

IPO – the only road for domestic commercial banks to engage in global economy

Good morning, ladies and gentlemen;

First of all, I would like to thank the organizer for offering me such an opportunity to share my view with you. For the past decade, under the strenuous support from both the government and all market players, the Chinese capital market had witnessed dramatic progress with a total capitalization amounting to RMB14.67 trillion, among which the marketable shares value reaching RMB5 trillion, along with over 100 million investors.

As one of the market players, SPD Bank had achieved rapid and healthy development since its IPO on Nov. 20, 1999 under the directly guidance and strong support from CSRC. The Bank had evolved from a local commercial bank with only a total asset of around RMB100 billion into a national commercial bank with a total asset reaching RMB 1 trillion. The bank was ranked No. 176 in terms of Tier One Capital among “Top 1000 World Banks” of Banker magazine, listed among top 3 domestic banks (No.2) by Asian Banker’s “Top 300 Asian Bankers” rating, and ranked No. 9 among all domestic banks according to asset scale. At present, the bank had established 30 branches in 52 cities all over the country with total service outlets of 433.

During the nine years after the bank’s IPO, with the full support from CSRC, the bank had been able to raise fund from the capital (3 times) with a total amount of RMB12.5 billion (actual amount RMB12.314 billion after deduction of cost), which enabled the bank to enhance its capital base, speed up business, strengthen service and achieve high profits. During those nine years, the bank kept on providing dividends to shareholders with a total accumulated amount of dividends reaching RMB4.22. Meanwhile, the bank had carried out two plans for common reserves capitalizing, one plan for bonus share. The current stock price after adjustment of these shares was 50% higher than that of the closing price of the first trading date, and once 3.57 times

at their highest price. If calculated according to the first trading date, the current price after adjustment of these shares was 2.97 times higher than the IPO price and once 11 times at their highest price. Thus, we are proud to say the return of investment on SPD Bank was quite high.

SPB Bank was the first domestic listed commercial bank through standardized formality and in the past nine years, pursuant to the guidance and requirements of CSRC, the bank had developed and adhered to international practice in fields of corporate governance, information disclosure and accounting principles. The perfecting of system had helped to guarantee the steady and sustainable development of the bank.

SPD Bank was the first bank among all domestic banks to establish a modern corporate governance structure, which gave full play of the functions of shareholder's meeting, the board, the supervisors and top management in business operation. The scientific decision making and check and balance structure helped to guarantee the healthy progress of the bank.

With regard to information disclosure, the bank provided the investors four financial reports on an annual base with all the major issues disclosed to the public on time pursuant to regulator's requirements which all enhanced the supervision and restraint from the market on management and encouraged the management to further improve operation.

The current domestic accounting principle had developed drastically due to the active push from CSRC and was basically in line with international practice. SPD Bank was the first domestic bank to hire one of the four accounting giants to offer supplementary audited financial report under the new 5 tier loan classification to disclose NPL ratio and provision coverage. During the initial period of IPO, the NPL ratio of the bank stood at 13.1% with a provision coverage of only 30%。 However, the current NPL ratio was only 1.21% with a provision coverage reaching 215%, with the asset quality and risk control witnessing rapid progress.

Along with the enhancement of capital base, continuous perfection of corporate

governance, increase in risk control capability and standards, SPD Bank gained competitive edge in the past few years' development and entered into much wider business fields. In 2007, the bank established AXA SPDB Investment Managers with AXA (France) Group. Meanwhile both parties had been doing further research in fields of insurance business. Once appropriate and with approval from regulators, both parties will enhance their cooperation in this field.

We believe with the steady development of Chinese economy and capital market, there will be even wider and more opportunities for Sino-French cooperation in financial fields. SPD Bank will continue to look for partners and opportunities in various financial fields, expand cooperation with a goal to build its self into a modern financial service provider with core competitiveness.

Mr. Yang Guoping, senior economist, male, born in July 1959. Mr. Yang graduated from Shanghai University of Finance & Economy in 1984 and now is the deputy director of Office to the Board, SPD Bank and engaged in the project of IPO during 1998-1999. Before his service in SPD Bank from August, 1994, Mr. Yang worked in Research Institute (Shanghai Branch) of PBOC from Dec. 1984 and once served as vice director of "Shanghai Finance" .