

# China Banking Sector

## 3Q19 results wrap – JSBs lead earnings recovery

The aggregate net profit of the 11 China banks we follow picked up by 7.5% YoY in 3Q18 (vs 7.3% YoY in 2Q19). 9M19 earnings accounted for 85.6% of full-year consensus estimate, suggesting potential upward revision in FY19 forecasts. Similar to 2Q19, moderating credit cost continued to cushion weakening topline growth due to falling margin, as evidenced by slower PPOP growth but stronger earnings momentum. PSBC/CMB/PAB led peers with 19.2%/17.7%/16.0% YoY bottom-line expansion, while Big-5 banks brought up the rear with mid-single digit growth in 3Q19.

- NIM may further narrow but pressure should ease.** Sector NIM slid 2bp QoQ in 3Q19, as liquidity easing weighed on asset yields yet liability cost stayed elevated amid deposit competition. Big banks actually fared better with average 1.2bp QoQ NIM contraction, likely due to less reliance on costly structured deposits and higher exposure to mortgage, of which yield trend was largely stable under property tightening. We see easing margin pressure in 4Q19, given that: 1) LPR adjustments have been gradual and benign so far; 2) the Big-5 banks have already completed the 30% MSE loan growth target in 9M19; and 3) CBIRC's new rules on structured deposits should help to contain banks' funding costs.
- Asset quality still improving.** Except for PSBC, all banks reported flat or declining NPL ratio and rising provision coverage. Management attributed the low correlation between banks' asset quality and macro economy to optimized credit structure. They see potential risk from credit card loan borrowers, manufacturers exporting to or importing from US, and companies with higher external debt thus might be impacted by exchange rate fluctuation. Banks with strong provision buffer (PSBC/ABC) will have greater room to reduce impairment charges and sustain earnings stability, while MSB/BoCom that lag behind in provision coverage may continue to see higher credit costs.
- Maintain Outperform.** A/H-share China banks are trading at 0.85x/0.72x FY19E P/B with 5.5%/3.9% dividend yields, similar to past 5-year mean. We see further sector re-rating driven by better-than-expected NIM trend, overall stable asset quality, and upward revision in earnings forecasts. Joint-stock banks remain on favorable spot as their faster earnings growth drives ROE recovery. **Our top picks are CEB and CITICB.**

### 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	5.58	7.50	BUY	0.72	5.8	5.3%	13.1%
CCB	939 HK	6.23	9.10	BUY	0.67	5.2	5.8%	13.4%
ABC	1288 HK	3.23	4.70	BUY	0.58	4.8	6.3%	12.6%
BOC	3988 HK	3.22	4.60	BUY	0.52	4.7	6.7%	11.5%
CITICB	998 HK	4.53	5.90	BUY	0.46	4.3	6.2%	10.9%
CEB	6818 HK	3.62	4.90	BUY	0.54	4.9	5.3%	11.5%
BoCom	3328 HK	5.31	6.20	HOLD	0.51	4.7	6.6%	11.3%
MSB	1988 HK	5.47	6.30	HOLD	0.48	4.1	7.3%	12.1%
PAB	000001 CH	16.43	21.20	BUY	1.16	10.8	0.9%	11.9%

Source: Company data, CMBIS estimates

**OUTPERFORM**  
(Maintain)

### China Banking Sector

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



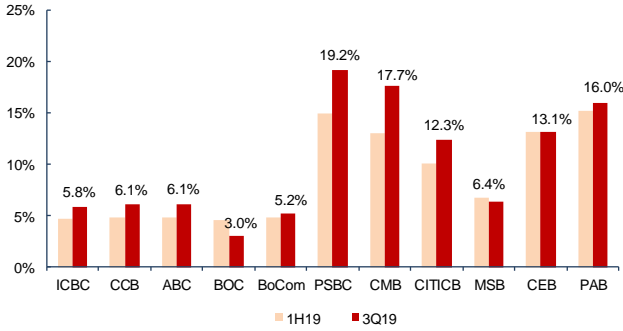
Source: Bloomberg, CMBIS

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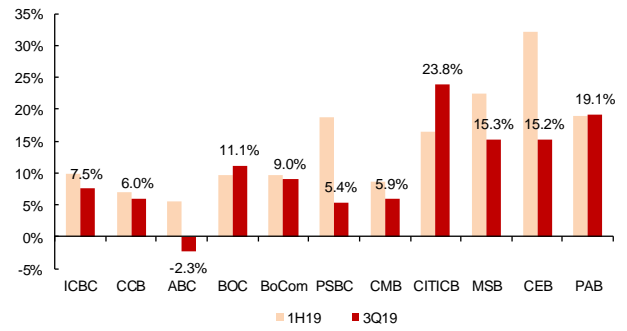
## 3Q19 Results Comparison

**Figure 1: Net profit YoY growth**



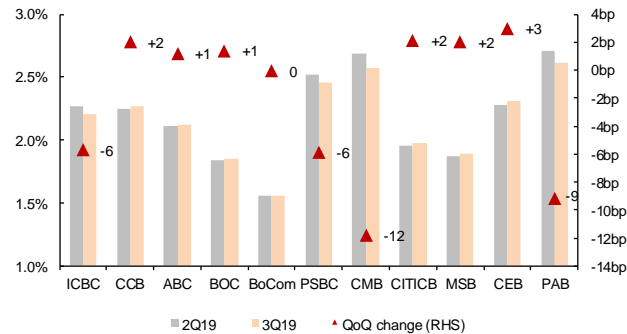
Source: Company data, CMBIS

**Figure 2: PPop YoY growth**



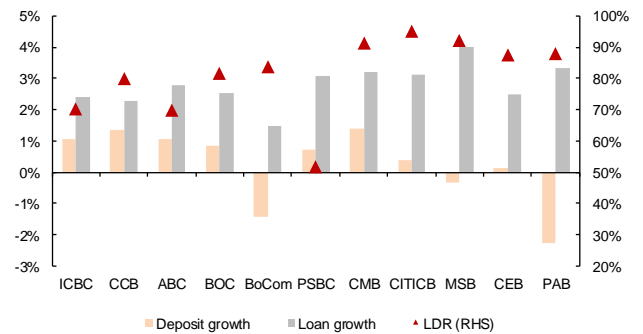
Source: Company data, CMBIS

**Figure 3: NIM and QoQ change**



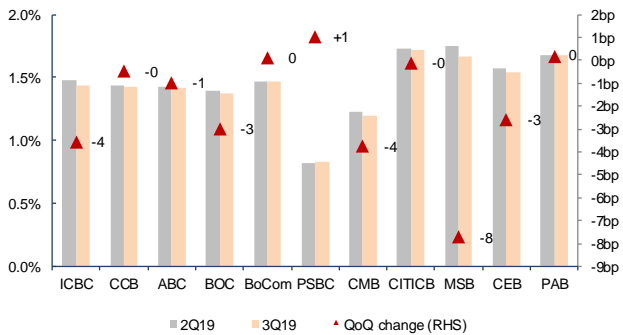
Source: Company data, CMBIS

**Figure 4: Loan/deposit QoQ growth and LDR**



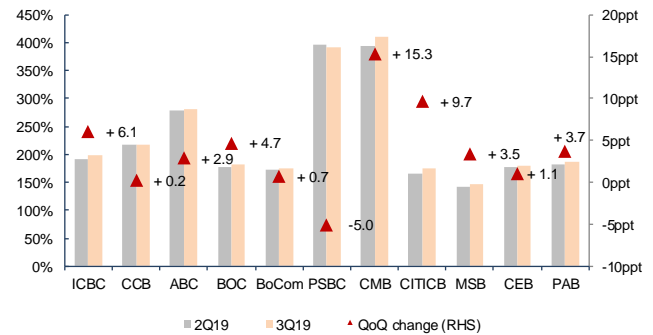
Source: Company data, CMBIS

**Figure 5: NPL ratio and QoQ change**



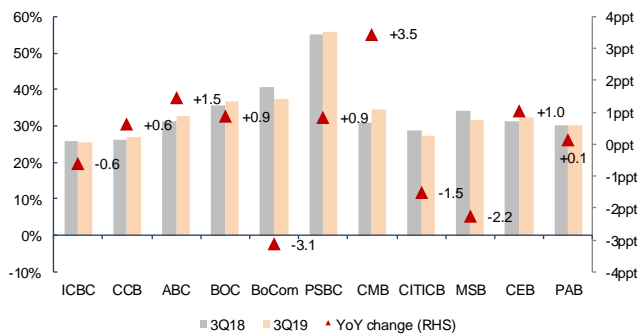
Source: Company data, CMBIS

**Figure 6: Provision coverage ratio and QoQ change**



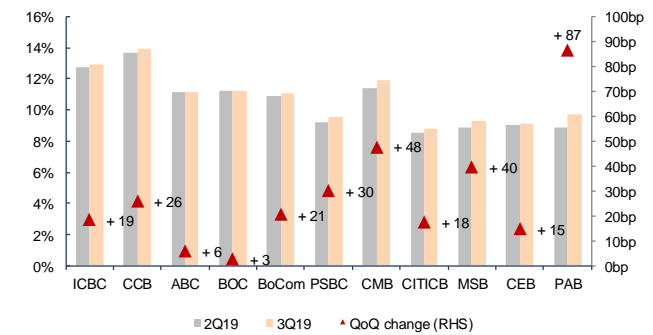
Source: Company data, CMBIS

**Figure 7: Cost-to-income ratio and YoY change**



Source: Company data, CMBIS

**Figure 8: CET1 CAR and QoQ change**



Source: Company data, CMBIS

Figure 9: China banks' 3Q19 results comparison

3Q19 vs consensus	ICBC	CCB	ABC	BOC	BoCom	PSBC	CMB	CITICB	MSB	CEB	PAB
9M19 net profit (RMB mn)	251,712	225,344	180,671	159,579	60,147	54,288	77,239	40,752	45,529	31,399	23,621
As % of consensus FY19E	81.6%	85.1%	86.0%	88.0%	79.8%	93.5%	86.2%	87.4%	86.9%	83.7%	83.3%
9M19 net profit YoY	5.0%	5.2%	5.3%	4.1%	5.0%	16.2%	14.6%	10.7%	6.7%	13.1%	15.5%
Diff vs consensus FY19E YoY	1.4ppt	1.3ppt	1.7ppt	3.4ppt	2.6ppt	5.2ppt	3.4ppt	6.0ppt	2.5ppt	1.6ppt	1.2ppt
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%
3Q19 net profit YoY	5.8%	6.1%	6.1%	3.0%	5.2%	19.2%	17.7%	12.3%	6.4%	13.1%	16.0%
Diff (3Q19 vs 1H19)	1.1ppt	1.2ppt	1.2ppt	-1.5ppt	0.4ppt	4.2ppt	4.6ppt	2.3ppt	-0.3ppt	0.0ppt	0.8ppt
Growth	ICBC	CCB	ABC	BOC	BoCom	PSBC	CMB	CITICB	MSB	CEB	PAB
<b>YoY (3Q19 vs 3Q18)</b>											
Net interest income	5.4%	2.3%	1.0%	4.7%	5.1%	-3.3%	7.0%	11.2%	29.2%	26.2%	32.4%
Net fee income	4.8%	17.3%	1.2%	3.6%	11.0%	13.3%	17.3%	37.5%	3.0%	13.1%	63.7%
Revenue	6.7%	6.9%	-0.2%	12.7%	3.5%	7.4%	11.4%	21.3%	11.5%	17.0%	19.4%
OPex	4.2%	9.5%	4.5%	15.5%	-4.4%	9.1%	23.8%	14.9%	4.2%	20.9%	20.0%
PPOP	7.5%	6.0%	-2.3%	11.1%	9.0%	5.4%	5.9%	23.8%	15.3%	15.2%	19.1%
Impairment charge	15.2%	7.3%	-14.9%	0.7%	14.7%	-3.2%	-11.3%	38.9%	28.8%	16.1%	21.8%
<b>QoQ (3Q19 vs 2Q19)</b>											
Total assets	1.5%	0.6%	3.7%	1.5%	0.5%	0.4%	1.6%	1.0%	-1.1%	1.6%	3.3%
Loans	2.4%	2.3%	2.8%	2.5%	1.5%	3.1%	3.2%	3.1%	4.0%	2.5%	3.3%
Deposits	1.0%	1.4%	1.1%	0.8%	-1.4%	0.7%	1.4%	0.4%	-0.3%	0.1%	-2.3%
NPLs	-0.1%	1.0%	1.6%	0.3%	1.6%	4.4%	0.1%	3.1%	-0.6%	0.8%	3.4%
NPL ratio	-4bp	0bp	-1bp	-3bp	0bp	1bp	-4bp	0bp	-8bp	-3bp	0bp
Provision coverage	6ppt	0ppt	3ppt	5ppt	1ppt	-5ppt	15ppt	10ppt	3ppt	1ppt	4ppt
Credit cost	10bp	13bp	3bp	58bp	34bp	-40bp	-12bp	62bp	-11bp	-2bp	109bp
NIM	-6bp	2bp	1bp	1bp	0bp	-6bp	-12bp	2bp	2bp	3bp	-9bp
CET1 CAR	19bp	26bp	6bp	3bp	21bp	30bp	48bp	18bp	40bp	15bp	87bp
Key ratio	ICBC	CCB	ABC	BOC	BoCom	PSBC	CMB	CITICB	MSB	CEB	PAB
<b>Profitability</b>											
NIM	2.21%	2.27%	2.12%	1.85%	1.56%	2.46%	2.57%	1.98%	1.89%	2.31%	2.62%
CIR	25.4%	26.8%	32.7%	36.6%	37.6%	56.0%	34.4%	27.2%	31.8%	32.3%	30.3%
ROA	1.11%	1.16%	0.97%	0.81%	0.70%	0.67%	1.47%	0.77%	0.88%	0.94%	0.90%
ROE	14.1%	14.1%	14.1%	11.4%	10.4%	14.9%	19.4%	11.7%	12.8%	14.4%	13.1%
<b>Asset quality</b>											
NPL ratio	1.44%	1.43%	1.42%	1.37%	1.47%	0.83%	1.19%	1.72%	1.67%	1.54%	1.68%
NPL formation	0.59%	0.81%	0.61%	0.58%	1.08%	0.76%	0.33%	1.34%	1.48%	1.36%	2.77%
Credit cost	0.94%	0.96%	0.94%	0.85%	1.19%	1.02%	1.08%	2.15%	1.70%	1.56%	3.21%
Provision coverage	198%	218%	281%	182%	174%	391%	409%	175%	146%	179%	186%
Allowance ratio	2.85%	3.10%	3.97%	2.50%	2.57%	3.22%	4.89%	3.01%	2.43%	2.77%	3.13%
<b>Capital &amp; liquidity</b>											
CET1 CAR	12.9%	14.0%	11.2%	11.2%	11.1%	9.6%	11.9%	8.8%	9.3%	9.2%	9.8%
Tier1 CAR	14.2%	14.5%	12.5%	13.0%	12.7%	10.6%	12.7%	9.5%	10.4%	11.1%	10.5%
Total CAR	16.7%	17.3%	16.1%	15.5%	14.9%	13.3%	15.4%	11.8%	13.3%	13.4%	13.4%
LDR	71.3%	80.5%	71.2%	83.0%	86.1%	52.9%	93.1%	97.7%	96.2%	89.7%	93.0%

Source: Company data, CMBIS estimates

## Individual Banks' Financial Summary

### ICBC (1398 HK, BUY, TP: HK\$7.50)

Figure 10: 3Q19 results summary

(RMB mn)						
P&L	9M18	9M19	YoY	3Q18	3Q19	YoY
Net interest income	423,630	453,146	7.0%	146,014	153,845	5.4%
Net fee and commission income	113,739	124,635	9.6%	34,479	36,134	4.8%
Operating income	539,880	584,684	8.3%	178,578	190,481	6.7%
Operating expense	(128,466)	(135,620)	5.6%	(46,508)	(48,466)	4.2%
PPoP	411,414	449,064	9.2%	132,070	142,015	7.5%
Impairment losses	(116,933)	(137,756)	17.8%	(33,475)	(38,576)	15.2%
Pre-tax profit	294,481	311,308	5.7%	98,595	103,439	4.9%
Income tax	(56,403)	(60,466)	7.2%	(19,844)	(19,947)	0.5%
Net profit	239,627	251,712	5.0%	79,185	83,781	5.8%

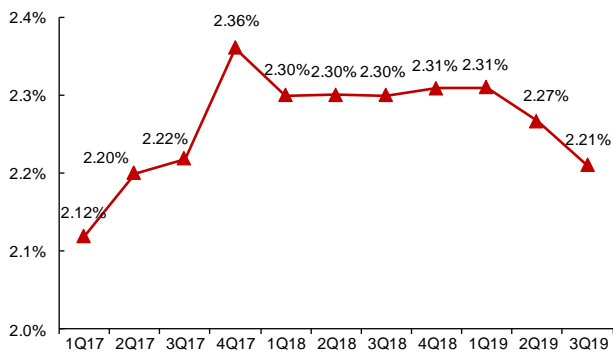
B/S	3Q18	3Q19	YoY	2Q19	3Q19	QoQ
Gross loans	15,263,939	16,660,486	9.1%	16,271,224	16,660,486	2.4%
Customers' deposits	21,307,707	23,368,159	9.7%	23,125,437	23,368,159	1.0%
Total assets	28,198,135	30,426,381	7.9%	29,990,476	30,426,381	1.5%
NPLs	234,042	239,785	2.5%	240,086	239,785	-0.1%

Key ratios	9M18	9M19	YoY	2Q19	3Q19	QoQ
NIM	2.30%	2.26%	-4bp	2.27%	2.21%	-6bp
ROE	15.1%	14.4%	-0.7ppt	14.8%	14.1%	-0.6ppt
NPL ratio	1.53%	1.44%	-9bp	1.48%	1.44%	-4bp
Provision coverage	172.3%	198.1%	25.8ppt	192.0%	198.1%	6.1ppt
LDR	71.6%	71.3%	-0.3ppt	70.4%	71.3%	0.9ppt
CET-1 CAR	12.5%	12.9%	45bp	12.7%	12.9%	19bp

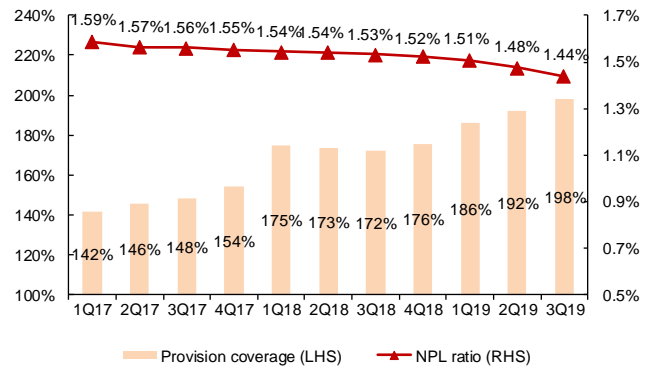
Source: Company data, CMBIS

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)	6.3	6.1	5.8	5.4	5.1
P/B (x)	0.87	0.79	0.72	0.66	0.60
Dividend yield (%)	4.8	5.0	5.3	5.6	6.0
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 estimates

## CCB (939 HK, BUY, TP: HK\$9.10)

Figure 14: 3Q19 results summary

(RMB mn)						
P&L	9M18	9M19	YoY	3Q18	3Q19	YoY
Net interest income	365,725	379,522	3.8%	126,239	129,086	2.3%
Net fee and commission income	96,528	108,968	12.9%	27,524	32,273	17.3%
Operating income	478,758	511,120	6.8%	156,336	167,146	6.9%
Operating expense	(115,008)	(123,113)	7.0%	(40,948)	(44,829)	9.5%
PPoP	363,750	388,007	6.7%	115,388	122,317	6.0%
Impairment losses	(100,020)	(110,048)	10.0%	(32,991)	(35,410)	7.3%
Pre-tax profit	263,730	277,959	5.4%	82,397	86,907	5.5%
Income tax	(48,978)	(50,742)	3.6%	(15,023)	(15,270)	1.6%
Net profit	214,108	225,344	5.2%	67,081	71,154	6.1%

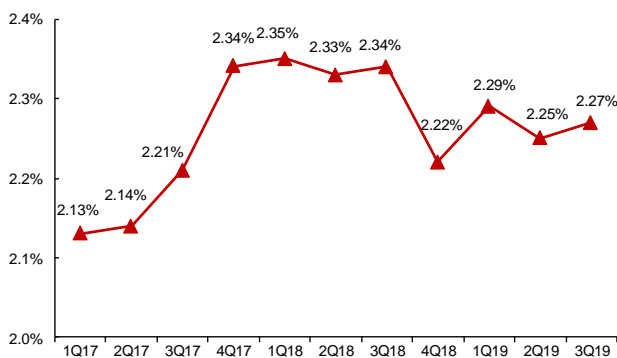
B/S	3Q18	3Q19	YoY	2Q19	3Q19	QoQ
Gross loans	13,765,782	14,872,485	8.0%	14,539,839	14,872,485	2.3%
Customers' deposits	17,228,192	18,463,826	7.2%	18,214,072	18,463,826	1.4%
Total assets	23,354,078	24,517,730	5.0%	24,383,151	24,517,730	0.6%
NPLs	201,821	211,399	4.7%	208,069	211,399	1.6%

Key ratios	9M18	9M19	YoY	2Q19	3Q19	QoQ
NIM	2.34%	2.27%	-7bp	2.25%	2.27%	2bp
ROE	16.1%	15.2%	-0.9ppt	15.7%	14.1%	-1.5ppt
NPL ratio	1.47%	1.43%	-4bp	1.43%	1.43%	0bp
Provision coverage	195.2%	218.3%	23.0ppt	218.0%	218.3%	0.2ppt
LDR	79.9%	80.5%	0.6ppt	79.8%	80.5%	0.7ppt
CET-1 CAR	13.3%	14.0%	62bp	13.7%	14.0%	26bp

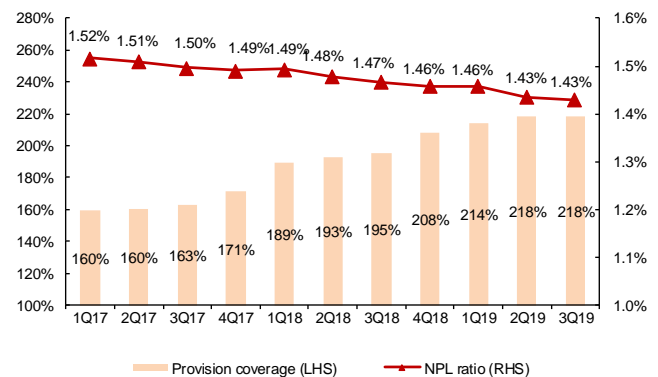
Source: Company data, CMBIS

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)	5.8	5.6	5.2	4.9	4.5
P/B (x)	0.82	0.74	0.67	0.61	0.56
Dividend yield (%)	5.2	5.5	5.8	6.2	6.7
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 estimates

## ABC (1288 HK, BUY, TP: HK\$4.70)

### Figure 18: 3Q19 results summary

(RMB mn)						
P&L	9M18	9M19	YoY	3Q18	3Q19	YoY
Net interest income	355,415	360,473	1.4%	121,582	122,841	1.0%
Net fee and commission income	62,362	69,857	12.0%	18,725	18,958	1.2%
Operating income	446,193	458,344	2.7%	152,187	151,936	-0.2%
Operating expense	(133,613)	(136,815)	2.4%	(47,596)	(49,721)	4.5%
PPoP	312,580	321,529	2.9%	104,591	102,215	-2.3%
Impairment losses	(102,558)	(104,163)	1.6%	(36,115)	(30,736)	-14.9%
Pre-tax profit	210,022	217,366	3.5%	68,476	71,479	4.4%
Income tax	(38,247)	(35,531)	-7.1%	(12,671)	(12,041)	-5.0%
Net profit	171,611	180,671	5.3%	55,822	59,226	6.1%

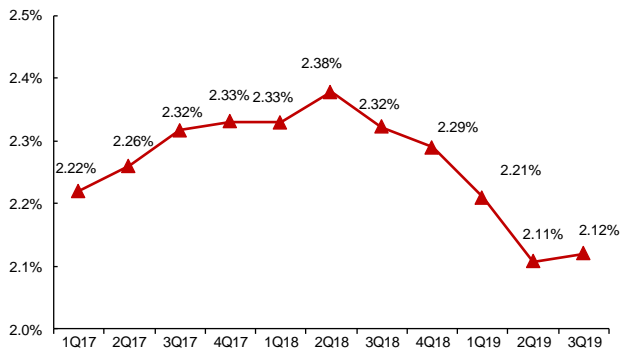
B/S	3Q18	3Q19	YoY	2Q19	3Q19	QoQ
Gross loans	11,775,006	13,322,554	13.1%	12,962,302	13,322,554	2.8%
Customers' deposits	17,299,684	18,723,954	8.2%	18,529,174	18,723,954	1.1%
Total assets	22,700,325	24,870,961	9.6%	23,975,153	24,870,961	3.7%
NPLs	188,258	188,236	0.0%	185,312	188,236	1.6%

Key ratios	9M18	9M19	YoY	2Q19	3Q19	QoQ
NIM	2.34%	2.15%	-19bp	2.11%	2.12%	1bp
ROE	15.8%	14.6%	-1.2ppt	14.6%	14.1%	-0.5ppt
NPL ratio	1.60%	1.42%	-18bp	1.43%	1.42%	-1bp
Provision coverage	254.9%	281.3%	26.3ppt	278.4%	281.3%	2.9ppt
LDR	68.1%	71.2%	3.1ppt	70.0%	71.2%	1.2ppt
CET-1 CAR	11.3%	11.2%	-13bp	11.1%	11.2%	6bp

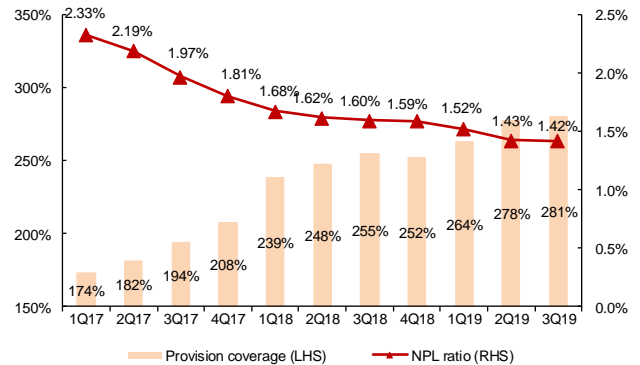
Source: Company data, CMBIS

### 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	632,752	678,139	731,846
Net profit (RMB mn)	192,962	202,783	213,689	227,778	245,591
EPS (RMB)	0.58	0.59	0.60	0.64	0.69
EPS CHG (%)	5.0	1.3	1.7	6.7	8.0
P/E (x)	5.0	4.9	4.8	4.5	4.2
P/B (x)	0.70	0.64	0.58	0.53	0.49
Dividend yield (%)	6.2	6.0	6.3	6.7	7.3
ROE (%)	14.6	13.5	12.6	12.3	12.1
NPL ratio (%)	1.81	1.59	1.47	1.45	1.45
Provision coverage (%)	208	252	283	301	311

Source: Company data, CMBIS estimates

## BOC (3988 HK, BUY, TP: HK\$4.60)

### Figure 22: 3Q19 results summary

(RMB mn)						
P&L	9M18	9M19	YoY	3Q18	3Q19	YoY
Net interest income	264,307	277,820	5.1%	91,856	96,136	4.7%
Net fee and commission income	68,518	71,616	4.5%	20,330	21,052	3.6%
Operating income	367,895	403,481	9.7%	124,377	140,169	12.7%
Operating expense	(118,558)	(129,025)	8.8%	(44,390)	(51,271)	15.5%
PPoP	249,337	274,456	10.1%	79,987	88,898	11.1%
Impairment losses	(55,269)	(60,847)	10.1%	(26,999)	(27,177)	0.7%
Pre-tax profit	194,068	213,609	10.1%	52,988	61,721	16.5%
Income tax	(32,866)	(43,185)	31.4%	(6,480)	(12,069)	86.3%
Net profit	153,274	159,579	4.1%	44,186	45,531	3.0%

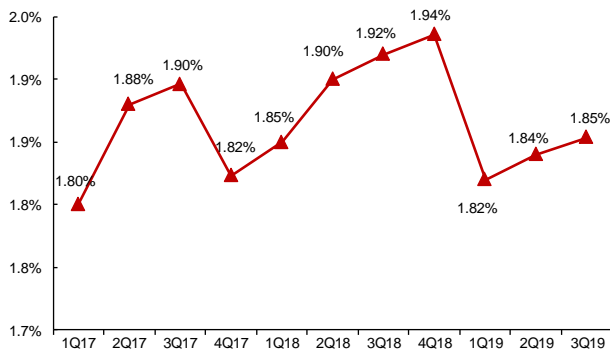
B/S	3Q18	3Q19	YoY	2Q19	3Q19	QoQ
Gross loans	11,697,773	12,888,490	10.2%	12,569,734	12,888,490	2.5%
Customers' deposits	14,272,930	15,520,847	8.7%	15,392,934	15,520,847	0.8%
Total assets	20,925,662	22,608,164	8.0%	22,266,024	22,608,164	1.5%
NPLs	166,835	176,514	5.8%	175,899	176,514	0.3%

Key ratios	9M18	9M19	YoY	2Q19	3Q19	QoQ
NIM	1.89%	1.84%	-5bp	1.84%	1.85%	1bp
ROE	14.2%	13.6%	-0.7ppt	16.1%	11.4%	-4.7ppt
NPL ratio	1.43%	1.37%	-6bp	1.40%	1.37%	-3bp
Provision coverage	169.2%	182.2%	13.0ppt	177.5%	182.2%	4.7ppt
LDR	82.0%	83.0%	1.1ppt	81.7%	83.0%	1.4ppt
CET-1 CAR	11.1%	11.2%	10bp	11.2%	11.2%	3bp

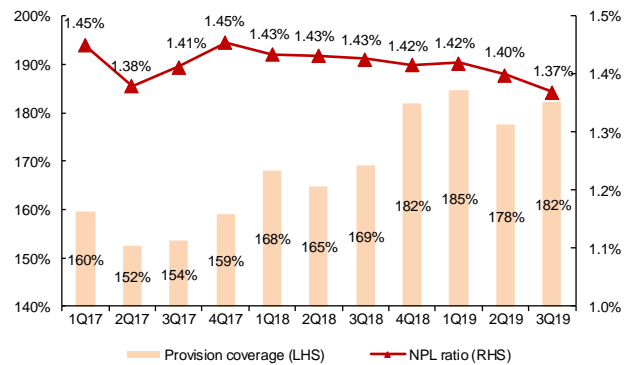
Source: Company data, CMBIS

### 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)	5.1	4.9	4.7	4.4	4.1
P/B (x)	0.61	0.56	0.52	0.47	0.44
Dividend yield (%)	6.1	6.4	6.7	7.1	7.6
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 estimates



## BoCom (3328 HK, HOLD, TP: HK\$6.20)

### Figure 26: 3Q19 results summary

(RMB mn)						
P&L	9M18	9M19	YoY	3Q18	3Q19	YoY
Net interest income	95,175	106,327	11.7%	34,517	36,265	5.1%
Net fee and commission income	31,393	34,458	9.8%	10,211	11,336	11.0%
Operating income	152,893	166,795	9.1%	54,723	56,651	3.5%
Operating expense	(56,438)	(61,209)	8.5%	(22,264)	(21,282)	-4.4%
PPoP	96,455	105,586	9.5%	32,459	35,369	9.0%
Impairment losses	(30,095)	(36,951)	22.8%	(13,429)	(15,401)	14.7%
Pre-tax profit	66,360	68,635	3.4%	19,030	19,968	4.9%
Income tax	(8,854)	(8,260)	-6.7%	(2,378)	(2,449)	3.0%
Net profit	57,304	60,147	5.0%	16,533	17,398	5.2%

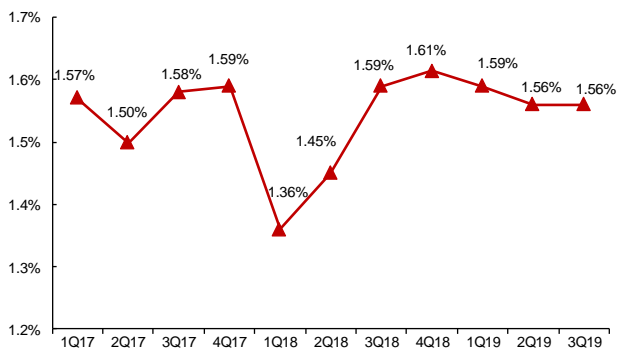
B/S	3Q18	3Q19	YoY	2Q19	3Q19	QoQ
Gross loans	4,852,048	5,206,687	7.3%	5,130,612	5,206,687	1.5%
Customers' deposits	5,705,985	6,048,860	6.0%	6,135,448	6,048,860	-1.4%
Total assets	9,391,537	9,932,879	5.8%	9,886,608	9,932,879	0.5%
NPLs	72,280	76,692	6.1%	75,508	76,692	1.6%

Key ratios	9M18	9M19	YoY	2Q19	3Q19	QoQ
NIM	1.47%	1.57%	10bp	1.56%	1.56%	0bp
ROE	12.4%	12.2%	-0.2ppt	13.2%	10.4%	-2.7ppt
NPL ratio	1.49%	1.47%	-2bp	1.47%	1.47%	0bp
Provision coverage	171.1%	174.2%	3.1ppt	173.5%	174.2%	0.7ppt
LDR	85.0%	86.1%	1.0ppt	83.6%	86.1%	2.5ppt
CET-1 CAR	10.9%	11.1%	20bp	10.9%	11.1%	21bp

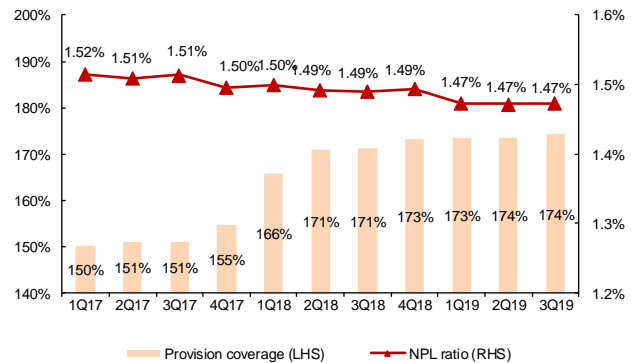
Source: Company data, CMBIS

### 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)	5.3	5.0	4.8	4.5	4.3
P/B (x)	0.58	0.56	0.52	0.48	0.44
Dividend yield (%)	6.0	6.2	6.5	6.9	7.3
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 estimates



**CITICB (998 HK, BUY, TP: HK\$5.90)**
**Figure 30: 3Q19 results summary**

(RMB mn)						
P&L	9M18	9M19	YoY	3Q18	3Q19	YoY
Net interest income	76,860	87,254	13.5%	27,052	30,092	11.2%
Net fee and commission income	32,604	43,062	32.1%	10,742	14,770	37.5%
Operating income	121,854	142,273	16.8%	40,474	49,081	21.3%
Operating expense	(34,199)	(38,041)	11.2%	(11,636)	(13,368)	14.9%
PPoP	87,655	104,232	18.9%	28,838	35,713	23.8%
Impairment losses	(41,363)	(55,312)	33.7%	(15,202)	(21,122)	38.9%
Pre-tax profit	46,292	48,920	5.7%	13,636	14,591	7.0%
Income tax	(8,543)	(7,743)	-9.4%	(2,276)	(2,138)	-6.1%
Net profit	36,799	40,752	10.7%	11,078	12,445	12.3%

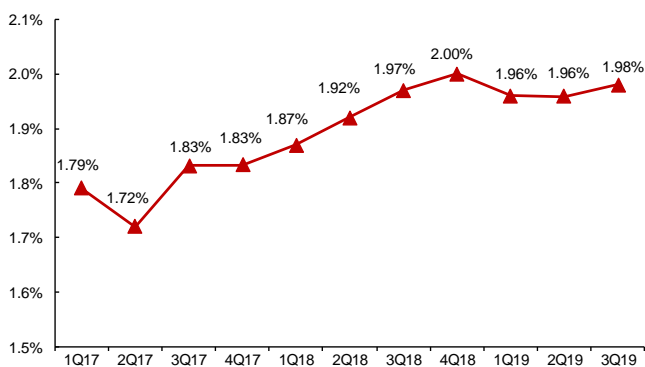
  

B/S	3Q18	3Q19	YoY	2Q19	3Q19	QoQ
Gross loans	3,511,095	3,956,104	12.7%	3,835,876	3,956,104	3.1%
Customers' deposits	3,578,398	4,050,290	13.2%	4,034,436	4,050,290	0.4%
Total assets	5,864,796	6,461,910	10.2%	6,398,803	6,461,910	1.0%
NPLs	62,794	68,190	8.6%	66,161	68,190	3.1%

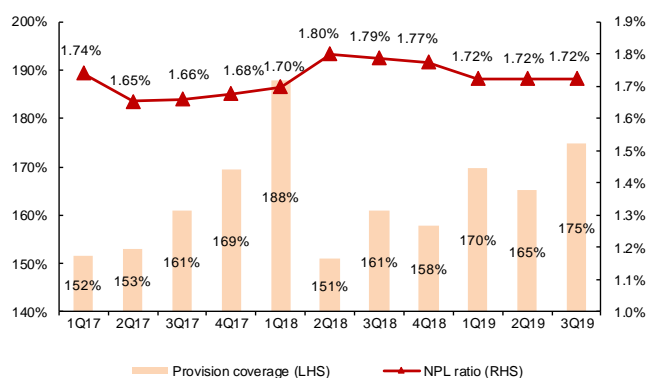
  

Key ratios	9M18	9M19	YoY	2Q19	3Q19	QoQ
NIM	1.92%	1.97%	5bp	1.96%	1.98%	2bp
ROE	13.0%	13.0%	-	14.4%	11.7%	-2.7ppt
NPL ratio	1.79%	1.72%	-6bp	1.72%	1.72%	0bp
Provision coverage	160.9%	174.8%	13.9ppt	165.2%	174.8%	9.7ppt
LDR	98.1%	97.7%	-0.4ppt	95.1%	97.7%	2.6ppt
CET-1 CAR	8.7%	8.8%	11bp	8.6%	8.8%	18bp

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	47,139	50,444	54,296
EPS (RMB)	0.84	0.88	0.94	1.00	1.08
EPS CHG (%)	(0.9)	4.7	6.1	7.2	7.8
P/E (x)	4.8	4.6	4.3	4.0	3.8
P/B (x)	0.55	0.49	0.46	0.42	0.39
Dividend yield (%)	6.4	5.7	6.2	6.6	7.1
ROE (%)	11.6	11.3	10.9	10.8	10.7
NPL ratio (%)	1.68	1.77	1.72	1.74	1.71
Provision coverage (%)	169	158	170	175	182

Source: Company data, CMBIS estimates

**MSB (1988 HK, HOLD, TP: HK\$6.30)**
**Figure 34: 3Q19 results summary**

(RMB mn)						
P&L	9M18	9M19	YoY	3Q18	3Q19	YoY
Net interest income	53,822	71,301	32.5%	19,948	25,778	29.2%
Net fee and commission income	36,167	39,483	9.2%	11,840	12,201	3.0%
Operating income	114,522	131,955	15.2%	40,235	44,872	11.5%
Operating expense	(32,565)	(33,488)	2.8%	(13,695)	(14,264)	4.2%
PPoP	81,957	98,467	20.1%	26,540	30,608	15.3%
Impairment losses	(30,263)	(43,259)	42.9%	(10,732)	(13,823)	28.8%
Pre-tax profit	51,694	55,208	6.8%	15,808	16,785	6.2%
Income tax	(8,375)	(9,052)	8.1%	(2,342)	(2,597)	10.9%
Net profit	42,685	45,529	6.7%	13,067	13,906	6.4%

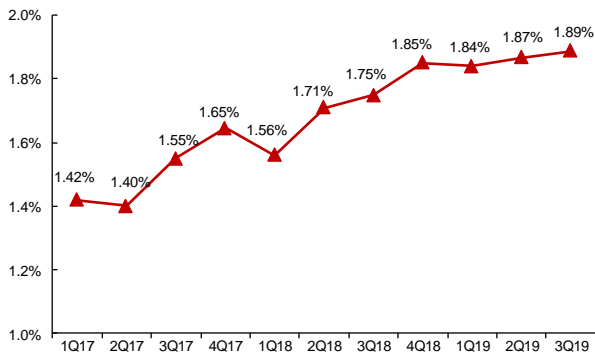
  

B/S	3Q18	3Q19	YoY	2Q19	3Q19	QoQ
Gross loans	3,070,558	3,311,028	7.8%	3,183,961	3,311,028	4.0%
Customers' deposits	3,163,923	3,440,152	8.7%	3,452,100	3,440,152	-0.3%
Total assets	5,965,827	6,273,743	5.2%	6,340,658	6,273,743	-1.1%
NPLs	53,712	55,309	3.0%	55,649	55,309	-0.6%

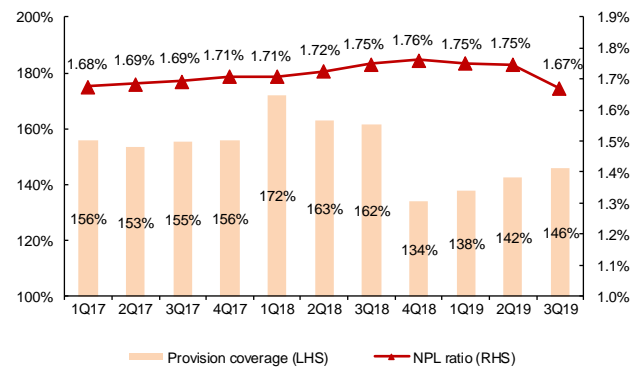
  

Key ratios	9M18	9M19	YoY	2Q19	3Q19	QoQ
NIM	1.69%	1.87%	18bp	1.87%	1.89%	2bp
ROE	14.8%	14.3%	-0.5ppt	14.8%	12.8%	-2.0ppt
NPL ratio	1.75%	1.67%	-8bp	1.75%	1.67%	-8bp
Provision coverage	161.7%	145.7%	-16.0ppt	142.3%	145.7%	3.5ppt
LDR	97.0%	96.2%	-0.8ppt	92.2%	96.2%	4.0ppt
CET-1 CAR	8.8%	9.3%	53bp	8.9%	9.3%	40bp

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)	3.6	4.0	4.1	4.0	3.8
P/B (x)	0.49	0.52	0.48	0.44	0.41
Dividend yield (%)	4.3	7.0	7.3	7.6	8.0
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 estimates

## CEB (6818 HK, BUY, TP: HK\$4.90)

Figure 38: 3Q19 results summary

(RMB mn)						
P&L	9M18	9M19	YoY	3Q18	3Q19	YoY
Net interest income	55,167	75,283	36.5%	20,683	26,100	26.2%
Net fee and commission income	15,285	18,184	19.0%	4,807	5,435	13.1%
Operating income	81,427	100,306	23.2%	29,124	34,082	17.0%
Operating expense	(25,170)	(29,362)	16.7%	(9,095)	(10,999)	20.9%
PPoP	56,257	70,944	26.1%	20,029	23,083	15.2%
Impairment losses	(23,366)	(33,595)	43.8%	(8,798)	(10,216)	16.1%
Pre-tax profit	32,891	37,349	13.6%	11,231	12,867	14.6%
Income tax	(5,078)	(5,869)	15.6%	(1,519)	(1,871)	23.2%
Net profit	27,760	31,399	13.1%	9,685	10,955	13.1%

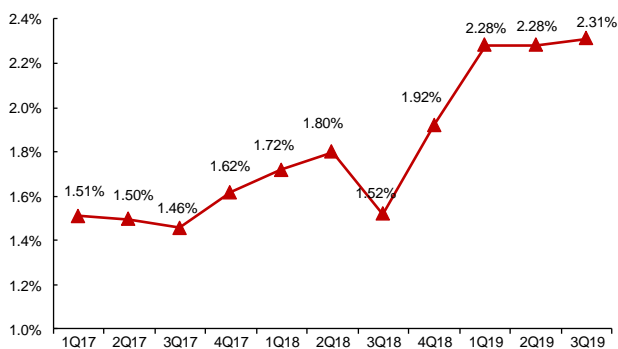
B/S	3Q18	3Q19	YoY	2Q19	3Q19	QoQ
Gross loans	2,375,867	2,657,253	11.8%	2,592,970	2,657,253	2.5%
Customers' deposits	2,484,985	2,962,741	19.2%	2,958,862	2,962,741	0.1%
Total assets	4,355,429	4,723,247	8.4%	4,647,020	4,723,247	1.6%
NPLs	37,461	41,041	9.6%	40,718	41,041	0.8%

Key ratios	9M18	9M19	YoY	2Q19	3Q19	QoQ
NIM	1.68%	2.29%	61bp	2.28%	2.31%	3bp
ROE	13.5%	14.1%	0.6ppt	14.4%	14.4%	0.0ppt
NPL ratio	1.58%	1.54%	-3bp	1.57%	1.54%	-3bp
Provision coverage	172.7%	179.1%	6.5ppt	178.0%	179.1%	1.1ppt
LDR	95.6%	89.7%	-5.9ppt	87.6%	89.7%	2.1ppt
CET-1 CAR	8.9%	9.2%	27bp	9.0%	9.2%	15bp

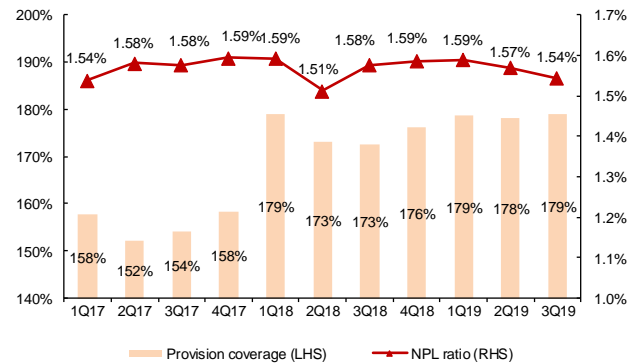
Source: Company data, CMBIS

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)	5.3	5.3	4.9	4.6	4.2
P/B (x)	0.60	0.60	0.54	0.50	0.45
Dividend yield (%)	5.6	5.0	5.3	5.7	6.2
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 estimates

## PAB (00001 CH, BUY, TP: RMB21.20)

### Figure 42: 3Q19 results summary

(RMB mn)						
P&L	9M18	9M19	YoY	3Q18	3Q19	YoY
Net interest income	54,529	66,269	21.5%	17,093	22,630	32.4%
Net fee and commission income	23,705	27,831	17.4%	5,766	9,440	63.7%
<b>Operating income</b>	<b>86,664</b>	<b>102,958</b>	<b>18.8%</b>	<b>29,423</b>	<b>35,129</b>	<b>19.4%</b>
Operating expense	(26,428)	(31,249)	18.2%	(8,887)	(10,661)	20.0%
<b>PPoP</b>	<b>60,236</b>	<b>71,709</b>	<b>19.0%</b>	<b>20,536</b>	<b>24,468</b>	<b>19.1%</b>
Impairment losses	(33,622)	(40,996)	21.9%	(11,324)	(13,792)	21.8%
<b>Pre-tax profit</b>	<b>26,614</b>	<b>30,713</b>	<b>15.4%</b>	<b>9,212</b>	<b>10,676</b>	<b>15.9%</b>
Income tax	(6,110)	(7,055)	15.5%	(2,115)	(2,455)	16.1%
<b>Net profit</b>	<b>20,456</b>	<b>23,621</b>	<b>15.5%</b>	<b>7,084</b>	<b>8,218</b>	<b>16.0%</b>

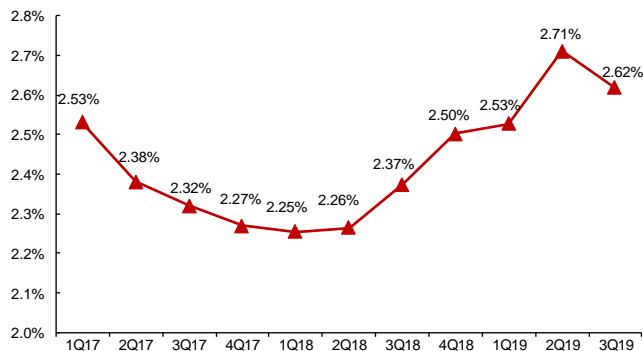
B/S	3Q18	3Q19	YoY	2Q19	3Q19	QoQ
Gross loans	1,922,047	2,151,167	11.9%	2,081,896	2,151,167	3.3%
Customers' deposits	2,134,641	2,313,764	8.4%	2,367,562	2,313,764	-2.3%
Total assets	3,352,056	3,707,683	10.6%	3,590,766	3,707,683	3.3%
NPLs	32,245	36,127	12.0%	34,925	36,127	3.4%

Key ratios	9M18	9M19	YoY	2Q19	3Q19	QoQ
NIM	2.29%	2.62%	33bp	2.71%	2.62%	-9bp
ROE	12.6%	12.6%	0ppt	13.2%	12.9%	-0.3ppt
NPL ratio	1.68%	1.68%	0bp	1.68%	1.68%	0bp
Provision coverage	168.8%	186.2%	17.3ppt	182.5%	186.2%	3.7ppt
LDR	90.0%	93.0%	2.9ppt	87.9%	93.0%	5.0ppt
CET-1 CAR	8.5%	9.8%	122bp	8.9%	9.8%	87bp

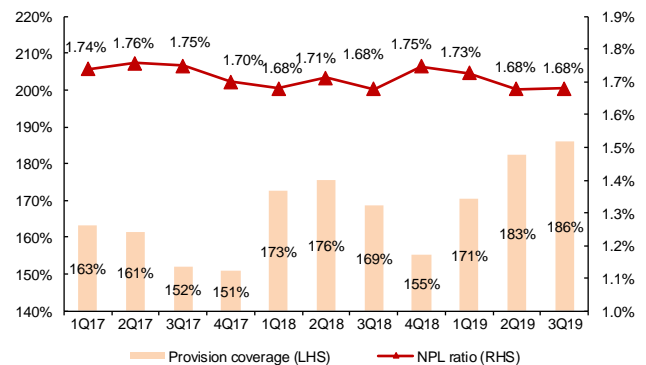
Source: Company data, CMBIS

### 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	138,475	151,349	166,153
Net profit (RMB mn)	23,189	24,818	28,621	33,761	40,217
EPS (RMB)	1.30	1.39	1.52	1.69	2.03
EPS CHG (%)	(1.3)	7.3	8.8	11.7	19.6
P/E (x)	13.0	12.1	11.1	10.0	8.3
P/B (x)	1.43	1.32	1.20	1.08	0.96
Dividend yield (%)	0.8	0.9	0.9	1.0	1.2
ROE (%)	11.6	11.3	11.9	11.4	12.2
NPL ratio (%)	1.70	1.75	1.64	1.64	1.54
Provision coverage (%)	151	155	195	225	258

Source: Company data, CMBIS estimates

## PSBC (1658 HK, NOT RATED)

### Figure 46: 3Q19 results summary

(RMB mn)						
P&L	9M18	9M19	YoY	3Q18	3Q19	YoY
Net interest income	173,817	179,180	3.1%	62,155	60,098	-3.3%
Net fee and commission income	11,310	13,448	18.9%	3,628	4,109	13.3%
Operating income	196,523	210,558	7.1%	64,115	68,854	7.4%
Operating expense	(110,100)	(111,750)	1.5%	(35,330)	(38,528)	9.1%
PPoP	86,423	98,808	14.3%	28,785	30,326	5.4%
Impairment losses	(35,944)	(39,862)	10.9%	(12,573)	(12,169)	-3.2%
Pre-tax profit	50,479	58,946	16.8%	16,212	18,157	12.0%
Income tax	(3,762)	(4,602)	22.3%	(2,042)	(1,238)	-39.4%
Net profit	46,710	54,288	16.2%	14,187	16,904	19.2%

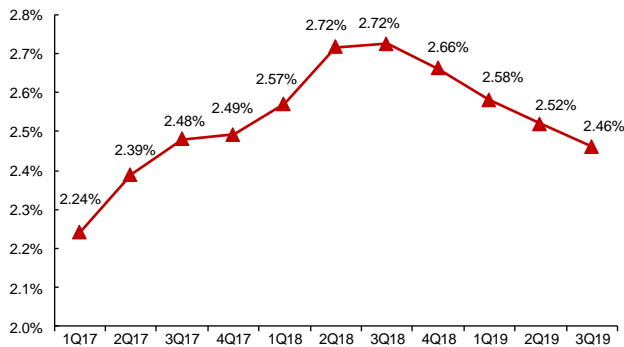
B/S	3Q18	3Q19	YoY	2Q19	3Q19	QoQ
Gross loans	4,158,092	4,846,845	16.6%	4,701,673	4,846,845	3.1%
Customers' deposits	8,349,929	9,165,526	9.8%	9,101,191	9,165,526	0.7%
Total assets	9,350,857	10,110,524	8.1%	10,067,175	10,110,524	0.4%
NPLs	36,569	40,063	9.6%	38,372	40,063	4.4%

Key ratios	9M18	9M19	YoY	2Q19	3Q19	QoQ
NIM	2.67%	2.52%	-15bp	2.52%	2.46%	-6bp
ROE	14.6%	15.7%	1.1ppt	17.0%	14.9%	-2.1ppt
NPL ratio	0.88%	0.83%	-5bp	0.82%	0.83%	1bp
Provision coverage	309.9%	391.1%	81.2ppt	396.1%	391.1%	-5.0ppt
LDR	49.8%	0.0%	-49.8ppt	51.7%	0.0%	-51.7ppt
CET-1 CAR	9.7%	9.6%	-15bp	9.3%	9.6%	30bp

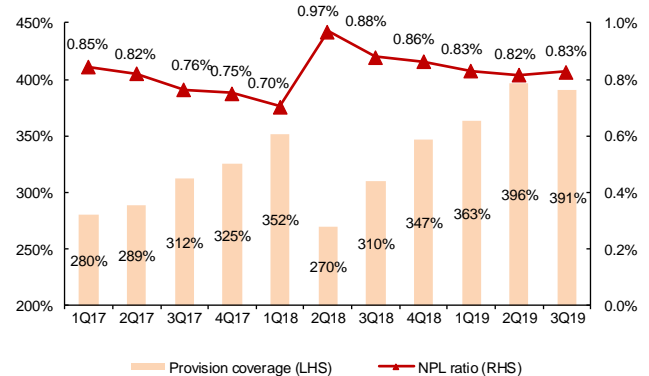
Source: Company data, CMBIS

### Figure 47: Quarterly NIM of PSBC



Source: Company data, CMBIS

### Figure 48: NPL ratio and provision coverage of PSBC



Source: Company data, CMBIS

### Figure 49: PSBC's earnings summary

(YE 31 Dec)	FY16A	FY17A	FY18A
Operating income (RMB mn)	189,602	224,864	261,245
Net profit (RMB mn)	39,801	47,683	52,311
EPS (RMB)	0.55	0.59	0.62
EPS CHG (%)	-	6.2	4.7
P/E (x)	8.1	7.7	7.3
P/B (x)	1.06	0.95	0.86
Dividend yield (%)	1.6	3.3	4.3
ROE (%)	12.9	13.1	12.3
NPL ratio (%)	0.87	0.75	0.86
Provision coverage (%)	272	325	347

Source: Company data, CMBIS

## CMB (3968 HK, NOT RATED)

### Figure 50: 3Q19 results summary

(RMB mn)						
P&L	9M18	9M19	YoY	3Q18	3Q19	YoY
Net interest income	117,972	131,224	11.2%	40,960	43,817	7.0%
Net fee and commission income	52,981	57,159	7.9%	15,512	18,188	17.3%
Operating income	187,048	206,480	10.4%	61,895	68,967	11.4%
Operating expense	(54,784)	(64,017)	16.9%	(19,163)	(23,733)	23.8%
PPoP	132,264	142,463	7.7%	42,732	45,234	5.9%
Impairment losses	(44,810)	(44,936)	0.3%	(13,381)	(11,872)	-11.3%
Pre-tax profit	87,454	97,527	11.5%	29,351	33,362	13.7%
Income tax	(21,015)	(20,914)	-0.5%	(6,939)	(6,899)	-0.6%
Net profit	67,380	77,239	14.6%	22,624	26,627	17.7%

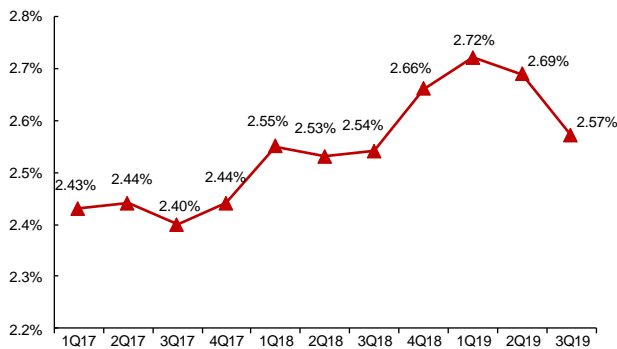
B/S	3Q18	3Q19	YoY	2Q19	3Q19	QoQ
Gross loans	3,953,555	4,462,259	12.9%	4,323,530	4,462,259	3.2%
Customers' deposits	4,300,067	4,793,171	11.5%	4,727,134	4,793,171	1.4%
Total assets	6,508,681	7,305,925	12.2%	7,193,181	7,305,925	1.6%
NPLs	56,247	53,261	-5.3%	53,221	53,261	0.1%

Key ratios	9M18	9M19	YoY	2Q19	3Q19	QoQ
NIM	2.54%	2.65%	11bp	2.69%	2.57%	-12bp
ROE	19.2%	19.3%	0.1ppt	19.0%	19.4%	0.4ppt
NPL ratio	1.42%	1.19%	-23bp	1.23%	1.19%	-4bp
Provision coverage	326.0%	409.4%	83.4ppt	394.1%	409.4%	15.3ppt
LDR	91.9%	93.1%	1.2ppt	91.5%	93.1%	1.6ppt
CET-1 CAR	12.0%	11.9%	-7bp	11.4%	11.9%	48bp

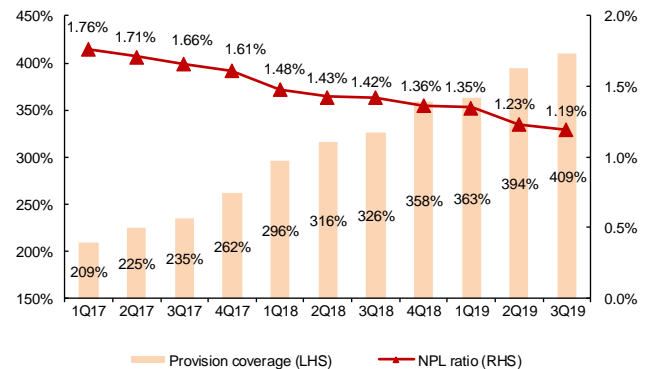
Source: Company data, CMBIS

### Figure 51: Quarterly NIM of CMB



Source: Company data, CMBIS

### Figure 52: NPL ratio and provision coverage of CMB



Source: Company data, CMBIS

### Figure 53: CMB's earnings summary

(YE 31 Dec)	FY16A	FY17A	FY18A
Operating income (RMB mn)	209,710	219,807	246,891
Net profit (RMB mn)	62,081	70,150	80,560
EPS (RMB)	2.46	2.78	3.13
EPS CHG (%)	7.6	13.0	12.5
P/E (x)	13.7	12.1	10.8
P/B (x)	2.11	1.91	1.68
Dividend yield (%)	2.2	2.5	2.8
ROE (%)	16.3	16.5	16.6
NPL ratio (%)	1.87	1.61	1.36
Provision coverage (%)	180	262	358

Source: Company data, CMBIS

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