Malaysia

Overweight *(no change)*

Highlighted Companies

Hong Leong Bank
ADD, TP RM21.80, RM20.66 close

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

Public Bank Bhd
ADD, TP RM5.00, RM4.53 close

We rate Public Bank as an Add because we believe it is the most defensive against the credit risks arising from the 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, RM6.04 close

RHB Bank boasts the highest CY22F dividend yield of 5.7% in the sector, while its CY22F P/E of 8.8x is attractive (vs. sector average of 12.5x). FY22F earnings catalysts include lower provisioning.

Summary Valuation Metrics

P/E (x)	Dec-22F	Dec-23F	Dec-24F
Hong Leong Bank	13.70	12.27	11.34
Public Bank Bhd	15.18	11.96	11.51
RHB Bank Bhd	8.78	7.17	6.61
P/BV (x)	**Dec-22F**	**Dec-23F**	**Dec-24F**
Hong Leong Bank	1.28	1.19	1.11
Public Bank Bhd	1.69	1.57	1.46
RHB Bank Bhd	0.77	0.71	0.67
Dividend Yield	**Dec-22F**	**Dec-23F**	**Dec-24F**
Hong Leong Bank	2.92%	3.26%	3.53%
Public Bank Bhd	3.29%	4.18%	4.34%
RHB Bank Bhd	5.70%	6.97%	7.56%

Banks

Key takeaways from digital banking ESS

- In 2023, we think new digital banks will aim to capture shares in an untapped value pool (revenue) of RM10bn, out of the sector's RM91bn (EY estimate).
- In our view, new digital banks will take 3-5 years to break even; hence, we do not expect them to start a long-lasting price war within this period.
- The emergence of new digital banks does not alter our positive outlook for the sector; reiterate Overweight on banks.

Expert speaker session with EY on digital banks

We hosted an expert speaker session (ESS), featuring Mr. Ling Kay Yeow, a partner of Ernst & Young Consulting (EY), as the speaker, to address likely implications following the recent award of five digital banking licences by Bank Negara Malaysia (BNM) to the: 1) Boost-RHB Bank consortium, 2) GXS Bank-Kuok Brothers consortium, 3) Sea Limited-YTL consortium, 4) AEON consortium, and 5) KAF Investment Bank consortium. EY said that the incumbent banks have three options in their strategies to respond to the emergence of new digital banks: 1) build on their existing digital infrastructure, 2) create new digital channels, and 3) create digital-only banks with the existing licence. We think that option 3 is the least likely to be employed by the incumbent banks due to the additional costs and investments involved, as well as financial and reputational risks (if the digital-only ventures fail).

Digital banks could focus on a RM10bn untapped value pool in 2023

EY estimated a total value pool (akin to revenue) of c.RM91bn for banks (retail and SME customers) in 2023F. Within this, we think the digital banks could aim to take a share in the segments amounting to a total value pool of c.RM10bn, comprising c.RM3bn of new SME loan customers and c.RM7bn for underbanked and unbanked retail customers.

New digital banks could take 3-5 years to break even

We concur with EY's view that the new digital banks could take 3-5 years to break even as they need time to build up scale. With our expectation that these banks will commence operations by 2023-24F, they would only break even between 2026 and 2029. We think the digital banks will not be able to engage in long-lasting price competition with incumbent banks before they begin turning profits as this would further deplete their shareholders' funds, which are much smaller than those of incumbent banks.

Reiterate Overweight on banks

Following the ESS, we stick to our view that the emergence of new digital banks will not materially alter the competitive landscape of the banking industry in the next 3-4 years, especially given the fact that the new digital bank licence winners will be limited to only focusing on the unserved and underserved segment and given the RM3bn cap on asset size per digital bank within 3-5 years after incorporation. As such, we are unwavering in our Overweight call on banks, predicated on the potential re-rating catalyst of continuous earnings recovery in 2022-23F. Our picks for the sector are Hong Leong Bank, RHB Bank and Public Bank.

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Figure 1: Value pool for banks in 2023 (EY estimate; for SME and retail customers)

Value pool (RM bn)			
SME banking		Retail banking	
2018 revenue pool	16	2018 revenue pool	49
Organic growth	3	Organic growth	12
New SME banking customers	3	Unbanked and underbanked	7
Total	23	Total	68

Potential target by digital banks

(Note: The total for SME banking value pool does not add up to RM23bn due to rounding error.)

SOURCES: EY

Figure 2: Sector comparison

Company	Bloomberg Ticker	Recom.	Price (local curr)	Target Price (local curr)	Market Cap (US$ m)	Core P/E (x) CY2021	Core P/E (x) CY2022F	3-year EPS CAGR (%)	P/BV (x) CY2021	P/BV (x) CY2022F	Recurring ROE (%) CY2021	Recurring ROE (%) CY2022F	Recurring ROE (%) CY2023F	P/PPOPS (x) CY2021	P/PPOPS (x) CY2022F	Dividend Yield (%) CY2021	Dividend Yield (%) CY2022F
DBS Group	DBS SP	Add	31.23	40.20	57,544	11.8	10.1	26.9%	1.46	1.35	12.8%	14.1%	15.7%	10.2	8.8	3.7%	4.6%
OCBC	OCBC SP	Add	11.71	14.20	37,717	10.8	9.7	20.6%	1.09	1.04	10.4%	11.1%	12.2%	9.2	8.4	4.5%	5.1%
United Overseas Bank	UOB SP	Add	28.49	35.60	34,159	12.3	10.8	21.6%	1.12	1.06	9.3%	10.3%	11.3%	8.7	8.0	4.2%	4.4%
Singapore average						**11.6**	**10.1**	**23.9%**	**1.24**	**1.16**	**11.0%**	**12.0%**	**13.3%**	**9.5**	**8.5**	**4.1%**	**4.7%**
Agricultural Bank of China	1288 HK	Add	2.90	4.40	154,855	3.9	3.6	9.2%	0.43	0.39	11.5%	11.5%	11.6%	1.9	1.8	8.2%	8.9%
Bank of China	3988 HK	Add	3.01	4.20	131,772	3.7	3.4	10.6%	0.40	0.37	11.2%	11.2%	11.3%	2.0	1.9	8.5%	9.2%
Bank of Communications	3328 HK	Add	5.12	5.30	51,412	4.0	3.7	10.0%	0.42	0.39	10.7%	10.9%	11.1%	2.0	1.9	8.0%	8.7%
China CITIC Bank	998 HK	Add	3.62	4.80	30,398	2.9	2.6	12.6%	0.30	0.28	10.8%	10.9%	11.4%	1.1	1.0	9.6%	10.6%
China Construction Bank	939 HK	Add	5.46	8.00	175,703	4.0	3.7	9.7%	0.47	0.43	12.5%	12.3%	12.3%	2.2	2.0	7.7%	8.3%
China Minsheng Bank	1988 HK	Hold	2.87	2.60	22,431	3.5	3.2	8.0%	0.22	0.21	6.6%	6.8%	7.5%	1.0	1.0	8.6%	9.3%
ICBC	1398 HK	Add	4.57	5.90	237,279	4.2	3.9	9.1%	0.49	0.45	12.2%	12.0%	12.1%	2.3	2.2	7.4%	8.0%
Hong Kong average						**3.9**	**3.6**	**9.7%**	**0.43**	**0.40**	**11.6%**	**11.5%**	**11.6%**	**2.0**	**1.9**	**7.9%**	**8.6%**
Bank Central Asia	BBCA IJ	Hold	7,325	8,100	61,794	28.7	24.8	16.1%	4.45	4.09	16.2%	17.3%	18.2%	18.6	17.5	1.7%	2.4%
Bank Danamon	BDMN IJ	Add	2,370	3,300	1,585	8.1	6.1	62.6%	0.49	0.46	6.5%	7.7%	8.4%	2.5	2.2	4.3%	5.7%
Bank Rakyat Indonesia	BBRI IJ	Add	4,250	5,000	44,079	18.8	15.3	30.6%	2.23	2.09	12.0%	14.2%	16.0%	8.6	8.3	4.1%	5.6%
Bank Tabungan Negara	BBTN IJ	Add	1,645	2,100	1,192	7.3	6.7	24.8%	0.81	0.74	na	na	12.4%	2.8	2.8	2.7%	3.0%
Indonesia average						**22.6**	**18.7**	**27.7%**	**2.84**	**2.64**	**na**	**na**	**16.0%**	**11.6**	**10.9**	**2.7%**	**3.8%**
Affin Bank Berhad	ABANK MK	Reduce	2.08	1.41	1,004	8.3	9.1	22.8%	0.45	0.41	5.4%	4.7%	5.1%	4.9	5.1	6.0%	2.4%
Alliance Bank Malaysia Berhad	ABMB MK	Reduce	3.60	3.17	1,267	10.2	7.8	28.1%	0.85	0.79	8.6%	10.5%	11.0%	5.2	4.8	3.9%	5.5%
AMMB Holdings	AMM MK	Add	3.54	3.64	2,667	8.8	7.4	12.9%	0.74	0.71	8.1%	9.7%	9.8%	4.4	4.2	3.7%	5.4%
Bank Islam Malaysia Bhd	BIMB MK	Add	2.97	3.30	1,455	12.0	10.8	8.4%	0.96	0.90	9.1%	8.7%	9.9%	7.0	5.5	3.7%	4.6%
Hong Leong Bank	HLBK MK	Add	20.66	21.80	10,181	15.2	13.6	9.8%	1.42	1.28	9.9%	9.9%	10.1%	13.2	12.6	2.5%	2.9%
Malayan Banking Bhd	MAY MK	Add	8.96	9.80	24,383	12.6	13.0	10.2%	1.24	1.10	9.7%	8.9%	9.5%	7.4	7.6	6.5%	4.7%
Public Bank Bhd	PBK MK	Add	4.53	5.00	19,990	15.4	15.2	11.9%	1.83	1.69	12.1%	11.6%	13.6%	10.2	9.2	3.4%	3.3%
RHB Bank Bhd	RHBBANK MK	Add	6.04	7.00	5,689	8.8	8.8	13.4%	0.89	0.77	10.2%	9.5%	10.3%	5.8	5.1	6.6%	5.7%
Malaysia average						**12.8**	**12.5**	**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	125.0	164.0	6,858	8.9	7.8	24.4%	0.51	0.49	6.1%	6.2%	6.7%	4.1	3.8	3.2%	4.0%
Kasikornbank	KBANK TB	Add	142.0	170.0	9,670	9.6	8.5	11.7%	0.72	0.68	8.1%	8.2%	8.4%	3.7	3.6	2.1%	3.5%
Kiatnakin Phatra Bank	KKP TB	Hold	69.3	59.0	1,685	11.0	9.3	8.0%	1.23	1.20	11.9%	13.1%	13.6%	4.9	4.5	4.5%	6.1%
Krung Thai Bank	KTB TB	Hold	14.5	12.7	5,824	11.0	9.5	10.1%	0.57	0.55	5.4%	5.9%	5.9%	3.2	3.1	2.8%	3.8%
Tisco Financial Group	TISCO TB	Hold	89.3	101.0	2,054	10.9	10.2	5.9%	1.76	1.72	17.1%	17.1%	17.8%	6.6	6.4	7.6%	8.7%
Thailand average						**9.9**	**8.7**	**13.8%**	**0.66**	**0.63**	**7.1%**	**7.3%**	**7.6%**	**3.9**	**3.7**	**3.1%**	**4.3%**

SOURCES: CGS-CIMB RESEARCH ESTIMATE, COMPANY REPORTS, BLOOMBERG (AS AT 13 MAY 22)

Key takeaways from digital banking ESS

Key insights from digital banking expert speaker session

Winners of five new digital banking licences have been announced

On 29 Apr 22, Bank Negara Malaysia (BNM) announced the five successful applicants for digital banking licences:

1. A consortium of Boost Holdings (controlled by Axiata) and RHB Bank
2. A consortium led by GXS Bank and Kuok Brothers. Registered in Singapore, GXS is jointly owned by Grab and Singtel, while Kuok Brothers is a Malaysian conglomerate with business interests spanning multiple industries.
3. A consortium led by Sea Limited and YTL Digital Capital. Sea Limited is a company listed on Singapore's stock exchange involved in digital entertainment (under Garena), e-commerce (under Shopee) and digital financial services (under SeaMoney). Sea Limited also secured a digital banking licence in Singapore on 4 Dec 2020.
4. A consortium of AEON Financial Service, AEON Credit Service and MoneyLion. MoneyLion is known for offering neo-banking services in the US.
5. A consortium led by KAF Investment Bank. Apart from KAF Investment Bank, other companies in the consortium are:
    - MoneyMatch – a locally-built fintech focusing on cross-border payments with business interests in Malaysia, Australia and Brunei.
    - Jirnexu – known for Ringgitplus, its aggregator website for financial products in Malaysia.
    - Carsome – an operator of a digital marketplace for used cars.

The key differentiators for the digital banks

During the expert speaker session on 11 May 22, EY outlined four major areas that will differentiate the digital banks from the incumbent banks:

1. Business model
    - Targeting unmet needs/thematic segments
    - Reimagined customer experience, products and pricing
    - Leveraging heavily on partners
2. Operating model
    - Lower cost-to-income ratio
    - Virtual customer servicing
3. Technology
    - Leveraging heavily on fintech
    - Leveraging heavily on cloud and open Application Programming Interface (API) technology
    - Leveraging heavily on artificial intelligence and machine learning
4. Talent
    - High percentage of engineers and programmers
    - Multi-disciplinary teams
    - Able to attract entrepreneurs and millennials

How will the incumbent banks respond to the emergence of new digital banks?

EY thinks that the incumbent banks have three options in terms of their strategies to respond to the emergence of new digital banks:

1. Continuing with their digitisation process
   - Capitalising on their current business practices and strengths
   - A low-risk strategy
   - No change in business model
   - No significant switch to new customer segments
   - Not able to significantly differentiate themselves from the new digital banks
   - Not aiming to compete on pricing
2. Creating a new digital front-end (channels)
   - Creating new digital channels whilst keeping most of their operations and technology stacks
   - Continued reliance on current technology
   - Running a parallel digital channel stack
   - Not driving any new culture
3. Creating digital-only banks with the existing licence
   - Creating a digital-only bank with the current licence but with separate operations, technology stack and potentially brand names.
   - Higher cost efficiency, more flexible and more nimble compared to existing banks
   - Potentially bringing learning from running digital banks back to the existing banks
   - Potential to be used as a vehicle for regional expansion
   - Possible cannibalisation of existing customers
   - Requiring new talent, culture, mindset and governance

A total value pool of circa RM91bn for banks in 2023

EY estimated a total value pool (revenue as well as savings in funding cost from low-cost deposits, i.e. current accounts and savings accounts or CASA) of c.RM91bn for Malaysian banks in 2023, with a breakdown of c.RM23bn for SME banking and c.RM68bn for retail banking.

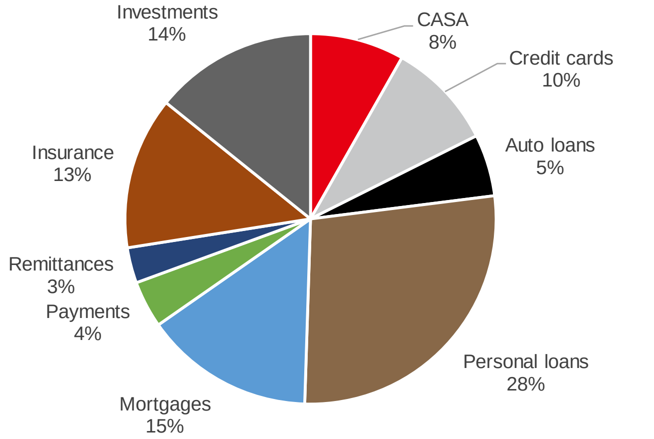
The value pool of about RM23bn for SME banking was derived from EY's assumption of growth of c.RM6bn in the period of 2019-23 from the level of c.RM16bn in 2018. Out of the c.RM6bn growth in 2019-23, about RM3bn each comes from organic growth and new SME loan customers.

Similarly, the value pool of c.RM68bn for retail banking was derived from EY's assumption of growth of RM19bn in the period of 2019-23 from the level of RM49bn in 2018. Out of the RM19bn increase in 2019-23, RM12bn emanates from organic growth and RM7bn from the underbanked and unbanked segment.

Based on the above, the new digital banks will potentially aim to take a share of the value pool amounting to RM10bn, comprising the RM3bn for new SME loan customers and RM7bn for underbanked and unbanked retail customers, in our view.

From EY's detailed breakdown of the retail value pool of c.RM68bn in 2023 (as shown in Figure 3), we gather that the largest contributor is personal loans (with a share of 27.5%), followed by 14.8% for mortgages and 14.2% for investments.

Figure 3: Breakdown of retail value pool in 2023 (estimated by EY)

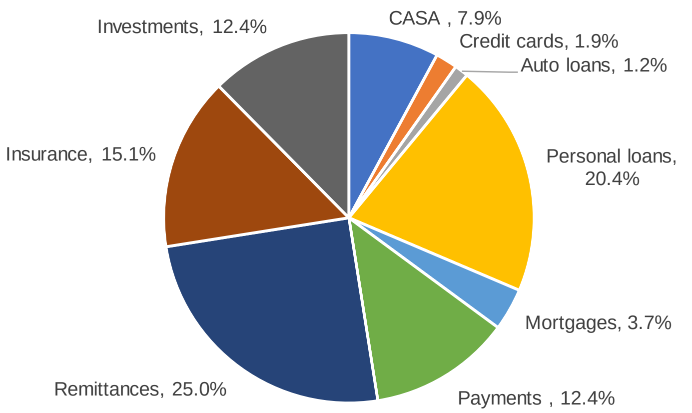


SOURCES: CGS-CIMB RESEARCH, EY

For the lower mass retail market, the biggest contributor to the value pool (with a total of RM6.1bn in 2023) is remittance, with a share of 25%. This comes mainly from migrant workers. Among other major contributors, personal loans and insurance ranked the second and third, with shares of 20.4% and 15.1%, respectively, of the value pool in 2023.

Accessibility to loans for this market segment is lower compared to other market segments due to the lack of credit history.

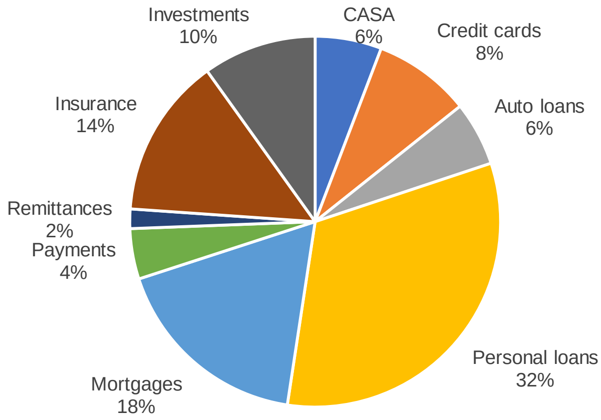
Figure 4: Breakdown of retail value pool in 2023 for lower mass segment (estimated by EY)



SOURCES: CGS-CIMB RESEARCH, EY

For the emerging middle class, the largest contributor to its total value pool of RM27.5bn in 2023 is personal loans, with a share of 32.5%. This is followed by 17.6% for mortgages and 14% for insurance.

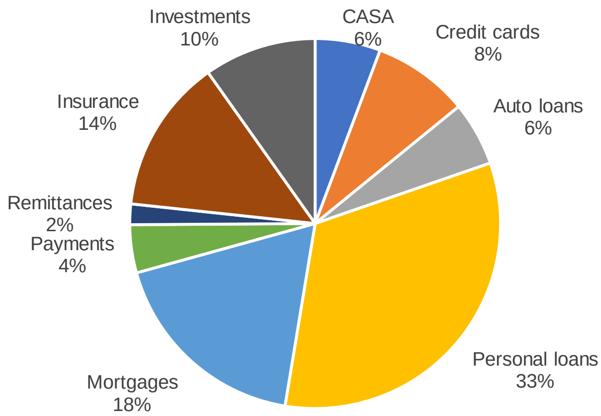
Figure 5: Breakdown of retail value pool in 2023 for emerging middle class (estimated by EY)



SOURCES: CGS-CIMB RESEARCH, EY

Personal loan is also the biggest contributor to the value pool for the gig economy (with a total of RM6.7bn in 2023 as estimated by EY), with a share of 32.9%. The top three contributors are similar to that for the emerging middle class; mortgages and insurance are ranked second and third with shares of 18.1% and 13.5%, respectively.

Figure 6: Breakdown of retail value pool in 2023 for gig economy (estimated by EY)



SOURCES: CGS-CIMB RESEARCH, EY

(Note: The gig economy is a labour market characterised by the prevalence of short-term contracts or freelance work as opposed to permanent jobs.)

Lack of satisfaction for customers of banking services spells opportunities for new digital banks

Based on a survey by EY, a high percentage of respondents revealed that their needs were not fully met by the financial services offered by banks, with 45% saying their needs were not met in terms of retirement planning services, 41% for savings and investments and 35% for financing and lending.

The above spells opportunities for the new digital banks to enter the market and gain some market share from their incumbent counterparts. However, there is no guarantee that all the digital banks will be successful in doing so unless they have a better understanding of the needs of the customers (especially unmet needs) and offer a better value proposition in terms of service delivery and rates. These qualities are of utmost importance in developing their competitive edge against incumbent banks, which have much stronger business franchises and large branch networks.

In our view, technology alone is not the sole factor for success. This needs to be combined with innovative business models and product offerings that appeal to customers.

What will attract customers to open accounts with digital banks?

EY sees the following as the deciding features attracting customers to open accounts with digital banks (the percentages in the brackets are how important these qualities are to those surveyed):

- Better service (70%)
- Better rates/lower fees (66%)
- Shariah compliant (for Islamic banks) (57%)
- Customers' experience of the apps and digital platforms (56%)
- Better financial advice (40%)

New digital banks are expected to take 3-5 years to break even

Based on the experience in other countries, EY expects the new digital banks to take 3-5 years to break even, which is in line with our view. As the winners of the digital banking licences are required to be operationally ready in the next 12-24 months, they will only commence operations in 2023-24. With this, the new digital banks will only break even between 2026 and 2029.

The time taken for digital banks to turn profitable is advantageous for the incumbent banks as the former will not have the positive operating cash flow to engage in a full-scale, long-lasting rate war with the latter until they can curb losses at the bottomline.

Looking at the developments of digital banks in other countries, as reported in a The Straits Times article dated 28 May 2021, Hong Kong's two leading digital banks, Mox Bank and ZA Bank, forecast they will start breaking even by 2024 at the earliest (estimated to be 3-4 years after they commenced operations) as they continue to build up operations and roll out new products.

Not expecting any M&As and IPOs for digital banks in the next 2-3 years

We concur with EY's view that the new digital banks will not embark on M&As and IPOs in the next 2-3 years because:

- they need to focus on building up scale and profitability
- Bank Negara Malaysia will require the new digital banks to exhibit their ability to penetrate the unserved and underserved segment and may not want them to be distracted by any corporate exercises
- the shareholders of the new digital banks are selected (approved) by Bank Negara Malaysia. Any material changes in the shareholding structure of banks will require approval from Bank Negara Malaysia.

Five key attributes for nextgen banking technology

According to EY, banks have started to adopt nextgen banking technology, which has the following five key attributes:

1. Effective and secured payment platform

- integrated cross-border payment platform offering foreign remittance with transparent fee structure and faster transaction speed

2. Open banking
   - API platform for rapid prototyping for launch to markets
   - Open APIs for products, services and ecosystems
   - Fintech ecosystem for network building
3. Fully-digital platform
   - Digital customer onboarding supported by optical character recognition (OCR) technology and facial recognition for Electronic Know Your Customers (eKYC)
   - Intelligent chatbots that are able to answer and address customers' queries 24/7
4. Tailored and contextual offerings
   - Artificial intelligent solutions for credit assessment, utilising public bureau and alternative data sources
   - Credit scoring models capable of processing proprietary datasets
   - Personalised recommendations based on predictive analytics
5. Tech-enabled risk management and compliance
   - Robust compliance platform for KYC (Know Your Customer), AML (anti-money laundering) and CFT (combating the financing of terrorism), utilising innovative technologies and reliable information for necessary checks and screening

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 loan loss provisioning and softer loan growth.

Banks have started to unwind the repayment assistance offered to their borrowers amidst the reopening of the economy. The potential risk from this is a spike in banks' gross impaired loans, mainly from the borrowers whose financial positions have been severely impaired by the Covid-19 outbreak. Should the industry's gross impaired loan ratio increase significantly above our projected 1.8-2.0% by end-Dec 22F, banks will have to increase their loan loss provisioning in 2022.

ESG in a nutshell

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 commitment to elevating their standards of ESG disclosures. A notable development is the ESG briefings to investors hosted by four banks under our coverage, 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 exposure 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 the latter's 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.	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 which 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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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2022 632 companies under coverage for quarter ended on 31 March 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	70.3%	0.8%
Hold	22.0%	0.0%
Reduce	7.8%	0.2%

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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