China International Capital Corp. (3908.HK): Management Meeting: Key Takeaways on Visible ROE and Shareholder Returns

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Our meeting with **CICC** management reinforced the core investment thesis that visible ROE improvement and shareholder returns, rather than near-term earnings volatility, are likely to become the key valuation drivers post-merger.

1. 3Q26 earnings may be more resilient than the market expects. While market-sensitive businesses such as Prime Brokerage face softer trading conditions, Wealth Management, international operations and strategic investments are providing offsets. Wealth Management currently contributes ~30% of revenue and could approach 40% after the consolidation of **Dongxing Securities** and **Cinda Securities**. The expected **CXMT** co-investment gain could provide a meaningful earnings contribution largely independent of market turnover.

2. Merger value lies primarily in capital efficiency. Management emphasized that the key synergy from integrating **Dongxing** and **Cinda** is not near-term cost savings but improved capital allocation. More centralized capital management should allow funding to be directed toward higher-return businesses that were previously constrained by regulatory capital. Given the successful completion of the firm's wealth-management transformation, the enlarged capital base could translate into earnings growth more quickly than in prior integration.

3. Hong Kong capital deployment remains the clearest path to higher ROE. International operations continue to generate superior leverage and ROE relative to domestic businesses. Management confirmed approval of an additional RMB4-5bn capital injection into CICC International. We continue to believe increased capital deployment in Hong Kong is the most visible lever for ROE expansion. Our framework suggests that ~30% of group capital allocated internationally could support ~12% group ROE, while achieving management's 15% medium- to long-term target would likely require further Hong Kong capital allocation and/or improved capital efficiency (Exhibit 2).

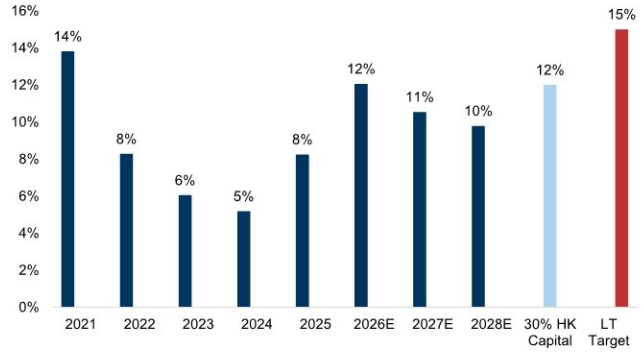
4. Management expects shareholder returns to improve. Historical dividend payouts of approximately 15% largely reflected capital constraints. Following completion of the transaction, management indicated both payout ratios and absolute dividends could increase over time (Exhibit 3). This supports a more sustainable and visible shareholder return profile.

The meeting strengthened our conviction that the market remains focused on near-term earnings, while the more important medium-term story is post-merger capital deployment, improving ROE visibility, and higher shareholder returns. As the

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enlarged balance sheet is deployed into higher-return businesses, we believe ROE can move meaningfully higher, supporting further re-rating potential. Buy **CICC-H**. We continue to view visible ROE improvement and rising shareholder returns as the primary catalysts for valuation upside.

Exhibit 1: Based on 30% capital allocation to Hong Kong, 10x leverage in Hong Kong, 20% Hong Kong ROE, and 7%-9% onshore ROE, we estimate post-merger group ROE of approximately 12%



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 2: Under management's assumptions of approximately 10x leverage in Hong Kong versus 4x onshore, a group ROE of 15% would require Hong Kong capital allocation in excess of 40%, compared with management's current indication of around 30%.
For illustrative purposes

Group ROE	Onshore ROE					
	7%	8%	9%	10%	11%	12%
HK capital share 20%	10.40%	10.80%	11.20%	12.00%	12.80%	13.60%
HK capital share 30%	10.90%	11.60%	12.30%	13.00%	13.70%	14.40%
HK capital share 40%	12.20%	12.80%	13.40%	14.00%	14.60%	15.20%
HK capital share 50%	13.50%	14.00%	14.50%	15.00%	15.50%	16.00%
HK capital share 60%	14.80%	15.20%	15.60%	16.00%	16.40%	16.80%

Source: Goldman Sachs Global Investment Research

Exhibit 3: Scenario Analysis
For illustrative purpose, price as of Sep 15

Div payout ratio	Equity growth				DPS(27E)	Div Yield (A)	Div Yield (H)
	2026E	2027E (post M&A)	2028E	26E–28E CAGR			
15.8%	10%	65%	10%	26%	0.55	1.7%	3.0%
28.6%	9%	63%	9%	24%	0.98	3.1%	5.4%
34.5%	8%	62%	8%	24%	1.18	3.7%	6.5%

Source: Goldman Sachs Global Investment Research, Wind

Key takeaways from the management meeting

1. 3Q/4Q outlook: earnings appear resilient; focus shifts to integration

- Management characterized 3Q26 financial trends as relatively resilient despite softer market conditions. Prime Brokerage and other market-sensitive businesses were affected, but the overall impact was described as manageable.
- Wealth-management revenue currently represents approximately 30% of group revenue and could approach 40% following consolidation of **Dongxing Securities** and **Cinda Securities.** Management noted that wealth-management revenue remained broadly stable during the weaker market environment of
- The enlarged retail network is expected to support wealth-manage **Dongxing Securities** and **Cinda Securities** have established franch Liaoning province, respectively, where **CICC** previously had limited initial integration plan is to extend **CICC**'s investment-advisory, proc and asset-allocation capabilities across these networks.

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- International investment banking and northbound institutional brokerage provide additional diversification from A-share market activity, while the **CXMT** co-investment is expected to contribute one-off earnings.
- Management expects the M&A transaction to complete in October, followed by A-share trading resumption and completion of the share exchange. Detailed integration plans have been prepared internally.
- The direct 4Q26 financial impact from M&A should be limited because only approximately two months of the acquired businesses will be consolidated. Management expects surplus capital from the two brokers to be deployed largely within one to two quarters after closing.

2. CXMT co-investment: material contribution, but not a recurring driver

- **CICC** co-invested approximately Rmb 1bn in **CXMT**. Management indicated that the associated gain could amount to approximately Rmb 5bn before applying accounting recognition adjustments.
- Management highlighted that a base-case profit contribution of approximately Rmb 2.5bn-3.0bn was discussed, based on recognizing 50%-60% of the gain. Comparable transactions have applied recognition rates of 60%-70%. Management indicated that **CICC** intends to adopt a relatively conservative liquidity discount, with final recognition subject to accounting review.
- Management does not regard **CXMT**-type opportunities as recurring and does not expect investors to extrapolate similar gains into future periods.

3. M&A integration: capital flexibility is the main source of synergy

- Following completion, management expects parent-company net capital to increase from approximately Rmb 40bn to Rmb 120bn. Capital across the four legal entities (**CICC**, **CICC Wealth Management**, **Dongxing Sec**, **Cinda Sec**) will be managed more centrally, reducing restrictions associated with the previous capital-commitment structure. The enlarged net-capital base should increase capacity in businesses linked to regulatory capital, including margin financing, equity and fixed-income inventory, derivatives and cross-border Prime Brokerage.
- The transaction has two principal sources of value: a larger and more deployable capital base, and broader retail distribution through **Dongxing Securities** and **Cinda Securities**.
- The two acquired brokers historically operated with leverage of approximately 3x, compared with around 6x at **CICC**. More efficient balance-sheet utilization represents a potential source of post-merger ROE improvement, according to the management.
- Per the management, the transaction differs from the 2017 acquisition of **China Investment Securities**. In the earlier transaction, the acquired balance sheet remained within a separate legal entity and capital was made available through a commitment mechanism, limiting deployment flexibility. The two businesses were also closer in size, while **CICC** had not yet completed its wealth-management transformation.

- In the current transaction, capital should be available for more direct group-level deployment and the wealth-management platform is already established. Capital and distribution synergies may therefore emerge more quickly than in the previous integration, according to the management.
- **Dongxing Securities** and **Cinda Securities** generated 1H26 ROEs of approximately 12.4%-12.5%, below **CICC**'s level of more than 15%. Management attributed part of the difference to smaller platforms' limited ability to originate and execute higher-value transactions. Taking IB business as an example, **Dongxing Securities** has approximately 97 A-share sponsor representatives and two Hong Kong signing sponsor representatives but less IPO demand. Integration with **CICC**'s client base and IPO project pipeline could improve utilization of these resources.
- Cost control remains in place despite the potential gain. Management indicated that 1H26 expenses were broadly stable despite strong revenue growth; incremental spending was mainly related to business travel, while IT expenses are expected to decline after M&A integration. Management expects that full integration of the four brokerage systems will take approximately one to one-and-a-half years. According to the management, potential annual savings in IT maintenance and capital expenditure have been estimated at approximately Rmb 500mn-1bn after integration.
- In the near term, the priority remains integration of Dongxing Securities and Cinda Securities. Over the longer term, further consolidation among Huijin-affiliated brokers remains possible, although management indicated that this would depend partly on the execution and synergy realization of the current transaction.

4. Derivatives and cross-border businesses: additional capacity remains subject to approval

- Derivatives capacity remains linked to net capital. Management expects the enlarged capital base to support future discussions with regulators, although no formal approval has been received for additional capacity. The company plans to resume discussions with the CSRC after completion of the share exchange.
- Northbound cross-border swap activity remained active during 2026, supported by balance-sheet expansion and client demand.
- Management noted that TRS window guidance was issued during crowded trading conditions in June. Following the subsequent market correction, there has been no further material tightening of southbound activity. Regulatory treatment did not tighten further during the July small-cap volatility. Client assets and Prime Brokerage exposure began to recover in August.

5. International business: higher-return operations remain the main destination for incremental capital

- International operations generated approximately Rmb 6bn of revenue and Rmb 3.8bn of profit in 1H26.
- International investment-banking revenue approximately doubled YoY, supported by continued leadership in Hong Kong IPO underwriting and stronger follow-on activity.

Management cited Zhipu AI follow-on transaction underwritten exclusively by the company and an Alibaba-related transaction in which **CICC** was the only participating Chinese broker.

- Institutional brokerage benefited from northbound demand, while the Hong Kong Prime Brokerage balance sheet expanded by approximately Rmb 100bn during 1H26.
- International wealth-management revenue increased by approximately 50%-60% YoY from a 2025 revenue base of around Rmb 1.0bn-1.1bn.
- The company has approved an additional Rmb 4bn-5bn capital injection into CICC International, with regulatory approval targeted by end-2026 or early 2027. Management described the approach as adding capital as existing capacity is utilized rather than making a single large injection.
- International leverage increased from approximately 6x initially to 8x in 2025 and around 10x in 1H26. Management expects leverage to increase further from the current level but does not target a return to the historical peak of approximately 20x.
- The Hong Kong balance sheet is primarily used for client Prime Brokerage, cross-border derivatives and beta-oriented market making rather than material directional proprietary exposure.
- International ROE has historically ranged from approximately 10% to 30%, with an average around 20%. Management indicated that international ROE remained above 10% during weaker group earnings periods and has recently recovered toward 20%.
- International operations contribute approximately 23% of group revenue, with a higher share of group profit given stronger profitability.

6. Shareholder returns: scope for a gradual payout increase

- Historical payout ratios of approximately 15%-16% reflected long-standing capital constraints.
- Management indicated that the major shareholder expects both the payout ratio and absolute dividend amount to increase. The final outcome remains subject to board approval. A steady-state payout ratio closer to 30% was described as reasonable relative to large banks and broker peers, although management did not specify whether the adjustment would be immediate or gradual.
- The treatment of the one-off CXMT gain in the dividend base has not been finalized. Management noted that excluding the gain may not be straightforward once recognized in reported profit.
- The interim dividend was delayed because of the M&A transaction process. Management expects payment after closing and indicated that maintaining at least the prior-year absolute DPS is an important consideration.
- The 15% ROE objective and the longer-term payout framework are managed separately: ROE represents an internal capital-return objective, while the payout ratio reflects shareholder-return considerations.

7. Other operational details

- Most existing USD bond positions are classified as OCI or held to maturity, limiting their effect on current-period earnings. Duration was described as relatively short.
- The company has not added new USD bond positions since April 2026, reflecting uncertainty around the Federal Reserve rate path and competing balance-sheet demand elsewhere, rather than a regulatory requirement to reduce exposure.

Price Target Risks and Methodology - China International Capital Corp.
We are Buy/Neutral on **CICC-H/CICC-A**. Our 12-month target prices of HK$ 38.20/Rmb 57.35 are based on 11x/18x 2027E P/Es.

Downside risks: 1) weaker-than-expected China capital market, 2) OTC derivative losses, 3) decreased AUM and fee rate, 4) higher cost-to-income ratio.

Upside risks for A shares: 1) improving brokerage fee and IBD income, 2) increasing OTC derivative business and income growth, 3) more cost savings to support ROE.

3908.HK	12m Price Target: **HK$38.20**	Price: **HK$19.97**	Upside: **91.3%**
601995.SS	12m Price Target: **Rmb57.35**	Price: **Rmb31.80**	Upside: **80.4%**

Buy

Market cap: HK$96.4bn / $12.3bn
3m ADTV: HK$357.9mn / $45.6mn
China
China Brokers & AM
M&A Rank: 3

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (Rmb mn)	28,481.1	38,880.3	37,985.4	38,470.1
Net inc. (Rmb mn)	9,790.5	15,745.3	15,380.9	15,581.5
Net inc. growth (%)	71.9	60.8	(2.3)	1.3
EPS (Rmb)	2.03	3.26	3.19	3.23
ROA (%)	1.3	1.7	1.5	1.4
ROE (%)	8.2	11.5	9.8	9.1
P/E (X)	7.9	5.2	5.4	5.3
P/B (X)	0.6	0.6	0.5	0.5
Dividend yield (%)	1.1	1.7	1.7	1.7

	3/26	6/26	9/26E	12/26E
EPS (Rmb)	0.74	0.96	0.66	0.90

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 16 Sep 2026 close.

Disclosure Appendix

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Growth is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

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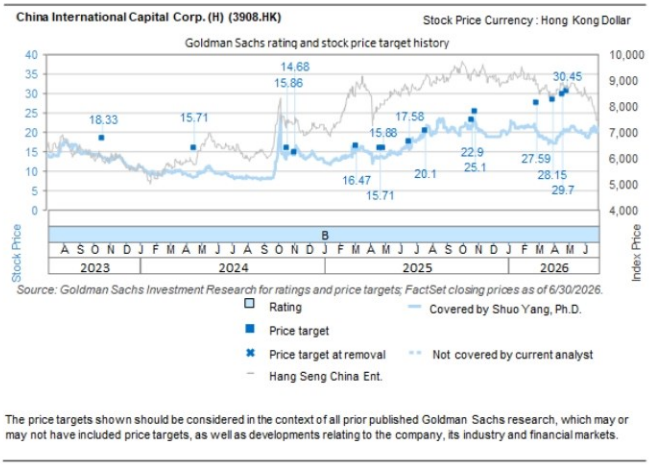
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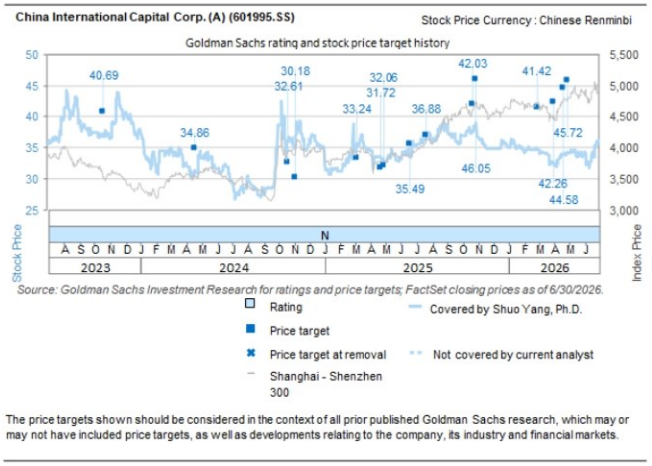
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	Buy	Hold	Sell	Buy	Hold	Sell
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Target price history table(s)

China International Capital Corp. (A) (601995.SS)

Date of report	Target price (Rmb)	Closing price (Rmb)
31-Aug-26	57.35	34.73
22-Jul-26	51.53	35.75
30-Apr-26	45.72	34.23
21-Apr-26	44.58	33.93
01-Apr-26	42.26	32.68
27-Feb-26	41.42	34.65
29-Oct-25	46.05	39.03
22-Oct-25	42.03	37.42
21-Jul-25	36.88	36.61
19-Jun-25	35.49	33.79
28-Apr-25	32.06	32.86
22-Apr-25	31.72	33.53
06-Mar-25	33.24	35.81
04-Nov-24	30.18	35.77
21-Oct-24	32.61	35.86
18-Apr-24	34.86	31.34
20-Oct-23	40.69	37.23

China International Capital Corp. (H) (3908.HK)

Date of report	Target price (HK$)	Closing price (HK$)
31-Aug-26	38.20	22.54
22-Jul-26	34.32	22.18
30-Apr-26	30.45	20.22
21-Apr-26	29.70	19.94
01-Apr-26	28.15	17.20
27-Feb-26	27.59	20.26
29-Oct-25	25.10	22.74
22-Oct-25	22.90	21.34
21-Jul-25	20.10	20.55
19-Jun-25	17.58	15.64
28-Apr-25	15.88	13.28
22-Apr-25	15.71	13.80
06-Mar-25	16.47	15.86
04-Nov-24	14.68	14.72
21-Oct-24	15.86	14.22
18-Apr-24	15.71	8.60
20-Oct-23	18.33	13.36

Price targets shown in table(s) are unadjusted for corporate actions.

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