Malaysia

Overweight *(no change)*

Highlighted Companies

Hong Leong Bank
ADD, TP RM21.80, RM20.16 close

Hong Leong Bank (HLB) is our top pick for the sector because it is one of the most defensive banks against the credit risks arising from Covid-19. Earnings drivers in 2022F would be its above-industry loan growth and swift expansion in associate contribution from Bank of Chengdu.

Public Bank Bhd
ADD, TP RM5.00, RM4.63 close

We rate Public Bank as an Add because we believe it is the most defensive against the credit risks from Covid-19 pandemic. This is premised on its superior gross impaired loan ratio, which is consistently the lowest in the sector.

RHB Bank Bhd
ADD, TP RM7.00, RM5.93 close

RHB Bank boasts the highest CY22F dividend yield of 5.8% in the sector, while its CY22F P/E of 8.6x is attractive (vs. sector's average of 12.4x). 2022 earnings catalyst would be lower provision.

Summary Valuation Metrics

P/E (x)	Dec-22F	Dec-23F	Dec-24F
Hong Leong Bank	13.37	11.97	11.07
Public Bank Bhd	15.52	12.23	11.77
RHB Bank Bhd	8.62	7.04	6.49

P/BV (x)	Dec-22F	Dec-23F	Dec-24F
Hong Leong Bank	1.25	1.17	1.08
Public Bank Bhd	1.73	1.60	1.50
RHB Bank Bhd	0.76	0.70	0.65

Dividend Yield	Dec-22F	Dec-23F	Dec-24F
Hong Leong Bank	2.99%	3.34%	3.61%
Public Bank Bhd	3.22%	4.09%	4.25%
RHB Bank Bhd	5.80%	7.10%	7.70%

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Banks

No deterioration in debt servicing ability

- We gathered from the 2H21 FSR report that the median debt service ratio for outstanding household loans was stable at 35% at end-Jun 21 and Dec 21.
- BNM expects new credit cost to be more modest in 2022F, supporting our expectation for a 16% drop in 2022F loan loss provisioning (LLP).
- Reiterate Overweight on banks given our expected reduction in LLP and expansion in net interest margin (post-OPR hike in 2H22F).

The release of 2H21 FSR report

Bank Negara Malaysia (BNM) released the 2H21 Financial Stability Review (FSR) report on 30 Mar 22, followed by an engagement session with analysts on the same day. The key highlights for the FSR report were the information for the debt servicing ability of borrowers and the results of a stress test conducted by BNM.

Stable debt service ratios for household loans

The positive take we gathered from the 2H21 FSR report is that the median debt service ratios (MDSRs) for household loan were stable at both end-Jun 21 and end-Dec 21 — at 44% for newly approved loans and 35% for outstanding loans. Meanwhile, the interest coverage ratio (ICR) for the overall business segment also strengthened from 6.7x at end-Jun 21 to 7.5x at end-Dec 21, although the ICR declined in 2H21 for the wholesale/retail (from 10.8x at end-Jun 21 to 6.8x at end-Dec 21) and real estate (from 3x at end-Jun 21 to 2.4x at end-Dec 21) sectors. We project an increase in banks' gross impaired loan (GIL) ratio from 1.4% at end-Dec 21 to 1.8-2.0% at end-Dec 22, as the unwinding of the repayment assistance could lead to some slippages in banks' asset qualities.

Lower pre-emptive provision in 2022F

BNM expects banks' credit costs to be elevated in 2022, but the new provisions (pre-emptive provisions, in our view) would be more modest, given the strong buffers built up in the past two years. This supports our expectation for a 16% drop in banks' LLP in 2022F.

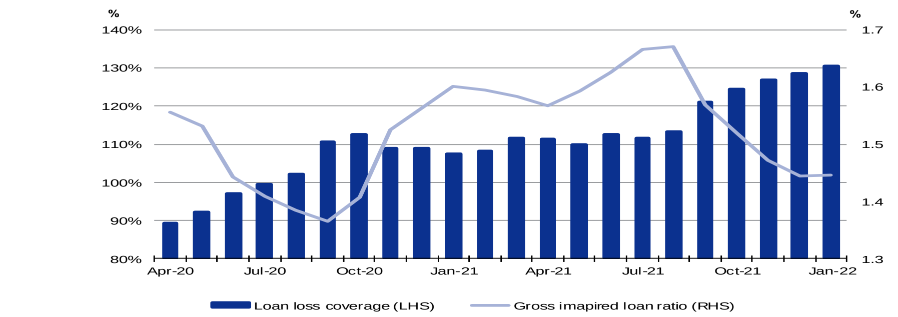
Strong capital buffers against any spike in GIL

Under the stress test conducted by BNM, banks' GIL ratio could balloon from 1.4% in Dec 21 to c.3% in Dec 22, c.4.5% in Dec 23 and 6.1-6.6% in Dec 24. In these scenarios, banks' total capital ratio could drop from 18.9% in Dec 21 to a low of c.17.8% in Dec 24, which would still be significantly higher than the regulatory minimum requirement of 8%. This showed that Malaysian banks have strong capital buffer against any shocks from a spike in GIL ratio.

Reiterate Overweight on banks

We reiterate our Overweight call on banks, given the expected continuation in earnings recovery in 2022F (with our projected core net profit growth of 4.1%). The potential re-rating catalysts would be a downcycle in LLP and expansion in net interest margin, following the expected hike in overnight policy rate (OPR) in 2H22F. Our picks for the sector are Hong Leong Bank, RHB Bank and Public Bank.

Figure 1: Banking industry's gross impaired loan ratio and loan loss coverage



SOURCES: BANK NEGARA MALAYSIA

Figure 2: Sector comparison table

Company	Bloomberg Ticker	Recom.	Price (local curr)	Target Price (local curr)	Market Cap (US$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)			P/PPOPS (x)		Dividend Yield (%)	
						CY2021	CY2022F		CY2021	CY2022F	CY2021	CY2022F	CY2023F	CY2021	CY2022F	CY2021	CY2022F
DBS Group	DBS SP	Add	35.97	39.90	68,211	13.6	12.3	23.6%	1.68	1.57	12.8%	13.2%	14.2%	11.8	10.6	3.3%	4.0%
OCBC	OCBC SP	Add	12.39	14.20	41,008	11.5	10.3	20.0%	1.16	1.10	10.4%	10.9%	11.7%	9.7	9.0	4.3%	4.8%
United Overseas Bank	UOB SP	Add	32.16	35.40	39,625	13.9	12.9	21.5%	1.26	1.20	9.3%	9.6%	11.1%	9.8	9.2	3.7%	3.9%
Singapore average						**13.0**	**11.8**	**22.3%**	**1.38**	**1.31**	**11.0%**	**11.4%**	**12.5%**	**10.6**	**9.8**	**3.7%**	**4.2%**
Agricultural Bank of China	1288 HK	Add	2.95	4.40	163,417	3.7	3.4	9.2%	0.41	0.38	11.6%	11.5%	11.6%	1.8	1.6	8.6%	9.2%
Bank of China	3988 HK	Add	3.05	4.20	138,119	3.5	3.3	10.6%	0.38	0.35	11.2%	11.2%	11.3%	1.9	1.8	8.9%	9.6%
Bank of Communications	3328 HK	Add	5.52	5.30	55,559	4.1	3.7	10.0%	0.42	0.39	10.7%	10.9%	11.1%	2.1	1.9	7.9%	8.6%
China CITIC Bank	998 HK	Add	3.90	4.80	33,446	2.9	2.7	12.6%	0.31	0.28	10.8%	10.9%	11.4%	1.1	1.0	9.5%	10.5%
China Construction Bank	939 HK	Add	5.75	8.00	186,010	4.0	3.7	9.3%	0.47	0.43	12.4%	12.3%	12.3%	2.1	2.0	7.7%	8.4%
China Minsheng Bank	1988 HK	Hold	3.10	2.90	24,892	3.3	3.0	10.6%	0.23	0.22	7.1%	7.3%	8.0%	0.9	0.9	9.1%	9.9%
ICBC	1398 HK	Add	4.72	5.80	252,088	4.0	3.7	9.1%	0.47	0.43	12.2%	12.0%	12.0%	2.1	2.0	7.7%	8.2%
Hong Kong average						**3.8**	**3.5**	**9.7%**	**0.42**	**0.39**	**11.6%**	**11.5%**	**11.6%**	**1.9**	**1.8**	**8.2%**	**8.8%**
Bank Central Asia	BBCA IJ	Hold	7,850	8,100	67,342	30.8	26.5	16.1%	4.77	4.38	16.2%	17.3%	18.2%	20.0	18.7	1.6%	2.3%
Bank Danamon	BDMN IJ	Add	2,420	3,300	1,646	8.2	6.3	62.6%	0.50	0.47	6.5%	7.7%	8.4%	2.5	2.2	4.3%	5.6%
Bank Rakyat Indonesia	BBRI IJ	Add	4,690	5,000	49,465	20.8	16.9	30.6%	2.46	2.31	12.0%	14.2%	16.0%	9.5	9.1	3.7%	5.0%
Bank Tabungan Negara	BBTN IJ	Add	1,755	2,100	1,293	7.8	7.1	24.8%	0.87	0.79	na	na	12.4%	2.9	2.9	2.6%	2.8%
Indonesia average						**24.4**	**20.2**	**27.7%**	**3.07**	**2.86**	**na**	**na**	**16.0%**	**12.5**	**11.8**	**2.5%**	**3.5%**
Affin Bank Berhad	ABANK MK	Reduce	1.98	1.41	998	7.9	8.7	22.8%	0.43	0.39	5.4%	4.7%	5.1%	4.7	4.8	6.3%	2.5%
Alliance Bank Malaysia Berhad	ABMB MK	Reduce	3.62	3.17	1,330	10.3	7.9	28.1%	0.85	0.80	8.6%	10.5%	11.0%	5.2	4.9	3.9%	5.5%
AMMB Holdings	AMM MK	Add	3.62	3.64	2,844	9.0	7.6	12.9%	0.75	0.72	8.1%	9.7%	9.8%	4.5	4.3	3.6%	5.3%
Bank Islam Malaysia Bhd	BIMB MK	Add	2.91	3.30	1,488	11.8	10.5	8.4%	0.94	0.88	9.1%	8.7%	9.9%	6.8	5.4	3.8%	4.7%
Hong Leong Bank	HLBK MK	Add	20.16	21.80	10,371	14.9	13.3	9.8%	1.39	1.25	9.9%	9.9%	10.1%	12.8	12.3	2.6%	3.0%
Malayan Banking Bhd	MAY MK	Add	8.90	9.80	25,089	12.5	12.9	10.2%	1.23	1.09	9.7%	8.9%	9.5%	7.4	7.6	6.5%	4.7%
Public Bank Bhd	PBK MK	Add	4.63	5.00	21,328	15.7	15.5	11.9%	1.87	1.73	12.1%	11.6%	13.6%	10.5	9.4	3.3%	3.2%
RHB Bank Bhd	RHBBANK MK	Add	5.93	7.00	5,830	8.6	8.6	13.4%	0.88	0.76	10.2%	9.5%	10.3%	5.7	5.0	6.7%	5.8%
Malaysia average						**12.8**	**12.4**	**12.6%**	**1.26**	**1.13**	**9.9%**	**9.6%**	**10.4%**	**8.1**	**7.7**	**4.7%**	**4.1%**
Bangkok Bank	BBL TB	Add	136.5	164.0	7,753	9.7	8.6	24.4%	0.55	0.53	6.1%	6.2%	6.7%	4.5	4.2	2.9%	3.7%
Kasikornbank	KBANK TB	Add	158.5	170.0	11,174	10.8	9.5	11.7%	0.81	0.76	8.1%	8.2%	8.4%	4.2	4.0	1.9%	3.2%
Kiatnakin Phatra Bank	KKP TB	Hold	68.8	59.0	1,732	10.9	9.2	8.0%	1.22	1.19	11.9%	13.1%	13.6%	4.9	4.5	4.5%	6.2%
Krung Thai Bank	KTB TB	Hold	13.5	12.7	5,614	10.2	8.8	10.1%	0.53	0.51	5.4%	5.9%	5.9%	3.0	2.9	3.0%	4.1%
Siam Commercial Bank	SCB TB	Add	113.5	119.0	11,467	11.5	10.5	12.5%	0.89	0.85	8.4%	8.3%	8.9%	4.5	4.3	2.6%	4.4%
Tisco Financial Group	TISCO TB	Hold	100.0	101.0	2,382	12.2	11.4	5.9%	1.97	1.93	17.1%	17.1%	17.8%	7.4	7.2	6.8%	7.8%
Thailand average						**10.7**	**9.5**	**13.5%**	**0.74**	**0.71**	**7.4%**	**7.5%**	**7.9%**	**4.2**	**4.0**	**2.9%**	**4.1%**

SOURCES: CGS-CIMB RESEARCH ESTIMATE, COMPANY REPORTS, BLOOMBERG (AS AT 30 MAR 22)

No deterioration in debt servicing ability

About asset quality

Better financial position for businesses

As stated in the 2H21 FSR report, the financial position of businesses continued to improve, reflected by the increase in median interest coverage ratio (from 6.7x in 2Q21 to 7.5x in 4Q21) and operating margin (from 7.2% in 2Q21 to 7.6% in 4Q21). In addition, the aggregate cash-to-short-term-debt ratio of 1.4x in 4Q21 for businesses was above the long-term average of 0.9x (from 2015 to 2019), while the debt-to-equity ratio was lower at 21.8% in 4Q21 (vs. the average of 23.2% in 2015-19).

We are also encouraged to note that the proportion of firms at risk declined further to 20.9% in 4Q21 (from a peak of 31.9% in 3Q20). This was mainly due to lower overall leverage for companies, more prudent controls of expenses, and a gradual recovery in economic activities.

While the major floods in Dec 21 led to sudden disruptions of business activities, the overall financial impact on businesses, in BNM's view, was limited given the temporary nature of the loss in output and income.

(Note: Based on BNM's definition, firms at risk are listed non-financial corporates with interest coverage ratio of below the prudent threshold of two times.)

Risk from CRE sector on banks not significant

In the 2H21 FSR report, BNM also highlighted the risk in the commercial real estate (CRE) sector, as the following Covid-19-induced changes could exacerbate the oversupply conditions in the CRE sector:

- Flexible working arrangements
- Acceleration in e-commerce (and hence lower demand for retail floor space)
- Increased emphasis on health and safety

However, BNM thinks the risks from CRE sector on banks would remain low due to the following reasons:

- Limited direct linkages to financial institutions — credit exposures to the CRE sector only accounted for 7.8% of banking system's assets.
- Sound quality of banks' lending to the sector — stage 2 loans accounted for 12% of CRE loans, but the impairment ratio remained low at 1.5%.
- Limited exposures to property-secured business loans — only 4.5% of the outstanding banks' loans (excluding end-financing) are secured against commercial properties.

(Note: Stage 2 loans are the loans that have exhibited deterioration in credit risk, for which banks are required to set aside provisions based on lifetime expected credit losses, based on the Malaysian Financial Reporting Standard 9.)

Stress-testing by BNM

One of the key highlights for the 2H21 FSR report is the results from the stress test conducted by BNM. BNM conducted a top-down macro solvency stress test, which covers a three-year horizon up to end-2024. BNM stated that the scenarios for the stress test do not represent its actual expectations of the trajectory of the economy. Rather, the scenarios were developed for the purpose of assessing the resilience of financial institutions to withstand major shocks.

The following are the two major scenarios for the stress test:

- Adverse scenario (AS) 1 – AS 1 is designed to test financial institutions' resilience to a sharp but temporary shock in the operating environment. It assumes a sharp contraction in GDP growth in the first year of stress, with a magnitude of close to 3 s.d. below the average growth over the past two decades, and the unemployment rate climbing to a peak of 6.9% in 2022 amid a reimposition of a strict six-month nationwide lockdown as the existing vaccination becomes ineffective against a new Covid-19 variant.

GDP growth is assumed to make a strong V-shaped recovery in 2023 and normalise thereafter, supported by subsequent relaxation of Covid-19 containment measures. Meanwhile, the unemployment rate is assumed to remain elevated in 2023 but improve from 2024 onwards on the back of economic recovery.

- AS 2 – AS 2 assumes a sluggish and L-shaped economic recovery. It aims to test financial institutions' ability to withstand an operating environment that remains challenging over a protracted period. GDP is assumed to record negative growth in 2022 and 2023, with a cumulative decline of close to 3 s.d. from the long-term average growth before a subdued recovery in 2024.

  This scenario assumes that the emergence of new Covid-19 variants of concern leads to multiple, but shorter (three-month) nationwide lockdowns being imposed in 2022 and 2023. Stressed conditions are compounded by prolonged policy uncertainty, resulting in more widespread business closure and job losses. The unemployment rate is assumed to peak at 7.6% in 2023 and remain elevated throughout the stress-test horizon given severe scarring effects from the pandemic.

Under BNM's stress test, the banks' Gil ratio would balloon from 1.4% in Dec 21 to c.3% in Dec 22, c.4.5% in Dec 23 and 6.1-6.6% in Dec 24. In these scenarios, banks' total capital ratio would decline from 18.9% in Dec 21 to 18.4-18.6% in Dec 22, c.18.1% in Dec 23 and c.17.9% in Dec 24, but all these would still be significantly higher than the regulatory minimum requirement of 8%.

Preparing for the adoption of CCPT

In Apr 21, BNM issued the Climate Change and Principle-based Taxonomy (CCPT) as a framework for financial institutions to assess economic activities and their associated impact on climate and the broader environment.

The following are the five guiding principles (GP) for CCPT:

- GP1 – Climate Change Mitigation
- GP2 – Climate Change Adaptation
- GP3 – Do no significant harm to the environment
- GP4 – Remedial measures to transition
- GP5 – Prohibited activities

The following is the classification (of investments and financing) under CCPT:

- Supporting – activities with positive impacts on climate change and causing no significant harm to the environment
- Transitioning – activities causing significant harm to the environment, but remedial measures taken by customers to reduce the negative impact (on the environment).
- Watchlist – activities causing significant harm to the environment and no remedial measures taken to reduce the negative impact.

Financial institutions will have to adopt CCPT starting from Jul 22. In anticipation of this, financial institutions have ramped up efforts to operationalise the CCPT. The CCPT guiding principles and classification are progressively being integrated into their existing credit-related processes and assessment templates, including annual or periodic due-diligence reviews of existing borrowers. Compared to lending activities for banks, greater progress in the adoption of CCPT can be observed for their investment activities, where more financial institutions are able to build on existing policies and framework of ESG-aligned investments.

Financial institutions remain committed to support clients' transition from the perspective of climate change. Instead of withdrawing support for sectors and activities deemed less green, financial institutions are seen taking a nurturing approach in helping such clients. These are in line with the information provided by some banks for their practices to handle their clients in the sectors with high ESG risks.

In terms of the preparedness for the adoption of CCPT, BNM stated that:

- 35% of banks have considered CCPT as the guiding principles in underwriting of loans
  - Developed dedicated assessment template and due-diligence process
  - CCPT guiding principles embedded in ESG due-diligence processes for client on-boarding and annual review of existing clients.
- 45% of financial institutions have considered CCPT guiding principles in investment decisions.
- 70% of financial institutions conducted training for staff on CCPT implementation.
- 51% of financial institutions rolled out initiatives to nurture clients to transition and adopt sustainable business practices.

Potential downside risks

The key potential downside risks to our Overweight call on Malaysian banks include weaker-than-expected economic growth in 2022F, as this could cause banks to register higher-than-expected LLP and softer loan growth.

For repayment assistance offered to borrowers, further downside risk for banks' earnings could be similar interest exemptions (like those for B50 individual borrowers) offered by banks to certain SME loans under repayment assistance. To account for the above risk and the risks from any other new measures that could be detrimental to banks' earnings, we have imputed a discount of 10% to our DDM values for all the Malaysian banks under our coverage to arrive at our target prices.

In addition, we have factored in a hike of 25bp in the OPR in mid-2022F for our earnings forecasts for all Malaysian banks. This lifted our projected net profit by an estimated 1.2% for CY22F and 2.4% for CY23F for the banking sector. As such, there could be downside risks to our earnings forecasts if our assumed 25bp hike in OPR does not materialise in 2022F.

ESG in a nutshell

ESG

We assess the direct ESG risks for Malaysian banks to be low because: 1) they are not among the primary sources of environmental pollution in the country; and 2) most banks offer decent remuneration packages and employee benefits to their staff, while the well-being of most of their lower-paid staff is protected by unions. In addition, under the stringent supervision of BNM, all banks uphold high levels of governance in their operations. In fact, we think banks could contribute to improvements in the overall ESG standards of the country as they can act as enablers for a lot of companies' transition to higher ESG standards. Banks can achieve this by leveraging on their business (primarily lending) relationships with these companies to engage with them to formulate plans to improve their ESG standards.

In our view, one of the key areas that determines the ESG standard of a bank is its ESG disclosure. Although we see room for improvement for some banks in this aspect, we are encouraged that most banks have shown the commitment to elevate their standards of ESG disclosures. A notable development is the ESG briefings to investors hosted by four banks, i.e. Maybank, Hong Leong Bank, AMMB and Alliance Bank, since 2021. In addition, some banks have started to provide updates on their ESG developments in their quarterly results presentation slides.

Keep your eye on	Implications
Banks will have to address their exposures to sectors with high ESG risks, including plantation, oil and gas, and non-renewable energy sectors, as well as some manufacturing sub-sectors. Another area that banks need to provide more ESG information on is the risks from climate change.	Some banks have started to work with their borrowers in the ESG-vulnerable sectors to improve their respective ESG standards. These banks even set ESG-related targets for certain borrowers to meet, followed by periodic reviews of their progress towards achieving these targets.
ESG highlights	**Implications**
Our ESG pick for the sector is Maybank as: 1) it was among the first to introduce the well-articulated ESG Risk Acceptance Criteria (based on our observation), which are the ESG guidelines for its lending activities; 2) it has a dedicated task force (Scrum teams) to advise (and monitor) its clients on ESG-related matters, especially clients in sectors with high ESG risks; and 3) through its regional network, it has been implementing its ESG initiatives in various countries, widening the base of beneficiaries.	We will monitor the progress of all banks in improving their ESG standards, especially in the areas of disclosure, and initiatives to mitigate the risks from their exposure to ESG-vulnerable sectors. Going forward, another area that banks will focus on in terms of ESG is the risks from climate change. We expect the central bank to introduce new regulations in the next few years to require banks to improve their analysis of the risks associated with climate change and provide more information on these risks. For instance, we understand that banks would have to conduct stress testing for the risks from climate change by 2024.
Trends	**Implications**
To support the ESG development of the country, most banks have started to focus on growing their green financing, particularly for renewable energy projects, as well as other 'green' projects, like green buildings.	We do not have statistics on the size of green financing in the banking industry. However, based on what we have gathered from banks, we estimate that green financing makes up less than 1-2% of total loans for most banks. Most banks project swift expansion in their green financing in the next few years, but we think the proportion of green financing over gross loans for most banks will remain small, at below 2%, over the next 3-5 years. Several banks have disclosed their longer-term targets for the size of sustainable finance (i.e. RM50bn for Maybank and RM5bn for Alliance). The scope for sustainable finance is broader as, apart from financing of green projects, it also comprises certain consumer and SME loans (like the financing of the purchase of electric vehicles and installation of solar panels), investments in green bonds, as well as ESG-compliant wealth and asset management products.

SOURCES: CGS-CIMB RESEARCH, REFINITIV

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Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a **BH** - Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** –

Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** - Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** - Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, n/a, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** - Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** - Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 5, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

Recommendation Framework

Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more 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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