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## Bank Political Connections and Performance in China

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### Abstract

We examine the effects of bank's political connection on bank performance and risk in China. We use hand-collected information on CEOs' professional background to identify their political affiliations, and find that banks whose CEOs have former government experiences have higher return on assets, lower default risk, and lower credit risk. Additionally, politically connected banks have disproportionately higher performance when the CEOs previously worked in the same city where the current bank's headquarter locates, had past banking experiences, spend more on entertainment and travel costs, and have higher previous administrative rankings (e.g., at the provincial or state level). These results suggest that politically connected banks have better access to lending to politically connected firms, which are high yield assets and more likely to be bailed out when in distress. Our results offer a mechanism of political rent seeking, consistent with the institutional environment of China's banking and political system.

*Keywords:* Political connection, Bank performance, Anti-corruption shock, China

*JEL Classification:* G21 G28 G34

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