

## COMMENT

**China CITIC Bank (0998.HK) HK\$5.85**

Equity Research

**Temporary dividend cut due to private placement; not capital concern****News**

CNCB-H share price dropped 2.34% today after it announced FY14 results with no dividend payout for FY14 (vs. 30% payout ratio in FY13) over the weekend. Some investors are concerned that the reason for such dividend cut is due to CNCB's capital position.

**Analysis**

Per our clarification with CNCB, the bank temporally suspended dividend payout for FY14 in order to avoid delays in its ongoing Rmb11.9 bn private placement (announced on Oct 29 last year and approved by CSRC on Mar 16), as CSRC rules forbid a listed company from proceeding with securities issuance before the execution of a profit distribution/dividend payout plan if any. There was the same situation for CNCB in Apr 2011 when the bank scrapped its cash dividend for FY2010 due to a pending rights issue. It later announced an Rmb2.6bn interim dividend for 1H11, which was equivalent to 12%/17% of FY10/1H11 NPAT.

On the other hand, we believe CNCB's capital position is not a concern given (a) tier 1 CAR stood at 8.99% at YE14, and (b) our static analysis suggests if we consider the Rmb11.9bn A-share private placement and the Rmb35bn domestic preferred share issue (announced last Friday), CNCB's 2015E core tier 1/tier 1 CAR might further rise by 0.4pp/1.4pp on top of our 2015E forecast of around 9.2% (assuming 25% dividend payout for 1H15) to 9.4% (assuming no dividend payout for 1H15) tier 1 CAR.

**Implications**

Our positive investment case for CNCB-H remains intact as evidenced by its steady improvement in revenue mix and retail franchise. The stock now trades at an attractive 0.69x 2015E P/B (vs. peer avg 0.85x) against an above-peer earnings growth profile. We see a stronger capital base post completion of the private placement and preferred share issuance as positive for the bank's medium/long-term growth. Reiterate CL-Buy on CNCB-H and keep 12m RIM-based TP of HK\$7.9. Key risks: worse-than expected asset quality; poor execution of business strategy transition.

**INVESTMENT LIST MEMBERSHIP**

Asia Pacific Buy List  
Asia Pacific Conviction Buy List

**Coverage View: Neutral**

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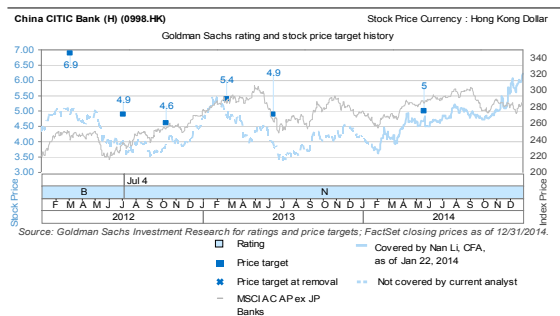
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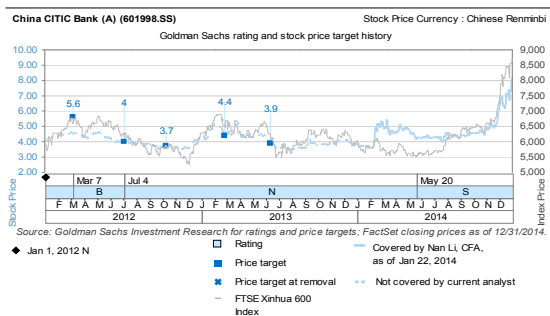
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