

## Key Data

H-share price (HK\$)	5.42
52Wk H/L(HK\$)	6.59 / 4.44
Issued shares (mn)	250,011
- H shares (mn)	240,417
- A shares (mn)	9,594
Market cap (HK\$mn)	
- H shares (HK\$mn)	1,303,062
- A shares (Rmb mn)	38,950
3 months avg vol (HK\$mn)	1,448
Major shareholder (%):	
Huijin	59.31

Source: Company, Bloomberg, ABCI Securities

## Operating income composition in FY11 (%)

Corporate banking	49.9
Personal banking	28.8
Treasury business	19.7
Others	1.6

Source: Company

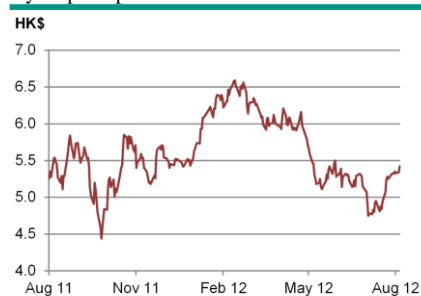
## Share performance (%)

	Absolute	Relative*
1-mth	13.4	6.7
3-mth	2.1	(3.1)
6-mth	(14.1)	(11.5)

Source: Bloomberg

\*Relative to Hang Seng Index

## 1 year price performance



Source: Bloomberg

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## CCB (939 HK) – Unrated Diversified Banks Industry

### 1H12 consensus preview

**Industrial Bank and Huaxia kicked off 1H12 Chinese bank results season. Market generally expects smaller banks to report higher net profit growth than big banks. Asset quality will be the major focus towards upcoming results. Despite no signal of loan quality deterioration from IB and HXB, we believe big banks such as CCB with prudent growth strategy will be more defensive.**

**Results season kicked off.** Industrial Bank (IB, 601166 CH) and Huaxia Bank (HXB, 600015 CH) kicked off the 1H12 results season of Chinese banks; both banks reported YoY net profit growth around 40% for 1H12. Loans and deposits growth were similar to system growth from Jan to Jun at 9% and 10% respectively. IB's Net interest margin (NIM) up 5bps HoH to 3.09%, or 38bps YoY, while HXB despite a 9 bps reduced HoH to 3.09%, or up 20bps YoY.

**H-shares banks 1H12 preview.** Bloomberg consensus forecasts an average net profit growth of 18.6% YoY. Market generally expects smaller banks to report stronger growth than big banks, of which MSB (1988 HK) ranked highest with 33% YoY growth, followed by CMB (3968 HK) of 25% YoY. On the other hand, big banks are expected to grow by 8-26% YoY according to Bloomberg estimates.

**Asset quality concerns.** Asset quality of IB and HXB remained resilient in 1H12, hinting similar trend for other H share banks. IB's non-performing loans (NPL) ratio slightly up 2bps HoH to 0.4% while HXB still see down trend dropped 7bps to 0.85% HoH. In the case if China economic rebound delays, smaller banks should hit harder on asset quality deteriorate with their higher exposure to small and micro enterprises. We think big banks such as CCB, operates with a more conservative growth strategy should see differentiate.

**Risk factors.** Prolonged slowdown of China economy and sharp deterioration of asset quality.

## Forecast and Valuation

FY ended Dec 31	FY07A	FY08A	FY09A	FY10A	FY11A
Operating income (Rmb mn)	220,717	269,747	269,314	325,780	399,403
YoY chg (%)	36.3	22.2	(0.2)	21.0	22.6
Net profit (Rmb)	69,053	92,599	106,756	134,844	169,258
YoY chg (%)	21.9	34.1	15.3	26.3	25.5
EPS (Rmb)	0.31	0.40	0.46	0.54	0.68
BVPS (Rmb)	1.80	1.99	2.38	2.79	3.24
P/E (x)	--	--	--	--	6.6
P/B (x)	--	--	--	--	1.4
ROAE (%)	18.4	20.9	20.9	21.5	22.4

Source: Company, Bloomberg, ABCI Securities estimates



**Exhibit 1: H- shares banks consensus net profit forecasts**

(Rmb mn)		1H11A	1Q12A	2Q12E	QoQ (%)	1H12A	YoY (%)
ICBC	1398 HK	109,481	61,335	62,162	1.3	123,497	12.8
CCB	939 HK	92,825	51,512	50,835	(1.3)	102,347	10.3
ABC	1288 HK	66,667	43,454	40,714	(6.3)	84,168	26.3
BOC	3988 HK	66,153	36,763	34,473	(6.2)	71,236	7.7
BoComm	3328 HK	26,396	15,880	14,974	(5.7)	30,854	16.9
CMB	3968 HK	18,600	11,642	11,521	(1.0)	23,163	24.5
CNCB	998 HK	15,024	8,563	9,099	6.3	17,662	17.6
MSB	1988 HK	13,918	9,172	9,379	2.3	18,551	33.3
CRCB	3618 HK	2,238	1,401	1,250	(10.8)	2,651	18.5
<b>Average</b>					<b>(2.4)</b>		<b>18.6</b>

Source: Companies, Bloomberg, ABCI Securities estimates

**Exhibit 2: H- shares banks NPL% trend**

(%)		2011A	1Q12A	QoQ (%)
ICBC	1398 HK	0.94	0.89	(0.05)
CCB	939 HK	1.09	1.04	(0.05)
ABC	1288 HK	1.55	1.44	(0.11)
BOC	3988 HK	1.00	0.97	(0.03)
BoComm	3328 HK	0.86	0.81	(0.05)
CMB	3968 HK	0.56	0.56	0.00
CNCB	998 HK	0.60	0.56	(0.04)
MSB	1988 HK	0.63	0.67	0.04
CRCB	3618 HK	1.44	1.28	(0.16)
<b>Average</b>		<b>0.96</b>	<b>0.91</b>	<b>(0.05)</b>

Source: Companies, ABCI Securities estimates



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