

India
ADD (no change)

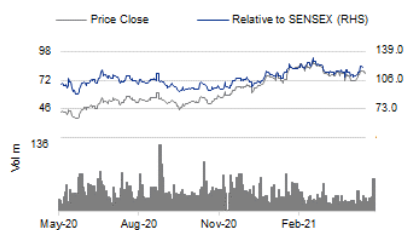
Consensus ratings*: Buy 37 Hold 2 Sell 1

Current price:	Rs82
Target price:	Rs110
Previous target:	Rs110
Up/downside:	34.1%
InCred Research / Consensus:	9.0%
Reuters:	FED.NS
Bloomberg:	FB IN
Market cap:	US\$2,222m
	Rs1,62,711m
Average daily turnover:	US\$32.5m
	Rs2380.2m
Current shares o/s:	1,996.2m
Free float:	100.0%

*Source: Bloomberg

Key changes in this note

- FY22F PAT raised by 5%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	6.7	(5.9)	86.4
Relative (%)	5.1	(2.6)	12.9

Major shareholders	% held
Franklin Templeton Mutual Fund	5.0
ICICI Prudential Mutual Fund	4.8
Life Insurance Corporation of India	3.9

Analyst(s)

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Federal Bank

Overall a stable quarter

- Federal Bank's 4QFY3/21 PAT grew 59% yoy because of NII growth of 16.8% yoy and lower provisions (which formed 27.4% of PPOp).
- End-4QFY21 delinquencies were at 0.5% of one-year lagged loans (vs 0.91% in 3Q proforma). COVID-related restructuring stood at 1.1% of advances.
- We raise our FY22F PAT by 5% to reflect better revenue progression partially offset by increase in credit cost. Reiterate Add with an unchanged TP of Rs110.

Stable quarter – PAT up 59% yoy, delinquencies receded

Overall 4Q performance was strong with PAT growth of 59% yoy, largely driven by NII growth of 17% yoy and lower provisions (27.4% of pre provisions profit). PPOp growth at -7.7% yoy was weak due to higher portfolio gain in the corresponding quarter last year. Provisions on interest on interest stood at Rs0.2bn in 4Q. Delinquencies dropped sequentially to 0.49%, and on an aggregate basis 3Q and 4Q slippages formed 1.4% of one-year lagged loans. GNPL ratio was 3.41% (+3bp qoq) and NNPL ratio was 1.19% (5bp qoq). The 1.1% of loan book restructured as on 4Q stood at Rs14bn, largely coming from the retail segment.

Asset quality held up well; restructured book at 1.1% of advances

Federal Bank's overall delinquencies during the quarter receded sequentially to 0.49% of one-year lagged loans vs 0.91% in 3Q. Retail and MSME formed 50%/23% respectively of total slippages. GNPLs witnessed some uptick and stood at 3.41% vs 3.38% in 3Q. NNPLs stood at 1.19%. Provision coverage ratio (excluding write-offs) stood at 66% in 4Q. Advances under restructuring (COVID specific) came in at Rs14bn (1.1% of total advances) until 4Q, against Rs15bn-16bn guided earlier and Rs10.9bn (0.85%) in 3Q. Collection efficiencies remained largely stable at 95% (at pre-COVID levels). The retail segment formed ~70% of the total restructured pool. Management said these were largely home loans (70% are secured). 10% of restructured book was provided for as on 4Q.

Loan growth acceleration continues; NIMs largely flat qoq

Overall loan growth in 4QFY21 was 8% yoy (5% qoq), higher than system loan growth of c.5%. Retail loans rose 19% yoy, driven by auto (15% yoy) and mortgage and loan against property (LAP) loans (10% yoy each). Corporate loan growth was tepid and declined 4% yoy. Management highlighted that the bank would focus on building up unsecured book including credit card and MFI targeted to mark Rs70bn-80bn over the next two years. This, in our view, will be margin accretive. NIM in 4Q was largely flat at 3.4% with 33bp decline in yields offset by decline in cost of deposits by 17bp qoq. Deposits granularised further and grew 13% yoy, driven by savings deposit growth of 22% yoy. CASA ratio was 33.8%.

Valuations attractive, reiterate Add

Federal Bank's overall 4QFY21 was a stable quarter with stable operating performance, a slight uptick in NIM and asset quality holding up well with lower restructured book. We raise our PAT estimates for FY22F by 5% to reflect better revenue progression with higher NII growth and slight uptick in credit cost. We believe the stock's valuation at the current level is inexpensive at 0.8x FY23F book value. Reiterate Add, with TP of Rs110 (1.1x FY23F P/BV) and sustainable ROE of 14%. Potential catalysts: Lower-than-expected credit cost. Downside risk: Higher-than-expected delinquencies due to the second wave of COVID.

Financial Summary	Mar-19A	Mar-20A	Mar-21A	Mar-22F	Mar-23F
Net Interest Income (Rsm)	41,763	46,489	55,337	64,318	74,173
Total Non-Interest Income (Rsm)	13,510	19,300	19,449	20,837	22,295
Operating Revenue (Rsm)	55,274	65,789	74,786	85,156	96,468
Total Provision Charges (Rsm)	(8,559)	(11,722)	(16,496)	(15,766)	(14,148)
Net Profit (Rsm)	12,439	15,414	15,903	20,754	25,302
Core EPS (Rs)	6.27	7.73	7.97	10.39	12.65
Core EPS Growth	41%	23%	3%	30%	22%
FD Core P/E (x)	13.01	10.56	10.24	7.85	6.45
DPS (Rs)	2.40	0.00	0.70	2.40	2.40
Dividend Yield	2.94%	0.00%	0.86%	2.94%	2.94%
BVPS (Rs)	66.9	72.8	80.8	88.7	98.8
P/BV (x)	1.22	1.12	1.01	0.92	0.83
ROE	9.8%	11.1%	10.4%	12.3%	13.5%
% Change In Core EPS Estimates				4.9%	1.2%
InCred Research/Consensus EPS (x)				1.05	1.04

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS. PRICED AS AT 17 MAY 2021

Key charts

Figure 1: COVID-specific restructuring details

Particulars	Rs bn
Restructuring done in 2QFY21	0.28
Restructuring done in 3QFY21	6.63
Restructuring done in 4QFY21	7.18
Restructuring done till date	14.09

SOURCES: INCRED RESEARCH, COMPANY REPORTS

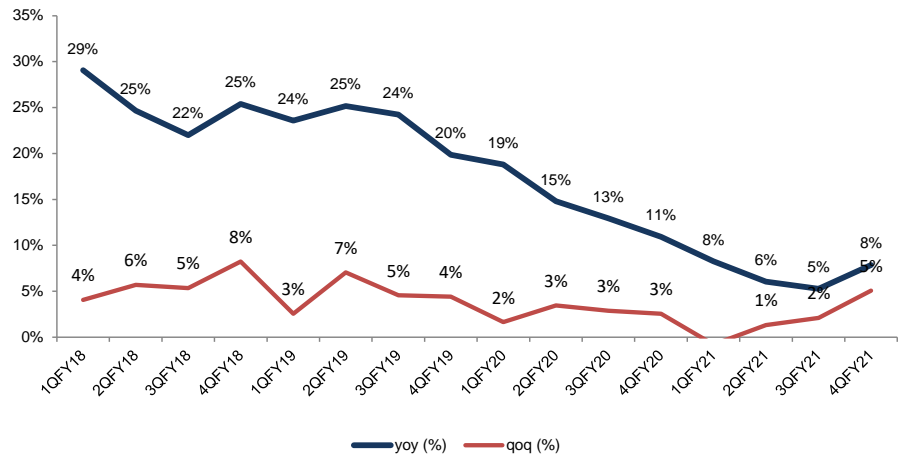
Figure 2: 4QFY21 COVID-specific restructuring – Business wise

Particulars	Rs bn
Retail	9.59
Business Banking	2.36
Commercial banking	2.09
Agri	0.05
Total restructuring	14.09

SOURCES: INCRED RESEARCH, COMPANY REPORTS

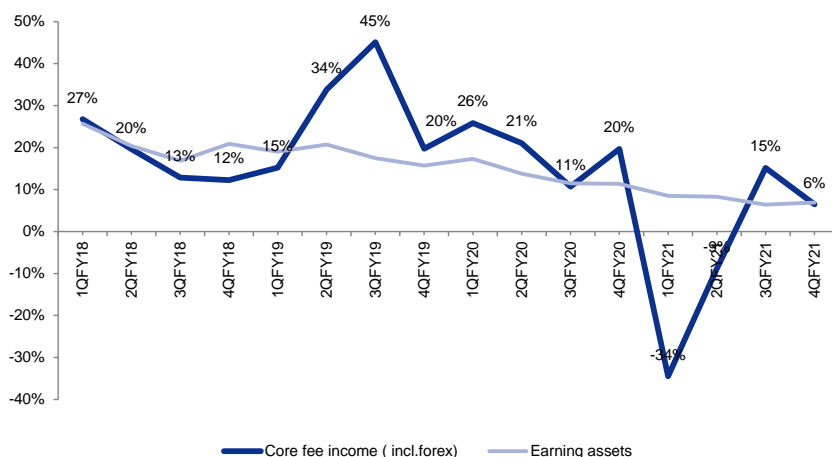
Retail loans grew 19% yoy, while corporate loans growth stood at -4% yoy.

Figure 3: Loan growth (%)



SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Core fee income vs. earnings assets growth (%)



SOURCES: INCRED RESEARCH, COMPANY REPORTS

NIM stayed largely flat qoq at 3.2% in 4QFY21.

Figure 5: Calculated net interest margin (%)

Particulars	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21
Yield on loans	9.3%	9.2%	9.0%	8.9%	8.9%	8.7%	8.3%
Interest cost to avg Interest bearing liabilities	5.9%	5.8%	5.5%	5.2%	5.0%	4.7%	4.4%
Yield on investments	6.7%	6.9%	6.8%	6.9%	6.7%	6.5%	6.4%
Loan-deposit ratio	83%	82%	80%	78%	78%	78%	76%
NIM (reported)	3.0%	3.0%	3.0%	3.1%	3.1%	3.2%	3.2%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

End-4QFY21 delinquencies were at ~Rs6bn, 0.5% of one-year lagged loans, down 42bp qoq.

Figure 6: Asset quality

Rs m	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21
Gross NPLs	33,947	36,121	36,187	35,310	36,556	35,520	34,702	46,024
% growth yoy	18.3%	13.4%	7.7%	8.3%	7.7%	-1.7%	-4.1%	30.3%
% growth qoq	4.1%	6.4%	0.2%	-2.4%	3.5%	-2.8%	-2.3%	32.6%
Gross NPLs to Loans (%)	2.9%	3.0%	2.9%	2.8%	2.9%	2.8%	2.7%	3.4%
Gross NPAs - additions	4,340	5,710	6,030	3,120	1,840	100	10,890	5,980
% of loans (one year lag)	0.5%	0.6%	0.6%	0.3%	0.2%	0.0%	0.9%	0.5%
Net NPLs	16,728	18,436	19,410	16,070	14,775	12,180	7,572	15,693
% growth	3.2%	2.6%	6.8%	-1.2%	-11.7%	-33.9%	-61.0%	-2.3%
Net NPLs to Loans (%)	1.5%	1.6%	1.6%	1.3%	1.2%	1.0%	0.6%	1.2%
Total rest. loans (o/s std. loans)	6,190	6,120	4,630	3,970	4,060	4,410	11,290	11,290
% of loans	0.6%	0.5%	0.4%	0.3%	0.3%	0.4%	0.9%	0.9%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Sectoral delinquencies

Rs m	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21
Wholesale banking	290	1,740	0	3120	0
% of loans -1 year lag	0.1%	0.4%	0.0%	0.6%	0.0%
SME+Agri	1,220	80	0	3,040	2,080
% of loans -1 year lag	0.6%	0.0%	0.0%	1.3%	0.9%
Retail	970	10	10	3140	3010
% of loans -1 year lag	0.3%	0.0%	0.0%	0.9%	0.8%
Total fresh slippages	2,840	1,840	20	10,890	5,980
% of loans -1 year lag	0.3%	0.2%	0.0%	1.0%	0.5%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Federal Bank – quarterly results summary

Rs m	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21
Net interest income	11,238	11,549	12,160	12,964	13,799	14,370	14,204
% growth	9.9%	7.2%	10.9%	12.3%	22.8%	24.4%	16.8%
Interest Expense / Interest Income (%)	65.5%	65.3%	64.2%	62.4%	60.4%	58.5%	57.8%
Commission / Brokerage	2,520	2,540	2,650	1,470	2,560	3,120	3,230
% growth	26.0%	23.3%	14.7%	-32.6%	1.6%	22.8%	21.9%
Forex / Derivatives	640	560	760	240	320	450	400
% growth	4.9%	-24.3%	40.7%	-44.2%	-50.0%	-19.6%	-47.4%
Portfolio gains	820	650	3,690	3,040	1,410	1,060	590
Portfolio gains (% of Total Income)	5.3%	4.2%	19.1%	17.0%	7.5%	5.5%	3.1%
Recovery from w-off bad loans	220	320	10	130	800	190	440
Total other income	4,200	4,070	7,110	4,880	5,090	4,820	4,660
% growth	30.0%	17.6%	72.6%	24.5%	21.2%	18.4%	-34.5%
Total Income	15,438	15,619	19,270	17,844	18,889	19,190	18,864
Payment to Employees	-4,407	-4,148	-5,191	-4,959	-4,875	-5,256	-5,252
% growth	42.7%	17.3%	40.2%	24.6%	10.6%	26.7%	1.2%
Other Operating expenses	-3,852	-4,042	-4,487	-3,566	-3,952	-4,303	-4,754
% growth	13.7%	11.9%	17.1%	-2.3%	2.6%	6.5%	5.9%
Total operating expenses	-8,259	-8,190	-9,678	-8,524	-8,827	-9,560	-10,007
% growth	27.5%	14.5%	28.4%	11.7%	6.9%	16.7%	3.4%
% of Total Income (exc. portfolio income)	56.5%	54.7%	62.1%	57.6%	50.5%	52.7%	54.8%
Operating Income before provisions	7,179	7,430	9,592	9,320	10,062	9,631	8,857
% growth	2.9%	4.9%	27.0%	19.0%	40.2%	29.6%	-7.7%
Provisions - total	-2,518	-1,609	-5,675	-3,950	-5,920	-4,206	-2,423
% growth	-12.8%	-15.4%	219.3%	105.7%	135.1%	161.5%	-57.3%
Profit before tax	4,661	5,821	3,917	5,370	4,142	5,424	6,434
% growth	14.0%	12.3%	-32.1%	-9.2%	-11.1%	-6.8%	64.3%
Provision for Taxes	-503	-1,423	-906	-1,370	-1,069	-1,382	-1,650
% tax rate	10.8%	24.4%	23.1%	25.5%	25.8%	25.5%	25.6%
Net Profit	4,158	4,398	3,011	4,000	3,074	4,043	4,784
% growth	56.2%	31.6%	-21.1%	3.9%	-26.1%	-8.1%	58.9%
NIMs (reported)	3.0%	3.0%	3.0%	3.1%	3.1%	3.2%	3.2%
Loans (Rs bn)	1,159	1,192	1,223	1,213	1,229	1,255	1,319
% growth	14.8%	13.0%	10.9%	8.3%	6.1%	5.3%	7.9%
Deposits (Rs bn)	1,395	1,446	1,523	1,549	1,567	1,617	1,726
% growth	18.1%	17.1%	12.8%	16.9%	12.3%	11.8%	13.4%
Savings deposits	366	380	392	421	443	466	477
% growth	11.1%	11.9%	10.6%	20.6%	21.2%	22.5%	21.7%
Current deposits	75	75	73	76	85	92	107
% growth	13.9%	18.3%	-8.6%	11.1%	13.4%	22.7%	47.3%
CASA to Total deposits (%)	31.5%	31.5%	30.5%	32.0%	33.7%	34.5%	33.8%
Loans / Deposits (%)	83.0%	82.5%	80.3%	78.3%	78.4%	77.6%	76.4%
Gross NPLs (Rs bn)	36.1	36.2	35.3	36.6	35.5	34.7	46.0
Gross NPLs (%)	3.0%	2.9%	2.8%	2.9%	2.8%	2.7%	3.4%
Net NPLs (Rs bn)	18.4	19.4	16.1	14.8	12.2	7.6	15.7
Net NPLs (%)	1.6%	1.6%	1.3%	1.2%	1.0%	0.6%	1.2%
Provision coverage ratio (%)	49.0%	46.4%	54.5%	59.6%	65.7%	78.2%	65.9%
CAR - Tier I (%)	12.9%	12.6%	13.3%	13.0%	13.3%	13.0%	13.9%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

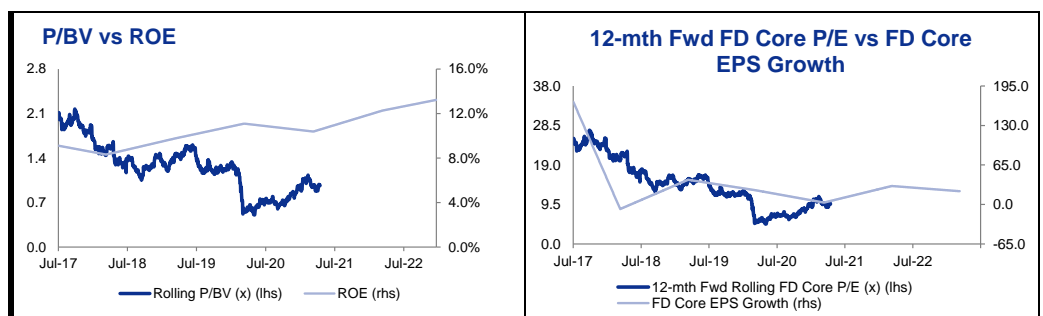
Figure 9: Change in estimates

Particulars	Old estimates		New estimates		Change (%)	
	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F
NII	63	72	64	74	2.7%	2.7%
PPoP	41	45	44	48	5.5%	5.8%
PBT	26	33	28	34	4.7%	1.1%
PAT	20	25	21	25	4.7%	1.1%
EPS (Rs.)	9.9	12.5	10.4	12.7	4.9%	1.2%
RoA	1.0%	1.1%	1.0%	1.1%	0.1%	0.0%
RoE	12.1%	13.8%	12.3%	13.5%	0.1%	-0.3%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

We acknowledge the contribution of Gaushal Gandhi (trainee) in writing this note.

BY THE NUMBERS



Profit & Loss

(Rsm)	Mar-19A	Mar-20A	Mar-21A	Mar-22F	Mar-23F
Net Interest Income	41,763	46,489	55,337	64,318	74,173
Total Non-Interest Income	13,510	19,300	19,449	20,837	22,295
Operating Revenue	55,274	65,789	74,786	85,156	96,468
Total Non-Interest Expenses	(26,439)	(32,420)	(35,434)	(40,022)	(46,697)
Pre-provision Operating Profit	27,631	32,033	37,869	43,502	47,961
Total Provision Charges	(8,559)	(11,722)	(16,496)	(15,766)	(14,148)
Operating Profit After Provisions	19,073	20,311	21,373	27,735	33,813
Pretax Income/(Loss) from Assoc.					
Operating EBIT (incl Associates)	19,073	20,311	21,373	27,735	33,813
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	19,073	20,311	21,373	27,735	33,813
Exceptional Items					
Pre-tax Profit	19,073	20,311	21,373	27,735	33,813
Taxation	(6,634)	(4,898)	(5,470)	(6,981)	(8,511)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	12,439	15,414	15,903	20,754	25,302
Minority Interests					
Pref. & Special Div					
FX And Other Adj.					
Net Profit	12,439	15,414	15,903	20,754	25,302
Recurring Net Profit					

Balance Sheet Employment

(Rsm)	Mar-19A	Mar-20A	Mar-21A	Mar-22F	Mar-23F
Gross Loans/Cust Deposits	82.9%	81.5%	78.1%	79.8%	81.3%
Avg Loans/Avg Deposits	83.0%	82.2%	79.7%	79.0%	80.6%
Avg Liquid Assets/Avg Assets	27.2%	26.3%	27.3%	27.2%	25.8%
Avg Liquid Assets/Avg IEAs	30.4%	29.5%	31.5%	31.6%	29.5%
Net Cust Loans/Assets	69.2%	67.7%	65.5%	66.8%	68.2%
Net Cust Loans/Broad Deposits	81.7%	80.3%	76.4%	77.6%	79.0%
Equity & Provns/Gross Cust Loans	13.8%	13.7%	14.7%	14.6%	13.9%
Asset Risk Weighting	61.4%	61.0%	58.2%	58.2%	58.0%
Provision Charge/Avg Cust Loans	0.62%	0.94%	1.24%	1.03%	0.76%
Provision Charge/Avg Assets	0.42%	0.65%	0.84%	0.70%	0.53%
Total Write Offs/Average Assets	(1.10%)	(1.13%)	(1.59%)	(1.96%)	(2.12%)

SOURCES: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rsm)	Mar-19A	Mar-20A	Mar-21A	Mar-22F	Mar-23F
Total Gross Loans	11,18,573	12,41,923	13,49,114	15,52,197	18,49,167
Liquid Assets & Invst. (Current)	3,14,210	3,54,299	3,66,996	4,12,559	4,63,818
Other Int. Earning Assets					
Total Gross Int. Earning Assets	14,32,783	15,96,222	17,16,110	19,64,756	23,12,985
Total Provisions/Loan Loss Reserve	(16,343)	(19,242)	(30,328)	(41,828)	(51,828)
Total Net Interest Earning Assets	14,16,440	15,76,979	16,85,782	19,22,927	22,61,157
Intangible Assets					
Other Non-Interest Earning Assets	58,865	88,220	1,22,201	1,40,531	1,61,610
Total Non-Interest Earning Assets	76,288	1,03,655	1,31,978	1,51,529	1,73,989
Cash And Marketable Securities	1,00,668	1,25,750	1,95,914	1,87,793	1,99,618
Long-term Investments					
Total Assets	15,93,395	18,06,384	20,13,674	22,62,250	26,34,763
Customer Interest-Bearing Liabilities	13,49,544	15,22,900	17,26,445	19,45,880	22,74,177
Bank Deposits					
Interest Bearing Liabilities: Others	77,813	1,02,676	88,441	1,01,707	1,16,963
Total Interest-Bearing Liabilities	14,27,357	16,26,620	18,17,130	20,51,212	23,96,352
Banks Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	33,313	34,580	35,308	40,405	46,534
Total Liabilities	14,60,670	16,61,200	18,52,438	20,91,617	24,42,886
Shareholders Equity	1,32,730	1,45,180	1,61,236	1,77,199	1,97,705
Minority Interests					
Total Equity	1,32,730	1,45,180	1,61,236	1,77,199	1,97,705

Key Ratios					
	Mar-19A	Mar-20A	Mar-21A	Mar-22F	Mar-23F
Total Income Growth	16.6%	11.3%	19.0%	16.2%	15.3%
Operating Profit Growth	19.4%	15.7%	17.9%	14.7%	10.3%
Pretax Profit Growth	42%	6%	5%	30%	22%
Net Interest To Total Income	75.6%	70.7%	74.0%	75.5%	76.9%
Cost Of Funds	5.44%	5.61%	4.78%	4.82%	4.84%
Return On Interest Earning Assets	8.6%	8.7%	8.3%	8.6%	8.5%
Net Interest Spread	3.12%	3.12%	3.53%	3.74%	3.66%
Net Interest Margin (Avg Deposits)	3.38%	3.24%	3.41%	3.50%	3.52%
Net Interest Margin (Avg RWA)	4.58%	4.47%	4.87%	5.17%	5.21%
Provisions to Pre Prov. Operating Profit	31%	37%	44%	36%	29%
Interest Return On Average Assets	2.81%	2.73%	2.90%	3.01%	3.03%
Effective Tax Rate	34.8%	24.1%	25.6%	25.2%	25.2%
Net Dividend Payout Ratio	38.3%	31.1%	30.1%	23.1%	19.0%
Return On Average Assets	0.84%	0.91%	0.83%	0.97%	1.03%

Key Drivers					
	Mar-19A	Mar-20A	Mar-21A	Mar-22F	Mar-23F
Loan Growth (%)	19.9%	10.9%	7.9%	14.5%	19.0%
Net Interest Margin (%)	3.1%	3.1%	3.3%	3.5%	3.5%
Non Interest Income Growth (%)	16.6%	42.9%	0.8%	7.1%	7.0%
Cost-income Ratio (%)	50.0%	51.3%	49.4%	48.9%	50.3%
Net NPL Ratio (%)	1.5%	1.3%	1.2%	0.9%	0.8%
Total CAR (%)	14.1%	14.0%	14.7%	14.3%	13.7%
Deposit Growth (%)	20.5%	12.8%	13.4%	12.7%	16.9%
Loan-deposit Ratio (%)	81.7%	80.3%	76.4%	77.6%	79.0%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

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Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2020, Anti-Corruption 2020

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Excellent, 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** – Very Good, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Very Good, n/a, **DELTA** – Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, n/a, **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** – Very Good, n/a, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, n/a, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – Excellent, Declared, **JMT** – Very Good, Declared, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KEX** – n/a, n/a, **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** – n/a, n/a, **OR** – n/a, n/a, **ORI** – Excellent, Certified, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RBF** – Good, n/a, **RS** – Excellent, n/a, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – n/a, n/a, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – n/a, n/a, **SHR** – Very Good, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** – Excellent, Declared, **SPRC** – Excellent, Certified, **SSP** – Good, Declared, **STEC** – n/a, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, n/a, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TMB** – Excellent, Certified, **TOP** – Excellent, Certified, **TRUE** – 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 2020 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 January 30, 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.