

## Vietnam

**HOLD** (no change)

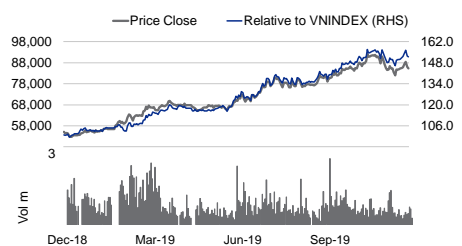
Consensus ratings\*: Buy 6 Hold 8 Sell 1

Current price:	VND85,300
Target price:	VND92,200
Previous target:	VND83,200
Up/downside:	8.1%
CGS-CIMB / Consensus:	2.6%
Reuters:	VCB.HM
Bloomberg:	VCB VN
Market cap:	US\$13,651m
	VND316,367,232m
Average daily turnover:	US\$2.70m
	VND62,549m
Current shares o/s:	3,709m
Free float:	1.8%

\*Source: Bloomberg

**Key changes in this note**

➤ FY19-21F EPS increased by 15.2-35.9%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-4.9	5.2	55.7
Relative (%)	0.7	9.5	53.5

**Major shareholders**

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

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# Vietcombank

## The stellar growth has been priced in

- Vietcombank's (VCB) 9M19 net profit rose by 50.7% yoy to c.VND14,117bn, coming in at 79.4% of our previous full-year forecast.
- On 12 Nov 19, VCB entered into a US\$400m exclusive bancassurance tie-up with FWD (Unlisted), which prompts us to upgrade its FY19-21F earnings.
- We maintain our Hold rating with a higher TP of VND92,200.

### NIM expansion lingers on the back of increasing asset yields

9M19 NIM grew by 43bp to 3.2%, due to a 71bp hike in asset yield, which more than offset a 32bp increase in cost of funds. The improvement in asset yields was driven by a 63bp increase in loan yields, while a rise in the funding cost of deposits led to an 18bp increase in cost of funds. CASA ratio decreased to 27% as at end-3Q19 (3Q18: 28%).

### Non-interest income (Non-II) expected to accelerate going forward

The FWD-VCB deal is valued at about US\$400m, which includes c.US\$382m in upfront fee payment for an exclusive 15-year bancassurance partnership, and US\$18m for the sale of a 45% stake in VCB's insurance unit VCB Cardiff Life Insurance (VCLI, Unlisted). With VCB's extensive network of 106 branches and 431 transaction offices, we estimate that bancassurance fees will help Non-II to grow at a 44.6% CAGR in FY19F-21F.

### Best-in-class asset quality

NPL ratio stood at 1.1% as at end-3Q19, higher than the overall 1.0% level in 9M19 due to a lower write-off ratio of 0.12% in 9M19 vs. 0.69% in FY18. We expect the bank to write off bad debt more aggressively in 4Q19 to bring the NPL ratio down to 1% by year-end. Though provision expenses fell in 9M19 by 3.6% yoy, loan loss-coverage rose to 185.2% as of end-3Q19 (1Q19: 169.2%; 2Q19: 176.8%), the highest among its peers.

### We raise our FY19-21F earnings forecasts by 38.5-63.8%

We enhance our net profit CAGR to 29.8% over FY19-21F (previous forecast: 19.6%) to reflect the VND8,867bn income from the upfront bancassurance payment and the c.VND155bn net gain from VCB's divestment of VCLI, which leads to a rise in net service income and net other income. The net profit growth will be driven by a 16.8% CAGR in net interest income, on the back of a 15% loan CAGR and a 26bp NIM expansion over the period. We forecast a 44.6% CAGR in Non-II, including a 76.6% CAGR in fee income, for FY19-21F.

### Maintain Hold with a higher TP of VND92,200

We lift our FY19-21F EPS forecasts by 15.2-35.9% on the bancassurance deal contributions. We maintain our Hold call with a higher TP of VND92,200, based on an equal weighting of residual income valuation (COE: 13%; LTG: 4%) and 3.0x FY20F P/BV. Downside risk is higher-than-expected bad debt, which will increase credit costs. Upside risk is vice versa.

Financial Summary	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Net Interest Income (VNDb)	21,938	28,409	35,513	41,975	48,472
Total Non-Interest Income (VNDb)	7,469	10,870	15,124	23,333	31,620
Operating Revenue (VNDb)	29,406	39,278	50,637	65,308	80,092
Total Provision Charges (VNDb)	(6,198)	(7,398)	(6,793)	(7,421)	(8,085)
Net Profit (VNDb)	9,091	14,606	20,478	27,483	34,516
Core EPS (VND)	2,103	3,378	4,594	6,165	7,743
Core EPS Growth	34.3%	60.6%	36.0%	34.2%	25.6%
FD Core P/E (x)	40.55	25.25	18.57	13.84	11.02
DPS (VND)	799.9	800.0	800.0	800.0	800.0
Dividend Yield	0.94%	0.94%	0.94%	0.94%	0.94%
BVPS (VND)	14,584	17,264	23,004	29,443	37,736
P/BV (x)	5.85	4.94	3.71	2.90	2.26
ROE	15.1%	21.2%	23.1%	23.5%	23.1%
% Change In Core EPS Estimates			15.2%	28.6%	35.9%
CGS-CIMB/Consensus EPS (x)			1.25	1.31	1.46

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

## The stellar growth has been priced in

### 9M19 performance beat our expectation thanks to higher FX income and lower provision expenses ►

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

Profit & Loss statement	3Q19	3Q18	yoy%	2Q19	qoq%	9M19	9M18	yoy%	% of VNDIRECT FY19F old forecasts	Comments
Net interest income	8,859	7,432	19.2%	8,580	3.3%	25,938	20,429	27.0%	74.8%	In line with our forecast
Non-interest income	3,135	1,983	58.1%	2,724	15.1%	9,128	8,169	11.7%	77.4%	Higher than our forecast thanks to better-than-expected income from FX.
Operating revenue	11,995	9,414	27.4%	11,303	6.1%	35,066	28,598	22.6%	75.4%	
Operation expenses	4,182	3,986	4.9%	4,067	2.8%	12,633	11,917	6.0%	73.4%	
Pre-provision profit	7,812	5,429	43.9%	7,236	8.0%	22,432	16,681	34.5%	76.6%	
Provision expenses	1,503	1,762	-14.7%	1,811	-17.0%	4,819	4,998	-3.6%	68.2%	Below our forecast as NPL was well controlled, hence actual credit cost (0.9%) was lower than our forecast (1.1%).
Pre-tax profit	6,309	3,666	72.1%	5,425	16.3%	17,613	11,683	50.8%	79.2%	
Net profit	5,048	2,935	72.0%	4,361	15.8%	14,117	9,365	50.7%	79.4%	Higher than our forecast.

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 2: VCB's key ratios by quarter**

Key ratios	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Net interest income/Total operating income (TOI)	62.4%	73.4%	78.9%	74.7%	72.2%	75.9%	73.9%
Non-interest income/TOI	37.6%	26.6%	21.1%	25.3%	27.8%	24.1%	26.1%
NIM (trailing 12m)	2.6%	2.7%	2.8%	2.8%	3.0%	3.2%	3.2%
Cost-to-income ratio (CIR)	41.0%	41.3%	41.7%	34.7%	37.3%	36.6%	34.9%
Non-performing loan ratio	1.4%	1.2%	1.2%	1.0%	1.0%	1.0%	1.1%
Loan-loss-reserves (LLR)	121.4%	140.6%	155.5%	165.4%	169.2%	177.5%	185.2%
Credit cost (annualised)	1.1%	1.1%	1.1%	1.3%	0.9%	1.0%	0.9%
ROAA (trailing 12m)	1.2%	1.2%	1.3%	1.4%	1.5%	1.6%	1.8%
ROAE (trailing 12m)	19.5%	20.5%	20.9%	25.5%	24.5%	25.4%	27.1%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

## Earnings revision ►

**Figure 3: Earnings revision (VND bn, unless otherwise noted)**

Profit & Loss statement	Old forecasts		New forecasts		Change		Comments
	FY19F	FY20F	FY19F	FY20F	FY19F	FY20F	
Net Interest Income	34,698	41,927	35,513	41,975	2.4%	0.1%	The NIM assumptions are slightly changed
Non-Interest Income	11,796	13,268	15,124	23,333	28.2%	75.9%	We increase our non-II forecast for FY19-20F as we raise our non-II forecast for FY19-20F as: 1) Besides the upfront payment, service income will also increase by 12-15.4% in FY20-21F due to the bancassurance fee contribution; 2) other income will register a profit of c.US\$6.7m for the sale of its VCLI stake in FY19.
Operating revenue	46,494	55,194	50,637	65,308	8.9%	18.3%	
Operating expenses	(17,203)	(20,422)	(18,229)	(23,511)	6.0%	15.1%	
Pre-provision profit	29,291	34,772	32,408	41,797	10.6%	20.2%	
Provision expenses	(7,064)	(8,046)	(6,793)	(7,421)	-3.8%	-7.8%	
Pre-tax profit	22,227	26,727	25,615	34,376	15.2%	28.6%	
Net profit	17,769	21,367	20,478	27,483	15.2%	28.6%	Higher forecasted net profit for FY19-20F on higher operating income due to bancassurance deal and CIR improvement projections.
No. of shares outstanding (m)	3,709	3,709	3,709	3,709	0.0%	0.0%	
EPS (VND/share)	3,986	4,793	4,594	6,165	15.2%	28.6%	

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

### Where we differ from consensus

Our FY19-21F EPS is 25-46% higher than consensus as our forecasts have factored in incomes of VND8,867bn (c.US\$382m) from the upfront bancassurance payment and c.VND155bn (US\$6.7m) in net gain from VCB's divestment of VCLI. We estimate that in the upfront bancassurance payment of VND8,867bn (c.US\$382m), about VND2,956bn will be booked in 4Q19F, VND4,434bn in FY20F, and VND1,478bn in FY21F.

### Maintain Hold with a higher TP of VND92,200 ➤

The bank's share price has rallied by 64.9% since the beginning of 2019. The stock currently trades at 3.9x FY19F P/BV, vs. its 5-year average of 2.7x P/BV. We maintain Hold as we believe any positives have been priced in already. We decrease our COE from 14.5% to 13% to reflect lower government bond yields. Our target price is increased to VND92,200 (previously VND83,200), still based on an equal weighting of residual income valuation (COE: 13%; LTG: 4%) and 3.0x FY20F P/BV.

**Figure 4: Our target price calculation**

Approach	Weight	Fair value (VND/share)	Contribution (VND/share)
Residual income	50%	96,103	48,051
P/BV multiple (at 3.0x FY20F BVPS)	50%	88,330	44,165
Target price (VND/share)			92,216
<b>Target price (VND/share, rounded)</b>			<b>92,200</b>

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

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

Assumptions	2019F	2020F	2021F	2022F	2023F
Risk free rate	4.0%	4.0%	4.0%	4.0%	4.0%
Equity risk premium	10.0%	10.0%	10.0%	10.0%	10.0%
Beta	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%

(In VND bn, otherwise noted)

Opening shareholders' equity	62,110
PV of residual income (5 years)	53,718
PV of terminal value	240,604
Implied EV	356,433
No. of outstanding shares (m shares)	3,709
Implied value per share (VND/share)	<b>96,103</b>

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

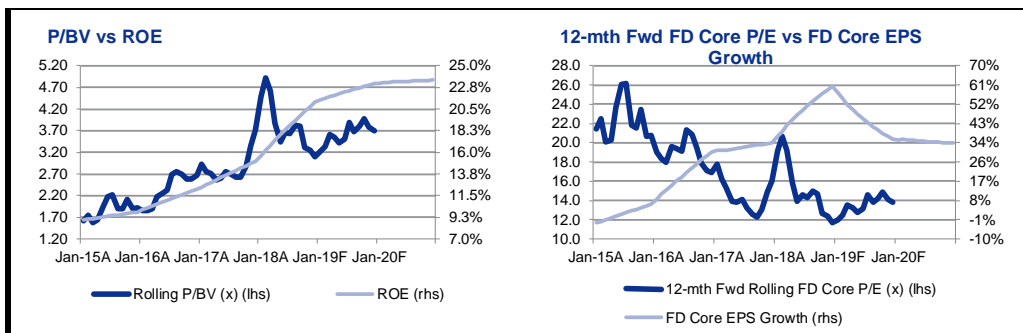
**Figure 6: Regional peer comparison**

Banks	Bloomberg Code	Recomm endation	Closing price	Target price	Market cap	P/BV (x)		P/E (x)		3-yr Forward CAGR	ROE (%)	
						FY19F	FY20F	FY19F	FY20F		EPS	FY19F
HDFC Bank	HDFCB IN	ADD	1,272	1,450	97,298	3.4	3.6	20.0	17.5	-1.6%	16.5%	17.9%
Bank Central Asia	BBCA IJ	ADD	32,100	34,700	56,072	4.6	4.0	24.1	21.2	12.8%	17.7%	17.8%
Bank Rakyat Indonesia	BBRI IJ	HOLD	4,350	4,200	38,015	2.6	2.4	13.8	12.3	10.5%	17.8%	18.0%
ICICI Bank	ICICIBC IN	ADD	540	560	48,750	48,750	2.7	20.5	17.0	89.8%	10.1%	14.1%
Bank Mandiri	BMRI IJ	ADD	7,350	8,400	24,302	1,029	1.8	11.0	9.6	12.7%	15.1%	16.9%
Public Bank Bhd	PBK MK	ADD	19	23	1,029	1.7	1.6	12.9	12.3	2.0%	13.0%	12.6%
Indusind Bank	IIB IN	ADD	1,492	1,800	14,441	2.9	2.5	14.0	11.1	37.2%	17.7%	19.4%
Techcombank	TCB VN	ADD	22,750	27,400	3,435	1.3	1.1	7.5	6.3	14.6%	16.5%	16.1%
Military Commercial Joint Stock Bank	MBB VN	ADD	21,050	34,300	2,112	1.3	1.1	5.3	4.5	21.3%	20.5%	20.3%
Vietnam Prosperity JSC Bank	VPB VN	ADD	19,300	21,200	3,435	1.1	1.1	5.4	4.6	15.7%	24.3%	22.9%
Asia Commercial Joint Stock Bank	ACB VN	ADD	22,800	30,400	1,629	1.4	1.1	5.4	4.6	15.7%	24.3%	22.9%
<b>Average</b>						<b>2.3</b>	<b>2.1</b>	<b>12.7</b>	<b>11.0</b>	<b>20.6%</b>	<b>17.2%</b>	<b>17.8%</b>
<b>Vietcombank</b>	<b>VCB VN</b>	<b>HOLD</b>	<b>85,300</b>	<b>92,200</b>	<b>13,651</b>	<b>3.7</b>	<b>2.9</b>	<b>11.5</b>	<b>9.2</b>	<b>31.9%</b>	<b>23.1%</b>	<b>23.5%</b>

PRICE AS OF 18 DEC 2019

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

## BY THE NUMBERS



### Profit & Loss

(VNDb)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Net Interest Income	21,938	28,409	35,513	41,975	48,472
Total Non-Interest Income	7,469	10,870	15,124	23,333	31,620
<b>Operating Revenue</b>	<b>29,406</b>	<b>39,278</b>	<b>50,637</b>	<b>65,308</b>	<b>80,092</b>
Total Non-Interest Expenses	(11,866)	(13,611)	(18,229)	(23,511)	(28,833)
<b>Pre-provision Operating Profit</b>	<b>17,540</b>	<b>25,667</b>	<b>32,408</b>	<b>41,797</b>	<b>51,259</b>
Total Provision Charges	(6,198)	(7,398)	(6,793)	(7,421)	(8,085)
<b>Operating Profit After Provisions</b>	<b>11,341</b>	<b>18,269</b>	<b>25,615</b>	<b>34,376</b>	<b>43,174</b>
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
<b>Operating EBIT (incl Associates)</b>	<b>11,341</b>	<b>18,269</b>	<b>25,615</b>	<b>34,376</b>	<b>43,174</b>
Non-Operating Income/(Expense)	0	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>11,341</b>	<b>18,269</b>	<b>25,615</b>	<b>34,376</b>	<b>43,174</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>11,341</b>	<b>18,269</b>	<b>25,615</b>	<b>34,376</b>	<b>43,174</b>
Taxation	(2,231)	(3,647)	(5,114)	(6,863)	(8,619)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>9,111</b>	<b>14,622</b>	<b>20,501</b>	<b>27,514</b>	<b>34,555</b>
Minority Interests	(20)	(16)	(23)	(31)	(39)
Pref. & Special Div	0	0	0	0	0
FX And Other Adj.	0	0	0	0	0
<b>Net Profit</b>	<b>9,091</b>	<b>14,606</b>	<b>20,478</b>	<b>27,483</b>	<b>34,516</b>
Recurring Net Profit	7,568	12,152	17,038	22,865	28,717

### Balance Sheet Employment

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Gross Loans/Cust Deposits	76.7%	78.8%	80.2%	82.3%	84.5%
Avg Loans/Avg Deposits	77.3%	77.8%	79.5%	81.3%	83.5%
Avg Liquid Assets/Avg Assets	43.5%	42.8%	39.1%	37.8%	36.3%
Avg Liquid Assets/Avg IEAs	44.6%	43.9%	40.0%	38.6%	37.0%
Net Cust Loans/Assets	51.7%	57.9%	59.2%	60.8%	62.4%
Net Cust Loans/Broad Deposits	67.4%	69.1%	70.7%	73.0%	75.4%
Equity & Provsns/Gross Cust Loans	11.1%	11.5%	13.6%	15.1%	16.6%
Asset Risk Weighting	59.2%	67.8%	67.4%	68.7%	69.8%
Provision Charge/Avg Cust Loans	1.23%	1.26%	1.00%	0.95%	0.90%
Provision Charge/Avg Assets	0.68%	0.70%	0.60%	0.58%	0.57%
Total Write Offs/Average Assets	0.68%	0.49%	0.30%	0.34%	0.35%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

## BY THE NUMBERS... cont'd

### Balance Sheet

(VNDb)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Gross Loans	776,408	882,095	994,391	1,116,775	1,256,178
Liquid Assets & Invst. (Current)	234,069	163,073	182,636	204,553	229,099
Other Int. Earning Assets					
<b>Total Gross Int. Earning Assets</b>	<b>1,010,477</b>	<b>1,045,168</b>	<b>1,177,027</b>	<b>1,321,328</b>	<b>1,485,277</b>
Total Provisions/Loan Loss Reserve	(8,113)	(10,294)	(13,690)	(16,814)	(19,958)
<b>Total Net Interest Earning Assets</b>	<b>1,002,364</b>	<b>1,034,874</b>	<b>1,163,337</b>	<b>1,304,513</b>	<b>1,465,318</b>
Intangible Assets	1,964	2,068	2,146	2,228	2,312
Other Non-Interest Earning Assets	20,862	24,292	25,211	26,165	27,155
<b>Total Non-Interest Earning Assets</b>	<b>22,826</b>	<b>26,360</b>	<b>27,358</b>	<b>28,393</b>	<b>29,467</b>
<b>Cash And Marketable Securities</b>	<b>10,103</b>	<b>12,792</b>	<b>13,276</b>	<b>13,778</b>	<b>14,300</b>
Long-term Investments	0	0	0	0	0
<b>Total Assets</b>	<b>1,035,293</b>	<b>1,074,027</b>	<b>1,203,971</b>	<b>1,346,684</b>	<b>1,509,085</b>
Customer Interest-Bearing Liabilities	726,734	823,390	927,641	1,036,812	1,159,040
Bank Deposits	66,942	76,524	80,350	84,368	88,586
Interest Bearing Liabilities: Others	171,408	90,711	92,525	94,376	96,263
<b>Total Interest-Bearing Liabilities</b>	<b>965,085</b>	<b>990,625</b>	<b>1,100,517</b>	<b>1,215,555</b>	<b>1,343,890</b>
Bank's Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	17,651	21,222	18,065	21,856	25,167
<b>Total Liabilities</b>	<b>982,735</b>	<b>1,011,847</b>	<b>1,118,581</b>	<b>1,237,411</b>	<b>1,369,057</b>
<b>Shareholders' Equity</b>	<b>52,469</b>	<b>62,110</b>	<b>85,318</b>	<b>109,202</b>	<b>139,957</b>
Minority Interests	(89)	(69)	(71)	(71)	(71)
<b>Total Equity</b>	<b>52,379</b>	<b>62,041</b>	<b>85,247</b>	<b>109,130</b>	<b>139,886</b>

### Key Ratios

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Income Growth	18.2%	33.6%	28.9%	29.0%	22.6%
Operating Profit Growth	17.5%	46.3%	26.3%	29.0%	22.6%
Pretax Profit Growth	33.1%	61.1%	40.2%	34.2%	25.6%
Net Interest To Total Income	74.6%	72.3%	70.1%	64.3%	60.5%
Cost Of Funds	2.86%	2.81%	3.04%	3.07%	3.10%
Return On Interest Earning Assets	5.20%	5.44%	6.06%	6.21%	6.28%
Net Interest Spread	2.33%	2.63%	3.02%	3.14%	3.18%
Net Interest Margin (Avg Deposits)	3.38%	3.76%	4.16%	4.37%	4.51%
Net Interest Margin (Avg RWA)	3.98%	4.24%	4.61%	4.84%	4.90%
Provisions to Pre Prov. Operating Profit	35.3%	28.8%	21.0%	17.8%	15.8%
Interest Return On Average Assets	2.41%	2.69%	3.12%	3.29%	3.39%
Effective Tax Rate	19.7%	20.0%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	31.7%	20.3%	14.5%	10.8%	8.6%
Return On Average Assets	1.00%	1.38%	1.80%	2.15%	2.42%

### Key Drivers

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Loan Growth (%)	17.9%	16.3%	15.0%	15.0%	15.0%
Net Interest Margin (%)	2.5%	2.8%	3.2%	3.4%	3.5%
Non Interest Income Growth (%)	17.6%	45.5%	39.1%	54.3%	35.5%
Cost-income Ratio (%)	40.4%	34.7%	36.0%	36.0%	36.0%
Net NPL Ratio (%)	-3.2%	-3.9%	-4.2%	-4.5%	-4.7%
Loan Loss Reserve (%)	130.7%	165.4%	193.0%	221.5%	244.4%
GP Ratio (%)	0.8%	0.8%	1.0%	1.0%	1.1%
Tier 1 Ratio (%)	8.0%	8.2%	10.2%	11.5%	13.0%
Total CAR (%)	11.6%	10.2%	11.8%	12.7%	13.9%
Deposit Growth (%)	20.0%	13.2%	13.0%	12.0%	12.0%
Loan-deposit Ratio (%)	75.6%	77.5%	78.7%	80.7%	82.8%
Gross NPL Ratio (%)	1.1%	1.0%	1.0%	0.9%	0.8%
Fee Income Growth (%)	20.5%	34.1%	121.9%	108.7%	49.4%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

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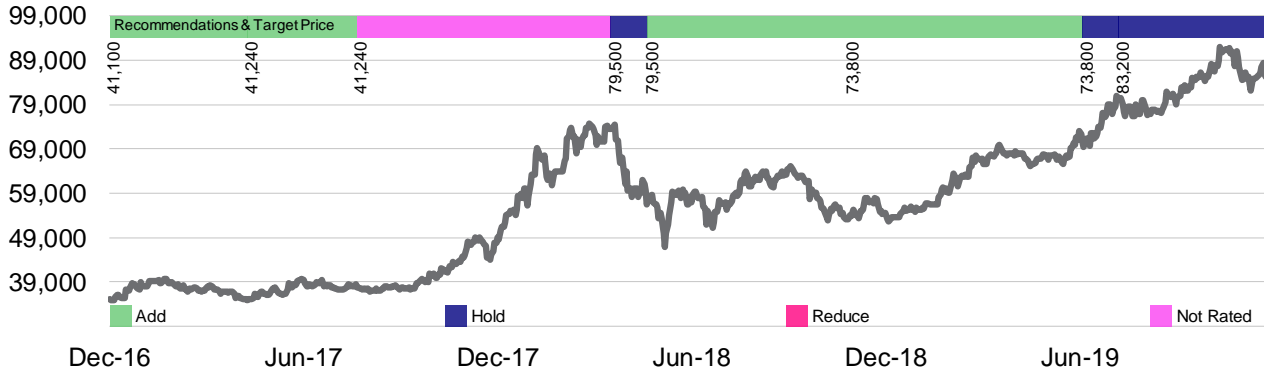
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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2019		
777 companies under coverage for quarter ended on 30 September 2019		
	Rating Distribution (%)	Investment Banking clients (%)
Add	58.8%	0.9%
Hold	26.3%	0.0%
Reduce	14.9%	0.1%

Spitzer Chart for stock being researched ( 2 year data )

**Vietcombank (VCB VN)**

— Price Close



## Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2018, Anti-Corruption 2018

**ADVANC** – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, Declared, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BEM** – Very Good, n/a, **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, Declared, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** – Good, Declared, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Very Good, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **DELTA** – Excellent, n/a, **DEMCO** – Excellent, Certified, **DDD** – Very Good, Declared, **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, **HREIT** – Excellent, Certified, **ICHI** – Excellent, Declared, **HUMAN** – not available, n/a, **III** – Good, n/a, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD\*** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – not available, n/a, **JWD** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Declared, **MALEE** – Very Good, Certified, **MC** – Very Good, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Declared, **NETBAY** – Good, n/a, **OSP** – not available, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PR9** – not available, n/a, **PSH** – Excellent, Certified, **PSTC** – Good, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **RSP** – not available, n/a, **S** – Very Good, n/a, **SAMART** – Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Very Good, Certified, **SF** – Good, 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** – Very Good, Declared, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, Declared, **TMB** – Excellent, Certified, **TNR** – Very Good, Declared, **TOP** – Excellent, Certified, **TPCH** – Good, n/a, **TIPIP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Very Good, Declared, **UNIQ** – Good, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Very Good, Certified, **WORK** – Good, n/a.

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 31, 2018) are categorized into:

- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

\* The company, its director or management had been reportedly accused for breaching proper corporate governance such as violation of the SEC's regulations or charged with corruption.

### 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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