

## Hong Kong

**HOLD** (no change)

Consensus ratings\*: Buy 2 Hold 9 Sell 5

Current price:	HK\$2.98
Target price:	HK\$2.60
Previous target:	HK\$2.90
Up/downside:	-12.8%
CGS-CIMB / Consensus:	-16.2%
Reuters:	1988.HK
Bloomberg:	1988 HK
Market cap:	US\$24,496m
	HK\$191,724m
Average daily turnover:	US\$10.36m
	HK\$80.92m
Current shares o/s:	43,782m
Free float:	91.2%

\*Source: Bloomberg

**Key changes in this note**

- FY22F EPS cut by 7.1%.
- FY23F EPS cut by 7.0%.
- FY24F EPS cut by 6.9%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-2	0.7	-39.6
Relative (%)	0.1	4.5	-17.4

Major shareholders	% held
New Hope Investment Co., Ltd.	4.7
China Life	4.1

**Analyst(s)**

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# China Minsheng Bank

## Still struggling to deliver

- FY21 net profit rose 0.3% (7% below our forecast). This is the second consecutive year of it being worst among peers, after FY20's 41.8% fall.
- The sharp fall in 4Q21 NIM to 1.67% (-26bp qoq, -20bp yoy) is a concern.
- The key positive is the 53bp rise in its FY21 core Tier 1 ratio to 9.04%, but this seemed to have come at the cost of growing loans at 'only' 5%.
- Remains our least preferred bank; maintain Hold. Our TP declines 10% to HK\$2.6, driven by 7% lower FY22F-24F EPS, due to lower NIM.

### Second consecutive year of delivering disappointments

FY21 net profit rose 0.3% (7% below our forecast). This is the second consecutive year of it being the worst among peers, after FY20's 41.8% yoy fall. FY21 ROE thus fell to a lowest-among-peers 6.6%, down 22bp. It is the only bank to have reported a decline in FY21 ROE among banks under our coverage that have reported their FY21 results.

### What we liked about its FY21 results

i) 4Q21 core Tier 1 ratio was 9.04%, up 21bp qoq and 53bp yoy, and its highest level since 3Q19's 9.3%; ii) FY21 effective tax rate was 2.1% (FY20: 4.4%; FY19: 15.2%); iii) FY21 credit cost was 1.99%, down 58bp.

### What we did not like about its FY21 results

i) Weakest-among-peers net profit growth for the second consecutive year; ii) 4Q21 net interest margin (NIM) was 1.67% (-26bp qoq, -20bp yoy), with FY21 NIM at 1.91% (-23bp yoy) and 9M21 at 1.99% (-24bp yoy); iii) FY21 cost-to-income ratio was 30.9%, up 3.1% pts; iv) 4Q21 provisioning coverage ratio was 145.3% (-1.1% pts qoq, +5.9% pts yoy); v) A consequence of its relatively low capital ratios is relatively slow loan growth yoy (4Q21: 5%; 3Q21: 5.6%; 4Q20: 10.5%); vi) FY21 pre-provisioning operating profit (PPOP) fell 12.9%.

### What else we thought was interesting about its FY21 results

i) FY21 risk-weighted-assets to total assets ratio was 77.4%, down 70bp, and still one of the highest among peers; ii) 4Q21 NPL ratio was 1.79%, flat qoq. 2H21 special mention loan ratio was 2.85%, down 1bp hoh. 2H21 mix of loans above 90 days overdue was 1.42%, down 1bp hoh. 2H21 NPL recognition ratio was 126.2%, up 1% pt hoh. We are a bit concerned about the mix of loans below 90 days overdue of 0.75% in 2H21 (+13bp hoh, +7bp yoy); iii) FY21 DPS was Rmb0.213, with a dividend payout ratio of 30%.

### Retain Hold with TP lowered by 10% to HK\$2.60


We value Minsheng Bank (MSB) using a stress-test adjusted GGM. MSB remains our least preferred bank. Our lower TP is driven by 7% lower FY22F-24F EPS, due to lower NIM. Key upside/downside risks: a better-/worse-than-expected NIM trend, and lesser/greater social responsibilities.

**Financial Summary**

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Net Interest Income (Rmbm)	135,224	125,775	110,760	116,998	124,589
Total Non-Interest Income (Rmbm)	46,583	39,779	42,319	45,615	49,825
Operating Revenue (Rmbm)	181,807	165,554	153,079	162,613	174,414
Total Provision Charges (Rmbm)	(94,616)	(78,773)	(65,797)	(64,671)	(61,174)
Net Profit (Rmbm)	30,972	31,053	33,723	38,994	46,411
Core EPS (Rmb)	0.71	0.71	0.77	0.89	1.06
Core EPS Growth	(41.8%)	0.3%	8.6%	15.6%	19.0%
FD Core P/E (x)	3.42	3.41	3.14	2.72	2.28
DPS (Rmb)	0.21	0.21	0.23	0.27	0.32
Dividend Yield	8.8%	8.8%	9.6%	11.1%	13.2%
BVPS (Rmb)	10.50	11.06	11.62	12.28	13.07
P/BV (x)	0.23	0.22	0.21	0.20	0.19
ROE	6.82%	6.58%	6.79%	7.45%	8.36%
% Change In Core EPS Estimates			(7.12%)	(7.00%)	(6.91%)
CGS-CIMB/Consensus EPS (x)			1.00	1.08	0.93

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## Still struggling to deliver

		Refinitiv ESG Scores					
		B-	A+	B-	C	B+	C
		ESG Score	ESG Controversies Score	ESG Combined Score	ESG Environment Pillar Score	ESG Social Pillar Score	ESG Governance Pillar Score
<p><b>ESG in a nutshell</b></p> <p>Minsheng Bank (MSB) scored B- rating for its combined ESG score by Refinitiv in 2020, the same rating as in 2019. The company actively promotes the integration of ESG-related concepts and tools into its operation and management to improve its ESG management capabilities. Its board of directors established the Strategic Development and Customer Rights Protection Committee to oversee the review and supervision of its ESG issues related to inclusive finance and customer rights protection. The bank strictly controls credits to the industries that are “high pollution, high energy consumption and overcapacity”. The bank’s balance of loans to the customers in the industries of “overcapacity” has gradually decreased since 2017. Going forward, MSB looks to adhere to green operations, reduce energy resource consumption, and actively fulfil its environmental responsibilities.</p>	<p><b>Keep your eye on</b></p> <p>Historically, MSB has had several issues with respect to fraud, corruption and fines. This could be a reflection of a weaker-than-peer operational risk system. For example, Ms Zhang Ying (head of Hangtianqiao sub-branch in Beijing) was detained by police in Apr 2017 for wealth management product fraud totalling Rmb1.65bn which impacted 150 customers. MSB was subsequently fined Rmb27.5m in Dec 2017 by the banking regulator; back then this was the biggest fine imposed on a bank, according to Chinese media group Caixin Global. The court later found Ms Zhang guilty and jailed her for life. In Aug 2017, the South China Morning Post reported that Mr Lin Xiaoxuan, MSB chief information officer, was under review by the banking regulator for suspected corruption. Back in 2015, then MSB president Mr Mao Xiaofeng had resigned amidst a corruption probe.</p>	<p><b>Implications</b></p> <p>It seems that MSB had historically had issues with operational risk management. This may have extended to its credit risk management as well, as MSB reported the worst fall in 2020 net profits among the banks under our coverage, due to a sharp increase in its provisioning expenses. While MSB is looking to reduce its exposure to higher risk loans, its net profit only rose 0.3% yoy in FY21, still the worst among the banks under our coverage. Should MSB successfully improve its risk management systems, this could be a catalyst that could help re-rate its stock.</p>					
<p><b>ESG highlights</b></p> <p>MSB’s B- ESG combined rating by Refinitiv in 2020 is on the upper end of ESG scoring against its sectoral peers among China banks (with highest rating a B for CCB). This is due to a Social pillar score of B+ in 2020 offsetting an Environmental pillar score of C and a Governance pillar score of C. It is impressive that the bank’s ESG Controversies Score has consistently remained at A+ since 2016.</p>	<p><b>Implications</b></p> <p>Should MSB improve its relatively low Social and Governance pillar scores, that should lift its ESG scores, and its valuation as well, in our view.</p>						
<p><b>Trends</b></p> <p>MSB’s ESG combined score improved from C+ in 2016 to B- in 2020 (though it dipped temporarily to C in 2018). Its Environmental pillar score improved from C- in 2016 to C in 2017, where it remained until 2020. Its Social pillar score has fluctuated from B- in 2016 and 2017 to C+ in 2018, before improving to B+ in 2019 and 2020. Its Governance pillar score has consistently remained at a C rating since 2016.</p>	<p><b>Implications</b></p> <p>MSB’s ESG rating seems to be on a gradually improving trend. We believe a focus on improving its Governance pillar score could be key to further improvement in its combined ESG score.</p>						

SOURCES: CGS-CIMB RESEARCH, REFINITIV

## Changes to our forecasts

We cut our FY22F-24F EPS by 7%, to reflect weaker-than-expected operating income trends in FY21 (Fig 1), plus our view that the NIM weakness could persist into FY22F-24F, leading to lower net interest income.

Figure 1: Changes to our forecasts

(Rmb m)	FY22F			FY23F			FY24F		
	Old	New	+/-	Old	New	+/-	Old	New	+/-
Net interest income	136,591	110,760	-18.9%	145,903	116,998	-19.8%	158,231	124,589	-21.3%
Non interest income	42,385	42,319	-0.2%	45,425	45,615	0.4%	48,749	49,825	2.2%
Total operating income	178,976	153,079	-14.5%	191,328	162,613	-15.0%	206,981	174,414	-15.7%
Operating expense	-53,771	-47,324	-12.0%	-57,482	-50,272	-12.5%	-62,184	-53,920	-13.3%
Pre-prov profit	125,205	105,755	-15.5%	133,847	112,341	-16.1%	144,796	120,494	-16.8%
Provisions	-78,097	-65,797	-15.7%	-79,868	-64,671	-19.0%	-81,143	-61,174	-24.6%
Operating profit	47,108	39,957	-15.2%	53,978	47,670	-11.7%	63,654	59,319	-6.8%
Tax	-6,548	-2,397	-63.4%	-7,665	-4,767	-37.8%	-9,230	-8,898	-3.6%
Net profit to common shareholders	36,307	33,723	-7.1%	41,930	38,994	-7.0%	49,857	46,411	-6.9%
<b>Key ratios</b>									
EPS (Rmb)	0.83	0.77	-7.1%	0.96	0.89	-7.0%	1.14	1.06	-6.9%
EPS growth	8.8%	8.6%	-0.2% pts	15.5%	15.6%	0.1% pts	18.9%	19.0%	0.1% pts
DPS (Rmb)	0.25	0.23	-7.4%	0.29	0.27	-7.2%	0.34	0.32	-7.2%
BVPS (Rmb)	11.65	11.62	-0.2%	12.36	12.28	-0.6%	13.21	13.07	-1.0%
PPOP per share	2.86	2.42	-15.5%	3.06	2.57	-16.1%	3.31	2.75	-16.8%
PPOP per share growth	5.0%	-7.5%	-12.5% pts	6.9%	6.2%	-0.7% pts	8.2%	7.3%	-0.9% pts
ROA	0.5%	0.5%	0bp	0.5%	0.5%	0bp	0.5%	0.6%	1bp
ROE	7.3%	6.8%	-0.5% pt	8.0%	7.5%	-0.5% pt	8.9%	8.4%	-0.5% pt
Payout ratio	30.1%	30.0%	-0.1% pts	30.1%	30.0%	-0.1% pts	30.1%	30.0%	-0.1% pts
Core tier 1 ratio	8.4%	9.0%	57bp	8.1%	8.7%	59bp	8.0%	8.6%	62bp
Tier 1 ratio	9.6%	10.6%	100bp	9.2%	10.2%	100bp	9.0%	10.0%	100bp
Total CAR	12.8%	13.5%	72bp	12.3%	13.1%	75bp	12.0%	12.8%	79bp
Loan-deposit ratio	107.8%	107.8%	0% pts	107.8%	107.8%	0% pts	107.8%	107.8%	0% pts
NPL ratio	1.68%	1.76%	8bp	1.60%	1.72%	12bp	1.53%	1.68%	15bp
Cost-income ratio	30.0%	30.9%	87bp	30.0%	30.9%	87bp	30.0%	30.9%	87bp
Net interest margin	1.91%	1.62%	-29bp	1.87%	1.59%	-28bp	1.85%	1.56%	-30bp
Credit cost	1.80%	1.54%	-26bp	1.68%	1.40%	-28bp	1.54%	1.21%	-32bp
Provisioning coverage ratio	150.1%	161.7%	11.6% pts	165.1%	175.6%	10.5% pts	183.3%	186.0%	2.7% pts
Loan growth	8.0%	6.5%	-1.5% pts	10.5%	9.0%	-1.5% pts	10.0%	8.5%	-1.5% pts
Interbank assets growth	10.0%	10.0%	0% pts	10.0%	10.0%	0% pts	10.0%	10.0%	0% pts
Investment growth	10.0%	10.0%	0% pts	10.0%	10.0%	0% pts	10.0%	10.0%	0% pts
RWA growth	7.2%	5.9%	-1.4% pts	9.4%	8.5%	-0.9% pts	9.2%	8.3%	-1% pts

SOURCES: CGS-CIMB RESEARCH ESTIMATES

## Valuation and risks

We value Minsheng Bank using a stress test adjusted Gordon Growth Model (GGM), with a lower target price of HK\$2.60 (previously HK\$2.90).

Our key valuation assumptions are a COE of 14.5% (unchanged), a sustainable growth (g) assumption of 3% (unchanged), an initial sustainable ROE assumption of 8.4% (previously 8.9%) based on FY24F ROE, and an asset quality and investor compensation valuation discount of 57% (unchanged).

We also apply a policy risk (or 'national service') valuation discount of 5% (Fig 2). We thus derive a stress-test-adjusted target FY22F P/BV multiple of 0.19x (previously 0.21x), implying a sustainable ROE assumption of 5.2% (previously 5.4%).

We arrive at a target price of HK\$2.60 (previously HK\$2.90) and retain our Hold rating on Minsheng Bank.

**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	1.44	1.44	0%
COE	14.5%	14.5%	0%
g	3.0%	3.0%	0%
Sustainable ROE (based on FY24F ROE)	8.4%	8.9%	-0.5%pts
Initial target P/BV	0.47x	0.51x	-9%
Asset quality valuation discount	-57%	-57%	-0.2%pts
Policy risk discount	-5%	-5%	0.0%pts
Final target P/BV	0.19x	0.21x	-10%
FY22F BVPS	11.62	11.65	0%
Rmb/HK\$	1.19	1.19	0%
Target price (Rmb)	2.22	2.47	-10%
Target price (HK\$)	2.60	2.90	-10%
TP-implied sustainable ROE	5.2%	5.4%	-0.2%pts
Current share price	2.98		
Upside/ downside	-13%		

SOURCES: CGS-CIMB RESEARCH ESTIMATES

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

Another key upside/downside risk is a substantial decrease/increase in confirmed Covid-19 cases in China. An increase could force the country into lockdown again, substantially reducing income growth, while the end of the Covid-19 pandemic could help boost income growth.

**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/PPOP (x)		Dividend yield		ROE(%)	
							FY21F	FY22F	FY21F	FY22F	FY21F	FY22F	FY21F	FY22F	FY21F	FY22F
ICBC	1398 HK	Add	243.4	4.76	5.80	22%	0.49	0.45	4.2	3.9	2.2	2.0	7.3	7.9	12.2	12.0
CCB	0939 HK	Add	169.4	5.80	8.00	38%	0.49	0.45	4.1	3.8	2.2	2.1	7.5	8.0	12.5	12.3
BOC	3988 HK	Add	129.5	3.12	4.20	35%	0.41	0.37	3.8	3.5	2.0	1.9	8.4	9.1	11.2	11.2
ABC	1288 HK	Add	156.0	2.99	4.40	47%	0.43	0.40	3.8	3.6	1.9	1.7	8.2	8.8	11.6	11.5
BOCOM	3328 HK	Hold	49.3	5.49	5.30	-3%	0.43	0.40	4.2	3.8	2.1	2.0	7.7	8.3	10.8	10.9
CMB	3968 HK	Add	204.7	61.05	84.10	38%	1.77	1.56	11.2	9.5	6.2	5.6	3.0	3.5	17.0	17.4
CITIC	0998 HK	Add	30.5	3.94	4.90	24%	0.32	0.29	3.1	2.8	1.1	1.1	9.1	10.0	10.8	10.9
MSB	1988 HK	Hold	24.8	2.98	2.60	-13%	0.23	0.22	3.5	3.3	1.0	1.0	8.5	9.2	6.6	6.8
CQRCB	3618 HK	Add	6.1	3.01	4.10	36%	0.28	0.26	2.9	2.6	1.3	1.3	10.3	11.6	10.2	10.6
<b>H-share weighted average</b>							0.69	0.62	5.3	4.7	2.8	2.6	7.0	7.6	12.6	12.6
ICBC - A	601398 CH	Add	243.4	4.71	5.10	8%	0.58	0.53	4.9	4.6	2.6	2.4	6.3	6.7	12.2	12.0
CCB - A	601939 CH	Add	169.4	6.19	7.10	15%	0.62	0.57	5.2	4.8	2.8	2.6	5.9	6.3	12.5	12.3
BOC - A	601988 CH	Add	129.5	3.22	3.80	18%	0.50	0.46	4.6	4.3	2.5	2.3	6.9	7.4	11.2	11.2
ABC - A	601288 CH	Add	156.0	3.05	3.90	28%	0.52	0.48	4.7	4.3	2.3	2.1	6.7	7.3	11.6	11.5
BOCOM - A	601328 CH	Hold	49.3	5.04	4.80	-5%	0.47	0.44	4.6	4.2	2.3	2.1	7.0	7.7	10.8	10.9
CMB - A	600036 CH	Add	204.7	46.23	71.50	55%	1.59	1.41	10.0	8.6	5.5	5.0	3.3	3.8	17.0	17.4
CITIC - A	601998 CH	Add	30.5	5.11	5.00	-2%	0.49	0.45	4.8	4.3	1.8	1.6	5.9	6.5	10.8	10.9
MSB - A	600016 CH	Reduce	24.8	3.82	2.50	-35%	0.35	0.33	5.4	5.0	1.5	1.6	5.6	6.1	6.6	6.8
PAB - A	000001 CH	Add	54.0	15.21	22.70	49%	0.91	0.80	8.8	6.1	2.5	2.3	1.5	2.2	10.8	14.0
CQRCB - A	601077 CH	Add	6.1	3.90	4.50	15%	0.44	0.41	4.5	4.0	2.0	1.9	6.7	7.5	10.2	10.6
<b>A-share weighted average</b>							0.74	0.66	5.9	5.3	3.0	2.8	5.6	6.1	12.5	12.7
<b>Combined sector weighted average</b>							0.71	0.64	5.6	5.0	2.9	2.7	6.3	6.8	12.6	12.6

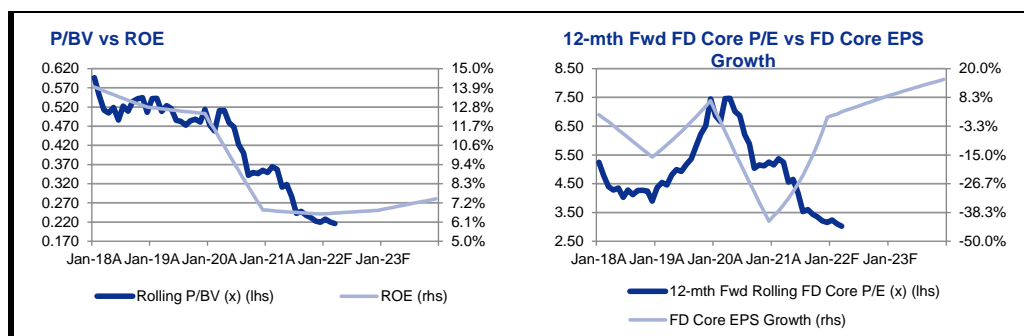
SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG  
 (\*ICBC: INDUSTRIAL AND COMMERCIAL BANK OF CHINA; CCB: CHINA CONSTRUCTION BANK; BOC: BANK OF CHINA; ABC: AGRICULTURAL BANK OF CHINA;  
 BOCOM: BANK OF COMMUNICATIONS; CMB: CHINA MERCHANTS BANK; CITIC: CHINA CITIC BANK; MSB: CHINA MINSHENG BANK;  
 CQRCB: CHONGQING RURAL COMMERCIAL BANK)  
 DATA AS OF 30 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>2021</b>	<b>2022F</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Net interest income	76,680	97,943	135,224	125,775	110,760	116,998	124,589	132,370
yoy	-11.4%	27.7%	38.1%	-7.0%	-11.9%	5.6%	6.5%	6.2%
Non interest income	77,481	79,802	46,583	39,779	42,319	45,615	49,825	54,457
yoy	39.9%	3.0%	-41.6%	-14.6%	6.4%	7.8%	9.2%	9.3%
<b>Total revenue</b>	<b>154,161</b>	<b>177,745</b>	<b>181,807</b>	<b>165,554</b>	<b>153,079</b>	<b>162,613</b>	<b>174,414</b>	<b>186,827</b>
yoy	8.6%	15.3%	2.3%	-8.9%	-7.5%	6.2%	7.3%	7.1%
Operating expense	-49,056	-50,016	-50,485	-51,181	-47,324	-50,272	-53,920	-57,758
<b>Pre-prov profit</b>	<b>105,105</b>	<b>127,729</b>	<b>131,322</b>	<b>114,373</b>	<b>105,755</b>	<b>112,341</b>	<b>120,494</b>	<b>129,070</b>
yoy	11.0%	21.5%	2.8%	-12.9%	-7.5%	6.2%	7.3%	7.1%
Provision	-46,320	-62,991	-94,616	-78,773	-65,797	-64,671	-61,174	-62,703
Net Profit to common shareholders	49,776	53,261	30,972	31,053	33,723	38,994	46,411	52,123
yoy	1.0%	7.0%	-41.8%	0.3%	8.6%	15.6%	19.0%	12.3%
<b>Key balance sheet items</b>								
<b>(Rmb m)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022F</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Loans	3,056,746	3,487,601	3,853,931	4,045,692	4,307,680	4,694,325	5,092,203	5,498,344
Interbank assets	337,869	367,544	295,456	252,676	277,944	305,738	336,312	369,943
Investments	1,970,017	2,184,305	2,120,650	2,034,433	2,237,876	2,461,664	2,707,830	2,978,613
Deposits	3,194,441	3,637,034	3,768,151	3,825,693	3,997,826	4,356,660	4,725,918	5,009,854
Interbank liabilities	1,306,590	1,397,054	1,266,057	1,445,304	1,560,928	1,631,170	1,684,999	1,808,004
Bonds	674,523	817,225	957,880	711,024	853,229	1,023,875	1,228,649	1,474,379
Common shareholders' equity	410,182	448,985	459,677	484,316	508,714	537,580	572,280	610,466
Total shareholders' equity	431,001	530,829	541,248	586,539	611,445	640,893	676,276	715,223
RWA	4,656,286	5,117,026	5,425,856	5,379,458	5,694,357	6,178,007	6,687,852	7,219,507
Total assets	5,994,822	6,681,841	6,950,233	6,952,786	7,407,654	8,036,823	8,700,068	9,391,686
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Loans	9.0%	14.1%	10.5%	5.0%	6.5%	9.0%	8.5%	8.0%
Interbank assets	24.5%	8.8%	-19.6%	-14.5%	10.0%	10.0%	10.0%	10.0%
Investments	-7.8%	10.9%	-2.9%	-4.1%	10.0%	10.0%	10.0%	10.0%
Deposits	7.7%	13.9%	3.6%	1.5%	4.5%	9.0%	8.5%	6.0%
Interbank liabilities	-16.8%	6.9%	-9.4%	14.2%	8.0%	4.5%	3.3%	7.3%
Bonds	34.4%	21.2%	17.2%	-25.8%	20.0%	20.0%	20.0%	20.0%
Common shareholders' equity	11.1%	9.5%	2.4%	5.4%	5.0%	5.7%	6.5%	6.7%
Total shareholders' equity	10.6%	23.2%	2.0%	8.4%	4.2%	4.8%	5.5%	5.8%
RWA	7.3%	9.9%	6.0%	-0.9%	5.9%	8.5%	8.3%	7.9%
Total assets	1.6%	11.5%	4.0%	0.0%	6.5%	8.5%	8.3%	7.9%
<b>Key ratios &amp; drivers</b>								
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022F</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
EPS (Rmb)	1.14	1.22	0.71	0.71	0.77	0.89	1.06	1.19
EPS Growth	-15.8%	7.0%	-41.8%	0.3%	8.6%	15.6%	19.0%	12.3%
BVPS (Rmb)	9.37	10.26	10.50	11.06	11.62	12.28	13.07	13.94
BVPS Growth	-7.4%	9.5%	2.4%	5.4%	5.0%	5.7%	6.5%	6.7%
ROAE	12.8%	12.4%	6.8%	6.6%	6.8%	7.5%	8.4%	8.8%
ROAA	0.84%	0.84%	0.45%	0.45%	0.47%	0.50%	0.55%	0.58%
ROARWA	1.11%	1.09%	0.59%	0.57%	0.61%	0.66%	0.72%	0.75%
PPOARWA	2.34%	2.61%	2.49%	2.12%	1.91%	1.89%	1.87%	1.86%
DPS (Rmb)	0.35	0.37	0.21	0.21	0.23	0.27	0.32	0.36
Payout ratio	30%	30%	30%	30%	30%	30%	30%	30%
Core tier 1 ratio	8.9%	8.9%	8.5%	9.0%	9.0%	8.7%	8.6%	8.5%
Tier 1 ratio	9.2%	10.3%	9.8%	10.7%	10.6%	10.2%	10.0%	9.7%
Total CAR	11.8%	13.2%	13.0%	13.6%	13.5%	13.1%	12.8%	12.5%
Equity/Assets	7.4%	7.3%	7.2%	7.6%	7.5%	7.3%	7.1%	7.0%
Loan-deposit ratio	96%	96%	102%	106%	108%	108%	108%	110%
NPL ratio	1.76%	1.56%	1.82%	1.79%	1.76%	1.72%	1.68%	1.64%
NPL write-off rate	122%	95%	123%	78%	70%	63%	57%	51%
Net NPL formation rate	2.30%	1.68%	2.37%	1.48%	1.35%	1.23%	1.08%	0.95%
NPL coverage	134%	156%	139%	145%	162%	176%	186%	199%
LLR to loan	2.36%	2.43%	2.53%	2.60%	2.85%	3.02%	3.12%	3.25%
Cost-income ratio	31.8%	28.1%	27.8%	30.9%	30.9%	30.9%	30.9%	30.9%
Net interest margin	1.35%	1.68%	2.14%	1.91%	1.62%	1.59%	1.56%	1.53%
Non interest income/ total income	50%	45%	26%	24%	28%	28%	29%	29%
Credit cost	1.58%	1.92%	2.53%	1.96%	1.54%	1.40%	1.21%	1.14%

SOURCES: CGS-CIMB RESEARCH ESTIMATES

## BY THE NUMBERS



### Profit & Loss

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Net Interest Income	135,224	125,775	110,760	116,998	124,589
Total Non-Interest Income	46,583	39,779	42,319	45,615	49,825
<b>Operating Revenue</b>	<b>181,807</b>	<b>165,554</b>	<b>153,079</b>	<b>162,613</b>	<b>174,414</b>
Total Non-Interest Expenses	(50,485)	(51,181)	(47,324)	(50,272)	(53,920)
<b>Pre-provision Operating Profit</b>	<b>131,322</b>	<b>114,373</b>	<b>105,755</b>	<b>112,341</b>	<b>120,494</b>
Total Provision Charges	(94,616)	(78,773)	(65,797)	(64,671)	(61,174)
<b>Operating Profit After Provisions</b>	<b>36,706</b>	<b>35,600</b>	<b>39,957</b>	<b>47,670</b>	<b>59,319</b>
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
<b>Operating EBIT (incl Associates)</b>	<b>36,706</b>	<b>35,600</b>	<b>39,957</b>	<b>47,670</b>	<b>59,319</b>
Non-Operating Income/(Expense)	0	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>36,706</b>	<b>35,600</b>	<b>39,957</b>	<b>47,670</b>	<b>59,319</b>
Exceptional Items	0	0	0	0	0
<b>Pre-tax Profit</b>	<b>36,706</b>	<b>35,600</b>	<b>39,957</b>	<b>47,670</b>	<b>59,319</b>
Taxation	(1,604)	(747)	(2,397)	(4,767)	(8,898)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>35,102</b>	<b>34,853</b>	<b>37,560</b>	<b>42,903</b>	<b>50,421</b>
Minority Interests	(793)	(472)	(509)	(581)	(683)
Pref. & Special Div	(3,337)	(3,328)	(3,328)	(3,328)	(3,328)
FX And Other Adj.	0	0	0	0	0
<b>Net Profit</b>	<b>30,972</b>	<b>31,053</b>	<b>33,723</b>	<b>38,994</b>	<b>46,411</b>
Recurring Net Profit	30,972	31,053	33,723	38,994	46,411

### Balance Sheet Employment

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Gross Loans/Cust Deposits	102%	106%	108%	108%	108%
Avg Loans/Avg Deposits	99%	104%	107%	108%	108%
Avg Liquid Assets/Avg Assets	42.1%	39.3%	38.5%	38.9%	39.0%
Avg Liquid Assets/Avg IEAs	43.9%	40.9%	39.8%	40.0%	40.0%
Net Cust Loans/Assets	54.4%	57.1%	56.5%	56.6%	56.7%
Net Cust Loans/Broad Deposits	71.0%	71.5%	71.7%	72.6%	73.7%
Equity & Provs/Gross Cust Loans	16.3%	16.8%	16.7%	16.4%	16.1%
Asset Risk Weighting	78.1%	77.4%	76.9%	76.9%	76.9%
Provision Charge/Avg Cust Loans	0%	0%	0%	0%	0%
Provision Charge/Avg Assets	0%	0%	0%	0%	0%
Total Write Offs/Average Assets	1.18%	1.04%	0.29%	0.59%	0.53%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS



## BY THE NUMBERS... cont'd

### Balance Sheet

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Gross Loans	4,550,912	4,659,670	4,946,925	5,361,365	5,789,817
Liquid Assets & Invst. (Current)	2,120,650	2,034,433	2,237,876	2,461,664	2,707,830
Other Int. Earning Assets					
<b>Total Gross Int. Earning Assets</b>	<b>6,671,562</b>	<b>6,694,103</b>	<b>7,184,802</b>	<b>7,823,029</b>	<b>8,497,648</b>
Total Provisions/Loan Loss Reserve	(71,634)	(78,013)	(122,816)	(141,668)	(158,719)
<b>Total Net Interest Earning Assets</b>	<b>6,599,928</b>	<b>6,616,090</b>	<b>7,061,986</b>	<b>7,681,361</b>	<b>8,338,929</b>
Intangible Assets	0	0	0	0	0
Other Non-Interest Earning Assets	350,305	336,696	345,668	355,462	361,139
<b>Total Non-Interest Earning Assets</b>	<b>350,305</b>	<b>336,696</b>	<b>345,668</b>	<b>355,462</b>	<b>361,139</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>6,950,233</b>	<b>6,952,786</b>	<b>7,407,654</b>	<b>8,036,823</b>	<b>8,700,068</b>
Customer Interest-Bearing Liabilities	3,768,151	3,825,693	3,997,826	4,356,660	4,725,918
Bank Deposits	1,558,409	1,725,091	1,840,715	1,910,957	1,964,786
Interest Bearing Liabilities: Others	961,173	713,880	856,085	1,026,731	1,231,505
<b>Total Interest-Bearing Liabilities</b>	<b>6,287,733</b>	<b>6,264,664</b>	<b>6,694,626</b>	<b>7,294,347</b>	<b>7,922,209</b>
Bank's Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	121,252	101,583	101,583	101,583	101,583
<b>Total Liabilities</b>	<b>6,408,985</b>	<b>6,366,247</b>	<b>6,796,209</b>	<b>7,395,930</b>	<b>8,023,792</b>
<b>Shareholders' Equity</b>	<b>529,537</b>	<b>574,280</b>	<b>598,678</b>	<b>627,544</b>	<b>662,244</b>
Minority Interests	11,711	12,259	12,768	13,349	14,032
<b>Total Equity</b>	<b>541,248</b>	<b>586,539</b>	<b>611,445</b>	<b>640,893</b>	<b>676,276</b>

### Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Income Growth	2.29%	(8.94%)	(7.54%)	6.23%	7.26%
Operating Profit Growth	2.8%	(12.9%)	(7.5%)	6.2%	7.3%
Pretax Profit Growth	(43.3%)	(3.0%)	12.2%	19.3%	24.4%
Net Interest To Total Income	74.4%	76.0%	72.4%	71.9%	71.4%
Cost Of Funds	2.45%	2.42%	2.43%	2.42%	2.42%
Return On Interest Earning Assets	4.38%	4.16%	3.86%	3.82%	3.78%
Net Interest Spread	1.93%	1.73%	1.44%	1.39%	1.36%
Net Interest Margin (Avg Deposits)	3.65%	3.31%	2.83%	2.80%	2.74%
Net Interest Margin (Avg RWA)	2.57%	2.33%	2.00%	1.97%	1.94%
Provisions to Pre Prov. Operating Profit	72.0%	68.9%	62.2%	57.6%	50.8%
Interest Return On Average Assets	1.98%	1.81%	1.54%	1.52%	1.49%
Effective Tax Rate	4.4%	2.1%	6.0%	10.0%	15.0%
Net Dividend Payout Ratio	30.1%	30.0%	30.0%	30.0%	30.0%
Return On Average Assets	0.45%	0.45%	0.47%	0.50%	0.55%

### Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Loan Growth (%)	10.5%	5.0%	6.5%	9.0%	8.5%
Net Interest Margin (%)	2.1%	1.9%	1.6%	1.6%	1.6%
Non Interest Income Growth (%)	-41.6%	-14.6%	6.4%	7.8%	9.2%
Cost-income Ratio (%)	27.8%	30.9%	30.9%	30.9%	30.9%
Provision charge as % avg loans	2.5%	2.0%	1.5%	1.4%	1.2%
Effective tax rate (%)	4.4%	2.1%	6.0%	10.0%	15.0%
Net NPL Ratio (%)	1.8%	1.8%	1.8%	1.7%	1.7%
Provisioning coverage ratio (%)	139.4%	145.3%	161.7%	175.6%	186.0%
Loan Loss Reserve (%)	2.5%	2.6%	2.9%	3.0%	3.1%
Deposit Growth (%)	3.6%	1.5%	4.5%	9.0%	8.5%
Loan-deposit Ratio (%)	102.3%	105.8%	107.8%	107.8%	107.8%
Core Tier 1 ratio (%)	9.8%	10.7%	10.6%	10.2%	10.0%
Risk weighted assets to total assets ratio (%)	78.1%	77.4%	76.9%	76.9%	76.9%
Dividend payout ratio (%)	30.1%	30.0%	30.0%	30.0%	30.0%

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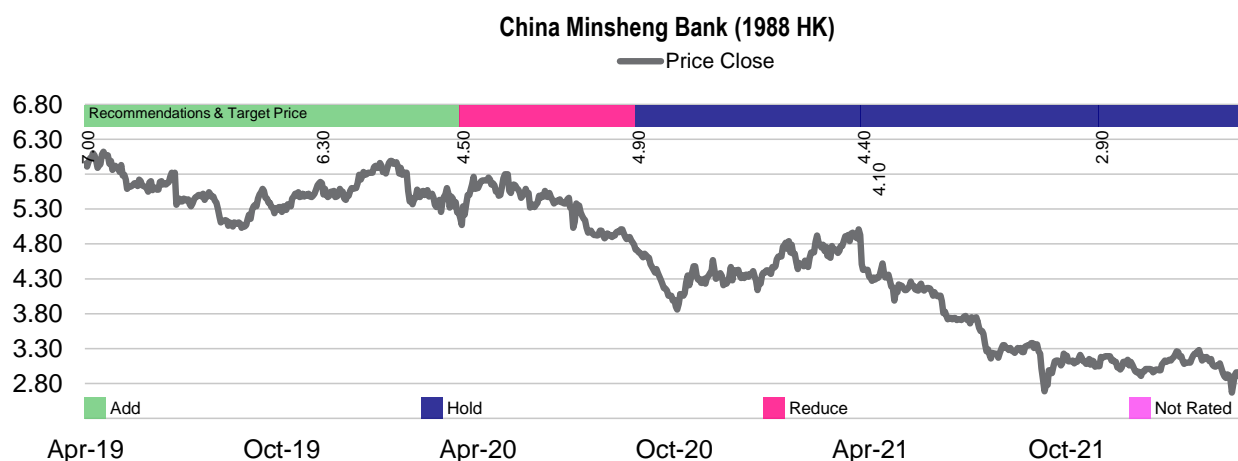
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%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