


Company Note

I Vietnam

ADD (no change)

Consensus ratings*: Buy 2 Hold 3 Sell 2

Current price: VND38,100
 Target price:  VND41,240
 Previous target: VND41,240
 Up/downside: 8.2%
 CIMB / Consensus: 12.3%

Reuters: VCB.HM
 Bloomberg: VCB VN
 Market cap: US\$6,032m
 VND137,074,976m
 Average daily turnover: US\$2.27m
 VND51,621m
 Current shares o/s: 3,598m
 Free float: 7.9%

*Source: Bloomberg

Key changes in this note

- ▶ FY17F core EPS decreased by 2.9%.
- ▶ FY18F core EPS decreased by 4.9%.
- ▶ FY19F core EPS decreased by 7.0%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	2.4	-0.4	7.2
Relative (%)	-1.4	-7.3	-14.4

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

Analyst(s)



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Vietcombank

Strong topline and lower provisioning drive profits

- VCB's net profit grew 20% yoy in 1QFY17, driven by strong operating income growth and easing provisions that offset a hike in operating expenses.
- 1QFY17 net profit made up 27% of our full-year forecast.
- We expect VCB to sustain its 18-20% net profit growth during FY17-20F.
- Maintain Add. We believe the recent share price pull-back offers a good entry point into Vietnam's largest-market-cap bank with an industry-leading business position.

Strong growth across all operating income drivers

VCB's total operating income grew 22% yoy in 1QFY17, driven by: 1) 16% NII growth which was in turn driven by a 21% loan growth and stable NIM of 279bp, 2) 22% non-NII growth thanks to steady gains in fee (+20% yoy) and forex-trading incomes (+14%), and a surge in incomes from equity investment (i.e. dividends paid by Military Bank) and other incomes (i.e. income from bad debt recovery). Management has guided that VCB will likely be able to sustain its credit growth of around 16% for the full-year FY17.

Rising operating expenses is a drag

VCB's opex grew 33% yoy in 1QFY17, which lifted its cost-to-income ratio (CIR) to 43% (vs. 40% in FY16), due to: 1) year-end bonuses and higher salaries (VCB's average staff remuneration has risen by 37% since 2015, making VCB's staff the highest-paid among Vietnamese bank employees), and 2) a 55% increase in other opex (including promotion expenses for retail banking expansion). Like the trend in FY16, we forecast VCB's opex growth will decelerate in the coming quarters to +15% for the full year and CIR to ~41%.

Solid asset quality allows VCB to ease provisioning

VCB remains the best Vietnamese bank in terms of asset quality profile, with a NPL ratio staying at 1.5%, ~ US\$325m, 129% of which has been provisioned for. It is also the first local bank to have completely written down the bad debts transferred to Vietnam Asset Management Company (VAMC). Hence, we believe VCB can lower its provisioning rates from 1.5-1.8% (during 2011-16) to 1.1-1.2% in FY17-19F, which will allow the bank to achieve steady profit growth while building up its loan loss reserves.

We expect 18-20% annual net profit growth in FY17-19F

We expect VCB to report steady earnings growth in FY17-19F, driven by: 1) a 16% annual credit growth, supported by VCB's industry-leading deposit-raising capacity, 2) gradually-expanding NIMs, supported by a growing retail loan book, and especially 3) eased provisioning rates (as discussed above). For FY17F, we expect VCB's net profit to grow by 20% yoy, which is 12% pts higher than the management's target.

Maintain Add

VCB's valuation has fallen from its peak of 3.2x P/BV to below 2.4x FY17F P/BV, but the bank's industry-leading capabilities, steady profit growth outlook, cash dividend, and the stock's available foreign ownership room will likely lead to a recovery to above 3x, especially when the stock market gets upgraded to "emerging" status. We slightly raise our target price (due to higher FY17F BVPS) which incorporates residual income (COE: 12.5%, LTG: 4%) and market-based (3.2x P/BV, 5-year peak) factors. Maintain Add.

Key risks

Key downside risks include delays in raising Tier-1 capital (i.e. issuing 10% to foreign investors), which would affect VCB's ability to implement Basel 2 in time (i.e. 2018), in our view.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Net Interest Income (VNDb)	15,453	18,528	21,836	25,442	29,572
Total Non-Interest Income (VNDb)	5,749	6,352	5,768	6,318	7,135
Operating Revenue (VNDb)	21,202	24,880	27,604	31,760	36,707
Total Provision Charges (VNDb)	(6,068)	(6,406)	(6,121)	(6,639)	(7,366)
Net Profit (VNDb)	4,324	5,632	6,755	7,930	9,337
Core EPS (VND)	788	1,137	1,655	1,982	2,373
Core EPS Growth	19.2%	44.3%	45.5%	19.7%	19.7%
FD Core P/E (x)	48.34	33.50	23.02	19.23	16.06
DPS (VND)	1,000.0	740.7	800.0	800.0	800.0
Dividend Yield	2.62%	1.94%	2.10%	2.10%	2.10%
BVPS (VND)	16,888	13,330	14,807	16,681	19,029
P/BV (x)	2.26	2.86	2.57	2.28	2.00
ROE	6.4%	8.8%	11.8%	12.6%	13.3%
CIMB/consensus EPS (x)			0.93	0.90	0.93

SOURCE: COMPANY DATA, CIMB FORECASTS

Strong topline and lower provisioning drive profits

Figure 1: Results comparison

FYE Dec (VND bn)	1QFY17	1QFY16	yoy	qoq	1QFY17	1QFY16	yoy	Prev.	Comments
			chg	chg	cum	cum	chg	FY17F	
Net interest income	5,276	4,533	16.4%	8.0%	5,276	4,533	16.4%	21,988	In line
Non-interest income	2,012	1,439	39.8%	19.6%	2,012	1,439	39.8%	5,330	Above; higher fees and dividends from equity investment
Total income	7,287	5,972	22.0%	11.0%	7,287	5,972	22.0%	27,318	Slightly above (2% higher)
Overhead expenses	(3,150)	(2,367)	33.1%	27.1%	(3,150)	(2,367)	33.1%	(11,388)	Above, due to higher year-end bonuses
Pre-provision profit	4,138	3,605	14.8%	1.2%	4,138	3,605	14.8%	15,930	In line; stronger Op.income offset higher Opex.
Loan loss provisions	(1,401)	(1,305)	7.3%	-26.2%	(1,401)	(1,305)	7.3%	(5,700)	In line
Pre-tax profit	2,737	2,299	19.0%	24.9%	2,737	2,299	19.0%	10,230	Slightly above
Tax	(527)	(458)	15.0%	26.5%	(527)	(458)	15.0%	(2,046)	
Tax rate (%)	19%	20%	-3.4%	1.3%	19%	20%	-3.4%	20%	
Net profit	2,206	1,837	20.1%	24.8%	2,206	1,837	20.1%	8,156	Slightly above (2% higher)
EPS (VND)	613	511	20.1%	24.9%	613	511	20.1%	1,927	

SOURCES: CIMB, COMPANY REPORTS

Figure 2: Earnings revision

(Unit: VND bn)	2016	2017F			2018F			2019F		
		New	Old	% Change	New	Old	% Change	New	Old	% Change
NII	18,528	21,836	21,988	-0.7%	25,442	25,445	0.0%	29,572	29,645	-0.2%
Non-NII	6,352	5,768	5,330	8.2%	6,318	5,930	6.5%	7,135	6,735	5.9%
Total.Op.Income	24,880	27,604	27,318	1.0%	31,760	31,375	1.2%	36,707	36,380	0.9%
Op.ex	(9,950)	(11,212)	(11,388)	-1.5%	(13,064)	(13,048)	0.1%	(15,143)	(14,866)	1.9%
Provision cost	(6,406)	(6,121)	(5,700)	7.4%	(6,639)	(6,089)	9.0%	(7,366)	(6,785)	8.6%
Pre-tax Profit	8,523	10,270	10,230	0.4%	12,057	12,238	-1.5%	14,197	14,728	-3.6%
Net Profit	6,832	8,193	8,156	0.4%	9,618	9,757	-1.5%	11,325	11,743	-3.6%

* We revised up slightly our FY17F net profit, largely due to higher non-NII (i.e. forex-trading income and incomes from equity investment).

** We cut FY18-19F net profit by 2% and 4%, respectively, due to significantly higher operating expenses since we believe that VCB will need to spend more for retail-banking expansion, especially expenses to upgrade its IT system, train staff and improve customer-care

*** Note that the "net profit" figures in the table are reported ones, which are different from core net profit figures. The latter needs to be adjusted for non-recurring items (i.e. other incomes) and contributions made to "Bonus and Welfare funds" (BWF), which are essentially operating expenses. Hence, the changes in core EPS (presented at front-page table) appears to be different (higher) because we used higher BWF rates, 17.6% (or similar to FY16 actual rate) vs. 15% previously.

Vietnamese banks (and other Vietnamese companies in general) report their net profit figures before subtracting the BWF contribution, which is deducted from the reported net income attributable to common shareholders. For some SOEs, these contributions can be material, as the fund is often used as a way to circumvent the state's rigid and low salary structure to effectively pay staff higher wages in order to retain good people.

When local banks announce profitability ratios like ROE/ROA, they just use the unadjusted net profit figures; but the final EPS figures they report reflect the actual net profit (already adjusted for BWF) accruing to common shareholders. Therefore, investors have to estimate the BWF contributions to forecast future EPS, ROA and ROE to common shareholders.

SOURCES: CIMB, COMPANY REPORTS

Assumptions for VCB's recapitalisation needs ►

Based on our recent discussions, VCB's management told us that the bank will try to implement Basel 2 in 2018 as initially planned, but it does not completely rule out the possibility of a delay in the plan until 2020 as guided by the central bank. In our view, VCB's management may want to keep some room for themselves to manage the recapitalisation progress, balanced with the need (and request from the central bank) to maintain a 16-18% credit growth.

We estimate that in order to implement Basel 2 by 2018, while keeping a ~12% CAR, VCB will need to raise about US\$375m of tier-1 capital (i.e. equity capital) over 2017-18F, based on the following assumptions:

- i) its net profit grows by 20% and 18% yoy in FY17F and FY18F, respectively;
- ii) it has to pay cash dividends of VND800 per share each year in FY17-18F, as requested by the government;
- iii) it will also raise tier-2 capital (i.e. issuing long-term bonds) of up to a max 50% of its tier-1 capital;
- iv) its risk-weighted assets (RWA) will expand by 11.5% annually over the period; and
- v) its risk-weighted assets will be revised up by 30% under Basel 2 standards.

Figure 3: VCB's recapitalisation needs

	2016	2017F	2018F	2019F	2020F
Net profit (VND bn)	6,832	8,193	9,619	11,326	13,339
Cash dividend payment (VND bn)		2,878	2,878	2,878	2,878
Contribution to Bonus & Welfare funds (@17.6% of net profit reported)		1,442	1,693	1,993	2,348
Retained earnings added to tier-1 capital (VND bn)		3,873	5,048	6,454	8,113
Tier-1 capital	47,155	51,028	56,075	62,529	70,642
Tier-2 capital	6,000		28,038		35,321
Risk-weighted assets (RWA)	477,582	532,504	593,742	662,022	738,155
CAR (under local norms)	11.1%		14.2%		14.4%
RWA (under Basel 2)	620,857		771,865		959,601
CAR (under Basel 2)	8.6%		10.9%		11.0%
Tier-1 capital needed raising externally to maintain 12% CAR under Basel 2					
			(in VND bn)	8,511	9,189
			(in USD m)	375	405

SOURCES: CIMB, COMPANY REPORTS

According to our estimates, in order to implement Basel 2 in time, VCB must successfully raise both tier-1 capital (i.e. issuing new shares) and tier-2 capital (i.e. issuing long-term bonds).

In fact, the bank has received approval from the central bank to issue VND8000bn/US\$352m in long-term bonds in 2017 (after having successfully raised US\$264m in 2016). Our recent discussions gave us the impression that management cares about maintaining ROEs and as such, we believe VCB will try to raise more tier-2 capital in the coming years.

Still, even in the case of using maximum tier-2 capital room (i.e. up to a max 50% of the tier-1 capital base, according to regulations), we estimate that VCB needs to raise about US\$375m tier-1 capital. This should have been largely achieved had VCB been successful in issuing 10% of its shares to foreign investors (including Singapore's GIC) in 2016. But due to the government's rejection of the deal price, VCB will likely have to restart the process of issuing a 10% equity stake to foreign investors in 2017.

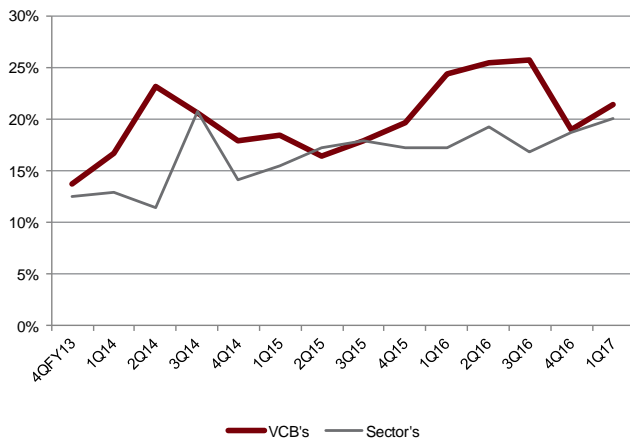
Key quarterly statistics ➤

Figure 4: Key ratios – Steadily improving operational metrics; rising CIR is the key negative

	1QFY14	2QFY14	3QFY14	4QFY14	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17
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%	17.8%
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%	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%	8.9%
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%	43.2%
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%	82.0%
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%	68.7%
Gross NPL	2.7%	3.1%	2.5%	2.3%	2.7%	2.5%	2.0%	1.8%	1.9%	1.8%	1.7%	1.5%	1.5%
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%	1.2%
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%	128.9%
CAR				11.6%	11.0%	11.2%	11.6%	11.0%	10.1%	9.7%	9.6%	11.1%	

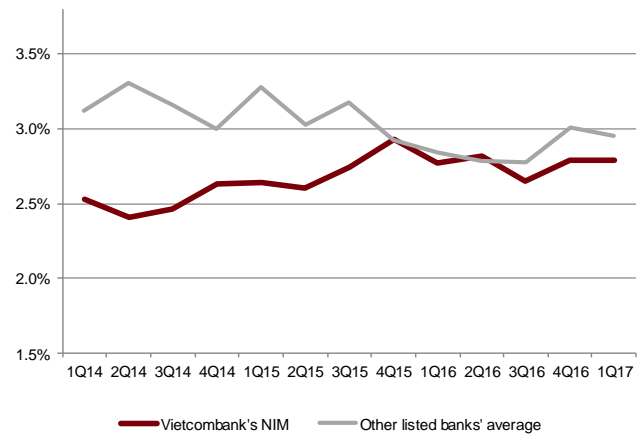
SOURCES: CIMB, COMPANY REPORTS

Figure 5: Credit growth (yoy): Strong credit growth in 1QFY17, almost in line with the whole sector



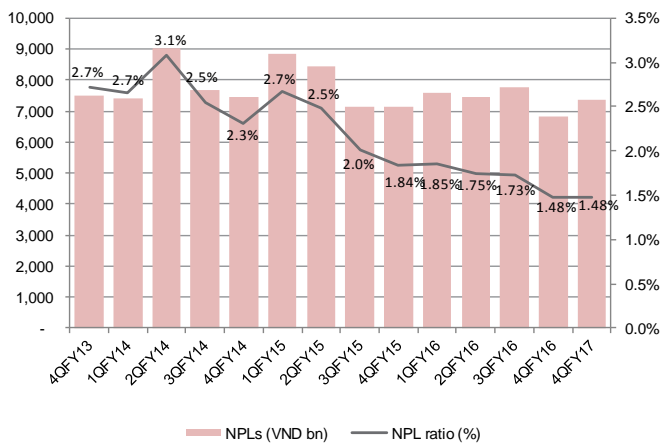
SOURCES: CIMB, COMPANY REPORTS

Figure 6: NIM trend – Continued NIM expansion driven by increased retail loans share (~25% as of end-FY16)



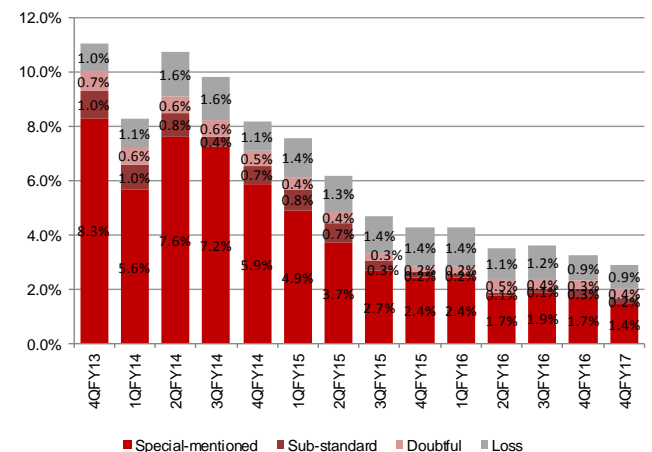
SOURCES: CIMB, COMPANY REPORTS

Figure 7: Solid asset quality: NPL ratio stayed at 1.5% in 1QFY17



SOURCE: CIMB RESEARCH, COMPANY DATA

Figure 8: Loan quality: % sub-group loans/total loans – Special-mentioned loans kept narrowing



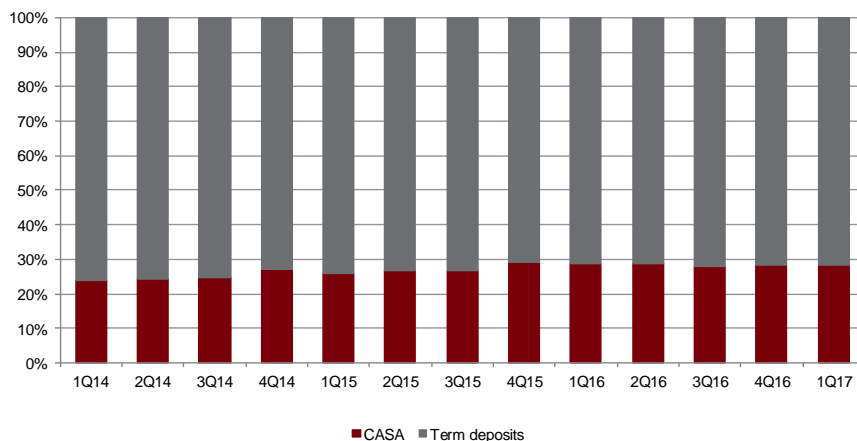
SOURCE: CIMB RESEARCH, COMPANY DATA

Figure 9: Balance sheet remains in good shape, in terms of asset quality (see figures above), liquidity (LDR ~ 82%), and healthy funding structure (80% from customer deposits).

FYE Dec (VND bn)	Mar-17 1QFY17	Mar-16 1QFY16	yoy chg	Dec-16 4QFY16	qoq chg	Dec-16 4QFY16	YTD chg
Inter-bank placement	116,799	106,096	10.1%	151,846	-23.1%	151,846	-23.1%
Customer loans	490,076	401,741	22.0%	452,683	8.3%	452,683	8.3%
<i>Gross loans</i>	<i>499,587</i>	<i>411,634</i>	<i>21.4%</i>	<i>460,808</i>	<i>8.4%</i>	<i>460,808</i>	<i>8.4%</i>
<i>LLR</i>	<i>9,511</i>	<i>9,893</i>	<i>-3.9%</i>	<i>8,124</i>	<i>17.1%</i>	<i>8,124</i>	<i>17.1%</i>
L-T securities investment	122,950	105,918	16.1%	131,771	-6.7%	131,771	-6.7%
Fixed assets	5,551	4,914	13.0%	5,639	-1.6%	5,639	-1.6%
Other assets	58,903	43,656	34.9%	45,968	28.1%	45,968	28.1%
Total assets	794,279	662,324	19.9%	787,907	0.8%	787,907	0.8%
Inter-bank borrowing	57,539	65,175	-11.7%	72,238	-20.3%	72,238	-20.3%
Customer deposits	609,314	513,997	18.5%	590,451	3.2%	590,451	3.2%
Trusted funds & valuable papers	10,056	2,473	306.6%	10,286	-2.2%	10,286	-2.2%
Other liabilities	67,058	33,531	100.0%	66,829	0.3%	66,829	0.3%
Total liabilities	743,966	615,176	20.9%	739,805	0.6%	739,805	0.6%
Total equity	50,166	47,003	6.7%	47,958	4.6%	47,958	4.6%
Share capital	35,978	26,650	35.0%	35,978	0.0%	35,978	0.0%
Reserves	6,151	11,039	-44.3%	6,149	0.0%	6,149	0.0%
Retained earnings	8,037	9,314	-13.7%	5,831	37.8%	5,831	37.8%
Minority interest	147	145	1.9%	144	2.6%	144	2.6%

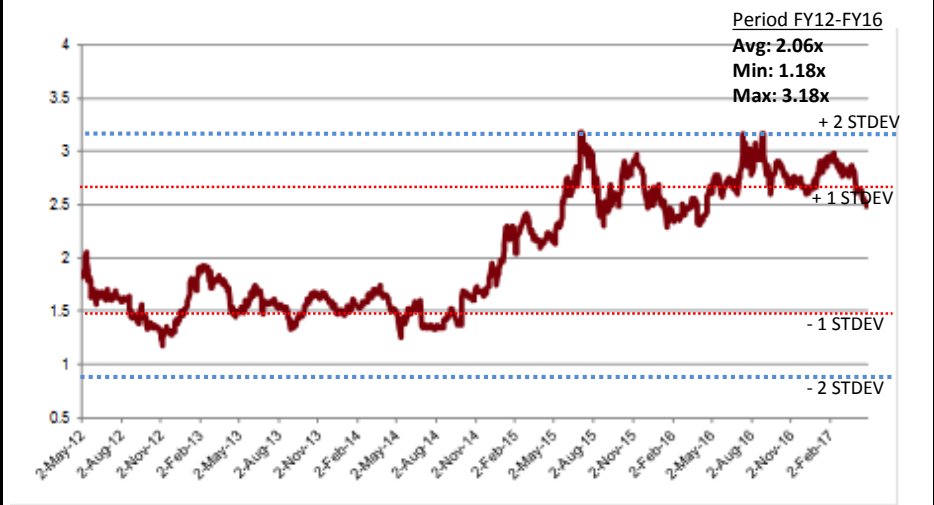
SOURCES: CIMB, COMPANY REPORTS

Figure 10: VCB's deposit mix – CASA ratio remained around 29%, the second highest among Vietnamese banks (behind Military Bank – MBB)



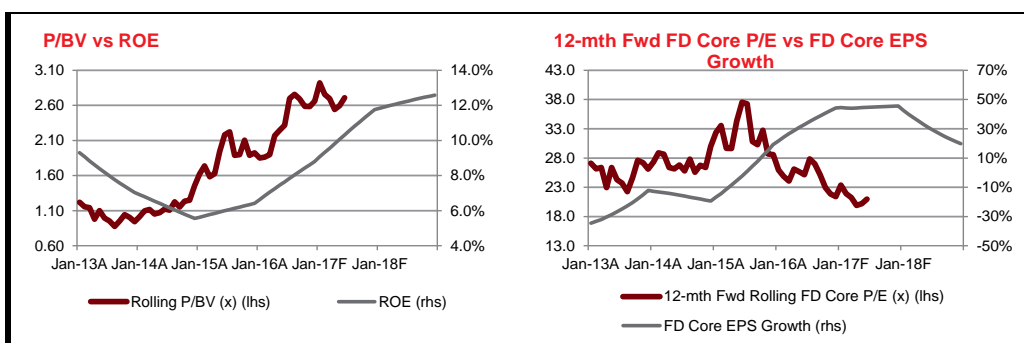
SOURCES: CIMB, COMPANY REPORTS

Figure 11: VCB is currently trading below +1 s.d. of its 5-year mean P/BV. It always trades at a premium vs. other local banks (avg. P/BV ~ 1.3x), given its industry-leading business advantages and financial performance as well as its limited free float (~8%).



SOURCES: CIMB, BLOOMBERG

BY THE NUMBERS



Profit & Loss

(VNDb)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Net Interest Income	15,453	18,528	21,836	25,442	29,572
Total Non-Interest Income	5,749	6,352	5,768	6,318	7,135
Operating Revenue	21,202	24,880	27,604	31,760	36,707
Total Non-Interest Expenses	(8,306)	(9,950)	(11,212)	(13,064)	(15,143)
Pre-provision Operating Profit	12,896	14,929	16,392	18,696	21,563
Total Provision Charges	(6,068)	(6,406)	(6,121)	(6,639)	(7,366)
Operating Profit After Provisions	6,827	8,523	10,270	12,057	14,197
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Operating EBIT (incl Associates)	6,827	8,523	10,270	12,057	14,197
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	6,827	8,523	10,270	12,057	14,197
Exceptional Items	0	0	0	0	0
Pre-tax Profit	6,827	8,523	10,270	12,057	14,197
Taxation	(1,495)	(1,672)	(2,054)	(2,411)	(2,839)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	5,332	6,851	8,216	9,646	11,357
Minority Interests	(18)	(19)	(23)	(27)	(32)
Pref. & Special Div	0	0	0	0	0
FX And Other Adj.	(990)	(1,199)	(1,438)	(1,689)	(1,988)
Net Profit	4,324	5,632	6,755	7,930	9,337
Recurring Net Profit	2,836	4,091	5,955	7,130	8,537

Balance Sheet Employment

	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Gross Loans/Cust Deposits	77.4%	78.0%	78.7%	78.5%	78.0%
Avg Loans/Avg Deposits	77.0%	77.7%	78.4%	78.6%	78.3%
Avg Liquid Assets/Avg Assets	40.1%	39.5%	38.9%	37.6%	36.6%
Avg Liquid Assets/Avg IEAs	42.0%	41.0%	40.0%	38.5%	37.4%
Net Cust Loans/Assets	56.2%	57.5%	58.7%	60.0%	60.5%
Net Cust Loans/Broad Deposits	66.1%	68.3%	69.5%	70.9%	71.3%
Equity & Provs/Gross Cust Loans	13.8%	12.2%	12.1%	12.2%	12.3%
Asset Risk Weighting	62.5%	63.7%	64.5%	65.5%	65.9%
Provision Charge/Avg Cust Loans	1.58%	1.35%	1.12%	1.04%	0.99%
Provision Charge/Avg Assets	0.90%	0.78%	0.66%	0.64%	0.62%
Total Write Offs/Average Assets	0.97%	0.88%	0.73%	0.70%	0.68%

SOURCE: CIMB RESEARCH, COMPANY DATA

BY THE NUMBERS... cont'd

Balance Sheet

(VNDb)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Gross Loans	519,250	612,654	696,707	799,267	918,066
Liquid Assets & Invst. (Current)	107,597	131,771	137,042	143,894	165,478
Other Int. Earning Assets	19,715	17,382	33,975	39,472	46,098
Total Gross Int. Earning Assets	646,563	761,808	867,724	982,633	1,129,642
Total Provisions/Loan Loss Reserve	(8,610)	(8,124)	(11,259)	(15,589)	(20,277)
Total Net Interest Earning Assets	637,953	753,683	856,464	967,044	1,109,365
Intangible Assets	1,654	1,922	2,381	3,081	3,581
Other Non-Interest Earning Assets	26,268	22,609	23,929	28,429	33,928
Total Non-Interest Earning Assets	27,922	24,531	26,309	31,509	37,509
Cash And Marketable Securities	8,519	9,692	8,588	8,676	9,123
Long-term Investments	0	0	0	0	0
Total Assets	674,395	787,907	891,362	1,007,229	1,155,997
Customer Interest-Bearing Liabilities	501,163	590,451	679,499	789,441	921,955
Bank Deposits	72,135	72,238	73,837	62,861	58,470
Interest Bearing Liabilities: Others	43,959	64,438	71,441	81,336	93,262
Total Interest-Bearing Liabilities	617,257	727,128	824,777	933,638	1,073,687
Bank's Liabilities Under Acceptances	0	0	0	0	0
Total Non-Interest Bearing Liabilities	11,966	12,678	13,312	13,578	13,850
Total Liabilities	629,222	739,805	838,089	947,216	1,087,537
Shareholders' Equity	45,007	47,958	53,273	60,013	68,460
Minority Interests	165	144	0	0	0
Total Equity	45,172	48,102	53,273	60,013	68,460

Key Ratios

	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Income Growth	22.7%	17.3%	10.9%	15.1%	15.6%
Operating Profit Growth	23.6%	15.8%	9.8%	14.1%	15.3%
Pretax Profit Growth	16.8%	24.8%	20.5%	17.4%	17.7%
Net Interest To Total Income	72.9%	74.5%	79.1%	80.1%	80.6%
Cost Of Funds	2.79%	2.85%	3.91%	3.95%	3.89%
Return On Interest Earning Assets	5.24%	5.36%	6.40%	6.50%	6.50%
Net Interest Spread	2.45%	2.50%	2.49%	2.55%	2.61%
Net Interest Margin (Avg Deposits)	3.35%	3.39%	3.44%	3.46%	3.46%
Net Interest Margin (Avg RWA)	3.98%	4.01%	4.06%	4.12%	4.16%
Provisions to Pre Prov. Operating Profit	47.1%	42.9%	37.3%	35.5%	34.2%
Interest Return On Average Assets	2.47%	2.53%	2.60%	2.68%	2.73%
Effective Tax Rate	21.9%	19.6%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	61.6%	47.3%	42.6%	36.3%	30.8%
Return On Average Assets	0.69%	0.77%	0.80%	0.84%	0.86%

Key Drivers

	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Loan Growth (%)	19.9%	18.8%	16.0%	16.0%	16.0%
Net Interest Margin (%)	2.6%	2.6%	2.7%	2.8%	2.8%
Non Interest Income Growth (%)	4.3%	10.5%	-9.2%	9.5%	12.9%
Cost-income Ratio (%)	39.2%	40.0%	40.6%	41.1%	41.3%
Net NPL Ratio (%)	0.3%	0.5%	0.9%	0.5%	0.2%
Loan Loss Reserve (%)	120.6%	117.1%	91.6%	109.3%	122.6%
GP Ratio (%)	0.7%	0.7%	0.8%	0.8%	0.8%
Tier 1 Ratio (%)	9.8%	8.8%	8.6%	8.5%	8.4%
Total CAR (%)	9.8%	10.0%	9.7%	9.4%	9.1%
Deposit Growth (%)	18.7%	17.8%	15.1%	16.2%	16.8%
Loan-deposit Ratio (%)	75.6%	76.7%	77.0%	76.6%	75.8%
Gross NPL Ratio (%)	1.8%	1.5%	2.3%	2.3%	2.3%
Fee Income Growth (%)	6.9%	12.5%	12.8%	13.6%	14.3%

SOURCE: CIMB RESEARCH, COMPANY DATA

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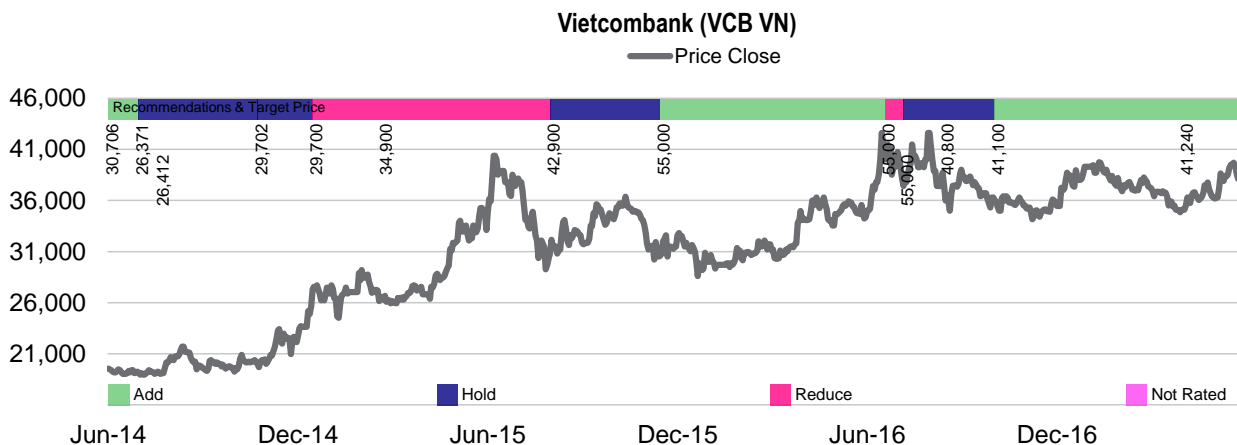
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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2017		
1244 companies under coverage for quarter ended on 31 March 2017		
	Rating Distribution (%)	Investment Banking clients (%)
Add	55.9%	5.2%
Hold	30.0%	1.6%
Reduce	10.4%	0.3%

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.