

China Merchants Bank Co Ltd

Wealth management leadership underpins long-term growth

9 September 2026

Company Overview

Founded in 1987 and headquartered in Shenzhen, CMB has a leading retail franchise and offers diversified wholesale and retail finance services. It was listed on the SSE in April 2002 and the HKEX in September 2006. At the end of FY25, CMB's total assets amounted to Rmb13.07tn, while gross loans and total deposits stood at Rmb7.3tn and Rmb9.9tn, respectively.

Investment Overview

Maintaining a leading position in wealth management (WM). As of end-1H26, CMB's retail assets under management (AUM) reached RMB18.44tn, up 7.96% from December 2025, with the bank maintaining its leading market share in WM products. The increase in AUM in 1H26 reached a record high. WM fee income rose 26.53% y/y to RMB16.19bn in 1H26, outpacing AUM growth. We expect CMB to deliver steady growth in WM fee income in FY26F, although total fee income was weighed down by the y/y decline in bank card fees.

Expect c.4.5% earnings CAGR over FY25–28F. We have revised down our FY26F/27F earnings estimates by 1–3% to reflect weaker-than-expected loan growth. Compared with SOE banks, we believe CMB faces greater near-term challenges, including: 1) weaker loan growth, as retail loan demand in China remains subdued—CMB's retail loan balance fell c.1.1% h/h as of end-1H26; and 2) greater NIM pressure, as CMB's deposit rates are already relatively low, limiting the potential benefits from further deposit repricing. In addition, the shift in loan mix from retail to corporate loans may exert downward pressure on asset yields.

Asset quality remains benign. CMB continued to report a lower NPL ratio than peers, at 0.94% as of end-1H26. Its NPL coverage ratio remained the highest among peers at 385.1%, while its credit cost was broadly stable y/y at 0.69% in 1H26. We expect CMB to maintain stable asset quality and credit costs.

Reiterate BUY; raise TP to HKD58.5. Despite near-term challenges, we believe CMB remains well positioned to capture China's medium- to long-term wealth management opportunities. Our H-share valuation is based on a DDM, assuming a 12% cost of equity, 2% terminal growth, and 12% ROE. We roll forward our valuation base to 12 months forward. Our TP implies 0.93x FY27F P/BV. Our A-share TP of RMB48.3 assumes a 10% A-H discount to the H-share TP, and we also maintain a BUY rating on the A-share. The H-share currently offers a c.5% FY27F dividend yield.

Risks

Worse-than-expected asset quality deterioration; weaker-than-expected growth in retail loans; weaker-than-expected capital market and fee income.

Manyi LU | Ken SHIH

Analysts

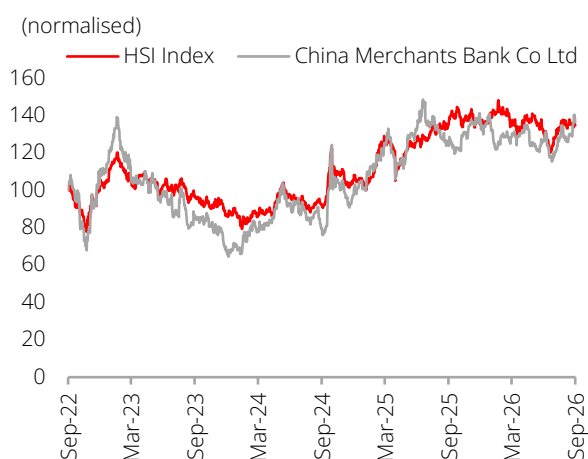
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Key Financial Data

Bloomberg Ticker	3968 HK
Sector	Banks
Share Price (HKD)	51.90
DBS Rating	BUY
12-mth Target Price (HKD)	58.50
Market Cap (USDbn)	168.23
Volume (mn shares)	9.82
Free float (%)	61.00
Dividend yield (%)	4.32
Net Debt/Equity (%)	na
Fwd. P/E (x)	7.31
P/Book (x)	1.25
ROE (%)	14.49

Closing Price as of 07 Sep 2026
Source: Twelve Data, DBS, Visible Alpha

Indexed Share price vs Composite Index Performance



Source: S&P

Financial Summary (CNYmn)

FY Dec	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)	FY2028(F)
Net Interest Income	211,277	215,593	226,443	240,662	254,303
% y/y	(1.6)	2.0	5.0	6.3	5.7
Non-Interest Income	123,212	116,207	121,482	127,213	131,411
% y/y	1.0	(5.7)	4.5	4.7	3.3
Operating Income	334,489	331,800	347,925	367,874	385,715
% y/y	(0.6)	(0.8)	4.9	5.7	4.8
Pre-provision Profit	216,839	213,295	228,111	243,013	255,583
% y/y	0.6	(1.6)	6.9	6.5	5.2
Pre-tax Profit	178,652	178,993	183,919	193,880	204,335
% y/y	1.2	0.2	2.8	5.4	5.4
Net Profit	142,810	143,874	148,007	156,365	165,137
% y/y	0.5	0.7	2.9	5.6	5.6
Spread (%)	1.8	1.7	1.7	1.7	1.7
Net Interest Margin (%)	1.9	1.8	1.8	1.8	1.8
Cost-to-Income Ratio (%)	35.2	35.7	34.4	33.9	33.7
ROAE (%)	14.5	14.5	12.3	12.2	12.0
ROA (%)	1.2	1.1	1.1	1.1	1.1

Source: DBS

Valuation Metrics

FY Dec	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)	FY2028(F)
PE (x)	7.7	7.7	7.4	7.1	6.7
P/B (x)	1.2	1.2	0.8	0.8	0.7
Dividend Yield (%)	4.6	4.6	4.7	5.0	5.3
Net DPS (HKD)	2.1	2.2	2.4	2.6	2.7
BV Per Share (HKD)	37.5	41.6	63.6	67.5	71.6

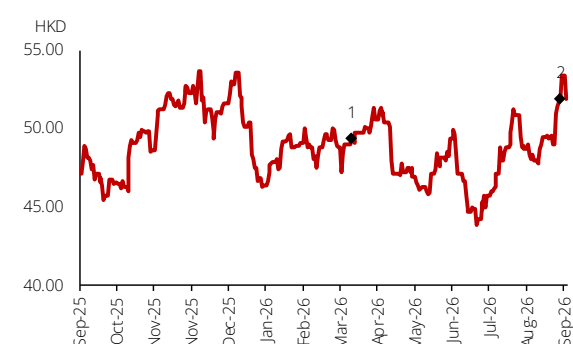
Source: DBS

Financial Stability Measures

FY Dec	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)	FY2028(F)
Loan-to-Deposit Ratio (%)	72.1	70.6	68.8	67.4	66.5
Net Loans / Total Assets (%)	54.6	53.6	51.9	51.2	50.6
Investment / Total Assets (%)	25.1	26.7	27.7	28.3	28.9
Cust. Dep./Int. Bear. Liab. (%)	85.7	85.4	86.2	87.2	87.7
Interbank Dep / Int. Bear. (%)	11.7	13.0	12.6	11.6	11.1
NPL / Total Gross Loans (%)	1.0	0.9	0.9	0.9	0.9
NPL / Total Assets (%)	0.5	0.5	0.5	0.5	0.5
Loan Loss Reserve Coverage (%)	389.8	372.1	378.4	374.8	368.3
Total CAR (%)	19.1	18.4	18.1	18.4	18.6
Tier-1 CAR (%)	14.9	14.3	14.3	14.8	15.2

Source: DBS

Target Price & Ratings History



S.No.	Date	Closing Price	Target Price	Rating
1	30-Mar-26	HKD48.96	HKD53.50	BUY
2	3-Sep-26	HKD51.75	HKD58.50	BUY

Note: Share price and Target price are adjusted for corporate actions

Source: DBS

Analysts: Manyi LU
Ken SHIH

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STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

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

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

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

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

*Share price appreciation + dividends

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