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# Company Report: China CITIC BANK (00998 HK)

公司报告:中信银行 (00998 HK)

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# CITIC Wealth Management Open for Business, Maintain "Accumulate"

信银理财开业,维持"收集"

- The Company's shareholders' net profit was RMB36,918 mn, down 9.4% YoY in 1-3Q20. In 1-3Q20, net interest income was RMB99,058 mn, up 5.2% YoY. Non-interest income increased by 4.8% to RMB50,449 mn. The Company's NPL ratio was 1.98% as at the end of 3Q20, up 0.15 ppts compared with the end of 1H20, or up 0.33 ppts compared with the end of 2019. In 1-3Q20, the Company's impairment losses increased by 25.1% YoY. NPL coverage ratio decreased by 5.17 ppts compared with the end of 2019 to
- In June 2020, the commencement of business of the wholly-owned subsidiary of the Company, CITIC Wealth Management, was approved by regulators. CITIC Wealth Management was formally established and open for business in July 2020. We expect that the commencement of CITIC Wealth Management will contribute to the Company's transformation of asset management business, and will benefit the Company's healthy development of the asset management business in the near future.
- In the rest of 2020, as we expect the Company's NPL ratio to continue to increase to a certain extent, we project the Company's impairment losses to remain at a high level, which is expected to impact its earnings negatively to a certain extent. We revise down EPS estimates for FY20/ FY21/ FY22 by 14.2%/ 14.1%/ 14.3%, respectively. We expect EPS for FY20/ FY21/ FY22 to grow YoY by -8.8%/ 7.9%/ 8.8% to RMB0.870/ RMB0.939/ RMB1.021, respectively. We maintain our "Accumulate" rating and our TP of HK\$4.32 for the Company, equivalent to 4.3x FY20 PER, 4.0x FY21 PER, 3.6x FY22 PER, 0.4x FY20 PBR, 0.4x FY21 PBR and 0.3x FY22 PBR.
- 公司 2020 年前三季度股东净利润达 36,918 百万元人民币,同比下降 9.4%。2020 年前三 季度,净利息收入达99,058百万元人民币,同比增长5.2%。非利息收入同比增长4.8% 至 50,449 百万元人民币。2020 年第三季度末,公司不良贷款率为 1.98%,比 2020 年上 半年末增加 0.15 个百分点,比 2019 年末增加 0.33 个百分点。2020 年前三季度,公司减 值损失同比增长 25.1%。不良贷款拨备覆盖率比 2019 年末下降 5.17 个百分点至 170.08%。
- 2020年6月,监管机构已批准公司全资子公司信银理财开业。2020年7月,信银理财已 正式成立并开业。**我们预计信银理财开业将有助于公司资管业务转型,未来一段时间将有** 利于公司资管业务健康发展。
- 2020年余下时间,由于我们预计公司的不良贷款率将继续一定程度上增长,我们预计公司 的资产减值损失预计仍将维持在较高水平,预计将会一定程度上负面影响其盈利。我们分 别将 2020/2021/2022 财年的每股盈利预测下调 14.2%、14.1%和 14.3%。我们预计 2020/2021/2022 财年的每股盈利分别为 0.870 元人民币、0.939 元人民币和 1.021 元人民 币,分别同比上涨-8.8%、7.9%和 8.8%。我们维持我们对公司的"收集"投资评级及 4.32 **港元的目标价,**对应 4.3 倍 2020 财年市盈率、4.0 倍 2021 财年市盈率和 3.6 倍 2022 财 年市盈率, 0.4 倍 2020 财年市净率、0.4 倍 2021 财年市净率和 0.3 倍 2020 财年市净率。

| Rating: | Accumulate |
|---------|------------|
|         | Maintained |

收集 (维持)

评级:

HK\$4.32

Share price 股价:

HK\$4.32

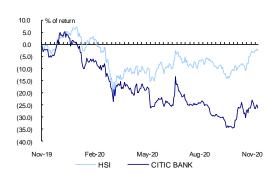
HK\$3.330

## Stock performance

6-18m TP 目标价:

Revised from 原目标价:

股价表现



| Change in Share Price               | 1 M   | 3 M   | 1 Y    |
|-------------------------------------|-------|-------|--------|
| 股价变动                                | 1 个月  | 3个月   | 1年     |
| Abs. %<br>绝对变动 %                    | (0.6) | (3.2) | (26.7) |
| Rel. % to HS Index<br>相对恒指变动 %      | (8.0) | (7.9) | (23.9) |
| Avg. Share price(HK\$)<br>平均股价 (港元) | 3.3   | 3.2   | 3.7    |

Source: Bloomberg, Guotai Junan International

| Year End | Turnover     | Net Profit | EPS   | EPS    | PER | BPS    | PBR  | DPS   | Yield | ROE    |
|----------|--------------|------------|-------|--------|-----|--------|------|-------|-------|--------|
| 年结       | 收入           | 股东净利       | 每股净利  | 每股净利变动 | 市盈率 | 每股净资产  | 市净率  | 每股股息  | 股息率   | 净资产收益率 |
| 12/31    | (RMB m)      | (RMB m)    | (RMB) | (△%)   | (x) | (RMB)  | (x)  | (RMB) | (%)   | (%)    |
| 2018A    | 165,766      | 44,513     | 0.882 | 4.7    | 3.3 | 8.209  | 0.4  | 0.230 | 7.9   | 11.3   |
| 2019A    | 187,881      | 48,015     | 0.954 | 8.1    | 3.1 | 8.976  | 0.3  | 0.239 | 8.0   | 11.1   |
| 2020F    | 197,604      | 43,884     | 0.870 | (8.8)  | 3.3 | 9.627  | 0.3  | 0.218 | 7.6   | 9.3    |
| 2021F    | 215,147      | 47,256     | 0.939 | 7.9    | 3.1 | 10.330 | 0.3  | 0.235 | 8.2   | 9.4    |
| 2022F    | 236,939      | 51,284     | 1.021 | 8.8    | 2.8 | 11.096 | 0.3  | 0.255 | 8.9   | 9.5    |
|          | ( ) W nn )W. |            |       |        |     |        | ın + |       | 0.710 |        |

Shares in issue (m) 总股数 (m) 48.934.8 Major shareholder 大股东 CITIC Group 66.0% Market cap. (HK\$ m) 市值 (HK\$ m) 162,952,9 Free float (%) 自由流通比率 (%) 34.0 FY20 CET-1 Ratio (%) FY20 一级资本比率(%) 3 month average vol. 3 个月平均成交股数 ('000) 43,893.7 8.7 52 Weeks high/low (HK\$) 52 周高/低 (HK\$) 4.780 / 2.930 FY20 NPL Ratio (%) FY20 不良贷款率 (%) 2.0

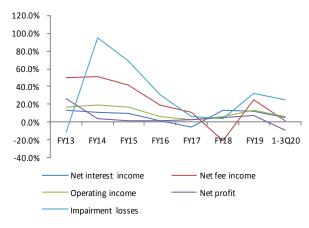
Source: the Company, Guotai Junan International.

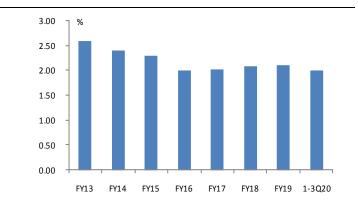


China CITIC Bank's (the "Company") shareholders' net profit decreased by 9.4% YoY in 1-3Q20. In 1-3Q20, mainly influenced by the decline in market interest rates and the repricing of LPR in our view, NIM decreased by 12 bps YoY to 2.00%. Net interest income was RMB99,058 mn, up 5.2% YoY, which was mainly driven by the expansion of interest-earning assets. Non-interest income increased by 4.8% YoY to RMB50,449 mn. Growth in non-interest income was primarily attributable to income from bank card fees and net investment income in 1H20, but both items performed relatively poorly in 3Q20. Among non-interest income, net fee and commission income increased by 1.0% YoY to RMB36,540 mn. The Company's operating expenses amounted to RMB36,056 mn, down 5.2% YoY. Asset quality declined; the Company's NPL ratio was 1.98% as of the end of 3Q20, up 0.15 ppts compared with the end of 1H20, or up 0.33 ppts compared with the end of 2019. In 3Q20, the Company's impairment losses increased by 25.1% YoY, which was one of the main reasons for the decrease in net profit. NPL coverage ratio decreased by 5.17 ppts compared with that at the end of 2019 to 170.08%. PBT was RMB44,153 mn, down 10.4% YoY. In 1-3Q20, the Company's shareholders' net profit was RMB36,918 mn, down 9.4% YoY.

Exhibit 1: CITIC Bank YoY growth of operating income, net interest income, net fee income, impairment losses and net profit

Exhibit 2: CITIC Bank NIM

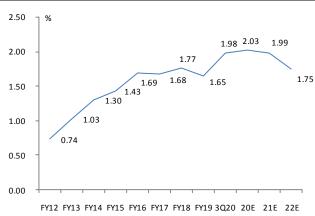




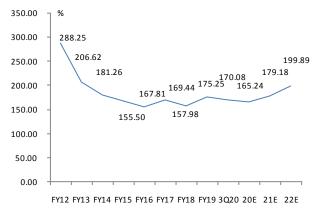
Source: the Company.

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**Exhibit 3: CITIC Bank NPL ratio** 



### Exhibit 4: CITIC Bank NPL coverage ratio



Source: the Company, Guotai Junan International.

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The commencement of CITIC Wealth Management is expected to contribute to the Company's transformation of asset management business and benefit the Company's healthy development of the asset management business in the near future. The Company formed a product line with fixed-income products as the body, and multi-asset products and equity products as the two wings; the scale of wealth management products is growing steadily. Meanwhile, the Company made achievements in the transformation of asset management business. As at the end of 1H20, the Company's existing scale of non-risk-bearing wealth management products recorded RMB1,152.777 bn, up 4.49% compared with the end of the 2019, in which the proportion of NAV products was further increased to 67.70%, up 8.23 ppts compared with the end of the 2019. In June 2020, the Company received the reply of the China Banking and Insurance Regulatory Commission on Approving the Commencement of Business of CITIC Wealth Management Corporation Limited in which the CBIRC approved the commencement of business of the wholly-owned subsidiary of the Company, CITIC Wealth Management. According to the reply, CITIC Wealth Management was established in Shanghai with registered capital of RMB5 bn, and mainly engages in wealth



management-related business such as issuance of public and private wealth management products, and wealth management consultation and advisory. CITIC Wealth Management was formally established and open for business in July 2020. We expect that the commencement of CITIC Wealth Management will contribute to the Company's transformation of asset management business, and will benefit the Company's healthy development of the asset management business in the near future.

The Chinese banking sector's asset quality is expected to decline to a certain extent, but still be under control in the rest of 2020. In the context of the outbreak of COVID-19 and the downtrend of global economic growth, fluctuations of the real economy are expected to have a great impact on the operation and solvency of lenders in China, which will be transmitted to the Chinese banking sector. Given the negative impact from the COVID-19 pandemic on the global and Chinese economy, the asset quality of the Chinese banking sector is expected to continue to face downward pressure. As the local COVID-19 epidemic has been well controlled in China, China's economy is expected to continue to recover, liquidity conditions are projected to remain loose but continue to be fine-tuned, financing support to small and micro enterprises and private enterprises will continue to advance, and market-driven NPL disposal measures including securitized products backed by non-performing loans and debt-to-equity swaps will be further promoted, we expect downward pressure of the Chinese banking sector's asset quality to still be in control. In addition, China's central government has expressed that the policy of deferred-repayment of principal and interest on loans to medium-sized, small-sized and micro-sized enterprises will be extended until the end of March 2021, inclusive loans to small and micro-sized enterprises will be extended to the full length, and loans to other enterprises with difficulties will be extended through negotiation, which is projected to also mitigate the increase of the Chinese banking sector's NPL ratio in the near future. On the whole, the banking sector's asset quality is expected to decline to a certain extent in the rest of 2020, and the NPL ratio of the banking sector is projected to reach around 1.98% at the end of 2020.

The Chinese banking sector's net profit in 2020 is expected to decline YoY to a certain extent. In the rest of 2020, we expect that loans will remain as the main financing channel that the government supports economic growth, and will still grow at a relatively fast pace. We expect that inter-bank assets and investment will record stable growth. Overall, we expect YoY growth of the banking sector's balance of total loans and total assets to be 13.0% and 10.5% as at the end of 2020, respectively. Given that we expect China's liquidity conditions will remain loose but be fine-tuned, we forecast market average interest rates to still stay at a relatively low range in the rest of 2020. Therefore, we expect the NIM of the banking sector to decrease YoY to a certain extent to around 2.09% in 2020. In the rest of 2020, under the background of the effective control of COVID-19 and the steady recovery of economic growth in China, we expect that part of the fee and commission income affected by the COVID-19 pandemic in the early stage will continue to be restored steadily. We project the banking sector's net fee and commission income to still record relatively stable growth on the whole in 2020. We expect banks to continue to strengthen their control on costs in order to increase net profit. In 4Q20, provisioning for banks is expected to remain at a relatively high level given that the NPL ratio of banks is still under increasing pressure. All things considered, we expect the banking sector's YoY growth of net profit to be around -7.1% in 2020.

In the rest of 2020, we expect the Company's interest-earning assets will continue to grow steadily and contribute to the growth of its net interest income. We think the Company's NIM will stabilize to a certain extent on a quarter-on-quarter basis, and we project that the Company's net interest income growth will recover slightly compared with 1-3Q20. We expect the Company's net fee and commission income will continue to grow at a relatively fast pace in the rest of 2020. In the rest of 2020, as we expect the Company's NPL ratio to continue to increase to a certain extent, we project that the Company's impairment losses will remain at a high level, which is expected to impact its earnings negatively to a certain extent. On the whole, we expect that the Company's earnings growth will recover slightly compared with 1-3Q20. We revise down EPS estimates for FY20/ FY21/ FY22 by 14.2%/ 14.1%/ 14.3%, respectively. We expect EPS for FY20/ FY21/ FY22 to grow YoY by -8.8%/ 7.9%/ 8.8% to RMB0.870/ RMB0.939/ RMB1.021, respectively.



**Exhibit 5: Earnings adjustments** 

|                      |          | FY20F    |        |          | FY21F     |        | FY22F    |           |        |  |
|----------------------|----------|----------|--------|----------|-----------|--------|----------|-----------|--------|--|
| RMB mn               | Old      | New      | Chg %  | Old      | New       | Chg %  | Old      | New       | Chg %  |  |
| Net interest income  | 136,065  | 134,015  | (1.5)  | 147,311  | 146,432   | (0.6)  | 158,702  | 161,893   | 2.0    |  |
| Net fee income       | 47,173   | 46,987   | (0.4)  | 50,522   | 50,370    | (0.3)  | 54,513   | 54,702    | 0.3    |  |
| Operating income     | 200,608  | 197,604  | (1.5)  | 216,176  | 215,147   | (0.5)  | 232,640  | 236,939   | 1.8    |  |
| Operating expenses   | (55,831) | (53,217) | (4.7)  | (59,732) | (58,587)  | (1.9)  | (63,815) | (64,047)  | 0.4    |  |
| PPOP                 | 144,776  | 144,387  | (0.3)  | 156,444  | 156,560   | 0.1    | 168,824  | 172,892   | 2.4    |  |
| Impairment losses    | (84,876) | (92,753) | 9.3    | (92,070) | (101,077) | 9.8    | (98,776) | (112,659) | 14.1   |  |
| NPBT                 | 60,026   | 51,575   | (14.1) | 64,509   | 55,547    | (13.9) | 70,191   | 60,300    | (14.1) |  |
| Shareholders' profit | 50,972   | 43,884   | (13.9) | 54,773   | 47,256    | (13.7) | 59,607   | 51,284    | (14.0) |  |
| EPS (RMB)            | 1.014    | 0.870    | (14.2) | 1.092    | 0.939     | (14.1) | 1.191    | 1.021     | (14.3) |  |

Source: the Company, Guotai Junan International.

We maintain our "Accumulate" rating and our TP of HK\$4.32 for the Company. As at 19 November 2020, the 2020 PER and PBR of the Company stood at 3.3x and 0.3x, respectively. In the rest of 2020, we expect that the Company's earnings growth will recover slightly compared with 1-3Q20. Meanwhile, we project that the Company will record relatively good earnings growth in 2021. We maintain our "Accumulate" rating. We maintain our TP of HK\$4.32 for the Company, equivalent to 4.3x FY20 PER, 4.0x FY21 PER, 3.6x FY22 PER, 0.4x FY20 PBR, 0.4x FY21 PBR and 0.3x FY22 PBR.

#### **Risk factors**

- The Company's asset quality might decline beyond our expectations.
- Global economic conditions might not be in line with our expectations.
- The negative impacts from the COVID-19 pandemic might be beyond our expectations.
- The negative impacts from global trade friction and geopolitical conflict might be beyond our expectations.
- Tension between China and the US could intensify.
- The interest rate decline could bring downward pressure on the interest margin of the banking sector.
- Regulatory developments may affect the Company's business model and profitability.



# **Exhibit 6: Peers Comparison**

| Company                      | Stock Code | Curronau | Last<br>Price | PE (fiscal year) |      |             |      |      | PB (fisca | al year) |      | ROE<br>(%)  | D/Y<br>(%) | ROA<br>(%) | Market<br>Cap |
|------------------------------|------------|----------|---------------|------------------|------|-------------|------|------|-----------|----------|------|-------------|------------|------------|---------------|
|                              | Stock Code | Currency | Price -       | 19A              | 20F  | 21F         | 22F  | 19A  | 20F       | 21F      | 22F  | 20F         | 20F        | 20F        | HKD n         |
| HK - Listed mainland banks   |            |          |               |                  |      |             |      |      |           |          |      |             |            |            |               |
| Ind & Comm Bk Of China-H     | 1398 HK    | HKD      | 4.60          | 4.7              | 4.9  | 4.7         | 4.4  | 0.6  | 0.5       | 0.5      | 0.4  | 11.0        | 6.2        | 0.9        | 1,998,03      |
| China Construction Bank-H    | 939 HK     | HKD      | 5.95          | 5.0              | 5.2  | 4.9         | 4.6  | 0.6  | 0.6       | 0.5      | 0.5  | 11.2        | 5.8        | 0.9        | 1,505,5       |
| Agricultural Bank Of China-H | 1288 HK    | HKD      | 2.82          | 4.2              | 4.4  | 4.2         | 3.9  | 0.5  | 0.4       | 0.4      | 0.4  | 10.5        | 7.1        | 0.8        | 1,299,9       |
| Bank Of China Ltd-H          | 3988 HK    | HKD      | 2.71          | 3.9              | 4.1  | 3.9         | 3.7  | 0.4  | 0.4       | 0.4      | 0.3  | 9.5         | 7.8        | 0.8        | 1,030,0       |
| Bank Of Communications Co-H  | 3328 HK    | HKD      | 4.18          | 3.7              | 3.9  | 3.7         | 3.5  | 0.4  | 0.4       | 0.3      | 0.3  | 9.6         | 8.0        | 0.7        | 359,2         |
| Postal Savings Bank Of Chi-H | 1658 HK    | HKD      | 4.28          | 5.2              | 5.5  | 5.0         | 4.5  | 0.7  | 0.6       | 0.5      | 0.5  | 10.8        | 5.6        | 0.6        | 464,0         |
| China Merchants Bank-H       | 3968 HK    | HKD      | 50.45         | 12.3             | 11.6 | 10.4        | 9.0  | 2.0  | 1.7       | 1.5      | 1.3  | 15.2        | 2.8        | 1.2        | 1,320,6       |
| China Citic Bank Corp Ltd-H  | 998 HK     | HKD      | 3.33          | 3.1              | 3.3  | 3.1         | 2.9  | 0.3  | 0.3       | 0.3      | 0.3  | 9.2         | 7.6        | 0.6        | 257,0         |
| China Minsheng Banking Cor-H | 1988 HK    | HKD      | 4.34          | 3.1              | 3.3  | 3.1         | 2.9  | 0.3  | 0.3       | 0.3      | 0.3  | 10.4        | 8.0        | 0.7        | 253,4         |
| China Everbright Bank Co L-H | 6818 HK    | HKD      | 3.01          | 3.9              | 4.1  | 3.8         | 3.4  | 0.4  | 0.4       | 0.4      | 0.3  | 9.7         | 7.5        | 0.7        | 240,9         |
| Bank Of Jinzhou Co Ltd-H     | 416 HK     | HKD      | 2.49          | n.a.             | n.a. | n.a.        | n.a. | 0.4  | n.a.      | n.a.     | n.a. | n.a.        | n.a.       | n.a.       | 34,8          |
| Bank Of Qingdao Co Ltd-H     | 3866 HK    | HKD      | 4.88          | 11.0             | n.a. | n.a.        | n.a. | 0.9  | n.a.      | n.a.     | n.a. | n.a.        | n.a.       | n.a.       | 24,7          |
| Harbin Bank Co Ltd-H         | 6138 HK    | HKD      | 1.00          | 2.8              | n.a. | n.a.        | n.a. | 0.2  | n.a.      | n.a.     | n.a. | n.a.        | n.a.       | n.a.       | 10,9          |
| Huishang Bank Corp Ltd-H     | 3698 HK    | HKD      | 2.53          | 2.9              | 3.0  | 2.8         | 2.4  | 0.4  | 0.3       | 0.3      | 0.3  | 12.0        | 6.3        | 0.9        | 30,7          |
| Chongqing Rural Commercial-H | 3618 HK    | HKD      | 3.23          | 3.0              | 3.5  | 3.2         | 3.0  | 0.4  | 0.3       | 0.3      | 0.3  | 10.1        | 7.1        | 0.9        | 54,9          |
| Shengjing Bank Co Ltd-H      | 2066 HK    | HKD      | 6.88          | 6.7              | n.a. | n.a.        | n.a. | 0.7  | n.a.      | n.a.     | n.a. | n.a.        | n.a.       | n.a.       | 60,5          |
| Bank Of Chongqing Co Ltd-H   | 1963 HK    | HKD      | 4.66          | 3.3              | 3.0  | 2.7         | 2.4  | 0.4  | 0.4       | 0.3      | 0.3  | 12.4        | 6.2        | 0.9        | 14,5          |
| Bank Of Zhengzhou Co Ltd-H   | 6196 HK    | HKD      | 1.91          | 3.6              | n.a. | n.a.        | n.a. | 0.3  | n.a.      | n.a.     | n.a. | n.a.        | n.a.       | n.a.       | 24,1          |
| China Zheshang Bank Co Ltd-H | 2016 HK    | HKD      | 3.89          | 5.0              | 5.7  | 5.2         | n.a. | 0.7  | 0.6       | 0.5      | n.a. | 9.2         | 6.0        | 0.6        | 97,9          |
| Bank Of Tianjin Co Ltd-H     | 1578 HK    | HKD      | 2.89          | 3.4              | n.a. | n.a.        | n.a. | 0.3  | n.a.      | n.a.     | n.a. | n.a.        | n.a.       | n.a.       | 17,5          |
| Jilin Jiutai Rural Commerc-H | 6122 HK    | HKD      | 2.48          | 8.8              | n.a. | n.a.        | n.a. | n.a. | n.a.      | n.a.     | n.a. |             | n.a.       | n.a.       | 10,8          |
|                              | 1216 HK    | HKD      | 1.08          | 6.0              |      |             |      | 0.4  |           |          |      | n.a.        |            |            | 21,6          |
| Zhongyuan Bank Co Ltd-H      | 2139 HK    | HKD      | 1.03          | 17.9             | n.a. | n.a.<br>9.3 | n.a. |      | n.a.      | n.a.     | n.a. | n.a.<br>2.8 | n.a.       | n.a.       |               |
| Bank Of Gansu Co Ltd-H       |            |          |               |                  | 12.4 |             | 5.0  | 0.4  | 0.4       | 0.4      | 0.4  |             | 1.1        | 0.2        | 10,3          |
| Jiangxi Bank Co Ltd-H        | 1916 HK    | HKD      | 3.22          | 8.3              | n.a. | n.a.        | n.a. | 0.5  | n.a.      | n.a.     | n.a. | n.a.        | n.a.       | n.a.       | 19,3          |
| Bank Of Jiujiang Co Ltd-H    | 6190 HK    | HKD      | 10.80         | 12.5             | n.a. | n.a.        | n.a. | 0.9  | n.a.      | n.a.     | n.a. | n.a.        | n.a.       | n.a.       | 26,0          |
| Simple Average               |            |          |               | 6.0              | 5.2  | 4.7         | 4.0  | 0.5  | 0.5       | 0.5      | 0.4  | 10.2        | 6.2        | 0.8        |               |
| Weighted Average             |            |          |               | 5.6              | 5.7  | 5.3         | 4.8  | 0.7  | 0.6       | 0.6      | 0.5  | 11.2        | 6.1        | 0.9        |               |
| HK - Listed other banks      |            |          |               |                  |      |             |      |      |           |          |      |             |            |            |               |
| Hsbc Holdings Plc            | 5 HK       | HKD      | 39.10         | 16.6             | 20.3 | 12.0        | 9.0  | 0.6  | 0.6       | 0.6      | 0.6  | 2.5         | 1.7        | 0.2        | 796,3         |
| Standard Chartered Plc       | 2888 HK    | HKD      | 45.10         | 10.1             | 15.5 | 9.6         | 7.0  | 0.4  | 0.4       | 0.4      | 0.4  | 2.1         | 1.5        | 0.2        | 142,3         |
| Boc Hong Kong Holdings Ltd   | 2388 HK    | HKD      | 24.60         | 7.7              | 9.3  | 9.1         | 8.4  | 0.9  | 0.9       | 0.8      | 0.8  | 9.8         | 5.0        | 1.0        | 260,0         |
| Hang Seng Bank Ltd           | 11 HK      | HKD      | 132.60        | 10.2             | 14.7 | 14.0        | 12.9 | 1.5  | 1.5       | 1.4      | 1.4  | 10.1        | 4.0        | 1.0        | 253,5         |
| Bank Of East Asia Ltd        | 23 HK      | HKD      | 16.04         | 18.0             | 20.0 | 12.6        | 10.1 | 0.5  | 0.5       | 0.5      | 0.5  | 2.3         | 2.3        | 0.3        | 46,7          |
| Dah Sing Banking Group Ltd   | 2356 HK    | HKD      | 7.50          | 4.7              | 6.9  | 6.1         | 5.5  | 0.4  | 0.4       | 0.4      | 0.3  | 5.8         | 4.2        | 0.6        | 10,5          |
| Simple Average               |            |          |               | 11.2             | 14.5 | 10.6        | 8.8  | 0.7  | 0.7       | 0.7      | 0.7  | 5.4         | 3.1        | 0.5        |               |
| Weighted Average             |            |          |               | 13.4             | 16.9 | 11.6        | 9.4  | 0.8  | 0.8       | 0.7      | 0.7  | 5.0         | 2.7        | 0.5        |               |
|                              |            |          |               |                  |      |             |      |      |           |          |      |             |            |            |               |
| China A-share listed banks   | 604200 011 | CNIV     | E 0.4         | E 0              | 6.2  | 6.0         | E C  | 0.7  | 0.7       | 0.0      | 0.0  | 44.4        | 4.0        | 0.0        | 1 000 0       |
| Ind & Comm Bk Of China-A     | 601398 CH  | CNY      | 5.04          | 5.9              | 6.3  | 6.0         | 5.6  | 0.7  | 0.7       | 0.6      | 0.6  | 11.1        | 4.8        | 0.9        | 1,998,0       |
| China Construction Bank-A    | 601939 CH  | CNY      | 6.65          | 6.3              | 6.7  | 6.4         | 5.9  | 0.8  | 0.7       | 0.7      | 0.6  | 11.3        | 4.5        | 0.9        | 1,505,5       |
| Agricultural Bank Of China-A | 601288 CH  | CNY      | 3.23          | 5.5              | 5.8  | 5.5         | 5.2  | 0.6  | 0.6       | 0.6      | 0.5  | 10.8        | 5.3        | 0.8        | 1,299,9       |
| Bank Of China Ltd-A          | 601988 CH  | CNY      | 3.24          | 5.3              | 5.6  | 5.4         | 5.1  | 0.6  | 0.5       | 0.5      | 0.5  | 9.7         | 5.6        | 0.8        | 1,030,0       |
| Bank Of Communications Co-A  | 601328 CH  | CNY      | 4.61          | 4.6              | 5.0  | 4.7         | 4.5  | 0.5  | 0.5       | 0.4      | 0.4  | 9.6         | 6.2        | 0.7        | 359,2         |
| China Merchants Bank-A       | 600036 CH  | CNY      | 44.87         | 12.4             | 12.3 | 10.9        | 9.5  | 2.0  | 1.8       | 1.6      | 1.4  | 15.2        | 2.6        | 1.2        | 1,320,6       |
| China Citic Bank Corp Ltd-A  | 601998 CH  | CNY      | 5.18          | 5.5              | 5.9  | 5.5         | 5.0  | 0.6  | 0.5       | 0.5      | 0.5  | 9.5         | 4.3        | 0.6        | 257,0         |
| China Minsheng Banking-A     | 600016 CH  | CNY      | 5.21          | 4.3              | 4.7  | 4.3         | 3.9  | 0.4  | 0.5       | 0.4      | 0.4  | 10.4        | 5.7        | 8.0        | 253,4         |
| Shanghai Pudong Devel Bank-A | 600000 CH  | CNY      | 9.74          | 5.0              | 5.3  | 5.1         | 4.5  | 0.6  | 0.5       | 0.5      | 0.5  | 10.3        | 4.7        | 0.8        | 336,3         |
| Industrial Bank Co Ltd -A    | 601166 CH  | CNY      | 19.33         | 6.2              | 6.5  | 6.0         | 5.3  | 0.8  | 0.8       | 0.7      | 0.6  | 11.9        | 3.8        | 0.9        | 472,4         |
| China Everbright Bank Co-A   | 601818 CH  | CNY      | 4.33          | 6.4              | 6.7  | 6.0         | 5.4  | 0.7  | 0.7       | 0.6      | 0.6  | 9.9         | 4.6        | 0.7        | 240,9         |
| Huaxia Bank Co Ltd-A         | 600015 CH  | CNY      | 6.37          | 4.6              | 4.7  | 4.5         | 4.3  | 0.5  | 0.4       | 0.4      | 0.4  | 9.3         | 4.1        | 0.7        | 115,3         |
| Ping An Bank Co Ltd-A        | 000001 CH  | CNY      | 18.85         | 12.2             | 13.3 | 11.7        | 10.1 | 1.3  | 1.2       | 1.1      | 1.0  | 9.3         | 1.1        | 0.7        | 430,3         |
| Bank Of Beijing Co Ltd -A    | 601169 CH  | CNY      | 4.80          | 4.9              | 5.4  | 5.1         | 4.6  | 0.5  | 0.5       | 0.5      | 0.4  | 9.6         | 5.7        | 0.7        | 119,4         |
| Bank Of Ningbo Co Ltd -A     | 002142 CH  | CNY      | 36.15         | 15.0             | 14.4 | 12.3        | 10.1 | 2.4  | 2.0       | 1.8      | 1.6  | 15.0        | 1.4        | 1.0        | 255,5         |
| Bank Of Nanjing Co Ltd -A    | 601009 CH  | CNY      | 8.30          | 5.8              | 6.2  | 5.7         | 4.9  | 0.9  | 0.9       | 0.8      | 0.7  | 14.4        | 4.8        | 0.9        | 97,7          |
|                              |            |          |               |                  |      |             |      |      |           |          |      |             |            |            |               |



| Bank Of Jiangsu Co Ltd-A     | 600919 CH | CNY | 6.10   | 5.2  | 4.9  | 4.4  | 4.0  | 0.6 | 0.6 | 0.5 | 0.5 | 11.4  | 4.6 | 0.7   | 82,856    |
|------------------------------|-----------|-----|--------|------|------|------|------|-----|-----|-----|-----|-------|-----|-------|-----------|
| Bank Of Hangzhou Co Ltd-A    | 600926 CH | CNY | 14.80  | 12.4 | 12.5 | 10.9 | 9.4  | 1.4 | 1.4 | 1.3 | 1.1 | 10.9  | 2.5 | 0.7   | 103,264   |
| Bank Of Guiyang Co Ltd-A     | 601997 CH | CNY | 8.07   | 4.7  | 4.2  | 3.8  | 3.4  | 0.8 | 0.7 | 0.6 | 0.5 | 15.2  | 5.0 | 1.1   | 30,555    |
| Jiangsu Jiangyin Rural Com-A | 002807 CH | CNY | 4.13   | 8.3  | 8.3  | 7.3  | 6.3  | 0.8 | 0.7 | 0.7 | 0.6 | 9.1   | 3.8 | 0.8   | 10,554    |
| Wuxi Rural Commercial Bank-A | 600908 CH | CNY | 5.73   | 8.4  | 7.9  | 7.3  | 6.5  | 0.9 | 0.9 | 0.8 | 0.7 | 11.3  | 3.8 | 0.8   | 12,461    |
| Jiangsu Changshu Rural Com-A | 601128 CH | CNY | 7.63   | 11.1 | 11.2 | 9.9  | 8.6  | 1.2 | 1.1 | 1.0 | 1.0 | 10.7  | 2.8 | 0.9   | 24,605    |
| Jiangsu Wujiang Rural Comm-A | 603323 CH | CNY | 4.97   | 9.7  | 9.0  | 8.3  | 7.4  | 0.8 | 0.8 | 0.7 | 0.7 | 8.3   | 3.2 | 0.7   | 10,544    |
| Jiangsu Zhangjiagang Rura -A | 002839 CH | CNY | 6.10   | 11.5 | 11.1 | 10.0 | 8.7  | 1.1 | 1.0 | 0.9 | 0.9 | 9.2   | 2.1 | 0.8   | 12,976    |
| Simple Average               |           |     |        | 7.5  | 7.6  | 6.9  | 6.1  | 0.9 | 0.8 | 0.7 | 0.7 | 11.0  | 4.1 | 0.8   |           |
| Weighted Average             |           |     |        | 7.1  | 7.4  | 6.8  | 6.2  | 0.9 | 0.8 | 0.8 | 0.7 | 11.4  | 4.4 | 0.9   |           |
| USA - Listed banks           |           |     |        |      |      |      |      |     |     |     |     |       |     |       |           |
| Citigroup Inc                | C US      | USD | 51.05  | 6.3  | 12.4 | 8.6  | 6.4  | 0.6 | 0.6 | 0.6 | 0.5 | 4.9   | 4.0 | 0.5   | 823,935   |
| Bank Of America Corp         | BAC US    | USD | 26.98  | 9.7  | 15.5 | 12.9 | 10.0 | 1.0 | 0.9 | 0.9 | 0.9 | 6.2   | 2.7 | 0.6   | 1,809,350 |
| Jpmorgan Chase & Co          | JPM US    | USD | 115.25 | 10.7 | 15.4 | 12.7 | 10.9 | 1.5 | 1.4 | 1.4 | 1.3 | 9.6   | 3.1 | 0.8   | 2,723,390 |
| Wells Fargo & Co             | WFC US    | USD | 25.06  | 6.1  | 52.4 | 12.6 | 7.9  | 0.6 | 0.6 | 0.6 | 0.6 | 1.3   | 4.8 | 0.2   | 803,208   |
| Us Bancorp                   | USB US    | USD | 43.26  | 10.4 | 14.3 | 13.8 | 10.9 | 1.5 | 1.4 | 1.3 | 1.3 | 9.9   | 3.9 | 1.0   | 505,199   |
| Bank Of New York Mellon Corp | BK US     | USD | 38.74  | 8.6  | 9.9  | 10.0 | 8.9  | 0.9 | 0.8 | 0.8 | 0.7 | 8.8   | 3.2 | 0.9   | 266,125   |
| Morgan Stanley               | MS US     | USD | 58.81  | 11.2 | 10.3 | 11.4 | 10.1 | 1.3 | 1.1 | 1.1 | 1.0 | 11.4  | 2.4 | 1.0   | 824,826   |
| Goldman Sachs Group Inc      | GS US     | USD | 224.30 | 10.6 | 10.1 | 9.2  | 8.1  | 1.0 | 1.0 | 0.9 | 0.8 | 9.1   | 2.2 | 0.7   | 623,661   |
| Simple Average               |           |     |        | 9.2  | 17.5 | 11.4 | 9.1  | 1.0 | 1.0 | 0.9 | 0.9 | 7.7   | 3.3 | 0.7   |           |
| Weighted Average             |           |     |        | 9.6  | 17.5 | 11.9 | 9.6  | 1.1 | 1.1 | 1.0 | 1.0 | 7.8   | 3.2 | 0.7   |           |
| Europe - Listed banks        |           |     |        |      |      |      |      |     |     |     |     |       |     |       |           |
| Deutsche Bank Ag-Registered  | DBK GR    | EUR | 8.99   | n.a. | 59.9 | 24.5 | 9.8  | 0.3 | 0.3 | 0.3 | 0.3 | (0.5) | 0.0 | 0.0   | 170,346   |
| Commerzbank Aq               | CBK GR    | EUR | 5.08   | 10.0 | n.a. | 50.8 | 9.3  | 0.2 | 0.2 | 0.2 | 0.2 | (0.6) | 0.0 | 0.0   | 58,360    |
| Bnp Paribas                  | BNP FP    | EUR | 40.54  | 6.5  | 8.3  | 8.5  | 7.0  | 0.5 | 0.5 | 0.5 | 0.5 | 6.0   | 5.7 | 0.3   | 464,776   |
| Societe Generale Sa          | GLE FP    | EUR | 16.11  | 5.3  | n.a. | 10.1 | 5.8  | 0.2 | 0.3 | 0.3 | 0.2 | (0.4) | 1.3 | (0.0) | 126,080   |
| Credit Agricole Sa           | ACA FP    | EUR | 8.81   | 5.9  | 9.3  | 9.2  | 7.4  | 0.4 | 0.4 | 0.4 | 0.4 | 4.9   | 4.2 | 0.2   | 233,022   |
| Barclays Plc                 | BARC LN   | GBp | 139.18 | 9.7  | 18.1 | 9.7  | 6.6  | 0.5 | 0.4 | 0.4 | 0.4 | 2.3   | 1.7 | 0.1   | 247,595   |
| Lloyds Banking Group Plc     | LLOY LN   | GBp | 35.30  | 10.1 | 26.7 | 10.3 | 7.2  | 0.6 | 0.6 | 0.6 | 0.5 | 1.8   | 1.4 | 0.1   | 256,190   |
| Simple Average               | 2201 2.1  | 026 | 00.00  | 7.9  | 24.5 | 17.6 | 7.6  | 0.4 | 0.4 | 0.4 | 0.4 | 1.6   | 2.1 | 0.1   | 200,100   |
| Weighted Average             |           |     |        | 7.7  | 20.1 | 12.6 | 7.3  | 0.5 | 0.4 | 0.4 | 0.4 | 3.1   | 3.0 | 0.1   |           |
| Singapore – Listed banks     |           |     |        |      |      |      |      |     |     |     |     |       |     |       |           |
| Dbs Group Holdings Ltd       | DBS SP    | SGD | 24.38  | 9.7  | 13.3 | 11.4 | 10.0 | 1.2 | 1.2 | 1.1 | 1.1 | 9.2   | 3.5 | 0.8   | 356,867   |
| Oversea-Chinese Banking Corp | OCBC SP   | SGD | 9.80   | 8.8  | 13.3 | 10.5 | 9.1  | 0.9 | 0.9 | 0.9 | 0.8 | 7.0   | 3.3 | 0.7   | 252,494   |
| United Overseas Bank Ltd     | UOB SP    | SGD | 22.43  | 8.8  | 13.2 | 11.1 | 9.4  | 1.0 | 1.0 | 0.9 | 0.9 | 7.4   | 3.5 | 0.7   | 216,117   |
|                              |           |     |        |      |      |      |      |     |     |     |     |       |     |       |           |
| Simple Average               |           |     |        | 9.1  | 13.3 | 11.0 | 9.5  | 1.0 | 1.0 | 1.0 | 0.9 | 7.9   | 3.4 | 0.7   |           |

Source: Bloomberg, Guotai Junan International.



## **Financial Statements and Ratios**

| Income Statement                     |           |           |           |           |           |  |  |  |
|--------------------------------------|-----------|-----------|-----------|-----------|-----------|--|--|--|
| RMB m, year ended 31 Dec             | 2018A     | 2019A     | 2020F     | 2021F     | 2022F     |  |  |  |
|                                      |           |           |           |           |           |  |  |  |
| nterest income                       | 241,933   | 268,498   | 283,800   | 312,649   | 349,099   |  |  |  |
| nterest expense                      | (129,021) | (141,227) | (149,785) | (166,217) | (187,206) |  |  |  |
| Net interest income                  | 112,912   | 127,271   | 134,015   | 146,432   | 161,893   |  |  |  |
| ee and commission income             | 42,599    | 52,284    | 52,389    | 56,422    | 61,613    |  |  |  |
| ee and commission expense            | (5,591)   | (5,900)   | (5,402)   | (6,052)   | (6,911)   |  |  |  |
| Net fee and commission income        | 37,008    | 46,384    | 46,987    | 50,370    | 54,702    |  |  |  |
| Other net income                     | 15,846    | 14,226    | 16,602    | 18,345    | 20,345    |  |  |  |
| Non-interest income                  | 52,854    | 60,610    | 63,589    | 68,715    | 75,046    |  |  |  |
| otal operating income                | 165,766   | 187,881   | 197,604   | 215,147   | 236,939   |  |  |  |
| Operating expenses                   | (52,600)  | (54,168)  | (53,217)  | (58,587)  | (64,047)  |  |  |  |
| PPOP                                 | 113,166   | 133,713   | 144,387   | 156,560   | 172,892   |  |  |  |
| mpairment losses                     | (58,233)  | (77,255)  | (92,753)  | (101,077) | (112,659) |  |  |  |
| Operating profit                     | 54,933    | 56,458    | 51,634    | 55,484    | 60,233    |  |  |  |
| Revaluation of investment properties | 35        | (15)      | (24)      | 25        | 26        |  |  |  |
| Net profit from A&J                  | (642)     | 102       | (36)      | 38        | 41        |  |  |  |
| Profit before tax                    | 54,326    | 56,545    | 51,575    | 55,547    | 60,300    |  |  |  |
| ncome tax                            | (8,950)   | (7,551)   | (7,094)   | (7,640)   | (8,294)   |  |  |  |
| Profit after tax                     | 45,376    | 48,994    | 44,481    | 47,907    | 52,007    |  |  |  |
| Non-controlling interest             | (863)     | (979)     | (597)     | (651)     | (723)     |  |  |  |
| Shareholders' profit / loss          | 44,513    | 48,015    | 43,884    | 47,256    | 51,284    |  |  |  |
| EPS (RMB)                            | 0.882     | 0.954     | 0.870     | 0.939     | 1.021     |  |  |  |

| Cash Flow Statement                     |           |           |           |           |           |  |  |
|---|-----------|-----------|-----------|-----------|-----------|--|--|
|   |           |           |           |           |           |  |  |
| RMB m, year ended 31 Dec                | 2018A     | 2019A     | 2020F     | 2021F     | 2022F     |  |  |
| Profit before income tax                | 54,326    | 56,545    | 51,575    | 55,547    | 60,300    |  |  |
| Adjustments for non-cash items          | 77,844    | 98,208    | 108,029   | 118,832   | 130,715   |  |  |
| Change in operating assets              | (295,190) | (283,857) | (460,694) | (528,884) | (546,941) |  |  |
| Change in operating liabilities         | 281,211   | 259,576   | 542,158   | 517,355   | 530,812   |  |  |
| Net operating CF before tax             | 118,191   | 130,472   | 241,068   | 162,850   | 174,886   |  |  |
| Tax paid                                | (15,875)  | (13,503)  | (15,602)  | (16,804)  | (18,242)  |  |  |
| Cash from operating activities          | 102,316   | 116,969   | 225,465   | 146,045   | 156,644   |  |  |
|   |           |           |           |           |           |  |  |
| Net proceeds from financial investments | (139,455) | (249,780) | (311,485) | (231,808) | (227,463) |  |  |
| Dividends received                      | 320       | 373       | 560       | 615       | 677       |  |  |
| Net proceeds from others                | (5,438)   | (3,657)   | (6,204)   | (5,100)   | (4,987)   |  |  |
| Cash from investing activities          | (144,573) | (253,064) | (317,130) | (236,292) | (231,773) |  |  |
|   |           |           |           |           |           |  |  |
| Net cash from financing L&E             | 110,274   | 139,471   | 141,760   | 147,318   | 145,600   |  |  |
| Interest paid                           | (21,836)  | (25,840)  | (28,424)  | (31,266)  | (34,393)  |  |  |
| Dividends paid                          | (14,396)  | (13,052)  | (13,319)  | (12,198)  | (13,035)  |  |  |
| Cash from financing activities          | 74,042    | 100,579   | 100,017   | 103,854   | 98,171    |  |  |
|   |           |           |           |           |           |  |  |
| Net changes in cash                     | 31,785    | (35,516)  | 8,352     | 13,607    | 23,042    |  |  |
| Cash at beg of year                     | 337,915   | 376,009   | 342,449   | 349,041   | 364,232   |  |  |
| FX adjustments                          | 6,309     | 1,956     | (1,760)   | 1,584     | 1,426     |  |  |
| Cash at end of year                     | 376,009   | 342,449   | 349,041   | 364,232   | 388,700   |  |  |

|                             | Baland    | ce Sheet  |           |           |           |
|-----------------------------|-----------|-----------|-----------|-----------|-----------|
|                             |           |           |           |           |           |
| RMB m, year ended 31 Dec    | 2018A     | 2019A     | 2020F     | 2021F     | 2022F     |
| Balances with central banks | 538,708   | 463,158   | 446,697   | 484,219   | 520,536   |
| Interbank assets            | 286,103   | 335,798   | 368,370   | 402,260   | 437,257   |
| Loans and advances, net     | 3,515,650 | 3,892,602 | 4,313,003 | 4,748,616 | 5,204,483 |
| Investment                  | 1,600,163 | 1,873,596 | 2,122,784 | 2,288,361 | 2,450,835 |
| Other assets                | 126,090   | 185,279   | 215,665   | 242,623   | 267,370   |
| Total Assets                | 6,066,714 | 6,750,433 | 7,466,519 | 8,166,081 | 8,880,482 |
|                             |           |           |           |           |           |
| Customer deposits           | 3,649,611 | 4,073,258 | 4,619,075 | 5,007,077 | 5,382,608 |
| Interbank liabilities       | 1,017,937 | 1,155,499 | 1,214,429 | 1,358,947 | 1,507,072 |
| Debt securities issued      | 552,483   | 650,274   | 792,034   | 939,352   | 1,084,952 |
| Other liabilities           | 393,597   | 338,878   | 276,289   | 261,125   | 268,281   |
| Total Liabilities           | 5,613,628 | 6,217,909 | 6,901,827 | 7,566,500 | 8,242,911 |
|                             |           |           |           |           |           |
| Total Shareholders' Equity  | 436,661   | 517,311   | 549,176   | 583,592   | 621,055   |
| Minority Interest           | 16,425    | 15,213    | 15,516    | 15,988    | 16,516    |
| Total Equity                | 453,086   | 532,524   | 564,693   | 599,580   | 637,571   |

|  | Financial F | Ratios |        |        |        |
|--|-------------|--------|--------|--------|--------|
|  | 2018A       | 2019A  | 2020F  | 2021F  | 2022F  |
| EPS,RMB                                  | 0.882       | 0.954  | 0.870  | 0.939  | 1.021  |
| BVPS,RMB                                 | 8.209       | 8.976  | 9.627  | 10.330 | 11.096 |
| DPS,RMB                                  | 0.230       | 0.239  | 0.218  | 0.235  | 0.255  |
| Growth (%)                               |             |        |        |        |        |
| Net interest income                      | 68.1        | 67.7   | 67.8   | 68.1   | 68.3   |
| Non-interest income                      | 31.9        | 32.3   | 32.2   | 31.9   | 31.7   |
| Operating income                         | 5.4         | 13.3   | 5.2    | 8.9    | 10.1   |
| PPOP                                     | 4.5         | 18.2   | 8.0    | 8.4    | 10.4   |
| Net profit                               | 4.6         | 7.9    | (8.6)  | 7.7    | 8.5    |
| EPS                                      | 4.7         | 8.1    | (8.8)  | 7.9    | 8.8    |
| Efficiency and liquidity (%)             |             |        |        |        |        |
| Cost-to-income                           | 31.7        | 28.8   | 26.9   | 27.2   | 27.0   |
| Loan-to-deposit                          | 96.3        | 95.6   | 93.4   | 94.8   | 96.7   |
| Income contribution (%)                  |             |        |        |        |        |
| Net interest income                      | 68.1        | 67.7   | 67.8   | 68.1   | 68.3   |
| Non-interest income                      | 31.9        | 32.3   | 32.2   | 31.9   | 31.7   |
| Profitability and Valuation              |             |        |        |        |        |
| ROE (%)                                  | 11.3        | 11.1   | 9.3    | 9.4    | 9.5    |
| ROA (%)                                  | 0.8         | 0.8    | 0.6    | 0.6    | 0.6    |
| Dividend yield (%)                       | 7.9         | 8.0    | 7.6    | 8.2    | 8.9    |
| PE(x)                                    | 3.3         | 3.1    | 3.3    | 3.1    | 2.8    |
| PB(x)                                    | 0.4         | 0.3    | 0.3    | 0.3    | 0.3    |
| CAR (%)                                  |             |        |        |        |        |
| Core TIER-1 CAR                          | 8.6         | 8.7    | 8.7    | 8.8    | 8.9    |
| CAR                                      | 12.5        | 12.4   | 13.1   | 13.2   | 13.4   |
| Asset Quality (RMB m, year ended 31 Dec) |             |        |        |        |        |
| NPL                                      | 64,028      | 66,117 | 90,593 | 97,991 | 94,380 |
| NPL ratio (%)                            | 1.77        | 1.65   | 2.03   | 1.99   | 1.75   |
| LLR/NPL (%)                              | 157.98      | 175.25 | 165.24 | 179.18 | 199.89 |
| LLR/Total loans (%)                      | 2.80        | 2.89   | 3.35   | 3.57   | 3.50   |

See the last page for disclaimer



#### **Company Rating Definition**

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

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

### **Sector Rating Definition**

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

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

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