



**China Construction Bank (939.HK)**

10 November 2017

**SECTOR: Banking**

**HSI: 29,120.92**

**PRICE: HK\$6.83**

EARNINGS (reported in RMBm)						KEY DATA	
<i>For the fiscal year ended</i>	<b>2015</b>	<b>2016</b>	<b>2017E</b>	<b>2018E</b>	<b>2019E</b>	Issued Capital (m Shrs)*	250,011.0
Operating Revenue	586,687	559,860	593,311	635,715	680,027	Market Cap (HK\$m)*	1,718,694
Operating Profit	298,222	295,141	310,469	337,864	371,633	Avg. 6M Turnover (HK\$m)	1,824.4
Net Profit	228,145	231,460	241,499	262,810	289,080	52 Week High/Low (HK\$)	7.12 / 5.42
EPS (RMB)	0.91	0.92	0.96	1.04	1.14	Net Gearing (%)	(55.97)
% Change	0.0%	1.1%	4.4%	7.7%	10.1%	Book Value per Share (HK\$)	7.86
DPS (RMB)	0.27	0.28	0.29	0.31	0.34	Free Float (%)*	38.40%
Dividend yield (%)	4.7%	4.8%	4.9%	5.3%	5.9%	Major Shareholder(s)*	Central Huijin Investment Ltd (57.11%) Temasek (4.81%)

\*Note: Refer to stake of total ordinary shares (A+H shares)

QUARTERLY RESULTS (RMBm)				
<i>For the fiscal year ended</i>		<b>9M16</b>	<b>9M17</b>	<b>% change</b>
Operating Revenue		428,482	448,322	4.6%
Operating Profit		246,876	250,535	1.5%
Net Profit		194,670	202,273	3.9%
EPS (RMB)		0.78	0.80	2.6%

Note: Time-sensitive data and value were retrieved as at 10 Nov 2017

Source: Bloomberg, Company data, Platinum Research

**SECTION 1 9M17 RESULTS BRIEFING**

**Better-than-expected 9M17 Results**

- China Construction Bank (“CCB” or “the bank”) achieved a net profit attributable to equity holders of RMB202.3b, up 3.9% YoY. Pre-provision operating profits increased 8.6% YoY. Revenue increased 4.6% YoY to RMB448.3b as net interest income and fee & commission income both grew by 5.5% YoY and 1.4% YoY respectively.
- Annualized net interest margin (NIM) declined 4bps to 2.14%, compared with FY16. The change in CCB’s NIM was partially due to increase of asset allocation to Government bonds with lower yields. NIM decline has bottomed out as it increased 6bps QoQ to 2.23% in 3Q17.
- Cost-to-income ratio decreased by 0.3ppt YoY to 23.8%, due to on-going improvement in its expense structure.
- Asset quality continued to improve with the NPL ratio down 1bp to 1.50%, compared with 1H17. NPL coverage ratio rose by 2.7ppts QoQ to 162.9%.
- Core tier-1 CAR, tier-1 CAR and CAR were 12.8% (+16bps QoQ), 13.0% (+15bps QoQ) and 14.7% (+17bps QoQ). CCB’s capital position is the second strongest among the “Big Four” banks.
- In addition, the bank made prudent and sufficient provisions for impairment losses on loans and advances to customers of RMB85.3b, up 37.1% YoY.
- Overall, CCB’s 9M17 result was slightly above what we expected. We regard CCB’s improving asset quality, strong capital position and solid profitability as its core competence, allowing it to enjoy more sustainable growth than its peers.