


Company Note

I Vietnam

ADD (no change)

Consensus ratings*: Buy 4 Hold 2 Sell 0

Current price: VND24,600
 Target price:  VND29,800
 Previous target: VND28,970
 Up/downside: 21.1%
 CIMB / Consensus: 14.5%

Reuters: ACB.HM
 Bloomberg: ACB VN
 Market cap: US\$1,065m
 VND24,253,172m
 Average daily turnover: US\$1.82m
 VND41,366m
 Current shares o/s: 937.7m
 Free float: 75.9%
 *Source: Bloomberg

Key changes in this note

- FY16F EPS increased by 31%.
- FY17F EPS increased by 24%.
- FY19F EPS increased by 17%.



Price performance	1M	3M	12M
Absolute (%)	7.4	39.8	46.3
Relative (%)	6	31.4	19.5

Major shareholders	% held
Standard Chartered	15.5
Chairman's family	8.6
Connaught Investors Ltd. (Jardine Matheson)	7.5

Analyst(s)



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Asia Commercial Bank

Faster clean-up, accelerated earnings growth

- ACB's FY16 net profit grew 29% yoy, 10% above our forecast, driven by robust operating income growth that offset rising operating expenses and provisions.
- ACB wrote down over 61% of the troubled assets related to its scandal-tainted former vice-chairman Kien as of end-FY16, notably faster than we had expected.
- We expect ACB's FY17F earnings to grow ~35% yoy, driven by strong loan expansion, stable NIM, steady fees growth and provision write-backs.
- We raise our target price by 2.9%, which is based on an unchanged 1.8x P/BV and higher FY17F BV. Maintain Add.

Robust earnings, thanks to recovery in operating income drivers

ACB's FY16 audited net profit rose 29%, which is 11% higher than management target and 10% higher than our forecast, thanks to a strong recovery in operating incomes: 1) 17% NII growth, driven by 15% earning asset expansion (led by 21% loan growth) and a 4bp increase in NIM to 338bp, and 2) 27% fees growth and 90% forex trading incomes growth (albeit off a low base). Strong operating income growth offset rising operating expenses (+16% yoy) and provision charges (+33% yoy on proforma basis).

Faster resolution of legacy troubled asset issues

By end-FY16, ACB managed to reduce the gross value of troubled legacy assets related to its former vice-chairman Kien by 22% (vs. that as of end-FY15) to US\$175m by selling some collateral assets and it had already provisioned for over 61% of the troubled assets. Hence, the net value stands at US\$68m and ACB targets to fully resolve it (largely by provisioning) in FY17, which is faster than the roadmap (2016-18) that the central bank had agreed on for ACB.

Strengthened balance sheet

ACB's balance sheet has become much leaner and healthier than that four years ago: 1) healthy funding structure composed largely of retail customer deposits, 2) more efficient asset allocation, focused on commercial loans (90% of which are retail and SME loans), 3) stable and healthy liquidity (i.e. LDR ~79%), 4) solid asset quality (NPL ratio of 0.9% and loan loss coverage ratio of 127%, which are the best ratios among Vietnamese banks), and 5) decent CAR of 13.2% (the highest among listed Vietnamese banks).

FY17 outlook: earnings growth accelerates; clean-up completed

We project ACB's net profit growth to accelerate from 29% in FY16 to c.35% in FY17F (which is 3% pts higher than the management guidance), driven by strong loan growth (~18%) and stable NIM (at 335bp), steady fees expansion (19% yoy) and significant provision write-backs thanks to positive progress in bad debt collection. We expect ACB's total provisions (including provisions for Kien-related assets) to increase 8% yoy. As such, it will provision fully against the troubled legacy assets by end-FY17F.

Maintain Add

Share price has rallied 40% YTD due to FY16's strong performance and its progress in resolving its legacy asset issues. It now trades at ~1.6x FY17F P/BV. We believe ACB's valuation will rise to pre-crisis levels as the clean-up is completed by end-FY17. We raise our TP by 2.9%, now based on a higher FY17F BV and unchanged 1.8x P/BV (i.e. average valuation in 2011-12, before the crisis). Downside risks include an unexpected slowdown in loan growth, which is more a systemic risk than one specific to ACB.

Financial Summary

	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Net Interest Income (VNDb)	5,884	6,892	7,936	9,089	10,646
Total Non-Interest Income (VNDb)	337	671	2,072	2,090	2,376
Operating Revenue (VNDb)	6,220	7,563	10,008	11,179	13,022
Total Provision Charges (VNDb)	(884)	(1,218)	(2,387)	(1,891)	(1,984)
Net Profit (VNDb)	1,028	1,325	1,788	2,489	3,202
Core EPS (VND)	949	1,344	1,822	2,429	3,125
Core EPS Growth	11.5%	41.7%	35.6%	33.3%	28.7%
FD Core P/E (x)	25.93	18.30	13.50	10.13	7.87
DPS (VND)	669	0	0	1,000	1,700
Dividend Yield	2.72%	0.00%	0.00%	4.07%	6.91%
BVPS (VND)	13,637	14,997	15,467	16,896	18,321
P/BV (x)	1.80	1.64	1.59	1.46	1.34
ROE	8.2%	9.9%	12.0%	15.0%	17.7%
% Change In Core EPS Estimates			30.7%	23.6%	16.6%
CIMB/consensus EPS (x)			1.17	1.04	1.19

SOURCE: COMPANY DATA, CIMB FORECASTS

Faster clean-up, stronger growth

Figure 1: Results comparison

FYE Dec (VND bn)	4QFY16	4QFY15	yoy		4QFY16		4QFY15		yoy	Prev. FY16F	Comments
			chg	chg	cum	cum	chg	chg			
Net interest income	1,946	1,655	17.6%	17%	6,892	5,884	17.1%	6,578		Above, stronger loan growth and higher NIM	
Non-interest income	320	(634)	-150.5%	65%	671	337	99.1%	1,181		Below, just due to difference in booking the provisions for Kien-related bonds; proforma number is actually above	
Total income	2,266	1,021	122.1%	22%	7,562	6,220	21.6%	7,759			
Overhead expenses	(1,189)	(732)	62.5%	-4%	(4,678)	(4,022)	16.3%	(4,392)		Above, due to higher staff expenses	
Pre-provision profit	1,078	289	272.8%	77%	2,885	2,199	31.2%	3,366		Below, due to accounting difference; Above, in proforma terms	
Loan loss provisions	(655)	(65)	900.4%	241%	(1,218)	(884)	37.7%	(1,869)		Below; But taken into account provisions for Kien-related bonds, it is effectively 18% above our FY16 forecast	
Pre-tax profit	423	224	89.1%	2%	1,667	1,314	26.9%	1,497			
Tax	(94)	(50)	88.7%	15%	(342)	(286)	19.6%	(299)			
Tax rate (%)	22%	22%	-0.2%	13%	21%	22%	-5.8%	20%			
Net profit	328	174	89.2%	-2%	1,325	1,028	28.9%	1,198		10% above, due to stronger operating incomes	
EPS (VND)	377	199	89.2%	-2%	1,521	1,180	28.9%	1,275			

SOURCES: CIMB, COMPANY REPORTS

Figure 2: Earnings revision

(Unit: VND bn)	2016	2017F			2018F			2019F		
		New	Old	% Change	New	Old	% Change	New	Old	% Change
NII	6,892	7,936	7,586	4.6%	9,089	8,647	5.1%	10,646	10,047	6.0%
Non-NII (*)	1,671	2,072	1,496	38.4%	2,091	1,611	29.8%	2,376	1,815	30.9%
Total Op. Income	8,563	10,008	9,082	10.2%	11,180	10,258	9.0%	13,022	11,862	9.8%
Op.ex	(4,678)	(5,387)	(4,862)	10.8%	(6,177)	(5,516)	12.0%	(7,035)	(6,222)	13.1%
Provision cost	(2,218)	(2,387)	(2,435)	-2.0%	(1,892)	(2,225)	-15.0%	(1,984)	(2,208)	-10.1%
Pre-tax Profit	1,667	2,235	1,785	25.2%	3,111	2,518	23.6%	4,003	3,432	16.6%
Net Profit	1,325	1,788	1,428	25.2%	2,489	2,014	23.6%	3,203	2,746	16.6%

*) Note: - Our FY16 Non-NII, Total Op. Income and Provision cost numbers are different from reported ones because we reclassified "provision charges for Kien-related bonds" (which ACB booked as costs under non-NII item/securities investment) as part of total credit provision costs.

- We revised up FY17-19F earnings forecasts due to: 1) larger loans base set in FY16 (we assume same loan growth rates for FY17-19F); ii) stronger non-NII thanks to fee incomes (note that a low base explains for significant swings) and other incomes (from provisions write-backs in FY17-18F), and iii) lower provisions in FY19F.

SOURCES: CIMB, COMPANY REPORTS

Accelerated resolution of Kien-related legacy assets ►

A quick recap of ACB's troubled legacy asset issue:

In 2012, ACB's vice-chairman, Nguyen Duc Kien, was prosecuted for economic-related infractions, although many observers believed that there were ulterior motives to his departure from the bank. ACB subsequently conducted a thorough review of its banking business model and internal controls and identified VND12,700bn/US\$565m of troubled assets (~8.2% of interest earning assets) that needed to be resolved. Those assets included credit extended to Nguyen Duc Kien's own companies (in the form of loans and bonds) as well as loans made to a state-owned shipping company and interbank deposits to distressed banks.

From the end of 2012, when ACB made its assessment of the amount of impaired assets on its balance sheet, until end-2016, ACB managed to resolve 65% of these legacy troubled assets in gross terms by: 1) collecting debts, 2) selling collateral assets, and 3) asset swaps (i.e. ACB was offered real estate assets and corporate bonds by the distressed banks with which it had placed

interbank deposits). ACB also aggressively made provisions for the remaining troubled assets. According to its disclosure, by end-FY16, ACB had written down 58% of these assets. Hence, the net value of the legacy assets stood at VND1,876bn/US\$83.4m, equivalent to ~0.9% of ACB's total interest earning assets or 1.1% of its loan book. The US\$83.4m figure included:

- 1) US\$67.6m of credit extended to Kien-related companies, and
- 2) US\$15.8m of interbank deposits placed with VNCB and GPBank (two banks that have been nationalised).

According to ACB management, the bank plans to resolve the remaining troubled interbank deposits via asset swap rather than provisioning. Meanwhile, it plans to resolve troubled Kien-related debts via both provisioning and selling collateral assets. We expect ACB to proactively accelerate making provisions to quickly finish the clean-up process.

Below is a summary of ACB's troubled assets:

Figure 3: ACB's legacy troubled assets and resolution progress

(Unit: VND bn)	2012	2015	2016	Note
Kien-related lending	8,333	5,788	3,935	During FY12 and FY16, ACB managed to recover 53% of the troubled assets (via debt collection and selling collateral assets). Moreover, ACB has provisioned for 61% of the total outstanding value (VND3,935bn) by end-FY16. Net troubled assets value now stands at VND1,521bn/US\$67m.
Direct loans	3,511	1,866	1,428	ACB recovered part of the asset via debt collection and selling some collateral assets. It has provisioned for 14% of this asset by end-FY16.
Indirect loans via credit guarantee	1,193	-	-	ACB collected back the asset in mid-2015
Corporate bonds	2,450	2,734	1,858	ACB recovered part of the asset via debt collection and selling collateral assets. It has fully provisioned for this asset by end-FY16.
Receivables	1,179	1,188	649	ACB collected back half of the asset in FY16, and has provisioned for 54% of the outstanding value.
Interbank deposits	3,041	1,196	525	ACB has largely resolved this troubled assets via i) asset swap, and ii) provisioning. Regarding the remainder, we believe the bank will manage to resolve via asset swap rather than provisioning.
Deposits at Vietinbank	719	24	-	ACB has provisioned fully for this deposit.
Deposits at a state-owned bank (undisclosed name)	600	-	-	ACB had to swap this deposit for bonds issued by Kien's six companies. The partner bank was merged into another state-owned bank in 2015.
Deposits at GPBank	772	772	125	ACB swapped VND630bn of this deposit for 9%-yield corporate bonds and two properties (that GPBank previously held); ACB is negotiating to swap the remaining deposit for the properties owned by GPBank. GPBank was nationalised in 2015.
Deposits at VNCB	950	400	400	ACB has provisioned for 41% of the asset; so net asset value now stands at VND234bn/US\$11m; It is negotiating to swap the deposit for other assets held by VNCB. VNCB was nationalised in 2015.
Lending to Vinalines	1,354	-	-	ACB has fully resolved this troubled assets via: i) provisioning, and ii) asset swap (swap the loans for shares of a listed company).
Gross troubled assets	12,728	6,984	4,460	
Provision made	-	1,476	2,584	
Net troubled assets	12,728	5,508	1,876	
% interest-earning assets	8.2%	2.9%	0.9%	
% Loan book	12.4%	4.1%	1.1%	

SOURCES: CIMB, COMPANY REPORTS

According to ACB's disclosure of the collateral underlying the Kien-related troubled assets and the bank's method of valuing that collateral, ACB holds VND3,340bn/US\$148.5m worth of collateral, which equates to 219% of the current net value of the legacy assets (i.e. after aggregate provisioning is deducted from the gross value of the legacy assets – please refer to Table 4 and Table 5 below). We believe the bank's method of valuing the collateral is reasonable but we have made an even more conservative estimate of the value of the collateral by applying an additional haircut (~20%). Under our more conservative estimate, the value of the collateral assets covers 176% of the net value of the Kien-related troubled assets.

Figure 4: ACB: Collateral assets for Kien-related loans: Mix and valuation

Collateral asset mix	ACB valuation (VND bn)	Valuation methods used	Additional haircut rate	CIMB valuation (VND bn)
Other bank shares	2,208	Recent bid price	5%	2,098
Unlisted corporate shares	588	Book value, DCF, market price of property owned by the invested companies	20%	470
Equity investment	125		20%	100
Deposits at ACB	18	Book value	0%	18
Receivables	101	Book value	100%	-
Other banks' credit guarantees	300	Guaranteed value	100%	-
Total	3,340			2,686
% Gross troubled assets	85%			68%
% Net troubled assets	219%			176%

SOURCES: CIMB, COMPANY REPORTS

ACB accelerates provisioning for Kien-related troubled assets:

Most of the collateral backing for the Kien-related legacy assets is in the form of listed and unlisted shares of other local banks but we believe the central bank has been reticent about allowing ACB to sell these shares in the open market because it wants to prevent the stakes in those banks that ACB holds from being acquired by a small, concentrated pool of investors.

In late-Dec 2015, the central bank directed ACB to resolve its Kien-related troubled assets over a three-year horizon (2016-18). Specifically, ACB was asked to set an annual target for the amount of legacy assets it planned to recover each year and the bank would then incur provision expenses equivalent to the difference between the targeted amount of asset recovery and the actual assets recovered (i.e. from debt collection or from the sale of underlying collateral assets).

Given that the central bank delayed permitting ACB to sell the underlying collateral assets, ACB had to do with simply provisioning against the value of the legacy assets so it accelerated the rate of its provisioning against those assets starting from 4Q15.

Figure 5: ACB accelerates provisioning for Kien-related troubled assets

(Unit: VND bn)	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16
Gross value outstanding	5,788	5,788	5,058	5,058	3,934
Provisions (accumulative)	1,300	1,500	1,784	2,084	2,413
% Gross value	22%	26%	35%	41%	61%
Net value	4,488	4,288	3,274	2,974	1,521

SOURCES: CIMB, COMPANY REPORTS

By end-FY16, ACB had provisioned against 61% of the value of those legacy assets, which is much faster than the timeframe agreed with the central bank and market expectations. ACB now aims to shorten the clean-up process and targets to finish the resolution of Kien-related legacy assets within FY17. We believe ACB can achieve this target by aggressively making provisions. According to our projections, ACB can afford to make full provisions for Kien-related troubled assets (~VND1,520bn/US\$68m) while still delivering about 30-35% earnings growth in FY17F.

Hence, ACB will likely see its provisioning ease from FY18F, which will be a key driver of its continued robust earnings growth (c.39% yoy growth in FY18F). Furthermore, we believe significant earnings surprises are likely when the bank is finally permitted to sell the collateral underlying its Kien-related loans/bonds. Note that:

- 1) our FY18 earnings forecast does NOT include any of these likely, windfall gains yet, and
- 2) the collateral that we expect ACB to be allowed to sell in 2018F is worth about 1.4x-1.7x ACB's average FY16-17F net profit. Not surprisingly, ACB's management guided for robust FY18F earnings

growth at its most recent analyst meeting and also mentioned the possibility of higher cash dividends next year.

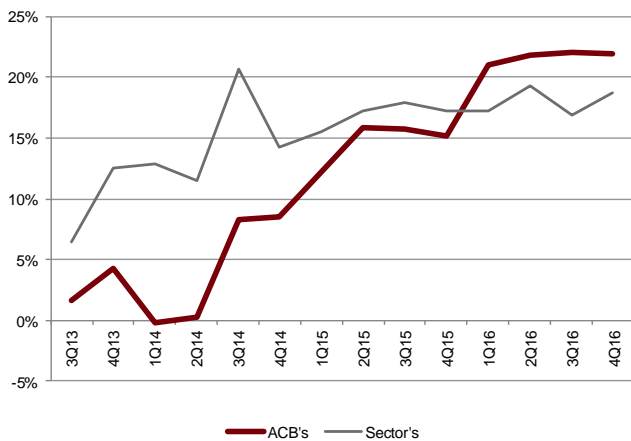
Key financials ►

Figure 6: ACB's key operating ratios: Strengthened balance sheet with steady decline in NPLs and rising loan loss coverage; decent liquidity and capital adequacy; recovered NIM

	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16
	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
ROE (annualised)	7.9%	10.4%	8.5%	3.7%	9.0%	9.4%	9.1%	5.5%	9.6%	10.8%	10.1%	9.8%
NIM (annualised)	2.8%	3.4%	2.6%	3.4%	3.3%	3.1%	3.3%	3.7%	3.2%	3.4%	3.3%	3.8%
Fee income/Total incomes	13.9%	10.0%	13.8%	11.9%	10.4%	10.6%	9.9%	20.5%	11.9%	12.8%	12.7%	12.5%
Cost-to-Income ratio (CIR)	66.1%	52.7%	68.1%	71.5%	62.3%	61.2%	65.7%	71.7%	63.3%	67.0%	67.2%	52.4%
Loan-to-Deposit ratio (LDR)	74.0%	75.3%	75.4%	75.2%	76.1%	79.0%	77.4%	76.6%	79.7%	82.0%	79.4%	78.9%
LDR-modified	67.8%	68.3%	69.2%	70.9%	69.7%	74.0%	74.1%	72.2%	74.5%	76.3%	75.9%	75.6%
Gross NPL	3.28%	3.7%	3.1%	2.2%	2.1%	1.7%	1.5%	1.3%	1.3%	1.2%	1.1%	0.9%
Cost of Credit (annualised)	0.6%	1.3%	0.3%	1.1%	0.8%	0.8%	1.1%	0.2%	0.7%	0.4%	0.5%	1.8%
Loan Loss Coverage	47.4%	48.1%	54.4%	62.3%	67.0%	71.2%	77.9%	87.0%	90.0%	90.2%	100.4%	126.5%
CAR				14.1%		13.5%	13.5%	12.8%	12.1%	13.0%		13.2%

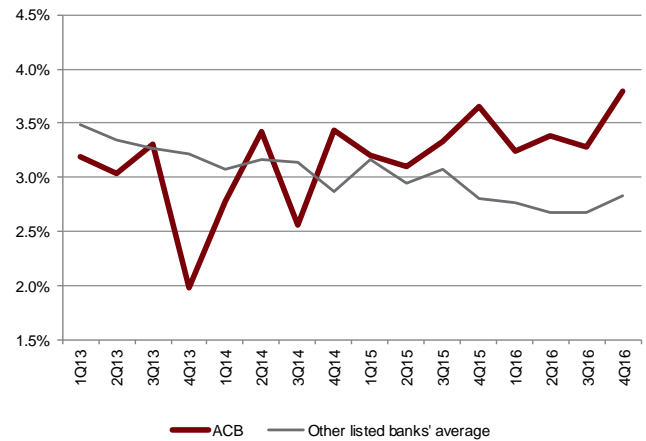
SOURCES: CIMB, COMPANY REPORTS

Figure 7: ACB's credit growth (yoy): Stronger growth in FY16 as the management focuses more on business expansion



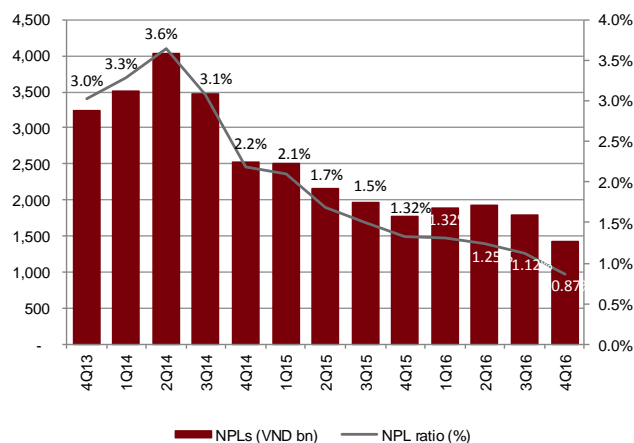
SOURCE: CIMB RESEARCH, COMPANY DATA

Figure 8: ACB's NIM recovered to 340-350bp level, driven by its focus on SME & retail lending (~ 90% loan book)



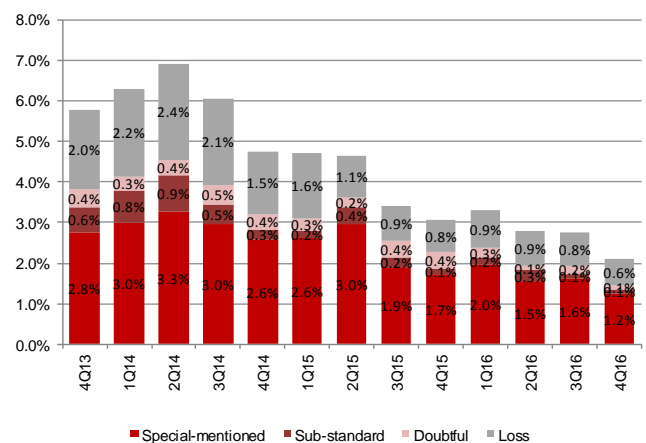
SOURCE: CIMB RESEARCH, COMPANY DATA

Figure 9: Improving asset quality: ACB's NPLs were falling

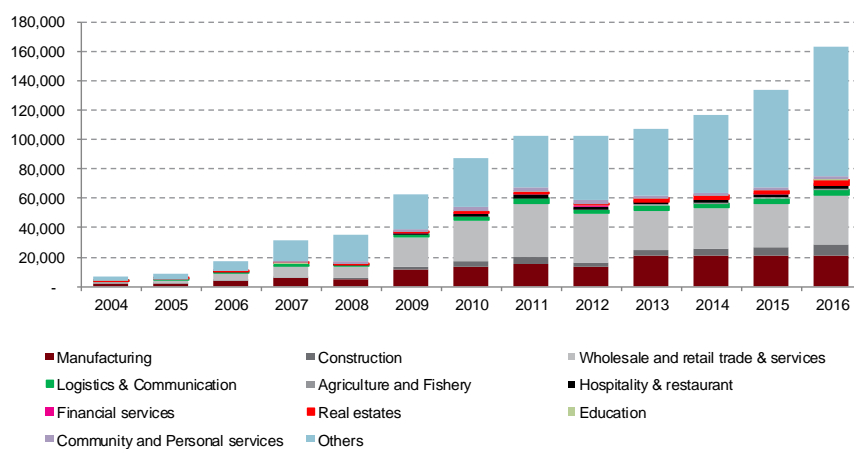


SOURCE: CIMB RESEARCH, COMPANY DATA

Figure 10: % Sub-group loans / Total loans



SOURCE: CIMB RESEARCH, COMPANY DATA

Figure 11: ACB's loan mix by sectors (Unit: VND bn)

SOURCES: CIMB, COMPANY REPORTS

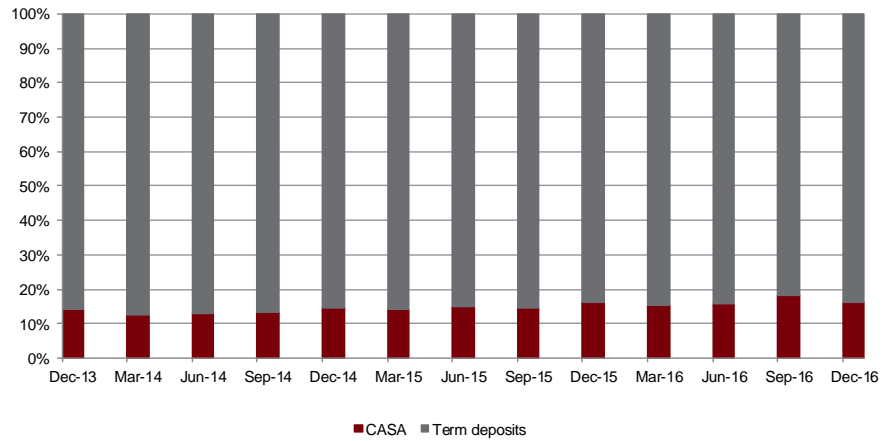
Figure 12: ACB's balance sheet overview

Steady and healthy asset expansion funded largely by customer deposits; valuable papers surged as ACB issued long-term bonds to supplement tier-2 capital

FYE Dec (VND bn)	Dec-16	Dec-15	yoy change	Sep-16	qoq change	Dec-15	YTD growth
Inter-bank placement	8,152	10,122	-19.5%	5,266	54.8%	10,122	-19.5%
Customer loans	161,604	132,491	22.0%	158,002	2.3%	132,491	22.0%
Gross loans	163,401	134,032	21.9%	159,802	2.3%	134,032	21.9%
LLR	1,797	1,541	16.6%	1,800	-0.2%	1,541	16.6%
L-T securities investment	42,801	38,679	10.7%	41,957	2.0%	38,679	10.7%
Fixed assets	3,062	2,480	23.5%	2,751	11.3%	2,480	23.5%
Other assets	18,061	17,685	2.1%	20,891	-13.5%	17,685	2.1%
Total assets	233,681	201,457	16.0%	228,867	2.1%	201,457	16.0%
Inter-bank borrowing	2,235	2,433	-8.1%	3,341	-33.1%	2,433	-8.1%
Customer deposits	207,051	174,919	18.4%	201,386	2.8%	174,919	18.4%
Trusted funds & valuable papers	6,738	3,237	108.2%	5,827	15.6%	3,237	108.2%
Other liabilities	3,594	8,080	-55.5%	4,588	-21.7%	8,080	-55.5%
Total liabilities	219,618	188,669	16.4%	215,142	2.1%	188,669	16.4%
Total equity	14,063	12,788	10.0%	13,725	2.5%	12,788	10.0%
Share capital	9,377	9,377	0.0%	9,377	0.0%	9,377	0.0%
Treasury shares	(666)	(666)	0.0%	(666)	0.0%	(666)	0.0%
Reserves	1,259	1,043	20.7%	1,034	21.8%	1,043	20.7%
Retained earnings	2,761	1,702	62.2%	2,649	4.2%	1,702	62.2%
Minority interest	-	-	0.0%	-	0.0%	-	0.0%

SOURCES: CIMB, COMPANY REPORTS

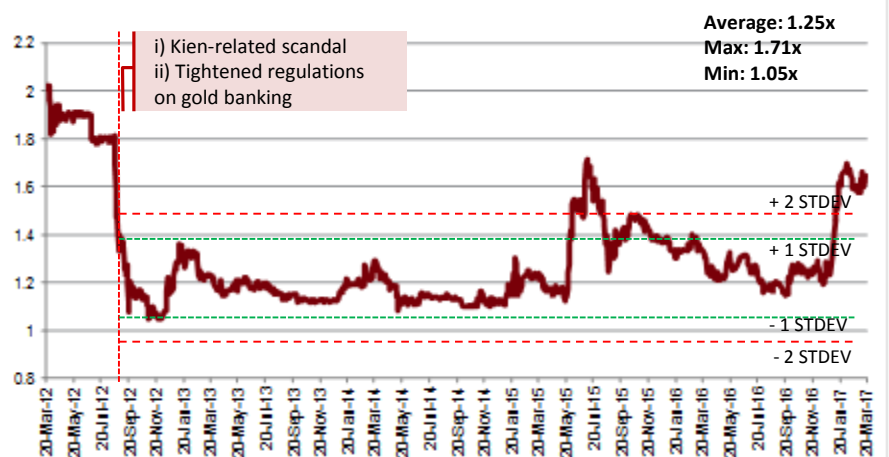
Figure 13: ACB's deposit mix
CASA ratio remains rather low (~16%)



SOURCES: CIMB, COMPANY REPORTS

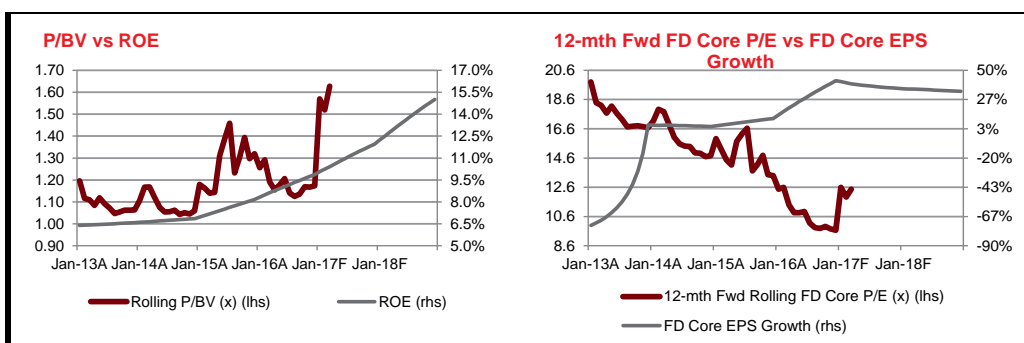
Figure 14: ACB's historical P/BV

ACB is trading at ~1.6x trailing P/BV. Its valuation recently broke through the +2 s.d. P/BV upper band, driven by stronger earnings growth outlook and faster clean-up progress



SOURCES: CIMB, BLOOMBERG

BY THE NUMBERS



Profit & Loss

(VNDb)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Net Interest Income	5,884	6,892	7,936	9,089	10,646
Total Non-Interest Income	337	671	2,072	2,090	2,376
Operating Revenue	6,220	7,563	10,008	11,179	13,022
Total Non-Interest Expenses	(4,022)	(4,678)	(5,387)	(6,177)	(7,035)
Pre-provision Operating Profit	2,199	2,885	4,621	5,003	5,987
Total Provision Charges	(884)	(1,218)	(2,387)	(1,891)	(1,984)
Operating Profit After Provisions	1,314	1,667	2,235	3,111	4,003
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Operating EBIT (incl Associates)	1,314	1,667	2,235	3,111	4,003
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	1,314	1,667	2,235	3,111	4,003
Exceptional Items	0	0	0	0	0
Pre-tax Profit	1,314	1,667	2,235	3,111	4,003
Taxation	(286)	(342)	(447)	(622)	(801)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	1,028	1,325	1,788	2,489	3,202
Minority Interests	0	0	0	0	0
Pref. & Special Div	0	0	0	0	0
FX And Other Adj.	0	0	0	0	0
Net Profit	1,028	1,325	1,788	2,489	3,202
Recurring Net Profit	1,028	1,325	1,788	2,489	3,202

Balance Sheet Employment

	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Gross Loans/Cust Deposits	77.4%	78.9%	79.9%	80.3%	80.3%
Avg Loans/Avg Deposits	76.4%	78.2%	79.4%	80.1%	80.3%
Avg Liquid Assets/Avg Assets	27.9%	26.6%	24.9%	23.9%	23.1%
Avg Liquid Assets/Avg IEAs	30.1%	28.4%	26.5%	25.4%	24.4%
Net Cust Loans/Assets	66.4%	69.2%	70.1%	71.0%	71.7%
Net Cust Loans/Broad Deposits	75.4%	77.2%	77.8%	78.2%	78.4%
Equity & Provs/Gross Cust Loans	10.6%	9.7%	9.9%	9.4%	8.8%
Asset Risk Weighting	60.4%	64.6%	73.7%	74.4%	75.0%
Provision Charge/Avg Cust Loans	0.60%	0.66%	1.21%	0.78%	0.68%
Provision Charge/Avg Assets	0.40%	0.45%	0.86%	0.56%	0.49%
Total Write Offs/Average Assets	0.46%	0.56%	0.95%	0.65%	0.58%

SOURCE: CIMB RESEARCH, COMPANY DATA

BY THE NUMBERS... cont'd

Balance Sheet

(VNDb)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Gross Loans	145,470	171,553	202,426	239,065	282,435
Liquid Assets & Invst. (Current)	38,679	42,801	47,082	51,790	59,558
Other Int. Earning Assets	4,609	5,119	4,827	5,669	6,683
Total Gross Int. Earning Assets	188,758	219,474	254,335	296,524	348,676
Total Provisions/Loan Loss Reserve	(1,541)	(1,797)	(3,293)	(4,134)	(4,878)
Total Net Interest Earning Assets	187,217	217,677	251,042	292,391	343,799
Intangible Assets	425	512	687	823	932
Other Non-Interest Earning Assets	11,008	11,950	14,189	16,675	19,457
Total Non-Interest Earning Assets	11,433	12,462	14,876	17,498	20,389
Cash And Marketable Securities	2,806	3,541	4,470	4,779	3,495
Long-term Investments	0	0	0	0	0
Total Assets	201,457	233,681	270,388	314,668	367,683
Customer Interest-Bearing Liabilities	174,919	207,051	241,374	283,460	334,135
Bank Deposits	2,433	2,235	2,235	2,235	2,235
Interest Bearing Liabilities: Others	8,416	6,738	6,738	6,738	6,738
Total Interest-Bearing Liabilities	185,768	216,024	250,347	292,433	343,107
Bank's Liabilities Under Acceptances	0	0	0	0	0
Total Non-Interest Bearing Liabilities	2,901	3,594	4,190	4,920	5,800
Total Liabilities	188,669	219,618	254,537	297,354	348,908
Shareholders' Equity	12,788	14,063	15,851	17,315	18,775
Minority Interests	0	0	0	0	0
Total Equity	12,788	14,063	15,851	17,315	18,775

Key Ratios

	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Income Growth	5.1%	21.6%	32.3%	11.7%	16.5%
Operating Profit Growth	5.0%	31.2%	60.2%	8.2%	19.7%
Pretax Profit Growth	17.6%	26.9%	34.1%	39.2%	28.7%
Net Interest To Total Income	94.6%	91.1%	79.3%	81.3%	81.8%
Cost Of Funds	4.69%	4.76%	5.23%	5.28%	5.28%
Return On Interest Earning Assets	7.99%	8.06%	8.50%	8.50%	8.50%
Net Interest Spread	3.30%	3.30%	3.27%	3.22%	3.22%
Net Interest Margin (Avg Deposits)	3.57%	3.61%	3.54%	3.46%	3.45%
Net Interest Margin (Avg RWA)	5.24%	5.05%	4.53%	4.19%	4.18%
Provisions to Pre Prov. Operating Profit	40.2%	42.2%	51.6%	37.8%	33.1%
Interest Return On Average Assets	3.09%	3.17%	3.15%	3.11%	3.12%
Effective Tax Rate	21.8%	20.5%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	61.0%	NA	NA	41.2%	54.4%
Return On Average Assets	0.54%	0.61%	0.71%	0.85%	0.94%

Key Drivers

	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Loan Growth (%)	16.4%	20.7%	18.0%	18.0%	18.0%
Net Interest Margin (%)	3.3%	3.4%	3.4%	3.3%	3.3%
Non Interest Income Growth (%)	-70.8%	99.1%	209.0%	0.9%	13.7%
Cost-income Ratio (%)	64.7%	61.9%	53.8%	55.3%	54.0%
Net NPL Ratio (%)	0.9%	0.5%	0.5%	0.4%	0.4%
Loan Loss Reserve (%)	87.0%	126.5%	113.9%	121.1%	121.1%
GP Ratio (%)	0.7%	0.8%	0.8%	0.8%	0.8%
Tier 1 Ratio (%)	10.3%	9.2%	7.9%	7.3%	6.7%
Total CAR (%)	12.8%	13.2%	10.9%	9.9%	8.9%
Deposit Growth (%)	13.1%	18.4%	16.6%	17.4%	17.9%
Loan-deposit Ratio (%)	76.5%	78.1%	78.5%	78.8%	78.9%
Gross NPL Ratio (%)	1.3%	0.9%	1.5%	1.5%	1.5%
Fee Income Growth (%)	7.3%	26.7%	19.0%	17.3%	17.3%

SOURCE: CIMB RESEARCH, COMPANY DATA

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Description:	Excellent	Very Good	Good	N/A	

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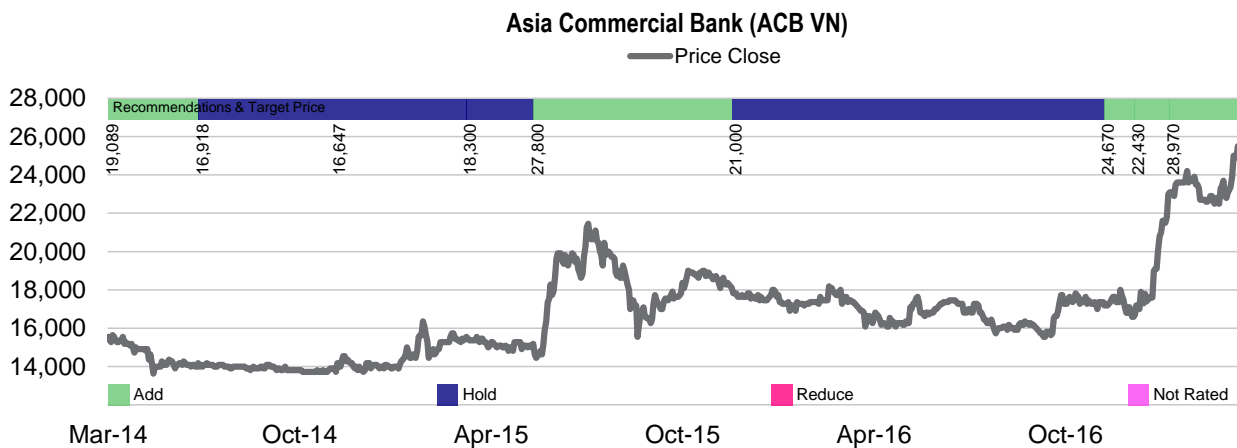
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2016		
1626 companies under coverage for quarter ended on 31 December 2016		
	Rating Distribution (%)	Investment Banking clients (%)
Add	58.4%	5.4%
Hold	29.6%	1.4%
Reduce	11.6%	0.4%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2016, Anti-Corruption 2016.

AAV – Very Good, n/a, **ADVANC** – Very Good, Certified, **AEONTS** – Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Very Good, Declared, **AOT** – Excellent, Declared, **AP** – Very Good, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – not available, Declared, **BGP** - Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, Declared, **BEC** - Good, n/a, **BH** - Good, Declared, **BIGC** - Excellent, Declared, **BJC** – Good, n/a, **BLA** – Very Good, Certified, **BPP** – not available, n/a, **BTS** - Excellent, Certified, **CBG** – Good, n/a, **CCET** – not available, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** - Excellent, Certified, **DELTA** - Excellent, Declared, **DEMCO** – Excellent, Certified, **DTAC** – Excellent, Certified, **EA** – Very Good, Declared, **ECL** – Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Good, n/a, **GFPT** - Excellent, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared, **GRAMMY** - Excellent, n/a, **GUNKUL** – Very Good, Declared,

HANA - Excellent, Certified, **HMPRO** - Excellent, Declared, **ICHI** – Very Good, Declared, **INTUCH** - Excellent, Certified, **ITD** – Good, n/a, **IVL** - Excellent, Certified, **JAS** – not available, Declared, **JASIF** – not available, n/a, **JUBILE** – Good, Declared, **KAMART** – not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KGI** – Good, Certified, **KKP** – Excellent, Certified, **KSL** – Very Good, Declared, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Declared, **M** – Very Good, Declared, **MAJOR** - Good, n/a, **MAKRO** – Good, Declared, **MALEE** – Very Good, Declared, **MBKET** – Very Good, Certified, **MC** – Very Good, Declared, **MCOT** – Excellent, Declared, **MEGA** – Very Good, Declared, **MINT** - Excellent, Certified, **MTLS** – Very Good, Declared, **NYT** – Excellent, n/a, **OISHI** – Very Good, n/a, **PLANB** – Very Good, Declared, **PSH** – not available, n/a, **PSL** - Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Declared, **RATCH** – Excellent, Certified, **ROBINS** – Very Good, Declared, **RS** – Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** - Good, n/a, **SAT** – Excellent, Certified, **SAWAD** – Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCBLIF** – not available, n/a, **SCC** – Excellent, Certified, **SCN** – Good, Declared, **SCCC** - Excellent, Declared, **SIM** - Excellent, n/a, **SIRI** - Good, n/a, **SPALI** - Excellent, Declared, **SPRC** – Very Good, Declared, **STA** – Very Good, Declared, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **TASCO** – Very Good, Declared, **TCAP** – Excellent, Certified, **THAI** – Very Good, Declared, **THANI** – Very Good, Certified, **THCOM** – Excellent, Certified, **THRE** – Very Good, Certified, **THREL** – Very Good, Certified, **TICON** – Very Good, Declared, **TISCO** - Excellent, Certified, **TK** – Very Good, n/a, **TKN** – Good, n/a, **TMB** - Excellent, Certified, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TIPIP** – not available, n/a, **TRUE** – Very Good, Declared, **TTW** – Very Good, Declared, **TU** – Excellent, Declared, **UNIQ** – not available, Declared, **VGI** – Excellent, Declared, **WHA** – not available, Declared, **WHART** – not available, n/a, **WORK** – not available, n/a.

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of October 28, 2016) are categorized into:

- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

CIMB Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more 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.