

China

ADD (previously HOLD)

Consensus ratings*: Buy 20 Hold 8 Sell 2

Current price:	Rmb2.97
Target price:	Rmb3.90
Previous target:	Rmb2.70
Up/downside:	31.3%
CGS-CIMB / Consensus:	13.7%
Reuters:	601288.SS
Bloomberg:	601288 CH
Market cap:	US\$161,300m
	Rmb1,019,240m
Average daily turnover:	US\$114.4m
	Rmb730.4m
Current shares o/s:	174,992m
Free float:	59.7%

*Source: Bloomberg

Key changes in this note

- FY21F EPS raised by 4.5%.
- FY22F EPS raised by 3.0%.
- FY23F EPS raised by 0.7%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-1	1	-11.4
Relative (%)	0.7	7.2	-7.7

Major shareholders	% held
Huijin	40.3

Analyst(s)


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Agricultural Bank of China-A

Model adjustment

- We adjust FY21F-23F EPS by 0.7-4.5% to reflect our view of a stronger-than-expected FY21F and a weaker economy in FY22F-23F.
- Policy risk has also been milder than we had previously expected and hence we cut our policy risk valuation discount from 50% to 40%.
- Upgrade to Add from Hold. Our TP rises to Rmb3.90 from Rmb2.70 due to valuation roll-forward and a reduced policy risk valuation discount.

Stronger-than-expected FY21F and a weaker FY22F-23F

We forecast FY21F EPS to accelerate to 11% yoy, the strongest since FY12's 18.8% yoy, mainly due to lower credit costs. We then conservatively expect FY22F EPS growth to slow to 7.7% on a weaker economy, before rebounding to 9% in FY23F.

Milder-than-expected policy risk

We had previously been concerned that given the worsening economy in 2H21, EPS growth would have been more significantly impacted due to policymaker pressure to 'surrender' profits; China banks were asked to surrender Rmb1.5tr of profits back in 2020 (see [Between a rock and a hard place](#) dated 18 Jun 2020). However, the policy risk has been milder than expected, with ABC likely to report EPS growth in FY21F that hit a nine-year high, in our view. As such, we cut our policy risk valuation discount from 50% to 40%.

Upgrade to Add from Hold; TP raised to Rmb3.90 from Rmb2.70


We value ABC-A using a stress-test adjusted GGM, after factoring in historical A-H share valuation premiums. There are no changes to the 'true' corporate NPL ratio of 10.5% used within our stress test. However, due to the lower policy risk valuation discount and a valuation roll-forward where we now derive our target price by applying our target P/BV multiples to FY22F BVPS, our TP rises to Rmb3.90 from Rmb2.70. 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-20A	Dec-21F	Dec-22F	Dec-23F	Dec-24F
Net Interest Income (Rmbm)	545,079	578,558	629,093	676,124	719,837
Total Non-Interest Income (Rmbm)	114,253	136,433	146,113	158,276	171,702
Operating Revenue (Rmbm)	659,332	714,992	775,206	834,400	891,539
Total Provision Charges (Rmbm)	(164,903)	(171,568)	(189,927)	(201,992)	(202,626)
Net Profit (Rmbm)	206,395	229,003	246,587	268,738	299,063
Core EPS (Rmb)	0.59	0.65	0.70	0.77	0.85
Core EPS Growth	(0.5%)	11.0%	7.7%	9.0%	11.3%
FD Core P/E (x)	5.04	4.54	4.22	3.87	3.48
DPS (Rmb)	0.19	0.21	0.22	0.24	0.27
Dividend Yield	6.23%	6.92%	7.45%	8.11%	9.03%
BVPS (Rmb)	5.39	5.85	6.35	6.90	7.51
P/BV (x)	0.55	0.51	0.47	0.43	0.40
ROE	11.4%	11.6%	11.5%	11.6%	11.9%
% Change In Core EPS Estimates		4.51%	2.97%	0.67%	
CGS-CIMB/Consensus EPS (x)		1.03	1.04	1.06	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Model adjustment

ESG in a nutshell		Refinitiv ESG Scores					
							
		B-	A+	B-	B-	C	B+
		ESG Score	ESG Controversies Score	ESG Combined Score	ESG Environment Pillar Score	ESG Social Pillar Score	ESG Government Pillar Score
<p>ABC scored B- rating for its combined ESG score by Refinitiv in 2020. Agricultural Bank of China (ABC) is the only state-owned enterprise (SOE) commercial bank among the members of the State Council Leading Group for Poverty Alleviation and Development. We believe ABC has fulfilled its responsibilities and mission in financial poverty alleviation and rural revitalisation. ABC has introduced a total of 230 financing instruments, covering all key areas of rural revitalisation, and strived to build a digital banking ecosystem providing the best inclusive financial services for “Sannong” (i.e. the rural community). Besides, ABC has stayed committed to charitable volunteer services. In 2020, ABC donated Rmb199.17m, with more than 55,000 young employees providing over 140,000 hours of volunteer services. Going forward, we expect ABC to promote green finance more vigorously by introducing innovative green products and services, and improve its green financial management mechanisms.</p>							
<p>Keep your eye on</p> <p>The pace on which green finance solutions are rolled out by the China banks, as well as the extent to which the China banks ramped up lending to coal and energy companies in late-2021 to help ease China’s power shortages.</p>	<p>Implications</p> <p>China has pledged to hit peak emissions by 2030 and achieve carbon neutrality by 2060. To facilitate the realisation of such a target, ABC will improve its green finance system with stricter standards and take the initiative to adjust its credit structure. This long-term shift towards more environmentally friendly lending is not currently factored into valuations, in our view, but a prolonged misalignment with responsible financing practices could be a drag on the stock.</p>						
<p>ESG highlights</p> <p>ABC’s B- ESG score is on the upper end of ESG scoring against its sectoral peers among China banks (with highest rating B for CCB), driven by its commitment on poverty alleviation. Its ESG controversies score has remained A+ since 2018.</p>	<p>Implications</p> <p>ABC has made great efforts in supporting sustainable development and rural revitalisation. While not priced in at the current stage, we believe ABC’s ESG progress prominence can support re-rating cycles.</p>						
<p>Trends</p> <p>From 2016 to 2020, ABC has improved its Refinitiv ESG combined score from C+ to B-. Its Refinitiv environmental pillar score was B- in both 2019 and 2020, an improvement from 2018’s C+. Its social pillar score stayed C in 2019 and 2020; while an improvement from 2018’s C-, this score is still the worst of big four peers. This is due to ABC’s negative net employment creation over the 2018-2020 period, as well as it having the lowest ratio of women employees among the big four banks. Its governance pillar score was B+ in 2020, down from A in 2019. Its resource use score of B- has been constant throughout the 2016-2020 period, apart from 2018 when it fell to C+.</p>	<p>Implications</p> <p>We think there is scope for ABC to improve its social responsibility score which is the lowest among the big four banks. This could be a key driver to improve its Refinitiv combined ESG score in the future.</p>						

SOURCES: CGS-CIMB RESEARCH, REFINITIV

Changes to our forecasts

We adjust FY21F-23F EPS by 0.7-4.5% to reflect our view of a stronger-than-expected FY21F and a weaker economy in FY22F-23F (Fig 1).

The increase in our FY21-23F EPS is mainly to reflect lower credit cost or provision expenses.

Figure 1: Changes to our forecasts

(Rmb m)	FY21F			FY22F			FY23F		
	Old	New	+/-	Old	New	+/-	Old	New	+/-
Net interest income	589,889	578,558	-1.9%	651,125	629,093	-3.4%	701,636	676,124	-3.6%
Non interest income	114,299	136,433	19.4%	124,324	146,113	17.5%	136,021	158,276	16.4%
Total operating income	704,188	714,992	1.5%	775,449	775,206	0.0%	837,657	834,400	-0.4%
Operating expense	-243,082	-241,825	-0.5%	-265,004	-262,191	-1.1%	-283,401	-282,212	-0.4%
Pre-prov profit	461,106	473,166	2.6%	510,445	513,015	0.5%	554,256	552,188	-0.4%
Provisions	-176,030	-171,568	-2.5%	-200,772	-189,927	-5.4%	-211,301	-201,992	-4.4%
Operating profit	285,076	301,599	5.8%	309,673	323,088	4.3%	342,956	350,195	2.1%
Tax	-52,159	-58,781	12.7%	-56,368	-62,647	11.1%	-62,104	-67,555	8.8%
Net profit to common shareholders	219,124	229,003	4.5%	239,467	246,587	3.0%	266,954	268,738	0.7%
Key ratios									
EPS (Rmb)	0.63	0.65	4.5%	0.68	0.70	3.0%	0.76	0.77	0.7%
EPS growth	6.2%	11.0%	4.8% pts	9.3%	7.7%	-1.6% pts	11.5%	9.0%	-2.5% pts
PPOP per share	1.32	1.35	2.6%	1.46	1.47	0.5%	1.58	1.58	-0.4%
PPOP per share growth	7.4%	10.2%	2.8% pts	10.7%	8.4%	-2.3% pts	8.6%	7.6%	-0.9% pts
ROA	0.77%	0.81%	4bp	0.77%	0.79%	2bp	0.80%	0.78%	-2bp
ROE	11.2%	11.6%	0.5% pts	11.3%	11.5%	0.3% pts	11.6%	11.6%	0.0% pts
Payout ratio	31.4%	31.4%	0.0% pts	31.4%	31.4%	0.0% pts	31.4%	31.4%	0.0% pts
Core tier 1 ratio	11.0%	11.3%	29bp	10.9%	11.0%	10bp	11.1%	10.7%	-37bp
Tier 1 ratio	12.7%	13.0%	32bp	12.5%	12.6%	10bp	12.6%	12.2%	-43bp
Total CAR	16.3%	16.7%	40bp	16.0%	16.1%	11bp	16.0%	15.4%	-56bp
Loan-deposit ratio	75.5%	76.8%	1.3% pts	76.5%	77.8%	1.3% pts	77.5%	78.8%	1.3% pts
NPL ratio	1.48%	1.46%	-2bp	1.41%	1.42%	1bp	1.37%	1.38%	2bp
Cost-income ratio	34.5%	33.8%	-70bp	34.2%	33.8%	-35bp	33.8%	33.8%	-1bp
Provisioning coverage ratio	291.7%	287.2%	-4.4% pts	325.8%	301.9%	-23.9% pts	354.4%	313.6%	-40.8% pts
Net interest margin	2.17%	2.12%	-6bp	2.17%	2.05%	-12bp	2.17%	2.01%	-16bp
Credit cost	1.10%	1.06%	-4bp	1.15%	1.04%	-10bp	1.10%	0.99%	-12bp
Loan growth	10.1%	12.7%	2.6% pts	9.6%	12.7%	3.1% pts	9.1%	12.2%	3.1% pts
Interbank assets growth	11.3%	11.3%	0.0% pts	10.4%	10.4%	0.0% pts	5.0%	5.0%	0.0% pts
Investment growth	11.3%	11.3%	0.0% pts	10.4%	10.4%	0.0% pts	5.0%	5.0%	0.0% pts
RWA growth	9.0%	6.8%	-2.2% pts	8.7%	10.8%	2.0% pts	6.9%	11.5%	4.6% pts

SOURCES: CGS-CIMB RESEARCH ESTIMATES

Valuation and risks

We value ABC-A using a stress test adjusted Gordon Growth Model (GGM) after factoring in historical A-H share valuation premiums, with a target price of Rmb3.90 (Rmb2.70 previously).

Our key valuation assumptions are a COE of 10% (unchanged), a sustainable growth (g) assumption of 3% (unchanged), an initial sustainable ROE assumption of 11.9% (previously 11.6%) based on FY24F ROE (previously FY23F ROE), and an asset quality and investor compensation valuation discount of 9% (previously 14%). We also cut our policy risk valuation discount to 40% (previously 50%) [Fig 2]. We thus derive a stress-test-adjusted target FY22F (previously FY21F) P/BV multiple of 0.58x (previously 0.44x), implying a sustainable ROE assumption of 8.1% (previously 6.9%).

We arrive at a target price of Rmb3.90 (previously Rmb2.70) and upgrade our rating on ABC-A from Hold to Add.

Figure 2: Valuation using a stress-test-adjusted GGM

(Rmb)	New	Old	% change
Equity risk premium	8.0%	8.0%	0.0%pts
Risk free rate	3.0%	3.0%	0.0%pts
Beta	1.04	1.04	0%
COE	11.4%	11.4%	0.0%pts
g	3.0%	3.0%	0.0%pts
Sustainable ROE (based on FY24F ROE)	11.9%	11.6%	0.3%pts
Initial target P/BV	1.06x	1.03x	3%
Asset quality valuation discount	-9%	-14%	4.7%pts
National service' discount	-40%	-50%	10.0%pts
Final target P/BV	0.58x	0.44x	31%
FY22F BVPS	6.35	5.83	9%
Initial stress-test-adjusted target price	3.67	2.58	42%
Average A-H share premium applied	10%	10%	0.0%pts
Valuation incorporating average A-H share gap since start-2011	4.06	2.85	42%
Weighting given to A-H valuation gap	50%	50%	0.0%pts
Hence, final target price	3.90	2.70	44%
TP-implied sustainable ROE	8.1%	6.9%	1.3%pts
Current price	2.97		
Share price upside	31%		

SOURCES: CGS-CIMB RESEARCH ESTIMATES

Downside risks include a worse-than-expected economic slowdown in China. This could result in higher-than-expected asset quality pressure, as well as greater-than-expected loan prime rate (LPR) cuts, which could also depress net interest margins.

Another key downside risk is a substantial increase in confirmed Covid-19 cases in China, forcing the country into lockdown again. This could substantially reduce income growth.

One final downside risk is that the large banks may face greater-than-expected policy risks in respect to lending in the event of a significant economic slowdown. Such policy-directed lending could result in asset quality problems for these banks further down the road, in our view.

Figure 3: 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/PPOP (x)		Dividend yield		ROE(%)	
							FY21F	FY22F	FY21F	FY22F	FY21F	FY22F	FY21F	FY22F	FY21F	FY22F
ICBC	1398 HK	Add	243.4	4.53	5.80	28%	0.47	0.43	4.0	3.7	2.1	1.9	7.7	8.3	12.2	12.0
CCB	0939 HK	Add	169.4	5.69	8.00	41%	0.48	0.44	4.1	3.8	2.1	2.0	7.6	8.2	12.4	12.3
BOC	3988 HK	Add	129.5	2.94	4.00	36%	0.38	0.35	3.6	3.4	1.9	1.8	8.8	9.5	10.9	10.9
ABC	1288 HK	Add	156.0	2.85	4.40	54%	0.41	0.38	3.7	3.4	1.8	1.6	8.6	9.2	11.6	11.5
BOCOM	3328 HK	Hold	49.3	5.13	5.30	3%	0.40	0.38	3.9	3.6	1.9	1.8	8.2	8.9	10.8	10.8
CMB	3968 HK	Add	204.7	61.00	84.20	38%	1.67	1.48	11.1	9.5	6.2	5.6	3.0	3.5	16.4	16.5
CITIC	0998 HK	Add	30.5	3.60	4.80	33%	0.29	0.27	2.8	2.6	1.0	0.9	9.6	10.5	10.8	11.0
MSB	1988 HK	Hold	24.8	2.95	2.90	-2%	0.22	0.21	3.3	3.0	0.9	0.9	9.2	10.0	7.1	7.3
CQRCB	3618 HK	Add	6.1	2.85	4.10	44%	0.27	0.25	2.8	2.4	1.3	1.2	10.9	12.3	10.2	10.6
H-share weighted average							0.65	0.59	5.1	4.6	2.7	2.5	7.2	7.9	12.5	12.4
ICBC - A	601398 CH	Add	243.4	4.65	5.10	10%	0.57	0.52	4.9	4.5	2.6	2.4	6.3	6.8	12.2	12.0
CCB - A	601939 CH	Add	169.4	6.07	7.10	17%	0.61	0.56	5.1	4.8	2.7	2.5	6.0	6.4	12.4	12.3
BOC - A	601988 CH	Add	129.5	3.13	3.70	18%	0.48	0.45	4.6	4.3	2.4	2.3	7.0	7.5	10.9	10.9
ABC - A	601288 CH	Add	156.0	2.97	3.90	31%	0.51	0.47	4.5	4.2	2.2	2.0	6.9	7.4	11.6	11.5
BOCOM - A	601328 CH	Hold	49.3	4.82	4.80	0%	0.45	0.42	4.3	4.0	2.1	2.0	7.4	8.0	10.8	10.8
CMB - A	600036 CH	Add	204.7	46.76	71.60	53%	1.52	1.35	10.1	8.7	5.7	5.1	3.3	3.8	16.4	16.5
CITIC - A	601998 CH	Add	30.5	4.60	4.90	7%	0.44	0.41	4.3	3.9	1.5	1.4	6.3	7.0	10.8	11.0
MSB - A	600016 CH	Reduce	24.8	3.89	2.80	-28%	0.35	0.33	5.1	4.7	1.4	1.4	5.9	6.4	7.1	7.3
PAB - A	000001 CH	Add	54.0	14.72	26.20	78%	0.88	0.79	8.5	6.9	2.4	2.2	1.5	1.9	10.8	12.1
CQRCB - A	601077 CH	Add	6.1	3.95	4.50	14%	0.44	0.41	4.5	4.0	2.1	2.0	6.6	7.4	10.2	10.6
A-share weighted average							0.71	0.65	5.8	5.3	2.9	2.7	5.7	6.2	12.4	12.4
Combined sector weighted average							0.68	0.62	5.5	4.9	2.8	2.6	6.5	7.0	12.4	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)

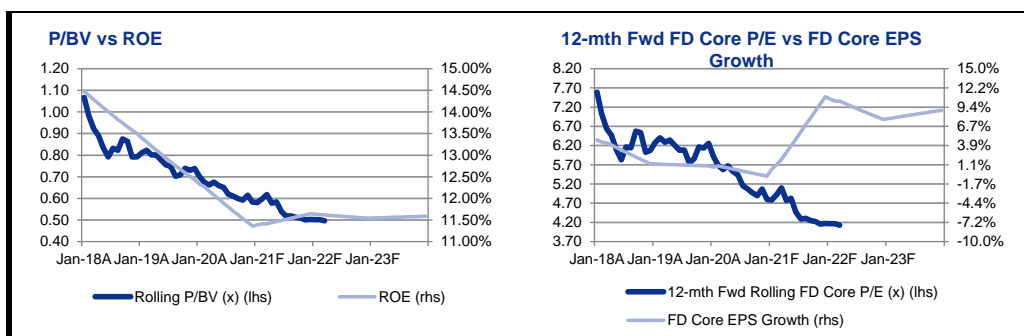
DATA AS OF 7 MAR 2022

Figure 4: Key financial data

Profit & loss								
(Rmb m)	2018	2019	2020	2021F	2022F	2023F	2024F	2025F
Net interest income	477,760	486,871	545,079	578,558	629,093	676,124	719,837	765,764
yoy	8.1%	1.9%	12.0%	6.1%	8.7%	7.5%	6.5%	6.4%
Non interest income	124,797	142,479	114,253	136,433	146,113	158,276	171,702	186,527
yoy	23.6%	14.2%	-19.8%	19.4%	7.1%	8.3%	8.5%	8.6%
Total revenue	602,557	629,350	659,332	714,992	775,206	834,400	891,539	952,292
yoy	11.0%	4.4%	4.8%	8.4%	8.4%	7.6%	6.8%	6.8%
Operating expenses	-213,963	-224,096	-229,897	-241,825	-262,191	-282,212	-301,537	-322,085
Pre-prov profit	388,594	405,254	429,435	473,166	513,015	552,188	590,001	630,206
yoy	15.1%	4.3%	6.0%	10.2%	8.4%	7.6%	6.8%	6.8%
Provisioning expenses	-136,898	-138,723	-164,903	-171,568	-189,927	-201,992	-202,626	-194,798
Net profit to common shareholders	198,183	207,498	206,395	229,003	246,587	268,738	299,063	338,222
yoy	5.2%	4.7%	-0.5%	11.0%	7.7%	9.0%	11.3%	13.1%
Key balance sheet items								
(Rmb m)	2018	2019	2020	2021F	2022F	2023F	2024F	2025F
Loans	11,940,685	13,360,188	14,552,433	17,104,615	19,285,387	21,647,773	24,191,303	26,912,731
Interbank assets	1,032,742	1,467,476	1,797,339	1,999,540	2,206,492	2,316,817	2,432,657	2,554,290
Investments	6,885,075	7,422,930	7,822,659	8,702,708	9,603,438	10,083,610	10,587,791	11,117,180
Deposits	17,346,290	18,542,861	20,372,901	22,282,129	24,799,946	27,484,409	30,328,663	33,322,753
Interbank liabilities	1,606,964	1,882,469	1,894,371	1,875,178	2,002,212	2,481,098	3,281,036	4,623,155
Bonds	780,673	1,108,212	1,371,845	1,681,876	2,042,969	2,459,655	2,936,246	3,476,735
Common shareholders' equity	1,590,395	1,748,469	1,884,914	2,049,135	2,223,845	2,415,185	2,629,898	2,874,252
Total shareholders' equity	1,674,787	1,959,762	2,210,746	2,375,501	2,550,783	2,742,746	2,958,147	3,203,276
RWA	13,712,894	15,485,352	16,989,668	18,141,240	20,092,936	22,407,073	25,067,340	28,209,603
Total assets	22,609,471	24,878,288	27,205,047	29,569,868	32,751,094	36,523,092	40,859,276	45,981,103
yoy								
Loans	11.4%	11.9%	8.9%	17.5%	12.7%	12.2%	11.7%	11.2%
Interbank assets	-12.2%	42.1%	22.5%	11.3%	10.4%	5.0%	5.0%	5.0%
Investments	19.3%	7.8%	5.4%	11.3%	10.4%	5.0%	5.0%	5.0%
Deposits	7.1%	6.9%	9.9%	9.4%	11.3%	10.8%	10.3%	9.9%
Interbank liabilities	2.1%	17.1%	0.6%	-1.0%	6.8%	23.9%	32.2%	40.9%
Bonds	64.3%	42.0%	23.8%	22.6%	21.5%	20.4%	19.4%	18.4%
Common shareholders' equity	18.1%	9.9%	7.8%	8.7%	8.5%	8.6%	8.9%	9.3%
Total shareholders' equity	17.2%	17.0%	12.8%	7.5%	7.4%	7.5%	7.9%	8.3%
RWA	8.8%	12.9%	9.7%	6.8%	10.8%	11.5%	11.9%	12.5%
Total assets	7.4%	10.0%	9.4%	8.7%	10.8%	11.5%	11.9%	12.5%
Key ratios & drivers								
	2018	2019	2020	2021F	2022F	2023F	2024F	2025F
EPS (Rmb)	0.59	0.59	0.59	0.65	0.70	0.77	0.85	0.97
EPS Growth	1.3%	0.9%	-0.5%	11.0%	7.7%	9.0%	11.3%	13.1%
BVPS (Rmb)	4.54	5.00	5.39	5.85	6.35	6.90	7.51	8.21
BVPS Growth	10%	10%	8%	9%	9%	9%	9%	9%
ROAE	13.5%	12.4%	11.4%	11.6%	11.5%	11.6%	11.9%	12.3%
ROAA	0.9%	0.9%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
ROARWA	1.5%	1.4%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
PPOPOARWA	3.0%	2.8%	2.6%	2.7%	2.7%	2.6%	2.5%	2.4%
DPS (Rmb)	0.17	0.18	0.19	0.21	0.22	0.24	0.27	0.30
Payout ratio	31%	31%	31%	31%	31%	31%	31%	31%
Core tier 1 ratio	11.6%	11.2%	11.0%	11.3%	11.0%	10.7%	10.5%	10.2%
Tier 1 ratio	12.1%	12.5%	12.9%	13.0%	12.6%	12.2%	11.7%	11.3%
Total CAR	15.1%	16.1%	16.6%	16.7%	16.1%	15.4%	14.8%	14.1%
Equity/Assets	7.6%	7.6%	7.5%	7.5%	7.4%	7.1%	6.9%	6.7%
Loan-deposit ratio	69%	72%	74%	77%	78%	79%	80%	81%
NPL ratio	1.59%	1.40%	1.57%	1.46%	1.42%	1.38%	1.37%	1.35%
NPL write-off rate	34%	27%	26%	26%	26%	26%	26%	26%
Net NPL formation rate	0.58%	0.41%	0.74%	0.49%	0.52%	0.51%	0.51%	0.50%
NPL coverage	252%	289%	261%	287%	302%	314%	316%	311%
LLR to loan	4.01%	4.05%	4.07%	4.18%	4.27%	4.34%	4.32%	4.21%
Cost-income ratio	36%	36%	35%	34%	34%	34%	34%	34%
Net interest margin	2.33%	2.17%	2.20%	2.12%	2.05%	2.01%	1.97%	1.93%
Non interest income/ total income	21%	23%	17%	19%	19%	19%	19%	20%
Credit cost	1.21%	1.10%	1.15%	1.06%	1.04%	0.99%	0.88%	0.76%

SOURCES: CGS-CIMB RESEARCH ESTIMATES

BY THE NUMBERS



Profit & Loss

(Rmbm)	Dec-20A	Dec-21F	Dec-22F	Dec-23F	Dec-24F
Net Interest Income	545,079	578,558	629,093	676,124	719,837
Total Non-Interest Income	114,253	136,433	146,113	158,276	171,702
Operating Revenue	659,332	714,992	775,206	834,400	891,539
Total Non-Interest Expenses	(229,897)	(241,825)	(262,191)	(282,212)	(301,537)
Pre-provision Operating Profit	429,435	473,166	513,015	552,188	590,001
Total Provision Charges	(164,903)	(171,568)	(189,927)	(201,992)	(202,626)
Operating Profit After Provisions	264,532	301,599	323,088	350,195	387,375
Pretax Income/(Loss) from Assoc.	518	518	518	518	518
Operating EBIT (incl Associates)	265,050	302,117	323,606	350,713	387,893
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	265,050	302,117	323,606	350,713	387,893
Exceptional Items					
Pre-tax Profit	265,050	302,117	323,606	350,713	387,893
Taxation	(48,650)	(58,781)	(62,647)	(67,555)	(74,343)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	216,400	243,336	260,959	283,158	313,550
Minority Interests	(475)	(534)	(573)	(622)	(688)
Pref. & Special Div	(9,530)	(13,799)	(13,799)	(13,799)	(13,799)
FX And Other Adj.	0	0	0	0	0
Net Profit	206,395	229,003	246,587	268,738	299,063
Recurring Net Profit	206,395	229,003	246,587	268,738	299,063

Balance Sheet Employment

	Dec-20A	Dec-21F	Dec-22F	Dec-23F	Dec-24F
Gross Loans/Cust Deposits	71.4%	76.8%	77.8%	78.8%	79.8%
Avg Loans/Avg Deposits	71.7%	74.2%	77.3%	78.3%	79.3%
Avg Liquid Assets/Avg Assets	45.4%	44.4%	43.9%	42.0%	39.2%
Avg Liquid Assets/Avg IEAs	45.9%	44.3%	42.9%	41.5%	39.8%
Net Cust Loans/Assets	51.2%	55.4%	56.4%	56.7%	56.6%
Net Cust Loans/Broad Deposits	60.6%	65.8%	67.0%	67.5%	67.4%
Equity & Provs/Gross Cust Loans	19.4%	18.0%	17.5%	17.0%	16.5%
Asset Risk Weighting	62.5%	61.4%	61.4%	61.4%	61.4%
Provision Charge/Avg Cust Loans	0%	0%	0%	0%	0%
Provision Charge/Avg Assets	0%	0%	0%	0%	0%
Total Write Offs/Average Assets	0.336%	0.262%	0.259%	0.254%	0.249%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(Rmbm)	Dec-20A	Dec-21F	Dec-22F	Dec-23F	Dec-24F
Total Gross Loans	16,349,772	19,104,155	21,491,879	23,964,590	26,623,960
Liquid Assets & Invst. (Current)	7,822,659	8,702,708	9,603,438	10,083,610	10,587,791
Other Int. Earning Assets	2,437,275	2,437,275	2,437,275	2,437,275	2,437,275
Total Gross Int. Earning Assets	26,609,706	30,244,138	33,532,593	36,485,475	39,649,026
Total Provisions/Loan Loss Reserve	(618,009)	(715,126)	(824,330)	(938,488)	(1,044,878)
Total Net Interest Earning Assets	25,991,697	29,529,012	32,708,263	35,546,987	38,604,148
Intangible Assets	24,875	24,875	24,875	24,875	24,875
Other Non-Interest Earning Assets	1,188,475	15,981	17,956	951,231	2,230,252
Total Non-Interest Earning Assets	1,213,350	40,856	42,831	976,106	2,255,127
Cash And Marketable Securities	0	0	0	0	0
Long-term Investments	0	0	0	0	0
Total Assets	27,205,047	29,569,868	32,751,094	36,523,092	40,859,276
Customer Interest-Bearing Liabilities	20,372,001	22,282,129	24,799,946	27,484,409	30,328,663
Bank Deposits	2,631,532	2,612,339	2,739,373	3,218,259	4,018,197
Interest Bearing Liabilities: Others	1,399,662	1,709,693	2,070,786	2,487,472	2,964,063
Total Interest-Bearing Liabilities	24,404,095	26,604,161	29,610,105	33,190,141	37,310,923
Bank's Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	590,206	590,206	590,206	590,206	590,206
Total Liabilities	24,994,301	27,194,367	30,200,311	33,780,347	37,901,129
Shareholders' Equity	2,204,789	2,369,010	2,543,720	2,735,060	2,949,773
Minority Interests	5,957	6,491	7,064	7,685	8,374
Total Equity	2,210,746	2,375,501	2,550,783	2,742,746	2,958,147

Key Ratios

	Dec-20A	Dec-21F	Dec-22F	Dec-23F	Dec-24F
Total Income Growth	4.76%	8.44%	8.42%	7.64%	6.85%
Operating Profit Growth	6.0%	10.2%	8.4%	7.6%	6.8%
Pretax Profit Growth	(0.6%)	14.0%	7.1%	8.4%	10.6%
Net Interest To Total Income	82.7%	80.9%	81.2%	81.0%	80.7%
Cost Of Funds	1.65%	1.67%	1.70%	1.66%	1.61%
Return On Interest Earning Assets	3.61%	3.53%	3.47%	3.42%	3.38%
Net Interest Spread	1.96%	1.86%	1.77%	1.76%	1.77%
Net Interest Margin (Avg Deposits)	2.80%	2.71%	2.67%	2.59%	2.49%
Net Interest Margin (Avg RWA)	3.36%	3.29%	3.29%	3.18%	3.03%
Provisions to Pre Prov. Operating Profit	38.4%	36.3%	37.0%	36.6%	34.3%
Interest Return On Average Assets	2.09%	2.04%	2.02%	1.95%	1.86%
Effective Tax Rate	18.4%	19.5%	19.4%	19.3%	19.2%
Net Dividend Payout Ratio	31.4%	31.4%	31.4%	31.4%	31.4%
Return On Average Assets	0.79%	0.81%	0.79%	0.78%	0.77%

Key Drivers

	Dec-20A	Dec-21F	Dec-22F	Dec-23F	Dec-24F
Loan Growth (%)	13.5%	12.7%	12.7%	12.2%	11.7%
Net Interest Margin (%)	2.2%	2.1%	2.1%	2.0%	2.0%
Non Interest Income Growth (%)	-19.8%	19.4%	7.1%	8.3%	8.5%
Cost-income Ratio (%)	34.9%	33.8%	33.8%	33.8%	33.8%
Provision charge as % avg loans	1.2%	1.1%	1.0%	1.0%	0.9%
Effective tax rate (%)	18.4%	19.5%	19.4%	19.3%	19.2%
Net NPL Ratio (%)	1.6%	1.5%	1.4%	1.4%	1.4%
Provisioning coverage ratio (%)	260.6%	287.2%	301.9%	313.6%	316.2%
Loan Loss Reserve (%)	4.1%	4.2%	4.3%	4.3%	4.3%
Deposit Growth (%)	9.9%	9.4%	11.3%	10.8%	10.3%
Loan-deposit Ratio (%)	74.5%	76.8%	77.8%	78.8%	79.8%
Core Tier 1 ratio (%)	12.9%	13.0%	12.6%	12.2%	11.7%
Risk weighted assets to total assets ratio (%)	62.5%	61.4%	61.4%	61.4%	61.4%
Dividend payout ratio (%)	31.4%	31.4%	31.4%	31.4%	31.4%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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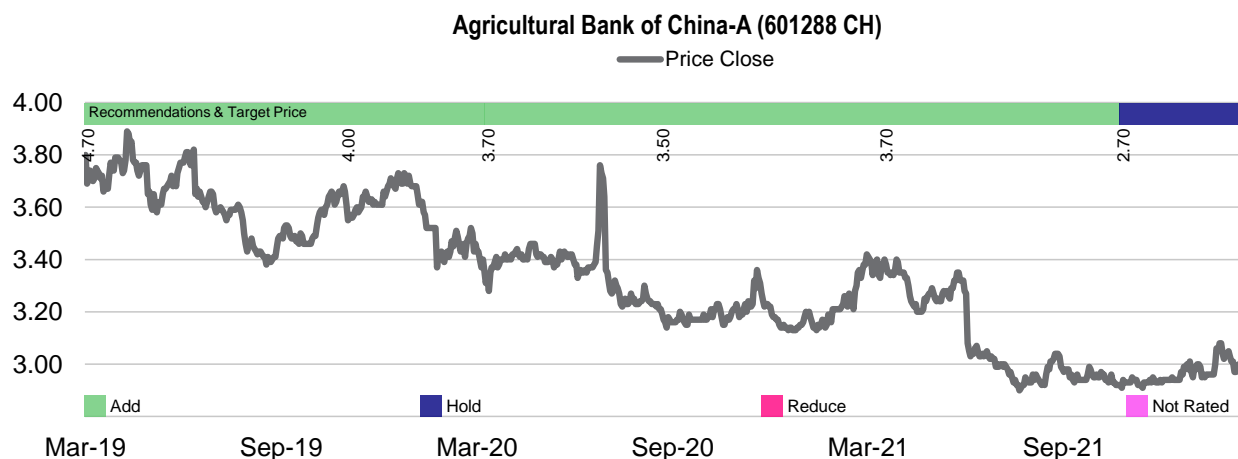
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%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

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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.

