



Falling oil prices and the implications for asset quality

Tracy Yu Sukrit Khatri
Research Analyst Research Associate
(+852) 2203 6191 (+852) 2203 5927
tracy.yu@db.com sukrit.khatri@db.com

Limited exposure to the oil and energy sector

While volatile and sharply falling global oil prices are depressing market sentiment, our findings show limited asset quality risks for Asian banks due to relatively low loan exposure of 1-3%, with lending primarily made to strong companies, including: (1) state-owned oil companies and refiners; (2) large E&P companies (mostly in Australia); and (3) overseas project financing of MNCs. We are positive on banks in China, given the prospects of policy easing, as well as India and Indonesia, which should benefit from lower inflation risks. We are cautious on Malaysian, Philippine and Korean banks due to deteriorating fundamentals.

Impact for banks financing E&P companies

Our country bank analysts have studied the financing of the local energy production chain in 12 Asian markets and in this report evaluate the risks arising from sharply falling global oil prices. For the oil production countries, namely Australia, Malaysia and China, bank lending is primarily extended to the state-owned or globally established MNCs engaging in E&P (Exploration and Production), with some of them engaging in diversified energy businesses; for example, gas, that can help offset part of the losses from falling oil prices. In Australia, banks have set aside economic overlays (3-6% of the exposure) to buffer against potential risks from the worsening asset quality of the mining and energy sectors.

Impact for banks financing refinery businesses and overseas projects

While the refinery businesses of the major oil importing countries (India and Thailand) should benefit from falling global oil prices, the banks have less than 1% of loans pledged to the related industries, implying limited positive earnings impact. For Asian banks, such as Japanese banks, that have financed overseas projects, the borrowers are primarily strong companies with limited default risks.

Indian, Indonesian and Chinese banks historically the best performers

Since 2006, we identified four periods of global oil prices falling by an average of 46% within six months and we observed that global equity indices have been negatively affected, with MSCI Asia-ex JP financial index underperforming the S&P Index by 2%, but outperforming the global MSCI EM index by 4.7%. The best performers were India (+19%), Indonesia (+8%) and China (+4%), while HSBC (-14.5%), Standard Chartered (-21%) and Korean banks (-16%) were the worst. This order of performance is consistent with our preference among Asian financials based on our fundamental analysis.

Retaining a Neutral view on Asian financials

The Asia-ex Japan financial index has gone up by 1.9% YTD, primarily due to the strengthening of US dollar relative to the local currencies. Asia Pacific banks are trading at 2014E of 10x P/E, P/POP of 6.6x and P/B of 1.5x on our estimates. Key positive risk to our neutral view is increased fund flows into Asia, as the region has historically been a leveraged play to the US economic recovery. The downside risk is derived from a rise in global risk aversion towards emerging markets and its potential contagion impact.

Top picks

Bank of China (3988.HK),HKD4.14	Buy
DBS Group Holdings Ltd (DBSM.SI),SGD19.53	Buy
HDFC Bank (HDBK.BO),INR931.60	Buy
Bank Mandiri (BMRI.JK),IDR10,650.00	Buy
Kasikornbank (KBANK.BK),THB233.00	Buy

Source: Deutsche Bank

Regional weighting

Overweight	Neutral	Underweight
China	Thailand	Malaysia
India	Hong Kong	Korea
Indonesia	Australia	The Philippines
Singapore	Japan	
	Taiwan	

Source: Deutsche Bank



Limited earnings impact from lower oil prices

We expect bank stocks in China, India and Indonesia to outperform

Following a 46% drop in oil prices since June 2014, there has been heightened interest on the spill-over effect to other sectors, including the banking sector. In this report, our banking analysts have studied the financing of local energy production chains in 12 Asia Pacific markets to evaluate the risks arising from sharply falling global oil prices.

We divide the regional banks into 3 groups: (1) banks operating in countries that are producers of oil, namely, Australia, Malaysia and China; (2) banks operating in major oil importing countries, namely, India, Indonesia and Thailand; and (3) banks that finance overseas projects for MNCs, including Japan and Singapore.

With an average of 1-3% of loan exposure to the energy sector and limited credit risks due to strong counterparties, we conclude that the sharp fall in global oil prices should lead to limited company-specific risks. As a result, we see limited asset quality risks for Asian banks.

With regard to the historical share price performance, a substantial decline in global oil prices are generally perceived as an investment risk, thereby depressing the performance of global equity indexes, with MSCI Asia-ex Japan underperforming the S&P Index. Among the Asian banks, banks in India, Indonesia and China have outperformed by delivering positive returns of 4-19% during the past four periods when WTI fell more than 30% within six months.

An average loan exposure of 1-3% to the energy sector

A substantial decline in oil prices is generally perceived as an investment risk

Regional weighting and sector top picks

Figure 1 highlights our regional weighting for banks in Asia Pacific. We are positive on Chinese banks, expecting them to gain in an environment of policy easing. We are also positive on banks in India and Indonesia, which should gain from lower fiscal deficit due to lower inflation risks. We also expect Singaporean banks to outperform in the ASEAN space, and are cautious on Malaysian, Philippine and Korean banks due to deteriorating fundamentals.

Figure 1: Regional weightings

Overweight	China, India, Indonesia, Singapore
Neutral	Thailand, Hong Kong, Australia, Japan, Taiwan
Underweight	Malaysia, Korea, The Philippines,

Source: Deutsche Bank

Figure 2 highlights the valuations of banks, which represent our top picks in the region.



Figure 2: Current valuation of our most preferred picks from the region

Name	Ticker	DB Rec.	Currency	Price	Target Price	Upside (%)	Mkt. Cap (US\$m)	PB FY14E	PB FY15E	PE FY14E	PE FY15E
Bank of China	3988.HK	Buy	HK\$	4.1	4.3	3.4	156,571	0.9	0.8	5.7	5.3
DBS	DBSM.SI	Buy	S\$	19.1	20.3	6.4	36,064	1.3	1.2	11.3	10.9
HDFC Bank	HDBK.BO	Buy	Rs	918.5	1,060.0	15.4	35,009	4.1	4.3	18.7	21.0
Bank Mandiri	BMRI.JK	Buy	Rp	10,600.0	12,900.0	21.7	19,617	2.4	2.1	12.3	11.4
Kasikornbank	KBANK.BK	Buy	Bt	226.0	262.0	15.9	16,415	2.1	1.8	11.5	10.1
Most preferred picks						7.5	263,676	1.6	1.5	9.0	8.9

Source: Deutsche Bank, company data, Price as of 17 December 2014

Sector valuation and key risks

Valuation – staying Neutral on Asia Pacific banks

On our estimates, AsiaPac banks are trading at 1.5x FY14E P/B and 10.0x FY14E P/E, with average dividend yields of 4.6%. We value banks using the Gordon Growth Model (GGM) and adopt a sums-of-parts methodology to value banks/financials with diverse business operations. In Figure 3, we summarize the valuations for banks in each country. For detailed valuations by company, please refer to pages 16 to 20.

Figure 3: Asia Pacific Banks: valuation comparables by country

Country	Weighting	Upside (%)	Mkt. Cap (US\$m)	PB FY14E	PB FY15E	PE FY14E	PE FY15E	Div. Yield FY14E	Div. Yield FY15E	ROE FY14E	ROE FY15E
Australia	Neutral	12.0	344,632	2.1	1.9	14.4	12.6	5.5	5.9	15.3	16.0
China	Overweight	8.8	941,317	1.0	0.9	5.8	5.4	5.6	6.0	19.0	18.0
Hong Kong	Underweight	13.7	78,812	1.7	1.6	12.5	11.1	4.2	4.3	13.7	14.3
India	Overweight	10.6	123,870	2.7	2.8	22.1	18.2	1.4	1.3	16.2	17.1
Indonesia	Overweight	16.2	80,163	3.0	2.5	14.6	13.2	1.8	2.0	23.2	21.7
Japan	Neutral	6.3	5,104	1.2	1.1	10.2	10.3	4.1	3.9	8.3	9.1
Malaysia	Underweight	21.6	68,750	1.8	1.6	12.6	11.4	4.1	4.5	14.7	14.4
Philippines	Underweight	0.3	23,793	2.1	2.0	16.0	15.5	1.7	1.7	13.9	12.8
Singapore	Overweight	7.7	96,041	1.3	1.2	11.1	10.9	3.3	3.5	12.6	11.8
South Korea	Underweight	3.6	61,565	0.6	0.6	8.5	8.8	2.2	2.0	7.0	6.8
Taiwan	Neutral	14.7	70,202	1.4	1.3	10.6	12.5	3.7	3.4	13.8	10.7
Thailand	Neutral	13.1	69,554	1.8	1.6	11.2	9.9	3.1	3.6	16.8	16.8
HSBC	Hold	10.3	179,730	1.0	0.9	11.1	9.3	5.3	5.6	8.9	10.3
StanChart	Hold	21.2	57,774	0.7	0.7	9.1	7.9	6.1	6.2	8.2	9.1
AsiaPac	Neutral	10.7	1,963,805	1.5	1.4	10.0	9.1	4.6	4.9	16.9	16.4

Source: Deutsche Bank estimates, company data
Priced as of 17 December 2014

Key risks to our Neutral rating

A key positive risk to our neutral view is increased fund flows into Asia, as the region has historically been a leveraged play to the US economic recovery. Other positive risks are lowering of local or global regulatory standards on capital, provisioning and other capital ratios, M&A and unexpected positive company-specific catalysts.

Key downside risk is derived from a rise in global risk aversion towards emerging markets and its potential contagion impact. Other downside risks include a continued strengthening in the US dollar, a disorderly end to the global monetary easing, a more severe-than-expected global or domestic economic slowdown in Japan or China (especially a hard-landing scenario in



China) resulting in deteriorating asset quality, higher-than-expected inflation, more restrictive-than-expected regulation on capital, leverage, liquidity, provisioning and business growth, and unexpected company-specific risks.

Deutsche Bank's Asia Pacific financials team

The contact details of our AsiaPac financials team are shared in Figure 4:

Figure 4: Deutsche Bank's Asia Pacific financials team

Banks	Analyst	Email	Phone
China and Regional Banks	Yu, Tracy	tracy.yu@db.com	+852-2203 6191
Australia Banks	Freeman, James	james.freeman@db.com	+61-2-8258 2492
Australia Banks	Triggs, Andrew	andrew.triggs@db.com	+61-2-8258 2378
Hong Kong and Singapore Banks	Lam, Franco	franco.lam@db.com	+852-2203 6226
India Banks	Karwa, Manish	manish.karwa@db.com	+91-22-7180 4212
India Banks and Insurance	Shukla, Manish	manish.shukla@db.com	+91-22-7180 4211
Indonesia Banks	Kosasih, Raymond	raymond.kosasih@db.com	+62-21-2964 4525
Japan Banks	Yamada, Yoshinobu	yoshinobu.yamada@db.com	+81-3-5156 6754
Korea Banks, Brokers and Insurance	Park, Jeehoon	jeehoon.park@db.com	+82-2-316 8908
Philippine Banks	Garchitorena, Rafael	rafael.garchitorena@db.com	+63-2-894 6644
Taiwan Financials	Lee, Pandora	pandora.lee@db.com	+852-2203 5928
Thailand Banks	Patharavanakul, Vilailuck	peach.patharavanakul@db.com	+66-2-633 6463
Insurance	Analyst	Email	Phone
China and Regional Insurance	Chwei, Esther	esther.chwei@db.com	+852-2203 6200
Australia Insurance	Chidgey, Kieren	kieren.chidgey@db.com	+61-2-8258 2844
Japan Insurance	Muraki, Masao	masao.muraki@db.com	+81-3-5156 6701
Regional Financials	Khatri, Sukrit	sukrit.khatri@db.com	+852-2203 5927

Source: Deutsche Bank



What history shows us

Bank stocks in India, Indonesia and China rally the most in periods of oil price decline

Since 2006, we have identified four periods of major global oil prices declines, categorized by an average fall of over 30% within six months (Figure 5). We observe that during these four periods, when the WTI Index has fallen by an average of 46%, the MSCI AsiaPac exc. Japan financial index has underperformed the S&P Index by 2%, but outperformed the broader global MSCI EM index by 4.7%.

Figure 5: Four major periods of sustained fall in the WTI Index (>30% in 5-6 months)...



Source: Deutsche Bank, Bloomberg Finance LP

Figure 6 highlights the performance of the AsiaPac banks stocks viz-a-viz oil, the S&P Index, and the broader MSCI EM and MSCI World Indices. The clear outperformers in Asia are India (+19%), Indonesia (+8%) and China (+4%), which are the only countries to average a positive return during these four periods of oil price declines. On the other end of the spectrum, HSBC (-14.5%) and Standard Chartered (-21%) are penalized for their presence in the EM markets of Asia, Africa and LatAm.



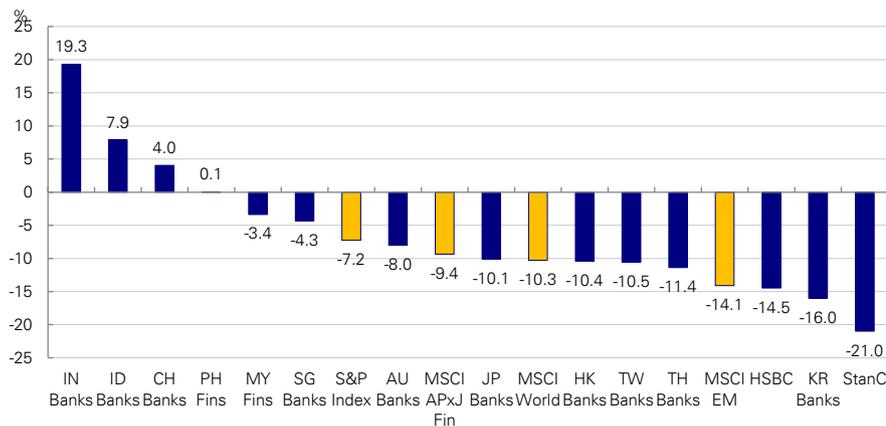
Figure 6: India, Indonesia and China tend to outperform the other banks on an average

Price as of	7/14/2006	1/19/2007	Change	7/4/2008	12/19/2008	Change	4/29/2011	9/30/2011	Change	6/20/2014	12/12/2014	Change	Average Change
WTI	77.0	52.0	-33%	145.3	33.9	-77%	113.9	79.2	-30%	107.3	57.8	-46%	-46%
Brent	77.3	53.4	-31%	144.4	44.0	-70%	125.9	102.8	-18%	114.8	61.9	-46%	-41%
S&P Index	1,236.2	1,430.5	16%	1,262.9	887.9	-30%	1,363.6	1,131.4	-17%	1,962.9	2,002.3	2%	-7%
MSCI EM	722.7	896.8	24%	1,030.3	582.1	-44%	1,204.0	880.4	-27%	1,043.9	938.4	-10%	-14%
MSCI World	1,274.7	1,493.6	17%	1,367.0	906.9	-34%	1,388.6	1,104.1	-20%	1,747.4	1,675.0	-4%	-10%
MSCI APxJ Fin	202.1	259.1	28%	237.8	149.8	-37%	288.2	207.9	-28%	287.0	284.8	-1%	-9%
AU Banks	6,285.0	7,162.8	14%	5,500.1	4,145.4	-25%	6,467.4	5,344.5	-17%	9,005.2	8,640.2	-4%	-8%
CH Banks	7,686.3	12,189.8	59%	13,991.5	10,991.3	-21%	18,143.7	11,071.8	-39%	14,423.5	17,017.8	18%	4%
HK Banks	28,623.1	32,619.5	14%	32,030.3	23,115.4	-28%	34,852.1	23,312.2	-33%	31,264.7	32,938.0	5%	-10%
IN Banks	4,264.4	7,485.5	76%	5,820.8	5,631.2	-3%	13,077.0	10,850.7	-17%	17,196.8	20,975.2	22%	19%
ID Banks	142.5	204.3	43%	208.4	174.9	-16%	511.4	466.6	-9%	643.5	727.8	13%	8%
JP Banks	440.9	428.1	-3%	265.9	168.8	-37%	113.0	107.4	-5%	181.1	188.4	4%	-10%
KR Banks	330.2	329.1	0%	294.7	185.4	-37%	351.5	248.4	-29%	246.3	253.0	3%	-16%
MY Fins	7,300.3	9,204.7	26%	8,402.8	6,777.2	-19%	14,039.2	12,659.3	-10%	17,243.5	15,463.0	-10%	-3%
PH Fins	699.4	859.7	23%	612.1	459.1	-25%	955.9	917.8	-4%	1,594.0	1,694.7	6%	0%
SG Banks	614.3	828.2	35%	737.4	439.7	-40%	768.7	623.3	-19%	819.6	877.4	7%	-4%
TW Banks	938.4	1,042.6	11%	932.4	591.4	-37%	1,035.3	828.4	-20%	1,031.1	1,064.9	3%	-11%
TH Banks	242.5	249.9	3%	246.6	148.6	-40%	421.9	351.8	-17%	554.6	597.4	8%	-11%
HSBC	85.4	91.6	7%	82.7	55.0	-34%	71.3	52.5	-26%	79.3	75.2	-5%	-14%
StanC	115.3	145.8	26%	150.2	69.1	-54%	189.5	142.6	-25%	165.1	112.9	-32%	-21%

Source: Deutsche Bank, Bloomberg Finance LP

Figure 7 ranks the banks by average return during the above four periods of oil price declines and is consistent with our preference among the Asian financials based on our fundamental analysis.

Figure 7: India, Indonesia and China tend to outperform the other banks on average



Source: Deutsche Bank, Bloomberg Finance LP



Impact on banks exposed to Oil E&P companies

Chinese banks – remain a sector top pick

We find that loans to the energy sector make up a notably small part of banks' loan book, with the combined bank loans of the big-3 state-owned oil companies accounting for just 0.84% of total system loans (RMB & forex combined) as of June 2014.

The oil companies and their financials

Three companies, namely PetroChina, Sinopec and CNOOC Ltd have solid standalone fundamentals and strong support/ownership from the State (i.e. Central SASAC). Despite the credit market penalizing all oil/commodity-related names in the past few weeks, the 10-year bond prices of these three issuers are relatively flat despite the widening in credit spreads. In addition, Petrol China and Sinopec are oil and gas integrated companies and their refinery businesses should benefit from falling oil prices.

For ICBC, which has disclosed the related data, the oil refining sector makes up 0.6% of its total loan book as of 1H14, and we expect other major banks to be in the same range. As we discuss below, China refining companies would actually benefit from the falling oil price, given NDRC-mandated price hikes.

Renewable energy and coal sector

As oil is mainly used for fuel production in China instead of power generation, it is not a substitute for renewable energy or coal-related energy. Therefore, the falling oil price should have very limited impact on the renewable energy and coal sectors, which we estimate make up 1.25% of listed banks' loan book.

Moreover, China's renewable energy development does not depend on oil price, as wind, solar, hydro, and nuclear all have fixed tariffs that are not linked to oil price. Instead, government subsidies are benchmarked to coal fired power price. Also, the development plan is driven by pollution control and carbon emission reduction, rather than cost competitiveness versus fossil fuel.

However, banks' loan exposure to coal chemistry projects should be more worrying as their economics are likely in question if oil price collapses, as most chemical product prices are linked to oil price, such as polypropylene, methane, etc.

We estimate Chinese banks' exposure to renewable energy to be c.0.5% of loan book and coal sector to be c.2%. In particular:

1) Renewable energy: Based on listed banks' disclosure, 5% of total loan book as of 1H14 goes to the power generation sector. As renewable energy only makes up c.5% of total power generation in China, we could assume loans to renewable energy sector make up 0.25% of total loan book (5% * 5%).

Tracy Yu

tracy.yu@db.com

+852 2203 6191

Hans Fan

hans.fan@db.com

+852 2203 6921



2) Coal sector: Based on ICBC's data, mining sector loans made up 2.3% of its total loan book as of 1H14.

Oil exploration and production (E&P) companies

Exploration and Production (E&P) companies, such as CNOOC Ltd are likely to take a greater hit from falling global oil prices, and we estimate Chinese banks' exposure to the E&P companies should make up around 0.8% of loan book on our estimates.

Oil and gas integrated companies

The gas import business will improve as import prices are linked to oil prices and China's gas sale price is set by the NDRC and not linked to oil prices. In addition, the NDRC has recently provided increases for gasoline and diesel prices that will be implemented between 2015 and 2018. Therefore, these NDRC mandated price hikes should benefit China's refining companies, i.e. PetroChina and Sinopec.

China Oilfields companies

In addition to the above, Chinese banks have lent about RMB21.7bn to China oilfield companies, which is insignificant relative to the size of the banks' loan book.

Figure 8: Breakdown of Chinese oilfield companies

FY13 data (in RMBm)	Honghua Group	Anton Oil	SPT Energy	Hilong	SOSC	TOTAL
Bank borrowings	4,731	396	202	1,161	15,195	21,685
<i>RMB</i>		357	142	468	8,773	
<i>HKD</i>	3,569			128		
<i>USD</i>	1,162	38	45	564	6,422	
<i>Others</i>			15			
Total debt	4,731	2,378	275	1,161	15,195	23,740
Total equity and liabilities	14,229	5,968	3,052	4,807	81,926	109,982
As a % of total debt	100%	17%	74%	100%	100%	91%
As a % of total equity and liabilities	33%	7%	7%	24%	19%	20%

Source: Deutsche Bank, company data

Australian banks – less than 2% exposure

The direct impact of oil price decline should be small as resources and energy form only 1.1-2.2% of banks' total exposure-at-default, an even smaller part of their profit growth, given low margins, low debt and large international competition for these loans.

However, the real question is what will be the indirect effect on the economy, and as an extension, banks, from a continued fall in commodity and oil prices. Based on our economist's view, which factors in lower commodity prices, the impact is likely to be small and is already included in our earnings forecasts for FY15.

James Freeman

james.freeman@db.com

+61 2 8258 2492

Andrew Triggs

andrew.triggs@db.com

+61 2 8258 2378



Figure 9: Australian banks – exposure to resources sector (Mining and energy)

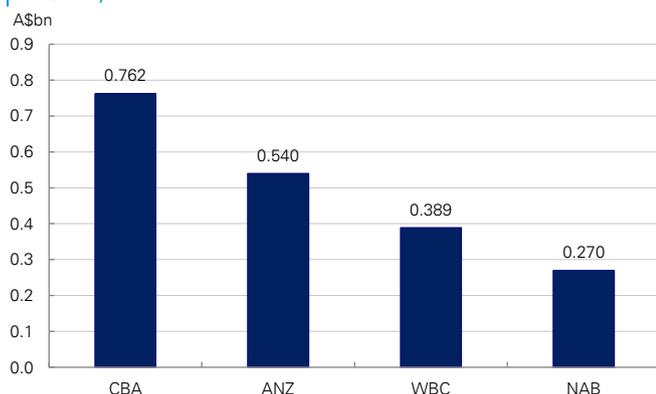
Bank	Total mining and energy exposure (US\$bn)	% of group Exposure at default	Break down by industry		
			Mining	Energy	Mining services
ANZ	17.6	2.20%	0.97%	0.86%	0.37%
CBA	12.2	1.50%	Not separately disclosed		
NAB	9.5	1.05%	0.48%	0.29%	0.27%
WBC	9.4	1.10%	Not separately disclosed		

Source: Deutsche Bank, company data
Note: Data as of 30 June 2014 for CBA and 30 Sept 2014 for the others

Figure 9 carries details on the Aussie banks’ exposure to the resource and energy sector, combining to be less than 2% for the major banks. Separately, oil and gas (‘Energy’) should make even less than 1% of the bank’s total exposure, and hence, unlikely to impact banks. Some points to note in relation to these exposures are:

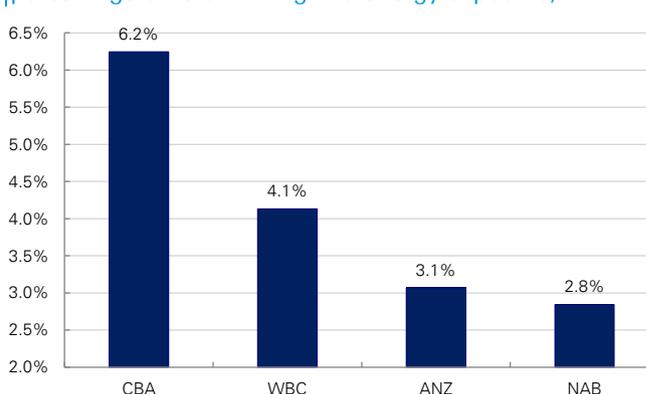
- Quite a bit of the lending relates to trade finance, which is lower risk and of shorter duration.
- A large proportion of the exposures relate to large mining and energy companies/projects e.g. BHP and RIO, Roy Hill, which have pretty strong cash positions.
- Banks currently already hold economic overlays, a portion of which specifically deals with risks relating to mining and resources. Size of the overlay ranges from A\$270m for NAB to A\$762m for CBA, making up 3-6% of the total resources and energy exposure (Fig 10 and 11).
- Lastly, issues relating to the mining industry have been known for a while and banks have been vigilant on lending to these exposures and in detecting problematic loans.

Figure 10: Australian banks’ economic overlays (absolute amount)



Source: Deutsche Bank, company data

Figure 11: Australian banks’ economic overlays (as a percentage of total mining and energy exposure)



Source: Deutsche Bank company data

Malaysian banks – around 3% loan exposure

Malaysian banks have a low single-digit lending exposure to the energy sector, despite Malaysia being the only country that is a net exporter of oil in Asia. As a result, we do not expect a significant impact to asset quality of Malaysian

Franco Lam
franco.lam@db.com
+852 2203 6226



banks on account of a fall in oil prices, as confirmed with our latest checks with the banks.

However, a significant decline in oil prices, to below US\$40, could impact Malaysian government's fiscal conditions as it derives dividend income from the state-owned oil company Petronas. This could eventually have a negative impact on the fiscal deficit for Malaysia, leading to a weakening currency and potential outflow of liquidity from the system.

Currently, banks are more concerned about further lending growth opportunities and less bothered about asset quality impact from a fall in oil prices.

AMMB

The bank's disclosure shows 3.5% gross loan exposure to mining & quarrying.

CIMB

The group's oil and gas exposure is about 3.5% of total gross loans. By geography, it is mostly concentrated in Malaysia (71%), followed by Singapore (18%), Indonesia (6%) and Thailand (5%). By segment, almost all of it is in corporate banking with very minimal in commercial banking.

Maybank

Total group gross loans exposure is 2.78% with a breakdown by key markets as follows: Malaysia 2.08%, Singapore 0.13%; Indonesia 0.17%; and other markets 0.40%.



Banks exposed to overseas project financing

Japanese banks – risks worth 10bps from energy and corporate deals

Yoshinobu Yamada
yoshinobu.yamada@db.com
+81 3 5156 6754

Energy deals estimated at 20-30% of total

While there is no disclosed data, we estimate overseas project finance deals make up approximately ¥3tr in the three Japanese megabanks, of which 20-30% is energy related. While there are concerns regarding an increase in bad debt in some overseas project financing at the three megabanks due to the slide in oil prices could lead to, we expect the banks to be safe, given that the credibility of the project finance deal depends on the project itself and not the company. Since project finance uses the cash flow from the project (e.g. public infrastructure such as roads and railroads, resource development) to repay the loan, the financial details of the off-taker that purchases the resource generated and the project sponsor are important; and often, the banks include additional covenants for support, including capital from sponsors, to safeguard from the eventuality of a default.

Corporate deals mostly involve state firms and Fortune 500 companies

In addition to energy projects, Japanese banks provide direct financing to non-Japanese firms. However, we suspect this direct lending is offered primarily to reputable multinational firms such as Fortune 500 companies or state-run firms in resource-producing nations. While margins on overseas loans at the megabanks are only around 1.0-1.2%, they are cushioned by the low bad debt ratio (less than 1%) and near absence of credit costs due to the banks' high sensitivity to credit risk. Additionally, the banks constantly run internal stress tests to keep a check on their credit quality.

Combined risk could be to the tune of 10bps for the three banks in FY3/16

Assuming overseas energy-related loans of ¥1-2tr per bank through project-financing and corporate loans combined, credit costs of ¥10-20n would still come to a mere 1-3bp of parent lending. There is a potential risk of new debt going bad, but even that should have limited impact. As a result, we estimate total credit costs based on our earnings forecast to be an average consolidated 10bp at the three banks in FY3/16.

Singaporean banks – limited bank exposure

Franco Lam
franco.lam@db.com
+852 2203 6226

We do not see any significant impact of oil price decline to SG banks.

DBS

DBS revealed that it has around mid-single-digit lending exposure related to the oil and gas sector. Currently, the bank is not too concerned about asset quality risk, but is more cautious regarding the lending growth outlook.



UOB

The bank has mentioned that its total exposure to the oil and gas segment amounts “to less than 10% of Group loans”, out of which ~60% is less vulnerable and 40% more vulnerable in the value chain. Hence, a maximum of 4% of UOB’s loan book is exposed to the oil and gas sector.

That said, collateral is required for project financing, even for the major O&G companies, but less so for short-term trade financing loans. For the smaller O&G companies and trades, more collateral will be required. By geography, it is mainly booked in Singapore, followed by Malaysia and Hong Kong, coinciding with the countries where most of the creditworthy customers are based. The NPL ratio for this sector is low, currently around 0.5%.

OCBC

It remains too early to confirm the exact impact on the bank, but:

- Its oil & gas exposure should be with major players in the market
- Its exposure in oil & gas is quite diversified, with linkage to both up and downstream players
- Its is constantly undertaking stress tests, and undertaking reviews on a portfolio basis
- It expects its exposure to be in-line with its domestic competitors



Banks operating in net oil importing countries

Indian banks – good for macro but limited bank impact

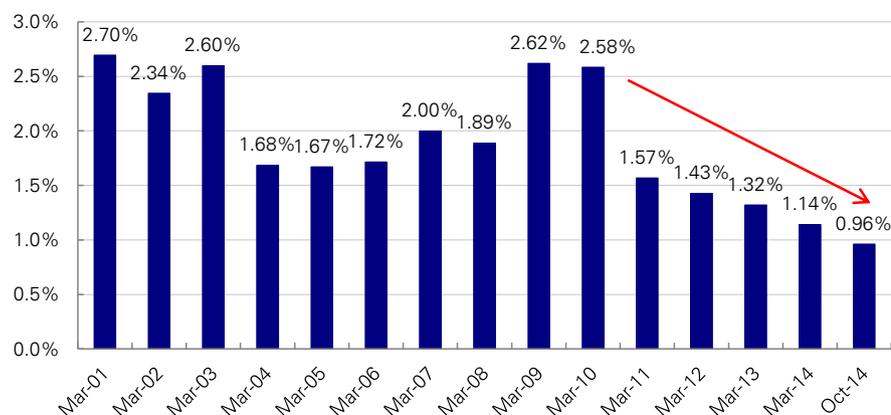
While India is expected to be a beneficiary of lower oil prices, helping ease pressure on its current account and fiscal deficits, banks are unlikely to benefit directly from falling oil price.

Since India is a net importer of oil, energy loans (petroleum, coal products and nuclear fuel loans) are extended to petroleum refiners for working capital purposes only, so they can balance the high but temporary price changes. With the government having recently de-regulated the petroleum sector, it is not surprising to see the share of 'energy loans' fall to just 0.96% of the total sector loans, and on a continuous downward trajectory.

Manish Karwa
manish.karwa@db.com
+91 22 7180 4212

Manish Shukla
manish.shukla@db.com
+91 22 7180 4211

Figure 12: India: Petroleum, coal products and nuclear fuel loans as a percentage of total sector loans



Source: Deutsche Bank, CEIC

Indonesian banks

Just as for Indian banks, Indonesian banks are also likely macroeconomic beneficiaries of a lower oil price, with little follow-through to the banking sector.

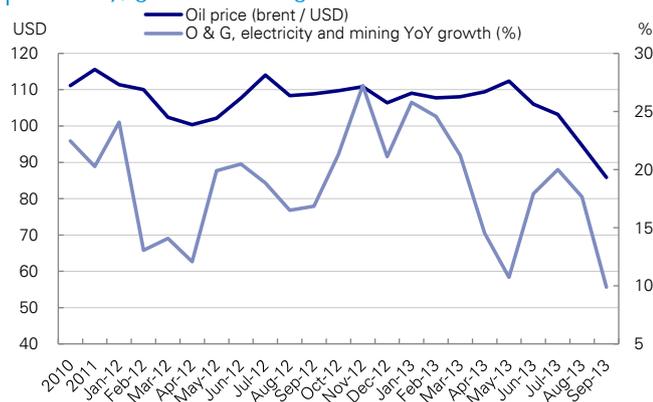
As Figure 13 shows, both the Indonesian banks' NPL ratio and the loans extended to the electricity, gas and mining industries have been highly uncorrelated with the oil price movements since 2009. In addition, loan growth in the energy and resources sector has been declining since November 2012, showcasing that banks extend these loans for working capital management purposes only.

Raymond Kosasih
raymond.kosasih@db.com
+62 21 2964 4525

Arinta Harsono
arinta.harsono@db.com
+62 21 2964 4519

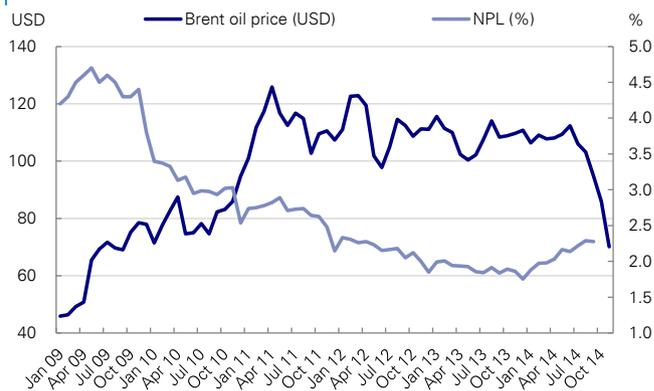


Figure 13: Indonesian banks: Brent oil price vs growth in electricity, gas and mining loans



Source: Deutsche Bank, CEIC, Bloomberg Finance LP

Figure 14: Indonesian banks: Brent oil price vs NPL ratio of banks



Source: Deutsche Bank, CEIC, Bloomberg Finance LP

Thai banks – implications of changes in oil, FX and rates

While the Thai GDP is usually highly sensitive to lower inflation (oil and interest rates), the recent oil price weakness might not stimulate domestic demand/purchasing power as much as it has in the past given the high household debt level for low-income groups, and the potential energy price reforms announced by the government for 2015F.

However, a key benefit for banks will be a better credit quality as lower inflation should result in improvements in the household debt service ratio and interest coverage for corporates. FX fluctuations have an immaterial direct impact on Thai banks as they carry less than 10% in foreign currency assets and less than 4% for foreign currency debts.

Peach Patharavanakul

peach.patharavanakul@db.com

+66 2633 6463

Taiwanese banks – negligible impact

Since Taiwan does not have an oil producer, its loan exposure to the Petro & Chemical industry is low single digit, with the majority being lent to CPC Corporation, the largest state-owned petroleum, natural gas and gasoline company in Taiwan, and Formosa.

While there might be some slowdown in exports for these Petro & Chemical products due to the oil price fall, shipping and transportation companies are likely to benefit from a higher import demand, leading to a mixed, yet, minimal overall impact on Taiwanese banks.

Pandora Lee

pandora.lee@db.com

+852 2203 5928

Hong Kong banks – not concerned

The major banks have said they are not aware of any issues affecting their oil and gas loan portfolios, which is anyway too small to make a tangible P&L impact. They also undertake regular stress tests on their loan portfolios, as well as specific market changes to ensure asset quality remains sound.

Franco Lam

franco.lam@db.com

+852 2203 6226



Rafael Garchitorena

rafael.garchitorena@db.com

+63 2894 6644

Philippine banks – sub-2% exposure to oil

Our communication with the major banks shows that they all have a sub-2%, exposure to the energy sector, with the primary usage of these loans being for working capital purposes.

Korean banks – least sector preference

Our communication with major Korean banks reveals that they have 1.0~1.5% exposure in the oil & chemicals industry. Moreover, they do not seem too concerned about the decline in oil prices as yet, but are aware of the contagion effect such a move could have in the future.

Jeehoon Park

jeehoon.park@db.com

+82 2316 8908



Figure 15: Regional banks – valuations and recommendations (as of 17 December 2014)

Overview	RIC code	Rec	Curr	Price 18-Dec-14	Target Price	Upside (%)	Mkt Cap (US\$ mn)	PBV			PER			Mkt Cap / PPOP		
								2013	2014E	2015E	2013	2014E	2015E	2013	2014E	2015E
ICBC	1398.HK	Buy	HK\$	5.31	6.80	28.1	192,246	1.14	1.02	0.90	5.66	5.44	5.11	3.98	3.70	3.42
China Construction Bank	0939.HK	Buy	HK\$	6.07	7.45	22.7	156,358	1.09	1.00	0.88	5.61	5.43	5.16	3.73	3.50	3.26
ABC	1288.HK	Buy	HK\$	3.70	4.49	21.4	123,818	1.16	0.99	0.88	5.66	5.38	4.96	3.53	3.28	3.09
Bank of China	3988.HK	Buy	HK\$	4.14	4.28	3.4	119,164	0.86	0.90	0.81	4.98	5.67	5.35	3.32	3.63	3.40
Bank of Communications	3328.HK	Buy	HK\$	6.72	6.90	2.7	51,418	0.77	0.85	0.77	5.39	5.95	5.57	3.42	3.66	3.40
China Merchants Bank	3968.HK	Buy	HK\$	17.18	18.97	10.4	44,642	1.24	1.14	1.00	5.56	6.15	5.69	3.95	3.86	3.47
China CITIC Bank	0998.HK	Hold	HK\$	5.84	5.00	(14.4)	28,152	0.69	0.85	0.74	4.06	4.98	4.52	2.47	2.93	2.62
China Minsheng	1988.HK	Buy	HK\$	9.26	9.69	4.6	32,476	0.80	1.06	0.89	3.95	5.32	4.77	2.38	3.19	2.87
Shanghai Pudong Bank	600000.SS	Hold	RMB	14.12	10.31	(27.0)	42,525	0.86	1.12	0.98	4.47	6.00	5.58	2.74	3.64	3.39
Industrial	601166.SS	Hold	RMB	14.31	11.00	(23.1)	44,018	0.96	1.14	0.97	5.49	5.86	5.36	3.76	3.71	3.38
Ping An Bank	000001.SZ	Buy	RMB	15.36	13.09	(14.8)	28,336	0.86	1.37	1.21	6.24	9.81	8.46	3.54	5.44	4.57
Bank of Beijing	601169.SS	Buy	RMB	10.29	8.55	(16.9)	17,545	0.69	1.17	0.99	4.37	6.22	5.83	2.86	4.47	3.95
Bank of Nanjing	601009.SS	Hold	RMB	15.10	8.74	(42.1)	7,238	0.89	1.46	1.29	5.78	8.50	8.11	4.09	5.86	5.53
Bank of Ningbo	002142.SZ	Buy	RMB	15.46	11.32	(26.8)	8,112	1.04	1.52	1.32	5.79	8.43	7.96	3.72	5.74	5.24
China Everbright Bank	601818.SS	Buy	RMB	4.39	3.61	(17.8)	32,801	0.80	1.16	1.00	4.84	6.70	5.58	3.55	4.29	3.60
Chongqing Rural Bank	3618.HK	Buy	HK\$	4.61	5.00	8.5	5,530	0.76	0.83	0.73	4.83	5.10	4.57	3.18	3.30	2.98
Huishang Bank	3698.HK	Sell	HK\$	3.40	2.92	(14.1)	4,846	0.98	0.85	0.77	5.51	5.64	5.14	4.59	3.94	3.49
Bank of Chongqing	1963.HK	Hold	HK\$	5.99	5.44	(9.2)	2,091	0.87	0.83	0.72	4.65	4.86	4.35	3.45	3.04	2.70
China						8.84	941,317	1.00	1.02	0.90	5.34	5.79	5.36	3.54	3.69	3.38
Hang Seng Bank	0011.HK	Hold	HK\$	125.30	133.00	6.1	31,213	2.23	2.12	1.98	8.89	15.53	12.86	12.50	11.56	10.46
BOC Hong Kong Holdings	2388.HK	Buy	HK\$	25.45	29.50	15.9	34,701	1.65	1.53	1.42	12.09	10.66	9.97	9.53	8.27	7.56
Bank of East Asia Ltd	0023.HK	Hold	HK\$	29.45	36.00	22.2	8,843	1.18	1.01	0.96	11.23	10.81	10.59	9.31	8.00	7.15
DSBG	2356.HK	Buy	HK\$	12.06	16.00	32.7	2,180	1.00	0.87	0.81	8.00	9.03	8.87	7.63	8.44	7.60
Dah Sing Financial	0440.HK	Buy	HK\$	43.40	58.50	34.8	1,875	0.79	0.78	0.73	7.90	8.96	8.87	5.98	6.63	6.05
HSBC Holdings Plc	0005.HK	Hold	HK\$	72.15	80.00	10.9	179,730	1.17	0.98	0.94	12.86	11.12	9.34	7.62	7.60	6.26
Standard Chartered	STAN.L	Hold	HK\$	895.00	1,085.00	21.2	57,774	1.15	0.73	0.72	17.28	9.11	7.94	7.02	4.37	4.25
Hong Kong (ex HSBC & StanChart)						13.67	78,812	1.79	1.67	1.55	10.51	12.52	11.13	10.55	9.51	8.63
Bank of Baroda	BOB.BO	Buy	Rs	1,010	1,200	18.81	3,987	0.85	0.86	1.08	6.52	5.53	8.19	3.57	3.00	4.10
Canara Bank	CNKB.BO	Sell	Rs	409	380	(6.98)	2,023	0.70	0.51	0.70	6.13	5.17	6.14	3.18	2.48	2.75
Union Bank of India	UNBK.BO	Hold	Rs	215	235	9.56	1,467	0.76	0.47	0.68	5.72	5.35	6.51	2.78	2.24	2.48
HDFC	HDFC.BO	Buy	Rs	1,082	1,200	10.91	20,051	5.14	4.93	5.46	23.15	23.33	27.13	17.09	16.91	18.86
HDFC Bank	HDFC.BO	Buy	Rs	919	1,060	15.41	24,972	4.10	4.13	4.27	21.31	18.65	21.01	13.14	11.02	12.56
ICICI Bank	ICBK.BO	Buy	Rs	333	370	11.11	19,114	1.81	1.97	0.48	69.41	61.85	16.65	9.05	7.50	2.02
PNB	PNBK.BO	Buy	Rs	1,090	1,120	2.77	3,447	0.78	0.75	1.02	5.84	6.48	9.58	2.87	2.38	3.61
State Bank of India	SBI.BO	Buy	Rs	303	340	12.23	20,792	1.13	1.00	1.43	8.52	8.94	11.81	3.79	3.28	4.74
IDFC	IDFC.BO	Hold	Rs	152	130	(14.19)	2,746	1.59	1.23	1.38	12.19	9.66	12.35	7.70	5.51	6.94
Axis Bank	AXBK.BO	Buy	Rs	476	540	13.45	8,900	1.79	1.78	2.51	10.09	9.08	14.69	6.28	5.22	8.39
YES Bank	YESB.BO	Buy	Rs	688	800	16.27	2,159	2.65	2.10	2.44	10.98	8.46	13.09	6.97	5.58	8.98
Kotak Mahindra	KTKM.BO	Buy	Rs	1,249	1,215	(2.72)	8,452	3.23	3.20	4.40	20.73	21.80	30.06	13.71	13.92	19.86
Bank of India	BOI.BO	Hold	Rs	282	315	11.56	2,190	0.71	0.49	0.56	6.37	4.92	5.48	2.65	1.85	2.09
IndusInd Bank	INBK.BO	Buy	Rs	773	835	8.00	3,569	2.78	2.91	3.74	17.03	16.08	21.35	10.63	9.29	12.64
India						10.5	123,870	2.7	2.7	2.8	23.9	22.1	18.2	9.8	8.7	9.7
BCA	BBCA.JK	Buy	Rp	12,850	14,250	10.9	25,005	3.71	4.08	3.44	17.52	19.54	17.79	13.08	14.18	13.03
Bank Mandiri	BMRI.JK	Buy	Rp	10,600	12,900	21.7	19,521	2.10	2.42	2.10	11.28	12.33	11.37	7.05	7.52	6.89
BNI	BBNI.JK	Buy	Rp	5,900	7,200	22.0	8,684	1.56	2.01	1.73	9.10	10.74	8.99	5.89	6.78	5.76
BRI	BBRI.JK	Buy	Rp	11,300	13,100	15.9	22,002	2.26	2.87	2.40	9.28	11.85	10.60	6.23	7.79	6.82
Bank Tabungan Negara	BBTN.JK	Buy	Rp	1,185	1,250	5.5	988	0.80	1.00	0.92	8.49	9.48	8.25	5.17	5.18	4.70
Bank BJB	BJBR.JK	Buy	Rp	745	1,150	54.4	570	1.29	1.03	0.96	7.81	6.46	5.95	4.48	3.40	3.07
Bank BTPN	BTPN.JK	Hold	Rp	4,050	5,200	28.4	1,867	2.53	1.94	1.59	12.58	10.34	8.83	7.73	6.27	5.36
Indonesia						16.2	80,163	2.6	3.0	2.5	12.8	14.6	13.2	8.7	9.6	8.7
AMMB Holdings	AMMB.KL	Hold	RM	6.21	7.30	17.55	6,323	1.64	1.65	1.31	11.69	12.39	9.57	8.27	8.65	6.69
CIMB Group	CIMB.KL	Hold	RM	5.42	6.75	24.54	13,117	1.95	1.22	1.12	12.86	11.55	9.65	10.47	7.66	6.44
Hong Leong Bank	HLBB.KL	Hold	RM	13.98	14.30	2.29	7,601	2.00	1.79	1.65	13.34	11.82	11.52	12.29	11.81	10.77
Public Bank	PUBM.KL	Hold	RM	17.62	19.70	11.80	19,446	3.27	2.46	2.25	14.36	14.73	13.89	10.32	11.33	9.83
Malayan Banking	MBBM.KL	Buy	RM	8.44	11.50	36.26	22,263	1.92	1.52	1.41	12.93	11.72	10.81	9.03	8.05	6.99
Malaysia						21.6	68,750	2.3	1.8	1.6	13.3	12.6	11.4	10.0	9.4	8.1
BDO Unibank Inc	BDO.PS	Hold	P	106.0	103.0	(2.83)	8,488	1.55	2.20	2.02	13.23	16.96	15.94	9.28	12.48	11.29
Bank of Phil Islands	BPI.PS	Hold	P	90.0	85.0	(5.56)	7,903	2.89	2.53	2.35	18.59	20.03	17.57	13.55	14.15	12.34
Metropolitan Bank	MBT.PS	Hold	P	78.0	85.0	8.97	4,788	1.61	1.52	1.39	12.92	10.47	13.11	9.05	8.63	7.90
Security Bank Corp	SECB.PS	Hold	P	147.3	155.0	5.23	1,986	1.74	1.87	1.69	15.61	11.00	13.24	13.97	8.81	10.55
East West Bank	EW.PS	Buy	P	23.9	32.0	34.17	602	1.41	1.26	1.12	16.32	12.22	9.80	6.24	4.83	4.04
Philippines						0.3	23,793	2.0	2.1	2.0	15.2	16.0	15.5	11.0	11.7	10.7
DBS Group Holdings Ltd	DBSM.SI	Buy	S\$	19.1	20.3	6.39	36,295	1.27	1.31	1.21	11.32	11.29	10.92	7.66	8.33	7.86
OCBC SI	OCBC.SI	Buy	S\$	10.1	11.5	14.09	30,741	1.48	1.32	1.23	13.09	10.08	10.31	9.20	8.56	7.44
United Overseas Bank	UOBH.SI	Hold	S\$	23.4	24.0	2.65	29,006	1.38	1.40	1.31	11.12	11.88	11.62	8.53	8.63	8.10
Singapore						7.7	96,041	1.4	1.3	1.2	11.8	11.1	10.9	8.4	8.5	7.8
Hana FG	086790.KS	Buy	Won	32,650	40,000	22.51	8,645	0.85	0.46	0.44	11.05	8.24	7.47	4.44		



Figure 16: Regional banks – valuations and recommendations continued (as of 17 December 2014)

Overview	RIC code	EPS Gth (%)			PPOP Growth			Div yld (%)			ROE (%)		
		2013	2014E	2015E	2013	2014E	2015E	2013	2014E	2015E	2013	2014E	2015E
ICBC	1398.HK	9.7	4.0	6.5	10.3	7.4	8.1	6.2	6.4	6.8	21.8	20.0	18.7
China Construction Bank	0939.HK	11.1	4.0	5.4	10.8	7.1	7.6	6.2	6.4	6.8	21.4	19.6	18.2
ABC	1288.HK	14.6	7.3	8.4	10.3	9.4	6.1	6.1	6.5	7.1	0.0	19.7	18.8
Bank of China	3988.HK	12.3	3.8	6.0	13.9	8.3	6.8	7.0	6.2	6.5	17.9	16.7	15.9
Bank of Communications	3328.HK	(2.2)	7.5	6.9	9.5	10.7	7.9	5.7	5.0	5.4	15.6	15.1	14.5
China Merchants Bank	3968.HK	5.4	1.0	8.1	20.7	14.0	11.4	5.0	4.9	5.3	22.2	19.7	18.7
China CITIC Bank	0998.HK	26.4	12.0	10.1	17.6	15.7	11.6	7.4	5.0	5.5	18.5	18.2	17.5
China Minsheng	1988.HK	12.6	(6.6)	11.5	17.0	12.7	11.2	4.4	3.3	3.6	23.4	21.8	20.3
Shanghai Pudong Bank	600000.SS	19.6	7.3	7.5	26.8	8.5	7.4	6.7	5.0	5.4	21.4	19.9	18.7
Industrial	601166.SS	(12.2)	(5.9)	9.3	23.6	1.7	9.8	3.2	3.4	3.7	22.2	21.1	19.6
Ping An Bank	000001.SZ	(38.8)	(2.1)	16.0	29.9	20.2	19.1	1.6	2.0	2.4	15.5	14.9	15.1
Bank of Beijing	601169.SS	(1.6)	8.2	6.7	10.3	18.1	13.2	2.7	1.7	2.0	17.9	18.7	18.4
Bank of Nanjing	601009.SS	12.6	16.7	4.8	11.1	19.8	6.0	5.2	3.5	3.7	17.5	18.3	16.9
Bank of Ningbo	002142.SZ	19.2	9.2	5.8	23.2	16.0	9.6	4.1	2.7	3.0	20.4	19.2	17.7
China Everbright Bank	601818.SS	5.6	6.3	20.1	4.3	21.7	19.2	5.8	4.5	5.4	20.0	18.5	19.3
Chongqing Rural Bank	3618.HK	11.7	12.2	11.5	20.2	14.0	10.8	6.1	5.8	6.5	17.6	17.4	17.0
Huishang Bank	3698.HK	(2.7)	(6.0)	9.6	11.2	12.2	13.1	5.5	6.2	6.8	18.9	15.9	15.7
Bank of Chongqing	1963.HK	3.5	(0.0)	11.6	30.3	18.6	12.4	4.9	4.1	4.6	21.4	18.4	17.8
China		8.3	4.1	7.9	13.7	9.8	8.9	5.8	5.6	6.0	17.6	19.0	18.0
Hang Seng Bank	0011.HK	38.0	(42.2)	20.8	19.4	10.4	10.5	4.4	4.4	4.4	26.7	14.0	15.9
BOC Hong Kong Holdings	2388.HK	6.3	13.5	6.9	15.9	15.2	9.4	4.0	4.3	4.5	14.4	15.1	14.7
Bank of East Asia Ltd	0023.HK	2.2	(1.9)	2.1	20.1	11.7	11.9	3.6	3.8	3.9	10.4	9.6	9.3
DSBG	2356.HK	17.3	(4.9)	1.9	53.5	8.7	11.1	2.9	2.8	2.8	10.8	9.7	9.4
Dah Sing Financial	0440.HK	14.4	(4.2)	1.1	44.3	10.7	9.7	3.0	2.5	3.0	9.3	8.6	8.5
HSBC Holdings Plc	0005.HK	12.5	(0.3)	19.1	2.5	(12.5)	21.5	4.5	5.3	5.6	9.1	8.9	10.3
Standard Chartered	STAN.LL	(34.5)	25.4	14.8	9.4	(9.6)	2.7	3.5	6.1	6.2	6.7	8.2	9.1
Hong Kong (ex HSBC & StanChart)		18.9	(11.2)	11.6	19.5	12.6	10.2	4.1	4.2	4.3	18.6	13.7	14.3
Bank of Baroda	BOB.BO	(13.7)	(0.8)	15.9	4.9	2.2	25.3	3.1	3.7	2.3	15.1	13.4	14.0
Canara Bank	CNBK.BO	(12.5)	(16.8)	23.4	2.9	(6.1)	32.0	3.3	3.9	2.1	12.1	8.9	9.9
Union Bank of India	UNBK.BO	13.1	(26.5)	19.2	9.4	(9.7)	32.0	3.7	2.7	2.4	13.6	9.5	10.8
HDFC	HDFC.BO	14.5	9.2	13.9	16.9	12.2	18.7	1.7	1.7	1.5	22.1	20.6	21.1
HDFC Bank	HDFC.BO	28.7	24.7	23.2	27.7	31.1	21.8	0.9	1.0	0.9	20.3	21.3	22.0
ICICI Bank	ICBK.BO	28.4	17.5	18.2	30.6	26.8	18.2	0.4	0.4	1.6	13.1	14.0	15.0
PNB	PNBK.BO	(7.9)	(31.8)	21.7	4.4	(6.6)	18.7	3.4	1.7	2.5	15.7	9.7	11.0
State Bank of India	SBI.BO	11.1	(24.1)	29.5	0.9	0.4	18.3	1.9	1.7	1.3	15.8	10.8	12.7
IDFC	IDFC.BO	14.4	(1.1)	2.8	24.0	9.7	7.1	1.8	2.3	1.7	14.1	12.6	11.7
Axis Bank	AXBK.BO	14.1	12.8	22.2	22.1	22.7	22.9	1.5	1.7	1.0	18.5	17.4	18.4
YES Bank	YESB.BO	31.0	22.8	16.7	41.6	18.8	28.9	1.5	2.1	1.2	24.8	25.0	21.2
Kotak Mahindra	KTKM.BO	18.7	10.4	27.9	22.0	16.7	25.5	0.1	0.1	0.1	15.8	14.6	15.8
Bank of India	BOI.BO	(1.7)	(6.2)	17.1	20.2	11.6	15.8	2.3	2.3	3.5	12.3	10.1	10.6
IndusInd Bank	INBK.BO	24.6	25.4	32.8	34.5	36.0	29.7	0.8	0.8	0.4	17.2	16.9	19.0
India		17.5	6.2	21.5	19.3	16.7	20.7	1.4	1.4	1.3	17.5	16.2	17.1
BCA	BBCA.JK	20.6	13.8	9.8	29.4	17.0	8.8	0.9	0.7	1.0	24.6	22.9	21.0
Bank Mandiri	BMRI.JK	17.4	10.2	8.4	22.1	12.8	9.3	2.1	1.9	2.1	22.5	21.2	19.8
BNI	BBNI.JK	28.5	13.2	19.4	22.4	16.1	17.7	2.6	2.2	2.6	19.9	20.0	20.5
BRI	BBRI.JK	14.3	10.2	11.8	19.8	12.6	14.2	2.8	2.3	2.5	29.7	26.7	24.6
Bank Tabungan Negara	BBTN.JK	12.3	(15.5)	15.0	23.2	(5.8)	10.3	3.9	3.9	3.3	14.3	11.0	11.6
Bank BJB	BJBR.JK	13.3	(16.3)	8.5	28.9	(8.8)	10.8	7.7	12.9	10.8	21.1	16.4	16.7
Bank BTPN	BTPN.JK	7.7	7.3	17.2	17.9	8.8	17.0	0.0	0.0	0.0	0.0	20.7	19.8
Indonesia		18.2	9.6	11.6	23.4	13.7	12.1	2.0	1.8	2.0	24.7	23.2	21.7
AMMB Holdings	AMMB.KL	7.9	8.4	9.8	(8.0)	9.9	9.6	3.5	3.3	4.3	14.1	14.1	14.3
CIMB Group	CIMB.KL	2.6	(21.8)	19.8	(3.1)	4.9	18.9	3.1	3.4	4.1	15.5	11.5	12.1
Hong Leong Bank	HLBB.KL	16.7	12.8	1.7	9.7	4.0	8.6	2.4	2.9	3.0	15.2	15.3	14.3
Public Bank	PUBM.KL	5.0	3.1	6.1	5.0	6.0	15.2	3.1	3.1	3.3	21.2	18.2	16.9
Malayan Banking	MBM.KL	4.3	(5.0)	8.5	13.9	0.4	15.2	5.5	6.0	6.5	14.9	13.4	13.5
Malaysia		5.9	(2.7)	9.3	5.7	4.1	14.7	3.8	4.1	4.5	16.7	14.7	14.4
BDO Unibank Inc	BDO.PS	39.2	0.5	6.4	52.9	(4.2)	10.5	2.6	2.0	2.0	14.4	13.5	13.2
Bank of Phil Islands	BPI.PS	15.5	(15.0)	14.0	14.7	(3.1)	14.6	1.8	2.0	2.0	18.0	12.6	13.4
Metropolitan Bank	MBT.PS	13.5	(7.1)	(20.2)	64.9	(21.0)	9.2	0.7	1.3	1.3	18.2	15.2	11.1
Security Bank Corp	SECB.PS	(33.1)	61.0	(16.9)	52.5	3.6	19.6	1.3	1.4	1.4	12.9	18.3	13.4
East West Bank	EW.PS	7.8	7.1	24.7	35.2	(4.1)	8.9	0.0	0.0	0.0	11.2	10.8	12.1
Philippines		19.3	(1.0)	2.1	42.1	(6.6)	12.3	1.8	1.7	1.7	16.1	13.9	12.8
DBS Group Holdings Ltd	DBSM.SI	3.1	18.2	3.4	5.7	10.0	6.0	3.6	3.0	3.1	10.8	11.9	11.4
OCBC	OCBC.SI	(30.4)	27.1	(2.2)	(2.8)	22.3	15.1	3.3	3.6	3.9	11.6	13.7	12.3
United Overseas Bank	UOBH.SI	7.1	6.7	2.3	2.0	15.0	6.5	3.7	3.4	3.5	12.3	12.3	11.6
Singapore		(6.4)	17.6	1.2	1.9	15.4	9.0	3.5	3.3	3.5	11.5	12.6	11.8
Hana FG	086790.KS	(51.7)	17.3	10.3	(32.7)	14.1	(4.6)	1.1	2.0	2.1	4.7	5.4	5.7
IBK	024110.KS	(33.5)	34.0	3.1	(13.3)	14.2	3.0	2.8	2.6	2.8	5.6	7.3	7.3
Shinhan FG	055550.KS	(19.5)	17.9	0.8	(12.2)	4.9	0.0	1.6	1.8	1.7	6.3	7.2	7.0
DGB Financial Group	139130.KS	(12.5)	3.2	(8.8)	(5.7)	13.5	3.9	1.7	2.5	2.3	8.7	8.0	8.1
BS Financial Group Inc	138930.KS	(15.7)	4.9	18.1	(6.3)	18.9	8.0	1.8	2.2	2.4	8.9	9.8	10.2
South Korea		(46.6)	19.1	0.7	(16.6)	5.4	0.4	1.4	2.2	2.0	4.5	7.0	6.8
Fubon Financial Holding	2881.TW	8.3	43.4	(6.8)	28.3	32.5	(4.2)	3.9	4.0	3.7	10.5	14.7	12.6
Cathay Financial Holding	2882.TW	68.2	72.6	(31.9)	65.7	40.4	(33.5)	3.7	3.5	2.4	11.0	16.9	10.6
E Sun Financial Holding	2884.TW	15.4	13.4	(6.3)	15.1	15.4	6.2	1.5	1.5	1.6	10.7	10.7	9.8
Mega Financial Holding	2886.TW	9.0	16.1	5.9	9.0	9.7	4.9	4.6	5.3	5.6	10.0	10.6	10.7
Taishin Financial Holding	2887.TW	43.0	(19.2)	2.8	(5.1)	110.6	8.5	3.2	2.8	2.9	12.3	10.3	9.6
CTBC FHC	2891.TW	(1.8)	77.6	(25.7)	10.7	11.8	17.3	2.0	3.4	3.5	11.9	18.9	12.6
First Financial Holding	2892.TW	0.1	13.6	1.5	4.6	11.5	2.0	2.8	3.2	3.2	8.0	9.1	8.8
Yuanta Financial Holding	2885.TW	20.0	17.3	(5.7)	19.4	5.3	6.2	4.2	4.5	4.2	5.0	5.8	5.4
Taiwan		24.8	42.8	(12.8)	28.1	28.1	(5.2)	3.4	3.7	3.4	10.3	13.8	10.7
Krung Thai Bank	KTB.BK	29.6	(2.4)	9.1	15.0	(1.9)	9.3	4.2	4.4	4.6	17.4	15.3	15.1
Siam Commercial Bank	SCB.BK	28.0	5.4	11.8	25.8	5.7	9.4	3.1	3.3	3.8	21.8	20.0	19.6
TMB Bank	TMB.BK	251.5	56.3	19.2	40.7	(2.9)	19.8	1.6	2.4	2.9	0.0	13.7	14.7
Bangkok Bank	BBL.BK	12.7	0.1	9.1	24.4	1.8	10.6	3.2	3.9	4.4	12.6	11.7	11.8
Kasikornbank	KBANK.BK	17.2	13.3	14.8	11.0	10.7	1.1	1.9	2.0	2.4	20.4	19.6	19.3
Thanachart Capital	TCAP.BK	71.2	(43.5)	9.1	11.0	10.7	1.1	4.2	4.4	4.4	20.3	10.7	10.8
Kiatnakin Bank	KKP.BK	14.3	(36.5)	52.1	1.6	17.7	27.5	4.9	3.9	5.9	13.0	8.0	11.5
Thailand		35.6	8.3	13.2	19.4	6.2	8.9	2.6	3.1	3.6	17.3	16.8	16.8
ANZ	ANZ.AX	6.6	8.7	5.7	11.0	10.7	1.1	5.9	5.5	6.2	14.3	16.0	15.3
Bank of Queensland	BOQ.AX	788.6	14.8	9.3	1.6	17.7	27.5	6.8	5.5	6.1	8.9	10.0	10.5
Bendigo & Adelaide Bank	BEN.AX	1.0	8.2	5.6	49.4	9.0	10.5	6.8					



Figure 17: Regional banks – profitability (as of 17 December 2014)

Overview	RIC code	NPAT			EPS			ROA (%)			NIM (%)			PPOP/Assets (%)		
		2013	2014E	2015E	2013	2014E	2015E	2013	2014E	2015E	2013	2014E	2015E	2013	2014E	2015E
ICBC	1398.HK	262,649	273,791	291,453	0.75	0.78	0.83	1.44	1.38	1.35	2.57	2.52	2.50	2.06	2.04	2.02
China Construction Bank	0939.HK	214,657	223,176	235,187	0.86	0.89	0.94	1.46	1.39	1.34	2.74	2.69	2.64	2.20	2.15	2.12
ABC	1288.HK	166,315	178,481	193,548	0.51	0.55	0.60	1.20	1.17	1.15	2.79	2.80	2.75	1.92	1.92	1.85
Bank of China	3988.HK	156,911	162,994	172,765	0.56	0.58	0.62	1.18	1.12	1.08	2.24	2.17	2.13	1.77	1.75	1.70
Bank of Communications	3328.HK	62,295	66,966	71,603	0.84	0.90	0.96	1.11	1.07	1.04	2.52	2.41	2.35	1.75	1.74	1.70
China Merchants Bank	3968.HK	51,743	56,314	60,888	2.21	2.23	2.41	1.39	1.32	1.28	2.82	2.71	2.68	2.12	2.10	2.10
China CITIC Bank	0998.HK	39,173	43,868	48,302	0.84	0.94	1.03	1.19	1.14	1.12	2.60	2.50	2.47	1.95	1.93	1.93
China Minsheng	1988.HK	42,278	47,360	52,823	1.49	1.39	1.55	1.31	1.42	1.46	2.49	2.71	2.68	2.18	2.36	2.43
Shanghai Pudong Bank	600000.SS	40,882	43,873	47,177	2.21	2.23	2.41	1.20	1.11	1.04	2.42	2.33	2.19	1.95	1.83	1.71
Industrial	601166.SS	41,211	46,553	50,899	0.84	0.94	1.03	1.19	1.20	1.18	2.44	2.34	2.33	2.09	1.89	1.88
Ping An Bank	000001.SZ	15,231	17,891	20,756	1.49	1.39	1.55	0.87	0.88	0.89	2.31	2.35	2.36	1.53	1.58	1.65
Bank of Beijing	601169.SS	13,459	16,023	18,648	1.53	1.66	1.77	1.10	1.13	1.17	2.15	2.18	2.19	1.68	1.72	1.74
Bank of Nanjing	601009.SS	4,519	5,274	5,527	1.52	1.78	1.86	1.16	1.13	1.04	2.39	2.34	2.23	1.64	1.64	1.53
Bank of Ningbo	002142.SZ	4,847	5,627	6,309	1.68	1.83	1.94	1.15	1.15	1.18	2.81	2.70	2.69	1.79	1.79	1.80
China Everbright Bank	601818.SS	26,715	30,318	36,422	0.62	0.66	0.79	1.14	1.18	1.26	2.16	2.23	2.19	1.66	1.84	1.95
Chongqing Rural Bank	3618.HK	5,991	6,723	7,493	0.64	0.72	0.81	1.28	1.24	1.23	3.41	3.27	3.19	1.95	1.92	1.89
Huishang Bank	3698.HK	4,926	5,322	5,836	0.51	0.48	0.53	1.39	1.29	1.24	2.63	2.57	2.53	1.92	1.85	1.83
Bank of Chongqing	1963.HK	2,329	2,667	2,976	0.99	0.99	1.10	1.28	1.20	1.18	2.81	2.73	2.70	1.98	1.92	1.91
China								1.28	1.24	1.22	2.56	2.52	2.48			
Hang Seng Bank	0011.HK	26,678	15,501	18,824	13.95	8.07	9.75	2.40	1.30	1.48	1.79	1.92	1.95	1.71	1.76	1.82
BOC Hong Kong Holdings	2388.HK	22,252	25,251	26,989	2.10	2.39	2.55	1.15	1.21	1.22	1.60	1.74	1.78	1.46	1.56	1.61
Bank of East Asia Ltd	0023.HK	6,283	6,293	6,477	2.78	2.73	2.78	0.87	0.80	0.76	1.79	1.75	1.82	1.06	1.08	1.12
DSBG	2356.HK	1,756	1,771	1,906	1.40	1.34	1.36	1.09	1.01	1.01	1.80	1.81	1.82	1.14	1.14	1.18
Dah Sing Financial	0440.HK	1,498	1,529	1,640	5.05	4.84	4.90	0.85	0.80	0.81	1.86	1.87	1.92	1.43	1.15	1.18
HSBC Holdings Plc	0005.HK	15,630	15,999	19,433	0.84	0.84	1.00	0.58	0.59	0.69	NA	NA	NA	1.01	0.87	1.02
Standard Chartered	STAN.L	2,989	3,797	4,468	1.23	1.54	1.77	0.46	0.56	0.64	NA	NA	NA	1.35	1.18	1.18
Hong Kong (ex HSBC & StanChart)								1.60	1.18	1.26	1.71	1.80	1.84			
Bank of Baroda	BOB.BO	44,807	45,411	53,130	107.3	106.4	123.4	0.90	0.75	0.76	2.34	2.04	2.08	1.67	1.40	1.51
Canara Bank	CNKB.BO	28,721	24,382	30,687	64.8	53.9	66.5	0.73	0.54	0.58	2.08	2.06	2.11	1.41	1.15	1.31
Union Bank of India	UNBK.BO	21,579	16,962	20,868	37.6	27.6	33.0	0.75	0.51	0.57	2.70	2.43	2.49	1.61	1.25	1.49
HDFC	HDFC.BO	48,483	54,402	62,246	32.1	35.0	39.9	2.67	2.58	2.55	3.55	3.44	3.52	3.70	3.58	3.66
HDFC Bank	HDFC.BO	67,263	84,784	104,863	28.5	35.5	43.7	1.82	1.90	1.96	4.63	4.44	4.51	2.98	3.23	3.28
ICICI Bank	ICBK.BO	83,255	98,105	116,167	14.4	16.9	20.0	1.65	1.73	1.80	2.94	3.14	3.27	2.53	2.87	2.96
PNB	PNBK.BO	47,477	33,426	41,172	137.1	93.4	113.7	1.01	0.65	0.70	3.28	3.23	3.09	2.10	1.79	1.86
State Bank of India	SBI.BO	176,866	141,693	191,455	26.1	19.8	25.6	0.89	0.63	0.75	3.23	3.11	3.14	2.03	1.78	1.88
IDFC	IDFC.BO	18,362	18,099	19,075	12.1	11.9	12.3	2.78	2.48	2.39	3.88	3.58	3.65	4.37	4.33	4.24
Axis Bank	AXBK.BO	51,794	62,177	76,146	23.5	26.5	32.4	1.65	1.72	1.85	3.22	3.44	3.60	2.82	3.00	3.24
YES Bank	YESB.BO	13,007	16,178	19,889	36.7	45.0	52.5	1.51	1.55	1.68	2.72	2.77	3.06	2.40	2.37	2.67
Kotak Mahindra	KTKM.BO	21,885	24,650	32,012	29.4	32.5	41.6	2.10	2.07	2.40	4.83	4.98	5.25	3.18	3.24	3.63
Bank of India	BOI.BO	27,493	27,293	33,159	29.4	32.5	41.6	0.66	0.53	0.53	2.24	2.21	2.10	1.61	1.47	1.40
IndusInd Bank	INBK.BO	10,612	14,080	18,746	21.4	26.9	35.7	1.62	1.76	1.96	3.56	3.77	3.86	2.74	3.05	3.30
India								1.64	1.58	1.66	3.08	3.00	3.04			
BCA	BBCA.JK	14,254	18,215	17,812	578.1	657.7	722.4	3.03	3.06	2.96	6.64	6.64	6.30	4.07	4.21	4.04
Bank Mandiri	BMRI.JK	18,204	20,060	21,747	780.2	859.7	932.0	2.66	2.57	2.47	5.84	5.83	5.66	4.26	4.22	4.09
BNI	BBNI.JK	9,054	10,249	12,233	485.5	549.6	656.0	2.52	2.49	2.63	6.21	5.78	5.78	3.89	3.95	4.11
BRI	BBRI.JK	21,344	23,522	26,302	865.2	953.5	1066.2	3.63	3.51	3.46	8.55	8.51	8.58	5.40	5.34	5.37
Bank Tabungan Negara	BBTN.JK	1,562	1,321	1,518	147.9	125.0	143.7	1.29	0.90	0.86	5.34	4.34	3.74	2.11	1.64	1.50
Bank BJB	BJBR.JK	1,336	1,118	1,214	137.8	115.3	125.2	1.88	1.47	1.40	8.56	7.30	6.93	3.29	2.79	2.72
Bank BTPN	BTPN.JK	2,131	2,288	2,680	0.0	0.0	0.0	3.31	3.07	3.13	13.60	13.63	13.23	5.39	5.07	5.15
Indonesia								3.11	3.00	2.95	7.06	6.83	6.67			
AMMB Holdings	AMMB.KL	1,635	1,776	1,956	0.55	0.59	0.65	1.37	1.37	1.44	2.72	2.68	2.53	1.94	1.97	2.07
CIMB Group	CIMB.KL	4,542	3,912	4,796	0.60	0.47	0.56	1.28	1.03	1.19	2.85	2.85	2.96	1.61	1.57	1.76
Hong Leong Bank	HLBB.KL	1,856	2,102	2,173	1.06	1.19	1.21	1.16	1.26	1.23	2.13	2.08	2.04	1.34	1.35	1.38
Public Bank	PUBM.KL	4,065	4,363	4,888	1.16	1.20	1.27	1.40	1.36	1.40	2.35	2.23	2.33	1.95	1.87	1.98
Malayan Banking	MBBM.KL	6,552	6,506	7,330	0.76	0.72	0.78	1.24	1.09	1.11	2.43	2.35	2.38	1.82	1.62	1.68
Malaysia								1.30	1.20	1.25	2.51	2.44	2.48			
BDO Unibank Inc	BDO.PS	22,268	22,378	23,810	6.22	6.25	6.65	1.53	1.29	1.27	3.14	3.07	3.22	2.18	1.75	1.79
Bank of Phil Islands	BPI.PS	18,811	17,507	20,118	5.29	4.49	5.12	1.73	1.38	1.44	3.15	3.08	3.19	2.37	1.97	2.05
Metropolitan Bank	MBT.PS	22,013	20,455	16,333	8.02	7.45	5.95	1.96	1.53	1.05	3.42	3.27	3.27	2.60	1.68	1.65
Security Bank Corp	SEC.B.PS	2,056	2,202	2,745	0.00	0.00	0.00	1.56	1.38	1.44	2.88	3.23	3.29	4.07	3.49	3.49
East West Bank	EVV.PS	70,160	70,611	69,714	0.00	0.00	0.00	3.21	2.79	2.72	7.07	6.86	6.68	0.00	0.00	0.00
Philippines								3.21	2.79	2.72	3.32	3.26	3.35			
DBS Group Holdings Ltd	DBSM.SI	3,492	4,165	4,369	1.43	1.69	1.75	0.92	0.99	0.96	1.62	1.66	1.69	1.37	1.36	1.33
OCBC	OCBC.SI	2,706	3,709	3,972	1.79	1.00	0.98	1.02	1.18	1.11	1.64	1.70	1.72	1.45	1.50	1.51
United Overseas Bank	UOBH.SI	2,906	3,132	3,251	0.84	1.97	2.01	1.08	1.06	1.01	1.72	1.71	1.72	1.42	1.49	1.45
Singapore								1.00	1.07	1.02	1.65	1.69	1.71			
Hana FG	086790.KS	979	1,148	1,267	3,376											



Figure 18: Regional banks – balance sheet (as of 17 December 2014)

Overview	RIC code	Loan growth (%)			Asset Growth (%)			RWA gth (%)			Loan/Assets (%)		
		2013	2014E	2015E	2013	2014E	2015E	2013	2014E	2015E	2013	2014E	2015E
ICBC	1398.HK	12.71	10.99	11.05	7.84	9.05	9.11	25.98	9.05	9.11	52.45	53.38	54.34
China Construction Bank	0939.HK	14.35	12.00	12.08	9.95	9.39	9.20	29.26	9.39	9.20	55.91	57.25	58.76
ABC	1288.HK	12.30	13.12	12.98	9.95	9.62	10.16	25.63	9.81	10.16	49.61	51.20	52.51
Bank of China	3988.HK	10.82	12.03	10.49	9.41	10.16	9.77	29.86	10.16	9.77	54.83	55.77	56.14
Bank of Communications	3328.HK	10.83	10.58	10.61	13.04	9.90	10.41	31.81	9.90	10.41	54.80	55.13	55.23
China Merchants Bank	3968.HK	15.37	14.27	13.36	17.85	11.93	11.07	32.11	11.93	11.07	54.70	55.85	57.00
China CITIC Bank	0998.HK	16.73	14.20	13.26	23.02	11.77	11.30	33.45	11.77	11.30	53.31	54.47	55.43
China Minsheng	1988.HK	13.10	13.06	12.98	0.44	7.30	8.79	15.10	10.17	10.26	48.80	51.42	53.39
Shanghai Pudong Bank	600000.SS	14.43	13.85	12.73	16.99	15.05	14.53	27.06	15.05	14.53	48.03	47.53	46.78
Industrial	601166.SS	10.40	11.92	11.02	13.12	11.04	10.64	32.98	11.04	10.64	36.90	37.19	37.32
Ping An Bank	000001.SZ	17.55	16.09	15.21	17.75	15.51	12.65	30.69	15.51	12.65	44.79	45.01	46.04
Bank of Beijing	601169.SS	17.74	16.62	14.13	19.36	12.05	11.96	43.35	14.71	11.96	43.75	45.54	46.42
Bank of Nanjing	601009.SS	17.32	15.26	13.23	26.26	14.60	12.83	42.84	12.88	12.83	33.86	34.05	34.18
Bank of Ningbo	002142.SZ	17.56	15.36	14.29	25.51	8.39	10.04	42.34	17.70	11.79	36.60	38.95	40.45
China Everbright Bank	601818.SS	13.99	13.41	11.86	5.96	12.85	12.00	19.89	12.85	12.00	48.29	48.53	48.47
Chongqing Rural Bank	3618.HK	18.26	16.23	14.20	15.82	15.27	10.07	21.88	15.27	10.07	40.85	41.19	42.74
Huishang Bank	3698.HK	19.33	16.96	15.07	17.85	15.14	13.50	31.94	7.00	15.36	51.15	51.96	52.68
Bank of Chongqing	1963.HK	18.10	17.28	15.43	32.42	14.31	12.55	47.04	14.31	12.55	43.77	44.90	46.05
China		13.06	12.39	11.91	10.82	10.25	10.15	28.13	10.42	10.22	51.67	52.67	53.52
Hang Seng Bank	0011.HK	9.32	12.85	7.87	6.19	7.94	6.02	22.16	14.29	6.02	51.38	53.72	54.66
BOC Hong Kong Holdings	2388.HK	10.29	17.08	9.20	11.81	4.18	6.86	20.44	7.65	9.29	41.93	47.13	48.16
Bank of East Asia Ltd	0023.HK	15.58	14.64	12.34	8.93	9.93	6.08	11.32	5.07	6.08	53.76	56.07	59.37
DSBG	2356.HK	13.70	10.08	4.61	7.31	9.73	5.13	13.47	0.22	5.13	58.59	58.78	58.49
Dah Sing Financial	0440.HK	13.70	10.08	4.61	6.86	9.61	4.64	13.47	0.22	5.13	54.03	54.27	54.26
HSBC Holdings Plc	0005.HK	(0.94)	4.11	5.32	(0.79)	3.00	4.00	NA	NA	NA	37.14	37.54	38.01
Standard Chartered	STANL	2.45	2.37	3.61	5.95	1.89	3.61	NM	NM	NA	44.00	44.20	44.20
Hong Kong (ex HSBC & StanChart)													
Bank of Baroda	BOB.BO	14.36	21.35	15.05	22.31	20.54	12.97	20.11	18.31	14.92	60.68	61.08	62.21
Canara Bank	CNBK.BO	4.30	24.48	12.16	10.20	19.30	13.32	33.08	11.41	14.65	58.95	61.52	60.89
Union Bank of India	UNBK.BO	17.06	10.55	10.21	19.04	13.34	8.54	21.26	12.70	9.40	67.60	65.93	66.94
HDFC	HDFC.BO	20.61	15.82	18.53	16.62	15.56	16.51	16.20	14.80	18.14	87.45	87.64	89.17
HDFC Bank	HDBK.BO	22.59	26.32	19.47	18.47	22.80	17.82	26.45	17.64	21.39	60.35	62.08	62.95
ICICI Bank	ICBK.BO	13.88	16.22	16.53	13.33	10.78	17.60	10.88	12.82	21.13	55.45	58.17	57.64
PNB	PNBK.BO	5.66	13.71	14.12	4.51	14.94	13.60	11.12	19.53	14.96	65.74	65.04	65.34
State Bank of India	SBI.BO	19.69	13.23	12.54	16.57	12.32	11.75	18.78	12.89	14.10	66.94	67.48	67.96
IDFC	IDFC.BO	13.97	5.35	0.19	16.49	5.77	12.73	3.60	20.70	13.00	79.70	79.38	70.55
Axis Bank	AXBK.BO	16.10	16.88	17.52	19.23	12.53	14.42	11.50	11.41	17.31	58.32	60.58	62.21
YES Bank	YESB.BO	23.73	18.47	24.09	34.54	10.00	17.78	28.95	28.37	32.00	47.51	51.17	53.91
Kotak Mahindra	KTKM.BO	24.71	8.53	20.83	25.43	5.53	18.22	22.51	10.19	20.04	57.53	59.17	60.48
Bank of India	BOI.BO	16.39	28.48	14.08	17.70	26.64	16.44	19.18	23.90	18.91	64.37	65.30	63.98
IndusInd Bank	INBK.BO	26.40	24.41	22.94	27.28	18.72	20.31	35.92	26.23	24.37	60.90	63.82	65.21
India		16.25	16.95	14.36	16.26	15.32	13.86	18.44	15.25	16.57	63.93	64.84	65.13
BCA	BBCA.JK	21.62	10.00	12.50	12.03	13.66	13.34	15.99	18.21	15.70	62.92	60.90	60.45
Bank Mandiri	BMRI.JK	22.69	12.50	15.00	15.34	12.78	12.64	17.41	16.92	17.71	64.36	64.20	65.54
BNI	BBNI.JK	24.86	10.00	12.50	16.01	12.88	12.99	19.33	13.56	14.23	64.82	63.17	62.89
BRI	BBRI.JK	23.87	12.50	12.50	13.58	14.12	12.95	7.58	23.95	10.33	71.59	70.57	70.29
Bank Tabungan Negara	BBTN.JK	23.41	17.50	17.50	17.38	24.34	17.48	24.27	14.90	15.30	76.59	72.38	72.39
Bank BJB	BJBR.JK	27.57	14.55	16.50	0.17	15.10	12.02	28.15	17.56	12.42	68.92	68.58	71.33
Bank BTPN	BTPN.JK	18.69	15.00	17.00	17.90	13.79	16.26	21.56	46.78	15.50	66.18	66.89	67.31
Indonesia		21.14	12.30	13.95	14.03	13.71	12.93	14.43	18.12	14.26	67.26	66.42	67.02
AMMB Holdings	AMMB.KL	11.37	5.34	5.00	13.53	4.22	4.62	5.68	4.60	4.62	66.74	67.46	67.70
CIMB Group	CIMB.KL	12.45	10.10	10.83	10.04	4.97	7.20	8.22	9.31	7.20	63.28	66.37	68.61
Hong Leong Bank	HLBB.KL	7.33	7.16	7.62	3.67	4.14	7.37	4.55	7.19	7.37	59.22	61.15	61.29
Public Bank	PUBM.KL	11.83	11.00	9.00	11.32	9.49	7.90	11.25	11.12	7.90	72.34	73.34	74.09
Malayan Banking	MBBM.KL	13.71	13.00	10.00	13.25	12.24	10.13	9.38	18.19	11.08	64.48	64.92	64.84
Malaysia		12.15	10.66	9.34	11.01	8.39	8.27	8.57	11.96	8.50	65.41	66.78	67.44
BDO Unibank Inc	BDO.PS	19.41	21.52	17.90	34.42	7.55	8.82	17.09	19.59	14.62	52.98	59.87	64.86
Bank of Phil Islands	BPI.PS	20.47	22.00	22.00	21.35	11.92	9.27	16.65	21.07	18.74	54.19	59.07	65.95
Metropolitan Bank	MBT.PS	16.30	20.00	18.00	32.48	14.82	7.57	13.29	26.68	14.48	44.34	46.34	50.83
Security Bank Corp	SECB.PS	37.99	20.00	20.00	34.08	8.86	11.73	4.30	25.98	17.54	46.64	51.41	55.22
East West Bank	EWV.PS	30.04	30.00	24.55	17.21	23.99	16.45	16.18	28.64	22.34	67.65	70.93	75.87
Philippines		20.37	21.50	19.46	29.75	11.36	9.02	14.71	22.79	16.14	50.75	55.37	60.67
DBS Group Holdings Ltd	DBSM.SI	17.94	8.00	8.00	13.87	8.48	8.87	10.43	8.99	7.04	62.73	62.45	61.95
OCBC	OCBC.SI	17.77	25.90	10.67	16.98	20.24	8.72	15.95	26.86	6.00	59.51	62.31	63.43
United Overseas Bank	UOBH.SI	16.76	10.00	9.00	12.39	8.25	9.31	23.90	2.61	7.32	64.03	65.06	64.88
Singapore		17.53	13.63	9.12	14.32	11.86	8.95	15.67	11.94	6.80	62.16	63.15	63.25
Hana FG	086790.KS	3.67	5.99	5.61	4.01	7.27	4.61	(10.23)	2.80	4.61	68.97	68.15	68.81
IBK	024110.KS	4.70	6.86	4.57	7.22	4.66	4.04	7.76	4.15	4.04	72.77	74.30	74.68
Shinhan FG	055550.KS	3.04	5.76	5.61	3.47	8.93	5.83	(5.20)	3.82	5.83	66.09	64.17	64.03
DGB Financial Group	139130.KS	8.84	11.71	8.77	9.82	8.96	7.21	8.51	(89.86)	7.21	74.87	76.76	77.87
BS Financial Group Inc	138930.KS	12.49	13.57	10.37	9.39	10.56	8.09	9.39	10.56	8.69	77.16	79.26	80.48
South Korea		4.37	0.75	5.44	4.89	0.19	4.94	(1.65)	(6.24)	4.92	72.12	72.53	72.87
Fubon Financial Holding	2881.TW	10.33	23.08	19.26	11.32	15.91	7.84	16.35	20.00	5.00	29.76	31.60	34.95
Cathay Financial Holding	2882.TW	9.66	8.67	7.25	11.80	7.47	7.34	11.64	8.00	6.00	27.73	28.03	28.01
E Sun Financial Holding	2884.TW	12.61	13.58	8.99	10.84	9.04	7.98	16.90	10.00	8.00	60.75	63.28	63



Figure 19: Regional banks – capital (as of 17 December 2014)

Overview	RIC code	Tier 1 (%)			CAR (%)			NPL (%)			NPL Coverage (%)			Bad debt exp/ Avg. loans (bps)		
		2013	2014E	2015E	2013	2014E	2015E	2013	2014E	2015E	2013	2014E	2015E	2013	2014E	2015E
ICBC	1398.HK	10.6	11.1	11.5	13.1	13.4	13.7	0.94	0.99	1.05	257.2	244.0	235.0	41	48	52
China Construction Bank	0939.HK	10.8	11.2	11.6	13.3	13.6	13.8	0.99	1.07	1.12	268.2	250.0	244.0	53	60	64
ABC	1288.HK	9.2	9.6	9.9	11.9	12.0	12.1	1.22	1.22	1.20	367.0	374.0	379.0	76	79	68
Bank of China	3988.HK	9.7	10.0	10.1	12.5	11.0	11.0	0.96	0.97	0.99	229.8	229.7	232.0	32	45	46
Bank of Communications	3328.HK	9.8	10.0	10.1	12.1	12.1	12.0	1.05	1.11	1.18	213.7	208.2	204.1	59	66	67
China Merchants Bank	3968.HK	9.3	9.6	9.9	11.1	11.2	11.4	0.85	1.02	1.15	261.3	240.0	TNI	50	65	72
China CITIC Bank	0998.HK	8.8	9.0	9.2	11.2	11.2	11.2	1.03	1.15	1.26	206.6	200.0	200.0	66	76	78
China Minsheng	1988.HK	8.7	9.5	10.2	10.7	11.3	11.8	0.85	1.01	1.10	259.7	225.0	204.0	88	91	88
Shanghai Pudong Bank	600000.SS	8.6	8.5	8.5	11.0	10.7	10.5	0.74	0.95	1.10	319.6	280.0	260.0	79	78	73
Industrial	601166.SS	8.7	9.3	9.9	10.8	10.2	11.6	0.76	0.90	1.05	352.1	290.0	250.0	141	86	86
Ping An Bank	000001.SZ	8.6	8.6	8.8	9.9	9.8	9.8	0.89	0.98	1.08	201.1	190.0	190.0	88	95	105
Bank of Beijing	601169.SS	8.8	9.1	9.6	10.9	11.0	11.3	0.65	0.80	1.00	422.1	355.0	295.0	71	60	50
Bank of Nanjing	601009.SS	0.0	1.3	2.3	2.8	3.8	4.5	0.89	1.20	1.40	298.5	240.0	220.0	60	73	67
Bank of Ningbo	002142.SZ	9.4	10.3	10.6	12.1	12.6	12.7	0.89	1.05	1.20	254.9	245.0	235.0	93	93	81
China Everbright Bank	601818.SS	9.1	9.3	9.6	10.6	10.6	10.7	0.86	0.95	1.10	241.0	210.0	170.0	42	62	56
Chongqing Rural Bank	3618.HK	11.9	11.7	12.0	13.6	13.2	13.4	0.80	0.85	0.90	430.6	430.0	425.0	62	68	63
Huishang Bank	3698.HK	12.6	13.1	12.7	2.6	2.4	2.1	0.54	0.70	0.80	396.7	300.0	270.0	24	35	44
Bank of Chongqing	1963.HK	10.8	10.9	11.2	13.3	13.1	13.1	0.39	0.50	0.70	526.3	460.0	380.0	64	77	77
China		9.7	10.1	10.4	12.1	12.0	12.2	1.0	1.0	1.1	275.2	263.1	255.8	56.8	62.5	62.6
Hang Seng Bank	0011.HK	13.8	11.9	12.2	15.8	14.6	15.4	0.22	0.23	0.36	110.5	117.9	101.6	10	13	16
BOC Hong Kong Holdings	2088.HK	10.7	12.0	12.5	15.8	16.9	16.9	0.28	0.23	0.33	174.1	212.1	171.7	9	13	18
Bank of East Asia Ltd	0023.HK	12.1	12.0	12.0	15.9	15.4	15.2	0.39	0.28	0.49	64.6	153.3	133.4	12	22	28
DSBG	2356.HK	10.4	11.1	11.2	14.5	15.1	15.1	0.40	0.42	0.35	112.4	178.7	304.3	34	57	60
Dai Sing Financial	0440.HK	10.4	11.1	11.2	14.5	15.1	15.1	0.40	0.45	0.43	112.4	167.6	247.6	34	57	60
HSBC Holdings Plc	0005.HK	13.0	12.6	13.2	NA	NA	NA	3.99	3.55	3.54	38.7	40.9	33.7	59	36	37
Standard Chartered	STAN.L	13.1	11.8	11.8	NA	NA	NA	2.18	2.60	2.40	52.4	46.4	52.4	55	63	58
Hong Kong (ex HSBC & StanChart)																
Bank of Baroda	BOB.BO	10.1	9.3	9.3	13.3	12.3	12.0	2.40	2.95	2.94	47.5	49.2	50.8	111	81	77
Canara Bank	CNKB.BO	9.8	7.8	8.5	12.4	10.8	11.1	2.58	2.50	2.68	14.7	20.4	24.4	78	78	85
Union Bank of India	UNBK.BO	8.2	7.6	7.7	11.5	10.9	10.7	2.99	4.10	3.94	45.8	43.4	49.9	80	95	103
HDFC	HDFC.BO	13.9	15.4	14.9	16.4	17.9	17.3	0.70	0.69	0.79	105.5	96.5	70.5	9	5	7
HDFC Bank	HDFC.BO	11.1	11.7	11.2	16.8	16.7	15.5	0.97	0.98	1.03	81.0	73.4	67.4	56	60	57
ICICI Bank	ICBK.BO	12.7	12.8	11.6	18.5	17.7	15.4	3.23	3.04	3.03	76.8	68.6	68.4	50	70	69
PNB	PNBK.BO	9.8	9.3	8.4	12.7	12.1	10.8	4.28	5.27	5.34	45.3	46.3	47.7	109	134	132
State Bank of India	SBI.BO	9.5	9.5	9.5	12.9	12.2	11.9	4.53	4.99	4.61	54.5	47.7	43.0	111	125	111
IDFC	IDFC.BO	19.8	19.8	20.4	22.1	22.1	22.4	0.15	0.56	0.76	0.0	0.0	0.0	55	103	113
Axis Bank	AXBK.BO	12.2	12.8	12.7	17.0	16.3	16.4	1.21	1.36	1.50	69.2	66.3	68.4	69	69	84
YES Bank	YESB.BO	9.5	9.8	12.4	18.3	14.4	16.2	0.20	0.31	0.52	92.6	85.1	65.6	34	26	40
Kotak Mahindra	KTMB.BO	15.9	18.0	17.4	17.0	18.9	18.2	1.56	1.98	1.66	51.1	60.0	60.0	27	24	25
Bank of India	BOI.BO	8.2	7.2	7.5	11.0	10.0	9.9	3.01	3.17	3.28	22.4	30.0	31.1	138	119	107
IndusInd Bank	INBK.BO	13.8	12.7	12.3	15.4	13.8	13.3	1.03	1.12	1.19	70.1	70.4	64.8	55	63	60
India		10.5	10.3	10.1	14.2	13.4	12.9	3.2	3.5	3.4	51.4	47.6	46.0	90.9	96.8	91.3
BCA	BBCA.JK	15.5	16.1	16.6	16.0	16.1	16.7	0.44	0.44	0.44	408.8	538.8	624.7	71	85	75
Bank Mandiri	BMRI.JK	13.1	12.3	12.0	14.8	15.8	15.3	1.89	1.91	1.91	187.8	240.9	283.3	113	135	135
BNI	BANI.JK	13.8	14.5	15.1	14.9	15.7	16.3	2.16	2.16	2.16	126.9	175.0	214.4	120	130	130
BRI	BBRI.JK	15.8	17.8	19.0	17.0	18.2	19.4	1.61	1.61	1.61	213.6	225.0	249.3	97	135	150
Bank Tabungan Negara	BBTN.JK	14.9	14.0	13.3	16.0	14.0	13.3	4.05	4.05	4.05	28.0	31.6	33.3	47	60	50
Bank BJB	BJBR.JK	16.5	18.4	17.6	16.5	18.4	17.6	2.61	2.83	2.83	84.7	109.6	135.1	141	125	125
Bank BTPN	BTPN.JK	22.1	21.4	22.6	23.1	21.4	22.6	0.67	0.67	0.67	157.7	332.8	478.5	139	140	140
Indonesia		16.1	16.7	17.0	17.4	17.6	17.9	1.8	1.8	1.8	157.4	197.9	235.1	110.1	131.3	133.6
AMMB Holdings	AMMB.KL	10.6	11.6	12.2	14.3	15.9	16.8	1.98	1.86	1.86	129.3	127.4	125.5	18	15	16
CIMB Group	CIMB.KL	10.9	12.3	12.7	14.0	15.8	16.3	3.15	3.39	3.40	84.8	82.8	84.6	33	42	38
Hong Leong Bank	HLBB.KL	12.3	12.3	12.3	15.2	15.1	15.2	1.40	1.31	1.30	131.3	116.7	137.1	4	1	7
Public Bank	PUBM.KL	11.1	12.5	12.7	14.3	16.2	16.5	0.67	0.67	0.67	118.5	107.4	100.9	17	13	20
Malayan Banking	MBBM.KL	13.1	12.4	12.5	15.7	14.9	15.0	1.48	1.50	1.60	107.5	99.3	93.4	26	26	32
Malaysia		11.8	12.3	12.6	14.8	15.5	15.8	1.7	1.8	1.8	102.7	96.2	95.6	22.7	23.6	27.3
BDO Unibank Inc	BDO.PS	14.6	12.4	11.8	15.8	14.0	13.3	1.98	1.42	1.46	143.8	190.0	190.5	86	54	55
Bank of Phil Islands	BPI.PS	12.9	13.6	12.5	13.8	14.5	13.4	1.77	1.64	1.54	110.3	112.5	113.5	42	46	43
Metropolitan Bank	MBT.PS	15.7	12.5	12.1	16.7	16.5	15.7	1.28	1.21	1.18	212.9	215.0	216.0	175	64	64
Security Bank Corp	SECB.PS	15.6	14.5	13.8	15.6	17.7	16.5	0.95	0.92	0.91	164.9	165.0	166.0	2	30	23
East West Bank	EW.PS	13.6	10.2	9.5	15.9	14.4	13.0	5.52	5.58	5.81	75.3	78.0	80.0	235	177	180
Philippines		14.6	12.8	12.1	15.6	15.2	14.3	1.8	1.6	1.6	139.8	155.0	155.2	94.2	57.9	56.9
DBS Group Holdings Ltd	DBSM.SI	13.7	13.6	13.8	16.3	16.0	16.0	1.19	0.90	1.15	117.7	145.8	125.0	33	26	28
OCBC	OCBC.SI	14.6	13.4	14.4	16.3	15.1	16.1	0.77	0.73	0.75	133.5	133.3	129.6	17	19	20
United Overseas Bank	UOBH.SI	13.2	14.0	14.1	16.6	17.3	17.2	1.27	1.32	1.32	134.9	130.6	136.4	25	35	34
Singapore		13.8	13.7	14.0	16.4	16.1	16.4	1.1	1.0	1.1	126.8	136.8	130.1	26.2	26.5	27.0
Hana FG	086790.KS	8.9	9.2	9.2	12.3	12.4	12.4	1.61	1.53	1.42	120.8	121.1	124.3	61	61	41
IBK	024110.KS	9.0	9.3	9.5	12.3	12.1										



Appendix 1

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Buy: Based on a current 12-month view of total shareholder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield), we recommend that investors buy the stock.

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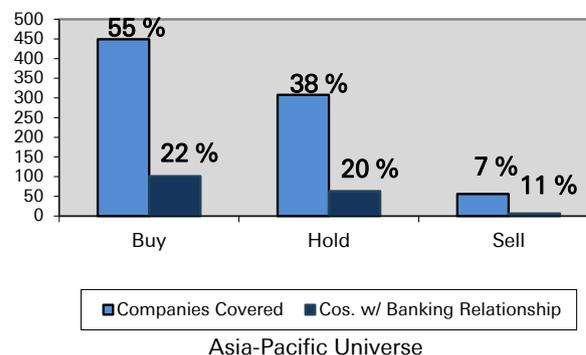
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David Folkerts-Landau
Group Chief Economist
Member of the Group Executive Committee

Raj Hindocha
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Co-Global Heads
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Ralf Hoffmann
Regional Head
Deutsche Bank Research, Germany

Andreas Neubauer
Regional Head
Equity Research, Germany

Steve Pollard
Regional Head
Americas Research

International locations

Deutsche Bank AG
Deutsche Bank Place
Level 16
Corner of Hunter & Phillip Streets
Sydney, NSW 2000
Australia
Tel: (61) 2 8258 1234

Deutsche Bank AG
Große Gallusstraße 10-14
60272 Frankfurt am Main
Germany
Tel: (49) 69 910 00

Deutsche Bank AG
Filiale Hongkong
International Commerce Centre,
1 Austin Road West, Kowloon,
Hong Kong
Tel: (852) 2203 8888

Deutsche Securities Inc.
2-11-1 Nagatacho
Sanno Park Tower
Chiyoda-ku, Tokyo 100-6171
Japan
Tel: (81) 3 5156 6770

Deutsche Bank AG London
1 Great Winchester Street
London EC2N 2EQ
United Kingdom
Tel: (44) 20 7545 8000

Deutsche Bank Securities Inc.
60 Wall Street
New York, NY 10005
United States of America
Tel: (1) 212 250 2500

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