

ABCI Research

China Banks Sector

Systematic risk abates; Re-rating in sight

Sector Report
Feb 26, 2018



農銀國際

ABC INTERNATIONAL

ABCI SECURITIES COMPANY LIMITED



China Banks Sector

Systematic risk abates; re-rating in sight

- Robust macro outlook and expectation of global interest rate hike will continue to drive up market interest rates in China, pointing to a more positive NIM outlook
- Divergence in interbank rates indicates lower short-term liquidity risk and rising expectation of higher longer-term interest rates
- Policy direction is clear. With more assertive moves by regulators, we believe the sector's systematic risk would reduce in the longer run
- Policy-induced sell-off presents buying opportunities. Prefer **ABC (1288 HK)**, **CCB (939 HK)** and **ICBC (1398 HK)**

Favorable NIM outlook on rising market interest rates. Fundamentals of China banks sector have been improving since 3Q17, subsequently triggering a round of sector re-rating since 4Q17. In view of a resilient macro outlook in China and rate hike expectation globally, we estimate market interest rates would continue to trend up, improving the NIM outlook for the Chinese banks. Various statistics point to strengthening loan-pricing power, increasing SHIBOR, and higher WMP yields. Accordingly, we adjust our NIM forecasts for banks from a mildly declining trend to one indicative of a potential turnaround. Big banks, in our view, would be the major beneficiaries.

Divergence in interbank rates reflects rate hike expectation. Divergence in interbank rates was apparent in past quarters - spikes in short-term SHIBOR volatility within a narrow range were observed while longer-term SHIBOR surged more than the shorter-term ones. These imply reducing banks' reliance on interbank balances and rising expectation of higher interest rates in the longer term. Furthermore, we believe the targeted RRR cuts and temporary RRR measures would lower short-term liquidity risk.

Clear policy direction gradually lowers systematic risk. Policy risk remains to be the major concern for the China banks sector, especially with the frequent policy launch by regulators and increased monitoring and investigative actions taken since 2H17. We maintain our view that a more stringent and well-defined regulatory environment would benefit the sector in the long term. Also, we believe systematic risk is lowering as banks shift their balance sheet mix, reallocating resources/assets from investments and interbank balances to traditional loans and deposits. In addition, growth rate of WMPs and risk level of underlying assets has been reducing since 2017.

Re-rating in sight; buy on big banks. We roll over our TP calculation to 2018E BVPS, in addition to adjusting our GGM assumptions by taking into account of the lower systematic risk and exchange rate expectation. Also, we revise our base-case NIM and earnings forecasts to reflect changes in the interest rate environment. We reiterate our **OVERWEIGHT** sector view with **ABC (1288 HK)** as our top pick, followed by **CCB (939 HK)** and **ICBC (1398 HK)**. We believe the market spotlight would be on **BOC (3988 HK)** once offshore interest rates in Hong Kong pick up. While policy risk remains high, we believe dips in share price present ideal buying opportunities.

Sector Report

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OVERWEIGHT

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Key Data

Avg.18E P/E (x)	5.54
Avg.18E P/B (x)	0.71
Avg.18E Dividend Yield (%)	5.12

Source(s): Bloomberg, ABCI Securities

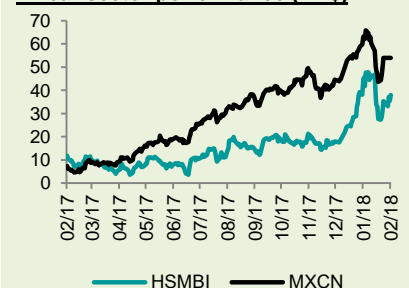
Sector Performance

	Absolute	Relative*
1-mth	(4.19)	1.37
3-mth	15.74	11.00
6-mth	22.18	4.55

*Relative to HSI

Source(s): Bloomberg, ABCI Securities

1-Year sector performance (HK\$)



Source(s): Bloomberg, ABCI Securities

Sector Valuation Summary (data as of Feb 23, 2018)

Company	Ticker	Current Rating	Previous Rating	Price (HK\$)	TP (HK\$)	FY17E P/B(x)	FY18E P/B (x)	FY17E P/E (x)	FY18E P/E (x)	FY17E Yield(%)	FY18E Yield(%)
ICBC	1398 HK	BUY	BUY	7.03	9.32	0.97	0.88	7.09	6.52	4.23	4.59
CCB	939 HK	BUY	BUY	8.44	11.41	0.99	0.89	7.02	6.36	4.26	4.70
ABC	1288 HK	BUY	BUY	4.57	6.38	0.87	0.79	6.35	5.94	4.88	5.16
BOC	3988 HK	BUY	BUY	4.43	5.72	0.73	0.67	6.06	5.86	5.32	5.32
BoCom	3328 HK	BUY	BUY	6.50	8.18	0.63	0.58	6.03	5.35	5.15	5.72
CMB	3968 HK	BUY	HOLD	34.75	43.50	1.55	1.37	10.08	8.73	2.96	3.43
MSB	1988 HK	BUY	BUY	8.60	12.86	0.68	0.61	5.18	4.72	4.47	5.19
CITICB	998 HK	BUY	BUY	6.04	8.19	0.63	0.58	5.80	5.35	4.52	4.72
CEB	6818 HK	BUY	BUY	4.23	6.04	0.65	0.58	5.50	5.02	3.81	4.10
HB	3698 HK	BUY	BUY	4.29	5.40	0.71	0.61	5.41	4.87	4.91	5.20
HRB	6138 HK	BUY	BUY	2.46	3.30	0.51	0.45	4.05	3.61	6.05	7.06
BoCQ	1963 HK	BUY	BUY	6.76	8.92	0.62	0.55	4.43	4.13	5.87	6.24

Source(s): Bloomberg, ABCI Securities estimates



Positive NIM outlook on rising market interest rates

Improving fundamentals of the Chinese banks since 3Q17 have triggered a round of sector re-rating since 4Q17. Taking into account of the resilient macro outlook for China (ABC economist forecasts a real GDP growth of 6.6% YoY for 2018E; real GDP growth in 4Q17 was 6.8% YoY) and the expected global interest rate hike, we have turned more positive on the NIM outlook.

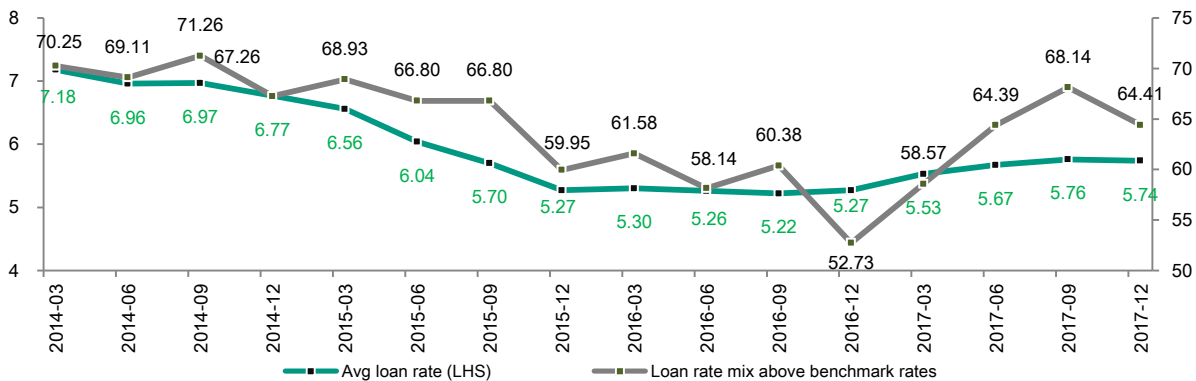
In our base-case scenario, we forecast the big five banks (ABC, CCB, ICBC, BOC and BoCom) and JSBs to outperform the district banks - NIM of the first two groups would expand by a low-single-digit basis point in 2018E and 2019E, which would help perpetuate the momentum of the ongoing sector re-rating. In particular, we expect better share price performance in 1H18.

We adjust our earnings forecasts for 2017E (adjustment range: -0.67% to +11.07%) and 2018E (adjustment range +0.05% to +7.91%) and roll over our TP calculation from mid-2018 to 2018E BVPS. Based on the sector's current valuation at 0.80x/0.71x 2017E/2018E P/B, we reiterate our **OVERWEIGHT** view. We believe recent share price correction presents a good buying opportunity.

Improving pricing power on robust loan demand

As interest rate liberalization continues in China, interest rates have been on the rise over the past few quarters. The situation has turned increasingly apparent in 2H17 as the residual impact from previous rate cut cycle and VAT reform faded away. Considering the uptrend observed in interest rates and the global interest rate hike expected, market interest rates in China are likely to pick up. To be conservative, however, we assume benchmark interest rates to stay flat in China for 2018E in our base case.

Exhibit 1: Average loan yield vs. the proportion of loans priced above benchmark rates (%)



Source(s): PBOC

According to the PBOC statistic, average loan yield bottomed in 3Q16 at 5.22% and rose by 5bps, 26bps, 14bps and 9bps QoQ over 4Q16-3Q17 to 5.76%, despite a mild reduction by 2bps QoQ was seen in 4Q17 due to seasonal factors. Meanwhile, the proportion of loans priced at above the benchmark rate surged from its bottom at 52.73% in 4Q16 to 64.41% in 4Q17, possibly a result of the stronger loan demand in China that allows banks to have stronger loan pricing power. This should yield support to NIM going forward.

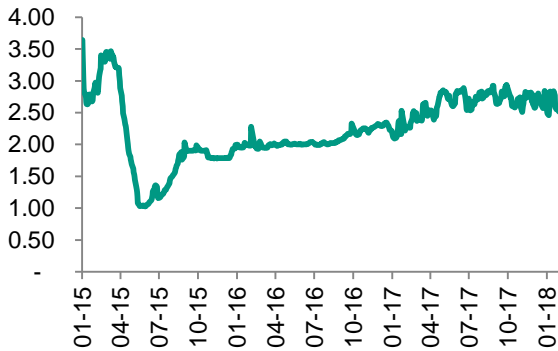


China's new loans amounted to RMB 13.53tr in 2017, in line with our forecast. ABCI economist forecasts loan demand to stay robust in 2018E, with new loans reaching RMB 14.5tr, up 7.17% YoY compared to the new loan size in 2017. Combined with a stable asset quality outlook and mild improvement in NPL ratio in most banks, we expect an optimistic lending environment in years to come. In our view, increased regulation of off-balance sheet activities and declining interbank exposure would encourage banks to reallocate more assets to traditional loan products.

Implications of interbank rate divergence

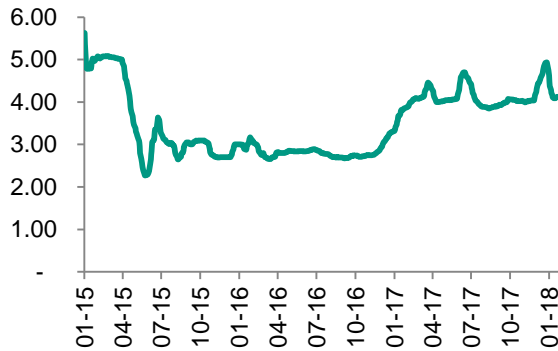
Interbank rates, in our view, are important indicators of market interest rates and liquidity. In general, SHIBOR of various durations were on the rise in 2017, implying an overall uptrend in market interest rates. In particular, shorter-term SHIBOR (O/N and 1M) rose less sharply than the longer-term ones (3M and 1Y). As of end-Jan 2018, O/N and 1M SHIBOR rose 16.3% and 24.9% from Dec 2016, while 3M and 1Y SHIBOR surged 44.4% and 40.6% over the same period.

Exhibit 2: O/N SHIBOR (%)



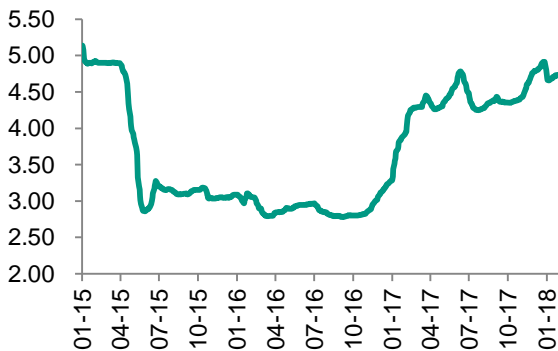
Source(s): Bloomberg

Exhibit 3: 1M SHIBOR (%)



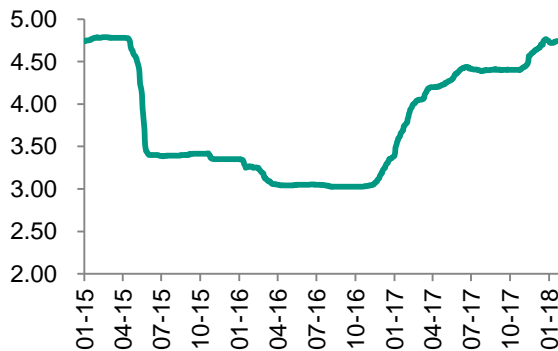
Source(s): Bloomberg

Exhibit 4: 3M SHIBOR (%)



Source(s): Bloomberg

Exhibit 5: 1Y SHIBOR



Source(s): Bloomberg



With the observed divergence in SHIBOR of various durations, a few trends have been revealed:

1. Higher volatility in O/N SHIBOR implies interbank balances remain to be one of the key liquidity management tools among banks. However, a narrowing fluctuation range and reduced asset and liability mix in interbank balances indicate banks are lowering their reliance on interbank borrowing.
2. The sharper increment in longer-term SHIBOR reflects the market expectation of higher market interest rates in China despite the fact that benchmark interest rates have stayed unchanged. We believe this view can be attributed to the improving lending yield on robust loan demand as well as the general expectation of global interest rate hike.
3. Targeted RRR cut and the special release of the 30-day RRR cut around the CNY period were effective. According to PBOC, the targeted RRR cut to inclusive finance sectors and the special RRR released around RMB 450bn and RMB 2tr as of Feb 9, 2017. Therefore, liquidity has not been too much of a concern so far in 2018, particularly for the short-term SHIBOR. O/N, 1M, 3M, and 1Y SHIBOR dropped 11.4%, 16.3%, 3.8% and 0.3% YTD, respectively.

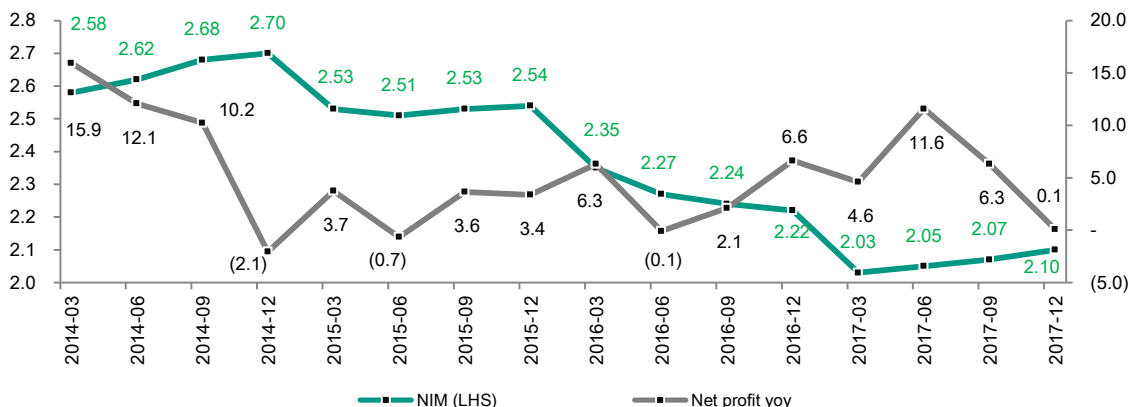
A more positive NIM outlook

Both the CBRC statistics and financial results of banks suggest a stabilizing NIM trend. System NIM bottomed at 2.03% in 1Q17 and inched up 2-3bps QoQ each in 2Q17, 3Q17 and 4Q17 to 2.05%, 2.07% and 2.10%. With reference to individual banks' financial results, we fine-tune our NIM forecasts for 2017E and 2018E.

Erring to the side of caution, we adopt a set of conservative assumptions in our earnings models. With minor adjustments in our asset yield and liability cost, we assume NIM of the big five banks and JSBs to widen by 1-2 bps YoY in 2017E and 2018E, versus the narrowing trend in our original estimates.

We estimate earnings capacity of individual banks to continue to recover in 2018E, hence our topline and net profit growth assumptions were revised up. We project revenue of the big five banks and JSBs to increase by an average of 8.5% and 11.7% YoY for 2018E, while net profit would grow by an average of 7.9% and 10.5% for 2018E.

Exhibit 6: System NIM and system net profit YoY (%)



Source(s): CBRC, ABCI Securities



Exhibit 7: Asset yield and liability cost assumptions (%)

	ICBC	CCB	ABC	BOC	BoCom	CMB	MSB	CEB	CITICB	BoCQ	HB	HRB
Loan yield												
2016	4.25	4.26	4.38	4.04	4.75	4.92	4.98	4.55	4.82	5.82	5.25	6.45
2017	4.08	4.05	4.18	3.95	4.30	4.68	4.50	4.10	4.32	5.40	4.84	6.03
2018	4.12	4.15	4.25	4.01	4.45	4.79	4.62	4.18	4.42	5.49	4.92	6.12
2019	4.15	4.27	4.33	4.09	4.58	4.90	4.73	4.27	4.51	5.60	5.00	6.23
Investment yield												
2016	3.65	3.65	3.68	3.07	3.71	3.52	3.69	4.03	3.80	6.23	5.00	5.27
2017	3.77	3.80	3.80	3.35	3.80	3.70	3.79	4.15	3.90	6.40	5.16	5.44
2018	3.88	3.90	3.92	3.42	3.92	3.78	3.90	4.22	4.01	6.52	5.25	5.55
2019	3.96	3.97	4.02	3.48	4.03	3.85	3.99	4.30	4.14	6.63	5.33	5.67
Interbank assets												
2016	2.22	2.73	3.03	2.71	2.45	2.29	3.23	3.01	2.06	2.93	3.63	3.11
2017	2.39	2.90	3.32	3.15	2.60	2.55	3.40	3.20	2.20	3.31	3.98	3.43
2018	2.45	3.00	3.42	3.25	2.72	2.68	3.51	3.31	2.28	3.45	4.10	3.57
2019	2.52	3.10	3.53	3.32	2.87	2.80	3.60	3.40	2.38	3.58	4.27	3.69
Deposit cost												
2016	1.53	1.45	1.47	1.60	1.86	1.27	1.78	1.98	1.68	2.49	1.59	2.47
2017	1.51	1.37	1.42	1.50	1.79	1.20	1.75	1.95	1.62	2.40	1.50	2.37
2018	1.53	1.40	1.43	1.53	1.81	1.23	1.79	2.00	1.65	2.52	1.61	2.49
2019	1.55	1.44	1.46	1.57	1.85	1.27	1.83	2.05	1.69	2.60	1.72	2.60
Interbank liabilities												
2016	1.71	2.09	2.48	1.84	2.80	2.37	2.86	2.77	2.80	3.39	3.15	3.19
2017	1.90	2.17	2.60	2.00	3.00	2.52	3.10	2.89	2.88	3.73	3.52	3.62
2018	2.05	2.22	2.65	2.10	3.05	2.60	3.15	2.97	2.97	3.86	3.65	3.74
2019	2.10	2.30	2.73	2.20	3.09	2.70	3.20	3.08	3.06	3.96	3.83	3.85
Issued debt												
2016	3.35	4.04	3.25	3.78	3.24	3.29	3.83	3.27	5.16	3.53	3.58	4.20
2017	3.50	4.15	3.40	3.85	3.35	3.35	4.00	3.35	5.25	3.70	3.79	4.38
2018	3.55	4.25	3.45	3.90	3.40	3.40	4.05	3.40	5.30	3.80	3.90	4.50
2019	3.60	4.30	3.50	3.95	3.45	3.45	4.10	3.45	5.40	3.85	4.02	4.62

Source(s): Company, ABCI Securities estimates

Higher policy risk will contain sector risk

Policy risk remains the major operational risk in the China banks sectors, with key directions provided in the Fifth National Financial Working Congress and the 19th NCCPC in 2017. As highlighted in Exhibit 8, regulators have stepped up risk-managing efforts since Sep 2017. Numerous investigation and penalty cases on banks have also been widely reported by the media over the past months.

Exhibit 8: Key policy updates on China's banking sector

Jan 2018	Circular on Further Regulating and Adjusting the Market Chaos in the Banking Industry (No. 4 [2018] of the China Banking Regulatory Commission)
	Measures for the Administration of Large-scale Exposure of Commercial Banks (Exposure Draft)
	Notice of the China Insurance Regulatory Commission on Issuing the Measures for the Administration of Entrusted Loans of Commercial Banks (No. 2 [2018] of the China Banking Regulatory Commission)
	Notice of the People's Bank of China, the China Banking Regulatory Commission, the China Securities Regulatory Commission and the China Insurance Regulatory Commission on Regulating the Bond Transactions of Bond Market Participants (No. 302 [2017] of People's Bank of China)
Dec 2017	Measures for the Liquidity Risk Management of Commercial Banks (Revised Exposure Draft)
	Notice of the China Banking Regulatory Commission on Regulating the Bank-Trust Business (No. 55 [2017] of the China Banking Regulatory Commission)
	Announcement of temporary RRR cut measure near CNY period
Nov 2017	Guiding Opinions on Regulating Asset Management Business of Financial Institutions (Exposure Draft)
Sep 2017	Targeted RRR cut for inclusive finance

Source(s): CBRC, PBOC, ABCI Securities



Other policies related to non-bank financial sectors such as insurers, securities brokers, asset management companies, and trust companies were also rolled out over the past months. We believe that systematic risk in the China banks sector will continue to decline, which strengthens our positive view on the sector.

We reassert that a higher priority in risk management will pay off in the long term since stringent and well-defined regulations, while causing short-term financial impacts and disruptions in the sector, would be supportive to a stable business environment. The Chinese banks have repeatedly demonstrated strong adaptability to policy changes, hence we are confident in their defensiveness against new policy changes.

Yet, the market tends to overreact to new policies, which usually results in share price hiccups in the sector. As the government has repeatedly stressed that the essence of regulatory measures is to prevent systematic risk in the financial sectors and enhance market stability, we believe policies that entail substantial disruptions to the sector, if any, would be implemented with caution.

A recap of the key policy directions

In the Fifth National Financial Working Congress and the 19th NCCPC held in 2017, PBOC indicated it would maintain a neutral monetary policy to lower overall leverage ratio in the country and support short-board credit growth. Several key directions were highlighted:

- 1) Support the real economy
- 2) Consider supply-side structural reform as the core direction of the national economic development
- 3) Emphasize on the implementation of the rural revitalization strategy to solve “Sannong” problem
- 4) Enhance financial product structure, varieties, quality, and efficiency
- 5) Strengthen risk prevention and management
- 6) Transform into a market-driven financial sector with liberalized competition
- 7) Four major concerned areas to be closely monitored by PBOC: the shadow banking system, asset management industry, internet finance, and financial holding companies

Business model is returning to the basic

As a result of the accelerated pace of risk monitoring by regulators in 2017, asset mix in banks has been changing. As demonstrated in Exhibit 9, the proportion of loans in assets among the H-share banks in 9M17 was higher than that in 2016. The increased loans were made possible by reduced exposure in investments and interbank assets – a direct result of tighter regulatory control in interbank activities and off-balance sheet business. Similarly, with reduced funding from interbank liabilities, most banks saw an increased mix of customer deposits in liabilities as of Sep 2017 compared to that in Dec 2016.

As of Sep 2017, among the H-share banks in our coverage universe, asset mix in investment and interbank balance decreased by an average of 2.17ppt and 0.91ppt, while the mix of interbank balance in liabilities reduced by 1.88ppt in 9M17. Meanwhile, the proportions of loans and deposits in assets and liabilities went up by 2.99ppt and 0.11ppt in 9M17.

Given the need to monitor risk exposure as well as adhering to the policy direction to support real economy and develop inclusive finance, we expect banks’ balance sheet to gradually return to the basic model, with loans and deposits as the key components.



Exhibit 9: Asset and liability mix (%)

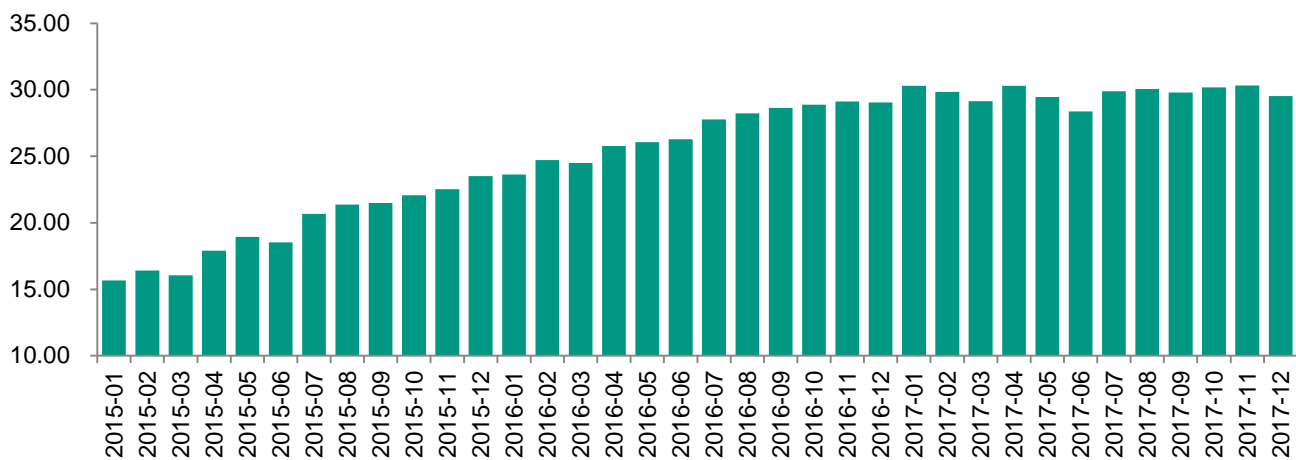
	ICBC	CCB	ABC	BOC	BoCom	CMB	MSB	CEB	CITICB	BoCQ
Asset mix%										
Sep-17										
Loan	53.44	56.43	48.93	54.44	48.26	56.60	47.40	48.68	55.69	40.50
Investment	22.25	23.96	28.79	23.25	28.12	24.77	36.77	32.03	27.52	33.19
Interbank	20.79	15.71	17.36	18.17	19.40	15.68	12.13	14.90	14.33	24.02
Others	3.51	3.90	4.92	4.14	4.22	2.95	3.70	4.38	2.46	2.29
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
2016										
Loan	52.89	54.80	47.62	53.64	47.71	53.04	40.66	43.57	47.25	39.34
Investment	26.23	24.61	27.41	22.61	27.99	24.56	39.17	32.91	32.04	32.25
Interbank	17.19	16.44	19.20	19.43	20.32	19.85	16.72	20.09	18.55	26.41
Others	3.69	4.15	5.77	4.32	3.99	2.55	3.44	3.43	2.17	2.01
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Liability mix%										
Sep-17										
Deposits	81.68	81.11	83.89	77.47	58.83	69.38	55.09	59.30	64.58	62.54
Interbank	12.18	10.88	8.37	15.59	28.87	20.63	34.30	25.08	23.91	13.24
Debt	1.73	3.02	2.31	2.72	3.14	6.72	8.35	12.92	8.73	22.67
Others	4.40	4.98	5.43	4.22	9.16	3.28	2.26	2.69	2.78	1.55
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
2016										
Deposits	80.45	79.50	82.41	77.66	60.85	68.64	55.60	56.27	65.61	65.73
Interbank	13.42	13.24	9.59	15.55	28.71	23.43	35.34	30.62	24.69	17.28
Debt	1.62	2.33	2.13	2.17	2.95	4.97	7.19	10.94	6.98	15.63
Others	4.51	4.92	5.88	4.62	7.48	2.97	1.88	2.16	2.72	1.36
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source(s): Company, ABCI Securities

Slowdown in WMP growth

As a result of tightening policy, development of WMPs slowed in 2017. According to the annual wealth management market report, total outstanding balance of WMPs in China was RMB 29.54tr as of Dec 2017, up only by 1.69% YoY. Growth rate in 2017 was much lower than 23.63% in 2016, or the 50% CAGR in 2011-15.

Exhibit 10: WMP balance (RMB tr)



Source(s): www.chinawealth.com.cn, ABCI Securities



In addition to a slowing growth in outstanding WMP balance, the proportion of higher-risk products also fell in 2017 on a YoY basis. The proportion of level 3, 4 and 5 products with medium to high-risk in underlying assets shrank by 1.16ppt, 0.08ppt, and 0.05ppt. Meanwhile, proportion of level 1 and level 2 products with low-to-medium low risk level increased, albeit slightly, by 0.77ppt and 0.52ppt YoY.

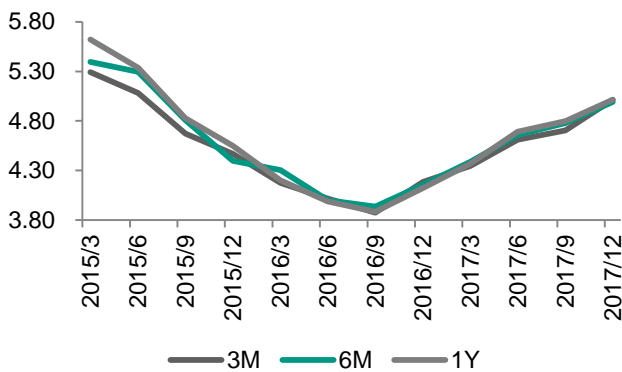
Exhibit 11: WMP mix by risk level (%)

	2016	2017	Chg (ppt)
Level 1 (low)	24.90%	25.67%	0.77
Level 2 (medium low)	57.06%	57.58%	0.52
Level 3 (medium)	17.75%	16.59%	(1.16)
Level 4 (medium high)	0.20%	0.12%	(0.08)
Level 5 (high)	0.09%	0.04%	(0.05)

Source(s): www.chinawealth.com.cn

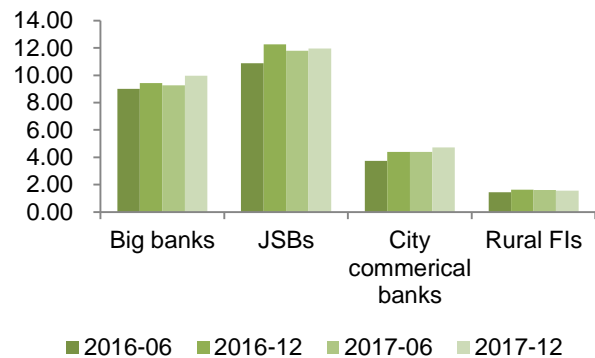
Interestingly, although overall risk exposure trended lower, average yield of WMPs rose in 2017 after bottoming out in 3Q16. We attribute such increase on the rising market interest rates as discussed earlier in this report. Average yields of WMPs with 3M, 6M and 1Y maturity were 5.01% 4.99% and 5.02% as of Dec 2017, higher than the 3.87% 3.94%, and 3.88% in Sep 2016.

Exhibit 12: WMP average yield (%)



Source(s): www.chinawealth.com.cn

Exhibit 13: WMP balance by bank type (Rmb tn)



Source(s): www.chinawealth.com.cn

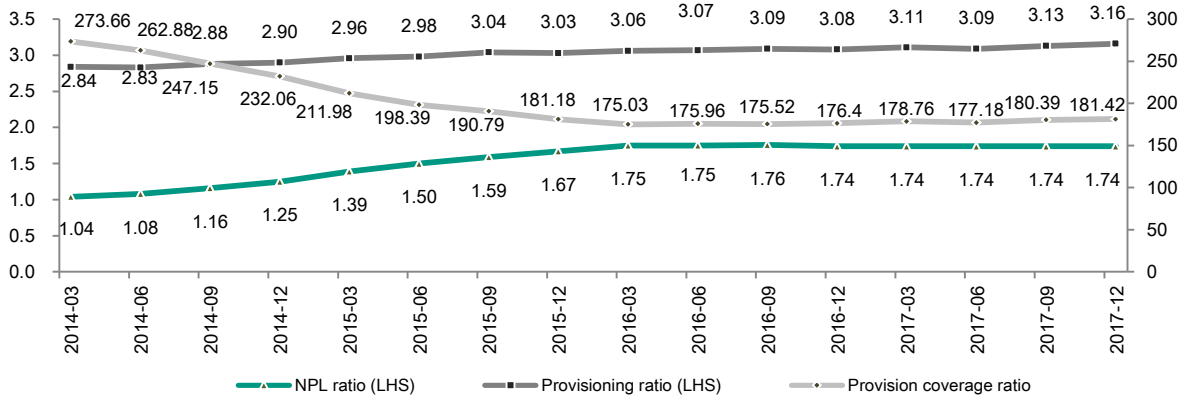
By bank type, JSBs usually have the largest WMPs outstanding balance. After the strong growth in 2H16, however, JSBs turned more cautious in their WMP business to lower risk in 2017. This was reflected in their relative weak non-interest income growth in 9M17. City commercial banks, in contrast, expanded their WMP segment more aggressively in 2017 although the total balance remained small in absolute terms.

Asset quality pressure is easing

System NPL ratio stabilized in 2017 in the range of 1.74%-1.76% for seven consecutive quarters since 1Q16, thanks to increased NPL handing through write-offs, disposals, collection, and securitization of NPL. Aside from proactive NPL management, NPL ratio has been trending lower due to a higher proportion of loans were allocated to policy-supported industries, as well as lower-risk segment such as residential mortgage.



Exhibit 14: System asset quality (%)



Source(s): CBRC, ABCI Securities

We expect system NPL ratio to stay at the current level between 1.7%-1.8% in the next few quarters. Nonetheless, we apply a conservative assumption that 2017E NPL ratio would only be slightly lower YoY and increase by a low single-digit basis point YoY for 2018E and 2019E in most banks except ABC (1288 HK), who explicitly targets to reduce its NPL ratio to the peer level by 2019E. We forecast ABC's NPL ratio to fall by 10bps each in 2018E and 2019E. We estimate NPL ratio of banks under coverage to move in the range -57bp to +17bps for 2017E, -10bps to +12bps for 2018E, and -10bps to +11bps for 2019E.

With the adoption of IFRS 9 in 2018, we expect banks to continue strengthening their risk buffer. Hence, we assume large provision to persist in 2018E and 2019E in our base case. The scale of provision expenses, however, would be relatively stable, which help support earnings.

In light of the adjustment in balance sheet mix, reducing interbank and off-balance sheet exposure as well as gentle growth in asset management business, we expect the sector's overall risk exposure to decrease and consequently, a lower equity risk premium is applied for banks in our Gordon Growth Model.



Exhibit 15: Changes in big 5 banks' key assumptions

	ICBC	CCB	ABC	BOC	BoCom
2017					
Topline (RMB mn) (old)	675,184	599,236	564,905	491,020	201,463
Topline (RMB mn) (new)	683,998	622,124	545,328	500,885	197,044
Changes (%)	1.31	3.82	(3.47)	2.01	(2.19)
2018					
Topline (RMB mn) (old)	714,642	659,046	606,713	527,829	217,379
Topline (RMB mn) (new)	734,583	690,206	594,721	527,587	216,529
Changes (%)	2.79	4.73	(1.98)	(0.05)	(0.39)
2017					
Net profit (RMB mn) (old)	281,352	238,123	192,157	167,499	66,226
Net profit (RMB mn) (new)	286,984	244,049	192,498	177,471	67,219
Changes (%)	2.00	2.49	0.18	5.95	1.50
2018					
Net profit (RMB mn) (old)	286,249	261,244	200,096	181,274	70,926
Net profit (RMB mn) (new)	305,204	268,486	206,191	184,702	75,258
Changes (%)	6.62	2.77	3.05	1.89	6.11
2017					
NIM (%) (old)	2.01	2.03	2.19	1.65	1.63
NIM (%) (new)	2.15	2.15	2.21	1.84	1.59
Changes (ppt)	0.14	0.12	0.02	0.19	(0.04)
2018					
NIM (%) (old)	1.99	2.00	2.15	1.66	1.57
NIM (%) (new)	2.16	2.16	2.25	1.85	1.59
Changes (ppt)	0.17	0.16	0.10	0.19	0.02
2017					
NPL ratio (%) (old)	1.68	1.59	2.40	1.50	1.56
NPL ratio (%) (new)	1.55	1.55	1.80	1.40	1.50
Changes (ppt)	(0.13)	(0.04)	(0.60)	(0.10)	(0.06)
2018					
NPL ratio (%) (old)	1.73	1.65	2.45	1.54	1.61
NPL ratio (%) (new)	1.60	1.62	1.70	1.45	1.54
Changes (ppt)	(0.13)	(0.03)	(0.75)	(0.09)	(0.07)
2017					
Prov ratio (%) (old)	2.30	2.40	4.30	2.65	2.40
Prov ratio (%) (new)	2.38	2.50	3.70	2.35	2.32
Changes (ppt)	0.08	0.10	(0.60)	(0.30)	(0.08)
2018					
Prov ratio (%) (old)	2.40	2.48	4.45	2.68	2.50
Prov ratio (%) (new)	2.48	2.60	3.58	2.38	2.40
Changes (ppt)	0.08	0.12	(0.87)	(0.30)	(0.10)
2017					
Prov. coverage ratio (%) (old)	136.90	150.94	179.20	176.70	153.85
Prov. coverage ratio (%) (new)	153.50	161.30	205.60	167.90	154.70
Changes (ppt)	16.60	10.36	26.40	(8.80)	0.85
2018					
Prov. coverage ratio (%) (old)	138.73	150.30	181.60	174.00	155.28
Prov. coverage ratio (%) (new)	155.00	160.50	210.60	164.10	155.80
Changes (ppt)	16.27	10.20	29.00	(9.90)	0.52

Source(s): Company, ABCI Securities estimates



Exhibit 16: Changes in JSBs and district banks' key assumptions

	CMB	MSB	CEB	CITICB	BoCQ	HB	HRB
2017							
Topline (RMB mn) (old)	226,833	159,926	100,266	164,662	10,791	22,240	15,669
Topline (RMB mn) (new)	221,868	149,350	93,516	156,685	10,502	21,991	15,417
Changes (%)	(2.19)	(6.61)	(6.73)	(4.84)	(2.68)	(1.12)	(1.61)
2018							
Topline (RMB mn) (old)	249,180	172,701	109,286	182,704	12,115	24,065	17,731
Topline (RMB mn) (new)	243,881	169,366	105,734	172,854	11,663	23,604	17,080
Changes (%)	(2.13)	(1.93)	(3.25)	(5.39)	(3.73)	(1.92)	(3.67)
2017							
Net profit (RMB mn) (old)	69,046	48,517	30,650	41,839	3,802	7,018	5,383
Net profit (RMB mn) (new)	70,136	49,425	30,444	42,396	3,849	7,795	5,421
Changes (%)	1.58	1.87	(0.67)	1.33	1.24	11.07	0.71
2018							
Net profit (RMB mn) (old)	77,356	50,278	31,511	45,552	4,136	7,717	5,997
Net profit (RMB mn) (new)	80,975	54,254	33,122	45,825	4,138	8,311	6,070
Changes (%)	4.68	7.91	5.11	0.60	0.05	7.70	1.22
2017							
NIM (%) (old)	2.32	1.59	1.66	1.84	2.17	2.45	2.30
NIM (%) (new)	2.39	1.46	1.53	1.79	2.17	2.45	2.30
Changes (ppt)	0.07	(0.13)	(0.13)	(0.05)	-	-	-
2018							
NIM (%) (old)	2.28	1.45	1.61	1.78	2.07	2.27	2.17
NIM (%) (new)	2.43	1.47	1.54	1.79	2.07	2.27	2.17
Changes (ppt)	0.15	0.02	(0.07)	0.01	-	-	-
2017							
NPL ratio (%) (old)	1.92	1.75	1.65	1.76	1.05	1.15	1.60
NPL ratio (%) (new)	1.61	1.63	1.60	1.68	1.60	1.00	1.70
Changes (ppt)	(0.31)	(0.12)	(0.05)	(0.08)	0.55	(0.15)	0.10
2018							
NPL ratio (%) (old)	1.97	1.80	1.71	1.81	1.13	1.24	1.69
NPL ratio (%) (new)	1.65	1.68	1.66	1.73	1.68	1.05	1.77
Changes (ppt)	(0.32)	(0.12)	(0.05)	(0.08)	0.55	(0.19)	0.08
2017							
Prov ratio (%) (old)	3.45	2.68	2.50	2.68	2.85	2.96	2.62
Prov ratio (%) (new)	3.85	2.62	2.45	2.55	2.85	2.85	2.80
Changes (ppt)	0.40	(0.06)	(0.05)	(0.13)	-	(0.11)	0.18
2018							
Prov ratio (%) (old)	3.50	2.73	2.58	2.73	2.90	3.02	2.70
Prov ratio (%) (new)	3.90	2.65	2.51	2.61	2.90	2.80	2.85
Changes (ppt)	0.40	(0.08)	(0.07)	(0.12)	-	(0.22)	0.15
2017							
Prov. coverage ratio (%) (old)	179.69	153.14	151.52	152.27	271.40	257.39	163.75
Prov. coverage ratio (%) (new)	239.10	160.70	153.10	151.80	178.10	285.00	164.71
Changes (ppt)	59.41	7.56	1.58	(0.47)	(93.30)	27.61	0.96
2018							
Prov. coverage ratio (%) (old)	177.66	151.67	150.88	150.83	256.60	243.55	159.76
Prov. coverage ratio (%) (new)	236.40	157.70	151.20	150.90	172.60	266.67	161.02
Changes (ppt)	58.74	6.03	0.32	0.07	(84.00)	23.12	1.26

Source(s): Company, ABCI Securities estimates



Valuation

Reiterate OVERWEIGHT rating – prefer big names resilient against policy risk

The second round of sector re-rating in the China banks sector has started in 4Q17, with shares continuing to rally in 1H18. Considering the solid macro outlook and improving fundamentals (e.g. NIM and asset quality) in the sector, we remain our **OVERWEIGHT** rating.

Although short-term correction was evident partially due to profit-taking after the rally, we believe the ongoing process of sector re-rating would sustain in 2018, therefore any share price correction would indicate good buying opportunities. The China banks sector is currently valued at 0.80x/0.71x 2017E/2018E P/B, and we believe there are significant upside in share price for selected banks. Big names continue to be our favorite due to their stronger defensiveness against policy changes.

Based on the accelerating support in Sannong areas as well as significant improvement in NPL ratio, **ABC (1288 HK)** is our sector's top pick, followed by **CCB (939 HK)** and **ICBC (1398 HK)** for their prudent stances and business diversification. Should offshore interest rate hike hastens up, BOC (3988 HK) would be the largest beneficiary given its significant profit contribution from BOCHK (2388 HK). Among JSBs, we like **MSB (1988 HK)** as we believe a fundamental turnaround is impending. With the recent share price correction, we upgrade **CMB's (3968 HK)** rating from **HOLD to BUY** despite its smaller upside than other JSBs based on our estimate.

Assumption changes in TP calculation

We adjust our earnings forecasts for 2017E (adjustment range: -0.67% to +11.07%) and 2018E (adjustment range +0.05% to +7.91%) and roll over our one-year TP calculation to 2018E BVPS. We also fine-tune the exchange rate assumption and revise our sustainable ROE assumptions by -0.73ppt to 1.60ppt, cost of equity by -0.64ppt to 1.81ppt, and change the target P/B for banks in the range of -14.29% to +18.75%. Consequently, our TP for banks rise by 2.17% to 42.16%.

Exhibit 17: Change s in TP assumptions

	ICBC	CCB	ABC	BOC	BoCom	CMB	MSB	CEB	CITICB	BoCQ	HB	HRB
(HKD)												
TP (old)	6.96	8.48	4.80	5.02	7.72	30.60	11.79	5.35	6.56	8.36	4.66	3.23
TP (new)	9.32	11.41	6.38	5.72	8.18	43.50	12.86	6.04	8.19	8.92	5.40	3.30
Change (%)	33.91	34.55	32.92	13.94	5.96	42.16	9.08	12.90	24.85	6.70	15.88	2.17
(%)												
Sus. ROE (old)	12.38	12.60	11.14	10.73	9.88	15.04	11.81	10.53	8.84	10.64	10.66	10.08
Sus. ROE (new)	12.90	14.18	11.73	10.60	9.26	16.64	11.96	10.65	9.87	10.67	9.93	9.61
Change (%)	0.52	1.58	0.59	(0.13)	(0.62)	1.60	0.15	0.12	1.03	0.03	(0.73)	(0.47)
(%)												
COE (old)	12.12	12.12	11.30	11.80	11.80	12.59	11.87	11.80	11.66	11.73	11.80	11.80
COE (new)	11.51	12.38	11.00	11.86	11.75	14.40	12.71	12.58	11.50	12.42	11.16	11.99
Change (%)	(0.61)	0.26	(0.30)	0.06	(0.05)	1.81	0.84	0.78	(0.16)	0.69	(0.64)	0.19
(x)												
Target P/B (old)	1.03	1.05	0.98	0.89	0.81	1.44	0.99	0.86	0.74	0.81	0.80	0.70
Target P/B (new)	1.16	1.15	1.11	0.87	0.73	1.71	0.92	0.83	0.79	0.73	0.76	0.60
Change (%)	12.62	9.52	13.27	(2.25)	(9.88)	18.75	(7.07)	(3.49)	6.76	(9.88)	(5.00)	(14.29)

Source(s): Company, ABCI Securities estimates



Sector Valuation Summary (Data as of Feb 23, 2018)

Company	Ticker	Rating	TP (HK\$)	Upside (%)	FY17F P/B(x)	FY18F P/B (x)	FY17F P/E (x)	FY18F P/E (x)	FY17F Yield (%)	FY18F Yield (%)
ICBC	1398 HK	BUY	9.32	32.57	0.97	0.88	7.09	6.52	4.23	4.59
CCB	939 HK	BUY	11.41	35.19	0.99	0.89	7.02	6.36	4.26	4.70
ABC	1288 HK	BUY	6.38	39.61	0.87	0.79	6.35	5.94	4.88	5.16
BOC	3988 HK	BUY	5.72	29.12	0.73	0.67	6.06	5.86	5.32	5.32
BoCom	3328 HK	BUY	8.18	25.85	0.63	0.58	6.03	5.35	5.15	5.72
CMB	3968 HK	BUY	43.50	25.18	1.55	1.37	10.08	8.73	2.96	3.43
MSB	1988 HK	BUY	12.86	49.53	0.68	0.61	5.18	4.72	4.47	5.19
CITICB	998 HK	BUY	8.19	35.60	0.63	0.58	5.80	5.35	4.52	4.72
CEB	6818 HK	BUY	6.04	42.79	0.65	0.58	5.50	5.02	3.81	4.10
HB	3698 HK	BUY	5.40	25.87	0.71	0.61	5.41	4.87	4.91	5.20
HRB	6138 HK	BUY	3.30	34.15	0.51	0.45	4.05	3.61	6.05	7.06
BoCQ	1963 HK	BUY	8.92	31.95	0.62	0.55	4.43	4.13	5.87	6.24

Source(s): Bloomberg, ABCI Securities estimates



ICBC

Consolidated income statement (2015A-2019E)

FY Ended Dec 31 (RMB mn)	2015A	2016A	2017E	2018E	2019E
Net interest income	507,867	471,846	526,202	558,348	606,905
Non-interest income	160,866	169,835	184,446	200,918	218,784
Of which: Fees and commissions	143,391	144,973	158,268	173,468	190,142
Operating income	668,733	641,681	710,647	759,266	825,689
Operating expenses	(203,980)	(176,393)	(192,499)	(208,810)	(225,395)
Amortization	(16,855)	(16,719)	(17,763)	(18,874)	(20,219)
Pre-provision operating profit	447,898	448,569	500,386	531,582	580,074
Impairment loans losses	(86,993)	(87,894)	(123,469)	(118,640)	(119,447)
Operating profit	360,905	360,675	376,916	412,942	460,627
Non-operating income	2,330	2,604	2,916	3,208	3,465
Profit before tax	363,235	363,279	379,833	416,150	464,092
Tax	(85,515)	(84,173)	(87,362)	(99,876)	(111,382)
Minority interests	(589)	(857)	(1,114)	(1,404)	(1,755)
Net profit attributable to equity holders	277,131	278,249	291,357	314,870	350,955
Preference share dividend	2,331	4,450	4,488	4,488	4,488
Net profit attributable to ordinary shareholders	274,800	273,799	286,869	310,382	346,467
Growth (%)					
Net interest income	2.91	(7.09)	11.52	6.11	8.70
Non-interest income	13.82	5.58	8.60	8.93	8.89
Of which: Fees and commissions	8.22	1.10	9.17	9.60	9.61
Operating income	5.34	(4.05)	10.75	6.84	8.75
Operating expenses	1.80	(13.52)	9.13	8.47	7.94
Amortization	(7.92)	(0.81)	6.25	6.25	7.13
Pre-provision operating profit	7.62	0.15	11.55	6.23	9.12
Impairment loans losses	53.35	1.04	40.48	(3.91)	0.68
Operating profit	0.40	(0.06)	4.50	9.56	11.55
Non-operating income	8.02	11.76	12.00	10.00	8.00
Profit before tax	0.45	0.01	4.56	9.56	11.52
Tax	0.22	(1.57)	3.79	14.32	11.52
Minority interests	24.00	45.50	30.00	26.00	25.00
Net profit attributable to equity holders	0.48	0.40	4.71	8.07	11.46
Preference share dividend	na	90.91	0.86	0.00	0.00
Net profit attributable to ordinary shareholders	(0.37)	(0.36)	4.77	8.20	11.63
Per share (RMB)					
EPS	0.77	0.77	0.80	0.87	0.97
BVPS	4.80	5.29	5.85	6.46	7.14
DPS	0.23	0.23	0.24	0.26	0.28
Key ratio (%)					
Net interest margin	2.47	2.16	2.15	2.16	2.18
Net interest spread	2.30	2.03	1.96	1.98	2.01
Cost to income ratio	30.50	27.49	27.09	27.50	27.30
Return on average assets	1.29	1.20	1.15	1.14	1.17
Return on average equity	16.69	14.80	14.07	13.82	13.98
Effective tax rate	23.54	23.17	23.00	24.00	24.00
Dividend payout	30.30	30.43	29.00	29.00	28.00

Source(s): Company, ABCI Securities estimates



ICBC

Consolidated balance sheet (2015A-2019E)

As of Dec 31 (RMB mn)	2015A	2016A	2017E	2018E	2019E
Cash & equivalent	3,059,633	3,350,788	3,618,851	3,872,171	4,104,501
Interbank assets	1,680,126	1,553,100	1,521,596	1,559,313	1,643,844
Investment securities	5,009,963	5,481,174	5,976,845	6,477,232	6,969,945
Net loans and advances	11,652,812	12,767,334	14,006,474	15,419,231	17,035,353
Total interest earning assets	21,402,534	23,152,396	25,123,765	27,327,947	29,753,643
Property and equipment	224,426	246,209	270,830	297,913	327,704
Other non-interest earning assets	582,820	738,660	921,905	1,132,239	1,368,401
Total assets	22,209,780	24,137,265	26,316,500	28,758,099	31,449,749
Customer deposits	16,281,939	17,825,302	19,500,590	21,316,304	23,244,353
Interbank liabilities	2,265,860	2,016,799	1,815,119	1,688,061	1,603,658
Subordinated debt	306,622	357,937	411,628	465,139	516,304
Total interest bearing liabilities	19,037,773	20,418,465	21,978,527	23,753,350	25,679,384
Current taxes	63,266	52,640	55,798	59,704	64,481
Deferred tax liabilities	995	604	755	936	1,152
Other liabilities	1,307,227	1,684,393	2,099,091	2,544,389	3,059,038
Total liabilities	20,409,261	22,156,102	24,134,172	26,358,380	28,804,055
Share capital	435,782	442,458	442,458	442,458	442,458
Reserves	1,353,692	1,527,293	1,727,887	1,944,680	2,190,025
Minorities	11,045	11,412	11,983	12,582	13,211
Shareholder's equity incl. MI	1,800,519	1,981,163	2,182,328	2,399,719	2,645,694
Growth (%)					
Cash & equivalent	7.0	(13.2)	9.5	8.0	7.0
Interbank assets	19.2	34.3	(7.6)	(2.0)	2.5
Investment securities	2.6	13.0	9.4	9.0	8.4
Net loans and advances	11.2	8.2	9.6	9.7	10.1
Total interest earning assets	8.9	7.1	8.2	8.5	8.8
Total assets	8.9	7.8	8.7	9.0	9.3
Customer deposits	6.4	4.7	9.5	9.4	9.3
Interbank liabilities	21.3	47.2	(11.0)	(10.0)	(7.0)
Subordinated debt	10.5	9.7	16.7	15.0	13.0
Total interest bearing liabilities	7.9	8.5	7.3	7.6	8.1
Total liabilities	8.1	7.0	8.6	8.9	9.2
Shareholder's equity	20.2	17.1	10.0	10.2	10.0
Key ratio (%)					
Loan to deposit	68.52	69.33	70.31	71.35	72.70
CT1 CAR	13.47	12.87	13.27	13.39	13.54
Total CAR	15.82	14.61	15.01	15.13	15.25
NPL ratio	1.50	1.62	1.55	1.60	1.68
NPL growth	44.19	17.98	5.00	13.75	16.09
Net bad debt charge ratio	0.75	0.69	0.89	0.78	0.71
Provision to total loans	2.35	2.22	2.38	2.48	2.55
Provision coverage ratio	156.34	136.69	153.55	155.00	151.79

Source(s): Company, ABCI Securities estimates



CCB

Consolidated income statement (2015A-2019E)

FY Ended Dec 31 (RMB mn)	2015A	2016A	2017E	2018E	2019E
Net interest income	457,752	417,799	469,943	531,242	592,061
Non-interest income	128,935	142,061	152,181	158,963	166,504
Of which: Fees and commissions	113,530	118,509	127,059	134,932	143,033
Operating income	586,687	559,860	622,124	690,206	758,564
Operating expenses	(192,222)	(169,302)	(182,284)	(197,267)	(215,650)
Amortization	(2,604)	(2,213)	(2,479)	(2,751)	(3,026)
Pre-provision operation profit	391,861	388,345	437,362	490,188	539,888
Impairment losses on loans	(93,639)	(93,204)	(126,989)	(144,054)	(160,588)
Operating profit	298,222	295,141	310,372	346,134	379,300
Non-operating income	275	69	79	91	105
Profit before tax	298,497	295,210	310,452	346,225	379,405
Tax	(69,611)	(62,821)	(65,195)	(76,170)	(83,469)
Minority interests	(741)	(929)	(1,208)	(1,570)	(2,041)
Net profit attributable to equity holders	228,145	231,460	244,049	268,486	293,895
Preference share dividend	0	1,067	1,067	1,067	1,067
Net profit attributable to ordinary shareholders	228,145	230,393	242,982	267,419	292,828
Growth (%)					
Net interest income	4.7	(8.7)	12.5	13.0	11.4
Non-interest income	8.0	10.2	7.1	4.5	4.7
Of which: Fees and commissions	4.6	4.4	7.2	6.2	6.0
Operating income	5.4	(4.6)	11.1	10.9	9.9
Operating expenses	(0.7)	(11.9)	7.7	8.2	9.3
Amortization	6.1	(15.0)	12.0	11.0	10.0
Pre-provision operation profit	8.6	(0.9)	12.6	12.1	10.1
Impairment losses on loans	51.2	(0.5)	36.2	13.4	11.5
Operating profit	(0.2)	(1.0)	5.2	11.5	9.6
Non-operating income	12.2	(74.9)	15.0	15.0	15.0
Profit before tax	(0.2)	(1.1)	5.2	11.5	9.6
Tax	(1.7)	(9.8)	3.8	16.8	9.6
Minority interests	77.7	25.4	30.0	30.0	30.0
Net profit attributable to equity holders	0.1	1.5	5.4	10.0	9.5
Preference share dividend	na	na	0.0	0.0	0.0
Net profit attributable to ordinary shareholders	0.1	1.0	5.5	10.1	9.5
Per share (RMB)					
EPS	0.91	0.92	0.97	1.07	1.17
BVPS	5.78	6.28	6.91	7.66	8.48
DPS	0.27	0.28	0.29	0.32	0.35
Key ratio (%)					
Net interest margin	2.63	2.20	2.15	2.16	2.17
Net interest spread	2.47	2.07	1.98	2.03	2.07
Cost to income ratio	33.21	30.64	29.70	28.98	28.83
Return on average assets	1.30	1.18	1.09	1.07	1.04
Return on average equity	17.05	15.38	14.69	14.58	14.42
Effective tax rate	23.32	21.28	21.00	22.00	22.00
Dividend payout	30.03	30.03	30.00	30.00	30.00

Source(s): Company, ABCI Securities estimates



CCB

Consolidated balance sheet (2015A-2019E)

As of Dec 31 (RMB mn)	2015A	2016A	2017E	2018E	2019E
Cash & equivalent	2,401,544	2,849,261	3,276,650	3,735,381	4,220,981
Interbank assets	974,472	858,462	940,573	1,056,992	1,201,059
Investment securities	4,271,406	5,068,584	5,879,557	6,761,491	7,708,100
Net loans and advances	10,234,523	11,488,355	12,720,490	14,075,054	15,550,567
Total interest earning assets	17,881,945	20,264,662	22,817,271	25,628,918	28,680,707
Property and equipment	159,531	170,095	182,002	194,742	206,426
Other non-interest earning assets	308,013	528,948	659,632	791,186	948,536
Total assets	18,349,489	20,963,705	23,658,905	26,614,846	29,835,669
Customer deposits	13,668,533	15,402,915	17,371,455	19,583,267	21,988,025
Interbank liabilities	1,761,107	1,935,541	2,129,095	2,299,423	2,460,382
Subordinated debt	415,544	451,554	487,678	526,693	568,828
Total interest bearing liabilities	16,485,835	18,906,853	21,272,598	23,886,407	26,715,814
Current taxes liabilities	49,411	44,900	48,492	52,371	56,561
Deferred tax liabilities	624	570	638	715	787
Other liabilities	368,536	421,728	576,834	727,216	908,771
Total liabilities	16,904,406	19,374,051	21,898,563	24,666,710	27,681,933
Share capital	269,670	269,670	269,670	269,670	269,670
Reserves	1,164,350	1,306,830	1,477,518	1,665,312	1,870,912
Minorities	11,063	13,154	13,154	13,154	13,154
Shareholder's equity	1,445,083	1,589,654	1,760,342	1,948,136	2,153,736
Growth (%)					
Cash & equivalent	(8.0)	18.6	15.0	14.0	13.0
Interbank assets	23.5	(11.9)	9.6	12.4	13.6
Investment securities	14.6	18.7	16.0	15.0	14.0
Net loans and advances	11.0	12.3	10.7	10.6	10.5
Total interest earning assets	9.4	13.3	12.6	12.3	11.9
Total assets	9.6	14.2	12.9	12.5	12.1
Customer deposits	6.0	12.7	12.8	12.7	12.3
Interbank liabilities	46.0	9.9	10.0	8.0	7.0
Subordinated debt	(3.7)	8.7	8.0	8.0	8.0
Total interest bearing liabilities	9.0	14.7	12.5	12.3	11.8
Total liabilities	9.1	14.6	13.0	12.6	12.2
Shareholder's equity	15.4	10.0	10.7	10.7	10.6
Key ratio (%)					
Loan to deposit	73.86	71.82	69.96	68.93	68.08
CT1 CAR	13.13	12.98	12.48	11.90	11.76
Total CAR	15.39	14.94	14.36	13.63	13.42
NPL ratio	1.58	1.52	1.55	1.62	1.68
NPL growth	46.66	7.66	13.17	15.76	14.63
Net bad debt charge ratio	0.63	0.55	0.68	0.69	0.69
Provision to total loans	2.39	2.29	2.50	2.60	2.65
Provision coverage	150.99	150.36	161.29	160.49	157.74

Source(s): Company, ABCI Securities estimates



ABC

Consolidated income statement (2015A-2019E)

FY Ended Dec 31 (RMB mn)	2015A	2016A	2017E	2018E	2019E
Net interest income	436,140	398,104	440,623	493,659	551,058
Non-interest income	104,722	112,024	104,705	101,062	100,196
Of which: Fees and commissions	82,549	90,935	82,468	77,600	75,537
Operating income	540,862	510,128	545,328	594,721	651,254
Operating expenses	(206,200)	(178,021)	(196,722)	(215,548)	(234,027)
Amortization	(19,633)	(19,037)	(20,560)	(22,205)	(23,981)
Pre-provision operating profit	315,029	313,070	328,046	356,968	393,245
Impairment loans losses	(84,172)	(86,446)	(84,189)	(95,731)	(103,673)
Profit before tax	230,857	226,624	243,857	261,237	289,572
Tax	(50,083)	(42,564)	(51,210)	(54,860)	(60,810)
Minority interests	(192)	(119)	(149)	(186)	(232)
Net profit attributable to equity holders	180,582	183,941	192,498	206,191	228,530
Preference share dividend	4,600	4,600	4,600	4,600	4,600
Net profit attributable to ordinary shareholders	175,982	179,341	187,898	201,591	223,930
Growth (%)					
Net interest income	1.5	(8.7)	10.7	12.0	11.6
Non-interest income	11.1	7.0	(6.5)	(3.5)	(0.9)
Of which: Fees and commissions	3.0	10.2	(9.3)	(5.9)	(2.7)
Operating income	3.2	(5.7)	6.9	9.1	9.5
Operating expenses	0.8	(13.7)	10.5	9.6	8.6
Amortization	1.6	(3.0)	8.0	8.0	8.0
Pre-provision operating profit	4.9	(0.6)	4.8	8.8	10.2
Impairment loans losses	23.8	2.7	(2.6)	13.7	8.3
Profit before tax	(0.6)	(1.8)	7.6	7.1	10.8
Tax	(5.1)	(15.0)	20.3	7.1	10.8
Minority interests	291.8	(38.0)	25.0	25.0	25.0
Net profit attributable to equity holders	0.6	1.86	4.7	7.1	10.8
Preference share dividend	91.7	0.0	0.0	0.0	0.0
Net profit attributable to ordinary shareholders	(0.6)	1.9	4.8	7.3	11.1
Per share (RMB)					
EPS	0.55	0.55	0.58	0.62	0.69
BVPS	3.48	3.81	4.22	4.65	5.14
DPS	0.17	0.17	0.18	0.19	0.20
Key ratio (%)					
Net interest margin	2.66	2.25	2.21	2.25	2.27
Net interest spread	2.49	2.11	2.04	2.12	2.18
Cost to income ratio	38.12	34.90	36.07	36.24	35.93
Return on average assets	1.07	0.98	0.93	0.90	0.91
Return on average equity	16.12	14.55	13.91	13.57	13.69
Effective tax rate	21.69	18.78	21.00	21.00	21.00
Dividend payout	30.23	31.00	30.00	30.00	29.00

Source(s): Company, ABCI Securities estimates



ABC

Consolidated balance sheet (2015A-2019E)

As of Dec 31 (RMB mn)	2015A	2016A	2017E	2018E	2019E
Cash & equivalent	2,587,057	2,811,653	3,038,588	3,266,325	3,489,254
Interbank assets	1,673,984	1,526,665	1,499,801	1,513,009	1,543,132
Investment securities	4,512,047	5,333,535	6,292,229	7,349,260	8,504,534
Net loans and advances	8,506,675	9,319,364	10,188,654	11,088,181	12,044,090
Total interest earning assets	17,279,763	18,991,217	21,019,273	23,216,775	25,581,011
Property and equipment	156,178	158,669	161,842	165,079	168,381
Other non-interest earning assets	355,452	420,175	489,236	567,767	656,117
Total assets	17,791,393	19,570,061	21,670,351	23,949,621	26,405,509
Customer deposits	13,538,360	15,038,001	16,725,339	18,538,928	20,463,242
Interbank liabilities	1,598,259	1,749,117	1,906,538	2,059,061	2,223,785
Subordinated debt	382,742	388,215	407,626	428,007	449,407
Total interest bearing liabilities	15,519,361	17,175,333	19,039,502	21,025,995	23,136,435
Current taxes	38,097	16,356	15,048	13,994	13,155
Deferred tax liabilities	111	58	73	90	111
Other liabilities	1,021,939	1,056,723	1,162,699	1,315,295	1,502,199
Total liabilities	16,579,508	18,248,470	20,217,322	22,355,374	24,651,899
Share capital	404,693	404,693	404,693	404,693	404,693
Reserves	805,398	913,500	1,044,429	1,185,060	1,343,749
Minorities	1,794	3,398	3,908	4,494	5,168
Shareholder's equity	1,211,885	1,321,591	1,453,030	1,594,247	1,753,610
Growth (%)					
Cash & equivalent	(5.7)	8.7	8.1	7.5	6.8
Interbank assets	12.4	(8.8)	(1.8)	0.9	2.0
Investment securities	26.2	18.2	18.0	16.8	15.7
Net loans and advances	9.9	9.6	9.3	8.8	8.6
Total interest earning assets	11.1	9.9	10.7	10.5	10.2
Total assets	11.4	10.0	10.7	10.5	10.3
Customer deposits	8.0	11.1	11.2	10.8	10.4
Interbank liabilities	40.7	9.4	9.0	8.0	8.0
Subordinated debt	17.7	1.4	5.0	5.0	5.0
Total interest bearing liabilities	10.9	10.7	10.9	10.4	10.0
Total liabilities	11.0	10.1	10.8	10.6	10.3
Shareholder's equity	17.4	8.9	9.9	9.7	10.0
Key ratio (%)					
Loan to deposit	65.04	63.89	62.55	61.35	60.30
CT1 CAR	10.24	10.38	10.66	10.66	10.64
Total CAR	13.40	13.04	13.26	13.28	13.24
NPL ratio	2.39	2.37	1.80	1.70	1.60
NPL growth	71.50	8.44	(17.50)	2.65	2.09
Net bad debt charge ratio	0.96	0.85	0.76	0.80	0.81
Provision to total loans	4.40	4.50	3.95	3.80	3.70
Provision coverage ratio	189.43	173.40	219.44	223.53	231.25

Source(s): Company, ABCI Securities estimates



BOC

Consolidated income statement (2015A-2019E)

FY Ended Dec 31 (RMB mn)	2015A	2016A	2017E	2018E	2019E
Net interest income	328,649	306,048	337,633	367,744	406,427
Non-interest income	145,262	179,608	163,252	159,843	163,801
Of which: Fees and commissions	92,410	88,664	90,437	92,698	95,943
Operating income	473,912	485,656	500,885	527,587	570,228
Operating expenses	(185,401)	(175,069)	(185,427)	(196,378)	(208,944)
Amortization	(13,218)	(13,175)	(13,570)	(14,113)	(14,819)
Pre-provision operating profit	288,511	310,587	315,458	331,210	361,284
Impairment losses on loans	(59,274)	(89,072)	(74,504)	(79,665)	(84,703)
Operating profit	229,237	221,515	240,955	251,544	276,581
Non-operating income	2,334	897	1,121	1,402	1,752
Profit before tax	231,571	222,412	242,076	252,946	278,333
Tax	(52,154)	(38,361)	(43,574)	(45,530)	(50,100)
Minority interests	(8,572)	(19,473)	(21,031)	(22,713)	(24,530)
Net profit attributable to equity holders	170,845	164,578	177,471	184,702	203,702
Preference share dividend	6,718	5,178	5,178	5,178	5,178
Net profit attributable to ordinary shareholders	164,126	159,400	172,293	179,525	198,525
Growth (%)					
Net interest income	2.4	(6.9)	10.3	8.9	10.5
Non-interest income	7.4	23.6	(9.1)	(2.1)	2.5
Of which: Fees and commissions	1.3	(4.1)	2.0	2.5	3.5
Operating income	3.9	2.5	3.1	5.3	8.1
Operating expenses	4.3	(5.6)	5.9	5.9	6.4
Amortization	0.0	(0.3)	3.0	4.0	5.0
Pre-provision operating profit	3.6	7.7	1.6	5.0	9.1
Impairment losses on loans	22.5	50.3	(16.4)	6.9	6.3
Operating profit	(0.4)	(3.4)	8.8	4.4	10.0
Non-operating income	77.0	(61.6)	25.0	25.0	25.0
Profit before tax	0.0	(4.0)	8.8	4.5	10.0
Tax	(3.9)	(26.4)	13.6	4.5	10.0
Minority interests	8.0	8.0	8.0	8.0	8.0
Net profit attributable to equity holders	0.7	(3.7)	7.8	4.1	10.3
Preference share dividend	10.4	(22.9)	(0.0)	0.0	0.0
Net profit attributable to ordinary shareholders	0.4	(2.9)	8.1	4.2	10.6
Per share (RMB)					
EPS	0.56	0.54	0.59	0.61	0.67
BVPS	4.09	4.46	4.88	5.31	5.80
DPS	0.18	0.17	0.19	0.19	0.20
Key ratio (%)					
Net interest margin	2.12	1.83	1.84	1.85	1.87
Net interest spread	1.97	1.69	1.72	1.76	1.79
Cost to income ratio	39.12	36.05	37.02	37.22	36.64
Return on average assets	1.07	0.94	0.93	0.89	0.90
Return on average equity	13.97	12.12	12.04	11.55	11.73
Effective tax rate	22.52	17.25	18.00	18.00	18.00
Dividend payout	34.09	33.20	32.00	31.00	30.00

Source(s): Company, ABCI Securities estimates



BOC

Consolidated balance sheet (2015A-2019E)

As of Dec 31 (RMB mn)	2015A	2016A	2017E	2018E	2019E
Cash & equivalent	654,378	659,982	666,582	673,248	679,980
Interbank assets	2,196,063	2,271,640	2,339,789	2,398,284	2,458,241
Investment securities	3,595,095	3,972,884	4,568,817	5,208,451	5,885,550
Net loans and advances	8,935,195	9,712,060	10,662,792	11,709,113	12,857,748
Total interest earning assets	15,380,731	16,616,566	18,237,979	19,989,096	21,881,519
Property and equipment	182,031	194,897	208,540	223,138	223,138
Derivative assets	82,236	130,549	133,160	135,823	135,823
Other non-interest earning assets	1,170,599	1,206,877	1,305,831	1,400,004	1,400,004
Total assets	16,815,597	18,148,889	19,885,510	21,748,060	23,640,484
Customer deposits	11,729,171	12,939,748	14,289,374	15,717,929	17,244,698
Interbank liabilities	2,627,973	2,590,413	2,797,646	2,993,481	3,173,090
Subordinated debt	313,210	389,470	405,049	421,251	433,888
Total interest bearing liabilities	14,670,354	15,919,631	17,492,069	19,132,661	20,851,676
Trading liabilities	69,160	107,109	123,175	139,188	139,188
Current taxes	37,982	28,055	31,422	34,878	34,878
Deferred tax liabilities	4,291	4,501	4,726	4,962	4,962
Other liabilities	676,205	602,501	604,583	655,863	657,653
Total liabilities	15,457,992	16,661,797	18,255,975	19,967,553	21,688,358
Share capital	394,102	394,102	394,102	394,102	394,102
Reserves	910,844	1,017,580	1,141,171	1,269,520	1,414,255
Minority interest	52,659	75,410	94,263	116,886	143,769
Total shareholders' equity	1,357,605	1,487,092	1,629,536	1,780,507	1,952,126
Growth (%)					
Cash & equivalent	(19.5)	0.9	1.0	1.0	1.0
Interbank assets	(18.9)	3.4	3.0	2.5	2.5
Investment securities	32.6	10.5	15.0	14.0	13.0
Net loans and advances	7.7	8.7	9.8	9.8	9.8
Total interest earning assets	5.9	8.0	9.8	9.6	9.5
Total assets	10.3	7.9	9.6	9.4	8.7
Customer deposits	7.8	10.3	10.4	10.0	9.7
Interbank liabilities	11.6	(1.4)	8.0	7.0	6.0
Subordinated debt	1.5	24.3	4.0	4.0	3.0
Total interest bearing liabilities	8.3	8.5	9.9	9.4	9.0
Total liabilities	9.9	7.8	9.6	9.4	8.6
Shareholders' equity	14.7	9.5	9.6	9.3	9.6
Key ratio (%)					
Loan to deposit	72.23	72.03	71.52	71.54	71.77
Core CAR	12.07	12.28	12.67	12.35	12.33
Total CAR	14.06	14.28	15.70	15.26	15.18
NPL ratio	1.43	1.46	1.40	1.45	1.48
NPL growth	30.25	11.54	4.70	13.77	12.10
Net bad debt charge ratio	0.67	0.93	0.71	0.70	0.67
Provision to total loans	2.62	2.62	2.35	2.38	2.40
Provision coverage ratio	153.30	178.97	167.86	164.14	162.16

Source(s): Company, ABCI Securities estimates



BoCom

Consolidated income statement (2015A-2019E)

FY Ended Dec 31 (RMB mn)	2015A	2016A	2017E	2018E	2019E
Net interest income	144,172	134,871	135,001	151,787	171,012
Non-interest income	50,386	59,191	62,042	64,742	67,338
Of which: Fees and commissions	35,027	36,795	38,180	39,284	40,230
Operating income	194,558	194,062	197,044	216,529	238,351
Operating expenses	(81,386)	(79,472)	(82,934)	(86,478)	(90,958)
Pre-provision operating profit	113,172	114,590	114,109	130,050	147,393
Impairment losses on loans	(27,160)	(28,480)	(28,464)	(34,229)	(42,549)
Profit before tax	86,012	86,110	85,646	95,821	104,843
Tax	(19,181)	(18,459)	(17,986)	(20,122)	(22,017)
Minorities interests	303	441	441	441	441
Net profit attributable to equity holders	66,528	67,210	67,219	75,258	82,385
Preference share dividend	884	1,282	2,551	2,551	2,551
Net profit attributable to ordinary shareholders	65,644	65,928	64,668	72,706	79,834
Growth (%)					
Net interest income	7.0	(6.5)	0.1	12.4	12.7
Non-interest income	14.9	17.5	4.8	4.4	4.0
Of which: Fees and commissions	18.3	5.0	3.8	2.9	2.4
Operating income	8.9	(0.3)	1.5	9.9	10.1
Operating expenses	11.1	(2.4)	4.4	4.3	5.2
Pre-provision operating profit	7.4	1.3	(0.4)	14.0	13.3
Impairment losses on loans	32.9	4.9	(0.1)	20.3	24.3
Profit before tax	1.3	0.1	(0.5)	11.9	9.4
Tax	1.5	(3.8)	(2.6)	11.9	9.4
Minorities & other dilutions	63.8	45.5	5.0	5.0	5.0
Net profit attributable to equity holders	1.0	1.0	0.0	12.0	9.5
Preference share dividend	na	45.1	98.9	0.0	0.0
Net profit attributable to ordinary shareholders	(0.3)	0.4	(1.9)	12.4	9.8
Per share (RMB)					
EPS	0.90	0.89	0.87	0.98	1.08
BVPS	7.00	7.67	8.30	9.03	9.84
DPS	0.27	0.27	0.27	0.30	0.32
Key ratio (%)					
Net interest margin	2.17	1.80	1.59	1.59	1.60
Net interest spread	2.02	1.67	1.41	1.45	1.48
Cost to income ratio	41.83	40.95	42.09	39.94	38.16
Return on average assets	0.99	0.86	0.75	0.74	0.72
Return on average equity	13.23	11.56	10.31	10.70	10.83
Effective tax rate	22.30	21.44	21.00	21.00	21.00
Dividend payout	30.00	30.00	30.00	29.50	29.00

Source(s): Company, ABCI Securities estimates



BoCom

Consolidated balance sheet (2015A-2019E)

As of Dec 31 (RMB mn)	2015A	2016A	2017E	2018E	2019E
Cash & equivalent	920,228	991,435	1,070,750	1,145,702	1,225,901
Interbank assets	611,191	715,787	823,155	938,397	1,060,388
Investment securities	1,630,559	2,252,392	2,815,490	3,378,588	4,054,306
Net loans and advances	3,634,568	4,009,046	4,352,517	4,701,311	5,076,050
Total interest earning assets	6,796,546	7,968,660	9,061,911	10,163,998	11,416,645
Property and equipment	90,393	114,425	143,031	175,928	212,873
Other non-interest earning assets	268,423	320,081	382,212	452,985	532,721
Total assets	7,155,362	8,403,166	9,587,155	10,792,912	12,162,240
Customer deposits	4,484,814	4,728,589	5,036,481	5,387,768	5,779,868
Interbank liabilities	1,641,239	2,231,060	2,900,378	3,654,476	4,458,461
Subordinated debt	170,106	229,515	286,894	350,010	420,012
Total interest bearing liabilities	6,296,159	7,189,164	8,223,753	9,392,255	10,658,342
Trading liabilities	62,461	84,299	105,374	126,449	149,209
Current taxes	8,604	5,164	5,577	6,023	6,445
Deferred tax liabilities	119	145	174	207	244
Other liabilities	249,927	491,987	572,331	533,063	552,579
Total liabilities	6,617,270	7,770,759	8,907,209	10,057,996	11,366,820
Share capital	89,187	134,139	134,139	134,139	134,139
Capital surplus	445,698	493,667	542,052	596,458	656,315
Minorities	3,207	3,265	3,755	4,318	4,966
Shareholder's equity	538,092	631,071	679,946	734,915	795,420
Growth (%)					
Cash & equivalent	(1.9)	7.7	8.0	7.0	7.0
Interbank assets	16.4	17.1	15.0	14.0	13.0
Investment securities	40.2	38.1	25.0	20.0	20.0
Net loans and advances	8.3	10.3	8.6	8.0	8.0
Total interest earning assets	13.6	17.2	13.7	12.2	12.3
Total assets	14.2	17.4	14.1	15.0	12.7
Customer deposits	11.3	5.4	6.5	7.0	7.3
Due to other banks & FIs	16.5	35.9	30.0	26.0	22.0
Subordinated debt	31.3	34.9	25.0	22.0	20.0
Total interest bearing liabilities	13.1	14.2	14.4	14.2	13.5
Total liabilities	14.2	17.4	14.6	12.9	13.0
Shareholder's equity	13.6	17.3	7.7	8.1	8.2
Key ratio (%)					
Loan to deposit	68.05	67.62	65.75	63.54	61.58
CT1 CAR	11.14	11.00	11.70	11.24	10.79
Total CAR	13.49	14.02	14.51	13.85	13.24
NPL ratio	1.51	1.52	1.50	1.54	1.60
NPL growth	30.66	11.02	7.11	10.98	12.29
Net bad debt charge ratio	0.76	0.73	0.67	0.74	0.85
Provision to total loans	2.35	2.29	2.32	2.40	2.50
Provision coverage ratio	155.57	150.50	154.67	155.84	156.25

Source(s): Company, ABCI Securities estimates



CMB

Consolidated income statement (2015A-2019E)

FY Ended Dec 31 (RMB mn)	2015A	2016A	2017E	2018E	2019E
Net interest income	137,586	134,595	141,586	158,445	176,755
Non-interest income	64,580	75,354	80,282	85,436	91,856
Of which: Fees and commissions	53,009	60,865	64,344	67,586	71,328
Operating income	202,166	209,949	221,868	243,881	268,611
Operating expenses	(67,957)	(65,148)	(69,680)	(74,440)	(79,350)
Pre-provision operating profit	134,209	144,801	152,188	169,441	189,261
Impairment losses on loans	(59,266)	(66,159)	(63,374)	(66,938)	(71,876)
Operating profit	74,943	78,642	88,814	102,503	117,386
Non-operating income	136	321	401	498	612
Profit before tax	75,079	78,963	89,215	103,000	117,998
Tax	(17,061)	(16,583)	(18,735)	(21,630)	(24,780)
Minority interests	(322)	(299)	(344)	(395)	(455)
Net profit attributable to equity holders	57,696	62,081	70,136	80,975	92,763
Preference share dividend	0	0	0	0	0
Net profit attributable to ordinary shareholders	57,696	62,081	70,136	80,975	92,763
Growth (%)					
Net interest income	17.4	(2.2)	5.2	11.9	11.6
Of which: Fees and commissions	34.2	14.8	5.7	5.0	5.5
Operating income	21.5	3.8	5.7	9.9	10.1
Operating expenses	10.7	(4.1)	7.0	6.8	6.6
Pre-provision operating profit	27.9	7.9	5.1	11.3	11.7
Impairment losses on loans	87.1	11.6	(4.2)	5.6	7.4
Operating profit	2.3	4.9	12.9	15.4	14.5
Non-operating income	(13.9)	136.0	25.0	24.0	23.0
Profit before tax	2.2	5.2	13.0	15.5	14.6
Tax	(1.8)	(2.8)	13.0	15.5	14.6
Minority interests	133.3	(7.1)	15.0	15.0	15.0
Net profit attributable to equity holders	3.2	7.6	13.0	15.5	14.6
Preference share dividend	na	na	na	na	an
Net profit attributable to ordinary shareholders	3.2	7.6	13.0	15.5	14.6
Per share (RMB)					
EPS	2.29	2.46	2.78	3.21	3.68
BVPS	14.31	15.95	18.04	20.47	23.24
DPS	0.69	0.74	0.83	0.96	1.10
Key ratio (%)					
Net interest margin	2.77	2.50	2.39	2.43	2.48
Net interest spread	2.61	2.37	2.27	2.36	2.44
Cost to income ratio	33.61	31.03	31.41	30.52	29.54
Return on average assets	1.13	1.09	1.13	1.20	1.26
Return on average equity	17.09	16.27	16.36	16.67	16.83
Effective tax rate	22.72	21.00	21.00	21.00	21.00
Dividend payout	30.16	30.06	30.00	30.00	30.00

Source(s): Company, ABCI Securities estimates



CMB

Consolidated balance sheet (2015A-2019E)

As of Dec 31 (RMB mn)	2015A	2016A	2017E	2018E	2019E
Cash & equivalent	664,130	703,523	727,383	752,699	779,598
Interbank assets	529,617	478,950	452,164	431,699	417,618
Investment securities	1,438,017	1,459,610	1,532,591	1,578,568	1,625,925
Net loans and advances	2,739,444	3,151,649	3,581,431	4,066,859	4,593,862
Total interest earning assets	5,371,208	5,793,732	6,293,568	6,829,825	7,417,003
Property and equipment	33,543	45,558	52,392	60,774	71,106
Other non-interest earning assets	70,227	103,021	121,575	146,119	178,312
Total assets	5,474,978	5,942,311	6,467,535	7,036,719	7,666,422
Customer deposits	3,571,698	3,802,049	4,074,650	4,403,454	4,768,842
Interbank liabilities	1,138,584	1,297,533	1,479,188	1,656,690	1,838,926
Subordinated debt	251,507	275,082	297,089	320,856	346,524
Total interest bearing liabilities	4,989,591	5,409,392	5,890,863	6,426,528	7,005,739
Current taxes	12,820	19,523	21,085	22,561	23,914
Deferred tax liabilities	867	897	897	897	897
Other liabilities	109,942	109,137	98,667	69,493	48,772
Total liabilities	5,113,220	5,538,949	6,011,512	6,519,478	7,079,322
Share capital	25,220	25,220	25,220	25,220	25,220
Reserves	335,586	377,130	429,791	491,008	560,868
Minorities	952	1,012	1,012	1,012	1,012
Shareholder's equity	361,758	403,362	456,023	517,240	587,100
Growth (%)					
Cash & equivalent	(8.5)	5.9	3.4	3.5	3.6
Interbank assets	12.9	(9.6)	(5.6)	(4.5)	(3.3)
Investment securities	44.3	1.5	5.0	3.0	3.0
Net loans and advances	11.9	15.0	13.6	13.6	13.0
Total interest earning assets	15.8	7.9	8.6	8.5	8.6
Total assets	15.7	8.5	8.8	8.8	8.9
Customer deposits	7.4	6.4	7.2	8.1	8.3
Due to other banks & FIs	29.5	14.0	14.0	12.0	11.0
Subordinated debt	196.4	9.4	8.0	8.0	8.0
Total interest bearing liabilities	15.7	8.4	8.9	9.1	9.0
Total liabilities	15.8	8.3	8.5	8.4	8.6
Shareholder's equity	14.8	11.5	13.1	13.4	13.5
Key ratio (%)					
Loan to deposit	66.38	73.28	79.82	83.53	86.89
CT1 CAR	10.83	11.54	11.73	12.05	12.37
Total CAR	12.57	13.33	13.74	14.03	14.32
NPL ratio	1.68	1.87	1.61	1.65	1.69
NPL growth	69.82	28.92	-1.88	16.44	15.76
Net bad debt charge ratio	2.22	2.17	1.81	1.68	1.59
Provision to total loans	3.00	3.37	3.85	3.90	3.95
Provision coverage ratio	178.95	180.02	239.13	236.36	233.73

Source(s): Company, ABCI Securities estimates



MSB

Consolidated income statement (2015A-2019E)

FY Ended Dec 31 (RMB mn)	2015A	2016A	2017E	2018E	2019E
Net interest income	94,268	94,684	87,744	106,808	128,517
Non-interest income	59,483	59,367	61,606	62,558	62,775
Of which: Fees and commissions	51,205	52,261	54,639	55,662	55,892
Operating income	153,751	154,051	149,350	169,366	191,292
Operating expenses	(54,395)	(48,889)	(52,367)	(56,350)	(60,345)
Amortization	(3,781)	(3,535)	(3,358)	(3,526)	(3,702)
Pre-provision operating profit	95,575	101,627	93,624	109,489	127,244
Impairment loans losses	(34,801)	(41,378)	(31,394)	(41,236)	(53,484)
Profit before tax	60,774	60,249	62,230	68,253	73,760
Tax	(13,752)	(11,471)	(11,824)	(12,968)	(14,014)
Minority interests	(911)	(935)	(982)	(1,031)	(1,082)
Net profit attributable to equity holders	46,111	47,843	49,425	54,254	58,663
Preference share dividend	0	20	492	492	492
Net profit attributable to ordinary shareholders	46,111	47,823	48,933	53,762	58,172
Growth (%)					
Net interest income	2.3	0.4	(7.3)	21.7	20.3
Non-interest income	38.7	(0.2)	3.8	1.5	0.3
Of which: Fees and commissions	33.9	2.1	4.5	1.9	0.4
Operating income	13.9	0.2	(3.1)	13.4	12.9
Operating expenses	6.5	(10.1)	7.1	7.6	7.1
Amortization	26.3	(6.5)	(5.0)	5.0	5.0
Pre-provision operating profit	18.1	6.3	(7.9)	16.9	16.2
Impairment loans losses	64.7	18.9	(24.1)	31.4	29.7
Profit before tax	1.6	(0.9)	3.3	9.7	8.1
Tax	(3.3)	(16.6)	3.1	9.7	8.1
Minority interests	(10.8)	2.6	5.0	5.0	5.0
Net profit attributable to equity holders	3.5	3.8	3.3	9.8	8.1
Preference share dividend	na	na	2,300.0	0.0	0.0
Net profit attributable to ordinary shareholders	3.5	3.7	2.3	9.9	8.2
Per share (RMB)					
EPS	1.33	1.31	1.34	1.47	1.59
BVPS	8.26	9.12	10.18	11.32	12.55
DPS	0.24	0.28	0.31	0.36	0.40
Key ratio (%)					
Net interest margin	2.26	1.86	1.46	1.47	1.48
Net interest spread	2.09	1.74	1.46	1.51	1.54
Cost to income ratio	35.38	31.74	35.06	33.27	31.55
Return on average assets	1.08	0.92	0.76	0.70	0.63
Return on average equity	17.04	14.86	13.66	13.49	13.17
Effective tax rate	22.63	19.04	19.00	19.00	19.00
Dividend payout	17.61	21.35	22.00	23.00	24.00

Source(s): Company, ABCI Securities estimates



MSB

Consolidated balance sheet (2015A-2019E)

As of Dec 31 (RMB mn)	2015A	2016A	2017E	2018E	2019E
Cash & equivalent	432,831	524,239	565,875	610,631	658,509
Interbank assets	901,302	461,837	458,872	478,498	517,699
Investment securities	918,737	2,214,752	2,895,198	3,669,540	4,563,467
Net loans and advances	1,997,625	2,397,192	2,848,464	3,356,700	3,922,924
Total interest earning assets	4,250,495	5,598,020	6,768,409	8,115,369	9,662,599
Property and equipment	41,151	46,190	51,733	57,423	63,166
Other non-interest earning assets	229,042	251,667	273,490	295,156	316,433
Total assets	4,520,688	5,895,877	7,093,632	8,467,949	10,042,198
Customer deposits	2,732,262	3,082,242	3,518,510	4,083,402	4,806,451
Interbank liabilities	1,161,790	1,845,931	2,399,710	2,999,638	3,659,558
Subordinated debt	181,233	398,376	517,889	673,255	861,767
Total interest bearing liabilities	4,075,285	5,326,549	6,436,109	7,756,295	9,327,776
Current taxes	6,170	8,313	11,223	14,589	18,237
Other liabilities	129,450	208,988	254,258	261,569	214,183
Total liabilities	4,210,905	5,543,850	6,701,589	8,032,453	9,560,195
Share capital	36,485	46,377	46,377	46,377	46,377
Reserves	264,733	296,213	334,813	376,638	421,273
Minorities	8,565	9,437	10,853	12,480	14,352
Shareholder's equity	309,783	352,027	392,043	435,496	482,003
Growth (%)					
Cash & equivalent	(8.2)	21.1	7.9	7.9	7.8
Interbank assets	(2.9)	(48.8)	(0.6)	4.3	8.2
Investment securities	52.8	141.1	30.7	26.7	24.4
Net loans and advances	12.6	20.0	18.8	17.8	16.9
Total interest earning assets	12.6	31.7	20.9	19.9	19.1
Total assets	12.6	30.4	20.3	19.4	18.6
Customer deposits	12.3	12.8	14.2	16.1	17.7
Interbank liabilities	11.6	58.9	30.0	25.0	22.0
Subordinated debt	40.2	119.8	30.0	30.0	28.0
Total interest bearing liabilities	13.1	30.7	20.8	20.5	20.3
Total liabilities	11.8	31.7	20.9	19.9	19.0
Shareholder's equity	25.0	13.6	11.4	11.1	10.7
Key ratio (%)					
Loan to deposit	70.46	73.28	75.42	76.06	75.28
CT1 CAR	9.17	8.95	7.45	7.04	6.57
Total CAR	11.49	11.73	10.65	10.49	10.22
NPL ratio	1.60	1.68	1.63	1.68	1.72
NPL growth	55.3	26.25	15.07	21.49	19.71
Net bad debt charge ratio	1.71	1.83	1.16	1.28	1.40
Provision to total loans	2.46	2.62	2.62	2.65	2.70
Provision coverage ratio	153.63	155.41	160.74	157.74	156.98

Source(s): Company, ABCI Securities estimates



CITICB

Consolidated income statement (2015A-2019E)

FY Ended Dec 31 (RMB mn)	2015A	2016A	2017E	2018E	2019E
Net interest income	104,433	106,138	104,761	116,838	127,593
Non-interest income	41,112	48,021	51,924	56,017	59,934
Of which: Fees and commissions	35,674	42,280	45,801	49,479	52,903
Operating income	145,545	154,159	156,685	172,854	187,527
Operating expenses	(50,602)	(47,272)	(50,229)	(52,982)	(55,518)
Amortization	0	0	0	0	0
Pre-provision operating profit	94,943	106,887	106,456	119,872	132,009
Impairment losses on loans	(40,037)	(52,288)	(50,444)	(59,315)	(65,608)
Operating profit	54,906	54,599	56,012	60,557	66,400
Non-operating income	80	9	10	12	14
Profit before tax	54,986	54,608	56,022	60,569	66,414
Tax	(13,246)	(12,822)	(13,445)	(14,536)	(15,939)
Minorities interests	582	157	181	208	239
Net profit attributable to equity holders	41,158	41,629	42,396	45,825	50,236
Preference share dividend	0	0	1,330	1,330	1,330
Net profit attributable to ordinary shareholders	41,158	41,629	41,066	44,495	48,906
Growth (%)					
Net interest income	10.2	1.6	(1.3)	11.5	9.2
Non-interest income	36.6	16.8	8.1	7.9	7.0
Of which: Fees and commissions	40.9	18.5	8.3	8.0	6.9
Operating income	16.6	5.9	1.6	10.3	8.5
Operating expenses	10.0	(6.6)	6.3	5.5	4.8
Amortization	(100.0)	na	na	na	na
Pre-provision operating profit	21.7	12.6	(0.4)	12.6	10.1
Impairment losses on loans	69.1	30.6	(3.5)	17.6	10.6
Operating profit	1.0	(0.6)	2.6	8.1	9.7
Non-operating income	(60.8)	(88.8)	15.0	15.0	15.0
Profit before tax	0.8	(0.7)	2.6	8.1	9.7
Tax	1.0	(3.2)	4.9	8.1	9.7
Minorities interests	(23.6)	(73.0)	15.0	15.0	15.0
Net profit attributable to equity holders	1.1	1.1	1.8	8.1	9.6
Preference share dividend	na	na	na	0.0	0.0
Net profit attributable to ordinary shareholders	1.1	1.1	(1.4)	8.3	9.9
Per share (RMB)					
EPS	0.86	0.85	0.84	0.91	1.00
BVPS	6.49	7.04	7.70	8.41	9.19
DPS	0.21	0.21	0.22	0.23	0.26
Key ratio (%)					
Net interest margin	2.31	2.00	1.79	1.79	1.80
Net interest spread	2.13	1.89	1.49	1.52	1.57
Cost to income ratio	34.77	30.66	32.06	30.65	29.61
Return on average assets	0.89	0.75	0.68	0.68	0.68
Return on average equity	14.26	11.95	10.72	10.68	10.79
Effective tax rate	24.09	23.48	24.00	24.00	24.00
Dividend payout	25.21	25.27	25.00	25.00	25.00

Source(s): Company, ABCI Securities estimates



CITICB

Consolidated balance sheet (2015A-2019E)

As of Dec 31 (RMB mn)	2015A	2016A	2017E	2018E	2019E
Cash & equivalent	511,189	553,328	580,994	610,044	640,546
Interbank assets	338,140	546,653	666,344	794,727	934,789
Investment securities	1,692,127	1,852,670	2,010,015	2,172,576	2,345,864
Net loans and advances	2,468,283	2,802,384	3,037,645	3,257,607	3,468,250
Total interest earning assets	5,009,739	5,755,035	6,294,998	6,834,954	7,389,450
Property and equipment	15,983	17,834	19,261	20,609	22,052
Trading assets	13,788	47,366	56,839	67,070	81,826
Other non-interest earning assets	82,782	110,815	122,150	133,428	144,418
Total assets	5,122,292	5,931,050	6,493,248	7,056,062	7,637,745
Customer deposits	3,182,775	3,639,290	3,949,399	4,301,631	4,672,791
Interbank liabilities	1,188,960	1,185,511	1,304,062	1,421,428	1,535,142
Subordinated debt	289,135	386,946	444,988	511,736	588,496
Total interest bearing liabilities	4,660,870	5,211,747	5,698,449	6,234,795	6,796,430
Trading liabilities	11,418	45,059	52,719	60,627	69,115
Current taxes	4,693	6,364	7,510	8,786	10,192
Other liabilities	125,625	283,384	317,149	298,850	270,029
Total liabilities	4,802,606	5,546,554	6,075,827	6,603,058	7,145,765
Share capital	48,935	83,890	83,890	83,890	83,890
Reserve	268,805	295,334	327,626	362,501	400,683
Minorities	1,946	5,272	5,905	6,613	7,407
Shareholder's equity	319,686	384,496	417,421	453,004	491,980
Growth (%)					
Cash & equivalent	(5.1)	8.2	5.0	5.0	5.0
Interbank assets	13.7	61.7	21.9	19.3	17.6
Investment securities	58.4	9.5	8.5	8.1	8.0
Net loans and advances	15.5	13.5	8.4	7.2	6.5
Total interest earning assets	24.0	14.9	9.4	8.6	8.1
Total assets	23.8	15.8	9.5	8.7	8.2
Customer deposits	11.7	14.3	8.5	8.9	8.6
Interbank liabilities	58.5	(0.3)	10.0	9.0	8.0
Subordinated debt	116.6	33.8	15.0	15.0	15.0
Total interest bearing liabilities	24.8	11.8	9.3	9.4	9.0
Total liabilities	24.1	15.5	9.5	8.7	8.2
Shareholder's equity	19.6	20.3	8.6	8.5	8.6
Key ratio (%)					
Loan to deposit	69.12	68.00	67.74	66.73	65.49
CT1 CAR	9.12	8.64	9.42	9.42	9.61
Total CAR	11.87	11.98	11.71	11.63	11.78
NPL ratio	1.43	1.69	1.68	1.73	1.78
NPL growth	26.70	34.76	7.80	10.50	9.59
Net bad debt charge ratio	1.49	1.69	1.47	1.63	1.71
Provision to total loans	2.39	2.62	2.55	2.61	2.65
Provision coverage ratio	167.81	155.50	151.79	150.87	148.88

Source(s): Company, ABCI Securities estimates



CEB

Consolidated income statement (2015A-2019E)

FY Ended Dec 31 (RMB mn)	2015A	2016A	2017E	2018E	2019E
Net interest income	66,459	65,288	61,389	70,910	82,081
Non-interest income	26,905	29,077	32,127	34,824	36,848
Of which: Fees and commissions	26,301	28,112	31,057	33,660	35,614
Operating income	93,364	94,365	93,516	105,734	118,929
Operating expenses	(32,354)	(30,254)	(31,978)	(33,664)	(35,230)
Pre-provision operating profit	61,010	64,111	61,538	72,070	83,699
Impairment loans losses	(21,652)	(23,931)	(21,387)	(28,378)	(35,170)
Profit before tax	39,358	40,180	40,151	43,692	48,530
Tax	(9,781)	(9,792)	(9,636)	(10,486)	(11,647)
Minority interests	(49)	(59)	(71)	(84)	(98)
Net profit attributable to equity holders	29,528	30,329	30,444	33,122	36,785
Preference share dividend	0	1,060	1,450	1,450	1,450
Net profit attributable to ordinary shareholders	29,528	29,269	28,994	31,672	35,335
Growth (%)					
Net interest income	14.1	(1.8)	(6.0)	15.5	15.8
Non-interest income	31.2	8.1	10.5	8.4	5.8
Of which: Fees and commissions	37.3	6.9	10.5	8.4	5.8
Operating income	18.5	1.1	(0.9)	13.1	12.5
Operating expenses	7.8	(6.5)	5.7	5.3	4.7
Pre-provision operating profit	25.1	5.1	(4.0)	17.1	16.1
Impairment loans losses	112.1	10.5	(10.6)	32.7	23.9
Profit before tax	2.1	2.1	(0.1)	8.8	11.1
Tax	1.6	0.1	(1.6)	8.8	11.1
Minority interests	8.9	20.4	20.0	18.0	17.0
Net profit attributable to equity holders	2.2	2.7	0.4	8.8	11.1
Preference share dividend	na	na	36.8	0.0	0.0
Net profit attributable to ordinary shareholders	2.2	(0.9)	(0.9)	9.2	11.6
Per share (RMB)					
EPS	0.63	0.63	0.62	0.68	0.76
BVPS	4.36	4.72	5.28	5.89	6.57
DPS	0.19	0.12	0.13	0.14	0.15
Key ratio (%)					
Net interest margin	2.25	1.78	1.53	1.54	1.56
Net interest spread	2.01	1.59	1.39	1.39	1.40
Cost to income ratio	34.65	32.06	34.20	31.84	29.62
Return on average assets	1.00	0.84	0.70	0.66	0.64
Return on average equity	14.67	12.80	11.55	11.39	11.46
Effective tax rate	24.85	24.37	24.00	24.00	24.00
Dividend payout	30.04	15.08	15.00	15.00	15.00

Source(s): Company, ABCI Securities estimates



CEB

Consolidated balance sheet (2015A-2019E)

As of Dec 31 (RMB mn)	2015A	2016A	2017E	2018E	2019E
Cash & equivalent	326,725	381,620	410,274	439,158	466,788
Interbank assets	371,717	425,935	469,496	518,669	571,696
Investment securities	905,496	1,323,093	1,583,505	1,835,983	2,092,870
Net loans and advances	1,475,424	1,751,644	2,083,229	2,439,171	2,842,117
Total interest earning assets	3,079,362	3,882,292	4,546,504	5,232,980	5,973,471
Property and equipment	12,646	14,228	15,651	17,059	18,424
Other non-interest earn assets	75,702	123,522	140,255	157,928	176,346
Total assets	3,167,710	4,020,042	4,702,410	5,407,968	6,168,241
Customer deposits	1,993,843	2,120,887	2,318,188	2,553,826	2,815,862
Interbank liabilities	660,244	967,050	1,237,824	1,510,145	1,812,174
Subordinated debt	210,061	412,500	474,375	545,531	627,361
Total interest bearing liabilities	2,864,148	3,500,437	4,030,387	4,609,502	5,255,397
Current taxes	6,392	4,501	5,176	5,953	6,845
Other liabilities	73,123	264,036	389,596	486,713	568,440
Total liabilities	2,943,663	3,768,974	4,425,160	5,102,168	5,830,683
Share capital	66,644	76,626	76,626	76,626	76,626
Reserves	156,849	173,829	199,950	228,432	260,116
Minorities	554	613	674	742	816
Shareholder's equity	224,047	251,068	277,250	305,800	337,558
Growth (%)					
Cash & equivalent	(7.8)	16.8	7.5	7.0	6.3
Interbank assets	(19.1)	14.6	10.2	10.5	10.2
Investment securities	53.6	46.1	19.7	15.9	14.0
Net loans and advances	16.0	18.7	18.9	17.1	16.5
Total interest earning assets	15.1	26.1	17.1	15.1	14.2
Total assets	15.7	26.9	17.0	15.0	14.1
Customer deposits	11.7	6.4	9.3	10.2	10.3
Interbank liabilities	30.2	46.5	28.0	22.0	20.0
Subordinated debt	134.2	96.4	15.0	15.0	15.0
Total interest bearing liabilities	20.2	22.2	15.1	14.4	14.0
Total liabilities	15.1	28.0	17.4	15.3	14.3
Shareholder's equity	24.8	12.1	10.4	10.3	10.4
Key ratio (%)					
Loan to deposit	75.91	84.65	92.12	97.97	103.59
CT1 CAR	9.24	8.21	8.91	8.68	8.53
Total CAR	10.96	9.68	10.20	9.90	9.70
NPL ratio	1.61	1.60	1.60	1.66	1.72
NPL growth	57.00	17.75	19.05	21.55	20.81
Net bad debt charge ratio	1.43	1.38	1.04	1.18	1.26
Provision to total loans	2.52	2.43	2.45	2.51	2.57
Provision coverage ratio	156.39	152.02	153.13	151.20	149.42

Source(s): Company, ABCI Securities estimates



HB

Consolidated income statement (2015A-2019E)

FY Ended Dec 31 (RMB mn)	2015A	2016A	2017E	2018E	2019E
Net interest income	14,841	18,340	18,908	19,915	23,136
Net fee and commission	1,771	2,491	2,989	3,587	4,233
Other operating income	365	87	94	102	110
Operating income	16,977	20,918	21,991	23,604	27,479
Operating expenses	(5,435)	(5,763)	(6,109)	(6,475)	(6,993)
Impairment losses	(3,657)	(6,487)	(6,197)	(6,833)	(8,995)
Share of associates	88	144	182	225	275
Profit before tax	7,973	8,813	9,867	10,521	11,765
Income tax expenses	(1,761)	(1,816)	(2,072)	(2,209)	(2,471)
Minority interests	(51)	(126)	(141)	(141)	(141)
Net profit attributable to equity holders	6,161	6,996	7,795	8,311	9,295
Preference share dividend	0	0	0	0	0
Net profit attributable to ordinary shareholders	6,161	6,996	7,795	8,311	9,295
Growth (%)					
Net interest income	29.9	23.6	3.1	5.3	16.2
Net fee and commission	106.9	40.6	20.0	20.0	18.0
Other operating income	(22.2)	(76.1)	8.0	8.0	8.0
Operating income	33.2	23.2	5.1	7.3	16.4
Operating expenses	28.9	6.0	6.0	6.0	8.0
Impairment losses	205.4	77.4	(4.5)	10.3	31.6
Share of associates	15.2	63.8	26.0	24.0	22.0
Profit before tax	7.6	10.5	12.0	6.6	11.8
Income tax expenses	1.5	3.1	14.1	6.6	11.8
Minority interests	1,319.1	144.7	12.0	12.0	12.0
Net profit attributable to equity holders	8.6	13.6	11.4	6.6	11.8
Preference share dividend	na	na	na	na	na
Net profit attributable to ordinary shareholders	8.6	13.6	11.4	6.6	11.8
Per share (RMB)					
EPS	0.56	0.62	0.68	0.72	0.81
BVPS	3.72	4.15	4.90	5.71	6.63
DPS	0.16	0.16	0.18	0.19	0.21
Key ratio (%)					
Net interest margin	2.71	2.59	2.45	2.27	2.24
Net interest spread	2.52	2.42	2.45	2.45	2.45
Cost to income ratio	32.02	27.55	27.78	27.43	25.45
Return on average assets	1.10	1.01	0.94	0.84	0.79
Return on average equity	15.89	14.65	13.59	12.57	12.26
Effective tax rate	22.09	20.61	21.00	21.00	21.00
Dividend payout	28.50	25.11	25.00	25.00	25.00

Source(s): Company, ABCI Securities estimates



HB

Consolidated balance sheet (2015A-2019E)

As of Dec 31 (RMB mn)	2015A	2016A	2017E	2018E	2019E
Cash and equivalent	78,414	88,059	96,865	106,552	117,207
Interbank asset	74,194	30,797	38,804	46,564	55,877
Net loans and advances	237,428	269,336	309,428	354,571	405,910
Investment securities	230,397	338,149	428,682	528,320	636,611
Total interest earning assets	620,433	726,341	873,778	1,036,007	1,215,605
Other assets	15,698	28,433	35,541	44,427	55,533
Total assets	636,131	754,774	909,320	1,080,433	1,271,138
Customer deposits	359,225	462,014	577,518	693,022	831,626
Interbank liabilities	142,649	98,578	122,237	146,684	168,687
Subordinated debt	79,426	91,505	105,231	121,016	139,168
Total interest bearing liabilities	581,299	652,098	804,986	960,721	1,139,481
Other liabilities	12,486	49,493	42,792	49,032	50,654
Total liabilities	593,785	701,591	847,778	1,009,753	1,190,135
Share capital	11,050	11,050	11,050	11,050	11,050
Retained earnings	13,121	15,457	20,971	26,873	33,512
Reserves	16,988	19,375	22,087	25,180	28,705
Minority interests	1,186	1,312	1,443	1,587	1,746
Total equity	42,345	53,183	61,541	70,680	81,003
Growth (%)					
Cash and equivalent	2.6	12.3	10.0	10.0	10.0
Interbank asset	0.6	(58.5)	26.0	20.0	20.0
Net loans and advances	10.6	13.4	14.9	14.6	14.5
Investment securities	105.1	46.8	26.8	23.2	20.5
Total interest earning assets	30.0	17.1	20.3	18.6	17.3
Total assets	31.8	18.7	20.5	18.8	17.7
Customer deposits	13.0	28.6	25.0	20.0	20.0
Interbank liabilities	44.5	(30.9)	24.0	20.0	15.0
Subordinated debt	323.6	15.2	15.0	15.0	15.0
Total interest bearing liabilities	33.5	12.2	23.4	19.3	18.6
Total liabilities	33.1	18.2	20.8	19.1	17.9
Total equity	15.8	25.6	15.7	14.8	14.6
Key ratio (%)					
Loan to deposit	67.77	60.04	55.15	52.64	50.19
CT1 CAR	9.80	9.42	9.21	9.04	8.92
Total CAR	13.24	12.80	12.44	12.16	11.96
NPL ratio	0.98	1.07	1.00	1.05	1.10
NPL growth	31.01	24.40	7.32	20.26	19.87
Net bad debt charge ratio	0.58	1.58	2.49	2.08	2.00
Provision to total loans	2.47	2.90	2.85	2.80	2.75
Provision coverage ratio	250.49	270.73	285.00	266.67	250.00

Source(s): Company, ABCI Securities estimates



HRB

Consolidated income statement (2015A-2019E)

FY Ended Dec 31 (RMB mn)	2015A	2016A	2017E	2018E	2019E
Net interest income	9,633	11,573	12,383	13,636	15,550
Net fee and commission	1,959	2,393	2,800	3,304	3,965
Other operating income	353	205	246	296	355
Operating income	11,945	14,172	15,429	17,236	19,870
Operating expenses	(4,737)	(4,522)	(4,794)	(5,129)	(5,539)
Impairment losses	(1,338)	(3,295)	(3,673)	(4,318)	(5,481)
Investment in associates	49	91	104	120	138
Profit before tax	5,919	6,446	7,067	7,909	8,987
Income tax expenses	(1,409)	(1,483)	(1,625)	(1,819)	(2,067)
Minority interests	(52)	(86)	(20)	(20)	(20)
Net profit attributable to equity holders	4,458	4,877	5,421	6,070	6,900
Preference share dividend	0	0	0	0	0
Net profit attributable to ordinary shareholders	4,458	4,877	5,421	6,070	6,900
Growth (%)					
Net interest income	14.7	20.1	7.0	10.1	14.0
Net fee and commission	22.4	22.1	17.0	18.0	20.0
Other operating income	38.5	(41.8)	20.0	20.0	20.0
Operating income	16.5	18.6	8.9	11.7	15.3
Operating expenses	6.8	(4.5)	6.0	7.0	8.0
Impairment losses	88.7	146.2	11.5	17.6	26.9
Investment in associates	185.5	84.9	15.0	15.0	15.0
Profit before tax	15.4	8.9	9.6	11.9	13.6
Income tax expenses	9.5	5.2	9.6	11.9	13.6
Minority interests	51.9	64.7	(76.6)	0.0	0.0
Net profit attributable to equity holders	17.1	9.4	11.2	12.0	13.7
Preference share dividend	na	na	na	na	na
Net profit attributable to ordinary shareholders	17.1	9.4	11.2	12.0	13.7
Per share (RMB)					
EPS	0.41	0.44	0.49	0.55	0.63
BVPS	3.08	3.40	3.86	4.41	5.04
DPS	0.11	0.00	0.12	0.14	0.16
Key ratio (%)					
Net interest margin	2.68	2.65	2.30	2.17	2.13
Net interest spread	2.47	2.47	2.13	2.08	2.06
Cost to income ratio	31.75	28.60	31.07	29.76	27.88
Return on average assets	1.14	1.01	0.93	0.89	0.87
Return on average equity	14.23	14.01	13.60	13.35	13.28
Effective tax rate	23.81	23.01	23.00	23.00	23.00
Dividend payout	26.39	-	25.00	25.00	25.00

Source(s): Company, ABCI Securities estimates



HRB

Consolidated balance sheet (2015A-2019E)

As of Dec 31 (RMB mn)	2015A	2016A	2017E	2018E	2019E
Cash and equivalent	54,566	67,010	72,371	78,161	84,414
Interbank asset	81,063	48,539	60,673	72,808	87,370
Net loans and advances	145,062	196,488	224,056	255,486	290,525
Investment securities	138,981	192,157	233,801	280,127	332,973
Total interest earning assets	419,671	504,195	590,902	686,582	795,281
Other assets	25,180	34,822	41,786	50,143	60,172
Total assets	444,851	539,016	632,688	736,725	855,453
Customer deposits	306,818	343,151	384,329	430,449	482,102
Interbank liabilities	73,076	107,097	144,581	187,955	238,703
Subordinated debt	23,270	41,883	50,260	59,307	69,389
Total interest bearing liabilities	403,164	492,131	579,170	677,710	790,194
Other liabilities	7,840	9,550	11,129	10,493	9,836
Total liabilities	411,003	501,681	590,299	688,203	800,030
Share capital	10,996	10,996	10,996	10,996	10,996
Retained earnings	8,183	10,014	14,080	18,633	23,808
Reserves	13,921	15,498	16,893	18,413	20,070
Minority interests	748	827	420	480	549
Total equity	33,848	37,335	42,388	48,522	55,422
Growth (%)					
Cash and equivalent	1.3	22.8	8.0	8.0	8.0
Interbank asset	23.8	(40.1)	25.0	20.0	20.0
Net loans and advances	19.9	35.5	14.0	14.0	13.7
Investment securities	60.4	38.3	21.7	19.8	18.9
Total interest earning assets	28.3	20.1	17.2	16.2	15.8
Total assets	29.5	21.2	17.4	16.4	16.1
Customer deposits	31.2	11.8	12.0	12.0	12.0
Interbank liabilities	5.7	46.6	35.0	30.0	27.0
Subordinated debt	417.3	80.0	20.0	18.0	17.0
Total interest bearing liabilities	31.1	22.1	17.7	17.0	16.6
Total liabilities	31.1	22.1	17.7	16.6	16.2
Total equity	12.2	10.3	13.5	14.5	14.2
Key ratio (%)					
Loan to deposit	48.46	58.76	59.98	61.09	62.06
CT1 CAR	11.14	10.55	10.29	10.10	9.92
Total CAR	11.64	11.03	10.74	10.53	10.33
NPL ratio	1.40	1.53	1.70	1.77	1.83
NPL growth	48.63	48.21	27.03	18.78	17.63
Net bad debt charge ratio	0.98	1.88	1.70	1.75	1.95
Provision to total loans	2.43	2.55	2.80	2.85	2.90
Provision coverage ratio	173.59	166.61	164.71	161.02	158.47

Source(s): Company, ABCI Securities estimates



BoCQ

Consolidated income statement (2015A-2019E)

FY Ended Dec 31 (RMB mn)	2015A	2016A	2017E	2018E	2019E
Net interest income	7,002	7,677	8,384	9,227	10,111
Net fee and commission	1,512	1,926	2,119	2,436	2,851
Other operating income	78	(0)	(0)	(1)	(1)
Operating income	8,593	9,603	10,502	11,663	12,961
Operating expenses	(3,190)	(2,537)	(2,791)	(3,042)	(3,286)
Impairment losses	(1,135)	(2,411)	(2,584)	(3,109)	(3,462)
Investment in associates	3	4	5	6	8
Profit before tax	4,270	4,659	5,133	5,517	6,221
Income tax expenses	(1,100)	(1,156)	(1,283)	(1,379)	(1,555)
Net profit attributable to equity holders	3,170	3,502	3,849	4,138	4,666
Preference share dividend	0	0	0	0	0
Net profit attributable to ordinary shareholders	3,170	3,502	3,849	4,138	4,666
Growth (%)					
Net interest income	12.4	9.6	9.2	10.0	9.6
Net fee and commission	66.4	27.4	10.0	15.0	17.0
Other operating income	(77.1)	(100.5)	15.0	15.0	15.0
Operating income	14.8	11.8	9.4	11.0	11.1
Operating expenses	13.7	(20.5)	10.0	9.0	8.0
Impairment losses	27.6	112.4	7.2	20.3	11.3
Investment in associates	38.0	39.2	25.0	25.0	25.0
Profit before tax	12.7	9.1	10.2	7.5	12.8
Income tax expenses	14.2	5.1	11.0	7.5	12.8
Net profit attributable to equity holders	12.1	10.5	9.9	7.5	12.8
Preference share dividend	na	na	na	na	na
Net profit attributable to ordinary shareholders	12.1	10.5	9.9	7.5	12.8
Per share (RMB)					
EPS	1.17	1.12	1.23	1.32	1.49
BVPS	6.81	7.61	8.73	9.90	11.12
DPS	0.26	0.29	0.32	0.34	0.39
Key ratio (%)					
Net interest margin	2.52	2.38	2.17	2.07	1.98
Net interest spread	2.29	2.23	2.07	2.06	2.06
Cost to income ratio	30.69	26.42	26.58	26.09	25.35
Return on average assets	1.07	1.01	0.95	0.88	0.86
Return on average equity	17.00	15.53	15.06	14.21	14.20
Effective tax rate	25.76	24.82	25.00	25.00	25.00
Dividend payout	26.04	25.98	26.00	26.00	26.00

Source(s): Company, ABCI Securities estimates



BoCQ

Consolidated balance sheet (2015A-2019E)

As of Dec 31 (RMB mn)	2015A	2016A	2017E	2018E	2019E
Cash & equivalent	38,201	42,813	47,095	51,804	58,021
Interbank assets	45,857	55,706	69,633	83,560	100,271
Net loans and advances	121,816	146,789	177,168	212,476	251,052
Investment securities	108,108	120,313	133,219	146,958	160,941
Total interest earning assets	313,983	365,622	427,115	494,798	570,286
Other assets	5,825	7,482	9,128	11,136	13,586
Total assets	319,808	373,104	436,243	505,934	583,872
Customer deposits	199,299	229,594	264,033	306,278	352,220
Interbank liabilities	73,236	60,351	75,438	90,526	107,726
Subordinated debt	18,491	54,598	62,788	72,206	83,037
Total interest bearing liabilities	291,025	344,543	402,259	469,010	542,983
Other liabilities	7,490	4,749	6,674	5,978	6,129
Total liabilities	298,515	349,292	408,933	474,989	549,112
Share capital	3,127	3,127	3,127	3,127	3,127
Retained earnings	8,148	9,859	12,707	15,769	19,222
Reserves	10,018	10,826	11,476	12,050	12,411
Total equity	21,293	23,812	27,310	30,946	34,760
Growth (%)					
Cash & equivalent	7.0	12.1	10.0	10.0	12.0
Interbank assets	(15.7)	21.5	25.0	20.0	20.0
Net loans and advances	17.0	20.5	20.7	19.9	18.2
Investment securities	42.7	11.3	10.7	10.3	9.5
Total interest earning assets	16.3	16.4	16.8	15.8	15.3
Total assets	16.5	16.7	16.9	16.0	15.4
Customer deposits	18.7	15.2	15.0	16.0	15.0
Interbank liabilities	(10.3)	(17.6)	25.0	20.0	19.0
Subordinated debt	388.5	195.3	15.0	15.0	15.0
Total interest bearing liabilities	14.9	18.4	16.8	16.6	15.8
Total liabilities	15.4	17.0	17.1	16.2	15.6
Total equity	33.9	11.8	14.7	13.3	12.3
Key ratio (%)					
Loan to deposit	62.60	65.78	69.07	71.45	73.44
CT1 CAR	10.49	9.82	9.39	9.19	8.96
Total CAR	11.63	11.79	18.73	18.49	18.28
NPL ratio	0.97	0.96	1.60	1.68	1.77
NPL growth	64.77	19.79	101.26	25.99	24.55
Net bad debt charge ratio	0.98	1.75	1.55	1.55	1.45
Provision to total loans	2.37	2.80	2.85	2.90	2.95
Provision coverage ratio	243.98	291.87	178.13	172.62	166.67

Source(s): Company, ABCI Securities estimates



Disclosures

Analyst Certification

I, Au Yu Hang Johannes, being the person 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.

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Definition of equity rating

Rating	Definition
Buy	Stock return \geq Market return rate
Hold	Market return $- 6\% \leq$ Stock return $<$ Market return rate
Sell	Stock return $<$ Market return $- 6\%$

Stock return is defined as the expected % change of share price plus gross dividend yield over the next 12 months

Market return: 5-year average market return rate

Time horizon of share price target: 12-month

Definition of share price risk

Rating	Definition
Very high	$2.6 \leq$ 180 day volatility/180 day benchmark index volatility
High	$1.5 \leq$ 180 day volatility/180 day benchmark index volatility $<$ 2.6
Medium	$1.0 \leq$ 180 day volatility/180 day benchmark index volatility $<$ 1.5
Low	180 day volatility/180 day benchmark index volatility $<$ 1.0

We measure share price risk by its volatility relative to volatility of benchmark index. Benchmark index: Hang Seng Index.

Volatility is calculated from the standard deviation of day to day logarithmic historic price change. The 180-day price volatility equals the annualized standard deviation of the relative price change for the 180 most recent trading days closing price.

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