

31 March 2015

Outperform
Unchanged

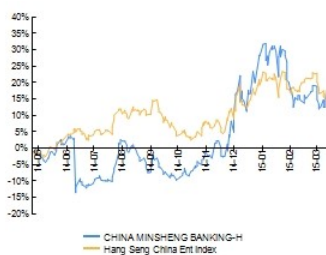
适者生存

民生银行 (1988 HK)

Market Data: Mar,30

Closing Price (HK\$)	9.49
Price Target (HK\$)	10.60
HSCEI	12,307
HSCCI	4,638
52-week High/Low (HK\$)	10.70/6.73
Market Cap (USD Mn)	39,624
Market Cap (HK\$ Mn)	307,378
Shares Outstanding (Mn)	34,153
Exchange Rate (RMB-HK\$)	1.26

Price Performance Chart:



Source: Bloomberg

Analyst

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Feb 2,2015

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Financial summary and valuation

	2013	2014	2015E	2016E	2017E
Net interest income (Rmbm)	83,033	92,136	101,514	114,387	127,086
YOY (%)	7.62	10.96	12.90	12.68	11.10
Net income (Rmbm)	42,278	44,496	45,741	48,522	52,963
YOY (%)	12.55	5.36	2.68	6.08	9.15
EPS (Rmb)	1.49	1.31	1.34	1.43	1.56
Diluted EPS (Rmb)	1.49	1.31	1.34	1.43	1.56
BVPS (Rmb)	6.97	7.03	8.38	9.80	11.36
ROAE (%)	23.44	20.38	17.44	15.68	14.71
NPL ratio (%)	0.85	1.17	1.37	1.61	1.87
CAR (%)	12.52	12.20	12.72	13.28	14.03
PE (x)	5.03	5.73	5.58	5.26	4.82
PB (x)	1.08	1.07	0.90	0.76	0.66

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。民生银行周一公布年报业绩，贷款同比增长 15%，存款同比增长 13%。净息差同比上升 10 个基点至 2.59%，净利息收入和净手续费收入同比增速分别达到 11%和 32%。净利润达到 445 亿元，基本每股收益 1.31 元，同比增长 5.4%，符合我们的预期。在经济下滑背景下，公司不良率较 2013 年末上升 0.32 个百分点至 1.17%。拨备覆盖率下滑 78 个百分点至 182%。核心一级资本充足率由 2013 年末的 8.72%下降至 8.58%，总资本充足率维持在 10.69%。

利率市场化背景下将脱颖而出。我们认为在利率市场化和金融脱媒的背景下，两类银行有望脱颖而出：一类是存款客户依赖度更高从而存款更稳定且融资成本较低的银行，比如农业银行和重庆农村商业银行，这类银行在流动性从紧和资产质量风险不断累积的情况下表现更佳。另一类是贷款议价能力强从而转嫁融资成本能力强的银行比如民生银行，这类银行在流动性宽松且资产质量改善的环境下表现更佳。在当前定向宽松持续的背景下，我们更青睐民生银行。

安邦加入有望在中长期带来协同效应。截至目前安邦保险已持有公司 18.99%的股权。我们认为安邦持续增持显示了他们对民生银行竞争力的信心，也透露出未来与民生展开更广泛而深入合作的意图。事实上，由于既不具备大行的广泛网点，也不具备招行中信那样的集团北京，吸存和客户基础一直是民生的软肋，此次安邦的加入也有望在中长期改善民生的吸存能力和客户基础。

维持增持评级。我们下调公司 2015 年和 2016 年 EPS 为 1.34 和 1.43 元，预计 2017 年 EPS 为 1.56 元，对应同比增速 3%、6%和 9%。目前公司估值对应 0.90 倍 2015 年 PB，PB 折价和超额拨备隐含的不良率达到 2.4%，绝大部分风险已经体现在估值中。我们维持 2015 年目标 PB 为 1 倍，下调目标价至 10.60 港币，对应 12%上升空间，维持增持评级。

Investment highlights :

Results in line. China Minsheng Bank reported growth in 2014 lending of 15% YoY and deposits growth of 13% YoY. Thanks to higher yield on bond investments and rising interbank spreads, net interest margin (NIM) rose 10bps YoY to 2.59%. Net interest income rose 11% YoY, while fees and commission income grew 32% YoY. Net profit arrived at Rmb44.5bn and basic EPS reached Rmb1.31, representing 5.4% YoY, in line with our expectation. Amid decelerating economic growth, the bank's non-performing loans (NPLs) increased to Rmb21bn at end-2014 (+Rmb7bn vs end-2013), and its NPL ratio increased to 1.17% (+0.32ppts vs end-2013). Its coverage ratio decreased to 182% (-78ppts YoY). Core tier-one capital adequacy ratio (CAR) decreased from 8.72% at end-2013 to 8.58% at end-2014, while CAR remained stable at 10.69%.

Survival of the fittest. Amid ongoing interest rate liberalisation and financial disintermediation, banks with strong funding capability (such as Agricultural Bank of China (1288:HK, O-PF) or Chongqing Rural Commercial Bank (3618:HK, BUY) or those with stronger pricing power and risk management experience, such as Minsheng, are likely to stand out. Given current loose monetary policy and improving loan demand, we prefer Minsheng due to its market-oriented strategy and micro-loans focus.

Long-term synergies with An Bang Insurance. An Bang Insurance has raised its shareholding in the company to total 18.99%. We believe this reflects its confidence in Minsheng's competitiveness and their intention to establish deeper and wider cooperation with the bank. Minsheng has long experienced high funding costs as it has neither a diversified branch network like big banks nor support from a large conglomerate unlike China Merchants Bank (3968:HK, U-PF) and China CITIC Bank (998:HK, U-PF). However, we expect the company's closer ties with the large insurer as likely to result in better access to funding and a broader customer base.

Maintain Outperform. In light of recent interest rate cuts, we revise down our EPS forecast from Rmb1.45 to Rmb1.34 in 15E (+3% YoY), from Rmb1.53 to Rmb1.43 in 16E (+6% YoY) and forecast EPS of Rmb1.56 in 17E (+9% YoY). Currently Minsheng stock is trading at 0.90x 15E PB. The NPL ratio implied by its PB and excess provisions is 2.4%, while our base case scenario tests put NPLs at 2.6%, suggesting much of its risk is already priced in to the stock. We maintain our target 15E PB at 1x and revise down our target price from HK\$10.90 to HK\$10.60. With 14.9% upside, we maintain our Outperform 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	5.74	16.0%	6.09	5.37	4.76	1.01	0.85	0.75
BOCOM	3328 HK	BUY	8.28	25.6%	6.23	5.88	5.49	0.93	0.79	0.71
CMBC	1988 HK	O-PF	10.90	14.9%	5.05	5.45	4.96	1.08	1.06	0.90
BOC	3988 HK	O-PF	5.23	17.3%	6.30	5.80	5.52	1.07	0.95	0.86
ABC	1288 HK	O-PF	4.19	9.1%	5.95	5.38	4.94	1.17	0.98	0.86
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	-12.8%	5.93	5.52	5.18	1.19	0.99	0.88
CITIC	998 HK	U-PF	5.53	-5.1%	5.52	5.31	5.18	0.96	0.82	0.72
CMB	3968 HK	U-PF	16.72	-11.9%	6.55	6.69	6.02	1.43	1.16	1.01

Source: Company data, SWS Research

APPENDIX

Figure 1: Forecast Income Statement

Rmbm	2007	2008	2009	2010	2011	2012	2013	2014	2015(E)	2016(E)	2017(E)
Interest Income	39,927	56,331	58,436	70,720	117,281	151,887	182,154	194,414	228,552	258,464	285,239
Interest expense	(17,490)	(25,931)	(21,201)	(24,903)	(52,460)	(74,734)	(99,121)	(104,502)	(127,038)	(144,077)	(158,152)
Net interest income	22,437	30,400	37,235	45,817	64,821	77,153	83,033	92,136	101,514	114,387	127,086
Fee and commission income	2,665	4,755	5,006	8,753	15,991	22,091	33,061	37,627	43,271	47,619	53,215
Fee and commission expense	(274)	(294)	(342)	(464)	(890)	(1,568)	(3,105)	(3,575)	(4,111)	(4,524)	(5,055)
Net fee and commission income	2,391	4,461	4,664	8,289	15,101	20,523	29,956	34,052	39,160	43,096	48,159
NOPLAT	24,828	34,861	41,899	54,106	79,922	97,676	112,989	123,964	140,674	157,483	175,246
Other operating income	389	(114)	(448)	(139)	1,078	5,185	3,113	2,000	2,000	1,000	1,001
Operating income	25,217	34,747	41,451	53,967	81,000	102,861	116,102	125,964	142,674	158,483	176,247
Operating expense	(11,705)	(14,901)	(17,737)	(21,625)	(29,333)	(35,064)	(37,958)	(43,458)	(49,222)	(54,676)	(60,805)
Business tax and surcharges	(2,047)	(2,916)	(2,802)	(3,827)	(6,116)	(7,825)	(8,004)	(10,228)	(11,966)	(13,420)	(14,834)
Operating profit	11,465	16,930	20,912	28,515	45,551	59,972	70,140	72,279	81,485	90,386	100,607
Net non-operating income	13	76	51	(35)	-	-	-	(100)	(100)	(100)	(99)
Operating profit before provisions	11,478	17,006	20,963	28,480	45,551	59,972	70,140	72,179	81,385	90,286	100,508
Provision for impairment losses	(2,265)	(6,518)	(5,307)	(5,504)	(8,376)	(9,320)	(12,989)	(12,894)	(20,404)	(25,536)	(29,816)
Profit before tax	9,212	10,488	15,656	22,976	37,175	50,652	57,151	59,285	60,981	64,751	70,692
Income tax	(2,877)	(2,595)	(3,548)	(5,288)	(8,732)	(12,344)	(13,869)	(13,635)	(14,026)	(14,893)	(16,259)
Net profit	6,335	7,893	12,108	17,688	28,443	38,308	43,282	45,649	46,956	49,858	54,433
Minority interest	-	(8)	(4)	(107)	(523)	(745)	(1,004)	(1,104)	(1,215)	(1,336)	(1,470)
Net profit attributable to equity holders of the bank	6,335	7,885	12,104	17,581	27,920	37,563	42,278	44,496	45,741	48,522	52,963

Source : Company data, SWS Research

Figure2: Forecast Balance Sheet

Rmbm	2007	2008	2009	2010	2011	2012	2013	2014	2015E	2016E	2017E
Assets											
Cash and Balance with central bank	110,281	184,778	226,054	266,835	332,805	420,418	433,802	517,414	579,504	637,454	701,200
Interbank	88,932	67,156	134,863	274,847	411,103	1,048,905	767,335	1,063,891	1,162,533	1,218,186	1,265,444
Loans and advances to customers	547,296	646,475	867,738	1,037,723	1,178,285	1,351,512	1,539,447	1,770,364	1,982,808	2,200,917	2,443,017
Investments	156,502	133,659	156,366	180,818	256,967	318,329	389,265	467,118	560,542	672,650	807,180
Non interest-bearing assets	15,826	22,282	41,371	63,514	49,904	72,837	96,361	77,934	87,457	96,514	106,466
Total	918,837	1,054,350	1,426,392	1,823,737	2,229,064	3,212,001	3,226,210	3,896,722	4,372,844	4,825,721	5,323,307
Liabilities											
Interbank	100,204	155,227	166,579	250,688	374,120	982,732	720,079	1,052,115	1,180,668	1,302,945	1,437,293
Deposits from customers	671,219	785,786	1,127,938	1,416,939	1,644,738	1,926,194	2,146,689	2,425,759	2,716,850	2,988,535	3,287,388
Debts issued	33,920	33,999	23,060	21,496	31,030	74,969	91,968	91,968	91,968	91,968	91,968
Trading and Derivative liabilities					787	1,335	1,883	1,883	1,883	1,883	1,883
Non interest-bearing liabilities	63,307	24,666	19,921	29,357	44,279	58,227	61,304	77,934	87,457	96,514	106,466
Total	868,650	999,678	1,337,498	1,718,480	2,094,954	3,043,457	3,021,923	3,649,659	4,078,825	4,481,845	4,924,998
Shareholders' equity											
								5,674			
Share capital	14,479	18,823	22,262	26,715	26,715	28,366	28,366	34,040	34,040	34,040	34,040
Capital reserve	22,980	18,064	38,181	37,787	38,360	45,714	49,234	49,234	49,234	49,234	49,234
Surplus reserve	2,200	2,983	4,184	5,903	8,647	12,330	16,456	20,684	25,138	29,712	34,565
General reserve	5,800	8,001	10,904	13,822	16,740	39,480	42,487	49,169	56,030	63,308	71,253
Retained earnings	4,728	6,009	12,503	19,881	39,245	37,615	64,023	86,257	120,682	157,351	197,518
Others					(110)	(428)	(2,854)				
Total shareholders' equity	50,187	53,880	88,034	104,108	129,597	163,077	197,712	239,383	285,124	333,646	386,609
Minority Interests											
Minority Interests	-	792	860	1,149	4,513	5,467	6,575	7,679	8,894	10,231	11,701
Total shareholders' equity and liabilities	918,837	1,054,350	1,426,392	1,823,737	2,229,064	3,212,001	3,226,210	3,896,722	4,372,844	4,825,721	5,323,307

Source : Company data, SWS Research

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