

# China Banks Big Picture

## WMPs and the Surge in SHIBOR

- **Channel checks** – We were in Hangzhou and Shanghai this week meeting bankers. We believe the current interbank tightness is partly the result of PBOC's restrictions on WMPs, aimed at curbing improper activities/shadow banking. Interbank liquidity will likely ease in July. We see recent share price weakness as a buying opportunity – with the sector on about 0.95x FY13E P/B, valuations have just fallen below the recent trough in 3Q12. Prefer CCB and BOC – big banks have stronger capital and liquidity. Smaller banks are more vulnerable; MSB is most vulnerable given its large interbank business and need for interbank funding.
- **New PBOC restrictions on WMPs** – Quarter-end liquidity shortfalls in WMPs have in the past been directly funded by the parent bank. But since April/May, the PBOC has prohibited banks from funding their WMPs. Banks are now routing liquidity to their WMPs via other banks and are raising liquidity earlier than before to ensure adequate funding. This has contributed to the pressures in the interbank market.
- **"Fake deposits" have created pressure** – Another activity is the transformation of interbank deposits into customer deposits by banks by channeling the funds through insurance products. This is a grey area, in our view. But high interbank rates would naturally curb this activity.
- **Financial system is outgrowing the LDR ceiling** – This bout of interbank tightness is symptomatic of two bigger forces: (1) diminished capital inflows; (2) financial system has been leveraging up to fund China's investment growth and LDR is in fact more like 80-90% if off B/S and shadow banking are included. And so the conflict with the outdated 75% LDR regulatory ceiling is becoming greater as shadow banking grows.
- **Environment still challenging for SMEs** – Loan demand still soft in the region; loan pricing has been on a declining trend. No significant improvement in asset quality. But trust companies still see strong financing demand from LGFVs / property companies.

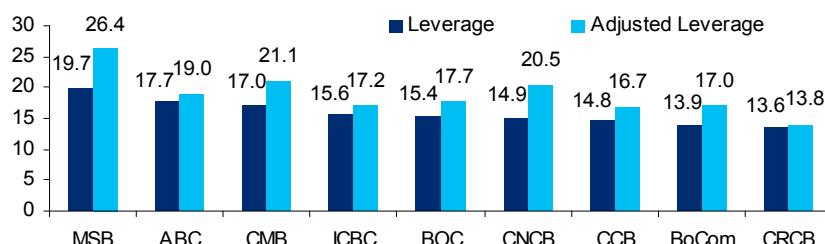
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Figure 1. Chinese Banks Leverage Adjusted for Off-Balance Sheet Assets (4Q12)



Source: Citi Research; Note: Leverage = Total assets / Shareholders' Equity. Adjusted leverage is calculated after adjusting total assets for non-guaranteed WMP assets and off-balance sheet guarantees and acceptances

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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## WMPs and the Surge in SHIBOR

### Visits in Hangzhou and Shanghai

We were in Hangzhou and Shanghai this week meeting bankers and several banks' treasury departments. Interbank market tightness dominated our discussions with banks' treasury departments. We believe that a recent regulatory change in how wealth management products (WMP) obtain short-term liquidity has been an important reason behind the recent tightness in the interbank market.

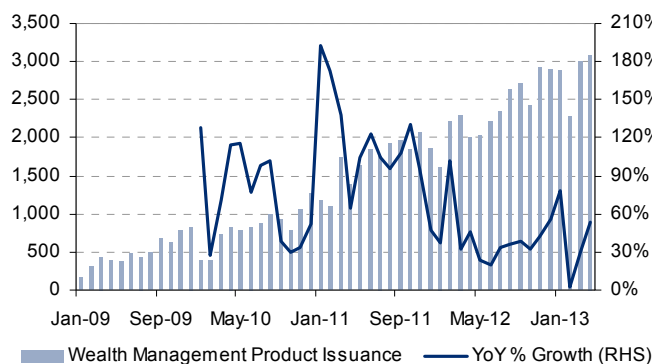
### WMPs have concentrated maturities at quarter end

It has been known for a while that non-principal guaranteed WMPs have concentrated maturities at the end of each quarter – deliberately designed so that customer funds settle back onto banks' balance sheets just before the quarter-end to boost deposit balances and meet the regulatory 75% LDR maximum.

### WMPs are asset-liability mismatched

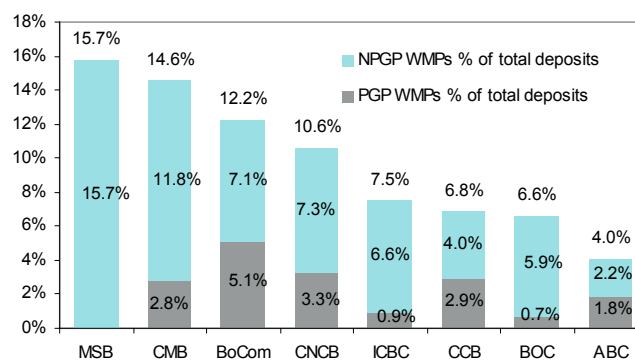
WMPs are asset-liability mismatched, with short-term customer funds – some 90% of WMPs are 6 months or shorter in duration – funding a portfolio of longer-term assets such as loans (eg. trust beneficiary rights) and bonds (for more details, see our report [Chinese Banks – Wealth Management Products: Evolution not Closure](#)). When WMPs mature, the funds are returned to the customers back into their bank deposit accounts, but the assets stay off-balance sheet.

Figure 2. Monthly Issuance of Wealth Management Product (units)



Source: CEIC Data Company Limited, Citi Research

Figure 3. Chinese Banks WMPs' AUM as % of Total Deposits (1Q13)



Source: Company Reports and Citi Research  
Note: \*NPGP: Non-Principal Guaranteed Products;  
PGP: Principal Guaranteed Products

### WMP liquidity shortfall has been directly funded by parent bank

This liquidity shortfall has in the past been directly funded by the WMP's parent bank – and this liquidity requirement is usually very short-term, perhaps just a few days before the customer rolls the funds into a new WMP. This liquidity requirement is more intense at quarter-end because of the deliberate concentration of maturities and has in the past 1-2 years led to bouts of liquidity tightness in the interbank market.

### But since April/May PBOC has restricted banks from funding their WMPs

What is different this time is that the PBOC has recently restricted banks from directly providing liquidity to their WMPs. We understand this change occurred in April/May – after the CBRC's Number 8 document on WMPs in late March and the regulatory crackdown on illegal trading in corporate bonds in April. We believe the rationale for the PBOC's change is to curb improper pricing of liquidity transactions between banks and their WMPs because some of these apparently have occurred at below market rates, ie. banks effectively subsidizing their WMP returns.

**Banks are now routing liquidity to their WMPs via other banks**

To go around this, the banks are now routing liquidity to their WMPs through a third party bank. It is still possible for WMPs to obtain short-term liquidity but this new approach is less certain than the old arrangement and counterparty risks, limits and creditworthiness now need to be considered in this transaction. As a result, smaller banks with disproportionately large liquidity needs (large WMP exposures) may struggle and banks are generally raising liquidity earlier than before to ensure there is adequate funding. This behavior has definitely contributed to the pressures in the interbank market.

## **Generating Fake Deposits**

**Transforming interbank deposits into customer deposits**

Another activity that has added to the interbank market tightness is the transformation of interbank deposits into customer deposits via securities/insurance companies. We believe this is a grey area. In this arrangement, banks place borrowed funds from the interbank market into insurance products. These insurance products then deposit the funds into banks that are desperate and are willing to pay up for deposits. The bank that borrowed from the interbank market earns a spread (between the cost of interbank borrowing and the high deposit rate placed with the other bank). The bank that paid up for the deposit from the asset management plan (could be via a structured deposit, negotiated deposit or other methods) books this as a customer deposit – insurance deposits can be treated as customer deposits. Interbank deposits are not included in the CBRC's LDR calculation; only customer deposits are counted.

**But high interbank rates will curb this activity**

However, very high interbank rates currently would curb this activity as they make it difficult for banks to earn a positive spread by borrowing from the interbank market and re-depositing the amount at a higher rate.

## **Financial System Is Outgrowing the 75% LDR Rule**

**Regulators are killing two birds with one stone**

Regulators are effectively “killing two birds with one stone” – they are curbing improper transactions between banks and their WMPs, the generation of “fake deposits” through the transformation of interbank liquidity into deposits, and shadow banking activities.

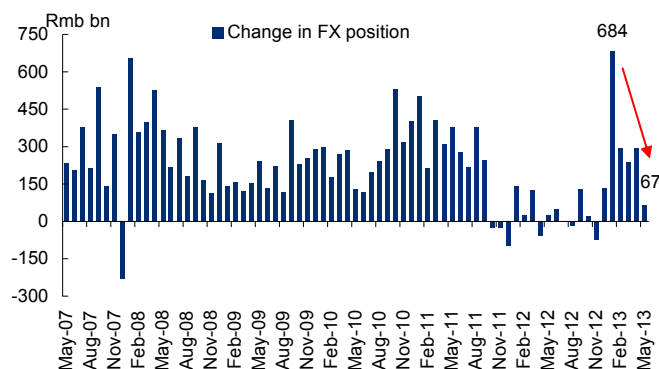
**Interbank liquidity likely to ease in July but a number of factors remain**

It is highly likely that interbank liquidity will remain tight until the end of June. There will likely be an easing off in July when customer deposits are rolled into new WMPs and liquidity demands will ease. Our economists also share this view (see [China Macro Flash – Surging Shibor Likely Short-Lived; If Not, RRR Cuts Likely](#)). But the factors above will remain unless there are regulatory changes, such as allowing WMPs to borrow liquidity from their parents at market rates and with transparency, and disallowing fund management deposits to be treated as customer deposits.

**Financial system has been leveraging up to fund China's investment growth**

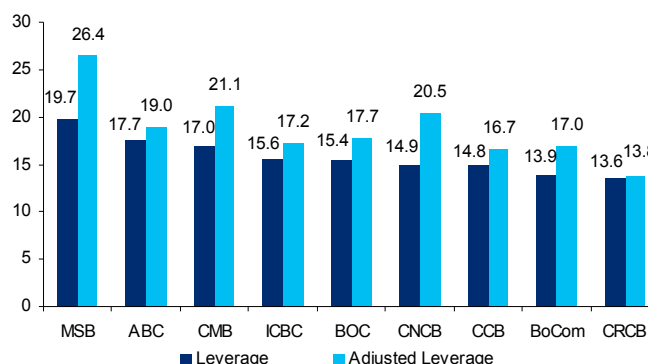
We believe this bout of interbank market tightness is symptomatic of two bigger picture forces: firstly that there has been less capital inflow or even capital flight from China recently, and if this trend persists liquidity could remain an issue (although there is plenty of room to lower the RRR to offset); and secondly, the financial system has been leveraging up to fund China's investment growth and the LDR of the financial system has risen to more like 80-90% if we include off balance sheet and shadow banking activities (versus the stated 71%) – and so the conflict with the outdated 75% LDR regulatory maximum is becoming greater as banking system leverage and shadow banking increase.

Figure 4. China – Monthly Change in FX Positions



Source: CEIC Data Company Limited, Citi Research

Figure 5. Chinese Banks Leverage Adjusted for Off-Balance Sheet Assets (4Q12)



Source: Citi Research

Note: Leverage = Total assets / Shareholders' Equity.

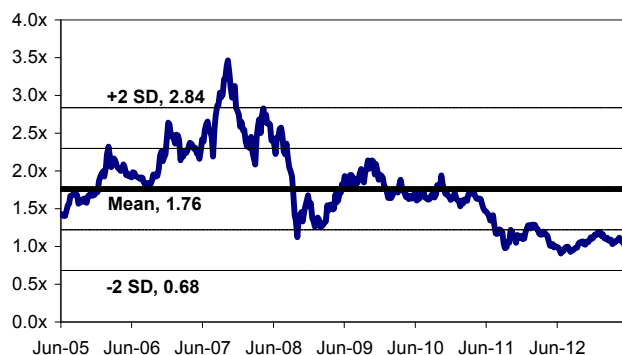
Adjusted leverage is calculated after adjusting total assets for non-guaranteed WMP assets and off-balance sheet guarantees and acceptances

## Environment Still Challenging for SMEs

**Loan pricing weakening, not much asset quality improvement**

During our trip, we also met some corporate and SME bankers and the feedback is that loan demand remains soft in Shanghai and Zhejiang (outside of property and local government infrastructure projects which are being funded by shadow banking) and loan pricing has as a result been on a declining trend. Asset quality has not shown significant improvement but has not shown significant further deterioration either; the environment remains challenging for SMEs and private enterprises.

Figure 6. Chinese Banks 1-Year Forward Sector P/B



Source: Citi Research

Figure 7. Chinese Banks 1-Year Forward Sector P/E



Source: Citi Research

Figure 8. Chinese Banks – Valuation Table

| 6/20/13                      | ABC     | ICBC    | CCB     | BoC     | CMB     | BoCom   | CNCB    | MSB     | CRCB    | Average |
|------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Stock code                   | 1288.CN | 1398.CN | 0939.CN | 3988.CN | 3968.CN | 3328.CN | 0998.CN | 1988.CN | 3618.CN |         |
| Market cap (US\$ bn)         | 129.37  | 205.98  | 165.97  | 110.83  | 36.94   | 50.93   | 22.19   | 29.33   | 4.06    |         |
| Recommendation               | 1       | 2       | 1       | 1       | 3       | 2       | 2       | 3       | 1       |         |
| Price (HK\$)                 | 3.09    | 4.57    | 5.15    | 3.08    | 13.28   | 5.32    | 3.68    | 8.02    | 3.39    |         |
| Target (HK\$)                | 4.70    | 6.40    | 7.70    | 4.40    | 15.50   | 6.50    | 5.00    | 8.50    | 5.70    |         |
| Expected Return              | 52%     | 40%     | 50%     | 43%     | 17%     | 22%     | 36%     | 6%      | 68%     |         |
| <b>EPS (Rmb)</b>             |         |         |         |         |         |         |         |         |         |         |
| 12                           | 0.45    | 0.67    | 0.77    | 0.50    | 2.10    | 0.88    | 0.66    | 1.34    | 0.58    |         |
| 13F                          | 0.50    | 0.71    | 0.84    | 0.53    | 1.80    | 0.81    | 0.69    | 1.39    | 0.67    |         |
| 14F                          | 0.54    | 0.77    | 0.91    | 0.56    | 1.98    | 0.85    | 0.79    | 1.50    | 0.74    |         |
| <b>EPS (Rmb) growth (%)</b>  |         |         |         |         |         |         |         |         |         |         |
| 12                           | 19.0    | 14.5    | 14.1    | 12.2    | 25.3    | 7.9     | (6.7)   | 28.6    | 26.2    | 15.00   |
| 13F                          | 12.5    | 6.2     | 8.1     | 5.8     | (14.2)  | (8.3)   | 4.7     | 3.6     | 16.6    | 5.59    |
| 14F                          | 6.7     | 8.2     | 8.5     | 6.9     | 10.2    | 5.2     | 13.3    | 7.8     | 9.9     | 7.91    |
| <b>EPS (HK\$)</b>            |         |         |         |         |         |         |         |         |         |         |
| 12                           | 0.54    | 0.82    | 0.94    | 0.61    | 2.56    | 1.08    | 0.81    | 1.64    | 0.70    | 0.91    |
| 13F                          | 0.61    | 0.87    | 1.02    | 0.64    | 2.19    | 0.99    | 0.85    | 1.70    | 0.82    | 0.93    |
| 14F                          | 0.65    | 0.94    | 1.10    | 0.69    | 2.42    | 1.04    | 0.96    | 1.83    | 0.90    | 1.01    |
| <b>EPS (HK\$) growth (%)</b> |         |         |         |         |         |         |         |         |         |         |
| 12                           | 19.0    | 14.5    | 14.1    | 12.2    | 25.3    | 7.9     | (6.7)   | 28.6    | 26.2    | 15.00   |
| 13F                          | 12.5    | 6.2     | 8.1     | 5.8     | (14.2)  | (8.3)   | 4.7     | 3.6     | 16.6    | 5.59    |
| 14F                          | 6.7     | 8.2     | 8.5     | 6.9     | 10.2    | 5.2     | 13.3    | 7.8     | 9.9     | 7.91    |
| <b>PER (x)</b>               |         |         |         |         |         |         |         |         |         |         |
| 12                           | 5.7     | 5.6     | 5.5     | 5.1     | 5.2     | 4.9     | 4.6     | 4.9     | 4.8     | 5.40    |
| 13F                          | 5.0     | 5.3     | 5.1     | 4.8     | 6.1     | 5.4     | 4.3     | 4.7     | 4.1     | 5.13    |
| 14F                          | 4.7     | 4.9     | 4.7     | 4.5     | 5.5     | 5.1     | 3.8     | 4.4     | 3.8     | 4.76    |
| <b>Price/PPOP (x)</b>        |         |         |         |         |         |         |         |         |         |         |
| 12                           | 4.6     | 5.5     | 5.1     | 4.6     | 6.1     | 4.6     | 3.6     | 6.4     | 4.9     | 5.09    |
| 13F                          | 3.7     | 4.4     | 4.1     | 3.8     | 4.2     | 3.5     | 2.7     | 3.9     | 4.1     | 4.01    |
| 14F                          | 3.4     | 3.9     | 3.6     | 3.4     | 3.6     | 3.2     | 2.6     | 3.1     | 3.4     | 3.57    |
| <b>BVPS (HK\$)</b>           |         |         |         |         |         |         |         |         |         |         |
| 12                           | 2.81    | 3.91    | 4.59    | 3.60    | 11.32   | 6.24    | 5.05    | 7.01    | 4.18    | 4.53    |
| 13F                          | 3.24    | 4.51    | 5.28    | 4.03    | 12.47   | 6.93    | 5.70    | 8.52    | 4.82    | 5.16    |
| 14F                          | 3.68    | 5.15    | 6.03    | 4.50    | 14.23   | 7.66    | 6.44    | 10.01   | 5.46    | 5.87    |
| <b>Price/Book (x)</b>        |         |         |         |         |         |         |         |         |         |         |
| 12                           | 1.1     | 1.2     | 1.1     | 0.9     | 1.2     | 0.9     | 0.7     | 1.1     | 0.8     | 1.07    |
| 13F                          | 1.0     | 1.0     | 1.0     | 0.8     | 1.1     | 0.8     | 0.6     | 0.9     | 0.7     | 0.93    |
| 14F                          | 0.8     | 0.9     | 0.9     | 0.7     | 0.9     | 0.7     | 0.6     | 0.8     | 0.6     | 0.82    |
| <b>DPS (HK\$)</b>            |         |         |         |         |         |         |         |         |         |         |
| 12                           | 0.19    | 0.29    | 0.33    | 0.21    | 0.77    | 0.08    | 0.18    | 0.18    | 0.21    | 0.27    |
| 13F                          | 0.21    | 0.31    | 0.36    | 0.23    | 0.66    | 0.30    | 0.21    | 0.34    | 0.30    | 0.31    |
| 14F                          | 0.23    | 0.33    | 0.39    | 0.24    | 0.73    | 0.31    | 0.24    | 0.37    | 0.33    | 0.33    |
| <b>Dividend yield (%)</b>    |         |         |         |         |         |         |         |         |         |         |
| 12                           | 6.2     | 6.4     | 6.3     | 6.9     | 5.8     | 1.5     | 5.0     | 2.3     | 6.1     | 5.89    |
| 13F                          | 6.9     | 6.8     | 6.9     | 7.3     | 5.0     | 5.6     | 5.8     | 4.2     | 8.7     | 6.66    |
| 14F                          | 7.4     | 7.3     | 7.5     | 7.8     | 5.5     | 5.9     | 6.5     | 4.6     | 9.6     | 5.86    |

Note: \*Exchange Rate of HK\$1.219108 for FY13E and FY14E  
Source: Company Reports and Citi Research Estimates

Figure 9. Chinese Banks – Performance Ratios

| 6/20/13  | ABC   | ICBC  | CCB   | BoC   | CMB   | BoCom | CNCB  | MSB   | CRCB  | Average      |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------------|
| <b>ROA (stated)</b>                            |       |       |       |       |       |       |       |       |       |              |
| 12   | 1.16  | 1.44  | 1.47  | 1.14  | 1.46  | 1.18  | 1.08  | 1.38  | 1.38  | <b>1.33</b>  |
| 13F  | 1.16  | 1.37  | 1.40  | 1.10  | 1.29  | 1.08  | 1.03  | 1.20  | 1.38  | <b>1.27</b>  |
| 14F  | 1.10  | 1.33  | 1.35  | 1.06  | 1.24  | 1.01  | 1.03  | 1.19  | 1.31  | <b>1.22</b>  |
| <b>ROE (stated)</b>                            |       |       |       |       |       |       |       |       |       |              |
| 12   | 20.74 | 22.98 | 22.04 | 18.01 | 24.78 | 17.91 | 17.06 | 25.67 | 17.94 | <b>21.43</b> |
| 13F  | 20.25 | 20.99 | 20.62 | 16.87 | 20.18 | 15.02 | 15.76 | 21.86 | 18.80 | <b>19.71</b> |
| 14F  | 18.91 | 19.80 | 19.52 | 16.15 | 18.11 | 14.27 | 15.80 | 19.75 | 18.10 | <b>18.57</b> |
| <b>Net interest margin</b>                     |       |       |       |       |       |       |       |       |       |              |
| 12   | 2.77  | 2.58  | 2.75  | 2.15  | 3.03  | 2.59  | 2.65  | 2.88  | 3.50  | <b>2.64</b>  |
| 13F  | 2.68  | 2.48  | 2.64  | 2.20  | 2.88  | 2.46  | 2.60  | 2.65  | 3.38  | <b>2.56</b>  |
| 14F  | 2.59  | 2.40  | 2.55  | 2.10  | 2.80  | 2.35  | 2.55  | 2.66  | 3.28  | <b>2.47</b>  |
| <b>Cost/income</b>                             |       |       |       |       |       |       |       |       |       |              |
| 12   | 43.0  | 35.9  | 37.0  | 43.7  | 42.8  | 39.2  | 39.0  | 41.7  | 44.5  | <b>39.62</b> |
| 13F  | 44.1  | 36.2  | 37.1  | 43.7  | 43.6  | 39.4  | 40.3  | 43.3  | 42.9  | <b>40.08</b> |
| 14F  | 45.1  | 36.6  | 37.9  | 44.2  | 44.3  | 40.3  | 41.2  | 44.3  | 42.7  | <b>40.79</b> |
| <b>Non-interest inc/total operating income</b> |       |       |       |       |       |       |       |       |       |              |
| 12   | 19.6  | 21.1  | 23.6  | 29.8  | 22.3  | 18.6  | 15.9  | 24.8  | 4.1   | <b>22.59</b> |
| 13F  | 20.3  | 21.9  | 23.8  | 30.8  | 22.4  | 19.4  | 17.3  | 24.8  | 4.4   | <b>23.22</b> |
| 14F  | 21.1  | 22.8  | 24.5  | 32.2  | 22.7  | 20.3  | 17.5  | 26.3  | 4.9   | <b>24.10</b> |
| <b>Loans/deposits</b>                          |       |       |       |       |       |       |       |       |       |              |
| 12   | 59.2  | 64.5  | 66.2  | 74.8  | 75.2  | 79.0  | 73.7  | 71.9  | 58.9  | <b>67.90</b> |
| 13F  | 59.8  | 65.4  | 66.8  | 75.4  | 75.5  | 79.4  | 74.5  | 72.3  | 59.8  | <b>68.52</b> |
| 14F  | 60.3  | 66.0  | 66.9  | 75.7  | 75.6  | 79.5  | 74.4  | 72.6  | 60.5  | <b>68.86</b> |
| <b>Loan growth</b>                             |       |       |       |       |       |       |       |       |       |              |
| 12   | 14.1  | 13.0  | 15.6  | 8.2   | 16.0  | 15.1  | 16.0  | 14.9  | 20.2  | <b>13.63</b> |
| 13F  | 13.2  | 12.7  | 14.4  | 12.5  | 14.4  | 13.6  | 14.1  | 13.7  | 17.9  | <b>13.45</b> |
| 14F  | 13.3  | 12.1  | 12.7  | 11.3  | 13.2  | 13.0  | 12.9  | 13.5  | 18.5  | <b>12.61</b> |
| <b>Equity/assets</b>                           |       |       |       |       |       |       |       |       |       |              |
| 12   | 5.7   | 6.4   | 6.8   | 6.8   | 5.9   | 7.2   | 6.7   | 5.2   | 7.4   | <b>6.46</b>  |
| 13F  | 5.8   | 6.6   | 6.9   | 6.8   | 6.8   | 7.1   | 6.7   | 6.1   | 7.4   | <b>6.64</b>  |
| 14F  | 5.9   | 6.8   | 7.0   | 6.8   | 6.8   | 7.0   | 6.7   | 6.3   | 7.2   | <b>6.72</b>  |
| <b>Tier 1 CAR</b>                              |       |       |       |       |       |       |       |       |       |              |
| 12   | 9.7   | 10.6  | 11.3  | 10.5  | 8.5   | 11.5  | 9.9   | 8.1   | 12.0  | <b>10.50</b> |
| 13F  | 9.7   | 10.5  | 11.3  | 10.5  | 9.3   | 11.0  | 9.8   | 8.1   | 11.3  | <b>10.45</b> |
| 14F  | 9.7   | 10.8  | 11.6  | 10.6  | 9.2   | 10.7  | 9.5   | 8.3   | 10.2  | <b>10.60</b> |
| <b>Total CAR</b>                               |       |       |       |       |       |       |       |       |       |              |
| 12   | 12.6  | 13.7  | 14.3  | 12.6  | 12.1  | 14.4  | 13.4  | 10.8  | 12.9  | <b>13.39</b> |
| 13F  | 12.3  | 13.2  | 13.2  | 13.7  | 12.2  | 13.6  | 12.2  | 9.8   | 11.8  | <b>13.01</b> |
| 14F  | 12.2  | 13.5  | 13.4  | 13.6  | 11.9  | 13.1  | 11.6  | 9.9   | 10.7  | <b>13.00</b> |
| <b>Bad Debt Provisions/Average Loans</b>       |       |       |       |       |       |       |       |       |       |              |
| 12   | 0.90  | 0.41  | 0.57  | 0.29  | 0.31  | 0.53  | 0.85  | 0.71  | 0.32  | <b>0.54</b>  |
| 13F  | 0.75  | 0.46  | 0.64  | 0.41  | 0.50  | 0.60  | 0.86  | 0.78  | 0.53  | <b>0.58</b>  |
| 14F  | 0.75  | 0.46  | 0.64  | 0.41  | 0.50  | 0.60  | 0.75  | 0.79  | 0.66  | <b>0.58</b>  |
| <b>Impaired loans ratio</b>                    |       |       |       |       |       |       |       |       |       |              |
| 12   | 1.64  | 0.85  | 0.99  | 0.95  | 0.61  | 0.92  | 0.74  | 0.76  | 0.98  | <b>1.02</b>  |
| 13F  | 1.69  | 0.89  | 1.06  | 1.01  | 0.64  | 1.00  | 0.83  | 0.83  | 1.05  | <b>1.08</b>  |
| 14F  | 1.72  | 0.92  | 1.15  | 1.06  | 0.67  | 1.06  | 0.88  | 0.86  | 1.10  | <b>1.13</b>  |
| <b>Provision coverage</b>                      |       |       |       |       |       |       |       |       |       |              |
| 12   | 265.8 | 296.0 | 271.3 | 236.3 | 355.1 | 254.5 | 288.2 | 315.1 | 350.6 | <b>279.0</b> |
| 13F  | 264.0 | 286.4 | 268.8 | 245.8 | 360.6 | 253.2 | 303.4 | 309.2 | 322.5 | <b>277.2</b> |
| 14F  | 264.9 | 284.3 | 261.8 | 243.8 | 368.9 | 256.8 | 309.0 | 316.8 | 316.3 | <b>276.0</b> |

Source: Company Reports and Citi Research Estimates

## Macro Statistics

Figure 10. China – Economic Indicators

|   | 2006    | 2007    | 2008    | 2009    | 2010    | 2011    | 2012     | 2013F    | 2014F    |
|---|---------|---------|---------|---------|---------|---------|----------|----------|----------|
| <b>Summary Data</b>                       |         |         |         |         |         |         |          |          |          |
| Nominal GDP, US\$ bn                      | 2,787.2 | 3,494.5 | 4,544.0 | 5,070.5 | 5,932.5 | 7,319.0 | 8,244.5  | 9,228.9  | 10,298.1 |
| Nominal GDP, local currency bn            | 22,224  | 26,583  | 31,490  | 34,632  | 40,151  | 47,310  | 51,932   | 56,964   | 62,406   |
| GDP per capita, US\$                      | 2,120   | 2,645   | 3,422   | 3,800   | 4,424   | 5,432   | 6,089    | 6,789    | 7,545    |
| <b>Economic Activity</b>                  |         |         |         |         |         |         |          |          |          |
| Real GDP, % yoy                           | 12.7    | 14.2    | 9.6     | 9.2     | 10.4    | 9.3     | 7.8      | 7.7      | 7.3      |
| Real investment growth % yoy              | 13.6    | 14.7    | 11.0    | 19.2    | 11.9    | 9.7     | 8.4      | 7.6      | 7.1      |
| Real consumption growth % yoy             | 9.8     | 11.0    | 8.5     | 9.4     | 9.2     | 10.7    | 8.2      | 7.3      | 7.8      |
| private consumption growth % yoy          | 11.3    | 11.1    | 9.2     | 10.3    | 8.5     | 17.1    | 8.4      | 7.5      | 8.0      |
| <b>Prices, Money &amp; Credit</b>         |         |         |         |         |         |         |          |          |          |
| CPI, % avg                                | 1.5     | 4.8     | 5.9     | -0.7    | 3.3     | 5.4     | 2.6      | 2.9      | 3.1      |
| Credit extension to private sector, % yoy | 14.3    | 19.3    | 14.0    | 33.2    | 20.3    | 15.1    | 14.8     | 14.6     | 13.9     |
| Policy interest rate, % eop               | 2.52    | 4.14    | 2.25    | 2.25    | 2.75    | 3.50    | 3.00     | 3.00     | 3.25     |
| 1 month inter-bank rate, % eop            | 2.58    | 3.61    | 1.23    | 1.79    | 6.17    | 6.00    | 4.90     | 3.40     | 3.65     |
| Long term yield, % eop                    | 2.62    | 4.19    | 1.80    | 3.06    | 3.61    | 3.27    | 3.33     | 3.36     | 3.61     |
| lc/US\$, eop                              | 7.81    | 7.30    | 6.82    | 6.83    | 6.59    | 6.29    | 6.23     | 6.09     | 6.03     |
| <b>Quarterly Economic Indicators</b>      |         |         |         |         |         |         |          |          |          |
|   | 2011 Q3 | 2011 Q4 | 2012 Q1 | 2012 Q2 | 2012 Q3 | 2012 Q4 | 2013 Q1F | 2013 Q2F | 2013 Q3F |
| GDP, % yoy                                | 9.1     | 8.9     | 8.1     | 7.6     | 7.4     | 7.9     | 7.7      | 7.8      | 7.9      |
| CPI, % yoy                                | 6.1     | 4.1     | 3.6     | 2.2     | 1.9     | 2.5     | 2.1      | 3.0      | 3.0      |
| Policy interest rate, % eop               | 3.50    | 3.50    | 3.50    | 3.25    | 3.00    | 3.00    | 3.00     | 3.00     | 3.00     |
| 1 month inter-bank rate, % eop            | 5.92    | 5.99    | 4.22    | 4.48    | 3.99    | 4.90    | 3.40     | 3.40     | 3.40     |
| Long term yield, % eop                    | 3.82    | 3.27    | 3.17    | 2.92    | 3.24    | 3.33    | 3.36     | 3.36     | 3.36     |
| lc vs USD, eop                            | 6.38    | 6.29    | 6.30    | 6.35    | 6.28    | 6.23    | 6.21     | 6.11     | 6.09     |

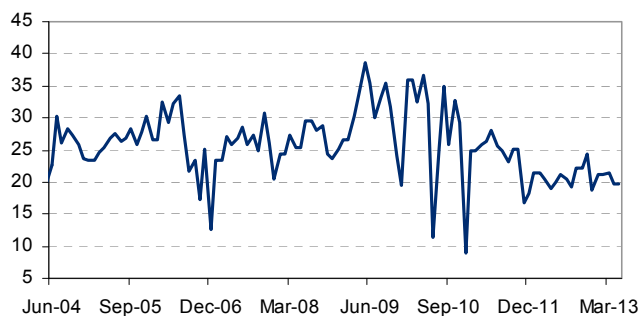
Source: CEIC Data Company Ltd, Fitch, IFS, Moody's and Citi Research Estimates

Figure 11. China - Power Consumption Growth YoY %



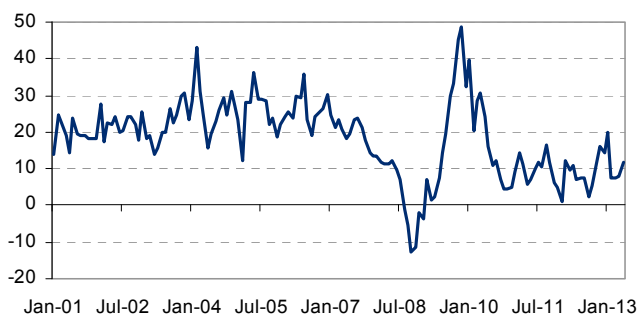
Source: CEIC Data Company Limited, Citi Research

Figure 12. China - Fixed Asset Investment Growth YoY %



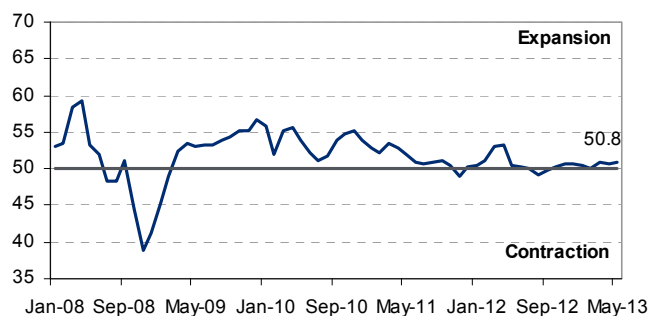
Source: CEIC Data Company Limited, Citi Research

Figure 13. China – Steel Production YoY %



Source: CEIC Data Company Limited, Citi Research

Figure 14. China - Manufacturing PMI (%)



Source: CEIC Data Company Limited, Citi Research

## Banking Sector Statistics

### Loans and Deposits

- Deposit growth rebounded to 16.2% YoY, higher than loan growth of 15.6% YoY, in May 2013.
- May RMB loan growth of Rmb667bn was a little softer than expected.

Figure 15. China – Monthly New Loans by Type

|                                 | May-12 | Jun-12 | Jul-12 | Aug-12 | Sep-12 | Oct-12 | Nov-12 | Dec-12 | Jan-13  | Feb-13 | Mar-13  | Apr-13 | May-13 |
|---------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|---------|--------|---------|--------|--------|
| Total Loans (Rmb'bn)            | 62,307 | 63,325 | 63,876 | 64,662 | 65,459 | 66,068 | 66,687 | 67,287 | 68,548  | 69,281 | 70,488  | 71,328 | 72,000 |
| YoY Growth Rate (%)             | 15.4   | 15.9   | 15.9   | 16.1   | 16.4   | 16.2   | 16.1   | 15.6   | 16.4    | 16.1   | 16.0    | 16.1   | 15.6   |
| MoM Growth Rate (%)             | 1.4    | 1.6    | 0.9    | 1.2    | 1.2    | 0.9    | 0.9    | 0.9    | 1.9     | 1.1    | 1.7     | 1.2    | 0.9    |
| YTD Growth Rate (%)             | 7.1    | 8.8    | 9.8    | 11.1   | 12.5   | 13.5   | 14.6   | 15.6   | 1.9     | 3.0    | 4.8     | 6.0    | 7.0    |
| MoM growth (Rmb'bn)             | 855    | 1,018  | 551    | 786    | 797    | 609    | 619    | 601    | 1,260   | 734    | 1,207   | 840    | 671    |
| YTD growth (Rmb'bn)             | 4,118  | 5,136  | 5,687  | 6,473  | 7,270  | 7,878  | 8,498  | 9,098  | 1,260   | 1,994  | 3,201   | 4,041  | 4,712  |
| <b>RMB Loans (MoM Growth)</b>   |        |        |        |        |        |        |        |        |         |        |         |        |        |
| Growth Amount (Rmb'bn)          | 793.2  | 919.8  | 540.1  | 703.9  | 622.6  | 505.4  | 522.0  | 454.3  | 1,072.1 | 620.0  | 1,062.5 | 792.9  | 667.4  |
| Consumer loans                  | 213.7  | 274.7  | 184.0  | 282.5  | 333.5  | 145.6  | 240.8  | 203.6  | 471.4   | 121.3  | 382.4   | 371.7  | 382.3  |
| Short Term consumer loan        | 113.8  | 153.2  | 66.0   | 116.8  | 173.6  | 30.5   | 89.3   | 109.4  | 203.1   | -17.0  | 210.6   | 140.6  | 153.1  |
| Medium/Long term consumer loan  | 99.9   | 119.3  | 118.0  | 165.7  | 159.1  | 115.1  | 151.5  | 97.2   | 268.3   | 138.3  | 171.8   | 231.1  | 229.2  |
| Corporate loans                 | 575.8  | 649.1  | 355.8  | 421.1  | 293.1  | 358.6  | 281.7  | 239.7  | 598.6   | 499.4  | 682.0   | 420.3  | 285.4  |
| Short term corporate loan       | 152.4  | 416.7  | 95.4   | 150.1  | 354.5  | 246.7  | 304.7  | 448.6  | 293.5   | 181.4  | 290.7   | 53.6   | 37.8   |
| Medium/long term corporate loan | 169.9  | 163.0  | 92.0   | 120.3  | 127.7  | 168.5  | -3.1   | -15.4  | 309.8   | 282.6  | 253.0   | 175.0  | 145.5  |
| Bills financing                 | 232.0  | 34.0   | 152.6  | 131.4  | -216.9 | -73.2  | -36.9  | -191.1 | -33.5   | 18.1   | 118.3   | 168.7  | 84.4   |
| Other corporate loan            | 21.5   | 35.4   | 15.8   | 19.3   | 27.8   | 16.6   | 17.0   | -2.4   | 28.8    | 17.3   | 20.0    | 23.0   | 17.7   |

Source: CEIC Data Company Limited, Citi Research

Figure 16. China – Monthly New Deposits by Type

|                                  | May-12 | Jun-12 | Jul-12 | Aug-12 | Sep-12 | Oct-12 | Nov-12 | Dec-12 | Jan-13 | Feb-13 | Mar-13  | Apr-13  | May-13  |
|----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|---------|
| Total Deposits (Rmb'bn)          | 87,843 | 90,869 | 90,418 | 90,944 | 92,589 | 92,316 | 92,773 | 94,310 | 95,511 | 96,330 | 100,698 | 100,587 | 102,036 |
| YoY Growth Rate (%)              | 12.2   | 13.2   | 13.6   | 13.2   | 14.3   | 14.2   | 14.2   | 14.1   | 16.5   | 15.0   | 16.0    | 16.3    | 16.2    |
| MoM Growth Rate (%)              | 1.5    | 3.4    | -0.5   | 0.6    | 1.8    | -0.3   | 0.5    | 1.7    | 1.3    | 0.9    | 4.5     | -0.1    | 1.4     |
| YTD Growth Rate (%)              | 6.3    | 9.9    | 9.4    | 10.0   | 12.0   | 11.7   | 12.2   | 14.1   | 1.3    | 2.1    | 6.8     | 6.7     | 8.2     |
| MoM growth (Rmb'bn)              | 1,326  | 3,027  | -452   | 526    | 1,645  | -273   | 457    | 1,537  | 1,201  | 819    | 4,368   | -111    | 1,449   |
| YTD growth (Rmb'bn)              | 5,172  | 8,199  | 7,748  | 8,274  | 9,919  | 9,646  | 10,103 | 11,640 | 1,201  | 2,020  | 6,388   | 6,276   | 7,725   |
| <b>RMB Deposits (MoM Growth)</b> |        |        |        |        |        |        |        |        |        |        |         |         |         |
| Growth Amount (Rmb'bn)           | 1,222  | 2,857  | -501   | 504    | 1,654  | -280   | 474    | 1,597  | 1,179  | 772    | 4,224   | -100    | 1,482   |
| Household deposits               | 226    | 1,481  | -534   | 103    | 1,119  | -664   | 252    | 1,224  | 777    | 1,770  | 1,175   | -934    | 277     |
| Demand deposits                  | 124    | 882    | -471   | 178    | 490    | -355   | 259    | 840    | 432    | 460    | 637     | -1,004  | 80      |
| Time deposits                    | 102    | 598    | -63    | -75    | 630    | -309   | -8     | 385    | 345    | 1,310  | 538     | 70      | 196     |
| Enterprise deposits              | 552    | 936    | -397   | 196    | 480    | -116   | 325    | 1,134  | 51     | -941   | 2,411   | 315     | 385     |
| Demand deposits                  | 326    | 377    | -359   | 62     | -165   | 523    | 205    | 776    | -541   | -801   | 967     | -280    | 78      |
| Time deposits                    | 226    | 559    | -38    | 134    | 645    | -639   | 120    | 358    | 592    | -139   | 1,443   | 594     | 307     |
| Fiscal deposits                  | 265    | -236   | 427    | 41     | -370   | 481    | -115   | -1,173 | 330    | 24     | -265    | 522     | 463     |
| Other deposits                   | 179    | 676    | 3      | 164    | 425    | 19     | 12     | 411    | 22     | -82    | 903     | -3      | 356     |

Source: CEIC Data Company Limited, Citi Research

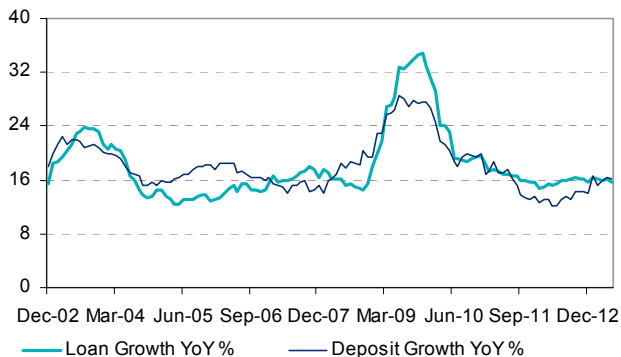


## Interest Rates and Loan Pricing

■ RMB loan/deposit ratio eased slightly to 67.7% in May 2013 from a high of 69.4% in November 2011.

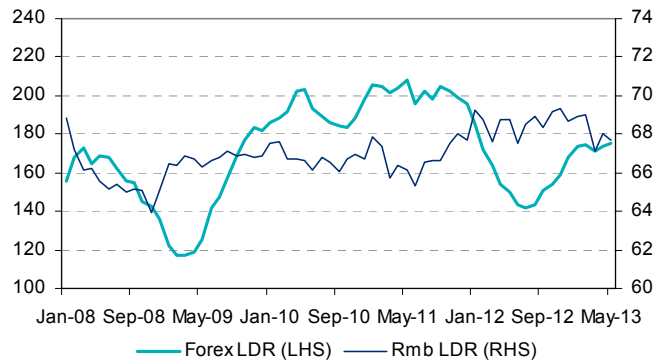
■ Proportion of new loans priced above the benchmark rate rose in 1Q13.

Figure 17. China – Loan and Deposit Growth YoY %



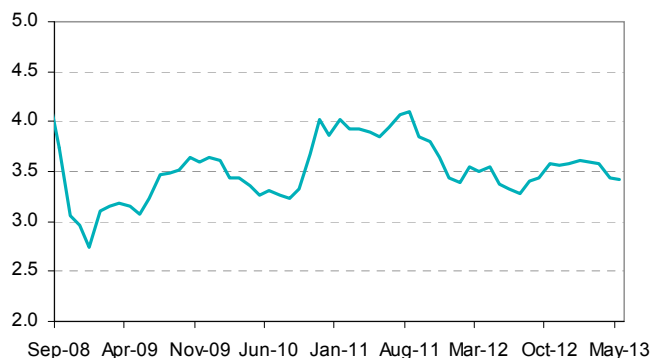
Source: CEIC Data Company Limited, Citi Research

Figure 18. China – Loan to Deposit Ratio (%)



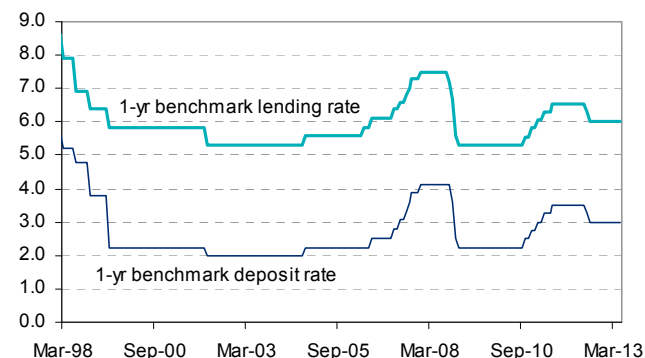
Source: CEIC Data Company Limited, Citi Research

Figure 19. China – 10 Year Government Bond Yields %



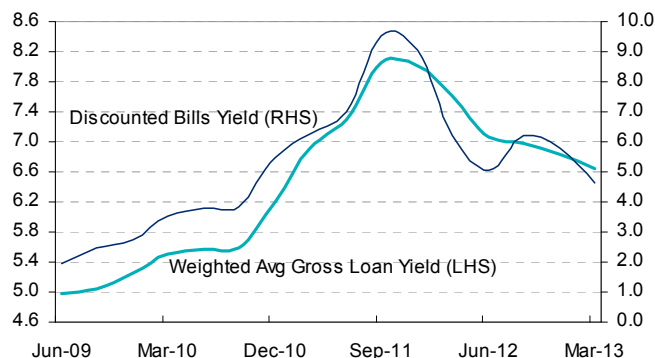
Source: CEIC Data Company Limited, Citi Research

Figure 20. China – 1 Year Benchmark Lending and Deposit Rate (%)



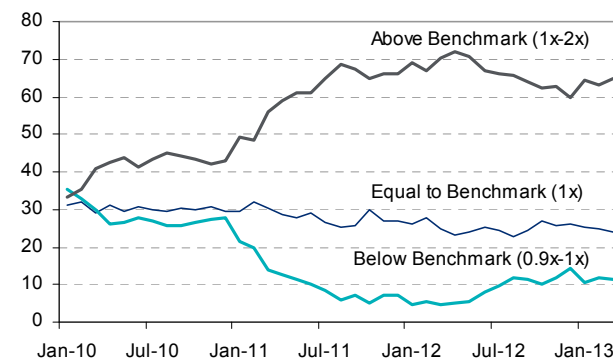
Source: Bloomberg, Citi Research

Figure 21. China – Loan, Discounted Bills Yields %



Source: CEIC Data Company Limited, Citi Research

Figure 22. China – Distribution of Loan Pricing



Source: CEIC Data Company Limited, Citi Research

## PBOC Benchmark Rates and NPLs

■ System NPLs up 6.8% qoq and 20.2% yoy.

■ Big banks' NPLs relatively resilient; deterioration most rapid among joint stock banks.

Figure 23. China – Change in Benchmark Lending and Deposit Rates (%)

|                   | 24 Oct<br>2010 | 26 Dec<br>2010 | 13 Feb<br>2011 | 10 Apr<br>2011 | 10 Jul<br>2011 | 10 Jun<br>2012 | 8 Jul<br>2012 | Change (bps)   |                |                |                |                |                |               |
|-------------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|
|                   |                |                |                |                |                |                |               | 24 Oct<br>2010 | 26 Dec<br>2010 | 13 Feb<br>2011 | 10 Apr<br>2011 | 10 Jul<br>2011 | 10 Jun<br>2012 | 8 Jul<br>2012 |
| Lending rates (%) |                |                |                |                |                |                |               |                |                |                |                |                |                |               |
| 6 month           | 5.10           | 5.35           | 5.60           | 5.85           | 6.10           | 5.85           | 5.60          | 24             | 25             | 25             | 25             | 25             | (25)           | (25)          |
| 1 year            | 5.56           | 5.81           | 6.06           | 6.31           | 6.56           | 6.31           | 6.00          | 25             | 25             | 25             | 25             | 25             | (25)           | (31)          |
| 1-3 year          | 5.60           | 5.85           | 6.10           | 6.40           | 6.65           | 6.40           | 6.15          | 20             | 25             | 25             | 30             | 25             | (25)           | (25)          |
| 3-5 year          | 5.96           | 6.22           | 6.45           | 6.65           | 6.90           | 6.65           | 6.40          | 20             | 26             | 23             | 20             | 25             | (25)           | (25)          |
| Over 5 year       | 6.14           | 6.40           | 6.60           | 6.80           | 7.05           | 6.80           | 6.55          | 20             | 26             | 20             | 20             | 25             | (25)           | (25)          |
| Deposit rates (%) |                |                |                |                |                |                |               |                |                |                |                |                |                |               |
| Savings           | 0.36           | 0.36           | 0.40           | 0.50           | 0.50           | 0.40           | 0.35          | 0              | 0              | 4              | 10             | 0              | (10)           | (5)           |
| 3 month           | 1.91           | 2.25           | 2.60           | 2.85           | 3.10           | 2.85           | 2.60          | 20             | 34             | 35             | 25             | 25             | (25)           | (25)          |
| 6 month           | 2.20           | 2.50           | 2.80           | 3.05           | 3.30           | 3.05           | 2.80          | 22             | 30             | 30             | 25             | 25             | (25)           | (25)          |
| 1 year            | 2.50           | 2.75           | 3.00           | 3.25           | 3.50           | 3.25           | 3.00          | 25             | 25             | 25             | 25             | 25             | (25)           | (25)          |
| 2 year            | 3.25           | 3.55           | 3.90           | 4.15           | 4.40           | 4.10           | 3.75          | 46             | 30             | 35             | 25             | 25             | (30)           | (35)          |
| 3 year            | 3.85           | 4.15           | 4.50           | 4.75           | 5.00           | 4.65           | 4.25          | 52             | 30             | 35             | 25             | 25             | (35)           | (40)          |
| 5 year            | 4.20           | 4.55           | 5.00           | 5.25           | 5.50           | 5.10           | 4.75          | 60             | 35             | 45             | 25             | 25             | (40)           | (35)          |

Source: Bloomberg, Citi Research

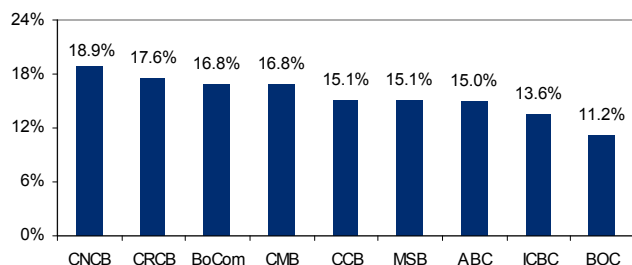
Figure 24. China – Quarterly Non-Performing Loans Breakdown

|                                      | Mar-11  | Jun-11  | Sep-11  | Dec-11  | Mar-12  | Jun-12  | Sep-12  | Dec-12  | Mar-13  | YoY %         | QoQ % | YTD % |
|--------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------------|-------|-------|
| <b>Non-performing loans (Rmb bn)</b> |         |         |         |         |         |         |         |         |         |               |       |       |
| Commercial Bank                      | 433,300 | 422,900 | 407,800 | 427,900 | 438,200 | 456,400 | 478,800 | 492,900 | 526,500 | 20.2%         | 6.8%  | 6.8%  |
| Major Commercial Bank: Large         | 310,000 | 303,000 | 287,900 | 299,600 | 299,400 | 302,000 | 307,000 | 309,500 | 324,100 | 8.2%          | 4.7%  | 4.7%  |
| Major Commercial Bank: Share Hldg    | 55,200  | 53,000  | 53,100  | 56,300  | 60,800  | 65,700  | 74,300  | 79,700  | 89,600  | 47.4%         | 12.4% | 12.4% |
| City Commercial Bank                 | 33,300  | 32,600  | 33,000  | 33,900  | 35,900  | 40,300  | 42,400  | 41,900  | 45,400  | 26.5%         | 8.4%  | 8.4%  |
| Rural Commercial Bank                | 29,900  | 29,900  | 29,700  | 34,100  | 37,400  | 42,600  | 48,700  | 56,400  | 61,200  | 63.6%         | 8.5%  | 8.5%  |
| Foreign Bank                         | 4,900   | 4,400   | 4,000   | 4,000   | 4,800   | 5,800   | 6,300   | 5,400   | 6,200   | 29.2%         | 14.8% | 14.8% |
| <b>NPL Ratio (%)</b>                 |         |         |         |         |         |         |         |         |         | <b>in bps</b> |       |       |
| Commercial Bank                      | 1.10%   | 1.00%   | 0.90%   | 0.96%   | 0.94%   | 0.94%   | 0.95%   | 0.95%   | 0.96%   | 2             | 1     | 1     |
| Major Commercial Bank: Large         | 1.20%   | 1.10%   | 1.10%   | 1.10%   | 1.04%   | 1.01%   | 1.00%   | 0.99%   | 0.98%   | -6            | -1    | -1    |
| Major Commercial Bank: Share Hldg    | 0.70%   | 0.60%   | 0.60%   | 0.60%   | 0.63%   | 0.65%   | 0.70%   | 0.72%   | 0.77%   | 14            | 5     | 5     |
| City Commercial Bank                 | 0.90%   | 0.80%   | 0.80%   | 0.80%   | 0.78%   | 0.82%   | 0.85%   | 0.81%   | 0.83%   | 5             | 2     | 2     |
| Rural Commercial Bank                | 1.80%   | 1.70%   | 1.60%   | 1.60%   | 1.52%   | 1.57%   | 1.65%   | 1.76%   | 1.73%   | 21            | -3    | -3    |
| Foreign Bank                         | 0.50%   | 0.50%   | 0.40%   | 0.41%   | 0.49%   | 0.58%   | 0.62%   | 0.52%   | 0.59%   | 10            | 7     | 7     |

Source: CEIC Data Company Limited, Citi Research

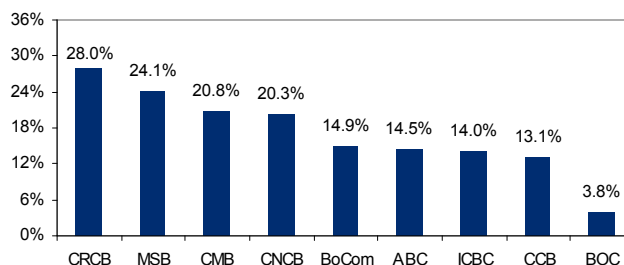
## China Banks – Quarterly Trends

Figure 25. China Banks – 1Q13 Loan Growth (YoY %)



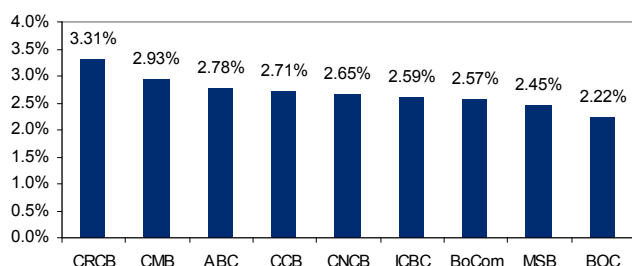
Source: Company Reports and Citi Research

Figure 26. China Banks – 1Q13 Deposit Growth (YoY %)



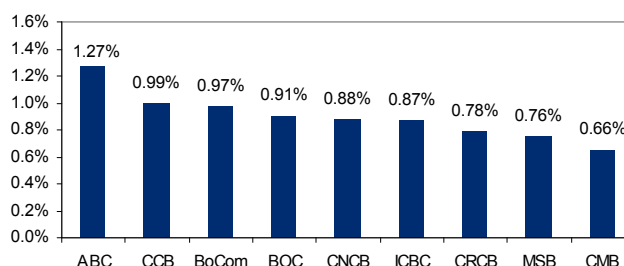
Source: Company Reports and Citi Research

Figure 27. China Banks – 1Q13 Net Interest Margin (%)



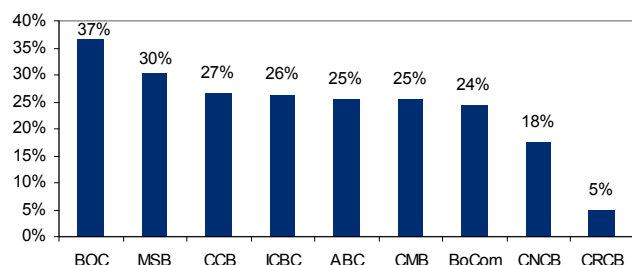
Source: Company Reports and Citi Research

Figure 28. China Banks – 1Q13 NPL Ratio (%)



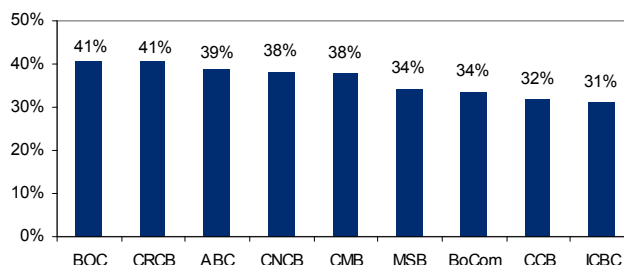
Source: Company Reports and Citi Research

Figure 29. China Banks – 1Q13 Non-interest Income / Total Income (%)



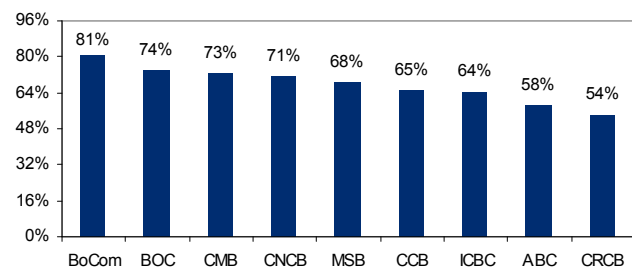
Source: Company Reports and Citi Research

Figure 30. China Banks – 1Q13 Cost-Income Ratio



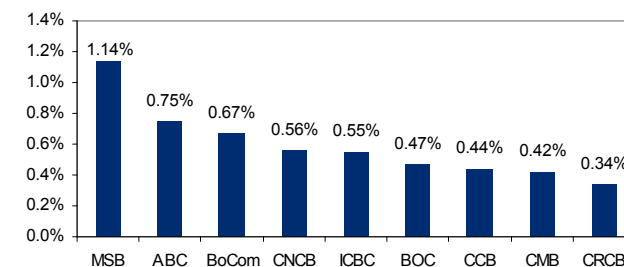
Source: Company Reports and Citi Research

Figure 31. China Banks – 1Q13 Loan-Deposit Ratio (%)



Source: Company Reports and Citi Research

Figure 32. China Banks – 1Q13 Provision charge / Average Loans (%)



Source: Company Reports and Citi Research

## Non-Bank Credit Statistics

### Total System Credit

■ Total system credit grew 7% YTD in 1Q13; rising credit/GDP ratio.

■ Trust and corporate bonds growing fast at c17% YTD.

Figure 33. China Total System Credit

| Outstanding Balances (Rmb bn) | 2007          | 2008          | 2009          | 2010          | 2011          | 1H12          | 2012           | 1Q13           | Growth Amount YoY (Rmb bn)    | 2008         | 2009          | 2010          | 2011          | 2012          |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|-------------------------------|--------------|---------------|---------------|---------------|---------------|
| RMB & FX Loans                | 27,775        | 32,010        | 42,560        | 50,920        | 58,190        | 63,330        | 67,290         | 70,790         | RMB & FX Loans                | 4,235        | 10,550        | 8,360         | 7,270         | 9,100         |
| Trust Assets - Credit related | 1,692         | 1,946         | 2,238         | 2,765         | 4,390         | 5,007         | 6,664          | 7,821          | Trust Assets - Credit related | 254          | 292           | 527           | 1,625         | 2,274         |
| Corp Bonds                    | 873           | 1,483         | 2,680         | 3,965         | 5,327         | 6,159         | 7,623          | 8,429          | Corp Bonds                    | 611          | 1,197         | 1,285         | 1,362         | 2,296         |
| Undiscounted BABs             | 1,211         | 1,211         | 1,965         | 4,115         | 4,955         | 5,433         | 5,922          | 6,592          | Undiscounted BABs             | 0            | 754           | 2,150         | 840           | 967           |
| Entrusted Loans ***           | 1,491         | 1,922         | 2,505         | 3,395         | 4,553         | 5,036         | 5,833          | 6,356          | Entrusted Loans ***           | 431          | 583           | 889           | 1,158         | 1,280         |
| Letter of credit **           | 2,779         | 3,217         | 3,798         | 4,750         | 6,222         | 6,525         | 6,877          | 7,083          | Letter of credit **           | 438          | 581           | 952           | 1,472         | 655           |
| <b>Total System Credit</b>    | <b>35,821</b> | <b>41,789</b> | <b>55,746</b> | <b>69,909</b> | <b>83,637</b> | <b>91,490</b> | <b>100,209</b> | <b>107,072</b> | <b>Total System Credit</b>    | <b>5,969</b> | <b>13,957</b> | <b>14,163</b> | <b>13,728</b> | <b>16,572</b> |
| Nominal GDP                   | 26,581        | 31,405        | 34,090        | 39,798        | 47,156        | 49,288        | 51,932         | 52,970         |                               |              |               |               |               |               |
| Bank credit / GDP             | 104%          | 102%          | 125%          | 128%          | 123%          | 128%          | 130%           | 134%           |                               |              |               |               |               |               |
| Total system credit / GDP     | 135%          | 133%          | 164%          | 176%          | 177%          | 186%          | 193%           | 202%           |                               |              |               |               |               |               |

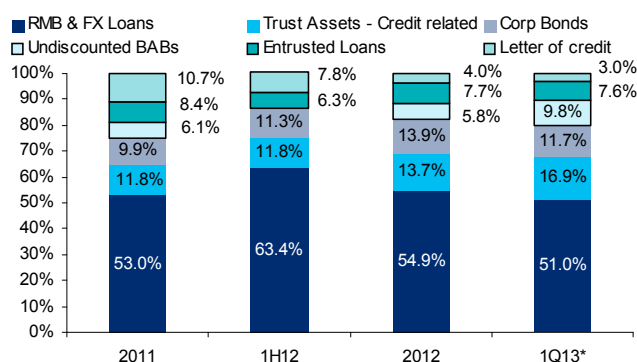
  

| Mix of balance                | 2007        | 2008        | 2009        | 2010        | 2011        | 1H12        | 2012        | 1Q13        | Growth Rates YoY              | 2008         | 2009         | 2010         | 2011         | 2012         |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------------------------|--------------|--------------|--------------|--------------|--------------|
| RMB & FX Loans                | 78%         | 77%         | 76%         | 73%         | 70%         | 69%         | 67%         | 66%         | RMB & FX Loans                | 15.2%        | 33.0%        | 19.6%        | 14.3%        | 15.6%        |
| Trust Assets - Credit related | 5%          | 5%          | 4%          | 4%          | 5%          | 5%          | 7%          | 7%          | Trust Assets - Credit related | 15.0%        | 15.0%        | 23.5%        | 58.8%        | 51.8%        |
| Corp Bonds                    | 2%          | 4%          | 5%          | 6%          | 6%          | 7%          | 8%          | 8%          | Corp Bonds                    | 70.0%        | 80.7%        | 47.9%        | 34.4%        | 43.1%        |
| Undiscounted BABs             | 3%          | 3%          | 4%          | 6%          | 6%          | 6%          | 6%          | 6%          | Undiscounted BABs             | 0.0%         | 62.3%        | 109.4%       | 20.4%        | 19.5%        |
| Entrusted Loans ***           | 4%          | 5%          | 4%          | 5%          | 5%          | 6%          | 6%          | 6%          | Entrusted Loans ***           | 28.9%        | 30.3%        | 35.5%        | 34.1%        | 28.1%        |
| Letter of credit **           | 8%          | 8%          | 7%          | 7%          | 7%          | 7%          | 7%          | 7%          | Letter of credit **           | 15.8%        | 18.1%        | 25.1%        | 31.0%        | 10.5%        |
| <b>Total System Credit</b>    | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>Total System Credit</b>    | <b>16.7%</b> | <b>33.4%</b> | <b>25.4%</b> | <b>19.6%</b> | <b>19.8%</b> |

Source: PBOC, Wind, China Trust Association, Citi Research;

Note: \* Trust assets for 2007-09 are based on our estimates, not officially disclosed; \*\* Based on 14 A/H listed banks which we assumed accounting for 70% market share of total BAB market; \*\*\* Based on 10 A/H listed banks which we assumed accounting for 50% market share of system entrusted loans; \*\*\*\* GDP is on a 12-month historical rolling basis.

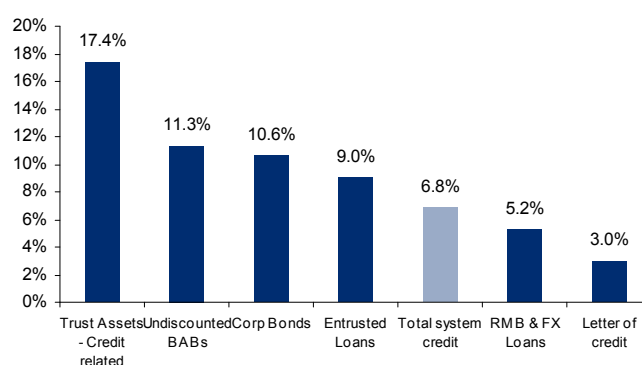
Figure 34. Contribution to Growth in Total System Credit



Source: PBOC, Wind, China Trust Association, Citi Research

Note: 1Q13 contribution to growth is based on a QoQ basis, while that for 2011, 1H12 and 2012 are based on a YoY basis.

Figure 35. Total System Credit YTD Growth Breakdown (1Q13)



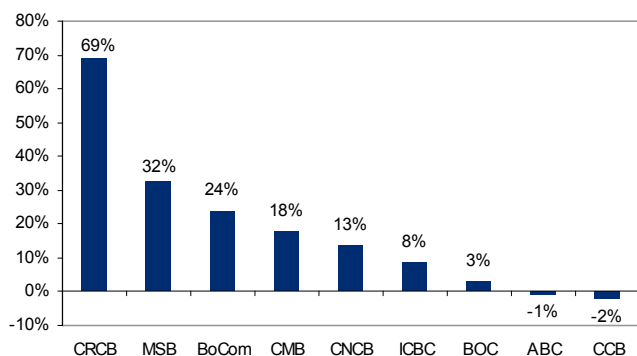
Source: PBOC, Wind, China Trust Association, Citi Research

Figure 36. China – Outstanding Bonds and Net Issuance (Rmb bn)

|                | Outstanding Balance<br>(Rmb bn) |              |              |              |               |               |               |               |               |               |               |               | Ytd %<br>1Q13 | YoY growth % |           |          |           | Net Issuance<br>(Rmb bn) |              |              |              |
|----------------|---------------------------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|-----------|----------|-----------|--------------------------|--------------|--------------|--------------|
|                | 2002                            | 2003         | 2004         | 2005         | 2006          | 2007          | 2008          | 2009          | 2010          | 2011          | 2012          | 1Q13          |               | 2009         | 2010      | 2011     | 2012      | 2010                     | 2011         | 2012         | 1Q13         |
| Central Govt   | 2,506                           | 3,035        | 3,396        | 3,705        | 3,937         | 5,642         | 5,766         | 6,446         | 7,159         | 7,568         | 7,810         | 7,808         | 0             | 12           | 11        | 6        | 3         | 713                      | 409          | 242          | -2           |
| Local Govt     | 0                               | 0            | 0            | 0            | 0             | 0             | 0             | 200           | 400           | 600           | 650           | 650           | 0             | NA           | 100       | 50       | 8         | 200                      | 200          | 50           | 0            |
| Financial Bond | 1,242                           | 1,562        | 1,784        | 2,174        | 2,566         | 3,246         | 4,115         | 5,016         | 5,751         | 7,261         | 9,017         | 9,305         | 3             | 22           | 15        | 26       | 24        | 735                      | 1,510        | 1,756        | 288          |
| PBoC Bills     | 149                             | 379          | 974          | 2,024        | 2,988         | 3,395         | 4,628         | 4,057         | 3,703         | 1,942         | 1,158         | 1,158         | 0             | -12          | -9        | -48      | -40       | -354                     | -1,761       | -784         | 0            |
| Corporate Bond | 78                              | 130          | 171          | 375          | 610           | 873           | 1,483         | 2,680         | 3,965         | 5,327         | 7,623         | 8,429         | 11            | 81           | 48        | 34       | 43        | 1,285                    | 1,362        | 2,296        | 806          |
| STCP           | 0                               | 0            | 0            | 138          | 258           | 320           | 420           | 452           | 668           | 835           | 1,265         | 1,470         | 16            | 8            | 48        | 25       | 51        | 216                      | 167          | 430          | 205          |
| Enterprise     | 62                              | 102          | 126          | 180          | 240           | 346           | 500           | 823           | 1,099         | 1,332         | 1,934         | 2,137         | 10            | 65           | 34        | 21       | 45        | 276                      | 233          | 602          | 203          |
| Company        | 0                               | 0            | 0            | 0            | 0             | 11            | 40            | 113           | 165           | 293           | 548           | 646           | 18            | 183          | 46        | 78       | 87        | 52                       | 128          | 255          | 98           |
| MT Bills       | 0                               | 0            | 0            | 0            | 0             | 0             | 167           | 865           | 1,361         | 2,066         | 2,908         | 3,197         | 10            | 417          | 57        | 52       | 41        | 496                      | 705          | 842          | 289          |
| ABS            | 0                               | 0            | 0            | 13           | 31            | 38            | 50            | 23            | 11            | 7             | 32            | 33            | 3             | -54          | -52       | -36      | 357       | -12                      | -4           | 25           | 1            |
| Convertible    | 6                               | 20           | 33           | 25           | 12            | 10            | 14            | 12            | 79            | 116           | 126           | 145           | 15            | -14          | 558       | 47       | 9         | 67                       | 37           | 10           | 19           |
| Others         | 10                              | 8            | 12           | 19           | 70            | 148           | 292           | 392           | 582           | 678           | 810           | 801           | -1            | 34           | 48        | 16       | 19        | 190                      | 96           | 132          | -9           |
| <b>Total</b>   | <b>3,975</b>                    | <b>5,106</b> | <b>6,325</b> | <b>8,278</b> | <b>10,101</b> | <b>13,156</b> | <b>15,992</b> | <b>18,399</b> | <b>20,978</b> | <b>22,698</b> | <b>26,258</b> | <b>27,350</b> | <b>4</b>      | <b>15</b>    | <b>14</b> | <b>8</b> | <b>16</b> | <b>2,579</b>             | <b>1,720</b> | <b>3,560</b> | <b>1,092</b> |

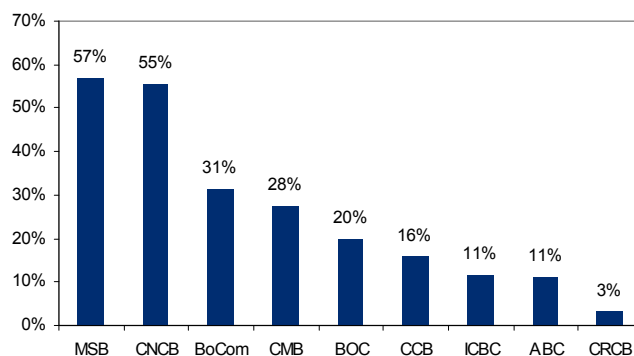
Source: Wind Info, Citi Research

Figure 37. Off-Balance Sheet Guarantee & Acceptance Growth YoY % (Dec. 2012)



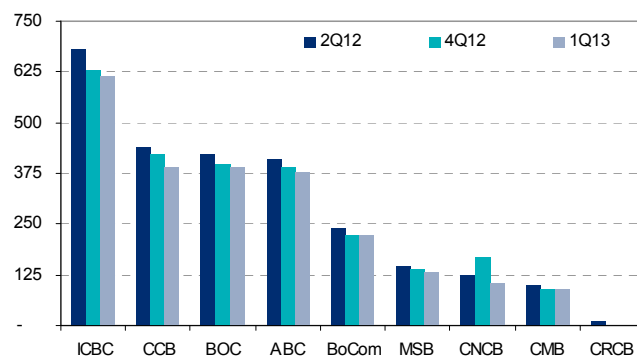
Source: Company Reports and Citi Research

Figure 38. Off-Balance Sheet Guarantee & Acceptances as % of Loans (Dec. 2012)



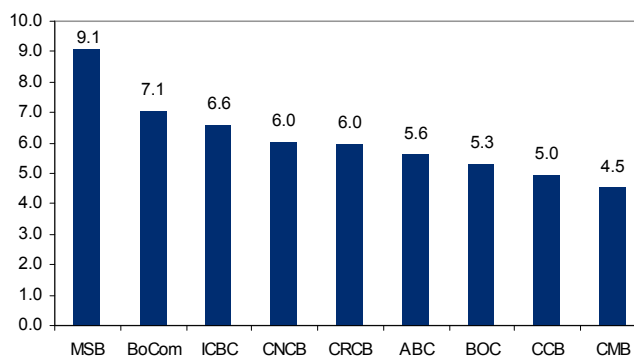
Source: Company Reports and Citi Research

Figure 39. UDIV Loans (RMB bn)



Source: Company Reports and Citi Research

Figure 40. UDIV Loans as % of Total Loans (Mar. 2013)

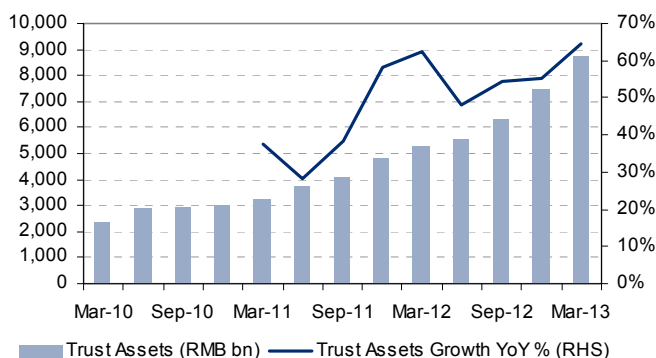


Source: Company Reports and Citi Research

## Trust Industry

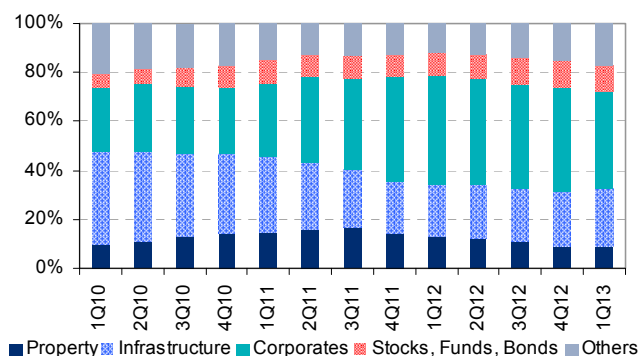
- Trust assets surged 17% qoq in 1Q13.
- Property trusts flat yoy, infrastructure trusts grew 89% yoy.

Figure 41. Trust Assets Growth YoY %



Source: CEIC Data Company Limited, Citi Research

Figure 42. Trust Assets Breakdown by Type



Source: China Trust Association, Citi Research

Figure 43. China – Trust Assets Breakdown

| Rmb bn                    |              |              |              |              |              |              |              |              |              |              |              |              |              | QoQ Growth (%) |          |           |           |           | YoY Growth (%) |           |           |           |            |
|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|----------|-----------|-----------|-----------|----------------|-----------|-----------|-----------|------------|
|                           | 1Q10         | 2Q10         | 3Q10         | 4Q10         | 1Q11         | 2Q11         | 3Q11         | 4Q11         | 1Q12         | 2Q12         | 3Q12         | 4Q12         | 1Q13         | 1Q12           | 2Q12     | 3Q12      | 4Q12      | 1Q13      | 1Q12           | 2Q12      | 3Q12      | 4Q12      | 1Q13       |
| <b>Credit Type</b>        | <b>1,462</b> | <b>1,859</b> | <b>1,826</b> | <b>1,794</b> | <b>1,877</b> | <b>2,030</b> | <b>2,155</b> | <b>2,475</b> | <b>2,632</b> | <b>2,721</b> | <b>3,098</b> | <b>3,651</b> | <b>4,259</b> | <b>6</b>       | <b>3</b> | <b>14</b> | <b>18</b> | <b>17</b> | <b>40</b>      | <b>34</b> | <b>44</b> | <b>48</b> | <b>62</b>  |
| - Property                | 235          | 315          | 378          | 432          | 487          | 605          | 680          | 688          | 687          | 675          | 677          | 688          | 770          | 0              | -2       | 0         | 2         | 12        | 41             | 12        | 0         | 0         | 12         |
| - Infrastructure          | 888          | 1,064        | 1,001        | 995          | 994          | 1,013        | 977          | 1,016        | 1,115        | 1,192        | 1,392        | 1,650        | 2,111        | 10             | 7        | 17        | 19        | 28        | 12             | 18        | 42        | 62        | 89         |
| - Other Corporates        | 339          | 480          | 447          | 367          | 397          | 412          | 498          | 771          | 831          | 854          | 1,029        | 1,313        | 1,378        | 8              | 3        | 21        | 28        | 5         | 109            | 107       | 107       | 70        | 66         |
| <b>Investment Type</b>    | <b>422</b>   | <b>505</b>   | <b>603</b>   | <b>726</b>   | <b>906</b>   | <b>1,244</b> | <b>1,383</b> | <b>1,723</b> | <b>2,007</b> | <b>2,093</b> | <b>2,320</b> | <b>2,678</b> | <b>2,948</b> | <b>16</b>      | <b>4</b> | <b>11</b> | <b>15</b> | <b>10</b> | <b>122</b>     | <b>68</b> | <b>68</b> | <b>55</b> | <b>47</b>  |
| - Stocks                  | 88           | 79           | 116          | 148          | 175          | 191          | 181          | 172          | 183          | 182          | 185          | 213          | 257          | 7              | -1       | 2         | 15        | 20        | 5              | -5        | 2         | 24        | 40         |
| - Funds                   | 9            | 11           | 10           | 13           | 18           | 16           | 19           | 23           | 25           | 36           | 41           | 60           | 77           | 10             | 45       | 13        | 48        | 27        | 41             | 130       | 110       | 168       | 209        |
| - Bonds                   | 39           | 73           | 110          | 113          | 115          | 151          | 155          | 226          | 251          | 313          | 448          | 533          | 576          | 11             | 25       | 43        | 19        | 8         | 118            | 108       | 188       | 135       | 129        |
| - Corporate               | 286          | 342          | 368          | 451          | 597          | 886          | 1,027        | 1,302        | 1,547        | 1,562        | 1,646        | 1,871        | 2,038        | 19             | 1        | 5         | 14        | 9         | 159            | 76        | 60        | 44        | 32         |
| <b>Others</b>             | <b>491</b>   | <b>551</b>   | <b>528</b>   | <b>520</b>   | <b>485</b>   | <b>469</b>   | <b>560</b>   | <b>614</b>   | <b>663</b>   | <b>724</b>   | <b>903</b>   | <b>1,141</b> | <b>1,525</b> | <b>8</b>       | <b>9</b> | <b>25</b> | <b>26</b> | <b>34</b> | <b>37</b>      | <b>54</b> | <b>61</b> | <b>86</b> | <b>130</b> |
| <b>Total Trust Assets</b> | <b>2,374</b> | <b>2,915</b> | <b>2,957</b> | <b>3,040</b> | <b>3,268</b> | <b>3,742</b> | <b>4,098</b> | <b>4,811</b> | <b>5,302</b> | <b>5,538</b> | <b>6,320</b> | <b>7,470</b> | <b>8,731</b> | <b>10</b>      | <b>4</b> | <b>14</b> | <b>18</b> | <b>17</b> | <b>62</b>      | <b>48</b> | <b>54</b> | <b>55</b> | <b>65</b>  |

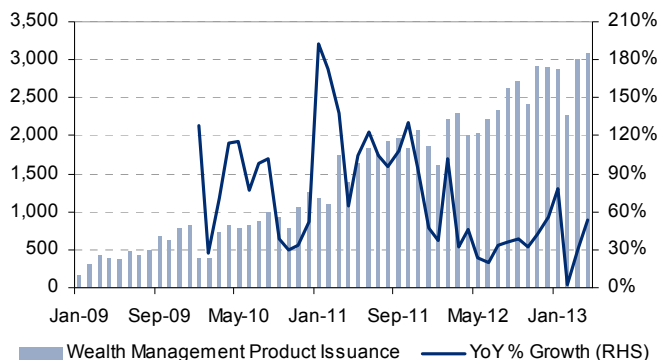
|                           | 1Q10         | 2Q10         | 3Q10         | 4Q10         | 1Q11         | 2Q11         | 3Q11         | 4Q11         | 1Q12         | 2Q12         | 3Q12         | 4Q12         | 1Q13         | 1Q12      | 2Q12     | 3Q12      | 4Q12      | 1Q13      | 1Q12      | 2Q12      | 3Q12      | 4Q12      | 1Q13      |
|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Collective Capital        | 299          | 350          | 479          | 627          | 781          | 989          | 1,150        | 1,359        | 1,500        | 1,588        | 1,699        | 1,883        | 2,095        | 10        | 6        | 7         | 11        | 11        | 92        | 61        | 48        | 39        | 40        |
| Single Capital            | 1,912        | 2,428        | 2,339        | 2,266        | 2,343        | 2,590        | 2,792        | 3,282        | 3,603        | 3,681        | 4,264        | 5,102        | 6,094        | 10        | 2        | 16        | 20        | 19        | 54        | 42        | 53        | 55        | 69        |
| Fiduciary                 | 164          | 138          | 139          | 148          | 143          | 163          | 156          | 171          | 200          | 269          | 356          | 486          | 542          | 17        | 35       | 32        | 36        | 12        | 40        | 65        | 129       | 185       | 171       |
| <b>Total Trust Assets</b> | <b>2,374</b> | <b>2,915</b> | <b>2,957</b> | <b>3,040</b> | <b>3,268</b> | <b>3,742</b> | <b>4,098</b> | <b>4,811</b> | <b>5,302</b> | <b>5,538</b> | <b>6,320</b> | <b>7,470</b> | <b>8,731</b> | <b>10</b> | <b>4</b> | <b>14</b> | <b>18</b> | <b>17</b> | <b>62</b> | <b>48</b> | <b>54</b> | <b>55</b> | <b>65</b> |

Source: China Trust Association, Citi Research

## Wealth Management Products

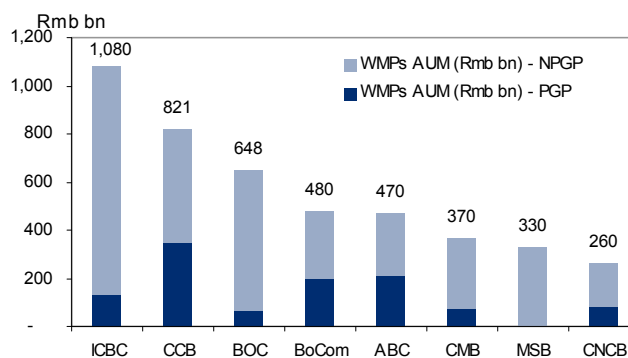
■ Total balance of WMPs among H-share banks grew 53% YoY in Apr-13.

Figure 44. Monthly Issuance of Wealth Management Product (units)



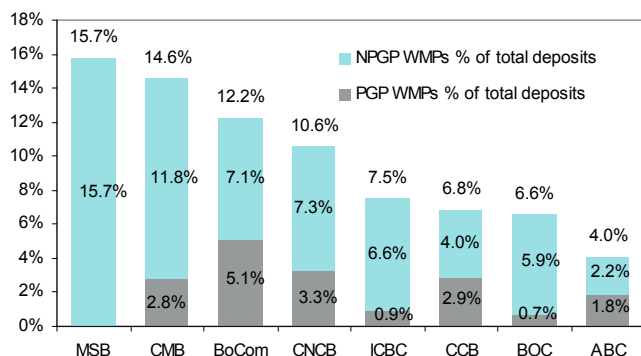
Source: CEIC Data Company Limited, Citi Research

Figure 45. Chinese Banks' WMPs AUM (1Q13)



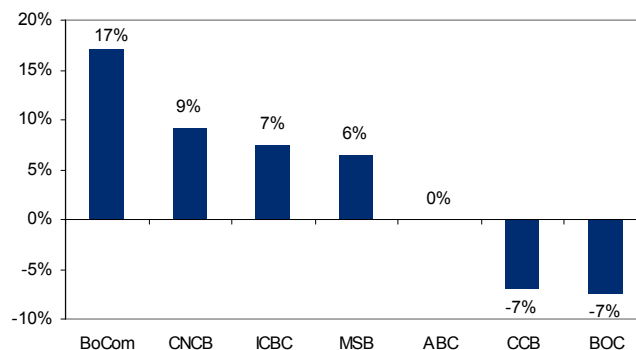
Source: Company Reports and Citi Research Note: \*NPGP: Non-Principal Guaranteed Products; PGP: Principal Guaranteed Products

Figure 46. Chinese Banks WMPs' AUM as % of total deposits (1Q13)



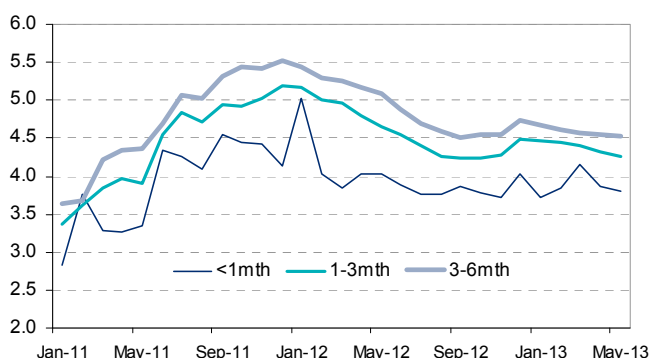
Source: Company Reports and Citi Research Note: \*NPGP: Non-Principal Guaranteed Products; PGP: Principal Guaranteed Products

Figure 47. Chinese Banks WMPs' AUM YTD Growth (1Q13)



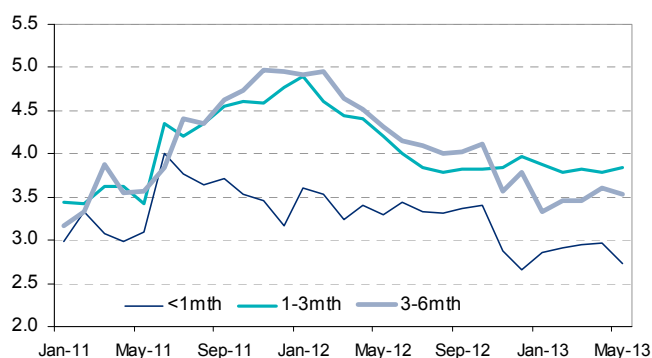
Source: Citi Research

Figure 48. WMP Yields: Non-Principal Guaranteed Products



Source: Citi Research

Figure 49. WMP Yields: Principal Guaranteed Products



Source: Citi Research

## Brokerage Sector Statistics

### Market Trends

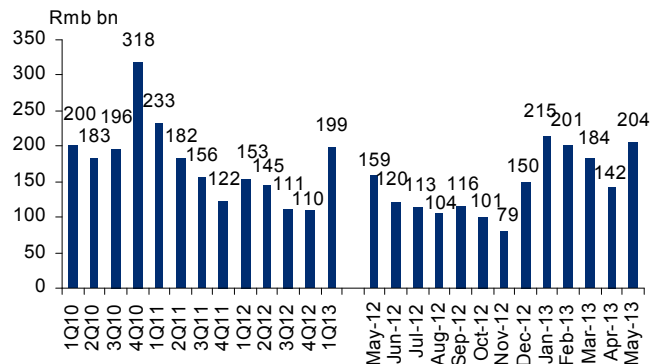
- Market turnover recovers from 2012 lows.
- Primary equity issuance weak, down massively vs 2011.
- Margin financing continues to grow rapidly.

Figure 50. SHCOMP Index Price Performance



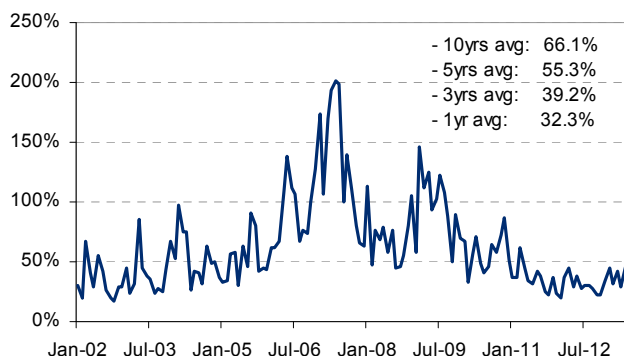
Source: CEIC Data Company Limited, Citi Research

Figure 51. China Equity Markets - Average Daily Turnover



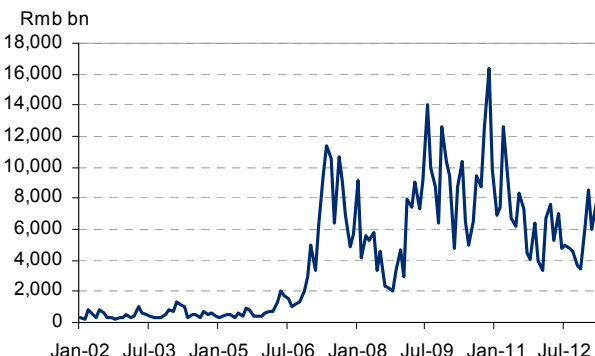
Note: Data for Shanghai (SHCOMP Index) and Shenzhen (SZCOMP Index)  
Source: CEIC Data Company Limited, Citi Research

Figure 52. China Equity Markets - Monthly Velocity



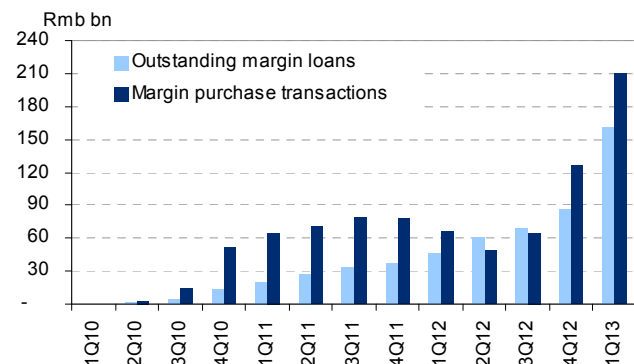
Note: Data for Shanghai (SHCOMP Index) and Shenzhen (SZCOMP Index)  
Source: Wind Info, Citi Research

Figure 53. China Equity Markets - Monthly Turnover



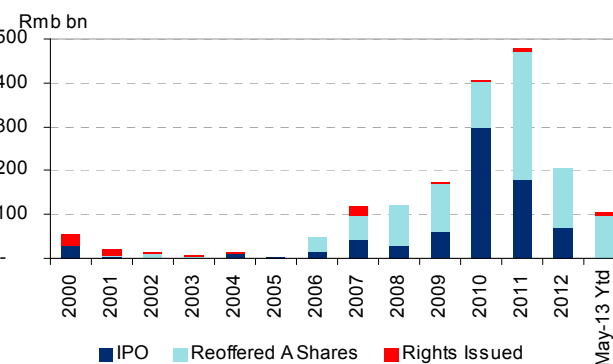
Note: Data for Shanghai (SHCOMP Index) and Shenzhen (SZCOMP Index)  
Source: Wind Info, Citi Research

Figure 54. Outstanding Margin Loan and Margin Purchase Transactions



Source: Wind Info, Citi Research, Citi Research

Figure 55. China Equity Markets - Capital Raised (Rmb bn)



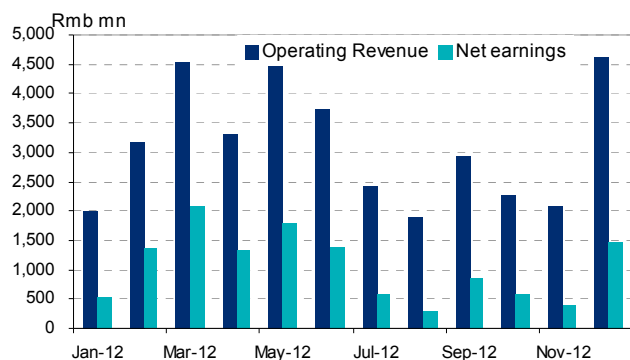
Source: CEIC Data Company Limited, Citi Research



## Brokerage Companies' Monthly Data

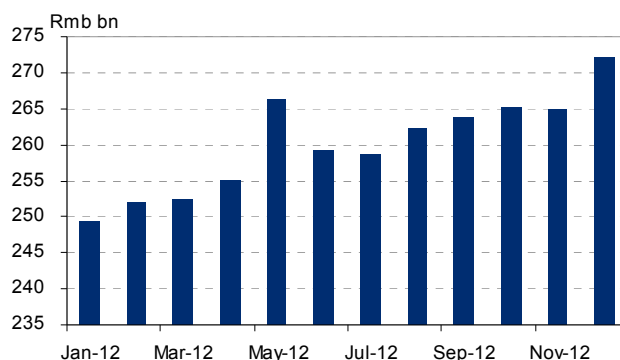
- Listed brokers' monthly revenues and earnings showing some recovery but off a very low base.
- YTD earnings growth still in negative territory.

Figure 56. A-share Listed Brokers: Monthly Operating Revenue and Earnings



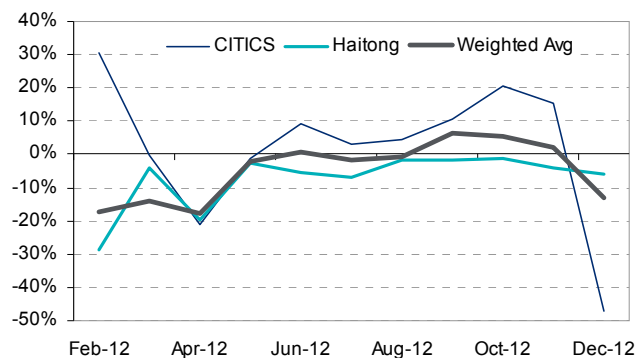
Source: Company Reports and Citi Research

Figure 57. A-share Listed Brokers: Monthly Shareholder Funds



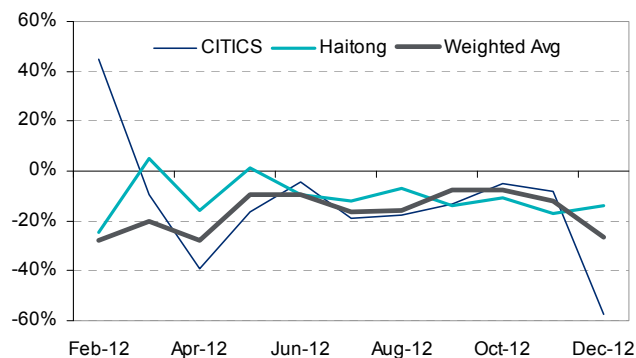
Source: Company Reports and Citi Research

Figure 58. A-share Listed Brokers: YTD Operating Revenue Growth YoY



Source: Company Reports and Citi Research

Figure 59. A-share Listed Brokers: YTD Net Earnings Growth YoY (%)



Source: Company Reports and Citi Research

Figure 60. China – Bank Earnings Forecasts and Key Assumptions (RMB Billion)

|                                     | ICBC               |              |              | CCB                |              |              | BoC                |              |              | ABC                |              |              | BoCom              |              |              |
|-------------------------------------|--------------------|--------------|--------------|--------------------|--------------|--------------|--------------------|--------------|--------------|--------------------|--------------|--------------|--------------------|--------------|--------------|
|                                     | FY12A              | FY13E        | FY14E        | FY12A              | FY13E        | FY14E        | FY12A              | FY13E        | FY14E        | FY12A              | FY13E        | FY14E        | FY12A              | FY13E        | FY14E        |
| <b>Loan Growth (%)</b>              | 13.0               | 12.7         | 12.1         | 15.6               | 14.4         | 12.7         | 8.2                | 12.5         | 11.3         | 14.1               | 13.2         | 13.3         | 15.1               | 13.6         | 13.0         |
| Net Interest Margin (bps)           | 258                | 248          | 240          | 275                | 264          | 255          | 217                | 220          | 210          | 277                | 268          | 259          | 259                | 246          | 235          |
| <b>Net Interest Income (RMB b)</b>  | <b>417.8</b>       | <b>449.8</b> | <b>486.1</b> | <b>353.2</b>       | <b>389.5</b> | <b>425.9</b> | <b>257.0</b>       | <b>278.6</b> | <b>296.5</b> | <b>341.9</b>       | <b>373.0</b> | <b>405.8</b> | <b>120.1</b>       | <b>129.2</b> | <b>138.6</b> |
| NII Growth (%)                      | 15.2               | 7.6          | 8.1          | 16.0               | 10.3         | 9.3          | 12.7               | 8.4          | 6.4          | 11.3               | 9.1          | 8.8          | 16.1               | 7.6          | 7.2          |
| <b>Non Interest Income (RMB b)</b>  | <b>111.9</b>       | <b>126.2</b> | <b>143.4</b> | <b>109.3</b>       | <b>121.8</b> | <b>138.3</b> | <b>109.2</b>       | <b>124.0</b> | <b>140.5</b> | <b>83.1</b>        | <b>94.7</b>  | <b>108.7</b> | <b>27.4</b>        | <b>31.2</b>  | <b>35.3</b>  |
| Non-II Growth (%)                   | 3.8                | 12.8         | 13.6         | 15.3               | 11.4         | 13.6         | 9.0                | 13.5         | 13.3         | 14.5               | 14.0         | 14.7         | 15.2               | 13.7         | 13.2         |
| -Fee Income (RMB b)                 | 106.1              | 120.5        | 136.9        | 93.5               | 106.4        | 122.2        | 69.9               | 80.7         | 93.4         | 74.8               | 86.2         | 99.5         | 20.9               | 24.0         | 27.6         |
| -Fee Growth (%)                     | 4.4                | 13.6         | 13.7         | 7.5                | 13.7         | 14.8         | 8.1                | 15.5         | 15.7         | 8.9                | 15.2         | 15.4         | 11.9               | 15.0         | 15.0         |
| -Other Income (RMB b)               | 5.8                | 5.8          | 6.5          | 15.8               | 15.5         | 16.2         | 39.3               | 43.3         | 47.1         | 8.2                | 8.5          | 9.2          | 6.5                | 7.2          | 7.7          |
| -Other Income Growth (%)            | (7.3)              | (0.7)        | 12.6         | 101.9              | (2.3)        | 4.6          | 10.4               | 10.1         | 8.9          | 116.5              | 3.6          | 7.7          | 27.1               | 9.8          | 7.0          |
| <b>Total Income (RMB b)</b>         | <b>529.7</b>       | <b>576.0</b> | <b>629.5</b> | <b>462.5</b>       | <b>511.4</b> | <b>564.2</b> | <b>366.2</b>       | <b>402.6</b> | <b>437.0</b> | <b>425.0</b>       | <b>467.8</b> | <b>514.4</b> | <b>147.6</b>       | <b>160.5</b> | <b>173.9</b> |
| Total Income Growth (%)             | 12.6               | 8.7          | 9.3          | 15.8               | 10.6         | 10.3         | 11.5               | 9.9          | 8.6          | 11.9               | 10.1         | 10.0         | 15.9               | 8.7          | 8.4          |
| Non-II % of Total Income            | 21.1               | 21.9         | 22.8         | 23.6               | 23.8         | 24.5         | 29.8               | 30.8         | 32.2         | 19.6               | 20.3         | 21.1         | 18.6               | 19.4         | 20.3         |
| <b>Operating Costs (RMB b)</b>      | <b>189.9</b>       | <b>208.6</b> | <b>230.6</b> | <b>171.1</b>       | <b>189.9</b> | <b>214.0</b> | <b>160.0</b>       | <b>176.0</b> | <b>193.4</b> | <b>182.8</b>       | <b>206.1</b> | <b>232.0</b> | <b>57.8</b>        | <b>63.2</b>  | <b>70.1</b>  |
| Costs Growth (%)                    | 12.0               | 9.8          | 10.6         | 18.4               | 11.0         | 12.7         | 13.6               | 10.0         | 9.9          | 16.2               | 12.8         | 12.6         | 17.1               | 9.4          | 11.0         |
| Costs % of Total Income             | 35.9               | 36.2         | 36.6         | 37.0               | 37.1         | 37.9         | 43.7               | 43.7         | 44.2         | 43.0               | 44.1         | 45.1         | 39.2               | 39.4         | 40.3         |
| <b>Pre-Provision Profit (RMB b)</b> | <b>339.8</b>       | <b>367.4</b> | <b>398.9</b> | <b>291.5</b>       | <b>321.5</b> | <b>350.2</b> | <b>206.2</b>       | <b>226.6</b> | <b>243.7</b> | <b>242.2</b>       | <b>261.6</b> | <b>282.4</b> | <b>89.8</b>        | <b>97.2</b>  | <b>103.8</b> |
| PPP Growth (%)                      | 12.9               | 8.1          | 8.6          | 14.4               | 10.3         | 8.9          | 10.0               | 9.9          | 7.5          | 8.9                | 8.0          | 7.9          | 15.2               | 8.3          | 6.7          |
| PPOP/Avg Loans (Bps)                | 409.6              | 392.5        | 379.3        | 416.1              | 399.2        | 383.0        | 312.2              | 310.7        | 298.8        | 401.2              | 381.5        | 363.5        | 325.8              | 309.0        | 291.1        |
| <b>Provision Charges (RMB b)</b>    | <b>33.7</b>        | <b>42.8</b>  | <b>48.0</b>  | <b>40.0</b>        | <b>51.8</b>  | <b>58.4</b>  | <b>19.4</b>        | <b>30.2</b>  | <b>33.6</b>  | <b>54.2</b>        | <b>51.4</b>  | <b>58.3</b>  | <b>14.5</b>        | <b>18.9</b>  | <b>21.4</b>  |
| - NPL Ratio (%)                     | 0.8                | 0.9          | 0.9          | 1.0                | 1.1          | 1.2          | 1.0                | 1.0          | 1.1          | 1.6                | 1.7          | 1.7          | 0.9                | 1.0          | 1.1          |
| - Provision Coverage (%)            | 296.0              | 286.4        | 284.3        | 271.3              | 268.8        | 261.8        | 236.3              | 245.8        | 243.8        | 265.8              | 264.0        | 264.9        | 254.5              | 253.2        | 256.8        |
| - Provisions bps of Loans           | 40.7               | 45.7         | 45.7         | 57.2               | 64.3         | 63.8         | 29.4               | 41.4         | 41.2         | 89.8               | 75.0         | 75.0         | 52.8               | 60.0         | 60.0         |
| Others (RMB b)                      | 2.7                | 2.9          | 3.2          | 0.0                | 0.0          | 0.0          | 0.6                | 0.7          | 0.7          | 0.0                | 0.0          | 0.0          | 0.0                | 0.0          | 0.0          |
| <b>Pre-tax Profit (RMB b)</b>       | <b>308.7</b>       | <b>327.5</b> | <b>354.1</b> | <b>251.4</b>       | <b>269.7</b> | <b>291.9</b> | <b>187.4</b>       | <b>197.1</b> | <b>210.8</b> | <b>187.9</b>       | <b>210.2</b> | <b>224.1</b> | <b>75.2</b>        | <b>78.4</b>  | <b>82.4</b>  |
| Tax (RMB b)                         | 70.0               | 73.9         | 79.6         | 57.8               | 60.8         | 65.2         | 41.9               | 43.3         | 46.2         | 42.8               | 47.0         | 50.0         | 16.7               | 18.0         | 18.8         |
| Minorities (RMB b)                  | 0.2                | 0.2          | 0.2          | 0.4                | 0.1          | 0.1          | 6.1                | 6.3          | 6.9          | 0.0                | 0.0          | 0.0          | 0.1                | 0.1          | 0.1          |
| <b>Net Profit (RMB b)</b>           | <b>238.5</b>       | <b>253.4</b> | <b>274.2</b> | <b>193.2</b>       | <b>208.8</b> | <b>226.5</b> | <b>139.4</b>       | <b>147.5</b> | <b>157.7</b> | <b>145.1</b>       | <b>163.2</b> | <b>174.1</b> | <b>58.4</b>        | <b>60.2</b>  | <b>63.4</b>  |
| FD EPS (RMB)                        | 0.67               | 0.71         | 0.77         | 0.77               | 0.84         | 0.91         | 0.50               | 0.53         | 0.56         | 0.45               | 0.50         | 0.54         | 0.88               | 0.81         | 0.85         |
| FD EPS Growth (%)                   | 14.5               | 6.2          | 8.2          | 14.1               | 8.1          | 8.5          | 12.2               | 5.8          | 6.9          | 19.0               | 12.5         | 6.7          | 7.9                | (8.3)        | 5.2          |
| BVPS (RMB)                          | 3.21               | 3.70         | 4.23         | 3.77               | 4.33         | 4.95         | 2.95               | 3.31         | 3.69         | 2.31               | 2.65         | 3.01         | 5.12               | 5.68         | 6.28         |
| BVPS Growth (%)                     | 17.5               | 15.1         | 14.4         | 16.1               | 15.1         | 14.2         | 13.9               | 12.0         | 11.5         | 15.4               | 15.0         | 13.6         | 16.5               | 11.1         | 10.5         |
| RoRWA (%)                           | 2.66               | 2.44         | 2.30         | 2.68               | 2.52         | 2.39         | 2.00               | 1.92         | 1.83         | 2.13               | 2.09         | 1.94         | 1.94               | 1.73         | 1.58         |
| <b>Tier 1 ratio (%)</b>             | <b>10.6</b>        | <b>10.5</b>  | <b>10.8</b>  | <b>11.3</b>        | <b>11.3</b>  | <b>11.6</b>  | <b>10.5</b>        | <b>10.5</b>  | <b>10.6</b>  | <b>9.7</b>         | <b>9.7</b>   | <b>9.7</b>   | <b>11.5</b>        | <b>11.0</b>  | <b>10.7</b>  |
| Core Tier 1 ratio (%)               | 10.6               | 10.5         | 10.8         | 11.3               | 11.3         | 11.6         | 10.4               | 10.5         | 10.6         | 9.7                | 9.7          | 9.7          | 11.5               | 11.0         | 10.7         |
| CAR (%)                             | 13.7               | 13.2         | 13.5         | 14.3               | 13.2         | 13.4         | 12.6               | 13.7         | 13.6         | 12.6               | 12.3         | 12.2         | 14.4               | 13.6         | 13.1         |
| <b>Loan to Deposit ratio (%)</b>    | <b>64.5</b>        | <b>65.4</b>  | <b>66.0</b>  | <b>66.2</b>        | <b>66.8</b>  | <b>66.9</b>  | <b>74.8</b>        | <b>75.4</b>  | <b>75.7</b>  | <b>59.2</b>        | <b>59.8</b>  | <b>60.3</b>  | <b>79.0</b>        | <b>79.4</b>  | <b>79.5</b>  |
| <b>EPS SENSITIVITY STUDY</b>        | <b>FY13E FY14E</b> |              |              | <b>FY13E FY14E</b> |              |              | <b>FY14E FY15E</b> |              |              | <b>FY13E FY14E</b> |              |              | <b>FY13E FY14E</b> |              |              |
| EPS Base Case (RMB)                 | 0.71 0.77          |              |              | 0.84 0.91          |              |              | 0.53 0.56          |              |              | 0.50 0.54          |              |              | 0.81 0.85          |              |              |
| % Impact from                       |                    |              |              |                    |              |              |                    |              |              |                    |              |              |                    |              |              |
| Loan Growth: +1% Chg                | 0.7 0.7            |              |              | 0.7 0.8            |              |              | 0.8 0.8            |              |              | 0.8 0.8            |              |              | 0.9 1.0            |              |              |
| NIM: +10bps Chg                     | 5.5 5.7            |              |              | 5.5 5.7            |              |              | 6.7 7.0            |              |              | 6.6 7.0            |              |              | 6.7 7.2            |              |              |
| Cost Income %: +1% Chg              | 1.8 1.8            |              |              | 1.9 1.9            |              |              | 2.1 2.2            |              |              | 2.2 2.3            |              |              | 2.1 2.1            |              |              |
| Provisions / Loans: +10bps Chg      | 2.9 3.0            |              |              | 3.0 3.1            |              |              | 3.9 4.0            |              |              | 3.3 3.5            |              |              | 4.0 4.3            |              |              |
| <b>ROA/ROE DECOMP (%)</b>           | <b>FY12A</b>       | <b>FY13E</b> | <b>FY14E</b> | <b>FY12A</b>       | <b>FY13E</b> | <b>FY14E</b> | <b>FY12A</b>       | <b>FY13E</b> | <b>FY14E</b> | <b>FY12A</b>       | <b>FY13E</b> | <b>FY14E</b> | <b>FY12A</b>       | <b>FY13E</b> | <b>FY14E</b> |
| Net interest income                 | 2.53               | 2.43         | 2.35         | 2.69               | 2.61         | 2.53         | 2.10               | 2.08         | 2.00         | 2.74               | 2.65         | 2.57         | 2.43               | 2.31         | 2.20         |
| Total operating income              | 3.21               | 3.11         | 3.05         | 3.52               | 3.43         | 3.35         | 2.99               | 3.01         | 2.94         | 3.41               | 3.33         | 3.25         | 2.99               | 2.86         | 2.76         |
| Operating expenses                  | -1.15              | -1.12        | -1.12        | -1.30              | -1.27        | -1.27        | -1.31              | -1.31        | -1.30        | -1.47              | -1.47        | -1.47        | -1.17              | -1.13        | -1.11        |
| Op profit before provisions         | 2.06               | 1.98         | 1.93         | 2.22               | 2.16         | 2.08         | 1.68               | 1.69         | 1.64         | 1.94               | 1.86         | 1.79         | 1.82               | 1.74         | 1.65         |
| Provisions                          | -0.20              | -0.23        | -0.23        | -0.31              | -0.35        | -0.35        | -0.16              | -0.23        | -0.23        | -0.44              | -0.37        | -0.37        | -0.29              | -0.34        | -0.34        |
| Non-recurring items                 | 0.02               | 0.02         | 0.02         | 0.00               | 0.00         | 0.00         | 0.01               | 0.01         | 0.00         | 0.00               | 0.00         | 0.00         | 0.00               | 0.00         | 0.00         |
| Tax                                 | -0.42              | -0.40        | -0.39        | -0.44              | -0.41        | -0.39        | -0.34              | -0.32        | -0.31        | -0.34              | -0.33        | -0.32        | -0.34              | -0.32        | -0.30        |
| <b>Net profit (ROA)</b>             | <b>1.44</b>        | <b>1.37</b>  | <b>1.33</b>  | <b>1.47</b>        | <b>1.40</b>  | <b>1.35</b>  | <b>1.14</b>        | <b>1.10</b>  | <b>1.06</b>  | <b>1.16</b>        | <b>1.16</b>  | <b>1.10</b>  | <b>1.18</b>        | <b>1.08</b>  | <b>1.01</b>  |
| Leverage (x)                        | 15.9               | 15.4         | 14.9         | 15.0               | 14.7         | 14.5         | 15.8               | 15.3         | 15.2         | 17.8               | 17.5         | 17.2         | 15.2               | 14.0         | 14.2         |
| <b>ROE</b>                          | <b>22.98</b>       | <b>20.99</b> | <b>19.80</b> | <b>22.04</b>       | <b>20.62</b> | <b>19.52</b> | <b>18.01</b>       | <b>16.87</b> | <b>16.15</b> | <b>20.74</b>       | <b>20.25</b> | <b>18.91</b> | <b>17.91</b>       | <b>15.02</b> | <b>14.27</b> |

Source: Company Reports and Citi Research Estimates

Figure 61. China – Bank Earnings Forecasts and Key Assumptions (RMB Billion)

|                                     | CMB          |              |              | CNCB         |              |              | Minsheng     |              |              | CRCB         |              |              | Sector (9 Banks) |                |                |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------------|----------------|----------------|
|                                     | FY12A        | FY13E        | FY14E        | FY12A        | FY13E        | FY14E        | FY12A        | FY13E        | FY14E        | FY12A        | FY13E        | FY14E        | FY12A            | FY13E          | FY14E          |
| <b>Loan Growth (%)</b>              | 16.0         | 14.4         | 13.2         | 16.0         | 14.1         | 12.9         | 14.9         | 13.7         | 13.5         | 20.2         | 17.9         | 18.5         | 13.3             | 13.4           | 12.5           |
| Net Interest Margin (bps)           | 303          | 288          | 280          | 265          | 260          | 255          | 288          | 265          | 266          | 341          | 338          | 328          | 263              | 254            | 246            |
| <b>Net Interest Income (RMB b)</b>  | <b>88.4</b>  | <b>98.7</b>  | <b>110.1</b> | <b>75.5</b>  | <b>81.6</b>  | <b>90.6</b>  | <b>77.2</b>  | <b>86.0</b>  | <b>94.0</b>  | <b>13.1</b>  | <b>15.6</b>  | <b>17.6</b>  | <b>1,744.1</b>   | <b>1,902.1</b> | <b>2,065.1</b> |
| NII Growth (%)                      | 15.8         | 11.7         | 11.5         | 15.9         | 8.1          | 11.0         | 19.0         | 11.5         | 9.2          | 24.6         | 19.3         | 12.9         | 14.5             | 9.1            | 8.6            |
| <b>Non Interest Income (RMB b)</b>  | <b>25.4</b>  | <b>28.5</b>  | <b>32.3</b>  | <b>14.2</b>  | <b>17.1</b>  | <b>19.2</b>  | <b>25.4</b>  | <b>28.3</b>  | <b>33.5</b>  | <b>0.6</b>   | <b>0.7</b>   | <b>0.9</b>   | <b>506.6</b>     | <b>572.5</b>   | <b>652.2</b>   |
| Non-II Growth (%)                   | 25.0         | 12.1         | 13.6         | 18.7         | 19.9         | 12.7         | 46.4         | 11.3         | 18.2         | (8.5)        | 28.1         | 27.1         | 12.7             | 13.0           | 13.9           |
| -Fee Income (RMB b)                 | 19.7         | 23.1         | 26.6         | 11.2         | 13.9         | 16.0         | 20.5         | 24.7         | 29.8         | 0.4          | 0.6          | 0.8          | 417.1            | 480.1          | 552.8          |
| -Fee Growth (%)                     | 26.3         | 17.2         | 15.1         | 26.9         | 24.3         | 15.0         | 35.9         | 20.6         | 20.6         | (31.4)       | 27.8         | 35.0         | 9.5              | 15.1           | 15.1           |
| -Other Income (RMB b)               | 5.6          | 5.3          | 5.7          | 3.0          | 3.1          | 3.2          | 4.9          | 3.6          | 3.6          | 0.1          | 0.2          | 0.2          | 89.4             | 92.4           | 99.4           |
| -Other Income Growth (%)            | 20.8         | (5.5)        | 7.0          | (4.3)        | 3.3          | 2.1          | 116.2        | (27.6)       | 1.6          | (667.4)      | 29.5         | (0.0)        | 30.1             | 3.3            | 7.6            |
| <b>Total Income (RMB b)</b>         | <b>113.8</b> | <b>127.1</b> | <b>142.4</b> | <b>89.7</b>  | <b>98.7</b>  | <b>109.8</b> | <b>102.6</b> | <b>114.3</b> | <b>127.4</b> | <b>13.7</b>  | <b>16.3</b>  | <b>18.5</b>  | <b>2,250.7</b>   | <b>2,474.7</b> | <b>2,717.3</b> |
| Total Income Growth (%)             | 17.8         | 11.8         | 12.0         | 16.4         | 10.0         | 11.3         | 24.8         | 11.4         | 11.4         | 22.8         | 19.7         | 13.5         | 14.1             | 10.0           | 9.8            |
| Non-II % of Total Income            | 22.3         | 22.4         | 22.7         | 15.9         | 17.3         | 17.5         | 24.8         | 24.8         | 26.3         | 4.1          | 4.4          | 4.9          | 22.5             | 23.1           | 24.0           |
| <b>Operating Costs (RMB b)</b>      | <b>48.7</b>  | <b>55.5</b>  | <b>63.1</b>  | <b>35.0</b>  | <b>39.8</b>  | <b>45.3</b>  | <b>42.7</b>  | <b>49.5</b>  | <b>56.5</b>  | <b>6.1</b>   | <b>7.0</b>   | <b>7.9</b>   | <b>894.1</b>     | <b>995.5</b>   | <b>1,112.9</b> |
| Costs Growth (%)                    | 18.2         | 14.0         | 13.7         | 23.2         | 13.7         | 13.8         | 16.6         | 15.7         | 14.2         | 27.2         | 15.5         | 12.7         | 15.7             | 11.3           | 11.8           |
| Costs % of Total Income             | 42.8         | 43.6         | 44.3         | 39.0         | 40.3         | 41.2         | 41.7         | 43.3         | 44.3         | 44.5         | 42.9         | 42.7         | 39.7             | 40.2           | 41.0           |
| <b>Pre-Provision Profit (RMB b)</b> | <b>65.1</b>  | <b>71.7</b>  | <b>79.3</b>  | <b>54.7</b>  | <b>58.9</b>  | <b>64.5</b>  | <b>59.8</b>  | <b>64.9</b>  | <b>70.9</b>  | <b>7.6</b>   | <b>9.3</b>   | <b>10.6</b>  | <b>1,356.5</b>   | <b>1,479.1</b> | <b>1,604.4</b> |
| PPP Growth (%)                      | 17.5         | 10.1         | 10.7         | 12.4         | 7.6          | 9.6          | 31.4         | 8.4          | 9.3          | 19.5         | 23.0         | 14.0         | 13.1             | 9.0            | 8.5            |
| PPOP/Avg Loans (Bps)                | 367.1        | 351.0        | 341.6        | 353.5        | 330.8        | 319.4        | 462.2        | 438.5        | 422.0        | 476.8        | 493.1        | 475.7        | 382.4            | 367.9          | 353.4          |
| <b>Provision Charges (RMB b)</b>    | <b>5.6</b>   | <b>10.2</b>  | <b>11.6</b>  | <b>13.1</b>  | <b>15.3</b>  | <b>15.2</b>  | <b>9.2</b>   | <b>11.5</b>  | <b>13.2</b>  | <b>0.5</b>   | <b>1.0</b>   | <b>1.5</b>   | <b>190.3</b>     | <b>233.1</b>   | <b>261.1</b>   |
| - NPL Ratio (%)                     | 0.6          | 0.6          | 0.7          | 0.7          | 0.8          | 0.9          | 0.8          | 0.8          | 0.9          | 1.0          | 1.0          | 1.1          | 1.0              | 1.1            | 1.1            |
| - Provision Coverage (%)            | 355.1        | 360.6        | 368.9        | 288.2        | 303.4        | 309.0        | 315.1        | 309.2        | 316.8        | 350.6        | 322.5        | 316.3        | 272.0            | 271.2          | 270.3          |
| - Provisions bps of Loans           | 31.5         | 50.0         | 50.0         | 84.6         | 86.0         | 75.0         | 71.0         | 77.6         | 78.7         | 32.2         | 52.7         | 65.8         | 53.9             | 57.8           | 57.5           |
| Others (RMB b)                      | 0.1          | 0.1          | 0.1          | (0.0)        | (0.0)        | (0.0)        | 0.0          | 0.0          | 0.0          | 0.0          | 0.1          | 0.1          | 3.3              | 3.8            | 4.1            |
| <b>Pre-tax Profit (RMB b)</b>       | <b>59.6</b>  | <b>61.5</b>  | <b>67.8</b>  | <b>41.6</b>  | <b>43.6</b>  | <b>49.4</b>  | <b>50.7</b>  | <b>53.4</b>  | <b>57.7</b>  | <b>7.1</b>   | <b>8.4</b>   | <b>9.3</b>   | <b>1,169.5</b>   | <b>1,249.7</b> | <b>1,347.4</b> |
| Tax (RMB b)                         | 14.3         | 14.2         | 15.6         | 10.2         | 10.7         | 12.1         | 12.3         | 13.0         | 14.1         | 1.7          | 2.0          | 2.1          | 267.8            | 282.7          | 303.8          |
| Minorities (RMB b)                  | 0.0          | 0.0          | 0.0          | 0.4          | 0.4          | 0.4          | 0.7          | 0.9          | 1.0          | 0.0          | 0.0          | 0.0          | 7.9              | 8.0            | 8.9            |
| <b>Net Profit (RMB b)</b>           | <b>45.3</b>  | <b>47.4</b>  | <b>52.2</b>  | <b>31.0</b>  | <b>32.5</b>  | <b>36.8</b>  | <b>37.6</b>  | <b>39.5</b>  | <b>42.6</b>  | <b>5.4</b>   | <b>6.5</b>   | <b>7.1</b>   | <b>893.8</b>     | <b>959.0</b>   | <b>1,034.8</b> |
| FD EPS (RMB)                        | 2.10         | 1.80         | 1.98         | 0.66         | 0.69         | 0.79         | 1.34         | 1.39         | 1.50         | 0.58         | 0.67         | 0.74         | 0.74             | 0.76           | 0.82           |
| FD EPS Growth (%)                   | 25.3         | (14.2)       | 10.2         | (6.7)        | 4.7          | 13.3         | 28.6         | 3.6          | 7.8          | 26.2         | 16.6         | 9.9          | 15.7             | 3.1            | 8.1            |
| BVPS (RMB)                          | 9.29         | 10.23        | 11.67        | 4.14         | 4.68         | 5.29         | 5.75         | 6.99         | 8.21         | 3.43         | 3.95         | 4.47         | 3.69             | 4.21           | 4.78           |
| BVPS Growth (%)                     | 21.5         | 10.1         | 14.1         | 13.8         | 13.0         | 13.0         | 18.5         | 21.6         | 17.5         | 14.5         | 15.3         | 13.1         | 16.8             | 14.1           | 13.7           |
| RoRWA (%)                           | 2.36         | 2.01         | 1.84         | 1.70         | 1.55         | 1.52         | 2.07         | 1.76         | 1.62         | 2.42         | 2.28         | 2.01         | 2.17             | 2.15           | 2.02           |
| <b>Tier 1 ratio (%)</b>             | <b>8.5</b>   | <b>9.3</b>   | <b>9.2</b>   | <b>9.9</b>   | <b>9.8</b>   | <b>9.5</b>   | <b>8.1</b>   | <b>8.1</b>   | <b>8.3</b>   | <b>12.0</b>  | <b>11.3</b>  | <b>10.2</b>  | <b>10.4</b>      | <b>10.4</b>    | <b>10.6</b>    |
| Core Tier 1 ratio (%)               | 8.5          | 9.3          | 9.2          | 10.0         | 9.8          | 9.5          | 8.1          | 8.1          | 8.3          | 12.0         | 11.3         | 10.2         | 10.4             | 10.3           | 10.4           |
| CAR (%)                             | 12.1         | 12.2         | 11.9         | 13.4         | 12.2         | 11.6         | 10.8         | 9.8          | 9.9          | 12.9         | 11.8         | 10.7         | 13.3             | 12.9           | 12.9           |
| <b>Loan to Deposit ratio (%)</b>    | <b>75.2</b>  | <b>75.5</b>  | <b>75.6</b>  | <b>73.7</b>  | <b>74.5</b>  | <b>74.4</b>  | <b>71.9</b>  | <b>72.3</b>  | <b>72.6</b>  | <b>58.9</b>  | <b>59.8</b>  | <b>60.5</b>  | <b>67.6</b>      | <b>68.2</b>    | <b>68.5</b>    |
| <b>EPS SENSITIVITY STUDY</b>        |              | <b>FY13E</b> | <b>FY14E</b> |              | <b>FY13E</b> | <b>FY14E</b> |              | <b>FY13E</b> | <b>FY14E</b> |              | <b>FY13E</b> | <b>FY14E</b> |                  | <b>FY13E</b>   | <b>FY14E</b>   |
| <b>EPS Base Case (RMB)</b>          |              | 1.80         | 1.98         |              | 0.69         | 0.79         |              | 1.39         | 1.50         |              | 0.67         | 0.74         |                  | 0.76           | 0.82           |
| % Impact from                       |              |              |              |              |              |              |              |              |              |              |              |              |                  |                |                |
| <b>Loan Growth: +1% Chg</b>         |              | 0.9          | 0.9          |              | 1.0          | 1.0          |              | 0.7          | 0.7          |              | 0.7          | 0.7          |                  | 0.8            | 0.8            |
| <b>NIM: +10bps Chg</b>              |              | 5.6          | 5.8          |              | 7.3          | 7.3          |              | 6.2          | 6.3          |              | 5.5          | 5.8          |                  | 6.0            | 6.3            |
| <b>Cost Income %: +1% Chg</b>       |              | 2.1          | 2.1          |              | 2.3          | 2.3          |              | 2.2          | 2.3          |              | 1.9          | 2.0          |                  | 2.0            | 2.0            |
| <b>Provision/Loans: +10bps Chg</b>  |              | 3.3          | 3.4          |              | 4.1          | 4.1          |              | 2.8          | 3.0          |              | 2.3          | 2.4          |                  | 3.2            | 3.4            |
| <b>ROA/ROE DECOMP (%)</b>           | <b>FY12A</b> | <b>FY13E</b> | <b>FY14E</b> | <b>FY12A</b> | <b>FY13E</b> | <b>FY14E</b> | <b>FY12A</b> | <b>FY13E</b> | <b>FY14E</b> | <b>FY12A</b> | <b>FY13E</b> | <b>FY14E</b> | <b>FY12A</b>     | <b>FY13E</b>   | <b>FY14E</b>   |
| Net interest income                 | 2.85         | 2.68         | 2.60         | 2.64         | 2.59         | 2.54         | 2.84         | 2.61         | 2.62         | 3.36         | 3.34         | 3.25         | 2.55             | 2.47           | 2.39           |
| Total operating income              | 3.67         | 3.46         | 3.37         | 3.13         | 3.13         | 3.08         | 3.77         | 3.47         | 3.56         | 3.51         | 3.49         | 3.42         | 3.29             | 3.21           | 3.15           |
| Operating expenses                  | -1.57        | -1.51        | -1.49        | -1.22        | -1.26        | -1.27        | -1.57        | -1.50        | -1.58        | -1.56        | -1.50        | -1.46        | -1.31            | -1.29          | -1.29          |
| Op profit before provisions         | 2.10         | 1.95         | 1.88         | 1.91         | 1.87         | 1.81         | 2.20         | 1.97         | 1.98         | 1.95         | 1.99         | 1.96         | 1.98             | 1.92           | 1.86           |
| Provisions                          | -0.18        | -0.28        | -0.27        | -0.46        | -0.49        | -0.43        | -0.34        | -0.35        | -0.37        | -0.13        | -0.21        | -0.27        | -0.28            | -0.30          | -0.30          |
| Non-recurring items                 | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.02         | 0.02         | 0.00             | 0.00           | 0.00           |
| Tax                                 | -0.46        | -0.38        | -0.37        | -0.36        | -0.34        | -0.34        | -0.45        | -0.40        | -0.39        | -0.43        | -0.42        | -0.40        | -0.39            | -0.37          | -0.35          |
| <b>Net profit (ROA)</b>             | <b>1.46</b>  | <b>1.29</b>  | <b>1.24</b>  | <b>1.08</b>  | <b>1.03</b>  | <b>1.03</b>  | <b>1.38</b>  | <b>1.20</b>  | <b>1.19</b>  | <b>1.38</b>  | <b>1.38</b>  | <b>1.31</b>  | <b>1.31</b>      | <b>1.24</b>    | <b>1.20</b>    |
| Leverage (x)                        | 17.0         | 15.7         | 14.7         | 15.7         | 15.3         | 15.3         | 18.6         | 18.2         | 16.6         | 13.0         | 13.6         | 13.8         | 16.1             | 15.6           | 15.3           |
| <b>ROE</b>                          | <b>24.78</b> | <b>20.18</b> | <b>18.11</b> | <b>17.06</b> | <b>15.76</b> | <b>15.80</b> | <b>25.67</b> | <b>21.86</b> | <b>19.75</b> | <b>17.94</b> | <b>18.80</b> | <b>18.10</b> | <b>21.01</b>     | <b>19.35</b>   | <b>18.27</b>   |

Source: Company Reports and Citi Research Estimates

## Appendix A-1

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