Sector Note

Banks

Asset quality is the key

- Concerns over stagnant property market in FY23F will stress banks' outlook via rising credit risk and weakening asset quality.
- FY23F earnings growth of banks under our coverage will slow down to 11% yoy (from 34% in FY22) on weaker credit growth, softer NIM and higher credit cost.
- Once we get more clarity on the NPL picture, there is the time for banks start their share prices rally. Top picks: CTG and ACB.

Liquidity constraints ease given cooling interest rate pressure

At end-2022, banks still suffered from tightened liquidity position, when M2 growth was far behind from credit growth, weighing on banks' liquidity via their tense LDR ratio. However, we think this tension has partially eased until now, given (1) cooling interest rates pressure thanks to FED "less hawkish" viewpoint and SBV's support via opening market channel or buying foreign exchange reserves; and (2) Circular 26/2022 effects.

Gloomy property market will deteriorate banks' asset quality

Another debatable issues in the banking sector relate to stagnant property market and sluggish corporate bond (CB) recovery. Amid halting CB market and subdued presales, many property developers find themselves to be cut off from all sources of funds; and their ability to repay debt obligations for creditors and banks are questionable. Therefore, those difficulties will stress banks' FY23F outlook via rising credit risk and weakening asset quality.

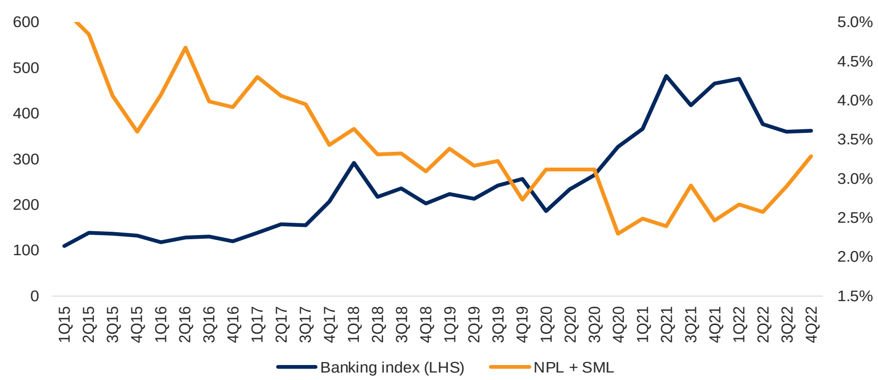
Banks took a prudent step in their FY23F guidance

Amid the sectoral headwinds, banks' FY23F guidance have turned to a more conservative mode: VCB only aimed for 12% earnings growth in this year. VIB, a bancassurance (banca) play within the sector, just targeted 15% yoy growth for its FY23F earnings. In FY23F, we see that banca is not a "goose that laid the golden eggs" for banks anymore, due to (1) weaker economy impacts demand for insurance products and (2) heightened scrutiny from regulators around banca activities.

Asset quality trend matters more to banks' share prices. Top picks: CTG & ACB

We believe asset quality concern is the main reason why investors stayed away from banking sector, as they think if asset quality trend is improved, banks will deliver more sustainable growth and return in the long run. Once we get more clarity on the NPL picture, there is the time for banks to start their share prices rally. The worst maybe over in 2H23 onward, in our view, once pressure from interest rates and FX ease, in pace with Decree 8/2023 effects and liquidity improvement. Currently, we still remain cautious in the near term and prefer banks with diversified loan portfolio, strong provision coverage for loan-at-risk and well-equipped to weather the uncertainties, thus CTG and ACB are our safe choices.

Figure 1: Banks' share prices performance vs. asset quality trend



Source: Fiinpro, VNDIRECT RESEARCH

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Asset quality is the key

FY22 recap: A rosy performance

Banks delivered a robust earnings growth in FY22 (+33.7% yoy; eventually better than FY21 growth of +30% yoy).

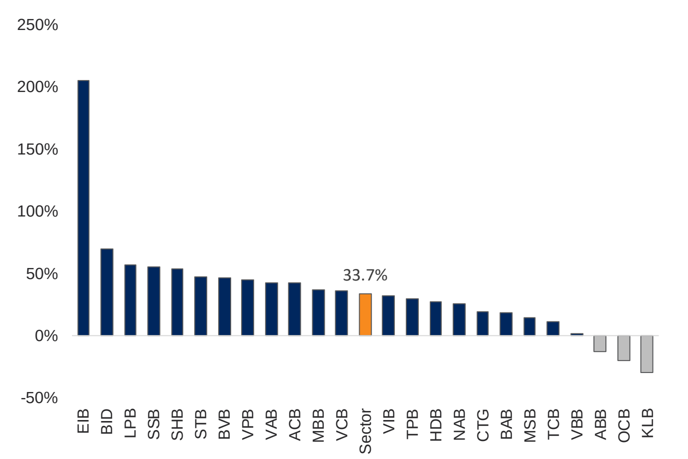
This result has beaten the market's expectations (only +20% yoy), and it was mainly underpinned by three main reasons…

- Aggregated top-line incomes grew 20.1% yoy on strong FY22 credit growth (+14.5% yoy), NIM expansion (+20bps to 3.8% on average) and steady fee incomes (+14.6% yoy).
- Banks showed a healthy CIR in FY22 (c.33.6% - which was equivalent to FY21 level) thanks to robust top-line incomes and well-managed Opex (+20.3% yoy).
- Aggregated provision charges declined 0.7% yoy (credit-cost rate: 1.5% vs. 1.7% in 2021) as banks have been able to lower their high LLR to deal with rising NPLs.

By each bank's performance, most of the banks have committed their initial FY22 plan, except TCB, VPB, TPB, MSB, OCB

- VPB, MBB, HDB and VCB recorded a better FY22 credit growth compared to peers, mainly thanks to their participation in handling weak credit institutions. On the other hand, TPB and TCB faced challenges due to their high exposure to CB. Besides, BID, CTG and STB found hard to push their lending growth because of low CAR (only c.9% - slightly above the minimum requirement of 8%).
- NIM performance varied widely between banks. Banks with great exposure to retail lending (VIB, ACB, HDB, VCB), high CASA mix (VCB, MBB) and good liquidity position (HDB, MBB, VIB) all posted strong NIM expansion. On the other hand, TCB and TPB experienced large declines in their CB balances, which weighed on NIM as CB carried a higher yield than loans. For VPB, weak credit growth at FE Credit drove the decline in consolidated asset yield and NIM.
- Thanks to high LLR, most of banks have been able to ease their provisions in FY22, leading to a strong decline in credit-cost rates.

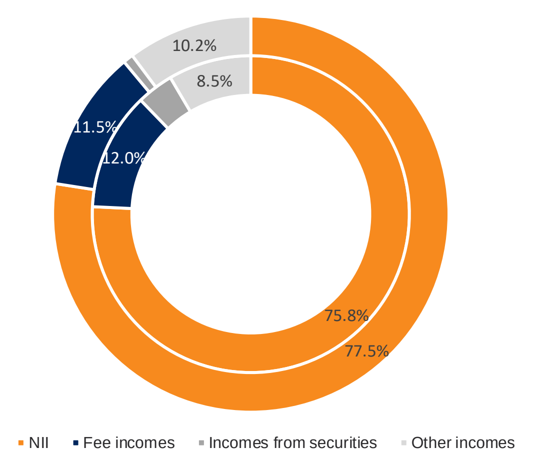
Figure 2: NP growth by each bank vs. sector



Source: Commercial banks, VNDIRECT RESEARCH

Figure 3: TOI structure

Outer circle stands for 2022; inner circle for 2021



Source: VNDIRECT RESEARCH

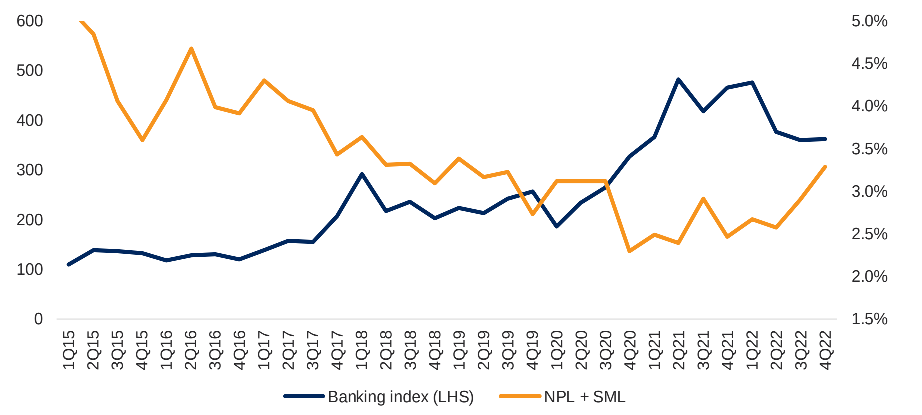
Asset quality is the key

Improvement in asset quality matters more to banks' share prices performance, in our view

What was the main driver of the share price performance of banks? It may not earnings growth, but it was balance sheets improvement, specifically asset quality. This was because investors believe if banks show up better asset quality trend, they will bring a more sustainable growth and return in the long run. In fact, since 2H21, investors had been doubting about banks' asset quality due to post-Covid impacts. That's the reason why banks' share prices declined 3% at end-FY21 vs. end-2Q21, though banks' earnings grew robustly 30% yoy. Moving to FY22, the scrutiny in property and CB markets had again raised a big concern to banks' asset quality, resulted in -22% in banks' share prices performance, despite the sector kept delivering a solid earnings growth of 33.7% yoy.

To conclude, if asset quality trend starts improving, there's the time before banks start their share price rally.

Figure 4: Banks' share prices performance vs. asset quality trend



Source: Fiinpro, VNDIRECT RESEARCH

So what is the banks' asset quality outlook?

We believe that banks will benefit from an improving economy, which will result in better asset quality. However, the struggles in property and CB markets have not been solved. We have made an explanation about how closely the property and CB markets relating to banks' asset quality…

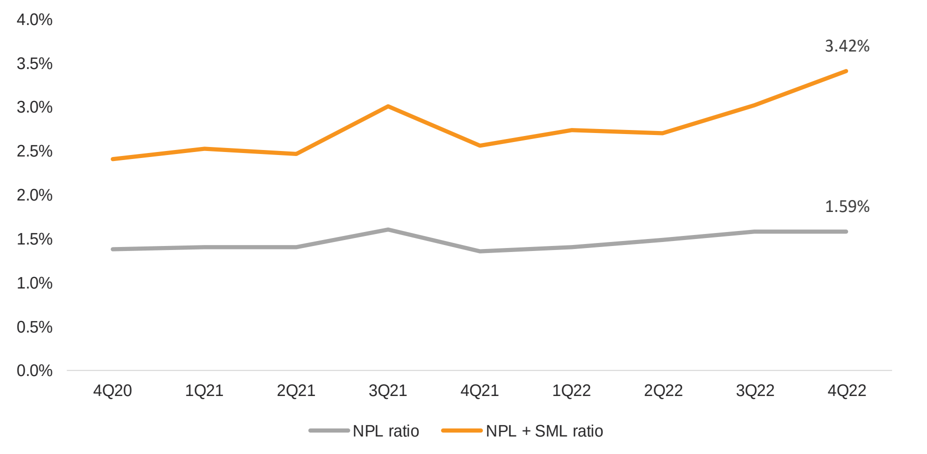
- First and foremost, banks were warned to lower credit exposure to property in order to cool down the "hot fever" of this market. According to Circular 08/2020, the cap on short-term funding for medium-and long-term lending will be cut to 34% from 37% since Oct 1st 2022; and 30% from 34% since Oct 1st 2023. As property loans are medium-and-long-term loans, banks will not let their lending exposure to this market increase uncontrollably.
- Due to borrowing from banks become tougher, the market had witnessed a boom in CB issuance from property developers since 2021 as a new substituted funding source for this market. By the end of 2022, outstanding CB value of property developers accounted for 35% share of CB balance (collected by HNX).
- However, the government has put strict supervision on CB issuance with Decree 65 revision since 2Q22. The market has witnessed many cases of bad practices in principal mobilization were found and several Vietnamese executives were arrested. This has damaged investors' confidence in issuers' integrity and led to a boycott on CB. Hence, developers find it difficult to raise fund from CB market. The total value of CB issuance dropped 63% yoy and property CB declined 78% yoy in FY22.

- Due to the on-going strict financial condition, mortgage rates have approached a sky-high level. Combining with current high housing price, housing demand has decreased sharply and it may continue in the upcoming time. According to CBRE, 4Q22 new condo supply fell 81% yoy/38% yoy, leading to a sharp fall in sales volume of 80% yoy/63% yoy in both HCMC and Hanoi.
- Amid halting CB market and subdued presales, many developers find themselves cut off from all sources of funds. Thus investors are doubting about their ability to repay debt obligations for creditors and banks. Although banks' credit has been tightened, it is still a crucial source of property market (21% of total system credit at-end FY22). Therefore, **the market has a big concern on banks' asset quality given stagnant property market.**

Moreover, we see another problem relating to "liquidity drying up" among Vietnam corporates, particularly SMEs. Vietnam corporates have to deal with higher interest expense, which dents profitability and heightens the pressure on debt obligations. Meanwhile, tighter financial conditions are found with limited credit from banks and squeezed CB issuance, limiting chances for corporates to refinance. **Corporates' difficulties in accessing funding and lower ability to fulfil debt obligations will also threaten banks' asset quality in 2023F**.

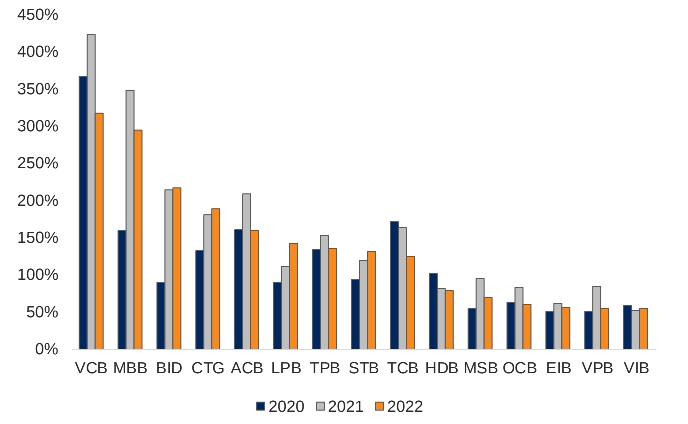
Figure 5: NPL + SML ratio (of 25 listed banks) climbed up rapidly at end-2022

SML stand for special-mentioned loans (loans group-2)



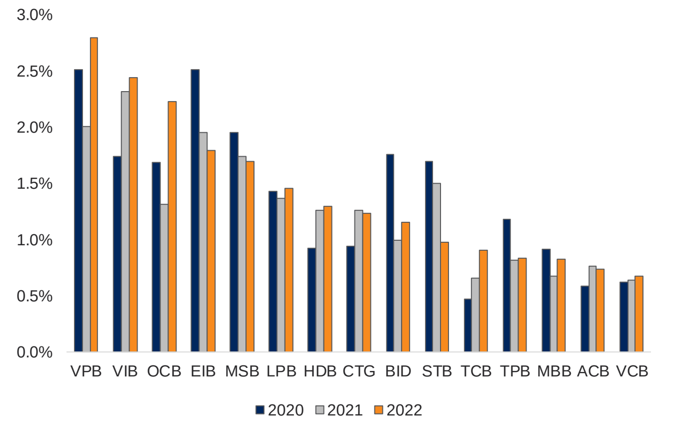
Source: VNDIRECT RESEARCH

Figure 6: Banks' LLR declined at end-2022



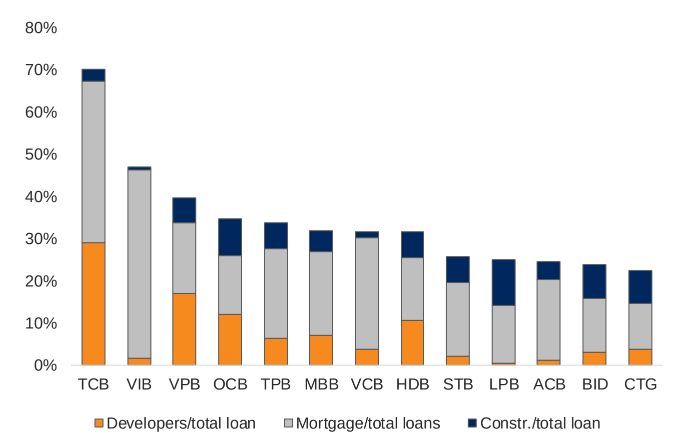
Source: Commercial banks, VNDIRECT RESEARCH

Figure 7: …while NPL inched up



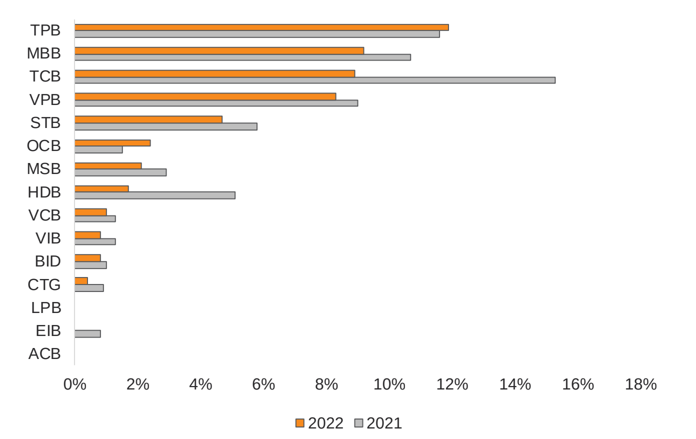
Source: Commercial banks, VNDIRECT RESEARCH

Figure 8: Banks' exposure to property loans



Source: Commercial banks, VNDIRECT RESEARCH

Figure 9: CB per credit by each bank



Source: Commercial banks, VNDIRECT RESEARCH

Decree 8/2023 is expected to be a solution for those difficulties. The regulators have released the latest draft to Decree 8/2023, which will partially help ease the liquidity crunch in the economy, especially property market. With these changes below, notably the fourth one, will help businesses/property developers have time to recover and meet their debt obligations.

Liquidity among banks still need to watch out

SBV has given credit quota to several banks last week. Banks having a benign credit mix (less exposure to risky segments ie. property loans), participating in handling weak financial institutions, healthy asset quality and good liquidity position like VCB, ACB, HDB, MSB… MSB gained the highest quota thanks to its relatively low LDR (abundant liquidity) compared to other banks.

Figure 10: 1st credit quota vs. full-year forecasts

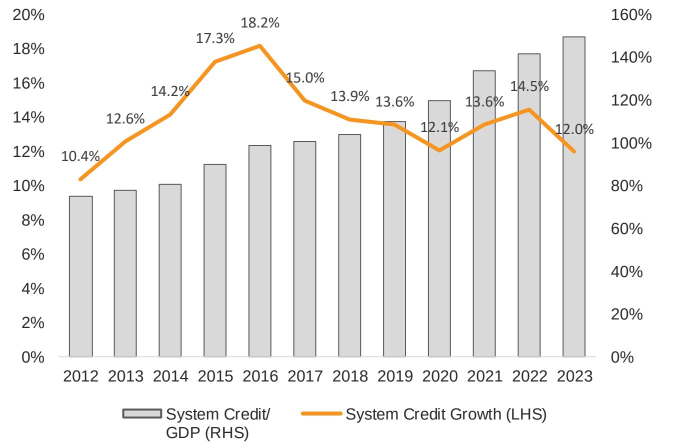
	2022 credit growth	1st credit quota	2023F credit growth forecasts
MSB	17.8%	13.5%	n.a
HDB	25.6%	11.0%	20.0%
ACB	14.3%	9.8%	13.0%
VCB	18.9%	9.6%	12.0%
VIB	14.5%	9.5%	11.0%
TCB	12.5%	9.5%	11.0%
TPB	14.3%	9.1%	10.0%
VPB	28.3%	9.0%	22.0%
MBB	25.4%	9.0%	18.0%
BID	12.2%	8.3%	n.a
LPB	12.7%	8.0%	13.0%
CTG	12.1%	8.5%	12.0%

Source: Commercial banks, VNDIRECT RESEARCH

We still expect credit growth to cool down to 12% in FY23F

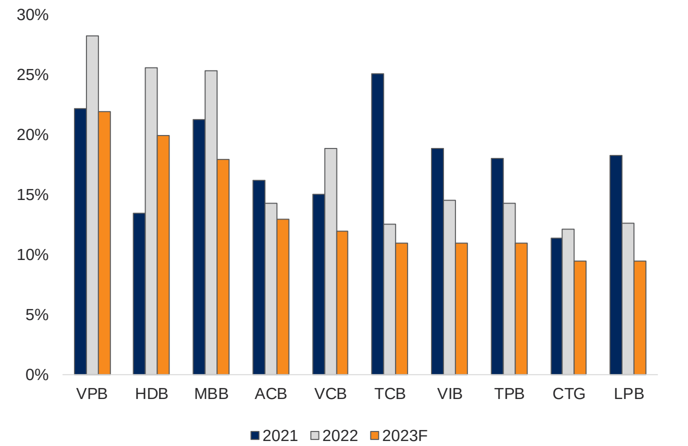
In FY23F, we expect system credit growth may cool down to 12% due to stagnant property market, sluggish export activities, and higher lending rates. In addition, inflation will stay high given a 21% basic wage hike (effective in Jul 2023) and an increase in the price of some government-control services (retail electricity tariff, health care…). Lastly, although liquidity situation has improved, banks' LDR are still relatively high, putting a lid to the credit growth this year.

Figure 11: Credit growth forecast



Source: SBV, VNDIRECT RESEARCH

Figure 12: Credit growth forecast by each bank

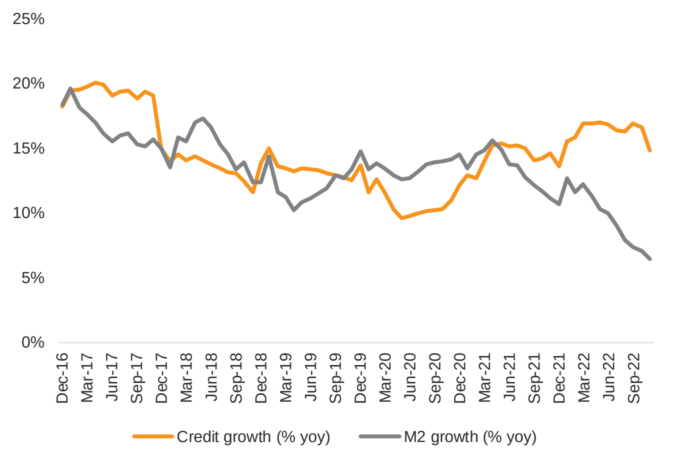


Source: VNDIRECT RESEARCH

Wider gap between credit and deposit growth weighed on liquidity

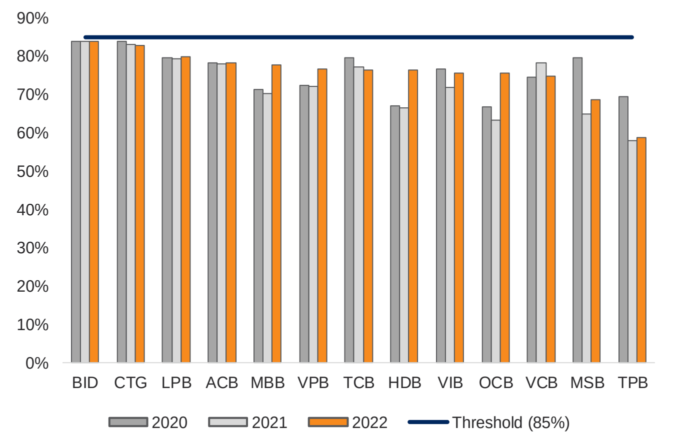
M2 improved by 3.6% ytd and 6.4% yoy at end-Nov 2022, much lower than system credit growth (+14.8% yoy), leading to a wider gap between credit-deposit growth. This weighed on the liquidity of most of the banks, reflecting in the increase in their LDR ratio at end-2022 compared with the levels at end-FY21 (75-80%; except MSB and TPB). Notably, some banks' LDR nearly touched the regulatory requirement level of 85%.

Figure 13: Wider gap between credit and deposit growth weighed on liquidity



Source: SBV, VNDIRECT RESEARCH

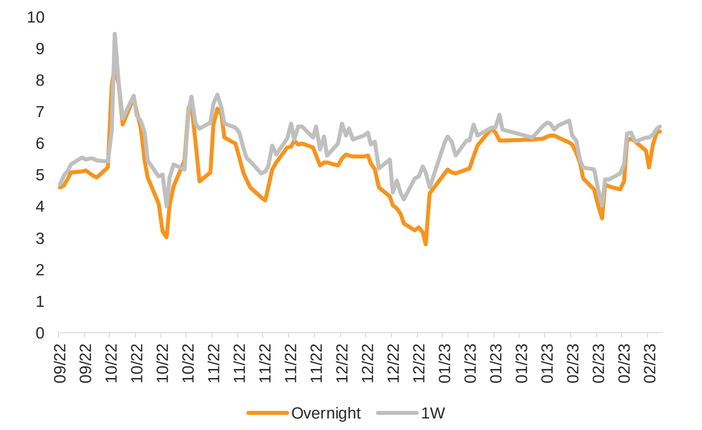
Figure 14: Banks recorded higher LDR at end-2022



Source: Commercial banks, VNDIRECT RESEARCH

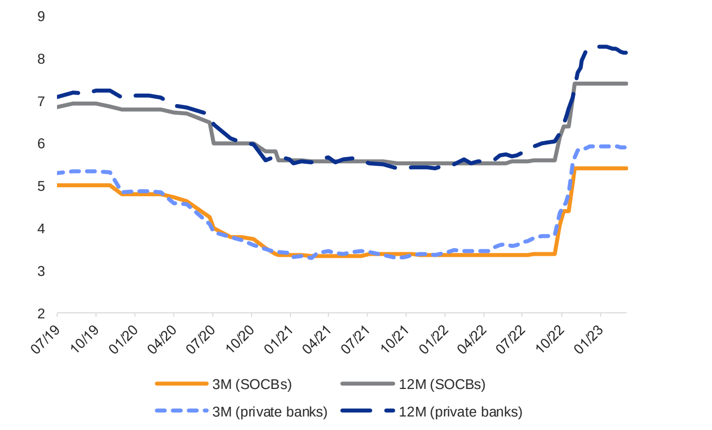
However, things have positively changed since the beginning of 2023. The cooling exchange rates have allowed the SBV to stabilize interest rates to support businesses and the economy (according to our estimates, SBV has bought about US$3.6bn since the beginning of 2023). Thanks to this liquidity support, interbank rates have reduced notably from their peak in early Oct-2022. Overnight rates fluctuated in the range of 5-6% (compared to the peak of 8.4% in early October). Meanwhile, 1-week interest rates fluctuated in the range of 5-6.5% within this period (compared to the peak of 9.5% in early October). Besides, deposits rate also showed signs of easing and fluctuated at around 8-8.5% (from the peak of c.9%).

Figure 15: Interbank rates have hovered at 5-6% (Unit: %)



Source: SBV

Figure 16: Deposit rates stopped surging and showed signs of easing (Unit: %)



Source: Commercial banks

On the other hand, Circular 26/2022 will be an effective contributor to this liquidity improvement. As LDR formula has changed i.e. 50% of state treasury is allowed to release to use for lending activities (total amount of c.VND150tr, according to banks' 4Q22 financial statement), it will partially solve the liquidity constraints situation in this year.

Liquidity comparative analysis of listed banks

We use the liquidity parameter under the "L – liquidity" in the CAMEL model to measure some Vietnam listed banks' ability to meet its financial obligations. We priotise some ratios that indicate the bank 's ability to convert it liquid asset quickly into cash in order to adapt the deposits run. Our liquidity parameter include…

1. *Liquid asset/Customer deposits:* The liquid assets include cash and cash equivalent, balance with central bank and trading securities. For this ratio, higher is better which indicates that the bank will be able to easily convert assets to cash to fulfil its short-term payment obligations.
2. *Gross LDR*: gross loan to deposit, which lower is better for liquidity.
3. *Liquid asset/Total asset*: a high ratio allows the bank to quickly meet its short-term payment obligations.
4. *Short-term loans/Net loans ratio*: We believe higher short-term loans proportion will allow the bank to mitigate the asset-liability duration gap and ease the pressure of mobilisation of long-term funding.
5. *Demand deposit/Customer deposits (CASA):* A high ratio means the bank has less pressure of mobilizing long-term funding to adapt long-term loans demand.
6. *Non-individuals/Customer deposits*: The higher the better. We observe that the bank will have a decent and stable mobilisation if the bank has the larger proportion of institutional customers in its deposit mix.

Our comparative analysis has considered the liquidity strength of listed commercial banks. We use the average data from the financial statements of each bank at the end of 2021 and 2022 to mitigate any abnormal factors. For the comparative analysis, the results have been interpreted through the rank. Noted that, **lower rank does not mean that bank will face liquidity risk, only indicates weaker liquidity strength to others**.

Figure 17: Liquidity strengths of each bank based on each criteria (average numbers of end-FY21 and end-FY22)

		Liquid asset / Total deposits	Gross LDR	Liquid asset / Total asset	Short-term loans/ Net loans	Demand deposit/ Customer deposits	Non-Individuals/ Customer deposits
1	VCB						
2	TCB						
3	VPB						
4	BID						
5	CTG						
6	MBB						
7	ACB						
8	VIB						
9	TPB						
10	OCB						
11	HDB						
12	LPB						
13	STB						
14	MSB						
15	EIB						
16	SHB						
17	ABB						
18	SSB						
19	BAB						
20	BVB						
21	NAB						
22	NVB						
23	VBB						
24	VAB						

Source: VNDIRECT RESEARCH

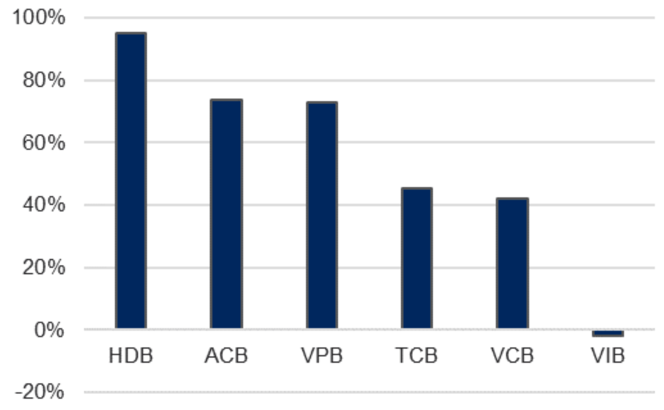
Bancassurance: not a "goose that laid the golden eggs"

Banks saw significant growth in fee income from banca activities during FY20-22 as insurers across life and non-life space pushed for growth through banks. For life insurance (where banks generate most of their banca fee), new sale through the banca channel has grown exponentially over the last several years, from 20% of new business premium in 2018 to over 40% in 2021.

Looking ahead, we believe growth in banca incomes for banks may slow down meaningfully in 2023 due to (1) weaker economy impacting consumers' disposable income, and in turn, demand for insurance products, (2) heightened scrutiny from regulators around banca activities given allegations some borrowers and depositors have been forced and/or misled by banks into buying insurance products. Within our coverage, HDB, ACB, and VIB generate a sizeable portion of their TOI from banca income at 9% (6M22 data), 7% (FY22), and 6% (FY22), respectively.

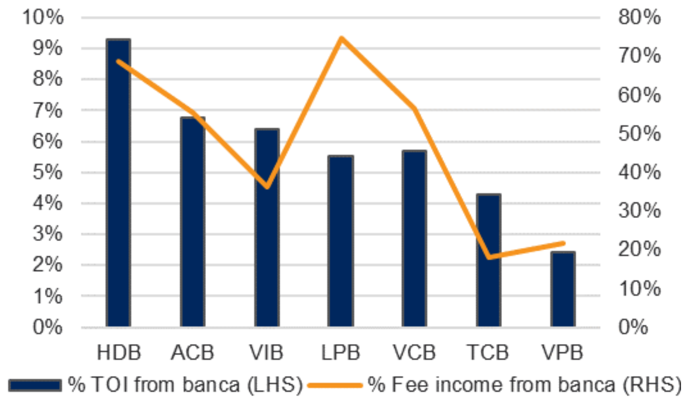
Regrading recent and upcoming banca partnerships, we note VPB and LPB inked new banca deals with life insurers AIA and Dai-ichi during 2022, respectively. VPB recognized the full VND5.5tr upfront fee from this deal in 1Q22. For LPB, we believe the bank started to recognize upfront fee in 4Q22 although the amount has not been disclosed. For other banks within our coverage, only HDB is expected to sign a new banca deal this year, which could be a positive catalyst for the bank's earnings and stock.

Figure 18: Many banks in our coverage saw significant growth in banca fee income over the last 2 years (FY20-22 CAGR in banca income, 6M20-6M22 CAGR for HDB)



Source: Commercial banks, VNDIRECT RESEARCH

Figure 19: Banca holds sizeable weight in the TOI and fee income structure for HDB, ACB, and VIB



Source: Commercial banks, VNDIRECT RESEARCH

NIM & Credit-cost rate

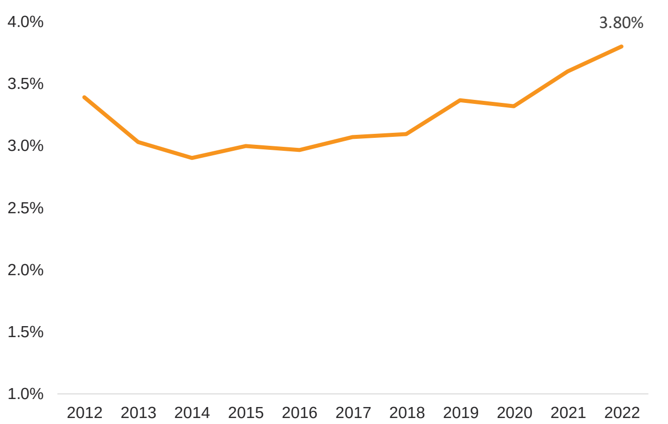
NIM compression is inevitable due to rising deposit rates

Given the rising funding pressure at both short and long terms, we expect banks' COF to rise meaningfully over the next year, putting downward pressure on NIM. We doubt asset yields can pick up at the same pace. It is difficult for banks to fully pass through higher rates to customers amid government's call for controlling operating expenses rather than increasing lending rates to share the financial burden with borrowers.

We believe banks with high retail lending exposure and strong CASA are best-positioned to navigate through NIM headwinds. Regarding the retail lending criterion, VIB and ACB score the highest among our coverage with 90% and 64% of retail weights. CTG, VPB, TPB, MBB are also noteworthy names thanks to successfully increasing the retail component within their credit mix this year.

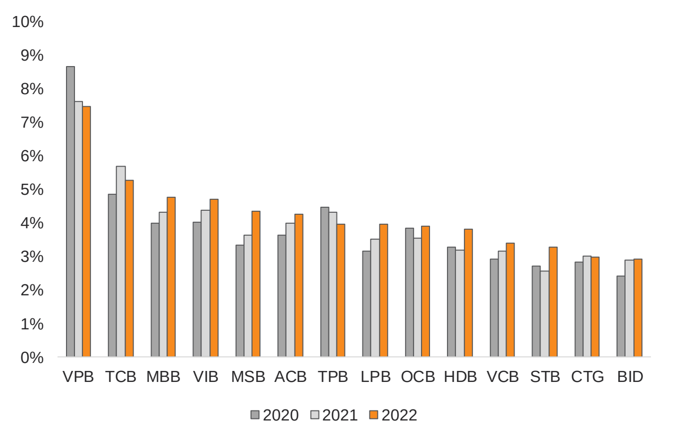
With respect to CASA, TCB, MBB, and VCB are the best positioned in our coverage in term of CASA ratio at end-2022. VCB particularly impresses us as one of the few banks to have improved CASA ratio ytd, which we would attribute to its success with the "zero-fee" program introduced earlier this year.

Figure 20: Sector-wised NIM kept improving in FY22



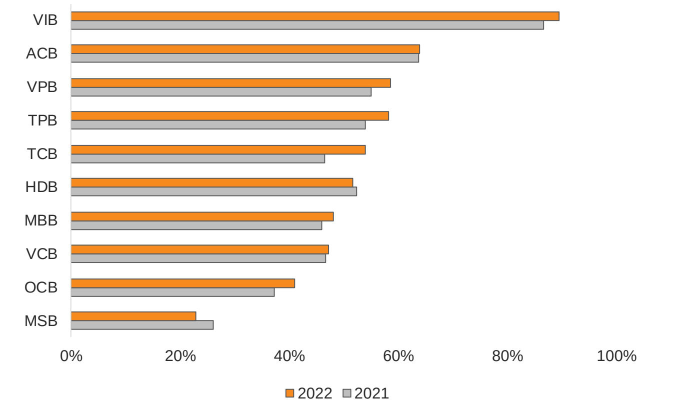
Source: VNDIRECT RESEARCH

Figure 21: NIM performance among banks



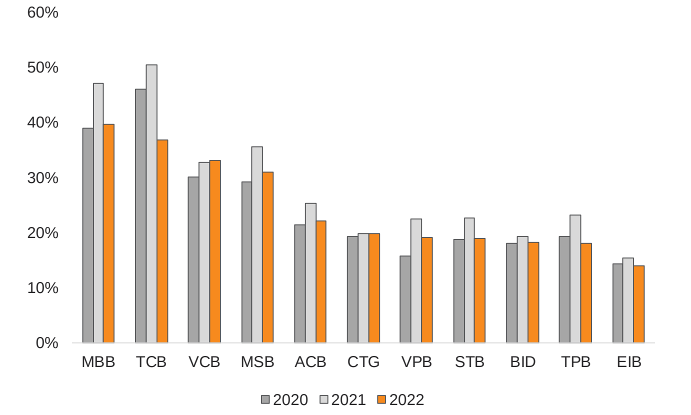
Source: Commercial banks, VNDIRECT RESEARCH

Figure 22: VIB and ACB have the highest exposure to retail lending



Source: Commercial banks, VNDIRECT RESEARCH

Figure 23: TCB, MBB, and VCB remained at the top CASA



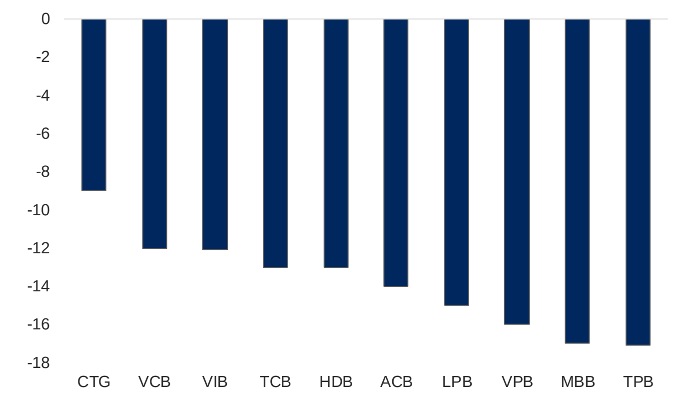
Source: Commercial banks, VNDIRECT RESEARCH

Figure 24: IAE, COF and NIM performance among banks in 2022 (Unit: bps)

	IAE	COF	NIM
VCB	7.7	(2.9)	10.6
TCB	7.9	2.3	7.2
VPB	8.8	2.8	7.1
BID	11.6	4.6	7.0
CTG	8.6	2.6	6.4
MBB	2.1	(1.2)	4.3
ACB	9.1	6.5	3.4
VIB	6.1	3.2	3.4
TPB	2.3	0.4	2.5
OCB	3.6	1.5	2.4
HDB	0.6	0.4	0.2
LPB	4.2	4.5	(0.3)
STB	0.7	3.1	(1.4)
MSB	0.7	4.3	(3.4)

Source: Commercial banks, VNDIRECT RESEARCH

Figure 25: Change in FY23F NIM forecasts under our coverage (Unit: bps)

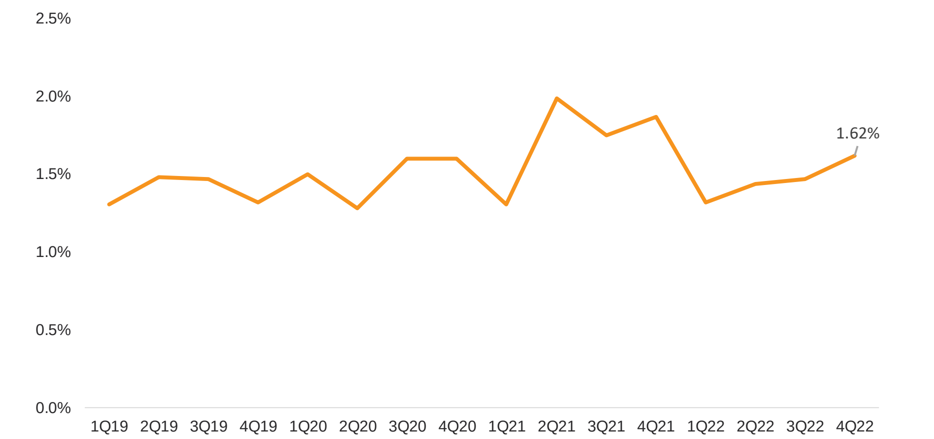


Source: VNDIRECT RESEARCH

Visible rising provisioning expenses

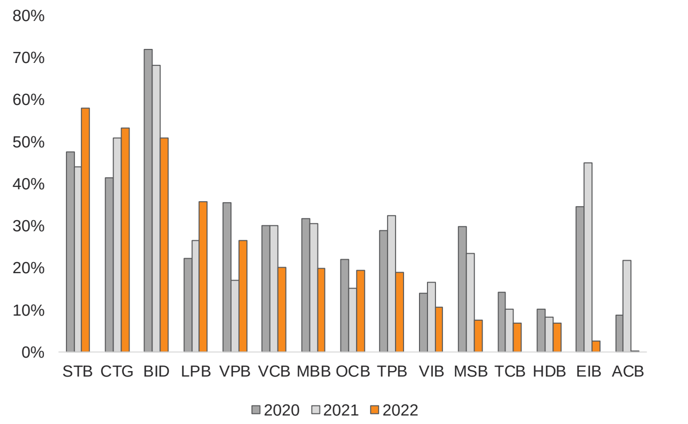
Average annualized credit cost of 25 listed banks have eased to the pre-pandemic levels. However, as mentioned before, the pressure to build up provisions will come back in 2023-24F due to the gloomy property market. Thus, banks' credit-cost rate could inch up again.

Figure 26: Annualized credit-cost rate has started to increase since 4Q22



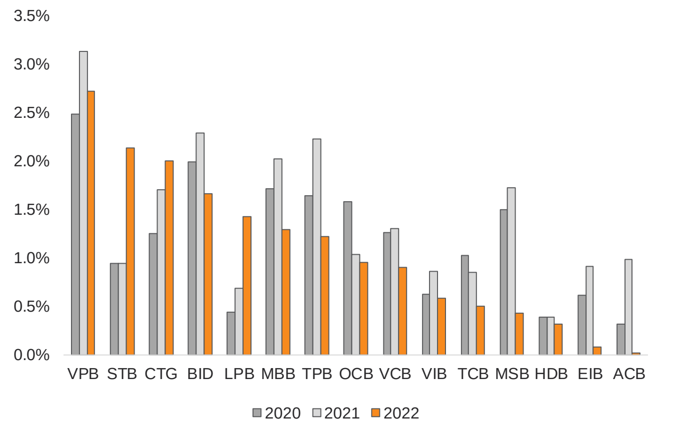
Source: Commercial banks, VNDIRECT RESEARCH

Figure 27: Provisions/PPOP among banks



Source: Commercial banks, VNDIRECT RESEARCH

Figure 28: Credit-cost rate among banks



Source: Commercial banks, VNDIRECT RESEARCH

CAR: remaining low in state-owned group continues to be a burden

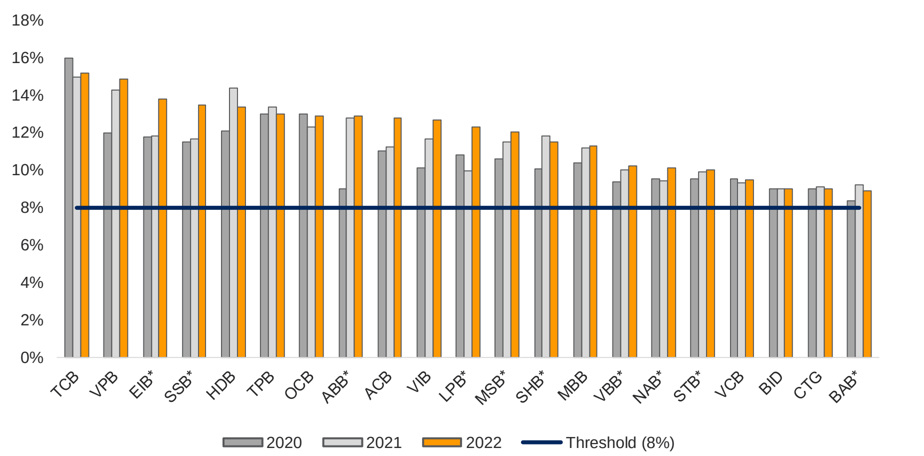
Given the proactive in capital management, Vietnam banks are all attempting to achieve higher CAR ratio year on year and approach Basel III standards to build up a strong foundation and boost loan growth. More than 20 banks have adopted Basel II, 6 of them has completed Basel III (VPB, TPB, SSB, NAB, OCB & ACB), all from the joint-stock banks group. We believe these banks' CAR ratio would remain above the threshold and improve modestly during next year.

In a contrast context, stated-owned commercial banks (SOCBs) would face more difficulties in raising capital as a consequence of strict state budget and slow policy approval process. Particularly, VCB, BID or CTG all had issuing stock dividends plan in 2022, but none of these banks would be able to complete during the expected timeline.

A bright spot for the state-owned banks group in 2023 is VCB, with the plan to issuing 6.5% capital via book building to improve its CAR ratio by 2-2.5%. For the remaining SOCBs banks, we expect they would be able to implement 2022 stock dividends plan in 2023, otherwise its capital buffer as well as market shares will continue to be eroded as a consequence of fierce competition from private banks.

Figure 29: Banks' CAR showed signs of improvement, except SOCBs

(*) stand for 1H22 numbers

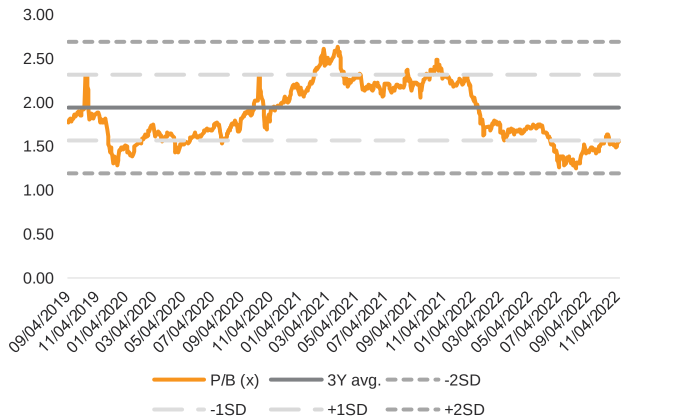


Source: Commercial banks, VNDIRECT RESEARCH

Stock picks: CTG and ACB

We estimate earnings growth of banks under our coverage will slow down to 11% in FY23-24F on weaker credit growth, softer NIM, and higher credit-cost rate. However, "An optimist says the glass is half full." Vietnamese banks are healthier than ever before and still the best proxy to Vietnam's robust economic expansion. Thus, current sector valuation at all-time-low level of 1.2x P/B FY23F (just slightly above its -2SD 3-year average level) provides an attractive risk/reward profile for long-term investment.

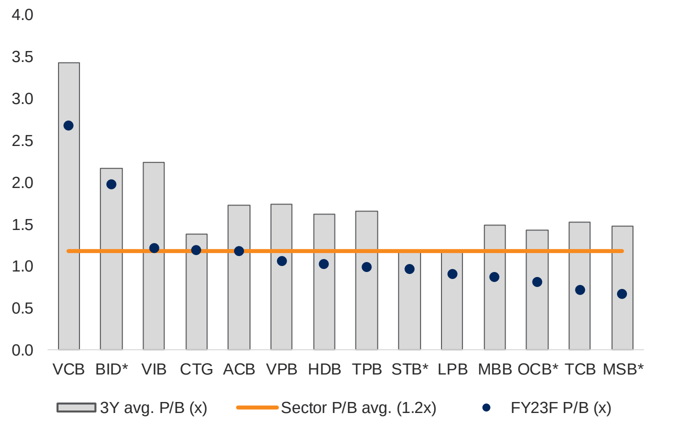
Figure 30: Current P/B rebounded but still stayed among its -1SD range; and P/B FY23F is trading at only 1.2x



Source: Fiinpro, VNDIRECT RESEARCH

Figure 31: Many banks are trading under their 3-year P/B average

(*) stands for Bloomberg concensus



Source: VNDIRECT RESEARCH

We believe asset quality concern is the main reason why investors stayed away from banking sector, as they think if asset quality trend is improved, banks will deliver more sustainable growth and return in the long run. Thus, once we get more clarity on the NPL picture, there is the time for banks to start their share prices rally. The worst maybe over in 2H23 onward, once pressure from interest rates and FX ease, in pace with Decree 8/2023 effects and liquidity improvement. Currently, we keep remaining cautious in the near term and prefer banks with diversified loan portfolio, strong provision coverage for loan-at-risk and well-equipped to weather the uncertainties, thus **CTG and ACB** are our safe choices.

Figure 32: Vietnam bank comparison (price as of 7/3/2023)

Banks	Bloomberg Code	Price Latest	Target Price	Recommendation	Market cap	P/B (x)		P/E (x)		3-yr fw CAGR EPS	ROE %		ROA %	
		LC	LC		(US$bn)	Current	FY23F	T12M	FY23F	%	FY22	FY23F	FY22	FY23F
Vietcombank	VCB VN	91,900	84,600	ADD	18.4	3.2	2.7	14.5	13.5	11.7%	24.0%	22.0%	1.9%	1.8%
Vietinbank	CTG VN	29,000	34,400	ADD	5.9	1.3	1.2	8.2	6.9	14.1%	20.7%	16.3%	2.9%	2.5%
Vietnam Prosperity JSB	VPB VN	17,400	26,300	ADD	5.0	1.2	1.1	6.4	4.0	15.2%	21.8%	20.0%	3.6%	3.5%
Techcombank	TCB VN	27,100	44,000	ADD	4.0	0.8	0.7	4.7	10.2	15.5%	16.5%	16.8%	1.0%	1.1%
Asia Commercial JS Bank	ACB VN	24,500	30,000	ADD	3.5	1.4	1.2	6.0	4.5	16.7%	25.6%	22.7%	2.6%	2.5%
Military Commercial JSB	MBB VN	17,400	30,600	ADD	3.3	1.0	0.9	4.5	5.9	11.4%	26.0%	23.0%	2.4%	2.4%
HDBank	HDB VN	18,500	25,000	ADD	2.0	1.3	1.0	6.0	4.8	17.6%	32.0%	30.0%	2.5%	2.6%
Vietnam International Commercial JSB	VIB VN	20,600	27,000	ADD	1.8	1.3	1.2	5.1	7.0	20.0%	24.5%	23.2%	2.1%	2.2%
Tien Phong Commercial JSB	TPB VN	23,500	31,000	ADD	1.6	1.2	1.0	5.9	5.4	16.4%	21.5%	20.2%	2.0%	2.0%
LienViet Post Bank	LPB VN	14,350	15,800	ADD	1.1	1.0	0.9	4.9	6.1	10.0%	22.1%	17.5%	1.5%	1.3%
Average						*1.4*	*1.2*	*6.6*	*6.8*	*14.9%*	*23.5%*	*21.2%*	*2.2%*	*2.2%*
Median						*1.3*	*1.1*	*6.0*	*6.1*	*15.2%*	*23.5%*	*21.2%*	*2.2%*	*2.2%*

Source: VNDIRECT RESEARCH

Figure 33: Regional banks' key ratio (on average)

Country	NIM	CASA	CAR	Pure LDR	NPL	LLR
Hong Kong	2.0	-	16.0	86.3	1.4	216.5
China	2.1	-	15.7	86.9	1.3	226.4
Malay	1.9	37.2	18.2	93.1	1.4	155.5
Thailand	3.4	69.5	19.1	100.1	3.4	148.6
Singapore	1.9	53.2	17.1	83.6	1.3	99.1
Phillippines	4.2	70.0	16.1	73.2	3.8	130.1
Indonesia	5.0	64.0	22.7	90.3	2.1	53.8
Vietnam (tier-1)	4.5	22.8	11.9	102.6	1.5	153.6

Source: Bloomberg, VNDIRECT RESEARCH

DISCLAIMER

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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