

Minsheng Bank readies for Hong Kong float



A Minsheng Bank ATM in Beijing.

Bloomberg News

The robust capital flow to the Hong Kong capital market, which has gained some 60 percent in past several months, has offered an attractive funding option to mainland enterprises, particularly banks, at a time when the ban on new share issues on the mainland is yet to be lifted.

The lending spree in the past few months has required some mainland banks to boost their capital adequacy ratios, thereby constricting their loan growth.

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The first mainland bank to come calling for new capital could be China Minsheng Banking Corp Ltd, which indicated earlier that it has initiated the process for an initial public offering (IPO) in Hong Kong.

The bank, China's first listed private lender on the Shanghai bourse, said it plans to issue up to 15 percent, or 3.32 billion H shares, of its expanded capital, for public subscription in Hong Kong. There will be a green shoe option to increase the

issue by an additional 15 percent, raising the total issue to 3.82 billion H shares.

The total amount raised is likely to exceed 20 billion yuan equivalent, taking into account the prevailing pricing disparity between Hong Kong listed H shares and the listed A shares of mainland enterprises. On the Shanghai exchange, Minsheng's shares yesterday surged nearly 6 percent from Friday to close at 7.69 yuan.

The bank said the funds raised would be utilized to augment its capital, to boost capital adequacy ratio and improve profitability as well as its ability to withstand risk.

The bank's capital adequacy ratio at the end of 2008 was 9.22 percent, while its core capital adequacy ratio was 6.6 percent, against the minimum requirement of 8 percent and 4 percent, respectively.

Everbright Securities said in a report the proposed Hong Kong IPO could raise the Minsheng's core capital adequacy ratio by about 2.4 percent to over 9.5 percent, which is in line with those of the big four

State-owned banks.

In a statement, Minsheng said apart from improving the management and control of capital, the bank needs new funds to finance its expansion plans and to increase its share of the lending market.

An IPO in the international capital market of Hong Kong, the bank said, would not only raise its capital adequacy ratio, but also help improve the standard of governance. Such an exposure could greatly enhance the recognition of Minsheng brand in overseas markets, the bank said.

Founded in 1996, Minsheng had realized about 70 percent year-on-year growth between 2000 and 2005. Due to the fast expansion, the bank's capital adequacy ratio has been struggling to meet the regulators' minimum requirements.

Industry experts also said the bank's move is in preparation for overseas mergers and acquisitions and to strengthen the bank's brand in the international market.

"The Minsheng move is more likely a strategic measure rather than the single purpose of raising capital. The bank's brand can be much recognized after listing in Hong Kong, which will benefit its future overseas acquisitions. It can be an ideal capital raising measure when compared with introducing strategic investors and private offering of additional shares," said Cheng Zhijie, deputy manager, United Securities.

Minsheng had initially planned to list itself in Hong Kong in 2003, but scrapped the move in favor of a private placement carried out in June 2007, by which it raised 18.2 billion yuan.

The bank's Shanghai-listed shares have risen nearly 80 percent since the start of the year, while the benchmark Shanghai Composite Index is up more than 50 percent. Hong Kong's benchmark Hang Seng Index has risen nearly 30 percent, buoyed in part by prospects of an early recovery by China's economy.

The bank said the timing of the listing would depend on global market conditions and regulatory approvals. The listing will be valid for 18 months following approval by shareholders.

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