

China Banking Sector

Embracing certainty in uncertain earnings cycle

Despite recent earnings fluctuation due to policy intervention, China banks' mid-to-long term profitability would not deviate much from macro trend, which is on a clear recovering path. As credit cost peaks out on easing NPL formation and window guidance effect abates, we could see an inflection point in 3Q20 earnings growth (narrower profit decline vs 2Q20).

- **NIM pressure should ease as market rates normalize.** LPR has stayed unchanged since May, and interbank rates/ bond yields rose notably from Apr trough. On liability side, the pullback in structure deposits will help to lower funding cost. PBoC's remark over the weekend on avoiding excess easing also pointed to less margin pressure for banks. Therefore, we expect a milder NIM contraction of 4bp in 2H20, vs 9bp in 1H20.
- **Topline growth to remain solid.** Based on the central bank's guidance of RMB 20tn full-year system new loans, we estimate banking sector/ banks under coverage to post 13.1%/10.5% YoY FY20 loan growth, largely stable vs 1H20. Reviving production and consumption activities are likely to spur fee income growth. As such, we anticipate FY20 revenue/ PPop growth of 4.6%/4.2% YoY.
- **Asset quality outlook improves with macro recovery and front-loading of NPL.** Latest economic indicators, such as PMI/ Industrial production/ retail sales, have been rebounding from the COVID-19 shock, suggesting the worst might be behind us in terms of NPL formation. Aggressive provision charge and NPL recognition in 2Q20 created buffer for banks to lower credit cost in future. We noted that banks' NPL/overdue loan ratio reached 99% as of 2Q20, close to 2009 peak.
- **Repeat of 2016-2017 re-rating cycle?** After 8.9%/18.4% YTD plunge, A/H-share China banks trade at 0.7x/0.5x FY20E P/B, near historical valuation bottom in early 2016. In the last round of bull market, A/H-share banks advanced 63%/96% from Feb 2016 to Jan 2018, outperforming CSI 300/HSI by 15ppt/24ppt. With stronger provision coverage and more thorough NPL exposure as of 2Q20 (vs end-2015), the sector is poised for a re-rating cycle once earnings downside and policy risks are fully priced in. We prefer retail-oriented JSBs. **Top picks are PAB (000001 CH) and CEB (6818 HK).**

Valuation Table

Name	Ticker	Price (LC)	TP (LC)	Rating	P/B (x) FY20E	P/E (x) FY20E	Yield FY20E	ROE FY20E
ICBC	1398 HK	4.24	6.00	BUY	0.51	5.0	6.1%	10.7%
CCB	939 HK	5.30	7.60	BUY	0.53	5.1	6.0%	10.7%
ABC	1288 HK	2.53	3.70	BUY	0.42	4.3	7.1%	10.2%
BOC	3988 HK	2.49	3.60	BUY	0.37	4.2	7.4%	9.2%
PSBC	1658 HK	3.35	4.80	BUY	0.49	5.0	6.3%	10.2%
CITICB	998 HK	3.11	4.60	BUY	0.29	3.3	7.9%	9.2%
CEB	6818 HK	2.65	4.00	BUY	0.37	3.9	8.1%	9.8%
BoCom	3328 HK	3.93	4.50	HOLD	0.36	4.1	7.6%	8.9%
MSB	1988 HK	4.08	4.60	HOLD	0.33	3.5	8.8%	10.0%
PAB	000001 CH	15.90	22.80	BUY	1.05	12.3	1.3%	8.8%

Source: Bloomberg, CMBIS estimates

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China Banking Sector

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Historical P/B of H-share China banks



Source: Bloomberg, CMBIS

Historical P/B of A-share China banks



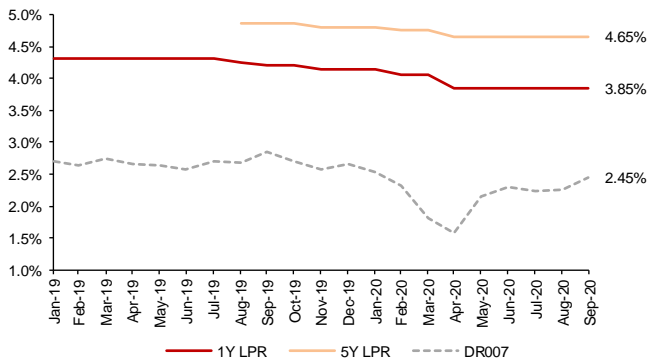
Source: Bloomberg, CMBIS

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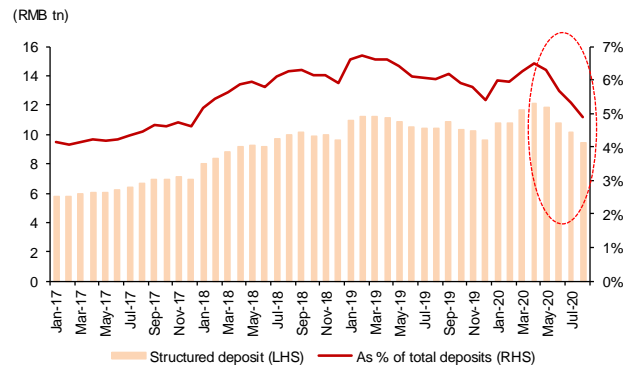
Focus Charts

Figure 1: LPR has stayed unchanged since May, interbank rate picked up notably from Apr low



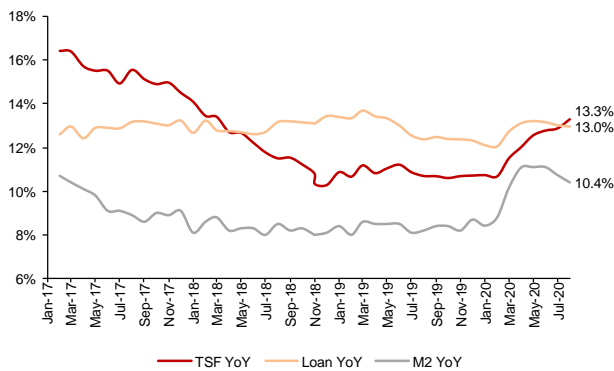
Source: Wind, CMBIS

Figure 2: Structured deposits declined in May-Aug



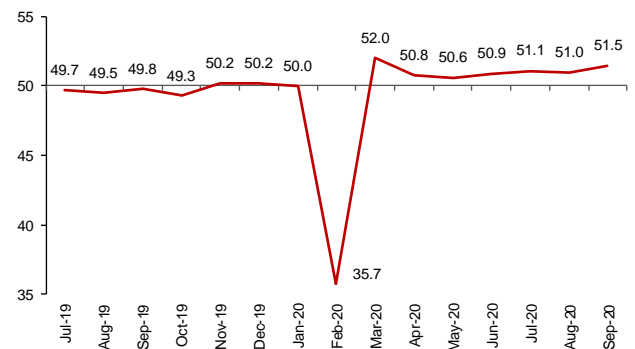
Source: Wind, CMBIS

Figure 3: Credit growth is expected to remain stable in 2H20



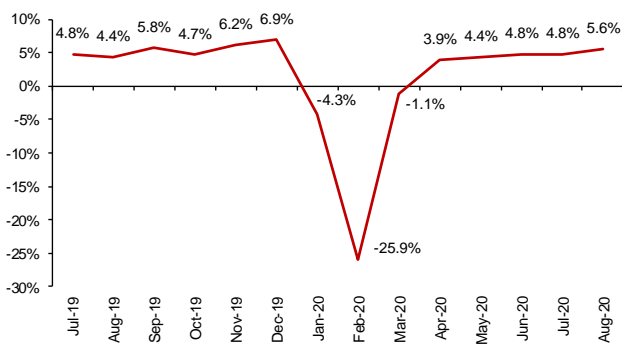
Source: Wind, CMBIS

Figure 4: Manufacturing PMI



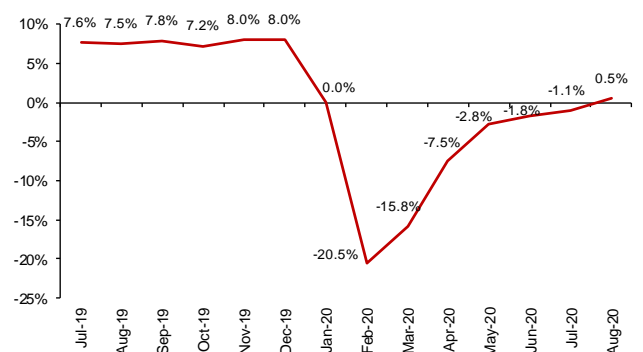
Source: Wind, CMBIS

Figure 5: Industrial production YoY



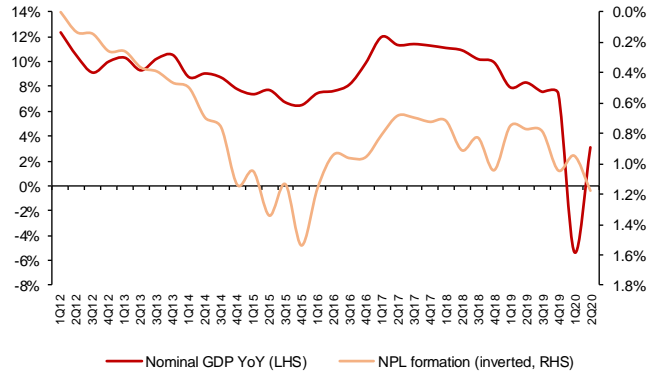
Source: Wind, CMBIS

Figure 6: Retail sales YoY



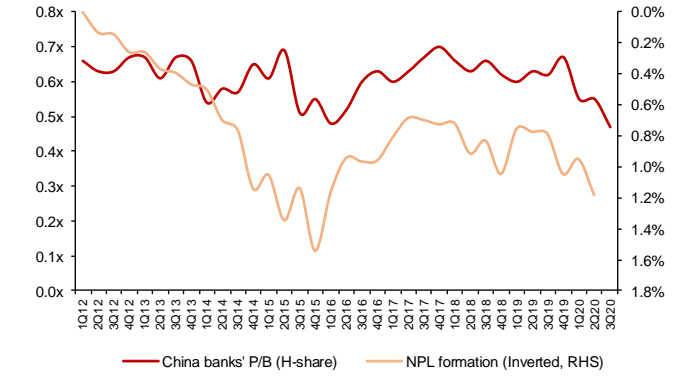
Source: Wind, CMBIS

Figure 7: China banks' NPL formation trails GDP growth



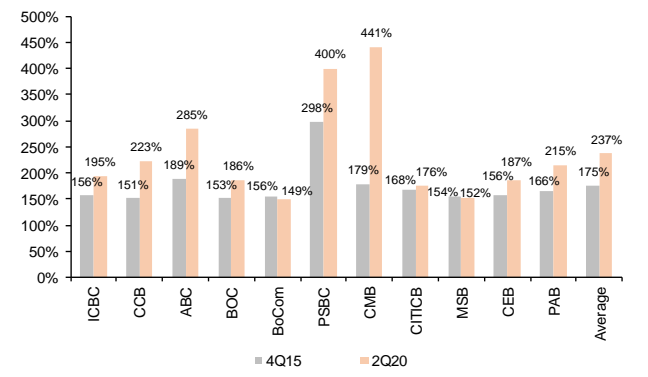
Source: Company data, Wind, CMBIS

Figure 8: China banks' valuation is inversely correlated to NPL formation



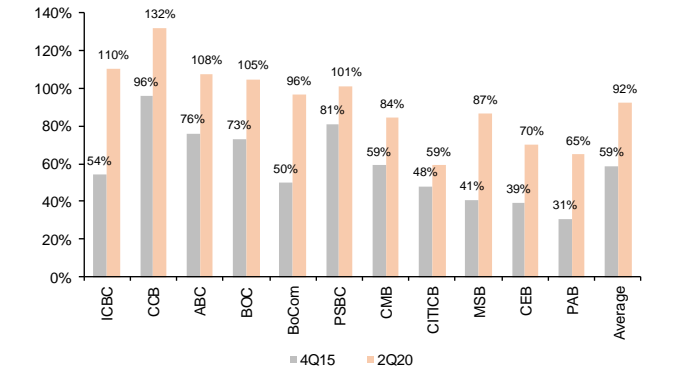
Source: Company data, Bloomberg, CMBIS

Figure 9: Provision coverage (2Q20 vs 4Q15)



Source: Company data, CMBIS

Figure 10: NPL / overdue loans (2Q20 vs 4Q15)



Source: Company data, CMBIS

Earnings and TP Revision

To factor in higher provision charges, lower NIM and fee income growth, we cut the sector's FY20-22E net profit forecasts by 14-16%, and expect -11%/+5%/+12% YoY earnings growth for the same period. We also trimmed TP for A/H-share banks under coverage by 9%/17%. However, we lifted TP for PAB by 15% to RMB22.8, as we believe its retail-focused strategy should help it better capture domestic consumption recovery and make it less susceptible to corporate asset quality worsening.

Figure 11: Adjustments in earnings forecasts

(RMB bn)	Original			New			Change			Revised net profit YoY growth		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY22E	FY21E	FY22E
ICBC	322.6	338.5	360.4	277.2	289.6	321.0	-14%	-14%	-11%	-11%	4%	11%
CCB	280.5	297.6	320.9	237.2	248.7	276.9	-15%	-16%	-14%	-11%	5%	11%
ABC	222.4	234.1	251.9	189.2	198.4	221.2	-15%	-15%	-12%	-11%	5%	12%
BOC	195.5	205.5	219.4	162.9	169.8	188.2	-17%	-17%	-14%	-13%	4%	11%
BoCom	78.7	81.6	86.5	65.9	68.6	75.5	-16%	-16%	-13%	-15%	4%	10%
PSBC	68.4	77.9	90.4	54.7	59.7	68.9	-20%	-23%	-24%	-10%	9%	15%
CITICB	52.0	57.4	63.8	43.1	46.9	54.3	-17%	-18%	-15%	-10%	9%	16%
MSB	56.3	59.8	65.1	46.9	50.1	56.7	-17%	-16%	-13%	-13%	7%	13%
CEB	40.5	44.3	48.9	33.6	36.7	42.6	-17%	-17%	-13%	-10%	9%	16%
PAB	31.9	36.5	42.2	25.9	29.5	34.4	-19%	-19%	-18%	-8%	14%	17%
Average							-16%	-16%	-14%	-11%	5%	12%

Source: CMBIS estimates

Figure 12: Adjustments in TP

Stock	Ticker	Target P/B (x)	FY20E BVPS (RMB)	Target price (LC)		Current price (LC)	Up/downside	Rating
				Original	New			
H-share								
ICBC	1398 HK	0.71	7.4	7.30	6.00	4.24	41.5%	BUY
CCB	939 HK	0.74	9.0	8.70	7.60	5.30	43.4%	BUY
ABC	1288 HK	0.61	5.3	4.70	3.70	2.53	46.2%	BUY
BOC	3988 HK	0.53	6.0	4.60	3.60	2.49	44.6%	BUY
PSBC	1658 HK	0.71	6.1	6.30	4.80	3.35	43.3%	BUY
CITICB	998 HK	0.43	9.6	5.60	4.60	3.11	47.9%	BUY
CEB	6818 HK	0.56	6.4	4.90	4.00	2.65	50.9%	BUY
BoCom	3328 HK	0.40	9.9	5.70	4.50	3.93	14.5%	HOLD
MSB	1988 HK	0.38	11.0	6.30	4.60	4.08	12.7%	HOLD
A-share								
ICBC	601398 CH	0.94	7.4	7.60	7.00	4.96	41.1%	BUY
CCB	601939 CH	0.99	9.0	9.10	8.90	6.23	42.9%	BUY
ABC	601288 CH	0.84	5.3	5.20	4.50	3.19	41.1%	BUY
BOC	601988 CH	0.77	6.0	5.00	4.60	3.23	42.4%	BUY
PSBC	601658 CH	1.03	6.1	6.90	6.30	4.57	37.9%	BUY
CITICB	601998 CH	0.75	9.6	7.30	7.20	5.17	39.3%	BUY
CEB	601818 CH	0.82	6.4	5.50	5.30	3.86	37.3%	BUY
PAB	000001 CH	1.50	15.2	19.80	22.80	15.90	43.4%	BUY
BoCom	601328 CH	0.54	9.9	6.10	5.30	4.60	15.2%	HOLD
MSB	600016 CH	0.56	11.0	7.00	6.10	5.37	13.6%	HOLD

Source: Bloomberg, CMBIS estimates; Data as of 12 Oct 2020

Results Briefing Summary

Figure 13: China banks' 2Q20 briefing summary

Bank	Key takeaways from 2Q20 results briefing
ICBC	<ol style="list-style-type: none"> 1. Management expected continued moderate topline growth, and surging provision was mainly a precautionary measure. 2. Dividend policy should remain stable, as creating value for shareholders is a long-term strategy. 3. ICBC has been maintaining a sufficient CAR buffer vs regulatory threshold, but it planned to have more external capital replenishment in 2H20.
CCB	<ol style="list-style-type: none"> 1. Management expected a mild growth in NPLs until 1H21, but asset quality pressure should ease from 2Q20 peak. 2. 1H20 NIM contraction was attributable to 8bp decline in bond investment yield, 9bp decline in loan yield, and 3bp increase in deposit cost. NIM pressure will remain for a while, but at controllable magnitude. 3. CCB has the largest credit card business by loan scale. Credit card NPL was below peers at 1.17% as of 1H20. Despite the pandemic, card issuance and asset quality were healthy. Management planned to expand the younger customers.
ABC	<ol style="list-style-type: none"> 1. NPL formation ratio was 1.09% in 1H20, up 8bp YoY. Uncertainties remain in two industries: 1) those directly affected by COVID-19, i.e. catering and accommodation, 2) export-oriented sectors. 2. Management expect 2H20 new loans to be no less than 2H19. In particular, MSE loan growth will surpass 40%, and retail lending will accelerate. 3. Earning growth will remain under pressure in 2H20, but revenue/PPoP growth should be largely stable. 4. NPL pressure of consumption loans should peak out in 3Q20.
BOC	<ol style="list-style-type: none"> 1. Management see continued credit risk in wholesale & retail, catering, transportation, trade, oil & gas sectors in 2H20. 2. Dividend policy is based on global economic condition, return for shareholders, self-development needs and regulatory requirement. 3. Pricing basis of 45% total loans has shifted to LPR by 1H20 – 76% for corporate loans, and 24% for retail loans.
BoCom	<ol style="list-style-type: none"> 1. Management expected further NIM pressure in 2H20, but will try to reduce funding cost by replacing higher-cost structured deposits/MLF with cheaper interbank borrowing. 2. Retail loan growth is catching up. Majority of new loans went to corporate side (+9.9%) in 1H20, but retail loan growth accelerated in 2Q20 and should account for more than 40% of full-year loan growth. 3. Asset quality risk is controllable. Credit card NPLs peaked out in Jun and will likely recovered to pre-pandemic level in 3Q20. Loans under deferred repayment scheme amounted to RMB176bn, 3.1% of total loans as of 2Q20.
PSBC	<ol style="list-style-type: none"> 1. NIM will further decline in 2H20, but at smaller magnitude. As monetary policy gradually normalizes, asset yield is expected to bottom out in 2H20. 2. PSBC's retail banking strategy remains intact despite the pandemic. It planned to further boost digitalization of retail business, capture the consumption upgrade cycle, and accelerate MSE lending. 3. Fee income growth picked up in 2Q20, driven by recovery in credit card, electronic payment, and agency and custodian businesses. Management expected faster fee income growth in 2H20 vs 1H20.
CMB	<ol style="list-style-type: none"> 1. CMB expected NIM to remain flat in 2H20, as it will allocate more new loans to retail segment and reduce high-cost structured deposits. 2. Management expected YoY decline in corporate NPL formation, together with lower SML/overdue ratio. For retail loans, NPL formation of retail loans already peaked in Jun, but that of credit card might remain elevated. Loan moratorium was RMB69.5bn (1.4% of total loans), mainly corporate loans in real estate and transportation sectors. 3. WMPs issued by China banks were RMB23.4tn as of 2019. With the exit of old guaranteed products, new NAV-type products issued by banks' wealth management subsidiaries will grow faster. CMB's wealth management income rose 120% YoY in 1H20.
CITICB	<ol style="list-style-type: none"> 1. Management expected further NIM contraction in 2H20, but likely in smaller magnitude vs 1H20. 2. Revenue growth should moderate in 2H20, as asset yields continue to retreat and investment gains drop. 3. Credit card NPLs has been abating from the peak in Mar 2020.

CEB	<ol style="list-style-type: none"> 1. Management expected deposit cost to gradually decline in 2H20 and 2021. 2. Asset quality shock was mainly on retail side, while corporate NPL formation was relatively moderate and mainly concentrated in four sectors: transportation, wholesale & retail, catering & accommodation, and culture & tourism. 3. CEB will receive more support from China Everbright Group, whose shareholding increased to 48.5% from 29% after restructuring with Central Huijin.
PAB	<ol style="list-style-type: none"> 1. PAB's core development strategies remained as technology driven, retail business breakthrough, and corporate business streamlining. 2. Management believed earnings growth would normalize in future, as reasonable internal capital generation is necessary for banks to support the economy. 3. In the past, the major task of PAB's corporate business was to absorb funding and support growth of high-yield retail assets. After three years' retail transformation, retail liability capacity improved notably therefore is less dependent on corporate funding. Looking ahead, corporate business will focus on 1) accumulating customers, and 2) optimizing deposit structure. Funding cost and proportion of demand deposit will be key to watch. 4. NIM may further decline, but the pace should slow down in 2H20. Management saw room for funding cost reduction, which should give some support to margin. 5. Management believed corporate asset quality would keep improving, barring another wave of COVID-19 outbreak. Retail NPL ratio should peak in 3Q20.

Source: Company data, CMBIS

Figure 14: China banks' 2Q20 results comparison

(RMB mn)	1398 HK	939 HK	1288 HK	3988 HK	3328 HK	1658 HK	3968 HK	998 HK	1988 HK	6818 HK	000001 CH
Earnings	ICBC	CCB	ABC	BOC	BoCom	PSBC	CMB	CITICB	MSB	CEB	PAB
2Q20 net profit	64,296	56,771	44,647	48,334	15,054	13,564	21,993	11,088	11,803	7,532	5,130
YoY	-25.2%	-26.5%	-25.8%	-23.4%	-30.6%	-28.1%	-13.3%	-26.5%	-25.4%	-29.7%	-35.5%
1H20 net profit	148,790	137,626	108,834	100,917	36,505	33,658	49,788	25,541	28,453	18,363	13,678
YoY	-11.4%	-10.7%	-10.4%	-11.5%	-14.6%	-10.0%	-1.6%	-9.8%	-10.0%	-10.2%	-11.2%
1H20 Run rate vs BBG FY20E	48%	52%	52%	56%	48%	51%	51%	53%	53%	51%	45%
Growth	ICBC	CCB	ABC	BOC	BoCom	PSBC	CMB	CITICB	MSB	CEB	PAB
YoY (1H20 vs 1H19)											
Net interest income	2.4%	6.4%	8.9%	8.4%	5.4%	3.3%	4.0%	5.6%	21.2%	11.1%	15.3%
Net fee income	0.5%	4.3%	2.9%	-0.4%	5.0%	4.2%	8.5%	5.9%	4.2%	10.9%	7.2%
Revenue	1.3%	7.6%	4.9%	3.7%	5.2%	3.4%	6.8%	9.5%	11.2%	9.0%	15.5%
PPOP	2.1%	5.5%	6.1%	5.6%	4.5%	2.0%	5.0%	14.4%	12.2%	10.3%	18.9%
Provisions	26.5%	49.2%	35.1%	97.5%	55.4%	21.3%	22.3%	39.6%	46.1%	31.2%	41.5%
Cost-income ratio	-0.6ppt	1.5ppt	-0.8ppt	-1.2ppt	0.4ppt	0.7ppt	1.2ppt	-3.3ppt	-0.8ppt	-0.9ppt	-2.0ppt
ROE	-3.1ppt	-3.2ppt	-3.5ppt	-2.5ppt	-3.3ppt	-4.8ppt	-2.5ppt	-2.3ppt	-3.4ppt	-3.0ppt	-4.8ppt
QoQ (2Q20 vs 1Q20)											
Total assets	3.2%	2.0%	0.9%	0.5%	2.1%	1.6%	3.4%	0.7%	2.6%	3.0%	1.1%
Loans	2.6%	3.1%	2.9%	1.7%	2.9%	4.6%	2.5%	1.4%	2.7%	0.9%	2.6%
Deposits	3.5%	3.5%	4.2%	1.8%	3.1%	1.1%	5.3%	3.9%	3.8%	4.0%	-3.1%
NPL ratio	7bp	8bp	3bp	3bp	9bp	2bp	3bp	3bp	14bp	0bp	0bp
Overdue ratio (HoH)	-23bp	-2bp	-4bp	11bp	4bp	-15bp	-6bp	51bp	-7bp	-5bp	30bp
Provision coverage	-5ppt	-7ppt	-5ppt	1ppt	-5ppt	13ppt	-10ppt	-2ppt	-4ppt	5ppt	15ppt
NIM	-13bp	-11bp	-3bp	4bp	-3bp	-8bp	-10bp	2bp	-3bp	-2bp	-1bp
CET1 CAR	-45bp	-60bp	-47bp	-23bp	-20bp	-47bp	-63bp	-12bp	-72bp	-36bp	-27bp
Key ratio	ICBC	CCB	ABC	BOC	BoCom	PSBC	CMB	CITICB	MSB	CEB	PAB
Profitability											
NIM	2.07%	2.09%	2.12%	1.84%	1.52%	2.38%	2.45%	2.00%	1.92%	2.29%	2.59%
Cost-income ratio	33.1%	26.1%	30.8%	31.6%	36.2%	51.9%	33.4%	23.1%	23.4%	27.8%	27.7%
ROA	0.79%	0.83%	0.68%	0.80%	0.57%	0.50%	1.11%	0.63%	0.67%	0.57%	0.49%
ROE	10.1%	10.4%	9.9%	11.3%	8.5%	10.5%	14.6%	9.7%	10.2%	9.3%	7.3%
Asset quality											
NPL ratio	1.50%	1.49%	1.43%	1.42%	1.68%	0.89%	1.14%	1.83%	1.69%	1.55%	1.65%
NPL formation	1.02%	1.38%	0.73%	0.54%	1.60%	0.46%	1.00%	1.43%	1.79%	1.77%	1.71%
Overdue ratio	1.37%	1.14%	1.33%	1.36%	1.74%	0.88%	1.35%	3.11%	1.96%	2.22%	2.54%
Credit cost	1.18%	1.54%	1.03%	0.81%	1.53%	1.67%	1.32%	1.49%	1.95%	2.03%	2.84%
Provision coverage	195%	223%	285%	186%	149%	400%	441%	176%	152%	187%	215%
NPL / >90day overdue	162%	191%	172%	152%	125%	148%	125%	115%	125%	127%	124%
Capital & liquidity											
CET1 CAR	12.7%	13.2%	10.9%	11.0%	10.6%	9.2%	11.3%	8.8%	8.2%	8.7%	8.9%
Tier1 CAR	13.7%	13.9%	12.6%	12.8%	12.2%	11.5%	12.0%	10.3%	9.5%	10.4%	11.3%
Total CAR	16.0%	16.6%	16.4%	15.4%	14.6%	14.0%	14.9%	12.6%	12.7%	12.7%	14.0%
LDR	72%	81%	71%	82%	87%	56%	89%	94%	96%	80%	100%

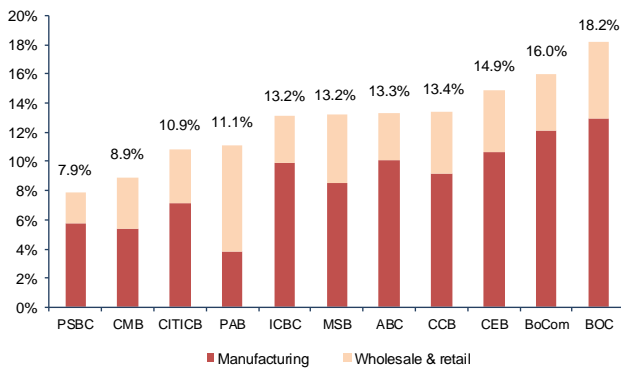
Source: Company data, CMBIS

Figure 15: China banks' loan profile as of 1H20

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

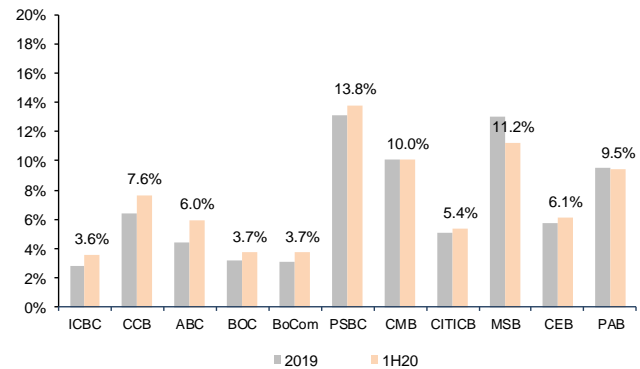
Source: Company data, CMBIS

Figure 16: Loan exposure to cyclical sectors



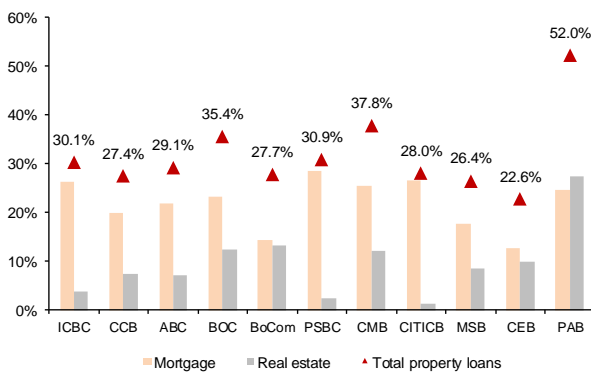
Source: Company data, CMBIS

Figure 17: Loan exposure to MSE



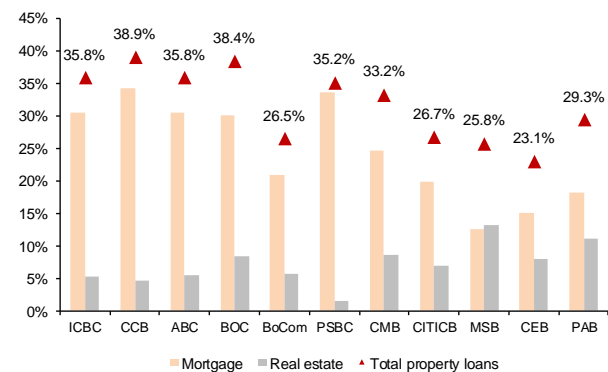
Source: Company data, CMBIS

Figure 18: Property related loans as % of new loans in 1H20



Source: Company data, CMBIS

Figure 19: Property related loans as % of loan balance in 1H20

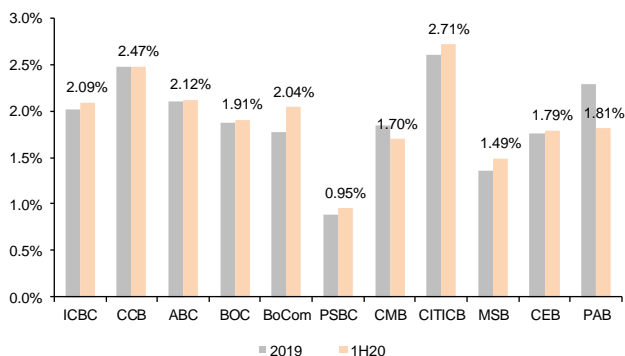


Source: Company data, CMBIS

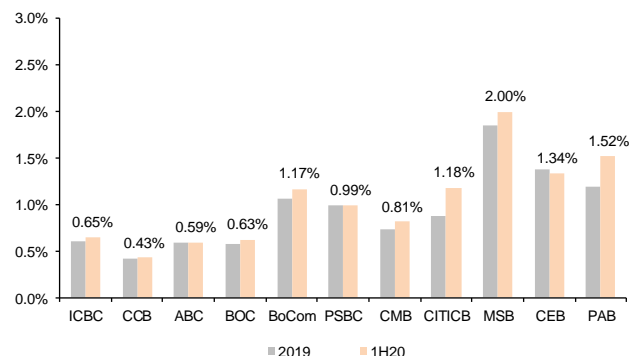
Figure 20: China banks' NPL ratio by sector as of 1H20

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

Source: Company data, CMBIS

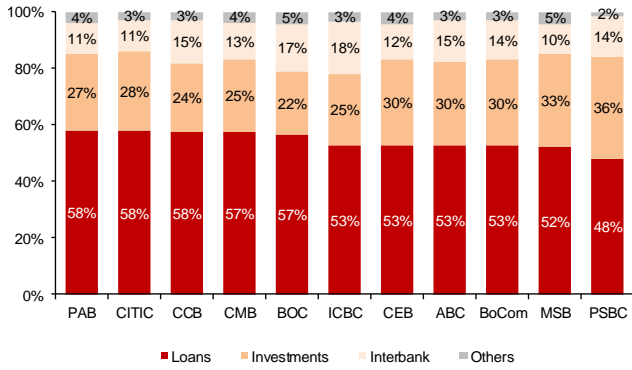
Figure 21: Corporate NPL ratio

Source: Company data, CMBIS

Figure 22: Retail NPL ratio

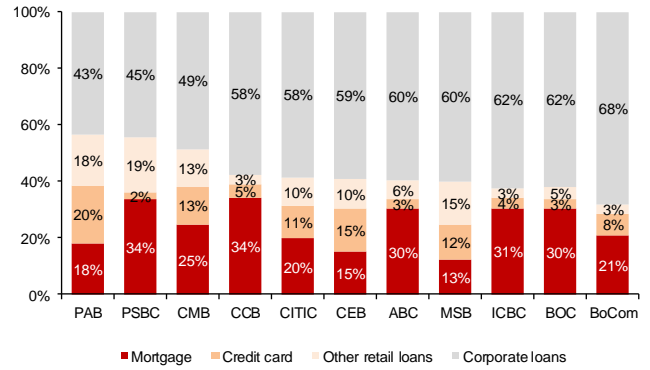
Source: Company data, CMBIS

Figure 23: China banks' asset mix as of 1H20



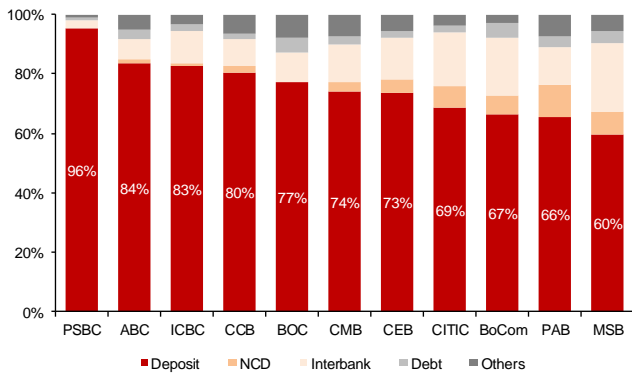
Source: Company data, CMBIS

Figure 24: China banks' loan mix as of 1H20



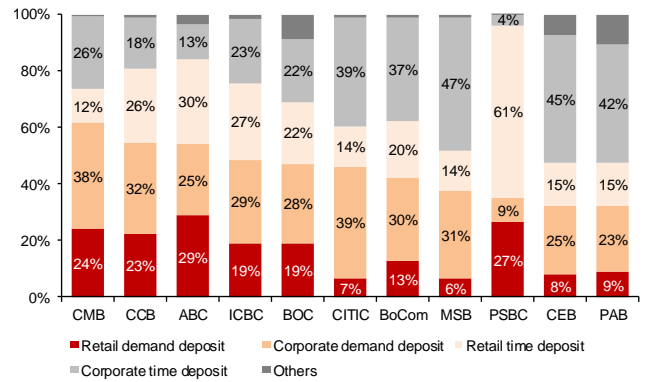
Source: Company data, CMBIS

Figure 25: China banks' liability mix as of 1H20



Source: Company data, CMBIS

Figure 26: China banks' deposit mix as of 1H20



Source: Company data, CMBIS

Individual Banks' Financial Summary

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

Figure 27: Quarterly results summary

(RMB mn)							
P&L	2Q19	3Q19	4Q19	1Q20	2Q20	QoQ	YoY
Net interest income	151,111	153,845	153,780	154,287	152,262	-1.3%	0.8%
Non-interest income	56,303	36,636	(11,174)	72,692	69,215	-4.8%	22.9%
Operating income	207,414	190,481	142,606	226,979	221,477	-2.4%	6.8%
Operating expense	(60,676)	(48,466)	(24,506)	(60,646)	(73,200)	20.7%	20.6%
PPoP	146,738	142,015	118,100	166,333	148,277	-10.9%	1.0%
Impairment losses	(40,906)	(38,576)	(41,201)	(59,492)	(65,964)	10.9%	61.3%
Pre-tax profit	105,832	103,439	76,899	106,841	82,313	-23.0%	-22.2%
Income tax	(19,642)	(19,947)	(17,962)	(22,107)	(17,448)	-21.1%	-11.2%
Net profit	85,926	83,781	60,512	84,494	64,296	-23.9%	-25.2%
B/S	2Q19	3Q19	4Q19	1Q20	2Q20	QoQ	YoY
Gross loans	16,271,224	16,660,486	16,761,319	17,515,921	17,975,652	2.6%	10.5%
Total deposits	23,125,437	23,368,159	22,977,655	24,220,294	25,067,870	3.5%	8.4%
Total assets	29,990,476	30,426,381	30,109,436	32,094,478	33,112,010	3.2%	10.4%
NPLs	240,086	239,785	240,187	250,103	269,961	7.9%	12.4%
Loan loss reserves	461,016	474,985	478,498	498,631	525,327	5.4%	13.9%
Key ratio	2Q19	3Q19	4Q19	1Q20	2Q20	QoQ	YoY
NIM	2.27%	2.21%	2.20%	2.20%	2.07%	-13bp	-20bp
CIR	29.3%	25.4%	17.2%	26.7%	33.1%	6.3ppt	3.8ppt
ROA	1.15%	1.16%	1.11%	0.80%	1.09%	0.3ppt	-0.1ppt
ROE	14.8%	14.1%	9.9%	13.4%	10.1%	-3.3ppt	-4.6ppt
NPL ratio	1.48%	1.44%	1.43%	1.43%	1.50%	7bp	3bp
Provision coverage	192.0%	198.1%	199.3%	199.4%	194.7%	-4.7ppt	2.7ppt
Allowance ratio	2.83%	2.85%	2.85%	2.85%	2.92%	8bp	9bp
LDR	70.4%	71.3%	72.9%	72.3%	71.7%	-0.6ppt	1.3ppt
CET-1 CAR	12.7%	12.9%	13.2%	13.2%	12.7%	-45bp	-4bp
Tier1 CAR	13.2%	14.2%	14.3%	14.2%	13.7%	-47bp	53bp
Total CAR	15.8%	16.7%	16.8%	16.5%	16.0%	-52bp	24bp

Source: Company data, CMBIS

Figure 28: Summary of earnings forecast

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Operating income (RMB mn)	725,121	776,002	835,036	884,616	951,840
Net profit (RMB mn)	297,676	312,224	277,225	289,629	321,044
EPS (RMB)	0.82	0.86	0.77	0.80	0.89
EPS CHG (%)	4.1	5.0	(11.4)	4.5	11.0
Consensus EPS (RMB)	NA	NA	0.81	0.85	0.91
P/E (x)	4.6	4.4	5.0	4.8	4.3
P/B (x)	0.60	0.55	0.51	0.48	0.44
Dividend yield (%)	6.6	6.9	6.1	6.4	7.1
ROE (%)	13.7	13.1	10.7	10.4	10.7
NPL ratio (%)	1.52	1.43	1.54	1.56	1.53
Provision coverage (%)	176	199	209	228	247

Source: Company data, Bloomberg, CMBIS estimates

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

Figure 29: Quarterly results summary

(RMB mn)							
P&L	2Q19	3Q19	4Q19	1Q20	2Q20	QoQ	YoY
Net interest income	125,361	129,086	131,158	133,499	132,994	-0.4%	6.1%
Non-interest income	49,044	38,060	45,854	75,896	46,720	-38.4%	-4.7%
Operating income	174,405	167,146	177,012	209,395	179,714	-14.2%	3.0%
Operating expense	(47,932)	(44,829)	(74,692)	(61,885)	(46,838)	-24.3%	-2.3%
PPoP	126,473	122,317	102,320	147,510	132,876	-9.9%	5.1%
Impairment losses	(31,191)	(35,410)	(53,325)	(49,167)	(62,399)	26.9%	100.1%
Pre-tax profit	95,282	86,907	48,995	98,343	70,477	-28.3%	-26.0%
Income tax	(17,556)	(15,270)	(6,633)	(17,389)	(12,445)	-28.4%	-29.1%
Net profit	77,274	71,154	41,389	80,855	56,771	-29.8%	-26.5%
B/S	2Q19	3Q19	4Q19	1Q20	2Q20	QoQ	YoY
Gross loans	14,539,839	14,872,485	15,022,825	15,983,311	16,474,146	3.1%	13.3%
Total deposits	18,214,072	18,463,826	18,366,293	19,706,793	20,402,162	3.5%	12.0%
Total assets	24,383,151	24,517,730	25,436,261	27,110,165	27,655,247	2.0%	13.4%
NPLs	208,069	211,399	212,473	226,010	245,516	8.6%	18.0%
Loan loss reserves	452,543	461,442	482,158	520,433	546,361	5.0%	20.7%
Key ratio	2Q19	3Q19	4Q19	1Q20	2Q20	QoQ	YoY
NIM	2.25%	2.27%	2.24%	2.19%	2.09%	-11bp	-16bp
CIR	27.5%	26.8%	42.2%	29.6%	26.1%	-3.5ppt	-1.4ppt
ROA	1.30%	1.27%	1.16%	0.66%	1.23%	0.6ppt	-0.1ppt
ROE	15.7%	14.1%	8.0%	15.1%	10.4%	-4.6ppt	-5.2ppt
NPL ratio	1.43%	1.43%	1.42%	1.42%	1.49%	8bp	6bp
Provision coverage	218.0%	218.3%	227.7%	230.3%	223.5%	-6.8ppt	5.4ppt
Allowance ratio	3.11%	3.10%	3.21%	3.26%	3.32%	6bp	20bp
LDR	79.8%	80.5%	81.8%	81.1%	80.7%	-0.4ppt	0.9ppt
CET1 CAR	13.7%	14.0%	13.9%	13.8%	13.2%	-60bp	-55bp
Tier1 CAR	14.3%	14.5%	14.7%	14.5%	13.9%	-62bp	-37bp
Total CAR	17.1%	17.3%	17.5%	17.2%	16.6%	-60bp	-45bp

Source: Company data, CMBIS

Figure 30: Summary of earnings forecast

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Operating income (RMB mn)	658,891	705,629	766,298	808,276	868,174
Net profit (RMB mn)	254,655	266,733	237,226	248,668	276,922
EPS (RMB)	1.00	1.05	0.93	0.98	1.09
EPS CHG (%)	3.9	4.8	(11.1)	4.9	11.5
Consensus EPS (RMB)	NA	NA	0.99	1.05	1.13
P/E (x)	4.7	4.5	5.1	4.9	4.4
P/B (x)	0.63	0.57	0.53	0.49	0.45
Dividend yield (%)	6.4	6.7	6.0	6.3	7.0
ROE (%)	13.9	13.2	10.7	10.5	10.8
NPL ratio (%)	1.46	1.42	1.52	1.54	1.51
Provision coverage (%)	208	228	239	257	281

Source: Company data, Bloomberg, CMBIS estimates

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

Figure 31: Quarterly results summary

(RMB mn)							
P&L	2Q19	3Q19	4Q19	1Q20	2Q20	QoQ	YoY
Net interest income	118,519	122,841	126,398	129,659	129,238	-0.3%	9.0%
Non-interest income	31,629	29,095	27,837	57,047	23,228	-59.3%	-26.6%
Operating income	150,148	151,936	154,235	186,706	152,466	-18.3%	1.5%
Operating expense	(48,457)	(49,721)	(69,641)	(60,419)	(46,917)	-22.3%	-3.2%
PPoP	101,691	102,215	84,594	126,287	105,549	-16.4%	3.8%
Impairment losses	(30,932)	(30,736)	(34,560)	(44,853)	(54,321)	21.1%	75.6%
Pre-tax profit	70,759	71,479	50,034	81,434	51,228	-37.1%	-27.6%
Income tax	(10,947)	(12,041)	(18,121)	(17,022)	(6,343)	-62.7%	-42.1%
Net profit	60,194	59,226	31,427	64,187	44,647	-30.4%	-25.8%
B/S	2Q19	3Q19	4Q19	1Q20	2Q20	QoQ	YoY
Gross loans	12,962,302	13,322,554	13,360,188	14,138,099	14,548,269	2.9%	12.2%
Total deposits	18,529,174	18,723,954	18,849,155	19,539,807	20,363,098	4.2%	9.9%
Total assets	23,975,153	24,870,961	24,878,288	26,226,388	26,472,127	0.9%	10.4%
NPLs	185,312	188,236	187,210	196,693	207,745	5.6%	12.1%
Loan loss reserves	515,873	529,429	540,578	570,239	592,005	3.8%	14.8%
Key ratio	2Q19	3Q19	4Q19	1Q20	2Q20	QoQ	YoY
NIM	2.13%	2.14%	2.16%	2.15%	2.12%	-3bp	0bp
CIR	32.3%	32.7%	45.2%	32.4%	30.8%	-1.6ppt	-1.5ppt
ROA	1.06%	1.01%	0.97%	0.51%	1.00%	0.5ppt	-0.1ppt
ROE	14.6%	14.1%	7.3%	14.4%	9.9%	-4.5ppt	-4.7ppt
NPL ratio	1.43%	1.42%	1.40%	1.40%	1.43%	3bp	0bp
Provision coverage	278.4%	281.3%	288.8%	289.9%	285.0%	-4.9ppt	6.6ppt
Allowance ratio	3.98%	3.97%	4.06%	4.03%	4.07%	4bp	9bp
LDR	70.0%	71.2%	70.9%	72.4%	71.4%	-0.9ppt	1.5ppt
CET1 CAR	11.1%	11.2%	11.2%	11.3%	10.9%	-47bp	-27bp
Tier1 CAR	11.7%	12.5%	12.5%	12.6%	12.6%	1bp	92bp
Total CAR	15.5%	16.1%	16.1%	16.1%	16.4%	32bp	95bp

Source: Company data, CMBIS

Figure 32: Summary of earnings forecast

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Operating income (RMB mn)	602,557	629,350	688,528	733,284	795,119
Net profit (RMB mn)	202,783	212,098	189,168	198,360	221,227
EPS (RMB)	0.59	0.59	0.53	0.55	0.62
EPS CHG (%)	1.3	0.9	(11.1)	5.0	11.8
Consensus EPS (RMB)	NA	NA	0.55	0.57	0.62
P/E (x)	3.9	3.8	4.3	4.1	3.7
P/B (x)	0.50	0.45	0.42	0.40	0.37
Dividend yield (%)	7.7	8.0	7.1	7.5	8.4
ROE (%)	13.5	12.4	10.2	10.0	10.4
NPL ratio (%)	1.59	1.40	1.47	1.48	1.44
Provision coverage (%)	252	289	278	277	280

Source: Company data, Bloomberg, CMBIS estimates

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

Figure 33: Quarterly results summary

(RMB mn)							
P&L	2Q19	3Q19	4Q19	1Q20	2Q20	QoQ	YoY
Net interest income	92,303	96,136	96,430	96,166	100,729	4.7%	9.1%
Non-interest income	43,379	44,033	36,723	52,377	37,711	-28.0%	-13.1%
Operating income	135,682	140,169	133,153	148,543	138,440	-6.8%	2.0%
Operating expense	(43,472)	(51,271)	(55,868)	(47,266)	(43,680)	-7.6%	0.5%
PPoP	92,210	88,898	77,285	101,277	94,760	-6.4%	2.8%
Impairment losses	(6,335)	(27,177)	(41,306)	(32,551)	(33,933)	4.2%	435.6%
Pre-tax profit	85,875	61,721	35,979	68,726	60,827	-11.5%	-29.2%
Income tax	(19,553)	(12,069)	(5,569)	(12,274)	(9,530)	-22.4%	-51.3%
Net profit	63,083	45,531	27,826	52,583	48,334	-8.1%	-23.4%
B/S	2Q19	3Q19	4Q19	1Q20	2Q20	QoQ	YoY
Gross loans	12,569,734	12,888,490	13,068,785	13,804,106	14,040,165	1.7%	11.7%
Total deposits	15,644,634	15,772,547	15,817,548	16,783,492	17,090,217	1.8%	9.2%
Total assets	22,266,024	22,608,164	22,769,744	24,024,645	24,152,855	0.5%	8.5%
NPLs	175,899	176,514	178,235	190,657	198,382	4.1%	12.8%
Loan loss reserves	312,254	321,679	325,360	352,182	369,345	4.9%	18.3%
Key ratio	2Q19	3Q19	4Q19	1Q20	2Q20	QoQ	YoY
NIM	1.84%	1.85%	1.84%	1.80%	1.84%	4bp	0bp
CIR	32.0%	36.6%	42.0%	31.8%	31.6%	-0.3ppt	-0.5ppt
ROA	0.95%	1.15%	0.81%	0.49%	0.90%	0.4ppt	-0.1ppt
ROE	16.1%	11.4%	6.8%	12.1%	11.3%	-0.8ppt	-4.7ppt
NPL ratio	1.40%	1.37%	1.37%	1.39%	1.42%	3bp	2bp
Provision coverage	177.5%	182.2%	182.9%	184.7%	186.2%	1.5ppt	8.7ppt
Allowance ratio	2.48%	2.50%	2.49%	2.55%	2.63%	8bp	15bp
LDR	80.3%	81.7%	82.6%	82.2%	82.2%	-0.1ppt	1.8ppt
CET1 CAR	11.2%	11.2%	11.3%	11.2%	11.0%	-23bp	-20bp
Tier1 CAR	12.8%	13.0%	12.8%	12.8%	12.8%	2bp	-3bp
Total CAR	15.3%	15.5%	15.6%	15.3%	15.4%	8bp	10bp

Source: Company data, CMBIS

Figure 34: Summary of earnings forecast

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Operating income (RMB mn)	503,806	550,010	586,809	620,362	667,305
Net profit (RMB mn)	180,086	187,405	162,886	169,810	188,216
EPS (RMB)	0.59	0.61	0.53	0.55	0.62
EPS CHG (%)	4.6	4.2	(13.6)	4.4	11.3
Consensus EPS (RMB)	NA	NA	0.57	0.59	0.63
P/E (x)	3.8	3.6	4.2	4.0	3.6
P/B (x)	0.43	0.40	0.37	0.35	0.33
Dividend yield (%)	8.2	8.6	7.4	7.7	8.6
ROE (%)	11.9	11.4	9.2	9.0	9.3
NPL ratio (%)	1.42	1.37	1.45	1.48	1.45
Provision coverage (%)	182	183	184	192	200

Source: Company data, Bloomberg, CMBIS estimates

BoCom (3328 HK, HOLD, TP: HK\$4.50)
Figure 35: Quarterly results summary

(RMB mn)							
P&L	2Q19	3Q19	4Q19	1Q20	2Q20	QoQ	YoY
Net interest income	35,205	36,265	37,756	36,736	37,113	1.0%	5.4%
Non-interest income	19,446	20,386	16,489	20,850	21,153	1.5%	8.8%
Operating income	54,651	56,651	54,245	57,586	58,266	1.2%	6.6%
Operating expense	(19,611)	(21,282)	(19,459)	(21,371)	(21,116)	-1.2%	7.7%
PPoP	35,040	35,369	34,786	36,215	37,150	2.6%	6.0%
Impairment losses	(10,845)	(15,401)	(15,273)	(11,892)	(21,600)	81.6%	99.2%
Pre-tax profit	24,195	19,968	19,513	24,323	15,550	-36.1%	-35.7%
Income tax	(2,636)	(2,449)	(1,878)	(2,804)	(157)	-94.4%	-94.0%
Net profit	21,678	17,398	17,134	21,451	15,054	-29.8%	-30.6%
B/S	2Q19	3Q19	4Q19	1Q20	2Q20	QoQ	YoY
Gross loans	5,130,612	5,206,687	5,304,275	5,568,059	5,729,513	2.9%	11.7%
Total deposits	6,135,448	6,048,860	6,072,908	6,366,064	6,560,867	3.1%	6.9%
Total assets	9,886,608	9,932,879	9,905,600	10,454,383	10,669,932	2.1%	7.9%
NPLs	75,508	76,692	78,043	88,455	96,292	8.9%	27.5%
Loan loss reserves	131,029	133,613	134,052	136,389	143,216	5.0%	9.3%
Key ratio	2Q19	3Q19	4Q19	1Q20	2Q20	QoQ	YoY
NIM	1.56%	1.56%	1.62%	1.55%	1.52%	-3bp	-4bp
CIR	35.9%	37.6%	35.9%	37.1%	36.2%	-0.9ppt	0.4ppt
ROA	0.87%	0.88%	0.70%	0.69%	0.84%	0.2ppt	0.0ppt
ROE	13.2%	10.4%	10.0%	12.2%	8.5%	-3.7ppt	-4.7ppt
NPL ratio	1.47%	1.47%	1.47%	1.59%	1.68%	9bp	21bp
Provision coverage	173.5%	174.2%	171.8%	154.2%	148.7%	-5.5ppt	-24.8ppt
Allowance ratio	2.55%	2.57%	2.53%	2.45%	2.50%	5bp	-5bp
LDR	83.6%	86.1%	87.3%	87.5%	87.3%	-0.1ppt	3.7ppt
CET1 CAR	10.9%	11.1%	11.2%	10.8%	10.6%	-20bp	-23bp
Tier1 CAR	11.9%	12.7%	12.8%	12.4%	12.2%	-21bp	32bp
Total CAR	13.8%	14.9%	14.8%	14.2%	14.6%	41bp	74bp

Source: Company data, CMBIS

Figure 36: Summary of earnings forecast

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Operating income (RMB mn)	205,932	221,040	231,624	245,356	263,788
Net profit (RMB mn)	73,630	77,281	65,889	68,628	75,505
EPS (RMB)	0.96	1.00	0.85	0.89	0.98
EPS CHG (%)	5.2	5.1	(15.3)	4.3	10.4
Consensus EPS (RMB)	NA	NA	0.91	0.95	1.03
P/E (x)	3.7	3.5	4.1	4.0	3.6
P/B (x)	0.41	0.38	0.36	0.34	0.31
Dividend yield (%)	8.5	8.9	7.6	7.9	8.7
ROE (%)	11.4	11.2	8.9	8.7	9.0
NPL ratio (%)	1.49	1.47	1.74	1.75	1.71
Provision coverage (%)	173	172	153	160	168

Source: Company data, Bloomberg, CMBIS estimates

PSBC (1658 HK, BUY, TP: HK\$4.80)
Figure 37: Quarterly results summary

(RMB mn)							
P&L	2Q19	3Q19	4Q19	1Q20	2Q20	QoQ	YoY
Net interest income	59,953	60,098	61,044	61,721	61,233	-0.8%	2.1%
Non-interest income	13,277	8,756	5,514	10,529	13,002	23.5%	-2.1%
Operating income	73,230	68,854	66,558	72,250	74,235	2.7%	1.4%
Operating expense	(36,703)	(38,528)	(46,226)	(38,156)	(38,508)	0.9%	4.9%
PPoP	36,527	30,326	20,332	34,094	35,727	4.8%	-2.2%
Impairment losses	(16,445)	(12,166)	(15,533)	(11,432)	(22,162)	93.9%	34.8%
Pre-tax profit	20,082	18,160	4,799	22,662	13,565	-40.1%	-32.5%
Income tax	(1,209)	(1,238)	1,893	(2,557)	3	-100.1%	-100.2%
Net profit	18,861	16,907	6,645	20,094	13,564	-32.5%	-28.1%
B/S	2Q19	3Q19	4Q19	1Q20	2Q20	QoQ	YoY
Gross loans	4,701,673	4,846,845	4,974,186	5,242,248	5,481,104	4.6%	16.6%
Total deposits	9,101,191	9,165,526	9,314,066	9,762,687	9,866,583	1.1%	8.4%
Total assets	10,067,175	10,110,524	10,216,706	10,798,624	10,966,186	1.6%	8.9%
NPLs	38,372	40,063	42,844	45,118	48,531	7.6%	26.5%
Loan loss reserves	151,292	156,057	166,124	174,042	193,610	11.2%	28.0%
Key ratio	2Q19	3Q19	4Q19	1Q20	2Q20	QoQ	YoY
NIM	2.52%	2.46%	2.47%	2.46%	2.38%	-8bp	-14bp
CIR	50.1%	56.0%	69.5%	52.8%	51.9%	-0.9ppt	1.8ppt
ROA	0.75%	0.75%	0.67%	0.26%	0.76%	0.5ppt	0.0ppt
ROE	17.0%	14.9%	5.5%	15.8%	10.5%	-5.3ppt	-6.5ppt
NPL ratio	0.82%	0.83%	0.86%	0.86%	0.89%	2bp	7bp
Provision coverage	396.1%	391.1%	389.5%	387.3%	400.1%	12.8ppt	4.0ppt
Allowance ratio	3.22%	3.22%	3.34%	3.32%	3.53%	21bp	31bp
LDR	51.7%	52.9%	53.4%	53.7%	55.6%	1.9ppt	3.9ppt
CET1 CAR	9.3%	9.6%	9.9%	9.6%	9.2%	-47bp	-8bp
Tier1 CAR	10.3%	10.6%	10.9%	12.0%	11.5%	-56bp	122bp
Total CAR	13.0%	13.3%	13.5%	14.6%	14.0%	-60bp	99bp

Source: Company data, CMBIS

Figure 38: Summary of earnings forecast

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Operating income (RMB mn)	261,245	277,116	300,576	322,860	354,119
Net profit (RMB mn)	52,311	60,933	54,664	59,733	68,941
EPS (RMB)	0.62	0.72	0.60	0.66	0.76
EPS CHG (%)	4.7	16.9	(16.3)	9.2	16.1
Consensus EPS (RMB)	NA	NA	0.66	0.73	0.83
P/E (x)	4.9	4.2	5.0	4.6	3.9
P/B (x)	0.57	0.52	0.49	0.46	0.42
Dividend yield (%)	6.4	7.1	6.3	6.9	7.9
ROE (%)	12.3	12.7	10.2	10.4	11.2
NPL ratio (%)	0.86	0.86	0.94	0.98	0.96
Provision coverage (%)	347	389	410	422	447

Source: Company data, Bloomberg, CMBIS estimates

CITICB (998 HK, BUY, TP; HK\$4.60)
Figure 39: Quarterly results summary

(RMB mn)							
P&L	2Q19	3Q19	4Q19	1Q20	2Q20	QoQ	YoY
Net interest income	31,396	30,092	35,667	31,912	33,023	3.5%	5.2%
Non-interest income	14,337	18,989	9,983	19,658	17,420	-11.4%	21.5%
Operating income	45,733	49,081	45,650	51,570	50,443	-2.2%	10.3%
Operating expense	(12,041)	(13,368)	(16,267)	(11,892)	(11,645)	-2.1%	-3.3%
PPoP	33,692	35,713	29,383	39,678	38,798	-2.2%	15.2%
Impairment losses	(15,065)	(21,122)	(21,943)	(22,636)	(25,089)	10.8%	66.5%
Pre-tax profit	18,627	14,591	7,440	17,042	13,709	-19.6%	-26.4%
Income tax	(3,133)	(2,138)	192	(2,495)	(2,287)	-8.3%	-27.0%
Net profit	15,091	12,445	7,263	14,453	11,088	-23.3%	-26.5%
B/S	2Q19	3Q19	4Q19	1Q20	2Q20	QoQ	YoY
Gross loans	3,835,876	3,956,104	3,997,987	4,154,393	4,214,523	1.4%	9.9%
Total deposits	4,034,436	4,050,290	4,073,258	4,315,990	4,484,465	3.9%	11.2%
Total assets	6,398,803	6,461,910	6,750,433	7,032,434	7,080,616	0.7%	10.7%
NPLs	66,161	68,190	66,117	74,802	77,287	3.3%	16.8%
Loan loss reserves	109,277	119,210	115,870	132,676	135,808	2.4%	24.3%
Key ratio	2Q19	3Q19	4Q19	1Q20	2Q20	QoQ	YoY
NIM	2.12%	2.13%	2.13%	1.98%	2.00%	2bp	-12bp
CIR	26.3%	27.2%	35.6%	23.1%	23.1%	0.0ppt	-3.2ppt
ROA	0.88%	0.96%	0.77%	0.44%	0.85%	0.4ppt	0.0ppt
ROE	14.4%	11.7%	6.7%	12.9%	9.7%	-3.1ppt	-4.7ppt
NPL ratio	1.72%	1.72%	1.65%	1.80%	1.83%	3bp	11bp
Provision coverage	165.2%	174.8%	175.2%	177.4%	175.7%	-1.7ppt	10.6ppt
Allowance ratio	2.85%	3.01%	2.90%	3.19%	3.45%	26bp	61bp
LDR	95.1%	97.7%	98.2%	96.3%	94.0%	-2.3ppt	-1.1ppt
CET1 CAR	8.6%	8.8%	8.7%	8.9%	8.8%	-12bp	22bp
Tier1 CAR	9.3%	9.5%	10.2%	10.4%	10.3%	-12bp	95bp
Total CAR	12.3%	11.8%	12.4%	12.7%	12.6%	-10bp	31bp

Source: Company data, CMBIS

Figure 40: Summary of earnings forecast

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Operating income (RMB mn)	165,766	187,881	203,860	220,746	242,363
Net profit (RMB mn)	44,513	48,015	43,122	46,865	54,255
EPS (RMB)	0.88	0.95	0.85	0.93	1.08
EPS CHG (%)	4.7	8.1	(10.5)	9.0	16.2
Consensus EPS (RMB)	NA	NA	0.87	0.92	1.02
P/E (x)	3.2	2.9	3.3	3.0	2.6
P/B (x)	0.34	0.31	0.29	0.27	0.25
Dividend yield (%)	8.2	8.6	7.9	8.6	10.0
ROE (%)	11.3	11.1	9.2	9.4	10.1
NPL ratio (%)	1.77	1.65	1.88	1.84	1.76
Provision coverage (%)	158	175	174	187	200

Source: Company data, Bloomberg, CMBIS estimates

MSB (1988 HK, HOLD, TP: HK\$4.60)

Figure 41: Quarterly results summary

(RMB mn)							
P&L	2Q19	3Q19	4Q19	1Q20	2Q20	QoQ	YoY
Net interest income	23,501	25,778	26,642	26,924	28,232	4.9%	20.1%
Non-interest income	20,896	19,094	17,975	22,409	20,543	-8.3%	-1.7%
Operating income	44,397	44,872	44,617	49,333	48,775	-1.1%	9.9%
Operating expense	(10,070)	(14,264)	(15,391)	(10,469)	(11,427)	9.2%	13.5%
PPoP	34,327	30,608	29,226	38,864	37,348	-3.9%	8.8%
Impairment losses	(15,081)	(13,823)	(19,732)	(18,753)	(24,264)	29.4%	60.9%
Pre-tax profit	19,246	16,785	9,494	20,111	13,084	-34.9%	-32.0%
Income tax	(3,207)	(2,597)	(762)	(3,214)	(1,089)	-66.1%	-66.0%
Net profit	15,831	13,906	8,290	16,650	11,803	-29.1%	-25.4%
B/S	2Q19	3Q19	4Q19	1Q20	2Q20	QoQ	YoY
Gross loans	3,183,961	3,311,028	3,487,601	3,698,733	3,798,459	2.7%	19.3%
Total deposits	3,452,100	3,440,152	3,637,034	3,791,624	3,936,314	3.8%	14.0%
Total assets	6,340,658	6,273,743	6,681,841	6,961,952	7,142,641	2.6%	12.6%
NPLs	55,649	55,309	54,434	57,488	64,256	11.8%	15.5%
Loan loss reserves	79,173	80,600	84,647	89,617	97,828	9.2%	23.6%
Key ratio	2Q19	3Q19	4Q19	1Q20	2Q20	QoQ	YoY
NIM	1.87%	2.02%	2.04%	1.95%	1.92%	-3bp	5bp
CIR	22.7%	31.8%	34.5%	21.2%	23.4%	2.2ppt	0.7ppt
ROA	1.04%	1.01%	0.88%	0.51%	0.98%	0.5ppt	-0.1ppt
ROE	14.8%	12.8%	7.4%	14.5%	10.2%	-4.3ppt	-4.6ppt
NPL ratio	1.75%	1.67%	1.56%	1.55%	1.69%	14bp	-6bp
Provision coverage	142.3%	145.7%	155.5%	155.9%	152.2%	-3.6ppt	10.0ppt
Allowance ratio	2.49%	2.43%	2.43%	2.42%	2.58%	15bp	9bp
LDR	92.2%	96.2%	95.9%	97.6%	96.5%	-1.1ppt	4.3ppt
CET1 CAR	8.9%	9.3%	8.9%	9.0%	8.2%	-72bp	-66bp
Tier1 CAR	9.9%	10.4%	10.3%	10.3%	9.5%	-80bp	-45bp
Total CAR	12.8%	13.3%	13.2%	13.1%	12.7%	-38bp	-9bp

Source: Company data, CMBIS

Figure 42: Summary of earnings forecast

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Operating income (RMB mn)	154,161	177,745	190,656	203,326	223,013
Net profit (RMB mn)	50,327	53,819	46,938	50,102	56,729
EPS (RMB)	1.14	1.22	1.06	1.13	1.28
EPS CHG (%)	0.9	6.7	(12.9)	6.8	13.4
Consensus EPS (RMB)	NA	NA	1.14	1.21	1.28
P/E (x)	3.2	3.0	3.5	3.2	2.9
P/B (x)	0.39	0.36	0.33	0.31	0.29
Dividend yield (%)	9.4	10.1	8.8	9.4	10.7
ROE (%)	12.8	12.4	10.0	10.0	10.5
NPL ratio (%)	1.76	1.56	1.77	1.75	1.69
Provision coverage (%)	134	156	159	177	197

Source: Company data, Bloomberg, CMBIS estimates

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

Figure 43: Quarterly results summary

(RMB mn)							
P&L	2Q19	3Q19	4Q19	1Q20	2Q20	QoQ	YoY
Net interest income	24,950	26,100	26,635	27,146	27,520	1.4%	10.3%
Non-interest income	7,313	7,982	6,083	10,178	7,270	-28.6%	-0.6%
Operating income	32,263	34,082	32,718	37,324	34,790	-6.8%	7.8%
Operating expense	(9,181)	(10,999)	(9,106)	(9,694)	(9,672)	-0.2%	5.3%
PPoP	23,082	23,083	23,612	27,630	25,118	-9.1%	8.8%
Impairment losses	(10,421)	(10,216)	(15,752)	(14,533)	(16,140)	11.1%	54.9%
Pre-tax profit	12,661	12,867	7,860	13,097	8,978	-31.4%	-29.1%
Income tax	(1,974)	(1,871)	(1,853)	(2,224)	(1,393)	-37.4%	-29.4%
Net profit	10,711	10,955	5,955	10,831	7,532	-30.5%	-29.7%
B/S	2Q19	3Q19	4Q19	1Q20	2Q20	QoQ	YoY
Gross loans	2,592,970	2,657,253	2,712,204	2,895,027	2,921,562	0.9%	12.7%
Total deposits	2,958,862	2,962,741	3,017,888	3,530,589	3,672,102	4.0%	24.1%
Total assets	4,647,020	4,723,247	4,733,431	5,232,011	5,388,434	3.0%	16.0%
NPLs	40,718	41,041	42,212	45,004	45,413	0.9%	11.5%
Loan loss reserves	71,904	73,504	76,228	82,006	84,293	2.8%	17.2%
Key ratio	2Q19	3Q19	4Q19	1Q20	2Q20	QoQ	YoY
NIM	2.28%	2.31%	2.36%	2.31%	2.29%	-2bp	2bp
CIR	28.5%	32.3%	27.8%	26.0%	27.8%	1.8ppt	-0.7ppt
ROA	0.88%	0.93%	0.94%	0.50%	0.87%	0.4ppt	0.0ppt
ROE	14.4%	14.4%	7.6%	13.5%	9.3%	-4.2ppt	-5.1ppt
NPL ratio	1.57%	1.54%	1.56%	1.55%	1.55%	0bp	-2bp
Provision coverage	178.0%	179.1%	181.6%	182.2%	186.8%	4.5ppt	8.7ppt
Allowance ratio	2.77%	2.77%	2.81%	2.83%	2.89%	5bp	11bp
LDR	87.6%	89.7%	89.9%	82.0%	79.6%	-2.4ppt	-8.1ppt
CET1 CAR	9.0%	9.2%	9.2%	9.0%	8.7%	-36bp	-33bp
Tier1 CAR	9.9%	11.1%	11.1%	10.8%	10.4%	-40bp	52bp
Total CAR	12.3%	13.4%	13.5%	13.1%	12.7%	-35bp	45bp

Source: Company data, CMBIS

Figure 44: Summary of earnings forecast

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

Source: Company data, Bloomberg, CMBIS estimates

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

Figure 45: Quarterly results summary

(RMB mn)							
P&L	2Q19	3Q19	4Q19	1Q20	2Q20	QoQ	YoY
Net interest income	22,865	22,630	23,692	24,770	25,535	3.1%	11.7%
Non-interest income	12,488	12,499	11,308	13,156	14,867	13.0%	19.1%
Operating income	35,353	35,129	35,000	37,926	40,402	6.5%	14.3%
Operating expense	(10,664)	(10,661)	(10,893)	(11,000)	(11,178)	1.6%	4.8%
PPoP	24,689	24,468	24,107	26,926	29,224	8.5%	18.4%
Impairment losses	(14,319)	(13,792)	(18,531)	(15,928)	(22,563)	41.7%	57.6%
Pre-tax profit	10,370	10,676	5,576	10,998	6,661	-39.4%	-35.8%
Income tax	(2,375)	(2,455)	(990)	(2,410)	(1,499)	-37.8%	-36.9%
Net profit	7,957	8,218	4,574	8,548	5,130	-40.0%	-35.5%
B/S	2Q19	3Q19	4Q19	1Q20	2Q20	QoQ	YoY
Gross loans	2,081,896	2,151,167	2,323,205	2,444,176	2,508,408	2.6%	20.5%
Total deposits	2,367,562	2,313,764	2,459,768	2,590,095	2,509,330	-3.1%	6.0%
Total assets	3,590,766	3,707,683	3,939,070	4,132,298	4,178,622	1.1%	16.4%
NPLs	34,925	36,127	38,233	40,341	41,313	2.4%	18.3%
Loan loss reserves	63,748	67,262	70,013	80,823	88,794	9.9%	39.3%
Key ratio	2Q19	3Q19	4Q19	1Q20	2Q20	QoQ	YoY
NIM	2.71%	2.62%	2.62%	2.60%	2.59%	-1bp	-12bp
CIR	30.2%	30.3%	31.1%	29.0%	27.7%	-1.3ppt	-2.5ppt
ROA	0.86%	0.89%	0.90%	0.48%	0.85%	0.4ppt	0.0ppt
ROE	13.8%	13.1%	6.8%	12.3%	7.3%	-5.0ppt	-6.6ppt
NPL ratio	1.68%	1.68%	1.65%	1.65%	1.65%	0bp	-3bp
Provision coverage	182.5%	186.2%	183.1%	200.3%	214.9%	14.6ppt	32.4ppt
Allowance ratio	3.06%	3.13%	3.01%	3.31%	3.54%	23bp	48bp
LDR	87.9%	93.0%	94.4%	94.4%	100.0%	5.6ppt	12.0ppt
CET1 CAR	8.9%	9.8%	9.1%	9.2%	8.9%	-27bp	4bp
Tier1 CAR	9.7%	10.5%	10.5%	11.7%	11.3%	-30bp	164bp
Total CAR	12.6%	13.4%	13.2%	14.3%	14.0%	-31bp	134bp

Source: Company data, CMBIS

Figure 46: Summary of earnings forecast

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Operating income (RMB mn)	116,716	137,958	154,235	169,487	187,247
Net profit (RMB mn)	24,818	28,195	25,859	29,532	34,443
EPS (RMB)	1.39	1.54	1.29	1.48	1.73
EPS CHG (%)	7.3	10.3	(16.3)	14.7	17.1
Consensus EPS (RMB)	NA	NA	1.37	1.55	1.79
P/E (x)	10.9	9.9	11.8	10.3	8.8
P/B (x)	1.18	1.08	1.00	0.92	0.84
Dividend yield (%)	1.0	1.4	1.3	1.5	1.8
ROE (%)	11.3	11.1	8.8	9.3	10.0
NPL ratio (%)	1.75	1.65	1.66	1.59	1.53
Provision coverage (%)	155	183	212	244	275

Source: Company data, Bloomberg, CMBIS estimates

CMB (3968 HK, NOT RATED)

Figure 47: Quarterly results summary

(RMB mn)							
P&L	2Q19	3Q19	4Q19	1Q20	2Q20	QoQ	YoY
Net interest income	44,038	43,817	41,866	45,756	45,117	-1.4%	2.5%
Non-interest income	25,315	25,150	19,602	30,170	25,938	-14.0%	2.5%
Operating income	69,353	68,967	61,468	75,926	71,055	-6.4%	2.5%
Operating expense	(21,524)	(23,733)	(27,363)	(21,115)	(23,767)	12.6%	10.4%
PPoP	47,829	45,234	34,105	54,811	47,288	-13.7%	-1.1%
Impairment losses	(16,254)	(11,872)	(16,223)	(20,354)	(20,089)	-1.3%	23.6%
Pre-tax profit	31,575	33,362	17,882	34,457	27,199	-21.1%	-13.9%
Income tax	(6,445)	(6,899)	(2,795)	(6,949)	(5,811)	-16.4%	-9.8%
Net profit	25,372	26,627	15,628	27,795	21,993	-20.9%	-13.3%
B/S	2Q19	3Q19	4Q19	1Q20	2Q20	QoQ	YoY
Gross loans	4,323,530	4,462,259	4,490,650	4,732,658	4,851,715	2.5%	12.2%
Total deposits	4,727,134	4,793,171	4,874,981	5,196,453	5,474,392	5.3%	15.8%
Total assets	7,193,181	7,305,925	7,417,240	7,766,114	8,031,826	3.4%	11.7%
NPLs	53,221	53,261	52,275	52,582	55,328	5.2%	4.0%
Loan loss reserves	209,772	218,056	222,899	237,287	243,880	2.8%	16.3%
Key ratio	2Q19	3Q19	4Q19	1Q20	2Q20	QoQ	YoY
NIM	2.69%	2.56%	2.40%	2.56%	2.45%	-10bp	-23bp
CIR	31.0%	34.4%	44.5%	27.8%	33.4%	5.6ppt	2.4ppt
ROA	1.49%	1.45%	1.47%	0.85%	1.46%	0.6ppt	0.0ppt
ROE	19.0%	19.4%	11.0%	18.8%	14.6%	-4.2ppt	-4.5ppt
NPL ratio	1.23%	1.19%	1.16%	1.11%	1.14%	3bp	-9bp
Provision coverage	394.1%	409.4%	426.8%	451.3%	440.8%	-10.5ppt	46.7ppt
Allowance ratio	4.85%	4.89%	4.96%	5.01%	5.03%	1bp	17bp
LDR	91.5%	93.1%	92.1%	91.1%	88.6%	-2.4ppt	-2.8ppt
CET1 CAR	11.4%	11.9%	11.9%	11.9%	11.3%	-63bp	-12bp
Tier1 CAR	12.2%	12.7%	12.7%	12.6%	12.0%	-65bp	-21bp
Total CAR	15.1%	15.4%	15.5%	15.5%	14.9%	-62bp	-19bp

Source: Company data, CMBIS

Valuation Summary

Figure 48: China banks' valuation summary

Company	Ticker	Mkt cap (bn)	Last Price	TP	Rating	P/B (x)		P/E (x)		Yield		ROE	
		(Local ccy)	(Local ccy)	(Local ccy)		2020E	2021E	2020E	2021E	2020E	2021E	2020E	2021E
H-share													
ICBC	1398 HK	1,904	4.24	6.00	BUY	0.51	0.48	5.0	4.8	6.1%	6.4%	10.7%	10.4%
CCB	939 HK	1,343	5.30	7.60	BUY	0.53	0.49	5.1	4.9	6.0%	6.3%	10.7%	10.5%
ABC	1288 HK	1,247	2.53	3.70	BUY	0.42	0.40	4.3	4.1	7.1%	7.5%	10.2%	10.0%
BOC	3988 HK	990	2.49	3.60	BUY	0.37	0.35	4.2	4.0	7.4%	7.7%	9.2%	9.0%
PSBC	1658 HK	419	3.35	4.80	BUY	0.49	0.46	5.0	4.6	6.3%	6.9%	10.2%	10.4%
CITICB	998 HK	248	3.11	4.60	BUY	0.29	0.27	3.3	3.0	7.9%	8.6%	9.2%	9.4%
CEB	6818 HK	210	2.65	4.00	BUY	0.37	0.34	3.9	3.5	8.1%	8.8%	9.8%	10.1%
BoCom	3328 HK	345	3.93	4.50	HOLD	0.36	0.34	4.1	4.0	7.6%	7.9%	8.9%	8.7%
MSB	1988 HK	253	4.08	4.60	HOLD	0.33	0.31	3.5	3.2	8.8%	9.4%	10.0%	10.0%
CMB	3968 HK	1,067	38.60	-	NR	1.31	1.18	9.2	8.2	3.5%	4.0%	15.2%	15.5%
Average						0.50	0.46	4.8	4.4	6.9%	7.3%	10.8%	10.7%
A-share													
ICBC	601398 CH	1,658	4.96	7.00	BUY	0.67	0.62	6.5	6.2	4.7%	4.9%	10.7%	10.4%
CCB	601939 CH	1,169	6.23	8.90	BUY	0.69	0.64	6.7	6.4	4.6%	4.8%	10.7%	10.5%
ABC	601288 CH	1,086	3.19	4.50	BUY	0.60	0.56	6.0	5.8	5.1%	5.3%	10.2%	10.0%
BOC	601988 CH	862	3.23	4.60	BUY	0.54	0.51	6.1	5.8	5.1%	5.4%	9.2%	9.0%
PSBC	601658 CH	365	4.57	6.30	BUY	0.75	0.70	7.6	6.9	4.1%	4.5%	10.2%	10.4%
CITICB	601998 CH	216	5.17	7.20	BUY	0.54	0.50	6.1	5.6	4.3%	4.6%	9.2%	9.4%
CEB	601818 CH	183	3.86	5.30	BUY	0.60	0.56	6.3	5.7	5.0%	5.4%	9.8%	10.1%
PAB	000001 CH	309	15.90	22.80	BUY	1.05	0.96	12.3	10.8	1.3%	1.4%	8.8%	9.3%
BoCom	601328 CH	300	4.60	5.30	HOLD	0.47	0.44	5.4	5.2	5.8%	6.0%	8.9%	8.7%
MSB	600016 CH	220	5.37	6.10	HOLD	0.49	0.46	5.1	4.7	6.0%	6.4%	10.0%	10.0%
CMB	600036 CH	929	37.56	-	NR	1.48	1.33	10.3	9.2	3.1%	3.5%	15.0%	15.4%
Average						0.72	0.66	7.1	6.6	4.5%	4.8%	10.7%	10.6%

Source: Bloomberg, CMBIS estimates; Data as of 12 Oct 2020.

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