

# Industrial and Commercial Bank of China (601398 CH)

## FUNDAMENTAL VIEW<sup>1</sup>

As of 18 May 2023

- Our credit view on ICBCAS (ratings: A1/A/A) is based on the strong likelihood of state support in the event of distress, given its large size, systemic importance and majority government ownership.
- Its systemic importance is enhanced by its status as China's largest lender, and it plays a key role in financing the country's economic development.
- The Big 4 banks are generally more prudently managed than their more aggressive smaller competitors, but they are also expected to support the real economy in a downturn.

## RISKS & CATALYSTS

As of 18 May 2023

- China's sovereign ratings (A1/A+/A+) underpin ICBCAS's credit standing; any deterioration in the sovereign ratings could negatively affect ICBCAS's ratings.
- Asset quality risk remains as China's economic momentum slows and the property sector remains under stress. Transparency is limited and credit risks are hard to assess in China as these often depend on the government's willingness to socialise losses.
- ICBCAS is managed on commercial terms but the government may call on it to perform "national service" that overrides profitability considerations. Its profitability has recently been impacted by its social duties to support the real economy including stepping up lending at lower rates, but we do not regard such actions as credit-negative as they reflect the close government links that also underpin the bank's credit standing.

## CREDIT QUALITY SCORE (CQS)<sup>2</sup>

As of 26 Jun 2023

### CURRENT CQS

60

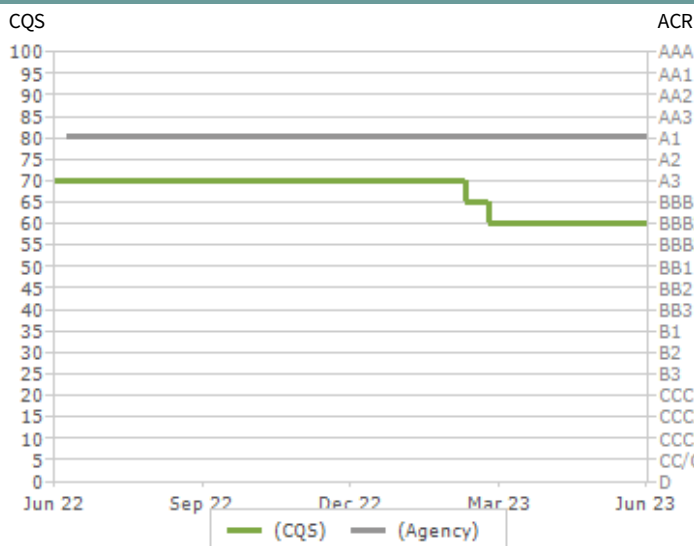
### CQS OUTLOOK<sup>3</sup>

NEGATIVE

STABLE

POSITIVE

### HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR)<sup>4</sup> VS CQS



## KEY METRICS

As of 18 May 2023

RMB BN	FY19	FY20	FY21	FY22	1Q23
PPP ROA	1.97%	1.87%	1.82%	1.61%	1.67%
Reported ROA	1.08%	1.00%	1.02%	0.97%	0.89%
Reported ROE	13.1%	12.0%	12.2%	11.4%	11.2%
Total Equity/Total Assets	8.9%	8.7%	9.3%	8.8%	8.5%
CET1 Ratio	13.2%	13.2%	13.3%	14.0%	13.7%
NPL Ratio	1.43%	1.58%	1.42%	1.38%	1.38%
Provisions/Average Loans	1.11%	1.15%	1.03%	0.83%	1.09%
Loan Deposit Ratio	73%	74%	78%	78%	77%

## BUSINESS DESCRIPTION

As of 18 May 2023

- With total assets in excess of RMB 42 tn, ICBCAS is the world's largest bank by assets and is classified as a G-SIB with a capital surcharge of 1.5%.
- ICBCAS was originally set up in 1984 to provide loans to China's large state-owned industrial corporations.
- ICBCAS was recapitalised in 2005 with an injection of \$15 bn, following which it was listed in Hong Kong and Shanghai in 2006.
- The government owns a majority of ICBCAS's shares through Central Huijin and the Ministry of Finance, which own stakes of 35% and 31% respectively.
- In addition to a strong onshore presence, ICBC has an extensive international network as well.

## GLOSSARY

<sup>1</sup> The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.

<sup>2</sup> The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.

<sup>3</sup> The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.

<sup>4</sup> The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.

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