of macroeconomic policy since 2019, with an average score increasing from 4.04 in 2018 to 4.11 points (out of a total of 5 points). Out of all areas, satisfaction with the effects of monetary policy was the highest. Although facing increasing external risks and challenges, Chinese bankers are focussing on major national strategies, making great efforts in innovation, and are committed to achieving high-quality transformation and development of the banking sector by rendering financial services to the real economy.

In 2019, Chinese bankers cited credit risk as their top concern. According to the risk management priorities at the banks where respondents work, their focus on credit risk was significantly higher than on compliance risk, operational risk, market risk and other major risks. Meanwhile, bankers’ self-assessment on their banks’ risk management levels in 2019 shows that their satisfaction with credit risk management was the lowest, which means that bankers face great pressure in maintaining credit risk controls in their business operations and management.

Their focus on compliance risk is ranked second, and bankers expect to continue to strengthen compliance culture, improve internal control systems, and prevent illegal operations.

2019 witnessed a rapid development of FinTech in China. On the one hand, FinTech has brought a wide range of use cases for the development of the banking sector by reducing costs and enhancing customer retention. On the other hand, it has made risks in the banking sector more complex and has made the transmission of risks across sectors easier, which has led to difficulties in risk management and control, and introduced challenges to the banking and regulatory systems. Nearly 90% of respondents have a positive attitude towards FinTech. Big data and mobile have become popular technologies. However over 50% of bankers are concerned about the risks and information security pressures caused by the development of FinTech.

2019 was a crucial and tough year for implementing the Plan for Advancing Inclusive Finance Development (2016-2020) issued by the CPC Central Committee and the State Council. In order to improve the financing environment for small and micro enterprises and private enterprises, the PBOC and CBIRC have introduced various policies that prioritise supporting banks to increase credit loans to these companies, thus reducing social financing costs. Banks have made efforts to strengthen their capability to serve small, micro and private enterprises. In addition to a comprehensive review of policies on serving these companies, most banks have developed a series of actions based on their own strategy requirements, pushing forward the establishment of a long-term mechanism for serving small and micro businesses and private enterprises. The survey shows that more than 70% of respondents express their satisfaction with the current methods of serving small, micro and private enterprises, and China’s banking sector is responding effectively to national calls to vigorously promote the implementation of these policies.

We would like to take this opportunity to thank all those who participated in the survey. They spared time to complete the questionnaires and shared their valuable insights without reservation. We hope this report helps you better understand the developments and prospects for China’s banking sector. We also thank all sectors of the community for their attention to and support for this report. We sincerely look forward to your valuable comments and suggestions. Please do not hesitate to give us your feedback, so that we can continue to improve the report in the future.

For more information or enquiries, please contact the CBA, PwC or the Project Leader.

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PricewaterhouseCoopers Zhong Tian LLP
Executive Summary

In 2019, the operation and risk controls of the banking sector in China were influenced by the complicated economic and political environment worldwide, the increasing downward pressure on the domestic economy and intensified financial regulations. Banking is an important part of China’s financial system, and is also instrumental in preventing and mitigating major financial risks. The latest Chinese Bankers Survey, now in its eleventh year, gives a comprehensive picture of bankers’ views and thoughts on industry developments.

1. Macro Environment

China’s economy is undergoing a transformation from high-speed growth to high-quality development, with enhanced economic stability. More than half the survey respondents believed that the economy would maintain steady growth in the next three years.

Bankers’ expectations for China’s GDP growth range in the next three years

- 3.5% Above 7.0%
- 4.1% 5.5%-6.0%(inclusive)
- 15.6% 5.0%-5.5%(inclusive)
- 22.5% 6.5%-7.0%(inclusive)
- 52.8% 6.0%-6.5%(inclusive)
- 1.4% Below 5.0%
Technological innovation and technical progress has been the top socio-economic development trend concerning most bankers over the past three years.

Overall, bankers positively assess the government’s macroeconomic policies and look forward to more proactive employment policies in the future.

More than 70% of respondents believed that the improvement of the transmission of monetary policy would help to balance the relationship between maintaining steady growth and a stable leverage ratio, and that the next step in interest rate liberalisation is to improve the loan prime rate (LPR) pricing mechanism.

Local governments’ implicit debts not only affect economic growth, but also undermine the stability of the financial system. Nearly 80% of bankers thought that unifying debt statistics would help local governments manage their implicit debts. In terms of the ways to support manufacturing investment, nearly half of the bankers surveyed advocated transitioning to integrated service providers as well as promoting credit expansion.

### Bankers’ views on socio-economic development trends

<table>
<thead>
<tr>
<th>Development Trend</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technological innovation and technical progress</td>
<td>73.7%</td>
</tr>
<tr>
<td>Adjustment of industrial structure</td>
<td>65.9%</td>
</tr>
<tr>
<td>Replacement of old growth drivers with new ones</td>
<td>49.2%</td>
</tr>
<tr>
<td>Changes in regional economic development pattern</td>
<td>48.2%</td>
</tr>
<tr>
<td>Diversification of social financing methods</td>
<td>45.1%</td>
</tr>
<tr>
<td>Changes in residents’ wealth and income structure and consumption concept</td>
<td>41.4%</td>
</tr>
<tr>
<td>Advancement of new urbanisation</td>
<td>39.9%</td>
</tr>
<tr>
<td>Changes in population structure and growth rate</td>
<td>35.5%</td>
</tr>
<tr>
<td>Increasing requirements for energy conservation and environmental protection</td>
<td>34.0%</td>
</tr>
<tr>
<td>Acceleration of enterprises’ “going global” process</td>
<td>16.6%</td>
</tr>
<tr>
<td>Others</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

### Bankers’ views on commercial banks’ role in mitigating local government’s potential debt risks

<table>
<thead>
<tr>
<th>Risk Mitigation Measure</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unifying potential debt statistics and gathering thorough information</td>
<td>78.2%</td>
</tr>
<tr>
<td>Preventing haphazard early loan recovery or lending shut-down to avoid triggering systemic risk</td>
<td>68.2%</td>
</tr>
<tr>
<td>Improving the assessing mechanism for local governments’ debts</td>
<td>66.0%</td>
</tr>
<tr>
<td>Strictly controlling illegal lending to municipal and county-level governments</td>
<td>65.5%</td>
</tr>
<tr>
<td>Supporting the issuance of special bonds</td>
<td>57.0%</td>
</tr>
<tr>
<td>Reducing debt maturity mismatches</td>
<td>46.9%</td>
</tr>
<tr>
<td>Continuing to grant policy-based enterprise marketisation credit</td>
<td>43.3%</td>
</tr>
<tr>
<td>Others</td>
<td>0.8%</td>
</tr>
</tbody>
</table>
2. Development Strategy

Given the development of the financial system in China and the changes to the domestic and international economic landscape, China’s banking sector has implemented strategic adjustments and risk controls to improve its ability to serve the real economy. Promoting integrated operations was the strategic priority for most bankers, while 60% of banks surveyed picked promoting differentiation as their strategic choice.

### Banking sectors’ strategic priorities for 2019

<table>
<thead>
<tr>
<th>Priority</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promoting differentiation</td>
<td>64.7%</td>
</tr>
<tr>
<td>Intelligent banking</td>
<td>53.9%</td>
</tr>
<tr>
<td>Intensifying the support in the real economy and supply-side reform</td>
<td>47.3%</td>
</tr>
<tr>
<td>Promoting integrated operations</td>
<td>44.1%</td>
</tr>
<tr>
<td>Getting leaner</td>
<td>26.3%</td>
</tr>
<tr>
<td>Promoting centralised operation</td>
<td>21.2%</td>
</tr>
<tr>
<td>Strengthening international development</td>
<td>11.4%</td>
</tr>
<tr>
<td>Others</td>
<td>0.6%</td>
</tr>
</tbody>
</table>
In terms of customer groups, a greater focus was placed on small and micro enterprises, and this remained the customer type that most bankers prioritised.

In 2019, different types of banks exhibited significant differences in key areas of development.

In order to promote the asset management business, survey respondents prioritised establishing a product system that covers all asset classes.

More than 80% of bankers surveyed agreed that the most important consideration for the development of inclusive finance would be conform to China’s national strategy and take the initiative to assume social responsibility.

Most bankers also regarded participating in the “Belt and Road Initiative” as strategically important for the international development of commercial banks.
3. Business Development

Given the backdrop of a slowing economy, maintaining a prudent business strategy was popular among China’s banks. Product innovation and business model transformation continue to promote the reform of banks’ business models and income structures.

Driven by a series of national policies and actions, credit support for urban infrastructure, IT services and the pharmaceutical sector have been strengthened. Providing loans to small and micro enterprises and promoting supply chain financing were also top business priorities. Nearly half of the bankers surveyed identified equipment manufacturing as the key sector supported by supply chain financing services.
In the personal banking segment, personal deposits and consumer lending were the main priorities among respondents. The interbank and settlement and liquidation business have become the main focus of intermediate business development for over the past two years.

**Development focus of retail banking segment from 2017 to 2019**

- **Personal deposits**: 2017 - 38.3%, 2018 - 46.4%, 2019 - 66.3%
- **Consumer lending**: 2017 - 43.5%, 2018 - 71.4%, 2019 - 70.3%
- **Personal business loans**: 2017 - 39.0%, 2018 - 52.8%, 2019 - 47.7%
- **Wealth management**: 2017 - 51.7%, 2018 - 45.7%, 2019 - 46.4%
- **Credit cards**: 2017 - 45.8%, 2018 - 45.9%, 2019 - 43.5%
- **Personal housing mortgage loans**: 2017 - 39.0%, 2018 - 38.9%, 2019 - 38.3%
4. Risk Controls, Human Resources and Financial Management

Amid rising downward pressure on the domestic economy and the increasing complexity of the internal and external operating environment, the measures taken to strengthen risk management and internal controls have drawn widespread attention from bankers.

Credit risk remained the top concern for bankers in 2019. In terms of the priorities of credit risk management, over 60% of bankers believed that attention needs to be paid to the structural differences in the sources of credit risk, and over 70% of bankers considered enhancing the risk pricing mechanism as a priority for the future management of interest rate risk.

Key points to improve interest rate risk management

- Establish and improve appropriate internal mechanism and risk pricing mechanism (74.5%)
- Strengthen research capacity, make full use of big data technology, and enhance product pricing (54.6%)
- Establish an appropriate pattern of interest rate risk supervision and improve the management, monitoring and measurement of interest rate risk (54.4%)
- Expand income from intermediary and off-balance sheet business and broaden the sources of income for commercial banks (41.3%)
- Improve the system of interest rate risk management and establish special departments for related tasks (17.7%)
- Improve the culture of interest rate risk management (17.1%)
- Strengthen the training of senior personnel in interest rate risk management positions (9.2%)
- Others (0.2%)
More than 60% of bankers believe that regulating the registration of financial products is the primary measure to prevent the spread of financial risks.

In terms of priorities to enhance internal controls, bankers expect to strengthen compliance culture and improve internal controls to prevent illegal operations.

<table>
<thead>
<tr>
<th>Key points to enhance internal controls</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve compliance culture</td>
<td>64.0%</td>
</tr>
<tr>
<td>Improve internal control system</td>
<td>58.6%</td>
</tr>
<tr>
<td>Build an internal control system with clear power and responsibility</td>
<td>50.7%</td>
</tr>
<tr>
<td>Strengthen the evaluation and supervision of internal controls</td>
<td>29.8%</td>
</tr>
<tr>
<td>Coordinate resources to strengthen the cooperation among departments</td>
<td>28.0%</td>
</tr>
<tr>
<td>Improve the level of information about internal controls</td>
<td>25.4%</td>
</tr>
<tr>
<td>Add results of internal control evaluations into employee performance appraisals</td>
<td>18.2%</td>
</tr>
<tr>
<td>Others</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

In terms of operation management, over 40% of bankers think that further adjustments should be applied to existing performance measures and incentive mechanisms should be improved further.

For human resource management, bankers agree that the optimisation and adjustment of the personnel structure in the banking sector will mainly be oriented towards marketing and skill-based positions.

With regards to asset-liability allocation, the allocation of loan assets in the coming year will rise, and the return on assets and regulatory guidance will be the main factors that need to be taken into consideration. The proportion of general deposits in liability sources will also rise.
5. FinTech

As FinTech enters into a period of rapid development, bankers are generally focusing on big data and mobile communication technologies, and are more optimistic about product innovation, precision marketing and risk management based on big data analytics. During the process of developing FinTech, banks are being confronted with various difficulties including insufficient technical support and the lack of forward-looking research, but they are still enhancing their investments and expanding application scenarios to win market share.

Nearly half of the banks surveyed have set up specialised FinTech departments or subsidiaries, and over 50% of banks plan to extend their cooperation with FinTech companies to win customers, increase customer activity and enhance their loyalty.
The progress achieved by emerging technologies has boosted the rapid development of direct banks and open banking. While FinTech is bringing great development opportunities to China’s banking industry, it is also exacerbating financial risks and the likelihood that they can spread. 57.1% of bankers state that they will continue to pay attention to IT risks.

In terms of improving FinTech regulation, 56.8% of bankers agree that regulatory standards and indicator systems should be unified, and 38.9% of them will pay further attention to regulatory technology.

### Risks and issues faced by the development of FinTech

<table>
<thead>
<tr>
<th>Issue</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasing IT and information safety risks</td>
<td>57.1%</td>
</tr>
<tr>
<td>Financial services are gradually &quot;disintermediated&quot;, intensifying market competition and the pressure of survival for traditional financial institutions</td>
<td>53.1%</td>
</tr>
<tr>
<td>Rise in difficulty to identify hidden risks in some businesses, with risk triggers becoming more complex</td>
<td>44.0%</td>
</tr>
<tr>
<td>Participants are diversified, increasing risk diffusion channels</td>
<td>36.9%</td>
</tr>
<tr>
<td>Significant rise in cross-industry and cross-boundary operations strengthening the &quot;herd effect&quot; and market resonance</td>
<td>22.1%</td>
</tr>
<tr>
<td>Some businesses are not compliant with regulation, leading to compliance risks</td>
<td>19.6%</td>
</tr>
<tr>
<td>Fintech regulatory capacity needs to be improved</td>
<td>16.8%</td>
</tr>
<tr>
<td>Rise in difficulty of protecting the rights and interests of consumers</td>
<td>10.0%</td>
</tr>
</tbody>
</table>

### Fintech’s regulatory approaches

<table>
<thead>
<tr>
<th>Approach</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unify regulatory standards and indicator systems</td>
<td>56.8%</td>
</tr>
<tr>
<td>Establish and improve Fintech regulatory infrastructure</td>
<td>49.5%</td>
</tr>
<tr>
<td>Improve the mechanism for monitoring, warning and disposal of Fintech risks</td>
<td>46.1%</td>
</tr>
<tr>
<td>Develop regulatory technology</td>
<td>38.9%</td>
</tr>
<tr>
<td>Strengthen function and behavior regulation</td>
<td>28.1%</td>
</tr>
<tr>
<td>Establish a specialised department for Fintech supervision and a professional supervision team</td>
<td>27.5%</td>
</tr>
<tr>
<td>Develop &quot;regulatory sandbox&quot; for Fintech</td>
<td>9.5%</td>
</tr>
<tr>
<td>Actively participate in international cooperation on financial regulation</td>
<td>3.1%</td>
</tr>
</tbody>
</table>
6. Corporate Governance and Social Responsibility

Educational activities around corporate governance that “remain true to our aspiration and keep our mission firmly in mind” were increasingly adopted by banks in 2019.

With regard to the enhancement of banks’ corporate governance in 2019, nearly 30% of bankers believed that the emphasis should be placed on strategic planning and performance appraisal. In terms of the performance of independent directors in domestic commercial banks, over 70% of bankers stated that the independence of these directors was strong or very strong, and nearly 70% of bankers indicate that their performance was strong or very strong.

Fulfilling corporate social responsibility is an important way for China’s banking industry to serve and repay society. Providing financial services to small and micro enterprises and pursuing poverty alleviation are key tasks for banks to implement in order to fulfill their social responsibilities, and 84.9% of bankers stated they will greatly improve the quality and capacity of their micro finance services.

### Deficiencies of corporate governance in banking industry

<table>
<thead>
<tr>
<th>Deficiency</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>None of the above</td>
<td>40.8%</td>
<td></td>
</tr>
<tr>
<td>Unreasonable strategic planning and performance appraisal</td>
<td>28.8%</td>
<td></td>
</tr>
<tr>
<td>Unreasonable compensation management system</td>
<td>26.6%</td>
<td></td>
</tr>
<tr>
<td>Inadequate effectiveness in the performance of the Board of Directors</td>
<td>11.8%</td>
<td></td>
</tr>
<tr>
<td>Enhancement of Party leadership and Party building</td>
<td>11.5%</td>
<td></td>
</tr>
<tr>
<td>Deviation in responsibility positioning of senior management</td>
<td>11.4%</td>
<td></td>
</tr>
<tr>
<td>Non-compliance and imprudence of shareholders’ practices</td>
<td>9.1%</td>
<td></td>
</tr>
<tr>
<td>Inadequate supervision of the Board of Supervisors</td>
<td>8.3%</td>
<td></td>
</tr>
<tr>
<td>Non-transparent and irregular equity relationship</td>
<td>6.9%</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>1.3%</td>
<td></td>
</tr>
</tbody>
</table>

### Social responsibilities fulfilled by banks in the economic and financial sectors

<table>
<thead>
<tr>
<th>Social responsibility</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small and micro finance</td>
<td></td>
<td>82.14%</td>
</tr>
<tr>
<td>Agriculture, rural areas and farmers finance</td>
<td></td>
<td>45.67%</td>
</tr>
<tr>
<td>Green finance</td>
<td></td>
<td>34.71%</td>
</tr>
<tr>
<td>Poverty alleviation finance</td>
<td></td>
<td>32.27%</td>
</tr>
<tr>
<td>Community finance</td>
<td></td>
<td>26.55%</td>
</tr>
<tr>
<td>Consumer rights and interests</td>
<td></td>
<td>33.53%</td>
</tr>
<tr>
<td>Rebuilding shanty areas</td>
<td></td>
<td>11.22%</td>
</tr>
<tr>
<td>&quot;Mass entrepreneurship and innovation&quot;</td>
<td></td>
<td>11.87%</td>
</tr>
<tr>
<td>&quot;Mass entrepreneurship and innovation&quot;</td>
<td></td>
<td>8.40%</td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td>0.04%</td>
</tr>
</tbody>
</table>

Others: 0.80%
Meanwhile, the banking sector has actively developed a green credit business. 48.8% of bankers have seen relatively stable growth rate in their green finance business.

It is worth mentioning that, at the end of 2019, when the novel coronavirus broke out in Wuhan City, Hubei Province, commercial banks took rapid measures and actively provided financial services for the prevention and control of the epidemic and for economic and social development, demonstrating the commitment of China's banking industry to social responsibility.

However, 45.6% of bankers believe that their banks are in dire need of improvement in terms of their product innovation capacity.

### Problems to be solved in the social responsibilities borne by banks

<table>
<thead>
<tr>
<th>Category</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product innovation</td>
<td>46.18%</td>
<td>45.57%</td>
</tr>
<tr>
<td>Workflow and efficiency</td>
<td>32.23%</td>
<td>33.48%</td>
</tr>
<tr>
<td>Assessment and incentive mechanism</td>
<td>35.80%</td>
<td>31.09%</td>
</tr>
<tr>
<td>Culture building</td>
<td>32.56%</td>
<td>28.39%</td>
</tr>
<tr>
<td>Strategic planning</td>
<td>27.10%</td>
<td>26.04%</td>
</tr>
<tr>
<td>Well-performed for each item above</td>
<td>20.80%</td>
<td>25.42%</td>
</tr>
<tr>
<td>Others</td>
<td>0.25%</td>
<td>0.35%</td>
</tr>
</tbody>
</table>

*Note: The percentages are based on the survey results for 2018 and 2019.*
In terms of primary regulatory indicators, bankers are more concerned about their capital adequacy ratio and their non-performing loan ratio.

### Evaluation of main regulatory indicators
(5 points as full score of each item)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital adequacy ratio</td>
<td>4.37</td>
<td>4.39</td>
<td>4.46</td>
<td>3.93</td>
<td>4.30</td>
</tr>
<tr>
<td>Provision coverage ratio</td>
<td>4.35</td>
<td>4.33</td>
<td>4.40</td>
<td>3.87</td>
<td>4.18</td>
</tr>
<tr>
<td>Provision-loan ratio</td>
<td>4.34</td>
<td>4.25</td>
<td>4.34</td>
<td>3.88</td>
<td>4.04</td>
</tr>
<tr>
<td>Liquidity coverage ratio</td>
<td>4.22</td>
<td>4.22</td>
<td>4.37</td>
<td>3.81</td>
<td>4.16</td>
</tr>
<tr>
<td>Net stable funding ratio</td>
<td>4.21</td>
<td>4.19</td>
<td>4.32</td>
<td>3.81</td>
<td>4.07</td>
</tr>
<tr>
<td>Leverage ratio</td>
<td>4.16</td>
<td>4.12</td>
<td>4.25</td>
<td>3.76</td>
<td>4.01</td>
</tr>
<tr>
<td>Deposit deviation</td>
<td>4.06</td>
<td>4.00</td>
<td>4.11</td>
<td>3.66</td>
<td>3.65</td>
</tr>
<tr>
<td><strong>Average score</strong></td>
<td>4.24</td>
<td>4.21</td>
<td>4.32</td>
<td>3.82</td>
<td>4.06</td>
</tr>
</tbody>
</table>

### Evaluation of main regulatory approach
(5 points as full score of each item)

<table>
<thead>
<tr>
<th></th>
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<td>Regulatory accountability</td>
<td>4.29</td>
<td>4.29</td>
<td>4.29</td>
<td>3.85</td>
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<td>Market access</td>
<td>4.28</td>
<td>4.28</td>
<td>4.32</td>
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<td>Disposal of financial risk</td>
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<td>4.27</td>
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<td>Active disclosure</td>
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<td>4.13</td>
<td>4.24</td>
<td>3.8</td>
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<td>Cross-industry and cross-border</td>
<td>4.08</td>
<td>4.07</td>
<td>4.15</td>
<td>3.75</td>
<td>3.89</td>
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<td>regulatory exchange and cooperation</td>
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<td><strong>Average score</strong></td>
<td>4.22</td>
<td>4.21</td>
<td>4.27</td>
<td>3.83</td>
<td>4.03</td>
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Internal incentives for compliance in the banking industry is increasing. Over 60% of bankers believe that the level of compliance management should be improved by optimising internal control systems and risk control systems.

Nearly half of bankers agree that the regulation of systemically important banks in China should place emphasis on the improvement of corporate governance structures. Bankers are generally positive about the classified measures taken to defuse the risks posed by small and medium-sized financial institutions in 2019, stating that this will promote the sound development of bank compliance.
8. Outlook

Since 2019, the global economic environment has remained complex, with downward pressure on the domestic economy rising.

Nearly 60% of bankers expected provision coverage to stay above 150% by the end of 2019.

There are important strategic opportunities for China’s economy, but economic conditions are still complicated at home and abroad. Therefore, the banking industry needs to strengthen supervision and improve risk prevention and control to promote the healthy development of the sector.

Despite the negative impact of the novel coronavirus outbreak on China’s economy and its banking sector, this will not affect the country’s sound economic fundamentals for long-term and high-quality growth. Bankers have positive expectations for the development of the sector in the next three years. Maintaining good asset quality remains a key concern of the banking industry, and improving asset quality and developing FinTech will boost the growth of banks’ profits.

More than 60% of bankers believed that the capital adequacy ratio would exceed 10.5% by the end of 2019.
9. Bankers as a group

Banking personnel play a significant role in the process of deepening financial supply-side reforms and improving banking operations.

In 2019, the majority of bankers surveyed thought that management performance indicators reflected the degree of management competence to a large or moderate extent. Nearly 70% of bankers expected the turnover trend to remain stable among upper middle-level management, while over 50% of bankers were open to new career opportunities.

### Extent to which bank-related performance indicators reflect management competence

- Reflect to a large extent: 2018: 8.1%, 2019: 42.4%
- Reflect to a moderate extent: 2018: 5.9%, 2019: 39.8%
- Reflect to a full extent: 2018: 7.4%, 2019: 7.9%
- Difficult to explain: 2018: 2.9%, 2019: 5.85%
- Reflect to a minimum extent: 2018: 1.9%, 2019: 1.9%

### Turnover trend of upper middle-level management

- Remain stable: 2018: 40.9%, 2019: 59.5%
- Intensify: 2018: 7.4%, 2019: 21.7%
- Slow-down: 2018: 11.4%, 2019: 9.92%
- Difficult to judge: 2018: 2.9%, 2019: 7.40%
Appendices

A Detailed List of Survey Participants

A total of 185 Chinese banking financial institutions participated in the primary questionnaire survey and interviews (all in random order):

**Development bank and policy banks (3)**
- China Development Bank
- Agricultural Development Bank of China
- The Export-Import Bank of China

**Large commercial banks (6)**
- Industrial and Commercial Bank of China
- Agricultural Bank of China
- Bank of China
- China Construction Bank
- Bank of Communications
- Postal Savings Bank of China
### Joint-stock commercial banks (12)
- China CITIC Bank
- China Everbright Bank
- China Merchants Bank
- Shanghai Pudong Development Bank
- China Minsheng Bank
- Huaxia Bank
- Ping An Bank
- Industrial Bank
- China Guangfa Bank
- China Bohai Bank
- China Zheshang Bank
- Hengfeng Bank

### Foreign banks (12)
- Bank of East Asia
- Hang Seng Bank
- OCBC Bank
- Nanyang Commercial Bank
- Land Bank of Taiwan
- Fubon Bank
- E.SUN Bank
- Taiwan Cooperative Bank
- Chang Hwa Bank
- JPMorgan Chase Bank (China) Company Limited
- Bank SinoPac (China)
- Bank of Tokyo-Mitsubishi UFJ (China)
City commercial and privately-owned banks (62)

Bank of Beijing  Bank of Fushun
Bank of Shanghai  Bank of Fuxin
Bank of Tianjin  Guangdong Nanyue Bank
Bank of Chongqing  Bank of Guangzhou
Fudian Bank  Bank of Guizhou
Bank of Lanzhou  Harbin Bank
Huishang Bank  Bank of Hainan
Baoshang Bank  Bank of Handan
Bank of Jiangsu  Bank of Huludao
Bank of Hangzhou  GW Bank
Bank of Anshan  Bank of Jilin
Bank of Benxi  Bank of Jiaxing
Bank of Chaoyang  Jiangxi Bank
Bank of Chengdu  Bank of Jinzhou
Bank of Dazhou  Bank of Jiujiang
Bank of Dalian  Laishang Bank
Bank of Dandong  Bank of Langfang
Ordos Bank  Liangshan Prefectural Commercial Bank
NewUp Bank of Liaoning
Bank of Liaoyang
Longjiang Bank
Mianyang City Commercial Bank
Bank of Nanjing
Bank of Inner Mongolia
Ningbo Donghai Bank
Panzhihua City Commercial Bank
Qilu Bank
Bank of Rizhao
Xiamen International Bank
Bank of Shaoxing
Shengjing Bank
Suining Bank
Bank of Tieling
Bank of Wenzhou
Yaan City Commercial Bank
Bank of Zhangjiakou
Zhejiang Chouzhou Commercial Bank
Chongqing Three Gorges Bank
Bank of Zigong
Zhejiang Tailong Commercial Bank
Shanghai Huarui Bank
Jinshang Bank
Webank
Wenzhou Minshang Bank
Chongqing Fumin Bank
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<th>Rural financial institutions (90)</th>
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<tr>
<td>Hubei Rural Credit Union</td>
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<td>Guangxi Rural Credit Union</td>
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<td>Haikou United Rural Commercial Bank</td>
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<td>Heilongjiang Rural Credit Union</td>
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<tr>
<td>Liaoning Rural Credit Union</td>
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<tr>
<td>Inner Mongolia Rural Credit Cooperative</td>
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<tr>
<td>Yunnan Rural Credit Union</td>
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<td>Beijing Rural Commercial Bank</td>
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<td>Chengdu Rural Commercial Bank</td>
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<td>Guangzhou Rural Commercial Bank</td>
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<td>Jilin Jiutai Rural Commercial Bank</td>
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<td>Nanhai Rural Commercial Bank</td>
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<td>Tianjin Rural Commercial Bank</td>
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<td>Jiangsu Zijin Rural Commercial Bank</td>
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<td>Jingu Rural Commercial Bank in Hohhot, Inner Mongolia</td>
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<td>Chifeng Yuanbaoshan Rural Commercial Bank in Inner Mongolia Autonomous Region</td>
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<td>Hulun Buir Rural Commercial Bank in Inner Mongolia Autonomous Region</td>
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<td>Tongliao Naiman Rural Cooperative Bank in Inner Mongolia Autonomous Region</td>
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<td>Ulanqab Rural Commercial Bank in Inner Mongolia Autonomous Region</td>
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<td>Sichuan Guanghan Rural Commercial Bank</td>
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<td>Liaoning Kangping County Rural Credit Cooperatives Union</td>
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<td>Arun Qi Rural Credit Cooperatives Union in Inner Mongolia Autonomous Region</td>
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<td>Yunnan Cangyuan Wa Autonomous County Rural Credit Cooperatives Union</td>
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<td>Yunnan Deqing County Rural Credit Cooperatives Union</td>
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<td>Beijing Changping Baoshang Rural Bank</td>
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<td>Fujian Xiang’an Minsheng Rural Bank</td>
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<td>Guangdong Shenzhen Nanshan Baosheng Rural Bank</td>
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<td>Gulin Guomin County Bank in Guangxi Autonomous Region</td>
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Nanning Wuming Lijiang Rural Bank in Guangxi Autonomous Region
Guizhou Bijie Development Village Bank
Guzhou Emeishan Zhongcheng Rural Bank
Hainan Wuzhishan Changjiang Rural Bank
Helingjiang Harbin Credit Rural Bank
Liaoning Beizhen Jinyin Rural Bank
Liaoning Benxi Fengye Rural Bank
Liaoning Dashiqiao Longfeng Rural Bank
Liaoning Haicheng Jinhai Rural Bank
Liaoning Fushun Shuncheng Fuyin Rural Bank
Liaoning Jinzhou Taihe Jinyin Rural Bank
Liaoning Shenyang Faku Fumin Rural Bank
Liaoning Shenyang Kangping Fuyin Rural Bank
Liaoning Shenyang Liaozhong Fumin Rural Bank
Liaoning Shenyang Shenbei Fumin Rural Bank
Liaoning Shenyang Yuhong Yong'an Rural Bank
Liaoning Suizhong Changfeng Rural Bank
Liaoning Diaobingshan Huimin Rural Bank
Liaoning Xingcheng Changxing Rural Bank
Liaoning Tai'an Jin'an Rural Bank
Liaoning Xiuyan Jinyu Rural Bank
Ordos Hantai Rural Bank in Inner Mongolia Autonomous Region
Tumed Zuqi Jingu Rural Bank in Inner Mongolia Autonomous Region
Sichuan Beichuan Fumin Rural Bank
Sichuan Beichuan Qiang Autonomous County Fumin Rural Bank
Sichuan Jiangyou Huaxia Rural Bank
Sichuan Chengdu Longquanyi Chouchou Rural Commercial Bank
Sichuan Guang’an Hengfeng Rural Bank
Sichuan Qianwei Zhongcheng Rural Bank
Sichuan Jingtang Huijin Rural Bank
Sichuan Leshan Jiazhou Minfu Rural Bank
Sichuan Leshan Kunlun Rural Bank
Sichuan Qionglai Guomin Rural Bank
Sichuan Renshou Minfu Rural Bank
Sichuan Yilong Huimin Rural Bank
Yunnan Kunming SRCB Rural Bank
Chongqing Chengkou BOC Fullerton Community Bank
Chongqing Dazu HSBC Rural Bank
Chongqing Dianjiang BOC Fullerton Community Bank
Chongqing Jiangjin Shiyin Rural Bank
Chongqing Kaizhou Taiye Rural Bank
Chongqing Yubei Yinzuo Rural Bank
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China Banking Association

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PwC

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China Banking Association (CBA) was founded in May 2000, as approved by the People’s Bank of China and the Ministry of Civil Affairs. The CBA is a national non-profit social organisation and a Chinese banking industry self-regulatory organisation. Since 2003, the CBA has been in the charge of the China Banking Regulatory Commission (CBRC). In March 2018, the China Banking and Insurance Regulatory Commission (CBIRC) was established, and has assumed the governing role for the CBA ever since. As of October 2019, the CBA had a total of 728 members and 32 professional committees. The secretariat is responsible for the day-to-day work, with 18 departments under it.

Aiming at promoting the common interests of all members, the CBA performs its functions of “self-discipline, rights protection, coordination and services” to protect the legitimate rights and interests of the banking industry, maintain the banking market order, and improve the quality of banking practitioners as well as the service level for members, so as to promote the healthy development of the banking sector.

Self-discipline: The CBA strengthens self-discipline and promotes the improvement of banking service quality, thus serving the development of the real economy. It promotes the construction of a self-discipline and compliance system, and constantly supplements and improves various industry norms and standards to ensure the regulated, orderly, and healthy development of the banking sector. Industry conventions, norms and standards have been formulated to guide the business practices of the banking sector, and promote the replacement of associational standards with national and industrial standards. The CBA has published the China Banking Services Report and the Social Responsibility Report of China Banking Industry for many years, showing the overall progress of banking service improvement and innovation to the society, as well as its guidance function in helping members improve the service management and enhance the capacity for serving the real economy and customers. The social responsibility management practices have been evaluated to improve its performance and establish advanced entity and individual models. Demonstration models for civilised and standardised services have been established to promote the evaluation on civilised and standardised services in China’s banking business outlets and create “Top 100” and “Top 1000” brands. Green finance and inclusive finance have been carried out to constantly improve financial services in weak areas.
The CBA implements national macroeconomic policies, and plays a leading role in assisting to solve the financing difficulty for private enterprises, promoting the development and transformation of the banking sector, so as to continuously improve the ability to serve the real economy.

Rights protection: The CBA lays emphasis on risk prevention and build-up of credible society, so as to establish the basic line of defence for assets and equity in the banking industry. Following the idea of “integrating all efforts to safeguard legal rights”, it coordinates with public security offices and judicial departments and applies a variety of methods and channels to perform as the “guardian”, protecting the legitimate rights and interests of the banking industry. A leading group of joint credit granting has been established to promote the related operation in an orderly manner. National conferences on the management of joint credit granting in the banking sector has been held to effectively publicise and implement relevant regulatory policies. The responsibilities of custodian banks are defined to avoid the impact from external institutions. The boundaries of internet lending depository and management are clarified to maintain the financial order. Following the launch of special campaign themed “protecting bank credit and combating evasion of repayment of bank loans in accordance with the law by CBA”, the special program of “Four Batches” has been fully implemented to build a social credit system. Support is provided to individual rights protection case in the industry, and specialised services are offered to legal cases of member units, so as to effectively resolve financial disputes. The CBA studies the punishing mechanism against “trust-breaking” individuals to promote the establishment of finance-related credit system. The settlement of financial accumulated cases are proactively promoted to effectively protect the legitimate rights and interests of member units.

Coordination: The CBA engages all its professional committees to facilitate the coordination of industry policies, leading the development of banking businesses in a coordinated, stable, and scientific way. Various standards and conventions relating to sectors or industries such as trade finance, fund custody, syndicated loans have been developed, and a number of industrial research results have been issued, including the Report on the Development of the Chinese Banking Industry, the Chinese Bankers Survey, the Social Responsibility Report of China Banking Industry, the China Rural Financial Development Report, the China Financial Inclusion Development Report, the Development Report of Foreign-funded Banks in China, the Development Report of Taiwan-funded Banks in Mainland, the China Rural Financial Development Report, the China Listed Banks Analysis Report, and the China Banking Wealth Management Business Development Report, to promote the healthy and compliant development of the banking business. A series of special forums have been organised to strengthen multilateral and bilateral exchanges and cooperation in the financial sector, and promote the exchange and sharing of industry experiences. The CBA also takes the role to set up communication bridges between members and government regulators to facilitate industry policy coordination, creating a sound policy environment for industry development.

Services: The CBA devotes itself to higher service quality and efficiency, and leads the scientific development of the banking industry, to meet common requirements of the high-end in the banking industry. Certification and training programs are in place to cultivate qualified professionals for the banking industry. Staying tuned for industrial development trends home and aboard, the CBA regularly compiles and publishes the Monthly News of Banking Industry, industry development reports, bankers survey etc. for the purpose of building a high-end information brand. To effectively drive the sustainable and stable development of commercial banks, the CBA releases the “Commercial Bank Stable Growth Capability ‘Gyroscope’ Assessment System”, which is the first comprehensive industry assessment system with Chinese characteristics and in line with the development status of China’s banking industry. The China Banking Industry is a high-quality magazine published by the CBA for the purpose of creating an industry defined publication. The magazine features in “industry information window, industry performance display, expert research integration, industry development think tank”, and aims to strengthen industry information exchange, brand promotion and development research.

The CBA honours:

Advanced Unit for Handicapped & Disabled Support by the Disabled Persons’ Work Committee of the State Council in 2014, being the only national industry association to receive this honour; National Advanced Social Organisation by the Ministry of Civil Affairs in 2010; 5A rating, the highest grade, in the “National Industry Association & Chamber Grade Evaluation 2009” organised by the Ministry of Civil Affairs with the highest score; 5A rating for the second time in 2015.

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At PwC, our purpose is to build trust in society and solve important problems. We are a network of firms in 157 countries with more than 276,000 people who are committed to delivering quality in assurance, advisory and tax services.

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We provide organisations with the professional service they need, wherever they may be located. Our highly qualified, experienced professionals listen to different points of view to help organisations solve their business issues and identify and maximise the opportunities they seek. Our industry specialisation allows us to help co-create solutions with our clients for their sector of interest.

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PwC has one of the most capable and professional teams in financial services in China. Our FS team has been working with the CBA to stay at the forefront in assurance, tax and advisory services. Our strategy is to create a superior business advantage for our clients through our professional teams around the world, bringing clients first-rank industry solutions with integrated industry knowledge and expertise.

Our FS team provides a full range of services to financial institutions in China, including commercial banks, insurance companies, funds and fund management companies, finance companies, securities companies, leasing companies, etc. At the same time, we also serve the regulators of China’s finance and security industries. Over the years, PwC has been an active member in work and activities of government departments and regulators such as the Ministry of Finance ("MOF"), the People’s Bank of China ("PBC"), the China Banking and Insurance Regulatory Commission ("CBIRC"), the China Securities Regulatory Commission ("CSRC"), etc., and been highly evaluated and recognised by relevant institutions.

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- Interpreting the Total Loss-absorbing Capacity Set by the Financial Stability Board
- PwC’s Report on Cities of the Guangdong-Hong Kong-Macao Greater Bay Area
- FinTech and the Greater Bay Area: Breaking Down the Barriers
- 22nd Annual Global CEO Survey China Report
- Becoming a Smarter Risk Taker in the Digital Era: 2019 Risk in Review Asia Pacific Report
- Consolidating Foundation and Accumulating Strength: Analysis on the Impact of Basel III Reforms and Suggestions
- Accounting & Capital Market Environment Reports of Countries along the “Belt and Road” Route
- Race in the New Era: Foreign Asset Managers in China
- 2019 Digital Trust Insights China Report
- Financial Holding Group’s Strategic Control under the New Regulatory Background: Building an Integrated Analysis System from Strategy to Operation
- The Productivity Agenda: Moving beyond Cost Reduction in Financial Services
- China Banking Newsletter 2018 Review and Outlook
- Talent Policy Defines Future Success of the Guangdong-Hong Kong-Macao Greater Bay Area
- The Net Impact of AI and Related Technologies on Jobs in China
- Driving Hard and Fast Leads the Path to Success:
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- Comprehensively Improve Systemic Risk Management Capabilities to Transform from “Big and Stable” to “Good and Stable” — Interpreting the Guiding Opinions on Improving Supervision of Systemically Important Financial Institutions Jointly Issued by the Three Ministries
- Paying Taxes 2019
- Billionaires Insights 2018: New Visionaries and the Chinese Century
- Presenting a United Front on Financial Crimes
- China FinTech Survey 2018
- PwC’s Global Blockchain Survey 2018
- What China-US Trade Tensions Mean for Chinese Economy and Business?
- Stay True to the Mission, Return to Tradition: Impacts of the Measures for the Liquidity Risk Management of Commercial Banks
- New Trends of Technology Enabling To-B Services
- PwC Unicorn CEO Survey 2018
- Driving Change: No Magic Solutions, Just Hard Work
- PwC’s 21st CEO Survey: Key Findings from the Banking and Capital Markets Industry
- New Era in China Ushering in New Business Opportunities
- The Last Stand: Wealth Management in the Digital Age
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- Actuarial
- Cost engineering
- Financial statement audit
- Internal audit
- Capital markets
- Risk assurance

Capital markets and accounting advisory services
- IPO and capital market solutions
- Treasury
- Carve out and spin-off transactions
- GAAP conversions
- Implementation of complex accounting
- M&A / Private equity
- IFRS 15 / ASC 606
- Structured finance & financial instruments
- Corporate treasury

Risk assurance
- Internal audit strategy and advisory
- Internal audit outsourcing and co-sourcing
- Internal controls consulting
- Anti fraud framework
- Corporate risk management (business continuity and risk management)
- Board governance (including board member training)
- IT risks and solutions
- Control, safety and project support
- Information security and network continuity
- Data management and support
- Third-party assurance
- Third-party assurance
- IT due diligence
- Consolidation report
- C-SOX and S404 (term 404 of Sarbanes-Oxley) compliance
- XBRL (extensible business reporting language) compliance
- FATCA (foreign account tax compliance act) compliance
- PN21 (HKEX guidance) compliance
- Sustainable development and climate change
- Business continuity

Deals
- Corporate finance
- Due diligence
- Valuation
- M&A value creation
- PE fund advisory
- M&A tax framework advisory
- Project financing
- Outbound investment
- IPO
- Restructuring
Risk and regulatory
- Basel compliance and implementation
- Credit risk management
- Market risk management
- Operation risk management
- Asset-liability management
- Internal capital adequacy assessment program (ICAAP)
- Capital adequacy system

People and organization
- Strategy implementation map and balanced scorecard
- HR planning
- Compensation and incentive
- Saratoga assessment
- People in M&A

Financial management
- Fast closing account
- Management report
- Financial system
- Planning and projection
- Treasury and fund management
- HR management
- Organizational structure
- Cost management
- Financial shared service
- Process standardization and optimization
- Enterprise performance management
- Financial training

Technology
- IT transformation
- Enterprise architecture
- Application systems
- Data and analytics
- IT sourcing
- Deal support

Strategy
- Corporate and business unit strategy
- Sales and marketing strategy
- Market access and market assessment
- Strategic pivot
- Operation management advisory
- Corporate assets management
- Product innovation and development
- Supply chain and core operation process
- Operation strategy and value chain transformation

Forensics
- Financial crime examinations
- Forensic technology solutions
- Regulatory compliance reviews
- Fraud risk management and fraud prevention
- Background research services
- Disputes and claims
- Insurance claims
- Intellectual property and licensing management services

Data and analytics
- Customer analytics and market segmentation
- Demand assessment
- Customer experience measurement
- Social listening
- Royalty project design and CRM
- Analytical framework design
- Smart decision-making analytics
- Pricing and profitability
- Behavioral economics
- Simulation modelling
- Network analytics
- Marketing performance
PwC Contacts

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