

Postal Savings Bank of China (601658 CH)

A defensive play with visible growth outlook

We view PSBC as an excellent defensive play amid the challenging operating environment post COVID-19's outbreak. Its extensive branch network and rich customer resource also provide a decent growth potential. **Initiate coverage with BUY.**

■ **Solid funding base and asset optimization underpin a superior NIM.** PSBC's unique operation model of self-managed plus agency outlets grants easier access to cheap and stable deposit funding, which accounted for 95% of total liabilities. Cost advantage has enlarged its NIM premium over Big-5 peers amid intensifying deposit competition since 2017. Although falling market rates appeared to weigh on PSBC's margin due to its interbank net lender position, rising LDR and higher-yield consumption-related loans bode well for NIM outlook. The Bank is a key beneficiary to potential benchmark deposit rate cut. Our analysis indicates 10bp/5bp cut in time/demand deposit rates could boost FY20E NIM and earnings by 8.5bp and 3.0%, respectively.

■ **Healthy asset quality outlook with a low-risk profile.** PSBC has a decent set of asset quality indicators, including NPL ratio of 0.83%, provision coverage of 391%, and lowest SML/overdue loan ratio in the sector. The outstanding asset quality is mainly attributed to: 1) 54.3% proportion for retail loans, of which 61.5% was mortgage; 2) relatively short operating history, hence little legacy NPL issue from previous rounds of credit stimulus; and 3) limited exposure to risky industries. We expect PSBC's lower-than-peer NPL formation to sustain, even with the shock from COVID-19.

■ **Extensive customer reach offers potential to enhance profitability.** PSBC had total 39,680 branches as of 1H19, consisting of 7,945 self-managed and 31,735 agency outlets. Total retail clients amounted to 589mn (vs 627mn for ICBC). We believe its vast branch network and rich customer resource are yet to be fully monetized. Improving branch service capability, deeper customer penetration, and technology utilization would be key drivers for profitability. Merely 6.6% revenue contribution from fee income in 1H19 also implies huge upside for intermediary business.

■ **Initiate with BUY rating and RMB 7.30 TP.** We expect PSBC to deliver 15.0%/12.8%/15.6% net profit growth in FY19-21E, 1-4% above consensus estimates. PSBC should enjoy a valuation premium over the Big-5, given its higher retail exposure, faster loan and earnings growth, more resilient NIM, and less asset quality risk. Our RMB 7.30 TP is based on GGM-derived target P/B of 1.16x and FY20E BPS of RMB 6.31.

Earnings Summary

(YE 31 Dec)	FY17A	FY18A	FY19E	FY20E	FY21E
Operating income (RMB mn)	224,864	261,245	277,358	300,541	328,354
Net profit (RMB mn)	47,683	52,311	60,142	67,819	78,405
EPS (RMB)	0.59	0.62	0.69	0.75	0.87
EPS CHG (%)	6.2	4.7	11.6	9.4	16.2
Consensus EPS (RMB)	NA	NA	0.71	0.78	0.87
P/E (x)	9.4	8.9	8.0	7.3	6.3
P/B (x)	1.17	1.05	0.96	0.87	0.79
Dividend yield (%)	2.7	3.5	3.8	4.2	4.9
ROE (%)	13.1	12.3	12.4	12.5	13.2
NPL ratio (%)	0.75	0.86	0.85	0.93	0.95
Provision coverage (%)	325	347	394	391	409

Source: Company data, Bloomberg, CMBIS estimates

BUY (Initiation)

Target Price	RMB 7.30
Up/Downside	+32.5%
Current Price	RMB 5.51

China Banking Sector

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Stock Data

Mkt Cap (RMB mn)	457,517
Avg 3 mths t/o (RMB mn)	NA
52w High/Low (RMB)	6.14/5.21
Total Issued Shares (mn)	67,122 (A) 19,856 (H)

Source: Bloomberg

Shareholding Structure

China Post Group	64.21%
China Life	3.84%
China Telecom	1.28%

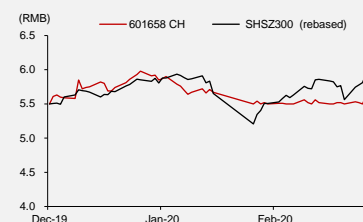
Source: Company data

Share Performance

	Absolute	Relative
1-mth	2.2%	-7.0%
3-mth	NA	NA
6-mth	NA	NA

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: PwC

Related Reports

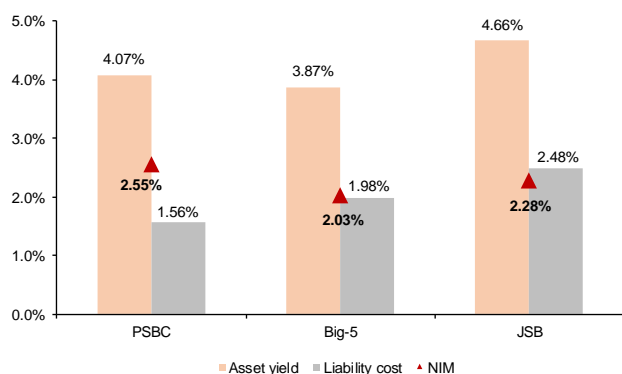
- Excess provisions buffering NIM contraction – 30 Oct 2019
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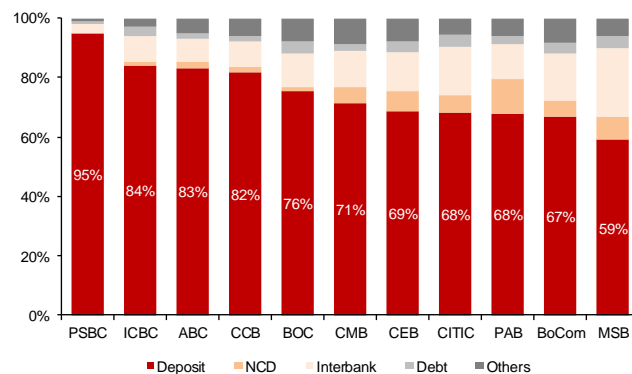
Focus Charts

Figure 1: Asset yield, liability cost, and NIM (1H19)



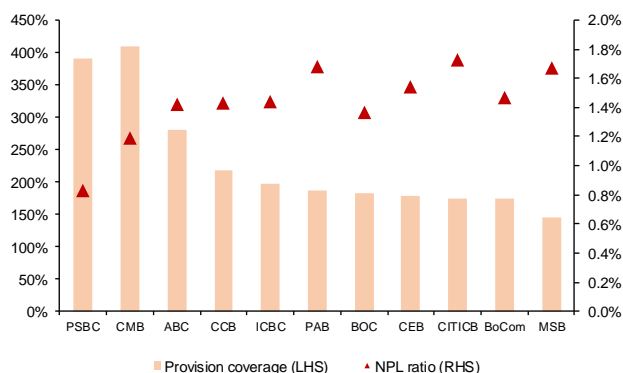
Source: Company data, CMBIS

Figure 2: Liability structure (1H19)



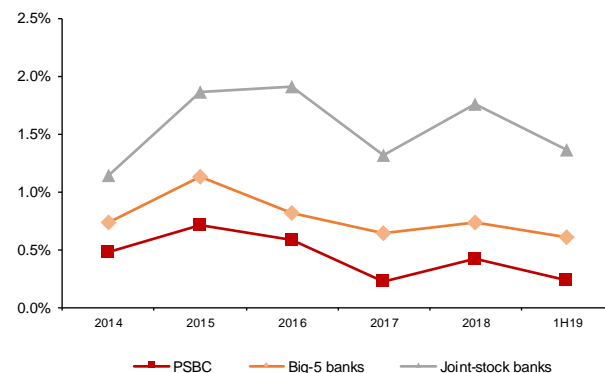
Source: Company data, CMBIS

Figure 3: NPL ratio and provision coverage (3Q19)



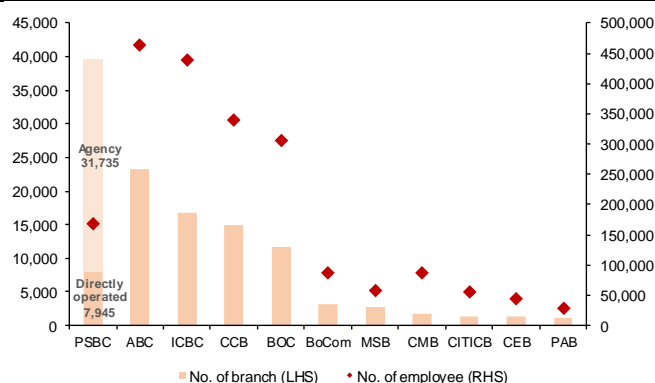
Source: Company data, CMBIS

Figure 4: PSBC's NPL formation vs Big-5 and JSB



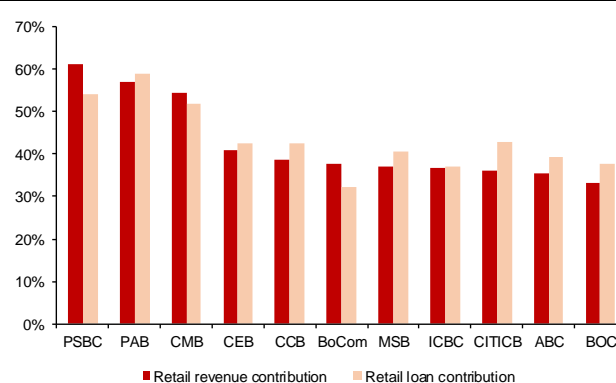
Source: Company data, CMBIS

Figure 5: No. of branch and staff (1H19)



Source: Company data, CMBIS

Figure 6: Retail business contribution (1H19)



Source: Company data, CMBIS

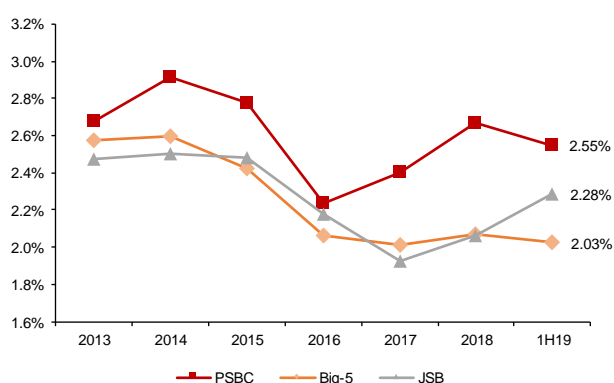
Investment Highlights

Solid funding base and asset optimization underpin a superior NIM

PSBC's extensive branch network enables it to easily absorb cheap and stable deposit funding. As of 1H19, deposits accounted for 95.1% of its total liabilities, vs 78.3%/67.0% for Big-5 and JSB. In particular, majority of PSBC's branches are located in central and western China, where customers have weaker bargaining power and higher stickiness given less competition from banking peers. Therefore, the Bank was able to enjoy the lowest funding cost in the sector (1.56% vs 1.98%/2.48% for Big-5/JSB in 1H19). On asset side, loans only accounted for 45.2% of its total assets as of 1H19, but retail loans contributed to 54.2% of total loans. Hence, PSBC's overall asset yield lies between that of Big-5 and JSB.

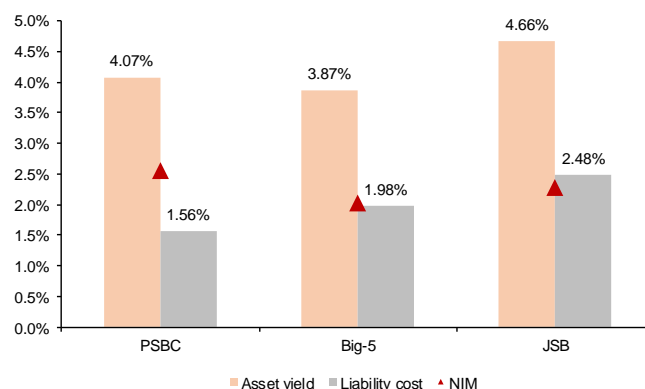
PSBC's NIM stood at 2.55% in 1H19, only trailed CMB's (600036 CH, NR) 2.70% and PAB's (000001 CH, BUY) 2.62% among nationwide banks. On the back of cost advantage, the Bank's NIM advantage over Big-5 peers has been more prominent amid intensifying deposit competition since 2017. We believe faster NIM contraction in 1H19 was mainly due to falling market rates and PSBC's balance sheet structure as an interbank net lender. That said, it has trimmed interbank assets by 44.8% YoY as of 1H19. Continued lift in LDR and proportion of higher-yield consumption-related retail loans bode well for the Bank's NIM outlook.

Figure 7: PSBC's NIM vs Big-5 and JSB



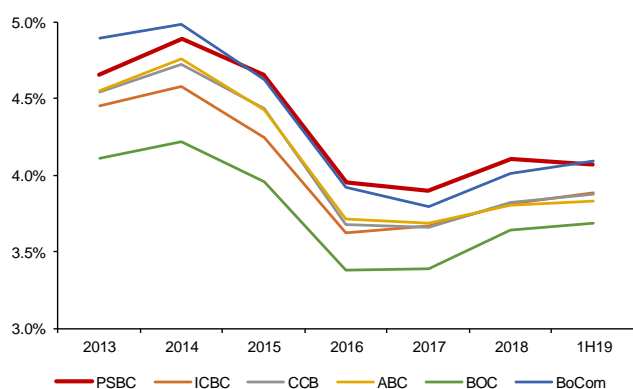
Source: Company data, CMBIS

Figure 8: Asset yield, liability cost, and NIM (1H19)



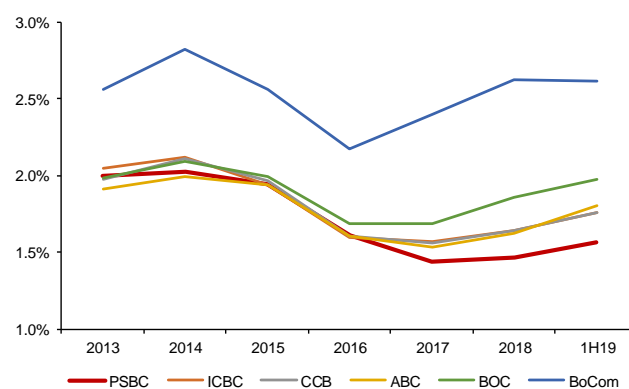
Source: Company data, CMBIS

Figure 9: PSBC's asset yield vs Big-5

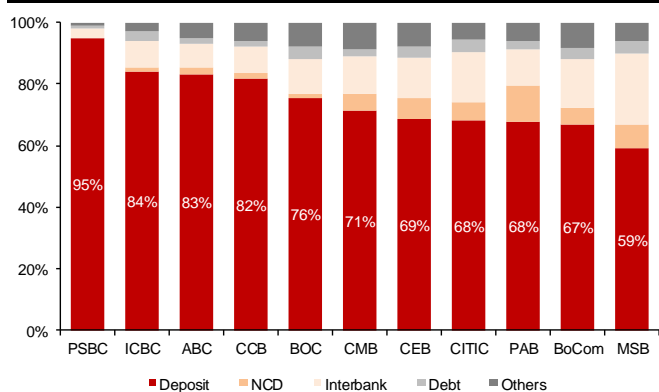


Source: Company data, CMBIS

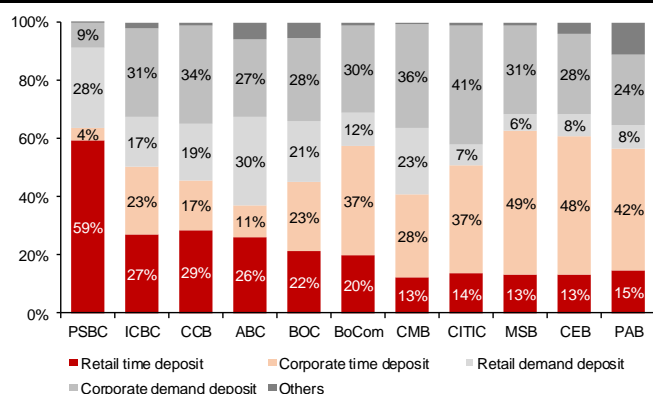
Figure 10: PSBC's liability cost vs Big-5



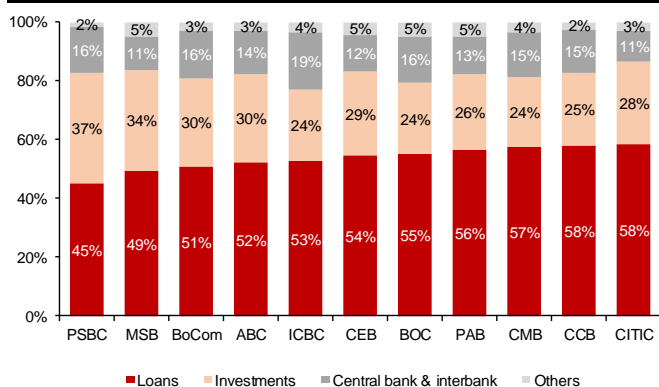
Source: Company data, CMBIS

Figure 11: Liability structure (1H19)

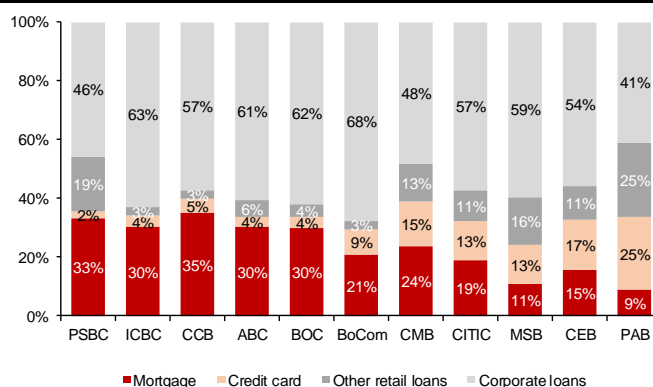
Source: Company data, CMBIS

Figure 12: Deposit structure (1H19)

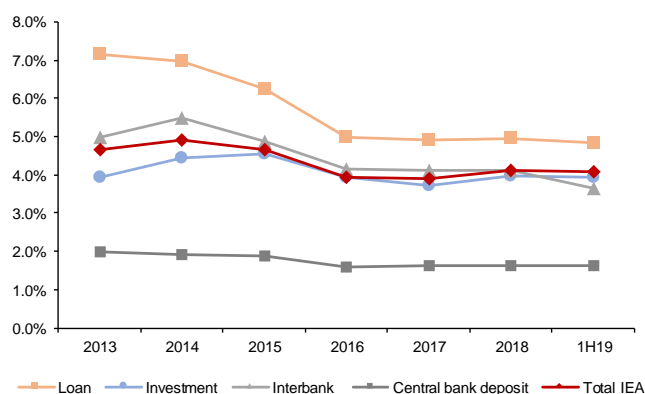
Source: Company data, CMBIS

Figure 13: Asset structure (1H19)

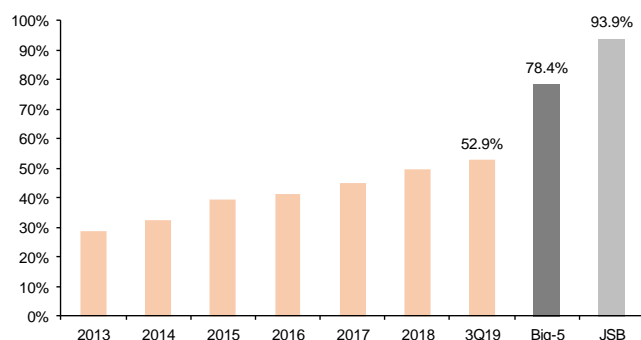
Source: Company data, CMBIS

Figure 14: Loan structure (1H19)

Source: Company data, CMBIS

Figure 15: PSBC's yields for different types of asset

Source: Company data, CMBIS

Figure 16: PSBC's LDR vs Big-5 and JSB

Source: Company data, CMBIS

Given mounting economic pressure post COVID-19's outbreak and recent US rate cut, there is rising expectation for PBoC to cut benchmark deposit rate, so as to create more space for banks to reduce loan rate. PSBC would be a key beneficiary to potential deposit rate cut, thanks to its high proportion of deposit funding. Our sensitivity analysis indicates: 1) 10bp cut in time deposit rate could boost the Bank's FY20E NIM and earnings by 6.6bp and 2.3%; and 2) 10bp cut in time deposit rate plus 5bp cut in demand deposit rate could amplify the impact to 8.5bp and 3.0%, respectively.

Figure 17: NIM and earnings sensitivity to changes in benchmark deposit rates

Company	Scenario - 1 Time deposit rate - 10bp		Scenario - 2 Time deposit rate -10bp & Demand deposit rate -5bp	
	FY20E NIM chg	FY20E net profit chg	FY20E NIM chg	FY20E net profit chg
PSBC	6.6 bp	2.3%	8.5 bp	3.0%
ICBC	3.9 bp	1.4%	5.8 bp	2.1%
CCB	3.4 bp	1.2%	5.7 bp	2.0%
ABC	3.4 bp	1.3%	5.7 bp	2.2%
BOC	3.6 bp	1.6%	5.3 bp	2.2%
BoCom	4.1 bp	1.8%	5.4 bp	2.4%
CITICB	3.6 bp	1.2%	5.2 bp	1.7%
MSB	4.0 bp	1.4%	5.2 bp	1.8%
CEB	4.0 bp	1.4%	5.3 bp	1.8%
PAB	5.1 bp	1.3%	6.0 bp	1.6%
Big-5	3.7 bp	1.4%	5.6 bp	2.2%
JSB	4.2 bp	1.3%	5.4 bp	1.7%
Average	4.0 bp	1.4%	5.7 bp	2.0%

Source: Company data, CMBIS estimates

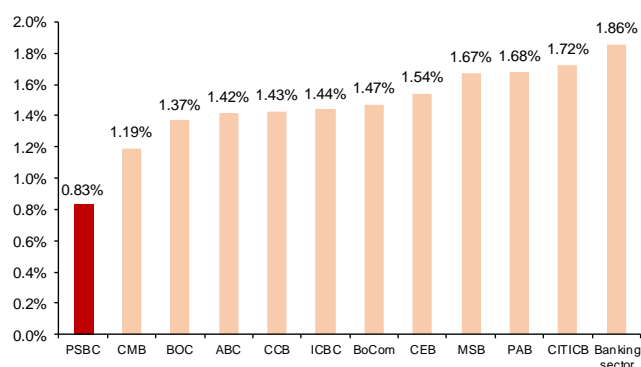
Healthy asset quality outlook with a low-risk profile

PSBC has a decent set of asset quality indicators, including: 1) NPL ratio of 0.83%, vs average 1.53% for banks under our coverage and 1.86% for China commercial bank sector as of 3Q19; 2) stringent NPL recognition, as NPL covered 124% of >90-day overdue loans as of 1H19; 3) the lowest SML and overdue loan ratio (leading indicators for NPL) of 0.67% and 0.97% as of 1H19; and 4) solid provision coverage of 391% as of 3Q19.

PSBC's outstanding asset quality can be attributed to: 1) higher proportion of retail loans (54.3% of total loans as of 3Q19), offering greater risk diversification and lower cyclical to economic downturn; 2) relatively late engagement in lending business thus did not get involved in the "Four trillion credit stimulus" in 2009 to tackle with the global financial crisis. Loans only accounted for 46.4% of total assets as of 3Q19, and the remaining was mainly bond investments and interbank assets; and 3) limited credit exposure to risky sectors, such as manufacturing, wholesale & retail, and commercial services.

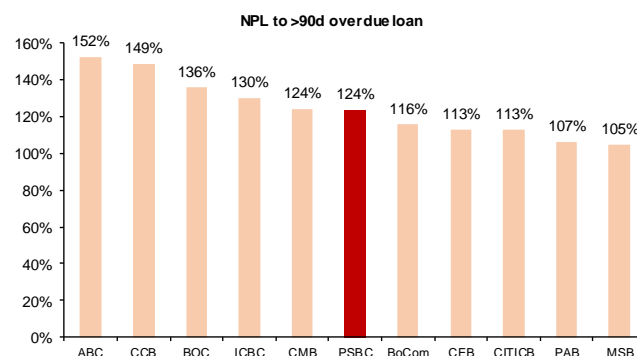
Thanks to its low-risk loan profile, PSBC's NPL formation ratio has been consistently below Big-5 and JSB. Among different categories of retail loan, only credit card and personal consumption loans saw an uptick in NPL ratio in 1H19 (+18bp/13bp HoH to 1.85%/1.32% respectively). However, credit card and consumption loans only accounted for 4.3% and 10.8% of total retail loans as of 1H19. Therefore, we believe PSBC's lower-than-peers NPL formation could sustain, even with the shock from COVID-19.

Figure 18: NPL ratio (3Q19)



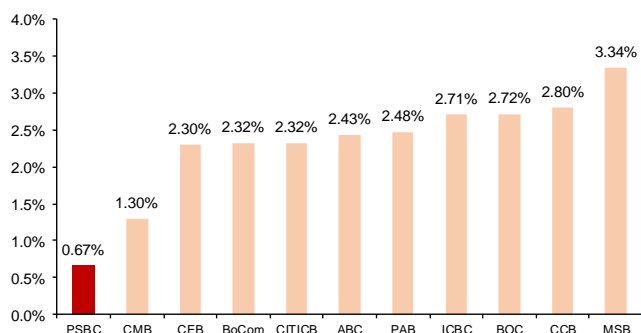
Source: Company data, CMBIS

Figure 19: NPL recognition (1H19)



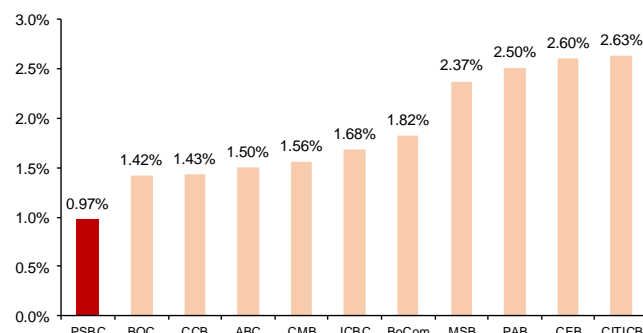
Source: Company data, CMBIS

Figure 20: SML ratio (1H19)

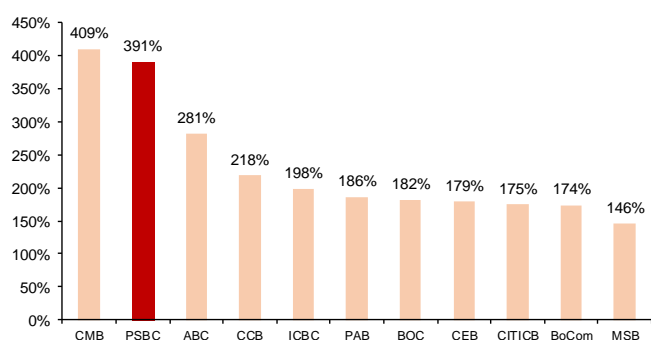


Source: Company data, CMBIS

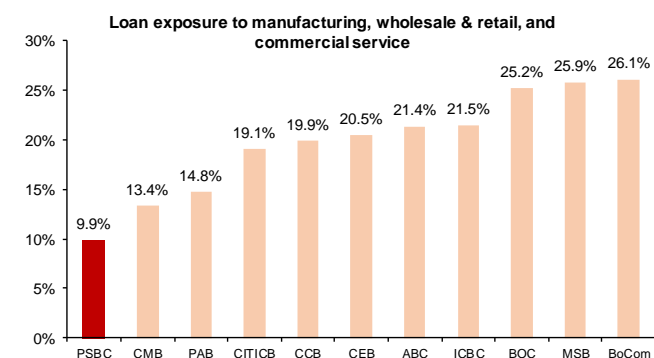
Figure 21: Overdue loan ratio (1H19)



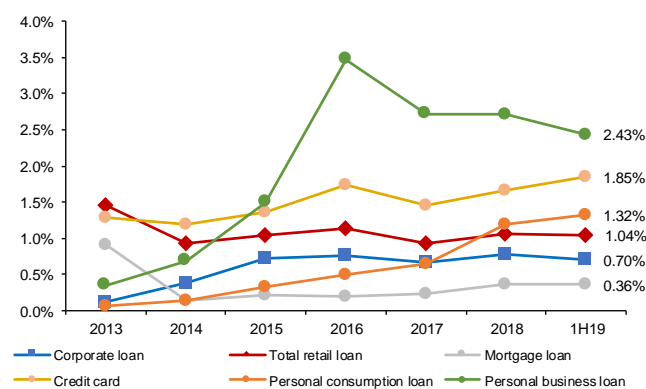
Source: Company data, CMBIS

Figure 22: Provision coverage (3Q19)

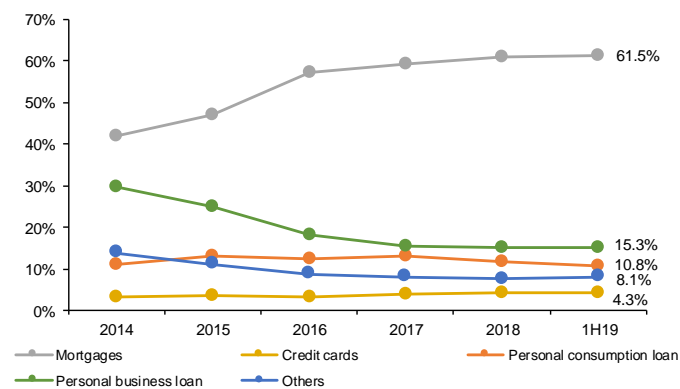
Source: Company data, CMBIS

Figure 23: Loan exposure to risky sectors (1H19)

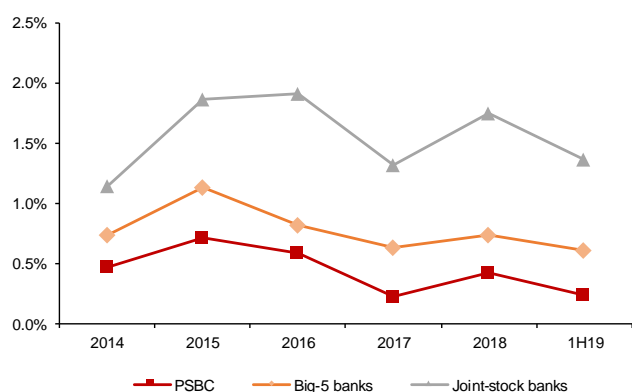
Source: Company data, CMBIS

Figure 24: PSBC's NPL ratio for different types of loan

Source: Company data, CMBIS

Figure 25: PSBC's retail loan mix

Source: Company data, CMBIS

Figure 26: PSBC's NPL formation vs sector peers

Source: Company data, CMBIS

Figure 27: China banks' loan profile (1H19)

Loan sector	ICBC	CCB	ABC	BOC	BoCom	PSBC	CMB	CITICB	MSB	CEB	PAB
Corporate loans	62.9%	57.2%	60.6%	62.1%	67.7%	45.8%	48.2%	57.0%	59.4%	57.4%	41.6%
Manufacturing	10.2%	8.8%	10.4%	13.5%	12.0%	5.8%	6.1%	7.3%	8.8%	9.8%	4.9%
Wholesale and retail	3.7%	3.3%	3.1%	3.0%	4.7%	2.2%	3.9%	4.1%	5.3%	4.4%	5.8%
Leasing and commercial services	7.6%	7.8%	8.0%	8.7%	9.5%	2.0%	3.4%	7.7%	11.7%	6.3%	4.1%
Transportation and postal services	13.3%	10.2%	12.2%	9.8%	11.5%	9.7%	7.0%	3.9%	2.0%	3.5%	1.9%
Electricity, gas and water supply	6.3%	5.8%	6.9%	5.3%	4.0%	4.0%	3.4%	2.0%	1.5%	1.7%	0.8%
Real estate	5.7%	4.4%	5.5%	8.0%	4.8%	1.4%	7.9%	7.9%	14.5%	8.1%	9.8%
Public utility	5.5%	3.0%	3.9%	2.5%	5.3%	1.5%	1.2%	6.2%	3.3%	9.3%	-
Construction	1.8%	2.5%	2.2%	2.1%	3.0%	2.1%	2.2%	2.5%	2.8%	3.3%	1.7%
Mining	1.4%	1.7%	1.7%	2.5%	2.3%	1.3%	0.9%	-	3.5%	-	1.4%
Others	7.4%	9.7%	6.9%	6.7%	10.5%	15.8%	12.1%	15.4%	5.9%	10.9%	11.1%
Retail loans	37.1%	42.8%	39.4%	37.9%	32.3%	54.2%	51.8%	43.0%	40.6%	42.6%	58.4%
Mortgage	30.2%	35.2%	30.3%	30.0%	20.9%	33.3%	24.0%	19.1%	11.0%	15.2%	17.7%
Credit card	3.9%	4.7%	3.5%	3.7%	8.9%	2.3%	15.1%	13.0%	13.1%	16.5%	23.3%
Others	3.0%	2.9%	5.6%	4.3%	2.6%	18.6%	12.7%	10.8%	16.4%	10.8%	17.5%

Source: Company data, CMBIS

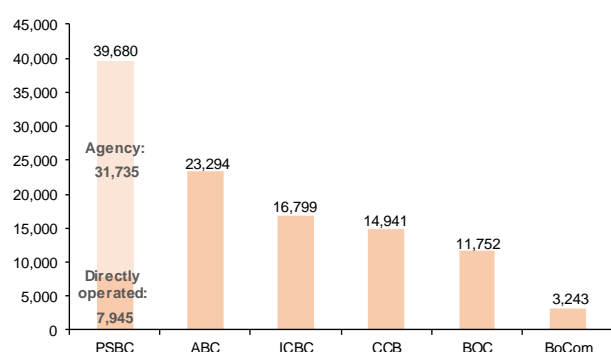
Extensive customer reach offers great potential to enhance profitability

PSBC's strategic vision is to become the most trusted and valuable first-tier large retail bank. It had a unique operational model consisting of 7,945 self-managed and 31,735 agency outlets, totaling 39,680 as of 1H19. Number of its retail clients reached 589mn, while ICBC (601398 CH, BUY) had 627mn, and two retail-focused JSBs, CMB and PAB, had 134mn and 90mn, respectively. However, we believe PSBC's vast branch network and rich customer resource are yet to be fully monetized. For instance, number of credit card issued was equivalent to merely 5% of its retail client base (vs 25%/68%/62% for ICBC/CMB/PAB), and assets and profit per branch were notably below industry average.

Transformation of branches, increasing revenue contribution through deeper customer penetration, and technology utilization would be key factors to enhance PSBC's profitability. Specifically, the Bank has been focusing on expanding agency outlets' service capability, which was primarily retail deposit and intermediary businesses. It kicked off a microfinance pilot program in six provinces in Jun 2019 and planned to extend to countrywide at later stage. The Bank spent 2.75% of FY18 revenue on IT investments and will raise the budget to 3.0%.

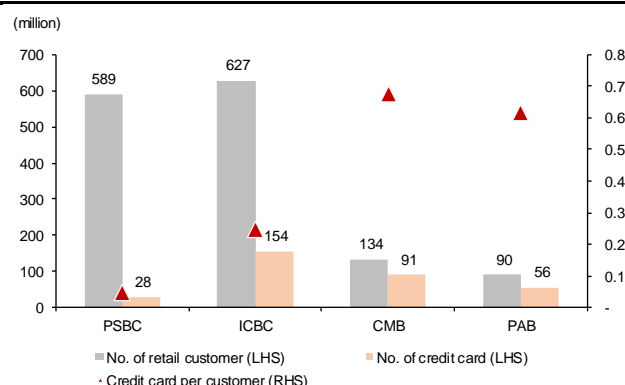
PSBC's revenue structure was relatively simple and mainly consisted of interest income from loans and investments. Net fee income only contributed 6.6% of total revenue in 1H19 (vs sector average of 23.8%), implying huge growth potential for its intermediary business. The Bank's fee income growth has been outpacing Big-5 and JSB since 2016. We believe bank card and wealth management businesses could be major drivers ahead.

Figure 28: No. of branch for PSBC and Big-5 (1H19)



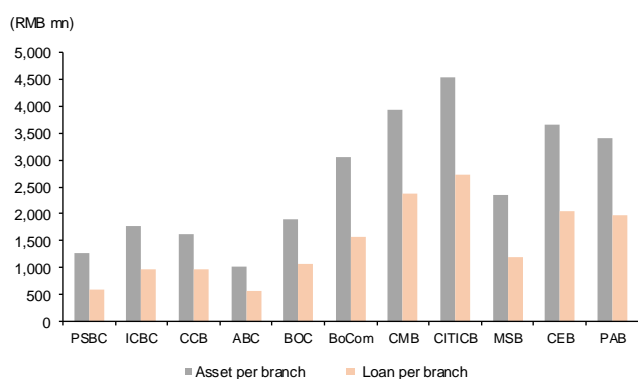
Source: Company data, CMBIS

Figure 29: Retail customers and credit cards (1H19)



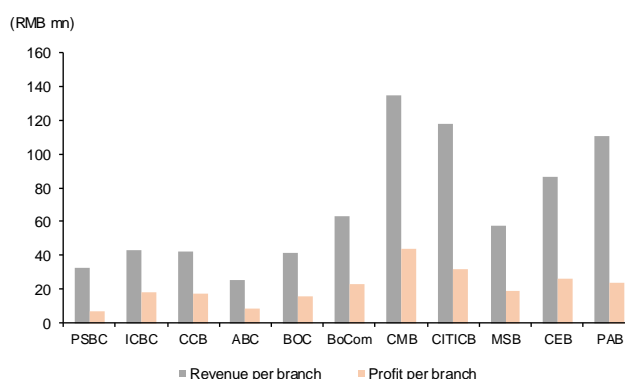
Source: Company data, CMBIS

Figure 30: Asset and loan per branch (1H19)

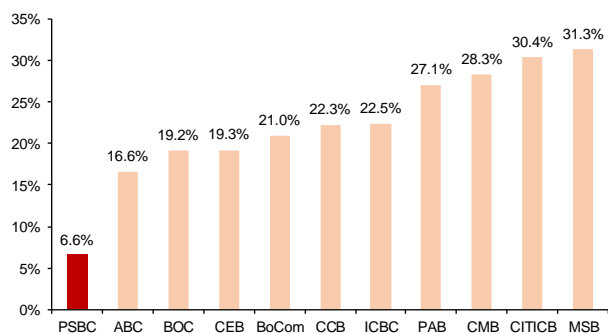


Source: Company data, CMBIS; PSBC's data is calculated based on self-operated branches, as agency outlets did not conduct lending business.

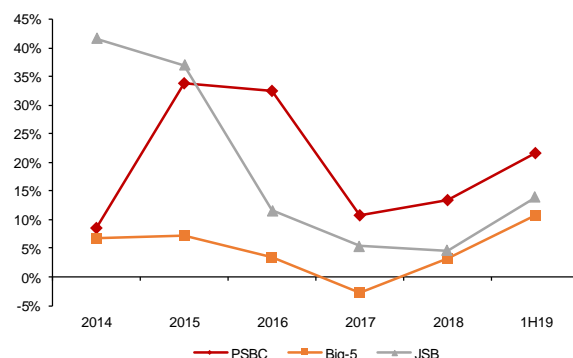
Figure 31: Revenue and profit per branch (FY18)



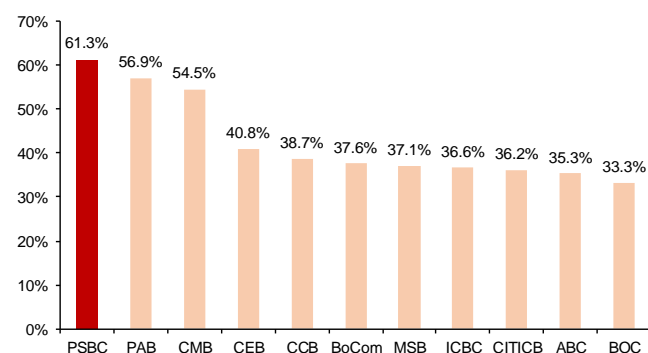
Source: Company data, CMBIS; PSBC's data is calculated based on self-operated branches, as agency outlets did not conduct lending business.

Figure 32: Net fee income as % of total revenue (1H19)

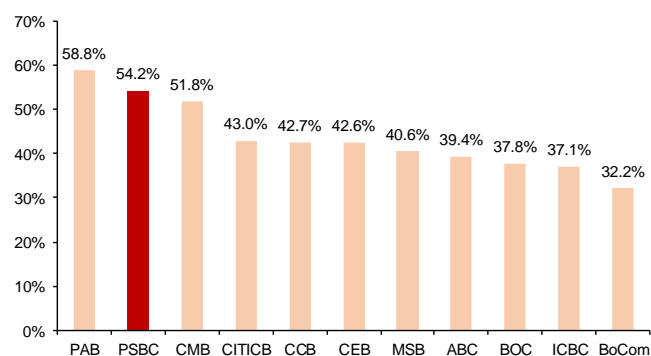
Source: Company data, CMBIS

Figure 33: PSBC's fee income growth vs Big-5 and JSB

Source: Company data, CMBIS

Figure 34: Retail revenue contribution (1H19)

Source: Company data, CMBIS

Figure 35: Retail loan contribution (1H19)

Source: Company data, CMBIS

Company Background

History and business scale

PSBC was established in Mar 2007, based on the reform of previous postal saving management system. The Bank was transformed into a joint stock limited liability company in Jan 2012. It was listed on Hong Kong Stock Exchange in Sep 2016 and was listed on Shanghai Stock Exchange in Dec 2019. PSBC ranked No.5 in total assets, No.6 in total loans, and No.5 in total deposits among China's commercial banks as of 3Q19.

Figure 36: PSBC's key operating indicators, market share, and industry ranking

(RMB bn)	2013	2014	2015	2016	2017	2018	3Q19
Assets	5,574	6,298	7,296	8,266	9,013	9,516	10,111
Market share	4.5%	4.5%	4.5%	4.4%	4.4%	4.3%	4.3%
Ranking	6	5	5	6	6	6	5
Loans	1,493	1,876	2,472	3,011	3,630	4,277	4,847
Market share	2.5%	2.7%	3.1%	3.4%	3.6%	3.7%	3.8%
Ranking	10	9	7	7	6	6	6
Deposits	5,206	5,803	6,305	7,286	8,063	8,627	9,166
Market share	5.5%	5.3%	5.3%	5.4%	5.5%	5.5%	5.4%
Ranking	5	5	5	5	5	5	5

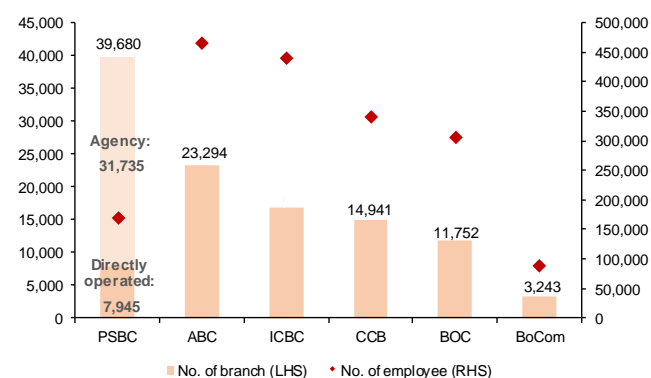
Source: Company data, CMBIS estimates

Unique operational model

As of 1H19, PSBC had 39,680 branches in total, consisting of 7,945 directly-operated outlets and 31,735 agency outlets under China Post Group. In terms of geographical distribution, the Bank had 11,935 branches in cities, 8,742 in counties, and 19,003 in rural areas, respectively.

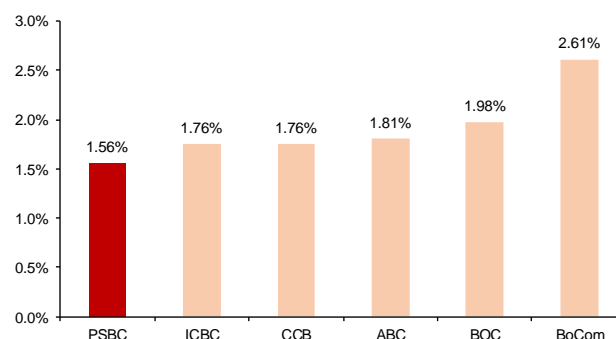
PSBC started retail banking by conducting micro loan business in 2007. It engaged in credit card and personal consumption loan business in 2008, and then launched corporate banking business in 2009. Due to its relatively younger age, loans only accounted for 46.4% of total assets as of 3Q19, notably lower than sector peers. On the other hand, deposit contributed to 95.5% of total liabilities, enabling the Bank to enjoy a significant funding cost advantage. PSBC's cost of interest-bearing liabilities was 1.56% in 1H19, much lower than average 1.88% for Big-5.

Figure 37: No. of branch and staff (1H19)

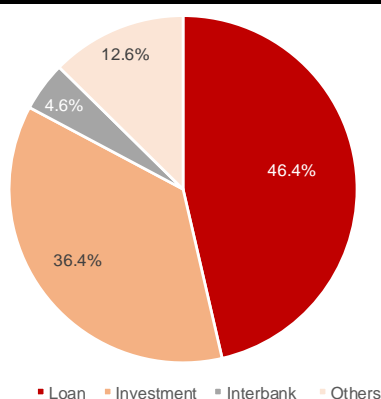


Source: Company data, CMBIS

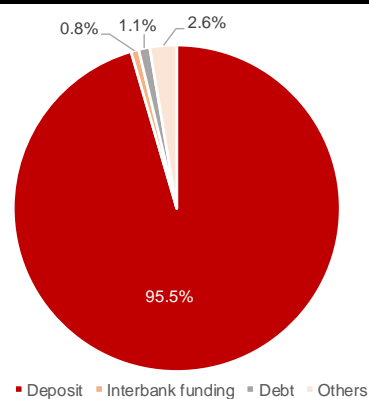
Figure 38: Cost of interest-bearing liabilities (1H19)



Source: Company data, CMBIS

Figure 39: Asset mix as of 3Q19

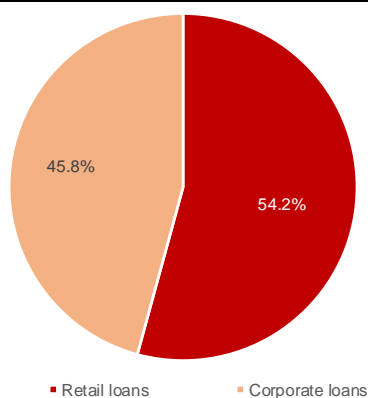
Source: Company data, CMBIS

Figure 40: Liability mix as of 3Q19

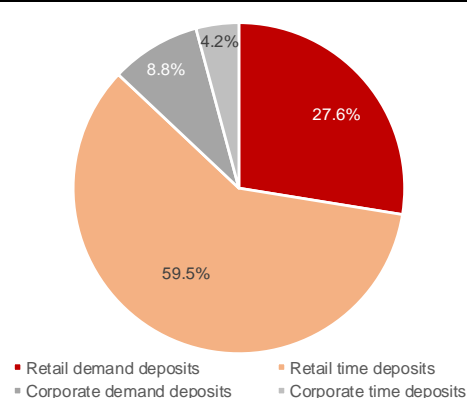
Source: Company data, CMBIS

Strong retail banking franchise

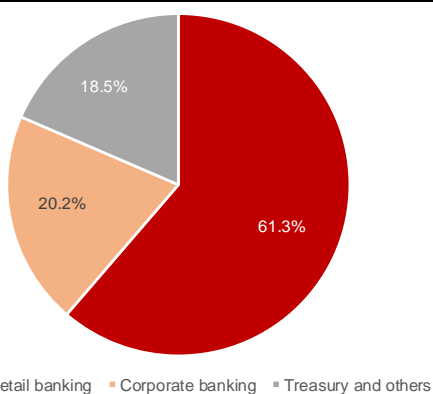
Thanks to the extensive branch network, PSBC's had total 589mn retail customers as of 1H19. The number reportedly surpassed 600mn (over 40% of China's total population) in Nov 2019. PSBC has the highest retail banking business contribution among big banks, in terms of total loans, deposits, and revenue.

Figure 41: Loan mix as of 1H19

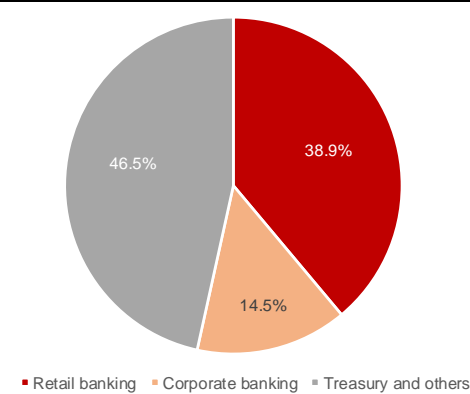
Source: Company data, CMBIS

Figure 42: Deposit mix as of 1H19

Source: Company data, CMBIS

Figure 43: Revenue mix in 1H19

Source: Company data, CMBIS

Figure 44: Pre-tax profit mix in 1H19

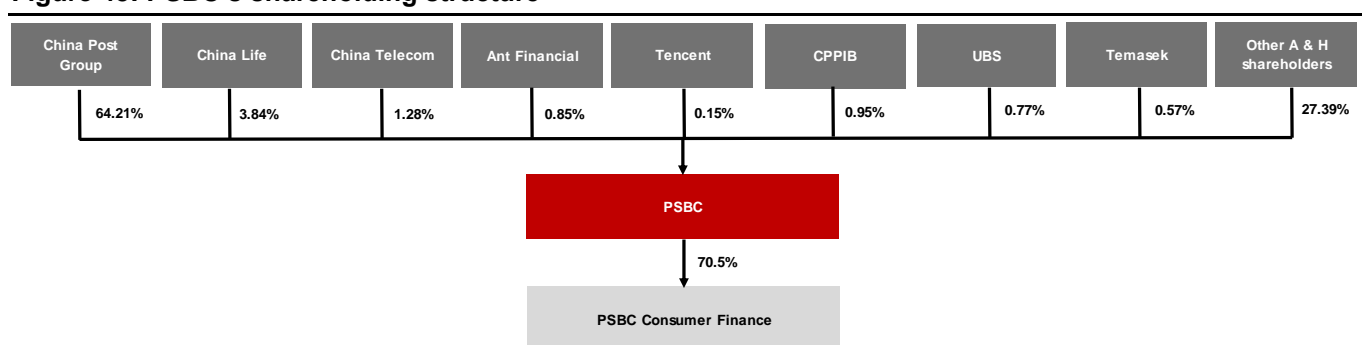
Source: Company data, CMBIS

Shareholding structure

China Post Group, PSBC's controlling shareholder, held approximately 64.2% of issued share capital after the Bank's A-share listing. China Post Group principally engaged in domestic and international mail delivery, distribution of publications such as newspapers, journals and books, stamp issuance, postal remittance, confidential correspondence, postal financial business, postal express delivery, postal logistics, e-commerce, postal agency and other businesses conducted in accordance with law.

In Dec 2015, PSBC introduced 10 strategic investors, including UBS, China Life, China Telecom, CPPIB, Ant Financial, JPMorgan, FMPL, IFC, DBS and Tencent. Cooperation with foreign shareholders and internet giants would improve the Bank's operating efficiency and risk management, especially for consumer finance and technology utilization.

Figure 45: PSBC's shareholding structure



Source: Company data, CMBIS

Earnings Forecasts

Expect 7.9%/14.4% CAGR for revenue/net profit in FY19-21E

We forecast PSBC's revenue to grow 6.2%/8.4%/9.3% in FY19-21E, mainly driven by strong credit expansion (14-16% YoY) and rapid growth in fee income (15-20% YoY). Loan growth will outpace overall asset growth as the Bank gradually shifts asset allocation to loans from lower-yield bond investments and interbank assets. We expect CIR to decline as the Bank improve operating efficiency with branch transformation and technology utilization. Credit cost should soften given already stringent NPL recognition, solid provision buffer, and MoF's consultation paper for banks to release excess provision. As such, we estimate net profit to grow 15.0%/12.8%/15.6% in FY19-21E, and ROE to pick up to 12.5%/13.2% in FY20/21E.

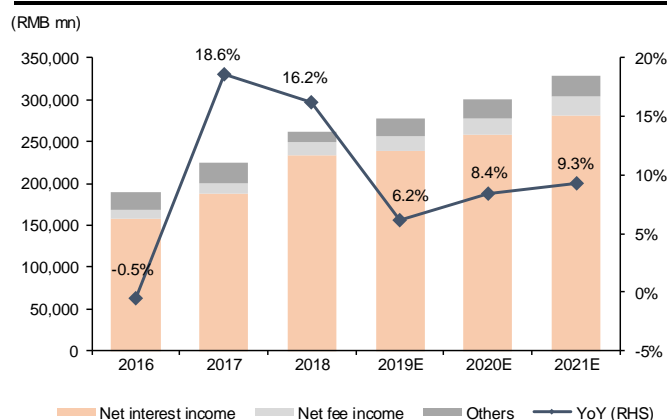
NIM to narrow but more resilient than peers

We forecast NIM to contract by 4bp/2bp in FY20/21E respectively, due to series of LPR cut and supportive credit policies to combat COVID-19. However, with relatively stable funding cost, rising LDR, and optimized loan mix, PSBC's NIM should fare better compare to sector peers.

NPL ratio is likely to rise yet still lowest in the sector

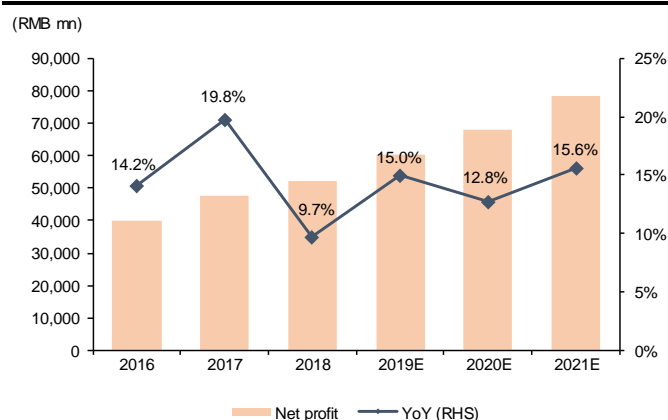
China banks will likely face greater asset quality pressure in coming quarters, as corporate and individual borrower's credit condition got worsened by COVID-19. We expect PSBC's NPL ratio to pick up to 0.93%/0.95% in FY20/21E, mainly from impairment in MSE and credit card loans. That said, the Bank's NPL ratio would remain significantly below sector average.

Figure 46: Total revenue forecast

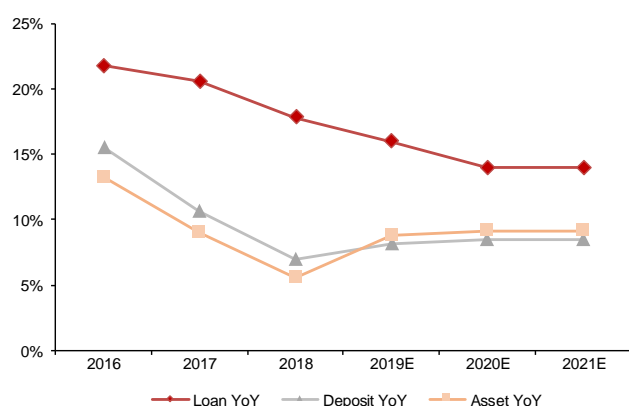


Source: Company data, CMBIS estimates

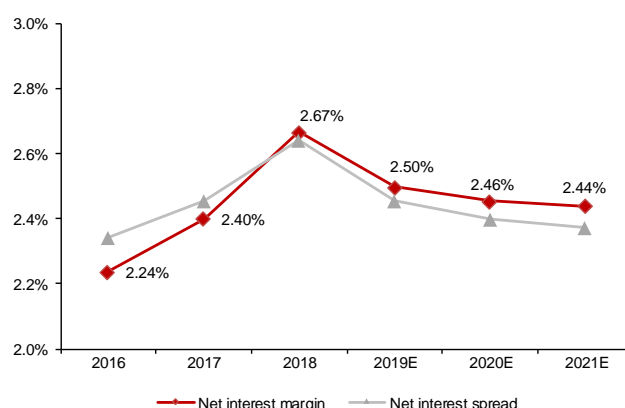
Figure 47: Net profit forecast



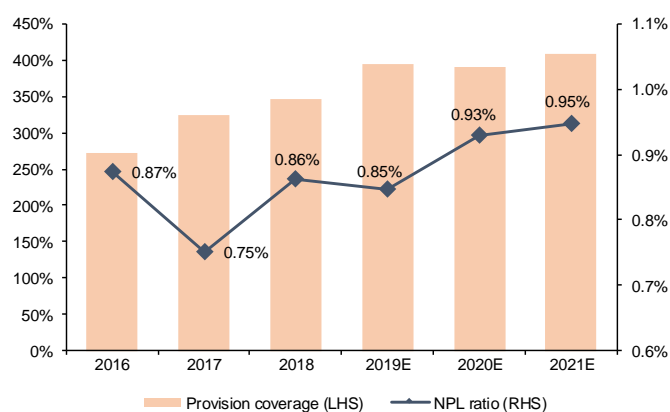
Source: Company data, CMBIS estimates

Figure 48: Loan, deposit, and asset growth forecast

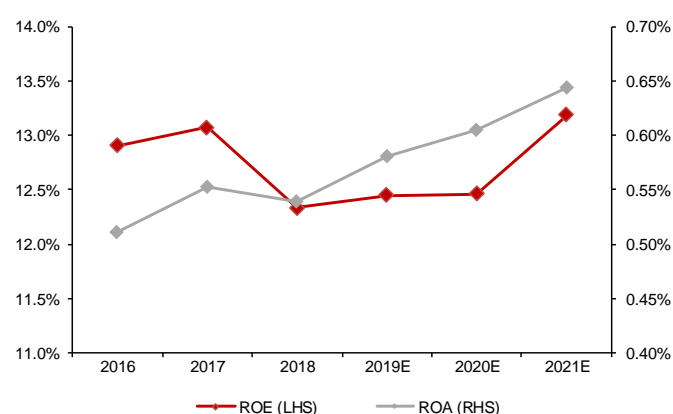
Source: Company data, CMBIS estimates

Figure 49: NIM and NIS forecast

Source: Company data, CMBIS estimates

Figure 50: NPL and provision coverage forecast

Source: Company data, CMBIS estimates

Figure 51: ROE and ROA forecast

Source: Company data, CMBIS estimates

CMBI vs consensus estimates

Our revenue forecasts are in line with Bloomberg consensus, but our net profit forecasts are 1-4% higher than market expectation. We believe this mainly reflects our relatively conservative stance on PSBC's NIM, but more optimistic view on its non-interest income growth and credit cost trend. As such, our FY21E ROE forecast is 0.5ppt above consensus estimate.

Figure 52: Difference between CMBI and consensus forecasts

Key forecasts	CMBI	Consensus	Difference
FY20E			
Revenue (RMB mn)	300,541	302,444	-0.6%
Net profit (RMB mn)	67,819	67,113	1.1%
EPS (RMB)	0.75	0.78	-3.7%
BPS (RMB)	6.31	6.43	-2.0%
NIM	2.46%	2.50%	-4.4bp
ROE	12.5%	12.5%	-0.01ppt
FY21E			
Revenue (RMB mn)	328,354	327,837	0.2%
Net profit (RMB mn)	78,405	75,479	3.9%
EPS (RMB)	0.87	0.87	0.2%
BPS (RMB)	6.95	7.04	-1.2%
NIM	2.44%	2.50%	-6.0bp
ROE	13.2%	12.7%	0.48ppt

Source: Bloomberg, CMBIS estimates

Valuation And Recommendation

Initiate with BUY rating and TP of RMB 7.30

We use Gordon Growth Model to derive the TP for PSBC. Our key assumptions include: 1) Market risk premium of 8.3%; 2) Risk free rate of 2.9%, 3) Sustainable ROE of 13.4%; and 4) Long-term growth rate of 3.0%. Our TP of RMB 7.30 is based on a target P/B of 1.16x and FY20E BVPS of RMB 6.31.

We believe PSBC should enjoy a valuation premium vs other state-owned banks, given its higher retail exposure, faster loan and earnings growth, more resilient NIM, and less asset quality risk.

Figure 53: Valuation assumptions

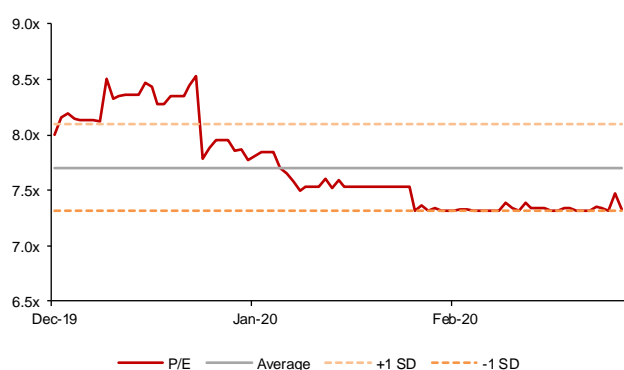
Assumptions	Reference	Value
FY20E P/E of CSI 300 Index (x)	Bloomberg	11.8
FY20E dividend yield of CSI 300 Index (%)	Bloomberg	2.7
Expected market return (%)	Earning yield (1/PE) + dividend yield	11.2
Risk-free rate (%)	10-year treasury yield	2.9
Market risk premium (%)	Expected mkt return - risk free rate	8.3
Beta (x)		1.1
COE (%)	Based on CAPM	12.0
Long-term growth (%)		3.0
Sustainable ROE (%)	DuPont analysis	13.4
Fair value P/B (x)	$(ROE - g) / (COE - g)$	1.16
FY20E BPS (RMB)		6.3
Target price (RMB)		7.3

Source: Bloomberg, CMBIS estimates

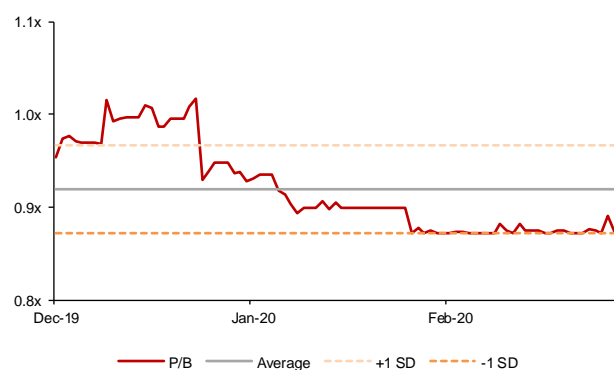
Figure 54: Peers' valuation comparison

Company	Ticker	Mkt cap (RMB bn)	3M daily turnover (RMB mn)	Price (RMB)	P/B (x)		P/E (x)		Dvd yield		ROE	
					FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
ICBC	601398 CH	1,874	1,034	5.41	0.77	0.70	6.2	5.9	4.8%	5.1%	12.9%	12.4%
CCB	601939 CH	1,428	591	6.63	0.79	0.72	6.3	6.0	4.8%	5.1%	13.1%	12.5%
ABC	601288 CH	1,205	632	3.50	0.69	0.64	5.8	5.6	5.2%	5.5%	12.4%	11.9%
BOC	601988 CH	996	334	3.63	0.64	0.60	5.9	5.6	5.2%	5.5%	11.3%	10.9%
BoCom	601328 CH	367	414	5.34	0.57	0.53	5.3	5.1	5.8%	6.1%	11.0%	10.6%
PSBC	601658 CH	457	NA	5.51	0.96	0.87	7.8	6.8	3.7%	4.3%	12.7%	13.2%
CMB	600036 CH	885	1,937	35.41	1.53	1.36	9.8	8.6	3.1%	3.5%	16.5%	16.6%
CITICB	601998 CH	244	125	5.56	0.62	0.56	5.8	5.4	4.5%	4.7%	10.9%	10.7%
MSB	600016 CH	250	433	5.90	0.58	0.53	4.9	4.7	5.5%	5.1%	12.3%	11.8%
CEB	601818 CH	191	432	3.90	0.63	0.58	5.6	5.1	4.7%	5.2%	11.6%	11.7%
PAB	000001 CH	292	1,574	15.03	0.95	0.86	9.2	7.9	1.5%	1.7%	10.9%	11.3%
SPDB	600000 CH	326	424	11.12	0.65	0.58	5.5	5.1	3.1%	3.5%	12.7%	12.4%
INDB	601166 CH	372	1,243	17.92	0.75	0.68	5.7	5.3	4.2%	4.6%	13.7%	13.3%
HXB	600015 CH	110	141	7.16	0.50	0.44	5.0	4.8	3.7%	3.8%	10.1%	9.7%
Average					0.76	0.69	6.3	5.8	4.3%	4.5%	12.3%	12.1%

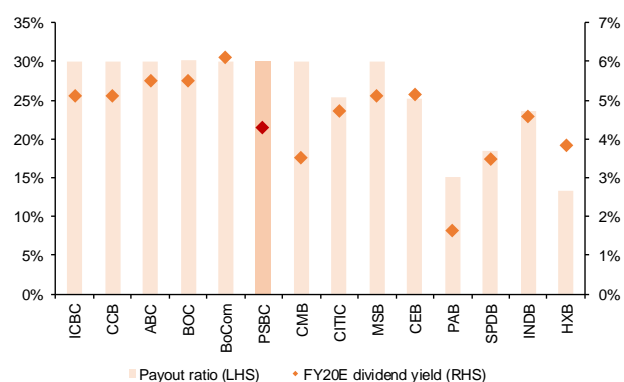
Source: Bloomberg, CMBIS. Data as of 6 Mar 2020.

Figure 55: PSBC's historical P/E

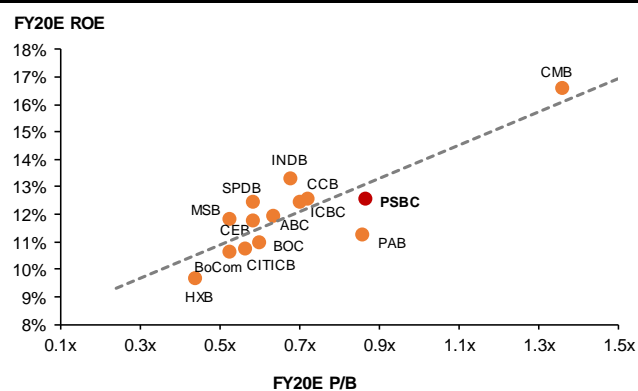
Source: Bloomberg, CMBIS

Figure 56: PSBC's historical P/B

Source: Bloomberg, CMBIS

Figure 57: PSBC's dividend payout & yield vs peers

Source: Bloomberg, CMBIS

Figure 58: ROE vs P/B for A-share banks

Source: Bloomberg, CMBIS

Financial Summary

PSBC's financial summary

Income Statement

YE Dec 31 (RMB mn)	FY17A	FY18A	FY19E	FY20E	FY21E
Interest income	305,285	360,166	385,514	419,136	459,243
Interest expenses	(117,170)	(126,044)	(146,098)	(161,421)	(178,982)
Net interest income	188,115	234,122	239,416	257,715	280,260
Net fee income	12,737	14,434	16,599	19,919	23,504
Others	24,012	12,689	21,343	22,907	24,589
Operating income	224,864	261,245	277,358	300,541	328,354
Operating expenses	(147,016)	(152,324)	(154,419)	(163,936)	(174,525)
PPoP	77,848	108,921	122,940	136,605	153,829
Provision	(26,737)	(55,434)	(60,863)	(65,884)	(72,081)
Operating profit	51,111	53,487	62,077	70,721	81,748
Non-operating income	-	-	-	-	-
Pre-tax profit	51,111	53,487	62,077	70,721	81,748
Income tax expenses	(3,402)	(1,103)	(1,862)	(2,829)	(3,270)
Minority interests	(26)	(73)	(73)	(73)	(73)
Net profit	47,683	52,311	60,142	67,819	78,405

Key Ratio

YE Dec 31 (RMB mn)	FY17A	FY18A	FY19E	FY20E	FY21E
Op. income mix					
Net interest income	84%	90%	86%	86%	85%
Net fee income	6%	6%	6%	7%	7%
Others	11%	5%	8%	8%	7%
Total	100%	100%	100%	100%	100%
Growth, YoY					
Net interest income	19.4%	24.5%	2.3%	7.6%	8.7%
Net fee income	10.8%	13.3%	15.0%	20.0%	18.0%
Operating income	18.6%	16.2%	6.2%	8.4%	9.3%
PPoP	30.1%	39.9%	12.9%	11.1%	12.6%
Net profit	19.8%	9.7%	15.0%	12.8%	15.6%
Gross loans	20.6%	17.8%	16.0%	14.0%	14.0%
Customer deposits	10.7%	7.0%	8.2%	8.5%	8.5%

Efficiency

Cost-to-income ratio	64.6%	57.6%	54.8%	53.6%	52.1%
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Balance Sheet

YE Dec 31 (RMB mn)	FY17A	FY18A	FY19E	FY20E	FY21E
Due from central banks	1,364,392	1,155,444	1,249,957	1,355,961	1,470,976
Interbank assets	754,731	665,660	465,962	475,281	484,787
Investments	3,167,033	3,387,487	3,623,737	3,749,662	3,880,623
Gross loans	3,630,135	4,276,865	4,961,163	5,655,726	6,447,528
Less: provision	88,564	127,327	165,503	205,682	249,690
Other assets	184,824	158,082	216,102	264,592	290,168
Total assets	9,012,551	9,516,211	10,351,419	11,295,541	12,324,392
Due to central banks	-	-	-	-	-
Interbank liabilities	237,214	248,929	264,701	304,406	350,067
Customer deposits	8,062,659	8,627,440	9,334,890	10,128,356	10,989,266
Debt securities issued	74,932	76,154	106,616	122,608	140,999
Other liabilities	206,389	88,375	95,134	102,710	110,934
Total liabilities	8,581,194	9,040,898	9,801,341	10,658,080	11,591,266
Shareholders' equity	430,973	474,404	549,169	636,551	732,216
Incl. Perpetual bonds	-	-	-	40,000	80,000
Incl. Preferred stocks	47,846	47,869	47,869	47,869	47,869
Minority interest	384	909	909	909	909
Total equity	431,357	475,313	550,078	637,460	733,125

Asset quality

NPL ratio	0.75%	0.86%	0.85%	0.93%	0.95%
Provision coverage	325%	347%	394%	391%	409%
Provision/ total loans	2.44%	2.98%	3.34%	3.64%	3.87%
Credit costs	0.64%	1.09%	1.05%	1.00%	0.97%

Capital adequacy

CET-1 CAR	8.6%	9.8%	10.4%	10.3%	10.3%
Tier-1 CAR	9.7%	10.9%	11.4%	12.0%	12.5%
Total CAR	12.5%	13.8%	14.0%	14.7%	15.3%

Profitability

NIM	2.40%	2.67%	2.50%	2.46%	2.44%
ROE	13.1%	12.3%	12.4%	12.5%	13.2%
ROA	0.55%	0.54%	0.58%	0.60%	0.64%
RoRWA	1.13%	1.14%	1.27%	1.30%	1.37%

Per share

EPS (RMB)	0.59	0.62	0.69	0.75	0.87
DPS (RMB)	0.15	0.19	0.21	0.23	0.27
BVPS (RMB)	4.73	5.26	5.76	6.31	6.95

Source: Company data, CMBIS estimates

PSBC's results summary

Figure 59: PSBC's 3Q19 results

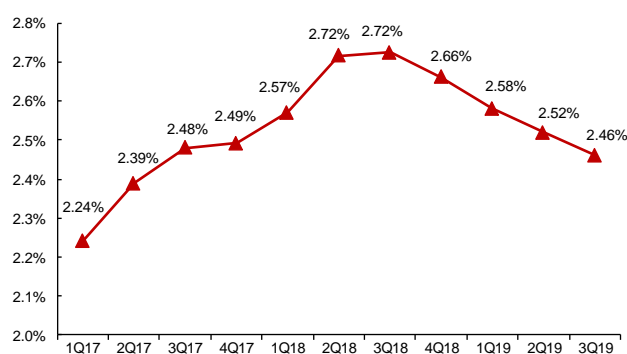
(RMB mn)						
P&L	9M18	9M19	YoY	3Q18	3Q19	YoY
Net interest income	173,817	179,180	3.1%	62,155	60,098	-3.3%
Net fee and commission income	11,310	13,448	18.9%	3,628	4,109	13.3%
Operating income	196,523	210,558	7.1%	64,115	68,854	7.4%
Operating expense	(110,100)	(111,750)	1.5%	(35,330)	(38,528)	9.1%
PPoP	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

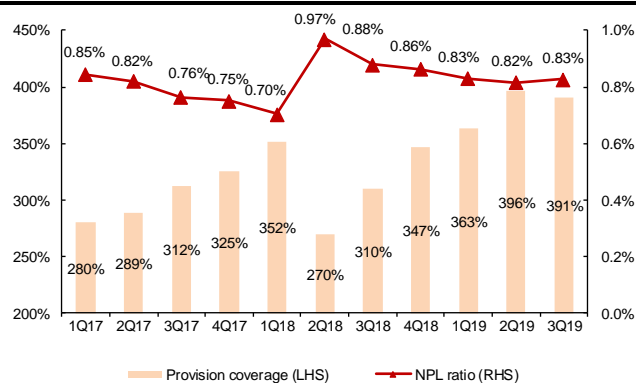
Source: Company data, CMBIS

Figure 60: Quarterly NIM



Source: Company data, CMBIS

Figure 61: NPL ratio and provision coverage



Source: Company data, CMBIS

Peer comparison in key financials

Figure 62: Summary of key financials (3Q19)

Earnings	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
YoY growth	5.0%	5.2%	5.3%	4.1%	5.0%	16.2%	14.6%	10.7%	6.7%	13.1%	15.5%
3Q19 net profit (RMB mn)	83,781	71,154	59,226	45,531	17,398	16,904	26,627	12,445	13,906	10,955	8,218
YoY growth	5.8%	6.1%	6.1%	3.0%	5.2%	19.2%	17.7%	12.3%	6.4%	13.1%	16.0%
Growth	ICBC	CCB	ABC	BOC	BoCom	PSBC	CMB	CITICB	MSB	CEB	PAB
YoY (3Q19 vs 3Q18)											
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%
QoQ (3Q19 vs 2Q19)											
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	-14bp
NIM	-6bp	2bp	1bp	1bp	0bp	-6bp	-12bp	2bp	15bp	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
Profitability											
NIM	2.21%	2.27%	2.12%	1.85%	1.56%	2.46%	2.57%	1.98%	2.02%	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%
Asset quality											
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%	2.17%
Credit cost	0.94%	0.96%	0.94%	0.85%	1.19%	1.02%	1.08%	2.15%	1.70%	1.56%	2.60%
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%
Capital & liquidity											
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

Key Risks

Risks related to macroeconomy

China's economic growth has been on a slowing path in recent years. The outbreak of COVID-19 increased market concerns on banks' asset quality, especially for MSEs, which are more susceptible to macro downturn. PSBC's outstanding MSE loans accounted for 13.0% of total loans as of 1H19, higher than sector peers. That said, the Bank does not have to follow PBoC's guidance on targeted MSE loan growth for other stated-owned banks. Its solid provision coverage (391.1% as of 3Q19) and stringent NPL recognition (NPL to >90-day overdue loan was 123.6% as of 1H19) also offer a decent buffer against potential asset quality deterioration.

Risks related to monetary policy

China banks' NIM is closely related to central bank's monetary policies. PBoC has been gradually driving the interest rate liberalization in China. With the LPR reform started in Aug 2019, asset pricing is now more market-oriented than liability cost, thereby facing greater downside pressure during liquidity easing. Deposit funding, which accounted for 95% of PSBC's total liabilities, saw a more rigid cost trend than that of interbank funding. The agency fee scheme makes the Bank's deposit cost less flexible than sector peers. PSBC may see less favourable NIM trend if market rates further decline, but potential repricing of the deposit agency fee would reduce the risk.

Risks related to operating efficiency

As of 1H19, PSBC conducted business through 7,945 directly-operated outlets and 31,735 agency outlets, representing 20% and 80%, respectively. Agency outlets only perform deposit, settlement, and other agency financial services. The Bank pays agency fees for deposit taking and other intermediary businesses to China Post Group. Given limited business scope of the agency outlets, PSBC's cost-to-income ratio is much higher than that of sector peers. The Bank is trying to empower agency outlets through piloting auxiliary microfinance business, but the sustainability and effectiveness remain to be seen.

Risks related to industry competition

China banks are facing multiple headwinds, including economic restructuring, regulatory intervention, and the rise of internet finance companies. These would result in deteriorating profitability for traditional commercial banks. As such, banks have been investing in financial technology and developing online product and service channels, so as to strengthen their ability to acquire customers. PSBC had 589mn retail customers as of 1H19. How to enhance service quality, effectively retain customers, and increase their per capital profit contribution would be key challenges.

Valuation Summary

Figure 63: 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)		2019E	2020E	2019E	2020E	2019E	2020E	2019E	2020E
A-share													
ICBC	601398 CH	1,874	5.41	7.80	BUY	0.78	0.71	6.3	5.9	4.9%	5.1%	13.0%	12.6%
CCB	601939 CH	1,427	6.63	9.40	BUY	0.80	0.73	6.3	5.9	4.9%	5.1%	13.3%	12.8%
ABC	601288 CH	1,205	3.50	5.10	BUY	0.70	0.65	5.9	5.5	5.2%	5.5%	12.6%	12.2%
BOC	601988 CH	996	3.63	5.00	BUY	0.65	0.60	5.9	5.6	5.3%	5.5%	11.5%	11.1%
PSBC	601658 CH	457	5.51	7.30	BUY	0.96	0.87	8.0	7.3	3.8%	4.2%	12.4%	12.5%
CITICB	601998 CH	244	5.56	7.30	BUY	0.62	0.57	5.8	5.1	4.6%	5.2%	11.1%	11.6%
CEB	601818 CH	191	3.90	5.60	BUY	0.65	0.59	5.7	5.1	4.6%	5.1%	11.9%	12.1%
PAB	000001 CH	292	15.03	19.80	BUY	1.07	0.97	9.8	9.3	1.5%	1.7%	11.1%	11.0%
BoCom	601328 CH	367	5.34	6.50	HOLD	0.57	0.53	5.3	5.0	5.9%	6.2%	11.3%	11.0%
MSB	600016 CH	250	5.90	7.00	HOLD	0.58	0.53	4.9	4.6	6.2%	6.6%	12.3%	12.0%
CMB	600036 CH	885	35.41	-	NR	1.53	1.36	9.8	8.6	3.1%	3.5%	16.5%	16.6%
Average						0.83	0.76	6.7	6.2	4.7%	5.0%	12.9%	12.6%
H-share													
ICBC	1398 HK	2,098	5.36	7.50	BUY	0.69	0.63	5.6	5.3	5.5%	5.8%	13.0%	12.6%
CCB	939 HK	1,598	6.35	9.10	BUY	0.68	0.62	5.4	5.1	5.7%	6.0%	13.3%	12.8%
ABC	1288 HK	1,349	3.18	4.70	BUY	0.57	0.53	4.8	4.5	6.4%	6.8%	12.6%	12.2%
BOC	3988 HK	1,115	3.09	4.60	BUY	0.50	0.46	4.5	4.3	6.9%	7.3%	11.5%	11.1%
PSBC	1658 HK	512	4.94	6.70	BUY	0.77	0.70	6.4	5.9	4.7%	5.3%	12.4%	12.5%
CITICB	998 HK	273	4.09	5.90	BUY	0.41	0.38	3.8	3.4	7.0%	7.9%	11.1%	11.6%
CEB	6818 HK	213	3.13	4.90	BUY	0.47	0.42	4.1	3.7	6.4%	7.1%	11.9%	12.1%
BoCom	3328 HK	411	5.04	6.20	HOLD	0.49	0.45	4.5	4.2	6.9%	7.3%	11.3%	11.0%
MSB	1988 HK	280	5.53	6.30	HOLD	0.48	0.44	4.1	3.9	7.4%	7.9%	12.3%	12.0%
CMB	3968 HK	991	37.75	-	NR	1.45	1.29	9.4	8.3	3.2%	3.7%	16.6%	16.6%
Average						0.71	0.64	5.6	5.2	5.7%	6.1%	13.0%	12.7%

Source: Bloomberg, CMBIS estimates; Data as of 6 Mar 2020.

Historical P/B For Banks Under Coverage

Figure 64: ICBC-A



Source: Bloomberg, CMBIS

Figure 65: CCB-A



Source: Bloomberg, CMBIS

Figure 66: ABC-A



Source: Bloomberg, CMBIS

Figure 67: BOC-A



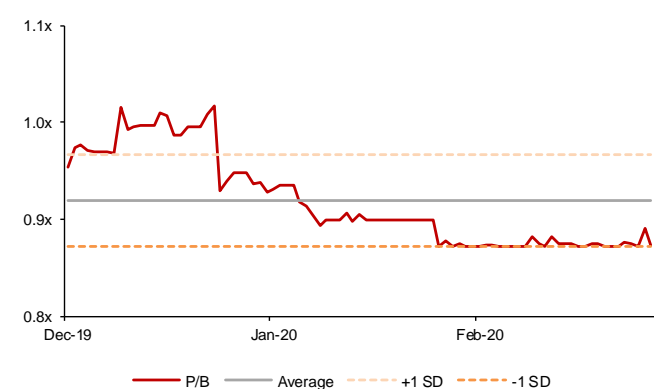
Source: Bloomberg, CMBIS

Figure 68: BoCom-A



Source: Bloomberg, CMBIS

Figure 69: PSBC-A



Source: Bloomberg, CMBIS

Figure 70: CITICB-A

Source: Bloomberg, CMBIS

Figure 71: MSB-A

Source: Bloomberg, CMBIS

Figure 72: CEB-A

Source: Bloomberg, CMBIS

Figure 73: PAB-A

Source: Bloomberg, CMBIS

Figure 74: A-share China banks

Source: Bloomberg, CMBIS

Appendix 1 – History And Milestones

Time	Event
2007	Postal Savings Bank of China Limited was established in the PRC. The Bank launched micro loan business, entering retail credit business.
2008	All of PSBC's 36 tier-1 branches were established. The Bank issued first credit card, launched personal business loan and personal consumer loan business. The Bank entered into an agreement with GIZ, pursuant to which both parties jointly established a dedicated team of "Micro Loans and Retail Banking Business Project" and carried out relevant cooperation.
2009	PSBC launched corporate proprietary loan business and corporate loans to small enterprises. The cumulative amount of micro loans the Bank extended exceeded RMB100 billion, which is a significant breakthrough of its personal loan business.
2010	PSBC launched online banking services for retail customers. The Bank commenced cash management services for corporate customers, which further diversified its corporate banking products and services.
2011	PSBC's cross-bank transaction success rate reached 99.765%, ranking first among 15 nationwide commercial banks for the first time, proving the quality of operation of our information system had reached a new height. The Bank initiated nationwide Wealth Creation Competition to support individual entrepreneurs and small and micro enterprises through an integrated service platform of financing, brand promotion, technical support and communication of business models.
2012	PSBC was converted into a joint stock limited liability company from a limited liability company. The Bank's tier-1 branches were authorized to engage in corporate credit business, which was a significant breakthrough of its corporate business. PSBC launched cross-border RMB settlement business and started to provide mobile banking services.
2013	PSBC's balance of corporate loans to small enterprises exceeded RMB100 billion. The Bank successfully hosted "The 16th Session of the Postal Savings Banks Forum of the World Savings and Retail Banking Institute" with the theme of "Commercially Sustainable Inclusive Financial Services."
2014	PSBC published the Inclusive Finance Report. As the first specialized report on the topic of inclusive finance in China's banking industry, its report discussed comprehensively the development of inclusive finance theories in China and its experience in this area. The number of the Bank's electronic banking customers exceeded 100mn, making it the fifth commercial bank with over 100mn electronic banking customers in the PRC. The balance of PSBC's personal deposits exceeded RMB 5tn, making it the fourth commercial bank with over RMB 5tn of personal deposits balance in the PRC. The Bank successfully launched "2014 Youyuan First Residential Mortgage — Backed Security (RMBS)" which was the first domestic mortgage-backed securitization product since the relaunch of asset securitization in the PRC. Its assets reached RMB 6,298bn, ranking fifth among the PRC commercial banks for the first time.
2015	PSBC introduced 10 Strategic Investors, namely, UBS, China Life, China Telecom, CPPIB, Ant Financial, JPMorgan, FMPL, IFC, DBS Bank and Shenzhen Tencent. Its subsidiary, PSBC Consumer Finance, was established, demonstrating its further expansion of comprehensive operations. The Bank published monthly small and micro enterprises operation indices exclusively in the industry, which has become an important reference for the decision-making of governmental departments. PSBC was ranked 23rd in <i>The Banker's</i> "Top 1000 World Banks" in terms of total assets as of 31 Dec 2014.
2016	PSBC was ranked 22nd in <i>The Banker's</i> "Top 1000 World Banks" in terms of total assets as of 31 Dec 2015. The Bank established the Sannong Finance Department. On 28 Sep, PSBC issued 12.1bn H shares and was listed on the Hong Kong Stock Exchange. On 20 Oct, it exercised the over-allotment option and issued 320mn H shares. After the completion of the H share issuance, the registered capital of the Bank increased to RMB 81bn, and the total number of shares increased to 81bn shares.
2019	PSBC was listed on Shanghai Stock Exchange on 10 Dec 2019, offering 5.17bn A-shares (before exercising over-allotment option) at RMB 5.50 each and raising up to RMB 28.45bn. This deal marked the largest A-share IPO in 2019.
2020	PSBC's A-share over-allotment option was fully exercised on 8 Jan 2020, pushing the total amount raised to RMB 32.71bn and making the deal the largest A-share listing since 2010.

Source: Company data, CMBIS

Appendix 2 – Management Profile

Name	Existing position	Date of appointment	Experience
Zhang Jinliang (张金良)	Chairman	May-2019	Mr. Zhang has been president of China Post Group since Aug 2018. He served as the general manager of the financial department of Bank of China (BOC) from Feb 2007 to Nov 2009, president of BOC Beijing branch from Nov 2009 to Dec 2014, and vice president of BOC from Jul 2014 to Jan 2016. He also served as president of China Everbright Bank (CEB) from Feb 2016 to Aug 2018, and executive director of China Everbright Group from Mar 2016 to Sep 2018. Mr. Zhang obtained doctor's degree in economics from Xiamen University in 1997 and was qualified as Certified Public Accountant by MOF in 1996.
Zhang Xuewen (张学文)	Executive Director, Vice President	Oct-2019	Mr. Zhang served as a deputy director of the trade finance department of MOF from Sep 1995 to Jul 1998. He served as a deputy director and the director of the grain division of the economic development department of the MOF from Jun 2000 to Jul 2004 and a deputy director general of the economic development department of the MOF from Jul 2004 to Dec 2012. In addition, Mr. Zhang currently serves as a deputy chairman of the Rural Social Insurance Commission of China Social Insurance Association and a deputy chairman of the Banking Accounting Society of China. Mr. Zhang obtained a bachelor's degree in economics from Zhongnan University of Finance and Economics in Jul 1986, a doctor's degree in economics from Dongbei University of Finance and Economics in Jun 2012, and was qualified as a senior economist granted by the Professional and Technical Positions Qualification Evaluation Commission of MOF in Jan 2014.
Yao Hong (姚红)	Executive Director, Vice President	Oct-2019	Ms. Yao served as a deputy director of the savings business division under the postal savings and remittance bureau of the Ministry of Posts and Telecommunications of the PRC from Aug 1987 to Feb 1998, the director of the savings business division and an associate director general of the postal savings and remittance bureau of the State Post Bureau from Feb 1998 to Mar 2007. She also has been serving as a director of China Post Life Insurance Company Limited since Aug 2009 and a director of China UnionPay Co., Ltd. since Mar 2014. Ms. Yao obtained a bachelor's degree in economics from Southwestern University of Finance and Economics in Jul 1987, a master's degree in management from Hunan University in Jun 2006 and was qualified as a senior economist granted by the State Administration of the PRC Posts and Telecommunications in Dec 1997. Ms. Yao was awarded the "National Women Pace Setter" by the All-China Women's Federation in Mar 2011.
Qu Jiawen (曲家文)	Vice President	Jan-2013	Mr. Qu served as the president of PSBC's Heilongjiang branch from Dec 2007 to Apr 2013. He served as deputy director and director of the research office of Heilongjiang Posts and Telecommunications Research Institute from Jul 1990 to Sep 1995, the chief engineer and deputy chief of Heilongjiang Daxinganling Region Posts and Telecommunications Bureau from Sep 1995 to Mar 1997, deputy director of the planning and construction division under Heilongjiang Posts and Telecommunications Administration Bureau from Mar 1997 to Jan 1999, deputy director and director of the engineering construction division, director of the network planning and cooperation division, director of the science and technology division, associate chief and deputy chief of Heilongjiang Post Bureau from Jan 1999 to Feb 2007 and deputy general manager of Heilongjiang Post Company from Feb 2007 to Dec 2007. Currently, Mr. Qu also serves as deputy chairman of the Internet Society of China and an executive council member of the Payment & Clearing Association of China. Mr. Qu obtained a bachelor's degree in engineering from Harbin Institute of Technology in Jul 1986, a master's degree in engineering from Harbin Institute of Technology in Mar 1990 and a doctor's degree in engineering from Harbin Engineering University in Jul 2003.
Xu Xueming (徐学明)	Vice President	Jan-2013	Mr. Xu served as the president of PSBC's Beijing branch from Nov 2007 to Apr 2013. He served as a staff member of the savings and remittance section, a deputy section chief of the savings and remittance section, the director of the general office and the section chief of the savings and remittance section of the Beijing Southern Post Bureau from Aug 1988 to Apr 1995, an associate chief and a deputy chief of the Beijing Postal Savings and Remittance Bureau from Apr 1995 to Jan 2002, the director of the public service division of the Beijing Postal Administration Bureau from Jan 2002 to Jul 2004, the chief of the Beijing Western Post Bureau from Jul 2004 to May 2006, a deputy chief of the Beijing Postal Administration Bureau from May 2006 to Feb 2007, and a deputy general manager of the Beijing Post Company from Feb 2007 to Nov 2007. Mr. Xu has also been serving as a director of China Post Securities Company Limited since Dec 2014. Mr. Xu obtained an executive master of business administration degree from Peking University in Jul 2012. Mr. Xu was qualified as a senior economist granted by the Professional and Technical Positions Qualification Evaluating Commission of Beijing Postal Administration Bureau in Jun 2001.

Name	Existing position	Date of appointment	Experience
Shao Zhibao (邵智宝)	Vice President	Jan-2013	Mr. Shao has served as the president of PSBC's Sannong Finance Department since Sep 2016. He also served as the president of PSBC's Guangdong branch between Sep 2007 and Apr 2013. He successively served as a staff member, a deputy section chief and the section chief of the enterprise Posts section of the planning and finance division of the Guangdong Post and Telecommunications Administration Bureau from Dec 1989 to Sep 1997, an associate general manager and a deputy general manager of Guangdong Southern Communication Group Company from Sep 1997 to Jan 1999, a deputy director and the director of the planning and finance division, an associate chief and a deputy chief of the Guangdong Post Bureau from Jan 1999 to Feb 2007, and a deputy general manager of the Guangdong Post Company from Feb 2007 to Sep 2007. Mr. Shao obtained an executive master of business administration degree from Jinan University in Jun 2006. He obtained a certificate for the completion of Executive Management Science Certificate Program from Leland Stanford Junior University, US in 2005.
Du Chunye (杜春野)	Secretary to the board	Apr-2017	Mr. Du served as the deputy manager for General Manager's Office of China Post Group from Apr 2007 to Oct 2010. He was the manager for General Manager's Office of China Post Group and PSBC from Oct 2010 to Sep 2011. Mr. Du served as the vice president of the Bank's Beijing branch from Sep 2011 to Feb 2012, and served as the president of PSBC's Shenzhen Branch from Apr 2013 to Apr 2017. Mr. Du obtained an MBA degree from Beijing University of Posts and Telecommunications in Jul 2007. Mr. Du was qualified as a senior economist by the Guangdong Post Company Jan 2014.

Source: Company data, CMBIS

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