J.P.Morgan

Asia Pacific Equity Research

30 March 2015

China Pacific Insurance Group - H (2601 HK)

Overweight

Price: HK$35.55
27 Mar 2015
Price Target: HK$48.00
PT End Date: 30 Jun 2015

2H14 first cut: Life NBV acceleration offset by larger-than-expected P&C underwriting deterioration

Despite strong FY14 NBV growth (+16% y/y) with record margin, the overall result was blurred by poor underwriting control in its non-life operation (combined ratio: 103.8%). As a result, overall earnings for FY14 were below market expectations. (FY14 NP: Actual: 11.0B vs Consensus: 12.6B). However, **given that the company is one of the few YTD underperformers (CPIC-H: -10% vs Ping An-H/ China Life-H: +15%/ +6%, respectively) in our view, its poor P&C underwriting might be partially priced-in at current share price levels and/or its strong life fundamental acceleration looks not fairly valued**. Looking ahead, 1) underwriting turnaround potential for its non-life operation, 2) further acceleration on life NBV, and 3) more conservative liability reserving recognition during 2014 should suggest a better risk/return profile from earnings/ fundamental re-rating outlook for a year. We will review our estimates following the analyst briefing.

- **Worth reviewing the variance on weaker-than-expected earnings**. Contrary to high market expectations on its solid earnings outlook following the A-share market recovery/ life business re-rating, overall earnings do not look strong enough to meet this expectation (FY14 NP: Actual: 11.0B, +19% y/y vs Consensus: 12.6B). Based on our observations, its weaker-than-expected earnings reporting in FY14 was mainly due to the record deterioration in non-auto underwriting margin (combined ratio: 112.6%) and the normalization of its liability reserving top-up similar to peers (pretax basis additional reserving amount in FY14: Rmb ~4.6B). Given that the company's relatively aggressive liability reserving practice in 2012-14 has been the key concern among the investor community, we view its conservative reserving top-up with a positive angle. In addition, although the company did not well utilize better-than-expected industry non-life underwriting cycle during 2014, its conservative volume growth would suggest better-than-expected claim loss ratio potential for 1H15, in our view.

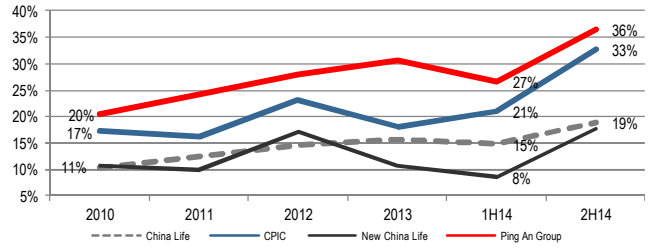
- **Clear sign on the life business acceleration.** Notably, thanks to faster-than-expected channel transformation into the agency-based business model (agency FYP out of total FYP: 54% vs 23%31%/42% in FY11/12/13), the company delivered double-digit NBV growth in 2014 with record product margin (FY14 NBV: ~ Rmb 8.7B, +16% y/y vs NBV margin: 25%). Coupled with solid in-force business growth (+9% y/y), its business de-coupling with the bancassurance channel should work as its key differentiation factor considering peers' still high business dependency on bancassurance channel (>70% of FYP) as well as margin compression (i.e., lower investment return, higher funding cost) on this channel following monetary easing and the life pricing liberalization outlook.

- **Large deterioration on non-life operation is expected to be stabilized gradually.** Although we have been bearish on its non-life underwriting margin for a year (JPMe: ~100%), we did not expect its 103.8% (+4.3%p y/y) combined ratio reporting for 2014. However, we do not think this is due to its under-reserving status on its past claims. We have reviewed the company's claim loss development table for last five years. In our view, overall IBNR reserving looks prudent and not likely to drive an additional claim jump in the near term. Instead, we found that the company has meaningfully increased its retention ratio (87%, +4%p y/y) taking more risk in the balance sheet for a year, seemingly leveraging its business on a better underwriting cycle trend in 2014. As well indicated in its non-auto combined ratio (112.6%, +14.2%p y/y), despite attractive historical underwriting margin (combined ratio: <90%), the non-auto (or casualty) underwriting generally shows higher risk/return profile as it is the tail risk underwriting. Considering auto pricing liberalization from April 2015 and the company's bad experience on casualty underwriting, in 2015, the company's non-life underwriting is expected to be stabilized in a way of: 1) lower retention ratio, 2) more focus on the auto insurance underwriting, and 3) selective casualty underwriting, we believe. Although we need to check the company's non-life strategy in the result presentation (9:30 AM Hong Kong, 30 March, 2015), we do not expect the company to take more tail risk in the balance sheet in 2015.

- **Price target, valuation and key risks.** We will review our estimates following the analyst briefing. Downside risks include: 1) slower than expected NBV growth, 2) potential liability reserve top-up, and 3) a worse-than-expected underwriting cycle in non-life.

Figure 1: China life insurers: NBV margin trend

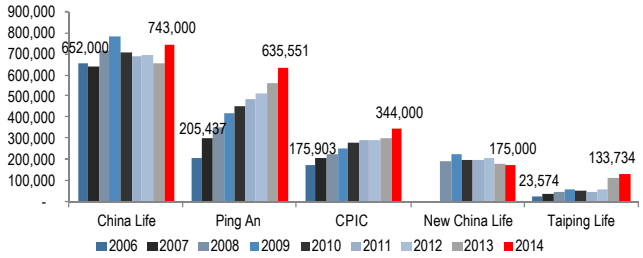
%



Source: Company reports
Note: NBV margin= NBV/ FYP

Figure 2: China life insurers: Agency headcount trend

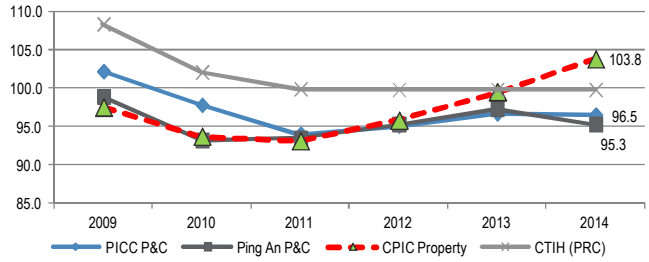
Person



Source: Company reports

Figure 3: China non-life insurers: combined ratio trend

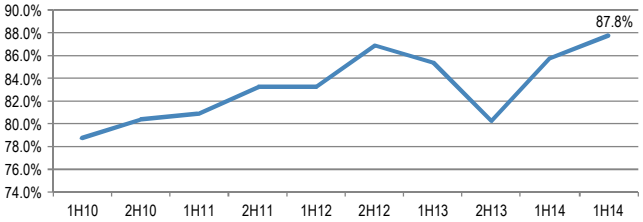
%



Source: Company reports

Figure 4: CPIC Property (PRC): Retention ratio trend

%



Source: Company reports and J.P. Morgan estimates.

Table 1: CPIC: 2H14 earnings results

Rmb in millions, %

	1H14	2H14	HoH Chg	YoY Chg	2H14E	Vs. Est	2013	2014	YoY Chg	2014E	Vs. Est
Gross written premium & fees	**108,413**	**83,392**	**-23%**	**7%**	**88,720**	**-6%**	**176,923**	**191,805**	**8%**	**197,133**	**-3%**
Premium ceded to re-insurers	(7,476)	(5,961)	-20%	-29%	(10,926)	-45%	(15,295)	(13,437)	-12%	(18,402)	-27%
Net written premium & fees	100,937	77,431	-23%	11%	77,794	0%	161,628	178,368	10%	178,731	0%
Chg. in unearned premium reserves	(5,309)	(168)	-97%	n.m.	1,389	n.m.	(2,003)	(5,477)	n.m.	(3,920)	40%
Net premium earned & fees	95,628	77,263	-19%	7%	79,183	-2%	159,625	172,891	8%	174,811	-1%
Total technical outgo	**(74,815)**	**(73,143)**	**-2%**	**18%**	**(71,476)**	**2%**	**(135,183)**	**(147,958)**	**9%**	**(146,291)**	**1%**
Total expenses	(25,213)	(25,403)	1%	26%	(21,731)	17%	(42,365)	(50,616)	19%	(46,944)	8%
Underwriting profits	(4,400)	(21,283)	n.m.	n.m.	(14,024)	52%	(17,923)	(25,683)	43%	(18,424)	39%
Investment income	**14,138**	**27,290**	**93%**	**75%**	**21,868**	**25%**	**30,972**	**41,428**	**34%**	**36,006**	**15%**
Other operating income	**(559)**	**(708)**	**27%**	**18%**	**(591)**	**20%**	**(1,135)**	**(1,267)**	**12%**	**(1,150)**	**10%**
Operating income	9,179	5,299	-42%	6%	7,253	-27%	11,914	14,478	22%	16,432	-12%
Profit before tax	9,179	5,321	-42%	7%	7,253	-27%	11,914	14,500	22%	16,432	-12%
Income tax	**(2,220)**	**(1,035)**	**-53%**	**-9%**	**(1,482)**	**-30%**	**(2,519)**	**(3,255)**	**29%**	**(3,702)**	**-12%**
Minority interests	(111)	(85)	-23%	63%	(134)	-37%	(134)	(196)	46%	(245)	-20%
Net income	**6,848**	**4,201**	**-39%**	**11%**	**5,637**	**-25%**	**9,261**	**11,049**	**19%**	**12,485**	**-12%**

Source: Company reports and J.P. Morgan estimates.

Table 2: CPIC: EV/ NBV Trend

Rmb in millions, %

	1H14	2H14	Ch. HoH	Ch. YoY	2H14E	Vs. Est	2013	2014	Ch. YoY	2014E	Vs. Est
Group EV	153,891	171,294	11%	19%	160,577	7%	144,378	171,294	19%	160,577	7%
NBV (at 100%)	5,230	3,495	-33%	8%	3,064	14%	7,499	8,725	16%	8,294	5%

Source: Company reports and J.P. Morgan estimates.

Investment Thesis

Established in 1991 and headquartered in Shanghai, CPIC is one of the few composite insurers in China with nationwide operations. As a top-three underwriter of both life and non-life insurance, we think the company's rapid business transformation into high-margin protection-type policies, backed by solid agency operations and improving efficiencies in non-life sales distribution with low-cost telemarketing, will see higher NBV/earnings growth momentum for 2015/16. The company's relatively poor P&C underwriting control is expected to be improved gradually with further scale increase and/or better underwriting experience.

Valuation

Our Jun-15 PT of HK$48 is based on our SOTP valuation, using 14x NBM for life and 2.1x P/BV for non-life. We use the appraisal value approach for the life business and P/BV for non-life. We then combine them and apply a 20% discount to capital at the holding company level to arrive at our PT of HK$48.

	HK$	Methodology
Life operation (FY15E)	34.7	Appraisal value
Embedded value	17.7	Embedded value movement analysis
Goodwill	16.9	Implied new business multiple of 13.5x
Non Life operation (FY15E)	8.8	20.3% ROE, 11.5% CoE & 2.1x blended P/BV
Others (FY15E)	2.3	20% discount on holding company capital
Share price equivalent (Dec-15)	**50.0**	**Sum-of-the-parts**
Share Price Target (Jun-15)	**48.0**	

Source: J.P. Morgan estimates

Risks to Rating and Price Target

Downside risks to our rating and price target include: 1) weak premium growth in the bancassurance channel; 2) slower-than-expected NBV growth from the protection market and 3) a faster-than-expected deterioration in auto underwriting performance, given increased competition.

Insurance

MW Kim [AC]

(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

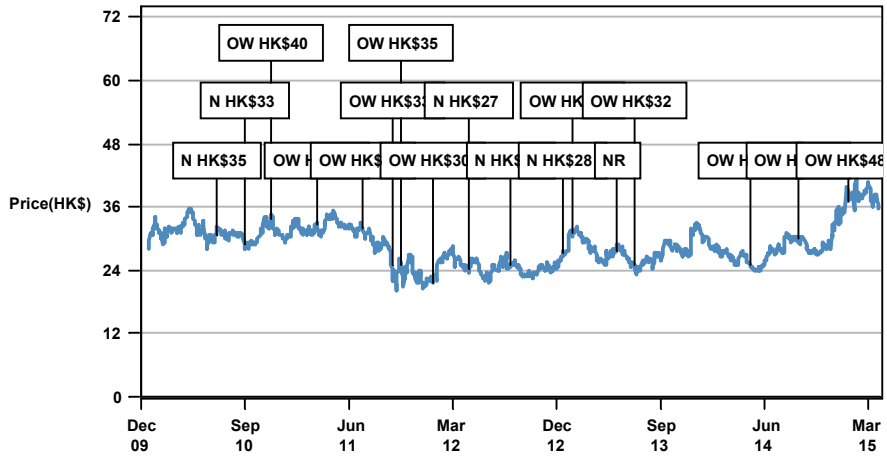
Analyst Certification: The research analyst(s) denoted by an "AC" on the cover of this report certifies (or, where multiple research analysts are primarily responsible for this report, the research analyst denoted by an "AC" on the cover or within the document individually certifies, with respect to each security or issuer that the research analyst covers in this research) that: (1) all of the views expressed in this report accurately reflect his or her personal views about any and all of the subject securities or issuers; and (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. For all Korea-based research analysts listed on the front cover, they also certify, as per KOFIA requirements, that their analysis was made in good faith and that the views reflect their own opinion, without undue influence or intervention.

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.

Important Disclosures

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://jpmm.com/research/disclosures, calling 1-800-477-0406, or e-mailing research.disclosure.inquiries@jpmorgan.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@jpmorgan.com.

China Pacific Insurance Group - H (2601.HK, 2601 HK) Price Chart



Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Break in coverage May 07, 2013 - Jun 22, 2013.

Date	Rating	Share Price (HK$)	Price Target (HK$)
18-Jun-10	N	30.90	35.00
30-Aug-10	N	28.70	33.00
07-Nov-10	OW	33.90	40.00
07-Mar-11	OW	32.55	39.00
07-Jul-11	OW	31.85	38.00
23-Sep-11	OW	24.90	33.00
18-Oct-11	OW	25.20	35.00
09-Jan-12	OW	21.50	30.00
13-Apr-12	N	24.15	27.00
02-Aug-12	N	25.20	26.00
17-Dec-12	N	27.45	28.00
09-Jan-13	OW	31.05	34.00
07-May-13	NR	27.75	--
22-Jun-13	OW	24.95	32.00
25-Apr-14	OW	25.00	34.00
25-Aug-14	OW	30.00	37.00
08-Jan-15	OW	37.30	48.00

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.jpmorganmarkets.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.jpmorganmarkets.com, contact the primary analyst or your J.P. Morgan representative, or email 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.jpmipl.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 (JPMSS) [MCI (P) 100/03/2015 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 JPMSS 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:** JPMSS 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.

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 March 28, 2015.
