

Vietnam

HOLD (no change)

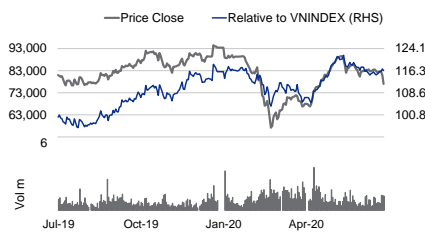
Consensus ratings*: Buy 5 Hold 11 Sell 0

Current price:	VND77,000
Target price:	VND86,200
Previous target:	VND86,200
Up/downside:	11.9%
CGS-CIMB / Consensus:	1.3%
Reuters:	VCB.HM
Bloomberg:	VCB VN
Market cap:	US\$12,326m
	VND285,583,552m
Average daily turnover:	US\$3.56m
	VND82,989m
Current shares o/s:	3,709m
Free float:	7.6%

*Source: Bloomberg

Key changes in this note

➤ No changes



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-7.6	15.3	-1.9
Relative (%)	0.3	13.4	19.1

Major shareholders	% held
State Bank of Vietnam	74.8
Mizuho Corporate Bank	15.0
GIC Private Limited	2.6

Analyst(s)

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Vietcombank

1HFY20 earnings slip on heavy provisioning

- VCB's 2QFY20 net profit grew 5.7% yoy and 10.3% qoq thanks to efficient cost management.
- 1HFY20 net profit slipped 3.1% yoy on surging provision expenses, forming 41.5% of our FY20F forecast which we deem in-line with our expectations.
- We reiterate our Hold rating with an unchanged TP of VND86,200.

Modest net profit growth in 2QFY20

Vietcombank's (VCB) 2QFY20 total operating income (TOI) eased 5% yoy to VND10,733bn, driven by a 6% yoy drop in net interest income (NII) and 7.5% yoy growth in non-interest income (Non-II). Loan balance rose 10.8% yoy, lower than the 14.7% yoy growth in 1Q20 on subdued credit demand due to the Covid-19 outbreak. On the expenses side, a 20% yoy decrease in operating expenses and flat yoy provisions helped 2QFY20 net profit to grow by 5.7% yoy to VND4,615bn.

1HFY20 net interest income stayed flat on yoy basis

VCB posted a VND17,000bn NII in 1H20, on par with 1H19, on the back of +4.9% yoy loan balance and lower NIM. As at end-2Q19, VCB's credit grew 5% YTD, above the system's credit growth of 3.26%. The bank's credit cap is set at 10% for FY20, thus we believe VCB has sufficient room for lending expansion in 2H20F. 1H20 CoF inched up 15 bps yoy to 3.28%, as CASA ratio eased to 26.5% at end-1H20, from 27.5% at end-1H19 after switching the amount due to State Treasury from demand deposit to term deposit. Consequently, VCB's NIM eased to 2.91% at end-1H20, down 28bps yoy.

1HFY20 Non-II formed only 40% our full-year forecast

Non-II was VND5,907bn (-1.4% yoy) in 1HFY20 due to a decline in service fees to support customers hit by Covid-19, while net fee income grew at a modest 6.4% yoy. We expect VCB to book about VND1,800bn in upfront payment fees from FWD bancassurance deals in 2H20F, which will lift FY20F Non-II by 34% yoy.

1HFY20 net profit slipped 3.1% yoy on heavy provisioning

We observed that the bank was aggressive in both writing off bad debts and booking provisions. 1HFY20 provision expenses grew 21% yoy, leading to a spike in loan loss reserves (LLR) to 254.5% at end-2Q20, from 176.8% at end-2Q19, the highest among its peers. Non-performing loan ratio (NPL) was cut to 0.83%, from 1.0% at end-2Q19, while the bank did not write off any outstanding loans during the 1HFY20 period.

Reiterate Hold with unchanged TP of VND86,200

We reiterate our Hold rating and TP of VND86,200 based on an equal weighting of residual income valuation (COE: 13.0%; LTG: 4.0%) and 2.8x FY20F P/BV. A downside risk is higher-than-expected credit costs. An upside risk is a shorter period to book the one-off income from its exclusive bancassurance deal.

Financial Summary

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Net Interest Income (VNDb)	28,409	34,577	39,298	44,585	51,588
Total Non-Interest Income (VNDb)	10,870	11,153	14,898	19,642	26,518
Operating Revenue (VNDb)	39,278	45,730	54,195	64,227	78,106
Total Provision Charges (VNDb)	(7,398)	(6,790)	(8,216)	(10,216)	(13,735)
Net Profit (VNDb)	14,606	18,511	21,158	24,691	28,978
Core EPS (VND)	3,334	4,099	4,685	5,468	6,417
Core EPS Growth	58.5%	22.9%	14.3%	16.7%	17.4%
FD Core P/E (x)	23.09	18.78	16.43	14.08	12.00
DPS (VND)	800.0	800.0	800.0	800.0	800.0
Dividend Yield	1.04%	1.04%	1.04%	1.04%	1.04%
BVPS (VND)	17,264	21,785	26,498	32,131	38,881
P/BV (x)	4.46	3.53	2.91	2.40	1.98
ROE	20.9%	21.3%	19.4%	18.7%	18.1%
% Change In Core EPS Estimates			0%	0%	0%
CGS-CIMB/Consensus EPS (x)			1.27	1.22	1.15

SOURCES: VND RESEARCH, COMPANY REPORTS

1HFY20 earnings slip on heavy provisioning

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

Profit & Loss statement	2Q20	2Q19	yoy%	1Q20	qoq%	6M20	6M19	yoy%	VNDIRECT FY20F forecasts	% of VNDIRECT FY20F forecasts	Comments
Net interest income	8,077	8,580	-5.9%	9,034	-10.6%	17,111	17,078	0.2%	39,298	43.5%	Slightly below our forecast due to lower than expected NIM. However, we expect VCB's NIM to bounce back in 2H20F thanks to a recent decrease in VCB's interest rates
Non-interest income	2,656	2,724	-2.5%	3,251	-18.3%	5,907	5,993	-1.4%	14,898	39.7%	Below our forecast since VCB has not yet booked the upfront agency fee received from FWD Insurance. We believe a portion of this income will be booked in 2H20F
Operating revenue	10,733	11,303	-5.0%	12,285	-12.6%	23,019	23,071	-0.2%	54,195	42.5%	
Operation expenses	(3,118)	(4,067)	-23.3%	(4,910)	-36.5%	(8,028)	(8,451)	-5.0%	(19,510)	41.1%	Efficient cost management delivered lower cost-to-income ratio (CIR)
Pre-provision profit	7,615	7,236	5.2%	7,375	3.3%	14,990	14,620	2.5%	34,685	43.2%	
Provision expenses	(1,856)	(1,811)	2.5%	(2,152)	-13.8%	(4,009)	(3,317)	20.9%	(8,216)	48.8%	In line with our forecasts.
Pre-tax profit	5,759	5,425	6.1%	5,223	10.3%	10,982	11,303	-2.8%	26,469	41.5%	
Net profit	4,615	4,365	5.7%	4,183	10.3%	8,798	9,076	-3.1%	21,175	41.5%	

SOURCES: VND RESEARCH, COMPANY REPORTS

Figure 2: VCB's key ratios by quarter

Key ratios	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Net interest income/Total operating income (TOI)	62.4%	73.4%	78.9%	74.7%	72.2%	75.9%	73.9%	81.0%	73.5%	75.3%
Non-interest income/TOI	37.6%	26.6%	21.1%	25.3%	27.8%	24.1%	26.1%	19.0%	26.5%	24.7%
NIM (trailing 12m)	2.5%	2.6%	2.7%	2.8%	3.0%	3.2%	3.2%	3.1%	3.1%	2.7%
Cost-to-income ratio (CIR)	41.0%	41.3%	41.7%	34.7%	37.3%	36.6%	36.0%	34.6%	40.0%	29.1%
Loan-to-deposit ratio (Circular 36)	73.3%	73.3%	75.6%	70.3%	74.8%	74.7%	71.9%	72.4%	76.4%	73.3%
Non-performing loan ratio	1.4%	1.2%	1.2%	1.0%	1.0%	1.0%	1.1%	0.8%	0.8%	0.8%
Loan-loss-reserves (LLR)	121.4%	140.6%	155.5%	165.4%	169.2%	177.5%	185.2%	182.0%	235.0%	254.5%
Credit cost (annualised)	1.1%	1.1%	1.1%	1.3%	0.9%	1.0%	1.0%	1.0%	1.2%	1.1%
ROAA (trailing 12m)	1.2%	1.2%	1.3%	1.4%	1.5%	1.6%	1.8%	1.6%	1.6%	1.6%
ROAE (trailing 12m)	19.5%	20.5%	20.9%	25.5%	24.5%	25.4%	27.1%	25.1%	22.8%	22.0%

SOURCES: VND RESEARCH, COMPANY REPORTS

VALUATION

Figure 3: Our target price calculation

Approach	Weight	Fair value (VND/share)	Contribution (VND/share)
Residual income	50%	94,625	47,312
P/BV multiple (at 2.8x FY20F BVPS)	50%	77,870	38,935
Target price (VND/share)			86,247
Target price (VND/share, rounded)			86,200

SOURCES: VND RESEARCH, COMPANY REPORTS

Figure 4: Key assumptions of residual income valuation, based on our estimates

General assumptions	2020F	2021F	2022F	2023F	2024F
Risk free rate (5-year VGB yield)	4.0%	4.0%	4.0%	4.0%	4.0%
Equity risk premium	10.0%	10.0%	10.0%	10.0%	10.0%
Beta (1 yr)	0.9	0.9	0.9	0.9	0.9
Cost of equity	13.0%	13.0%	13.0%	13.0%	13.0%
Long-term growth rate					4.0%
<i>(in VND bn, otherwise noted)</i>					
Opening shareholders' equity	85,671				
PV of residual income (5 years)	42,603				
PV of terminal value	222,677				
Implied Equity value	350,951				
No. of o/s shares (m shares)	3,709				
Implied value per share (VND/share)	94,625				

SOURCES: VND RESEARCH, COMPANY REPORTS

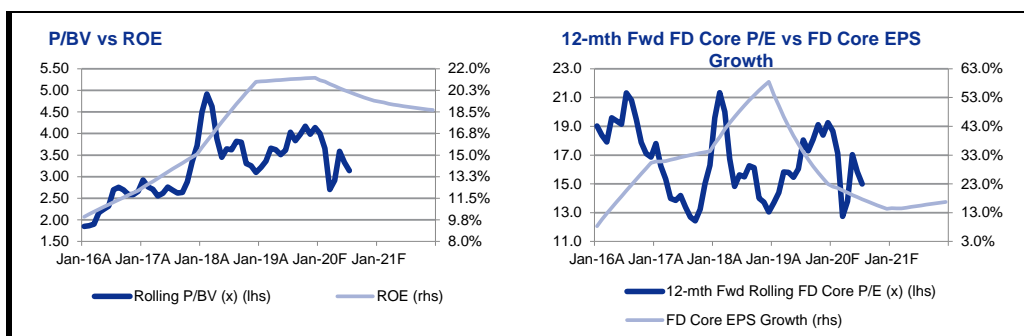
Figure 5: Regional peer comparisons

Banks	Bloomberg Code	Recommendation	Closing price	Target price	Market cap (US\$m)	P/BV (x)		P/E (x)		3-yr Forward EPS CAGR (%)	ROE (%)	
			(local curr.)	(local curr.)		FY20F	FY21F	FY20F	FY21F		FY20F	FY21F
HDFC Bank	HDFCB IN	ADD	1,119	1,275	82,088	3.3	2.8	20.2	18.3	17.6%	16.1%	16.5%
Bank Central Asia	BBCA IJ	ADD	30,500	35,000	51,470	4.3	3.8	33.7	26.3	7.5%	12.7%	15.3%
Public Bank Bhd	PBK MK	ADD	18	19	16,137	1.5	1.4	13.9	13.3	0.2%	11.0%	10.9%
Indusind Bank	IIB IN	ADD	522	675	4,841	1.0	0.8	7.7	6.7	14.1%	12.9%	13.5%
Techcombank	TCB VN	ADD	18,150	27,400	2,742	0.9	0.8	6.4	5.5	12.5%	16.0%	15.8%
Vietnam Prosperity JSC Bank	VPB VN	HOLD	19,750	25,000	2,078	1.0	0.9	6.2	5.0	15.5%	17.8%	18.4%
Military Commercial Joint Stock Bank	MBB VN	ADD	15,350	26,200	1,598	0.8	0.7	4.6	4.0	13.3%	20.5%	19.4%
Asia Commercial Joint Stock Bank	ACB VN	ADD	21,800	28,500	1,564	1.2	1.0	5.9	5.3	11.6%	21.6%	20.4%
Average						1.7	1.5	12.3	10.5	11.5%	16.1%	16.3%
Vietcombank	VCB VN	HOLD	81,000	86,200	13,318	3.0	2.5	14.6	12.5	16.1%	18.4%	17.9%

PRICE AS OF 27 JUL 2020

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Net Interest Income	28,409	34,577	39,298	44,585	51,588
Total Non-Interest Income	10,870	11,153	14,898	19,642	26,518
Operating Revenue	39,278	45,730	54,195	64,227	78,106
Total Non-Interest Expenses	(13,611)	(15,818)	(19,510)	(23,122)	(28,118)
Pre-provision Operating Profit	25,667	29,913	34,685	41,105	49,988
Total Provision Charges	(7,398)	(6,790)	(8,216)	(10,216)	(13,735)
Operating Profit After Provisions	18,269	23,122	26,469	30,889	36,253
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Operating EBIT (incl Associates)	18,269	23,122	26,469	30,889	36,253
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	18,269	23,122	26,469	30,889	36,253
Exceptional Items					
Pre-tax Profit	18,269	23,122	26,469	30,889	36,253
Taxation	(3,647)	(4,596)	(5,294)	(6,178)	(7,251)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	14,622	18,526	21,175	24,711	29,002
Minority Interests	(16)	(15)	(17)	(20)	(24)
Pref. & Special Div	0	0	0	0	0
FX And Other Adj.	0	0	0	0	0
Net Profit	14,606	18,511	21,158	24,691	28,978
Recurring Net Profit	11,995	15,203	17,377	20,279	23,800

Balance Sheet Employment

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Gross Loans/Cust Deposits	78.8%	79.1%	79.8%	80.5%	81.3%
Avg Loans/Avg Deposits	77.8%	79.0%	79.5%	80.2%	80.9%
Avg Liquid Assets/Avg Assets	42.8%	38.9%	37.9%	37.1%	36.1%
Avg Liquid Assets/Avg IEAs	43.9%	40.0%	38.9%	38.0%	36.8%
Net Cust Loans/Assets	57.9%	59.2%	60.0%	61.1%	62.4%
Net Cust Loans/Broad Deposits	69.1%	70.8%	71.8%	72.9%	74.0%
Equity & Provsns/Gross Cust Loans	11.5%	12.4%	13.4%	14.3%	15.2%
Asset Risk Weighting	67.8%	72.9%	81.4%	83.3%	85.3%
Provision Charge/Avg Cust Loans	1.26%	0.99%	1.05%	1.15%	1.35%
Provision Charge/Avg Assets	0.70%	0.59%	0.64%	0.71%	0.85%
Total Write Offs/Average Assets	0.49%	0.58%	0.42%	0.49%	0.57%

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Gross Loans	882,095	984,177	1,097,152	1,229,399	1,388,343
Liquid Assets & Invst. (Current)	163,073	204,113	230,643	260,626	294,508
Other Int. Earning Assets					
Total Gross Int. Earning Assets	1,045,168	1,188,290	1,327,795	1,490,025	1,682,851
Total Provisions/Loan Loss Reserve	(10,294)	(10,417)	(13,155)	(16,265)	(20,843)
Total Net Interest Earning Assets	1,034,874	1,177,874	1,314,639	1,473,760	1,662,008
Intangible Assets	2,068	2,261	2,347	2,436	2,529
Other Non-Interest Earning Assets	24,292	28,806	29,903	31,041	32,223
Total Non-Interest Earning Assets	26,360	31,067	32,250	33,477	34,752
Cash And Marketable Securities	12,792	13,778	14,303	14,847	15,413
Long-term Investments	0	0	0	0	0
Total Assets	1,074,027	1,222,719	1,361,192	1,522,085	1,712,172
Customer Interest-Bearing Liabilities	823,390	949,835	1,060,180	1,194,346	1,357,888
Bank Deposits	76,524	73,617	77,298	81,163	85,221
Interest Bearing Liabilities: Others	90,711	92,386	94,234	96,119	98,041
Total Interest-Bearing Liabilities	990,625	1,115,838	1,231,712	1,371,628	1,541,150
Bank's Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	21,222	25,998	31,119	31,205	26,735
Total Liabilities	1,011,847	1,141,836	1,262,831	1,402,833	1,567,885
Shareholders' Equity	62,110	80,800	98,277	119,169	144,204
Minority Interests	(69)	(83)	(83)	(83)	(83)
Total Equity	62,041	80,716	98,194	119,086	144,120

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Income Growth	33.6%	16.4%	18.5%	18.5%	21.6%
Operating Profit Growth	46.3%	16.5%	16.0%	18.5%	21.6%
Pretax Profit Growth	61.1%	26.6%	14.5%	16.7%	17.4%
Net Interest To Total Income	72.3%	75.6%	72.5%	69.4%	66.0%
Cost Of Funds	2.81%	3.15%	3.06%	3.12%	3.19%
Return On Interest Earning Assets	5.44%	6.06%	5.97%	6.05%	6.18%
Net Interest Spread	2.63%	2.92%	2.92%	2.93%	2.99%
Net Interest Margin (Avg Deposits)	3.76%	4.00%	3.99%	4.03%	4.10%
Net Interest Margin (Avg RWA)	4.24%	4.27%	3.93%	3.75%	3.78%
Provisions to Pre Prov. Operating Profit	28.8%	22.7%	23.7%	24.9%	27.5%
Interest Return On Average Assets	2.69%	3.01%	3.04%	3.09%	3.19%
Effective Tax Rate	20.0%	19.9%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	20.3%	16.0%	14.0%	12.0%	10.2%
Return On Average Assets	1.38%	1.61%	1.64%	1.71%	1.79%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Loan Growth (%)	16.3%	16.3%	13.0%	14.0%	15.0%
Net Interest Margin (%)	2.8%	3.1%	3.1%	3.2%	3.3%
Non Interest Income Growth (%)	45.5%	2.6%	33.6%	31.8%	35.0%
Cost-income Ratio (%)	34.7%	34.6%	36.0%	36.0%	36.0%
Net NPL Ratio (%)	-3.9%	-4.3%	-4.5%	-4.7%	-5.1%
Loan Loss Reserve (%)	165.4%	179.5%	155.8%	137.8%	141.7%
GP Ratio (%)	0.8%	0.7%	0.8%	0.9%	1.0%
Tier 1 Ratio (%)	8.2%	8.0%	8.0%	8.6%	9.2%
Total CAR (%)	10.2%	9.7%	9.5%	10.1%	10.6%
Deposit Growth (%)	13.2%	15.8%	12.0%	13.0%	14.0%
Loan-deposit Ratio (%)	77.5%	78.0%	78.6%	79.2%	79.7%
Gross NPL Ratio (%)	1.0%	0.8%	1.0%	1.2%	1.4%
Fee Income Growth (%)	34.1%	26.6%	81.8%	49.0%	45.4%

SOURCES: VND RESEARCH, COMPANY REPORTS

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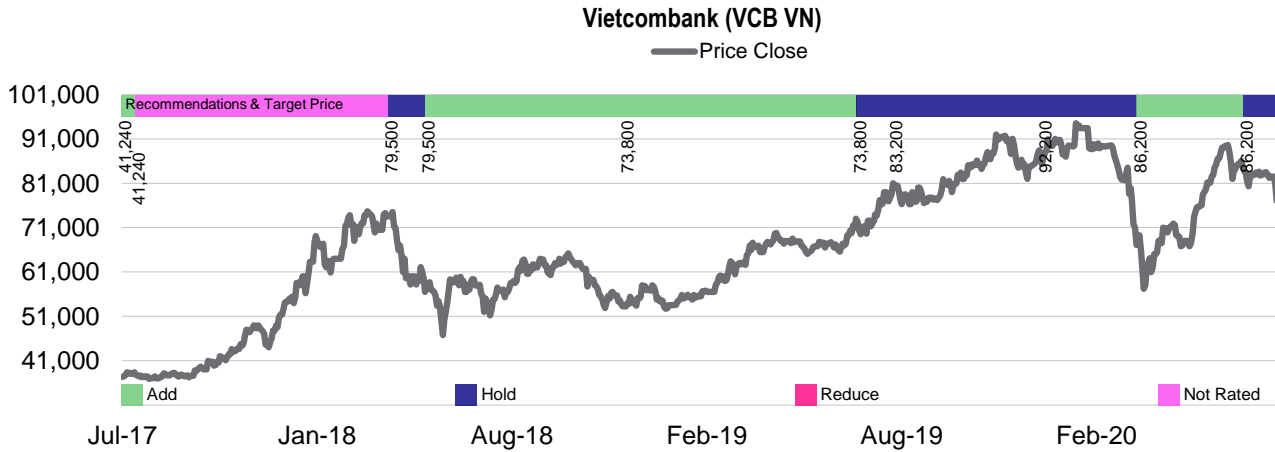
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Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 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, **BPCG** – 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, **TPIPP** – 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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