



Company Report: HSBC Holdings (00005 HK)

公司报告: 汇丰控股 (00005 HK)

Richard Cao 曹柱

(86755) 2397 6870

caozhu013592@gtjas.com

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Good Earnings Performance Expected, Maintain "Accumulate"

盈利预计表现良好, 维持“收集”

- **The Company's net profit attributable to ordinary shareholders decreased by 2.0% YoY in 1Q18.** In 1Q18, the Company's reported revenue was USD 13.7 bn, up 5.5% YoY, which was driven by higher deposit margins and balance growth in RBWM, and GLCM growth within CMB, notably in Asia. Mainly due to the high increase in reported operating expenses, reported PBT was USD 4.8 bn, down 4.2% YoY. In 1Q18, the Company's net profit attributable to ordinary shareholders was USD 3.4 bn, down 2.0% YoY.
- Looking ahead, expected recovery in the global economy will drive the Company's earnings growth. Meanwhile, the U.S. Fed's interest rate hike and shrinkage of balance sheet are both expected to continue to contribute to the Company's expansion of NIM. Given that the Company's restructuring has been well promoted over the past years, we expect the Company to restore growth momentum in the next few years. Therefore, we project the Company's earnings to perform well in our forecast period. We expect EPS for FY18/FY19/FY20 to grow YoY by 30.9%/10.2%/7.3% to USD 0.635/USD 0.699/USD 0.750, respectively. **We revise down our TP to HKD 93.23 for the Company, equivalent to 18.8x FY18 PER, 17.0x FY19 PER, 1.4 x FY18 PBR and 1.4x FY19 PBR. We maintain our "Accumulate" rating for the Company.**
- **公司 2018 年一季度归属母公司普通股股东的净利润同比下降 2.0%。**2018 年一季度, 受零售银行及财富管理业务的存款收益率及结余上升, 以及工商金融业务旗下的环球资金管理业务 (尤其在亚洲) 增长所致, 公司实现列账基准收入 137 亿美元, 同比增长 5.5%。主要由于列账基准营业费用较快增长, 列账基准税前利润为 48 亿美元, 同比下降 4.2%。2018 年一季度, 公司归属母公司普通股股东净利润达 34 亿美元, 同比下降 2.0%。
- 展望未来, 预期世界经济的复苏将会拉动公司的盈利增长。同时, 美联储缩表与加息预计将继续有助于公司的净息差扩张。在过去几年公司的结构重组得到了很好的推动的背景下, 我们预计公司未来几年将会恢复增长动力。因此, 我们预计公司的盈利在我们的预测期间将会表现良好。我们预计公司 2018/2019/2020 年的每股盈利分别为 0.635 美元、0.699 美元和 0.750 美元, 分别同比上涨 30.9%、10.2% 和 7.3%。**我们下调公司的目标价至 93.23 港元, 对应 18.8 倍 2018 年市盈率 and 17.0 倍 2019 年市盈率, 1.4 倍 2018 年市净率和 1.4 倍 2019 年市净率。我们维持对公司的“收集”投资评级。**

Rating:

Accumulate

Maintained

评级:

收集 (维持)

6-18m TP 目标价:

HK\$93.23

Revised from 原目标价:

HK\$94.31

Share price 股价:

HK\$76.550

Stock performance

股价表现



Change in Share Price	1 M	3 M	1 Y
股价变动	1 个月	3 个月	1 年
Abs. % 绝对变动 %	0.9	0.3	10.9
Rel. % to HS Index 相对恒指变动 %	(1.0)	(0.7)	(7.8)
Avg. share price(HK\$) 平均股价 (港元)	76.7	75.8	74.7

Source: Bloomberg, Guotai Junan International.

Year End	Turnover	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Yield	ROE
年结	收入	股东净利	每股净利	每股净利变动	市盈率	每股净资产	市净率	每股股息	股息率	净资产收益率
12/31	(USD m)	(USD m)	(USD)	(Δ %)	(x)	(USD)	(x)	(USD)	(%)	(%)
2016A	47,966	1,299	0.066	(89.9)	150.1	7.967	1.2	0.510	5.2	0.8
2017A	51,445	9,683	0.485	637.2	20.2	8.425	1.2	0.510	5.2	5.9
2018F	55,132	12,713	0.635	30.9	15.4	8.474	1.2	0.510	5.2	7.5
2019F	57,852	14,124	0.699	10.2	14.0	8.593	1.1	0.510	5.2	8.2
2020F	60,130	15,275	0.750	7.3	13.0	8.763	1.1	0.510	5.2	8.6

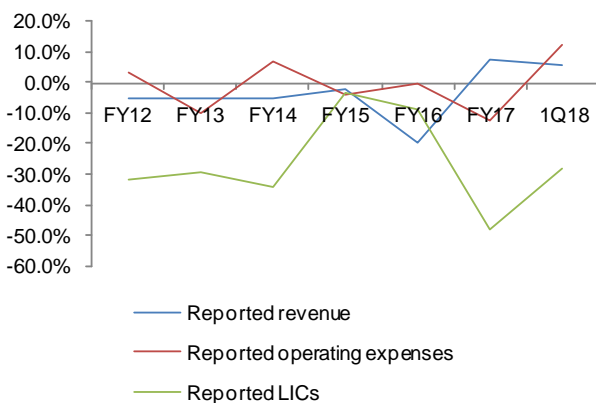
Shares in issue (m) 总股数 (m)	20,359.9	Major shareholder 大股东	Blackrock 6.8%
Market cap. (HK\$ m) 市值 (HK\$ m)	1,558,550.3	Free float (%) 自由流通比率 (%)	100.0
3 month average vol. 3 个月平均成交股数 ('000)	19,399.5	FY18 CET-1 Ratio FY18 普通股一级资本比率	14.3
52 Weeks high/low (HK\$) 52 周高/低	86.000 / 67.550	FY18 NPL Ratio FY18 不良贷款率 (%)	1.5

Source: the Company, Guotai Junan International.

HSBC Holdings' (the "Company") net profit attributable to ordinary shareholders increased by 645.4% YoY in 2017. In 2017, the Company's reported revenue was USD 51.4 bn, up 7.4% YoY, which was primarily due to unfavourable fair value movements on debt designated at fair value, reflecting changes in credit spread of USD 1.8 bn, which is now reported in other comprehensive income following the Company's partial early adoption of IFRS 9 and favourable fair value movements in 2017 on non-qualifying hedges. The Company's reported operating expenses and reported LICs were USD 34.9 bn and USD 1.8 bn, down 12.4% YoY and 48.0% YoY, respectively. The YoY decrease in reported LICs was notably from reductions in cash management bills ("CMB"), retail banking and wealth management ("RBWM") and Corporate Centre. Reported profit before tax ("PBT") was USD 17.2 bn, up 141.4% YoY. In 2017, the Company's net profit attributable to ordinary shareholders was USD 9.7 bn, up 645.4% YoY.

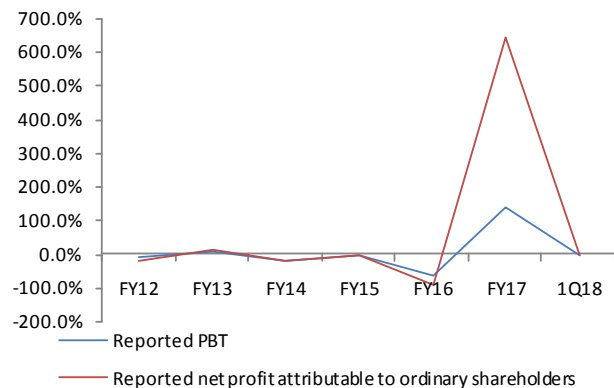
The Company's net profit attributable to ordinary shareholders decreased by 2.0% YoY in 1Q18. In 1Q18, the Company's reported revenue was USD 13.7 bn, up 5.5% YoY, driven by higher deposit margins and balance growth in RBWM, and global liquidity and cash management ("GLCM") growth within CMB, notably in Asia. These increases were partly offset by lower revenue in Corporate Centre. Reported operating expenses of USD 9.4 bn increased 12.7% YoY, primarily reflecting investment growth for the business and enhancement of the Company's digital capabilities and the effects of currency translation. Reported ECL of USD 0.2 bn decreased by 28.0% YoY. Mainly due to the high increase of reported operating expenses, reported PBT was USD 4.8 bn, down 4.2% YoY. In 1Q18, the Company's net profit attributable to ordinary shareholders was USD 3.4 bn, down 2.0% YoY.

Exhibit 1: HSBC YoY growth of reported revenue, reported operating expenses and reported LICs



Source: the Company.

Exhibit 2: HSBC YoY growth of reported PBT and net profit attributable to ordinary shareholders

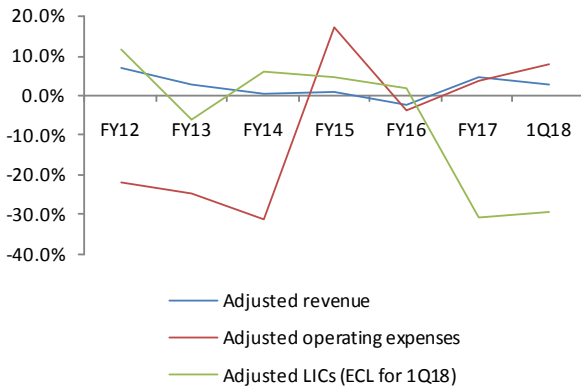


Source: the Company.

Adjusted PBT increased by 10.9% YoY in 2017. In 2017, the Company recorded adjusted revenue of USD 51.5 bn, up 4.5% YoY, which was mainly driven by 1) growth in Retail Banking from current accounts, savings, and deposits, 2) growth in global liquidity and cash management, notably in Asia, and 3) GLCM and Securities Services. In 2017, the Company's adjusted operating expenses increased by 3.7% to USD 31.1 bn, which reflected investment in business growth programmes, primarily in RBWM where investments were partly funded by proceeds from the disposal of shares in Visa, as well as an increase in performance-related pay. In 2017, the Company's adjusted LICs amounted to USD 1.8 bn, down 30.8% YoY. Adjusted PBT achieved USD 21.0 bn, up 10.9% YoY due to growth in the Company's three main global businesses and a significant reduction in LICs.

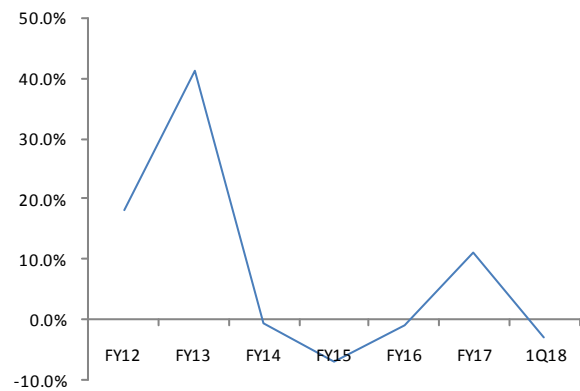
Adjusted PBT decreased by 2.9% YoY in 1Q18. In 1Q18, excluding the effects of currency translation and movements in significant items, the Company recorded adjusted revenue of USD 13.9 bn and adjusted operating expenses of USD 8.2 bn, up 2.5% YoY and 8.2% YoY, respectively. In 1Q18, adjusted ECL of USD 0.2 bn mainly related to charges in RBWM (USD 0.3 bn), notably in Mexico and the UK against the Company's unsecured lending balances, and to a lesser extent in Hong Kong, also against unsecured lending. Adjusted PBT of USD 6.0 bn declined by 2.9% YoY, excluding the effects of currency translation and movements in significant items. These charges were partly offset by net releases in Corporate Centre related to the Company's legacy credit portfolio, as well as in CMB. Adjusted ECL declined by 29.2% YoY. Adjusted PBT of USD 6.0 bn decreased by 2.9% YoY, excluding the effects of currency translation and movements in significant items.

Exhibit 3: HSBC YoY growth of adjusted revenue, adjusted operating expenses and adjusted LICs (ECL)



Source: the Company.

Exhibit 4: HSBC YoY growth of adjusted PBT



Source: the Company.

The Company's capital base was still strong as at the end of 1Q18 and the Company intends to initiate share buyback of up to USD 2.0 bn. A stronger revenue environment enabled the Company to invest in growing the business. In 1Q18, the Company increased investment in RBWM to further grow its market share in the UK and mainland China. The Company also made strategic hires in its securities joint venture in mainland China, and invested to enhance its digital capabilities in its global businesses. As at the end of 1Q18, the Company's risk-weighted assets increased by 2.6% to USD 894.4 bn; the Company's CET 1 ratio was still strong and achieved 14.5%, flat YTD. The Company intends to initiate share buyback of up to USD 2.0 bn, which has commenced. The Company expects this to be the only share buyback in 2018.

We expect the Company's main presence in regions including England, the U.S., China and Hong Kong to continue to record good economic growth in 2018. World growth strengthened in 2017 to 3.8%, with a notable rebound in global trade. It was driven by investment recovery in advanced economies, continued strong growth in emerging Asia, a notable upswing in emerging Europe, and signs of recovery in several commodity exporters. In the past months of 2018, the global economy continued to maintain a recovery trend on the whole. According to an IMF forecast, global growth is expected to tick up to 3.9% in 2018, supported by strong momentum, favorable market sentiment, accommodative financial conditions, and domestic and international repercussions of expansionary fiscal policy in the United States. However, the following factors are projected to disturb the world economy: 1) the U.S. Fed's interest rate hike and shrinkage of balance sheet; and 2) aggravation of trade friction and geopolitical conflict. Overall, we expect the global economy to continue to recover on the whole in 2H18, but it is possible to shift from synchronization to divergence in different economic bodies impacted by negative factors. In particular, we expect that the Company's main presence in regions including England, the U.S., China and Hong Kong will continue to record good economic growth in 2018.

We expect EPS for FY18/FY19/FY20 to grow YoY by 30.9%/10.2%/7.3% to USD 0.635/USD 0.699/USD 0.750, respectively. Looking ahead, expected recovery in the global economy will drive the Company's earnings growth. Meanwhile, the U.S. Fed's interest rate hike and shrinkage of balance sheet are both expected to continue to contribute to the Company's expansion of NIM. Given that the Company's restructuring has been well promoted in the past years, we expect the Company to restore growth momentum in the next few years. Therefore, we project the Company's earnings to perform well in our forecast period. Based on our new assumptions for the Company, we slightly revise down our forecast for net profit attributable to ordinary shareholders for FY18/FY19 by 1.8%/0.2%, respectively. We expect net profit attributable to ordinary shareholders for FY18/FY19/FY20 to grow YoY by 31.3%/11.1%/8.2% to USD 12.7 bn/USD 14.1 bn/USD 15.3 bn, respectively. Correspondingly, considering the influence from the change of outstanding shares, we expect EPS for FY18/FY19/FY20 to grow YoY by 30.9%/10.2%/7.3% to USD 0.635/USD 0.699/USD 0.750, respectively.

Exhibit 5: Earnings adjustment

USD mn	FY18F			FY19F			FY20F
	Old	New	Chg %	Old	New	Chg %	New
Net interest income	28,432	30,289	6.5	29,143	31,652	8.6	32,760
Non-interest income	25,338	24,843	(2.0)	26,280	26,199	(0.3)	27,370
Operating income	53,770	55,132	2.5	55,423	57,852	4.4	60,130
Operating expense	(36,006)	(35,547)	(1.3)	(36,186)	(36,293)	0.3	(36,947)
PPOP	17,764	19,585	10.3	19,237	21,558	12.1	23,184
Impairment losses	(1,306)	(1,822)	39.5	(1,266)	(1,877)	48.2	(1,933)
NPBT	18,907	20,191	6.8	20,468	22,157	8.3	23,776
NPAT	12,940	12,713	(1.8)	14,148	14,124	(0.2)	15,275
Basic EPS (USD)	0.641	0.635	(1.0)	0.685	0.699	2.1	0.750

Source: the Company, Guotai Junan International.

We maintain our "Accumulate" rating and revise down our TP for the Company to HKD 93.23. Our target price for the Company is derived from a combination of the Gordon Growth Model and Sum-of-the-parts (SOTP) model, which is the average of the two. First, we assume cost equity of 8.5% and perpetual growth rate of 4.2%, and the Gordon Growth Model shows the target price is HKD 93.27. Second, the Sum-of-the-parts (SOTP) model values the Company at HK\$ 93.19. We value the Company based on its major geographical segments in Europe, Asia, the Middle East and North Africa, North America, and Latin America. Therefore, we set a TP of HKD 93.23 for the Company, equivalent to 18.8x FY18 PER, 17.0x FY19 PER, 1.4 x FY18 PBR and 1.4x FY19 PBR. We maintain our "Accumulate" rating for the Company.

Exhibit 6: TP derived by Gordon growth model

Gordon growth model			
COE: cost of equity	8.5%		
FY18 ROE	7.5%		
FY18 Payout ratio	80.7%	Perpetual growth	4.2%
FY18 BVPS, HKD	66.27	FY18 Target P/B	1.4
Target Price, HKD	93.27	FY18 Target P/E	18.8

Source: the Company, Guotai Junan International.

Exhibit 7: TP derived by Sum-of-the-parts model

Sum of the parts model, SOTP							
	Europe	Asia	Middle East	North America	Latin America	Group	
FY18 PBT, USD mn	1,010	16,112	1,413	1,615	40	20,191	
FY18 EPS, USD	0.032	0.507	0.044	0.051	0.001	0.635	
Target P/E (X)	16.0	19.0	20.0	17.0	26.0		
Target Value per share (HKD)	3.97	75.26	6.95	6.75	0.26	93.19	
Group Target Price, HKD	93.19						
FY18 Target P/B (X)	1.4						
FY18 Target P/E (X)	18.8						

Source: the Company, Guotai Junan International.

Risk factors

- The economic conditions aren't in line with our expectations.
- A tightening China regulatory stance would slow offshore RMB market development and limit investment options for RMB deposits.
- Regulatory developments may affect the Company's business model and profitability.

Exhibit 8: Peers Comparison

Company	Stock Code	Currency	Last Price	PE (fiscal year)				PB (fiscal year)				ROE(%)	D/Y(%)	ROA(%)	Market Cap
				17A	18F	19F	20F	17A	18F	19F	20F				
HK - Listed mainland banks															
Ind & Comm Bk Of China-H	1398 HK	HKD	6.59	7.2	6.3	5.7	5.2	1.0	0.8	0.8	0.7	14.0	4.8	1.1	2,413,597
China Construction Bank-H	939 HK	HKD	8.08	7.3	6.3	5.7	5.2	1.0	0.9	0.8	0.7	14.3	4.8	1.1	2,025,131
Agricultural Bank Of China-H	1288 HK	HKD	4.15	6.2	5.4	5.0	4.5	0.8	0.7	0.7	0.6	14.1	5.5	1.0	1,419,828
Bank Of China Ltd-H	3988 HK	HKD	4.18	6.5	5.6	5.2	4.6	0.7	0.7	0.6	0.5	11.9	5.4	0.9	1,314,477
Bank Of Communications Co-H	3328 HK	HKD	6.32	6.0	5.4	5.1	4.7	0.7	0.6	0.5	0.5	10.8	5.6	0.8	508,122
Postal Savings Bank Of Chi-H	1658 HK	HKD	5.41	7.9	6.6	5.8	5.0	1.0	0.8	0.7	0.7	13.1	3.3	0.6	438,375
China Merchants Bank-H	3968 HK	HKD	32.55	10.1	8.4	7.3	6.4	1.5	1.3	1.2	1.0	16.6	3.7	1.2	861,554
China Citic Bank Corp Ltd-H	998 HK	HKD	5.33	5.3	4.8	4.4	4.0	0.6	0.5	0.5	0.4	11.3	5.7	0.8	338,185
China Minsheng Banking-H	1988 HK	HKD	7.37	4.7	4.4	4.2	3.9	0.6	0.5	0.5	0.4	12.9	3.4	0.8	322,776
China Everbright Bank Co L-H	6818 HK	HKD	3.91	5.3	5.2	4.9	4.5	0.6	0.6	0.5	0.5	11.2	5.1	0.8	239,633
Bank Of Jinzhou Co Ltd-H	416 HK	HKD	6.21	4.1	n.a.	n.a.	n.a.	0.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	42,114
Bank Of Qingdao Co Ltd-H	3866 HK	HKD	6.40	11.8	n.a.	n.a.	n.a.	0.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	25,976
Harbin Bank Co Ltd-H	6138 HK	HKD	1.93	3.5	2.9	2.6	2.4	0.4	0.4	0.3	0.3	13.3	6.0	0.9	21,222
Huishang Bank Corp Ltd-H	3698 HK	HKD	3.77	4.7	4.3	3.9	3.7	0.6	0.6	0.5	0.5	14.3	3.1	1.0	41,658
Chongqing Rural Commercial-H	3618 HK	HKD	5.29	4.9	4.4	4.0	3.5	0.7	0.6	0.5	0.5	14.5	5.1	1.1	52,900
Shengjing Bank Co Ltd-H	2066 HK	HKD	5.03	3.3	n.a.	n.a.	n.a.	0.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	29,157
Bank Of Chongqing Co Ltd-H	1963 HK	HKD	5.71	4.2	3.7	3.4	3.2	0.6	0.5	0.4	0.4	14.0	4.9	1.0	17,855
Bank Of Zhengzhou Co Ltd-H	6196 HK	HKD	4.36	4.7	n.a.	n.a.	n.a.	0.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	23,204
China Zheshang Bank Co Ltd-H	2016 HK	HKD	4.52	6.4	4.9	4.5	n.a.	0.8	0.8	0.7	n.a.	16.8	7.0	0.8	84,609
Bank Of Tianjin Co Ltd-H	1578 HK	HKD	5.08	6.8	n.a.	n.a.	n.a.	0.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	30,838
Jilin Jiutai Rural Commerc-H	6122 HK	HKD	4.56	12.3	n.a.	n.a.	n.a.	1.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	18,171
Zhongyuan Bank Co Ltd-H	1216 HK	HKD	2.45	10.1	n.a.	n.a.	n.a.	0.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	49,184
Bank Of Gansu Co Ltd-H	2139 HK	HKD	2.68	5.2	n.a.	n.a.	n.a.	1.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	26,987
Simple Average				6.5	5.2	4.8	4.3	0.8	0.7	0.6	0.6	13.5	4.9	0.9	
Weighted Average				7.0	6.0	5.5	5.0	0.9	0.8	0.7	0.7	13.7	4.9	1.0	
HK - Listed other banks															
Hsbc Holdings Plc	5 HK	HKD	76.55	20.5	13.4	12.8	12.1	1.2	1.2	1.1	1.1	8.1	5.3	0.6	1,533,803
Standard Chartered Plc	2888 HK	HKD	77.50	42.3	13.3	11.1	9.6	0.6	0.7	0.7	0.6	5.1	2.5	0.4	256,049
Boc Hong Kong Holdings Ltd	2388 HK	HKD	39.95	13.6	12.8	11.6	10.6	1.7	1.6	1.5	1.4	13.0	3.7	1.2	422,383
Hang Seng Bank Ltd	11 HK	HKD	200.20	19.5	17.6	15.9	14.9	2.6	2.4	2.3	2.2	14.1	3.7	1.4	382,751
Bank Of East Asia	23 HK	HKD	32.65	10.2	16.2	14.7	13.3	1.0	1.0	0.9	0.9	5.9	2.8	0.6	91,670
Dah Sing Banking Group Ltd	2356 HK	HKD	18.04	11.6	9.5	8.8	8.6	1.0	0.9	0.9	0.8	10.4	2.9	1.2	25,342
Simple Average				19.6	13.8	12.5	11.5	1.4	1.3	1.2	1.2	9.5	3.5	0.9	
Weighted Average				20.9	14.0	12.9	12.0	1.4	1.4	1.3	1.2	9.4	4.5	0.8	
China A-share listed banks															
Ind & Comm Bk Of China-A	601398 CH	CNY	5.58	7.1	6.6	6.0	5.4	1.0	0.9	0.8	0.7	13.8	4.6	1.1	2,413,597
China Construction Bank-A	601939 CH	CNY	7.03	7.3	6.7	6.1	5.5	1.0	0.9	0.8	0.8	14.2	4.5	1.1	2,025,131
Agricultural Bank Of China-A	601288 CH	CNY	3.59	6.2	5.7	5.3	4.8	0.9	0.8	0.7	0.6	13.8	5.0	1.0	1,419,828
Bank Of China Ltd-A	601988 CH	CNY	3.74	6.7	6.2	5.7	5.1	0.8	0.7	0.7	0.6	11.8	5.0	0.9	1,314,477
Bank Of Communications Co-A	601328 CH	CNY	5.97	6.6	6.2	5.8	5.3	0.7	0.7	0.6	0.6	10.8	4.9	0.8	508,122
China Merchants Bank-A	600036 CH	CNY	28.20	10.1	8.9	7.8	6.6	1.6	1.4	1.2	1.1	16.3	3.3	1.2	861,554
China Citic Bank Corp Ltd-A	601998 CH	CNY	6.21	7.1	6.9	6.4	5.6	0.8	0.7	0.7	0.6	11.1	3.9	0.8	338,185
China Minsheng Banking-A	600016 CH	CNY	7.51	5.6	5.5	5.3	4.9	0.7	0.7	0.6	0.5	12.9	2.8	0.9	322,776
Shanghai Pudong Devel Bank-A	600000 CH	CNY	10.42	5.7	5.5	5.2	4.6	0.8	0.7	0.6	0.6	12.9	3.1	0.9	374,398
Industrial Bank Co Ltd -A	601166 CH	CNY	15.80	5.8	5.5	5.0	4.5	0.8	0.7	0.6	0.6	14.0	4.3	0.9	401,799
China Everbright Bank Co-A	601818 CH	CNY	3.90	6.1	6.3	5.9	5.5	0.8	0.7	0.6	0.6	11.1	4.7	0.8	239,633
Huaxia Bank Co Ltd-A	600015 CH	CNY	8.15	5.5	5.2	4.8	4.5	0.7	0.6	0.6	0.5	12.1	3.6	0.7	127,927
Ping An Bank Co Ltd-A	000001 CH	CNY	10.12	7.8	7.3	6.7	6.0	0.9	0.8	0.7	0.6	10.8	1.4	0.7	212,710
Bank Of Beijing Co Ltd -A	601169 CH	CNY	6.31	6.4	6.4	5.9	5.6	0.8	0.8	0.7	0.6	11.6	4.1	0.8	163,314
Bank Of Ningbo Co Ltd -A	002142 CH	CNY	17.16	9.5	8.0	6.5	5.2	1.7	1.4	1.2	1.0	18.8	2.6	1.0	106,495
Bank Of Nanjing Co Ltd -A	601009 CH	CNY	7.93	7.3	6.4	5.5	4.5	1.2	1.0	0.9	0.7	15.5	4.2	0.9	82,340
Bank Of Shanghai Co Ltd-A	601229 CH	CNY	15.75	8.0	7.4	6.7	5.6	1.0	0.9	0.8	0.7	11.3	3.2	0.9	150,496
Bank Of Jiangsu Co Ltd-A	600919 CH	CNY	6.90	6.7	6.2	5.6	4.7	0.9	0.7	0.7	0.6	12.2	3.0	0.7	97,510
Bank Of Hangzhou Co Ltd-A	600926 CH	CNY	11.67	9.4	8.5	n.a.	n.a.	1.0	0.9	n.a.	n.a.	11.2	1.5	0.6	52,349

Bank Of Guiyang Co Ltd-A	601997 CH	CNY	13.11	6.7	5.6	4.6	3.8	1.2	1.0	0.8	0.7	20.0	3.0	1.1	36,889
Jiangsu Jiangyin Rural Com-A	002807 CH	CNY	6.08	13.3	12.4	11.5	10.7	1.2	1.1	1.0	1.0	8.9	2.5	0.8	13,154
Wuxi Rural Commercial Bank-A	600908 CH	CNY	6.27	11.6	10.5	9.2	8.0	1.2	1.1	1.0	0.9	11.3	2.8	0.8	14,185
Jiangsu Changshu Rural Com-A	601128 CH	CNY	6.05	10.6	8.9	7.5	6.2	1.3	1.1	1.0	0.9	13.4	3.0	1.0	16,461
Jiangsu Wujiang Rural Comm-A	603323 CH	CNY	6.73	13.5	12.0	11.0	10.0	0.9	1.1	1.0	1.0	9.3	2.8	0.8	11,930
Jiangsu Zhangjiagang Rura -A	002839 CH	CNY	7.00	16.3	15.4	13.9	12.1	1.5	1.4	1.3	1.2	9.7	1.5	0.8	15,489
Simple Average				8.3	7.6	6.8	6.0	1.0	0.9	0.8	0.7	12.8	3.4	0.9	
Weighted Average				7.1	6.6	6.0	5.3	1.0	0.9	0.8	0.7	13.4	4.3	1.0	

USA - Listed banks

Citigroup Inc	C US	USD	68.45	n.a.	10.6	9.3	8.0	1.0	0.9	0.9	0.8	8.6	2.1	0.9	1,369,516
Bank Of America Corp	BAC US	USD	30.09	18.5	11.8	10.4	9.1	1.3	1.2	1.1	1.1	10.4	2.0	1.2	2,393,853
Jpmorgan Chase & Co	JPM US	USD	110.80	17.4	12.4	11.3	10.3	1.7	1.6	1.5	1.4	13.4	2.2	1.2	2,960,011
Wells Fargo & Co	WFC US	USD	55.63	13.4	12.4	10.9	9.9	1.5	1.5	1.4	1.3	12.0	2.9	1.2	2,126,959
Us Bancorp	USB US	USD	51.83	14.7	12.8	11.9	10.9	2.0	1.8	1.7	1.6	14.4	2.5	1.5	667,945
Bank Of New York Mellon Corp	BK US	USD	57.65	15.4	13.6	12.5	11.5	1.6	1.4	1.4	1.3	11.0	1.8	1.2	457,168
Morgan Stanley	MS US	USD	52.14	16.6	11.1	10.2	9.5	1.4	1.3	1.2	1.1	11.9	2.1	1.0	724,224
Goldman Sachs Group Inc	GS US	USD	233.45	25.4	10.2	9.6	8.9	1.2	1.2	1.1	1.0	12.2	1.4	1.0	718,619
Simple Average				17.4	11.8	10.8	9.7	1.4	1.4	1.3	1.2	11.7	2.1	1.1	
Weighted Average				17.1	11.9	10.7	9.6	1.4	1.4	1.3	1.2	11.7	2.2	1.2	

Europe - Listed banks

Deutsche Bank Ag-Registered	DBK GR	EUR	9.45	n.a.	18.9	9.4	7.2	0.3	0.3	0.3	0.3	1.6	1.7	0.3	180,198
Commerzbank Ag	CBK GR	EUR	9.31	77.6	12.5	10.0	7.4	0.4	0.4	0.4	0.4	3.2	1.9	0.5	107,573
Bnp Paribas	BNP FP	EUR	53.61	8.9	8.5	7.8	7.0	0.7	0.7	0.7	0.7	8.1	5.7	0.4	618,241
Societe Generale Sa	GLE FP	EUR	37.12	12.7	8.1	7.3	6.7	0.5	0.6	0.6	0.5	7.1	6.1	0.3	276,724
Credit Agricole Sa	ACA FP	EUR	11.88	10.6	9.3	8.3	7.5	0.6	0.6	0.6	0.6	6.6	5.8	0.2	312,573
Royal Bank Of Scotland Group	RBS LN	GBp	266.50	42.3	10.3	9.5	8.4	0.7	0.8	0.8	0.8	7.7	2.7	0.4	337,306
Barclays Plc	BARC LN	GBp	197.92	n.a.	10.1	8.6	7.8	0.6	0.6	0.6	0.6	5.2	3.3	0.2	356,336
Lloyds Banking Group Plc	LLOY LN	GBp	62.84	14.3	8.5	8.4	8.0	1.0	1.0	1.0	0.9	12.7	5.4	0.7	476,557
Simple Average				27.7	10.8	8.7	7.5	0.6	0.6	0.6	0.6	6.5	4.1	0.4	
Weighted Average				19.6	9.9	8.4	7.5	0.7	0.7	0.7	0.7	7.6	4.6	0.4	

Singapore - Listed banks

Dbz Group Holdings Ltd	DBS SP	SGD	28.50	16.6	12.4	11.1	10.1	1.5	1.5	1.4	1.3	12.4	4.1	1.1	429,205
Oversea-Chinese Banking Corp	OCBC SP	SGD	12.58	12.9	11.2	10.2	9.4	1.4	1.3	1.2	1.1	11.9	3.4	1.0	309,285
United Overseas Bank Ltd	UOB SP	SGD	28.02	14.1	11.8	10.6	9.7	1.4	1.3	1.2	1.1	11.0	4.1	1.1	273,468
Simple Average				14.5	11.8	10.6	9.7	1.4	1.4	1.3	1.2	11.8	3.9	1.1	
Weighted Average				14.8	11.9	10.7	9.8	1.4	1.4	1.3	1.2	11.9	3.9	1.1	

Source: Bloomberg, Guotai Junan International.

Financial Statements and Ratios

Income Statement						Balance Sheet					
USD m, year ended 31 Dec	2016A	2017A	2018F	2019F	2020F	USD m, year ended 31 Dec	2016A	2017A	2018F	2019F	2020F
Net interest income	29,813	28,176	30,289	31,652	32,760	Cash and balances at central banks	128,009	180,624	195,074	210,680	225,427
Net fee income	12,777	12,811	13,695	14,434	15,041	Loans, net	861,504	962,964	1,019,779	1,055,471	1,090,302
Other non-interest income	5,376	10,458	11,148	11,765	12,330	Loans, interbank	88,126	90,393	96,178	99,352	102,432
Total non-interest income	18,153	23,269	24,843	26,199	27,370	Financial investments	436,797	389,076	412,421	424,793	437,537
Total operating income	47,966	51,445	55,132	57,852	60,130	Other assets	860,550	898,714	952,148	976,273	999,402
Total operating expense	(39,808)	(34,884)	(35,547)	(36,293)	(36,947)	Total Assets	2,374,986	2,521,771	2,675,599	2,766,569	2,855,100
PPOP	8,158	16,561	19,585	21,558	23,184	Customer Deposits	1,272,386	1,364,462	1,450,423	1,498,287	1,546,232
Provision loss	(3,400)	(1,769)	(1,822)	(1,877)	(1,933)	Deposits by banks	59,939	69,922	74,327	76,780	79,160
Operating profit	4,758	14,792	17,763	19,682	21,251	Trading liabilities	153,691	184,361	197,819	204,347	210,682
Other profits	2,354	2,375	2,427	2,476	2,525	Other liabilities	706,392	705,155	752,036	781,684	807,980
Profit before tax	7,112	17,167	20,191	22,157	23,776	Total Liabilities	2,192,408	2,323,900	2,474,606	2,561,099	2,644,055
Income tax	(3,666)	(5,288)	(5,250)	(5,761)	(6,182)	Total Shareholders' Equity	175,386	190,250	192,704	196,487	201,339
Profit after tax	3,446	11,879	14,941	16,397	17,594	Minority Interest	7,192	7,621	8,289	8,984	9,706
Non-controlling interest	(967)	(1,081)	(1,113)	(1,158)	(1,204)	Total Equity	182,578	197,871	200,993	205,471	211,045
Shareholders' profit / loss	2,479	10,798	13,828	15,239	16,390						
Other equity instruments' net profit	(1,180)	(1,115)	(1,115)	(1,115)	(1,115)						
Common shareholders' net profit											
(reported)	1,299	9,683	12,713	14,124	15,275						
EPS (\$), basic	0.066	0.485	0.635	0.699	0.750						
EPS (\$), diluted	0.065	0.482	0.632	0.696	0.747						

Cash Flow Statement						Financial Ratios					
USD m, year ended 31 Dec	2016A	2017A	2018F	2019F	2020F		2016A	2017A	2018F	2019F	2020F
Profit before tax	7,112	17,167	20,191	22,157	23,776	EPS (\$), basic	0.066	0.485	0.635	0.699	0.750
Adjustments for no-cash items	25,649	(19,394)	25,136	24,633	24,141	BVPS (\$)	7.967	8.425	8.474	8.593	8.763
Change in operating assets	36,299	(169,039)	(152,748)	(89,854)	(87,378)	DPS (\$)	0.510	0.510	0.510	0.510	0.510
Change in operating liabilities	3,200	163,908	151,630	84,719	81,324	Growth (%)					
Dividends received from associates	689	740	799	838	878	Net interest income	(8.4)	(5.5)	7.5	4.5	3.5
Contributions paid to defined benefit plans	(726)	(685)	(706)	(695)	(700)	Non-interest income	(33.4)	28.2	6.8	5.5	4.5
Tax paid	(3,264)	(3,175)	(5,250)	(5,761)	(6,182)	Operating expense	0.1	(12.4)	1.9	2.1	1.8
Cash from operating activities	68,959	(10,478)	39,052	36,038	35,859	PPOP	(59.3)	103.0	18.3	10.1	7.5
Net proceeds from financial investments	(26,999)	61,088	(23,345)	(12,373)	(12,744)	Net profit	(89.7)	645.4	31.3	11.1	8.2
Net proceeds from others	11,939	4,469	(1,080)	(1,116)	(1,152)	EPS, basic	(89.9)	637.2	30.9	10.2	7.3
Cash from investing activities	(15,060)	65,557	(24,424)	(13,489)	(13,896)	Efficiency and liquidity (%)					
Net cash from financing liabilities and equity	239	(1,445)	(924)	1,773	1,631	Cost-to-income	83.0	67.8	64.5	62.7	61.4
Dividends paid	(9,157)	(9,005)	(9,767)	(9,851)	(9,935)	Loan-to-deposit	67.7	70.6	70.3	70.4	70.5
Cash from financing activities	(8,918)	(10,450)	(10,691)	(8,077)	(8,304)	Income contribution (%)					
Net changes in cash	44,981	44,629	3,937	14,471	13,659	Net interest income	62.2	54.8	54.9	54.7	54.5
Cash at beg of year	243,863	274,550	337,412	331,349	335,820	Non-interest income	37.8	45.2	45.1	45.3	45.5
FX adjustments	(14,294)	18,233	(10,000)	(10,000)	(10,000)	Profitability and Valuation					
Cash at end of year	274,550	337,412	331,349	335,820	339,479	ROE (%)	0.8	5.9	7.5	8.2	8.6
						ROA (%)	0.1	0.5	0.6	0.6	0.6
						Dividend yield (%)	5.2	5.2	5.2	5.2	5.2
						PE (x)	150.1	20.2	15.4	14.0	13.0
						PB (x)	1.2	1.2	1.2	1.1	1.1
						CAR (%)					
						CET-1 ratio	13.6	14.5	14.3	14.1	13.9
						CAR	20.1	20.9	20.7	20.5	20.3
						Asset Quality (USD m, year ended 31 Dec)					
						NPL	18,228	15,470	16,523	16,753	17,186
						NPL ratio %	1.90	1.50	1.47	1.44	1.43
						LLR/NPL %	43.1	48.4	48.9	51.1	52.8
						LLR/Total loan %	0.82	0.73	0.72	0.74	0.76

Source: the Company, Guotai Junan International.

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance > 15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance < -15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance > 5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance < -5%; Or the fundamental outlook of the sector is unfavorable.

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 27/F., Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.
 Tel.: (852) 2509-9118 Fax: (852) 2509-7793
 Website: www.gtja.com.hk