

**Industrial & Commercial Bank of China (1398.HK)**

10 November 2017

**SECTOR: Banking**
**HSI: 29,120.92**
**PRICE: HK\$6.20**

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)	356,406.0
Operating Revenue	668,733	641,681	678,704	728,067	786,381	Market Cap (HK\$m)	2,381,364
Operating Profit	360,905	360,675	372,098	396,214	438,035	Avg. 6M Turnover (HK\$m)	1,787.6
Net Profit	277,131	278,249	285,070	303,545	335,585	52 Week High/Low (HK\$)	6.48 / 4.43
EPS (RMB)	0.77	0.77	0.79	0.84	0.93	Net Gearing (%)	(97.89)
% Change	(1.3%)	0.0%	2.5%	6.6%	10.7%	Book Value per Share (HK\$)	6.60
DPS (RMB)	0.23	0.23	0.24	0.26	0.29	Free Float (%)	26.30%
Dividend yield (%)	4.4%	4.4%	4.2%	4.4%	4.9%	Major Shareholder(s)	Central Huijin (35.00%) China Ministry of Finance (34.60%)

*\*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		484,015	506,265	4.6%
Operating Profit		287,910	290,726	1.0%
Net Profit		222,792	227,999	2.3%
EPS (RMB)		0.63	0.64	2.4%

*Note: Time-sensitive data and value were retrieved as at 10 Nov 2017*
*Source: Bloomberg, Company data, Platinum Research*
**SECTION 1 9M17 RESULTS BRIEFING**
**Results In-line with Market Expectation**

- Industrial & Commercial Bank of China (“ICBC” or “the bank”) achieved a net profit attributable to equity holders of RMB228.0b in 9M17, up 2.3% YoY. Revenue rose 4.6% YoY to RMB506.3b.
- Net interest income grew 9.3% YoY to RMB384.2b, driven by strong growth of interest-earning assets (+9.2% YoY) and stabilized NIM. Fee and commission income decreased by 5.4% YoY, due to tightening regulatory environment in wealth management products (WMPs).
- Annualized NIM rose by 1bp to 2.17%, compared with 1H17. NIM is expected to increase further on the back of higher asset yield and relatively low funding cost under the rising-interest environment.
- NPL ratio contracted by 1bps to 1.56%, compared with 1H17, due to China’s economic recovery and the bank’s efforts on optimizing loans. NPL coverage ratio continued to improve by 2.6ppts QoQ to 148.4%, just 1.6% away from the regulatory benchmark of 150%. The decreasing NPL ratio and improving NPL impairment provision gives support to the NPL coverage ratio.
- Capital adequacy ratio (CAR), tier-1 CAR and core tier-1 CAR improved to 14.7% (+21bps QoQ), 13.4% (+21bps QoQ) and 12.9% (+20bps QoQ) which are more than sufficient to meet the regulatory requirement.
- Overall, ICBC’s 9M17 result was in-line with our expectation. We see ICBC will retain their strong balance sheet and capital position going forward, as well as solid profitability over the long-term. We also have confidence in the bank’s NIM and NPL provision trends.