



## 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 170.08%.
- 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

评级:

收集 (维持)

6-18m TP 目标价:

**HK\$4.32**

Revised from 原目标价:

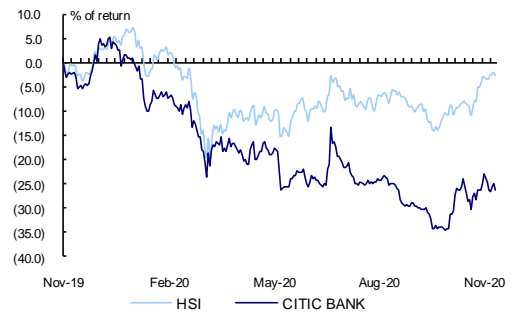
HK\$4.32

Share price 股价:

HK\$3.330

### Stock performance

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. % 绝对变动 %	(0.6)	(3.2)	(26.7)
Rel. % to HS Index 相对恒指变动 %	(8.0)	(7.9)	(23.9)
Avg. Share price(HK\$) 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
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
3 month average vol. 3 个月平均成交股数 ('000)				43,893.7	FY20 CET-1 Ratio (%) FY20 一级资本比率 (%)					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

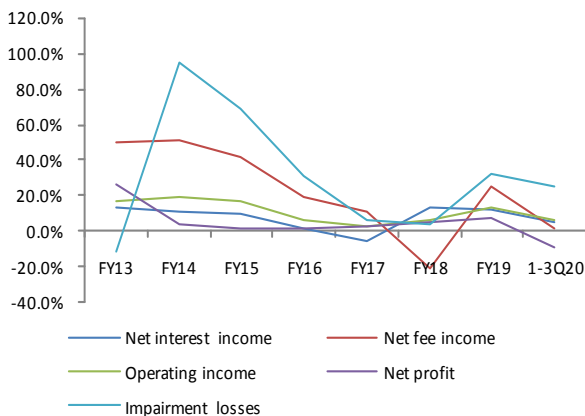
Source: the Company, Guotai Junan International.

See the last page for disclaimer

Page 1 of 8

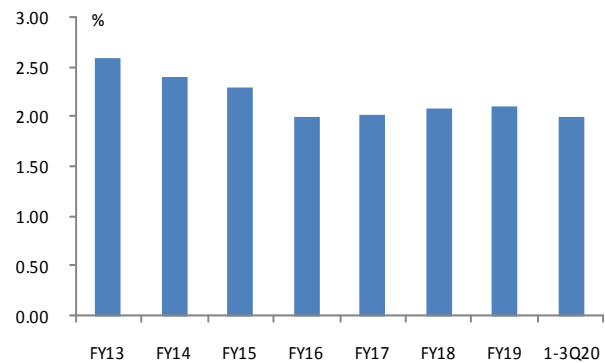
**China CITIC Bank's (the "Company") shareholders' net profit decreased by 9.4% YoY in 1-3Q20.** In 1-3Q20, mainly influenced by the decline in market interest rates and the repricing of LPR in our view, NIM decreased by 12 bps YoY to 2.00%. Net interest income was RMB99,058 mn, up 5.2% YoY, which was 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**



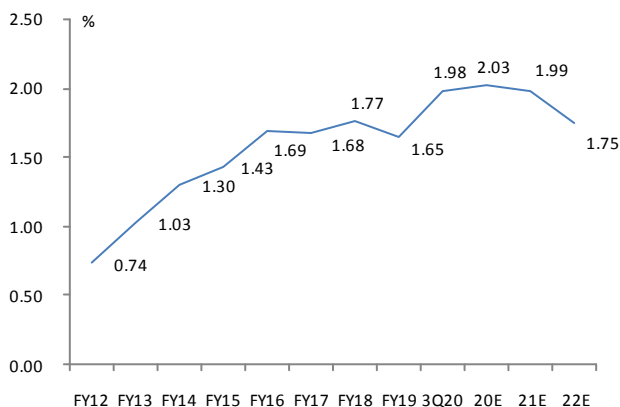
Source: the Company.

**Exhibit 2: CITIC Bank NIM**



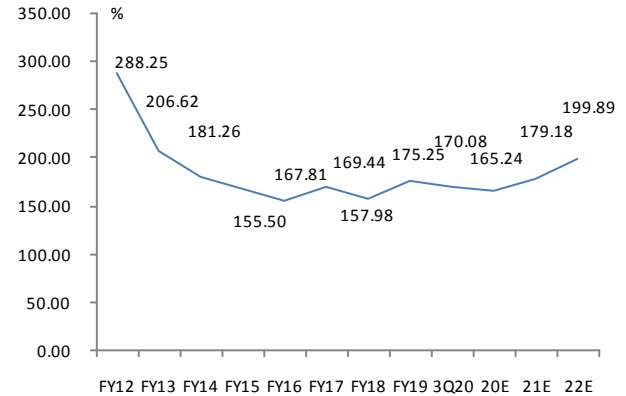
Source: the Company.

**Exhibit 3: CITIC Bank NPL ratio**



Source: the Company, Guotai Junan International.

**Exhibit 4: CITIC Bank NPL coverage ratio**



Source: the Company, Guotai Junan International.

**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**

RMB mn	FY20F			FY21F			FY22F		
	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.



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 Ag	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				7.9	24.5	17.6	7.6	0.4	0.4	0.4	0.4	1.6	2.1	0.1	
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**

Dbbs 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	
Weighted Average				9.2	13.3	11.1	9.6	1.1	1.0	1.0	0.9	8.1	3.4	0.8	

Source: Bloomberg, Guotai Junan International.

**Financial Statements and Ratios**

Income Statement						Balance Sheet					
RMB m, year ended 31 Dec	2018A	2019A	2020F	2021F	2022F	RMB m, year ended 31 Dec	2018A	2019A	2020F	2021F	2022F
Interest income	241,933	268,498	283,800	312,649	349,099	Balances with central banks	538,708	463,158	446,697	484,219	520,536
Interest expense	(129,021)	(141,227)	(149,785)	(166,217)	(187,206)	Interbank assets	286,103	335,798	368,370	402,260	437,257
Net interest income	112,912	127,271	134,015	146,432	161,893	Loans and advances, net	3,515,650	3,892,602	4,313,003	4,748,616	5,204,483
Fee and commission income	42,599	52,284	52,389	56,422	61,613	Investment	1,600,163	1,873,596	2,122,784	2,288,361	2,450,835
Fee and commission expense	(5,591)	(5,900)	(5,402)	(6,052)	(6,911)	Other assets	126,090	185,279	215,665	242,623	267,370
Net fee and commission income	37,008	46,384	46,987	50,370	54,702	Total Assets	6,066,714	6,750,433	7,466,519	8,166,081	8,880,482
Other net income	15,846	14,226	16,602	18,345	20,345	Customer deposits	3,649,611	4,073,258	4,619,075	5,007,077	5,382,608
Non-interest income	52,854	60,610	63,589	68,715	75,046	Interbank liabilities	1,017,937	1,155,499	1,214,429	1,358,947	1,507,072
Total operating income	165,766	187,881	197,604	215,147	236,939	Debt securities issued	552,483	650,274	792,034	939,352	1,084,952
Operating expenses	(52,600)	(54,168)	(53,217)	(58,587)	(64,047)	Other liabilities	393,597	338,878	276,289	261,125	268,281
PPOP	113,166	133,713	144,387	156,560	172,892	Total Liabilities	5,613,628	6,217,909	6,901,827	7,566,500	8,242,911
Impairment losses	(58,233)	(77,255)	(92,753)	(101,077)	(112,659)	Total Shareholders' Equity	436,661	517,311	549,176	583,592	621,055
Operating profit	54,933	56,458	51,634	55,484	60,233	Minority Interest	16,425	15,213	15,516	15,988	16,516
Revaluation of investment properties	35	(15)	(24)	25	26	Total Equity	453,086	532,524	564,693	599,580	637,571
Net profit from A&J	(642)	102	(36)	38	41						
Profit before tax	54,326	56,545	51,575	55,547	60,300	Financial Ratios					
Income tax	(8,950)	(7,551)	(7,094)	(7,640)	(8,294)		2018A	2019A	2020F	2021F	2022F
Profit after tax	45,376	48,994	44,481	47,907	52,007	EPS,RMB	0.882	0.954	0.870	0.939	1.021
Non-controlling interest	(863)	(979)	(597)	(651)	(723)	BVPS,RMB	8.209	8.976	9.627	10.330	11.096
Shareholders' profit / loss	44,513	48,015	43,884	47,256	51,284	DPS,RMB	0.230	0.239	0.218	0.235	0.255
EPS (RMB)	0.882	0.954	0.870	0.939	1.021	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

Source: the Company, Guotai Junan International.

### 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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