

China CITIC Financial Asset Management (Huarong) (2799 HK)

FUNDAMENTAL VIEW ¹

As of 10 Sep 2025

- A large impairment loss in FY20 brought CITIC AMC (formerly Huarong) to the brink of insolvency, but a state-led rescue plan provided it with liquidity support and brought its capital back above minimum requirements. CITIC has replaced the MoF as its largest shareholder. CITIC AMC remains as one of the Big 5 state-owned AMCs in China and will continue to perform national services.
- On the guidance of the authorities, CITIC AMC has divested almost all of its non-core subsidiaries.
- We expect its core operations to remain weak and volatile, until China's economy is back on the upswing, residents regain confidence in the property market, and improved capital markets lead to better valuations on its securities books.

RISKS & CATALYSTS

As of 10 Sep 2025

- CITIC's support is strong (name change, investment in CEB and CITIC Ltd, subsidiary disposal, new management team, etc.) and more meaningful to the company compared to direct ownership by the government.
- Derisking continues with lower property exposure, non-core businesses have largely been disposed of and the company is able to focus on its main DDA business per the guidance of the authorities.
- While the company was able to deliver profit growth on the back of CITIC support and its associate interest holdings, core performance remains weak, and there could be continued volatility in the name.
- AMCs may find it harder to dispose DDAs at good valuations amid a deceleration economic cycle. Longer holding periods will dampen return yields.

KEY METRICS

As of 10 Sep 2025

CNY MN	FY21	FY22	FY23	FY24	1H25
ROA	0.10%	(2.20%)	0.02%	0.75%	1.10%
ROE	1.0%	(49.8%)	3.6%	18.4%	21.1%
Total Capital Ratio	13.0%	15.1%	15.1%	15.7%	16.0%
Leverage Ratio	14.2x	16.1x	11.5x	10.1x	8.6x
Equity/Assets	0.0%	3.1%	2.9%	3.7%	4.0%

BUSINESS DESCRIPTION

As of 10 Sep 2025

- China CITIC Financial Asset Management (formerly Huarong) is one of the five major state-owned asset management companies in China. It was first set up in 1999 to take over the bad debts of ICBC.
- The AMCs were originally due to be wound up after dealing with these "policy loans" that had come onto the books of the banks under government direction before their commercialisation, but the AMCs found a new role as commercial bad debt managers.
- CITIC AMC was commercialised in 2012 and completed its IPO on the HK stock exchange in 2015. Since then, it expanded its financial services to banking, financial leasing, securities & futures, trust, as well as consumer finance. However, after heavy losses in FY20, the company has divested almost all of its non-core business as directed by the authorities.
- Following the CITIC-led rescue plan and the equity transfer from the Ministry of Finance (MOF) to CITIC, CITIC has become its largest shareholder (26.46%). Other significant shareholders include MOF (24.76%), Zhongbaorongxin (18.08%), Cinda AMC (4.89%), China Life Insurance (4.50%), National Social Security Fund (3.08%), Warburg Pincus (2.57%), and ICBC Financial AM (2.44%). It was renamed to share the "CITIC" brand in Nov-23.

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