March 31, 2014 Equity Focus Rating: NR

H-Share price (HK\$)

4.4

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Key Data

ncy bata	
52Wk H/L(HK\$)	5.53/3.58
Issued shares (mn)	36,257
H-Shares (mn)	11,660
Domestic (mn)	24,597
Market cap	
H-shares (HK\$ mn)	51,303
Domestic (HK\$ mn)	108,227
3-mth avg daily turnover (HK\$ mn)	462.79
Major shareholder(s) (%):	
MOF	67.84
NSSF	8.19
UBS	4.15
CITIC Capital	1.69
Stanchart	1.26

Source(s): Company, Bloomberg, ABCI Securities

2013 revenue breakdown (%)

NPL operation	51.5
Investment and AM	21.2
Financial services	28.6
Others	(1.3)

Source(s): Company, ABCI Securities

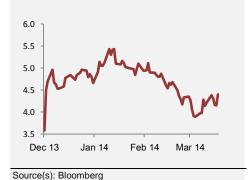
Share performance (%)

	Absolute	Relative"
1-mth	(5.6)	(4.0)
3-mth	(9.1)	(4.2)
6-mth	na	na

*Relative to HSI

Source(s): Bloomberg, ABCI Securities

1-Year stock performance (HK\$)



Cinda (1359 HK) Key takeaways from analyst briefing

- Cinda's FY13 net profit was 4% above consensus, up 23.6% YoY; DA segment continued to be the major profit contributor
- Acquisition cost of traditional DA remained stable while return rate improved in 2H13. Return rate of restructured DA edged down slightly in 2H13 on risk adjustment
- Disposal of DES portfolio accelerated in 2013, mainly from the listed portfolio
- The Group increased its reliance on borrowings to reduce funding from repo /payables from MOF & central bank. Funding cost remained stable in 2013
- Cinda is trading at 1.48x 14E consensus P/B with ROAE at 13.8% after IPO dilution

FY13 net profit was above consensus. Cinda's 2013 net profit was reported at RMB 9,027mn, up 23.6% YoY and 4% above consensus. Distressed asset (DA) segment continued to be the core business driver, with its segmental total asset and PBT accounting for 58.9% and 70.3% of total, compared to 54.2% and 64.4% last year. Based on its first-mover advantage, Cinda's income from non-financial DA portfolio increased significantly by 190.5% YoY and aggregated to 42.7% of DA income.

Sustainable return rate in DA portfolio. Traditional DA income grew by 14.1% YoY to RMB 4,534mn, with a stable return at 111.3% (2012: 112.5%). In particular, return rate in 2H13 improved. Management indicated that traditional NPL acquisition price is stable at an average of 70% discount. Given regulators are encouraging banks to clean up their NPL portfolio; pricing pressure should be limited with solid demand. Meanwhile, return rate of restructured type NPL slightly reduced in 2H13, reflecting Cinda's effort in risk adjustment. Sector-wise, the Group reduced its focus on real estate from 68.5% in 2012 to 60.3% in 2013; geographically, more focus was placed in tier 1/2 cities. Consequently, its impaired asset ratio improved by 20bps YoY to 1% in 2013 with a lower return rate.

Increasing pace to dispose debt-equity swap (DES) assets. Cinda increased its pace to dispose DES assets whose total balance reduced from RMB 48.2bn in 2012 to RMB 42.3bn. Assets sold were mainly from its listed portfolio, in which the number of listed DES companies decreased from 69 in 2012 to 26 in 2013. Listed equities accounted for 19.3% of total DES book in 2013 from 24.4% in 2012. Management indicated that future disposal will depend on both the return rate and disposal pace.

Stable funding cost. Funding sources of Cinda has been modifying over time. Borrowings increased from 49.9% of IBL in 2012 to 72.5% in 2013; funding through repo/AP with MOF & central bank reduced from 12.3%/29.6% in 2012 to 10.9%/11.1% in 2013. However, the Group borrowing cost was stable with an interest rate of 4.75% -6.9% in 2013, versus 4.8% -6.9% in 2012.

Valuation. Cinda is current trading at 1.48x 14E consensus P/B. ROAE was reported at 13.8% in 2013 after IPO dilution. Excluding the IPO impact, ROAE in 2013 was flat yoy at 15.6%.

Risk factors: 1) Sharp deterioration in asset quality reduces recovery rate of distressed asset portfolio; 2) Sustainability of asset acquisition pricing; 3) Increasing competition with provincial AMCs.

Results and Valuation

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FY ended Dec 31	2010A	2011A	2012A	2013A
Revenue (RMB mn)	24,260	24,382	32,335	42,413
Chg (%, YoY)	-	0.5	32.6	31.2
Net profit (RMB mn)	7,399	6,763	7,306	9,027
Chg (%, YoY)	-	(8.6)	8.0	23.6
EPS (RMB)	0.32	0.27	0.25	0.30
Chg (%, YoY)	-	(15.6)	(7.4)	20.0
BVPS (RMB)	1.47	1.50	1.90	2.50
Chg (%, YoY)	-	2.0	26.7	31.6
P/E (x)	11.00	13.04	14.08	11.73
P/B (x)	2.39	2.35	1.85	1.41
ROE (%)	25.5	18.1	15.8	13.8
ROA (%)	6.3	4.2	3.4	2.9

Source(s): Bloomberg, ABCI Securities



Consolidated income statement (2010A-2013A)

Per lend Dec 31 (RMB m)	Consolidated income statement (2010A-2013A)				
FV changes 6,277	FY Ended Dec 31 (RMB mn)	2010A	2011A	2012A	2013A
FV changes 6,277	Revenue from loan and receivable NPLs	0	181	3,518	10,144
Investment income		6,277	4,504	4,278	5,157
Net insurance premium	•	4,835	5,779		7,044
Sales of Inventories					
Other income 4.416 4.984 8,761 9.975 Total revenue 24,260 24,382 32,335 42,413 Insurance expenses 4,434 5,337 4,690 5,019 Fee and commission expenses 697 804 901 869 Cost of good Sold 2,855 1,844 2,392 2,272 Finance cost 1,396 1,807 3,988 7,804 Stal costs 2,367 2,672 3,418 3,797 Depreciation cost 500 429 4,449 4,379 Business tax and surcharge 500 429 3,418 3,797 Depreciation cost 500 429 3,448 3,797 Collegancy penses 1,784 2,035 2,266 1,234 Business tax and surcharge 9,458 5,355 3,135 1,1812 Collegan penses 1,480 5,000 6,153 61,22 2,000 30,601 Operating pensits 9,458 8,355 9,135<			·		
Total revenue					
Insurance expenses		-		· ·	
Fee and commission expenses		,	,	,	, -
Cost of good sold 2,655 1,844 2,392 2,720 Finance cost 1,366 1,807 3,688 7,840 Staff costs 2,367 2,672 3,418 3,797 Depreciation 500 429 449 449 Susiness tax and surcharge 504 562 786 1,234 Other operating expenses 1,784 2,035 2,266 2,570 Impairment losses 496 557 4,601 6,153 Total operating expenses 14,803 16,027 23,200 30,601 Operating profits 9,458 8,355 9,135 11,812 500 Other income/expenses (6) 50 (52) (540) 10,702 (540) 10,702 (540) 11,712 10,000 11,722 10,000 11,722 10,000 11,722 10,000 11,722 10,000 11,722 10,000 11,722 10,000 10,000 10,000 10,000 10,000 10,000 10,000	Insurance expenses	4,434	5,337	4,690	5,019
Cost of good sold 2,655 1,844 2,392 2,720 Finance cost 1,366 1,807 3,698 7,808 Staff costs 2,367 2,672 3,418 3,797 Depreciation 500 429 449 434 Business tax and surcharge 504 562 786 1,234 Other operating expenses 1,784 2,035 2,266 2,570 Impairment losses 4,98 537 4,601 6,153 Total operating expenses 1,4803 16,027 23,200 30,601 Operating profits 9,458 8,355 9,135 11,812 500 Other income/expenses (6) 50 6,53 612 500 Other income/expenses (6) 50 (550 (540) 790 1,732 Income tax expenses (6) 50 (550 1,732 1,730 1,732 1,734 1,730 1,732 1,732 1,732 1,732 1,732 1,732	Fee and commission expenses	697	804	901	869
Finance cost 1,366 1,807 3,698 7,804 518ff costs 2,367 2,672 3,418 3,790 518ff costs 2,367 2,672 3,418 3,790 518ff costs 500 429 449 434 434 434 434 434 434 434 434 434 434 434 434 434 435 436 527 4,601 6,153 6,153 6,163 6,153 6,163 6,153 6,163 6,153 6,163 6,153 6,163 6,153 6,163 6,153 6,163 6,153 6,163 6,153 6,163 6,153 6,163 6,153 6,163 6		2,655	1,844	2,392	2,720
Depreciation 500 429 449 434 Business tax and surcharge 504 562 786 1,234 Other operating expenses 1,784 2,035 2,266 2,570 Impairment losses 496 537 4,601 6,153 Total operating expenses 14,803 16,027 23,200 30,601 Operating profits 9,458 8,355 9,135 11,812 Share of results of Associates 505 663 612 500 Other income-dexpensess (6) 50 6152 (540) Profit before tax 9,956 9,058 9,596 11,772 Income tax expenses 2,454 2,272 2,379 2,671 Minority interest 104 24 (89) 74 Net profit 7,399 6,763 32.6 31.2 Total revenue na 0.5 32.6 31.2 Total fevenue na 0.5 32.6 31.2 Total	<u> </u>	1,366	1,807	3,698	7,804
Business tax and surcharge 504 562 786 1.234 Other operating expenses 1,784 2,035 2,266 2,570 Impairment losses 496 537 4,601 6,153 Total operating expenses 14,803 16,027 23,200 30,601 Operating profits 9,58 8,355 9,135 11,812 Share of results of Associates (6) 50 (152) (500) Other income/expenses (6) 50 (152) (540) Other income/expenses 2454 2,272 2,379 2,611 Income/expenses 0 0 0 0	Staff costs	2,367	2,672	3,418	3,797
Business tax and surcharge 504 562 786 1,234 Other operating expenses 1,784 2,05 2,26 2,570 Impairment losses 4,96 537 4,601 6,153 Total operating expenses 14,803 16,027 23,200 30,601 Operating profits 9,58 8,355 9,135 118,112 Share of results of Associates 60 50 (152) (500) Other income/expenses (6) 50 (50 (50 Other income/expenses 2454 2,27 2,379 2,61 Microtin Evente 3 0 3 3 3	Depreciation	500	429	449	434
Other operating expenses (mpsiment) losses 1,784 (a)6 (a)53 (a)7 (a)6 (a)153 2,266 (a)53 (a)601 2,570 (a)1601 Total operating expenses 14,803 (a)601 16,027 (a)23,200 30,601 Operating profits 9,458 (a)55 (a)53 (a)2 (b)00 3,55 (a)2 (b)00 505 (a)5 (a)2 (b)00 615 (a)5 (b)0 11,812 (b)00 505 (a)5 (a)5 (a)5 (a)5 (a)5 (a)5 (a)5 (a)	•	504	562	786	1,234
Impairment losses 496 537 4,601 6,153 Total operating expenses 14,803 16,027 23,200 30,601 Operating profits 9,458 8,355 9,135 11,812 Share of results of Associates 505 653 612 500 Other income/expenses (6) 500 (152) (540) Profit before tax 9,956 9,058 9,599 2,696 11,772 Income tax expenses 2,454 2,272 2,379 2,671 Minority interest 104 2,42 (89) 7,48 Net profit 7,399 6,763 7,306 9,027 Income tax expenses na 0.5 32.6 31.2 Total revenue na 0.5 32.6 31.2 Total revenue na 0.5 32.6 31.2 Total poperating expenses na (11,7) 9.3 29.3 Profit before tax na 9.90 3.3 28.3 27	<u> </u>	1,784	2,035	2,266	2,570
Total operating expenses 14,803 16,027 23,200 30,601 Operating profits 9,458 8,355 9,135 11,812 Share of results of Associates 505 653 612 500 Other income/expenses (6) 50 (152) (540) Profit before tax 9,956 9,058 9,596 11,772 Income tax expenses 2,454 2,272 2,379 2,671 Minority interest 104 24 (89) 74 Net profit 7,399 6,763 7,306 30.27 Crowth (%) 3 3 4.48 31.2 Total revenue na 0.5 32.6 31.2 Total perating expenses na (11,7) 9.3 2.27 Profit before tax na (11,7) 9.3 2.23 Net profit margin 30.3 34.3 28.3 29.2 Net yatios (%) 30.5 27.7 22.6 21.3 Cost to income <td>, , ,</td> <td></td> <td></td> <td></td> <td></td>	, , ,				
Share of results of Associates 505 653 612 500 Other income/expenses (6) 50 (152) (540) Profit before tax 9,956 9,058 9,556 11,772 Income tax expenses 2,454 2,272 2,379 2,671 Minority interest 104 24 (89) 7,406 Net profit 7,399 6,763 7,306 9,027 Growth (%) Total operating expenses na 0.5 32.6 31.2 Total operating expenses na (11.7) 9.3 29.3 Profit before tax na (11.7) 9.3 29.3 Profit before tax na (9.0) 5.9 22.7 Net profit 39.0 34.3 28.3 27.9 Net profit margin 39.0 34.3 28.3 27.9 Net profit margin 30.5 27.7 22.6 21.3 Cost to income 30.8 35.2 29.7 26	·	14,803	16,027		
Share of results of Associates 505 653 612 500 Other income/expenses (6) 50 (152) (540) Profit before tax 9,956 9,058 9,596 11,772 Income tax expenses 2,454 2,272 2,379 2,671 Minority interest 104 24 (89) 7,40 Net profit 7,399 6,763 7,306 9,027 Crowth (%) Total revenue na 0.5 32.6 31.2 Total revenue na 0.5 32.6 31.2 Operating expenses na (11,7) 9.3 29.3 Profit before tax na (11,7) 9.3 29.3 <td>Operating profits</td> <td>9,458</td> <td>8,355</td> <td>9,135</td> <td>11,812</td>	Operating profits	9,458	8,355	9,135	11,812
Other income/expenses (6) 50 (152) (540) Profit before tax 9,956 9,058 9,596 11,772 Income tax expenses 2,454 2,272 2,379 2,671 Minority interest 104 24 (89) 74 Net profit 7,399 6,763 7,306 9,027 Crowth (%) 30.0 3,26 31.2 Total revenue na 0.5 32.6 31.2 Total operating expenses na 8.3 44.8 31.9 Operating profits na (9.0) 5.9 22.7 Net profit na (9.0) 5.9 22.7 Rey ratios (%) 2 2 2 2 Operating profit margin 30.5 27.7 22.6 21.3 Vety ratios (%) 30.3 35.2 29.7 26.2 Operating profit margin 30.5 27.7 22.6 21.3 Cost to income 30.8 35.2 2		505	653	612	500
Profit before tax 9,956 9,058 9,596 11,772 Income tax expenses 2,454 2,272 2,379 2,671 Minority interest 104 24 (89) 74 Net profit 7,399 6,763 7,306 9,027 Crowth (%) Total revenue na 8.5 32.6 31.2 Operating profits na 8.5 34.8 31.9 Operating profits na (9.0) 5.9 22.7 Net profit margin 39.0 34.3 28.3 27.9 Net profit margin 39.0 34.3 28.3 27.9 Net profit margin 39.5 27.7 22.6 21.3 Cost to income 30.8 35.2 29.7 26.2 Effective tax rate 24.6 25.1 24.8 22.7 Dividend payout 27.7 26.7 21.3 2.8 ROAA 5.9 25.5 18.1 15.8 13.8	Other income/expenses	(6)	50	(152)	(540)
Name	·	9,956	9,058	9,596	11,772
Minority interest Net profit 104 (89) (7,39) 24 (89) (89) 7.4 (89) 7.4 (89) 7.4 (89) 7.4 (89) 7.4 (89) 7.4 (89) 7.4 (89) 7.20 8.20 9.027 Growth (%) Total revenue na 0.5 32.6 31.2 31.9 31.9 31.9 31.9 31.9 31.9 31.9 31.9 31.9 31.9 31.9 31.9 32.6 32.6 32.6 32.3 29.3 29.3 29.3 29.3 20.6 20.5 20.7 20.6 20.3 20.6 20.6 20.6 20.6 20.6 20.6 20.6 20.6 20.6 20.6 20.6 20.6 20.6 20.6 20.6 20.6 20.6 20.6 20.6 20.1 20.0 20.2 20.0 20.2 20.0 20.2 20.0 20.2 20.0 20.2 20.2 20.2 20.2 20.2 20.2 20.2 20.2 20.2 20.2 20.2 20.2 20.2 20.2		2,454	2,272		2,671
Net profit 7,399 6,763 7,306 9,027 Growth (%) Total revenue na 0.5 32.6 31.2 Total operating expenses na 8.3 44.8 31.9 Operating profits na (11.7) 9.3 29.3 Profit before tax na (9.0) 5.9 22.7 Net profit na (9.0) 5.9 22.7 Net profit margin 30.0 34.3 28.3 27.9 Operating profit margin 39.0 34.3 28.3 27.9 Net profit margin 30.5 27.7 22.6 21.3 Cost to income 30.8 35.2 29.7 26.2 Effective tax rate 24.6 25.1 24.8 22.7 Dividend payout 27.7 26.7 21.3 2.2 ROAE 25.5 18.1 15.8 13.8 ROAA 5.946 9.231 15.8 13.8 Investment and AM 9	·			· ·	•
Total revenue na 0.5 32.6 31.2 Total operating expenses na 8.3 44.8 31.9 Operating profits na (11.7) 9.3 29.3 Profit before tax na (9.0) 5.9 22.7 Net profit na (9.0) 5.9 22.7 Net profit na (8.6) 8.0 23.6 Key ratios (%) Separating profit margin 30.5 27.7 22.6 21.3 Cost to income 30.8 35.2 29.7 26.2 25 cost to income 24.6 25.1 24.8 22.7 Dividend payout 27.7 26.7 21.3 2.7 ROAE 25.5 18.1 15.8 13.8 ROAA 6.3 4.2 3.4 2.9 Segmental revenue (RMBmn) NPLs operation 9.957 5,946 7,911 8,977 Financial services 5,946 9,231 <t< td=""><td>·</td><td></td><td></td><td>` '</td><td>9,027</td></t<>	·			` '	9,027
Total revenue na 0.5 32.6 31.2 Total operating expenses na 8.3 44.8 31.9 Operating profits na (11.7) 9.3 29.3 Profit before tax na (9.0) 5.9 22.7 Net profit na (9.0) 5.9 22.7 Net profit na (8.6) 8.0 23.6 Key ratios (%) Separating profit margin 30.5 27.7 22.6 21.3 Cost to income 30.8 35.2 29.7 26.2 25 cost to income 24.6 25.1 24.8 22.7 Dividend payout 27.7 26.7 21.3 2.7 ROAE 25.5 18.1 15.8 13.8 ROAA 6.3 4.2 3.4 2.9 Segmental revenue (RMBmn) NPLs operation 9.957 5,946 7,911 8,977 Financial services 5,946 9,231 <t< td=""><td>Growth (%)</td><td></td><td></td><td></td><td></td></t<>	Growth (%)				
Operating profits na (11.7) 9.3 29.3 Profit before tax na (9.0) 5.9 22.7 Net profit na (8.6) 8.0 23.6 Key ratios (%)		na	0.5	32.6	31.2
Operating profits na (11.7) 9.3 29.3 Profit before tax na (9.0) 5.9 22.7 Net profit na (8.6) 8.0 23.6 Key ratios (%)	Total operating expenses	na	8.3	44.8	31.9
Profit before tax Net profit na (9.0) 5.9 22.7 Ket profit na (8.6) 8.0 23.6 Key ratios (%) Septemental profit margin 39.0 34.3 28.3 27.9 Net profit margin 30.5 27.7 22.6 21.3 Cost to income 30.8 35.2 29.7 26.2 Effective tax rate 24.6 25.1 24.8 22.7 Dividend payout 27.7 26.7 21.3 22.7 ROAE 25.5 18.1 15.8 13.8 ROAA 6.3 4.2 3.4 2.9 Segmental revenue (RMBmn) NPLs operation - 9,957 14,392 21,850 Investment and AM 9,957 5,946 7,911 8,977 Financial services 5,946 9,231 10,553 12,134 Elimination 9,231 (751) (521) (547) Total 24,382 32,335 42,413	, ,	na	(11.7)	9.3	29.3
Key ratios (%) Key ratios (%) Operating profit margin 39.0 34.3 28.3 27.9 Net profit margin 30.5 27.7 22.6 21.3 Cost to income 30.8 35.2 29.7 26.2 Effective tax rate 24.6 25.1 24.8 22.7 Dividend payout 27.7 26.7 21.3 13.8 ROAE 25.5 18.1 15.8 13.8 ROAA 6.3 4.2 3.4 2.9 Segmental revenue (RMBmn) NPLs operation - 9,957 14,392 21,850 Investment and AM 9,957 5,946 7,911 8,977 Financial services 5,946 9,231 10,553 12,134 Elimination 9,231 (751) (521) (547) Total 25,134 24,382 32,335 42,413 Segmental PBT (RMBmn) NPLs operation - 7,202 6,234 8,314 <td>. 9:</td> <td>na</td> <td>(9.0)</td> <td>5.9</td> <td>22.7</td>	. 9:	na	(9.0)	5.9	22.7
Operating profit margin 39.0 34.3 28.3 27.9 Net profit margin 30.5 27.7 22.6 21.3 Cost to income 30.8 35.2 29.7 26.2 Effective tax rate 24.6 25.1 24.8 22.7 Dividend payout 27.7 26.7 21.3 21.3 ROAE 25.5 18.1 15.8 13.8 ROAA 6.3 4.2 3.4 2.9 Segmental revenue (RMBmn) NPLs operation - 9,957 5,946 7,911 8,977 Financial services 5,946 9,231 10,553 12,134 Elimination 9,231 (751) (521) (547) Total 25,134 24,382 32,335 42,413 Segmental PBT (RMBmn) NPLs operation - 7,202 6,234 8,314 Investment and AM 7,202 2,488 3,285 3,015 Financial services 2,488 (207) 164 515 Elimination (207) </td <td>Net profit</td> <td>na</td> <td></td> <td>8.0</td> <td>23.6</td>	Net profit	na		8.0	23.6
Operating profit margin 39.0 34.3 28.3 27.9 Net profit margin 30.5 27.7 22.6 21.3 Cost to income 30.8 35.2 29.7 26.2 Effective tax rate 24.6 25.1 24.8 22.7 Dividend payout 27.7 26.7 21.3 21.3 ROAE 25.5 18.1 15.8 13.8 ROAA 6.3 4.2 3.4 2.9 Segmental revenue (RMBmn) NPLs operation - 9,957 5,946 7,911 8,977 Financial services 5,946 9,231 10,553 12,134 Elimination 9,231 (751) (521) (547) Total 25,134 24,382 32,335 42,413 Segmental PBT (RMBmn) NPLs operation - 7,202 6,234 8,314 Investment and AM 7,202 2,488 3,285 3,015 Financial services 2,488 (207) 164 515 Elimination (207) </td <td>Key ratios (%)</td> <td></td> <td></td> <td></td> <td></td>	Key ratios (%)				
Net profit margin 30.5 27.7 22.6 21.3 Cost to income 30.8 35.2 29.7 26.2 Effective tax rate 24.6 25.1 24.8 22.7 Dividend payout 27.7 26.7 21.3 21.3 ROAE 25.5 18.1 15.8 13.8 ROAA 6.3 4.2 3.4 2.9 Segmental revenue (RMBmn) NPLs operation - 9,957 5,946 7,911 8,977 Financial services 5,946 9,231 10,553 12,134 Elimination 9,231 (751) (521) (547) Total 25,134 24,382 32,335 42,413 Segmental PBT (RMBmn) NPLs operation - 7,202 6,234 8,314 Investment and AM 7,202 2,488 3,285 3,012 Financial services 2,488 (207) 164 515 Elimination (207) (425) (87) (47)	Operating profit margin	39.0	34.3	28.3	27.9
Effective tax rate 24.6 25.1 24.8 22.7 Dividend payout 27.7 26.7 21.3 - ROAE 25.5 18.1 15.8 13.8 ROAA 6.3 4.2 3.4 2.9 Segmental revenue (RMBmn) NPLs operation - 9,957 14,392 21,850 Investment and AM 9,957 5,946 7,911 8,977 Financial services 5,946 9,231 10,553 12,134 Elimination 9,231 (751) (521) (547) Total 25,134 24,382 32,335 42,413 Segmental PBT (RMBmn) NPLs operation - 7,202 6,234 8,314 Investment and AM 7,202 2,488 3,285 3,012 Financial services 2,488 (207) 164 515 Elimination (207) (425) (87) (47)		30.5	27.7	22.6	21.3
Dividend payout 27.7 26.7 21.3 ROAE 25.5 18.1 15.8 13.8 ROAA 6.3 4.2 3.4 2.9 Segmental revenue (RMBmn) NPLs operation - 9,957 14,392 21,850 Investment and AM 9,957 5,946 7,911 8,977 Financial services 5,946 9,231 10,553 12,134 Elimination 9,231 (751) (521) (547) Total 25,134 24,382 32,335 42,413 Segmental PBT (RMBmn) NPLs operation - 7,202 6,234 8,314 Investment and AM 7,202 2,488 3,285 3,012 Financial services 2,488 (207) 164 515 Elimination (207) (425) (87) (47)	Cost to income	30.8	35.2	29.7	26.2
ROAE 25.5 18.1 15.8 13.8 ROAA 6.3 4.2 3.4 2.9 Segmental revenue (RMBmn) NPLs operation - 9,957 14,392 21,850 Investment and AM 9,957 5,946 7,911 8,977 Financial services 5,946 9,231 10,553 12,134 Elimination 9,231 (751) (521) (547) Total 25,134 24,382 32,335 42,413 Segmental PBT (RMBmn) NPLs operation - 7,202 6,234 8,314 Investment and AM 7,202 2,488 3,285 3,012 Financial services 2,488 (207) 164 515 Elimination (207) (425) (87) (47)	Effective tax rate	24.6	25.1	24.8	22.7
ROAE 25.5 18.1 15.8 13.8 ROAA 6.3 4.2 3.4 2.9 Segmental revenue (RMBmn) NPLs operation - 9,957 14,392 21,850 Investment and AM 9,957 5,946 7,911 8,977 Financial services 5,946 9,231 10,553 12,134 Elimination 9,231 (751) (521) (547) Total 25,134 24,382 32,335 42,413 Segmental PBT (RMBmn) NPLs operation - 7,202 6,234 8,314 Investment and AM 7,202 2,488 3,285 3,012 Financial services 2,488 (207) 164 515 Elimination (207) (425) (87) (47)	Dividend payout	27.7	26.7	21.3	
Segmental revenue (RMBmn) NPLs operation - 9,957 14,392 21,850 Investment and AM 9,957 5,946 7,911 8,977 Financial services 5,946 9,231 10,553 12,134 Elimination 9,231 (751) (521) (547) Total 25,134 24,382 32,335 42,413 Segmental PBT (RMBmn) NPLs operation - 7,202 6,234 8,314 Investment and AM 7,202 2,488 3,285 3,012 Financial services 2,488 (207) 164 515 Elimination (207) (425) (87) (47)		25.5	18.1	15.8	13.8
NPLs operation - 9,957 14,392 21,850 Investment and AM 9,957 5,946 7,911 8,977 Financial services 5,946 9,231 10,553 12,134 Elimination 9,231 (751) (521) (547) Total 25,134 24,382 32,335 42,413 Segmental PBT (RMBmn) NPLs operation - 7,202 6,234 8,314 Investment and AM 7,202 2,488 3,285 3,012 Financial services 2,488 (207) 164 515 Elimination (207) (425) (87) (47)	ROAA	6.3	4.2	3.4	2.9
Investment and AM 9,957 5,946 7,911 8,977 Financial services 5,946 9,231 10,553 12,134 Elimination 9,231 (751) (521) (547) Total 25,134 24,382 32,335 42,413 Segmental PBT (RMBmn) NPLs operation - 7,202 6,234 8,314 Investment and AM 7,202 2,488 3,285 3,012 Financial services 2,488 (207) 164 515 Elimination (207) (425) (87) (47)					
Investment and AM 9,957 5,946 7,911 8,977 Financial services 5,946 9,231 10,553 12,134 Elimination 9,231 (751) (521) (547) Total 25,134 24,382 32,335 42,413 Segmental PBT (RMBmn) NPLs operation - 7,202 6,234 8,314 Investment and AM 7,202 2,488 3,285 3,012 Financial services 2,488 (207) 164 515 Elimination (207) (425) (87) (47)	NPLs operation	-	9,957	14,392	21,850
Elimination 9,231 (751) (521) (547) Total 25,134 24,382 32,335 42,413 Segmental PBT (RMBmn) NPLs operation - 7,202 6,234 8,314 Investment and AM 7,202 2,488 3,285 3,012 Financial services 2,488 (207) 164 515 Elimination (207) (425) (87) (47)		9,957			
Total 25,134 24,382 32,335 42,413 Segmental PBT (RMBmn) NPLs operation - 7,202 6,234 8,314 Investment and AM 7,202 2,488 3,285 3,012 Financial services 2,488 (207) 164 515 Elimination (207) (425) (87) (47)	Financial services	5,946	9,231		12,134
Total 25,134 24,382 32,335 42,413 Segmental PBT (RMBmn) NPLs operation - 7,202 6,234 8,314 Investment and AM 7,202 2,488 3,285 3,012 Financial services 2,488 (207) 164 515 Elimination (207) (425) (87) (47)	Elimination	9,231		(521)	(547)
NPLs operation - 7,202 6,234 8,314 Investment and AM 7,202 2,488 3,285 3,012 Financial services 2,488 (207) 164 515 Elimination (207) (425) (87) (47)	Total				
NPLs operation - 7,202 6,234 8,314 Investment and AM 7,202 2,488 3,285 3,012 Financial services 2,488 (207) 164 515 Elimination (207) (425) (87) (47)	Segmental PBT (RMBmn)				
Investment and AM 7,202 2,488 3,285 3,012 Financial services 2,488 (207) 164 515 Elimination (207) (425) (87) (47)		-	7,202	6,234	8,314
Financial services 2,488 (207) 164 515 Elimination (207) (425) (87) (47)	Investment and AM	7,202	2,488	3,285	
	Financial services	2,488			
	Elimination	(207)	(425)	(87)	(47)
	Total		9,058		

Source(s): Company, ABCI Securities

Consolidated balance sheet (2010A-2013A) As of Dec 31 (RMB mn)	2010A	2011A	2012A	2013A
Cash and banks	33,773	27,187	42,726	57,059
Settlement funds	1,416	1,286	1,526	1,708
Guarantee deposits	877	779	907	831
Placements	-	-	2,000	290
FVTPL	10,102	13,402	16,923	25,178
Repo financial assets	369	561	57	1,054
AFS	62,156	64,382	64,377	72,747
L&R	-	12,150	51,195	116,663
Loans to customers	2,508	9,448	25,042	48,636
Receivables	6,418	4,063	5,257	6,449
HTM	3,776	6,262	7,343	7,592
AFS properties	11,537	13,092	13,815	17,790
Investment properties	2,364	2,339	2,100	1,858
Investment in Asso	5,971	6,713	7,476	8,962
Property and equipment	3,734	3,732	3,467	3,620
Goodwill	368	362	362	324
Other intangibles	91	103	137	160
Deferred tax assets	334	1,400	2,623	3,937
Other assets	4,908	5,863	7,281	8,928
Total assets	150,701	173,124	254,614	383,785
Borrowing from central bank	16,465	11,311	7,053	4,913
Brokerage client money	13,678	8,151	6,630	6,481
FVTPL	· -	1	53	48
Repo financial liabilities	880	6,921	11,994	9,443
Placement with FIs	-	, <u>-</u>	· -	10,477
Borrowings	7,826	25,179	76,099	173,835
Payables	47,220	47,995	39,539	22,814
nsurance funds	2,697	3,618	3,213	3,244
Tax payable	2,860	3,325	2,132	2,061
Insurance contract reserve	7,633	12,301	17,586	20,722
Bonds payable	-	495	12,535	13,285
Deferred tax liabilities	678	349	357	451
Other liabilities	8,265	10,638	16,539	33,249
Total liabilities	108,200	130,281	193,730	301,023
Issued share cap	25,155	25,155	30,140	35,459
Reserves	4,942	1,783	9,207	21,665
Retained profits	6,928	10,875	15,427	18,875
Total shareholders' fund	37,025	37,813	54,774	75,998
Minority interests	5,476	5,030	6,111	6,764
Total equity	42,502	42,843	60,885	82,762
Growth (%)				
Cash and banks	na	(19.5)	57.2	33.5
FVTPL	na	32.7	26.3	48.8
AFS	na	3.6	(0.0)	13.0
L&R	na	na	321.4	127.9
_oans to customers	na	276.7	165.0	94.2
Receivables	na	(36.7)	29.4	22.7
HTM	na	65.9	17.3	3.4
AFS properties	na	13.5	5.5	28.8
Total assets	na	14.9	47.1	50.7
Brokerage client money	na	(40.4)	(18.7)	(2.2)
Repo financial liabilities	na	686.9	73.3	(21.3
Placement with FIs	na	na	na	na
· ·	na	221.7	202.2	128.4
Borrowings	na	1.6	(17.6)	(42.3)
· · · · · · · · · · · · · · · · · · ·				17.8
Payables		61.2	43.0	17.0
Payables Insurance contract reserve	na	61.2 na	43.0 2.432.2	
Payables		61.2 na 20.4	43.0 2,432.2 48.7	6.0 55. 4
Payables Insurance contract reserve Bonds payable Total liabilities	na na na	na	2,432.2 48.7	6.0 55. 4
Payables Insurance contract reserve Bonds payable Total liabilities Issued share cap	na na na na	na 20.4 -	2,432.2 48.7 19.8	6.0 55. 4 17.6
Payables nsurance contract reserve Bonds payable Total liabilities	na na na	na	2,432.2 48.7	6.0 55. 4

Source(s): Company, ABCI Securities

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Definition of equity rating

Rating	Definition
Buy	Stock return ≥ Market return rate
Hold	Market return – 6% ≤ Stock return < Market return rate
Sell	Stock return < Market return – 6%

Stock return is defined as the expected % change of share price plus gross dividend yield over the next 12 months

Market return: 5-year average market return rate from 2009-2013

Time horizon of share price target: 12-month

Definition of share price risk

Rating	Definition
Very high	2.6 ≤180 day volatility/180 day benchmark index volatility
High	1.5 ≤ 180 day volatility/180 day benchmark index volatility < 2.6
Medium	1.0 ≤180 day volatility/180 day benchmark index volatility < 1.5
Low	180 day volatility/180 day benchmark index volatility < 1.0
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We measure share price risk by its volatility relative to volatility of benchmark index. Benchmark index: Hang Seng Index.

Volatility is calculated from the standard deviation of day to day logarithmic historic price change. The 180-day price volatility equals the annualized standard deviation of the relative price change for the 180 most recent trading days closing price.

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