



Rating
Buy

Asia
China

Banking / Finance
Banks

Company
ICBC Alert

Reuters 1398.HK	Bloomberg 1398 HK	Exchange HSI	Ticker 1398
ADR Ticker IDCBY	ISIN US4558071076		

Date
26 March 2015

Results

Price at 26 Mar 2015 (HKD)	5.57
Price target - 12mth (HKD)	7.03
52-week range (HKD)	5.84 - 4.60
HANG SENG INDEX	24,528

Tracy Yu

Research Analyst
(+852) 2203 6191
tracy.yu@db.com

Hans Fan, CFA

Research Analyst
(+852) 2203 6353
hans.fan@db.com

Michael Zhang, CFA

Research Associate
(+852) 2203 6158
michael.zhang@db.com

Stock data

Market cap (HKDm)	1,957,242
Market cap (USDm)	252,391
Avg daily value traded (USDm)	183.5

Source: Deutsche Bank

FY14: Stable results with a more challenging profit growth outlook

Largely In line results with a fairly cautious outlook guidance

ICBC reported FY14 NPAT of Rmb275.8bn, up 5% yoy, which was 1% below consensus estimates. The result was driven by PPOP growth of 11.1% and credit costs of 54bps (2013: 41bps). ICBC declared DPS of Rmb0.2554 (down 2.4% yoy) to reflect a small cut in payout ratio to 33% (2013: 35%) and the 1.4% increase in outstanding number of shares induced by the conversion of the A-share CB into common equities up to Feb 2015. With dividend yields of 5.7%, we maintain a Buy rating on both ICBC's H and A-share. At the results briefing, ICBC's management guided that the last two rate cuts might narrow NIM by 12bps and hinted the possibility of a small negative to a single-digit positive NPAT growth in 2015, given the challenging operating environment.

4Q14 - running the numbers

For 4Q14, ICBC reported NPAT of Rmb55.3bn, down 3.1% yoy, as strong PPOP growth of 16.9% yoy was offset by the higher credit costs of 88bps. Net interest income rose by 4.2% qoq and 12.9% yoy, driven by NIM expansion of 4bps qoq to 2.72% and AIEA growth of 1.4% qoq (5.3% yoy). Net fee income growth rebounded to 17.9% yoy from -1.7% yoy in 3Q14. As revenue growth of 12.9% yoy outpaced operating expense growth of 7.7% yoy, CIR had improved by 2% yoy to 41.3% in 4Q14. Loan growth was stable at 1.6% qoq (11.1% yoy), compared with deposit growth of 1.4% qoq (6.4% yoy), leading to flat LDR of 70.9%.

Stronger than peers asset quality

ICBC's NPL balance grew by 7.8% qoq to 1.13% of total loans (3Q14: 1.06%). We estimate the NPL formation rate had accelerated to 82bps in 2H14 (1H14: 48bps), after incorporating the write-off of Rmb25.7bn (1H14: Rmb12.7bn). Personal business loans and corporate loans to the wholesale and retail sector and manufacturing sector had faced the greatest asset quality risks, with NPL ratio reported at 5.33%, 4.61% and 2.33% respectively. ICBC had resolved NPLs worth of Rmb106bn in 2014 of which 60% was cash recovery, with the remainder being write-off and repayments in kinds. ICBC's provision to NPL and loan ratio was reported at 206.9% (3Q14: 216.6%) and 2.34% (3Q14: 2.30%), respectively.

Well buffered by the strong capital position

The bank reported core tier-1 ratio, tier-1 ratio and total CAR of 11.92%, 12.19% and 14.53%, up by 12bps, 40bps and 33bps qoq, respectively, as a result of CB conversion and sale of Rmb34.55bn overseas preferred share. With another Rmb45bn worth of domestic preferred shares approved by CBRC and to be issued in 2015, we believe ICBC is well capitalized to seize new business opportunities and to buffer against operating risks.

Deutsche Bank AG/Hong Kong

The views expressed above accurately reflect the personal views of the authors about the subject companies and its(their) securities. The authors have not and will not receive any compensation for providing a specific recommendation or view. Deutsche Bank does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

FOR OTHER IMPORTANT DISCLOSURES PLEASE VISIT
<http://gm.db.com/ger/disclosure/Disclosure.eqsr?ricCode=1398.HK> MCI (P) 148/04/2014.