

China

HOLD (no change)

Consensus ratings*: Buy 14 Hold 7 Sell 2

Current price:	Rmb3.91
Target price:	Rmb3.70
Previous target:	Rmb3.70
Up/downside:	-5.4%
CGS-CIMB / Consensus:	-10.1%
Reuters:	601988.SS
Bloomberg:	601988 CH
Market cap:	US\$147,093m
	Rmb1,045,639m
Average daily turnover:	US\$96.62m
	Rmb700.6m
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	5.7	24.5
Relative (%)	3.2	11.3	31.6

Major shareholders

	% held
Huijin	67.8
SSF	2.7

Bank of China-A

Regional financial conference takeaways

- We see BOC maintaining a strong focus on risk management in its lending practices and consequently expect NPL ratios to remain stable.
- While investments in central and local government bonds may rise and adversely impact NIM, this could be partly offset by a lower effective tax rate.
- We do not think that BOC will be materially impacted by bancassurance commission rate cuts, due to its low exposure to this segment.
- Reiterate Hold rating for BOC-A, TP of Rmb3.70.

Conservative approach to credit risk management set to continue

Bank of China (BOC) participated in our regional financial conference, held on 6 - 7 Dec 2023. We see BOC maintaining a strong focus on risk management in its lending practices and consequently expect BOC's NPL ratio to continue to record a stable decline over the 3Q23 – FY25F period. BOC's 3Q23 NPL ratio was 1.27%, down 5bp versus 4Q22, which is better than the average 3bp fall in the NPL ratio of the state-owned enterprise (SOE) banks under our coverage.

Increased bond investments could pressure 4Q23F – FY24F NIM

We see increased investments in both central and local government bonds as another factor that could pressure BOC's net interest margins (NIM) over 4Q23F – FY24F. BOC's 3Q23 NIM was 1.57%, -7bp qoq and -21bp yoy and we see factors such as mortgage backbook repricing, lower loan yields for new mortgages and new corporate loans as well as a rising time deposit mix as some of the other factors that could pressure BOC's NIM over 4Q23F – FY24F. While we do see NIM pressure from increased bond investments, we think this could be partly offset via a lower effective tax rate over this period. This trend towards lower effective tax rates was already evident in 3Q23, with 3Q23's effective tax rate at 14.4%, -3.1% pts yoy, and 9M23's effective tax rate at 16.6%, -1.4% pts yoy.

No material impact on BOC from new bancassurance rules

With stricter regulatory guidance on bancassurance commission rates introduced in Aug/Sep 2023, we expect the bank sector to see notable pressure on bancassurance commissions growth yoy from 4Q23F. However, due to BOC's lower-than-peer exposure to this segment, we do not expect BOC to be materially impacted by bancassurance commission rate cuts.

Reiterate Hold rating; TP unchanged at Rmb3.70

We value BOC-A using a stress-test adjusted GGM and factor in historical A-H share valuation gaps. Reiterate Hold, given our view of minimal downside risk to FY23F – 25F EPS and given our optimism about the FY23F – 25F revenue outlook for BOC's non-mainland business. Key upside/downside risks: a better-than/worse-than-expected NIM trend and lesser/greater social responsibilities adversely impacting its profits.

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Financial Summary

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Net Interest Income (Rmbm)	425,142	460,678	469,339	468,974	496,247
Total Non-Interest Income (Rmbm)	180,575	158,461	162,049	170,924	184,089
Operating Revenue (Rmbm)	605,717	619,139	631,388	639,898	680,336
Total Provision Charges (Rmbm)	-104,220	-103,993	-106,487	-103,554	-115,784
Net Profit (Rmbm)	205,908	214,020	219,079	226,636	238,141
Core EPS (Rmb)	0.70	0.73	0.74	0.77	0.81
Core EPS Growth	13.9%	3.9%	2.4%	3.4%	5.1%
FD Core P/E (x)	5.59	5.38	5.25	5.08	4.83
DPS (Rmb)	0.22	0.23	0.24	0.25	0.26
Dividend Yield	5.65%	5.93%	6.07%	6.28%	6.60%
BVPS (Rmb)	6.47	6.99	7.54	8.11	8.71
P/BV (x)	0.60	0.56	0.52	0.48	0.45
ROE	11.2%	10.8%	10.2%	9.8%	9.6%
EPS/Consensus EPS (x)			1.00	0.98	0.99

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Regional financial conference takeaways

Valuation and risks

We value BOC-A using a stress-test-adjusted Gordon Growth Model (GGM), after factoring historical A-H valuation gaps, with a target price of Rmb3.70 (unchanged).

Our key valuation assumptions are a COE of 7.4% (unchanged), a sustainable growth (g) assumption of 3% (unchanged), an initial sustainable ROE assumption of 9.6% (unchanged) based on FY25F ROE (unchanged), an asset quality and investor compensation valuation discount of 36% (unchanged), and policy risk valuation discount of 55% (unchanged) (Fig 2). We thus derive a stress-test-adjusted target FY24F (unchanged) P/BV multiple of 0.43x (unchanged), implying a sustainable ROE assumption of 5.1% (unchanged).

We arrive at a target price of Rmb3.70 (unchanged) and reiterate our Hold rating, given attractive dividend yields, albeit with slight share price downside to our target price.

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

(Rmb)	Assumptions and forecasts
Equity risk premium	8.0%
Risk free rate	3.0%
Beta	0.55
COE	7.4%
g	3.0%
Sustainable ROE (based on FY24F ROE)	9.6%
Initial target P/BV	1.50x
Asset quality valuation discount	-36%
National service' discount	-55%
Final target P/BV	0.43
FY23F BVPS	7.83
Initial target price	3.37
Average A-H share premium applied	19%
Valuation incorporating average A-H share gap since start-2011	4.00
Weighting given to A-H valuation gap	50%
Hence, final A-share target price	3.70
Current price (Rmb)	3.91
Share price upside	-5%
TP-implied sustainable ROE	5.1%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS
DATA AS OF 15 DEC 2023

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

Another downside risk is political pressure on the bank to lend more amidst a weak economy, which could also lead to more asset quality pressure in future years.

Other upside risks are a better-than-expected NIM trend, and lesser social responsibilities impacting its profits.

Figure 2: China banks valuation table (H-share and A-share banks)

Company	Ticker	Rating	Mkt cap	Price	Target	Upside/	P/BV (x)		P/E (x)		P/POP (x)		Dividend yield		ROE(%)			
			(US\$ bn)	(Lcy)	price (Lcy)	Downside	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F		
ICBC	1398 HK	Add	229.1	3.70	3.90	5%	0.36	0.34	3.5	3.4	2.0	2.0	9.0	9.2	10.8	10.3		
CCB	0939 HK	Add	163.4	4.54	5.70	26%	0.36	0.33	3.2	3.1	2.0	1.9	9.4	9.7	11.5	10.9		
BOC	3988 HK	Add	147.9	2.92	3.60	23%	0.36	0.33	3.6	3.5	2.0	2.0	8.7	9.0	10.2	9.8		
ABC	1288 HK	Add	169.5	2.92	2.90	-1%	0.40	0.37	3.8	3.7	2.1	2.1	8.4	8.6	10.7	10.3		
BOCOM	3328 HK	Add	54.6	4.68	4.90	5%	0.36	0.33	3.7	3.6	2.1	2.0	8.8	9.0	9.8	9.5		
CMB	3968 HK	Add	116.7	25.85	40.40	56%	0.66	0.59	4.3	4.0	2.8	2.9	7.7	8.3	16.2	15.6		
CITIC	0998 HK	Add	36.4	3.58	5.30	48%	0.27	0.25	2.6	2.4	1.1	1.1	10.8	11.8	10.9	11.1		
MSB	1988 HK	Reduce	22.6	2.62	2.20	-16%	0.20	0.19	3.3	3.1	1.3	1.3	9.2	9.8	6.3	6.5		
CQRCB	3618 HK	Hold	5.6	2.96	2.50	-16%	0.27	0.25	2.9	2.6	1.7	1.6	10.6	11.6	9.5	10.0		
H-share weighted average									0.40	0.37	3.6	3.5	2.1	2.1	8.8	9.2	11.3	10.9
ICBC - A	601398 CH	Reduce	229.1	4.73	3.80	-20%	0.50	0.46	4.8	4.7	2.8	2.8	6.5	6.7	10.8	10.3		
CCB - A	601939 CH	Hold	163.4	6.37	5.60	-12%	0.54	0.50	4.9	4.8	3.0	2.9	6.2	6.4	11.5	10.9		
BOC - A	601988 CH	Hold	147.9	3.91	3.70	-5%	0.52	0.48	5.3	5.1	2.9	2.9	6.1	6.3	10.2	9.8		
ABC - A	601288 CH	Reduce	169.5	3.58	2.90	-19%	0.52	0.49	5.1	4.9	2.8	2.8	6.3	6.6	10.7	10.3		
BOCOM - A	601328 CH	Reduce	54.6	5.73	4.90	-14%	0.47	0.44	4.9	4.8	2.7	2.6	6.6	6.9	9.8	9.5		
CMB - A	600036 CH	Add	116.7	27.23	37.90	39%	0.74	0.67	4.8	4.5	3.2	3.3	6.8	7.3	16.2	15.6		
CITIC - A	601998 CH	Add	36.4	5.25	6.00	14%	0.43	0.40	4.1	3.7	1.8	1.7	6.8	7.5	10.9	11.1		
MSB - A	600016 CH	Reduce	22.6	3.75	2.40	-36%	0.31	0.30	5.0	4.7	2.0	2.0	6.0	6.4	6.3	6.5		
PAB - A	000001 CH	Add	30.6	9.21	13.10	42%	0.44	0.40	3.8	3.4	1.5	1.5	3.4	3.8	12.1	12.1		
CQRCB - A	601077 CH	Reduce	5.6	4.15	3.00	-28%	0.41	0.38	4.3	4.0	2.5	2.4	7.0	7.7	9.5	10.0		
A-share weighted average									0.54	0.50	4.8	4.6	2.8	2.8	6.3	6.6	11.6	11.2
Combined sector weighted average									0.47	0.43	4.2	4.1	2.4	2.4	7.5	7.9	11.5	11.0

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 15 DEC 2023

Figure 3: Key financial summary

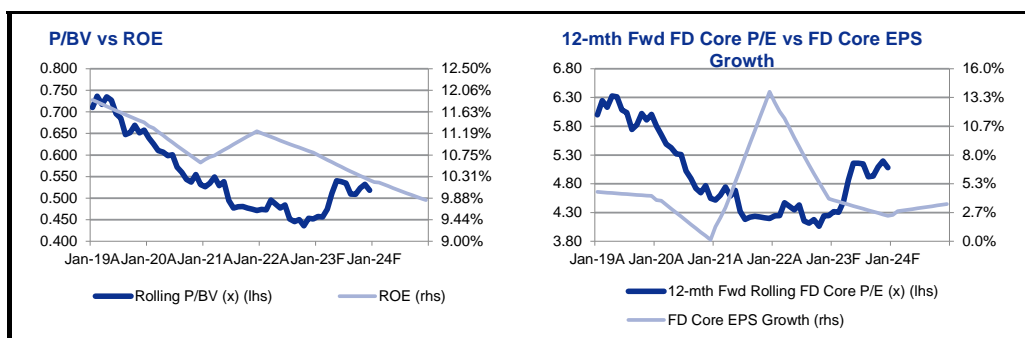
Profit & loss								
(Rmb m)	2018	2019	2020	2021	2022	2023F	2024F	2025F
Net interest income	359,706	374,250	415,918	425,142	460,678	469,339	468,974	496,247
yoy	6.3%	4.0%	11.1%	2.2%	8.4%	1.9%	-0.1%	5.8%
Non interest income	144,100	175,760	151,729	180,575	158,461	162,049	170,924	184,089
yoy	-0.9%	22.0%	-13.7%	19.0%	-12.2%	2.3%	5.5%	7.7%
Total revenue	503,806	550,010	567,647	605,717	619,139	631,388	639,898	680,336
yoy	4.1%	9.2%	3.2%	6.7%	2.2%	2.0%	1.3%	6.3%
Operating expenses	-176,979	-198,269	-202,411	-226,355	-231,196	-235,770	-238,948	-254,048
Pre-prov profit	326,827	351,741	365,236	379,362	387,943	395,618	400,950	426,288
yoy	5.5%	7.6%	3.8%	3.9%	2.3%	2.0%	1.3%	6.3%
Provisioning expenses	-99,294	-102,153	-119,016	-104,220	-103,993	-106,487	-103,554	-115,784
Net profit to common shareholders	173,295	180,579	180,841	205,908	214,020	219,079	226,636	238,141
yoy	4.6%	4.2%	0.1%	13.9%	3.9%	2.4%	3.4%	5.1%
Key balance sheet items								
(Rmb m)	2018	2019	2020	2021	2022	2023F	2024F	2025F
Loans	11,787,683	13,034,189	14,183,385	15,674,994	17,507,349	19,536,393	21,781,060	24,261,851
Interbank assets	1,482,289	1,464,426	1,742,465	1,902,229	1,989,160	2,088,618	2,193,049	2,302,701
Investments	5,054,551	5,514,062	5,591,117	6,164,671	6,445,743	6,739,432	7,047,806	7,371,598
Deposits	14,883,596	15,817,548	16,879,171	18,142,887	20,201,825	22,125,138	24,528,351	27,169,069
Interbank liabilities	1,731,209	1,668,046	1,917,003	2,682,739	2,240,323	2,177,281	2,064,724	1,883,579
Common shareholders' equity	1,513,266	1,651,808	1,760,929	1,905,648	2,058,084	2,220,670	2,388,400	2,563,965
Total shareholders' equity	1,725,397	1,976,696	2,162,837	2,350,553	2,567,571	2,740,446	2,918,800	3,105,496
RWA	12,841,526	14,123,915	15,109,085	16,323,713	16,818,275	17,976,615	19,381,219	20,463,603
Total assets	21,267,275	22,769,744	24,402,659	26,722,408	28,913,857	30,905,267	33,320,052	35,898,855
yoy								
Loans	8.2%	10.6%	8.8%	10.5%	11.7%	11.6%	11.5%	11.4%
Interbank assets	30.5%	-1.2%	19.0%	9.2%	4.6%	5.0%	5.0%	5.0%
Investments	11.0%	9.1%	1.4%	10.3%	4.6%	4.6%	4.6%	4.6%
Deposits	9.0%	6.3%	6.7%	7.5%	11.3%	9.5%	10.9%	10.8%
Interbank liabilities	21.5%	-3.6%	14.9%	39.9%	-16.5%	-2.8%	-5.2%	-8.8%
Common shareholders' equity	8.4%	9.2%	6.6%	8.2%	8.0%	7.9%	7.6%	7.4%
Total shareholders' equity	9.4%	14.6%	9.4%	8.7%	9.2%	6.7%	6.5%	6.4%
RWA	5.6%	10.0%	7.0%	8.0%	3.0%	6.9%	7.8%	5.6%
Total assets	9.2%	7.1%	7.2%	9.5%	8.2%	6.9%	7.8%	7.7%
Key ratios & drivers								
	2018	2019	2020	2021	2022	2023F	2024F	2025F
EPS (Rmb)	0.59	0.61	0.61	0.70	0.73	0.74	0.77	0.81
EPS Growth	4.6%	4.2%	0.1%	13.9%	3.9%	2.4%	3.4%	5.1%
BVPS (Rmb)	5.14	5.61	5.98	6.47	6.99	7.54	8.11	8.71
BVPS Growth	8.4%	9.2%	6.6%	8.2%	8.0%	7.9%	7.6%	7.4%
ROAE	11.9%	11.4%	10.6%	11.2%	10.8%	10.2%	9.8%	9.6%
ROAA	0.88%	0.85%	0.82%	0.85%	0.82%	0.78%	0.75%	0.73%
DPS (Rmb)	0.18	0.19	0.20	0.22	0.23	0.24	0.25	0.26
Payout ratio	31%	31%	32%	32%	32%	32%	32%	32%
Core tier 1 ratio	11.4%	11.3%	11.3%	11.3%	11.8%	12.1%	12.0%	12.2%
Tier 1 ratio	12.3%	12.8%	13.2%	13.3%	14.1%	14.2%	14.0%	14.1%
Total CAR	15.0%	15.6%	16.2%	16.5%	17.5%	17.3%	16.9%	16.8%
Equity/Assets	8.3%	8.9%	9.2%	9.1%	9.2%	9.2%	9.1%	8.9%
Loan-deposit ratio	80%	83%	85%	87%	88%	88%	89%	89%
NPL ratio	1.42%	1.37%	1.46%	1.33%	1.32%	1.16%	1.15%	1.15%
NPL coverage	181.8%	182.5%	177.6%	186.8%	188.5%	191.0%	169.0%	147.5%
LLR to loan	2.57%	2.50%	2.60%	2.49%	2.49%	2.22%	1.94%	1.70%
Cost-income ratio	35%	36%	36%	37%	37%	37%	37%	37%
Net interest margin	1.90%	1.84%	1.85%	1.75%	1.76%	1.66%	1.54%	1.51%
Non interest income/ total income	29%	32%	27%	30%	26%	26%	27%	27%
Credit cost	0.88%	0.82%	0.87%	0.70%	0.63%	0.57%	0.50%	0.50%

SOURCES: COMPANY REPORTS, CGS-CIMB RESEARCH ESTIMATES

ESG in a nutshell		Refinitiv ESG Scores							
				B- ESG Score	C+ ESG Controversies Score	B- ESG Combined Score	B ESG Environment Pillar Score	B ESG Social Pillar Score	B- ESG Government Pillar Score
		<p>Bank of China (BOC) scored a B- rating for its combined ESG score by Refinitiv in 2022. 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					Implications				
<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>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					Implications				
<p>BOC's B- Refinitiv combined ESG score is on the upper end of ESG scoring among China banks, driven by its strengthened risk management capabilities, people-oriented working culture, and increased green finance projects.</p>					<p>BOC has made great strides 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					Implications				
<p>In 2022, BOC's Refinitiv combined ESG score fall from B in 2021 to B-. Its Environmental pillar score rose from B- in both 2016 and 2017 to B from 2018 onwards. Its Governance pillar score fell from B in 2021 to B- in 2022. Its Social pillar score has been more volatile, from C+ in 2019, B- in 2020, to B in 2021 and 2022. Similarly, its Refinitiv ESG controversies score has been volatile, moving from A+ in 2019 and 2020, A- in 2021 and finally C+ in 2022.</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 has positive implications on its ESG score.</p>				

SOURCES: CGS-CIMB RESEARCH, REFINITIV

BY THE NUMBERS



Profit & Loss

(Rmbm)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Net Interest Income	425,142	460,678	469,339	468,974	496,247
Total Non-Interest Income	180,575	158,461	162,049	170,924	184,089
Operating Revenue	605,717	619,139	631,388	639,898	680,336
Total Non-Interest Expenses	-226,355	-231,196	-235,770	-238,948	-254,048
Pre-provision Operating Profit	379,362	387,943	395,618	400,950	426,288
Total Provision Charges	-104,220	-103,993	-106,487	-103,554	-115,784
Operating Profit After Provisions	275,142	283,950	289,132	297,396	310,504
Pretax Income/(Loss) from Assoc.	1,478	645	645	645	645
Operating EBIT (incl Associates)	276,620	284,595	289,777	298,041	311,149
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	276,620	284,595	289,777	298,041	311,149
Exceptional Items	0	0	0	0	0
Pre-tax Profit	276,620	284,595	289,777	298,041	311,149
Taxation	-49,281	-47,091	-46,989	-47,363	-48,457
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	227,339	237,504	242,787	250,678	262,692
Minority Interests	-10,780	-10,065	-10,289	-10,623	-11,132
Pref. & Special Div	-10,651	-13,419	-13,419	-13,419	-13,419
FX And Other Adj.	0	0	0	0	0
Net Profit	205,908	214,020	219,079	226,636	238,141
Recurring Net Profit	205,908	214,020	219,079	226,636	238,141

Balance Sheet Employment

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Gross Loans/Cust Deposits	86.4%	86.7%	88.3%	88.8%	89.3%
Avg Loans/Avg Deposits	85.3%	86.5%	87.5%	88.6%	89.1%
Avg Liquid Assets/Avg Assets	38.6%	37.9%	35.9%	33.5%	31.3%
Avg Liquid Assets/Avg IEAs	40.6%	40.1%	37.8%	35.3%	32.9%
Net Cust Loans/Assets	57.3%	59.1%	61.9%	64.2%	66.6%
Net Cust Loans/Broad Deposits	68.9%	71.7%	74.4%	76.4%	78.5%
Equity & Provns/Gross Cust Loans	16.7%	16.4%	15.5%	14.6%	13.8%
Asset Risk Weighting	61.2%	58.3%	58.3%	58.3%	57.1%
Provision Charge/Avg Cust Loans	0.70%	0.63%	0.57%	0.50%	0.50%
Provision Charge/Avg Assets	0.408%	0.374%	0.357%	0.323%	0.335%
Total Write Offs/Average Assets	0.322%	0.206%	0.370%	0.353%	0.369%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(Rmbm)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Gross Loans	16,932,407	18,681,446	20,769,195	23,075,502	25,621,015
Liquid Assets & Invst. (Current)	6,164,671	6,445,743	6,739,432	7,047,806	7,371,598
Other Int. Earning Assets	2,228,726	2,313,859	1,854,037	1,563,824	1,162,075
Total Gross Int. Earning Assets	25,325,804	27,441,048	29,362,664	31,687,132	34,154,687
Total Provisions/Loan Loss Reserve	-390,090	-436,756	-432,892	-423,363	-411,596
Total Net Interest Earning Assets	24,935,714	27,004,292	28,929,772	31,263,768	33,743,092
Intangible Assets	19,411	21,517	21,517	21,517	21,517
Other Non-Interest Earning Assets	1,084,887	1,026,012	1,045,745	1,077,720	1,125,614
Total Non-Interest Earning Assets	1,104,298	1,047,529	1,067,262	1,099,237	1,147,131
Cash And Marketable Securities	644,816	815,063	855,816	898,607	943,537
Long-term Investments	0	0	0	0	0
Total Assets	26,684,828	28,866,884	30,852,850	33,261,612	35,833,760
Customer Interest-Bearing Liabilities	18,550,654	20,668,160	22,586,488	24,983,224	27,615,883
Bank Deposits	3,638,296	3,156,181	3,083,349	2,958,071	2,761,100
Interest Bearing Liabilities: Others	1,415,032	1,565,840	1,549,101	1,527,353	1,500,294
Total Interest-Bearing Liabilities	23,603,982	25,390,181	27,218,937	29,468,647	31,877,277
Bank's Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	767,873	956,105	945,884	932,605	916,082
Total Liabilities	24,371,855	26,346,286	28,164,821	30,401,252	32,793,359
Shareholders' Equity	2,225,153	2,427,589	2,590,175	2,757,905	2,933,470
Minority Interests	125,400	139,982	150,271	160,894	172,027
Total Equity	2,350,553	2,567,571	2,740,446	2,918,800	3,105,496

Key Ratios

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Income Growth	6.71%	2.22%	1.98%	1.35%	6.32%
Operating Profit Growth	3.87%	2.26%	1.98%	1.35%	6.32%
Pretax Profit Growth	12.3%	2.9%	1.8%	2.9%	4.4%
Net Interest To Total Income	70.2%	74.4%	74.3%	73.3%	72.9%
Cost Of Funds	1.63%	1.75%	1.94%	2.06%	2.09%
Return On Interest Earning Assets	3.25%	3.36%	3.46%	3.46%	3.46%
Net Interest Spread	1.63%	1.61%	1.52%	1.40%	1.37%
Net Interest Margin (Avg Deposits)	2.43%	2.40%	2.22%	2.01%	1.92%
Net Interest Margin (Avg RWA)	2.71%	2.78%	2.70%	2.51%	2.49%
Provisions to Pre Prov. Operating Profit	27.5%	26.8%	26.9%	25.8%	27.2%
Interest Return On Average Assets	1.67%	1.66%	1.57%	1.46%	1.44%
Effective Tax Rate	17.8%	16.5%	16.2%	15.9%	15.6%
Net Dividend Payout Ratio	31.6%	31.9%	31.9%	31.9%	31.9%
Return On Average Assets	0.81%	0.77%	0.73%	0.71%	0.69%

Key Drivers

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Loan Growth (%)	10.5%	11.7%	11.6%	11.5%	11.4%
Net Interest Margin (%)	1.8%	1.8%	1.7%	1.5%	1.5%
Non Interest Income Growth (%)	19.0%	-12.2%	2.3%	5.5%	7.7%
Cost-income Ratio (%)	37.4%	37.3%	37.3%	37.3%	37.3%
Provision charge as % avg loans	0.7%	0.6%	0.6%	0.5%	0.5%
Effective tax rate (%)	17.8%	16.5%	16.2%	15.9%	15.6%
Net NPL Ratio (%)	1.3%	1.3%	1.2%	1.2%	1.2%
Provisioning coverage ratio (%)	186.8%	188.5%	191.0%	169.0%	147.5%
Loan Loss Reserve (%)	2.5%	2.5%	2.2%	1.9%	1.7%
Deposit Growth (%)	7.5%	11.3%	9.5%	10.9%	10.8%
Loan-deposit Ratio (%)	87.5%	87.8%	88.3%	88.8%	89.3%
Core Tier 1 ratio (%)	11.3%	11.8%	12.1%	12.0%	12.2%
Risk weighted assets to total assets ratio (%)	61.1%	58.2%	58.2%	58.2%	57.0%
Dividend payout ratio (%)	31.6%	31.9%	31.9%	31.9%	31.9%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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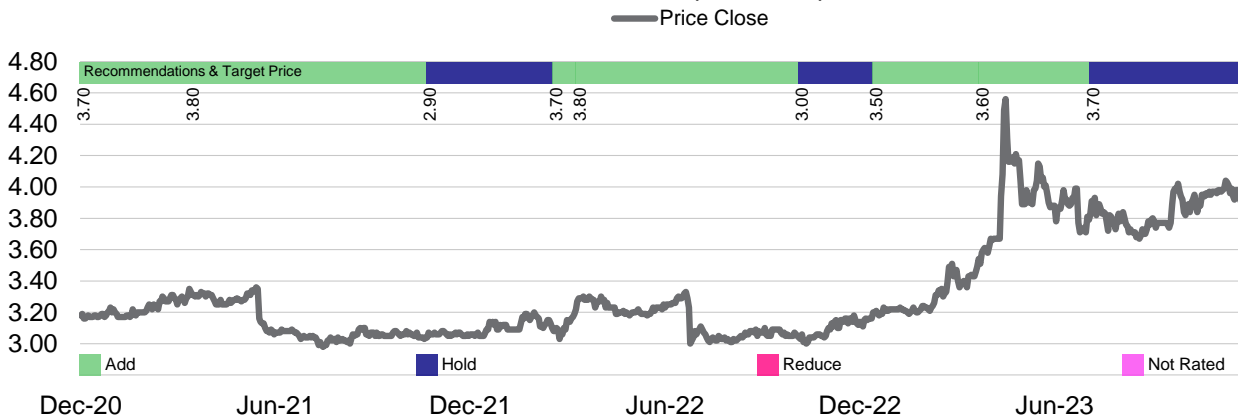
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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2023		
634 companies under coverage for quarter ended on 30 September 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	66.7%	0.9%
Hold	23.7%	0.0%
Reduce	9.6%	0.2%

Spitzer Chart for stock being researched (2 year data)

Bank of China-A (601988 CH)



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.