



農銀國際

ABC INTERNATIONAL

ABC SECURITIES COMPANY LIMITED

ABCI Research
China Banks Sector

Higher degree of differentiation

Sector Report
Sep 20, 2018



China Banks Sector Higher degree of differentiation

- Solid fundamental improvement was seen in 1H18 in the sector. Big banks remained stable and defensive, while JSBs showed differing competitive strengths. High fundamental volatility was seen in district banks
- We expect NIM to mildly expand in 2H18, supported by growth momentum, better asset yield, and easing liquidity. Strong pricing power of the big banks was once again evident in 1H18
- Trade war development sparks concerns over asset quality, whose trend has been benign while risk buffer continues to build up
- Reiterate OVERWEIGHT on the sector at current valuation and sustainable fundamental improvements. Prefer ABC (1288 HK), CCB (939 HK) and CMB (3968 HK)

Higher degree of differentiation in 1H18. Industry fundamentals stayed solid in 1H18, with mild improvement in NIM and asset quality. Banks showed increased differentiation amid the increasingly complex operating environment induced by from policy changes and global development. Big banks remained highly defensive, with earnings growth starting to resume, while JSB showed differing strength as reflected by 1H18 results. District banks were the hardest hit under policy changes due to smaller operation size and narrower geographical focus.

NIM – a mild upside in 2H18. Supported by robust loan growth and improving asset yields, we estimate NIM would expand mildly in 2018E-20E. Liquidity continues to ease, as reflected by declining SHIBOR in 3Q18 and rising excess reserve ratio. On the deposit side, solid customer base in big banks continue to enable a stable deposit cost. Our base case scenario suggests loan-deposit spread to widen mildly over 2018E-20E, while interbank asset-liability spread would remain stable. NIM in big banks and JSBs would expand by 3bps-5bps annually throughout 2018E-20E.

Risk buffer continues to increase. Ongoing Sino-US trade friction has spurred concerns over asset quality. More specifically, system NPL ratio rose 9bps QoQ in 2Q18 to 1.86%. We believe such increment was mainly a result of the stricter NPL classification adopted by rural commercial banks. We forecast system NPL ratio to stay at 1.8%-2.0% over 2018E-19E., while banks would further enhance risk buffer to counteract macro and policy uncertainties.

Sustainable fundamental improvement; reiterate BUY on big banks. We roll over our forecasts to 2020E and TP calculation to base it on 2019E BVPS. Our Gordon Growth Model (GGM)-derived TP takes into account of a higher risk premium and exchange rate changes. Also, we revise our base-case earnings forecasts to reflect changes in the operating environment. We maintain our sector rating of **OVERWEIGHT**, with **ABC (1288 HK)** and **CCB (939 HK)** are our top picks. **BOC (3988 HK)** would benefit from the offshore interest rates hike due to its substantial overseas exposure. **CMB (3968 HK)** is our preferred name among JSBs for its strength in retail business, growth, and profitability. Policy risk, however, is the largest overhang of the sector.

Sector Report Sep 20, 2018 OVERWEIGHT

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Key Data

Avg.18E P/E (x)	4.94
Avg.18E P/B (x)	0.62
Avg.18E Dividend Yield (%)	5.02

Source(s): Bloomberg, ABCI Securities

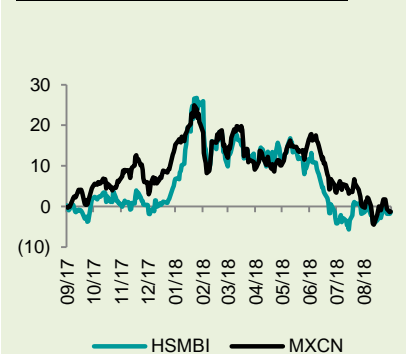
Sector Performance

	Absolute	Relative*
1-mth	(0.02)	0.90
3-mth	(11.56)	4.77
6-mth	(10.20)	1.79

*Relative to HSI

Source(s): Bloomberg, ABCI Securities

1-Year sector performance (HK\$)



Source(s): Bloomberg, ABCI Securities

Sector Valuation Summary (data as of Sep 19, 2018)

Company	Ticker	Current Rating	Previous Rating	Price (HK\$)	TP (HK\$)	FY18E P/B(x)	FY19E P/B (x)	FY18E P/E (x)	FY19E P/E (x)	FY18E Yield(%)	FY19E Yield(%)
ICBC	1398 HK	BUY	BUY	5.54	7.70	0.77	0.70	5.74	5.18	5.40	6.02
CCB	939 HK	BUY	BUY	6.65	9.48	0.77	0.69	5.51	5.12	5.53	5.88
ABC	1288 HK	BUY	BUY	3.72	5.28	0.75	0.68	5.39	4.90	5.56	6.18
BOC	3988 HK	BUY	BUY	3.42	4.73	0.58	0.53	4.96	4.51	7.06	7.73
BoCom	3328 HK	BUY	BUY	5.69	7.14	0.56	0.52	5.27	4.95	6.67	7.07
CMB	3968 HK	BUY	BUY	29.70	41.50	1.20	1.07	8.02	7.00	4.10	4.68
MSB	1988 HK	BUY	BUY	5.67	7.77	0.51	0.46	3.82	3.88	2.84	3.04
CITICB	998 HK	BUY	BUY	4.82	6.51	0.52	0.48	4.71	4.24	6.44	7.16
CEB	6818 HK	BUY	BUY	3.40	4.31	0.53	0.49	4.93	4.48	7.44	7.78
HB	3698 HK	BUY	BUY	3.39	4.00	0.53	0.46	4.15	3.73	2.37	2.37
HRB	6138 HK	BUY	BUY	1.87	2.16	0.38	0.33	3.54	3.39	3.69	4.30
BCQ	1963 HK	BUY	BUY	4.75	6.01	0.37	0.33	3.25	3.08	3.15	3.87

*CNY/HKD =1.1496 throughout this report, unless otherwise stated

Source(s): Bloomberg, ABCI Securities estimates



A recap on 1H18 results – greater differentiation emerges

1H18 results of the Chinese banks show solid industry fundamentals with earnings growth going back on track. Under an increasingly complex operating environment induced by rapid policy changes, global interest rate hike and ongoing Sino-US trade friction, a higher degree of differentiation has been observed among banks. We maintain an **OVERWEIGHT** rating for the China banks sector on improving fundamentals and promising dividend yield.

Big banks – stable with improving earnings momentum

Big banks (ABC [1288 HK], ICBC [1398 HK], CCB [939 HK], BOC [3988 HK], and BoCom [3328 HK]) continue to demonstrate high defensiveness against policy and macro changes, especially when compared to JSBs and district banks. Thanks to their solid customer base and business diversification, a resuming trend in earnings momentum is evident for this group. Average net profit attributable to equity holders (net profit) grew 5.52% YoY in 1H18; among which, ABC was the top performer with a 6.63% YoY profit growth, followed by CCB's 6.28% YoY. On a quarterly basis, BOC and ABC achieved the highest earning growth at 22.62% and 15.48%, supported by effective cost control.

Exhibit 1: 1H18 results key indicators (Big 5 banks)

	ABC	ICBC	CCB	BOC	BoCom	Average
1H18 YoY (%)	1288 HK	1398 HK	939 HK	3988 HK	3328 HK	
Net interest income	10.65	10.64	9.93	7.06	(1.10)	7.44
Net fee income	2.76	3.38	1.36	(2.03)	(0.37)	1.02
Operating income	10.25	7.29	6.46	1.25	(1.83)	4.69
Operating expenses	(0.41)	2.10	5.86	0.57	(5.79)	0.47
Provisions	46.33	36.05	10.36	4.86	2.68	20.06
Profit before tax	6.24	0.37	5.42	1.13	0.24	2.68
Net profit	6.63	4.87	6.28	5.21	4.61	5.52
Earnings per share (EPS)	6.06	4.65	7.27	5.71	4.08	5.56
Jun 2018 HoH (%)						
Total assets	4.12	4.66	3.08	4.25	3.15	3.85
Loans	6.64	4.63	3.93	4.60	1.96	4.35
Deposits	4.60	6.42	3.68	5.09	3.38	4.63
Net equity	9.73	2.40	3.85	2.07	(1.12)	3.39
Book value per share (BVPS)	2.17	2.44	4.08	2.32	(1.22)	1.96
Major indicators (%)						
Net interest margin (NIM)	2.35	2.30	2.34	1.88	1.41	2.06
Net fee to topline	14.17	21.94	21.38	19.16	20.76	19.48
Cost to income ratio (CIR)	26.67	21.51	22.15	25.78	29.26	25.07
Return on average assets (ROAA)	1.08	1.20	1.31	1.16	0.89	1.13
Return on average equity (ROAE)	16.72	15.33	16.66	15.29	12.99	15.40
Core Tier 1 CAR (CT1)	11.19	12.33	13.08	10.99	10.63	11.64
Capital adequacy ratio (CAR)	14.77	14.73	15.64	13.78	13.86	14.56
Non-performing loans (NPL) ratio	1.62	1.54	1.48	1.43	1.49	1.51
Provisioning ratio	4.03	2.67	2.85	2.81	2.55	2.98
Provision coverage ratio	248.40	173.21	193.16	164.79	170.98	190.11
Major indicators changes (ppt)						
NIM YoY	0.11	0.14	0.20	0.04	(0.09)	0.08
Net fee to topline YoY	(1.03)	(0.83)	(1.08)	(0.64)	0.30	(0.66)
CIR YoY	(1.64)	(1.17)	(0.16)	0.39	2.30	(0.06)
ROAA YoY	-	(0.04)	0.01	(0.02)	(0.02)	(0.01)
ROAE YoY	(0.02)	(0.36)	(0.43)	0.09	(0.07)	(0.16)
CT1 HoH	0.56	(0.44)	(0.01)	(0.16)	(0.16)	(0.04)
CAR HoH	1.03	0.17	0.14	(0.41)	(0.14)	0.16
NPL ratio HoH	(0.19)	(0.01)	(0.01)	(0.02)	(0.01)	(0.05)
Provisioning ratio HoH	0.26	0.28	0.30	0.04	0.23	0.22
Provision coverage ratio HoH	40.03	19.14	22.08	5.61	16.25	20.62

Note: figures may not match with financial reports due to adjustment for comparison consistency among individual equities

Source(s): Companies, ABCI Securities



Adoption of IFRS9

With the adoption of IFRS9 in Jan 2018, interest income from “fair value through profit and loss (FVTPL) financial assets” is now reclassified as “other income” in the financial statements. The new accounting standard, however, would not alter the total operating income (topline) of banks. Aside from focusing on net interest income (NII) growth, we believe it is equally important to consider the topline growth in banks. Topline of big banks grew by an average of 4.69% YoY in 1H18, vs. 10.81% and 11.33% on average for JSBs and district banks.

The Big 5 Banks

Most big banks recorded decent net interest income (NII) growth in 1H18 despite the exclusion of interest income from FVTPL financial assets. BoCom reported a negative NII growth at 1.1% YoY in 1H18, while the remaining big banks showed a YoY NII growth of 7.06%-10.65%. The impact of IFRS9 is largely dependent on the size of FVTPL, whose classification is purely based on a bank's holding intention. By proportion, the size of FVTPL in big banks is usually smaller than that in JSBs and district banks.

NIM improves on better pricing power

1H18 NIM among the big banks expanded by 8bps YoY on average while 2Q18 NIM stayed mostly unchanged QoQ (range: -2bps+6bps), reflecting an intact bargaining power. NIMs of ABC, ICBC and CCB were up 11bps, 14bps and 20bps YoY in 1H18, respectively, supported by improving loan and investment yields in addition to a stable deposit cost.

Stable asset quality outlook

Asset quality was stable in 1H18, with NPL ratio down by 5bps HoH on average through continuous NPL handling efforts. Aiming to normalize its asset quality to peer level, ABC showed the greatest drop in NPL ratio (down 19bps to 1.62%, only slightly higher than the 1.43%-1.54% among the four other big banks). ABC's risk buffer remained sufficient, with provisioning ratio and provision coverage ratio marked at 4.03% and 248.4%. Its provisioning ratio was the second highest among H-share banks after CMB's provisioning ratio at 4.51% in June 18. ABC's management indicated their intention to maintain its risk buffer at current level going forward.

The JSBs

Operating results of JSBs show wider variations as compared to the big banks. Average earnings growth for the group was 12.16% YoY, while net profit growth was in the range of 5.45%-22.27%. Net profit of PSB (1658 HK), aided by its quicker loan growth at 10.44% HoH than deposit growth at 3.35% HoH, expanded by 22.27%. Its NII increased 27.59% YoY, much higher than the JSB average of 1.86%.

CMB (3968 HK) was the top performer

We regard CMB as the top performer among the JSB. Its ROAE was high at 19.61% in 1H18, while topline and net profit grew 11.21% and 14.0% YoY. Loan growth rose 13.57% HoH, which was impressive given its loan size is already larger than most JSB peers. CMB's core competitive strength in retail banking has allowed it to outperform.

Reported NIMs of JSBs were 1.63%-2.64% in 1H18, reflecting YoY changes of -11bps+33bps. However, the data is partially distorted by the different calculation methodology under the IFRS9. Some banks have included interest income from FVTPL financial assets in their NIM disclosure for comparison purpose. In our forecast model, we adjust our 2018E-20E NIM estimates according to the IFRS9 by excluding interest income from FVTPL financial assets. Details of our NIM assumptions are included in the latter part of this report.



As of June 2018, NPL ratios of JSBs varied between 0.97%-1.80%, of which PSB had the lowest while CITICB reported the highest. In terms of HoH changes, PSB showed a 22bps HoH increase while CMB had the sharpest decline of 18bps HoH, thanks to the latter's dedication to strengthen risk buffer in recent quarters. CMB's provision ratio and provision coverage were the highest among JSBs at 4.51% and 316.08% as of June 2018, up 29bps and 53.97ppt HoH.

Exhibit 2: 1H18 results key indicators (JSBs)

	CMB	MSB	CITICB	CEB	ZSB	PSB	Average
1H18 YoY (%)	3968 HK	1988 HK	998 HK	6818 HK	2016 HK	1658 HK	
Net interest income	8.63	(17.61)	0.63	(10.02)	1.94	27.59	1.86
Net fee income	7.82	(0.61)	(3.95)	14.91	7.32	9.23	5.79
Operating income	11.21	6.27	6.09	12.76	3.61	24.95	10.81
Operating expenses	17.37	3.04	6.59	12.01	2.59	14.08	9.28
Provisions	(3.73)	17.43	7.16	45.24	(2.47)	125.46	31.51
Profit before tax	18.03	4.17	4.26	(1.56)	8.69	13.98	7.93
Net profit	14.00	5.45	9.01	6.71	15.54	22.27	12.16
EPS	13.46	6.25	8.16	(5.88)	9.68	12.12	7.30
Jun 2018 HoH (%)							
Total assets	3.81	2.69	2.29	4.77	6.21	3.48	3.87
Loans	13.57	11.83	8.80	9.79	18.30	10.44	12.12
Deposits	4.76	6.46	5.29	7.17	5.27	3.35	5.38
Net equity	4.27	4.77	2.84	(0.19)	7.31	5.03	4.00
BVPS	4.58	4.86	3.09	(0.38)	4.41	5.71	3.71
Major indicators (%)							
NIM	2.54	1.64	1.89	1.63	1.88	2.64	2.04
Net fee to topline	29.91	32.75	26.86	35.13	32.11	5.80	27.10
CIR	26.85	24.35	26.65	29.66	28.77	55.80	32.01
ROAA	1.39	1.00	0.92	0.87	0.83	0.72	0.96
ROAE	19.61	15.81	14.12	12.36	16.82	16.32	15.84
CT1	11.61	8.64	8.53	8.85	8.41	9.00	9.17
CAR	12.51	11.86	11.34	12.68	13.71	12.90	12.50
NPL ratio	1.43	1.72	1.80	1.51	1.14	0.97	1.43
Provisioning ratio	4.51	2.81	2.72	2.62	3.20	2.62	3.08
Provision coverage ratio	316.08	162.74	151.19	173.04	280.59	270.71	225.73
Major indicators changes (ppt)							
NIM YoY	(0.11)	0.24	0.12	0.11	0.13	0.33	0.14
Net fee to topline YoY	(0.94)	(2.27)	(2.81)	0.66	1.11	(0.83)	(0.85)
CIR YoY	1.46	(0.77)	0.13	(0.11)	(0.87)	(5.30)	(0.91)
ROAA YoY	0.10	0.02	0.08	0.03	0.03	0.08	0.06
ROAE YoY	0.50	(0.42)	0.22	(1.40)	0.28	1.41	0.10
CT1 HoH	(0.45)	0.01	0.04	(0.71)	0.12	0.40	(0.10)
CAR HoH	(2.97)	0.01	(0.31)	(0.81)	1.50	0.39	(0.37)
NPL ratio HoH	(0.18)	0.01	0.12	(0.08)	(0.01)	0.22	0.01
Provisioning ratio HoH	0.29	0.15	(0.12)	0.10	(0.23)	0.18	0.06
Provision coverage ratio HoH	53.97	7.13	(18.25)	14.86	(16.35)	(54.06)	(2.12)

Note: figures may not match with financial reports due to adjustment for comparison consistency among individual equities

Source(s): Companies, ABCI Securities

Different banks, different strength

Overall, fundamental improvement was obvious. Divergence in JSB's competitive strength has become increasingly apparent. CEB recorded the fastest net fee income growth in the group; PSB and ZSB (2016 HK) achieved strong balance sheet and earnings growth; MSB (1988 HK) had the lowest CIR in the group; CITICB's showed decent growth in its retail deposit base. Yet, we believe JSBs as a whole would be more sensitive to policy risk compared to the big banks known for their high defensiveness.



District banks

Location determines performance

Among the three bank categories, district banks showed the highest fundamental volatility. In 1H18, H-share district banks reported their topline and net profit growth in the range of -17.13%–+32.09% and -55.66%–52.52%. Due to their relatively small operation size and geographic coverage, downturn in a single region would be sufficient to trigger significant setbacks in earnings.

Indeed, geographic location determines much of the differences in financial performance of district banks. E.g., the two H-share banks in Jiangxi province, BJX (1916 HK) and BJJ (6190 HK), reported impressive growth in 1H18. BJX's topline revenue and net profit surged 22.35% and 40.05% YoY, while BJJ topline revenue and net profit were up 32.09% and 52.52% YoY. Conversely, net profits of SJB (2066 HK) and JJRB (6122 HK) were down 18.99% and 55.66% YoY.

Exhibit 3: 1H18 results key indicators (district banks)

	BCQ	HRB	BQD	BJZ	BTJ	BZZ	SJB	HB
1H18 YoY (%)	1963 HK	6138 HK	3866 HK	416 HK	1578 HK	6196 HK	2066 HK	3698 HK
Net interest income	(19.15)	(21.40)	(25.94)	5.86	(54.27)	(30.49)	(6.56)	15.33
Net fee income	(19.83)	(6.72)	(33.91)	(8.87)	(13.98)	5.50	(65.02)	15.51
Operating income	0.86	(12.50)	10.40	13.36	12.66	5.70	(6.81)	24.31
Operating expenses	0.93	3.34	21.60	(0.15)	12.46	26.01	10.34	16.04
Provisions	1.17	(42.71)	29.12	45.40	31.71	(5.43)	107.12	55.31
Profit before tax	2.47	(4.23)	0.44	7.66	9.80	0.96	(29.80)	5.88
Net profit	1.02	(2.03)	3.58	5.98	8.58	4.23	(18.99)	13.04
EPS	1.39	0.00	6.45	5.08	9.30	2.33	(23.33)	14.71
Jun 2018 HoH (%)								
Total assets	3.09	1.36	(1.34)	3.45	(7.40)	1.79	(7.05)	5.19
Loans	8.69	5.79	9.21	15.08	(3.11)	8.33	19.51	10.51
Deposits	5.28	(2.02)	3.82	2.74	(6.02)	3.02	6.61	3.85
Net equity	1.09	3.72	2.19	4.37	2.76	4.65	3.37	8.40
BVPS	1.09	9.89	3.20	4.37	2.76	6.11	3.37	16.36
Major indicators (%)								
NIM	1.73	1.88	1.35	2.51	1.44	1.48	1.30	2.39
Net fee to topline	13.28	17.31	10.94	3.77	15.16	18.67	6.19	12.63
CIR	20.95	28.12	29.67	14.70	25.37	26.99	29.82	21.95
ROAA	1.08	0.92	0.88	1.18	0.84	1.08	0.57	0.92
ROAE	17.48	12.40	14.79	17.79	12.62	18.84	10.68	15.37
CT1	8.34	9.61	8.90	7.95	9.36	7.81	8.62	8.51
CAR	13.25	12.19	16.79	11.61	14.06	12.88	12.28	11.97
NPL ratio	1.12	1.79	1.69	1.26	1.62	1.88	1.47	1.02
Provisioning ratio	2.86	3.08	2.70	3.06	3.87	3.14	2.79	2.94
Provision coverage ratio	255.29	171.44	160.07	242.10	239.58	166.86	189.66	288.74
Major indicators changes (ppt)								
NIM YoY	(0.42)	(0.54)	(0.44)	(0.29)	0.13	(0.72)	(0.23)	0.07
Net fee to topline YoY	(3.43)	1.07	(7.34)	(0.92)	(4.70)	(0.04)	(10.31)	(0.96)
CIR YoY	(0.46)	4.10	2.73	(1.13)	(0.13)	4.39	5.82	(1.56)
ROAA YoY	(0.09)	(0.07)	(0.03)	(0.18)	0.04	(0.11)	(0.19)	(0.08)
ROAE YoY	(1.18)	(1.69)	0.35	(1.97)	0.24	(1.96)	(4.11)	(0.67)
CT1 HoH	(0.28)	(0.11)	0.19	(1.23)	0.72	(0.12)	(0.42)	(0.11)
CAR HoH	(0.35)	(0.06)	0.19	0.64	3.32	(0.65)	(0.57)	(0.45)
NPL ratio HoH	(0.23)	0.09	-	0.20	0.12	0.38	(0.02)	(0.04)
Provisioning ratio HoH	0.01	0.24	0.10	(0.11)	0.96	0.03	0.02	0.04
Provision coverage ratio HoH	45.13	4.20	6.55	(58.23)	45.77	(40.89)	3.64	15.53

	ZYB	GSB	BJX	BJJ	CQRB	JJRB	GZRB	Average
1H18 YoY (%)	1216 HK	2139 HK	1916 HK	6190 HK	3618 HK	6122 HK	1551 HK	
Net interest income	14.13	(2.48)	25.12	(19.25)	(12.84)	(19.86)	(7.63)	(10.63)
Net fee income	11.63	(43.07)	(44.54)	(7.94)	(3.54)	(61.89)	(9.28)	(19.06)
Operating income	29.04	8.70	22.35	32.09	15.87	(17.13)	30.98	11.33
Operating expenses	21.89	17.23	7.69	41.56	4.37	6.93	21.48	14.12
Provisions	79.01	(4.93)	24.50	10.48	90.98	(0.23)	104.98	35.10
Profit before tax	8.02	8.55	33.78	50.85	3.07	(49.15)	26.90	5.01
Net profit	7.74	8.30	40.05	52.52	5.33	(55.66)	26.68	6.69
EPS	(10.00)	(18.52)	37.50	60.61	(2.04)	(50.00)	6.25	2.65
June 2018 HoH (%)								
Total assets	4.42	15.50	9.21	6.30	0.32	(14.90)	2.44	1.49
Loans	10.36	15.24	14.16	15.12	7.09	(11.82)	17.62	9.45
Deposits	10.48	3.13	4.60	7.95	10.12	(18.04)	0.97	2.43
Net equity	(2.22)	43.36	31.54	6.02	4.41	(15.14)	5.43	6.93
BVPS	1.38	7.15	12.56	6.07	4.41	(15.14)	5.43	4.60
Major indicators (%)								
NIM	2.62	2.50	2.16	2.44	2.35	2.25	1.84	2.02
Net fee to topline	8.48	2.90	7.55	3.95	8.40	5.36	11.82	9.76
CIR	37.05	21.61	27.77	28.28	28.06	52.27	33.64	28.42
ROAA	0.71	1.51	0.82	0.75	1.08	0.55	0.91	0.92
ROAE	8.27	21.87	11.98	11.62	14.64	6.17	13.64	13.88
CT1	10.74	10.93	10.79	na	10.60	8.85	10.46	9.39
CAR	11.59	13.55	14.03	na	13.21	11.23	13.81	13.03
NPL ratio	1.88	1.74	1.70	1.65	1.23	1.91	1.41	1.56
Provisioning ratio	3.40	3.38	3.65	3.16	4.18	2.96	2.82	3.20
Provision coverage ratio	180.83	194.13	214.54	191.33	339.38	155.04	199.78	212.58
Major indicators changes (ppt)								
NIM YoY	(0.18)	(0.46)	0.08	0.15	(0.24)	0.04	0.11	(0.20)
Net fee to topline YoY	(1.32)	(2.64)	(9.10)	(1.72)	(1.69)	(6.30)	(5.24)	(3.64)
CIR YoY	(2.24)	1.32	(3.09)	1.85	(3.52)	11.34	(2.56)	1.12
ROAA YoY	(0.07)	(0.08)	0.13	0.20	(0.04)	(0.38)	0.12	(0.06)
ROAE YoY	(1.36)	(6.63)	1.24	2.92	(1.67)	(6.00)	0.80	(1.45)
CT1 HoH	(1.41)	2.22	1.41	na	0.21	(0.62)	(0.23)	0.02
CAR HoH	(1.56)	2.01	1.13	na	0.18	(0.97)	1.81	0.33
NPL ratio HoH	0.05	-	0.06	0.03	0.25	0.18	(0.10)	0.06
Provisioning ratio HoH	(0.22)	(0.48)	0.11	0.05	(0.03)	-	(0.01)	0.05
Provision coverage ratio HoH	(16.67)	(27.87)	(0.63)	(0.67)	(91.86)	(0.97)	13.03	7.96

Note: figures may not match with financial reports due to adjustment for comparison consistency among individual equities
 Source(s): Companies, ABCI Securities

Key financial indicators of district banks showed large variations. In 1H18, NIMs were in the range of 1.3%-2.62%, reflecting YoY changes of -72bps-+15bps; NPL ratios were marked at 1.02%-1.91%, reflecting HoH changes of -23bps-38bps as of June 2018; provisioning ratio and provision coverage ratio varied from 2.7%-4.18% and 155.04%-288.74% by end-June 18.

Potential funding required for growth

We notice that several district banks could be tight in capital, including BJZ (416 HK), BZZ (6196 HK), BCQ (1963 HK), SJB(2066 HK), HB(3698 HK), whose CT1s were 7.95%, 7.81%, 8.34%, 8.62%, and 8.51%, respectively. If these banks decide to expand their balance sheets at a faster pace in the near future, short-term capital need may arise.



農銀國際

ABC INTERNATIONAL

ABCI SECURITIES COMPANY LIMITED

China Banks Sector- Overweight
Sep 20, 2018

Cautious on low defensiveness against policy risk

District banks are less defensive against policy changes than their sizeable counterparts. The new asset management rule has hit hardest on net fee income in district banks that showed an average decline of 19.06% YoY; in contrast, such income rose 1.02% and 5.79% YoY on average for the big banks and JSBs in 1H18.

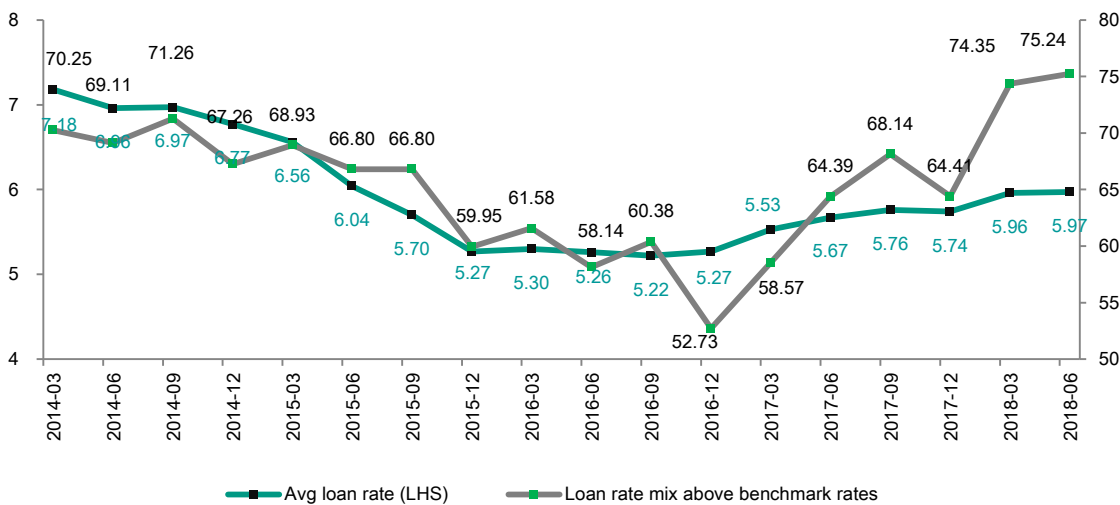
We remain cautious on district banks although short-term rally may occur for new IPOs. Their volatile fundamentals reactive to macro and policy changes call for close monitoring on the investor's part. Low average daily turnover (ADT) also poses additional risk to share price.



2H18 NIM outlook is mildly positive

We forecast NIM to improve mildly in 2H18. Despite potential impacts from interest rates and trade war, we reiterate our economist's 2018E real GDP growth estimate at 6.6%, which implies a stable macro outlook. Our full-year loan target remain unchanged at RMB14.5tr, while 8M18 new loan aggregated to 81.1% of our target. Although we assume benchmark interest rates remain in China would stay unchanged over 2018E-19E, the global interest rate hike cycle would nonetheless drive up market interest rate mildly in 2H18 and 2019E. Moreover, we expect regulators to enhance liquidity in the banking system through one or two more targeted RRR cuts in 2H18.

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



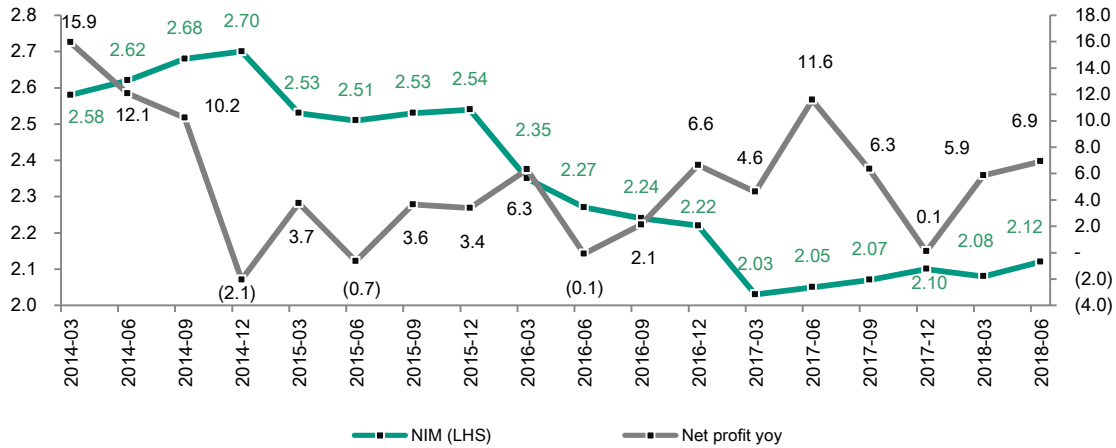
Source(s): PBOC, ABCI Securities

Upside pressure of market interest rate from the demand side has been apparent. Banks have turned more proactive in supporting the real economy and reduced social funding cost in 1H18, which in turn resulted in robust loan growth in 1H18. Loan balances of big banks, JSBs, and district banks on average rose 4.35%, 12.12%, and 9.45%. Supply-side factor, however, have slowed the rising pace in 2Q18, of which average loan yield edged up by 1bps QoQ to 5.97%. Meanwhile, the proportion of loan priced above benchmark rates has exceeded 75% in 2Q18.

Similar to the PBOC data, CBIRC statistics also suggested an improving NIM trend for 2Q18. System NIM in 2Q18 was 2.12%, up 4bps QoQ. However, operational results of most banks indicated no changes or low-single-digit bps expansion QoQ in NIM for 2Q18. Banks' profitability continued to improve in 2Q18, according to the CBIRC data. System net profit growth in 2Q18 was 6.9% YoY, 1ppt higher than 5.9% in 1Q18.



Exhibit 5: System NIM and system net profit YoY (%)

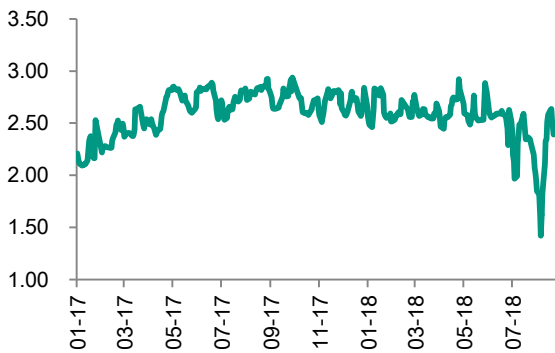


Source(s): CBIRC, ABCI Securities

Expect a mild NIM expansion

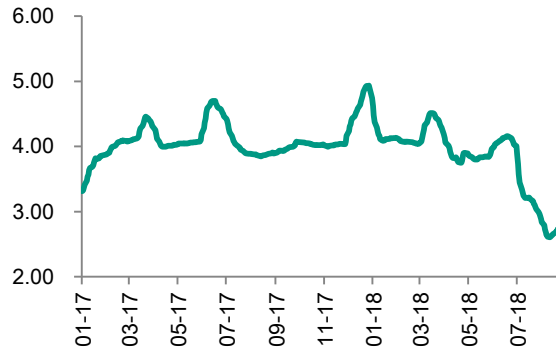
We adjust our NIM models with reference to 1H18 results. We project mild increments in market interest rates in 2H18, which would in turn elevate loan yields. Factoring in the more aggressive loan pricing by JSB for MSE clients and the relatively low bargaining power of district banks, we estimate loan yields of big banks, JSBs, and district banks under our coverage to increase by 23bps, 31bps, and 12bps YoY, respectively, in 2018E. Investment yields of big banks, JSBs and district banks would increase by 10bps, 44bps, and 21bps YoY, respectively, in 2018E, reflecting the larger risk appetite of JSBs and district banks than that of the big banks with a more conservative investment stance.

Exhibit 6: O/N SHIBOR (%)



Source(s): Bloomberg, ABCI Securities

Exhibit 7: 1M SHIBOR (%)



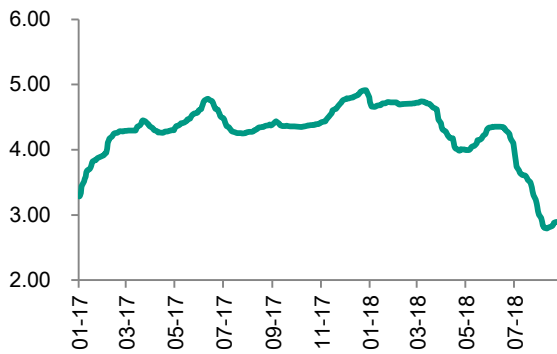
Source(s): Bloomberg, ABCI Securities

Easing liquidity environment

Although SHIBOR has stayed high since 2017, we notice signs of a declining trend in SHIBOR of various durations since July 18. Precisely, shorter-term SHIBOR (O/N and 1M) dropped from 2.63% and 4.03% in end-Jun to 2.31% and 2.72% in end-Aug, or 32bps and 132bps lower, while longer-term SHIBOR (3M and 1Y) fell from 4.16% and 4.33% in end-Jun to 2.89% and 3.5% by end-Aug, down 126bps and 83bps.

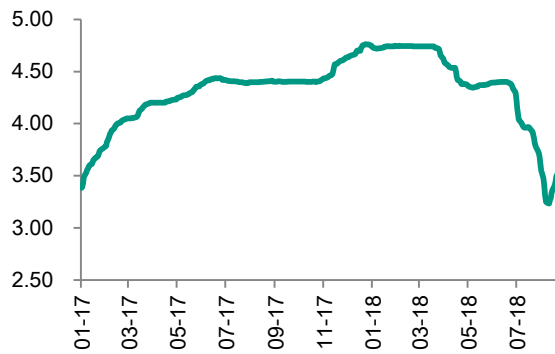


Exhibit 8: 3M SHIBOR (%)



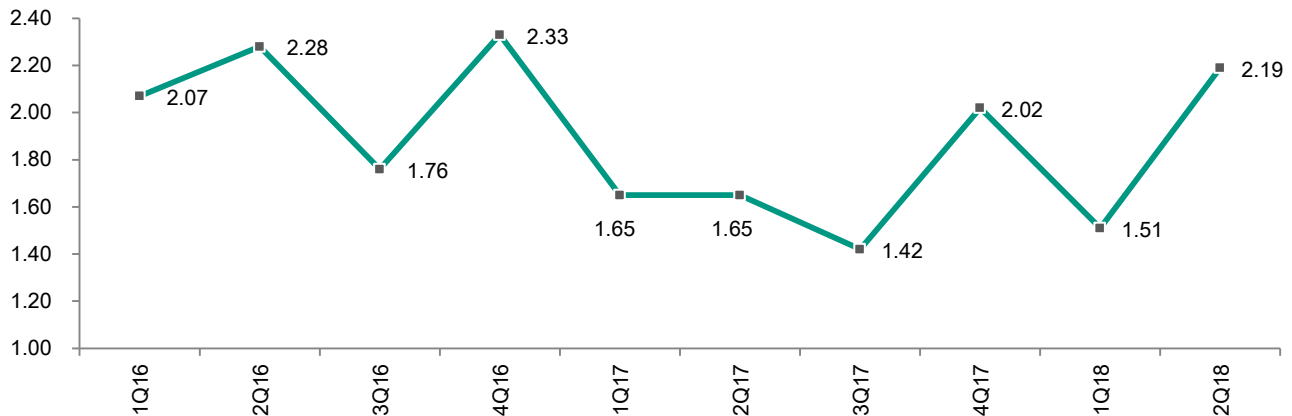
Source(s): Bloomberg, ABCI Securities

Exhibit 9: 1Y SHIBOR



Source(s): Bloomberg, ABCI Securities

Exhibit 10: System excess reserve ratio (%)



Source(s): CBIRC, ABCI Securities

This reflects improving liquidity in the banking system, which we attribute it to fine-tuning by regulators through the use of liquidity tools and targeted RRR cuts. Therefore, one can reasonably expect a potential decline in banks' interbank asset and liability yield over 2H18. Easing liquidity has also been reflected by the rebound in system excess reserve ratio from 1.51% in Mar 18 to 2.19% in June 18.

Nevertheless, we are not negating the possibility that interbank liquidity may tighten upon rapid balance sheet growth; the trend of reducing interbank exposure, as evident in previous quarters, could also reverse. To be cautious, we expect the down cycle of SHIBOR to be temporary, especially when 1Y SHIBOR showed signs of a rebound in late Aug. Our base case scenario expect interbank asset yields of big banks and JSBs to increase by 24bps and 37bps while that of the district banks would fall by 14bps YoY in 2018E. Interbank liability yield would rise by 31bps, 34bps and 42bps YoY in 2018E for the three bank groups.

Large customer base of big banks enables a stable deposit cost

On the funding side, deposit cost of big banks, JSBs, and district banks would increase by 8bps, 23bps, and 13bps YoY, respectively, in 2018E. Solid deposit customer base of the big banks would translate into a more stable deposit cost. In 1H18, issued debt cost trended up in banks. For 2018E, we expect such cost to increase by 46bps, 61bps and 37bps YoY for the big banks, JSBs and district banks.



Exhibit 11: Asset yield and liability cost assumptions (%)

	ICBC	CCB	ABC	BOC	BoCom	CMB	MSB	CEB	CITICB	BCQ	HB	HRB
SEHK	1398	939	1288	3988	3328	3968	1988	6818	998	1963	3698	6138
Loan yield												
2017	4.23	4.18	4.26	3.91	4.59	4.81	4.70	4.45	4.61	5.72	5.00	6.03
2018E	4.40	4.40	4.48	4.15	4.90	5.15	5.10	4.65	4.90	6.10	5.20	5.80
2019E	4.58	4.56	4.62	4.27	5.06	5.25	5.22	4.79	5.02	6.23	5.32	5.93
2020E	4.73	4.69	4.77	4.39	5.20	5.36	5.36	4.94	5.15	6.33	5.45	6.04
Investment yield												
2017	3.61	3.74	3.67	3.08	3.60	3.63	3.71	4.13	3.78	5.42	4.83	5.28
2018E	3.70	3.83	3.80	3.25	3.60	3.85	4.28	4.42	4.45	5.35	5.43	5.38
2019E	3.79	3.95	3.88	3.37	3.68	3.97	4.40	4.53	4.63	5.47	5.58	5.52
2020E	3.89	4.06	3.95	3.49	3.77	4.08	4.54	4.65	4.78	5.53	5.70	5.65
Interbank assets												
2017	3.35	2.73	3.32	2.18	2.78	2.71	3.40	3.37	2.74	3.60	3.87	3.38
2018E	3.77	3.15	3.42	2.22	3.01	3.01	4.22	3.59	2.88	3.10	3.85	3.48
2019E	3.89	3.32	3.54	2.40	3.13	3.15	4.46	3.70	3.01	3.22	3.94	3.60
2020E	3.99	3.54	3.63	2.57	3.26	3.29	4.55	3.84	3.16	3.33	4.02	3.71
Deposit cost												
2017	1.42	1.33	1.34	1.52	1.86	1.27	1.76	1.93	1.59	2.36	1.53	2.60
2018E	1.43	1.35	1.35	1.63	2.11	1.48	2.00	2.15	1.85	2.60	1.60	2.67
2019E	1.49	1.41	1.41	1.69	2.22	1.56	2.09	2.24	1.94	2.70	1.66	2.73
2020E	1.53	1.46	1.48	1.75	2.32	1.62	2.16	2.32	2.04	2.78	1.70	2.75
Interbank liabilities												
2017	2.19	2.49	2.66	2.17	3.22	2.81	3.68	3.61	3.65	4.16	3.38	4.22
2018E	2.50	2.85	2.84	2.63	3.45	2.90	4.01	4.48	3.70	4.58	4.00	4.43
2019E	2.62	3.01	2.95	2.76	3.55	3.04	4.16	4.64	3.81	4.72	4.15	4.55
2020E	2.74	3.21	3.07	2.90	3.62	3.19	4.29	4.79	3.94	4.83	4.27	4.65
Issued debt												
2017	3.28	3.69	3.16	3.65	3.31	3.96	4.07	4.01	3.89	4.15	4.07	4.33
2018E	3.80	4.35	3.55	3.70	4.00	4.40	4.65	4.55	4.75	4.60	4.65	4.40
2019E	3.85	4.45	3.65	3.80	4.13	4.55	4.75	4.65	4.88	4.65	4.73	4.45
2020E	3.90	4.55	3.75	3.90	4.22	4.65	4.80	4.70	4.97	4.70	4.80	4.50

Source(s): Company, ABCI Securities estimates

Spread assumptions

Our NIM model factors in a mild expansion of loan-deposit spread over 2018E-20E, from 289bps-305bps for big banks, 308bps-317bps for JSBs, and 341bps-353bps for district banks. Interbank asset-liability spread would remain relatively stable over 2018E-20E with a positive spread of 26bps-29bps for big banks, and negative spreads of -33bps--35bps for JSBs, and -86bps--90bps for district banks.

Better NIM trend by big banks and JSBs

In our base case scenario, we expect NIM to be higher in big banks than JSBs and district banks. NIM of big banks and JSBs would expand by 3bps-5bps annually in 2018E-19E to reach 2.13% and 1.94% by 2020E. Meanwhile, average NIM of the district banks would narrow by 16bps YoY in 2018E to 2.02%, followed by mild improvement by 3bps and 1bps in 2019E and 2020E to reach 2.06% by 2020E.

For the H-share banks under our coverage, we revise down our 2018E/19E topline forecasts by an average of 3.15% and 6.07%. By category, 2018E topline forecasts for big banks/JSBs/district banks are lowered by 3.26%/2.1%/4.39%, and 4.96%/4.5%/10.0% for 2019E. The implied average topline growth in 2018E/19E are 7.8%/7.3% for the big banks, 11.3%/8.2% for the JSBs, and 8.4%/7.3% for the district banks.



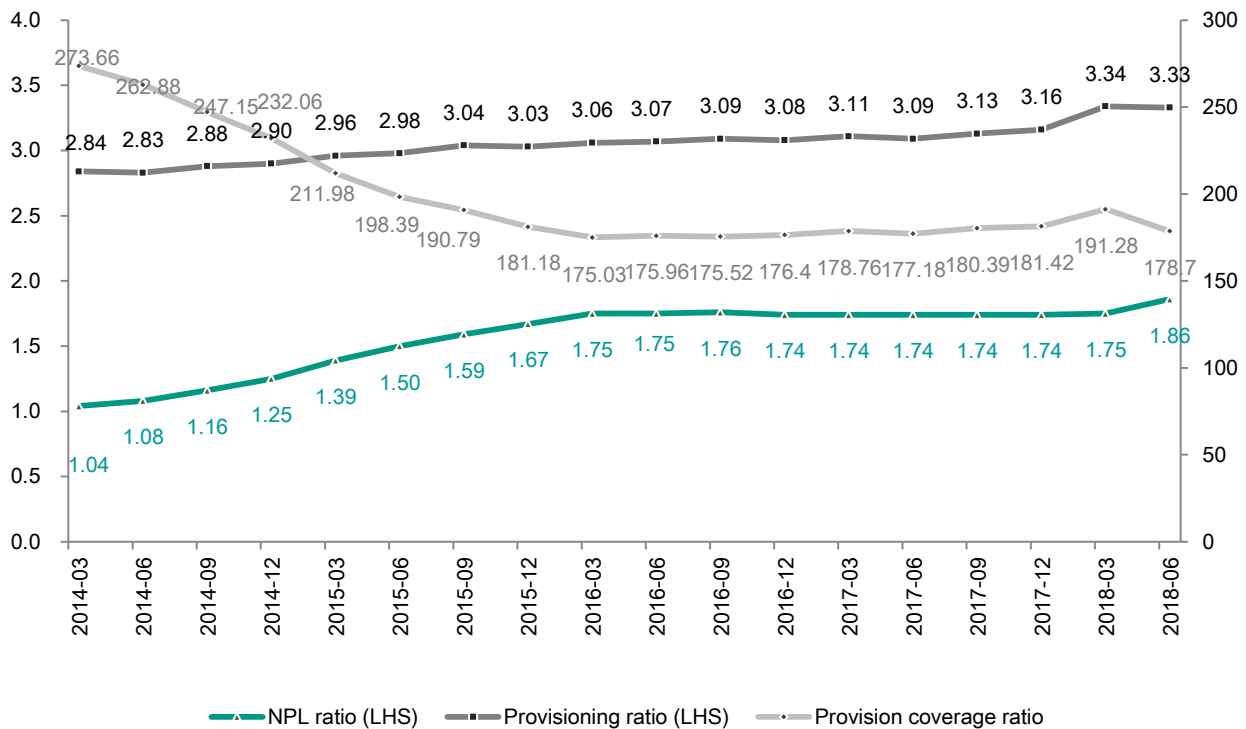
Refocusing on asset quality

Renewed concern on asset quality

Uncertainties emerging from the Sino-US trade war once again spark concerns over the asset quality of the Chinese banks. The issue of asset quality has always been a raw nerve for investors despite the fact that reality is usually not as grim as apprehended, partly because controlling systematic risk in the financial system has always been a priority for the government. NPL ratio level in banks has largely been dependent on their efforts in NPL handling since early 2017. System NPL ratio has been stabilized in the range of 1.74%-1.76% since 1Q16.

In 2Q18, system NPL ratio rose 11bps QoQ to 1.86%. Nonetheless, system risk buffer remained sufficient, with system provisioning ratio and provision coverage ratio marked at 3.33% and 178.7% as of June 2018.

Exhibit 12: System asset quality (%)



Source(s): CBIRC, ABCI Securities

Stricter NPL classification by rural commercial banks

The rebound in system NPL ratio, while not expected, can be explained. By bank category, asset quality of big banks and JSBs stayed benign and their NPL ratios improved mildly from 1.5% and 1.7% in Mar 2018 to 1.48% and 1.69% in June 2018. Surge in NPL ratio was mainly driven by rural commercial banks whose NPL ratio rose from 3.26% in Mar 2018 to 4.29% in June 2018.



Risen NPL ratio in rural commercial banks was mainly driven by stricter NPL classification policy required by regulators. The new standard stipulates all banks to classify overdue loans above 90 days as NPL. Large banks, JSBs, and most city commercial banks have long applied a more prudent NPL classification system, thus the new rule carries minimal impacts; meanwhile, the new rule drove up the NPL ratios in the rural commercial banks, hence the system NPL ratio. Among the H-share banks, big banks, JSBs and district banks reported an average NPL ratio changes of -5bps, +1bps and +6bps HoH in 1H18.

Expect benign asset quality with enhancing risk buffer

Our base case scenario assumes that ongoing development from trade war would not significantly compromise asset quality in coming quarters. We forecast system NPL ratio to be stable in the range of 1.8%-2.0% over 2H18-19E. For banks under our coverage, we project an average NPL ratio change of -2bps YoY in 2018E, of which the big banks would outperform with an average of -5bps YoY reduction. Overall, we are leaning toward a conservative stance by assuming the average NPL ratio in our coverage universe to rise by 7bps each in 2019E and 2020E, with a steeper rise expected for district banks.

Risk buffer would stay solid over 2018E-20E. Among the banks we cover, we raise our 2018E and 2019E provisioning ratio assumptions to 3.09% and 3.17%, which are 27bps and 31bps higher than our previous forecasts. For provision coverage ratio, our new average forecasts are 206.12% and 202.03%, or 26.5ppt and 25.09ppt higher than our previous estimates.



Valuation

Reiterate OVERWEIGHT rating – prefer big names on fundamental improvement

Prolonged trade friction between China and the US has sparked market concern over China’s growth momentum. Renewed concerns on asset quality and increased policy risk have suppressed share price in the China banks sector since early 2018. We consider policy risk as the largest overhang for the sector. However, we believe downside at current valuations is limited based on the solid improvement in fundamentals (e.g. NIM and asset quality). We maintain our OVERWEIGHT sector rating, and believe an entry point may occur in late 3Q18 to 4Q18 assuming the Sino-US trade war would ease.

Promising dividend yield implies entry point for the big 5 banks

The China banks sector is currently valued at 0.62x/0.56x 2018E/2019E P/B, which implies a decent share price upside for quality banks. Average forward dividend yield of the big 5 banks rose above 6% in June 2018, approaching the historical mean level. We believe a dividend yield at 6.5%-7.0% would present an ideal entry point with solid share price support and rebound potential. Long-term fundamental investors, however, may consider accumulating at current prices.

Exhibit 13: Average forward dividend yield band chart of the big 5 banks



Source(s): Bloomberg, ABCI Securities estimates

Favor big names for defensiveness

In particular, we continue to prefer big names due to their stronger defensiveness against policy changes and business diversification. **ABC (1288 HK)** is our sector’s top pick based on its strength in the policy-supported Sannong areas as well as proven ability in managing asset quality. We also favor **CCB (939 HK)** for its prudent attitude. We see potentials in **BOC (3988 HK)** since it will benefit most from the offshore interest rate hike given its significant offshore exposure (25.7% of profit before tax came from offshore business in 1H18).

Among JSBs, **CMB (3968 HK)**, despite its high valuation, remains our preferred name, justified by its strength in retail business, growth momentum, and profitability. Our recommendation for district banks is solely based on valuation or more specifically, those that are trading at a deep discount to NAV. However, we remain cautious on the relatively weak policy defensiveness and low ADT.



Major TP assumption changes

We adjust our earnings forecasts for 2018E (adjustment range: -15.95% to +0.98%) and 2019E (adjustment range -23.80% to +0.30%) while extending our forecasts to 2020E. We roll over our one-year TP calculation from 2018E to 2019E BVPS. However, with adjustment of our CNY/HKD exchange rate assumption from 1.2400 to 1.1496 (Bloomberg data as of 4/9/2018), we revise our sustainable ROE assumptions in the range of -0.62ppt-3.20ppt, and cost of equity by 1.22ppt-4.20ppt, and our target P/B for banks was reduced by 10.96% -42.47%. Consequently, we factor in a higher risk premium and a lower exchange rate expectation. Hence, our TPs for banks were slashed by 4.60%-39.58%.

Gordon growth model assumptions

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

1. Sustainable ROAE of 9.88%-18.81% (reference to historical average of individual banks);
2. Cost of Equity (COE) of 12.95%-15.84%
3. Risk free rate 3.46% (10-year Chinese government bond yield)
4. Equity beta of 1.03-1.27 (reference to Bloomberg data)
5. Equity risk premium of 7.75%-11.00% (reference to Bloomberg data)
6. Long-term growth of 2.5%-9.1% (reference to historical growth rate and China's GDP)

Exhibit 14: Changes in TP assumptions

	ICBC	CCB	ABC	BOC	BoCom	CMB	MSB	CEB	CITICB	BCQ	HB	HRB
SEHK	1398	939	1288	3988	3328	3968	1988	6818	998	1963	3698	6138
(HKD)												
TP (old)	9.32	11.41	6.38	5.72	8.18	43.50	12.86	6.04	8.19	8.92	5.40	3.30
TP (new)	7.70	9.48	5.28	4.73	7.14	41.50	7.77	4.31	6.51	6.01	4.00	2.16
Change (%)	(17.38)	(16.91)	(17.24)	(17.31)	(12.71)	(4.60)	(39.58)	(28.64)	(20.51)	(32.62)	(25.93)	(34.55)
(%)												
Sus. ROE (old)	12.90	14.18	11.73	10.60	9.26	16.64	11.96	10.65	9.87	10.67	9.93	9.61
Sus. ROE (new)	12.81	14.80	14.93	11.50	10.58	18.81	11.41	10.03	10.70	10.63	10.22	9.88
Change (%)	(0.09)	0.62	3.20	0.90	1.32	2.17	(0.55)	(0.62)	0.83	(0.04)	0.29	0.27
(%)												
COE (old)	11.51	12.38	11.00	11.86	11.75	14.40	12.71	12.58	11.50	12.42	11.16	11.99
COE (new)	12.99	14.89	15.20	13.81	13.34	15.62	15.84	14.06	15.18	15.01	12.95	13.65
Change (%)	1.48	2.51	4.20	1.95	1.59	1.22	3.13	1.48	3.68	2.59	1.79	1.66
(x)												
Target P/B (old)	1.16	1.15	1.11	0.87	0.73	1.71	0.92	0.83	0.79	0.73	0.76	0.60
Target P/B (new)	0.97	0.99	0.96	0.74	0.65	1.49	0.63	0.62	0.65	0.42	0.54	0.39
Change (%)	(16.38)	(13.91)	(13.51)	(14.94)	(10.96)	(12.87)	(31.52)	(25.30)	(17.72)	(42.47)	(28.95)	(35.00)

Source(s): Company, ABCI Securities estimates



Exhibit 15: Changes in big 5 banks' key assumptions

	ICBC	CCB	ABC	BOC	BoCom
	1398 HK	939 HK	1288 HK	3988 HK	3328 HK
2018					
Topline (RMB mn) (old)	759,266	690,206	594,721	527,587	216,529
Topline (RMB mn) (new)	735,739	637,510	616,923	502,647	206,656
Changes (%)	(3.10)	(7.63)	3.73	(4.73)	(4.56)
2019					
Topline (RMB mn) (old)	825,689	758,564	651,254	570,228	238,351
Topline (RMB mn) (new)	806,145	680,793	663,908	535,885	219,052
Changes (%)	(2.37)	(10.25)	1.94	(6.02)	(8.10)
2018					
Net profit (RMB mn) (old)	314,870	268,486	206,191	184,702	75,258
Net profit (RMB mn) (new)	303,468	263,110	208,221	183,064	72,357
Changes (%)	(3.62)	(2.00)	0.98	(0.89)	(3.85)
2019					
Net profit (RMB mn) (old)	350,955	293,895	228,530	203,702	82,385
Net profit (RMB mn) (new)	335,077	284,230	227,101	201,503	76,456
Changes (%)	(4.52)	(3.29)	(0.63)	(1.08)	(7.20)
2018					
NIM (%) (old)	2.16	2.16	2.25	1.85	1.59
NIM (%) (new)	2.32	2.28	2.38	1.89	1.44
Changes (ppt)	0.16	0.12	0.13	0.04	(0.15)
2019					
NIM (%) (old)	2.18	2.17	2.27	1.87	1.60
NIM (%) (new)	2.35	2.32	2.41	1.91	1.46
Changes (ppt)	0.17	0.15	0.14	0.04	(0.14)
2018					
NPL ratio (%) (old)	1.60	1.62	1.70	1.45	1.54
NPL ratio (%) (new)	1.60	1.52	1.60	1.40	1.45
Changes (ppt)	-	(0.10)	(0.10)	(0.05)	(0.09)
2019					
NPL ratio (%) (old)	1.68	1.68	1.60	1.48	1.60
NPL ratio (%) (new)	1.68	1.59	1.64	1.46	1.51
Changes (ppt)	-	(0.09)	0.04	(0.02)	(0.09)
2018					
Prov ratio (%) (old)	2.48	2.60	3.80	2.38	2.40
Prov ratio (%) (new)	2.73	2.85	4.10	2.85	2.56
Changes (ppt)	0.25	0.25	0.30	0.47	0.16
2019					
Prov ratio (%) (old)	2.55	2.65	3.70	2.40	2.50
Prov ratio (%) (new)	2.85	2.95	4.16	2.93	2.58
Changes (ppt)	0.30	0.30	0.46	0.53	0.08
2018					
Prov. coverage ratio (%) (old)	155.00	160.49	223.53	164.14	155.84
Prov. coverage ratio (%) (new)	170.63	187.50	256.25	171.00	176.55
Changes (ppt)	15.63	27.01	32.72	6.86	20.71
2019					
Prov. coverage ratio (%) (old)	151.79	157.74	231.25	162.16	156.25
Prov. coverage ratio (%) (new)	169.64	185.53	253.66	168.58	170.86
Changes (ppt)	17.85	27.79	22.41	6.42	14.61

Source(s): Company, ABCI Securities estimates



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

	CMB	MSB	CEB	CITICB	BCQ	HB	HRB
	3968 HK	1988 HK	6818 HK	998 HK	1963 HK	3698 Hk	6138 HK
2018							
Topline (RMB mn) (old)	243,881	169,366	105,734	172,854	11,663	23,604	17,236
Topline (RMB mn) (new)	253,358	157,600	105,022	164,778	10,849	27,019	13,676
Changes (%)	3.89	(6.95)	(0.67)	(4.67)	(6.98)	14.47	(20.65)
2019							
Topline (RMB mn) (old)	268,611	191,292	118,929	187,527	12,961	27,479	19,870
Topline (RMB mn) (new)	281,230	167,730	113,947	175,882	11,758	29,653	14,184
Changes (%)	4.70	(12.32)	(4.19)	(6.21)	(9.28)	7.91	(28.62)
2018							
Net profit (RMB mn) (old)	80,975	54,254	33,122	45,825	4,138	8,311	6,070
Net profit (RMB mn) (new)	81,200	52,302	33,022	44,717	3,968	8,215	5,102
Changes (%)	0.28	(3.60)	(0.30)	(2.42)	(4.11)	(1.16)	(15.95)
2019							
Net profit (RMB mn) (old)	92,763	58,663	36,785	50,236	4,666	9,295	6,900
Net profit (RMB mn) (new)	93,044	55,973	35,970	49,688	4,193	9,013	5,258
Changes (%)	0.30	(4.59)	(2.22)	(1.09)	(10.14)	(3.03)	(23.80)
2018							
NIM (%) (old)	2.43	1.47	1.54	1.79	2.07	2.27	2.17
NIM (%) (new)	2.54	1.50	1.46	1.94	1.76	2.40	1.90
Changes (ppt)	0.11	0.03	(0.08)	0.15	(0.31)	0.13	(0.27)
2019							
NIM (%) (old)	2.48	1.48	1.56	1.80	1.98	2.24	2.13
NIM (%) (new)	2.61	1.55	1.47	1.96	1.79	2.43	1.93
Changes (ppt)	0.13	0.07	(0.09)	0.16	(0.19)	0.19	(0.20)
2018							
NPL ratio (%) (old)	1.65	1.68	1.66	1.73	1.68	1.05	1.77
NPL ratio (%) (new)	1.45	1.77	1.55	1.85	1.15	1.05	1.86
Changes (ppt)	(0.20)	0.09	(0.11)	0.12	(0.53)	-	0.09
2019							
NPL ratio (%) (old)	1.69	1.72	1.72	1.78	1.77	1.10	1.83
NPL ratio (%) (new)	1.52	1.82	1.62	1.89	1.23	1.12	1.93
Changes (ppt)	(0.17)	0.10	(0.10)	0.11	(0.54)	0.02	0.10
2018							
Prov ratio (%) (old)	3.90	2.65	2.51	2.61	2.90	2.80	2.85
Prov ratio (%) (new)	4.60	2.85	2.68	2.78	2.90	3.03	3.15
Changes (ppt)	0.70	0.20	0.17	0.17	-	0.23	0.30
2019							
Prov ratio (%) (old)	3.95	2.70	2.57	2.65	2.95	2.75	2.90
Prov ratio (%) (new)	4.65	2.90	2.73	2.86	2.95	3.15	3.28
Changes (ppt)	0.70	0.20	0.16	0.21	-	0.40	0.38
2018							
Prov. coverage ratio (%) (old)	236.36	157.74	151.20	150.87	172.62	266.67	161.02
Prov. coverage ratio (%) (new)	317.24	161.02	172.90	150.27	252.17	288.57	169.35
Changes (ppt)	80.88	3.28	21.70	(0.60)	79.55	21.90	8.33
2019							
Prov. coverage ratio (%) (old)	233.73	156.98	149.42	148.88	166.67	250.00	158.47
Prov. coverage ratio (%) (new)	305.92	159.34	168.52	151.32	239.84	281.25	169.95
Changes (ppt)	72.19	2.36	19.10	2.44	73.17	31.25	11.48

Source(s): Company, ABCI Securities estimates



Sector Valuation Summary (Data as of Sep 19, 2018)

Company	Ticker	Rating	TP (HK\$)	Upside (%)	FY18F P/B(x)	FY19F P/B (x)	FY18F P/E (x)	FY19F P/E (x)	FY18F Yield (%)	FY19F Yield (%)
ICBC	1398 HK	BUY	7.70	38.99	0.77	0.70	5.74	5.18	5.40	6.02
CCB	939 HK	BUY	9.48	42.56	0.77	0.69	5.51	5.12	5.53	5.88
ABC	1288 HK	BUY	5.28	41.94	0.75	0.68	5.39	4.90	5.56	6.18
BOC	3988 HK	BUY	4.73	38.30	0.58	0.53	4.96	4.51	7.06	7.73
BoCom	3328 HK	BUY	7.14	25.48	0.56	0.52	5.27	4.95	6.67	7.07
CMB	3968 HK	BUY	41.50	39.73	1.20	1.07	8.02	7.00	4.10	4.68
MSB	1988 HK	BUY	7.77	37.04	0.51	0.46	3.82	3.88	2.84	3.04
CITICB	998 HK	BUY	6.51	35.06	0.52	0.48	4.71	4.24	6.44	7.16
CEB	6818 HK	BUY	4.31	26.76	0.53	0.49	4.93	4.48	7.44	7.78
HB	3698 HK	BUY	4.00	17.99	0.53	0.46	4.15	3.73	2.37	2.37
HRB	6138 HK	BUY	2.16	15.51	0.38	0.33	3.54	3.39	3.69	4.30
BCQ	1963 HK	BUY	6.01	26.53	0.37	0.33	3.25	3.08	3.15	3.87

Source(s): Bloomberg, ABCI Securities estimates



ICBC (1398 HK)

Consolidated income statement (2016A-2020E)

FY Ended Dec 31 (RMB mn)	2016A	2017A	2018E	2019E	2020E
Net interest income	471,846	522,078	577,310	639,620	710,661
Non-interest income	169,835	153,576	158,429	166,525	173,237
Of which: Fees and commissions	144,973	139,625	148,068	154,853	160,551
Operating income	641,681	675,654	735,739	806,145	883,898
Operating expenses	(176,393)	(170,207)	(181,920)	(194,649)	(208,592)
Amortization	(16,719)	(15,987)	(15,399)	(15,796)	(16,364)
Pre-provision operating profit	448,569	489,460	538,420	595,700	658,942
Impairment loans losses	(87,894)	(127,769)	(166,559)	(183,751)	(192,772)
Operating profit	360,675	361,691	371,861	411,949	466,170
Non-operating income	2,604	2,950	3,245	3,537	3,820
Profit before tax	363,279	364,641	375,106	415,486	469,990
Tax	(84,173)	(77,190)	(69,395)	(76,865)	(86,948)
Minority interests	(857)	(1,402)	(2,243)	(3,544)	(5,529)
Net profit attributable to equity holders	278,249	286,049	303,468	335,077	377,513
Preference share dividend	4,450	4,437	4,488	4,488	4,488
Net profit attributable to ordinary shareholders	273,799	281,612	298,980	330,589	373,025
Growth (%)					
Net interest income	(7.1)	10.6	10.6	10.8	11.1
Non-interest income	5.6	(9.6)	3.2	5.1	4.0
Of which: Fees and commissions	1.1	(3.7)	6.0	4.6	3.7
Operating income	(4.0)	5.3	8.9	9.6	9.6
Operating expenses	(13.5)	(3.5)	6.9	7.0	7.2
Amortization	(0.8)	(4.4)	(3.7)	2.6	3.6
Pre-provision operating profit	0.1	9.1	10.0	10.6	10.6
Impairment loans losses	1.0	45.4	30.4	10.3	4.9
Operating profit	(0.1)	0.3	2.8	10.8	13.2
Non-operating income	11.8	13.3	10.0	9.0	8.0
Profit before tax	0.0	0.4	2.9	10.8	13.1
Tax	(1.6)	(8.3)	(10.1)	10.8	13.1
Minority interests	45.5	63.6	60.0	58.0	56.0
Net profit attributable to equity holders	0.4	2.8	6.1	10.4	12.7
Preference share dividend	90.9	(0.3)	1.2	0.0	0.0
Net profit attributable to ordinary shareholders	(0.4)	2.9	6.2	10.6	12.8
Per share (RMB)					
EPS	0.77	0.79	0.84	0.93	1.05
BVPS	5.29	5.73	6.27	6.88	7.56
DPS	0.23	0.24	0.26	0.29	0.32
Key ratio (%)					
Net interest margin*	2.16	2.22	2.32	2.35	2.37
Net interest spread	2.03	2.10	2.22	2.26	2.31
Cost to income ratio	27.49	25.19	24.73	24.15	23.60
Return on average assets	1.20	1.14	1.11	1.10	1.13
Return on average equity	14.80	13.96	13.64	13.79	14.20
Effective tax rate	23.17	21.17	18.50	18.50	18.50
Dividend payout	30.43	30.48	30.50	30.50	30.50

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

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

* Forecast calculation based on IFRS9 (excluding interest income from FVTPL financial assets)

Source(s): Company, ABCI Securities estimates



ICBC(1398 HK)

Consolidated balance sheet (2016A-2020E)

As of Dec 31 (RMB mn)	2016A	2017A	2018E	2019E	2020E
Cash & equivalent	3,350,788	3,613,872	4,047,537	4,533,241	5,077,230
Interbank assets	1,553,100	1,834,242	1,764,057	1,979,453	2,202,053
Investment securities	5,481,174	5,756,704	5,581,232	6,011,767	6,419,023
Net loans and advances	12,767,334	13,892,966	15,429,264	17,104,929	18,869,658
Total interest earning assets	23,152,396	25,097,784	26,822,090	29,629,391	32,567,963
Property and equipment	246,209	247,744	252,699	257,753	262,908
Other non-interest earning assets	738,660	741,515	1,753,802	1,964,815	2,181,573
Total assets	24,137,265	26,087,043	28,828,591	31,851,959	35,012,445
Customer deposits	17,825,302	19,226,349	21,869,777	24,475,505	26,929,904
Interbank liabilities	2,016,799	1,706,549	2,081,990	2,415,108	2,753,223
Subordinated debt	357,937	526,940	632,328	695,561	765,117
Total interest bearing liabilities	20,418,465	21,720,112	24,875,601	27,906,832	30,794,554
Current taxes	52,640	70,644	81,241	90,989	100,088
Deferred tax liabilities	604	433	325	250	200
Other liabilities	1,684,393	2,154,798	1,533,902	1,297,108	1,313,578
Total liabilities	22,156,102	23,945,987	26,491,069	29,295,179	32,208,421
Share capital	442,458	442,458	442,458	442,458	442,458
Reserves	1,527,293	1,685,033	1,878,786	2,094,951	2,338,709
Minorities	11,412	13,565	16,278	19,371	22,858
Shareholder's equity incl. MI	1,981,163	2,141,056	2,337,522	2,556,780	2,804,024
Growth (%)					
Cash & equivalent	9.5	7.9	12.0	12.0	12.0
Interbank assets	(7.6)	18.1	(3.8)	12.2	11.2
Investment securities	9.4	5.0	(3.0)	7.7	6.8
Net loans and advances	9.6	8.8	11.1	10.9	10.3
Total interest earning assets	8.2	8.4	6.9	10.5	9.9
Property and equipment	9.7	0.6	2.0	2.0	2.0
Other non-interest earning assets	26.7	0.4	136.5	12.0	11.0
Total assets	8.7	8.1	10.5	10.5	9.9
Customer deposits	9.5	7.9	13.7	11.9	10.0
Interbank liabilities	(11.0)	(15.4)	22.0	16.0	14.0
Subordinated debt	16.7	47.2	20.0	10.0	10.0
Total interest bearing liabilities	7.3	6.4	14.5	12.2	10.3
Current taxes	(16.8)	34.2	15.0	12.0	10.0
Deferred tax liabilities	(39.3)	(28.3)	(25.0)	(23.0)	(20.0)
Other liabilities	28.9	27.9	(28.8)	(15.4)	1.3
Total liabilities	8.6	8.1	10.6	10.6	9.9
Share capital	1.5	0.0	0.0	0.0	0.0
Reserves	12.8	10.3	11.5	11.5	11.6
Minorities	3.3	18.9	20.0	19.0	18.0
Shareholder's equity	10.0	8.1	9.2	9.4	9.7
Key ratio (%)					
CT1 CAR	12.87	12.77	12.58	12.52	12.57
Total CAR	14.61	15.14	15.00	14.89	14.90
NPL ratio	1.62	1.55	1.60	1.68	1.74
Provision to total loans	2.22	2.39	2.73	2.85	2.90
Provision coverage ratio	136.69	154.07	170.63	169.64	166.67

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

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

Source(s): Company, ABCI Securities estimates



CCB (939 HK)

Consolidated income statement (2016A-2020E)

FY Ended Dec 31 (RMB mn)	2016A	2017A	2018E	2019E	2020E
Net interest income	417,799	452,456	482,831	518,935	572,346
Non-interest income	142,061	141,575	154,679	161,859	168,228
Of which: Fees and commissions	118,509	117,798	121,630	126,439	130,693
Operating income	559,860	594,031	637,510	680,793	740,573
Operating expenses	(169,302)	(164,737)	(174,144)	(184,134)	(195,367)
Amortization	(2,213)	(2,306)	(2,421)	(2,542)	(2,669)
Pre-provision operation profit	388,345	426,988	460,945	494,117	542,536
Impairment losses on loans	(93,204)	(127,362)	(134,150)	(140,692)	(146,916)
Operating profit	295,141	299,626	326,794	353,425	395,621
Non-operating income	69	161	201	252	314
Profit before tax	295,210	299,787	326,996	353,677	395,935
Tax	(62,821)	(56,172)	(62,129)	(67,199)	(75,228)
Minority interests	(929)	(1,351)	(1,756)	(2,248)	(2,833)
Net profit attributable to equity holders	231,460	242,264	263,110	284,230	317,875
Preference share dividend	1,067	1,045	1,045	1,045	1,045
Net profit attributable to ordinary shareholders	230,393	241,219	262,065	283,185	316,830
Growth (%)					
Net interest income	(8.7)	8.3	6.7	7.5	10.3
Non-interest income	10.2	(0.3)	9.3	4.6	3.9
Of which: Fees and commissions	4.4	(0.6)	3.3	4.0	3.4
Operating income	(4.6)	6.1	7.3	6.8	8.8
Operating expenses	(11.9)	(2.7)	5.7	5.7	6.1
Amortization	(15.0)	4.2	5.0	5.0	5.0
Pre-provision operation profit	(0.9)	10.0	8.0	7.2	9.8
Impairment losses on loans	(0.5)	36.6	5.3	4.9	4.4
Operating profit	(1.0)	1.5	9.1	8.1	11.9
Non-operating income	(74.9)	133.3	25.0	25.0	25.0
Profit before tax	(1.1)	1.6	9.1	8.2	11.9
Tax	(9.8)	(10.6)	10.6	8.2	11.9
Minority interests	25.4	45.4	30.0	28.0	26.0
Net profit attributable to equity holders	1.5	4.7	8.6	8.0	11.8
Preference share dividend	na	(2.1)	0.0	0.0	0.0
Net profit attributable to ordinary shareholders	1.0	4.7	8.6	8.1	11.9
Per share (RMB)					
EPS	0.92	0.96	1.05	1.13	1.27
BVPS	6.28	6.86	7.54	8.33	9.10
DPS	0.28	0.29	0.32	0.34	0.38
Key ratio (%)					
Net interest margin*	2.20	2.21	2.28	2.32	2.38
Net interest spread	2.07	2.09	2.18	2.26	2.33
Cost to income ratio	30.64	28.12	27.70	27.42	26.74
Return on average assets	1.18	1.12	1.15	1.17	1.23
Return on average equity	15.38	14.44	14.06	13.77	14.08
Effective tax rate	21.28	18.74	19.00	19.00	19.00
Dividend payout	30.03	30.03	30.00	30.00	30.00

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

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

* Forecast calculation based on IFRS9 (excluding interest income from FVTPL financial assets)

Source(s): Company, ABCI Securities estimates



CCB (939 HK)

Consolidated balance sheet (2016A-2020E)

As of Dec 31 (RMB mn)	2016A	2017A	2018E	2019E	2020E
Cash & equivalent	2,849,261	2,988,256	2,689,430	2,554,959	2,503,860
Interbank assets	858,462	708,598	1,260,726	1,560,985	1,855,426
Investment securities	5,068,584	5,181,648	4,559,850	4,787,843	4,979,356
Net loans and advances	11,488,355	12,574,473	13,622,071	14,732,182	15,882,951
Total interest earning assets	20,264,662	21,452,975	22,132,077	23,635,969	25,221,593
Property and equipment	170,095	169,679	171,376	173,090	174,820
Other non-interest earning assets	528,948	501,729	1,173,809	1,255,208	1,344,233
Total assets	20,963,705	22,124,383	23,477,262	25,064,266	26,740,646
Customer deposits	15,402,915	16,363,754	17,445,722	18,581,409	19,693,596
Interbank liabilities	1,935,541	1,720,634	1,737,840	1,824,732	1,970,711
Subordinated debt	451,554	596,526	715,831	858,997	1,030,797
Total interest bearing liabilities	18,906,853	19,796,497	20,903,418	22,319,365	23,812,584
Current taxes liabilities	44,900	54,106	64,927	77,263	91,171
Deferred tax liabilities	570	389	428	471	518
Other liabilities	421,728	477,564	528,433	488,149	466,685
Total liabilities	19,374,051	20,328,556	21,497,206	22,885,248	24,370,957
Share capital	269,670	329,647	329,647	329,647	329,647
Reserves	1,306,830	1,450,113	1,634,342	1,833,304	2,023,975
Minorities	13,154	16,067	16,067	16,067	16,067
Shareholder's equity	1,589,654	1,795,827	1,980,056	2,179,018	2,369,689
Growth (%)					
Cash & equivalent	18.6	4.9	(10.0)	(5.0)	(2.0)
Interbank assets	(11.9)	(17.5)	77.9	23.8	18.9
Investment securities	18.7	2.2	(12.0)	5.0	4.0
Net loans and advances	12.3	9.5	8.3	8.1	7.8
Total interest earning assets	13.3	5.9	3.2	6.8	6.7
Property and equipment	6.6	(0.2)	1.0	1.0	1.0
Other non-interest earning assets	71.7	(5.1)	134.0	6.9	7.1
Total assets	14.2	5.5	6.1	6.8	6.7
Customer deposits	12.7	6.2	6.6	6.5	6.0
Interbank liabilities	9.9	(11.1)	1.0	5.0	8.0
Subordinated debt	8.7	32.1	20.0	20.0	20.0
Total interest bearing liabilities	14.7	4.7	5.6	6.8	6.7
Current taxes liabilities	(9.1)	20.5	20.0	19.0	18.0
Deferred tax liabilities	(8.7)	(31.8)	10.0	10.0	10.0
Other liabilities	14.4	13.2	10.7	(7.6)	(4.4)
Total liabilities	14.6	4.9	5.7	6.5	6.5
Share capital	0.0	22.2	0.0	0.0	0.0
Reserves	12.2	11.0	12.7	12.2	10.4
Minorities	18.9	22.1	0.0	0.0	0.0
Shareholder's equity	10.0	13.0	10.3	10.0	8.8
Key ratio (%)					
CT1 CAR	12.98	13.09	13.31	13.56	13.66
Total CAR	14.94	15.50	15.84	16.17	16.36
NPL ratio	1.52	1.49	1.52	1.59	1.64
Provision to total loans	2.29	2.55	2.85	2.95	3.00
Provision coverage	150.36	171.08	187.50	185.53	182.93

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

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

Source(s): Company, ABCI Securities estimates



ABC (1288 HK)

Consolidated income statement (2016A-2020E)

FY Ended Dec 31 (RMB mn)	2016A	2017A	2018E	2019E	2020E
Net interest income	398,104	441,930	492,500	532,687	584,015
Non-interest income	112,024	100,968	124,423	131,221	137,793
Of which: Fees and commissions	90,935	72,903	79,669	86,978	94,987
Operating income	510,128	542,898	616,923	663,908	721,808
Operating expenses	(178,021)	(186,975)	(193,481)	(204,267)	(215,841)
Amortization	(19,037)	(18,279)	(19,193)	(20,153)	(21,160)
Pre-provision operating profit	313,070	337,644	404,249	439,488	484,807
Impairment loans losses	(86,446)	(98,166)	(150,060)	(162,210)	(173,459)
Profit before tax	226,624	239,478	254,189	277,278	311,348
Tax	(42,564)	(46,345)	(45,754)	(49,910)	(56,043)
Minority interests	(119)	(171)	(214)	(267)	(334)
Net profit attributable to equity holders	183,941	192,962	208,221	227,101	254,971
Preference share dividend	4,600	4,600	4,600	4,600	4,600
Net profit attributable to ordinary shareholders	179,341	188,362	203,621	222,501	250,371
Growth (%)					
Net interest income	(8.7)	11.0	11.4	8.2	9.6
Non-interest income	7.0	(9.9)	23.2	5.5	5.0
Of which: Fees and commissions	10.2	(19.8)	9.3	9.2	9.2
Operating income	(5.7)	6.4	13.6	7.6	8.7
Operating expenses	(13.7)	5.0	3.5	5.6	5.7
Amortization	(3.0)	(4.0)	5.0	5.0	5.0
Pre-provision operating profit	(0.6)	7.8	19.7	8.7	10.3
Impairment loans losses	2.7	13.6	52.9	8.1	6.9
Profit before tax	(1.8)	5.7	6.1	9.1	12.3
Tax	(15.0)	8.9	(1.3)	9.1	12.3
Minority interests	(38.0)	43.7	25.0	25.0	25.0
Net profit attributable to equity holders	1.9	4.9	7.9	9.1	12.3
Preference share dividend	0.0	0.0	0.0	0.0	0.0
Net profit attributable to ordinary shareholders	1.9	5.0	8.1	9.3	12.5
Per share (RMB)					
EPS	0.55	0.58	0.60	0.66	0.74
BVPS	3.81	4.15	4.33	4.78	5.28
DPS	0.17	0.18	0.18	0.20	0.22
Key ratio (%)					
Net interest margin*	2.25	2.28	2.38	2.41	2.46
Net interest spread	2.10	2.15	2.29	2.36	2.42
Cost to income ratio	34.59	32.96	31.36	30.77	29.90
Return on average assets	0.99	0.95	0.95	0.95	0.98
Return on average equity	15.14	14.57	13.78	13.57	13.86
Effective tax rate	18.78	19.35	18.00	18.00	18.00
Dividend payout	30.79	30.74	30.50	30.50	30.50

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

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

* Forecast calculation based on IFRS9 (excluding interest income from FVTPL financial assets)

Source(s): Company, ABCI Securities estimates



ABC (1288 HK)

Consolidated balance sheet (2016A-2020E)

As of Dec 31 (RMB mn)	2016A	2017A	2018E	2019E	2020E
Cash & equivalent	2,811,653	2,896,619	2,976,475	2,935,484	2,902,203
Interbank assets	1,526,665	1,175,900	916,701	789,906	705,051
Investment securities	5,333,535	6,152,743	6,028,757	6,600,809	7,150,896
Net loans and advances	9,319,364	10,316,311	11,668,460	13,122,028	14,632,983
Total interest earning assets	18,991,217	20,541,573	21,590,394	23,448,226	25,391,133
Property and equipment	158,669	155,258	156,811	158,379	159,962
Other non-interest earning assets	420,175	356,551	1,199,374	1,300,944	1,395,821
Total assets	19,570,061	21,053,382	22,946,578	24,907,549	26,946,917
Customer deposits	15,038,001	16,194,279	17,514,828	18,827,990	20,078,222
Interbank liabilities	1,749,117	1,720,738	1,841,190	1,970,073	2,088,277
Subordinated debt	388,215	475,017	688,775	860,968	1,033,162
Total interest bearing liabilities	17,175,333	18,390,034	20,044,792	21,659,031	23,199,661
Current taxes	16,356	32,842	44,337	57,638	72,047
Deferred tax liabilities	58	87	113	145	182
Other liabilities	1,056,723	1,201,022	1,258,523	1,435,352	1,744,288
Total liabilities	18,248,470	19,623,985	21,347,765	23,152,166	25,016,178
Share capital	404,693	404,693	429,882	429,882	429,882
Reserves	913,500	1,021,722	1,165,770	1,322,151	1,497,271
Minorities	3,398	2,982	3,161	3,351	3,585
Shareholder's equity	1,321,591	1,429,397	1,598,813	1,755,383	1,930,738
Growth (%)					
Cash & equivalent	8.7	3.0	2.8	(1.4)	(1.1)
Interbank assets	(8.8)	(23.0)	(22.0)	(13.8)	(10.7)
Investment securities	18.2	15.4	(2.0)	9.5	8.3
Net loans and advances	9.6	10.7	13.1	12.5	11.5
Total interest earning assets	9.9	8.2	5.1	8.6	8.3
Property and equipment	1.6	(2.1)	1.0	1.0	1.0
Other non-interest earning assets	18.2	(15.1)	236.4	8.5	7.3
Total assets	10.0	7.6	9.0	8.5	8.2
Customer deposits	11.1	7.7	8.2	7.5	6.6
Interbank liabilities	9.4	(1.6)	7.0	7.0	6.0
Subordinated debt	1.4	22.4	45.0	25.0	20.0
Total interest bearing liabilities	10.7	7.1	9.0	8.1	7.1
Current taxes	(57.1)	100.8	35.0	30.0	25.0
Deferred tax liabilities	(47.7)	50.0	30.0	28.0	26.0
Other liabilities	3.4	13.7	4.8	14.1	21.5
Total liabilities	10.1	7.5	8.8	8.5	8.1
Share capital	0.0	0.0	6.2	0.0	0.0
Reserves	13.4	11.8	14.1	13.4	13.2
Minorities	89.4	(12.2)	6.0	6.0	7.0
Shareholder's equity	9.1	8.2	11.9	9.8	10.0
Key ratio (%)					
CT1 CAR	10.38	10.63	11.36	11.49	11.68
Total CAR	13.04	13.74	14.46	14.61	14.82
NPL ratio	2.37	1.81	1.60	1.64	1.72
Provision to total loans	4.12	3.77	4.10	4.16	4.20
Provision coverage ratio	173.40	208.37	256.25	253.66	244.19

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

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

Source(s): Company, ABCI Securities estimates



BOC (3988 HK)

Consolidated income statement (2016A-2020E)

FY Ended Dec 31 (RMB mn)	2016A	2017A	2018E	2019E	2020E
Net interest income	306,048	338,389	352,488	380,154	417,403
Non-interest income	179,608	145,372	150,159	155,730	160,760
Of which: Fees and commissions	88,664	88,691	96,673	103,440	109,647
Operating income	485,656	483,761	502,647	535,885	578,163
Operating expenses	(175,069)	(173,859)	(174,420)	(179,232)	(185,882)
Pre-provision operating profit	310,587	309,902	328,226	356,652	392,281
Impairment losses on loans	(89,072)	(88,161)	(88,450)	(93,355)	(98,457)
Operating profit	221,515	221,741	239,777	263,297	293,824
Non-operating income	897	1,162	1,511	1,949	2,494
Profit before tax	222,412	222,903	241,287	265,246	296,318
Tax	(38,361)	(37,917)	(44,638)	(49,070)	(54,819)
Minority interests	(19,473)	(12,579)	(13,585)	(14,672)	(15,846)
Net profit attributable to equity holders	164,578	172,407	183,064	201,503	225,653
Preference share dividend	6,754	6,626	6,626	6,626	6,626
Net profit attributable to ordinary shareholders	157,824	165,782	176,438	194,878	219,028
Growth (%)					
Net interest income	(6.9)	10.6	4.2	7.8	9.8
Non-interest income	23.6	(19.1)	3.3	3.7	3.2
Of which: Fees and commissions	(4.1)	0.0	9.0	7.0	6.0
Operating income	2.5	(0.4)	3.9	6.6	7.9
Operating expenses	(5.6)	(0.7)	0.3	2.8	3.7
Pre-provision operating profit	7.7	(0.2)	5.9	8.7	10.0
Impairment losses on loans	50.3	(1.0)	0.3	5.5	5.5
Operating profit	(3.4)	0.1	8.1	9.8	11.6
Non-operating income	(61.6)	29.5	30.0	29.0	28.0
Profit before tax	(4.0)	0.2	8.2	9.9	11.7
Tax	(26.4)	(1.2)	17.7	9.9	11.7
Minority interests	127.2	(35.4)	8.0	8.0	8.0
Net profit attributable to equity holders	(3.7)	4.8	6.2	10.1	12.0
Preference share dividend	0.5	(1.9)	0.0	0.0	0.0
Net profit attributable to ordinary shareholders	(3.8)	5.0	6.4	10.5	12.4
Per share (RMB)					
EPS	0.54	0.56	0.60	0.66	0.74
BVPS	4.46	4.74	5.14	5.57	5.98
DPS	0.17	0.18	0.21	0.23	0.26
Key ratio (%)					
Net interest margin*	1.83	1.84	1.89	1.91	1.95
Net interest spread	1.69	1.70	1.73	1.80	1.86
Cost to income ratio	36.05	35.94	34.70	33.45	32.15
Return on average assets	0.94	0.92	0.91	0.94	0.98
Return on average equity	12.12	11.86	11.78	12.02	12.53
Effective tax rate	17.25	17.01	18.50	18.50	18.50
Dividend payout	34.15	33.90	34.00	34.00	34.00

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

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

* Forecast calculation based on IFRS9 (excluding interest income from FVTPL financial assets)

Source(s): Company, ABCI Securities estimates



BOC (3988 HK)

Consolidated balance sheet (2016A-2020E)

As of Dec 31 (RMB mn)	2016A	2017A	2018E	2019E	2020E
Cash & equivalent	659,982	560,463	420,347	432,958	445,946
Interbank assets	2,271,640	2,227,614	2,116,233	2,158,558	2,223,315
Investment securities	3,972,884	4,554,722	4,828,005	5,407,366	6,056,250
Net loans and advances	9,735,646	10,644,304	11,358,975	12,200,624	13,063,712
Total interest earning assets	16,640,152	17,987,103	18,723,561	20,199,506	21,789,223
Property and equipment	194,897	205,614	215,895	224,530	231,266
Derivative assets	130,549	94,912	80,675	72,608	65,347
Other non-interest earning assets	1,183,291	1,179,795	1,644,740	1,769,750	1,922,138
Total assets	18,148,889	19,467,424	20,664,871	22,266,394	24,007,975
Customer deposits	12,939,748	13,657,924	14,965,362	16,287,836	17,648,225
Interbank liabilities	2,590,413	2,961,151	2,872,316	2,901,040	2,988,071
Subordinated debt	389,470	529,756	566,839	612,186	673,405
Total interest bearing liabilities	15,919,631	17,148,831	18,404,517	19,801,062	21,309,700
Trading liabilities	107,109	111,095	116,650	122,482	128,606
Current taxes	28,055	34,521	41,425	48,882	56,703
Deferred tax liabilities	4,501	4,018	4,259	4,472	4,696
Other liabilities	602,501	592,280	399,524	457,009	548,330
Total liabilities	16,661,797	17,890,745	18,966,375	20,433,908	22,048,035
Share capital	394,102	394,102	394,102	394,102	394,102
Reserves	1,017,580	1,101,914	1,218,084	1,346,034	1,467,022
Minority interest	75,410	80,663	86,309	92,351	98,816
Total shareholders' equity	1,487,092	1,576,679	1,698,495	1,832,487	1,959,940
Growth (%)					
Cash & equivalent	0.9	(15.1)	(25.0)	3.0	3.0
Interbank assets	3.4	(1.9)	(5.0)	2.0	3.0
Investment securities	10.5	14.6	6.0	12.0	12.0
Net loans and advances	9.0	9.3	6.7	7.4	7.1
Total interest earning assets	8.2	8.1	4.1	7.9	7.9
Property and equipment	7.1	5.5	5.0	4.0	3.0
Derivative assets	58.7	(27.3)	(15.0)	(10.0)	(10.0)
Other non-interest earning assets	1.1	(0.3)	39.4	7.6	8.6
Total assets	7.9	7.3	6.2	7.7	7.8
Customer deposits	10.3	5.6	9.6	8.8	8.4
Interbank liabilities	(1.4)	14.3	(3.0)	1.0	3.0
Subordinated debt	24.3	36.0	7.0	8.0	10.0
Total interest bearing liabilities	8.5	7.7	7.3	7.6	7.6
Trading liabilities	54.9	3.7	5.0	5.0	5.0
Current taxes	(26.1)	23.0	20.0	18.0	16.0
Deferred tax liabilities	4.9	(10.7)	6.0	5.0	5.0
Other liabilities	(10.9)	(1.7)	(32.5)	14.4	20.0
Total liabilities	7.8	7.4	6.0	7.7	7.9
Share capital	0.0	0.0	0.0	0.0	0.0
Reserves	11.7	8.3	10.5	10.5	9.0
Minority interest	43.2	7.0	7.0	7.0	7.0
Shareholders' equity	9.5	6.0	7.7	7.9	7.0
Key ratio (%)					
CT1 CAR	11.37	11.15	11.05	11.13	11.09
Total CAR	14.28	14.19	13.84	13.89	13.83
NPL ratio	1.46	1.45	1.40	1.46	1.52
Provision to total loans	2.87	2.77	2.85	2.93	3.00
Provision coverage ratio	162.82	159.18	171.00	168.58	165.79

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

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

Source(s): Company, ABCI Securities estimates



BoCom (3328 HK)

Consolidated income statement (2016A-2020E)

FY Ended Dec 31 (RMB mn)	2016A	2017A	2018E	2019E	2020E
Net interest income	134,871	127,366	123,721	131,340	140,086
Non-interest income	59,191	69,154	82,935	87,712	92,550
Of which: Fees and commissions	36,795	40,551	43,184	45,490	47,379
Operating income	194,062	196,520	206,656	219,052	232,636
Operating expenses	(79,472)	(83,468)	(82,398)	(85,299)	(88,205)
Pre-provision operating profit	114,590	113,052	124,258	133,753	144,431
Impairment losses on loans	(28,480)	(29,787)	(39,578)	(44,307)	(47,317)
Profit before tax	86,110	83,265	84,680	89,447	97,113
Tax	(18,459)	(12,574)	(11,855)	(12,523)	(13,596)
Minorities interests	441	468	468	468	468
Net profit attributable to equity holders	67,210	70,223	72,357	76,456	83,049
Preference share dividend	2,693	2,551	2,551	2,551	2,551
Net profit attributable to ordinary shareholders	64,517	67,672	69,806	73,905	80,498
Growth (%)					
Net interest income	(6.5)	(5.6)	(2.9)	6.2	6.7
Non-interest income	17.5	16.8	19.9	5.8	5.5
Of which: Fees and commissions	5.0	10.2	6.5	5.3	4.2
Operating income	(0.3)	1.3	5.2	6.0	6.2
Operating expenses	(2.4)	5.0	(1.3)	3.5	3.4
Pre-provision operating profit	1.3	(1.3)	9.9	7.6	8.0
Impairment losses on loans	4.9	4.6	32.9	11.9	6.8
Profit before tax	0.1	(3.3)	1.7	5.6	8.6
Tax	(3.8)	(31.9)	(5.7)	5.6	8.6
Minorities & other dilutions	45.5	6.1	0.0	0.0	0.0
Net profit attributable to equity holders	1.0	4.5	3.0	5.7	8.6
Preference share dividend	204.6	(5.3)	0.0	0.0	0.0
Net profit attributable to ordinary shareholders	(1.7)	4.9	3.2	5.9	8.9
Per share (RMB)					
EPS	0.89	0.91	0.94	1.00	1.08
BVPS	7.67	8.23	8.89	9.58	10.33
DPS	0.27	0.29	0.33	0.35	0.38
Key ratio (%)					
Net interest margin*	1.80	1.52	1.44	1.46	1.49
Net interest spread	1.67	1.40	1.37	1.44	1.49
Cost to income ratio	40.95	42.47	39.87	38.94	37.92
Return on average assets	0.87	0.81	0.78	0.78	0.80
Return on average equity	12.18	11.44	10.40	10.26	10.40
Effective tax rate	21.44	15.10	14.00	14.00	14.00
Dividend payout	34.01	33.84	34.00	34.00	34.00

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

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

* Forecast calculation based on IFRS9 (excluding interest income from FVTPL financial assets)

Source(s): Company, ABCI Securities estimates



BoCom (3328 HK)

Consolidated balance sheet (2016A-2020E)

As of Dec 31 (RMB mn)	2016A	2017A	2018E	2019E	2020E
Cash & equivalent	991,435	938,571	891,642	900,559	909,564
Interbank assets	715,787	782,468	712,046	669,323	635,857
Investment securities	2,252,392	2,474,348	2,548,578	2,676,007	2,809,808
Net loans and advances	4,009,046	4,354,499	4,719,472	5,071,099	5,417,564
Total interest earning assets	7,968,660	8,549,886	8,871,738	9,316,988	9,772,793
Property and equipment	114,425	132,492	145,741	158,858	171,567
Other non-interest earning assets	320,081	355,876	612,909	644,880	678,183
Total assets	8,403,166	9,038,254	9,630,389	10,120,725	10,622,543
Customer deposits	4,728,589	4,930,345	5,993,702	6,434,253	6,896,738
Interbank liabilities	2,231,060	2,382,744	2,000,882	2,060,909	2,102,127
Subordinated debt	229,515	287,662	330,811	380,433	437,498
Total interest bearing liabilities	7,189,164	7,600,751	8,325,395	8,875,595	9,436,363
Trading liabilities	84,299	60,308	51,262	46,136	41,522
Current taxes	5,164	7,943	9,929	11,915	13,702
Deferred tax liabilities	145	520	676	865	1,090
Other liabilities	491,987	692,461	516,936	407,195	293,422
Total liabilities	7,770,759	8,361,983	8,904,198	9,341,706	9,786,099
Share capital	134,139	134,139	134,139	134,139	134,139
Reserves	495,003	537,004	585,642	636,932	692,528
Minorities	3,265	5,128	6,410	7,948	9,777
Shareholder's equity	632,407	676,271	726,191	779,020	836,444
Growth (%)					
Cash & equivalent	7.7	(5.3)	(5.0)	1.0	1.0
Interbank assets	17.1	9.3	(9.0)	(6.0)	(5.0)
Investment securities	38.1	9.9	3.0	5.0	5.0
Net loans and advances	10.3	8.6	8.4	7.5	6.8
Total interest earning assets	17.2	7.3	3.8	5.0	4.9
Property and equipment	26.6	15.8	10.0	9.0	8.0
Other non-interest earning assets	19.2	11.2	72.2	5.2	5.2
Total assets	17.4	7.6	6.6	5.1	5.0
Customer deposits	5.4	4.3	21.6	7.4	7.2
Due to other banks & FIs	35.9	6.8	(16.0)	3.0	2.0
Subordinated debt	34.9	25.3	15.0	15.0	15.0
Total interest bearing liabilities	14.2	5.7	9.5	6.6	6.3
Trading liabilities	35.0	(28.5)	(15.0)	(10.0)	(10.0)
Current taxes	(40.0)	53.8	25.0	20.0	15.0
Deferred tax liabilities	21.8	258.6	30.0	28.0	26.0
Other liabilities	96.9	40.7	(25.3)	(21.2)	(27.9)
Total liabilities	17.4	7.6	6.5	4.9	4.8
Share capital	50.4	0.0	0.0	0.0	0.0
Reserves	11.1	8.5	9.1	8.8	8.7
Minorities	1.8	57.1	25.0	24.0	23.0
Shareholder's equity	17.5	6.9	7.4	7.3	7.4
Key ratio (%)					
CT1 CAR	11.00	10.79	11.02	11.25	11.51
Total CAR	14.02	14.00	14.28	14.51	14.77
NPL ratio	1.52	1.50	1.45	1.51	1.59
Provision to total loans	2.29	2.30	2.56	2.58	2.60
Provision coverage ratio	150.50	153.08	176.55	170.86	163.52

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

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

Source(s): Company, ABCI Securities estimates



CMB (3968 HK)

Consolidated income statement (2016A-2020E)

FY Ended Dec 31 (RMB mn)	2016A	2017A	2018E	2019E	2020E
Net interest income	134,595	144,852	158,425	174,914	191,621
Non-interest income	75,354	75,187	94,933	106,315	117,883
Of which: Fees and commissions	60,865	64,018	74,271	84,619	95,103
Operating income	209,949	220,039	253,358	281,230	309,504
Operating expenses	(65,148)	(70,431)	(80,029)	(86,918)	(94,503)
Pre-provision operating profit	144,801	149,608	173,329	194,312	215,001
Impairment losses on loans	(66,159)	(59,926)	(66,832)	(72,202)	(76,701)
Operating profit	78,642	89,682	106,497	122,110	138,300
Non-operating income	321	998	1,148	1,320	1,518
Profit before tax	78,963	90,680	107,645	123,429	139,818
Tax	(16,583)	(20,042)	(25,835)	(29,623)	(33,556)
Minority interests	(299)	(488)	(610)	(763)	(953)
Net profit attributable to equity holders	62,081	70,150	81,200	93,044	105,308
Preference share dividend	0	0	1,611	1,611	1,611
Net profit attributable to ordinary shareholders	62,081	70,150	79,589	91,432	103,697
Growth (%)					
Net interest income	(2.2)	7.6	9.4	10.4	9.6
Of which: Fees and commissions	14.8	5.2	16.0	13.9	12.4
Operating income	3.8	4.8	15.1	11.0	10.1
Operating expenses	(4.1)	8.1	13.6	8.6	8.7
Pre-provision operating profit	7.9	3.3	15.9	12.1	10.6
Impairment losses on loans	11.6	(9.4)	11.5	8.0	6.2
Operating profit	4.9	14.0	18.7	14.7	13.3
Non-operating income	136.0	210.9	15.0	15.0	15.0
Profit before tax	5.2	14.8	18.7	14.7	13.3
Tax	(2.8)	20.9	28.9	14.7	13.3
Minority interests	(7.1)	63.2	25.0	25.0	25.0
Net profit attributable to equity holders	7.6	13.0	15.8	14.6	13.2
Preference share dividend	na	na	na	0.0	0.0
Net profit attributable to ordinary shareholders	7.6	13.0	13.5	14.9	13.4
Per share (RMB)					
EPS	2.46	2.78	3.22	3.69	4.18
BVPS	15.95	19.04	21.47	24.20	26.84
DPS	0.74	0.84	1.06	1.21	1.36
Key ratio (%)					
Net interest margin*	2.50	2.43	2.54	2.61	2.68
Net interest spread	2.37	2.29	2.38	2.48	2.57
Cost to income ratio	31.03	32.01	31.59	30.91	30.53
Return on average assets	1.09	1.15	1.24	1.32	1.39
Return on average equity	16.27	15.90	15.90	16.16	16.36
Effective tax rate	21.00	22.10	24.00	24.00	24.00
Dividend payout	30.06	30.20	31.00	31.00	31.00

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

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

* Forecast calculation based on IFRS9 (excluding interest income from FVTPL financial assets)

Source(s): Company, ABCI Securities estimates



CMB (3968 HK)

Consolidated balance sheet (2016A-2020E)

As of Dec 31 (RMB mn)	2016A	2017A	2018E	2019E	2020E
Cash & equivalent	703,523	702,646	634,041	588,342	548,098
Interbank assets	478,950	407,178	547,630	620,303	687,668
Investment securities	1,459,610	1,597,272	1,309,763	1,244,275	1,219,389
Net loans and advances	3,151,649	3,414,612	3,889,914	4,407,965	4,952,908
Total interest earning assets	5,793,732	6,121,708	6,381,348	6,860,885	7,408,064
Property and equipment	45,558	51,424	57,595	63,930	70,323
Other non-interest earning assets	103,021	124,506	362,621	378,687	394,566
Total assets	5,942,311	6,297,638	6,801,563	7,303,502	7,872,954
Customer deposits	3,802,049	4,064,345	4,506,112	4,952,488	5,411,168
Interbank liabilities	1,297,533	1,252,310	1,102,033	1,046,931	994,585
Subordinated debt	275,082	296,477	370,596	463,245	579,057
Total interest bearing liabilities	5,409,392	5,661,608	6,036,913	6,531,306	7,063,747
Current taxes	19,523	26,701	29,371	32,602	36,514
Deferred tax liabilities	897	1,070	1,070	1,070	1,070
Other liabilities	109,137	124,867	189,128	124,069	89,838
Total liabilities	5,538,949	5,814,246	6,256,481	6,689,048	7,191,169
Share capital	25,220	59,285	59,285	59,285	59,285
Reserves	377,130	420,925	482,138	550,961	617,660
Minorities	1,012	3,182	3,659	4,208	4,839
Shareholder's equity	403,362	483,392	545,082	614,455	681,784
Growth (%)					
Cash & equivalent	5.9	(0.1)	(9.8)	(7.2)	(6.8)
Interbank assets	(9.6)	(15.0)	34.5	13.3	10.9
Investment securities	1.5	9.4	(18.0)	(5.0)	(2.0)
Net loans and advances	15.0	8.3	13.9	13.3	12.4
Total interest earning assets	7.9	5.7	4.2	7.5	8.0
Property and equipment	35.8	12.9	12.0	11.0	10.0
Other non-interest earning assets	46.7	20.9	191.2	4.4	4.2
Total assets	8.5	6.0	8.0	7.4	7.8
Customer deposits	6.6	8.3	11.7	10.8	9.8
Due to other banks & FIs	9.4	7.8	25.0	25.0	25.0
Subordinated debt	8.4	4.7	6.6	8.2	8.2
Total interest bearing liabilities	8.4	4.7	6.6	8.2	8.2
Current taxes	52.3	36.8	10.0	11.0	12.0
Deferred tax liabilities	3.5	19.3	0.0	0.0	0.0
Other liabilities	(0.7)	14.4	51.5	(34.4)	(27.6)
Total liabilities	8.3	5.0	7.6	6.9	7.5
Share capital	0.0	135.1	0.0	0.0	0.0
Reserves	12.4	11.6	14.5	14.3	12.1
Minorities	6.3	214.4	15.0	15.0	15.0
Shareholder's equity	11.5	19.8	12.8	12.7	11.0
Key ratio (%)					
CT1 CAR	11.54	12.06	11.49	11.97	12.20
Total CAR	13.33	15.48	14.40	14.82	14.99
NPL ratio	1.87	1.61	1.45	1.52	1.60
Provision to total loans	3.37	4.22	4.60	4.65	4.70
Provision coverage ratio	180.02	262.11	317.24	305.92	293.75

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

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

Source(s): Company, ABCI Securities estimates



MSB (1988 HK)

Consolidated income statement (2016A-2020E)

FY Ended Dec 31 (RMB mn)	2016A	2017A	2018E	2019E	2020E
Net interest income	94,684	86,552	80,589	86,817	97,129
Non-interest income	59,367	55,395	77,011	80,914	84,641
Of which: Fees and commissions	52,261	47,742	47,805	49,487	51,333
Operating income	154,051	141,947	157,600	167,730	181,770
Operating expenses	(48,889)	(43,895)	(48,021)	(52,110)	(56,261)
Amortization	(3,535)	(3,350)	(3,183)	(3,023)	(2,872)
Pre-provision operating profit	101,627	94,702	106,396	112,597	122,637
Impairment loans losses	(41,378)	(34,140)	(41,806)	(43,300)	(45,822)
Profit before tax	60,249	60,562	64,591	69,297	76,814
Tax	(11,471)	(9,640)	(10,980)	(11,781)	(13,058)
Minority interests	(935)	(1,109)	(1,309)	(1,544)	(1,822)
Net profit attributable to equity holders	47,843	49,813	52,302	55,973	61,934
Preference share dividend	20	523	523	523	523
Net profit attributable to ordinary shareholders	47,823	49,290	51,779	55,450	61,411
Growth (%)					
Net interest income	0.4	(8.6)	(6.9)	7.7	11.9
Non-interest income	(0.2)	(6.7)	39.0	5.1	4.6
Of which: Fees and commissions	2.1	(8.6)	0.1	3.5	3.7
Operating income	0.2	(7.9)	11.0	6.4	8.4
Operating expenses	(10.1)	(10.2)	9.4	8.5	8.0
Amortization	(6.5)	(5.2)	(5.0)	(5.0)	(5.0)
Pre-provision operating profit	6.3	(6.8)	12.3	5.8	8.9
Impairment loans losses	18.9	(17.5)	22.5	3.6	5.8
Profit before tax	(0.9)	0.5	6.7	7.3	10.8
Tax	(16.6)	(16.0)	13.9	7.3	10.8
Minority interests	2.6	18.6	18.0	18.0	18.0
Net profit attributable to equity holders	3.8	4.1	5.0	7.0	10.7
Preference share dividend	na	2,452.9	0.0	0.0	0.0
Net profit attributable to ordinary shareholders	3.7	3.1	5.0	7.1	10.8
Per share (RMB)					
EPS	1.31	1.35	1.29	1.27	1.40
BVPS	9.12	8.43	9.66	10.79	12.05
DPS	0.28	0.14	0.14	0.15	0.17
Key ratio (%)					
Net interest margin*	1.86	1.50	1.50	1.55	1.57
Net interest spread	1.74	1.35	1.59	1.72	1.81
Cost to income ratio	31.74	30.92	30.47	31.07	30.95
Return on average assets	0.92	0.84	0.85	0.84	0.84
Return on average equity	14.86	13.81	12.89	12.23	12.15
Effective tax rate	19.04	15.92	17.00	17.00	17.00
Dividend payout	21.35	10.99	11.00	11.00	11.00

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

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

* Forecast calculation based on IFRS9 (excluding interest income from FVTPL financial assets)

Source(s): Company, ABCI Securities estimates



MSB (1988 HK)

Consolidated balance sheet (2016A-2020E)

As of Dec 31 (RMB mn)	2016A	2017A	2018E	2019E	2020E
Cash & equivalent	524,239	442,938	409,428	397,172	396,334
Interbank assets	461,837	271,274	292,776	310,986	332,393
Investment securities	2,214,752	2,154,631	1,567,085	1,659,727	1,768,404
Net loans and advances	2,397,192	2,729,788	3,198,273	3,720,757	4,291,484
Total interest earning assets	5,598,020	5,598,631	5,467,562	6,088,643	6,788,615
Property and equipment	46,190	48,338	50,272	52,282	53,851
Other non-interest earning assets	251,667	255,117	848,432	895,403	944,303
Total assets	5,895,877	5,902,086	6,366,266	7,036,328	7,786,769
Customer deposits	3,082,242	2,966,311	3,299,776	3,715,544	4,173,876
Interbank liabilities	1,845,931	1,798,165	1,708,257	1,776,587	1,883,182
Subordinated debt	398,376	501,927	577,216	663,798	763,368
Total interest bearing liabilities	5,326,549	5,266,403	5,585,249	6,155,929	6,820,426
Current taxes	8,313	11,807	15,939	20,721	25,902
Other liabilities	208,988	234,064	319,902	362,930	386,541
Total liabilities	5,543,850	5,512,274	5,921,091	6,539,581	7,232,869
Share capital	46,377	46,377	53,674	53,674	53,674
Reserves	296,213	332,593	379,033	428,735	483,736
Minorities	9,437	10,842	12,468	14,339	16,489
Shareholder's equity	352,027	389,812	445,175	496,747	553,900
Growth (%)					
Cash & equivalent	21.1	(15.5)	(7.6)	(3.0)	(0.2)
Interbank assets	(48.8)	(41.3)	7.9	6.2	6.9
Investment securities	141.1	(2.7)	(27.3)	5.9	6.5
Net loans and advances	20.0	13.9	17.2	16.3	15.3
Total interest earning assets	31.7	0.0	(2.3)	11.4	11.5
Property and equipment	12.2	4.7	4.0	4.0	3.0
Other non-interest earning assets	9.9	1.4	232.6	5.5	5.5
Total assets	30.4	0.1	7.9	10.5	10.7
Customer deposits	12.8	(3.8)	11.2	12.6	12.3
Interbank liabilities	58.9	(2.6)	(5.0)	4.0	6.0
Subordinated debt	119.8	26.0	15.0	15.0	15.0
Total interest bearing liabilities	30.7	(1.1)	6.1	10.2	10.8
Current taxes	34.7	42.0	35.0	30.0	25.0
Other liabilities	61.4	12.0	36.7	13.5	6.5
Total liabilities	31.7	(0.6)	7.4	10.4	10.6
Share capital	27.1	0.0	15.7	0.0	0.0
Reserves	11.9	12.3	14.0	13.1	12.8
Minorities	10.2	14.9	15.0	15.0	15.0
Shareholder's equity	13.6	10.7	14.2	11.6	11.5
Key ratio (%)					
CT1 CAR	8.95	8.63	8.70	8.76	8.79
Total CAR	11.73	11.85	11.80	11.99	12.14
NPL ratio	1.68	1.71	1.77	1.82	1.86
Provision to total loans	2.62	2.66	2.85	2.90	2.95
Provision coverage ratio	155.41	155.61	161.02	159.34	158.60

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

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

Source(s): Company, ABCI Securities estimates



CITICB (998 HK)

Consolidated income statement (2016A-2020E)

FY Ended Dec 31 (RMB mn)	2016A	2017A	2018E	2019E	2020E
Net interest income	106,138	99,645	106,662	115,892	127,722
Non-interest income	48,021	57,586	58,115	59,990	62,130
Of which: Fees and commissions	42,280	46,858	45,678	45,727	45,920
Operating income	154,159	157,231	164,778	175,882	189,852
Operating expenses	(47,272)	(48,913)	(52,403)	(55,936)	(59,756)
Pre-provision operating profit	106,887	108,318	112,375	119,946	130,096
Impairment losses on loans	(52,288)	(55,787)	(55,737)	(56,983)	(60,177)
Operating profit	54,599	52,531	56,638	62,963	69,919
Non-operating income	9	(255)	(293)	(337)	(388)
Profit before tax	54,608	52,276	56,345	62,626	69,531
Tax	(12,822)	(9,398)	(11,269)	(12,525)	(13,906)
Minorities interests	157	312	359	413	475
Net profit attributable to equity holders	41,629	42,566	44,717	49,688	55,150
Preference share dividend	0	1,330	1,330	1,330	1,330
Net profit attributable to ordinary shareholders	41,629	41,236	43,387	48,358	53,820
Growth (%)					
Net interest income	1.6	(6.1)	7.0	8.7	10.2
Non-interest income	16.8	19.9	0.9	3.2	3.6
Of which: Fees and commissions	18.5	10.8	(2.5)	0.1	0.4
Operating income	5.9	2.0	4.8	6.7	7.9
Operating expenses	(6.6)	3.5	7.1	6.7	6.8
Pre-provision operating profit	12.6	1.3	3.7	6.7	8.5
Impairment losses on loans	30.6	6.7	(0.1)	2.2	5.6
Operating profit	(0.6)	(3.8)	7.8	11.2	11.0
Non-operating income	(88.8)	(2,933.3)	15.0	15.0	15.0
Profit before tax	(0.7)	(4.3)	7.8	11.1	11.0
Tax	(3.2)	(26.7)	19.9	11.1	11.0
Minorities interests	(73.0)	98.7	15.0	15.0	15.0
Net profit attributable to equity holders	1.1	2.3	5.1	11.1	11.0
Preference share dividend	na	na	0.0	0.0	0.0
Net profit attributable to ordinary shareholders	1.1	(0.9)	5.2	11.5	11.3
Per share (RMB)					
EPS	0.85	0.84	0.89	0.99	1.10
BVPS	7.04	7.45	8.07	8.76	9.52
DPS	0.21	0.26	0.27	0.30	0.34
Key ratio (%)					
Net interest margin*	2.00	1.79	1.94	1.96	1.99
Net interest spread	1.89	1.64	1.80	1.85	1.89
Cost to income ratio	30.66	31.11	31.80	31.80	31.48
Return on average assets	0.75	0.73	0.75	0.76	0.78
Return on average equity	11.95	10.93	10.78	11.13	11.44
Effective tax rate	23.48	17.98	20.00	20.00	20.00
Dividend payout	25.27	30.01	30.00	30.00	30.00

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

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

* Forecast calculation based on IFRS9 (excluding interest income from FVTPL financial assets)

Source(s): Company, ABCI Securities estimates



CITICB (998 HK)
Consolidated balance sheet (2016A-2020E)

As of Dec 31 (RMB mn)	2016A	2017A	2018E	2019E	2020E
Cash & equivalent	553,328	568,300	573,983	579,723	585,520
Interbank assets	546,653	351,045	367,643	383,369	396,730
Investment securities	1,852,670	1,445,298	1,202,566	1,246,166	1,282,153
Net loans and advances	2,802,384	3,105,984	3,484,519	3,893,159	4,346,057
Total interest earning assets	5,755,035	5,470,627	5,628,711	6,102,417	6,610,460
Property and equipment	17,834	21,330	25,169	29,448	33,865
Trading assets	47,366	65,451	412,341	515,427	618,512
Other non-interest earning assets	110,815	120,283	133,616	147,061	160,544
Total assets	5,931,050	5,677,691	6,199,838	6,794,353	7,423,382
Customer deposits	3,639,290	3,407,636	3,810,183	4,160,086	4,494,038
Interbank liabilities	1,185,511	1,010,102	1,080,809	1,145,658	1,202,941
Subordinated debt	386,946	441,244	573,617	688,341	791,592
Total interest bearing liabilities	5,211,747	4,858,982	5,464,609	5,994,084	6,488,570
Trading liabilities	45,059	64,937	68,184	70,911	73,748
Current taxes	6,364	8,858	10,187	11,613	13,123
Other liabilities	283,384	332,481	212,323	237,377	327,597
Total liabilities	5,546,554	5,265,258	5,755,303	6,313,985	6,903,037
Share capital	83,890	83,890	83,890	83,890	83,890
Reserve	295,334	315,748	345,931	379,557	416,995
Minorities	5,272	12,795	14,714	16,921	19,460
Shareholder's equity	384,496	412,433	444,535	480,368	520,345
Growth (%)					
Cash & equivalent	8.2	2.7	1.0	1.0	1.0
Interbank assets	61.7	(35.8)	4.7	4.3	3.5
Investment securities	9.5	(22.0)	(16.8)	3.6	2.9
Net loans and advances	13.5	10.8	12.2	11.7	11.6
Total interest earning assets	14.9	(4.9)	2.9	8.4	8.3
Property and equipment	11.6	19.6	18.0	17.0	15.0
Trading assets	243.5	38.2	530.0	25.0	20.0
Other non-interest earning assets	33.9	8.5	11.1	10.1	9.2
Total assets	15.8	(4.3)	9.2	9.6	9.3
Customer deposits	14.3	(6.4)	11.8	9.2	8.0
Interbank liabilities	(0.3)	(14.8)	7.0	6.0	5.0
Subordinated debt	33.8	14.0	30.0	20.0	15.0
Total interest bearing liabilities	11.8	(6.8)	12.5	9.7	8.2
Trading liabilities	294.6	44.1	5.0	4.0	4.0
Current taxes	35.6	39.2	15.0	14.0	13.0
Other liabilities	125.6	17.3	(36.1)	11.8	38.0
Total liabilities	15.5	(5.1)	9.3	9.7	9.3
Share capital	71.4	0.0	0.0	0.0	0.0
Reserve	9.9	6.9	9.6	9.7	9.9
Minorities	170.9	142.7	15.0	15.0	15.0
Shareholder's equity	20.3	7.3	7.8	8.1	8.3
Key ratio (%)					
CT1 CAR	8.64	8.49	8.58	8.49	8.44
Total CAR	11.98	11.65	11.65	11.40	11.21
NPL ratio	1.69	1.68	1.85	1.89	1.93
Provision to total loans	2.62	2.84	2.78	2.86	2.90
Provision coverage ratio	155.50	169.44	150.27	151.32	150.26

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

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

Source(s): Company, ABCI Securities estimates



CEB (6818 HK)

Consolidated income statement (2016A-2020E)

FY Ended Dec 31 (RMB mn)	2016A	2017A	2018E	2019E	2020E
Net interest income	65,288	60,950	57,152	60,781	67,038
Non-interest income	29,077	31,068	47,870	53,167	58,211
Of which: Fees and commissions	28,112	30,774	34,805	39,383	43,481
Operating income	94,365	92,018	105,022	113,947	125,248
Operating expenses	(30,254)	(30,802)	(33,688)	(36,969)	(40,448)
Pre-provision operating profit	64,111	61,216	71,334	76,978	84,801
Impairment loans losses	(23,931)	(20,570)	(31,692)	(33,791)	(36,224)
Profit before tax	40,180	40,646	39,641	43,187	48,576
Tax	(9,792)	(9,035)	(6,541)	(7,126)	(8,015)
Minority interests	(59)	(66)	(78)	(91)	(107)
Net profit attributable to equity holders	30,329	31,545	33,022	35,970	40,455
Preference share dividend	1,060	1,450	1,450	1,450	1,450
Net profit attributable to ordinary shareholders	29,269	30,095	31,572	34,520	39,005
Growth (%)					
Net interest income	(1.8)	(6.6)	(6.2)	6.3	10.3
Non-interest income	8.1	6.8	54.1	11.1	9.5
Of which: Fees and commissions	6.9	9.5	13.1	13.2	10.4
Operating income	1.1	(2.5)	14.1	8.5	9.9
Operating expenses	(6.5)	1.8	9.4	9.7	9.4
Pre-provision operating profit	5.1	(4.5)	16.5	7.9	10.2
Impairment loans losses	10.5	(14.0)	54.1	6.6	7.2
Profit before tax	2.1	1.2	(2.5)	8.9	12.5
Tax	0.1	(7.7)	(27.6)	8.9	12.5
Minority interests	20.4	11.9	18.0	17.0	17.0
Net profit attributable to equity holders	2.7	4.0	4.7	8.9	12.5
Preference share dividend	na	36.8	0.0	0.0	0.0
Net profit attributable to ordinary shareholders	(0.9)	2.8	4.9	9.3	13.0
Per share (RMB)					
EPS	0.63	0.59	0.60	0.66	0.74
BVPS	4.72	5.14	5.58	6.06	6.53
DPS	0.12	0.21	0.22	0.23	0.26
Key ratio (%)					
Net interest margin*	1.78	1.52	1.46	1.47	1.50
Net interest spread	1.59	1.32	1.27	1.31	1.35
Cost to income ratio	32.06	33.47	32.08	32.44	32.29
Return on average assets	0.84	0.78	0.77	0.75	0.77
Return on average equity	12.80	11.36	10.44	10.56	11.07
Effective tax rate	24.37	22.23	16.50	16.50	16.50
Dividend payout	15.08	30.12	30.00	30.00	30.00

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

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

* Forecast calculation based on IFRS9 (excluding interest income from FVTPL financial assets)

Source(s): Company, ABCI Securities estimates



CEB (6818 HK)

Consolidated balance sheet (2016A-2020E)

As of Dec 31 (RMB mn)	2016A	2017A	2018E	2019E	2020E
Cash & equivalent	381,620	353,703	383,250	394,594	411,524
Interbank assets	425,935	285,011	242,427	251,755	263,251
Investment securities	1,323,050	1,302,449	1,100,040	1,146,687	1,186,967
Net loans and advances	1,751,644	1,980,818	2,314,273	2,651,649	3,018,944
Total interest earning assets	3,882,249	3,921,981	4,039,991	4,444,685	4,880,686
Property and equipment	14,228	14,929	15,675	16,459	17,118
Other non-interest earn assets	123,565	151,333	483,827	533,349	582,625
Total assets	4,020,042	4,088,243	4,539,493	4,994,494	5,480,429
Customer deposits	2,120,887	2,272,665	2,535,871	2,818,460	3,116,286
Interbank liabilities	967,050	729,826	853,896	981,981	1,109,638
Subordinated debt	412,500	445,396	400,856	440,942	485,036
Total interest bearing liabilities	3,500,437	3,447,887	3,790,623	4,241,383	4,710,961
Current taxes	4,501	4,932	5,425	5,968	6,564
Other liabilities	264,036	329,988	414,724	393,022	384,233
Total liabilities	3,768,974	3,782,807	4,210,773	4,640,373	5,101,759
Share capital	76,626	87,597	87,597	87,597	87,597
Reserves	173,829	217,163	240,379	265,705	290,173
Minorities	613	676	744	818	900
Shareholder's equity	251,068	305,436	328,720	354,120	378,670
Growth (%)					
Cash & equivalent	16.8	(7.3)	8.4	3.0	4.3
Interbank assets	14.6	(33.1)	(14.9)	3.8	4.6
Investment securities	46.1	(1.6)	(15.5)	4.2	3.5
Net loans and advances	18.7	13.1	16.8	14.6	13.9
Total interest earning assets	26.1	1.0	3.0	10.0	9.8
Property and equipment	12.5	4.9	5.0	5.0	4.0
Other non-interest earn assets	63.2	22.5	219.7	10.2	9.2
Total assets	26.9	1.7	11.0	10.0	9.7
Customer deposits	6.4	7.2	11.6	11.1	10.6
Interbank liabilities	46.5	(24.5)	17.0	15.0	13.0
Subordinated debt	96.4	8.0	(10.0)	10.0	10.0
Total interest bearing liabilities	22.2	(1.5)	9.9	11.9	11.1
Current taxes	(29.6)	9.6	10.0	10.0	10.0
Other liabilities	261.1	25.0	25.7	(5.2)	(2.2)
Total liabilities	28.0	0.4	11.3	10.2	9.9
Share capital	15.0	14.3	0.0	0.0	0.0
Reserves	10.8	24.9	10.7	10.5	9.2
Minorities	10.6	10.3	10.0	10.0	10.0
Shareholder's equity	12.1	21.7	7.6	7.7	6.9
Key ratio (%)					
CT1 CAR	8.21	9.56	8.90	8.79	8.62
Total CAR	9.68	12.44	11.41	11.14	10.85
NPL ratio	1.60	1.59	1.55	1.62	1.69
Provision to total loans	2.43	2.52	2.68	2.73	2.79
Provision coverage ratio	152.02	158.18	172.90	168.52	165.09

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

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

Source(s): Company, ABCI Securities estimates



HB (3698 HK)

Consolidated income statement (2016A-2020E)

FY Ended Dec 31 (RMB mn)	2016A	2017A	2018E	2019E	2020E
Net interest income	18,340	20,197	22,316	24,417	26,657
Net fee and commission	2,491	2,844	3,213	3,567	3,852
Other operating income	87	(532)	1,491	1,669	1,853
Operating income	20,918	22,508	27,019	29,653	32,362
Operating expenses	(5,763)	(5,830)	(6,238)	(6,675)	(7,209)
Impairment losses	(6,487)	(7,203)	(10,865)	(12,064)	(13,094)
Share of associates	144	137	144	151	160
Profit before tax	8,813	9,613	10,061	11,065	12,219
Income tax expenses	(1,816)	(1,801)	(1,610)	(1,770)	(1,955)
Minority interests	(126)	(197)	(236)	(281)	(332)
Net profit attributable to equity holders	6,870	7,615	8,215	9,013	9,933
Preference share dividend	0	(360)	(332)	(332)	(332)
Net profit attributable to ordinary shareholders	6,870	7,255	7,883	8,682	9,601
Growth (%)					
Net interest income	23.6	10.1	10.5	9.4	9.2
Net fee and commission	40.6	14.2	13.0	11.0	8.0
Other operating income	(76.1)	(710.0)	(380.0)	12.0	11.0
Operating income	23.2	7.6	20.0	9.7	9.1
Operating expenses	6.0	1.2	7.0	7.0	8.0
Impairment losses	77.4	11.0	50.8	11.0	8.5
Share of associates	63.8	(4.8)	5.0	5.0	6.0
Profit before tax	10.5	9.1	4.7	10.0	10.4
Income tax expenses	3.1	(0.8)	(10.6)	10.0	10.4
Minority interests	144.7	56.5	20.0	19.0	18.0
Net profit attributable to equity holders	11.5	10.8	7.9	9.7	10.2
Preference share dividend	na	na	(7.9)	0.0	0.0
Net profit attributable to ordinary shareholders	11.5	5.6	8.7	10.1	10.6
Per share (RMB)					
EPS	0.62	0.66	0.71	0.79	0.87
BVPS	4.15	4.68	5.52	6.43	7.43
DPS	0.16	0.06	0.07	0.07	0.08
Key ratio (%)					
Net interest margin*	2.59	2.31	2.40	2.43	2.43
Net interest spread	2.42	2.18	2.39	2.42	2.48
Cost to income ratio	27.55	25.90	23.09	22.51	22.28
Return on average assets	0.99	0.92	0.86	0.87	0.87
Return on average equity	14.38	13.55	12.84	12.20	11.73
Effective tax rate	20.61	18.74	16.00	16.00	16.00
Dividend payout	25.57	8.85	9.00	9.00	9.00

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

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

* Forecast calculation based on IFRS9 (excluding interest income from FVTPL financial assets)

Source(s): Company, ABCI Securities estimates



HB (3698 HK)

Consolidated balance sheet (2016A-2020E)

As of Dec 31 (RMB mn)	2016A	2017A	2018E	2019E	2020E
Cash and equivalent	88,059	92,358	88,664	86,004	84,284
Interbank asset	30,797	49,281	46,817	44,944	43,596
Net loans and advances	269,336	305,209	353,299	405,852	468,227
Investment securities	338,149	418,777	452,491	487,063	522,841
Total interest earning assets	726,341	865,624	941,270	1,023,862	1,118,947
Other assets	28,433	42,476	50,971	61,165	73,398
Total assets	754,774	908,100	992,241	1,085,027	1,192,345
Customer deposits	462,014	512,808	564,089	620,498	679,445
Interbank liabilities	98,578	123,490	142,014	159,055	174,961
Subordinated debt	91,505	115,180	138,216	165,860	199,032
Total interest bearing liabilities	652,098	751,479	844,319	945,413	1,053,438
Other liabilities	49,493	97,409	79,184	60,611	48,572
Total liabilities	701,591	848,888	923,503	1,006,024	1,102,009
Share capital	11,050	11,050	11,050	11,050	11,050
Retained earnings	15,457	19,107	26,250	34,121	42,828
Reserves	19,375	21,557	23,713	25,847	28,173
Minority interests	1,312	1,509	1,735	1,995	2,295
Total equity	53,183	59,212	68,738	79,003	90,336
Growth (%)					
Cash and equivalent	12.3	4.9	(4.0)	(3.0)	(2.0)
Interbank asset	(58.5)	60.0	(5.0)	(4.0)	(3.0)
Net loans and advances	13.4	13.3	15.8	14.9	15.4
Investment securities	46.8	23.8	8.1	7.6	7.3
Total interest earning assets	17.1	19.2	8.7	8.8	9.3
Other assets	81.1	49.4	20.0	20.0	20.0
Total assets	18.7	20.3	9.3	9.4	9.9
Customer deposits	28.6	11.0	10.0	10.0	9.5
Interbank liabilities	(30.9)	25.3	15.0	12.0	10.0
Subordinated debt	15.2	25.9	20.0	20.0	20.0
Total interest bearing liabilities	12.2	15.2	12.4	12.0	11.4
Other liabilities	296.4	96.8	(18.7)	(23.5)	(19.9)
Total liabilities	18.2	21.0	8.8	8.9	9.5
Share capital	0.0	0.0	0.0	0.0	0.0
Retained earnings	17.8	23.6	37.4	30.0	25.5
Reserves	14.1	11.3	10.0	9.0	9.0
Minority interests	10.6	15.0	15.0	15.0	15.0
Total equity	25.6	11.3	16.1	14.9	14.3
Key ratio (%)					
CT1 CAR	8.79	8.48	8.56	8.98	9.31
Total CAR	12.99	12.19	11.95	12.54	13.03
NPL ratio	1.07	1.05	1.05	1.12	1.20
Provision to total loans	2.90	3.01	3.03	3.15	3.26
Provision coverage ratio	270.77	287.45	288.57	281.25	271.67

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

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

Source(s): Company, ABCI Securities estimates



HRB (6138 HK)

Consolidated income statement (2016A-2020E)

FY Ended Dec 31 (RMB mn)	2016A	2017A	2018E	2019E	2020E
Net interest income	11,573	11,308	10,463	10,871	11,448
Net fee and commission	2,393	2,445	2,322	2,369	2,440
Other operating income	205	540	891	944	1,001
Operating income	14,172	14,134	13,676	14,184	14,889
Operating expenses	(4,522)	(4,344)	(4,039)	(3,918)	(3,997)
Impairment losses	(3,295)	(2,661)	(2,742)	(3,150)	(3,461)
Investment in associates	91	0	0	0	0
Profit before tax	6,446	7,129	6,895	7,116	7,432
Income tax expenses	(1,483)	(1,819)	(1,724)	(1,779)	(1,858)
Minority interests	(86)	(60)	(69)	(79)	(91)
Net profit attributable to equity holders	4,877	5,249	5,102	5,258	5,483
Preference share dividend	0	0	0	0	0
Net profit attributable to ordinary shareholders	4,877	5,249	5,102	5,258	5,483
Growth (%)					
Net interest income	20.1	(2.3)	(7.5)	3.9	5.3
Net fee and commission	22.1	2.1	(5.0)	2.0	3.0
Other operating income	(41.8)	163.0	65.0	6.0	6.0
Operating income	18.6	(0.3)	(3.2)	3.7	5.0
Operating expenses	(4.5)	(4.0)	(7.0)	(3.0)	2.0
Impairment losses	146.2	(19.2)	3.0	14.9	9.9
Investment in associates	84.9	(100.0)	na	na	na
Profit before tax	8.9	10.6	(3.3)	3.2	4.4
Income tax expenses	5.2	22.6	(5.2)	3.2	4.4
Minority interests	64.7	(30.2)	15.0	15.0	15.0
Net profit attributable to equity holders	9.4	7.6	(2.8)	3.0	4.3
Preference share dividend	na	na	na	na	na
Net profit attributable to ordinary shareholders	9.4	7.6	(2.8)	3.0	4.3
Per share (RMB)					
EPS	0.44	0.48	0.46	0.48	0.50
BVPS	3.32	3.75	4.29	4.86	5.44
DPS	0.00	0.05	0.06	0.07	0.07
Key ratio (%)					
Net interest margin*	2.65	2.12	1.90	1.93	1.94
Net interest spread	2.47	1.92	1.89	2.00	2.06
Cost to income ratio	28.60	30.73	29.54	27.62	26.84
Return on average assets	1.01	0.97	0.89	0.87	0.86
Return on average equity	14.01	13.42	11.38	10.45	9.69
Effective tax rate	23.01	25.16	25.00	25.00	25.00
Dividend payout	-	10.28	13.00	15.00	15.00

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

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

* Forecast calculation based on IFRS9 (excluding interest income from FVTPL financial assets)

Source(s): Company, ABCI Securities estimates



HRB (6138 HK)

Consolidated balance sheet (2016A-2020E)

As of Dec 31 (RMB mn)	2016A	2017A	2018E	2019E	2020E
Cash and equivalent	67,010	69,533	59,103	56,148	56,710
Interbank asset	48,539	25,402	17,781	19,559	21,515
Net loans and advances	196,488	230,647	252,888	277,338	304,406
Investment securities	192,157	204,494	196,954	200,894	204,911
Total interest earning assets	504,195	530,075	526,727	553,939	587,542
Other assets	34,822	34,180	58,106	63,916	69,669
Total assets	539,016	564,255	584,833	617,855	657,211
Customer deposits	343,151	378,258	372,585	381,899	389,537
Interbank liabilities	107,097	41,531	37,378	32,893	31,248
Subordinated debt	41,883	91,334	114,167	137,001	164,401
Total interest bearing liabilities	492,131	511,124	524,130	551,793	585,186
Other liabilities	9,550	10,723	13,480	12,670	12,240
Total liabilities	501,681	521,846	537,610	564,463	597,427
Share capital	10,996	10,996	10,996	10,996	10,996
Retained earnings	10,014	13,452	16,691	21,160	25,821
Reserves	15,498	16,813	18,158	19,611	21,081
Minority interests	827	1,148	1,378	1,626	1,886
Total equity	37,335	42,409	47,223	53,392	59,784
Growth (%)					
Cash and equivalent	22.8	3.8	(15.0)	(5.0)	1.0
Interbank asset	(40.1)	(47.7)	(30.0)	10.0	10.0
Net loans and advances	35.5	17.4	9.6	9.7	9.8
Investment securities	38.3	6.4	(3.7)	2.0	2.0
Total interest earning assets	20.1	5.1	(0.6)	5.2	6.1
Other assets	38.3	(1.8)	70.0	10.0	9.0
Total assets	21.2	4.7	3.6	5.6	6.4
Customer deposits	11.8	10.2	(1.5)	2.5	2.0
Interbank liabilities	46.6	(61.2)	(10.0)	(12.0)	(5.0)
Subordinated debt	80.0	118.1	25.0	20.0	20.0
Total interest bearing liabilities	22.1	3.9	2.5	5.3	6.1
Other liabilities	21.8	12.3	25.7	(6.0)	(3.4)
Total liabilities	22.1	4.0	3.0	5.0	5.8
Share capital	0.0	0.0	0.0	0.0	0.0
Retained earnings	22.4	34.3	24.1	26.8	22.0
Reserves	11.3	8.5	8.0	8.0	7.5
Minority interests	10.5	38.8	20.0	18.0	16.0
Total equity	10.3	13.6	11.4	13.1	12.0
Key ratio (%)					
CT1 CAR	9.34	9.71	9.87	10.53	11.06
Total CAR	11.97	12.25	12.40	13.18	13.80
NPL ratio	1.53	1.70	1.86	1.93	2.00
Provision to total loans	2.55	2.84	3.15	3.28	3.39
Provision coverage ratio	166.61	167.29	169.35	169.95	169.50

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

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

Source(s): Company, ABCI Securities estimates



BCQ (1963 HK)

Consolidated income statement (2016A-2020E)

FY Ended Dec 31 (RMB mn)	2016A	2017A	2018E	2019E	2020E
Net interest income	7,677	8,115	7,165	7,981	8,845
Net fee and commission	1,926	1,680	1,378	1,240	1,265
Other operating income	(0)	220	2,306	2,537	2,740
Operating income	9,603	10,015	10,849	11,758	12,849
Operating expenses	(2,537)	(2,299)	(2,414)	(2,534)	(2,636)
Impairment losses	(2,411)	(2,999)	(3,618)	(4,151)	(4,846)
Investment in associates	4	178	205	236	271
Profit before tax	4,659	4,895	5,022	5,308	5,638
Income tax expenses	(1,156)	(1,169)	(1,055)	(1,115)	(1,184)
Net profit attributable to equity holders	3,502	3,726	3,968	4,193	4,454
Preference share dividend	0	0	(267)	(267)	(267)
Net profit attributable to ordinary shareholders	3,502	3,726	3,700	3,926	4,187
Growth (%)					
Net interest income	9.6	5.7	(11.7)	11.4	10.8
Net fee and commission	27.4	(12.8)	(18.0)	(10.0)	2.0
Other operating income	(100.5)	(57,752.2)	950.0	10.0	8.0
Operating income	11.8	4.3	8.3	8.4	9.3
Operating expenses	(20.5)	(9.4)	5.0	5.0	4.0
Impairment losses	112.4	24.4	20.6	14.7	16.8
Investment in associates	39.2	4,462.1	15.0	15.0	15.0
Profit before tax	9.1	5.1	2.6	5.7	6.2
Income tax expenses	5.1	1.1	(9.8)	5.7	6.2
Net profit attributable to equity holders	10.5	6.4	6.5	5.7	6.2
Preference share dividend	na	na	na	0.0	0.0
Net profit attributable to ordinary shareholders	10.5	6.4	(0.7)	6.1	6.6
Per share (RMB)					
EPS	1.12	1.19	1.27	1.34	1.42
BVPS	7.61	9.90	11.20	12.53	13.88
DPS	0.29	0.12	0.13	0.16	0.21
Key ratio (%)					
Net interest margin	2.38	2.11	1.76	1.79	1.81
Net interest spread	2.23	1.89	1.68	1.70	1.72
Cost to income ratio	26.42	22.95	22.25	21.56	20.51
Return on average assets	1.01	0.94	0.90	0.88	0.85
Return on average equity	15.53	13.61	12.03	11.30	10.78
Effective tax rate	24.82	23.89	21.00	21.00	21.00
Dividend payout	25.98	9.90	10.00	12.00	15.00

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

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

* Forecast calculation based on IFRS9 (excluding interest income from FVTPL financial assets)

Source(s): Company, ABCI Securities estimates



BCQ (1963 HK)

Consolidated balance sheet (2016A-2020E)

As of Dec 31 (RMB mn)	2016A	2017A	2018E	2019E	2020E
Cash & equivalent	42,813	43,727	41,541	40,710	41,117
Interbank assets	55,706	37,000	61,050	67,155	73,199
Net loans and advances	146,789	172,162	195,770	221,789	248,485
Investment securities	120,313	159,429	116,748	122,491	129,269
Total interest earning assets	365,622	412,319	415,109	452,145	492,071
Other assets	7,482	10,444	39,688	47,626	57,151
Total assets	373,104	422,763	454,797	499,771	549,222
Customer deposits	229,594	238,705	257,801	277,136	296,536
Interbank liabilities	60,351	55,771	57,444	60,317	63,332
Subordinated debt	54,598	88,727	97,600	112,240	134,688
Total interest bearing liabilities	344,543	383,203	412,846	449,693	494,556
Other liabilities	4,749	7,100	6,920	10,883	11,254
Total liabilities	349,292	390,303	419,766	460,576	505,811
Share capital	3,127	3,127	3,127	3,127	3,127
Retained earnings	9,859	11,597	15,168	18,858	22,644
Reserves	10,826	11,318	11,828	12,301	12,731
Total equity	23,812	30,952	35,032	39,195	43,412
Growth (%)					
Cash & equivalent	12.1	2.1	(5.0)	(2.0)	1.0
Interbank assets	21.5	(33.6)	65.0	10.0	9.0
Net loans and advances	20.5	17.3	13.7	13.3	12.0
Investment securities	11.3	32.5	(26.8)	4.9	5.5
Total interest earning assets	16.4	12.8	0.7	8.9	8.8
Other assets	28.4	39.6	280.0	20.0	20.0
Total assets	16.7	13.3	7.6	9.9	9.9
Customer deposits	15.2	4.0	8.0	7.5	7.0
Interbank liabilities	(17.6)	(7.6)	3.0	5.0	5.0
Subordinated debt	195.3	62.5	10.0	15.0	20.0
Total interest bearing liabilities	18.4	11.2	7.7	8.9	10.0
Other liabilities	(36.6)	49.5	(2.5)	57.3	3.4
Total liabilities	17.0	11.7	7.5	9.7	9.8
Share capital	0.0	0.0	0.0	0.0	0.0
Retained earnings	21.0	17.6	30.8	24.3	20.1
Reserves	8.1	4.5	4.5	4.0	3.5
Total equity	11.8	30.0	13.2	11.9	10.8
Key ratio (%)					
CT1 CAR	9.82	8.62	8.51	8.72	8.81
Total CAR	11.79	13.60	13.33	13.50	13.74
NPL ratio	0.96	1.35	1.15	1.23	1.31
Provision to total loans	2.80	2.85	2.90	2.95	2.98
Provision coverage ratio	293.35	210.16	252.17	239.84	227.48

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

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

Source(s): Company, ABCI Securities estimates



Disclosures

Analyst Certification

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Definition of equity rating

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

Notes: Stock return rate: expected percentage change of share price plus gross dividend yield over the next 12 months
Market return rate: average market return rate since 2005 (HSI total return index 2005-17 CAGR at 10%)

Time horizon of share price target: 12-month

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

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