

Hong Kong

ADD (no change)

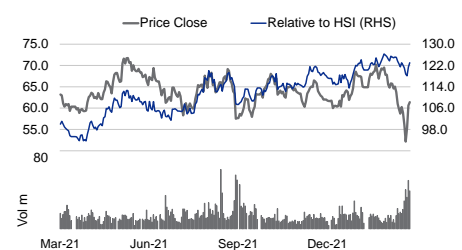
Consensus ratings*: Buy 23 Hold 3 Sell 3

Current price:	HK\$61.40
Target price:	HK\$84.10
Previoustarget:	HK\$84.20
Up/downside:	37.0%
CGS-CIMB / Consensus:	8.3%
Reuters:	3968.HK
Bloomberg:	3968 HK
Market cap:	US\$185,620m
	HK\$1,451,885m
Average daily turnover:	US\$121.2m
	HK\$945.5m
Current shares o/s:	25,220m
Free float:	67.0%

*Source: Bloomberg

Key changes in this note

➤ No changes to FY22F-FY24 EPS.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-11.1	-2	-3.4
Relative (%)	0.9	5.7	23.8

Major shareholders

	% held
China Merchants Group	33.0

Analyst(s)



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China Merchants Bank

Returning to a trend of rising ROEs

- FY21 net profit growth was 21.5% yoy, the strongest in nine years.
- Provisioning buffers continue to build, with 4Q21's provisioning coverage ratio of 484% a record high and well above the 120% regulatory minimum.
- Interestingly, 4Q21 credit card NPL formation rates worsened qoq (Fig 6) and may have led to CMB slowing its credit card loan growth (Fig 4).
- Remains our top sector pick. Reiterate Add rating; Slight TP cut to HK\$84.1.

FY21 net profit growth strongest since FY12's 25.3% yoy

FY21 net profit to ordinary shareholders rose 21.5% (FY20: +4.9%) to Rmb116.3bn and in line with our forecast. Note that CMB pre-announced its FY21 net profit on 14 Jan 2022. FY21 ROE resumed rising yoy (up 123bp yoy) to 17% after its FY20 temporary fall and we see rising ROEs until at least FY25F (Fig 1) driving a P/BV re-rating (see [Decade of dominance](#), dated 15 Feb 2022). 4Q21 net profit climbed 28.6% yoy.

What we liked about the FY21 results

i) 4Q21 net interest margin (NIM) was 2.48%, +1bp qoq (3Q21: +1bp qoq); ii) FY21 cost-to-income ratio was 35.7%, -0.1% pts yoy and its first annual fall since FY16; iii) FY21 credit costs fell to 0.7% of loans (-28bp yoy) and 57bp below its 10-year average; iv) 4Q21 provisioning coverage ratio was 483.9% (+46.2% pts yoy, 40.7% pts qoq), a record high; v) 4Q21 non-performing-loan (NPL) ratio was 0.91% (-2bp qoq). 4Q21 special mention loan ratio was 0.84% (+1bp qoq). 4Q21 ratio of loans that are more than 90 days overdue was 0.63% (-3bp qoq); vi) 4Q21 mix of demand deposits was 66.5% (+2.2% pts qoq, +7.2% pts yoy).

What we did not like about the FY21 results

i) 4Q21 credit card NPL formation rates (annualised) are starting to rise again, with 4Q21 credit card NPL formation rate (as a percentage of FY20 balances) up 0.4% pts qoq to 4.2% (Fig 6). This could explain why 4Q21 credit card loans qoq were flat (3Q21: +5%; 2Q21: +6%) (Fig 4) and only up 12.5% yoy (3Q21: +19.7%; 2Q21: +22.2%).

What else we found of interest

i) 4Q21 corporate loan growth yoy accelerated to 6.6% (3Q21: +0.3%); ii) 4Q21 core Tier 1 ratio was 12.7% (+37bp yoy), the highest of the mid-size banks; iii) 4Q21 loan-to-deposit ratio was 87.8% (-1.6% pts yoy, 3.7% pts qoq); iv) 4Q21 domestic mix of mortgages was 26% (-0.7% pts yoy, +0.2% pts qoq); v) FY21 dividend payout ratio was 33%, flat yoy and the highest of its peers.

Reiterate Add rating; still our top pick of the banks sector

We value CMB using a stress-test adjusted GGM. FY22F-24F EPS are unchanged. Our slightly reduced TP of HK\$84.10 is due to lower FY22F BVPS. Potential re-rating catalysts: improving asset quality and a better economy. Key downside risks: worse-than-expected NIM and policy risks.

Financial Summary

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Net Interest Income (Rmbm)	185,031	203,919	218,547	237,925	260,074
Total Non-Interest Income (Rmbm)	102,367	123,458	141,045	160,168	181,989
Operating Revenue (Rmbm)	287,398	327,377	359,593	398,094	442,063
Total Provision Charges (Rmbm)	(65,025)	(66,355)	(63,122)	(56,891)	(47,367)
Net Profit (Rmbm)	95,691	116,309	135,951	161,312	192,206
Core EPS (Rmb)	3.79	4.61	5.39	6.40	7.62
Core EPS Growth	4.9%	21.5%	16.9%	18.7%	19.2%
FD Core P/E (x)	13.16	10.83	9.27	7.81	6.55
DPS (Rmb)	1.25	1.52	1.78	2.11	2.52
Dividend Yield	2.51%	3.05%	3.56%	4.23%	5.04%
BVPS (Rmb)	25.36	29.01	32.88	37.50	43.01
P/BV (x)	1.97	1.72	1.52	1.33	1.16
ROE	15.7%	17.0%	17.4%	18.2%	18.9%
% Change In Core EPS Estimates			0.000%	0.000%	0.000%
CGS-CIMB/Consensus EPS (x)			1.03	1.06	1.00

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Returning to a trend of rising ROEs

Figure 1: CMB's ROE and EPS growth across time

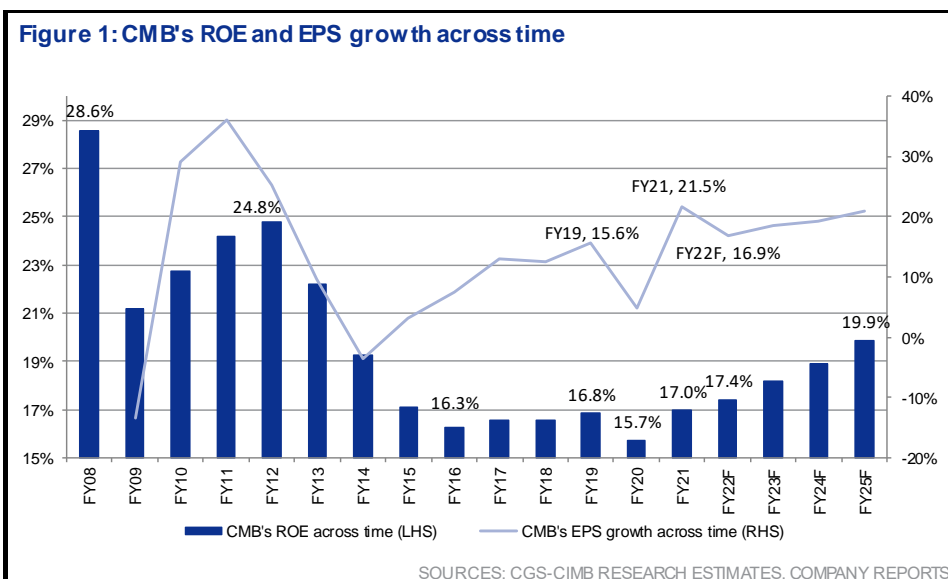


Figure 2: CMB's quarterly NPL ratio, special mention loan ratio and overdue loan ratio by loan type (domestic business)

(%)	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
CMB's quarterly NPL ratio by loan type (domestic business)									
Corporate	2.05	1.72	1.87	1.85	1.69	1.64	1.70	1.47	1.31
Retail	0.73	0.87	0.83	0.83	0.82	0.76	0.76	0.78	0.82
Micro-finance	0.81	0.80	0.62	0.64	0.63	0.54	0.51	0.59	0.62
Mortgages	0.25	0.26	0.25	0.27	0.30	0.26	0.25	0.24	0.28
Credit card	1.35	1.89	1.85	1.78	1.66	1.62	1.58	1.54	1.65
Consumption	1.18	1.35	1.44	1.52	1.47	1.42	1.16	1.19	1.02
Other retail	1.79	1.94	1.80	2.19	2.28	2.36	4.76	6.11	6.85
Total loans	1.21	1.16	1.19	1.17	1.09	1.04	1.04	0.95	0.93
CMB's special mention loan ratio by loan type (domestic business)									
Corporate	1.31	1.17	0.97	0.70	0.65	0.58	0.49	0.40	0.56
Retail	1.18	1.51	1.14	1.04	0.97	0.92	0.92	1.21	1.12
Micro-finance	0.33	0.83	0.45	0.32	0.21	0.18	0.16	0.37	0.32
Mortgages	0.12	0.37	0.19	0.15	0.12	0.12	0.11	0.38	0.36
Credit card	3.60	4.20	3.47	3.24	3.02	2.94	2.91	3.27	3.06
Consumption	0.45	0.81	0.59	0.50	0.41	0.36	0.23	0.31	0.32
Other retail	0.43	0.71	0.58	0.27	0.32	0.40	0.57	0.82	0.78
Total loans	1.18	1.28	1.00	0.85	0.79	0.73	0.69	0.82	0.83
CMB's overdue loan ratio by loan type (domestic business)									
Corporate	2.03	1.74	1.69	1.54	1.43	1.44	1.40	1.06	1.00
Retail	1.20	1.80	1.37	1.27	1.12	1.02	0.98	1.22	1.25
Micro-finance	0.85	1.47	0.81	0.71	0.60	0.53	0.51	0.63	0.55
Mortgages	0.33	0.60	0.35	0.32	0.30	0.27	0.26	0.27	0.28
Credit card	2.73	4.13	3.50	3.20	2.69	2.50	2.30	2.98	3.19
Consumption	1.50	2.02	1.80	1.81	1.70	1.62	1.30	1.28	1.11
Other retail	1.99	2.54	2.15	2.24	2.32	2.44	4.88	6.05	6.89
Total loans	1.46	1.66	1.41	1.30	1.16	1.11	1.05	1.05	1.06

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: Growth qoq of CMB's NPLs, special mention loans and overdue loans (domestic business)

	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
Growth qoq of CMB's NPLs (domestic business)								
Corporate	-9%	9%	0%	-10%	4%	0%	-14%	-8%
Retail	20%	-1%	6%	1%	-3%	2%	5%	6%
Micro-finance	3%	-19%	10%	0%	-4%	-4%	19%	6%
Mortgages	5%	4%	11%	12%	-12%	0%	-2%	18%
Credit card	31%	2%	4%	-1%	-1%	3%	3%	7%
Consumption	22%	6%	11%	-4%	7%	-24%	12%	-12%
Other retail	4%	-13%	11%	-3%	-4%	162%	7%	-4%
Total loans	1%	5%	2%	-6%	1%	1%	-6%	-1%
Growth qoq of CMB's special mention loans (domestic business)								
Corporate	-2%	-17%	-27%	-10%	-5%	-18%	-18%	45%
Retail	28%	-21%	-3%	-4%	-1%	3%	35%	-6%
Micro-finance	166%	-43%	-24%	-33%	-5%	-7%	133%	-13%
Mortgages	219%	-45%	-19%	-18%	4%	-7%	242%	-2%
Credit card	9%	-14%	1%	-1%	-2%	4%	18%	-6%
Consumption	93%	-27%	-12%	-19%	-2%	-41%	48%	5%
Other retail	57%	-23%	-57%	9%	15%	86%	20%	-18%
Total loans	14%	-20%	-12%	-5%	-4%	-4%	22%	3%
Growth qoq of CMB's overdue loans (domestic business)								
Corporate	-6%	-2%	-8%	-9%	9%	-7%	-25%	-1%
Retail	51%	-20%	-2%	-10%	-5%	-2%	28%	4%
Micro-finance	81%	-42%	-6%	-16%	0%	-2%	27%	-12%
Mortgages	84%	-38%	-6%	-3%	-9%	-3%	6%	5%
Credit card	41%	-11%	-2%	-11%	-6%	-3%	36%	7%
Consumption	43%	-11%	6%	-8%	6%	-25%	7%	-11%
Other retail	22%	-20%	-5%	-3%	-3%	160%	3%	-2%
Total loans	20%	-13%	-5%	-10%	1%	-4%	3%	2%

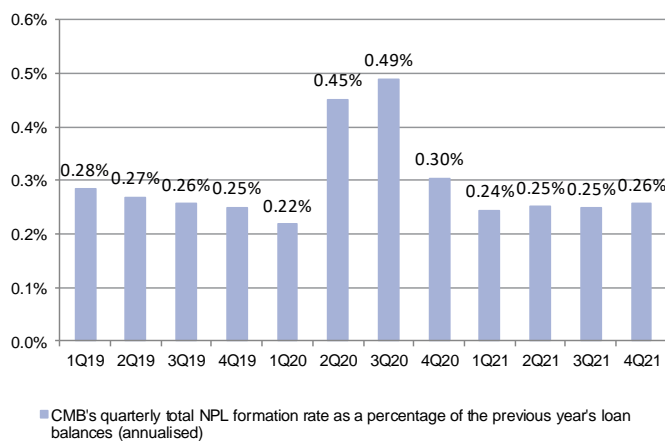
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 4: CMB's domestic loan mix and growth qoq

(Rmb bn)	4Q20	1Q21	2Q21	3Q21	4Q21	Growth qoq							
						1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
Corporate	1,759	1,889	1,816	1,816	1,882	9%	1%	1%	-2%	7%	-4%	0%	4%
Retail	2,644	2,754	2,823	2,906	2,941	0%	5%	5%	3%	4%	2%	3%	1%
Micro-finance	475	535	539	556	561	4%	5%	7%	0%	13%	1%	3%	1%
Mortgages	1,264	1,294	1,320	1,335	1,365	3%	5%	4%	2%	2%	2%	1%	2%
Credit card	747	754	797	839	840	-7%	4%	8%	6%	1%	6%	5%	0%
Consumption	136	151	139	152	156	6%	0%	5%	-1%	11%	-8%	9%	3%
Other retail	23	21	27	23	20	-5%	-6%	-8%	-7%	-8%	30%	-17%	-14%
Total loans	4,730	4,974	5,058	5,178	5,252	5%	3%	3%	2%	5%	2%	2%	1%
Mix of residential mortgages (%)	26.7	26.0	26.1	25.8	26.0								
Mix of credit card loans (%)	15.8	15.1	15.8	16.2	16.0								

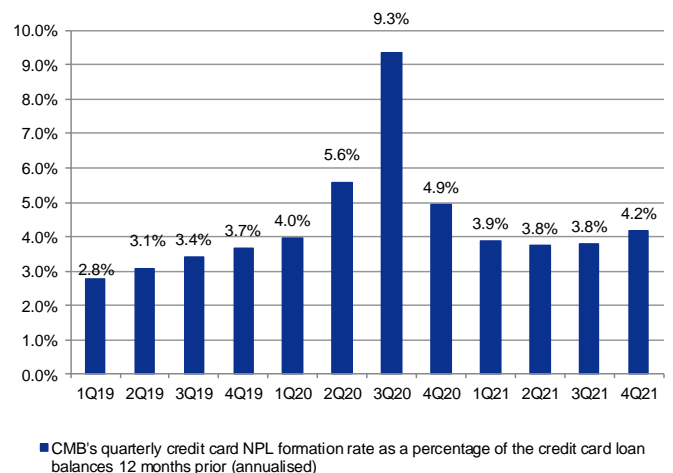
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 5: CMB's quarterly NPL formation rates for its total loans were stable in recent quarters




SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 6: CMB's quarterly credit card NPL formation rate as a percentage of the credit card loan balances 12 months prior (annualised)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Refinitiv ESG Scores							
	<table border="1"> <tr> <td style="background-color: #90EE90;">B- ESG Score</td> <td style="background-color: #3CB371;">A+ ESG Controversies Score</td> <td style="background-color: #90EE90;">B- ESG Combined Score</td> <td style="background-color: #90EE90;">B- ESG Environment Pillar Score</td> <td style="background-color: #3CB371;">B+ ESG Social Pillar Score</td> <td style="background-color: #FFD700;">C- ESG Government Pillar Score</td> </tr> </table>	B- ESG Score	A+ ESG Controversies Score	B- ESG Combined Score	B- ESG Environment Pillar Score	B+ ESG Social Pillar Score	C- ESG Government Pillar Score
B- ESG Score	A+ ESG Controversies Score	B- ESG Combined Score	B- ESG Environment Pillar Score	B+ ESG Social Pillar Score	C- ESG Government Pillar Score		
<p>ESG in a nutshell</p> <p>CMB scored a B- rating for its combined ESG score from Refinitiv in 2020. CMB has committed to help alleviate poverty and has continued to dispatch poverty alleviation cadres to Wuding and Yongren Counties in Yunnan Province, where it has invested a total of Rmb213m in financial assistance, which have helped contribute to lifting these counties out of poverty in the recent two years. To promote green development and ecological construction, CMB has established a climate change risk management framework and improved its green credit policy system. CMB underwrote five green bonds, with a total issuance amount of Rmb8.3bn. Going forward, CMB will further innovate and promote green financial products and services as well as improve its linkage between inclusive finance and green finance.</p>							
<p>Keep your eye on</p> <p>CMB faced an issue back in 2019, whereby its customers who invested in a wealth management product called Qianduan saw significant losses and CMB was subsequently found by the regulator to have violated regulations. Subsequently, CMB's former general manager of its transaction banking department and the person in charge of the Qianduan project at CMB were arrested on charges of embezzlement.</p>	<p>Implications</p> <p>This issue happened quite some time ago and we believe CMB's internal risk control standards have improved since then.</p>						
<p>ESG highlights</p> <p>CMB's B- ESG score is at the upper end of the Refinitiv combined ESG scores of bank peers in China (with the highest rating B for CCB), driven by its commitment to poverty alleviation. Its Refinitiv ESG Controversies Score remained A+ over the 2018-2020 period.</p>	<p>Implications</p> <p>CMB has made great efforts to support sustainable development and green finance. While not priced in at the current stage, we believe CMB's ESG progress and prominence will support re-rating cycles.</p>						
<p>Trends</p> <p>CMB's Refinitiv combined ESG score in 2020 was flat yoy at B-, after falling from its B score in 2017 and 2018. While its Refinitiv Social Pillar score improved to B+ in 2020 from B in 2019, its Refinitiv Governance Pillar Score fell to C- in 2020 from 2019's C+. According to CMB's 2020 sustainability report, it obtained the award for "Best ESG" from Institutional Investor as well as from Zhitongcaijing.com. It also obtained from Global Finance the award for the "Best Bank for Corporate Social Responsibility".</p>	<p>Implications</p> <p>An improvement in its Refinitiv Governance Pillar Score should help drive CMB's Refinitiv Combined ESG score higher and also be positive for its valuations.</p>						

SOURCES: CGS-CIMB RESEARCH, REFINITIV

Changes to our forecasts

There are no changes to our FY22F-24F EPS forecasts as revisions to our forecasts for revenue and expenses net out (Fig 7).

Figure 7: Changes to our forecasts

(Rmb m)	FY22F			FY23F			FY24F		
	Old	New	+/-	Old	New	+/-	Old	New	+/-
Net interest income	225,605	218,547	-3.1%	244,583	237,925	-2.7%	267,249	260,074	-2.7%
Non interest income	141,227	141,045	-0.1%	160,413	160,168	-0.2%	182,310	181,989	-0.2%
Total operating income	366,832	359,593	-2.0%	404,997	398,094	-1.7%	449,560	442,063	-1.7%
Operating expense	-133,855	-128,381	-4.1%	-147,782	-142,126	-3.8%	-164,042	-157,824	-3.8%
Pre-prov profit	232,977	231,212	-0.8%	257,215	255,968	-0.5%	285,517	284,239	-0.4%
Provisions	-64,677	-63,122	-2.4%	-57,994	-56,891	-1.9%	-48,592	-47,367	-2.5%
Operating profit	168,299	168,090	-0.1%	199,221	199,077	-0.1%	236,926	236,873	0.0%
Tax	-31,207	-31,817	2.0%	-36,877	-37,598	2.0%	-43,784	-44,641	2.0%
Net profit to common shareholders	135,951	135,951	0.0%	161,312	161,312	0.0%	192,206	192,206	0.0%
Key ratios									
EPS (Rmb)	5.39	5.39	0.0%	6.40	6.40	0.0%	7.62	7.62	0.0%
EPS growth	16.9%	16.9%	0.0% pts	18.7%	18.7%	0.0% pts	19.2%	19.2%	0.0% pts
PPOP per share	9.24	9.17	-0.8%	10.20	10.15	-0.5%	11.32	11.27	-0.4%
PPOP per share growth	11.9%	9.8%	-2.1% pts	10.4%	10.7%	0.3% pts	11.0%	11.0%	0.0% pts
ROA	1.39%	1.40%	2bp	1.48%	1.51%	3bp	1.57%	1.63%	5bp
ROE	16.5%	17.4%	1.0% pts	17.3%	18.2%	0.9% pts	18.1%	18.9%	0.8% pts
Payout ratio	33.0%	33.0%	0.0% pts	33.0%	33.0%	0.0% pts	33.0%	33.0%	0.0% pts
Core tier 1 ratio	13.5%	13.2%	-0.27% pts	13.7%	13.5%	-0.14% pts	13.9%	14.1%	0.23% pts
Tier 1 ratio	14.8%	15.3%	0.48% pts	14.9%	15.4%	0.53% pts	15.0%	15.8%	0.87% pts
Total CAR	17.6%	18.2%	0.57% pts	17.6%	18.2%	0.61% pts	17.5%	18.5%	1.00% pts
Loan-deposit ratio	89.4%	87.8%	-1.6% pts	89.4%	87.8%	-1.6% pts	89.4%	87.8%	-1.6% pts
NPL ratio	0.87%	0.86%	-2bp	0.83%	0.82%	0bp	0.82%	0.80%	-1bp
Cost-income ratio	36.5%	35.7%	-79bp	36.5%	35.7%	-79bp	36.5%	35.7%	-79bp
Net interest margin	2.50%	2.42%	-9bp	2.45%	2.39%	-6bp	2.41%	2.37%	-4bp
Credit cost	0.79%	0.60%	-19bp	0.64%	0.49%	-15bp	0.47%	0.36%	-11bp
Provisioning coverage ratio	414.9%	482.1%	67.2% pts	377.5%	456.8%	79.3% pts	309.6%	415.1%	105.6% pts
Loan growth	11.0%	11.0%	0.0% pts	12.1%	11.6%	-0.6% pts	13.3%	11.8%	-1.5% pts
Interbank assets growth	-8.1%	-5.2%	2.9% pts	8.8%	5.5%	-3.4% pts	9.3%	5.9%	-3.4% pts
Investment growth	-8.3%	-8.3%	0.0% pts	9.0%	9.0%	0.0% pts	9.0%	9.0%	0.0% pts
RWA growth	10.7%	9.3%	-1.4% pts	11.6%	11.2%	-0.3% pts	12.5%	10.1%	-2.4% pts

SOURCES: CGS-CIMB RESEARCH ESTIMATES

Valuation and risks

We value CMB Bank using a stress test adjusted Gordon Growth Model (GGM), with a slightly lower TP of HK\$84.10 (previously HK\$84.2).

Our key valuation assumptions are a COE of 9.4% (unchanged), a sustainable growth (g) assumption of 3% (unchanged), an initial sustainable ROE assumption of 18.9% (previously 18.1%) based on FY24F ROE (unchanged), and an asset quality and investor compensation valuation discount of 14% (unchanged).

We thus derive a stress-test-adjusted target FY22F (unchanged) P/BV multiple of 2.15x (previously 2.04x), implying a sustainable ROE assumption of 16.8% (previously 16.1%). This is then applied to our FY22F BVPS of Rmb32.88 (previously Rmb34.67).

We arrive at a target price of HK\$84.1 (previously HK\$84.2) and maintain our Add rating on CMB (Fig 8).

Figure 8: 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	0.80	0.80	0%
COE	9.4%	9.4%	0%
g	3.0%	3.0%	0%
Sustainable ROE (based on FY24F ROE)	18.9%	18.1%	4%
Initial target P/BV	2.49x	2.36x	5%
Asset quality valuation discount	-14%	-14%	0%
Final target P/BV	2.15x	2.04x	5%
FY22F BVPS (Rmb)	32.88	34.67	-5%
Rmb/HK\$	1.19	1.19	0%
Target price (Rmb)	70.80	70.88	0%
Target price (HK\$)	84.10	84.20	0%
TP-implied sustainable ROE	16.8%	16.1%	4%
Current share price (HK\$)	61.40		
Upside	37.0%		

SOURCES: CGS-CIMB RESEARCH ESTIMATES

CMB has long been our top pick in our China banks coverage universe.

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

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

Figure 9: China banks valuation table (H-share and A-share banks)

Company	Ticker	Rating	Mkt cap (US\$ bn)	Price (Lcy)	Target price (Lcy)	Upside/ Downside	P/BV (x)		P/E (x)		P/POP (x)		Dividend yield		ROE(%)	
							FY21F	FY22F	FY21F	FY22F	FY21F	FY22F	FY21F	FY22F	FY21F	FY22F
ICBC	1398 HK	Add	243.4	4.63	5.80	25%	0.48	0.44	4.1	3.8	2.1	2.0	7.6	8.1	12.2	12.0
CCB	0939 HK	Add	169.4	5.72	8.00	40%	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	2.97	4.00	35%	0.39	0.36	3.7	3.4	1.9	1.8	8.7	9.4	10.9	10.9
ABC	1288 HK	Add	156.0	2.87	4.40	53%	0.41	0.38	3.7	3.4	1.8	1.6	8.5	9.1	11.6	11.5
BOCOM	3328 HK	Hold	49.3	5.40	5.30	-2%	0.43	0.39	4.1	3.8	2.0	1.9	7.8	8.4	10.8	10.8
CMB	3968 HK	Add	204.7	61.40	84.10	37%	1.78	1.57	11.2	9.6	6.2	5.6	2.9	3.4	17.0	17.4
CITIC	0998 HK	Add	30.5	3.69	4.80	30%	0.30	0.28	2.9	2.6	1.0	1.0	9.4	10.3	10.8	11.0
MSB	1988 HK	Hold	24.8	2.96	2.90	-2%	0.23	0.21	3.3	3.0	0.9	0.9	9.2	10.0	7.1	7.3
CQRCB	3618 HK	Add	6.1	2.89	4.10	42%	0.27	0.25	2.8	2.5	1.3	1.2	10.8	12.1	10.2	10.6
H-share weighted average							0.68	0.61	5.2	4.7	2.7	2.5	7.1	7.8	12.6	12.6
ICBC - A	601398 CH	Add	243.4	4.55	5.10	12%	0.56	0.51	4.8	4.4	2.5	2.3	6.5	7.0	12.2	12.0
CCB - A	601939 CH	Add	169.4	5.99	7.10	19%	0.60	0.55	5.1	4.7	2.7	2.5	6.0	6.5	12.4	12.3
BOC - A	601988 CH	Add	129.5	3.10	3.70	19%	0.48	0.44	4.5	4.2	2.4	2.3	7.1	7.6	10.9	10.9
ABC - A	601288 CH	Add	156.0	2.96	3.90	32%	0.51	0.47	4.5	4.2	2.2	2.0	6.9	7.5	11.6	11.5
BOCOM - A	601328 CH	Hold	49.3	4.89	4.80	-2%	0.46	0.42	4.4	4.1	2.2	2.0	7.3	7.8	10.8	10.8
CMB - A	600036 CH	Add	204.7	46.17	71.50	55%	1.59	1.40	10.0	8.6	5.5	5.0	3.3	3.9	17.0	17.4
CITIC - A	601998 CH	Add	30.5	4.48	4.90	9%	0.43	0.40	4.2	3.8	1.5	1.4	6.5	7.1	10.8	11.0
MSB - A	600016 CH	Reduce	24.8	3.73	2.70	-28%	0.34	0.32	4.9	4.5	1.4	1.3	6.2	6.7	7.1	7.3
PAB - A	000001 CH	Add	54.0	14.70	22.70	54%	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	3.85	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							0.72	0.65	5.8	5.1	2.9	2.7	5.8	6.3	12.5	12.6
Combined sector weighted average							0.70	0.63	5.5	4.9	2.8	2.6	6.5	7.0	12.5	12.6

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

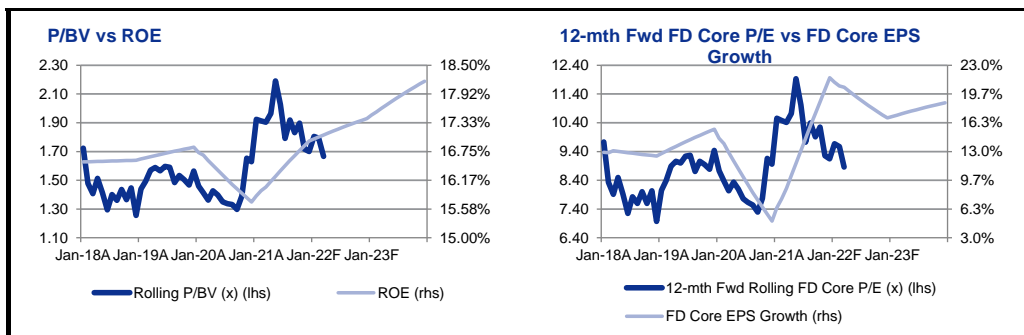
(*ICBC: INDUSTRIAL AND COMMERCIAL BANK OF CHINA; CCB: CHINA CONSTRUCTION BANK; BOC: BANK OF CHINA; ABC: AGRICULTURAL BANK OF CHINA; BOCOM: BANK OF COMMUNICATIONS; CMB: CHINA MERCHANTS BANK; CITIC: CHINA CITIC BANK; MSB: CHINA MINSHENG BANK; CQRCB: CHONGQING RURAL COMMERCIAL BANK)

DATA AS OF 18 MAR 2022

Figure 10: Key financial data

Profit & loss									
(Rmb m)	2017	2018	2019	2020	2021F	2022F	2023F	2024F	2025F
Net interest income	144,852	160,384	173,090	185,031	203,919	218,547	237,925	260,074	285,056
yoy	7.6%	10.7%	7.9%	6.9%	10.2%	7.2%	8.9%	9.3%	9.6%
Non interest income	74,955	86,507	94,730	102,367	123,458	141,045	160,168	181,989	206,897
yoy	-0.2%	15.4%	9.5%	8.1%	20.6%	14.2%	13.6%	13.6%	13.7%
Total revenue	219,807	246,891	267,820	287,398	327,377	359,593	398,094	442,063	491,952
yoy	4.8%	12.3%	8.5%	7.3%	13.9%	9.8%	10.7%	11.0%	11.3%
Operating expense	-70,199	-80,866	-91,252	-102,814	-116,879	-128,381	-142,126	-157,824	-175,635
Pre-prov profit	149,608	166,025	176,568	184,584	210,498	231,212	255,968	284,239	316,317
yoy	3.3%	11.0%	6.4%	4.5%	14.0%	9.8%	10.7%	11.0%	11.3%
Provision	-59,926	-60,837	-61,159	-65,025	-66,355	-63,122	-56,891	-47,367	-30,269
Net Profit to common shareholders	70,150	78,901	91,197	95,691	116,309	135,951	161,312	192,206	232,334
yoy	13.0%	12.5%	15.6%	4.9%	21.5%	16.9%	18.7%	19.2%	20.9%
Key balance sheet items									
(Rmb m)	2017	2018	2019	2020	2021F	2022F	2023F	2024F	2025F
Loans	3,565,044	3,933,034	4,490,650	5,029,128	5,570,034	6,182,738	6,896,844	7,709,361	8,635,766
Interbank assets	484,096	612,957	522,507	616,516	799,372	839,434	885,336	937,931	998,195
Investments	1,578,356	1,641,399	1,804,437	2,068,695	2,176,997	2,372,927	2,586,490	2,819,274	3,073,009
Deposits	4,064,345	4,400,674	4,844,422	5,628,336	6,347,078	7,045,257	7,858,984	8,784,851	9,840,493
Interbank liabilities	837,472	752,917	784,735	1,009,846	1,081,328	1,113,768	1,225,145	1,261,899	1,312,375
Bonds	296,477	424,926	578,191	346,141	446,645	460,044	506,049	521,230	542,079
Common shareholders' equity	446,145	506,053	577,236	639,696	731,702	829,268	945,713	1,084,681	1,253,583
Total shareholders' equity	483,392	543,605	617,707	730,354	865,681	964,308	1,082,007	1,222,465	1,393,161
RWA	3,530,745	4,092,890	4,606,786	4,964,542	5,563,724	6,078,637	6,761,149	7,442,924	8,236,013
Total assets	6,297,638	6,745,729	7,417,240	8,361,448	9,249,021	10,105,002	11,239,596	12,372,965	13,691,379
yoy									
Loans	9.3%	10.3%	14.2%	12.0%	10.8%	11.0%	11.6%	11.8%	12.0%
Interbank assets	-16.8%	26.6%	-14.8%	18.0%	29.7%	5.0%	5.5%	5.9%	6.4%
Investments	8.8%	4.0%	9.9%	14.6%	5.2%	9.0%	9.0%	9.0%	9.0%
Deposits	6.9%	8.3%	10.1%	16.2%	12.8%	11.0%	11.6%	11.8%	12.0%
Interbank liabilities	-13.4%	-10.1%	4.2%	28.7%	7.1%	3.0%	10.0%	3.0%	4.0%
Bonds	7.8%	43.3%	36.1%	-40.1%	29.0%	3.0%	10.0%	3.0%	4.0%
Common shareholders' equity	10.9%	13.4%	14.1%	10.8%	14.4%	13.3%	14.0%	14.7%	15.6%
Total shareholders' equity	19.8%	12.5%	13.6%	18.2%	18.5%	11.4%	12.2%	13.0%	14.0%
RWA	4.8%	15.9%	12.6%	7.8%	12.1%	9.3%	11.2%	10.1%	10.7%
Total assets	6.0%	7.1%	10.0%	12.7%	10.6%	9.3%	11.2%	10.1%	10.7%
Key ratios & drivers									
	2017	2018	2019	2020	2021F	2022F	2023F	2024F	2025F
EPS (Rmb)	2.78	3.13	3.62	3.79	4.61	5.39	6.40	7.62	9.21
EPS Growth	13.0%	12.5%	15.6%	4.9%	21.5%	16.9%	18.7%	19.2%	20.9%
BVPS (Rmb)	17.69	20.07	22.89	25.36	29.01	32.88	37.50	43.01	49.71
BVPS Growth	10.9%	13.4%	14.1%	10.8%	14.4%	13.3%	14.0%	14.7%	15.6%
ROAE	16.5%	16.6%	16.8%	15.7%	17.0%	17.4%	18.2%	18.9%	19.9%
ROAA	1.15%	1.21%	1.29%	1.21%	1.32%	1.40%	1.51%	1.63%	1.78%
ROARWA	2.03%	2.07%	2.10%	2.00%	2.21%	2.34%	2.51%	2.71%	2.96%
PPOARWA	4.34%	4.36%	4.06%	3.86%	4.00%	3.97%	3.99%	4.00%	4.03%
DPS (Rmb)	0.84	0.94	1.20	1.25	1.52	1.78	2.11	2.52	3.04
Payout ratio	30%	30%	33%	33%	33%	33%	33%	33%	33%
Core tier 1 ratio	12.1%	11.8%	11.9%	12.3%	12.7%	13.2%	13.5%	14.1%	14.7%
Tier 1 ratio	13.0%	12.6%	12.7%	14.0%	14.9%	15.3%	15.4%	15.8%	16.3%
Total CAR	15.5%	15.7%	15.5%	16.5%	17.5%	18.2%	18.2%	18.5%	18.9%
Equity/Assets	12.1%	11.8%	11.9%	12.3%	12.7%	13.2%	13.5%	14.1%	14.7%
Loan-deposit ratio	88%	89%	93%	89%	88%	88%	88%	88%	88%
NPL ratio	1.61%	1.36%	1.16%	1.07%	0.91%	0.86%	0.82%	0.80%	0.78%
NPL write-off rate	40%	46%	60%	84%	65%	65%	65%	65%	65%
Net NPL formation rate	0.63%	0.63%	0.78%	1.00%	0.64%	0.64%	0.62%	0.61%	0.60%
NPL coverage	262%	358%	427%	438%	484%	482%	457%	415%	357%
LLR to loan	4.22%	4.88%	4.97%	4.67%	4.42%	4.14%	3.77%	3.33%	2.79%
Cost-income ratio	31.9%	32.8%	34.1%	35.8%	35.7%	35.7%	35.7%	35.7%	35.7%
Net interest margin	2.43%	2.57%	2.59%	2.49%	2.48%	2.42%	2.39%	2.37%	2.34%
Non interest income/ total income	34%	35%	35%	36%	38%	39%	40%	41%	42%
Credit cost	1.74%	1.58%	1.29%	0.98%	0.70%	0.60%	0.49%	0.36%	0.21%

SOURCES: CGS-CIMB RESEARCH ESTIMATES

BY THE NUMBERS

Profit & Loss

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Net Interest Income	185,031	203,919	218,547	237,925	260,074
Total Non-Interest Income	102,367	123,458	141,045	160,168	181,989
Operating Revenue	287,398	327,377	359,593	398,094	442,063
Total Non-Interest Expenses	(102,814)	(116,879)	(128,381)	(142,126)	(157,824)
Pre-provision Operating Profit	184,584	210,498	231,212	255,968	284,239
Total Provision Charges	(65,025)	(66,355)	(63,122)	(56,891)	(47,367)
Operating Profit After Provisions	119,559	144,143	168,090	199,077	236,873
Pretax Income/(Loss) from Assoc.	2,881	4,030	4,352	4,701	5,077
Operating EBIT (incl Associates)	122,440	148,173	172,442	203,778	241,949
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	122,440	148,173	172,442	203,778	241,949
Exceptional Items	0	0	0	0	0
Pre-tax Profit	122,440	148,173	172,442	203,778	241,949
Taxation	(24,481)	(27,339)	(31,817)	(37,598)	(44,641)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	97,959	120,834	140,625	166,179	197,308
Minority Interests	(617)	(912)	(1,061)	(1,254)	(1,489)
Pref. & Special Div	(1,651)	(3,613)	(3,613)	(3,613)	(3,613)
FX And Other Adj.	0	0	0	0	0
Net Profit	95,691	116,309	135,951	161,312	192,206
Recurring Net Profit	95,691	116,309	135,951	161,312	192,206

Balance Sheet Employment

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Gross Loans/Cust Deposits	89.4%	87.8%	87.8%	87.8%	87.8%
Avg Loans/Avg Deposits	90.9%	88.5%	87.8%	87.8%	87.8%
Avg Liquid Assets/Avg Assets	38.8%	38.4%	38.0%	37.0%	36.0%
Avg Liquid Assets/Avg IEAs	39.1%	39.0%	38.5%	37.7%	36.8%
Net Cust Loans/Assets	57.5%	57.7%	58.7%	59.0%	60.2%
Net Cust Loans/Broad Deposits	68.9%	70.3%	71.2%	71.6%	72.8%
Equity & Provs/Gross Cust Loans	19.1%	19.8%	19.6%	19.3%	19.0%
Asset Risk Weighting	59.4%	60.2%	60.2%	60.2%	60.2%
Provision Charge/Avg Cust Loans	0%	0%	0%	0%	0%
Provision Charge/Avg Assets	0%	0%	0%	0%	0%
Total Write Offs/Average Assets	0.68%	0.64%	0.44%	0.49%	0.43%

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	6,184,090	6,936,614	7,617,740	8,407,527	9,303,907
Liquid Assets & Invst. (Current)	2,068,695	2,176,997	2,372,927	2,586,490	2,819,274
Other Int. Earning Assets					
Total Gross Int. Earning Assets	8,252,785	9,113,611	9,990,666	10,994,017	12,123,181
Total Provisions/Loan Loss Reserve	(224,767)	(234,643)	(255,664)	(259,933)	(256,668)
Total Net Interest Earning Assets	8,028,018	8,878,968	9,735,003	10,734,084	11,866,513
Intangible Assets	14,717	14,020	14,020	14,020	14,020
Other Non-Interest Earning Assets	318,713	356,033	355,979	491,491	492,432
Total Non-Interest Earning Assets	333,430	370,053	369,999	505,511	506,452
Cash And Marketable Securities	0	0	0	0	0
Long-term Investments	0	0	0	0	0
Total Assets	8,361,448	9,249,021	10,105,002	11,239,596	12,372,965
Customer Interest-Bearing Liabilities	5,628,336	6,347,078	7,045,257	7,858,984	8,784,851
Bank Deposits	1,341,468	1,241,315	1,278,554	1,406,410	1,448,602
Interest Bearing Liabilities: Others	406,492	510,406	523,805	569,810	584,991
Total Interest-Bearing Liabilities	7,376,296	8,098,799	8,847,616	9,835,203	10,818,444
Bank's Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	254,798	284,541	293,077	322,385	332,057
Total Liabilities	7,631,094	8,383,340	9,140,694	10,157,588	11,150,501
Shareholders' Equity	723,750	858,745	956,311	1,072,756	1,211,724
Minority Interests	6,604	6,936	7,997	9,252	10,741
Total Equity	730,354	865,681	964,308	1,082,007	1,222,465

Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Income Growth	7.3%	13.9%	9.8%	10.7%	11.0%
Operating Profit Growth	4.5%	14.0%	9.8%	10.7%	11.0%
Pretax Profit Growth	4.5%	21.0%	16.4%	18.2%	18.7%
Net Interest To Total Income	64.4%	62.3%	60.8%	59.8%	58.8%
Cost Of Funds	1.75%	1.59%	1.60%	1.60%	1.59%
Return On Interest Earning Assets	3.93%	3.77%	3.71%	3.69%	3.67%
Net Interest Spread	2.18%	2.18%	2.11%	2.09%	2.08%
Net Interest Margin (Avg Deposits)	3.53%	3.41%	3.26%	3.19%	3.13%
Net Interest Margin (Avg RWA)	3.87%	3.87%	3.75%	3.71%	3.66%
Provisions to Pre Prov. Operating Profit	35.2%	31.5%	27.3%	22.2%	16.7%
Interest Return On Average Assets	2.35%	2.32%	2.26%	2.23%	2.20%
Effective Tax Rate	20.0%	18.5%	18.5%	18.5%	18.5%
Net Dividend Payout Ratio	33.0%	33.0%	33.0%	33.0%	33.0%
Return On Average Assets	1.21%	1.32%	1.40%	1.51%	1.63%

Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Loan Growth (%)	12.0%	10.8%	11.0%	11.6%	11.8%
Net Interest Margin (%)	2.5%	2.5%	2.4%	2.4%	2.4%
Non Interest Income Growth (%)	8.1%	20.6%	14.2%	13.6%	13.6%
Cost-income Ratio (%)	35.8%	35.7%	35.7%	35.7%	35.7%
Provision charge as % avg loans	1.0%	0.7%	0.6%	0.5%	0.4%
Effective tax rate (%)	20.0%	18.5%	18.5%	18.5%	18.5%
Net NPL Ratio (%)	1.1%	0.9%	0.9%	0.8%	0.8%
Provisioning coverage ratio (%)	437.7%	483.9%	482.1%	456.8%	415.1%
Loan Loss Reserve (%)	4.7%	4.4%	4.1%	3.8%	3.3%
Deposit Growth (%)	16.2%	12.8%	11.0%	11.6%	11.8%
Loan-deposit Ratio (%)	89.4%	87.8%	87.8%	87.8%	87.8%
Core Tier 1 ratio (%)	12.3%	12.7%	13.2%	13.5%	14.1%
Risk weighted assets to total assets ratio (%)	59.4%	60.2%	60.2%	60.2%	60.2%
Dividend payout ratio (%)	33.0%	33.0%	33.0%	33.0%	33.0%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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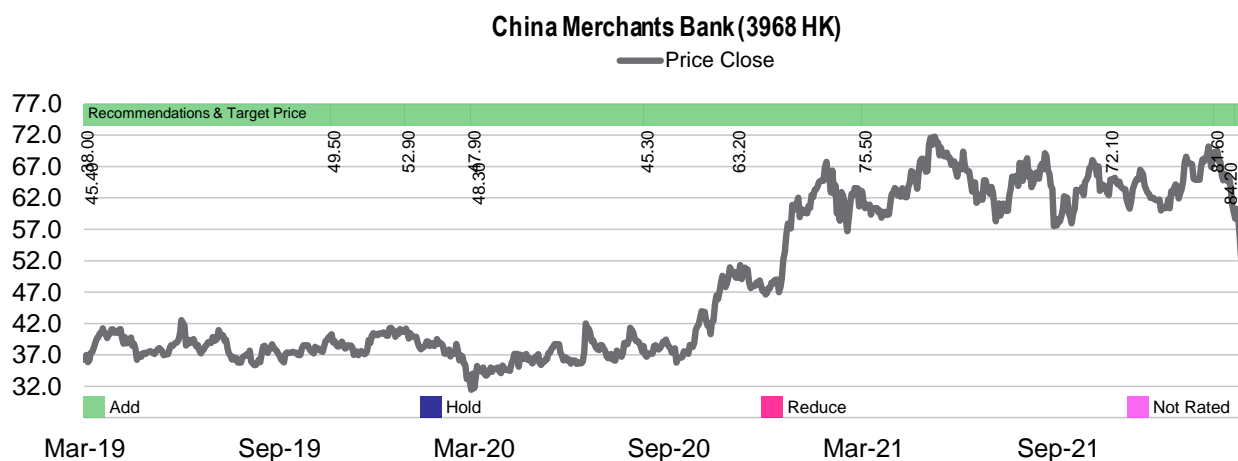
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Spitzer Chart for stock being researched (2 year data)



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

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

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

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

Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

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.

