

Apr 13, 2015

Underperform  
Unchanged

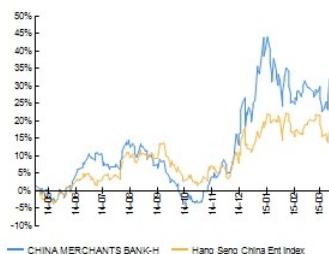
# 员工持股计划缺乏吸引力

招商银行 (3968 HK)

## Market Data: Apr,10

Closing Price (HK\$)	19.72
Price Target (HK\$)	16.72
HSCEI	13,988
HSCCI	5,247
52-week High/Low (HK\$)	19.96/12.92
Market Cap (USD Mn)	60,828
Market Cap (HK\$ Mn)	472,066
Shares Outstanding (Mn)	25,220
Exchange Rate (RMB-HK\$)	1.26

## Price Performance Chart:



Source: Bloomberg

## Analyst

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## Related Reports

"CMB\_ Unjustified valuation premium " Mar 19, 2014

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## Financial summary and valuation

	2013	2014	2015E	2016E	2017E
Net interest income (RMB M)	98,913	112,000	109,479	118,570	127,489
YOY (%)	11.93	13.23	14.79	8.30	7.52
Net income (RMB M)	51,743	55,911	59,595	62,733	66,119
YOY (%)	14.30	8.06	6.63	5.27	5.40
EPS (RMB)	2.30	2.22	2.32	2.45	2.58
Diluted EPS (RMB)	2.30	2.22	2.32	2.45	2.58
BVPS (RMB)	10.53	12.47	14.71	16.57	18.54
ROAE (%)	22.22	18.91	16.95	15.63	14.68
NPL ratio (%)	0.83	1.11	1.26	1.49	1.71
CAR (%)	13.39	11.74	13.61	13.57	13.45
P/E (x)	6.35	6.59	6.71	6.37	6.04
P/B (x)	1.39	1.13	1.06	0.94	0.84

Note: Diluted EPS is calculated as if all outstanding convertible securities, such as convertible preferred shares, convertible debentures, stock options and warrants, were exercised. P/E is calculated as closing price divided by each year's EPS.

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**建议逢高减持。**我们测算表明如果足额认购,公司核心一级资本充足率和总资本充足率将提升 0.2 个百分点至 10.64%和 12.59%,但 2015 和 2016 年 EPS 将被摊薄 1.5%至 2.28 和 2.42 元。我们将于计划正式实施后调整盈利预测。目前公司股价对应 1.05 倍 2015 年 PB,高于行业 0.95 倍的平均水平,从 AH 溢价来看,招行是唯一一家港股较 A 股溢价的银行,而其他银行 H 股较 A 股平均折价 15%。在招行停牌的四个交易日里,港股银行板块在市场情绪回暖的推动下反弹 9%,因此我们认为追落后情绪下招行股价也将反弹,但是鉴于员工持股计划吸引力不足且实际效果可能有限,公司恶化的基本面也难以支撑其估值溢价,我们建议投资者逢高减持。

### Investment highlight :

**Unattractive employee shares ownership plan.** On 3 Apr, CMB announced to suspend trading due to attempt of an important issue. Last Friday night CMB announced an employee stock ownership plan to issue ordinary A shares of no more than 0.43bn(2% of enlarged share capital) to its core staff(covering certain directors, supervisors and senior management) and decide to resume trading since 13 Apr. But the subscription conditions are not very attractive. First, the company chooses to issue new shares instead of buying back old shares. If the company believes its share price is undervalued and wants to motivate its staff, the best choice is to cut employees' base salary and use these money to buy back stocks from secondary market and then gives these stocks to its employees. But issuing new shares indicates the company needs capital and thinks current share price is acceptable. Secondly, the subscription price of RMB 13.8 is only 12% discount to the last closing price on 2 Apr, but have a lock up period of three years. That means the stock price has to be higher than 13.8 after three years to bring a positive return. So we believe the plan may not be well received by its staff, and the final subscription may be less than the upper limit.

**Limited additional incentive.** Even the company forces its staff to subscribe, the real impact on its operating performance should not be overestimated. First, CMB is a fully market-oriented company, well known for its incentive-compatible pay and competitive employees. Staff bonus is already highly dependent on their operating performance, so the additional incentive from stock ownership may be limited. Secondly, CMB, under pressure to tackle rising asset quality risks and CAR restrictions, has shifted away from servicing SMEs to less risky assets with lower yields such as mortgages and bond investments. So the RMB6bn raised by the stock ownership plan may not necessarily generate desirable yields.

**Sell into strength.** Our test shows after the new shares issuance, its tier 1 CAR and CAR would rise by 0.2ppts to 10.64% and 12.59%, but its 2015 and 2016 EPS will be diluted by 1.5% to RMB2.28 and 2.42. We will revise our earnings forecast after the plan finishes. Currently it is trading at 1.05x 2015PB, as compared to sector average of 0.95x. Its H share is trading at 1% premium to A peer while H share banks are averagely trading at 15% discount to A peers. During the past four trading days when it suspended trading, the sector rallied by 9% amid booming sentiment in HK market, so CMB may witness a rally due to chasing laggard sentiment, but we believe its weak fundamentals do not justify its valuation premium and the impact of employee stock ownership plan on operating performance should not be overestimated. We maintain Underperform rating and recommend investors to sell into strength.

# Appendix

**Figure 1: Forecast Income Statement**

RMB million	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015(E)	2016(E)	2017(E)
Interest Income	33,990	51,585	72,635	65,838	84,513	121,245	150,101	173,495	197,245	231,396	250,999	276,709
Interest expense	(12,481)	(17,683)	(25,750)	(25,474)	(27,437)	(44,938)	(61,727)	(74,582)	(101,875)	(121,917)	(132,429)	(149,219)
<b>Net interest income</b>	<b>21,509</b>	<b>33,902</b>	<b>46,885</b>	<b>40,364</b>	<b>57,076</b>	<b>76,307</b>	<b>88,374</b>	<b>98,913</b>	<b>95,370</b>	<b>109,479</b>	<b>118,570</b>	127,489
Fee and commission income	2,988	7,258	8,776	9,153	12,409	16,924	21,167	31,365	49,152	60,251	72,301	86,761
Fee and commission expense	(474)	(819)	(1,032)	(1,160)	(1,079)	(1,296)	(1,428)	(2,181)	(2,458)	(4,218)	(5,061)	(6,073)
<b>Net fee and commission income</b>	<b>2,514</b>	<b>6,439</b>	<b>7,744</b>	<b>7,993</b>	<b>11,330</b>	<b>15,628</b>	<b>19,739</b>	<b>29,184</b>	<b>46,694</b>	<b>56,033</b>	<b>67,240</b>	<b>80,688</b>
Other net income	843	707	(772)	3,089	2,971	4,668	5,641	4,933	7,000	8,050	9,338	10,832
<b>Operating income</b>	<b>24,866</b>	<b>41,048</b>	<b>53,857</b>	<b>51,446</b>	<b>71,377</b>	<b>96,603</b>	<b>113,754</b>	<b>133,030</b>	<b>149,064</b>	<b>173,562</b>	<b>195,148</b>	<b>219,009</b>
Operating expense	(9,518)	(14,354)	(20,446)	(23,433)	(28,759)	(35,103)	(41,122)	(45,896)	(49,221)	(56,755)	(65,394)	(73,368)
Business tax and surcharges	(1,573)	(2,384)	(3,296)	(3,129)	(4,153)	(6,091)	(7,555)	(8,579)	(10,364)	(12,437)	(13,638)	(15,346)
<b>Operating profit before provisions</b>	<b>13,775</b>	<b>24,310</b>	<b>30,115</b>	<b>24,884</b>	<b>38,465</b>	<b>55,409</b>	<b>65,077</b>	<b>78,555</b>	<b>89,479</b>	<b>104,370</b>	<b>116,116</b>	130,295
Provision for impairment losses	(3,691)	(3,305)	(3,703)	(2,971)	(5,501)	(8,350)	(5,583)	(10,218)	(15,568)	(25,560)	(33,156)	(42,858)
Share of profits of an associate		38	347	471	379	63	64	88	100	100	100	101
<b>Profit before tax</b>	<b>10,084</b>	<b>21,043</b>	<b>26,759</b>	<b>22,384</b>	<b>33,343</b>	<b>47,122</b>	<b>59,558</b>	<b>68,425</b>	<b>73,911</b>	<b>78,810</b>	<b>82,960</b>	<b>87,437</b>
Income tax	(3,290)	(5,800)	(5,813)	(4,149)	(7,574)	(10,995)	(14,286)	(16,683)	(18,021)	(19,215)	(20,227)	(21,318)
<b>Net profit attributable to equity holders of the bank</b>	<b>6,794</b>	<b>15,243</b>	<b>21,077</b>	<b>18,235</b>	<b>25,769</b>	<b>36,129</b>	<b>45,268</b>	<b>51,743</b>	<b>55,891</b>	<b>59,595</b>	<b>62,733</b>	<b>66,119</b>

Source : Company data, SWS Research

**Figure 2: Forecast Balance Sheet**

RMB million	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015(E)	2016(E)	2017(E)
<b>Assets</b>												
Balance with central bank	82,372	146,266	181,601	216,167	294,955	689,174	458,673	501,577	528,723	597,457	663,178	729,496
Cash/balances/Placements with banks and other financial institutions	109,032	245,945	186,466	270,125	264,425	194,427	491,255	505,802	873,227	930,028	942,255	973,246
Loans and advances to customers	549,420	654,417	852,754	1,161,817	1,402,160	1,604,371	1,863,325	2,148,330	2,458,119	2,777,675	3,110,996	3,484,315
Investments	178,885	244,348	310,848	377,538	394,619	512,838	492,982	734,253	750,550	836,870	916,632	1,007,905
Goodwill			9,598	9,598	9,598	9,598	9,598	9,953	9,953	9,953	9,953	9,953
Non interest-bearing assets	14,393	19,576	30,530	32,696	36,750	(215,437)	92,266	116,484	70,364	78,457	85,934	94,491
<b>Total</b>	<b>934,102</b>	<b>1,310,552</b>	<b>1,571,797</b>	<b>2,067,941</b>	<b>2,402,507</b>	<b>2,794,971</b>	<b>3,408,099</b>	<b>4,016,399</b>	<b>4,690,936</b>	<b>5,230,440</b>	<b>5,728,947</b>	<b>6,299,405</b>
check	-	-	-	-	-							
<b>Liabilities</b>												
Deposits/Placements from banks and other financial institutions	76,603	265,123	165,916	265,119	282,023	273,183	368,507	792,478	844,368	889,175	916,632	1,007,905
Deposits from customers	773,757	943,534	1,250,648	1,608,146	1,897,178	2,220,060	2,532,444	2,775,276	3,304,521	3,734,109	4,144,861	4,559,347
Debts issued	14,679	14,600	40,278	40,731	36,285	46,167	77,111	68,936	68,936	68,936	68,936	68,936
Other interest-bearing liabilities			4,618	2,677	3,174	48,257	167,552	30,126	30,126	30,126	30,126	30,126
Non interest-bearing liabilities	13,903	19,311	30,556	58,485	49,841	84,588	62,084	83,627	117,273	130,761	143,224	157,485
<b>Total</b>	<b>878,942</b>	<b>1,242,568</b>	<b>1,492,016</b>	<b>1,975,158</b>	<b>2,268,501</b>	<b>2,672,255</b>	<b>3,207,698</b>	<b>3,750,443</b>	<b>4,365,225</b>	<b>4,853,107</b>	<b>5,303,778</b>	<b>5,823,799</b>
check	-	-	-	-	-							
<b>Shareholders' equity</b>												
Share capital	14,703	14,705	14,707	19,119	21,577	21,577	21,577	25,220	25,220	25,655	25,655	25,655
Capital reserve	27,731	27,074	21,677	18,169	36,197	37,508	37,508	67,515	67,515	73,080	73,080	73,080
Surplus reserve	2,377	3,088	6,653	8,418	10,880	14,325	18,618	23,502	28,676	34,265	40,225	46,498
Regulatory general reserve	6,500	9,500	10,793	14,976	16,812	18,794	39,195	46,347	57,525	69,444	81,991	95,215
Retained profits	3,849	12,093	25,719	32,123	49,063	64,446	71,432	95,471	122,074	150,188	179,516	210,454
Others			(34)	(22)	(523)	8,347	11,998	7,410	24,701	24,701	24,702	24,704
<b>Total shareholders' equity</b>	<b>55,160</b>	<b>66,460</b>	<b>79,515</b>	<b>92,783</b>	<b>134,006</b>	<b>164,997</b>	<b>200,328</b>	<b>265,465</b>	<b>325,711</b>	<b>377,334</b>	<b>425,169</b>	<b>475,606</b>
<b>Minority Interest</b>			266	-		13	73	491				
			-	-	-							
<b>Total shareholders' equity and liabilities</b>	<b>934,102</b>	<b>1,309,028</b>	<b>1,571,797</b>	<b>2,067,941</b>	<b>2,402,507</b>	<b>2,794,971</b>	<b>3,408,099</b>	<b>4,016,399</b>	<b>4,690,936</b>	<b>5,230,440</b>	<b>5,728,947</b>	<b>6,299,405</b>

Source : Company data, SWS Research

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