鵬元國際 PENGYUAN

China Merchants Bank Co Ltd
Credit Report

Ratings

LTICR..A-
STICR A-2
Outlook.................................. Stable

Contents

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Overview

We have assigned a first-time global-scale long-term issuer credit rating (LTICR) of 'A-' and a short-term issuer credit rating (STICR) of 'A-2' to China Merchants Bank Co Ltd (CMB) with a Stable Outlook.

The ratings take into account a standalone credit profile (SACP) of 'bbb', which reflects CMB's strong retail operations, consistent earnings outperformance, and sector-leading provision and liquidity coverage ratios. As the bank's 1H20 results show, the outlook for the remainder of 2020 may continue to be challenging. That said, we believe the bank's credit profile will remain within our expectations for the current rating category in the next 12 to 24 months. In addition, we view CMB as a strategically important entity in the Chinese financial system, given its size and interconnectedness with the rest of the market. As such, we believe the public sector will have a high propensity to provide emergency liquidity and capital support, should the need arise.

However, despite the sharp recovery in the Chinese economy in recent months, significant risks remain in the sector's lending book. In particular, we are concerned about non-performing loan (NPL) formation in the coming quarters, as underwriting and loan recognition standards normalize. We will also closely monitor the migration of special mention loans (SMLs) to NPLs to gauge the potential for a spike in credit costs going into 2021. The orderly transition into the new wealth management product (WMP) regulatory framework is also an important rating consideration going forward.

The Stable Outlook incorporates our view that CMB's robust return on capital and strong provision coverage will provide an adequate buffer as it navigates the difficult operating environment in the rest of 2020 and 2021.

We would consider a downgrade if CMB's capital and provision buffer deteriorates sharply as a result of significant NPL formation. Conversely, we would consider an upgrade if the bank's capital profile sees a substantial improvement, although we believe the potential for that to happen over the next one to two years is relatively low in view of the macro headwinds.

Financial Summary

RMB billion	2018A	2019A	2020E	2021E	2022E
Net Interest Income	271	293	319	348	384
Pre-provision Operating Profit	166	177	195	210	228
Net Profit	81	93	97	98	109
Avg. Interest-Earning Assets	6,245	6,690	7,410	8,210	9,089
Avg. Interest-Bearing Liabilities	5,821	6,299	6,788	7,515	8,308
Shareholders' Equity	540	611	681	762	856
%					
ROAE	15.8	16.1	15.0	13.5	13.5
ROAA	1.24	1.32	1.24	1.13	1.14
Net Interest Margin	2.57	2.59	2.58	2.51	2.48
Cost-Income Ratio	31.0	32.1	33.0	33.0	33.0
NPL Ratio	1.36	1.16	1.25	1.50	1.50
Provision Coverage Ratio	358.2	426.8	420.0	400.0	380.0
CET-1 Ratio	11.8	12.0	12.0	12.1	12.3
Tier-1 Ratio	12.6	12.7	12.7	12.8	13.0
Total CAR	15.7	15.5	15.5	15.7	16.0

Source: Company financials, Pengyuan International estimates

Key Rating Factors

Credit Strengths

- **Strong Retail Operations.** CMB has well-established national retail operations, which translate into a stable and relatively low-cost funding base, as well as higher-quality loan assets. From 2017-2019, the bank's retail deposits represented an average of 35% of its total deposit base, which was significantly higher than the levels seen at other joint-stock banks and only marginally lower than the state-owned banks'. Over the same period, retail loans accounted for 53% of CMB's loan book, which was substantially higher than the sector average. In our view, the bank's retail penetration is a sustainable competitive advantage that will continue to contribute to its earnings capacity.
- **Consistent Earnings Outperformance.** CMB has consistently outperformed its local and international peers in terms of ROAA and ROAE. We attribute the bank's strong earnings capacity to its retail-oriented loan book and relatively asset-light business model with a focus on fee income generation. This outperformance is particularly impressive considering the bank's adequate capitalization and conservative provisioning practices. A secondary benefit is the bank's relatively resilient equity market performance, which provides management with increased flexibility to raise common equity should the need arise.
- **Sector-leading Provision and Liquidity Coverage Ratios.** CMB has continued to boost its provision coverage, which improved from 179.0% in 2015 to 426.8% in 2019. At the current level, the bank has enough provisions to cover a 4.1% NPL scenario, against an actual problem loan ratio (NPLs + SMLs) of 3.3%. In our view, this gives the bank a much needed buffer in a challenging macro environment. In fact, CMB is one of the few banks in China that has enough provisions to cover its reported problem loans. In a similar manner, the bank has made consistent efforts to shore up its liquidity position, with its liquidity coverage ratio rising from 119.7% in 2015 to 171.5% in 2019.
- **Strategic Role in a Domestic Context.** While CMB may still fall short of global systemically important bank (G-SIB) inclusion requirements in the foreseeable future, we believe it is highly likely that it will present material risks to the financial system should it fail. Our assessment is based on the bank's position as the largest joint-stock bank and the 7th largest bank by assets overall. Furthermore, we have also considered the bank's interconnectedness (interbank assets / liabilities), substitutability (trustee / custodian assets etc.), and complexity (illiquid assets). Accordingly, we believe the public sector has a high propensity to support the bank at times of distress.

Credit Weaknesses

- **Transition into New WMP Regulatory Framework.** CMB has the highest WMP exposure as a percentage of its balance sheet among the state-owned and joint-stock banks, at over 40% of its deposit base as of the end of 2019. While we believe the regulators will likely extend the new WMP regulation implementation deadline by 1-2 years from the end of 2020, the compliance risks involved with these products may still be significant. In our view, the bank's ability to manage its transition into the new regulatory regime in an orderly manner is a key rating consideration.
- **Vulnerability to a Downturn in the Chinese Economy.** As the 7th largest bank domestically, CMB's financial performance is necessarily subject to a high degree of industry-level volatility. We also have some concerns over the bank's potential NPL exposure during a material adverse downcycle. In particular, we note that around 35% of the bank's SMLs migrated to the NPL category in 2019. Although we view the bank's provisioning practices favorably, we believe there may still be room for conservatism in its asset classification.

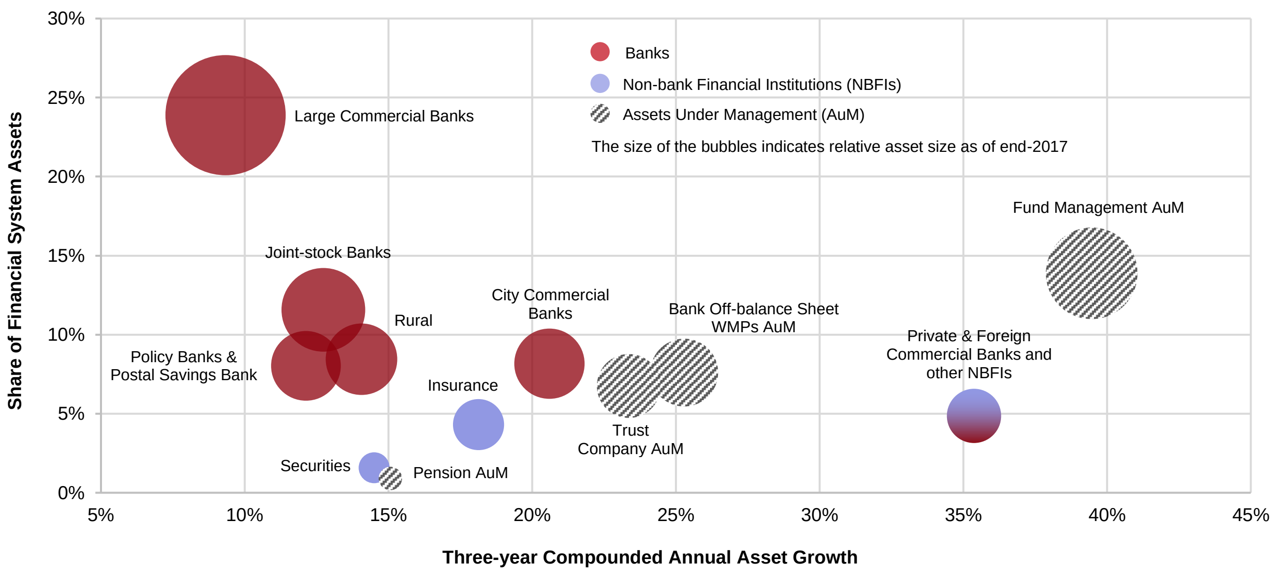
A Divergence of Credit Risks Across the Chinese Financial System

Our Banking System Credit Index score for China is ‘bbb-’, which represents our view of the overall creditworthiness of the banking system. However, we believe the distribution of banking institutions around this mean will see increasing divergence in 2020 to 2021, primarily due to the fallout of the COVID-19 pandemic. While we expect systemic risks to be manageable over this period, the key stress points for the financial system are in the smaller city and rural commercial banks. These banks may not be significant individually, but on aggregate, they account for a meaningful part of system assets (Exhibit 1).

Our concerns mainly stem from more relaxed underwriting and collection standards at the smaller banks, as policymakers seek to contain the impact of the economic shock we have witnessed. This is particularly worrisome for banks with high exposure to small and medium-sized enterprises (SMEs), which account for a substantial portion of the real economy, but a much smaller part of the credit and liquidity available. Consequently, we believe many SMEs have struggled to cope with the economic shock so far.

As for CMB, we believe this challenging environment may translate into a significant increase in SMLs and ultimately a pickup in NPLs over the next 12 to 18-month period. It is especially noteworthy that the bank’s credit card portfolio NPL increased by 50bps in 1H20 from end-2019 to 1.85%. The loan prime rate, which has fallen by around 50 basis points since its introduction in 2019, will also put pressure on the bank’s net interest margin and pre-provision profits. Having said that, the economy’s recovery in recent quarters may suggest that the loan prime rate has limited room to fall further in the remainder of 2020. We also believe CMB is better positioned than most of its domestic peers, as the asset quality of its loan book and fixed-income investments remains consistently superior to its smaller competitors.

Exhibit 1: Breakdown of China’s Financial System Assets



Source: CBIRC, CSRC, Asset Management Association of China, China Trustee Association, Securities Association of China, National Social Security Fund, Ministry of Human Resources and Social Security, National Bureau of Statistics of China, Company Annual Reports, Pengyuan International

CMB is More Commercially Oriented than Most Banks in China

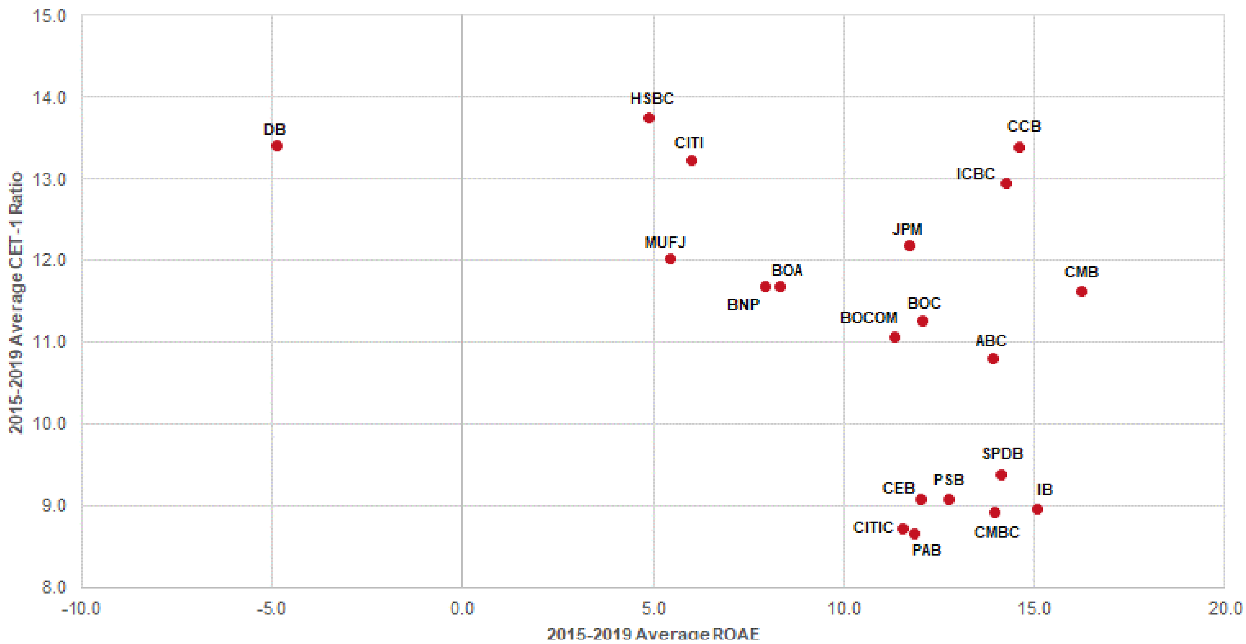
We believe CMB’s strategy is significantly more commercially-oriented compared to most banks in the country. Management has an intense focus on improving customer experience, driving financial technology (fintech) implementation, and continuing to be asset-light. In our view, CMB’s strategy is well supported by its market position (i.e. using fintech to deepen its retail reach), execution capabilities (i.e. the bank has a long track record of success in retail brand building), and financial performance (i.e. profitability is more than sufficient to support fintech development). We view this more commercial strategic position as indicative of a more balanced approach towards managing the interests of the public, depositors, other creditors and shareholders (Exhibit 2).

We also believe that CMB has demonstrated an ability to engage in customer segmentation. Many of the banks' products are tailored to specific customer groups (e.g. high net worth individuals via specific mobile applications or wealth management branches), enabling management to charge differentiated pricing for individual segments. The result is a long track record of financial outperformance against its peers'. The only major M&A CMB has done in the last 10 years is its acquisition of Wing Lung Bank (non-rated) in Hong Kong in 2009, which we regard as a complementary add-on to strengthen the bank's overseas business. The amount involved was immaterial compared to CMB's size and implementation appears to be on track.

CMB's internal control structure appears robust, with risk oversight functions filtering down to the branch and subsidiary levels via secondary reporting relationships. Structurally, we believe CMB's risk oversight function is organized similarly to the other large banks in the country. At the board level, there is an overarching risk and capital management department which answers directly to the directors. At the head office level, the Executive Office of President oversee five risk management sub-committees, which cover asset-liability management, risk and compliance, information technology management, business continuity and emergency, and fintech. It is noteworthy that CMB's risk organizational structure is closely aligned with its strategic direction to grow its fintech footprint, with separate functions to oversee information technology, business continuity and fintech.

As a listed entity, CMB conforms to the governance structure rules in the mainland and Hong Kong markets. Additionally, the appointment of key board members is subject to the oversight of the Chinese regulators. It is noteworthy that China Merchants Group has 7 seats on the board (around 40%), which conforms to management's disclosure that CMB has no controlling shareholders.

Exhibit 2: Average CET-1 Ratios vs Average Return on Average Equity (ROAE) for the World's Largest Banks*



* The list of bank abbreviations and ratings is available in the Appendix
Source: Annual Reports, Pengyuan International

Robust Capital Formation

We view CMB's capital formation capacity as above average, based on our absolute benchmarks on returns on assets and equity, as well as our assessment of each of the bank's key earnings drivers, including its net interest margin (NIM), fee income contribution, investment yield, cost-income ratio, and dividend payout policy.

Our assessment of CMB's capital formation is anchored by our analysis of its ROAA and ROAE from 2018 to 2022. On a time-weighted basis, the bank's ROAA and ROAE over this horizon are 1.2% and 14.8% respectively. These metrics point to an above average financial performance relative to our absolute rating benchmarks. These ratios incorporate our expectation for a challenging earnings environment in 2020 and 2021, due to a potential for NIM contraction and a pickup in NPL formation.

On a more positive note, our assessment is supplemented by a sensitivity test on the bank's NIM performance, which indicates that CMB's earnings would remain within our expectations for the current rating level in an adverse interest-rate environment. We also conclude that the bank's fee income contribution, investment yield, and cost-income ratio would likely remain robust given more conservative assumptions.

In terms of earnings retention, we note that CMB's current policy is to pay out around 30% of its earnings. We consider this level to be prudent, given the bank's capital formation capacity. While we believe it is unlikely for the bank to lower its dividends in 2020-2021, it has the flexibility to do so if the operating environment remains difficult.

Exhibit 3: Key Capital Formation Metrics

	2018A	2019A	2020E	2021E	2022E
RMB billion					
Net Interest Income	160	173	191	206	225
Net Fee and Commission Income	66	71	76	82	86
Impairment Losses	-61	-61	-72	-86	-90
Pre-provision Operating Profit	166	177	195	210	228
Net Profit	81	93	97	98	109
%					
ROAE	15.8	16.1	15.0	13.5	13.5
ROAA	1.24	1.32	1.24	1.13	1.14
Asset Yield	4.34	4.38	4.31	4.24	4.22
Funding Cost	1.90	1.90	1.89	1.89	1.91
Net Interest Margin	2.57	2.59	2.58	2.51	2.48
Net Interest Spread	2.44	2.48	2.42	2.35	2.31
Fee Income / Revenue	26.9	26.7	26.2	26.0	25.2
Cost-income Ratio	31.0	32.1	33.0	33.0	33.0
Dividend / Net Profit	29.4	32.6	30.0	30.0	30.0

Source: Company financials, Pengyuan International estimates

Capital Adequacy

We expect CMB's capital adequacy to remain average, relative to our absolute benchmarks on capital adequacy ratios and our analysis of the bank's asset quality, funding and liquidity.

Our assessment of the bank's capital adequacy is anchored by our analysis of its CET-1, tier-1, and total CAR ratios from 2018 to 2022. The time-weighted averages of these metrics over this period are 12.0%, 12.7% and 15.6% respectively. Overall, we consider these ratios to be strong. Our analysis also gives benefit to the capital buffer that exists over and above the Chinese regulator's current requirements.

However, our assessment identifies asset quality as a potential vulnerability. Specifically, we expect special-mention loans to stay at the 1.5% level in 2020-2021. Given the annual transition rate of around 35% into the NPL category, we believe there may be a potential erosion in provision coverage, despite the fact that the buffer is currently very strong.

By contrast, we have a more favorable view of CMB's funding and liquidity, which are supported by the bank's large deposit base. In particular, we note that the bank's loan-to-deposit base, while no longer regulated, stays at a healthy level of around 90% over our analytical horizon. CMB's liquidity coverage ratio and net stable funding ratio are also well above minimum regulatory requirements. CMB's strong funding and liquidity are key rating factors, in our view.

Exhibit 4: Key Capital Adequacy Metrics

	2018A	2019A	2020E	2021E	2022E
%					
Asset Quality					
NPL Ratio	1.36	1.16	1.25	1.50	1.50
Provision Coverage Ratio	358.2	426.8	420.0	400.0	380.0
Loan Coverage Ratio	4.87	4.95	5.25	6.00	5.70
Special-mention Loans	1.51	1.17	1.50	1.50	1.50
Problem Loans Ratio	2.87	2.33	2.75	3.00	3.00
Fund and Liquidity					
Loan-to-deposit Ratio	84.7	87.7	89.3	90.5	91.0
Deposits / Funding	73.1	73.4	73.2	72.8	72.2
Liquidity Coverage Ratio	144.4	167.4	156.3	156.3	156.3
Net Stable Funding Ratio	---	121.0	117.3	117.4	117.3
Capital Adequacy					
CET-1 Ratio	11.78	11.95	11.95	12.08	12.28
Tier-1 CAR	12.62	12.69	12.68	12.82	13.03
Total CAR	15.68	15.54	15.54	15.71	15.96
Basel III Leverage Ratio	6.61	6.79	6.67	6.75	6.86

Source: Company financials, Pengyuan International estimates

Peer Comparison

As the largest joint-stock bank in China, we believe CMB's management quality is considerably better than its joint-stock peers'. CMB has consistently outperformed its local and international peers in terms of ROAA and ROAE. We attribute the bank's strong earnings capacity to its retail-oriented loan book and relatively asset-light business model with a focus on fee income generation. This outperformance is particularly impressive considering the bank's adequate capitalization and conservative provisioning practices. A secondary benefit is the bank's relatively resilient equity market performance, which provides management with the flexibility to raise common equity should the need arise.

Exhibit 5: Peer Comparison

	CMB	CCB (1)	ICBC (2)	ABC (3)	BOC (4)
Total Assets (RMB billion)					
2015	5,475	18,349	22,210	17,791	16,816
2016	5,942	20,964	24,137	19,570	18,149
2017	6,298	22,124	26,087	21,053	19,467
2018	6,746	23,223	27,700	22,609	21,267
2019	7,417	25,436	30,109	24,878	22,770
ROAE (%)					
2015	17.1	17.0	16.7	16.1	14.0
2016	16.3	15.4	14.6	14.8	12.1
2017	15.9	14.4	14.0	14.1	11.9
2018	15.8	13.6	13.4	13.1	11.6
2019	16.1	12.7	12.5	11.7	10.8
ROAA (%)					
2015	1.14	1.30	1.30	1.07	1.12
2016	1.09	1.18	1.20	0.99	1.05
2017	1.15	1.13	1.14	0.95	0.98
2018	1.24	1.13	1.11	0.93	0.94
2019	1.32	1.11	1.08	0.90	0.92
NPL Ratio (%)					
2015	1.68	1.58	1.50	2.39	1.43
2016	1.87	1.52	1.62	2.37	1.46
2017	1.61	1.49	1.55	1.81	1.45
2018	1.36	1.46	1.52	1.59	1.42
2019	1.16	1.42	1.43	1.40	1.37
Provision Coverage Ratio (%)					
2015	179.0	151.0	156.3	189.4	153.3
2016	180.0	150.4	136.7	173.4	162.8
2017	262.1	171.1	154.1	208.4	159.2
2018	358.2	208.4	175.8	252.2	182.0
2019	426.8	227.7	199.3	288.8	182.9
CET-1 Ratio					
2015	10.8	13.1	12.9	10.2	11.1
2016	11.5	13.0	12.9	10.4	11.4
2017	12.1	13.1	12.8	10.6	11.2
2018	11.8	13.8	13.0	11.6	11.4
2019	12.0	13.9	13.2	11.2	11.3
Tier-1 Ratio					
2015	10.8	13.3	13.5	11.0	12.1
2016	11.5	13.2	13.4	11.1	12.3
2017	13.0	13.7	13.3	11.3	12.0
2018	12.6	14.4	13.5	12.1	12.3
2019	12.7	14.7	14.3	16.1	12.8
Total CAR					
2015	12.6	15.4	15.2	13.4	14.1
2016	13.3	14.9	14.6	13.0	14.3
2017	15.5	15.5	15.1	13.7	14.2
2018	15.7	17.2	15.4	15.1	15.0
2019	15.5	17.5	16.8	16.1	15.6
Liquidity Coverage Ratio					
2015	119.7	132.9	145.1	127.5	119.3
2016	111.6	120.3	139.8	139.8	117.2
2017	101.9	122.0	129.0	121.2	117.4
2018	144.4	140.8	126.7	126.6	139.7
2019	171.5	154.8	121.9	125.6	136.4

(1) China Construction Bank Corporation; LTICR ‘A+’
(2) Industrial and Commercial Bank of China Ltd; Not Rated
(3) Agricultural Bank of China Ltd; Not Rated
(4) Bank of China Ltd; LTICR ‘A+’
Source: Company financials

Scorecard Summary

Analytical Component	Score / Rating	Comments
Pillar 1: Banking System Credit Index (BSCI)	'bbb-'	China's BSCI score of 'bbb-' reflects our view of the banking system's overall creditworthiness.
Pillar 2: Business Profile Assessment (BPA)	7	We believe CMB has a slightly above average business profile in a global context, based on our review of its strategic and risk framework, management and governance, and balance-sheet management.
Pillar 3: Capital Formation	7	In our view, CMB's capital formation capacity is above average relative to our benchmarks for ROAA and ROAE and our analysis of the bank's key earnings drivers.
Pillar 4: Capital Adequacy	8	We regard CMB's capital adequacy to be above average, based on our benchmarks for capital-adequacy ratios. The bank's potential weakness in asset quality is offset by its strength in funding and liquidity, in our opinion.
Indicative Credit Score (ICS)	bbb	Our four-pillar analysis yields an indicative credit score of 'bbb'.
Peer Comparative Analysis	No adjustments	
Standalone Credit Profile (SACP)	bbb	Our peer comparative analysis results in no net adjustments to the ICS.
External Support Analysis	Strategic Role	We are of the view that the public sector has a high propensity to support CMB in times of need.
LTICR **STICR**	A- A-2	We have assigned a first-time global-scale LTICR of 'A-' and STICR of 'A-2' with a Stable Outlook.

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Financial Statements

China Merchants Banks Income Statement (RMB billion)	2018A	2019A	2020E	2021E	2022E
Interest income	271	293	319	348	384
Interest expense	(111)	(120)	(128)	(142)	(159)
Net interest income	**160**	**173**	**191**	**206**	**225**
Fee and commission income	73	79	85	91	96
Fee and commission expense	(7)	(8)	(9)	(10)	(10)
Net fee and commission income	**66**	**71**	**76**	**82**	**86**
Net investment income	10	11	9	10	11
Fair value gains	1	0	2	2	3
Associates and Joint Ventures	1	2	2	3	3
Foreign exchange gains	4	3	3	3	3
Other operating income	4	6	6	7	8
Operating income	**248**	**270**	**294**	**317**	**343**
Taxes and surcharges	(2)	(2)	(2)	(3)	(3)
Management expenses	(79)	(89)	(96)	(104)	(112)
Impairment losses	(61)	(61)	(72)	(86)	(90)
Other operating expenses	(0)	(0)	(0)	(0)	(0)
Operating expenses	**(142)**	**(153)**	**(171)**	**(193)**	**(205)**
Net operating profit	**106**	**117**	**123**	**124**	**138**
Non-operating income	0	0	0	0	0
Non-operating expenses	0	0	0	0	0
Net non-operating income	**0**	**0**	**0**	**0**	**0**
Pre-tax profit	**106**	**117**	**123**	**124**	**138**
Income tax expense	(26)	(24)	(26)	(26)	(29)
Net income	**81**	**93**	**97**	**98**	**109**
Net income attributable to shareholders	81	93	97	98	109
Net income attributable to minority interests	0	1	0	0	1
Dividend payout	24	30	29	29	33
Pre-provision operating profit	**166**	**177**	**195**	**210**	**228**

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Balance Sheet (CNY bn)	2018A	2019E	2020E	2021E	2022E
Cash and balances w ith central banks	493	568	651	779	995
Balances w ith banks and other financial institutions	100	106	111	117	123
Placements w ith banks and other financial institutions	313	307	323	339	356
Reverse repurchase agreements	199	109	114	120	126
Loans and advances to customers	3,750	4,277	4,812	5,365	5,902
Loans and balances	**4,856**	**5,368**	**6,012**	**6,721**	**7,502**
Financial assets at fair value through profit and loss	330	398	438	482	530
Available-for-sale financial assets	425	485	533	587	645
Held-to-maturity financial assets	916	921	967	1,016	1,066
Financial assets classified as receivables	-	-	-	-	-
Financial assets	**1,671**	**1,804**	**1,939**	**2,084**	**2,242**
Fixed assets	58	88	93	97	102
Precious Metals	7	4	4	5	5
Derivative financial assets	34	24	25	27	28
Long-term equity investments	9	11	12	13	14
Deferred tax assets	58	65	72	79	87
Other	52	53	55	58	61
Other assets	**218**	**245**	**261**	**278**	**297**
Total assets	**6,746**	**7,417**	**8,212**	**9,083**	**10,041**
Customer deposits	4,428	4,875	5,387	5,926	6,488
Central bank borrow ing	405	359	377	396	416
Due to banks and other financial institutions	471	556	583	613	643
Placements from banks and other financial institutions	204	166	174	183	192
Amounts sold under repurchase agreements	78	63	66	70	73
Financial liabilities at fair value through profit and loss	44	43	46	48	50
Debt securities issued	425	578	723	903	1,129
Interest-bearing liabilities	**6,055**	**6,641**	**7,356**	**8,138**	**8,992**
Other liabilities	147	159	167	175	184
Total liabilities	**6,202**	**6,800**	**7,523**	**8,313**	**9,176**
Share capital	25	25	25	25	25
Other equity instruments	34	34	34	43	53
Retained earnings	407	474	541	609	689
Other comprehensive income	6	9	13	16	20
Other capital reserves	69	69	69	69	69
Shareholders' equity	**540**	**611**	**681**	**762**	**856**
Minority interests	3	6	7	8	9
Total equity	**544**	**618**	**689**	**770**	**865**

PENGYUAN 鵬元國際

Financial Analysis (%)	2018A	2019E	2020E	2021E	2022E
CAPITAL FORMATION					
Asset Yield	4.34	4.38	4.31	4.24	4.22
Funding Cost	1.90	1.90	1.89	1.89	1.91
Net Interest Margin	2.57	2.59	2.58	2.51	2.48
Net Interest Spread	2.44	2.48	2.42	2.35	2.31
Net Fee Income / Revenue	26.9	26.7	26.2	26.0	25.2
Cost-Income Ratio	31.0	32.1	33.0	33.0	33.0
ROAA	1.24	1.32	1.24	1.13	1.14
ROAE	15.8	16.1	15.0	13.5	13.5
Dividend Payout Ratio	29.4	32.6	30.0	30.0	30.0
ASSET QUALITY					
NPL Ratio	1.36	1.16	1.25	1.50	1.50
Provision Coverage Ratio	358.2	426.8	420.0	400.0	380.0
Loan Coverage Ratio	4.87	4.95	5.25	6.00	5.70
Special Mention Loans	1.51	1.17	1.50	1.50	1.50
Problem Loans Ratio	2.87	2.33	2.75	3.00	3.00
FUNDING & LIQUIDITY					
Loan to Deposit Ratio	84.7	87.7	89.3	90.5	91.0
Deposits / Funding	73.1	73.4	73.2	72.8	72.2
Liquidity Coverage Ratio	144.4	167.4	156.3	156.3	156.3
Net Stable Funding Ratio	---	121.0	117.3	117.4	117.3
CAPITAL ADEQUACY					
CET-1 Ratio	11.78	11.95	11.95	12.08	12.28
Tier-1 CAR	12.62	12.69	12.68	12.82	13.03
Total CAR	15.68	15.54	15.54	15.71	15.96
Basel III Leverage Ratio	6.61	6.79	6.67	6.75	6.86

PENGYUAN 鵬元國際

Appendix: List of Bank Abbreviations and Ratings in the Report

ABC	Agricultural Bank of China Ltd
BNP	BNP Paribas SA
BOA	The Bank of America Corporation
BOC	Bank of China Ltd
BOCOM	Bank of Communications Co Ltd
CCB	China Construction Bank Corp
CITI	Citigroup Inc
CITIC	China CITIC Bank Corp Ltd
CEB	China Everbright Bank Co Ltd
CMB	China Merchants Bank Co Ltd
CMBC	China Minsheng Banking Corp Ltd
DB	Deutsche Bank AG
HSBC	HSBC Holdings Plc
IB	Industrial Bank Co Ltd
ICBC	Industrial and Commercial Bank of China Ltd
JPM	JPMorgan Chase & Co
MUFJ	Mitsubishi UFJ Financial Group Inc
PAB	Ping An Bank Co Ltd
PSB	Postal Savings Bank of China Co Ltd
SPDB	Shanghai Pudong Development Bank Co Ltd

BOC has a LTICR of ‘A+’. CCB has a LTICR of ‘A+’ and a STICR of ‘A-1’. All other banks above are unrated.

Related Criteria

Global Banking Rating Criteria (16 August 2019)

鵬元國際 PENGYUAN

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