

May 2, 2018

增持
维持

结构优势

民生银行 (1988 HK)

Market Data: Apr 27

Closing Price (HK\$)	7.29
Price Target (HK\$)	8.35
HSCEI	12,067
HSCCI	4,465
52-week High/Low (HK\$)	9.00/7.00
Market Cap (USD Mn)	35,977
Market Ca (HK\$ Mn)	282,394
Shares Outstanding (Mn)	36,485
Exchange Rate (RMB-HK\$)	1.24

Price Performance Chart:



Source: Bloomberg

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"CHINA MINSHENG BANKING-H (1988 HK) -Ready to shine" Feb 12,2018

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Financial summary and valuation

	2016	2017	2018E	2019E	2020E
Net interest income (Rmbm)	94,684	86,552	95,958	107,513	122,437
YOY (%)	0.44	(8.59)	10.87	12.04	13.88
Net income (Rmbm)	47,843	49,813	53,381	58,923	65,955
YOY (%)	3.76	4.12	7.16	10.38	11.93
EPS (Rmb)	1.31	1.35	1.46	1.62	1.81
Diluted EPS (Rmb)	1.31	1.35	1.46	1.62	1.81
BVPS (Rmb)	9.12	10.10	12.47	14.04	15.80
ROAE (%)	14.86	13.81	12.60	11.84	11.78
NPL ratio (%)	1.68	1.71	1.70	1.74	1.79
CAR (%)	10.96	11.85	12.01	12.15	13.15
PE (x)	4.57	4.44	4.10	3.71	3.31
PB (x)	0.66	0.59	0.48	0.43	0.38

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

民生银行上周公布 2018 年第一季度业绩。2018 年总贷款同比增长 10.9%，总存款同比持平。净息差达到 1.61%，而 2016 年为 1.84%，2017 年为 1.50%。净利息收入同比下降了 23.9%，非息收入也同比下降了 5.9%。净利润达到 149 亿元人民币，同比上升 5.2%，EPS 达到了 0.41 元人民币。公司不良贷款率达到 1.71%，而 2016 年为 1.68%，2017 年为 1.71%，拨备覆盖率达到 172.2%，2016 年和 2017 年为 155%。核心以及资本充足率和总资本充足率分别达到 8.61%和 12.0%，而 2016 年为 8.95%和 11.7%。

主动资产配置。在 2017 年的政策收紧的环境下，那些融资能力强的，资产配置保守的银行脱颖而出。然而，自 2018 年，在经济恢复和银行间利率企稳的情况下，资产端的优势比负债端的更重要，那些表现落后并且资产配置激进的并且银行间负债占比高的银行将会逐渐赶上。（1）净息差：在经济企稳期间，净息差改善最重要的原因从低银行间负债变为高贷款占比和更强的定价能力。（2）资产质量：制造业的盈利能力和偿债能力明显改善，因此资产质量改善的主要驱动力从高零售贷款变为高企业贷款。民生银行曾经因为企业贷款占比高，在经济下行期间净息差和资产质量情况恶化，同时公司也会在经济上行期间拥有更高的净息差和资产质量改善空间。2017 年，民生银行总贷款和债券占公司总资产的 81%，而行业平均为 69%，公司企业贷款占总资产的占比为 61%，而行业平均值为 39%。同时由于资产质量企稳，公司还表示将会增加中小公司贷款占比。2017 年底，民生银行银行间负债占比从 32%降低至 28%，同时公司资产管理规模下降了 28%。

追落后。鉴于改革的不确定性提升以及潜在的再融资，我们对于板块估值恢复空间吃谨慎空间。然而，由于资产质量的担忧的移除以及银行间利率企稳，那些便宜落后的股票仍有估值修复的空间。未来，投资者将会提升仓位以防止表现明显落后于市场，他们可能会转向那些便宜的，基本面改善和估值修复空间更大的小银行。自 2017 年，民生银行股价下降了 2%（行业上涨了 40%）。目前，公司股价对应 0.49 倍 2018 年 PB，行业平均为 0.77 倍 PB 而公司历史平均 PB 为 0.72 倍。民生银行 H 股股价对 A 股有 18%的折价，而行业平均为 14%。

维持增持。我们维持公司 18-20 年 EPS 预测为 1.46/1.62/1.81 元，对应同比增长 7%/10%/12%。我们给予公司 0.55 倍的 2018 年目标 PB 以及 8.35 元的目标价，对应 14%的上升空间，我们维持增持评级。

Minsheng Banking reported 1Q18 total loans growth of 10.9% YoY and stable deposits. Net interest margin (NIM) reached 1.6% (17A: 1.5%). Net interest income fell 23.9% YoY, while fees and commission income fell 5.9% YoY. Net profit reached Rmb14.9bn (+5.2% YoY) and EPS hit Rmb0.41. We maintain our EPS forecasts at Rmb1.46 in 18E (+7.0% YoY), Rmb1.62 in 19E (+10.0% YoY) and Rmb1.81 in 20E (+12.0% YoY). We lower our target price from HK\$9.10 to HK\$8.35 (0.6x 18E PB). With 12.8% upside we maintain our Outperform recommendation.

Active asset portfolio. Since 2018, amid the recovering economy and stabilizing interbank rates, the asset side advantage may become more important than the liability side, and those laggard banks with more aggressive asset portfolios and heavier reliance on interbank liability started to catch up. (1) NIM: Amid the stabilizing economy, the key driving force for NIM enhancement changes from low interbank liability proportion to higher loans proportion as well as stronger pricing power. (2) Asset quality: the manufacturing industries enjoyed the most significant improvements in profitability and solvency. Therefore the key driving force for asset quality improvements changes from higher retail loans to higher enterprise loans. CMBC used to suffer in NIM and asset quality due to its focus on enterprise business in economic downturn, but it may also benefit more in potential NIM and asset quality improvements amid stabilizing economy. As of end 2017, CMBC's total loans and bonds accounted for 81% of total assets as compared to sector average of 69%, its enterprise loans proportion in total assets reached 61% as compared to sector average of 39%. It also indicates to increase its loans exposure to SMEs in 2018 due to stabilizing asset quality. As of end 2017, CMBC's interbank liability proportion in total liabilities declined from 32% to 28% and its WMP balance decreased by 28% YoY.

Chasing laggard. We have a relative cautious viewpoint on the sector's valuation recovery room in 2018 given the rising reform uncertainty as well as refinancing concern. However, for those cheap and laggard names, the removal of asset quality concern and stabilizing interbank rates could still support a valuation recovery. Looking forward, investors may increase their positions to prevent significantly underperforming the broad market and they may switch to those cheap and small banks with larger upside potential in fundamental improvements and valuation recovery. Since 2017, CMBC corrected by 2% (vs sector average: +40%). Currently it is trading at 0.43x 18E PB, as compared to sector average of 0.77x and its historical leading PB of 0.72x. CMBC H is trading at 18% discount to CMBC A, as compared to the sector average discount of 14%.

Maintain Outperform. We maintain our EPS forecasts at Rmb1.46 in 18E (+7.0% YoY), Rmb1.62 in 19E (+10.0% YoY) and Rmb1.81 in 20E (+12.0% YoY). We lower our target price from HK\$9.10 to HK\$8.35 (0.6x 18E PB). With 12.8% upside we maintain our Outperform recommendation.

APPENDIX

Fig 11: Income statement

Rmbm	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018(E)	2019(E)	2020(E)
Interest Income	58,436	70,720	117,281	151,887	182,154	199,052	203,382	203,918	230,910	249,466	274,589	303,985
Interest expense	(21,201)	(24,903)	(52,460)	(74,734)	(99,121)	(106,916)	(109,114)	(109,234)	(144,358)	(153,508)	(167,076)	(181,548)
Net interest income	37,235	45,817	64,821	77,153	83,033	92,136	94,268	94,684	86,552	95,958	107,513	122,437
Fee and commission income	5,006	8,753	15,991	22,091	33,061	42,293	55,107	56,266	54,068	58,934	64,238	70,020
Fee and commission expense	(342)	(464)	(890)	(1,568)	(3,105)	(4,054)	(3,902)	(4,005)	(6,326)	(6,895)	(7,516)	(8,192)
Net fee and commission income	4,664	8,289	15,101	20,523	29,956	38,239	51,205	52,261	47,742	52,039	56,722	61,827
NOPLAT	41,899	54,106	79,922	97,676	112,989	130,375	145,473	146,945	134,294	147,997	164,235	184,264
Other operating income	(448)	(139)	1,078	5,185	3,113	4,632	8,278	7,106	7,653	1,002	1,003	1,004
Operating income	41,451	53,967	81,000	102,861	116,102	135,007	153,751	154,051	141,947	148,999	165,238	185,268
Operating expense	(17,737)	(21,625)	(29,333)	(35,064)	(37,958)	(45,077)	(48,208)	(48,086)	(47,245)	(49,170)	(54,529)	(61,138)
Business tax and surcharges	(2,802)	(3,827)	(6,116)	(7,825)	(8,004)	(9,005)	(9,968)	(4,338)		(9,282)	(10,195)	(11,250)
Operating profit	20,912	28,515	45,551	59,972	70,140	80,925	95,575	101,627	94,702	90,547	100,515	112,879
Net non-operating income	51	(35)	-	-	-	-	-	-	0	(98)	(97)	(96)
Operating profit before provisions	20,963	28,480	45,551	59,972	70,140	80,925	95,575	101,627	94,702	90,449	100,418	112,783
Provision for impairment losses	(5,307)	(5,504)	(8,376)	(9,320)	(12,989)	(21,132)	(34,801)	(41,378)	(34,140)	(25,580)	(28,951)	(31,625)
Profit before tax	15,656	22,976	37,175	50,652	57,151	59,793	60,774	60,249	60,562	64,869	71,467	81,158
Income tax	(3,548)	(5,288)	(8,732)	(12,344)	(13,869)	(14,226)	(13,752)	(11,471)	(9,640)	(10,379)	(11,435)	(12,985)
Net profit	12,108	17,688	28,443	38,308	43,282	45,567	47,022	48,778	50,922	54,490	60,032	68,173
Minority interest	(4)	(107)	(523)	(745)	(1,004)	(1,021)	(911)	(935)	(1,109)	(1,109)	(1,109)	(2,218)
Net profit attributable to equity holders of the bank	12,104	17,581	27,920	37,563	42,278	44,546	46,111	47,843	49,813	53,381	58,923	65,955

Source: Bloomberg, SWS Research

Fig 2: Balance sheet

Rmbm	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018(E)	2019(E)	2020(E)
Assets												
Cash and Balance with central bank	226,054	266,835	332,805	420,418	433,802	471,632	432,831	524,239	442,938	498,340	543,191	592,078
Interbank	134,863	274,847	411,103	1,048,905	767,335	927,756	901,302	461,837	271,274	97,895	98,218	135,023
Loans and advances to customers	867,738	1,037,723	1,178,285	1,351,512	1,539,447	1,774,159	1,997,625	2,397,192	2,729,788	3,084,660	3,423,973	3,766,370
Investments	156,366	180,818	256,967	318,329	389,265	690,219	1,011,316	2,309,543	2,255,935	2,458,969	2,581,918	2,711,013
Non interest-bearing assets	41,371	63,514	49,904	72,837	96,361	151,370	177,614	203,066	202,151	125,303	135,659	147,030
Total	1,426,392	1,823,737	2,229,064	3,212,001	3,226,210	4,015,136	4,520,688	5,895,877	5,902,086	6,265,168	6,782,958	7,351,515
Liabilities												
Interbank	166,579	250,688	374,120	982,732	720,079	1,124,602	1,210,919	1,959,186	1,905,687	2,022,920	2,190,106	2,373,684
Deposits from customers	1,127,938	1,416,939	1,644,738	1,926,194	2,146,689	2,433,810	2,732,262	3,082,242	2,966,311	3,114,627	3,394,943	3,700,488
Debts issued	23,060	21,496	31,030	74,969	91,968	129,279	181,233	398,376	501,927	501,927	501,927	501,927
Trading and Derivative liabilities			787	1,335	1,883	2,558	3,663	11,145	21,449	21,449	21,449	21,449
Non interest-bearing liabilities	19,921	29,357	44,279	58,227	61,304	77,110	82,828	92,901	116,900	124,091	134,347	145,608
Total	1,337,498	1,718,480	2,094,954	3,043,457	3,021,923	3,767,359	4,210,905	5,543,850	5,512,274	5,785,014	6,242,772	6,743,156
Shareholders' equity												
Share capital	22,262	26,715	26,715	28,366	28,366	34,153	36,485	36,485	36,485	36,485	36,485	36,485
Capital reserve	38,181	37,787	38,360	45,714	49,234	49,949	64,744	64,744	64,753	64,753	64,753	64,753
Surplus reserve	4,184	5,903	8,647	12,330	16,456	17,077	25,361	30,052	34,914	39,895	45,233	51,126
General reserve	10,904	13,822	16,740	39,480	42,487	49,344	56,351	82,821	84,060	92,067	100,906	110,799
Retained earnings	12,503	19,881	39,245	37,615	64,023	90,019	116,826	130,630	163,420	235,002	279,749	329,919
Others			(110)	(428)	(2,854)	(400)	1,451	(2,142)	(4,662)			
Total shareholders' equity	88,034	104,108	129,597	163,077	197,712	240,142	301,218	342,590	378,970	468,203	527,126	593,081
Minority Interests	860	1,149	4,513	5,467	6,575	7,614	8,565	9,437	10,842	11,951	13,060	15,278
Total shareholders' equity and liabilities	1,426,392	1,823,737	2,229,064	3,212,001	3,226,210	4,015,115	4,520,688	5,895,877	5,902,086	6,265,168	6,782,958	7,351,515

Source: Bloomberg, SWS Research

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