

Vietnam

ADD (no change)

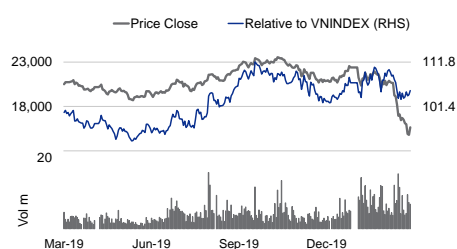
Consensus ratings*: Buy 14 Hold 0 Sell 0

Current price:	VND15,650
Target price:	VND26,200
Previous target:	VND34,300
Up/downside:	67.4%
CGS-CIMB / Consensus:	-13.3%
Reuters:	MBB.HM
Bloomberg:	MBB VN
Market cap:	US\$1,599m
	VND37,738,828m
Average daily turnover:	US\$5.08m
	VND117,870m
Current shares o/s:	2,411m
Free float:	20.0%

*Source: Bloomberg

Key changes in this note

- FY20-22F EPS reduced by 8.1%-12.2%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-24.8	-25.5	-23.7
Relative (%)	-0.7	2.7	5.2

Major shareholders	% held
Viettel Group	14.6
SCIC	9.8
Vietnam Helicopter Corporation	7.8

Analyst(s)

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Military Commercial Joint Stock Bank

Covid-19 taking a toll on FY20F earnings growth

- Strong profit growth in FY19 but asset quality could come under pressure.
- Covid-19 would depress FY20F earnings; recovery likely in FY21F.
- Reiterate Add on recent share price weakness; TP reduced to VND26,200.

Another strong year in FY19

In FY19, Military Bank (MBB) recorded VND7,823bn net profit (+28.0% yoy), in line at 101% of our forecast. Robust net profit growth was underpinned by 23.4% yoy growth in net interest income (NII), 34.3% yoy hike in non-interest income (Non-II) while operating expense growth trailed at 11.3% yoy. Drivers for NII included: strong loan growth (+16.6% yoy) and a markedly higher net interest margin (NIM, +36bp yoy) on retail and unsecured lending expansion. In fee income, payment services and bancassurance remain the main contributors, both advancing by 19.6% yoy in FY19.

More provisioning to curb the rising bad debt

Although non-performing loan (NPL) ratio fell from 1.3% at end-FY18 to 1.2% at end-FY19, other metrics indicated an increase in bad debt. In FY19, MBB wrote off VND4,919bn of bad debt, 2.5x the FY18 write-off. Hence, provision expenses jumped 61.1% yoy, and credit cost surged from 1.5% in FY18 to 2.1% in FY19, accordingly. We believe the inflated bad debt came from MBB's consumer finance subsidiary - MCredit, which provides unsecured loans. We estimate NPL ratio at MCredit exceeded 6.0%, while NPL ratio of the parent bank was only 1.0% at end-FY19.

Subdued earnings growth in FY20F due to Covid-19 impact

Due to the Covid-19 outbreak, we expect credit demand will fall and bad debts will rise. The bank's policy to restructure loans and reduce/waive interest to support customers will depress its NIM. MBB has actively expanded its unsecured lending business, but this segment could be greatly affected, in our view, as its major customers are low-income individuals who could be temporarily laid off during the Covid-19 outbreak. For the aforementioned reasons, we cut our FY20-22F EPS by 8.1%-12.2% on lower loan growth and higher provision expenses, and forecast NIM to drop 5bp in FY20F.

Reiterate Add with a lower TP of VND26,200

Our TP is based on an equal weighting of residual income valuation (COE: 14.3%; LTG: 3.0%) and 1.2x FY20F P/BV. Lower TP reflects lower EPS forecasts and higher risk premium on rising uncertainty, caused by the Covid-19 outbreak. We believe MBB would be negatively affected by the Covid-19 in FY20F, but it will recover after the situation normalises. Its current low share price offers an opportunity to accumulate for long-term value, in our view. Downside risks include a prolonged Covid-19 outbreak beyond mid-FY20F. Re-rating catalysts include slower bad debt formation, lowering credit costs.

Financial Summary

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Net Interest Income (VNDb)	14,583	18,000	20,120	23,091	27,113
Total Non-Interest Income (VNDb)	4,953	6,650	8,286	10,047	11,840
Operating Revenue (VNDb)	19,537	24,650	28,406	33,138	38,953
Total Provision Charges (VNDb)	(3,035)	(4,891)	(5,541)	(6,710)	(7,865)
Net Profit (VNDb)	6,113	7,823	8,705	9,965	11,731
Core EPS (VND)	2,478	3,133	3,409	3,885	4,573
Core EPS Growth	79.4%	26.4%	8.8%	14.0%	17.7%
FD Core P/E (x)	6.31	4.98	4.55	4.03	3.42
DPS (VND)	600.0	600.0	600.0	600.0	600.0
Dividend Yield	3.83%	3.83%	3.83%	3.83%	3.83%
BVPS (VND)	14,013	16,189	19,488	23,020	27,285
P/BV (x)	1.12	0.97	0.80	0.68	0.57
ROE	19.0%	20.8%	19.3%	18.3%	18.2%
% Change In Core EPS Estimates			(8.1%)	(12.2%)	(11.3%)
CGS-CIMB/Consensus EPS (x)			0.98	0.96	0.97

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Covid-19 taking a toll on FY20F earnings growth

FY19 recap

Strong profit growth but asset quality could come under pressure ➤

Figure 1: Results comparison (VND bn, otherwise noted)

Profit & Loss statement	4Q19	4Q18	yoy%	3Q19	qoq%	FY18A	FY19A	yoy%	% of our FY19F forecasts	Comments
Net interest income	4,889	4,154	17.7%	4,582	6.7%	14,583	18,000	23.4%	101.6%	In line with our forecasts.
Non-interest income	1,804	1,560	15.7%	1,764	2.3%	4,953	6,650	34.3%	103.5%	In line with our forecasts.
Operating revenue	6,693	5,713	17.2%	6,345	5.5%	19,537	24,650	26.2%	102.1%	
Operating expenses	(3,059)	(3,216)	-4.9%	(2,292)	33.5%	(8,734)	(9,724)	11.3%	95.9%	Below our forecasts as operating costs were better controlled, leading to a lower cost-to-income (CIR) ratio of 39.4% for FY19 versus our forecast of 42.0%.
Pre-provision profit	3,634	2,497	45.5%	4,053	-10.3%	10,803	14,927	38.2%	106.6%	
Provision expenses	(1,214)	(745)	63.1%	(1,312)	-7.5%	(3,035)	(4,891)	61.1%	118.5%	Higher than our forecasts as MBB increased provisioning to write-off a sizeable amount of bad debts.
Pre-tax profit	2,420	1,752	38.1%	2,741	-11.7%	7,767	10,036	29.2%	101.7%	
After-tax profit	1,870	1,376	35.9%	2,211	-15.4%	6,113	7,823	28.0%	101.0%	In line with our forecasts.

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 2: MBB's key ratios by quarter

	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19
NII/Total Operating Income (TOI)	77.8%	73.1%	75.7%	72.7%	75.8%	71.4%	72.2%	73.0%
Non-II/TOI	22.2%	26.9%	24.3%	27.3%	24.2%	28.6%	27.8%	27.0%
NIM (trailing 12M)	4.6%	4.5%	4.6%	4.5%	4.7%	4.6%	4.9%	4.9%
Loan-to-deposit ratio (Circular 36)	77.8%	76.6%	73.6%	73.7%	74.2%	72.8%	74.5%	74.2%
NPL	1.4%	1.3%	1.6%	1.3%	1.4%	1.3%	1.5%	1.2%
Loan-Loss-Reserves (LLR)	91.0%	106.2%	106.0%	112.3%	96.5%	97.6%	102.7%	110.5%
Credit cost (annualised)	1.5%	1.7%	1.6%	1.5%	1.7%	2.1%	2.2%	2.1%
ROAA (trailing 12M)	1.5%	1.5%	1.6%	1.8%	1.9%	1.9%	2.0%	2.1%
ROAE (trailing 12M)	14.4%	15.8%	16.9%	20.1%	19.8%	22.2%	22.3%	22.7%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Outlook

Moderate net profit growth in FY20F due to Covid-19 outbreak



Figure 3: Changes in our forecasts

	Old forecasts		New forecasts		Change		Comments
	FY20F	FY21F	FY20F	FY21F	FY20F	FY21F	
<i>(VND bn, otherwise noted)</i>							
Net Interest Income	20,182	23,393	20,120	23,091	-0.3%	-1.3%	Lower NII forecasts are driven by lower loan growth, from 17% in FY20-21F to 13% and to 14%, respectively. The Covid-19 outbreak has disrupted business activities, leading to cautious sentiment. Given the high uncertainty, we believe that the demand for credit will remain subdued until the situation normalises.
Non-Interest Income	8,330	10,587	8,286	10,047	-0.5%	-5.1%	We reduce Non-II forecast as we expect lower growth in bancassurance income. Bancassurance has become a major non-II driver for MBB, but insurances are often offered when customers apply for loans. A lower loan demand due to the Covid-19 outbreak would slow insurance sales, thereby depressing the growth in bancassurance income.
Operating revenue	28,512	33,980	28,406	33,138	-0.4%	-2.5%	
Operating expenses	(11,975)	(14,272)	(11,646)	(13,586)	-2.7%	-4.8%	We revise our CIR forecasts from 42.0% in FY20-21F to 41.0% because operating costs were better managed than our expectation. However, we still project FY20-21F CIR (of 41.0%) to be higher than FY19 (39.4%), as FY20-21F revenue would be negatively impacted by the Covid-19 outbreak, while MBB still needs to maintain the same level of operating costs to expense for network and employees.
Pre-provision profit	16,537	19,708	16,760	19,551	1.3%	-0.8%	
Provision expenses	(4,845)	(5,761)	(5,541)	(6,710)	14.4%	16.5%	We lift our provision expense forecasts due to concerns over increasing bad debts, driven by the Covid-19 outbreak. As business activities are disrupted, MBB would see more bad debt from both corporate and retail customers. Moreover, MBB's consumer finance business targets low-income customers, who are greatly affected as their companies temporarily lay off workers. We view that banks who have unsecured lending business would see a higher increase in bad debt than those who do not participate in this business.
Pre-tax profit	11,692	13,947	11,218	12,842	-4.1%	-7.9%	
Tax expense	(2,397)	(2,859)	(2,244)	(2,568)	-6.4%	-10.2%	
Net profit	9,174	10,944	8,705	9,965	-5.1%	-8.9%	Lower net profit forecasts are driven by lower loan growth and higher provision expenses.
No. of shares outstanding (m)	2,326	2,326	2,401	2,411	3.2%	3.7%	
EPS (VND/share)	3,708	4,423	3,409	3,885	-8.1%	-12.2%	

SOURCES: VNDIRECT RESEARCH

Valuation

Maintain Add but reduce TP to VND26,200 on lower loan demand and higher credit cost ➤

Figure 4: Target price calculation, based on our estimates

Approach	Weight	Fair value (VND/share)	Contribution (VND/share)
Residual income	50%	28,978	14,489
P/BV multiple (at 1.2x FY20F BVPS)	50%	23,385	11,693
Target price (VND/share)			26,182
Target price (VND/share, rounded)			26,200

SOURCES: VNDIRECT RESEARCH

Figure 5: Key assumptions of residual income valuation, based on our estimates

Assumptions	2020F	2021E	2022E	2023E	2024E	Terminal
Risk free rate	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Equity risk premium	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%
Beta	0.9	0.9	0.9	0.9	0.9	0.9
Cost of equity	14.3%	14.3%	14.3%	14.3%	14.3%	14.3%
Long-term growth rate						3.0%
<i>(in VND bn, otherwise noted)</i>						
Residual income	3,256	3,226	3,771	3,758	3,736	2,259
PV of residual income	2,848	2,468	2,523	2,198	1,912	19,932
Opening shareholder's equity	37,998					
PV of residual income (5 years)	11,949					
PV of terminal value	19,932					
Implied EV	69,879					
No. of outstanding shares (m shares)	2,411					
Implied value per share (VND/share)	28,978					

SOURCES: VNDIRECT RESEARCH

For peer comparison, we chose the regional banks with similar growth outlook and financial metrics as MBB. MBB is trading at a 20.1% discount in terms of FY20F P/BV compared to regional peers' average, and the bank is trading below its book value. The current share price has been hurt by the negative market sentiment due to the Covid-19 outbreak. We believe that the stock has been oversold. Although the Covid-19 outbreak will hurt MBB's performance in FY20F, the bank has sufficient capacity to sail through this tough period and earnings growth could rebound from FY21F, in our view. As a result, we believe the current price looks attractive. We have a target price of VND26,200 for MBB, based on an equal weighting of residual income valuation (COE: 14.3%; LTG: 3.0%) and 1.2x target P/BV for FY20F. We reiterate our Add rating given the recent share price weakness.

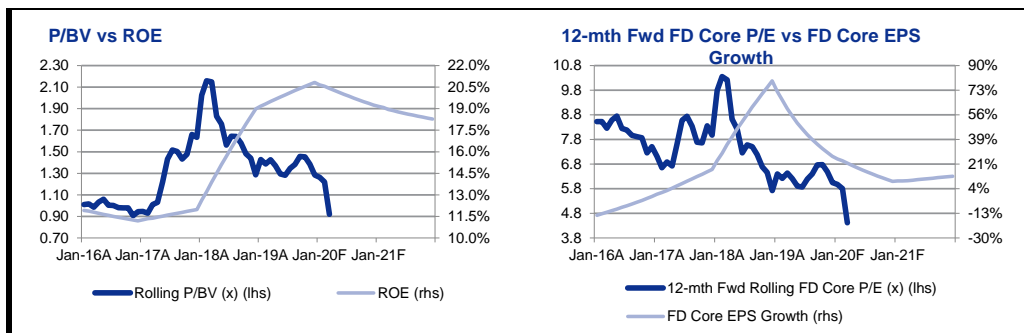
Figure 6: Regional sector comparison

Banks	Bloomberg Ticker	Recommendation	Closing Price	Target Price	Market cap	P/BV (x)		P/E (x)		3-yr Forward EPS CAGR	ROE (%)	
			(local curr.)	(local curr.)	(US\$m)	FY20F	FY21F	FY20F	FY21F	%	FY20F	FY21F
China Merchants Bank	3968 HK	ADD	35	48	115,254	1.1	1.0	6.9	5.8	18.4%	17.1%	17.9%
Bank Rakyat Indonesia	BBRI IJ	HOLD	2,440	4,100	18,240	1.2	1.1	6.6	6.0	11.2%	18.2%	18.8%
Bank Mandiri	BMRI IJ	ADD	3,860	9,000	10,917	0.7	0.7	4.8	4.2	14.9%	15.2%	16.8%
Vietcombank	VCB VN	ADD	62,000	86,200	9,744	2.2	1.8	10.7	9.2	16.1%	18.4%	17.9%
BDO Unibank Inc	BDO PM	HOLD	100	150	8,602	1.1	1.0	9.8	7.7	20.4%	12.2%	13.9%
Yes Bank	YES IN	ADD	35	100	5,772	0.3	0.3	4.8	2.3	28.3%	6.1%	11.9%
Indusind Bank	IIB IN	ADD	312	1,800	2,846	0.5	0.4	2.7	2.2	37.2%	19.5%	20.6%
Techcombank	TCB VN	ADD	16,600	27,400	2,462	0.8	0.7	5.3	4.5	14.6%	16.1%	16.2%
Vietnam Prosperity JSC Bank	VPB VN	ADD	20,300	25,800	2,097	0.9	0.8	4.8	4.1	17.1%	21.2%	20.1%
Asia Commercial Joint Stock Bank	ACB VN	ADD	20,500	30,400	1,439	1.0	0.8	4.7	4.1	15.7%	22.9%	22.1%
Average regional peers						1.0	0.9	6.1	5.0	19.4%	16.7%	17.6%
Military Commercial Joint Stock Bank	MBB VN	ADD	15,650	26,200	1,599	0.8	0.7	4.2	3.7	13.3%	19.3%	18.3%

PRICE AS OF 25 MAR 2020

SOURCES: CGS-CIMB RESEARCH, VNDIRECT RESEARCH

BY THE NUMBERS



Profit & Loss

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Net Interest Income	14,583	18,000	20,120	23,091	27,113
Total Non-Interest Income	4,953	6,650	8,286	10,047	11,840
Operating Revenue	19,537	24,650	28,406	33,138	38,953
Total Non-Interest Expenses	(8,734)	(9,724)	(11,646)	(13,586)	(15,971)
Pre-provision Operating Profit	10,803	14,927	16,760	19,551	22,982
Total Provision Charges	(3,035)	(4,891)	(5,541)	(6,710)	(7,865)
Operating Profit After Provisions	7,767	10,036	11,218	12,842	15,117
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Operating EBIT (incl Associates)	7,767	10,036	11,218	12,842	15,117
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	7,767	10,036	11,218	12,842	15,117
Exceptional Items					
Pre-tax Profit	7,767	10,036	11,218	12,842	15,117
Taxation	(1,577)	(1,968)	(2,244)	(2,568)	(3,023)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	6,190	8,069	8,975	10,273	12,094
Minority Interests	(77)	(246)	(269)	(308)	(363)
Pref. & Special Div	0	0	0	0	0
FX And Other Adj.	0	0	0	0	0
Net Profit	6,113	7,823	8,705	9,965	11,731
Recurring Net Profit	5,773	7,353	8,183	9,367	11,027

Balance Sheet Employment

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Gross Loans/Cust Deposits	89.5%	91.8%	93.4%	94.3%	94.7%
Avg Loans/Avg Deposits	86.7%	90.7%	92.7%	93.9%	94.5%
Avg Liquid Assets/Avg Assets	36.7%	35.6%	34.7%	34.3%	33.6%
Avg Liquid Assets/Avg IEAs	38.5%	37.4%	36.5%	35.9%	35.0%
Net Cust Loans/Assets	58.3%	60.0%	60.5%	61.4%	62.3%
Net Cust Loans/Broad Deposits	67.8%	70.7%	72.4%	73.6%	74.5%
Equity & Provs/Gross Cust Loans	16.7%	16.5%	17.8%	18.5%	19.3%
Asset Risk Weighting	105%	115%	115%	117%	119%
Provision Charge/Avg Cust Loans	1.52%	2.10%	2.08%	2.22%	2.28%
Provision Charge/Avg Assets	0.90%	1.26%	1.27%	1.37%	1.43%
Total Write Offs/Average Assets	0.61%	1.26%	1.21%	1.23%	1.25%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Gross Loans	259,748	290,022	326,534	370,502	420,452
Liquid Assets & Invst. (Current)	74,567	87,088	97,539	107,293	118,022
Other Int. Earning Assets	10,548	14,362	16,085	17,694	19,463
Total Gross Int. Earning Assets	344,863	391,472	440,159	495,489	557,937
Total Provisions/Loan Loss Reserve	(3,469)	(3,493)	(3,762)	(4,468)	(5,488)
Total Net Interest Earning Assets	341,394	387,980	436,397	491,021	552,449
Intangible Assets	1,113	1,156	1,237	1,324	1,416
Other Non-Interest Earning Assets	18,082	20,007	21,408	22,906	24,510
Total Non-Interest Earning Assets	19,195	21,163	22,645	24,230	25,926
Cash And Marketable Securities	1,737	2,344	2,508	2,684	2,872
Long-term Investments	0	0	0	0	0
Total Assets	362,325	411,488	461,550	517,935	581,247
Customer Interest-Bearing Liabilities	251,122	298,998	330,311	372,423	421,637
Bank Deposits	60,471	50,314	55,345	59,773	64,555
Interest Bearing Liabilities: Others	2,958	319	320	321	322
Total Interest-Bearing Liabilities	314,551	349,631	385,976	432,517	486,514
Bank's Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	13,601	21,971	26,424	27,442	26,110
Total Liabilities	328,152	371,602	412,400	459,958	512,624
Shareholders' Equity	32,643	37,998	46,993	55,511	65,795
Minority Interests	1,530	1,888	2,157	2,465	2,828
Total Equity	34,173	39,886	49,150	57,976	68,623

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Income Growth	40.9%	26.2%	15.2%	16.7%	17.5%
Operating Profit Growth	37.3%	38.2%	12.3%	16.7%	17.5%
Pretax Profit Growth	68.3%	29.2%	11.8%	14.5%	17.7%
Net Interest To Total Income	74.6%	73.0%	70.8%	69.7%	69.6%
Cost Of Funds	3.48%	3.97%	3.80%	3.88%	3.90%
Return On Interest Earning Assets	7.72%	8.47%	8.20%	8.33%	8.55%
Net Interest Spread	4.24%	4.50%	4.40%	4.45%	4.65%
Net Interest Margin (Avg Deposits)	6.34%	7.02%	6.99%	7.16%	7.43%
Net Interest Margin (Avg RWA)	4.23%	4.22%	4.01%	4.06%	4.18%
Provisions to Pre Prov. Operating Profit	28.1%	32.8%	33.1%	34.3%	34.2%
Interest Return On Average Assets	4.31%	4.65%	4.61%	4.71%	4.93%
Effective Tax Rate	20.3%	19.6%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	21.2%	18.2%	16.8%	14.7%	12.5%
Return On Average Assets	1.81%	2.02%	1.99%	2.03%	2.13%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Loan Growth (%)	16.6%	16.6%	13.0%	14.0%	14.0%
Net Interest Margin (%)	4.5%	4.9%	4.8%	4.9%	5.1%
Non Interest Income Growth (%)	87.0%	34.3%	24.6%	21.3%	17.8%
Cost-income Ratio (%)	44.7%	39.4%	41.0%	41.0%	41.0%
Net NPL Ratio (%)	0.6%	0.6%	0.8%	1.0%	1.0%
Loan Loss Reserve (%)	112.3%	110.5%	98.1%	81.4%	85.2%
GP Ratio (%)	0.7%	0.7%	0.8%	0.8%	0.8%
Tier 1 Ratio (%)	8.5%	8.1%	8.9%	9.2%	9.5%
Total CAR (%)	11.0%	10.1%	10.8%	10.9%	11.2%
Deposit Growth (%)	9.0%	13.6%	11.0%	13.0%	13.5%
Loan-deposit Ratio (%)	88.0%	90.5%	92.2%	93.0%	93.3%
Gross NPL Ratio (%)	1.3%	1.2%	1.2%	1.6%	1.6%
Fee Income Growth (%)	126.5%	24.4%	22.0%	24.0%	24.0%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

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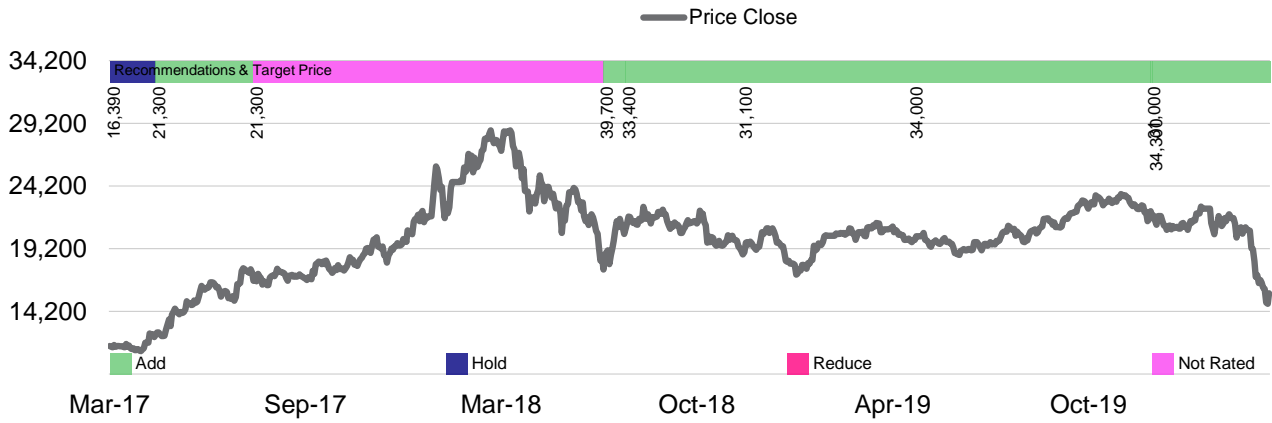
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Hold	25.2%	0.0%
Reduce	13.4%	0.0%

Spitzer Chart for stock being researched (2 year data)

Military Commercial Joint Stock Bank (MBB VN)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2019, Anti-Corruption 2019

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BAM** – not available, n/a, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BGP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** – Good, n/a, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHAYO** – Good, n/a, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – not available, n/a, **CRC** – not available, n/a, **DELTA** – Excellent, Declared, **DEMCO** – Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – not available, n/a, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** – Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Declared, **III** – Excellent, n/a, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – not available, n/a, **BJC** – Very Good, n/a, **JMT** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Certified, **MALEE** – Excellent, Certified, **MC** – Excellent, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MK** – Very Good, n/a, **MTC** – Excellent, n/a, **NETBAY** – Very Good, n/a, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PLAT** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PSTC** – Very Good, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Excellent, n/a, **RSP** – not available, n/a, **S** – Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Certified, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Excellent, Certified, **SF** – Good, n/a, **SHR** – not available, n/a, **SIRI** – Very Good, Certified, **SPA** – Good, n/a, **SPALI** – Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Excellent, Certified, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TMB** – Excellent, Certified, **TNR** – Very Good, Certified, **TOP** – Excellent, Certified, **TPCH** – Good, n/a, **TIPIP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Declared, **UNIQ** – not available, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

1 CG Score 2019 from Thai Institute of Directors Association (IOD)

2 AGM Level 2018 from Thai Investors Association

3 Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of November 30, 2018) are categorised into:

companies that have declared their intention to join CAC, and companies certified by CAC.

4 The Stock Exchange of Thailand: the record of listed companies with corporate sustainable development "Thai sustainability Investment 2018" included:

SET and mai listed companies passed the assessment conducted by the Stock Exchange of Thailand: THSI (SET) and THSI (mai)

SET listed companies passed the assessment conducted by the Dow Jones Sustainability Indices (DJSI) .

RECOMMENDATION FRAMEWORK

Stock Ratings

Definition:

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

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

Sector Ratings

Definition:

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

Country Ratings

Definition:

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

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