

Hong Kong

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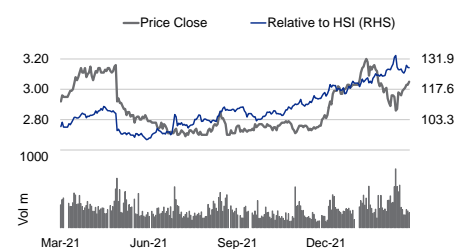
Consensus ratings*: Buy 22 Hold 3 Sell 0

Current price:	HK\$3.05
Target price:	HK\$4.20 ▲
Previous target:	HK\$4.00
Up/downside:	37.7%
CGS-CIMB / Consensus:	12.4%
Reuters:	3988.HK
Bloomberg:	3988 HK
Market cap:	US\$138,119m HK\$1,081,004m
Average daily turnover:	US\$113.8m HK\$888.2m
Current shares o/s:	294,388m
Free float:	28.4%

*Source: Bloomberg

Key changes in this note

- FY22F EPS raised by 2.6%.
- FY23F EPS raised by 3.3%.
- FY24F EPS raised by 2.7%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0.3	8.5	3.4
Relative (%)	3.8	13.5	26

Major shareholders

	% held
Huijin	67.8
SSF	2.7

Analyst(s)


Michael CHANG, CFA

T (852) 2539 1323

E michael.chang@cgs-cimb.com

Bank of China

Well exposed to a sharply rising rate trend

- FY21 net profit rose 13.9% yoy, the strongest since FY11, with FY21 ROE rising 67bp yoy to 11.28%, its first rise since FY10.
- 4Q21 NIM was up 3bp qoq, and we believe it is well placed to deliver a better-than-peer increase in NIM in FY22F and FY23F.
- We like BOC for its exposure to US rate rises (we expect more than 200bp in 2022F) via its HK operations (which comprise about 17% of loans in FY21).
- BOC is our top pick among the big banks. Reiterate Add rating, FY22F-FY24F EPS raised by 3-4% on lower credit costs. TP raised 5% to HK\$4.2.

Strongest net profit growth in 10 years, first ROE rise in 11 years

FY21 net profit rose 13.9% yoy (strongest rise since FY11 in Fig 1) and 2.6% above our forecast, with 4Q21 net profit up 7.8% yoy. FY21 ROE was 11.28%, up 67bp yoy and the first rise in ROE since FY10 (Fig 2).

What we liked about the FY21 results

i) 4Q21 net interest margin (NIM) rose 3bp qoq, which is positive given that FY21 NIM fell 10bp yoy to 1.75%. Given that 17.4% of its assets were offshore (almost all in Hong Kong), we believe that it is well placed to deliver better-than-peer increases in FY22F and FY23F, as we expect more than 200bp of US rate rises in FY22F; ii) 4Q21 fee income growth yoy rebounded to 9.3% (3Q21: -3.3%); iii) FY21 credit costs fell to 0.69% of average loans (-18bp yoy); 4Q21 loan growth was 10.5% yoy (3Q21: 8.7% yoy).

What we did not like about the FY21 results

i) FY21 pre-provisioning operating profit (PPOP) rose only 3.9%. 4Q21 PPOP growth was only 4.6% yoy, worse than 3Q21's 6.7% yoy; ii) 4Q21 group non-performing-loan (NPL) ratio was 1.33%, +4bp qoq. 2H21 group NPL ratio was also +3bp hoh, with 2H21 domestic NPL ratio +5bp hoh. However, 2H21 domestic special mention loan ratio fell 25bp hoh to 1.34%. Also, while the 2H21 mix of group loans that are >90 days overdue was 0.79% (+14bp hoh), the 2H21 mix of group loans that are <90 days overdue was 0.28% (-23bp hoh); iii) 4Q21 provisioning coverage ratio was 187.1%, -5.4%-pts qoq; iv) FY21 cost-to-income ratio was 37.4%, +1.7%-pts yoy.

What else we thought was interesting about the FY21 results

i) 4Q21 core Tier 1 ratio was 11.3% (+1bp yoy); ii) FY21 domestic corporate real estate loans NPL ratio was 5.05%, up 37bp yoy. FY21 offshore NPL ratio was 0.58%, -6bp yoy; iii) 4Q21 loan-to-deposit ratio was 87% (+78bp qoq).

Top pick among big banks; Reiterate Add rating; TP of HK\$4.2

We value BOC using a stress-test adjusted GGM, with TP raised 5% to HK\$4.2, on 3-4% higher FY22F-24F EPS stemming from lower credit cost assumptions. Potential re-rating catalysts are improving asset quality and economic recovery. Key downside risks: a worse-than-expected NIM trend and greater social responsibilities.

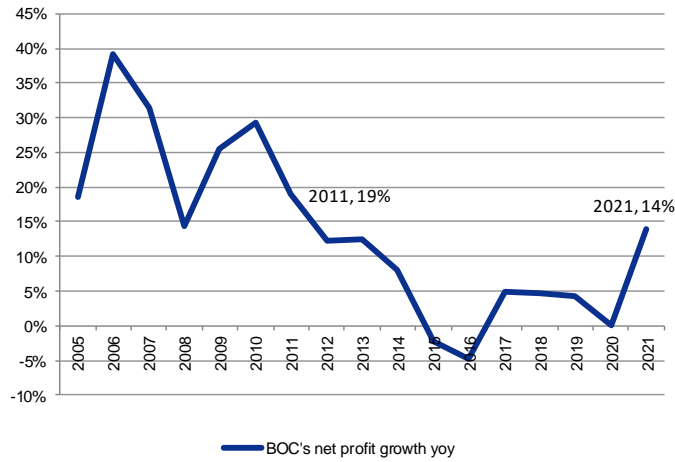
Financial Summary

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Net Interest Income (Rmbm)	415,918	425,142	446,681	475,843	506,133
Total Non-Interest Income (Rmbm)	151,729	180,575	191,634	205,972	222,332
Operating Revenue (Rmbm)	567,647	605,717	638,314	681,816	728,465
Total Provision Charges (Rmbm)	(119,016)	(104,220)	(107,826)	(111,294)	(111,179)
Net Profit (Rmbm)	180,841	205,908	222,429	244,798	271,948
Core EPS (Rmb)	0.61	0.70	0.76	0.83	0.92
Core EPS Growth	0.1%	13.9%	8.0%	10.1%	11.1%
FD Core P/E (x)	4.04	3.55	3.28	2.98	2.69
DPS (Rmb)	0.20	0.22	0.24	0.26	0.29
Dividend Yield	7.9%	8.9%	9.6%	10.6%	11.8%
BVPS (Rmb)	5.98	6.47	7.03	7.63	8.30
P/BV (x)	0.41	0.38	0.35	0.33	0.30
ROE	10.6%	11.2%	11.2%	11.3%	11.6%
% Change In Core EPS Estimates			2.59%	3.30%	2.66%
CGS-CIMB/Consensus EPS (x)			1.08	1.11	1.10

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

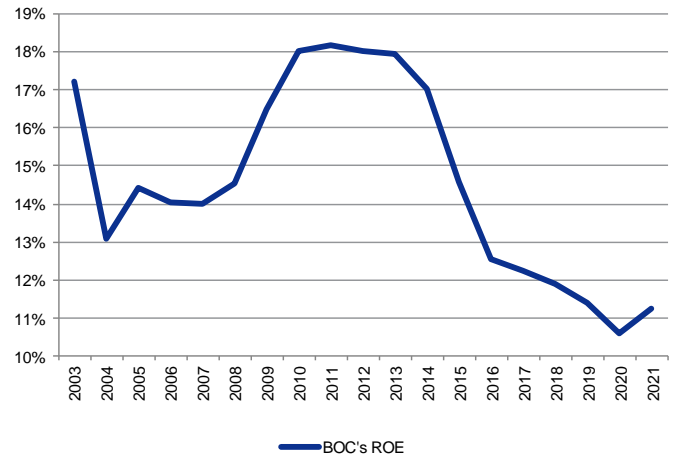
Well exposed to a sharply rising rate trend

Figure 1: BOC's net profit growth yoy


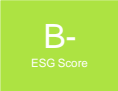
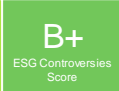
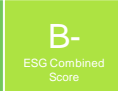





SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: BOC's ROE



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Refinitiv ESG Scores	
	
     	
<p>ESG in a nutshell</p> <p>BOC scored B- rating for its combined ESG score by Refinitiv in 2020. Bank of China has rigorously practiced the concept of green and low-carbon services and reduced paper consumption. As of the end of 2020, the electronic conciliation rate of BOC reached 97.8%, and its use of electronic bills have saved 257 million paper sheets according to BOC. The bank also incorporated the requirements of green finance into credit policies, and established the Bank of China University in May 2020 to empower its employees career development and cultivate innovative talents. To help the government achieve carbon neutrality by 2060, the bank has created a roadmap for the implementation of its green finance plan during 2021-2025 in 15 aspects, including organizational structure, stress tests and product innovation.</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>According to Reuters in Sep 2021, Bank of China stated that it would stop financing new coal mining and coal power projects overseas from 4Q21. This may not yet be factored into valuations in our view, and we think a successful pullback from financing in these segments should be positive for valuations.</p>
<p>ESG highlights</p> <p>BOC'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 strengthened risk management capabilities, people-oriented working culture, and increased green finance projects.</p>	<p>Implications</p> <p>BOC has made great efforts in supporting sustainable development over the past few years. While not priced in at the current stage, we believe BOC's ESG progress and prominence could support future re-rating cycles.</p>
<p>Trends</p> <p>Over the 2016 - 2020 period, BOC has improved its Refinitiv combined ESG score in each pillar, which had been C+ in both 2016 and 2017, before moving up to B- from 2018 onwards. This was driven by improvements across major ESG categories. Its Refinitiv environmental pillar score rose from B- in both 2016 and 2017 to B from 2018 onwards. Its Refinitiv governance pillar score rose from B in 2016 to B over the 2017 – 2019 period, after which it fell to B- in 2020. Its Refinitiv social pillar score has been more volatile, from B- over the 2016 – 2018 period to 2019's C+ and then B in 2020. Similarly, its Refinitiv ESG controversies score has been volatile, moving from A- in 2016 to 2017's C- to 2018 and 2019's A+ and finally 2020's A-.</p>	<p>Implications</p> <p>On average, the improvements seem to be positive, with further improvements most likely in our view driven by its environment pillar score over the medium to long term. We think this will be driven by its role as an important State-Owned-Enterprise (SOE) bank to support green financing, and thus help China achieve its targets of peak carbon emissions by 2030 and carbon neutrality by 2060. We think this has positive implications on its ESG score.</p>

SOURCES: CGS-CIMB RESEARCH, REFINITIV

Changes to our forecasts

We raise FY21F-24F EPS by 2.6% to 3.3%, which primarily reflects our view of lower credit costs over this period (Fig 3).

Figure 3: Changes to our forecasts

(Rmb m)	FY22F			FY23F			FY24F		
	Old	New	+/-	Old	New	+/-	Old	New	+/-
Net interest income	481,018	446,681	-7.1%	508,489	475,843	-6.4%	495,625	506,133	2.1%
Non interest income	180,157	191,634	6.4%	196,891	205,972	4.6%	216,470	222,332	2.7%
Total operating income	661,176	638,314	-3.5%	705,380	681,816	-3.3%	712,095	728,465	2.3%
Operating expense	-227,813	-234,243	2.8%	-238,669	-245,703	2.9%	-245,261	-257,788	5.1%
Pre-prov profit	433,362	404,071	-6.8%	466,710	436,113	-6.6%	466,834	470,676	0.8%
Provisions	-147,950	-107,826	-27.1%	-149,676	-111,294	-25.6%	-111,494	-111,179	-0.3%
Operating profit	285,570	297,723	4.3%	317,192	326,296	2.9%	355,498	360,976	1.5%
Tax	-47,849	-53,041	10.9%	-53,923	-58,131	7.8%	-64,187	-64,309	0.2%
Net profit to common shareholders	214,509	222,429	2.6%	238,535	244,798	3.3%	264,905	271,948	2.7%
Key ratios									
EPS (Rmb)	0.73	0.76	2.6%	0.81	0.83	3.3%	0.90	0.92	2.7%
EPS growth	9.0%	8.0%	-1.0% pts	11.2%	10.1%	-1.1% pts	11.8%	11.1%	-0.7% pts
PPOP per share	1.47	1.37	-6.8%	1.59	1.48	-6.6%	1.59	1.60	0.8%
PPOP per share growth	9.3%	6.5%	-2.8% pts	7.7%	7.9%	0.2% pts	7.8%	7.9%	0.1% pts
ROA	0.82%	0.84%	2bp	0.85%	0.86%	1bp	0.88%	0.89%	1bp
ROE	10.8%	11.2%	0.4% pts	11.1%	11.3%	0.2% pts	11.4%	11.6%	0.2% pts
Payout ratio	32.1%	31.6%	-0.5% pts	32.1%	31.6%	-0.5% pts	32.1%	31.6%	-0.5% pts
Core tier 1 ratio	11.6%	11.4%	-0.19% pts	11.8%	11.6%	-0.16% pts	12.0%	11.8%	-0.16% pts
Tier 1 ratio	13.3%	13.3%	0.02% pts	13.3%	13.3%	0.03% pts	13.4%	13.4%	0.02% pts
Total CAR	15.9%	16.3%	0.39% pts	15.8%	16.1%	0.35% pts	16.4%	16.0%	-0.35% pts
Loan-deposit ratio	86.0%	87.9%	1.9% pts	87.0%	88.9%	1.9% pts	91.0%	89.9%	-1.1% pts
NPL ratio	1.35%	1.30%	-6bp	1.33%	1.27%	-6bp	1.17%	1.25%	8bp
Cost-income ratio	34.5%	36.7%	224bp	33.8%	36.0%	220bp	34.4%	35.4%	95bp
Net interest margin	1.85%	1.69%	-16bp	1.82%	1.67%	-15bp	1.66%	1.66%	0bp
Credit cost	0.90%	0.65%	-25bp	0.83%	0.61%	-23bp	0.58%	0.55%	-3bp
Provisioning coverage ratio	203.4%	185.0%	-18.4% pts	213.5%	181.3%	-32.3% pts	202.3%	174.9%	-27.3% pts
Loan growth	9.7%	11.1%	1.4% pts	9.2%	10.9%	1.7% pts	8.9%	10.7%	1.8% pts
Interbank assets growth	5.6%	5.0%	-0.6% pts	5.9%	5.0%	-0.9% pts	5.0%	5.0%	0.0% pts
Investment growth	8.3%	4.5%	-3.8% pts	8.4%	4.6%	-3.8% pts	4.6%	4.6%	0.0% pts
RWA growth	6.5%	8.1%	1.6% pts	7.1%	7.1%	0.0% pts	7.1%	7.1%	0.0% pts

SOURCES: CGS-CIMB RESEARCH ESTIMATES

Valuation and risks

We value BOC using a stress test adjusted Gordon Growth Model (GGM), with a target price of HK\$4.20 (HK\$4.00 previously).

Our key valuation assumptions are a COE of 10.4% (unchanged), a sustainable growth (g) assumption of 3% (unchanged), an initial sustainable ROE assumption of 11.6% (previously 11.4%) based on FY24F ROE, and an asset quality and investor compensation valuation discount of 28% (unchanged). We also apply a policy risk valuation discount to 40% (unchanged) [Fig 4]. We thus derive a stress-test-adjusted target FY22F P/BV multiple of 0.50x (previously 0.49x), implying a sustainable ROE assumption of 6.7% (previously 6.6%).

We arrive at a target price of HK\$4.20 (previously HK\$4.00) and reiterate our Add rating on BOC.

Figure 4: Valuation using a stress-test-adjusted GGM

	New	Old	% change
Equity risk premium	8.0%	8.0%	0.0%pts
Risk free rate	3.0%	3.0%	0.0%pts
Beta	0.93	0.93	0%
COE	10.4%	10.4%	0.0%pts
g	3.0%	3.0%	0.0%pts
Sustainable ROE (based on FY24F ROE)	11.6%	11.4%	0.2%pts
Initial target P/BV	1.16x	1.13x	3%
Asset quality valuation discount	-28%	-28%	0.0%pts
National service' discount	-40%	-40%	0.0%pts
Final target P/BV	0.50x	0.49x	3%
FY22F BVPS	7.03	7.01	0%
Rmb/HK\$	1.19	1.19	0%
Target price (Rmb)	3.50	3.41	3%
Target price (HK\$)	4.20	4.00	5%
TP-implied sustainable ROE	6.7%	6.6%	0.1%pts
Current share price	3.05		
Upside/ downside	37.7%		

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 with 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 5: 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	4.72	5.80	23%	0.49	0.45	4.2	3.9	2.2	2.0	7.4	8.0	12.2	12.0
CCB	0939 HK	Add	169.4	5.75	8.00	39%	0.49	0.45	4.1	3.8	2.2	2.0	7.5	8.1	12.4	12.3
BOC	3988 HK	Add	129.5	3.05	4.20	38%	0.40	0.37	3.7	3.4	2.0	1.9	8.6	9.3	11.2	11.2
ABC	1288 HK	Add	156.0	2.95	4.40	49%	0.42	0.39	3.8	3.5	1.8	1.7	8.3	8.9	11.6	11.5
BOCOM	3328 HK	Hold	49.3	5.52	5.30	-4%	0.44	0.40	4.2	3.9	2.1	2.0	7.6	8.3	10.8	10.9
CMB	3968 HK	Add	204.7	60.10	84.10	40%	1.74	1.54	11.0	9.4	6.1	5.5	3.0	3.5	17.0	17.4
CITIC	0998 HK	Add	30.5	3.90	4.90	26%	0.32	0.29	3.1	2.8	1.1	1.1	9.2	10.1	10.8	10.9
MSB	1988 HK	Hold	24.8	3.10	2.90	-6%	0.24	0.22	3.4	3.1	1.0	0.9	8.8	9.6	7.1	7.3
CQRCB	3618 HK	Add	6.1	2.95	4.10	39%	0.28	0.26	2.8	2.5	1.3	1.2	10.5	11.8	10.2	10.6
H-share weighted average							0.68	0.61	5.2	4.7	2.7	2.5	7.0	7.6	12.6	12.6
ICBC - A	601398 CH	Add	243.4	4.72	5.10	8%	0.58	0.53	4.9	4.6	2.6	2.4	6.2	6.7	12.2	12.0
CCB - A	601939 CH	Add	169.4	6.23	7.10	14%	0.63	0.58	5.3	4.9	2.8	2.6	5.8	6.3	12.4	12.3
BOC - A	601988 CH	Add	129.5	3.19	3.80	19%	0.49	0.45	4.6	4.2	2.5	2.3	6.9	7.5	11.2	11.2
ABC - A	601288 CH	Add	156.0	3.03	3.90	29%	0.52	0.48	4.6	4.3	2.2	2.1	6.8	7.3	11.6	11.5
BOCOM - A	601328 CH	Hold	49.3	5.01	4.80	-4%	0.47	0.44	4.5	4.2	2.3	2.1	7.1	7.7	10.8	10.9
CMB - A	600036 CH	Add	204.7	45.01	71.50	59%	1.55	1.37	9.8	8.3	5.4	4.9	3.4	4.0	17.0	17.4
CITIC - A	601998 CH	Add	30.5	4.87	4.90	1%	0.47	0.43	4.5	4.1	1.7	1.6	6.2	6.8	10.8	10.9
MSB - A	600016 CH	Reduce	24.8	3.88	2.70	-30%	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	14.68	22.70	55%	0.88	0.77	8.5	5.9	2.4	2.2	1.6	2.2	10.8	14.0
CQRCB - A	601077 CH	Add	6.1	3.86	4.50	17%	0.43	0.40	4.4	3.9	2.0	1.9	6.8	7.6	10.2	10.6
A-share weighted average							0.73	0.66	5.9	5.2	2.9	2.7	5.6	6.2	12.5	12.7
Combined sector weighted average							0.70	0.63	5.5	4.9	2.8	2.6	6.3	6.9	12.6	12.6

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

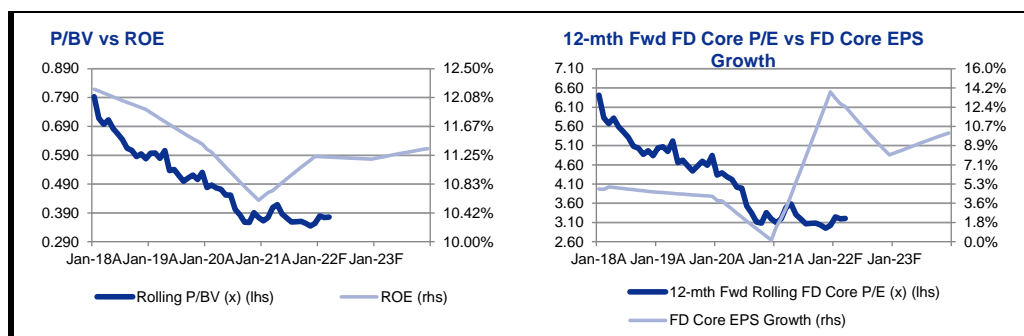
(*ICBC: INDUSTRIAL AND COMMERCIAL BANK OF CHINA; CCB: CHINA CONSTRUCTION BANK; BOC: BANK OF CHINA; ABC: AGRICULTURAL BANK OF CHINA; BOCOM: BANK OF COMMUNICATIONS; CMB: CHINA MERCHANTS BANK; CITIC: CHINA CITIC BANK; MSB: CHINA MINSHENG BANK; CQRCB: CHONGQING RURAL COMMERCIAL BANK)

DATA AS OF 29 MAR 2022

Figure 6: Key financial data

Profit & loss								
(Rmb m)	2018	2019	2020	2021	2022F	2023F	2024F	2025F
Net interest income	359,706	374,250	415,918	425,142	446,681	475,843	506,133	538,180
yoy	6.3%	4.0%	11.1%	2.2%	5.1%	6.5%	6.4%	6.3%
Non interest income	144,100	175,760	151,729	180,575	191,634	205,972	222,332	240,032
yoy	-0.9%	22.0%	-13.7%	19.0%	6.1%	7.5%	7.9%	8.0%
Total revenue	503,806	550,010	567,647	605,717	638,314	681,816	728,465	778,212
yoy	4.1%	9.2%	3.2%	6.7%	5.4%	6.8%	6.8%	6.8%
Operating expenses	-176,979	-198,269	-202,411	-226,355	-234,243	-245,703	-257,788	-270,436
Pre-prov profit	326,827	351,741	365,236	379,362	404,071	436,113	470,676	507,776
yoy	5.5%	7.6%	3.8%	3.9%	6.5%	7.9%	7.9%	7.9%
Provisioning expenses	-99,294	-102,153	-119,016	-104,220	-107,826	-111,294	-111,179	-104,643
Net profit to common shareholders	173,295	180,579	180,841	205,908	222,429	244,798	271,948	306,109
yoy	4.6%	4.2%	0.1%	13.9%	8.0%	10.1%	11.1%	12.6%
Key balance sheet items								
(Rmb m)	2018	2019	2020	2021	2022F	2023F	2024F	2025F
Loans	11,787,683	13,034,189	14,183,385	15,674,994	17,417,519	19,318,919	21,389,249	23,638,670
Interbank assets	1,482,289	1,464,426	1,742,465	1,902,229	1,997,340	2,097,207	2,202,068	2,312,171
Investments	5,054,551	5,514,062	5,591,117	6,164,671	6,444,822	6,738,981	7,047,848	7,372,159
Deposits	14,883,596	15,817,548	16,879,171	18,142,887	19,815,725	21,731,688	23,792,940	26,005,863
Interbank liabilities	1,731,209	1,668,046	1,917,003	2,682,739	2,733,905	2,704,679	2,666,708	2,619,464
Common shareholders' equity	1,513,266	1,651,808	1,760,929	1,905,648	2,068,448	2,246,550	2,443,223	2,663,263
Total shareholders' equity	1,725,397	1,976,696	2,162,837	2,350,553	2,524,956	2,715,773	2,926,514	3,162,322
RWA	12,841,526	14,123,915	15,109,085	16,323,713	17,643,397	18,897,333	20,240,388	21,678,895
Total assets	21,267,275	22,769,744	24,402,659	26,722,408	28,688,450	30,727,371	32,911,200	35,250,236
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Loans	8.2%	10.6%	8.8%	10.5%	11.1%	10.9%	10.7%	10.5%
Interbank assets	30.5%	-1.2%	19.0%	9.2%	5.0%	5.0%	5.0%	5.0%
Investments	11.0%	9.1%	1.4%	10.3%	4.5%	4.6%	4.6%	4.6%
Deposits	9.0%	6.3%	6.7%	7.5%	9.2%	9.7%	9.5%	9.3%
Interbank liabilities	21.5%	-3.6%	14.9%	39.9%	1.9%	-1.1%	-1.4%	-1.8%
Common shareholders' equity	8.4%	9.2%	6.6%	8.2%	8.5%	8.6%	8.8%	9.0%
Total shareholders' equity	9.4%	14.6%	9.4%	8.7%	7.4%	7.6%	7.8%	8.1%
RWA	5.6%	10.0%	7.0%	8.0%	8.1%	7.1%	7.1%	7.1%
Total assets	9.2%	7.1%	7.2%	9.5%	7.4%	7.1%	7.1%	7.1%
Key ratios & drivers								
	2018	2019	2020	2021	2022F	2023F	2024F	2025F
EPS (Rmb)	0.59	0.61	0.61	0.70	0.76	0.83	0.92	1.04
EPS Growth	4.6%	4.2%	0.1%	13.9%	8.0%	10.1%	11.1%	12.6%
BVPS (Rmb)	5.14	5.61	5.98	6.47	7.03	7.63	8.30	9.05
BVPS Growth	8.4%	9.2%	6.6%	8.2%	8.5%	8.6%	8.8%	9.0%
ROAE	11.9%	11.4%	10.6%	11.2%	11.2%	11.3%	11.6%	12.0%
ROAA	0.88%	0.85%	0.82%	0.85%	0.84%	0.86%	0.89%	0.93%
DPS (Rmb)	0.18	0.19	0.20	0.22	0.24	0.26	0.29	0.33
Payout ratio	31%	31%	32%	32%	32%	32%	32%	32%
Core tier 1 ratio	11.4%	11.3%	11.3%	11.3%	11.4%	11.6%	11.8%	12.0%
Tier 1 ratio	12.3%	12.8%	13.2%	13.3%	13.3%	13.3%	13.4%	13.5%
Total CAR	15.0%	15.6%	16.2%	16.5%	16.3%	16.1%	16.0%	15.9%
Equity/Assets	8.3%	8.9%	9.2%	9.1%	9.1%	9.2%	9.2%	9.3%
Loan-deposit ratio	79%	82%	84%	86%	88%	89%	90%	91%
NPL ratio	1.42%	1.37%	1.46%	1.33%	1.30%	1.27%	1.25%	1.23%
NPL coverage	181.8%	182.5%	177.6%	186.8%	185.0%	181.3%	174.9%	164.4%
LLR to loan	2.57%	2.50%	2.60%	2.49%	2.40%	2.30%	2.19%	2.02%
Cost-income ratio	35%	36%	36%	37%	37%	36%	35%	35%
Net interest margin	1.90%	1.84%	1.85%	1.75%	1.69%	1.67%	1.66%	1.64%
Non interest income/ total income	29%	32%	27%	30%	30%	30%	31%	31%
Credit cost	0.88%	0.82%	0.87%	0.70%	0.65%	0.61%	0.55%	0.46%

SOURCES: CGS-CIMB RESEARCH ESTIMATES

BY THE NUMBERS

Profit & Loss

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Net Interest Income	415,918	425,142	446,681	475,843	506,133
Total Non-Interest Income	151,729	180,575	191,634	205,972	222,332
Operating Revenue	567,647	605,717	638,314	681,816	728,465
Total Non-Interest Expenses	(202,411)	(226,355)	(234,243)	(245,703)	(257,788)
Pre-provision Operating Profit	365,236	379,362	404,071	436,113	470,676
Total Provision Charges	(119,016)	(104,220)	(107,826)	(111,294)	(111,179)
Operating Profit After Provisions	246,220	275,142	296,245	324,818	359,498
Pretax Income/(Loss) from Assoc.	158	1,478	1,478	1,478	1,478
Operating EBIT (incl Associates)	246,378	276,620	297,723	326,296	360,976
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	246,378	276,620	297,723	326,296	360,976
Exceptional Items	0	0	0	0	0
Pre-tax Profit	246,378	276,620	297,723	326,296	360,976
Taxation	(41,282)	(49,281)	(53,041)	(58,131)	(64,309)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	205,096	227,339	244,683	268,165	296,666
Minority Interests	(12,226)	(10,780)	(11,602)	(12,716)	(14,067)
Pref. & Special Div	(12,029)	(10,651)	(10,651)	(10,651)	(10,651)
FX And Other Adj.	0	0	0	0	0
Net Profit	180,841	205,908	222,429	244,798	271,948
Recurring Net Profit	180,841	205,908	222,429	244,798	271,948

Balance Sheet Employment

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Gross Loans/Cust Deposits	84.0%	86.4%	87.9%	88.9%	89.9%
Avg Loans/Avg Deposits	83.2%	85.3%	87.2%	88.4%	89.4%
Avg Liquid Assets/Avg Assets	39.2%	38.6%	37.7%	36.0%	34.2%
Avg Liquid Assets/Avg IEAs	41.1%	40.6%	39.5%	37.6%	35.6%
Net Cust Loans/Assets	56.7%	57.3%	59.3%	61.4%	63.6%
Net Cust Loans/Broad Deposits	68.7%	68.9%	71.0%	73.1%	75.2%
Equity & Provs/Gross Cust Loans	17.0%	16.7%	16.1%	15.6%	15.1%
Asset Risk Weighting	62.0%	61.2%	61.5%	61.5%	61.5%
Provision Charge/Avg Cust Loans	0.87%	0.70%	0.65%	0.61%	0.55%
Provision Charge/Avg Assets	0.51%	0.41%	0.39%	0.37%	0.35%
Total Write Offs/Average Assets	0.324%	0.322%	0.290%	0.283%	0.279%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Gross Loans	15,122,705	16,932,407	18,737,803	20,705,217	22,844,862
Liquid Assets & Invst. (Current)	5,591,117	6,164,671	6,444,822	6,738,981	7,047,848
Other Int. Earning Assets	2,076,840	2,228,726	2,164,677	1,955,502	1,695,830
Total Gross Int. Earning Assets	22,790,662	25,325,804	27,347,302	29,399,700	31,588,541
Total Provisions/Loan Loss Reserve	(368,173)	(390,090)	(417,728)	(444,888)	(467,377)
Total Net Interest Earning Assets	22,422,489	24,935,714	26,929,574	28,954,812	31,121,164
Intangible Assets	18,139	19,411	19,411	19,411	19,411
Other Non-Interest Earning Assets	1,125,794	1,084,887	1,062,409	1,042,238	1,024,170
Total Non-Interest Earning Assets	1,143,933	1,104,298	1,081,820	1,061,649	1,043,581
Cash And Marketable Securities	803,145	644,816	677,057	710,910	746,455
Long-term Investments	0	0	0	0	0
Total Assets	24,369,567	26,684,828	28,688,450	30,727,371	32,911,200
Customer Interest-Bearing Liabilities	17,291,120	18,550,654	20,231,269	22,142,790	24,198,270
Bank Deposits	2,804,814	3,638,296	3,707,687	3,668,050	3,616,555
Interest Bearing Liabilities: Others	1,270,437	1,415,032	1,442,020	1,426,604	1,406,576
Total Interest-Bearing Liabilities	21,366,371	23,603,982	25,380,976	27,237,445	29,221,402
Bank's Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	873,451	767,873	782,518	774,153	763,284
Total Liabilities	22,239,822	24,371,855	26,163,494	28,011,597	29,984,686
Shareholders' Equity	2,038,419	2,225,153	2,387,953	2,566,055	2,762,728
Minority Interests	124,418	125,400	137,002	149,718	163,786
Total Equity	2,162,837	2,350,553	2,524,956	2,715,773	2,926,514

Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Income Growth	3.21%	6.71%	5.38%	6.82%	6.84%
Operating Profit Growth	3.84%	3.87%	6.51%	7.93%	7.93%
Pretax Profit Growth	(1.7%)	12.3%	7.6%	9.6%	10.6%
Net Interest To Total Income	73.3%	70.2%	70.0%	69.8%	69.5%
Cost Of Funds	1.66%	1.63%	1.91%	1.93%	1.95%
Return On Interest Earning Assets	3.38%	3.25%	3.46%	3.46%	3.46%
Net Interest Spread	1.72%	1.63%	1.55%	1.53%	1.51%
Net Interest Margin (Avg Deposits)	2.54%	2.43%	2.35%	2.29%	2.22%
Net Interest Margin (Avg RWA)	2.85%	2.71%	2.63%	2.60%	2.59%
Provisions to Pre Prov. Operating Profit	32.6%	27.5%	26.7%	25.5%	23.6%
Interest Return On Average Assets	1.77%	1.67%	1.61%	1.60%	1.59%
Effective Tax Rate	16.8%	17.8%	17.8%	17.8%	17.8%
Net Dividend Payout Ratio	32.1%	31.6%	31.6%	31.6%	31.6%
Return On Average Assets	0.77%	0.81%	0.80%	0.82%	0.85%

Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Loan Growth (%)	8.8%	10.5%	11.1%	10.9%	10.7%
Net Interest Margin (%)	1.9%	1.8%	1.7%	1.7%	1.7%
Non Interest Income Growth (%)	-13.7%	19.0%	6.1%	7.5%	7.9%
Cost-income Ratio (%)	35.7%	37.4%	36.7%	36.0%	35.4%
Provision charge as % avg loans	0.9%	0.7%	0.7%	0.6%	0.5%
Effective tax rate (%)	16.8%	17.8%	17.8%	17.8%	17.8%
Net NPL Ratio (%)	1.5%	1.3%	1.3%	1.3%	1.2%
Provisioning coverage ratio (%)	177.6%	186.8%	185.0%	181.3%	174.9%
Loan Loss Reserve (%)	2.6%	2.5%	2.4%	2.3%	2.2%
Deposit Growth (%)	6.7%	7.5%	9.2%	9.7%	9.5%
Loan-deposit Ratio (%)	84.0%	86.4%	87.9%	88.9%	89.9%
Core Tier 1 ratio (%)	11.3%	11.3%	11.4%	11.6%	11.8%
Risk weighted assets to total assets ratio (%)	61.9%	61.1%	61.5%	61.5%	61.5%
Dividend payout ratio (%)	32.1%	31.6%	31.6%	31.6%	31.6%

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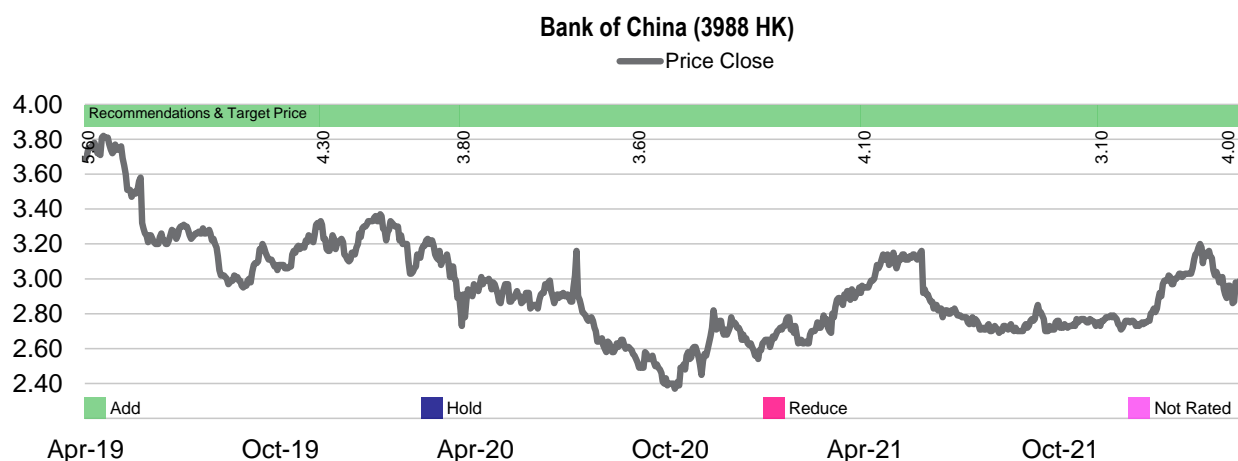
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%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

