

Vietnam

HOLD (no change)

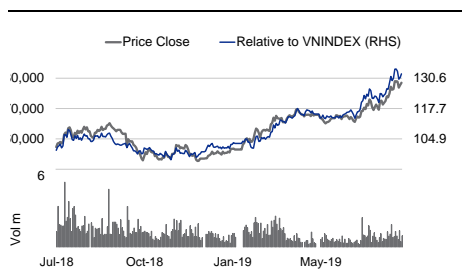
Consensus ratings*: Buy 3 Hold 9 Sell 0

Current price:	VND78,500
Target price:	VND83,200
Previous target:	VND73,800
Up/downside:	6.0%
CGS-CIMB / Consensus:	18.1%
Reuters:	VCB.HM
Bloomberg:	VCB VN
Market cap:	US\$12,543m
	VND291,146,880m
Average daily turnover:	US\$2.20m
	VND51,213m
Current shares o/s:	3,709m
Free float:	1.8%

*Source: Bloomberg

Key changes in this note

- FY19F EPS increased by 9.6%.
- FY20F EPS increased by 12.6%.
- FY21F EPS increased by 15.9%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	11.3	15.6	38.4
Relative (%)	7.7	14.2	31.6

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

Solid growth with limited downside risks

- VCB's 1H19 net profit surged 41.0% yoy on higher NIM and modest rise in expenses. 1H19 net profit was above at 55.9% of our full-year forecast.
- VCB's 2Q19 net profit rose 49.0% yoy but fell 7.4% qoq as loan growth slowed and the bank increased provisioning in 2Q19.
- We maintain our Hold rating but increase our TP by 12.7% to VND83,200.

Reallocating towards higher-yielding assets improved NIM

VCB's 6M19 net interest income (NII) grew 31.4% yoy on 49bp hike in net interest margin (NIM). VCB has greatly improved its NIM by active expansion into retail lending. In addition, VCB reallocated its assets towards customer loans and credit institution bonds, thus reducing its holdings of lower-yielding government bonds. As at end-2Q19, credit grew 13.2% yoy and 9.9% from end-FY18 vs. 15% credit growth quota for FY19F. Hence, there is still room for credit expansion in 2H19.

Non-interest income (non-II) reduced slightly by 3.1% yoy

Net fee income increased by 23.8% yoy, making up for 13.6% yoy fall in other non-II. Other non-II fell due to: 1) 82.6% yoy decline in income from trading securities from a high base as VCB took profit on its government bonds portfolio in 6M18 when government bond yields decreased; 2) 63.0% yoy decline in income from long-term equity investment as VCB booked one-off income from divestment of other banks in 6M18; 3) 18.8% decline in other income from lower income from bad debt recovery.

Well-managed expenses boosted the bottomline

Operating expenses rose modestly by 6.6% yoy, trailing 20.3% yoy growth of total operating income (TOI). Besides, prudent asset management helped contain non-performing loan (NPL) ratio at 1.0% as at end-2Q19, lower than 1.2% at end-2Q18 and unchanged vs. 1Q19. As a result, provision expense only inched up by 2.5% yoy while loan-loss-reserves increased to 177.5% at end-2Q19, from 140.6% at end-2Q18. 6M19 net profit reached VND9,068bn (+41.0% yoy), forming 55.9% of our FY19F forecast.

We raise our TP to VND83,200; maintain Hold

Maintain Hold. We raise our FY19-21F EPS forecasts by 9.6-15.9% on higher NIM and lower credit cost assumptions. Our target price increases from VND73,800 to VND83,200, based on an equal weighting of residual income valuation (COE: 14.5%; LTG: 4.0%) and 3.1x FY20F P/BV.

Upside risks and downside risks

A medium-term upside risk is a potential exclusive bancassurance deal that brings VCB a sizeable one-time agency fee and a new income stream from insurance commissions. Downside risks are higher than expected bad debt which will increase credit costs.

Financial Summary

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Net Interest Income (VNDb)	21,938	28,409	34,698	41,927	49,009
Total Non-Interest Income (VNDb)	7,469	10,870	11,796	13,268	15,182
Operating Revenue (VNDb)	29,406	39,278	46,494	55,194	64,192
Total Provision Charges (VNDb)	(6,198)	(7,398)	(7,064)	(8,046)	(8,983)
Net Profit (VNDb)	9,091	14,606	17,769	21,367	25,406
Core EPS (VND)	2,103	3,378	3,986	4,793	5,699
Core EPS Growth	34.3%	60.6%	18.0%	20.2%	18.9%
FD Core P/E (x)	37.32	23.24	19.69	16.38	13.77
DPS (VND)	799.9	800.0	800.0	800.0	800.0
Dividend Yield	1.02%	1.02%	1.02%	1.02%	1.02%
BVPS (VND)	14,584	17,264	22,290	27,119	33,011
P/BV (x)	5.38	4.55	3.52	2.89	2.38
ROE	15.1%	21.2%	20.4%	19.4%	19.0%
% Change In Core EPS Estimates			9.6%	12.6%	15.9%
CGS-CIMB/Consensus EPS (x)			1.11	1.15	1.17

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Solid growth with limited downside risks

1H19 Recap: Robust net profit growth on higher NIM and modest rise in expenses

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

Profit & Loss statement	2Q19	2Q18	yoy%	1Q19	qoq%	6M19	6M18	yoy%	VNDIRECT FY19F old forecasts	% of VNDIRECT	Comments
Net interest income	8,580	6,800	26.2%	8,499	1.0%	17,078	12,997	31.4%	32,972	51.8%	Higher than our forecast as NIM increased faster than our expectation.
Non-interest income	2,724	2,459	10.8%	3,269	-16.7%	5,993	6,187	-3.1%	11,403	52.6%	Higher than our forecast thanks to better-than-expected income from foreign currencies trading.
Operating revenue	11,303	9,259	22.1%	11,768	-3.9%	23,071	19,184	20.3%	44,375	52.0%	
Operation expenses	(4,067)	(3,864)	5.3%	(4,384)	-7.2%	(8,451)	(7,931)	6.6%	(16,419)	51.5%	
Pre-provision profit	7,236	5,395	34.1%	7,384	-2.0%	14,620	11,252	29.9%	27,956	52.3%	
Provision expenses	(1,811)	(1,738)	4.2%	(1,506)	20.2%	(3,317)	(3,235)	2.5%	(7,685)	43.2%	Below our forecast as NPL was well controlled, hence actual credit cost (1.0%) was lower than our forecast (1.1%).
Pre-tax profit	5,425	3,657	48.3%	5,878	-7.7%	11,303	8,017	41.0%	20,271	55.8%	
Net profit	4,361	2,927	49.0%	4,707	-7.4%	9,068	6,431	41.0%	16,219	55.9%	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
Net interest income/Total operating income (TOI)	62.4%	73.4%	78.9%	74.7%	72.2%	75.9%
Non-interest income/TOI	37.6%	26.6%	21.1%	25.3%	27.8%	24.1%
NIM (trailing 12m)	2.6%	2.7%	2.8%	2.8%	3.0%	3.2%
Cost-to-income ratio (CIR)	41.0%	41.3%	41.7%	34.7%	37.3%	36.6%
Loan-to-deposit ratio (Circular 36)	73.3%	73.3%	75.6%	70.3%	74.8%	74.7%
Non-performing loan ratio	1.4%	1.2%	1.2%	1.0%	1.0%	1.0%
Loan-loss-reserves (LLR)	121.4%	140.6%	155.5%	165.4%	169.2%	177.5%
Credit cost (annualised)	1.1%	1.1%	1.1%	1.3%	0.9%	1.0%
ROAA (trailing 12m)	1.2%	1.2%	1.3%	1.4%	1.5%	1.6%
ROAE (trailing 12m)	19.5%	20.5%	20.9%	25.5%	24.5%	25.4%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

OUTLOOK: SOLID GROWTH ON A HEALTHY BALANCE SHEET

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	32,972	38,513	34,698	41,927	5.2%	8.9%	We adjust our NIM assumptions upwards as NIM increased faster than expected thanks to retail lending expansion and VCB's reallocation of assets towards higher-yielding bonds and customer loans.
Non-Interest Income	11,403	13,149	11,796	13,268	3.4%	0.9%	We raise our non-II forecast for FY19F as income from foreign currencies trading was better than our projection as USD/VND exchange rate increased in the beginning of 2019.
Operating revenue	44,375	51,662	46,494	55,194	4.8%	6.8%	
Operating expenses	(16,419)	(19,115)	(17,203)	(20,422)	4.8%	6.8%	
Pre-provision profit	27,956	32,547	29,291	34,772	4.8%	6.8%	
Provision expenses	(7,685)	(8,838)	(7,064)	(8,046)	-8.1%	-9.0%	We lower our forecasts of provision expenses as bad debt was stable, leading to lower credit cost than our projections.
Pre-tax profit	20,271	23,709	22,227	26,727	9.6%	12.7%	
Net profit	16,219	18,970	17,769	21,367	9.6%	12.6%	Higher forecasted net profit for FY19-20F on higher operating income and lower provision expenses projections. Our net profit forecasts have not included extraordinary income and commission income from a potential bancassurance deal.
No. of shares outstanding (m)	3,709	3,709	3,709	3,709	0.0%	0.0%	
EPS (VND/share)	3,638	4,255	3,986	4,793	9.6%	12.6%	

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

VALUATION

We maintain Hold rating but increase our TP to VND83,200 ►

Figure 4: Our target price calculation

Approach	Weight	Fair value (VND/share)	Contribution (VND/share)
Residual income	50%	82,413	41,206
P/BV multiple (at 3.1x FY20F BVPS)	50%	84,068	42,034
Target price (VND/share)			83,240
Target price (VND/share, rounded)			83,200

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	5.0%	5.0%	5.0%	5.0%	5.0%
Equity risk premium	11.0%	11.0%	11.0%	11.0%	11.0%
Beta	0.9	0.9	0.9	0.9	0.9
Cost of equity	14.5%	14.5%	14.5%	14.5%	14.5%
Long-term growth rate					4.0%
<i>(In VND bn, otherwise noted)</i>					
Opening shareholders' equity	62,110				
PV of residual income (5 years)	32,988				
PV of terminal value	210,561				
Implied EV	305,658				
No. of outstanding shares (m shares)	3,709				
Implied value per share (VND/share)	82,413				

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

For peer comparison, we choose regional banks with similar earnings growth outlook, profitability and financial metrics as VCB. At the current share price, VCB is trading at 3.5x FY19F P/BV, a premium of 59.6% to the regional peers' average FY19F P/BV. We have a target P/BV of 3.1x on FY20F book value per share for VCB. The P/BV component of our valuation is at a large premium over regional peers' 1.9x FY20F P/BV due to VCB's higher returns and its position as the most well-regarded bank in Vietnam.

We project VCB to achieve high profit growth in the coming years with FY18-21F forward EPS CAGR of 19.1%. ROE is forecasted to be sustained at 20.4% in FY19F and 19.4% in FY20F, much higher than regional peer's average ROE of 17.2% in FY19F and 17.6% in FY20F. Combining our residual income valuation and P/BV multiple valuation with equal weightings, we arrive at a TP of VND83,200, implying potential upside of 6.0%.

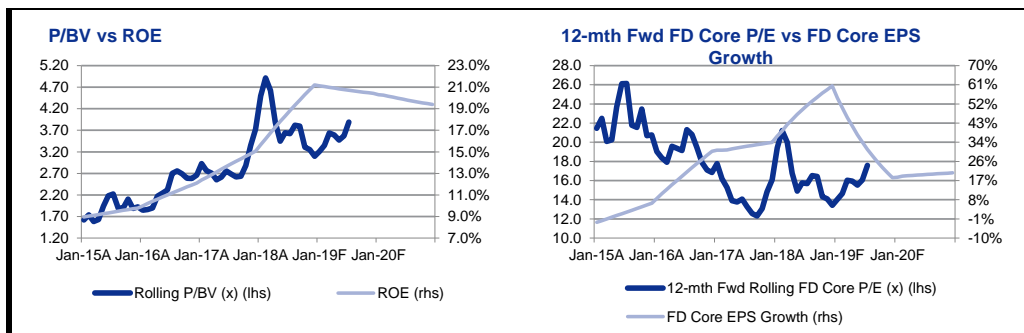
Figure 6: Regional peer comparison

Banks	Bloomberg Code	Recommendation	Closing price	Target price	Market cap	P/BV (x)		P/E (x)		3-yr Forward CAGR EPS	ROE (%)	
			(local curr.)	(local curr.)	(US\$m)	FY19F	FY20F	FY19F	FY20F	%	FY19F	FY20F
HDFC Bank	HDFCB IN	ADD	2,276	2,650	90,279	3.8	3.2	25.4	20.4	21.1%	15.9%	17.0%
Bank Central Asia	BBCA IJ	HOLD	30,975	28,500	54,514	4.4	3.8	26.6	23.5	12.0%	17.6%	17.4%
Bank Rakyat Indonesia	BBRI IJ	ADD	4,440	4,500	39,093	2.6	2.3	14.7	12.9	13.9%	18.8%	18.8%
ICICI Bank	ICICIB IN	ADD	416	475	38,935	2.3	2.1	23.1	15.9	84.9%	10.4%	13.7%
Bank Mandiri	BMRI IJ	ADD	7,750	8,800	25,817	1.8	1.6	12.7	11.0	15.4%	14.9%	15.6%
Public Bank Bhd	PBK MK	HOLD	22	24	21,128	2.0	1.9	15.2	14.5	4.5%	13.5%	13.3%
Indusind Bank	IIB IN	ADD	1,416	2,000	14,239	2.8	2.4	17.0	13.4	34.7%	17.8%	19.1%
Techcombank	TCB VN	ADD	20,800	27,400	3,133	1.2	1.0	7.8	6.8	14.6%	16.5%	16.1%
Military Commercial Joint Stock Bank	MBB VN	ADD	22,350	34,000	2,035	1.2	1.0	6.3	5.4	19.2%	20.0%	19.7%
Vietnam Prosperity JSC Bank	VPB VN	ADD	18,750	21,200	1,985	1.1	0.9	6.1	4.9	12.1%	19.7%	19.9%
Asia Commercial Joint Stock Bank	ACB VN	ADD	23,400	39,500	1,635	1.1	0.9	4.9	4.2	15.7%	24.3%	22.7%
Average						2.2	1.9	14.5	12.1	22.6%	17.2%	17.6%
Vietcombank	VCB VN	HOLD	78,500	83,200	12,543	3.5	2.9	16.4	13.6	19.1%	20.4%	19.4%

PRICE AS OF 26 JUL 2019

SOURCES: CGS-CIMB RESEARCH, 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	34,698	41,927	49,009
Total Non-Interest Income	7,469	10,870	11,796	13,268	15,182
Operating Revenue	29,406	39,278	46,494	55,194	64,192
Total Non-Interest Expenses	(11,866)	(13,611)	(17,203)	(20,422)	(23,430)
Pre-provision Operating Profit	17,540	25,667	29,291	34,772	40,762
Total Provision Charges	(6,198)	(7,398)	(7,064)	(8,046)	(8,983)
Operating Profit After Provisions	11,341	18,269	22,227	26,727	31,778
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Operating EBIT (incl Associates)	11,341	18,269	22,227	26,727	31,778
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	11,341	18,269	22,227	26,727	31,778
Exceptional Items					
Pre-tax Profit	11,341	18,269	22,227	26,727	31,778
Taxation	(2,231)	(3,647)	(4,437)	(5,336)	(6,344)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	9,111	14,622	17,789	21,391	25,434
Minority Interests	(20)	(16)	(20)	(24)	(29)
Pref. & Special Div	0	0	0	0	0
FX And Other Adj.	0	0	0	0	0
Net Profit	9,091	14,606	17,769	21,367	25,406
Recurring Net Profit	7,568	12,152	14,784	17,777	21,138

Balance Sheet Employment

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Gross Loans/Cust Deposits	76.7%	78.8%	80.9%	82.3%	83.4%
Avg Loans/Avg Deposits	77.3%	77.8%	79.9%	81.7%	82.9%
Avg Liquid Assets/Avg Assets	43.5%	42.8%	39.3%	38.4%	37.6%
Avg Liquid Assets/Avg IEAs	44.6%	43.9%	40.2%	39.2%	38.2%
Net Cust Loans/Assets	51.7%	57.9%	58.8%	59.9%	60.9%
Net Cust Loans/Broad Deposits	67.4%	69.1%	70.6%	71.6%	72.4%
Equity & Provs/Gross Cust Loans	11.1%	11.5%	13.3%	14.2%	15.0%
Asset Risk Weighting	59.2%	67.8%	67.2%	68.5%	69.5%
Provision Charge/Avg Cust Loans	1.23%	1.26%	1.04%	1.03%	1.00%
Provision Charge/Avg Assets	0.68%	0.70%	0.62%	0.62%	0.62%
Total Write Offs/Average Assets	0.68%	0.49%	0.30%	0.33%	0.37%

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	1,001,898	1,141,172	1,306,237
Liquid Assets & Invst. (Current)	234,069	163,073	182,636	199,073	214,999
Other Int. Earning Assets					
Total Gross Int. Earning Assets	1,010,477	1,045,168	1,184,534	1,340,246	1,521,237
Total Provisions/Loan Loss Reserve	(8,113)	(10,294)	(13,961)	(17,711)	(21,304)
Total Net Interest Earning Assets	1,002,364	1,034,874	1,170,572	1,322,535	1,499,933
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
Total Non-Interest Earning Assets	22,826	26,360	27,358	28,393	29,467
Cash And Marketable Securities	10,103	12,792	13,276	13,778	14,300
Long-term Investments	0	0	0	0	0
Total Assets	1,035,293	1,074,027	1,211,206	1,364,706	1,543,699
Customer Interest-Bearing Liabilities	726,734	823,390	921,982	1,041,602	1,182,085
Bank Deposits	66,942	76,524	88,003	101,203	116,384
Interest Bearing Liabilities: Others	171,408	90,711	92,525	94,376	96,263
Total Interest-Bearing Liabilities	965,085	990,625	1,102,510	1,237,181	1,394,732
Bank's Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	17,651	21,222	25,953	26,874	26,462
Total Liabilities	982,735	1,011,847	1,128,463	1,264,054	1,421,193
Shareholders' Equity	52,469	62,110	82,672	100,580	122,434
Minority Interests	(89)	(69)	(71)	(71)	(71)
Total Equity	52,379	62,041	82,601	100,509	122,363

Key Ratios

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Income Growth	18.2%	33.6%	18.4%	18.7%	16.3%
Operating Profit Growth	17.5%	46.3%	14.1%	18.7%	17.2%
Pretax Profit Growth	33.1%	61.1%	21.7%	20.2%	18.9%
Net Interest To Total Income	74.6%	72.3%	74.6%	76.0%	76.3%
Cost Of Funds	2.86%	2.81%	3.17%	3.27%	3.37%
Return On Interest Earning Assets	5.20%	5.44%	6.09%	6.35%	6.53%
Net Interest Spread	2.33%	2.63%	2.92%	3.08%	3.15%
Net Interest Margin (Avg Deposits)	3.38%	3.76%	4.08%	4.38%	4.52%
Net Interest Margin (Avg RWA)	3.98%	4.24%	4.50%	4.80%	4.88%
Provisions to Pre Prov. Operating Profit	35.3%	28.8%	24.1%	23.1%	22.0%
Interest Return On Average Assets	2.41%	2.69%	3.04%	3.26%	3.37%
Effective Tax Rate	19.7%	20.0%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	31.7%	20.3%	16.7%	13.9%	11.7%
Return On Average Assets	1.00%	1.38%	1.56%	1.66%	1.75%

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%	3.1%	3.3%	3.4%
Non Interest Income Growth (%)	17.6%	45.5%	8.5%	12.5%	14.4%
Cost-income Ratio (%)	40.4%	34.7%	37.0%	37.0%	36.5%
Net NPL Ratio (%)	-3.2%	-3.9%	-4.2%	-4.4%	-4.6%
Loan Loss Reserve (%)	130.7%	165.4%	184.5%	191.2%	197.8%
GP Ratio (%)	0.8%	0.8%	1.0%	1.1%	1.1%
Tier 1 Ratio (%)	8.0%	8.2%	9.8%	10.5%	11.1%
Total CAR (%)	11.6%	10.2%	11.4%	11.6%	12.0%
Deposit Growth (%)	20.0%	13.2%	12.0%	13.0%	13.5%
Loan-deposit Ratio (%)	75.6%	77.5%	79.3%	80.6%	81.6%
Gross NPL Ratio (%)	1.1%	1.0%	1.0%	1.1%	1.1%
Fee Income Growth (%)	20.5%	34.1%	35.0%	30.0%	25.0%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

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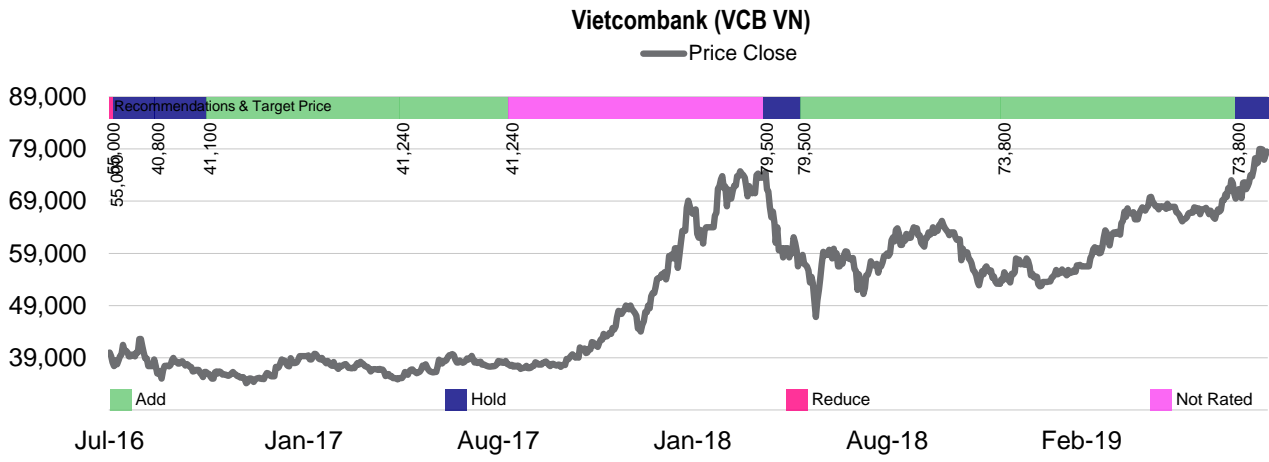
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Spitzer Chart for stock being researched (2 year data)



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, **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, **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, **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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