

China

ADD (no change)

Consensus ratings*: Buy 14 Hold 9 Sell 1

Current price: Rmb3.03
Target price: Rmb3.80
Previous target: Rmb3.80
Up/downside: 25.4%
CGS-CIMB / Consensus: 16.4%

Reuters: 601988.SS
Bloomberg: 601988 CH
Market cap: US\$121,627m
Rmb840,467m
Average daily turnover: US\$55.05m
Rmb369.2m
Current shares o/s: 294,388m
Free float: 28.4%

*Source: Bloomberg

Key changes in this note

No changes.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-1	-5.3	1
Relative (%)	-0.2	-7.8	9.5

Major shareholders	% held
Huijin	67.8
SSF	2.7

Bank of China-A

A return to stability-centric profit growth

- Bank of China's (BOC) 1H22 net profit rose 4.8% yoy. While 2Q22 NIM's 4bp qoq rise is a key positive, this was offset by a 9% yoy fall in fee income.
- Like other China banks, 1H22 mortgage growth was weak (+1.4% hoh), while 1H22 corporate loan growth was strong (+11.8 % hoh).
- Reiterate Add and an unchanged GGM-based TP of Rmb3.80.

Back to stable single-digit net profit growth

1H22 net profit rose yoy by 4.8% (2Q22: +0.8% yoy; 1Q22: +9.2% yoy). Before deduction for payment to holders of preference shares and perpetual bonds, 1H22 net profit rose yoy by 6.4% (2Q22: +5.7% yoy; 1Q22: +7% yoy). This marks a return to the low-mid-single-digit net profit growth seen in FY15-FY20, with FY21's double-digit net profit growth an anomaly. 1H22 net profit made up 49.6% of our FY22F net profit estimates.

What we liked about 2Q22 results

i) 2Q22 net interest margin (NIM) was 1.78% (+4bp qoq, +4bp yoy); ii) 1H22 credit costs were 0.58% (-13bp yoy); iii) 1H22 effective tax rate was 18.3% (-1.8% pts yoy; 2Q22: 18.3%, -1.4% pts yoy); and iv) 2Q22 risk-weighted assets-to-total assets ratio was 59.2% (-1.6% pts qoq, and the lowest since 4Q12's 57.2%).

What we did not like about 2Q22 results

i) 1H22 cost-to-income ratio was 34.7% (+0.9% pt yoy); ii) 2Q22 net fee income fell yoy by 9.4% (1Q22: -6.8%; 1H22: -7.8%); iii) 1H22 pre-provisioning operating profit (PPOP) growth yoy was 2.1% yoy (2H21: 5.7%; 2Q22: 4.8%; 1Q22: -0.4%); and iv) 1H22 ROE was 11.6% (-35bp yoy).

What else we thought was interesting about 2Q22 results

i) 2Q22 non-performing loan (NPL) ratio was 1.34% (+3bp qoq). 1H22 mix of loans over 90 days overdue was 0.79% (flat hoh). However, 1H22 mix of loans under 90 days overdue was 0.37% (+9bp hoh). 1H22 special mention loans ratio was 1.29% (-5bp hoh). 1H22 NPL recognition ratio was 171% (+2.4% pts hoh, but -29.5% pts yoy); ii) 2Q22 core Tier 1 ratio was 11.3% (flat qoq); iii) 2Q22 loan-to-deposit ratio (LDR) was 87.6% (+1.5% pts qoq); iv) 2Q22 provisioning coverage ratio was 183% (-4.6% pts qoq); v) 1H22 mortgage mix was 28.9% (-185bp hoh). 1H22 group mortgages rose 1.4% hoh and 6.3% yoy; vi) 1H22 domestic corporate loans rose 11.8% hoh and 16.1% yoy; and vii) 2Q22 loan growth yoy was 9.9% (1Q22: +10.5%).

Reiterate Add rating; unchanged TP of Rmb3.80

We value BOC using a stress-test adjusted GGM, with an unchanged TP of Rmb3.80. Given that 17.4% of its FY21 assets were offshore (almost all in Hong Kong), we believe that it is well placed to deliver better-than-peer NIM increase in FY22F and FY23F, as we expect more than a 200bp rise in US rate in FY22F. Potential re-rating catalysts: improving asset quality and economic recovery. Key downside risks: a worse-than-expected NIM trend and greater social responsibilities.

Analyst(s)



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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)	4.93	4.33	4.01	3.64	3.28
DPS (Rmb)	0.20	0.22	0.24	0.26	0.29
Dividend Yield	6.50%	7.29%	7.88%	8.67%	9.63%
BVPS (Rmb)	5.98	6.47	7.03	7.63	8.30
P/BV (x)	0.51	0.47	0.43	0.40	0.37
ROE	10.6%	11.2%	11.2%	11.3%	11.6%
CGS-CIMB/Consensus EPS (x)			1.05	1.08	1.12

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

A return to stability-centric profit growth

Valuation and risks

We value BOC-A using a stress-test-adjusted GGM after factoring in historical valuation gaps, with an unchanged target price of Rmb3.8.

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 7.0%.

We arrive at a target price of Rmb3.80 and reiterate our Add rating on BOC-A.

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

(Rmb)	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	0.50
FY22F BVPS	7.03
Initial target price	3.50
Average A-H share premium applied	18%
Valuation incorporating average A-H share gap since start-2011	4.13
Weighting given to A-H valuation gap	50%
Hence, final A-share target price	3.80
Current price (Rmb)	3.03
Share price upside	25%
TP-implied sustainable ROE	7.0%

SOURCES: CGS-CIMB RESEARCH ESTIMATES
SHARE PRICES AS OF 30 AUG 2022

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 NIM. 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	217.5	4.00	5.90	48%	0.38	0.35	3.3	3.0	1.8	1.7	9.4	10.2	12.0	12.1
CCB	0939 HK	Add	157.9	4.85	8.00	65%	0.38	0.34	3.2	2.9	1.7	1.6	9.6	10.5	12.3	12.3
BOC	3988 HK	Add	123.5	2.74	4.20	53%	0.33	0.30	3.1	2.8	1.7	1.6	10.3	11.4	11.2	11.3
ABC	1288 HK	Add	142.4	2.56	4.40	72%	0.34	0.31	3.1	2.8	1.5	1.4	10.4	11.3	11.5	11.6
BOCOM	3328 HK	Hold	46.9	4.47	5.30	19%	0.33	0.30	3.1	2.9	1.6	1.5	10.3	11.3	10.9	11.1
CMB	3968 HK	Add	126.2	39.85	84.10	111%	1.02	0.90	6.2	5.2	3.7	3.3	5.3	6.3	17.4	18.2
CITIC	0998 HK	Add	27.6	3.38	4.80	42%	0.25	0.23	2.4	2.1	0.9	0.8	11.7	13.2	10.9	11.4
MSB	1988 HK	Hold	21.3	2.50	2.60	4%	0.18	0.17	2.7	2.4	0.9	0.8	11.0	12.7	6.8	7.5
CQRCB	3618 HK	Add	5.4	2.72	4.10	51%	0.24	0.22	2.3	2.1	1.1	1.0	12.8	14.6	10.6	11.1
H-share weighted average							0.45	0.40	3.6	3.2	1.9	1.8	9.3	10.3	12.4	12.6
ICBC - A	601398 CH	Add	217.5	4.36	5.10	17%	0.49	0.45	4.3	3.9	2.4	2.2	7.3	7.9	12.0	12.1
CCB - A	601939 CH	Add	157.9	5.47	7.10	30%	0.50	0.46	4.3	3.9	2.3	2.1	7.2	7.8	12.3	12.3
BOC - A	601988 CH	Add	123.5	3.03	3.80	25%	0.43	0.40	4.0	3.6	2.2	2.0	7.9	8.7	11.2	11.3
ABC - A	601288 CH	Add	142.4	2.82	3.90	38%	0.44	0.41	4.0	3.7	2.0	1.8	8.0	8.7	11.5	11.6
BOCOM - A	601328 CH	Hold	46.9	4.56	4.80	5%	0.40	0.37	3.8	3.5	1.9	1.8	8.5	9.3	10.9	11.1
CMB - A	600036 CH	Add	126.2	33.79	71.50	112%	1.03	0.90	6.3	5.3	3.7	3.3	5.3	6.2	17.4	18.2
CITIC - A	601998 CH	Add	27.6	4.47	5.00	12%	0.40	0.36	3.8	3.3	1.4	1.3	7.4	8.4	10.9	11.4
MSB - A	600016 CH	Reduce	21.3	3.59	2.50	-33%	0.31	0.29	4.7	4.0	1.5	1.4	6.4	7.5	6.8	7.5
PAB - A	000001 CH	Add	34.6	12.48	22.70	82%	0.67	0.60	6.1	5.2	1.9	1.7	2.2	2.6	11.5	12.3
CQRCB - A	601077 CH	Add	5.4	3.58	4.50	26%	0.37	0.34	3.7	3.2	1.7	1.6	8.2	9.4	10.6	11.1
A-share weighted average							0.56	0.51	4.6	4.1	2.4	2.2	6.9	7.6	12.5	12.8
Combined sector weighted average							0.50	0.46	4.1	3.6	2.2	2.0	8.1	9.0	12.5	12.7
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 AUG 2022																

Figure 3: Key financial data

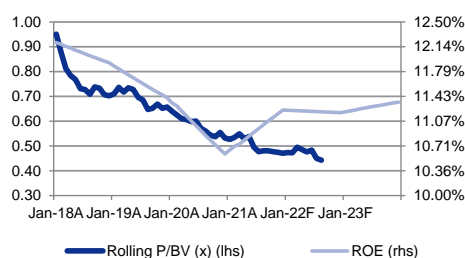
Profit & loss								
(Rmb m)	2018	2019	2020	2021	2022F	2023F	2024F	2025F
Net interest income	359,706	374,250	415,918	425,142	446,681	475,843	506,133	538,180
yoy	6.3%	4.0%	11.1%	2.2%	5.1%	6.5%	6.4%	6.3%
Non interest income	144,100	175,760	151,729	180,575	191,634	205,972	222,332	240,032
yoy	-0.9%	22.0%	-13.7%	19.0%	6.1%	7.5%	7.9%	8.0%
Total revenue	503,806	550,010	567,647	605,717	638,314	681,816	728,465	778,212
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
Pre-prov profit	326,827	351,741	365,236	379,362	404,071	436,113	470,676	507,776
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%
Key balance sheet items								
(Rmb m)	2018	2019	2020	2021	2022F	2023F	2024F	2025F
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%
Key ratios & drivers								
	2018	2019	2020	2021	2022F	2023F	2024F	2025F
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

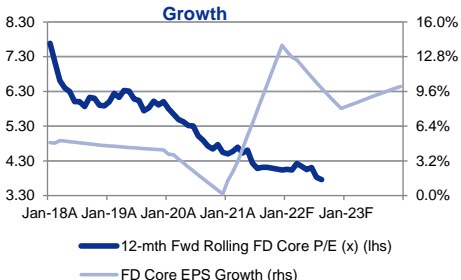
<div>  <div> Refinitiv ESG Scores <div> <div>B ESG Score</div> <div>C+ ESG Controversies Score</div> <div>B- ESG Combined Score</div> <div>B ESG Environment Pillar Score</div> <div>B ESG Social Pillar Score</div> <div>B- ESG Government Pillar Score</div> </div> </div> </div>	
ESG in a nutshell <p>BOC scored a B- rating for its combined ESG score by Refinitiv in 2021. It has rigorously practiced the concept of green and low-carbon services and reduced paper consumption. As of end-2020, the electronic conciliation rate of BOC reached 97.8%, and its use of electronic bills have saved 257m paper sheets, according to the bank. It also incorporated the requirements of green finance into credit policies and established the Bank of China University in May 2020 to empower its employees' 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 in 2021-2025 in 15 aspects, including organisational structure, stress tests and product innovation.</p>	
Keep your eye on <p>The pace of 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>	Implications <p>According to Reuters in Sep 2021, BOC 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>
ESG highlights <p>BOC's B- Refinitiv combined ESG score is on the upper end of ESG scoring among China banks (with the highest rating B for CCB), driven by its strengthened risk management capabilities, people-oriented working culture, and increased green finance projects.</p>	Implications <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>
Trends <p>Over the 2016-2020 period, BOC has improved its Refinitiv combined ESG score in each pillar (from a combined score of C+ in both 2016 and 2017, before moving up to B- from 2018 onwards). This was driven by improvements across major ESG categories. Its Environmental pillar score rose from B- in both 2016 and 2017 to B from 2018 onwards. Its Governance pillar score rose from B in 2016 to B over the 2017-2019 period, after which it fell to B- in 2020 and 2021. Its Social pillar score has been more volatile, from B- over the 2016-2018 period to C+ in 2019, and then B in 2020 and 2021. Similarly, its Refinitiv ESG controversies score has been volatile, moving from A- in 2016 to C- in 2017 and 2018, A+ in 2019's A+, A- in 2020 and finally C+ in 2021.</p>	Implications <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 has positive implications on its ESG score.</p>
<small>SOURCES: CGS-CIMB RESEARCH, REFINITIV</small>	

BY THE NUMBERS

P/BV vs ROE



12-mth Fwd FD Core P/E vs FD Core EPS Growth



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
Operating Revenue	567,647	605,717	638,314	681,816	728,465
Total Non-Interest Expenses	(202,411)	(226,355)	(234,243)	(245,703)	(257,788)
Pre-provision Operating Profit	365,236	379,362	404,071	436,113	470,676
Total Provision Charges	(119,016)	(104,220)	(107,826)	(111,294)	(111,179)
Operating Profit After Provisions	246,220	275,142	296,245	324,818	359,498
Pretax Income/(Loss) from Assoc.	158	1,478	1,478	1,478	1,478
Operating EBIT (incl Associates)	246,378	276,620	297,723	326,296	360,976
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	246,378	276,620	297,723	326,296	360,976
Exceptional Items	0	0	0	0	0
Pre-tax Profit	246,378	276,620	297,723	326,296	360,976
Taxation	(41,282)	(49,281)	(53,041)	(58,131)	(64,309)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	205,096	227,339	244,683	268,165	296,666
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
Net Profit	180,841	205,908	222,429	244,798	271,948
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
Total Gross Int. Earning Assets	22,790,662	25,325,804	27,347,302	29,399,700	31,588,541
Total Provisions/Loan Loss Reserve	(368,173)	(390,090)	(417,728)	(444,888)	(467,377)
Total Net Interest Earning Assets	22,422,489	24,935,714	26,929,574	28,954,812	31,121,164
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
Total Non-Interest Earning Assets	1,143,933	1,104,298	1,081,820	1,061,649	1,043,581
Cash And Marketable Securities	803,145	644,816	677,057	710,910	746,455
Long-term Investments	0	0	0	0	0
Total Assets	24,369,567	26,684,828	28,688,450	30,727,371	32,911,200
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
Total Interest-Bearing Liabilities	21,366,371	23,603,982	25,380,976	27,237,445	29,221,402
Bank's Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	873,451	767,873	782,518	774,153	763,284
Total Liabilities	22,239,822	24,371,855	26,163,494	28,011,597	29,984,686
Shareholders' Equity	2,038,419	2,225,153	2,387,953	2,566,055	2,762,728
Minority Interests	124,418	125,400	137,002	149,718	163,786
Total Equity	2,162,837	2,350,553	2,524,956	2,715,773	2,926,514

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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Description:	Excellent	Very Good	Good	N/A	N/A

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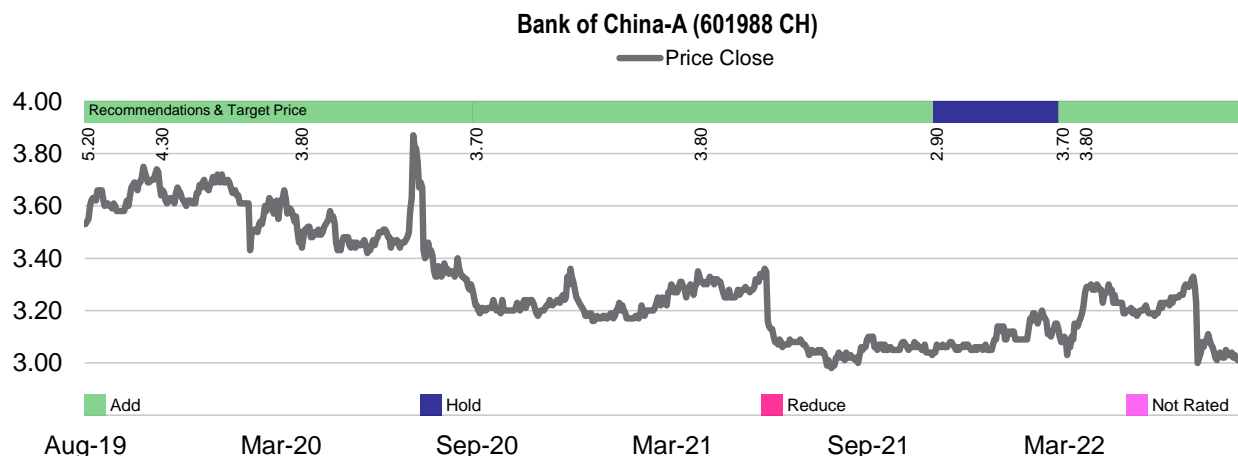
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2022		
643 companies under coverage for quarter ended on 30 June 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	68.4%	0.8%
Hold	24.6%	0.0%
Reduce	7.0%	0.2%

Spitzer Chart for stock being researched (2 year data)



Recommendation Framework

Stock Ratings

Definition:

Add

The stock's total return is expected to exceed 10% over the next 12 months.

Hold

The stock's total return is expected to be between 0% and positive 10% over the next 12 months.

Reduce

The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight

An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.

Neutral

A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.

Underweight

An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

Overweight

An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.

Neutral

A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.

Underweight

An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.