

## LIENVIET POST BANK (LPB) - UPDATE

<b>Market Price</b> VND12,900	<b>Target Price</b> VND17,700	<b>Dividend Yield</b> 3.10%	<b>Rating</b> ADD	<b>Sector</b> FINANCIALS
----------------------------------	----------------------------------	--------------------------------	----------------------	-----------------------------

### Outlook – Short term



### Outlook – Long term



### Valuation



7 December 2017

Thuy Le Minh

thuy.leminh@vndirect.com.vn

**We maintain our ADD recommendation for LPB and increase our target price to VND17,700, as we now project that LPB will generate higher net interest income (NIM) than previously assumed. LPB trades at a deep discount to its peers which we believe is unwarranted given its high ROE, strong capital buffer and sound asset quality. Based on the current market price, LPB shares offer a total return of 40.3%.**

**The bank's 61% profit growth in 9M 2017 was driven by a surge in its net interest income.** The bank's 19.1% loan growth and expanding NIM led to 43.1% growth in net interest income (NII). LPB's top-line still heavily depends on interest income, with its fee income only accounting for 1.1% of its total operating income and other income still posting a loss. Loss was result of provision for investment securities and was small relative to interest income (at 5.6% of NII), but higher income from trading and investment securities help reduce the loss from the loss seen in 9M2016.

**The bank's NIM surged by 18bps due to strong retail lending growth.** LPB was able to increase its NIM from 3.5% in 2016 to 3.8% in 9M 2017, by focusing on retail loans, especially on niche products such as pension loans and army staff loans. Given its large network of postal transaction offices, LPB is expanding its reach to rural areas and tapping into the large unbanked population in these areas to drive loan growth.

**LPB's good asset quality is reflected in its low non-performing loans (NPL) ratio and high loan loss coverage ratio (LLR).** As of 3Q2017, LPB was ranked 4<sup>th</sup> in terms of the lowest NPLs (at 1.19%) and third in terms of the highest LLR (at 105.3%) among listed banks in Vietnam. LPB has consistently kept its NPLs below 3%, even during the past banking crisis, despite a low annual write-off rate of only 0.1% of the average loan book.

**The bank's low loan-to-deposit ratio (LDR) allowed robust loan growth but headroom for loan growth is contracting.** With a 45.5% LDR in 2014, LPB has aggressively pushed loan growth over the past few years, hiking its LDR up to the current level of 71.4%. As its LDR moves closer to the 80% cap, we expect that loan growth will slow but LPB can still maintain 18% loan growth in 2018, in line with system-wide credit growth.

**LPB trades at a discount to peers despite strong fundamentals.** At the current price, LPB is trading at a P/B of 1.0x, well below its peers' average P/B of 1.4x. The bank's 2017 and 2018 forward P/B are only 0.9x and 0.8x, respectively, which looks cheap relative to industry.

### Price performance



Source: VNDIRECT

### Key statistics

52w high (VND)	13,900
52w low (VND)	11,381
3m Avg daily volume (shares)	2.4mn
3m Avg daily value (VNDmn)	29,864
Market cap (VNDbn)	9,258
Outstanding shares (m)	718

### Ownership

Vietnam Post	12.54%
Nguyen Duc Huong (Chairman)	4.95%
H.T.H Co., Ltd	4.95%
Nguyen Dinh Thang	4.31%
Khai Hung Co., Ltd	2.46%
Others	70.79%

Source: VNDIRECT

Financial summary (VND)	12-15A	12-16A	12-17E	12-18E
Net interest income (bn)	2,894	4,024	5,318	6,055
Net interest margin	3.1%	3.5%	3.8%	3.9%
Total operating income (bn)	2,488	3,872	5,263	6,019
Total provision charges (bn)	(502)	(492)	(632)	(651)
Net profit (bn)	350	1,063	1,515	1,743
Net profit growth	(25.0%)	203.8%	42.6%	15.0%
Adjusted EPS	451	1,467	1,997	2,197
BVPS	11,100	12,168	13,655	15,478
ROAE	4.7%	13.3%	16.3%	16.0%

Source: VNDIRECT

### 9M2017: SOLID GROWTH DRIVEN BY NET INTEREST INCOME AND WELL-MANAGED COST BASE

**The bank's impressive profit growth in 9M2017 resulted from its high loan growth, improved NIM on rising asset yields and good cost controls.** The company's PBT and PAT reached VND1,434bn and VND1,126bn, rising by 65.7% and 61.0% YoY, respectively. The bank's 9-month PBT fulfilled 95.6% of the 2017 PBT target, so the bank will be able to comfortably exceed its target for this year.

**The bank's net interest income rose by 43.1%, driven by its loan growth of 19.1% and lagging deposit growth of only 10.3%.** Although 9M2017 loan growth was lower than 29.4% seen in 9M2016, a pull-back in fund mobilization helped to boost net interest income (deposit growth in 9M2017 was 10.3% versus 34% in 9M2016). Increased utilization of deposits (as reflected in a higher LDR) and a continued push into higher-yield retail lending drove an 18bps increase in NIM, from 3.65% in 3Q2016 to 3.83% in 3Q2017. An aggressive deposit push last year provided ample room for credit growth this year. The bank's current LDR is around 71.4%, well below the 80% cap.

**The bank's fee income remained flat compared to 9M2016, but losses from other income narrowed** thanks to higher income from trading and investment securities. Although there was an improvement in non-interest income, the key driver for the company's earnings growth was interest income since non-interest income still recorded a loss of VND157bn (versus VND247bn in 9M2016).

**Cost-to-income ratio fell by 340 bps due to better operating cost controls while provisioning rate fell.** Total operating income grew 51% YoY, outpacing the 48.8% growth in operating expenses. LPB's cost-to-income ratio (CIR) dipped to 49.1%, an improvement from the 52.5% seen in 2016. Provisioning expenses grew by 24.7%, which resulted from general provisioning and VAMC bonds provisioning, while LPB did not increase specific provisions. LLR fell from 109.3% in 2016 to 105.3% and the ratio of provisioning charges / average loan book balance decreased from 0.6% to 0.5%; however, in our view, LLR remains at a healthy level.

**The bank's NPLs inched up from 1.11% in 2016 to 1.19% in 3Q2017 but profit to grow strongly this year despite a fourth quarter acceleration in provisioning.** During 9M2017, LPB primarily relied on loan sales to VAMC to reduce its NPLs, as its in-house loan write-offs were minimal (VND1bn). We estimate that provision expenses will accelerate from the current rate, due to increasing NPLs, which may need to be written-off, and also due to provisioning for VAMC bonds (65% of the required provision in 2017 has so far been fulfilled in 9M YTD). Therefore, we expect that its full year profit growth will be lower than the 9M YTD growth. We forecast that PBT and PAT will grow by 40.5% and 42.6%, respectively, in 2017.

#### 2017 capital raising will enhance the capital adequacy ratio (CAR)

LPB received approval to increase its capital by 16.1% in 2017, equivalent to 104 million shares. Of the total shares issued, 6% was used to pay the 2016 stock dividend, 5.1% was allocated to rights issues at VND10,000/share and the remaining 5% will be ESOP shares at VND10,000/share. After the share issuance, LPB's chartered capital will increase from VND6,460bn to VND7,500bn. This capital raising will help the bank to improve its capital buffer. As of 3Q2017, LPB disclosed that its CAR was above 11%, and we estimate that its CAR can increase to 12% in 2017 after the capital injection.

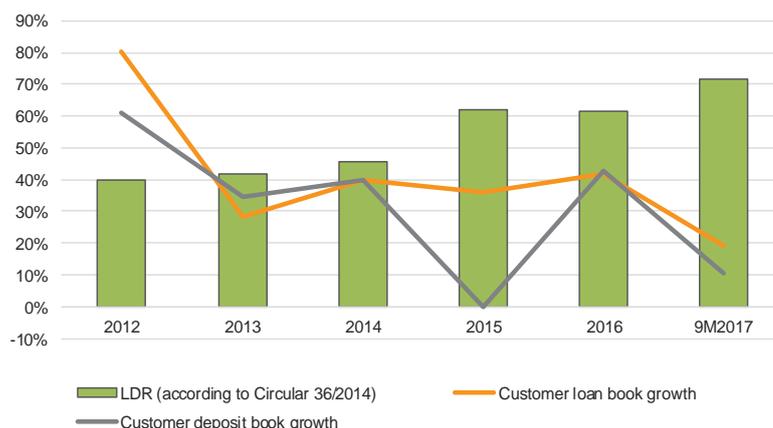
**2018 FORECAST: CURRENT PROFIT GROWTH IS UNLIKELY TO BE SUSTAINED**

**We project that the bank’s loan growth will slow down in 2017 and 2018.** The bank’s LDR reached 71.4% in 3Q2017 and we project that it will reach 74.6% by the end of 2017. Therefore, its LDR is approaching the 80% cap and the room for loan growth is reducing. Consequently, we lower our loan growth assumption for 2017 from 35% to 28% and maintain our assumption that loan growth will decelerate to 18% in 2018. We expect that the deposit growth will increase to ensure that LPB’s LDR does not breach the limit. We adjusted our deposit growth assumption for 2017 from 10% to 13% and for 2018 from 12% to 15%, accordingly.

**We increase our NIM assumptions.** The current NIM beat our conservative assumptions, and as a result, we increase our NIM forecast by 30bps for 2017 and 25bps for 2018.

**LPB’s profit growth will decline in 2018 as its loan growth eases off.** Although NIM will continue to expand due to the rising mix of retail loans in the total loan book which will lift loan yields, lower loan growth will curtail bottom line growth in 2018. We forecast 15% PBT growth in 2018 versus 40.5% PBT growth in 2017.

**Figure 1: LPB’s Loan Book has Grown Aggressively in Recent Years**



Source: VNDIRECT

**VALUATION**

We used a combination of the residual income and P/B multiples approaches for valuation, with the weight of each approach being 70% and 30%, respectively. The residual income approach is based on the forecasted earnings and growth of LPB, and factors in the bank’s current capital buffer and its business strategy. On the other hand, the P/B multiples approach allows us to value LPB relative to other banks and factors in the market sentiment on the banking sector. However, each bank has different dynamics and earnings prospects and, therefore, we have only given a 30% weighting to the relative valuation approach and assign a 70% weighting to the residual income approach.

**Figure 2: Valuation**

Approaches	Weighting	Fair value	Contribution
Residual income	70%	15,958	11,171
P/B multiples (target P/B of 1.4x)	30%	21,670	6,501
<b>Target price</b>			<b>17,672</b>

Source: VNDIRECT

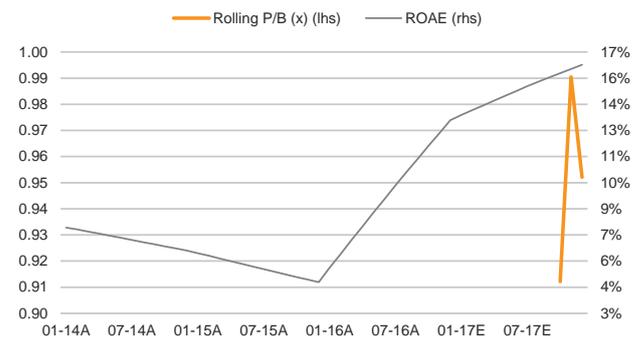
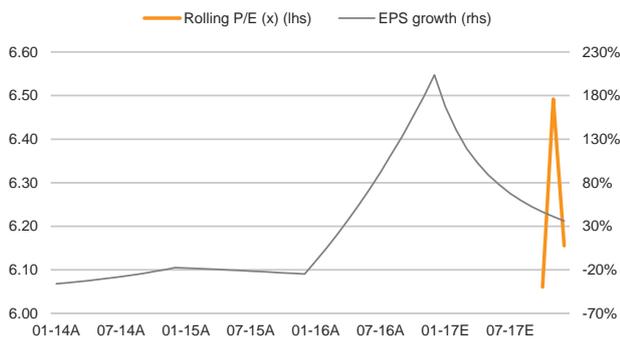
LPB is currently trading at 1.0x P/B versus its peer's average of 1.4x. Compared to its peers, LPB has a higher ROE, lower NPL and higher provisioning buffer. In addition, LPB has some competitive advantages over other retail peers, such as a large network and low cost of funds, which will be beneficial for LPB as it continues to expand its retail segment. Despite the lower growth prospects, we are still positive on its fundamentals and believe that it should trade near the average of its peer group. We have a target P/B of 1.4x for 2018 and by combining the residual income approach with P/B multiples approach, we come up with a target price of VND17,700. At this price, the company's 2017 and 2018 forward P/B work out to 1.3x and 1.1x, respectively, which we consider to be quite fair relative to peers.

**Figure 3: Multiples Comparison with Other banks**

Banks	Market cap (VND bn)	ROA %	ROE %	P/B	P/E	2017 P/B	2017 P/E	2018 P/B	2018 P/E
CTG	86,755	0.7%	12.3%	1.4	14.5	1.4	17.3	1.2	17.0
MBB	45,206	1.4%	13.8%	1.6	14.0	1.7	15.2	1.5	13.3
EIB	15,429	0.4%	3.9%	1.2	32.7	1.1	31.1	1.1	30.8
VIB	12,869	0.7%	8.3%	1.5	18.3	1.8	24.4	1.6	21.3
<b>Average</b>	<b>40,065</b>	<b>0.8%</b>	<b>9.6%</b>	<b>1.4</b>	<b>19.9</b>	<b>1.5</b>	<b>22.0</b>	<b>1.4</b>	<b>20.6</b>
<b>LPB</b>	<b>9,258</b>	<b>1.0%</b>	<b>17.2%</b>	<b>1.0</b>	<b>6.6</b>	<b>0.9</b>	<b>6.5</b>	<b>0.8</b>	<b>5.9</b>

Source: VNDIRECT

## Valuation



## Income statement

(VNDbn)	12-16A	12-17E	12-18E
<b>Net interest income</b>	<b>4,024</b>	<b>5,318</b>	<b>6,055</b>
<b>Non interest income</b>	<b>(152)</b>	<b>(55)</b>	<b>(36)</b>
<b>Total operating income</b>	<b>3,872</b>	<b>5,263</b>	<b>6,019</b>
Total operating costs	(2,031)	(2,737)	(3,190)
<b>Pre-provision operating profit</b>	<b>1,840</b>	<b>2,526</b>	<b>2,829</b>
<b>Total provision charges</b>	<b>(492)</b>	<b>(632)</b>	<b>(651)</b>
Income from associates & JVs			
Net other income			
<b>Pre-tax profit</b>	<b>1,348</b>	<b>1,894</b>	<b>2,178</b>
Taxation	(285)	(379)	(436)
<b>Profit after tax</b>	<b>1,063</b>	<b>1,515</b>	<b>1,743</b>
Minority interests	0	0	0
<b>Net profit</b>	<b>1,063</b>	<b>1,515</b>	<b>1,743</b>

## Balance sheet

(VNDbn)	12-16A	12-17E	12-18E
Gross loans to customers	79,676	101,985	120,343
Loans to banks			
<b>Total gross loans</b>	<b>79,676</b>	<b>101,985</b>	<b>120,343</b>
Securities - total	34,050	34,118	35,141
Other interest earning assets	21,516	10,134	10,438
<b>Total gross IEAs</b>	<b>135,242</b>	<b>146,238</b>	<b>165,923</b>
<b>Total provisions</b>	<b>(1,774)</b>	<b>(2,148)</b>	<b>(2,451)</b>
<b>Net loans to customers</b>	<b>78,706</b>	<b>100,642</b>	<b>118,721</b>
<b>Total net IEAs</b>	<b>133,468</b>	<b>144,089</b>	<b>163,472</b>
Cash and deposits	640	643	675
Total investments	325	326	343
Other assets	7,433	7,470	7,843
<b>Total non-IEAs</b>	<b>8,397</b>	<b>8,439</b>	<b>8,861</b>
<b>Total assets</b>	<b>141,865</b>	<b>152,528</b>	<b>172,333</b>
Customer deposits	110,985	125,413	144,225
Cds outstanding	4,100	6,191	7,191
Customer interest-bearing liabilities	115,085	131,604	151,416
Bank deposits	311	2,175	1,740
Broad deposits	115,396	133,779	153,156
Other interest-bearing liabilities	15,905	6,309	5,296
<b>Total IBLs</b>	<b>131,300</b>	<b>140,088</b>	<b>158,452</b>
Deferred tax liability			
Other non-interest bearing liabilities	2,233	2,199	2,272
<b>Total non-IBLs</b>	<b>2,233</b>	<b>2,199</b>	<b>2,272</b>
<b>Total liabilities</b>	<b>133,533</b>	<b>142,287</b>	<b>160,724</b>
Share capital	6,460	7,500	7,500
Additional paid-in capital	0	0	0
Treasury shares			
Retained earnings reserve	941	1,810	3,178
Other reserves	931	931	931
<b>Shareholders' equity</b>	<b>8,332</b>	<b>10,241</b>	<b>11,609</b>
Minority interests	0	0	0
<b>Total equity</b>	<b>8,332</b>	<b>10,241</b>	<b>11,609</b>
<b>Total liabilities &amp; equity</b>	<b>141,865</b>	<b>152,528</b>	<b>172,333</b>

	12-16A	12-17E	12-18E
<b>Growth rate (yoy)</b>			
Cust deposit growth	43.0%	13.0%	15.0%
Gross cust loan growth	41.9%	28.0%	18.0%
Net interest income growth	39.0%	32.2%	13.9%
Pre provision operating profit growth	99.1%	37.3%	12.0%
Net profit growth	203.8%	42.6%	15.0%
Growth in IEAs	40.5%	8.0%	13.5%
<b>Share value</b>			
Basic EPS (VND)	1,552	2,112	2,324
BVPS (VND)	12,168	13,655	15,478
DPS (VND)	450	400	500
EPS growth	203.8%	36.1%	10.0%

## Key ratios

	12-16A	12-17E	12-18E
Net interest margin	3.5%	3.8%	3.9%
Cost-income ratio	(52.5%)	(52.0%)	(53.0%)
Reported NPLs / gross cust loans	1.1%	1.1%	1.1%
Reported NPLs / net cust loans	1.1%	1.2%	1.2%
GP charge / average cust loans	0.7%	0.7%	0.6%
Total CAR	13.2%	12.0%	12.2%
Loan deposit ratio	69.2%	77.5%	79.5%
<b>Margins and spreads</b>			
Return on IEAs	7.7%	8.3%	8.5%
Cost of funds	4.3%	4.6%	4.8%
Interest return on average assets	3.2%	3.6%	3.7%
ROAE	13.3%	16.3%	16.0%

Source: VNDIRECT

## DISCLAIMER

The content of this report (including the views and opinions expressed therein, and the information comprised therein) has been prepared by and belongs to VNDIRECT Securities Corporation, and is distributed by CIMB pursuant to an arrangement between VNDIRECT Securities Corporation and CIMB. VNDIRECT Securities Corporation is not an affiliate of CIMB.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.

By accepting this report, the recipient hereof represents and warrants that he is entitled to receive such report in accordance with the restrictions set forth below and agrees to be bound by the limitations contained herein (including the "Restrictions on Distributions" set out below). Any failure to comply with these limitations may constitute a violation of law. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMB.

The information contained in this research report is prepared from data believed to be correct and reliable at the time of issue of this report. VNDIRECT Securities Corporation may or may not issue regular reports on the subject matter of this report at any frequency and may cease to do so or change the periodicity of reports at any time. VNDIRECT Securities Corporation and CIMB are under no obligation to update this report in the event of a material change to the information contained in this report. VNDIRECT Securities Corporation and CIMB have no, and will not accept any, obligation to (i) check or ensure that the contents of this report remain current, reliable or relevant, (ii) ensure that the content of this report constitutes all the information a prospective investor may require, (iii) ensure the adequacy, accuracy, completeness, reliability or fairness of any views, opinions and information, and accordingly, VNDIRECT Securities Corporation and CIMB, or any of their respective affiliates, or its related persons (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof. In particular, VNDIRECT Securities Corporation and CIMB disclaim all responsibility and liability for the views and opinions set out in this report.

Unless otherwise specified, this report is based upon reasonable sources. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of CIMB or VNDIRECT Securities Corporation or their respective affiliates to any person to buy or sell any investments.

CIMB and/or VNDIRECT Securities Corporation, their respective affiliates and related companies, their directors, associates, connected parties and/or employees may own or have positions in securities of the company(ies) covered in this research report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities. Further, CIMB and/or VNDIRECT Securities Corporation, their respective affiliates and its related companies do and seek to do business with the company(ies) covered in this research report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) as well as solicit such investment, advisory or other services from any entity mentioned in this report.

CIMB and/or VNDIRECT Securities Corporation or their respective affiliates may enter into an agreement with the company(ies) covered in this report relating to the production of research reports. CIMB and/or VNDIRECT Securities Corporation may disclose the contents of this report to the company(ies) covered by it and may have amended the contents of this report following such disclosure.

The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously. No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report. The analyst(s) who prepared this research report is prohibited from receiving any compensation, incentive or bonus based on specific investment banking transactions or for providing a specific recommendation for, or view of, a particular company. Information barriers and other arrangements may be established where necessary to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations and the research personnel involved in the preparation of this report may also participate in the solicitation of the businesses as described above. In reviewing this research report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request.

The term "VNDIRECT Securities Corporation" shall, unless the context otherwise requires, mean VNDIRECT Securities Corporation and its affiliates, subsidiaries and related companies. The term "CIMB" shall denote, where appropriate, the relevant entity distributing or disseminating the report in the particular jurisdiction referenced below, or, in every other case, CIMB Group Holdings Berhad ("CIMBGH") and its affiliates, subsidiaries and related companies.

Country	CIMB Entity	Regulated by
Hong Kong	CIMB Securities Limited	Securities and Futures Commission Hong Kong
India	CIMB Securities (India) Private Limited	Securities and Exchange Board of India (SEBI)
Indonesia	PT CIMB Sekuritas Indonesia	Financial Services Authority of Indonesia
Malaysia	CIMB Investment Bank Berhad	Securities Commission Malaysia
Singapore	CIMB Research Pte. Ltd.	Monetary Authority of Singapore
South Korea	CIMB Securities Limited, Korea Branch	Financial Services Commission and Financial Supervisory Service
Thailand	CIMB Securities (Thailand) Co. Ltd.	Securities and Exchange Commission Thailand

(i) As of 5 December 2017 VNDIRECT Securities Corporation has a proprietary position in the securities (which may include but not limited to shares, warrants, call warrants and/or any other derivatives) in the following company or companies covered or recommended in this report:

(a) -

(ii) As of 5 December 2017, the analyst(s) who prepared this report, and the associate(s), has / have an interest in the securities (which may include but not limited to shares, warrants, call warrants and/or any other derivatives) in the following company or companies covered or recommended in this report:

(a) -

This report does not purport to contain all the information that a prospective investor may require. CIMB and/or VNDIRECT Securities Corporation or any of their respective affiliates does not make any guarantee, representation or warranty, express or implied, as to the adequacy, accuracy, completeness, reliability or fairness of any such information and opinion contained in this report. Neither CIMB and/or VNDIRECT Securities Corporation nor any of their respective affiliates nor its related persons shall be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

This report is general in nature and has been prepared for information purposes only. It is intended for circulation amongst CIMB and its affiliates' clients generally and does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. The information and opinions in this report are not and should not be construed or considered as an offer, recommendation or solicitation to buy or sell the subject securities, related investments or other financial instruments or any derivative instrument, or any rights pertaining thereto.

Investors are advised to make their own independent evaluation of the information contained in this research report, consider their own individual investment objectives, financial situation and particular needs and consult their own professional and financial advisers as to the legal, business, financial, tax and other aspects before participating in any transaction in respect of the securities of company(ies) covered in this research report. The securities of such company(ies) may not be eligible for sale in all jurisdictions or to all categories of investors.

**Australia:** Despite anything in this report to the contrary, this research is provided in Australia by CIMB Securities (Singapore) Pte. Ltd. and CIMB Securities Limited. This research is only available in Australia to persons who are "wholesale clients" (within the meaning of the Corporations Act 2001 (Cth) and is supplied solely for the use of such wholesale clients and shall not be distributed or passed on to any other person. You represent and warrant that if you are in Australia, you are a "wholesale client". This research is of a general nature only and has been prepared without taking into account the objectives, financial situation or needs of the individual recipient. CIMB Securities (Singapore) Pte. Ltd. and CIMB Securities Limited do not hold, and are not required to hold an Australian financial services licence. CIMB Securities (Singapore) Pte. Ltd. and CIMB Securities Limited rely on "passporting" exemptions for entities appropriately licensed by the Monetary Authority of Singapore (under ASIC Class Order 03/1102) and the Securities and Futures Commission in Hong Kong (under ASIC Class Order 03/1103).

**China:** For the purpose of this report, the People's Republic of China ("PRC") does not include the Hong Kong Special Administrative Region, the Macau Special Administrative Region or Taiwan. The distributor of this report has not been approved or licensed by the China Securities Regulatory Commission or any other relevant regulatory authority or governmental agency in the PRC. This report contains only marketing information. The distribution of this report is not an offer to buy or sell to any person within or outside PRC or a solicitation to any person within or outside of PRC to buy or sell any instruments described herein. This report is being issued outside the PRC to a limited number of institutional investors and may not be provided to any person other than the original recipient and may not be reproduced or used for any other purpose.

**France:** Only qualified investors within the meaning of French law shall have access to this report. This report shall not be considered as an offer to subscribe to, or used in connection with, any offer for subscription or sale or marketing or direct or indirect distribution of financial instruments and it is not intended as a solicitation for the purchase of any financial instrument.

**Germany:** This report is only directed at persons who are professional investors as defined in sec 31a(2) of the German Securities Trading Act (WpHG). This publication constitutes research of a non-binding nature on the market situation and the investment instruments cited here at the time of the publication of the information.

The current prices/yields in this issue are based upon closing prices from Bloomberg as of the day preceding publication. Please note that neither the German Federal Financial Supervisory Agency (BaFin), nor any other supervisory authority exercises any control over the content of this report.

**Hong Kong:** This report is issued and distributed in Hong Kong by CIMB Securities Limited ("CHK") which is licensed in Hong Kong by the Securities and Futures Commission for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate

finance) activities. Any investors wishing to purchase or otherwise deal in the securities covered in this report should contact the Head of Sales at CIMB Securities Limited. The views and opinions in this research report are not our own but of VNDIRECT Securities Corporation as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Conduct Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CHK has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only to clients of CHK.

CIMB Securities Limited does not make a market on other securities mentioned in the report.

**India:** This report is issued and distributed in India by CIMB Securities (India) Private Limited ("CIMB India") which is registered with SEBI as a stock-broker under the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992, the Securities and Exchange Board of India (Research Analyst) Regulations, 2014 (SEBI Registration Number INH000000669) and in accordance with the provisions of Regulation 4 (g) of the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013, CIMB India is not required to seek registration with SEBI as an Investment Adviser.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from equity stock broking and merchant banking of CIMB India and they have received compensation based upon various factors, including quality, accuracy and value of research, firm profitability or revenues, client feedback and competitive factors. Research analysts', strategists' or economists' compensation is not linked to investment banking or capital markets transactions performed or proposed to be performed by CIMB India or its affiliates.

**Indonesia:** This report is issued and distributed by PT CIMB Securities Indonesia ("CIMBI"). The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Conduct Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CIMBI has no obligation to update its opinion or the information in this research report. Neither this report nor any copy hereof may be distributed in Indonesia or to any Indonesian citizens wherever they are domiciled or to Indonesian residents except in compliance with applicable Indonesian capital market laws and regulations.

This research report is not an offer of securities in Indonesia. The securities referred to in this research report have not been registered with the Financial Services Authority (Otoritas Jasa Keuangan) pursuant to relevant capital market laws and regulations, and may not be offered or sold within the territory of the Republic of Indonesia or to Indonesian citizens through a public offering or in circumstances which constitute an offer within the meaning of the Indonesian capital market law and regulations.

**Ireland:** CIMB is not an investment firm authorised in the Republic of Ireland and no part of this document should be construed as CIMB acting as, or otherwise claiming or representing to be, an investment firm authorised in the Republic of Ireland.

**Malaysia:** This report is issued and distributed by CIMB Investment Bank Berhad ("CIMB") solely for the benefit of and for the exclusive use of our clients. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Conduct Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CIMB has no obligation to update, revise or reaffirm its opinion or the information in this research reports after the date of this report.

**New Zealand:** In New Zealand, this report is for distribution only to persons who are wholesale clients pursuant to section 5C of the Financial Advisers Act 2008.

**Singapore:** This report is issued and distributed by CIMB Research Pte Ltd ("CIMBR"). CIMBR is a financial adviser licensed under the Financial Advisers Act, Cap 110 ("FAA") for advising on investment products, by issuing or promulgating research analyses or research reports, whether in electronic, print or other form. Accordingly CIMBR is a subject to the applicable rules under the FAA unless it is able to avail itself to any prescribed exemptions.

Recipients of this report are to contact CIMB Research Pte Ltd, 50 Raffles Place, #19-00 Singapore Land Tower, Singapore in respect of any matters arising from, or in connection with this report. CIMBR has no obligation to update its opinion or the information in this research report. This publication is strictly confidential and is for private circulation only. If you have not been sent this report by CIMBR directly, you may not rely, use or disclose to anyone else this report or its contents.

If the recipient of this research report is not an accredited investor, expert investor or institutional investor, CIMBR accepts legal responsibility for the contents of the report without any disclaimer limiting or otherwise curtailing such legal responsibility. If the recipient is an accredited investor, expert investor or institutional investor, the recipient is deemed to acknowledge that CIMBR is exempt from certain requirements under the FAA and its attendant regulations, and as such, is exempt from complying with the following :

- (a) Section 25 of the FAA (obligation to disclose product information);
- (b) Section 27 (duty not to make recommendation with respect to any investment product without having a reasonable basis where you may be reasonably expected to rely on the recommendation) of the FAA;
- (c) MAS Notice on Information to Clients and Product Information Disclosure [Notice No. FAA-N03];
- (d) MAS Notice on Recommendation on Investment Products [Notice No. FAA-N16];
- (e) Section 36 (obligation on disclosure of interest in securities), and
- (f) any other laws, regulations, notices, directive, guidelines, circulars and practice notes which are relates to the above, to the extent permitted by applicable laws, as may be amended from time to time, and any other laws, regulations, notices, directive, guidelines, circulars, and practice notes as we may notify you from time to time. In addition, the recipient who is an accredited investor, expert investor or institutional investor acknowledges that a CIMBR is exempt from Section 27 of the FAA, the recipient will also not be able to file a civil claim against CIMBR for any loss or damage arising from the recipient's reliance on any recommendation made by CIMBR which would otherwise be a right that is available to the recipient under Section 27 of the FAA, the recipient will also not be able to file a civil claim against CIMBR for any loss or damage arising

from the recipient's reliance on any recommendation made by CIMBR which would otherwise be a right that is available to the recipient under Section 27 of the FAA.

CIMB Research Pte Ltd ("CIMBR"), its affiliates and related companies, their directors, associates, connected parties and/or employees may own or have positions in securities of the company(ies) covered in this research report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities. Further, CIMBR, its affiliates and its related companies do and seek to do business with the company(ies) covered in this research report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) as well as solicit such investment, advisory or other services from any entity mentioned in this report.

As of 5 December 2017, CIMB Research Pte Ltd does not have a proprietary position in the recommended securities in this report.

CIMB Research Pte Ltd, CIMB Securities Singapore Pte Ltd and CIMB Bank Berhad, Singapore branch do not make a market on the securities mentioned in the report.

**South Korea:** This report is issued and distributed in South Korea by CIMB Securities Limited, Korea Branch ("CIMB Korea") which is licensed as a cash equity broker, and regulated by the Financial Services Commission and Financial Supervisory Service of Korea. In South Korea, this report is for distribution only to professional investors under Article 9(5) of the Financial Investment Services and Capital Market Act of Korea ("FSCMA").

**Spain:** This document is a research report and it is addressed to institutional investors only. The research report is of a general nature and not personalised and does not constitute investment advice so, as the case may be, the recipient must seek proper advice before adopting any investment decision. This document does not constitute a public offering of securities.

CIMB is not registered with the Spanish Comision Nacional del Mercado de Valores to provide investment services.

**Sweden:** This report contains only marketing information and has not been approved by the Swedish Financial Supervisory Authority. The distribution of this report is not an offer to sell to any person in Sweden or a solicitation to any person in Sweden to buy any instruments described herein and may not be forwarded to the public in Sweden.

**Switzerland:** This report has not been prepared in accordance with the recognized self-regulatory minimal standards for research reports of banks issued by the Swiss Bankers' Association (Directives on the Independence of Financial Research).

**Taiwan:** This research report is not an offer or marketing of foreign securities in Taiwan. The securities as referred to in this research report have not been and will not be registered with the Financial Supervisory Commission of the Republic of China pursuant to relevant securities laws and regulations and may not be offered or sold within the Republic of China through a public offering or in circumstances which constitutes an offer or a placement within the meaning of the Securities and Exchange Law of the Republic of China that requires a registration or approval of the Financial Supervisory Commission of the Republic of China.

**Thailand:** This report is issued and distributed by CIMB Securities (Thailand) Company Limited ("CIMBS") based upon sources believed to be reliable (but their accuracy, completeness or correctness is not guaranteed). The statements or expressions of opinion herein were arrived at after due and careful consideration for use as information for investment. Such opinions are subject to change without notice and CIMBS has no obligation to update its opinion or the information in this research report.

If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Conduct Authority apply to a recipient, our obligations owed to such recipient are unaffected.

**United Arab Emirates:** The distributor of this report has not been approved or licensed by the UAE Central Bank or any other relevant licensing authorities or governmental agencies in the United Arab Emirates. This report is strictly private and confidential and has not been reviewed by, deposited or registered with UAE Central Bank or any other licensing authority or governmental agencies in the United Arab Emirates. This report is being issued outside the United Arab Emirates to a limited number of institutional investors and must not be provided to any person other than the original recipient and may not be reproduced or used for any other purpose. Further, the information contained in this report is not intended to lead to the sale of investments under any subscription agreement or the conclusion of any other contract of whatsoever nature within the territory of the United Arab Emirates.

**United Kingdom:** In the United Kingdom and European Economic Area, this report is being disseminated by CIMB Securities (UK) Limited ("CIMB UK"). CIMB UK is authorized and regulated by the Financial Conduct Authority and its registered office is at 27 Knightsbridge, London, SW1X7YB. Unless specified to the contrary, this report has been issued and approved for distribution in the U.K. and the EEA by CIMB UK. Investment research issued by CIMB UK has been prepared in accordance with CIMB Group's policies for managing conflicts of interest arising as a result of publication and distribution of investment research. This report is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of CIMB UK; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Order"), (c) fall within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc") of the Order; (d) are outside the United Kingdom subject to relevant regulation in each jurisdiction, or (e) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with any investments to which this report relates may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This report is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons.

Where this report is labelled as non-independent, it does not provide an impartial or objective assessment of the subject matter and does not constitute independent "investment research" under the applicable rules of the Financial Conduct Authority in the UK. Consequently, any such non-independent report will not have been prepared in accordance with legal requirements designed to promote the independence of

investment research and will not subject to any prohibition on dealing ahead of the dissemination of investment research. Any such non-independent report must be considered as a marketing communication.

**Other jurisdictions:** In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is only for distribution to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

### RECOMMENDATION FRAMEWORK

#### Stock Ratings

Definition:

- Add The stock's total return is expected to reach 15% or higher over the next 12 months.
- Hold The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
- Reduce The stock's total return is expected to fall below negative 10% over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

#### Sector Ratings

Definition:

- Overweight An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

#### Country Ratings

Definition:

- Overweight An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

#### Anirban Lahiri – Head of Research

Email: [anirban.lahiri@vndirect.com.vn](mailto:anirban.lahiri@vndirect.com.vn)

#### Phuong Nguyen Mai, CFA – Director

Email: [phuong.nguyenmai@vndirect.com.vn](mailto:phuong.nguyenmai@vndirect.com.vn)

#### Thuy Le Minh – Analyst

Email: [thuy.leminh@vndirect.com.vn](mailto:thuy.leminh@vndirect.com.vn)

#### VNDIRECT Securities Corporation

1 Nguyen Thuong Hien Str – Hai Ba Trung Dist – Ha Noi

Tel: +84 2439724568

Email: [research@vndirect.com.vn](mailto:research@vndirect.com.vn)

Website: <https://vndirect.com.vn>