

China

ADD (no change)

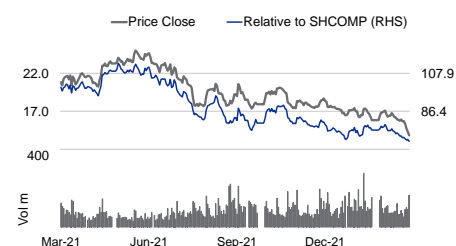
Consensus ratings*: Buy 40 Hold 2 Sell 0

Current price:	Rmb13.84
Target price:	Rmb22.70
Previous target:	Rmb25.50
Up/downside:	64.0%
CGS-CIMB / Consensus:	-10.9%
Reuters:	000001.SZ
Bloomberg:	000001 CH
Market cap:	US\$42,511m
	Rmb268,578m
Average daily turnover:	US\$274.3m
	Rmb1,743m
Current shares o/s:	19,406m
Free float:	42.0%

*Source: Bloomberg

Key changes in this note

- FY22F EPS cut by 4.9%.
- FY23F EPS cut by 9.4%.
- FY24F EPS cut by 12.1%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-17.9	-26	-33.6
Relative (%)	-11.5	-14.6	-30.5

Major shareholders	% held
Ping An Insurance Group	58.0

Analyst(s)

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Ping An Bank

Moving up the risk-reward curve

- FY21's 23% yoy net profit growth led to FY21 ROE finally rising yoy for the first time in seven years.
- Capital raising risk remains our biggest concern, with its FY21 core Tier 1 ratio at 8.6%, 85bp above the regulatory minimum and lowest of peers.
- 4Q21 saw higher risk-higher yielding personal loans strongly rebound qoq, even as 4Q21 special mention loans & <90 days loans overdue notably rose.
- Reiterate Add rating. TP cut to Rmb22.7 from Rmb25.5 on 4.9-12.1% lower FY22F-24F EPS stemming from higher credit cost assumptions.

Strong FY21 results; key issue is capital levels

Ping An Bank's (PAB) FY21 net profit grew 23% yoy (4Q21: 11.8% yoy), in line with our forecast. This is the strongest net profit growth since FY14's 30% yoy. FY21F ROE was 10.85%, its first annual rise yoy since FY14. Preliminary profit figures had been earlier announced on 13 Jan 2022. Our key concern remains its FY21 core Tier 1 ratio of 8.6% (-9bp yoy), which is the lowest of the banks under our coverage.

What we liked about the results

In addition to its strong FY21 net profit growth and first ROE rise in seven years, we also liked: i) the continued build-up of provisioning buffers — 4Q21 provisioning coverage ratio was 288.4% (+87% pts yoy, +20% pts qoq); 4Q21 loan loss reserve ratio was 2.94% (+57bp yoy, +13bp qoq); and ii) 4Q21 pre-provision operating profit (PPOP) growth was 21.7% yoy (3Q21: 10.3% yoy; FY21: 11.7% yoy), with 4Q21 net fee income growth at 11.7% yoy (3Q21: -4.1% yoy; FY21: 11.5% yoy).

What we did not like about the results

In addition its capital levels, we are concerned about: i) the ratio of risk-weighted assets to total assets, which rose to 72.5%, the highest since at least FY08; and ii) near-term asset quality pressure, as 4Q21 special mention loan ratio was 1.42% (+5bp qoq, +30bp yoy), with the 4Q21 ratio of loans <90 days overdue at 1.14% (+50bp qoq). 4Q21 non-performing loan (NPL) ratio was 1.02% (-3bp qoq, -16bp yoy); 4Q21 >90 days overdue loan ratio was 0.74% (-2bp qoq, -14bp yoy).

What else we found interesting about the results

i) 4Q21 Xinyidai loans rose 8.7% yoy and 7.5% qoq, while credit card loans rose 17.4% yoy and 6.2% qoq; these loans are relatively high yield; ii) FY21 credit costs was 2.53% (-26bp yoy), while 4Q21 credit costs was 2.67% (+24bp yoy); iii) 4Q21 net interest margin (NIM) was 2.74% (-1bp qoq); iv) 4Q21 NPL recognition ratio was 138% (-10bp qoq).

Reiterate Add; stress-test-adjusted GGM-based TP cut to Rmb22.7


Our GGM-based TP falls to Rmb22.7, on 4.9%-12.1% lower FY22F-24F EPS stemming from higher credit costs. Potential re-rating catalysts: better asset quality and ROE. Key downside risks: another wave of Covid-19 and stricter regulations.

Financial Summary

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Net Interest Income (Rmbm)	113,470	120,336	129,438	142,143	156,238
Total Non-Interest Income (Rmbm)	40,149	49,205	53,917	59,130	64,902
Operating Revenue (Rmbm)	153,619	169,541	183,354	201,273	221,139
Total Provision Charges (Rmbm)	(70,418)	(73,817)	(76,872)	(80,382)	(82,336)
Net Profit (Rmbm)	27,234	33,487	39,439	46,758	56,416
Core EPS (Rmb)	1.40	1.73	2.03	2.41	2.91
Core EPS Growth	(8.8%)	23.0%	17.8%	18.6%	20.7%
FD Core P/E (x)	9.86	8.02	6.81	5.74	4.76
DPS (Rmb)	0.18	0.23	0.27	0.32	0.38
Dividend Yield	1.30%	1.65%	1.94%	2.30%	2.78%
BVPS (Rmb)	15.16	16.77	18.58	20.72	23.31
P/BV (x)	0.91	0.83	0.74	0.67	0.59
ROE	9.6%	10.8%	11.5%	12.3%	13.2%
% Change In Core EPS Estimates			(4.9%)	(9.4%)	(12.1%)
CGS-CIMB/Consensus EPS (x)			0.95	0.95	1.01

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Moving up the risk-reward curve

ESG in a nutshell		Refinitiv ESG Scores					
		C ESG Score	A+ ESG Controversies Score	C ESG Combined Score	C- ESG Environment Pillar Score	B- ESG Social Pillar Score	D+ ESG Government Pillar Score
<p>PAB scored a C rating for its combined ESG score by Refinitiv in 2020 (an upgrade from C- in 2019). Ping An contributed to China's carbon neutrality goals through green finance and supported rural development through Ping An Rural Communities Support. It cumulatively provided Rmb36bn for poverty alleviation and industry revitalisation as of Jun 2021. PAB also supported the establishment of 12 party building sites in seven provinces, benefiting more than 30,000 villagers. Going forward, PAB will more proactively contribute to China's carbon peak and neutrality goals by comprehensively upgrading its green finance initiative, leveraging integrated financial services, and utilising green insurance, green investment and green credit.</p>							
<p>Keep your eye on</p> <p>A key reason why its 2020 combined ESG score of C is the equal-lowest (same as CITIC bank) of the banks under our coverage is due to its Governance Pillar Score (D+) and its Environmental Pillar Score (C-).</p>	<p>Implications</p> <p>There seems to be significant scope to improve ESG scores, which could be positive for valuations should such an improvement be achieved.</p>						
<p>ESG highlights</p> <p>PAB's ESG combined rating of C is currently the equal-lowest of ESG scores of China banks peers (with the highest rating of B for CCB). It is impressive that PAB's ESG Controversies Score has remained A+ since 2017.</p>	<p>Implications</p> <p>PAB has made great efforts in supporting sustainable development and green operations. While not priced in at the current stage, we believe PAB's ESG progress and prominence will support re-rating cycles.</p>						
<p>Trends</p> <p>Refinitiv's ESG combined score improved from C- in 2019 to C in 2020, with the Environmental Pillar score improved from D to C- and Social Pillar score improved from C- to B-. However, the Governance pillar score dropped from C- in 2019 to D+ in 2020.</p>	<p>Implications</p> <p>We believe these improvements are positive and could continue. The management of its governance will be a key driver of improving the bank's score further in our view.</p>						

SOURCES: CGS-CIMB RESEARCH, REFINITIV

Changes to our forecasts

Our FY22F-FY24F estimates are cut by 4.9-12.1%, primarily driven by higher provision expenses (Fig 1).

Figure 1: Changes to our forecasts

(Rmb m)	FY22F			FY23F			FY24F		
	Old	New	+/-	Old	New	+/-	Old	New	+/-
Net interest income	123,120	129,438	5.1%	136,561	142,143	4.1%	151,528	156,238	3.1%
Non interest income	62,433	53,917	-13.6%	67,225	59,130	-12.0%	72,395	64,902	-10.4%
Total operating income	185,553	183,354	-1.2%	203,786	201,273	-1.2%	223,924	221,139	-1.2%
Operating expense	-54,986	-53,367	-2.9%	-60,389	-58,582	-3.0%	-66,356	-64,365	-3.0%
Pre-prov profit	130,567	129,987	-0.4%	143,397	142,690	-0.5%	157,567	156,775	-0.5%
Provisions	-74,990	-76,872	2.5%	-75,120	-80,382	7.0%	-73,526	-82,336	12.0%
Operating profit	55,577	53,115	-4.4%	68,277	62,308	-8.7%	84,041	74,439	-11.4%
Tax	-11,247	-10,827	-3.7%	-13,817	-12,701	-8.1%	-17,008	-15,174	-10.8%
Net profit to common shareholders	41,481	39,439	-4.9%	51,611	46,758	-9.4%	64,185	56,416	-12.1%
Key ratios									
EPS (Rmb)	2.14	2.03	-4.9%	2.66	2.41	-9.4%	3.31	2.91	-12.1%
EPS growth	23.9%	17.8%	-6.1% pts	24.4%	18.6%	-5.9% pts	24.4%	20.7%	-3.7% pts
PPOP per share	6.73	6.70	-0.4%	7.39	7.35	-0.5%	8.12	8.08	-0.5%
PPOP per share growth	10.0%	8.6%	-1.4% pts	9.8%	9.8%	-0.1% pts	9.9%	9.9%	0.0% pts
ROA	0.8%	0.77%	-2bp	0.86%	0.84%	-2bp	0.96%	0.93%	-3bp
ROE	12.1%	11.5%	-0.6% pts	13.4%	12.3%	-1.1% pts	14.7%	13.2%	-1.5% pts
Payout ratio	12.8%	13.2%	39bp	12.8%	13.2%	39bp	12.8%	13.2%	39bp
Core tier 1 ratio	8.5%	8.8%	0.3% pts	8.6%	9.0%	0.5% pts	8.7%	9.4%	0.6% pts
Tier 1 ratio	10.2%	10.6%	0.4% pts	10.1%	10.7%	0.6% pts	10.1%	10.9%	0.7% pts
Total CAR	12.9%	13.8%	0.9% pts	12.7%	13.8%	1.1% pts	12.6%	14.0%	1.3% pts
Loan-deposit ratio	98.9%	105.5%	6.6% pts	98.9%	108.7%	9.8% pts	98.9%	111.9%	13.0% pts
NPL ratio	0.96%	1.06%	10bp	0.92%	1.03%	11bp	0.90%	1.01%	11bp
Cost-income ratio	29.6%	29.1%	-53bp	29.6%	29.1%	-53bp	29.6%	29.1%	-53bp
Net interest margin	2.48%	2.71%	24bp	2.48%	2.69%	21bp	2.48%	2.66%	18bp
Credit cost	2.26%	2.29%	4bp	1.98%	2.09%	11bp	1.70%	1.87%	16bp
Provisioning coverage ratio	355.6%	348.1%	-7.5% pts	390.1%	393.4%	3.3% pts	394.0%	418.9%	24.9% pts
Loan growth	14.4%	15.2%	0.7% pts	14.0%	14.7%	0.7% pts	13.6%	14.3%	0.7% pts
Interbank assets growth	3.0%	5.0%	2.0% pts	2.8%	5.0%	2.2% pts	2.6%	5.0%	2.4% pts
Investment growth	7.0%	5.0%	-2.0% pts	7.0%	5.0%	-2.0% pts	7.0%	5.0%	-2.0% pts
RWA growth	14.8%	8.5%	-6.3% pts	11.7%	8.5%	-3.2% pts	11.6%	8.5%	-3.2% pts

SOURCES: CGS-CIMB RESEARCH ESTIMATES

PPOP = PRE-PROVISIONING OPERATING PROFIT; CAR = CAPITAL ADEQUACY RATIO; NPL = NON-PERFORMING LOANS; RWA = RSK WEIGHTED ASSETS

Valuation and risks

We value PAB using a stress-test-adjusted Gordon Growth Model (GGM), with a target price of Rmb22.70 (Rmb25.50 previously).

Our key valuation assumptions are a COE of 9.8% (previously 9.2%), a sustainable growth (g) assumption of 3% (unchanged), an initial sustainable ROE assumption of 13.2% (previously 13.4%) based on FY24F ROE (previously FY23F ROE), and an unchanged asset quality and investor compensation valuation discount of 37% (Fig 2). We thus derive a stress-test-adjusted target FY22F (previously FY21F) P/BV multiple of 1.22x (previously 1.36x), implying a sustainable ROE assumption of 9.4% (previously 9.5%).

We arrive at a target price of Rmb22.7 (previously Rmb25.50) and reiterate our Add rating on PAB, which remains our second pick of the China banks after CMB (Add, TP: HK\$84.20, CP: HK\$58.7).

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	0.85	0.78	10%
COE	9.8%	9.2%	6%
g	3.0%	3.0%	0%
Sustainable ROE (based on FY24F ROE)	13.2%	13.4%	-1%
Initial target P/BV	1.49x	1.66x	-10%
Asset quality valuation discount	-37%	-37%	0%
Initial target P/BV after applying the asset quality valuation discount	0.94x	1.04x	-10%
FY22F BVPS (Rmb)	18.58	18.69	-1%
Initial target price (Rmb) prior to factoring in a A-H share valuation gap	17.40	19.49	-11%
Average A-H share gap of joint stock banks since Jan 2015	31%	31%	0%
Final target price (Rmb)	22.70	25.50	-11%
TP-implied target P/BV	1.22x	1.36x	-10%
TP-implied sustainable ROE	9.4%	9.5%	-1%
Current share price (Rmb)	13.84		
Share price upside/ downside	64.0%		

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 pressures, 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.

As argued previously, capital raising risks are another downside risk.

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	4.51	5.80	29%	0.46	0.43	4.0	3.7	2.1	1.9	7.8	8.3	12.2	12.0
CCB	0939 HK	Add	169.4	5.52	8.00	45%	0.47	0.43	3.9	3.7	2.1	1.9	7.8	8.4	12.4	12.3
BOC	3988 HK	Add	129.5	2.89	4.00	38%	0.38	0.35	3.6	3.3	1.9	1.8	9.0	9.7	10.9	10.9
ABC	1288 HK	Add	156.0	2.81	4.40	57%	0.40	0.37	3.6	3.4	1.8	1.6	8.7	9.3	11.6	11.5
BOCOM	3328 HK	Hold	49.3	5.09	5.30	4%	0.40	0.37	3.8	3.6	1.9	1.8	8.3	8.9	10.8	10.8
CMB	3968 HK	Add	204.7	58.70	84.20	43%	1.61	1.43	10.7	9.2	6.0	5.4	3.1	3.6	16.4	16.5
CITIC	0998 HK	Add	30.5	3.55	4.80	35%	0.29	0.27	2.8	2.5	1.0	0.9	9.7	10.7	10.8	11.0
MSB	1988 HK	Hold	24.8	2.88	2.90	1%	0.22	0.21	3.2	2.9	0.9	0.8	9.5	10.3	7.1	7.3
CQRCB	3618 HK	Add	6.1	2.82	4.10	45%	0.27	0.25	2.7	2.4	1.2	1.2	11.0	12.4	10.2	10.6
H-share weighted average							0.64	0.58	5.0	4.5	2.6	2.4	7.4	8.0	12.5	12.4
ICBC - A	601398 CH	Add	243.4	4.56	5.10	12%	0.56	0.51	4.8	4.4	2.5	2.3	6.5	6.9	12.2	12.0
CCB - A	601939 CH	Add	169.4	5.95	7.10	19%	0.60	0.55	5.0	4.7	2.7	2.5	6.1	6.6	12.4	12.3
BOC - A	601988 CH	Add	129.5	3.08	3.70	20%	0.48	0.44	4.5	4.2	2.4	2.3	7.1	7.7	10.9	10.9
ABC - A	601288 CH	Add	156.0	2.94	3.90	33%	0.50	0.46	4.5	4.2	2.2	2.0	7.0	7.5	11.6	11.5
BOCOM - A	601328 CH	Hold	49.3	4.70	4.80	2%	0.44	0.41	4.2	3.9	2.1	2.0	7.6	8.2	10.8	10.8
CMB - A	600036 CH	Add	204.7	44.39	71.60	61%	1.44	1.28	9.6	8.2	5.4	4.8	3.4	4.0	16.4	16.5
CITIC - A	601998 CH	Add	30.5	4.49	4.90	9%	0.43	0.40	4.2	3.8	1.5	1.4	6.5	7.1	10.8	11.0
MSB - A	600016 CH	Reduce	24.8	3.77	2.60	-31%	0.34	0.32	4.9	4.5	1.4	1.3	6.1	6.6	7.1	7.3
PAB - A	000001 CH	Add	54.0	13.84	22.70	64%	0.83	0.74	8.0	6.8	2.2	2.1	1.6	1.9	10.8	11.5
CQRCB - A	601077 CH	Add	6.1	3.82	4.50	18%	0.43	0.40	4.4	3.9	2.0	1.9	6.9	7.7	10.2	10.6
A-share weighted average							0.69	0.63	5.7	5.1	2.8	2.6	5.8	6.4	12.4	12.3
Combined sector weighted average							0.66	0.60	5.3	4.8	2.7	2.5	6.6	7.2	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)

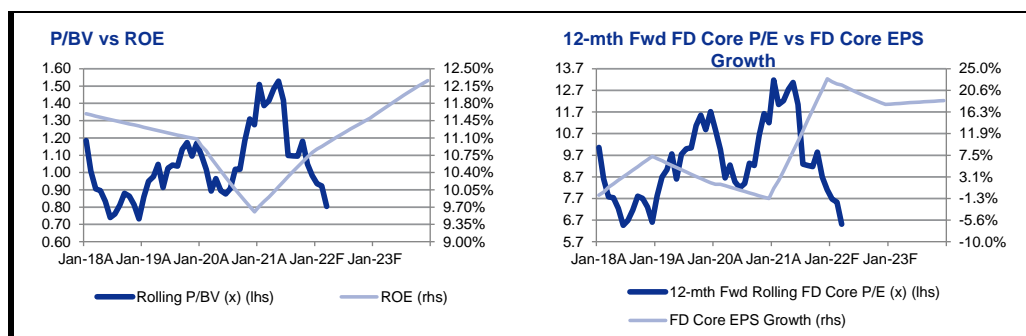
DATA AS OF 9 MAR 2022

Figure 4: Key financial data

Profit & loss								
(Rmb m)	2018	2019	2020	2021F	2022F	2023F	2024F	2025F
Net interest income	74,745	89,961	113,470	120,336	129,438	142,143	156,238	171,779
yoy	1.0%	20.4%	26.1%	6.1%	7.6%	9.8%	9.9%	9.9%
Non interest income	41,999	48,096	40,149	49,205	53,917	59,130	64,902	71,294
yoy	32.0%	14.5%	-16.5%	22.6%	9.6%	9.7%	9.8%	9.8%
Total revenue	116,744	138,057	153,619	169,541	183,354	201,273	221,139	243,073
yoy	10.3%	18.3%	11.3%	10.4%	8.1%	9.8%	9.9%	9.9%
Operating expense	-36,642	-42,290	-46,447	-49,845	-53,367	-58,582	-64,365	-70,749
Pre-prov profit	80,102	95,767	107,172	119,696	129,987	142,690	156,775	172,324
yoy	9.6%	19.6%	11.9%	11.7%	8.6%	9.8%	9.9%	9.9%
Provision	-47,871	-59,527	-70,418	-73,817	-76,872	-80,382	-82,336	-83,066
Net Profit to common shareholders	23,944	27,321	27,234	33,487	39,439	46,758	56,416	68,214
yoy	7.3%	14.1%	-0.3%	23.0%	17.8%	18.6%	20.7%	20.9%
Key balance sheet items								
(Rmb m)	2018	2019	2020	2021F	2022F	2023F	2024F	2025F
Loans	1,997,529	2,323,205	2,666,297	3,063,448	3,528,882	4,048,945	4,627,750	5,269,451
Interbank assets	195,017	227,269	272,484	179,076	188,030	197,431	207,303	217,668
Investments	850,317	1,047,080	1,143,611	1,282,889	1,347,033	1,414,385	1,485,104	1,559,360
Deposits	2,149,142	2,459,768	2,695,935	2,990,518	3,344,535	3,725,661	4,134,226	4,570,381
Interbank liabilities	425,332	434,861	545,871	425,228	433,733	442,407	451,255	460,280
Bonds	381,884	513,762	611,865	823,934	840,413	857,221	874,365	891,853
Common shareholders' equity	220,089	273,035	294,187	325,504	360,518	402,065	452,302	513,061
Total shareholders' equity	240,042	312,983	364,131	395,448	430,462	472,009	522,246	583,005
RWA	2,340,236	2,784,405	3,151,764	3,566,465	3,870,645	4,199,650	4,555,291	4,939,015
Total assets	3,418,592	3,939,070	4,468,514	4,921,380	5,341,120	5,795,114	6,285,865	6,815,367
yoy								
Loans	17.2%	16.3%	14.8%	14.9%	15.2%	14.7%	14.3%	13.9%
Interbank assets	-15.6%	16.5%	19.9%	-34.3%	5.0%	5.0%	5.0%	5.0%
Investments	5.4%	23.1%	9.2%	12.2%	5.0%	5.0%	5.0%	5.0%
Deposits	7.4%	14.5%	9.6%	10.9%	11.8%	11.4%	11.0%	10.5%
Interbank liabilities	-8.6%	2.2%	25.5%	-22.1%	2.0%	2.0%	2.0%	2.0%
Bonds	11.5%	34.5%	19.1%	34.7%	2.0%	2.0%	2.0%	2.0%
Common shareholders' equity	8.9%	24.1%	7.7%	10.6%	10.8%	11.5%	12.5%	13.4%
Total shareholders' equity	8.1%	30.4%	16.3%	8.6%	8.9%	9.7%	10.6%	11.6%
RWA	5.1%	19.0%	13.2%	13.2%	8.5%	8.5%	8.5%	8.4%
Total assets	5.2%	15.2%	13.4%	10.1%	8.5%	8.5%	8.5%	8.4%
Key ratios & drivers								
	2018	2019	2020	2021F	2022F	2023F	2024F	2025F
EPS (Rmb)	1.39	1.54	1.40	1.73	2.03	2.41	2.91	3.52
EPS Growth	7.3%	10.3%	-8.8%	23.0%	17.8%	18.6%	20.7%	20.9%
BVPS (Rmb)	12.82	14.07	15.16	16.77	18.58	20.72	23.31	26.44
BVPS Growth	8.9%	9.8%	7.7%	10.6%	10.8%	11.5%	12.5%	13.4%
ROAE	11.3%	11.1%	9.6%	10.8%	11.5%	12.3%	13.2%	14.1%
ROAA	0.72%	0.74%	0.65%	0.71%	0.77%	0.84%	0.93%	1.04%
ROARWA	1.05%	1.07%	0.92%	1.00%	1.06%	1.16%	1.29%	1.44%
PPOPARWA	3.51%	3.74%	3.61%	3.56%	3.50%	3.54%	3.58%	3.63%
DPS (Rmb)	0.15	0.22	0.18	0.23	0.27	0.32	0.38	0.46
Payout ratio	10%	15%	13%	13%	13%	13%	13%	13%
Core tier 1 ratio	8.5%	9.1%	8.7%	8.6%	8.8%	9.0%	9.4%	9.8%
Tier 1 ratio	9.4%	10.5%	10.9%	10.6%	10.6%	10.7%	10.9%	11.2%
Total CAR	11.5%	13.2%	13.3%	13.3%	13.8%	13.8%	14.0%	14.2%
Equity/Assets	8.5%	9.1%	8.7%	8.6%	8.8%	9.0%	9.4%	9.8%
Loan-deposit ratio	93%	94%	99%	102%	106%	109%	112%	115%
NPL ratio	1.75%	1.65%	1.18%	1.02%	1.06%	1.03%	1.01%	0.99%
NPL write-off rate	160%	137%	164%	153%	153%	153%	153%	153%
Net NPL formation rate	3.07%	2.55%	2.40%	1.80%	1.76%	1.75%	1.70%	1.67%
NPL coverage	155%	183%	201%	288%	348%	393%	419%	424%
LLR to loan	2.71%	3.01%	2.37%	2.94%	3.69%	4.05%	4.23%	4.21%
Cost-income ratio	31.4%	30.6%	30.2%	29.4%	29.1%	29.1%	29.1%	29.1%
Net interest margin	2.35%	2.62%	2.88%	2.79%	2.71%	2.69%	2.66%	2.63%
Non interest income/ total income	36%	35%	26%	29%	29%	29%	29%	29%
Credit cost	2.58%	2.71%	2.79%	2.53%	2.29%	2.09%	1.87%	1.65%

SOURCES: CGS-CIMB RESEARCH ESTIMATES

BY THE NUMBERS



Profit & Loss

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Net Interest Income	113,470	120,336	129,438	142,143	156,238
Total Non-Interest Income	40,149	49,205	53,917	59,130	64,902
Operating Revenue	153,619	169,541	183,354	201,273	221,139
Total Non-Interest Expenses	(46,447)	(49,845)	(53,367)	(58,582)	(64,365)
Pre-provision Operating Profit	107,172	119,696	129,987	142,690	156,775
Total Provision Charges	(70,418)	(73,817)	(76,872)	(80,382)	(82,336)
Operating Profit After Provisions	36,754	45,879	53,115	62,308	74,439
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Operating EBIT (incl Associates)	36,754	45,879	53,115	62,308	74,439
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	36,754	45,879	53,115	62,308	74,439
Exceptional Items	0	0	0	0	0
Pre-tax Profit	36,754	45,879	53,115	62,308	74,439
Taxation	(7,826)	(9,543)	(10,827)	(12,701)	(15,174)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	28,928	36,336	42,288	49,607	59,265
Minority Interests	0	0	0	0	0
Pref. & Special Div	(1,694)	(2,849)	(2,849)	(2,849)	(2,849)
FX And Other Adj.	0	0	0	0	0
Net Profit	27,234	33,487	39,439	46,758	56,416
Recurring Net Profit	27,234	33,487	39,439	46,758	56,416

Balance Sheet Employment

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Gross Loans/Cust Deposits	99%	102%	106%	109%	112%
Avg Loans/Avg Deposits	97%	101%	104%	107%	110%
Avg Liquid Assets/Avg Assets	38.4%	37.0%	35.1%	33.3%	31.5%
Avg Liquid Assets/Avg IEAs	39.3%	37.7%	35.6%	33.5%	31.6%
Net Cust Loans/Assets	58.3%	60.4%	62.4%	64.4%	66.3%
Net Cust Loans/Broad Deposits	77.3%	83.4%	85.7%	88.1%	90.6%
Equity & Provs/Gross Cust Loans	16.0%	15.9%	15.9%	15.7%	15.5%
Asset Risk Weighting	70.5%	72.5%	72.5%	72.5%	72.5%
Provision Charge/Avg Cust Loans	0%	0%	0%	0%	0%
Provision Charge/Avg Assets	0%	0%	0%	0%	0%
Total Write Offs/Average Assets	1.84%	1.00%	0.71%	0.81%	0.80%

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	3,222,763	3,554,557	4,044,546	4,590,393	5,196,270
Liquid Assets & Invst. (Current)	1,143,611	1,282,889	1,347,033	1,414,385	1,485,104
Other Int. Earning Assets					
Total Gross Int. Earning Assets	4,366,374	4,837,446	5,391,580	6,004,778	6,681,375
Total Provisions/Loan Loss Reserve	(63,219)	(90,202)	(130,123)	(164,102)	(195,732)
Total Net Interest Earning Assets	4,303,155	4,747,244	5,261,457	5,840,676	6,485,643
Intangible Assets	11,420	13,369	13,369	13,369	13,369
Other Non-Interest Earning Assets	153,939	160,767	167,631	176,163	187,911
Total Non-Interest Earning Assets	165,359	174,136	181,000	189,532	201,280
Cash And Marketable Securities	0	0	0	0	0
Long-term Investments	0	0	0	0	0
Total Assets	4,468,514	4,921,380	5,442,457	6,030,208	6,686,923
Customer Interest-Bearing Liabilities	2,695,935	2,990,518	3,344,535	3,725,661	4,134,226
Bank Deposits	670,458	573,390	622,702	684,349	758,259
Interest Bearing Liabilities: Others	643,370	871,637	946,598	1,040,311	1,152,665
Total Interest-Bearing Liabilities	4,009,763	4,435,545	4,913,835	5,450,321	6,045,149
Bank's Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	94,620	90,387	98,160	107,878	119,529
Total Liabilities	4,104,383	4,525,932	5,011,995	5,558,199	6,164,678
Shareholders' Equity	364,131	395,448	430,462	472,009	522,246
Minority Interests	0	0	0	0	0
Total Equity	364,131	395,448	430,462	472,009	522,246

Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Income Growth	11.3%	10.4%	8.1%	9.8%	9.9%
Operating Profit Growth	11.9%	11.7%	8.6%	9.8%	9.9%
Pretax Profit Growth	1.4%	24.8%	15.8%	17.3%	19.5%
Net Interest To Total Income	73.9%	71.0%	70.6%	70.6%	70.7%
Cost Of Funds	2.32%	2.21%	2.20%	2.21%	2.21%
Return On Interest Earning Assets	4.89%	4.64%	4.55%	4.50%	4.46%
Net Interest Spread	2.58%	2.43%	2.34%	2.29%	2.26%
Net Interest Margin (Avg Deposits)	4.40%	4.23%	4.09%	4.02%	3.98%
Net Interest Margin (Avg RWA)	3.82%	3.58%	3.45%	3.42%	3.39%
Provisions to Pre Prov. Operating Profit	65.7%	61.7%	59.1%	56.3%	52.5%
Interest Return On Average Assets	2.70%	2.56%	2.50%	2.48%	2.46%
Effective Tax Rate	21.3%	20.8%	20.4%	20.4%	20.4%
Net Dividend Payout Ratio	12.8%	13.2%	13.2%	13.2%	13.2%
Return On Average Assets	0.65%	0.71%	0.76%	0.82%	0.89%

Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Loan Growth (%)	14.8%	14.9%	15.2%	14.7%	14.3%
Net Interest Margin (%)	2.9%	2.8%	2.7%	2.7%	2.7%
Non Interest Income Growth (%)	-16.5%	22.6%	9.6%	9.7%	9.8%
Cost-income Ratio (%)	30.2%	29.4%	29.1%	29.1%	29.1%
Provision charge as % avg loans	2.8%	2.5%	2.3%	2.1%	1.9%
Effective tax rate (%)	21.3%	20.8%	20.4%	20.4%	20.4%
Net NPL Ratio (%)	1.2%	1.0%	1.1%	1.0%	1.0%
Provisioning coverage ratio (%)	201.4%	288.4%	348.1%	393.4%	418.9%
Loan Loss Reserve (%)	2.4%	2.9%	3.7%	4.1%	4.2%
Deposit Growth (%)	9.6%	10.9%	11.8%	11.4%	11.0%
Loan-deposit Ratio (%)	98.9%	102.4%	105.5%	108.7%	111.9%
Core Tier 1 ratio (%)	8.7%	8.6%	8.6%	8.7%	8.8%
Risk weighted assets to total assets ratio (%)	70.5%	72.5%	72.5%	72.5%	72.5%
Dividend payout ratio (%)	12.8%	13.2%	13.2%	13.2%	13.2%
CASA ratio (%)	34.7%	31.3%	31.3%	31.3%	31.3%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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

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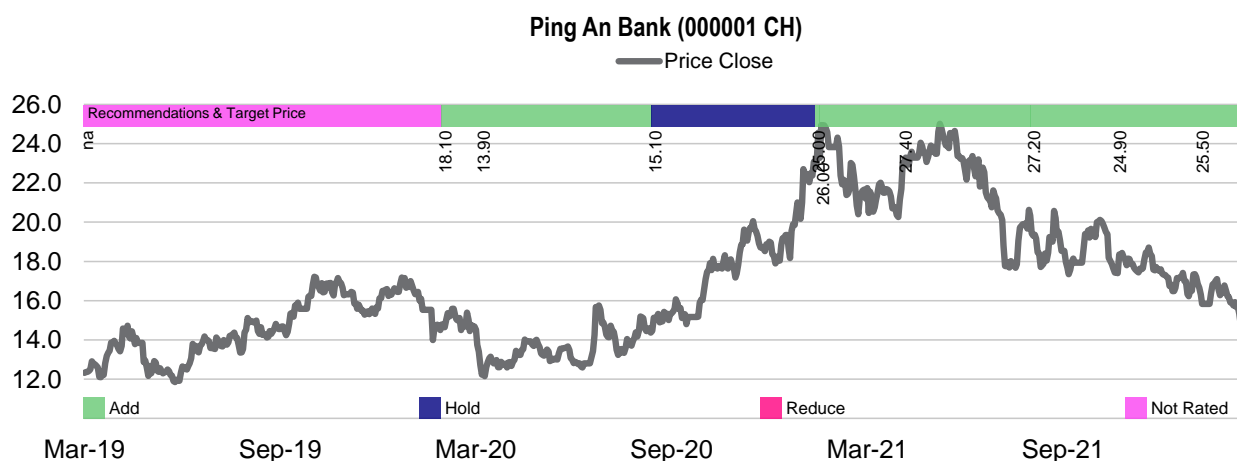
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%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

Spitzer Chart for stock being researched (2 year data)



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

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

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

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Recommendation Framework	
Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.
<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>	
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.

