

## Hong Kong

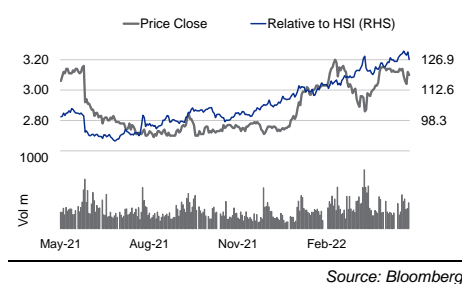
**ADD** (no change)

Consensus ratings\*: Buy 21 Hold 3 Sell 0

Current price:	HK\$3.10
Target price:	HK\$4.20
Previous target:	HK\$4.20
Up/downside:	35.5%
CGS-CIMB / Consensus:	3.7%
Reuters:	3988.HK
Bloomberg:	3988 HK
Market cap:	US\$136,400m
	HK\$1,070,317m
Average daily turnover:	US\$116.8m
	HK\$913.4m
Current shares o/s:	294,388m
Free float:	28.4%
*Source: Bloomberg	

**Key changes in this note**

No change.



Price performance	1M	3M	12M
Absolute (%)	1.6	2.3	-1.6
Relative (%)	5.4	12.8	26.4

**Major shareholders**

	% held
Huijin	67.8
SSF	2.7

**Analyst(s)**

**Michael CHANG, CFA**

T (852) 2539 1323

E michael.chang@cgs-cimb.com

# Bank of China

## Starting strong; best 1Q since 2014

- 1Q22 net profit growth of 9% yoy was the best start to the year since 1Q14's 14% yoy. It was also the best net profit growth of the big four banks.
- Asset quality continued improving (1Q22 NPL ratio -3bp qoq) with falling 1Q22 credit costs continuing to be a tailwind to net profit growth.
- This offset falls in 1Q22 non-interest-income (-4.6% yoy), driven by declines in both fee income (-6.8% yoy) and net trading income (-9.7% yoy).
- Remains top pick of big banks; reiterate Add rating and TP of HK\$4.2.

**Best start to the year in eight years**

1Q22 net profit growth (after deduction of minority interests and payments to holders of preference shares and perpetual bonds up 9% yoy) was the best start to the year since 1Q14's 14% yoy. It is also the best among the big four banks, which averaged 7.3% growth in 1Q22. 1Q22 net profit comprised 25% of our FY22F net profit.

**What we liked about the results**

i) In addition to the strong 1Q22 net profit growth, we also like 1Q22 non-performing-loan (NPL) ratio of 1.31%, -3bp qoq; ii) 1Q22 credit cost was 0.75% of average loans (-14bp yoy), with impairment loss expenses down 8.2% yoy; iii) 1Q22 effective tax rate was 18.3% (-2.2%-pts yoy).

**What we did not like about the results**

i) 1Q22 cost-to-income ratio was 35.7%, +1.6%-pts yoy; ii) 1Q22 pre-provisioning operating profit growth fell 0.4% yoy (4Q21: +4.6% yoy). This was driven by 1Q22 fee income, which fell 6.8% yoy (4Q21: +9.3% yoy), as well as net trading income, which was down 9.7% yoy (4Q21: +144% yoy). This resulted in 1Q22 non-interest income falling 4.6% yoy (4Q21: +29% yoy); iii) 1Q22 ROE was 12.06%, -11bp yoy;

**What else was interesting about the results**

i) 1Q22 net interest margin (NIM) was 1.74%, -1bp qoq; ii) 1Q22 core Tier 1 ratio was 11.33% (+21bp yoy; +3bp qoq); iii) 1Q22 provisioning coverage ratio was 187.5% (+71bp qoq; -234bp yoy); iv) 1Q22 loan-to-deposit ratio was 86.1% (-139bp qoq); v) 1Q22 loan growth yoy was 10.2% (4Q21: +10.5%) and up 5.3% qoq, while 1Q22 deposit growth yoy was 7.1% (4Q21: +7.3%) and up 7% qoq; vi) 1Q22 risk-weighted-asset-to-total-assets ratio was 60.8%, -30bp yoy.

**Top pick of the big banks; Reiterate Add rating and TP of HK\$4.2**

We value BOC using a stress-test adjusted GGM, with an unchanged TP of HK\$4.2. Given that 17.4% of its FY21 assets were offshore (almost all being in Hong Kong), we believe that it is well placed to deliver better-than-peer increases in FY22F and FY23F, as we expect more than 200bp of US rate rises in FY22F. 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-21A	Dec-22F	Dec-23F	Dec-24F
Net Interest Income (Rmbm)	415,918	425,142	446,681	475,843	506,133
Total Non-Interest Income (Rmbm)	151,729	180,575	191,634	205,972	222,332
Operating Revenue (Rmbm)	567,647	605,717	638,314	681,816	728,465
Total Provision Charges (Rmbm)	(119,016)	(104,220)	(107,826)	(111,294)	(111,179)
Net Profit (Rmbm)	180,841	205,908	222,429	244,798	271,948
Core EPS (Rmb)	0.61	0.70	0.76	0.83	0.92
Core EPS Growth	0.1%	13.9%	8.0%	10.1%	11.1%
FD Core P/E (x)	4.24	3.73	3.45	3.13	2.82
DPS (Rmb)	0.20	0.22	0.24	0.26	0.29
Dividend Yield	7.6%	8.5%	9.2%	10.1%	11.2%
BVPS (Rmb)	5.98	6.47	7.03	7.63	8.30
P/BV (x)	0.44	0.40	0.37	0.34	0.31
ROE	10.6%	11.2%	11.2%	11.3%	11.6%
CGS-CIMB/Consensus EPS (x)			1.04	1.08	1.11

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## Starting strong; best 1Q since 2014

### Valuation and risks

We value BOC using a stress-test-adjusted Gordon Growth Model (GGM), with an unchanged target price of HK\$4.20.

Our key valuation assumptions are a COE of 10.4%, a sustainable growth (g) assumption of 3%, an initial sustainable ROE assumption of 11.6% based on FY24F ROE, and an asset quality and investor compensation valuation discount of 28%. We also apply a policy risk valuation discount to 40% (Fig 1). We thus derive a stress-test-adjusted target FY22F P/BV multiple of 0.50x, implying a sustainable ROE assumption of 6.7%.

We arrive at a target price of HK\$4.20 and reiterate our Add rating on BOC.

**Figure 1: Valuation using a stress-test-adjusted GGM**

	Assumptions and forecasts
Equity risk premium	8.0%
Risk free rate	3.0%
Beta	0.93
COE	10.4%
g	3.0%
Sustainable ROE (based on FY24F ROE)	11.6%
Initial target P/BV	1.16x
Asset quality valuation discount	-28%
National service' discount	-40%
Final target P/BV	0.50x
FY22F BVPS	7.03
Rmb/HK\$	1.19
Target price (Rmb)	3.50
Target price (HK\$)	4.20
Current share price (HK\$)	3.10
Upside/ downside	35%
TP-implied sustainable ROE	6.7%

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 2: 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(%)			
							FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F		
ICBC	1398 HK	Add	249.0	4.74	5.90	24%	0.45	0.41	3.9	3.6	2.2	2.0	7.9	8.6	12.0	12.1		
CCB	0939 HK	Add	177.3	5.59	8.00	43%	0.43	0.40	3.7	3.4	2.0	1.8	8.3	9.1	12.3	12.3		
BOC	3988 HK	Add	138.1	3.10	4.20	35%	0.37	0.34	3.5	3.1	1.9	1.8	9.1	10.1	11.2	11.3		
ABC	1288 HK	Add	161.0	2.96	4.40	49%	0.39	0.36	3.5	3.2	1.8	1.6	9.0	9.8	11.5	11.6		
BOCOM	3328 HK	Hold	54.1	5.47	5.30	-3%	0.40	0.37	3.8	3.5	2.0	1.8	8.4	9.2	10.9	11.1		
CMB	3968 HK	Add	147.1	47.90	84.10	76%	1.23	1.08	7.5	6.3	4.4	4.0	4.4	5.2	17.4	18.2		
CITIC	0998 HK	Add	33.0	4.01	4.90	22%	0.30	0.28	2.9	2.5	1.1	1.0	9.8	11.1	10.9	11.4		
MSB	1988 HK	Hold	22.7	2.99	2.60	-13%	0.22	0.21	3.3	2.8	1.0	1.0	9.2	10.6	6.8	7.5		
CQRCB	3618 HK	Add	6.0	3.06	4.10	34%	0.27	0.25	2.6	2.3	1.2	1.1	11.4	13.0	10.6	11.1		
<b>H-share weighted average</b>									0.55	0.50	4.3	3.9	2.4	2.2	7.8	8.7	12.6	12.9
ICBC - A	601398 CH	Add	249.0	4.78	5.10	7%	0.54	0.49	4.7	4.3	2.6	2.4	6.6	7.2	12.0	12.1		
CCB - A	601939 CH	Add	177.3	6.07	7.10	17%	0.56	0.51	4.7	4.3	2.6	2.4	6.5	7.1	12.3	12.3		
BOC - A	601988 CH	Add	138.1	3.23	3.80	18%	0.46	0.42	4.3	3.9	2.4	2.2	7.4	8.1	11.2	11.3		
ABC - A	601288 CH	Add	161.0	3.06	3.90	27%	0.48	0.44	4.3	4.0	2.2	2.0	7.3	8.0	11.5	11.6		
BOCOM - A	601328 CH	Hold	54.1	5.08	4.80	-6%	0.44	0.41	4.2	3.8	2.2	2.0	7.6	8.3	10.9	11.1		
CMB - A	600036 CH	Add	147.1	39.93	71.50	79%	1.21	1.06	7.4	6.2	4.4	3.9	4.5	5.3	17.4	18.2		
CITIC - A	601998 CH	Add	33.0	5.03	5.00	-1%	0.45	0.41	4.3	3.8	1.6	1.5	6.6	7.5	10.9	11.4		
MSB - A	600016 CH	Reduce	22.7	3.70	2.50	-32%	0.32	0.30	4.8	4.2	1.5	1.4	6.3	7.2	6.8	7.5		
PAB - A	000001 CH	Add	43.6	15.32	22.70	48%	0.82	0.74	7.5	6.4	2.3	2.1	1.8	2.1	11.5	12.3		
CQRCB - A	601077 CH	Add	6.0	3.87	4.50	16%	0.40	0.37	3.9	3.5	1.8	1.7	7.6	8.7	10.6	11.1		
<b>A-share weighted average</b>									0.64	0.57	5.1	4.6	2.7	2.5	6.2	6.9	12.5	12.8
<b>Combined sector weighted average</b>									0.59	0.54	4.7	4.2	2.5	2.3	7.0	7.8	12.6	12.8


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 2 MAY 2022

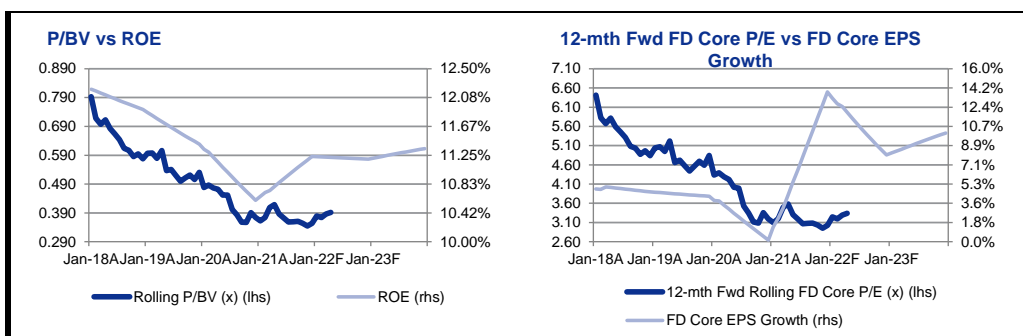
**Figure 3: Key financial data**

<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	359,706	374,250	415,918	425,142	446,681	475,843	506,133	538,180
yoy	6.3%	4.0%	11.1%	2.2%	5.1%	6.5%	6.4%	6.3%
Non interest income	144,100	175,760	151,729	180,575	191,634	205,972	222,332	240,032
yoy	-0.9%	22.0%	-13.7%	19.0%	6.1%	7.5%	7.9%	8.0%
<b>Total revenue</b>	<b>503,806</b>	<b>550,010</b>	<b>567,647</b>	<b>605,717</b>	<b>638,314</b>	<b>681,816</b>	<b>728,465</b>	<b>778,212</b>
yoy	4.1%	9.2%	3.2%	6.7%	5.4%	6.8%	6.8%	6.8%
Operating expenses	-176,979	-198,269	-202,411	-226,355	-234,243	-245,703	-257,788	-270,436
<b>Pre-prov profit</b>	<b>326,827</b>	<b>351,741</b>	<b>365,236</b>	<b>379,362</b>	<b>404,071</b>	<b>436,113</b>	<b>470,676</b>	<b>507,776</b>
yoy	5.5%	7.6%	3.8%	3.9%	6.5%	7.9%	7.9%	7.9%
Provisioning expenses	-99,294	-102,153	-119,016	-104,220	-107,826	-111,294	-111,179	-104,643
Net profit to common shareholders	173,295	180,579	180,841	205,908	222,429	244,798	271,948	306,109
yoy	4.6%	4.2%	0.1%	13.9%	8.0%	10.1%	11.1%	12.6%
<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	11,787,683	13,034,189	14,183,385	15,674,994	17,417,519	19,318,919	21,389,249	23,638,670
Interbank assets	1,482,289	1,464,426	1,742,465	1,902,229	1,997,340	2,097,207	2,202,068	2,312,171
Investments	5,054,551	5,514,062	5,591,117	6,164,671	6,444,822	6,738,981	7,047,848	7,372,159
Deposits	14,883,596	15,817,548	16,879,171	18,142,887	19,815,725	21,731,688	23,792,940	26,005,863
Interbank liabilities	1,731,209	1,668,046	1,917,003	2,682,739	2,733,905	2,704,679	2,666,708	2,619,464
Common shareholders' equity	1,513,266	1,651,808	1,760,929	1,905,648	2,068,448	2,246,550	2,443,223	2,663,263
Total shareholders' equity	1,725,397	1,976,696	2,162,837	2,350,553	2,524,956	2,715,773	2,926,514	3,162,322
RWA	12,841,526	14,123,915	15,109,085	16,323,713	17,643,397	18,897,333	20,240,388	21,678,895
Total assets	21,267,275	22,769,744	24,402,659	26,722,408	28,688,450	30,727,371	32,911,200	35,250,236
yoy								
Loans	8.2%	10.6%	8.8%	10.5%	11.1%	10.9%	10.7%	10.5%
Interbank assets	30.5%	-1.2%	19.0%	9.2%	5.0%	5.0%	5.0%	5.0%
Investments	11.0%	9.1%	1.4%	10.3%	4.5%	4.6%	4.6%	4.6%
Deposits	9.0%	6.3%	6.7%	7.5%	9.2%	9.7%	9.5%	9.3%
Interbank liabilities	21.5%	-3.6%	14.9%	39.9%	1.9%	-1.1%	-1.4%	-1.8%
Common shareholders' equity	8.4%	9.2%	6.6%	8.2%	8.5%	8.6%	8.8%	9.0%
Total shareholders' equity	9.4%	14.6%	9.4%	8.7%	7.4%	7.6%	7.8%	8.1%
RWA	5.6%	10.0%	7.0%	8.0%	8.1%	7.1%	7.1%	7.1%
Total assets	9.2%	7.1%	7.2%	9.5%	7.4%	7.1%	7.1%	7.1%
<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)	0.59	0.61	0.61	0.70	0.76	0.83	0.92	1.04
EPS Growth	4.6%	4.2%	0.1%	13.9%	8.0%	10.1%	11.1%	12.6%
BVPS (Rmb)	5.14	5.61	5.98	6.47	7.03	7.63	8.30	9.05
BVPS Growth	8.4%	9.2%	6.6%	8.2%	8.5%	8.6%	8.8%	9.0%
ROAE	11.9%	11.4%	10.6%	11.2%	11.2%	11.3%	11.6%	12.0%
ROAA	0.88%	0.85%	0.82%	0.85%	0.84%	0.86%	0.89%	0.93%
DPS (Rmb)	0.18	0.19	0.20	0.22	0.24	0.26	0.29	0.33
Payout ratio	31%	31%	32%	32%	32%	32%	32%	32%
Core tier 1 ratio	11.4%	11.3%	11.3%	11.3%	11.4%	11.6%	11.8%	12.0%
Tier 1 ratio	12.3%	12.8%	13.2%	13.3%	13.3%	13.3%	13.4%	13.5%
Total CAR	15.0%	15.6%	16.2%	16.5%	16.3%	16.1%	16.0%	15.9%
Equity/Assets	8.3%	8.9%	9.2%	9.1%	9.1%	9.2%	9.2%	9.3%
Loan-deposit ratio	79%	82%	84%	86%	88%	89%	90%	91%
NPL ratio	1.42%	1.37%	1.46%	1.33%	1.30%	1.27%	1.25%	1.23%
NPL coverage	181.8%	182.5%	177.6%	186.8%	185.0%	181.3%	174.9%	164.4%
LLR to loan	2.57%	2.50%	2.60%	2.49%	2.40%	2.30%	2.19%	2.02%
Cost-income ratio	35%	36%	36%	37%	37%	36%	35%	35%
Net interest margin	1.90%	1.84%	1.85%	1.75%	1.69%	1.67%	1.66%	1.64%
Non interest income/ total income	29%	32%	27%	30%	30%	30%	31%	31%
Credit cost	0.88%	0.82%	0.87%	0.70%	0.65%	0.61%	0.55%	0.46%

SOURCES: CGS-CIMB RESEARCH ESTIMATES

ESG in a nutshell		Refinitiv ESG Scores					
							
		B- ESG Score	B+ ESG Controversies Score	B- ESG Combined Score	B ESG Environment Pillar Score	B ESG Social Pillar Score	C+ ESG Government Pillar Score
<p>BOC scored B- rating for its combined ESG score by Refinitiv in 2020. Bank of China has rigorously practiced the concept of green and low-carbon services and reduced paper consumption. As of the end of 2020, the electronic conciliation rate of BOC reached 97.8%, and its use of electronic bills have saved 257 million paper sheets according to BOC. The bank also incorporated the requirements of green finance into credit policies, and established the Bank of China University in May 2020 to empower its employees in terms of career development and cultivate innovative talents. To help the government achieve carbon neutrality by 2060, the bank has created a roadmap for the implementation of its green finance plan during 2021-2025 in 15 aspects, including organisational structure, stress tests and product innovation.</p>							
<p><b>Keep your eye on</b></p> <p>The pace at which green finance solutions are rolled out by the China banks, as well as the extent to which the China banks ramped up lending to coal and energy companies in late 2021 to help ease China's power shortages.</p>	<p><b>Implications</b></p> <p>According to Reuters in Sep 2021, Bank of China stated that it would stop financing new coal mining and coal power projects overseas from 4Q21. This may not yet be factored into valuations, in our view, and we think a successful pullback from financing in these segments should be positive for valuations.</p>						
<p><b>ESG highlights</b></p> <p>BOC's B- ESG score is on the upper end of ESG scoring against its sectoral peers among China banks (with highest rating B for CCB), driven by its strengthened risk management capabilities, people-oriented working culture, and increased green finance projects.</p>	<p><b>Implications</b></p> <p>BOC has made great efforts in supporting sustainable development over the past few years. While not priced in at the current stage, we believe BOC's ESG progress and prominence could support future re-rating cycles.</p>						
<p><b>Trends</b></p> <p>Over the 2016-2020 period, BOC has improved its Refinitiv combined ESG score in each pillar, which had been C+ in both 2016 and 2017, before moving up to B- from 2018 onwards. This was driven by improvements across major ESG categories. Its Refinitiv environmental pillar score rose from B- in both 2016 and 2017 to B from 2018 onwards. Its Refinitiv governance pillar score rose from B in 2016 to B over the 2017–2019 period, after which it fell to B- in 2020. Its Refinitiv social pillar score has been more volatile, from B- over the 2016-2018 period to 2019's C+ and then B in 2020. Similarly, its Refinitiv ESG controversies score has been volatile, moving from A- in 2016 to 2017's C- to 2018 and 2019's A+ and finally 2020's A-.</p>	<p><b>Implications</b></p> <p>On average, the improvements seem to be positive, with further improvements most likely in our view driven by its environment pillar score over the medium- to long-term. We think this will be driven by its role as an important State-Owned-Enterprise (SOE) bank to support green financing, and thus help China achieve its targets of peak carbon emissions by 2030 and carbon neutrality by 2060. We think this could have positive implications on its ESG score.</p>						

SOURCES: CGS-CIMB RESEARCH, REFINITIV

**BY THE NUMBERS**

**Profit & Loss**

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Net Interest Income	415,918	425,142	446,681	475,843	506,133
Total Non-Interest Income	151,729	180,575	191,634	205,972	222,332
<b>Operating Revenue</b>	<b>567,647</b>	<b>605,717</b>	<b>638,314</b>	<b>681,816</b>	<b>728,465</b>
Total Non-Interest Expenses	(202,411)	(226,355)	(234,243)	(245,703)	(257,788)
<b>Pre-provision Operating Profit</b>	<b>365,236</b>	<b>379,362</b>	<b>404,071</b>	<b>436,113</b>	<b>470,676</b>
Total Provision Charges	(119,016)	(104,220)	(107,826)	(111,294)	(111,179)
<b>Operating Profit After Provisions</b>	<b>246,220</b>	<b>275,142</b>	<b>296,245</b>	<b>324,818</b>	<b>359,498</b>
Pretax Income/(Loss) from Assoc.	158	1,478	1,478	1,478	1,478
<b>Operating EBIT (incl Associates)</b>	<b>246,378</b>	<b>276,620</b>	<b>297,723</b>	<b>326,296</b>	<b>360,976</b>
Non-Operating Income/(Expense)	0	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>246,378</b>	<b>276,620</b>	<b>297,723</b>	<b>326,296</b>	<b>360,976</b>
Exceptional Items	0	0	0	0	0
<b>Pre-tax Profit</b>	<b>246,378</b>	<b>276,620</b>	<b>297,723</b>	<b>326,296</b>	<b>360,976</b>
Taxation	(41,282)	(49,281)	(53,041)	(58,131)	(64,309)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>205,096</b>	<b>227,339</b>	<b>244,683</b>	<b>268,165</b>	<b>296,666</b>
Minority Interests	(12,226)	(10,780)	(11,602)	(12,716)	(14,067)
Pref. & Special Div	(12,029)	(10,651)	(10,651)	(10,651)	(10,651)
FX And Other Adj.	0	0	0	0	0
<b>Net Profit</b>	<b>180,841</b>	<b>205,908</b>	<b>222,429</b>	<b>244,798</b>	<b>271,948</b>
Recurring Net Profit	180,841	205,908	222,429	244,798	271,948

**Balance Sheet Employment**

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Gross Loans/Cust Deposits	84.0%	86.4%	87.9%	88.9%	89.9%
Avg Loans/Avg Deposits	83.2%	85.3%	87.2%	88.4%	89.4%
Avg Liquid Assets/Avg Assets	39.2%	38.6%	37.7%	36.0%	34.2%
Avg Liquid Assets/Avg IEAs	41.1%	40.6%	39.5%	37.6%	35.6%
Net Cust Loans/Assets	56.7%	57.3%	59.3%	61.4%	63.6%
Net Cust Loans/Broad Deposits	68.7%	68.9%	71.0%	73.1%	75.2%
Equity & Provs/Gross Cust Loans	17.0%	16.7%	16.1%	15.6%	15.1%
Asset Risk Weighting	62.0%	61.2%	61.5%	61.5%	61.5%
Provision Charge/Avg Cust Loans	0.87%	0.70%	0.65%	0.61%	0.55%
Provision Charge/Avg Assets	0.51%	0.41%	0.39%	0.37%	0.35%
Total Write Offs/Average Assets	0.324%	0.322%	0.290%	0.283%	0.279%

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	15,122,705	16,932,407	18,737,803	20,705,217	22,844,862
Liquid Assets & Invst. (Current)	5,591,117	6,164,671	6,444,822	6,738,981	7,047,848
Other Int. Earning Assets	2,076,840	2,228,726	2,164,677	1,955,502	1,695,830
<b>Total Gross Int. Earning Assets</b>	<b>22,790,662</b>	<b>25,325,804</b>	<b>27,347,302</b>	<b>29,399,700</b>	<b>31,588,541</b>
Total Provisions/Loan Loss Reserve	(368,173)	(390,090)	(417,728)	(444,888)	(467,377)
<b>Total Net Interest Earning Assets</b>	<b>22,422,489</b>	<b>24,935,714</b>	<b>26,929,574</b>	<b>28,954,812</b>	<b>31,121,164</b>
Intangible Assets	18,139	19,411	19,411	19,411	19,411
Other Non-Interest Earning Assets	1,125,794	1,084,887	1,062,409	1,042,238	1,024,170
<b>Total Non-Interest Earning Assets</b>	<b>1,143,933</b>	<b>1,104,298</b>	<b>1,081,820</b>	<b>1,061,649</b>	<b>1,043,581</b>
<b>Cash And Marketable Securities</b>	<b>803,145</b>	<b>644,816</b>	<b>677,057</b>	<b>710,910</b>	<b>746,455</b>
Long-term Investments	0	0	0	0	0
<b>Total Assets</b>	<b>24,369,567</b>	<b>26,684,828</b>	<b>28,688,450</b>	<b>30,727,371</b>	<b>32,911,200</b>
Customer Interest-Bearing Liabilities	17,291,120	18,550,654	20,231,269	22,142,790	24,198,270
Bank Deposits	2,804,814	3,638,296	3,707,687	3,668,050	3,616,555
Interest Bearing Liabilities: Others	1,270,437	1,415,032	1,442,020	1,426,604	1,406,576
<b>Total Interest-Bearing Liabilities</b>	<b>21,366,371</b>	<b>23,603,982</b>	<b>25,380,976</b>	<b>27,237,445</b>	<b>29,221,402</b>
Bank's Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	873,451	767,873	782,518	774,153	763,284
<b>Total Liabilities</b>	<b>22,239,822</b>	<b>24,371,855</b>	<b>26,163,494</b>	<b>28,011,597</b>	<b>29,984,686</b>
<b>Shareholders' Equity</b>	<b>2,038,419</b>	<b>2,225,153</b>	<b>2,387,953</b>	<b>2,566,055</b>	<b>2,762,728</b>
Minority Interests	124,418	125,400	137,002	149,718	163,786
<b>Total Equity</b>	<b>2,162,837</b>	<b>2,350,553</b>	<b>2,524,956</b>	<b>2,715,773</b>	<b>2,926,514</b>

### Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Income Growth	3.21%	6.71%	5.38%	6.82%	6.84%
Operating Profit Growth	3.84%	3.87%	6.51%	7.93%	7.93%
Pretax Profit Growth	(1.7%)	12.3%	7.6%	9.6%	10.6%
Net Interest To Total Income	73.3%	70.2%	70.0%	69.8%	69.5%
Cost Of Funds	1.66%	1.63%	1.91%	1.93%	1.95%
Return On Interest Earning Assets	3.38%	3.25%	3.46%	3.46%	3.46%
Net Interest Spread	1.72%	1.63%	1.55%	1.53%	1.51%
Net Interest Margin (Avg Deposits)	2.54%	2.43%	2.35%	2.29%	2.22%
Net Interest Margin (Avg RWA)	2.85%	2.71%	2.63%	2.60%	2.59%
Provisions to Pre Prov. Operating Profit	32.6%	27.5%	26.7%	25.5%	23.6%
Interest Return On Average Assets	1.77%	1.67%	1.61%	1.60%	1.59%
Effective Tax Rate	16.8%	17.8%	17.8%	17.8%	17.8%
Net Dividend Payout Ratio	32.1%	31.6%	31.6%	31.6%	31.6%
Return On Average Assets	0.77%	0.81%	0.80%	0.82%	0.85%

### Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Loan Growth (%)	8.8%	10.5%	11.1%	10.9%	10.7%
Net Interest Margin (%)	1.9%	1.8%	1.7%	1.7%	1.7%
Non Interest Income Growth (%)	-13.7%	19.0%	6.1%	7.5%	7.9%
Cost-income Ratio (%)	35.7%	37.4%	36.7%	36.0%	35.4%
Provision charge as % avg loans	0.9%	0.7%	0.7%	0.6%	0.5%
Effective tax rate (%)	16.8%	17.8%	17.8%	17.8%	17.8%
Net NPL Ratio (%)	1.5%	1.3%	1.3%	1.3%	1.2%
Provisioning coverage ratio (%)	177.6%	186.8%	185.0%	181.3%	174.9%
Loan Loss Reserve (%)	2.6%	2.5%	2.4%	2.3%	2.2%
Deposit Growth (%)	6.7%	7.5%	9.2%	9.7%	9.5%
Loan-deposit Ratio (%)	84.0%	86.4%	87.9%	88.9%	89.9%
Core Tier 1 ratio (%)	11.3%	11.3%	11.4%	11.6%	11.8%
Risk weighted assets to total assets ratio (%)	61.9%	61.1%	61.5%	61.5%	61.5%
Dividend payout ratio (%)	32.1%	31.6%	31.6%	31.6%	31.6%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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



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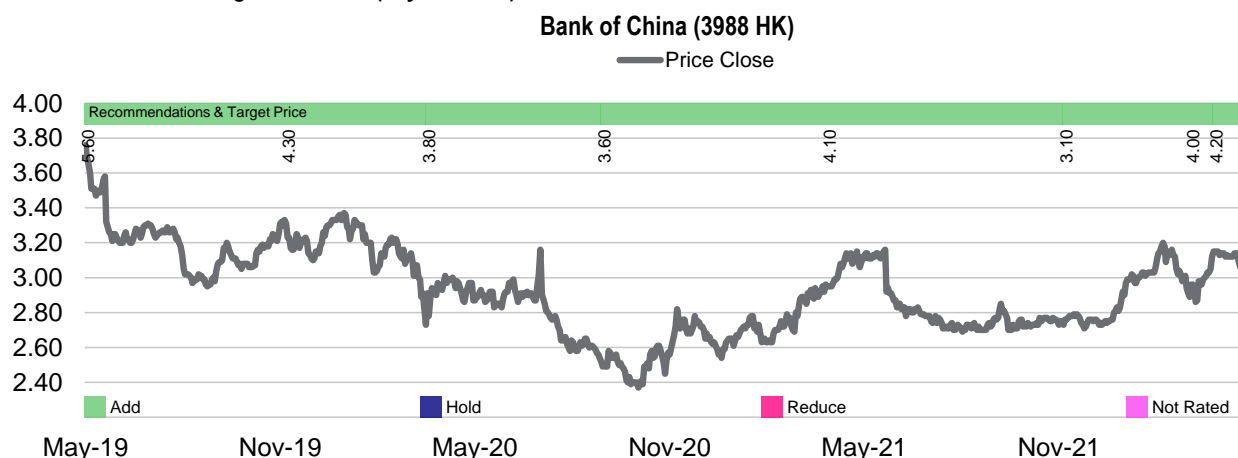
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%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

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

Recommendation Framework	
<b>Stock Ratings</b>	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>	
<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.
<b>Country Ratings</b>	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.