

Asia

Overweight *(no change)*

Banks

Time in the sun

- We recommend an Overweight rating on the banks across the region, and have a preference for Indonesian, South Korean and Singaporean banks.
- These banks are better placed for the three themes of rising rates, credit cost normalisation and highly attractive & defensive valuations, in our view.
- We thus see the continuation of the strong bank outperformance in 2022 YTD against their respective country indices.
- Top pick among banks in Indonesia, South Korea and Singapore are Bank Rakyat, Shinhan Financial and UOB, respectively.

Recommend an Overweight rating on banks across the region

We have a particular preference for banks in Indonesia, South Korea and Singapore. We see these banks as better placed for three themes that we believe investors should take into account when considering their portfolio positioning in the current environment.

Rising rates: a key theme until at least 2024F

As we start a multi-year rate hike cycle, investors need to be positioned for stocks that can benefit from higher interest rates, with banks benefiting via higher net interest margins (NIM), and hence stronger net profits. We see banks in Indonesia, Singapore and South Korea as better positioned to benefit from the rising rate cycle, due to a combination of a high mix of low-cost deposits, low loan-to-deposit ratios, and/or low non-interest income ratios. Korea banks are already benefiting from being well into a rate hike cycle, while Singapore banks benefit from a high correlation between rates in Singapore and US, where we see rates rising more markedly than other regions until 2024F (Fig 4).

Ongoing credit cost normalisation is also driving profits

We see credit costs continuing to normalise, with banks in Indonesia having the most upside from this theme as their credit costs in FY21 were still notably above 7-year average levels (Fig 16). We also see banks in India benefitting from improving credit costs, as credit costs start to fall from the very high levels in recent years.

ROEs are rising, which are key to driving P/BV re-rating

Rising NIM and falling credit costs are driving rebounding ROEs. Indonesian and Indian banks stand out, with FY22F ROEs rising back to pre-pandemic levels. Rising ROEs are also seen in Singapore, Malaysia and Thailand in FY22F (Fig 18).

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Attractive valuation multiples despite rally

The banks have performed strongly in 2022 YTD with banks in China, Korea, Singapore and Malaysia clearly standing out in terms of their performance versus their respective MSCI country index benchmarks (Figs 19 & 20). Despite this share price strength, valuations look attractive, with banks in China, India, Thailand, South Korea and Malaysia all trading below the post-2014 mean on a forward P/BV multiple basis. The Indonesian banks' P/BV multiples also look attractive once Bank of Central Asia is excluded (Fig 21). Stay OW banks with potential re-rating catalysts being rate hikes and rebounding ROEs. Key downside risks are major economic slow downs and policy risks.

Figure 1: Bloomberg consensus has been consistently and aggressively revising upwards the quantum of rate hikes since mid-Oct 2021

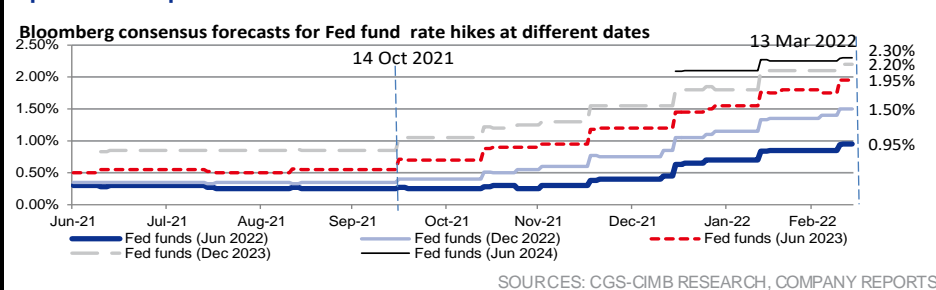


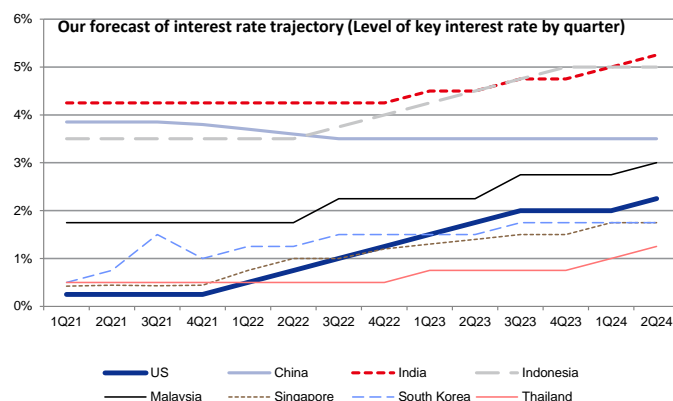
TABLE OF CONTENTS

Prefer Indonesian, South Korean and Singaporean banks.....	6
Positioning with banks that have greater exposure to a rising interest rate cycle	7
Positioning for continued normalizing credit costs	11
Valuations still remain attractive despite their strong relative outperformance in 2022 YTD.....	12

KEY CHARTS

Rising rates: a key theme until at least 2024F

Overall, we see the banks in Indonesia, Singapore and South Korea as better positioned to benefit from the rising rate cycle over the FY21F-FY23F period. The Indonesian banks have the benefit of a high mix of low-cost current and saving account (CASA) deposits, relatively low loan-to-deposit ratios and a low mix of non-interest income. Korean banks' NIM should benefit from already being well into a rate hike cycle (three hikes since mid-2021), with a low non-interest income ratio seeing a greater flow-through to net profits. Singapore banks have the advantage of a low CASA mix, as well as having interest rates that closely correlate to US rates, where we see rates rising markedly until 2024F.



Credit cost normalisation another key theme

We see credit costs continuing to normalise, with banks in Indonesia having the most upside from this theme as their credit costs in FY21 were still notably above 7-year average levels. We also see banks in India benefitting from improving credit costs, as credit costs start to fall from the very high levels in recent years.

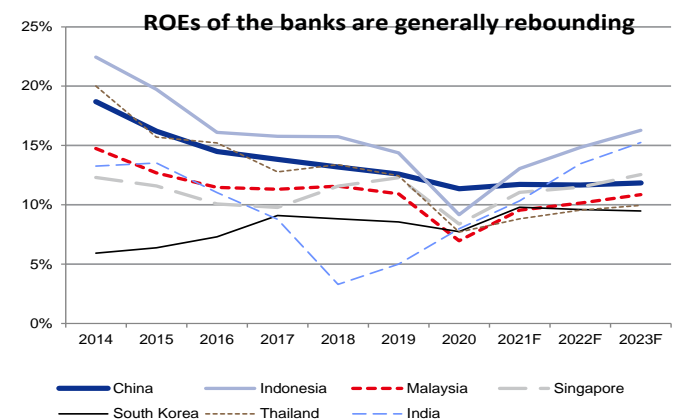
Indonesian have the greatest upside on ongoing normalisation of credit costs in FY22F

	FY21F credit costs	FY22F credit costs	FY23F credit costs	7-year average	5-year average	FY21 difference vs. 7-year average	FY21 difference vs. 5-year average	FY22F yoy
China	1.06%	1.01%	0.95%	1.06%	1.11%	0.00%	-0.05%	-0.05%
Indonesia	2.00%	1.45%	1.13%	1.44%	1.62%	0.56%	0.38%	-0.56%
Malaysia	0.50%	0.46%	0.43%	0.41%	0.44%	0.08%	0.05%	-0.04%
Singapore	0.18%	0.14%	0.17%	0.33%	0.35%	-0.14%	-0.17%	-0.04%
South Korea	0.27%	0.30%	0.32%	0.39%	0.35%	-0.12%	-0.08%	0.03%
Thailand	1.57%	1.46%	1.42%	1.47%	1.57%	0.11%	0.00%	-0.11%
India	1.88%	1.16%	1.09%	1.85%	2.10%	0.03%	-0.22%	-0.72%

ROEs are generally improving

One consequence of rising NIM and falling credit costs is strong net profit growth and rebounding ROEs, which we see as key to driving P/BV re-rating. The Indonesian banks stand out versus regional banks in terms of strong net profit growth in FY22F, coupled with rising ROEs back to pre-pandemic levels. Indian banks also stand out in terms of delivering rising ROEs that are easily back to pre-pandemic levels. The Singaporean, Malaysian and Thai banks are also forecast to see a continued recovery in ROEs in FY22F, though they still remain below FY19 levels. While Korean banks' ROEs are projected to fall yoy in FY22F, they still remain above FY19 levels.

ROEs of the banks are generally rebounding



Attractive valuation multiples despite rally

The banks have performed strongly in 2022 YTD with banks in China, Korea, Singapore and Malaysia clearly standing out in terms of their performance versus their respective MSCI country index benchmarks. Despite this share price strength, valuations look attractive, with banks in China, India, Thailand, South Korea and Malaysia all trading below the post-2014 mean on a forward P/BV multiple basis. The Indonesian banks' P/BV multiples also look attractive once Bank of Central Asia is excluded.

Banks under our coverage still mainly trade below their post-2014 means on a 12-month rolling forward P/BV multiple basis

	Current 12-month rolling forward P/BV	No. of standard deviations relative to post-2014 mean
China	0.56x	-1.5
India	1.36x	-1.2
Indonesia	2.92x	1.3
Indonesia (ex BBKA)	1.62x	-0.9
Malaysia	0.99x	-0.4
Singapore	1.20x	0.5
South Korea	0.40x	-0.7
Thailand	0.67x	-0.9

Figure 2: Valuation table for the Asian banks under our coverage (North Asia)

Company	Bloomberg ticker	Rating	TP (Lcy)	Price (Lcy)	Upside/ (downside)	Mkt cap (US\$ bn)	P/E (x)			P/BV (x)			ROE (%)			Div. yield (%)	
							FY21F	FY22F	FY23F	FY21F	FY22F	FY23F	FY21F	FY22F	FY23F	FY21F	FY22F
NORTH ASIA																	
China (H-share)																	
ICBC	1398 HK	ADD	5.80	4.58	27%	247.3	3.9	3.6	3.3	0.45	0.42	0.38	12.2	12.0	12.0	7.9	8.5
CCB	939 HK	ADD	8.00	5.62	42%	181.8	3.9	3.6	3.3	0.46	0.42	0.38	12.4	12.3	12.3	8.0	8.6
BOC	3988 HK	ADD	4.00	2.96	35%	134.9	3.5	3.3	3.0	0.37	0.34	0.32	10.9	10.9	11.0	9.1	9.9
ABC	1288 HK	ADD	4.40	2.88	53%	161.2	3.6	3.3	3.0	0.40	0.37	0.34	11.6	11.5	11.6	8.8	9.5
BOCOM	3328 HK	ADD	5.30	5.22	2%	53.2	3.8	3.5	3.2	0.40	0.37	0.34	10.8	10.8	11.0	8.4	9.1
CMB	3968 HK	ADD	84.20	58.95	43%	179.6	10.4	8.9	7.5	1.55	1.38	1.22	16.4	16.5	17.3	3.2	3.7
CITIC	998 HK	ADD	4.80	3.60	33%	31.4	2.7	2.5	2.2	0.28	0.26	0.24	10.8	11.0	11.4	10.0	11.0
MSB	1988 HK	HOLD	2.90	2.92	-1%	24.2	3.1	2.9	2.5	0.21	0.20	0.19	7.1	7.3	8.0	9.7	10.6
CQRCB	3618 HK	ADD	4.10	2.84	44%	6.3	2.6	2.3	2.1	0.26	0.24	0.22	10.2	10.6	11.1	11.4	12.8
China H-share weighted average							4.0	3.7	3.3	0.47	0.43	0.39	11.8	11.7	11.8	8.3	8.9
China (A-share)																	
ICBC-A	601398 CH	ADD	5.10	4.61	11%	247.3	4.8	4.5	4.1	0.56	0.52	0.47	12.2	12.0	12.0	6.4	6.9
CCB-A	601939 CH	ADD	7.10	6.05	17%	181.8	5.1	4.8	4.4	0.61	0.56	0.51	12.4	12.3	12.3	6.0	6.5
BOC-A	601988 CH	ADD	3.70	3.10	19%	134.9	4.5	4.2	3.9	0.48	0.44	0.41	10.9	10.9	11.0	7.1	7.6
ABC-A	601288 CH	ADD	3.90	2.97	31%	161.2	4.5	4.2	3.9	0.51	0.47	0.43	11.6	11.5	11.6	6.9	7.4
BOCOM-A	601328 CH	HOLD	4.80	4.81	0%	53.2	4.3	4.0	3.6	0.45	0.42	0.39	10.8	10.8	11.0	7.4	8.0
CMB-A	600036 CH	ADD	71.60	44.45	61%	179.6	9.6	8.2	6.9	1.44	1.28	1.13	16.4	16.5	17.3	3.4	4.0
CITIC-A	601998 CH	ADD	4.90	4.56	7%	31.4	4.2	3.9	3.4	0.44	0.41	0.37	10.8	11.0	11.4	6.4	7.0
MSB-A	600016 CH	REDUCE	2.70	3.77	-28%	24.2	4.9	4.5	3.9	0.34	0.32	0.31	7.1	7.3	8.0	6.1	6.6
PAB	000001 CH	ADD	22.70	14.90	52%	45.6	8.6	7.3	6.2	0.89	0.80	0.72	10.8	11.5	12.3	1.5	1.8
CQRCB-A	601077 CH	ADD	4.50	3.88	16%	6.3	4.4	4.0	3.5	0.44	0.40	0.37	10.2	10.6	11.1	6.7	7.6
China A-share weighted average							5.1	4.7	4.2	0.58	0.53	0.49	11.7	11.7	11.8	6.3	6.8
South Korea																	
KB	105560 KS	ADD	79,000	55,000	44%	18.4	5.2	4.8	4.4	0.48	0.44	0.41	9.8	9.6	9.6	5.3	6.1
Shinhan	055550 KS	ADD	55,000	37,350	47%	15.7	5.0	4.4	4.2	0.41	0.39	0.36	8.9	9.3	9.2	5.2	6.4
HANA	086790 KS	ADD	67,000	46,550	44%	11.3	4.0	3.9	3.6	0.41	0.38	0.35	10.9	10.1	10.0	6.7	7.2
WOORI	316140 KS	ADD	20,000	14,050	42%	8.3	3.9	3.7	3.5	0.40	0.36	0.33	10.6	10.2	9.9	6.4	7.5
IBK	024110 KS	ADD	13,000	10,550	23%	6.4	3.5	3.3	3.2	0.29	0.26	0.25	9.2	8.8	8.5	7.1	7.6
DGB	139130 KS	ADD	13,000	9,080	43%	1.2	3.1	2.7	2.6	0.28	0.26	0.24	9.6	9.8	9.5	6.9	8.3
JB	175330 KS	ADD	11,000	7,960	38%	1.3	3.1	2.9	2.7	0.38	0.34	0.31	12.8	12.3	11.9	7.5	8.8
BNK	138930 KS	ADD	11,000	7,600	45%	2.0	2.9	2.8	2.7	0.27	0.25	0.23	9.4	9.1	9.0	7.4	8.3
KakaoBank	323410 KS	ADD	53,000	48,900	8%	18.9	113.8	69.9	49.0	4.21	3.98	3.68	4.9	5.9	7.8	0.0	0.0
South Korea average							5.6	4.8	4.3	0.44	0.41	0.38	9.8	9.6	9.5	6.1	6.9

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS
DATA AS AT 11 MAR 2022

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; PAB: PING AN BANK; KB: KB FINANCIAL GROUP; SHINHAN: SHINHAN FINANCIAL GROUP; HANA: HANA FINANCIAL GROUP; WOORI: WOORI FINANCIAL GROUP; IBK: INDUSTRIAL BANK OF KOREA; BNK: BNK FINANCIAL GROUP; DGB: DGB FINANCIAL GROUP; JB: JB FINANCIAL GROUP; KAKAObANK: KAKAObANK CORP

NOTE THE FY21F NUMBERS ARE FORECAST FOR CHINA AND ARE ACTUAL FOR OTHER REGIONS
THE ABOVE ESTIMATES FOR INDIAN BANKS ARE INCRED ESTIMATES

Figure 3: Valuation table for the Asian banks under our coverage (ASEAN and India)

Company	Bloomberg ticker	Rating	TP (Lcy)	Price (Lcy)	Upside/ (downside)	Mkt cap (US\$ bn)	P/E (x)			P/BV (x)			ROE (%)			Div. yield (%)	
							FY21F	FY22F	FY23F	FY21F	FY22F	FY23F	FY21F	FY22F	FY23F	FY21F	FY22F
Indonesia																	
BBCA	BBCA IJ	HOLD	8,100	7,950	2%	68.5	31.2	26.9	23.4	4.83	4.44	4.07	16.2	17.2	18.2	1.6	2.2
BBRI	BBRI IJ	ADD	5,000	4,400	14%	46.6	19.5	15.8	13.3	2.31	2.17	2.07	12.0	14.1	16.0	4.0	5.4
BBNI	BBNI IJ	ADD	8,710	7,950	10%	10.4	13.6	9.7	7.5	1.22	1.02	0.92	9.5	11.5	12.9	1.8	3.1
BMRI	BMRI IJ	ADD	8,700	7,650	14%	25.0	12.7	10.8	9.6	1.74	1.74	1.64	14.2	16.1	17.5	4.7	5.6
BRIS	BRIS IJ	ADD	2,000	1,670	20%	4.8	22.7	14.7	11.1	2.75	2.35	2.01	13.0	17.3	19.5	0.0	0.0
BBTN	BBTN IJ	ADD	2,100	1,720	22%	1.3	7.7	7.0	5.9	0.85	0.77	0.70	11.5	11.6	12.4	2.6	2.9
BTPS	BTPS IJ	HOLD	3,900	3,160	23%	1.7	16.6	13.8	11.1	3.43	2.89	2.41	22.6	22.7	23.7	1.0	1.8
ARTO	ARTO IJ	HOLD	15,900	15,600	2%	15.1	2,240.7	2,002.4	372.3	26.20	25.86	24.24	1.8	1.3	6.7	0.0	0.0
BBYB	BBYB IJ	ADD	4,500	2,160	108%	1.4	-20.0	-43.7	196.6	6.99	3.49	3.43	-45.0	-10.2	1.8	0.0	0.0
Indonesia average							22.8	18.9	13.9	2.48	2.30	2.13	13.0	14.8	16.3	3.1	4.1
Malaysia																	
MAY	MAY MK	ADD	9.80	8.91	10%	25.2	12.7	13.0	11.2	1.23	1.09	1.03	9.5	8.9	9.5	6.5	4.7
PBK	PBK MK	ADD	5.00	4.40	14%	20.4	15.1	14.7	11.6	1.77	1.65	1.52	11.9	11.6	13.6	3.5	3.4
HLBK	HLBK MK	ADD	21.80	20.30	7%	10.5	15.0	13.5	12.1	1.40	1.26	1.17	9.8	9.8	10.1	2.6	3.0
RHBBANK	RHBBANK MK	ADD	7.00	5.81	20%	5.7	9.0	8.4	6.9	0.86	0.74	0.69	12.8	13.8	13.6	6.9	5.9
AMM	AMM MK	ADD	3.64	3.34	9%	2.6	283.3	7.0	6.6	0.70	0.67	0.63	0.5	9.7	9.8	3.9	5.7
BIMB	BIMB MK	ADD	3.30	2.93	13%	1.5	12.7	10.6	8.7	0.95	0.88	0.83	8.4	8.6	9.9	3.7	4.6
ABMB	ABMB MK	REDUCE	3.17	3.38	-6%	1.2	9.7	7.3	6.6	0.79	0.75	0.70	8.5	10.5	11.0	4.1	5.9
ABANK	ABANK MK	REDUCE	1.41	1.82	-23%	0.9	7.3	8.0	6.9	0.39	0.36	0.34	5.4	4.7	5.1	6.9	2.8
Malaysia average							33.4	11.9	10.1	1.22	1.10	1.03	9.5	10.1	10.8	5.2	4.4
Singapore																	
DBS	DBS SP	ADD	39.90	33.26	20%	62.9	12.5	11.3	9.8	1.55	1.45	1.34	12.8	13.2	14.2	3.5	4.3
OCBC	OCBC SP	ADD	14.20	11.72	21%	38.7	10.8	9.7	8.6	1.10	1.04	0.97	10.3	10.9	11.7	4.5	5.1
UOB	UOB SP	ADD	35.40	30.12	18%	37.0	13.0	12.1	9.9	1.18	1.13	1.06	9.3	9.6	11.1	4.0	4.2
Singapore average							12.1	11.0	9.4	1.30	1.23	1.14	11.0	11.5	12.5	4.0	4.5
Thailand																	
SCB	SCB TB	ADD	119.00	115.5	3%	11.8	11.7	10.7	9.5	0.90	0.86	0.82	9.9	10.3	11.0	2.6	4.3
KBANK	KBANK TB	ADD	170.00	157	8%	11.2	10.7	9.4	8.7	0.80	0.75	0.71	9.8	10.4	10.7	1.9	3.2
BBL	BBL TB	ADD	164.00	133.5	23%	7.7	9.5	8.4	7.5	0.54	0.52	0.49	7.3	7.9	8.4	3.0	3.7
KTB	KTB TB	HOLD	12.70	13.5	-6%	5.7	10.2	8.8	8.5	0.53	0.51	0.49	6.6	7.3	7.3	3.0	4.1
TTB	TTB TB	ADD	1.33	1.31	2%	3.8	10.8	8.8	8.0	0.59	0.57	0.54	6.2	8.0	8.4	3.8	4.6
TISCO	TISCO TB	HOLD	101.00	97.75	3%	2.4	12.0	11.1	10.4	1.93	1.89	1.84	20.4	21.4	22.3	7.0	7.9
KKP	KKP TB	HOLD	59.00	66.25	-11%	1.7	10.5	8.9	8.3	1.18	1.15	1.12	13.9	16.0	16.6	4.7	6.4
KTC	KTC TB	REDUCE	42.00	61.5	-32%	4.8	27.0	22.2	18.5	6.04	5.21	4.46	24.0	25.2	26.0	1.5	1.8
MTC	MTC TB	ADD	77.00	51.75	49%	3.3	20.9	16.2	13.0	4.36	3.52	2.85	28.6	30.1	30.2	0.7	0.9
Thailand average							10.7	9.4	8.6	0.76	0.72	0.68	8.7	9.4	9.8	2.8	4.0
India																	
SBI	SBIN IN	Add	700	470.85	49%	56.3	20.6	13.4	10.2	1.66	1.51	1.35	8.4	14.6	13.9	0.8	1.5
Bajaj	BAF IN	Add	9,650	6,615	46%	53.5	90.0	53.3	35.1	10.78	9.28	7.66	12.8	18.7	23.9	0.2	0.4
SBI Cards	SBICARD IN	Add	1,150	807	43%	10.2	77.1	47.8	36.2	12.04	10.24	8.55	16.9	23.1	25.7	0.0	0.6
Cholamandalam	CIFC IN	Add	900	669.95	34%	7.2	36.3	28.1	20.6	5.75	4.87	4.03	17.1	18.8	21.4	0.3	0.4
India average							23.6	15.2	11.4	2.10	1.88	1.65	8.7	14.9	14.4	0.8	1.4

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

DATA AS AT 11 MAR 2022

BBRI: BANK RAKYAT INDONESIA; BRIS: BANK SYARIAH INDONESIA; BBTN: BANK TABUNGAN NEGARA; BTPS: BANK TABUNGAN PENSUNAN NASIONAL SYARIAH; ABANK: AFFIN BANK BERHAD; ABMB: ALLIANCE BANK MALAYSIA BERHAD; AMM: AMMB HOLDINGS; BIMB: BANK ISLAM MALAYSIA BHD; HLBK: HONG LEONG BANK; MAY: MALAYAN BANKING BHD; PBK: PUBLIC BANK BHD; RHBBANK: RHB BANK BHD; DBS: DEVELOPMENT BANK OF SINGAPORE; OCBC: OVERSEAS CHINESE BANKING CORPORATION; UOB: UNITED OVERSEAS BANK; KB: KB FINANCIAL GROUP; SHINHAN: SHINHAN FINANCIAL GROUP; HANA: HANA FINANCIAL GROUP; WOORI: WOORI FINANCIAL GROUP; IBK: INDUSTRIAL BANK OF KOREA; BNK: BNK FINANCIAL GROUP; DGB: DGB FINANCIAL GROUP; JB: JB FINANCIAL GROUP; KAKAOBANK: KAKAOBANK CORP; SCB: SIAM COMMERCIAL BANK; KBANK: KASIKORN BANK; BBL: BANGKOK BANK; KTB: KRUNG THAI BANK; TISCO: TISCO FINANCIAL GROUP; TTB: TMBTHANACHART BANK; KKP: KIATNAKIN PHATRA BANK; KTC: KRUNGTHAI CARD; MTC: MUANGTHAI CAPITAL; SBI: STATE BANK OF INDIA; BAJAJ: BAJAJ FINANCE LTD; CHOLAMANDALAM: CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY

NOTE THAT FY21 NUMBERS ARE FORECAST FOR THAILAND AND ARE ACTUAL FOR OTHER REGIONS.

THE ABOVE ESTIMATES FOR INDIAN BANKS ARE INCRED ESTIMATES

Time in the sun

Prefer Indonesian, South Korean and Singaporean banks

We recommend an Overweight rating on the banks across the region, and have a preference for Indonesian, South Korean and Singaporean banks. We see banks in these countries as being better placed, given three general themes that we believe investors should take into account when considering their portfolio positioning in the current environment.

Firstly, interest rate hikes. Generally speaking, higher interest rates lead to higher net interest margins (NIM), and stronger net profit growth for banks. This is especially since we believe NIM, together with credit costs, tends to be among the most important drivers of banking net profits. It is our view that we are only at the beginning of a multi-year rate hike cycle and hence, investors need to be positioned for stocks that can benefit from higher interest rates, such as banks.

Secondly, ongoing normalisation of credit costs. Credit costs (defined as provisioning expenses over average loans) have been falling after peaking in 2020 at the onset of the Covid-19 pandemic, as forward provisioning policies saw banks pre-emptively set aside future provisioning buffers at a time when the economic outlook was highly uncertain. As the economies of the banks under our coverage started to recover, and uncertainty about Covid-19 began to fall with the development and rollout of multiple vaccines, banks felt comfortable reducing their provisioning buffers, with this helping net profit growth.

There still exists room for credit costs to continue falling for banks in some of the countries we cover, as FY21F credit costs are still above their 7-year means. Specifically, we see Indonesian banks clearly standing out in terms of benefitting from the continued normalisation of credit costs, with (i) their FY21 credit cost levels still notably higher than both their 5-year and 7-year averages, and (ii) their FY22F credit costs falling materially yoy versus FY21 credit costs.

One consequence of rising NIM and falling credit costs is strong net profit growth and rebounding ROEs, which we see as key to driving P/BV re-rating. The Indonesian banks stand out versus regional banks in terms of strong net profit growth in FY22F, coupled with rising ROEs back to pre-pandemic levels (up 1.8% pts yoy to 14.8%, which is higher than FY19's 14.4%).

Indian banks also stand out in terms of delivering ROEs in FY22F averaging 13.4%, higher than FY21's and easily back to pre-pandemic levels (we forecast FY22F ROEs to return to levels not seen since end-FY15). We also forecast the Singaporean, Malaysian and Thai banks to see a continued recovery in ROEs in FY22F, though they still remain below FY19 levels. While we project Korean banks' ROEs to fall yoy in FY22F, they still remain above FY19 levels (Fig 18).

Lastly, the banks under our coverage have performed strongly in 2022 YTD with banks in China, Korea, Singapore and Malaysia clearly standing out in terms of their performance versus their respective MSCI country index benchmarks.

The China banking sector looks the cheapest relative to post-2014 mean, with its sector forward P/BV multiples currently trading at 1.5 standard deviations (s.d.) below the post-2014 mean (Fig 19). Banks in India, Thailand, South Korea and Malaysia still trade below their post-2014 mean on a sector forward P/BV multiple basis.

While Indonesian banks' P/BV multiples look relatively expensive at 1.3 s.d. above the post-2014 mean, we caution that this is due to the very strong share price performance of Bank of Central Asia. Excluding this bank shows that there still exists significant value, with the P/BVs of the Indonesian banking sector (ex-Bank of Central Asia) trading at 0.9x s.d. below the post-2014 mean.

Inexpensive valuations can be particularly important in this environment, given our view that stocks with low valuation multiples could be more defensive in the

current environment of heightened investment market uncertainty amidst unpredictable geopolitical tensions.

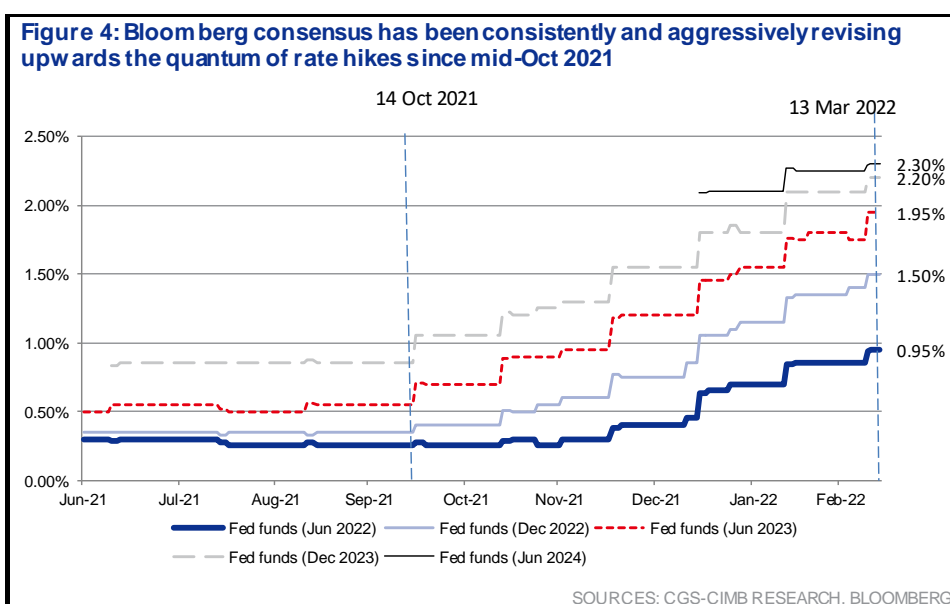
We would like to acknowledge the contribution of our research partner, InCred Equities, for contributions on Indian banks via their India banking analyst, Jignesh Shial (Tel: (91) 22 4161 1547; Email: jignesh.shial@incredcapital.com).

Positioning with banks that have greater exposure to a rising interest rate cycle

Sensitivity to interest rate hikes could become very topical, as we think it is virtually a certainty that the Federal Reserve will raise its target rate by at least 25bp from its current target rate of 0.00-0.25% at the next Federal Open Market Committee (FOMC) meeting on 15-16 Mar 2022.

Looking ahead, since mid-Oct 2021, Bloomberg consensus has been steadily raising its expectations for Federal Reserve interest rate hikes until at least the middle of 2024 (Fig 4). Bloomberg consensus currently expects the Fed funds target rate to be 0.95% at the end of Jun 2022, 1.5% at the end of Dec 2022, 1.95% at the end of Jun 2023, 2.2% at the end of Dec 2023 and 2.3% at the end of Jun 2024 (Fig 4).

It is worth noting that this rapid rate hike trajectory remains unchanged despite any economic uncertainties that are emerging as a result of the Russia-Ukraine war.



Under the base case scenario of the US raising its interest rates by 200bp by the end of 2Q24F, we expect the greatest quantum of rate hikes to take place in Singapore and Indonesia (both 150bp each), followed by Malaysia and South Korea (both 125bp each). China is the only country that we expect to cut interest rates (-35bp over the 2Q21- 2Q24F period) (Fig 5).

Figure 5: Total amount of rate changes in bp we expect this rate hike/cut cycle (2Q21 - 2Q24F)		Figure 6: Name of key interest rate	
	Changes in interest rates expected over 2Q21 - 2Q24F (bp)		Key interest rate
US	200	US	Fed-funds target rate (upper bound)
China	-35	China	1-year loan prime rate
India	100	India	Repo rate
Indonesia	150	Indonesia	BI (Bank Indonesia) rate (7 day repo)
Malaysia	125	Malaysia	Overnight policy rate
Singapore	150	Singapore	SIBOR & SOR
South Korea	125	South Korea	Policy rate (or Base rate)
Thailand	75	Thailand	1-day repurchase rate

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

Currently, only South Korea has raised interest rates. It has raised rates three times since the end of 2Q21, by 25bp each on 26 Aug 2021, 25 Nov 2021 and 14 Jan 2022. Theoretically, this should result in the South Korean banks' NIM rising earlier than that of regional peers. Of the regions where their central banks actively set interest rates as part of their monetary policy, we expect Malaysia and Indonesia to be the next to raise rates, in 3Q22F.

We also point out that while the Monetary Authority of Singapore (MAS) does not actively target interest rates as part of its monetary policy, its interest rates do on average tend to track those of the US. As such, we expect interest rates in Singapore to also rise quite early (for example, we expect 3-month Singapore Interbank Offered Rate [SIBOR] to rise 46bp hoh in 1H22F), with the Singapore banks as the key beneficiaries (Fig 7).

Figure 7: Forecast of interest rate trajectory (level of key interest rate by quarter)

	(%)	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24
						F	F	F	F	F	F	F	F	F	F
US		0.25	0.25	0.25	0.25	0.50	0.75	1.00	1.25	1.50	1.75	2.00	2.00	2.00	2.25
China		3.85	3.85	3.85	3.80	3.70	3.60	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
India		4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.50	4.50	4.75	4.75	5.00	5.25
Indonesia		3.50	3.50	3.50	3.50	3.50	3.50	3.75	4.00	4.25	4.50	4.75	5.00	5.00	5.00
Malaysia		1.75	1.75	1.75	1.75	1.75	1.75	2.25	2.25	2.25	2.25	2.75	2.75	2.75	3.00
Singapore		0.42	0.44	0.43	0.44	0.75	1.00	1.00	1.20	1.30	1.40	1.50	1.50	1.75	1.75
South Korea		0.50	0.75	1.50	1.00	1.25	1.25	1.50	1.50	1.50	1.50	1.75	1.75	1.75	1.75
Thailand		0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.25

SOURCES: CGS-CIMB RESEARCH ESTIMATES

The countries where the banks' NIM have the greatest sensitivity to interest rate movements are China and India, followed by Thailand and Singapore (Fig 8). When considering the sensitivity of net profits to interest rate movements, the countries which have the greatest sensitivities are Thailand (9% increase in net profits for a 25bp rate hike), China (6.5% increase in net profits) and Singapore (6% increase in net profits) (Fig 9). Indonesia fares relatively poorly due to increased competition which may make it more difficult for banks to raise interest rates on loan yields when the central bank raises rates.

Figure 8: Sector sensitivity to NIM of a 25bp increase in key interest rate (assuming it was done on 1 Jan) (bp)

	Sensitivity of FY22F NIM (bp) to a 25bp rate rise
China	13.2
India	10.0
Indonesia	-0.8
Malaysia	3-4
Singapore	7.0
South Korea	4.0
Thailand	8.8

SOURCES: CGS-CIMB RESEARCH ESTIMATES

Figure 9: Sector sensitivity to FY22F net profit of a 25bp increase in key interest rate (assuming it was done on 1 Jan) (%)

	Sensitivity of FY22F net profits to a 25bp rate rise
China	6.5%
India	5.0%
Indonesia	-0.3%
Malaysia	2.6%
Singapore	6.0%
South Korea	3.6%
Thailand	9.0%

SOURCES: CGS-CIMB RESEARCH ESTIMATES

We list in Fig 10 the bank within each country under our coverage which has the greatest sensitivity of FY22F net profit to rising rates.

Figure 10: Sensitivity to FY22F net profit of a 25bp increase in key interest rate (assuming it was done on 1 Jan) (%) for the bank under your coverage that has the greatest sensitivity to interest rate hikes

	Bank in country with the greatest sensitivity to rising rates	Sensitivity of FY22F net profit
China	Agricultural Bank of China	8.4%
India	State Bank of India	5.0%
Indonesia	Bank Central Asia	0.3%
Malaysia	Bank Islam	7.4%
Singapore	DBS	7.0%
South Korea	Woori Financial Group	5.4%
Thailand	Bangkok Bank (BBL)	11.4%

SOURCES: CGS-CIMB RESEARCH ESTIMATES

Within our coverage universe, we have NIM rising the most yoy in FY22F on average for Indonesia (+11bp yoy), South Korea (+9bp yoy) and India (7bp yoy) (Fig 11).

Figure 11: NIM trends of the bank sectors under our coverage

	2014	2015	2016	2017	2018	2019	2020	2021F	2022F	2023F
China	2.63%	2.47%	2.13%	2.09%	2.14%	2.12%	2.12%	2.05%	2.01%	1.99%
Indonesia	6.39%	6.36%	6.71%	6.07%	5.83%	5.60%	5.61%	5.63%	5.74%	5.81%
Malaysia	1.78%	1.74%	1.72%	1.74%	1.69%	1.60%	1.46%	1.58%	1.56%	1.57%
Singapore	1.69%	1.74%	1.73%	1.72%	1.79%	1.82%	1.60%	1.51%	1.52%	1.66%
South Korea	2.16%	2.05%	2.04%	2.13%	2.15%	1.95%	1.81%	1.89%	1.98%	2.00%
Thailand	3.37%	3.31%	3.43%	3.38%	3.31%	3.21%	3.25%	3.05%	3.04%	3.07%
India	3.50%	3.53%	3.48%	3.19%	3.11%	3.29%	3.37%	3.41%	3.48%	3.56%
Simple average	3.07%	3.03%	3.03%	2.90%	2.86%	2.80%	2.75%	2.73%	2.76%	2.81%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

A key factor that generally determines how much banks benefit from rising rates is the current and savings account (CASA) ratio. These are essentially low-interest-rate deposits, with interest rates either zero or close to zero, and generally do not rise at the same pace as loan yields in a rising rate environment. Thus, banks on average with higher CASA ratios tend to see better NIM performance in a rising rate environment and vice versa.

Among the banks under our coverage, Indian banks have the highest CASA ratio in FY22F at 73.9%, followed by Thailand (69.7%), Indonesia (67.7%) and Singapore (66.5%) (Fig 12).

Figure 12: CASA ratio trends of the bank sectors under our coverage

	2014	2015	2016	2017	2018	2019	2020	2021F	2022F	2023F
China	45.9%	47.6%	51.6%	52.3%	50.4%	50.2%	50.8%	49.8%	49.3%	48.9%
Indonesia	61.6%	64.6%	63.9%	64.1%	63.9%	62.9%	64.5%	67.2%	67.7%	68.3%
Malaysia	28.6%	28.0%	29.5%	30.6%	29.2%	28.9%	32.7%	36.9%	28.7%	28.2%
Singapore	48.8%	52.9%	53.7%	53.5%	50.8%	51.9%	63.5%	66.5%	66.5%	66.5%
South Korea	41.1%	44.8%	46.5%	46.5%	46.3%	45.8%	51.9%	54.3%	54.3%	54.3%
Thailand	51.7%	56.4%	59.6%	63.1%	63.5%	62.1%	68.9%	69.7%	69.7%	69.7%
India	87.5%	86.4%	88.6%	85.2%	80.0%	81.9%	78.7%	74.7%	73.9%	74.5%
Simple average	52.2%	54.4%	56.2%	56.5%	54.9%	54.8%	58.7%	59.9%	58.6%	58.6%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Banks with lower loan-to-deposit ratios (LDR) tend to benefit in a rising rate environment, in our view. This is because these banks with low LDRs tend to invest their surplus deposits into interbank assets or investment securities, where yields can rise faster than loans in a rising rate environment.

Indonesia (81.9%) and India (73.9%) on average have the lowest LDRs in FY22F among the banks under our coverage (Fig 13).

Figure 13: Loan-to-deposit ratio trends of the bank sectors under our coverage

	2014	2015	2016	2017	2018	2019	2020	2021F	2022F	2023F
China	72.9%	74.5%	75.1%	78.5%	78.9%	80.9%	81.6%	84.4%	85.8%	87.0%
Indonesia	84.5%	88.1%	87.0%	87.0%	91.1%	91.0%	82.5%	80.4%	81.9%	82.7%
Malaysia	87.0%	90.9%	92.0%	93.1%	92.0%	91.8%	91.0%	90.0%	89.2%	88.6%
Singapore	86.4%	87.4%	86.8%	86.1%	88.4%	88.1%	83.9%	84.7%	86.1%	86.8%
South Korea	74.6%	85.8%	83.9%	83.2%	87.2%	104.1%	103.8%	102.0%	100.5%	99.4%
Thailand	93.2%	96.2%	96.9%	96.6%	98.1%	96.4%	94.0%	94.2%	94.6%	94.6%
India	87.5%	86.4%	88.6%	85.2%	80.0%	81.9%	78.7%	74.7%	73.9%	74.5%
Simple average	83.7%	87.0%	87.2%	87.1%	88.0%	90.6%	87.9%	87.2%	87.4%	87.7%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

All things being equal, we believe that banks with a low ratio of non-interest income to total income (which means a high proportion of net interest income to total income) should see net profit benefit more in a rising rate and rising NIM environment.

On this front, South Korea (15.4% on average in FY22F) and Indonesia (23.8% on average in FY22F) stand out.

Figure 14: Non interest income ratio trends of the bank sectors under our coverage

	2014	2015	2016	2017	2018	2019	2020	2021F	2022F	2023F
China	23.6%	25.2%	28.4%	26.1%	27.0%	27.7%	22.9%	22.4%	22.6%	23.1%
Indonesia	21.1%	21.7%	21.6%	23.0%	24.5%	24.7%	26.3%	25.0%	23.8%	23.0%
Malaysia	43.0%	42.4%	42.7%	42.8%	43.3%	45.4%	48.2%	46.6%	46.8%	47.1%
Singapore	39.0%	37.8%	38.2%	38.4%	34.3%	36.6%	37.9%	40.5%	40.6%	39.1%
South Korea	13.7%	17.9%	15.6%	16.5%	15.4%	14.6%	16.7%	17.0%	15.4%	15.4%
Thailand	35.3%	37.5%	35.5%	35.5%	35.9%	37.4%	30.2%	30.5%	30.5%	30.5%
India	30.9%	31.4%	33.7%	36.5%	36.1%	30.7%	32.1%	29.5%	27.5%	26.6%
Simple average	29.5%	30.6%	30.8%	31.2%	30.9%	31.0%	30.6%	30.2%	29.6%	29.3%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Overall, we think that the banks in Indonesia, Singapore and South Korea are better positioned to benefit from the rising rate cycle over the FY21F-FY23F period.

Positioning for continued normalising of credit costs

The second key theme that we believe will drive banking share prices this year is the ongoing normalisation of credit costs. Credit costs (defined as provisioning expenses over average loans) have been falling after peaking in 2020 at the onset of the Covid-19 pandemic, as forward provisioning policies saw banks preemptively set aside future provisioning buffers at a time when the economic outlook was highly uncertain.

As the economies of the banks under our coverage started to recover, and uncertainty about Covid-19 began to fall with the development and rollout of multiple vaccines, banks felt comfortable reducing their provisioning buffers, with this helping net profit growth.

Importantly, there still exists room for credit costs to continue falling for banks in some of the countries we cover, as FY21F credit costs are still above their 7-year means (Fig 15).

Figure 15: Credit cost trends of the bank sectors under our coverage

	2014	2015	2016	2017	2018	2019	2020	2021F	2022F	2023F
China	0.76%	1.03%	1.03%	1.05%	1.17%	1.16%	1.20%	1.06%	1.01%	0.95%
Indonesia	0.62%	1.17%	1.80%	1.27%	1.03%	1.17%	2.45%	2.00%	1.45%	1.13%
Malaysia	0.30%	0.33%	0.44%	0.35%	0.28%	0.35%	0.74%	0.50%	0.46%	0.43%
Singapore	0.24%	0.27%	0.37%	0.42%	0.16%	0.23%	0.73%	0.18%	0.14%	0.17%
South Korea	0.53%	0.50%	0.43%	0.36%	0.35%	0.33%	0.39%	0.27%	0.30%	0.32%
Thailand	0.87%	1.40%	1.48%	1.71%	1.43%	1.45%	1.80%	1.57%	1.46%	1.42%
India	1.03%	1.18%	1.61%	2.00%	3.12%	2.21%	1.76%	1.88%	1.16%	1.09%
Simple average	0.62%	0.84%	1.02%	1.03%	1.08%	0.98%	1.30%	1.07%	0.85%	0.79%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Specifically, we see Indonesian banks clearly standing out in terms of benefitting from the continued normalisation of credit costs, with (i) their FY21 credit cost levels still notably higher than both their 5-year and 7-year averages, and (ii) their FY22F credit costs falling materially yoy by 56bp to 1.13% of average loans versus FY21 credit costs (Fig 16).

The Indian banks under our coverage also stand out, with credit costs falling 72bp yoy to 1.16% of average loans in FY22F. Unlike the Indonesian banks, however, Indian banks' FY21 credit costs were only 3bp above their 7-year average.

Figure 16: Divergence of credit costs from long-term means

	FY21F credit costs	FY22F credit costs	FY23F credit costs	7-year average	5-year average	FY21 difference vs. 7-year average	FY21 difference vs. 5-year average	FY22F yoy
China	1.06%	1.01%	0.95%	1.06%	1.11%	0.00%	-0.05%	-0.05%
Indonesia	2.00%	1.45%	1.13%	1.44%	1.62%	0.56%	0.38%	-0.56%
Malaysia	0.50%	0.46%	0.43%	0.41%	0.44%	0.08%	0.05%	-0.04%
Singapore	0.18%	0.14%	0.17%	0.33%	0.35%	-0.14%	-0.17%	-0.04%
South Korea	0.27%	0.30%	0.32%	0.39%	0.35%	-0.12%	-0.08%	0.03%
Thailand	1.57%	1.46%	1.42%	1.47%	1.57%	0.11%	0.00%	-0.11%
India	1.88%	1.16%	1.09%	1.85%	2.10%	0.03%	-0.22%	-0.72%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

NOTE THAT FY21 NUMBERS ARE FORECAST FOR CHINA AND THAILAND AND ARE ACTUAL FOR OTHER REGIONS

Another area that both the Indonesian banks and the Indian banks stand out for is the material acceleration in yoy loan growth in FY22F compared to FY21. The Indonesian banks under our coverage are forecast to grow loans by 10.9% yoy in FY22F (FY21: 6%), while the Indian banks are forecast to grow loans by 12.7% in FY22F (FY21: 8.8%) (Fig 17).

Figure 17: Loan growth trends of the bank sectors under our coverage

	2014	2015	2016	2017	2018	2019	2020	2021F	2022F	2023F
China	11.6%	10.1%	11.3%	9.9%	9.3%	10.6%	10.6%	11.5%	11.1%	11.0%
Indonesia	12.3%	14.1%	13.3%	11.7%	14.4%	9.6%	24.7%	6.0%	10.9%	10.8%
Malaysia	11.5%	9.5%	5.3%	3.1%	5.0%	3.1%	3.3%	5.0%	4.9%	5.0%
Singapore	14.6%	2.3%	6.5%	6.8%	8.4%	3.1%	3.3%	8.4%	6.9%	6.1%
South Korea	6.5%	7.4%	5.5%	6.2%	8.2%	6.8%	10.7%	9.8%	5.4%	4.8%
Thailand	5.9%	5.1%	2.9%	5.2%	5.7%	12.4%	10.4%	3.9%	4.3%	4.3%
India	18.2%	13.0%	16.5%	20.8%	9.4%	15.5%	11.1%	8.8%	12.7%	16.5%
Simple average	11.5%	8.8%	8.8%	9.1%	8.6%	8.7%	10.6%	7.6%	8.0%	8.4%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

NOTE THAT FY21 NUMBERS ARE FORECAST FOR CHINA AND THAILAND AND ARE ACTUAL FOR OTHER REGIONS

One consequence of rising NIM and falling credit costs is strong net profit growth and rebounding ROEs, which we see as key to driving P/BV re-rating. The Indonesian banks stand out versus regional banks in terms of strong net profit growth in FY22F, coupled with rising ROEs back to pre-pandemic levels (up 1.8% pts yoy to 14.8%, which is higher than FY19's 14.4%). Indian banks also stand out in terms of delivering ROEs in FY22F averaging 13.4%, higher than that of FY21 and easily back to pre-pandemic levels (FY16).

We forecast the Singaporean, Malaysian and Thai banks to see a continued recovery in ROEs in FY22F, though they still remain below FY19 levels. While we project Korean banks' ROEs to fall yoy in FY22F, they still remain above FY19 levels (Fig 18).

Figure 18: ROE trends of the bank sectors under our coverage

	2014	2015	2016	2017	2018	2019	2020	2021F	2022F	2023F
China	18.7%	16.2%	14.5%	13.8%	13.2%	12.6%	11.4%	11.7%	11.7%	11.8%
Indonesia	22.4%	19.7%	16.1%	15.8%	15.7%	14.4%	9.2%	13.0%	14.8%	16.3%
Malaysia	14.7%	12.7%	11.5%	11.3%	11.6%	10.9%	7.0%	9.5%	10.1%	10.8%
Singapore	12.3%	11.6%	10.1%	9.8%	11.6%	12.3%	8.4%	11.0%	11.5%	12.5%
South Korea	5.9%	6.4%	7.3%	9.1%	8.8%	8.5%	7.7%	9.8%	9.6%	9.5%
Thailand	20.0%	15.7%	15.2%	12.8%	13.4%	12.4%	7.7%	8.8%	9.6%	9.9%
India	13.3%	13.5%	11.0%	8.8%	3.3%	5.0%	8.0%	10.3%	13.4%	15.2%
Simple average	15.3%	13.7%	12.2%	11.6%	11.1%	10.9%	8.5%	10.6%	11.5%	12.3%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

NOTE THAT FY21 NUMBERS ARE FORECAST FOR CHINA AND THAILAND AND ARE ACTUAL FOR OTHER REGIONS

Valuations still remain attractive despite their strong relative outperformance in 2022 YTD

Lastly, the banks under our coverage have performed strongly in 2022 YTD with banks in China, Korea, Singapore and Malaysia clearly standing out in terms of

their performance versus their respective MSCI country index benchmarks (Fig 19 and 20).

Figure 19: Absolute and relative share price performance of the banks under our coverage in 2022 YTD (North Asia)

	Share price performance	MSCI country index performance	Relative performance
China			
ICBC	4.1%	-18.9%	23.0%
CCB	4.1%	-18.9%	23.0%
BOC	5.3%	-18.9%	24.2%
ABC	7.5%	-18.9%	26.4%
BOCOM	10.8%	-18.9%	29.7%
CMB	-2.6%	-18.9%	16.3%
CITIC	6.5%	-18.9%	25.4%
MSB	-2.0%	-18.9%	16.9%
CQRCB	2.5%	-18.9%	21.4%
ICBC-A	-0.4%	-18.9%	18.5%
CCB-A	3.2%	-18.9%	22.1%
BOC-A	1.6%	-18.9%	20.5%
ABC-A	1.0%	-18.9%	19.9%
BOCOM-A	4.3%	-18.9%	23.2%
CMB-A	-8.7%	-18.9%	10.2%
CITIC-A	-1.3%	-18.9%	17.6%
MSB-A	-3.3%	-18.9%	15.6%
PAB	-9.6%	-18.9%	9.3%
CQRCB-A	0.8%	-18.9%	19.7%
Korea			
KB	0.0%	-11%	10.8%
Shinhan	1.5%	-11%	12.3%
HANA	10.7%	-11%	21.5%
WOORI	10.6%	-11%	21.4%
IBK	2.4%	-11%	13.2%
DGB	-3.2%	-11%	7.6%
JB	-4.7%	-11%	6.1%
BNK	-9.5%	-11%	1.3%
KakaoBank	-17.1%	-11%	-6.3%

SOURCES: CGS-CIMB RESEARCH, 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; PAB: PING AN BANK; KB: KB FINANCIAL GROUP; SHINHAN: SHINHAN FINANCIAL GROUP; HANA: HANA FINANCIAL GROUP; WOORI: WOORI FINANCIAL GROUP; IBK: INDUSTRIAL BANK OF KOREA; BNK: BNK FINANCIAL GROUP; DGB: DGB FINANCIAL GROUP; JB: JB FINANCIAL GROUP; KAKAObANK: KAKAObANK CORP

Figure 20: Absolute and relative share price performance of the banks under our coverage in 2022 YTD (ASEAN & India)

	Share price performance	MSCI country index performance	Relative performance
Indonesia			
BBCA	8.9%	7.6%	1.3%
BBRI	11.3%	7.6%	3.7%
BBNI	17.8%	7.6%	10.2%
BMRI	8.9%	7.6%	1.3%
BRIS	-6.2%	7.6%	-13.8%
BBTN	-0.6%	7.6%	-8.2%
BTPS	-11.7%	7.6%	-19.3%
ARTO	-2.5%	7.6%	-10.1%
BBYB	-17.9%	7.6%	-25.5%
Malaysia			
MAY	7.3%	0%	7.7%
PBK	7.6%	0%	8.0%
HLBK	9.0%	0%	9.4%
RHBBANK	8.2%	0%	8.6%
AMM	5.4%	0%	5.8%
BIMB	-2.3%	0%	-1.9%
ABMB	18.2%	0%	18.6%
ABANK	5.2%	0%	5.6%
Singapore			
DBS	1.8%	-10%	11.4%
OCBC	2.8%	-10%	12.3%
UOB	12.0%	-10%	21.5%
Thailand			
SCB	-7.3%	1%	-8.7%
KBANK	10.6%	1%	9.1%
BBL	9.9%	1%	8.4%
KTB	2.3%	1%	0.8%
TTB	-10.9%	1%	-12.3%
TISCO	1.8%	1%	0.4%
KKP	10.9%	1%	9.4%
KTC	3.8%	1%	2.4%
MTC	-11.9%	1%	-13.4%
India			
SBI	2.2%	-4.8%	6.9%
Bajaj	-5.0%	-4.8%	-0.2%
SBI Cards	-13.1%	-4.8%	-8.3%
Cholamandalam	29.0%	-4.8%	33.8%

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

BBCA: BANK OF CENTRAL ASIA; ARTO: BANK JAGO; BMRI: BANK MANDIRI; BBNI: BANK NEGARA INDONESIA; BBYB: BANK NEO COMMERCE; BBRI: BANK RAKYAT INDONESIA; BRIS: BANK SYARIAH INDONESIA; BBTN: BANK TABUNGAN NEGARA; BTPS: BANK TABUNGAN PENSIUNAN NASIONAL SYARIAH; ABANK: AFFIN BANK BERHAD; ABMB: ALLIANCE BANK MALAYSIA BERHAD; AMM: AMMB HOLDINGS; BIMB: BANK ISLAM MALAYSIA BHD; HLBK: HONG LEONG BANK; MAY: MALAYAN BANKING BHD; PBK: PUBLIC BANK BHD; RHBBANK: RHB BANK BHD; DBS: DEVELOPMENT BANK OF SINGAPORE; OCBC: OVERSEAS CHINESE BANKING CORPORATION; UOB: UNITED OVERSEAS BANK; KB: KB FINANCIAL GROUP; SHINHAN: SHINHAN FINANCIAL GROUP; HANA: HANA FINANCIAL GROUP; WOORI: WOORI FINANCIAL GROUP; IBK: INDUSTRIAL BANK OF KOREA; BNK: BNK FINANCIAL GROUP; DGB: DGB FINANCIAL GROUP; JB: JB FINANCIAL GROUP; KAKAObANK: KAKAObANK CORP; SCB: SIAM COMMERCIAL BANK; KBANK: KASIKORN BANK; BBL: BANGKOK BANK; KTB: KRUNG THAI BANK; TISCO: TISCO FINANCIAL GROUP; TTB: TMBTHANACHART BANK; KKP: KIATNAKIN PHATRA BANK; KTC: KRUNGTHAI CARD; MTC: MUANGTHAI CAPITAL; SBI: STATE BANK OF INDIA; BAJAJ: BAJAJ FINANCE LTD; CHOLAMANDALAM: CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY

Despite the strong share price performance of the banks, the banks generally still look attractive on a 12-month rolling forward P/BV multiple basis.

The China banking sector looks the cheapest relative to post-2014 mean, with it currently trading at 1.5 standard deviations (s.d.) below the post-2014 mean (Fig 21). The Indian banks are the second cheapest (1.2 s.d. below post-2014 mean),

followed by Thailand (-0.9 s.d. below post-2014 mean), South Korea (-0.7x s.d. below post-2014 mean) and Malaysia (-0.4 s.d. below post-2014 mean).

While Indonesian banks look relatively expensive at 1.3 s.d. above the post-2014 mean, we caution that this is due to the very strong share price performance of Bank of Central Asia. Excluding this bank shows that there still exists significant value, with the Indonesian banking sector (ex-Bank of Central Asia) trading at 0.9x s.d. below the post-2014 mean.

Inexpensive valuations can be particularly important in this environment, given our view that stocks with low valuation multiples could be more defensive in the current environment of heightened investment market uncertainty amidst unpredictable geopolitical tensions.

Figure 21: Current 12-month forward P/BV valuation multiples of the banking regions under our coverage, and the number of standard deviations away from the post-2014 mean

	Current 12-month rolling forward P/BV	No. of standard deviations relative to post-2014 mean
China	0.56x	-1.5
India	1.36x	-1.2
Indonesia	2.92x	1.3
Indonesia (ex BBCA)	1.62x	-0.9
Malaysia	0.99x	-0.4
Singapore	1.20x	0.5
South Korea	0.40x	-0.7
Thailand	0.67x	-0.9

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

WE HAVE EXCLUDED THE FINTECH BANKING STOCKS FROM THE ABOVE COMPUTATIONS OF P/BV MULTIPLES

Figure 22: Current 12-month forward P/Evaluation multiples of the banking regions under our coverage, and the number of standard deviations away from the post-2014 mean

	Current 12-month rolling forward P/E	No. of standard deviations relative to post-2014 mean
China	4.5x	-1.9
India	12.6x	-0.2
Indonesia	19.3x	1.4
Malaysia	9.1x	0.6
Singapore	10.5x	-0.1
South Korea	4.0x	-1.5
Thailand	8.4x	-0.9

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

WE HAVE EXCLUDED THE FINTECH BANKING STOCKS FROM THE ABOVE COMPUTATIONS OF P/E MULTIPLES

Figure 23: Indonesia bank sector average P/BV (12-months rolling forward) (excluding fintech banks)



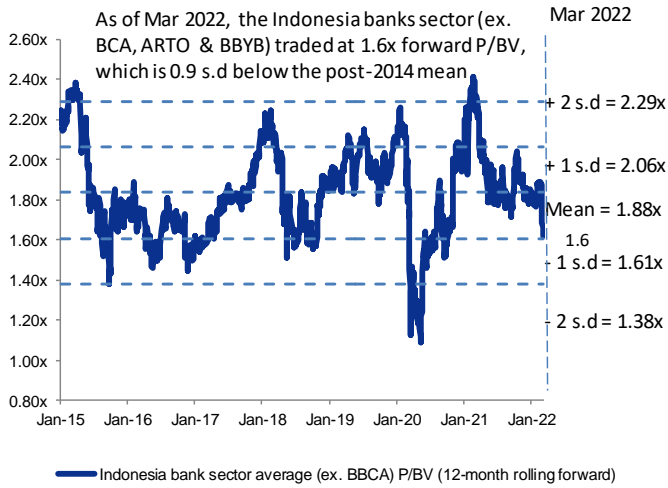
SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 24: Indonesia bank sector average P/E (12-month rolling forward) (excluding fintech banks)



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 25: Indonesia bank sector (ex. BCA, ARTO & BBYB) average P/BV (12-month rolling forward)



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 26: Indonesia big-4 banks average P/BV (12-month rolling forward)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 27: China banks 12-mth forward P/BV since end-2014



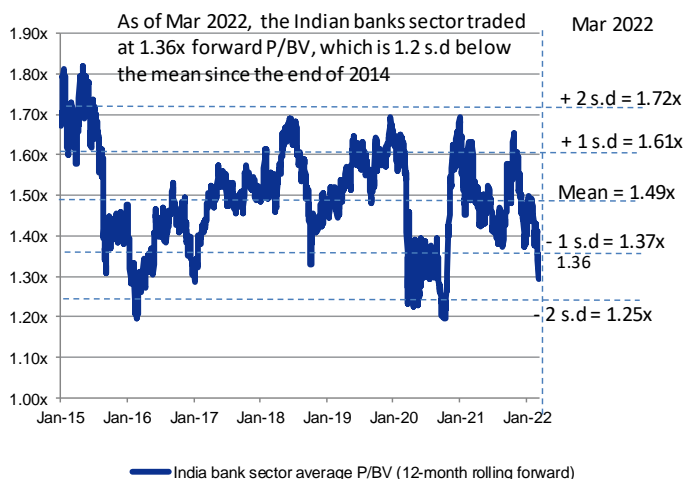
SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 28: China banks 12-mth forward P/E since end-2014



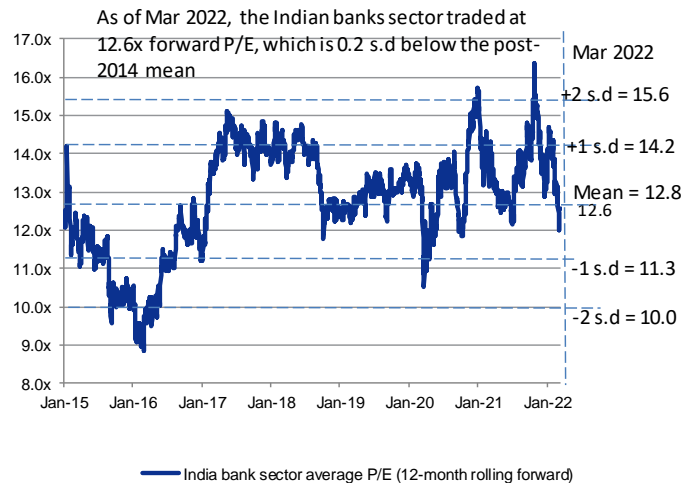
SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 29: Indian banks 12-mth forward P/BV since end-2014



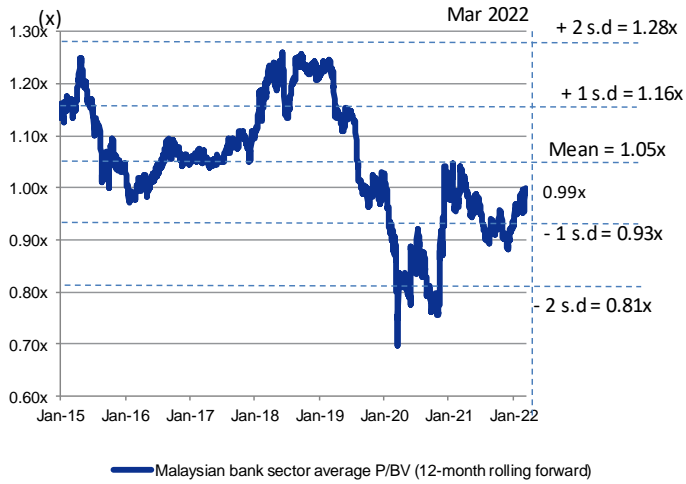
SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 30: Indian banks 12-mth forward P/E since end-2014



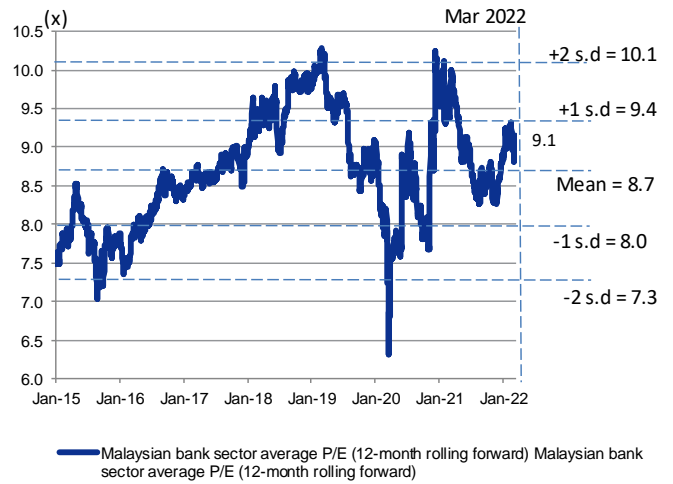
SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 31: Malaysian banks 12-mth forward P/BV (x) since end-2014



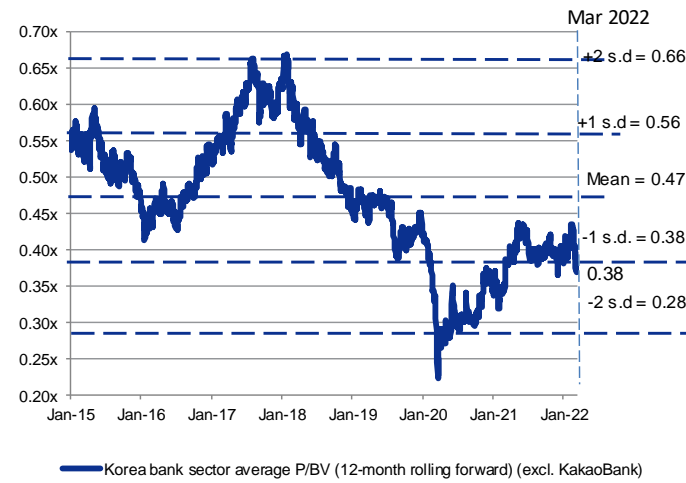
SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 32: Malaysian banks 12-mth forward P/E(x) since end-2014



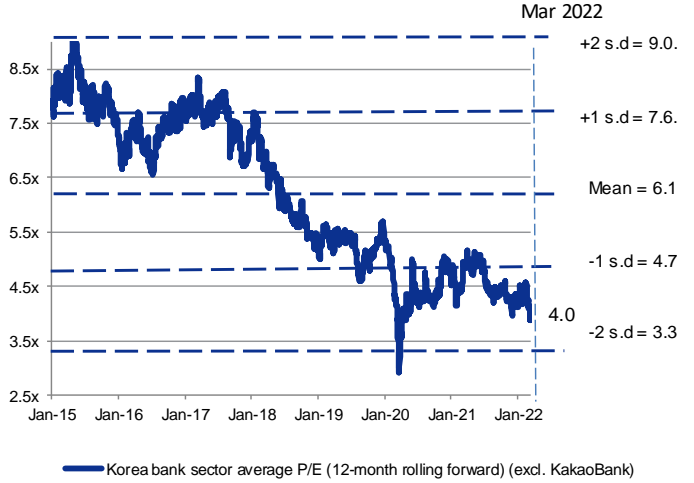
SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 33: Korea bank sector average P/BV (12-month rolling forward) (excl. KakaoBank)



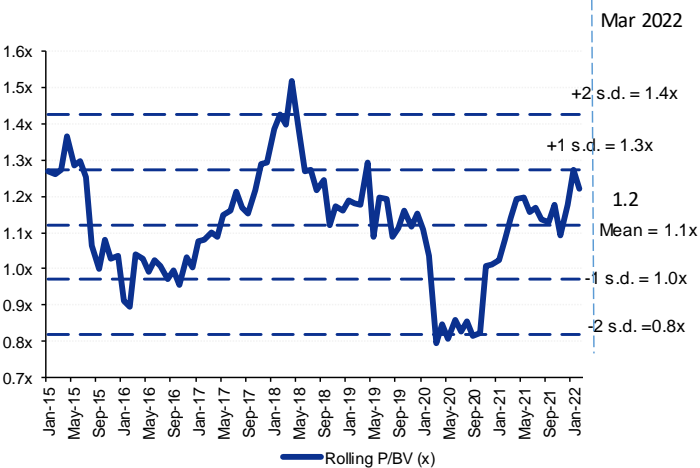
SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 34: Korea bank sector average P/E (12-month rolling forward) (excl. KakaoBank)



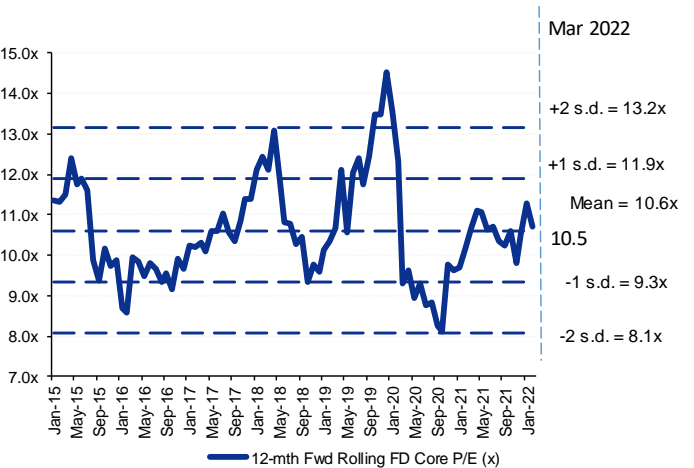
SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 35: Singapore bank sector 12-month rolling forward P/BV (x)

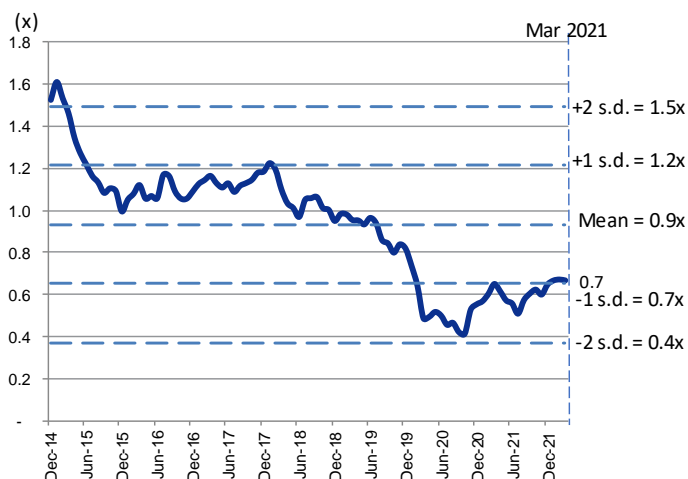


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG

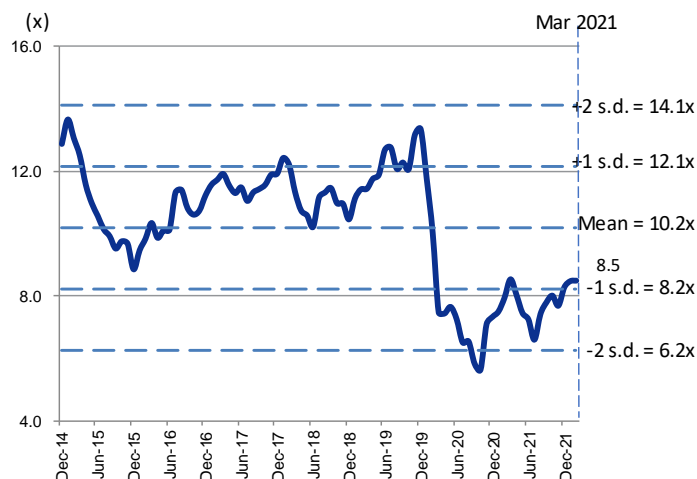
Figure 36: Singapore bank sector 12-month rolling forward Core P/E (x)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 37: Thailand banks 12-month rolling forward P/BV after Dec-2014


SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG

Figure 38: Thailand banks 12-month rolling forward P/E after Dec-2014


SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG

Hence, given the three themes that have been discussed in this report that we believe will drive share prices, we have a distinct preference for the Indonesian banks, Korean banks and Singapore banks.

Figure 39: Valuation table for the Asian banks under our coverage (North Asia)

Company	Bloomberg ticker	Rating	TP (Lcy)	Price (Lcy)	Upside/ (downside)	Mkt cap (US\$ bn)	P/E (x)			P/BV (x)			ROE (%)			Div. yield (%)	
							FY21F	FY22F	FY23F	FY21F	FY22F	FY23F	FY21F	FY22F	FY23F	FY21F	FY22F
NORTH ASIA																	
China (H-share)																	
ICBC	1398 HK	ADD	5.80	4.58	27%	247.3	3.9	3.6	3.3	0.45	0.42	0.38	12.2	12.0	12.0	7.9	8.5
CCB	939 HK	ADD	8.00	5.62	42%	181.8	3.9	3.6	3.3	0.46	0.42	0.38	12.4	12.3	12.3	8.0	8.6
BOC	3988 HK	ADD	4.00	2.96	35%	134.9	3.5	3.3	3.0	0.37	0.34	0.32	10.9	10.9	11.0	9.1	9.9
ABC	1288 HK	ADD	4.40	2.88	53%	161.2	3.6	3.3	3.0	0.40	0.37	0.34	11.6	11.5	11.6	8.8	9.5
BOCOM	3328 HK	ADD	5.30	5.22	2%	53.2	3.8	3.5	3.2	0.40	0.37	0.34	10.8	10.8	11.0	8.4	9.1
CMB	3968 HK	ADD	84.20	58.95	43%	179.6	10.4	8.9	7.5	1.55	1.38	1.22	16.4	16.5	17.3	3.2	3.7
CITIC	998 HK	ADD	4.80	3.60	33%	31.4	2.7	2.5	2.2	0.28	0.26	0.24	10.8	11.0	11.4	10.0	11.0
MSB	1988 HK	HOLD	2.90	2.92	-1%	24.2	3.1	2.9	2.5	0.21	0.20	0.19	7.1	7.3	8.0	9.7	10.6
CQRCB	3618 HK	ADD	4.10	2.84	44%	6.3	2.6	2.3	2.1	0.26	0.24	0.22	10.2	10.6	11.1	11.4	12.8
China H-share weighted average							4.0	3.7	3.3	0.47	0.43	0.39	11.8	11.7	11.8	8.3	8.9
China (A-share)																	
ICBC-A	601398 CH	ADD	5.10	4.61	11%	247.3	4.8	4.5	4.1	0.56	0.52	0.47	12.2	12.0	12.0	6.4	6.9
CCB-A	601939 CH	ADD	7.10	6.05	17%	181.8	5.1	4.8	4.4	0.61	0.56	0.51	12.4	12.3	12.3	6.0	6.5
BOC-A	601988 CH	ADD	3.70	3.10	19%	134.9	4.5	4.2	3.9	0.48	0.44	0.41	10.9	10.9	11.0	7.1	7.6
ABC-A	601288 CH	ADD	3.90	2.97	31%	161.2	4.5	4.2	3.9	0.51	0.47	0.43	11.6	11.5	11.6	6.9	7.4
BOCOM-A	601328 CH	HOLD	4.80	4.81	0%	53.2	4.3	4.0	3.6	0.45	0.42	0.39	10.8	10.8	11.0	7.4	8.0
CMB-A	600036 CH	ADD	71.60	44.45	61%	179.6	9.6	8.2	6.9	1.44	1.28	1.13	16.4	16.5	17.3	3.4	4.0
CITIC-A	601998 CH	ADD	4.90	4.56	7%	31.4	4.2	3.9	3.4	0.44	0.41	0.37	10.8	11.0	11.4	6.4	7.0
MSB-A	600016 CH	REDUCE	2.70	3.77	-28%	24.2	4.9	4.5	3.9	0.34	0.32	0.31	7.1	7.3	8.0	6.1	6.6
PAB	000001 CH	ADD	22.70	14.90	52%	45.6	8.6	7.3	6.2	0.89	0.80	0.72	10.8	11.5	12.3	1.5	1.8
CQRCB-A	601077 CH	ADD	4.50	3.88	16%	6.3	4.4	4.0	3.5	0.44	0.40	0.37	10.2	10.6	11.1	6.7	7.6
China A-share weighted average							5.1	4.7	4.2	0.58	0.53	0.49	11.7	11.7	11.8	6.3	6.8
South Korea																	
KB	105560 KS	ADD	79,000	55,000	44%	18.4	5.2	4.8	4.4	0.48	0.44	0.41	9.8	9.6	9.6	5.3	6.1
Shinhan	055550 KS	ADD	55,000	37,350	47%	15.7	5.0	4.4	4.2	0.41	0.39	0.36	8.9	9.3	9.2	5.2	6.4
HANA	086790 KS	ADD	67,000	46,550	44%	11.3	4.0	3.9	3.6	0.41	0.38	0.35	10.9	10.1	10.0	6.7	7.2
WOORI	316140 KS	ADD	20,000	14,050	42%	8.3	3.9	3.7	3.5	0.40	0.36	0.33	10.6	10.2	9.9	6.4	7.5
IBK	024110 KS	ADD	13,000	10,550	23%	6.4	3.5	3.3	3.2	0.29	0.26	0.25	9.2	8.8	8.5	7.1	7.6
DGB	139130 KS	ADD	13,000	9,080	43%	1.2	3.1	2.7	2.6	0.28	0.26	0.24	9.6	9.8	9.5	6.9	8.3
JB	175330 KS	ADD	11,000	7,960	38%	1.3	3.1	2.9	2.7	0.38	0.34	0.31	12.8	12.3	11.9	7.5	8.8
BNK	138930 KS	ADD	11,000	7,600	45%	2.0	2.9	2.8	2.7	0.27	0.25	0.23	9.4	9.1	9.0	7.4	8.3
KakaoBank	323410 KS	ADD	53,000	48,900	8%	18.9	113.8	69.9	49.0	4.21	3.98	3.68	4.9	5.9	7.8	0.0	0.0
South Korea average							5.6	4.8	4.3	0.44	0.41	0.38	9.8	9.6	9.5	6.1	6.9

 SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS
 DATA AS AT 11 MAR 2022

 NOTE THAT FY21 NUMBERS ARE FORECAST FOR CHINA AND THAILAND AND ARE ACTUAL FOR OTHER REGIONS
 THE ABOVE ESTIMATES FOR INDIAN BANKS ARE INCRED ESTIMATES

Figure 40: Valuation table for the Asian banks under our coverage (ASEAN and India)

Company	Bloomberg ticker	Rating	TP (Lcy)	Price (Lcy)	Upside/ (downside)	Mkt cap (US\$ bn)	P/E (x)			P/BV (x)			ROE (%)			Div. yield (%)	
							FY21F	FY22F	FY23F	FY21F	FY22F	FY23F	FY21F	FY22F	FY23F	FY21F	FY22F
Indonesia																	
BBCA	BBCA IJ	HOLD	8,100	7,950	2%	68.5	31.2	26.9	23.4	4.83	4.44	4.07	16.2	17.2	18.2	1.6	2.2
BBRI	BBRI IJ	ADD	5,000	4,400	14%	46.6	19.5	15.8	13.3	2.31	2.17	2.07	12.0	14.1	16.0	4.0	5.4
BBNI	BBNI IJ	ADD	8,710	7,950	10%	10.4	13.6	9.7	7.5	1.22	1.02	0.92	9.5	11.5	12.9	1.8	3.1
BMRI	BMRI IJ	ADD	8,700	7,650	14%	25.0	12.7	10.8	9.6	1.74	1.74	1.64	14.2	16.1	17.5	4.7	5.6
BRIS	BRIS IJ	ADD	2,000	1,670	20%	4.8	22.7	14.7	11.1	2.75	2.35	2.01	13.0	17.3	19.5	0.0	0.0
BBTN	BBTN IJ	ADD	2,100	1,720	22%	1.3	7.7	7.0	5.9	0.85	0.77	0.70	11.5	11.6	12.4	2.6	2.9
BTPS	BTPS IJ	HOLD	3,900	3,160	23%	1.7	16.6	13.8	11.1	3.43	2.89	2.41	22.6	22.7	23.7	1.0	1.8
ARTO	ARTO IJ	HOLD	15,900	15,600	2%	15.1	2,240.7	2,002.4	372.3	26.20	25.86	24.24	1.8	1.3	6.7	0.0	0.0
BBYB	BBYB IJ	ADD	4,500	2,160	108%	1.4	-20.0	-43.7	196.6	6.99	3.49	3.43	-45.0	-10.2	1.8	0.0	0.0
Indonesia average							22.8	18.9	13.9	2.48	2.30	2.13	13.0	14.8	16.3	3.1	4.1
Malaysia																	
MAY	MAY MK	ADD	9.80	8.91	10%	25.2	12.7	13.0	11.2	1.23	1.09	1.03	9.5	8.9	9.5	6.5	4.7
PBK	PBK MK	ADD	5.00	4.40	14%	20.4	15.1	14.7	11.6	1.77	1.65	1.52	11.9	11.6	13.6	3.5	3.4
HLBK	HLBK MK	ADD	21.80	20.30	7%	10.5	15.0	13.5	12.1	1.40	1.26	1.17	9.8	9.8	10.1	2.6	3.0
RHBBANK	RHBBANK MK	ADD	7.00	5.81	20%	5.7	9.0	8.4	6.9	0.86	0.74	0.69	12.8	13.8	13.6	6.9	5.9
AMM	AMM MK	ADD	3.64	3.34	9%	2.6	283.3	7.0	6.6	0.70	0.67	0.63	0.5	9.7	9.8	3.9	5.7
BIMB	BIMB MK	ADD	3.30	2.93	13%	1.5	12.7	10.6	8.7	0.95	0.88	0.83	8.4	8.6	9.9	3.7	4.6
ABMB	ABMB MK	REDUCE	3.17	3.38	-6%	1.2	9.7	7.3	6.6	0.79	0.75	0.70	8.5	10.5	11.0	4.1	5.9
ABANK	ABANK MK	REDUCE	1.41	1.82	-23%	0.9	7.3	8.0	6.9	0.39	0.36	0.34	5.4	4.7	5.1	6.9	2.8
Malaysia average							33.4	11.9	10.1	1.22	1.10	1.03	9.5	10.1	10.8	5.2	4.4
Singapore																	
DBS	DBS SP	ADD	39.90	33.26	20%	62.9	12.5	11.3	9.8	1.55	1.45	1.34	12.8	13.2	14.2	3.5	4.3
OCBC	OCBC SP	ADD	14.20	11.72	21%	38.7	10.8	9.7	8.6	1.10	1.04	0.97	10.3	10.9	11.7	4.5	5.1
UOB	UOB SP	ADD	35.40	30.12	18%	37.0	13.0	12.1	9.9	1.18	1.13	1.06	9.3	9.6	11.1	4.0	4.2
Singapore average							12.1	11.0	9.4	1.30	1.23	1.14	11.0	11.5	12.5	4.0	4.5
Thailand																	
SCB	SCB TB	ADD	119.00	115.5	3%	11.8	11.7	10.7	9.5	0.90	0.86	0.82	9.9	10.3	11.0	2.6	4.3
KBANK	KBANK TB	ADD	170.00	157	8%	11.2	10.7	9.4	8.7	0.80	0.75	0.71	9.8	10.4	10.7	1.9	3.2
BBL	BBL TB	ADD	164.00	133.5	23%	7.7	9.5	8.4	7.5	0.54	0.52	0.49	7.3	7.9	8.4	3.0	3.7
KTB	KTB TB	HOLD	12.70	13.5	-6%	5.7	10.2	8.8	8.5	0.53	0.51	0.49	6.6	7.3	7.3	3.0	4.1
TTB	TTB TB	ADD	1.33	1.31	2%	3.8	10.8	8.8	8.0	0.59	0.57	0.54	6.2	8.0	8.4	3.8	4.6
TISCO	TISCO TB	HOLD	101.00	97.75	3%	2.4	12.0	11.1	10.4	1.93	1.89	1.84	20.4	21.4	22.3	7.0	7.9
KKP	KKP TB	HOLD	59.00	66.25	-11%	1.7	10.5	8.9	8.3	1.18	1.15	1.12	13.9	16.0	16.6	4.7	6.4
KTC	KTC TB	REDUCE	42.00	61.5	-32%	4.8	27.0	22.2	18.5	6.04	5.21	4.46	24.0	25.2	26.0	1.5	1.8
MTC	MTC TB	ADD	77.00	51.75	49%	3.3	20.9	16.2	13.0	4.36	3.52	2.85	28.6	30.1	30.2	0.7	0.9
Thailand average							10.7	9.4	8.6	0.76	0.72	0.68	8.7	9.4	9.8	2.8	4.0
India																	
SBI	SBIN IN	Add	700	470.85	49%	56.3	20.6	13.4	10.2	1.66	1.51	1.35	8.4	14.6	13.9	0.8	1.5
Bajaj	BAF IN	Add	9,650	6,615	46%	53.5	90.0	53.3	35.1	10.78	9.28	7.66	12.8	18.7	23.9	0.2	0.4
SBI Cards	SBICARD IN	Add	1,150	807	43%	10.2	77.1	47.8	36.2	12.04	10.24	8.55	16.9	23.1	25.7	0.0	0.6
Cholamandalam	CIFC IN	Add	900	669.95	34%	7.2	36.3	28.1	20.6	5.75	4.87	4.03	17.1	18.8	21.4	0.3	0.4
India average							23.6	15.2	11.4	2.10	1.88	1.65	8.7	14.9	14.4	0.8	1.4

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS
 DATA AS AT 11 MAR 2022

NOTE THAT FY21 NUMBERS ARE FORECAST FOR CHINA AND THAILAND AND ARE ACTUAL FOR OTHER REGIONS
 THE ABOVE ESTIMATES FOR INDIAN BANKS ARE INCRED ESTIMATES

We thus recommend an Overweight rating on banks across the region.

As argued in this report, potential re-rating catalysts are rate hikes, ongoing normalisation of credit costs and rebounding ROEs.

Downside risks include a worse-than-expected economic slow down in the regions that we cover. This could result in higher-than-expected asset quality pressure, as well as greater-than-expected interest rate cuts, which could also depress net interest margins.

Another key downside risk is a substantial increase in Covid-19 cases across the region, as well as new more contagious and deadly Covid-19 variants, which would substantially reduce income growth.

One final downside risk is that the banks in certain regions (e.g. China and South Korea) may face greater-than-expected policy risks with respect to lending in the event of a significant economic slow down. Such policy-directed lending could result in asset quality problems for these banks further down the road, in our view.

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

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

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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%

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, **CENEL** – 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, **SV** – 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.