China Insurance Sector

The Long-awaited Auto Pricing Deregulation

Further deregulation to weigh on P&C insurers

Last Friday (9 Jun), CIRC announced the details of the second-round auto pricing deregulation, which allows insurers to offer products at maximum 14% lower prices. The reform should have been expected by investors given it has been widely reported by local media this year, and will weigh on P&C insurers' top-line growth and combined ratios. Two PICC names remain our least preferred given their highest P&C exposure. We suggest staying with lifers, and Ping An/CPIC are our top picks.

New rules would lead to 6% lower premium rates

The new rules further relax the floor of underwriting and channel factors, which allow insurers to offer products at maximum 14% lower prices (Fig. 4). We understand that ~80% of policies are currently priced at maximum discounts (i.e. both factors set at 0.85x). If we assume 50% of them are priced at the new floors, premium rates could fall by ~6%. We expect the new rules and high-base effect in 2H16 (due to front-loaded new car sales) to weigh on P&C insurers' auto premium growth: we maintain our mid-single-digit growth forecast for PICC/Ping An, and low-single-digit for CPIC/CTIH in 2017E (Fig. 6).

Competition will persist despite more supervision

While CIRC expects the sector's loss ratio to rise by 3.6ppts post-reform, it tightens supervision on insurers' combined ratios and other operational metrics to prevent further pricing competition. We understand that CIRC's intension is to force insurers to lower expense ratios, which rapidly deteriorated after the first-round reform. However, the new measures may not be enough to suppress competition as: 1) P&C insurers still have strong capital positions to compete; and 2) they may sacrifice margins to sustain top-line growth amid slower new car sales. As such, we keep our view unchanged on further deterioration in combined ratios (Fig. 2).

Prefer lifers over P&C players

Two PICC names remain our least preferred in the sector given their highest P&C exposure. We maintain SELL on PICC P&C due to concerns about auto combined ratios and top-line growth amid the new pricing rules and slower new car sales. However, CIRC's <u>tougher regulations</u> would eventually spill over to the auto insurance market resulting in a clamp down on irrational pricing, which would be a positive risk factor.

We suggest investors stay with lifers. Ping An/CPIC remain our sector top picks given their strong VNB growth and earnings quality. We see CPIC's laggard share performance YTD as unjustified.

[Unchanged]

🚯 Kim Eng

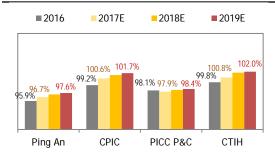
Analyst

Ning Ma, CFA (852) 2268 0672 ningma@kimeng.com.hk

	2016 market share	Change in floor pricing
Region A	76%	-12%
Region B	17%	-22%
Henan	4%	-17%
Shenzhen	3%	-13%
Overall	100%	-14%

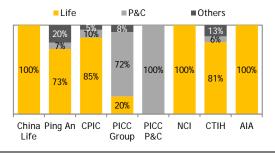
Source: CIRC, Maybank Kim Eng. *Fig. 4 for details

Fig 2: P&C combined ratios



Source: Company data, Maybank Kim Eng

Fig 3: TP valuation composition

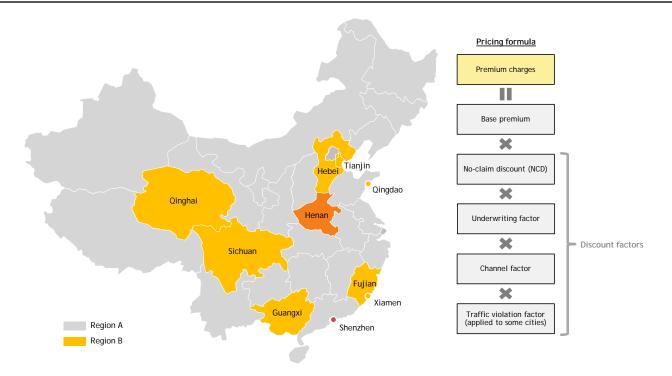


Source: Maybank Kim Eng

				Last		PB (x)		P/EV (x)			EV growth#			VNB (x)			VNB growth#			
Name	Ticker	Rating	TP	price	Upside	FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E
China Life	2628 HK	HOLD	26.50	25.45	4%	2.18	2.09	1.96	0.99	0.87	0.74	7%	16%	17%	(0.2)	(1.7)	(3.3)	57%	20%	18%
Ping An	2318 HK	BUY	57.00	52.05	10%	2.22	2.00	1.75	1.34	1.15	0.96	25%	19%	19%	4.2	1.7	(0.4)	49%	27%	23%
CPIC	2601 HK	BUY	38.50	31.10	24%	1.92	1.86	1.59	1.03	0.91	0.72	13%	16%	16%	0.3	(1.1)	(3.3)	57%	24%	21%
PICC Group	1339 HK	HOLD	3.30	3.30	0%	1.01	0.99	0.90	0.89	0.86	0.77	10%	15%	14%	(4.7)	(4.4)	(7.8)	47%	14%	15%
PICC P&C	2328 HK	SELL	11.00	12.78	-14%	1.42	1.28	1.14	na	na	na	na	na	na	na	na	na	n/a	na	na
NCI	1336 HK	BUY	46.50	42.30	10%	2.00	1.89	1.73	0.91	0.78	0.66	17%	19%	19%	(1.1)	(2.7)	(4.2)	30%	22%	18%
СТІН	966 HK	BUY	25.00	20.35	23%	1.42	1.32	1.19	0.71	0.64	0.55	9%	12%	15%	(3.2)	(3.8)	(4.5)	50%	21%	20%
AIA Group	1299 HK	BUY	61.00	56.30	8%	2.50	2.30	2.12	2.08	1.85	1.65	10%	12%	12%	16.5	12.4	8.9	25%	18%	19%
Source: Company data, Bloomberg, Maybank Kim Eng. #FY16 EV/VNB growth for Chinese insurers are underlying growth ex. C-ROSS impact and EV assumption changes																				

🛞 Kim Eng

Fig 4: P&C insurers could offer auto insurance products at maximum 14% lower prices Summary of second-round commercial auto pricing deregulation



	2016 market share*	No-claim discount** (A)	Underwriting factor (B)	Channel factor (C)	Overall pricing*** (A x B x C)	Change in floor pricing
Region A	76%	0.60-2.00	0.85-1.15	Old: 0.85-1.15 New: 0.75-1.15	Old: 0.43-2.65 New: 0.38-2.65	-12%
Region B	17%	0.60-2.00	Old: 0.85-1.15 New: 0.75-1.15	Old: 0.85-1.15 New: 0.75-1.15	Old: 0.43-2.65 New: 0.34-2.65	-22%
Henan	4%	0.60-2.00	Old: 0.85-1.15 New: 0.80-1.15	Old: 0.85-1.15 New: 0.75-1.15	Old: 0.43-2.65 New: 0.36-2.65	-17%
Shenzhen	3%	0.60-2.00	Old: 0.75-1.15 New: 0.70-1.25	Old: 0.75-1.15 New: 0.70-1.25	Old: 0.34-2.65 New: 0.29-3.13	-13%
Overall	100%					-14%

Additional requirements:

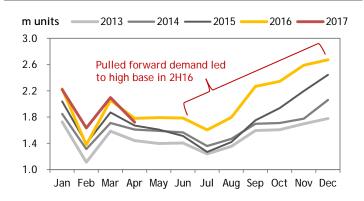
Insurers need to submit their targets on combined ratio, expense ratio and net loss reserve ratio (both nationwide and regional levels) when they apply for approval of premium rates.
 Insurers should adjust and re-submit their premium rates for approval when their actual operation results significantly deviate from targets. Significant deviation occurs when the

difference between actual ratio and treated when the average actual change in the past three years. Besides, insurer's market influence and historical results will also be considered.

Non-compliant products will face sales suspension and premium rate adjustments. For serious violation of regulations, CIRC could suspend insurers from launching new products.

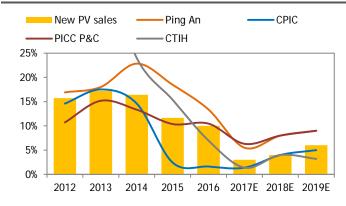
Source: CIRC, Maybank Kim Eng. *Based on P&C GWP; **Xiamen and Beijing use wider NCD of 0.40-3.00; ***Excl. traffic violation factor in calculation for simplicity.



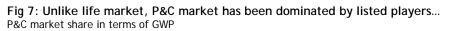


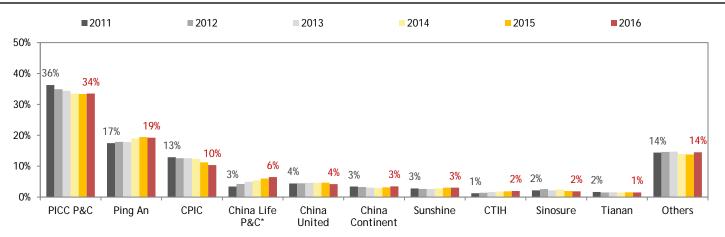
Source: CAAM, Maybank Kim Eng

Fig 6: We expect mid-single-digit auto premium growth for PICC/Ping An in 2017E, and low-single-digit for CPIC/CTIH Auto GWP vs new passenger vehicle sales growth in 2012-19E

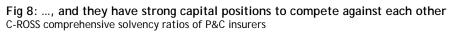


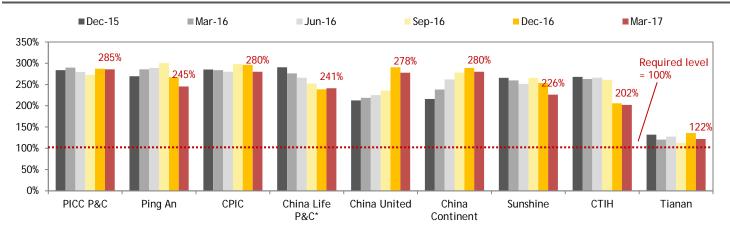
Source: Company data, CAAM, Maybank Kim Eng



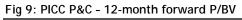


Source: CIRC, Maybank Kim Eng. *40% owned by China Life





Source: Company data, Maybank Kim Eng. *40% owned by China Life



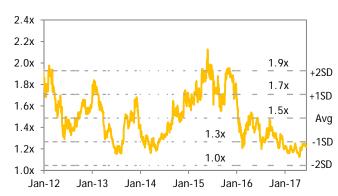
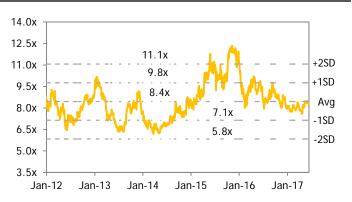


Fig 10: PICC P&C - 12-month forward P/E



Source: Bloomberg, Company data, Maybank Kim Eng

Source: Bloomberg, Company data, Maybank Kim Eng

Appendix: Recent research reports

Fig 11: Recent research reports on HK/China insurance sector

Date	Report title
2 Jun 17	China Insurers: Sailing Through a Policy Year
1 Jun 17	AIA (1299 HK): Growing Broker Channel to Avoid Slowdown in HK VNB
18 May 17	China Insurers: Further Tightening in Savings Products
17 May 17	PICC Grp (1339 HK): Listing in the Home Market
5 May 17	China Insurers: Strong Agency Sales to Support 2017 VNB Growth
28 Apr 17	China Life (2628 HK): Business in Better Shape But Quality Risks Remain
28 Apr 17	Ping An (2318 HK): Impressive VNB Growth Sustained into 1Q17
27 Apr 17	AIA (1299 HK): Big VNB Surprise to Shift Focus to China Growth; U/G to BUY
24 Apr 17	China Insurers: Lifers' Fundamentals Remain Intact Despite Policy Overhangs
21 Apr 17	AIA (1299 HK): Divergent Views Could Persist, But Risks Have Decreased YTD
30 Mar 17	CPIC (2601 HK): 2016 Results - Strong VNB and Better P&C Profitability
30 Mar 17	NCI (1336 HK): More Visible Progress in 2H16 But Concerns Remain
27 Mar 17	AIA (1299 HK): HK Regulator Discontinued Disclosure on Offshore Sales
27 Mar 17	PICC Grp (1339 HK): 2016 Results - VNB Beat, But Life Quality & P&C Did Not
27 Mar 17	PICC P&C (2328 HK): Weak Underwriting Results Offset by Huaxia Bank Gains
24 Mar 17	China Life (2628 HK): 2016 Results - Strong VNB But Concerns on Assumptions
24 Mar 17	CTIH (966 HK): 2016 Results - Exceptional VNB Growth and First-time Dividend
23 Mar 17	Ping An (2318 HK): Expect Share Price to Catch Up Post Strong 2016 Results
17 Mar 17	Ping An (2318 HK): Bank 2016 Results - Kitchen Sinking For New Leadership
28 Feb 17	AIA (1299 HK): Regulatory Risks Remain Despite Better 1017 Visibility
8 Feb 17	AIA (1299 HK): Low Near-term VNB Visibility Caps Valuation Upside
26 Jan 17	China Life (2628 HK): Profit Warning Indicates Better 4Q16 Net Profit
25 Jan 17	China Insurers: Putting the Brakes on Aggressive Stock Investments
25 Jan 17	NCI (1336 HK): Waiting for Fundamentals to Catch Up
23 Jan 17	China Insurers: Marketing Feedback: Strong Interests in Lifers
16 Jan 17	China Insurers: More Regulated Life Markets Favors Listed Players
12 Jan 17	China Insurers: PICC Group's Vice Chairman under Investigation
5 Jan 17	AIA (1299 HK): Onshore Banks Refuse to Accept Cheques by HK Insurers
2 Jan 17	China Insurers: Initiation - Bridging the Quality Gap
2 Jan 17	AIA (1299 HK): Capital Control Fears Persist

Source: Maybank Kim Eng

REGIONAL

Sadiq CURRIMBHOY Regional Head, Research & Economics (65) 6231 5836 sadiq@maybank-ke.com.sg WONG Chew Hann, CA

Regional Head of Institutional Research (603) 2297 8686 wchewh@maybank-ib.com ONG Seng Yeow Regional Head of Retail Research

(65) 6231 5839 ongsengyeow@maybank-ke.com.sg TAN Sin Mui

Director of Research (65) 6231 5849 sinmui@kimeng.com.hk

ECONOMICS

Suhaimi ILIAS Chief Economist Malaysia | Philippines (603) 2297 8682 suhaimi_Ilias@maybank-lb.com CHUA Hak Bin Regional Thematic Macroeconomist (65) 6231 5830 chuahb@maybank-ke.com.sg LEE Ju Ye Singapore (65) 6231 5844 leejuye@maybank-ke.com.sg Tim LEELAHAPHAN Thailand (66) 2658 6300 ext 1420 tim.l@maybank-ke.co.th Saktiandi SUPAAT

Head, FX Research (65) 6320 1379 saktiandi@maybank.com.sg

STRATEGY

Sadiq CURRIMBHOY Global Strategist (65) 6231 5836 sadiq@maybank-ke.com.sg Willie CHAN Hong Kong / Regional

(852) 2268 0631 williechan@kimeng.com.hk

WONG Chew Hann, CA Head of Research (603) 2297 8686 wchewh@maybank-ib.com • Strategy

Desmond CH'NG, ACA (603) 2297 8680 desmond.chng@maybank-ib.com • Banking & Finance

LIAW Thong Jung (603) 2297 8688 Ijliaw@maybank-ib.com • Oil & Gas Services- Regional ONG Chee Ting, CA (603) 2297 8678 ct.ong@maybank-ib.com • Plantations - Regional

Mohshin AZIZ (603) 2297 8692 mohshin.aziz@maybank-ib.com • Aviation - Regional • Petrochem

YIN Shao Yang, CPA (603) 2297 8916 samuel.y@maybank-ib.com • Gaming - Regional • Media TAN Chi Wei CFA

TAN Chi Wei, CFA (603) 2297 8690 chiwei.t@maybank-ib.com • Power • Telcos WONG Wei Sum, CFA

(603) 2297 8679 weisum@maybank-ib.com • Property

LEE Yen Ling (603) 2297 8691 lee.yl@maybank-ib.com • Building Materials • Glove • Ports • Shipping Ivan YAP

(603) 2297 8612 ivan.yap@maybank-ib.com • Automotive • Semiconductor • Technology

Kevin WONG (603) 2082 6824 kevin.wong@maybank-ib.com • REITs • Consumer Discretionary LIFW Wei Han

(603) 2297 8676 weihan.l@maybank-ib.com • Consumer Staples

TEE Sze Chiah Head of Retail Research (603) 2082 6858 szechiah. t@maybank-ib.com Nik Ihsan Raja Abdullah, MSTA, CFTe (603) 2297 8694 nikmohdihsan. ra@maybank-ib.com

Chartist

HONG KONG / CHINA Howard WONG Head of Research (852) 2268 0648 howardwong@kimeng.com.hk

Strategy
 Oil & Gas - Regional
Benjamin HO
(852) 2268 0632 benjaminho@kimeng.com.hk

• Consumer & Auto Christopher WONG

(852)2268 0652 christopherwong@kimeng.com.hk • HK & China Properties Jacqueline KO, CFA

(852) 2268 0633 jacquelineko@kimeng.com.hk • Consumer Staples & Durables

Ka Leong LO, CFA (852) 2268 0630 kllo@kimeng.com.hk • Consumer Discretionary & Auto

Mitchell KIM (852) 2268 0634 mitchellkim@kimeng.com.hk • Internet & Telcos

Ning MA, CFA (852) 2268 0672 ningma@kimeng.com.hk • Insurance

Ricky NG, CFA (852) 2268 0689 rickyng@kimeng.com.hk • Regional Renewables • HK & China Properties

Sonija LI, CFA, FRM (852) 2268 0641 sonijali@kimeng.com.hk • Gaming

Stefan CHANG, CFA (852) 2268 0675 stefanchang@kimeng.com.hk • Technology - Regional

Tony Ren, MBA, CFA (852) 2268 0640 tonyren@kimeng.com.hk • Healthcare & Pharmaceutical

INDIA

Jigar SHAH Head of Research (91) 22 6623 2632 jigar@maybank-ke.co.in • Strategy • Oil & Gas • Automobile • Cement Vishal MODI

(91) 22 6623 2607 vishal@maybank-ke.co.in • Banking & Financials

Neerav DALAL (91) 22 6623 2606 neerav@maybank-ke.co.in • Software Technology • Telcos

Vishal PERIWAL (91) 22 6623 2605 vishalperiwa@maybank-ke.co.in • Infrastructure

SINGAPORE

Neel SINHA Head of Research (65) 6231 5838 neelsinha@maybank-ke.com.sg • Strategy

• SMID Caps - Regional Gregory YAP (65) 6231 5848 gyap@maybank-ke.com.sg

SMID Caps
 Technology & Manufacturing • Telcos

CHUA Su Tye (65) 6231 5842 chuasutye@maybank-ke.com.sg • REITs

Derrick HENG, CFA (65) 6231 5843 derrickheng@maybank-ke.com.sg • Transport • Property • REITs (Office)

John CHEONG, CFA (65) 6231 5845 johncheong@maybank-ke.com.sg • Small & Mid Caps • Healthcare

NG Li Hiang (65) 6231 5840 nglihiang@maybank-ke.com.sg • Banks

INDONESIA

Isnaputra ISKANDAR Head of Research (62) 21 8066 8680 isnaputra.iskandar@maybank-ke.co.id • Strategy • Metals & Mining • Cement

Rahmi MARINA (62) 21 8066 8689 rahmi.marina@maybank-ke.co.id • Banking & Finance

Aurellia SETIABUDI (62) 21 8066 8691 aurellia.setiabudi@maybank-ke.co.id • Property

Pandu ANUGRAH (62) 21 8066 8688 pandu.anugrah@maybank-ke.co.id • Infra • Construction • Transport• Telcos

Janni ASMAN (62) 21 8066 8687 janni.asman@maybank-ke.co.id • Cigarette • Healthcare • Retail

Adhi TASMIN (62) 21 8066 8694 adhi.tasmin@maybank-ke.co.id • Plantations

PHILIPPINES Lovell SARREAL (63) 2 849 8841 lovell_sarreal@maybank-atrke.com • Consumer • Media • Cement

Rommel RODRIGO (63) 2 849 8839 rommel_rodrigo@maybank-atrke.com · Conglomerates • Property • Gaming • Ports/ Logistics

Katherine TAN (63) 2 849 8843 kat_tan@maybank-atrke.com • Banks • Construction

THAILAND

Maria LAPIZ Head of Institutional Research Dir (66) 2257 0250 | (66) 2658 6300 ext 1399 Maria.L@maybank-ke.co.th • Strategy • Consumer • Materials • Ind. Estates

Sittichai DUANGRATTANACHAYA (66) 2658 6300 ext 1393 Sittichai.D@maybank-ke.co.th • Services Sector • Transport

Yupapan POLPORNPRASERT (66) 2658 6300 ext 1395 yupapan.p@maybank-ke.co.th • Oil & Gas

Tanawat RUENBANTERNG (66) 2658 6300 ext 1394 Tanawat.R@maybank-ke.co.th • Banks & Diversified Financials

Vorapoj HONGPINYO (66) 2658 6300 ext 1392 Vorapoj.h@maybank-ke.co.th • Real Estate & Contractors

Sukit UDOMSIRIKUL Head of Retail Research (66) 2658 6300 ext 5090 Sukit.u@maybank-ke.co.th

Surachai PRAMUALCHAROENKIT (66) 2658 6300 ext 1470 Surachai.p@maybank-ke.co.th • Auto • Conmat • Contractor • Steel

Suttatip PEERASUB (66) 2658 6300 ext 1430 suttatip.p@maybank-ke.co.th • Media • Commerce

Sutthichai KUMWORACHAI (66) 2658 6300 ext 1400 sutthichai.k@maybank-ke.co.th • Energy • Petrochem

Termporn TANTIVIVAT (66) 2658 6300 ext 1520 termporn.t@maybank-ke.co.th • Property

Jaroonpan WATTANAWONG (66) 2658 6300 ext 1404 jaroonpan.w@maybank-ke.co.th • Transportation • Small cap

VIETNAM

LE Hong Lien, ACCA Head of Institutional Research (84) 8 44 555 888 x 8181 lien.le@maybank-kimeng.com.vn • Strategy • Consumer • Diversified

THAI Quang Trung, CFA, Deputy Head, Institutional Research (84) 8 44 555 888 x 8180 trung, thai@maybank-kimeng.com.vn • Real Estate • Construction • Materials

LE Nguyen Nhat Chuyen (84) 8 44 555 888 x 8082 chuyen.le@maybank-kimeng.com.vn • Oil & Gas

NGUYEN Thach Lam (84) 8 44 555 888 x 8085 thachlam.nguyen@maybank-kimeng.com.vn • Utilities

NGUYEN Thi Ngan Tuyen, Head of Retail Research (84) 8 44 555 888 x 8081 tuyen.nguyen@maybank-kimeng.com.vn • Food & Beverage • Oil & Gas • Banking

TRUONG Quang Binh, Deputy Head, Retail Research (84) 44 555 888 x 8087 binh.truong@maybank-kimeng.com.vn Rubber Plantation • Tyres and Tubes • Oil & Gas

TRINH Thi Ngoc Diep (84) 4 44 555 888 x 8208 diep.trinh@maybank-kimeng.com.vn • Technology • Utilities • Construction

NGUYEN Thi Sony Tra Mi (84) 8 44 555 888 x 8084 mi.nguyen@maybank-kimeng.com.vn • Port Operation • Pharmaceutical • Food & Beverage

NGUYEN Thanh Lam (84) 4 44 555 888 x 8086 thanhlam.nguyen@maybank-kimeng.com.vn • Technical Analysis

APPENDIX I: TERMS FOR PROVISION OF REPORT, DISCLAIMERS AND DISCLOSURES

DISCLAIMERS

This research report is prepared for general circulation and for information purposes only and under no circumstances should it be considered or intended as an offer to sell or a solicitation of an offer to buy the securities referred to herein. Investors should note that values of such securities, if any, may fluctuate and that each security's price or value may rise or fall. Opinions or recommendations contained herein are in form of technical ratings and fundamental ratings. Technical ratings may differ from fundamental ratings as technical valuations apply different methodologies and are purely based on price and volume-related information extracted from the relevant jurisdiction's stock exchange in the equity analysis. Accordingly, investors' returns may be less than the original sum invested. Past performance is not necessarily a guide to future performance. This report is not intended to provide personal investment advice and does not take into account the specific investment objectives, the financial situation and the particular needs of persons who may receive or read this report. Investors should therefore seek financial, legal and other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report.

The information contained herein has been obtained from sources believed to be reliable but such sources have not been independently verified by Maybank Investment Bank Berhad, its subsidiary and affiliates (collectively, "MKE") and consequently no representation is made as to the accuracy or completeness of this report by MKE and it should not be relied upon as such. Accordingly, MKE and its officers, directors, associates, connected parties and/or employees (collectively, "Representatives") shall not be liable for any direct, indirect or consequential losses or damages that may arise from the use or reliance of this report. Any information, opinions or recommendations contained herein are subject to change at any time, without prior notice.

This report may contain forward looking statements which are often but not always identified by the use of words such as "anticipate", "believe", "estimate", "intend", "plan", "expect", "forecast", "predict" and "project" and statements that an event or result "may", "will", "can", "should", "could" or "might" occur or be achieved and other similar expressions. Such forward looking statements are based on assumptions made and information currently available to us and are subject to certain risks and uncertainties that could cause the actual results to differ materially from those expressed in any forward looking statements. Readers are cautioned not to place undue relevance on these forward-looking statements. MKE expressly disclaims any obligation to update or revise any such forward looking statements to reflect new information, events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

MKE and its officers, directors and employees, including persons involved in the preparation or issuance of this report, may, to the extent permitted by law, from time to time participate or invest in financing transactions with the issuer(s) of the securities mentioned in this report, perform services for or solicit business from such issuers, and/or have a position or holding, or other material interest, or effect transactions, in such securities or options thereon, or other investments related thereto. In addition, it may make markets in the securities mentioned in the material presented in this report. One or more directors, officers and/or employees of MKE may be a director of the issuers of the securities mentioned in this report to the extent permitted by law.

This report is prepared for the use of MKE's clients and may not be reproduced, altered in any way, transmitted to, copied or distributed to any other party in whole or in part in any form or manner without the prior express written consent of MKE and MKE and its Representatives accepts no liability whatsoever for the actions of third parties in this respect.

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. This report is for distribution only under such circumstances as may be permitted by applicable law. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Without prejudice to the foregoing, the reader is to note that additional disclaimers, warnings or qualifications may apply based on geographical location of the person or entity receiving this report.

Malaysia

Opinions or recommendations contained herein are in the form of technical ratings and fundamental ratings. Technical ratings may differ from fundamental ratings as technical valuations apply different methodologies and are purely based on price and volume-related information extracted from Bursa Malaysia Securities Berhad in the equity analysis.

Singapore

This report has been produced as of the date hereof and the information herein may be subject to change. Maybank Kim Eng Research Pte. Ltd. ("Maybank KERPL") in Singapore has no obligation to update such information for any recipient. For distribution in Singapore, recipients of this report are to contact Maybank KERPL in Singapore in respect of any matters arising from, or in connection with, this report. If the recipient of this report is not an accredited investor, expert investor or institutional investor (as defined under Section 4A of the Singapore Securities and Futures Act), Maybank KERPL shall be legally liable for the contents of this report, with such liability being limited to the extent (if any) as permitted by law.

Thailand

Except as specifically permitted, no part of this presentation may be reproduced or distributed in any manner without the prior written permission of Maybank Kim Eng Securities (Thailand) Public Company Limited. Maybank Kim Eng Securities (Thailand) Public Company Limited ("MBKET") accepts no liability whatsoever for the actions of third parties in this respect.

Due to different characteristics, objectives and strategies of institutional and retail investors, the research reports of MBKET Institutional and Retail Research Department may differ in either recommendation or target price, or both. MBKET Retail Research is intended for retail investors (<u>http://kelive.maybank-ke.co.th</u>) while Maybank Kim Eng Institutional Research is intended only for institutional investors based outside Thailand only.

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 may be changed after that date. MBKET does not confirm nor certify the accuracy of such survey result.

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by Thaipat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. Thaipat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of Thaipat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, MBKET does not confirm, verify, or certify the accuracy and completeness of the assessment result.

US

This third-party research report is distributed in the United States ("US") to Major US Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) only by Maybank Kim Eng Securities USA Inc ("Maybank KESUSA"), a broker-dealer registered in the US (registered under Section 15 of the Securities Exchange Act of 1934, as amended). All responsibility for the distribution of this report by Maybank KESUSA in the US shall be borne by Maybank KESUSA. This report is not directed at you if MKE is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that Maybank KESUSA is permitted to provide research material concerning investments to you under relevant legislation and regulations. All U.S. persons receiving and/or accessing this report and wishing to effect transactions in any security mentioned within must do so with: Maybank Kim Eng Securities USA Inc. 777 Third Avenue 21st Floor New York, New York 1- (212) 688-8886 and not with, the issuer of this report.

UK

This document is being distributed by Maybank Kim Eng Securities (London) Ltd ("Maybank KESL") which is authorized and regulated, by the Financial Conduct Authority and is for Informational Purposes only. This document is not intended for distribution to anyone defined as a Retail Client under the Financial Services and Markets Act 2000 within the UK. Any inclusion of a third party link is for the recipients convenience only, and that the firm does not take any responsibility for its comments or accuracy, and that access to such links is at the individuals own risk. Nothing in this report should be considered as constituting legal, accounting or tax advice, and that for accurate guidance recipients should consult with their own independent tax advisers.

DISCLOSURES

Legal Entities Disclosures

Malaysia: This report is issued and distributed in Malaysia by Maybank Investment Bank Berhad (15938- H) which is a Participating Organization of Bursa Malaysia Berhad and a holder of Capital Markets and Services License issued by the Securities Commission in Malaysia. Singapore: This report is distributed in Singapore by Maybank KERPL (Co. Reg No 198700034E) which is regulated by the Monetary Authority of Singapore. Indonesia: PT Maybank Kim Eng Securities ("PTMKES") (Reg. No. KEP-251/PM/1992) is a member of the Indonesia Stock Exchange and is regulated by the Financial Services Authority (Indonesia). Thailand: MBKET (Reg. No. 0107545000314) is a member of the Stock Exchange of Thailand and is regulated by the Ministry of Finance and the Securities and Exchange Commission. Philippines: Maybank ATRKES (Reg. No. 01-2004-00019) is a member of the Philippines Stock Exchange and is regulated by the Securities and Exchange Commission. Vietnam: Maybank Kim Eng Securities Limited (License Number: 117/GP-UBCK) is licensed under the State Securities Commission Vietnam: Maybank Kim Eng Securities Limited (License Number: 117/GP-UBCK) is licensed under the State Securities Commission Vietnam: Maybank Kim Eng Securities Limited (License Number: 117/GP-UBCK) is licensed under the State Securities Commission Vietnam: Maybank Kim Eng Securities Limited (License Number: 117/GP-UBCK) is licensed under the State Securities Commission of Vietnam. Hong Kong: KESHK (Central Entity No AAD284) is regulated by the Securities and Futures Commission. India: Kim Eng Securities India Private Limited ("KESI") is a participant of the National Stock Exchange of India Limited and the Bombay Stock Exchange and is regulated by Securities and Exchange Board of India ("SEBI") (Reg. No. INZ000010538). KESI is also registered with SEBI as Category 1 Merchant Banker (Reg. No. INM 000011708) and as Research Analyst (Reg No: INH000000057) US: Maybank KESUSA is a member of/ and is authorized and regulated by the FINRA - Broker ID 27861. UK: Maybank KES

Disclosure of Interest

Malaysia: MKE and its Representatives may from time to time have positions or be materially interested in the securities referred to herein and may further act as market maker or may have assumed an underwriting commitment or deal with such securities and may also perform or seek to perform investment banking services, advisory and other services for or relating to those companies.

Singapore: As of 12 June 2017, Maybank KERPL and the covering analyst do not have any interest in any companies recommended in this research report.

Thailand: MBKET may have a business relationship with or may possibly be an issuer of derivative warrants on the securities /companies mentioned in the research report. Therefore, Investors should exercise their own judgment before making any investment decisions. MBKET, its associates, directors, connected parties and/or employees may from time to time have interests and/or underwriting commitments in the securities mentioned in this report.

Hong Kong: As of 12 June 2017, KESHK and the authoring analyst do not have any interest in any companies recommended in this research report.

India: As of 12 June 2017, and at the end of the month immediately preceding the date of publication of the research report, KESI, authoring analyst or their associate / relative does not hold any financial interest or any actual or beneficial ownership in any shares or having any conflict of interest in the subject companies except as otherwise disclosed in the research report.

In the past twelve months KESI and authoring analyst or their associate did not receive any compensation or other benefits from the subject companies or third party in connection with the research report on any account what so ever except as otherwise disclosed in the research report.

MKE may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment and may receive compensation for the services provided from the companies covered in this report.

OTHERS

Analyst Certification of Independence

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

Reminder

Structured securities are complex instruments, typically involve a high degree of risk and are intended for sale only to sophisticated investors who are capable of understanding and assuming the risks involved. The market value of any structured security may be affected by changes in economic, financial and political factors (including, but not limited to, spot and forward interest and exchange rates), time to maturity, market conditions and volatility and the credit quality of any issuer or reference issuer. Any investor interested in purchasing a structured product should conduct its own analysis of the product and consult with its own professional advisers as to the risks involved in making such a purchase.

No part of this material may be copied, photocopied or duplicated in any form by any means or redistributed without the prior consent of MKE.

Definition of Ratings

Maybank Kim Eng Research uses the following rating system

- BUY Return is expected to be above 10% in the next 12 months (excluding dividends)
- HOLD Return is expected to be between 10% to +10% in the next 12 months (excluding dividends)
- SELL Return is expected to be below -10% in the next 12 months (excluding dividends)

Applicability of Ratings

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

👩 Malaysia

Maybank Investment Bank Berhad (A Participating Organisation of Bursa Malaysia Securities Berhad) 33rd Floor, Menara Maybank, 100 Jalan Tun Perak, 50050 Kuala Lumpur Tel: (603) 2059 1888; Fax: (603) 2078 4194

Stockbroking Business: Level 8, Tower C, Dataran Maybank, No.1, Jalan Maarof 59000 Kuala Lumpur Tel: (603) 2297 8888 Fax: (603) 2282 5136

Philippines

Maybank ATR Kim Eng Securities Inc. 17/F, Tower One & Exchange Plaza Ayala Triangle, Ayala Avenue Makati City, Philippines 1200

Tel: (63) 2 849 8888 Fax: (63) 2 848 5738

👩 South Asia Sales Trading

Kevin Foy Regional Head Sales Trading kevinfoy@maybank-ke.com.sg Tel: (65) 6636-3620 US Toll Free: 1-866-406-7447

Malaysia Joann Lim joann.lim@maybank-ib.com Tel: (603) 2717 5166

Indonesia Harianto Liong harianto.liong@maybank-ke.co.id Tel: (62) 21 2557 1177

New York Andrew Dacey adacey@maybank-keusa.com Tel: (212) 688 2956

Vietnam Patrick Mitchell patrick.mitchell@maybank-kimeng.com.vn Tel: (84)-8-44-555-888 x8080

📀 Singapore

Maybank Kim Eng Securities Pte Ltd Maybank Kim Eng Research Pte Ltd 50 North Canal Road Singapore 059304

Tel: (65) 6336 9090

👩 Hong Kong

Kim Eng Securities (HK) Ltd Level 30, Three Pacific Place, 1 Queen's Road East, Hong Kong

Tel: (852) 2268 0800 Fax: (852) 2877 0104

👩 Thailand

Maybank Kim Eng Securities (Thailand) Public Company Limited 999/9 The Offices at Central World, 20th - 21st Floor, Rama 1 Road Pathumwan, Bangkok 10330, Thailand

Tel: (66) 2 658 6817 (sales) Tel: (66) 2 658 6801 (research)

🔊 North Asia Sales Trading

Andrew Lee andrewlee@kimeng.com.hk Tel: (852) 2268 0283 US Toll Free: 1 877 837 7635

Thailand Tanasak Krishnasreni Tanasak.K@maybank-ke.co.th Tel: (66)2 658 6820

London Scott Kinnear-Nock SKinnear-nock@maybank-ke.co.uk Tel: (44) 207-332-0221

India Manish Modi manish@maybank-ke.co.in Tel: (91)-22-6623-2601

Philippines Keith Roy keith_roy@maybank-atrke.com Tel: (63) 2 848-5288

🐔 London

Maybank Kim Eng Securities (London) Ltd PNB House 77 Queen Victoria Street London EC4V 4AY, UK

Tel: (44) 20 7332 0221 Fax: (44) 20 7332 0302

👩 Indonesia

PT Maybank Kim Eng Securities Sentral Senayan III, 22nd Floor JI. Asia Afrika No. 8 Gelora Bung Karno, Senayan Jakarta 10270, Indonesia

Tel: (62) 21 2557 1188 Fax: (62) 21 2557 1189

👩 Vietnam

Maybank Kim Eng Securities Limited 4A-15+16 Floor Vincom Center Dong Khoi, 72 Le Thanh Ton St. District 1 Ho Chi Minh City, Vietnam

Tel : (84) 844 555 888 Fax : (84) 8 38 271 030

👩 New York

Maybank Kim Eng Securities USA Inc 777 Third Avenue, 21st Floor New York, NY 10017, U.S.A.

Tel: (212) 688 8886 Fax: (212) 688 3500

👩 India

<

Kim Eng Securities India Pvt Ltd 2nd Floor, The International, 16, Maharishi Karve Road, Churchgate Station, Mumbai City - 400 020, India

Tel: (91) 22 6623 2600 Fax: (91) 22 6623 2604

Saudi Arabia

In association with Anfaal Capital Villa 47, Tujjar Jeddah Prince Mohammed bin Abdulaziz Street P.O. Box 126575 Jeddah 21352

Tel: (966) 2 6068686 Fax: (966) 26068787

www.maybank-ke.com | www.maybank-keresearch.com