



Nov 14, 2014

Sector Rating:
OVERWEIGHT

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Key Data

| | |
|-----------------------------|------|
| Avg. 14E P/E (x) | 4.99 |
| Avg. 14E P/B (x) | 0.86 |
| Avg. 14E Dividend Yield (%) | 5.76 |

Source(s): Company, Bloomberg, ABCI Securities

Sector relevant metrics (%)

| | |
|---------------------|-------|
| Interest income | 75.66 |
| Non-interest income | 24.34 |

Source(s): Company, ABCI Securities

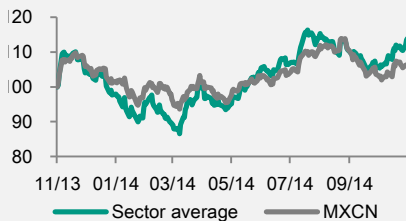
Sector performance (%)

| | Absolute | Relative* |
|-------|----------|-----------|
| 1-mth | 7.84 | 4.66 |
| 3-mth | (1.23) | 3.96 |
| 6-mth | 19.83 | 10.06 |

*Relative to MXCN

Source(s): Bloomberg, ABCI Securities

1-Year Sector performance



Source(s): Bloomberg, ABCI Securities

China Banks Sector High adaptability to guide through 2015

Investment themes

- ❖ The China banks sector has demonstrated high adaptability through swift responses to regulatory and environmental changes
- ❖ Amid NIM pressure from the funding side, strong loan demand will support loan pricing to alleviate some of the negative impacts. Moreover, deposit competition is not as keen as perceived in our view
- ❖ New NPLs are arising from outside the coastal regions as well as the transportation and mining industries. We believe it is too early to confirm those as signs of an NPL contagion. Meanwhile, rapid development in the distressed asset sector should help banks manage excessive asset quality risk
- ❖ We expect a sector re-rating to occur in 2015 with the positive catalysts and maintain our OVERWEIGHT rating; ICBC, CCB and ABC are our top picks

High adaptability amid challenges. The China bank sector has been depressed by a multitude of economic and regulatory factors. As reflected by the latest financial results, the Chinese banks have demonstrated high adaptability to changes by skillful balance sheet management. We believe the market, to a certain degree, has become desensitized to negative news and we forecast valuation of the China banks sector to normalize in 2015.

Prompt reactions to changes. High adaptability of the Chinese banks has also been shown by their prompt reactions to changes. Soon after the interbank liquidity crisis in June 2013, the banks promptly controlled their exposures in the interbank market to avoid excessive NIM squeeze. Also, most Chinese banks have already achieved the specified CAR position under the new capital rules by mid-2014 although the deadline was set at end-2018.

Loan pricing to offset deposit cost pressure. We expect a mild NIM pressure to persist in 2H14 and 2015, but the impact would be alleviated partially by the solid loan demand, which would in turn support loan pricing. Meanwhile, deposit competition is not as keen as the market perceives. The surge in deposit cost has been mainly driven by the gradual deposit migration in our view.

Asset quality trend warrants concern. NPL trend has been rising gently among the Chinese banks. It is worth noting that new NPLs are emerging from non-coastal regions and sectors such as transportation and mining. We believe it is too early to confirm an NPL contagion although the current trend does warrant concerns. We believe that changes in asset quality would not have significant impacts on banks' earnings given the rapid expansion of distressed asset sector.

Positive catalysts to facilitate sector re-rating. The sector is currently trading at trough valuation. We believe ongoing positive catalysts, which include preference share issuance, commencement of the Shanghai-Hong Kong stock connect, continuous monetary easing, and a recovering economy, should be conducive to a sector re-rating in 2015. Hence we maintain our OVERWEIGHT rating, with ICBC, CCB and ABC as our top picks.

Risk factors: 1) Faster-than-expected pace of interest rate liberalization; 2) Increasing competition from non-bank financial institutions; 3) Sharp asset quality deterioration and weak loan demand; 4) New regulations affecting banks' operation and profitability.

Sector Valuation Summary (data as of Nov 13, 2014)

| Company | Ticker | Rating | Price (HK\$) | TP (HK\$) | FY14E P/E(x) | FY15E P/E (x) | FY14E P/B (x) | FY15E P/B (x) | FY14E Yield (%) | FY15E Yield (%) |
|---------|---------|--------|--------------|-----------|--------------|---------------|---------------|---------------|-----------------|-----------------|
| ICBC | 1398 HK | BUY | 5.11 | 6.24 | 5.05 | 4.65 | 0.99 | 0.87 | 6.85 | 7.34 |
| CCB | 939 HK | BUY | 5.77 | 6.90 | 5.02 | 4.66 | 0.95 | 0.84 | 6.93 | 7.58 |
| ABC | 1288 HK | BUY | 3.60 | 4.54 | 4.80 | 4.30 | 0.97 | 0.84 | 7.29 | 7.99 |
| BOC | 3988 HK | BUY | 3.86 | 4.45 | 5.15 | 4.68 | 0.83 | 0.75 | 6.80 | 7.45 |
| BoCom | 3328 HK | BUY | 5.97 | 6.94 | 5.55 | 4.98 | 0.76 | 0.69 | 5.44 | 6.07 |
| CMB | 3968 HK | BUY | 14.92 | 17.30 | 5.26 | 4.50 | 0.97 | 0.84 | 5.70 | 6.70 |
| MSB | 1988 HK | BUY | 8.04 | 9.55 | 3.81 | 3.44 | 0.91 | 0.78 | 4.20 | 4.51 |
| CITICB | 998 HK | HOLD | 5.49 | 5.37 | 5.17 | 4.48 | 0.80 | 0.70 | 5.69 | 6.60 |
| CEB | 6818 HK | BUY | 3.86 | 4.48 | 4.75 | 4.23 | 0.83 | 0.74 | 5.83 | 6.48 |
| HB | 3698 HK | BUY | 3.38 | 4.03 | 5.75 | 5.10 | 0.80 | 0.69 | 4.44 | 5.18 |
| HRB | 6138 HK | BUY | 2.93 | 3.53 | 5.86 | 5.33 | 0.87 | 0.74 | 3.41 | 4.27 |
| BoCQ | 1963 HK | BUY | 5.53 | 6.38 | 4.25 | 3.92 | 0.73 | 0.61 | 4.75 | 5.65 |

Source(s): Companies, Bloomberg, ABCI Securities estimates



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Executive summary

High adaptability to guide through 2015

Valuation of the Chinese banks has been shadowed by a multitude of factors over the past years. Nonetheless, these banks have consistently demonstrated their ability to cope with the ever-changing economic and regulatory environments by delivering solid financial results. With the sector's trough valuations at present, the market has, to a certain degree, become desensitized to negative news. The Chinese banks, with their high adaptability and the emerging positive catalysts, should guide the sector through 2015 with their solid fundamentals; the sector's valuation will gradually be normalized.

Well prepared for regulatory changes

Policy risk has always been the largest uncertainty to the China banks sector over the past few years. The risk includes, but not limited to, regulations regarding interest rate liberalization, interbank activities, wealth management products, fee rates and provisions. The banks, however, have been able to manage the impacts through prompt reaction and early preparation.

Although the new capital rules allow for a transition period till 2018, banks have achieved the specified CAR position early in 2014. As of June 2014, most banks saw only reductions of 5-110bps and 12-155bps in CT1 and CAR based on the new calculation method. Among which, BOC and ABC recorded the largest reductions. Meanwhile, ICBC saw increases of 36bps and 11bps in CT1 and CAR. Some banks have only met the new requirements by issuing preference share, but we believe their capital positions are unlikely to subject to significant pressure in coming years.

Swift reactions to changes

Reacting swiftly to environmental changes, the Chinese banks have successfully reduced their exposures in LGFV, property related loans, WMPs and shadow banks over the past years as risks rose.

Liquidity crisis in June 2013 is a good example that illustrates such adaptability. At the time, O/N SHIBOR surged over 10% due to a temporary liquidity shortage near quarter end. With concerns surrounding the system liquidity recurring in response, the central government responded by deploying liquidity tools (SLO and SLF) and targeted RRR reduction to manage the situation; meanwhile, individual banks also controlled exposure in the interbank market. Hence, SHIBOR and repo rates turned stable after Dec 2013. We forecast interbank rates to remain stable in the coming quarters and banks' fundamentals should remain solid in 2015 with their proven ability to manage balance sheets.

NIM squeeze is not a major threat

While it is generally expected that NIM pressure will increase in 2H14, the trend has been stable over the past quarters, demonstrating the banks' ability to cope with the challenges. In order to survive competition, banks have to identify their market positions clearly. Big banks have been able to achieve a more stable NIM than the JSBs over the past quarters based on the former's lower interbank mix, stronger deposit base and better business diversification. These are the main reasons supporting our favourable views on the big banks amid a rapidly changing business environment. In general, we forecast a stable NIM outlook for the sector in 2H14 and 2015.

Loan demand has remained strong, as evidenced by the system's average loan yield staying firm at 6.9%-7.2% since 1Q13. Meanwhile, 69.1% of new loans were priced above benchmark rates while only 9.3% were priced below in June 2014. Individually, loan yield of big banks stayed flat YoY in 1H14; JSBs, with an increasing risk appetite, saw a YoY increase of 6-19bps. Loan growth momentum resumed in Aug and Sep 2014 after a slow July and total

loan growth in 9M14 was in line with our expectation.

Sustainable loan yield should be able to offset NIM pressure resulting from the rise in deposit cost. In our view, deposit cost pressure mainly comes from the migration of demand deposit to other deposits for higher yield. According to the new CRBC rule introduced on Sep 12, 2014, banks with high fluctuations in deposit balance would be penalized. Overall deposit cost should turn more stable as deposit competition lessens at quarter end. Large banks should continue to enjoy a relative advantage with their strong deposit base.

Asset quality remains stable for now but the trend warrants concerns

According to the recent financial results released, NPL trend has been rising gently among the Chinese banks. We expect the trend to continue steadily in 2015. NPL ratios and balances have been growing in line with banks' balance sheets although a more volatile trend has been observed among the JSBs. Other than eastern China, other regions are also contributing to the rising NPLs, as evidenced by faster NPL growth from western, central and northeast China.

Aside from manufacturing and wholesale & retail industries, rising NPLs were also seen in transportation and mining. NPL contagion risk has been a concern among investors since 2008. At present, we believe it is too early to conclude that asset quality is deteriorating substantially outside the coastal regions. Nonetheless, investors should remain cautious on the developments in the coming quarters. Given strong adaptability of the Chinese banks and swift development in the distressed asset sector, we are not overly concerned about the current situation and changes in asset quality would not have significant impacts on banks' earnings in the short term.

Valuation and stock picks

China banks sector is trading at trough valuation of -1.5 to -2 standard deviations below the historical mean, while share prices of individual banks have been corrected by ~10%-15% since their previous peaks in early Aug 2014. We expect the issuance of preference share, launching of the SH-HK stock connect program, continued monetary easing, and the recovering economic would serve as positive catalysts and support sector performance in 2015.

Hence we maintain our OVERWEIGHT rating for the sector on the banks' high adaptability, low valuation and attractive yield. ICBC, CCB and ABC remain our sector's top pick for their defensiveness. We adjust our earning models based on the latest financial results, assume a higher asset quality risk in our COE calculation, and roll over our TP calculation based on FY15E BVPS.



High adaptability to guide through 2015

Valuation of Chinese banks has been shadowed by a multitude of over the past years. Nonetheless, banks have continuously demonstrated high adaptability to the changes in the economic and regulatory environments. As evidenced by the latest financial results and share performance in 2Q14 and 3Q14, we believe the sector has become desensitized to negative factors and is waiting for a positive re-rating catalyst. Banks' high adaptability should guide the sector through 2015 with stable fundamentals and normalizing valuation.

Well prepared for regulatory changes

Policy risk has always presented the largest uncertainty to the China banks sector. Over the past few years, the Chinese banks have undergone rapid changes in regulatory environment brought about by interest rate liberalization, new regulations concerning interbank activities, wealth management products, fee rates and provision ratios, etc.

An early-bird preparation for the new capital rules

In terms of regulatory environment, the new capital rules benchmarking with Basel III that has been adopted since 2013. Despite the regulator allows for a long transition period with the deadline set at the end-2018, most listed banks have started their preparations early.

Capital requirement has long been one of the major concerns of Chinese banks. As shown in 1H14 financial results, listed banks adopted their CARs according to the new calculation method. Most banks also published their CARs calculated based on the former rules. As Exhibit 1 shows, most banks saw a 5-110bps reduction in their CT1 CAR as of June 2014, which led to a 12-155bps decrease in the total CAR.

Exhibit 1: CAR calculation based on old and new capital rules as of June 2014 (%)

| | New CT1 | Old CT1 | Diff | New CAR | Old CAR | Diff |
|--------|---------|---------|--------|---------|---------|--------|
| ICBC | 11.36 | 11.00 | 0.36 | 13.67 | 13.56 | 0.11 |
| CCB | 11.21 | 11.70 | (0.49) | 13.89 | 14.24 | (0.35) |
| ABC | 8.65 | 9.75 | (1.10) | 11.89 | 12.01 | (0.12) |
| BOC | 9.36 | 10.45 | (1.09) | 11.78 | 13.14 | (1.36) |
| BoCom | 10.70 | 10.75 | (0.05) | 12.75 | 13.18 | (0.43) |
| MSB | 8.76 | 8.93 | (0.17) | 11.05 | 12.56 | (1.51) |
| CMB | 8.73 | 9.10 | (0.37) | 10.89 | 11.70 | (0.81) |
| CITICB | 8.71 | 9.51 | (0.80) | 10.98 | 12.53 | (1.55) |
| CEB | 8.97 | 9.52 | (0.55) | 10.89 | 11.82 | (0.93) |
| CQRB | 9.80 | 10.37 | (0.57) | 12.68 | 12.37 | 0.31 |
| HB | 12.43 | na | na | 14.68 | na | na |
| BoCQ | 10.53 | na | na | 12.09 | na | na |
| HRB | 14.01 | na | na | 15.26 | na | na |

Source(s): Wind, company reports, ABCI Securities

ICBC was the only bank that seems to benefit under the new standard, as its CT1 and total CAR were boosted by 36bps and 11bps; in contrast, CT1 in ABC and BOC was down by 110bps and 109bps, while CAR in MSB and CITICB was slashed by 151bps and 155bps.

Although all banks secured sufficient CT1 and total CAR under the requirement of new capital rules as of June 2014, JSBs generally face a higher CAR pressure, given the marginal pass observed in MSB, CMB and CITIC. Although ABC had the lowest CAR among the big banks as of June 2014, we expect its issuance of preference share should lend support.



Preference share to enhance capital buffer

Aside from managing the balance sheet, banks are actively expanding new capital channels to strengthen capital position. Recent announcements of preference share issuance by the H-share and A-share banks show that banks are opening up new capital channels to raise their CAR positions. Upon the completion of the first preference share issuance, we expect other banks would speed up their issuance plans in 2015, especially among JSBs and smaller banks whose capital positions are weaker than those of the bigger counterparts. MSB has announced its domestic and offshore preference issuance plan on Nov 7, 2014. Taking into account of the market's absorption ability and to avoid keen capital competition, we believe the regulator would pace the timing of approval.

A different investor group for preference shares

There are concerns in the market that the issuance of preference shares could create downside pressure for prices of ordinary shares as capital will be drawn to the former. We, however, believe that investors of preference shares are rather different from the ones investing in ordinary shares and corporate bonds.

Key characteristics of preference shares include: 1) Small number of initiate investors. E.g., ABC and BOC intended to allocate their preference shares to less than 200 investors; 2) While market generally expects similar dividend yield between preference share and ordinary share (BOC announced on Oct 16, 2014 that the coupon rate of its offshore preference shares would be at 6.75%, 63bps lower than its 14E consensus ordinary share dividend yield), ordinary investors are usually seeking for capital gain in addition to the dividend return; 3) Secondary market for preference shares may not be active; 4) Perpetual nature of preference shares may not be a good substitutes to corporate bonds with specified duration for hedging purposes.

In conclusion, we believe the launching of preference shares would affect the price performance of ordinary shares. To the contrary, we believe success of preference share issuance could serve as a positive catalyst to the sector in 2015. Aside from the expanded capital channel, if banks are able to maintain their efficiency with the proceeds from share issuance, their ROAE and EPS would see positive surprises.

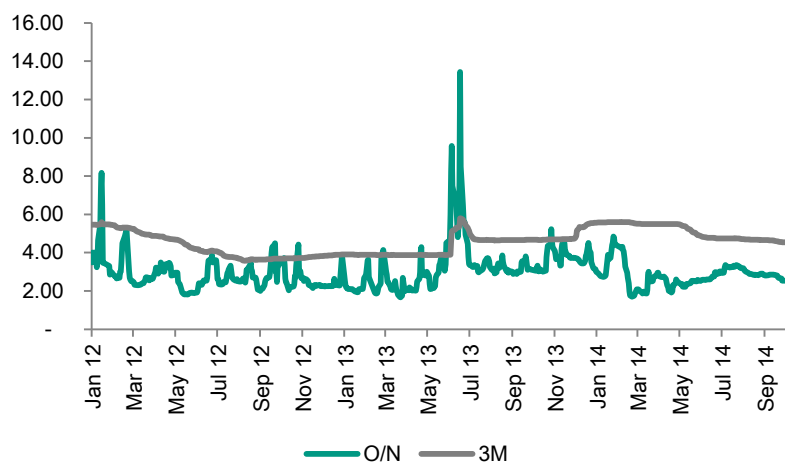
Prompt responses to threats

The Chinese banks have been able to react promptly to risk changes. Over the past few years, they have reduced exposures in LGFV, property-related sectors and shadow banks significantly as risks increase.

Liquidity crisis unlikely to repeat

Another example to illustrate the banks' ability to manage their balance sheets would be the interbank liquidity crisis in June 2013. During the period, the O/N SHIBOR spiked to exceed 10% due to a temporary liquidity shortage near the end-quarter. The system liquidity had become a recurring concern at every quarter end until the situation was eased after a slight repo rate hike in Dec 2013.

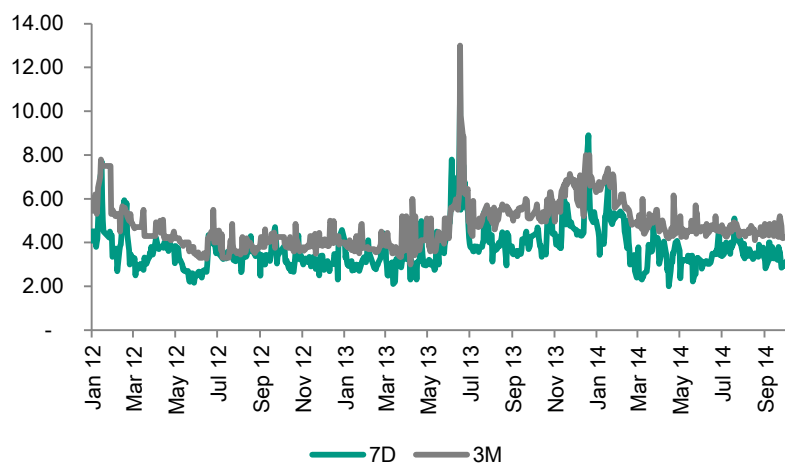
Exhibit 2: SHIBOR trend (%)



Source(s): Bloomberg, ABCI Securities

The recent trends of SHIBOR and China interbank repo rate show that the 7D and 3M repo rates have been stable at the 3-4% level, similar to the ones prior to liquidity crisis in June 2013. Meanwhile, the O/N and 3M SHIBOR interest rates have also remained at the 3-4% level. The volatility of SHIBOR in 2014 was lower than that in 2012 and 2013. Hence, we expect interbank rates to remain stable in coming quarters.

Exhibit 3: China's interbank repo rate trend (%)



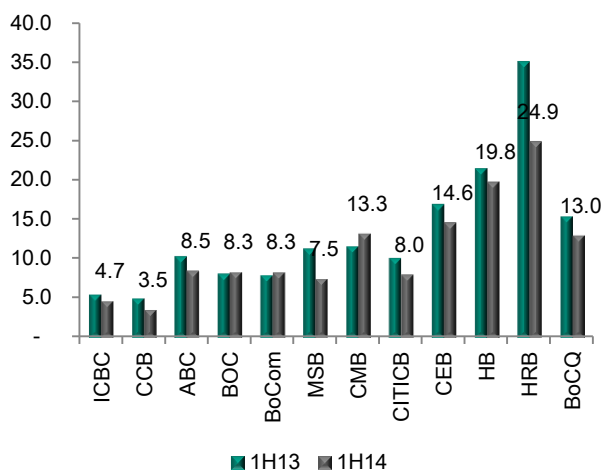
Source(s): Bloomberg, ABCI Securities

Large banks are generally net lenders in the interbank market and the ones supporting the interbank market stability when funding becomes tight among the smaller banks. This means the large banks are more likely to benefit from a rising yield curve while smaller banks would suffer.

Liquidity improves on systemic and individual levels

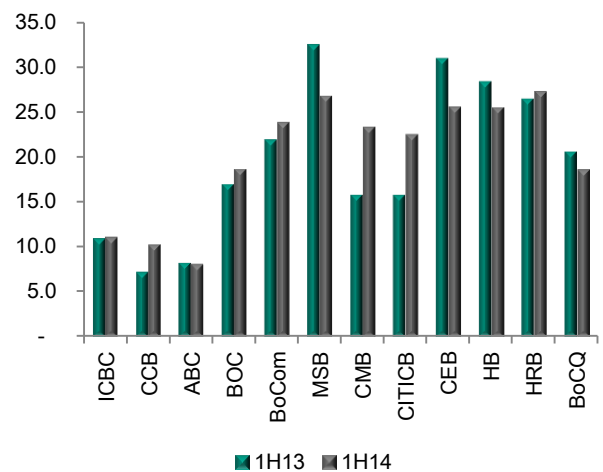
We believe the easing of systemic liquidity was the combined effort of the central government and individual banks. On one hand, monetary easing has taken place through the use of liquidity tools such as Short-term Liquidity Operations (SLO) and Standing Lending Facility (SLF) by the government; targeted RRR cut since 1H14 also has helped support agricultural and SMEs loans.

Exhibit 4: Interbank assets to total AIEA (%)



Source(s): Companies, ABCI Securities

Exhibit 5: Interbank liabilities to total AIBL (%)



Source(s): Companies, ABCI Securities

Individual banks have also adjusted their balance sheet mixes and controlled their interbank exposures. The interbank assets and liabilities, as a percentage to average interest earning assets (AIEA) and average interest bearing liabilities (AIBL), decline in 1H14. Generally speaking, big banks tend to keep their interbank assets and liabilities at the 10-20% level, while JSBs and district banks having higher mixes at the 20-30% level. Among which, interbank liabilities in CMB and CITICB dramatic surged from ~15% in 1H13 to ~25% in 1H14.

With strong balance sheet management ability, we are confident that the Chinese banks will be able to adapt themselves to the rapidly changing environment. In 2015, we expect banks to maintain their growth as well as solid fundamentals.

NIM squeeze is manageable

Survival of the fittest

With the ongoing development of interest rate liberalization, most banks expect larger NIM pressure in 2H14. However over the past few quarters, NIM was largely stable among banks and management is confident about maintaining the trend in 2H14. In order to survive the challenges, however, we believe it is crucial for banks to clearly identify their own market positions.

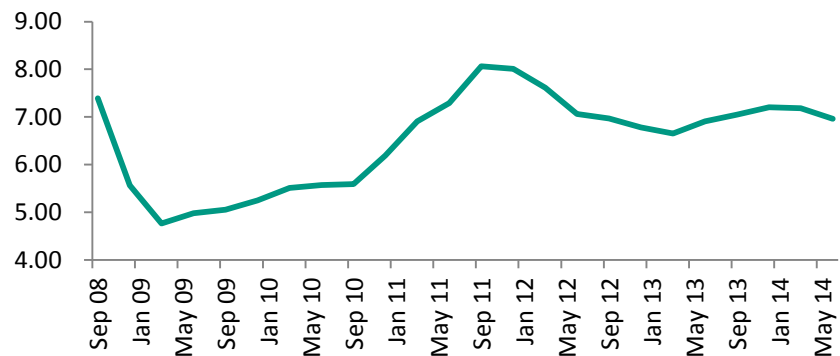
As shown in Exhibit 6, big banks had a much more defensive NIM compared to the JSBs. This can be attributed to the lower mix from interbank assets and liabilities in the balance sheet, stronger deposit base and more diversified business lines in big banks. Hence, we maintain our favorable view on big banks amid the increasingly complex regulatory environment in China.

Exhibit 6: NIM trend by banks (%)

| | 1Q13 | 2Q13 | QoQ | 3Q13 | QoQ | 4Q13 | QoQ | 1Q14 | QoQ | 2Q14 | QoQ | 3Q14 | QoQ |
|--------------------------|-------------|-------------|---------------|-------------|---------------|-------------|-------------|-------------|---------------|-------------|---------------|-------------|---------------|
| ICBC | 2.59 | 2.56 | (0.03) | 2.56 | - | 2.59 | 0.03 | 2.60 | 0.01 | 2.64 | 0.04 | na | na |
| CCB | 2.71 | 2.71 | - | 2.71 | - | 2.82 | 0.11 | 2.81 | (0.01) | 2.79 | (0.02) | 2.80 | 0.01 |
| ABC | 2.78 | 2.70 | (0.08) | 2.77 | 0.07 | 2.92 | 0.15 | 2.96 | 0.04 | 2.90 | (0.06) | 2.87 | (0.03) |
| BOC | 2.22 | 2.24 | 0.02 | 2.20 | (0.04) | 2.31 | 0.11 | 2.29 | (0.02) | 2.25 | (0.04) | 2.24 | (0.01) |
| BoCom | 2.53 | 2.47 | (0.06) | 2.40 | (0.07) | 2.38 | (0.02) | 2.32 | (0.06) | 2.46 | 0.14 | 2.42 | (0.02) |
| MSB | 2.45 | 2.39 | (0.06) | 2.30 | (0.09) | 2.84 | 0.54 | 2.62 | (0.22) | 2.62 | - | 2.59 | (0.03) |
| CMB | 2.93 | 2.85 | (0.08) | 2.73 | (0.12) | 2.79 | 0.06 | 2.65 | (0.14) | 2.49 | (0.16) | 2.39 | (0.10) |
| CITICB | 2.65 | 2.55 | (0.10) | 2.60 | 0.05 | 2.61 | 0.01 | 2.37 | (0.24) | 2.35 | (0.02) | 2.39 | 0.04 |
| CEB | 2.67 | 2.23 | (0.44) | 2.59 | 0.36 | 2.16 | (0.43) | 2.51 | 0.35 | 2.25 | (0.26) | na | na |
| CQRB | 3.31 | 3.49 | 0.18 | 3.40 | (0.09) | 3.48 | 0.08 | 3.39 | (0.09) | 3.37 | (0.02) | 3.32 | (0.05) |
| Big 5 banks avg | 2.57 | 2.54 | (0.03) | 2.53 | (0.01) | 2.60 | 0.08 | 2.60 | (0.01) | 2.61 | 0.01 | 2.58 | (0.02) |
| Mid-cap banks avg | 2.68 | 2.60 | (0.08) | 2.54 | (0.05) | 2.75 | 0.20 | 2.55 | (0.20) | 2.49 | (0.06) | 2.46 | (0.03) |
| All | 2.68 | 2.62 | (0.06) | 2.63 | 0.01 | 2.69 | 0.06 | 2.65 | (0.04) | 2.61 | (0.04) | 2.63 | 0.02 |

Source(s): Wind, company reports, ABCI Securities

Exhibit 7: System average bank loan rate (%)



Source(s): PBOC, ABCI Securities

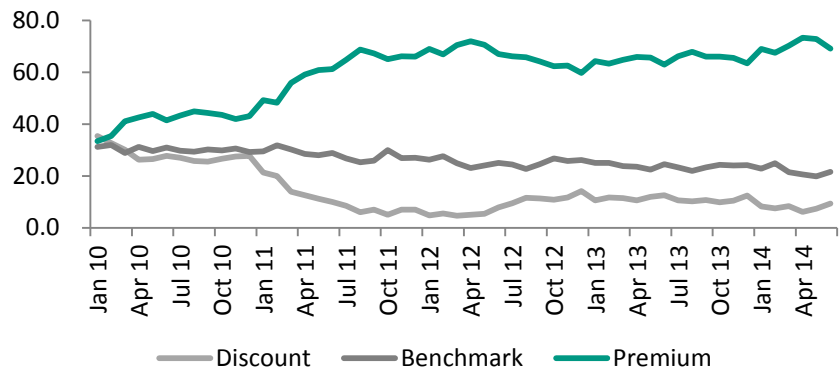
Loan demand stays strong

Supported by sufficient loan demand, system average loan yield remained stable at 6.9%-7.2% in past quarters after bottoming at 6.65% in 1Q13. As of June 2014, 69.1% of new loans in China were priced at above the benchmark rate; only 9.3% of new loans were priced below the benchmark. Strong loan demand lessens price competition and allows banks to offset partially the funding cost pressure arising from interbank liabilities and customer deposits.

In 1H14, loan yields of big banks remained flat YoY while some of the smaller banks recorded a 6-19bps improvement YoY on increased risk appetite. Their higher exposures to SMEs and MSEs mean that credit risks are increasing.



Exhibit 8: Loan rates versus benchmark rates (%)

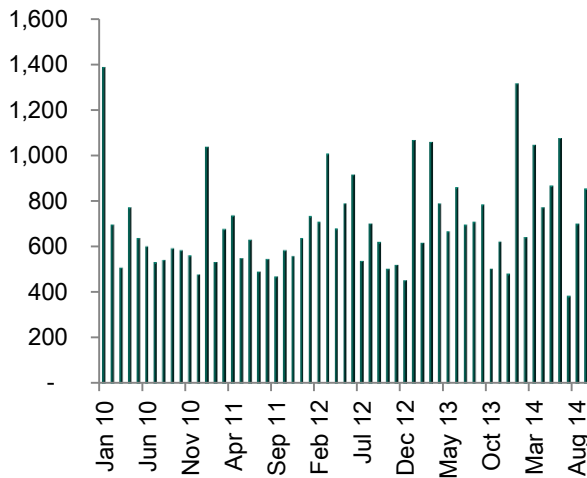


Source(s): PBOC, ABCI Securities

Loan growth momentum resumes

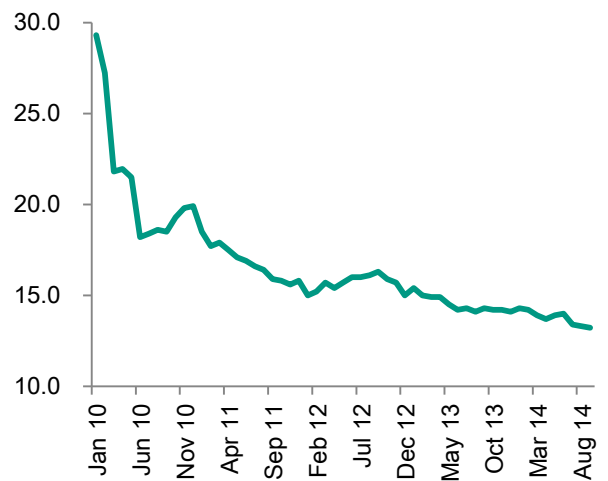
Loan growth momentum resumed in Aug and Sep to reach RMB 702.5bn and RMB 857.2bn after a slow July when new loan only increased by RMB385.2bn. Overall loan growth in 3Q14 was in line with our expectation, accounting for 20% of our full-year loan growth target of RMB 9.5tn. Aggregated loan growth for 9M14 amounted to RMB 7,685bn, equivalent to ~80% of our full-year forecast.

Exhibit 9: System loan growth (MoM, RMB mn)



Source(s): PBOC, ABCI Securities

Exhibit 10: System loan growth (YoY, %)



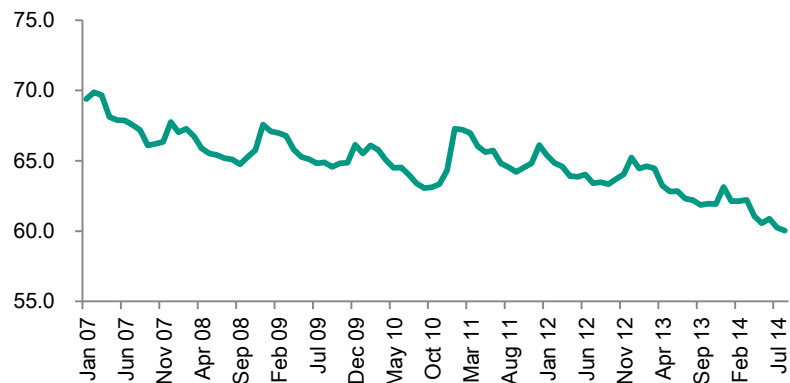
Source(s): PBOC, ABCI Securities

For 4Q14, we expect demand for long-term loan to remain stable; growth in SMEs, MSEs and personal loans, however, would moderate as banks turn more cautious on economic uncertainties. Smaller banks, however, may keep increasing their risk appetites for better loan yields.

Deposit cost rises on migration

Meanwhile, we believe the deposit cost increment driven by intensifying competition is smaller than market expectation. Instead, the deposit cost pressure is mainly coming from continuous deposit migration. Demand deposit, as a percentage of total deposits, reduced gradually from 70% in 2007 to 60% as of Sep 2014. Benefiting from a strong deposit base, however, big banks' deposit cost remained stable, with changes varying between -1bp and 26bps YoY in 1H14; in comparison, changes in deposit cost among smaller banks varied between 7bps and 42bps YoY.

Exhibit 11: Demand deposit to total deposits (%)



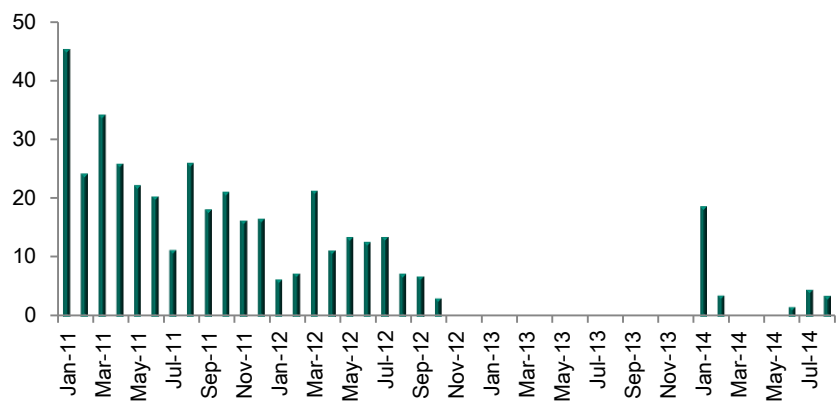
Source(s): PBOC, ABCI Securities

Deposit balance to become more stable

According to CBRC's new rules announced on Sep 12, 2014 to monitor fluctuations in deposit balance, banks' month-end deposit balance that deviates by more than 3% from the average daily balance will result in penalties. This shows the regulator's determination to curb irrational deposit competition among banks at month and quarter ends for window-dressing purpose.

According to the announcement, a bank will be disqualified from new business entries for 3 months if such deviation exceeds 3%. Also, a bank's regulatory rating will be lowered if the breach occurs more than once within a year. If the deviation exceeds 4%, certain businesses of the bank will be suspended and the growth of assets with maturity over 90 days will also be banned.

Exhibit 12: A-share monthly IPO size (RMB bn)



Source(s): Wind, ABCI Securities



Exhibit 13: Assets and liabilities yields (%)

| | ICBC | CCB | ABC | BOC | BoCom | MSB | CMB | CITICB | CEB | HB | HRB | BoCQ |
|--------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Assets | | | | | | | | | | | | |
| 1H14 | | | | | | | | | | | | |
| Loans | 5.80 | 5.83 | 6.01 | 5.18 | 6.24 | 6.92 | 6.08 | 6.31 | 6.31 | 6.94 | 7.80 | 7.24 |
| Investments | 3.90 | 4.03 | 3.90 | 3.51 | 4.28 | 4.49 | 4.41 | 5.28 | 5.10 | 4.42 | 6.27 | 6.25 |
| Central bank | 1.57 | 1.55 | 1.58 | 1.53 | 1.53 | 1.51 | 1.50 | 1.49 | 1.48 | 1.53 | 1.47 | 1.52 |
| Interbank | 3.12 | 4.66 | 5.26 | 4.78 | 4.10 | 4.47 | 5.22 | 4.32 | 5.89 | 5.79 | 5.51 | 5.91 |
| Total | 4.55 | 4.72 | 4.73 | 4.26 | 5.04 | 5.65 | 5.07 | 5.29 | 5.34 | 5.54 | 5.95 | 5.97 |
| 1H13 | | | | | | | | | | | | |
| Loans | 5.81 | 5.84 | 6.01 | 5.16 | 6.09 | 6.98 | 6.10 | 6.16 | 6.19 | 6.88 | 7.62 | 7.05 |
| Investments | 3.68 | 3.66 | 3.66 | 3.06 | 3.70 | 4.06 | 3.80 | 4.77 | 4.99 | 3.94 | 6.00 | 5.85 |
| Central bank | 1.58 | 1.55 | 1.58 | 1.41 | 1.56 | 1.55 | 1.54 | 1.49 | 1.47 | 1.54 | 1.44 | 1.53 |
| Interbank | 2.73 | 3.59 | 3.89 | 3.38 | 3.37 | 3.92 | 3.94 | 3.61 | 4.31 | 4.21 | 4.57 | 4.68 |
| Total | 4.44 | 4.52 | 4.51 | 4.06 | 4.83 | 5.30 | 4.89 | 4.79 | 4.99 | 5.09 | 5.35 | 5.60 |
| YoY | | | | | | | | | | | | |
| Loans | (0.01) | (0.01) | - | 0.02 | 0.15 | (0.06) | (0.02) | 0.15 | 0.12 | 0.06 | 0.18 | 0.19 |
| Investments | 0.22 | 0.37 | 0.24 | 0.45 | 0.58 | 0.43 | 0.61 | 0.52 | 0.11 | 0.48 | 0.27 | 0.40 |
| Central bank | (0.01) | - | - | 0.12 | (0.03) | (0.04) | (0.04) | - | 0.01 | (0.01) | 0.03 | (0.01) |
| Interbank | 0.39 | 1.07 | 1.37 | 1.40 | 0.73 | 0.55 | 1.28 | 0.71 | 1.58 | 1.58 | 0.94 | 1.23 |
| Total | 0.11 | 0.20 | 0.22 | 0.20 | 0.21 | 0.35 | 0.18 | 0.50 | 0.35 | 0.45 | 0.60 | 0.37 |
| Liabilities | | | | | | | | | | | | |
| 1H14 | | | | | | | | | | | | |
| Deposits | 2.05 | 1.90 | 1.81 | 2.01 | 2.34 | 2.36 | 2.03 | 2.47 | 2.75 | 2.34 | 2.56 | 2.79 |
| Interbank | 2.35 | 3.55 | 3.23 | 2.38 | 4.36 | 5.37 | 4.73 | 5.36 | 4.99 | 5.40 | 5.94 | 5.52 |
| Others | 3.70 | 3.05 | 3.55 | 3.82 | 3.73 | 4.98 | 3.96 | 4.20 | 4.24 | 5.32 | 4.93 | 5.52 |
| Total | 2.12 | 2.10 | 1.96 | 2.11 | 2.84 | 3.23 | 2.70 | 3.15 | 3.35 | 3.20 | 3.51 | 3.36 |
| 1H13 | | | | | | | | | | | | |
| Deposits | 1.96 | 1.91 | 1.75 | 1.86 | 2.08 | 2.29 | 1.85 | 2.15 | 2.41 | 1.94 | 2.19 | 2.37 |
| Interbank | 2.20 | 2.40 | 3.41 | 2.17 | 3.66 | 4.35 | 3.38 | 3.51 | 3.97 | 4.08 | 4.56 | 4.97 |
| Others | 4.08 | 3.53 | 4.06 | 3.88 | 3.85 | 4.79 | 4.95 | 3.97 | 4.51 | 5.69 | 4.94 | 5.77 |
| Total | 2.03 | 1.98 | 1.93 | 1.95 | 2.44 | 3.06 | 2.17 | 2.40 | 2.95 | 2.63 | 2.86 | 2.97 |
| YoY | | | | | | | | | | | | |
| Deposits | 0.09 | (0.01) | 0.06 | 0.15 | 0.26 | 0.07 | 0.18 | 0.32 | 0.34 | 0.40 | 0.37 | 0.42 |
| Interbank | 0.15 | 1.15 | (0.18) | 0.21 | 0.70 | 1.02 | 1.35 | 1.85 | 1.02 | 1.32 | 1.38 | 0.55 |
| Others | (0.38) | (0.48) | (0.51) | (0.06) | (0.12) | 0.19 | (0.99) | 0.23 | (0.27) | (0.37) | (0.01) | (0.25) |
| Total | 0.09 | 0.12 | 0.03 | 0.16 | 0.40 | 0.17 | 0.53 | 0.75 | 0.40 | 0.57 | 0.65 | 0.39 |
| NIM | | | | | | | | | | | | |
| 1H14 | 2.62 | 2.80 | 2.93 | 2.27 | 2.45 | 2.62 | 2.57 | 2.36 | 2.25 | 2.63 | 2.60 | 2.86 |
| 1H13 | 2.57 | 2.71 | 2.74 | 2.23 | 2.62 | 2.41 | 2.89 | 2.58 | 2.23 | 2.65 | 2.55 | 2.81 |
| YoY | 0.05 | 0.09 | 0.19 | 0.04 | (0.17) | 0.21 | (0.32) | (0.22) | 0.02 | (0.02) | 0.05 | 0.05 |

Source(s): Wind, companies, ABCI Securities



While higher deposit stability should be achieved under the new rules, mild deposit competition would still exist with the 75% LDR cap and resumption of China's IPO market that may lead to temporary deposit outflow for IPO subscriptions. In our view, JSBs and small banks are facing higher policy risks. In particular, banks with a weaker deposit franchise and a higher LDR should see higher deposit cost pressure.

A stable 2H14 and 2015 NIM outlook

We believe that banks, especially among those with higher LDRs, would experience higher funding cost pressure in coming quarters. Nonetheless, the increase in deposit cost is unlikely to be dramatic and lead to substantial decline in banks' NIM. We are confident that the Chinese banks will continue to adapt to the ever-changing environment by managing their balance sheets and risks; hence, our NIM outlook for 2H14 and 2015 remains stable.



Asset quality trend

We expect NPL among the Chinese banks to continue to trend up mildly through 2015. Concurring with the views of most banks, we believe the increment will be manageable. As we can see, NPL ratios in big banks only rose by a few bps over the past quarters, and single-digit growth was seen in NPL balances while the balance sheets were growing at about the same pace.

Exhibit 14: NPL balance (RMB mn)

| | 1Q13 | 2Q13 | QoQ | 3Q13 | QoQ | 4Q13 | QoQ | 1Q14 | QoQ | 2Q14 | QoQ | 3Q14 | QoQ |
|--------|------|------|-------|------|-------|------|--------|-------|-------|-------|-------|-------|--------|
| | | | (%) | | (%) | | (%) | | (%) | | (%) | | (%) |
| ICBC | 80.2 | 81.8 | 1.91 | 87.4 | 6.84 | 93.7 | 7.24 | 100.6 | 7.32 | 105.7 | 5.16 | 115.5 | 9.20 |
| CCB | 77.8 | 80.3 | 3.26 | 82.1 | 2.21 | 85.3 | 3.87 | 90.8 | 6.50 | 95.7 | 5.35 | 105.3 | 10.09 |
| ABC | 85.7 | 86.7 | 1.18 | 87.9 | 1.41 | 87.8 | (0.15) | 92.0 | 4.80 | 97.5 | 5.96 | 103.5 | 6.15 |
| BOC | 66.4 | 69.5 | 4.62 | 72.1 | 3.73 | 73.3 | 1.68 | 80.3 | 9.62 | 85.9 | 6.90 | 90.7 | 5.63 |
| BoCom | 30.7 | 31.7 | 3.03 | 32.5 | 2.78 | 34.3 | 5.42 | 36.1 | 5.09 | 38.8 | 7.47 | 40.9 | 5.48 |
| MSB | 10.9 | 11.6 | 5.79 | 11.9 | 3.32 | 13.4 | 12.28 | 14.2 | 5.59 | 15.8 | 11.76 | 18.1 | 14.58 |
| CMB | 13.1 | 14.9 | 14.37 | 17.1 | 14.57 | 18.3 | 7.20 | 19.9 | 8.39 | 23.7 | 19.26 | 26.9 | 13.61 |
| CITICB | 15.5 | 16.4 | 5.67 | 17.0 | 3.71 | 20.0 | 17.60 | 23.6 | 18.12 | 25.2 | 7.05 | 29.4 | 16.57 |
| CEB | 8.5 | 8.8 | 3.43 | 9.4 | 5.92 | 10.0 | 7.10 | 11.9 | 18.50 | 13.9 | 16.77 | 13.6 | (2.06) |

Source(s): Wind, company reports, ABCI Securities

NPL trends among JSBs have been more volatile. We believe the situation could be better managed through increasing efforts in NPL disposal. In our view, NPL disposal and cautious risk management are crucial to stabilize asset quality going forward.

Exhibit 15: NPL ratio (%)

| | 1Q13 | 2Q13 | QoQ | 3Q13 | QoQ | 4Q13 | QoQ | 1Q14 | QoQ | 2Q14 | QoQ | 3Q14 | QoQ |
|--------|------|------|--------|------|--------|------|--------|------|------|------|------|------|--------|
| | | | (%) | | (%) | | (%) | | (%) | | (%) | | (%) |
| ICBC | 0.87 | 0.87 | - | 0.91 | 0.04 | 0.94 | 0.03 | 0.97 | 0.03 | 0.99 | 0.02 | 1.06 | 0.07 |
| CCB | 0.99 | 0.99 | - | 0.98 | (0.01) | 0.99 | 0.01 | 1.02 | 0.03 | 1.04 | 0.02 | 1.13 | 0.09 |
| ABC | 1.27 | 1.25 | (0.02) | 1.24 | (0.01) | 1.22 | (0.02) | 1.22 | - | 1.24 | 0.02 | 1.29 | 0.05 |
| BOC | 0.91 | 0.93 | 0.02 | 0.96 | 0.03 | 0.96 | - | 0.98 | 0.02 | 1.02 | 0.04 | 1.07 | 0.05 |
| BoCom | 0.97 | 0.99 | 0.02 | 1.01 | 0.02 | 1.05 | 0.04 | 1.09 | 0.04 | 1.13 | 0.04 | 1.17 | 0.04 |
| MSB | 0.76 | 0.78 | 0.02 | 0.78 | - | 0.85 | 0.07 | 0.87 | 0.02 | 0.93 | 0.06 | 1.04 | 0.11 |
| CMB | 0.66 | 0.71 | 0.05 | 0.79 | 0.08 | 0.83 | 0.04 | 0.85 | 0.02 | 0.98 | 0.13 | 1.1 | 0.12 |
| CITICB | 0.88 | 0.90 | 0.02 | 0.90 | - | 1.03 | 0.13 | 1.15 | 0.12 | 1.19 | 0.04 | 1.39 | 0.20 |
| CEB | 0.79 | 0.80 | 0.01 | 0.82 | 0.02 | 0.86 | 0.04 | 0.97 | 0.11 | 1.11 | 0.14 | 1.07 | (0.04) |

Source(s): Wind, company reports, ABCI Securities

Initial signs of an NPL contagion?

Similar to previous quarters, the majority of new NPLs could be attributed to coastal areas including YRD, PRD and BHR in 1H14. New NPLs arising from other regions, however, also warrant concerns. ICBC's new NPLs from central and western China increased by 10.3% and 21.1% HoH in 1H14; CCB's NPL balance rose from central China also rose by 22.2% HoH in 1H14. Among JSBs, NPL balances of MSB, CMB and CEB from northeast China increased by 32%, 149.7% and 53.5% HoH, respectively; their new NPLs from central and western China also surged by 16.8-86% HoH.

By sector, although most of the new NPLs were from the manufacturing sector, wholesale & retail industries and personal loans category (which MSEs were classified as), we have also seen meaningful contributions from transportation (11.6% of CCB's new NPLs; 10.9% of BOC's new NPLs and 24.3% of CMB's new NPLs) and mining (19.4% of CMB's new NPLs) sectors in 1H14.



Exhibit 16: NPL HoH change by region (1H14)

| (RMB mn) | ICBC | CCB | ABC | BOC | BoCom | MSB | CMB | CITICB | CEB |
|--------------|-------|-------|-------|-------|-------|--------|-------|--------|-------|
| YRD | 1,230 | 1,119 | 4,531 | 9,342 | 3,848 | 514 | 940 | 14 | 1,616 |
| PRD | 2,435 | 4,042 | 3,401 | na | na | 435 | 1,499 | 1,887 | 557 |
| BHR | 2,829 | 1,699 | (349) | na | na | na | 279 | 2,705 | 515 |
| Central | 1,479 | 2,677 | 1,283 | 2,217 | 295 | na | 1,498 | 548 | 344 |
| Western | 2,420 | 196 | (445) | 152 | 127 | na | 527 | 164 | 335 |
| Northeastern | 296 | 119 | 1,271 | 452 | 119 | 1,864 | 885 | (87) | 185 |
| HQ | 1,363 | 552 | - | na | 51 | (399) | (263) | 49 | 296 |
| (%) | | | | | | | | | |
| YRD | 5.5 | 2.7 | 23.4 | 29.5 | 16.2 | 9.6 | 11.4 | 0.1 | 47.0 |
| PRD | 15.7 | 37.8 | 27.4 | na | na | 68.7 | 64.6 | 81.7 | 49.4 |
| BHR | 17.0 | 25.4 | (2.1) | na | na | na | 17.9 | 67.7 | 29.2 |
| Central | 10.3 | 22.2 | 9.1 | 10.7 | 7.4 | na | 86.0 | 48.7 | 27.8 |
| Western | 21.1 | 2.7 | (9.0) | 3.5 | 10.7 | na | 55.2 | 16.8 | 46.9 |
| Northeastern | 5.4 | 2.6 | 6.5 | 3.3 | 2.3 | 32.0 | 149.7 | (11.5) | 53.5 |
| HQ | 17.6 | 17.1 | - | na | 20.2 | (24.7) | (9.0) | 21.1 | 21.0 |

Source(s): Wind, companies, ABCI Securities

Risk of an NPL contagion has been a concern among investors since 2008. At this stage, we believe it is too early to confirm that asset quality is deteriorating across regions and sectors. Nonetheless, the mildly rising NPL does warrant concerns and investors should monitor the trend more closely in the coming quarters.

Nonetheless, considering Chinese banks' high adaptability and swift development in the distressed asset sector, we believe the likelihood of massive asset quality deterioration is still low and actual impacts of asset quality on the banks' earnings would be limited.



Valuation and stock picks

With its average (2011-13) P/B and P/E at 1.14x and 5.95x, the China banks sector is current trading at -1.5 to -2 s.d. below its historical mean. Share prices of banks have corrected by ~10-15% from previous peak in early Aug of 2014. Trough valuation at present hints at the possibility of a sector re-rating, and we believe previous rally in Aug 2014 has only reflected continuous balance sheet growth in banks.

We expect positive catalysts such as preference share issuance, launch of the Shanghai-Hong Kong stock connect, continuous monetary easing and a recovering economy should support to the sector's valuation through 2015. Hence we maintain our OVERWEIGHT rating for the China banks sector on their high adaptability, low valuation, and attractive dividend yield.

Target price adjustments

We have made minor adjustments to our earning models and banks' sustainable ROEs based on the latest financial results. We raise our COE assumption (Risk free rate: 4.3%, equity risk premium: 10.5%) conservatively to take into account of the higher asset quality risk. Furthermore, we roll over our TPs to 15E BVPS, resulting in a -4.02% to 14.9% change in the target prices of the Chinese banks under coverage.

Exhibit 17: Summary of TP changes

| | ICBC | CCB | ABC | BOC | BoCom | MSB | CMB | CITICB | CEB | HB | HRB | BoCQ |
|------------------|---------|---------|--------|--------|--------|--------|---------|--------|-------|---------|--------|--------|
| TP (old) | 6.31 | 7.19 | 4.21 | 4.09 | 6.04 | 9.95 | 17.20 | 4.92 | 4.48 | 4.09 | 3.14 | 5.77 |
| TP (new) | 6.24 | 6.90 | 4.54 | 4.45 | 6.94 | 9.55 | 17.30 | 5.37 | 4.48 | 4.03 | 3.53 | 6.38 |
| Change (%) | (1.11) | (4.03) | 7.84 | 8.80 | 14.90 | (4.02) | 0.58 | 9.15 | - | (1.47) | 12.42 | 10.57 |
| Sus. ROE (old) | 18.10 | 18.30 | 19.00 | 15.20 | 14.40 | 17.50 | 18.70 | 14.50 | 16.70 | 15.50 | 15.70 | 14.80 |
| Sus. ROE (new) | 18.20 | 18.20 | 19.10 | 15.80 | 14.30 | 17.10 | 17.80 | 14.90 | 16.70 | 15.00 | 15.80 | 14.80 |
| Change (%) | 0.55 | (0.55) | 0.53 | 3.95 | (0.69) | (2.29) | (4.81) | 2.76 | - | (3.23) | 0.64 | - |
| COE (old) | 15.90 | 16.40 | 17.40 | 16.40 | 16.90 | 17.90 | 17.40 | 17.90 | 18.50 | 15.90 | 16.40 | 17.40 |
| COE (new) | 17.40 | 18.20 | 18.50 | 17.40 | 16.40 | 18.00 | 18.20 | 19.00 | 18.50 | 16.90 | 16.90 | 18.50 |
| Change (%) | 9.43 | 10.98 | 6.32 | 6.10 | (2.96) | 0.56 | 4.60 | 6.15 | - | 6.29 | 3.05 | 6.32 |
| Target P/B (old) | 1.22 | 1.18 | 1.14 | 0.88 | 0.77 | 0.97 | 1.11 | 0.71 | 0.86 | 0.96 | 0.93 | 0.77 |
| Target P/B (new) | 1.07 | 1.00 | 1.06 | 0.86 | 0.80 | 0.93 | 0.97 | 0.68 | 0.86 | 0.83 | 0.90 | 0.70 |
| Change (%) | (12.44) | (15.45) | (7.05) | (2.82) | 3.56 | (4.28) | (13.18) | (4.15) | - | (13.95) | (3.60) | (8.80) |

Source(s): ABCI Securities estimates

Exhibit 18: Valuation table (closing price as of 13 Nov 2014)

| Name | BBG code | Market cap (US\$m) | Price (HK\$) | Rating | TP (HK\$) | Upside (%) | P/B (x) | | P/E (x) | | ROE (%) | | Div yield (%) | |
|----------------|----------|--------------------|--------------|--------|-----------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|---------------|-------------|
| | | | | | | | 14E | 15E | 14E | 15E | 14E | 15E | 14E | 15E |
| ICBC | 1398 HK | 219,745 | 5.11 | BUY | 6.24 | 22.11 | 0.99 | 0.87 | 5.05 | 4.65 | 20.5 | 19.4 | 6.85 | 7.34 |
| CCB | 939 HK | 185,630 | 5.77 | BUY | 6.90 | 19.58 | 0.95 | 0.84 | 5.02 | 4.66 | 20.5 | 19.8 | 6.93 | 7.58 |
| ABC | 1288 HK | 141,050 | 3.60 | BUY | 4.54 | 26.11 | 0.97 | 0.84 | 4.80 | 4.30 | 20.4 | 20.1 | 7.29 | 7.99 |
| BOC | 3988 HK | 140,809 | 3.86 | BUY | 4.45 | 15.28 | 0.83 | 0.75 | 5.15 | 4.68 | 17.1 | 16.6 | 6.80 | 7.45 |
| BoCom | 3328 HK | 56,698 | 5.97 | BUY | 6.94 | 16.25 | 0.76 | 0.69 | 5.55 | 4.98 | 14.5 | 14.0 | 5.44 | 6.07 |
| CMB | 3968 HK | 45,790 | 14.92 | BUY | 17.30 | 15.95 | 0.97 | 0.84 | 5.26 | 4.50 | 20.2 | 19.3 | 5.70 | 6.70 |
| MSB | 1988 HK | 37,423 | 8.04 | BUY | 9.55 | 18.78 | 0.91 | 0.78 | 3.81 | 3.44 | 21.1 | 19.9 | 4.20 | 4.51 |
| CITICB | 998 HK | 37,370 | 5.49 | HOLD | 5.37 | -2.19 | 0.80 | 0.70 | 5.17 | 4.48 | 16.9 | 17.3 | 5.69 | 6.60 |
| CEB | 6818 HK | 23,314 | 3.86 | BUY | 4.48 | 16.06 | 0.83 | 0.74 | 4.75 | 4.23 | 16.9 | 17.3 | 5.83 | 6.48 |
| HB | 3698 HK | 4,816 | 3.38 | BUY | 4.03 | 19.23 | 0.80 | 0.69 | 5.75 | 5.10 | 15.7 | 14.9 | 4.44 | 5.18 |
| HRB | 6138 HK | 4,155 | 2.93 | BUY | 3.53 | 20.48 | 0.87 | 0.74 | 5.86 | 5.33 | 16.7 | 15.8 | 3.41 | 4.27 |
| BoCQ | 1963 HK | 1,929 | 5.53 | BUY | 6.38 | 15.37 | 0.73 | 0.61 | 4.25 | 3.92 | 17.9 | 17.8 | 4.75 | 5.65 |
| Average | | | | | | 16.66 | 0.86 | 0.75 | 4.99 | 4.48 | 18.2 | 17.7 | 5.76 | 6.48 |

Source(s): Bloomberg, ABCI Securities estimates

Given the defensive and adaptable nature of big banks, ICBC, CCB and ABC are our sector's top picks. We turn cautious on JSBs as we believe these banks would undergo higher NIM pressure and policy risks. The big 5 banks are currently trading at 0.69-0.87x 15E P/B, compared to the 0.7-0.84x 15E P/B among JSBs and 0.61-0.74x 15E P/B among district banks.



ICBC

Consolidated income statement (2012A-2016E)

| FY Ended Dec 31 (RMB mn) | 2012A | 2013A | 2014E | 2015E | 2016E |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|
| Net interest income | 417,828 | 443,335 | 494,694 | 527,682 | 565,420 |
| Non-interest income | 111,892 | 135,566 | 153,466 | 172,435 | 193,454 |
| Of which: Fees and commissions | 106,064 | 122,326 | 139,783 | 158,323 | 178,930 |
| Oper. income (Top line) | 529,720 | 578,901 | 648,160 | 700,117 | 758,874 |
| Operating expenses | (174,944) | (187,702) | (205,402) | (224,609) | (245,696) |
| Amortisation | (14,996) | (16,438) | (17,978) | (19,484) | (21,093) |
| PPOP | 339,780 | 374,761 | 424,780 | 456,024 | 492,084 |
| Impairment loans losses | (33,745) | (38,321) | (59,590) | (60,447) | (64,827) |
| Operating profit | 306,035 | 336,440 | 365,190 | 395,577 | 427,258 |
| Non-operating income | 2,652 | 2,097 | 2,286 | 2,469 | 2,666 |
| Profit before tax | 308,687 | 338,537 | 367,476 | 398,045 | 429,924 |
| Tax | (69,996) | (75,572) | (84,519) | (91,550) | (98,883) |
| Minority interests | (159) | (316) | (348) | (382) | (421) |
| Net profit | 238,532 | 262,649 | 282,609 | 306,113 | 330,621 |
| Growth (%) | | | | | |
| Net interest income | 15.18 | 6.10 | 11.58 | 6.67 | 7.15 |
| Non-interest income | 3.76 | 21.16 | 13.20 | 12.36 | 12.19 |
| Of which: Fees and commissions | 4.45 | 15.33 | 14.27 | 13.26 | 13.02 |
| Oper. income (Top line) | 12.56 | 9.28 | 11.96 | 8.02 | 8.39 |
| Operating expenses | 12.03 | 7.29 | 9.43 | 9.35 | 9.39 |
| Amortisation | 11.47 | 9.62 | 9.37 | 8.38 | 8.26 |
| PPOP | 12.89 | 10.30 | 13.35 | 7.36 | 7.91 |
| Impairment loans losses | 8.43 | 13.56 | 55.50 | 1.44 | 7.25 |
| Operating profit | 13.40 | 9.94 | 8.55 | 8.32 | 8.01 |
| Non-operating income | 8.51 | (20.93) | 9.00 | 8.00 | 8.00 |
| Profit before tax | 13.36 | 9.67 | 8.55 | 8.32 | 8.01 |
| Tax | 9.60 | 7.97 | 11.84 | 8.32 | 8.01 |
| Minority interests | (11.67) | 98.74 | 10.00 | 10.00 | 10.00 |
| Net profit | 14.53 | 10.11 | 7.60 | 8.32 | 8.01 |
| Per share | | | | | |
| EPS | 0.68 | 0.75 | 0.81 | 0.88 | 0.95 |
| BVPS | 3.22 | 3.63 | 4.14 | 4.69 | 5.29 |
| DPS | 0.24 | 0.26 | 0.28 | 0.30 | 0.33 |
| Key ratio (%) | | | | | |
| Net interest margin | 2.66 | 2.56 | 2.60 | 2.50 | 2.41 |
| Net interest spread | 2.49 | 2.38 | 2.38 | 2.30 | 2.21 |
| Cost to income ratio | 33.0 | 32.4 | 31.7 | 32.1 | 32.4 |
| Return on average assets | 1.44 | 1.44 | 1.42 | 1.39 | 1.35 |
| Return on average equity | 22.9 | 21.9 | 20.7 | 19.7 | 18.9 |
| Effective tax rate | 22.7 | 22.3 | 23.0 | 23.0 | 23.0 |
| Dividend payout | 35.0 | 35.0 | 35.0 | 35.0 | 35.0 |

Source(s): Company, ABCI Securities estimates



ICBC

Consolidated balance sheet (2012A-2016E)

| As of Dec 31 (RMB mn) | 2012A | 2013A | 2014E | 2015E | 2016E |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Cash & cash equivalent | 3,174,943 | 3,294,007 | 3,782,416 | 4,449,832 | 5,320,265 |
| Dues from banks & non-bank FI | 1,181,029 | 1,049,887 | 1,102,855 | 1,214,287 | 1,338,450 |
| Investment securities | 4,083,887 | 4,322,244 | 4,525,625 | 4,749,027 | 5,016,179 |
| Net loans and advances | 8,583,289 | 9,681,415 | 10,836,023 | 12,085,950 | 13,431,912 |
| Total IEA | 17,023,148 | 18,347,553 | 20,246,918 | 22,499,097 | 25,106,806 |
| Property and equipment | 135,889 | 164,347 | 197,216 | 236,660 | 283,992 |
| Other non-int. earn assets | 383,180 | 405,852 | 429,915 | 451,410 | 473,981 |
| Total assets | 17,542,217 | 18,917,752 | 20,874,049 | 23,187,167 | 25,864,778 |
| Customer deposits | 13,642,910 | 14,620,825 | 16,388,645 | 18,486,847 | 20,751,300 |
| Due to other banks & FIs | 1,486,805 | 1,269,255 | 1,396,181 | 1,535,799 | 1,689,378 |
| Subordinated term debt | 232,186 | 253,018 | 283,380 | 317,386 | 355,472 |
| Total IBL | 15,399,910 | 16,273,656 | 18,205,291 | 20,483,971 | 22,947,288 |
| Current taxes | 56,922 | 55,674 | 66,809 | 80,171 | 96,205 |
| Deferred tax liabilities | 552 | 420 | 483 | 555 | 639 |
| Other liabilities | 956,374 | 1,309,539 | 1,142,345 | 967,524 | 954,332 |
| Total liabilities | 16,413,758 | 17,639,289 | 19,414,928 | 21,532,222 | 23,998,463 |
| Share capital | 349,620 | 351,390 | 351,390 | 351,390 | 351,390 |
| Reserves | 775,377 | 922,744 | 1,102,536 | 1,297,321 | 1,507,445 |
| Minorities | 3,462 | 4,329 | 5,195 | 6,234 | 7,481 |
| Shareholder's equity | 1,128,459 | 1,278,463 | 1,459,121 | 1,654,945 | 1,866,316 |
| Growth (%) | | | | | |
| Cash & cash equivalent | 14.9 | 3.8 | 14.8 | 17.6 | 19.6 |
| Dues from banks & non-bank FI | 45.8 | (11.1) | 5.0 | 10.1 | 10.2 |
| Investment securities | 4.3 | 5.8 | 4.7 | 4.9 | 5.6 |
| Net loans and advances | 13.0 | 12.8 | 11.9 | 11.5 | 11.1 |
| Total IEA | 12.9 | 7.8 | 10.4 | 11.1 | 11.6 |
| Total assets | 13.3 | 7.8 | 10.3 | 11.1 | 11.5 |
| Customer deposits | 11.3 | 7.2 | 12.1 | 12.8 | 12.2 |
| Due to other banks & FIs | 10.8 | (14.6) | 10.0 | 10.0 | 10.0 |
| Subordinated term debt | 13.7 | 9.0 | 12.0 | 12.0 | 12.0 |
| Total IBL | 11.2 | 5.7 | 11.9 | 12.5 | 12.0 |
| Total liabilities | 13.0 | 7.5 | 10.1 | 10.9 | 11.5 |
| Shareholder's equity | 17.8 | 13.3 | 14.1 | 13.4 | 12.8 |
| Key ratio (%) | | | | | |
| Loan to deposits | 64.5 | 67.9 | 67.8 | 67.2 | 66.6 |
| CT1 CAR | na | 10.6 | 11.0 | 11.3 | 11.4 |
| Total CAR | 13.7 | 13.1 | 13.5 | 13.8 | 13.9 |
| NPL ratio | 0.85 | 0.94 | 1.04 | 1.11 | 1.17 |
| NPL growth | 2.1 | 25.6 | 22.9 | 19.3 | 17.9 |
| Net bad debt charge ratio | 0.4 | 0.4 | 0.6 | 0.5 | 0.5 |
| Provision to total loans | 2.5 | 2.6 | 2.6 | 2.7 | 2.8 |
| Provision coverage | 295.5 | 257.2 | 246.3 | 239.4 | 234.5 |

Source(s): Company, ABCI Securities estimates



CCB

Consolidated income statement (2012A-2016E)

| FY Ended Dec 31 (RMB mn) | 2012A | 2013A | 2014E | 2015E | 2016E |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Net interest income | 353,202 | 389,544 | 423,792 | 455,914 | 493,215 |
| Non-interest income | 109,331 | 121,596 | 137,451 | 154,444 | 172,336 |
| Of which: Fees and commissions | 93,507 | 104,283 | 117,223 | 131,396 | 147,009 |
| Operating income (Top line) | 462,533 | 511,140 | 561,244 | 610,358 | 665,551 |
| Operating expenses | (168,877) | (185,796) | (206,104) | (227,686) | (251,507) |
| Amortisation | (2,204) | (2,389) | (2,580) | (2,787) | (3,009) |
| PPOP | 291,452 | 322,955 | 352,559 | 379,886 | 411,035 |
| Impairment losses on loans | (40,041) | (43,209) | (52,315) | (56,311) | (58,425) |
| Operating profit | 251,411 | 279,746 | 300,244 | 323,574 | 352,610 |
| Non-operating income | 28 | 60 | 63 | 66 | 69 |
| Profit before tax | 251,439 | 279,806 | 300,307 | 323,641 | 352,679 |
| Tax | (57,837) | (64,684) | (69,071) | (74,437) | (81,116) |
| Minority interests | (423) | (465) | (488) | (513) | (538) |
| Net profit | 193,179 | 214,657 | 230,748 | 248,691 | 271,025 |
| Growth (%) | | | | | |
| Net interest income | 16.0 | 10.3 | 8.8 | 7.6 | 8.2 |
| Non-interest income | 15.3 | 11.2 | 13.0 | 12.4 | 11.6 |
| Of which: Fees and commissions | 7.5 | 11.5 | 12.4 | 12.1 | 11.9 |
| Operating income (Top line) | 15.8 | 10.5 | 9.8 | 8.8 | 9.0 |
| Operating expenses | 18.6 | 10.0 | 10.9 | 10.5 | 10.5 |
| Amortisation | 5.0 | 8.4 | 8.0 | 8.0 | 8.0 |
| PPOP | 14.4 | 10.8 | 9.2 | 7.8 | 8.2 |
| Impairment losses on loans | 11.9 | 7.9 | 21.1 | 7.6 | 3.8 |
| Operating profit | 14.8 | 11.3 | 7.3 | 7.8 | 9.0 |
| Non-operating income | 16.7 | 114.3 | 5.0 | 5.0 | 5.0 |
| Profit before tax | 14.8 | 11.3 | 7.3 | 7.8 | 9.0 |
| Tax | 16.4 | 11.8 | 6.8 | 7.8 | 9.0 |
| Minority interests | 133.7 | 9.9 | 5.0 | 5.0 | 5.0 |
| Net profit | 14.1 | 11.1 | 7.5 | 7.8 | 9.0 |
| Per share | | | | | |
| EPS | 0.77 | 0.86 | 0.92 | 0.99 | 1.08 |
| BVPS | 3.77 | 4.26 | 4.86 | 5.50 | 6.20 |
| DPS | 0.27 | 0.30 | 0.32 | 0.35 | 0.38 |
| Key ratio (%) | | | | | |
| Net interest margin | 2.75 | 2.74 | 2.77 | 2.70 | 2.69 |
| Net interest spread | 2.58 | 2.57 | 2.59 | 2.52 | 2.46 |
| Cost to income ratio | 37.0 | 36.8 | 37.2 | 37.8 | 38.2 |
| Return on average assets | 1.47 | 1.46 | 1.44 | 1.42 | 1.43 |
| Return on average equity | 22.0 | 21.4 | 20.2 | 19.2 | 18.5 |
| Effective tax rate | 23.0 | 23.0 | 23.0 | 23.0 | 23.0 |
| Dividend payout | 34.7 | 34.9 | 35.0 | 35.0 | 35.0 |

Source(s): Company, ABCI Securities estimates



CCB

Consolidated balance sheet (2012A-2016E)

| As of Dec 31 (RMB mn) | 2012A | 2013A | 2014E | 2015E | 2016E |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Cash & cash equivalent | 2,774,754 | 2,756,448 | 2,610,167 | 2,480,638 | 2,363,859 |
| Dues from banks & non-bank FI | 715,551 | 473,351 | 447,967 | 441,643 | 436,649 |
| Investment securities | 2,839,076 | 3,050,567 | 3,328,360 | 3,619,649 | 3,920,649 |
| Net loans and advances | 7,309,879 | 8,361,361 | 9,496,148 | 10,723,032 | 11,971,112 |
| Total IEA | 13,639,260 | 14,641,727 | 15,882,642 | 17,264,962 | 18,692,269 |
| Property and equipment | 113,946 | 135,678 | 156,030 | 179,434 | 206,349 |
| Other non-int. earn assets | 219,622 | 585,805 | 675,598 | 779,245 | 898,900 |
| Total assets | 13,972,828 | 15,363,210 | 16,714,270 | 18,223,641 | 19,797,518 |
| Customer deposits | 11,343,079 | 12,223,037 | 13,151,114 | 14,045,722 | 14,947,386 |
| Due to other banks & FIs | 1,097,743 | 848,012 | 720,810 | 634,313 | 570,882 |
| Subordinated term debt | 262,991 | 357,540 | 393,294 | 428,690 | 462,986 |
| Total IBL | 12,761,246 | 13,969,871 | 14,887,693 | 15,824,570 | 16,783,000 |
| Current taxes liabilities | 53,271 | 60,209 | 66,230 | 72,853 | 80,138 |
| Deferred tax liabilities | 332 | 138 | 179 | 233 | 303 |
| Other liabilities | 208,370 | 258,663 | 535,560 | 940,740 | 1,373,730 |
| Total liabilities | 13,023,283 | 14,288,881 | 15,489,662 | 16,838,397 | 18,237,171 |
| Share capital | 250,011 | 250,011 | 250,011 | 250,011 | 250,011 |
| Reserves | 691,657 | 815,940 | 964,962 | 1,125,598 | 1,300,701 |
| Minorities | 7,877 | 8,378 | 9,635 | 9,635 | 9,635 |
| Shareholder's equity | 949,545 | 1,074,329 | 1,224,608 | 1,385,244 | 1,560,347 |
| Growth (%) | | | | | |
| Cash & cash equivalent | 7.6 | (0.7) | (5.3) | (5.0) | (4.7) |
| Dues from banks & non-bank FI | 85.5 | (33.8) | (5.4) | (1.4) | (1.1) |
| Investment securities | 4.4 | 7.4 | 9.1 | 8.8 | 8.3 |
| Net loans and advances | 15.6 | 14.4 | 13.6 | 12.9 | 11.6 |
| Total IEA | 13.6 | 7.3 | 8.5 | 8.7 | 8.3 |
| Total assets | 13.8 | 10.0 | 8.8 | 9.0 | 8.6 |
| Customer deposits | 13.6 | 7.8 | 7.6 | 6.8 | 6.4 |
| Due to other banks & FIs | 5.1 | (22.7) | (15.0) | (12.0) | (10.0) |
| Subordinated term debt | 119.4 | 36.0 | 10.0 | 9.0 | 8.0 |
| Total IBL | 13.8 | 9.5 | 6.6 | 6.3 | 6.1 |
| Total liabilities | 13.6 | 9.7 | 8.4 | 8.7 | 8.3 |
| Shareholder's equity | 16.3 | 13.1 | 14.0 | 13.1 | 12.6 |
| Key ratio (%) | | | | | |
| Loan to deposits | 66.2 | 70.3 | 74.2 | 78.5 | 82.4 |
| Core CAR | na | 10.8 | 11.3 | 11.8 | 12.2 |
| Total CAR | 14.3 | 13.3 | 13.9 | 14.3 | 14.7 |
| NPL ratio | 0.99 | 0.99 | 1.03 | 1.08 | 1.10 |
| NPL growth | 5.2 | 14.3 | 18.3 | 17.9 | 14.4 |
| Net bad debt charge ratio | 0.5 | 0.5 | 0.6 | 0.5 | 0.5 |
| Provision to total loans | 2.7 | 2.7 | 2.7 | 2.8 | 2.8 |
| Provision coverage | 271.3 | 268.2 | 261.3 | 255.0 | 253.5 |

Source(s): Company, ABCI Securities estimates



ABC

Consolidated income statement (2012A-2016E)

| FY Ended Dec 31 (RMB mn) | 2012A | 2013A | 2014E | 2015E | 2016E |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|
| Net interest income | 341,879 | 376,202 | 430,089 | 462,426 | 510,286 |
| Non-interest income | 83,085 | 89,569 | 101,318 | 113,110 | 124,344 |
| Of which: Fees and commissions | 74,844 | 83,171 | 93,649 | 104,204 | 114,340 |
| Oper. income (Top line) | 424,964 | 465,771 | 531,407 | 575,536 | 634,629 |
| Operating expenses | (167,306) | (181,146) | (202,521) | (226,013) | (250,968) |
| Amortisation | (15,496) | (17,461) | (19,731) | (22,296) | (25,194) |
| PPOP | 242,162 | 267,164 | 309,154 | 327,228 | 358,467 |
| Impairment loans losses | (54,235) | (52,990) | (55,486) | (46,667) | (53,585) |
| Profit before tax | 187,927 | 214,174 | 253,669 | 280,560 | 304,882 |
| Tax | (42,796) | (47,963) | (58,344) | (64,529) | (70,123) |
| Minority interests | (37) | 104 | 114 | 126 | 138 |
| Net profit | 145,094 | 166,315 | 195,439 | 216,157 | 234,898 |
| Growth (%) | | | | | |
| Net interest income | 11.3 | 10.0 | 14.3 | 7.5 | 10.3 |
| Non-interest income | 14.5 | 7.8 | 13.1 | 11.6 | 9.9 |
| Of which: Fees and commissions | 8.9 | 11.1 | 12.6 | 11.3 | 9.7 |
| Oper. income (Top line) | 11.9 | 9.6 | 14.1 | 8.3 | 10.3 |
| Operating expenses | 16.0 | 8.3 | 11.8 | 11.6 | 11.0 |
| Amortisation | 18.0 | 12.7 | 13.0 | 13.0 | 13.0 |
| PPOP | 8.9 | 10.3 | 15.7 | 5.8 | 9.5 |
| Impairment loans losses | (15.6) | (2.3) | 4.7 | (15.9) | 14.8 |
| Profit before tax | 18.8 | 14.0 | 18.4 | 10.6 | 8.7 |
| Tax | 18.1 | 12.1 | 21.6 | 10.6 | 8.7 |
| Minority interests | 27.6 | (381.1) | 10.0 | 10.0 | 10.0 |
| Net profit | 19.0 | 14.6 | 17.5 | 10.6 | 8.7 |
| Per share | | | | | |
| EPS | 0.45 | 0.51 | 0.60 | 0.67 | 0.72 |
| BVPS | 2.31 | 2.60 | 2.98 | 3.41 | 3.88 |
| DPS | 0.16 | 0.18 | 0.21 | 0.23 | 0.25 |
| Key ratio (%) | | | | | |
| Net interest margin | 2.81 | 2.79 | 2.87 | 2.77 | 2.75 |
| Net interest spread | 2.67 | 2.63 | 2.62 | 2.48 | 2.42 |
| Cost to income ratio | 39.4 | 38.9 | 38.1 | 39.3 | 39.5 |
| Return on average assets | 1.16 | 1.20 | 1.27 | 1.26 | 1.23 |
| Return on average equity | 20.7 | 20.9 | 21.6 | 20.8 | 19.8 |
| Effective tax rate | 23.0 | 23.0 | 23.0 | 23.0 | 23.0 |
| Dividend payout | 35.0 | 35.0 | 35.0 | 35.0 | 35.0 |

Source(s): Company, ABCI Securities estimates



ABC

Consolidated balance sheet (2012A-2016E)

| As of Dec 31 (RMB mn) | 2012A | 2013A | 2014E | 2015E | 2016E |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Cash & cash equivalent | 2,613,111 | 2,603,802 | 2,828,182 | 3,048,432 | 3,287,099 |
| Dues from banks & non-bank FI | 1,300,233 | 1,443,385 | 1,661,964 | 1,911,626 | 2,208,091 |
| Investment securities | 2,851,448 | 3,208,246 | 3,555,853 | 3,906,938 | 4,266,369 |
| Net loans and advances | 6,153,411 | 6,902,522 | 7,747,737 | 8,694,037 | 9,743,734 |
| Total IEA | 12,918,203 | 14,157,955 | 15,793,735 | 17,561,032 | 19,505,293 |
| Property and equipment | 141,490 | 150,859 | 161,419 | 172,718 | 172,718 |
| Other non-int. earn assets | 184,649 | 253,288 | 300,361 | 356,204 | 356,204 |
| Total assets | 13,244,342 | 14,562,102 | 16,255,515 | 18,089,955 | 20,034,216 |
| Customer deposits | 10,862,935 | 11,811,411 | 13,320,404 | 14,877,736 | 16,545,598 |
| Due to other banks & FIs | 934,139 | 903,821 | 813,439 | 732,095 | 658,886 |
| Subordinated term debt | 192,639 | 266,261 | 306,200 | 342,944 | 377,239 |
| Total IBL | 11,989,713 | 12,981,493 | 14,440,043 | 15,952,776 | 17,581,722 |
| Current taxes | 40,419 | 44,263 | 48,689 | 53,558 | 53,558 |
| Deferred tax liabilities | 15 | 8 | 10 | 12 | 12 |
| Other liabilities | 462,841 | 691,801 | 796,071 | 973,425 | 1,137,240 |
| Total liabilities | 12,492,988 | 13,717,565 | 15,284,813 | 16,979,771 | 18,772,531 |
| Share capital | 324,794 | 324,794 | 324,794 | 324,794 | 324,794 |
| Reserves | 425,021 | 518,314 | 644,365 | 783,724 | 935,091 |
| Minorities | 1,539 | 1,429 | 1,543 | 1,667 | 1,800 |
| Shareholder's equity | 751,354 | 844,537 | 970,702 | 1,110,185 | 1,261,685 |
| Growth (%) | | | | | |
| Cash & cash equivalent | 5.1 | (0.4) | 8.6 | 7.8 | 7.8 |
| Dues from banks & non-bank FI | 48.8 | 11.0 | 15.1 | 15.0 | 15.5 |
| Investment securities | 8.5 | 12.5 | 10.8 | 9.9 | 9.2 |
| Net loans and advances | 13.7 | 12.2 | 12.2 | 12.2 | 12.1 |
| Total IEA | 13.3 | 9.6 | 11.6 | 11.2 | 11.1 |
| Total assets | 13.4 | 9.9 | 11.6 | 11.3 | 10.7 |
| Customer deposits | 12.9 | 8.7 | 12.8 | 11.7 | 11.2 |
| Due to other banks & FIs | 29.0 | (3.2) | (10.0) | (10.0) | (10.0) |
| Subordinated term debt | 61.4 | 38.2 | 15.0 | 12.0 | 10.0 |
| Total IBL | 14.6 | 8.3 | 11.2 | 10.5 | 10.2 |
| Total liabilities | 13.3 | 9.8 | 11.4 | 11.1 | 10.6 |
| Shareholder's equity | 15.4 | 12.4 | 15.0 | 14.4 | 13.7 |
| Key ratio (%) | | | | | |
| Loan to deposits | 59.2 | 61.2 | 60.9 | 61.1 | 61.6 |
| CT1 CAR | na | 9.2 | 9.5 | 9.8 | 10.0 |
| Total CAR | 12.6 | 11.9 | 11.7 | 11.9 | 12.2 |
| NPL ratio | 1.33 | 1.20 | 1.23 | 1.27 | 1.30 |
| NPL growth | (1.7) | 1.2 | 15.0 | 15.4 | 14.9 |
| Net bad debt charge ratio | 0.9 | 0.8 | 0.7 | 0.5 | 0.6 |
| Provision to total loans | 4.4 | 4.5 | 4.5 | 4.4 | 4.4 |
| Provision coverage | 326.1 | 370.7 | 365.1 | 346.7 | 334.2 |

Source(s): Company, ABCI Securities estimates



BOC

Consolidated income statement (2012A-2016E)

| FY Ended Dec 31 (RMB mn) | 2012A | 2013A | 2014E | 2015E | 2016E |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|
| Net interest income | 256,964 | 283,585 | 318,886 | 344,646 | 377,226 |
| Non-interest income | 109,212 | 123,924 | 144,216 | 165,235 | 189,250 |
| Of which: Fees and commissions | 69,923 | 82,092 | 94,767 | 109,533 | 126,463 |
| Operating income (Topline) | 366,176 | 407,509 | 463,102 | 509,881 | 566,476 |
| Operating expenses | (160,022) | (172,314) | (193,421) | (216,793) | (241,056) |
| Amortisation | (12,289) | (13,598) | (15,230) | (17,057) | (19,104) |
| PPOP | 206,154 | 235,195 | 269,682 | 293,088 | 325,420 |
| Impairment losses on loans | (19,387) | (23,510) | (47,843) | (48,917) | (47,306) |
| Operating profit | 186,767 | 211,685 | 221,839 | 244,171 | 278,114 |
| Non-operating income | 613 | 1,092 | 1,201 | 1,309 | 1,427 |
| Profit before tax | 187,380 | 212,777 | 223,040 | 245,480 | 279,540 |
| Tax | (41,858) | (49,036) | (46,947) | (51,974) | (59,470) |
| Minority interest | (6,090) | (6,830) | (7,376) | (7,967) | (8,604) |
| Net profit | 139,432 | 156,911 | 168,716 | 185,539 | 211,466 |
| Growth (%) | | | | | |
| Net interest income | 12.7 | 10.4 | 12.4 | 8.1 | 9.5 |
| Non-interest income | 9.0 | 13.5 | 16.4 | 14.6 | 14.5 |
| Of which: Fees and commissions | 8.1 | 17.4 | 15.4 | 15.6 | 15.5 |
| Oper. income (Top line) | 11.5 | 11.3 | 13.6 | 10.1 | 11.1 |
| Operating expenses | 13.6 | 7.7 | 12.2 | 12.1 | 11.2 |
| Amortisation | 15.4 | 12.0 | 12.0 | 12.0 | 12.0 |
| PPOP | 10.0 | 14.1 | 14.7 | 8.7 | 11.0 |
| Impairment losses on loans | 0.2 | 21.3 | 103.5 | 2.2 | (3.3) |
| Operating profit | 11.1 | 13.3 | 4.8 | 10.1 | 13.9 |
| Non-operating income | 18.8 | 78.1 | 10.0 | 9.0 | 9.0 |
| Profit before tax | 11.1 | 13.6 | 4.8 | 10.1 | 13.9 |
| Tax | 9.7 | 17.1 | (4.3) | 10.7 | 14.4 |
| Minority interest | (2.2) | 8.0 | 8.0 | 8.0 | 8.0 |
| Net profit | 12.2 | 12.5 | 7.5 | 10.0 | 14.0 |
| Per share | | | | | |
| EPS | 0.50 | 0.56 | 0.60 | 0.66 | 0.76 |
| BVPS | 2.95 | 3.31 | 3.70 | 4.13 | 4.62 |
| DPS | 0.18 | 0.20 | 0.21 | 0.23 | 0.26 |
| Key ratio (%) | | | | | |
| Net interest margin | 2.15 | 2.24 | 2.26 | 2.20 | 2.18 |
| Net interest spread | 2.03 | 2.12 | 1.94 | 1.98 | 1.97 |
| Cost to income ratio | 43.7 | 42.3 | 41.8 | 42.5 | 42.6 |
| Return on average assets | 1.14 | 1.18 | 1.15 | 1.14 | 1.18 |
| Return on average equity | 18.0 | 17.9 | 17.2 | 17.0 | 17.3 |
| Effective tax rate | 22.3 | 23.0 | 21.0 | 21.2 | 21.3 |
| Dividend payout | 34.8 | 34.8 | 35.0 | 35.0 | 35.0 |

Source(s): Company, ABCI Securities estimates



BOC

Consolidated balance sheet (2012A-2016E)

| As of Dec 31 (RMB mn) | 2012A | 2013A | 2014E | 2015E | 2016E |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Cash & cash equivalent | 775,574 | 702,584 | 680,315 | 703,818 | 728,701 |
| Dues from banks | 2,381,596 | 2,792,050 | 3,152,146 | 3,514,340 | 3,878,249 |
| Investment securities | 2,210,524 | 2,256,470 | 2,333,745 | 2,471,915 | 2,613,628 |
| Net loans and advances | 6,710,040 | 7,439,742 | 8,449,158 | 9,515,911 | 10,617,000 |
| Total IEA | 12,077,734 | 13,190,846 | 14,615,364 | 16,205,984 | 17,837,578 |
| Property and equipment | 167,466 | 179,239 | 189,993 | 201,393 | 213,477 |
| Derivative assets | 40,188 | 40,823 | 41,639 | 42,472 | 43,322 |
| Other non-IEA | 395,227 | 463,391 | 553,776 | 635,330 | 728,980 |
| Total assets | 12,680,615 | 13,874,299 | 15,400,773 | 17,085,179 | 18,823,356 |
| Customer deposits | 9,173,995 | 10,097,786 | 11,482,442 | 12,925,457 | 14,377,571 |
| Due to other banks & FIs | 1,996,218 | 2,091,828 | 2,196,419 | 2,350,169 | 2,561,684 |
| Subordinated term debt | 233,178 | 254,274 | 274,616 | 296,585 | 320,312 |
| Total IBL | 11,403,391 | 12,443,888 | 13,953,478 | 15,572,211 | 17,259,567 |
| Trading liabilities | 32,457 | 36,212 | 38,023 | 39,924 | 41,920 |
| Current taxes | 34,994 | 40,031 | 48,037 | 57,645 | 69,174 |
| Deferred tax liabilities | 3,838 | 3,385 | 4,231 | 5,289 | 6,611 |
| Other liabilities | 344,393 | 389,306 | 283,830 | 214,256 | 110,651 |
| Total liabilities | 11,819,073 | 12,912,822 | 14,327,599 | 15,889,325 | 17,487,922 |
| Share capital | 279,147 | 279,365 | 279,365 | 279,365 | 279,365 |
| Reserves | 545,530 | 644,551 | 754,369 | 875,077 | 1,012,587 |
| Minority interest | 36,865 | 37,561 | 39,439 | 41,411 | 43,482 |
| Total shareholders' equity | 861,542 | 961,477 | 1,073,173 | 1,195,853 | 1,335,434 |
| Growth (%) | | | | | |
| Cash & cash equivalent | 31.2 | (9.4) | (3.2) | 3.5 | 3.5 |
| Dues from banks | (6.2) | 17.2 | 12.9 | 11.5 | 10.4 |
| Investment securities | 10.5 | 2.1 | 3.4 | 5.9 | 5.7 |
| Net loans and advances | 8.2 | 10.9 | 13.6 | 12.6 | 11.6 |
| Total IEA | 6.6 | 9.2 | 10.8 | 10.9 | 10.1 |
| Total assets | 7.2 | 9.4 | 11.0 | 10.9 | 10.2 |
| Customer deposits | 4.0 | 10.1 | 13.7 | 12.6 | 11.2 |
| Due to other banks & FIs | 16.2 | 4.8 | 5.0 | 7.0 | 9.0 |
| Subordinated term debt | 18.6 | 9.0 | 8.0 | 8.0 | 8.0 |
| Total IBL | 6.2 | 9.1 | 12.1 | 11.6 | 10.8 |
| Total liabilities | 6.7 | 9.3 | 11.0 | 10.9 | 10.1 |
| Shareholders' equity | 13.8 | 11.6 | 11.6 | 11.4 | 11.7 |
| Key ratio (%) | | | | | |
| Loan to deposits | 74.8 | 75.3 | 75.4 | 75.5 | 75.7 |
| Core CAR | 10.5 | 9.7 | 9.7 | 9.8 | 9.9 |
| Total CAR | 13.6 | 12.5 | 12.5 | 12.6 | 12.7 |
| NPL ratio | 0.95 | 0.96 | 1.04 | 1.07 | 1.10 |
| NPL growth | 3.4 | 12.0 | 22.7 | 16.3 | 14.8 |
| Net bad debt charge ratio | 0.3 | 0.3 | 0.6 | 0.5 | 0.5 |
| Provision to total loans | 2.3 | 2.2 | 2.4 | 2.5 | 2.5 |
| Provision coverage | 236.3 | 229.4 | 226.1 | 228.5 | 226.8 |

Source(s): Company, ABCI Securities estimates



BoCom

Consolidated income statement (2012A-2016E)

| FY Ended Dec 31 (RMB mn) | 2012A | 2013A | 2014E | 2015E | 2016E |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|
| Net interest income | 120,126 | 130,658 | 141,604 | 148,999 | 159,165 |
| Non-interest income | 28,058 | 34,370 | 42,368 | 51,144 | 60,366 |
| Of which: Fees and commissions | 20,882 | 25,968 | 31,531 | 37,753 | 44,500 |
| Oper income (Top line) | 148,184 | 165,028 | 183,972 | 200,143 | 219,530 |
| Operating expenses | (58,436) | (66,709) | (76,427) | (87,123) | (99,695) |
| PPOP | 89,748 | 98,319 | 107,545 | 113,020 | 119,835 |
| Impairment losses on loans | (14,537) | (18,410) | (25,343) | (21,773) | (22,456) |
| Profit before tax | 75,211 | 79,909 | 82,203 | 91,247 | 97,379 |
| Tax | (16,739) | (17,448) | (18,085) | (20,074) | (21,423) |
| Minorities & other dilutions | 103 | 166 | 174 | 183 | 192 |
| Net profit | 58,369 | 62,295 | 63,944 | 70,989 | 75,763 |
| Growth (%) | | | | | |
| Net interest income | 16.1 | 8.8 | 8.4 | 5.2 | 6.8 |
| Non-interest income | 15.5 | 22.5 | 23.3 | 20.7 | 18.0 |
| Of which: Fees and commissions | 11.9 | 24.4 | 21.4 | 19.7 | 17.9 |
| Oper income (Top line) | 16.0 | 11.4 | 11.5 | 8.8 | 9.7 |
| Operating expenses | 17.2 | 14.2 | 14.6 | 14.0 | 14.4 |
| PPOP | 15.2 | 9.6 | 9.4 | 5.1 | 6.0 |
| Impairment losses on loans | 16.5 | 26.6 | 37.7 | (14.1) | 3.1 |
| Profit before tax | 14.9 | 6.2 | 2.9 | 11.0 | 6.7 |
| Tax | 14.4 | 4.2 | 3.6 | 11.0 | 6.7 |
| Minorities & other dilutions | 25.6 | 61.2 | 5.0 | 5.0 | 5.0 |
| Net profit | 15.0 | 6.7 | 2.6 | 11.0 | 6.7 |
| Per share | | | | | |
| EPS | 0.86 | 0.84 | 0.86 | 0.96 | 1.02 |
| BVPS | 5.12 | 5.65 | 6.25 | 6.92 | 7.62 |
| DPS | 0.24 | 0.26 | 0.26 | 0.29 | 0.31 |
| Key ratio (%) | | | | | |
| Net interest margin | 2.53 | 2.44 | 2.36 | 2.23 | 2.15 |
| Net interest spread | 2.38 | 2.26 | 2.21 | 2.08 | 1.99 |
| Cost to income ratio | 39.4 | 40.4 | 41.5 | 43.5 | 45.4 |
| Return on average assets | 1.18 | 1.11 | 1.02 | 1.01 | 0.97 |
| Return on average equity | 17.9 | 15.6 | 14.5 | 14.5 | 14.0 |
| Effective tax rate | 22.3 | 21.8 | 22.0 | 22.0 | 22.0 |
| Dividend payout | 30.5 | 31.0 | 30.0 | 30.0 | 30.0 |

Source(s): Company, ABCI Securities estimates



BoCom

Consolidated balance sheet (2012A-2016E)

| As of Dec 31 (RMB mn) | 2012A | 2013A | 2014E | 2015E | 2016E |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|
| Cash & cash equivalent | 816,846 | 896,556 | 984,349 | 1,079,137 | 1,180,525 |
| Dues from banks | 520,963 | 566,429 | 664,088 | 765,529 | 873,365 |
| Investment securities | 885,779 | 1,084,904 | 1,212,658 | 1,354,105 | 1,499,647 |
| Net loans and advances | 2,879,628 | 3,193,063 | 3,531,354 | 3,906,443 | 4,302,217 |
| Total IEA | 5,103,216 | 5,740,952 | 6,392,450 | 7,105,215 | 7,855,754 |
| Property and equipment | 45,536 | 57,179 | 60,038 | 63,040 | 66,192 |
| Other non-int. earning assets | 124,627 | 162,806 | 185,505 | 211,522 | 241,351 |
| Total assets | 5,273,379 | 5,960,937 | 6,637,992 | 7,379,776 | 8,163,297 |
| Customer deposits | 3,728,412 | 4,157,833 | 4,590,912 | 5,039,560 | 5,482,613 |
| Due to other banks & FIs | 942,989 | 1,126,563 | 1,329,344 | 1,542,039 | 1,773,345 |
| Subordinated term debt | 70,000 | 82,238 | 94,574 | 105,923 | 116,515 |
| Total IBL | 4,741,401 | 5,366,634 | 6,014,830 | 6,687,522 | 7,372,473 |
| Trading liabilities | 23,060 | 28,640 | 31,504 | 34,654 | 38,120 |
| Current taxes | 7,125 | 6,107 | 6,718 | 7,389 | 8,128 |
| Deferred tax liabilities | 5 | 18 | 19 | 20 | 21 |
| Other liabilities | 120,341 | 138,054 | 118,296 | 133,602 | 175,953 |
| Total liabilities | 4,891,932 | 5,539,453 | 6,171,367 | 6,863,187 | 7,594,694 |
| Share capital | 74,263 | 74,263 | 74,263 | 74,263 | 74,263 |
| Capital surplus | 305,655 | 345,298 | 390,248 | 439,999 | 491,780 |
| Minorities | 1,529 | 1,923 | 2,115 | 2,327 | 2,560 |
| Shareholder's equity | 381,447 | 421,484 | 466,626 | 516,589 | 568,603 |
| Growth (%) | | | | | |
| Cash & cash equivalent | 10.8 | 9.8 | 9.8 | 9.6 | 9.4 |
| Dues from banks | 17.5 | 8.7 | 17.2 | 15.3 | 14.1 |
| Investment securities | 10.0 | 22.5 | 11.8 | 11.7 | 10.7 |
| Net loans and advances | 14.9 | 10.9 | 10.6 | 10.6 | 10.1 |
| Total IEA | 13.6 | 12.5 | 11.3 | 11.2 | 10.6 |
| Total assets | 14.4 | 13.0 | 11.4 | 11.2 | 10.6 |
| Customer deposits | 13.6 | 11.5 | 10.4 | 9.8 | 8.8 |
| Due to other banks & FIs | 10.4 | 19.5 | 18.0 | 16.0 | 15.0 |
| Subordinated term debt | (14.4) | 17.5 | 15.0 | 12.0 | 10.0 |
| Total IBL | 12.4 | 13.2 | 12.1 | 11.2 | 10.2 |
| Total liabilities | 12.8 | 13.2 | 11.4 | 11.2 | 10.7 |
| Shareholder's equity | 39.8 | 10.5 | 10.7 | 10.7 | 10.1 |
| Key ratio (%) | | | | | |
| Loan to deposits | 79.0 | 78.6 | 78.9 | 79.5 | 80.5 |
| CT1 CAR | na | 9.8 | 9.3 | 9.2 | 9.2 |
| Total CAR | 14.1 | 12.1 | 11.6 | 11.5 | 11.5 |
| NPL ratio | 0.92 | 0.98 | 1.02 | 1.02 | 1.02 |
| NPL growth | 22.8 | 18.8 | 15.1 | 10.7 | 10.1 |
| Net bad debt charge ratio | 0.5 | 0.6 | 0.7 | 0.6 | 0.5 |
| Provision to total loans | 2.3 | 2.2 | 2.5 | 2.6 | 2.6 |
| Provision coverage | 250.7 | 228.7 | 245.4 | 250.4 | 250.4 |

Source(s): Company, ABCI Securities estimates



MSB

Consolidated income statement (2012A-2016E)

| FY Ended Dec 31 (RMB mn) | 2012A | 2013A | 2014E | 2015E | 2016E |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|
| Net interest income | 77,153 | 83,033 | 90,703 | 96,389 | 102,111 |
| Non-interest income | 25,708 | 33,069 | 40,904 | 49,444 | 60,004 |
| Of which: Fees and commissions | 20,523 | 29,956 | 37,441 | 45,509 | 55,528 |
| Oper. income (Top line) | 102,861 | 116,102 | 131,607 | 145,833 | 162,115 |
| Operating expenses | (41,301) | (43,848) | (50,098) | (56,460) | (63,072) |
| Amortisation | (1,588) | (2,114) | (2,854) | (3,710) | (4,638) |
| PPOP | 59,972 | 70,140 | 78,655 | 85,664 | 94,406 |
| Impairment loans losses | (9,320) | (12,989) | (18,358) | (18,830) | (18,948) |
| Profit before tax | 50,652 | 57,151 | 60,297 | 66,833 | 75,457 |
| Tax | (12,344) | (13,869) | (13,868) | (15,372) | (17,355) |
| Minority interests | (745) | (1,004) | (1,255) | (1,569) | (1,961) |
| Net profit | 37,563 | 42,278 | 45,174 | 49,893 | 56,141 |
| Growth (%) | | | | | |
| Net interest income | 19.0 | 7.6 | 9.2 | 6.3 | 5.9 |
| Non-interest income | 48.0 | 28.6 | 23.7 | 20.9 | 21.4 |
| Of which: Fees and commissions | 35.9 | 46.0 | 25.0 | 21.5 | 22.0 |
| Oper. income (Top line) | 25.1 | 12.9 | 13.4 | 10.8 | 11.2 |
| Operating expenses | 16.8 | 6.2 | 14.3 | 12.7 | 11.7 |
| Amortisation | 22.8 | 33.1 | 35.0 | 30.0 | 25.0 |
| PPOP | 31.7 | 17.0 | 12.1 | 8.9 | 10.2 |
| Impairment loans losses | 11.3 | 39.4 | 41.3 | 2.6 | 0.6 |
| Profit before tax | 36.3 | 12.8 | 5.5 | 10.8 | 12.9 |
| Tax | 41.4 | 12.4 | (0.0) | 10.8 | 12.9 |
| Minority interests | 42.4 | 34.8 | 25.0 | 25.0 | 25.0 |
| Net profit | 34.5 | 12.6 | 6.8 | 10.4 | 12.5 |
| Per share | | | | | |
| EPS | 1.41 | 1.58 | 1.69 | 1.87 | 2.10 |
| BVPS | 5.75 | 5.97 | 7.04 | 8.22 | 9.39 |
| DPS | 0.30 | 0.22 | 0.27 | 0.29 | 0.33 |
| Key ratio (%) | | | | | |
| Net interest margin | 2.94 | 2.49 | 2.63 | 2.62 | 2.49 |
| Net interest spread | 2.76 | 2.31 | 2.58 | 2.47 | 2.33 |
| Cost to income ratio | 40.2 | 37.8 | 38.1 | 38.7 | 38.9 |
| Return on average assets | 1.38 | 1.31 | 1.31 | 1.27 | 1.28 |
| Return on average equity | 25.7 | 23.1 | 20.4 | 19.2 | 18.7 |
| Effective tax rate | 24.4 | 23.0 | 23.0 | 23.0 | 23.0 |
| Dividend payout | 22.7 | 17.3 | 20.0 | 20.0 | 20.0 |

Source(s): Company, ABCI Securities estimates



MSB

Consolidated balance sheet (2012A-2016E)

| As of Dec 31 (RMB mn) | 2012A | 2013A | 2014E | 2015E | 2016E |
|-----------------------------------|------------------|------------------|------------------|------------------|------------------|
| Cash & cash equivalent | 420,418 | 433,802 | 496,757 | 554,548 | 598,705 |
| Dues from banks & non-bank FI | 1,048,905 | 767,335 | 856,434 | 937,411 | 1,009,464 |
| Investment securities | 243,520 | 306,722 | 356,403 | 409,533 | 461,678 |
| Net loans and advances | 1,351,512 | 1,539,447 | 1,765,984 | 2,005,035 | 2,248,450 |
| Total IEA | 3,064,355 | 3,047,306 | 3,475,579 | 3,906,527 | 4,318,297 |
| Property and equipment | 13,631 | 24,102 | 27,958 | 32,152 | 36,975 |
| Other non-int. earn assets | 134,015 | 154,802 | 186,990 | 223,884 | 268,075 |
| Total assets | 3,212,001 | 3,226,210 | 3,690,527 | 4,162,563 | 4,623,347 |
| Customer deposits | 1,926,194 | 2,146,689 | 2,480,608 | 2,798,483 | 3,126,141 |
| Due to other banks & FIs | 849,397 | 655,512 | 721,063 | 778,748 | 833,261 |
| Subordinated term debt and others | 74,969 | 91,968 | 105,763 | 121,628 | 139,872 |
| Total IBL | 2,850,560 | 2,894,169 | 3,307,434 | 3,698,859 | 4,099,273 |
| Current taxes | 3,263 | 2,475 | 3,020 | 3,623 | 4,348 |
| Other liabilities | 189,634 | 125,279 | 133,052 | 172,172 | 191,489 |
| Total liabilities | 3,043,457 | 3,021,923 | 3,443,506 | 3,874,655 | 4,295,110 |
| Share capital | 28,366 | 34,040 | 34,040 | 34,040 | 34,040 |
| Reserves | 134,711 | 169,346 | 205,748 | 245,912 | 285,446 |
| Minorities | 5,467 | 6,575 | 7,233 | 7,956 | 8,751 |
| Shareholder's equity | 168,544 | 209,961 | 247,021 | 287,908 | 328,237 |
| Growth (%) | | | | | |
| Cash & cash equivalent | 26.3 | 3.2 | 14.5 | 11.6 | 8.0 |
| Dues from banks & non-bank FI | 155.1 | (26.8) | 11.6 | 9.5 | 7.7 |
| Investment securities | 15.1 | 26.0 | 16.2 | 14.9 | 12.7 |
| Net loans and advances | 14.7 | 13.9 | 14.7 | 13.5 | 12.1 |
| Total IEA | 43.6 | (0.6) | 14.1 | 12.4 | 10.5 |
| Total Assets | 44.1 | 0.4 | 14.4 | 12.8 | 11.1 |
| Customer deposits | 17.1 | 11.4 | 15.6 | 12.8 | 11.7 |
| Due to other banks & FIs | 165.2 | (22.8) | 10.0 | 8.0 | 7.0 |
| Subordinated term debt and others | 141.6 | 22.7 | 15.0 | 15.0 | 15.0 |
| Total IBL | 42.8 | 1.5 | 14.3 | 11.8 | 10.8 |
| Total liabilities | 45.3 | (0.7) | 14.0 | 12.5 | 10.9 |
| Shareholder's equity | 25.7 | 24.6 | 17.7 | 16.6 | 14.0 |
| Key ratio (%) | | | | | |
| Loan to deposits | 71.9 | 73.3 | 72.9 | 73.4 | 73.8 |
| CT1 CAR | na | 8.7 | 9.2 | 9.6 | 9.8 |
| Total CAR | 10.8 | 10.7 | 11.3 | 11.7 | 12.0 |
| NPL ratio | 0.76 | 0.85 | 1.35 | 1.35 | 1.35 |
| NPL growth | 39.6 | 27.4 | 28.1 | 19.6 | 12.3 |
| Net bad debt charge ratio | 0.6 | 0.9 | 1.1 | 1.0 | 0.9 |
| Provision to total loans | 2.4 | 2.2 | 2.3 | 2.4 | 2.5 |
| Provision coverage | 314.5 | 259.7 | 242.1 | 240.0 | 250.0 |

Source(s): Company, ABCI Securities estimates



CMB

Consolidated income statement (2012A-2016E)

| FY Ended Dec 31 (RMB mn) | 2012A | 2013A | 2014E | 2015E | 2016E |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Net interest income | 88,374 | 98,913 | 106,010 | 116,920 | 133,568 |
| Non-interest income | 25,380 | 34,117 | 48,050 | 61,737 | 74,242 |
| Of which: Fees and commissions | 19,739 | 29,184 | 42,910 | 56,456 | 68,927 |
| Operating income (Topline) | 113,754 | 133,030 | 154,060 | 178,657 | 207,810 |
| Operating expenses | (48,677) | (54,475) | (60,520) | (67,924) | (76,451) |
| PPOP | 65,077 | 78,555 | 93,539 | 110,733 | 131,359 |
| Impairment losses on loans | (5,583) | (10,218) | (19,158) | (23,889) | (30,889) |
| Operating profit | 59,494 | 68,337 | 74,382 | 86,844 | 100,470 |
| Non-operating income | 64 | 88 | 97 | 106 | 117 |
| Profit before tax | 59,558 | 68,425 | 74,479 | 86,951 | 100,587 |
| Tax | (14,287) | (16,683) | (17,130) | (19,999) | (23,135) |
| Minority interest | (4) | 1 | 1 | 1 | 1 |
| Net profit | 45,267 | 51,743 | 57,350 | 66,953 | 77,453 |
| Growth (%) | | | | | |
| Net interest income | 15.8 | 11.9 | 7.2 | 10.3 | 14.2 |
| Of which: Fees and commissions | 26.3 | 47.8 | 47.0 | 31.6 | 22.1 |
| Operating income (Top line) | 17.8 | 16.9 | 15.8 | 16.0 | 16.3 |
| Operating expenses | 18.2 | 11.9 | 11.1 | 12.2 | 12.6 |
| PPOP | 17.4 | 20.7 | 19.1 | 18.4 | 18.6 |
| Impairment losses on loans | (33.1) | 83.0 | 87.5 | 24.7 | 29.3 |
| Operating profit | 26.4 | 14.9 | 8.8 | 16.8 | 15.7 |
| Non-operating income | 1.6 | 37.5 | 10.0 | 10.0 | 10.0 |
| Profit before tax | 26.4 | 14.9 | 8.8 | 16.7 | 15.7 |
| Tax | 29.9 | 16.8 | 2.7 | 16.7 | 15.7 |
| Minority interest | (300.0) | (125.0) | 10.0 | 10.0 | 10.0 |
| Net profit | 25.3 | 14.3 | 10.8 | 16.7 | 15.7 |
| Per share (RMB) | | | | | |
| EPS | 2.10 | 2.21 | 2.27 | 2.65 | 3.07 |
| BVPS | 9.28 | 10.53 | 12.34 | 14.27 | 16.49 |
| DPS | 0.63 | 0.62 | 0.68 | 0.80 | 0.92 |
| Key ratio (%) | | | | | |
| Net interest margin | 3.03 | 2.82 | 2.62 | 2.44 | 2.37 |
| Net interest spread | 2.87 | 2.64 | 2.61 | 2.55 | 2.46 |
| Cost to income ratio | 42.8 | 40.9 | 39.3 | 38.0 | 36.8 |
| Return on average assets | 1.46 | 1.39 | 1.30 | 1.28 | 1.26 |
| Return on average equity | 24.8 | 22.2 | 19.9 | 20.0 | 20.0 |
| Effective tax rate | 23.0 | 23.0 | 23.0 | 23.0 | 23.0 |
| Dividend payout | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 |

Source(s): Company, ABCI Securities estimates



CMB

Consolidated balance sheet (2012A-2016E)

| As of Dec 31 (RMB mn) | 2012A | 2013A | 2014E | 2015E | 2016E |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|
| Cash & cash equivalent | 752,285 | 562,722 | 693,044 | 823,307 | 977,731 |
| Dues from banks & non-bank FI | 210,385 | 466,952 | 579,248 | 703,070 | 853,410 |
| Investment securities | 518,471 | 757,476 | 843,120 | 932,623 | 1,022,384 |
| Net loans and advances | 1,863,325 | 2,148,330 | 2,577,928 | 3,071,278 | 3,637,884 |
| Total IEA | 3,344,466 | 3,935,480 | 4,693,341 | 5,530,278 | 6,491,409 |
| Property and equipment | 22,030 | 25,900 | 28,490 | 31,054 | 33,538 |
| Other non-int. earn assets | 41,603 | 55,019 | 67,967 | 81,097 | 96,783 |
| Total assets | 3,408,099 | 4,016,399 | 4,789,798 | 5,642,430 | 6,621,730 |
| Customer deposits | 2,545,457 | 2,796,217 | 3,408,733 | 4,025,787 | 4,682,192 |
| Due to other banks & FIs | 526,460 | 792,478 | 950,974 | 1,122,149 | 1,301,693 |
| Subordinated term debt | 64,098 | 47,995 | 52,795 | 58,074 | 65,043 |
| Total IBL | 3,145,614 | 3,666,816 | 4,447,146 | 5,247,584 | 6,100,895 |
| Current taxes | 6,679 | 8,722 | 9,158 | 10,074 | 11,585 |
| Deferred tax liabilities | 813 | 770 | 770 | 770 | 770 |
| Other liabilities | 54,592 | 74,135 | 20,948 | 23,518 | 92,041 |
| Total liabilities | 3,207,698 | 3,750,443 | 4,478,022 | 5,281,946 | 6,205,291 |
| Share capital | 21,577 | 25,220 | 25,220 | 25,220 | 25,220 |
| Reserves | 178,751 | 240,245 | 286,040 | 334,723 | 390,651 |
| Minorities | 73 | 491 | 516 | 541 | 568 |
| Shareholder's equity | 200,401 | 265,956 | 311,776 | 360,484 | 416,439 |
| Growth (%) | | | | | |
| Cash & cash equivalent | 59.6 | (25.2) | 23.2 | 18.8 | 18.8 |
| Dues from banks & non-bank FI | 2.4 | 122.0 | 24.0 | 21.4 | 21.4 |
| Investment securities | 12.9 | 46.1 | 11.3 | 10.6 | 9.6 |
| Net loans and advances | 16.1 | 15.3 | 20.0 | 19.1 | 18.4 |
| Total IEA | 22.1 | 17.7 | 19.3 | 17.8 | 17.4 |
| Total Assets | 21.9 | 17.8 | 19.3 | 17.8 | 17.4 |
| Customer deposits | 13.9 | 9.9 | 21.9 | 18.1 | 16.3 |
| Due to other banks & FIs | 67.0 | 50.5 | 20.0 | 18.0 | 16.0 |
| Subordinated term debt | 105.5 | (25.1) | 10.0 | 10.0 | 12.0 |
| Total IBL | 21.6 | 16.6 | 21.3 | 18.0 | 16.3 |
| Total liabilities | 22.0 | 16.9 | 19.4 | 18.0 | 17.5 |
| Shareholder's equity | 21.4 | 32.7 | 17.2 | 15.6 | 15.5 |
| Key ratio (%) | | | | | |
| Loan to deposits | 74.8 | 78.6 | 77.5 | 78.2 | 79.8 |
| CT1 CAR | na | 9.3 | 9.2 | 9.1 | 9.0 |
| Total CAR | 12.1 | 11.1 | 11.2 | 11.1 | 11.0 |
| NPL ratio | 0.61 | 0.95 | 0.91 | 0.94 | 0.98 |
| NPL growth | 27.5 | 78.0 | 15.0 | 24.3 | 23.3 |
| Net bad debt charge ratio | 0.3 | 0.5 | 0.8 | 0.8 | 0.9 |
| Provision to total loans | 2.2 | 2.2 | 2.4 | 2.5 | 2.6 |
| Provision coverage | 351.8 | 234.2 | 264.8 | 264.6 | 264.7 |

Source(s): Company, ABCI Securities estimates



CITICB

Consolidated income statement (2012A-2016E)

| FY Ended Dec 31 (RMB mn) | 2012A | 2013A | 2014E | 2015E | 2016E |
|----------------------------------|---------------|----------------|----------------|----------------|----------------|
| Net interest income | 75,486 | 85,688 | 86,828 | 96,894 | 109,651 |
| Non-interest income | 14,225 | 19,125 | 27,801 | 36,585 | 45,244 |
| Of which: Fees and commissions | 11,210 | 16,811 | 25,246 | 33,764 | 42,422 |
| Oper income (Top line) | 89,711 | 104,813 | 114,629 | 133,479 | 154,895 |
| Operating expenses | (34,470) | (39,796) | (45,375) | (51,601) | (58,739) |
| Amortisation | (509) | (639) | (767) | (905) | (1,050) |
| PPOP | 54,732 | 64,378 | 68,487 | 80,974 | 95,106 |
| Impairment losses on loans | (13,104) | (11,940) | (14,351) | (18,591) | (21,402) |
| Operating profit | 41,628 | 52,438 | 54,136 | 62,383 | 73,703 |
| Non-oper. Income (Associate inc) | (19) | 111 | 128 | 147 | 169 |
| Profit before tax | 41,609 | 52,549 | 54,264 | 62,530 | 73,872 |
| Tax | (10,224) | (15,832) | (14,109) | (16,258) | (19,207) |
| Minorities & other dilutions | 353 | 542 | 569 | 598 | 627 |
| Net profit | 31,032 | 36,175 | 39,586 | 45,674 | 54,038 |
| Growth (%) | | | | | |
| Net interest income | 15.9 | 13.5 | 1.3 | 11.6 | 13.2 |
| Non-interest income | 18.7 | 34.4 | 45.4 | 31.6 | 23.7 |
| Of which: Fees and commissions | 26.9 | 50.0 | 50.2 | 33.7 | 25.6 |
| Oper income (Top line) | 16.4 | 16.8 | 9.4 | 16.4 | 16.0 |
| Operating expenses | 23.3 | 15.5 | 14.0 | 13.7 | 13.8 |
| Amortisation | 19.8 | 25.5 | 20.0 | 18.0 | 16.0 |
| PPOP | 12.4 | 17.6 | 6.4 | 18.2 | 17.5 |
| Impairment losses on loans | 81.8 | (8.9) | 20.2 | 29.5 | 15.1 |
| Operating profit | 0.3 | 26.0 | 3.2 | 15.2 | 18.1 |
| Non-oper. Income (Associate inc) | (122.1) | (684.2) | 15.0 | 15.0 | 15.0 |
| Profit before tax | 0.0 | 26.3 | 3.3 | 15.2 | 18.1 |
| Tax | (4.9) | 54.9 | (10.9) | 15.2 | 18.1 |
| Minorities & other dilutions | 1,312.0 | 53.5 | 5.0 | 5.0 | 5.0 |
| Net profit | 0.7 | 16.6 | 9.4 | 15.4 | 18.3 |
| Per share (RMB) | | | | | |
| EPS | 0.66 | 0.77 | 0.85 | 0.98 | 1.15 |
| BVPS | 4.24 | 4.82 | 5.51 | 6.29 | 7.21 |
| DPS | 0.15 | 0.25 | 0.25 | 0.29 | 0.35 |
| Key ratio (%) | | | | | |
| Net interest margin | 2.81 | 2.60 | 2.44 | 2.33 | 2.26 |
| Net interest spread | 2.60 | 2.40 | 2.32 | 2.20 | 2.11 |
| Cost to income ratio | 39.0 | 38.6 | 40.3 | 39.3 | 38.6 |
| Return on average assets | 1.08 | 1.10 | 1.00 | 0.98 | 1.01 |
| Return on average equity | 16.6 | 17.1 | 16.4 | 16.5 | 17.1 |
| Effective tax rate | 26.0 | 26.0 | 26.0 | 26.0 | 26.0 |
| Dividend payout | 22.6 | 32.6 | 30.0 | 30.0 | 30.0 |

Source(s): Company, ABCI Securities estimates



CITICB

Consolidated balance sheet (2012A-2016E)

| As of Dec 31 (RMB mn) | 2012A | 2013A | 2014E | 2015E | 2016E |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|
| Cash & cash equivalent | 428,167 | 496,476 | 578,624 | 669,948 | 770,388 |
| Dues from banks | 457,476 | 540,792 | 655,706 | 788,301 | 941,113 |
| Investment securities | 344,148 | 343,827 | 377,815 | 416,221 | 461,905 |
| Net loans and advances | 1,627,576 | 1,899,921 | 2,233,263 | 2,614,690 | 3,041,922 |
| Total IEA | 2,857,367 | 3,281,016 | 3,845,408 | 4,489,160 | 5,215,327 |
| Property and equipment | 11,853 | 14,011 | 16,533 | 19,344 | 22,439 |
| Trading assets | 4,160 | 7,749 | 11,624 | 16,854 | 23,596 |
| Other non-int. earning assets | 86,559 | 338,417 | 413,543 | 464,265 | 502,744 |
| Total assets | 2,959,939 | 3,641,193 | 4,287,108 | 4,989,622 | 5,764,105 |
| Customer deposits | 2,255,141 | 2,651,678 | 3,145,047 | 3,663,255 | 4,236,997 |
| Due to other banks & FIs | 399,734 | 609,568 | 719,290 | 834,377 | 959,533 |
| Subordinated term debt | 56,402 | 79,869 | 91,849 | 102,871 | 113,158 |
| Total IBL | 2,711,277 | 3,341,115 | 3,956,186 | 4,600,503 | 5,309,689 |
| Trading liabilities | 3,412 | 6,853 | 7,675 | 8,827 | 10,151 |
| Current taxes | 4,558 | 4,355 | 5,226 | 6,533 | 8,166 |
| Other liabilities | 37,606 | 58,145 | 54,947 | 73,705 | 92,833 |
| Total liabilities | 2,756,853 | 3,410,468 | 4,024,035 | 4,689,567 | 5,420,838 |
| Share capital | 46,787 | 46,787 | 46,787 | 46,787 | 46,787 |
| Reserve | 151,569 | 178,814 | 210,906 | 247,619 | 290,549 |
| MI | 4,730 | 5,124 | 5,380 | 5,649 | 5,932 |
| Shareholder's equity | 203,086 | 230,725 | 263,073 | 300,055 | 343,268 |
| Growth (%) | | | | | |
| Cash & cash equivalent | 16.9 | 16.0 | 16.5 | 15.8 | 15.0 |
| Dues from banks | (34.6) | 18.2 | 21.2 | 20.2 | 19.4 |
| Investment securities | 37.0 | (0.1) | 9.9 | 10.2 | 11.0 |
| Net loans and advances | 15.4 | 16.7 | 17.5 | 17.1 | 16.3 |
| Total IEA | 4.7 | 14.8 | 17.2 | 16.7 | 16.2 |
| Total assets | 7.0 | 23.0 | 17.7 | 16.4 | 15.5 |
| Customer deposits | 14.6 | 17.6 | 18.6 | 16.5 | 15.7 |
| Due to other banks & FIs | (27.3) | 52.5 | 18.0 | 16.0 | 15.0 |
| Subordinated term debt | 67.2 | 41.6 | 15.0 | 12.0 | 10.0 |
| Total IBL | 6.2 | 23.2 | 18.4 | 16.3 | 15.4 |
| Total liabilities | 6.6 | 23.7 | 18.0 | 16.5 | 15.6 |
| Shareholder's equity | 13.6 | 13.6 | 14.0 | 14.1 | 14.4 |
| Key ratio (%) | | | | | |
| Loan to deposits | 73.7 | 73.2 | 72.6 | 73.1 | 73.6 |
| CT1 CAR | na | 8.8 | 8.6 | 8.4 | 8.4 |
| Total CAR | 13.4 | 11.2 | 10.9 | 10.8 | 10.7 |
| NPL ratio | 0.74 | 1.03 | 1.14 | 1.21 | 1.26 |
| NPL growth | 43.5 | 62.9 | 30.1 | 24.7 | 21.7 |
| Net bad debt charge ratio | 0.8 | 0.6 | 0.6 | 0.7 | 0.7 |
| Provision to total loans | 2.1 | 2.1 | 2.3 | 2.4 | 2.5 |
| Provision coverage | 288.2 | 206.6 | 197.9 | 198.5 | 197.8 |

Source(s): Company, ABCI Securities estimates



CEB

Consolidated income statement (2012A-2016E)

| FY Ended Dec 31 (RMB mn) | 2012A | 2013A | 2014E | 2015E | 2016E |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Net interest income | 50,263 | 50,862 | 57,576 | 65,013 | 73,599 |
| Non-interest income | 9,807 | 14,665 | 18,366 | 22,177 | 25,837 |
| Of which: Fees and commissions | 9,479 | 14,952 | 18,712 | 22,613 | 26,403 |
| Operating income | 60,070 | 65,527 | 75,942 | 87,190 | 99,436 |
| Operating expenses | (22,685) | (26,473) | (30,828) | (36,031) | (42,434) |
| Pre-provision operating profit | 37,385 | 39,054 | 45,114 | 51,159 | 57,002 |
| Impairment loans losses | (5,795) | (4,633) | (7,549) | (9,105) | (12,357) |
| Profit before tax | 31,590 | 34,421 | 37,565 | 42,055 | 44,645 |
| Tax | (7,970) | (7,667) | (9,391) | (10,514) | (11,161) |
| Minority interests | (29) | (39) | (43) | (47) | (52) |
| Net profit | 23,591 | 26,715 | 28,131 | 31,494 | 33,432 |
| Growth (%) | | | | | |
| Net interest income | 27.4 | 1.2 | 13.2 | 12.9 | 13.2 |
| Non-interest income | 38.9 | 49.5 | 25.2 | 20.8 | 16.5 |
| Of which: Fees and commissions | 35.9 | 57.7 | 25.1 | 20.8 | 16.8 |
| Operating income | 29.2 | 9.1 | 15.9 | 14.8 | 14.0 |
| Operating expenses | 24.5 | 16.7 | 16.5 | 16.9 | 17.8 |
| Pre-provision operating profit | 32.2 | 4.5 | 15.5 | 13.4 | 11.4 |
| Impairment loans losses | 56.7 | (20.1) | 62.9 | 20.6 | 35.7 |
| Profit before tax | 28.2 | 9.0 | 9.1 | 12.0 | 6.2 |
| Tax | 30.1 | (3.8) | 22.5 | 12.0 | 6.2 |
| Minority interests | 70.6 | 34.5 | 10.0 | 10.0 | 10.0 |
| Net profit | 27.6 | 13.2 | 5.3 | 12.0 | 6.2 |
| Per share (RMB) | | | | | |
| EPS | 0.58 | 0.62 | 0.65 | 0.73 | 0.77 |
| BVPS | 2.82 | 3.30 | 3.71 | 4.19 | 4.70 |
| DPS | 0.06 | 0.17 | 0.18 | 0.20 | 0.21 |
| Key ratio (%) | | | | | |
| Net interest margin | 2.56 | 2.16 | 2.29 | 2.24 | 2.19 |
| Net interest spread | 2.35 | 1.95 | 2.06 | 1.84 | 1.71 |
| Cost to income ratio | 37.8 | 40.4 | 40.6 | 41.3 | 42.7 |
| Return on average assets | 1.18 | 1.14 | 1.07 | 1.03 | 0.95 |
| Return on average equity | 23.6 | 20.0 | 17.3 | 17.1 | 16.1 |
| Effective tax rate | 25.2 | 25.0 | 25.0 | 25.0 | 25.0 |
| Dividend payout | 9.9 | 30.1 | 30.0 | 30.0 | 30.0 |

Source(s): Company, ABCI Securities estimates



CEB

Consolidated balance sheet (2012A-2016E)

| As of Dec 31 (RMB mn) | 2012A | 2013A | 2014E | 2015E | 2016E |
|---|------------------|------------------|------------------|------------------|------------------|
| Cash & bank | 285,478 | 312,643 | 366,718 | 434,136 | 513,018 |
| Due from banks & FIs | 413,724 | 360,626 | 455,476 | 533,166 | 620,481 |
| Investment securities | 480,061 | 494,927 | 590,461 | 705,631 | 838,788 |
| Net loans and advances | 997,331 | 1,142,138 | 1,292,332 | 1,460,860 | 1,649,047 |
| Total interest earning assets | 2,176,594 | 2,310,334 | 2,704,988 | 3,133,793 | 3,621,335 |
| Property and equipment | 11,869 | 12,629 | 13,639 | 14,730 | 15,909 |
| Other non-interest earning assets | 90,832 | 92,123 | 106,544 | 123,047 | 141,831 |
| Total assets | 2,279,295 | 2,415,086 | 2,825,171 | 3,271,571 | 3,779,074 |
| Customer deposits | 1,426,941 | 1,605,278 | 1,835,905 | 2,084,519 | 2,350,431 |
| Due to other banks & FIs | 527,561 | 438,604 | 504,395 | 575,010 | 649,761 |
| Subordinated term debts | 52,700 | 42,247 | 59,146 | 68,018 | 78,220 |
| Total interest bearing liabilities | 2,007,202 | 2,086,129 | 2,399,445 | 2,727,547 | 3,078,412 |
| Current taxes | 3,174 | 2,605 | 3,074 | 3,596 | 4,172 |
| Other liabilities | 154,597 | 173,300 | 249,166 | 344,540 | 476,824 |
| Total liabilities | 2,164,973 | 2,262,034 | 2,651,685 | 3,075,683 | 3,559,408 |
| Share capital | 40,435 | 46,277 | 46,679 | 46,679 | 46,679 |
| Reserves | 73,743 | 106,562 | 126,541 | 148,876 | 172,571 |
| Minorities | 144 | 213 | 266 | 333 | 416 |
| Shareholder's equity | 114,322 | 153,052 | 173,486 | 195,888 | 219,666 |
| Growth (%) | | | | | |
| Cash & bank | 24.8 | 9.5 | 17.3 | 18.4 | 18.2 |
| Due from banks & FIs | 5.0 | (12.8) | 26.3 | 17.1 | 16.4 |
| Investment securities | 193.7 | 3.1 | 19.3 | 19.5 | 18.9 |
| Net loans and advances | 14.8 | 14.5 | 13.2 | 13.0 | 12.9 |
| Total interest earning assets | 31.5 | 6.1 | 17.1 | 15.9 | 15.6 |
| Total assets | 31.5 | 6.0 | 17.0 | 15.8 | 15.5 |
| Customer deposits | 16.5 | 12.5 | 14.4 | 13.5 | 12.8 |
| Due to other banks & FIs | 77.0 | (16.9) | 15.0 | 14.0 | 13.0 |
| Subordinated term debts | 229.4 | (19.8) | 40.0 | 15.0 | 15.0 |
| Total interest bearing liabilities | 30.4 | 3.9 | 15.0 | 13.7 | 12.9 |
| Total liabilities | 32.2 | 4.5 | 17.2 | 16.0 | 15.7 |
| Shareholder's equity | 18.9 | 33.9 | 13.4 | 12.9 | 12.1 |
| Key ratio (%) | | | | | |
| Loan to deposit ratio | 71.7 | 72.7 | 71.9 | 71.7 | 72.0 |
| CT1 CAR | 8.0 | 9.1 | 8.8 | 8.6 | 8.3 |
| Total CAR | 11.0 | 10.6 | 10.3 | 10.0 | 9.7 |
| NPL ratio | 0.74 | 0.86 | 1.12 | 1.13 | 1.15 |
| NPL growth | 32.9 | 31.7 | 46.8 | 14.8 | 15.6 |
| Net bad debt charge ratio | 0.66 | 0.61 | 0.61 | 0.65 | 0.78 |
| Provision to total loans | 2.53 | 2.07 | 2.10 | 2.25 | 2.50 |
| Provision coverage ratio | 339.6 | 241.0 | 188.3 | 199.1 | 216.5 |

Source(s): Company, ABCI Securities estimates



HB

Consolidated income statement (2012A-2016E)

| FY Ended Dec 31 (RMB mn) | 2012A | 2013A | 2014E | 2015E | 2016E |
|--------------------------|--------------|---------------|---------------|---------------|---------------|
| Net interest income | 8,569 | 9,602 | 10,949 | 11,872 | 12,850 |
| Net fee and commission | 396 | 540 | 782 | 1,095 | 1,479 |
| Other operating income | 270 | 31 | 43 | 58 | 79 |
| Operating income | 9,235 | 10,173 | 11,775 | 13,026 | 14,408 |
| Operating expenses | (3,132) | (3,386) | (3,894) | (4,479) | (5,150) |
| Impairment losses | (458) | (435) | (1,053) | (970) | (1,114) |
| Share of associates | 35 | 48 | 55 | 64 | 73 |
| Profit before tax | 5,680 | 6,399 | 6,883 | 7,640 | 8,216 |
| Income tax expenses | (1,374) | (1,473) | (1,652) | (1,834) | (1,972) |
| Net profit | 4,306 | 4,926 | 5,231 | 5,807 | 6,244 |
| Growth (%) | | | | | |
| Net interest income | 20.9 | 12.1 | 14.0 | 8.4 | 8.2 |
| Net fee and commission | (4.1) | 36.3 | 45.0 | 40.0 | 35.0 |
| Operating income | 20.7 | 10.2 | 15.8 | 10.6 | 10.6 |
| Operating expenses | 25.3 | 8.1 | 15.0 | 15.0 | 15.0 |
| Impairment losses | (20.9) | (4.9) | 141.9 | (7.8) | 14.8 |
| Share of associates | 10.4 | 37.0 | 15.0 | 15.0 | 15.0 |
| Profit before tax | 23.4 | 12.7 | 7.6 | 11.0 | 7.5 |
| Income tax expenses | 23.6 | 7.2 | 12.2 | 11.0 | 7.5 |
| Net profit | 23.3 | 14.4 | 6.2 | 11.0 | 7.5 |
| Per share (RMB) | | | | | |
| EPS | 0.53 | 0.59 | 0.47 | 0.53 | 0.57 |
| BVPS | 2.51 | 2.87 | 3.38 | 3.90 | 4.44 |
| DPS | 0.10 | 0.00 | 0.12 | 0.14 | 0.16 |
| Key ratio (%) | | | | | |
| Net interest margin | 3.03 | 2.63 | 2.66 | 2.54 | 2.44 |
| Net interest spread | 2.88 | 2.44 | 2.33 | 2.20 | 2.10 |
| Cost to income ratio | 33.9 | 33.3 | 33.1 | 34.4 | 35.7 |
| Return on average assets | 1.48 | 1.39 | 1.28 | 1.25 | 1.20 |
| Return on average equity | 22.93 | 18.89 | 15.15 | 14.44 | 13.56 |
| Effective tax rate | 24.2 | 24.0 | 24.0 | 24.0 | 24.0 |
| Dividend payout | 19.0 | 0.0 | 25.0 | 26.0 | 28.0 |

Source(s): Company, ABCI Securities estimates



HB

Consolidated balance sheet (2012A-2016E)

| As of Dec 31 (RMB mn) | 2012A | 2013A | 2014E | 2015E | 2016E |
|---------------------------|----------------|----------------|----------------|----------------|----------------|
| Cash and bank | 57,649 | 76,178 | 87,605 | 98,118 | 107,930 |
| Due from bank and FIs | 44,845 | 48,964 | 53,861 | 58,708 | 63,992 |
| Net loans | 159,941 | 191,280 | 220,563 | 253,208 | 290,141 |
| Investment securities | 57,056 | 60,266 | 67,091 | 73,759 | 80,817 |
| Total IEA | 319,492 | 376,689 | 429,120 | 483,793 | 542,880 |
| Other assets | 4,732 | 5,420 | 6,504 | 7,805 | 9,366 |
| Total assets | 324,224 | 382,109 | 435,624 | 491,597 | 552,245 |
| Customer deposits | 239,543 | 272,798 | 310,990 | 351,419 | 397,103 |
| Due to bank and FIs | 54,747 | 61,703 | 69,108 | 76,710 | 85,148 |
| Subordinated debt | 3,992 | 8,986 | 10,784 | 12,401 | 13,641 |
| Total IBL | 298,282 | 343,488 | 390,882 | 440,530 | 495,892 |
| Other liabilities | 5,462 | 6,949 | 7,355 | 8,008 | 7,284 |
| Total liabilities | 303,743 | 350,437 | 398,237 | 448,538 | 503,177 |
| Share capital | 8,175 | 11,050 | 11,050 | 11,050 | 11,050 |
| Retained earnings | 7,064 | 8,659 | 12,583 | 16,880 | 21,376 |
| Reserves | 5,242 | 11,916 | 13,703 | 15,074 | 16,581 |
| MI | 0 | 47 | 51 | 57 | 62 |
| Total equity | 20,481 | 31,672 | 37,387 | 43,060 | 49,069 |
| Growth (%) | | | | | |
| Cash and bank | 3.3 | 32.1 | 15.0 | 12.0 | 10.0 |
| Due from bank and FIs | 180.7 | 9.2 | 10.0 | 9.0 | 9.0 |
| Net loans | 19.4 | 19.6 | 15.3 | 14.8 | 14.6 |
| Investment securities | 19.3 | 5.6 | 11.3 | 9.9 | 9.6 |
| Total IEA | 26.0 | 17.9 | 13.9 | 12.7 | 12.2 |
| Total assets | 26.2 | 17.9 | 14.0 | 12.8 | 12.3 |
| Customer deposits | 17.7 | 13.9 | 14.0 | 13.0 | 13.0 |
| Due to bank and FIs | 88.5 | 12.7 | 12.0 | 11.0 | 11.0 |
| Subordinated debt | 0.0 | 125.1 | 20.0 | 15.0 | 10.0 |
| Total IBL | 26.1 | 15.2 | 13.8 | 12.7 | 12.6 |
| Total liabilities | 26.6 | 15.4 | 13.6 | 12.6 | 12.2 |
| Total equity | 19.9 | 54.6 | 18.0 | 15.2 | 14.0 |
| Key ratio (%) | | | | | |
| Loan to deposits | 68.4 | 71.6 | 72.6 | 73.8 | 74.9 |
| CT1 CAR | 10.3 | 12.6 | 13.2 | 13.5 | 13.6 |
| Total CAR | 13.5 | 15.2 | 15.5 | 15.8 | 16.0 |
| NPL ratio | 0.58 | 0.54 | 0.70 | 0.75 | 0.80 |
| NPL growth | 44.0 | 11.1 | 49.7 | 23.1 | 22.4 |
| Net bad debt charge ratio | 0.3 | 0.3 | 0.2 | 0.5 | 0.4 |
| Provision to total loans | 2.4 | 2.1 | 2.3 | 2.4 | 2.5 |
| Provision coverage | 537.7 | 395.0 | 328.6 | 320.0 | 312.5 |

Source(s): Company, ABCI Securities estimates



HRB

Consolidated income statement (2012A-2016E)

| FY Ended Dec 31 (RMB mn) | 2012A | 2013A | 2014E | 2015E | 2016E |
|--------------------------|--------------|--------------|---------------|---------------|---------------|
| Net interest income | 6,658 | 6,818 | 9,010 | 10,448 | 11,630 |
| Net fee and commission | 679 | 1,247 | 1,596 | 2,027 | 2,554 |
| Other operating income | 374 | 479 | 575 | 747 | 1,009 |
| Operating income | 7,711 | 8,544 | 11,181 | 13,222 | 15,193 |
| Operating expenses | (3,026) | (3,591) | (4,489) | (5,476) | (6,462) |
| Impairment losses | (836) | (506) | (1,165) | (1,247) | (1,217) |
| Investment in associates | 9 | 3 | 4 | 4 | 5 |
| Profit before tax | 3,859 | 4,450 | 5,531 | 6,504 | 7,519 |
| Income tax expenses | (987) | (1,079) | (1,383) | (1,626) | (1,880) |
| MI | (7) | (21) | (20) | (20) | (20) |
| Net profit | 2,864 | 3,350 | 4,128 | 4,858 | 5,619 |
| Growth (%) | | | | | |
| Net interest income | 38.2 | 2.4 | 32.2 | 16.0 | 11.3 |
| Net fee and commission | 64.8 | 83.8 | 28.0 | 27.0 | 26.0 |
| Other operating income | 103.2 | 28.0 | 20.0 | 30.0 | 35.0 |
| Operating income | 42.4 | 10.8 | 30.9 | 18.3 | 14.9 |
| Operating expenses | 45.3 | 18.7 | 25.0 | 22.0 | 18.0 |
| Impairment losses | 1.5 | (39.5) | 130.1 | 7.1 | (2.4) |
| Investment in associates | na | na | 15.0 | 15.0 | 15.0 |
| Profit before tax | 53.9 | 15.3 | 24.3 | 17.6 | 15.6 |
| Income tax expenses | 51.7 | 9.3 | 28.2 | 17.6 | 15.6 |
| MI | 228.3 | 187.8 | (3.6) | 0.0 | 0.0 |
| Net profit | 54.5 | 17.0 | 23.2 | 17.7 | 15.7 |
| Per share (RMB) | | | | | |
| EPS | 0.37 | 0.42 | 0.40 | 0.44 | 0.51 |
| BVPS | 2.24 | 2.42 | 2.70 | 3.15 | 3.65 |
| DPS | 0.02 | 0.04 | 0.08 | 0.10 | 0.13 |
| Key ratio (%) | | | | | |
| Net interest margin | 3.09 | 2.64 | 2.57 | 2.51 | 2.42 |
| Net interest spread | 3.06 | 2.56 | 2.34 | 2.26 | 2.16 |
| Cost to income ratio | 39.24 | 42.03 | 40.15 | 41.42 | 42.53 |
| Return on average assets | 1.20 | 1.14 | 1.16 | 1.15 | 1.15 |
| Return on average equity | 20.35 | 18.36 | 16.64 | 15.10 | 15.03 |
| Effective tax rate | 25.6 | 24.2 | 25.0 | 25.0 | 25.0 |
| Dividend payout | 6.0 | 9.4 | 20.0 | 22.0 | 25.0 |

Source(s): Company, ABCI Securities estimates



HRB

Consolidated balance sheet (2012A-2016E)

| As of Dec 31 (RMB mn) | 2012A | 2013A | 2014E | 2015E | 2016E |
|---------------------------|----------------|----------------|----------------|----------------|----------------|
| Cash and bank | 51,859 | 51,552 | 57,738 | 62,357 | 67,346 |
| Due from bank and FIs | 71,692 | 84,982 | 100,279 | 116,323 | 127,956 |
| Net loans | 85,298 | 103,515 | 123,924 | 146,386 | 170,075 |
| Investment securities | 51,180 | 75,725 | 97,363 | 120,461 | 143,642 |
| Total IEA | 260,029 | 315,774 | 379,303 | 445,528 | 509,019 |
| Other assets | 10,061 | 6,401 | 7,681 | 9,217 | 11,061 |
| Total assets | 270,090 | 322,175 | 386,984 | 454,746 | 520,080 |
| Customer deposits | 186,642 | 224,178 | 260,047 | 304,255 | 355,978 |
| Due to bank and FIs | 59,951 | 70,489 | 84,587 | 93,046 | 102,350 |
| Subordinated debt | 3,500 | 3,500 | 8,750 | 17,500 | 17,500 |
| Total IBL | 250,093 | 298,167 | 353,384 | 414,800 | 475,828 |
| Other liabilities | 3,060 | 4,081 | 3,899 | 5,298 | 4,117 |
| Total liabilities | 253,153 | 302,248 | 357,283 | 420,098 | 479,946 |
| Share capital | 7,560 | 8,247 | 10,996 | 10,996 | 10,996 |
| Retained earnings | 3,179 | 4,031 | 7,333 | 11,122 | 15,337 |
| Reserves | 6,025 | 7,450 | 11,078 | 12,186 | 13,405 |
| MI | 172 | 200 | 294 | 343 | 397 |
| Total equity | 16,937 | 19,927 | 29,701 | 34,647 | 40,135 |
| Growth (%) | | | | | |
| Cash and bank | 67.6 | (0.6) | 12.0 | 8.0 | 8.0 |
| Due from bank and FIs | 8.8 | 18.5 | 18.0 | 16.0 | 10.0 |
| Net loans | 27.3 | 21.4 | 19.7 | 18.1 | 16.2 |
| Investment securities | 42.0 | 48.0 | 28.6 | 23.7 | 19.2 |
| Total IEA | 30.1 | 21.4 | 20.1 | 17.5 | 14.3 |
| Total assets | 30.7 | 19.3 | 20.1 | 17.5 | 14.4 |
| Customer deposits | 27.9 | 20.1 | 16.0 | 17.0 | 17.0 |
| Due to bank and FIs | 29.8 | 17.6 | 20.0 | 10.0 | 10.0 |
| Subordinated debt | 250.0 | 0.0 | 150.0 | 100.0 | 0.0 |
| Total IBL | 29.5 | 19.2 | 18.5 | 17.4 | 14.7 |
| Total liabilities | 29.7 | 19.4 | 18.2 | 17.6 | 14.2 |
| Total equity | 46.9 | 17.7 | 49.1 | 16.7 | 15.8 |
| Key ratio (%) | | | | | |
| Loan to deposits | 46.8 | 47.3 | 48.8 | 49.3 | 49.0 |
| CT1 CAR | 11.9 | 11.7 | 12.7 | 12.0 | 11.8 |
| Total CAR | 13.0 | 12.6 | 15.0 | 14.0 | 13.6 |
| NPL ratio | 0.64 | 0.85 | 0.95 | 1.10 | 1.25 |
| NPL growth | 31.5 | 61.2 | 34.0 | 36.9 | 32.1 |
| Net bad debt charge ratio | 1.1 | 0.5 | 1.0 | 0.9 | 0.8 |
| Provision to total loans | 2.3 | 2.3 | 2.4 | 2.5 | 2.6 |
| Provision coverage | 352.1 | 269.4 | 252.6 | 227.3 | 204.0 |

Source(s): Company, ABCI Securities estimates



BoCQ

Consolidated income statement (2012A-2016E)

| FY Ended Dec 31 (RMB mn) | 2012A | 2013A | 2014E | 2015E | 2016E |
|--------------------------|--------------|--------------|--------------|--------------|--------------|
| Net interest income | 4,150 | 5,179 | 6,371 | 7,212 | 8,285 |
| Net fee and commission | 368 | 645 | 838 | 1,022 | 1,206 |
| Other operating income | 140 | 51 | 67 | 77 | 88 |
| Operating income | 4,658 | 5,875 | 7,276 | 8,311 | 9,579 |
| Operating expenses | (1,901) | (2,283) | (2,922) | (3,506) | (4,208) |
| Impairment losses | (240) | (536) | (645) | (770) | (918) |
| Investment in associates | 1 | 1 | 2 | 2 | 2 |
| Profit before tax | 2,518 | 3,057 | 3,711 | 4,036 | 4,456 |
| Income tax expenses | (593) | (728) | (891) | (969) | (1,069) |
| Net profit | 1,925 | 2,329 | 2,820 | 3,068 | 3,386 |
| Growth (%) | | | | | |
| Net interest income | 25.0 | 24.8 | 23.0 | 13.2 | 14.9 |
| Net fee and commission | 26.9 | 75.2 | 30.0 | 22.0 | 18.0 |
| Other operating income | (450.0) | (63.4) | 30.0 | 15.0 | 15.0 |
| Operating income | 30.4 | 26.1 | 23.9 | 14.2 | 15.3 |
| Operating expenses | 31.0 | 20.1 | 28.0 | 20.0 | 20.0 |
| Impairment losses | 30.4 | 123.2 | 20.4 | 19.4 | 19.2 |
| Investment in associates | na | na | 20.0 | 20.0 | 20.0 |
| Profit before tax | 30.1 | 21.4 | 21.4 | 8.8 | 10.4 |
| Income tax expenses | 32.4 | 22.8 | 22.3 | 8.8 | 10.4 |
| Net profit | 29.4 | 21.0 | 21.1 | 8.8 | 10.4 |
| Per share (RMB) | | | | | |
| EPS | 0.95 | 1.10 | 1.04 | 1.13 | 1.25 |
| BVPS | 4.09 | 4.98 | 6.10 | 7.20 | 8.38 |
| DPS | 0.05 | 0.22 | 0.21 | 0.25 | 0.31 |
| Key ratio (%) | | | | | |
| Net interest margin | 2.85 | 2.81 | 2.83 | 2.65 | 2.54 |
| Net interest spread | 2.66 | 2.61 | 2.60 | 2.44 | 2.34 |
| Cost to income ratio | 40.81 | 38.86 | 40.16 | 42.19 | 43.93 |
| Return on average assets | 1.36 | 1.28 | 1.23 | 1.11 | 1.03 |
| Return on average equity | 26.17 | 21.43 | 18.81 | 17.05 | 16.07 |
| Effective tax rate | 23.6 | 24.0 | 24.0 | 24.0 | 24.0 |
| Dividend payout | 5.3 | 26.0 | 20.0 | 22.0 | 25.0 |

Source(s): Company, ABCI Securities estimates



BoCQ

Consolidated balance sheet (2012A-2016E)

| As of Dec 31 (RMB mn) | 2012A | 2013A | 2014E | 2015E | 2016E |
|---------------------------|----------------|----------------|----------------|----------------|----------------|
| Cash and bank | 25,243 | 32,823 | 39,387 | 45,689 | 51,172 |
| Due from bank and FIs | 18,532 | 32,143 | 41,787 | 52,233 | 65,291 |
| Net loans | 75,257 | 88,638 | 105,376 | 125,944 | 149,621 |
| Investment securities | 32,132 | 47,431 | 58,423 | 70,489 | 83,908 |
| Total IEA | 151,164 | 201,035 | 244,972 | 294,355 | 349,992 |
| Other assets | 4,999 | 5,752 | 6,615 | 7,607 | 8,748 |
| Total assets | 156,163 | 206,787 | 251,587 | 301,962 | 358,741 |
| Customer deposits | 114,043 | 148,801 | 186,001 | 226,922 | 272,306 |
| Due to bank and FIs | 27,659 | 33,750 | 40,499 | 46,574 | 52,163 |
| Subordinated debt | 1,790 | 4,778 | 5,733 | 6,593 | 7,385 |
| Total IBL | 143,492 | 187,328 | 232,234 | 280,089 | 331,854 |
| Other liabilities | 4,413 | 5,979 | 2,853 | 2,393 | 4,223 |
| Total liabilities | 147,905 | 193,308 | 235,087 | 282,483 | 336,077 |
| Share capital | 2,021 | 2,705 | 2,705 | 2,705 | 2,705 |
| Retained earnings | 4,554 | 5,676 | 7,932 | 10,325 | 12,865 |
| Reserves | 1,683 | 5,098 | 5,863 | 6,449 | 7,094 |
| Total equity | 8,258 | 13,479 | 16,500 | 19,479 | 22,664 |
| Growth (%) | | | | | |
| Cash and bank | 30.5 | 30.0 | 20.0 | 16.0 | 12.0 |
| Due from bank and FIs | (23.9) | 73.4 | 30.0 | 25.0 | 25.0 |
| Net loans | 19.8 | 17.8 | 18.9 | 19.5 | 18.8 |
| Investment securities | 88.0 | 47.6 | 23.2 | 20.7 | 19.0 |
| Total IEA | 22.3 | 33.0 | 21.9 | 20.2 | 18.9 |
| Total assets | 22.6 | 32.4 | 21.7 | 20.0 | 18.8 |
| Customer deposits | 27.7 | 30.5 | 25.0 | 22.0 | 20.0 |
| Due to bank and FIs | (2.8) | 22.0 | 20.0 | 15.0 | 12.0 |
| Subordinated debt | 79.9 | 166.9 | 20.0 | 15.0 | 12.0 |
| Total IBL | 20.8 | 30.5 | 24.0 | 20.6 | 18.5 |
| Total liabilities | 22.3 | 30.7 | 21.6 | 20.2 | 19.0 |
| Total equity | 28.0 | 63.2 | 22.4 | 18.1 | 16.3 |
| Key ratio (%) | | | | | |
| Loan to deposits | 67.2 | 60.8 | 58.0 | 56.9 | 56.4 |
| CT1 CAR | 9.4 | 10.8 | 10.7 | 10.6 | 10.4 |
| Total CAR | 12.8 | 13.3 | 12.7 | 12.6 | 12.4 |
| NPL ratio | 0.33 | 0.39 | 0.45 | 0.50 | 0.50 |
| NPL growth | 12.9 | 39.6 | 37.5 | 32.9 | 18.9 |
| Net bad debt charge ratio | 0.3 | 0.6 | 0.7 | 0.7 | 0.7 |
| Provision to total loans | 1.8 | 2.1 | 2.3 | 2.4 | 2.5 |
| Provision coverage | 537.7 | 528.8 | 511.1 | 480.0 | 500.0 |

Source(s): Company, ABCI Securities estimates

Disclosures

Analyst Certification

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Definition of equity rating

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

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

Market return: 5-year average market return rate from 2009-2013

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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