

## Vietnam

**ADD** (no change)

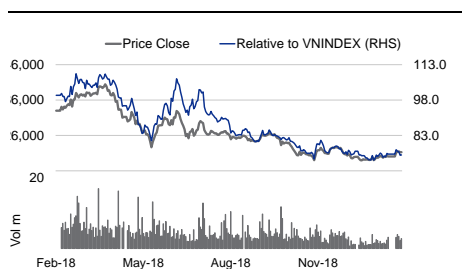
Consensus ratings\*: Buy 6 Hold 2 Sell 0

Current price:	VND21,250
Target price:	VND26,100
Previous target:	VND32,500
Up/downside:	22.8%
CGS-CIMB / Consensus:	-15.6%
Reuters:	VPB.HM
Bloomberg:	VPB VN
Market cap:	US\$2,251m
	VND52,205,904m
Average daily turnover:	US\$2.18m
	VND50,848m
Current shares o/s:	2,457m
Free float:	72.7%

\*Source: Bloomberg

**Key changes in this note**

➤ FY19-20F EPS reduced by 7.5-9.6%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	10.4	11.8	-35.6
Relative (%)	5.9	5.8	-25.3

**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

## Loan growth recovered strongly in 4Q18

- Total operating income rose 24.2% yoy in FY18 but pretax profit grew by only 13.1% yoy due to a significant increase in provisioning.
- FY18 net profit reached VND7,356bn (+14.2% yoy), below expectations at 89.0% of our forecast.
- We lower our target price but maintain Add as we believe the recent headwinds are now fully priced-in.

### Loan growth recovered in 4Q18

Loan growth regained momentum in 4Q18 after VPB restructured its lending portfolio, and after the State Bank of Vietnam lifted the credit growth quota (includes loans and corporate bonds) for VPB from 15% to 17%. 4Q18 loan growth was the highest in FY18 at 10.7% qoq and 21.4% yoy, up from 0.7% qoq growth in 3Q18. 4Q18 net profit grew 26.6% yoy and 75.5% qoq, due to loan growth recovery and sizable bad debt write-backs in 4Q18.

### Moderate profit growth in FY18 due to heavy provisioning

For FY18, net interest income (NII) grew 19.8% yoy on the back of 16.5% yoy growth in interest-earning assets and 8bp yoy increase in net interest margin (NIM). FY18 non-interest income (non-II) surged 44.7% yoy, with income from bad debt recovery nearly tripling yoy and contributing 50% of FY18 non-II; net fee income (NFI) increased by 10.3% yoy, driven by payment services and bancassurance. Total operating income rose 24.2% yoy but a 40.6% yoy jump in provision expenses led to net profit growth of only 14.2% yoy.

### Spike in bad debts led to accelerated write-offs

Non-performing loan (NPL) ratio rose from 3.4% at end-FY17 to 3.5% at end-FY18. VPB wrote-off a sizable amount of bad debt in 4Q18 to cut the NPL ratio from 4.7% at end-3Q18 to 3.5% by end-18. The write-off rate increased significantly from 4.0% of the average loan book in FY17 to 5.4% in FY18; as such, provision expenses surged 40.6% yoy.

### Better operating cost management supported by digitalisation

Cost-to-income ratio (CIR) fell from 35.5% in FY17 to 34.2% in FY18; VPB has one of the lowest CIRs in the Vietnam banking sector. VPB has actively promoted digital banking with a specialised platform for SMEs and also launched a platform for individuals in 2018. The number of digital banking users increased 123.3% yoy in FY18 and the ratio of online transactions to total transactions rose from 41% in FY17 to 55% in FY18.

### We lower our target price to VND26,100 but maintain Add rating

We lower target price to VND26,100 (residual income; COE: 14.0%; LTG: 3.5%) due to lower loan growth, lower NIM and higher provision expense assumptions. We maintain Add as we believe the headwinds are now fully priced-in. Loan growth recovered in 4Q18, improving VPB's capacity to handle bad debt. Potential upside catalysts include higher-than-expected loan growth. The key downside risk is a continued increase in bad debts which would elevate credit costs.

Financial Summary	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Net Interest Income (VNDb)	20,614	24,702	28,961	33,743	38,876
Total Non-Interest Income (VNDb)	4,412	6,384	6,409	7,290	9,219
Operating Revenue (VNDb)	25,026	31,086	35,370	41,033	48,095
Total Provision Charges (VNDb)	(8,001)	(11,253)	(12,484)	(14,156)	(16,605)
Net Profit (VNDb)	6,441	7,356	8,405	10,013	11,725
Core EPS (VND)	2,703	3,015	3,421	4,076	4,773
Core EPS Growth	59.4%	11.5%	13.5%	19.1%	17.1%
FD Core P/E (x)	7.86	7.05	6.21	5.21	4.45
DPS (VND)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
BVPS (VND)	12,256	14,145	16,521	20,597	25,370
P/BV (x)	1.73	1.50	1.29	1.03	0.84
ROE	26.9%	22.8%	22.3%	22.0%	20.8%
% Change In Core EPS Estimates			(9.62%)	(7.51%)	
CIMB/consensus EPS (x)			1.00	1.04	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## Loan growth recovered strongly in 4Q18

### FY18 recap: modest net profit growth on lower loan growth and rising bad debts

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

Profit & Loss Statement	4Q18	4Q17	yoy%	3Q18	qoq%	FY18	FY17	yoy%	VND FY18 old forecasts	% of VND FY18 old forecasts	Comments
Net interest income	6,513	5,670	15%	6,002	9%	24,702	20,614	20%	25,386	97%	Slightly below our forecasts.
Non-interest income	2,461	1,781	38%	1,599	54%	6,384	4,412	45%	4,813	133%	Above our forecasts due to better bad debt recoveries.
Operating revenue	8,973	7,451	20%	7,602	18%	31,086	25,026	24%	30,199	103%	Slightly above our forecasts.
Operation expenses	(2,841)	(2,576)	10%	(3,104)	-8%	(10,634)	(8,895)	20%	(10,268)	104%	Slightly above our forecasts.
Pre-provision profit	6,132	4,875	26%	4,497	36%	20,452	16,131	27%	19,931	103%	Slightly above our forecasts.
Provision expenses	(3,059)	(2,381)	28%	(2,748)	11%	(11,253)	(8,001)	41%	(9,603)	117%	Above our forecasts due to rising bad debt and higher write-offs than our projections.
Pre-tax profit	3,074	2,495	23%	1,749	76%	9,199	8,130	13%	10,329	89%	Below our forecasts due to heavy provision expenses.
Net profit	2,455	1,940	27%	1,399	75%	7,356	6,441	14%	8,263	89%	Below our forecasts due to heavy provision expenses.

SOURCES: VND RESEARCH, COMPANY REPORTS

Figure 2: VPB's key ratios by quarter

	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
NII/Total operating income (TOI)	89.3%	80.7%	85.4%	76.1%	78.7%	89.9%	79.0%	72.6%
Non-II/TOI	10.7%	19.3%	14.6%	23.9%	21.3%	10.1%	21.0%	27.4%
NIM (trailing 12 months)	8.1%	8.4%	9.0%	8.6%	9.0%	9.1%	9.2%	8.7%
Loan-to-deposit ratio (LDR)	74.7%	73.5%	77.5%	76.8%	79.0%	80.2%	79.7%	80.8%
NPL (Non-performing loans)	3.5%	2.8%	3.1%	3.4%	4.1%	4.1%	4.7%	3.5%
LLR (Loan-loss-reserve)	49.2%	57.2%	49.5%	50.8%	44.5%	43.9%	41.7%	45.9%
Credit cost (annualised)	4.5%	5.2%	4.8%	4.9%	5.7%	5.7%	5.7%	5.6%
ROAA (trailing 12m)	2.7%	2.2%	2.5%	2.6%	3.0%	2.5%	2.3%	2.4%
ROAE (trailing 12m)	34.2%	28.3%	26.7%	27.4%	27.3%	22.4%	21.2%	22.8%

SOURCES: VND RESEARCH, COMPANY REPORTS

### Loan growth recovered after the bank restructured its loan portfolio >

Amid rising inflation, the State Bank of Vietnam (SBV) started to tighten credit growth in 2018 and did not lift the credit quota for most of the banks in Vietnam. Although VPB got the approval to lift its credit quota, VPB's FY18 loan growth of 21.2% yoy was still lower than the 26.3% yoy growth in FY17. While loan growth decelerated at both the parent bank and FE Credit, VPB's consumer finance subsidiary, it slowed substantially for FE Credit. Parent bank's FY18 loan growth was 22.0% yoy, versus 22.5% yoy growth in FY17, while FE Credit's FY18 loan growth came in at 18.9% yoy, significantly lower than 39.5% yoy growth in FY17. However, loan growth surged in 4Q18 after the bank restructured its loan portfolio. 9M18 consolidated loan book growth was only 9.5% versus end-FY17 but had soared to 21.2% by end-FY18. Lending at FE Credit slowed down substantially starting in 2Q18, following an inspection by the SBV; this inspection was part of a periodic regimen announced by the SBV at end-2017. However, the latest inspection came on the heels of multiple customer complaints alleging that the firm had been harassing customers with too many phone calls for debt collection.

The complaints also alleged that FE Credit had enticed customers to sign loan agreements without financial checks. As a result, FE Credit suspended risky lending and modified its loan collection procedures. The firm stopped lending through some third-party channels to better control loan origination and reduce potential risks from the conduct of staff employed by third parties. After restructuring its loan portfolio, VPB aggressively pushed lending in the last quarter to improve its loan growth for the year.

### **The surge in bad debt was further exacerbated by sluggish loan growth in the first nine months of 2018 >**

In 9M18, VPB's bad debt skyrocketed by 83.4% yoy, in which bad debt at the parent bank (+95.5% yoy) rose faster than bad debt at FE Credit (+61.7% yoy). In our view, the surge in bad debt was due to:

- The disruption in loan collection during 1Q18 as there was a shortage of debt collectors due to competition from other banks and consumer finance companies. VPB said that it has been actively recruiting new staff and the number of debt collectors has recovered since 2Q18.
- Less aggressive loan collection in response to customer complaints. The bank has implemented new debt collection policies to minimise the potential for customer harassment. The changes in loan collection procedures may reduce the number of customer complaints but could lead to an increase in bad debts, in our view.
- The slowdown in loan growth which eroded VPB's capacity to write off non-performing loans. VPB pursues a high-risk high-return model: it engages in unsecured lending at high rates. Due to unsecured lending, its NPL ratio is much higher than other banks' but as long as it can grow its loan book sufficiently, the high income from lending can be used to write off bad debts. However, as loan growth decelerated substantially, its capacity to write off bad debts decreased. During 9M18, VPB was more focused on writing off non-performing loans at FE Credit; as a result, FE Credit's write-off rate rose from 13.4% in 9M17 to 16.1% in 9M18. However, the write-off rate at the parent bank increased by only 5bp yoy in 9M18. As such, bad debts rose faster at the parent bank despite the higher-risk lending at FE Credit.

The increase in bad debts and the deceleration in loan growth pushed the consolidated NPL ratio from 3.1% in 9M17 to 4.7% in 9M18. We expect bad debts will increase at a slower pace in 2019, in line with the slower loan growth and due to the suspension of risky lending activities in 2018.

### **NPL ratio fell in 4Q18 as loan growth recovered, enabling a more aggressive write-off policy >**

NPL dropped from 4.7% at end-3Q18 to 3.5% at end-FY18 on the back of loan growth recovery and aggressive write-offs in 4Q18. After restructuring its loan portfolio, VPB aggressively resurrected lending growth in 4Q18; 55% of the new loans in FY18 were disbursed in the last quarter of the year. The strong recovery in loan growth reduced its NPL ratio and improved its topline, enhancing the bank's capacity to write-off bad debt. Annualised write-off rate increased from 4.9% of the average loan book in 9M18 to 5.4% in FY18. FY18 write-off rate was also higher than the 4.0% rate seen in FY17. Sizable write-offs helped reduce bad debts but also increased provision expenses by 40.6% yoy in FY18.

## OUTLOOK: moderate profit growth after headwinds

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

	Old forecasts		New forecasts		Change		Comments
	FY19F	FY20F	FY19F	FY20F	FY19F	FY20F	
Net interest income	30,118	36,041	28,961	33,743	-3.8%	-6.4%	We revise down NII forecasts due to lower loan growth and lower NIM assumptions. SBV's intention to tighten credit growth prompted us to reduce loan growth assumptions from 19.2%-19.5% to 15.5% in FY19-20F. As loan growth at FE Credit decelerated at a faster pace than the parent bank, projected NIM falls accordingly from 9.2%-9.5% to 9.0-9.1% in FY19-20F.
Non-interest income	5,130	5,751	6,409	7,290	24.9%	26.8%	We lift Non-ll forecasts due to better bad debt recovery than expected. We project the same bad debt recovery rate in FY19-20F but a surge in write-off in FY18 compared to our expectation will boost bad debt recovery income in FY19F.
Operating revenue	35,248	41,792	35,370	41,033	0.3%	-1.8%	
Operating expenses	(11,984)	(14,209)	(12,379)	(14,362)	3.3%	1.1%	
Pre-provision profit	23,264	27,583	22,990	26,671	-1.2%	-3.3%	
Provision expenses	(11,282)	(13,464)	(12,484)	(14,156)	10.7%	5.1%	We increase provision expenses forecasts as bad debt soared faster than our expectation in FY18. Due to increasing bad debt, VPB increased loan write-offs, thus write-off rate rose to 5.4%, higher than our previous forecast of 3.6%. Given rising bad debt, we adjust upward our write-off assumptions for FY19-20F from 3.6% to 4.8%.
Pre-tax profit	11,981	14,119	10,506	12,516	-12.3%	-11.4%	Pre-tax profit forecasts decrease due to the haircut to loan growth, lower NIM and higher provision expenses projections.
Net profit	9,585	11,295	8,405	10,013	-12.3%	-11.4%	

SOURCES: VND RESEARCH, COMPANY REPORTS

## VALUATION

### Maintain Add but lower TP from VND32,500 to VND26,100 ►

We lower our TP from VND32,500 to VND26,100 due to our lower earnings forecasts. The deceleration in loan growth, especially at FE Credit, hurt the bank's topline and thus its capacity to write-off bad debt. As a result, NPL increased in FY18, resulting in a 40.6% yoy surge in provision expenses. We lower our assumptions for loan growth and NIM, and raise our credit cost forecasts due to stricter credit control by SBV. As a result, our FY19/20F EPS forecasts are reduced by 9.6%/7.5%, respectively, resulting in a lower target price.

Although we lower our target price, we reiterate our Add rating for VPB as we believe the sluggish performance in FY18 has been priced in. VPB currently trades at 1.3x FY19F P/BV, a 24.2% discount to regional peers, which is compelling as we expect VPB could sustain a high ROE of 22.3% in FY19F, significantly above the peers' average ROE of 14.3%.

**Figure 4: Residual income model - key assumptions, 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	0.8	0.8	0.8	0.8	0.8	0.8
Cost of equity	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%
Long-term growth rate						3.5%
Long-run COE						14.0%
<i>(in VND bn)</i>						
Opening shareholders' equity	34,750					
PV of RI (5 years)	13,375					
PV of Terminal value	16,115					
Implied EV	64,240					
No. of o/s shares (m shares)	2,457					
Implied value per share (VND/share)	26,149					
<b>Target price (VND/share, rounded)</b>	<b>26,100</b>					

SOURCES: VND RESEARCH, COMPANY REPORTS

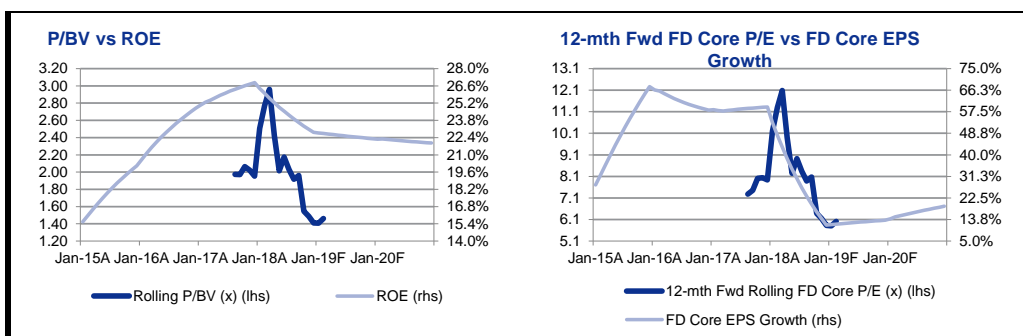
**Figure 5: Regional peers comparison**

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)	FY18F	FY19F	FY18F	FY19F	%	FY18F	FY19F
Bank Rakyat Indonesia	BBRI IJ	ADD	3,800	4,500	33,266	2.5	2.2	14.5	12.6	13.9%	18.4%	18.8%
Public Bank Bhd	PBK MK	HOLD	25	26	23,760	2.4	2.2	17.0	15.8	5.5%	14.6%	14.5%
Kasikornbank	KBANK TB	ADD	197	244	15,035	1.2	1.2	12.2	11.2	9.6%	10.7%	10.7%
Siam Commercial Bank	SCB TB	HOLD	134	146	14,456	1.2	1.1	11.3	10.9	6.8%	10.8%	10.6%
Bank Negara Indonesia	BBNI IJ	ADD	8,775	11,100	11,614	1.5	1.3	10.9	9.2	15.9%	14.3%	15.6%
Vietcombank	VCB VN	ADD	59,300	73,800	9,481	3.4	2.9	17.8	15.4	21.1%	16.2%	16.0%
Kiatnakin Bank	KKP TB	HOLD	70	71	1,883	1.4	1.4	9.8	9.5	6.7%	14.5%	14.5%
BIMB Holdings	BIMB MK	ADD	4	4	1,784	1.4	1.3	10.3	9.7	5.9%	14.0%	13.8%
<b>Average</b>						<b>1.9</b>	<b>1.7</b>	<b>13.0</b>	<b>11.8</b>	<b>10.7%</b>	<b>14.2%</b>	<b>14.3%</b>
<b>Vietnam Prosperity JSC Bank</b>	<b>VPB VN</b>	<b>ADD</b>	<b>21,250</b>	<b>26,100</b>	<b>2,251</b>	<b>1.5</b>	<b>1.3</b>	<b>7.0</b>	<b>6.2</b>	<b>16.5%</b>	<b>22.8%</b>	<b>22.3%</b>

PRICE AS OF 15 FEB 2019

SOURCES: CGS-CIMB RESEARCH, VND RESEARCH

## BY THE NUMBERS



### Profit & Loss

(VNDb)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Net Interest Income	20,614	24,702	28,961	33,743	38,876
Total Non-Interest Income	4,412	6,384	6,409	7,290	9,219
<b>Operating Revenue</b>	<b>25,026</b>	<b>31,086</b>	<b>35,370</b>	<b>41,033</b>	<b>48,095</b>
Total Non-Interest Expenses	(8,895)	(10,634)	(12,379)	(14,362)	(16,833)
<b>Pre-provision Operating Profit</b>	<b>16,131</b>	<b>20,452</b>	<b>22,990</b>	<b>26,671</b>	<b>31,262</b>
Total Provision Charges	(8,001)	(11,253)	(12,484)	(14,156)	(16,605)
<b>Operating Profit After Provisions</b>	<b>8,130</b>	<b>9,199</b>	<b>10,506</b>	<b>12,516</b>	<b>14,657</b>
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
<b>Operating EBIT (incl Associates)</b>	<b>8,130</b>	<b>9,199</b>	<b>10,506</b>	<b>12,516</b>	<b>14,657</b>
Non-Operating Income/(Expense)	0	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>8,130</b>	<b>9,199</b>	<b>10,506</b>	<b>12,516</b>	<b>14,657</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>8,130</b>	<b>9,199</b>	<b>10,506</b>	<b>12,516</b>	<b>14,657</b>
Taxation	(1,689)	(1,843)	(2,101)	(2,503)	(2,931)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>6,441</b>	<b>7,356</b>	<b>8,405</b>	<b>10,013</b>	<b>11,725</b>
Minority Interests					
Pref. & Special Div	0	0	0	0	0
FX And Other Adj.	0	0	0	0	0
<b>Net Profit</b>	<b>6,441</b>	<b>7,356</b>	<b>8,405</b>	<b>10,013</b>	<b>11,725</b>
Recurring Net Profit	6,294	7,356	8,405	10,013	11,725

### Balance Sheet Employment

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Gross Loans/Cust Deposits	137%	130%	128%	125%	122%
Avg Loans/Avg Deposits	127%	133%	129%	126%	123%
Avg Liquid Assets/Avg Assets	30.4%	27.8%	27.3%	28.3%	28.8%
Avg Liquid Assets/Avg IEAs	32.3%	29.5%	28.8%	29.7%	29.9%
Net Cust Loans/Assets	64.6%	67.4%	66.6%	66.6%	66.5%
Net Cust Loans/Broad Deposits	75.5%	79.6%	78.5%	78.5%	78.6%
Equity & Provs/Gross Cust Loans	18.0%	17.3%	18.5%	19.9%	21.2%
Asset Risk Weighting	86%	97%	99%	100%	100%
Provision Charge/Avg Cust Loans	4.89%	5.57%	5.34%	5.34%	5.42%
Provision Charge/Avg Assets	3.16%	3.74%	3.64%	3.63%	3.69%
Total Write Offs/Average Assets	2.74%	3.60%	3.24%	3.37%	3.43%

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	206,647	248,860	269,353	312,243	362,023
Liquid Assets & Invst. (Current)	54,983	56,129	75,231	88,020	102,537
Other Int. Earning Assets					
<b>Total Gross Int. Earning Assets</b>	<b>261,630</b>	<b>304,989</b>	<b>344,584</b>	<b>400,263</b>	<b>464,560</b>
Total Provisions/Loan Loss Reserve	(3,147)	(3,567)	(4,959)	(5,978)	(7,160)
<b>Total Net Interest Earning Assets</b>	<b>258,483</b>	<b>301,422</b>	<b>339,625</b>	<b>394,286</b>	<b>457,400</b>
Intangible Assets	351	578	402	430	460
Other Non-Interest Earning Assets	16,345	19,453	18,713	20,023	21,424
<b>Total Non-Interest Earning Assets</b>	<b>16,695</b>	<b>20,031</b>	<b>19,114</b>	<b>20,452</b>	<b>21,884</b>
<b>Cash And Marketable Securities</b>	<b>2,574</b>	<b>1,855</b>	<b>2,947</b>	<b>3,154</b>	<b>3,374</b>
Long-term Investments	0	0	0	0	0
<b>Total Assets</b>	<b>277,752</b>	<b>323,308</b>	<b>361,687</b>	<b>417,892</b>	<b>482,658</b>
Customer Interest-Bearing Liabilities	199,655	219,509	263,686	306,613	354,956
Bank Deposits	38,064	54,231	43,109	47,673	53,438
Interest Bearing Liabilities: Others	515	4,130	2,850	2,891	2,933
<b>Total Interest-Bearing Liabilities</b>	<b>238,235</b>	<b>277,870</b>	<b>309,645</b>	<b>357,177</b>	<b>411,328</b>
Bank's Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	9,822	10,688	11,453	10,113	9,004
<b>Total Liabilities</b>	<b>248,057</b>	<b>288,558</b>	<b>321,099</b>	<b>367,291</b>	<b>420,332</b>
<b>Shareholders' Equity</b>	<b>29,696</b>	<b>34,750</b>	<b>40,589</b>	<b>50,601</b>	<b>62,326</b>
Minority Interests	0	0	0	0	0
<b>Total Equity</b>	<b>29,696</b>	<b>34,750</b>	<b>40,589</b>	<b>50,601</b>	<b>62,326</b>

### Key Ratios

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Income Growth	48.4%	24.2%	13.8%	16.0%	17.2%
Operating Profit Growth	57.5%	26.8%	12.4%	16.0%	17.2%
Pretax Profit Growth	64.9%	13.1%	14.2%	19.1%	17.1%
Net Interest To Total Income	82.4%	79.5%	81.9%	82.2%	80.8%
Cost Of Funds	6.11%	6.04%	6.15%	6.27%	6.28%
Return On Interest Earning Assets	14.3%	14.2%	14.5%	14.7%	14.6%
Net Interest Spread	8.20%	8.18%	8.33%	8.40%	8.29%
Net Interest Margin (Avg Deposits)	16.0%	16.2%	16.0%	16.1%	15.7%
Net Interest Margin (Avg RWA)	10.1%	8.9%	8.6%	8.7%	8.6%
Provisions to Pre Prov. Operating Profit	49.6%	55.0%	54.3%	53.1%	53.1%
Interest Return On Average Assets	8.14%	8.22%	8.46%	8.66%	8.63%
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%	2.45%	2.57%	2.60%

### Key Drivers

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Loan Growth (%)	26.3%	21.2%	11.0%	15.5%	15.5%
Net Interest Margin (%)	8.6%	8.7%	8.9%	9.1%	9.0%
Non Interest Income Growth (%)	160.1%	44.7%	0.4%	13.8%	26.5%
Cost-income Ratio (%)	35.5%	34.2%	35.0%	35.0%	35.0%
Net NPL Ratio (%)	-6.3%	-9.6%	-12.9%	-15.4%	-17.6%
Loan Loss Reserve (%)	50.8%	45.9%	53.0%	54.0%	55.4%
GP Ratio (%)	1.0%	0.9%	1.1%	1.2%	1.2%
Tier 1 Ratio (%)	12.4%	11.0%	11.2%	12.1%	12.8%
Total CAR (%)	14.6%	11.9%	12.0%	12.4%	12.8%
Deposit Growth (%)	7.9%	27.9%	12.3%	18.8%	17.8%
Loan-deposit Ratio (%)	134.4%	127.5%	125.6%	122.0%	119.6%
Gross NPL Ratio (%)	3.4%	3.5%	3.8%	3.9%	3.9%
Fee Income Growth (%)	71.4%	10.3%	10.0%	20.0%	15.0%

SOURCES: VND RESEARCH, COMPANY REPORTS

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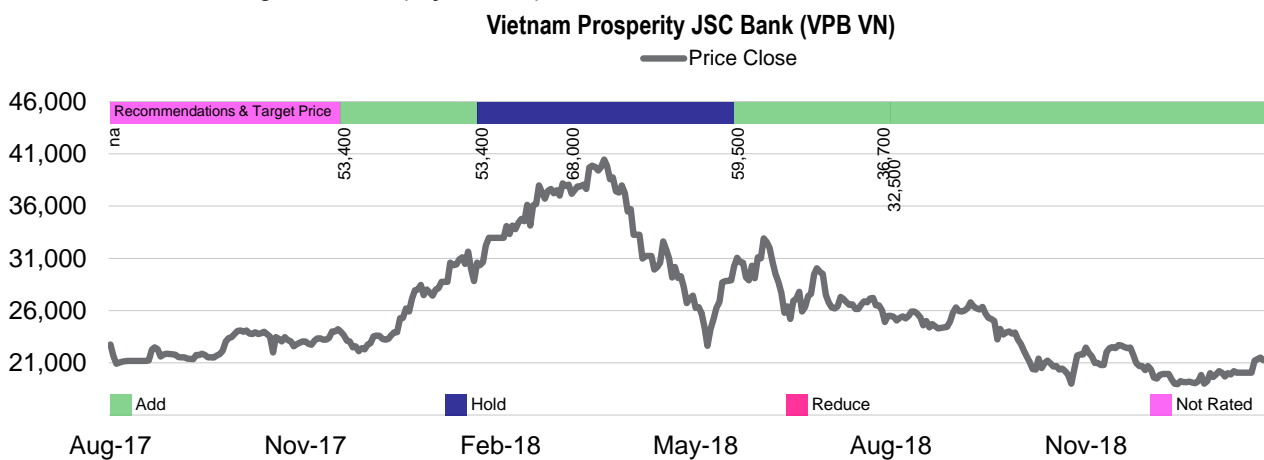
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2018		
758 companies under coverage for quarter ended on 31 December 2018		
	Rating Distribution (%)	Investment Banking clients (%)
Add	61.2%	4.2%
Hold	25.1%	2.1%
Reduce	13.7%	0.4%

**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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