

## China

### ADD (previously HOLD)

Consensus ratings\*: Buy 32 Hold 5 Sell 2

Current price:	Rmb4.65
Target price: ▲	Rmb5.10
Previous target:	Rmb4.10
Up/downside:	9.7%
CGS-CIMB / Consensus:	-6.5%
Reuters:	601398.SS
Bloomberg:	601398 CH
Market cap:	US\$248,716m
	Rmb1,571,613m
Average daily turnover:	US\$125.5m
	Rmb810.4m
Current shares o/s:	356,407m
Free float:	65.3%

\*Source: Bloomberg

#### Key changes in this note

- FY21F EPS raised by 4.6%.
- FY22F EPS raised by 2.2%.
- FY23F EPS cut by 0.1%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-1.9	-0.2	-16.5
Relative (%)	-0.2	6	-12.8

Major shareholders	% held
Central Huijin	34.7

#### Analyst(s)


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## ICBC-A

### Model adjustment

- We adjust FY21F-23F EPS by -0.1% to +4.6%, to reflect our view of a stronger-than-expected FY21F and a weaker economy in FY22F-23F.
- Policy risk has also been better than we had previously expected and hence we cut our policy risk valuation discount from 50% to 40%.
- Upgrade to Add from Hold. TP rises to Rmb5.10 from Rmb4.10 due to valuation roll-forward and a reduced policy risk valuation discount.

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

We forecast FY21F EPS to accelerate to 10.8% yoy, the strongest since FY12's 14.4% yoy, mainly due to lower credit costs. We then conservatively expect FY22F EPS growth to slow to 7.4% yoy on a weaker economy, before rebounding to 9.1% yoy in FY23F.

#### Better-than-expected policy risk

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

#### Upgrade to Add; TP raised to Rmb5.10 from Rmb4.10


We value ICBC using a stress-test adjusted GGM, after factoring in historical A-H share valuation premiums. There are no changes to the 'true' corporate NPL ratio of 10.5% used within our stress test. However, due to the lower policy risk valuation discount and a valuation roll-forward (where we now derive our target price by applying our target P/BV multiples to FY22F BVPS), our TP rises to Rmb5.10 from Rmb4.10. We upgrade our rating from Hold to Add. Potential re-rating catalysts are improving asset quality and economic recovery. Key downside risks: a worse-than-expected NIM trend and greater social responsibilities.

#### Financial Summary

	Dec-20A	Dec-21F	Dec-22F	Dec-23F	Dec-24F
Net Interest Income (Rmbm)	646,765	688,427	732,001	785,976	842,870
Total Non-Interest Income (Rmbm)	153,310	190,940	211,515	233,407	257,751
Operating Revenue (Rmbm)	800,075	879,366	943,516	1,019,383	1,100,621
Total Provision Charges (Rmbm)	(202,668)	(210,675)	(228,701)	(245,741)	(252,428)
Net Profit (Rmbm)	307,067	340,114	365,357	398,553	443,464
Core EPS (Rmb)	0.86	0.95	1.03	1.12	1.24
Core EPS Growth	(0.2%)	10.8%	7.4%	9.1%	11.3%
FD Core P/E (x)	5.40	4.87	4.54	4.16	3.74
DPS (Rmb)	0.27	0.29	0.32	0.35	0.38
Dividend Yield	5.72%	6.34%	6.81%	7.42%	8.26%
BVPS (Rmb)	7.48	8.17	8.90	9.71	10.60
P/BV (x)	0.62	0.57	0.52	0.48	0.44
ROE	12.0%	12.2%	12.0%	12.0%	12.3%
% Change In Core EPS Estimates		4.58%	2.19%	(0.12%)	
CGS-CIMB/Consensus EPS (x)		1.04	1.04	1.06	1.12

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## Model adjustment

ESG in a nutshell		Refinitiv ESG Scores					
							
		B ESG Score	A ESG Controversies Score	B ESG Combined Score	C+ ESG Environment Pillar Score	B- ESG Social Pillar Score	B+ ESG Government Pillar Score
<p>ICBC scored a B- rating for its combined ESG score by Refinitiv. One of the key strategies of ICBC is to build a world-leading green bank. During the pandemic, ICBC has placed focus on green finance, Covid-19 response, poverty alleviation donations, consumer protection and inclusive finance to serve real economy. The bank's loans for precision poverty alleviation grew by 17.8%, faster than the average growth of total loans. ICBC has incorporated ESG into the whole-process management of investment and financing; for example, it built green financial requirements into due diligence, credit rating, review and approval. ICBC also announced that the bank will double its renewable energy investment in the next 10 years and produce a timetable to phase out coal investment to help Chinese government achieve carbon neutrality by 2060.</p>							
<p><b>Keep your eye on</b></p> <p>According to Fortune, ICBC has been flagged for environmental controversies relating to direct funding to the coal power companies and was the world's leading coal underwriter over the past two years. Keep your eye on the pace of which green finance solutions are rolled out by the China banks, as well as the extent to which the China banks ramp up lending to coal and energy companies in late-2021 to help ease China's power shortages.</p>	<p><b>Implications</b></p> <p>ICBC's ESG Controversies score by Refinitiv has dropped significantly in 2020 to C+ from A- in 2019. The financing of coal power companies could be a key reason. We believe ICBC will start reducing its coal industry funding over the next few years after President Xi's announcement in Apr 2021 that China's coal consumption will fall starting no later than 2026. This long-term shift towards more environmentally friendly lending is not currently factored into valuations, in our view, but a prolonged misalignment with responsible financing practices could be a drag on the stock.</p>						
<p><b>ESG highlights</b></p> <p>ICBC's B- ESG score by Refinitiv is on the upper end of ESG scoring against its sectoral peers among China banks (with the highest rating of B for CCB), driven by the full incorporation of ESG into its operations, strengthened risk management capabilities, people-oriented working culture, and increased green finance projects.</p>	<p><b>Implications</b></p> <p>ICBC has proactively committed to improving its ESG over the past few years. While not priced in at the current stage, we believe ICBC's improved focus on ESG, as well as its pledge to produce a timetable to phase out coal power investment, will support re-rating cycles.</p>						
<p><b>Trends</b></p> <p>While ICBC's ESG combined score has been relatively stable over 2016-2020, its Environmental pillar score has fallen from B- in 2018 to C+ in both 2019 and 2020. The Social pillar score has fallen from B+ in 2016 to B in 2017 and then further down to B- in 2020. The Governance pillar score has fallen from A- in 2019 to B+ in 2020.</p>	<p><b>Implications</b></p> <p>We believe the trend will be stable and gradually improve if ICBC decreases its share of financing in sectors with high ESG risks.</p>						

SOURCES: CGS-CIMB RESEARCH, REFINITIV

## Changes to our forecasts

We adjust FY21F-23F EPS by -0.1% to +4.6%, to reflect our view of a stronger-than-expected FY21F and a weaker economy in FY22F-23F (Fig 1).

Our higher FY21F EPS is mainly driven by lower credit costs or provision expenses, while our FY23F EPS falls slightly due to higher credit costs.

**Figure 1: Changes to our forecasts**

(Rmb m)	FY21F			FY22F			FY23F		
	Old	New	+/-	Old	New	+/-	Old	New	+/-
Net interest income	701,576	688,427	-1.9%	731,664	732,001	0.0%	779,384	785,976	0.8%
Non interest income	158,003	190,940	20.8%	176,330	211,515	20.0%	196,279	233,407	18.9%
Total operating income	859,579	879,366	2.3%	907,994	943,516	3.9%	975,663	1,019,383	4.5%
Operating expense	-219,730	-231,600	5.4%	-229,785	-246,010	7.1%	-244,441	-263,133	7.6%
Pre-prov profit	639,849	647,767	1.2%	678,209	697,506	2.8%	731,222	756,250	3.4%
Provisions	-226,493	-210,675	-7.0%	-224,772	-228,701	1.7%	-226,244	-245,741	8.6%
Operating profit	413,356	437,091	5.7%	453,437	468,805	3.4%	504,978	510,509	1.1%
Tax	-78,719	-87,477	11.1%	-86,328	-93,805	8.7%	-96,112	-102,127	6.3%
Net profit to common shareholders	325,221	340,114	4.6%	357,511	365,357	2.2%	399,034	398,553	-0.1%
<b>Key ratios</b>									
EPS (Rmb)	0.91	0.95	4.6%	1.00	1.03	2.2%	1.12	1.12	-0.1%
EPS growth	5.9%	10.8%	4.9% pts	9.9%	7.4%	-2.5% pts	11.6%	9.1%	-2.5% pts
PPOP per share	1.80	1.82	1.2%	1.90	1.96	2.8%	2.05	2.12	3.4%
PPOP per share growth	7.8%	9.1%	1.3% pts	6.0%	7.7%	1.7% pts	7.8%	8.4%	0.6% pts
ROA	0.94%	0.99%	4bp	0.97%	0.98%	1bp	1.02%	0.99%	-4bp
ROE	11.7%	12.2%	0.5% pts	11.8%	12.0%	0.2% pts	12.1%	12.0%	-0.1% pts
Payout ratio	30.9%	30.9%	0.0% pts	30.9%	30.9%	0.0% pts	30.9%	30.9%	0.0% pts
Core tier 1 ratio	13.1%	13.1%	4bp	13.4%	13.2%	-25bp	13.8%	13.3%	-58bp
Tier 1 ratio	14.1%	14.2%	4bp	14.4%	14.1%	-27bp	14.8%	14.1%	-62bp
Total CAR	16.5%	16.6%	4bp	16.7%	16.4%	-33bp	17.0%	16.3%	-72bp
Loan-deposit ratio	75.1%	76.5%	1.4% pts	76.1%	77.5%	1.4% pts	77.1%	78.5%	1.4% pts
NPL ratio	1.51%	1.50%	-1bp	1.46%	1.46%	0bp	1.42%	1.42%	0bp
Cost-income ratio	25.6%	26.3%	77bp	25.3%	26.1%	77bp	25.1%	25.8%	76bp
Net interest margin	2.15%	2.10%	-5bp	2.10%	2.06%	-4bp	2.10%	2.04%	-6bp
Credit cost	0.99%	0.91%	-8bp	0.91%	0.89%	-2bp	0.85%	0.86%	2bp
Provisioning coverage ratio	193.0%	186.3%	-6.7% pts	205.9%	192.9%	-13.1% pts	220.0%	203.3%	-16.7% pts
Loan growth	8.5%	10.7%	2.2% pts	8.0%	11.2%	3.2% pts	7.5%	10.7%	3.2% pts
Interbank assets growth	-3.5%	-3.5%	0.0% pts	7.1%	7.1%	0.0% pts	7.1%	7.1%	0.0% pts
Investment growth	12.3%	12.3%	0.0% pts	6.4%	6.4%	0.0% pts	6.5%	6.5%	0.0% pts
RWA growth	9.6%	9.8%	0.2% pts	6.0%	8.4%	2.4% pts	6.1%	8.5%	2.4% pts

SOURCES: CGS-CIMB RESEARCH ESTIMATES

## Valuation and risks

We value ICBC-A using a stress test adjusted Gordon Growth Model (GGM), after factoring in historical A-H share valuation premiums, with a target price of Rmb5.10 (Rmb4.10 previously).

Our key valuation assumptions are a COE of 10% (unchanged), a sustainable growth (g) assumption of 3% (unchanged), an initial sustainable ROE assumption of 12.3% (previously 12.1%) based on FY24F ROE (previously FY23F ROE), and an asset quality and investor compensation valuation discount of 31% (previously 26%). We also cut our policy risk valuation discount to 40% (previously 50%) (Fig 2). We thus derive a stress-test-adjusted target FY22F (previously FY21F) P/BV multiple of 0.55x (previously 0.48x), implying a sustainable ROE assumption of 7.0% (previously 6.5%).

We arrive at a target price of Rmb5.10 (previously Rmb4.10) and raise our rating on ICBC-A from Hold to Add.

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

	New	Old	% change
Equity risk premium	8.0%	8.0%	0%
Risk free rate	3.0%	3.0%	0%
Beta	0.87	0.87	0%
COE	10.0%	10.0%	0%
g	3.0%	3.0%	0%
Sustainable ROE (based on FY24F ROE)	12.3%	12.1%	1%
Initial target P/BV	1.33x	1.31x	2%
Asset quality valuation discount	-31%	-26%	17%
Final target P/BV	0.55x	0.48x	15%
FY22F BVPS	8.90	8.13	9%
Initial target price (Rmb)	4.93	3.91	26%
Average A-H share premium applied	8%	8%	0%
Valuation incorporating average A-H share gap since start-2011	5.33	4.23	26%
Weighting given to A-H valuation gap	50%	50%	0%
Final target price (Rmb)	5.10	4.10	24%
TP-implied sustainable ROE	7.0%	6.5%	7%
Current price (Rmb)	4.65		
Share price upside	9.7%		

SOURCES: CGS-CIMB RESEARCH ESTIMATES

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

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

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

**Figure 3: China banks valuation table (H-share and A-share banks)**

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

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

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

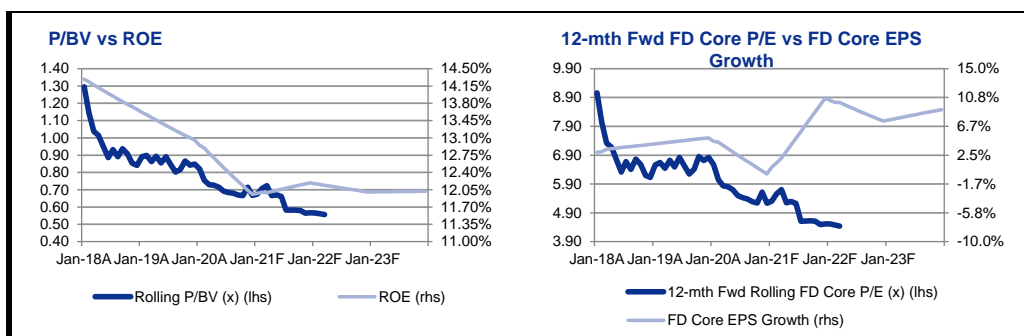
DATA AS OF 7 MAR 2022

**Figure 4: Key financial data**

<b>Profit &amp; loss</b>								
<b>(Rmb m)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021F</b>	<b>2022F</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Net interest income	572,518	606,926	646,765	688,427	732,001	785,976	842,870	903,275
yoy	9.7%	6.0%	6.6%	6.4%	6.3%	7.4%	7.2%	7.2%
Non interest income	152,603	169,076	153,310	190,940	211,515	233,407	257,751	284,834
yoy	-0.6%	10.8%	-9.3%	24.5%	10.8%	10.3%	10.4%	10.5%
<b>Total revenue</b>	<b>725,121</b>	<b>776,002</b>	<b>800,075</b>	<b>879,366</b>	<b>943,516</b>	<b>1,019,383</b>	<b>1,100,621</b>	<b>1,188,108</b>
yoy	7.3%	7.0%	3.1%	9.9%	7.3%	8.0%	8.0%	7.9%
Operating expenses	-194,203	-207,776	-206,585	-231,600	-246,010	-263,133	-281,262	-300,583
<b>Pre-prov profit</b>	<b>530,918</b>	<b>568,226</b>	<b>593,490</b>	<b>647,767</b>	<b>697,506</b>	<b>756,250</b>	<b>819,359</b>	<b>887,525</b>
yoy	8.5%	7.0%	4.4%	9.1%	7.7%	8.4%	8.3%	8.3%
Provisioning expenses	-161,594	-178,957	-202,668	-210,675	-228,701	-245,741	-252,428	-247,289
Net profit to common shareholders	293,031	307,699	307,067	340,114	365,357	398,553	443,464	501,812
yoy	4.1%	5.0%	-0.2%	10.8%	7.4%	9.1%	11.3%	13.2%
<b>Key balance sheet items</b>								
<b>(Rmb m)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021F</b>	<b>2022F</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Loans	15,419,905	16,761,319	18,624,308	20,619,867	22,932,347	25,389,504	28,028,329	30,854,023
Interbank assets	1,696,498	1,887,554	1,821,185	1,949,209	2,087,330	2,236,423	2,397,444	2,571,436
Investments	6,754,692	7,647,117	8,591,139	9,214,019	9,806,473	10,441,726	11,123,233	11,854,759
Deposits	21,408,934	22,977,655	25,134,726	26,954,810	29,590,921	32,344,177	35,256,684	38,328,972
Interbank liabilities	2,329,296	2,529,846	3,077,693	3,259,420	3,451,904	3,655,784	3,871,734	4,100,471
Bonds	617,842	742,875	798,127	838,033	879,935	923,932	970,128	1,018,635
Common shareholders' equity	2,243,950	2,470,054	2,667,683	2,912,993	3,173,344	3,459,096	3,779,510	4,144,407
Total shareholders' equity	2,344,883	2,692,003	2,909,515	3,156,790	3,419,248	3,707,294	4,030,256	4,398,029
RWA	17,190,992	18,616,886	20,124,139	22,093,111	23,958,009	25,990,721	28,152,248	30,449,542
Total assets	27,699,540	30,109,436	33,345,058	35,634,050	38,767,005	42,056,183	45,553,799	49,271,103
yoy								
Loans	8.3%	8.7%	11.1%	10.7%	11.2%	10.7%	10.4%	10.1%
Interbank assets	-7.5%	11.3%	-3.5%	7.0%	7.1%	7.1%	7.2%	7.3%
Investments	17.3%	13.2%	12.3%	7.3%	6.4%	6.5%	6.5%	6.6%
Deposits	11.4%	7.3%	9.4%	7.2%	9.8%	9.3%	9.0%	8.7%
Interbank liabilities	-15.4%	8.6%	21.7%	5.9%	5.9%	5.9%	5.9%	5.9%
Bonds	17.3%	20.2%	7.4%	5.0%	5.0%	5.0%	5.0%	5.0%
Common shareholders' equity	9.9%	10.1%	8.0%	9.2%	8.9%	9.0%	9.3%	9.7%
Total shareholders' equity	9.5%	14.8%	8.1%	8.5%	8.3%	8.4%	8.7%	9.1%
RWA	8.1%	8.3%	8.1%	9.8%	8.4%	8.5%	8.3%	8.2%
Total assets	6.2%	8.7%	10.7%	6.9%	8.8%	8.5%	8.3%	8.2%
<b>Key ratios &amp; drivers</b>								
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021F</b>	<b>2022F</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
EPS (Rmb)	0.82	0.86	0.86	0.95	1.03	1.12	1.24	1.41
EPS Growth	4.1%	5.0%	-0.2%	10.8%	7.4%	9.1%	11.3%	13.2%
BVPS (Rmb)	6.30	6.93	7.48	8.17	8.90	9.71	10.60	11.63
BVPS Growth	10%	10%	8%	9%	9%	9%	9%	10%
ROAE	13.7%	13.1%	12.0%	12.2%	12.0%	12.0%	12.3%	12.7%
ROAA	1.1%	1.1%	1.0%	1.0%	1.0%	1.0%	1.0%	1.1%
ROARWA	1.8%	1.7%	1.6%	1.6%	1.6%	1.6%	1.6%	1.7%
PPOARWA	3.2%	3.2%	3.1%	3.1%	3.0%	3.0%	3.0%	3.0%
DPS (Rmb)	0.25	0.26	0.27	0.29	0.32	0.35	0.38	0.43
Payout ratio	30%	30%	31%	31%	31%	31%	31%	31%
Core tier 1 ratio	13.0%	13.2%	13.1%	13.1%	13.2%	13.3%	13.4%	13.6%
Tier 1 ratio	13.4%	14.3%	14.3%	14.2%	14.1%	14.1%	14.2%	14.3%
Total CAR	15.4%	16.8%	16.9%	16.6%	16.4%	16.3%	16.2%	16.2%
Equity/Assets	9.2%	9.8%	9.5%	9.7%	9.6%	9.6%	9.6%	9.7%
Loan-deposit ratio	72%	73%	74%	76%	77%	78%	79%	80%
NPL ratio	1.52%	1.43%	1.58%	1.50%	1.46%	1.42%	1.40%	1.39%
NPL write-off rate	49%	42%	50%	48%	43%	39%	35%	31%
Net NPL formation rate	0.86%	0.67%	1.04%	0.83%	0.76%	0.67%	0.62%	0.57%
NPL coverage	176%	199%	180%	186%	193%	203%	211%	215%
LLR to loan	2.68%	2.85%	2.85%	2.79%	2.81%	2.88%	2.95%	2.98%
Cost-income ratio	27%	27%	26%	26%	26%	26%	26%	25%
Net interest margin	2.30%	2.24%	2.15%	2.10%	2.06%	2.04%	2.02%	2.00%
Non interest income/ total income	21%	22%	19%	22%	22%	23%	23%	24%
Credit cost	0.99%	1.01%	0.97%	0.91%	0.89%	0.86%	0.80%	0.71%

SOURCES: CGS-CIMB RESEARCH ESTIMATES

## BY THE NUMBERS



### Profit & Loss

(Rmbm)	Dec-20A	Dec-21F	Dec-22F	Dec-23F	Dec-24F
Net Interest Income	646,765	688,427	732,001	785,976	842,870
Total Non-Interest Income	153,310	190,940	211,515	233,407	257,751
<b>Operating Revenue</b>	<b>800,075</b>	<b>879,366</b>	<b>943,516</b>	<b>1,019,383</b>	<b>1,100,621</b>
Total Non-Interest Expenses	(206,585)	(231,600)	(246,010)	(263,133)	(281,262)
<b>Pre-provision Operating Profit</b>	<b>593,490</b>	<b>647,767</b>	<b>697,506</b>	<b>756,250</b>	<b>819,359</b>
Total Provision Charges	(202,668)	(210,675)	(228,701)	(245,741)	(252,428)
<b>Operating Profit After Provisions</b>	<b>390,822</b>	<b>437,091</b>	<b>468,805</b>	<b>510,509</b>	<b>566,931</b>
Pretax Income/(Loss) from Assoc.	1,304	1,304	1,304	1,304	1,304
<b>Operating EBIT (incl Associates)</b>	<b>392,126</b>	<b>438,395</b>	<b>470,109</b>	<b>511,813</b>	<b>568,235</b>
Non-Operating Income/(Expense)	0	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>392,126</b>	<b>438,395</b>	<b>470,109</b>	<b>511,813</b>	<b>568,235</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>392,126</b>	<b>438,395</b>	<b>470,109</b>	<b>511,813</b>	<b>568,235</b>
Taxation	(74,441)	(87,477)	(93,805)	(102,127)	(113,385)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>317,685</b>	<b>350,918</b>	<b>376,304</b>	<b>409,686</b>	<b>454,850</b>
Minority Interests	(1,779)	(1,965)	(2,107)	(2,294)	(2,547)
Pref. & Special Div	(8,839)	(8,839)	(8,839)	(8,839)	(8,839)
FX And Other Adj.	0	0	0	0	0
<b>Net Profit</b>	<b>307,067</b>	<b>340,114</b>	<b>365,357</b>	<b>398,553</b>	<b>443,464</b>
Recurring Net Profit	307,067	340,114	365,357	398,553	443,464

### Balance Sheet Employment

	Dec-20A	Dec-21F	Dec-22F	Dec-23F	Dec-24F
Gross Loans/Cust Deposits	74.1%	76.5%	77.5%	78.5%	79.5%
Avg Loans/Avg Deposits	73.5%	75.3%	77.0%	78.0%	79.0%
Avg Liquid Assets/Avg Assets	42.2%	41.5%	40.5%	39.2%	38.0%
Avg Liquid Assets/Avg IEAs	43.1%	42.2%	40.9%	39.6%	38.4%
Net Cust Loans/Assets	54.3%	56.3%	57.5%	58.6%	59.7%
Net Cust Loans/Broad Deposits	64.1%	66.3%	67.5%	68.5%	69.5%
Equity & Provs/Gross Cust Loans	18.4%	18.0%	17.6%	17.4%	17.2%
Asset Risk Weighting	60.4%	62.0%	61.8%	61.8%	61.8%
Provision Charge/Avg Cust Loans	0%	0%	0%	0%	0%
Provision Charge/Avg Assets	0%	0%	0%	0%	0%
Total Write Offs/Average Assets	0.64%	0.61%	0.61%	0.61%	0.58%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS



## BY THE NUMBERS... cont'd

### Balance Sheet

(Rmbm)	Dec-20A	Dec-21F	Dec-22F	Dec-23F	Dec-24F
Total Gross Loans	20,445,493	22,569,076	25,019,677	27,625,928	30,425,773
Liquid Assets & Invst. (Current)	8,591,139	9,214,019	9,806,473	10,441,726	11,123,233
Other Int. Earning Assets	3,537,795	3,537,795	3,537,795	3,537,795	3,537,795
<b>Total Gross Int. Earning Assets</b>	<b>32,574,427</b>	<b>35,320,890</b>	<b>38,363,945</b>	<b>41,605,448</b>	<b>45,086,801</b>
Total Provisions/Loan Loss Reserve	(531,161)	(575,144)	(643,974)	(730,345)	(826,273)
<b>Total Net Interest Earning Assets</b>	<b>32,043,266</b>	<b>34,745,746</b>	<b>37,719,971</b>	<b>40,875,104</b>	<b>44,260,529</b>
Intangible Assets	0	0	0	0	0
Other Non-Interest Earning Assets	1,301,792	888,304	1,047,034	1,181,080	1,293,270
<b>Total Non-Interest Earning Assets</b>	<b>1,301,792</b>	<b>888,304</b>	<b>1,047,034</b>	<b>1,181,080</b>	<b>1,293,270</b>
<b>Cash And Marketable Securities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Long-term Investments	0	0	0	0	0
<b>Total Assets</b>	<b>33,345,058</b>	<b>35,634,050</b>	<b>38,767,005</b>	<b>42,056,183</b>	<b>45,553,799</b>
Customer Interest-Bearing Liabilities	25,134,726	26,954,810	29,590,921	32,344,177	35,256,684
Bank Deposits	3,077,693	3,259,420	3,451,904	3,655,784	3,871,734
Interest Bearing Liabilities: Others	941,039	980,945	1,022,847	1,066,844	1,113,040
<b>Total Interest-Bearing Liabilities</b>	<b>29,153,458</b>	<b>31,195,175</b>	<b>34,065,672</b>	<b>37,066,804</b>	<b>40,241,458</b>
Bank's Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	1,282,085	1,282,085	1,282,085	1,282,085	1,282,085
<b>Total Liabilities</b>	<b>30,435,543</b>	<b>32,477,260</b>	<b>35,347,757</b>	<b>38,348,889</b>	<b>41,523,543</b>
<b>Shareholders' Equity</b>	<b>2,893,502</b>	<b>3,138,812</b>	<b>3,399,163</b>	<b>3,684,915</b>	<b>4,005,329</b>
Minority Interests					
<b>Total Equity</b>	<b>2,893,502</b>	<b>3,138,812</b>	<b>3,399,163</b>	<b>3,684,915</b>	<b>4,005,329</b>

### Key Ratios

	Dec-20A	Dec-21F	Dec-22F	Dec-23F	Dec-24F
Total Income Growth	3.10%	9.91%	7.29%	8.04%	7.97%
Operating Profit Growth	4.45%	9.15%	7.68%	8.42%	8.35%
Pretax Profit Growth	0.1%	11.8%	7.2%	8.9%	11.0%
Net Interest To Total Income	80.8%	78.3%	77.6%	77.1%	76.6%
Cost Of Funds	1.61%	1.67%	1.72%	1.74%	1.75%
Return On Interest Earning Assets	3.51%	3.51%	3.51%	3.51%	3.51%
Net Interest Spread	1.91%	1.84%	1.79%	1.77%	1.75%
Net Interest Margin (Avg Deposits)	2.69%	2.64%	2.59%	2.54%	2.49%
Net Interest Margin (Avg RWA)	3.34%	3.26%	3.18%	3.15%	3.11%
Provisions to Pre Prov. Operating Profit	34.1%	32.5%	32.8%	32.5%	30.8%
Interest Return On Average Assets	2.04%	2.00%	1.97%	1.94%	1.92%
Effective Tax Rate	19.0%	20.0%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	30.9%	30.9%	30.9%	30.9%	30.9%
Return On Average Assets	0.97%	0.99%	0.98%	0.99%	1.01%

### Key Drivers

	Dec-20A	Dec-21F	Dec-22F	Dec-23F	Dec-24F
Loan Growth (%)	11.1%	10.7%	11.2%	10.7%	10.4%
Net Interest Margin (%)	2.2%	2.1%	2.1%	2.0%	2.0%
Non Interest Income Growth (%)	-9.3%	24.5%	10.8%	10.3%	10.4%
Cost-income Ratio (%)	25.8%	26.3%	26.1%	25.8%	25.6%
Provision charge as % avg loans	1.0%	0.9%	0.9%	0.9%	0.8%
Effective tax rate (%)	19.0%	20.0%	20.0%	20.0%	20.0%
Net NPL Ratio (%)	1.6%	1.5%	1.5%	1.4%	1.4%
Provisioning coverage ratio (%)	180.4%	186.3%	192.9%	203.3%	211.0%
Loan Loss Reserve (%)	2.8%	2.8%	2.8%	2.9%	2.9%
Deposit Growth (%)	9.4%	7.2%	9.8%	9.3%	9.0%
Loan-deposit Ratio (%)	74.1%	76.5%	77.5%	78.5%	79.5%
Core Tier 1 ratio (%)	14.3%	14.2%	14.1%	14.1%	14.2%
Risk weighted assets to total assets ratio (%)	60.4%	62.0%	61.8%	61.8%	61.8%
Dividend payout ratio (%)	30.9%	30.9%	30.9%	30.9%	30.9%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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

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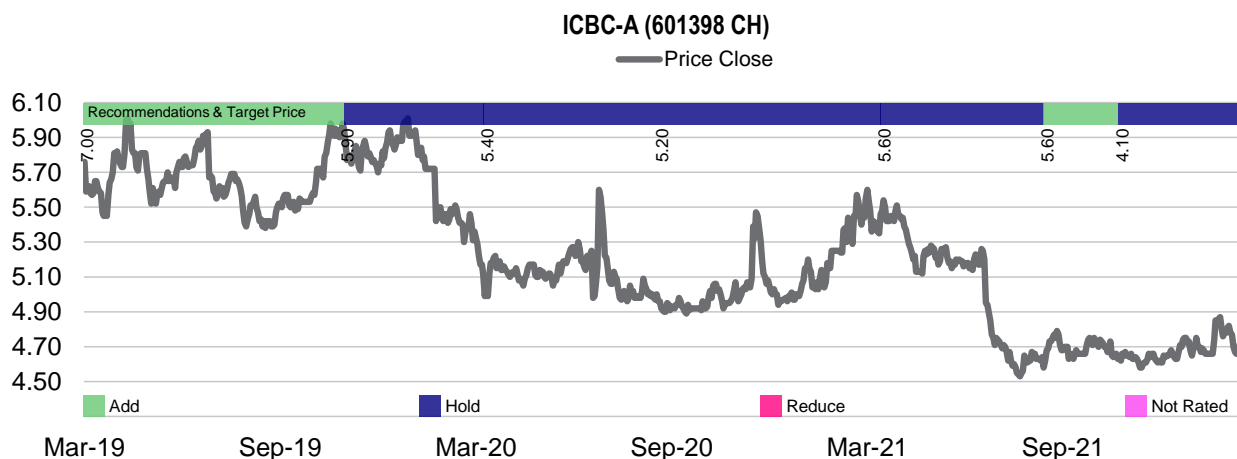
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%	0.0%
Reduce	7.1%	0.0%



Spitzer Chart for stock being researched ( 2 year data )



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

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

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

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Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.
<i>The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.</i>	
<b>Sector Ratings</b>	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.
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Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

