

## Ping An Insurance Group - H (2318 HK)

**Overweight**

Price: HK\$81.95

11 Mar 2015

Price Target: HK\$130.00

PT End Date: 30 Jun 2015

**Strong & healthy 4Q results for Ping An Bank, asset quality concerns remain an overhang**

Ping An Bank continued its strong earnings momentum ~3% ahead of the consensus. (FY14 NP: actual: ~ Rmb19.8B, +30% y/y vs. consensus: ~ Rmb 19.2B) Reflecting fast-growing special loan balance (+105% y/y), overall NPL balance has also increased by 39% y/y, driving higher NPL ratio (1.02%, +4bp q/q). Thus, for the next couple of quarters, its gradual NPL ratio deterioration is likely to be the scenario and we factor in 1.78% of NPL ratio by Dec-15 into our earnings model. To be fair, 1) strong deposit growth (+26% y/y), 2) lower LDR ratio (65.4%, -4.3%p y/y), 3) strong fee business (+66% y/y), 4) large decrease in inter-bank financing, and 5) stable core Tier 1 CAR (8.64%) are positive takeaways from the full-year result. In our view, despite its risk/reward on higher NPL/strong earnings, compared to the last two years, the bank operation looks to be fairly stable and improved in many aspects (i.e., loan/deposit quality, capital etc.), partially mitigating the market concerns about its banking business outlook with less than ~30% of the Group's earnings contribution outlook. In short, post the strong banking result, we believe that investors could focus more on the Group's strong fundamental re-rating potential for Life/P&C, which looks to be not fairly pricing in at this stage ahead of the annual result date. (20 March, 2015)

- **Ping An Bank's 4Q results - continued earnings momentum, more evidence of customer migration, and stable capital position, but would need more NPL top-up ahead.** Ping An Bank (000001 CH), a subsidiary of Ping An Group (~59% stake), reported strong quarterly numbers. In its 4Q reporting, quarterly net profit increased to Rmb ~4.1B (+16% y/y) on the back of strong loan/deposit growth (+10%/ +26%) and fee income growth (+51% y/y). As well expected, NPL ratio rose to 1.02% (+4bp q/q, +13bp y/y). Thanks to lowered inter-bank borrowing, compared to 2013, overall NIM has improved to 2.57% (+26bp y/y). The core Tier 1 CAR remains solid (8.64%, -14bp q/q, +8bp y/y). Interestingly, the new customer migration from the Group reached ~3.26M (~72% of total new customers vs. total banking customer: ~18M) in 2014.
- **Concerns in the past vs. constructive outlook.** For the last two years, our impressions have been that investor communities have generally been concerned with the company's: 1) higher dependency on inter-bank borrowing (~30% of total borrowing in 2012/13 vs. 22% in 2014), 2) relatively weak balance sheet, 3) asset quality is more vulnerable under the credit-cycle deterioration in China (special mention loan balance: 3.6% of total loan, as of Dec-14), and 4) skeptical view of the business synergy between the insurance company and the bank (i.e., whilst the insurance policyholders are generally HNWI/ affluent mass, the banking customer is based on mass market and corporate). Although we do not say that its asset quality concern would be removed in the near term, we would argue that: 1) despite its record earnings, the bank's earnings contribution to the group will be lowered below 30% from 2014, 2) its balance sheet has strengthened, 3) the liability structure has improved, and 4) its business development leveraging ~80M insurance customers on track to generate higher fee income. Thus, in our view, coupled with monetary easing (or delaying on the asset quality concern), the bank's solid/healthy business development is expected to gradually mitigate the market sentiment, penalizing Ping An Group due to its non-insurance operations with better risk/ reward.
- **Wait for the Group result date (20 March, 2015).** Due to its business complexity and market concern on its chronic share price discount factors such as the trust/banking operation, the company is trading at valuation multiples at least ~40% cheaper compared to its peers. At the annual results day, its strong fundamental re-rating for the life (i.e., record 2H NBV margin of 36%, further agency business expansion) and the non-life (solid underwriting margin, higher earnings contribution with ~20%y/y premium growth) as well as more clarity on 'de-leveraging' on Ping An Trust under G-SIIs designation are expected to act as key share price catalysts we believe. ([China Insurance Sector: 2H14 Preview: How to Make Money as Yields Compress](#), March 11, 2015)

**Table 1: Ping An Bank: 4Q14 earnings results**

Rmb in millions, %

	4Q13	1Q14	2Q14	3Q14	4Q14	Q/Q	Y/Y	2013	2014	Y/Y
<b>Net interest income</b>	<b>11,632</b>	<b>11,550</b>	<b>13,004</b>	<b>13,864</b>	<b>14,628</b>	<b>6%</b>	<b>26%</b>	<b>40,688</b>	<b>53,046</b>	<b>30%</b>
<b>Non-Interest Income</b>	<b>3,212</b>	<b>4,550</b>	<b>5,629</b>	<b>6,054</b>	<b>4,128</b>	<b>-32%</b>	<b>29%</b>	<b>11,501</b>	<b>20,361</b>	<b>77%</b>
Fee Income	3,041	3,207	4,564	5,026	4,581	-9%	51%	10,456	17,378	66%
<b>Total Income</b>	<b>14,844</b>	<b>16,100</b>	<b>18,633</b>	<b>19,918</b>	<b>18,756</b>	<b>-6%</b>	<b>26%</b>	<b>52,189</b>	<b>73,407</b>	<b>41%</b>
Costs (including business tax)	(7,632)	(7,321)	(13,899)	(8,443)	(2,487)	-71%	-67%	(25,344)	(32,150)	27%
<b>Pre-provision op. profit (PPOP)</b>	<b>7,212</b>	<b>8,779</b>	<b>10,218</b>	<b>11,475</b>	<b>10,785</b>	<b>-6%</b>	<b>50%</b>	<b>26,845</b>	<b>41,257</b>	<b>54%</b>
Loan loss provision	(2,349)	(2,067)	(3,585)	(4,049)	(4,913)	21%	109%	(6,675)	(14,614)	119%
<b>Pre-tax profit</b>	<b>4,655</b>	<b>6,697</b>	<b>6,631</b>	<b>7,420</b>	<b>5,446</b>	<b>-27%</b>	<b>17%</b>	<b>20,040</b>	<b>26,194</b>	<b>31%</b>
Tax	(1,120)	(1,643)	(1,613)	(1,798)	(1,338)	-26%	19%	(4,809)	(6,392)	33%
<b>Net Income</b>	<b>3,535</b>	<b>5,054</b>	<b>5,018</b>	<b>5,622</b>	<b>4,108</b>	<b>-27%</b>	<b>16%</b>	<b>15,231</b>	<b>19,802</b>	<b>30%</b>

Source: Company reports.

**Table 2: Ping An Bank: Balance sheet trend**

Rmb in millions, %

	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	Q/Q	Y/Y
Liquid assets	685,668	636,091	587,681	600,771	738,337	690,564	629,902	597,744	-5%	-1%
Central bank	212,952	236,166	256,845	229,924	258,110	259,604	277,325	306,298	10%	33%
Other interbank	472,716	399,925	330,836	370,847	480,227	430,960	352,577	291,446	-17%	-21%
Net loans and advances	741,345	772,467	817,697	832,127	874,014	921,048	974,160	1,003,637	3%	21%
Investments	335,844	374,413	403,539	394,835	406,425	434,077	445,015	485,846	9%	23%
Other assets	44,453	40,164	42,882	59,829	74,150	86,711	91,269	94,934	4%	59%
<b>Total Asset</b>	<b>1,811,249</b>	<b>1,826,998</b>	<b>1,855,619</b>	<b>1,891,742</b>	<b>2,097,102</b>	<b>2,136,475</b>	<b>2,144,358</b>	<b>2,186,459</b>	<b>2%</b>	<b>16%</b>
<b>Borrowings</b>	<b>1,676,782</b>	<b>1,693,224</b>	<b>1,713,905</b>	<b>1,728,737</b>	<b>1,915,596</b>	<b>1,941,666</b>	<b>1,913,961</b>	<b>1,957,507</b>	<b>2%</b>	<b>13%</b>
Interbank	612,268	517,863	461,539	511,735	532,947	432,762	405,782	424,324	5%	-17%
Deposits	1,064,514	1,175,361	1,252,366	1,217,002	1,382,649	1,508,904	1,508,179	1,533,183	2%	26%
Long-term debt & sub-debt	9,587	9,592	9,597	8,102	17,108	21,605	45,481	41,750	-8%	415%
Other liabilities	31,941	29,584	33,604	39,129	42,871	47,314	53,668	51,994	-3%	33%
<b>Total Liabilities</b>	<b>1,722,490</b>	<b>1,735,456</b>	<b>1,760,706</b>	<b>1,779,660</b>	<b>1,979,802</b>	<b>2,015,535</b>	<b>2,017,622</b>	<b>2,055,510</b>	<b>2%</b>	<b>16%</b>
Common stocks	5,123	8,197	8,179	9,521	9,521	11,425	11,425	11,425	0%	20%
Capital surplus	43,337	43,050	42,256	56,088	56,253	54,494	54,668	56,753	4%	1%
Reserves	13,633	13,633	13,633	16,509	16,509	16,509	16,509	19,115	16%	16%
Retained earnings	26,666	26,662	30,827	29,963	35,017	38,512	44,134	43,656	-1%	46%
<b>Shareholders funds</b>	<b>88,759</b>	<b>91,542</b>	<b>94,895</b>	<b>112,081</b>	<b>117,300</b>	<b>120,940</b>	<b>126,736</b>	<b>130,949</b>	<b>3%</b>	<b>17%</b>

Source: Company reports.

**Table 3: Ping An Bank: Asset quality & Capital trend**

Rmb in millions, %, %p

	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	Q/Q	Y/Y
<b>Deposit</b>										
Corporate deposits	878,616	966,472	1,039,884	1,005,337	1,145,420	1,246,993	1,261,950	1,280,430	1%	27%
Retail deposits	185,898	208,889	212,482	211,665	237,229	261,911	246,229	252,753	3%	19%
<b>Total Deposit</b>	<b>1,064,514</b>	<b>1,175,361</b>	<b>1,252,366</b>	<b>1,217,002</b>	<b>1,382,649</b>	<b>1,508,904</b>	<b>1,508,179</b>	<b>1,533,183</b>	<b>2%</b>	<b>26%</b>
<b>Loan</b>										
Corporate loans	469,028	490,597	502,642	509,301	546,860	567,799	605,591	639,739	6%	26%
Discounted bills	32,683	8,893	5,771	12,338	9,062	16,529	14,852	12,413	-16%	1%
Retail loans	253,090	286,994	324,225	325,650	334,427	353,899	372,449	282,096	-24%	-13%
<b>Gross loans and advances</b>	<b>754,801</b>	<b>786,484</b>	<b>832,638</b>	<b>847,289</b>	<b>890,349</b>	<b>938,227</b>	<b>992,892</b>	<b>934,248</b>	<b>-6%</b>	<b>10%</b>
<b>Loan Classification</b>										
Normal	738,367	764,511	808,042	821,721	858,128	904,227	951,334	977,284	3%	19%
<b>Special mention</b>	<b>9,068</b>	<b>14,336</b>	<b>16,564</b>	<b>18,027</b>	<b>24,116</b>	<b>25,332</b>	<b>31,793</b>	<b>36,949</b>	<b>16%</b>	<b>105%</b>
Non-performing loans	7,366	7,637	8,032	7,541	8,105	8,668	9,765	10,501	8%	39%
Sub-standard	5,135	4,970	5,349	4,375	4,543	3,916	4,073	4,374	7%	0%
Doubtful	895	1,433	1,465	1,575	1,695	2,272	2,626	2,146	-18%	36%
Loss	1,336	1,234	1,218	1,591	1,867	2,480	3,066	3,981	30%	150%
<b>NPL</b>										
Net loans and advances	741,345	772,467	817,697	832,127	874,014	921,048	974,160	1,003,637	3%	21%
Non-performing loans	7,366	7,637	8,032	7,541	8,105	8,668	9,765	10,501	8%	39%
Loan loss provision	182.7%	183.5%	186.0%	201.1%	201.5%	198.2%	191.8%	200.9%	9%	0%
<b>NPL ratio</b>	<b>0.98%</b>	<b>0.97%</b>	<b>0.96%</b>	<b>0.89%</b>	<b>0.91%</b>	<b>0.92%</b>	<b>0.98%</b>	<b>1.02%</b>	<b>0.04%p</b>	<b>0.13%p</b>
<b>Capital</b>										
New Capital	91,089	94,072	99,217	115,884	130,834	137,819	144,085	149,951	4%	29%
Net Core Capital	75,412	78,099	82,711	100,161	105,496	109,194	115,004	119,241	4%	19%
Risk weighted assets	1,036,228	1,071,981	1,113,105	1,170,412	1,212,121	1,250,270	1,309,512	1,380,432	5%	18%
<b>Core Tier 1 CAR</b>	<b>7.28%</b>	<b>7.29%</b>	<b>7.43%</b>	<b>8.56%</b>	<b>8.70%</b>	<b>8.73%</b>	<b>8.78%</b>	<b>8.64%</b>	<b>-0.14%p</b>	<b>0.08%p</b>
CAR	8.79%	8.78%	8.91%	9.90%	10.79%	11.02%	11.00%	10.86%	-0.14%p	0.96%p

Source: Company reports.

## China Insurance Sector: Key notes series

### Capital: China New Solvency Framework (C-ROSS)

[Rising Capital Needs: Manageable under C-ROSS; Rewarding protection & Penalizing Savings](#) (March 5, 2015)

### Product: Life pricing liberalisation

[An important step towards life pricing liberalisation; positive for Ping An Group](#) (February 15, 2015)

### Macro: Monetary easing impact

[Balanced sector view on monetary easing, but clear upside for Ping An Group](#) (March 1, 2015)

### Positioning

[Value & Fundamentals: Ping An is our Top Pick, but upgrade New China Life-H to Neutral](#) (January 8, 2015)

### Trading Datapoint

[Key datapoints for adding to longs](#) (February 3, 2015)

### FY14 result preview (with details)

[China Insurance Sector: 2H14 Preview: How to Make Money as Yields Compress](#), (March 11, 2015)

### Investment Thesis

Following the strong start of the high-margin protection-type insurance market in China (mostly healthcare insurance), we think Ping An's agency-based business model will drive a sector-leading fundamental re-rating of the stock. The shares do not currently price in the insurance business transition resulting from the full-scale healthcare insurance market opening in China in our view. For major share price drivers, we highlight: 1) non-insurance-related business reshuffling potential as the only global systematically important insurers (G-SII) in Asia, 2) a gradual decrease in group earnings contribution from the bank (i.e., <30%), and 3) its strong earnings re-rating from the insurance operation from structural insurance market development in China.

### Valuation

Our Jun-15 PT of HK\$130 (SOTP-based) is derived from 14.1x NBM for life, 2.0x P/BV for non-life and 0.6x P/BV for the bank, and applies an appraisal value approach for the life insurance business, a P/BV approach for the non-life insurance and banking businesses, a P/E approach for the securities business and a 20% discount to holding company capital.

#### SOTP valuation

	HK\$	Methodology
Life operation	105.53	
Embedded value	48.00	Embedded value movement analysis
Goodwill	57.54	Implied P/EV of 2.2x & new business multiple of 14.1x
Non-life operation	15.14	ROE of 20.4%, CoE of 11.5% and 2.0x blended P/BV
Banking operation	7.54	Factored Rmb7.70 per Ping An Bank share
Securities operation	0.88	Based on 6.0x P/E
Holding company	5.91	20% discount to capital at holding company level
<b>Share price equivalent (Dec-15)</b>	<b>135.02</b>	<b>Sum-of-the-parts</b>
<b>Price target (Jun-15)</b>	<b>130.00</b>	

Source: J.P. Morgan estimates.

### Risks to Rating and Price Target

Downside risks to our rating and price target include: 1) asset quality concerns at the banking and trust operations; 2) weaker-than-expected household demand for protection-type products, resulting in poor NBV growth; and 3) a larger-than-expected deterioration in the non-life underwriting cycle.

---

**Insurance****MW Kim** <sup>AC</sup>

(852) 2800-8517

mw.kim@jpmorgan.com

**Bloomberg** JPMA MKIM <GO>**Josh Klaczek**

(852) 2800-8534

josh.klaczek@jpmorgan.com

J.P. Morgan Securities (Asia Pacific) Limited

---

[www.jpmorganmarkets.com](http://www.jpmorganmarkets.com)

J.P. Morgan does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

- **Beneficial Ownership (1% or more):** J.P. Morgan beneficially owns 1% or more of a class of common equity securities of Ping An Insurance Group - H.
- **Client:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as clients: Ping An Insurance Group - H.
- **Client/Non-Investment Banking, Securities-Related:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as clients, and the services provided were non-investment-banking, securities-related: Ping An Insurance Group - H.
- **Client/Non-Securities-Related:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as clients, and the services provided were non-securities-related: Ping An Insurance Group - H.
- **Investment Banking (next 3 months):** J.P. Morgan expects to receive, or intends to seek, compensation for investment banking services in the next three months from Ping An Insurance Group - H.
- **Non-Investment Banking Compensation:** J.P. Morgan has received compensation in the past 12 months for products or services other than investment banking from Ping An Insurance Group - H.

**Company-Specific Disclosures:** Important disclosures, including price charts and credit opinion history tables, are available for compendium reports and all J.P. Morgan–covered companies by visiting <https://jpm.com/research/disclosures>, calling 1-800-477-0406, or e-mailing [research.disclosure.inquiries@jpm.com](mailto:research.disclosure.inquiries@jpm.com) with your request. J.P. Morgan’s Strategy, Technical, and Quantitative Research teams may screen companies not covered by J.P. Morgan. For important disclosures for these companies, please call 1-800-477-0406 or e-mail [research.disclosure.inquiries@jpm.com](mailto:research.disclosure.inquiries@jpm.com).

[illegible]

Date	Rating	Share Price (HK\$)	Price Target (HK\$)
05-Jan-07	N	43.65	35.00
12-Apr-07	OW	40.30	50.20
17-Jul-07	OW	61.40	70.10
25-Oct-07	N	108.50	91.10
17-Mar-08	N	53.20	73.50
15-Aug-08	OW	48.90	61.90
16-Oct-08	OW	41.50	54.20
16-Jan-09	OW	36.35	50.70
09-Apr-09	N	52.40	50.40
07-Jul-09	N	57.60	61.60
15-Aug-09	N	65.00	64.00
16-Nov-09	N	73.60	81.00
14-Apr-10	N	69.65	--
18-Jun-10	OW	62.70	82.00
02-Sep-10	OW	64.35	86.00
28-Oct-10	OW	84.15	105.00
07-Mar-11	OW	82.75	101.00
07-Jul-11	OW	81.20	97.00
23-Sep-11	OW	56.55	80.00
26-Oct-11	OW	53.95	84.00
09-Jan-12	OW	50.35	72.00
02-Aug-12	OW	61.85	68.00
02-Sep-12	OW	55.55	65.00
30-Oct-12	OW	61.20	70.00
09-Jan-13	OW	68.75	76.00
07-May-13	NR	62.50	--
22-Jun-13	OW	53.60	77.00
30-Aug-13	OW	53.85	78.00

27-Oct-13	OW	58.00	84.00
14-Mar-14	OW	60.50	88.00
27-Aug-14	OW	65.25	100.00
08-Jan-15	OW	80.10	130.00

The chart(s) show J.P. Morgan's continuing coverage of the stocks; the current analysts may or may not have covered it over the entire period.

J.P. Morgan ratings or designations: OW = Overweight, N= Neutral, UW = Underweight, NR = Not Rated

#### Explanation of Equity Research Ratings, Designations and Analyst(s) Coverage Universe:

J.P. Morgan uses the following rating system: Overweight [Over the next six to twelve months, we expect this stock will outperform the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] Neutral [Over the next six to twelve months, we expect this stock will perform in line with the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] Underweight [Over the next six to twelve months, we expect this stock will underperform the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] Not Rated (NR): J.P. Morgan has removed the rating and, if applicable, the price target, for this stock because of either a lack of a sufficient fundamental basis or for legal, regulatory or policy reasons. The previous rating and, if applicable, the price target, no longer should be relied upon. An NR designation is not a recommendation or a rating. In our Asia (ex-Australia) and U.K. small- and mid-cap equity research, each stock's expected total return is compared to the expected total return of a benchmark country market index, not to those analysts' coverage universe. If it does not appear in the Important Disclosures section of this report, the certifying analyst's coverage universe can be found on J.P. Morgan's research website, [www.jpmmorganmarkets.com](http://www.jpmmorganmarkets.com).

**Coverage Universe: Kim, MW:** AIA Group Ltd (1299.HK), China Life Insurance - A (601628.SS), China Life Insurance - H (2628.HK), China Pacific Insurance Group - A (601601.SS), China Pacific Insurance Group - H (2601.HK), China Taiping Insurance Holdings (0966.HK), Dongbu Insurance (005830.KS), Hanwha Life Insurance (088350.KS), Hyundai Marine & Fire Insurance (001450.KS), Korean Reinsurance Company (003690.KS), New China Life Insurance - A (601336.SS), New China Life Insurance - H (1336.HK), PICC Group (1339.HK), PICC Property and Casualty (2328.HK), Ping An Insurance Group - A (601318.SS), Ping An Insurance Group - H (2318.HK), Samsung Fire & Marine Insurance (000810.KS), Samsung Life Insurance (032830.KS), Tong Yang Life Insurance (082640.KS)

#### J.P. Morgan Equity Research Ratings Distribution, as of January 1, 2015

	Overweight (buy)	Neutral (hold)	Underweight (sell)
J.P. Morgan Global Equity Research Coverage	45%	43%	12%
IB clients*	56%	49%	33%
JPMS Equity Research Coverage	45%	48%	7%
IB clients*	75%	67%	52%

\*Percentage of investment banking clients in each rating category.

For purposes only of FINRA/NYSE ratings distribution rules, our Overweight rating falls into a buy rating category; our Neutral rating falls into a hold rating category; and our Underweight rating falls into a sell rating category. Please note that stocks with an NR designation are not included in the table above.

**Equity Valuation and Risks:** For valuation methodology and risks associated with covered companies or price targets for covered companies, please see the most recent company-specific research report at <http://www.jpmmorganmarkets.com>, contact the primary analyst or your J.P. Morgan representative, or email [research.disclosure.inquiries@jpmorgan.com](mailto:research.disclosure.inquiries@jpmorgan.com).

**Equity Analysts' Compensation:** The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues.

**Registration of non-US Analysts:** Unless otherwise noted, the non-US analysts listed on the front of this report are employees of non-US affiliates of JPMS, are not registered/qualified as research analysts under NASD/NYSE rules, may not be associated persons of JPMS, and may not be subject to FINRA Rule 2711 and NYSE Rule 472 restrictions on communications with covered companies, public appearances, and trading securities held by a research analyst account.

#### Other Disclosures

J.P. Morgan ("JPM") is the global brand name for J.P. Morgan Securities LLC ("JPMS") and its affiliates worldwide. J.P. Morgan Cazenove is a marketing name for the U.K. investment banking businesses and EMEA cash equities and equity research businesses of JPMorgan Chase & Co. and its subsidiaries.

All research reports made available to clients are simultaneously available on our client website, J.P. Morgan Markets. Not all research content is redistributed, e-mailed or made available to third-party aggregators. For all research reports available on a particular stock, please contact your sales representative.

#### Legal Entities Disclosures

**U.S.:** JPMS is a member of NYSE, FINRA, SIPC and the NFA. JPMorgan Chase Bank, N.A. is a member of FDIC. **U.K.:** JPMorgan Chase N.A., London Branch, is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and to limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from J.P. Morgan on request. J.P. Morgan Securities plc (JPMS plc) is a member of the London Stock Exchange and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Registered in England & Wales No. 2711006. Registered Office 25 Bank Street, London, E14 5JP. **South Africa:** J.P. Morgan Equities South Africa Proprietary Limited is a member of the Johannesburg Securities Exchange and is regulated by the Financial Services Board. **Hong Kong:** J.P. Morgan Securities (Asia Pacific) Limited (CE number AAJ321) is regulated



by the Hong Kong Monetary Authority and the Securities and Futures Commission in Hong Kong and/or J.P. Morgan Broking (Hong Kong) Limited (CE number AAB027) is regulated by the Securities and Futures Commission in Hong Kong. **Korea:** J.P. Morgan Securities (Far East) Ltd, Seoul Branch, is regulated by the Korea Financial Supervisory Service. **Australia:** J.P. Morgan Australia Limited (JPMAL) (ABN 52 002 888 011/AFS Licence No: 238188) is regulated by ASIC and J.P. Morgan Securities Australia Limited (JPMSAL) (ABN 61 003 245 234/AFS Licence No: 238066) is regulated by ASIC and is a Market, Clearing and Settlement Participant of ASX Limited and CHI-X. **Taiwan:** J.P. Morgan Securities (Taiwan) Limited is a participant of the Taiwan Stock Exchange (company-type) and regulated by the Taiwan Securities and Futures Bureau. **India:** J.P. Morgan India Private Limited (Corporate Identity Number - U67120MH1992FTC068724), having its registered office at J.P. Morgan Tower, Off. C.S.T. Road, Kalina, Santacruz - East, Mumbai - 400098, is a member of the National Stock Exchange of India Limited (SEBI Registration Number - INB 230675231/INF 230675231/INE 230675231) and Bombay Stock Exchange Limited (SEBI Registration Number - INB 010675237/INF 010675237) and is regulated by Securities and Exchange Board of India. Telephone: 91-22-6157 3000, Facsimile: 91-22-6157 3990 and Website: [www.jpmpil.com](http://www.jpmpil.com). For non local research reports, this material is not distributed in India by J.P. Morgan India Private Limited. **Thailand:** This material is issued and distributed in Thailand by JPMorgan Securities (Thailand) Ltd., which is a member of the Stock Exchange of Thailand and is regulated by the Ministry of Finance and the Securities and Exchange Commission and its registered address is 3rd Floor, 20 North Sathorn Road, Silom, Bangrak, Bangkok 10500. **Indonesia:** PT J.P. Morgan Securities Indonesia is a member of the Indonesia Stock Exchange and is regulated by the OJK a.k.a. BAPEPAM LK. **Philippines:** J.P. Morgan Securities Philippines Inc. is a Trading Participant of the Philippine Stock Exchange and a member of the Securities Clearing Corporation of the Philippines and the Securities Investor Protection Fund. It is regulated by the Securities and Exchange Commission. **Brazil:** Banco J.P. Morgan S.A. is regulated by the Comissao de Valores Mobiliarios (CVM) and by the Central Bank of Brazil. **Mexico:** J.P. Morgan Casa de Bolsa, S.A. de C.V., J.P. Morgan Grupo Financiero is a member of the Mexican Stock Exchange and authorized to act as a broker dealer by the National Banking and Securities Exchange Commission. **Singapore:** This material is issued and distributed in Singapore by or through J.P. Morgan Securities Singapore Private Limited (JPMS) [MCI (P) 199/03/2014 and Co. Reg. No.: 199405335R] which is a member of the Singapore Exchange Securities Trading Limited and is regulated by the Monetary Authority of Singapore (MAS) and/or JPMorgan Chase Bank, N.A., Singapore branch (JPMCB Singapore) which is regulated by the MAS. This material is provided in Singapore only to accredited investors, expert investors and institutional investors, as defined in Section 4A of the Securities and Futures Act, Cap. 289. Recipients of this document are to contact JPMS or JPMCB Singapore in respect of any matters arising from, or in connection with, the document. **Japan:** JPMorgan Securities Japan Co., Ltd. is regulated by the Financial Services Agency in Japan. **Malaysia:** This material is issued and distributed in Malaysia by JPMorgan Securities (Malaysia) Sdn Bhd (18146-X) which is a Participating Organization of Bursa Malaysia Berhad and a holder of Capital Markets Services License issued by the Securities Commission in Malaysia. **Pakistan:** J. P. Morgan Pakistan Broking (Pvt.) Ltd is a member of the Karachi Stock Exchange and regulated by the Securities and Exchange Commission of Pakistan. **Saudi Arabia:** J.P. Morgan Saudi Arabia Ltd. is authorized by the Capital Market Authority of the Kingdom of Saudi Arabia (CMA) to carry out dealing as an agent, arranging, advising and custody, with respect to securities business under licence number 35-07079 and its registered address is at 8th Floor, Al-Faisaliyah Tower, King Fahad Road, P.O. Box 51907, Riyadh 11553, Kingdom of Saudi Arabia. **Dubai:** JPMorgan Chase Bank, N.A., Dubai Branch is regulated by the Dubai Financial Services Authority (DFSA) and its registered address is Dubai International Financial Centre - Building 3, Level 7, PO Box 506551, Dubai, UAE.

#### Country and Region Specific Disclosures

**U.K. and European Economic Area (EEA):** Unless specified to the contrary, issued and approved for distribution in the U.K. and the EEA by JPMS plc. Investment research issued by JPMS plc has been prepared in accordance with JPMS plc's policies for managing conflicts of interest arising as a result of publication and distribution of investment research. Many European regulators require a firm to establish, implement and maintain such a policy. This report has been issued in the U.K. only to persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is only available to relevant persons and will be engaged in only with relevant persons. In other EEA countries, the report has been issued to persons regarded as professional investors (or equivalent) in their home jurisdiction. **Australia:** This material is issued and distributed by JPMSAL in Australia to "wholesale clients" only. This material does not take into account the specific investment objectives, financial situation or particular needs of the recipient. The recipient of this material must not distribute it to any third party or outside Australia without the prior written consent of JPMSAL. For the purposes of this paragraph the term "wholesale client" has the meaning given in section 761G of the Corporations Act 2001. **Germany:** This material is distributed in Germany by J.P. Morgan Securities plc, Frankfurt Branch and J.P. Morgan Chase Bank, N.A., Frankfurt Branch which are regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht. **Hong Kong:** The 1% ownership disclosure as of the previous month end satisfies the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission. (For research published within the first ten days of the month, the disclosure may be based on the month end data from two months prior.) J.P. Morgan Broking (Hong Kong) Limited is the liquidity provider/market maker for derivative warrants, callable bull bear contracts and stock options listed on the Stock Exchange of Hong Kong Limited. An updated list can be found on HKEx website: <http://www.hkex.com.hk>. **Japan:** There is a risk that a loss may occur due to a change in the price of the shares in the case of share trading, and that a loss may occur due to the exchange rate in the case of foreign share trading. In the case of share trading, JPMorgan Securities Japan Co., Ltd., will be receiving a brokerage fee and consumption tax (shouhizei) calculated by multiplying the executed price by the commission rate which was individually agreed between JPMorgan Securities Japan Co., Ltd., and the customer in advance. Financial Instruments Firms: JPMorgan Securities Japan Co., Ltd., Kanto Local Finance Bureau (kinsho) No. 82 Participating Association / Japan Securities Dealers Association, The Financial Futures Association of Japan, Type II Financial Instruments Firms Association and Japan Investment Advisers Association. **Korea:** This report may have been edited or contributed to from time to time by affiliates of J.P. Morgan Securities (Far East) Ltd, Seoul Branch. **Singapore:** JPMS and/or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is 1% or greater, the specific holding is disclosed in the Important Disclosures section above. **Taiwan:** This material is issued and distributed in Taiwan by J.P. Morgan Securities (Taiwan Limited). **India:** For private circulation only, not for sale. **Pakistan:** For private circulation only, not for sale. **New Zealand:** This material is issued and distributed by JPMSAL in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money. JPMSAL does not issue or distribute this material to members of "the public" as determined in accordance with section 3 of the Securities Act 1978. The recipient of this material must not distribute it to any third party or outside New Zealand without the prior written consent of JPMSAL. **Canada:** The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, or solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. The information contained herein is under no circumstances to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. To the extent that the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities must be conducted through a dealer registered in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgment upon these materials, the information contained herein or the merits of the securities described herein, and any representation to the contrary is an offence. **Dubai:** This report has been issued to persons regarded as professional clients as defined under the DFSA rules. **Brazil:** Ombudsman J.P. Morgan: 0800-7700847 / [ouvidoria.jp.morgan@jpmorgan.com](mailto:ouvidoria.jp.morgan@jpmorgan.com).

**General:** Additional information is available upon request. Information has been obtained from sources believed to be reliable but JPMorgan Chase & Co. or its affiliates and/or subsidiaries (collectively J.P. Morgan) do not warrant its completeness or accuracy except with respect to any disclosures relative to JPMS and/or its affiliates and the analyst's involvement with the issuer that is the subject of the research. All pricing is as of the close of market for the securities discussed, unless otherwise stated. Opinions and estimates constitute our judgment as of the date of this material and are subject to change

without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The opinions and recommendations herein do not take into account individual client circumstances, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies to particular clients. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein. JPMS distributes in the U.S. research published by non-U.S. affiliates and accepts responsibility for its contents. Periodic updates may be provided on companies/industries based on company specific developments or announcements, market conditions or any other publicly available information. Clients should contact analysts and execute transactions through a J.P. Morgan subsidiary or affiliate in their home jurisdiction unless governing law permits otherwise.

"Other Disclosures" last revised November 29, 2014.

---

**Copyright 2015 JPMorgan Chase & Co. All rights reserved. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of J.P. Morgan.**