



Sector Report

China Banks February 19, 2013

Sector rating: Overweight

Key data

Average 13E PER (x)	6.3
Average 13E PBV (x)	1.1
Average 13E Dividend Yield (%)	4.7
Sector 3 months avg vol (HK\$mn)	5,781

Source: Company & Bloomberg

Operating income composition in 3Q12 (%)

Net interest income	80.5
Non-interest income	19.5

Source: CBRC

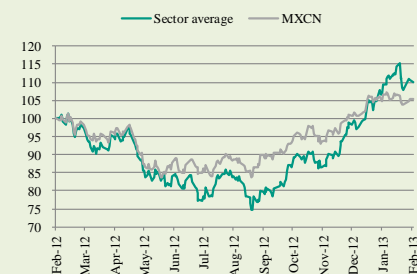
Share performance (%)

	Absolute	Relative*
1-mth	3.3	3.0
3-mth	27.0	12.8
6-mth	30.9	10.4

*Relative to MSCI China

Source: Bloomberg

1 year price performance



Source: Bloomberg

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Positive outlook for China banks

We upgrade China banking sector from Neutral to Overweight for better NIM, credit cost outlook and new interest rate assumptions. This will increase our NIM forecasts and earnings by 1-20bps and 1-17% respectively in 2013E and 2014E. Although the shadow banking system poses hidden risks to financial sector, we believe it is still under control and will not endanger economic recovery. ICBC, CCB and ABC remain our top picks, while we prefer MSB among mid-cap banks.

Earnings surprises in late March. We regard MSB's positive earnings warning as a positive indicator to H-share banks' earnings in the upcoming result season. This will be driven by stabilized 4Q12 NIM and lower-than-expected credit cost given that China is walking out from the economic trough since 3Q12. With strengthening sector outlook, we upgrade our sector rating from Neutral to Overweight.

Revised interest rate assumptions. Riding on the improving economic outlook, we conclude that rate cut cycle in mid-2012 has over and we thus adjusted our interest rate assumptions with flat rates throughout 2013, while remaining cautious to potential rate hike if inflation grows fast. This increases our NIM forecast by 1-20bps, translating into 1-17% higher net profits each in 2013E and 2014E.

Manageable risks from the shadow banking system. Despite market has eased concerns on the contagion scenario of coastal NPLs, China's shadow banking concerns grows amid its low transparency and potential size. We think the shadow bank system is a necessary development under financial reform in order to reduce concentration risk in the banking system. However we do not expect that shadow banking poses massive risks to China's economy, given the absence of three critical factors including prolonged economy deceleration, high country leverage, and regulators' ignorance.

Share price rallied but valuations still at low level. Although H-share banks' share prices have rallied since 4Q12, valuations are still cheap at 1-1.5 s.d. below historical means. With our revised earnings and lowered country risk, we raise our H-share banks' target price by 15-39%, which carry 28-34% upside to our top picks. We still prefer big banks including ICBC, CCB and ABC while MSB is our top pick among mid-cap banks.

Risk factors: Acceleration of interest rate liberalization, collapse of shadow bank system and increasing competition from non-bank FIs.

Sector Valuation Summary

Companies	Ticker	Rating	Price (HK\$)	Target (HK\$)	Upside (%)	13E PER	13E PBV	13E yield
ICBC	1398 HK	Buy	5.71	7.36	28.9	6.3	1.28	4.6
CCB	939 HK	Buy	6.51	8.74	34.3	6.2	1.25	5.7
ABC	1288 HK	Buy	4.19	5.55	32.5	6.7	1.29	4.6
MSB	1988 HK	Buy	10.96	14.02	27.9	6.2	1.37	3.8
BOC	3988 HK	Hold	3.81	4.33	13.6	6.6	0.98	4.7
BoCom	3328 HK	Hold	6.22	7.12	14.5	5.1	0.90	6.2
CMB	3968 HK	Hold	18.00	20.60	14.4	7.0	1.36	3.5
CITICB	998 HK	Hold	5.12	5.91	15.4	5.8	0.84	4.2

Source: Company, Bloomberg, ABCI Securities estimates



農銀國際

ABC INTERNATIONAL

ABC SECURITIES COMPANY LIMITED

Investment thesis

Under the ongoing development of China's financial reform and interest rate liberalization, banks are inevitably exposed to a tougher operating environment in terms of regulations and competitions. Besides we expect that there will be more regulations to limit NIM expansion and fee income sources. Interest rate liberalization is accelerating under the roadmap of financial reforms with which we expect the PBOC may further lower loan rates floating floor to 50% of benchmark rate in 2013.

However, the rebounding of economic activities gradually lifts the credit quality overhang. Still, we forecast NPL is on the uptrend in a gentle manner. It is notably that market concerns have recently shifted from the contagion scenario of coastal area NPLs to the collapse of a shadow bank system. Although we are cautious on the development of hidden loan market and potential domino effect, we believe the shadow banking system will not cause massive damage to economic recovery amid high regulator awareness, healthy economic growth and low country leverage.

Taken into account the improving economy and potential inflation, we adjust our interest rate assumptions from a rate cut scenario to a flat interest rate case in 2013, attached with a rate hike potential after 4Q13 if inflation speeds up. This will increase our China banks' NIM forecast and net profit by 1-20bps and 1-17% respectively in 2013E and 2014E. As the market has factored into most negative factors, we expect upcoming result seasons will surprise the market on the upside. We upgrade our sector view from Neutral to Overweight, and increase our target prices by 15-39%. CCB, ICBC and ABC are our top picks in big banks while we prefer MSB among our mid-cap banks.

Manageable risks from the shadow banking system

New worries after credit quality

We could still remember that China banking sector were underperformed in 1H12, shadowed by the credit quality concerns with which pessimistic investors have worried about the NPLs contagion scenario from coastal areas to countrywide. We noted that the market has gradually reduced their risk concerns in 2H12 when major economic indicators rebound and manageable NPLs trend were shown. However, recently we heard more talks in the market towards another similar issue – the shadow banking system, given its low transparency and immeasurable size of this hidden market.

Definition of shadow banking system

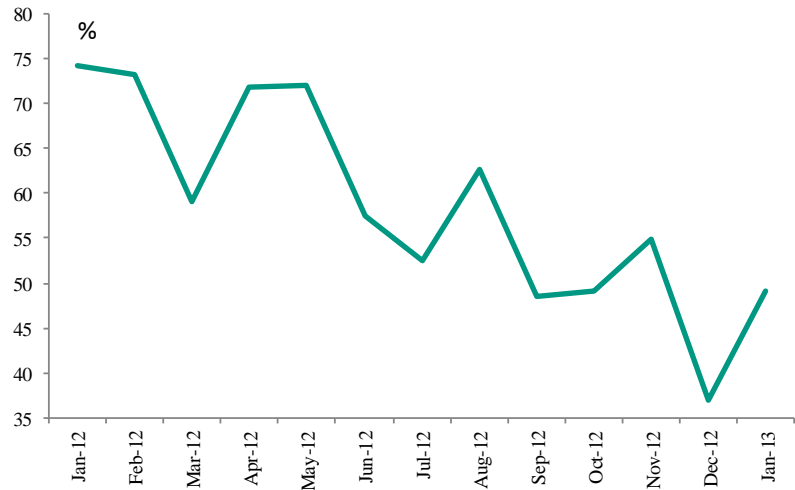
There is no official definition of the shadow banking concept in China. However market generally considers all financing channels outside tradition bank loans are part of the shadow banking system. In a wider sense, we would include off-balance sheet loans such as trusted and entrusted loans, guaranteed and trust companies, pawn businesses, folk lendings, wealth management products, assets management and private equity companies, pensions, and third party payments...etc.

Investors' are sensitive to the shadow banking uncertainties, especially after the sub-prime crisis in US and the sovereign debt crisis in Europe. Despite there are different forms of financial platforms in the shadow banking system, we believe majority of the funding from both traditional banks and shadow banks plays the role to support corporate developments and local government projects.



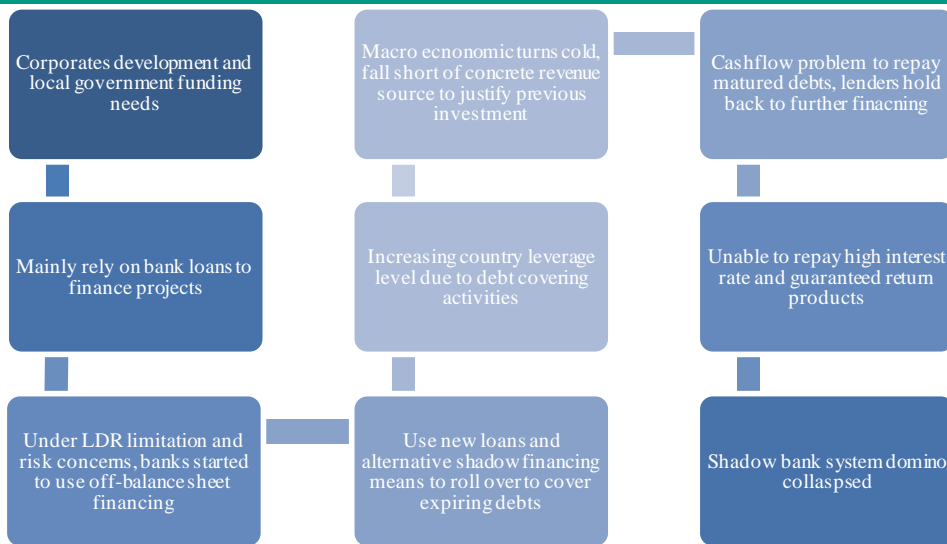
Besides, being part of China’s financial reform, we truly believe that the development of non-bank financing channels is of paramount importance in order to reduce the concentration risk in the China banking system. Prior to 2012, bank loans as a percentage to total social financing was above 80%. With the recent progression in non-bank loan financing source in 2012, the share of bank loans has been gradually reduced to 50% level.

Exhibit 1: China bank loans to aggregate financing of the economy



Source: PBOC, ABCI Securities estimates

Exhibit 2: Shadow bank system worst case roadmap



Source: ABCI Securities estimates

The worst scenario

The question here is that what would be the worst scenario and how far are we from the worst scenario. If China’s macro fundamentals weaken, economic activities will slow down and both revenue and income will fall short to support previous investments in business expansion and development. With higher default risk, financing platforms will therefore hold back from further financial supports including both new financing and debt roll over.



This will lead to repayment difficulties in matured principals and interests by corporates and local government projects, given their high guaranteed return of wealth management products and high interest rates from non-bank financings. Ultimately the worst situation is the collapse of the shadow and the domino effect from financial leverages will damage the whole economy of China.

Far away from the worry point

However, in order for the shadow banking bubble to burst and for the worst scenario to be seen, we believe there are three criteria which must fulfill, 1) prolonged deceleration of economy, 2) high country level leverage, and 3) ignorance of the growing risks by the government and regulators. Given these three factors, despite we acknowledge the existence of shadow banking system in China, we believe the development is still at infant stage and any potential collapses are far from this point. Apparently, recent economic rebound assures that the first factor of prolonged slow economy has not happened.

Regarding the second factor of high country level leverage, local media generally estimate the size of the shadow bank system at the range of Rmb20-40tn, representing an average of 45% of system bank loans and 58% of China's GDP. Even we conservatively estimate the shadow banking system to be 50% bigger than that of media reported, the level of financial leverage in China is still at low level of 68% of total loans and 87% of GDP, compare to other matured economies such as the US and Europe having their shadow banking system over 100% of system bank loans and GDP.

In relation to the third factor, we are confident that the central government and regulators have high awareness regarding the risk and development of the non-bank financing platforms. On 14 January 2013, the CBRC explicitly mentioned that three shadow banking focuses including the control of credit default risk, off-balance sheet risk and contagion risk are the sector top priority. Besides, according to our channel checks, the city and province CBRC offices are closely monitoring individual bank's operations and risk exposures. This includes not only their loan portfolios but also the sales of innovative products and the performance of underlying assets.

In sum, we are of the view that the shadow banking system in China is still at early stage and it is also an essential component in the financial reform development. Despite we do not rule out a problematic scenario to happen given its low transparency, the timing is unlikely to be soon with the support of solid macro environment and high awareness of regulators. Besides, we believe the current leverage level is not destructive and we are confident that the central government and regulators are in good sense to avoid the collapse of the shadow banking system.



Positive surprises on 2012 results

Earning surprise by MSB

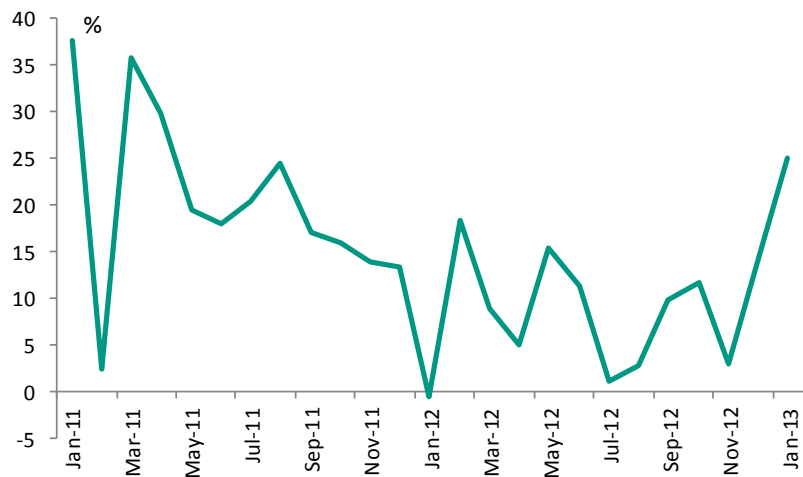
We expect to see a series of earning surprises by China banks in the upcoming results announcement in late March 2013. MSB has announced its preliminary earning figures on 18 January 2013, beating both the consensus and our previous forecasts by 10%. Despite no detailed numbers were provided, the growth of loan and deposit came in line with our expectation. We expect the positive earnings surprises were driven by stabilizing NIM from 4Q12, rebound of fee income growth and better-than-expected credit cost outlook.

MSB's positive profit warning serves as a positive indicator to other banks' 2012 earnings. We believe negative NIM impact from the previous rate cuts in mid-2012 was largely reflected in the 2012 results and the remaining loan re-pricings are expected to be done by 1Q13. Especially for banks with higher SME exposures such as MSB, loan re-pricing should have taken place earlier in 4Q12 given shorter loan durations. According to our channel checks, most banks' NIM has been stabilized in 4Q12, due to favorable loan pricings as a result of excess loan demand and capped funding cost. We also note an improving loan pricing trend has continued in January 2013.

Our 2012E forecast fairly reflected

Fee income growth momentum should start to resume from 4Q12, driven by better export figures and more aggressive development in off-balance businesses and wealth management products. Loan growth has been closely monitored by regulators and limited by the 75% LDR requirement, particularly for mid-cap banks. Besides, lower-than-expected credit cost sheltered by better economic outlook will cast another earnings surprise for banks. Yet, we did not materially change our 2012 net profits given our previous forecast has already factored into better-than-peers assumptions. This implies H-share banks' 2012E net profit growth to remain at 8-29% Y-Y.

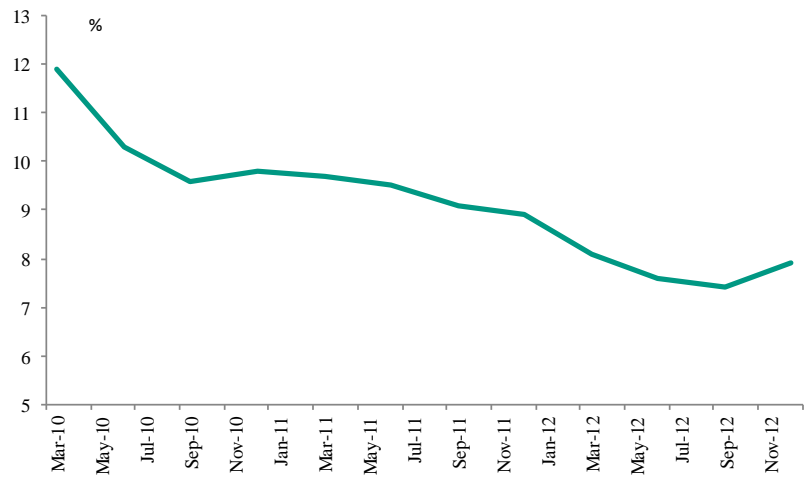
Exhibit 3: China Export Y-Y



Source: Bloomberg, ABCI Securities estimates



Exhibit 4: China quarterly GDP Y-Y



Source: Bloomberg, ABCI Securities estimates

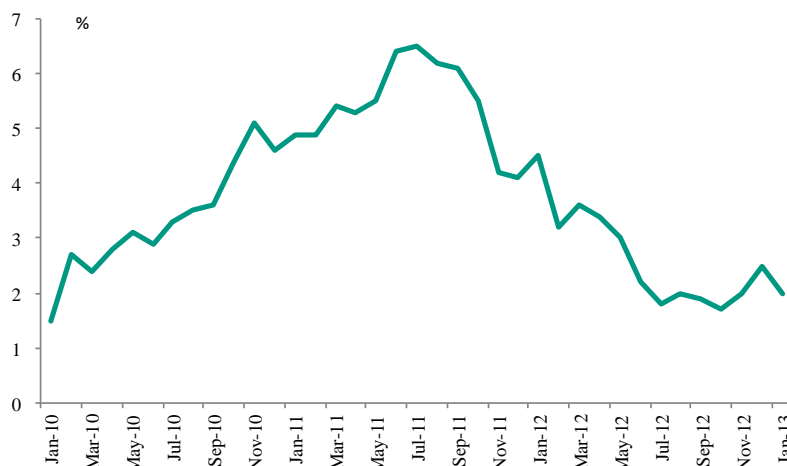


Change of interest rate assumptions

End of rate cut cycle points to better NIM

Riding on the improving macro environment and the healthy resumption of economic activities, we believe the PBOC will not announce another round of rate cut in 2013, while using the tools of repo and reverse repo to adjust system liquidity. We therefore revise up our interest rate assumptions to a flat benchmark rates case throughout 2013. Nevertheless, we are cautious that if China inflation surges rapidly, the PBOC may cool down the economy by initiating a rate hike cycle.

Exhibit 5: China CPI Y-Y



Source: Bloomberg, ABCI Securities estimates

Exhibit 6: H-share banks NIM and NII forecast

(%)	ICBC	CCB	ABC	MSB	BOC	BoCom	CMB	CITICB
New NIM forecast								
2012E	2.64	2.71	2.77	3.1	2.13	2.59	2.97	2.78
2013E	2.58	2.7	2.72	2.93	1.92	2.49	2.9	2.68
2014E	2.59	2.72	2.72	2.91	1.95	2.5	2.94	2.72
Old NIM forecast								
2012E	2.64	2.71	2.77	2.97	2.13	2.59	3.06	2.78
2013E	2.54	2.63	2.7	2.87	1.89	2.42	2.85	2.67
2014E	2.41	2.52	2.57	2.76	1.83	2.29	2.82	2.57
New vs Old (bps)								
2012E	-	-	-	13	-	-	(9)	-
2013E	4	7	2	6	3	7	5	1
2014E	18	20	15	15	12	21	12	15
(Rmb mn)								
New NII forecast								
2012E	424,062	356,901	353,982	77,338	261,205	123,560	84,429	72,543
2013E	474,374	407,143	403,474	86,588	267,126	143,227	96,034	82,993
2014E	539,764	460,721	456,251	94,252	304,810	169,840	111,123	99,560
Old NII forecast								
2012E	424,062	356,901	353,982	74,172	261,205	123,560	86,882	72,543
2013E	465,865	396,712	399,894	84,742	263,109	139,419	94,342	82,483
2014E	502,371	427,420	430,338	89,460	286,819	155,164	106,623	94,195
New vs Old (%)								
2012E	-	-	-	4	-	-	(3)	-
2013E	2	3	1	2	2	3	2	1
2014E	7	8	6	5	6	9	4	6

Source: Companies, ABCI Securities estimates



Limited downside on NIM

Without further rate cuts, we can reasonably expect banks' NIM to stabilize, even though the regulators may speed up interest rate liberalization through further enlarging the interest rate floating ranges. Based on our observations, banks' loan pricings were well-behaved at a healthy level, where there were a balanced distribution of loan rates floating above and below benchmark rates, and high-end deposit rates at the 10% floating limit above benchmark rates. Banks are not keen to compete for loans by aggressive pricing given high loan demand, while funding cost upsides are limited.

Mild positive NIM outlook

Taken both factors into account, we believe overall NIM will be stable and mildly positive. As a result, our new assumptions with no interest rate changes in 2013 and minor rate hikes in 2014 would increase our 2013E and 2014E NIM forecasts by 1-21bps, or increase H-share banks' net interest income by 1-9%. This will translate into higher bottom lines forecast of 1-17% accordingly.

Exhibit 7: H-share banks net profit forecasts

(Rmb mn)	ICBC	CCB	ABC	MSB	BOC	BoCom	CMB	CITICB
<u>New NP forecast</u>								
2012E	238,510	202,788	157,560	37,402	138,492	57,607	41,199	32,348
2013E	260,149	219,453	168,007	39,346	133,167	62,218	45,854	34,483
2014E	302,866	249,383	197,428	43,524	154,805	73,541	53,446	42,569
<u>Old NP forecast</u>								
2012E	238,510	202,788	157,560	34,247	140,085	57,607	42,967	32,348
2013E	253,768	211,420	165,250	36,989	131,695	59,247	44,634	34,106
2014E	274,821	223,741	177,475	38,769	143,425	62,910	50,202	38,599
<u>New vs Old (%)</u>								
2012E	0	0	0	9	(1)	0	(4)	0
2013E	3	4	2	6	1	5	3	1
2014E	10	11	11	12	8	17	6	10

Source: Companies, ABCI Securities estimates

Share price rallied, still at low valuation

The China banking sector has outperformed market performance (HSI and MSCI China) since 3Q12, driven by improving assets quality and NIM outlook. Our sector top picks including ICBC, CCB, ABC and MSB have all performed well over the past 6 months, with accumulated gains of 21-54%. Getting closer to the result season in late March 2013, we would expect some profit taking behavior in near term around. However in longer term, we are positive to the banking sector, given improving economic fundamentals and low valuation at 1-1.5 s.d. below historical mean P/B. Any correction or profit taking behavior will be an excellent opportunity to accumulate high-quality banks.

Exhibit 8: H-share banks share price performance

(HK\$)	ICBC	CCB	ABC	MSB	BOC	BoCom	CMB	CITICB
2013-2-18	5.71	6.51	4.19	10.96	3.81	6.22	18.00	5.12
2013-1-17	5.84	6.53	3.92	9.98	3.68	6.20	17.98	5.03
2012-11-16	5.02	5.69	3.30	7.11	3.14	5.34	13.84	3.86
2012-8-17	4.49	5.39	3.12	7.13	2.99	5.29	14.18	3.93
Changes (%)								
1 month	(2.2)	(0.3)	6.9	9.8	3.5	0.3	0.1	1.8
3 months	13.7	14.4	27.0	54.1	21.3	16.5	30.1	32.6
6 months	27.2	20.8	34.3	53.7	27.4	17.6	26.9	30.3

Source: Bloomberg, ABCI Securities estimates

Upgrade sector view to Overweight

In view of stabilizing NIM and manageable asset quality on the back of better economic outlook and lower country risk, we expect better-than-expected profit growth will surprise the market on the upside in the coming quarters. Therefore we upgrade our sector view from Neutral to Overweight. We raise our target prices by 15-39% based on our revised earnings and reduced equity risk premium from 11.1% to 10%.

Exhibit 9: H-share banks target price changes summary

		Rating		Target price (Rmb)			Sustainable ROE (%)		COE (%)		Target PB (x)	
		New	Old	New	Old	change %	New	Old	New	Old	New	Old
ICBC	1398 HK	Buy	Buy	7.36	6.14	24.4	19.1	19.4	14.0	15.8	1.64	1.37
CCB	939 HK	Buy	Buy	8.74	7.63	14.5	20.2	19.5	14.5	15.2	1.68	1.47
ABC	1288 HK	Buy	Buy	5.55	4.23	31.2	20.5	19.6	14.5	16.4	1.71	1.31
MSB	1988 HK	Buy	Buy	14.02	10.10	38.8	20.0	17.8	14.0	15.2	1.75	1.29
BOC	3988 HK	Hold	Hold	4.33	3.63	19.3	15.3	14.7	14.4	15.4	1.11	0.93
BoCom	3328 HK	Hold	Hold	7.12	6.01	18.5	15.3	14.5	15.0	15.7	1.03	0.88
CMB	3968 HK	Hold	Hold	20.60	15.60	32.1	20.7	19.6	15.4	17.5	1.56	1.18
CITICB	998 HK	Hold	Hold	5.91	4.42	33.7	15.7	14.0	16.0	17.1	0.97	0.73

Source: Bloomberg, ABCI Securities estimates

We calculate our target prices by the target P/B generated from Gordon Growth Model ($P/B = (ROE-g)/(COE-g)$). Our new target prices imply an average target P/B of 1.43x (current trading at an average of 1.14x 2013 P/B) and carry 28-34% upside to our top picks. Our top picks of big banks include ICBC, CCB and ABC, while among mid-cap banks, we prefer MSB.



Exhibit 10: H-share banks valuation summary

	Ticker	Mkt cap (HK\$mn)	Rating	Price (HK\$)	Target (HK\$)	Upside (%)	12E PE	13E PE	12E PB	13E PB	13E Yield	
	ICBC	1398 HK	1,918,027	Buy	5.71	7.36	28.9	7.0	6.3	1.48	1.28	4.6
	CCB	939 HK	1,628,770	Buy	6.51	8.74	34.3	6.7	6.2	1.44	1.25	5.7
	ABC	1288 HK	1,281,844	Buy	4.19	5.55	32.5	7.1	6.7	1.49	1.29	4.6
	MSB	1988 HK	361,395	Buy	10.96	14.02	27.9	6.5	6.2	1.62	1.37	3.8
	BOC	3988 HK	1,071,048	Hold	3.81	4.33	13.6	6.4	6.6	1.08	0.98	4.7
	BoCom	3328 HK	478,761	Hold	6.22	7.12	14.5	5.6	5.1	1.03	0.90	6.2
	CMB	3968 HK	381,901	Hold	18.00	20.60	14.4	7.9	7.0	1.61	1.36	3.5
	CITICB	998 HK	271,298	Hold	5.12	5.91	15.4	6.2	5.8	0.97	0.84	4.2
	Average						21.8	6.6	6.2	1.32	1.14	4.7

Source: Bloomberg, ABCI Securities estimates (price as of 18 February 2013)

Banks we like...

We still prefer big banks over mid-cap banks for their better business diversifications and defensive NIM outlook given their stable deposit base and lower LDR positions. Besides we believe mid-cap banks will face higher default risk from their SMEs exposure and more policy overhang on both NIM and fee income growth.

Big banks are core holdings

ICBC and CCB continue to be our sector core holdings with their market leading franchise, supported by solid growth. We are of the view that recent divestment of ICBC by Goldman Sachs are expected behavior, aiming to lock up their profit after 6 years of holding and to free up cash for other investment opportunities. Their divestment track records over the past years showed one or twice sell-off of shares per year. Furthermore, we notice that other institutions such as Blackrock are in fact accumulating ICBC at the same time.

CCB's share price performance was lagged behind compared to ICBC over the past months for the reason of investors' asset quality concerns. We estimate this overhang will lift in the upcoming result season and CCB's share price would catch up in near term if CCB is able to surprise the market on the upside with its 2012 asset quality and credit cost, as the bank has always adopted a prudence business strategy. Under our base case scenario, we expect its NPLs to remain controllable.

ABC, another top pick among big banks, is the fastest growing big bank. It is now repeating the fast growth phrase that other big banks had experienced years ago. This allows ABC's stock price to outperform as we believe investor's risk concerns are lowering given stable economic growth and ABC's fast growth and agriculture edge will be the bright spots.

Turning cautious to our beloved MSB

Besides we believe there is still upside with MSB's record high share price. We still favor the bank for its high efficiency in operating strategy. However after we factored into the positive profit warning into our model, we are turning cautious to the name after recent rally. The stock has surged by over 50% in the past 6 months, which we think the momentum from the earning surprise is fairly reflected. We expect to see some profit taking behavior and some investors may shift to other names if there is no additional blink from its annual results. Nevertheless, MSB remains as our top pick among mid-cap bank and we think any correction would be a good entry point for longer term investment.



ICBC (1398 HK – Buy)

Income statement forecast

(Rmb mn)	2010A	2011A	2012E	2013E	2014E
Net interest income	303,749	362,764	424,062	474,374	539,764
Non-interest income	76,999	107,837	118,404	131,247	146,955
Of which: Fees and commissions	72,840	101,550	111,572	123,874	139,107
Operating income	380,748	470,601	542,466	605,620	686,718
Operating expenses	(127,322)	(156,160)	(177,364)	(198,430)	(220,090)
Amortization	(12,158)	(13,453)	(14,486)	(15,471)	(16,383)
Pre-prov. operating profits	241,268	300,988	350,615	391,720	450,245
Impairment loans losses	(27,988)	(31,121)	(35,075)	(47,629)	(49,477)
Operating profit	213,280	269,867	315,540	344,091	400,768
Non-operating income	2,146	2,444	2,737	3,066	3,372
Profit before tax	215,426	272,311	318,277	347,156	404,141
Tax	(49,401)	(63,866)	(79,569)	(86,789)	(101,035)
Minority interests	(869)	(180)	(198)	(218)	(240)
Net profit	165,156	208,265	238,510	260,149	302,866
Growth (%)					
Net interest income	24	19	17	12	14
Non-interest income	21	40	10	11	12
Of which: Fees and commissions	32	39	10	11	12
Operating income	23	24	15	12	13
Operating expenses	16	23	14	12	11
Amortization	11	11	8	7	6
Pre-prov. operating profits	28	25	16	12	15
Impairment loans losses	20	11	13	36	4
Operating profit	29	27	17	9	16
Non-operating income	8	14	12	12	10
Profit before tax	29	26	17	9	16
Tax	30	29	25	9	16
Minority interests	16	(79)	10	10	10
Net profit	28	26	15	9	16
Per share data					
EPS	0.49	0.60	0.68	0.75	0.87
BVPS	2.35	2.74	3.22	3.73	4.33
DPS	0.18	0.20	0.20	0.22	0.26
Key ratio (%)					
Net interest margin	2.44	2.61	2.64	2.58	2.59
Net interest spread	2.35	2.49	2.50	2.43	2.44
Cost to income ratio	33.4	33.2	32.7	32.8	32.0
Return on average assets	1.31	1.44	1.43	1.37	1.41
Return on average equity	22.1	23.4	22.9	21.4	21.5
Effective tax rate	22.9	23.5	25.0	25.0	25.0
Dividend payout	38.9	34.0	30.0	30.0	30.0

Source: Company, ABCI Securities estimates

Exhibit 2: ICBC P/B band chart



Source: Bloomberg, ABCI Securities estimates



ICBC (1398 HK – Buy)

Balance sheet forecast

(Rmb mn)	2010A	2011A	2012E	2013E	2014E
Cash & cash equivalent	2,282,999	2,762,156	2,997,066	3,278,925	3,615,834
Dues from banks	511,087	810,287	1,635,236	2,326,624	3,134,193
Investment securities	3,732,268	3,919,727	4,176,876	4,443,444	4,717,911
Net loans and advances	6,623,372	7,594,019	8,619,657	9,686,118	10,895,405
Total interest earning assets	13,149,726	15,086,189	17,428,835	19,735,111	22,363,343
Property and equipment	103,412	119,028	130,931	141,405	152,718
Other non-interest earning assets	205,484	271,651	292,725	315,452	339,962
Total assets	13,458,622	15,476,868	17,852,491	20,191,969	22,856,023
Customer deposits	11,145,557	12,261,219	13,977,724	15,878,525	17,955,997
Due to banks	1,048,002	1,341,290	1,676,613	2,095,766	2,514,919
Subordinated debt	102,264	204,161	244,993	269,493	296,442
Total interest bearing liabilities.	12,305,137	13,848,096	15,949,041	18,303,437	20,838,942
Current taxes	33,759	51,535	64,419	77,303	92,763
Deferred tax liabilities	318	103	118	136	157
Other liabilities	297,751	619,311	715,245	506,775	409,685
Total liabilities	12,636,965	14,519,045	16,728,824	18,887,651	21,341,547
Share capital	349,019	349,084	349,084	349,084	349,084
Reserves	471,411	607,658	773,448	954,042	1,164,141
Minorities	1,227	1,081	1,135	1,192	1,251
Shareholder's equity	821,657	957,823	1,123,667	1,304,318	1,514,476
Growth (%)					
Cash & cash equivalent	35	21	9	9	10
Dues from banks	(21)	59	102	42	35
Investment securities	4	5	7	6	6
Net loans and advances	19	15	14	12	12
Total interest earning assets	14	15	16	13	13
Total assets	14	15	15	13	13
Customer deposits	14	10	14	14	13
Due to banks	5	28	25	25	20
Subordinated debt	36	100	20	10	10
Total interest bearing liabilities.	13	13	15	15	14
Total liabilities	14	15	15	13	13
Shareholder's equity	21	17	17	16	16
Key ratio (%)					
Loan to deposits	60.9	63.5	63.3	62.7	62.4
Core CAR	10.0	10.1	10.3	10.5	10.8
Total CAR	12.3	13.2	13.5	13.5	13.7
NPL ratio	1.08	0.94	1.10	1.30	1.40
NPL growth	(17.2)	(0.3)	36.2	33.6	23.6
Net bad debt charge ratio	0.4	0.4	0.4	0.5	0.5
Provision to total loans	2.5	2.5	2.6	2.7	2.8
Provision coverage	228.2	266.9	226.8	202.4	191.2

Source: Company, ABCI Securities estimates

Major change of forecasts

	New			Old			New vs old (%)		
	2012E	2013E	2014E	2012E	2013E	2014E	2012E	2013E	2014E
NIM (%)	2.64	2.58	2.59	2.64	2.54	2.41	-	4bps	18bps
NII (Rmb mn)	424,062	474,374	539,764	424,062	465,865	502,371	-	1.8	7.4
Net profits (Rmb mn)	238,510	260,149	302,866	238,510	253,768	274,821	-	2.5	10.2

Source: ABCI Securities estimates



CCB (939 HK – Buy)

Income statement forecast

(Rmb mn)	2010A	2011A	2012E	2013E	2014E
Net interest income	251,500	304,572	356,901	407,143	460,721
Non-interest income	74,280	94,831	102,113	111,153	122,242
Of which: fees and commissions	66,132	86,994	93,990	102,657	113,356
Operating income	325,780	399,403	459,014	518,296	582,963
Operating expenses	(119,394)	(142,437)	(161,045)	(185,174)	(214,267)
Amortization	(1,972)	(2,100)	(2,226)	(2,360)	(2,501)
Pre-prov. operating profits	204,414	254,866	295,743	330,763	366,195
Impairment losses	(29,292)	(35,783)	(32,160)	(45,527)	(42,076)
Operating profit	175,122	219,083	263,582	285,236	324,119
Non-operating income	34	24	25	26	28
Profit before tax	175,156	219,107	263,607	285,263	324,146
Tax	(40,125)	(49,668)	(60,630)	(65,610)	(74,554)
Minority interests	(187)	(181)	(190)	(200)	(210)
Net profit	134,844	169,258	202,788	219,453	249,383
Growth (%)					
Net interest income	19	21	17	14	13
Non-interest income	29	28	8	9	10
Of which: fees and commissions	38	32	8	9	10
Operating income	21	23	15	13	12
Operating expenses	16	19	13	15	16
Amortization	5	6	6	6	6
Pre-prov. operating profits	25	25	16	12	11
Impairment losses	15	22	(10)	42	(8)
Operating profit	26	25	20	8	14
Non-operating income	100	(29)	5	5	5
Profit before tax	26	25	20	8	14
Tax	26	24	22	8	14
Minority interests	134	(3)	5	5	5
Net profit	26	26	20	8	14
Per share data (Rmb)					
EPS	0.54	0.68	0.81	0.88	1.00
BVPS	2.79	3.24	3.77	4.34	4.99
DPS	0.21	0.24	0.28	0.31	0.35
Key ratio (%)					
Net interest margin	2.49	2.70	2.71	2.70	2.72
Net interest spread	2.40	2.57	2.58	2.55	2.56
Cost to income ratio	37.3	36.2	35.6	36.2	37.2
Return on average assets	1.32	1.47	1.53	1.44	1.46
Return on average equity	21.5	22.4	23.1	21.6	21.4
Effective tax rate	22.9	22.7	23.0	23.0	23.0
Dividend payout	39.3	34.9	35.0	35.0	35.0

Source: Company, ABCI Securities estimates

Exhibit 2: CCB P/B band chart



Source: Bloomberg, ABCI Securities estimates



CCB (939 HK – Buy)

Balance sheet forecast

(Rmb mn)	2010A	2011A	2012E	2013E	2014E
Cash & cash equivalent	2,029,104	2,579,854	3,085,776	3,530,189	3,997,652
Dues from banks	142,280	385,792	731,610	914,513	1,097,416
Investment securities	2,887,653	2,718,654	2,981,308	3,266,393	3,471,027
Net loans and advances	5,526,026	6,325,194	7,162,658	8,057,336	9,059,842
Total interest earning assets	10,585,063	12,009,494	13,961,353	15,768,432	17,625,938
Property and equipment	83,434	94,222	105,529	116,082	125,368
Other non-interest earning assets	141,820	178,118	211,601	247,805	283,680
Total assets	10,810,317	12,281,834	14,278,482	16,132,318	18,034,986
Customer deposits	9,075,369	9,987,450	11,537,981	13,002,142	14,406,089
Due to banks	749,809	1,044,954	1,306,193	1,567,431	1,818,220
Subordinated debt	79,901	119,861	143,833	165,408	181,949
Total interest bearing liabilities	9,923,415	11,211,177	13,061,647	14,823,349	16,510,532
Current taxes liabilities	34,241	47,189	52,852	59,194	65,113
Deferred tax liabilities	243	358	501	677	880
Other liabilities	151,513	206,449	213,862	155,547	201,363
Total liabilities	10,109,412	11,465,173	13,328,862	15,038,766	16,777,888
Share capital	250,011	250,011	250,011	250,011	250,011
Reserves	446,781	561,130	693,261	836,240	998,691
Minorities	4,113	5,520	6,348	7,300	8,395
Shareholder's equity	700,905	816,661	949,620	1,093,552	1,257,098
Growth (%)					
Cash & cash equivalent	(1)	27	20	14	13
Dues from banks	15	171	90	25	20
Investment securities	13	(6)	10	10	6
Net loans and advances	18	14	13	12	12
Total interest earning assets	12	13	16	13	12
Total assets	12	14	16	13	12
Customer deposits	13	10	16	13	11
Due to other banks & FIs	(8)	39	25	20	16
Subordinated term debt	0	50	20	15	10
Total interest bearing liabilities.	11	13	17	13	11
Total liabilities	12	13	16	13	12
Shareholder's equity	25	17	16	15	15
Key ratio (%)					
Loan to deposits	62.5	65.0	63.8	63.8	64.7
Core CAR	10.4	11.0	10.8	11.0	11.2
Total CAR	12.7	13.7	13.5	13.6	13.8
NPL ratio	1.14	1.09	1.24	1.37	1.49
NPL growth	(10.3)	9.6	28.4	25.2	22.1
Net bad debt charge ratio	0.5	0.5	0.4	0.5	0.4
Provision to total loans	2.5	2.6	2.7	2.8	2.9
Provision coverage	221.1	241.4	214.2	203.7	191.0

Source: Company, ABCI Securities estimates

Major change of forecasts

	New			Old			New vs old (%)		
	2012E	2013E	2014E	2012E	2013E	2014E	2012E	2013E	2014E
NIM (%)	2.71	2.70	2.72	2.71	2.63	2.52	-	7bps	20bps
NII (Rmb mn)	356,901	407,143	460,721	356,901	396,712	427,420	-	2.6	7.8
Net profits (Rmb mn)	202,788	219,453	249,383	202,788	211,420	223,741	-	3.8	11.5

Source: ABCI Securities estimates



ABC (1288 HK – Buy)

Income statement forecast

(Rmb mn)	2010A	2011A	2012E	2013E	2014E
Net interest income	242,152	307,199	353,982	403,474	456,251
Non-interest income	50,101	72,557	82,375	93,176	111,925
Of which: fees and commissions	46,128	68,750	79,262	91,199	104,840
Operating income	292,253	379,756	436,356	496,650	568,176
Operating expenses	(116,811)	(144,200)	(166,918)	(200,678)	(238,106)
Amortization	(11,296)	(13,130)	(14,443)	(16,609)	(18,603)
Pre-prov. operating profits	164,146	222,426	254,995	279,363	311,468
Impairment loans losses	(43,412)	(64,225)	(50,330)	(61,127)	(55,018)
Operating profit	120,734	158,201	204,665	218,236	256,450
Profit before tax	120,734	158,201	204,665	218,236	256,450
Tax	(25,827)	(36,245)	(47,073)	(50,194)	(58,983)
Minority interests	(34)	(29)	(32)	(35)	(39)
Net profit	94,873	121,927	157,560	168,007	197,428
Growth (%)					
Net interest income	33.3	26.9	15.2	14.0	13.1
Non-interest income	19.3	44.8	13.5	13.1	20.1
Of which: fees and commissions	29.4	49.0	15.3	15.1	15.0
Operating income	30.7	29.9	14.9	13.8	14.4
Operating expenses	18.2	23.4	15.8	20.2	18.7
Amortization	4.8	16.2	10.0	15.0	12.0
Pre-prov. operating profits	43.9	35.5	14.6	9.6	11.5
Impairment loans losses	8.1	47.9	(21.6)	21.5	(10.0)
Operating profit	63.3	31.0	29.4	6.6	17.5
Profit before tax	63.3	31.0	29.4	6.6	17.5
Tax	189.3	40.3	29.9	6.6	17.5
Minority interests	240.0	(14.7)	10.0	10.0	10.0
Net profit	46.0	28.5	29.2	6.6	17.5
Per share data (Rmb)					
EPS	0.36	0.38	0.49	0.52	0.61
BVPS	1.67	2.00	2.34	2.71	3.14
DPS	0.15	0.13	0.15	0.16	0.18
Key ratio (%)					
Net interest margin	2.57	2.85	2.77	2.72	2.72
Net interest spread	2.50	2.73	2.52	2.46	2.50
Cost to income ratio	40.0	38.0	38.3	40.4	41.9
Return on average assets	0.99	1.11	1.24	1.13	1.15
Return on average equity	21.4	20.5	22.3	20.5	20.8
Effective tax rate	21.4	22.9	23.0	23.0	23.0
Dividend payout	52.3	35.0	30.0	30.0	30.0

Source: Company, ABCI Securities estimates

Exhibit 2: ABC P/B band chart



Source: Bloomberg, ABCI Securities estimates



農銀國際

ABC INTERNATIONAL

ABCI SECURITIES COMPANY LIMITED

ABC (1288 HK – Buy)

Balance sheet forecast

(Rmb mn)	2010A	2011A	2012E	2013E	2014E
Cash & cash equivalent	2,082,332	2,487,082	2,815,903	3,195,284	3,635,872
Dues from banks	698,599	873,997	1,640,554	2,269,426	2,930,155
Investment securities	2,527,431	2,628,052	2,847,787	3,082,728	3,334,735
Net loans and advances	4,789,008	5,398,863	6,184,264	7,063,268	8,076,165
Total interest earning assets	10,097,370	11,387,994	13,488,509	15,610,706	17,976,927
Property and equipment	121,391	131,815	143,678	155,173	166,035
Other non-interest earning assets	118,645	157,768	193,848	233,760	277,231
Total assets	10,337,406	11,677,577	13,826,035	15,999,639	18,420,192
Customer deposits	8,887,905	9,622,026	11,127,753	12,923,048	14,978,390
Due to banks	582,982	724,286	1,158,858	1,448,572	1,738,286
Subordinated debt	62,344	119,390	137,299	157,893	181,577
Total interest bearing liabilities.	9,533,231	10,465,702	12,423,909	14,529,513	16,898,254
Current taxes	16,413	37,868	49,228	62,520	78,150
Deferred tax liabilities	82	27	31	36	41
Other liabilities	245,444	524,192	591,822	527,950	424,936
Total liabilities	9,795,170	11,027,789	13,064,991	15,120,018	17,401,381
Share capital	324,794	324,794	324,794	324,794	324,794
Reserves	217,277	324,807	436,045	554,602	693,776
Minorities	165	187	206	224	242
Shareholder's equity	542,236	649,788	761,045	879,620	1,018,812
Growth (%)					
Cash & cash equivalent	37	19	13	13	14
Dues from banks	31	25	88	38	29
Investment securities	(3)	4	8	8	8
Net loans and advances	19	13	15	14	14
Total interest earning assets	16	13	18	16	15
Total assets	16	13	18	16	15
	0	0	0	0	0
Customer deposits	19	8	16	16	16
Due to banks	(3)	24	60	25	20
Subordinated debt	13	92	15	15	15
Total interest bearing liabilities.	17	10	19	17	16
Total liabilities	15	13	18	16	15
Shareholder's equity	58	20	17	16	16
Key ratio (%)					
Loan to deposits	55.8	58.5	58.1	57.3	56.5
Core CAR	9.8	9.5	9.1	9.1	9.4
Total CAR	11.6	11.9	11.3	11.3	11.5
NPL ratio	2.0	1.6	2.0	2.5	2.8
NPL growth	(16.5)	(13.0)	34.1	29.4	24.7
Net bad debt charge ratio	1.0	1.2	0.8	0.9	0.7
Provision to total loans	3.4	4.1	4.3	4.6	4.6
Provision coverage	168.1	263.1	237.2	222.2	206.1

Source: Company, ABCI Securities estimates

Major change of forecasts

	New			Old			New vs old (%)		
	2012E	2013E	2014E	2012E	2013E	2014E	2012E	2013E	2014E
NIM (%)	2.77	2.72	2.72	2.77	2.70	2.57	-	2bps	15bps
NII (Rmb mn)	353,982	403,474	456,251	353,982	399,894	430,338	-	0.9	6.0
Net profits (Rmb mn)	157,560	168,007	197,428	157,560	165,250	177,475	-	1.7	11.2

Source: ABCI Securities estimates



MSB (1988 HK – Buy)

Income statement forecast

(Rmb mn)	2010A	2011A	2012E	2013E	2014E
Net interest income	45,873	64,821	77,338	86,588	94,252
Non-interest income	8,794	17,375	26,637	30,310	37,762
Of which: fees and commissions	8,289	15,101	20,899	27,699	34,839
Operating income	54,667	82,196	103,974	116,898	132,014
Operating expenses	(25,146)	(35,352)	(42,225)	(50,737)	(60,154)
Amortization	(1,041)	(1,293)	(1,552)	(1,862)	(2,234)
Pre-prov. operating profits	28,480	45,551	60,198	64,299	69,625
Impairment loans losses	(5,504)	(8,376)	(9,561)	(10,994)	(10,665)
Operating profit	22,976	37,175	50,637	53,305	58,960
Profit before tax	22,976	37,175	50,637	53,305	58,960
Tax	(5,288)	(8,732)	(12,659)	(13,326)	(14,740)
Minority interests	(107)	(523)	(575)	(633)	(696)
Net profit	17,581	27,920	37,402	39,346	43,524
Growth (%)					
Net interest income	42	41	19	12	9
Non-interest income	(10)	98	53	14	25
Of which: fees and commissions	78	82	38	33	26
Operating income	30	50	26	12	13
Operating expenses	24	41	19	20	19
Amortization	44	24	20	20	20
Pre-prov. operating profits	36	60	32	7	8
Impairment loans losses	4	52	14	15	(3)
Operating profit	47	62	36	5	11
Profit before tax	47	62	36	5	11
Tax	49	65	45	5	11
Minority interests	2,575	389	10	10	10
Net profit	45	59	34	5	11
Per share data (Rmb)					
EPS	0.78	1.05	1.40	1.47	1.63
BVPS	3.90	4.85	5.63	6.68	7.85
DPS	0.10	0.30	0.33	0.35	0.38
Key ratio (%)					
Net interest margin	2.94	3.14	3.10	2.93	2.91
Net interest spread	2.82	2.96	2.88	2.75	2.78
Cost to income ratio	46.0	43.0	40.6	43.4	45.6
Return on average assets	1.08	1.38	1.47	1.29	1.28
Return on average equity	18.3	23.9	25.9	22.5	21.1
Effective tax rate	23.0	23.5	25.0	25.0	25.0
Dividend payout	15.2	28.7	25.0	25.0	25.0

Source: Company, ABCI Securities estimates

Exhibit 2: MSB P/B band chart



Source: Bloomberg, ABCI Securities estimates



MSB (1988 HK – Buy)

Balance sheet forecast

(Rmb mn)	2010A	2011A	2012E	2013E	2014E
Cash & cash equivalent	266,835	332,805	408,474	458,771	513,122
Dues from banks	274,847	411,103	725,605	817,823	919,728
Investment securities	180,943	211,485	245,426	249,488	259,831
Net loans and advances	1,037,723	1,178,285	1,378,478	1,549,935	1,737,668
Total interest earning assets	1,760,348	2,133,678	2,757,983	3,076,017	3,430,348
Property and equipment	8,809	9,971	10,968	11,955	12,912
Other non-interest earning assets	54,580	85,415	102,847	121,709	140,497
Total assets	1,823,737	2,229,064	2,871,798	3,209,681	3,583,757
Customer deposits	1,417,877	1,644,738	1,908,997	2,159,493	2,417,831
Due to banks	226,482	320,326	672,685	739,953	813,948
Subordinated debt	21,048	31,030	43,442	49,958	56,453
Total interest bearing liabilities	1,665,407	1,996,094	2,625,124	2,949,404	3,288,232
Current taxes	4,940	5,770	6,636	7,631	8,775
Other liabilities	48,133	93,090	75,399	57,673	58,320
Total liabilities	1,718,480	2,094,954	2,707,159	3,014,708	3,355,327
Share capital	26,715	26,715	28,366	28,366	28,366
Reserves	77,393	102,882	131,309	161,196	194,220
Minorities	1,149	4,513	4,964	5,411	5,844
Shareholder's equity	105,257	134,110	164,639	194,973	228,430
Growth (%)					
Cash & cash equivalent	302	25	23	12	12
Dues from banks	(7)	50	77	13	12
Investment securities	16	17	16	2	4
Net loans and advances	20	14	17	12	12
Total interest earning assets	27	21	29	12	12
Total assets	28	22	29	12	12
Customer deposits	26	16	16	13	12
Due to other banks & FIs	36	41	110	10	10
Subordinated term debt and others	(10)	47	40	15	13
Total interest bearing liabilities.	26	20	32	12	11
Total liabilities	28	22	29	11	11
Shareholder's equity	18	27	23	18	17
Key ratio (%)					
Loan to deposits	74.6	73.3	74.0	73.7	73.9
Core CAR	8.1	7.9	7.5	7.6	8.2
Total CAR	10.4	10.9	11.0	10.8	11.4
NPL ratio	0.69	0.63	0.95	1.20	1.35
NPL growth	(0.8)	2.7	87.3	69.1	42.2
Net bad debt charge ratio	0.5	0.7	0.7	0.7	0.6
Provision to total loans	1.9	2.2	2.4	2.7	2.8
Provision coverage	270.4	357.3	240.0	176.7	147.4

Source: Company, ABCI Securities estimates

Major change of forecasts

	New			Old			New vs old (%)		
	2012E	2013E	2014E	2012E	2013E	2014E	2012E	2013E	2014E
NIM (%)	3.10	2.93	2.91	2.97	2.87	2.76	13bps	6bps	15bps
NII (Rmb mn)	77,338	86,588	94,252	74,172	84,742	89,460	4.3	2.2	5.4
Net profits (Rmb mn)	37,402	39,346	43,524	34,247	36,989	38,769	9.2	6.4	12.3

Source: ABCI Securities estimates



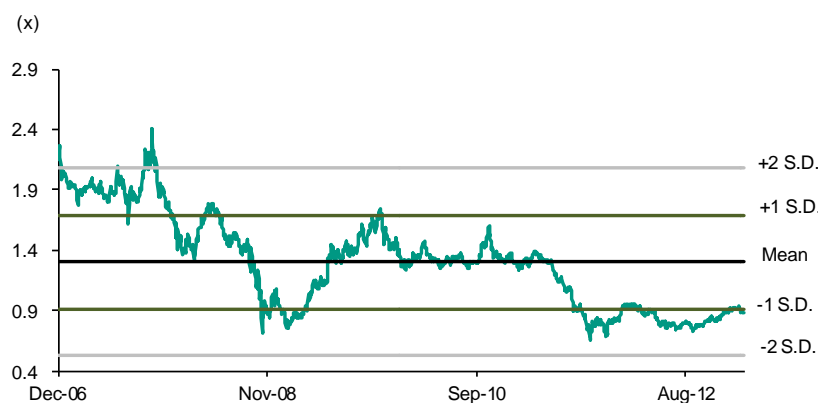
BOC (3988 HK – Hold)

Income statement forecast

(Rmb mn)	2010A	2011A	2012E	2013E	2014E
Net interest income	193,962	228,064	261,205	267,126	304,810
Non-interest income	82,556	100,234	105,383	119,071	136,156
Of which: fees and commissions	54,483	64,662	71,100	80,537	92,629
Operating income	276,518	328,298	366,588	386,198	440,966
Operating expenses	(122,409)	(140,815)	(159,396)	(183,642)	(210,007)
Amortization	(10,319)	(12,257)	(14,708)	(17,503)	(20,654)
Pre-prov. operating profits	154,109	187,483	207,191	202,556	230,959
Impairment losses on loans	(12,993)	(19,355)	(20,315)	(26,305)	(26,523)
Operating profit	141,116	168,128	186,876	176,251	204,436
Non-operating income	1,029	516	584	643	707
Profit before tax	142,145	168,644	187,460	176,894	205,144
Tax	(32,454)	(38,325)	(42,340)	(36,569)	(42,608)
Minority interest	(5,273)	(6,137)	(6,628)	(7,158)	(7,731)
Net profit	104,418	124,182	138,492	133,167	154,805
Growth (%)					
Net interest income	22	18	15	2	14
Non-interest income	12	21	5	13	14
Of which: fees and commissions	18	19	10	13	15
Operating income	19	19	12	5	14
Operating expenses	14	15	13	15	14
Amortization	19	19	20	19	18
Pre-prov. operating profits	23	22	11	(2)	14
Impairment losses on loans	(13)	49	5	29	1
Operating profit	28	19	11	(6)	16
Non-operating income	25	(50)	13	10	10
Profit before tax	28	19	11	(6)	16
Tax	26	18	10	(14)	17
Minority interest	16	16	8	8	8
Net profit	29	19	12	(4)	16
Per share data					
EPS	0.37	0.44	0.50	0.48	0.55
BVPS	2.31	2.59	2.93	3.25	3.63
DPS	0.15	0.15	0.16	0.15	0.18
Key ratio (%)					
Net interest margin	2.07	2.12	2.13	1.92	1.95
Net interest spread	1.98	2.01	2.00	1.78	1.79
Cost to income ratio	44.3	42.9	43.5	47.6	47.6
Return on average assets	1.09	1.11	1.09	0.93	0.97
Return on average equity	18.0	18.2	18.0	15.4	16.1
Effective tax rate	22.8	22.7	22.6	20.7	20.8
Dividend payout	39.0	34.8	32.0	32.0	32.0

Source: Company, ABCI Securities estimates

Exhibit 2: BOC P/B band chart



Source: Bloomberg, ABCI Securities estimates



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ABC INTERNATIONAL

ABCI SECURITIES COMPANY LIMITED

BOC (3988 HK – Hold)

Balance sheet forecast

(Rmb mn)	2010A	2011A	2012E	2013E	2014E
Cash & equivalent	636,126	590,964	795,580	875,493	954,487
Dues from banks	1,787,638	2,538,017	3,124,606	3,812,096	4,572,413
Investment securities	2,055,324	2,000,759	2,208,377	2,430,634	2,645,489
Net loans and advances	5,537,765	6,203,138	6,822,709	7,475,459	8,184,342
Total interest earning assets	10,016,853	11,332,878	12,951,272	14,593,682	16,356,730
Property and equipment	137,407	152,850	160,493	163,702	166,976
Derivative assets	39,974	42,757	43,612	44,484	45,374
Other non-interest earning assets	265,631	301,581	316,660	332,493	349,118
Total assets	10,459,865	11,830,066	13,472,036	15,134,362	16,918,198
Customer deposits	7,733,537	8,817,961	10,054,175	11,399,565	12,831,290
Due to banks	1,580,030	1,718,237	1,890,061	2,060,166	2,245,581
Subordinated debt	151,386	196,626	220,221	242,243	266,468
Total interest bearing liabilities.	9,464,953	10,732,824	12,164,457	13,701,974	15,343,339
Trading liabilities	35,711	35,473	36,182	36,906	37,644
Current taxes	22,775	29,353	29,288	35,517	39,069
Deferred tax liabilities	3,919	4,486	4,710	4,946	5,193
Other liabilities	256,357	272,036	383,625	413,007	445,011
Total liabilities	9,783,715	11,074,172	12,621,263	14,192,350	15,870,255
Share capital	279,147	279,147	279,147	279,147	279,147
Reserves	365,018	444,015	538,239	628,811	734,060
Minority interest	31,985	32,732	33,387	34,054	34,735
Shareholders' equity	676,150	755,894	850,773	942,013	1,047,943
Growth (%)					
Cash & equivalent	46	(7)	35	10	9
Dues from banks	34	42	23	22	20
Investment securities	13	(3)	10	10	9
Net loans and advances	15	12	10	10	9
Total interest earning assets	19	13	14	13	12
Total assets	20	13	14	12	12
Customer deposits	17	14	14	13	13
Due to banks	37	9	10	9	9
Subordinated debt	33	30	12	10	10
Total interest bearing liabilities.	20	13	13	13	12
Total liabilities	19	13	14	12	12
Shareholders' equity	24	12	13	11	11
Key ratio (%)					
Loan to deposits	73.2	71.9	69.4	67.1	65.3
Core CAR	10.6	10.5	9.7	9.1	8.5
Total CAR	12.6	13.0	11.8	11.0	10.2
NPL ratio	1.10	1.00	1.43	1.63	1.81
NPL growth	(3.5)	1.3	57.3	25.4	21.9
Net bad debt charge ratio	0.2	0.3	0.3	0.4	0.3
Provision to total loans	2.2	2.2	2.2	2.3	2.4
Provision coverage	196.7	220.7	155.7	141.1	129.5

Source: Company, ABCI Securities estimates

Major change of forecasts

	New			Old			New vs old (%)		
	2012E	2013E	2014E	2012E	2013E	2014E	2012E	2013E	2014E
NIM (%)	2.13	1.92	1.95	2.13	1.89	1.83	-	3bps	12bps
NII (Rmb mn)	261,205	267,126	304,810	261,205	263,109	286,819	-	1.5	6.3
Net profits (Rmb mn)	138,492	133,167	154,805	140,085	131,695	143,425	(1.1)	1.1	7.9

Source: ABCI Securities estimates



BoCom (3328 HK – Hold)

Income statement forecast

(Rmb mn)	2010A	2011A	2012E	2013E	2014E
Net interest income	84,995	102,601	123,560	143,227	169,840
Non-interest income	19,748	25,194	27,525	30,306	33,532
Of which: fees and commissions	14,479	19,549	21,029	22,894	25,155
Operating income	104,743	127,795	151,084	173,533	203,372
Operating expenses	(42,543)	(49,865)	(61,213)	(73,762)	(88,911)
Pre-prov. operating profits	62,200	77,930	89,872	99,771	114,460
Impairment losses on loans	(12,246)	(12,479)	(15,905)	(19,889)	(20,056)
Operating profit	49,954	65,451	73,966	79,882	94,405
Profit before tax	49,954	65,451	73,966	79,882	94,405
Tax	(10,782)	(14,634)	(16,273)	(17,574)	(20,769)
Minorities interests	130	82	86	90	95
Net profit	39,042	50,735	57,607	62,218	73,541
Growth (%)					
Net interest income	27	21	20	16	19
Non-interest income	32	28	9	10	11
Of which: fees and commissions	27	35	8	9	10
Operating income	28	22	18	15	17
Operating expenses	33	17	23	21	21
Pre-prov. operating profits	26	25	15	11	15
Impairment losses on loans	9	2	27	25	1
Operating profit	30	31	13	8	18
Profit before tax	30	31	13	8	18
Tax	34	36	11	8	18
Minorities interests	(4)	(37)	5	5	5
Net profit	30	30	14	8	18
Per share data					
EPS	0.74	0.86	0.93	1.01	1.19
BVPS	3.96	4.39	5.05	5.73	6.51
DPS	0.22	0.21	0.28	0.32	0.42
Key ratio (%)					
Net interest margin	2.42	2.56	2.59	2.49	2.50
Net interest spread	2.35	2.46	2.51	2.39	2.38
Cost to income ratio	40.6	39.0	40.5	42.5	43.7
Return on average assets	1.08	1.19	1.14	1.04	1.05
Return on average equity	20.2	20.5	19.7	18.7	19.4
Effective tax rate	21.6	22.4	22.0	22.0	22.0
Dividend payout	31.7	25.5	30.0	32.0	35.0

Source: Company, ABCI Securities estimates

Exhibit 2: BoCom P/B band chart



Source: Bloomberg, ABCI Securities estimates



BoCom (3328 HK – Hold)

Balance sheet forecast

(Rmb mn)	2010A	2011A	2012E	2013E	2014E
Cash & equivalent	586,554	736,999	833,696	951,717	1,087,849
Dues from banks	262,976	443,240	696,301	972,733	1,248,046
Investment securities	814,551	805,531	860,222	942,170	1,028,966
Net loans and advances	2,190,490	2,505,385	2,989,215	3,518,165	4,070,560
Total interest earning assets	3,854,571	4,491,155	5,379,434	6,384,784	7,435,422
Property and equipment	33,911	37,017	38,868	40,811	42,852
Other non-interest earning assets	63,111	83,005	75,101	67,967	61,528
Total assets	3,951,593	4,611,177	5,493,402	6,493,562	7,539,802
Customer deposits	2,867,847	3,283,232	3,869,296	4,551,753	5,302,189
Due to banks	717,032	854,499	1,110,849	1,388,561	1,638,502
Subordinated debt	52,000	81,803	80,985	81,795	82,613
Total interest bearing liabilities	3,636,879	4,219,534	5,061,129	6,022,109	7,023,304
Trading liabilities	14,379	18,921	20,813	22,894	25,184
Current taxes	4,615	4,247	4,672	5,139	5,653
Deferred tax liabilities	66	21	22	23	24
Other liabilities	71,997	95,666	93,385	87,415	81,639
Total liabilities	3,727,936	4,338,389	5,180,021	6,137,580	7,135,804
Share capital	56,260	61,886	61,886	61,886	61,886
Capital surplus	166,513	209,916	250,411	292,903	340,800
Minorities	884	986	1,085	1,193	1,312
Shareholder's equity	223,657	272,788	313,382	355,982	403,998
Growth (%)					
Cash & equivalent	35	26	13	14	14
Dues from banks	18	69	57	40	28
Investment securities	5	(1)	7	10	9
Net loans and advances	22	14	19	18	16
Total interest earning assets	19	17	20	19	16
Total assets	19	17	19	18	16
Customer deposits	21	14	18	18	16
Due to banks	10	19	30	25	18
Subordinated debt	(2)	57	(1)	1	1
Total interest bearing liabilities	18	16	20	19	17
Total liabilities	19	16	19	18	16
Shareholder's equity	36	22	15	14	13
Key ratio (%)					
Loan to deposits	78.0	78.0	79.1	79.2	78.8
Core CAR	9.6	9.3	10.1	9.4	9.0
Total CAR	12.4	12.4	13.2	12.1	11.4
NPL ratio	1.12	0.86	0.97	1.13	1.20
NPL growth	(0.1)	(12.0)	35.5	36.5	23.6
Net bad debt charge ratio	0.6	0.5	0.6	0.6	0.5
Provision to total loans	2.1	2.2	2.3	2.5	2.6
Provision coverage	185.8	256.4	236.2	217.2	211.9

Source: Company, ABCI Securities estimates

Major change of forecasts

	New			Old			New vs old (%)		
	2012E	2013E	2014E	2012E	2013E	2014E	2012E	2013E	2014E
NIM (%)	2.59	2.49	2.50	2.59	2.42	2.29	-	7bps	21bps
NII (Rmb mn)	123,560	143,227	169,840	123,560	139,419	155,164	-	2.7	9.5
Net profits (Rmb mn)	57,607	62,218	73,541	57,607	59,247	62,910	-	5.0	16.9

Source: ABCI Securities estimates



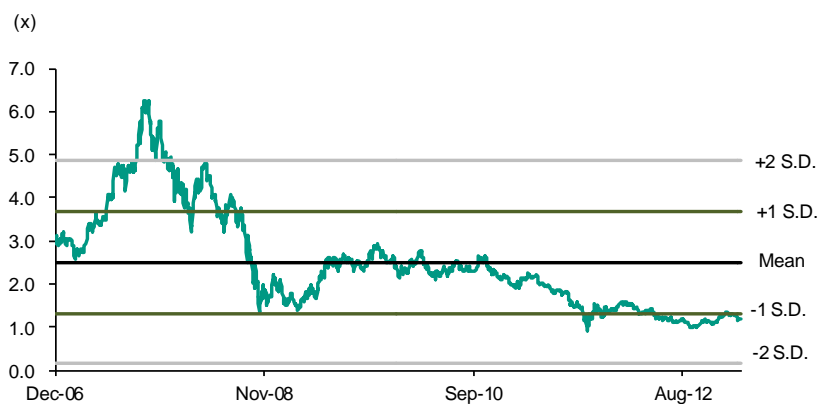
CMB (3968 HK – Hold)

Income statement forecast

(Rmb mn)	2010A	2011A	2012E	2013E	2014E
Net interest income	57,076	76,307	84,429	96,034	111,123
Non-interest income	14,616	20,296	26,204	31,633	37,287
Of which: fees and commissions	11,330	15,628	20,073	24,591	29,302
Operating income	71,692	96,603	110,633	127,667	148,410
Operating expenses	(32,912)	(41,194)	(48,957)	(58,295)	(69,012)
Pre-prov. operating profits	38,780	55,409	61,676	69,372	79,398
Impairment losses	(5,501)	(8,350)	(8,244)	(9,900)	(10,074)
Operating profit	33,279	47,059	53,433	59,472	69,324
Non-operating income	64	63	69	76	84
Profit before tax	33,343	47,122	53,502	59,548	69,408
Tax	(7,574)	(10,995)	(12,306)	(13,696)	(15,964)
Minority interests	0	2	2	2	2
Net profit	25,769	36,129	41,199	45,854	53,446
Growth (%)					
Net interest income	41	34	11	14	16
Of which: fees and commissions	42	38	28	23	19
Operating income	38	35	15	15	16
Operating expenses	24	25	19	19	18
Pre-prov. operating profits	53	43	11	12	14
Impairment losses on loans	85	52	(1)	20	2
Operating profit	49	41	14	11	17
Non-operating income	(7)	(2)	10	10	10
Profit before tax	49	41	14	11	17
Tax	83	45	12	11	17
Minority interests	na	na	0	0	0
Net profit	41	40	14	11	17
Per share data					
EPS	1.27	1.67	1.91	2.13	2.48
BVPS	6.21	7.65	9.33	11.00	12.98
DPS	0.29	0.42	0.48	0.53	0.62
Key ratio (%)					
Net interest margin	2.65	3.06	2.97	2.90	2.94
Net interest spread	2.56	2.94	2.96	2.86	2.85
Cost to income ratio	45.9	42.6	44.3	45.7	46.5
Return on average assets	1.15	1.39	1.34	1.29	1.33
Return on average equity	22.7	24.2	22.5	20.9	20.7
Effective tax rate	22.7	23.3	23.0	23.0	23.0
Dividend payout	24.3	25.1	25.0	25.0	25.0

Source: Company, ABCI Securities estimates

Exhibit 2: CMB P/B band chart



Source: Bloomberg, ABCI Securities estimates



CMB (3968 HK – Hold)

Balance sheet forecast

(Rmb mn)	2010A	2011A	2012E	2013E	2014E
Cash & cash equivalent	323,916	471,350	503,911	535,955	579,588
Dues from banks	235,464	205,356	402,603	500,720	586,964
Investment securities	394,176	459,061	540,285	607,218	674,392
Net loans and advances	1,402,160	1,604,371	1,826,949	2,062,581	2,321,904
Total interest earning assets	2,355,716	2,740,138	3,273,747	3,706,474	4,162,847
Property and equipment	18,397	19,210	19,786	20,380	20,991
Other non-interest earning assets	28,394	35,623	42,574	50,087	57,600
Total assets	2,402,507	2,794,971	3,336,107	3,776,941	4,241,438
Customer deposits	1,902,231	2,235,040	2,522,254	2,876,263	3,271,229
Due to banks	282,023	315,247	472,871	496,514	521,340
Subordinated debt	31,232	31,187	68,611	68,611	68,611
Total interest bearing liabilities	2,218,660	2,587,667	3,077,361	3,459,100	3,883,320
Current taxes	4,972	7,112	8,179	9,406	10,816
Deferred tax liabilities	924	864	864	864	864
Other liabilities	43,945	34,318	48,413	70,234	66,328
Total liabilities	2,268,501	2,629,961	3,134,817	3,539,604	3,961,328
Share capital	21,577	21,577	21,577	21,577	21,577
Reserves	112,429	143,420	179,700	215,747	258,520
Minorities	0	13	13	13	13
Shareholder's equity	134,006	165,010	201,290	237,337	280,110
Growth (%)					
Cash & cash equivalent	22	46	7	6	8
Dues from banks	6	(13)	96	24	17
Investment securities	5	16	18	12	11
Net loans and advances	21	14	14	13	13
Total interest earning assets	16	16	19	13	12
Total assets	16	16	19	13	12
Customer deposits	18	17	13	14	14
Due to banks	6	12	50	5	5
Subordinated debt	(0)	(0)	120	0	0
Total interest bearing liabilities	16	17	19	12	12
Total liabilities	15	16	19	13	12
Shareholder's equity	44	23	22	18	18
Key ratio (%)					
Loan to deposits	75.3	73.4	74.2	73.5	72.9
Core CAR	8.0	8.2	9.0	9.1	9.5
Total CAR	11.5	11.5	12.6	12.3	12.3
NPL ratio	0.7	0.6	0.8	1.1	1.3
NPL growth	(0.5)	(5.3)	69.6	44.5	33.0
Net bad debt charge ratio	0.4	0.5	0.5	0.5	0.4
Provision to total loans	2.0	2.2	2.4	2.5	2.6
Provision coverage	302.4	400.1	282.5	235.3	207.3

Source: Company, ABCI Securities estimates

Major change of forecasts

	New			Old			New vs old (%)		
	2012E	2013E	2014E	2012E	2013E	2014E	2012E	2013E	2014E
NIM (%)	2.97	2.90	2.94	3.06	2.85	2.82	(9)bps	5bps	12bps
NII (Rmb mn)	84,429	96,034	111,123	86,882	94,342	106,623	(2.8)	1.8	4.2
Net profits (Rmb mn)	41,199	45,854	53,446	42,967	44,634	50,202	(4.1)	2.7	6.5

Source: ABCI Securities estimates



CITICB (998 HK – Hold)

Income statement forecast

(Rmb mn)	2010A	2011A	2012E	2013E	2014E
Net interest income	48,135	65,106	72,543	82,993	99,560
Non-interest income	8,221	11,986	14,693	15,456	17,722
Of which: fees and commissions	5,696	8,837	10,926	13,036	15,153
Operating income	56,356	77,092	87,235	98,448	117,282
Operating expenses	(22,284)	(27,956)	(32,272)	(38,040)	(45,264)
Amortization	(354)	(425)	(502)	(597)	(716)
Pre-prov. operating profits	33,718	48,711	54,461	59,811	71,302
Impairment losses on loans	(5,249)	(7,207)	(10,812)	(13,289)	(13,868)
Operating profit	28,469	41,504	43,650	46,522	57,434
Non-operating income	226	86	99	114	131
Profit before tax	28,695	41,590	43,748	46,636	57,565
Tax	(6,916)	(10,746)	(11,375)	(12,125)	(14,967)
Minorities interests	270	25	26	28	29
Net profit	21,509	30,819	32,348	34,483	42,569
Growth (%)					
Net interest income	34	35	11	14	20
Non-interest income	64	46	23	5	15
Of which: fees and commissions	35	55	24	19	16
Operating income	38	37	13	13	19
Operating expenses	19	25	15	18	19
Amortization	(12)	20	18	19	20
Pre-prov. operating profits	54	44	12	10	19
Impairment losses on loans	100	37	50	23	4
Operating profit	48	46	5	7	23
Non-operating income	606	(62)	15	15	15
Profit before tax	49	45	5	7	23
Tax	47	55	6	7	23
Minorities interests	13	(91)	5	5	5
Net profit	50	43	5	7	23
Per share data					
EPS	0.55	0.72	0.69	0.74	0.91
BVPS	3.08	3.73	4.40	5.09	5.93
DPS	0.07	0.14	0.17	0.18	0.23
Key ratio (%)					
Net interest margin	2.63	3.00	2.78	2.68	2.72
Net interest spread	2.54	2.85	2.60	2.44	2.40
Cost to income ratio	40.2	36.8	37.6	39.2	39.2
Return on average assets	1.12	1.27	1.11	1.05	1.13
Return on average equity	19.3	20.9	17.0	15.5	16.5
Effective tax rate	24.1	25.8	26.0	26.0	26.0
Dividend payout	12.0	22.0	25.0	25.0	25.0

Source: Company, ABCI Securities estimates

Exhibit 2: CITICB P/B band chart



Source: Bloomberg, ABCI Securities estimates



CITICB (998 HK – Hold)

Balance sheet forecast

(Rmb mn)	2010A	2011A	2012E	2013E	2014E
Cash & cash equivalent	256,323	366,391	408,881	452,942	497,300
Dues from banks	278,220	699,750	623,003	692,026	758,130
Investment securities	269,005	251,176	353,029	435,016	523,991
Net loans and advances	1,246,026	1,410,779	1,641,367	1,893,290	2,186,128
Total interest earning assets	2,049,574	2,728,096	3,026,280	3,473,273	3,965,549
Property and equipment	10,222	10,388	10,907	11,453	12,025
Trading assets	4,478	4,683	4,917	5,163	5,421
Other non-interest earning assets	17,040	22,714	20,443	18,532	16,806
Total assets	2,081,314	2,765,881	3,062,547	3,508,421	3,999,801
Customer deposits	1,730,816	1,968,051	2,344,626	2,742,969	3,158,014
Due to banks	153,116	550,028	385,020	404,271	424,484
Subordinated debt	34,915	33,730	59,028	64,930	70,125
Total interest bearing liabilities	1,918,847	2,551,809	2,788,673	3,212,170	3,652,623
Trading liabilities	14,855	3,764	4,329	4,978	5,725
Current taxes	2,598	4,015	5,019	6,123	7,347
Other liabilities	20,476	27,512	54,221	42,321	52,070
Total liabilities	1,956,776	2,587,100	2,852,241	3,265,592	3,717,766
Share capital	39,033	46,787	46,787	46,787	46,787
Reserve	81,142	127,709	159,020	191,318	230,524
Minorities	4,363	4,285	4,499	4,724	4,724
Shareholder's equity	124,538	178,781	210,306	242,829	282,035
Growth (%)					
Cash & equivalent	(9)	43	12	11	10
Dues from banks	34	152	(11)	11	10
Investment securities	30	(7)	41	23	20
Net loans and advances	19	13	16	15	15
Total interest earning assets	17	33	11	15	14
Total assets	17	33	11	15	14
Customer deposits	29	14	19	17	15
Due to other banks & FIs	(46)	259	(30)	5	5
Subordinated term debt	90	(3)	75	10	8
Total interest bearing liabilities.	17	33	9	15	14
Total liabilities	17	32	10	14	14
Shareholder's equity	16	44	18	15	16
Key ratio (%)					
Loan to deposits	73.0	72.9	71.4	70.6	70.9
Core CAR	8.5	9.9	9.8	9.5	9.3
Total CAR	11.3	12.3	11.8	11.2	10.8
NPL ratio	0.67	0.60	0.82	1.03	1.23
NPL growth	(16.0)	0.1	61.3	45.4	37.8
Net bad debt charge ratio	0.4	0.4	0.6	0.6	0.6
Provision to total loans	1.4	1.6	1.9	2.2	2.4
Provision coverage	213.5	272.3	230.7	212.6	194.8

Source: Company, ABCI Securities estimates

Major change of forecasts

	New			Old			New vs old (%)		
	2012E	2013E	2014E	2012E	2013E	2014E	2012E	2013E	2014E
NIM (%)	2.78	2.68	2.72	2.78	2.67	2.57	-	1bps	15bps
NII (Rmb mn)	72,543	82,993	99,560	72,543	82,483	94,195	-	0.6	5.7
Net profits (Rmb mn)	32,348	34,483	42,569	32,348	34,106	38,599	-	1.1	10.3

Source: ABCI Securities estimates



Disclosures

I, Au Yu Hang, Johannes, being the person primarily responsible for the content of this research report, in whole or in part, hereby certify that all of the views expressed in this report accurately reflect my personal view about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. I and/or my associates have no financial interests in relation to the listed company (ies) covered in this report, and I and/or my associates do not serve as officer(s) of the listed company (ies) covered in this report.

Definition of equity rating

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

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

Market return: 5-year average market return rate from 2007-2011

Time horizon of share price target: 12-month

Definition of share price risk

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

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

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

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