

## Vietnam

### ADD (previously HOLD)

Consensus ratings\*: Buy 5 Hold 8 Sell 1

Current price:	VND67,100
Target price:	VND86,200
Previous target:	VND92,200
Up/downside:	28.5%
CGS-CIMB / Consensus:	-9.7%
Reuters:	VCB.HM
Bloomberg:	VCB VN
Market cap:	US\$10,714m
	VND248,865,680m
Average daily turnover:	US\$3.17m
	VND73,573m
Current shares o/s:	3,709m
Free float:	7.6%

\*Source: Bloomberg

#### Key changes in this note

- FY20-21F reduced by 24.0%-29.4%

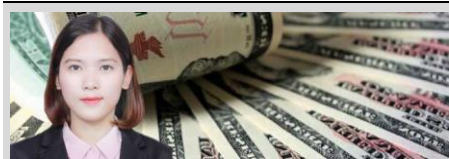


Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-24.9	-22	1.7
Relative (%)	-4.7	0.2	27.2

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

## Well-positioned to navigate short-term headwinds

- Resilient performance in FY19, but Covid-19 creates headwinds in FY20F.
- VCB's share price fell below its sustainable valuation on gloomy sentiments.
- We upgrade VCB to Add on price weakness, but TP is cut to VND86,200.

### Resilient performance in FY19

Vietcombank (VCB) recorded solid yoy growth in net interest income (NII) and net fee income (NFI) in FY19, of 21.7% and 26.6%, respectively. A 16.3% yoy loan book growth, coupled with a 34bp hike in net interest margin (NIM) on active retail lending expansion drove the strong NII. Operating expense only increased by 16.2% yoy, while provision expense dropped 8.2% yoy; as a result, net profit soared 26.8% yoy to VND18,514bn — which is still below our expectations due to lower non-interest income.

### Further improvements in the already prudent asset quality

Prudent asset management was demonstrated by the falling non-performing loan (NPL) ratio and yearly rising provision coverage. NPL ratio dropped from 1.1% at end-FY17 to 1.0% at end-FY18, and further to 0.8% at end-FY19. Loan-loss-reserves (LLR) jumped to 182.0% at end-FY19, from 165.4% at end-FY18. VCB was able to improve its provision coverage while cutting provision expense in FY19, indicating slow bad debt formation.

### Covid-19 outbreak places short-term impact on VCB

With business disruptions due to the Covid-19 outbreak, lower loan growth and higher bad debt are likely. The Vietnamese government has called on banks to cut lending rates, waive interest and extend loan tenures for affected companies. Lower interest income would depress NIM, but we believe VCB will reallocate its loan portfolio to protect margins. We lower our FY20-21F NIM forecasts, but expect an uptrend in FY21-22F. We believe the bank will recover quickly from the Covid-19 impact from FY21F.

### FY20-21F earnings forecasts reduced

FY19 net profit only fulfilled 90.4% of our forecast as VCB had yet to book the upfront fee from its exclusive bancassurance deal with FWD Insurance (nearly US\$400m). We cut our FY20-21F EPS forecasts by 24.0%-29.4% on the following assumptions: 1) lower loan growth, 2) lower NIM, 3) higher credit cost, and 4) VCB booking the upfront fee in five years, instead of three (as previously projected).

### Lower TP by 7.0%; Upgrade to Add from Hold on price weakness

Our new TP of VND86,200 is based on an equal weighting of residual income valuation (COE:13.0%; LTG: 4.0%) and 2.8x FY20F P/BV. Negative market sentiments from the Covid-19 outbreak has dampened VCB's share price, thus offering a chance to accumulate for long-term value. Downside risk would arise if the outbreak continues past mid-FY20F, as our base case assumes it would last until July 2020. A potential re-rating catalyst would be a shorter period of booking the upfront fee, thereby lifting FY20-22F earnings.

Financial Summary	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Net Interest Income (VNDb)	28,409	34,577	39,286	44,573	51,576
Total Non-Interest Income (VNDb)	10,870	11,156	14,901	19,646	26,524
Operating Revenue (VNDb)	39,278	45,733	54,187	64,219	78,100
Total Provision Charges (VNDb)	(7,398)	(6,790)	(8,216)	(10,216)	(13,735)
Net Profit (VNDb)	14,606	18,514	21,155	24,689	28,977
Core EPS (VND)	3,334	4,100	4,685	5,467	6,417
Core EPS Growth	58.5%	23.0%	14.3%	16.7%	17.4%
FD Core P/E (x)	20.13	16.37	14.32	12.27	10.46
DPS (VND)	800.0	800.0	800.0	800.0	800.0
Dividend Yield	1.19%	1.19%	1.19%	1.19%	1.19%
BVPS (VND)	17,264	23,099	27,811	33,443	40,193
P/BV (x)	3.89	2.90	2.41	2.01	1.67
ROE	20.9%	20.6%	18.4%	17.9%	17.4%
% Change In Core EPS Estimates			(24.0%)	(29.4%)	
CGS-CIMB/Consensus EPS (x)			1.04	1.03	1.14

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

## Well-positioned to navigate short-term headwinds

### FY19 Recap

Robust profit growth accompanied by better asset quality ➤

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

Profit & Loss statement	4Q19	yoy%	qoq%	FY18A	FY19A	yoy%	% of our FY19F forecasts	Comments
Net interest income	8,640	8.3%	-2.5%	28,409	34,577	21.7%	97.4%	In line with our forecasts.
Non-interest income	2,028	-24.9%	-35.3%	10,870	11,156	2.6%	73.8%	Below our forecasts as the upfront fee from exclusive bancassurance deal will be booked from FY20 onwards, later than our expectation.
Operating revenue	10,667	-0.1%	-11.1%	39,278	45,733	16.4%	90.3%	
Operation expenses	(3,186)	88.0%	-23.8%	(13,611)	(15,820)	16.2%	86.8%	Efficient cost management delivered lower cost-to-income ratio (CIR) than our projections.
Pre-provision profit	7,481	-16.7%	-4.2%	25,667	29,913	16.5%	92.3%	
Provision expenses	(1,971)	-17.9%	31.2%	(7,398)	(6,790)	-8.2%	100.0%	In line with our forecasts.
Pre-tax profit	5,510	-16.3%	-12.7%	18,269	23,123	26.6%	90.3%	
Net profit	4,397	-16.1%	-12.9%	14,606	18,514	26.8%	90.4%	Below our forecasts due to lower non-II.

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 2: VCB's key ratios by quarter

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

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

## Outlook

### Covid-19 outbreak will negatively impact FY20F earnings but VCB can quickly recover from FY21F ➤

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

Profit & Loss statement	Old forecasts		New forecasts		Change		Comments
	FY20F	FY21F	FY20F	FY21F	FY20F	FY21F	
Net Interest Income	41,975	48,472	39,286	44,573	-6.4%	-8.0%	We revise down our NII forecasts due to lower assumptions of loan growth and NIM. Covid-19 has disrupted business activity, thereby hurting demand for loans. VCB's policies to reduce/waive interest rates, extend loan tenure will lower interest income, and thus depress NIM. The bank will re-orient lending to higher yielding segments to protect NIM, thus we expect NIM will stay flat in FY20F. We lower loan growth assumptions by 200bp and 100bp for FY20-21F, respectively. NIM are lowered by 20-26bp for FY20-21F.
Non-Interest Income	23,333	31,620	14,901	19,646	-36.1%	-37.9%	We cut our Non-II projections as we assume VCB will book the upfront fee from exclusive bancassurance deal (nearly US\$400m) over the course of 5 years, instead of 3 years as previously projected.
Operating revenue	65,308	80,092	54,187	64,219	-17.0%	-19.8%	
Operating expenses	(23,511)	(28,833)	(19,507)	(23,119)	-17.0%	-19.8%	
Pre-provision profit	41,797	51,259	34,680	41,100	-17.0%	-19.8%	
Provision expenses	(7,421)	(8,085)	(8,216)	(10,216)	10.7%	26.4%	Higher provision expense forecasts was driven by a likely hike in bad debt, as a result of the pandemic.
Pre-tax profit	34,376	43,174	26,464	30,885	-23.0%	-28.5%	
Net profit	27,483	34,516	21,155	24,689	-23.0%	-28.5%	We lower our earnings forecasts for FY20-21F on lower interest income, lower fee income and higher provision expenses.
No. of shares outstanding (m)	3,709	3,709	3,709	3,709	0.0%	0.0%	
EPS (VND/share)	6,165	7,743	4,685	5,467	-24.0%	-29.4%	

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

### Potential risks from Vietnam Airlines are factored into our valuation ➤

The Covid-19 pandemic may prompt investors to question the risk impact of Vietnam Airlines (HVN, Non-rated) on VCB. VCB and HVN have a close business and credit relationship. Besides providing credit, VCB also carries out payment, foreign exchange, L/C and guarantee services for HVN. Amid the widespread virus outbreak, HVN's business was badly hit as many international flight routes had been halted, which would depress its revenue and financial capacity in the near term.

However, VCB is well-gearred to alleviate the risks from HVN, in our view. As of end-2Q19, HVN had VND15,424bn outstanding credit payable within 12 months. At that point, the outstanding credit from VCB was VND1,267bn in short-term loans and VND5,242bn in long-term loans. HVN is the biggest airline in Vietnam, and we expect its loans at Vietnam banks to be extended, thus its outstanding credit at VCB, as well as other banks, would not become bad debt in the short-term. We think that the Covid-19 pandemic would last only for the near-term; as such, in the event HVN is severely hit, we believe that only its short-term loans would be affected. On the other hand, VCB has high loan-loss reserves of 182.0% as of end-FY19, which is sufficient to buffer potential bad debt from HVN. In addition, we model an increase in bad debt and credit cost over FY20-22F to account for the higher credit risks from the Covid-19 outbreak. For the aforementioned reasons, the potential risks from HVN are factored in our valuation.

## Valuation

### Upgrade to Add on price weakness, but lower TP by 7.0% ➤

**Figure 4: 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
<b>Target price (VND/share, rounded)</b>			<b>86,200</b>

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 5: 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				
<b>Implied value per share (VND/share)</b>	<b>94,625</b>				

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

For peer comparison, we choose regional banks with similar earnings growth outlook, profitability and financial metrics as VCB. VCB's share price has plummeted 25.6% since end-FY19, due to the worsening market sentiments arising from the Covid-19 outbreak, which led to concerns of a global economic slowdown. At its current price, VCB is trading at 2.9x FY19 P/BV, a premium of 65.6% to its regional peers' average FY19 P/BV of 1.8x. We have a target P/BV of 2.8x on the FY20F BV per share for VCB, as the worsening pandemic could further erode investors' confidence. The P/BV component of our valuation is at a premium over regional peers' FY20F P/BV due to VCB's good asset quality and its position as the most well-regarded bank in Vietnam. Combining an equal weighting of the residual income valuation and P/BV valuation, we arrive at a TP of VND86,200, implying a 28.5% upside. We upgrade our rating to Add from Hold, as we see value at the current price and assume that VCB would recover quickly after the pandemic passes thanks to its ample headroom for earnings growth, with the low penetration in retail banking and bancassurance business. However, in the short term, its share price may fall further if sentiment continues to deteriorate.

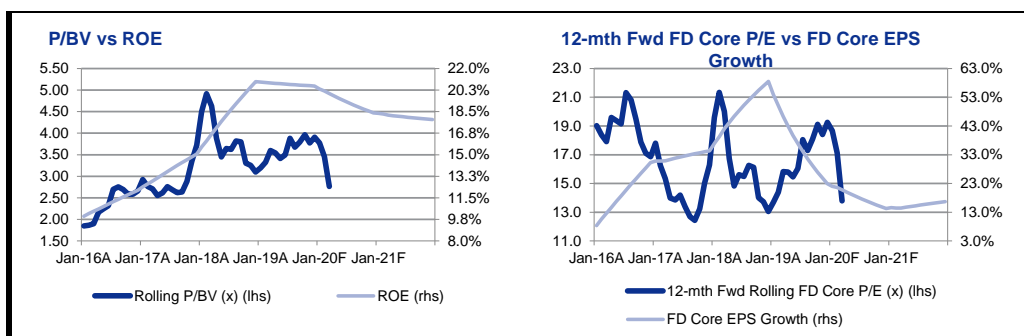
Figure 6: Regional peer comparison

Banks	Bloomberg Code	Recommendation	Closing price	Target price	Market cap	P/BV (x)			P/E (x)			3-yr Forward EPS CAGR	ROE (%)	
			(local curr.)	(local curr.)	(US\$m)	FY19A	FY20F	FY21F	FY19A	FY20F	FY21F	%	FY20F	FY21F
HDFC Bank	HDFCB IN	ADD	1,000	1,450	73,771	2.7	2.8	2.4	14.5	15.8	13.8	-1.5%	17.9%	18.6%
Bank Central Asia	BBCA IJ	ADD	27,525	34,400	45,445	3.9	3.6	3.2	24.2	21.3	19.1	12.8%	17.6%	17.7%
ICICI Bank	ICICIBC IN	ADD	403	625	35,108	2.3	2.0	1.8	27.5	15.3	12.0	88.7%	14.0%	15.9%
Bank Rakyat Indonesia	BBRI IJ	HOLD	3,500	4,100	28,910	2.1	2.0	1.8	12.6	11.3	10.2	11.2%	18.2%	18.8%
Bank Mandiri	BMRI IJ	ADD	5,925	9,000	18,516	1.4	1.4	1.2	10.1	8.9	7.7	14.9%	15.3%	16.8%
Public Bank Bhd	PBK MK	ADD	15	23	13,068	1.3	1.2	1.1	10.2	10.1	9.7	4.0%	12.3%	12.0%
Indusind Bank	IIB IN	ADD	663	1,800	6,194	1.3	1.1	0.9	8.2	6.3	4.9	37.2%	19.5%	20.6%
Techcombank	TCB VN	ADD	17,450	27,400	2,630	1.0	0.8	0.7	6.5	5.7	4.8	14.6%	16.1%	16.2%
Vietnam Prosperity JSC Bank	VPB VN	ADD	20,950	25,800	2,199	1.2	1.0	0.8	6.6	5.1	4.3	17.1%	21.2%	20.1%
Military Commercial Joint Stock Bank	MBB VN	ADD	16,450	34,300	1,708	1.0	0.8	0.7	4.9	4.2	3.5	21.3%	20.3%	20.2%
Asia Commercial Joint Stock Bank	ACB VN	ADD	20,900	30,400	1,491	1.3	1.1	0.9	5.7	4.9	4.3	15.7%	22.9%	22.1%
<b>Average</b>						<b>1.8</b>	<b>1.6</b>	<b>1.4</b>	<b>11.9</b>	<b>9.9</b>	<b>8.6</b>	<b>21.5%</b>	<b>17.8%</b>	<b>18.1%</b>
<b>Vietcombank</b>	<b>VCB VN</b>	<b>ADD</b>	<b>67,100</b>	<b>86,200</b>	<b>10,714</b>	<b>2.9</b>	<b>2.3</b>	<b>1.8</b>	<b>12.2</b>	<b>9.1</b>	<b>7.2</b>	<b>16.1%</b>	<b>18.4%</b>	<b>17.9%</b>

PRICE AS OF 16 MAR 2020

SOURCES: CGS-CIMB RESEARCH, VNDIRECT RESEARCH

## BY THE NUMBERS



### Profit & Loss

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Net Interest Income	28,409	34,577	39,286	44,573	51,576
Total Non-Interest Income	10,870	11,156	14,901	19,646	26,524
<b>Operating Revenue</b>	<b>39,278</b>	<b>45,733</b>	<b>54,187</b>	<b>64,219</b>	<b>78,100</b>
Total Non-Interest Expenses	(13,611)	(15,820)	(19,507)	(23,119)	(28,116)
<b>Pre-provision Operating Profit</b>	<b>25,667</b>	<b>29,913</b>	<b>34,680</b>	<b>41,100</b>	<b>49,984</b>
Total Provision Charges	(7,398)	(6,790)	(8,216)	(10,216)	(13,735)
<b>Operating Profit After Provisions</b>	<b>18,269</b>	<b>23,123</b>	<b>26,464</b>	<b>30,885</b>	<b>36,248</b>
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
<b>Operating EBIT (incl Associates)</b>	<b>18,269</b>	<b>23,123</b>	<b>26,464</b>	<b>30,885</b>	<b>36,248</b>
Non-Operating Income/(Expense)	0	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>18,269</b>	<b>23,123</b>	<b>26,464</b>	<b>30,885</b>	<b>36,248</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>18,269</b>	<b>23,123</b>	<b>26,464</b>	<b>30,885</b>	<b>36,248</b>
Taxation	(3,647)	(4,595)	(5,293)	(6,177)	(7,250)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>14,622</b>	<b>18,528</b>	<b>21,171</b>	<b>24,708</b>	<b>28,999</b>
Minority Interests	(16)	(14)	(16)	(18)	(22)
Pref. & Special Div	0	0	0	0	0
FX And Other Adj.	0	0	0	0	0
<b>Net Profit</b>	<b>14,606</b>	<b>18,514</b>	<b>21,155</b>	<b>24,689</b>	<b>28,977</b>
Recurring Net Profit	11,995	15,205	17,375	20,277	23,799

### 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%	38.8%	37.8%	37.0%	36.0%
Avg Liquid Assets/Avg IEAs	43.9%	40.0%	38.9%	37.9%	36.8%
Net Cust Loans/Assets	57.9%	59.2%	60.0%	61.1%	62.3%
Net Cust Loans/Broad Deposits	69.1%	70.8%	71.8%	72.9%	74.0%
Equity & Provs/Gross Cust Loans	11.5%	13.1%	14.0%	14.8%	15.6%
Asset Risk Weighting	67.8%	77.0%	81.2%	83.2%	85.1%
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: VNDIRECT RESEARCH, COMPANY REPORTS

## BY THE NUMBERS... cont'd

### Balance Sheet

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Gross Loans	882,095	983,436	1,096,359	1,228,558	1,387,452
Liquid Assets & Invst. (Current)	163,073	204,113	230,643	260,626	294,508
Other Int. Earning Assets					
<b>Total Gross Int. Earning Assets</b>	<b>1,045,168</b>	<b>1,187,550</b>	<b>1,327,002</b>	<b>1,489,185</b>	<b>1,681,960</b>
Total Provisions/Loan Loss Reserve	(10,294)	(10,417)	(13,155)	(16,265)	(20,843)
<b>Total Net Interest Earning Assets</b>	<b>1,034,874</b>	<b>1,177,133</b>	<b>1,313,847</b>	<b>1,472,920</b>	<b>1,661,117</b>
Intangible Assets	2,068	2,261	2,351	2,445	2,542
Other Non-Interest Earning Assets	24,292	30,808	32,035	33,309	34,635
<b>Total Non-Interest Earning Assets</b>	<b>26,360</b>	<b>33,070</b>	<b>34,386</b>	<b>35,754</b>	<b>37,177</b>
<b>Cash And Marketable Securities</b>	<b>12,792</b>	<b>13,778</b>	<b>14,327</b>	<b>14,897</b>	<b>15,490</b>
Long-term Investments	0	0	0	0	0
<b>Total Assets</b>	<b>1,074,027</b>	<b>1,223,981</b>	<b>1,362,559</b>	<b>1,523,571</b>	<b>1,713,784</b>
Customer Interest-Bearing Liabilities	823,390	949,798	1,060,138	1,194,299	1,357,834
Bank Deposits	76,524	73,622	77,303	81,168	85,226
Interest Bearing Liabilities: Others	90,711	92,386	94,234	96,119	98,041
<b>Total Interest-Bearing Liabilities</b>	<b>990,625</b>	<b>1,115,806</b>	<b>1,231,675</b>	<b>1,371,586</b>	<b>1,541,102</b>
Bank's Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	21,222	22,422	27,656	27,867	23,531
<b>Total Liabilities</b>	<b>1,011,847</b>	<b>1,138,228</b>	<b>1,259,331</b>	<b>1,399,453</b>	<b>1,564,632</b>
<b>Shareholders' Equity</b>	<b>62,110</b>	<b>85,671</b>	<b>103,146</b>	<b>124,036</b>	<b>149,070</b>
Minority Interests	(69)	(82)	(82)	(82)	(82)
<b>Total Equity</b>	<b>62,041</b>	<b>85,589</b>	<b>103,064</b>	<b>123,954</b>	<b>148,988</b>

### 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%	15.9%	18.5%	21.6%
Pretax Profit Growth	61.1%	26.6%	14.4%	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%	6.07%	5.98%	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%	4.02%	4.10%
Net Interest Margin (Avg RWA)	4.24%	4.14%	3.83%	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%	182.0%	157.3%	138.8%	142.5%
GP Ratio (%)	0.8%	0.7%	0.8%	0.9%	1.0%
Tier 1 Ratio (%)	8.2%	8.1%	8.4%	9.0%	9.5%
Total CAR (%)	10.2%	9.6%	9.9%	10.5%	11.0%
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%	1.3%
Fee Income Growth (%)	34.1%	26.6%	81.8%	49.0%	45.4%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

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<b>Score Range:</b>	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
<b>Description:</b>	Excellent	Very Good	Good	N/A	

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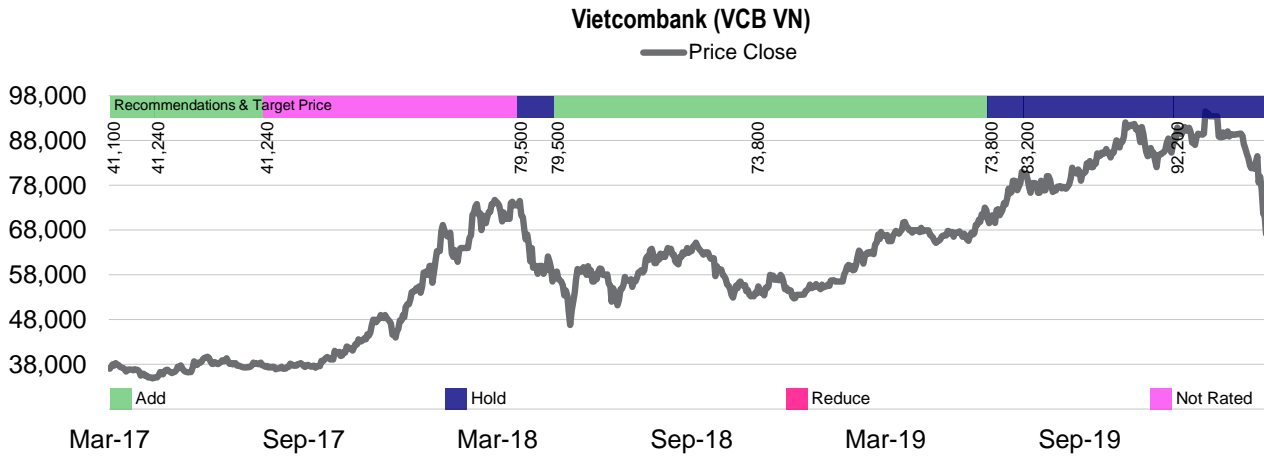
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2019		
798 companies under coverage for quarter ended on 31 December 2019		
	Rating Distribution (%)	Investment Banking clients (%)
Add	61.4%	0.0%
Hold	25.2%	0.0%
Reduce	13.4%	0.0%

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