

# China Banking Sector

## 3Q20 wrap – Earnings growth pick-up on lower credit cost

Thanks to moderating provision charges under buoyant macro recovery, average net profit growth for China banks under our coverage improved to -3.9% YoY in 3Q20 from -25.3% YoY in 2Q20. PSBC/PAB/CEB/CMB notched earnings expansion of 13.5%/6.1%/2.6%/0.7% YoY, and others (except for MSB) all posted narrower profit decline.

- **Mixed margin performance.** NIM widened 1bp in 3Q20 on average (vs 4bp contraction in 2Q20), as six out of the 11 banks reported QoQ NIM increase. JSB generally saw better margin trend due to higher proportion of retail loans, less obligation for lower-rate MSE/preferential lending. We expect NIM pressure to further relieve in 4Q20, as new loans continue to lean towards retail side and structured deposits unwind amid regulatory scrutiny. CCB and BoCom acknowledged that 15.4% rate cap for private lending is not applicable to banks' credit card business.
- **NPL pressure eases, despite some uncertainty in 1H21.** Most banks reported rising NPL ratio in 3Q20, with CITICB/MSB seeing bigger uptick of +15bp/+14bp QoQ. On positive side, NPL formation stabilized in 3Q20. During results briefing, banks remained optimistic on asset quality outlook, citing stringent loss recognition and sufficient provisions. We believe the worst of retail (esp. credit card) NPL cycle is behind us, and corporate credit quality has a hysteretic nature. However, expiration of temporary policy support (e.g. loan moratorium) and wrap-up in rectification of asset management business may cause some disturbance next year.
- **TLAC implementation calls for profit release.** On 30 Sep, PBoC issued a consultation paper on implementing Total Loss-absorbing Capacity (TLAC) of Global Systemically Important Banks (GSIB) in China. Total CAR of GSIB should reach approximately 19.5% by early 2025 (around RMB3tn capital shortage for Big-4 by our estimate), and this requires faster external replenishment and internal generation of capital in coming years.
- **Maintain Outperform and favour retail banks.** A/H-share China banks are trading at 0.77x/0.59x FY20E P/B, offering 4.5%/6.2% dividend yield. Banks with retail-oriented strategy and having stronger topline growth and provision buffer will see faster earnings recovery while authorities' window guidance abates. **Top picks are PAB, CEB, and PSBC.**

### Valuation Table

Name	Ticker	Price (LC)	TP (LC)	Rating	P/B (x) FY20E	P/E (x) FY20E	Yield FY20E	ROE FY20E
ICBC	1398 HK	4.36	6.00	BUY	0.53	5.1	6.0%	10.7%
CCB	939 HK	5.35	7.60	BUY	0.53	5.1	5.9%	10.7%
ABC	1288 HK	2.62	3.70	BUY	0.44	4.5	6.9%	10.2%
BOC	3988 HK	2.45	3.60	BUY	0.37	4.1	7.6%	9.2%
PSBC	1658 HK	3.80	4.80	BUY	0.56	5.7	5.5%	10.2%
CITICB	998 HK	3.15	4.60	BUY	0.29	3.3	7.8%	9.2%
CEB	6818 HK	2.68	4.00	BUY	0.37	3.9	8.0%	9.8%
BoCom	3328 HK	3.81	4.50	HOLD	0.35	4.0	7.8%	8.9%
MSB	1988 HK	4.24	4.60	HOLD	0.35	3.6	8.5%	10.0%
PAB	000001 CH	17.75	22.80	BUY	1.17	13.8	1.1%	8.8%

Source: Bloomberg, CMBIS estimates

**OUTPERFORM**  
(Maintain)

### China Banking Sector

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### Historical P/B of H-share China banks



Source: Bloomberg, CMBIS

### Historical P/B of A-share China banks



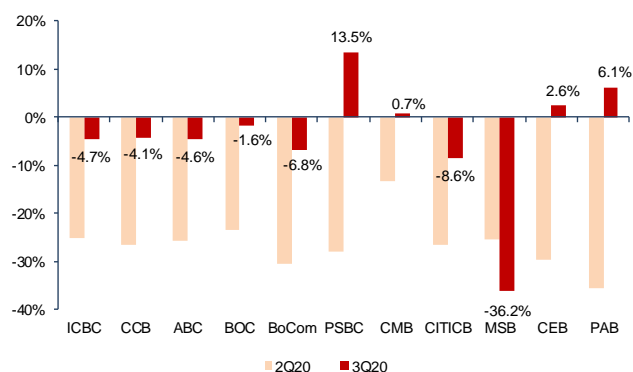
Source: Bloomberg, CMBIS

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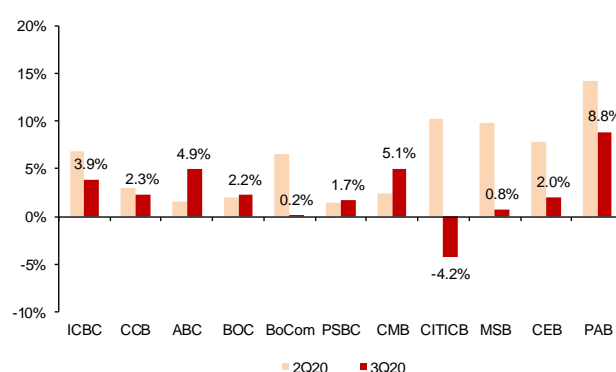
## Focus Charts

Figure 1: Net profit YoY growth



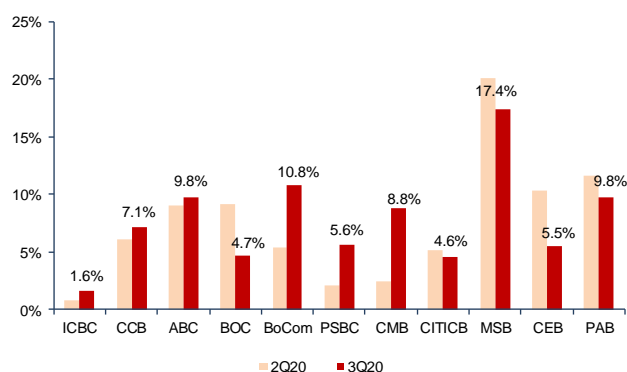
Source: Company data, CMBIS

Figure 2: Revenue YoY growth



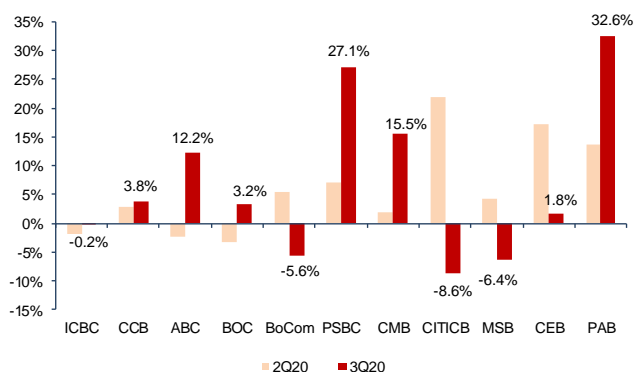
Source: Company data, CMBIS

Figure 3: Net interest income YoY growth



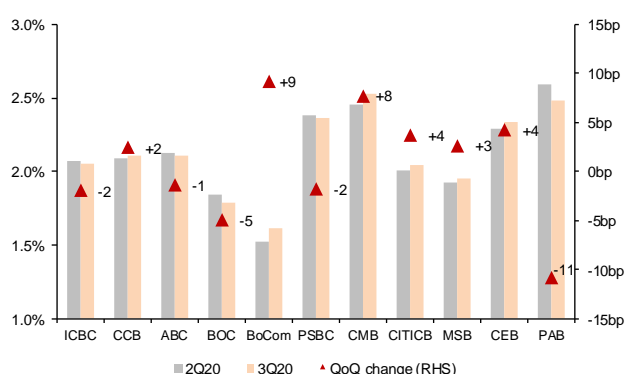
Source: Company data, CMBIS

Figure 4: Net fee income YoY growth



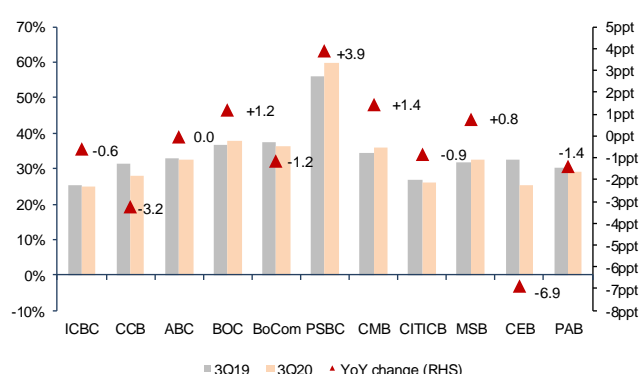
Source: Company data, CMBIS

Figure 5: NIM and QoQ change



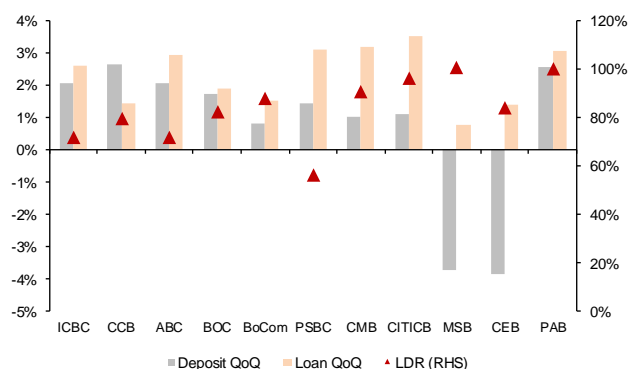
Source: Company data, CMBIS

Figure 6: Cost to income ratio and YoY change



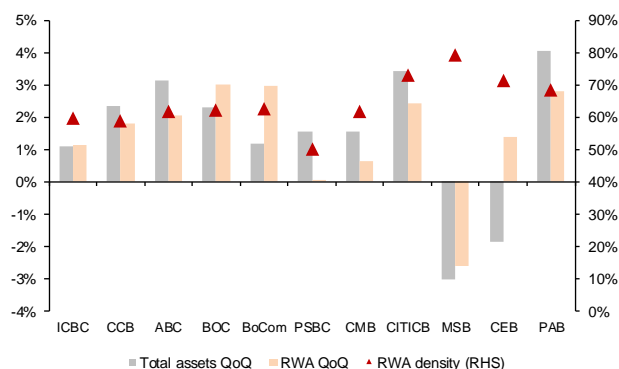
Source: Company data, CMBIS

Figure 7: Loan / deposit growth and LDR



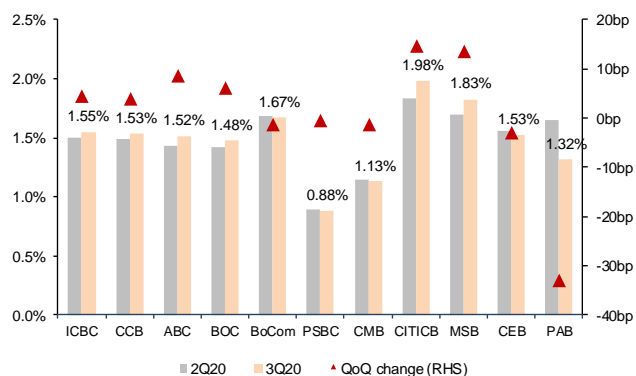
Source: Company data, CMBIS

Figure 8: Asset / RWA growth and RWA density



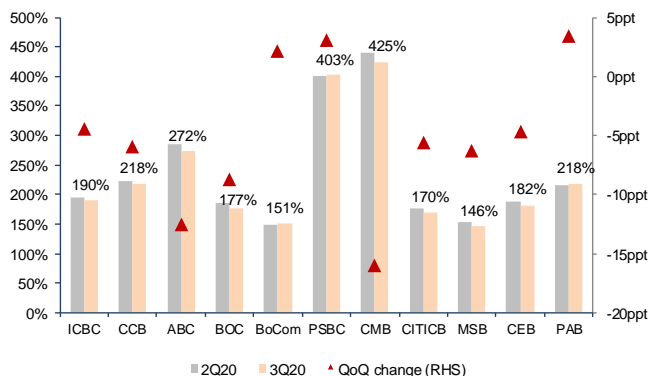
Source: Company data, CMBIS

Figure 9: NPL ratio and QoQ change



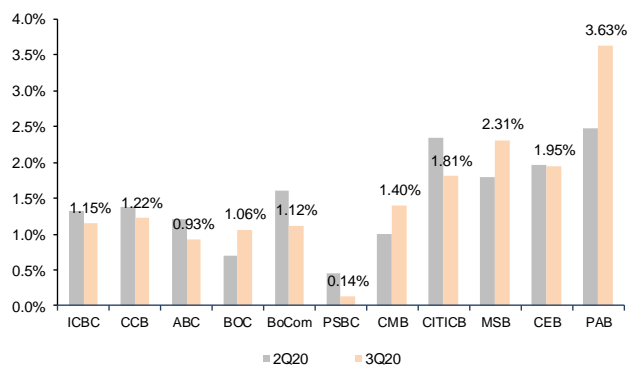
Source: Company data, CMBIS

Figure 10: Provision coverage ratio



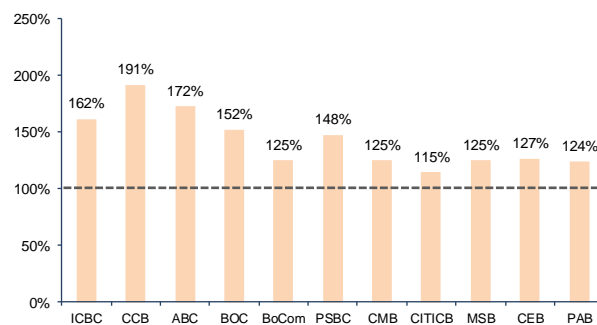
Source: Company data, CMBIS

Figure 11: NPL formation ratio

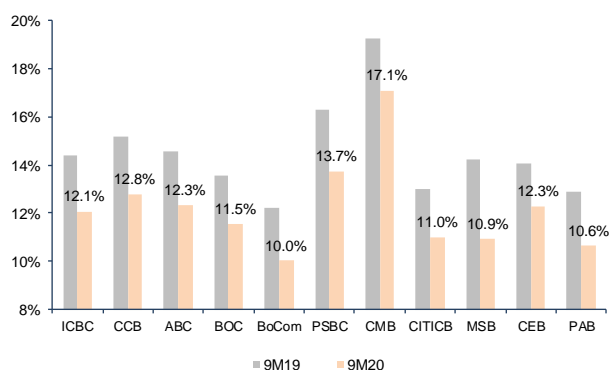


Source: Company data, CMBIS

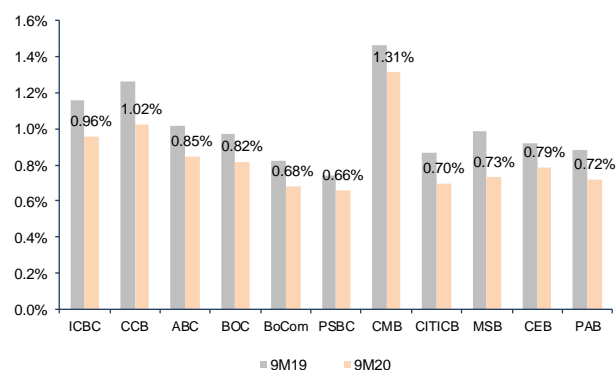
Figure 12: NPL to &gt;90-day overdue loan (2Q20)



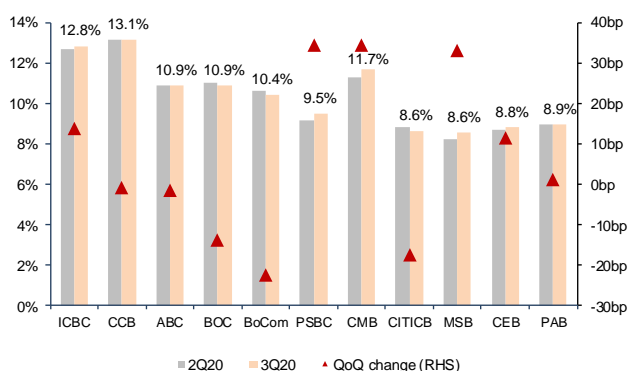
Source: Company data, CMBIS

**Figure 13: Annualized ROE**

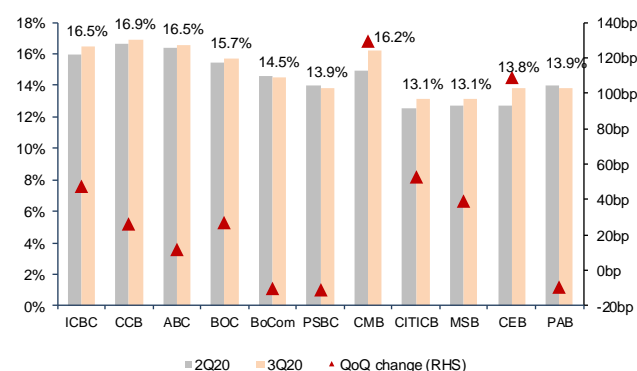
Source: Company data, CMBIS

**Figure 14: Annualized ROA**

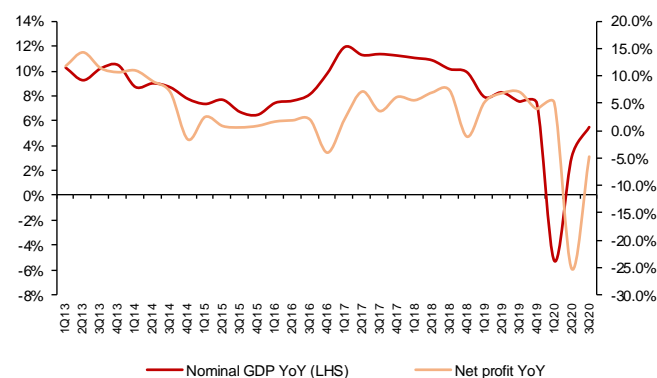
Source: Company data, CMBIS

**Figure 15: CET1 CAR**

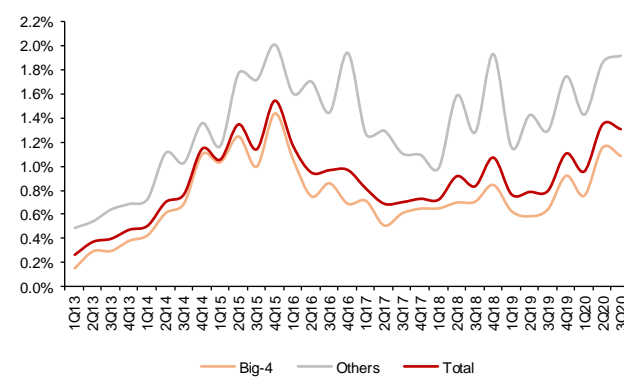
Source: Company data, CMBIS

**Figure 16: Total CAR**

Source: Company data, CMBIS

**Figure 17: China banks' profit growth vs GDP**

Source: Company data, Wind, CMBIS

**Figure 18: China banks' NPL formation**

Source: Company data, CMBIS

Figure 19: 3Q20 results peer comparison

China banks' 3Q20 results summary															
(RMB mn)	1398 HK	939 HK	1288 HK	3988 HK	3328 HK	1658 HK	3968 HK	998 HK	1988 HK	6818 HK	000001 CH		SOE	JSB	Total
Earnings	ICBC	CCB	ABC	BOC	BoCom	PSBC	CMB	CITICB	MSB	CEB	PAB				
3Q19 net profit	83,781	71,154	59,226	45,531	17,398	16,907	26,627	12,445	13,906	10,955	8,218		293,997	72,151	366,148
3Q20 net profit	79,885	68,206	56,501	44,794	16,207	19,186	26,815	11,377	8,876	11,242	8,720		284,779	67,030	351,809
YoY	-4.7%	-4.1%	-4.6%	-1.6%	-6.8%	13.5%	0.7%	-8.6%	-36.2%	2.6%	6.1%		-3.1%	-7.1%	-3.9%
9M19 net profit	251,712	225,344	180,671	159,579	60,147	54,288	77,239	40,752	45,529	31,399	23,621		931,741	218,540	1,150,281
9M20 net profit	228,675	205,832	165,335	145,711	52,712	52,844	76,603	36,918	37,329	29,605	22,398		851,109	202,853	1,053,962
YoY	-9.2%	-8.7%	-8.5%	-8.7%	-12.4%	-2.7%	-0.8%	-9.4%	-18.0%	-5.7%	-5.2%		-8.7%	-7.2%	-8.1%
9M20 Run rate vs BBG FY20E	80%	84%	86%	87%	75%	95%	83%	86%	73%	91%	86%		84%	83%	83%
Growth	ICBC	CCB	ABC	BOC	BoCom	PSBC	CMB	CITICB	MSB	CEB	PAB		SOE	JSB	Total
YoY (9M20 vs 9M19)															
Net interest income	2.1%	6.7%	9.2%	7.1%	7.2%	4.0%	5.6%	5.2%	19.8%	9.2%	13.4%		5.9%	9.6%	6.6%
Net fee income	0.3%	4.2%	5.4%	0.6%	1.5%	11.2%	10.7%	1.0%	0.9%	8.1%	15.8%		2.6%	7.1%	4.0%
Revenue	2.0%	5.9%	4.9%	3.2%	3.5%	2.8%	6.2%	4.8%	7.7%	6.6%	13.2%		3.8%	7.3%	4.6%
PPOP	2.9%	6.0%	5.8%	3.9%	3.7%	-0.9%	4.3%	8.4%	8.3%	11.0%	16.2%		4.2%	8.7%	5.2%
Provisions	30.5%	46.8%	33.6%	59.3%	40.9%	1.8%	16.9%	25.1%	47.0%	28.9%	32.7%		36.8%	29.8%	34.7%
Cost-income ratio	-0.6ppt	-0.1ppt	-0.5ppt	-0.4ppt	-0.1ppt	1.7ppt	1.2ppt	-2.5ppt	-0.5ppt	-2.9ppt	-1.8ppt		0.0ppt	-1.3ppt	-0.6ppt
ROE	-2.3ppt	-2.4ppt	-2.3ppt	-2.0ppt	-2.2ppt	-2.5ppt	-2.2ppt	-2.0ppt	-3.3ppt	-1.8ppt	-2.3ppt		-2.3ppt	-2.3ppt	-2.3ppt
QoQ (3Q20 vs 2Q20)															
Total assets	1.1%	2.3%	3.1%	2.3%	1.2%	1.5%	1.6%	3.4%	-3.0%	-1.9%	4.0%		1.9%	0.8%	1.4%
Loans	2.6%	1.4%	2.9%	1.9%	1.5%	3.1%	3.2%	3.5%	0.8%	1.4%	3.1%		2.3%	2.4%	2.3%
Deposits	2.1%	2.6%	2.0%	1.7%	0.8%	1.4%	1.0%	1.1%	-3.8%	-3.9%	2.5%		1.8%	-0.6%	0.7%
NPL balance	5.7%	1.2%	8.9%	6.6%	0.7%	2.5%	2.1%	0.0%	8.9%	-0.4%	-17.6%		4.3%	-1.4%	1.7%
NPL ratio	5bp	4bp	9bp	6bp	-1bp	-1bp	15bp	14bp	14bp	-3bp	-33bp		3.6bp	-1.7bp	1bp
Provision coverage	-5ppt	-6ppt	-13ppt	-9ppt	2ppt	3ppt	-16ppt	-6ppt	-6ppt	-5ppt	3ppt		-4ppt	-6ppt	-5ppt
NIM	-2bp	2bp	-1bp	-5bp	9bp	-2bp	8bp	4bp	3bp	4bp	-11bp		0bp	1bp	1bp
CET1 CAR	14bp	-1bp	-2bp	-14bp	-22bp	34bp	34bp	-17bp	33bp	11bp	1bp		2bp	13bp	7bp
LDR	0ppt	-1ppt	1ppt	0ppt	1ppt	1ppt	2ppt	2ppt	5ppt	4ppt	1ppt		0ppt	3ppt	1ppt
Key ratio	ICBC	CCB	ABC	BOC	BoCom	PSBC	CMB	CITICB	MSB	CEB	PAB		SOE	JSB	Total
Profitability															
NIM	2.05%	2.11%	2.11%	1.79%	1.61%	2.36%	2.53%	2.04%	1.95%	2.34%	2.48%		2.01%	2.27%	2.12%
Cost-income ratio	24.9%	28.0%	32.7%	37.8%	36.4%	59.8%	35.9%	26.1%	32.6%	25.5%	29.0%		36.6%	29.8%	33.5%
ROA	0.96%	0.98%	0.84%	0.73%	0.60%	0.69%	1.33%	0.63%	0.50%	0.84%	0.82%		0.80%	0.82%	0.81%
ROE	12.5%	12.5%	12.4%	10.5%	9.2%	14.7%	17.6%	10.0%	7.7%	13.8%	12.2%		12.0%	12.3%	12.1%
Asset quality															
NPL ratio	1.55%	1.53%	1.52%	1.48%	1.67%	0.88%	1.13%	1.98%	1.83%	1.53%	1.32%		1.44%	1.56%	1.49%
NPL formation	1.15%	1.22%	0.93%	1.06%	1.12%	0.14%	1.40%	1.81%	2.31%	1.95%	3.63%		0.94%	2.22%	1.52%
Credit cost	1.19%	1.21%	1.09%	0.86%	1.29%	0.50%	0.98%	2.00%	2.16%	1.72%	2.50%		1.02%	1.87%	1.41%
Provision coverage	190%	218%	272%	177%	151%	403%	425%	170%	146%	182%	218%		235%	228%	232%
Loan loss reserve	2.94%	3.33%	4.12%	2.62%	2.52%	3.54%	4.79%	3.37%	2.67%	2.78%	2.87%		3.18%	3.30%	3.23%
Capital & liquidity															
CET1 CAR	12.8%	13.1%	10.9%	10.9%	10.4%	9.5%	11.7%	8.6%	8.6%	8.8%	8.9%		11.3%	9.3%	10.4%
Tier1 CAR	13.9%	13.9%	12.8%	12.6%	12.1%	11.8%	13.3%	10.1%	9.9%	11.6%	11.3%		12.9%	11.2%	12.1%
Total CAR	16.5%	16.9%	16.5%	15.7%	14.5%	13.9%	16.2%	13.1%	13.1%	13.8%	13.9%		15.7%	14.0%	14.9%
LDR	72%	80%	72%	82%	88%	56%	91%	96%	101%	84%	100%		75%	94%	84%

Source: Company data, CMBIS

## 3Q20 Results Comment

Figure 20: China banks' 3Q20 results comment

Bank	Positives	Negatives
ICBC	<ol style="list-style-type: none"> <li><b>Loan growth was healthy at 2.6% QoQ</b>, faster than total asset growth, as ICBC cut lower-yield interbank portfolio.</li> <li><b>Deposit growth was also solid at 2.1% QoQ</b>, and overall deposit cost declined 6bp QoQ to 1.58%.</li> <li><b>3Q20 cost-to-income ratio fell 0.6ppt YoY to 24.9%</b>.</li> <li><b>Effective tax rate was down 4ppt YoY to 15.2%</b>, thanks to rising investments to tax-free govt bonds.</li> </ol>	<ol style="list-style-type: none"> <li><b>NIM slid 2bp QoQ to 2.05%</b>. The concentrated re-pricing of loans to LPR in Aug caused some NIM pressure.</li> <li><b>NPL ratio rose 5bp QoQ to 1.55%; provision coverage fell 4.5ppt QoQ to 190.2%</b>. Management remain confident in asset quality outlook, citing stringent NPL recognition and improving macro trend.</li> <li><b>3Q20 net fee income was down 0.2% YoY</b>. Key growth drivers were settlement &amp; clearing and agency service fees, while major drag were investment banking and asset management fees.</li> </ol>
CCB	<ol style="list-style-type: none"> <li><b>NIM expanded 2bp in 3Q20</b>, (vs 10bp contraction in 2Q20). As LPR has remained stable since Apr and retail credit growth accelerates, NIM may keep rebounding in 4Q20.</li> <li><b>Net fee income growth accelerated to 3.8% YoY in 3Q20</b> (vs 2.9% YoY in 2Q20), mainly on strong credit cards, e-banking, and agency service fees.</li> <li><b>Deposit growth was solid at 2.6% QoQ</b>. CCB has little reliance on structured deposits, which is shrinking amid regulatory tightening.</li> <li><b>3Q20 cost-to-income ratio fell 3.2ppt YoY to 28.0%</b>, as the Bank managed to cut operating expenses by 8.2% YoY.</li> <li><b>Lower effective tax rate</b>, thanks to rising investments to tax-free govt bonds.</li> </ol>	<ol style="list-style-type: none"> <li><b>Loan growth moderated to 1.4% in 3Q20</b> (vs 3.1% in 2Q20). Corporate loan growth was subdued, and retail loans rose 3.3% QoQ. Meanwhile, financial investments was up 4.7% QoQ, likely due to higher asset allocation to local govt bonds.</li> <li><b>NPL ratio climbed 4bp QoQ to 1.53%</b>, and provision coverage slid 6ppt QoQ to 217.5%. However, the magnitude of asset quality deterioration turned softer in 3Q20 vs 2Q20.</li> <li><b>Trading gain declined 1.8% YoY in 3Q20</b> on bond yield hike.</li> <li><b>CET1/ tier1 CAR slid 1bp/ 2bp QoQ to 13.15%/ 13.86%</b>, but total CAR rose 26bp QoQ.</li> </ol>
ABC	<ol style="list-style-type: none"> <li><b>Loan growth was fastest among Big-4 banks at 2.9% QoQ</b>. Interbank portfolio and financial investments rose 3.8% QoQ and 2.6% QoQ, respectively.</li> <li><b>Net fee income growth was strong at 12.2% YoY</b>, likely driven by bank card, consultancy, and custodian businesses.</li> <li><b>Lower effective tax rate</b> on rising investments to tax-free govt bonds.</li> <li><b>Tier1 and total CAR picked up 16bp/12bp QoQ</b>, despite 2bp decline in CET1 CAR. ABC issued RMB350bn perpetual bonds in Sep.</li> </ol>	<ol style="list-style-type: none"> <li><b>NIM narrowed 1bp QoQ to 2.11%</b>, based on our estimate.</li> <li><b>NPL ratio rose 9bp QoQ to 1.52%</b>, and provision coverage fell 12.5ppt to 272%.</li> <li><b>Trading and investment income dropped 68% YoY</b>, likely due to bond yield hike in 3Q20.</li> </ol>
BOC	<ol style="list-style-type: none"> <li><b>Net fee income growth recovered to 3.2% YoY in 3Q20</b>, from -3.4% YoY in 2Q20.</li> <li><b>Other income was up 9.5% YoY in 3Q20</b>. This mainly include bancassurance and aircraft leasing income.</li> <li><b>Total CAR picked up 27bp QoQ to 15.69%</b>, despite 14bp/18bp QoQ decline in CET1/tier1 ratio. BOC issued RMB75bn tier-2 capital bonds in Sep.</li> </ol>	<ol style="list-style-type: none"> <li><b>NIM fell 5bp QoQ to 1.79%</b>, based on our estimate. This was likely due to shift of loans to LPR-based pricing.</li> <li><b>NPL ratio rose 6bp QoQ to 1.48%; provision coverage fell 8.7ppt QoQ to 177.5%</b>. NPL formation was up 36bp QoQ to 1.06%.</li> <li><b>Trading and investment gain fell 43% YoY</b>, likely due to rising bond yields.</li> </ol>
BoCom	<ol style="list-style-type: none"> <li><b>NIM rose 9bp QoQ to 1.61% in 3Q20</b>, thanks to lower liability costs (-19bp QoQ), more than offsetting asset yield decline (-9bp QoQ).</li> <li><b>Asset quality pressure eased</b>. NPL ratio slid 1bp QoQ to 1.67%, and provision coverage rose 2.1ppt QoQ to 150.8%. In particular, credit cards NPL ratio fell 52bp QoQ.</li> <li><b>Cost-to-income ratio fell 1.2ppt YoY to 36.4% in 3Q20</b>.</li> <li><b>Lower effective tax rate</b>, thanks to rising investments to tax-free govt bonds.</li> </ol>	<ol style="list-style-type: none"> <li><b>Sluggish loan and deposit growth at 1.5% and 0.8% QoQ</b>.</li> <li><b>Trading and investment income fell 60% YoY</b>, likely due to bond yield hike.</li> <li><b>Net fee income was down 5.6% YoY</b>.</li> <li><b>Capital position weakened</b>. CET1/tier1/total CAR dropped 22bp/5bp/10bp QoQ to 10.41%/12.13%/14.47%, respectively.</li> </ol>

PSBC	<ol style="list-style-type: none"> <li><b>Solid loan growth of 3.1% QoQ</b>, mainly on extension in retail loans, which accounted for 56.5% of total loans as of 3Q20. Asset mix continued to improve, with credit allocation shifting to loans from lower-yield interbank assets and bond investments.</li> <li><b>Asset quality remained healthy</b>. NPL formation was subdued at 0.14% (-32bp QoQ) in 3Q20, and NPL ratio fell 1bp QoQ to 0.88%, the lowest among nationwide China banks. Provision coverage climbed 3.1ppt to 403.2%, only trailing CMB.</li> <li><b>Net fee income growth accelerated to 27.1% YoY in 3Q20</b>, likely on strong bank card and agency service fees. 4) CET1 CAR was boosted by 34bp QoQ to 9.51%.</li> </ol>	<ol style="list-style-type: none"> <li><b>Deposit growth was sluggish at 1.4% QoQ</b>, likely due to proactive cleanup of high-interest deposit products and increase in interbank borrowing amid liquidity loosening.</li> <li><b>NIM slid 2bp in 3Q20</b>, but the pace of decline was notably slower vs 2Q20 (-8bp QoQ).</li> <li><b>3Q20 cost-to-income ratio rose 3.9ppt YoY</b> to 59.8%, likely due to rising technology investments.</li> </ol>
CITICB	<ol style="list-style-type: none"> <li><b>Loan growth accelerated to 3.5% in 3Q20</b> (vs 1.4% in 2Q20), with stronger retail loan growth of 8.6% QoQ. Credit card and consumption loan were likely key drivers.</li> <li><b>NIM widened 4bp QoQ</b> on rising proportion of higher-yield retail loans. Funding cost should be contained given the unwinding of structured deposits.</li> <li><b>3Q20 cost-to-income ratio declined 0.9ppt YoY</b>, as operating expenses retreated 7.3% YoY.</li> </ol>	<ol style="list-style-type: none"> <li><b>Asset quality worsened</b>. NPL ratio rose 15bp QoQ to 1.98%, and provision coverage slid 5.6ppt QoQ to 170.1%. NPL formation stayed elevated at 1.81%, by our estimate.</li> <li><b>Deposit growth was soft at 1.1% in 3Q20</b> (vs 3.9% in 2Q20), thus lifting LDR to 96.2%.</li> <li><b>Non-interest income declined 21.5% YoY</b>. Net fee income dropped 8.6% YoY, and trading and investment gain shrank 57.6% YoY amid rising bond yields in 3Q20.</li> <li><b>CET1/ tier1 CAR fell 17bp/ 21bp QoQ</b> to 8.63%/ 10.09%, yet total CAR climbed 53bp QoQ helped by tier2 capital bond issuance in Aug.</li> </ol>
MSB	<ol style="list-style-type: none"> <li><b>NIM widened 4bp QoQ to 1.96%</b> by our estimate, thanks to lower funding cost.</li> <li><b>Capital ratio picked up</b>. CET1/tier1/total CAR rose 33bp/36bp/39bp QoQ to 88.57%/9.86%/13.11%, as RWA fell 2.6% QoQ on balance sheet contraction.</li> <li><b>Effective tax rate dropped 9.4% YoY to 6.1%</b>, thanks to rising investments to tax-free govt bonds.</li> </ol>	<ol style="list-style-type: none"> <li><b>Loan growth was subdued at 0.8% QoQ; deposits shrank 3.8% QoQ</b>, likely due to unwinding in structured deposits amid regulatory scrutiny.</li> <li><b>Asset quality under pressure</b>. NPL ratio was up 14bp QoQ to 1.83%, and provision coverage dropped 6.3ppt QoQ to 145.9%.</li> <li><b>Net fee income declined 6.4% YoY</b>.</li> <li><b>Trading and investment income dropped 56% YoY</b>.</li> </ol>
CEB	<ol style="list-style-type: none"> <li><b>3Q20 NIM rose 4bp QoQ</b> by our estimate, likely on lower funding cost.</li> <li><b>NPL ratio slid 2bp QoQ to 1.53%</b>, despite still elevated NPL formation at 1.95%.</li> <li><b>3Q20 cost-to-income ratio fell 6.9ppt YoY</b> to 25.5%.</li> <li><b>Capital position strengthened</b>. CET1/tier1/total CAR rose 11bp/115bp/109bp QoQ to 8.80%/11.58%/13.83%. CEB issued RMB40bp perpetual bonds in Sep.</li> </ol>	<ol style="list-style-type: none"> <li><b>Loan growth was soft at 1.4% QoQ; deposits retreated 3.9% QoQ</b>, likely due to unwinding in structured deposits amid regulatory tightening.</li> <li><b>Trading and investment income dropped 40% YoY</b>.</li> <li><b>Provision coverage dropped 4.7ppt QoQ</b> to 182.1%. Allowance ratio fell 11bp QoQ to 2.78%</li> </ol>
PAB	<ol style="list-style-type: none"> <li><b>Loan growth was solid at 3.1% QoQ</b>, mainly driven by retail loans (+5.7% QoQ), which increased to 58% of total loans.</li> <li><b>Asset quality improved</b>. Given accelerated NPL disposal, NPL ratio dropped 33bp QoQ to 1.32%, and provision coverage climbed to 3.4ppt QoQ to 218%. NPLs still covered 104% of &gt;60day overdue loans, indicating stringent loss recognition.</li> <li><b>Net fee income was up 32.6% YoY</b>, likely on strong bank card and agency services fees.</li> <li><b>Cost-income ratio fell 1.4ppt YoY</b> to 29% in 3Q20.</li> <li><b>Stable expansion in retail client base</b>. Retail/ wealth/ private banking clients rose 1.9%/4.5%/8.2% QoQ. Retail AUM increased 7.2% QoQ to RMB2.49tn.</li> </ol>	<p><b>NIM declined 11bp QoQ to 2.48%</b>. Loan yield slid 32bp QoQ, likely on the Bank's more prudent lending appetite. Lower deposit cost was partly offset by rising interbank funding cost.</p> <ol style="list-style-type: none"> <li><b>Trading and investment gain dropped 72% YoY</b>, likely due to bond yield hike in 3Q20.</li> <li><b>Deposits growth (2.5% QoQ) slower than loan growth</b>. LDR increased to 100.5%.</li> <li><b>Capital position weakened</b>. Tier1/total CAR declined 5bp/10bp QoQ.</li> </ol>

Source: Company data, CMBIS



## Results Briefing Summary

Figure 21: China banks' 3Q20 briefing summary

Bank	Key takeaways from 3Q20 results briefing
<b>ICBC</b>	<ol style="list-style-type: none"> <li>As monetary policy normalizes amid macro recovery, credit growth in 2021 may not be as strong as 2020. However, ICBC has sufficient project reserve, which will ensure sustained loan demand.</li> <li>95% of ICBC's existing loan book has switched to LPR-based pricing, and steady LPR in the past six month will ease loan yields pressure. As average deposit cost started to decline (1.62%/1.64%/1.58% in 1Q/2Q/3Q20), NIM trend should stabilize.</li> <li>Total loan moratorium is RMB800bn, 80% of which has govt back-up. Some of the rest may turn into to NPL when policy support expires. Management expected RMB30bn and RMB50bn could become NPLs in 4Q20 and 1H21, but ICBC has made provisions accordingly.</li> <li>Inclusive MSE loans were RMB930bn as of 3Q20, up 53% YTD. Average interest rate for new MSE loans was 4.14%.</li> <li>As the transition period of New Asset Mgt Rule ends in 2021, most of off-BS non-standard assets will mature, and a small part may have to transfer back to on-BS. But this will have no impact for normal loan quota, and little shock on provision and asset quality.</li> <li>Shareholders' return is an important consideration for ICBC's dividend policy. As operating condition further improve in 4Q20, the board of directors will make a reasonable decision for payout ratio before FY20 earnings.</li> </ol>
<b>CCB</b>	<ol style="list-style-type: none"> <li>Management expected provision growth to moderate as macro condition improves, which should drive recovery in bottomline earnings.</li> <li>NIM rebound in 3Q20 was largely attributable to decline in liability cost (incl. interbank liabilities) and rising proportion of interest-earnings assets. NIM pressure persists due to re-pricing of loans and rigid deposit cost.</li> <li>Three factors may affect the asset quality in FY21: 1) The expiration of temporary policy support may results in NPL fluctuation in 4Q20 and next year; 2) The rectification of asset management business will complete in 2021; 3) China banks' overseas asset quality is deteriorating as the pandemic continues globally.</li> <li>CCB would have more discretion on credit policy next year, given the recovery of economic indicators. Proportion of new retail loans will rise, but property-related loans are subject to regulatory guidance.</li> <li>After the implementation of IFRS9, banks' earnings have stronger correlation with stock, bond, and forex market. The YoY drop in trading income was due to bond yield hike in Apr-Jun, and some fair value decline of investments was reflected in income statement.</li> <li>CCB's credit card loans resumed positive YTD growth as of 3Q20, with better-than-peers NPL ratio of 1.5%. Management acknowledged that credit card business is under licensed financial institution, thus is not subject to 15.4% APR cap for private lending.</li> </ol>
<b>BoCom</b>	<ol style="list-style-type: none"> <li>BoCom's NIM rose 9bp to 1.61% in 3Q20, mainly due to well-controlled funding cost. Asset yields fell 9bp QoQ, but liability cost dropped 19bp QoQ.</li> <li>Asset allocation will lean towards higher-yield credit cards, personal consumption loans, and MSE loans. Clean-up in structured deposits will continue.</li> <li>BoCom has higher proportion of credit card business vs big bank peers. After fast explosion in 1H20, credit cards' NPL ratio fell 52bp to 2.38% in 3Q20.</li> <li>Management expected steady credit growth in 2021 (the start of 14<sup>th</sup> Five-Year Plan). TSF growth should be stable, and credit demand of manufacturing and infrastructure would remain strong. Credit card and consumer loans will see faster recovery. Growth of inclusive MSE loans should also be robust..</li> </ol>
<b>PSBC</b>	<ol style="list-style-type: none"> <li>PSBC's NIM saw smaller contraction in 3Q20, thanks to control in deposit funding cost. As monetary policy gradually normalizes, probability of further LPR cut declines, and asset yield pressure should ease. Management was positive on NIM outlook in 2021.</li> <li>9M20 credit cost was up 9bp YoY, but fell from 1H20 due to lower provision charge in 3Q20. Management expected credit cost to further drop in 4Q20 and 2021.</li> <li>Asset quality trend improved in 3Q20. Credit card NPL ratio fell to 1.94%. Both retail and MSE loans saw decline in NPL ratio and NPL balance.</li> <li>Growth in property-related loan growth will follow regulatory guidance. Mortgage was up 2% QoQ to RMB1.88tn as of 3Q20, with 0.46% NPL ratio. Real estate development loans was RMB102bn as of 3Q20, with zero NPLs.</li> <li>Net fee income achieved 27% YoY growth 3Q20, mainly driven by credit card, electronic payment, and agency businesses. Management expected fee income's revenue contribution to rise 0.8ppt YoY to 7% in FY20, and further increase to 7.5-8% in FY21.</li> </ol>

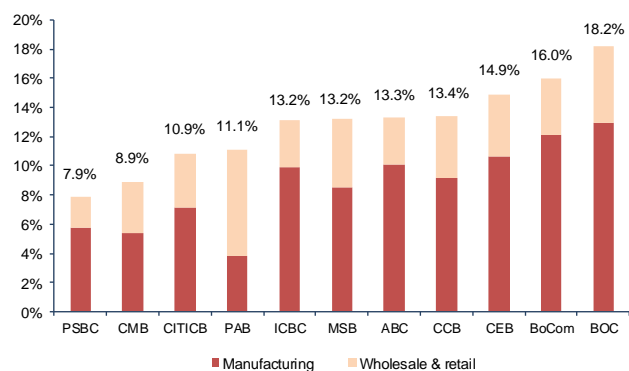
Source: Company data, CMBIS



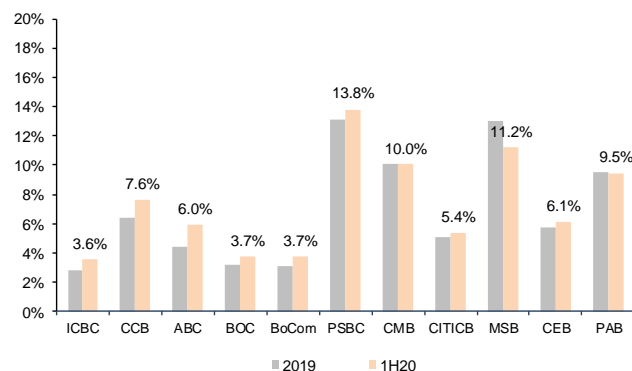
**Figure 22: China banks' loan profile**

Loan sector	ICBC	CCB	ABC	BOC	BoCom	PSBC	CMB	CITICB	MSB	CEB	PAB
<b>Corporate loans</b>	<b>62.3%</b>	<b>57.7%</b>	<b>59.7%</b>	<b>61.8%</b>	<b>68.1%</b>	<b>44.6%</b>	<b>48.8%</b>	<b>58.5%</b>	<b>60.1%</b>	<b>59.3%</b>	<b>43.5%</b>
Manufacturing	9.9%	9.1%	10.1%	13.0%	12.1%	5.7%	5.4%	7.1%	8.6%	10.6%	3.9%
Transportation and postal services	13.7%	10.0%	12.4%	9.8%	11.8%	10.4%	8.7%	3.4%	2.4%	3.1%	1.9%
Wholesale and retail	3.2%	4.3%	3.2%	7.0%	3.9%	2.2%	3.5%	3.7%	4.7%	4.3%	7.2%
Leasing and commercial services	7.9%	8.3%	8.1%	6.2%	10.0%	2.0%	3.7%	9.4%	12.8%	6.5%	3.4%
Electricity, gas and water supply	5.8%	5.3%	6.3%	4.8%	3.8%	3.5%	3.4%	1.8%	1.7%	1.5%	0.8%
Real estate	5.3%	4.7%	5.5%	8.3%	5.6%	1.5%	8.5%	6.9%	13.2%	8.0%	11.1%
Public utility	6.0%	3.1%	4.0%	2.8%	5.6%	1.6%	1.1%	7.8%	3.8%	9.7%	-
Construction	1.7%	2.6%	1.9%	2.1%	2.7%	2.2%	2.2%	2.3%	3.0%	3.7%	2.0%
Mining	1.2%	1.4%	1.4%	2.1%	2.1%	1.4%	0.9%	-	2.9%	-	1.4%
Others	7.6%	9.0%	6.8%	5.8%	10.3%	14.2%	11.3%	16.0%	7.1%	11.8%	11.8%
<b>Retail loans</b>	<b>37.7%</b>	<b>42.3%</b>	<b>40.3%</b>	<b>38.2%</b>	<b>31.9%</b>	<b>55.4%</b>	<b>51.2%</b>	<b>41.5%</b>	<b>39.9%</b>	<b>40.7%</b>	<b>56.5%</b>
Mortgage	30.5%	34.4%	30.5%	30.2%	20.9%	33.6%	24.7%	19.8%	12.5%	15.1%	18.2%
Credit card	3.7%	4.7%	3.3%	3.4%	7.8%	2.3%	13.4%	11.4%	12.0%	15.3%	20.4%
Others	3.5%	3.2%	6.5%	4.5%	3.3%	19.5%	13.0%	10.2%	15.3%	10.4%	17.9%

Source: Company data, CMBIS; Data as of 2Q20

**Figure 23: Loan exposure to cyclical sectors**

Source: Company data, CMBIS; Data as of 2Q20

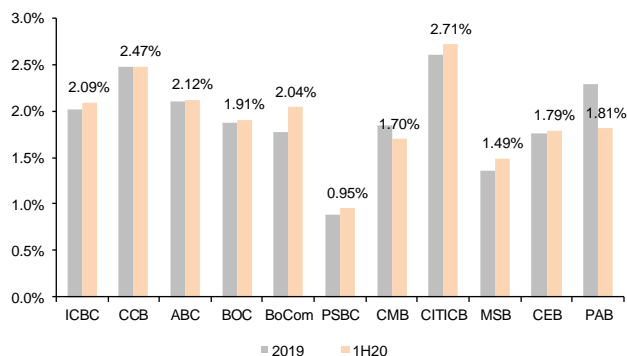
**Figure 24: Loan exposure to MSE**

Source: Company data, CMBIS; Data as of 2Q20

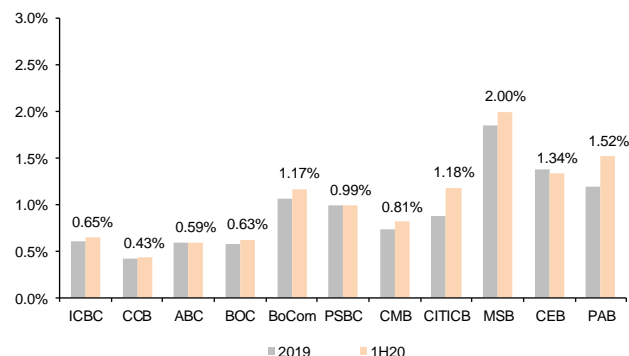
**Figure 25: China banks' NPL ratio by sector**

Loan sector	ICBC	CCB	ABC	BOC	BoCom	PSBC	CMB	CITICB	MSB	CEB	PAB
<b>Corporate loans</b>	<b>2.31%</b>	<b>2.47%</b>	<b>2.12%</b>	<b>2.38%</b>	<b>2.04%</b>	<b>0.95%</b>	<b>1.70%</b>	<b>2.71%</b>	<b>1.49%</b>	<b>1.79%</b>	<b>1.76%</b>
Manufacturing	4.26%	6.04%	5.03%	5.19%	4.33%	1.96%	4.68%	5.45%	4.43%	4.37%	4.72%
Wholesale and retail	12.88%	4.02%	7.90%	NA	5.11%	3.05%	3.59%	10.47%	2.70%	3.77%	NA
Transportation, storage and postal services	0.86%	1.81%	0.91%	1.08%	1.24%	1.26%	0.86%	1.09%	2.29%	1.15%	2.11%
Production and supply of electricity, heating, gas and water	0.27%	1.11%	0.51%	0.39%	0.97%	0.05%	0.39%	1.03%	0.58%	0.86%	0.85%
Leasing and commercial services	1.54%	1.32%	1.85%	3.28%	1.33%	0.40%	3.55%	0.79%	0.36%	1.34%	7.65%
Real estate	1.41%	1.08%	1.47%	0.41%	1.43%	0.01%	0.34%	1.23%	0.25%	0.41%	0.32%
Water, environment and public utility	0.62%	0.96%	0.15%	0.63%	0.06%	0.04%	0.16%	0.45%	0.00%	0.00%	NA
Mining	4.46%	4.31%	3.21%	2.86%	3.46%	0.07%	3.08%	N/A	6.11%	NA	12.24%
Construction	1.93%	1.75%	1.12%	1.77%	1.33%	0.09%	0.99%	2.90%	0.88%	0.91%	1.87%
Others	3.12%	1.90%	5.58%	1.03%	2.43%	1.43%	1.28%	3.52%	0.59%	1.60%	NA
<b>Retail loans</b>	<b>0.65%</b>	<b>0.43%</b>	<b>0.59%</b>	<b>0.69%</b>	<b>1.17%</b>	<b>0.99%</b>	<b>0.81%</b>	<b>1.18%</b>	<b>2.00%</b>	<b>1.34%</b>	<b>1.56%</b>
Mortgages	0.29%	0.25%	0.32%	0.34%	0.40%	0.43%	0.25%	N/A	N/A	N/A	0.42%
Credit cards	2.65%	1.17%	1.81%	2.57%	2.90%	1.99%	1.85%	2.50%	N/A	N/A	2.35%
Others	1.74%	1.24%	1.28%	1.70%	1.93%	1.82%	0.82%	N/A	N/A	N/A	1.97%
<b>Total</b>	<b>1.50%</b>	<b>1.49%</b>	<b>1.43%</b>	<b>1.42%</b>	<b>1.68%</b>	<b>0.89%</b>	<b>1.14%</b>	<b>1.80%</b>	<b>1.72%</b>	<b>1.51%</b>	<b>1.65%</b>

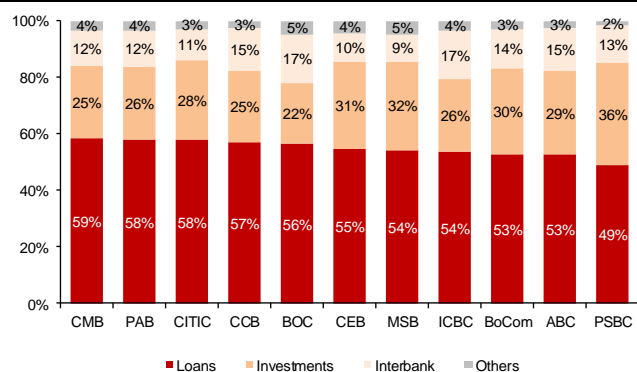
Source: Company data, CMBIS; Data as of 2Q20

**Figure 26: Corporate NPL ratio**

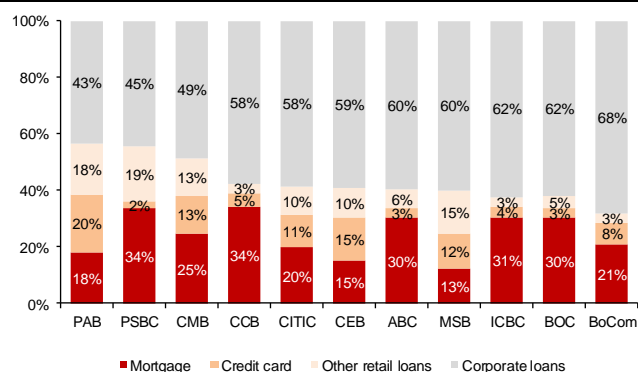
Source: Company data, CMBIS; Data as of 2Q20

**Figure 27: Retail NPL ratio**

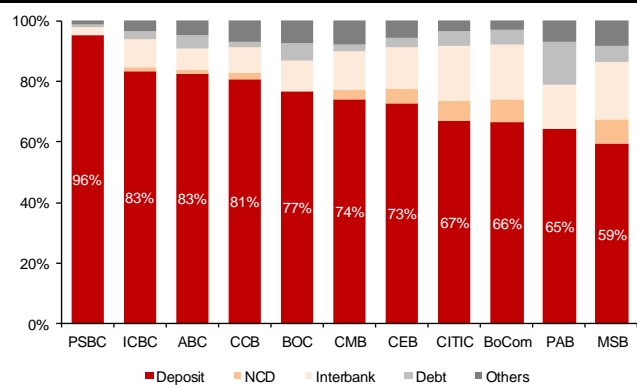
Source: Company data, CMBIS; Data as of 2Q20

**Figure 28: China banks' asset mix**

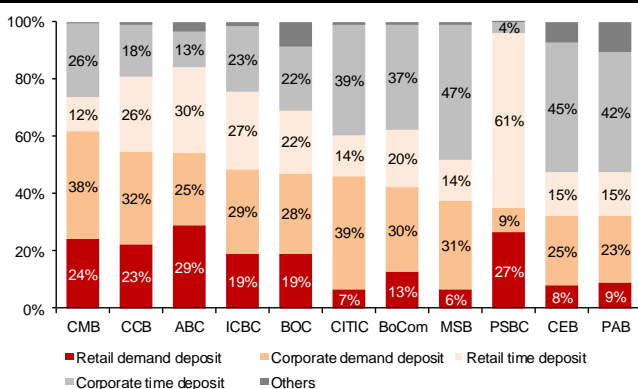
Source: Company data, CMBIS; Data as of 3Q20

**Figure 29: China banks' loan mix**

Source: Company data, CMBIS; Data as of 2Q20

**Figure 30: China banks' liability mix**

Source: Company data, CMBIS; Data as of 3Q20

**Figure 31: China banks' deposit mix**

Source: Company data, CMBIS; Data as of 2Q20

## Individual Banks' Financial Summary

ICBC (1398 HK, BUY, TP: HK\$6.00)

Figure 32: Quarterly results summary

(RMB mn)							
P&L	3Q19	4Q19	1Q20	2Q20	3Q20	QoQ	YoY
Net interest income	153,845	153,780	154,287	152,262	156,269	2.6%	1.6%
Non-interest income	36,636	(11,174)	72,692	69,215	41,632	-39.9%	13.6%
Operating income	190,481	142,606	226,979	221,477	197,901	-10.6%	3.9%
Operating expense	(48,466)	(24,506)	(60,646)	(73,200)	(49,230)	-32.7%	1.6%
PPoP	142,015	118,100	166,333	148,277	148,671	0.3%	4.7%
Impairment losses	(38,576)	(41,201)	(59,492)	(65,964)	(54,274)	-17.7%	40.7%
Pre-tax profit	103,439	76,899	106,841	82,313	94,397	14.7%	-8.7%
Income tax	(19,947)	(17,962)	(22,107)	(17,448)	(14,398)	-17.5%	-27.8%
Net profit	83,781	60,512	84,494	64,296	79,885	24.2%	-4.7%
B/S	3Q19	4Q19	1Q20	2Q20	3Q20	QoQ	YoY
Gross loans	16,660,486	16,761,319	17,515,921	17,975,652	18,443,307	2.6%	10.7%
Total deposits	23,368,159	22,977,655	24,220,294	25,067,870	25,585,348	2.1%	9.5%
Total assets	30,426,381	30,109,436	32,094,478	33,112,010	33,471,851	1.1%	10.0%
NPLs	239,785	240,187	250,103	269,961	285,461	5.7%	19.0%
Loan loss reserves	474,985	478,498	498,631	525,327	542,916	3.3%	14.3%
Key ratio	3Q19	4Q19	1Q20	2Q20	3Q20	QoQ	YoY
NIM	2.21%	2.20%	2.20%	2.07%	2.05%	-2bp	-16bp
CIR	25.4%	17.2%	26.7%	33.1%	24.9%	-8.2ppt	-0.6ppt
ROA	1.16%	1.11%	0.80%	1.09%	0.79%	-0.3ppt	-0.4ppt
ROE	14.1%	9.9%	13.4%	10.1%	12.5%	2.4ppt	-1.6ppt
NPL ratio	1.44%	1.43%	1.43%	1.50%	1.55%	5bp	11bp
Provision coverage	198.1%	199.3%	199.4%	194.7%	190.2%	-4.5ppt	-7.9ppt
Allowance ratio	2.85%	2.85%	2.85%	2.92%	2.94%	2bp	9bp
LDR	71.3%	72.9%	72.3%	71.7%	72.1%	0.4ppt	0.8ppt
CET-1 CAR	12.9%	13.2%	13.2%	12.7%	12.8%	14bp	-9bp
Tier1 CAR	14.2%	14.3%	14.2%	13.7%	13.9%	22bp	-22bp
Total CAR	16.7%	16.8%	16.5%	16.0%	16.5%	47bp	-18bp

Source: Company data, CMBIS

Figure 33: Summary of earnings forecast

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Operating income (RMB mn)	725,121	776,002	835,036	884,616	951,840
Net profit (RMB mn)	297,676	312,224	277,225	289,629	321,044
EPS (RMB)	0.82	0.86	0.77	0.80	0.89
EPS CHG (%)	4.1	5.0	(11.4)	4.5	11.0
Consensus EPS (RMB)	NA	NA	0.80	0.84	0.90
P/E (x)	4.8	4.5	5.1	4.9	4.4
P/B (x)	0.62	0.56	0.53	0.49	0.45
Dividend yield (%)	6.4	6.7	6.0	6.2	6.9
ROE (%)	13.7	13.1	10.7	10.4	10.7
NPL ratio (%)	1.52	1.43	1.54	1.56	1.53
Provision coverage (%)	176	199	209	228	247

Source: Company data, Bloomberg, CMBIS estimates

## CCB (939 HK, BUY, TP: HK\$7.60)

Figure 34: Quarterly results summary

(RMB mn)							
P&L	3Q19	4Q19	1Q20	2Q20	3Q20	QoQ	YoY
Net interest income	129,086	131,158	133,499	132,994	138,294	4.0%	7.1%
Non-interest income	49,078	34,836	75,896	46,720	44,032	-5.8%	-10.3%
Operating income	178,164	165,994	209,395	179,714	182,326	1.5%	2.3%
Operating expense	(55,673)	(63,848)	(61,885)	(46,838)	(51,082)	9.1%	-8.2%
PPoP	122,491	102,146	147,510	132,876	131,244	-1.2%	7.1%
Impairment losses	(35,410)	(53,325)	(49,167)	(62,399)	(50,197)	-19.6%	41.8%
Pre-tax profit	87,081	48,821	98,343	70,477	81,047	15.0%	-6.9%
Income tax	(15,270)	(6,633)	(17,389)	(12,445)	(12,450)	0.0%	-18.5%
Net profit	71,154	41,389	80,855	56,771	68,206	20.1%	-4.1%
B/S	3Q19	4Q19	1Q20	2Q20	3Q20	QoQ	YoY
Gross loans	14,872,485	15,022,825	15,983,311	16,474,146	16,711,368	1.4%	12.4%
Total deposits	18,463,826	18,366,293	19,706,793	20,402,162	20,941,183	2.6%	13.4%
Total assets	24,517,730	25,436,261	27,110,165	27,655,247	28,298,121	2.3%	15.4%
NPLs	211,399	212,473	226,010	245,516	255,528	4.1%	20.9%
Loan loss reserves	461,442	482,158	520,433	546,361	555,799	1.7%	20.4%
Key ratio	3Q19	4Q19	1Q20	2Q20	3Q20	QoQ	YoY
NIM	2.27%	2.24%	2.19%	2.09%	2.11%	2bp	-16bp
CIR	31.2%	38.5%	29.6%	26.1%	28.0%	2.0ppt	-3.2ppt
ROA	1.27%	1.16%	0.66%	1.23%	0.83%	-0.4ppt	-0.4ppt
ROE	14.1%	8.0%	15.1%	10.4%	12.5%	2.1ppt	-1.6ppt
NPL ratio	1.43%	1.42%	1.42%	1.49%	1.53%	4bp	10bp
Provision coverage	218.3%	227.7%	230.3%	223.5%	217.5%	-6.0ppt	-0.8ppt
Allowance ratio	3.10%	3.21%	3.26%	3.32%	3.33%	1bp	22bp
LDR	80.5%	81.8%	81.1%	80.7%	79.8%	-0.9ppt	-0.7ppt
CET1 CAR	14.0%	13.9%	13.8%	13.2%	13.1%	-1bp	-81bp
Tier1 CAR	14.5%	14.7%	14.5%	13.9%	13.9%	-2bp	-64bp
Total CAR	17.3%	17.5%	17.2%	16.6%	16.9%	26bp	-42bp

Source: Company data, CMBIS

Figure 35: Summary of earnings forecast

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Operating income (RMB mn)	658,891	705,629	766,298	808,276	868,174
Net profit (RMB mn)	254,655	266,733	237,226	248,668	276,922
EPS (RMB)	1.00	1.05	0.93	0.98	1.09
EPS CHG (%)	3.9	4.8	(11.1)	4.9	11.5
Consensus EPS (RMB)	NA	NA	0.97	1.03	1.11
P/E (x)	4.8	4.6	5.1	4.9	4.4
P/B (x)	0.63	0.57	0.53	0.49	0.46
Dividend yield (%)	6.4	6.7	5.9	6.2	6.9
ROE (%)	13.9	13.2	10.7	10.5	10.8
NPL ratio (%)	1.46	1.42	1.52	1.54	1.51
Provision coverage (%)	208	228	239	257	281

Source: Company data, Bloomberg, CMBIS estimates

## ABC (1288 HK, BUY, TP: HK\$3.70)

Figure 36: Quarterly results summary

(RMB mn)							
P&L	3Q19	4Q19	1Q20	2Q20	3Q20	QoQ	YoY
Net interest income	122,841	126,398	129,659	129,238	134,888	4.4%	9.8%
Non-interest income	29,095	27,837	57,047	23,228	24,549	5.7%	-15.6%
Operating income	151,936	154,235	186,706	152,466	159,437	4.6%	4.9%
Operating expense	(49,721)	(69,641)	(60,419)	(46,917)	(52,122)	11.1%	4.8%
PPoP	102,215	84,594	126,287	105,549	107,315	1.7%	5.0%
Impairment losses	(30,736)	(34,560)	(44,853)	(54,321)	(40,039)	-26.3%	30.3%
Pre-tax profit	71,479	50,034	81,434	51,228	67,276	31.3%	-5.9%
Income tax	(12,041)	(18,121)	(17,022)	(6,343)	(10,541)	66.2%	-12.5%
Net profit	59,226	31,427	64,187	44,647	56,501	26.6%	-4.6%
B/S	3Q19	4Q19	1Q20	2Q20	3Q20	QoQ	YoY
Gross loans	13,322,554	13,360,188	14,138,099	14,548,269	14,973,207	2.9%	12.4%
Total deposits	18,723,954	18,849,155	19,539,807	20,363,098	20,780,341	2.0%	11.0%
Total assets	24,870,961	24,878,288	26,226,388	26,472,127	27,296,753	3.1%	9.8%
NPLs	188,236	187,210	196,693	207,745	226,213	8.9%	20.2%
Loan loss reserves	529,429	540,578	570,239	592,005	616,295	4.1%	16.4%
Key ratio	3Q19	4Q19	1Q20	2Q20	3Q20	QoQ	YoY
NIM	2.14%	2.16%	2.15%	2.12%	2.11%	-1bp	-3bp
CIR	32.7%	45.2%	32.4%	30.8%	32.7%	1.9ppt	0.0ppt
ROA	1.01%	0.97%	0.51%	1.00%	0.68%	-0.3ppt	-0.3ppt
ROE	14.1%	7.3%	14.4%	9.9%	12.4%	2.6ppt	-1.6ppt
NPL ratio	1.42%	1.40%	1.40%	1.43%	1.52%	9bp	10bp
Provision coverage	281.3%	288.8%	289.9%	285.0%	272.4%	-12.5ppt	-8.8ppt
Allowance ratio	3.97%	4.15%	4.03%	4.07%	4.12%	5bp	14bp
LDR	71.2%	70.9%	72.4%	71.4%	72.1%	0.6ppt	0.9ppt
CET1 CAR	11.2%	11.2%	11.3%	10.9%	10.9%	-2bp	-34bp
Tier1 CAR	12.5%	12.5%	12.6%	12.6%	12.8%	16bp	25bp
Total CAR	16.1%	16.1%	16.1%	16.4%	16.5%	12bp	44bp

Source: Company data, CMBIS

Figure 37: Summary of earnings forecast

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Operating income (RMB mn)	602,557	629,350	688,528	733,284	795,119
Net profit (RMB mn)	202,783	212,098	189,168	198,360	221,227
EPS (RMB)	0.59	0.59	0.53	0.55	0.62
EPS CHG (%)	1.3	0.9	(11.1)	5.0	11.8
Consensus EPS (RMB)	NA	NA	0.55	0.57	0.62
P/E (x)	4.0	4.0	4.5	4.2	3.8
P/B (x)	0.52	0.47	0.44	0.41	0.38
Dividend yield (%)	7.4	7.7	6.9	7.2	8.1
ROE (%)	13.5	12.4	10.2	10.0	10.4
NPL ratio (%)	1.59	1.40	1.47	1.48	1.44
Provision coverage (%)	252	289	278	277	280

Source: Company data, Bloomberg, CMBIS estimates



## BOC (3988 HK, BUY, TP: HK\$3.60)

Figure 38: Quarterly results summary

(RMB mn)							
P&L	3Q19	4Q19	1Q20	2Q20	3Q20	QoQ	YoY
Net interest income	96,136	96,430	96,166	100,729	100,610	-0.1%	4.7%
Non-interest income	44,033	36,723	52,377	37,711	42,709	13.3%	-3.0%
Operating income	140,169	133,153	148,543	138,440	143,319	3.5%	2.2%
Operating expense	(51,271)	(55,868)	(47,266)	(43,680)	(54,124)	23.9%	5.6%
PPoP	88,898	77,285	101,277	94,760	89,195	-5.9%	0.3%
Impairment losses	(27,177)	(41,306)	(32,551)	(33,933)	(30,419)	-10.4%	11.9%
Pre-tax profit	61,721	35,979	68,726	60,827	58,776	-3.4%	-4.8%
Income tax	(12,069)	(5,569)	(12,274)	(9,530)	(10,989)	15.3%	-8.9%
Net profit	45,531	27,826	52,583	48,334	44,794	-7.3%	-1.6%
B/S	3Q19	4Q19	1Q20	2Q20	3Q20	QoQ	YoY
Gross loans	12,888,490	13,068,785	13,804,106	14,040,165	14,307,435	1.9%	11.0%
Total deposits	15,772,547	15,817,548	16,783,492	17,090,217	17,384,991	1.7%	10.2%
Total assets	22,608,164	22,769,744	24,024,645	24,152,855	24,703,889	2.3%	9.3%
NPLs	176,514	178,235	190,657	198,382	211,427	6.6%	19.8%
Loan loss reserves	321,679	325,360	352,182	369,345	375,198	1.6%	16.6%
Key ratio	3Q19	4Q19	1Q20	2Q20	3Q20	QoQ	YoY
NIM	1.85%	1.84%	1.80%	1.84%	1.79%	-5bp	-6bp
CIR	36.6%	42.0%	31.8%	31.6%	37.8%	6.2ppt	1.2ppt
ROA	1.15%	0.81%	0.49%	0.90%	0.80%	-0.1ppt	-0.3ppt
ROE	11.4%	6.8%	12.1%	11.3%	10.5%	-0.9ppt	-0.9ppt
NPL ratio	1.37%	1.37%	1.39%	1.42%	1.48%	6bp	11bp
Provision coverage	182.2%	182.9%	184.7%	186.2%	177.5%	-8.7ppt	-4.8ppt
Allowance ratio	2.50%	2.49%	2.55%	2.63%	2.62%	-1bp	13bp
LDR	81.7%	82.6%	82.2%	82.2%	82.3%	0.1ppt	0.6ppt
CET1 CAR	11.2%	11.3%	11.2%	11.0%	10.9%	-14bp	-37bp
Tier1 CAR	13.0%	12.8%	12.8%	12.8%	12.6%	-18bp	-38bp
Total CAR	15.5%	15.6%	15.3%	15.4%	15.7%	27bp	18bp

Source: Company data, CMBIS

Figure 39: Summary of earnings forecast

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Operating income (RMB mn)	503,806	550,010	586,809	620,362	667,305
Net profit (RMB mn)	180,086	187,405	162,886	169,810	188,216
EPS (RMB)	0.59	0.61	0.53	0.55	0.62
EPS CHG (%)	4.6	4.2	(13.6)	4.4	11.3
Consensus EPS (RMB)	NA	NA	0.56	0.58	0.62
P/E (x)	3.7	3.6	4.1	4.0	3.6
P/B (x)	0.43	0.39	0.37	0.34	0.32
Dividend yield (%)	8.4	8.7	7.6	7.9	8.7
ROE (%)	11.9	11.4	9.2	9.0	9.3
NPL ratio (%)	1.42	1.37	1.45	1.48	1.45
Provision coverage (%)	182	183	184	192	200

Source: Company data, Bloomberg, CMBIS estimates

## BoCom (3328 HK, HOLD, TP: HK\$4.50)

Figure 40: Quarterly results summary

(RMB mn)							
P&L	3Q19	4Q19	1Q20	2Q20	3Q20	QoQ	YoY
Net interest income	36,265	37,756	36,736	37,113	40,165	8.2%	10.8%
Non-interest income	20,386	16,489	20,850	21,153	16,574	-21.6%	-18.7%
Operating income	56,651	54,245	57,586	58,266	56,739	-2.6%	0.2%
Operating expense	(21,282)	(19,459)	(21,371)	(21,116)	(20,662)	-2.2%	-2.9%
PPoP	35,369	34,786	36,215	37,150	36,077	-2.9%	2.0%
Impairment losses	(15,401)	(15,273)	(11,892)	(21,600)	(18,578)	-14.0%	20.6%
Pre-tax profit	19,968	19,513	24,323	15,550	17,499	12.5%	-12.4%
Income tax	(2,449)	(1,878)	(2,804)	(157)	(1,083)	589.8%	-55.8%
Net profit	17,398	17,134	21,451	15,054	16,207	7.7%	-6.8%
B/S	3Q19	4Q19	1Q20	2Q20	3Q20	QoQ	YoY
Gross loans	5,206,687	5,304,275	5,568,059	5,729,513	5,816,696	1.5%	11.7%
Total deposits	6,048,860	6,072,908	6,366,064	6,560,867	6,615,067	0.8%	9.4%
Total assets	9,932,879	9,905,600	10,454,383	10,669,932	10,795,571	1.2%	8.7%
NPLs	76,692	78,043	88,455	96,292	97,014	0.7%	26.5%
Loan loss reserves	133,613	134,052	136,389	143,216	146,307	2.2%	9.5%
Key ratio	3Q19	4Q19	1Q20	2Q20	3Q20	QoQ	YoY
NIM	1.56%	1.62%	1.55%	1.52%	1.61%	9bp	5bp
CIR	37.6%	35.9%	37.1%	36.2%	36.4%	0.2ppt	-1.2ppt
ROA	0.88%	0.70%	0.69%	0.84%	0.57%	-0.3ppt	-0.3ppt
ROE	10.4%	10.0%	12.2%	8.5%	9.2%	0.7ppt	-1.3ppt
NPL ratio	1.47%	1.47%	1.59%	1.68%	1.67%	-1bp	19bp
Provision coverage	174.2%	171.8%	154.2%	148.7%	150.8%	2.1ppt	-23.4ppt
Allowance ratio	2.57%	2.53%	2.45%	2.50%	2.52%	2bp	-5bp
LDR	86.1%	87.3%	87.5%	87.3%	87.9%	0.6ppt	1.9ppt
CET1 CAR	11.1%	11.2%	10.8%	10.6%	10.4%	-22bp	-66bp
Tier1 CAR	12.7%	12.8%	12.4%	12.2%	12.1%	-5bp	-59bp
Total CAR	14.9%	14.8%	14.2%	14.6%	14.5%	-10bp	-40bp

Source: Company data, CMBIS

Figure 41: Summary of earnings forecast

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Operating income (RMB mn)	205,932	221,040	231,624	245,356	263,788
Net profit (RMB mn)	73,630	77,281	65,889	68,628	75,505
EPS (RMB)	0.96	1.00	0.85	0.89	0.98
EPS CHG (%)	5.2	5.1	(15.3)	4.3	10.4
Consensus EPS (RMB)	NA	NA	0.90	0.95	1.02
P/E (x)	3.6	3.4	4.0	3.8	3.5
P/B (x)	0.40	0.37	0.35	0.33	0.31
Dividend yield (%)	8.8	9.2	7.8	8.1	8.9
ROE (%)	11.4	11.2	8.9	8.7	9.0
NPL ratio (%)	1.49	1.47	1.74	1.75	1.71
Provision coverage (%)	173	172	153	160	168

Source: Company data, Bloomberg, CMBIS estimates

**PSBC (1658 HK, BUY, TP: HK\$4.80)**
**Figure 42: Quarterly results summary**

(RMB mn)							
P&L	3Q19	4Q19	1Q20	2Q20	3Q20	QoQ	YoY
Net interest income	60,098	61,044	61,721	61,233	63,449	3.6%	5.6%
Non-interest income	8,756	5,514	10,529	13,002	6,593	-49.3%	-24.7%
Operating income	68,854	66,558	72,250	74,235	70,042	-5.6%	1.7%
Operating expense	(38,528)	(46,226)	(38,156)	(38,508)	(41,920)	8.9%	8.8%
PPoP	30,326	20,332	34,094	35,727	28,122	-21.3%	-7.3%
Impairment losses	(12,166)	(15,533)	(11,432)	(22,162)	(6,979)	-68.5%	-42.6%
Pre-tax profit	18,160	4,799	22,662	13,565	21,143	55.9%	16.4%
Income tax	(1,238)	1,893	(2,557)	3	(1,921)	NA	55.2%
Net profit	16,907	6,645	20,094	13,564	19,186	41.4%	13.5%
B/S	3Q19	4Q19	1Q20	2Q20	3Q20	QoQ	YoY
Gross loans	4,846,845	4,974,186	5,242,248	5,481,104	5,652,101	3.1%	16.6%
Total deposits	9,165,526	9,314,066	9,762,687	9,866,583	10,006,331	1.4%	9.2%
Total assets	10,110,524	10,216,706	10,798,624	10,966,186	11,133,942	1.5%	10.1%
NPLs	40,063	42,844	45,118	48,531	49,762	2.5%	24.2%
Loan loss reserves	156,057	166,124	174,042	193,610	199,877	3.2%	28.1%
Key ratio	3Q19	4Q19	1Q20	2Q20	3Q20	QoQ	YoY
NIM	2.46%	2.47%	2.46%	2.38%	2.36%	-2bp	-10bp
CIR	56.0%	69.5%	52.8%	51.9%	59.8%	8.0ppt	3.9ppt
ROA	0.75%	0.67%	0.26%	0.76%	0.50%	-0.3ppt	-0.2ppt
ROE	14.9%	5.5%	15.8%	10.5%	14.7%	4.2ppt	-0.2ppt
NPL ratio	0.83%	0.86%	0.86%	0.89%	0.88%	-1bp	5bp
Provision coverage	391.1%	389.5%	387.3%	400.1%	403.2%	3.1ppt	12.1ppt
Allowance ratio	3.22%	3.34%	3.32%	3.53%	3.54%	0bp	32bp
LDR	52.9%	53.4%	53.7%	55.6%	56.5%	0.9ppt	3.6ppt
CET1 CAR	9.6%	9.9%	9.6%	9.2%	9.5%	34bp	-4bp
Tier1 CAR	10.6%	10.9%	12.0%	11.5%	11.8%	34bp	126bp
Total CAR	13.3%	13.5%	14.6%	14.0%	13.9%	-11bp	59bp

Source: Company data, CMBIS

**Figure 43: Summary of earnings forecast**

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Operating income (RMB mn)	261,245	277,116	300,576	322,860	354,119
Net profit (RMB mn)	52,311	60,933	54,664	59,733	68,941
EPS (RMB)	0.62	0.72	0.60	0.66	0.76
EPS CHG (%)	4.7	16.9	(16.3)	9.2	16.1
Consensus EPS (RMB)	NA	NA	0.65	0.72	0.81
P/E (x)	5.5	4.7	5.7	5.2	4.5
P/B (x)	0.65	0.59	0.56	0.52	0.48
Dividend yield (%)	5.7	6.2	5.5	6.0	7.0
ROE (%)	12.3	12.7	10.2	10.4	11.2
NPL ratio (%)	0.86	0.86	0.94	0.98	0.96
Provision coverage (%)	347	389	410	422	447

Source: Company data, Bloomberg, CMBIS estimates

## CITICB (998 HK, BUY, TP; HK\$4.60)

Figure 44: Quarterly results summary

(RMB mn)							
P&L	3Q19	4Q19	1Q20	2Q20	3Q20	QoQ	YoY
Net interest income	32,622	33,137	31,912	33,023	34,123	3.3%	4.6%
Non-interest income	16,615	12,357	19,658	17,420	13,038	-25.2%	-21.5%
Operating income	49,237	45,494	51,570	50,443	47,161	-6.5%	-4.2%
Operating expense	(13,260)	(16,375)	(11,892)	(11,645)	(12,297)	5.6%	-7.3%
PPoP	35,977	29,119	39,678	38,798	34,864	-10.1%	-3.1%
Impairment losses	(21,122)	(21,943)	(22,636)	(25,089)	(21,491)	-14.3%	1.7%
Pre-tax profit	14,855	7,176	17,042	13,709	13,373	-2.5%	-10.0%
Income tax	(2,138)	192	(2,495)	(2,287)	(2,008)	-12.2%	-6.1%
Net profit	12,445	7,263	14,453	11,088	11,377	2.6%	-8.6%
B/S	3Q19	4Q19	1Q20	2Q20	3Q20	QoQ	YoY
Gross loans	3,956,104	3,997,987	4,154,393	4,214,523	4,362,042	3.5%	10.3%
Total deposits	4,050,290	4,073,258	4,315,990	4,484,465	4,533,045	1.1%	11.9%
Total assets	6,461,910	6,750,433	7,032,434	7,080,616	7,323,359	3.4%	13.3%
NPLs	68,190	66,117	74,802	77,287	86,454	11.9%	26.8%
Loan loss reserves	119,210	115,870	132,676	135,808	147,041	8.3%	23.3%
Key ratio	3Q19	4Q19	1Q20	2Q20	3Q20	QoQ	YoY
NIM	2.13%	2.13%	1.98%	2.00%	2.04%	4bp	-9bp
CIR	26.9%	36.0%	23.1%	23.1%	26.1%	3.0ppt	-0.9ppt
ROA	0.96%	0.77%	0.44%	0.85%	0.63%	-0.2ppt	-0.3ppt
ROE	11.7%	6.7%	12.9%	9.7%	10.0%	0.3ppt	-1.7ppt
NPL ratio	1.72%	1.65%	1.80%	1.83%	1.98%	15bp	26bp
Provision coverage	174.8%	175.2%	177.4%	175.7%	170.1%	-5.6ppt	-4.7ppt
Allowance ratio	3.01%	2.90%	3.19%	3.44%	3.37%	-6bp	36bp
LDR	97.7%	98.2%	96.3%	94.0%	96.2%	2.2ppt	-1.4ppt
CET1 CAR	8.8%	8.7%	8.9%	8.8%	8.6%	-17bp	-13bp
Tier1 CAR	9.5%	10.2%	10.4%	10.3%	10.1%	-21bp	57bp
Total CAR	11.8%	12.4%	12.7%	12.6%	13.1%	53bp	128bp

Source: Company data, CMBIS

Figure 45: Summary of earnings forecast

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Operating income (RMB mn)	165,766	187,881	203,860	220,746	242,363
Net profit (RMB mn)	44,513	48,015	43,122	46,865	54,255
EPS (RMB)	0.88	0.95	0.85	0.93	1.08
EPS CHG (%)	4.7	8.1	(10.5)	9.0	16.2
Consensus EPS (RMB)	NA	NA	0.86	0.91	1.01
P/E (x)	3.2	3.0	3.3	3.0	2.6
P/B (x)	0.34	0.31	0.29	0.27	0.25
Dividend yield (%)	8.1	8.5	7.8	8.5	9.8
ROE (%)	11.3	11.1	9.2	9.4	10.1
NPL ratio (%)	1.77	1.65	1.88	1.84	1.76
Provision coverage (%)	158	175	174	187	200

Source: Company data, Bloomberg, CMBIS estimates

**MSB (1988 HK, HOLD, TP: HK\$4.60)**
**Figure 46: Quarterly results summary**

(RMB mn)							
P&L	3Q19	4Q19	1Q20	2Q20	3Q20	QoQ	YoY
Net interest income	25,778	26,642	26,924	28,232	30,272	7.2%	17.4%
Non-interest income	19,094	17,975	22,409	20,543	14,941	-27.3%	-21.8%
Operating income	44,872	44,617	49,333	48,775	45,213	-7.3%	0.8%
Operating expense	(14,264)	(15,391)	(10,469)	(11,427)	(14,727)	28.9%	3.2%
PPoP	30,608	29,226	38,864	37,348	30,486	-18.4%	-0.4%
Impairment losses	(13,823)	(19,732)	(18,753)	(24,264)	(20,578)	-15.2%	48.9%
Pre-tax profit	16,785	9,494	20,111	13,084	9,908	-24.3%	-41.0%
Income tax	(2,597)	(762)	(3,214)	(1,089)	(594)	-45.5%	-77.1%
Net profit	13,906	8,290	16,650	11,803	8,876	-24.8%	-36.2%
B/S	3Q19	4Q19	1Q20	2Q20	3Q20	QoQ	YoY
Gross loans	3,311,028	3,487,601	3,698,733	3,798,459	3,827,421	0.8%	15.6%
Total deposits	3,440,152	3,637,034	3,791,624	3,936,314	3,788,686	-3.8%	10.1%
Total assets	6,273,743	6,681,841	6,961,952	7,142,641	6,927,025	-3.0%	10.4%
NPLs	55,309	54,434	57,488	64,256	69,946	8.9%	26.5%
Loan loss reserves	80,600	84,647	89,617	97,828	102,050	4.3%	26.6%
Key ratio	3Q19	4Q19	1Q20	2Q20	3Q20	QoQ	YoY
NIM	2.02%	2.04%	1.95%	1.92%	1.95%	3bp	-7bp
CIR	31.8%	34.5%	21.2%	23.4%	32.6%	9.1ppt	0.8ppt
ROA	1.01%	0.88%	0.51%	0.98%	0.67%	-0.3ppt	-0.3ppt
ROE	12.8%	7.4%	14.5%	10.2%	7.7%	-2.5ppt	-5.1ppt
NPL ratio	1.67%	1.56%	1.55%	1.69%	1.83%	14bp	16bp
Provision coverage	145.7%	155.5%	155.9%	152.2%	145.9%	-6.3ppt	0.2ppt
Allowance ratio	2.43%	2.43%	2.42%	2.58%	2.67%	9bp	23bp
LDR	96.2%	95.9%	97.6%	96.5%	101.0%	4.5ppt	4.8ppt
CET1 CAR	9.3%	8.9%	9.0%	8.2%	8.6%	33bp	-73bp
Tier1 CAR	10.4%	10.3%	10.3%	9.5%	9.9%	36bp	-50bp
Total CAR	13.3%	13.2%	13.1%	12.7%	13.1%	39bp	-18bp

Source: Company data, CMBIS

**Figure 47: Summary of earnings forecast**

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Operating income (RMB mn)	154,161	177,745	190,656	203,326	223,013
Net profit (RMB mn)	50,327	53,819	46,938	50,102	56,729
EPS (RMB)	1.14	1.22	1.06	1.13	1.28
EPS CHG (%)	0.9	6.7	(12.9)	6.8	13.4
Consensus EPS (RMB)	NA	NA	1.12	1.19	1.26
P/E (x)	3.3	3.1	3.6	3.4	3.0
P/B (x)	0.41	0.37	0.35	0.32	0.30
Dividend yield (%)	9.1	9.7	8.5	9.1	10.3
ROE (%)	12.8	12.4	10.0	10.0	10.5
NPL ratio (%)	1.76	1.56	1.77	1.75	1.69
Provision coverage (%)	134	156	159	177	197

Source: Company data, Bloomberg, CMBIS estimates

## CEB (6818 HK, BUY, TP: HK\$4.00)

Figure 48: Quarterly results summary

(RMB mn)							
P&L	3Q19	4Q19	1Q20	2Q20	3Q20	QoQ	YoY
Net interest income	26,100	26,635	27,146	27,520	27,543	0.1%	5.5%
Non-interest income	8,008	6,057	10,178	7,270	7,256	-0.2%	-9.4%
Operating income	34,108	32,692	37,324	34,790	34,799	0.0%	2.0%
Operating expense	(11,039)	(9,066)	(9,694)	(9,672)	(8,861)	-8.4%	-19.7%
PPoP	23,069	23,626	27,630	25,118	25,938	3.3%	12.4%
Impairment losses	(10,216)	(15,752)	(14,533)	(16,140)	(12,618)	-21.8%	23.5%
Pre-tax profit	12,853	7,874	13,097	8,978	13,320	48.4%	3.6%
Income tax	(1,871)	(1,853)	(2,224)	(1,393)	(2,037)	46.2%	8.9%
Net profit	10,955	5,955	10,831	7,532	11,242	49.3%	2.6%
B/S	3Q19	4Q19	1Q20	2Q20	3Q20	QoQ	YoY
Gross loans	2,657,253	2,712,204	2,895,027	2,921,562	2,962,788	1.4%	11.5%
Total deposits	2,962,741	3,017,888	3,530,589	3,672,102	3,530,089	-3.9%	19.1%
Total assets	4,723,247	4,733,431	5,232,011	5,388,434	5,287,597	-1.9%	11.9%
NPLs	41,041	42,212	45,004	45,413	45,234	-0.4%	10.2%
Loan loss reserves	73,504	76,228	82,006	84,293	82,353	-2.3%	12.0%
Key ratio	3Q19	4Q19	1Q20	2Q20	3Q20	QoQ	YoY
NIM	2.31%	2.36%	2.31%	2.29%	2.34%	4bp	2bp
CIR	32.4%	27.7%	26.0%	27.8%	25.5%	-2.3ppt	-6.9ppt
ROA	0.93%	0.94%	0.50%	0.87%	0.57%	-0.3ppt	-0.4ppt
ROE	14.4%	7.6%	13.5%	9.3%	13.8%	4.5ppt	-0.6ppt
NPL ratio	1.54%	1.56%	1.55%	1.55%	1.53%	-3bp	-2bp
Provision coverage	179.1%	181.6%	182.2%	186.8%	182.1%	-4.7ppt	3.0ppt
Allowance ratio	2.77%	2.81%	2.83%	2.89%	2.78%	-11bp	1bp
LDR	89.7%	89.9%	82.0%	79.6%	83.9%	4.4ppt	-5.8ppt
CET1 CAR	9.2%	9.2%	9.0%	8.7%	8.8%	11bp	-36bp
Tier1 CAR	11.1%	11.1%	10.8%	10.4%	11.6%	115bp	52bp
Total CAR	13.4%	13.5%	13.1%	12.7%	13.8%	109bp	41bp

Source: Company data, CMBIS

Figure 49: Summary of earnings forecast

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Operating income (RMB mn)	110,386	132,939	147,603	161,692	177,628
Net profit (RMB mn)	33,659	37,354	33,568	36,711	42,618
EPS (RMB)	0.61	0.68	0.61	0.67	0.78
EPS CHG (%)	1.1	11.5	(10.5)	9.8	16.8
Consensus EPS (RMB)	NA	NA	0.61	0.67	0.76
P/E (x)	3.9	3.5	3.9	3.5	3.0
P/B (x)	0.44	0.40	0.37	0.34	0.32
Dividend yield (%)	6.8	9.0	8.1	8.8	10.3
ROE (%)	11.6	11.9	9.8	10.1	10.8
NPL ratio (%)	1.59	1.56	1.58	1.53	1.44
Provision coverage (%)	176	182	196	221	248

Source: Company data, Bloomberg, CMBIS estimates



## PAB (000001 CH, BUY, TP: RMB22.80)

Figure 50: Quarterly results summary

(RMB mn)							
P&L	3Q19	4Q19	1Q20	2Q20	3Q20	QoQ	YoY
Net interest income	22,630	23,692	24,770	25,535	24,849	-2.7%	9.8%
Non-interest income	12,499	11,308	13,156	14,867	13,387	-10.0%	7.1%
Operating income	35,129	35,000	37,926	40,402	38,236	-5.4%	8.8%
Operating expense	(10,661)	(10,893)	(11,000)	(11,178)	(11,073)	-0.9%	3.9%
PPoP	24,468	24,107	26,926	29,224	27,163	-7.1%	11.0%
Impairment losses	(13,792)	(18,531)	(15,928)	(22,563)	(15,899)	-29.5%	15.3%
Pre-tax profit	10,676	5,576	10,998	6,661	11,264	69.1%	5.5%
Income tax	(2,455)	(990)	(2,410)	(1,499)	(2,519)	68.0%	2.6%
Net profit	8,218	4,574	8,548	5,130	8,720	70.0%	6.1%
B/S	3Q19	4Q19	1Q20	2Q20	3Q20	QoQ	YoY
Gross loans	2,151,167	2,323,205	2,444,176	2,508,408	2,585,004	3.1%	20.2%
Total deposits	2,313,764	2,459,768	2,590,095	2,509,330	2,573,072	2.5%	11.2%
Total assets	3,707,683	3,939,070	4,132,298	4,178,622	4,346,921	4.0%	17.2%
NPLs	36,127	38,233	40,341	41,313	34,044	-17.6%	-5.8%
Loan loss reserves	67,262	70,013	80,823	88,794	74,313	-16.3%	10.5%
Key ratio	3Q19	4Q19	1Q20	2Q20	3Q20	QoQ	YoY
NIM	2.62%	2.62%	2.60%	2.59%	2.48%	-11bp	-14bp
CIR	30.3%	31.1%	29.0%	27.7%	29.0%	1.3ppt	-1.4ppt
ROA	0.89%	0.90%	0.48%	0.85%	0.49%	-0.4ppt	-0.4ppt
ROE	13.1%	6.8%	12.3%	7.3%	12.2%	5.0ppt	-0.9ppt
NPL ratio	1.68%	1.65%	1.65%	1.65%	1.32%	-33bp	-36bp
Provision coverage	186.2%	183.1%	200.3%	214.9%	218.3%	3.4ppt	32.1ppt
Allowance ratio	3.13%	3.01%	3.31%	3.54%	2.87%	-67bp	-25bp
LDR	93.0%	94.4%	94.4%	100.0%	100.5%	0.5ppt	7.5ppt
CET1 CAR	9.8%	9.1%	9.2%	8.9%	8.9%	1bp	-81bp
Tier1 CAR	10.5%	10.5%	11.7%	11.3%	11.3%	-5bp	76bp
Total CAR	13.4%	13.2%	14.3%	14.0%	13.9%	-10bp	50bp

Source: Company data, CMBIS

Figure 51: Summary of earnings forecast

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Operating income (RMB mn)	116,716	137,958	154,235	169,487	187,247
Net profit (RMB mn)	24,818	28,195	25,859	29,532	34,443
EPS (RMB)	1.39	1.54	1.29	1.48	1.73
EPS CHG (%)	7.3	10.3	(16.3)	14.7	17.1
Consensus EPS (RMB)	NA	NA	1.37	1.55	1.79
P/E (x)	12.7	11.5	13.8	12.0	10.3
P/B (x)	1.38	1.26	1.17	1.08	0.98
Dividend yield (%)	0.8	1.2	1.1	1.3	1.5
ROE (%)	11.3	11.1	8.8	9.3	10.0
NPL ratio (%)	1.75	1.65	1.36	1.32	1.29
Provision coverage (%)	155	183	231	268	303

Source: Company data, Bloomberg, CMBIS estimates

**CMB (3968 HK, NOT RATED)**
**Figure 52: Quarterly results summary**

(RMB mn)							
<b>P&amp;L</b>	<b>3Q19</b>	<b>4Q19</b>	<b>1Q20</b>	<b>2Q20</b>	<b>3Q20</b>	<b>QoQ</b>	<b>YoY</b>
Net interest income	43,817	41,866	45,756	45,117	47,662	5.6%	8.8%
Non-interest income	25,150	19,602	30,170	25,938	24,792	-4.4%	-1.4%
Operating income	68,967	61,468	75,926	71,055	72,454	2.0%	5.1%
Operating expense	(23,733)	(27,363)	(21,115)	(23,767)	(25,980)	9.3%	9.5%
PPoP	45,234	34,105	54,811	47,288	46,474	-1.7%	2.7%
Impairment losses	(11,872)	(16,223)	(20,354)	(20,089)	(12,078)	-39.9%	1.7%
Pre-tax profit	33,362	17,882	34,457	27,199	34,396	26.5%	3.1%
Income tax	(6,899)	(2,795)	(6,949)	(5,811)	(8,075)	39.0%	17.0%
Net profit	26,627	15,628	27,795	21,993	26,815	21.9%	0.7%
<b>B/S</b>	<b>3Q19</b>	<b>4Q19</b>	<b>1Q20</b>	<b>2Q20</b>	<b>3Q20</b>	<b>QoQ</b>	<b>YoY</b>
Gross loans	4,462,259	4,490,650	4,732,658	4,851,715	5,006,202	3.2%	12.2%
Total deposits	4,793,171	4,874,981	5,196,453	5,474,392	5,529,132	1.0%	15.4%
Total assets	7,305,925	7,417,240	7,766,114	8,031,826	8,156,700	1.6%	11.6%
NPLs	53,261	52,275	52,582	55,328	56,466	2.1%	6.0%
Loan loss reserves	218,056	222,899	237,287	243,880	239,845	-1.7%	10.0%
<b>Key ratio</b>	<b>3Q19</b>	<b>4Q19</b>	<b>1Q20</b>	<b>2Q20</b>	<b>3Q20</b>	<b>QoQ</b>	<b>YoY</b>
NIM	2.56%	2.40%	2.56%	2.45%	2.53%	8bp	-3bp
CIR	34.4%	44.5%	27.8%	33.4%	35.9%	2.4ppt	1.4ppt
ROA	1.45%	1.47%	0.85%	1.46%	1.11%	-0.4ppt	-0.3ppt
ROE	19.4%	11.0%	18.8%	14.6%	17.6%	3.0ppt	-1.8ppt
NPL ratio	1.19%	1.16%	1.11%	1.14%	1.13%	-1bp	-7bp
Provision coverage	409.4%	426.8%	451.3%	440.8%	424.8%	-16.0ppt	15.4ppt
Allowance ratio	4.89%	4.96%	5.01%	5.03%	4.79%	-24bp	-10bp
LDR	93.1%	92.1%	91.1%	88.6%	90.5%	1.9ppt	-2.6ppt
CET1 CAR	11.9%	11.9%	11.9%	11.3%	11.7%	34bp	-25bp
Tier1 CAR	12.7%	12.7%	12.6%	12.0%	13.3%	132bp	65bp
Total CAR	15.4%	15.5%	15.5%	14.9%	16.2%	129bp	75bp

Source: Company data, CMBIS

## Valuation Summary

Figure 53: China banks' valuation summary

Company	Ticker	Mkt cap (bn)	Last Price	TP	Rating	P/B (x)		P/E (x)		Yield		ROE	
		(Local ccy)	(Local ccy)	(Local ccy)		2020E	2021E	2020E	2021E	2020E	2021E	2020E	2021E
H-share													
ICBC	1398 HK	1,917	4.36	6.00	BUY	0.53	0.49	5.1	4.9	6.0%	6.2%	10.7%	10.4%
CCB	939 HK	1,356	5.35	7.60	BUY	0.53	0.49	5.1	4.9	5.9%	6.2%	10.7%	10.5%
ABC	1288 HK	1,247	2.62	3.70	BUY	0.44	0.41	4.5	4.2	6.9%	7.2%	10.2%	10.0%
BOC	3988 HK	982	2.45	3.60	BUY	0.37	0.34	4.1	4.0	7.6%	7.9%	9.2%	9.0%
PSBC	1658 HK	434	3.80	4.80	BUY	0.56	0.52	5.7	5.2	5.5%	6.0%	10.2%	10.4%
CITICB	998 HK	246	3.15	4.60	BUY	0.29	0.27	3.3	3.0	7.8%	8.5%	9.2%	9.4%
CEB	6818 HK	215	2.68	4.00	BUY	0.37	0.35	3.9	3.6	8.0%	8.7%	9.8%	10.1%
BoCom	3328 HK	340	3.81	4.50	HOLD	0.35	0.33	4.0	3.8	7.8%	8.1%	8.9%	8.7%
MSB	1988 HK	252	4.24	4.60	HOLD	0.35	0.32	3.6	3.4	8.5%	9.1%	10.0%	10.0%
CMB	3968 HK	1,137	40.30	-	NR	1.36	1.22	9.6	8.5	3.4%	3.8%	15.1%	15.4%
Average						0.59	0.54	5.4	5.0	6.2%	6.5%	10.9%	10.7%
A-share													
ICBC	601398 CH	1,653	4.92	7.00	BUY	0.66	0.61	6.4	6.2	4.7%	5.0%	10.7%	10.4%
CCB	601939 CH	1,169	6.29	8.90	BUY	0.70	0.65	6.7	6.4	4.5%	4.7%	10.7%	10.5%
ABC	601288 CH	1,075	3.15	4.50	BUY	0.59	0.55	6.0	5.7	5.2%	5.4%	10.2%	10.0%
BOC	601988 CH	847	3.18	4.60	BUY	0.53	0.50	6.0	5.7	5.2%	5.4%	9.2%	9.0%
PSBC	601658 CH	374	4.60	6.30	BUY	0.75	0.70	7.6	7.0	4.1%	4.5%	10.2%	10.4%
CITICB	601998 CH	212	5.05	7.20	BUY	0.53	0.49	5.9	5.4	4.4%	4.8%	9.2%	9.4%
CEB	601818 CH	185	3.92	5.30	BUY	0.61	0.57	6.4	5.8	4.9%	5.4%	9.8%	10.1%
PAB	000001 CH	344	17.75	22.80	BUY	1.17	1.08	13.8	12.0	1.1%	1.3%	8.8%	9.3%
BoCom	601328 CH	293	4.53	5.30	HOLD	0.46	0.43	5.3	5.1	5.9%	6.1%	8.9%	8.7%
MSB	600016 CH	218	5.28	6.10	HOLD	0.48	0.45	5.0	4.7	6.1%	6.5%	10.0%	10.0%
CMB	600036 CH	981	39.81	-	NR	1.56	1.40	10.9	9.7	3.0%	3.3%	15.0%	15.3%
Average						0.77	0.71	7.3	6.8	4.5%	4.7%	10.7%	10.7%

Source: Bloomberg, CMBIS estimates; Data as of 30 Oct 2020.

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