# August 31, 2015 **Equity Focus** Rating: BUY TP: HK\$ 4.69

H-Share price (HK\$) 36.34% Est. share price return Est. 15E dividend yield 5.95% Est. total return 42.29%

Previous Rating &TP Previous Report Date BUY; HK\$ 4.69 July 16, 2015

3.44

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#### Koy Data

NCy Data	
52Wk H/L(HK\$)	4.30/2.65
Issued shares (mn)	11,050
H-Shares (mn)	3,163
Domestic (mn)	7,887
Market cap	
H-shares (HK\$ mn)	10,879
Domestic (HK\$ mn)	27,132
3-mth avg daily turnover (HK\$ mn)	10.25
Major shareholder(s) (%):	
China Vanke	8.0

Source(s): Company, Bloomberg, ABCI Securities

## 1H15 PBT breakdown (%)

Corporate banking	58.97
Retail banking	2.05
Treasury operations	36.68
Others	2.30
Source(s): Company, ABCI Securities	

Share performance (%)

	<u>Absolute</u>	Relative*
1-mth	(6.8)	5.1
3-mth	(12.1)	10.3
6-mth	4.7	19.0

\*Relative to HSI

Source(s): Bloomberg, ABCI Securities

## 1-Year stock performance (HK\$)



Source(s): Bloomberg

# Huishang Bank (3698 HK) Sustainable topline growth; reiterate BUY

- HB's 1H15 net profit grew by 8.03% yoy; NII rose substantially by 24.98% yoy despite NIM pressure amid rate cut cycle
- Net fee income surged by 92.7% yoy, while non-interest income to total operating income increased by 2.42 ppt yoy to 13.07%, which is higher than our expectation
- Overall NPL ratio increased by 14bps hoh to 0.97%. In particular, NPL ratio of transportation sector rose sharply (+11.04ppt hoh). Hence, we are cautious on HB's asset quality outlook
- HB proven its sustainable topline growth in 1H15. The counter is trading at 0.63x 16E P/B; reiterate BUY

Impressive NII growth under rate cut cycle. Huishang Bank (HB) reported its 1H15 net profit at RMB 3,067mn, up 8.03% yoy and accounted for 50.9% of our full-year forecast. Thanks to the loan growth of 10.3% hoh and an expanded NIM (+5bps yoy), HB's NII increased by 24.98% yoy amid the rate cut cycle. In particular, the 15bps yoy decline in 1H15 average loan yield was offset by the average deposit cost that fell by 15bps yoy.

Growing contribution from fee income. Net fee income surged by 92.74% yoy, of which custodian & fiduciary service fees (+196.5% yoy), consultancy & advisory fees (+20.5% yoy), and bank card fees (+42.7%) became the key drivers. Contribution of non-interest income to total operating income therefore increased by 2.42ppt from 10.65% in 1H14 to 13.07% in 1H15, exceeding our assumption of 11.3% for 15E and 13% by 17E. We will revise our fee income assumption for HB based on the belief that its fee income will grow in coming years.

NPL in transportation sector raises concern. As HB's loan provision grew by 92.7% yoy, provisioning ratio edged up to 2.27% by June 2015 from 2.13% in Dec 2014. HB's overall NPL ratio increased by 14bps hoh to 0.97%. NPL ratio in commerce & services and manufacturing went down by 70bps and 6bps hoh to 1.01% and 1.07%; NPL ratio of transportation sector, however, rose sharply to 15.48% in June 2015 from 4.44% in Dec 2014. Given the smaller operational scale of district bank, even a small number of default cases could trigger a significant decline in earnings. Hence, we remain cautious on the bank's asset quality outlook.

BUY on strong topline growth. HB's sustainable topline growth (+28.45% yoy) in 1H15, continuous business restructuring, and increasing fee income contribution have prompted us to reiterate our **BUY** rating. The counter is trading at 0.63x 16E P/B.

Risk factors: 1) Asset quality deterioration in the region; 2) Pricing competition from big banks in domestic area; 3) Failure to optimize business mix in retail banking.

## **Results and Valuation**

FY ended Dec 31	2013A	2014A	2015E	2016E	2017E
Revenue (RMB mn)	10,173	12,748	14,978	17,341	19,809
Chg (%, YoY)	10.2	25.3	17.5	15.8	14.2
Net profit (RMB mn)	4,926	5,677	6,029	6,476	6,795
Chg (%, YoY)	14.4	15.2	6.2	7.4	4.9
EPS (RMB)	0.59	0.51	0.55	0.59	0.61
Chg (%, YoY)	11.1	-12.2	6.2	7.4	4.9
BVPS (RMB)	2.87	3.31	3.82	4.38	4.97
Chg (%, YoY)	14.4	15.4	15.6	14.6	13.4
P/E (x)	4.70	5.36	5.04	4.70	4.48
P/B (x)	0.96	0.83	0.72	0.63	0.55
ROAE (%)	18.89	16.64	15.30	14.29	13.16
ROAA (%)	1.39	1.31	1.16	1.07	0.97
DPS(RMB)	0.20	0.16	0.16	0.18	0.18
Yield (%)	7.16	5.67	5.95	6.39	6.70

Source(s): Bloomberg, ABCI Securities estimates

Consolidated income statement (2013A-2017E)

Process   Proc	Consolidated income statement (2013A-2017E)					
Net fee and commission   540   856   1,113   1,402   1,711   1,401   1,402   1,711   1,402   1,711   1,402   1,711   1,402   1,711   1,402   1,711   1,402   1,711   1,402   1,711   1,402   1,711   1,402   1,711   1,402   1,711   1,402   1,711   1,402   1,711   1,402   1,711   1,402   1,711   1,402   1,407   1,402   1,4978	FY Ended Dec 31 (RMB mn)	2013A	2014A	2015E	2016E	2017E
Obter operating income     31     469     586     715     858       Operating income     10,173     12,748     14,978     17,341     19,809       Operating expenses     (3,386)     (4,216)     (5,271)     (6,430)     (7,716)       Impairment losses     (435)     (1,197)     (1,862)     (2,491)     (3,268)       Share of associates     48     76     88     101     116       Profit before tax     6,399     7,411     7,933     8,520     8,941       Income tax expenses     (1,473)     (1,734)     (1,904)     (2,045)     (2,146)       Net profit     4,926     5,677     6,029     6,476     6,795       Growth (%)     2 <td></td> <td>,</td> <td>,</td> <td>,</td> <td>,</td> <td>,</td>		,	,	,	,	,
Operating income     10,173     12,748     14,978     17,341     19,809       Operating expenses     (3,386)     (4,216)     (5,271)     (6,430)     (7,716)       Impairment losses     (435)     (1,197)     (1,862)     (2,491)     (3,268)       Share of associates     48     76     88     101     116       Profit before tax     6,399     7,411     7,933     8,520     8,941       Income tax expenses     (1,473)     (1,734)     (1,904)     (2,045)     (2,146)       Net profit     4,926     5,677     6,029     6,476     6,795       Crowth (%)       Net interest income     12.1     19.0     16.2     14.6     1.2       Net fee and commission     36.3     58.7     30.0     26.0     22.0       Other operating income     18.1     24.5     25.0     22.0     20.0       Oberating expenses     8.1     24.5     25.0     22.0     20.0       Operating income     19.2     25.3     17.5 <td>Net fee and commission</td> <td></td> <td></td> <td></td> <td></td> <td>1,711</td>	Net fee and commission					1,711
Operating expenses     (3,386)     (4,216)     (5,271)     (6,430)     (7,716)       Impairment losses     (435)     (1,197)     (1,862)     (2,491)     (3,268)       Share of associates     48     76     88     101     116       Profit before tax     6,399     7,411     7,933     8,520     8,941       Income tax expenses     (1,473)     (1,734)     (1,904)     (2,045)     (2,146)       Net profit     4,926     5,677     6,029     6,476     6,795       Growth (%)       Net interest income     12.1     19.0     16.2     14.6     13.2       Net interest income     12.1     19.0     16.2     14.6     13.2       Net interest income     12.1     19.0     16.2     14.6     13.2       Net interest income     10.2     25.3     17.5     15.8     14.2       Operating income     10.2     25.3     17.5     15.8     14.2       Operating expenses     8.1     24.5<	Other operating income		469	586		858
Impairment losses   (435)	Operating income	10,173	12,748	14,978	17,341	19,809
Share of associates     48     76     88     101     116       Profit before tax     6,399     7,411     7,933     8,520     8,941       Income tax expenses     (1,473)     (1,734)     (1,904)     (2,045)     (2,146)       Net profit     4,926     5,677     6,029     6,476     6,795       Growth (%)     Temporation of the profit     19.0     16.2     14.6     13.2       Net fee and commission     36.3     58.7     30.0     26.0     22.0       Oberating income     (88.6)     1,415.7     25.0     22.0     20.0       Operating income     10.2     25.3     17.5     15.8     14.2       Operating expenses     8.1     24.5     25.0     22.0     20.0       Operating expenses     8.1     24.5     25.0     22.0     20.0       Impairment losses     (4.9)     175.0     55.6     33.8     31.2       Share of associates     37.0     59.0     15.0     15.0     15.0	Operating expenses	(3,386)	(4,216)	(5,271)	(6,430)	(7,716)
Profit before tax     6,399     7,411     7,933     8,520     8,941       Income tax expenses     (1,473)     (1,734)     (1,904)     (2,045)     (2,146)       Net profit     4,926     5,677     6,029     6,476     6,795       Growth (%)     Conder (%)     1,21     1.9.0     1.6.2     1.4.6     1.3.2     Conder (%)     Conder (%)     2.0	Impairment losses	(435)	(1,197)	(1,862)	(2,491)	(3,268)
Income tax expenses   (1,473)   (1,734)   (1,904)   (2,045)   (2,146)   (2	Share of associates	48	76	88	101	116
Net profit     4,926     5,677     6,029     6,476     6,795       Growth (%)     User of the profit of the pro	Profit before tax	6,399	7,411		8,520	8,941
Growth (%)     Ret interest income     12.1     19.0     16.2     14.6     13.2       Net interest income     36.3     58.7     30.0     26.0     22.0       Other operating income     (88.6)     1,415.7     25.0     22.0     20.0       Operating expenses     8.1     24.5     25.0     22.0     20.0       Impairment losses     (4.9)     175.0     55.6     33.8     31.2       Share of associates     37.0     59.0     15.0     15.0     15.0       Profit before tax     12.7     15.8     7.0     7.4     4.9       Income tax expenses     7.2     17.7     9.8     7.4     4.9       Net profit     14.4     15.2     6.2     7.4     4.9       Per share (RMB)     EPS     0.59     0.51     0.55     0.59     0.61       BVPS     2.87     3.31     3.82     4.38     4.97       DPS     0.20     0.16     0.16     0.18     0.18       Key ratio (%)	Income tax expenses	(1,473)	(1,734)	(1,904)	(2,045)	(2,146)
Net interest income     12.1     19.0     16.2     14.6     13.2       Net fee and commission     36.3     58.7     30.0     26.0     22.0       Other operating income     (88.6)     1,415.7     25.0     22.0     20.0       Operating income     10.2     25.3     17.5     15.8     14.2       Operating expenses     8.1     24.5     25.0     22.0     20.0       Impairment losses     (4.9)     175.0     55.6     33.8     31.2       Share of associates     37.0     50.0     15.0     15.0     15.0       Profit before tax     12.7     15.8     7.0     7.4     4.9       Income tax expenses     7.2     17.7     9.8     7.4     4.9       Net profit     14.4     15.2     6.2     7.4     4.9       Per share (RMB)     2     2.87     3.31     3.82     4.38     4.97       DPS     0.59     0.51     0.55     0.59     0.61       Key ratio (%)     2     <	Net profit	4,926	5,677	6,029	6,476	6,795
Net fee and commission     36.3     58.7     30.0     26.0     22.0       Other operating income     (88.6)     1,415.7     25.0     22.0     20.0       Operating income     10.2     25.3     17.5     15.8     14.2       Operating expenses     8.1     24.5     25.0     22.0     20.0       Impairment losses     (4.9)     175.0     55.6     33.8     31.2       Share of associates     37.0     59.0     15.0     15.0     15.0       Profit before tax     12.7     15.8     7.0     7.4     4.9       Income tax expenses     7.2     17.7     9.8     7.4     4.9       Net profit     14.4     15.2     6.2     7.4     4.9       Per share (RMB)     2.87     3.31     3.82     4.38     4.97       DPS     0.59     0.51     0.55     0.59     0.61       BVPS     2.87     3.31     3.82     4.38     4.97       DPS     2.60     0.20     0.16	Growth (%)					
Other operating income     (88.6)     1,415.7     25.0     22.0     20.0       Operating income     10.2     25.3     17.5     15.8     14.2       Operating expenses     8.1     24.5     25.0     22.0     20.0       Impairment losses     (4.9)     175.0     55.6     33.8     31.2       Share of associates     37.0     59.0     15.0     15.0     15.0       Profit before tax     12.7     15.8     7.0     7.4     4.9       Income tax expenses     7.2     17.7     9.8     7.4     4.9       Net profit     14.4     15.2     6.2     7.4     4.9       Per share (RMB)     Per     1.0	Net interest income	12.1	19.0	16.2	14.6	13.2
Operating income     10.2     25.3     17.5     15.8     14.2       Operating expenses     8.1     24.5     25.0     22.0     20.0       Impairment losses     (4.9)     175.0     55.6     33.8     31.2       Share of associates     37.0     59.0     15.0     15.0     15.0       Profit before tax     12.7     15.8     7.0     7.4     4.9       Income tax expenses     7.2     17.7     9.8     7.4     4.9       Net profit     14.4     15.2     6.2     7.4     4.9       Per share (RMB)     EPS     0.59     0.51     0.55     0.59     0.61       BVPS     2.87     3.31     3.82     4.38     4.97       DPS     0.20     0.16     0.16     0.18     0.18       Key ratio (%)       Net interest margin     2.63     2.74     2.64     2.56     2.55       Net interest spread     2.44     2.47     2.13     2.05     2.01       Cost to i	Net fee and commission	36.3	58.7	30.0	26.0	22.0
Operating expenses   8.1   24.5   25.0   22.0   20.0     Impairment losses   (4.9)   175.0   55.6   33.8   31.2     Share of associates   37.0   59.0   15.0   15.0   15.0     Profit before tax   12.7   15.8   7.0   7.4   4.9     Income tax expenses   7.2   17.7   9.8   7.4   4.9     Net profit   14.4   15.2   6.2   7.4   4.9     Per share (RMB)   EPS   0.59   0.51   0.55   0.59   0.61     BVPS   2.87   3.31   3.82   4.38   4.97     DPS   0.20   0.16   0.16   0.18   0.18     Key ratio (%)     Net interest margin   2.63   2.74   2.64   2.56   2.55     Net interest spread   2.44   2.47   2.13   2.05   2.01     Cost to income ratio   33.29   33.08   35.19   37.08   38.95     Return on average assets   1.39   1.31   1.16   1.07   0.97 <td>Other operating income</td> <td>(88.6)</td> <td>1,415.7</td> <td>25.0</td> <td>22.0</td> <td>20.0</td>	Other operating income	(88.6)	1,415.7	25.0	22.0	20.0
Impairment losses   (4.9)   175.0   55.6   33.8   31.2     Share of associates   37.0   59.0   15.0   15.0   15.0     Profit before tax   12.7   15.8   7.0   7.4   4.9     Income tax expenses   7.2   17.7   9.8   7.4   4.9     Net profit   14.4   15.2   6.2   7.4   4.9     Per share (RMB)     EPS   0.59   0.51   0.55   0.59   0.61     BVPS   2.87   3.31   3.82   4.38   4.97     DPS   0.20   0.16   0.16   0.18   0.18     Key ratio (%)   Net interest margin   2.63   2.74   2.64   2.56   2.55     Net interest spread   2.44   2.47   2.13   2.05   2.01     Cost to income ratio   33.29   33.08   35.19   37.08   38.95     Return on average assets   1.39   1.31   1.16   1.07   0.97     Return on average equity   18.89   16.64   15.30   14.29   <	Operating income	10.2	25.3	17.5	15.8	14.2
Share of associates     37.0     59.0     15.0     15.0     15.0       Profit before tax     12.7     15.8     7.0     7.4     4.9       Income tax expenses     7.2     17.7     9.8     7.4     4.9       Net profit     14.4     15.2     6.2     7.4     4.9       Per share (RMB)     EPS     0.59     0.51     0.55     0.59     0.61       BVPS     2.87     3.31     3.82     4.38     4.97       DPS     0.20     0.16     0.16     0.18     0.18       Key ratio (%)     Net interest margin     2.63     2.74     2.64     2.56     2.55       Net interest spread     2.44     2.47     2.13     2.05     2.01       Cost to income ratio     33.29     33.08     35.19     37.08     38.95       Return on average assets     1.39     1.31     1.16     1.07     0.97       Return on average equity     18.89     16.64     15.30     14.29     13.16	Operating expenses	8.1	24.5	25.0	22.0	20.0
Profit before tax     12.7     15.8     7.0     7.4     4.9       Income tax expenses     7.2     17.7     9.8     7.4     4.9       Net profit     14.4     15.2     6.2     7.4     4.9       Per share (RMB)     EPS     0.59     0.51     0.55     0.59     0.61       BVPS     2.87     3.31     3.82     4.38     4.97       DPS     0.20     0.16     0.16     0.18     0.18       Key ratio (%)     Net interest margin     2.63     2.74     2.64     2.56     2.55       Net interest spread     2.44     2.47     2.13     2.05     2.01       Cost to income ratio     33.29     33.08     35.19     37.08     38.95       Return on average assets     1.39     1.31     1.16     1.07     0.97       Return on average equity     18.89     16.64     15.30     14.29     13.16       Effective tax rate     23.02     23.40     24.00     24.00     24.00 <	Impairment losses	(4.9)	175.0	55.6	33.8	31.2
Net profit   17.7   9.8   7.4   4.9   Net profit   14.4   15.2   6.2   7.4   4.9   Net profit   14.4   15.2   15.5   Net profit   15.3   15.5   Net profit   15	Share of associates	37.0	59.0	15.0	15.0	15.0
Net profit     14.4     15.2     6.2     7.4     4.9       Per share (RMB)       EPS     0.59     0.51     0.55     0.59     0.61       BVPS     2.87     3.31     3.82     4.38     4.97       DPS     0.20     0.16     0.16     0.18     0.18       Key ratio (%)       Net interest margin     2.63     2.74     2.64     2.56     2.55       Net interest spread     2.44     2.47     2.13     2.05     2.01       Cost to income ratio     33.29     33.08     35.19     37.08     38.95       Return on average assets     1.39     1.31     1.16     1.07     0.97       Return on average equity     18.89     16.64     15.30     14.29     13.16       Effective tax rate     23.02     23.40     24.00     24.00     24.00       Dividend payout     33.68     30.37     30.00     30.00     30.00	Profit before tax	12.7	15.8	7.0	7.4	4.9
Net profit     14.4     15.2     6.2     7.4     4.9       Per share (RMB)     EPS     0.59     0.51     0.55     0.59     0.61       BVPS     2.87     3.31     3.82     4.38     4.97       DPS     0.20     0.16     0.16     0.18     0.18       Key ratio (%)     Net interest margin     2.63     2.74     2.64     2.56     2.55       Net interest spread     2.44     2.47     2.13     2.05     2.01       Cost to income ratio     33.29     33.08     35.19     37.08     38.95       Return on average assets     1.39     1.31     1.16     1.07     0.97       Return on average equity     18.89     16.64     15.30     14.29     13.16       Effective tax rate     23.02     23.40     24.00     24.00     24.00       Dividend payout     33.68     30.37     30.00     30.00     30.00	Income tax expenses	7.2	17.7	9.8	7.4	4.9
EPS   0.59   0.51   0.55   0.59   0.61     BVPS   2.87   3.31   3.82   4.38   4.97     DPS   0.20   0.16   0.16   0.18   0.18     Key ratio (%)     Net interest margin   2.63   2.74   2.64   2.56   2.55     Net interest spread   2.44   2.47   2.13   2.05   2.01     Cost to income ratio   33.29   33.08   35.19   37.08   38.95     Return on average assets   1.39   1.31   1.16   1.07   0.97     Return on average equity   18.89   16.64   15.30   14.29   13.16     Effective tax rate   23.02   23.40   24.00   24.00   24.00     Dividend payout   33.68   30.37   30.00   30.00   30.00		14.4	15.2	6.2	7.4	4.9
BVPS   2.87   3.31   3.82   4.38   4.97     DPS   0.20   0.16   0.16   0.18   0.18     Key ratio (%)     Net interest margin   2.63   2.74   2.64   2.56   2.55     Net interest spread   2.44   2.47   2.13   2.05   2.01     Cost to income ratio   33.29   33.08   35.19   37.08   38.95     Return on average assets   1.39   1.31   1.16   1.07   0.97     Return on average equity   18.89   16.64   15.30   14.29   13.16     Effective tax rate   23.02   23.40   24.00   24.00   24.00     Dividend payout   33.68   30.37   30.00   30.00   30.00	Per share (RMB)					
Key ratio (%)     Cost to income ratio naverage assets     2.44     2.47     2.13     2.05     2.01       Return on average equity     13.9     1.31     1.16     1.07     0.97       Return on average assets     23.02     23.40     24.00     24.00     24.00       Dividend payout     33.68     30.37     30.00     30.00     30.00	EPS	0.59	0.51	0.55	0.59	0.61
Key ratio (%)   X   <	BVPS	2.87	3.31	3.82	4.38	4.97
Net interest margin   2.63   2.74   2.64   2.56   2.55     Net interest spread   2.44   2.47   2.13   2.05   2.01     Cost to income ratio   33.29   33.08   35.19   37.08   38.95     Return on average assets   1.39   1.31   1.16   1.07   0.97     Return on average equity   18.89   16.64   15.30   14.29   13.16     Effective tax rate   23.02   23.40   24.00   24.00   24.00     Dividend payout   33.68   30.37   30.00   30.00   30.00	DPS	0.20	0.16	0.16	0.18	0.18
Net interest spread     2.44     2.47     2.13     2.05     2.01       Cost to income ratio     33.29     33.08     35.19     37.08     38.95       Return on average assets     1.39     1.31     1.16     1.07     0.97       Return on average equity     18.89     16.64     15.30     14.29     13.16       Effective tax rate     23.02     23.40     24.00     24.00     24.00       Dividend payout     33.68     30.37     30.00     30.00     30.00	Key ratio (%)					
Cost to income ratio     33.29     33.08     35.19     37.08     38.95       Return on average assets     1.39     1.31     1.16     1.07     0.97       Return on average equity     18.89     16.64     15.30     14.29     13.16       Effective tax rate     23.02     23.40     24.00     24.00     24.00       Dividend payout     33.68     30.37     30.00     30.00     30.00	Net interest margin	2.63	2.74	2.64	2.56	2.55
Return on average assets 1.39 1.31 1.16 1.07 0.97   Return on average equity 18.89 16.64 15.30 14.29 13.16   Effective tax rate 23.02 23.40 24.00 24.00 24.00   Dividend payout 33.68 30.37 30.00 30.00 30.00	Net interest spread	2.44	2.47	2.13	2.05	2.01
Return on average equity   18.89   16.64   15.30   14.29   13.16     Effective tax rate   23.02   23.40   24.00   24.00   24.00     Dividend payout   33.68   30.37   30.00   30.00   30.00	Cost to income ratio	33.29	33.08	35.19	37.08	38.95
Effective tax rate   23.02   23.40   24.00   24.00   24.00     Dividend payout   33.68   30.37   30.00   30.00   30.00	Return on average assets	1.39	1.31	1.16	1.07	0.97
Dividend payout 33.68 30.37 30.00 30.00 30.00	Return on average equity	18.89	16.64	15.30	14.29	13.16
	Effective tax rate	23.02	23.40	24.00	24.00	24.00
		33.68	30.37	30.00	30.00	30.00

Source(s): Company, ABCI Securities estimates



Consolidated balance sheet (2013A-2017E)

Cash and bank   76,178	Consolidated balance sheet (2013A-2017E)					
Due from bank and FIs     48,964     73,786     92,232     112,523     135,028       Net Ioans     191,280     214,734     24,0417     271,308     307,856       Investment securities     60,266     112,356     139,700     172,319     209,357       Total IEA     376,689     477,297     553,355     642,017     743,260       Other assets     54,20     5,467     6,014     6,615     7,277       Total assets     382,109     482,764     559,369     648,633     750,537       Customer deposits     272,798     317,870     365,551     416,728     479,237       Due to bank and Fls     61,703     98,703     123,379     150,522     179,121       Subordinated debt     8,986     18,751     20,626     22,689     24,958       Total Ilabilities     6,949     10,887     7,568     10,295     11,050       Share capital     11,050     11,050     11,050     11,050     11,050     11,050     11,050     11,050     11,050     11,050     11,050<	As of Dec 31 (RMB mn)	2013A	2014A	2015E	2016E	2017E
Net loans   191,280   214,734   240,417   271,308   307,858   Investment securities   60,266   112,356   139,700   172,319   209,357   Total IEA   376,689   477,297   553,355   642,017   743,260   Cher assets   5,420   5,467   50,014   6,615   7,277   Total assets   382,109   482,764   559,369   648,633   750,537   Customer deposits   272,798   317,870   365,551   416,728   479,237   Due to bank and FIs   61,703   98,703   123,379   150,522   179,121   Subordinated debt   8,896   18,751   20,626   22,689   24,985   Total IBL   343,488   435,324   509,555   589,938   683,315   Cotal IBL   343,488   435,324   509,555   589,938   683,315   Cotal IBL   350,437   446,211   517,123   600,233   695,631   Cotal IBL   350,437   360,233   3695,631   Cotal IBL   360,233   360,233   Cotal IBL   360,233	Cash and bank				85,866	91,018
Investment securities	Due from bank and FIs	48,964	73,786	92,232	112,523	135,028
Total IEA     376,689     477,297     553,355     642,017     743,260       Other assets     5,420     5,467     6,014     6,615     7,277       Total assets     382,109     482,764     559,369     648,633     750,537       Customer deposits     272,798     317,870     365,551     416,728     479,237       Due to bank and Flis     61,703     98,703     123,379     150,522     179,121       Subordinated debt     8,986     18,751     20,626     22,689     24,958       Total IBL     343,488     435,324     509,555     589,938     683,315       Other liabilities     6,949     10,887     7,568     10,295     12,316       Share capital     11,050     11,050     11,050     11,050     11,050     11,050       Share capital     11,050     11,050     11,050     11,050     11,050     11,050     11,050     11,050     11,050     11,050     11,050     11,050     11,050     11,050     11,050     11,050     11,050     11,050	Net loans		214,734	240,417		307,856
Chter assets     5,420     5,467     6,014     6,615     7,277       Total assets     382,109     482,764     559,369     648,633     750,537       Customer deposits     272,798     317,870     365,551     416,728     479,237       Due to bank and Fis     617,703     98,703     3123,379     150,522     179,121       Subordinated debt     8,986     18,751     20,626     22,689     24,958       Total IBL     343,488     435,324     50,955     589,938     6863,315       Christiliabilities     6,949     10,887     7,568     10,295     12,316       Christiliabilities     350,437     446,211     517,123     600,233     695,631       Share capital     11,050     11,050     11,050     11,050     11,050     11,050       Share capital     11,016     14,456     15,092     17,492     19,244       Reserves     11,916     14,456     15,092     17,492     19,244       Mill     47     177     206     22,0	Investment securities	60,266	112,356	139,700	172,319	209,357
Total assets     382,109     482,764     559,369     648,633     750,537       Customer deposits     272,798     317,870     365,551     416,728     479,237       Due to bank and Flis     61,703     98,703     123,379     150,522     179,121       Subordinated debt     8,986     18,751     20,626     22,689     24,958       Total IBL     343,488     435,324     509,555     589,938     683,315       Other liabilities     6,949     10,887     7,568     10,295     12,316       Total liabilities     350,437     446,211     517,123     600,233     695,631       Share capital     11,050	Total IEA		477,297	553,355	642,017	743,260
Customer deposits	Other assets	5,420	5,467	6,014	6,615	
Due to bank and Fls     61,703     88,703     123,379     150,522     179,121       Subordinated debt     8,986     18,751     20,626     22,689     24,958       Total IlBL     343,488     435,324     509,555     589,938     683,315       Other liabilities     6,949     10,887     7,568     10,295     12,316       Total liabilities     350,437     446,211     517,123     600,233     699,531       Share capital     11,050     11,050     11,050     11,050     11,050     11,050       Reserves     11,916     14,456     15,092     17,492     19,241       MII     47     179     206     236     226       Total equity     31,672     36,533     42,246     48,399     54,905       Growth (%)     47     179     206     236     226     707     250     22.0     20.0     20.0     20.0     20.0     20.0     20.0     20.0     20.0     20.0     20.0     20.0     20.0     20.0	Total assets	382,109	482,764	559,369	648,633	750,537
Subordinated debt     8,986     18,751     20,626     22,689     24,958       Total IBL     343,488     453,324     509,555     589,338     683,315       Other liabilities     6,949     10,887     7,568     10,295     12,316       Total liabilities     350,437     446,211     517,123     600,233     695,631       Share capital     11,050     1	•	•		,	•	•
Total IBL     343,488     435,324     509,555     589,938     683,315       Other liabilities     6,949     10,887     7,568     10,295     12,316       Total liabilities     350,437     446,211     517,123     600,233     695,631       Share capital     11,050     11,050     11,050     11,050     11,050     11,050       Reserves     11,916     14,456     15,002     17,492     19,241       MI     47     179     206     236     236       Total equity     31,672     36,553     42,246     48,399     54,905       Growth (%)       Cash and bank     32.1     0.3     6.0     6.0     6.0       Due from bank and FIs     9.2     50.7     25.0     22.0     20.0       Net Joans     19.6     12.3     12.0     12.8     13.5       Total iEA     17.9     26.3     15.9     16.0     15.0       Investment securities     13.6     86.4     24.3     23.3     <	Due to bank and FIs	61,703	98,703	123,379	150,522	
Other liabilities     6,949     10,887     7,568     10,295     12,316       Total liabilities     350,437     446,211     517,123     600,233     695,631       Share capital     11,050     10,05     10,243     10,243     10,243     10,24     10,20     10,00     10,00				20,626		
Total liabilities     350,437     446,211     517,123     600,233     695,631       Share capital     11,050     12,4378     12,4378     12,437     10,00     20.00 <td>Total IBL</td> <td>343,488</td> <td>435,324</td> <td>509,555</td> <td>589,938</td> <td>683,315</td>	Total IBL	343,488	435,324	509,555	589,938	683,315
Share capital	Other liabilities	6,949	10,887	7,568	10,295	12,316
Retained earnings     8,659     10,868     15,088     19,621     24,378       Reserves     11,916     14,456     15,902     17,492     19,241       MI     47     179     206     236     236       Total equity     31,672     36,533     42,246     48,399     54,905       Growth (%)     Cash and bank     32.1     0.3     6.0     6.0     6.0       Due from bank and Fls     9.2     50.7     25.0     22.0     20.0       Net loans     19.6     12.3     12.0     12.8     13.5       Investment securities     5.6     86.4     24.3     23.3     21.5       Investment securities     5.6     86.4     24.3     23.3     21.5       Investment securities     19.6     12.3     12.0     15.0     16.0     15.8       Total IEA     17.9     26.7     15.9     16.0     15.8       Total Reserved     19.2     16.5     15.0     14.0     15.0       Subordinated	Total liabilities	350,437	446,211	517,123	600,233	695,631
Reserves     11,916     14,456     15,902     17,492     19,241       MI     47     179     206     236     236       Total equity     31,672     36,553     42,246     48,399     54,905       Growth (%)     Cash and bank     32.1     0.3     6.0     6.0     6.0       Due from bank and Fls     9.2     50.7     25.0     22.0     20.0       Net loans     19.6     12.3     12.0     12.8     13.5       Investment securities     5.6     86.4     24.3     23.3     21.5       Total IEA     17.9     26.7     15.9     16.0     15.8       Total assets     13.9     16.5     15.0     14.0     15.0       Customer deposits     13.9     16.5     15.0     14.0     15.0       Due to bank and Fls     12.7     60.0     25.0     22.0     19.0       Subordinated debt     125.1     108.7     10.0     10.0     10.0       Total liabilities     15.4	Share capital		11,050	11,050	11,050	11,050
MI     47     179     206     236     236       Total equity     31,672     36,553     42,246     48,399     54,905       Growth (%)     Cash and bank     32.1     0.3     6.0     6.0     6.0       Due from bank and Fls     9.2     50.7     25.0     22.0     20.0       Net loans     19.6     12.3     12.0     12.8     13.5       Investment securities     5.6     86.4     24.3     23.3     21.5       Total IEA     17.9     26.7     15.9     16.0     15.8       Total assets     13.9     16.5     15.0     14.0     15.0       Due to bank and Fls     12.7     60.0     25.0     22.0     19.0       Subordinated debt     125.1     108.7     10.0     10.0     10.0       Total liBL     15.2     26.7     17.1     15.8     15.8       Total equity     54.6     15.4     27.3     15.9     16.1     15.9       Total equity <t< td=""><td>Retained earnings</td><td></td><td></td><td></td><td>19,621</td><td></td></t<>	Retained earnings				19,621	
Total equity     31,672     36,553     42,246     48,399     54,905       Growth (%)     Cash and bank     32.1     0.3     6.0     6.0     6.0       Due from bank and Fls     9.2     50.7     25.0     22.0     20.0       Net loans     19.6     12.3     12.0     12.8     13.5       Investment securities     5.6     86.4     24.3     23.3     21.5       Total IEA     17.9     26.7     15.9     16.0     15.8       Total assets     17.9     26.3     15.9     16.0     15.8       Total assets     13.9     16.5     15.0     14.0     15.0       Due to bank and Fls     12.7     60.0     25.0     22.0     19.0       Subordinated debt     125.1     108.7     10.0     10.0     10.0       Total IBL     15.2     26.7     17.1     15.8     15.8       Total equity     54.6     15.4     27.3     15.9     16.1     15.9       Total Equity     54.6 <td>Reserves</td> <td>11,916</td> <td></td> <td>15,902</td> <td>17,492</td> <td>19,241</td>	Reserves	11,916		15,902	17,492	19,241
Growth (%)     Cash and bank     32.1     0.3     6.0     6.0     6.0       Due from bank and Fls     9.2     50.7     25.0     22.0     20.0       Net loans     19.6     12.3     12.0     12.8     13.5       Investment securities     5.6     86.4     24.3     23.3     21.5       Total IEA     17.9     26.7     15.9     16.0     15.8       Total assets     17.9     26.3     15.9     16.0     15.8       Total assets     17.9     26.3     15.9     16.0     15.7       Customer deposits     13.9     16.5     15.0     14.0     15.0       Due to bank and Fls     12.7     60.0     25.0     22.0     19.0       Subordinated debt     125.1     108.7     10.0     10.0     10.0       Total IBL     15.2     26.7     17.1     15.8     15.8       Total equity     54.6     15.4     15.6     14.6     13.4       Key ratio (%)     2     2		47	179	206	236	236
Cash and bank   32.1   0.3   6.0   6.0   6.0     Due from bank and Fls   9.2   50.7   25.0   22.0   20.0     Net loans   19.6   12.3   12.0   12.8   13.5     Investment securities   5.6   86.4   24.3   23.3   21.5     Total IEA   17.9   26.7   15.9   16.0   15.8     Total assets   17.9   26.3   15.9   16.0   15.8     Total assets   12.7   60.0   25.0   22.0   19.0     Subordinated deposits   12.7   60.0   25.0   22.0   19.0     Subordinated debt   125.1   108.7   10.0   10.0   10.0     Total IBL   15.2   26.7   17.1   15.8   15.8     Total liabilities   15.4   27.3   15.9   16.1   15.9     Total equity   54.6   15.4   15.6   14.6   13.4     Key ratio (%)   20.0   11.50   11.50   11.50   11.50   11.50   11.42   11.20     Total CAR </td <td>Total equity</td> <td>31,672</td> <td>36,553</td> <td>42,246</td> <td>48,399</td> <td>54,905</td>	Total equity	31,672	36,553	42,246	48,399	54,905
Due from bank and Fls     9.2     50.7     25.0     22.0     20.0       Net loans     19.6     12.3     12.0     12.8     13.5       Investment securities     5.6     86.4     24.3     23.3     21.5       Total IEA     17.9     26.7     15.9     16.0     15.8       Total assets     17.9     26.3     15.9     16.0     15.7       Customer deposits     13.9     16.5     15.0     14.0     15.0       Due to bank and Fls     12.7     60.0     25.0     22.0     19.0       Subordinated debt     125.1     108.7     10.0     10.0     10.0       Total IBL     15.2     26.7     17.1     15.8     15.8       Total liabilities     15.4     27.3     15.9     16.1     15.9       Total equity     54.6     15.4     15.6     14.6     13.4       Key ratio (%)     10.0     11.50     11.55     11.4     11.0     11.50     11.55     11.4     11.2     11.2	Growth (%)					
Net loans     19.6     12.3     12.0     12.8     13.5       Investment securities     5.6     86.4     24.3     23.3     21.5       Total IEA     17.9     26.7     15.9     16.0     15.8       Total assets     17.9     26.3     15.9     16.0     15.7       Customer deposits     13.9     16.5     15.0     14.0     15.0       Due to bank and FIs     12.7     60.0     25.0     22.0     19.0       Subordinated debt     125.1     108.7     10.0     10.0     10.0       Total IBL     15.2     26.7     17.1     15.8     15.8       Total liabilities     15.4     27.3     15.9     16.1     15.9       Total equity     54.6     15.4     15.6     14.6     13.4       Key ratio (%)     2     67.35     66.77     65.92       CT1 CAR     12.60     11.50     11.55     11.42     11.20       Total CAR     15.19     13.41     14.51     14.23	Cash and bank	32.1	0.3	6.0	6.0	6.0
Investment securities	Due from bank and FIs	9.2	50.7	25.0	22.0	20.0
Total IEA     17.9     26.7     15.9     16.0     15.8       Total assets     17.9     26.3     15.9     16.0     15.7       Customer deposits     13.9     16.5     15.0     14.0     15.0       Due to bank and Fls     12.7     60.0     25.0     22.0     19.0       Subordinated debt     12.5     10.0     10.0     10.0     10.0     10.0       Total IBL     15.2     26.7     17.1     15.8     15.8       Total liabilities     15.4     27.3     15.9     16.1     15.9       Total equity     54.6     15.4     15.6     14.6     13.4       Key ratio (%)     CT       Loan to deposits     71.65     69.02     67.35     66.77     65.92       CT1 CAR     12.60     11.50     11.55     11.42     11.20       Total CAR     15.19     13.41     14.51     14.23     13.90       NPL growth     11.10     12.25     35.08     39.10     27.72	Net loans	19.6	12.3	12.0	12.8	13.5
Total assets     17.9     26.3     15.9     16.0     15.7       Customer deposits     13.9     16.5     15.0     14.0     15.0       Due to bank and Fls     12.7     60.0     25.0     22.0     19.0       Subordinated debt     125.1     108.7     10.0     10.0     10.0       Total IBL     15.2     26.7     17.1     15.8     15.8       Total liabilities     15.4     27.3     15.9     16.1     15.9       Total equity     54.6     15.4     15.6     14.6     13.4       Key ratio (%)     54.6     15.4     15.6     14.6     13.4       Loan to deposits     71.65     69.02     67.35     66.77     65.92       CT1 CAR     12.60     11.50     11.55     11.42     11.20       Total CAR     15.19     13.41     14.51     14.23     13.90       NPL growth     11.10     12.25     35.08     39.10     27.72       Net bad debt charge ratio     0.34     0.24						21.5
Customer deposits   13.9   16.5   15.0   14.0   15.0     Due to bank and Fls   12.7   60.0   25.0   22.0   19.0     Subordinated debt   125.1   108.7   10.0   10.0   10.0     Total IBL   15.2   26.7   17.1   15.8   15.8     Total liabilities   15.4   27.3   15.9   16.1   15.9     Total equity   54.6   15.4   15.6   14.6   13.4     Key ratio (%)   Loan to deposits     CT1 CAR   12.60   11.50   11.55   11.42   11.20     Total CAR   15.19   13.41   14.51   14.23   13.90     NPL ratio   0.54   0.54   0.65   0.80   0.90     NPL growth   11.10   12.25   35.08   39.10   27.72     Net bad debt charge ratio   0.34   0.24   0.72   0.80   0.95     Provision to total loans   2.13   2.12   2.35   2.50   2.55	Total IEA	17.9	26.7	15.9	16.0	15.8
Due to bank and FIs   12.7   60.0   25.0   22.0   19.0     Subordinated debt   125.1   108.7   10.0   10.0   10.0     Total IBL   15.2   26.7   17.1   15.8   15.8     Total liabilities   15.4   27.3   15.9   16.1   15.9     Key ratio (%)     Loan to deposits   71.65   69.02   67.35   66.77   65.92     CT1 CAR   12.60   11.50   11.55   11.42   11.20     Total CAR   15.19   13.41   14.51   14.23   13.90     NPL ratio   0.54   0.54   0.65   0.80   0.90     NPL growth   11.10   12.25   35.08   39.10   27.72     Net bad debt charge ratio   0.34   0.24   0.72   0.80   0.95     Provision to total loans   2.13   2.12   2.35   2.50   2.55	Total assets	17.9	26.3	15.9	16.0	15.7
Subordinated debt     125.1     108.7     10.0     10.0     10.0       Total IBL     15.2     26.7     17.1     15.8     15.8       Total liabilities     15.4     27.3     15.9     16.1     15.9       Total equity     54.6     15.4     15.6     14.6     13.4       Key ratio (%)     Loan to deposits     71.65     69.02     67.35     66.77     65.92       CT1 CAR     12.60     11.50     11.55     11.42     11.20       Total CAR     15.19     13.41     14.51     14.23     13.90       NPL ratio     0.54     0.54     0.65     0.80     0.90       NPL growth     11.10     12.25     35.08     39.10     27.72       Net bad debt charge ratio     0.34     0.24     0.72     0.80     0.95       Provision to total loans     2.13     2.12     2.35     2.50     2.55	Customer deposits					
Total IBL Total liabilities     15.2     26.7     17.1     15.8     15.8       Total liabilities     15.4     27.3     15.9     16.1     15.9       Total equity     54.6     15.4     15.6     14.6     13.4       Key ratio (%)     Loan to deposits     71.65     69.02     67.35     66.77     65.92       CT1 CAR     12.60     11.50     11.55     11.42     11.20       Total CAR     15.19     13.41     14.51     14.23     13.90       NPL ratio     0.54     0.54     0.65     0.80     0.90       NPL growth     11.10     12.25     35.08     39.10     27.72       Net bad debt charge ratio     0.34     0.24     0.72     0.80     0.95       Provision to total loans     2.13     2.12     2.35     2.50     2.55	Due to bank and FIs	12.7	60.0	25.0	22.0	19.0
Total liabilities     15.4     27.3     15.9     16.1     15.9       Total equity     54.6     15.4     15.6     14.6     13.4       Key ratio (%)     Example 15.6     15.4     15.6     15.6     14.6     13.4       Loan to deposits     71.65     69.02     67.35     66.77     65.92       CT1 CAR     12.60     11.50     11.55     11.42     11.20       Total CAR     15.19     13.41     14.51     14.23     13.90       NPL ratio     0.54     0.54     0.65     0.80     0.90       NPL growth     11.10     12.25     35.08     39.10     27.72       Net bad debt charge ratio     0.34     0.24     0.72     0.80     0.95       Provision to total loans     2.13     2.12     2.35     2.50     2.55	Subordinated debt	125.1		10.0	10.0	10.0
Total equity     54.6     15.4     15.6     14.6     13.4       Key ratio (%)     Loan to deposits     71.65     69.02     67.35     66.77     65.92       CT1 CAR     12.60     11.50     11.55     11.42     11.20       Total CAR     15.19     13.41     14.51     14.23     13.90       NPL ratio     0.54     0.54     0.65     0.80     0.90       NPL growth     11.10     12.25     35.08     39.10     27.72       Net bad debt charge ratio     0.34     0.24     0.72     0.80     0.95       Provision to total loans     2.13     2.12     2.35     2.50     2.55	Total IBL	15.2	26.7	17.1	15.8	15.8
Key ratio (%)     Loan to deposits   71.65   69.02   67.35   66.77   65.92     CT1 CAR   12.60   11.50   11.55   11.42   11.20     Total CAR   15.19   13.41   14.51   14.23   13.90     NPL ratio   0.54   0.54   0.65   0.80   0.90     NPL growth   11.10   12.25   35.08   39.10   27.72     Net bad debt charge ratio   0.34   0.24   0.72   0.80   0.95     Provision to total loans   2.13   2.12   2.35   2.50   2.55	Total liabilities	15.4	27.3	15.9	16.1	15.9
Loan to deposits   71.65   69.02   67.35   66.77   65.92     CT1 CAR   12.60   11.50   11.55   11.42   11.20     Total CAR   15.19   13.41   14.51   14.23   13.90     NPL ratio   0.54   0.54   0.65   0.80   0.90     NPL growth   11.10   12.25   35.08   39.10   27.72     Net bad debt charge ratio   0.34   0.24   0.72   0.80   0.95     Provision to total loans   2.13   2.12   2.35   2.50   2.55	Total equity	54.6	15.4	15.6	14.6	13.4
CT1 CAR   12.60   11.50   11.55   11.42   11.20     Total CAR   15.19   13.41   14.51   14.23   13.90     NPL ratio   0.54   0.54   0.65   0.80   0.90     NPL growth   11.10   12.25   35.08   39.10   27.72     Net bad debt charge ratio   0.34   0.24   0.72   0.80   0.95     Provision to total loans   2.13   2.12   2.35   2.50   2.55	Key ratio (%)					
Total CAR     15.19     13.41     14.51     14.23     13.90       NPL ratio     0.54     0.54     0.65     0.80     0.90       NPL growth     11.10     12.25     35.08     39.10     27.72       Net bad debt charge ratio     0.34     0.24     0.72     0.80     0.95       Provision to total loans     2.13     2.12     2.35     2.50     2.55	Loan to deposits	71.65	69.02	67.35	66.77	65.92
NPL ratio     0.54     0.54     0.65     0.80     0.90       NPL growth     11.10     12.25     35.08     39.10     27.72       Net bad debt charge ratio     0.34     0.24     0.72     0.80     0.95       Provision to total loans     2.13     2.12     2.35     2.50     2.55	CT1 CAR	12.60	11.50	11.55	11.42	11.20
NPL growth     11.10     12.25     35.08     39.10     27.72       Net bad debt charge ratio     0.34     0.24     0.72     0.80     0.95       Provision to total loans     2.13     2.12     2.35     2.50     2.55	Total CAR	15.19	13.41	14.51	14.23	13.90
Net bad debt charge ratio     0.34     0.24     0.72     0.80     0.95       Provision to total loans     2.13     2.12     2.35     2.50     2.55	NPL ratio	0.54	0.54	0.65	0.80	0.90
Provision to total loans 2.13 2.12 2.35 2.50 2.55	NPL growth	11.10	12.25	35.08	39.10	27.72
Provision to total loans 2.13 2.12 2.35 2.50 2.55	Net bad debt charge ratio	0.34	0.24	0.72	0.80	0.95
Provision coverage 394.97 393.48 361.54 312.50 283.33	Provision to total loans	2.13	2.12	2.35	2.50	2.55
	Provision coverage	394.97	393.48	361.54	312.50	283.33

Source(s): Company, ABCI Securities estimates



## **Disclosures**

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### **Definition of equity rating**

Rating	Definition
Buy	Stock return ≥ Market return rate
Hold	Market return – 6% ≤ 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 from 2009-2013

Time horizon of share price target: 12-month

## Definition of share price risk

Rating	Definition
Very high	2.6 ≤180 day volatility/180 day benchmark index volatility
High	1.5 ≤ 180 day volatility/180 day benchmark index volatility < 2.6
Medium	1.0 ≤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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