

Chinese Banks

Property Risks Loom

- **On-the-ground checks** — We visited four Chinese cities (Chongqing, Hangzhou, Beijing, Shanghai) last week. The property market's weakness was the main concern, and classic problems such as credit tightening, risk aversion, and shadow banking refinancing risks all came to the fore. We have viewed Chinese banks as inexpensive but lacking positive catalysts given pressures on asset quality and NIMs. Our meetings suggest further downside risk to NPLs if property continues to weaken. Remain defensively positioned in the big banks (prefer BOC, ABC) over the smaller banks (least preferred MSB, HSB).
- **Tightening of shadow banking credit** — Many trust companies are avoiding property projects in Tier 3-4 cities; investor appetite has also reduced. Trust companies still see LGFV projects as relatively safe. Some over-aggressive trust companies are now focusing entirely on managing repayment risks. Refinancing risks loom for new shadow banking entrants in past 1-2 years; the most aggressive group has been fund subsidiary companies (over Rmb1.4trn AUM). In the face of tightening credit, new financing methods, such as P2B (peer-to-business) partnership companies, have arisen but these are even less transparent.
- **Lower property prices naturally shrink credit** — A huge amount of lending in China is still collateralized by property (c45% of bank lending, even higher if include shadow banking). We were cited a case where due to falling property prices, an LGFV in the YRD had to provide more guarantees and collateral to secure financing. Property development lending (just 6.5% of total loans, stable in past 7-8 years) is under-stated because loans for other purposes are often channeled into real estate (we met a company that specializes in this); mortgages c14% of loans.
- **Slowing credit growth and high borrowing costs not a happy combo** — When credit growth slows, NPLs tend to rise; the inflection point in other countries has been when credit growth falls below lending rates (i.e. insufficient credit growth to service debt). China could be approaching this point considering that borrowing costs are usually a lot higher than on paper for many companies (especially SMEs where effective borrowing costs are easily 10-15%).
- **Mutual guarantees, strategic defaults and city commercial banks** — We were reminded that problems in mutual guarantees (common in Eastern China) are still alive; of the various examples cited, one was about a steel maker strategically defaulting to force the local government to intervene and negotiate a debt restructuring with banks to protect employment (mutual guarantees amplify the effect of a single default). City commercial banks fully complied (suggesting greater influence by local governments) while big state banks managed to negotiate for a slightly better deal.

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Property Risks Loom

Tightening of Shadow Banking Credit

Checks show downside risk to NPLs if property continues to weaken

We spent last week doing on-the-ground checks across four cities (Chongqing, Hangzhou, Beijing, Shanghai). Property market weakness was the main topic of concern and classic problems such as credit tightening, risk aversion, shadow banking refinancing risks all came to the fore. We have viewed Chinese banks as inexpensive but lacking positive catalysts given pressures on asset quality and NIMs. Our meetings suggest further downside risk to NPLs if property continues to weaken, especially in over-supplied Tier 3-4 cities (links to recent property reports published by our [property analysts](#) and [economist](#)).

Feedback from Trust Companies

We met with numerous trust companies in the various cities. In summary, many trust companies are avoiding property projects in Tier 3-4 cities; investor appetite has also reduced. Trust companies still see LGFV projects as relatively safe. Some over-aggressive trust companies are now focusing entirely on managing repayment risks. Note that it is mainly the **unlisted and smaller developers that rely on trust product / shadow banking for funding**, whilst the leading nationwide developers can still borrow from banks. Consolidated feedback is below:

Many trust companies are avoiding Tier 3 and 4 cities

■ **Avoiding Tier 3 and Tier 4 cities:** Many trust companies are not touching property projects in Tier 3-4 cities and below but still see LGFV projects as relatively safe vs increasing risks in property projects; coal mining trusts are highly problematic.

Some trust companies are only managing back book risks

■ **Over-aggressive trust companies are mainly managing repayment risks:** Some trust companies that have been over-aggressive in recent years are under huge pressure as non-performing projects are mounting in property and coal mining. They have largely stopped looking for new business and are mainly focused on managing repayment risks in existing projects.

Investor appetite has reduced

■ **Others are still growing new business:** Trust companies that do not have such significant default pressures are still growing new business but have become more selective given rising risks in the property sector.

■ **But investor appetite has reduced:** Investor appetite for property trust products has been impacted by recent concerns on the property market.

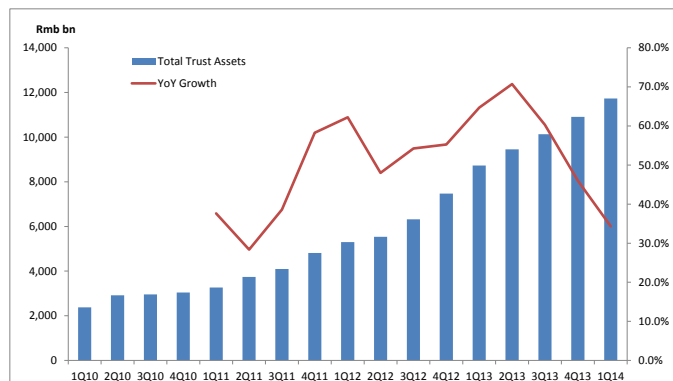
■ **Approval process has been relaxed:** We have seen a relaxation in the regulatory process for new trust product issuance; instead of requiring outright CBRC approval for each new product, trust companies now only need to notify the CBRC of new product launches 10 days in advance. However, both trust companies and investors have become more cautious on property trusts.

Implicit guarantee mindset still very much alive

■ **But “implicit guarantee” mindset still very much alive:** In return for this relaxation, regulators have demanded that shareholders of trust companies be also made responsible for trust product losses. This is interpreted by industry practitioners as re-enforcing the government's unwritten requirement for trust companies to implicitly guarantee their products, contrary to what financial markets believe (that the government is removing this implicit guarantee requirement).

■ **Widespread defaults unlikely but individual cases possible:** However, the ability for trust companies to hold it all together and prevent losses to be passed onto investors is becoming more challenging. We believe widespread trust product defaults are unlikely but individual default cases are likely.

Figure 1. China Trust Assets Grow to Rmb11tr by end of 1Q14



Source: Citi Research, Trust Association

Figure 2. China Trust Products Average Yields



Source: Citi Research, Wind

Refinancing Risk from New Shadow Banking Entrants

Trust growth slowing, but new shadow banking players grew aggressively since 2H12

Trust companies have in the past two years faced greater competition from new shadow banking entrants: fund management subsidiary companies, brokerage asset management plans, insurance company asset management plans. These players have been allowed into trust-type businesses since 2H12 due to policy relaxations by their regulators.

But now also faced with regulatory tightening

However, regulations are beginning to tighten after nearly two years of rapid growth and a supportive policy environment – AUM for brokerage asset management plans have reached over Rmb5trn, fund management subsidiaries have reached Rmb1.4trn compared to Rmb12trn in total trust industry assets (some of these figures may double-count each other as some financing structures involve multiple financial intermediaries as channels):

- **No. 99 Document** (Guidance on trust companies' risk management; <信托公司风险监管的指导意见>) was issued by CBRC in Apr, 14. This new document clarified the responsibilities of trust managers, sales managers, trust companies and shareholders of trust companies when a trust product defaults, and present selling trust products through third party non-financial institutions – we believe this rule will hurt fund subsidiary companies more as they are lack of distribution channels.
- **No. 26 Document** (Guidance on fund management company subsidiaries' risk management; <关于进一步加强基金管理公司及其子公司从事特定客户资产管理业务风险管理的通知>) was issued by CSRC in May, 14 and required fund management company subsidiaries to specify the underlying default risks and responsibilities with other involved institutions including banks, and also required more prudent manners when the fund management company subsidiaries issue products to fund the property and LGFV projects.
- **No. 127 Document** (Guidance on Interbank business, <关于规范金融机构同业业务的通知>) was jointly issued by regulators (PBOC, CBRC, CSRC and CIRC) in May, 14 to tight banks' interbank business which in the past 2 years has become one of the major shadow banking funding sources to property and LGFV projects ([click here for report](#)).

Targeting lower quality projects, giving more aggressive terms, refinancing risk looming in 2015

Fund Subsidiary Companies Have Been Most Aggressive

The most aggressive group among these new players has been fund management subsidiary companies. To grab market share, we believe fund management subsidiaries have been offering faster approval, lower pricing and easier credit standards, and targeting lower quality borrowers. Fund subsidiary companies also have the least capital requirements compared to trust companies and securities and insurance asset management plans. We believe there could be significant refinancing risks from fund management subsidiaries going into 2015 as their projects mature.

Case of default risk is already appearing in the press

Cases of default risk by fund subsidiary company products are beginning to appear in the press. Recently, Guang Group (光耀地产), a top-100 property developer in China, is reportedly facing liquidity problems due to declining property sales. One residential project developed by Guang Group was mainly funded by Caitong Fund Management Company subsidiary's (财通基金子公司) asset management plan which was issued in Dec-13 with total amount of Rmb250mn, and will mature in 2015. If Guang Group fails to sell the property project or the underlying collateral (the property project) cannot be cash out, then the Caitong asset management plan could face default next year, based on media reports.

P2B lending is developing – less regulated and less transparent

New Financing Method: Partnership Companies

We heard on our trip that a new type of financing using partnership companies (合伙企业) has been popular lately with property developers. Partnership companies are very simple to set up, requiring only registration with the Ministry of Commerce. A partnership company can have at most 50 shareholders, one of which must be an individual and will carry unlimited liability, and the rest can be companies with limited liability. Minimum capital required is Rmb100m and the capital can be lent to property companies (usually using properties as collateral). Partnership companies usually offer a fixed return of 10-12% (this is not a guarantee but an unofficial commitment) and duration is normally 1-3 years. An additional benefit of a partnership company is that it does not need to pay corporate income tax; it only needs to pay business tax.

We believe this trend reflects the rising difficulties and costs of funding for property companies. This is essentially "P2B" lending (peer-to-business) and is clearly less regulated and even less transparent than the lending activities done through trust companies, fund management subsidiaries, brokerage and insurance asset management plans.

A lot of lending is still collateral based

Lower Property Prices Shrink Credit

Falling property prices are naturally a drag on credit growth especially since a large amount of lending in China is still collateralized by property – 44% of lending by the H-share banks is collateralized but this figure will be higher if shadow banking lending is included (which we believe relies heavily on property collateral). This is the reverse of a rising property price environment which allows borrowers to borrow more simply from appreciating asset prices and the risk appetite of lenders tends to be more relaxed.

Figure 3. Chinese Bank Loans by Collateral (2013)

	ICBC	CCB	ABC	BOC	BoCom	CMB	CNCB	MSB	CRCB	HSB	Average
Loans secured by mortgages	44.8%	43.5%	48.6%	38.0%	36.2%	41.8%	38.2%	33.6%	65.5%	51.6%	44.2%
Pledged loans	11.9%	10.1%	11.0%	12.7%	11.4%	16.7%	15.5%	13.2%	7.0%	9.9%	11.9%
Guaranteed loans	13.8%	19.2%	17.9%	18.1%	26.9%	21.2%	25.7%	35.9%	18.6%	31.8%	22.9%
Unsecured loans	29.5%	27.2%	22.5%	31.2%	25.4%	20.3%	20.6%	17.3%	8.8%	6.6%	20.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

YoY Loan Growth	ICBC	CCB	ABC	BOC	BoCom	CMB	CNCB	MSB	CRCB	HSB	Average
Loans secured by mortgages	18.4%	17.6%	17.1%	6.9%	18.9%	13.7%	17.5%	-3.4%	24.3%	32.9%	16.4%
Pledged loans	8.9%	7.0%	5.7%	0.6%	8.2%	49.1%	5.7%	24.6%	-1.8%	-4.3%	10.4%
Guaranteed loans	7.6%	14.6%	0.4%	17.2%	10.6%	1.9%	19.5%	19.1%	11.3%	15.0%	11.7%
Unsecured loans	8.7%	12.1%	16.5%	17.3%	2.2%	13.3%	21.3%	39.5%	10.7%	-4.1%	13.8%
Total	12.7%	14.3%	12.3%	10.8%	10.8%	15.4%	16.7%	13.7%	18.3%	19.3%	14.4%

Source: Company Reports and Citi Research

Case where lower property prices has forced borrower to post more collateral and guarantees

We were told of a case where due to falling property prices, an LGFV in the YRD has had to provide more guarantees and collateral to secure the originally contracted financing with a fund subsidiary company:

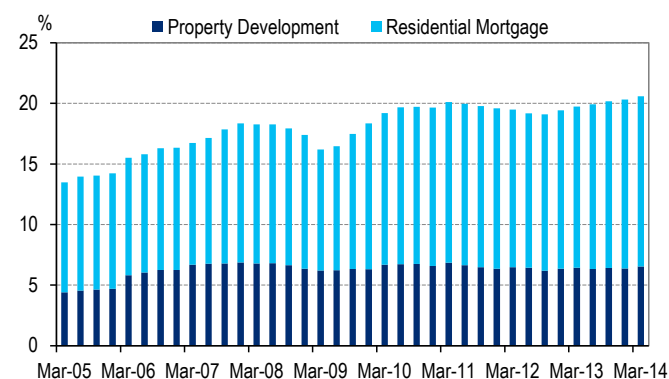
- A large local port company in a developed city in the Yangzi River Delta entered into an agreement a few months ago with a fund subsidiary company to borrow Rmb1.5bn for three years at a 14% annual interest rate to fund a port construction project, which is mainly funded by bank loans (Rmb10bn) and shareholders' equity (Rmb4bn). The collateral being used for borrowing from the fund subsidiary company is residential property under the port company.
- The fund subsidiary company has already issued Rmb1bn to the port company, but since then, property prices in the area around the collateralized property have fallen over 20%. As result, the port company is now required by the fund subsidiary company to provide more guarantees and collateral to satisfy the credit conditions for the remaining Rmb500mn of financing.

Property exposures are understated

On paper, property development loans are only 6.5% of total loans

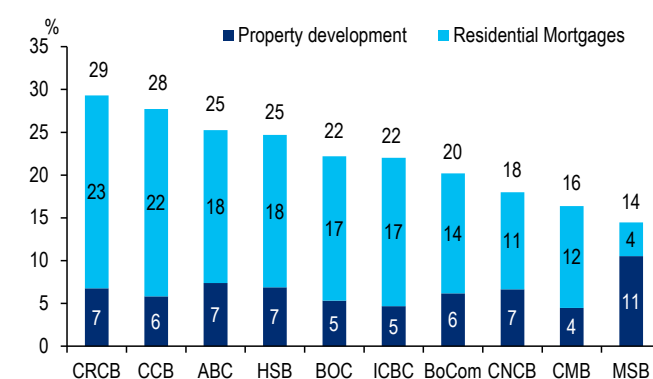
We believe property development lending for the banking system at only 6.5% of total loans (stable in past 7-8 years) is under-stated because loans for other purposes are often channeled into real estate; property exposure also exists in banks' off balance sheet WMPs. Residential mortgages are c14% of total system loans.

Figure 4. China Banking Sector Property Loans as % Total Loans



Source: CEIC, Citi Research

Figure 5. Chinese Banks Property Loans as % Total Loans (2013)



Source: Company Reports and Citi Research

Company that specializes in repackaging property development loans

We met a financial advisory company in Chongqing that specializes in helping small/mid-sized property developers obtain bank loans through "repackaging" by (1) helping the developer find and partner with a "shell" company which operates in an industry that is not under restriction by banks, and (2) improving and creating audited financial accounts. The shell company applies for the loan using properties from the developer as collateral.

- The loan purpose is to support the shell company's business although the real use is for property development.
- Banks are completely in the know and the financial advisory company is brought in mid-way through the process, after the bank and the borrower has agreed on the basic lending terms.
- Loan size is mostly Rmb10-20m. Rmb20m is the loan approval limit for bank sub-branches; larger sizes need to be approved by head office.
- Banks usually charge on paper a loan interest rate of 1.1x to 1.3x benchmark, ie. 6.6% to 7.8% based on the PBOC's one-year lending benchmark of 6%.
- But banks usually charge fees of 30% of the benchmark rate as a "financial advisory fee". This means the effective lending rate could 1.4x to 1.5x the benchmark rate, i.e. around 9%.
- On top of this, the financial advisory company charges a fee of about 1% and the shell company receives 1%. So this takes the total financing cost to about 11%.

Effective borrowing cost very high, could be 15% or more

- Banks often require SMEs to re-deposit the loan in full back in the bank and the bank then issues a bank acceptance bill with which the borrower will use to pay its supplier. To the bank, this has the benefit of booking a deposit. But for the SME borrower, it now needs to take on the cost of discounting the bill and this adds on another couple of percentage points of cost (difference between discounting cost and deposit rate earned) which could take the total borrowing cost to 15% or more.

This practice may be a regional rather than a nationwide phenomenon

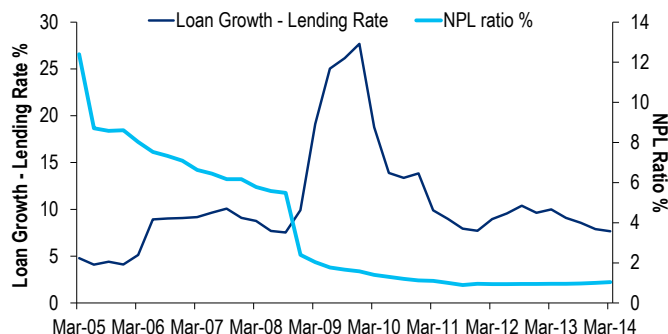
This practice may not be prevalent across the whole country; for example, we hear that this is no longer common in Shanghai as banks have tightened up. But this also highlights that **effective financing cost for SMEs is very high**, and is usually much higher than the contracted loan interest rates.

Slowing Credit Growth and High Borrowing Costs Not a Happy Combo

NPLs tend to rise when credit growth slows below lending rates

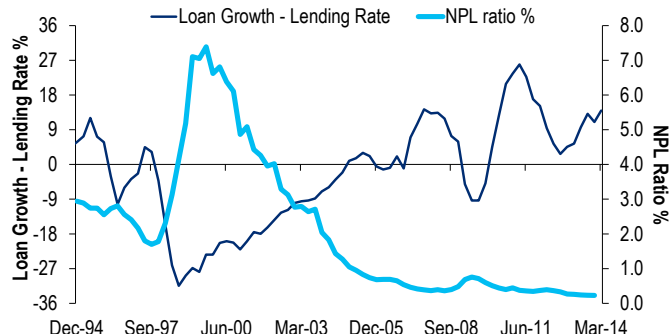
Slowing credit growth especially after a significant leveraging cycle tends to result in NPLs and the inflection point in countries which we have looked at tends to be when credit growth falls below lending interest rates (i.e. insufficient credit growth to service and rollover debt).

Figure 6. China: Loan Growth minus Lending Rate vs. NPL Ratio



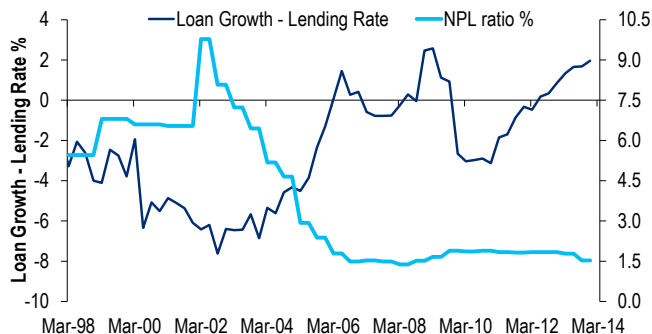
Source: CEIC, Citi Research

Figure 7. Hong Kong: Loan Growth minus Lending Rate vs. NPL Ratio



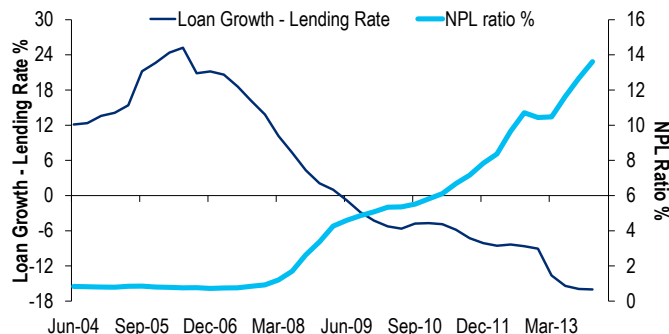
Source: CEIC, Citi Research

Figure 8. Japan: Loan Growth minus Lending Rate vs. NPL ratio



Source: CEIC, Citi Research

Figure 9. Spain: Loan Growth minus Lending Rate vs. NPL ratio



Source: CEIC, Citi Research

China could be approaching this point

In China, stated loan growth and stated lending rates do not give the complete picture because of the rise of shadow banking in the past few years – so the extent of leveraging is more significant than reported loan growth and overall credit growth (we estimate 18% in 2013) is running above stated loan growth – and that borrowing costs for many companies are usually a lot higher than on paper, especially for SMEs where effective borrowing costs are easily 10-15%, as the previous example shows. A significant slowdown in credit growth from here, whether from regulatory tightening or natural risk aversion, would pose a meaningful threat to asset quality in our view.

Mutual Guarantees Still a Threat

Using strategic defaults to force the local government to intervene and negotiate a debt restructuring

We were reminded that problems in mutual guarantees (common in Eastern China) are still alive – of various examples cited, one was about a steel maker strategically defaulting to force and leverage the local government to intervene and negotiate favorable debt restructuring terms with banks to protect employment (mutual guarantees amplify the effect of a single default). City commercial banks fully complied (suggesting greater influence by local governments) while big state banks managed to negotiate for a slightly better deal.

- In a third-tier city of Jiangsu province, one of the most developed regions in China, a medium-sized local steel maker which has over 1,000 employees recently had difficulties in paying interest on bank loans of about Rmb700mn. This loan is part of a syndicated loan with a total amount of Rmb4bn which were lent to six local steel makers secured by mutual guarantees.

City commercial banks more compliant with local government orders

- The steel maker strategically defaulted by suspending manufacturing and payment of interest. This forced the local government to intervene and negotiate with banks to cut the interest rate and extend loan duration, to protect employment and maintain social stability. Mutual guarantees amplify the effect of a single default because it threatens to bring down the entire group of borrowers and cause significant unemployment.

Banks may have lower priority over private lenders, in practice

- There were a total of nine banks in the syndicated loan – three big state banks and six city commercial banks. After the local government intervened, all six city commercial banks fully complied with the restructured loan terms but two state banks agreed to only reduce interest, and another big state bank sued the borrower but found it hard to seize the borrower's account in practice.

In another case we heard, in the event of bankruptcy and debt restructuring, local governments may place the priority of private lenders ahead of banks and financial institutions to maintain social stability.

- A steel maker in Shanxi province reportedly went into bankruptcy recently and entered into a restructuring process led by local government and creditors. Total assets were valued at ~Rmb3.5bn but total debts were ~Rmb10bn including bank loans, trust financing and private borrowings from the public (locals, employees, etc.).
- Theoretically, the banks involved should have first priority to recover about 1/3 of loan principal, however, in practice the local government may place private debts as the first priority ahead of banks and other financial institutions because this involves public retail money and social stability. In this event, banks' recovery rate will likely be less than the 1/3 on paper.

Figure 10. Chinese Banks – Valuation summary table

21-May-2014	ABC	ICBC	CCB	BoC	CMB	BoCom	CNCB	MSB	CRCB	HSB	Average
Stock code	1288.CN	1398.CN	0939.CN	3988.CN	3968.CN	3328.CN	0998.CN	1988.CN	3618.CN	3698.CN	
Market cap (US\$ bn)	138.67	218.46	176.07	126.84	44.11	47.80	28.18	28.06	4.14	5.00	
Recommendation	1	1	1	1	1	2	2	3	1	3	
Price (HK\$)	3.31	4.82	5.46	3.52	13.56	4.99	4.67	7.67	3.45	3.51	
Target (HK\$)	4.20	6.60	7.80	4.20	19.00	5.60	3.90	7.00	5.00	3.20	
Expected Return	27%	37%	43%	19%	40%	12%	-16%	-9%	45%	-9%	
EPS (Rmb)											
13	0.51	0.74	0.86	0.54	2.30	0.84	0.84	1.48	0.64	0.58	
14F	0.55	0.77	0.93	0.55	2.25	0.90	0.85	1.51	0.71	0.46	
15F	0.60	0.85	1.05	0.58	2.52	0.94	0.95	1.74	0.78	0.49	
EPS (Rmb) growth (%)											
13	14.6	10.3	11.1	11.5	9.7	(5.1)	26.2	10.8	11.7	9.5	11.0
14F	8.1	3.8	8.0	2.8	(2.1)	7.0	1.6	2.0	9.7	(20.4)	4.9
15F	9.0	10.0	12.8	5.9	12.1	4.3	11.4	15.2	10.7	7.5	9.8
EPS (HK\$)											
13	0.65	0.95	1.10	0.68	2.94	1.07	1.07	1.89	0.82	0.74	1.04
14F	0.71	0.98	1.18	0.70	2.87	1.15	1.09	1.93	0.90	0.59	1.08
15F	0.77	1.08	1.33	0.74	3.22	1.20	1.21	2.23	1.00	0.63	1.19
EPS (HK\$) growth (%)											
13	14.6	10.3	11.1	11.5	9.7	(5.1)	26.2	10.8	11.7	9.5	11.0
14F	8.1	3.8	8.0	2.8	(2.1)	7.0	1.6	2.0	9.7	(20.4)	4.9
15F	9.0	10.0	12.8	5.9	12.1	4.3	11.4	15.2	10.7	7.5	9.8
PER (x)											
13	5.1	5.1	5.0	5.1	4.6	4.7	4.4	4.0	4.2	4.8	5.0
14F	4.7	4.9	4.6	5.0	4.7	4.4	4.3	4.0	3.8	6.0	4.7
15F	4.3	4.5	4.1	4.7	4.2	4.2	3.9	3.4	3.5	5.6	4.3
Price/PPOP (x)											
13	3.2	3.6	3.3	3.4	3.0	3.0	2.7	2.4	2.8	3.5	3.3
14F	2.9	3.3	3.0	3.2	3.0	2.7	2.4	2.4	2.5	4.1	3.0
15F	2.7	3.0	2.7	2.9	2.6	2.5	2.2	2.1	2.2	3.7	2.7
BVPS (HK\$)											
13	3.31	4.62	5.44	4.23	13.44	7.21	6.02	8.90	4.98	3.65	5.33
14F	3.80	5.29	6.24	4.71	15.52	8.00	6.77	10.64	5.67	4.15	6.09
15F	4.32	6.04	7.16	5.24	17.88	8.84	7.71	12.60	6.42	4.66	6.94
Price/Book (x)											
13	1.0	1.0	1.0	0.8	1.0	0.7	0.8	0.9	0.7	1.0	1.0
14F	0.9	0.9	0.9	0.7	0.9	0.6	0.7	0.7	0.6	0.8	0.8
15F	0.8	0.8	0.8	0.7	0.8	0.6	0.6	0.6	0.5	0.8	0.7
DPS (HK\$)											
13	0.23	0.33	0.38	0.25	0.79	0.33	0.32	0.33	0.24	0.09	0.34
14F	0.25	0.35	0.41	0.26	0.86	0.34	0.27	0.41	0.28	0.12	0.36
15F	0.27	0.39	0.47	0.27	0.97	0.36	0.30	0.48	0.31	0.13	0.39
Dividend yield (%)											
13	6.8	6.9	7.0	7.1	5.8	6.7	6.9	4.3	7.0	2.7	6.8
14F	7.5	7.3	7.6	7.4	6.4	6.8	5.8	5.4	8.1	3.3	7.2
15F	8.1	8.0	8.6	7.8	7.1	7.2	6.5	6.2	9.0	3.6	7.9

Source: Citi Research, Companies

Figure 11. Chinese Banks – Performance Ratio Summary Table

21-May-2014	ABC	ICBC	CCB	BoC	CMB	BoCom	CNCB	MSB	CRCB	HSB	Average
ROA (stated)											
13	1.20	1.44	1.46	1.18	1.39	1.11	1.19	1.31	1.28	1.39	1.33
14F	1.17	1.39	1.42	1.11	1.32	1.06	1.03	1.34	1.25	1.25	1.28
15F	1.16	1.38	1.43	1.06	1.30	1.00	1.01	1.36	1.19	1.20	1.26
ROE (stated)											
13	20.9	21.9	21.4	17.9	22.2	15.6	18.9	23.3	17.6	18.9	20.6
14F	19.9	20.2	20.3	16.5	19.9	15.1	17.0	21.2	17.5	15.0	19.1
15F	19.0	19.4	19.9	15.7	19.3	14.2	16.7	20.5	17.1	14.3	18.5
Net interest margin											
13	2.74	2.49	2.74	2.24	2.82	2.52	2.61	2.63	3.41	2.73	2.58
14F	2.67	2.48	2.66	2.18	2.76	2.41	2.46	2.61	3.26	2.61	2.52
15F	2.63	2.44	2.63	2.10	2.66	2.29	2.44	2.59	3.18	2.58	2.47
Cost/income											
13	42.6	35.3	36.8	42.3	40.9	40.0	38.6	39.8	44.2	33.3	38.8
14F	43.1	34.9	37.0	42.4	41.0	39.5	39.6	40.2	44.5	33.6	38.9
15F	43.5	34.7	36.6	42.5	41.2	40.3	40.1	40.0	44.8	34.0	38.9
Non-interest inc/Total Operating inc.											
13	19.2	23.4	23.8	30.4	25.6	20.3	18.2	28.5	3.8	5.6	23.6
14F	20.5	24.5	24.4	32.1	26.5	21.1	19.3	30.9	5.9	6.7	24.7
15F	21.4	25.6	24.8	33.4	28.2	22.2	19.3	32.1	6.0	6.8	25.7
Loans/deposits											
13	61.2	67.9	70.3	75.3	79.2	78.6	73.2	73.3	59.0	71.6	70.0
14F	61.7	69.1	70.9	75.7	79.9	78.5	73.2	73.9	59.9	74.2	70.7
15F	62.4	70.4	71.3	76.1	80.3	78.2	73.3	74.1	60.8	75.3	71.3
Loan growth											
13	12.3	12.7	14.3	10.8	15.4	10.8	16.7	13.7	18.3	19.3	13.0
14F	11.0	12.1	13.4	11.3	15.1	10.9	13.0	13.9	18.5	17.9	12.3
15F	11.2	12.0	12.7	11.4	14.6	10.5	13.1	13.3	18.8	15.0	12.1
Equity/assets											
13	5.8	6.7	7.0	6.9	6.6	7.1	6.2	6.3	7.3	8.3	6.7
14F	6.0	7.0	7.1	7.0	6.7	7.1	6.2	6.7	7.2	8.4	6.8
15F	6.2	7.3	7.3	7.0	6.8	7.0	6.2	7.0	7.0	8.4	7.0
Tier 1 CAR											
13	9.2	10.6	10.8	9.7	9.3	9.8	8.8	8.7	11.9	12.6	10.0
14F	9.2	12.4	11.9	10.7	9.5	10.8	8.9	8.6	10.9	12.3	11.0
15F	9.2	12.9	12.2	10.8	9.6	10.7	8.9	8.7	10.2	12.4	11.2
Total CAR											
13	11.9	13.1	13.3	12.6	11.1	12.1	11.2	10.7	13.6	15.2	12.6
14F	9.2	15.2	13.8	12.1	11.7	13.1	11.6	17.8	11.4	14.8	13.0
15F	9.2	15.7	14.0	12.2	11.7	12.8	11.3	17.9	10.7	14.9	13.2
Bad Debt Provisions/Average Loans											
13	0.78	0.41	0.54	0.32	0.50	0.59	0.66	0.88	0.62	0.24	0.53
14F	0.76	0.61	0.61	0.48	0.65	0.65	0.85	0.80	0.69	0.45	0.63
15F	0.76	0.61	0.61	0.54	0.65	0.65	0.85	0.80	0.73	0.50	0.64
Impaired loans ratio											
13	1.22	0.93	0.99	0.96	0.80	1.05	1.03	0.85	0.80	0.54	1.00
14F	1.42	1.08	1.05	1.02	1.06	1.25	1.33	1.01	0.99	0.63	1.14
15F	1.52	1.24	1.12	1.06	1.21	1.37	1.57	1.12	1.23	0.72	1.24
Provision coverage											
13	366.8	259.8	268.2	229.8	277.0	213.7	206.6	259.0	430.6	396.7	273.2
14F	326.2	235.5	259.4	252.2	229.8	194.9	178.2	222.4	360.4	342.3	254.8
15F	311.3	212.9	250.8	263.0	214.4	189.8	163.1	206.7	303.5	314.0	243.4

Source: Citi Research, Companies

Appendix A-1

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