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## Mandarin Sound Bites | Asia Pacific

## 香港金融：银行1H23/2Q23业绩表现预览

香港银行将在7月28号开始发布1H23/2Q23业绩报告。我们认为这次表现好坏参半 - HIBOR回升带来的正向影响受限于缓慢的贷款增速以及低迷的市场情绪。更为看好汇丰和渣打；维持对本地银行的平配(EW)评级；上调恒生银行评级至平配(EW)。



*This audio/video report is made available for convenience only and is based on the referenced research report(s) [Hong Kong Financials: Correction: 1H23/2Q23 Results Preview \(24 Jul 2023\)](#). In the event of any discrepancy between the content in this report and the referenced research report(s), the content in the referenced research report(s) will prevail.*

此音频/视频报告仅供参考之便，并且是基于所引用的研究报告 [Hong Kong Financials: Correction: 1H23/2Q23 Results Preview \(24 Jul 2023\)](#)。如果本报告的内容与所引用的研究报告有任何不一致之处，以引用的研究报告中的内容为准。

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中国香港金融业

Asia Pacific

行业观点

In-Line



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## Valuation Methodology and Risks

### 汇丰控股 (0005.HK)

Our price target is based on a probability weighted methodology (bull 15%, base 60%, bear 25% - this skew balances rate increases vs. China risk perceptions). Scenario values are based on a three stage Gordon Growth Model adding the NPV of five year forecast dividend, to the NPV of 10 year implied dividends during a fade period and a terminal book value. We assume a CoE of 12.2% and terminal growth of 3%.

#### Risks to Upside

- Delivery of sustained positive cost:income jaws post 2023
- Further NIM benefits as HIBOR recovers to more closely track LIBOR
- Even more capital returns if the group decides it can move below 14% CET1 ratio in the longer term

#### Risks to Downside

- Rising developed market inflation slows growth and drives increased credit risk
- Concerns over China macro risks resurface
- Heightened geopolitical tensions

### 恒生银行 (0011.HK)

HK\$114.3: three-stage Gordon Growth model, probability-weighted bull 10%, base 75%, bear 15%. Rising funding costs and lower China macro risks means our base case is most likely. A higher skew towards bear case reflects residual China macro risks. Key assumptions; cost of equity 8.3%, sustainable RoE 8.3%, sustainable growth rate 3%.

#### Risks to Upside

- Prospects of longer-term RoE >11%
- Lower cost of capital requirements
- US rates hold up better than expected supporting NIM
- Earlier-than-expected recovery in CRE in China
- Stronger-than-expected capital markets, driving up fee income

#### Risks to Downside

- Weaker than expected HK economy, resulting in more NPLs
- More pressure on US rates than we forecast
- Further pressure on dividend

### 东亚银行 (0023.HK)

HK\$11.5: probability weighted share price target value (bull:base:bear weighted at 5:50:45 reflect downside risk on asset quality). Case values are driven by our 3-stage Gordon growth model which values an explicitly forecast 5 year dividend stream, an implied dividend stream from years 6-15, and the terminal book value discounted back to 12 months from now. Key assumptions: cost of equity 12.5%, sustainable RoE 9%, sustainable growth rate 5%.

#### Risks to Upside

- Other transactions (such as disposal of core banking assets) happen which will help unlock value for the bank.
- Rates rise more than expected providing some relief on NIM
- Credit quality risks dissipate

#### Risks to Downside

- No further update on measures aimed at unlocking value.
- Business weakens further in both HK and China.

#### 中银香港 (2388.HK)

Three-stage Gordon Growth model, probability-weighted, bull 15%, base 60%, bear 25%, in line with our assumptions for other local HK/Singapore banks, reflecting our perception of macro and geopolitical risks. We value an explicitly forecast five-year dividend stream, an implied dividend stream from years 6-15, and terminal book value discounted back to 12 months from now. Key assumptions: 2025e ROE 9.8%, CoE 12.5%, long-term growth 3.6%.

#### Risks to Upside

- Lower than expected fall in US rates
- Faster-than-expected economic recovery in China, helping loan demand
- Stronger-than-expected recovery in capital markets, driving up fee income

#### Risks to Downside

- Slower-than-expected recovery in Hong Kong and mainland economies that affects revenue progression
- Loan loss provisions (especially on loans linked to China CRE)
- US rates fall by more than expected

#### 渣打集团 (2888.HK)

Gordon Growth model, probability-weighted 10% bull, 75% base, 15% bear (reflecting limited China risks and benefits from NIM expansion).

Key assumptions:

- 12.5% cost of equity base and bull, 15.5% bear.
- Return on allocated equity: 12.5% bull, 9% base, 15.5% bear

The result: target P/Bs 1.2x bull, 0.68x base, 0.33x bear.

#### Risks to Upside

- Faster than expected macroeconomic growth and resilience, causing better-than-expected asset quality
- Better-than-expected cost management
- Rates remains stronger for longer
- Bank able to return capital sooner than currently expected
- Outside M&A interest

#### Risks to Downside

- Incremental deterioration in asset quality

- Removal of M&A speculation

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(as of June 30, 2023)

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For disclosure purposes only (in accordance with FINRA requirements), we include the category headings of Buy, Hold, and Sell alongside our ratings of Overweight, Equal-weight, Not-Rated

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1353	37%	280	44%	21%	607	39%
Equal-weight/Hold	1658	46%	293	46%	18%	716	46%
Not-Rated/Hold	2	0%	0	0%	0%	0	0%
Underweight/Sell	610	17%	68	11%	11%	224	14%
Total	3,623		641			1547	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

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Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

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Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

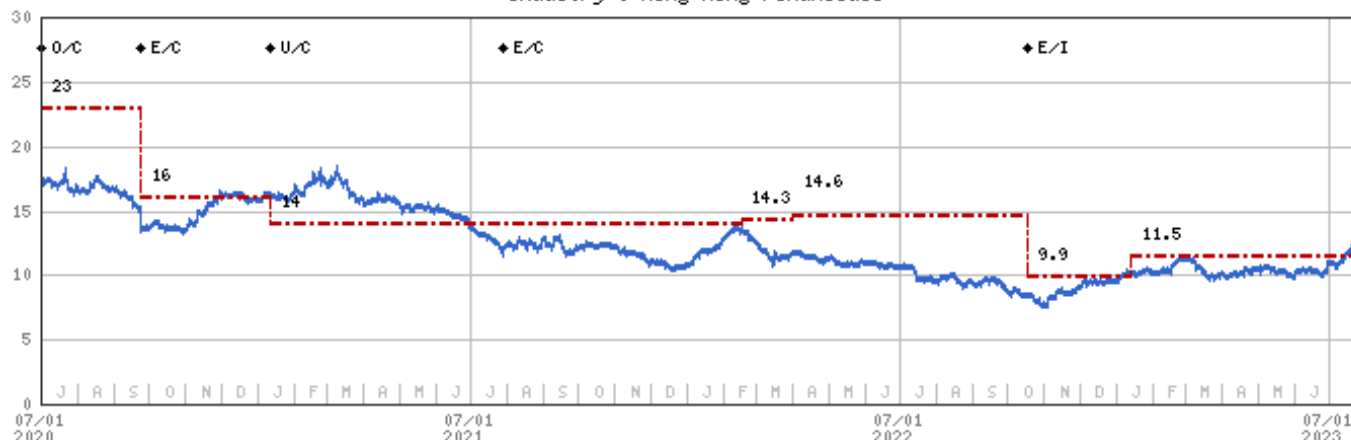
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Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

### Stock Price, Price Target and Rating History (See Rating Definitions)

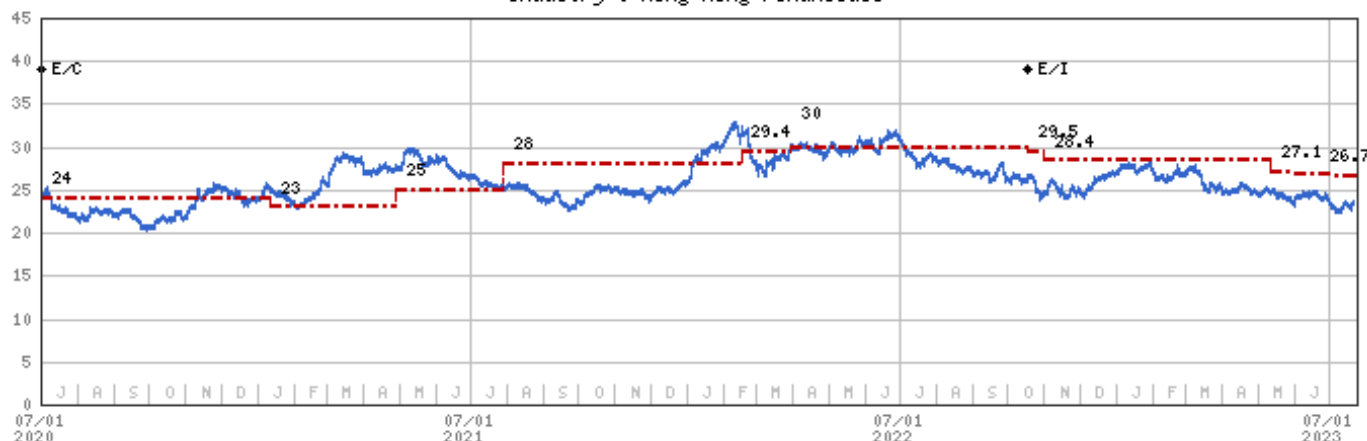
Bank of East Asia (0023.HK) - As of 7/23/23 in HKD  
Industry : Hong Kong Financials



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BOC Hong Kong (2388.HK) - As of 7/23/23 in HKD  
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Hang Seng Bank (0011.HK) - As of 7/23/23 in HKD  
Industry : Hong Kong Financials



Stock Rating History: 7/1/18 : O/A; 6/21/19 : E/I; 10/9/19 : U/C; 3/17/20 : U/C; 10/17/22 : U/I; 7/24/23 : E/I

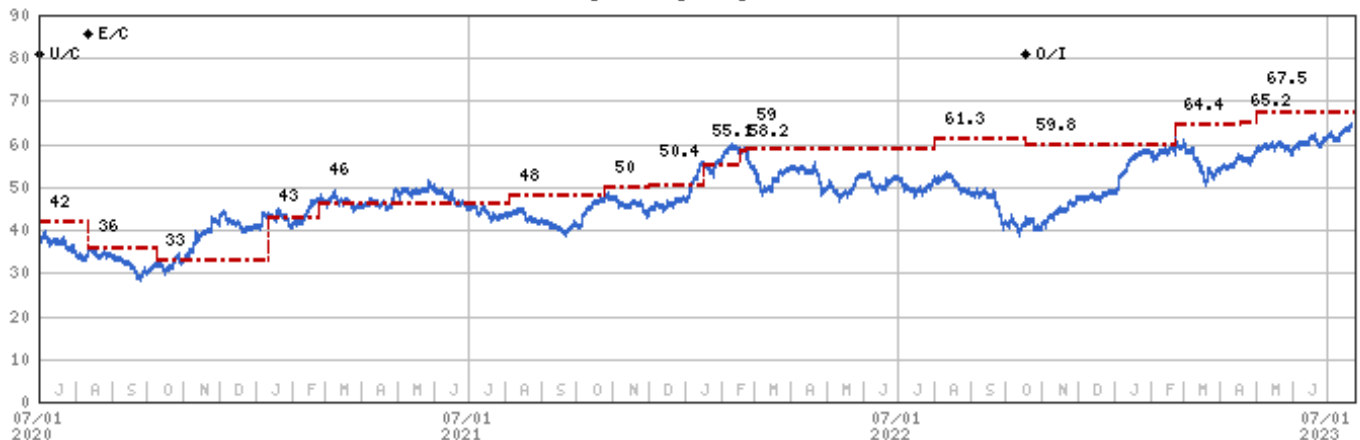
Price Target History: 3/13/18 : 240; 8/7/18 : 265; 10/23/18 : 250; 11/25/18 : 242; 2/15/19 : 220; 5/2/19 : 245; 6/21/19 : 210; 8/6/19 : 175; 10/9/19 : 140; 3/17/20 : 110; 8/4/20 : 105; 1/12/21 : 123; 6/15/21 : 130; 7/29/21 : 138.5; 8/13/21 : 137.4; 2/16/22 : 140.5; 2/22/22 : 138.9; 10/17/22 : 133.2; 12/1/22 : 131.6; 1/16/23 : 128.3; 7/24/23 : 114.3

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target --- No Price Target Assigned (NA)  
Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) —  
Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View  
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)  
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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HSBC Holdings (0005.HK) - As of 7/23/23 in HKD  
Industry : Hong Kong Financials



Stock Rating History: 7/1/18 : O/A; 6/21/19 : E/I; 10/9/19 : U/C; 3/17/20 : U/C; 8/11/20 : E/C; 10/17/22 : O/I

Price Target History: 5/22/18 : 95; 8/7/18 : 87; 10/29/18 : 82; 2/15/19 : 79; 3/14/19 : 73; 5/12/19 : 75; 6/21/19 : 70; 10/9/19 : 51; 1/8/20 : 52; 3/17/20 : 44; 5/7/20 : 42; 8/11/20 : 36; 10/8/20 : 33; 1/12/21 : 43; 2/24/21 : 46; 8/5/21 : 48; 10/25/21 : 50; 12/2/21 : 50.4; 1/16/22 : 55.1; 2/16/22 : 58.2; 2/22/22 : 59; 8/1/22 : 61.3; 10/17/22 : 59.8; 2/21/23 : 64.4; 4/18/23 : 65.2; 5/2/23 : 67.5

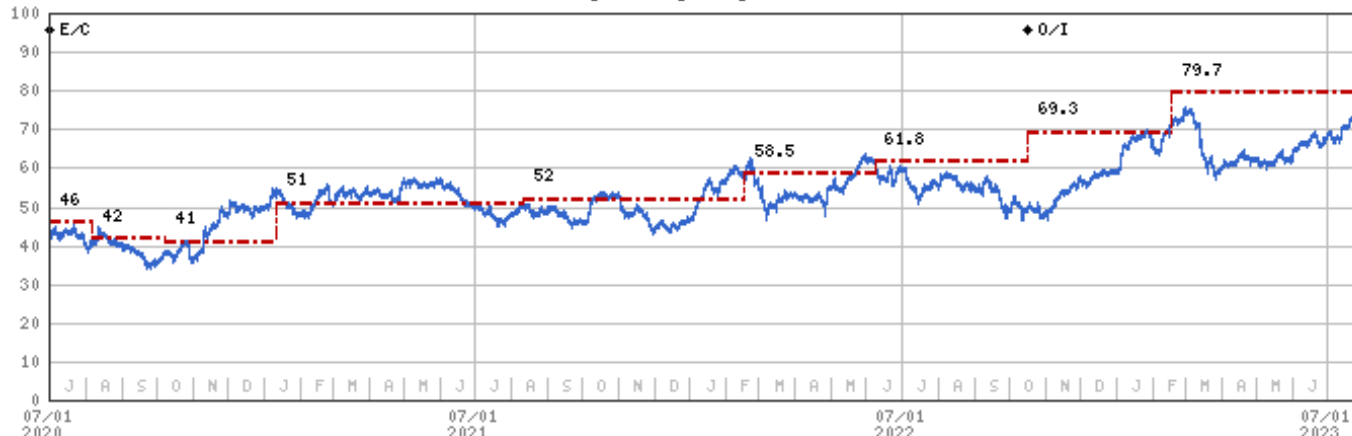
Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target --- No Price Target Assigned (NA)  
Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) —  
Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View  
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)  
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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Standard Chartered (2888.HK) - As of 7/23/23 in HKD  
Industry : Hong Kong Financials



Stock Rating History: 7/1/18 : U/A; 6/21/19 : U/I; 10/9/19 : U/C; 3/17/20 : E/C; 10/17/22 : O/I

Price Target History: 2/28/18 : 76; 7/31/18 : 70; 8/17/18 : 59; 10/31/18 : 57; 5/15/19 : 61; 6/21/19 : 57; 10/9/19 : 52; 10/31/19 : 56; 1/8/20 : 63; 2/28/20 : 57; 3/17/20 : 49; 4/22/20 : 46; 8/6/20 : 42; 10/8/20 : 41; 1/12/21 : 51; 8/11/21 : 52; 2/16/22 : 58.5; 6/8/22 : 61.8; 10/17/22 : 69.3; 2/17/23 : 79.7

Source: Morgan Stanley Research Date Format: MM/DD/YY Price Target -- No Price Target Assigned (NA)  
Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) ■  
Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View  
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)  
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## INDUSTRY COVERAGE: Hong Kong Financials

COMPANY (TICKER)	RATING (AS OF)	PRICE* (07/24/2023)
<b>Nick Lord</b>		
Bank of East Asia (0023.HK)	E (07/29/2021)	HK\$12.20
BOC Hong Kong (2388.HK)	E (03/17/2020)	HK\$22.75
Hang Seng Bank (0011.HK)	E (07/24/2023)	HK\$113.30
HSBC Holdings (0005.HK)	O (10/17/2022)	HK\$63.70
Standard Chartered (2888.HK)	O (10/17/2022)	HK\$71.15
<b>Richard Xu, CFA</b>		
HK Exchanges & Clearing (0388.HK)	U (11/21/2022)	HK\$290.20

Stock Ratings are subject to change. Please see latest research for each company.

\* Historical prices are not split adjusted.