

China

ADD (no change)

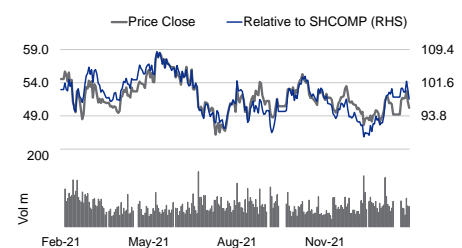
Consensus ratings*: Buy 38 Hold 4 Sell 1

Current price:	Rmb50.22
Target price:	Rmb69.30
Previous target:	Rmb61.30
Up/downside:	38.0%
CGS-CIMB / Consensus:	7.3%
Reuters:	600036.SS
Bloomberg:	600036 CH
Market cap:	US\$202,459m
	Rmb1,284,298m
Average daily turnover:	US\$422.9m
	Rmb2,692m
Current shares o/s:	25,220m
Free float:	67.0%

*Source: Bloomberg

Key changes in this note

- FY21F EPS raised by 5.4%.
- FY22F EPS raised by 2.7%.
- FY23F EPS raised by 0.5%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	4.6	-5.1	-7.9
Relative (%)	6.7	-2.6	-2.2

Major shareholders	% held
China Merchants Group	33.0

Analyst(s)


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China Merchants Bank-A

Decade of dominance

- With CMB-A outperforming MSCI China by 5% pts YTD, CMB looks well positioned to record a strong decade of outperformance since end-2012.
- Following FY20's temporary ROE fall, we forecast a return to rising ROE from FY21F till at least FY24F, with this driving continued P/BV multiple expansion.
- We see CMB delivering better-than-peer NIM performance supported by its larger-than-peer exposure to rising mortgage margins.
- Reiterate Add. Our TP rises to Rmb69.30 on higher FY21F-23F EPS and valuation roll-forward.

Looking to record 10th consecutive year of outperformance

CMB-A has outperformed the MSCI China index, up 5% pts YTD. It has outperformed the MSCI China and MSCI Asia ex Japan index in most years since end-2012 and we expect this to continue in 2022F. With such an impressive track record, CMB has over the past seven years rose from being China's sixth-largest bank to the second-largest by market capitalisation (see [The Amazing Race: Next stop – Number 1](#), dated 13 May 2021). We also point out that 2022 YTD is the best start to the year for the MSCI China banks index (relative to the MSCI China index) in 16 years (Fig 2), as China banks outperform on inflation concerns (see [Inflation hedging](#), dated 8 Jun 2021), and on their defensive qualities (see [How valuable is sleeping well at night?](#), dated 28 Jul 2021).

Returning to a rising ROE trend

Prior to the onset of the pandemic in 2020, CMB's ROE had consistently rose since 2016, after falling continuously since 2012. We see the fall in its ROE in 2020 as temporary, and project growth from FY21F till at least FY24F (Fig 6). Rising ROE has traditionally been a strong driver of CMB's rising P/BV (Figs 9 and 10) and we expect this to continue.

Best exposure to rising mortgage margins among mid-size banks

CMB has the largest mix of mortgages among mid-size banks (Fig 12). We expect stronger mortgage margins yoy, coupled with its sizable credit card portfolio, to help CMB deliver better-than-peer net interest margin (NIM) performance in FY22F.

Reiterate Add; TP raised to Rmb69.3

We value CMB-A using a stress-test adjusted GGM (after factoring in its historical A-H share valuation premiums). Our FY21F-23F EPS estimates are raised by 0.5-5.4%, primarily due to lower provisioning expenses. This, coupled with the roll-forward of our valuation to FY22F, lifts our TP to Rmb69.3 from Rmb61.3. We like CMB's wealth management business (see [Different from the rest](#), 23 Aug 2019), large provisioning buffers, and track record of significantly better-than-peers profit growth, with it benefitting from a stricter fintech regulatory environment. Potential re-rating catalysts are improving asset quality and economic recovery. Key downside risks: a worse-than-expected NIM trend and greater social responsibilities.

Financial Summary

	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Net Interest Income (Rmbm)	173,090	185,031	204,126	225,605	244,583
Total Non-Interest Income (Rmbm)	94,730	102,367	123,581	141,227	160,413
Operating Revenue (Rmbm)	267,820	287,398	327,707	366,832	404,997
Total Provision Charges (Rmbm)	(61,159)	(65,025)	(63,080)	(64,677)	(57,994)
Net Profit (Rmbm)	91,197	95,691	116,296	135,951	161,312
Core EPS (Rmb)	3.62	3.79	4.61	5.39	6.40
Core EPS Growth	15.6%	4.9%	21.5%	16.9%	18.7%
FD Core P/E (x)	13.89	13.24	10.89	9.32	7.85
DPS (Rmb)	1.20	1.25	1.52	1.78	2.11
Dividend Yield	2.39%	2.50%	3.03%	3.54%	4.21%
BVPS (Rmb)	22.89	25.36	30.80	34.67	39.28
P/BV (x)	2.19	1.98	1.63	1.45	1.28
ROE	16.8%	15.7%	16.4%	16.5%	17.3%
% Change In Core EPS Estimates			5.38%	2.73%	0.54%
CGS-CIMB/Consensus EPS (x)			1.02	1.03	1.05

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Decade of dominance

Delivering consistent outperformacne across time

We see rising ROEs continuing to drive rising P/BVs

CMB-A has continued to outperform the MSCI China index, up 5% pts YTD. It has outperformed the MSCI China and MSCI Asia ex Japan index in most years since end-2012 and we expect this to continue in 2022F (Fig 1).

Figure 1: Share price / index performances of CMB and CMB-A vs. major benchmark indices

	Absolute performance		CMB's relative performance (% pts)					
	CMB	CMB-A	vs. MSCI China	vs. MSCI Asia ex Japan	vs. MSCI EM	vs. MSCI World	vs. HSI	vs. SHCOMP*
Dec-11	-19%	-5%	2%	1%	2%	-11%	1%	16%
Dec-12	13%	20%	-6%	-7%	-2%	0%	-10%	17%
Dec-13	4%	-15%	4%	3%	9%	-20%	1%	-8%
Dec-14	24%	62%	19%	22%	29%	21%	23%	9%
Dec-15	-3%	12%	7%	9%	14%	0%	5%	3%
Dec-16	4%	2%	5%	1%	-4%	-1%	4%	14%
Dec-17	77%	70%	25%	39%	43%	57%	41%	64%
Dec-18	-4%	-10%	16%	12%	12%	6%	9%	14%
Dec-19	43%	53%	23%	28%	28%	18%	34%	31%
Dec-20	27%	21%	0%	5%	11%	13%	30%	7%
Dec-21	27%	14%	49%	33%	31%	6%	41%	9%
Feb-22	13%	5%	13%	13%	12%	19%	8%	11%

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

MSCI = Morgan Stanley Capital International; HSI = Hang Seng Index; SHCOMP = Shanghai Composite Index; EM = Emerging markets

Shaded areas denote periods where CMB or CMB-A did not achieve relative outperformance versus major benchmark indices.

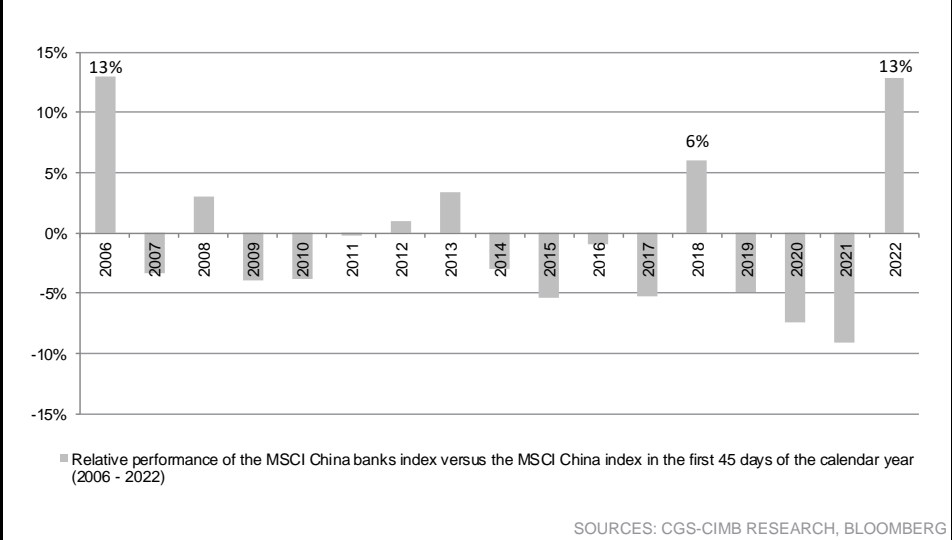
* The relative performance against the SHCOMP listed here is for CMB-A, and not CMB.

This impressive track record has seen CMB over the past seven years rise from being China's sixth-largest bank to the second-largest by market capitalisation (see [The Amazing Race: Next stop – Number 1](#), dated 13 May 2021).

We also point out that 2022 YTD is the best start to the year for the MSCI China banks index (relative to the MSCI China index) in 16 years (Fig 2), as China banks outperform on inflation concerns (see [Inflation hedging](#), dated 8 Jun 2021), and on their defensive qualities (see [How valuable is sleeping well at night?](#), dated 28 Jul 2021).

2022 YTD is the best start to the year in twelve years

Figure 2: Relative performance of the MSCI China banks index versus the MSCI China index in the first 45 days of the calendar year (2006 - 2022)



2022 YTD's strong outperformance of the MSCI China banks index over the MSCI China index follows a 20%-pt outperformance in 2021, which is the best year of outperformance since at least 2008 (Fig 3). China banks have almost entirely reversed their underperformance since the start of Mar 2020 (Fig 4), and have outperformed the MSCI China index by 51% pts since Feb 2021.

Figure 3: Apart from 2009, 2014, 2016, 2018, 2021 and 2022 YTD, the China banks have underperformed the MSCI China index since the start of 2009

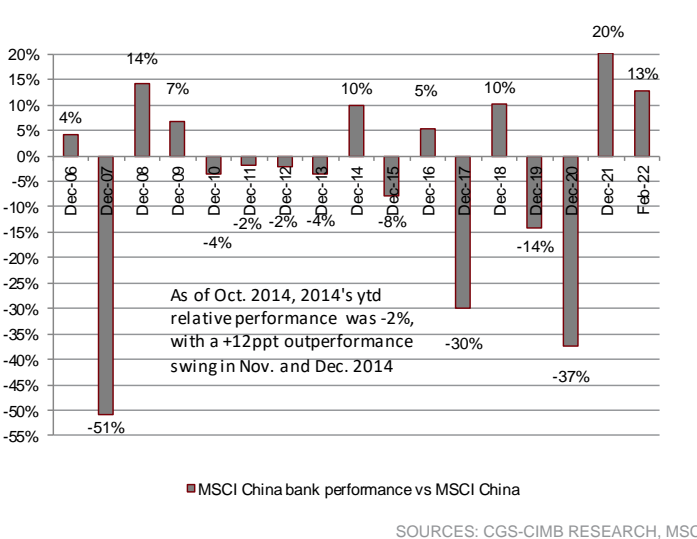


Figure 4: MSCI China banks outperformance vs. the MSCI China index since the end of 2017



YTD, the China banks have outperformed all the major MSCI benchmark indices of MSCI China, MSCI Asia ex Japan, MSCI Emerging Markets (EM) and MSCI World (Fig 5).

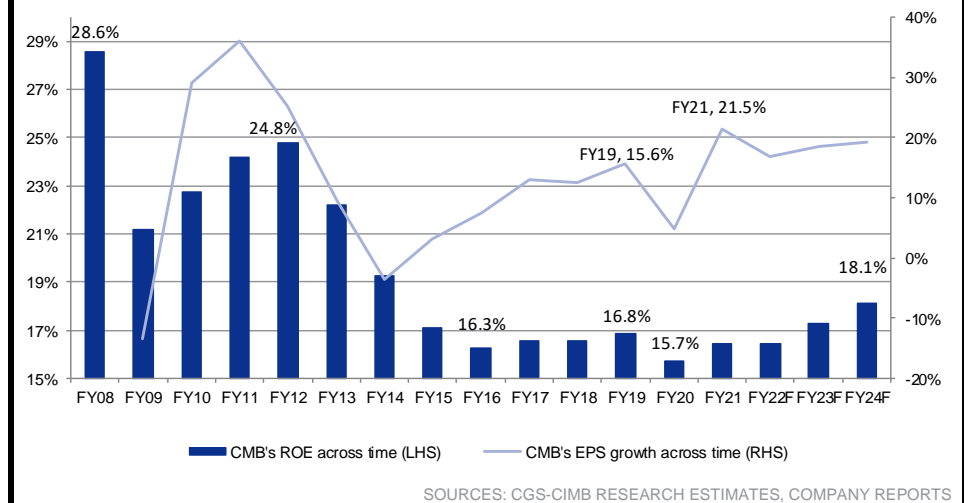
Figure 5: Performance of the China banks against major MSCI benchmark indices

As of 11 Feb 2022	Absolute performance					Relative performance of the China banks over the market index				
	MSCI China	MSCI China Banks	MSCI Asia ex Japan	MSCI EM	MSCI World	MSCI China	MSCI Asia ex Japan	MSCI EM	MSCI World	
1-wk	1%	4%	1%	2%	-1%	2%	3%	2%	5%	
1-mth	1%	7%	-1%	0%	-5%	6%	7%	7%	11%	
3-mth	-10%	13%	-4%	-3%	-6%	23%	18%	17%	19%	
6-mth	-11%	11%	-4%	-3%	-3%	22%	15%	14%	14%	
1-yr	-34%	2%	-14%	-11%	6%	36%	15%	13%	-4%	
2022 YTD	0%	13%	0%	1%	-6%	13%	14%	13%	19%	

SOURCES: CGS-CIMB RESEARCH, MSCI, DATASTREAM

CMB has long been our top sector pick, as it is only bank under our coverage that had been seeing rising ROEs prior to FY20 (Fig 6). We see rising ROEs as a critical justification for its premium valuation.

Figure 6: CMB's ROE and EPS growth across time



CMB currently trades at 1.68x P/BV on a 12-month rolling forward basis, which is 0.7 standard deviations above its post-2009 P/BV mean (Fig 7). It also currently at 10.6x P/E on a 12-month rolling forward basis, which is 1.1 standard deviations above its post-2009 P/E mean (Fig 8).

Figure 7: 12-month rolling forward P/BV multiple of CMB (x)

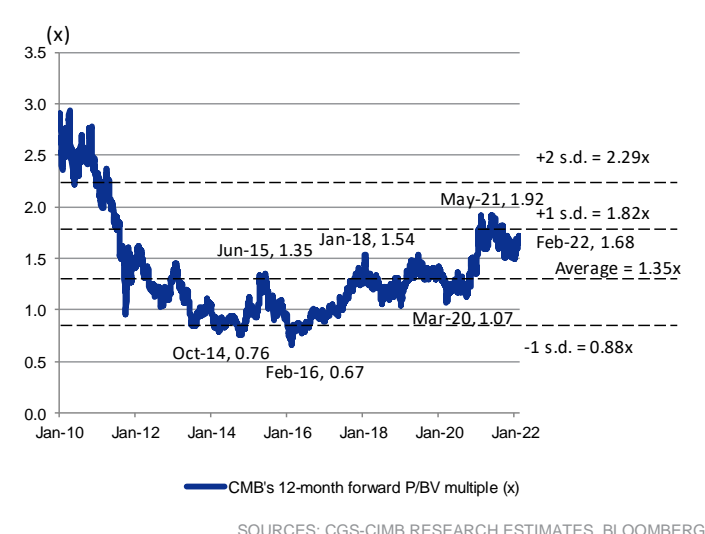
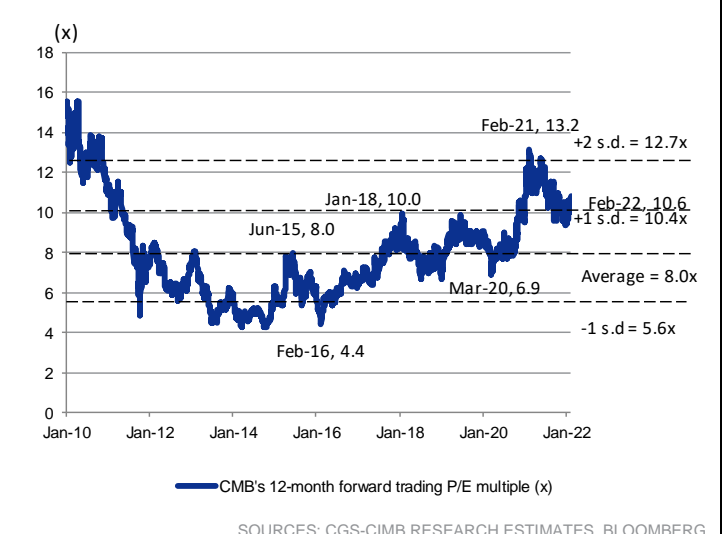


Figure 8: 12-month rolling forward P/E multiple of CMB (x)



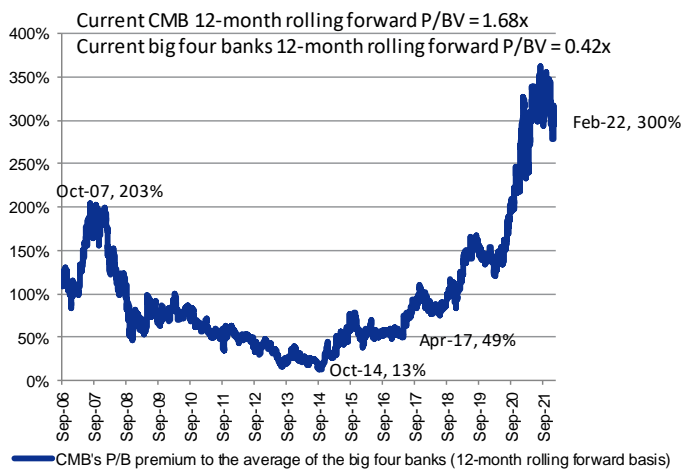
A key concern for many investors is CMB's high P/BV, which is the highest among the China banks under our coverage. CMB trades at 1.68x P/BV on a

forward multiple basis, four times higher than the big four bank average of 0.42x (Fig 9), which equates to a 300% P/BV premium.

We believe that CMB's large P/BV premium over the big four China banks is well deserved, insofar that it is driven by its significantly-higher ROE, as well as the fact that its ROE had stopped falling after 2016 (with the exception of the pandemic year of 2020). This is in marked contrast to the big four banks, where ROEs have been falling since 2013.

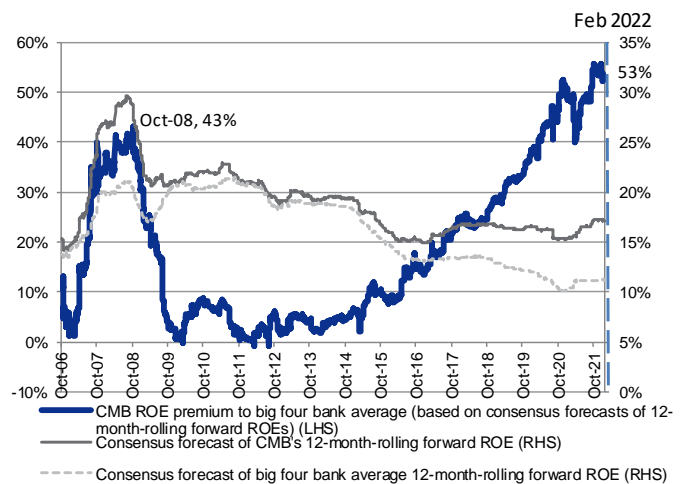
On a 12-month forward basis, CMB's ROE is currently at a 53% premium to the big four banks (Fig 10).

Figure 9: CMB's P/BV premium over the big four China bank average (12-month rolling forward basis)



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 10: CMB's ROE premium to the average of the big four China banks (12-month rolling forward basis)



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

That rising ROE drives P/BV multiples higher should be of no surprise. It is not a coincidence that CMB's P/BV multiples started rising from Feb 2016 (Fig 6), given that its ROE was no longer falling after 2016 (Fig 7).

With its ROEs subsequently rising for the first time since 2012 in 2017, CMB delivered its strongest share price performance in 2017, up 77% on an absolute basis, and 25% pts over the MSCI China index (Fig 11).

CMB's share price rose 77% in 2017, which was the first year its ROE rose since 2012

Figure 11: Share price performance of the China banks under our coverage

	ICBC	CCB	ABC	BOC	BOCOM	CMB	CITIC	MSB	PAB-A	CQRCB
Absolute share price perf.										
Dec-11	-18%	-19%	-13%	-27%	-23%	-19%	-9%	3%	-1%	-23%
Dec-12	26%	21%	21%	29%	10%	13%	10%	44%	4%	11%
Dec-13	1%	0%	6%	10%	-1%	4%	-4%	1%	23%	-7%
Dec-14	15%	16%	10%	31%	41%	24%	58%	46%	57%	37%
Dec-15	-13%	-12%	-14%	-17%	-21%	-3%	-19%	-24%	-8%	1%
Dec-16	6%	20%	7%	6%	10%	4%	4%	14%	-8%	3%
Dec-17	43%	27%	21%	17%	9%	77%	4%	-1%	48%	27%
Dec-18	-7%	-6%	-1%	-7%	12%	-4%	3%	-16%	-28%	-21%
Dec-19	13%	10%	6%	5%	-4%	43%	4%	17%	77%	0%
Dec-20	-11%	-7%	-12%	-15%	-21%	27%	-24%	-19%	20%	-14%
Dec-21	-7%	-2%	2%	15%	24%	27%	11%	-28%	-14%	-5%
Feb-22	11%	14%	16%	13%	17%	13%	14%	7%	1%	9%
1-wk	1%	0%	3%	2%	3%	1%	2%	0%	-3%	2%
1-mth	4%	4%	7%	6%	8%	11%	5%	2%	1%	5%
3-mth	14%	17%	18%	15%	15%	5%	12%	1%	2%	9%
6-mth	11%	9%	19%	17%	20%	5%	7%	-3%	-10%	0%
1-yr	4%	5%	18%	27%	38%	8%	15%	-27%	-17%	-6%
Relative share price perf. (vs. MSCI China)										
31-Dec-11	3%	1%	7%	-7%	-3%	2%	12%	23%	19%	-3%
31-Dec-12	7%	3%	2%	10%	-9%	-6%	-9%	25%	-15%	-8%
31-Dec-13	1%	-1%	5%	9%	-1%	4%	-5%	0%	23%	-7%
31-Dec-14	11%	12%	5%	26%	36%	19%	53%	41%	53%	33%
31-Dec-15	-3%	-2%	-4%	-7%	-11%	7%	-9%	-14%	2%	11%
31-Dec-16	7%	21%	9%	8%	11%	5%	5%	15%	-6%	5%
31-Dec-17	-10%	-25%	-32%	-35%	-43%	25%	-48%	-54%	-4%	-26%
31-Dec-18	14%	15%	19%	13%	32%	16%	23%	4%	-8%	0%
31-Dec-19	-8%	-10%	-14%	-16%	-25%	23%	-16%	-3%	57%	-21%
31-Dec-20	-38%	-34%	-38%	-41%	-47%	0%	-51%	-45%	-7%	-41%
31-Dec-21	16%	20%	24%	37%	46%	49%	34%	-6%	8%	17%
14-Feb-22	11%	13%	16%	13%	17%	13%	14%	7%	0%	8%
1-wk	-1%	-2%	1%	1%	1%	-1%	0%	-2%	-3%	0%
1-mth	4%	5%	8%	6%	9%	11%	6%	3%	-1%	5%
3-mth	23%	26%	27%	24%	24%	15%	21%	10%	2%	19%
6-mth	20%	18%	28%	26%	29%	14%	16%	6%	-1%	9%
1-yr	38%	39%	52%	61%	72%	42%	49%	7%	-8%	28%

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Finally, we highlight that the loan segment with the largest margin expansion is mortgages, and of the mid-size banks, CMB has the largest exposure in mortgages.

This gives us confidence that CMB's net interest margin (NIM) is better placed compared with other mid-sized bank peers as monetary easing places downward pressure (albeit limited) on NIM.

There are a number of reasons why we are not expecting significant NIM compression for the China banking sector.

Firstly, we do not believe China will cut its loan prime rates (LPR) by a significant amount and only assume another 20bp of LPR cuts to the 1-year LPR, bringing the total 1-year LPR cuts to 35bp for this rate cut cycle. We see minimal pressure to CMB's NIM from this.

Secondly, we believe the 5-year LPR will be cut less than the 1-year LPR during this rate cut cycle, as policymakers may be reluctant to overly help the property sector. With mortgage rates largely tied to the 5-year LPR, this means minimal downside pressure to mortgage margins. This matters more to CMB as well as the big banks, given their large mix of mortgages within their loan portfolio. As of 1H21, CMB's mix of mortgages within its loan portfolio was 25% (Fig 12), markedly higher than the 19% average for mid-size banks.

Figure 12: The percentage of loans comprising mortgages for the China banks

(%)	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	1H21
ICBC	15.2	17.3	18.8	21.1	24.8	27.7	29.8	30.8	30.8	30.2
CCB	20.6	22.1	24.0	26.7	30.8	33.0	35.1	35.6	34.7	33.7
BOC	19.6	19.8	20.0	22.4	26.4	28.1	29.7	30.6	31.2	29.9
ABC	16.3	17.9	19.1	21.6	26.3	29.2	30.7	31.2	30.7	29.8
BOCOM	12.2	14.0	15.4	16.2	18.8	19.6	20.8	21.4	22.1	21.9
CMB	17.6	12.2	13.1	17.7	22.3	23.4	23.6	24.7	25.3	24.7
CITIC	11.7	11.4	10.6	10.6	15.1	15.8	17.8	19.4	20.5	20.3
MSB	5.2	3.9	3.8	5.6	12.0	12.5	11.0	12.0	13.4	13.7
PAB	18.2	7.7	5.4	3.8	5.8	9.0	9.1	8.6	9.0	9.0
CQRCB	20.3	22.5	19.0	16.4	14.5	14.8	15.8	16.7	18.0	17.7
Big four banks	17.8	19.2	20.5	22.9	27.1	29.5	31.4	32.1	31.9	31.0
Mid-size banks	12.7	10.9	11.1	12.4	16.3	17.3	17.8	18.6	19.4	19.2
Total	16.7	17.4	18.3	20.5	24.4	26.4	27.9	28.6	28.7	28.0

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

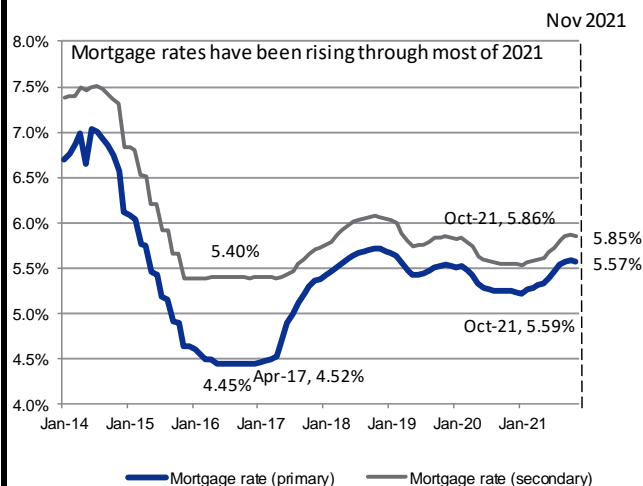
Figure 13: Mortgage growth rate of the China banks under our coverage (%)

(%)	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	1H21
ICBC	13	28	20	22	29	22	17	13	11	10
CCB	16	23	20	23	30	17	14	11	9	9
BOC	11	12	12	21	29	19	12	14	11	9
ABC	18	23	20	24	33	20	20	14	12	12
BOCOM	14	26	15	4	27	16	12	13	14	16
CMB	4	-20	23	52	46	14	11	19	15	11
CITIC	9	13	5	16	61	17	27	21	18	14
MSB	-14	-13	12	64	159	19	-4	25	23	17
PAB	-7	-8	-15	-17	85	79	19	9	20	17
CQRCB	14	32	-1	-4	-1	15	20	21	25	24
Big-4 banks	14	21	18	22	30	19	15	13	11	10
Mid-size banks	6	4	13	21	51	18	13	17	16	14
Sector weighted average	13	19	17	22	33	19	15	13	12	11

SOURCE: CGS-CIMB RESEARCH, COMPANY

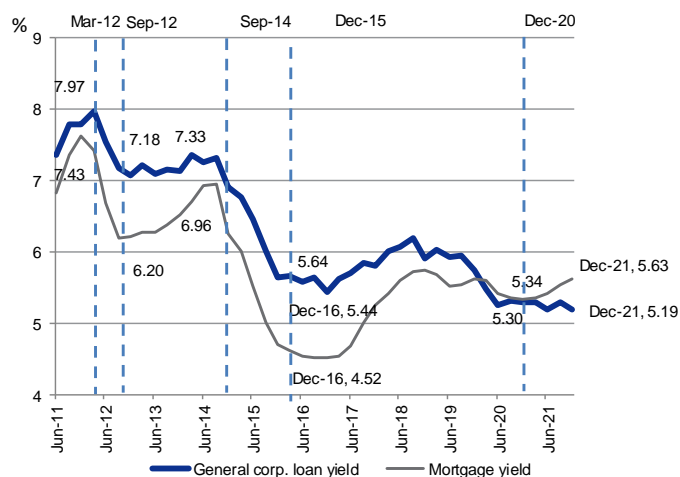
Thirdly, mortgage rates already rose notably in 2021 (Fig 14) and while the 5-year LPR may be cut, we believe that China banks' mortgage margins are still likely to rise you in 2022F.

Figure 14: Mortgage rates in China (primary vs. secondary mortgage)



SOURCE: CGS-CIMB RESEARCH, RONG360

Figure 15: Trend of general corporate loan yields and mortgage yields across time



SOURCES: CGS-CIMB RESEARCH, PBOC

Fourthly, a sizeable portion of the loan portfolio for mid-size banks comprise non-mortgage consumer loans (Fig 16), which are primarily credit card loans (Fig 17).

As credit card interest rates are not linked to LPR, we do not believe that cuts to the LPR rates could have a direct impact on credit card NIM. Accordingly, we think that banks with a high mix of credit card loans (such as CMB) are likely to see less pressure on NIM in a monetary easing cycle.

Figure 16: Loan mix changes (FY09 vs. 1H21)

	Corporate loans (excluding bills) to total loans mix		Consumer loans to total loans mix		Mortgages to total loans mix	
	FY09	1H21	FY09	1H21	FY09	1H21
ICBC	69%	61%	19%	35%	18%	30%
CCB	70%	56%	23%	41%	18%	34%
ABC	61%	57%	17%	38%	18%	30%
BOC	85%	60%	23%	38%	12%	30%
BOCOM	78%	64%	17%	31%	11%	22%
CMB	59%	39%	30%	47%	23%	25%
CITIC	77%	49%	14%	39%	11%	20%
MSB	73%	52%	13%	28%	11%	14%
PAB	60%	35%	24%	48%	17%	9%
CQRCB	57%	52%	19%	31%	12%	18%
Big four banks	71%	58%	20%	38%	17%	31%
Mid size banks	70%	50%	20%	38%	14%	19%
All banks under our coverage	71%	53%	20%	36%	16%	28%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 17: Mix of credit card loans in total loans (%)

(%)	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	1H21
ICBC	2.3	2.8	3.1	3.3	3.5	3.5	3.8	4.1	4.0	3.7	3.5
CCB	1.6	2.4	3.2	3.5	3.8	3.8	4.4	4.8	4.9	4.9	4.6
BOC	1.5	2.3	2.9	3.2	2.9	3.0	3.4	3.6	3.7	3.5	3.3
ABC	1.8	2.3	2.7	2.8	2.5	2.5	3.0	3.2	3.6	3.6	3.7
BOCOM	2.9	4.0	5.0	6.5	7.3	7.5	9.0	10.4	8.8	7.9	7.3
CMB	4.5	5.6	7.1	8.7	11.1	12.5	13.8	14.6	14.9	14.8	14.8
CITIC	2.2	3.3	4.5	5.8	7.0	8.3	10.4	12.8	12.9	10.9	10.8
MSB	3.2	4.8	7.2	8.1	8.3	8.4	10.5	12.9	12.2	12.0	11.3
PAB	4.0	6.9	10.2	10.0	12.1	12.3	17.8	23.7	23.3	19.8	19.2
CQRCB	0.0	0.7	1.0	1.6	2.4	1.7	1.2	1.0	1.0	1.0	1.2
Big four	1.8	2.5	3.0	3.2	3.2	3.2	3.7	4.0	4.1	3.9	3.8
Mid-size banks	3.3	4.6	6.2	7.5	8.7	9.5	11.6	13.8	13.4	12.3	11.9
Total	2.2	3.0	3.7	4.2	4.5	4.7	5.6	6.4	6.4	6.0	5.8

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Changes to our forecasts

Our FY21F, FY22F and FY23F EPS estimates are increased by 5.4%, 2.7% and 0.5% respectively, primarily driven by lower provision expenses (Fig 18).

Figure 18: Changes to our forecasts

(Rmb m)	FY21F			FY22F			FY23F		
	Old	New	+/-	Old	New	+/-	Old	New	+/-
Net interest income	204,074	204,126	0.0%	227,746	225,605	-0.9%	253,782	244,583	-3.6%
Non interest income	117,831	123,581	4.9%	134,831	141,227	4.7%	153,315	160,413	4.6%
Total operating income	321,906	327,707	1.8%	362,577	366,832	1.2%	407,098	404,997	-0.5%
Operating expense	-115,159	-119,579	3.8%	-129,709	-133,855	3.2%	-145,635	-147,782	1.5%
Pre-prov profit	206,747	208,128	0.7%	232,868	232,977	0.0%	261,462	257,215	-1.6%
Provisions	-67,203	-63,080	-6.1%	-66,880	-64,677	-3.3%	-60,740	-57,994	-4.5%
Operating profit	139,544	145,048	3.9%	165,989	168,299	1.4%	200,722	199,221	-0.7%
Tax	-27,952	-27,484	-1.7%	-32,519	-31,207	-4.0%	-39,241	-36,877	-6.0%
Net profit to common shareholders	110,355	116,296	5.4%	132,342	135,951	2.7%	160,445	161,312	0.5%
Key ratios									
EPS (Rmb)	4.38	4.61	5.4%	5.25	5.39	2.7%	6.36	6.40	0.5%
EPS growth	15.3%	21.5%	6.2% pts	19.9%	16.9%	-3.0% pts	21.2%	18.7%	-2.6% pts
PPOP per share	8.20	8.25	0.7%	9.23	9.24	0.0%	10.37	10.20	-1.6%
PPOP per share growth	12.0%	12.8%	0.7% pts	12.6%	11.9%	-0.7% pts	12.3%	10.4%	-1.9% pts
ROA	1.25%	1.32%	7bp	1.31%	1.39%	8bp	1.34%	1.44%	10bp
ROE	16.3%	16.4%	0.2% pts	17.3%	16.5%	-0.8% pts	18.4%	17.3%	-1.1% pts
Payout ratio	33.0%	33.0%	0.0% pts	33.0%	33.0%	0.0% pts	33.0%	33.0%	0.0% pts
Core tier 1 ratio	12.2%	13.3%	1.11% pts	11.7%	13.2%	1.49% pts	10.7%	12.3%	1.60% pts
Tier 1 ratio	13.7%	14.8%	1.12% pts	13.0%	14.6%	1.56% pts	11.7%	13.4%	1.68% pts
Total CAR	16.5%	17.7%	1.19% pts	15.6%	17.3%	1.72% pts	13.9%	15.7%	1.89% pts
Loan-deposit ratio	89.4%	89.4%	0.0% pts	89.4%	89.4%	0.0% pts	89.4%	89.4%	0.0% pts
NPL ratio	1.01%	0.91%	-10bp	0.98%	0.87%	-11bp	0.94%	0.83%	-11bp
Cost-income ratio	35.8%	36.5%	72bp	35.8%	36.5%	72bp	35.8%	36.5%	72bp
Net interest margin	2.47%	2.48%	2bp	2.49%	2.50%	2bp	2.49%	2.45%	-3bp
Credit cost	0.91%	0.86%	-5bp	0.81%	0.79%	-1bp	0.65%	0.64%	-1bp
Provisioning coverage ratio	428.1%	441.3%	13.3% pts	399.1%	414.9%	15.7% pts	363.2%	377.5%	14.3% pts
Loan growth	12.0%	10.8%	-1.2% pts	12.0%	11.0%	-1.0% pts	13.7%	12.1%	-1.6% pts
Interbank assets growth	8.7%	8.7%	0.0% pts	8.4%	-8.1%	-16.5% pts	8.8%	8.8%	0.0% pts
Investment growth	9.0%	5.0%	-4.0% pts	9.0%	-8.3%	-17.3% pts	9.0%	9.0%	0.0% pts
RWA growth	14.1%	13.1%	-1.0% pts	17.7%	13.1%	-4.6% pts	25.8%	22.2%	-3.6% pts

SOURCES: CGS-CIMB RESEARCH ESTIMATES

Valuation and risks

We value CMB-A using a stress test adjusted Gordon Growth Model (GGM), after factoring in historical A-H share valuation premiums, with a target price of Rmb69.30 (Rmb61.30 previously),

Our key valuation assumptions are a COE of 9.4% (unchanged), a sustainable growth (g) assumption of 3% (unchanged), an initial sustainable ROE assumption of 17.3% (previously 18.4%) based on FY23F ROE, and an asset quality and investor compensation valuation discount of 11% (unchanged) [Fig 19]. After factoring in historical A-H share valuation premiums, we thus derive a stress-test-adjusted target FY22F (previously FY21F) P/BV multiple of 2.0x (previously 2.15x), implying a sustainable ROE assumption of 15.8% (previously 16.8%).

We arrive at a target price of Rmb69.3 (previously Rmb61.3) and reiterate our Add rating on CMB-A.

Figure 19: Valuation of CMB-A using a stress-test-adjusted GGM

	New	Old	% change
Equity risk premium	8.0%	8.0%	0%
Risk free rate	3.0%	3.0%	0%
Beta	0.80	0.80	0%
COE	9.4%	9.4%	0%
g	3.0%	3.0%	0%
Sustainable ROE (based on FY23F ROE)	17.3%	18.4%	-6%
Initial target P/BV	2.23x	2.40x	-7%
Asset quality valuation discount	-11%	-11%	0%
Final target P/BV	1.98x	2.13x	-7%
FY22F BVPS (Rmb)	34.67	28.49	22%
Initial target price (Rmb)	68.69	60.73	13%
Average A-H share premium applied	1.9%	1.9%	0%
Valuation incorporating average A-H share gap since start-2011	70.01	61.90	13%
Weighting given to A-H valuation gap	50%	50%	0%
Hence, final A-share target price	69.30	61.30	13%
TP-implied target P/BV (FY20F)	2.00	2.15	-7%
TP-implied sustainable ROE	15.8%	16.8%	-6%
Current share price (Rmb)	50.22		
Upside	38.0%		

SOURCES: CGS-CIMB RESEARCH ESTIMATES

Other reasons to like CMB-A include the bank's wealth management business (see [Different from the rest](#), dated 23 Aug 2019), large provisioning buffers ([Tapping a potential profit pool](#), dated 4 Feb 2020), track record of significantly better-than-peer profit growth, and it benefitting from a stricter fintech regulatory environment (see [Best positioned for the sector recovery](#), dated 23 Nov 2020).

Potential re-rating catalysts: we see results seasons as catalysts, as we expect continued improvements in net profit and asset quality. Key downside risks: worsening economy, which would lead to greater political pressure to support the economy and hurt profitability; and greater competition, which could cause net interest margins to compress.

Figure 20: China banks valuation table (H-share and A-share banks)

Company	Ticker	Rating	Mkt cap (US\$ bn)	Price (Lcy)	Target price (Lcy)	Upside/ Downside	P/BV (x)		P/E (x)		P/POP (x)		Dividend yield		ROE(%)		
							FY21F	FY22F	FY21F	FY22F	FY21F	FY22F	FY21F	FY22F	FY21F	FY22F	
ICBC	1398 HK	Add	243.4	4.75	4.60	-3%	0.49	0.45	4.4	4.0	2.2	2.1	7.0	7.7	11.7	11.8	
CCB	0939 HK	Add	169.4	5.96	6.50	9%	0.51	0.47	4.4	4.0	2.2	2.0	6.9	7.8	11.9	12.3	
BOC	3988 HK	Add	129.5	3.09	3.10	0%	0.40	0.37	3.9	3.6	1.9	1.8	8.2	9.0	10.7	10.8	
ABC	1288 HK	Add	156.0	3.03	3.10	2%	0.44	0.40	4.1	3.7	1.9	1.7	7.7	8.4	11.2	11.3	
BOCOM	3328 HK	Hold	49.3	5.38	4.50	-16%	0.43	0.40	4.3	4.0	2.1	1.9	7.4	8.0	10.3	10.3	
CMB	3968 HK	Add	204.7	66.90	81.60	22%	1.83	1.43	12.2	8.8	6.8	5.5	2.7	3.7	16.4	17.3	
CITIC	0998 HK	Add	30.5	3.77	4.90	30%	0.31	0.28	3.1	2.8	1.0	0.9	8.7	9.8	10.3	10.7	
MSB	1988 HK	Hold	24.8	3.13	2.90	-7%	0.24	0.22	3.1	2.8	0.8	0.7	9.8	10.7	7.9	8.1	
CQRCB	3618 HK	Add	6.1	2.95	3.00	2%	0.28	0.26	3.1	2.8	1.3	1.2	9.6	10.7	9.3	9.7	
H-share weighted average								0.70	0.60	5.6	4.7	2.9	2.5	6.6	7.5	12.2	12.5
ICBC - A	601398 CH	Hold	243.4	4.76	4.10	-14%	0.59	0.54	5.2	4.7	2.7	2.5	5.9	6.5	11.7	11.8	
CCB - A	601939 CH	Hold	169.4	6.21	5.70	-8%	0.63	0.58	5.5	4.9	2.7	2.4	5.6	6.3	11.9	12.3	
BOC - A	601988 CH	Hold	129.5	3.15	2.90	-8%	0.49	0.45	4.7	4.3	2.3	2.1	6.8	7.4	10.7	10.8	
ABC - A	601288 CH	Hold	156.0	3.02	2.70	-11%	0.52	0.48	4.8	4.4	2.3	2.1	6.5	7.1	11.2	11.3	
BOCOM - A	601328 CH	Hold	49.3	4.88	4.00	-18%	0.46	0.43	4.6	4.3	2.3	2.1	6.9	7.4	10.3	10.3	
CMB - A	600036 CH	Add	204.7	50.22	65.10	30%	1.63	1.28	10.9	7.9	6.1	4.9	3.0	4.2	16.4	17.3	
CITIC - A	601998 CH	Add	30.5	4.75	5.00	5%	0.46	0.42	4.6	4.1	1.5	1.4	5.8	6.5	10.3	10.7	
MSB - A	600016 CH	Reduce	24.8	3.94	2.70	-31%	0.35	0.33	4.6	4.2	1.2	1.1	6.5	7.1	7.9	8.1	
PAB - A	000001 CH	Add	54.0	16.28	25.50	57%	0.97	0.87	9.4	7.6	2.7	2.4	1.4	1.7	10.8	12.1	
CQRCB - A	601077 CH	Reduce	6.1	3.99	3.20	-20%	0.45	0.42	5.0	4.5	2.1	1.9	6.0	6.6	9.3	9.7	
A-share weighted average								0.75	0.65	6.2	5.3	3.0	2.7	5.4	6.1	12.0	12.4
Combined sector weighted average								0.72	0.62	5.9	5.0	3.0	2.6	6.0	6.8	12.1	12.4



SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG

(*ICBC: INDUSTRIAL AND COMMERCIAL BANK OF CHINA; CCB: CHINA CONSTRUCTION BANK; BOC: BANK OF CHINA; ABC: AGRICULTURAL BANK OF CHINA;

BOCOM: BANK OF COMMUNICATIONS; CMB: CHINA MERCHANTS BANK; CITIC: CHINA CITIC BANK; MSB: CHINA MINSHENG BANK;

CQRCB: CHONGQING RURAL COMMERCIAL BANK)

DATA AS OF 15 FEB 2022

Refinitiv ESG Scores	
	
ESG in a nutshell	
<p>CMB scored a B- rating for its combined ESG score by Refinitiv in 2020. CMB has committed to help alleviate poverty and has continued to dispatch poverty alleviation cadres to Wuding and Yongren Counties in Yunnan Province where it has invested a total of Rmb213m in financial assistance, which help contribute to lifting these counties out of poverty in the recent two years. To promote green development and ecological construction, CMB has established a climate change risk management framework and improved its green credit policy system. CMB underwrote five green bonds, with a total issuance amount of Rmb8.3bn. Going forward, CMB will further innovate and promote green financial products and services as well as improve its linkage between inclusive finance and green finance.</p>	
<p>Keep your eye on</p> <p>CMB had an issue back in 2019, whereby its customers who invested in a wealth management product called Qianduan saw significant losses and CMB was subsequently found to have violated regulations by the regulator. Subsequently, CMB's former general manager of its transaction banking department, and the person in charge of the Qianduan project at CMB, was arrested on charges of embezzlement.</p>	<p>Implications</p> <p>We believe that this issue happened quite some time ago and CMB's internal risk control standards have improved since then.</p>
<p>ESG highlights</p> <p>CMB's B- ESG score is at the upper end of the Refinitiv combined ESG scores of bank peers in China (with the highest rating at B for CCB), driven by its commitment on poverty alleviation. Its Refinitiv ESG Controversies Score has remained A+ over the 2018-2020 period.</p>	<p>Implications</p> <p>CMB has made great efforts to support sustainable development and green finance. While not priced in at the current stage, we believe CMB's ESG progress and prominence will support re-rating cycles.</p>
<p>Trends</p> <p>CMB's Refinitiv combined ESG score in 2020 was flat yoy at B-, after falling from B in 2017 and 2018. While its Refinitiv Social Pillar score improved to B+ in 2020 from B in 2019, its Refinitiv Governance Pillar Score fell to C- in 2020 from 2019's C+. According to CMB's 2020 sustainability report, it obtained the award for "Best ESG" from Institutional Investor, as well as from Zhitongcaijing.com. It also obtained from Global Finance the award for the "Best Bank for Corporate Social Responsibility".</p>	<p>Implications</p> <p>An improvement in its Refinitiv Governance Pillar Score should help drive CMB's Refinitiv Combined ESG score higher and also be positive to its valuations.</p>

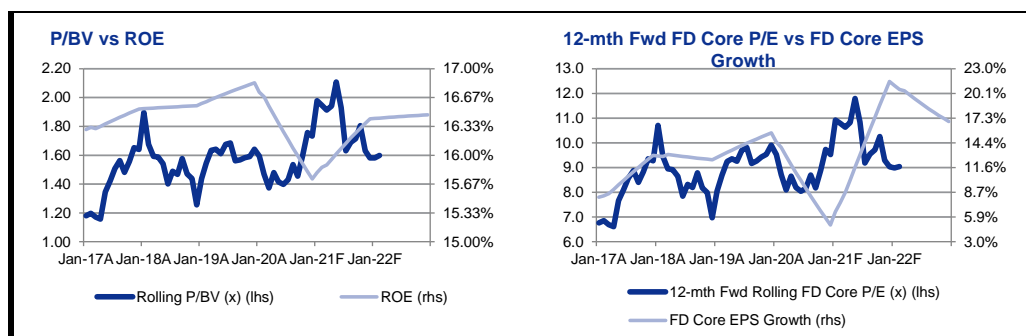
SOURCES: CGS-CIMB RESEARCH, REFINITIV

Figure 21: Key financial data

Profit & loss									
(Rmb m)	2016	2017	2018	2019	2020	2021F	2022F	2023F	2024F
Net interest income	134,595	144,852	160,384	173,090	185,031	204,126	225,605	244,583	267,249
yoy	-2.2%	7.6%	10.7%	7.9%	6.9%	10.3%	10.5%	8.4%	9.3%
Non interest income	75,106	74,955	86,507	94,730	102,367	123,581	141,227	160,413	182,310
yoy	16.8%	-0.2%	15.4%	9.5%	8.1%	20.7%	14.3%	13.6%	13.7%
Total revenue	209,701	219,807	246,891	267,820	287,398	327,707	366,832	404,997	449,560
yoy	3.9%	4.8%	12.3%	8.5%	7.3%	14.0%	11.9%	10.4%	11.0%
Operating expense	-64,900	-70,199	-80,866	-91,252	-102,814	-119,579	-133,855	-147,782	-164,042
Pre-prov profit	144,801	149,608	166,025	176,568	184,584	208,128	232,977	257,215	285,517
yoy	7.9%	3.3%	11.0%	6.4%	4.5%	12.8%	11.9%	10.4%	11.0%
Provision	-66,159	-59,926	-60,837	-61,159	-65,025	-63,080	-64,677	-57,994	-48,592
Net Profit to common shareholders	62,081	70,150	78,901	91,197	95,691	116,296	135,951	161,312	192,206
yoy	7.6%	13.0%	12.5%	15.6%	4.9%	21.5%	16.9%	18.7%	19.2%
Key balance sheet items									
(Rmb m)	2016	2017	2018	2019	2020	2021F	2022F	2023F	2024F
Loans	3,261,681	3,565,044	3,933,034	4,490,650	5,029,128	5,570,034	6,182,738	6,930,849	7,853,345
Interbank assets	581,963	484,096	612,957	522,507	616,516	670,017	725,969	790,078	863,534
Investments	1,450,922	1,578,356	1,641,399	1,804,437	2,068,695	2,172,130	2,367,621	2,580,707	2,812,971
Deposits	3,802,049	4,064,345	4,400,674	4,844,422	5,628,336	6,347,038	6,919,395	7,756,642	8,789,051
Interbank liabilities	967,425	837,472	752,917	784,735	1,009,846	1,203,426	1,628,138	2,569,826	4,674,995
Bonds	275,082	296,477	424,926	578,191	346,141	207,221	124,056	74,267	44,461
Common shareholders' equity	402,350	446,145	506,053	577,236	639,696	776,793	874,338	990,753	1,129,687
Total shareholders' equity	403,362	483,392	543,605	617,707	730,354	868,204	966,626	1,084,077	1,224,240
RWA	3,368,990	3,530,745	4,092,890	4,606,786	4,964,542	5,615,678	6,353,335	7,764,213	9,842,892
Total assets	5,942,311	6,297,638	6,745,729	7,417,240	8,361,448	9,272,660	10,284,986	12,131,584	15,379,519
yoy									
Loans	15.5%	9.3%	10.3%	14.2%	12.0%	10.8%	11.0%	12.1%	13.3%
Interbank assets	-1.9%	-16.8%	26.6%	-14.8%	18.0%	8.7%	8.4%	8.8%	9.3%
Investments	1.6%	8.8%	4.0%	9.9%	14.6%	5.0%	9.0%	9.0%	9.0%
Deposits	6.4%	6.9%	8.3%	10.1%	16.2%	12.8%	9.0%	12.1%	13.3%
Interbank liabilities	-8.0%	-13.4%	-10.1%	4.2%	28.7%	19.2%	35.3%	57.8%	81.9%
Bonds	9.4%	7.8%	43.3%	36.1%	-40.1%	-40.1%	-40.1%	-40.1%	-40.1%
Common shareholders' equity	11.5%	10.9%	13.4%	14.1%	10.8%	21.4%	12.6%	13.3%	14.0%
Total shareholders' equity	11.5%	19.8%	12.5%	13.6%	18.2%	18.9%	11.3%	12.2%	12.9%
RWA	5.0%	4.8%	15.9%	12.6%	7.8%	13.1%	13.1%	22.2%	26.8%
Total assets	8.5%	6.0%	7.1%	10.0%	12.7%	10.9%	10.9%	18.0%	26.8%
Key ratios & drivers									
	2016	2017	2018	2019	2020	2021F	2022F	2023F	2024F
EPS (Rmb)	2.46	2.78	3.13	3.62	3.79	4.61	5.39	6.40	7.62
EPS Growth	7.6%	13.0%	12.5%	15.6%	4.9%	21.5%	16.9%	18.7%	19.2%
BVPS (Rmb)	15.95	17.69	20.07	22.89	25.36	30.80	34.67	39.28	44.79
BVPS Growth	11.5%	10.9%	13.4%	14.1%	10.8%	21.4%	12.6%	13.3%	14.0%
ROAE	16.3%	16.5%	16.6%	16.8%	15.7%	16.4%	16.5%	17.3%	18.1%
ROAA	1.09%	1.15%	1.21%	1.29%	1.21%	1.32%	1.39%	1.44%	1.40%
ROARWA	1.89%	2.03%	2.07%	2.10%	2.00%	2.20%	2.27%	2.29%	2.18%
PPOARWA	4.40%	4.34%	4.36%	4.06%	3.86%	3.93%	3.89%	3.64%	3.24%
DPS (Rmb)	0.74	0.84	0.94	1.20	1.25	1.52	1.78	2.11	2.52
Payout ratio	30%	30%	30%	33%	33%	33%	33%	33%	33%
Core tier 1 ratio	11.5%	12.1%	11.8%	11.9%	12.3%	13.3%	13.2%	12.3%	11.0%
Tier 1 ratio	11.5%	13.0%	12.6%	12.7%	14.0%	14.8%	14.6%	13.4%	11.9%
Total CAR	13.7%	15.5%	15.7%	15.5%	16.5%	17.7%	17.3%	15.7%	13.9%
Equity/Assets	11.5%	12.1%	11.8%	11.9%	12.3%	13.3%	13.2%	12.3%	11.0%
Loan-deposit ratio	86%	88%	89%	93%	89%	89%	89%	89%	89%
NPL ratio	1.87%	1.61%	1.36%	1.16%	1.07%	0.91%	0.87%	0.83%	0.82%
NPL write-off rate	88%	40%	46%	60%	84%	110%	97%	97%	97%
Net NPL formation rate	1.96%	0.63%	0.63%	0.78%	1.00%	1.11%	0.94%	0.90%	0.90%
NPL coverage	180%	262%	358%	427%	438%	441%	415%	378%	310%
LLR to loan	3.37%	4.22%	4.88%	4.97%	4.67%	4.02%	3.63%	3.12%	2.53%
Cost-income ratio	30.9%	31.9%	32.8%	34.1%	35.8%	36.5%	36.5%	36.5%	36.5%
Net interest margin	2.50%	2.43%	2.57%	2.59%	2.49%	2.48%	2.50%	2.45%	2.41%
Non interest income/ total income	36%	34%	35%	35%	36%	38%	38%	40%	41%
Credit cost	2.12%	1.74%	1.58%	1.29%	0.98%	0.86%	0.79%	0.64%	0.47%

SOURCES: CGS-CIMB RESEARCH ESTIMATES

BY THE NUMBERS



Profit & Loss

(Rmbm)	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Net Interest Income	173,090	185,031	204,126	225,605	244,583
Total Non-Interest Income	94,730	102,367	123,581	141,227	160,413
Operating Revenue	267,820	287,398	327,707	366,832	404,997
Total Non-Interest Expenses	(91,252)	(102,814)	(119,579)	(133,855)	(147,782)
Pre-provision Operating Profit	176,568	184,584	208,128	232,977	257,215
Total Provision Charges	(61,159)	(65,025)	(63,080)	(64,677)	(57,994)
Operating Profit After Provisions	115,409	119,559	145,048	168,299	199,221
Pretax Income/(Loss) from Assoc.	1,723	2,881	3,111	3,360	3,629
Operating EBIT (incl Associates)	117,132	122,440	148,159	171,660	202,850
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	117,132	122,440	148,159	171,660	202,850
Exceptional Items	0	0	0	0	0
Pre-tax Profit	117,132	122,440	148,159	171,660	202,850
Taxation	(23,709)	(24,481)	(27,484)	(31,207)	(36,877)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	93,423	97,959	120,675	140,453	165,973
Minority Interests	(556)	(617)	(753)	(876)	(1,036)
Pref. & Special Div	(1,670)	(1,651)	(3,626)	(3,626)	(3,626)
FX And Other Adj.	0	0	0	0	0
Net Profit	91,197	95,691	116,296	135,951	161,312
Recurring Net Profit	91,197	95,691	116,296	135,951	161,312

Balance Sheet Employment

	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Gross Loans/Cust Deposits	92.7%	89.4%	87.8%	89.4%	89.4%
Avg Loans/Avg Deposits	91.1%	90.9%	88.5%	88.6%	89.4%
Avg Liquid Assets/Avg Assets	39.8%	38.8%	37.6%	36.3%	34.3%
Avg Liquid Assets/Avg IEAs	40.1%	39.1%	38.5%	37.6%	36.9%
Net Cust Loans/Assets	57.7%	57.5%	57.7%	57.9%	55.3%
Net Cust Loans/Broad Deposits	71.4%	68.9%	67.8%	67.1%	63.0%
Equity & Provs/Gross Cust Loans	18.6%	19.1%	19.5%	19.1%	18.6%
Asset Risk Weighting	62.1%	59.4%	60.6%	61.8%	64.0%
Provision Charge/Avg Cust Loans	0%	0%	0%	0%	0%
Provision Charge/Avg Assets	0%	0%	0%	0%	0%
Total Write Offs/Average Assets	0.44%	0.68%	0.73%	0.66%	0.59%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(Rmbm)	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Total Gross Loans	5,581,053	6,184,090	6,805,419	7,502,343	8,344,245
Liquid Assets & Invst. (Current)	1,804,437	2,068,695	2,172,130	2,367,621	2,580,707
Other Int. Earning Assets					
Total Gross Int. Earning Assets	7,385,490	8,252,785	8,977,549	9,869,965	10,924,953
Total Provisions/Loan Loss Reserve	(213,350)	(224,767)	(223,703)	(224,239)	(216,193)
Total Net Interest Earning Assets	7,172,140	8,028,018	8,753,846	9,645,726	10,708,760
Intangible Assets	14,529	14,717	14,717	14,717	14,717
Other Non-Interest Earning Assets	230,571	318,713	504,097	624,543	1,408,106
Total Non-Interest Earning Assets	245,100	333,430	518,814	639,260	1,422,823
Cash And Marketable Securities	0	0	0	0	0
Long-term Investments	0	0	0	0	0
Total Assets	7,417,240	8,361,448	9,272,660	10,284,986	12,131,584
Customer Interest-Bearing Liabilities	4,844,422	5,628,336	6,347,038	6,919,395	7,756,642
Bank Deposits	1,143,910	1,341,468	1,535,048	1,959,760	2,901,448
Interest Bearing Liabilities: Others	621,625	406,492	267,572	184,407	134,618
Total Interest-Bearing Liabilities	6,609,957	7,376,296	8,149,658	9,063,562	10,792,709
Bank's Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	189,576	254,798	254,798	254,798	254,798
Total Liabilities	6,799,533	7,631,094	8,404,456	9,318,360	11,047,507
Shareholders' Equity	611,301	723,750	860,847	958,392	1,074,807
Minority Interests	6,406	6,604	7,357	8,233	9,269
Total Equity	617,707	730,354	868,204	966,626	1,084,077

Key Ratios

	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Total Income Growth	8.5%	7.3%	14.0%	11.9%	10.4%
Operating Profit Growth	6.4%	4.5%	12.8%	11.9%	10.4%
Pretax Profit Growth	10.0%	4.5%	21.0%	15.9%	18.2%
Net Interest To Total Income	64.6%	64.4%	62.3%	61.5%	60.4%
Cost Of Funds	1.90%	1.75%	1.74%	1.72%	1.65%
Return On Interest Earning Assets	4.17%	3.93%	3.94%	3.97%	3.93%
Net Interest Spread	2.27%	2.18%	2.20%	2.24%	2.28%
Net Interest Margin (Avg Deposits)	3.74%	3.53%	3.41%	3.40%	3.33%
Net Interest Margin (Avg RWA)	3.98%	3.87%	3.86%	3.77%	3.46%
Provisions to Pre Prov. Operating Profit	34.6%	35.2%	30.3%	27.8%	22.5%
Interest Return On Average Assets	2.44%	2.35%	2.32%	2.31%	2.18%
Effective Tax Rate	20.2%	20.0%	18.6%	18.2%	18.2%
Net Dividend Payout Ratio	33.2%	33.0%	33.0%	33.0%	33.0%
Return On Average Assets	1.29%	1.21%	1.32%	1.39%	1.44%

Key Drivers

	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Loan Growth (%)	14.2%	12.0%	10.8%	11.0%	12.1%
Net Interest Margin (%)	2.6%	2.5%	2.5%	2.5%	2.5%
Non Interest Income Growth (%)	9.5%	8.1%	20.7%	14.3%	13.6%
Cost-income Ratio (%)	34.1%	35.8%	36.5%	36.5%	36.5%
Provision charge as % avg loans	1.3%	1.0%	0.9%	0.8%	0.6%
Effective tax rate (%)	20.2%	20.0%	18.6%	18.2%	18.2%
Net NPL Ratio (%)	1.2%	1.1%	0.9%	0.9%	0.8%
Provisioning coverage ratio (%)	426.8%	437.7%	441.3%	414.9%	377.5%
Loan Loss Reserve (%)	5.0%	4.7%	4.0%	3.6%	3.1%
Deposit Growth (%)	10.1%	16.2%	12.8%	9.0%	12.1%
Loan-deposit Ratio (%)	92.7%	89.4%	89.4%	89.4%	89.4%
Core Tier 1 ratio (%)	11.9%	12.3%	13.3%	13.2%	12.3%
Risk weighted assets to total assets ratio (%)	62.1%	59.4%	60.6%	61.8%	64.0%
Dividend payout ratio (%)	33.2%	33.0%	33.0%	33.0%	33.0%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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Corporate Governance Report:

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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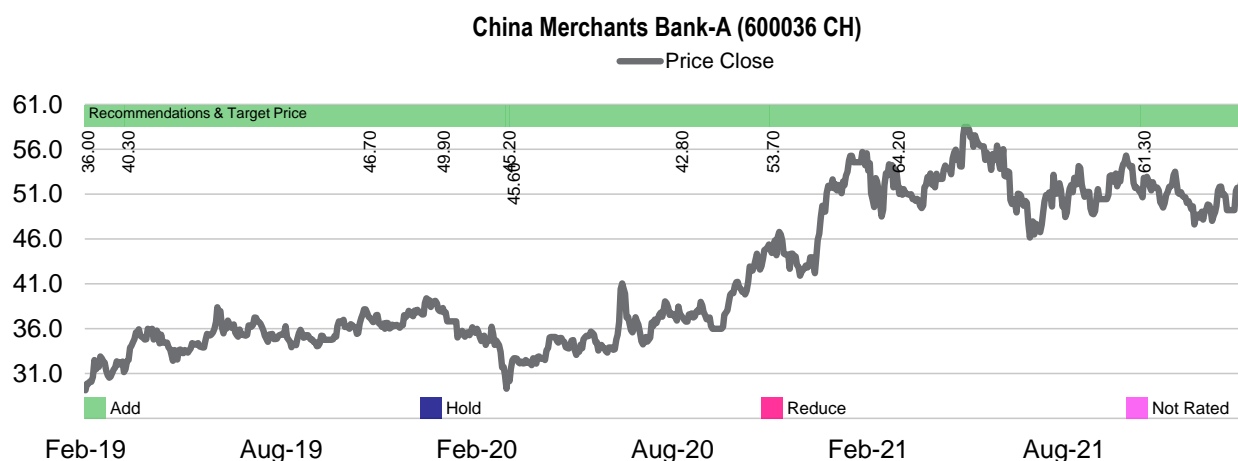
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%	0.0%
Reduce	7.1%	0.0%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a **BH** - Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** - Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** - Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, n/a, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** - Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** - Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 5, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

Recommendation Framework	
Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.
<i>The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.</i>	
Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.
Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

