

Vietnam

ADD (no change)

Consensus ratings*: Buy 6 Hold 1 Sell 0

Current price:	VND18,250
Target price:	VND21,200
Previous target:	VND26,100
Up/downside:	16.2%
CGS-CIMB / Consensus:	-31.2%
Reuters:	VPB.HM
Bloomberg:	VPB VN
Market cap:	US\$1,918m
	VND44,835,656m
Average daily turnover:	US\$1.83m
	VND42,412m
Current shares o/s:	2,457m
Free float:	72.7%

*Source: Bloomberg

Key changes in this note

➤ FY19-21F EPS reduced by 6.6-11.0%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-8.5	-9	-41.1
Relative (%)	-4.3	-13.2	-30.7

Major shareholders

	% held
Mr. Ngo Chi Dzung	4.5
Mr. Bui Hai Quan	2.3
Mr. Lo Bang Giang	0.1

Analyst(s)



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Vietnam Prosperity JSC Bank

Dented by lack of extraordinary income

- 1Q19 net profit of VND1,422bn was down 31.9% yoy and trailed our expectations at 17% of our FY19 forecast due to slow recovery of bad debts.
- Net profit plunged due to lack of one-off income which was booked in 1Q18. Excluding one-off income, 1Q19 pretax profit grew by 0.8% yoy.
- We reduce our TP to VND21,200 (residual income, COE: 14.7%, LTG: 3.0%) but maintain Add rating on VPB.

Moderate net interest income (NII) growth in 1Q19

1Q19 NII grew 16.8% yoy, driven by 22.4% yoy loan growth and 9bp yoy hike in blended net interest margin (NIM). Compared to 1Q18, the parent bank's NIM increased thanks to the expansion of retail loans, while NIM at FE Credit declined as VPB suspended high-risk products in 2018. Customer deposit grew 31.4% yoy, outperforming loan growth; hence, pure loan-to-deposit ratio fell from 129.7% in 1Q18 to 120.9% in 1Q19.

1Q19 non-interest income fell due to lack of one-off income

1Q19 non-interest income (non-II) dropped 35.6% yoy. Net fee income grew 45.3% yoy, underpinned by payment services and bancassurance, while other non-II fell 67.1% yoy due to slow recovery of bad debts and because VPB booked VND850bn one-off income from AIA in 1Q18, while there was no one-off income in 1Q19. We expect bad debt recovery to improve in subsequent quarters as New Year holidays in 1Q interrupted debt collection. Excluding one-off income, 1Q19 non-II grew by 20.4% yoy.

Subtle improvement in asset quality management

The major concern for VPB has been its bad debt as non-performing loans (NPL) keep rising every quarter. However, its NPL ratio only rose slightly from 3.5% at end-4Q18 to 3.6% at end-1Q19, but fell from 4.1% at end-1Q18. It is encouraging that VPB was able to contain its NPL even though the write-off rate fell from 5.4% in FY18 to 4.7% in 1Q19, and the loan-loss-reserves increased from 45.9% at end-4Q18 to 48.3% at end-1Q19.

We reduce our TP on lower earnings forecasts and higher COE

We cut FY19-21F EPS by 6.6-11.0% on lower NIM, higher provision expense forecasts and higher COE. The State Bank of Vietnam intends to tighten controls on direct loans and cash loans of consumer finance companies, which would hurt loan growth and NIM as these loans are the growth drivers for many companies and they carry higher margins. Due to potentially unfavourable regulatory changes, VPB's share price is down c.10% since 25 Mar 2019. We increase COE from 14.0% to 14.7% to reflect our concerns over possible regulatory changes and the worsening market sentiment on the stock.

Maintain Add

Upside catalysts include higher-than-expected loan growth as VPB qualified for Basel III in May 2019. A key downside risk is a new circular limiting cash loans and direct loans at consumer finance companies, which could hurt credit growth and NIM at FE Credit.

Financial Summary	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Net Interest Income (VNDb)	20,625	24,702	28,619	31,338	34,982
Total Non-Interest Income (VNDb)	4,399	6,384	7,502	8,857	10,649
Operating Revenue (VNDb)	25,023	31,086	36,121	40,195	45,631
Total Provision Charges (VNDb)	(8,002)	(11,253)	(14,364)	(14,839)	(17,060)
Net Profit (VNDb)	6,438	7,356	7,577	9,348	10,441
Core EPS (VND)	2,702	3,015	3,084	3,805	4,250
Core EPS Growth	59.4%	11.6%	2.3%	23.4%	11.7%
FD Core P/E (x)	6.75	6.05	5.92	4.80	4.29
DPS (VND)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
BVPS (VND)	12,255	14,145	17,229	21,034	25,284
P/BV (x)	1.49	1.29	1.06	0.87	0.72
ROE	26.8%	22.8%	19.7%	19.9%	18.4%
% Change In Core EPS Estimates			(9.8%)	(6.6%)	(11.0%)
CIMB/consensus EPS (x)			0.91	0.95	0.92

SOURCES: VND RESEARCH, COMPANY REPORTS

Dented by lack of extraordinary income

1Q18 highlights:

Figure 1: Result comparison (VND bn unless otherwise noted)

Profit & Loss Statement	1Q19	1Q18	yoy%	4Q18	qoq%	VND FY19F old forecasts	% of VND FY19F old forecasts	Comments
Net interest income	6,785	5,808	17%	6,513	4%	28,961	23%	In line with our forecast.
Non-interest income	1,177	1,828	-36%	2,461	-52%	6,409	18%	Below our forecast due to slow recovery of bad debt. However, we believe bad debt recovery will increase in subsequent quarters as debt collection is often active from 2Q onwards as New Year holidays fall in 1Q, which interrupt debt collection.
Operating revenue	7,963	7,636	4%	8,973	-11%	35,370	23%	
Operation expenses	(2,976)	(2,364)	26%	(2,841)	5%	(12,379)	24%	In line with our forecast.
Pre-provision profit	4,987	5,271	-5%	6,132	-19%	22,990	22%	
Provision expenses	(3,204)	(2,652)	21%	(3,059)	5%	(12,484)	26%	In line with our forecast.
Pre-tax profit	1,783	2,619	-32%	3,074	-42%	10,506	17%	
Net profit	1,422	2,089	-32%	2,455	-42%	8,405	17%	Below our forecast due to slow recovery of bad debt.

SOURCES: VND RESEARCH, COMPANY REPORTS

Figure 2: VPB's key ratios by quarter

	1Q18	2Q18	3Q18	4Q18	1Q19
NII/Total operating income (TOI)	76.1%	92.8%	79.0%	72.6%	85.2%
Non-II/TOI	23.9%	7.2%	21.0%	27.4%	14.8%
NIM (trailing 12 months)	8.9%	9.1%	9.2%	8.7%	9.0%
Loan-to-deposit ratio (LDR)	79.0%	80.2%	79.7%	81.0%	84.1%
NPL (Non-performing loans)	4.1%	4.1%	4.7%	3.5%	3.6%
LLR (Loan-loss-reserve)	44.5%	43.9%	41.7%	45.9%	48.3%
Credit cost (annualised)	5.7%	5.7%	5.7%	5.6%	5.7%
ROAA (trailing 12 months)	2.7%	2.7%	2.4%	2.5%	2.2%
ROAE (trailing 12 months)	27.5%	25.9%	22.2%	22.8%	20.0%

SOURCES: VND RESEARCH, COMPANY REPORTS

OUTLOOK: Modest profit growth in FY19F

We project moderate pre-provision profit growth of 16.6% in FY19F. This growth should be supported by 15.9% growth in net interest income and 17.5% growth in non-interest income. However, in FY19F, VPB will ramp up provisioning to fully provision for Vietnam Asset Management Company (VAMC) bonds in order to clear all VAMC bonds. As such, FY19F provision expense is projected to increase 27.6% versus FY18. In addition, in FY18, VPB booked VND850bn of extraordinary income from AIA while there will be no extraordinary income in FY19F. Due to the surge in provision expense and the lack of one-off income, we forecast net profit to grow 3.0% to VND7,577bn in FY19F.

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

	Old forecasts			New forecasts			Change			Comments
	FY19F	FY20F	FY21F	FY19F	FY20F	FY21F	FY19F	FY20F	FY21F	
Net interest income	28,961	33,743	38,876	28,619	31,338	34,982	-1.2%	-7.1%	-10.0%	We lower our NIM assumptions for FY19-21F from 9.0-9.1% to 8.5-8.9% as the SBV's stricter control on cash loan could cause VPB to shift away from this high-yield product, therefore reducing NIM.
Non-interest income	6,409	7,290	9,219	7,502	8,857	10,649	17.1%	21.5%	15.5%	We increase non-II forecasts because 1Q18 fee income was stronger than our previous forecasts.
Operating revenue	35,370	41,033	48,095	36,121	40,195	45,631	2.1%	-2.0%	-5.1%	
Operating expenses	(12,379)	(14,362)	(16,833)	(12,281)	(13,666)	(15,515)	-0.8%	-4.8%	-7.8%	We lower our operating expenses forecasts as VPB recently shared that the bank will not recruit new staffs in FY19F to save costs.
Pre-provision profit	22,990	26,671	31,262	23,840	26,529	30,117	3.7%	-0.5%	-3.7%	
Provision expenses	(12,484)	(14,156)	(16,605)	(14,364)	(14,839)	(17,060)	15.1%	4.8%	2.7%	We revise up provision expense for FY19F as the bank wants to increase provisioning to fully provision for debt sold to Vietnam Asset Management Company (VAMC) in FY19F.
Pre-tax profit	10,506	12,516	14,657	9,476	11,690	13,056	-9.8%	-6.6%	-10.9%	
Net profit	8,405	10,013	11,725	7,577	9,348	10,441	-9.8%	-6.6%	-11.0%	

SOURCES: VND RESEARCH, COMPANY REPORTS

Capital raising plan in FY19F ➤

In FY19F, VPB plans to increase its chartered capital by 11.5%, from VND25,299bn to VND28,209bn via new share issuance. Capital raising will be executed in two tranches:

- 1. Issuance of 31m shares to pay ESOP, at VND10,000/share. ESOP shares will be locked up and all restrictions will be removed three years after the issuance date.
- 2. Private placement of a maximum of 260m shares to local or foreign investors. These new shares will be offered to less than 100 investors and the lock-up period will be at least one year. VPB disclosed that it will increase its foreign ownership limit up to 30% in order to issue new shares to foreign investors.

Assuming VPB will sell all 260m shares at VND19,000/share, we estimate FY19F and FY20F EPS will be diluted by 5.6% and 10.6%, respectively. VPB's Basel II capital adequacy ratio (CAR) would increase by 110bp after FY19F capital raising, according to our estimation.

Figure 4: Capital raising plan in FY19F

Current	No. of shares (m)
- Issued shares	2,530
- Treasury shares	73
- Outstanding shares	2,457
Share issuance in FY19F	No. of shares (m)
- ESOP	31
- Private placement	260
Post FY19F issuance	No. of shares (m)
- Issued shares	2,821
- Treasury shares	73
- Outstanding shares	2,748

SOURCES: VND RESEARCH, COMPANY REPORTS

Figure 5: Impact of capital raising on EPS and book value per share (BVPS)

2019	
EPS - pre-issuance (VND/share)	3,084
EPS - post-issuance (VND/share)	2,912
change in EPS forecast (%)	-5.6%
BVPS - pre-issuance (VND/share)	17,229
BVPS - post-issuance (VND/share)	17,315
change in BVPS forecast (%)	0.5%
2020	
EPS - pre-issuance (VND/share)	3,805
EPS - post-issuance (VND/share)	3,402
change in EPS forecast (%)	-10.6%
BVPS - pre-issuance (VND/share)	21,034
BVPS - post-issuance (VND/share)	20,717
change in BVPS forecast (%)	-1.5%

SOURCES: VND RESEARCH, COMPANY REPORTS

VALUATION

We lower TP from VND26,100 to VND21,200, maintain Add ►

We lower our TP from VND26,100 to VND21,200 due to our lower earnings forecasts on the back of lower NIM assumptions and higher provision expense projections, and due to a higher cost of equity. VPB intends to book provisions for all debt sold to VAMC in 2019; as a result, we revise up our FY19F provision expense forecast by 15.1%. Lower NIM assumptions and higher cost of equity are driven by potentially stricter regulations on consumer finance business. On Mar 2019, the SBV announced a draft circular amending Circular 43/2016, which regulates consumer finance companies. The draft circular introduced a limit on loans disbursed directly to customers (including cash loans). However, direct loans and cash loans have become the growth engines for many companies, especially small companies. Stricter controls from SBV would lead to lower credit growth and declining NIMs as two-wheeler loans and consumer durable loans are now highly competitive and cash loans often carry higher margins. Although the new circular is yet to be finalised, the SBV's intention to control the high-risk consumer finance business poses challenges for consumer finance companies. In light of this regulatory risk, VPB's share price is down nearly 10% since 25 Mar 2019. We reduce our NIM assumptions and increase cost of equity from 14.0% to 14.7% on the back of the regulatory concerns and to reflect the worsening sentiment on this stock.

Although we lower our target price, we reiterate our Add rating on VPB as we believe the stock has been oversold. VPB currently trades at 1.1x FY19F P/BV, a 35.2% discount to regional peers, which is compelling as we expect VPB could sustain a high ROE of 19.7% in FY19F, significantly above the peers' average ROE of 15.0%.

Figure 6: Key assumptions for our valuation on residual income method, based on our estimates

General assumptions	2019F	2020F	2021F	2022F	2023F	Terminal
Risk free rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Equity risk premium	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%
Beta	0.9	0.9	0.9	0.9	0.9	0.9
Cost of equity	14.7%	14.7%	14.7%	14.7%	14.7%	14.7%
Long-term growth rate						3.0%
Long-run COE						14.7%
<i>(in VND bn)</i>						
Opening shareholders' equity	34,750					
PV of RI (5 years)	9,593					
PV of Terminal value	7,779					
Implied EV	52,122					
No. of o/s shares (m shares)	2,457					
Implied value per share (VND/share)	21,216					
Target price (VND/share, rounded)	21,200					

SOURCES: VND RESEARCH, COMPANY REPORTS

Figure 7: Regional peers comparison

Banks	Bloomberg Ticker	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)	FY19F	FY20F	FY19F	FY20F	%	FY19F	FY20F
Bank Rakyat Indonesia	BBRI IJ	ADD	4,120	4,500	35,550	2.4	2.1	13.7	12.0	13.9%	18.8%	18.8%
Public Bank Bhd	PBK MK	HOLD	22	24	20,848	2.0	1.9	15.2	14.5	4.5%	13.6%	13.3%
Kasikombank	KBANK TB	ADD	189	244	14,186	1.1	1.0	10.8	9.6	9.9%	10.7%	10.9%
Siam Commercial Bank	SCB TB	ADD	128	146	13,667	1.1	1.0	10.5	9.9	6.8%	10.6%	10.6%
Bank Negara Indonesia	BBNI IJ	ADD	8,575	11,100	11,187	1.3	1.2	9.0	7.8	15.9%	15.6%	16.0%
Vietcombank	VCB VN	ADD	65,500	73,800	10,394	2.9	2.5	15.0	12.8	13.2%	18.4%	17.4%
BIMB Holdings	BIMB MK	HOLD	5	4	1,948	1.4	1.3	11.0	10.4	5.0%	13.4%	13.1%
Military Commercial Joint Stock Bank	MBB VN	ADD	21,000	34,000	1,899	1.2	1.0	5.9	5.1	19.2%	20.0%	19.7%
Kiatnakin Bank	KKP TB	REDUCE	67	63	1,771	1.3	1.3	9.4	8.5	4.9%	13.9%	15.0%
Average						1.6	1.5	11.2	10.1	10.4%	15.0%	15.0%
Vietnam Prosperity JSC Bank	VPB VN	ADD	18,250	21,200	1,918	1.1	0.9	5.9	4.8	12.1%	19.7%	19.9%

PRICE AS OF 9 MAY 2019
SOURCES: CGS-CIMB RESEARCH, VND RESEARCH, COMPANY REPORTS

Where we differ from consensus ➤

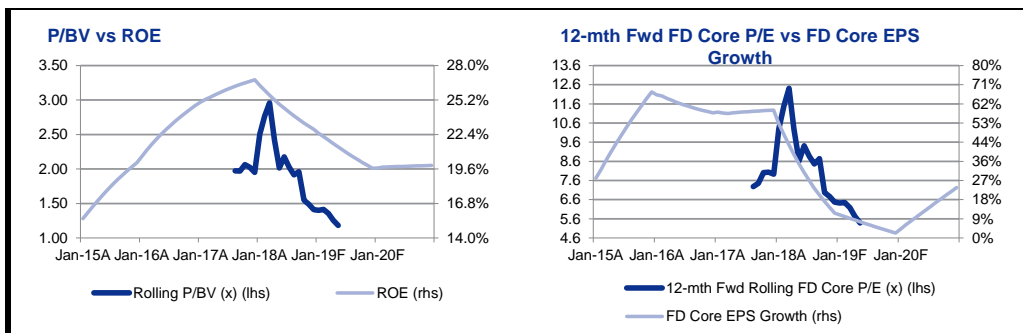
Figure 8: Consensus ratings on VPB

Company	Recommendation	Target price	Date of report
Credit Suisse	Outperform	27,500	07/05/2019
Saigon Securities Inc	Not rated		06/05/2019
Viet Capital	Outperform	24,500	26/04/2019
Exotix Limited	Buy	45,200	18/03/2019
CIMB	Add	26,100	15/02/2019
Consensus		30,825	
Our updated rating	Add	21,200	

SOURCES: BLOOMBERG, VND RESEARCH

Our new TP of VND21,200 is 31.2% below consensus TP because consensus TP includes an outlier - Exotix Limited (TP for VPB: VND45,200/share). Besides, consensus TP also includes our previous target price, which we have now cut to reflect our lower earnings forecasts and higher cost of equity. In addition, in this report, we have factored in the possible impact from potential regulatory changes for consumer finance companies, and reflected the worsening market sentiment around VPB. However, we believe consensus ratings have not factored in the recent news regarding consumer finance regulations; as such, consensus TP is higher than our TP by 31.2%.

BY THE NUMBERS



Profit & Loss

(VNDb)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Net Interest Income	20,625	24,702	28,619	31,338	34,982
Total Non-Interest Income	4,399	6,384	7,502	8,857	10,649
Operating Revenue	25,023	31,086	36,121	40,195	45,631
Total Non-Interest Expenses	(8,895)	(10,634)	(12,281)	(13,666)	(15,515)
Pre-provision Operating Profit	16,128	20,452	23,840	26,529	30,117
Total Provision Charges	(8,002)	(11,253)	(14,364)	(14,839)	(17,060)
Operating Profit After Provisions	8,126	9,199	9,476	11,690	13,056
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Operating EBIT (incl Associates)	8,126	9,199	9,476	11,690	13,056
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	8,126	9,199	9,476	11,690	13,056
Exceptional Items					
Pre-tax Profit	8,126	9,199	9,476	11,690	13,056
Taxation	(1,688)	(1,843)	(1,899)	(2,342)	(2,616)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	6,438	7,356	7,577	9,348	10,441
Minority Interests					
Pref. & Special Div	0	0	0	0	0
FX And Other Adj.	0	0	0	0	0
Net Profit	6,438	7,356	7,577	9,348	10,441
Recurring Net Profit	6,292	7,356	7,577	9,348	10,441

Balance Sheet Employment

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Gross Loans/Cust Deposits	137%	130%	129%	128%	127%
Avg Loans/Avg Deposits	127%	133%	129%	129%	128%
Avg Liquid Assets/Avg Assets	30.4%	27.8%	25.1%	23.5%	22.8%
Avg Liquid Assets/Avg IEAs	32.3%	29.4%	26.5%	24.7%	23.8%
Net Cust Loans/Assets	64.6%	67.6%	70.2%	71.3%	72.3%
Net Cust Loans/Broad Deposits	77.1%	79.8%	83.9%	85.6%	86.7%
Equity & Provs/Gross Cust Loans	18.0%	17.3%	18.4%	19.6%	20.7%
Asset Risk Weighting	86%	97%	104%	109%	113%
Provision Charge/Avg Cust Loans	4.89%	5.56%	6.02%	5.41%	5.40%
Provision Charge/Avg Assets	3.16%	3.74%	4.22%	3.90%	3.97%
Total Write Offs/Average Assets	2.74%	3.61%	3.91%	3.54%	3.54%

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(VNDb)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Gross Loans	206,646	249,362	279,985	320,341	367,167
Liquid Assets & Invst. (Current)	54,983	56,129	58,847	64,732	71,205
Other Int. Earning Assets					
Total Gross Int. Earning Assets	261,629	305,491	338,832	385,073	438,372
Total Provisions/Loan Loss Reserve	(3,149)	(3,567)	(4,618)	(5,991)	(7,814)
Total Net Interest Earning Assets	258,481	301,924	334,214	379,082	430,558
Intangible Assets	351	578	618	661	707
Other Non-Interest Earning Assets	16,344	18,934	20,259	21,678	23,195
Total Non-Interest Earning Assets	16,695	19,512	20,877	22,339	23,902
Cash And Marketable Securities	2,574	1,855	1,985	2,124	2,273
Long-term Investments	0	0	0	0	0
Total Assets	277,750	323,291	357,077	403,545	456,733
Customer Interest-Bearing Liabilities	199,655	219,509	251,298	287,983	330,334
Bank Deposits	33,200	54,231	47,594	48,122	50,184
Interest Bearing Liabilities: Others	4,086	4,130	4,356	4,574	4,777
Total Interest-Bearing Liabilities	236,942	277,870	303,248	340,679	385,294
Bank's Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	11,115	10,671	11,502	11,191	9,323
Total Liabilities	248,057	288,541	314,750	351,870	394,618
Shareholders' Equity	29,693	34,750	42,327	51,675	62,116
Minority Interests	0	0	0	0	0
Total Equity	29,693	34,750	42,327	51,675	62,116

Key Ratios

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Income Growth	48.4%	24.2%	16.2%	11.3%	13.5%
Operating Profit Growth	57.5%	26.8%	16.6%	11.3%	13.5%
Pretax Profit Growth	64.8%	13.2%	3.0%	23.4%	11.7%
Net Interest To Total Income	82.4%	79.5%	79.2%	78.0%	76.7%
Cost Of Funds	6.13%	6.05%	6.07%	6.36%	6.55%
Return On Interest Earning Assets	14.3%	14.2%	14.4%	14.3%	14.3%
Net Interest Spread	8.19%	8.15%	8.29%	7.96%	7.72%
Net Interest Margin (Avg Deposits)	16.0%	16.2%	15.5%	14.7%	14.1%
Net Interest Margin (Avg RWA)	10.1%	8.9%	8.4%	7.7%	7.3%
Provisions to Pre Prov. Operating Profit	49.6%	55.0%	60.3%	55.9%	56.6%
Interest Return On Average Assets	8.14%	8.22%	8.41%	8.24%	8.13%
Effective Tax Rate	20.8%	20.0%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	NA	NA	NA	NA	NA
Return On Average Assets	2.54%	2.45%	2.23%	2.46%	2.43%

Key Drivers

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Loan Growth (%)	26.3%	21.5%	15.0%	15.0%	15.0%
Net Interest Margin (%)	8.6%	8.7%	8.9%	8.7%	8.5%
Non Interest Income Growth (%)	159.4%	45.1%	17.5%	18.1%	20.2%
Cost-income Ratio (%)	35.5%	34.2%	34.0%	34.0%	34.0%
Net NPL Ratio (%)	-6.3%	-9.5%	-12.7%	-15.5%	-18.0%
Loan Loss Reserve (%)	50.8%	45.9%	50.6%	55.5%	61.6%
GP Ratio (%)	1.0%	0.9%	1.0%	1.1%	1.3%
Tier 1 Ratio (%)	12.4%	11.0%	11.4%	11.6%	12.0%
Total CAR (%)	14.6%	11.9%	12.1%	11.9%	12.3%
Deposit Growth (%)	7.9%	27.9%	15.8%	15.8%	15.8%
Loan-deposit Ratio (%)	134.4%	127.8%	126.7%	125.6%	124.4%
Gross NPL Ratio (%)	3.4%	3.5%	3.6%	3.7%	3.8%
Fee Income Growth (%)	69.8%	11.3%	40.0%	18.0%	18.0%

SOURCES: VND RESEARCH, COMPANY REPORTS

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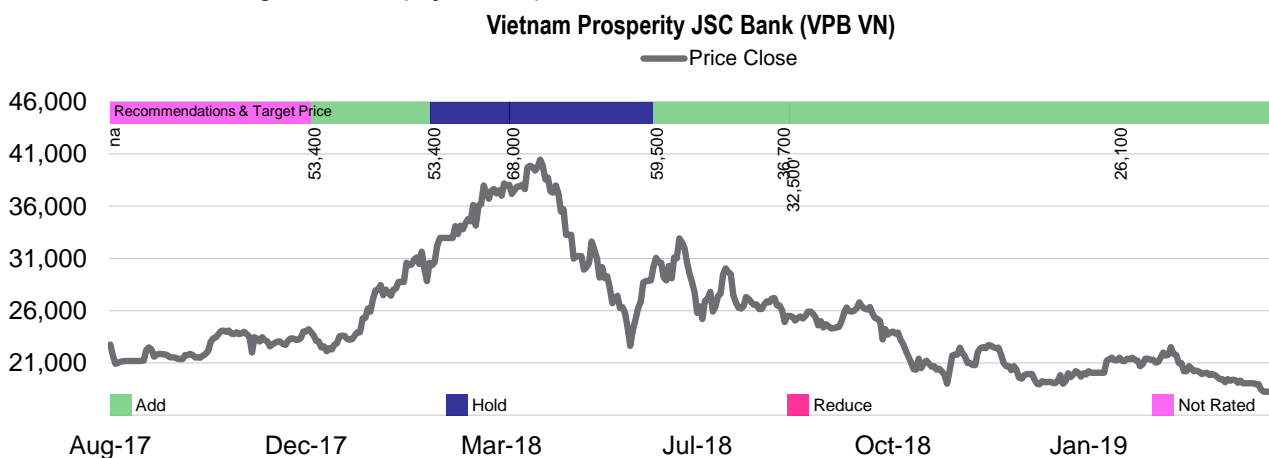
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Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 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, **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, **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, **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, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **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, **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, **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, **TPIPP** – 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, **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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