

China Banks

OVERWEIGHT (Unchanged)

May15: Better M2 & loan growth

- Potential injection of PSL may further revive M2 growth.
- Loan growth partly boosted by recovery in bill finance.
- Projecting slower trust & entrusted loan growth. Keep O/W.

What's New

M2 growth on a slight recovery track. M2 growth rebounded slightly, up 10.8% YoY in May 2015 after falling for two straight months. This was partly due to improvement in trade balance & positive multiplier effect from RRR cut in late Apr 2015. According to media reports, the PBOC may have injected a total of CNY1.5t of long-term liquidity into the banking system through 3-5Y pledged supplementary lending (PSL) in early Jun 2015. This should help partly refuel growth momentum in M2 in the coming months.

Decline in individual deposits; rebound in bill finance. Excluding deposits from non-bank FIs, RMB deposits grew CNY1.3t MoM in May 2015, mainly driven by an increase in corporate deposits. Individual deposits fell for the second month in a row by CNY441b MoM in May 2015 while deposits from non-bank FIs grew faster by CNY1.9t MoM. This may imply more individual deposits have shifted to brokers' accounts for stock trading. Still, RMB loan growth grew faster than consensus forecast in May 2015 (+CNY901b MoM vs +CNY850b), with continued strong growth in infrastructure loans and residential mortgages. The softening in SHIBOR helped revive the growth in discounted bill finance (+CNY223b MoM in May 2015). Overall, if we assume: (i) loan growth in Jun 2015 will be similar to that in May 2015; and (ii) loan growth in 1H15 is equivalent to 60% of the full-year loan growth (similar to historical pattern), we estimate 2015 sector loan growth will be -CNY11t (or 13.5% YoY).

Decline in trust loans; slowdown in entrusted loans. Trust loans continued to fall by CNY19.5b. We believe the local governments have shifted from trust loans to new bonds issued for infrastructure projects. Growth in entrusted loans also moderated to CNY32.4b, largely reflecting banks' cautious attitude to be the intermediary agents of these loans. We project trust loans to decline by -CNY160b while growth in entrusted loans will reduce to 6% YoY in 2015 (+CNY517b & +29.2% YoY in 2014).

What's Our View

Maintain OVERWEIGHT. We expect net profit growth of 3-22% for most H-share banks in 2015. Key drivers are strong loan growth & net fees growth. Our Top Picks are ABC, CCB and CQRB.

Financial summary of China banks (share prices as of 12 Jun 2015)

Bank	BB code	Rating	SP (HKD)	TP (HKD)	Upside (%)	Net profit (CNYm)			PER (x)			P/BV (x)			ROE (%)			Yield (%)		
						2014	2015F	2016F	2014	2015F	2016F	2014	2015F	2016F	2014	2015F	2016F	2014	2015F	2016F
ABC	1288 HK	BUY	4.19	5.10	21.7	179,461	188,094	212,539	6.0	5.9	5.4	1.1	1.0	0.9	19.6	17.8	17.9	5.5	5.6	6.1
BOC	3988 HK	BUY	5.32	6.30	18.4	169,595	169,301	189,673	7.2	7.4	6.8	1.1	1.1	1.0	17.0	15.0	15.2	4.5	4.4	4.8
BOCOM	3328 HK	HOLD	8.26	7.50	(9.2)	65,850	57,607	63,906	7.4	8.7	8.0	1.0	1.0	0.9	14.8	11.7	12.0	4.1	3.5	3.7
BOCQ	1963 HK	BUY	8.07	9.70	20.2	2,827	3,191	3,820	6.1	5.6	4.8	1.1	1.0	0.9	19.2	18.7	19.4	4.2	4.5	5.2
CCB	939 HK	BUY	7.76	9.35	20.5	227,830	239,060	275,730	6.8	6.6	5.9	1.2	1.1	1.0	19.7	18.1	18.4	4.9	5.0	5.6
CMB	3968 HK	HOLD	25.05	22.50	(10.2)	55,919	63,717	81,392	9.0	8.1	6.6	1.6	1.5	1.3	19.3	18.8	20.7	3.4	3.7	4.6
CMSB	1988 HK	SELL	10.84	9.80	(9.6)	44,546	41,445	48,310	6.6	7.6	6.7	1.2	1.1	1.0	20.3	15.8	15.7	1.3	1.1	1.3
CNCB	998 HK	HOLD	6.61	6.85	3.6	40,692	42,087	51,343	6.0	6.3	5.3	1.0	0.9	0.8	16.8	15.0	16.1	0.0	4.8	5.6
CQRB	3618 HK	BUY	6.49	8.30	27.9	6,793	8,295	10,063	7.1	5.9	5.0	1.2	1.0	0.9	17.5	18.7	19.7	3.9	4.6	5.5
HUSB	3698 HK	BUY	3.99	4.90	22.8	5,673	6,229	7,495	6.2	5.7	4.9	1.0	0.9	0.8	16.7	16.2	17.3	5.0	5.4	6.3
ICBC	1398 HK	HOLD	6.68	7.15	7.0	275,811	272,506	303,577	6.8	7.0	6.5	1.3	1.2	1.1	19.9	17.2	17.0	4.9	4.7	5.1

Source: Company data, Maybank Kim Eng

Summary of May 2015 monetary statistics

- **Slight improvement in M2 growth.** M2 growth rebounded slightly to 10.8% YoY in May 2015 (+10.1% YoY in Apr 2015). This was above the Bloomberg consensus forecast (+10.4% YoY). This was partly due to the rebound in RMB/USD forward rate, the improvement in trade balance in May 2014 (USD59.5b vs USD34.1b in Apr 2015) and the positive multiplier effect from RRR cut in late Apr 2015. However, the M2 growth remained below the PBOC's target of 12% for 2015. According to media reports, the PBOC may have injected a total of CNY1.5t into the banking system through 3-5Y pledged supplementary lending (PSL) in early Jun 2015. This should help further revive the M2 growth in the coming months.
- **Further decline in individual deposits.** In line with the recovery in M2 growth, total customer deposits also surged by CNY3.2t MoM in May 2015 (+CNY0.9b MoM in Apr 2015). Excluding deposits from non-bank financial institutions (FIs), total deposits still grew CNY1.3t MoM in May 2015 (-CNY159b MoM in Apr 2015), mainly due to the increase in corporate deposits (+CNY1t MoM). However, individual deposits fell for the second month in a row by CNY441b MoM in May 2015. Deposits from non-bank FIs (including brokers) continued to grow faster by CNY1.9t in May 2015 (+CNY1t MoM in Apr 2015). This may imply more money flowing from individual deposits into the brokers' accounts for stock trading.
- **Faster-than-expected loan growth.** RMB loan growth grew faster by CNY901b MoM in May 2015 (+CNY718b MoM in Apr 2015). This was higher than the Bloomberg consensus forecast (+CNY850b). Key loan growth drivers included long-term corporate loans (i.e. infrastructure project financing) and long-term individual loans (proxy of mortgages). Besides, the softening in SHIBOR has prompted a shift from short-term corporate loans (proxy of SME loans) (+CNY30b MoM in May 2015) to discounted bill finance (+CNY223b MoM in May 2015). The loan-to-deposit ratio (LDR) of China banks reduced slightly from 68.9% in Apr 2015 to 67.9% in May 2015.
- **Further decline in trust loans.** Total aggregate financing grew faster by CNY1.22t in May 2015 (CNY1.05t in Apr 2015). This was higher than the Bloomberg consensus forecast of CNY1.13t. Trust loans continued to decline by CNY19.5b, probably reflecting the shift from trust loans by local government financing vehicles (LGFV) to local government bonds. Growth in entrusted loans remained weak at CNY32.4b, partly reflecting banks' cautious attitude to be intermediary agents of entrusted loans. The rebound in undiscounted bankers' acceptance (+CNY95.5b MoM in May 2015) should be partly related to the recovery in discounted bill finance.

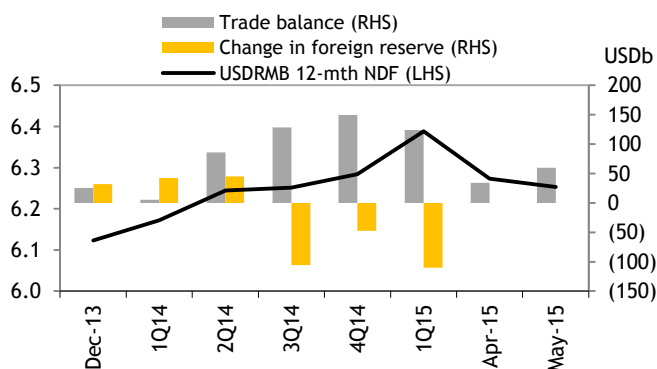
Figure 1: Banking sector's QoQ loan growth and loan mix

QoQ growth (CNYb)	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	Apr-15*	May-15*
Short term individual loans	386	449	427	191	301	360	239	161	206	136	105
Long term individual loans	597	649	572	449	629	591	540	470	683	157	206
Short term corporate loans	773	481	706	783	933	447	(140)	160	954	70	30
Long term corporate loans	837	511	727	255	1,120	940	730	1,040	1,480	278	255
Bill finance	109	176	(269)	(100)	(76)	319	495	219	164	136	223
Other loans	66	59	37	34	107	69	81	48	192	(69)	82
Total loan growth	2,755	2,325	2,200	1,613	3,014	2,726	1,945	2,098	3,680	708	901
Mortgage	504	500	420	140	490	450	380	400	580	N/A	N/A
Property development loans	189	60	170	90	260	260	140	100	340	N/A	N/A
Micro-finance	200	470	575	385	490	470	380	910	430	N/A	N/A
Personal consumption loans	590	730	680	540	575	635	575	635	575	N/A	N/A
Industrial loans (Medium-to-long-term)	120	20	120	0	210	160	100	60	168	N/A	N/A
Service sector loans (Medium-to-long-term)	640	370	530	210	790	680	510	800	1,440	N/A	N/A

Source: PBOC, Maybank Kim Eng

*Refer to MoM growth

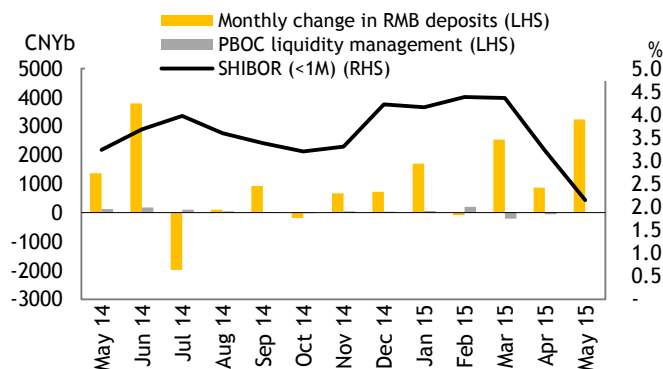
Figure 2: Trade balance, change in foreign reserves* & USD/RMB NDF rate of China



*Change in foreign reserves and trade balance in 1Q14-3Q14 refer to monthly average

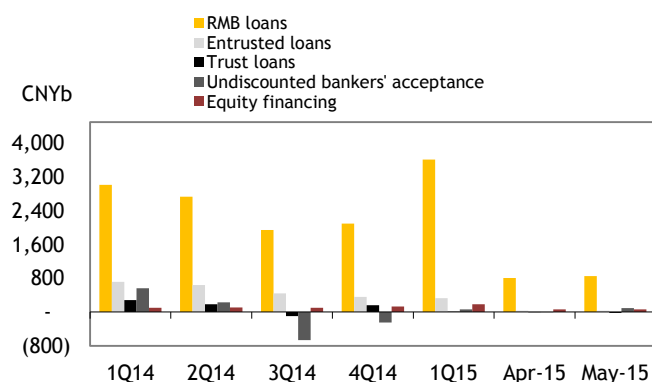
Source: PBOC, National Bureau of Statistics, Maybank Kim Eng

Figure 3: RMB deposit change, PBOC liquidity management and SHIBOR



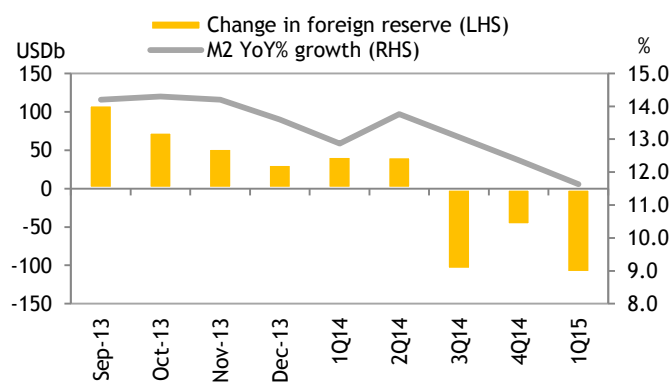
Source: PBOC, Maybank Kim Eng

Figure 4: Key items of aggregate social financing



Source: PBOC, Maybank Kim Eng

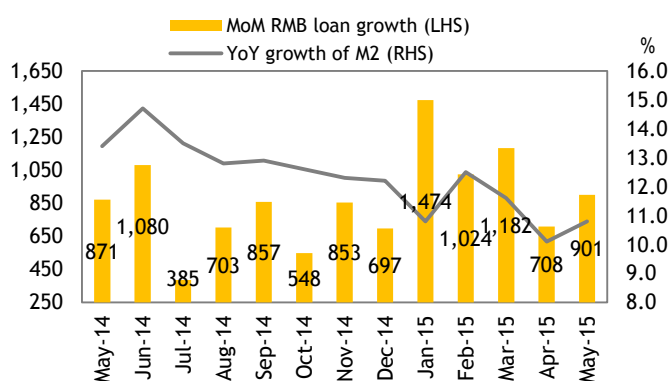
Figure 5: M2 growth and change in China's foreign reserves*



*M2 growth and Change in foreign reserves in 1Q14-3Q14 refer to monthly average

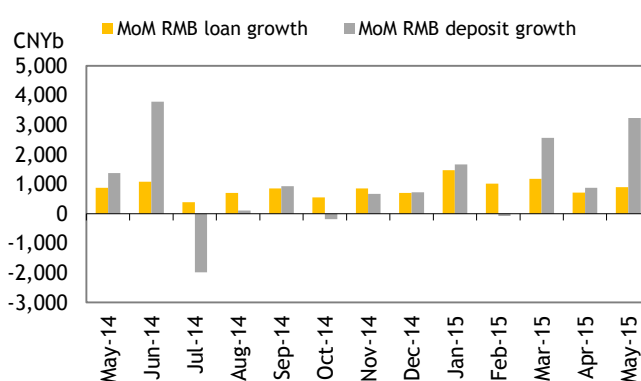
Source: PBOC, Maybank Kim Eng

Figure 6: RMB MoM loan growth and M2 YoY growth



Source: PBOC, Maybank Kim Eng

Figure 7: RMB loan and deposit growth



Source: PBOC, Maybank Kim Eng

Figure 8: Key asset quality indicators, ROA and CAR of China banks

	State-owned banks		Joint-stock banks		City commercial banks		Rural commercial banks		Foreign banks		All banks	
	NPLs (CNYb)	QoQ change	NPLs (CNYb)	QoQ change	NPLs (CNYb)	QoQ change	NPLs (CNYb)	QoQ change	NPLs (CNYb)	QoQ change	NPLs (CNYb)	QoQ change
Mar-14	377.1	27.1	121.5	12.4	61.9	7.1	79.5	6.9	6.0	0.4	646.1	54.0
Jun-14	395.7	18.6	136.6	15.1	68.0	6.1	87.2	7.7	6.8	0.8	694.4	48.3
Sep-14	427.2	31.5	152.7	16.1	78.6	10.6	100.2	13.0	8.1	1.3	766.9	72.5
Dec-14	476.5	49.3	161.9	9.2	85.5	6.9	109.1	8.9	9.6	1.5	842.6	75.7
Mar-15	552.4	75.9	188.2	26.3	100.2	14.7	129.1	20.0	12.6	3.0	982.5	139.9
	NPL ratio (%)	QoQ change	NPL ratio (%)	QoQ change	NPL ratio (%)	QoQ change	NPL ratio (%)	QoQ change	NPL ratio (%)	QoQ change	NPL ratio (%)	QoQ change
Mar-14	1.03	0.03	0.92	0.06	0.94	0.06	1.68	0.01	0.52	0.01	1.04	0.04
Jun-14	1.05	0.02	1.00	0.08	0.99	0.05	1.72	0.04	0.59	0.07	1.08	0.04
Sep-14	1.12	0.07	1.09	0.09	1.11	0.12	1.86	0.14	0.69	0.10	1.16	0.08
Dec-14	1.23	0.11	1.12	0.03	1.16	0.05	1.87	0.01	0.81	0.12	1.25	0.09
Mar-15	1.38	0.15	1.25	0.13	1.29	0.13	2.03	0.16	1.07	0.26	1.39	0.14
	Impairment allowances (CNYb)	QoQ change	Impairment allowances (CNYb)	QoQ change	Impairment allowances (CNYb)	QoQ change	Impairment allowances (CNYb)	QoQ change	Impairment allowances (CNYb)	QoQ change	Impairment allowances (CNYb)	QoQ change
Mar-14	1,059	NA	309	NA	180	NA	205	NA	15.1	NA	1,768	94
Jun-14	1,078	19	322	13	189	9	221	16	15.5	0.5	1,825	57
Sep-14	1,096	18	342	20	199	10	240	19	17.9	2.4	1,895	70
Dec-14	1,109	13	353	11	213	14	258	18	22.2	4.3	1,955	60
Mar-15	1,157	48	385	32	231	18	284	26	25	2.9	2,083	128
	Provision-to-loan ratio (%)	QoQ change	Provision-to-loan ratio (%)	QoQ change	Provision-to-loan ratio (%)	QoQ change	Provision-to-loan ratio (%)	QoQ change	Provision-to-loan ratio (%)	QoQ change	Provision-to-loan ratio (%)	QoQ change
Mar-14	2.89	NA	2.34	NA	2.73	NA	4.33	NA	1.30	NA	2.84	0.01
Jun-14	2.86	(0.03)	2.36	0.02	2.75	0.02	4.35	0.02	1.35	0.04	2.83	(0.01)
Sep-14	2.87	0.01	2.44	0.08	2.81	0.06	4.46	0.10	1.53	0.18	2.88	0.05
Dec-14	2.86	(0.01)	2.44	0.00	2.89	0.08	4.42	(0.03)	1.88	0.35	2.90	0.02
Mar-15	2.89	0.03	2.56	0.12	2.98	0.08	4.47	0.04	2.13	0.26	2.95	0.05
	ROA (%)	QoQ change	ROA (%)	QoQ change	ROA (%)	QoQ change	ROA (%)	QoQ change	ROA (%)	QoQ change	ROA (%)	QoQ change
Mar-14	1.47	NA	1.25	NA	1.30	NA	1.60	NA	1.09	NA	1.40	0.13
Jun-14	1.45	(0.02)	1.23	(0.02)	1.27	(0.03)	1.55	(0.05)	1.07	(0.02)	1.37	(0.03)
Sep-14	1.42	(0.03)	1.22	(0.01)	1.24	(0.03)	1.52	(0.03)	0.93	(0.14)	1.35	(0.02)
Dec-14	1.30	(0.12)	1.10	(0.12)	1.12	(0.12)	1.38	(0.14)	0.74	(0.19)	1.23	(0.12)
Mar-15	1.37	0.07	1.18	0.08	1.19	0.07	1.40	0.02	0.57	(0.17)	1.29	0.06
	Total CAR (%)	QoQ change	Total CAR (%)	QoQ change	Total CAR (%)	QoQ change	Total CAR (%)	QoQ change	Total CAR (%)	QoQ change	Total CAR (%)	QoQ change
Mar-14	12.56	NA	10.55	NA	11.90	NA	13.29	NA	16.61	NA	12.13	(0.06)
Jun-14	12.89	0.33	10.92	0.37	11.87	(0.03)	13.32	0.03	16.92	0.31	12.40	0.27
Sep-14	13.57	0.68	11.44	0.52	12.01	0.14	13.61	0.29	17.17	0.25	12.93	0.53
Dec-14	14.10	0.53	11.23	(0.21)	12.19	0.18	13.81	0.20	17.08	(0.09)	13.18	0.25
Mar-15	14.17	0.07	11.21	(0.02)	11.91	(0.28)	13.36	(0.45)	17.20	0.12	13.13	(0.05)

Source: CBRC, Maybank Kim Eng

Figure 9: Key profitability indicators of China banks

	1Q14	2Q14	3Q14	4Q14	1Q15
Special mention loan ratio (%)	2.50	2.55	2.79	3.12	3.52
NPL ratio (%)	1.04	1.08	1.16	1.25	1.39
Provision coverage ratio (%)	273.7	262.9	247.2	232.1	212.0
Provision-to-loan ratio (%)	2.84	2.83	2.88	2.90	2.96
Loan-to-deposit ratio (%)	65.9	65.4	64.2	65.1	65.7
Net profit (CNYb)	427.6	430.7	406.2	290.3	443.6
Net profit (YoY % change)	15.9%	12.1%	10.2%	-2.1%	3.7%
ROA (%)	1.40	1.37	1.35	1.23	1.29
ROE (%)	20.8	20.7	19.8	17.6	17.8
NIM (%)	2.58	2.62	2.68	2.70	2.53
Non-interest income contribution ratio (%)	24.4	23.3	22.0	21.5	24.6
Cost-income ratio (%)	27.0	28.1	28.9	31.0	26.7
Risk-weighted assets (CNYb)	80,435	81,229	82,494	85,942	89,553
RWA as % of total assets	50.4%	48.6%	49.1%	49.9%	50.1%
CET1 CAR (%)	10.04	10.13	10.47	10.56	10.66
Total CAR (%)	12.13	12.40	12.93	13.18	13.13

Source: CBRC, Maybank Kim Eng

Figure 10: Summary of 1Q15 results of H-share banks

	Loan growth (QoQ %)					Loan-to-deposit ratio (%)					NIM (%)					Net fees growth (%)				
	1Q14	2Q14	3Q14	4Q14	1Q15	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	1Q14	2Q14	3Q14	4Q14	1Q15	1Q14	2Q14	3Q14	4Q14	1Q15
ABC	4.5	3.8	2.0	1.3	4.9	60.3	60.8	63.3	64.6	64.2	2.96	2.92	2.86	2.97	2.89	3.4	(3.0)	(8.1)	(10.7)	0.3
BOC*	7.2	3.3	0.2	0.5	3.8	68.2	69.9	71.7	75.2	73.8	2.29	2.26	2.24	2.21	2.22	17.1	11.6	0.2	14.7	(15.9)
BOCOM	1.3	3.7	1.3	(1.4)	4.7	74.4	72.7	73.9	74.5	73.2	2.33	2.44	2.43	2.22	2.29	10.2	15.8	29.9	2.4	29.3
BOCQ	na	na	na	na	4.5	na	58.0	na	62.1	33.0	2.81	2.91	na	na	2.5	na	na	na	na	169.2
CCB	3.9	3.0	1.7	1.3	3.6	69.4	70.9	72.0	73.5	71.8	2.81	2.80	2.80	2.77	2.72	11.2	5.4	(3.8)	2.2	5.6
CMB#	6.9	3.1	1.0	2.8	4.3	72.8	67.2	71.1	72.4	75.2	2.76	na	na	2.72	2.90	61.8	72.0	39.8	39.7	49.2
CMSB	3.9	3.7	3.2	3.5	4.1	72.5	70.1	73.0	74.5	77.0	2.62	2.62	2.59	2.52	2.37	21.0	7.8	38.5	49.6	38.0
CNCB	5.3	3.7	0.2	3.0	2.6	73.0	68.5	73.9	73.1	72.4	2.37	2.35	2.39	2.50	2.32	71.4	51.6	37.8	45.3	32.7
CQRB	4.8	5.4	3.0	3.7	4.9	56.0	57.4	57.5	59.1	56.7	3.39	3.37	3.33	3.37	3.28	5.3	56.2	44.7	116.0	100.8
HUSB	na	na	na	na	na	na	69.1	na	69.0	na	na	na	na	na	na	na	na	na	na	na
ICBC	4.5	2.6	1.9	1.6	2.7	68.4	67.7	68.1	70.9	71.4	2.60	2.62	2.65	2.76	2.60	10.2	7.1	(1.7)	17.9	(1.3)
	Loan growth (YoY %)					Share of demand deposits (%)					Pre-provisional operating profit (YoY %)					Net fees contribution (%)				
	1Q14	2Q14	3Q14	4Q14	1Q15	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	1Q14	2Q14	3Q14	4Q14	1Q15	1Q14	2Q14	3Q14	4Q14	1Q15
ABC	11.6	12.9	12.5	12.1	12.5	53.2	51.4	50.8	54.8	50.5	14.3	17.5	14.4	1.3	7.9	19.7	16.0	14.1	11.4	19.2
BOC*	11.4	13.2	12.1	11.5	7.9	na	43.2	na	42.5	na	21.1	19.1	20.7	12.3	0.2	24.2	20.1	17.9	20.4	20.1
BOCOM	4.7	7.3	8.1	5.1	8.5	42.4	43.4	46.2	48.1	44.7	5.4	8.9	16.9	(2.5)	1.6	17.2	18.2	16.3	15.5	21.1
BOCQ	na	7.3	na	5.1	na	na	35.3	na	34.5	33.0	na	na	na	na	36.5	8.9	15.8	na	na	18.7
CCB	13.5	13.5	11.6	10.3	10.0	52.4	52.6	50.5	49.0	46.3	13.3	11.7	10.9	10.8	10.1	21.7	21.8	17.0	17.5	22.7
CMB#	18.0	15.4	12.5	14.4	11.6	50.8	49.6	46.6	49.0	50.7	41.8	42.2	24.1	26.0	30.3	25.6	30.5	25.8	25.6	30.8
CMSB	13.9	14.2	14.2	15.1	15.4	na	34.4	na	34.9	na	7.9	12.5	29.9	13.1	17.3	27.9	28.7	26.9	29.7	33.4
CNCB	16.4	16.1	12.8	12.7	9.8	na	39.5	na	39.2	na	29.2	26.3	16.5	13.0	10.0	20.7	20.5	19.9	20.0	24.8
CQRB	17.7	17.8	17.4	18.0	18.1	39.9	38.4	38.6	38.8	37.8	18.5	23.3	25.0	34.5	17.4	3.5	4.8	5.7	7.2	6.1
HUSB	na	15.7	na	12.3	na	na	46.9	na	44.8	na	na	na	na	na	na	na	na	na	na	na
ICBC	12.0	12.8	12.5	11.1	9.1	47.3	48.0	45.6	48.4	46.4	9.0	8.5	10.8	16.9	7.3	24.0	22.2	18.1	19.1	22.4
	ROE (%)					CET1 CAR (%)					Net profit (YoY)					Cost-income ratio (%)				
	1Q14	2Q14	3Q14	4Q14	1Q15	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	1Q14	2Q14	3Q14	4Q14	1Q15	1Q14	2Q14	3Q14	4Q14	1Q15
ABC	24.5	22.4	20.8	11.1	20.1	9.48	8.65	8.90	9.09	9.38	13.7	11.6	6.1	(4.6)	1.3	38.8	38.4	39.2	53.5	35.8
BOC	19.1	18.3	16.8	14.3	15.5	9.58	10.11	10.51	10.61	10.87	13.9	8.4	4.9	4.8	1.0	36.9	36.2	39.2	34.0	37.5
BOCOM	17.4	16.4	13.2	12.4	15.8	10.04	10.70	11.10	11.30	11.21	5.6	5.6	6.3	5.4	1.5	33.4	37.4	41.5	48.8	36.0
BOCQ	na	na	na	na	21.9	na	10.53	na	9.63	9.87	na	na	na	na	13.6	32.3	32.8	na	na	27.9
CCB	23.9	22.8	20.4	12.3	21.0	11.11	11.21	11.65	12.12	12.51	10.4	7.8	5.0	(1.6)	1.9	34.2	26.0	33.7	46.1	28.2
CMB#	21.8	21.8	20.8	13.1	21.3	9.09	8.73	10.35	10.44	10.59	14.8	17.1	16.0	(17.4)	15.2	33.6	32.4	37.0	44.4	30.2
CMSB	24.8	23.8	19.7	13.1	21.7	8.50	8.76	8.73	8.58	8.80	15.1	8.1	8.1	(13.3)	5.5	33.9	38.3	40.2	47.0	32.8
CNCB	18.5	19.0	16.9	13.1	16.2	8.89	8.71	9.29	8.93	8.95	16.1	1.4	(1.6)	0.5	2.1	35.3	32.7	35.4	46.3	35.9
CQRB	19.7	18.4	18.3	13.9	19.1	10.96	9.80	9.87	10.12	9.95	13.5	9.7	16.5	14.2	10.6	39.9	40.0	42.7	46.6	38.3
HUSB	na	na	na	na	na	na	12.43	na	11.50	na	na	na	na	na	na	na	na	na	na	na
ICBC	22.3	22.1	20.8	15.0	18.9	10.88	11.36	11.79	11.92	12.24	6.6	7.5	7.7	(3.1)	1.4	30.6	32.3	33.2	41.3	29.5

*Loan-to-deposit ratio refers to domestic RMB business; Demand deposits refer to domestic business only

#Loan-to-deposit ratio excludes CMB's subsidiaries

^Refers to QoQ loan growth

Source: Company data, Maybank Kim Eng

Figure 11: Key asset quality indicators of H-share banks

	QoQ Increase in NPLs (CNYm)					NPL ratio (%)						
	1Q14	2Q14	3Q14	4Q14	1Q15	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15		
ABC	4,210	5,482	5,993	21,504	14,992	1.22	1.24	1.29	1.54	1.65		
BOC	7,049	5,540	4,835	9,799	16,283	0.98	1.02	1.07	1.18	1.33		
BOCOM	1,748	2,692	2,122	2,145	3,826	1.09	1.13	1.17	1.25	1.30		
BOCQ^	na	181	na	197	229	na	0.54	na	0.69	0.86		
CCB	5,544	4,860	4,213	7,853	19,543	1.02	1.04	1.13	1.19	1.30		
CMB	1,538	3,827	3,226	994	4,670	0.85	0.98	1.10	1.11	1.24		
CMSB	749	1,665	2,306	3,010	1,902	0.87	0.93	1.04	1.17	1.22		
CNCB	3,618	1,662	4,182	(947)	1,747	1.15	1.19	1.39	1.30	1.35		
CQRB	(167)	442	(22)	(15)	5	0.69	0.85	0.81	0.78	0.74		
HUSB^	na	360	na	415	na	na	0.67	na	0.83	na		
ICBC	6,861	5,191	9,730	9,026	21,051	0.97	0.99	1.06	1.13	1.29		
	New NPL formation (CNYm)					New NPL formation as a % of total loans (annualized)						
	1Q14	2Q14	3Q14	4Q14	1Q15	1Q14	2Q14	3Q14	4Q14	1Q15		
ABC	6,586	15,334	13,678	32,956	18,258	0.36	0.80	0.69	1.64	0.88		
BOC	8,050	14,219	14,039	17,400	23,521	0.41	0.69	0.67	0.82	1.09		
BOCOM	3,916	4,876	5,302	11,409	5,205	0.47	0.57	0.60	1.28	0.59		
BOCQ	na	191	na	425	280	na	0.40	na	0.83	1.03		
CCB	8,106	12,136	14,810	24,336	26,710	0.37	0.54	0.64	1.03	1.11		
CMB	4,653	6,621	7,221	6,658	9,855	0.82	1.11	1.19	1.07	1.53		
CMSB	3,068	7,822	7,082	8,549	5,186	0.76	1.88	1.64	1.92	1.12		
CNCB	4,283	4,656	5,301	6,203	3,925	0.86	0.89	1.00	1.15	0.71		
CQRB	(94)	485	197	275	145	(0.18)	0.88	0.34	0.45	0.23		
HUSB	na	421	na	636	na	na	0.41	na	0.59	na		
ICBC	14,809	10,613	19,582	25,666	45,900	0.58	0.40	0.73	0.94	1.64		
	Special mention loan ratio (%)				Migration ratio of SM loans (%)				Provision coverage on SM loans (%)			
	Jun-13	Dec-13	Jun-14	Dec-14	Jun-13	Dec-13	Jun-14	Dec-14	Jun-13	Dec-13	Jun-14	Dec-14
ABC	4.12	3.82	3.63	3.84	3.46	4.36	4.06	4.99	74.1	84.8	84.5	72.7
BOC	2.56	2.49	2.28	2.37	7.50	10.52	12.14	9.89	50.8	50.1	52.2	43.9
BOCOM	2.03	1.81	2.17	2.68	17.35	23.18	18.43	24.43	59.9	66.0	54.1	36.9
BOCQ	1.54	0.67	1.03	2.12	1.37	na	na	na	87.8	250.2	151.4	71.1
CCB	2.40	2.38	2.40	2.97	5.93	10.22	6.33	10.19	68.4	70.1	64.6	48.6
CMB	1.09	1.12	1.24	1.86	14.48	16.62	28.15	25.47	133.2	123.7	119.2	89.1
CMSB	1.45	1.29	1.56	1.98	25.45	23.71	28.71	16.67	118.2	105.1	69.1	48.4
CNCB	1.06	1.19	1.79	3.12	20.26	27.20	25.43	30.16	102.4	91.9	61.6	33.9
CQRB	3.10	2.56	2.59	2.35	na	na	na	na	86.2	103.8	104.3	112.0
HUSB	2.04	1.91	1.91	2.07	na	na	na	na	80.9	83.6	77.9	63.8
ICBC	2.34	1.98	2.17	2.90	7.60	9.70	12.50	17.20	74.1	81.7	69.9	46.6
	Overdue loan (<90D) ratio (%)				% of overdue loan (<90D) classified as NPL (%)				Total provisions as % of overdue loan (%)			
	Jun-13	Dec-13	Jun-14	Dec-14	Jun-13	Dec-13	Jun-14	Dec-14	Jun-13	Dec-13	Jun-14	Dec-14
ABC	0.46	0.48	0.63	0.90	75.4	63.8	48.1	43.1	316.1	320.8	273.8	214.9
BOC	0.49	0.45	0.58	0.48	41.3	56.9	43.0	56.4	182.5	190.7	163.4	149.7
BOCOM	0.44	0.44	0.68	1.07	30.1	17.4	-	-	169.8	158.9	126.6	94.7
BOCQ	0.14	0.17	0.16	0.79	88.8	40.0	42.7	12.4	411.0	419.4	334.7	157.7
CCB	0.34	0.30	0.51	0.57	62.4	94.3	47.3	63.2	235.5	263.8	197.7	187.2
CMB	0.76	0.77	1.05	1.09	7.6	13.8	15.7	9.8	154.2	147.8	132.2	123.6
CMSB	1.23	1.07	1.72	1.46	10.9	17.5	-	-	133.4	127.4	74.7	77.5
CNCB	0.78	0.79	1.20	1.97	-	-	-	-	119.5	115.9	90.0	67.9
CQRB	0.82	0.75	1.17	0.70	1.0	43.4	23.3	32.8	220.2	281.5	203.1	287.4
HUSB	0.36	0.26	0.51	0.71	58.1	10.5	7.4	13.1	290.4	275.7	189.9	146.9
ICBC	0.82	0.54	0.78	0.87	16.2	25.9	12.4	9.8	160.9	180.3	140.8	122.3
	Provision-to-loan ratio (%)					Credit cost (%)						
	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	1Q14	2Q14	3Q14	4Q14	1Q15		
ABC	4.41	4.31	4.33	4.42	4.42	0.72	0.71	0.81	1.09	0.97		
BOC	2.65	2.71	2.65	2.68	2.64	0.77	0.60	0.54	0.37	0.64		
BOCOM	2.31	2.30	2.36	2.24	2.25	0.66	0.56	0.73	0.46	0.62		
BOCQ	na	2.10	na	2.19	2.37	na	0.50	na	0.96	1.31		
CCB	2.65	2.59	2.62	2.64	2.67	0.49	0.47	0.69	0.93	0.80		
CMB	2.42	2.63	2.68	2.76	2.97	1.31	1.50	0.93	1.49	1.98		
CMSB	2.22	2.01	2.07	2.12	2.20	0.91	0.85	1.38	1.52	1.38		
CNCB	2.21	2.30	2.51	2.36	2.48	0.93	1.20	1.11	0.98	1.12		
CQRB	3.45	3.55	3.60	3.58	3.54	0.50	1.10	0.89	0.77	0.68		
HUSB	na	2.16	na	2.16	na	na	0.47	na	0.47	na		
ICBC	2.52	2.51	2.50	2.48	2.47	0.54	0.39	0.31	0.88	0.74		

^NPLs increase refers to HoH change

Source: Company data, Maybank Kim Eng

Figure 12: Key financial data of H-share banks

	ABC	BOC	BOCOM	BOCQ	CCB	CMB	CMSB	CNCB	CQRB	HUSB	ICBC
Pre-provisional profit (CNYm)											
2014	300,228	278,540	105,276	4,678	360,752	104,954	80,925	78,043	11,396	8,532	416,184
2015E	334,558	299,581	112,665	5,366	410,810	133,103	88,020	87,501	13,755	9,779	449,503
2016E	367,625	327,548	121,659	6,256	460,176	157,715	98,501	98,406	16,091	11,444	493,216
YoY % change											
2014	12.4	18.4	7.1	30.2	11.7	33.6	15.4	21.2	25.1	25.7	11.1
2015E	11.4	7.6	7.0	14.7	13.9	26.8	8.8	12.1	20.7	14.6	8.0
2016E	9.9	9.3	8.0	16.6	12.0	18.5	11.9	12.5	17.0	17.0	9.7
Net profit (CNYm)											
2014	179,461	169,595	65,850	2,827	227,830	55,919	44,546	40,692	6,793	5,673	275,811
2015E	188,094	169,301	57,607	3,191	239,060	63,717	41,445	42,087	8,295	6,229	272,506
2016E	212,539	189,673	63,906	3,820	275,730	81,392	48,310	51,343	10,063	7,495	303,577
YoY % change											
2014	7.9	8.1	5.7	21.4	6.1	8.1	5.4	3.9	13.4	15.2	5.0
2015E	4.8	(0.2)	(12.5)	12.9	4.9	13.9	(7.0)	3.4	22.1	9.8	(1.2)
2016E	13.0	12.0	10.9	19.7	15.3	27.7	16.6	22.0	21.3	20.3	11.4
EPS (CNY)											
2014	0.55	0.59	0.89	1.05	0.91	2.22	1.31	0.87	0.73	0.51	0.78
2015E	0.58	0.59	0.78	1.18	0.96	2.52	1.17	0.85	0.89	0.56	0.77
2016E	0.77	0.66	0.86	1.41	1.10	3.17	1.36	1.04	1.08	0.68	0.86
YoY % change											
2014	7.9	4.6	5.7	21.4	6.1	(3.6)	5.4	3.9	13.5	(11.0)	4.4
2015E	4.8	(0.2)	(12.5)	12.9	4.9	13.5	(10.9)	(1.7)	22.2	9.8	(1.2)
2016E	33.5	12.0	10.9	19.7	15.3	26.1	16.6	22.0	21.3	20.3	11.4
DPS (CNY)											
2014	0.18	0.19	0.27	0.27	0.30	0.67	0.11	0.00	0.20	0.16	0.26
2015E	0.19	0.19	0.23	0.29	0.32	0.75	0.10	0.26	0.24	0.17	0.25
2016E	0.22	0.21	0.26	0.35	0.36	0.96	0.11	0.31	0.30	0.21	0.28
YoY % change											
2014	2.8	(3.1)	3.8	21.4	0.3	8.1	10.0	(100.0)	5.3	1.9	(1.6)
2015E	5.0	(0.3)	(13.8)	8.4	4.8	12.0	(10.6)	na	22.2	9.9	(1.2)
2016E	13.0	12.0	10.9	19.7	15.3	27.7	16.6	22.0	21.3	20.3	11.4
Loan growth (%)											
2013	12.3	10.8	10.8	18.1	14.3	15.4	13.7	16.7	18.3	19.3	12.7
2014	12.1	11.5	5.1	17.6	10.3	14.4	15.1	12.7	18.0	12.3	11.1
2015E	13.5	10.5	12.9	19.6	12.5	16.5	15.9	15.4	18.9	14.4	12.7
2016E	10.7	10.6	9.4	16.2	11.3	13.4	12.1	12.4	13.7	12.2	11.0
Net interest margin (%)											
2013	2.79	2.24	2.52	2.81	2.74	2.82	2.49	2.60	3.41	2.63	2.57
2014	2.92	2.25	2.36	2.81	2.80	2.52	2.59	2.40	3.37	2.74	2.66
2015E	2.84	2.19	2.17	2.56	2.67	2.83	2.39	2.28	3.26	2.63	2.54
2016E	2.79	2.19	2.08	2.54	2.63	2.72	2.38	2.25	3.27	2.63	2.49
Cost-income ratio (%)											
2014	42.3	36.7	40.2	37.5	35.2	36.8	40.1	37.5	42.4	33.1	34.4
2015E	41.3	36.2	39.5	36.8	33.7	34.1	40.8	37.1	40.5	33.2	33.6
2016E	40.6	35.3	38.9	36.0	32.5	32.8	40.6	36.9	39.3	32.8	33.0
Credit cost (%)											
2014	0.85	0.58	0.61	0.74	0.66	1.33	1.18	1.07	0.82	0.47	0.54
2015E	0.96	0.67	1.05	0.80	0.90	1.82	1.45	1.14	0.81	0.65	0.75
2016E	0.87	0.61	0.97	0.71	0.82	1.63	1.34	0.95	0.70	0.59	0.69
Core teir-1 CAR (%)											
2014	9.1	10.6	11.3	9.6	12.1	10.4	8.6	8.9	10.1	11.5	11.9
2015E	9.6	10.9	11.0	9.6	12.1	10.5	8.5	9.0	9.6	10.6	11.8
2016E	10.2	11.3	11.1	9.8	12.2	10.5	8.6	9.0	9.6	10.8	11.9

Source: Company data, Maybank Kim Eng

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