

# ICBC



Industrial and Commercial Bank of China

By Seam

# Overview

Founded :  
established in 1984  
and transformed  
into a joint-stock  
limited company in  
2005.



ICBC is a leading banking  
institution that offers a  
range of financial products  
and services to corporate,  
government, and individual  
clients in China and  
internationally



Three primary segments:  
Corporate Banking,  
Personal Banking, and  
Treasury Operations.



Awards : 1<sup>st</sup> place in The  
Banker's Top 1000 World  
Banks, 1<sup>st</sup> place in Fortune's  
Global 500 list, and 1<sup>st</sup> place  
in Brand Finance's Top 500  
Banking Brands.



How big : Largest  
bank by managed  
Assets of \$5.73  
TRILLION

Business Segment	Revenue (CNY billions)	Percentage of Total Revenue
Corporate Banking	445.2	50.5%
Personal Banking	318.5	36.1%
Treasury Operations	123.6	14.0%
Others	3.0	0.4%
Total	880.3	100.0%

## Financial Health of ICBC:

- Capital Adequacy Ratio: 19.26%
- Allowance to NPLs: 209.47%
- Asset Allowance Balance: Nearly RMB800.0 billion
- NPL Ratio: 1.38%

## Financial Performance of ICBC:

- Return on Average Total Assets (ROA): 0.97%
- Return on Weighted Average Equity (ROE): 11.43%
- Net Interest Margin (NIM): 1.92%
- Total Assets Growth: 12.6%
- Operating Income: RMB841.4 billion
- Net Profit: RMB361.0 billion

## ICBC's Contribution to the Real Economy:

- Funds provided to the real economy: Over RMB6.4 trillion
- Increase in domestic branch loans (RMB): RMB2.6 trillion (YoY increase of RMB428.3 billion)
- Focus on manufacturing, green industries, and sci-tech innovations
- Significant growth in loans for inclusive and agriculture-related sectors

## ICBC's Initiatives:

- Financial service supply innovation and optimization of the payment environment
- Support for stable performance in foreign trade and foreign investment
- Active role in serving the high-standard opening up and the high-quality development of the Belt and Road initiative

# Investment Thesis

**Market Leader:** ICBC is the largest bank in the world and holds a dominant position in China's banking sector. This provides stability and strong brand recognition, giving ICBC a competitive advantage.

**Favorable Macroeconomic Trends:** China's economy continues to grow at a rapid pace, driving increased demand for banking services. ICBC is well-positioned to benefit from this growth, as it caters to a large customer base and supports China's economic development.

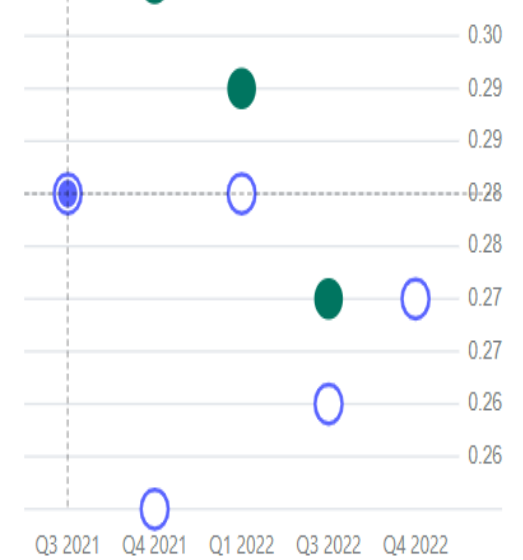
**Strong Financial Performance:** ICBC has consistently delivered solid financial results, including robust profitability and steady revenue growth. This indicates the bank's ability to generate sustainable returns for investors.

**Emphasis on Technology and Innovation:** ICBC recognizes the importance of technology in the banking industry and has made significant investments in digital transformation. This focus allows ICBC to enhance customer experience, improve operational efficiency, and stay competitive in the evolving market.

**Expansion Opportunities:** ICBC has been actively expanding its international presence, capitalizing on China's Belt and Road Initiative and growing overseas investments. This diversifies ICBC's revenue streams and reduces reliance on the domestic market.

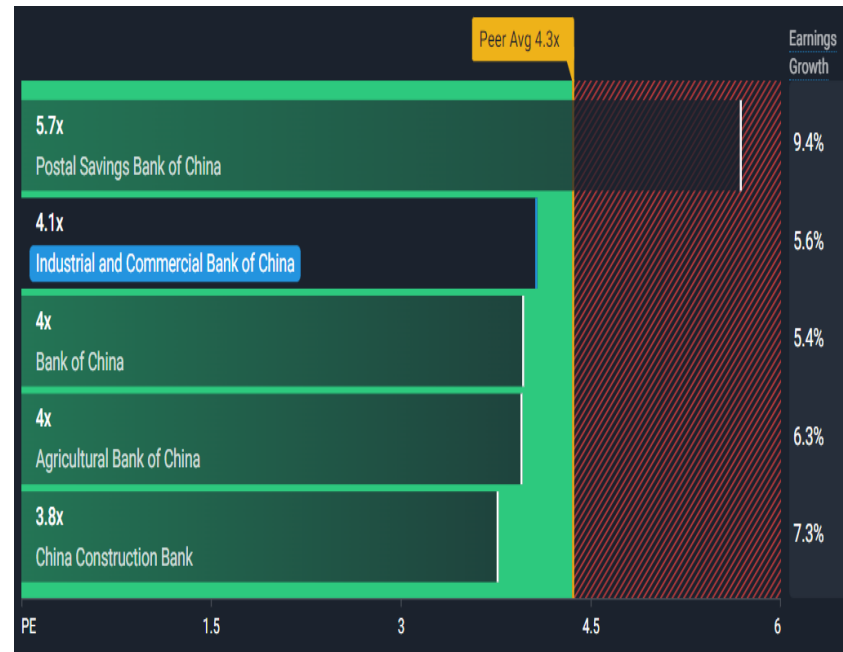
**Solid Capital Base and Government Support:** ICBC maintains a strong capital position, ensuring stability and resilience in the face of potential economic challenges. Additionally, being a state-owned bank, ICBC benefits from government support, reducing the risk of financial instability.

# Key Statistics



Metric	Value
Current Share Price	HK\$4.47
52 Week High	HK\$4.73
52 Week Low	HK\$3.36
Beta	0.44
1 Month Change	+7.71%
3 Month Change	+10.37%
1 Year Change	-1.11%
3 Year Change	-12.18%
5 Year Change	-35.03%
Change since IPO	+26.99%

Valuation Measure	Value
Market Cap (intraday)	1.92T
Trailing P/E	4.06
Forward P/E	3.73
PEG Ratio (5 yr expected)	0.68
Price/Sales (ttm)	1.61
Price/Book (mrq)	0.41



Key Information	Value
Dividend Yield	7.4%
Payout Ratio	31%
Industry Average Yield	7.2%
Next Dividend Pay Date	18 Aug 23
Ex Dividend Date	06 Jul 23
Dividend per Share	HK\$0.30
Earnings per Share	HK\$0.97
Dividend Yield Forecast in 3Y	8.4%

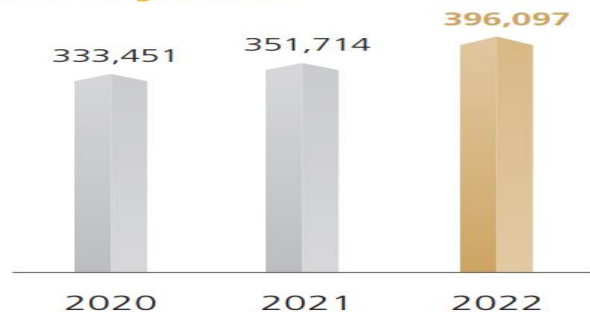
## Dividends

- Industrial and Commercial Bank of China is a dividend paying company with a current yield of 7.4% that is well covered by earnings. Next payment date is on 18 Aug 2023 with an ex-dividend date of 06 Jul 2023
- Notable Dividend: 1398's dividend (7.68%) is higher than the bottom 25% of dividend payers in the Hong Kong market (2.64%). High Dividend: 1398's dividend (7.68%) is in the top 25% of dividend payers in the Hong Kong market (7.44%)

### Total assets

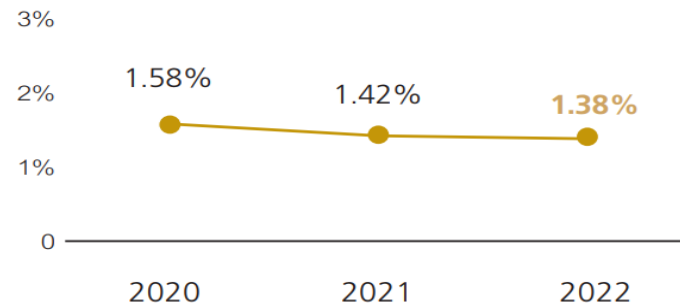
Unit: RMB100 millions

**396,097**



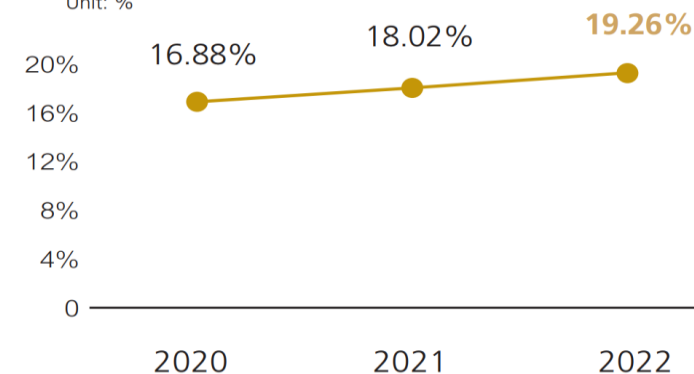
### Non-performing loans ("NPLs") ratio

Unit: %



### Capital adequacy ratio

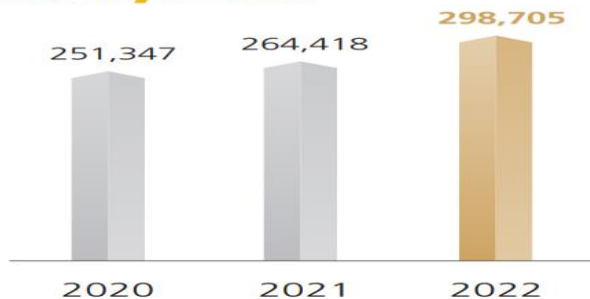
Unit: %



### Due to customers

Unit: RMB100 millions

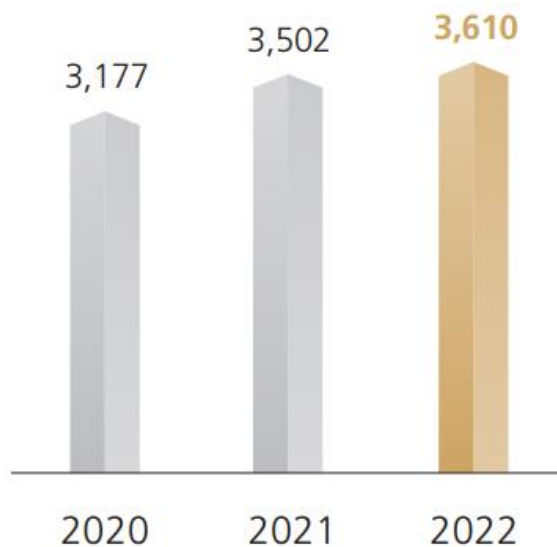
**298,705**



### Net profit

Unit: RMB100 millions

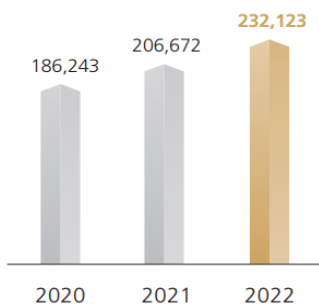
**3,610**



### Total loans and advances to customers

Unit: RMB100 millions

**232,123**



# Financial Highlights

# Income Statement Analysis



In 2022, ICBC achieved steady progress and improved operational quality, demonstrating balanced and sustainable development.



The bank's net profit reached RMB361,038 million, a 3.1% increase compared to the previous year. Return on average total assets was 0.97%, and return on weighted average equity was 11.43%.



Operating income amounted to RMB841,441 million, with net interest income growing by 0.4% and non-interest income decreasing by 13.2%.

Operating expenses increased by 2.0%, resulting in a cost-to-income ratio of 27.43%.



Impairment losses on assets were RMB182,419 million



income tax expense decreased by 17.6% to RMB61,527 million.

## Financial Data

	2022	2021	2020	2019	2018
<b>Annual operating results</b> (in RMB millions)					
Net interest income	693,687	690,680	646,765	632,217	593,677
Net fee and commission income	129,265	133,024	131,215	130,573	124,394
Operating income	841,441	860,880	800,075	776,002	725,121
Operating expenses	240,884	236,227	206,585	207,776	194,203
Impairment losses on assets	182,419	202,623	202,668	178,957	161,594
Operating profit	418,138	422,030	390,822	389,269	369,324
Profit before taxation	422,565	424,899	392,126	391,789	372,413
Net profit	361,038	350,216	317,685	313,361	298,723
Net profit attributable to equity holders of the parent company	360,483	348,338	315,906	312,224	297,676
Net cash flows from operating activities	1,404.657	360.882	1,557.616	481.240	529.911



## Financial Data (continued)

	2022	2021	2020	2019	2018
<b>As at the end of reporting period</b> (in RMB millions)					
Total assets	39,609,657	35,171,383	33,345,058	30,109,436	27,699,540
Total loans and advances to customers	23,212,312	20,667,245	18,624,308	16,761,319	15,419,905
Corporate loans	13,826,966	12,194,706	11,102,733	9,955,821	9,418,894
Personal loans	8,236,561	7,944,781	7,115,279	6,383,624	5,636,574
Discounted bills	1,148,785	527,758	406,296	421,874	364,437
Allowance for impairment losses on loans <sup>(1)</sup>	672,762	603,983	531,161	478,730	413,177
Investment	10,527,292	9,257,760	8,591,139	7,647,117	6,754,692
Total liabilities	36,095,831	31,896,125	30,435,543	27,417,433	25,354,657
Due to customers	29,870,491	26,441,774	25,134,726	22,977,655	21,408,934
Corporate deposits	14,671,154	13,331,463	12,944,860	12,028,262	11,481,141
Personal deposits	14,545,306	12,497,968	11,660,536	10,477,744	9,436,418
Other deposits	199,465	250,349	261,389	234,852	268,914
Accrued interest	454,566	361,994	267,941	236,797	222,461
Due to banks and other financial institutions	3,185,564	2,921,029	2,784,259	2,266,573	1,814,495
Equity attributable to equity holders of the parent company	3,495,171	3,257,755	2,893,502	2,676,186	2,330,001
Share capital	356,407	356,407	356,407	356,407	356,407
Net common equity tier 1 capital <sup>(2)</sup>	3,121,080	2,886,378	2,653,002	2,457,274	2,232,033
Net tier 1 capital <sup>(2)</sup>	3,475,995	3,241,364	2,872,792	2,657,523	2,312,143
Net capital base <sup>(2)</sup>	4,281,079	3,909,669	3,396,186	3,121,479	2,644,885
Risk-weighted assets <sup>(2)</sup>	22,225,272	21,690,349	20,124,139	18,616,886	17,190,992
<b>Per share data</b> (in RMB yuan)					
Net asset value per share <sup>(3)</sup>	8.81	8.15	7.48	6.93	6.30
Basic earnings per share	0.97	0.95	0.86	0.86	0.82
Diluted earnings per share	0.97	0.95	0.86	0.86	0.82
<b>Credit rating</b>					
S&P <sup>(4)</sup>	A	A	A	A	A
Moody's <sup>(4)</sup>	A1	A1	A1	A1	A1

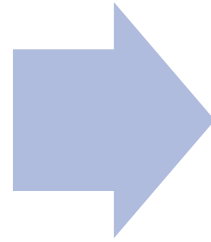
## Structure of assets



Cost-to-income ratio <sup>(6)</sup>	27.43	26.36	24.76	25.79	2
<b>Asset quality (%)</b>					
Non-performing loans ("NPLs") ratio <sup>(7)</sup>	1.38	1.42	1.58	1.43	
Allowance to NPLs <sup>(8)</sup>	209.47	205.84	180.68	199.32	17
Allowance to total loans ratio <sup>(9)</sup>	2.90	2.92	2.85	2.86	
<b>Capital adequacy (%)</b>					
Common equity tier 1 capital adequacy ratio <sup>(10)</sup>	14.04	13.31	13.18	13.20	1
Tier 1 capital adequacy ratio <sup>(10)</sup>	15.64	14.94	14.28	14.27	1
Capital adequacy ratio <sup>(10)</sup>	19.26	18.02	16.88	16.77	1
Total equity to total assets ratio	8.87	9.31	8.73	8.94	8
Risk-weighted assets to total assets ratio	56.11	61.67	60.35	61.83	6

# Innovation

ICBC has been at the forefront of service innovation, introducing new solutions for urban residents, such as personal pension savings products and expanding its high-frequency service offerings. The bank has also placed a strong emphasis on digitalization, upgrading its businesses, products, and services. With the launch of Mobile Banking 8.0, ICBC e Life 5.0, and the establishment of an open wealth community, ICBC has achieved remarkable milestones in the digital realm. Its mobile banking user base and active users are the highest in the industry, solidifying its position as a technological leader.



Looking forward to 2023, ICBC is committed to fully implementing the guiding principles of the 20th CPC National Congress. The bank will follow Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, prioritizing the political and people-centric nature of financial work. It aims to actively contribute to Chinese modernization by focusing on stable growth, structural adjustments, cultivating new growth drivers, risk management, and delivering positive outcomes for its shareholders, investors, and society as a whole..



Assumptions:

- Revenue growth rate: 5%
- Operating expenses growth rate: 3%
- Tax rate: 20%
- Net profit margin: 15%
- Currency: RMB
- WACC: 10%

the estimated fair price of ICBC's stock was determined to be 7.26 CNY. Therefore, if the current market price of the stock is 5.03 CNY, it appears to be undervalued by approximately 30.8%.

Year	2022	2023	2024
Operating Income	¥1,267.50	¥1,339.59	¥1,414.98
CAPEX	¥100	¥105 (5% growth)	¥110.25 (5% growth)
FCF	¥1,167.50	¥1,234.59	¥1,304.73

Forecast

Year	2022	2023	2024
Revenue	¥6,500	¥6,825 (5% growth)	¥7,166.25 (5% growth)
COGS	¥4,550	¥4,777.50 (5% growth)	¥5,016.37 (5% growth)
Gross Profit	¥1,950	¥2,047.50	¥2,149.87
Operating Expenses	¥975	¥1,004.25 (3% growth)	¥1,033.37 (3% growth)
Operating Income	¥975	¥1,043.25	¥1,116.50
Interest Expense	¥130	¥133.00 (2% growth)	¥136.33 (2% growth)
Net Interest Income	¥845	¥895.96	¥948.17
Non-Interest Income	¥422.50	¥443.63 (5% growth)	¥465.81 (5% growth)
Operating Income	¥1,267.50	¥1,339.59	¥1,414.98
Taxes (20%)	¥253.50	¥267.92	¥282.99
Net Profit	¥1,014	¥1,071.67	¥1,131.99

# Forecasts

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# Macro Landscape

GDP China's GDP, fixed asset investment (excluding rural households), and total trade in goods (RMB-denominated) imports and exports all experienced year-on-year growth of 3.0%, 5.1%, and 7.7% respectively. However, retail sales of consumer goods saw a slight decline of 0.2% compared to the previous year. Industrial enterprises above designated size, services, and the consumer price index showed positive growth with year-on-year increases of 3.6%, 2.3%, and 2.0% respectively.

Fiscal policies China implemented tax and fee support policies, reduced bailout burdens, and strengthened the vitality of market players. In 2022, tax and fee cuts, tax rebates, and tax deferrals exceeded RMB 4.2 trillion

Monetary policy. The Loan Prime Rate (LPR) for loans with different terms was adjusted, leading to a reduction in comprehensive financing costs for the real economy. Efforts were made to stabilize the cost of bank liabilities, establish housing loan interest rate adjustment mechanisms, and maintain a reasonable and balanced RMB exchange rate.

Regulatory policies The launch of the individual pension system and facilitation measures for foreign institutional investors in the Chinese bond market further promoted financial market openness.

Financial system Broad money supply, existing social financing, outstanding RMB loans, and RMB deposits all showing positive growth. Commercial banks maintained stable credit asset quality and sufficient risk offsetting capacity.

# Risks

Operational risks : ICBC faces various operational risks, including internal and external fraud, workplace safety, customer-related risks, IT system issues, and execution and process management

Legal risk : Potential negative consequences arising from non-compliance with laws and regulations or legal disputes.

Reputational Risk : Potential harm to a bank's brand value and normal operations due to negative comments from stakeholders, the public, or the media.

Country risk : the potential risks faced by a bank due to political, economic, and social changes in a country or region. This includes the risk of debtor default, losses from political turmoil or economic instability, and other adverse events.

# Catalysts

Increased economic activity:  
As lockdown measures are lifted, economic activity in China is likely to rebound.

This overall economic recovery can drive higher demand for financial services, such as loans, trade financing, and investment products.



Banking crisis in the US: The banking crisis in the US can indirectly benefit ICBC by shifting investor focus and capital flows towards emerging markets like China. As investors seek alternative investment opportunities and diversify their portfolios, ICBC, being one of the largest banks in China, can attract foreign investments and see increased activity in its capital markets division, including securities trading, investment banking, and wealth management services.



Infrastructure investment and government support: As China implements infrastructure investment programs and supportive policies to stimulate the economy, ICBC can play a crucial role in financing these projects. It can provide loans and other financial services to support infrastructure development, leading to interest income and fee-based revenue.

# Ownership

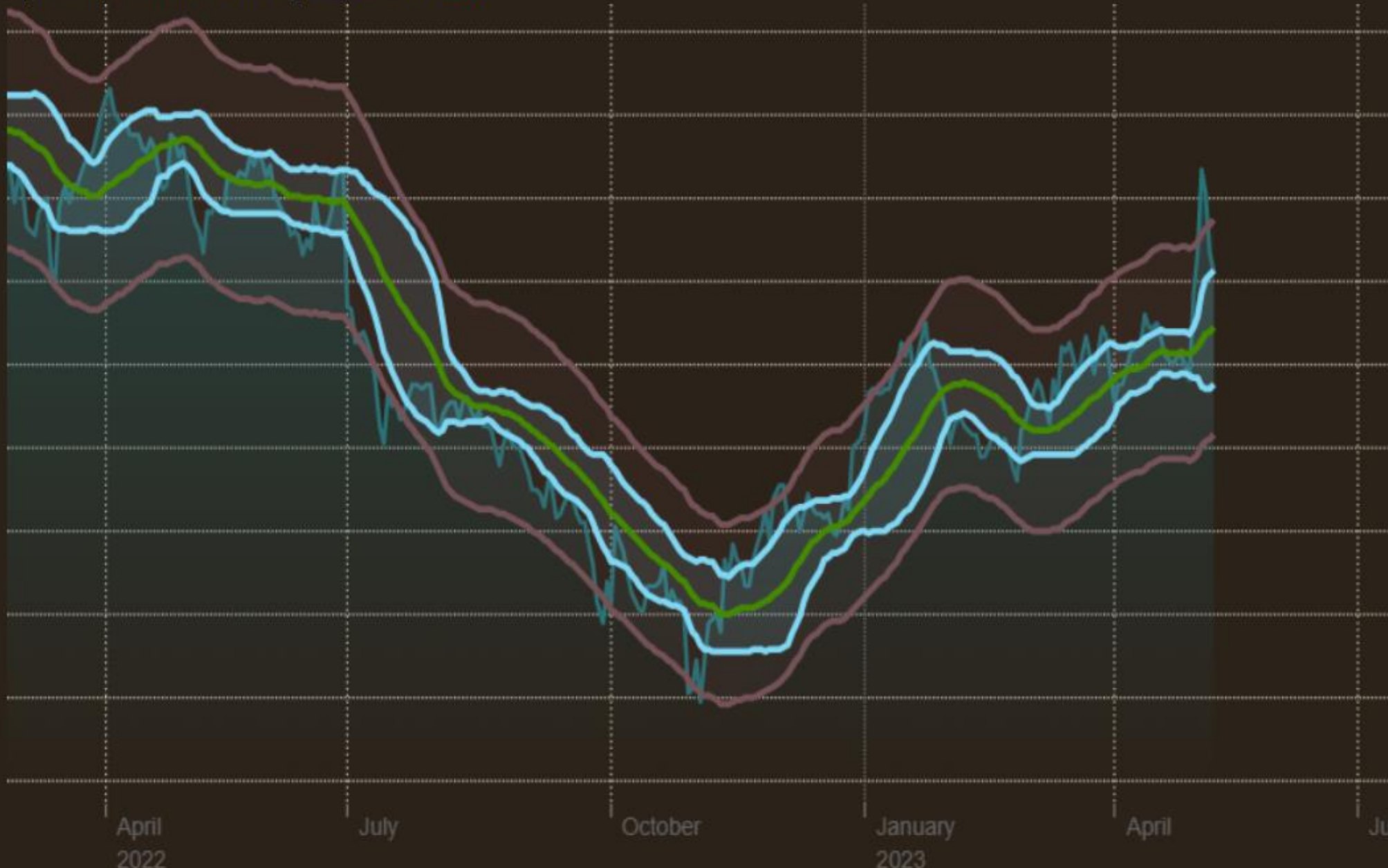
Ownership	Name	Shares	Current Value	Change %
34.71%	Central Huijin Investment Ltd.	123,717,852,951	CN¥577.8b	0%
31.14%	Ministry of Finance People's Republic of China	110,984,806,678	CN¥518.3b	0%
5.63%	National Council for Social Security Fund	20,062,323,759	CN¥93.7b	-1.57%
3.63%	Ping An Insurance (Group) Company of China, Ltd.	12,933,331,376	CN¥60.4b	-6.71%
1.7%	Temasek Holdings (Private) Limited	6,065,074,305	CN¥28.3b	-17.12%
1.43%	Taiping Asset Management Company Limited	5,095,010,272	CN¥23.8b	1010.38%
1.34%	China Life Insurance Assets Management Co. Ltd.	4,760,128,985	CN¥22.2b	0%
0.93%	The Vanguard Group, Inc.	3,299,299,099	CN¥15.4b	0.01%
0.79%	BlackRock, Inc.	2,819,841,709	CN¥13.2b	4.22%
0.68%	China Securities Finance Corp, Asset Management Arm	2,416,131,540	CN¥11.3b	0%
0.28%	Central Huijin Asset Management Ltd.	1,013,921,700	CN¥4.7b	0%



MA Envelope (25, 0.94, 1.06) ✕

Bollinger Bands® (25, 1) ✕

Open: 3.84 Close: 3.80 High: 3.87 Low: 3.77



Entry and  
Exit Using  
Technical  
Analysis