

China Banking Sector

2Q19 results wrap – Lower credit cost offset falling margin

The 11 China banks we keep track of delivered a better-than-expected 1H19 earnings (up 6.4% YoY, 3.4ppt above consensus FY19E growth), as weakening topline growth due to broad-based NIM pressure was largely compensated by lower credit cost on improving asset quality. Earnings momentum of mid-sized JSBs (+11.6% YoY) continued to stay ahead of large SOE banks (+6.5% YoY), as the former tends to benefit more from monetary loosening. In particular, PAB, CEB, and PSBC achieved the fastest 2Q19 net profit growth of 17.4% YoY, 18.7% YoY, and 17.8% YoY, respectively.

■ Mixed NIM trend – 4bp QoQ decline for Big-6, 3bp QoQ rise for JSBs.

PAB reported the biggest NIM widening of 18bp, while ABC suffered 10bp contraction in 2Q19. Due to intensifying deposit competition and migration of WMPs into time deposits, deposit cost hike outpaced loan yield increase in 1H19. Looking into 2H19, JSBs would remain on favorable spot as liquidity condition stays accommodative. However, their advantage will diminish when NIM's low-base effect wanes. Big banks would see less pressure in extending MSE loans that bears lower lending rate, as they have almost completed the 30% annual growth target. In addition, most banks said during results briefing that impact from LPR is manageable, as regulator requires a gradual adoption of the new pricing mechanism in coming quarters (30%/50%/80% of new loans in 3Q19/4Q19/2020).

■ Asset quality improved in general.

Given a relatively loose policy environment, overall asset growth accelerated to 8.5% YoY in 2Q19, from 8.1% in 1Q19. We expect asset expansion to slow down in 2H19 along with moderating TSF growth. NPL ratio declined 3bp QoQ to 1.45%, while provision coverage further climbed 8ppt QoQ to 227% on average. Credit cost fell 35bp to 1.2% in 2Q19 (vs 8bp rise in 1Q19), as banks eased impairment charges to hold up profit growth. We expect those with sufficient provision buffer to see better earnings stability.

■ Maintain Outperform.

H-share China banks are trading at 0.63 FY19E P/B, and 16% cheaper to their A-share counterparts. Fundamentally, we continue to prefer retail-oriented banks, given their more resilient margin trend amid interest liberalization and less cyclical to macro headwinds. **Top picks are PAB and CEB.** On valuation front, we see **bottom-fishing opportunity on ABC-H, BOC-H, CITICB-H, and MSB-H**, which have: 1) over 10% P/B discount to historical 5-year mean, 2) greater than 20% A/H premium, and 3) above 6% dividend yield.

Valuation Table

Name	Ticker	Price (Local ccy)	TP (Local ccy)	Rating	P/B (x) FY19E	P/E (x) FY19E	Yield FY19E	ROE FY19E
ICBC	1398 HK	4.95	6.90	BUY	0.64	5.1	5.9%	13.1%
CCB	939 HK	5.82	8.50	BUY	0.63	4.9	6.2%	13.4%
ABC	1288 HK	3.02	4.50	BUY	0.54	4.5	6.8%	12.7%
BOC	3988 HK	2.99	4.30	BUY	0.48	4.3	7.2%	11.5%
CITICB	998 HK	4.10	5.40	BUY	0.41	4.0	6.8%	10.9%
CEB	6818 HK	3.27	4.60	BUY	0.49	4.5	5.9%	11.5%
BoCom	3328 HK	5.13	5.90	HOLD	0.49	4.6	6.8%	11.3%
MSB	1988 HK	5.16	5.90	HOLD	0.45	3.9	7.7%	12.1%
PAB	000001 CH	14.16	17.00	BUY	0.99	9.0	1.1%	11.6%

Source: Company data, CMBIS estimates

OUTPERFORM (Maintain)

China Banking Sector

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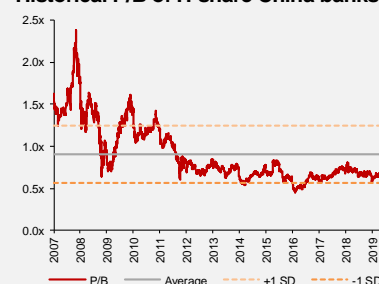
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Historical P/B of H-share China banks



Source: Bloomberg, CMBIS

Valuation indicators

H-share	P/B vs 5Y mean	A/H premium	Dividend yield
ICBC	-9%	19%	5.9%
CCB	-9%	30%	6.2%
ABC	-13%	24%	6.8%
BOC	-17%	30%	7.2%
BoCom	-9%	16%	6.8%
PSBC	-1%	-	4.7%
CMB	33%	5%	3.3%
CITICB	-19%	50%	6.8%
MSB	-15%	24%	7.7%
CEB	-8%	26%	5.9%
Average	-7%	25%	6.1%

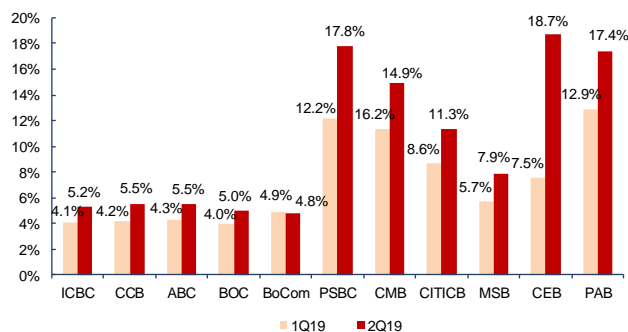
Source: Bloomberg, CMBIS

Related Reports

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2. A mixed blessing – 13 Aug 2019
3. 2Q19 results preview – 7 Aug 2019
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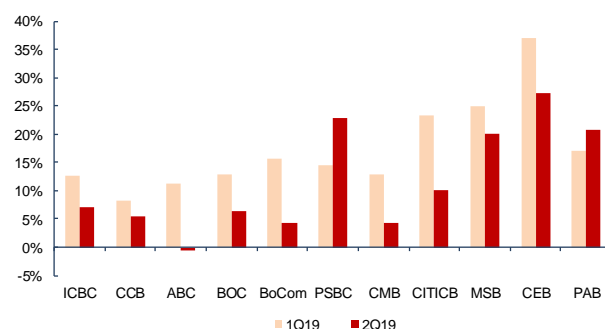
1H19 Results Comparison

Figure 1: Net profit YoY growth



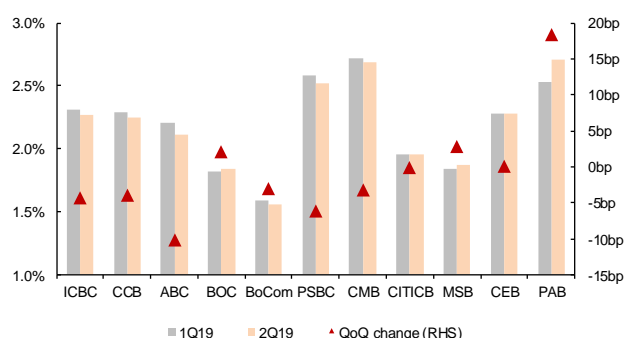
Source: Company data, CMBIS

Figure 2: PPop YoY growth



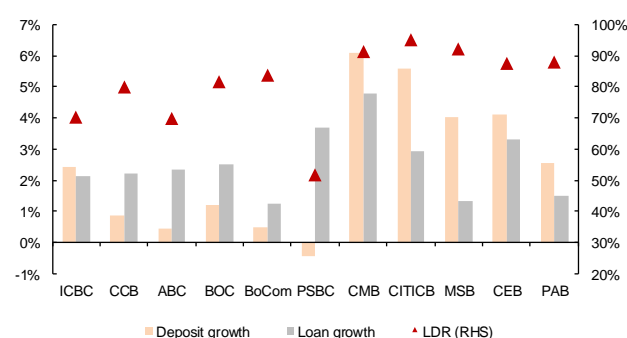
Source: Company data, CMBIS

Figure 3: NIM and QoQ change



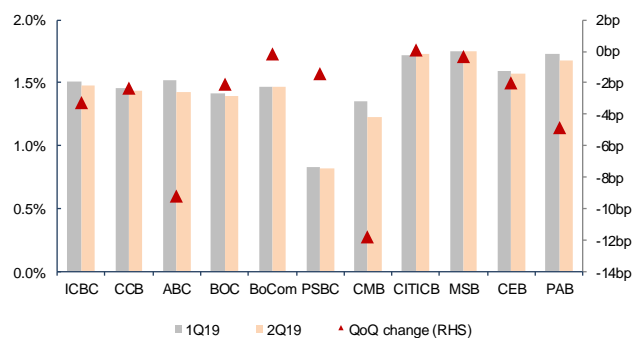
Source: Company data, CMBIS

Figure 4: Loan/deposit QoQ growth and LDR



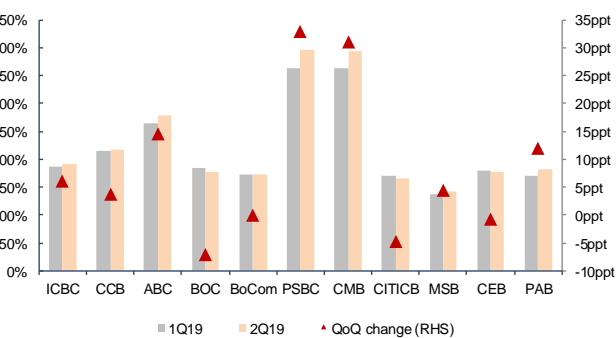
Source: Company data, CMBIS

Figure 5: NPL ratio and QoQ change



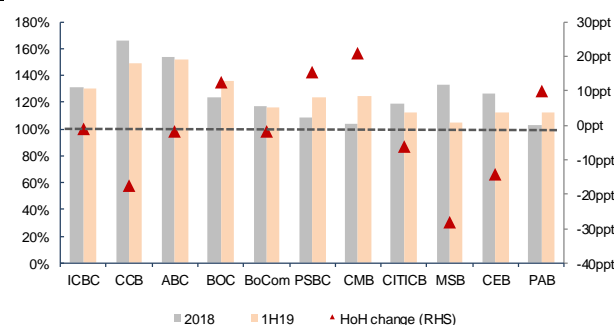
Source: Company data, CMBIS

Figure 6: Provision coverage ratio and QoQ change



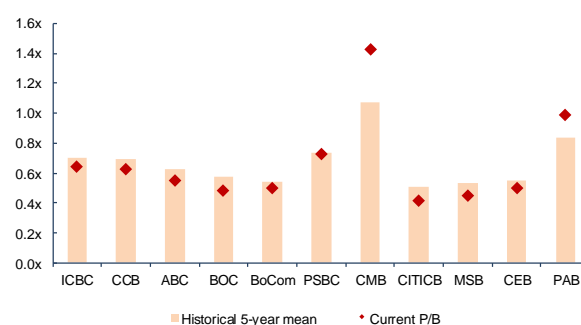
Source: Company data, CMBIS

Figure 7: NPL / >90day overdue loan



Source: Company data, CMBIS

Figure 8: P/B vs historical 5-year mean



Source: Company data, CMBIS

Figure 9: China banks' 1H19 results comparison

1H19 vs consensus	ICBC	CCB	ABC	BOC	BoCom	PSBC	CMB	CITICB	MSB	CEB	PAB
1H19 net profit (RMB mn)	167,931	154,190	121,445	114,048	42,749	37,384	50,612	28,307	31,623	20,444	15,403
As % of consensus FY19E	54.4%	58.4%	57.8%	62.8%	56.8%	65.2%	56.7%	61.4%	61.2%	57.9%	55.7%
1H19 net profit YoY	4.7%	4.9%	4.9%	4.5%	4.9%	14.9%	13.1%	10.1%	6.8%	13.1%	15.2%
Diff vs consensus FY19E YoY	1.0ppt	1.2ppt	1.3ppt	3.7ppt	2.6ppt	5.3ppt	2.3ppt	6.4ppt	4.1ppt	8.2ppt	3.8ppt
1Q19 net profit YoY	4.1%	4.2%	4.3%	4.0%	4.9%	12.2%	11.3%	8.6%	5.7%	7.5%	12.9%
2Q19 net profit YoY	5.2%	5.5%	5.5%	5.0%	4.8%	17.8%	14.9%	11.3%	7.9%	18.7%	17.4%
Diff (2Q19 vs 1Q19)	1.2ppt	1.3ppt	1.2ppt	1.0ppt	-0.1ppt	5.6ppt	3.6ppt	2.7ppt	2.2ppt	11.2ppt	4.5ppt
Growth	ICBC	CCB	ABC	BOC	BoCom	PSBC	CMB	CITICB	MSB	CEB	PAB
YoY (2Q19 vs 2Q18)											
Net interest income	7.5%	4.7%	1.9%	4.2%	12.0%	2.6%	12.7%	13.7%	29.6%	35.2%	22.0%
Net fee income	12.5%	8.3%	7.1%	3.6%	7.0%	46.7%	6.8%	12.8%	8.1%	18.2%	-5.5%
Revenue	8.0%	4.9%	-2.9%	4.2%	5.5%	5.9%	7.9%	10.1%	15.1%	20.1%	21.0%
CIR	0.6%	-0.5%	-1.9%	-1.6%	0.8%	-6.9%	2.3%	0.0%	-3.2%	-4.0%	0.1%
PPOP	7.1%	5.5%	-0.5%	6.4%	4.3%	23.0%	4.4%	10.1%	20.0%	27.3%	20.8%
Impairment charge	-0.7%	7.8%	-4.7%	-50.4%	13.1%	14.7%	-2.5%	9.9%	37.6%	37.0%	23.2%
QoQ (2Q19 vs 1Q19)											
Total assets	2.5%	0.8%	1.3%	3.0%	1.0%	-0.8%	5.9%	2.5%	2.3%	2.8%	1.7%
Loans	2.1%	2.2%	2.4%	2.5%	1.2%	3.7%	4.8%	2.9%	1.3%	3.3%	1.5%
Deposits	2.4%	0.9%	0.4%	1.2%	0.5%	-0.5%	6.1%	5.6%	4.0%	4.1%	2.5%
NPLs	-0.1%	0.8%	-3.8%	1.6%	1.1%	1.9%	-4.4%	3.0%	1.1%	-4.6%	-1.4%
NPL ratio	-3bp	-2bp	-9bp	-2bp	0bp	-1bp	-12bp	0bp	0bp	-2bp	-5bp
Provision coverage	6ppt	4ppt	14ppt	-7ppt	0ppt	33ppt	31ppt	-5ppt	4ppt	-1ppt	12ppt
Credit cost	-65bp	-30bp	-48bp	-64bp	-1bp	24bp	-47bp	-55bp	-4bp	-52bp	-47bp
NIM	-4bp	-4bp	-10bp	2bp	-3bp	-6bp	-3bp	0bp	3bp	0bp	18bp
CET-1 ratio	-10bp	-13bp	-26bp	-17bp	-34bp	-36bp	-50bp	-19bp	-16bp	-10bp	13bp
Key ratio	ICBC	CCB	ABC	BOC	BoCom	PSBC	CMB	CITICB	MSB	CEB	PAB
Profitability											
NIM	2.27%	2.25%	2.11%	1.84%	1.56%	2.52%	2.69%	1.96%	1.87%	2.28%	2.71%
CIR	24.2%	23.5%	23.0%	24.6%	35.9%	50.1%	30.9%	26.6%	20.7%	28.5%	30.2%
ROA	1.16%	1.27%	1.01%	1.15%	0.88%	0.75%	1.45%	0.96%	1.01%	0.93%	0.89%
ROE	14.8%	15.7%	14.6%	16.1%	13.2%	17.0%	19.0%	14.4%	14.8%	14.4%	13.8%
Asset quality											
NPL ratio	1.48%	1.43%	1.43%	1.40%	1.47%	0.82%	1.23%	1.72%	1.75%	1.57%	1.68%
NPL formation	0.47%	0.63%	0.45%	0.60%	0.80%	-0.01%	0.25%	1.72%	1.47%	1.87%	1.33%
Credit cost	0.84%	0.83%	0.90%	0.27%	0.85%	1.26%	1.20%	1.53%	1.82%	1.51%	2.07%
Provision coverage	192%	218%	278%	178%	174%	396%	394%	165%	142%	178%	183%
Allowance ratio	2.83%	3.11%	3.98%	2.48%	2.55%	3.22%	4.85%	2.85%	2.49%	2.77%	3.06%
NPL recognition (NPL/90day on)	130%	149%	152%	136%	116%	124%	124%	113%	105%	113%	113%
Capital & liquidity											
CET-1 ratio	12.7%	13.7%	11.1%	11.2%	10.9%	9.3%	11.4%	8.6%	8.9%	9.0%	8.9%
Tier-1 ratio	13.2%	14.3%	11.7%	12.8%	11.9%	10.3%	12.2%	9.3%	9.9%	9.9%	9.7%
Tier CAR	15.8%	17.1%	15.5%	15.3%	13.8%	13.0%	15.1%	12.3%	12.8%	12.3%	12.6%
LDR	70.4%	79.8%	70.0%	81.7%	83.6%	51.7%	91.5%	95.1%	92.2%	87.6%	87.9%

Source: Company data, CMBIS estimates

Individual Banks' Financial Summary

ICBC (1398 HK, BUY, TP: HK\$6.90)

Figure 10: 1H19 results summary

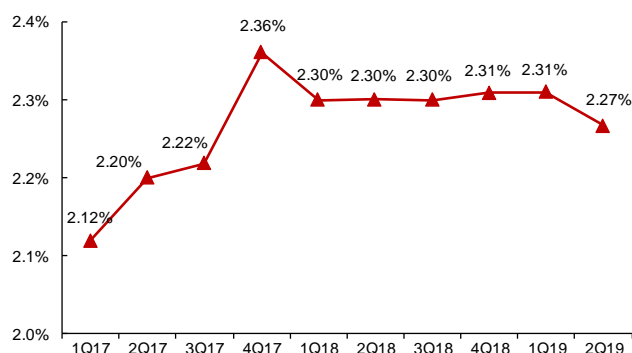
(RMB mn)						
P&L	1H18	1H19	YoY	2Q18	2Q19	YoY
Net interest income	277,616	299,301	7.8%	140,604	151,111	7.5%
Net fee and commission income	79,260	88,501	11.7%	37,647	42,365	12.5%
Operating income	361,302	394,203	9.1%	178,117	192,385	8.0%
Operating expense	(81,958)	(87,154)	6.3%	(41,960)	(46,540)	10.9%
PPoP	279,344	307,049	9.9%	136,157	145,845	7.1%
Impairment losses	(83,458)	(99,180)	18.8%	(41,200)	(40,906)	-0.7%
Pre-tax profit	195,886	207,869	6.1%	94,957	104,939	10.5%
Income tax	(36,559)	(40,519)	10.8%	(13,982)	(19,642)	40.5%
Net profit	160,442	167,931	4.7%	81,640	85,926	5.2%

B/S	4Q18	2Q19	HoH	1Q19	2Q19	QoQ
Gross loans	15,419,905	16,271,224	5.5%	15,932,402	16,271,224	2.1%
Customers' deposits	21,408,934	23,125,437	8.0%	22,574,651	23,125,437	2.4%
Total assets	27,699,540	29,990,476	8.3%	29,246,572	29,990,476	2.5%
NPLs	235,084	240,086	2.1%	240,282	240,086	-0.1%

Key ratios	1H18	1H19	YoY	1Q19	2Q19	QoQ
NIM	2.30%	2.29%	-1bp	2.31%	2.27%	-4bp
ROE	15.5%	14.7%	-0.8ppt	14.4%	14.8%	0.4ppt
NPL ratio	1.54%	1.48%	-6bp	1.51%	1.48%	-3bp
Provision coverage	173.2%	192.0%	18.8ppt	185.9%	192.0%	6.2ppt
LDR	71.7%	70.4%	-1.4ppt	70.6%	0.0%	-70.6ppt
CET-1 CAR	12.3%	12.7%	41bp	12.8%	12.7%	-10bp

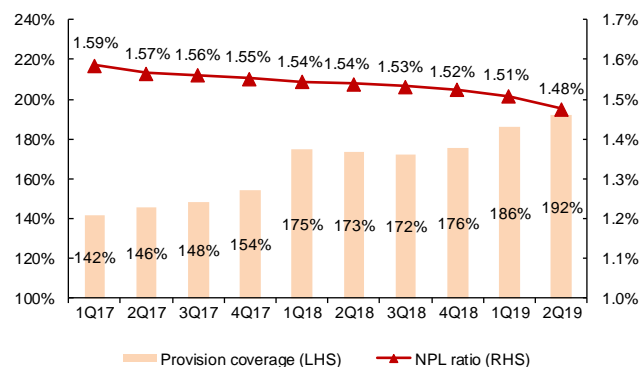
Source: Company data, CMBIS

Figure 11: Quarterly NIM of ICBC



Source: Company data, CMBIS

Figure 12: NPL ratio and provision coverage of ICBC



Source: Company data, CMBIS

Figure 13: ICBC's earnings summary

(YE 31 Dec)	FY17A	FY18A	FY19E	FY20E	FY21E
Operating income (RMB mn)	675,654	725,121	784,157	835,013	891,201
Net profit (RMB mn)	286,049	297,676	312,748	331,633	353,197
EPS (RMB)	0.79	0.82	0.86	0.92	0.98
EPS CHG (%)	2.9	4.1	5.1	6.1	6.6
P/E (x)	5.6	5.4	5.1	4.8	4.5
P/B (x)	0.78	0.71	0.64	0.58	0.54
Dividend yield (%)	5.4	5.6	5.9	6.3	6.7
ROE (%)	14.3	13.7	13.1	12.6	12.3
NPL ratio (%)	1.55	1.52	1.56	1.59	1.57
Provision coverage (%)	154	176	197	214	234

Source: Company data, CMBIS

CCB (939 HK, BUY, TP: HK\$8.50)

Figure 14: 1H19 results summary

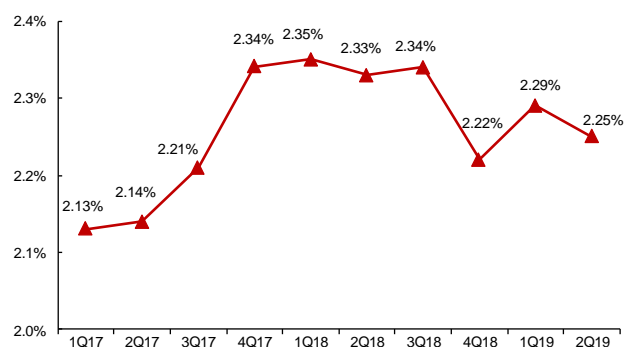
(RMB mn)						
P&L	1H18	1H19	YoY	2Q18	2Q19	YoY
Net interest income	239,486	250,436	4.6%	119,746	125,361	4.7%
Net fee and commission income	69,004	76,695	11.1%	31,073	33,666	8.3%
Operating income	322,422	343,974	6.7%	157,504	165,149	4.9%
Operating expense	(74,060)	(78,284)	5.7%	(37,827)	(38,892)	2.8%
PPoP	248,362	265,690	7.0%	119,677	126,257	5.5%
Impairment losses	(67,029)	(74,638)	11.4%	(28,789)	(31,043)	7.8%
Pre-tax profit	181,333	191,052	5.4%	90,888	95,214	4.8%
Income tax	(33,955)	(35,472)	4.5%	(17,538)	(17,556)	0.1%
Net profit	147,027	154,190	4.9%	73,212	77,274	5.5%

B/S	4Q18	2Q19	HoH	1Q19	2Q19	QoQ
Gross loans	13,783,053	14,539,839	5.5%	14,227,115	14,539,839	2.2%
Customers' deposits	17,108,678	18,214,072	6.5%	18,053,818	18,214,072	0.9%
Total assets	23,222,693	24,383,151	5.0%	24,190,914	24,383,151	0.8%
NPLs	200,881	208,069	3.6%	207,463	208,069	0.3%

Key ratios	1H18	1H19	YoY	1Q19	2Q19	QoQ
NIM	2.34%	2.27%	-7bp	2.29%	2.25%	-4bp
ROE	17.0%	15.9%	-1.0ppt	15.9%	15.7%	-0.2ppt
NPL ratio	1.48%	1.43%	-4bp	1.46%	1.43%	-2bp
Provision coverage	193.2%	218.0%	24.9ppt	214.2%	218.0%	3.8ppt
LDR	79.3%	79.8%	0.5ppt	78.8%	79.8%	1.0ppt
CET-1 CAR	13.1%	13.7%	62bp	13.8%	13.7%	-13bp

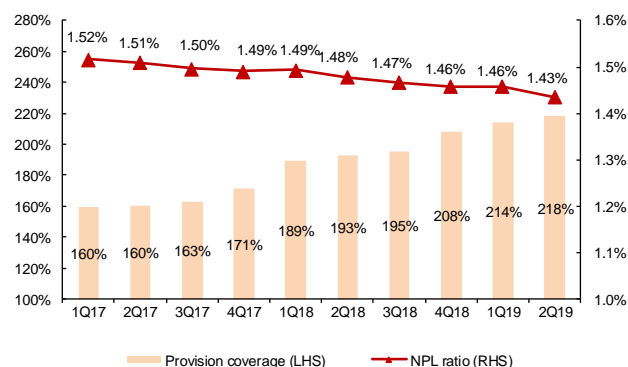
Source: Company data, CMBIS

Figure 15: Quarterly NIM of CCB



Source: Company data, CMBIS

Figure 16: NPL ratio and provision coverage of CCB



Source: Company data, CMBIS

Figure 17: CCB's earnings summary

(YE 31 Dec)	FY17A	FY18A	FY19E	FY20E	FY21E
Operating income (RMB mn)	594,031	633,772	680,537	724,856	771,203
Net profit (RMB mn)	242,264	254,655	270,345	289,440	311,389
EPS (RMB)	0.96	1.00	1.07	1.14	1.23
EPS CHG (%)	4.7	3.9	6.3	7.2	7.7
P/E (x)	5.4	5.2	4.9	4.6	4.2
P/B (x)	0.77	0.69	0.63	0.57	0.52
Dividend yield (%)	5.6	5.9	6.2	6.7	7.2
ROE (%)	14.8	13.9	13.4	13.1	12.8
NPL ratio (%)	1.49	1.46	1.49	1.53	1.51
Provision coverage (%)	171	208	232	251	275

Source: Company data, CMBIS

ABC (1288 HK, BUY, TP: HK\$4.50)

Figure 18: 1H19 results summary

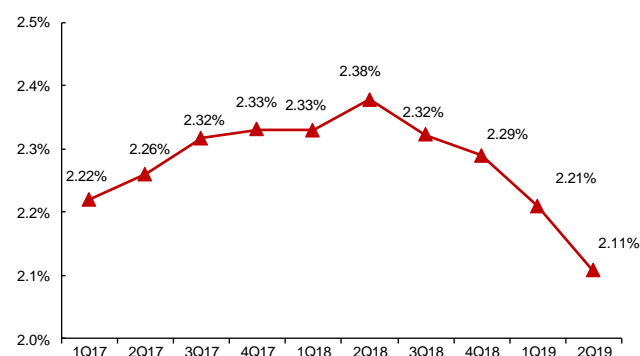
(RMB mn)						
P&L	1H18	1H19	YoY	2Q18	2Q19	YoY
Net interest income	233,833	237,632	1.6%	116,352	118,519	1.9%
Net fee and commission income	43,637	50,899	16.6%	20,251	21,681	7.1%
Operating income	294,006	306,408	4.2%	136,768	132,802	-2.9%
Operating expense	(86,017)	(87,094)	1.3%	(34,094)	(30,602)	-10.2%
PPoP	207,989	219,314	5.4%	102,674	102,200	-0.5%
Impairment losses	(66,443)	(73,427)	10.5%	(32,471)	(30,932)	-4.7%
Pre-tax profit	141,546	145,887	3.1%	70,203	71,268	1.5%
Income tax	(25,576)	(23,490)	-8.2%	(13,270)	(10,947)	-17.5%
Net profit	115,789	121,445	4.9%	57,053	60,194	5.5%

B/S	4Q18	2Q19	HoH	1Q19	2Q19	QoQ
Gross loans	11,913,625	12,962,302	8.8%	12,664,116	12,962,302	2.4%
Customers' deposits	17,346,290	18,529,174	6.8%	18,447,181	18,529,174	0.4%
Total assets	22,609,471	23,975,153	6.0%	23,657,926	23,975,153	1.3%
NPLs	190,002	185,312	-2.5%	192,705	185,312	-3.8%

Key ratios	1H18	1H19	YoY	1Q19	2Q19	QoQ
NIM	2.35%	2.16%	-19bp	2.21%	2.11%	-10bp
ROE	16.0%	14.7%	-1.3ppt	15.1%	14.6%	-0.5ppt
NPL ratio	1.62%	1.43%	-19bp	1.52%	1.43%	-9bp
Provision coverage	248.4%	278.4%	30.0ppt	263.9%	278.4%	14.4ppt
LDR	67.7%	70.0%	2.3ppt	68.7%	70.0%	1.3ppt
CET-1 CAR	11.2%	11.1%	-5bp	11.4%	11.1%	-26bp

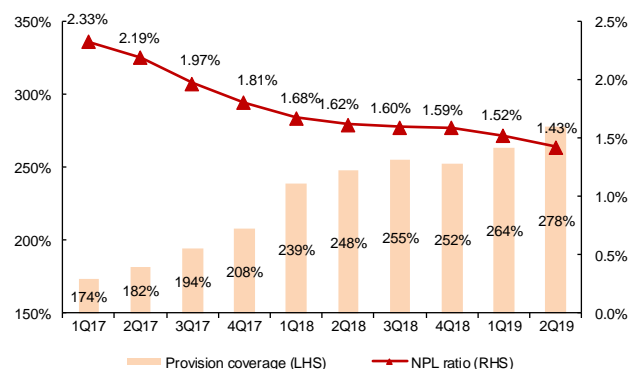
Source: Company data, CMBIS

Figure 19: Quarterly NIM of ABC



Source: Company data, CMBIS

Figure 20: NPL ratio and provision coverage of ABC



Source: Company data, CMBIS

Figure 21: ABC's earnings summary

(YE 31 Dec)	FY17A	FY18A	FY19E	FY20E	FY21E
Operating income (RMB mn)	520,346	584,905	632,714	680,006	736,373
Net profit (RMB mn)	192,962	202,783	215,790	231,377	249,206
EPS (RMB)	0.58	0.59	0.60	0.65	0.70
EPS CHG (%)	5.0	1.3	2.7	7.4	7.9
P/E (x)	4.7	4.6	4.5	4.2	3.9
P/B (x)	0.65	0.60	0.54	0.50	0.46
Dividend yield (%)	6.6	6.4	6.8	7.3	7.9
ROE (%)	14.6	13.5	12.7	12.4	12.3
NPL ratio (%)	1.81	1.59	1.60	1.60	1.61
Provision coverage (%)	208	252	268	281	293

Source: Company data, CMBIS

BOC (3988 HK, BUY, TP: HK\$4.30)

Figure 22: 1H19 results summary

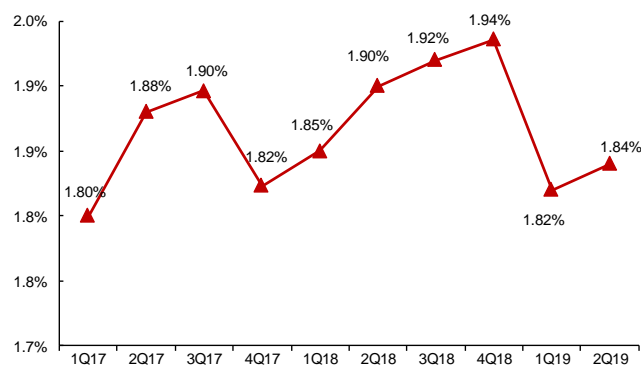
(RMB mn)						
P&L	1H18	1H19	YoY	2Q18	2Q19	YoY
Net interest income	172,451	181,684	5.4%	88,577	92,303	4.2%
Net fee and commission income	48,188	50,564	4.9%	22,406	23,209	3.6%
Operating income	243,518	263,312	8.1%	117,432	122,306	4.2%
Operating expense	(74,168)	(77,754)	4.8%	(30,771)	(30,096)	-2.2%
PPoP	169,350	185,558	9.6%	86,661	92,210	6.4%
Impairment losses	(28,270)	(33,670)	19.1%	(12,775)	(6,335)	-50.4%
Pre-tax profit	141,080	151,888	7.7%	73,886	85,875	16.2%
Income tax	(26,386)	(31,116)	17.9%	(10,886)	(19,553)	79.6%
Net profit	109,088	114,048	4.5%	60,087	63,083	5.0%

B/S	4Q18	2Q19	HoH	1Q19	2Q19	QoQ
Gross loans	11,819,272	12,569,734	6.3%	12,260,376	12,569,734	2.5%
Customers' deposits	14,595,788	15,392,934	5.5%	15,207,131	15,392,934	1.2%
Total assets	21,267,275	22,266,024	4.7%	21,616,555	22,266,024	3.0%
NPLs	166,941	175,899	5.4%	173,083	175,899	1.6%

Key ratios	1H18	1H19	YoY	1Q19	2Q19	QoQ
NIM	1.88%	1.83%	-5bp	1.82%	1.84%	2bp
ROE	15.5%	14.8%	-0.7ppt	13.2%	16.1%	2.8ppt
NPL ratio	1.43%	1.40%	-3bp	1.42%	1.40%	-2bp
Provision coverage	163.9%	177.5%	13.6ppt	184.6%	177.5%	-7.1ppt
LDR	81.3%	81.7%	0.3ppt	80.6%	81.7%	1.0ppt
CET-1 CAR	11.0%	11.2%	22bp	11.4%	11.2%	-17bp

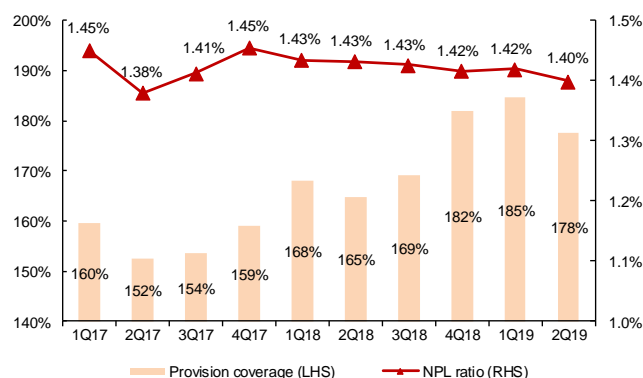
Source: Company data, CMBIS

Figure 23: Quarterly NIM of BOC



Source: Company data, CMBIS

Figure 24: NPL ratio and provision coverage of BOC



Source: Company data, CMBIS

Figure 25: BOC's earnings summary

(YE 31 Dec)	FY17A	FY18A	FY19E	FY20E	FY21E
Operating income (RMB mn)	461,154	486,798	535,323	573,271	616,831
Net profit (RMB mn)	172,407	180,086	188,739	200,990	214,967
EPS (RMB)	0.56	0.59	0.62	0.66	0.71
EPS CHG (%)	4.9	4.6	5.0	6.7	7.2
P/E (x)	4.8	4.6	4.3	4.1	3.8
P/B (x)	0.57	0.52	0.48	0.44	0.41
Dividend yield (%)	6.6	6.9	7.2	7.6	8.2
ROE (%)	12.2	11.9	11.5	11.3	11.1
NPL ratio (%)	1.45	1.42	1.43	1.45	1.46
Provision coverage (%)	159	182	192	201	212

Source: Company data, CMBIS

BoCom (3328 HK, HOLD, TP: HK\$5.90)

Figure 26: 1H19 results summary

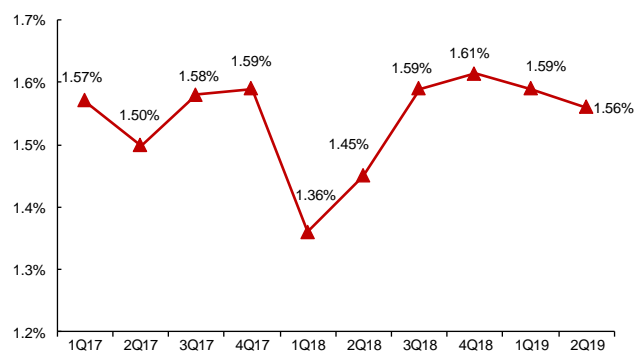
(RMB mn)						
P&L	1H18	1H19	YoY	2Q18	2Q19	YoY
Net interest income	60,658	70,062	15.5%	31,446	35,205	12.0%
Net fee and commission income	21,182	23,122	9.2%	10,338	11,066	7.0%
Operating income	98,170	110,144	12.2%	51,802	54,651	5.5%
Operating expense	(34,174)	(39,927)	16.8%	(18,199)	(19,611)	7.8%
PPoP	63,996	70,217	9.7%	33,603	35,040	4.3%
Impairment losses	(16,666)	(21,550)	29.3%	(9,593)	(10,845)	13.1%
Pre-tax profit	47,330	48,667	2.8%	24,010	24,195	0.8%
Income tax	(6,476)	(5,811)	-10.3%	(3,323)	(2,636)	-20.7%
Net profit	40,771	42,749	4.9%	20,680	21,678	4.8%

B/S	4Q18	2Q19	HoH	1Q19	2Q19	QoQ
Gross loans	4,854,228	5,130,612	5.7%	5,068,189	5,130,612	1.2%
Customers' deposits	5,793,324	6,135,448	5.9%	6,106,174	6,135,448	0.5%
Total assets	9,531,171	9,886,608	3.7%	9,785,747	9,886,608	1.0%
NPLs	72,512	75,508	4.1%	74,662	75,508	1.1%

Key ratios	1H18	1H19	YoY	1Q19	2Q19	QoQ
NIM	1.41%	1.58%	17bp	1.59%	1.56%	-3bp
ROE	13.4%	13.2%	-0.2ppt	13.0%	13.2%	0.2ppt
NPL ratio	1.49%	1.47%	-2bp	1.47%	1.47%	0bp
Provision coverage	171.0%	173.5%	2.6ppt	173.5%	173.5%	0.1ppt
LDR	83.6%	83.6%	0.0ppt	83.0%	83.6%	0.6ppt
CET-1 CAR	10.6%	10.9%	23bp	11.2%	10.9%	-34bp

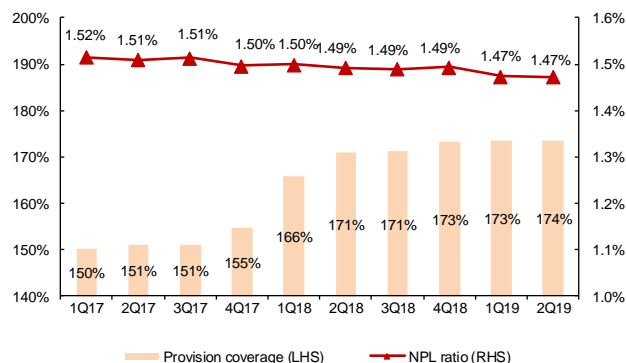
Source: Company data, CMBIS

Figure 27: Quarterly NIM of BoCom



Source: Company data, CMBIS

Figure 28: NPL ratio and provision coverage of BoCom



Source: Company data, CMBIS

Figure 29: BoCom's earnings summary

(YE 31 Dec)	FY17A	FY18A	FY19E	FY20E	FY21E
Operating income (RMB mn)	183,800	205,932	214,763	229,469	245,157
Net profit (RMB mn)	70,223	73,630	77,360	81,389	86,146
EPS (RMB)	0.91	0.96	1.01	1.06	1.13
EPS CHG (%)	1.8	5.2	5.4	5.4	6.0
P/E (x)	5.1	4.8	4.6	4.3	4.1
P/B (x)	0.56	0.54	0.49	0.46	0.42
Dividend yield (%)	6.2	6.5	6.8	7.1	7.6
ROE (%)	11.4	11.4	11.3	11.0	10.8
NPL ratio (%)	1.50	1.49	1.52	1.55	1.58
Provision coverage (%)	155	173	178	181	183

Source: Company data, CMBIS

CITICB (998 HK, BUY, TP: HK\$5.40)

Figure 30: 1H19 results summary

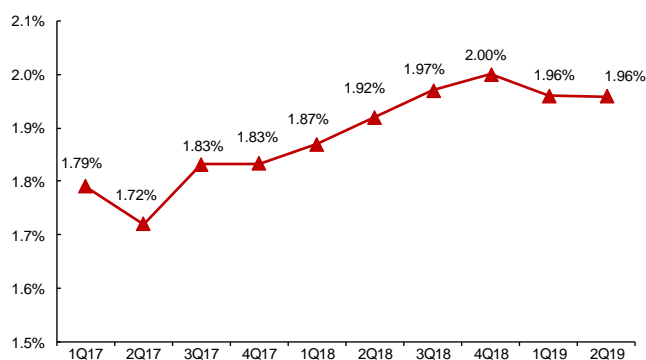
(RMB mn)						
P&L	1H18	1H19	YoY	2Q18	2Q19	YoY
Net interest income	49,808	57,162	14.8%	25,597	29,092	13.7%
Net fee and commission income	21,862	28,292	29.4%	11,389	12,844	12.8%
Operating income	81,380	93,192	14.5%	41,588	45,775	10.1%
Operating expense	(22,563)	(24,673)	9.4%	(11,082)	(12,181)	9.9%
PPoP	58,817	68,519	16.5%	30,506	33,594	10.1%
Impairment losses	(26,161)	(34,190)	30.7%	(13,704)	(15,065)	9.9%
Pre-tax profit	32,656	34,329	5.1%	16,802	18,529	10.3%
Income tax	(6,267)	(5,605)	-10.6%	(2,950)	(3,133)	6.2%
Net profit	25,721	28,307	10.1%	13,555	15,091	11.3%

B/S	4Q18	2Q19	HoH	1Q19	2Q19	QoQ
Gross loans	3,608,412	3,835,876	6.3%	3,725,963	3,835,876	2.9%
Customers' deposits	3,649,611	4,034,436	10.5%	3,821,218	4,034,436	5.6%
Total assets	6,066,714	6,398,803	5.5%	6,241,411	6,398,803	2.5%
NPLs	64,028	66,161	3.3%	64,225	66,161	3.0%

Key ratios	1H18	1H19	YoY	1Q19	2Q19	QoQ
NIM	1.89%	1.96%	7bp	1.96%	1.96%	0bp
ROE	13.9%	13.8%	-0.1ppt	12.9%	14.4%	1.5ppt
NPL ratio	1.80%	1.72%	-8bp	1.72%	1.72%	0bp
Provision coverage	151.2%	165.2%	14.0ppt	169.9%	165.2%	-4.7ppt
LDR	94.2%	95.1%	0.9ppt	97.5%	95.1%	-2.4ppt
CET-1 CAR	8.5%	8.6%	6bp	8.8%	8.6%	-19bp

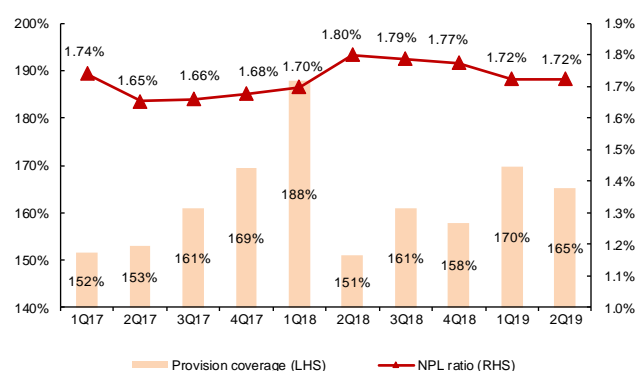
Source: Company data, CMBIS

Figure 31: Quarterly NIM of CITICB



Source: Company data, CMBIS

Figure 32: NPL ratio and provision coverage of CITICB



Source: Company data, CMBIS

Figure 33: CITICB's earnings summary

(YE 31 Dec)	FY17A	FY18A	FY19E	FY20E	FY21E
Operating income (RMB mn)	157,231	165,766	184,013	196,252	210,587
Net profit (RMB mn)	42,566	44,513	46,824	49,760	53,189
EPS (RMB)	0.84	0.88	0.93	0.99	1.06
EPS CHG (%)	(0.9)	4.7	5.4	6.5	7.1
P/E (x)	4.4	4.2	4.0	3.7	3.5
P/B (x)	0.49	0.45	0.41	0.38	0.35
Dividend yield (%)	7.1	6.3	6.8	7.2	7.7
ROE (%)	11.6	11.3	10.9	10.7	10.5
NPL ratio (%)	1.68	1.77	1.82	1.83	1.84
Provision coverage (%)	169	158	161	168	173

Source: Company data, CMBIS

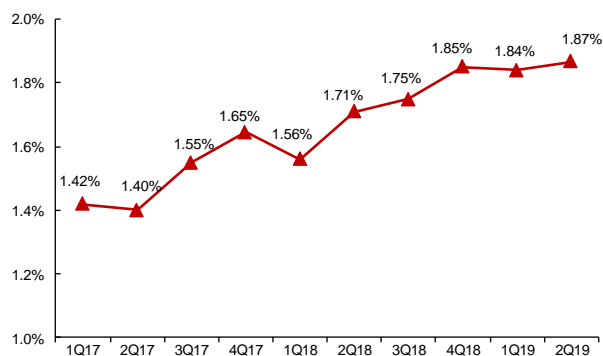
MSB (1988 HK, HOLD, TP: HK\$5.90)

Figure 34: 1H19 results summary

(RMB mn)						
P&L	1H18	1H19	YoY	2Q18	2Q19	YoY
Net interest income	33,874	45,523	34.4%	18,133	23,501	29.6%
Net fee and commission income	24,327	27,282	12.1%	12,399	13,407	8.1%
Operating income	74,287	87,083	17.2%	37,539	43,224	15.1%
Operating expense	(18,870)	(19,224)	1.9%	(8,966)	(8,933)	-0.4%
PPoP	55,417	67,859	22.5%	28,573	34,291	20.0%
Impairment losses	(19,531)	(29,436)	50.7%	(10,960)	(15,081)	37.6%
Pre-tax profit	35,886	38,423	7.1%	17,613	19,210	9.1%
Income tax	(6,033)	(6,455)	7.0%	(3,076)	(3,207)	4.3%
Net profit	29,618	31,623	6.8%	14,676	15,831	7.9%
B/S	4Q18	2Q19	HoH	1Q19	2Q19	QoQ
Gross loans	3,056,746	3,183,961	4.2%	3,141,638	3,183,961	1.3%
Customers' deposits	3,183,997	3,452,100	8.4%	3,318,148	3,452,100	4.0%
Total assets	5,994,822	6,340,658	5.8%	6,196,748	6,340,658	2.3%
NPLs	53,866	55,649	3.3%	55,017	55,649	1.1%
Key ratios	1H18	1H19	YoY	1Q19	2Q19	QoQ
NIM	1.65%	1.85%	20bp	1.84%	1.87%	3bp
ROE	15.7%	15.1%	-0.6ppt	15.1%	14.8%	-0.3ppt
NPL ratio	1.72%	1.75%	2bp	1.75%	1.75%	0bp
Provision coverage	162.7%	142.3%	-20.5ppt	137.8%	142.3%	4.5ppt
LDR	96.7%	92.2%	-4.4ppt	94.7%	92.2%	-2.4ppt
CET-1 CAR	8.6%	8.9%	27bp	9.1%	8.9%	-16bp

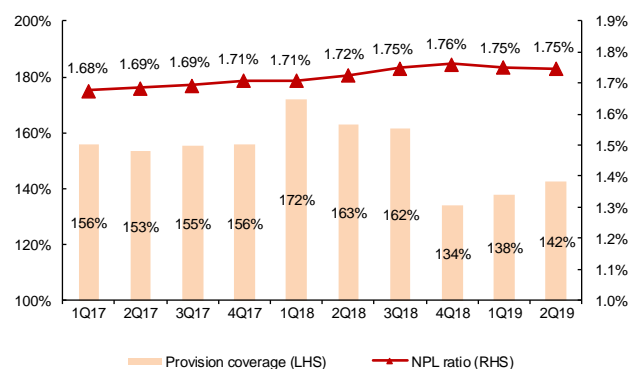
Source: Company data, CMBIS

Figure 35: Quarterly NIM of MSB



Source: Company data, CMBIS

Figure 36: NPL ratio and provision coverage of MSB



Source: Company data, CMBIS

Figure 37: MSB's earnings summary

(YE 31 Dec)	FY17A	FY18A	FY19E	FY20E	FY21E
Operating income (RMB mn)	141,947	154,161	167,059	177,899	191,573
Net profit (RMB mn)	49,813	50,327	52,322	54,584	57,422
EPS (RMB)	1.35	1.24	1.18	1.23	1.30
EPS CHG (%)	3.0	(8.2)	(4.7)	4.4	5.3
P/E (x)	3.4	3.7	3.9	3.8	3.6
P/B (x)	0.46	0.49	0.45	0.42	0.38
Dividend yield (%)	4.5	7.5	7.7	8.1	8.5
ROE (%)	14.0	12.8	12.1	11.6	11.2
NPL ratio (%)	1.71	1.76	1.82	1.87	1.91
Provision coverage (%)	156	134	149	166	182

Source: Company data, CMBIS

CEB (6818 HK, BUY, TP: HK\$4.60)

Figure 38: 1H19 results summary

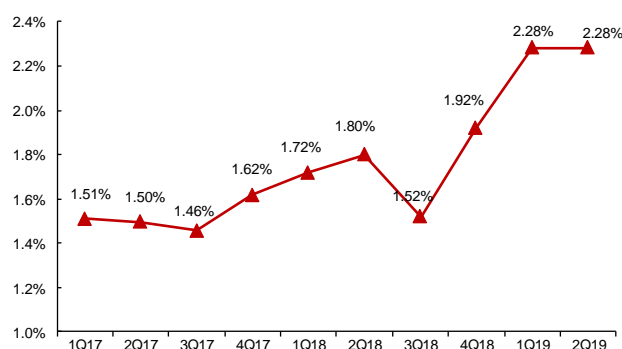
(RMB mn)						
P&L	1H18	1H19	YoY	2Q18	2Q19	YoY
Net interest income	34,484	49,183	42.6%	18,459	24,950	35.2%
Net fee and commission income	10,478	12,749	21.7%	4,901	5,794	18.2%
Operating income	52,303	66,224	26.6%	26,925	32,348	20.1%
Operating expense	(16,075)	(18,363)	14.2%	(8,757)	(9,220)	5.3%
PPoP	36,228	47,861	32.1%	18,168	23,128	27.3%
Impairment losses	(14,568)	(23,379)	60.5%	(7,608)	(10,421)	37.0%
Pre-tax profit	21,660	24,482	13.0%	10,560	12,707	20.3%
Income tax	(3,559)	(3,998)	12.3%	(1,530)	(1,974)	29.0%
Net profit	18,075	20,444	13.1%	9,024	10,711	18.7%

B/S	4Q18	2Q19	HoH	1Q19	2Q19	QoQ
Gross loans	2,428,487	2,592,970	6.8%	2,509,669	2,592,970	3.3%
Customers' deposits	2,571,961	2,958,862	15.0%	2,842,135	2,958,862	4.1%
Total assets	4,357,332	4,647,020	6.6%	4,520,309	4,647,020	2.8%
NPLs	38,421	40,718	6.0%	42,667	40,718	-4.6%

Key ratios	1H18	1H19	YoY	1Q19	2Q19	QoQ
NIM	1.76%	2.28%	52bp	2.28%	2.28%	0bp
ROE	13.4%	12.5%	-0.9ppt	13.4%	14.4%	1.1ppt
NPL ratio	1.51%	1.57%	6bp	1.59%	1.57%	-2bp
Provision coverage	173.0%	178.0%	5.0ppt	178.7%	178.0%	-0.7ppt
LDR	91.7%	87.6%	-4.0ppt	88.3%	87.6%	-0.7ppt
CET-1 CAR	8.8%	9.0%	16bp	9.1%	9.0%	-10bp

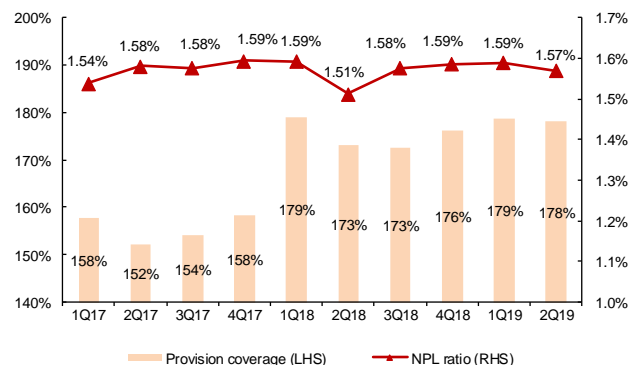
Source: Company data, CMBIS

Figure 39: Quarterly NIM of CEB



Source: Company data, CMBIS

Figure 40: NPL ratio and provision coverage of CEB



Source: Company data, CMBIS

Figure 41: CEB's earnings summary

(YE 31 Dec)	FY17A	FY18A	FY19E	FY20E	FY21E
Operating income (RMB mn)	92,018	110,386	130,978	141,752	152,688
Net profit (RMB mn)	31,545	33,659	36,014	38,847	42,299
EPS (RMB)	0.61	0.61	0.66	0.71	0.78
EPS CHG (%)	(3.2)	1.1	7.3	8.2	9.2
P/E (x)	4.8	4.8	4.5	4.1	3.8
P/B (x)	0.54	0.54	0.49	0.45	0.41
Dividend yield (%)	6.2	5.5	5.9	6.3	6.9
ROE (%)	12.3	11.6	11.5	11.4	11.3
NPL ratio (%)	1.59	1.59	1.62	1.69	1.75
Provision coverage (%)	158	176	203	229	248

Source: Company data, CMBIS

PAB (000001 CH, BUY, TP: RMB17.00)

Figure 42: 1H19 results summary

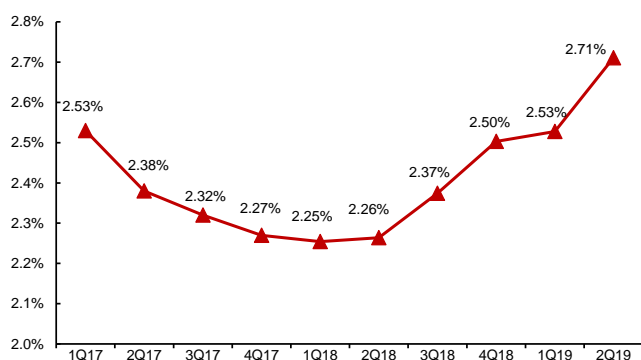
(RMB mn)						
P&L	1H18	1H19	YoY	2Q18	2Q19	YoY
Net interest income	37,436	43,639	16.6%	18,749	22,865	22.0%
Net fee and commission income	17,939	18,391	2.5%	9,345	8,831	-5.5%
Operating income	57,241	67,829	18.5%	29,215	35,353	21.0%
Operating expense	(17,541)	(20,588)	17.4%	(8,770)	(10,664)	21.6%
PPoP	39,700	47,241	19.0%	20,445	24,689	20.8%
Impairment losses	(22,298)	(27,204)	22.0%	(11,627)	(14,319)	23.2%
Pre-tax profit	17,402	20,037	15.1%	8,818	10,370	17.6%
Income tax	(3,995)	(4,600)	15.1%	(2,023)	(2,375)	17.4%
Net profit	13,372	15,403	15.2%	6,777	7,957	17.4%

B/S	4Q18	2Q19	HoH	1Q19	2Q19	QoQ
Gross loans	1,997,529	2,081,896	4.2%	2,051,445	2,081,896	1.5%
Customers' deposits	2,149,142	2,367,562	10.2%	2,308,782	2,367,562	2.5%
Total assets	3,418,592	3,590,766	5.0%	3,530,180	3,590,766	1.7%
NPLs	34,905	34,925	0.1%	35,412	34,925	-1.4%

Key ratios	1H18	1H19	YoY	1Q19	2Q19	QoQ
NIM	2.26%	2.62%	36bp	2.53%	2.71%	18bp
ROE	13.0%	13.6%	0.6ppt	13.3%	13.8%	0.5ppt
NPL ratio	1.71%	1.68%	-4bp	1.73%	1.68%	-5bp
Provision coverage	175.8%	181.0%	5.2ppt	170.6%	182.5%	11.9ppt
LDR	87.0%	87.9%	0.9ppt	88.9%	87.9%	-0.9ppt
CET-1 CAR	8.3%	8.9%	55bp	8.8%	8.9%	13bp

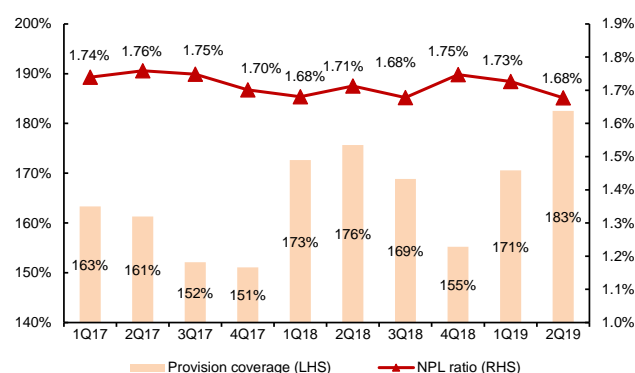
Source: Company data, CMBIS

Figure 43: Quarterly NIM of PAB



Source: Company data, CMBIS

Figure 44: NPL ratio and provision coverage of PAB



Source: Company data, CMBIS

Figure 45: PAB's earnings summary

(YE 31 Dec)	FY17A	FY18A	FY19E	FY20E	FY21E
Operating income (RMB mn)	105,786	116,716	133,695	146,007	159,566
Net profit (RMB mn)	23,189	24,818	27,849	31,594	36,415
EPS (RMB)	1.30	1.39	1.57	1.79	2.07
EPS CHG (%)	(1.3)	7.3	12.7	13.9	15.7
P/E (x)	10.9	10.2	9.0	7.9	6.8
P/B (x)	1.20	1.10	0.99	0.89	0.80
Dividend yield (%)	1.0	1.0	1.1	1.3	1.5
ROE (%)	11.6	11.3	11.6	11.9	12.3
NPL ratio (%)	1.70	1.75	1.68	1.64	1.60
Provision coverage (%)	151	155	181	214	240

Source: Company data, CMBIS

PSBC (1658 HK, NOT RATED)

Figure 46: 1H19 results summary

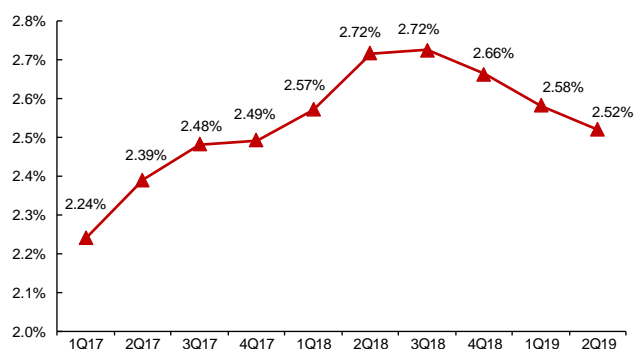
(RMB mn)						
P&L	1H18	1H19	YoY	2Q18	2Q19	YoY
Net interest income	111,662	119,082	6.6%	58,424	59,953	2.6%
Net fee and commission income	7,682	9,339	21.6%	3,020	4,431	46.7%
Operating income	132,408	141,704	7.0%	69,169	73,230	5.9%
Operating expense	(74,770)	(73,222)	-2.1%	(39,465)	(36,703)	-7.0%
PPoP	57,638	68,482	18.8%	29,704	36,527	23.0%
Impairment losses	(23,371)	(27,693)	18.5%	(14,332)	(16,442)	14.7%
Pre-tax profit	34,267	40,789	19.0%	15,372	20,085	30.7%
Income tax	(1,720)	(3,364)	95.6%	655	(1,209)	-284.6%
Net profit	32,523	37,384	14.9%	16,018	18,864	17.8%

B/S	4Q18	2Q19	HoH	1Q19	2Q19	QoQ
Gross loans	4,276,865	4,701,673	9.9%	4,533,734	4,701,673	3.7%
Customers' deposits	8,627,440	9,101,191	5.5%	9,142,684	9,101,191	-0.5%
Total assets	9,516,211	10,067,175	5.8%	10,143,800	10,067,175	-0.8%
NPLs	36,888	38,372	4.0%	37,658	38,372	1.9%

Key ratios	1H18	1H19	YoY	1Q19	2Q19	QoQ
NIM	2.64%	2.55%	-9bp	2.58%	2.52%	-6bp
ROE	16.5%	17.2%	0.6ppt	17.0%	17.0%	-
NPL ratio	0.97%	0.82%	-15bp	0.83%	0.82%	-1bp
Provision coverage	269.8%	396.1%	126.3ppt	363.2%	396.1%	32.9ppt
LDR	48.2%	51.7%	3.5ppt	49.6%	51.7%	2.1ppt
CET-1 CAR	9.0%	9.3%	25bp	9.6%	9.3%	-36bp

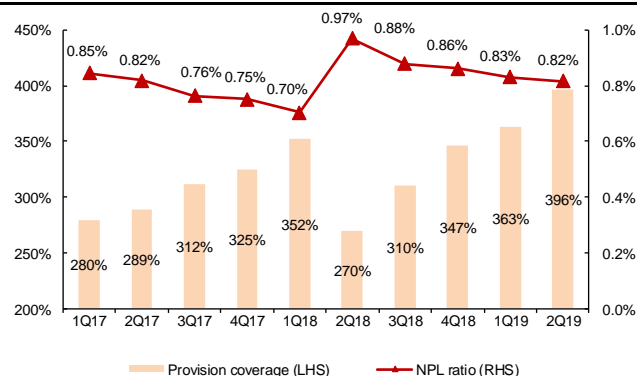
Source: Company data, CMBIS

Figure 47: Quarterly NIM of PSBC



Source: Company data, CMBIS

Figure 48: NPL ratio and provision coverage of PSBC



Source: Company data, CMBIS

CMB (3968 HK, NOT RATED)

Figure 49: 1H19 results summary

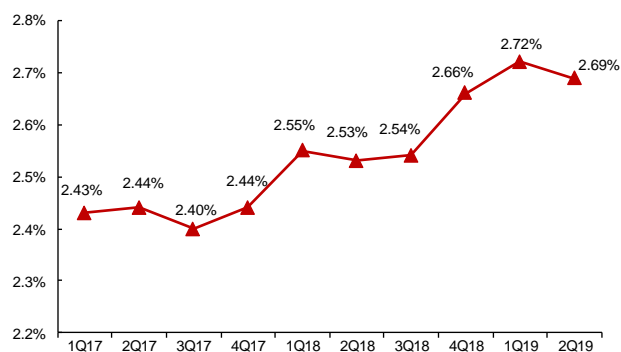
(RMB mn)						
P&L	1H18	1H19	YoY	2Q18	2Q19	YoY
Net interest income	77,012	87,407	13.5%	39,073	44,038	12.7%
Net fee and commission income	37,469	38,971	4.0%	18,548	19,813	6.8%
Operating income	125,153	137,513	9.9%	64,167	69,236	7.9%
Operating expense	(35,621)	(40,284)	13.1%	(18,356)	(21,407)	16.6%
PPoP	89,532	97,229	8.6%	45,811	47,829	4.4%
Impairment losses	(31,429)	(33,064)	5.2%	(16,670)	(16,254)	-2.5%
Pre-tax profit	58,103	64,165	10.4%	29,141	31,575	8.4%
Income tax	(14,076)	(14,015)	-0.4%	(7,498)	(6,445)	-14.0%
Net profit	44,756	50,612	13.1%	22,082	25,372	14.9%

B/S	4Q18	2Q19	HoH	1Q19	2Q19	QoQ
Gross loans	3,933,034	4,323,530	9.9%	4,125,847	4,323,530	4.8%
Customers' deposits	4,427,566	4,727,134	6.8%	4,454,862	4,727,134	6.1%
Total assets	6,745,729	7,193,181	6.6%	6,794,347	7,193,181	5.9%
NPLs	53,605	53,221	-0.7%	55,645	53,221	-4.4%

Key ratios	1H18	1H19	YoY	1Q19	2Q19	QoQ
NIM	2.54%	2.70%	17bp	2.72%	2.69%	-3bp
ROE	19.6%	19.5%	-0.1ppt	19.5%	19.0%	-0.4ppt
NPL ratio	1.43%	1.23%	-20bp	1.35%	1.23%	-12bp
Provision coverage	316.1%	394.1%	78.0ppt	363.2%	394.1%	31.0ppt
LDR	91.1%	91.5%	0.4ppt	92.6%	91.5%	-1.2ppt
CET-1 CAR	11.6%	11.4%	-19bp	11.9%	11.4%	-50bp

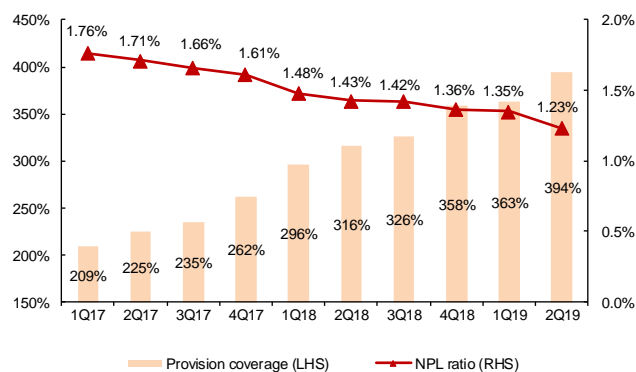
Source: Company data, CMBIS

Figure 50: Quarterly NIM of CMB



Source: Company data, CMBIS

Figure 51: NPL ratio and provision coverage of CMB



Source: Company data, CMBIS

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