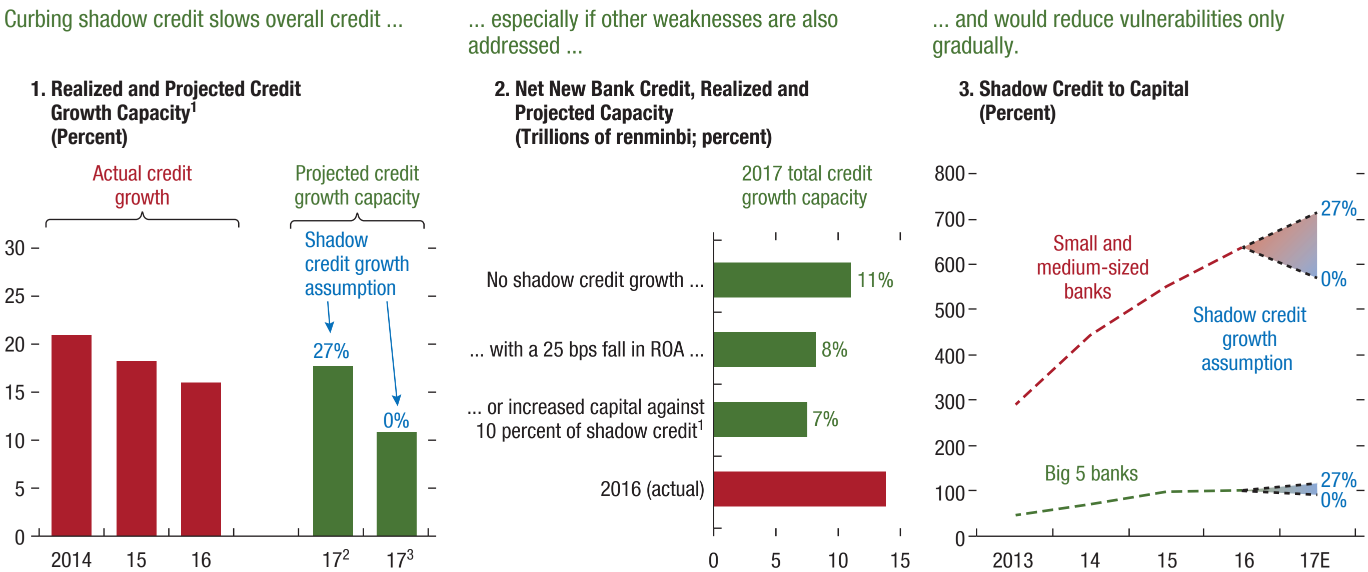
Figure 1.28. Chinese Banks: Financial Policy Tightening and Credit Growth Capacity



Sources: Company annual reports; SNL Financial; and IMF staff calculations.
Note: Shadow credit refers to nonbond, nonloan credit to nonfinancial private borrowers, both on and off balance sheet. For a complete definition, please see footnote 33. bps = basis points; E = estimated; ROA = return on assets.
[1]Credit growth capacity is calculated at the bank level for 32 firms as the maximum net new credit possible given assumptions for growth in shadow credit (on and off balance sheet) and common equity Tier 1 (CET1) capital. Changes in shadow credit affects the CET1 available to support credit growth. New shadow credit is assumed to carry regulatory capital risk weightings of 25 percent, whereas off-balance-sheet shadow credit carries a risk weighting of zero. Assumes firm-level profitability, dividend payout ratio, CET1 ratio, and loan mix from 2016 stay constant.
[2]Projected credit growth capacity assuming shadow credit growth of 27 percent year over year.
[3]Projected credit growth capacity assuming shadow credit growth of 0 percent year over year.