


Company Note

I Vietnam


ADD (no change)

Consensus ratings*: Buy 3 Hold 3 Sell 0

| | |
|---|-----------------|
| Current price: | VND36,900 |
| Target price:  | VND41,100 |
| Previous target: | VND41,100 |
| Up/downside: | 11.4% |
| CIMB / Consensus: | 2.0% |
| Reuters: | VCB.HM |
| Bloomberg: | VCB VN |
| Market cap: | US\$5,818m |
| | VND132,757,664m |
| Average daily turnover: | US\$1.65m |
| | VND37,304m |
| Current shares o/s: | 2,665m |
| Free float: | 7.9% |

*Source: Bloomberg

Key changes in this note

 No change.

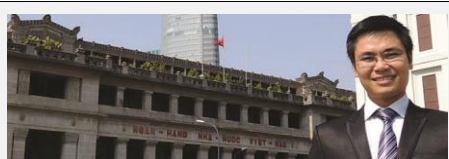


Source: Bloomberg

| Price performance | 1M | 3M | 12M |
|-------------------|------|------|------|
| Absolute (%) | -6.5 | 4.5 | 19.5 |
| Relative (%) | -7.1 | -1.9 | -4.6 |

| Major shareholders | % held |
|-----------------------|--------|
| State Bank of Vietnam | 77.1 |
| Mizuho Corporate Bank | 15.0 |

Analyst(s)



QUAN Trong Thanh

T (84) 90 407 0582

E quan.trongthanh@cimb.com

Vietcombank

Strengthened foundation supports high growth

- VCB's net profit grew 29% yoy in FY16, driven by 19% loan growth and stable NIM
- Provision expenses only increased by 6% last year, which helps explain why the bank's bottom line earnings outpaced its 20% NII growth and 11% non-NII growth
- Most operating metrics improved in FY16, and are in good shape to support another year of robust growth in FY17F; we expect 23% net profit growth this year.
- We maintain our Add rating on VCB, but recommend investors time their entry to purchase VCB's shares at valuations below 2.4x P/BV.

Robust FY16 performance

VCB's net profit rose 29% yoy in FY16, attributable to i) 20% NII growth, driven by 19% loan growth and an 8bp NIM expansion to 263bp, ii) 11% non-NII growth, driven by strength in a range of businesses (fees +13.4%, forex-trading gains +17.6%, securities-trading gains +16%, other income +2%), iii) a 20% increase in opex, driven by VCB's growing retail banking business (but VCB still reported a 40% CIR), and iv) 6% provision growth; VCB's 119% loan loss coverage ratio is the 2nd highest among local banks.

Surge in retail lending supported NIMs

VCB expanded its retail loan book by nearly 50% yoy in FY16 (after having risen 50% in FY15), driven by the extension of mortgage and auto loans, which helped its NIM expand from 240bp in FY14 to 255bp in FY15, and to 263bp in FY16. The NIMs of most other local banks declined, or were flat during that time. Retail loans now account for ~25% of VCB's outstanding loans, and the bank aims to increase this proportion to 35% (note: VCB currently enjoys a 350bp interest spread on its retail loan book).

Asset quality is high, so provision expenses are modest

In FY16, VCB took back all the bad debts it previously transferred to the Vietnam Asset Management Company (VAMC) after having completely written off those loans, making VCB the first local bank to finish cleaning up its legacy NPLs spawned by the country's most recent bad debt cycle. VCB's on-balance-sheet NPL ratio fell from 1.84% at end-FY15 to 1.48% at end-FY16, and the bank's non-performing loans fell by ~4% yoy in absolute terms to US\$301m, 119% of which is covered by its current loan loss reserves.

We expect 20-25% annual net profit growth in FY17-19F

VCB is likely to report strong earnings growth in FY17-19F, driven by: 1) 16-18% annual credit growth, which is supported by VCB's industry-leading deposit franchise, 2) expanding NIMs, supported by VCB's growing retail loan book, and 3) easing provisioning expenses - thanks to VCB's low NPL ratio and the bank's healthy loan loss coverage ratio. We expect VCB's net profit to rise 23% yoy in 2017.

Maintain Add

VCB's valuation fell from a recent peak of 3.2x P/BV to ~2.6x FY17F P/BV, but the bank's industry-leading capabilities and the stock's available foreign ownership room are likely to lead to a recovery to above 3x at some point (comparable to the valuations of leading Indonesian and Indian banks). We keep our Add rating and target price which incorporates residual income (COE: 12.5%, LTG: 4%) and market-based (3.2x P/BV, 5-year peak) factors. Downside risks include delays in raising Tier-1 capital.

Financial Summary

| | Dec-14A | Dec-15A | Dec-16F | Dec-17F | Dec-18F |
|----------------------------------|---------|---------|---------|---------|---------|
| Net Interest Income (VNDb) | 11,774 | 15,453 | 18,685 | 21,989 | 25,445 |
| Total Non-Interest Income (VNDb) | 5,511 | 5,749 | 5,746 | 5,330 | 5,930 |
| Operating Revenue (VNDb) | 17,285 | 21,202 | 24,431 | 27,318 | 31,375 |
| Total Provision Charges (VNDb) | (4,591) | (6,068) | (6,119) | (5,700) | (6,089) |
| Net Profit (VNDb) | 3,780 | 4,333 | 5,656 | 6,933 | 8,293 |
| Core EPS (VND) | 661 | 791 | 1,172 | 1,705 | 2,083 |
| Core EPS Growth | (19.4%) | 19.5% | 48.2% | 45.5% | 22.2% |
| FD Core P/E (x) | 55.79 | 46.67 | 31.49 | 21.65 | 17.72 |
| DPS (VND) | 1,051 | 1,000 | 741 | 1,000 | 1,000 |
| Dividend Yield | 2.85% | 2.71% | 2.01% | 2.71% | 2.71% |
| BVPS (VND) | 16,257 | 16,888 | 13,618 | 14,885 | 16,597 |
| P/BV (x) | 2.27 | 2.18 | 2.71 | 2.48 | 2.22 |
| ROE | 5.6% | 6.4% | 9.0% | 12.0% | 13.2% |
| CIMB/consensus EPS (x) | | | | 0.93 | 1.11 |

SOURCE: COMPANY DATA, CIMB FORECASTS

Strengthened foundation supports high growth

Figure 1: Results comparison

| FYE Dec (VND bn) | 4QFY16 | 4QFY15 | yoy chg | qoq chg | 4QFY16 cum | 4QFY15 cum | yoy chg | Prev. FY16F | Comments |
|----------------------|---------|---------|------------|------------|---------------|---------------|------------|----------------|--|
| Net interest income | 4,883 | 4,437 | 10.1% | 8.8% | 18,529 | 15,453 | 19.9% | 18,685 | In line |
| Non-interest income | 1,683 | 1,436 | 17.2% | 7.1% | 6,378 | 5,738 | 11.1% | 5,746 | Above; stronger forex and securities trading income |
| Total income | 6,566 | 5,873 | 11.8% | 8.3% | 24,907 | 21,191 | 17.5% | 24,431 | In line |
| Overhead expenses | (2,478) | (2,343) | 5.8% | -1.0% | (9,980) | (8,295) | 20.3% | (9,966) | In line |
| Pre-provision profit | 4,088 | 3,531 | 15.8% | 14.9% | 14,928 | 12,897 | 15.7% | 14,465 | Slightly above, due to higher non-NII |
| Loan loss provisions | (1,897) | (1,351) | 40.4% | 25.6% | (6,410) | (6,068) | 5.6% | (6,119) | Below; More aggressive provisioning to build up reserves |
| Pre-tax profit | 2,191 | 2,180 | 0.5% | 7.1% | 8,517 | 6,829 | 24.7% | 8,346 | Slightly above (2% higher) |
| Tax | (417) | (482) | -13.5% | 2.9% | (1,672) | (1,495) | 11.8% | (1,669) | |
| Tax rate (%) | 19% | 22% | -13.9% | -3.9% | 20% | 22% | -10.3% | 20% | |
| Net profit | 1,768 | 1,689 | 4.7% | 8.0% | 6,826 | 5,314 | 28.5% | 6,654 | Slightly above (2% higher) |
| EPS (VND) | 491 | 469 | 4.7% | 7.9% | 1,897 | 1,477 | 28.5% | 1,806 | |

SOURCES: CIMB, COMPANY REPORTS

FY17 outlook: Another year of strong growth ►

We expect VCB's net profit to grow 23% yoy in FY17 to VND8,400bn (US\$370m), which is more optimistic than management's 10-15% earnings growth guidance (VCB's reported results have consistently exceeded management's guidance in recent years).

Key assumptions in our FY17 forecast include:

18% NII growth, driven by 16-17% yoy loan growth, and a 7bp NIM expansion to 270bp in FY17.

VCB's continued focus on the retail & SME lending should support both overall loan growth and NIM expansion. VCB's retail loan book grew by about 50% in FY15 and again in FY16, driven by mortgage and automobile lending, although we expect a deceleration to 30% growth in FY17, given Vietnam's cooling property market. VCB aims to increase the proportion of its overall loan book represented by retail loans from 25% at end-FY16 to 35% over the next 3-4 years.

Downside risks to our NII forecast include the possibility of delays in raising sufficient capital to comply with the implementation of Basel II, which would in turn necessitate a deceleration in balance sheet expansion/loan growth.

- **A 7% decline in non-NII**, attributable to: 1) 12% fee income growth, 2) 7% growth in forex-trading revenues, 3) negligible growth in VCB's securities investment, trading, & equity investment results in FY17 and 4) a 44% decline in "Other income", which contributed about half of VCB's non-NII over the past two years, and is primarily comprised of income generated from bad debt recovery. It's difficult to forecast the amount of "Other income" VCB will report in FY17, but since the bank nearly resolved all of its legacy bad debts in FY16, we expect VCB to report a much lower "Other income" result in FY17 than it did in each of the previous two years. For that reason, we've simply penciled in an FY17 Other income estimate which is equivalent to the Other income the bank reported in FY13.

Finally, we estimate that VCB is sitting on about VND400bn (US\$18m) or more of latent gains on its investments in Military Bank, Eximbank, Oriental Bank and Saigon Bank, so it's likely that VCB will generate windfall gains on the disposal of some of those investments at some point in the mid-term.

- **15% Opex growth**, which would nudge VCB's cost-income ratio (CIR) up from 40% in FY16 to 41% in FY17. VCB's opex growth is being partially driven by its efforts to grow its retail banking business, but the bank's strong brand name, which is deeply embedded into the minds of local consumers, together with its balanced mix of distribution channels (i.e. strong branch network, good online presence, deep penetration in the credit card market), should enable VCB to grow that business more cost efficiently than the other Vietnamese banks that are ramping up their retail operations.

We think that VCB management can still control opex growth in the next two years in order to maintain the bank's CIR in the 40-42% range, which is regarded as the benchmark for cost-efficient banks.

- **A 7% decline in provision expense**, which we expect to equate to a 1.2% credit-cost rate in FY17, vs 1.5% in FY16 and 1.7% in FY15.

Further to that last point, VCB's solid asset quality and its healthy loan-loss coverage ratio give the bank ample latitude to balance provisioning and earnings growth, in our view.

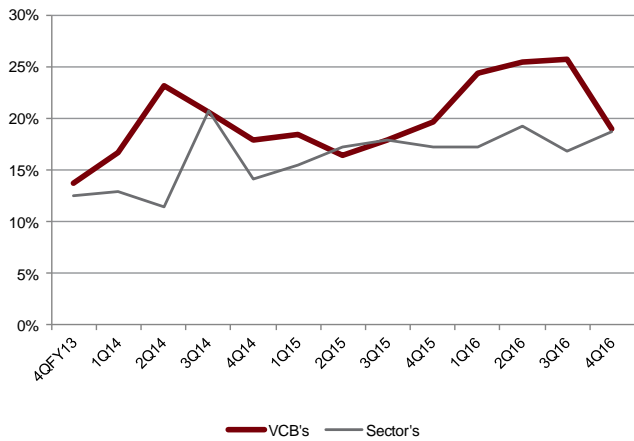
Key quarterly statistics ➤

Figure 2: Key ratios – Steadily improving operational metrics

| | 1QFY14 | 2QFY14 | 3QFY14 | 4QFY14 | 1QFY15 | 2QFY15 | 3QFY15 | 4QFY15 | 1QFY16 | 2QFY16 | 3QFY16 | 4QFY16 |
|-----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| ROE (annualised) | 11.7% | 10.7% | 9.7% | 12.3% | 10.3% | 11.9% | 10.7% | 15.1% | 15.8% | 13.4% | 14.0% | 14.9% |
| NIM (annualised) | 2.5% | 2.5% | 2.5% | 2.6% | 2.6% | 2.6% | 2.7% | 2.9% | 2.8% | 2.8% | 2.7% | 2.8% |
| Fee income/Total incomes | 10.3% | 10.4% | 11.0% | 8.9% | 7.3% | 12.0% | 7.9% | 8.0% | 9.0% | 8.3% | 8.6% | 8.1% |
| Cost-to-Income ratio (CIR) | 34.5% | 39.1% | 39.5% | 44.1% | 35.9% | 31.0% | 48.5% | 39.9% | 39.6% | 41.7% | 41.3% | 37.7% |
| Loan-to-Deposit ratio (LDR) | 81.4% | 77.3% | 78.0% | 77.2% | 75.8% | 74.1% | 73.1% | 77.5% | 80.1% | 79.8% | 78.3% | 78.1% |
| LDR-modified | 72.8% | 64.8% | 63.9% | 62.4% | 68.2% | 66.0% | 64.2% | 62.9% | 68.2% | 69.0% | 66.4% | 63.4% |
| Gross NPL | 2.65% | 3.09% | 2.54% | 2.31% | 2.67% | 2.48% | 2.00% | 1.84% | 1.85% | 1.75% | 1.73% | 1.48% |
| Cost of Credit (annualised) | 1.7% | 1.7% | 1.5% | 1.4% | 1.9% | 2.2% | 1.6% | 1.5% | 1.3% | 1.7% | 1.5% | 1.8% |
| Loan Loss Coverage | 103.4% | 96.9% | 105.7% | 94.3% | 93.9% | 96.3% | 107.7% | 120.6% | 130.2% | 113.1% | 127.7% | 118.9% |
| CAR | | | | 11.6% | 11.0% | 11.2% | 11.6% | 11.0% | 10.1% | 9.7% | 9.6% | |

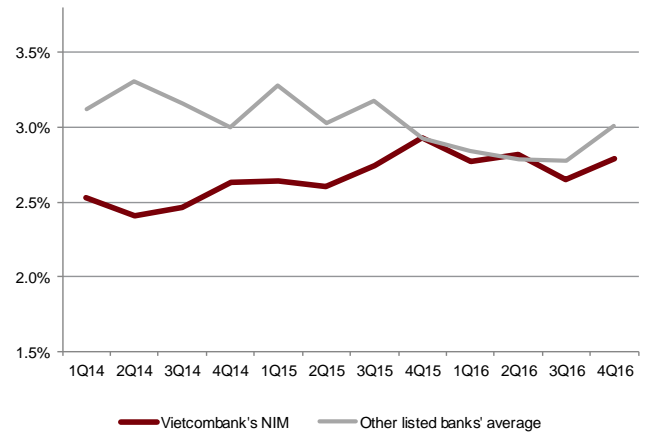
SOURCES: CIMB, COMPANY REPORTS

Figure 3: Credit growth (yoy)



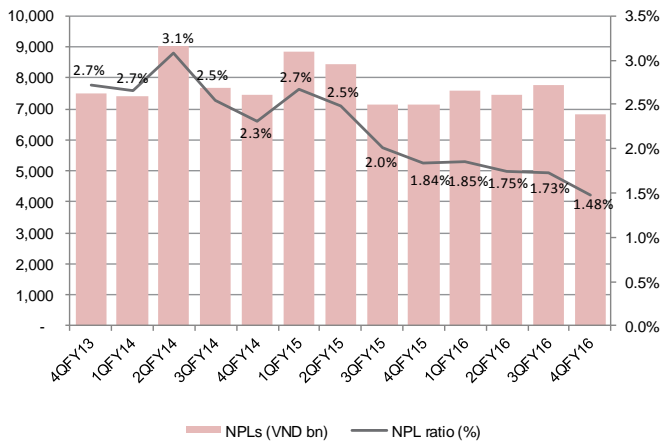
SOURCES: CIMB, COMPANY REPORTS

Figure 4: NIM trend – Steady NIM expansion driven by robust retail lending growth; still ample room for more expansion



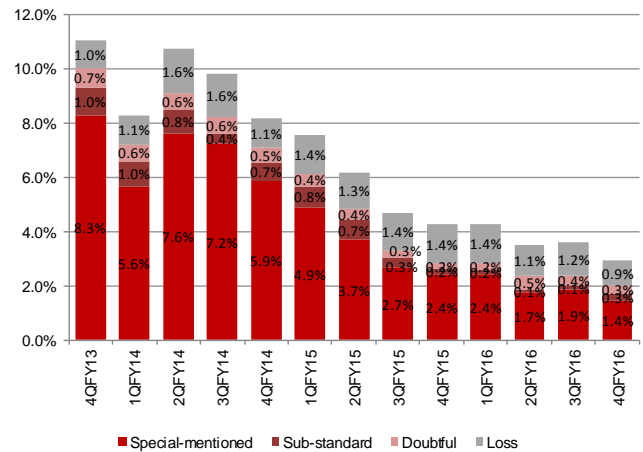
SOURCES: CIMB, COMPANY REPORTS

Figure 5: NPLs are improving



SOURCE: CIMB RESEARCH, COMPANY DATA

Figure 6: Loan quality: % sub-group loans/total loans



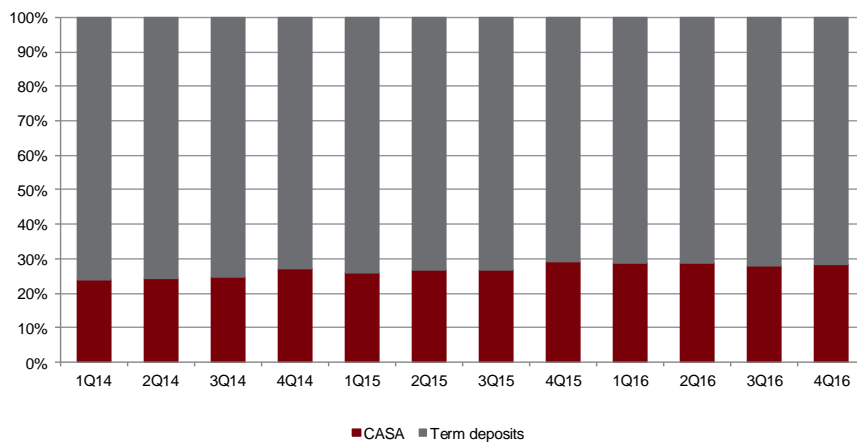
SOURCE: CIMB RESEARCH, COMPANY DATA

Figure 7: Balance sheet is in good shape. Strong loan growth (+19% yoy), with SME and retail loans up ~39% and 50% yoy, respectively. LDR remained healthy at 78%.

| FYE Dec (VND bn) | Dec-16 4QFY16 | Dec-15 4QFY15 | yoy chg | Sep-16 3QFY16 | qoq chg | Dec-15 4QFY15 | YTD chg |
|---------------------------------|------------------|------------------|---------------|------------------|--------------|------------------|---------------|
| Inter-bank placement | 151,759 | 131,527 | 15.4% | 106,955 | 41.9% | 131,527 | 15.4% |
| Customer loans | 452,683 | 378,542 | 19.6% | 437,977 | 3.4% | 378,542 | 19.6% |
| Gross loans | 460,808 | 387,152 | 19.0% | 447,883 | 2.9% | 387,152 | 19.0% |
| LLR | 8,125 | 8,610 | -5.6% | 9,906 | -18.0% | 8,610 | -5.6% |
| L-T securities investment | 130,798 | 108,055 | 21.0% | 135,275 | -3.3% | 108,055 | 21.0% |
| Fixed assets | 5,639 | 5,039 | 11.9% | 5,054 | 11.6% | 5,039 | 11.9% |
| Other assets | 47,290 | 51,540 | -8.2% | 52,324 | -9.6% | 51,540 | -8.2% |
| Total assets | 788,169 | 674,395 | 16.9% | 737,585 | 6.9% | 674,395 | 16.9% |
| Inter-bank borrowing | 72,238 | 72,135 | 0.1% | 57,101 | 26.5% | 72,135 | 0.1% |
| Customer deposits | 590,398 | 501,163 | 17.8% | 573,153 | 3.0% | 500,528 | 18.0% |
| Trusted funds & valuable papers | 10,286 | 2,479 | 314.9% | 2,454 | 319.1% | 2,479 | 314.9% |
| Other liabilities | 65,951 | 53,393 | 23.5% | 57,340 | 15.0% | 53,393 | 23.5% |
| Total liabilities | 738,874 | 629,222 | 17.4% | 690,048 | 7.1% | 629,222 | 17.4% |
| Total equity | 49,151 | 45,007 | 9.2% | 47,385 | 3.7% | 45,007 | 9.2% |
| Share capital | 35,978 | 26,650 | 35.0% | 35,978 | 0.0% | 26,650 | 35.0% |
| Reserves | 5,151 | 10,093 | -49.0% | 5,144 | 0.1% | 10,093 | -49.0% |
| Retained earnings | 8,023 | 7,476 | 7.3% | 6,263 | 28.1% | 7,476 | 7.3% |
| Minority interest | 144 | 165 | -13.1% | 152 | -5.3% | 165 | -13.1% |

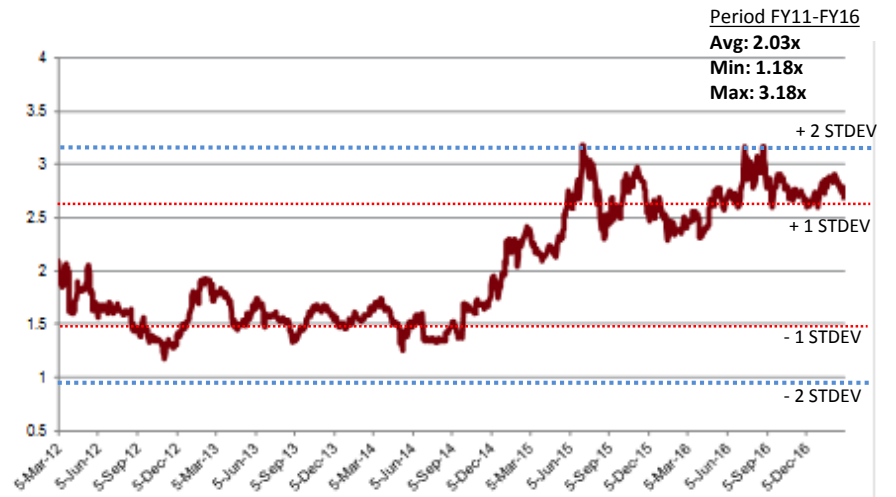
SOURCES: CIMB, COMPANY REPORTS

Figure 8: VCB's deposit mix – CASA ratio remained around 29%, the second highest among Vietnamese banks (behind Military Bank – MBB)



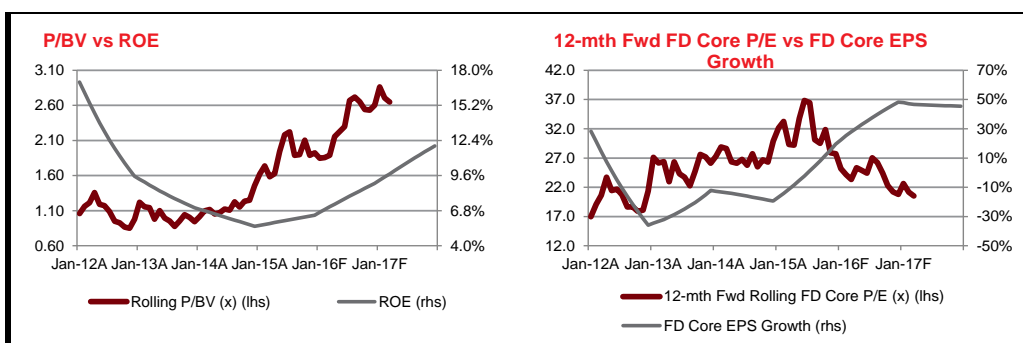
SOURCES: CIMB, COMPANY REPORTS

Figure 9: VCB is trading between +1stdv and +2 stdv above 5-year mean P/BV. Given its industry-leading fundamentals, VCB will continue trade at a premium.



SOURCES: CIMB, BLOOMBERG

BY THE NUMBERS



Profit & Loss

| (VNDb) | Dec-14A | Dec-15A | Dec-16F | Dec-17F | Dec-18F |
|--|---------------|---------------|---------------|---------------|---------------|
| Net Interest Income | 11,774 | 15,453 | 18,685 | 21,989 | 25,445 |
| Total Non-Interest Income | 5,511 | 5,749 | 5,746 | 5,330 | 5,930 |
| Operating Revenue | 17,285 | 21,202 | 24,431 | 27,318 | 31,375 |
| Total Non-Interest Expenses | (6,850) | (8,306) | (9,966) | (11,388) | (13,048) |
| Pre-provision Operating Profit | 10,436 | 12,896 | 14,465 | 15,930 | 18,327 |
| Total Provision Charges | (4,591) | (6,068) | (6,119) | (5,700) | (6,089) |
| Operating Profit After Provisions | 5,844 | 6,827 | 8,346 | 10,230 | 12,238 |
| Pretax Income/(Loss) from Assoc. | 0 | 0 | 0 | 0 | 0 |
| Operating EBIT (incl Associates) | 5,844 | 6,827 | 8,346 | 10,230 | 12,238 |
| Non-Operating Income/(Expense) | 0 | 0 | 0 | 0 | 0 |
| Profit Before Tax (pre-EI) | 5,844 | 6,827 | 8,346 | 10,230 | 12,238 |
| Exceptional Items | 0 | 0 | 0 | 0 | 0 |
| Pre-tax Profit | 5,844 | 6,827 | 8,346 | 10,230 | 12,238 |
| Taxation | (1,258) | (1,495) | (1,669) | (2,046) | (2,448) |
| Consolidation Adjustments & Others | | | | | |
| Exceptional Income - post-tax | | | | | |
| Profit After Tax | 4,586 | 5,332 | 6,677 | 8,184 | 9,790 |
| Minority Interests | (19) | (18) | (23) | (28) | (33) |
| Pref. & Special Div | 0 | 0 | 0 | 0 | 0 |
| FX And Other Adj. | (786) | (981) | (998) | (1,223) | (1,464) |
| Net Profit | 3,780 | 4,333 | 5,656 | 6,933 | 8,293 |
| Recurring Net Profit | 2,380 | 2,845 | 4,216 | 6,133 | 7,493 |

Balance Sheet Employment

| | Dec-14A | Dec-15A | Dec-16F | Dec-17F | Dec-18F |
|---------------------------------|---------|---------|---------|---------|---------|
| Gross Loans/Cust Deposits | 76.6% | 77.3% | 78.7% | 79.2% | 80.0% |
| Avg Loans/Avg Deposits | 79.2% | 77.0% | 78.1% | 78.9% | 79.6% |
| Avg Liquid Assets/Avg Assets | 40.3% | 40.2% | 38.8% | 36.8% | 34.9% |
| Avg Liquid Assets/Avg IEAs | 42.0% | 42.0% | 40.2% | 37.9% | 35.8% |
| Net Cust Loans/Assets | 54.8% | 56.1% | 58.6% | 60.9% | 62.3% |
| Net Cust Loans/Broad Deposits | 67.9% | 66.1% | 68.0% | 69.3% | 70.7% |
| Equity & Provs/Gross Cust Loans | 15.6% | 13.8% | 13.3% | 12.7% | 12.5% |
| Asset Risk Weighting | 61.4% | 62.6% | 64.4% | 66.2% | 67.4% |
| Provision Charge/Avg Cust Loans | 1.42% | 1.58% | 1.30% | 1.04% | 0.94% |
| Provision Charge/Avg Assets | 0.81% | 0.90% | 0.77% | 0.64% | 0.59% |
| Total Write Offs/Average Assets | 0.88% | 0.97% | 0.85% | 0.71% | 0.67% |

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 | 469,415 | 518,679 | 592,996 | 675,519 | 773,530 |
| Liquid Assets & Invst. (Current) | 67,124 | 108,055 | 115,619 | 123,712 | 136,084 |
| Other Int. Earning Assets | 13,267 | 19,715 | 29,036 | 33,748 | 42,997 |
| Total Gross Int. Earning Assets | 549,806 | 646,449 | 737,651 | 832,980 | 952,610 |
| Total Provisions/Loan Loss Reserve | (7,084) | (8,610) | (11,775) | (14,501) | (18,271) |
| Total Net Interest Earning Assets | 542,722 | 637,839 | 725,876 | 818,479 | 934,340 |
| Intangible Assets | 1,636 | 1,654 | 1,891 | 2,287 | 2,913 |
| Other Non-Interest Earning Assets | 24,315 | 26,382 | 24,126 | 26,272 | 31,682 |
| Total Non-Interest Earning Assets | 25,951 | 28,036 | 26,017 | 28,559 | 34,595 |
| Cash And Marketable Securities | 8,323 | 8,519 | 8,079 | 7,331 | 6,312 |
| Long-term Investments | 0 | 0 | 0 | 0 | 0 |
| Total Assets | 576,996 | 674,395 | 759,971 | 854,369 | 975,247 |
| Customer Interest-Bearing Liabilities | 422,204 | 500,528 | 580,717 | 674,967 | 781,756 |
| Bank Deposits | 43,238 | 72,135 | 73,688 | 75,287 | 76,933 |
| Interest Bearing Liabilities: Others | 56,377 | 43,959 | 43,341 | 36,669 | 42,258 |
| Total Interest-Bearing Liabilities | 521,819 | 616,622 | 697,745 | 786,923 | 900,947 |
| Bank's Liabilities Under Acceptances | 0 | 0 | 0 | 0 | 0 |
| Total Non-Interest Bearing Liabilities | 11,704 | 12,600 | 13,230 | 13,892 | 14,586 |
| Total Liabilities | 533,523 | 629,222 | 710,975 | 800,814 | 915,533 |
| Shareholders' Equity | 43,325 | 45,007 | 48,996 | 53,554 | 59,714 |
| Minority Interests | 148 | 165 | 0 | 0 | 0 |
| Total Equity | 43,473 | 45,172 | 48,996 | 53,554 | 59,714 |

Key Ratios

| | Dec-14A | Dec-15A | Dec-16F | Dec-17F | Dec-18F |
|--|---------|---------|---------|---------|---------|
| Total Income Growth | 11.5% | 22.7% | 15.2% | 11.8% | 14.8% |
| Operating Profit Growth | 12.7% | 23.6% | 12.2% | 10.1% | 15.0% |
| Pretax Profit Growth | 1.8% | 16.8% | 22.2% | 22.6% | 19.6% |
| Net Interest To Total Income | 68.1% | 72.9% | 76.5% | 80.5% | 81.1% |
| Cost Of Funds | 3.48% | 2.79% | 3.79% | 3.81% | 3.86% |
| Return On Interest Earning Assets | 5.57% | 5.24% | 6.30% | 6.40% | 6.50% |
| Net Interest Spread | 2.09% | 2.45% | 2.51% | 2.59% | 2.64% |
| Net Interest Margin (Avg Deposits) | 3.12% | 3.35% | 3.46% | 3.50% | 3.49% |
| Net Interest Margin (Avg RWA) | 3.60% | 3.98% | 4.10% | 4.17% | 4.16% |
| Provisions to Pre Prov. Operating Profit | 44.0% | 47.1% | 42.3% | 35.8% | 33.2% |
| Interest Return On Average Assets | 2.25% | 2.47% | 2.61% | 2.72% | 2.78% |
| Effective Tax Rate | 21.5% | 21.9% | 20.0% | 20.0% | 20.0% |
| Net Dividend Payout Ratio | 74.1% | 61.5% | 47.1% | 51.9% | 43.4% |
| Return On Average Assets | 0.72% | 0.69% | 0.79% | 0.86% | 0.91% |

Key Drivers

| | Dec-14A | Dec-15A | Dec-16F | Dec-17F | Dec-18F |
|--------------------------------|---------|---------|---------|---------|---------|
| Loan Growth (%) | 17.9% | 19.7% | 18.0% | 17.0% | 17.0% |
| Net Interest Margin (%) | 2.3% | 2.6% | 2.7% | 2.8% | 2.9% |
| Non Interest Income Growth (%) | 16.6% | 4.3% | -0.1% | -7.2% | 11.3% |
| Cost-income Ratio (%) | 39.6% | 39.2% | 40.8% | 41.7% | 41.6% |
| Net NPL Ratio (%) | 1.1% | 0.6% | 1.0% | 0.7% | 0.6% |
| Loan Loss Reserve (%) | 95.0% | 120.6% | 112.1% | 118.0% | 127.0% |
| GP Ratio (%) | 0.7% | 0.7% | 0.8% | 0.8% | 0.8% |
| Tier 1 Ratio (%) | 11.2% | 9.8% | 9.3% | 8.7% | 8.3% |
| Total CAR (%) | 11.2% | 9.8% | 9.3% | 8.7% | 8.3% |
| Deposit Growth (%) | 27.1% | 18.6% | 16.0% | 16.2% | 15.8% |
| Loan-deposit Ratio (%) | 74.9% | 75.6% | 76.6% | 77.0% | 77.7% |
| Gross NPL Ratio (%) | 2.3% | 1.8% | 2.3% | 2.3% | 2.3% |
| Fee Income Growth (%) | 8.1% | 6.9% | 10.5% | 12.1% | 14.9% |

SOURCE: CIMB RESEARCH, COMPANY DATA

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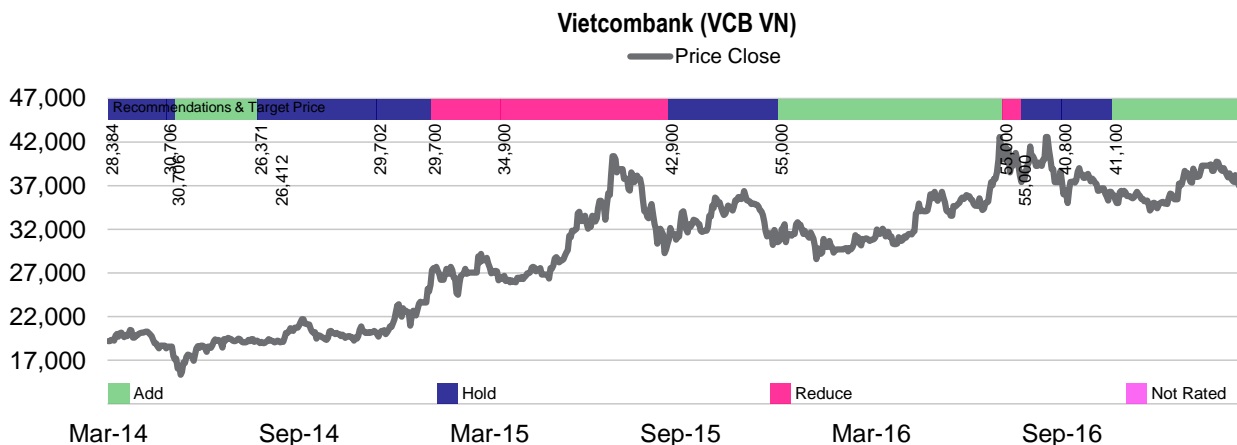
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|--|-------------------------|--------------------------------|
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| | Rating Distribution (%) | Investment Banking clients (%) |
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| Hold | 29.6% | 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.