Sector note

10 Sep 2021

Banking

Back into buy territory

- 2Q21 aggregate earnings of 17 listed banks rose 36.2% yoy on strong credit growth, NIM expansion and subdued CIR.
- We believe banking is best proxy to Vietnam economic resurgence post pandemic.
- Banks' share prices have discounted 15% from peak, turning risk/reward profile more attractive. Our stock picks are VCB, TCB, and ACB.

Encouraging 1H21 results, but 2H21 NP growth to slowdown

Aggregate earnings of 17 listed banks grew 36.2% yoy in 2Q21 and 55.5% yoy in 1H21, assisting by a low base 1H20. We believe this strong earnings growth in 1H21 might be offset by a weaker 2H21 as a result of softer net interest margin (NIM). Additionally, banks need to accelerate provisioning to enhance their asset quality upon the possibility of bad debts surge. Almost listed banks enjoyed NIM expansion in 1H21 on subdued funding cost. We believe NIM improvement will slow down in 2H21 as commercial banks are strictly required to lower their lending rates to support for pandemic-hit clients.

System credit grew healthily in 1H21 but slowed down during Aug-Sep

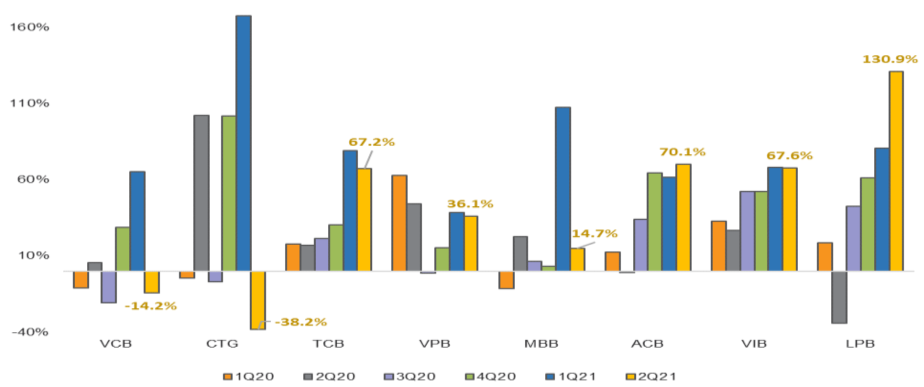
According to SBV, system credit grew 6.44% ytd by end-1H21 from 2.95% ytd by end-1Q21, and nearly double that of 3.65% ytd by end-Jun last year. However, credit growth slowed down during Jul – Aug with only 0.9% pts increase to 7.4% ytd at end-Aug due to stricter nationwide lockdown protocols have been adopted. In base case, we expect the daily cases curve will flatten and movement control will be gradually relaxed since end-Sep. Thus, we lower our forecast for FY21F system credit growth to 10-12% from previous 13% due to weak demand post-pandemic.

Back into BUY territory

We believe investors acknowledged that 2H21 earnings would be hurt by current Covid-19 wave and now they focus on FY22F earnings outlook. Some lost growth momentums may also be made up in subsequent quarters as output and social activity normalize. And banking is best proxy to Vietnam economic resurgence. Banks' share prices have discounted 15% from their peak. We believe the correction has partially factored the downside risks of the current wave. Thus the risk/reward profile of banking sector is attractive now. Our top picks for the sector are VCB, TCB and ACB.

Upside catalyst includes better-than-expected credit growth. Downside risks are longer-than-expected social distancing due to Covid-19; or any new variant arising which hinder credit growth and trigger new surge in bad debt.

Figure 1: Quarterly earnings growth (yoy) of banks under our coverage



Source: VNDIRECT RESEARCH, COMPANY REPORTS

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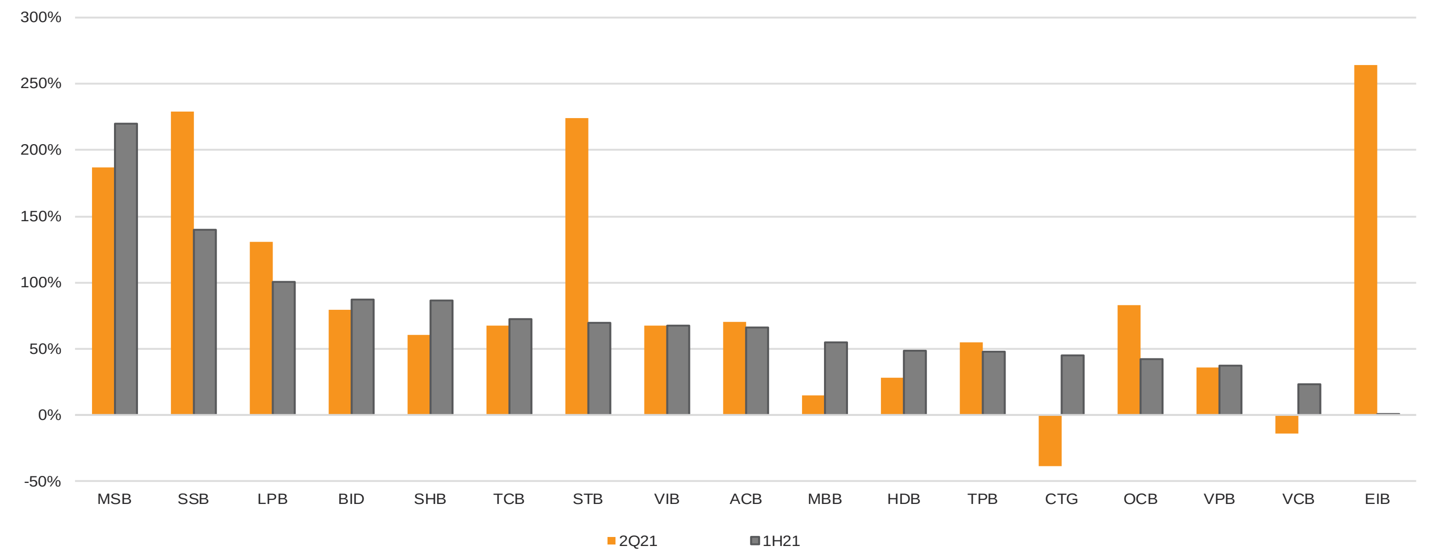
BACK INTO BUY TERRITORY

Encouraging 1H21 net profit growth, helped by low base 1H20

2Q21 aggregate net interest income (NII) of 17 listed banks grew 46.1% yoy from the low base 2Q20, driven by a 18.4% yoy loan book growth and 109bp yoy average NIM expansion. Non-interest income rose 36.4% yoy driven by 53% yoy growth of net fee income. Average 2Q21 cost income ratio (CIR) declined to 34.8% from 36.1% of 1Q21 and 40.7% of 2Q20, while total provision expense leapt 89.5% yoy, accounting for 42.7% pre-provision operating profit. Hence, listed banks aggregate net profit grew 36.2% yoy in 2Q21, lower than that of 77.3% of 1Q21.

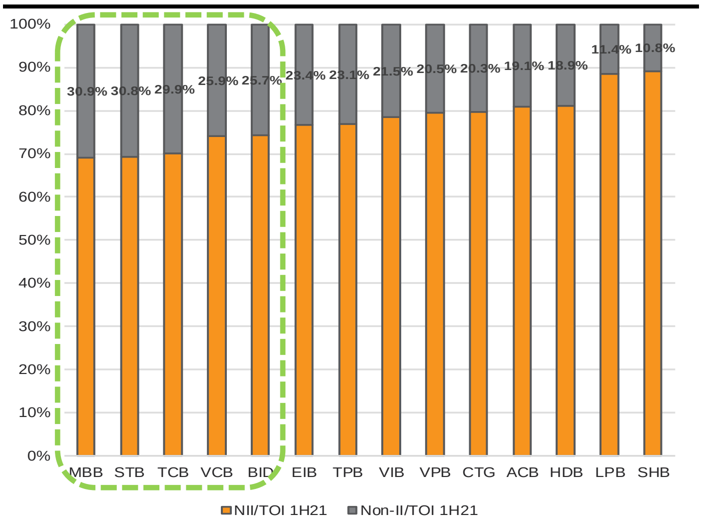
For 1H21, aggregate earnings of 17 listed banks (total loan book accounted for 66% of country system credit) grew 55.5% yoy. Among that, three state-owned commercial banks (SOCBs), VCB, CTG and BID, delivered 42.5% yoy earnings growth in 1H21.

Figure 2: 2Q21 & 1H21 earnings growths of listed banks. Some banks posted weaker performance in 2Q21 due to heavy provisioning.



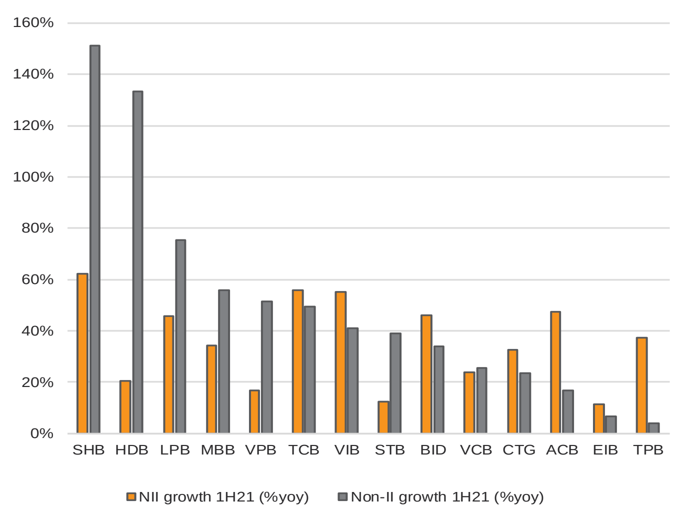
Source: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 3: MBB, TCB, VCB have largest weight of non-interest income in 1H21



Source: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 4: MBB, TCB, VCB posted continuously matching growth of NII and Non-II in 1H21



Source: VNDIRECT RESEARCH, COMPANY REPORTS

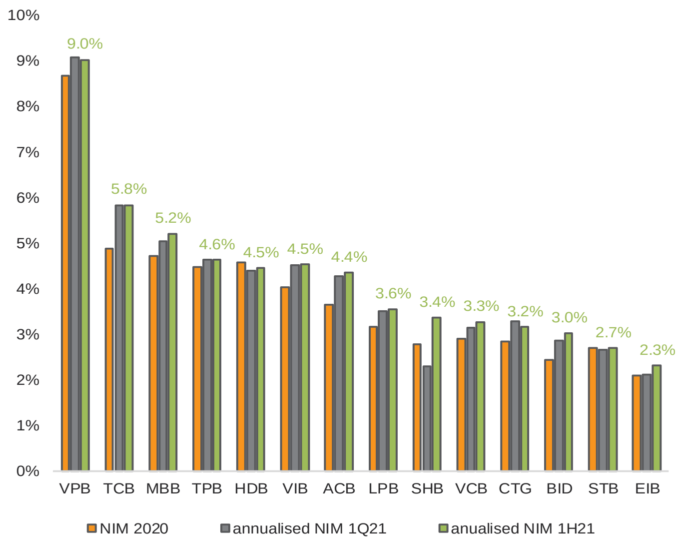
1H21 NIM improved across the board, 2H21 likely to be compressed

Almost listed banks enjoyed NIM expansion in 1H21 as the drop of funding cost trailed behind the pace of asset yield. Per our estimate, average asset yield subdued slightly 43bp yoy, and be fully offsetted by a drop of 120bp yoy in average cost of fund. Among top largest listed banks, TCB, ACB and BID recorded largest NIM improvement while only HDB experienced a NIM compression in 1H21.

On funding cost side, deposit rates across banks extended the downtrend since 2020 and dropped about 10-50 bp ytd, following the abundant liquidity and accommodative monetary policy. Thus, all banks enjoyed cost of fund (COF) contraction in 1H21.

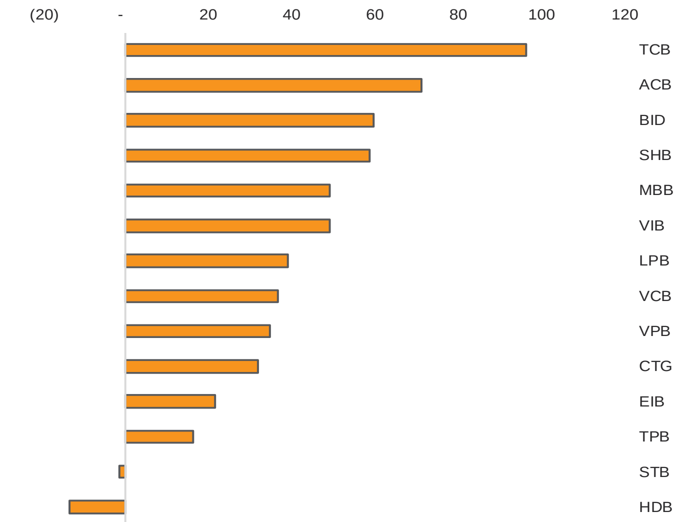
On lending side, we observed that only TCB, MBB, and LPB recorded asset yield improvement in 1H21 as they accelerated lending activities (higher LDR at end-1H21 than that at end-FY20). VCB, VIB and ACB also experienced softer asset yield compression as these banks have large exposure to retail lending.

Figure 5: Most of listed banks enjoyed NIM expansion in 1H21



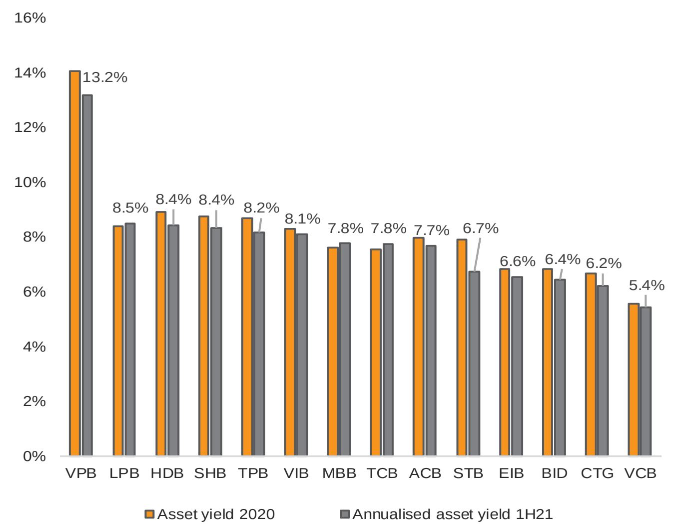
Source: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 6: TCB, ACB, and BID posted biggest NIM improvement



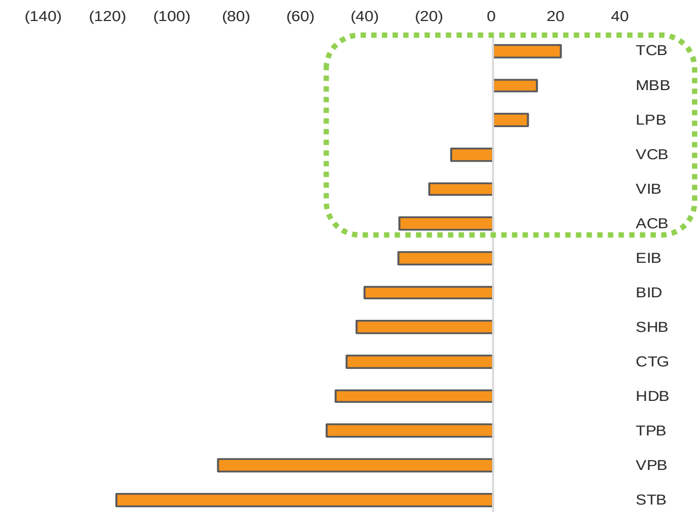
Source: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 7: Asset yield dropped, except TCB, MBB, and LPB



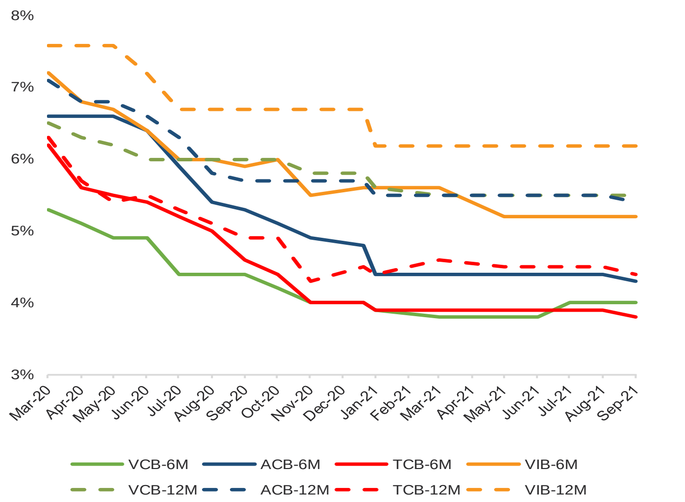
Source: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 8: Top asset yield drop in 1H21 include STB, VPB and TPB



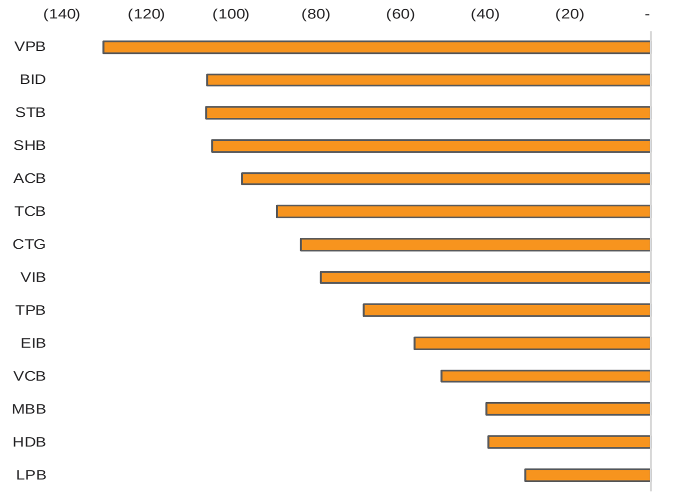
Source: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 9: Short-term deposit rates of banks fell up to 0.5% pts since Dec 2020 or 2.3% pts since Apr 2020



Source: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 10: VPB, BID, STB posted largest COF improvement in 1H21, in comparison with their 2020 level (bp)

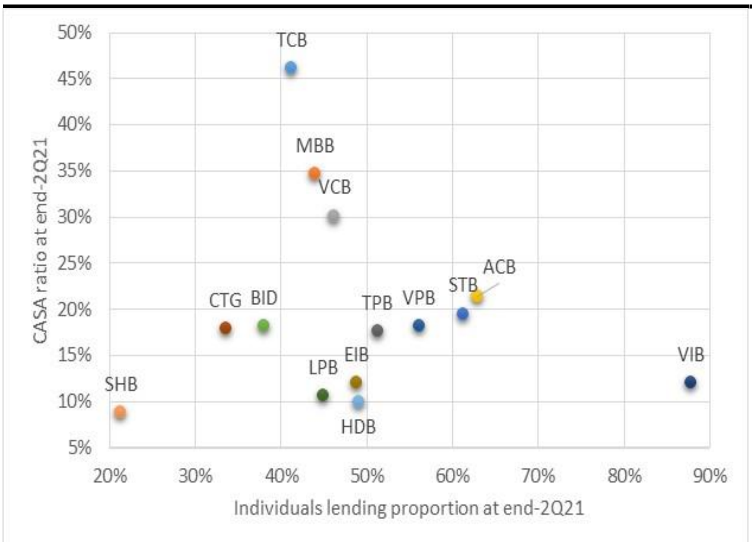


Source: VNDIRECT RESEARCH, COMPANY REPORTS

We believe NIM improvement will slow down in 2H21 as commercial banks were strictly required to lower their lending rates to support for clients during the outbreak. VCB and CTG lower lending rates up to 1% pts while BID reduces lending rates up to 1.5% pts to all customers in 2H21. VCB, then, continues to cut lending rates up to 0.5% pts to existing loans of customers in Ho Chi Minh city, Binh Duong and 17 other southern provinces in which are implementing Directive 16; the total package of 3 banks estimates c.VND11,000bn in 2H21. Following the large bank rate cuts, TCB, VPB, MBB, and ACB have announced to reduce their lending rates up to 1.5% pts to existing and new loans in 2H21.

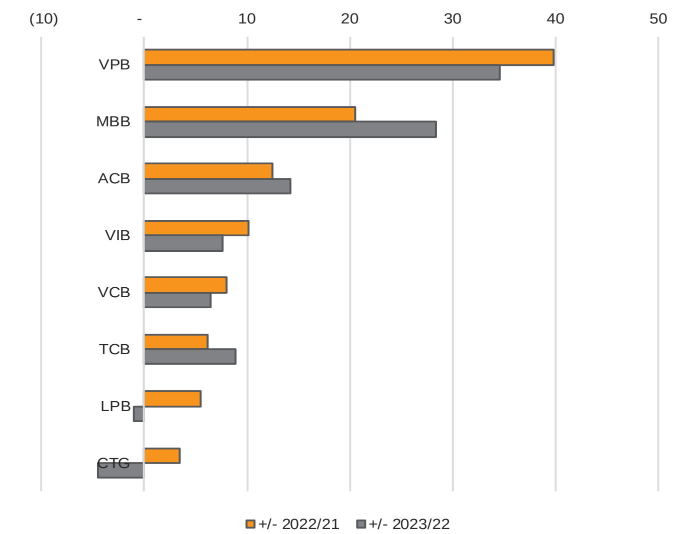
Meantime, the NIM improvement trend will likely be rather uneven across individual banks, as their sensitivity to competition for deposits and need for funding mobilisation vary widely. Due to the prolonged pandemic impact, we expect the SBV to maintain its current accommodative monetary policy into 2022F. Hence, banks would continue to get support from lower funding cost. Thus amid the less intense deposit competition and ample liquidity, we prefer banks that have opportunities to increase their exposures to individual lending which will enjoy better asset yield.

Figure 11: We believe banks that have better metric of CASA ratio and individuals lending weight are able to improve NIM in FY22-23F



Source: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 12: Banks under our coverage are expected to see NIMs resurge in 2022-23F (bp yoy), per our estimates



Source: VNDIRECT RESEARCH, COMPANY REPORTS

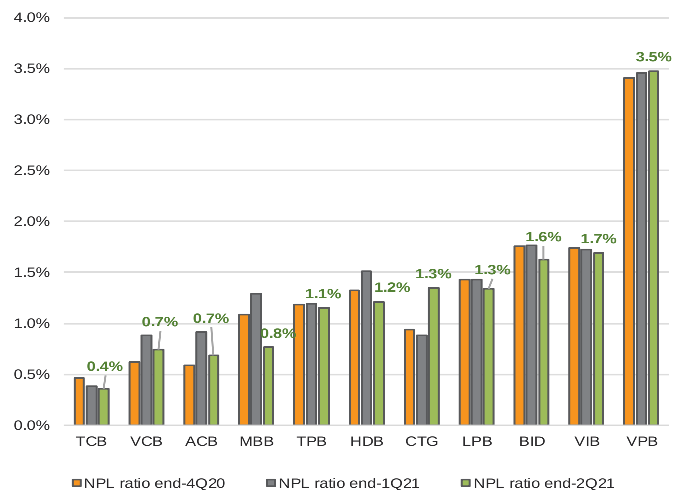
Asset quality improvement trend continues

Average non-performing loan (NPL) ratio of 17 listed banks fell to 1.49% at end-2Q21 from 1.54% at end-4Q20 or 1.81% at end-2Q20. Group 5 bad debt ratio decreased slightly to 0.78% at end-2Q21 from 0.85% at end-4Q20. Best-in-class asset quality banks include TCB (0.4%), VCB (0.7%), ACB (0.7%), and MBB (0.8%). Notably, TCB has aggressively wrote off in 1H21, bringing its NPL ratio to only 0.4%; lowest in its history.

According to banks' disclosure, total restructured loan of 3 SOCBs (VCB, CTG, BID) and 6 private listed banks (TCB, MBB, ACB, HDB, VIB, TPB) reduced to VND41,170bn at end-2Q21, accounting for 0.4-4.5% their outstanding balance, from VND77,725bn at end-2020.

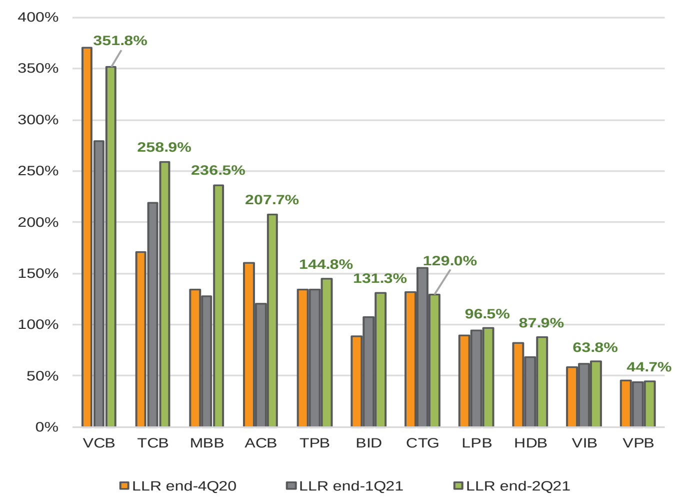
We observed that almost banks have aggressively booked provision in 1H21 order to prepare for the possibility of new bad debt surge during the evolution of pandemic due to Delta variant. Consequently, average annualised credit cost increased 20bp yoy (or 9bp vs. 2020 average level) to 1.5%. Top banks that posted heavy provisioning include BID (65.5%), VPB (48.9%), EIB (44.3%) Average loan loss reserve (LLR) improved to 123.2% at end-2Q21 from 108.8% at end-4Q20 or 80.8% at end-2Q20. Top banks that had highest LLR at end-2Q21 include VCB (351.8%), TCB (258.9%), MBB (236.5%), and ACB (207.7%).

Figure 13: NPL ratio continuously fell at end-2Q21



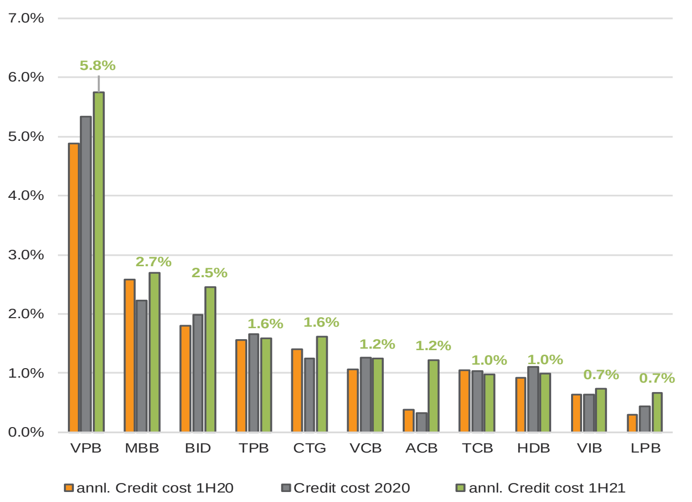
Source: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 14: LLR improved across banks at end-2Q21



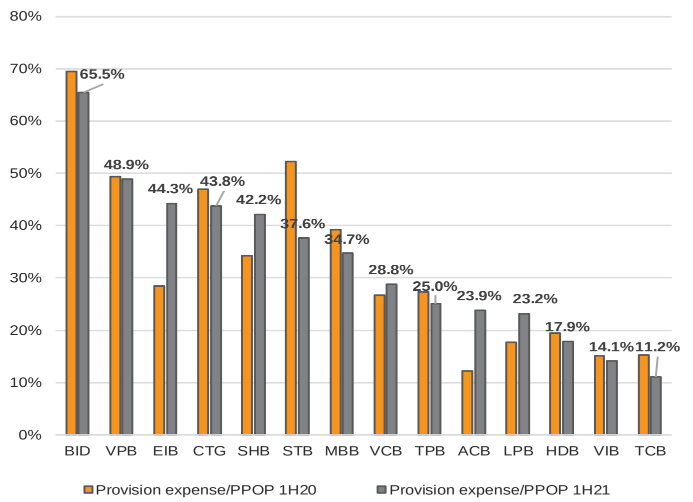
Source: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 15: Credit cost increased through banks in 1H21



Source: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 16: Provision expense/Pre-provision operating profit ratio of banks in 1H21



Source: VNDIRECT RESEARCH, COMPANY REPORTS

On 07 Sep 2021, SBV issued Cir.14/2021/TT-NHNN which allows banks to restructure loans as well as waive/reduce interest payment of loans arising **later** than those were instructed in Cir.03/2021/TT-NHNN and Cir.01/2020/TT-NHNN. The modulations and supplement apply to loans:

- Arising before 01/08/2021 instead of before 10/06/2020.
- Arising obligation to repay the principal and/or interest in the period from 23/01/2020 to 30/06/2022, rather than to 31/12/2021.
- Arising from 10/06/2020 to 01/08/2021 and overdue from 17/07/2021 to before 07/09/2021.

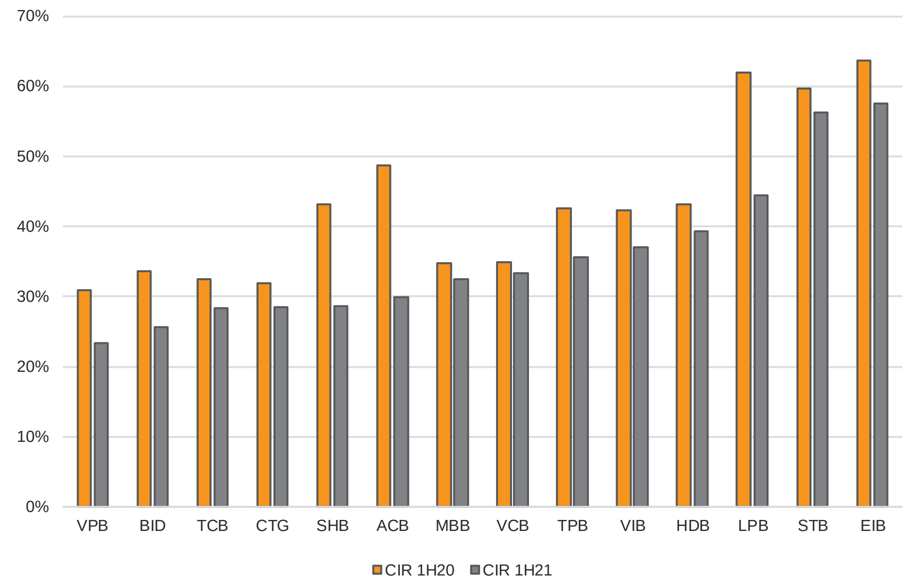
We believe this new policy will partially ease pressure of banks on provisioning and also support for the pandemic-hit businesses.

As we concern about the predictable surge in bad debts in a couple of quarters, we prefer banks which have solid asset quality and strong provisioning buffer.

Subdued cost-to-income is a spotlight

Average cost-to-income ratio (CIR) fell to 35.3% in 1H21 from 43.4% in 1H20. This could be partially explained that most of banks delayed network expansion during the outbreak. Additionally, banks that heavily invested in digitalisation and technology infrastructure, now started to reap the fruit.

Figure 17: Cost income ratio declined across banks in 1H21



Source: VNDIRECT RESEARCH, COMPANY REPORTS

System credit grew healthily in 1H21 but slow down in 2H21

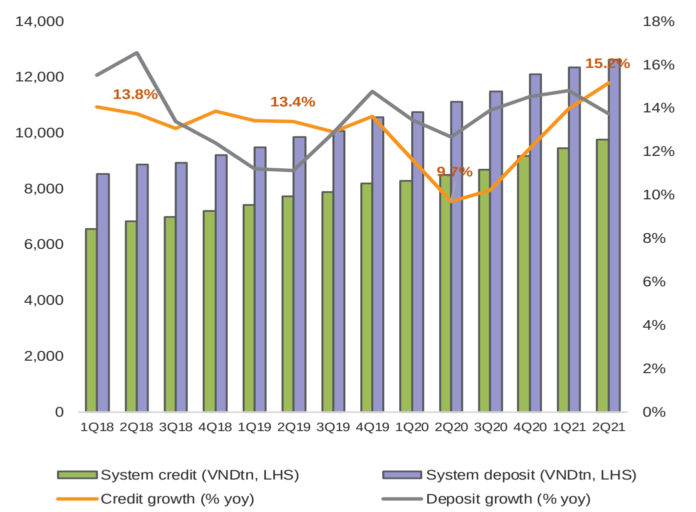
Credit growth outpaced deposit growth

At the system level, country deposit rose 4.4% ytd by end-1H21 from the rate of 2% ytd by end-1Q21, but lower than that of 5.2% ytd same period last year. We believe that deposit rates anchored to low, has explained for sluggish deposit growth in 1H21. Following three policy rates cut in 2020, deposit rates of all matures kept declining since Apr last year. Total deposit of customers of 17 listed banks grew to 4.8% ytd at end-2Q21 from 1.4% ytd at end-1Q21, higher than the growth rate of 4.1% ytd at end-2Q20. Top banks that delivered strongest ytd deposit growth include TPB (37.3%), VIB (11.8%), HDB (13.7%), and MBB (10.5%).

Meanwhile, system credit grew 6.44% ytd in 1H21 from the level of 2.95% ytd in 1Q21, nearly double of that in 1H20. Strong credit growth was driven by industry, trade, and service sectors. At 17 listed banks which accounted for 66% of country lending market share, aggregate loan book expanded 8% ytd at end-2Q21, from 3.2% ytd seen at end-1Q21, and much higher than that of 3.5% ytd seen at end-2Q20. State owned Commercial banks, who accounted for 33.7% country lending market share, delivered 7.4% ytd of credit growth, higher than system level.

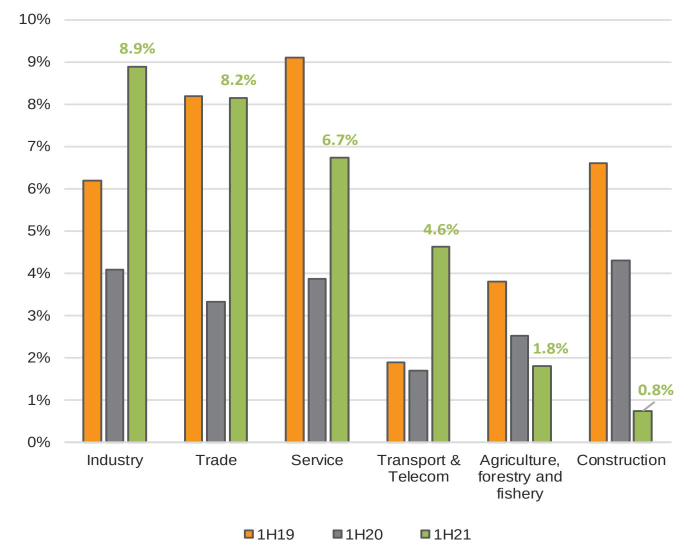
However, system credit slew down since Jul when daily cases accelerated and stricter nationwide lockdown protocols have been adopted. Ho Chi Minh city has imposed stricter movement controls since Aug 01 with nearly non-essential businesses have been closed. Factories are allowed to operate with limited employers on site. At the same time, Hanoi, Danang and other Southern provinces also ban the public transports, intercity bus service and closed all non-essentials businesses. At a result, system credit grew only 0.9% pts. in the last 2 months, to only 7.4% ytd at end-Aug, vs. 6.44% ytd at end-Jun.

Figure 18: System credit expanded solidly in 2Q21 (%yoy)



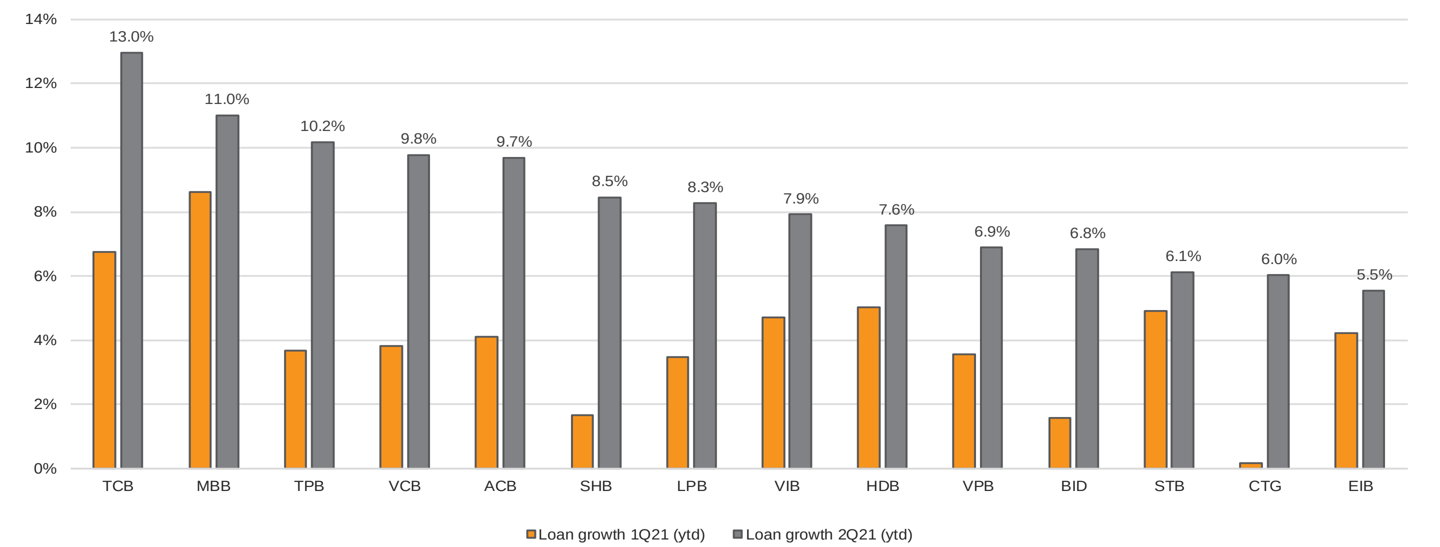
Source: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 19: 1H21 credit growth (% ytd) by sectors



Source: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 20: Loan book expansion among banks in 1H21 (%ytd)



Source: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 21: Credit cap and loan book growth forecast of banks 2021-22F

	Previous credit quotae 2021	Updated credit quota 2021	2021F (VND forecast)	2022F (VND forecast)
Vietcombank	10.5%	14.0%	14.0%	15.0%
Vietinbank	7.5%	waiting for SBV's decision	9.0%	8.0%
BIDV	7.5%	waiting for SBV's decision	10.0%	10.0%
Techcombank	12.0%	increased but not disclose the detail growth rate	17.0%	17.0%
VPBank	8.5%	12.1%	18.0%	16.5%
MBBank	10.5%	15.0%	17.0%	15.0%
Asia Commercial Bank	9.5%	13.5%	16.0%	16.0%
Vietnam International Bank	8.5%	13.5%	26.0%	25.0%

Source: VNDIRECT RESEARCH, COMPANY REPORTS

We lower our credit growth forecast for FY21F to 10-12% from previous 13% basing on weak demand due to prolonged pandemic impact. In base case, we expect the daily cases curve will flatten and movement control will be gradually relaxed since end-Sep. Thus, credit demand will bounce back in 4Q21. We are cautiously optimistic about FY22F outlook as we believe low interest rates will lend support for credit growth while domestic consumption will recovery post-pandemic.

Back into buy territory

We believe investors acknowledged that 2H21 earnings would be hurt by current Covid-19 wave and now they focus on FY22 earnings outlook. Some lost growth momentums may also be made up in subsequent quarters as output and social activity normalize. And banking is best proxy to Vietnam economic resurgence. Additionally, in term of money flow analysis, market liquidity has been increasing stably since the beginning of this year amid low deposit rate environment. We observed that this trend will extend further, even into 2022; following by the increasing numbers of new individual accounts were opened in the past 2 months. Accounting for a quarter of market capitalisation, obviously, banking sector is one of the biggest beneficiaries to ride on the retail investor rally.

Banks' share prices have discounted up to 15% from their peak. We believe this price correction has partially factored the downside risks of the current wave. Thus the risk/reward profile of banking sector is attractive now.

The key downside risk to our call is longer-than-expected social distancing due to Covid-19; or another new variant arising might hinder the back-to-normal of economic. This could cause banks to register higher-than-expected loan loss provisioning and weaker-than-expected loan growth in FY21-22F. Another downside risk is NIM to contract heavier than expectation following weak credit demand. Upside catalyst includes better-than-expected credit growth.

Anticipating the slowdown in earnings growth across banking sector in the next couple of quarters, we prefer banks that with the following characteristics:

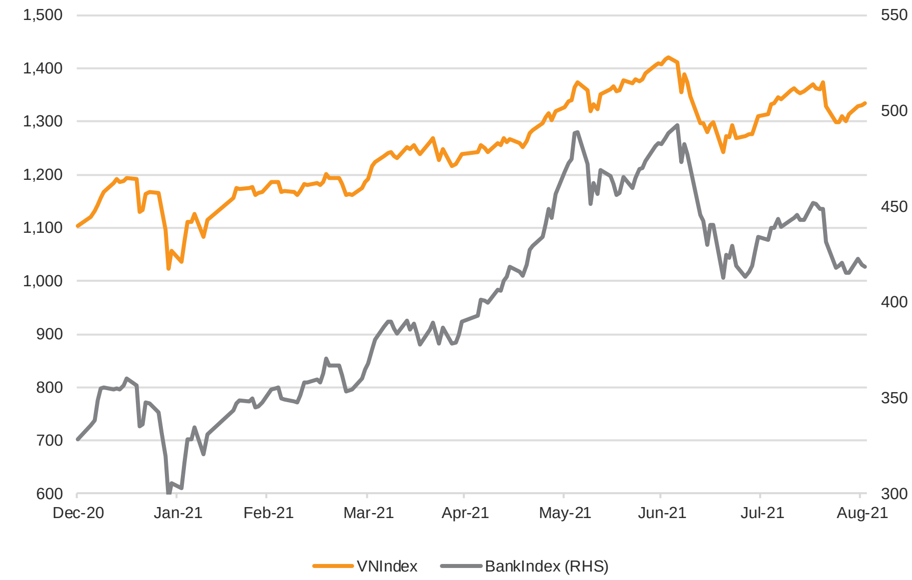
(1) Amid the weak credit growth recovery, we prefer banks that have strong ability to expanding lending activities, or well-equipped to enhance the weight of Non-interest incomes (through bancaasurance, investment banking service, foreign exchange trading,…)

(2) Amid the less intense deposit competition and ample liquidity, we prefer banks that have opportunities to increase their exposures to individual lending which will enjoy better asset yield.

(3) As we concern about the predictable surge in bad debts in a couple of quarters, we prefer banks which have solid asset quality and strong provisioning buffer.

VCB, TCB and ACB are our top picks for the sector

Figure 22: Banks' share prices have discounted up to 15% from their peak



Source: VNDIRECT RESEARCH, Fiin Pro

Figure 23: Vietnam banks comparison (Price as of 09 Sep 2021)

Banks	Ticker	Recommendation	Closing Price	Target Price	Market cap	P/B (x)		P/E (x)		3-yr Forward EPS CAGR	ROE (%)		ROA (%)	
			(VND)	(VND)	(US$m)	FY21F	FY22F	FY21F	FY22F	%	FY21F	FY22F	FY21F	FY22F
Vietcombank	VCB VN	ADD	99,700	119,500	15,735	3.1	2.6	19.4	15.4	23.8%	20.7%	21.6%	1.6%	1.8%
Vietinbank	CTG VN	ADD	32,150	42,000	6,575	1.6	1.3	11.8	9.4	18.2%	18.4%	19.8%	1.2%	1.4%
Techcombank	TCB VN	ADD	48,800	57,200	7,278	1.9	1.6	10.9	9.1	19.5%	19.2%	18.9%	3.3%	3.4%
VPBank	VPB VN	ADD	62,000	75,000	6,516	1.7	1.8	11.4	11.2	25.4%	21.9%	19.0%	3.4%	3.6%
MBBank	MBB VN	HOLD	28,300	31,400	4,550	1.9	1.6	9.5	7.7	24.2%	21.6%	22.2%	2.1%	2.3%
Asia Commercial Bank	ACB VN	ADD	32,150	41,800	3,696	1.9	1.5	8.6	7.3	18.8%	25.3%	23.3%	2.2%	2.2%
Vietnam International Bank	VIB VN	ADD	36,550	48,100	2,416	2.3	1.7	8.8	7.2	20.5%	30.7%	28.1%	2.4%	2.3%
Lienviet Post Bank	LPB VN	HOLD	23,300	26,000	1,193	1.5	1.2	9.2	7.7	22.1%	17.4%	17.4%	1.0%	1.1%
Vietnam Banks Average						**2.0**	**1.7**	**11.2**	**9.4**	**21.5%**	**21.9%**	**21.3%**	**2.2%**	**2.3%**
Vietnam Banks Average, excl. VCB						***1.8***	***1.5***	***10.0***	***8.5***	***21.2%***	***22.1%***	***21.2%***	***2.2%***	***2.3%***

Source: VNDIRECT RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 24: 1H21 results summary (VNDbn, otherwise noted)

Profits & Loss	VCB		CTG		TCB		VPB		MBB		ACB		VIB		LPB	
	2Q21	1H21	2Q21	1H21	2Q21	1H21	2Q21	1H21	2Q21	1H21	2Q21	1H21	2Q21	1H21	2Q21	1H21
Net interest Income	**11,088**	**21,169**	**10,879**	**21,521**	**6,585**	**12,708**	**9,232**	**18,352**	**6,563**	**12,515**	**4,990**	**9,630**	**2,960**	**5,738**	**2,180**	**4,231**
yoy %	*37.3%*	*23.7%*	*39.5%*	*32.7%*	*67.3%*	*56.0%*	*19.9%*	*16.7%*	*41.9%*	*34.3%*	*60.4%*	*47.4%*	*55.6%*	*55.0%*	*48.9%*	*45.8%*
Non-interest income	**1,807**	**7,411**	**3,205**	**5,485**	**2,621**	**5,430**	**2,815**	**4,747**	**2,362**	**5,603**	**1,237**	**2,273**	**847**	**1,570**	**246**	**544**
yoy %	*-32.0%*	*25.5%*	*47.2%*	*23.5%*	*44.2%*	*49.3%*	*125.6%*	*51.5%*	*21.2%*	*55.9%*	*24.9%*	*16.6%*	*29.9%*	*41.1%*	*-2.9%*	*75.2%*
Total operating income	**12,895**	**28,580**	**14,083**	**27,006**	**9,206**	**18,138**	**12,047**	**23,098**	**8,925**	**18,117**	**6,227**	**11,903**	**3,807**	**7,308**	**2,425**	**4,775**
yoy %	*20.1%*	*24.2%*	*41.2%*	*30.7%*	*60.0%*	*53.9%*	*34.6%*	*22.5%*	*35.8%*	*40.3%*	*51.8%*	*40.4%*	*49.0%*	*51.8%*	*41.3%*	*48.6%*
Operating expense	**(4,731)**	**(9,511)**	**(4,187)**	**(7,699)**	**(2,591)**	**(5,154)**	**(2,817)**	**(5,409)**	**(3,087)**	**(5,891)**	**(1,593)**	**(3,558)**	**(1,346)**	**(2,706)**	**(1,094)**	**(2,121)**
yoy %	*51.7%*	*18.5%*	*27.6%*	*16.7%*	*52.6%*	*34.4%*	*10.2%*	*-7.4%*	*26.8%*	*31.4%*	*-9.9%*	*-13.8%*	*33.5%*	*32.9%*	*2.9%*	*6.5%*
Pre-Provision Profit (PPOP	**8,163**	**19,070**	**9,896**	**19,307**	**6,615**	**12,985**	**9,230**	**17,690**	**5,838**	**12,227**	**4,635**	**8,345**	**2,461**	**4,602**	**1,331**	**2,653**
yoy %	*7.2%*	*27.2%*	*47.9%*	*37.3%*	*63.1%*	*63.4%*	*44.4%*	*35.9%*	*41.0%*	*45.1%*	*98.6%*	*91.8%*	*59.1%*	*65.7%*	*103.6%*	*117.4%*
Provision expense	**(3,225)**	**(5,500)**	**(7,106)**	**(8,456)**	**(598)**	**(1,448)**	**(4,199)**	**(8,653)**	**(2,431)**	**(4,240)**	**(1,386)**	**(1,992)**	**(314)**	**(648)**	**(406)**	**(616)**
%/PPOP	*39.5%*	*28.8%*	*71.8%*	*43.8%*	*9.0%*	*11.2%*	*45.5%*	*48.9%*	*41.6%*	*34.7%*	*29.9%*	*23.9%*	*12.8%*	*14.1%*	*30.5%*	*23.2%*
Pretax profit	4,938	13,570	2,790	10,850	6,018	11,536	5,031	9,037	3,406	7,986	3,248	6,353	2,147	3,954	925	2,037
Net profit	**3,956**	**10,858**	**2,206**	**8,668**	**4,711**	**9,108**	**4,016**	**7,218**	**2,596**	**6,149**	**2,588**	**5,072**	**1,718**	**3,164**	**740**	**1,617**
yoy %	*-14.2%*	*23.6%*	*-38.2%*	*44.8%*	*67.2%*	*72.7%*	*36.1%*	*37.1%*	*14.7%*	*54.7%*	*70.1%*	*65.8%*	*67.6%*	*67.8%*	*130.9%*	*100.6%*
% our full year forecast		*48.5%*		*51.5%*		*60.8%*		*55.6%*		*54.2%*		*58.0%*		*53.4%*		*60.4%*

Source: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 25: Banks' key ratios as of 2Q21

	VCB		CTG		TCB		VPB		MBB		ACB		VIB		LPB	
	2Q20	2Q21	2Q20	2Q21	2Q20	2Q21	2Q20	2Q21	2Q20	2Q21	2Q20	2Q21	2Q20	2Q21	2Q20	2Q21
Loan growth (yoy)	10.8%	19.6%	6.3%	14.3%	24.9%	35.3%	9.1%	15.1%	9.4%	26.7%	13.2%	20.4%	20.5%	32.7%	17.9%	25.5%
Deposit growth (yoy)	12.6%	7.1%	7.8%	13.8%	13.4%	15.8%	20.0%	-1.3%	-0.6%	33.5%	13.5%	8.4%	29.0%	31.4%	10.7%	29.4%
Loan growth (ytd)	**4.9%**	**9.8%**	**0.7%**	**6.0%**	**0.4%**	**13.0%**	**5.0%**	**6.9%**	**4.4%**	**11.0%**	**5.6%**	**9.7%**	**6.7%**	**7.9%**	**8.4%**	**8.3%**
Deposit growth (ytd)	5.7%	1.9%	2.3%	5.0%	8.0%	4.3%	10.7%	0.1%	-5.6%	10.5%	7.3%	1.5%	4.6%	11.8%	5.2%	6.7%
Net interest margin (NIM)	**2.9%**	**3.3%**	**2.7%**	**3.2%**	**4.5%**	**5.8%**	**8.7%**	**9.0%**	**4.7%**	**5.2%**	**3.5%**	**4.4%**	**3.9%**	**4.5%**	**2.9%**	**3.6%**
yoy change (pts)	*-0.3%*	*0.4%*	*-0.2%*	*0.5%*	*0.4%*	*1.4%*	*-0.4%*	*0.4%*	*0.0%*	*0.5%*	*-0.1%*	*0.9%*	*0.0%*	*0.6%*	*-0.5%*	*0.6%*
Non-performing loan ratio	**0.8%**	**0.7%**	**1.7%**	**1.3%**	**0.9%**	**0.4%**	**3.2%**	**3.5%**	**1.4%**	**0.8%**	**0.7%**	**0.7%**	**2.4%**	**1.7%**	**1.6%**	**1.3%**
yoy change (pts)	*-0.2%*	*-0.1%*	*0.2%*	*-0.4%*	*-0.9%*	*-0.5%*	*-0.2%*	*0.3%*	*0.1%*	*-0.6%*	*0.0%*	*0.0%*	*0.0%*	*-0.7%*	*0.2%*	*-0.3%*
Loan-loss-reserves (LLR)	**254.5%**	**351.8%**	**80.9%**	**129.0%**	**108.6%**	**258.9%**	**48.8%**	**44.7%**	**121.0%**	**236.5%**	**144.1%**	**207.7%**	**49.8%**	**63.8%**	**72.8%**	**96.5%**
yoy change (pts)	*77.6%*	*97.3%*	*-19.8%*	*48.1%*	*31.5%*	*150.4%*	*0.4%*	*-4.1%*	*23.4%*	*115.5%*	*-17.4%*	*63.6%*	*7.5%*	*14.0%*	*-8.3%*	*23.7%*
Annualised credit cost	**1.1%**	**1.2%**	**1.4%**	**1.6%**	**1.0%**	**1.0%**	**4.9%**	**5.8%**	**2.6%**	**2.7%**	**0.4%**	**1.2%**	**0.6%**	**0.7%**	**0.3%**	**0.7%**
yoy change (pts)	*0.1%*	*0.2%*	*-0.3%*	*0.2%*	*0.8%*	*-0.1%*	*-0.6%*	*0.9%*	*0.5%*	*0.1%*	*0.3%*	*0.8%*	*-3.3%*	*0.1%*	*0.0%*	*0.4%*
Cost-to-Income ratio (CIR)	**29.0%**	**36.7%**	**32.9%**	**29.7%**	**29.5%**	**28.1%**	**28.6%**	**23.4%**	**37.0%**	**34.6%**	**43.1%**	**25.6%**	**39.5%**	**35.4%**	**61.9%**	**45.1%**
yoy change (pts)	*-6.9%*	*7.6%*	*-3.5%*	*-3.2%*	*-4.0%*	*-1.4%*	*-5.8%*	*-5.2%*	*-0.4%*	*-2.4%*	*-5.6%*	*-17.5%*	*-0.3%*	*-4.1%*	*-0.2%*	*-16.8%*

Source: VNDIRECT RESEARCH, COMPANY REPORTS

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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.

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