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ABC INTERNATIONAL

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ABCI Research

# China Banks Sector Turning a New Page



## China Banks Sector Turning a new page

- Sector fundamentals to improve starting from 2H17. Major overhang in NIM and asset quality are easing
- Emphasis on risk management during the National Financial Working Congress points to higher policy risk as more aggressive policies would be implemented. Nonetheless, a stable banking environment will ultimately prove positive to the long-term development of the sector
- Revenue structure would improve, with the mix of non-interest income in operating income to rise above 30% in 2017E-19E
- Expect another round of sector re-rating near 4Q17. Prefer big names- CCB (939 HK) and ABC (1288 HK) are our top picks

**Fundamentals to stabilize in 2H17.** With major overhangs of NIM squeeze and asset quality gradually reducing, we expect a moderate improvement in sector fundamentals in 2H17. While a mild contraction can still be expected, NIM would turn more stable in 2H17 as we believe the impact from previous rate cuts and VAT reform have already been fully reflected in 1H17. Moreover, robust loan demand and pricing would also help support NIM. NPL ratio would increase mildly, aided by increased handling and solid economic growth. Banks would continue to increase their risk buffer through large provisions although we expect no significant increase in amount.

**Key takeaways from the National Financial Working Congress.** Aside from a neutral monetary policy to lower overall leverage ratio in China and support slow board credit growth, four key directions for the financial sector were also specified in the National Financial Working Congress held in mid-July, with emphasis placed on: 1) supporting the real economy; 2) enhancing the operation structure; 3) strengthening risk management; 4) achieving market liberalization. In line with our previous expectation, higher policy risk can be expected as more aggressive measures will be implemented to maintain a stable banking environment.

**Changing revenue structure would inspire new regulations.** With product innovations and mixed operation accelerating in the banking sector, we expect the proportion of non-interest income in operating income to rise above 30% in 2017E-19E. Rapid fee growth, however, may inspire new regulations and higher capital needs. We expect these new regulations to be operation-driven and highly specific in nature. In general, banks are highly adaptable to new rules although short-term disruptions are inevitable. We believe a regulated banking environment is essential to lowering systematic risk and attaining a higher degree of market liberalization.

**Yes, we still like the big banks.** We roll over our TP calculation to mid-2018 BVPS, modify the exchange rate, and adjust our base case earnings forecasts and assumptions in the Gordon Growth Model. We reiterate our **OVERWEIGHT** sector view with CCB and ABC as our sector top picks. We expect another round of re-rating to occur near 4Q17 when 1H17 and 3Q17 financial results attest to our assertion that the sector fundamentals are improving.

### Sector Valuation Summary (data as of Aug 1, 2017)

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	5.54	6.96	0.86	0.78	6.40	6.32	4.61	4.61
CCB	939 HK	BUY	BUY	6.57	8.48	0.86	0.78	6.23	5.69	4.90	5.24
ABC	1288 HK	BUY	BUY	3.68	4.80	0.79	0.72	5.72	5.53	5.43	5.43
BOC	3988 HK	BUY	BUY	3.92	5.02	0.73	0.67	6.42	5.89	5.10	5.38
BoCom	3328 HK	BUY	BUY	5.87	7.72	0.64	0.59	6.15	5.75	5.11	5.29
CMB	3968 HK	BUY	BUY	26.30	30.60	1.32	1.17	8.65	7.72	3.46	3.88
MSB	1988 HK	BUY	BUY	8.04	11.79	0.71	0.65	5.49	5.33	4.28	4.56
CITICB	998 HK	BUY	BUY	5.18	6.56	0.61	0.56	5.62	5.19	4.50	4.93
CEB	6818 HK	BUY	BUY	3.83	5.35	0.65	0.59	5.48	5.39	3.77	3.77
HB	3698 HK	BUY	BUY	3.79	4.66	0.71	0.61	5.60	5.10	4.69	4.98
HRB	6138 HK	BUY	BUY	2.47	3.23	0.58	0.50	4.54	4.05	5.39	6.29
BoCQ	1963 HK	BUY	BUY	6.65	8.36	0.69	0.61	4.91	4.54	5.34	5.68

Source(s): Bloomberg, ABCI Securities estimates

## Sector Report Aug 2, 2017 OVERWEIGHT

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### Key Data

Avg.17E P/E (x)	5.93
Avg.17E P/B (x)	0.76
Avg.17E Dividend Yield (%)	4.71

Source(s): Bloomberg, ABCI Securities

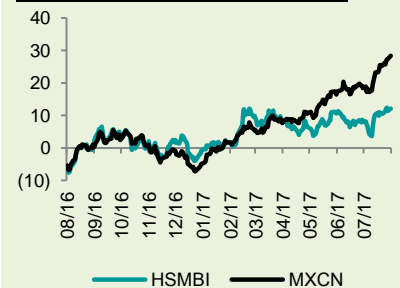
### Sector Performance

	Absolute	Relative*
1-mth	3.79	(4.24)
3-mth	5.86	(8.36)
6-mth	10.08	(12.77)

\*Relative to HSI

Source(s): Bloomberg, ABCI Securities

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



Source(s): Bloomberg, ABCI Securities



## Fundamentals to turn a new page

In our opinion, fundamentals of the China banks sector will stabilize and improve mildly starting from 2H17. Major overhang of NIM squeeze is abating upon the completion of interest rate re-pricing from the previous rate cut cycle, while impacts of the VAT reform were mostly reflected in 1H17. Concerns over asset quality are easing on proactive handling of NPLs and solid economic growth in China reported at 6.9% for 2Q17. We expect size of loan provisions to stabilize and fee income to undergo robust growth, which should help accentuate earnings momentum in banks.

In our base case scenario, we assume a rather conservative operating environment with mild pressure on NIM and asset quality persisting throughout 2017E-19E. With the 1H17 and 3Q17 results soon to be announced in 3Q/4Q, we believe upside surprise may occur as signs of improving fundamentals turn more evident. This may support another round of sector re-rating near 4Q17. We roll over our forecasts to 2019E and adjust our earnings for 2017E (adjustment range: -7.23% to +11.64%) and 2018E (adjustment range: -7.97% to +15.93%). Based on our revised earnings forecasts, the banks' 1H17 earnings, which will be announced in end-Aug, should account for ~55% of our full-year forecast.

### Key takeaways from the National Financial Working Congress

The 5<sup>th</sup> National Financial Working Congress was held on July 14-15. PBOC indicated it will maintain a neutral monetary policy to lower overall leverage ratio in the country and support slow board credit growth; moreover, four key directions were specified for the financial sector:

- 1) Support the real economy;
- 2) Enhance financial product structure, varieties, quality, and efficiency;
- 3) Strengthen risk prevention and management
- 4) Transform into a market-driven financial sector with a liberalized competition environment.

These messages support our view of increasing policy risk in the China banks sector. We consider such change to be positive because more stringent and well-defined regulations would be supportive to a stable business environment. Short-term financial impacts will be inevitable, but banks are generally highly adaptive to policy changes.

Regulators would implement more aggressive measures to temper the growing financial risk. These new measures, especially those pertaining to fast-growth businesses, would come with highly specific rules and instructions.

Our view was further supported by CBRC's interim conference held on July 28-29. Core directions in the National Financial Working Congress were reiterated in the meeting; moreover, 18 new measures are expected to be introduced in 2H17.

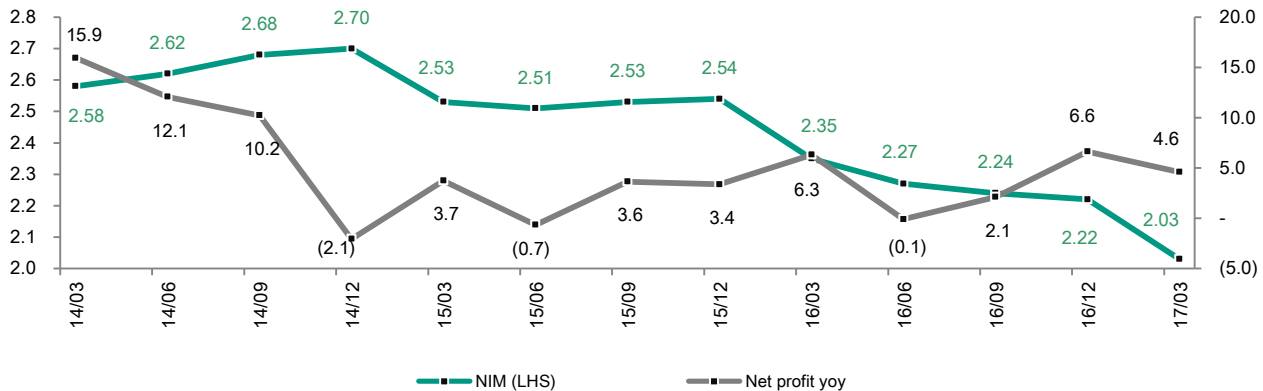
### NIM to turn stable in 2H17

NIM of the Chinese banks has been narrowing due to the previous rate cut cycle and the VAT reform introduced in May 2016. With such impacts mostly reflected in 1H17, we expect a more stable and optimistic NIM outlook for 2H17.

Our ABCI economist forecasts a more stable benchmark interest rate environment with two RRR cuts each in 2017E and 2018E. In our base case assumptions, we still expect a mild NIM pressure to persist over 2017E-19E as a result of price competition amid the process of market liberalization and volatility in short-term liquidity.



Exhibit 1: System NIM and system net profit YoY (%)



Source(s): CBRC

Both the CBRC statistics and financial results of banks revealed a stabilizing NIM trend. In particular, QoQ contraction pace of the system NIM lessened from 8bps in 2Q16 to only 2bps in 4Q16. While the system NIM contracted by 19bps QoQ in 1Q17, we believe it was mostly a reflection of the seasonal factor. In our base case model, we assume NIM to fall by 15bps, 18bps and 23bps in the Big 5 banks, JSBs, and district banks under our coverage in 2017E; for 2018E, the corresponding contraction would be 3bps, 7bps, and 14bps.

Exhibit 2: 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	3.83	3.88	4.08	3.71	4.35	4.54	4.58	4.16	4.39	5.40	4.84	6.03
2018	3.90	3.95	4.14	3.78	4.42	4.60	4.65	4.23	4.48	5.49	4.92	6.12
2019	3.95	4.02	4.20	3.85	4.48	4.67	4.73	4.30	4.57	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	3.75	3.80	3.20	3.85	3.68	3.83	4.19	3.97	6.40	5.16	5.44
2018	3.83	3.86	3.87	3.25	3.92	3.72	3.93	4.30	4.09	6.52	5.25	5.55
2019	3.86	3.95	3.95	3.32	3.99	3.78	4.04	4.40	4.20	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	2.35	2.90	3.32	3.00	2.69	2.57	3.57	3.35	2.40	3.31	3.98	3.43
2018	2.43	2.99	3.40	3.12	2.79	2.68	3.70	3.48	2.55	3.45	4.10	3.57
2019	2.50	3.06	3.49	3.25	2.88	2.80	3.82	3.60	2.68	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	1.38	1.40	1.52	1.79	1.20	1.70	1.90	1.61	2.40	1.50	2.37
2018	1.56	1.41	1.46	1.55	1.83	1.24	1.77	1.95	1.66	2.52	1.61	2.49
2019	1.60	1.47	1.53	1.60	1.88	1.30	1.85	2.01	1.73	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	2.21	2.60	2.00	2.97	2.56	3.01	2.94	2.99	3.73	3.52	3.62
2018	2.05	2.36	2.68	2.10	3.06	2.65	3.15	3.07	3.13	3.86	3.65	3.74
2019	2.23	2.50	2.81	2.20	3.11	2.76	3.29	3.20	3.25	3.96	3.83	3.85
Sub 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	3.95	3.40	3.48	4.02	3.43	5.30	3.70	3.79	4.38
2018	3.65	4.30	3.50	4.00	3.45	3.54	4.11	3.54	5.40	3.80	3.90	4.50
2019	3.78	4.40	3.65	4.05	3.50	3.60	4.20	3.65	5.50	3.85	4.02	4.62

Source(s): Company, ABCI Securities estimates



Earnings capacity among the Chinese banks has been recovering. In 2Q16, system net profit fell by 0.1% YoY before expanding by 6.6% and 4.6% YoY in 4Q16 and 1Q17, according to the CBRC statistics, thanks to stronger topline revenue growth and stabilizing loan provision scale. We believe the rebound in earnings growth would turn increasingly obvious starting from 3Q17 onward.

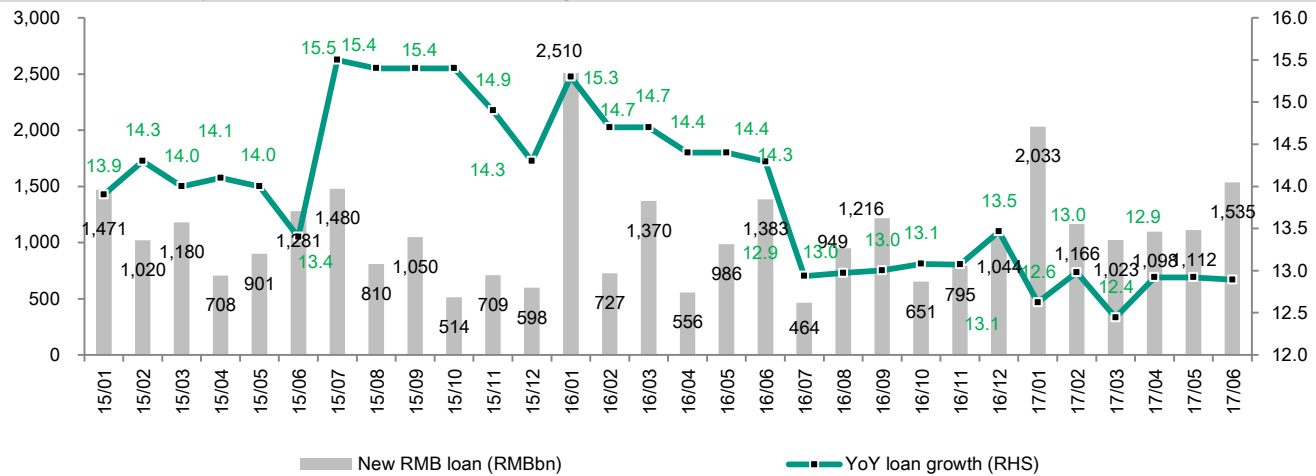
**Traditional bank loans are utilized to support the real economy**

China's new RMB loans grew by RMB 7.97tr in 1H17, which accounted for 59.03% of our full-year loan target of RMB 13.5tr. Based on the conventional "3:3:2:2" loan distribution pace in 1Q-4Q, new loans in 1H17 were in line with our expectation. Due to the lack of well-developed alternative funding channels, bank loans remain to be the major financing source in China that accounted for 81.75% of total social financing in June 2017.

In our view, the strong momentum observed for new loans implies solid loan demand from the real economy, which is expected to persist in 2H17 based on the directions asserted in the National Financial Working Congress. We are strongly convinced that China's full-year loan will reach our forecast.

Meanwhile, structure of new loans has been improving, of which the proportion of medium-to long-term loans aggregated to 88.2% of total new loans in 1H17, compared to 69.6% in 1H16. We interpret the longer loan duration as a sign that banks are proactively supporting the real economy in China, and that confidence toward the economy is improving.

**Exhibit 3: Monthly new loans (RMB bn) and YoY growth (%)**



Source(s): PBOC

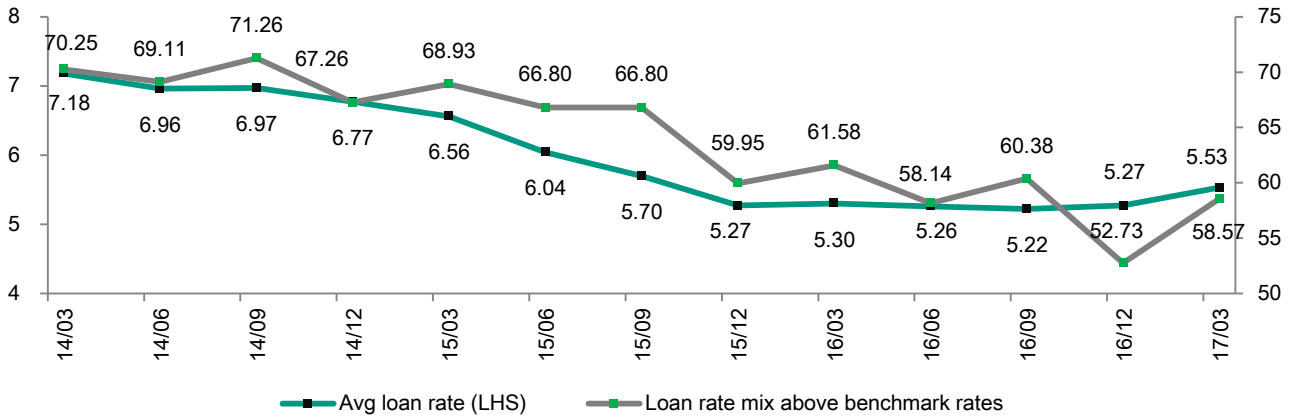
**Robust loan demand supports pricing**

With the robust loan demand, we are fairly optimistic over the loan pricing outlook of banks in coming quarters. According to the PBOC data, the average loan yield, after bottoming out in 3Q16 at 5.22%, steadily recovered to 5.27% in 1Q17 and 5.53% in 2Q17.



In addition to the improving loan yield, loan pricing distribution also reflected a positive lending environment and robust loan demand. The proportion of new loans priced at above-benchmark rates in 1Q17 was 58.57%, compared to 52.73% in 4Q16. Reversely, loans priced at below-benchmark rates reduced gradually from 28.2% in 4Q17 to 23.3% in 1Q17.

Exhibit 4: Average loan yield vs. the proportion of loans priced above benchmark rates (%)

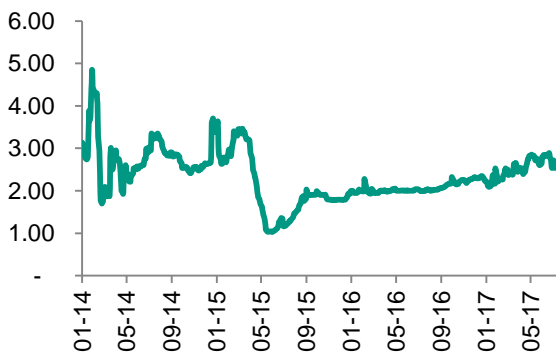


Source(s): PBOC

Transient volatility in SHIBOR carries minor impact

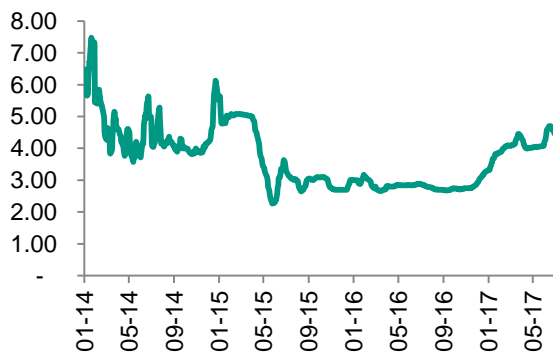
The O/N SHIBOR surged over 13% in June 2013. Since then, the market has turned highly sensitive to the fluctuation of SHIBOR. More often than not, transient volatility in SHIBOR triggers concerns on NIM.

Exhibit 5: O/N SHIBOR (%)



Source(s): Bloomberg

Exhibit 6: 1M SHIBOR (%)



Source(s): Bloomberg

At the current level of interbank rate, changes in SHIBOR would only have minor impacts on NIM. Despite the fact that SHIBOR has been trending up since Dec 2016, the current interest rate level is at the median level (based on data since 2014). A closer look reveals fluctuations in SHIBOR over the last 3 years were mostly transient in nature. Such volatility was more prominent in the short-term SHIBOR, such as O/N to 1M SHIBOR close to the quarter end, indicating most of these fluctuations were driven by window dressing activity during the result season.



Interbank balance is usually a non-core component in the banks' assets and liabilities on the balance sheet. Moreover, given that volatility in SHIBOR is usually short-lived, we believe these temporary changes have not affected NIM significantly over the past 3 years.

Exhibit 7: 3M SHIBOR (%)

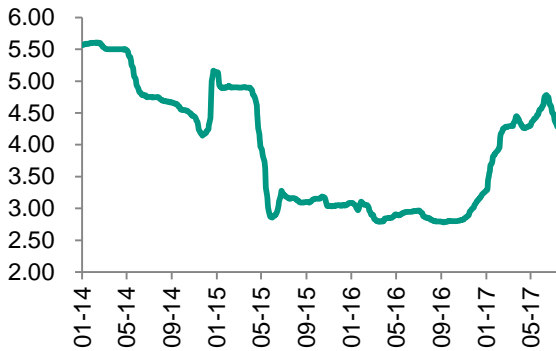
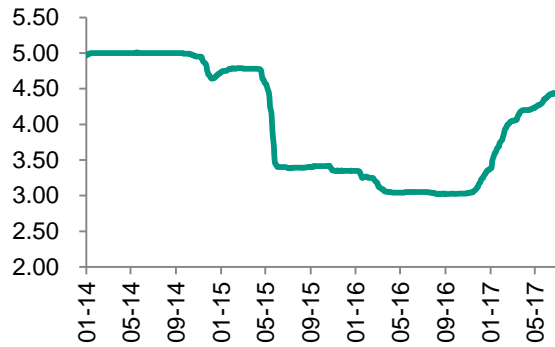


Exhibit 8: 1Y SHIBOR



Source(s): Bloomberg

Source(s): Bloomberg

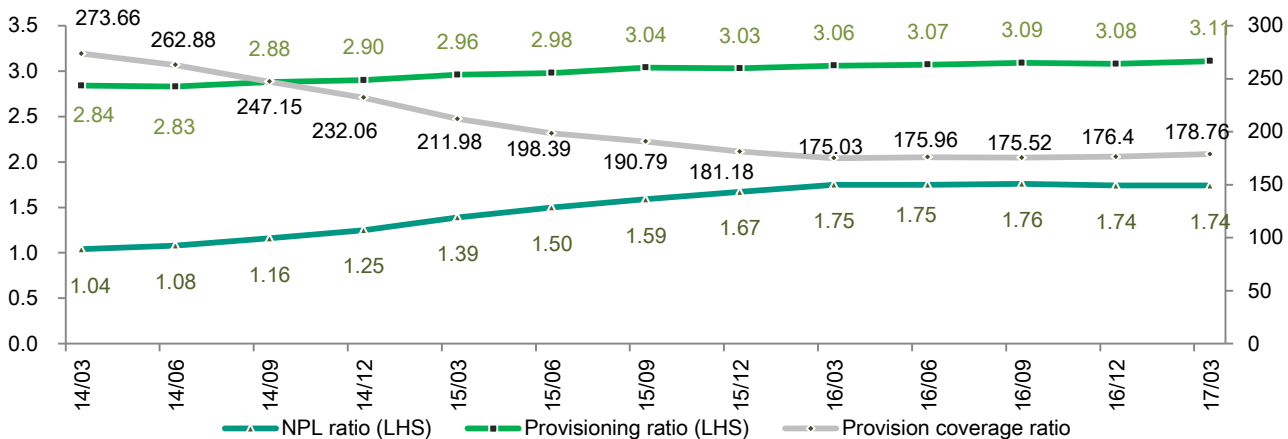
With the continuation of market liberalization, banks have accustomed to handling drastic changes in interest rate through balance sheet management and turned increasingly skillful in spread management.

**Asset quality would remain stable**

System NPL ratio has been stable, remaining in the range of 1.74%-1.76% for five consecutive quarters since 1Q16. Increased NPL handing effort by banks through write-offs, disposals, collections, and securitization, etc. is the key factor underlying the stable NPL ratio.

We expect system NPL ratio to stay at the current level or even mildly decrease in the next few quarters. Nonetheless, we assume a moderate level of asset quality pressure to persist in 2017E-19E in our model, with the NPL ratio of banks under coverage to increase by 3bps-9bps in 2017E, 4bps-9bps in 2018E, and 2bps-13bps in 2019E.

Exhibit 9: System non-interest income to operating income ratio (%)



Source(s): CBRC



### Scale of loan provisions would be steady

Since NPL ratio can be managed through multiple measures, indicative ability such ratio has been reducing. Instead, the level of risk buffer (i.e. provisioning ratio) is becoming a more reliable indicator of a bank's ability to counter asset quality risk.

The size of banks' provision expenses has increased significantly in past years, resulting in slower profit growth. Meanwhile, system provision ratio rose from 2.84% in 1Q14 to 3.11% in 1Q17. Latest financial results showed the scale of provision expenses in banks has turned stable in 4Q16 and 1Q17.

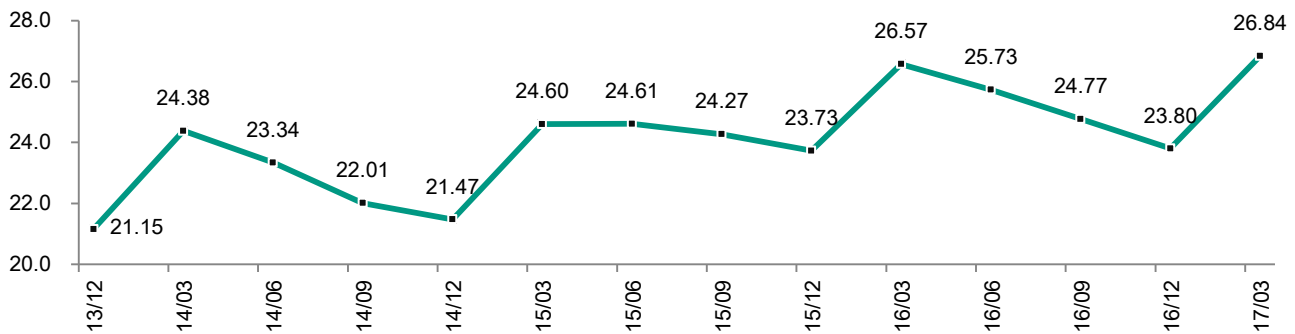
Our base case assumes the continuation of a large provision policy as we believe banks would keep strengthening their risk buffer. The scale of provision expenses, however, would be more or less stable, which would be beneficial to banks' earnings.

### Improving revenue mix through fee income growth

Aligning with the National Financial Working Congress's goal to enhance structure of the financial sector, banks would emphasize on expanding the sources of non-interest income. With faster development in product innovation and mixed operation, the sources of fee income would continue to increase while the growth in net fee income would accelerate.

System non-interest income-to-operating income ratio was marked at 26.84% in 1Q17, indicating an improving revenue mix in China banks. We forecast such ratio to exceed 30% in 2017E-19E. In the near term, we believe online banking, investment banking, wealth management products (WMPs), and traditional bank card fees would be the key fee income drivers.

Exhibit 10: System non-interest income to operating income ratio (%)



Source(s): CBRC

### Mixed operation is a double-edged sword

Acceleration of mixed operation is a double-edged sword. On one hand, it reduces banks' reliance on net interest income and diversifies operation risk; on the other hand, it will lead to higher policy risk and capital needs, especially when risk prevention and monitoring was emphasized during the National Financial Working Congress.





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China Banks Sector- Overweight  
Aug 2, 2017

Going forward, we believe more well-specified policies and regulations would be rolled out to tighten discipline in the market. Similar to the WMP business in its early days, fast-growth businesses would encounter higher policy risk. Nevertheless, banks are highly adaptive to changes. Increased regulatory control, despite its short-term impacts, would ultimately lead to a healthier business environment with lower systematic risk and higher degree of free competition.



Exhibit 11: Change of key assumptions (RMB mn)

	ICBC	CCB	ABC	BOC	BoCom	CMB	MSB	CEB	CITICB	BoCQ	HB	HRB
2017												
Net profit (old)	285,628	232,457	187,800	176,669	67,380	61,849	48,278	33,038	43,899	3,959	7,174	5,336
Net profit (new)	281,352	238,123	192,157	167,499	66,226	69,046	48,517	30,650	41,839	3,802	7,018	5,383
Changes (%)	(1.50)	2.44	2.32	(5.19)	(1.71)	11.64	0.50	(7.23)	(4.69)	(3.97)	(2.17)	0.88
2018												
Net profit (old)	301,208	244,616	194,872	186,634	69,863	66,725	52,966	34,855	47,926	4,494	7,649	6,237
Net profit (new)	286,249	261,244	200,096	181,274	70,926	77,356	50,278	31,511	45,552	4,136	7,717	5,997
Changes (%)	(4.97)	6.80	2.68	(2.87)	1.52	15.93	(5.07)	(9.59)	(4.95)	(7.97)	0.89	(3.85)
2017												
Topline (old)	751,223	665,598	610,252	539,076	217,856	241,183	181,921	111,295	181,362	10,985	22,765	15,989
Topline (new)	675,184	599,236	564,905	491,020	201,463	226,833	159,926	100,266	164,662	10,791	22,240	15,669
Changes (%)	(10.12)	(9.97)	(7.43)	(8.91)	(7.52)	(5.95)	(12.09)	(9.91)	(9.21)	(1.77)	(2.31)	(2.00)
2018												
Topline (old)	804,052	705,005	648,001	570,611	232,664	266,285	201,197	122,314	201,369	12,532	25,464	18,546
Topline (new)	714,642	659,046	606,713	527,829	217,379	249,180	172,701	109,286	182,704	12,115	24,065	17,731
Changes (%)	(11.12)	(6.52)	(6.37)	(7.50)	(6.57)	(6.42)	(14.16)	(10.65)	(9.27)	(3.33)	(5.49)	(4.39)
2017												
NIM (old)	2.33	2.44	2.39	1.94	1.90	2.51	2.01	2.03	2.05	2.30	2.59	2.42
NIM (new)	2.01	2.03	2.19	1.65	1.63	2.32	1.59	1.66	1.84	2.17	2.45	2.30
Changes (%)	(0.32)	(0.41)	(0.20)	(0.29)	(0.27)	(0.19)	(0.42)	(0.37)	(0.21)	(0.13)	(0.14)	(0.12)
2018												
NIM (old)	2.31	2.33	2.28	1.86	1.79	2.40	1.93	1.95	1.93	2.29	2.55	2.38
NIM (new)	1.99	2.00	2.15	1.66	1.57	2.28	1.45	1.61	1.78	2.07	2.27	2.17
Changes (%)	(0.32)	(0.33)	(0.13)	(0.20)	(0.22)	(0.12)	(0.48)	(0.34)	(0.15)	(0.22)	(0.28)	(0.21)
2017												
NPL% (old)	1.90	1.88	2.80	1.78	1.88	1.98	1.93	2.17	1.78	1.35	1.35	1.84
NPL% (new)	1.68	1.59	2.40	1.50	1.56	1.92	1.75	1.65	1.76	1.05	1.15	1.60
Changes (%)	(0.22)	(0.29)	(0.40)	(0.28)	(0.32)	(0.06)	(0.18)	(0.52)	(0.02)	(0.30)	(0.20)	(0.24)
2018												
NPL% (old)	2.00	1.99	2.90	1.92	1.95	2.07	2.01	2.29	1.93	1.51	1.52	1.99
NPL% (new)	1.73	1.65	2.45	1.54	1.61	1.97	1.80	1.71	1.81	1.13	1.24	1.69
Changes (%)	(0.27)	(0.34)	(0.45)	(0.38)	(0.34)	(0.10)	(0.21)	(0.58)	(0.12)	(0.38)	(0.28)	(0.30)
2017												
Prov % (old)	2.88	2.85	4.62	2.68	2.82	3.00	2.90	3.28	2.68	2.72	2.76	2.81
Prov % (new)	2.30	2.40	4.30	2.65	2.40	3.45	2.68	2.50	2.68	2.85	2.96	2.62
Changes (%)	(0.58)	(0.45)	(0.32)	(0.03)	(0.42)	0.45	(0.22)	(0.78)	-	0.13	0.20	(0.19)
2018												
Prov%(old)	3.00	3.00	4.75	2.90	2.93	3.16	3.03	3.50	2.92	2.85	2.87	2.99
Prov%(new)	2.40	2.48	4.45	2.68	2.50	3.50	2.73	2.58	2.73	2.90	3.02	2.70
Changes (%)	(0.60)	(0.52)	(0.30)	(0.22)	(0.43)	0.34	(0.30)	(0.92)	(0.19)	0.05	0.15	(0.29)
2017												
Prov. coverage (old)	151.58	151.60	165.00	150.56	150.00	151.52	150.26	151.15	150.56	201.48	204.44	152.72
Prov. coverage (new)	136.90	150.94	179.20	176.70	153.85	179.69	153.14	151.52	152.27	271.40	257.39	163.75
Changes (%)	(14.68)	(0.66)	14.20	26.14	3.85	28.17	2.88	0.37	1.71	69.92	52.95	11.03
2018												
Prov. coverage (old)	150.00	150.75	163.79	151.04	150.26	152.66	150.75	152.84	151.30	188.74	188.82	150.25
Prov. coverage (new)	138.73	150.30	181.60	174.00	155.28	177.66	151.67	150.88	150.83	256.60	243.55	159.76
Changes (%)	(11.27)	(0.45)	17.81	22.96	5.02	25.00	0.92	(1.96)	(0.47)	67.86	54.73	9.51

Source(s): Company, ABCI Securities estimates



## Valuation

### Reiterate OVERWEIGHT rating – big banks continue to be the focus

After the sector re-rating in mid-May 2016, share prices of H-share banks consolidated earlier this year in Mar to Apr 2017 following the 2016 and 1Q17 results announcement. The sector valuation rose mildly in July 2017. Big banks such as CCB (939 HK) and ICBC (1398 HK) were the key accumulating targets; among the JSBs, CMB (3968 HK) also attracted a high level of market interest.

With the current sector valuation, we still favor big names, with CCB and ABC (1288 HK) as our sector top picks. We like CCB for its consistently prudent risk management and ABC for its solid risk buffer and higher-than-peer dividend yield.

CMB is our preferred name among JSBs in terms of fundamentals. Based on its current valuation at 1.32x 17E P/B, however, we believe further upside is limited especially after the recent rally. Market interest for MSB (1988 HK) may resurge in the upcoming result season and we believe the counter offers a decent share price upside.

As mentioned in our previous reports, we expect another round of sector re-rating to take place near 4Q17 when financial results of banks attest to a concrete improvement in fundamentals. The China banks sector is currently valued at 0.76x/0.68x 2017E/2018E P/B. Reiterate **OVERWEIGHT** rating.

### Change of assumptions in TP calculation

Adjustments are made to our earnings forecasts for 2017E (adjustment range: -7.23% to +11.64%) and 2018E (adjustment range -7.97% to +15.93%). Also, we roll over our 1-year TP calculation to mid-2018E BVPS and adjust our exchange rate assumption according to forecasts by our economist. Additionally, we revise down the sustainable ROE by 0.43-1.96ppt, cost of equity by 0.67-2.70ppt, and modify the target P/Bs for banks in the range of -1.00% to +13.39%. Consequently, TPs for the banks show changes between 0.13% and 20.47%.

Exhibit 12: Change of target price assumptions

	ICBC	CCB	ABC	BOC	BoCom	CMB	MSB	CEB	CITICB	BoCQ	HB	HRB
(HKD)												
TP (old)	6.84	8.02	4.56	5.01	7.71	25.40	11.73	5.26	6.13	8.20	4.59	2.84
TP (new)	6.96	8.48	4.80	5.02	7.72	30.60	11.79	5.35	6.56	8.36	4.66	3.23
Change (%)	1.75	5.74	5.26	0.20	0.13	20.47	0.51	1.71	7.01	1.95	1.53	13.73
(%)												
Sus. ROE (old)	13.07	13.73	12.96	11.28	11.05	15.47	13.71	12.43	10.80	11.86	12.03	10.72
Sus. ROE (new)	12.38	12.60	11.14	10.73	9.88	15.04	11.81	10.53	8.84	10.64	10.66	10.08
Change (%)	(0.69)	(1.13)	(1.82)	(0.55)	(1.17)	(0.43)	(1.90)	(1.90)	(1.96)	(1.22)	(1.37)	(0.64)
(%)												
COE (old)	13.27	13.70	14.00	12.47	12.71	13.27	13.67	14.47	13.67	13.67	13.67	13.67
COE (new)	12.12	12.12	11.30	11.80	11.80	12.59	11.87	11.80	11.66	11.73	11.80	11.80
Change (%)	(1.15)	(1.58)	(2.70)	(0.67)	(0.91)	(0.68)	(1.80)	(2.67)	(2.01)	(1.94)	(1.87)	(1.87)
(x)												
Target P/B (old)	0.98	1.01	0.88	0.84	0.78	1.27	1.00	0.78	0.67	0.79	0.81	0.66
Target P/B (new)	1.03	1.05	0.98	0.89	0.81	1.44	0.99	0.86	0.74	0.81	0.80	0.70
Change (%)	5.10	3.96	11.36	5.95	3.85	13.39	(1.00)	10.26	10.45	2.53	(1.23)	6.06

Source(s): Company, ABCI Securities estimates



**Sector Valuation Summary (Data as of Aug 1, 2017)**

Company	Ticker	Rating	TP (HK\$)	Upside (%)	FY17F P/E(x)	FY18F P/E (x)	FY17F P/B (x)	FY18F P/B (x)	FY17F Yield (%)	FY18F Yield (%)
ICBC	1398 HK	BUY	6.96	25.63	6.40	6.32	0.86	0.78	4.61	4.61
CCB	939 HK	BUY	8.48	29.07	6.23	5.69	0.86	0.78	4.90	5.24
ABC	1288 HK	BUY	4.80	30.43	5.72	5.53	0.79	0.72	5.43	5.43
BOC	3988 HK	BUY	5.02	28.06	6.42	5.89	0.73	0.67	5.10	5.38
BoCom	3328 HK	BUY	7.72	31.52	6.15	5.75	0.64	0.59	5.11	5.29
CMB	3968 HK	BUY	30.60	16.35	8.65	7.72	1.32	1.17	3.46	3.88
MSB	1988 HK	BUY	11.79	46.64	5.49	5.33	0.71	0.65	4.28	4.56
CITICB	998 HK	BUY	6.56	26.64	5.62	5.19	0.61	0.56	4.50	4.93
CEB	6818 HK	BUY	5.35	39.69	5.48	5.39	0.65	0.59	3.77	3.77
HB	3698 HK	BUY	4.66	22.96	5.60	5.10	0.71	0.61	4.69	4.98
HRB	6138 HK	BUY	3.23	30.77	4.54	4.05	0.58	0.50	5.39	6.29
BoCQ	1963 HK	BUY	8.36	25.71	4.91	4.54	0.69	0.61	5.34	5.68

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	491,331	515,750	553,638
Non-interest income	160,866	169,835	183,853	198,892	214,908
Of which: Fees and commissions	143,391	144,973	157,676	171,442	186,266
<b>Operating income</b>	<b>668,733</b>	<b>641,681</b>	<b>675,184</b>	<b>714,642</b>	<b>768,546</b>
Operating expenses	(203,980)	(176,393)	(191,154)	(207,172)	(223,444)
Amortization	(16,855)	(16,719)	(17,617)	(18,718)	(20,052)
<b>Pre-provision operating profit</b>	<b>447,898</b>	<b>448,569</b>	<b>466,414</b>	<b>488,752</b>	<b>525,049</b>
Impairment loans losses	(86,993)	(87,894)	(102,491)	(113,469)	(121,356)
<b>Operating profit</b>	<b>360,905</b>	<b>360,675</b>	<b>363,923</b>	<b>375,282</b>	<b>403,693</b>
Non-operating income	2,330	2,604	2,916	3,208	3,465
<b>Profit before tax</b>	<b>363,235</b>	<b>363,279</b>	<b>366,839</b>	<b>378,490</b>	<b>407,158</b>
Tax	(85,515)	(84,173)	(84,373)	(90,838)	(97,718)
Minority interests	(589)	(857)	(1,114)	(1,404)	(1,755)
<b>Net profit attributable to equity holders</b>	<b>277,131</b>	<b>278,249</b>	<b>281,352</b>	<b>286,249</b>	<b>307,685</b>
Preference share dividend	2,331	4,450	4,488	4,488	4,488
<b>Net profit attributable to ordinary shareholders</b>	<b>274,800</b>	<b>273,799</b>	<b>276,864</b>	<b>281,761</b>	<b>303,197</b>
<b>Growth (%)</b>					
Net interest income	2.91	(7.09)	4.13	4.97	7.35
Non-interest income	13.82	5.58	8.25	8.18	8.05
Of which: Fees and commissions	8.22	1.10	8.76	8.73	8.65
<b>Operating income</b>	<b>5.34</b>	<b>(4.05)</b>	<b>5.22</b>	<b>5.84</b>	<b>7.54</b>
Operating expenses	1.80	(13.52)	8.37	8.38	7.85
Amortization	(7.92)	(0.81)	5.37	6.25	7.13
<b>Pre-provision operating profit</b>	<b>7.62</b>	<b>0.15</b>	<b>3.98</b>	<b>4.79</b>	<b>7.43</b>
Impairment loans losses	53.35	1.04	16.61	10.71	6.95
<b>Operating profit</b>	<b>0.40</b>	<b>(0.06)</b>	<b>0.90</b>	<b>3.12</b>	<b>7.57</b>
Non-operating income	8.02	11.76	12.00	10.00	8.00
<b>Profit before tax</b>	<b>0.45</b>	<b>0.01</b>	<b>0.98</b>	<b>3.18</b>	<b>7.57</b>
Tax	0.22	(1.57)	0.24	7.66	7.57
Minority interests	24.00	45.50	30.00	26.00	25.00
<b>Net profit attributable to equity holders</b>	<b>0.48</b>	<b>0.40</b>	<b>1.12</b>	<b>1.74</b>	<b>7.49</b>
Preference share dividend	na	90.91	0.86	0.00	0.00
<b>Net profit attributable to ordinary shareholders</b>	<b>(0.37)</b>	<b>(0.36)</b>	<b>1.12</b>	<b>1.77</b>	<b>7.61</b>
<b>Per share (RMB)</b>					
EPS	0.77	0.77	0.78	0.79	0.85
BVPS	4.80	5.29	5.83	6.38	6.98
DPS	0.23	0.23	0.23	0.23	0.24
<b>Key ratio (%)</b>					
Net interest margin	2.47	2.16	2.01	1.99	1.99
Net interest spread	2.30	2.03	1.81	1.82	1.82
Cost to income ratio	30.50	27.49	28.31	28.99	29.07
Return on average assets	1.29	1.20	1.12	1.04	1.02
Return on average equity	16.69	14.80	13.61	12.66	12.47
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	14,017,952	15,431,880	17,044,094
<b>Total interest earning assets</b>	<b>21,402,534</b>	<b>23,152,396</b>	<b>25,135,243</b>	<b>27,340,596</b>	<b>29,762,384</b>
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
<b>Total assets</b>	<b>22,209,780</b>	<b>24,137,265</b>	<b>26,327,978</b>	<b>28,770,748</b>	<b>31,458,489</b>
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
<b>Total interest bearing liabilities</b>	<b>19,037,773</b>	<b>20,418,465</b>	<b>21,978,527</b>	<b>23,753,350</b>	<b>25,679,384</b>
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	2,117,673	2,584,463	3,126,358
<b>Total liabilities</b>	<b>20,409,261</b>	<b>22,156,102</b>	<b>24,152,754</b>	<b>26,398,454</b>	<b>28,871,375</b>
Share capital	435,782	442,458	442,458	442,458	442,458
Reserves	1,353,692	1,527,293	1,720,784	1,917,255	2,131,446
Minorities	11,045	11,412	11,983	12,582	13,211
<b>Shareholder's equity incl. MI</b>	<b>1,800,519</b>	<b>1,981,163</b>	<b>2,175,225</b>	<b>2,372,295</b>	<b>2,587,115</b>
<b>Growth (%)</b>					
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	9.8	10.1
<b>Total interest earning assets</b>	<b>8.9</b>	<b>7.1</b>	<b>8.2</b>	<b>8.6</b>	<b>8.8</b>
<b>Total assets</b>	<b>8.9</b>	<b>7.8</b>	<b>8.7</b>	<b>9.1</b>	<b>9.3</b>
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
<b>Total interest bearing liabilities</b>	<b>7.9</b>	<b>8.5</b>	<b>7.3</b>	<b>7.6</b>	<b>8.1</b>
<b>Total liabilities</b>	<b>8.1</b>	<b>7.0</b>	<b>8.6</b>	<b>9.0</b>	<b>9.3</b>
<b>Shareholder's equity</b>	<b>20.2</b>	<b>17.1</b>	<b>10.0</b>	<b>9.8</b>	<b>9.1</b>
<b>Key ratio (%)</b>					
Loan to deposits	68.52	69.33	70.31	71.35	72.70
CT1 CAR	13.47	12.87	13.22	13.23	13.23
Total CAR	15.82	14.61	14.96	14.97	14.95
NPL ratio	1.50	1.62	1.68	1.73	1.75
NPL growth	44.19	17.98	13.81	13.48	11.84
Net bad debt charge ratio	0.75	0.69	0.74	0.75	0.72
Provision to total loans	2.35	2.22	2.30	2.40	2.50
Provision coverage ratio	156.34	136.69	136.90	138.73	142.86

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	443,492	489,795	530,615
Non-interest income	128,935	142,061	155,744	169,252	183,082
Of which: Fees and commissions	113,530	118,509	130,323	142,080	154,081
<b>Operating income</b>	<b>586,687</b>	<b>559,860</b>	<b>599,236</b>	<b>659,046</b>	<b>713,697</b>
Operating expenses	(192,222)	(169,302)	(181,444)	(195,686)	(212,132)
Amortization	(2,604)	(2,213)	(2,479)	(2,751)	(3,026)
<b>Pre-provision operation profit</b>	<b>391,861</b>	<b>388,345</b>	<b>415,313</b>	<b>460,609</b>	<b>498,539</b>
Impairment losses on loans	(93,639)	(93,204)	(112,443)	(123,759)	(137,455)
<b>Operating profit</b>	<b>298,222</b>	<b>295,141</b>	<b>302,871</b>	<b>336,850</b>	<b>361,084</b>
Non-operating income	275	69	79	91	105
<b>Profit before tax</b>	<b>298,497</b>	<b>295,210</b>	<b>302,950</b>	<b>336,941</b>	<b>361,189</b>
Tax	(69,611)	(62,821)	(63,620)	(74,127)	(79,462)
Minority interests	(741)	(929)	(1,208)	(1,570)	(2,041)
<b>Net profit attributable to equity holders</b>	<b>228,145</b>	<b>231,460</b>	<b>238,123</b>	<b>261,244</b>	<b>279,687</b>
Preference share dividend	0	1,067	1,067	1,067	1,067
<b>Net profit attributable to ordinary shareholders</b>	<b>228,145</b>	<b>230,393</b>	<b>237,056</b>	<b>260,177</b>	<b>278,619</b>
<b>Growth (%)</b>					
Net interest income	4.7	(8.7)	6.1	10.4	8.3
Non-interest income	8.0	10.2	9.6	8.7	8.2
Of which: Fees and commissions	4.6	4.4	10.0	9.0	8.4
<b>Operating income</b>	<b>5.4</b>	<b>(4.6)</b>	<b>7.0</b>	<b>10.0</b>	<b>8.3</b>
Operating expenses	(0.7)	(11.9)	7.2	7.8	8.4
Amortization	6.1	(15.0)	12.0	11.0	10.0
<b>Pre-provision operation profit</b>	<b>8.6</b>	<b>(0.9)</b>	<b>6.9</b>	<b>10.9</b>	<b>8.2</b>
Impairment losses on loans	51.2	(0.5)	20.6	10.1	11.1
<b>Operating profit</b>	<b>(0.2)</b>	<b>(1.0)</b>	<b>2.6</b>	<b>11.2</b>	<b>7.2</b>
Non-operating income	12.2	(74.9)	15.0	15.0	15.0
<b>Profit before tax</b>	<b>(0.2)</b>	<b>(1.1)</b>	<b>2.6</b>	<b>11.2</b>	<b>7.2</b>
Tax	(1.7)	(9.8)	1.3	16.5	7.2
Minority interests	77.7	25.4	30.0	30.0	30.0
<b>Net profit attributable to equity holders</b>	<b>0.1</b>	<b>1.5</b>	<b>2.9</b>	<b>9.7</b>	<b>7.1</b>
Preference share dividend	na	na	0.0	0.0	0.0
<b>Net profit attributable to ordinary shareholders</b>	<b>0.1</b>	<b>1.0</b>	<b>2.9</b>	<b>9.8</b>	<b>7.1</b>
<b>Per share (RMB)</b>					
EPS	0.91	0.92	0.95	1.04	1.11
BVPS	5.78	6.28	6.89	7.62	8.41
DPS	0.27	0.28	0.29	0.31	0.34
<b>Key ratio (%)</b>					
Net interest margin	2.63	2.20	2.03	2.00	1.96
Net interest spread	2.47	2.07	1.86	1.88	1.87
Cost to income ratio	33.21	30.64	30.69	30.11	30.15
Return on average assets	1.30	1.18	1.07	1.04	0.99
Return on average equity	17.05	15.38	14.35	14.24	13.82
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	12,733,537	14,092,395	15,566,541
<b>Total interest earning assets</b>	<b>17,881,945</b>	<b>20,264,662</b>	<b>22,830,318</b>	<b>25,646,259</b>	<b>28,696,681</b>
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
<b>Total assets</b>	<b>18,349,489</b>	<b>20,963,705</b>	<b>23,671,952</b>	<b>26,632,187</b>	<b>29,851,643</b>
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
<b>Total interest bearing liabilities</b>	<b>16,485,835</b>	<b>18,906,853</b>	<b>21,272,598</b>	<b>23,886,407</b>	<b>26,715,814</b>
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	594,030	753,775	943,909
<b>Total liabilities</b>	<b>16,904,406</b>	<b>19,374,051</b>	<b>21,915,758</b>	<b>24,693,268</b>	<b>27,717,070</b>
Share capital	269,670	269,670	269,670	269,670	269,670
Reserves	1,164,350	1,306,830	1,473,370	1,656,094	1,851,748
Minorities	11,063	13,154	13,154	13,154	13,154
<b>Shareholder's equity</b>	<b>1,445,083</b>	<b>1,589,654</b>	<b>1,756,194</b>	<b>1,938,918</b>	<b>2,134,572</b>
<b>Growth (%)</b>					
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	10.8	10.7	10.5
<b>Total interest earning assets</b>	<b>9.4</b>	<b>13.3</b>	<b>12.7</b>	<b>12.3</b>	<b>11.9</b>
<b>Total assets</b>	<b>9.6</b>	<b>14.2</b>	<b>12.9</b>	<b>12.5</b>	<b>12.1</b>
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
<b>Total interest bearing liabilities</b>	<b>9.0</b>	<b>14.7</b>	<b>12.5</b>	<b>12.3</b>	<b>11.8</b>
<b>Total liabilities</b>	<b>9.1</b>	<b>14.6</b>	<b>13.1</b>	<b>12.7</b>	<b>12.2</b>
<b>Shareholder's equity</b>	<b>15.4</b>	<b>10.0</b>	<b>10.5</b>	<b>10.4</b>	<b>10.1</b>
<b>Key ratio (%)</b>					
Loan to deposits	73.86	71.82	69.96	68.93	68.08
CT1 CAR	13.13	12.98	12.45	11.84	11.64
Total CAR	15.39	14.94	14.32	13.57	13.30
NPL ratio	1.58	1.52	1.59	1.65	1.69
NPL growth	46.66	7.66	16.09	14.94	13.22
Net bad debt charge ratio	0.63	0.55	0.60	0.59	0.60
Provision to total loans	2.39	2.29	2.40	2.48	2.55
Provision coverage	150.99	150.36	150.94	150.30	150.89

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	440,762	472,117	513,465
Non-interest income	104,722	112,024	124,143	134,595	143,832
Of which: Fees and commissions	82,549	90,935	99,347	107,038	114,292
<b>Operating income</b>	<b>540,862</b>	<b>510,128</b>	<b>564,905</b>	<b>606,713</b>	<b>657,298</b>
Operating expenses	(206,200)	(178,021)	(195,050)	(212,487)	(230,697)
Amortization	(19,633)	(19,037)	(20,560)	(22,205)	(23,981)
<b>Pre-provision operating profit</b>	<b>315,029</b>	<b>313,070</b>	<b>349,295</b>	<b>372,021</b>	<b>402,619</b>
Impairment loans losses	(84,172)	(86,446)	(105,870)	(118,499)	(126,843)
<b>Profit before tax</b>	<b>230,857</b>	<b>226,624</b>	<b>243,425</b>	<b>253,521</b>	<b>275,776</b>
Tax	(50,083)	(42,564)	(51,119)	(53,239)	(57,913)
Minority interests	(192)	(119)	(149)	(186)	(232)
<b>Net profit attributable to equity holders</b>	<b>180,582</b>	<b>183,941</b>	<b>192,157</b>	<b>200,096</b>	<b>217,630</b>
Preference share dividend	4,600	4,600	4,600	4,600	4,600
<b>Net profit attributable to ordinary shareholders</b>	<b>175,982</b>	<b>179,341</b>	<b>187,557</b>	<b>195,496</b>	<b>213,030</b>
<b>Growth (%)</b>					
Net interest income	1.5	(8.7)	10.7	7.1	8.8
Non-interest income	11.1	7.0	10.8	8.4	6.9
Of which: Fees and commissions	3.0	10.2	9.3	7.7	6.8
<b>Operating income</b>	<b>3.2</b>	<b>(5.7)</b>	<b>10.7</b>	<b>7.4</b>	<b>8.3</b>
Operating expenses	0.8	(13.7)	9.6	8.9	8.6
Amortization	1.6	(3.0)	8.0	8.0	8.0
<b>Pre-provision operating profit</b>	<b>4.9</b>	<b>(0.6)</b>	<b>11.6</b>	<b>6.5</b>	<b>8.2</b>
Impairment loans losses	23.8	2.7	22.5	11.9	7.0
<b>Profit before tax</b>	<b>(0.6)</b>	<b>(1.8)</b>	<b>7.4</b>	<b>4.1</b>	<b>8.8</b>
Tax	(5.1)	(15.0)	20.1	4.1	8.8
Minority interests	291.8	(38.0)	25.0	25.0	25.0
<b>Net profit attributable to equity holders</b>	<b>0.6</b>	<b>1.9</b>	<b>4.5</b>	<b>4.1</b>	<b>8.8</b>
Preference share dividend	91.7	0.0	0.0	0.0	0.0
<b>Net profit attributable to ordinary shareholders</b>	<b>(0.6)</b>	<b>1.9</b>	<b>4.6</b>	<b>4.2</b>	<b>9.0</b>
<b>Per share (RMB)</b>					
EPS	0.55	0.55	0.58	0.60	0.66
BVPS	3.48	3.81	4.21	4.63	5.10
DPS	0.17	0.17	0.18	0.18	0.19
<b>Key ratio (%)</b>					
Net interest margin	2.66	2.25	2.19	2.15	2.12
Net interest spread	2.49	2.11	2.01	2.02	2.02
Cost to income ratio	38.12	34.90	34.53	35.02	35.10
Return on average assets	1.07	0.98	0.93	0.88	0.87
Return on average equity	16.12	14.55	13.89	13.19	13.10
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	10,125,173	10,988,132	11,906,871
<b>Total interest earning assets</b>	<b>17,279,763</b>	<b>18,991,217</b>	<b>20,955,792</b>	<b>23,116,727</b>	<b>25,443,792</b>
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
<b>Total assets</b>	<b>17,791,393</b>	<b>19,570,061</b>	<b>21,606,871</b>	<b>23,849,572</b>	<b>26,268,290</b>
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
<b>Total interest bearing liabilities</b>	<b>15,519,361</b>	<b>17,175,333</b>	<b>19,039,502</b>	<b>21,025,995</b>	<b>23,136,435</b>
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	1,099,457	1,219,751	1,377,224
<b>Total liabilities</b>	<b>16,579,508</b>	<b>18,248,470</b>	<b>20,154,080</b>	<b>22,259,831</b>	<b>24,526,924</b>
Share capital	404,693	404,693	404,693	404,693	404,693
Reserves	805,398	913,500	1,044,190	1,180,555	1,331,505
Minorities	1,794	3,398	3,908	4,494	5,168
<b>Shareholder's equity</b>	<b>1,211,885</b>	<b>1,321,591</b>	<b>1,452,791</b>	<b>1,589,742</b>	<b>1,741,365</b>
<b>Growth (%)</b>					
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	8.6	8.5	8.4
<b>Total interest earning assets</b>	<b>11.1</b>	<b>9.9</b>	<b>10.3</b>	<b>10.3</b>	<b>10.1</b>
<b>Total assets</b>	<b>11.4</b>	<b>10.0</b>	<b>10.4</b>	<b>10.4</b>	<b>10.1</b>
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
<b>Total interest bearing liabilities</b>	<b>10.9</b>	<b>10.7</b>	<b>10.9</b>	<b>10.4</b>	<b>10.0</b>
<b>Total liabilities</b>	<b>11.0</b>	<b>10.1</b>	<b>10.4</b>	<b>10.4</b>	<b>10.2</b>
<b>Shareholder's equity</b>	<b>17.4</b>	<b>8.9</b>	<b>9.9</b>	<b>9.4</b>	<b>9.5</b>
<b>Key ratio (%)</b>					
Loan to deposits	65.04	63.89	62.55	61.35	60.30
CT1 CAR	10.24	10.38	10.69	10.68	10.62
Total CAR	13.40	13.04	13.30	13.30	13.24
NPL ratio	2.39	2.37	2.40	2.45	2.50
NPL growth	71.50	8.44	10.00	10.96	10.69
Net bad debt charge ratio	0.96	0.85	1.02	1.05	1.03
Provision to total loans	4.40	4.50	4.30	4.45	4.55
Provision coverage ratio	189.43	173.40	179.17	181.63	182.00

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	302,042	329,196	362,246
Non-interest income	145,262	179,608	188,978	198,633	208,578
Of which: Fees and commissions	92,410	88,664	90,437	93,150	96,411
<b>Operating income</b>	<b>473,912</b>	<b>485,656</b>	<b>491,020</b>	<b>527,829</b>	<b>570,824</b>
Operating expenses	(185,401)	(175,069)	(184,166)	(195,574)	(209,225)
Amortization	(13,218)	(13,175)	(13,570)	(14,113)	(14,819)
<b>Pre-provision operating profit</b>	<b>288,511</b>	<b>310,587</b>	<b>306,855</b>	<b>332,255</b>	<b>361,599</b>
Impairment losses on loans	(59,274)	(89,072)	(78,062)	(84,891)	(96,011)
<b>Operating profit</b>	<b>229,237</b>	<b>221,515</b>	<b>228,793</b>	<b>247,364</b>	<b>265,589</b>
Non-operating income	2,334	897	1,121	1,402	1,752
<b>Profit before tax</b>	<b>231,571</b>	<b>222,412</b>	<b>229,914</b>	<b>248,765</b>	<b>267,341</b>
Tax	(52,154)	(38,361)	(41,385)	(44,778)	(48,121)
Minority interests	(8,572)	(19,473)	(21,031)	(22,713)	(24,530)
<b>Net profit attributable to equity holders</b>	<b>170,845</b>	<b>164,578</b>	<b>167,499</b>	<b>181,274</b>	<b>194,689</b>
Preference share dividend	6,718	5,178	5,178	5,178	5,178
<b>Net profit attributable to ordinary shareholders</b>	<b>164,126</b>	<b>159,400</b>	<b>162,321</b>	<b>176,096</b>	<b>189,511</b>
<b>Growth (%)</b>					
Net interest income	2.4	(6.9)	(1.3)	9.0	10.0
Non-interest income	7.4	23.6	5.2	5.1	5.0
Of which: Fees and commissions	1.3	(4.1)	2.0	3.0	3.5
<b>Operating income</b>	<b>3.9</b>	<b>2.5</b>	<b>1.1</b>	<b>7.5</b>	<b>8.1</b>
Operating expenses	4.3	(5.6)	5.2	6.2	7.0
Amortization	0.0	(0.3)	3.0	4.0	5.0
<b>Pre-provision operating profit</b>	<b>3.6</b>	<b>7.7</b>	<b>(1.2)</b>	<b>8.3</b>	<b>8.8</b>
Impairment losses on loans	22.5	50.3	(12.4)	8.7	13.1
<b>Operating profit</b>	<b>(0.4)</b>	<b>(3.4)</b>	<b>3.3</b>	<b>8.1</b>	<b>7.4</b>
Non-operating income	77.0	(61.6)	25.0	25.0	25.0
<b>Profit before tax</b>	<b>0.0</b>	<b>(4.0)</b>	<b>3.4</b>	<b>8.2</b>	<b>7.5</b>
Tax	(3.9)	(26.4)	7.9	8.2	7.5
Minority interests	8.0	8.0	8.0	8.0	8.0
<b>Net profit attributable to equity holders</b>	<b>0.7</b>	<b>(3.7)</b>	<b>1.8</b>	<b>8.2</b>	<b>7.4</b>
Preference share dividend	10.4	(22.9)	(0.0)	0.0	0.0
<b>Net profit attributable to ordinary shareholders</b>	<b>0.4</b>	<b>(2.9)</b>	<b>1.8</b>	<b>8.5</b>	<b>7.6</b>
<b>Per share (RMB)</b>					
EPS	0.56	0.54	0.55	0.60	0.64
BVPS	4.09	4.46	4.85	5.28	5.75
DPS	0.18	0.17	0.18	0.19	0.19
<b>Key ratio (%)</b>					
Net interest margin	2.12	1.83	1.65	1.66	1.67
Net interest spread	1.97	1.69	1.53	1.56	1.59
Cost to income ratio	39.12	36.05	37.51	37.05	36.65
Return on average assets	1.07	0.94	0.88	0.87	0.86
Return on average equity	13.97	12.12	11.40	11.40	11.30
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	10,630,033	11,673,129	12,812,957
<b>Total interest earning assets</b>	<b>15,380,731</b>	<b>16,616,566</b>	<b>18,205,221</b>	<b>19,953,112</b>	<b>21,836,728</b>
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
<b>Total assets</b>	<b>16,815,597</b>	<b>18,148,889</b>	<b>19,852,752</b>	<b>21,712,076</b>	<b>23,595,692</b>
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
<b>Total interest bearing liabilities</b>	<b>14,670,354</b>	<b>15,919,631</b>	<b>17,492,069</b>	<b>19,132,661</b>	<b>20,851,676</b>
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	580,589	630,661	629,418
<b>Total liabilities</b>	<b>15,457,992</b>	<b>16,661,797</b>	<b>18,231,981</b>	<b>19,942,350</b>	<b>21,660,123</b>
Share capital	394,102	394,102	394,102	394,102	394,102
Reserves	910,844	1,017,580	1,132,406	1,258,738	1,397,698
Minority interest	52,659	75,410	94,263	116,886	143,769
<b>Total shareholders' equity</b>	<b>1,357,605</b>	<b>1,487,092</b>	<b>1,620,771</b>	<b>1,769,726</b>	<b>1,935,569</b>
<b>Growth (%)</b>					
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	9.5	9.8	9.8
<b>Total interest earning assets</b>	<b>5.9</b>	<b>8.0</b>	<b>9.6</b>	<b>9.6</b>	<b>9.4</b>
<b>Total assets</b>	<b>10.3</b>	<b>7.9</b>	<b>9.4</b>	<b>9.4</b>	<b>8.7</b>
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
<b>Total interest bearing liabilities</b>	<b>8.3</b>	<b>8.5</b>	<b>9.9</b>	<b>9.4</b>	<b>9.0</b>
<b>Total liabilities</b>	<b>9.9</b>	<b>7.8</b>	<b>9.4</b>	<b>9.4</b>	<b>8.6</b>
<b>Shareholders' equity</b>	<b>14.7</b>	<b>9.5</b>	<b>9.0</b>	<b>9.2</b>	<b>9.4</b>
<b>Key ratio (%)</b>					
Loan to deposits	72.23	72.03	71.52	71.54	71.77
Core CAR	12.07	12.28	12.63	12.30	12.26
Total CAR	14.06	14.28	15.80	15.36	15.27
NPL ratio	1.43	1.46	1.50	1.54	1.60
NPL growth	30.25	11.54	12.18	12.78	14.11
Net bad debt charge ratio	0.67	0.93	0.75	0.74	0.76
Provision to total loans	2.62	2.62	2.65	2.68	2.74
Provision coverage ratio	153.30	178.97	176.67	174.03	171.25

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	137,835	149,472	161,809
Non-interest income	50,386	59,191	63,628	67,907	72,153
Of which: Fees and commissions	35,027	36,795	39,821	42,773	45,711
<b>Operating income</b>	<b>194,558</b>	<b>194,062</b>	<b>201,463</b>	<b>217,379</b>	<b>233,962</b>
Operating expenses	(81,386)	(79,472)	(86,046)	(93,558)	(101,458)
<b>Pre-provision operating profit</b>	<b>113,172</b>	<b>114,590</b>	<b>115,417</b>	<b>123,820</b>	<b>132,505</b>
Impairment losses on loans	(27,160)	(28,480)	(31,028)	(33,481)	(35,335)
<b>Profit before tax</b>	<b>86,012</b>	<b>86,110</b>	<b>84,388</b>	<b>90,339</b>	<b>97,169</b>
Tax	(19,181)	(18,459)	(17,722)	(18,971)	(20,406)
Minorities interests	303	441	441	441	441
<b>Net profit attributable to equity holders</b>	<b>66,528</b>	<b>67,210</b>	<b>66,226</b>	<b>70,926</b>	<b>76,323</b>
Preference share dividend	884	1,282	2,551	2,551	2,551
<b>Net profit attributable to ordinary shareholders</b>	<b>65,644</b>	<b>65,928</b>	<b>63,675</b>	<b>68,375</b>	<b>73,772</b>
<b>Growth (%)</b>					
Net interest income	7.0	(6.5)	2.2	8.4	8.3
Non-interest income	14.9	17.5	7.5	6.7	6.3
Of which: Fees and commissions	18.3	5.0	8.2	7.4	6.9
<b>Operating income</b>	<b>8.9</b>	<b>(0.3)</b>	<b>3.8</b>	<b>7.9</b>	<b>7.6</b>
Operating expenses	11.1	(2.4)	8.3	8.7	8.4
<b>Pre-provision operating profit</b>	<b>7.4</b>	<b>1.3</b>	<b>0.7</b>	<b>7.3</b>	<b>7.0</b>
Impairment losses on loans	32.9	4.9	8.9	7.9	5.5
<b>Profit before tax</b>	<b>1.3</b>	<b>0.1</b>	<b>(2.0)</b>	<b>7.1</b>	<b>7.6</b>
Tax	1.5	(3.8)	(4.0)	7.1	7.6
Minorities & other dilutions	63.8	45.5	5.0	5.0	5.0
<b>Net profit attributable to equity holders</b>	<b>1.0</b>	<b>1.0</b>	<b>(1.5)</b>	<b>7.1</b>	<b>7.6</b>
Preference share dividend	na	45.1	98.9	0.0	0.0
<b>Net profit attributable to ordinary shareholders</b>	<b>(0.3)</b>	<b>0.4</b>	<b>(3.4)</b>	<b>7.4</b>	<b>7.9</b>
<b>Per share (RMB)</b>					
EPS	0.90	0.89	0.86	0.92	0.99
BVPS	7.00	7.67	8.29	8.98	9.73
DPS	0.27	0.27	0.27	0.28	0.30
<b>Key ratio (%)</b>					
Net interest margin	2.17	1.80	1.63	1.57	1.51
Net interest spread	2.02	1.67	1.47	1.42	1.39
Cost to income ratio	41.83	40.95	42.71	43.04	43.36
Return on average assets	0.99	0.86	0.74	0.70	0.67
Return on average equity	13.23	11.56	10.16	10.12	10.11
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	4,348,952	4,696,494	5,073,446
<b>Total interest earning assets</b>	<b>6,796,546</b>	<b>7,968,660</b>	<b>9,058,347</b>	<b>10,159,181</b>	<b>11,414,042</b>
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
<b>Total assets</b>	<b>7,155,362</b>	<b>8,403,166</b>	<b>9,583,590</b>	<b>10,788,095</b>	<b>12,159,636</b>
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
<b>Total interest bearing liabilities</b>	<b>6,296,159</b>	<b>7,189,164</b>	<b>8,223,753</b>	<b>9,392,255</b>	<b>10,658,342</b>
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	569,462	531,994	558,029
<b>Total liabilities</b>	<b>6,617,270</b>	<b>7,770,759</b>	<b>8,904,339</b>	<b>10,056,928</b>	<b>11,372,269</b>
Share capital	89,187	134,139	134,139	134,139	134,139
Capital surplus	445,698	493,667	541,357	592,710	648,262
Minorities	3,207	3,265	3,755	4,318	4,966
<b>Shareholder's equity</b>	<b>538,092</b>	<b>631,071</b>	<b>679,251</b>	<b>731,167</b>	<b>787,367</b>
<b>Growth (%)</b>					
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	8.5	8.0	8.0
<b>Total interest earning assets</b>	<b>13.6</b>	<b>17.2</b>	<b>13.7</b>	<b>12.2</b>	<b>12.4</b>
<b>Total assets</b>	<b>14.2</b>	<b>17.4</b>	<b>14.0</b>	<b>15.0</b>	<b>12.7</b>
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
<b>Total interest bearing liabilities</b>	<b>13.1</b>	<b>14.2</b>	<b>14.4</b>	<b>14.2</b>	<b>13.5</b>
<b>Total liabilities</b>	<b>14.2</b>	<b>17.4</b>	<b>14.6</b>	<b>12.9</b>	<b>13.1</b>
<b>Shareholder's equity</b>	<b>13.6</b>	<b>17.3</b>	<b>7.6</b>	<b>7.6</b>	<b>7.7</b>
<b>Key ratio (%)</b>					
Loan to deposits	68.05	67.62	65.75	63.54	61.58
CT1 CAR	11.14	11.00	11.69	11.18	10.68
Total CAR	13.49	14.02	14.50	13.79	13.12
NPL ratio	1.51	1.52	1.56	1.61	1.65
NPL growth	30.66	11.02	11.40	11.57	10.77
Net bad debt charge ratio	0.76	0.73	0.73	0.72	0.71
Provision to total loans	2.35	2.29	2.40	2.50	2.55
Provision coverage ratio	155.57	150.50	153.85	155.28	154.55

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	139,073	148,534	160,355
Non-interest income	64,580	75,354	87,760	100,646	113,901
Of which: Fees and commissions	53,009	60,865	70,084	79,788	90,122
<b>Operating income</b>	<b>202,166</b>	<b>209,949</b>	<b>226,833</b>	<b>249,180</b>	<b>274,256</b>
Operating expenses	(67,957)	(65,148)	(71,424)	(78,348)	(85,291)
<b>Pre-provision operating profit</b>	<b>134,209</b>	<b>144,801</b>	<b>155,409</b>	<b>170,832</b>	<b>188,965</b>
Impairment losses on loans	(59,266)	(66,159)	(67,975)	(72,910)	(78,972)
<b>Operating profit</b>	<b>74,943</b>	<b>78,642</b>	<b>87,434</b>	<b>97,922</b>	<b>109,993</b>
Non-operating income	136	321	401	498	612
<b>Profit before tax</b>	<b>75,079</b>	<b>78,963</b>	<b>87,836</b>	<b>98,420</b>	<b>110,605</b>
Tax	(17,061)	(16,583)	(18,445)	(20,668)	(23,227)
Minority interests	(322)	(299)	(344)	(395)	(455)
<b>Net profit attributable to equity holders</b>	<b>57,696</b>	<b>62,081</b>	<b>69,046</b>	<b>77,356</b>	<b>86,923</b>
Preference share dividend	0	0	0	0	0
<b>Net profit attributable to ordinary shareholders</b>	<b>57,696</b>	<b>62,081</b>	<b>69,046</b>	<b>77,356</b>	<b>86,923</b>
<b>Growth (%)</b>					
Net interest income	17.4	(2.2)	3.3	6.8	8.0
Of which: Fees and commissions	34.2	14.8	15.1	13.8	13.0
<b>Operating income</b>	<b>21.5</b>	<b>3.8</b>	<b>8.0</b>	<b>9.9</b>	<b>10.1</b>
Operating expenses	10.7	(4.1)	9.6	9.7	8.9
<b>Pre-provision operating profit</b>	<b>27.9</b>	<b>7.9</b>	<b>7.3</b>	<b>9.9</b>	<b>10.6</b>
Impairment losses on loans	87.1	11.6	2.7	7.3	8.3
<b>Operating profit</b>	<b>2.3</b>	<b>4.9</b>	<b>11.2</b>	<b>12.0</b>	<b>12.3</b>
Non-operating income	(13.9)	136.0	25.0	24.0	23.0
<b>Profit before tax</b>	<b>2.2</b>	<b>5.2</b>	<b>11.2</b>	<b>12.1</b>	<b>12.4</b>
Tax	(1.8)	(2.8)	11.2	12.1	12.4
Minority interests	133.3	(7.1)	15.0	15.0	15.0
<b>Net profit attributable to equity holders</b>	<b>3.2</b>	<b>7.6</b>	<b>11.2</b>	<b>12.0</b>	<b>12.4</b>
Preference share dividend	na	na	na	na	an
<b>Net profit attributable to ordinary shareholders</b>	<b>3.2</b>	<b>7.6</b>	<b>11.2</b>	<b>12.0</b>	<b>12.4</b>
<b>Per share (RMB)</b>					
EPS	2.29	2.46	2.74	3.07	3.45
BVPS	14.31	15.95	18.00	20.30	22.88
DPS	0.69	0.74	0.82	0.92	1.03
<b>Key ratio (%)</b>					
Net interest margin	2.77	2.50	2.32	2.28	2.26
Net interest spread	2.61	2.37	2.17	2.21	2.23
Cost to income ratio	33.61	31.03	31.49	31.44	31.10
Return on average assets	1.13	1.09	1.11	1.14	1.18
Return on average equity	17.09	16.27	16.13	16.02	15.97
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	3,596,330	4,083,787	4,612,993
<b>Total interest earning assets</b>	<b>5,371,208</b>	<b>5,793,732</b>	<b>6,308,467</b>	<b>6,846,753</b>	<b>7,436,134</b>
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
<b>Total assets</b>	<b>5,474,978</b>	<b>5,942,311</b>	<b>6,482,434</b>	<b>7,053,646</b>	<b>7,685,553</b>
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
<b>Total interest bearing liabilities</b>	<b>4,989,591</b>	<b>5,409,392</b>	<b>5,890,863</b>	<b>6,426,528</b>	<b>7,005,739</b>
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	114,656	90,802	77,039
<b>Total liabilities</b>	<b>5,113,220</b>	<b>5,538,949</b>	<b>6,027,501</b>	<b>6,540,787</b>	<b>7,107,589</b>
Share capital	25,220	25,220	25,220	25,220	25,220
Reserves	335,586	377,130	428,702	486,627	551,732
Minorities	952	1,012	1,012	1,012	1,012
<b>Shareholder's equity</b>	<b>361,758</b>	<b>403,362</b>	<b>454,934</b>	<b>512,859</b>	<b>577,964</b>
<b>Growth (%)</b>					
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	14.1	13.6	13.0
<b>Total interest earning assets</b>	<b>15.8</b>	<b>7.9</b>	<b>8.9</b>	<b>8.5</b>	<b>8.6</b>
<b>Total assets</b>	<b>15.7</b>	<b>8.5</b>	<b>9.1</b>	<b>8.8</b>	<b>9.0</b>
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
<b>Total interest bearing liabilities</b>	<b>15.7</b>	<b>8.4</b>	<b>8.9</b>	<b>9.1</b>	<b>9.0</b>
<b>Total liabilities</b>	<b>15.8</b>	<b>8.3</b>	<b>8.8</b>	<b>8.5</b>	<b>8.7</b>
<b>Shareholder's equity</b>	<b>14.8</b>	<b>11.5</b>	<b>12.8</b>	<b>12.7</b>	<b>12.7</b>
<b>Key ratio (%)</b>					
Loan to deposits	66.38	73.28	79.82	83.53	86.89
CT1 CAR	10.83	11.54	11.68	11.91	12.14
Total CAR	12.57	13.33	13.56	13.76	13.95
NPL ratio	1.68	1.87	1.92	1.97	2.00
NPL growth	69.82	28.92	17.01	16.57	14.74
Net bad debt charge ratio	2.22	2.17	1.95	1.83	1.75
Provision to total loans	3.00	3.37	3.45	3.50	3.55
Provision coverage ratio	178.95	180.02	179.69	177.66	177.50

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	95,325	102,417	114,108
Non-interest income	59,483	59,367	64,600	70,284	75,954
Of which: Fees and commissions	51,205	52,261	57,402	62,941	68,434
<b>Operating income</b>	<b>153,751</b>	<b>154,051</b>	<b>159,926</b>	<b>172,701</b>	<b>190,062</b>
Operating expenses	(54,395)	(48,889)	(53,258)	(58,557)	(64,696)
Amortization	(3,781)	(3,535)	(3,959)	(3,959)	(3,959)
<b>Pre-provision operating profit</b>	<b>95,575</b>	<b>101,627</b>	<b>102,708</b>	<b>110,185</b>	<b>121,407</b>
Impairment loans losses	(34,801)	(41,378)	(41,599)	(46,840)	(51,954)
<b>Profit before tax</b>	<b>60,774</b>	<b>60,249</b>	<b>61,109</b>	<b>63,345</b>	<b>69,453</b>
Tax	(13,752)	(11,471)	(11,611)	(12,036)	(13,196)
Minority interests	(911)	(935)	(982)	(1,031)	(1,082)
<b>Net profit attributable to equity holders</b>	<b>46,111</b>	<b>47,843</b>	<b>48,517</b>	<b>50,278</b>	<b>55,174</b>
Preference share dividend	0	20	492	492	492
<b>Net profit attributable to ordinary shareholders</b>	<b>46,111</b>	<b>47,823</b>	<b>48,025</b>	<b>49,787</b>	<b>54,683</b>
<b>Growth (%)</b>					
Net interest income	2.3	0.4	0.7	7.4	11.4
Non-interest income	38.7	(0.2)	8.8	8.8	8.1
Of which: Fees and commissions	33.9	2.1	9.8	9.7	8.7
<b>Operating income</b>	<b>13.9</b>	<b>0.2</b>	<b>3.8</b>	<b>8.0</b>	<b>10.1</b>
Operating expenses	6.5	(10.1)	8.9	9.9	10.5
Amortization	26.3	(6.5)	10.0	12.0	15.0
<b>Pre-provision operating profit</b>	<b>18.1</b>	<b>6.3</b>	<b>1.1</b>	<b>7.3</b>	<b>10.2</b>
Impairment loans losses	64.7	18.9	0.5	12.6	10.9
<b>Profit before tax</b>	<b>1.6</b>	<b>(0.9)</b>	<b>1.4</b>	<b>3.7</b>	<b>9.6</b>
Tax	(3.3)	(16.6)	1.2	3.7	9.6
Minority interests	(10.8)	2.6	5.0	5.0	5.0
<b>Net profit attributable to equity holders</b>	<b>3.5</b>	<b>3.8</b>	<b>1.4</b>	<b>3.6</b>	<b>9.7</b>
Preference share dividend	na	na	2,300.0	0.0	0.0
<b>Net profit attributable to ordinary shareholders</b>	<b>3.5</b>	<b>3.7</b>	<b>0.4</b>	<b>3.7</b>	<b>9.8</b>
<b>Per share (RMB)</b>					
EPS	1.33	1.31	1.32	1.36	1.50
BVPS	8.26	9.12	10.16	11.22	12.37
DPS	0.24	0.28	0.31	0.33	0.38
<b>Key ratio (%)</b>					
Net interest margin	2.26	1.86	1.59	1.45	1.35
Net interest spread	2.09	1.74	1.58	1.55	1.52
Cost to income ratio	35.38	31.74	33.30	33.91	34.04
Return on average assets	1.08	0.92	0.75	0.65	0.60
Return on average equity	17.04	14.86	13.42	12.57	12.53
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	2,846,709	3,353,942	3,919,296
<b>Total interest earning assets</b>	<b>4,250,495</b>	<b>5,598,020</b>	<b>6,766,654</b>	<b>8,112,611</b>	<b>9,658,970</b>
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
<b>Total assets</b>	<b>4,520,688</b>	<b>5,895,877</b>	<b>7,091,877</b>	<b>8,465,191</b>	<b>10,038,569</b>
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
<b>Total interest bearing liabilities</b>	<b>4,075,285</b>	<b>5,326,549</b>	<b>6,436,109</b>	<b>7,756,295</b>	<b>9,327,776</b>
Current taxes	6,170	8,313	11,223	14,589	18,237
Other liabilities	129,450	208,988	253,211	262,580	216,975
<b>Total liabilities</b>	<b>4,210,905</b>	<b>5,543,850</b>	<b>6,700,542</b>	<b>8,033,464</b>	<b>9,562,987</b>
Share capital	36,485	46,377	46,377	46,377	46,377
Reserves	264,733	296,213	334,105	372,869	414,852
Minorities	8,565	9,437	10,853	12,480	14,352
<b>Shareholder's equity</b>	<b>309,783</b>	<b>352,027</b>	<b>391,334</b>	<b>431,726</b>	<b>475,582</b>
<b>Growth (%)</b>					
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
<b>Total interest earning assets</b>	<b>12.6</b>	<b>31.7</b>	<b>20.9</b>	<b>19.9</b>	<b>19.1</b>
<b>Total assets</b>	<b>12.6</b>	<b>30.4</b>	<b>20.3</b>	<b>19.4</b>	<b>18.6</b>
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
<b>Total interest bearing liabilities</b>	<b>13.1</b>	<b>30.7</b>	<b>20.8</b>	<b>20.5</b>	<b>20.3</b>
<b>Total liabilities</b>	<b>11.8</b>	<b>31.7</b>	<b>20.9</b>	<b>19.9</b>	<b>19.0</b>
<b>Shareholder's equity</b>	<b>25.0</b>	<b>13.6</b>	<b>11.2</b>	<b>10.3</b>	<b>10.2</b>
<b>Key ratio (%)</b>					
Loan to deposits	70.46	73.28	75.42	76.06	75.28
CT1 CAR	9.17	8.95	7.44	6.98	6.48
Total CAR	11.49	11.73	10.65	10.44	10.15
NPL ratio	1.60	1.68	1.75	1.80	1.85
NPL growth	55.3	26.25	23.54	21.25	20.18
Net bad debt charge ratio	1.71	1.83	1.54	1.47	1.39
Provision to total loans	2.46	2.62	2.68	2.73	2.79
Provision coverage ratio	153.63	155.41	153.14	151.67	150.81

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	109,508	119,395	125,603
Non-interest income	41,112	48,021	55,155	63,309	72,320
Of which: Fees and commissions	35,674	42,280	48,785	56,253	64,469
<b>Operating income</b>	<b>145,545</b>	<b>154,159</b>	<b>164,662</b>	<b>182,704</b>	<b>197,922</b>
Operating expenses	(50,602)	(47,272)	(53,094)	(59,482)	(66,600)
Amortization	0	0	0	0	0
<b>Pre-provision operating profit</b>	<b>94,943</b>	<b>106,887</b>	<b>111,568</b>	<b>123,222</b>	<b>131,322</b>
Impairment losses on loans	(40,037)	(52,288)	(56,289)	(63,025)	(67,006)
<b>Operating profit</b>	<b>54,906</b>	<b>54,599</b>	<b>55,279</b>	<b>60,198</b>	<b>64,316</b>
Non-operating income	80	9	10	12	14
<b>Profit before tax</b>	<b>54,986</b>	<b>54,608</b>	<b>55,289</b>	<b>60,210</b>	<b>64,330</b>
Tax	(13,246)	(12,822)	(13,269)	(14,450)	(15,439)
Minorities interests	582	157	181	208	239
<b>Net profit attributable to equity holders</b>	<b>41,158</b>	<b>41,629</b>	<b>41,839</b>	<b>45,552</b>	<b>48,652</b>
Preference share dividend	0	0	1,330	1,330	1,330
<b>Net profit attributable to ordinary shareholders</b>	<b>41,158</b>	<b>41,629</b>	<b>40,509</b>	<b>44,222</b>	<b>47,322</b>
<b>Growth (%)</b>					
Net interest income	10.2	1.6	3.2	9.0	5.2
Non-interest income	36.6	16.8	14.9	14.8	14.2
Of which: Fees and commissions	40.9	18.5	15.4	15.3	14.6
<b>Operating income</b>	<b>16.6</b>	<b>5.9</b>	<b>6.8</b>	<b>11.0</b>	<b>8.3</b>
Operating expenses	10.0	(6.6)	12.3	12.0	12.0
Amortization	(100.0)	na	na	na	na
<b>Pre-provision operating profit</b>	<b>21.7</b>	<b>12.6</b>	<b>4.4</b>	<b>10.4</b>	<b>6.6</b>
Impairment losses on loans	69.1	30.6	7.7	12.0	6.3
<b>Operating profit</b>	<b>1.0</b>	<b>(0.6)</b>	<b>1.2</b>	<b>8.9</b>	<b>6.8</b>
Non-operating income	(60.8)	(88.8)	15.0	15.0	15.0
<b>Profit before tax</b>	<b>0.8</b>	<b>(0.7)</b>	<b>1.2</b>	<b>8.9</b>	<b>6.8</b>
Tax	1.0	(3.2)	3.5	8.9	6.8
Minorities interests	(23.6)	(73.0)	15.0	15.0	15.0
<b>Net profit attributable to equity holders</b>	<b>1.1</b>	<b>1.1</b>	<b>0.5</b>	<b>8.9</b>	<b>6.8</b>
Preference share dividend	na	na	na	0.0	0.0
<b>Net profit attributable to ordinary shareholders</b>	<b>1.1</b>	<b>1.1</b>	<b>(2.7)</b>	<b>9.2</b>	<b>7.0</b>
<b>Per share (RMB)</b>					
EPS	0.86	0.85	0.83	0.90	0.97
BVPS	6.49	7.04	7.69	8.40	9.15
DPS	0.21	0.21	0.21	0.23	0.25
<b>Key ratio (%)</b>					
Net interest margin	2.31	2.00	1.84	1.78	1.66
Net interest spread	2.13	1.89	1.53	1.53	1.56
Cost to income ratio	34.77	30.66	32.24	32.56	33.65
Return on average assets	0.89	0.75	0.66	0.64	0.60
Return on average equity	14.26	11.95	10.59	10.63	10.48
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	592,061	633,505	671,516
Interbank assets	338,140	546,653	680,279	822,137	979,125
Investment securities	1,692,127	1,852,670	2,091,326	2,350,875	2,636,235
Net loans and advances	2,468,283	2,802,384	3,135,022	3,522,274	3,970,012
<b>Total interest earning assets</b>	<b>5,009,739</b>	<b>5,755,035</b>	<b>6,498,687</b>	<b>7,328,791</b>	<b>8,256,887</b>
Property and equipment	15,983	17,834	19,796	21,775	23,953
Trading assets	13,788	47,366	59,208	72,825	88,847
Other non-interest earning assets	82,782	110,815	132,343	155,727	181,865
<b>Total assets</b>	<b>5,122,292</b>	<b>5,931,050</b>	<b>6,710,034</b>	<b>7,579,118</b>	<b>8,551,552</b>
Customer deposits	3,182,775	3,639,290	4,018,280	4,452,097	4,949,862
Interbank liabilities	1,188,960	1,185,511	1,470,034	1,764,040	2,063,927
Subordinated debt	289,135	386,946	444,988	511,736	588,496
<b>Total interest bearing liabilities</b>	<b>4,660,870</b>	<b>5,211,747</b>	<b>5,933,302</b>	<b>6,727,874</b>	<b>7,602,286</b>
Trading liabilities	11,418	45,059	56,774	70,400	85,888
Current taxes	4,693	6,364	7,510	8,786	10,192
Other liabilities	125,625	283,384	295,445	319,677	363,015
<b>Total liabilities</b>	<b>4,802,606</b>	<b>5,546,554</b>	<b>6,293,031</b>	<b>7,126,737</b>	<b>8,061,382</b>
Share capital	48,935	83,890	83,890	83,890	83,890
Reserve	268,805	295,334	327,209	361,878	398,873
Minorities	1,946	5,272	5,905	6,613	7,407
<b>Shareholder's equity</b>	<b>319,686</b>	<b>384,496</b>	<b>417,003</b>	<b>452,381</b>	<b>490,170</b>
<b>Growth (%)</b>					
Cash & equivalent	(5.1)	8.2	7.0	7.0	6.0
Interbank assets	13.7	61.7	24.4	20.9	19.1
Investment securities	58.4	9.5	12.9	12.4	12.1
Net loans and advances	15.5	13.5	11.9	12.4	12.7
<b>Total interest earning assets</b>	<b>24.0</b>	<b>14.9</b>	<b>12.9</b>	<b>12.8</b>	<b>12.7</b>
<b>Total assets</b>	<b>23.8</b>	<b>15.8</b>	<b>13.1</b>	<b>13.0</b>	<b>12.8</b>
Customer deposits	11.7	14.3	10.4	10.8	11.2
Interbank liabilities	58.5	(0.3)	24.0	20.0	17.0
Subordinated debt	116.6	33.8	15.0	15.0	15.0
<b>Total interest bearing liabilities</b>	<b>24.8</b>	<b>11.8</b>	<b>13.8</b>	<b>13.4</b>	<b>13.0</b>
<b>Total liabilities</b>	<b>24.1</b>	<b>15.5</b>	<b>13.5</b>	<b>13.2</b>	<b>13.1</b>
<b>Shareholder's equity</b>	<b>19.6</b>	<b>20.3</b>	<b>8.5</b>	<b>8.5</b>	<b>8.4</b>
<b>Key ratio (%)</b>					
Loan to deposits	69.12	68.00	67.77	67.89	68.28
CT1 CAR	9.12	8.64	9.11	8.76	8.55
Total CAR	11.87	11.98	11.32	10.81	10.49
NPL ratio	1.43	1.69	1.76	1.81	1.85
NPL growth	26.70	34.76	16.71	15.60	15.29
Net bad debt charge ratio	1.49	1.69	1.63	1.65	1.57
Provision to total loans	2.39	2.62	2.68	2.73	2.80
Provision coverage ratio	167.81	155.50	152.27	150.83	151.35

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	68,637	74,621	83,209
Non-interest income	26,905	29,077	31,629	34,665	37,918
Of which: Fees and commissions	26,301	28,112	30,559	33,501	36,683
<b>Operating income</b>	<b>93,364</b>	<b>94,365</b>	<b>100,266</b>	<b>109,286</b>	<b>121,127</b>
Operating expenses	(32,354)	(30,254)	(32,889)	(35,752)	(38,888)
<b>Pre-provision operating profit</b>	<b>61,010</b>	<b>64,111</b>	<b>67,377</b>	<b>73,534</b>	<b>82,239</b>
Impairment loans losses	(21,652)	(23,931)	(26,955)	(31,962)	(38,052)
<b>Profit before tax</b>	<b>39,358</b>	<b>40,180</b>	<b>40,422</b>	<b>41,572</b>	<b>44,188</b>
Tax	(9,781)	(9,792)	(9,701)	(9,977)	(10,605)
Minority interests	(49)	(59)	(71)	(84)	(98)
<b>Net profit attributable to equity holders</b>	<b>29,528</b>	<b>30,329</b>	<b>30,650</b>	<b>31,511</b>	<b>33,485</b>
Preference share dividend	0	1,060	1,450	1,450	1,450
<b>Net profit attributable to ordinary shareholders</b>	<b>29,528</b>	<b>29,269</b>	<b>29,200</b>	<b>30,061</b>	<b>32,035</b>
<b>Growth (%)</b>					
Net interest income	14.1	(1.8)	5.1	8.7	11.5
Non-interest income	31.2	8.1	8.8	9.6	9.4
Of which: Fees and commissions	37.3	6.9	8.7	9.6	9.5
<b>Operating income</b>	<b>18.5</b>	<b>1.1</b>	<b>6.3</b>	<b>9.0</b>	<b>10.8</b>
Operating expenses	7.8	(6.5)	8.7	8.7	8.8
<b>Pre-provision operating profit</b>	<b>25.1</b>	<b>5.1</b>	<b>5.1</b>	<b>9.1</b>	<b>11.8</b>
Impairment loans losses	112.1	10.5	12.6	18.6	19.1
<b>Profit before tax</b>	<b>2.1</b>	<b>2.1</b>	<b>0.6</b>	<b>2.8</b>	<b>6.3</b>
Tax	1.6	0.1	(0.9)	2.8	6.3
Minority interests	8.9	20.4	20.0	18.0	17.0
<b>Net profit attributable to equity holders</b>	<b>2.2</b>	<b>2.7</b>	<b>1.1</b>	<b>2.8</b>	<b>6.3</b>
Preference share dividend	na	na	36.8	0.0	0.0
<b>Net profit attributable to ordinary shareholders</b>	<b>2.2</b>	<b>(0.9)</b>	<b>(0.2)</b>	<b>2.9</b>	<b>6.6</b>
<b>Per share (RMB)</b>					
EPS	0.63	0.63	0.63	0.64	0.69
BVPS	4.36	4.72	5.29	5.87	6.49
DPS	0.19	0.12	0.13	0.13	0.14
<b>Key ratio (%)</b>					
Net interest margin	2.25	1.78	1.66	1.61	1.58
Net interest spread	2.01	1.59	1.45	1.44	1.42
Cost to income ratio	34.65	32.06	32.80	32.71	32.10
Return on average assets	1.00	0.84	0.70	0.62	0.58
Return on average equity	14.67	12.80	11.63	10.85	10.52
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	2,082,162	2,437,419	2,839,784
<b>Total interest earning assets</b>	<b>3,079,362</b>	<b>3,882,292</b>	<b>4,545,437</b>	<b>5,231,229</b>	<b>5,971,137</b>
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
<b>Total assets</b>	<b>3,167,710</b>	<b>4,020,042</b>	<b>4,701,342</b>	<b>5,406,216</b>	<b>6,165,908</b>
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
<b>Total interest bearing liabilities</b>	<b>2,864,148</b>	<b>3,500,437</b>	<b>4,030,387</b>	<b>4,609,502</b>	<b>5,255,397</b>
Current taxes	6,392	4,501	5,176	5,953	6,845
Other liabilities	73,123	264,036	388,353	486,156	570,105
<b>Total liabilities</b>	<b>2,943,663</b>	<b>3,768,974</b>	<b>4,423,916</b>	<b>5,101,611</b>	<b>5,832,348</b>
Share capital	66,644	76,626	76,626	76,626	76,626
Reserves	156,849	173,829	200,125	227,238	256,118
Minorities	554	613	674	742	816
<b>Shareholder's equity</b>	<b>224,047</b>	<b>251,068</b>	<b>277,425</b>	<b>304,606</b>	<b>333,559</b>
<b>Growth (%)</b>					
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
<b>Total interest earning assets</b>	<b>15.1</b>	<b>26.1</b>	<b>17.1</b>	<b>15.1</b>	<b>14.1</b>
<b>Total assets</b>	<b>15.7</b>	<b>26.9</b>	<b>16.9</b>	<b>15.0</b>	<b>14.1</b>
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
<b>Total interest bearing liabilities</b>	<b>20.2</b>	<b>22.2</b>	<b>15.1</b>	<b>14.4</b>	<b>14.0</b>
<b>Total liabilities</b>	<b>15.1</b>	<b>28.0</b>	<b>17.4</b>	<b>15.3</b>	<b>14.3</b>
<b>Shareholder's equity</b>	<b>24.8</b>	<b>12.1</b>	<b>10.5</b>	<b>9.8</b>	<b>9.5</b>
<b>Key ratio (%)</b>					
Loan to deposits	75.91	84.65	92.12	97.97	103.59
CT1 CAR	9.24	8.21	8.92	8.65	8.43
Total CAR	10.96	9.68	10.21	9.87	9.60
NPL ratio	1.61	1.60	1.65	1.71	1.76
NPL growth	57.00	17.75	22.77	21.42	20.00
Net bad debt charge ratio	1.43	1.38	1.31	1.33	1.36
Provision to total loans	2.52	2.43	2.50	2.58	2.65
Provision coverage ratio	156.39	152.02	151.52	150.88	150.57

Source(s): Company, ABCI Securities estimates



HB

**Consolidated income statement (2015A-2019E)**

<b>FY Ended Dec 31 (RMB mn)</b>	<b>2015A</b>	<b>2016A</b>	<b>2017E</b>	<b>2018E</b>	<b>2019E</b>
Net interest income	14,841	18,340	18,908	19,915	23,136
Net fee and commission	1,771	2,491	3,238	4,048	4,858
Other operating income	365	87	94	102	110
<b>Operating income</b>	<b>16,977</b>	<b>20,918</b>	<b>22,240</b>	<b>24,065</b>	<b>28,104</b>
Operating expenses	(5,435)	(5,763)	(6,685)	(7,688)	(8,841)
Impairment losses	(3,657)	(6,487)	(6,853)	(6,833)	(7,822)
Share of associates	88	144	182	225	275
<b>Profit before tax</b>	<b>7,973</b>	<b>8,813</b>	<b>8,884</b>	<b>9,769</b>	<b>11,716</b>
Income tax expenses	(1,761)	(1,816)	(1,866)	(2,051)	(2,460)
Minority interests	(51)	(126)	(141)	(141)	(141)
<b>Net profit attributable to equity holders</b>	<b>6,161</b>	<b>6,996</b>	<b>7,018</b>	<b>7,717</b>	<b>9,255</b>
Preference share dividend	0	0	0	0	0
<b>Net profit attributable to ordinary shareholders</b>	<b>6,161</b>	<b>6,996</b>	<b>7,018</b>	<b>7,717</b>	<b>9,255</b>
<b>Growth (%)</b>					
Net interest income	29.9	23.6	3.1	5.3	16.2
Net fee and commission	106.9	40.6	30.0	25.0	20.0
Other operating income	(22.2)	(76.1)	8.0	8.0	8.0
<b>Operating income</b>	<b>33.2</b>	<b>23.2</b>	<b>6.3</b>	<b>8.2</b>	<b>16.8</b>
Operating expenses	28.9	6.0	16.0	15.0	15.0
Impairment losses	205.4	77.4	5.6	(0.3)	14.5
Share of associates	15.2	63.8	26.0	24.0	22.0
<b>Profit before tax</b>	<b>7.6</b>	<b>10.5</b>	<b>0.8</b>	<b>10.0</b>	<b>19.9</b>
Income tax expenses	1.5	3.1	2.7	10.0	19.9
Minority interests	1,319.1	144.7	12.0	12.0	12.0
<b>Net profit attributable to equity holders</b>	<b>8.6</b>	<b>13.6</b>	<b>0.3</b>	<b>10.0</b>	<b>19.9</b>
Preference share dividend	na	na	na	na	na
<b>Net profit attributable to ordinary shareholders</b>	<b>8.6</b>	<b>13.6</b>	<b>0.3</b>	<b>10.0</b>	<b>19.9</b>
<b>Per share (RMB)</b>					
EPS	0.56	0.62	0.61	0.67	0.81
BVPS	3.72	4.15	4.84	5.62	6.53
DPS	0.16	0.16	0.16	0.17	0.21
<b>Key ratio (%)</b>					
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	30.06	31.95	31.46
Return on average assets	1.10	1.01	0.84	0.78	0.79
Return on average equity	15.89	14.65	12.30	11.82	12.37
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	309,077	353,769	404,449
Investment securities	230,397	338,149	428,682	528,320	636,611
<b>Total interest earning assets</b>	<b>620,433</b>	<b>726,341</b>	<b>873,428</b>	<b>1,035,204</b>	<b>1,214,144</b>
Other assets	15,698	28,433	35,541	44,427	55,533
<b>Total assets</b>	<b>636,131</b>	<b>754,774</b>	<b>908,969</b>	<b>1,079,631</b>	<b>1,269,677</b>
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
<b>Total interest bearing liabilities</b>	<b>581,299</b>	<b>652,098</b>	<b>804,986</b>	<b>960,721</b>	<b>1,139,481</b>
Other liabilities	12,486	49,493	43,024	49,257	50,250
<b>Total liabilities</b>	<b>593,785</b>	<b>701,591</b>	<b>848,010</b>	<b>1,009,978</b>	<b>1,189,731</b>
Share capital	11,050	11,050	11,050	11,050	11,050
Retained earnings	13,121	15,457	20,389	25,845	32,455
Reserves	16,988	19,375	22,087	25,180	28,705
Minority interests	1,186	1,312	1,443	1,587	1,746
<b>Total equity</b>	<b>42,345</b>	<b>53,183</b>	<b>60,959</b>	<b>69,652</b>	<b>79,946</b>
<b>Growth (%)</b>					
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	14.8	14.5	14.3
Investment securities	105.1	46.8	26.8	23.2	20.5
<b>Total interest earning assets</b>	<b>30.0</b>	<b>17.1</b>	<b>20.3</b>	<b>18.5</b>	<b>17.3</b>
<b>Total assets</b>	<b>31.8</b>	<b>18.7</b>	<b>20.4</b>	<b>18.8</b>	<b>17.6</b>
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
<b>Total interest bearing liabilities</b>	<b>33.5</b>	<b>12.2</b>	<b>23.4</b>	<b>19.3</b>	<b>18.6</b>
<b>Total liabilities</b>	<b>33.1</b>	<b>18.2</b>	<b>20.9</b>	<b>19.1</b>	<b>17.8</b>
<b>Total equity</b>	<b>15.8</b>	<b>25.6</b>	<b>14.6</b>	<b>14.3</b>	<b>14.8</b>
<b>Key ratio (%)</b>					
Loan to deposits	67.77	60.04	55.15	52.64	50.19
CT1 CAR	9.80	9.42	9.12	8.90	8.80
Total CAR	13.24	12.80	12.34	12.02	11.85
NPL ratio	0.98	1.07	1.15	1.24	1.32
NPL growth	31.01	24.40	23.42	23.49	21.80
Net bad debt charge ratio	0.58	1.58	2.49	2.30	2.00
Provision to total loans	2.47	2.90	2.96	3.02	3.10
Provision coverage ratio	250.49	270.73	257.39	243.55	234.85

Source(s): Company, ABCI Securities estimates





**HRB**

**Consolidated income statement (2015A-2019E)**

<b>FY Ended Dec 31 (RMB mn)</b>	<b>2015A</b>	<b>2016A</b>	<b>2017E</b>	<b>2018E</b>	<b>2019E</b>
Net interest income	9,633	11,573	12,383	13,636	15,550
Net fee and commission	1,959	2,393	3,040	3,799	4,673
Other operating income	353	205	246	296	355
<b>Operating income</b>	<b>11,945</b>	<b>14,172</b>	<b>15,669</b>	<b>17,731</b>	<b>20,579</b>
Operating expenses	(4,737)	(4,522)	(4,974)	(5,472)	(5,964)
Impairment losses	(1,338)	(3,295)	(3,781)	(4,565)	(5,762)
Investment in associates	49	91	104	120	138
<b>Profit before tax</b>	<b>5,919</b>	<b>6,446</b>	<b>7,017</b>	<b>7,814</b>	<b>8,989</b>
Income tax expenses	(1,409)	(1,483)	(1,614)	(1,797)	(2,068)
Minority interests	(52)	(86)	(20)	(20)	(20)
<b>Net profit attributable to equity holders</b>	<b>4,458</b>	<b>4,877</b>	<b>5,383</b>	<b>5,997</b>	<b>6,902</b>
Preference share dividend	0	0	0	0	0
<b>Net profit attributable to ordinary shareholders</b>	<b>4,458</b>	<b>4,877</b>	<b>5,383</b>	<b>5,997</b>	<b>6,902</b>
<b>Growth (%)</b>					
Net interest income	14.7	20.1	7.0	10.1	14.0
Net fee and commission	22.4	22.1	27.0	25.0	23.0
Other operating income	38.5	(41.8)	20.0	20.0	20.0
<b>Operating income</b>	<b>16.5</b>	<b>18.6</b>	<b>10.6</b>	<b>13.2</b>	<b>16.1</b>
Operating expenses	6.8	(4.5)	10.0	10.0	9.0
Impairment losses	88.7	146.2	14.8	20.7	26.2
Investment in associates	185.5	84.9	15.0	15.0	15.0
<b>Profit before tax</b>	<b>15.4</b>	<b>8.9</b>	<b>8.9</b>	<b>11.4</b>	<b>15.0</b>
Income tax expenses	9.5	5.2	8.8	11.4	15.0
Minority interests	51.9	64.7	(76.6)	0.0	0.0
<b>Net profit attributable to equity holders</b>	<b>17.1</b>	<b>9.4</b>	<b>10.4</b>	<b>11.4</b>	<b>15.1</b>
Preference share dividend	na	na	na	na	na
<b>Net profit attributable to ordinary shareholders</b>	<b>17.1</b>	<b>9.4</b>	<b>10.4</b>	<b>11.4</b>	<b>15.1</b>
<b>Per share (RMB)</b>					
EPS	0.41	0.44	0.49	0.55	0.63
BVPS	3.08	3.40	3.85	4.41	5.03
DPS	0.11	0.00	0.12	0.14	0.16
<b>Key ratio (%)</b>					
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	31.75	30.86	28.98
Return on average assets	1.14	1.01	0.92	0.88	0.87
Return on average equity	14.23	14.01	13.51	13.21	13.30
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	224,471	255,880	290,824
Investment securities	138,981	192,157	233,801	280,127	332,973
<b>Total interest earning assets</b>	<b>419,671</b>	<b>504,195</b>	<b>591,317</b>	<b>686,976</b>	<b>795,580</b>
Other assets	25,180	34,822	41,786	50,143	60,172
<b>Total assets</b>	<b>444,851</b>	<b>539,016</b>	<b>633,103</b>	<b>737,119</b>	<b>855,752</b>
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
<b>Total interest bearing liabilities</b>	<b>403,164</b>	<b>492,131</b>	<b>579,170</b>	<b>677,710</b>	<b>790,194</b>
Other liabilities	7,840	9,550	11,573	10,971	10,218
<b>Total liabilities</b>	<b>411,003</b>	<b>501,681</b>	<b>590,743</b>	<b>688,682</b>	<b>800,412</b>
Share capital	10,996	10,996	10,996	10,996	10,996
Retained earnings	8,183	10,014	14,052	18,549	23,726
Reserves	13,921	15,498	16,893	18,413	20,070
Minority interests	748	827	419	480	548
<b>Total equity</b>	<b>33,848</b>	<b>37,335</b>	<b>42,359</b>	<b>48,438</b>	<b>55,340</b>
<b>Growth (%)</b>					
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	14.2	14.0	13.7
Investment securities	60.4	38.3	21.7	19.8	18.9
<b>Total interest earning assets</b>	<b>28.3</b>	<b>20.1</b>	<b>17.3</b>	<b>16.2</b>	<b>15.8</b>
<b>Total assets</b>	<b>29.5</b>	<b>21.2</b>	<b>17.5</b>	<b>16.4</b>	<b>16.1</b>
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
<b>Total interest bearing liabilities</b>	<b>31.1</b>	<b>22.1</b>	<b>17.7</b>	<b>17.0</b>	<b>16.6</b>
<b>Total liabilities</b>	<b>31.1</b>	<b>22.1</b>	<b>17.8</b>	<b>16.6</b>	<b>16.2</b>
<b>Total equity</b>	<b>12.2</b>	<b>10.3</b>	<b>13.5</b>	<b>14.3</b>	<b>14.2</b>
<b>Key ratio (%)</b>					
Loan to deposits	48.46	58.76	59.98	61.09	62.06
CT1 CAR	11.14	10.55	10.27	10.08	9.91
Total CAR	11.64	11.03	10.72	10.50	10.31
NPL ratio	1.40	1.53	1.60	1.69	1.75
NPL growth	48.63	48.21	19.55	20.50	17.81
Net bad debt charge ratio	0.98	1.88	1.75	1.85	2.05
Provision to total loans	2.43	2.55	2.62	2.70	2.80
Provision coverage ratio	173.59	166.61	163.75	159.76	160.00

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	2,408	2,889	3,380
Other operating income	78	(0)	(0)	(1)	(1)
<b>Operating income</b>	<b>8,593</b>	<b>9,603</b>	<b>10,791</b>	<b>12,115</b>	<b>13,491</b>
Operating expenses	(3,190)	(2,537)	(2,893)	(3,297)	(3,726)
Impairment losses	(1,135)	(2,411)	(2,834)	(3,310)	(3,581)
Investment in associates	3	4	5	6	8
<b>Profit before tax</b>	<b>4,270</b>	<b>4,659</b>	<b>5,070</b>	<b>5,514</b>	<b>6,191</b>
Income tax expenses	(1,100)	(1,156)	(1,267)	(1,379)	(1,548)
<b>Net profit attributable to equity holders</b>	<b>3,170</b>	<b>3,502</b>	<b>3,802</b>	<b>4,136</b>	<b>4,643</b>
Preference share dividend	0	0	0	0	0
<b>Net profit attributable to ordinary shareholders</b>	<b>3,170</b>	<b>3,502</b>	<b>3,802</b>	<b>4,136</b>	<b>4,643</b>
<b>Growth (%)</b>					
Net interest income	12.4	9.6	9.2	10.0	9.6
Net fee and commission	66.4	27.4	25.0	20.0	17.0
Other operating income	(77.1)	(100.5)	15.0	15.0	15.0
<b>Operating income</b>	<b>14.8</b>	<b>11.8</b>	<b>12.4</b>	<b>12.3</b>	<b>11.4</b>
Operating expenses	13.7	(20.5)	14.0	14.0	13.0
Impairment losses	27.6	112.4	17.5	16.8	8.2
Investment in associates	38.0	39.2	25.0	25.0	25.0
<b>Profit before tax</b>	<b>12.7</b>	<b>9.1</b>	<b>8.8</b>	<b>8.8</b>	<b>12.3</b>
Income tax expenses	14.2	5.1	9.6	8.8	12.3
<b>Net profit attributable to equity holders</b>	<b>12.1</b>	<b>10.5</b>	<b>8.6</b>	<b>8.8</b>	<b>12.3</b>
Preference share dividend	na	na	na	na	na
<b>Net profit attributable to ordinary shareholders</b>	<b>12.1</b>	<b>10.5</b>	<b>8.6</b>	<b>8.8</b>	<b>12.3</b>
<b>Per share (RMB)</b>					
EPS	1.17	1.12	1.22	1.32	1.48
BVPS	6.81	7.61	8.72	9.88	11.10
DPS	0.26	0.29	0.32	0.34	0.39
<b>Key ratio (%)</b>					
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	26.80	27.22	27.62
Return on average assets	1.07	1.01	0.94	0.88	0.85
Return on average equity	17.00	15.53	14.89	14.22	14.15
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	250,923
Investment securities	108,108	120,313	133,219	146,958	160,941
<b>Total interest earning assets</b>	<b>313,983</b>	<b>365,622</b>	<b>427,115</b>	<b>494,798</b>	<b>570,156</b>
Other assets	5,825	7,482	9,128	11,136	13,586
<b>Total assets</b>	<b>319,808</b>	<b>373,104</b>	<b>436,243</b>	<b>505,934</b>	<b>583,743</b>
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
<b>Total interest bearing liabilities</b>	<b>291,025</b>	<b>344,543</b>	<b>402,259</b>	<b>469,010</b>	<b>542,983</b>
Other liabilities	7,490	4,749	6,709	6,015	6,053
<b>Total liabilities</b>	<b>298,515</b>	<b>349,292</b>	<b>408,968</b>	<b>475,025</b>	<b>549,036</b>
Share capital	3,127	3,127	3,127	3,127	3,127
Retained earnings	8,148	9,859	12,672	15,733	19,169
Reserves	10,018	10,826	11,476	12,050	12,411
<b>Total equity</b>	<b>21,293</b>	<b>23,812</b>	<b>27,275</b>	<b>30,909</b>	<b>34,707</b>
<b>Growth (%)</b>					
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	18.1
Investment securities	42.7	11.3	10.7	10.3	9.5
<b>Total interest earning assets</b>	<b>16.3</b>	<b>16.4</b>	<b>16.8</b>	<b>15.8</b>	<b>15.2</b>
<b>Total assets</b>	<b>16.5</b>	<b>16.7</b>	<b>16.9</b>	<b>16.0</b>	<b>15.4</b>
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
<b>Total interest bearing liabilities</b>	<b>14.9</b>	<b>18.4</b>	<b>16.8</b>	<b>16.6</b>	<b>15.8</b>
<b>Total liabilities</b>	<b>15.4</b>	<b>17.0</b>	<b>17.1</b>	<b>16.2</b>	<b>15.6</b>
<b>Total equity</b>	<b>33.9</b>	<b>11.8</b>	<b>14.5</b>	<b>13.3</b>	<b>12.3</b>
<b>Key ratio (%)</b>					
Loan to deposits	62.60	65.78	69.07	71.45	73.44
CT1 CAR	10.49	9.82	9.38	9.18	8.95
Total CAR	11.63	11.79	18.72	18.48	18.27
NPL ratio	0.97	0.96	1.05	1.13	1.26
NPL growth	64.77	19.79	32.08	29.13	31.82
Net bad debt charge ratio	0.98	1.75	1.70	1.65	1.50
Provision to total loans	2.37	2.80	2.85	2.90	3.00
Provision coverage ratio	243.98	291.87	271.43	256.64	238.10

Source(s): Company, ABCI Securities estimates



## Disclosures

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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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