

Agricultural Bank of China Ltd

Strong growth backed by loan volume expansion

4 September 2026

Company Overview

The Agricultural Bank of China (ABC) was first established in 1951 as the Agricultural Bank. Since the late 1970s, it has evolved from a state-owned specialised bank into a wholly state-owned commercial bank, and subsequently a state-owned commercial bank. In January 2009, it was restructured into a joint-stock limited liability company. ABC was listed on both HKEX and SHEX in July 2010. As at 2025, ABC had total assets of RMB48.8tn and RMB27.1tn in gross loans

Investment Overview

Differentiated strength in county areas. ABC's competitive advantage lies mainly in county and rural areas, supporting stronger loan growth than peers amid slowing overall loan demand in China. Its county-area loans increased by 9% y/y to c.RMB9tr, accounting for 41.9% of its total domestic loan balance at end-1H26. Rural and agriculture-related loan products continued to outpace ABC's overall loan growth in 1H26. ABC also continued to deliver the highest y/y loan growth (6.2%) and revenue growth (11.2%) among SOE banks in 1H26.

Project c.4.4% earnings CAGR for FY25-28F, with FY26-27F earnings assumptions largely unchanged. We expect a stabilising NIM trend and mid-to-high single digit of revenue growth y/y. This is supported by the stabilising interest rate environment in China and deposit repricing to a much lower level. We expect ABC to continue to deliver robust loan volume growth with its strength in county areas and credit cost to remain at a controllable level with stable asset quality outlook.

Keeping higher-than-peers growth and ROE. ABC's H-share now trades at c.0.6x FY27F P/B, a slight premium to SOE banking peers of 0.52-0.57x. We see the premium reasonable given ABC's strong growth outlook and higher-than-peers ROE. ABC also offers a dividend yield of >5% for FY27F, in line with SOE peers.

Reiterate BUY on H-share with TP revised up to HKD7.1. Our valuation is based on DDM, which assumes 10.7% cost of equity and 8% ROE and 1% terminal growth while rolling our valuation base to 12 months forward. Our TP implies 0.72x FY27F P/BV. Our A-share TP of Rmb7.5 is based on 15% A-H discount and HOLD rating is unchanged.

Risks

Asset quality deterioration due to macroeconomic uncertainties; higher-than-expected NIM pressure.

Manyi LU | Ken SHIH

Analysts

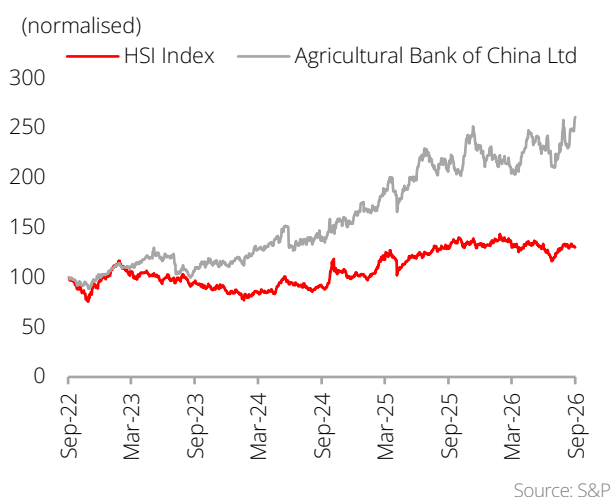
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Key Financial Data

Bloomberg Ticker	1288 HK
Sector	Banks
Share Price (HKD)	6.58
DBS Rating	BUY
12-mth Target Price (HKD)	7.10
Market Cap (USDbn)	361.12
Volume (mn shares)	109.18
Free float (%)	na
Dividend yield (%)	4.22
Net Debt/Equity (%)	na
Fwd. P/E (x)	6.80
P/Book (x)	0.75
ROE (%)	10.23

Closing Price as of 02 Sep 2026
Source: Twelve Data, DBS, Visible Alpha

Indexed Share price vs Composite Index Performance



Financial Summary (CNYmn)

FY Dec	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)	FY2028(F)
Net Interest Income	580,692	569,594	625,327	669,555	715,938
% y/y	1.6	(1.9)	9.8	7.1	6.9
Non-Interest Income	130,724	155,537	170,161	162,917	164,894
% y/y	5.7	19.0	9.4	(4.3)	1.2
Operating Income	711,416	725,131	795,488	832,472	880,832
% y/y	2.3	1.9	9.7	4.6	5.8
Pre-provision Profit	450,236	449,760	510,470	535,387	571,141
% y/y	1.6	(0.1)	13.5	4.9	6.7
Pre-tax Profit	319,201	323,689	342,554	354,648	377,409
% y/y	3.8	1.4	5.8	3.5	6.4
Net Profit	262,800	273,956	283,370	293,977	313,941
% y/y	3.8	4.2	3.4	3.7	6.8
Spread (%)	1.2	1.1	1.2	1.2	1.2
Net Interest Margin (%)	1.4	1.3	1.3	1.3	1.3
Cost-to-Income Ratio (%)	36.7	38.0	35.8	35.7	35.2
ROAE (%)	10.5	10.2	9.9	9.5	9.5
ROA (%)	0.6	0.6	0.6	0.5	0.5

Source: DBS

Valuation Metrics

FY Dec	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)	FY2028(F)
PE (x)	7.1	6.8	6.6	6.4	6.0
P/B (x)	0.7	0.7	0.6	0.6	0.5
Dividend Yield (%)	4.5	4.7	5.0	5.2	5.5
Net DPS (HKD)	0.3	0.3	0.3	0.3	0.3
BV Per Share (HKD)	7.9	8.8	9.9	10.6	11.4

Source: DBS

Credit & Cashflow Metrics

FY Dec	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)	FY2028(F)
Loan-to-Deposit Ratio (%)	79.1	80.2	81.1	82.1	82.8
Net Loans / Total Assets (%)	55.5	53.7	54.2	54.5	54.8
Investment / Total Assets (%)	30.8	32.3	33.3	33.7	34.2
Cust . Dep./Int. Bear. Liab. (%)	76.5	74.3	71.5	71.0	70.3
Interbank Dep / Int. Bear. (%)	13.9	16.1	18.1	19.0	19.7
NPL / Total Gross Loans (%)	1.3	1.3	1.2	1.2	1.1
NPL / Total Assets (%)	0.7	0.7	0.7	0.7	0.6
Loan Loss Reserve Coverage (%)	288.4	278.5	282.1	298.3	313.8
Total CAR (%)	18.2	17.9	17.0	16.8	16.7
Tier-1 CAR (%)	11.4	11.1	10.5	10.6	10.8

Source: DBS

Target Price & Ratings History



S.No.	Date	Closing Price	Target Price	Rating
1	9-Apr-26	HKD5.72	HKD6.20	BUY
2	1-Sep-26	HKD6.34	HKD7.10	BUY

Note: Share price and Target price are adjusted for corporate actions

Source: DBS

Analysts: Manyi LU
Ken SHIH

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BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

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*Share price appreciation + dividends

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