

LIENVIET POST BANK (LPB) - UPDATE

Market Price VND14,200	Target Price VND19,000	Dividend Yield 4.23%	Rating ADD	Sector FINANCIALS
----------------------------------	----------------------------------	--------------------------------	----------------------	-----------------------------

Outlook – Short term



Outlook – Long term



Valuation



10 May 2018

Thuy Le Minh

thuy.leminh@vndirect.com.vn

Key changes in the report

- FY18 pre-tax profit reduced by 2.4%
- Lower target price by 3.1%

Price performance



Source: VNDIRECT

Key statistics

52w high (VND)	18,000
52w low (VND)	10,734
3m Avg daily volume (shares)	3.8mn
3m Avg daily value (VNDmn)	59,001
Market cap (VNDbn)	10,650
Outstanding shares (m)	750
Free float (%)	20
TTM P/E (x)	7.4
Current P/B (x)	1.1

Ownership

Vietnam Post	12.5%
Nguyen Duc Huong (Chairman)	4.9%
H.T.H Co., Ltd	4.8%
Nguyen Dinh Thang	4.3%
Khai Hung Co., Ltd	2.5%
Others	70.9%

Source: VNDIRECT

We reiterate our ADD rating on LPB but lower our target price by 3.1% to VND19,000 due to a lowering of FY18 forecasted earnings on the back of a higher deposit growth forecast than previously expected, which will weigh on NIM. 1Q18 saw a sluggish start to the year with 8.1% pre-tax profit growth but we expect 24.3% growth for FY18 as a whole.

Net interest income declined (-5.1% YoY) as NIM fell by 11bps compared to 1Q17. Two factors for lower NIM are: 1) aggressive deposit growth (+12.5% YTD) outpacing loan growth (+7.5% YTD); 2) higher funding cost (+46bps YoY) due to the reorientation of the funding mix toward more customer deposits and less interbank deposits and the issuance of VND1,500bn medium-term certificate of deposits in the last three quarters of FY17. As of 1Q18-end, the bank completed 45% of the full year fund mobilization plan, thus deposit growth should slow down in the coming quarters and allowing profit growth to accelerate.

Active network expansion seen in 1Q18 with 1 new branch, 43 new bank transaction offices and 41 new postal transaction offices. LPB can quickly increase the number of bank transaction offices because it is upgrading the current postal transaction offices to bank transaction offices. The expansion of the network, especially via the postal channel, was the driver of strong deposit mobilization. The bank disclosed that about 58% of new deposits raised in 1Q18 were from the postal channel. However, network expansion led the cost-to-income ratio (CIR) to rise from 41.9% 1QFY17 to 52.8% in this quarter.

Past due loans fell by 7.5%, driving a 73.7% cut in provision expense. Given the reduction of past due loans, LPB only needs to maintain the specific provision balance in 1Q18. In fact, the bank only booked provision for VAMC bonds and did not book new provision for on-balance sheet loans. Although the specific provision is sufficient, we think the general provision balance should be increased and we expect provision expenses will increase in the next few quarters.

LPB still has the lowest valuation among the listed banks. At the current price, LPB is trading at just 1.1x P/B, which is a staggering 50% discount to its peer's average of 2.2x. With good asset quality (NPL of 1.1% and loan-loss-coverage ratio of 104.6% as of 1Q18-end) and a forecasted pre-tax profit CAGR of 15.5% for FY18-21, LPB deserves a higher valuation. We have a target price of VND19,000, implying 33.8% upside. We emphatically reiterate our ADD rating on the stock.

Financial summary (VND)	12-16A	12-17A	12-18E	12-19E
Net interest income (bn)	4,024	5,227	6,113	7,136
Net interest margin	3.5%	3.6%	3.6%	3.7%
Total operating income (bn)	3,872	5,103	6,129	7,192
Total provision charges (bn)	(492)	(522)	(480)	(564)
Net profit (bn)	1,063	1,368	1,701	1,901
Net profit growth	203.8%	28.7%	24.3%	11.8%
Adjusted EPS	1,467	1,740	2,037	2,261
BVPS	12,168	13,074	15,161	17,096
ROAE	13.3%	15.4%	16.4%	15.7%

Source: VNDIRECT

Figure 1: LPB's 1Q18 business results

	1Q17	1Q18	Growth YoY
Net interest income	1,260	1,195	-5.1%
Non-interest income	(52)	8	116.4%
Pre-provision profit	702	569	-19.0%
Provision expense	(233)	(61)	-73.7%
Pre-tax profit	470	507	8.1%
After-tax profit	351	417	19.0%

Source: Company, VNDIRECT

1Q18 RESULTS – A SLUGGISH START

1Q18 bottom-line growth was helped by lower provision expense and tax expense while operating income stayed flat. Net interest income fell slightly (-5.1% YoY) but non-interest income surged by +116.4% yoy. Operating income remained flat (-0.4% yoy), however, a 10.9 % pts hike in CIR due to network expansion resulted in 19.0% yoy fall in pre-provision profit. However, the cuts of 73.7% yoy in provision expense and 24.2% yoy in tax expense (LPB paid an additional VND23bn in income tax last year as required by the authorities) cushioned the bottom line. Pre-tax profit and net profit posted growth of 8.1% and 19.0%, respectively. LPB achieved VND507bn in pre-tax profit in the quarter, fulfilling 28.2% of the bank's FY18 target but trailed our expectation at 22.5% of our previous full-year forecast.

Net interest income slid due to higher funding cost and robust deposit growth outpacing loan growth. The mismatch between deposit growth and loan growth and a higher funding cost dragged NIM down by 11bps YoY. Net interest income, therefore, fell by 5.1% YoY.

Figure 2: LPB's 1Q18 performance metrics

	1Q17	1Q18
Loan growth (YTD)	11.5%	7.5%
Deposit growth (YTD)	0.5%	12.5%
Net interest margin (NIM)	3.4%	3.2%
Non-performing loans (NPL)	N/A	1.1%

Source: Company, VNDIRECT

- YTD deposit growth was 12.5%, much higher than 0.5% growth in the same period last year. YTD loan growth of 7.5% trailed YTD deposit growth and the 11.5% loan growth of 1Q17. In FY17, LPB pushed for high loan growth (26.3%) while deposit growth was moderate at 15.6%, as a result, the loan-to-deposit ratio (LDR) increased sharply from 60.6% in FY16-end to 67.5% in FY17-end. We think the aggressive deposit growth was aimed to keep LDR at healthy level (current LDR is 70.0%) and to restructure the funding mix toward more customer deposits and less interbank deposits. On the credit growth side, the State Bank of Vietnam (SBV) set a lower credit growth target this year and, therefore, LPB is targeting 20.0% credit growth for FY18, lower than 26.3% growth achieved in FY17. As a result, loan growth in 1Q18 was lower than that in the same period last year.
- In 1Q18, LPB's funding cost increased 46bps YoY due to two factors: 1) LPB issued more than VND1,500bn of medium-term certificates of deposits in the last three quarters of FY17, with interest rate ranging from 8% to 9%, higher than the average deposit interest rate of 6%-7%; 2) the share of low cost interbank funding in total funding reduced from 7.1% in 1Q17 to 1.7% in 1Q18. The bank issued certificates of deposit to help raise more long-term funds in response to the recent SBV directive which caps the ratio of short term funds used for medium-to-long term lending at 45%, down from 50% earlier.

Non-interest income grew by 116.4% YoY, driven by higher fee income and income from investment securities. Non-interest income posted a profit of VND8bn compared to a loss of VND52bn in 1Q17. Fee income doubled the amount in 1Q17 but its contribution to total operating income was still modest at 1.6%. Income from investment securities jumped by 4 times as income from this activity increased by 2.3 times on the back of a buoyant stock market. In addition, there was VND19bn worth of provision for securities reversed in 1Q18 (while there was none provision reversed in 1Q17).

Operating expense soared 25.6% YoY as LPB continued expanding its network and upgrading postal transaction offices. Within the first three months of FY18, LPB opened 1 new branch, 43 bank transaction offices and added 41 postal transaction offices. LPB started upgrading postal transaction offices to bank transaction offices in the latter half of 2017, resulting in a secular rise in operating costs.

CIR increased significantly from 41.9% in 1Q17 to 52.8% in 1Q18. Current CIR is still lower than 55.1% as of FY17-end, but we expect CIR will increase as the bank continues to upgrade postal transaction office and expenses for employees will increase toward the end of the year.

The absence of new provisioning for on-balance sheet loans held down provision expense. Provision expense incurred in 1Q18 was VND61bn, down 73.7% YoY. This amount was solely comprised of new provisions booked for VAMC bonds, while there was no new provision booked for on-balance sheet loans in the first three months of 2018. So far LPB has provisioned for 47.2% worth of VAMC bonds.

As the past due loans (loans from group 2 to 5) dropped from 2.9% of the total loan book in FY17-end to 2.5% in 1Q18-end, LPB did not need to book more specific provisions. However, the bank did not book new general provision in 1Q18, even though it is required to book general provisions for new loans disbursed. LPB seems to be short on general provisioning, and we expect the bank will book more provisions in subsequent quarters.

NPL remained stable at a low level and group 2 loans reduced. 1Q18 NPL was at 1.1%, same as FY17-end, but in absolute terms, NPL increased slightly by 7.4%, in line with loan growth. A positive development was a 16.1% decrease in group 2 loans compared to FY17-end. The LLR fell from 114.5% in FY17-end to 104.6% in 1Q18 as LPB did not book new provisions for on-balance sheet loans, while the absolute amount of NPLs still increased. However, the current LLR is still at a high level and we expect the bank will ramp up provisioning in the remaining quarters of this year.

FY18 FORECASTS – PROFIT GROWTH WILL ACCELERATE FROM THE MODEST PACE SEEN IN 1Q18

We revised up the deposit growth assumption to reflect the bank's guidance announced in the AGM. The bank targeted a deposit growth of 25% for FY18 and so we lifted our deposit growth assumption from 15% previously to 25%. As a result, our net interest income forecast reduced by 4.3% and NIM projection was down by 17bps.

Net interest income growth for the year will be higher than in 1Q18. 1Q18 net interest income declined 5.1% YoY due to strong deposit growth and higher funding costs. LPB planned to raise deposits to VND170trn in FY18, and at the end of 1Q18, the bank completed 45% of the whole year plan. We expect deposit growth will temper down in the remaining quarters and, therefore, net interest income growth will accelerate from the pace seen in the first quarter.

We reduced our provision expense projection by 19.9% due to a large drop in group 2 loans seen in 1Q18. As the past due loans (loans from group 2 to 5) dropped from 2.9% of total loan book in FY17-end to 2.5% in 1Q18-end, LPB did not book new specific provision in 1Q18. The drop of past due loans led to a lower specific provision balance forecast, and thus a lower provision expense projection. However, we think LPB is short on general provisions, and we expect the bank to ramp up provisioning in later quarters. We forecast FY18 provision expense will be 8.0% lower versus FY17 levels.

The haircut in our net interest income forecast resulted in a 2.4% decline in our FY18 pre-tax profit projection. The decrease in our net interest income forecast more than offset the decrease in our provision expense forecast. The net result is a 2.4% reduction in our FY18 forecasted pre-tax profit. We now expect FY18 pre-tax profit will

touch VND2,198bn, equivalent to 24.3% growth, and significantly higher than the 8.1% growth seen in 1Q18.

VALUATION

We used a combination of the residual income and P/B multiples approaches for valuation, with the weighting 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. Given that each bank has distinct fundamentals and earnings prospects, we have only given a 30% weighting to the relative valuation approach and assign a 70% weighting to the residual income approach.

Figure 3: Valuation

Approach	Weighting	Fair value	Contribution
Residual income	70%	18,049	12,634
P/B multiple (at 1.4x)	30%	21,225	6,368
Target price			19,002

Source: VNDIRECT

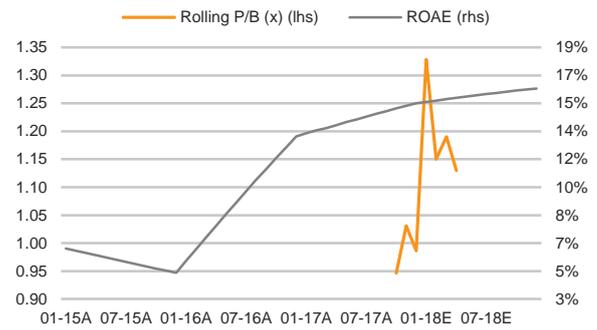
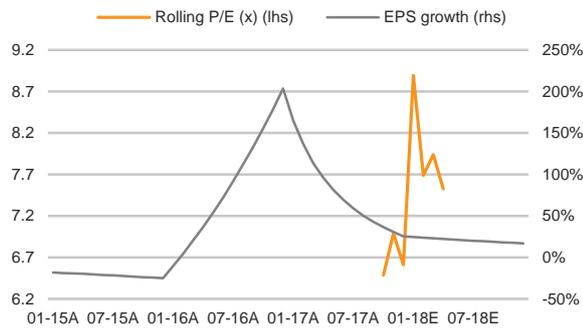
LPB is currently trading at 1.1x P/B versus its peer average of 2.2x. Compared to its peers, LPB has a higher ROE, lower NPL and a high provisioning buffer. In addition, LPB has some competitive advantages over other retail peers, such as a large network and low cost of funds, which will be beneficial for LPB as it continues to expand its retail lending business. We are positive on LPB's fundamentals and believe that LPB should trade at a higher multiple. We reiterate our target P/B of 1.4x for FY18 and by combining the residual income approach with the P/B multiples approach, we arrive at a target price of VND19,000, 3.1% lower than the previous target price and equating to a FY18 forward P/B of 1.3x. We reiterate our ADD rating on the stock.

Figure 4: LPB's peers comparison

Banks	Market cap (VND bn)	TTM ROA	TTM ROE	Current P/B	TTM P/E	FY18 P/B	FY18 P/E
BID	119,655	0.6%	14.5%	2.5	17.0	2.3	20.1
CTG	111,702	0.7%	12.4%	1.7	14.3	1.6	13.8
MBB	56,644	1.4%	14.2%	1.9	13.7	1.8	11.0
ACB	48,151	1.0%	17.5%	2.7	19.4	2.5	12.5
VIB	16,189	1.2%	15.9%	2.0	13.8	2.5	27.6
Average	70,468	1.0%	14.9%	2.2	15.6	2.1	17.0
LPB	10,650	0.9%	15.1%	1.1	7.4	0.9	7.0

Source: Bloomberg, VNDIRECT

Valuation



Income statement

(VNDbn)	12-17A	12-18E	12-19E
Net interest income	5,227	6,113	7,136
Non interest income	(124)	16	56
Total operating income	5,103	6,129	7,192
Total operating costs	(2,813)	(3,451)	(4,171)
Pre-provision operating profit	2,290	2,678	3,021
Total provision charges	(522)	(480)	(564)
Income from associates & JVs			
Net other income			
Pre-tax profit	1,768	2,198	2,457
Tax expense	(400)	(497)	(556)
Profit after tax	1,368	1,701	1,901
Minority interest	0	0	0
Net profit	1,368	1,701	1,901

Balance sheet

(VNDbn)	12-17A	12-18E	12-19E
Gross loans to customers	100,621	120,745	142,480
Loans to banks			
Total gross loans	100,621	120,745	142,480
Securities - total	32,650	34,609	37,378
Other interest earning assets	23,292	24,690	26,665
Total gross IEAs	156,563	180,044	206,522
Total provisions	(2,015)	(2,237)	(2,552)
Net loans to customers	99,392	119,341	140,828
Total net IEAs	154,548	177,807	203,970
Cash and deposits	893	1,607	1,719
Total investments	325	347	372
Other assets	7,668	8,205	8,779
Total non-IEAs	8,886	10,159	10,871
Total assets	163,434	187,966	214,841
Customer deposits	128,275	160,344	185,999
Cds outstanding	6,157	6,157	6,157
Customer interest-bearing liabilities	134,433	166,501	192,156
Bank deposits	1,332	2,264	2,309
Broad deposits	135,764	168,765	194,465
Other interest-bearing liabilities	14,709	3,902	3,655
Total IBLs	150,473	172,666	198,120
Deferred tax liability			
Other non-interest bearing liabilities	3,577	3,929	3,899
Total non-IBLs	3,577	3,929	3,899
Total liabilities	154,050	176,596	202,019
Share capital	6,460	7,500	7,500
Additional paid-in capital	0	0	0
Treasury shares			
Retained earnings reserve	1,794	2,741	4,193
Other reserves	1,129	1,129	1,129
Shareholders' equity	9,383	11,371	12,822
Minority interest	0	0	0
Total equity	9,383	11,371	12,822
Total liabilities & equity	163,434	187,966	214,841

	12-17A	12-18E	12-19E
Growth rate (yoy)			
Cust deposit growth	15.6%	25.0%	16.0%
Gross cust loan growth	26.3%	20.0%	18.0%
Net interest income growth	29.9%	17.0%	16.7%
Pre provision operating profit growth	24.4%	17.0%	12.8%
Net profit growth	28.7%	24.3%	11.8%
Growth in IEAs	15.8%	15.0%	14.7%
Share value			
Basic EPS (VND)	1,951	2,284	2,535
BVPS (VND)	13,074	15,161	17,096
DPS (VND)	1,000	600	600
EPS growth	25.7%	17.1%	11.0%

Key ratios

	12-17A	12-18E	12-19E
Net interest margin	3.6%	3.6%	3.7%
Cost-income ratio	(55.1%)	(56.3%)	(58.0%)
Reported NPLs / gross cust loans	1.1%	1.0%	1.0%
Reported NPLs / net cust loans	1.1%	1.1%	1.0%
GP charge / average cust loans	0.6%	0.4%	0.4%
Total CAR	11.0%	10.7%	10.1%
Loan deposit ratio	74.8%	72.5%	74.1%
Margins and spreads			
Return on IEAs	7.9%	8.0%	8.2%
Cost of funds	4.5%	4.6%	4.7%
Interest return on average assets	3.4%	3.5%	3.5%
ROAE	15.4%	16.4%	15.7%

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 CGS-CIMB or CIMB Investment Bank Berhad ("CIMB"), as the case may be, pursuant to an arrangement between VNDIRECT Securities Corporation and CGS-CIMB. VNDIRECT Securities Corporation is not an affiliate of CGS-CIMB or 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 CGS-CIMB or CIMB, as the case may be.

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. None of VNDIRECT Securities Corporation, CGS-CIMB or CIMB is under any obligation to update this report in the event of a material change to the information contained in this report. None of VNDIRECT Securities Corporation, CGS-CIMB or CIMB has any and will 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, CGS-CIMB and CIMB and their respective affiliates and related persons including China Galaxy International Financial Holdings Limited ("CGIFHL") and CIMB Group Sdn. Bhd. ("CIMBG") and their respective related corporations (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, CGS-CIMB 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 CGS-CIMB, CIMB, or VNDIRECT Securities Corporation, or their respective affiliates (including CGIFHL, CIMBG and their respective related corporations) to any person to buy or sell any investments.

CGS-CIMB, CIMB and/or VNDIRECT Securities Corporation and/or their respective affiliates and related corporations (including CGIFHL, CIMBG and their respective related corporations), their respective 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, CGS-CIMB, CIMB and/or VNDIRECT Securities Corporation, and/or their respective affiliates and their respective related corporations (including CGIFHL, CIMBG and their respective related corporations) 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.

CGS-CIMB, CIMB and/or VNDIRECT Securities Corporation and/or their respective affiliates (including CGIFHL, CIMBG and their respective related corporations) may enter into an agreement with the company(ies) covered in this report relating to the production of research reports. CGS-CIMB, 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 “CGS-CIMB” shall denote, where appropriate, the relevant entity distributing or disseminating the report in the particular jurisdiction referenced below, or, in every other case except as otherwise stated herein, CIMB Securities International Pte. Ltd. and its affiliates, subsidiaries and related corporations.

CGS-CIMB

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

CIMB

Country	CIMB Entity	Regulated by
Malaysia	CIMB Investment Bank Berhad	Securities Commission Malaysia

(i) As of 10 May 2018 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 10 May 2018, 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. CGS-CIMB, and VNDIRECT Securities Corporation and their respective affiliates (including CGIFHL, CIMBG and their related corporations) do 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. None of CGS-CIMB, CIMB and VNDIRECT Securities Corporation and their respective affiliates nor their related persons (including CGIFHL, CIMBG and their related corporations) 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 CGS-CIMB's, CIMB's and their respective affiliates' (including CGIFHL's, CIMBG's and their respective related corporations') 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 license. 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).

Canada: This research report has not been prepared in accordance with the disclosure requirements of Dealer Member Rule 3400 – Research Restrictions and Disclosure Requirements of the Investment Industry Regulatory Organization of Canada. For any research report distributed by CIBC, further disclosures related to CIBC conflicts of interest can be found at <https://researchcentral.cibcwm.com>.

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 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.

CHK 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 the National Stock Exchange of India Limited and BSE Limited as a trading and clearing member under the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992. 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 the Securities and Exchange Board of India ("SEBI") as an Investment Adviser. CIMB India is registered with SEBI as a Research Analyst pursuant to the SEBI (Research Analysts) Regulations, 2014 ("Regulations").

This report does not take into account the particular investment objectives, financial situations, or needs of the recipients. It is not intended for and does not deal with prohibitions on investment due to law/jurisdiction issues etc. which may exist for certain persons/entities. Recipients should rely on their own investigations and take their own professional advice before investment.

The report is not a "prospectus" as defined under Indian Law, including the Companies Act, 2013, and is not, and shall not be, approved by, or filed or registered with, any Indian regulator, including any Registrar of Companies in India, SEBI, any Indian stock exchange, or the Reserve Bank of India. No offer, or invitation to offer, or solicitation of subscription with respect to any such securities listed or proposed to be listed in India is being made, or intended to be made, to the public, or to any member or section of the public in India, through or pursuant to this report.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities 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.

CIMB India has not received any investment banking related compensation from the companies mentioned in the report in the past 12 months.

CIMB India has not received any compensation from the companies mentioned in the report in the past 12 months.

Indonesia: This report is issued and distributed by PT CIMB Sekuritas Indonesia ("CIMBI"). The views and opinions in this research report are our own as of the date hereof and are subject to change. 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: CGS-CIMB is not an investment firm authorised in the Republic of Ireland and no part of this document should be construed as CGS-CIMB acting as, or otherwise claiming or representing to be, an investment firm authorised in the Republic of Ireland.

Malaysia: This report is distributed by CIMB solely for the benefit of and for the exclusive use of our clients. 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, #16-02 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.

CIMBR, its affiliates and related corporations, 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 corporations 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 10 May 2018,, CIMBR does not have a proprietary position in the recommended securities in this report.

CIMBR does 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.

CGS-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).

Thailand: This report is issued and distributed by CIMB Securities (Thailand) Co. Ltd. ("CIMBT") 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 CIMBT has no obligation to update its opinion or the information in this research report.

CIMBT may act or acts as Market Maker, and issuer and offerer of Derivative Warrants and Structured Note which may have the following securities as its underlying securities. Investors should carefully read and study the details of the derivative warrants in the prospectus before making investment decisions.

AAV, ADVANC, AMATA, ANAN, AOT, AP, BA, BANPU, BBL, BCH, BCP, BCPG, BDMS, BEAUTY, BEC, BEM, BJC, BH, BIG, BLA, BLAND, BPP, BTS, CBG, CENTEL, CHG, CK, CKP, COM7, CPALL, CPF, CPN, DELTA, DTAC, EA, EGCO, EPG, GFPT, GLOBAL, GLOW, GPSC, GUNKUL, HMPRO, INTUCH, IRPC, ITD, IVL, KBANK, KCE, KKP, KTB, KTC, LH, LHBANK, LPN, MAJOR, MALEE, MEGA, MINT, MONO, MTLs, PLANB, PSH, PTL, PTG, PTT, PTTEP, PTTGC, QH, RATCH, ROBINS, S, SAWAD, SCB, SCC, SCCC, SIRI, SPALI, SPRC, STEC, STPI, SUPER, TASCO, TCAP, THAI, THANI, THCOM, TISCO, TKN, TMB, TOP, TPIPL, TRUE, TTA, TU, TVO, UNIQ, VGI, WHA, WORK.

Corporate Governance Report:

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general

public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CIMBT does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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 and European Economic Area (EEA): In the United Kingdom and European Economic Area, this material is also being distributed 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. The material distributed by CIMB UK has been prepared in accordance with CGS-CIMB’s policies for managing conflicts of interest arising as a result of publication and distribution of this material. This material 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, material(all such persons together being referred to as “relevant persons”). This material 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 material relates is available only to relevant persons and will be engaged in only with relevant persons.

Where this material is labelled as non-independent, it does not provide an impartial or objective assessment of the subject matter and does not constitute independent “research” (cannot remove research from here under the applicable rules of the Financial Conduct Authority in the UK. Consequently, any such non-independent material will not have been prepared in accordance with legal requirements designed to promote the independence of research (cannot remove research from here) and will not subject to any prohibition on dealing ahead of the dissemination of research. Any such non-independent material must be considered as a marketing communication.

United States: This research report is distributed in the United States of America by CIMB Securities (USA) Inc, a U.S. registered broker-dealer and a related company of CIMB Research Pte Ltd, PT CIMB Sekuritas Indonesia, CIMB Securities (Thailand) Co. Ltd, CIMB Securities Limited, CIMB Securities (India) Private Limited, and is distributed solely to persons who qualify as “U.S. Institutional Investors” as defined in Rule 15a-6 under the Securities and Exchange Act of 1934. This communication is only for Institutional Investors whose ordinary business activities involve investing in shares, bonds, and associated securities and/or derivative securities and who have professional experience in such investments. Any person who is not a U.S. Institutional Investor or Major Institutional Investor must not rely on this communication. The delivery of this research report to any person in the United States of America is not a recommendation to effect any transactions in the securities discussed herein, or an endorsement of any opinion expressed herein. CIMB Securities (USA) Inc, is a FINRA/SIPC member and takes responsibility for the content of this report. For further information or to place an order in any of the above-mentioned securities please contact a registered representative of CIMB Securities (USA) Inc.

CIMB Securities (USA) Inc. does not make a market on other securities mentioned in the report.

CIMB Securities (USA) Inc. has not managed or co-managed a public offering of any of the securities mentioned in the past 12 months.

CIMB Securities (USA) Inc. has not received compensation for investment banking services from any of the company mentioned in the past 12 months.

CIMB Securities (USA) Inc. neither expects to receive nor intends to seek compensation for investment banking services from any of the company mentioned within the next 3 months.

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

Hien Tran Khanh – Deputy Director

Email: hien.trankhanh@vndirect.com.vn

Thuy Le Minh - Analyst

Email: 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

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