

China / Hong Kong Industry Focus

China Banking Sector

Refer to important disclosures at the end of this report

DBS Group Research . Equity

14 May 2018

Easing pressure on funding costs

- **Loans from shadow banking continued to shrink in April as deleveraging continues**
- **Relatively loose liquidity conditions helping to ease China banks' funding costs**
- **Expect NIM to expand sequentially in 2Q18**
- **Maintain positive view on China banking sector; Top BUYs: CCB, CITIC, ABC and CMB**

What's new? China's outstanding total social financing (TSF), which provides a much broader measure of credit and liquidity in the economy, came in at RMB181 trillion in April, representing a 10.5% growth y-o-y. Growth continued to slow with the shrinking shadow banking. Bank loans rose 12.4% y-o-y, which remained stronger than non-bank financing, which expanded 6.3% y-o-y led by the decline in entrusted loans. Total RMB loans was up 12.7% y-o-y to RMB126bn in April, while total deposits increased 8.9% y-o-y to RMB170bn. Both retail loans and corporate loans growth (+20%/+10% y-o-y) were largely supported by mid-to-long term loan demand. Though commercial banks' non-performing loans (NPL) was up by 1 basis point (bp) q-o-q in 1Q18, coverage ratio/loan loss reserve improved 9.9ppts/18bps q-o-q to 191%/3.3%.

Our view. The latest TSF and bank loan figures indicate that credit demand remains strong, driving higher loan pricing. The first-home mortgage rate was 5.56% (vs 5.51% in Mar), above the benchmark rate by 66bps. Despite PBOC's prudent and neutral monetary policy is unchanged, market liquidity seems to have increased since PBOC cut the reserve ratio by 1% to unleash RMB400bn in the market and RMB900bn to pay back MLF on 25 April, which allowed China banks to repay relatively costly loans and boost lending to small firms. This would also alleviate China banks' funding costs pressure, though deposits growth was flattish m-o-m in April as the gap between WMPs and time deposits widened. However, as WMPs are no longer under a principal guarantee structure, customers who are risk adverse might shift to structured deposits, which offer lower returns than WMPs but have implicit guarantees, thus increasing banks loan distribution capacity.

We believe the strong credit demand remains positive for China banks, helping them to increase bargaining power to raise pricing and improve asset quality. With the easing interbank market rate helping to lower funding costs, China banks' net interest margin (NIM) would continue to expand sequentially. We reiterate our positive view on China banks, and our top BUYs are CCB (939 HK), CITIC (998 HK), ABC (1288 HK) and CMB (3968 HK).

HSI : 31,122

ANALYST

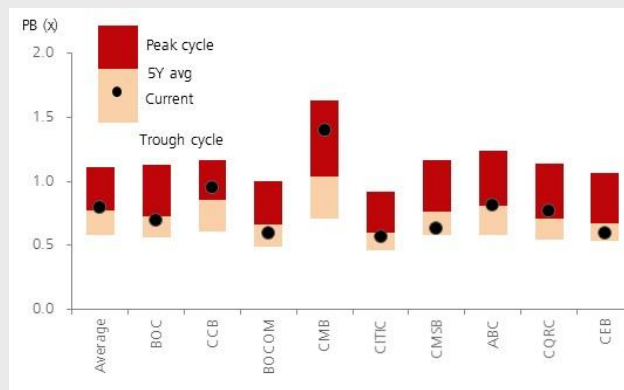
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Recommendation & valuation

Bank	Ticker	Rating	Closing Target		PB (X)	FY18F	
			Price (HKD)	Price (HKD)		Yield (%)	ROE (%)
ABC - H	1288 HK	BUY	4.45	5.12	0.9	5.0	14.6
BOC - H	3988 HK	BUY	4.23	5.15	0.7	5.1	12.4
CCB - H	939 HK	BUY	8.20	10.56	1.0	4.4	14.7
CEB - H	6818 HK	HOLD	3.99	4.15	0.7	5.4	11.2
CMB - H	3968 HK	BUY	35.00	38.70	1.5	3.2	16.3
CQRCB	3618 HK	BUY	5.57	7.28	0.7	4.7	15.1
BoCom - H	3328 HK	HOLD	6.30	6.59	0.6	5.2	10.8
CITIC - H	998 HK	BUY	5.72	6.80	0.5	5.5	10.2
CMSB - H	1988 HK	HOLD	7.39	6.54	0.7	3.2	12.2

Bank	Ticker	Rating	Closing Target		PB (X)	FY18F	
			price (RMB)	Price (RMB)		Yield (%)	ROE (%)
ABC - A	601288 CH	BUY	3.91	4.66	0.9	4.6	14.6
BOC - A	601988 CH	BUY	3.90	4.69	0.8	4.5	12.2
CCB - A	601939 CH	BUY	7.74	9.61	1.1	3.8	14.8
CEB - A	601818 CH	HOLD	4.10	3.78	0.8	4.4	12.3
CMB - A	600036 CH	BUY	30.08	35.20	1.6	2.8	15.9
BoCom - A	601328 CH	HOLD	6.22	5.88	0.8	4.6	11.4
CITIC - A	601998 CH	HOLD	6.64	6.19	0.8	3.9	10.6
CMSB - A	600016 CH	SELL	7.93	5.95	0.8	3.2	14.2



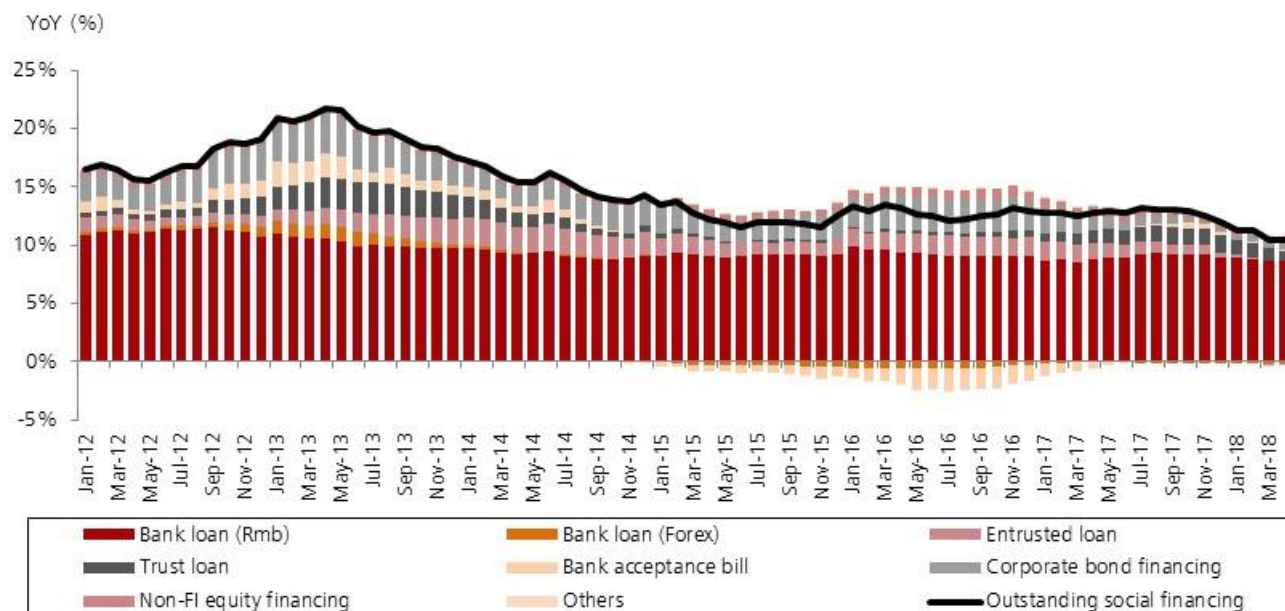
Source: Thomson Reuters, DBS Vickers, Bloomberg Finance L.P. Data as of May 11

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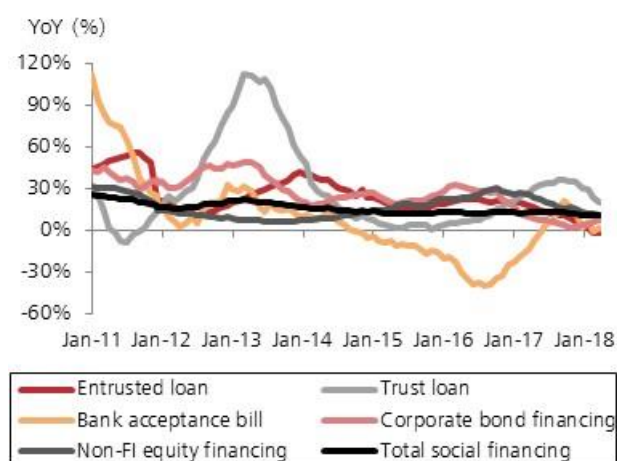
Total Social Financing summary

Total social financing outstanding growth contribution by segment



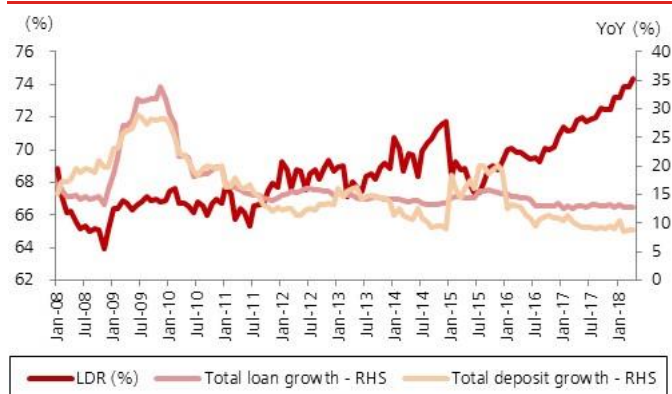
Source: DBSV, PBOC

Total Social Financing +10.5% y-o-y growth in April



Source: DBSV, PBOC

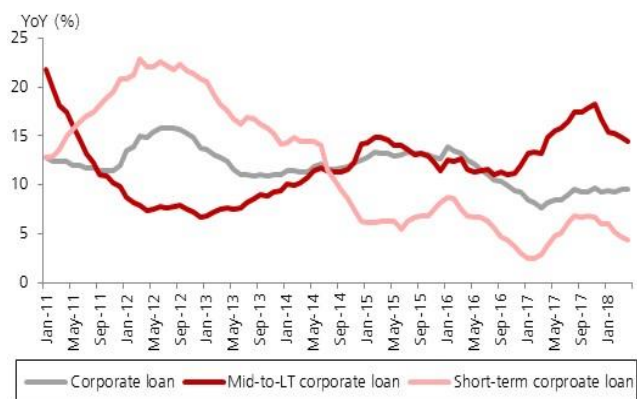
Total loan growth continues to be in the low-teens, up 12.7% in April



Source: DBSV, PBOC

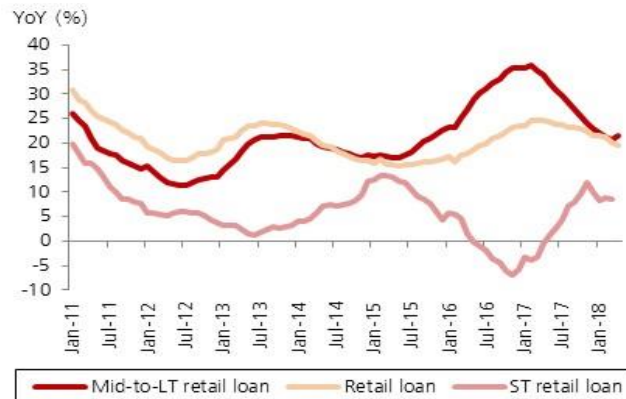
Corporate and retail loan growth

Corporate loan growth close to 10% y-o-y driven by mid-to-long term loans



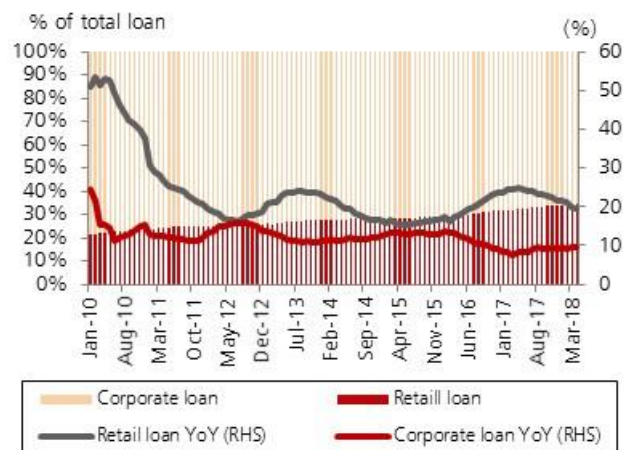
Source: DBSV, PBOC

Retail loan growth was up 19.6% y-o-y, supported by mid-to-LT retail loans (proxy of mortgage loans)



Source: DBSV, PBOC

Retail loan growth continues to outpace corporate loans



Source: DBSV, PBOC

Non-performing loan (NPL) and Special-mention loan (SML) trend

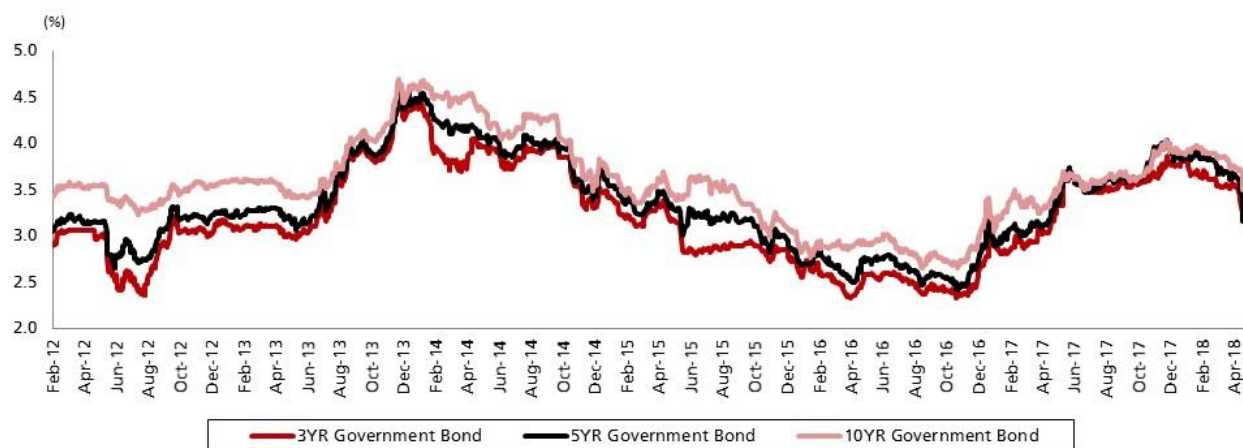
NPL and SML trend

NPL outstanding balance														
NPL outstanding balance (Rmb bn)	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	q-o-q
NPLs	983	1,092	1,186	1,274	1,392	1,437	1,494	1,512	1,580	1,636	1,670	1,706	1,774	4.0%
Special mention loan	2,483	2,647	2,813	2,885	3,195	3,320	3,477	3,352	3,421	3,416	3,422	3,409	3,471	1.8%
By Five-category Classification														
Substandard	480	530	563	592	651	636	642	609	640	656	671	625	720	15.1%
Doubtful	392	438	484	528	579	629	657	664	696	737	749	797	788	-1.0%
Loss	110	124	140	154	162	172	196	239	243	244	251	284	266	-6.3%
By Institutions														
Major commercial banks	983	1,092	1,186	1,274	1,392	1,437	1,494	1,512	1,580	1,636	1,670	1,706	1,774	4.0%
SOE Banks	552	607	647	700	754	760	766	776	790	787	771	773	782	1.2%
JSBs	188	212	239	254	283	296	317	341	359	370	389	385	398	3.3%
City commercial banks	100	112	122	121	134	142	149	150	161	170	177	182	194	6.6%
Rural commercial banks	129	147	164	186	206	224	246	235	259	298	324	357	391	9.5%
Foreign banks	13	13	14	13	15	16	16	10	10	10	9	9	8	-1.2%
Provision amount	2,083	2,166	2,263	2,309	2,437	2,529	2,622	2,668	2,824	2,898	3,013	3,094	3,394	9.7%
Total loan	70,683	72,793	74,610	76,129	79,549	82,131	84,881	86,908	90,776	94,011	96,000	98,029	96,283	-1.8%
NPL ratio (%)	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	Chg
NPL ratio	1.39	1.50	1.59	1.67	1.75	1.75	1.76	1.74	1.74	1.74	1.74	1.74	1.75	1bps
Special mention loan as % of total loan	3.51	3.64	3.77	3.79	4.02	4.04	4.10	3.87	3.77	3.64	3.56	3.49	3.42	-7bps
By Five-category Classification														
Substandard	0.68	0.73	0.75	0.78	0.82	0.77	0.76	0.70	0.70	0.70	0.70	0.64	0.71	7bps
Doubtful	0.56	0.60	0.65	0.69	0.73	0.76	0.77	0.77	0.77	0.79	0.78	0.81	0.78	-3bps
Loss	0.16	0.17	0.19	0.20	0.20	0.21	0.23	0.28	0.27	0.26	0.26	0.29	0.26	-3bps
By Institutions														
Major commercial banks	1.38	1.48	1.54	1.66	1.72	1.69	1.67	1.68	1.64	1.60	1.54	1.53	1.50	-3bps
SOE Banks	1.25	1.35	1.49	1.53	1.61	1.63	1.67	1.74	1.74	1.73	1.76	1.71	1.70	-1bps
JSBs	1.29	1.37	1.44	1.40	1.46	1.49	1.51	1.48	1.50	1.51	1.51	1.52	1.53	1bps
City commercial banks	2.03	2.20	2.35	2.48	2.56	2.62	2.74	2.49	2.55	2.81	2.95	3.16	3.26	10bps
Rural commercial banks	1.07	1.16	1.19	1.15	1.30	1.41	1.41	0.93	0.89	0.85	0.76	0.70	0.66	-4bps
Foreign banks	212.0	198.4	190.8	181.2	175.0	176.0	175.5	176.4	178.8	177.2	180.4	181.4	191.3	987bps
Coverage ratio (%)	212.0	198.4	190.8	181.2	175.0	176.0	175.5	176.4	178.8	177.2	180.4	181.4	191.3	987bps
By Institutions														
Major commercial banks	209.5	193.7	184.7	171.7	162.6	163.9	162.5	162.6	166.4	168.0	175.2	180.5	199.0	1851bps
SOE Banks	204.6	195.1	187.7	181.0	179.1	178.9	178.9	170.4	175.2	175.5	173.4	180.0	193.1	1313bps
JSBs	230.6	219.5	215.9	221.3	217.8	216.8	218.5	219.9	216.0	211.8	216.2	214.5	213.5	-94bps
City commercial banks	220.0	206.4	199.7	189.6	185.8	185.5	183.9	199.1	194.6	179.9	177.6	164.3	158.9	-537bps
Rural commercial banks	199.4	196.1	200.7	196.1	187.7	194.4	198.4	250.2	256.8	265.8	288.7	296.9	320.4	2354bps
Foreign banks	2.96	2.98	3.04	3.03	3.06	3.07	3.09	3.07	3.11	3.09	3.13	3.16	3.34	18bps
Loan loss reserve (%)	2.96	2.98	3.04	3.03	3.06	3.07	3.09	3.07	3.11	3.09	3.13	3.16	3.34	18bps

Source: DBSV, Wind

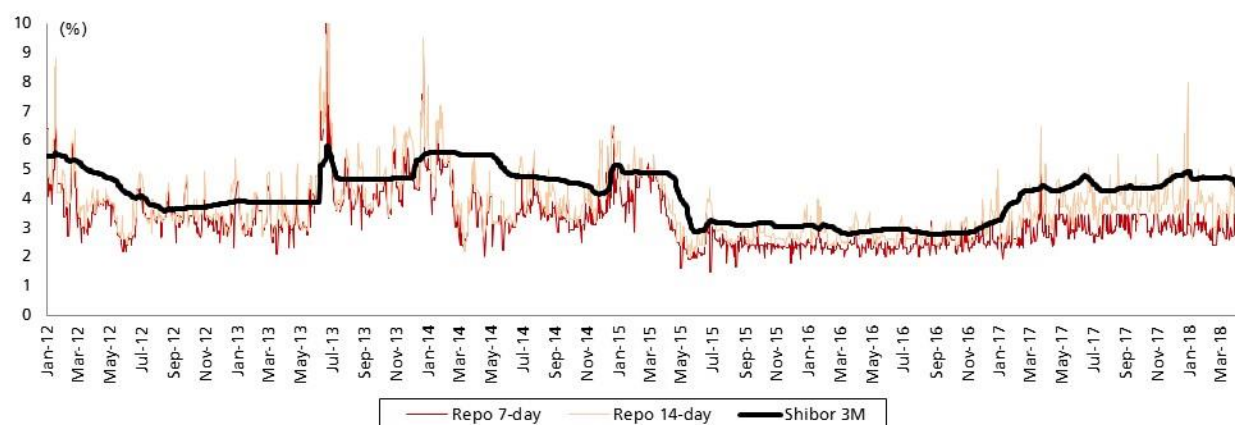
Interest Rate movement

Government bond yield continued to edge down in April 2017 with 3-year / 5-year/ 10-year bond yield at 3.24%/3.15%/3.65%



Source: DBSV, Bloomberg Finance L.P.

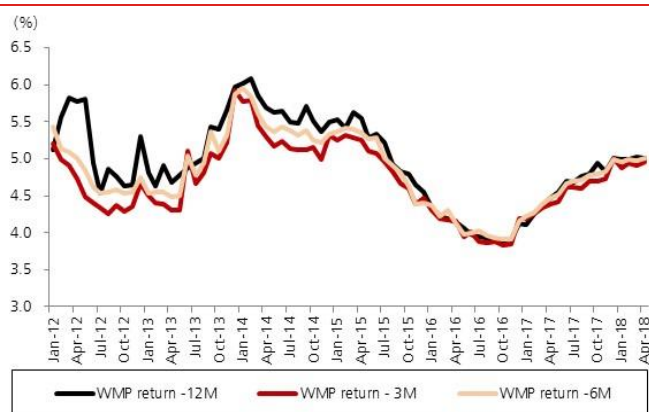
The regulatory tightening also affected market liquidity, in turn leading to increase in volatility of repo and SHIBOR



Source: DBSV, Bloomberg Finance L.P.

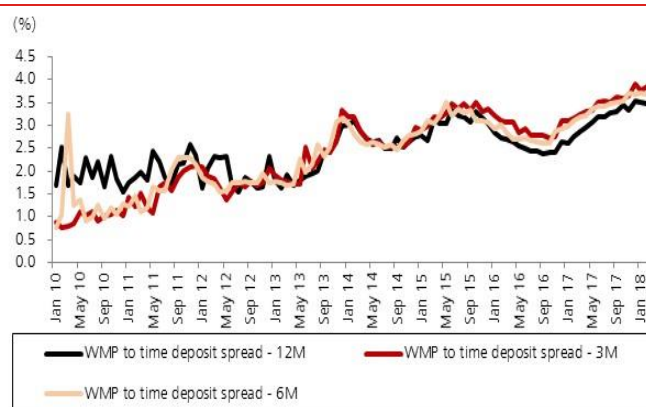
Wealth Management Products (WMPs) and corporate bonds issuance

WMPs return continued to widen



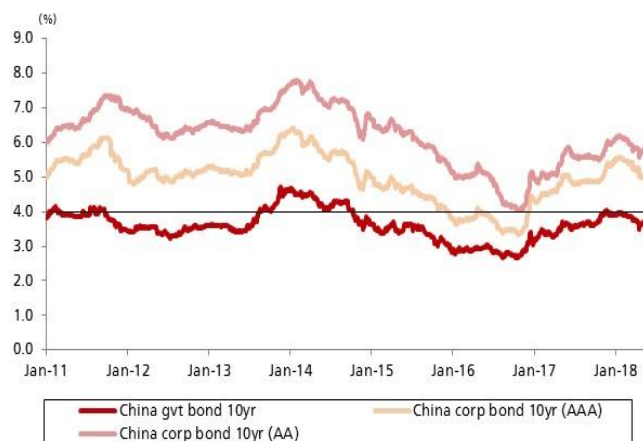
Source: DBSV, Wind

WMPs still offer attractive returns over time deposit, close to 3.5%-3.8% over benchmark rate.



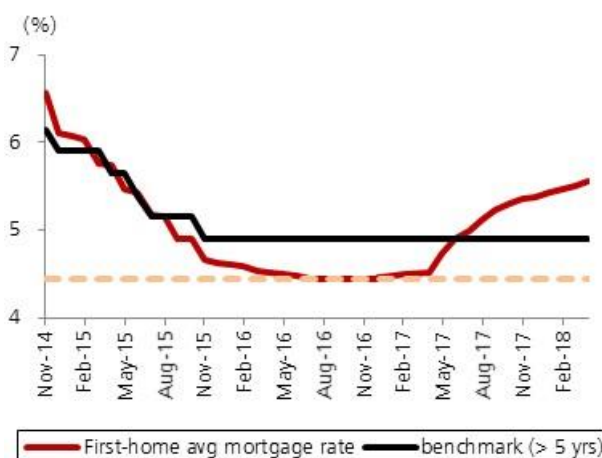
Source: DBSV, WIND

Corporate bond AAA (10-yr) and AA (10-yr) were down 22bps MoM and 11bps MoM respectively in April, following China government bond (10 yrs) falling 10bps MoM.



Source: DBSV, Wind

Mortgage rate was above benchmark rate by 13.5% in April



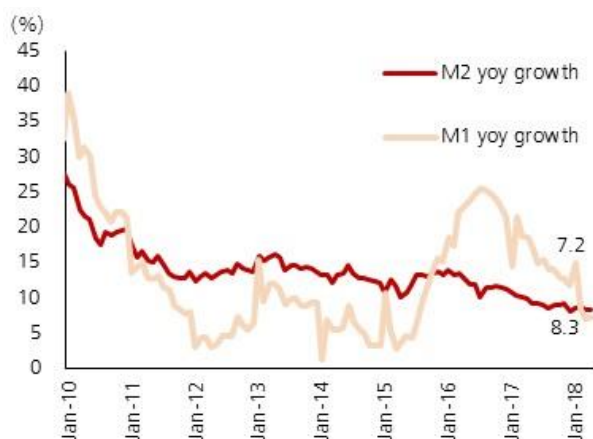
Source: DBSV, Rong 360

Industry Focus

China Banking Sector

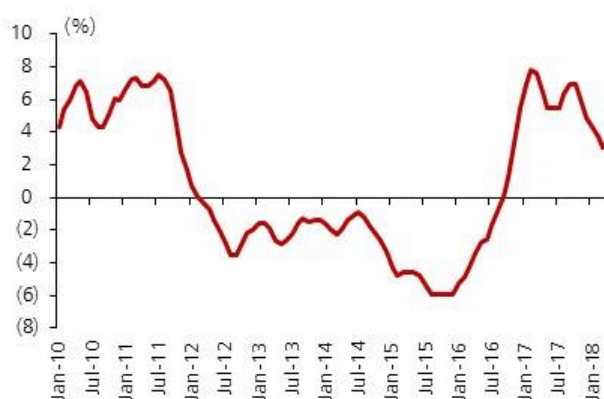
Latest Macroeconomic snapshot

M1 & M2 y-o-y growth



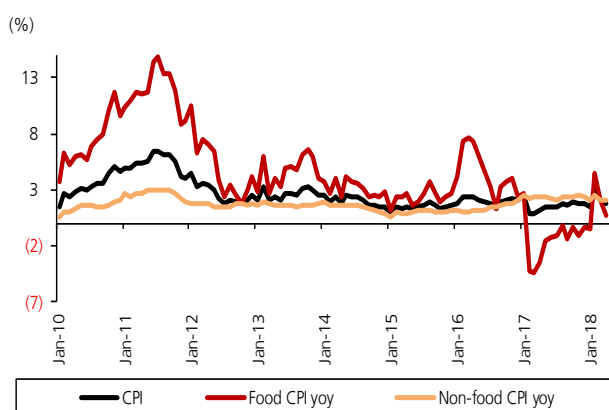
Source: DBSV, Wind

PPI growth slightly rebounded to +3.4% y-o-y in April



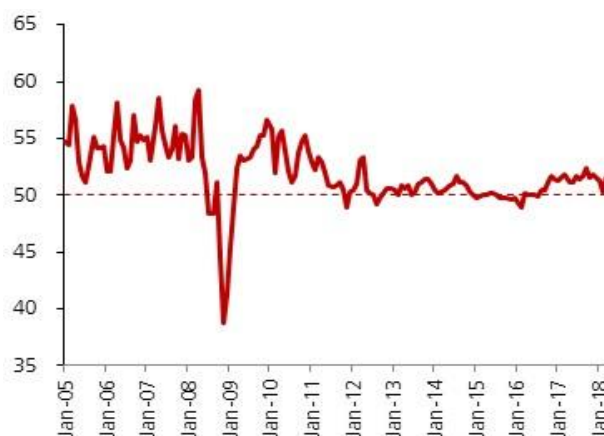
Source: DBSV, PBOC

CPI posted a milder increase of 1.8% y-o-y in April



Source: DBSV, Wind

PMI continued to expand since Aug 2016



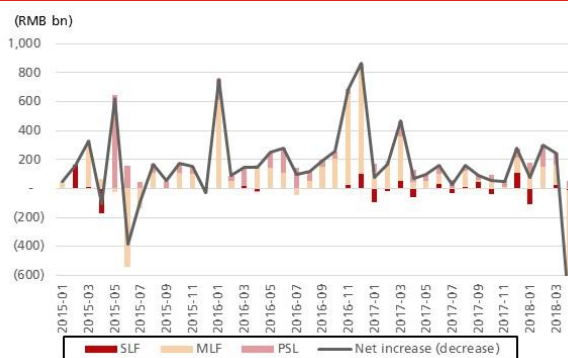
Source: DBSV, Wind

PBOC open market operation withdrew RMB80bn in April



Source: DBSV, Wind

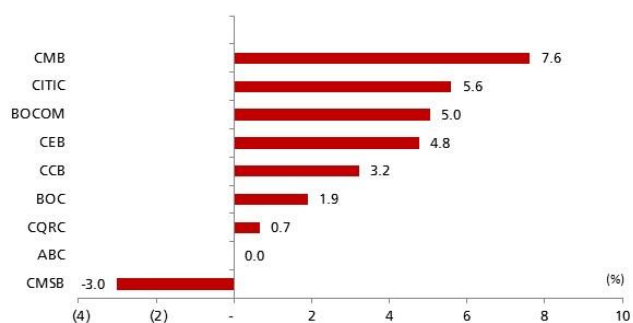
PBOC also withdrew RMB900bn through MLF (longer duration market operation) in April



Source: DBSV, Wind

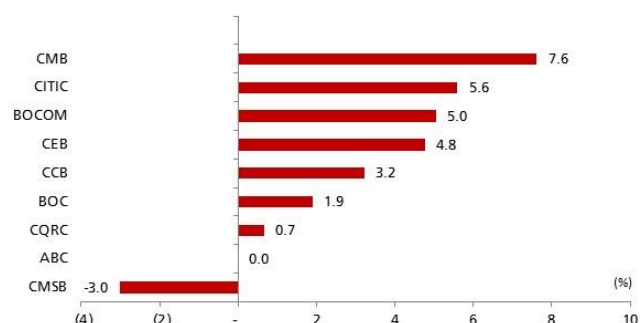
Share Price Performance

Sector performance (%): 1 month



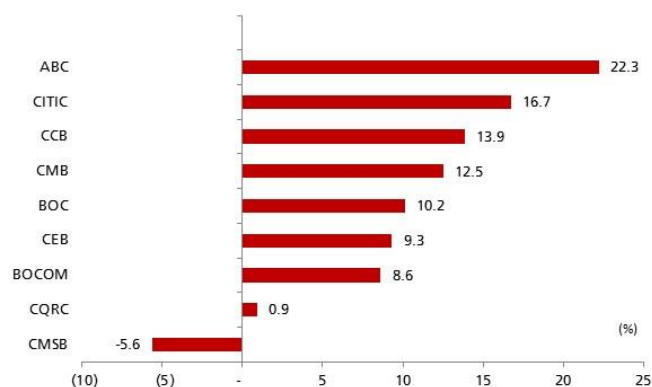
Source: DBSV, Bloomberg Finance L.P.

Sector performance (%): 3 months



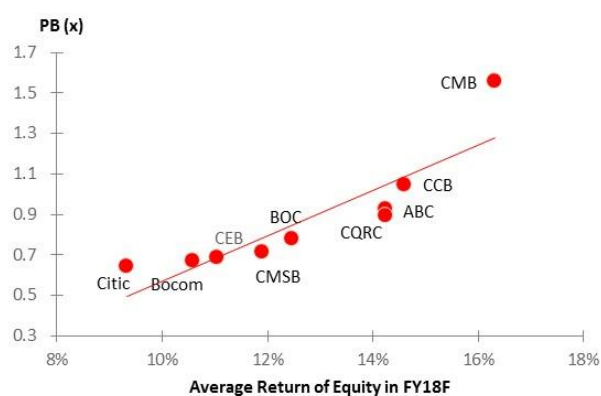
Source: DBSV, Bloomberg Finance L.P.

Sector performance (%): year-to-date



Source: DBSV, Bloomberg Finance L.P.

PB-ROE



Source: DBSV, Bloomberg Finance L.P.

Peers Comparison

		price (LC)	Stock rating	Target Price (HK\$)	Mkt Cap (US\$ m)	PBV				PEV				Div Yield				ROE				EPS CAGR
Coverage	Ticker					FY16 (X)	FY17 (X)	FY18F (X)	FY19F (X)	FY16 (X)	FY17 (X)	FY18F (X)	FY19F (X)	FY16 (%)	FY17 (%)	FY18F (%)	FY19F (%)	FY16 (%)	FY17 (%)	FY18F (%)	FY19F (%)	17A-19F (%)
H-share banks																						
China Construction Bank Corp	939 HK	8.20	BUY	10.56	262,862	1.1	1.0	1.0	0.9	7.7	7.4	6.8	6.2	3.9%	4.1%	4.5%	4.9%	15.5%	14.8%	14.7%	14.8%	9.4%
Bank of China	3988 HK	4.23	BUY	5.15	174,827	0.8	0.8	0.7	0.7	6.9	6.5	6.0	5.6	4.6%	4.8%	5.2%	5.6%	12.5%	12.2%	12.4%	12.5%	7.1%
Agricultural Bank of China	1288 HK	4.45	BUY	5.12	198,936	1.0	0.9	0.9	0.8	7.0	6.7	6.1	5.6	4.4%	4.6%	5.0%	5.4%	15.1%	14.6%	14.6%	14.5%	8.9%
Bank of Communications	3328 HK	6.30	HOLD	6.59	66,641	0.7	0.7	0.6	0.6	6.1	6.0	5.9	5.9	5.0%	5.2%	5.3%	5.3%	12.2%	11.4%	10.8%	10.1%	1.3%
China Merchants Bank	3968 HK	35.00	BUY	38.70	118,430	1.9	1.6	1.5	1.4	12.4	10.9	9.6	8.5	2.4%	2.8%	3.2%	3.6%	16.3%	15.9%	16.3%	17.0%	13.4%
China CITIC Bank	998 HK	5.72	BUY	6.80	46,540	0.6	0.6	0.5	0.5	5.8	5.9	5.5	5.1	4.3%	5.2%	5.6%	6.1%	11.9%	10.6%	10.2%	10.1%	8.0%
China Everbright Bank	6818 HK	3.99	HOLD	4.15	32,212	0.8	0.8	0.7	0.7	6.4	6.2	6.7	6.6	2.8%	5.2%	5.4%	5.5%	13.8%	12.3%	11.2%	10.7%	-2.8%
China Minsheng Banking Corp	1988 HK	7.39	HOLD	6.54	43,523	0.7	0.6	0.7	0.6	4.9	4.7	5.4	5.9	4.4%	4.0%	3.2%	3.2%	15.1%	14.2%	12.2%	11.1%	-10.5%
Chongqing Rural Commercial Bank	3618 HK	5.57	BUY	7.28	7,096	0.9	0.8	0.7	0.6	5.7	5.1	4.7	4.2	4.1%	4.1%	4.7%	5.3%	16.0%	15.4%	15.1%	15.1%	10.8%
Average						1.0	0.9	0.8	0.8	7.1	6.7	6.4	6.0	4.0%	4.4%	4.7%	5.0%	14.4%	13.6%	13.2%	13.0%	5.5%
A-share banks																						
China Construction Bank Corp - A	601939 CH	7.7	BUY	9.61	262,873	1.2	1.1	1.0	0.9	8.4	8.0	7.4	6.7	3.6%	3.8%	4.1%	4.5%	15.5%	14.8%	14.7%	14.8%	7.8%
Bank of China - A	601988 CH	3.9	BUY	4.69	174,834	0.9	0.8	0.8	0.7	7.3	6.9	6.4	5.9	4.3%	4.5%	4.9%	5.3%	12.5%	12.2%	12.4%	12.5%	7.1%
Agricultural Bank of China - A	601288 CH	3.9	BUY	4.66	198,945	1.0	0.9	0.9	0.8	7.1	6.7	6.2	5.7	4.3%	4.6%	5.0%	5.4%	15.1%	14.6%	14.6%	14.5%	7.6%
Bank of Communications - A	601328 CH	6.2	HOLD	5.88	66,644	0.8	0.8	0.7	0.7	7.0	6.8	6.7	6.7	4.4%	4.6%	4.7%	4.7%	12.2%	11.4%	10.8%	10.1%	1.4%
China Merchants Bank - A	600036 CH	30.1	BUY	35.20	118,435	1.9	1.6	1.5	1.4	12.2	10.8	9.5	8.4	2.5%	2.8%	3.3%	3.7%	16.3%	15.9%	16.3%	17.0%	13.3%
China CITIC Bank - A	601998 CH	6.6	HOLD	6.19	46,542	0.9	0.8	0.7	0.7	7.8	7.9	7.4	6.8	3.2%	3.9%	4.2%	4.6%	11.9%	10.6%	10.2%	10.1%	4.9%
China Everbright Bank	601818 CH	4.1	HOLD	3.78	32,214	0.9	0.8	0.7	0.7	6.5	6.4	6.9	6.7	2.4%	4.4%	4.6%	4.7%	13.8%	12.3%	11.2%	10.7%	-1.0%
China Minsheng Banking Corp - A	600016 CH	7.9	SELL	5.95	43,525	0.9	0.8	0.8	0.8	6.0	5.8	6.6	7.3	3.5%	3.2%	2.6%	2.6%	15.1%	14.2%	12.2%	11.1%	-5.9%
Average						1.1	1.0	0.9	0.8	7.8	7.5	7.1	6.7	3.6%	4.0%	4.2%	4.5%	14.2%	13.4%	13.0%	12.8%	4.7%
HK banks																						
Hang Seng Bank Ltd	11 HK	201.60	BUY	220.00	49,100	2.8	2.6	2.5	2.3	24.0	19.5	17.0	14.9	3.0%	3.3%	4.1%	4.7%	11.5%	13.7%	14.7%	16.0%	17.1%
BOC Hong Kong Holdings Ltd	2388 HK	40.65	BUY	53.70	54,750	1.9	1.8	1.7	1.5	17.5	14.8	12.9	11.8	4.6%	3.4%	3.9%	4.2%	11.7%	12.3%	13.3%	13.6%	14.0%
Bank of East Asia Ltd	23 HK	34.25	F.V.	30.05	12,249	1.1	1.0	1.0	1.0	24.3	13.5	18.0	16.8	1.7%	3.0%	2.2%	2.4%	4.5%	7.8%	5.6%	5.8%	13.1%
Dah Sing Bank	2356 HK	18.44	BUY	21.65	3,300	1.1	1.0	0.9	0.8	13.4	11.6	8.9	8.4	2.1%	2.3%	3.0%	3.2%	8.5%	8.9%	10.6%	10.4%	16.7%
Standard Chartered	2888 HK	81.15	NR		34,139	0.7	0.7	0.7	0.7	-71.5	44.1	14.1	11.8	0.0%	0.0%	0.0%	0.1%	-1.0%	1.6%	5.1%	5.9%	n.a.
Average						1.5	1.4	1.3	1.3	1.5	20.7	14.2	12.7	2.3%	2.4%	2.7%	2.9%	7.0%	8.9%	9.9%	10.3%	15.2%
ASEAN banks																						
OCBC	OCBC SP	13.14	BUY		41,168	1.5	1.4	1.3	1.2	15.6	13.4	11.2	10.2	2.7%	2.8%	3.0%	3.1%	9.9%	11.1%	12.3%	12.5%	15.2%
UOB	UOB SP	29.66	BUY		36,935	1.5	1.4	1.3	1.2	15.6	14.2	12.2	11.1	2.4%	3.6%	3.0%	3.2%	10.1%	10.1%	10.9%	11.2%	12.2%
RHB Bank	RHBBANK MK	5.27	HOLD		5,223	1.0	0.9	0.9	0.8	11.6	10.8	10.2	9.4	2.3%	2.8%	2.9%	2.8%	8.5%	8.7%	8.7%	8.9%	7.2%
Maybank	MAY MK	10.70	BUY		28,896	1.6	1.5	1.5	1.5	15.8	14.7	13.5	12.6	4.9%	5.1%	5.6%	5.7%	10.4%	10.6%	11.3%	11.8%	7.9%
Public Bank	PBK MK	23.88	BUY		22,791	2.7	2.5	2.3	2.1	17.7	16.9	15.5	14.1	2.4%	2.6%	2.8%	3.0%	15.9%	15.3%	15.3%	15.3%	7.9%
Average						1.7	1.5	1.4	1.4	15.3	14.0	12.5	11.5	2.9%	3.4%	3.5%	3.5%	10.9%	11.2%	11.7%	11.9%	10.1%
Other Asia banks																						
Sumitomo Mitsui Financial Group	8316 JT	4,520.00	NR		58,536	0.7	0.6	0.6	0.6	9.6	8.8	8.8	9.0	3.3%	3.3%	3.5%	3.7%	7.2%	8.2%	7.6%	6.9%	2.1%
Mizuho Financial Group	8411 JT	199.20	NR		46,307	0.6	0.6	0.6	0.5	7.4	8.3	9.1	9.7	3.8%	3.8%	3.8%	3.8%	8.3%	6.6%	6.6%	5.9%	-8.6%
Shinhan Financial Group	055550 KS	47,700.00	NR		21,186	0.7	0.7	0.7	0.6	8.3	7.8	7.1	6.7	3.0%	3.0%	3.4%	3.7%	8.9%	9.2%	9.4%	9.3%	7.5%
Industrial Bank of Korea	024110 KS	16,950.00	NR		8,890	0.6	0.6	0.5	0.5	10.3	7.8	6.4	6.2	2.8%	3.6%	4.1%	4.5%	5.9%	7.3%	8.4%	8.3%	18.5%
Average						0.7	0.6	0.6	0.6	8.9	8.2	7.8	7.9	3.2%	3.4%	3.7%	3.9%	7.6%	7.8%	8.0%	7.6%	4.9%
Global banks																						
Bank of America	BAC US	30.92	NR		313,509	1.3	1.3	1.2	1.2	19.7	19.0	12.1	10.6	0.8%	1.3%	1.9%	2.6%	6.8%	7.7%	10.4%	11.2%	22.8%
Citigroup	C US	72.86	NR		185,788	1.0	1.0	1.0	0.9	15.4	-24.4	11.3	9.9	0.6%	1.3%	2.0%	2.5%	6.6%	-3.8%	8.6%	9.5%	16.1%
JP Morgan	JPM US	113.86	NR		387,668	1.8	1.7	1.6	1.5	18.2	17.9	12.7	11.6	1.7%	1.9%	2.2%	2.5%	10.2%	10.8%	13.2%	13.8%	16.2%
HSBC	5 HK	77.55	NR		198,408	1.1	1.0	1.2	1.1	141.5	20.6	13.6	13.0	0.1%	0.1%	0.1%	0.1%	0.7%	5.5%	8.0%	8.3%	121.8%
Average						1.3	1.3	1.3	1.2	48.7	8.3	12.4	11.3	0.8%	1.1%	1.5%	1.9%	6.1%	5.0%	10.1%	10.7%	44.2%

Note: BBG consensus used for non-rated (NR) stocks, Closing price as of 23 Apr 2018

Source: Bloomberg Finance L.P., DBS Vickers

China banks operating matrix

Ticker	Company name	Total loan (Rmb bn)					Total deposit (Rmb bn)					Demand deposit/total deposit (%)					Loan to deposit ratio (%) - unadjusted				
		1Q17	2Q17	3Q17	4Q17	1Q18	1Q17	2Q17	3Q17	4Q17	1Q18	1Q17	2Q17	3Q17	4Q17	1Q18	1Q17	2Q17	3Q17	4Q17	1Q18
1288	ABC	10,113	10,412	10,645	10,721	11,148	15,962	16,105	16,370	16,194	16,865	55.8	56.3	57.1	58.4	57.5	63.4	64.7	65.0	66.2	66.1
3988	BOC	10,365	10,651	10,808	10,897	11,131	13,432	13,368	13,473	13,280	13,974	n.a.	49.3	n.a.	49.5	n.a.	77.2	79.7	80.2	82.0	79.7
3328	BoComm	4,344	4,370	4,413	4,457	4,704	4,938	4,939	4,867	5,545	5,719	48.2	49.9	51.1	45.0	42.0	88.0	88.5	90.7	80.4	82.3
998	CTIC	2,949	3,091	3,168	3,197	3,298	3,430	3,453	3,317	3,408	3,478	n.a.	54.0	n.a.	55.4	n.a.	86.0	89.5	95.5	93.8	94.9
939	CCB	12,172	12,507	12,757	12,903	13,152	16,232	16,274	16,503	16,364	16,900	51.9	52.8	53.2	54.3	52.8	75.0	76.9	77.3	78.9	77.8
6818	CEB	1,896	1,964	2,011	2,032	2,118	2,243	2,271	2,227	2,273	2,346	n.a.	38.6	n.a.	40.5	n.a.	84.5	86.5	90.3	89.4	90.3
3968	CMB	3,435	3,540	3,634	3,565	3,716	3,930	4,142	3,974	4,064	4,067	62.6	62.4	61.0	62.8	62.0	87.4	85.5	91.4	87.7	91.4
1988	CMSB	2,612	2,706	2,781	2,804	2,907	3,042	3,011	2,920	2,954	3,036	n.a.	43.1	n.a.	46.4	n.a.	85.9	89.9	95.2	94.9	95.7
3618	CQRB	312	324	333	338	351	557	570	581	572	609	39.0	40.0	39.6	40.0	37.7	56.1	56.8	57.3	59.1	57.6
Average		6,177	6,343	6,465	6,515	6,709	8,233	8,315	8,356	8,388	8,719	51.3	49.6	52.1	50.4	50.1	77.6	79.1	81.6	80.7	80.8
Ticker	Company name	Net interest income/ Net revenue (%)					Net fee income/ Net revenue (%)					Net interest Margin (%)					Cost to income ratio (%)				
		1Q17	2Q17	3Q17	4Q17	1Q18	1Q17	2Q17	3Q17	4Q17	1Q18	1Q17	2Q17	3Q17	4Q17	1Q18	1Q17	2Q17	3Q17	4Q17	1Q18
1288	ABC	69.0	83.3	85.0	90.0	74.7	17.0	13.1	11.8	11.3	14.9	2.14	2.34	2.41	2.27	2.24	38.1	36.3	33.1	37.8	33.0
3988	BOC	60.7	72.7	75.2	72.1	68.2	19.9	19.7	17.9	15.7	20.4	1.80	1.88	1.87	1.82	1.85	33.2	32.5	33.1	41.0	34.4
3328	BoComm	65.9	67.5	71.8	71.6	65.7	23.8	21.4	20.9	21.9	23.4	1.57	1.57	1.58	1.59	1.40	33.6	34.1	43.1	38.7	35.0
998	CTIC	66.3	62.8	63.8	60.8	60.8	28.5	30.8	29.5	30.3	26.3	1.79	1.75	1.80	1.84	1.87	27.0	27.6	26.9	31.1	28.9
939	CCB	67.2	77.0	79.5	81.8	74.4	24.4	20.3	17.6	16.6	23.0	2.13	2.12	2.16	2.21	2.35	22.1	24.6	27.9	38.4	22.0
6818	CEB	64.2	66.9	65.4	68.5	49.7	34.6	34.3	33.6	31.2	36.7	1.49	1.53	1.51	1.53	1.23	28.5	33.5	32.5	39.5	28.8
3968	CMB	61.2	64.7	68.7	69.0	62.2	32.7	29.0	27.5	27.0	31.0	2.43	2.44	2.40	2.44	2.55	25.3	28.8	33.0	41.4	28.3
1988	CMSB	57.1	60.7	61.7	64.4	42.8	35.0	35.0	33.0	31.6	32.5	1.57	1.26	1.66	1.57	1.33	26.7	26.2	37.2	33.3	27.0
3618	CQRB	90.0	89.5	90.7	88.7	86.7	9.8	10.3	8.6	9.6	7.9	2.66	2.52	2.54	2.86	2.68	32.0	32.4	32.2	41.7	39.9
Average		67.4	72.1	74.1	74.8	66.0	25.0	23.5	21.9	21.4	23.9	1.97	1.96	2.01	2.06	1.98	28.9	30.0	33.0	37.0	29.9
Ticker	Company name	NPL ratio (%)					Credit cost (bp)					Coverage ratio (%)					Loan loss reserve (%)				
		1Q17	2Q17	3Q17	4Q17	1Q18	1Q17	2Q17	3Q17	4Q17	1Q18	1Q17	2Q17	3Q17	4Q17	1Q18	1Q17	2Q17	3Q17	4Q17	1Q18
1288	ABC	2.33	2.19	1.97	1.81	1.68	95	82	102	99	124	174	182	194	208	239	4.0	4.0	3.8	3.8	4.0
3988	BOC	1.45	1.38	1.41	1.45	1.43	87	18	85	141	56	160	152	154	159	167	2.3	2.1	2.2	2.3	2.4
3328	BoComm	1.52	1.51	1.51	1.50	1.50	70	66	62	75	60	150	151	151	153	171	2.3	2.3	2.3	2.3	2.6
998	CTIC	1.74	1.65	1.66	1.68	1.70	164	126	193	182	143	152	153	161	169	188	2.6	2.5	2.7	2.8	3.2
939	CCB	1.52	1.51	1.50	1.49	1.49	118	79	81	119	107	160	160	163	171	189	2.4	2.4	2.4	2.5	2.8
6818	CEB	1.54	1.58	1.58	1.59	1.59	119	94	85	105	134	158	152	154	158	176	2.4	2.4	2.4	2.5	2.8
3968	CMB	1.76	1.71	1.66	1.61	1.48	257	237	125	179	207	209	225	235	262	296	3.7	3.8	3.9	4.2	4.4
1988	CMSB	1.68	1.69	1.69	1.71	1.71	142	122	109	136	120	156	153	155	156	171	2.6	2.6	2.6	2.7	2.9
3618	CQRB	0.96	0.97	0.97	0.98	1.18	76	103	133	120	173	425	425	435	431	334	4.1	4.1	4.2	4.2	4.0
Average		1.61	1.58	1.55	1.54	1.53	122	101	105	126	123	188	190	195	202	211	2.9	2.9	2.9	3.0	3.2
Ticker	Company name	Loan growth QoQ (%)					Deposit growth QoQ (%)					Core equity tier 1 capital (%)					Liquidity coverage ratio (%)				
		1Q17	2Q17	3Q17	4Q17	1Q18	1Q17	2Q17	3Q17	4Q17	1Q18	1Q17	2Q17	3Q17	4Q17	1Q18	1Q17	2Q17	3Q17	4Q17	1Q18
1288	ABC	4.0	3.0	2.2	0.7	4.0	6.1	0.9	1.6	-	1.1	10.5	10.6	10.6	10.6	10.5	140	131	128	121	125
3988	BOC	3.9	2.8	1.5	0.8	2.1	6.5	-	0.5	0.8	-	11.2	10.9	11.2	11.2	10.9	120	117	115	117	118
3328	BoComm	5.9	0.6	1.0	1.0	5.5	5.3	1.3	-	0.6	6.4	10.9	10.6	10.8	10.8	10.7	119	109	110	110	118
998	CTIC	2.5	4.8	2.5	0.9	3.2	-	5.7	0.7	-	4.0	8.9	8.6	8.6	8.5	8.6	86	84	97	98	99
939	CCB	3.5	2.8	2.0	1.1	1.9	5.4	0.3	1.4	-	0.8	13.0	12.7	12.8	13.1	13.1	125	113	117	122	136
6818	CEB	5.6	3.6	2.4	1.0	4.2	5.8	1.2	-	1.9	2.0	8.3	8.4	8.7	9.6	9.2	n.a.	95	99	102	100
3968	CMB	5.3	3.1	2.6	-	1.9	3.4	5.4	-	4.1	2.3	12.4	12.4	12.7	12.2	12.0	106	83	n.a.	102	n.a.
1988	CMSB	6.1	3.6	2.8	0.8	3.6	-	0.9	-	1.0	-	8.9	9.2	8.9	8.6	8.6	n.a.	83	n.a.	95	n.a.
3618	CQRB	4.0	3.6	2.8	1.7	3.7	7.4	2.3	2.0	-	1.5	9.9	9.7	10.5	10.4	10.7	148	139	141	180	213
Average		4.5	3.0	2.1	0.7	3.5	3.7	1.3	-	0.6	0.9	10.7	10.6	10.7	10.8	10.7	121	108	118	118	129

Source: Bloomberg Finance L.P., DBS Vickers

Industry Focus

China Banking Sector

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BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

Completed Date: 14 May 2018 08:52:05 (HKT)

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Industry Focus

China Banking Sector

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Industry Focus

China Banking Sector

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