

Company Note

I Vietnam

REDUCE (previously HOLD)

Consensus ratings*: Buy 3 Hold 4 Sell 0

Current price: VND17,900

Target price:  VND17,790

Previous target: VND17,790

Up/downside: -0.6%

CIMB / Consensus: -11.0%

Reuters: CTG.HM

Bloomberg: CTG VN

Market cap: US\$2,921m

VND66,648,940m


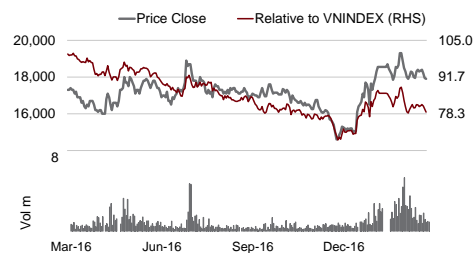
Average daily turnover: US\$1.18m

VND26,712m

Current shares o/s: 3,723m

Free float: 7.8%

*Source: Bloomberg

Key changes in this note No change.

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-4	22.2	2.9
Relative (%)	-5.2	14.7	-20.8

Major shareholders	% held
State Bank of Vietnam	64.5
Bank of Tokyo Mitsubishi UFJ	19.7
IFC	8.0

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Vietinbank**High growth is unsustainable**

- CTG's FY16 net profit grew 19% yoy, and came in 9% above our forecast, as the bank aggressively expanded loans and relaxed provisioning.
- Provision expenses increased by only 7% last year, despite rising NPLs, which left the loan loss coverage ratio at an uncomfortable level of 102%.
- CTG's balance sheet remains under stress, especially capital adequacy and liquidity. Hence, its high net profit growth is unsustainable, in our view.
- Downgrade to Reduce as share price rallied 19% YTD, largely driven by speculation about foreign ownership limits increase, in our view.

High FY16 net profit growth due to relaxed provisioning

CTG reported 19% net profit growth in FY16, attributable to i) 19% NII growth, driven by 23% loan expansion that offset a 4bp NIM contraction to 269bp, ii) 4% non-NII growth, driven by a 16% jump in fees and surge in forex and securities trading incomes (albeit from low bases), iii) a 20% increase in opex, fuelled by CTG's aggressive retail banking expansion, which lifted its CIR to 49% (vs. 47% in FY15), and iv) a low 7% provision growth.

Balance sheet remains under stress

CTG's loan-to-deposit ratio (LDR) improved slightly from 109% at end-FY15 to 101% at end-FY16. Its overall funding structure looks unsustainable, in our view, with a large amount of funds (15%) being borrowings from government agencies. Asset quality remains a concern despite its reported 1% NPL ratio. Note that absolute NPLs increased 36% yoy and special-mention loans rose 73% yoy. Still, we believe management relaxed provisioning to pursue high profit growth. In addition, capital adequacy is a critical issue.

Recapitalisation is the key challenge

We estimate CTG needs to raise about US\$2bn over FY17-18F to meet the new Basel 2 standards while maintaining a 12% CAR in order to continue growing its balance sheet rapidly. CTG has been trying to issue long-term bonds (i.e. tier-2 capital) while urging the government to raise the foreign ownership limit (FOL) for banks to 40% to help CTG recapitalise quickly. The government has yet to take concrete action on FOL while it has implicitly extended the Basel 2 deadline to 2020.

High growth is unsustainable

Given its stressed liquidity and thin CAR, we think CTG will be unable to sustain high growth in the medium term (FY17-18F) if the government does not offer it some regulatory forbearance and/or funding support. If CTG takes advantage of the Basel 2 delay and pursues high growth, we believe it will inevitably face heightened recapitalisation pressure in FY19-20F. Should CTG strictly implement Basel 2 by 2018F (as initially planned), we think it must slow its growth (in balance sheet & thus earnings).

Downgrade from Hold to Reduce

We believe CTG's share price has rallied ~19% YTD due to speculation of higher FOL. In our view (taking into account the implicit delay of Basel 2 implementation), a higher FOL will not happen in 2017F or 1H18F. Meanwhile, CTG's growth outlook is rather uncertain given its stressed balance sheet, in our view. Hence, we downgrade CTG from Hold to Reduce, with a target price still based on 1x FY17F P/BV (1 s.d. below its 3-year average P/BV). Upside catalysts include a faster-than-expected increase in CTG's FOL.

Financial Summary	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Net Interest Income (VNDb)	17,580	18,839	21,533	24,435	27,576
Total Non-Interest Income (VNDb)	3,451	3,905	4,497	4,810	5,178
Operating Revenue (VNDb)	21,031	22,744	26,030	29,245	32,753
Total Provision Charges (VNDb)	(3,902)	(4,679)	(5,811)	(6,879)	(7,614)
Net Profit (VNDb)	4,712	4,453	4,985	5,376	5,811
Core EPS (VND)	1,266	1,196	1,339	1,444	1,561
Core EPS Growth	(17.3%)	(5.5%)	11.9%	7.8%	8.1%
FD Core P/E (x)	14.14	14.96	13.37	12.40	11.47
DPS (VND)	1,000	1,000	0	0	0
Dividend Yield	5.59%	5.59%	0.00%	0.00%	0.00%
BVPS (VND)	14,775	15,004	16,343	17,787	19,348
P/BV (x)	1.21	1.19	1.10	1.01	0.93
ROE	8.64%	8.04%	8.54%	8.46%	8.41%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)				0.85	0.88

SOURCE: COMPANY DATA, CIMB FORECASTS

High growth is unsustainable

Figure 1: Results comparison

FYE Dec (VND bn)	4QFY16	4QFY15	yoy %	qoq %	4QFY16	4QFY15	yoy %	Prev. Comments	
			chg.	chg.	cum.	cum.	chg.		FY16F
Net interest income	5,202	4,309	20.7%	-12%	22,405	18,839	18.9%	21,376	Above, due to stronger loan growth
Non-interest income	1,085	1,523	-28.8%	-16%	4,049	3,905	3.7%	4,497	Below, due to weaker fees & "Other income"
Total income	6,287	5,832	7.8%	-13%	26,454	22,744	16.3%	25,873	Slightly above, due to stronger NII
Overhead expenses	(4,197)	(3,354)	25.1%	38%	(12,902)	(10,720)	20.4%	(12,219)	Above, due to aggressive staff expansion
Pre-provision profit	2,090	2,479	-15.7%	-50%	13,552	12,024	12.7%	13,654	In-line
Loan loss provisions	(45)	(859)	-94.8%	-98%	(5,022)	(4,679)	7.3%	(5,811)	Below; Management relaxed provisioning in 4Q to get higher profit growth
Pre-tax profit	2,045	1,620	26.2%	-8%	8,530	7,345	16.1%	7,843	
Tax	(413)	(365)	13.2%	-5%	(1,705)	(1,629)	4.7%	(1,569)	
Tax rate (%)	20%	23%	-10.3%	3%	20%	22%	-9.9%	20%	
Net profit	1,623	1,248	30.0%	-9%	6,805	5,698	19.4%	6,253	Above; due to relaxed provisioning
EPS (VND)	436	335	30.0%	-9%	1,828	1,530	19.4%	1,344	

SOURCES: CIMB, COMPANY REPORTS

FY17F forecast: ~9% net profit growth, with upside and downside risk from recapitalisation timeliness & provisioning practice

We expect CTG's net profit to grow about 9% yoy in FY17F, based on the assumptions that the bank manages to raise only Tier 2 capital in the year and that it does not relax its provisioning (as it did in 4Q16), which will enable it to build up its loan-loss reserves.

Our forecast that CTG will earn about VND7,400bn (US\$326m) of net profit in FY17F is based on the following key assumptions:

- **NII growth of 14%**, driven by 14% yoy loan growth and a stable NIM of 270-275bp (vs. 269bp in FY16, and 278bp in FY15).

The factors that influenced our 14% loan growth assumption include CTG's thin CAR (~10%) and its gradual recapitalisation via the issuance of long-dated, subordinated bonds and its tight liquidity (i.e. LDR ~102%).

Our 270-275bp NIM forecast assumes that CTG's aggressive retail loan expansion will help offset its rising cost of funds (i.e. higher deposit rates).

- **Non-NII growth of 24%**, attributable to: 1) 16% yoy fee income growth (roughly the same as that of FY16), 2) 7% yoy growth in forex trading revenues, 3) a 19% yoy drop in securities trading income (due to a less favourable interest environment for bond trading), and 4) a 50% yoy increase in 'other income' (~VND2,000bn), which is largely comprised of proceeds from bad debt recovery.

CTG has been aggressively boosting its transaction banking, trade finance and payments businesses since FY16 in order to improve fee income. Barring any macroeconomic shocks (i.e. disruptions in Vietnam's economic recovery or global trade growth), we believe that CTG can sustain a ~16% rate of fee income growth (equal to the growth rate achieved in FY16).

Regarding our 'other income' forecast, CTG wrote off VND20,000bn of bad debts over FY11-15 but we expect the bank to recover about half of that amount, based on the market value of the collateral assets backing those NPLs and based on the experience of both CTG and Vietnam's other banks in recent years recovering bad debts that have already been written off. We have assumed those collateral assets will be recovered over a five-year period, which explains why we expect CTG to report ~VND2,000bn (US\$89.7m) of provision write-backs annually in FY17-20F.

- **Opex growth of 16%**, lifting CIR to 49.2% (vs. 48.8% in FY16 and 47% in FY15), driven by 15% growth in staff expenses (vs. 27% in FY16), 15% growth in depreciation and asset-related expenses (vs. 6% in FY16) due to branch refurbishment and IT upgrades, and 20% growth in G&A expenses (incl. promoting and marketing expenses).

CTG's opex has been rising fast since FY15, driven by increased headcount, new marketing and promotion campaigns for its retail lending and credit card products, the revitalisation/refurbishment of its retail branches, IT system upgrades and the expenses entailed in the roadshows required to raise capital.

- **A 25% increase in provisioning expenses**, which equates to a 1% credit-cost rate in FY17F, comparable to the bank's credit cost rate in FY15 and higher than the 0.8% credit cost rate in FY16.

We believe CTG needs to significantly build up its loan-loss reserves in order to buffer against potential shocks in the future. Its current 102% loan-loss coverage ratio, amid aggressive loan growth and rising NPLs, is not adequate, in our view.

Given CTG's heavy exposure to SOE and infrastructure lending and drawbacks in its risk management, we believe that CTG needs to lift the loan-loss coverage ratio to 300% in order to give investors (and us) a reasonable degree of comfort about the bank's asset quality.

For that reason, we expect CTG to maintain a 1% (or higher) credit-cost rate over the next five years.

Risks to our call ►

Upside risks include a faster-than-expected increase in CTG's FOL. If the government to allows CTG to increase FOL earlier than expected, we think it would have a chance to recapitalize quickly (because we believe that its current strategic investor, Japan's Bank of Tokyo Mitsubishi UFJ, will likely buy the new stake offered). This will materially support CTG's business growth, as well as it will make a positive impact on local retail investors' sentiment towards the bank share, in our view.

Key quarterly metrics ►

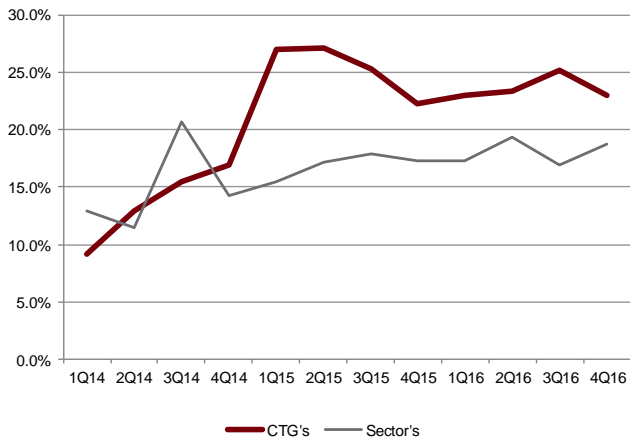
Figure 2: Key ratios: NIM remains under stress; other balance sheet ratios (i.e. liquidity, NPL ratio and NPL coverage ratio, capital adequacy) show little improvement and remain fragile

	1QFY14	2QFY14	3QFY14	4QFY14	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16
ROE (annualised)	9.8%	14.0%	9.2%	10.6%	8.9%	13.0%	10.3%	9.0%	13.5%	10.3%	12.1%	10.9%
NIM (annualised)	3.20%	3.28%	3.22%	3.01%	3.00%	3.00%	3.00%	2.60%	2.85%	3.00%	2.92%	2.52%
Fee income/Total incomes	7.9%	8.4%	4.8%	6.6%	5.2%	7.1%	6.5%	6.8%	5.8%	6.6%	5.0%	8.0%
Cost-to-Income ratio (CIR)	50.2%	38.9%	53.8%	46.4%	41.5%	41.8%	47.0%	57.5%	40.8%	46.7%	42.2%	66.8%
Loan-to-Deposit ratio (LDR)	100.0%	100.1%	100.3%	103.7%	105.0%	107.0%	106.6%	109.2%	109.9%	102.9%	100.0%	101.2%
LDR-modified	75.8%	75.1%	76.1%	77.1%	81.5%	79.3%	79.4%	79.1%	81.0%	82.8%	86.2%	85.4%
Gross NPL	1.78%	2.53%	1.75%	1.1%	1.80%	1.45%	0.95%	0.92%	0.96%	0.91%	0.86%	1.02%
Cost of Credit (annualised)	1.1%	0.7%	0.8%	1.4%	1.4%	0.9%	1.1%	0.7%	1.1%	1.1%	1.4%	0.0%
Loan Loss Coverage	69.5%	57.4%	77.6%	88.6%	71.7%	72.3%	98.4%	92.1%	104.2%	112.5%	128.2%	101.8%
CAR	13.2%			10.4%				10.6%		10.0%		

Note: CTG does not report CAR figures regularly. For 2QFY16 CAR, we made an estimation based on available data

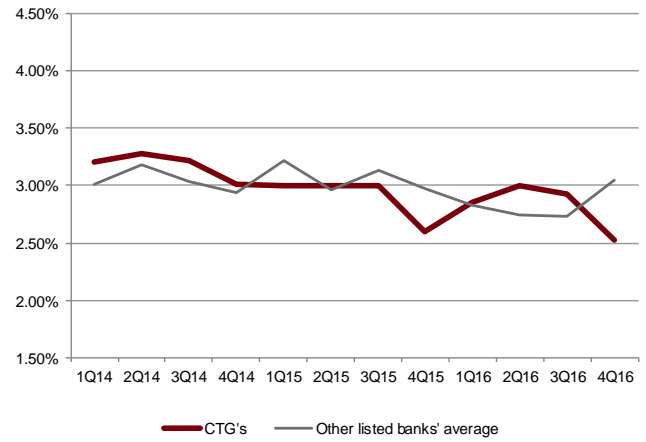
SOURCES: CIMB, COMPANY REPORTS

Figure 3: Credit growth (yoy): CTG's strong credit growth upon thin CAR is not sustainable, in our view



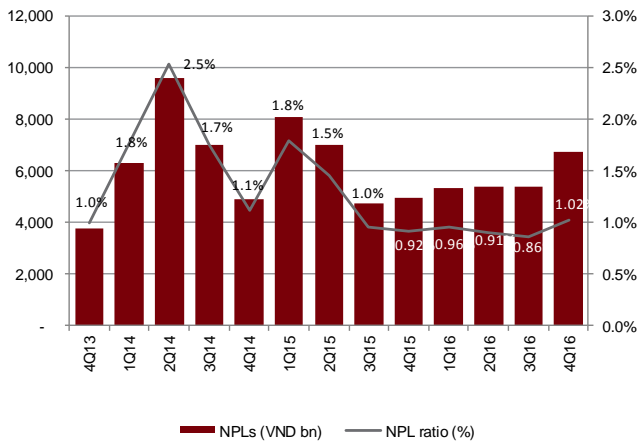
SOURCE: CIMB RESEARCH, COMPANY DATA

Figure 4: NIM trend: Serious contraction due to rising cost of funds



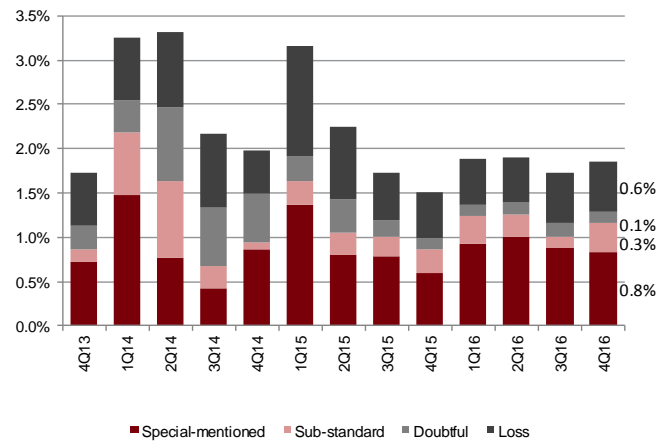
SOURCE: CIMB RESEARCH, COMPANY DATA

Figure 5: NPLs pick up again



SOURCE: CIMB RESEARCH, COMPANY DATA

Figure 6: Special-mention loans rose as well



SOURCE: CIMB RESEARCH, COMPANY DATA

Figure 7: Aggressive asset expansion funded by customer deposits and a surge in other liabilities (i.e. government-related funding); not sustainable, in our view

FYE Dec (VND bn)	Dec-16 4QFY16	Dec-15 4QFY15	yoy % chg	Sep-16 3QFY16	qoq % chg	Dec-15	YTD growth
Inter-bank placement	94,469	66,019	43.1%	70,087	34.8%	66,019	43.1%
Customer loans	655,126	533,530	22.8%	618,512	5.9%	533,530	22.8%
<i>Gross loans</i>	661,988	538,080	23.0%	625,407	5.8%	538,080	23.0%
<i>LLR</i>	6,862	4,550	50.8%	6,895	-0.5%	4,550	50.8%
L-T securities investment	134,227	120,024	11.8%	134,288	0.0%	120,024	11.8%
Fixed assets	10,615	8,666	22.5%	8,484	25.1%	8,666	22.5%
Other assets	54,262	51,245	5.9%	69,383	-21.8%	51,245	5.9%
Total assets	948,699	779,483	21.7%	900,754	5.3%	779,483	21.7%
Inter-bank borrowing	85,152	99,169	-14.1%	67,361	26.4%	99,169	-14.1%
Customer deposits	654,423	492,960	32.8%	625,486	4.6%	492,960	32.8%
Trusted funds & valuable papers	30,562	75,098	-59.3%	27,845	9.8%	75,098	-59.3%
Other liabilities	115,590	56,146	105.9%	118,762	-2.7%	56,146	105.9%
Total liabilities	885,727	723,373	22.4%	839,454	5.5%	723,373	22.4%
Total equity	62,712	55,868	12.3%	61,049	2.7%	55,868	12.3%
Share capital	37,234	37,234	0.0%	37,234	0.0%	37,234	0.0%
Reserves	15,815	14,691	7.7%	14,745	7.3%	14,691	7.7%
Retained earnings	9,663	3,942	145.1%	9,070	6.5%	3,942	145.1%
Minority interest	260	242	7.4%	252	3.5%	242	7.4%

SOURCES: CIMB, COMPANY REPORTS

Figure 8: CTG is trading at 1.08x P/BV (trailing). In our view, stressed balance sheet and recapitalisation pressure will likely weigh down CTG's P/BV to around 1x



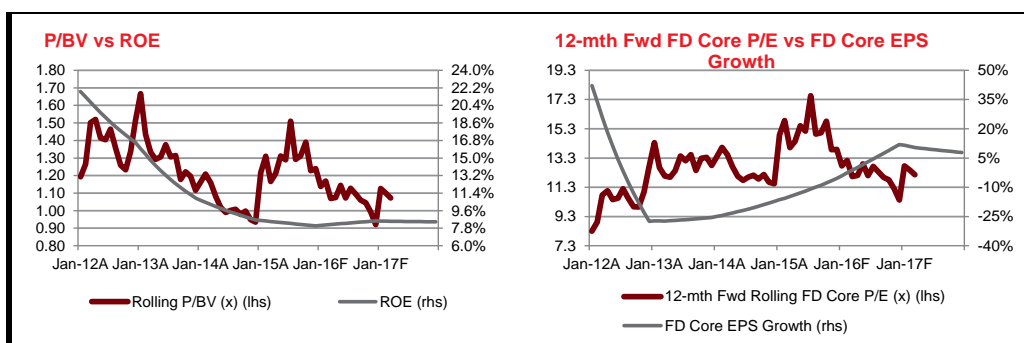
SOURCES: CIMB, BLOOMBERG

Figure 9: Listed peers comparison

Company	Bloomberg	CIMB	Price (VND)	Target Price (VND)	Market Cap (US\$ m)	P/BV (x)		Recurring ROE (%)			Dividend Yield (%)		
	Ticker	Rating				FY17F	FY18F	FY16E	FY17F	FY18F	FY16	FY17F	FY18F
Vietcombank	VCB VN	ADD	37,400	41,100	5,928	2.51	2.25	9.9%	12.0%	13.2%	2.7%	2.7%	2.7%
Vietinbank	CTG VN	REDUCE	18,200	17,790	2,985	1.02	0.94	8.5%	8.5%	8.4%	0.0%	3.8%	0.0%
BIDV Bank	BID VN	REDUCE	16,400	12,680	2,470	1.16	1.04	11.5%	11.3%	11.1%	5.2%	0.0%	0.0%
Military Bank	MBB VN	HOLD	13,900	16,390	1,049	0.85	0.78	10.3%	11.0%	13.2%	0.0%	4.3%	7.2%
Asia Commercial Bank	ACB VN	ADD	22,400	28,970	946	1.39	1.31	9.2%	9.7%	12.7%	0.0%	0.0%	4.5%
Sacombank	STB VN	REDUCE	10,400	6,370	826	0.82	0.80	0.5%	-0.3%	1.0%	0.0%	0.0%	0.0%
Eximbank	EIB VN	REDUCE	10,650	8,660	577	0.96	0.93	0.3%	0.9%	2.3%	0.0%	0.0%	0.0%
Avg. of listed banks						1.24	1.15	7.2%	7.6%	8.8%	1.1%	1.5%	2.0%

SOURCES: CIMB, BLOOMBERG

BY THE NUMBERS



Profit & Loss

(VNDb)	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Net Interest Income	17,580	18,839	21,533	24,435	27,576
Total Non-Interest Income	3,451	3,905	4,497	4,810	5,178
Operating Revenue	21,031	22,744	26,030	29,245	32,753
Total Non-Interest Expenses	(9,827)	(10,719)	(12,219)	(13,740)	(15,815)
Pre-provision Operating Profit	11,204	12,024	13,810	15,506	16,939
Total Provision Charges	(3,902)	(4,679)	(5,811)	(6,879)	(7,614)
Operating Profit After Provisions	7,302	7,345	7,999	8,627	9,325
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Operating EBIT (incl Associates)	7,302	7,345	7,999	8,627	9,325
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	7,304	7,347	7,999	8,627	9,325
Exceptional Items	0	0	0	0	0
Pre-tax Profit	7,302	7,345	7,999	8,627	9,325
Taxation	(1,575)	(1,629)	(1,600)	(1,725)	(1,865)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	5,727	5,717	6,399	6,901	7,460
Minority Interests	(15)	(19)	(21)	(23)	(25)
Pref. & Special Div	0	0	0	0	0
FX And Other Adj.	(1,000)	(1,245)	(1,393)	(1,502)	(1,624)
Net Profit	4,712	4,453	4,985	5,376	5,811
Recurring Net Profit	4,714	4,455	4,985	5,376	5,811

Balance Sheet Employment

	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Gross Loans/Cust Deposits	104%	109%	108%	106%	104%
Avg Loans/Avg Deposits	103%	107%	109%	107%	105%
Avg Liquid Assets/Avg Assets	28.5%	26.8%	25.1%	23.8%	23.2%
Avg Liquid Assets/Avg IEAs	30.4%	28.5%	26.4%	25.0%	24.4%
Net Cust Loans/Assets	65.9%	68.4%	70.9%	72.0%	73.1%
Net Cust Loans/Broad Deposits	82.5%	90.1%	91.4%	92.0%	91.5%
Equity & Provs/Gross Cust Loans	13.5%	11.2%	10.9%	10.6%	10.3%
Asset Risk Weighting	74.5%	72.4%	74.8%	75.2%	75.4%
Provision Charge/Avg Cust Loans	0.83%	0.82%	0.86%	0.93%	0.90%
Provision Charge/Avg Assets	0.54%	0.56%	0.61%	0.68%	0.67%
Total Write Offs/Average Assets	0.63%	0.65%	0.70%	0.75%	0.74%

SOURCE: CIMB RESEARCH, COMPANY DATA

BY THE NUMBERS... cont'd

Balance Sheet

(VNDb)	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Total Gross Loans	515,303	604,099	696,630	791,096	898,505
Liquid Assets & Invst. (Current)	93,404	120,024	119,491	120,697	124,394
Other Int. Earning Assets	9,876	11,893	13,882	16,136	18,860
Total Gross Int. Earning Assets	618,584	736,016	830,003	927,929	1,041,759
Total Provisions/Loan Loss Reserve	(4,346)	(4,550)	(6,874)	(9,078)	(11,362)
Total Net Interest Earning Assets	614,238	731,466	823,128	918,851	1,030,397
Intangible Assets	4,211	4,291	4,854	5,487	6,768
Other Non-Interest Earning Assets	38,053	38,636	37,630	38,044	36,305
Total Non-Interest Earning Assets	42,263	42,927	42,484	43,531	43,073
Cash And Marketable Securities	4,631	5,091	5,086	12,713	21,235
Long-term Investments	0	0	0	0	0
Total Assets	661,132	779,483	870,698	975,096	1,094,705
Customer Interest-Bearing Liabilities	424,181	492,960	575,389	668,831	781,756
Bank Deposits	103,770	99,169	100,102	95,054	92,514
Interest Bearing Liabilities: Others	42,463	88,442	88,442	95,964	95,964
Total Interest-Bearing Liabilities	570,414	680,572	763,934	859,850	970,233
Bank's Liabilities Under Acceptances	0	0	0	0	0
Total Non-Interest Bearing Liabilities	35,479	42,802	45,669	48,775	52,189
Total Liabilities	605,893	723,373	809,603	908,624	1,022,422
Shareholders' Equity	55,013	55,868	60,853	66,229	72,040
Minority Interests	225	242	242	242	242
Total Equity	55,238	56,110	61,095	66,471	72,282

Key Ratios

	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Total Income Growth	(1.2%)	8.1%	14.4%	12.4%	12.0%
Operating Profit Growth	(5.6%)	7.3%	14.9%	12.3%	9.2%
Pretax Profit Growth	(6.74%)	0.59%	8.90%	7.84%	8.10%
Net Interest To Total Income	83.6%	82.8%	82.7%	83.6%	84.2%
Cost Of Funds	4.41%	3.78%	5.69%	5.65%	5.60%
Return On Interest Earning Assets	7.08%	6.27%	8.00%	8.00%	8.00%
Net Interest Spread	2.66%	2.49%	2.31%	2.35%	2.40%
Net Interest Margin (Avg Deposits)	4.46%	4.11%	4.03%	3.93%	3.80%
Net Interest Margin (Avg RWA)	4.00%	3.56%	3.54%	3.53%	3.54%
Provisions to Pre Prov. Operating Profit	34.8%	38.9%	42.1%	44.4%	44.9%
Interest Return On Average Assets	2.84%	2.62%	2.61%	2.65%	2.66%
Effective Tax Rate	21.6%	22.2%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	79.0%	83.6%	NA	NA	NA
Return On Average Assets	0.76%	0.62%	0.60%	0.58%	0.56%

Key Drivers

	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Loan Growth (%)	16.9%	22.3%	16.0%	14.0%	14.0%
Net Interest Margin (%)	3.0%	2.8%	2.8%	2.8%	2.8%
Non Interest Income Growth (%)	14.6%	13.2%	15.2%	7.0%	7.6%
Cost-income Ratio (%)	46.7%	47.1%	46.9%	47.0%	48.3%
Net NPL Ratio (%)	-0.1%	-0.3%	0.2%	0.1%	0.3%
Loan Loss Reserve (%)	88.2%	92.1%	78.7%	98.1%	93.4%
GP Ratio (%)	0.7%	0.7%	0.8%	0.8%	0.8%
Tier 1 Ratio (%)	10.3%	9.1%	8.7%	8.5%	8.2%
Total CAR (%)	10.4%	10.6%	10.0%	9.6%	9.2%
Deposit Growth (%)	16.4%	16.2%	16.7%	16.2%	16.9%
Loan-deposit Ratio (%)	102.7%	108.2%	107.3%	105.0%	102.3%
Gross NPL Ratio (%)	1.1%	0.9%	1.4%	1.3%	1.5%
Fee Income Growth (%)	-3.4%	-0.5%	19.0%	18.0%	18.0%

SOURCE: CIMB RESEARCH, COMPANY DATA

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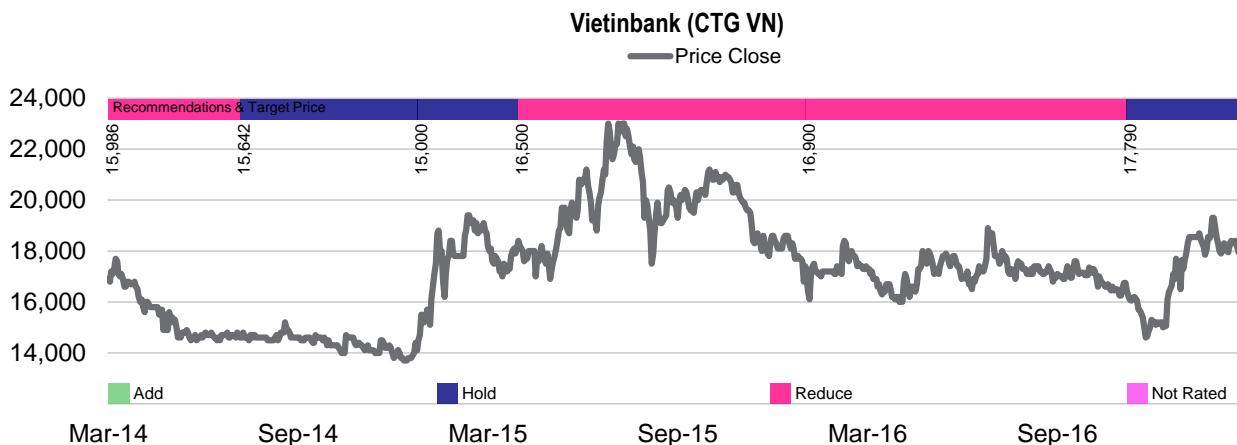
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Spitzer Chart for stock being researched (2 year data)



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.