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Chinese Bank Issues World's Largest IPO

"The county area business will be one of our key profit drivers and our bank is well positioned to capitalize on China's next wave of growth."
Xiang Junbo, Chairman, Agricultural Bank of China

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Introduction

Agricultural Bank of China (ABC) is coming out this week with the world's largest initial public offering (IPO) to raise more than 150 billion Yuan (\$23.2 billion). ABC, a government-owned bank set up in 1951, is China's third largest bank by assets, after Industrial and Commercial Bank of China Limited (ICBC) and China Construction Bank. The bank plans to issue 22.23 billion shares in Shanghai and 25.41 billion shares in Hong Kong through the IPO, excluding an over-allotment option. At the end of 2009, ABC had outstanding loans amounting to 4.14 trillion Yuan (1 USD = 6.4655 Yuan). The bank targets a minimum capital adequacy ratio of 11.5 percent from 2010 to 2012. ABC will announce the final IPO price by July 7 and its shares begin trading in Shanghai on July 15 and a day later in Hong Kong.

Cornerstone Investors

Cornerstone investors, who are offered significant stakes in an IPO as a way of lending it credibility, include businesses from Australia, the US, and Singapore besides sovereign wealth funds in Qatar, Kuwait, and Singapore. Archer Daniels Midland Co., the US agribusiness group, will invest \$200 million in the IPO while Australia's Seven Group Holdings plans to invest \$250 million. Singapore's United Overseas Bank is set to invest about \$100 million. Other major foreign investors in the Hong Kong offering are Qatar Investment Authority (\$2.8 billion), Kuwait Investment Authority (\$800 million), Britain's Standard Chartered Bank (\$500 million), Rabobank Nederland (\$250 million), and Singapore's Temasek Holdings (\$200 million). The long list of cornerstone investors in the IPO signifies the importance global companies are giving to investments in Chinese businesses.

Post-IPO, China's Ministry of Finance will own 40.2 percent of ABC and Central Huijin Investment Co., a unit of the nation's \$300 billion sovereign wealth fund, will have 40.93 percent. The National Social Security Fund, which spent 15.5 billion Yuan for a 3.7 percent stake before the offering, will own 3.87 percent after the IPO.

Previous World Record in IPO

ICBC, China's largest bank by assets, raised \$21.9 billion in 2006 and held the record as the world's largest IPO till date, while Visa Inc.'s \$19.7 billion IPO in 2008 is considered as the world's second largest IPO.

Globally, China dominates the IPO market in 2010. Till May 2010, China raised \$23.4 billion, followed by Japan (\$11.4 billion) and the US (\$7 billion).

IPOs in 2010: A Comparison



In 2009, 183 Chinese IPOs raised more than \$55 billion, compared with \$24 billion raised by US IPOs, according to global IPO tracking firm Dealogic. In the past five years, Chinese companies raised \$210 billion in IPOs, compared with American companies' \$184 billion.

10 Largest Global IPOs

Period	Issuer Name	Country	Value (in USD Bn)
Oct 2006	Industrial & Commercial Bank of China	China	21.9
Mar 2008	Visa	USA	19.7
Oct 1998	NTT Mobile Communications Network	Japan	18.4
Oct 1999	ENEL	Italy	17.4
Nov 1996	Deautche Telekom	Germany	13.0
May 2006	Bank of China	China	11.2
Mar 2010	Dai -ichi Life Insurance	Japan	11.0
July 2006	Rosneft	Russia	10.7
Apr 2000	AT&T Wireless Services	USA	10.6
Nov 1997	Telstra	Australia	10.0

Source: Dealogic

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