



Equity Research | China | Banking

6 May 2016

Financial specialist operating across rural and urban areas of Chongqing

- With coverage of the entire Chongqing administrative region, Chongqing Rural Commercial Bank is the largest bank as measured by asset scale, and ranked No.1 in both county and urban areas in terms of physical outlet count.
- In 2015, the bank captured 24.3% new deposits and 33.3% new retail deposits in Chongqing. Moreover, its market penetration to county areas is extremely high, as the ratio of quantity of outstanding debt cards to population reached 112%.
- We initiate coverage on the bank with a Buy rating. Pegging on 2016E 0.91x PBR, derived from a three-stage Gordon Growth model, our price target of HKD5.85 implies 46.0% potential upside.

Well positioned in local markets

Thanks to the extensive physical network coverage, CQRC Bank has already possessed a large and secured client base in Chongqing, and has continued to leverage on this advantageous position. The bank maintains a rapid growth in customer deposits and by 2015 its market share in Chongqing has extended to 16.3%, up 6 bps and 118 bps compared with one and three years ago, respectively. With the inherited network and the gradual enhancement in electronic channels, we expect the bank to possess a 22.4 % local market share in three years' time.

Fee incomes from financial markets see good momentum

In 2015, net fee and commission income from financial market business posted a YoY growth of 26.6%, reaching RMB619mn which accounted for 41.4% of total net fees and commission income of the bank, with wealth management and bonds underwriting being the main drivers. Following the 50% YoY growth from wealth management and bonds underwriting, we expect the solid momentum to persist in the foreseeable future.

Asset quality is solid

We see moderate risk in the quality of loan book. At the time when large banks were facing severe pressure to meet the minimum regulatory line at 150% allowance-to-NPL ratio, CQRC Bank has maintained its ratio at 420%, which was much higher than the industry average of 181%. Moreover, by a more rigorous measure, the bank has raised its allowance-to-loans ratio to 4.11% by end-2015, which was more than sufficient considering its NPL ratio was only 0.98%.

Large upside based on valuation

We initiate coverage on CQRC Bank with a Buy rating. Pegging on 2016E 0.91x adjusted PBR, our TP of HKD5.85 implies 46.0% potential upside to spot. Trading at FY16E 0.59x PBR, 4.08x PER and 6.13% yield, the bank's current valuation looks compelling.

Chongqing Rural Commercial Bank (3618 HK)

Buy

(initiation)

Price Target (upside)	HK\$5.85 (46.0%)
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Close price	HKD4.01
Market cap.	HKD37.9bn
Free float	27.03%
52-week range	HKD3.47 – 6.94
3-mth ave. T/O	HKD48.45mn

Price as of 5 May 2016

Stock rel HSI performance (log scale)



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Valuation

We derived our 2016 year-end price target of HKD5.85 based on a three-stage Gordon Growth Model. The first-stage ROE forecast is based on the detailed projections till 2018 under conservative assumptions. COE and long-term ROE are estimated based on the historical financial and market data of Hong Kong listed companies.

Figure 1: Price targets in three scenarios

Priced on	2016-05-05	PBR x	BPS HKD	TP HKD	Upside
Closed at	4.01	adjusted	end-2016	end-2016	Potential
Bull case		1.03	6.44	6.64	65.6%
Base		0.91	6.43	5.85	46.0%
Bear case		0.86	6.29	5.41	35.0%

Source: CSCI Research

Figure 2: Primary assumptions in three-stage Gordon Growth Model

BASE CASE	First Stage	Second Stage	Terminal	BULL CASE	First Stage	Second Stage	Terminal
ROE	14.62%	13.05%	11.47%	ROE	16.93%	14.20%	11.47%
Growth	10.97%	9.79%	8.60%	Growth	12.70%	10.29%	8.03%
COE	12.49%	12.49%	12.49%	COE	12.49%	12.49%	12.49%
Payout Ratio	25.00%	25.00%	25.00%	Payout Ratio	25.00%	27.50%	30.00%
Lasting Years	3.0	3.0		Lasting Years	3.0	3.0	

Source: CSCI Research

Figure 3: Price-to-book multiples



Source: Bloomberg, CSCI Research

Figure 4: Price-to-earnings multiples



Source: Bloomberg, CSCI Research

Figure 5: Peer comparison

Company Name	Stock Code	Close Price	Local Ccy	Ttl Asst RMBbn 15A	Mkt Cap HKDmn 5May	Fr Flt % 15A	NIM % 15A	ROE %			PBR %			PER %			Div Yld % 15A	NPL Rto % 15A	Allw to Lns % 15A
								14A	15A	16E	14A	15A	16E	14A	15A	16E			
HK Listed																			
Chongqing	1963 HK	5.85	HKD	319.8	18,293	42.8	2.72	19.2	17.0	15.2	0.79	0.72	0.65	4.40	4.19	4.57	5.72	0.97	2.37
Huishang	3698 HK	3.75	HKD	636.1	41,437	28.6	3.30	16.7	15.9	14.5	0.90	0.84	0.79	5.80	5.61	5.59	5.37	0.98	2.47
Shengjiong	2066 HK	12.00	HKD	701.6	69,560	26.6	2.33	19.0	16.1	15.8	1.50	1.41	1.30	7.57	9.40	8.65	2.96	0.42	2.01
Harbin	6138 HK	2.20	HKD	444.9	24,190	27.5	3.48	15.5	14.2	14.0	0.65	0.61	0.56	4.69	4.50	4.27	6.17	1.40	2.43
CQRC	3618 HK	4.01	HKD	716.8	37,293	27.0	3.45	17.6	16.4	15.2	0.71	0.67	0.62	4.33	4.31	4.27	6.32	0.98	4.11
Qingdao	3866 HK	4.90	HKD	187.2	19,888	42.7	2.79	16.6	13.7	12.9	1.01	0.99	0.93	6.55	7.08	7.84	5.17	1.19	2.81
Zhengzhou	6196 HK	4.43	HKD	265.6	23,576	28.5	3.46	23.5	23.0	21.2	1.21	1.07	1.01	5.64	4.37	4.37	5.72	1.10	2.85
Jinzhou	416 HK	6.02	HKD	361.7	34,805	26.2	3.51	14.1	23.7	15.2	1.34	1.14	1.07	8.79	4.63	4.63	2.84	1.03	3.82
Tianjin	1578 HK	7.35	HKD	437.6	44,619	28.5	2.08	18.4	17.5	16.7	1.04	1.00	0.94	6.59	6.41	6.41	0.00	1.34	2.73
SH & SZ																			
Beijing	601169 CH	10.32	RMB	1,624.2	156,076	84.9	2.71	18.0	16.7	15.9	1.08	0.99	0.90	6.60	6.28	6.52	3.40	0.92	2.83
Nanjing	601009 CH	17.18	RMB	731.3	69,014	88.2	4.39	19.0	17.4	16.3	1.24	1.06	0.93	7.17	6.84	6.53	4.41	0.95	3.30
Ningbo	002142 CH	14.55	RMB	657.3	67,719	88.5	3.29	18.9	17.3	15.9	1.31	1.22	1.05	7.29	7.10	6.78	3.35	0.89	2.50

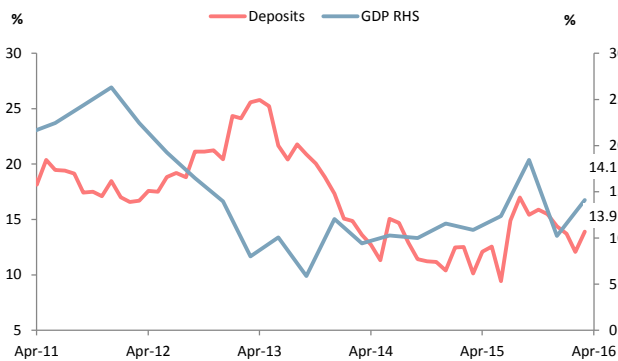
Source: Company, Bloomberg, CSCI Research

Well positioned in local markets

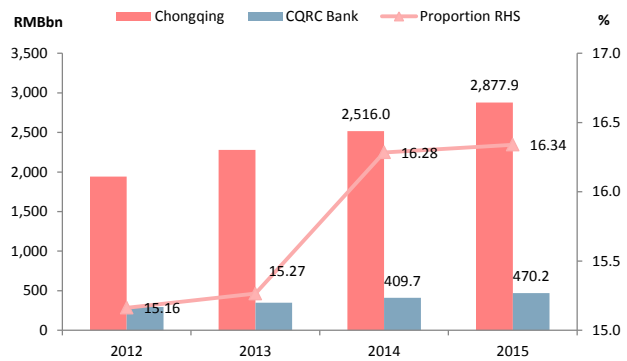
Competitive in deposit markets

In June 2008, Chongqing Rural Commercial Bank (CQRC Bank) was established on the basis of 40 rural financial institutions in Chongqing, namely, Chongqing Rural Credit Union, Chongqing Wulong Rural Cooperative Bank and 38 rural credit cooperative unions at country level. As at end of 2015, the bank had 1,773 physical operational outlets covering all the 38 administrative districts and counties in Chongqing, among which 1,459 are located in townships and villages in Chongqing and 311 are positioned in the urban areas of Chongqing. In terms of the number of outlets, the bank is ranked first in both county areas and urban areas of Chongqing.

Figure 6: Growth rate of deposits and GDP in Chongqing **Figure 7: Market share of deposits in Chongqing**



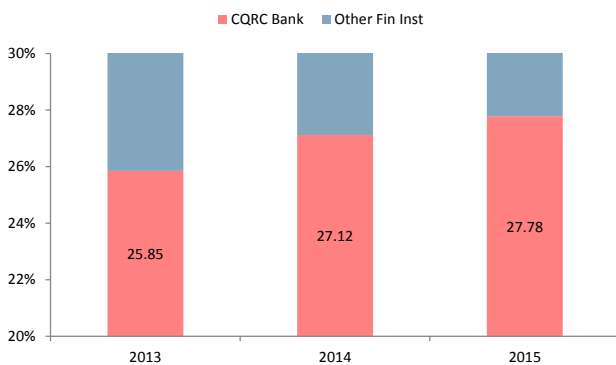
Source: PBoC, CSCI Research



Source: PBoC, CSCI Research

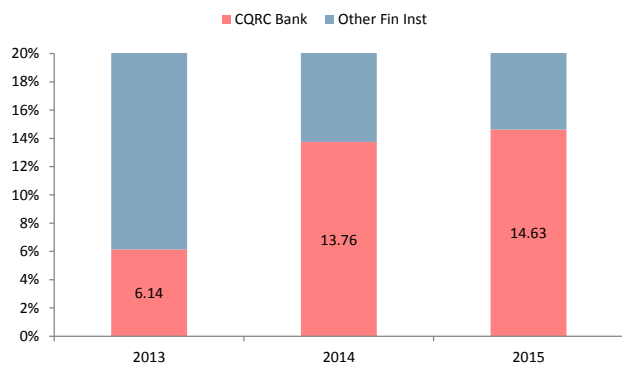
Thanks to the extensive physical coverage, the bank sits at a superior position among its peers in Chongqing and has continued to leverage on this advantageous position. The bank has maintained rapid growth in customer deposits in recent years and by 2015 its market share of customer deposits in Chongqing has extended to 16.3%. In the meantime, the bank's market shares of retail deposits and corporate deposits have also expanded accordingly. With reference to the company data, by 2015, 27.8% of the retail deposits and 14.6% of the corporate deposits in Chongqing were managed by the bank. In addition, 24.3% of the new deposits generated in Chongqing went to the bank; particularly, 33.3% of the new retail deposits, which are generally regarded as the most stable and low-cost funding source, went to the bank. And by end-2015, retail deposits have accounted for 73.5% of the total deposits of the bank.

Figure 8: Market share of retail deposits in Chongqing



Source: Company, CSCI Research

Figure 9: Market share of corporate deposits in Chongqing



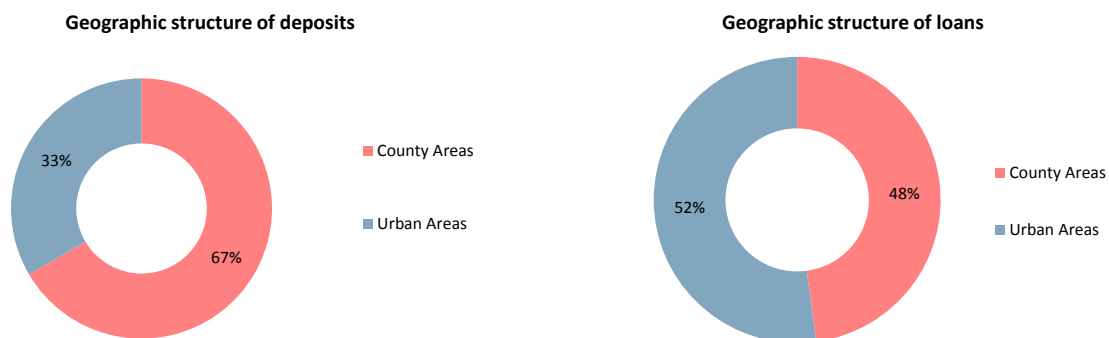
Source: Company, CSCI Research

In our view, given the rapid economic growth of Chongqing, where nominal GDP grew at 14.1% YoY by Mar-16, funding competitiveness along with the enlarging client base would further enhance the business advantages of the bank in the local economy. A superior performance of the bank is much expectable.

Financial specialist in county areas

Sannong financial services, i.e., financial services to agriculture, rural areas and the farmers, are the inherited advantages and long-term strategic focus of CQRC Bank. And the county areas are where the bank primarily carries out its Sannong financial services. As aforementioned, the bank has physically covered all the county areas in Chongqing, and to reinforce operational performance the Board has established a Sannong financial services committee and set up a Sannong Business Department specialised in management of Sannong-related credits, marketing and product innovation. The bank also made great efforts in the construction of electronic channels in the county areas, which in our view is very encouraging.

Figure 10: Deposits from county areas are much supportive to loans in urban areas



Source: Company, CSCI Research

High penetration of banking services in county areas

As at end-2015, the bank had 2,492 ATMs and 765 multi-media enquiry machines in the county areas and had also established 692 convenient rural financial self-service centres. In addition, the bank has promoted specialised cards and e-channel services to the market. Special privileges are provided to the cardholders of the Jiangyu Card, Jiangyu Xiangqing Card, and Farmer's Fortune Card. Meanwhile, credit card, personal internet banking and mobile banking services are also well established for serving the county areas.

Specifically, as at end-2015, the number of debit cards issued by the bank in the county areas amounted to 13,134,000, accounting for 78.5% of the debit cards issued by the bank and representing an increase of 1,512,700 over the end of the previous year. In consideration that the total population in the county areas of Chongqing was 11.8mn by 2015, the raw market penetration rate of bank cards of the bank has exceeded 100%. Moreover, the number of credit cards issued by the bank in the county areas has reach 258,200, accounting for 76.32% of the credit cards issued by the bank. And, 3,002,500 customers in the county areas, which accounted for 25.4% of the total population of Chongqing at the time, have opened for mobile phone banking services.

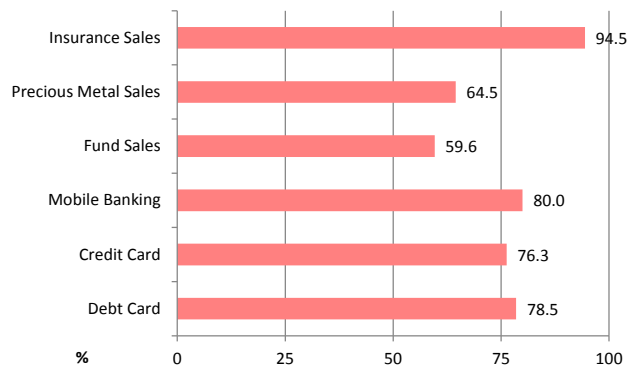
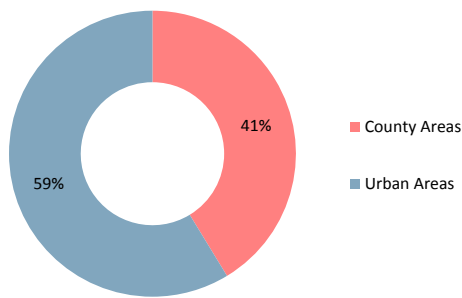
Innovative Sannong financial products

In accordance with particularities of the rural areas, the bank revised the management practices and operational procedures of Sannong credit to promote the integration of products and markets. Credit plans and incentives policies are carefully designed for the financial services in the county areas. Resources, including staff, funds, self-service machines, etc. were shifted towards the secondary outlets to make services convenient, timely, effective and satisfying. The bank also devised and implemented special marketing plans in a bid to drive the growth of personal banking business in county areas. Targeting at private business owners, farmer entrepreneurs and wealthy people, the bank developed personal products, on collateral of forest property rights, rural residential housing and contractual management rights of rural lands, to meet the diversified credit needs in the county areas.

Most of all, we see the social pension insurance accounts in Chongqing are being maintained by the bank. And the bank is the sole agency to carry out this accounting service to urban and rural residents throughout Chongqing. Departments of finance and social insurance have all opened social insurance accounts with the bank, bringing in nearly all of the residents with the capital balance of RMB10,364 million as at 31 December 2015. Specifically, in 2015, the number of individual pensions withheld by the bank amounted to 5,390,200 and balanced at RMB1,061 million; the number of individual pensions paid by the bank as an agent amounted to 46,847,000 and balanced at RMB5,251 million. In our view, these services are providing the bank with an extensive and secured customer base, and have been significantly facilitating the business development of the bank.

Figure 11: County areas contribute largely to intermediary businesses of CQRC Bank

Geographic structure of intermediary biz income



Source: Company, CSCI Research

Promising development outlook

As the bank has already possessed a large and secured client base in the local economy, in the long-run, with the inherited physical coverage and the gradual enhancement in electronic channels, we expect the bank to continue to grow its market share in Chongqing.

Figure 12: Development of electronic channels in 2015



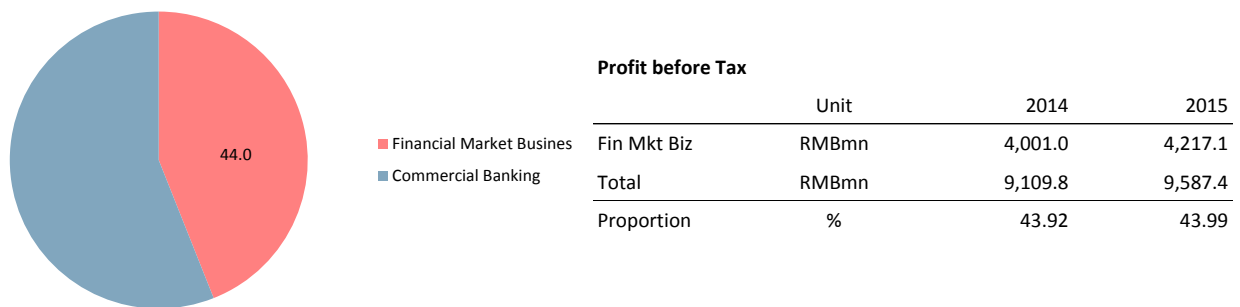
Source: Company, CSCI Research

Financial market as the new battle field

Financial market business is vital for the bank

In 2015, the profit before tax of the bank amounted to RMB9.6bn, among which RMB4.2bn has come from the financial market business. Moreover, the profit from financial markets contributed nearly half of the profit of the bank. Financial market business, including interbank business, debt securities investment, asset management, investment banking and custodial services, has become a major operation for the bank, compared to those conventional commercial banking services.

Figure 13: 44% profit before tax comes from financial market business in 2015



Source: Company, CSCI Research

Generally speaking, profitability of asset-liability management in the financial markets is relatively lower than in the loan-deposit markets. But income contribution from advisory services are much profitable than commercial banking clearing services. For treasury and investment businesses, it would be more encouraging for us to see a bank being risk-averse than being wild on making regulatory arbitrage. And for fee-generating businesses, we value skill-intensive income more than settlement and custodial income.

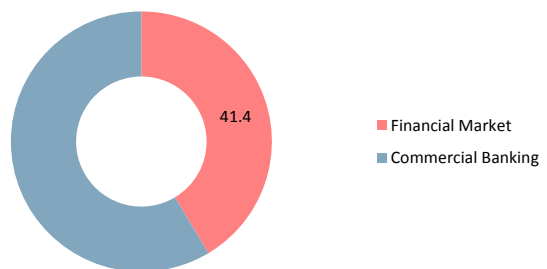
Figure 14: 62% assets on financial markets in 2015

Segment Assets	2014		2015	
	RMBmn	%	RMBmn	%
Financial Market	372,927.1	60.26	445,199.8	62.11
Net Loans and Advances	242,197.9	39.13	268,585.7	37.47
Total Assets	618,889.0	100.00	716,805.2	100.00

Source: Company, CSCI Research

Figure 15: 41% fee income comes from fin mkt in 2015

Sources of net fee and commission income



Source: Company, CSCI Research

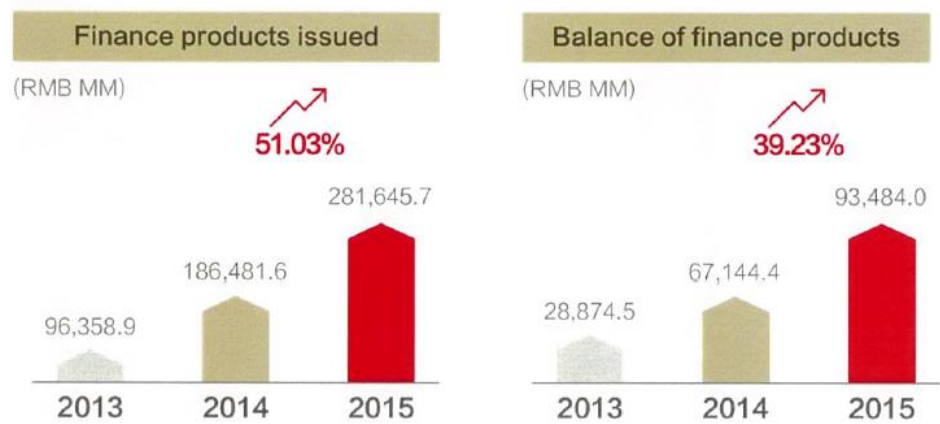
On readings from CQRC Bank, we didn't see extraordinary high yields from securities investment or negative NIS in interbank assets and liabilities, which are good signs of robust operations. However, for financial investments, weighting on receivables investments did increase dramatically from 30.8% in 2014 to 62.4% in 2015, weighting on held-to-maturity investments did reduce by 16.8 percentage points to 29.85%, and weighting on available-for-sale investments did reduce by 4.11 percentage points to 5.78% by end-2015. These moves indicate that the bank is getting more vulnerable to market risks, piling vaguer asset quality risks and tightening up its asset liquidity for short-term profitability. Moreover, by end-2015 the provision coverage ratio for

financial investment assets is just 0.69%, down 32 bps from 1.01% in the previous year, which makes these assets less secured. We expect the bank to increase its allowance to gross financial investments in future years and have intentionally increased the projected coverage ratio to reflect these hidden risks.

Fee incomes from financial markets see good growth momentum

In 2015, net fee and commission income from financial market business recorded a 26.6% YoY growth, and reached RMB619mn accounting for 41.4% of all net fee and commission income of the bank. Wealth management lines and bonds underwriting business were the main drivers for the rapid development of the fee-generating businesses. A 50% YoY growth from wealth management and bonds underwriting lines were recorded in 2015, and we expect the solid growth momentum to persist in the foreseeable future.

Figure 16: Rapid development of wealth management business



Source: Company, CSCI Research

For the wealth management business, we think the product lines of the bank are considerably rich and risks are well managed, hence, steady and continuous development is foreseeable. Specifically, besides the regular products such as “Building up Your Fortune (天添金)”, targeting interbank assets on short duration, as illustrated in the figure below, the bank also developed a series of products called “Happy Life in the Ba-Yu Region (幸福巴渝)”, categorised by the nature as trusts of beneficiary rights with duration ranging from one to three years, and there are also direct financing linked products, which are, by nature, non-standard corporate debt assets.

Figure 17: Wealth management products on sale

产品名称	预期年化收益率	产品期限	产品类型	认购日期
江渝财富“天添金”2016年第478期	4.30 %	88天	非保本浮动收益	20160504
江渝财富“天添金”2016年第477期	4.25 %	68天	非保本浮动收益	20160504
江渝财富“天添金”2016年第223期	4.40 %	181天	非保本浮动收益	20160504
江渝财富“天添金”2016年第222期	4.35 %	119天	非保本浮动收益	20160504
江渝财富“天添金”2016年第476期	4.20 %	32天	非保本浮动收益	20160503
江渝财富“天添金”2016年第474期	4.35 %	90天	非保本浮动收益	20160429

Wealth management products, named “Building up Your Fortune (天添金)”, issued from 20Apr16 to 4May16, with expected annualized return ranging from 4.2% to 4.4% (floating return not guaranteed) of duration ranging from 32 days to 181 days.

Source: Company, CSCI Research

In our view, “Building up Your Fortune”, “Happy Life in the Ba-Yu Region” and direct financing linked products together make up a complete product supermarket providing a wide range of choices for investors, which spanning from risk-return pair to time horizon. Moreover, the risk-return pair is more favourable to the investors than the industry average and many of its peers. According to our knowledge, this competitiveness would largely promote the products sales, especially in the local markets of Chongqing.

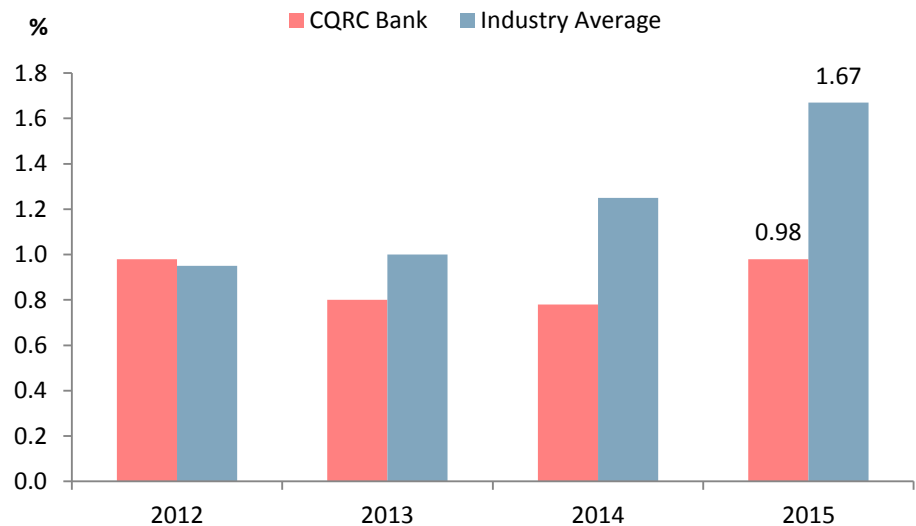
The Investment Banking Department of the bank has only been set up in early 2015, which completed the overall business lines of the bank. The bank has subsequently been qualified to take up businesses of corporate bond issuance and underwriting, financial consultation, capital bond financing and asset securitization. In 2015, a total of 92 bonds were offered and underwritten, amounting to RMB13.65 billion, which was impressive but at the same time it was explicable given the market penetration and client base of the bank. We expect a rapid expansion of the investment banking business of the bank, in light of the robust economic growth in Chongqing and leading position of the bank in the market.

Solid and superior asset quality

NPL ratio is much lower than industry average

Non-performing loans of the bank amounted to RMB2,629mn in 2015, and the NPL formation rate has picked up 34 bps. Nonetheless, the bank's NPL ratio is still low compared to the industry average on both absolute and relative regards. We see moderate risk in the asset quality of the loan book of the bank.

Figure 18: NPL ratio of CQRC Bank and China Banking Industry

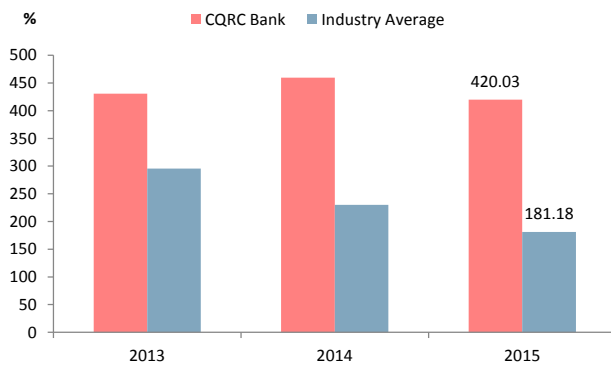


Source: Company, CBRC, CSCI Research

Provision for loans is much sufficient

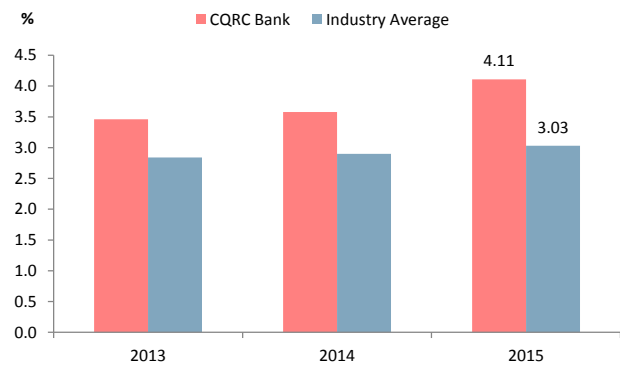
At the time when large banks are facing severe pressure of meeting the minimum regulatory line at 150% of allowance-to-NPL ratio, CQRC Bank has maintained its allowance-to-NPL ratio at 420%, which was much higher than the industry average of 181% by end-2015. Moreover, as a more rigorous measure, the bank has raised its allowance-to-total-loans ratio to 4.11% by the end of 2015, which was more than sufficient considering that its NPL ratio was only 0.98% at the time, when industry average was 1.67%.

Figure 19: Allowance to NPL



Source: Company, CBRC, CSCI Research

Figure 20: Allowance to total loans



Source: Company, CSCI Research

We think the overall asset quality of the bank is steady. This is especially true for the loan portfolio, however, as aforementioned, we are concerned about the bank's provision coverage for financial investments.



Investment risks

The operations of CQRC Bank, our forecasts and valuation are associated with multiple risks that are not fully considered in this report. Those risks include but not limited to sovereign risk, policy risk, operational risk and extreme currency risk.

BALANCE SHEET

RMBmn, Year End: Dec	2014	2015	2016E	2017E	2018E
Cash & Blc with Ctr Bk	79,334	78,500	82,305	87,811	93,022
Interbank Assets	158,867	153,314	179,693	202,684	227,633
Short-term Investment	16,990	4,158	5,989	11,635	18,366
Gross Loans	242,198	268,586	299,473	332,415	367,319
Allowance for Loans	8,678	11,045	12,877	14,626	16,529
Loans and Advances	233,520	257,541	286,596	317,789	350,789
Gross Fin Invest	118,934	210,683	241,974	286,085	335,546
Allwnc for Fin Invest	1,198	1,455	2,396	3,532	4,959
Financial Investment	117,736	209,227	239,578	282,553	330,587
Financial Lease	0	0	0	0	0
Interest in Associates	106	0	0	0	0
PP & E	4,353	5,211	6,097	7,073	8,134
Income Tax Deferred	2,151	2,554	2,995	3,324	3,673
Other Assets	5,832	6,299	6,835	7,382	7,972
TOTAL ASSETS	618,889	716,805	807,692	916,718	1,035,217
Interbank Liab	142,303	144,757	149,200	158,632	165,133
Due to Customers	409,720	470,228	537,941	614,060	699,414
Debt Securities Issued	5,000	34,847	48,462	64,170	82,817
Short-term Liab	500	2	2	2	2
Tax Payable	772	924	1,010	1,146	1,294
Other Liabilities	576,041	668,517	753,575	856,344	968,330
TOTAL LIABILITIES	576,041	668,517	753,575	856,344	968,330
Common Equity	41,426	46,763	52,577	58,809	65,289
Non-control Interests	1,422	1,525	1,540	1,565	1,599
TOTAL EQUITY	42,848	48,288	54,117	60,374	66,888

INCOME STATEMENT

RMBmn, Year End: Dec	2014	2015	2016E	2017E	2018E
Net Interest Income	18,349	20,166	21,972	23,840	25,715
Net Fee and Commission	1,070	1,495	1,895	2,356	2,838
Non-core Business	379	228	162	183	207
Operating Income	19,802	21,889	24,029	26,379	28,760
Operating Expenses	8,401	9,076	9,852	10,683	11,504
PPOP	11,402	12,813	14,177	15,695	17,256
Impairment Losses	2,297	3,236	3,935	4,810	5,872
Profit before Tax	9,110	9,587	10,242	10,885	11,384
Income Tax	2,297	2,360	2,560	2,721	2,846
Net Profit	6,813	7,228	7,681	8,164	8,538
Profit to Comm Eq	6,828	7,223	7,666	8,140	8,504
Profit to NCI	-15.40	4.55	15.36	24.49	34.15

BPS (RMB)	4.45	5.03	5.65	6.32	7.02
EPS (RMB)	0.73	0.78	0.82	0.88	0.91
DPS (RMB)	0.20	0.20	0.21	0.22	0.23
HKDCNY	0.79	0.84	0.88	0.92	0.97
BPS (HKD)	5.64	6.00	6.43	6.85	7.24
EPS (HKD)	0.93	0.93	0.94	0.95	0.94
DPS (HKD)	0.25	0.24	0.23	0.24	0.24

OPT INDICATORS

% , Year End: Dec	2014	2015	2016E	2017E	2018E
AIEA Yield	6.00	5.56	5.19	4.95	4.70
AIBL Cost	2.86	2.57	2.39	2.25	2.10
Net Interest Spread	3.14	2.99	2.80	2.70	2.60
Net Interest Margin	3.37	3.20	3.02	2.90	2.77
Loans to Deposits	59.1	57.1	55.7	54.1	52.5
Fee Inc to Opt Inc	5.4	6.8	7.9	8.9	9.9
Cost to Inc by Cal	42.4	41.5	41.0	40.5	40.0
Effective Tax Rate	25.2	24.6	25.0	25.0	25.0
NPL Formation Rate	0.19	0.53	0.75	1.00	1.25
NPL Ratio	0.78	0.98	1.20	1.44	1.78
Provision to Total Loans	3.58	4.11	4.30	4.40	4.50
Write-offs to NPL	8.6	28.2	40.0	50.0	50.0
Coverage Ratio	459.8	420.0	358.5	305.3	252.3
Credit Cost	0.76	1.11	1.00	1.11	1.21
Payout Ratio	27.24	25.75	25.00	25.00	25.00
ROAA	1.22	1.08	1.01	0.95	0.87
ROAE	16.68	15.89	15.43	14.62	13.71
RWA to Asst	66.80	66.46	67.00	67.50	68.00
Core Tier-1 CAR	10.12	9.88	9.77	9.55	9.32
Tier-1 CAR	10.12	9.89	9.78	9.56	9.32
Total CAR	12.45	12.09	11.66	11.40	11.13

GROWTH RATES

% , Year End: Dec	2014	2015	2016E	2017E	2018E
Net Interest Income	16.8	9.9	9.0	8.5	7.9
Net Fee and Commission	57.4	39.8	26.8	24.3	20.5
Operating Income	21.4	10.5	9.8	9.8	9.0
Operating Expenses	16.6	8.0	8.5	8.4	7.7

PPOP	25.2	12.4	10.6	10.7	9.9
Impairment Losses	94.5	40.9	21.6	22.2	22.1
Pre-Tax Profit	15.1	5.2	6.8	6.3	4.6
Net Profit	13.3	6.1	6.3	6.3	4.6
Profit to Equity	14.0	5.8	6.1	6.2	4.5

Gross Loans and Adv	18.0	10.9	11.5	11.0	10.5
Total Assets	23.2	15.8	12.7	13.5	12.9
Risk Weighted Assets	35.0	15.2	13.6	14.3	13.8
Due to Customers	17.8	14.8	14.4	14.2	13.9
Total Liabilities	23.7	16.1	12.7	13.6	13.1
Common Equity	14.3	12.9	12.4	11.9	11.0

MULTIPLES

Spot (HKD) 4.01, HKDCNY@0.83872	2014	2015	2016E	2017E	2018E
Year End: Dec					
PBR (x)	0.76	0.67	0.59	0.53	0.48
PER (x)	4.61	4.31	4.08	3.84	3.68
Div Yld (%)	5.95	5.95	6.13	6.51	6.80

Source: Company, Bloomberg, CSCI Research estimates



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Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index; Time Horizon: 12 months

Buy	12-month absolute total return: $\geq 10\%$
Hold	12-month absolute total return: $> -10\%$ but $< 10\%$
Sell	12-month absolute total return: $\leq -10\%$

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