

Key Data

| | |
|----------------------------|-------------|
| H share Share price (HK\$) | 4.50 |
| 52Wk H/L(HK\$) | 5.99 / 3.50 |
| Issued shares (mn) | 349,321 |
| - H shares (mn) | 86,794 |
| - A shares (mn) | 262,527 |
| Market cap | |
| - H shares (HK\$m) | 390,573 |
| - A shares (Rmb mn) | 994,977 |
| 3 months avg vol (HK\$m) | 1,414 |
| Major shareholder (%): | |
| Social Security Fund | 13.99 |

Source: Company, Bloomberg, ABCI Securities

Operating income composition in FY11 (%)

| | |
|-------------------|------|
| Corporate banking | 53.1 |
| Personal banking | 30.5 |
| Treasury business | 15.4 |
| Others | 1.0 |

Source: Company

Share performance (%)

| | Absolute | Relative* |
|-------|----------|-----------|
| 1-mth | 5.1 | 5.4 |
| 3-mth | (12.1) | (5.8) |
| 6-mth | (18.6) | (14.1) |

Source: Bloomberg

*Relative to Hang Seng Index

1 year price performance



Source: Bloomberg

Analyst:

Johannes Au
Tel: (852) 2147 8802
Email: johannesau@abci.com.hk

ICBC (1398 HK) – Unrated Diversified Banks Industry

Sector mix makes the difference

July new loans could reach Rmb730bn, in line with market consensus. We believe market focus will be on structure change from short term to longer term credit. If economy signaled to stabilize, corporations in property, infrastructure, utility, energy and mining would increase longer term loan demand. Banks with higher mix in these sectors could rollover to improve loan mix, ICBC ranked top.

New loan growth July data. Chinese media reported that new loans in July of big 4 Chinese banks including BOC (3988 HK), ABC (1288 HK), ICBC (1398 HK) and CCB (939 HK) would rise to Rmb220bn, MoM increased by Rmb30bn. Based on this figure, assuming big 4 banks aggregated 30% market share, we estimate system July new loans at around Rmb730bn. Although the pace appears slower than June new loans of Rmb1,018bn, actual amount is in line with market consensus given it is well expected to see faster loan growth in 1H than 2H.

Structural change is desired. In fact, current market concern besides on new loan growth scale, focus has been increasingly on growth momentum by loan duration. As we can see loan growth in 2012 was highly rely on growth of shorter term loans, especially bill financing in recent months. Hinting both banks and corporations holding back on China economic uncertainties, as a result committed mainly in shorter term loans. In order to confirm an improving trend, a shifting growth momentum to medium to long term loan will be needed on top of size.

Sector focus is the key. We believe some industries such as property, infrastructure, utility, energy and mining are more likely to demand long term loans when economy stabilizes. When structural shifting starts, we believe big 5 banks, with higher mix in these sector could rollover more long term loans to improve their loan mix compare to smaller banks, which more focus their clientele in SMEs. Among big 5 banks, ICBC has highest mix of 38%.

Risk factors. Further slowing of China economy growth and increasing credit quality concern.

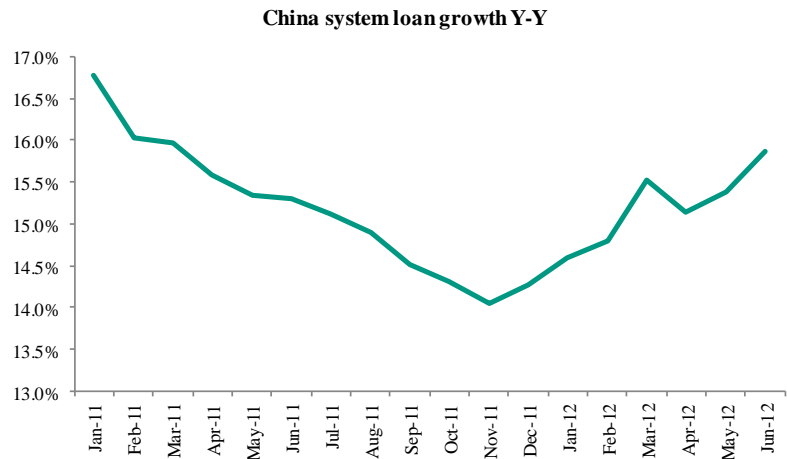
Forecast and Valuation

| FY ended Dec 31 | FY07A | FY08A | FY09A | FY10A | FY11A |
|---------------------------|---------|---------|---------|---------|---------|
| Operating income (Rmb mn) | 257,428 | 310,195 | 309,411 | 380,748 | 470,601 |
| YoY chg (%) | 41.0 | 20.5 | (0.3) | 23.1 | 23.6 |
| Net profit (Rmb mn) | 82,919 | 110,841 | 128,645 | 165,156 | 208,265 |
| YoY chg (%) | 65.1 | 33.7 | 16.1 | 28.4 | 26.1 |
| EPS (Rmb) | 0.24 | 0.33 | 0.38 | 0.48 | 0.60 |
| BVPS (Rmb) | 1.61 | 1.80 | 2.02 | 2.35 | 2.74 |
| P/E (x) | -- | -- | -- | -- | 6.3 |
| P/B (x) | -- | -- | -- | -- | 1.4 |
| ROAE (%) | 16.5 | 19.4 | 20.2 | 22.1 | 23.4 |

Source: Company, Bloomberg, ABCI Securities estimates

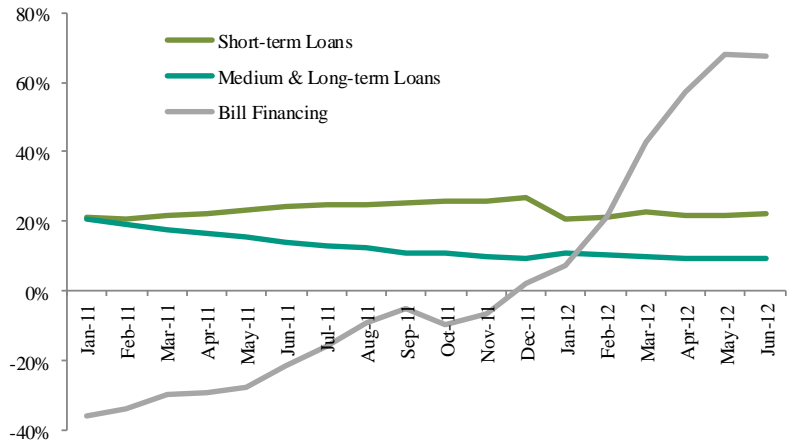


Exhibit 1: System loan growth YoY



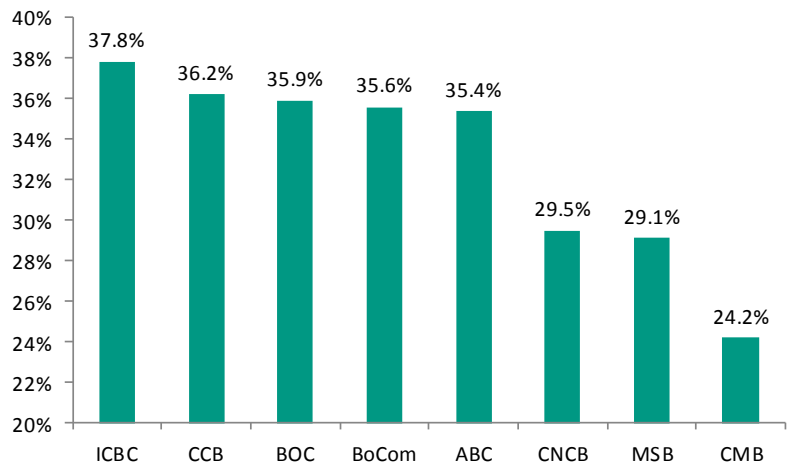
Source: PBOC, ABCI Securities estimates

Exhibit 2: Loan growth by category YoY



Source: PBOC, ABCI Securities estimates

Exhibit 3: Longer term corporate loan* to total loan (2011)



* Included property, infrastructure, utility, energy and mining loans

Source: Companies, ABCI Securities estimates



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**Office address: ABCI Securities Company Limited, 13/F Fairmont House,
8 Cotton Tree Drive, Central, Hong Kong.**

Tel: (852) 2868 2183