

### ICBC plans stock, convertible sales to shore up capital

Industrial & Commercial Bank of China Ltd (ICBC) plans to sell stock and as much as 25 billion yuan (\$3.7 billion) of convertible bonds to shore up capital eroded by unprecedented lending.

The bank will sell six-year bonds convertible into yuan-denominated A shares and will seek shareholder approval to issue stock equivalent to as much as 20 percent of its outstanding equity capital, according to a statement filed to the Hong Kong bourse on Thursday.

Chinese banks are raising money after a record 9.59 trillion yuan of new loans last year weakened their balance sheets and the regulator raised requirements for financial buffers.

"This is surprising given that ICBC is in a strong financial position to support its growth for the next few years," said Sheng Nan, a Shanghai-based analyst at UOB-Kayhian Investment Co. "It may be preparing for a rainy day when the regulator imposes even tougher rules on capital."

The China Banking Regulatory Commission in December ordered the biggest State-owned lenders to maintain capital adequacy ratios, a measure of financial strength, of at least 11 percent.

ICBC's capital-adequacy ratio fell to 12.36 percent at the end of December from 13.06 percent at the beginning of the year.

The bank on Thursday posted its fastest profit growth in seven quarters, with net income jumping 58 percent to 28.6 billion yuan in the final three months of 2009 from a year earlier.

Profit may rise 22 percent in 2010 as the central bank raises borrowing costs, making lending more profitable, analysts surveyed by Bloomberg predict.

Shares of ICBC dropped 1.4 percent on Thursday in Hong Kong. The stock has fallen 12 percent this year, underperforming the 5 percent decline in the benchmark Hang Seng Index.

*Source: China Daily*