

China Banks' Profit Growth Slowed Last Year as Economy Weakened
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By Bloomberg News

April 24 (Bloomberg) -- Profit growth at China's banks slowed and bad loans climbed in 2012 as the world's second-largest economy expanded at the weakest pace in 13 years.

Combined profit at Chinese lenders, including policy and commercial banks, and their foreign competitors in the country grew 20 percent to 1.5 trillion yuan (\$243 billion) last year, the China Banking Regulatory Commission said in its annual report today. That compares with 39 percent growth in 2011.

Government controls on interest rates and limits on foreign banks' operations helped buoy profits at state-owned lenders last year even as economic growth slowed to 7.8 percent.

Industrial & Commercial Bank of China Ltd., the world's largest by market value, and its closest domestic competitors will publish first-quarter earnings this week.

In 2013, the CBRC will guard against rising defaults and risks associated with lending outside the banking system, it said in the annual report. The regulator will continue to limit loans to local government financing vehicles and the real estate industry, it said.

Bad loans in the banking industry rose to 1.07 trillion yuan last year from 1.05 trillion yuan in 2011, the regulator said. Non-performing loans accounted for 1.6 percent of banks' total advances in 2012, compared with 1.8 percent in 2011, according to the CBRC report.

Profits at foreign lenders, which accounted for less than 2 percent of China's banking assets, declined 2.4 percent last year to 16.3 billion yuan, the regulator said. The global banks ran 412 branches in China as of December, compared with about 65,000 operated by the four largest local lenders at the end of 2011, according to the CBRC.

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