

March 19, 2015

Underperform
Unchanged

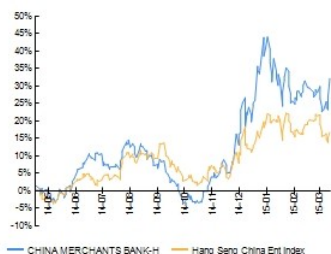
估值溢价难以为继

招商银行 (3968 HK)

Market Data: Mar, 13

Closing Price (HK\$)	18.50
Price Target (HK\$)	16.72
HSCEI	11,982
HSCCI	4,463
52-week High/Low (HK\$)	19.96/12.92
Market Cap (USD Mn)	57,065
Market Cap (HK\$ Mn)	442,861
Shares Outstanding (Mn)	25,220
Exchange Rate (RMB-HK\$)	1.26

Price Performance Chart:



Source: Bloomberg

Analyst

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Related Reports

"CMB_NIM still under pressure " Oct 30, 2014

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Financial summary and valuation

	2012	2013	2014	2015E	2016E
Net interest income (RMB M)	88,374	98,913	112,000	110,453	118,244
YOY (%)	15.81	11.93	13.23	15.82	7.05
Net income (RMB M)	45,268	51,743	55,911	58,500	61,860
YOY (%)	25.30	14.30	8.06	4.67	5.74
EPS (RMB)	2.10	2.30	2.22	2.32	2.45
Diluted EPS (RMB)	2.10	2.30	2.22	2.32	2.45
BVPS (RMB)	9.28	10.53	12.47	14.68	16.55
ROAE (%)	24.78	22.22	18.91	16.81	15.71
NPL ratio (%)	0.61	0.83	1.11	1.26	1.49
CAR (%)	12.14	13.39	11.74	13.41	13.39
P/E (x)	6.97	6.35	6.59	6.30	5.96
P/B (x)	1.57	1.39	1.13	1.00	0.88

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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净息差依然承压。虽然同业利差显著提升，但是公司净息差仍然同比下滑了 30 个基点，主要原因在于：(1) 公司 2013 年小微贷款和非标业务扩张较为迅速，而今年以来为了应对不断上升的资产质量风险和更好的节约资本，公司将更多的资源向低风险资产比如住房按揭和债券投资倾斜，但这些资产收益率相对较低。(2) 公司曾经凭借良好的服务和品牌享有很高的客户忠诚度，但是由于货币市场基金和理财产品的分流，今年活期存款占比下滑了 3 个百分点，导致公司存款成本进一步攀升。我们认为公司净息差将继续收窄，一方面，降息周期中存贷利差将进一步下滑；另一方面，由于资金更多流向实体经济，预计同业利率将很难出现大幅下降，而公司同业负债在总负债中占比达到 23%，同业资产在总资产中占比仅 13%，因此受到的影响较大。

拨备水平较低。截至去年末，公司不良率较年初上升 0.28 个百分点至 1.1%。公司拨备覆盖率下滑 33 个百分点至 233%。假设 2014 年全部新增小微贷款中 30%成为不良贷款，那么公司不良率将分别达到 2.9%。而公司 PB 折价和超额拨备所隐含的不良率仅为 1.4%。因此我们认为公司的估值和拨备水平还没有完全体现资产质量的风险，额外的拨备压力也将制约其未来盈利增长的空间。

维持减持评级：我们维持公司 2015 和 2016 年 EPS 预测 2.32 和 2.45 元，对应净利润增速分别为 4.7%和 5.7%。基于行业估值中枢的提升，我们上调公司目标 2015PB 至 0.9 倍，对应目标价 16.72 港币，对应 10%的下行空间。目前公司股价对应 1 倍的 2015 年 PB，高于行业平均的 0.84 倍 2015 年 PB。我们认为公司的估值溢价难以为继，维持减持评级。

Investment highlights:

Results in line. China Merchants Bank released 2014 annual results yesterday. Net interest income rose 13% YoY, while fees and commission income grew 53% YoY. Net profit came to Rmb55.9bn and basic EPS reached Rmb2.22, representing 8.1% YoY, in line with our expectation. The bank's core tier-one capital adequacy ratio (CAR) increased from 9.27% at end-2013 and 9.60% at end-2014, while overall CAR increased from 11.14% to 11.74%.

Significant NIM contraction. Despite of rising interbank spread, NIM declined from 2.82% in 2013 to 2.52% in 2014, declining by 30bps YoY. This is primarily because China Merchants Bank, 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. In addition, due to its high level of service, the company previously had strong funding capabilities. However, amid explosive growth of wealth management products, the bank's proportion of low cost demand deposits to total deposits fell by 3ppts as of end-2014 from end-2013. Amid rising deposit pressure, CMB became increasingly dependent on interbank liability, which accounted for 23% of total liability while interbank asset only accounted for 13% of total assets. We believe NIM would continue to be under pressure as on the one hand the loan to deposit spread would contract further amid rate cut cycle, and on the other hand interbank spread would also decline as more money are flowing to the real economy instead of interbank market.

Low provision level may impact future earnings growth. Amid decelerating economic growth, the bank's NPL ratio increased to 1.11% (+0.28ppts vs end-2013). The company's coverage ratio decreased to 233% (-33ppts YoY). Assuming that 30% of its 2014 new SME loans become distressed, its NPL ratio would be 2.9%. However, the NPL ratio implied by its PB discount and extra provisions is just 1.4%. We believe the risks are not fully priced in and the low level of provision indicates that future earnings growth may be impacted by additional provision pressure.

Unjustified valuation premium. We maintain our EPS forecasts at Rmb2.32 in 15E (+4.7%YoY) and Rmb2.45 in 16E (+5.7%YoY). It is currently trading at 1.00x 14E PB, compared with a sector average of 0.84x 14E PB. We believe its weak fundamentals do not justify its high valuation premium. We revise our target PB to 0.9x to factor in the lift of sector average valuation and raise target price from HK\$15.45 to HK\$16.72. With 10% downside, we maintain our Underperform rating.

Figure 1: Valuation table

Company	Code	Rating	Target price (HK\$)	+/- (%)	Trading PE			Trading PB		
					13A	14E	15E	13A	14E	15E
CRCB	3618 HK	BUY	5.67	15.2%	6.06	5.34	4.74	1.00	0.85	0.75
BOCOM	3328 HK	BUY	8.59	28.4%	6.33	5.97	5.57	0.94	0.80	0.72
CMBC	1988 HK	O-PF	10.90	16.6%	4.98	5.37	4.89	1.06	1.04	0.86
BOC	3988 HK	O-PF	5.23	18.3%	6.24	5.74	5.47	1.06	0.94	0.85
ABC	1288 HK	O-PF	3.95	3.7%	5.90	5.34	4.90	1.16	0.98	0.85
ICBC	1398 HK	Neutral	5.12	-9.4%	6.00	5.63	5.34	1.24	1.08	0.95
CCB	939 HK	Neutral	5.60	-12.9%	5.94	5.52	5.19	1.20	0.99	0.88
CITIC	998 HK	U-PF	4.89	-17.8%	5.64	5.42	5.28	0.98	0.84	0.73
CMB	3968 HK	U-PF	17.27	-6.6%	6.38	6.52	5.86	1.39	1.13	1.00

Source: Company data, SWS Research

Appendix

Figure 2: Forecast Income Statement

RMB million	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015(E)	2016(E)
Interest Income	33,990	51,585	72,635	65,838	84,513	121,245	150,101	173,495	197,245	231,028	250,605
Interest expense	(12,481)	(17,683)	(25,750)	(25,474)	(27,437)	(44,938)	(61,727)	(74,582)	(101,875)	(120,575)	(132,361)
Net interest income	21,509	33,902	46,885	40,364	57,076	76,307	88,374	98,913	112,000	110,453	118,244
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
Fee and commission expense	(474)	(819)	(1,032)	(1,160)	(1,079)	(1,296)	(1,428)	(2,181)	(2,458)	(4,218)	(5,061)
Net fee and commission income	2,514	6,439	7,744	7,993	11,330	15,628	19,739	29,184	46,694	56,033	67,240
Other net income	843	707	(772)	3,089	2,971	4,668	5,641	4,933	7,000	8,050	9,338
Operating income	24,866	41,048	53,857	51,446	71,377	96,603	113,754	133,030	149,064	174,536	194,822
Operating expense	(9,518)	(14,354)	(20,446)	(23,433)	(28,759)	(35,103)	(41,122)	(45,896)	(49,221)	(59,342)	(66,240)
Business tax and surcharges	(1,573)	(2,384)	(3,296)	(3,129)	(4,153)	(6,091)	(7,555)	(8,579)	(10,364)	(12,272)	(13,622)
Operating profit before provisions	13,775	24,310	30,115	24,884	38,465	55,409	65,077	78,555	89,479	102,921	114,961
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)
Share of profits of an associate		38	347	471	379	63	64	88	100	100	100
Profit before tax	10,084	21,043	26,759	22,384	33,343	47,122	59,558	68,425	73,911	77,362	81,805
Income tax	(3,290)	(5,800)	(5,813)	(4,149)	(7,574)	(10,995)	(14,286)	(16,683)	(18,021)	(18,862)	(19,945)
Net profit attributable to equity holders of the bank	6,794	15,243	21,077	18,235	25,769	36,129	45,268	51,743	55,911	58,500	61,860

Source : Company data, SWS Research

Figure 3: Forecast Balance Sheet

RMB million	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015(E)	2016(E)
Assets											
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
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	922,756	934,465
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
Investments	178,885	244,348	310,848	377,538	394,619	512,838	492,982	734,253	750,550	835,460	915,121
Goodwill			9,598	9,598	9,598	9,598	9,598	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	78,324	85,793
Total	934,102	1,310,552	1,571,797	2,067,941	2,402,507	2,794,971	3,408,099	4,016,399	4,690,936	5,221,626	5,719,505
check	-	-	-	-	-						
Liabilities											
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	887,676	915,121
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
Debts issued	14,679	14,600	40,278	40,731	36,285	46,167	77,111	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
Non interst-bearing liabilities	13,903	19,311	30,556	58,485	49,841	84,588	62,084	83,627	117,273	130,541	142,988
Total	878,942	1,242,568	1,492,016	1,975,158	2,268,501	2,672,255	3,207,698	3,750,443	4,365,225	4,851,388	5,302,031
check	-	-	-	-	-						
Shareholders' equity											
Share capital	14,703	14,705	14,707	19,119	21,577	21,577	21,577	25,220	25,220	25,220	25,220
Capital reserve	27,731	27,074	21,677	18,169	36,197	37,508	37,508	67,515	67,515	67,515	67,515
Surplus reserve	2,377	3,088	6,653	8,418	10,880	14,325	18,618	23,502	28,676	34,265	40,115
Regulatory general reserve	6,500	9,500	10,793	14,976	16,812	18,794	39,195	46,347	57,525	69,225	81,597
Retained profits	3,849	12,093	25,719	32,123	49,063	64,446	71,432	95,471	122,074	149,312	178,324
Others			(34)	(22)	(523)	8,347	11,998	7,410	24,701	24,701	24,702
Total shareholders' equity	55,160	66,460	79,515	92,783	134,006	164,997	200,328	265,465	325,711	370,238	417,474
Minority Interest			266	-		13	73	491			
			-	-	-						
Total shareholders' equity and liabilities	934,102	1,309,028	1,571,797	2,067,941	2,402,507	2,794,971	3,408,099	4,016,399	4,690,936	5,221,626	5,719,505

Source : Company data, SWS Research

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