

Hong Kong

ADD (no change)

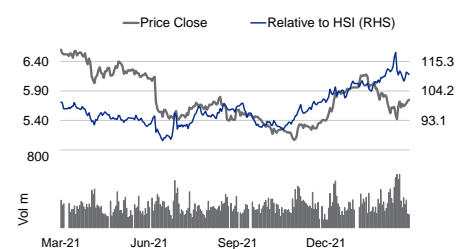
Consensus ratings*: Buy 29 Hold 2 Sell 0

Current price:	HK\$5.75
Target price:	HK\$8.00
Previous target:	HK\$8.00
Up/downside:	39.1%
CGS-CIMB / Consensus:	0.1%
Reuters:	0939.HK
Bloomberg:	939 HK
Market cap:	US\$186,010m HK\$1,455,824m
Average daily turnover:	US\$200.4m HK\$1,565m
Current shares o/s:	250,011m
Free float:	42.6%

*Source: Bloomberg

Key changes in this note

- FY22F EPS raised by 1%.
- FY23F EPS raised by 1%.
- FY24F EPS raised by 1%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-1.9	6.3	-13.9
Relative (%)	1.6	11.3	8.7

Major shareholders	% held
Huijin	57.3
Temasek	5.8

Analyst(s)



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China Construction Bank

I want to break free

- FY21 net profit rose 12.3%, breaking out of the low-mid single-digit growth range since FY14 and the strongest growth since FY11.
- We like FY21 ROE (first rise in 10 years), 4Q21 NIM (+3bp qoq), 4Q21 NPL ratio (-9bp qoq) and its highest-among-peers FY21 core Tier 1 ratio of 13.6%.
- Interestingly, 2H21 mortgage mix rose 32bp hoh to 34%, indicating there is little near-term pressure from Dec 2020 rules capping real-estate lending mix.
- Reiterate Add. We lift our FY22F-24F EPS by 1% on lower credit cost assumptions. Our TP remains at HK\$8.

Strongest net profit growth in 9 years, first ROE rise in 10 years

FY21 net profit rose 12.3% yoy (strongest rise since FY12 in Fig 1) and 1% above our forecast, with 4Q21 net profit up 10.5% yoy. FY21 ROE was 12.5%, up 43bp yoy and the first rise in ROE since FY11 (Fig 2).

What we liked about the FY21 results

i) 4Q21 net interest margin (NIM) was 2.16%, +3bp qoq; ii) 4Q21 non-performing loan (NPL) ratio was 1.42%, -9bp qoq and -14bp yoy. 2H21 mix of loans over 90 days overdue was 0.68%, -8bp hoh, with 2H21 mix of loans under 90 days overdue at 0.26%, -6bp hoh. 2H21 special mention loans ratio was 2.69%, -10bp hoh; iii) 4Q21 provisioning coverage ratio was 240%, up 11% pts qoq. 4Q21 loan loss reserve (LLR) to loans was 3.4%, -5bp qoq; iv) NPL recognition standards tightened further, with 2H21's NPL recognition ratio (NPLs/loans over 90 days overdue) at 208%, up 8% pts hoh; v) 4Q21 core Tier 1 ratio remains top-of-peers at 13.6%, -3bp yoy and +19bp qoq; vi) FY21 credit costs were 0.95%, -25bp yoy; vii) 4Q21 loan growth yoy was 12.1% (3Q21: 10.5%, 4Q20: 11.5%).

What we did not like about the FY21 results

i) FY21 cost-to-income ratio was 28.7%, up 2.3% pts yoy; ii) FY21 effective tax rate was 19.7% (FY20: 18.7%, FY19: 17.6%, FY18: 17%); iii) 4Q21 net fee income growth was 5.4% (3Q21: 4.7%, 2H21: 5%, 1H21: 6.8%). For 2H21 yoy, bank card fees were -1.7% (1H21: -0.4%), wealth management fees were 34% (1H21: 6.8%), agency service fees were 1.8% (1H21: 17.8%) and electronic banking service fees were -1.3% (1H21: 0.8%); iv) The higher-than-expected expenses drove 4Q21 pre-provisioning operating profit (PPOP) down 3.5% yoy (3Q21: +8.5% yoy).

What else we thought was interesting about the FY21 results

i) 2H21 mix of mortgages was 34%, +32bp hoh; ii) 2H21 domestic corporate loans rose 14.8% yoy (1H21: 14.8%); iii) 2H21 domestic mortgages rose 9.5% yoy (1H21: 9.2%).

Reiterate Add with a TP of HK\$8.00

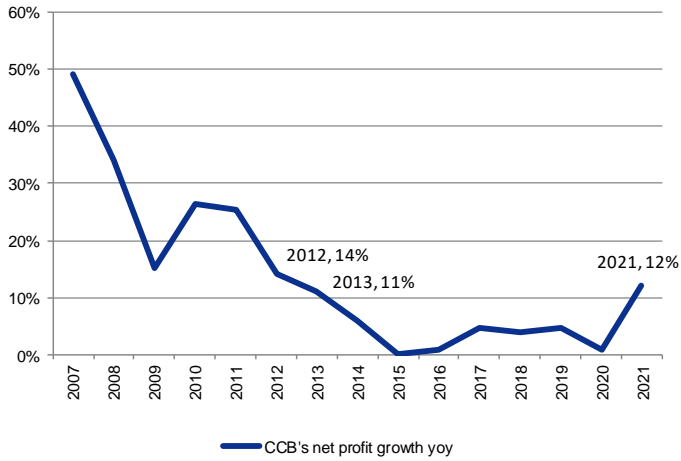
We value CCB via a stress-test adjusted GGM. We lift our FY22F-24F EPS by 1% on lower credit cost assumptions. Potential re-rating catalysts: better asset quality and economy. Key downside risks: worse-than-expected NIM & greater social responsibilities.

Financial Summary	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Net Interest Income (Rmbm)	575,909	605,420	653,660	713,050	774,981
Total Non-Interest Income (Rmbm)	138,315	159,286	166,303	178,120	193,554
Operating Revenue (Rmbm)	714,224	764,706	819,963	891,170	968,535
Total Provision Charges (Rmbm)	(189,929)	(168,715)	(181,356)	(198,475)	(205,455)
Net Profit (Rmbm)	265,426	297,975	321,360	350,592	389,651
Core EPS (Rmb)	1.06	1.19	1.29	1.40	1.56
Core EPS Growth	1.0%	12.3%	7.8%	9.1%	11.1%
FD Core P/E (x)	4.40	3.92	3.64	3.33	3.00
DPS (Rmb)	0.33	0.36	0.39	0.43	0.48
Dividend Yield	7.0%	7.8%	8.4%	9.2%	10.2%
BVPS (Rmb)	9.06	9.95	10.87	11.88	13.01
P/BV (x)	0.52	0.47	0.43	0.39	0.36
ROE	12.2%	12.5%	12.3%	12.3%	12.5%
% Change In Core EPS Estimates			1.02%	1.02%	1.02%
CGS-CIMB/Consensus EPS (x)			1.04	1.05	1.06

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

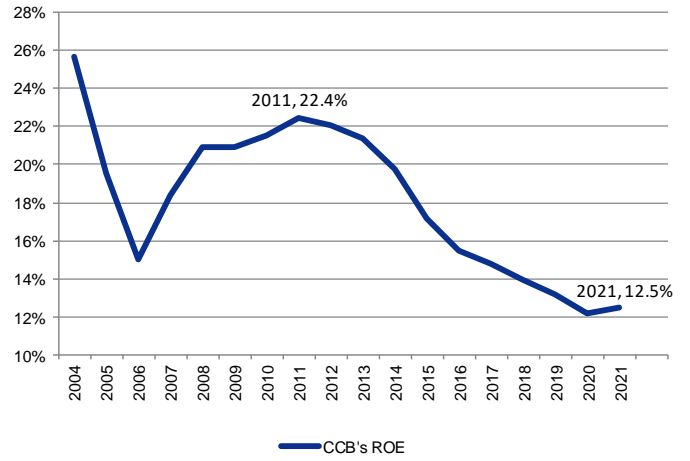
I want to break free

Figure 1: CCB's net profit growth yoy




SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: CCB's ROE



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

ESG in a nutshell		Refinitiv ESG Scores						
			B ESG Score	A+ ESG Controversies Score	B ESG Combined Score	B ESG Environment Pillar Score	B- ESG Social Pillar Score	A- ESG Government Pillar Score
<p>CCB scored a B rating for its combined ESG score by Refinitiv over 2016-20. With the development philosophy of “digital, platform-based, and ecosystem-based development with empowerment”, CCB successfully met its strategic plan objectives for inclusive finance, leveraging on fintech and big data, while adhering to innovation-driven growth and social empowerment. The bank closely combined poverty alleviation with New Finance Actions and made coordinated efforts in promoting poverty alleviation. Through the four major mechanisms of fintech assistance, credit enhancement, industrial chain refinement, and management improvement, CCB provides convenient and fast online financing in poverty-stricken areas. Also, CCB has successfully completed its goal for energy conservation and consumption reduction. Over the past five years, CCB’s average annual electricity consumption dropped by over 2m kilowatt-hours and created a more environmentally friendly workspace. CCB also launched China’s first green bond index, the CCB-Wind Green ESG Bond Index, at the Luxembourg Stock Exchange in May 2021, which will further support the development of green finance in China.</p>								
<p>Keep your eye on</p> <p>The pace at which green finance solutions are rolled out by the China banks, as well as the extent to which the China banks ramp 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, CCB will improve its green finance system with stricter standards and take 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>According to China Securities Journal, CCB’s B- ESG score is the highest among its sectoral peers in China. It is the highest rating by Refinitiv of the China banks under our coverage.</p>	<p>Implications</p> <p>CCB has proactively demonstrated its commitment to ESG. While not priced in at the current stage, we believe that CCB’s ESG progress and prominence will be a key differentiating factor among more discerning investors in the future.</p>							
<p>Trends</p> <p>While CCB’s Environmental and Social pillar scores have remained the same over 2016-20 at B and B-, respectively, its Governance pillar score has steadily improved its score from B in 2016 to B+ in both 2017 and 2019, before rising to A- in both 2019 and 2020. Its resource use score of A- in 2020 has remained constant since 2017. Its ESG controversies score of A- in 2020 fell from A+ in both 2018 and 2019.</p>	<p>Implications</p> <p>To help China achieve carbon neutrality by 2060, CCB, as an important state-owned-enterprise (SOE) bank, will further support green financing. We think this will have positive implications on its ESG score.</p>							

SOURCES: CGS-CIMB RESEARCH, REFINITIV

Changes to our forecasts

We raise our FY22F-24F EPS by 1%, to reflect the better-than-expected FY21 results and lower credit cost assumptions in FY22F-24F (Fig 3).

Figure 3: Changes to our forecasts

Table of key changes

(Rmb m)	FY22F			FY23F			FY24F		
	Old	New	+/-	Old	New	+/-	Old	New	+/-
Net interest income	652,148	653,660	0.2%	706,810	713,050	0.9%	773,300	774,981	0.2%
Non interest income	170,090	166,303	-2.2%	184,987	178,120	-3.7%	201,477	193,554	-3.9%
Total operating income	822,238	819,963	-0.3%	891,797	891,170	-0.1%	974,778	968,535	-0.6%
Operating expense	-222,848	-232,670	4.4%	-241,701	-250,346	3.6%	-264,190	-272,080	3.0%
Pre-prov profit	599,390	587,293	-2.0%	650,096	640,823	-1.4%	710,587	696,455	-2.0%
Provisions	-193,331	-181,356	-6.2%	-207,632	-198,475	-4.4%	-219,464	-205,455	-6.4%
Operating profit	406,059	405,938	0.0%	442,465	442,349	0.0%	491,123	491,001	0.0%
Tax	-81,428	-80,242	-1.5%	-88,729	-87,439	-1.5%	-98,487	-97,056	-1.5%
Net profit to common shareholders	318,108	321,360	1.0%	347,041	350,592	1.0%	385,710	389,651	1.0%
Key ratios									
EPS (Rmb)	1.27	1.29	1.0%	1.39	1.40	1.0%	1.54	1.56	1.0%
EPS growth	7.8%	7.8%	0.0% pts	9.1%	9.1%	0.0% pts	11.1%	11.1%	0.0% pts
PPOP per share	2.40	2.35	-2.0%	2.60	2.56	-1.4%	2.84	2.79	-2.0%
PPOP per share growth	7.0%	7.7%	0.6% pts	8.5%	9.1%	0.7% pts	9.3%	8.7%	-0.6% pts
ROA	0.99%	1.01%	2bp	0.99%	1.00%	2bp	1.00%	1.02%	1bp
ROE	12.3%	12.3%	0.1% pts	12.3%	12.3%	0.1% pts	12.5%	12.5%	0.1% pts
Payout ratio	30.7%	30.5%	-0.2% pts	30.7%	30.5%	-0.2% pts	30.7%	30.5%	-0.2% pts
Core tier 1 ratio	13.7%	13.9%	0.14% pts	13.7%	13.8%	0.06% pts	13.8%	13.8%	0.06% pts
Tier 1 ratio	14.3%	14.4%	0.15% pts	14.2%	14.3%	0.06% pts	14.2%	14.2%	0.06% pts
Total CAR	17.3%	18.3%	0.99% pts	17.4%	18.3%	0.92% pts	17.5%	18.4%	0.95% pts
Loan-deposit ratio	83.0%	85.0%	2.0% pts	84.0%	86.0%	2.0% pts	85.0%	87.0%	2.0% pts
NPL ratio	1.46%	1.38%	-8bp	1.42%	1.35%	-7bp	1.39%	1.33%	-6bp
Cost-income ratio	27.1%	28.4%	127bp	27.1%	28.1%	99bp	27.1%	28.1%	99bp
Net interest margin	2.07%	2.11%	3bp	2.05%	2.09%	3bp	2.05%	2.07%	1bp
Credit cost	0.87%	0.86%	0bp	0.84%	0.84%	0bp	0.80%	0.78%	-2bp
Provisioning coverage ratio	255.7%	259.0%	3.3% pts	273.6%	277.9%	4.4% pts	288.6%	292.1%	3.5% pts
Loan growth	11.4%	12.4%	1.0% pts	11.2%	12.2%	1.0% pts	11.0%	11.0%	0.0% pts
Interbank assets growth	7.0%	7.0%	0.0% pts	7.0%	7.0%	0.0% pts	7.0%	7.0%	0.0% pts
Investment growth	7.0%	7.0%	0.0% pts	7.0%	7.0%	0.0% pts	7.0%	7.0%	0.0% pts
RWA growth	7.6%	7.3%	-0.3% pts	9.3%	10.0%	0.7% pts	9.2%	9.3%	0.1% pts

SOURCES: CGS-CIMB RESEARCH ESTIMATES

Valuation and risks

We value CCB using a stress test-adjusted Gordon Growth Model (GGM), with an unchanged target price of HK\$8.00.

Our key valuation assumptions are a COE of 10% (unchanged), a sustainable growth (g) assumption of 3%, an initial sustainable ROE assumption of 12.5% based on FY24F ROE, and an asset quality and investor compensation valuation discount of 24%. We apply a policy risk valuation discount of 40% (Fig 4). We thus derive a stress-test-adjusted target FY22F P/BV multiple of 0.62x, implying a sustainable ROE assumption of 7.3%.

We arrive at a target price of HK\$8.00 and reiterate our Add rating on CCB.

Figure 4: Valuation 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	0.87	0.87	0%
COE	10.0%	10.0%	0%
g	3.0%	3.0%	0%
Sustainable ROE (based on FY24F ROE)	12.5%	12.5%	0%
Initial target P/BV	1.37x	1.36x	1%
Asset quality valuation discount	-24%	-24%	0%
National service discount	-40%	-40%	0%
Final target P/BV	0.62x	0.62x	1%
FY22F BVPS	10.87	10.82	0%
Rmb/HK\$	1.19	1.19	0%
Target price (Rmb)	6.78	6.70	1%
Target price (HK\$)	8.00	8.00	0%
TP-implied sustainable ROE	7.3%	7.3%	0%
Current price	5.75		
Upside/ downside	39%		

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	2.1	7.5	8.1	12.5	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	12.7	12.7
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	0.57	5.2	4.8	2.9	2.7	5.8	6.3	12.5	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	5.8	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	12.7

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)

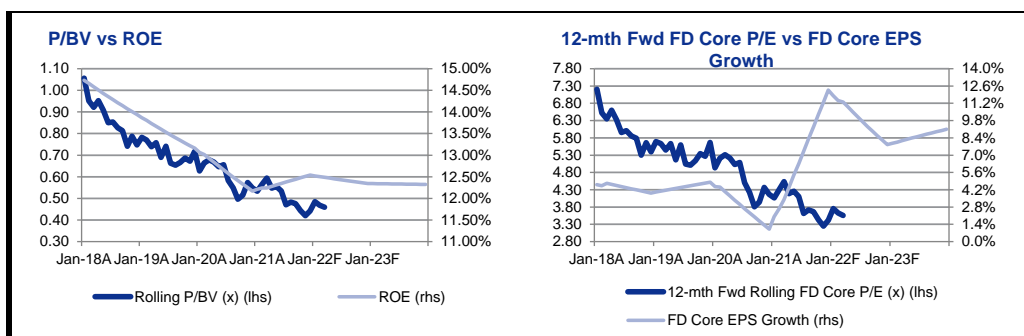
DATA AS OF 29 MAR 2022

Figure 6: Key financial data

Profit & loss								
(Rmb m)	2018	2019	2020	2021	2022F	2023F	2024F	2025F
Net interest income	486,278	510,680	575,909	605,420	653,660	713,050	774,981	839,511
yoy	7.5%	5.0%	12.8%	5.1%	8.0%	9.1%	8.7%	8.3%
Non interest income	147,494	167,321	138,315	159,286	166,303	178,120	193,554	211,937
yoy	4.2%	13.4%	-17.3%	15.2%	4.4%	7.1%	8.7%	9.5%
Total revenue	633,772	678,001	714,224	764,706	819,963	891,170	968,535	1,051,448
yoy	6.7%	7.0%	5.3%	7.1%	10.0%	10.0%	10.0%	10.0%
Operating expenses	-174,764	-188,132	-188,574	-219,182	-232,670	-250,346	-272,080	-295,371
Pre-prov profit	459,008	489,869	525,650	545,524	587,293	640,823	696,455	756,076
yoy	7.5%	6.7%	7.3%	3.8%	7.7%	9.1%	8.7%	8.6%
Provisioning expenses	-150,988	-163,521	-189,929	-168,715	-181,356	-198,475	-205,455	-205,929
Net profit to common shareholders	250,719	262,771	265,426	297,975	321,360	350,592	389,651	437,136
yoy	3.9%	4.8%	1.0%	12.3%	7.8%	9.1%	11.1%	12.2%
Key balance sheet items								
(Rmb m)	2018	2019	2020	2021	2022F	2023F	2024F	2025F
Loans	13,784,115	15,024,159	16,787,432	18,807,830	21,146,618	23,733,945	26,344,679	29,189,904
Interbank assets	1,038,521	1,508,616	1,423,876	892,347	954,811	1,021,648	1,093,163	1,169,685
Investments	5,714,909	6,213,241	6,950,653	7,641,919	8,176,853	8,749,233	9,361,679	10,016,997
Deposits	17,108,678	18,366,293	20,614,976	22,378,814	24,865,790	27,583,814	30,266,276	33,154,140
Interbank liabilities	1,878,462	2,308,909	2,349,997	2,266,101	2,443,371	2,649,218	2,919,720	3,235,245
Bonds	775,785	1,076,575	940,197	1,323,377	1,455,715	1,601,286	1,761,415	1,937,556
Common shareholders' equity	1,896,827	2,096,630	2,264,840	2,488,263	2,718,619	2,971,066	3,253,643	3,571,776
Total shareholders' equity	1,991,594	2,235,127	2,389,353	2,614,122	2,846,003	3,100,110	3,384,531	3,704,730
RWA	13,659,497	15,053,291	16,604,591	18,215,893	19,546,205	21,507,198	23,512,313	25,695,582
Total assets	23,222,693	25,436,261	28,132,254	30,253,979	33,298,475	36,639,178	40,055,047	43,774,415
yoy								
Loans	6.8%	9.0%	11.7%	12.0%	12.4%	12.2%	11.0%	10.8%
Interbank assets	46.6%	45.3%	-5.6%	-37.3%	7.0%	7.0%	7.0%	7.0%
Investments	10.3%	8.7%	11.9%	9.9%	7.0%	7.0%	7.0%	7.0%
Deposits	4.6%	7.4%	12.2%	8.6%	11.1%	10.9%	9.7%	9.5%
Interbank liabilities	4.7%	22.9%	1.8%	-3.6%	7.8%	8.4%	10.2%	10.8%
Bonds	30.1%	38.8%	-12.7%	40.8%	10.0%	10.0%	10.0%	10.0%
Common shareholders' equity	11.6%	10.5%	8.0%	9.9%	9.3%	9.3%	9.5%	9.8%
Total shareholders' equity	10.9%	12.2%	6.9%	9.4%	8.9%	8.9%	9.2%	9.5%
RWA	5.7%	10.2%	10.3%	9.7%	7.3%	10.0%	9.3%	9.3%
Total assets	5.0%	9.5%	10.6%	7.5%	10.1%	10.0%	9.3%	9.3%
Key ratios & drivers								
	2018	2019	2020	2021	2022F	2023F	2024F	2025F
EPS (Rmb)	1.00	1.05	1.06	1.19	1.29	1.40	1.56	1.75
EPS Growth	3.9%	4.8%	1.0%	12.3%	7.8%	9.1%	11.1%	12.2%
BVPS (Rmb)	7.59	8.39	9.06	9.95	10.87	11.88	13.01	14.29
BVPS Growth	12%	11%	8%	10%	9%	9%	10%	10%
ROAE	13.9%	13.2%	12.2%	12.5%	12.3%	12.3%	12.5%	12.8%
ROAA	1.1%	1.1%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
ROARWA	1.9%	1.8%	1.7%	1.7%	1.7%	1.7%	1.7%	1.8%
PPOARWA	3.5%	3.4%	3.3%	3.1%	3.1%	3.1%	3.1%	3.1%
DPS (Rmb)	0.31	0.32	0.33	0.36	0.39	0.43	0.48	0.53
Payout ratio	31%	30%	31%	31%	31%	31%	31%	31%
Core tier 1 ratio	13.8%	13.9%	13.6%	13.6%	13.9%	13.8%	13.8%	13.9%
Tier 1 ratio	14.4%	14.7%	14.2%	14.1%	14.4%	14.3%	14.2%	14.3%
Total CAR	17.2%	17.5%	17.1%	17.9%	18.3%	18.3%	18.4%	18.5%
Equity/Assets	8.9%	9.0%	8.8%	9.0%	8.9%	8.9%	8.9%	8.9%
Loan-deposit ratio	81%	82%	81%	84%	85%	86%	87%	88%
NPL ratio	1.46%	1.41%	1.55%	1.41%	1.38%	1.35%	1.33%	1.31%
NPL write-off rate	22.8%	24.4%	27.0%	23.0%	26.5%	25.0%	25.0%	25.0%
Net NPL formation rate	0.41%	0.44%	0.70%	0.39%	0.51%	0.48%	0.47%	0.46%
NPL coverage	208%	227%	213%	240%	259%	278%	292%	302%
LLR to loan	3.03%	3.21%	3.31%	3.39%	3.57%	3.75%	3.90%	3.97%
Cost-income ratio	28%	28%	26%	29%	28%	28%	28%	28%
Net interest margin	2.31%	2.26%	2.19%	2.13%	2.11%	2.09%	2.07%	2.04%
Non interest income/ total income	23%	25%	19%	21%	20%	20%	20%	20%
Credit cost	1.07%	1.03%	1.05%	0.90%	0.86%	0.84%	0.78%	0.70%

SOURCES: CGS-CIMB RESEARCH ESTIMATES

BY THE NUMBERS



Profit & Loss

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Net Interest Income	575,909	605,420	653,660	713,050	774,981
Total Non-Interest Income	138,315	159,286	166,303	178,120	193,554
Operating Revenue	714,224	764,706	819,963	891,170	968,535
Total Non-Interest Expenses	(188,574)	(219,182)	(232,670)	(250,346)	(272,080)
Pre-provision Operating Profit	525,650	545,524	587,293	640,823	696,455
Total Provision Charges	(189,929)	(168,715)	(181,356)	(198,475)	(205,455)
Operating Profit After Provisions	335,721	376,809	405,938	442,349	491,001
Pretax Income/(Loss) from Assoc.	895	1,603	1,727	1,882	2,089
Operating EBIT (incl Associates)	336,616	378,412	407,665	444,231	493,089
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	336,616	378,412	407,665	444,231	493,089
Exceptional Items					
Pre-tax Profit	336,616	378,412	407,665	444,231	493,089
Taxation	(63,037)	(74,484)	(80,242)	(87,439)	(97,056)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	273,579	303,928	327,423	356,791	396,033
Minority Interests	(2,529)	(1,415)	(1,524)	(1,661)	(1,844)
Pref. & Special Div	(5,624)	(4,538)	(4,538)	(4,538)	(4,538)
FX And Other Adj.	0	0	0	0	0
Net Profit	265,426	297,975	321,360	350,592	389,651
Recurring Net Profit	265,426	297,975	321,360	350,592	389,651

Balance Sheet Employment

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Gross Loans/Cust Deposits	81.4%	84.0%	85.0%	86.0%	87.0%
Avg Loans/Avg Deposits	81.6%	82.8%	84.6%	85.6%	86.6%
Avg Liquid Assets/Avg Assets	40.2%	38.5%	36.8%	35.8%	34.9%
Avg Liquid Assets/Avg IEAs	40.4%	38.7%	36.9%	35.8%	34.8%
Net Cust Loans/Assets	57.7%	60.1%	61.2%	62.4%	63.2%
Net Cust Loans/Broad Deposits	68.4%	71.7%	72.8%	73.9%	74.7%
Equity & Provs/Gross Cust Loans	17.4%	17.2%	16.9%	16.7%	16.6%
Asset Risk Weighting	59.0%	60.2%	58.7%	58.7%	58.7%
Provision Charge/Avg Cust Loans	0%	0%	0%	0%	0%
Provision Charge/Avg Assets	0%	0%	0%	0%	0%
Total Write Offs/Average Assets	0.71%	0.58%	0.57%	0.57%	0.54%

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	18,211,308	19,700,177	22,101,429	24,755,593	27,437,842
Liquid Assets & Invst. (Current)	6,950,653	7,641,919	8,176,853	8,749,233	9,361,679
Other Int. Earning Assets	2,816,164	2,763,892	2,957,364	3,164,380	3,385,887
Total Gross Int. Earning Assets	27,978,125	30,105,988	33,235,647	36,669,206	40,185,408
Total Provisions/Loan Loss Reserve	(556,063)	(637,338)	(754,936)	(889,350)	(1,026,597)
Total Net Interest Earning Assets	27,422,062	29,468,650	32,480,711	35,779,856	39,158,811
Intangible Assets	7,489	7,999	7,999	7,999	7,999
Other Non-Interest Earning Assets	702,703	777,330	809,766	851,323	888,237
Total Non-Interest Earning Assets	710,192	785,329	817,765	859,322	896,236
Cash And Marketable Securities	0	0	0	0	0
Long-term Investments	0	0	0	0	0
Total Assets	28,132,254	30,253,979	33,298,475	36,639,178	40,055,047
Customer Interest-Bearing Liabilities	20,614,976	22,378,814	24,865,790	27,583,814	30,266,276
Bank Deposits	3,131,167	2,951,134	3,128,404	3,334,251	3,604,753
Interest Bearing Liabilities: Others	1,194,276	1,552,399	1,700,768	1,863,493	2,041,977
Total Interest-Bearing Liabilities	24,940,419	26,882,347	29,694,963	32,781,558	35,913,005
Bank's Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	802,482	757,510	757,510	757,510	757,510
Total Liabilities	25,742,901	27,639,857	30,452,473	33,539,068	36,670,515
Shareholders' Equity	2,364,808	2,588,231	2,818,587	3,071,034	3,353,611
Minority Interests	24,545	25,891	27,415	29,077	30,920
Total Equity	2,389,353	2,614,122	2,846,003	3,100,110	3,384,531

Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Income Growth	5.34%	7.07%	7.23%	8.68%	8.68%
Operating Profit Growth	7.30%	3.78%	7.66%	9.11%	8.68%
Pretax Profit Growth	3.1%	12.4%	7.7%	9.0%	11.0%
Net Interest To Total Income	80.6%	79.2%	79.7%	80.0%	80.0%
Cost Of Funds	1.74%	1.74%	1.73%	1.73%	1.73%
Return On Interest Earning Assets	3.71%	3.64%	3.61%	3.59%	3.56%
Net Interest Spread	1.97%	1.90%	1.88%	1.86%	1.83%
Net Interest Margin (Avg Deposits)	2.95%	2.82%	2.77%	2.72%	2.68%
Net Interest Margin (Avg RWA)	3.64%	3.48%	3.46%	3.47%	3.44%
Provisions to Pre Prov. Operating Profit	36.1%	30.9%	30.9%	31.0%	29.5%
Interest Return On Average Assets	2.15%	2.07%	2.06%	2.04%	2.02%
Effective Tax Rate	18.7%	19.7%	19.7%	19.7%	19.7%
Net Dividend Payout Ratio	30.7%	30.5%	30.5%	30.5%	30.5%
Return On Average Assets	0.99%	1.02%	1.01%	1.00%	1.02%

Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Loan Growth (%)	11.7%	12.0%	12.4%	12.2%	11.0%
Net Interest Margin (%)	2.2%	2.1%	2.1%	2.1%	2.1%
Non Interest Income Growth (%)	-17.3%	15.2%	4.4%	7.1%	8.7%
Cost-income Ratio (%)	26.4%	28.7%	28.4%	28.1%	28.1%
Provision charge as % avg loans	1.1%	0.9%	0.9%	0.8%	0.8%
Effective tax rate (%)	18.7%	19.7%	19.7%	19.7%	19.7%
Net NPL Ratio (%)	1.6%	1.4%	1.4%	1.3%	1.3%
Provisioning coverage ratio (%)	213.3%	239.5%	259.0%	277.9%	292.1%
Loan Loss Reserve (%)	3.3%	3.4%	3.6%	3.7%	3.9%
Deposit Growth (%)	-12.7%	40.8%	10.0%	10.0%	10.0%
Loan-deposit Ratio (%)	81.4%	84.0%	85.0%	86.0%	87.0%
Core Tier 1 ratio (%)	14.2%	14.1%	14.4%	14.3%	14.2%
Risk weighted assets to total assets ratio (%)	59.0%	60.2%	58.7%	58.7%	58.7%
Dividend payout ratio (%)	30.7%	30.5%	30.5%	30.5%	30.5%

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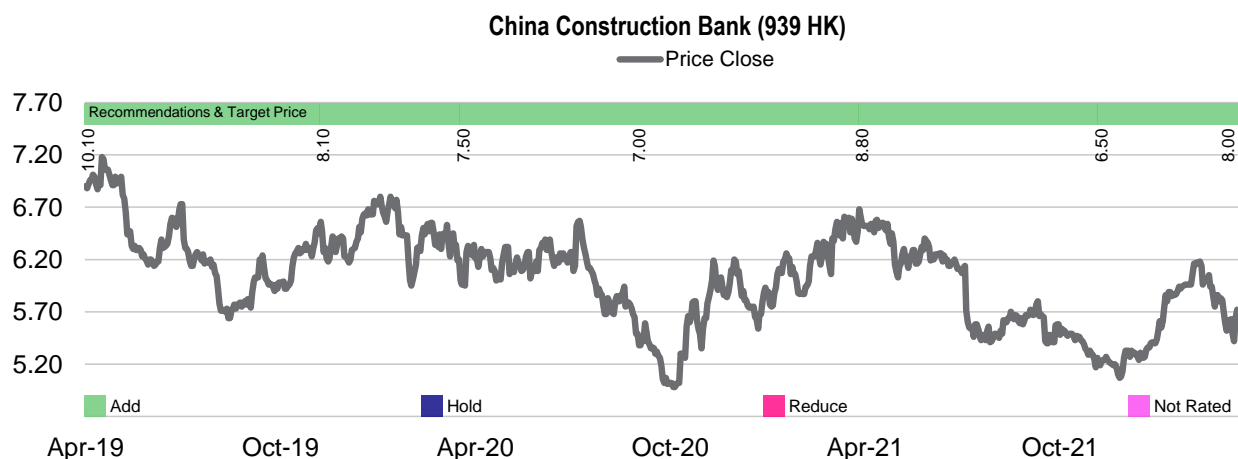
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%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

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.

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.

