

Industrial and Commercial Bank of China (1398 HK)

FUNDAMENTAL VIEW ¹

As of 02 Dec 2024

- Our credit view on ICBCAS (ratings: A1(neg)/A(stb)/A(neg)) 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; it plays a key role in financing the country's economic development.
- The Big 4 banks are generally more prudently managed than the non-Merchants Joint Stock Banks, but they are also subject to greater directed lending at low/no margins.

RISKS & CATALYSTS

As of 02 Dec 2024

- China's sovereign ratings (A1(neg)/A+(stb)/A+(neg)) underpin ICBCAS's credit standing; any deterioration will negatively affect ICBCAS's ratings.
- Asset quality risk remains as China's economic recovery is slow and the property sector has yet to see a meaningful recovery. 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.
- As a G-SIB, ICBCAS has a substantial TLAC shortfall to meet by 1 January 2028, whereas meeting the 1 January 2025 requirement appears manageable, given its domestic TLAC issuance plan as well as the government's plan to inject a total of RMB 1 tn of equity into the Big 6 banks.

CREDIT QUALITY SCORE (CQS)²

As of 23 Dec 2024

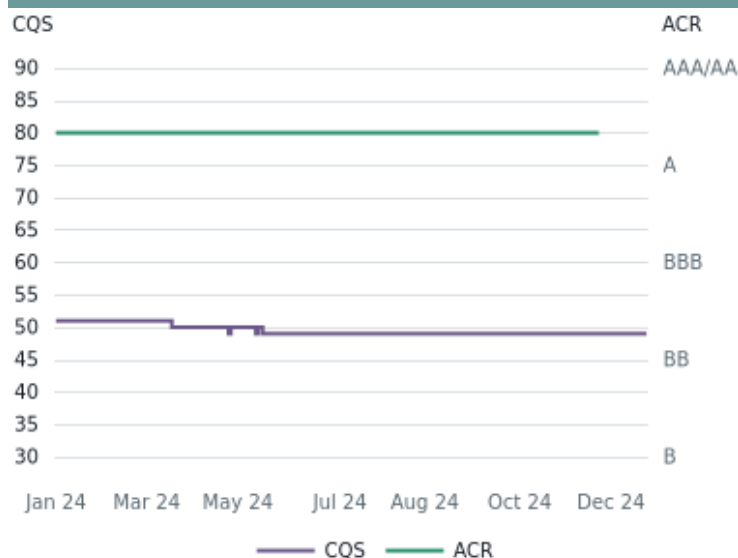
CURRENT CQS

49

CQS OUTLOOK ³

NEGATIVE STABLE POSITIVE

HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR)⁴ VS CQS



KEY METRICS

As of 02 Dec 2024

RMB BN	FY20	FY21	FY22	FY23	9M24
PPP ROA	1.87%	1.82%	1.61%	1.35%	1.25%
Reported ROA	1.00%	1.02%	0.97%	0.87%	0.78%
Reported ROE	12.0%	12.2%	11.5%	10.7%	9.8%
Total Equity/Total Assets	8.7%	9.3%	8.8%	8.4%	8.1%
CET1 Ratio	13.2%	13.3%	14.0%	13.7%	14.0%
NPL Ratio	1.58%	1.42%	1.38%	1.36%	1.35%
Provisions/Average Loans	1.15%	1.03%	0.83%	0.61%	0.64%
Loan Deposit Ratio	74%	78%	78%	78%	81%

BUSINESS DESCRIPTION

As of 02 Dec 2024

- With total assets in excess of RMB 48 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 34.79% and 31.14% respectively.
- In addition to a strong onshore presence, ICBC also has an extensive international network.

GLOSSARY

¹ 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.

² 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.

³ 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.

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

Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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