

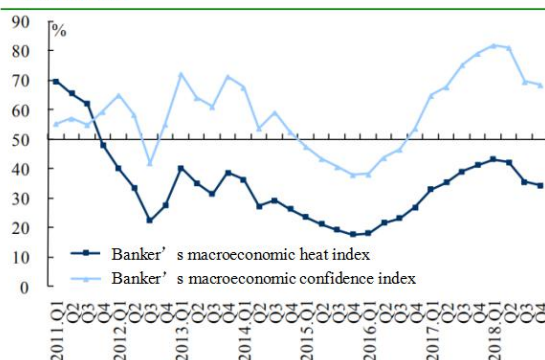
Bankers' Survey Report (Q4 2018)

The results of nationwide bankers' survey conducted by the People's Bank of China (PBC) in Q4 2018 are as follows.

I. Bankers' Macroeconomic Heat Index (BMHI) and Bankers' Macroeconomic Confidence Index (BMCI)

Bankers' macroeconomic heat index was 34.4%, down 1.1 percentage points from the previous quarter. Among the bankers surveyed, 66.8% considered the current macroeconomic climate "normal", and 32.2% considered it "relatively cold", down 1.8 and up 2.0 percentage points quarter-on-quarter (q-o-q) respectively.

Figure 1: Bankers' Macroeconomic Heat Index and Bankers' Macroeconomic Confidence Index



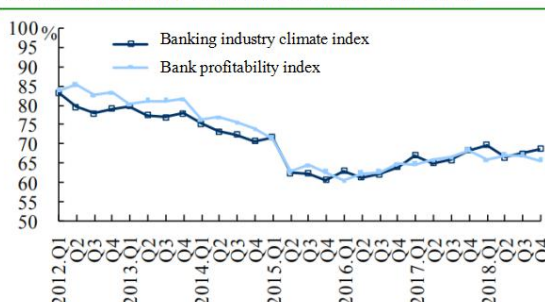
Source: Statistics and Analysis Department, PBC.

For the next quarter, bankers' macroeconomic heat expectation index is projected at 37.8%, 3.4 percentage points higher than the predicted BMHI of the current quarter. Bankers' macroeconomic confidence index was 68.5%, down 1.0 percentage point from the previous quarter.

II. Banking Industry Climate Index and Bank Profitability Index

The banking industry climate index registered 68.7%, up 1.2 percentage points q-o-q and 0.3 percentage point y-o-y. The bank profitability index was 65.7%, down 1.2 percentage points

Figure 2: Banking Industry Climate Index and Bank Profitability Index



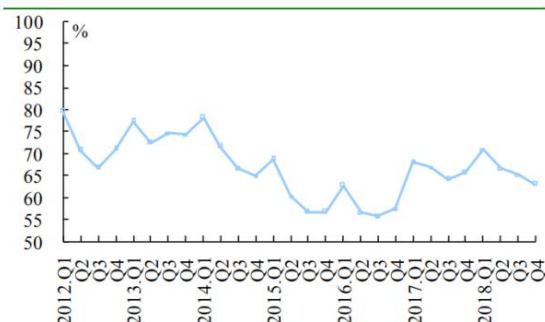
Source: Statistics and Analysis Department, PBC.

q-o-q and 2.6 percentage points y-o-y.

III. Overall Loan Demand Index

The overall loan demand index was 63.0%, down 2.2 percentage points from the previous quarter. By sector, the loan demand index of the manufacturing sector stood at 58.6%, up 0.2 percentage point from the previous quarter; the loan demand index of infrastructure was 58.0%,

Figure 3: Overall Loan Demand Index



Source: Statistics and Analysis Department, PBC.

down 2.8 percentage points from the previous quarter. By scale, loan demand indices of large and medium-sized firms were 54.0% and 56.6% respectively, down 2.3 and 1.5 percentage points respectively from the previous quarter; and that of small-and-micro-sized firms was 67.9%, up 0.8 percentage point from the previous quarter.

IV. Monetary Policy Sentiment Index (MPSI)

The monetary policy sentiment index posted 53.1%, up 1.5 percentage points q-o-q and 11.5 percentage points y-o-y. Among the bankers surveyed, 81.2% considered the monetary policy stance “moderate”, up 4.1 percentage points from the previous quarter; 6.3% considered the monetary policy stance “relatively tightened”, down 3.5 percentage points from the previous quarter. For the next quarter, the monetary policy sentiment expectations index is projected at 57.8%, 4.7 percentage points higher than the MPSI of the current quarter.

Figure 4: Monetary Policy Sentiment Index



Source: Statistics and Analysis Department, PBC.

Annex: Bankers' Survey Index Table

Source: PBC Statistics and Analysis Department.

Unit: %

Period	BMHI	BMCI	MPSI	Overall Loan Demand Index	Loan Demand Index of Manufacturing Sector	Loan Demand Index of Infrastruct ure	Loan Demand Index of Large Firms	Loan Demand Index of Medium- Sized Firms	Loan Demand Index of Small-and- Micro-Sized Firms	Bank Loan Approval Index	Banking Industry Climate Index	Bank Profitabili ty Index
2015.Q4	17.7	37.9	64.3	56.8	48.0	58.2	51.4	52.9	56.9	47.8	60.5	62.6
2016.Q1	18.1	38.1	61.2	62.7	51.1	61.8	55.5	56.6	60.1	47.3	62.9	60.4
2016.Q2	21.5	43.7	58.3	56.7	48.0	59.6	51.3	52.9	57.2	47.3	61.3	62.2
2016.Q3	23.0	46.5	55.9	55.7	46.8	59.1	51.4	52.0	55.8	48.0	62.0	62.5
2016.Q4	26.9	53.7	53.7	57.5	49.2	59.3	52.4	52.9	56.6	47.6	63.9	64.7
2017.Q1	33.0	64.9	43.0	68.0	57.2	66.3	59.5	60.1	62.6	47.9	66.9	64.7
2017.Q2	35.2	67.8	36.6	66.9	57.2	65.1	58.8	59.6	61.4	46.1	65.0	65.8
2017.Q3	39.0	75.3	40.4	64.2	57.6	61.6	57.1	58.4	61.4	45.1	65.8	66.5
2017.Q4	41.2	79.1	41.6	65.7	57.0	61.7	56.9	58.6	62.2	46.4	68.3	68.3
2018.Q1	43.2	81.9	39.7	70.9	61.4	64.4	61.1	62.7	66.3	44.6	69.7	65.9
2018.Q2	42.2	81.2	40.6	66.7	60.3	60.2	58.0	60.6	64.5	44.0	66.4	66.9
2018.Q3	35.5	69.5	51.6	65.2	58.4	60.8	56.3	58.1	67.1	47.7	67.5	66.9
2018.Q4	34.4	68.5	53.1	63.0	58.6	58.0	54.0	56.6	67.9	49.8	68.7	65.7

Note: Figures in this table are rounded to one decimal place, and any discrepancies (if any) between the data in the report and the q-o-q or y-o-y changes calculated based on the table are due to rounding.

Notes:

The People's Bank of China (PBC) started the bankers' survey on a quarterly basis in 2004. The survey is conducted on a full sampling and partial sampling basis, i.e. full sampling survey covering banking institutions above the prefecture-level, and stratified PPS sampling survey covering rural credit cooperatives. About 3,200 banking institutions are surveyed nationwide. Respondents are heads of headquarters of banking institutions (including foreign-funded commercial banks) throughout China, and presidents or vice-presidents in charge of credit business of branches and sub-branches.

Most indices in the bankers' survey report are calculated based on diffusion index approach, namely, the proportions c_i of various options are calculated; various options are assigned with different weights q_i (weight assigned for “good/increase” option: 1; “mediocre/unchanged”: 0.5; “poor/decline”: 0) respectively; then the proportions c_i of various options are multiplied by the corresponding weights q_i ; and the final indices are obtained by adding the multiplication results together. The range of values allowed for all indices is within 0~100%. An index reading higher than 50% indicates an upward or expansion stance, while a reading lower than 50% reflects a downward trend or a contraction stance.

The calculation methods of major indices are introduced briefly as below.

1. Macroeconomic heat index: It is a diffusion index on the current macroeconomic situation. It is derived by calculating the proportions of bankers who considered the economic climate in the current quarter “relatively heat” and “normal”, assigning the weights of 1 and 0.5 respectively, and adding up the multiplication results.

2. Macroeconomic confidence index: It is an index reflecting bankers' overall macroeconomic confidence. This index is derived by calculating the proportions of bankers who considered the economy in the current quarter and next quarter “normal”, adding up the two and then dividing the outcome by 2.

3. Monetary policy sentiment index: It is an index reflecting bankers' monetary policy sentiment. This index is derived by calculating the proportions of bankers who

considered the monetary policy stance in the current quarter “relatively loose” and “moderate”, assigning the weights of 1 and 0.5 respectively, and adding the multiplication results together.

4. Overall loan demand index: It is a diffusion index reflecting bankers’ judgment on overall loan demand. This index is derived by calculating the proportions of bankers who considered their bank’s loan demand in the current quarter “increased” and “stayed unchanged basically”, assigning the weights of 1 and 0.5 respectively, and adding the multiplication results together.

5. Loan demand index of the manufacturing sector: It is a diffusion index reflecting bankers’ judgment on loan demand of the manufacturing sector. This index is derived by calculating the proportions of bankers who considered the loan demand of the manufacturing sector in the current quarter “increased” and “basically unchanged”, assigning the weights of 1 and 0.5 respectively, and adding up the multiplication results together.

6. Loan demand index of the non-manufacturing sectors: It is a diffusion index reflecting bankers’ judgment on loan demand of the non-manufacturing sectors. This index is derived by calculating the proportions of bankers who considered the loan demand for non-manufacturing in the current quarter “increased” and “basically unchanged ” , assigning the weights of 1 and 0.5 respectively, and adding up the multiplication results.

7. Loan demand index of large firms: It is a diffusion index reflecting bankers’ judgment on loan demand of large firms. This index is derived by calculating the proportions of bankers who considered the loan demand of the large firms in the current quarter “increased” and “basically unchanged”, assigning the weights of 1 and 0.5, and adding up the multiplication results.

8. Loan demand index of medium-sized firms: It is a diffusion index reflecting bankers’ judgment on loan demand of medium-sized firms. This index is derived by calculating the proportions of bankers who considered the loan demand of medium-sized firms in the current quarter “increased” and “basically unchanged”, assigning the weights of 1 and 0.5, and adding up the multiplication results.

9. Loan demand index of small and micro sized firms: It is a diffusion index reflecting bankers' judgment on loan demand of small and micro firms. This index is derived by calculating the proportions of bankers who considered the loan demand of small-and-micro firms in the current quarter "increased" and "basically unchanged" respectively, assigning the weights of 1 and 0.5 respectively, and adding up the multiplication results.

10. Bank loan approval index: It is a diffusion index reflecting tightness on loan approval conditions. This index is derived by calculating the proportions of bankers who considered the approval conditions of their banks in the current quarter "loose" and "basically unchanged", assigning the weights of 1 and 0.5 respectively, and adding up the multiplication results.

11. Banking industry climate index: It is a diffusion index reflecting bankers' judgment on the overall operation of the banks. This index is derived by calculating the proportions of bankers who considered their banks' overall operation in the current quarter "quite good" and "mediocre", assigning the weights of 1 and 0.5 respectively, and adding up the multiplication results.

12. Bank profitability index: It is a diffusion index reflecting bankers' judgment on bank profitability. This index is derived by calculating the proportions of bankers who considered their banks' profits in the current quarter "increased (or losses reduced)" and "flat", assigned the weights of 1 and 0.5 respectively, and adding up the multiplication results.