

Jan 24, 2018

中性  
维持

## 估值充分

招商银行 (3968 HK)

### Market Data: Jan 23

Closing Price (HK\$)	38.55
Price Target (HK\$)	38.78
HSCEI	13,490
HSCCI	4,855
52-week High/Low (HK\$)	38.55/22.60
Market Cap (USD Mn)	124,348
Market Cap (HK\$ Mn)	972,013
Shares Outstanding (Mn)	25,220
Exchange Rate (RMB-HK\$)	1.17

### Price Performance Chart:



Source: Bloomberg

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### Related Reports

"CHINA MERCHANTS BANK-H (3968 HK) –Economic risk Oct 30 ,2017

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### Financial summary and valuation

	2015	2016	2017E	2018E	2019E
Net interest income (RMB M)	136,729	134,595	135,586	147,531	166,336
YOY (%)	22.08	(1.56)	0.74	8.81	12.75
Net income (RMB M)	57,696	62,081	70,150	79,751	92,764
YOY (%)	3.19	7.60	13.00	13.69	16.32
EPS (RMB)	2.29	2.46	2.78	3.16	3.68
Diluted EPS (RMB)	2.29	2.46	2.78	3.16	3.68
BVPS (RMB)	14.31	15.95	18.70	21.17	24.06
ROAE (%)	17.09	16.27	19.05	18.86	19.26
NPL ratio (%)	1.68	1.87	1.61	1.62	1.73
CAR (%)	13.33	13.38	13.43	13.48	13.53
P/E (x)	13.80	12.82	11.35	9.98	8.58
P/B (x)	2.21	1.98	1.69	1.49	1.31

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.

招商银行昨日公布 2017 年度业绩预报。净利润达到 702 亿元人民币，同比增长 13%，高于我们的预期 1%。公司的不良贷款率由 2016 年的 1.87% 和 2017 年前三季度的 1.66% 降低至 1.61%。

**估值充分。** 受益于 2017 年，银行间利率上行，招商银行凭借其强大的融资能力，表现优于其他银行，公司股价在 2017 年上涨了 77%（恒生国企指数上升了 25%），是银行股中表现最好的。目前，公司的估值为 1.5 倍 2018 年 PB，行业平均 PB 为 0.8 倍 PB 而公司历史 PB 为 1.2 倍 PB。招商银行 H 股相较于 A 股有 5% 的折价，而行业平均折价为 15%。我们相信目前估值已经充分，并且有两个重大的下行风险。

**保守的资产配置。** 由于 2018 年经济企稳并且资产收益率提高，银行的资产端优势变得比负债端更加重要，而那些资产配置更为激进的银行将会脱颖而出。

(1) 在净息差上，银行间负债已经趋于稳定，而贷款以及债券收益率持续提高。在经济企稳的背景下，银行将会增大基础设施以及制造业企业贷款占比。因此净息差改善的最主要动力由低银行间负债占比变为更高基础设施及制造业贷款占比。(2) 资产质量方面，我们认为制造业企业在盈利能力和偿债能力上的改善更为明显。因此资产质量改善的主要动力由高零售贷款占比变为高企业贷款，高制造业贷款占比。招商银行曾经在经济下行时凭借其零售优势以及保守的资产配置保持稳定的净息差，但同时经济企稳时，潜在的净息差以及资产质量改善空间有限

**估值修复空间有限。** 我们相信自 2018 年二季度开始，加息预期会由于经济企稳而导致的通胀增加以及贬值压力而提升，这将提高银行业的估值水平。由于目前 GDP 增速稳定在 7%，而 CPI 稳定低于 2.5%，未来的加息不会持续也不会太显著，因此银行业的估值降低压力会比 2010 年 10 月到 2011 年 8 月的加息周期更小。但是未来的估值修复，尤其是对像招商银行这样贵的公司，将会减速。

**维持中性。** 我们将公司的 EPS 预测由 18-19 年的 3.16/3.68 元人民币，对应同比增长 14%/16%。我们给予公司 1.5 倍的 2018 年 PE，38.78 港币的目标价，对应 1% 的上行空间，给予中性评级。

China Merchants Bank reported an increase in total loans as of end-2017 of 9.3% YoY and in total deposits of 6.8% YoY. Net interest income increased by 7.6% YoY, while fees and commission income increased 1.4% YoY. Net profit arrived at Rmb70.2bn and basic EPS reached Rmb2.78, representing growth of 13% YoY, 1% above our expectation. The lender's non-performing loan (NPL) ratio decreased from 1.7% in 3Q17 and 1.9% in 2016 to 1.6%. We revise up our EPS forecasts from Rmb3.11 to Rmb3.16 in 18E (+14% YoY) and from Rmb3.57 to Rmb3.68 in 19E (+16% YoY). We lift our target price from HK\$30.21 to HK\$38.78, and maintain our Hold rating.

**Full valuation.** With interbank rates rising in 2017, China Merchants Bank's strong funding capability helped it outperform its peers. In terms of share price performance, the bank posted the highest return in the sector, up 77% (vs sector average and HSCIEI growth of 25%). Currently it is trading at 1.5x 18E PB, vs a sector average of 0.8x and its historical leading PB of 1.2x. The firm's H-shares are trading at a 5% discount to its A-shares, vs an average discount of 15% across the sector. We believe its valuation is full and see two major downside risks that may curb further improvement.

**Conservative asset portfolio.** In 2018 we expect those banks with more aggressive asset portfolios may start to outperform. Interbank liability costs have stabilised, while loan and bond yields continue to rise, benefiting banks with limited exposure to interbank liabilities and more developed loan books, as well as stronger pricing power. In addition, with fortunes for manufacturing industries looking up, banks with more corporate loans, particularly to manufacturing industries, stand to post the largest improvements in asset quality. China Merchants Bank's retail focus and conservative asset portfolio previously offered it steady net interest margin (NIM) and asset quality, but may now also limit its potential to mark NIM and asset quality improvements.

**Limited valuation recovery room.** We see a possible increase in interest rate hike expectations after 2Q18, as signals of stabilising economic growth strengthen, in addition to rising inflation and currency depreciation pressure; this we see as weighing on bank valuations. For China Merchants Bank, which is relatively expensive, we see limited further upside. However, assuming GDP growth stabilises below 7% YoY and consumer inflation remains below 2.5% YoY, we see limited likelihood that rate hikes will be sustained and significant in coming years.

**Maintain Hold.** We revise up our diluted EPS forecasts from Rmb3.11 to Rmb3.16 in 18E (+14% YoY) and from Rmb3.57 to Rmb3.68 in 19E (+16% YoY). We roll over our target PB multiple to our 18E estimate and lift it from 1.4x to 1.5x, raising our target price from HK\$30.21 to HK\$38.78. With 0.6% upside, we maintain our Hold recommendation.

# Appendix

## Figure 1: Forecast Income Statement

RMB million	2009	2010	2011	2012	2013	2014	2015	2016	2017(E)	2018(E)	2019(E)
Interest Income	65,838	84,513	121,245	150,101	173,495	222,834	234,722	215,481	219,713	242,979	280,921
Interest expense	(25,474)	(27,437)	(44,938)	(61,727)	(74,582)	(110,834)	(97,993)	(80,886)	(84,127)	(95,448)	(114,585)
<b>Net interest income</b>	<b>40,364</b>	<b>57,076</b>	<b>76,307</b>	<b>88,374</b>	<b>98,913</b>	<b>112,000</b>	<b>136,729</b>	<b>134,595</b>	135,586	147,531	166,336
Fee and commission income	9,153	12,409	16,924	21,167	31,365	48,543	57,798	66,003	66,356	76,309	87,756
Fee and commission expense	(1,160)	(1,079)	(1,296)	(1,428)	(2,181)	(3,847)	(4,379)	(5,138)	(4,645)	(5,342)	(6,143)
<b>Net fee and commission income</b>	<b>7,993</b>	<b>11,330</b>	<b>15,628</b>	<b>19,739</b>	<b>29,184</b>	<b>44,696</b>	<b>53,419</b>	<b>60,865</b>	<b>61,711</b>	<b>70,968</b>	<b>81,613</b>
Other net income	<b>3,089</b>	<b>2,971</b>	<b>4,668</b>	<b>5,641</b>	<b>4,933</b>	<b>9,671</b>	<b>12,018</b>	<b>14,489</b>	15,844	17,903	20,231
<b>Operating income</b>	<b>51,446</b>	<b>71,377</b>	<b>96,603</b>	<b>113,754</b>	<b>133,030</b>	<b>166,367</b>	<b>202,166</b>	<b>209,949</b>	<b>213,141</b>	<b>236,403</b>	<b>268,180</b>
Operating expense	(23,433)	(28,759)	(35,103)	(41,122)	(45,896)	(50,988)	(56,028)	(58,786)	(59,679)	(66,193)	(75,090)
Business tax and surcharges	(3,129)	(4,153)	(6,091)	(7,555)	(8,579)	(10,425)	(11,929)	(6,362)	(11,775)	(13,150)	(15,167)
<b>Operating profit before provisions</b>	<b>24,884</b>	<b>38,465</b>	<b>55,409</b>	<b>65,077</b>	<b>78,555</b>	<b>104,954</b>	<b>134,209</b>	<b>144,801</b>	141,687	157,059	177,922
Provision for impairment losses	(2,971)	(5,501)	(8,350)	(5,583)	(10,218)	(31,681)	(59,266)	(66,159)	(52,889)	(56,107)	(60,497)
Share of profits of an associate	471	379	63	64	88	158	136	321	101	102	103
<b>Profit before tax</b>	<b>22,384</b>	<b>33,343</b>	<b>47,122</b>	<b>59,558</b>	<b>68,425</b>	<b>73,431</b>	<b>75,079</b>	<b>78,963</b>	<b>88,798</b>	<b>100,952</b>	<b>117,425</b>
Income tax	(4,149)	(7,574)	(10,995)	(14,286)	(16,683)	(17,382)	(17,061)	(16,583)	(18,648)	(21,201)	(24,660)
<b>Net profit attributable to equity holders of the bank</b>	<b>18,235</b>	<b>25,769</b>	<b>36,129</b>	<b>45,268</b>	<b>51,743</b>	<b>55,911</b>	<b>57,696</b>	<b>62,081</b>	<b>70,150</b>	<b>79,751</b>	<b>92,764</b>

Source : Company data, SWS Research

**Figure 2: Forecast Balance Sheet**

RMB million	2009	2010	2011	2012	2013	2014	2015	2016	2017(E)	2018(E)	2019(E)
<b>Assets</b>											
Balance with central bank	216,167	294,955	689,174	458,673	501,577	639,992	569,961	581,156	649,937	708,432	772,191
Cash/balances/Placements with banks and other financial institutions	270,125	264,425	194,427	491,255	505,802	525,051	623,876	601,317	827,618	640,542	792,493
Loans and advances to customers	1,161,817	1,402,160	1,604,371	1,863,325	2,148,330	2,448,754	2,739,444	3,151,649	3,444,752	3,789,228	4,168,150
Investments	377,538	394,619	512,838	492,982	734,253	946,712	1,439,725	1,461,311	886,035	924,818	873,173
Goodwill	9,598	9,598	9,598	9,598	9,953	9,953	9,954	9,954	9,954	9,954	9,954
Non interest-bearing assets	32,696	36,750	(215,437)	92,266	116,484	161,367	92,018	136,924	88,604	92,482	100,751
<b>Total</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>4,731,829</b>	<b>5,474,978</b>	<b>5,942,311</b>	<b>5,906,900</b>	<b>6,165,456</b>	<b>6,716,712</b>
<i>check</i>	-	-									
<b>Liabilities</b>											
Deposits/Placements from banks and other financial institutions	265,119	282,023	273,183	368,507	792,478	879,039	1,138,584	1,297,533	767,897	739,855	806,005
Deposits from customers	1,608,146	1,897,178	2,220,060	2,532,444	2,775,276	3,304,438	3,571,698	3,802,049	4,062,109	4,427,699	4,826,192
Debts issued	40,731	36,285	46,167	77,111	68,936	106,155	251,507	275,082	275,082	275,082	275,082
Other interest-bearing liabilities	2,677	3,174	48,257	167,552	30,126	23,615	27,802	34,728	34,728	34,728	34,728
Non interest-bearing liabilities	58,485	49,841	84,588	62,084	83,627	103,522	123,629	129,557	295,345	154,136	167,918
<b>Total</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>4,416,769</b>	<b>5,113,220</b>	<b>5,538,949</b>	<b>5,435,161</b>	<b>5,631,500</b>	<b>6,109,925</b>
<i>check</i>	-	-									
<b>Shareholders' equity</b>											
Share capital	19,119	21,577	21,577	21,577	25,220	25,220	25,220	25,220	25,220	25,220	25,220
Capital reserve	18,169	36,197	37,508	37,508	67,515	67,523	67,523	67,523	67,523	67,523	67,523
Surplus reserve	8,418	10,880	14,325	18,618	23,502	28,690	34,009	39,708	45,916	52,931	60,906
Regulatory general reserve	14,976	16,812	18,794	39,195	46,347	53,979	64,679	67,838	81,868	97,818	116,371
Retained profits	32,123	49,063	64,446	71,432	95,471	121,665	145,887	180,447	214,838	254,087	300,386
Others	(22)	(523)	8,347	11,998	7,410	17,327	23,488	21,614	36,374	36,377	36,381
<b>Total shareholders' equity</b>	<b>92,783</b>	<b>134,006</b>	<b>164,997</b>	<b>200,328</b>	<b>265,465</b>	<b>314,404</b>	<b>360,806</b>	<b>402,350</b>	<b>471,739</b>	<b>533,956</b>	<b>606,787</b>
<b>Minority Interest</b>	-	-	13	73	491	656	952	1,012			
<b>Total shareholders' equity and liabilities</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>4,731,829</b>	<b>5,474,978</b>	<b>5,942,311</b>	<b>5,906,900</b>	<b>6,165,456</b>	<b>6,716,712</b>

Source : Company data, SWS Research

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