

27 March 2015

Buy
Unchanged

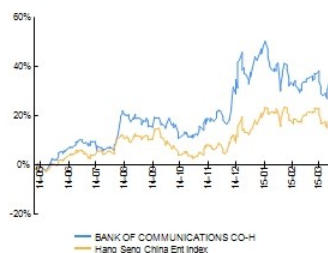
改革显雏形

交通银行 (3328 HK)

Market Data: Mar,26

Closing Price (HK\$)	6.44
Price Target (HK\$)	8.28
HSCEI	11,920
HSCCI	4,515
52-week High/Low (HK\$)	7.36/4.75
Market Cap (USD Mn)	61,077
Market Cap (HK\$ Mn)	473,796
Shares Outstanding (Mn)	74,263
Exchange Rate (RMB-HK\$)	1.26

Price Performance Chart:



Source: Bloomberg

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Related Reports

"BOCOM(3328HK)_Bargain bank"
Dec 9,2014

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Financial summary and valuation

	2012	2013	2014	2015E	2016E
Net interest income (Rmbm)	120,126	130,658	134,776	145,369	155,929
YOY (%)	17.08	8.77	5.25	4.42	7.26
Net income (Rmbm)	58,369	62,295	65,850	67,127	70,974
YOY (%)	15.05	6.73	5.71	1.93	5.73
EPS (Rmb)	0.79	0.84	0.89	0.90	0.96
Diluted EPS (Rmb)	0.79	0.84	0.89	0.90	0.96
BVPS (Rmb)	5.12	5.65	6.34	7.27	7.95
ROAE (%)	17.91	15.58	14.79	13.01	12.56
NPL ratio (%)	0.92	1.05	1.25	1.43	1.58
CAR (%)	14.49	14.52	14.04	15.37	14.41
PE (x)	6.50	6.09	5.76	5.65	5.34
PB (x)	1.00	0.90	0.77	0.70	0.64

Note: Diluted EPS is calculated as if all outstanding convertible securities, such as convertible preferred shares, convertible debentures, stock options and warrants, were exercised.

业绩符合预期。交行周四公布年报业绩。年末生息资产余额同比增长 10%，净息差同比回落 16 个基点至 2.36%。净利息收入同比增速达到 3%。全年净利润达到 659 亿元，基本每股收益 0.89 元，同比增长 5.7%，符合我们的预期。公司核心一级资本充足率由去年末的 9.76% 上升至 11.30%，资本充足率由 12.08% 上升至 14.04%。

市场担忧过度。在经济下滑背景下，公司不良资产余额较 2013 年末增加 90 亿元至 430 亿元，不良率由 1.05% 增加至 1.25%，拨备覆盖率下滑 35 个百分点至 179%。目前估值对应 0.70 倍 2015 年 PB，PB 折价和超额拨备隐含的不良率达到 4.7%，高于我们最悲观情景假设下 1.9% 的不良率，风险已完全反映在估值中。

国企改革日益清晰。交行正在研究深化混合所有制改革及提升公司治理和风险管控的方案。可能的混合所有制改革包括但不限于：（1）事业部改革等经营体制改革；（2）管理层薪酬构成改革和管理层股权激励；（3）员工持股计划；（4）引进更多的民营资本和其他非国有资本。如果改革方案最终获批且得到有效的执行，那么交行中长期核心竞争力有望实现显著提升。去年两轮管理层主动用自有资金增持股票并自愿锁定三年也显示了对公司经营前景和估值提升的信心，更重要的是，使得管理层更有动力改善公司治理和经营业绩。

二套房贷政策有望进一步放松。根据近期媒体报道，政府有望进一步放松二套房贷的执行条件，可能的措施包括降低二套房首付比例和降低二套房按揭利率。这将有效改善购房者购买力水平，提升按揭需求。我们认为政府还将通过加快发行 MBS 和定向宽松等政策鼓励银行增加按揭供给，而这些政策将更多的向五大国有银行倾斜，因为在按揭市场上五大行市场份额高达 71%。假设未来 10% 的二套按揭将得以享受更优惠的政策，我们预计对银行盈利的影响非常影响，相反，政府对房地产市场的积极态度将提振市场对经济复苏的信心，进而推动银行板块的估值修复。

重申买入评级。基于降息，我们小幅下调维持 2015 年和 2016 年 EPS 至 0.90 元和 0.96 元，对应 1.9% 和 5.7% 的同比增速。目前公司股价对应 0.70 倍 2015 年 PB，低于行业 0.82 倍的平均估值水平。我们维持公司 0.9 倍的 2015 年目标 PB，小幅下调目标价至 8.28 元，对应 29% 的上行空间，重申买入评级。

Investment Highlight :

Results in line. Bank of Communications reported total interest earning assets in 2014 grew 10% YoY and net interest margin declined by 16bps YoY to 2.36%, driving net interest income up 3% YoY. Net profit arrived at Rmb66bn and basic EPS reached Rmb0.89, representing 5.7% YoY, in line with our expectation. The bank's core tier-one capital adequacy ratio and overall CAR increased from 9.76% and 12.08% at end-2013 to 11.30% and 14.04% by end-2014, which is the highest among the sector.

Concerns are overdone. Amid decelerating economic growth, Bocom's non-performing loans increased to Rmb43bn at end-2014 (+Rmb9bn vs end-2013), while nonperforming loan ratio increased to 1.25%, up 0.20ppts from end-2013. The company's coverage ratio decreased to 179% (-35ppts YoY). Its NPL ratio under our worst scenario may reach 1.9%, while the NPL ratio implied by the company's PB discount and extra provisions reached 4.7%. So we believe market concerns are overdone.

SOE reform visibility. The company is conducting a feasibility study into ownership reform. We believe BOCOM may be the first choice for the government in rolling out its reform of state-owned enterprises to the banking sector. Reforms may include management stock incentive and a broader employee stock ownership program. We expect such reforms would help the company improve its competitiveness in the mid-long term. Two rounds of management share purchases using their own funds and subject to a lock-up period of three years also underscore management's confidence in the company.

Possible easing of home lending rules. It is reported that the government may introduce new rules over 2nd home mortgage like cutting the down payment ratio and mortgage rate. (Currently 2nd home mortgage requires 70% down payment ratio and 10% premium to benchmark rate.) PBoC may also strive to motivate big banks to increase home mortgage via MBS or targeted easing as the Big Five banks accounted for 71% of total outstanding mortgages. Assuming an additional 10% of mortgage applicants could become eligible for favorable terms, banks would see only small reduction in net profit. But signals of government's intention to stimulate the economy will enhance market confidence in economic outlook. This would support further valuation recovery in the banking sector.

Maintain BUY. In light of interest rate cut, we revise down our EPS forecasts from Rmb0.92 to Rmb0.90 in 15E (+1.9% YoY) and from Rmb0.99 to Rmb0.96 in 16E (+5.7% YoY). Currently BOCOM is trading at 0.70x 15E PB (vs sector average of 0.82x). We maintain our target valuation at 0.9x 15E PB and revise down our target price from HK\$8.59 to HK\$8.28. With 29% upside, we maintain BUY recommendation.

Figure 1: Valuation table

Company	Code	Rating	Target price (HK\$)	+/- (%)	Trading PE			Trading PB		
					13A	14A	15E	13A	14A	15E
CRCB	3618 HK	BUY	5.67	20.9%	5.77	5.09	4.51	0.95	0.81	0.71
BOCOM	3328 HK	BUY	8.28	28.6%	6.09	5.74	5.36	0.90	0.77	0.70
CMBC	1988 HK	O-PF	10.90	20.4%	4.82	5.20	4.73	1.03	1.01	0.83
BOC	3988 HK	O-PF	5.23	20.0%	6.16	5.67	5.40	1.05	0.93	0.84
ABC	1288 HK	O-PF	4.19	11.7%	5.81	5.26	4.82	1.15	0.96	0.84
ICBC	1398 HK	Neutral	5.12	-8.1%	5.91	5.55	5.26	1.22	1.07	0.94
CCB	939 HK	Neutral	5.60	-12.2%	5.89	5.48	5.15	1.19	0.98	0.87
CITIC	998 HK	U-PF	5.53	-2.6%	5.38	5.17	5.04	0.93	0.80	0.70
CMB	3968 HK	U-PF	16.72	-8.5%	6.30	6.44	5.79	1.38	1.12	0.97

Source: Company data, SWS Research

APPENDIX

Figure 1: Forecast Income Statement

Rmbm	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015(E)	2016(E)
Interest Income	49,680	64,543	90,319	117,106	116,743	141,905	190,872	240,596	259,292	292,160	312,004	345,317
Interest expense	(18,089)	(24,740)	(36,175)	(51,244)	(50,075)	(56,910)	(88,271)	(120,470)	(128,634)	(152,942)	(166,635)	(189,388)
Net interest income	31,591	39,803	54,144	65,862	66,668	84,995	102,601	120,126	130,658	134,776	145,369	155,929
Fee and commission income	2,544	3,594	8,245	10,121	13,414	17,076	22,464	24,126	29,405	34,217	40,033	44,838
Fee and commission expense	(435)	(603)	(1,150)	(1,284)	(2,015)	(2,597)	(2,915)	(3,244)	(3,437)	(5,132)	(6,005)	(6,726)
Net fee and commission income	2,109	2,991	7,095	8,837	11,399	14,479	19,549	20,882	25,968	29,084	34,028	38,112
Other operating income	1,453	1,044	1,550	2,577	3,511	4,670	5,152	7,176	8,402	5,000	5,000	5,001
Operating income	35,153	43,838	62,789	77,276	81,578	104,144	127,302	148,184	165,028	173,303	184,397	199,042
Operating expense	(15,903)	(18,340)	(21,631)	(25,944)	(26,848)	(35,513)	(40,433)	(49,501)	(57,812)	(62,439)	(65,461)	(70,660)
Business tax and surcharges	(2,109)	(2,555)	(3,664)	(4,923)	(5,174)	(6,431)	(8,939)	(8,939)	(8,939)	(9,970)	(10,742)	(11,855)
Operating profit before provisions	17,141	22,943	37,494	46,409	49,556	62,200	77,930	89,744	98,277	100,893	108,194	116,527
Provision for impairment losses	(4,298)	(5,538)	(6,380)	(10,690)	(11,255)	(12,246)	(12,479)	(14,537)	(18,410)	(16,335)	(22,005)	(25,407)
Share of profits of an associate	-	-	-	-	-	-	-	4	42			
Profit before tax	12,843	17,405	31,114	35,719	38,301	49,954	65,451	75,211	79,909	84,558	86,188	91,121
Income tax	(3,600)	(5,136)	(10,712)	(7,229)	(8,047)	(10,782)	(14,634)	(16,739)	(17,448)	(18,603)	(18,961)	(20,047)
Minority interest	(6)	(5)	128	97	136	130	82	103	166	100	100	100
Net profit attributable to equity holders of the bank	9,249	12,274	20,274	28,393	30,118	39,042	50,735	58,369	62,295	65,850	67,127	70,974

Source : Company data, SWS Research

Figure2: Forecast Balance Sheet

Rmbm	2005	2006	2007	2008	2009	2010	2011	2012	2013(E)	2014(E)	2015(E)	2016(E)
Assets												
Cash and Balance with central bank	140,309	253,941	261,433	362,180	434,996	586,554	736,999	816,846	896,556	959,315	1,026,467	1,118,849
Cash/balances/Placements with banks and other financial institutions	170,101	118,623	156,110	331,511	222,671	262,976	443,240	520,963	566,429	829,990	892,082	984,432
Loans and advances to customers	758,773	910,307	1,085,724	1,298,776	1,801,538	2,190,490	2,505,385	2,879,628	3,193,063	3,416,577	3,655,738	3,984,754
Investments	317,571	400,868	565,541	627,727	775,235	809,184	805,829	886,081	1,085,248	1,161,215	1,242,500	1,329,475
Non interest-bearing assets	36,685	35,744	41,636	62,753	74,697	102,389	119,724	169,861	219,641	156,568	167,626	182,398
Total	1,423,439	1,719,483	2,110,444	2,682,947	3,309,137	3,951,593	4,611,177	5,273,379	5,960,937	6,523,665	6,984,413	7,599,909
Liabilities												
Deposits/Placements from banks and other financial institutions	84,094	236,107	332,556	569,453	653,172	717,032	854,499	942,989	1,126,563	1,304,733	1,396,883	1,519,982
Deposits from customers	1,220,839	1,352,890	1,567,142	1,865,815	2,372,055	2,867,847	3,283,232	3,728,412	4,157,833	4,448,881	4,760,303	5,188,730
Debts issued	12,292	12,292	38,207	40,000	53,000	52,000	81,803	79,572	106,857	106,857	106,857	106,857
Trading and Derivative liabilities	9,555	8,724	10,028	10,013	-	14,379	18,921	23,060	28,640	28,640	28,640	28,640
Non interst-bearing liabilities	13,513	18,975	29,190	47,571	66,485	76,678	99,934	117,899	119,560	140,259	150,165	163,398
Total	1,340,293	1,628,988	1,977,123	2,532,852	3,144,712	3,727,936	4,338,389	4,891,932	5,539,453	6,029,370	6,442,848	7,007,607
Shareholders' equity												
Share capital	45,804	45,804	48,994	48,994	48,994	56,260	61,886	74,263	74,263	74,263	74,263	74,263
Reserves	28,095	31,904	63,522	76,543	88,808	136,572	163,082	227,788	277,968	309,472	342,526	376,474
Retained Earnings	9,183	12,728	20,387	24,125	26,046	29,941	46,834	77,867	67,330	108,738	123,053	139,941
Total shareholders' equity	83,082	90,436	132,903	149,662	163,848	222,773	271,802	379,918	419,561	492,472	539,843	590,679
Minority Interests	64	59	418	433	577	884	986	1,529	1,923	1,823	1,723	1,623
Total shareholders' equity and liabilities	1,423,439	1,719,483	2,110,444	2,682,947	3,309,137	3,951,593	4,611,177	5,273,379	5,960,937	6,523,665	6,984,413	7,599,909

Source : Company data, SWS Research

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