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ABC INTERNATIONAL

ABCI SECURITIES COMPANY LIMITED



ABCI Research  
China Banks Sector

# Stability to return in 2022

Sector Report  
Dec 2, 2021





## China Banks Sector

### Stability to return in 2022

- Asset quality concerns revive on regulatory alerts and liquidity crisis in the property sector, but negative catalyst would digest over time
- Earnings growth to normalize in 4Q21 and 2022E
- Stabilizing trend in NIM and NPL ratio are expected in coming quarters
- Sustainable balance sheet growth and manageable credit cost support a more stable fundamental outlook in 2022E
- **OVERWEIGHT** on A/H-shr banks sector; current valuation is excessively discounted by risks. **CCB (939 HK/601939 CH)** and **ABC (1288HK/601288 CH)** remain as our sector top picks

**Revival of asset quality concerns.** For the past decade, valuation of the China banks sector has been curbed by the recurrence of asset quality risk. In 2021, increased regulatory alerts and liquidity concerns in the property sector have once again stoked up concerns over asset quality in the banking industry. Our sensitivity analysis indicates that valuations of the Chinese banks are excessively discounted, which we believe could trigger a sector re-rating in 2022 when the negative catalysts fade out over time.

**“Stable” is the key word of 2022.** Despite the strong earnings recovery in 9M21, we expect banks earnings growth to normalize in coming quarters as the low base effect from 2020 recedes. Furthermore, evidence of stabilizing trends in NIM and NPL ratio were evident in 3Q21. Supported by sustainable balance sheet growth and manageable credit cost, the 2022E outlook for China banks sector is stable. We adjust our topline forecasts by -11.21% to +2.29% for 2021E and -11.67% to +3.78% in 2022E, and revise our earnings forecasts by -7.06% to +4.62% for 2021E and -13.11% to 7.82% for 2022E. Our revised forecasts project banks' topline growth at the range of 0.46%-13.54% for 2021E and 3.6%-12.3% for 2022E and earnings growth at the range of 1.05%-17.53% for 2021E and 5.1%-19.7% for 2022E. Our base case assumes a slight narrowing of NIM and a mild increase in NPL ratio for 2021E-23E.

**Sector re-rating is possible in early 2022.** 4Q21 industry data will be released in mid-Feb 2022 by the CBIRC, to be followed annual results in late Mar 2022. In the short term, however, share price of the sector will be mostly driven by news or policy announcements instead of industry financials and statistics. High level policy directions are usually announced in 1Q when the government conference take place and work reports are announced. With more clarity on the policy front in early 2022, we believe a sector re-rating is possible.

**OVERWEIGHT on A/H share banks sector.** Depressed valuation of the China banks sector implies a limited share price downside especially with the stabilizing fundamentals and promising dividend yield. Our top picks include **CCB (939 HK/601939 CH)** and **ABC (1288 HK/601288 CH)**.

**Risk Factors:** 1) Increasing competition from non-bank financial institutions and technology players; 2) Sharp deterioration in asset quality; 3) Increasing policy risk on macro uncertainties; 4) Resurgence of COVID-19 with the emergence of variants; 5) Prolonged Sino-US disputes.

## Sector Report

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Rating (H): Overweight

Rating (A): Overweight

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#### Key Data

Avg.22E P/E (x) (H/A shr)	3.85/5.08
Avg.22E P/B (x) (H/A shr)	0.44/0.57
Avg.22E Dividend Yield (%) (H/A shr)	9.33/6.96

Source(s): Bloomberg, ABCI Securities estimates

#### Sector Performance – H shr

	Absolute	Relative*
1-mth	(3.98)	1.53
3-mth	(3.95)	5.90
6-mth	(13.18)	9.14

\*Relative to MXCN

Source(s): Bloomberg, ABCI Securities

#### Sector Performance – A shr

	Absolute	Relative*
1-mth	(1.78)	(1.86)
3-mth	(0.80)	(0.28)
6-mth	(5.68)	2.86

\*Relative to CSI300

Source(s): Bloomberg, ABCI Securities



**Sector valuation summary – H shr (Data as of Dec 1, 2021)**

Company	Ticker	Rating	Price (HK\$)	TP (HK\$)	Upside (%)	FY21E P/B(x)	FY22E P/B (x)	FY21E P/E (x)	FY22E P/E (x)	FY21E Yield(%)	FY22E Yield(%)
ICBC	1398HK	BUY	4.12	7.52	82.52	0.42	0.38	3.70	3.44	8.52	9.10
CCB	939HK	BUY	5.08	9.90	94.88	0.43	0.39	3.68	3.44	8.81	9.29
ABC	1288HK	BUY	2.57	4.89	90.27	0.37	0.34	3.48	3.22	9.89	10.36
BoCom	3328HK	BUY	4.54	6.62	45.81	0.35	0.34	3.71	3.54	9.06	9.59
CMB	3968HK	BUY	61.85	67.66	9.39	1.81	1.61	11.49	9.93	2.84	3.29
MSB	1988HK	BUY	3.05	4.28	40.33	0.23	0.22	3.45	3.11	11.90	13.09
BHB	9668HK	BUY	2.28	3.74	64.04	0.34	0.28	3.62	2.99	4.78	5.84

\*CNY/HKD =1.21 throughout this report, unless otherwise stated

Source(s): Bloomberg, ABCI Securities estimates

**Sector valuation summary – A shr (Data as of Dec 1, 2021)**

Company	Ticker	Rating	Price (RMB)	TP (RMB)	Upside (%)	FY21E P/B(x)	FY22E P/B (x)	FY21E P/E (x)	FY22E P/E (x)	FY21E Yield(%)	FY22E Yield(%)
ICBC	601398CH	BUY	4.58	7.63	66.59	0.56	0.52	4.98	4.63	6.33	6.77
CCB	601939CH	BUY	5.76	10.04	74.31	0.58	0.54	5.05	4.72	6.42	6.77
ABC	601288CH	BUY	2.91	4.89	68.04	0.50	0.47	4.77	4.41	7.22	7.56
BoCom	601328CH	BUY	4.57	6.17	35.01	0.43	0.41	4.52	4.31	7.44	7.88
CMB	600036CH	BUY	49.49	62.81	26.91	1.75	1.56	11.12	9.61	2.93	3.39
MSB	600016CH	BUY	3.90	4.24	8.72	0.35	0.34	5.34	4.81	7.69	8.46

Source(s): Bloomberg, ABCI Securities estimates



## Asset quality concerns, again

Over the past decade, the China banks sector has been repeatedly fettered by a plethora of concerns over asset quality: property-related loans, local government financing vehicle (LGFV), off-balance credit exposure, and MSE loans in the manufacturing and wholes & retail sectors. Triggered by the liquidity incident in the real estate sector since 3Q21, the market has been preoccupied with risks related to property loans and the potential spillover effects to other industries.

While a narrowing NIM and regulations on net fee income would decelerate banks' topline growth, asset quality deterioration that translates into sizeable provisions would reduce profits substantially. Profitability and stability have long known to be the core drivers of the sector's valuation; therefore, looming threat of asset quality deterioration, if not defused, can suppress valuations of banks for a prolonged period.

### Multiple triggers raise concerns

Tightened liquidity of the property developers was under the media spotlight in the past months. To calm concerns, some banks have disclosed their sector-specific credit exposure and collateral status.

However, repeated warnings from the regulators regarding the potential rise in NPL and risk level in the property market, together with policies enforced since early 2021 to limit banks from loan exposure to property-related sector, shed doubts over relevant asset quality. The reason is that investors rarely interpret regulators' actions as an act of precaution; instead, they are often seen as signal to crisis.

Under the relevant regulation set by CBIRC in end 2020, the proportion of property-related loans and mortgage loans to total loans in the big banks should be limited to 40% and 32.5%; for JSBs, the caps are set at 27.5% and 20%. As of 1H21, most banks have fulfilled these requirements, except for CMB, Industrial Bank (IB, 601166 CH), and Ping An Bank (PAB, 000001 CH), whose loan portfolios still need adjustments. Nevertheless, with the sufficient transition period, we believe banks would be able to absorb the excessive loan exposure.

### Implied meaning of current valuation discount

Share price volatility in the sector has increased in past months. Investors are highly sensitive to changes in the asset quality indicators since the size of provision in each quarter is highly correlated with the profit size. The real question is: how much of the risk has already been factored into the current sector valuations?

According to the Gordon Growth Model (GGM), higher growth potential or profitability would be reflected by a valuation premium, while higher risk level would result in a valuation discount. We believe the discounted valuation of the China banks sector has already incorporated all the risks aforementioned.

In our sensitivity analysis, we translate the discount to NAV as a percentage of total assets and net loans (Jun 2021 balance sheet data were used for this exercise as some of the banks did not disclosed their Sep 2021 financial data); this would help concretize the provision level that the market is currently expecting. CMB (3968HK/600036CH), however, is excluded from the sensitivity analysis given its valuation exceeding 1x P/B.



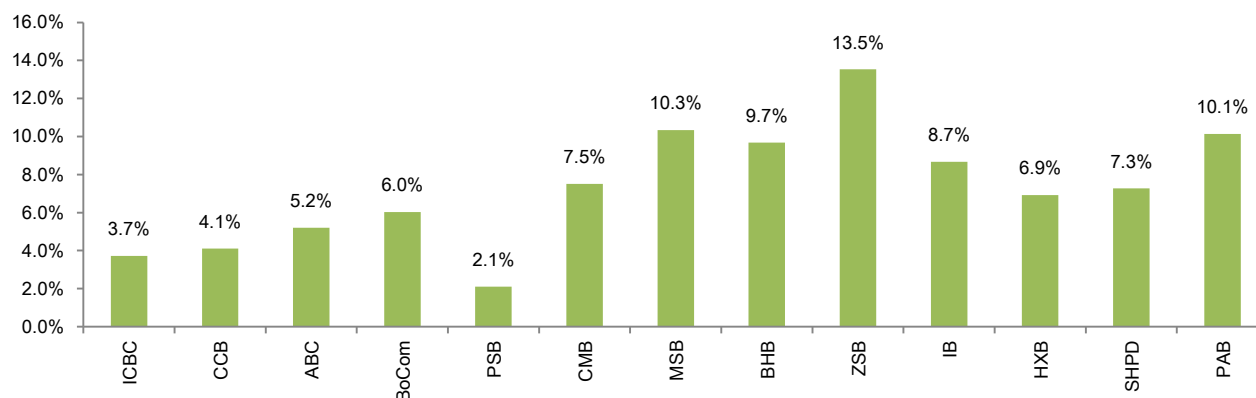
**Exhibit 1: Sensitivity analysis of changes in total assets and net loans on P/B**

	ICBC	CCB	ABC	BoCom	PSB	MSB	BHB	ZSB
<b>H share</b>								
21E P/B (x)	0.42	0.43	0.37	0.35	0.65	0.23	0.34	0.43
Discount to NAV (%)	58.00	57.00	63.00	65.00	35.00	77.00	66.00	57.00
% to total assets	5.00	4.66	4.96	5.26	2.15	6.27	4.53	3.52
% to net loans	9.03	7.94	8.96	9.67	4.39	11.20	7.42	6.12
<b>A share</b>								
21E P/B (x)	0.56	0.58	0.50	0.43	na	0.35	na	na
Discount (%)	44.00	42.00	50.00	57.00	na	65.00	na	na
% to total assets	3.79	3.43	3.94	4.61	na	5.29	na	na
% to net loans	6.85	5.85	7.11	8.48	na	9.45	na	na
<b>Sensitivity analysis</b>								
1% of total assets	351,363	298,332	286,524	114,140	122,171	70,697	15,603	21,544
Effect on 21E P/B (x)	0.12	0.12	0.13	0.12	0.16	0.12	0.15	0.16
1% of net loans	194,523	174,939	158,603	62,083	59,780	39,561	9,538	12,381
Effect on 21E P/B (x)	0.06	0.07	0.07	0.07	0.08	0.07	0.09	0.09

Source(s): companies, ABCI Securities

As of Dec 1 2021, the major listed big banks and JSBs in A/H markets are trading in the range of 0.23x-0.65x 21E P/B, which indicated a valuation discount of 77%-35% to their Jun 2021 book values. The valuation discount is equivalent to a 2.15%-6.27% reduction in total assets or 4.39%-11.20% in net loans. We believe the possible write-off of property loans is not the sole reason behind the discounted valuation. According to the data as of June 21, property loans only accounted for 2.1%-13.5% of total loans in banks; specifically, exposure of most banks falls in the range of 4.1%-7.5%.

**Exhibit 2: Real estate corporate loans to total loans (June 2021)**



Source(s): companies, ABCI Securities

We believe the deep valuation discount in the China banks sector is mostly a result of overplayed negative factors. Given a steady recovery in the macro environment, once these unfavorable factors are digested or removed, a sector re-rating would be triggered. Specifically, our economist expects a mild rebound in China's GDP in 4Q21, to be followed by growth of 5.5% and 5.3% for 2022E and 2023E.



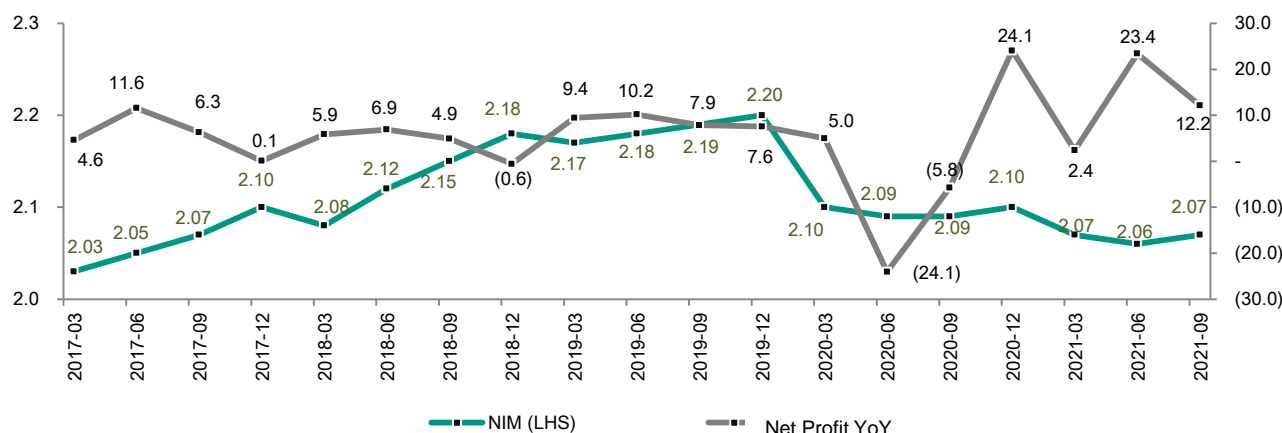
## 3Q21 financials should allay concerns over fundamentals

CBIRC's 3Q21 industry data and the 3Q21 financial results of the Chinese banks indicate a stable fundamental outlook for the sector.

### Normalizing earnings growth in coming quarters

Strong earnings recovery was seen in 9M21, mainly driven by the low base effect in 9M20. According to CBIRC, system net profit in 3Q21 surged 12.2% YoY, compared to 23.4% in 2Q21. On a QoQ basis, 3Q21 system net profit only rose 3.82%. In our base case scenario, we project 2022E-23E earnings to normalize on sustainable balance sheet growth and manageable credit cost.

**Exhibit 3: System NIM vs. system quarterly net profit YoY (%)**



Source(s): CBIRC, ABCI Securities

### Stabilizing NIM is expected

Re-pricing impact from LPR reform, in our view, have already been fully reflected in 1H21. According to the CBIRC data, banks' NIM has started to stabilize from 3Q21, with the system NIM inching up by 1bps QoQ to 2.07%. Our base case expects NIM pressure to lessen further in 2022E, mainly driven by deposit competition among banks and policy direction to reduce social financing cost. By category, average NIM of big banks, JSBs, city commercial banks, and rural commercial banks changed by -1bps to +2bps QoQ in 3Q21, reflecting a stabilizing NIM trend sector-wide. Our base case factors in a mild reduction of NIM in 2022E-23E, although a mild NIM rebound is possible with sustainable balance sheet growth and agile component management.

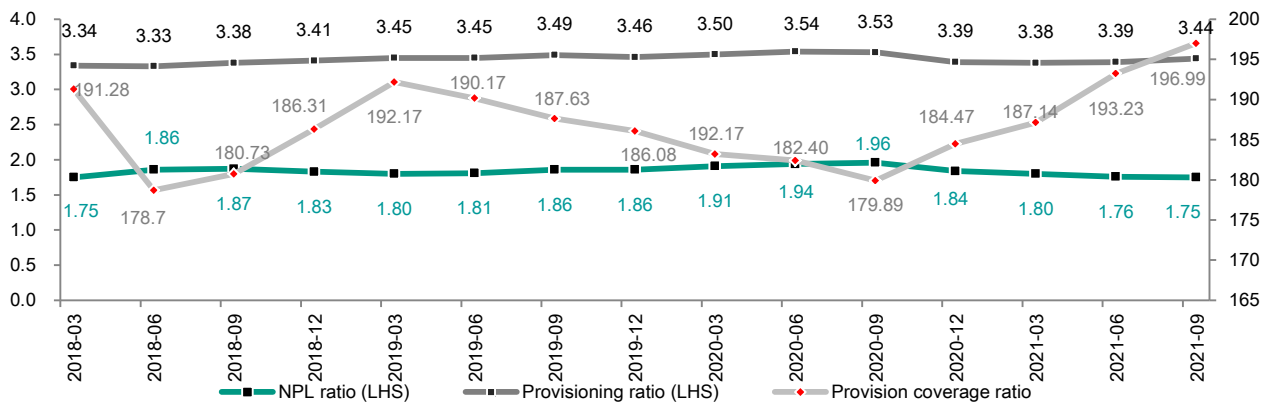
### Asset quality: time will tell

While a steady macro recovery would lower asset quality risk, our base case scenario assumes the system NPL ratio to inch up by a single-digit bps QoQ in coming quarters. Concerns over asset quality in banks are reignited by the recent liquidity crunch in the real estate sector, risk alerts from regulators, and the enforcement of counter-risk measures. Consequently, the sector valuation has been volatile. Nonetheless, we believe the impacts of these negative factors to dwindle as more data is disclosed in next few quarters.



Banks will continue to strengthen risk buffer through provisions and diligent NPL handling. System NPL ratio dropped by 1bps QoQ to 1.75% in Sep 2021, according to the CBIRC. By category, average NPL ratios of big banks, JSBs, city commercial banks, and rural commercial banks changed by -2bps to +1bps QoQ in 3Q21, indicated a stabilizing trend. In the near future, we believe provision size would determine the profitability of banks.

**Exhibit 4: System asset quality indicators (%)**



Source(s): CBIRC, ABCI Securities

### Revise assumptions on improving fundamentals

Based on the solid 3Q21 fundamentals, we adjust our topline forecasts by -11.21% to +2.29% for 2021E and -11.67% to +3.78% for 2022E, topline growth would be 0.46%-13.54% for 2021E and 3.6%-12.3% for 2022E. Meanwhile, we adjust our NIM forecasts by -30bps to +9bps for 2021E and -34bps to +9bps for 2022E.

Assuming provision scale to stabilize in coming years, we revise our earnings forecasts by -7.06% to +4.62% for 2021E and -13.11% to 7.82% for 2022E. This implies an earnings growth of 1.05%-17.53% for 2021E and 5.1%-19.7% for 2022E. Our provisioning ratio forecasts change by -10bp to +2bps for 2021E and -11bps to +4bps in 2022E. We adjust our NPL ratio estimates by -11bps to -2bps for 2021E and -11bps to +6bps for 2022E; as a result, our provision coverage ratio forecasts would shift by -3.42ppt to +19.67ppt for 2021E and -23.33ppt to +18.42ppt for 2022E. In our base case, we forecast banks NPL ratio at the range of 1.00%-1.78% for 2021E and 1.02%-1.81% for 2022E. Provisioning ratio would be at the range of 2.40%-4.50% and 2.45%-4.45% for 2021E and 2022E, while provision coverage ratio would be at the range of 152.87%-450% for 2021E and 153.13%-281.08% for 2022E.



Exhibit 5: Changes in financial forecasts

	ICBC	CCB	ABC	BoCom	CMB	MSB	BHB
HKEx/SSE	1398/ 601398	939/ 601939	1288/ 601288	3328/ 601328	3968/ 600036	1988/ 600016	9668
2021							
Topline (old)	858,606	758,947	718,428	260,311	319,015	193,319	37,974
Topline (new)	876,855	775,900	721,634	263,113	326,322	182,644	33,717
Changes (ppt)	2.13	2.23	0.45	1.08	2.29	(5.52)	(11.21)
2022							
Topline (old)	908,378	801,401	756,770	275,516	349,516	203,418	42,848
Topline (new)	938,504	831,662	774,018	280,898	362,211	189,301	37,848
Changes (ppt)	3.32	3.78	2.28	1.95	3.63	(6.94)	(11.67)
2021							
Net profit (old)	325,357	279,037	225,306	79,484	109,352	37,882	9,380
Net profit (new)	335,969	290,879	228,118	79,093	114,404	35,209	9,313
Changes (ppt)	3.26	4.24	1.25	(0.49)	4.62	(7.06)	(0.71)
2022							
Net profit (old)	339,707	288,233	237,994	81,406	124,332	44,427	10,895
Net profit (new)	361,945	310,787	244,562	83,132	132,196	38,604	11,152
Changes (ppt)	6.55	7.82	2.76	2.12	6.33	(13.11)	2.36
2021							
NIM (old)	2.06	2.09	2.11	1.53	2.40	2.09	2.21
NIM (new)	2.11	2.11	2.10	1.57	2.49	2.03	1.91
Change (%)	0.05	0.02	(0.01)	0.04	0.09	(0.06)	(0.30)
2022							
NIM (old)	1.98	2.00	2.04	1.47	2.35	2.04	2.15
NIM (new)	2.07	2.07	2.06	1.54	2.44	2.00	1.81
Change (%)	0.09	0.07	0.02	0.07	0.09	(0.04)	(0.34)
2021							
NPL % (old)	1.60	1.58	1.55	1.68	1.03	1.80	1.75
NPL % (new)	1.50	1.49	1.45	1.57	1.00	1.78	1.75
Change (%)	(0.10)	(0.09)	(0.10)	(0.11)	(0.03)	(0.02)	-
2022							
NPL % (old)	1.63	1.60	1.58	1.71	0.99	1.76	1.72
NPL % (new)	1.52	1.51	1.48	1.60	1.02	1.81	1.78
Change (%)	(0.11)	(0.09)	(0.10)	(0.11)	0.03	0.05	0.06
2021							
Prov % (old)	2.92	3.40	4.11	2.42	4.60	2.58	2.90
Prov % (new)	2.92	3.40	4.13	2.40	4.50	2.60	2.84
Change (%)	-	-	0.02	(0.02)	(0.10)	0.02	(0.06)
2022							
Prov % (old)	2.95	3.49	4.15	2.47	4.55	2.60	2.98
Prov % (new)	2.95	3.49	4.16	2.45	4.45	2.64	2.87
Change (%)	-	-	0.01	(0.02)	(0.10)	0.04	(0.11)
2021							
Prov coverage (old)	182.50	215.19	265.16	144.05	446.60	143.33	165.71
Prov coverage (new)	194.67	228.19	284.83	152.87	450.00	146.07	162.29
Change (%)	12.17	13.00	19.67	8.82	3.40	2.74	(3.42)
2022							
Prov coverage (old)	180.98	218.13	262.66	144.44	459.60	147.73	173.26
Prov coverage (new)	194.08	231.13	281.08	153.13	436.27	145.86	161.24
Change (%)	13.10	13.00	18.42	8.69	(23.33)	(1.87)	(12.02)

Note: changes compare to the ABCI 2022 Economic Outlook and Investment Strategy Report dated 1 Dec 2021

Source(s): Companies, ABCI Securities estimates





## Key point of time in near future

In our view, valuations of the bank sector will be news and policy driven till mid-Feb 2022 when CBIRC releases the 4Q21 data. Following that, the banks will announce 2021 and 1Q22 results in late Mar and Apr 2022. As usual, robust QoQ growth would be expected in banks 1Q22 results given seasonal factor.

On the policy front, high-level policy direction will likely be announced with the government work report in 1Q22. Once the national-level policy directions are outlined, regulators and province/city level government would implement relevant measures from 2Q onwards. More clarity in policy will be gained in early 2022, hence removing uncertainty in the sector. Given the high priority of financial stability in China, we do not expect any drastic or disruptive changes in policy direction.

Share prices of the Chinese banks in A/H markets have been depressed for an extended period due to the risk-mitigating measures enforced by the regulators and asset quality concern arisen from the liquidity crisis in the real estate sector. Although many banks have taken the initiative to disclose their sector-specific credit exposure and collateral status, share prices of major banks still fell to the previous trough in Oct 2020. We reiterate our view that downside potential in the sector is limited. Meanwhile, the enlarged valuation discount, removal of policy uncertainty and solid financial data could trigger a potential sector re-rating in 1H22.

In our base case scenario, we expect earnings growth and fundamentals to stabilize in 2022E on the back of solid economy recovery in China; dividend payment will therefore be steady in coming years. We maintain our **OVERWEIGHT** rating for the China banks sector in both A/H-shr markets. We prefer H-shr banks to their A-shr equivalents for the lower valuations of the former.

Our sector top picks include **CCB (939 HK/601939 CH)** for its prudent practices and high degree of business diversification, and **ABC (1288 HK/601288 CH)** for its robust risk buffer and benefits to be reaped from its higher degree of participation in inclusive finance. Among JSBs, although **CMB (3968 HK/600036 CH)** has the strongest fundamentals among peers in both A/H-shr markets, its sector-high valuation implies a larger downside risk.

### TP assumptions for Chinese banks

We derive the TPs of A/H-shr banks based on the same set of fundamental assumptions in the Gordon Growth Model; we, however, apply a different beta to reflect the distinct structure, including investor behaviors, of the A/H markets. Different betas are applied for the same bank because of the different underlying index (HSI vs. CSI 300) in the two markets. The betas applied for A-shr TP calculations are 8.91%-13.68% lower than their H-shr equivalents. In this report, we also roll over our TP calculation based on 2022E BVPSs.



## Gordon growth model assumptions

Our TP calculations are based on the Gordon Growth Model, a widely adopted valuation method for banks:

1. Sustainable ROAE of 6.97%–16.17% (reference to historical average of individual banks);
2. Cost of Equity (COE) of 10.37%–13.52%
3. Risk-free rate 2.88% (10-year Chinese government bond yield)
4. Equity beta of 0.80-0.99 for H-shr banks; 0.70-0.92 for A-shr banks (with reference to Bloomberg data)
5. Equity risk premium of 9.5%-10.9% (with reference to Bloomberg data)
6. Long-term growth of 5.0%-7.0% (with reference to historical growth rate and China's GDP)

### Exhibit 6: Changes in TP assumptions (H-shr banks)

	ICBC	CCB	ABC	BoCom	CMB	MSB	BHB
HKEEx	1398	939	1288	3328	3968	1988	9668
H-shr							
TP (old)	7.56	9.83	4.84	6.00	76.10	6.04	4.90
TP (new)	7.52	9.90	4.89	6.62	67.66	4.28	3.74
Change (%)	(0.53)	0.71	1.03	10.33	(11.09)	(29.14)	(23.67)
Sus. ROE (old)	10.01	10.58	10.30	9.08	15.36	7.81	8.24
Sus. ROE (new)	10.66	11.10	10.41	9.21	16.17	6.97	9.19
Change (%)	0.65	0.52	0.11	0.13	0.81	(0.84)	0.95
COE (old)	11.68	11.94	12.35	13.32	10.88	10.70	9.08
COE (new)	12.86	12.75	12.77	13.52	12.19	11.44	12.25
Change (%)	1.18	0.81	0.42	0.20	1.31	0.74	3.17
Target P/B (old)	0.78	0.84	0.70	0.50	2.27	0.46	0.74
Target P/B (new)	0.76	0.84	0.70	0.52	1.77	0.32	0.55
Change (%)	(2.56)	-	-	4.00	(22.03)	(30.43)	(25.68)
Rfr (%)	2.88	2.88	2.88	2.88	2.88	2.88	2.88
Beta	0.95	0.94	0.92	0.99	0.98	0.80	0.86
ERP (%)	10.50	10.50	10.75	10.75	9.50	10.70	10.90
LT gr (%)	5.50	5.50	6.00	5.00	7.00	5.00	7.00

Note: changes compare to the ABCI 2022 Economic Outlook and Investment Strategy Report dated 1 Dec 2021

Source(s): Bloomberg, ABCI Securities estimates



**Exhibit 7: Changes in TP assumptions (A-shr banks)**

	ICBC 601398	CCB 601939	ABC 601288	BoCom 601328	CMB 600036	MSB 600016
A-shr						
TP (old)	7.65	9.72	4.96	5.97	75.65	6.00
TP (new)	7.63	10.04	4.89	6.17	62.81	4.24
Change (%)	(0.26)	3.29	(1.41)	3.35	(16.97)	(29.33)
Sus. ROE (old)	10.01	10.58	10.30	9.08	15.36	7.81
Sus. ROE (new)	10.66	11.10	10.41	9.21	16.17	6.97
Change (%)	0.65	0.52	0.11	0.13	0.81	(0.84)
COE (old)	10.53	10.89	11.18	12.40	10.28	9.89
COE (new)	11.49	11.49	11.59	12.56	12.19	10.37
Change (%)	0.96	0.60	0.41	0.16	1.91	0.48
Target P/B (old)	0.94	0.99	0.86	0.56	2.69	0.54
Target P/B (new)	0.94	1.02	0.85	0.58	1.98	0.39
Change (%)	-	3.03	(1.16)	3.57	(26.39)	(27.78)
Rfr (%)	2.88	2.88	2.88	2.88	2.88	2.88
Beta	0.82	0.82	0.81	0.90	0.92	0.70
ERP (%)	10.50	10.50	10.75	10.75	9.50	10.70
LT gr (%)	5.50	5.50	6.00	5.00	7.00	5.00

Note: changes compare to the ABCI 2022 Economic Outlook and Investment Strategy Report dated 1 Dec 2021

Source(s): Bloomberg, ABCI Securities estimates

**Exhibit 8: Sector Valuation Summary – H shr (Data as of Dec 1, 2021)**

Company	Ticker	Current Rating	Previous Rating	TP (HK\$)	Upside (%)	FY21E P/B(x)	FY22E P/B (x)	FY21E P/E (x)	FY22E P/E (x)	FY21E Yield (%)	FY22E Yield (%)
ICBC	1398HK	BUY	BUY	7.52	82.52	0.42	0.38	3.70	3.44	8.52	9.10
CCB	939HK	BUY	BUY	9.90	94.88	0.43	0.39	3.68	3.44	8.81	9.29
ABC	1288HK	BUY	BUY	4.89	90.27	0.37	0.34	3.48	3.22	9.89	10.36
BoCom	3328HK	BUY	BUY	6.62	45.81	0.35	0.34	3.71	3.54	9.06	9.59
CMB	3968HK	BUY	BUY	67.66	9.39	1.81	1.61	11.49	9.93	2.84	3.29
MSB	1988HK	BUY	BUY	4.28	40.33	0.23	0.22	3.45	3.11	11.90	13.09
BHB	9668HK	BUY	BUY	3.74	64.04	0.34	0.28	3.62	2.99	4.78	5.84

Source(s): Bloomberg, ABCI Securities estimates

**Exhibit 9: Sector Valuation Summary – A shr (Data as of Dec 1, 2021)**

Company	Ticker	Current Rating	Previous Rating	TP (RMB)	Upside (%)	FY21E P/B(x)	FY22E P/B (x)	FY21E P/E (x)	FY22E P/E (x)	FY21E Yield (%)	FY22E Yield (%)
ICBC	601398CH	BUY	BUY	7.63	66.59	0.56	0.52	4.98	4.63	6.33	6.77
CCB	601939CH	BUY	BUY	10.04	74.31	0.58	0.54	5.05	4.72	6.42	6.77
ABC	601288CH	BUY	BUY	4.89	68.04	0.50	0.47	4.77	4.41	7.22	7.56
BoCom	601328CH	BUY	BUY	6.17	35.01	0.43	0.41	4.52	4.31	7.44	7.88
CMB	600036CH	BUY	BUY	62.81	26.91	1.75	1.56	11.12	9.61	2.93	3.39
MSB	600016CH	BUY	BUY	4.24	8.72	0.35	0.34	5.34	4.81	7.69	8.46

Source(s): Bloomberg, ABCI Securities estimates





## Appendix- Financial forecasts

ICBC (1398HK/601398CH)

Consolidated income statement

FY Ended Dec 31 (RMB mn)	2019A	2020A	2021E	2022E	2023E
Net interest income	632,217	646,765	725,430	787,420	850,176
Non-interest income	143,785	153,310	151,425	151,084	152,031
Of which: Fees and commissions	130,573	131,215	132,527	133,852	135,860
<b>Operating income</b>	<b>776,002</b>	<b>800,075</b>	<b>876,855</b>	<b>938,504</b>	<b>1,002,207</b>
Operating expenses	(192,171)	(190,289)	(207,596)	(225,344)	(243,205)
Amortization	(15,605)	(16,296)	(17,111)	(17,966)	(18,865)
<b>Pre-provision operating profit</b>	<b>568,226</b>	<b>593,490</b>	<b>652,148</b>	<b>695,194</b>	<b>740,137</b>
Impairment loans losses	(178,957)	(202,668)	(230,869)	(240,998)	(246,219)
<b>Operating profit</b>	<b>389,269</b>	<b>390,822</b>	<b>421,279</b>	<b>454,195</b>	<b>493,919</b>
Non-operating income	2,520	1,304	1,239	1,177	1,118
<b>Profit before tax</b>	<b>391,789</b>	<b>392,126</b>	<b>422,518</b>	<b>455,372</b>	<b>495,037</b>
Tax	(78,428)	(74,441)	(84,504)	(91,074)	(99,007)
Minority interests	(1,137)	(1,779)	(2,046)	(2,353)	(2,706)
<b>Net profit attributable to equity holders</b>	<b>312,224</b>	<b>315,906</b>	<b>335,969</b>	<b>361,945</b>	<b>393,324</b>
Preference share dividend	4,525	8,839	8,839	8,839	8,839
<b>Net profit attributable to ordinary shareholders</b>	<b>307,699</b>	<b>307,067</b>	<b>327,130</b>	<b>353,106</b>	<b>384,485</b>
<b>Growth (%)</b>					
Net interest income	10.4	2.3	12.2	8.5	8.0
Non-interest income	(5.8)	6.6	(1.2)	(0.2)	0.6
Of which: Fees and commissions	(10.1)	0.5	1.0	1.0	1.5
<b>Operating income</b>	<b>7.0</b>	<b>3.1</b>	<b>9.6</b>	<b>7.0</b>	<b>6.8</b>
Operating expenses	7.7	(1.0)	9.1	8.5	7.9
Amortization	(0.9)	4.4	5.0	5.0	5.0
<b>Pre-provision operating profit</b>	<b>7.0</b>	<b>4.4</b>	<b>9.9</b>	<b>6.6</b>	<b>6.5</b>
Impairment loans losses	10.7	13.2	13.9	4.4	2.2
<b>Operating profit</b>	<b>5.4</b>	<b>0.4</b>	<b>7.8</b>	<b>7.8</b>	<b>8.7</b>
Non-operating income	(18.4)	(48.3)	(5.0)	(5.0)	(5.0)
<b>Profit before tax</b>	<b>5.2</b>	<b>0.1</b>	<b>7.8</b>	<b>7.8</b>	<b>8.7</b>
Tax	6.4	(5.1)	13.5	7.8	8.7
Minority interests	8.6	56.5	15.0	15.0	15.0
<b>Net profit attributable to equity holders</b>	<b>4.9</b>	<b>1.2</b>	<b>6.4</b>	<b>7.7</b>	<b>8.7</b>
Preference share dividend	0.4	95.3	0.0	0.0	0.0
<b>Net profit attributable to ordinary shareholders</b>	<b>5.0</b>	<b>(0.2)</b>	<b>6.5</b>	<b>7.9</b>	<b>8.9</b>
<b>Per share (RMB)</b>					
EPS	0.86	0.86	0.92	0.99	1.08
BVPS	6.93	7.48	8.15	8.85	9.63
DPS	0.26	0.27	0.29	0.31	0.34
<b>Key ratio (%)</b>					
Net interest margin	2.30	2.15	2.11	2.07	2.03
Net interest spread	2.12	1.97	1.91	1.84	1.81
Cost to income ratio	25.79	24.76	23.68	24.01	24.27
Return on average assets	1.08	1.00	0.96	0.94	0.93
Return on average equity	13.05	11.95	11.96	12.02	12.08
Effective tax rate	20.02	18.98	20.00	20.00	20.00
Dividend payout	30.44	30.87	31.00	31.00	31.00

Note1: Individual items may not sum to total due to rounding difference

Note2: Key ratios may not match with financial reports due to adjustment for comparison consistency among individual equities

Source(s): Company, ABCI Securities estimates



**ICBC (1398HK/601398CH)**  
**Consolidated balance sheet**

As of Dec 31 (RMB mn)	2019A	2020A	2021E	2022E	2023E
Cash & equivalent	3,317,916	3,537,795	3,714,685	3,900,419	4,095,440
Interbank assets	1,887,554	1,821,185	1,816,137	1,832,128	1,860,659
Investment securities	7,647,117	8,591,139	9,707,987	10,921,485	12,232,064
Net loans and advances	16,326,552	18,136,328	20,153,037	22,211,858	24,378,575
<b>Total interest earning assets</b>	<b>29,179,139</b>	<b>32,086,447</b>	<b>35,391,846</b>	<b>38,865,890</b>	<b>42,566,738</b>
Property and equipment	286,561	286,279	289,142	292,033	294,954
Other non-interest earning assets	643,736	972,332	1,122,488	1,285,011	1,459,435
<b>Total assets</b>	<b>30,109,436</b>	<b>33,345,058</b>	<b>36,803,476</b>	<b>40,442,935</b>	<b>44,321,126</b>
Customer deposits	22,977,655	25,134,726	27,443,839	29,910,804	32,560,243
Interbank liabilities	2,266,573	2,784,259	3,396,796	4,076,155	4,809,863
Subordinated debt	742,875	798,127	861,977	930,935	1,005,410
<b>Total interest bearing liabilities</b>	<b>26,223,900</b>	<b>28,985,053</b>	<b>32,002,706</b>	<b>35,252,499</b>	<b>38,746,928</b>
Current taxes	96,192	89,785	91,581	93,412	95,281
Deferred tax liabilities	1,873	2,881	3,601	4,430	5,360
Other liabilities	1,095,468	1,357,824	1,560,079	1,694,483	1,799,533
<b>Total liabilities</b>	<b>27,417,433</b>	<b>30,435,543</b>	<b>33,657,967</b>	<b>37,044,824</b>	<b>40,647,101</b>
Share capital	562,539	582,226	582,226	582,226	582,226
Reserves	2,113,647	2,311,276	2,547,109	2,799,550	3,075,301
Minorities	15,817	16,013	16,173	16,335	16,498
<b>Shareholder's equity incl. MI</b>	<b>2,692,003</b>	<b>2,909,515</b>	<b>3,145,508</b>	<b>3,398,111</b>	<b>3,674,026</b>
<b>Growth (%)</b>					
Cash & equivalent	(1.6)	6.6	5.0	5.0	5.0
Interbank assets	11.3	(3.5)	(0.3)	0.9	1.6
Investment securities	13.2	12.3	13.0	12.5	12.0
Net loans and advances	6.7	11.1	11.1	10.2	9.8
<b>Total interest earning assets</b>	<b>7.6</b>	<b>10.0</b>	<b>10.3</b>	<b>9.8</b>	<b>9.5</b>
Property and equipment	(1.3)	(0.1)	1.0	1.0	1.0
Other non-interest earning assets	131.0	51.0	15.4	14.5	13.6
<b>Total assets</b>	<b>8.7</b>	<b>10.7</b>	<b>10.4</b>	<b>9.9</b>	<b>9.6</b>
Customer deposits	7.3	9.4	9.2	9.0	8.9
Interbank liabilities	24.9	22.8	22.0	20.0	18.0
Subordinated debt	20.2	7.4	8.0	8.0	8.0
<b>Total interest bearing liabilities</b>	<b>9.0</b>	<b>10.5</b>	<b>10.4</b>	<b>10.2</b>	<b>9.9</b>
Current taxes	13.5	(6.7)	2.0	2.0	2.0
Deferred tax liabilities	53.9	53.8	25.0	23.0	21.0
Other liabilities	(9.1)	23.9	14.9	8.6	6.2
<b>Total liabilities</b>	<b>8.1</b>	<b>11.0</b>	<b>10.6</b>	<b>10.1</b>	<b>9.7</b>
Share capital	27.1	3.5	0.0	0.0	0.0
Reserves	12.0	9.4	10.2	9.9	9.8
Minorities	6.3	1.2	1.0	1.0	1.0
<b>Shareholder's equity</b>	<b>14.8</b>	<b>8.1</b>	<b>8.1</b>	<b>8.0</b>	<b>8.1</b>
<b>Key ratio (%)</b>					
CT1 CAR	13.20	13.18	13.30	13.14	13.03
Total CAR	16.77	16.88	16.90	16.63	16.42
NPL ratio	1.43	1.58	1.50	1.52	1.55
Provision to total loans	2.86	2.85	2.92	2.95	2.99
Provision coverage ratio	199.32	180.68	194.67	194.08	192.90

Note1: Individual items may not sum to total due to rounding difference

Note2: Key ratios may not match with financial reports due to adjustment for comparison consistency among individual equities

Source(s): Company, ABCI Securities estimates



CCB (939HK/601939CH)

Consolidated income statement

FY Ended Dec 31 (RMB mn)	2019A	2020A	2021E	2022E	2023E
Net interest income	537,066	575,909	633,689	685,101	746,661
Non-interest income	140,935	138,315	142,211	146,561	151,727
Of which: Fees and commissions	110,898	114,582	120,884	126,928	133,275
<b>Operating income</b>	<b>678,001</b>	<b>714,224</b>	<b>775,900</b>	<b>831,662</b>	<b>898,388</b>
Operating expenses	(185,509)	(185,773)	(204,710)	(223,624)	(242,595)
Amortization	(2,623)	(2,801)	(3,025)	(3,267)	(3,528)
<b>Pre-provision operation profit</b>	<b>489,869</b>	<b>525,650</b>	<b>568,165</b>	<b>604,771</b>	<b>652,264</b>
Impairment losses on loans	(163,521)	(189,929)	(202,232)	(213,885)	(224,665)
<b>Operating profit</b>	<b>326,348</b>	<b>335,721</b>	<b>365,933</b>	<b>390,886</b>	<b>427,599</b>
Non-operating income	249	895	985	1,083	1,191
<b>Profit before tax</b>	<b>326,597</b>	<b>336,616</b>	<b>366,918</b>	<b>391,969</b>	<b>428,791</b>
Tax	(57,375)	(63,037)	(73,384)	(78,394)	(85,758)
Minority interests	(2,489)	(2,529)	(2,655)	(2,788)	(2,928)
<b>Net profit attributable to equity holders</b>	<b>266,733</b>	<b>271,050</b>	<b>290,879</b>	<b>310,787</b>	<b>340,105</b>
Preference share dividend	3,962	5,624	5,624	5,624	5,624
<b>Net profit attributable to ordinary shareholders</b>	<b>262,771</b>	<b>265,426</b>	<b>285,255</b>	<b>305,163</b>	<b>334,481</b>
<b>Growth (%)</b>					
Net interest income	10.4	7.2	10.0	8.1	9.0
Non-interest income	(4.4)	(1.9)	2.8	3.1	3.5
Of which: Fees and commissions	(9.9)	3.3	5.5	5.0	5.0
<b>Operating income</b>	<b>7.0</b>	<b>5.3</b>	<b>8.6</b>	<b>7.2</b>	<b>8.0</b>
Operating expenses	7.6	0.1	10.2	9.2	8.5
Amortization	8.1	6.8	8.0	8.0	8.0
<b>Pre-provision operation profit</b>	<b>6.7</b>	<b>7.3</b>	<b>8.1</b>	<b>6.4</b>	<b>7.9</b>
Impairment losses on loans	8.3	16.1	6.5	5.8	5.0
<b>Operating profit</b>	<b>6.0</b>	<b>2.9</b>	<b>9.0</b>	<b>6.8</b>	<b>9.4</b>
Non-operating income	77.9	259.4	10.0	10.0	10.0
<b>Profit before tax</b>	<b>6.0</b>	<b>3.1</b>	<b>9.0</b>	<b>6.8</b>	<b>9.4</b>
Tax	9.2	9.9	16.4	6.8	9.4
Minority interests	156.3	1.6	5.0	5.0	5.0
<b>Net profit attributable to equity holders</b>	<b>4.7</b>	<b>1.6</b>	<b>7.3</b>	<b>6.8</b>	<b>9.4</b>
Preference share dividend	0.7	41.9	0.0	0.0	0.0
<b>Net profit attributable to ordinary shareholders</b>	<b>4.8</b>	<b>1.0</b>	<b>7.5</b>	<b>7.0</b>	<b>9.6</b>
<b>Per share (RMB)</b>					
EPS	1.05	1.06	1.14	1.22	1.34
BVPS	8.39	9.06	9.87	10.74	11.69
DPS	0.32	0.33	0.37	0.39	0.43
<b>Key ratio (%)</b>					
Net interest margin	2.32	2.19	2.11	2.07	2.03
Net interest spread	2.16	2.04	1.88	1.84	1.80
Cost to income ratio	26.75	25.38	26.77	27.28	27.40
Return on average assets	1.11	1.02	0.98	0.94	0.93
Return on average equity	13.18	12.12	12.39	12.51	12.61
Effective tax rate	17.57	18.73	20.00	20.00	20.00
Dividend payout	31.48	31.48	31.50	31.50	31.50

Note1: Individual items may not sum to total due to rounding difference

Note2: Key ratios may not match with financial reports due to adjustment for comparison consistency among individual equities

Source(s): Company, ABCI Securities estimates





CCB (939HK/601939CH)

Consolidated balance sheet

As of Dec 31 (RMB mn)	2019A	2020A	2021E	2022E	2023E
Cash & equivalent	2,621,010	2,816,164	2,956,972	3,104,821	3,260,062
Interbank assets	1,508,616	1,423,876	1,453,053	1,495,270	1,540,895
Investment securities	6,213,241	6,950,653	7,784,731	8,641,052	9,505,157
Net loans and advances	14,542,001	16,231,369	18,305,559	20,634,332	23,144,408
<b>Total interest earning assets</b>	<b>24,884,868</b>	<b>27,422,062</b>	<b>30,500,316</b>	<b>33,875,474</b>	<b>37,450,522</b>
Property and equipment	170,740	172,505	174,230	175,972	177,732
Other non-interest earning assets	380,653	537,687	649,872	771,496	900,606
<b>Total assets</b>	<b>25,436,261</b>	<b>28,132,254</b>	<b>31,324,418</b>	<b>34,822,943</b>	<b>38,528,860</b>
Customer deposits	18,366,293	20,614,976	23,148,082	25,866,485	28,823,160
Interbank liabilities	2,194,251	2,293,272	2,407,936	2,552,412	2,731,081
Subordinated debt	1,076,575	940,197	987,207	1,036,567	1,088,396
<b>Total interest bearing liabilities</b>	<b>22,582,807</b>	<b>24,940,419</b>	<b>27,798,995</b>	<b>30,899,600</b>	<b>34,303,392</b>
Current taxes liabilities	86,635	84,161	94,260	104,629	115,092
Deferred tax liabilities	457	1,551	1,784	2,051	2,359
Other liabilities	531,235	716,770	833,481	999,350	1,047,585
<b>Total liabilities</b>	<b>23,201,134</b>	<b>25,742,901</b>	<b>28,728,520</b>	<b>32,005,630</b>	<b>35,468,427</b>
Share capital	369,638	349,979	349,979	349,979	349,979
Reserves	1,846,619	2,014,829	2,217,692	2,434,873	2,673,124
Minorities	18,870	24,545	28,227	32,461	37,330
<b>Shareholder's equity</b>	<b>2,235,127</b>	<b>2,389,353</b>	<b>2,595,898</b>	<b>2,817,313</b>	<b>3,060,433</b>
<b>Growth (%)</b>					
Cash & equivalent	(0.5)	7.4	5.0	5.0	5.0
Interbank assets	45.3	(5.6)	2.0	2.9	3.1
Investment securities	8.7	11.9	12.0	11.0	10.0
Net loans and advances	8.8	11.6	12.8	12.7	12.2
<b>Total interest earning assets</b>	<b>9.4</b>	<b>10.2</b>	<b>11.2</b>	<b>11.1</b>	<b>10.6</b>
Property and equipment	0.7	1.0	1.0	1.0	1.0
Other non-interest earning assets	26.3	41.3	20.9	18.7	16.7
<b>Total assets</b>	<b>9.5</b>	<b>10.6</b>	<b>11.3</b>	<b>11.2</b>	<b>10.6</b>
Customer deposits	7.4	12.2	12.3	11.7	11.4
Interbank liabilities	18.8	4.5	5.0	6.0	7.0
Subordinated debt	38.8	(12.7)	5.0	5.0	5.0
<b>Total interest bearing liabilities</b>	<b>8.7</b>	<b>10.4</b>	<b>11.5</b>	<b>11.2</b>	<b>11.0</b>
Current taxes liabilities	11.2	(2.9)	12.0	11.0	10.0
Deferred tax liabilities	(5.8)	239.4	15.0	15.0	15.0
Other liabilities	42.3	34.9	16.3	19.9	4.8
<b>Total liabilities</b>	<b>9.3</b>	<b>11.0</b>	<b>11.6</b>	<b>11.4</b>	<b>10.8</b>
Share capital	12.1	(5.3)	0.0	0.0	0.0
Reserves	12.1	9.1	10.1	9.8	9.8
Minorities	24.7	30.1	15.0	15.0	15.0
<b>Shareholder's equity</b>	<b>12.2</b>	<b>6.9</b>	<b>8.6</b>	<b>8.5</b>	<b>8.6</b>
<b>Key ratio (%)</b>					
CT1 CAR	13.88	13.62	12.81	12.73	13.10
Total CAR	17.52	17.06	16.24	16.16	16.55
NPL ratio	1.42	1.56	1.49	1.51	1.54
Provision to total loans	3.23	3.33	3.40	3.49	3.57
Provision coverage	227.69	213.59	228.19	231.13	231.82

Note1: Individual items may not sum to total due to rounding difference

Note2: Key ratios may not match with financial reports due to adjustment for comparison consistency among individual equities

Source(s): Company, ABCI Securities estimates



ABC (1288HK/601288CH)

Consolidated income statement

FY Ended Dec 31 (RMB mn)	2019A	2020A	2021E	2022E	2023E
Net interest income	500,870	545,079	605,414	655,155	708,955
Non-interest income	128,480	114,253	116,220	118,863	121,799
Of which: Fees and commissions	72,927	74,545	79,763	84,948	90,045
<b>Operating income</b>	<b>629,350</b>	<b>659,332</b>	<b>721,634</b>	<b>774,018</b>	<b>830,754</b>
Operating expenses	(205,340)	(209,828)	(227,296)	(245,039)	(263,002)
Amortization	(18,711)	(19,551)	(20,724)	(21,760)	(22,848)
<b>Pre-provision operating profit</b>	<b>405,299</b>	<b>429,953</b>	<b>473,614</b>	<b>507,219</b>	<b>544,904</b>
Impairment loans losses	(138,723)	(164,903)	(187,813)	(200,798)	(219,417)
<b>Profit before tax</b>	<b>266,576</b>	<b>265,050</b>	<b>285,801</b>	<b>306,421</b>	<b>325,486</b>
Tax	(53,652)	(48,650)	(57,160)	(61,284)	(65,097)
Minority interests	(826)	(475)	(523)	(575)	(632)
<b>Net profit attributable to equity holders</b>	<b>212,098</b>	<b>215,925</b>	<b>228,118</b>	<b>244,562</b>	<b>259,757</b>
Other equity instruments dividend and interest	4,600	12,299	14,335	14,335	14,335
<b>Net profit attributable to ordinary shareholders</b>	<b>207,498</b>	<b>203,627</b>	<b>213,784</b>	<b>230,227</b>	<b>245,422</b>
<b>Growth (%)</b>					
Net interest income	4.8	8.8	11.1	8.2	8.2
Non-interest income	3.0	(11.1)	1.7	2.3	2.5
Of which: Fees and commissions	(6.7)	2.2	7.0	6.5	6.0
<b>Operating income</b>	<b>4.4</b>	<b>4.8</b>	<b>9.4</b>	<b>7.3</b>	<b>7.3</b>
Operating expenses	3.9	2.2	8.3	7.8	7.3
Amortization	14.0	4.5	6.0	5.0	5.0
<b>Pre-provision operating profit</b>	<b>4.3</b>	<b>6.1</b>	<b>10.2</b>	<b>7.1</b>	<b>7.4</b>
Impairment loans losses	1.3	18.9	13.9	6.9	9.3
<b>Profit before tax</b>	<b>5.9</b>	<b>(0.6)</b>	<b>7.8</b>	<b>7.2</b>	<b>6.2</b>
Tax	9.4	(9.3)	17.5	7.2	6.2
Minority interests	(643.4)	(42.5)	10.0	10.0	10.0
<b>Net profit attributable to equity holders</b>	<b>4.6</b>	<b>1.8</b>	<b>5.6</b>	<b>7.2</b>	<b>6.2</b>
Other equity instruments dividend and interest	0.0	167.4	16.6	0.0	0.0
<b>Net profit attributable to ordinary shareholders</b>	<b>4.7</b>	<b>(1.9)</b>	<b>5.0</b>	<b>7.7</b>	<b>6.6</b>
<b>Per share (RMB)</b>					
EPS	0.59	0.59	0.61	0.66	0.70
BVPS	5.00	5.39	5.78	6.21	6.68
DPS	0.18	0.19	0.21	0.22	0.23
<b>Key ratio (%)</b>					
Net interest margin	2.23	2.20	2.10	2.06	2.02
Net interest spread	2.09	2.04	1.89	1.84	1.80
Cost to income ratio	30.49	29.23	29.00	29.16	29.16
Return on average assets	0.90	0.83	0.83	0.82	0.80
Return on average equity	12.43	11.35	11.03	11.11	11.09
Effective tax rate	20.13	18.36	20.00	20.00	20.00
Dividend payout	30.68	31.81	31.50	31.50	31.50

Note: Individual items may not sum to total due to rounding difference

Key ratios and figures may not match with financial reports due to adjustment and reclassification for comparison consistency among individual equities

Source(s): Company, ABCI Securities estimates



## ABC (1288HK/601288CH)

### Consolidated balance sheet

As of Dec 31 (RMB mn)	2019A	2020A	2021E	2022E	2023E
Cash & equivalent	2,699,895	2,437,275	2,485,490	2,562,113	2,672,719
Interbank assets	1,467,476	1,797,339	1,971,435	2,145,115	2,321,294
Investment securities	7,422,930	7,822,659	8,342,212	8,999,599	9,708,923
Net loans and advances	12,819,764	14,552,433	16,494,559	18,570,606	20,759,792
<b>Total interest earning assets</b>	<b>24,410,065</b>	<b>26,609,706</b>	<b>29,293,696</b>	<b>32,277,433</b>	<b>35,462,728</b>
Property and equipment	152,484	151,154	149,642	148,146	146,665
Other non-interest earning assets	314,942	444,187	485,939	530,212	577,069
<b>Total assets</b>	<b>24,877,491</b>	<b>27,205,047</b>	<b>29,929,277</b>	<b>32,955,791</b>	<b>36,186,461</b>
Customer deposits	18,849,155	20,372,901	22,626,870	24,982,372	27,413,872
Interbank liabilities	2,437,808	2,522,337	2,698,901	2,874,329	3,046,789
Subordinated debt	1,108,212	1,371,845	1,646,214	1,975,457	2,370,548
<b>Total interest bearing liabilities</b>	<b>22,395,175</b>	<b>24,267,083</b>	<b>26,971,985</b>	<b>29,832,157</b>	<b>32,831,209</b>
Current taxes	59,286	54,340	60,861	67,555	74,311
Deferred tax liabilities	520	334	367	400	433
Other liabilities	468,649	672,544	545,569	553,880	617,218
<b>Total liabilities</b>	<b>22,923,630</b>	<b>24,994,301</b>	<b>27,578,782</b>	<b>30,453,994</b>	<b>33,523,170</b>
Share capital	349,983	349,983	349,983	349,983	349,983
Other equity instruments	199,886	319,875	319,875	319,875	319,875
Reserves	1,398,486	1,534,931	1,674,203	1,824,991	1,986,485
Minorities	5,506	5,957	6,434	6,948	6,948
<b>Shareholder's equity</b>	<b>1,953,861</b>	<b>2,210,746</b>	<b>2,350,495</b>	<b>2,501,797</b>	<b>2,663,291</b>
<b>Growth (%)</b>					
Cash & equivalent	(3.8)	(9.7)	2.0	3.1	4.3
Interbank assets	42.1	22.5	9.7	8.8	8.2
Investment securities	7.8	5.4	6.6	7.9	7.9
Net loans and advances	11.9	13.5	13.3	12.6	11.8
<b>Total interest earning assets</b>	<b>10.0</b>	<b>9.0</b>	<b>10.1</b>	<b>10.2</b>	<b>9.9</b>
Property and equipment	0.0	(0.9)	(1.0)	(1.0)	(1.0)
Other non-interest earning assets	15.6	41.0	9.4	9.1	8.8
<b>Total assets</b>	<b>10.0</b>	<b>9.4</b>	<b>10.0</b>	<b>10.1</b>	<b>9.8</b>
Customer deposits	8.7	8.1	11.1	10.4	9.7
Interbank liabilities	21.2	3.5	7.0	6.5	6.0
Subordinated debt	42.0	23.8	20.0	20.0	20.0
<b>Total interest bearing liabilities</b>	<b>11.2</b>	<b>8.4</b>	<b>11.1</b>	<b>10.6</b>	<b>10.1</b>
Current taxes	20.4	(8.3)	12.0	11.0	10.0
Deferred tax liabilities	274.1	(35.8)	10.0	9.0	8.0
Other liabilities	(37.3)	43.5	(18.9)	1.5	11.4
<b>Total liabilities</b>	<b>9.5</b>	<b>9.0</b>	<b>10.3</b>	<b>10.4</b>	<b>10.1</b>
Share capital	0.0	0.0	0.0	0.0	0.0
Other equity instruments	150.2	60.0	0.0	0.0	0.0
Reserves	12.7	9.8	9.1	9.0	8.8
Minorities	22.5	8.2	8.0	8.0	0.0
<b>Shareholder's equity</b>	<b>16.7</b>	<b>13.1</b>	<b>6.3</b>	<b>6.4</b>	<b>6.5</b>
<b>Key ratio (%)</b>					
CT1 CAR	11.24	11.04	10.74	10.38	10.06
Total CAR	16.13	16.59	16.15	15.63	15.18
NPL ratio	1.40	1.57	1.45	1.48	1.50
Provision to total loans	4.06	4.08	4.13	4.16	4.20
Provision coverage ratio	288.75	260.64	284.83	281.08	280.00

Note: Individual items may not sum to total due to rounding difference

Key ratios and figures may not match with financial reports due to adjustment and reclassification for comparison consistency among individual equities

Source(s): Company, ABCI Securities estimates





BoCom (3328HK/601328CH)

Consolidated income statement

FY Ended Dec 31 (RMB mn)	2019A	2020A	2021E	2022E	2023E
Net interest income	144,083	153,336	166,118	179,442	194,851
Non-interest income	88,774	93,388	96,995	101,456	106,927
Of which: Fees and commissions	43,625	45,086	45,988	46,907	48,315
<b>Operating income</b>	<b>232,857</b>	<b>246,724</b>	<b>263,113</b>	<b>280,898</b>	<b>301,778</b>
Operating expenses	(92,433)	(97,756)	(102,228)	(108,399)	(116,392)
<b>Pre-provision operating profit</b>	<b>140,424</b>	<b>148,968</b>	<b>160,885</b>	<b>172,499</b>	<b>185,386</b>
Impairment losses on loans	(52,224)	(62,543)	(69,166)	(75,730)	(80,479)
<b>Profit before tax</b>	<b>88,200</b>	<b>86,425</b>	<b>91,719</b>	<b>96,769</b>	<b>104,908</b>
Tax	(10,138)	(6,855)	(11,006)	(11,612)	(12,589)
Minorities interests	781	1,296	1,620	2,025	2,025
<b>Net profit attributable to equity holders</b>	<b>77,281</b>	<b>78,274</b>	<b>79,093</b>	<b>83,132</b>	<b>90,294</b>
Preference share dividend	2,671	4,394	4,394	4,394	4,394
<b>Net profit attributable to ordinary shareholders</b>	<b>74,610</b>	<b>73,880</b>	<b>74,699</b>	<b>78,738</b>	<b>85,900</b>
<b>Growth (%)</b>					
Net interest income	10.1	6.4	8.3	8.0	8.6
Non-interest income	8.1	5.2	3.9	4.6	5.4
Of which: Fees and commissions	5.8	3.3	2.0	2.0	3.0
<b>Operating income</b>	<b>9.3</b>	<b>6.0</b>	<b>6.6</b>	<b>6.8</b>	<b>7.4</b>
Operating expenses	10.7	5.8	4.6	6.0	7.4
<b>Pre-provision operating profit</b>	<b>8.4</b>	<b>6.1</b>	<b>8.0</b>	<b>7.2</b>	<b>7.5</b>
Impairment losses on loans	20.0	19.8	10.6	9.5	6.3
<b>Profit before tax</b>	<b>2.5</b>	<b>(2.0)</b>	<b>6.1</b>	<b>5.5</b>	<b>8.4</b>
Tax	(14.8)	(32.4)	60.6	5.5	8.4
Minorities & other dilutions	46.0	65.9	25.0	25.0	0.0
<b>Net profit attributable to equity holders</b>	<b>5.0</b>	<b>1.3</b>	<b>1.0</b>	<b>5.1</b>	<b>8.6</b>
Preference share dividend	(0.4)	64.5	0.0	0.0	0.0
<b>Net profit attributable to ordinary shareholders</b>	<b>5.2</b>	<b>(1.0)</b>	<b>1.1</b>	<b>5.4</b>	<b>9.1</b>
<b>Per share (RMB)</b>					
EPS	1.00	0.99	1.01	1.06	1.16
BVPS	9.34	9.87	10.60	11.07	11.59
DPS	0.32	0.32	0.34	0.36	0.39
<b>Key ratio (%)</b>					
Net interest margin	1.58	1.57	1.57	1.54	1.52
Net interest spread	1.47	1.48	1.40	1.34	1.27
Cost to income ratio	30.11	28.29	26.85	26.59	26.57
Return on average assets	0.80	0.77	0.76	0.75	0.75
Return on average equity	11.20	10.35	10.35	10.36	10.76
Effective tax rate	11.49	7.93	12.00	12.00	12.00
Dividend payout	31.35	31.86	32.00	32.00	32.00

Note1: Individual items may not sum to total due to rounding difference

Note2: Key ratios may not match with financial reports due to adjustment for comparison consistency among individual equities

Source(s): Company, ABCI Securities estimates



BoCom (3328HK/601328CH)

Consolidated balance sheet

As of Dec 31 (RMB mn)	2019A	2020A	2021E	2022E	2023E
Cash & equivalent	760,185	817,561	882,966	949,188	1,015,632
Interbank assets	648,488	571,130	542,574	569,702	615,278
Investment securities	3,005,843	3,237,337	3,528,697	3,810,993	4,077,763
Net loans and advances	5,183,653	5,720,568	6,365,242	7,033,652	7,727,616
<b>Total interest earning assets</b>	<b>9,598,169</b>	<b>10,346,596</b>	<b>11,319,478</b>	<b>12,363,536</b>	<b>13,436,288</b>
Property and equipment	171,179	169,471	170,318	171,170	172,026
Other non-interest earning assets	136,252	181,549	216,459	248,606	274,568
<b>Total assets</b>	<b>9,905,600</b>	<b>10,697,616</b>	<b>11,706,256</b>	<b>12,783,312</b>	<b>13,882,882</b>
Customer deposits	6,072,908	6,607,330	7,267,502	7,952,756	8,666,435
Interbank liabilities	1,904,082	1,787,491	1,912,615	2,046,498	2,189,753
Subordinated debt	403,918	497,755	597,306	716,767	860,121
<b>Total interest bearing liabilities</b>	<b>8,380,908</b>	<b>8,892,576</b>	<b>9,777,423</b>	<b>10,716,021</b>	<b>11,716,309</b>
Trading liabilities	53,404	85,221	106,526	127,832	153,398
Current taxes	7,086	3,786	3,407	3,135	2,947
Deferred tax liabilities	918	1,286	1,672	2,090	2,508
Other liabilities	662,372	836,119	883,281	962,739	995,285
<b>Total liabilities</b>	<b>9,104,688</b>	<b>9,818,988</b>	<b>10,772,309</b>	<b>11,811,817</b>	<b>12,870,446</b>
Share capital	174,133	207,555	207,555	207,555	207,555
Reserves	619,114	659,052	712,567	748,043	786,598
Minorities	7,665	12,021	13,824	15,898	18,282
<b>Shareholder's equity</b>	<b>800,912</b>	<b>878,628</b>	<b>933,947</b>	<b>971,495</b>	<b>1,012,436</b>
<b>Growth (%)</b>					
Cash & equivalent	(9.5)	7.5	8.0	7.5	7.0
Interbank assets	(23.5)	(11.9)	(5.0)	5.0	8.0
Investment securities	6.5	7.7	9.0	8.0	7.0
Net loans and advances	9.3	10.4	11.3	10.5	9.9
<b>Total interest earning assets</b>	<b>3.7</b>	<b>7.8</b>	<b>9.4</b>	<b>9.2</b>	<b>8.7</b>
Property and equipment	11.7	(1.0)	0.5	0.5	0.5
Other non-interest earning assets	8.7	33.2	19.2	14.9	10.4
<b>Total assets</b>	<b>3.9</b>	<b>8.0</b>	<b>9.4</b>	<b>9.2</b>	<b>8.6</b>
Customer deposits	6.1	8.8	10.0	9.4	9.0
Due to other banks & FIs	(11.9)	(6.1)	7.0	7.0	7.0
Subordinated debt	27.1	23.2	20.0	20.0	20.0
<b>Total interest bearing liabilities</b>	<b>2.2</b>	<b>6.1</b>	<b>10.0</b>	<b>9.6</b>	<b>9.3</b>
Trading liabilities	4.3	59.6	25.0	20.0	20.0
Current taxes	210.9	(46.6)	(10.0)	(8.0)	(6.0)
Deferred tax liabilities	53.5	40.1	30.0	25.0	20.0
Other liabilities	16.8	26.2	5.6	9.0	3.4
<b>Total liabilities</b>	<b>3.2</b>	<b>7.8</b>	<b>9.7</b>	<b>9.6</b>	<b>9.0</b>
Share capital	29.8	19.2	0.0	0.0	0.0
Reserves	9.7	6.5	8.1	5.0	5.2
Minorities	11.0	56.8	15.0	15.0	15.0
<b>Shareholder's equity</b>	<b>13.6</b>	<b>9.7</b>	<b>6.3</b>	<b>4.0</b>	<b>4.2</b>
<b>Key ratio (%)</b>					
CT1 CAR	11.22	10.87	10.72	10.21	9.80
Total CAR	14.83	15.25	14.66	14.03	13.52
NPL ratio	1.47	1.67	1.57	1.60	1.63
Provision to total loans	2.53	2.40	2.40	2.45	2.49
Provision coverage ratio	171.77	143.87	152.87	153.13	152.76

Note1: Individual items may not sum to total due to rounding difference

Note2: Key ratios may not match with financial reports due to adjustment for comparison consistency among individual equities

Source(s): Company, ABCI Securities estimates



**CMB (3968HK/600036CH)**

**Consolidated income statement**

<b>FY Ended Dec 31 (RMB mn)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Net interest income	173,090	185,031	211,587	234,612	258,043
Non-interest income	94,975	102,367	114,736	127,599	140,469
Of which: Fees and commissions	71,493	79,486	92,999	106,948	120,852
<b>Operating income</b>	<b>268,065</b>	<b>287,398</b>	<b>326,322</b>	<b>362,211</b>	<b>398,513</b>
Operating expenses	(91,497)	(102,814)	(117,083)	(132,214)	(147,638)
<b>Pre-provision operating profit</b>	<b>176,568</b>	<b>184,584</b>	<b>209,240</b>	<b>229,997</b>	<b>250,875</b>
Impairment losses on loans	(61,159)	(65,025)	(69,123)	(68,558)	(66,000)
<b>Operating profit</b>	<b>115,409</b>	<b>119,559</b>	<b>140,116</b>	<b>161,439</b>	<b>184,875</b>
Non-operating income	1,723	2,881	3,745	4,757	5,898
<b>Profit before tax</b>	<b>117,132</b>	<b>122,440</b>	<b>143,862</b>	<b>166,196</b>	<b>190,773</b>
Tax	(23,709)	(24,481)	(28,772)	(33,239)	(38,155)
Minority interests	(556)	(617)	(685)	(760)	(836)
<b>Net profit attributable to equity holders</b>	<b>92,867</b>	<b>97,342</b>	<b>114,404</b>	<b>132,196</b>	<b>151,782</b>
Preference share dividend	1,670	1,641	3,616	3,616	3,616
<b>Net profit attributable to ordinary shareholders</b>	<b>91,197</b>	<b>95,701</b>	<b>110,789</b>	<b>128,581</b>	<b>148,167</b>
<b>Growth (%)</b>					
Net interest income	7.9	6.9	14.4	10.9	10.0
Of which: Fees and commissions	7.5	11.2	17.0	15.0	13.0
<b>Operating income</b>	<b>8.5</b>	<b>7.2</b>	<b>13.5</b>	<b>11.0</b>	<b>10.0</b>
Operating expenses	12.8	12.4	13.9	12.9	11.7
<b>Pre-provision operating profit</b>	<b>6.4</b>	<b>4.5</b>	<b>13.4</b>	<b>9.9</b>	<b>9.1</b>
Impairment losses on loans	0.5	6.3	6.3	(0.8)	(3.7)
<b>Operating profit</b>	<b>9.7</b>	<b>3.6</b>	<b>17.2</b>	<b>15.2</b>	<b>14.5</b>
Non-operating income	31.6	67.2	30.0	27.0	24.0
<b>Profit before tax</b>	<b>10.0</b>	<b>4.5</b>	<b>17.5</b>	<b>15.5</b>	<b>14.8</b>
Tax	(7.7)	3.3	17.5	15.5	14.8
Minority interests	114.7	11.0	11.0	11.0	10.0
<b>Net profit attributable to equity holders</b>	<b>15.3</b>	<b>4.8</b>	<b>17.5</b>	<b>15.6</b>	<b>14.8</b>
Preference share dividend	1.2	(1.8)	120.4	0.0	0.0
<b>Net profit attributable to ordinary shareholders</b>	<b>15.6</b>	<b>4.9</b>	<b>15.8</b>	<b>16.1</b>	<b>15.2</b>
<b>Per share (RMB)</b>					
EPS	3.62	3.79	4.45	5.15	5.91
BVPS	22.89	25.36	28.29	31.66	35.52
DPS	1.20	1.25	1.45	1.68	1.94
<b>Key ratio (%)</b>					
Net interest margin	2.59	2.49	2.49	2.44	2.38
Net interest spread	2.48	2.40	2.40	2.32	2.23
Cost to income ratio	34.13	35.77	35.88	36.50	37.05
Return on average assets	1.31	1.23	1.29	1.32	1.36
Return on average equity	16.84	15.73	15.74	16.25	16.63
Effective tax rate	20.24	19.99	20.00	20.00	20.00
Dividend payout	33.19	33.02	33.00	33.00	33.00

Note1: Individual items may not sum to total due to rounding difference

Note2: Key ratios may not match with financial reports due to adjustment for comparison consistency among individual equities

Source(s): Company, ABCI Securities estimates



**CMB (3968HK/600036CH)**  
**Consolidated balance sheet**

As of Dec 31 (RMB mn)	2019A	2020A	2021E	2022E	2023E
Cash & equivalent	641,803	602,123	574,432	553,434	538,258
Interbank assets	408,136	499,565	559,231	627,756	704,834
Investment securities	1,828,656	2,115,967	2,496,841	2,921,304	3,388,713
Net loans and advances	4,267,751	4,794,606	5,377,612	5,995,034	6,582,356
<b>Total interest earning assets</b>	<b>7,146,346</b>	<b>8,012,261</b>	<b>9,008,115</b>	<b>10,097,528</b>	<b>11,214,162</b>
Property and equipment	68,333	71,093	74,648	77,634	80,739
Other non-interest earning assets	202,561	278,094	327,152	380,376	435,848
<b>Total assets</b>	<b>7,417,240</b>	<b>8,361,448</b>	<b>9,409,915</b>	<b>10,555,538</b>	<b>11,730,748</b>
Customer deposits	4,858,801	5,642,578	6,318,726	7,032,845	7,766,145
Interbank liabilities	1,138,714	1,335,373	1,508,971	1,690,048	1,859,053
Subordinated debt	578,191	346,141	432,676	519,212	623,054
<b>Total interest bearing liabilities</b>	<b>6,642,340</b>	<b>7,434,504</b>	<b>8,410,534</b>	<b>9,441,817</b>	<b>10,507,878</b>
Current taxes	19,069	18,648	17,716	16,830	15,988
Deferred tax liabilities	956	1,073	1,191	1,322	1,454
Other liabilities	137,168	176,869	166,263	184,921	184,192
<b>Total liabilities</b>	<b>6,799,533</b>	<b>7,631,094</b>	<b>8,595,704</b>	<b>9,644,890</b>	<b>10,709,513</b>
Share capital	25,220	25,220	25,220	25,220	25,220
Other equity instruments	34,065	84,054	84,054	84,054	84,054
Reserves	552,016	614,476	698,069	794,231	904,461
Minorities	6,406	6,604	6,868	7,143	7,500
<b>Shareholder's equity</b>	<b>617,707</b>	<b>730,354</b>	<b>814,211</b>	<b>910,648</b>	<b>1,021,235</b>
<b>Growth (%)</b>					
Cash & equivalent	6.9	(6.2)	(4.6)	(3.7)	(2.7)
Interbank assets	(19.0)	22.4	11.9	12.3	12.3
Investment securities	7.2	15.7	18.0	17.0	16.0
Net loans and advances	14.1	12.3	12.2	11.5	9.8
<b>Total interest earning assets</b>	<b>9.1</b>	<b>12.1</b>	<b>12.4</b>	<b>12.1</b>	<b>11.1</b>
Property and equipment	17.3	4.0	5.0	4.0	4.0
Other non-int. earn assets	48.1	37.3	17.6	16.3	14.6
<b>Total assets</b>	<b>10.0</b>	<b>12.7</b>	<b>12.5</b>	<b>12.2</b>	<b>11.1</b>
Customer deposits	5.8	29.5	19.1	17.2	15.2
Due to other banks & FIs	36.1	(40.1)	25.0	20.0	20.0
Subordinated debt	9.7	11.9	13.1	12.3	11.3
<b>Total interest bearing liabilities</b>	<b>9.7</b>	<b>11.9</b>	<b>13.1</b>	<b>12.3</b>	<b>11.3</b>
Current taxes	(6.6)	(2.2)	(5.0)	(5.0)	(5.0)
Deferred tax liabilities	(21.1)	12.2	11.0	11.0	10.0
Other liabilities	10.6	28.9	(6.0)	11.2	(0.4)
<b>Total liabilities</b>	<b>9.6</b>	<b>12.2</b>	<b>12.6</b>	<b>12.2</b>	<b>11.0</b>
Share capital	0.0	0.0	0.0	0.0	0.0
Other equity instruments	0.0	146.7	0.0	0.0	0.0
Reserves	14.8	11.3	13.6	13.8	13.9
Minorities	83.7	3.1	4.0	4.0	5.0
<b>Shareholder's equity</b>	<b>13.6</b>	<b>18.2</b>	<b>11.5</b>	<b>11.8</b>	<b>12.1</b>
<b>Key ratio (%)</b>					
CT1 CAR	11.95	12.29	12.59	12.74	13.26
Total CAR	15.54	16.54	16.32	16.22	16.57
NPL ratio	1.16	1.07	1.00	1.02	1.05
Provision to total loans	4.97	4.67	4.50	4.45	4.40
Provision coverage ratio	426.78	437.68	450.00	436.27	419.05

Note1: Individual items may not sum to total due to rounding difference

Note2: Key ratios may not match with financial reports due to adjustment for comparison consistency among individual equities

Source(s): Company, ABCI Securities estimates





MSB (1988HK/600016CH)

Consolidated income statement

FY Ended Dec 31 (RMB mn)	2019A	2020A	2021E	2022E	2023E
Net interest income	122,034	135,224	137,187	141,609	146,699
Non-interest income	55,711	46,583	45,456	47,693	50,036
Of which: Fees and commissions	28,204	27,664	24,898	25,396	25,903
<b>Operating income</b>	<b>177,745</b>	<b>181,807</b>	<b>182,644</b>	<b>189,301</b>	<b>196,735</b>
Operating expenses	(44,313)	(44,662)	(46,330)	(47,904)	(49,819)
Amortization	(5,703)	(5,823)	(5,939)	(6,118)	(6,301)
<b>Pre-provision operating profit</b>	<b>127,729</b>	<b>131,322</b>	<b>130,374</b>	<b>135,280</b>	<b>140,614</b>
Impairment loans losses	(62,991)	(94,616)	(87,925)	(88,734)	(89,818)
<b>Profit before tax</b>	<b>64,738</b>	<b>36,706</b>	<b>42,448</b>	<b>46,546</b>	<b>50,797</b>
Tax	(9,814)	(1,604)	(6,367)	(6,982)	(7,619)
Minority interests	(1,105)	(793)	(872)	(960)	(1,055)
<b>Net profit attributable to equity holders</b>	<b>53,819</b>	<b>34,309</b>	<b>35,209</b>	<b>38,604</b>	<b>42,122</b>
Preference share dividend	558	3,337	3,337	3,337	3,337
<b>Net profit attributable to ordinary shareholders</b>	<b>53,261</b>	<b>30,972</b>	<b>31,872</b>	<b>35,267</b>	<b>38,785</b>
<b>Growth (%)</b>					
Net interest income	59.1	10.8	1.5	3.2	3.6
Non-interest income	(28.1)	(16.4)	(2.4)	4.9	4.9
Of which: Fees and commissions	(41.4)	(1.9)	(10.0)	2.0	2.0
<b>Operating income</b>	<b>15.3</b>	<b>2.3</b>	<b>0.5</b>	<b>3.6</b>	<b>3.9</b>
Operating expenses	(3.5)	0.8	3.7	3.4	4.0
Amortization	82.9	2.1	2.0	3.0	3.0
<b>Pre-provision operating profit</b>	<b>21.5</b>	<b>2.8</b>	<b>(0.7)</b>	<b>3.8</b>	<b>3.9</b>
Impairment loans losses	36.0	50.2	(7.1)	0.9	1.2
<b>Profit before tax</b>	<b>10.1</b>	<b>(43.3)</b>	<b>15.6</b>	<b>9.7</b>	<b>9.1</b>
Tax	16.1	(83.7)	297.0	9.7	9.1
Minority interests	36,733.3	(28.2)	10.0	10.0	10.0
<b>Net profit attributable to equity holders</b>	<b>6.9</b>	<b>(36.3)</b>	<b>2.6</b>	<b>9.6</b>	<b>9.1</b>
Preference share dividend	5.4	498.0	0.0	0.0	0.0
<b>Net profit attributable to ordinary shareholders</b>	<b>7.0</b>	<b>(41.8)</b>	<b>2.9</b>	<b>10.7</b>	<b>10.0</b>
<b>Per share (RMB)</b>					
EPS	1.22	0.71	0.73	0.81	0.89
BVPS	10.26	10.50	11.01	11.56	11.68
DPS	0.37	0.21	0.30	0.33	0.36
<b>Key ratio (%)</b>					
Net interest margin	2.14	2.14	2.03	2.00	1.96
Net interest spread	2.14	2.12	1.89	1.85	1.80
Cost to income ratio	24.57	24.93	25.37	25.31	25.32
Return on average assets	0.87	0.51	0.50	0.52	0.54
Return on average equity	12.40	6.81	6.51	6.85	7.28
Effective tax rate	15.16	4.37	15.00	15.00	15.00
Dividend payout	30.10	27.18	28.00	29.00	30.00

Note1: Individual items may not sum to total due to rounding difference

Note2: Key ratios may not match with financial reports due to adjustment for comparison consistency among individual equities

Source(s): Company, ABCI Securities estimates



MSB (1988HK/600016CH)

Consolidated balance sheet

As of Dec 31 (RMB mn)	2019A	2020A	2021E	2022E	2023E
Cash & equivalent	371,155	401,525	414,371	430,566	446,482
Interbank assets	367,544	295,456	260,544	241,189	233,244
Investment securities	2,184,305	2,120,650	2,078,237	2,057,455	2,036,880
Net loans and advances	3,430,427	3,782,297	4,112,058	4,462,396	4,830,029
<b>Total interest earning assets</b>	<b>6,353,431</b>	<b>6,599,928</b>	<b>6,865,211</b>	<b>7,191,605</b>	<b>7,546,636</b>
Property and equipment	51,365	51,129	51,640	52,157	52,678
Other non-interest earning assets	277,045	299,176	311,654	325,406	340,666
<b>Total assets</b>	<b>6,681,841</b>	<b>6,950,233</b>	<b>7,228,504</b>	<b>7,569,168</b>	<b>7,939,980</b>
Customer deposits	3,637,034	3,768,151	3,951,186	4,160,256	4,378,878
Interbank liabilities	1,494,192	1,493,091	1,567,746	1,661,810	1,778,137
Subordinated debt	817,225	957,880	909,986	955,485	1,003,260
<b>Total interest bearing liabilities</b>	<b>5,948,451</b>	<b>6,219,122</b>	<b>6,428,917</b>	<b>6,777,552</b>	<b>7,160,275</b>
Current taxes	17,764	18,589	19,518	20,494	21,519
Other liabilities	184,797	171,274	216,378	182,809	164,099
<b>Total liabilities</b>	<b>6,151,012</b>	<b>6,408,985</b>	<b>6,664,814</b>	<b>6,980,856</b>	<b>7,345,893</b>
Share capital	113,642	113,642	113,642	113,642	113,642
Reserves	405,203	415,895	438,103	462,366	467,650
Minorities	11,984	11,711	11,945	12,304	12,796
<b>Shareholder's equity</b>	<b>530,829</b>	<b>541,248</b>	<b>563,690</b>	<b>588,312</b>	<b>594,088</b>
<b>Growth (%)</b>					
Cash & equivalent	(4.7)	8.2	3.2	3.9	3.7
Interbank assets	8.8	(19.6)	(11.8)	(7.4)	(3.3)
Investment securities	10.9	(2.9)	(2.0)	(1.0)	(1.0)
Net loans and advances	14.9	10.3	8.7	8.5	8.2
<b>Total interest earning assets</b>	<b>11.8</b>	<b>3.9</b>	<b>4.0</b>	<b>4.8</b>	<b>4.9</b>
Property and equipment	5.3	(0.5)	1.0	1.0	1.0
Other non-interest earning assets	5.2	8.0	4.2	4.4	4.7
<b>Total assets</b>	<b>11.5</b>	<b>4.0</b>	<b>4.0</b>	<b>4.7</b>	<b>4.9</b>
Customer deposits	14.8	3.6	4.9	5.3	5.3
Interbank liabilities	(1.8)	(0.1)	5.0	6.0	7.0
Subordinated debt	21.2	17.2	(5.0)	5.0	5.0
<b>Total interest bearing liabilities</b>	<b>10.9</b>	<b>4.6</b>	<b>3.4</b>	<b>5.4</b>	<b>5.6</b>
Current taxes	103.5	4.6	5.0	5.0	5.0
Other liabilities	(3.8)	(7.3)	26.3	(15.5)	(10.2)
<b>Total liabilities</b>	<b>10.6</b>	<b>4.2</b>	<b>4.0</b>	<b>4.7</b>	<b>5.2</b>
Share capital	111.7	0.0	0.0	0.0	0.0
Reserves	10.6	2.6	5.3	5.5	1.1
Minorities	9.7	(2.3)	2.0	3.0	4.0
<b>Shareholder's equity</b>	<b>23.2</b>	<b>2.0</b>	<b>4.1</b>	<b>4.4</b>	<b>1.0</b>
<b>Key ratio (%)</b>					
CT1 CAR	8.89	8.51	8.67	8.81	9.08
Total CAR	13.17	13.04	12.95	13.21	13.85
NPL ratio	1.56	1.82	1.78	1.81	1.85
Provision to total loans	2.43	2.53	2.60	2.64	2.69
Provision coverage ratio	155.50	139.38	146.07	145.86	145.41

Note1: Individual items may not sum to total due to rounding difference

Note2: Key ratios may not match with financial reports due to adjustment for comparison consistency among individual equities

Source(s): Company, ABCI Securities estimates



**BHB (9668 HK)**  
**Consolidated income statement**

<b>FY Ended Dec 31 (RMB mn)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Net interest income	23,021	28,477	30,271	34,697	38,280
Net fee and commission	4,115	2,902	2,467	2,270	2,315
Other operating income	1,242	1,113	979	881	811
Operating income	28,378	32,492	33,717	37,848	41,406
Operating expenses	(8,857)	(9,183)	(9,826)	(10,494)	(11,176)
Impairment losses	(9,567)	(13,224)	(12,738)	(13,998)	(15,093)
Profit before tax	9,902	10,085	11,153	13,356	15,137
Income tax expenses	(1,709)	(1,641)	(1,840)	(2,204)	(2,498)
Net profit attributable to shareholders	8,193	8,445	9,313	11,152	12,639
<b>Growth (%)</b>					
Net interest income	51.2	23.7	6.3	14.6	10.3
Net fee and commission	(35.3)	(29.5)	(15.0)	(8.0)	2.0
Other operating income	(23.5)	(15.0)	(12.0)	(10.0)	(8.0)
Operating income	22.3	14.5	3.8	12.3	9.4
Operating expenses	2.1	3.7	7.0	6.8	6.5
Impairment losses	47.0	38.2	(3.7)	9.9	7.8
Profit before tax	23.3	1.9	10.6	19.7	13.3
Income tax expenses	80.4	(4.0)	12.2	19.7	13.3
Net profit attributable to shareholders	15.7	3.1	10.3	19.7	13.3
<b>Per share (RMB)</b>					
EPS	0.57	0.47	0.52	0.63	0.71
BVPS	4.34	4.69	5.58	6.62	7.81
DPS	0.00	0.09	0.09	0.11	0.13
<b>Key ratio (%)</b>					
Net interest margin	2.22	2.35	1.91	1.81	1.71
Net interest spread	2.04	2.18	1.58	1.45	1.35
Net fee to operating income	14.50	8.93	7.32	6.00	5.59
Cost to income ratio	29.50	26.52	29.14	27.73	26.99
ROAA	0.76	0.60	0.60	0.60	0.58
ROAE	13.71	10.68	9.88	10.19	10.03
Effective tax rate	17.3	16.3	16.5	16.5	16.5
Dividend payout	-	18.09	18.00	18.00	18.00

Note1: Individual items may not sum to total due to rounding difference

Note2: Key ratios may not match with financial reports due to adjustment for comparison consistency among individual equities

Source(s): Company, ABCI Securities estimates



ABCI SECURITIES COMPANY LIMITED

BHB (9668 HK)

Consolidated balance sheet

As of Dec 31 (RMB mn)	2019A	2020A	2021E	2022E	2023E
Cash and bank	93,014	96,548	101,376	103,910	105,988
Repo	1,850	0	0	0	0
Deposit with FIs	14,052	27,805	86,197	107,746	129,295
Placement with FIs	4,411	6,064	6,367	6,685	7,019
Net loans	687,279	867,120	1,037,375	1,228,965	1,436,042
Investment securities	300,307	375,927	451,112	532,312	622,805
Total IEA	1,100,912	1,373,464	1,682,426	1,979,619	2,301,150
Other assets	16,018	20,059	25,073	31,342	39,177
Total assets	1,116,930	1,393,523	1,707,500	2,010,961	2,340,327
Customer deposits	647,765	758,236	947,795	1,118,398	1,308,525
Deposit with FIs	78,547	130,273	158,933	190,720	223,143
Debt issued	196,604	225,154	292,700	365,875	439,050
Repo	23,069	52,406	10,481	11,529	12,682
Borrowing from central bank	46,906	71,592	75,172	78,931	82,877
Placement from FIs	21,500	31,921	76,609	84,270	92,697
Total IBL	1,014,391	1,269,582	1,561,691	1,849,724	2,158,976
Other liabilities	19,901	20,695	26,786	23,709	22,695
Total liabilities	1,034,291	1,290,277	1,588,477	1,873,433	2,181,670
Total equity	82,639	103,246	119,022	137,528	158,657
<b>Growth (%)</b>					
Cash and bank	(24.5)	3.8	5.0	2.5	2.0
Repo	(82.5)	(100.0)	na	na	na
Deposit with FIs	(45.8)	97.9	210.0	25.0	20.0
Placement with FIs	114.2	37.5	5.0	5.0	5.0
Net loans	25.9	26.2	19.6	18.5	16.8
Investment securities	(2.9)	25.2	20.0	18.0	17.0
Total IEA	8.2	24.8	22.5	17.7	16.2
Other assets	(7.0)	25.2	25.0	25.0	25.0
Total assets	8.0	24.8	22.5	17.8	16.4
Customer deposits	6.8	17.1	25.0	18.0	17.0
Deposit with FIs	12.9	65.9	22.0	20.0	17.0
Debt issued	(10.1)	14.5	30.0	25.0	20.0
Repo	3.2	127.2	(80.0)	10.0	10.0
Borrowing from central bank	64.0	52.6	5.0	5.0	5.0
Placement from FIs	10.1	48.5	140.0	10.0	10.0
Total IBL	5.1	25.2	23.0	18.4	16.7
Other liabilities	51.6	4.0	29.4	(11.5)	(4.3)
Total liabilities	5.7	24.7	23.1	17.9	16.5
Total equity	47.9	24.9	15.3	15.5	15.4
<b>Key ratio (%)</b>					
CT1 CAR	8.06	8.88	8.32	8.15	8.09
Total CAR	13.07	12.08	11.07	10.61	10.31
NPL ratio	1.78	1.77	1.75	1.78	1.81
Provision to total loans	3.34	2.81	2.84	2.87	2.90
Provision coverage	187.73	158.80	162.29	161.24	160.22

Note1: Individual items may not sum to total due to rounding difference

Note2: Key ratios may not match with financial reports due to adjustment for comparison consistency among individual equities

Source(s): Company, ABCI Securities estimates





## Disclosures

### Analyst Certification

The analyst, AU Yu Hang, Johannes, primarily responsible for the content of this research report, in whole or in part, hereby certify that all of the views expressed in this report accurately reflect my personal view about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. I and/or my associates have no financial interests in relation to the listed company(ies) covered in this report, and I and/or my associates do not serve as officer(s) of the listed company (ies) covered in this report.

### Disclosures of Interests

ABCI Securities Company Limited and/or its affiliates, within the past 12 months, have investment banking relationship with ICBC (1398 HK/601398CH), CCB (939HK/601939CH), ABC (1288HK/601288CH), BoCom (3328HK/601328CH), IB (601166CH), SHPD (600000CH), and ZSB(2016HK).

### Definition of equity rating

Rating	Definition
Buy	Stock return rate $\geq$ Market return rate ( $\sim 10\%$ )
Hold	- Market return rate ( $\sim 10\%$ ) $\leq$ Stock return rate $<$ Market return rate ( $\sim +10\%$ )
Sell	Stock return $<$ - Market return ( $\sim 10\%$ )

Notes: Stock return rate: expected percentage change of share price plus gross dividend yield over the next 12 months

Market return rate: average market return rate since 2008 (For reference: HSI total return index 2008-20 CAGR at 9.2%)

Time horizon of share price target: 12-month

Stock rating, however, may vary from the stated framework due to factors including but not limited to: corporate governance, market capitalization, historical price volatility relative to corresponding benchmark index, average daily turnover of the stock relative to market capitalization of the stock, competitive advantages in corresponding industry, etc.

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