Sector Note

UPGRADE

Vietnam

Overweight *(previously Neutral)*

Highlighted Companies

Asia Commercial Joint Stock Bank
ADD, TP VND30,400, VND19,800 close

Prudent asset management helps ACB to better resolve the new bad debts caused by Covid-19. A potential exclusive bancassurance deal is an income booster.

Military Commercial Joint Stock Bank
ADD, TP VND26,200, VND15,650 close

Low penetration in retail banking will help NIM to recover after the pandemic ends. However, recent expansion in the unsecured lending segment will lead to higher credit costs than historical levels.

Vietcombank
ADD, TP VND86,200, VND71,500 close

We believe Vietcombank will be the first bank among its local peers to recover after the pandemic ends, thanks to its low penetration in retail lending, robust fee income from insurance commission and one-off income from the bancassurance deal.

Summary Valuation Metrics

P/E (x)	Dec-20F	Dec-21F	Dec-22F
Asia Commercial Joint Stock Bank	4.67	4.05	3.59
Military Commercial Joint Stock Bank	4.32	3.79	3.22
Vietcombank	12.54	10.74	9.15
P/BV (x)	**Dec-20F**	**Dec-21F**	**Dec-22F**
Asia Commercial Joint Stock Bank	1.00	0.84	0.70
Military Commercial Joint Stock Bank	0.80	0.68	0.57
Vietcombank	2.57	2.14	1.78
Dividend Yield	**Dec-20F**	**Dec-21F**	**Dec-22F**
Asia Commercial Joint Stock Bank	5.05%	5.05%	3.54%
Military Commercial Joint Stock Bank	3.83%	3.83%	3.83%
Vietcombank	1.12%	1.12%	1.12%

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Banks

Sector headwinds likely priced in

- A drop in banks' net profit growth is expected in FY20F as Covid-19 leads to low credit demand, NIM compression and a likely increase in bad debts.
- We expect banks under our coverage to show earnings recovery in FY21F in the base case scenario that the pandemic ends in mid-FY20F.
- Our top picks are VCB, ACB and MBB, thanks to their prudent asset management, lower risk appetite and better recovery outlook.

We expect lower credit growth of 11% in FY20F

The Covid-19 outbreak has disrupted various business activities due to the temporary closure of local businesses and the lockdown of major economies. The disruption has slowed credit growth, with sector-wide credit growth at 1.3% YTD at end-1Q20, the lowest level in six years. Our base case assumes that the pandemic will end in mid-FY20F, hence credit growth will pick up in the second-half of FY20F. We project credit growth could reach 11.0% in FY20F, lower than the 13.6% growth in FY19.

NIM compression is inevitable

Following the cut in policy rates and deposit ceiling rates, we observed that deposit rates have been lowered by 20-40bp across banks, while banks have cut lending rates by an average of 100bp to support customers. In our view, FY20F net interest margin (NIM) will be compressed across the sector due to: 1) lower lending rates; and 2) reduction/waiver of interest payments. Post-pandemic, we forecast VCB, ACB and MBB will improve their NIMs thanks to their ability in shifting lending mix in favour of higher-yielding segments (VCB, MBB) or lifting current account and savings account rates (ACB).

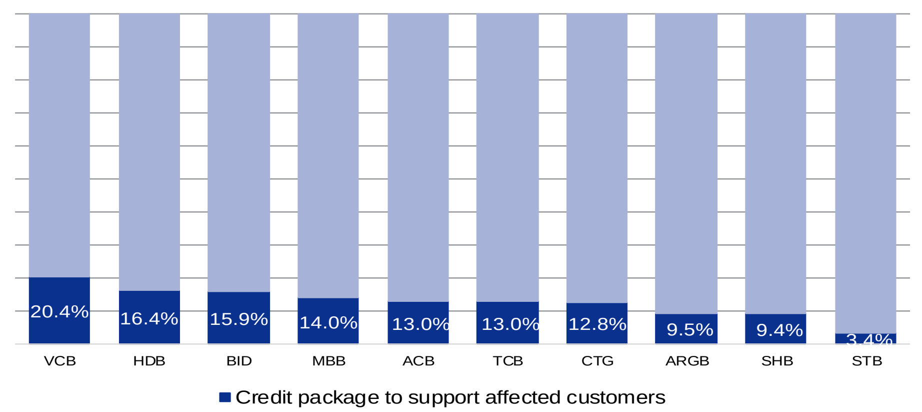
Net profit growth will improve in FY21F

In the base case scenario, we view that recovery of the top line and decent provisioning coverage of the banks under our coverage could help those banks show a recovery in earnings growth in FY21F. We expect VCB, ACB and MBB to recover at faster rate, while TCB and VPB would lag behind due to higher bad debt derived from their higher risk appetite.

Upgrade to Overweight from Neutral on attractive valuations

Vietnam banks are trading below their 5-year average P/BV and P/E; and trading on par with regional peers despite having higher forward-EPS growth and higher ROEs. The country's prompt response to the pandemic has helped to contain its spread, thereby reducing its impact on the economy. The sector is Overweight on valuations due to recent price weakness, while the banks' businesses should gradually recover post-pandemic. Our top picks are VCB, ACB and MBB which have better recovery outlook, in our view.

Figure 1: Credit package to support customers affected by the Covid-19 outbreak, as a percentage of total loans (as at Apr 2020)



SOURCES: VNDIRECT RESEARCH, COMPANY

1Q20 results preview

Figure 2: 1Q20 results summary

	VCB	VPB
Net interest income (VNDbn)	**9,034**	**8,021**
yoy %	*6.3%*	*14.2%*
Non-interest income (VNDbn)	**3,251**	**1,884**
yoy %	*-0.5%*	*100.9%*
Total operating income (VNDbn)	**12,285**	**9,906**
yoy %	*4.4%*	*24.4%*
Operating expenses (VNDbn)	**(4,910)**	**(3,283)**
yoy %	*12.0%*	*10.3%*
Provision expenses (VNDbn)	**(2,152)**	**(3,712)**
yoy %	42.9%	15.8%
Pretax profit (VND bn)	**5,223**	**2,911**
yoy %	-11.1%	63.3%
Net profit (VNDbn)	**4,178**	**2,314**
yoy %	-11.2%	62.7%
1Q20 net profit/our full year forecast	**19.7%**	**23.0%**

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 3: Banks' key ratios as of 1Q20

Key ratios	VCB	VPB
Loan growth		
yoy %	*12.1%*	*14.0%*
in 1Q20	*2.7%*	*2.6%*
Deposit growth		
yoy %	*11.4%*	*14.7%*
in 1Q20	*0.6%*	*0.8%*
Net interest margin (NIM) (%)	**3.3%**	**9.5%**
yoy change (pts)	*0.2*	*0.5*
Non-performing loan (NPL) ratio (%)	**0.8%**	**3.0%**
yoy change (pts)	*-0.2*	*-0.6*
Loan-loss-reserves (LLR) (%)	**235.0%**	**52.0%**
yoy change (pts)	*65.8*	*3.7*
Cost-to-income ratio (CIR) (%)	**40.0%**	**33.1%**
yoy change (pts)	*2.7*	*-4.3*

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Sector headwinds likely priced in

Covid-19 casts shadow on banking earnings outlook

Stimulus package worth VND300tr to ease the pandemic pain

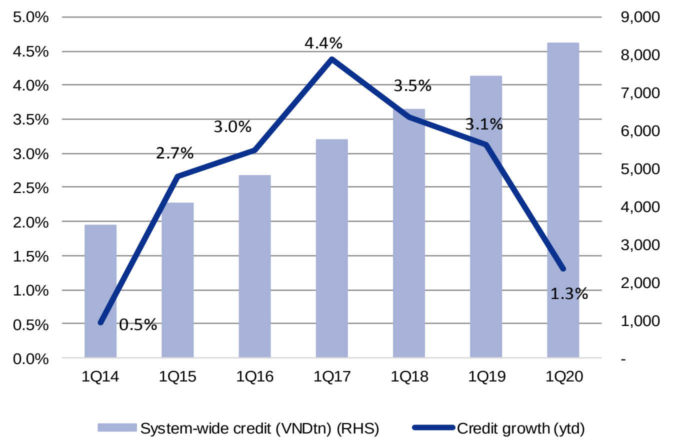
The Covid-19 outbreak has impacted a wide variety of sectors, including agriculture, service, export and import, tourism, hospitality, education, transportation and retail. Disruptions to businesses caused a big drop in credit demand. As of Apr 2020, banks in Vietnam reported that as much as VND2,000tr of outstanding loans (~23% of the system's total credit) have been affected by Covid-19 and require some form of loan restructuring or interest reduction.

To support the economy, the Vietnamese government on 6 Mar 2020 called on banks to provide a credit stimulus package worth VND250tr, of which the lending rates are reduced by 50-150bp. As the pandemic worsened and a social distancing order was issued, the credit stimulus package was increased to VND300tr on 9 Apr 2020. In addition, banks were asked to further reduce lending rates by 200bp. Many banks, especially the state-owned commercial banks, have promptly responded by expanding the size of their credit package and committed to lower interest rates by up to 200bp. The VND300tr credit package comes from the banks' own funds, not the state budget, hence the decisions on which customers can access the package and what interest rates are applied are at the banks' discretion. Priority is given to customers affected by the pandemic, but the loans are still commercial loans in nature, therefore borrowers need to pledge collateral and prove their repayment capability. The credit stimulus package has been effective in stimulating the economy with the system credit growth reaching 1.3% YTD at end-1Q20, from flat in the first two months.

Credit growth is expected to slow to c.11% in FY20F

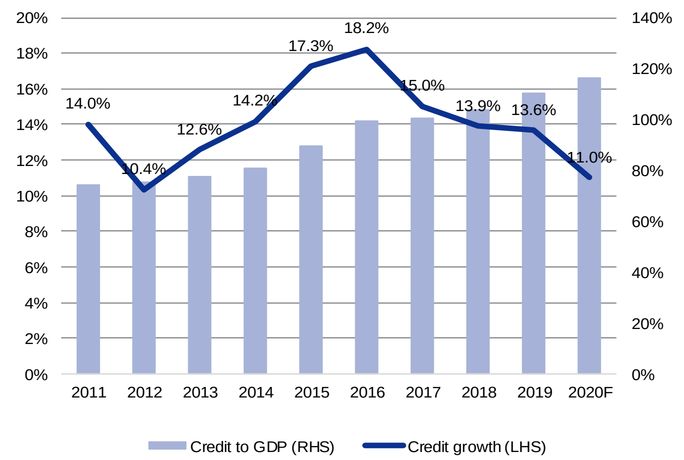
The system-wide credit growth of 1.3% YTD at end-1Q20 was the lowest growth rate seen in the past six years. Even so, this was a big improvement from the credit growth of 0.06% YTD at end-Feb 20. The government's policies to support the economy, such as cutting policy rates, allowing the deferral of tax payments, and banks' support in the form of extending loan tenure, reducing and waiving interest obligations, have helped credit growth a bit, in our view.

Figure 4: Credit growth decelerated in 1Q20 due to the Covid-19 outbreak



SOURCES: VNDIRECT RESEARCH, SBV

Figure 5: Credit growth is expected to slow to 11% in FY20F



SOURCES: VNDIRECT RESEARCH, SBV

In our base case assumption, we expect the coronavirus to be gradually contained from Jun 2020, hence credit growth will likely pick up in 3Q and 4Q of 2020F. We forecast credit growth for the year to reach 11%. Given the expectation of a 5% GDP growth, credit to GDP would increase from 110% in FY19 to 116% in FY20F. Credit growth after the pandemic will be supported by the following factors:

- Policy rates cuts providing banks with lower cost funding, thereby facilitating a reduction of lending rates. In Mar 2020, the Vietnamese government lowered various policy rates by 50-100bp. Since Apr 2020, 20 banks (accounting for 75% of system-wide credit) increased the size of the low rate credit packages, which were set up to support affected customers. A lower interest rate level would encourage firms to take on new loans to resume business.
- The boosting of public investment will create jobs, thereby generating credit demand as a secondary effect. On 20 Mar 2020, the government agreed to convert all investment projects (8 projects) related to the North-South Expressway from public-private partnership (PPP) to public investment, petitioning the National Assembly to start construction in Aug 2020. The Ben Thanh-An Suong metro construction is also expected to resume operations in Oct FY20F. The acceleration of public investment will create jobs for both companies and individuals, which would then lead to new credit demand.

Inevitable NIM compression in sight

We expect the Covid-19 outbreak to depress NIM as asset yields will fall more than the reduction in funding costs. Lower asset yields will be derived from: 1) lower lending rates on new loans to support credit growth amid subdued demand; and 2) the reduction/waiver of interest payments which would lead to the reversal of interest income, hence lower interest income.

In order to support the economy, the Vietnamese government on Mar 16 cut policy rates by 50-100bp and reduced the ceiling rates for deposits under six months by 25-30bp. Following the government's directive, deposit rates across banks decreased by 30-40bp for tenure of under six months and 20-30bp for tenure of over six months. However, in our view, the funding costs are quite sticky, especially for long-term deposits as banks need to maintain adequate long-term funding to meet the requirements of short-term funds used for medium/long-term loans.

On the lending side, the government issued an official decision requiring banks to cut short-term lending rates by 50bp for the priority sectors. In addition, banks are encouraged to cut rates further, at their discretion, to support customers. Many banks are looking to lower their lending rates by a maximum of 2% pts. However, the preferential rates are only applied for customers who are affected by the pandemic, and the degree of rate cut varies between customers. We expect the average rate cut for affected customers to be around 1% but lending rates will gradually bounce back after the Covid-19 outbreak ends. In our base case, we assume the pandemic will end in mid-FY20F, hence we forecast a 50bp reduction in loan interest rates for FY20F.

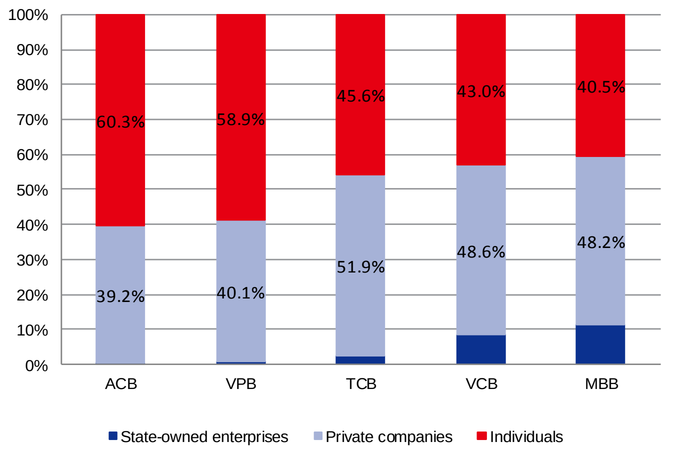
Due to a greater adjustment in lending rates versus deposit rates, NIM is projected to fall in FY20F. Moreover, the reduction/waiver of interest payments will further depress NIM. Interest income reversal could continue in FY21F, in our view, because banks are allowed to restructure loans for up to 12 months, therefore there will be a time lag in bad debt formation. After the pandemic is over, the NIM trend will be different across banks. Banks with the following characteristics would have less pressure on NIM:

- Banks with low penetration in retail banking: Further expansion into the higher-yielding retail segment will help to improve asset yields, thereby partly offsetting the impact of the pandemic.
- Banks with lower loan-to-deposit ratio: These banks have better liquidity, which is important during a crisis. They face less pressure to raise additional

deposits to maintain liquidity when borrowers cannot repay their debts on time.

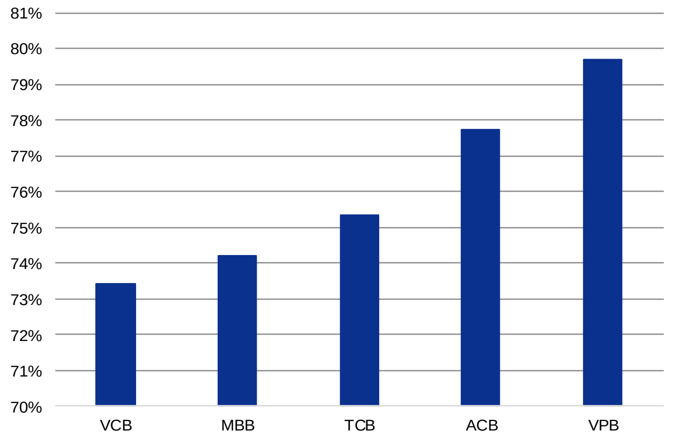
- Banks with low risk appetite: These banks will see a slower rise in bad debt, hence less interest income reversal.

Figure 6: Loan mix by customers at end-FY19 - Low penetration in retail lending offers headroom for NIM improvement after the pandemic ends



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 7: Loan-to-deposit ratio across banks at end-FY19

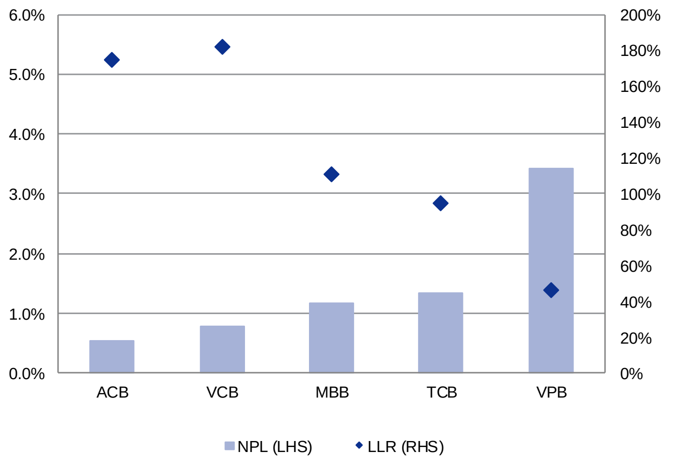


SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Bad debt spike is the biggest concern

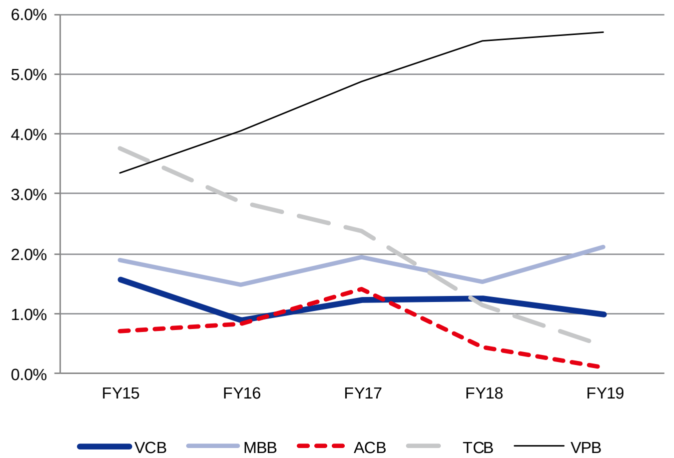
In our view, bad debts would be the foremost issues to watch out for as they have spill-over effects to the broader economy, which will burden banks' earnings for years. After the Covid-19 outbreak passes, credit growth will bounce back and NIM can be improved by changing loan and deposit mix, but the impact of bad debts can be curbed only when banks are conservative in credit appraisal, loan classification and provisioning. In our coverage, VCB, ACB and MBB have proven track records in good asset quality and high provisioning buffers. These banks have consistently maintained the lowest level of bad debts and the highest level of loan-loss-reserves, hence they are in better positioned to tackle rising bad debts, in our view.

Figure 8: Non-performing loan (NPL) ratio and loan-loss-reserves (LLR) across banks



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 9: Credit cost across banks - Banks with higher risk appetite have high historical credit cost (i.e VPB, TCB)



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

The rate of bad debt formation is contingent on:

- The allocation of loan to corporate and retail segments: we view banks with large retail loan books as having a more diversified customer base, hence less asset risk than banks that focus on corporate loans.
- Banks' risk appetites: banks with larger exposure to high risk sectors such as real estate, unsecured loans would see a quick rise in bad debts.
- The degree of customer concentration: the dependence on large customers/groups of customer poses a high risk of credit loss.

For the abovementioned reasons, we believe that three banks in our coverage, VCB, ACB and MBB, have better capacity to tackle rising bad debt. On the other hand, VPB and TCB would see a faster hike in bad debts due to their large exposure to unsecured lending and real estate, respectively. MBB has also expanded into the unsecured lending business recently, but its exposure is still low, below 4% at end-FY19. Although a hike in bad debt is highly likely, it may not show in the 1H20F balance sheet because banks can restructure loans up to 12 months from due date, without re-classifying those loans into riskier loan groups. We expect NPL ratios to start to rise in the second-half of FY20F and into FY21F.

The Covid-19 outbreak poses a risk of surging bad debt in the consumer finance business. Consumer finance companies provide unsecured loans and credit cards for the mass customer segment, which has low income and is the most vulnerable to an economic downturn. The pandemic has caused temporary shutdowns or scaled-down operations for small and micro businesses, leading to rising unemployment or reductions in salary. According to the Ministry of Labour - Invalids and Social Affairs, the number of people applying for unemployment benefit in Feb 2020 surged 70% yoy to 47,000. The pandemic would lead to a surge in bad debt at consumer finance companies, in our view. However, the rising bad debt from unsecured lending will not spread across the banking sector as the penetration in this sector is still low and only four banks have consumer finance businesses. The Vietnamese government has also executed various measures to help low income people, including a VND62tr package to support those who have lost their jobs, loans with zero interest for firms to pay salary, and a 10% electricity tariff cut. We believe surging bad debts in consumer finance is not a sector-wide risk, but would impact some specific banks with high exposures to this business.

Possibly no cash dividend and no share buyback in FY20F

Faced with the Covid-19 impacts, the Vietnamese government has executed various measures with the ultimate goal of supporting the economy. Recently, the State Bank of Vietnam required banks to lower employees' salaries and not pay cash dividends. These measures are aimed at retaining the money at the banks to protect liquidity and capital adequacy; the higher retain earnings would also enable banks to lower lending rates for borrowers. Having said that, any share buyback plans of banks would not be approved for the time being. The omission of cash dividends and share buybacks is another reason to choose banks with strong fundamentals over other banks.

Although we expect no cash dividend from banks in FY20F, cash dividends could resume in FY21F at VCB and MBB, in our base case (i.e. Covid-19 lasts to mid-FY20F). VCB has direct state ownership and MBB has indirect state ownership via Viettel Group. As a result, cash dividends from these banks are an important revenue source for the state's budget, especially after the pandemic has increased state spending. We do not expect other banks under our coverage (ACB, VPB, TCB) to pay dividends in FY21F as they have more freedom in this regard.

Banks under our coverage can recover in FY21F

The Vietnam banking sector has a great level of bifurcation between the top 10 banks and the rest in terms of size, network, asset quality and market share.

The banks under our coverage are among the top 10 banks and, under the base case scenario, their earnings growth will likely recover in FY21F thanks to a rebound in credit growth, decent provision buffer to help tackle rising bad debt, and strong growth of fee and service income. However, the rate of recovery will vary between banks due to differences in business strategy and risk appetite.

Figure 10: Impact of the Covid-19 outbreak on banks in our coverage

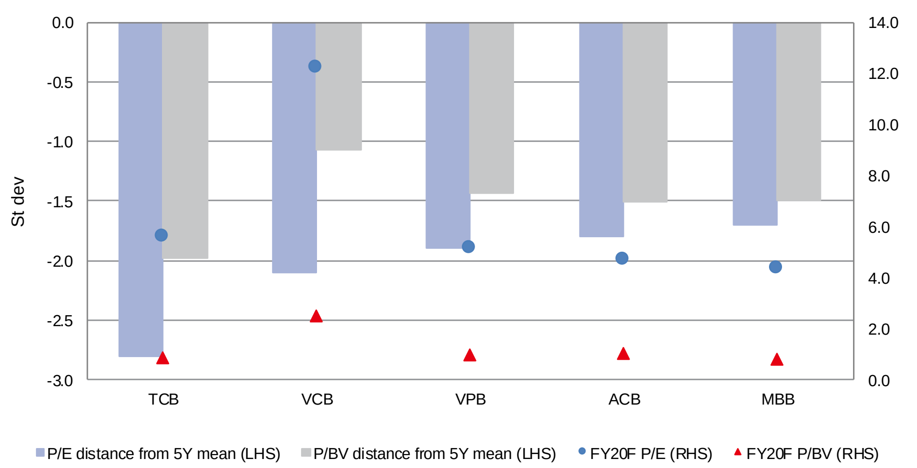
Banks	Type of impact	Specific impacts on banks business	Recovery rate
VCB	Slightly negative	The Covid-19 outbreak slows VCB's credit growth and depresses NIM due to lower lending rates and reduction of interest payment. We project a hike in bad debt, however, VCB is conservative in lending and provisioning, hence bad debt at VCB would increase at a slower rate than other banks and VCB has better financial resource to tackle the rising bad debt. The low risk appetite and a lower loan-to-deposit ratio provide a better cushion for NIM. VCB is creditor of the two big state-owned entserprises PetroVietnam (PVN, Not listed) and Vietnam Airlines (HVN, Unrated). These companies are under financial difficulty, but given their significant roles as the major corporation in Vietnam, we expect they will get debt and interest moratoriums from banks. Interest payment to VCB would be waived, but we expect liquidity at VCB would be ensured. VCB has VND101tn of government bonds at end-FY19, which could be sold or used to borrow funds from the state bank to pay for depositors when needed. VCB shared that the stimulus credit package and interest waiver would reduced its profit by VND2,240bn, or 9.7% of FY19 pretax profit.	VCB will be the quickest bank to recover among banks in our coverage, thanks to: 1) low penetration in the high-yielding retail lending, allowing further expansion, thereby improving NIM; 2) one-off income from exclusive bancassurance deal and new income stream from insurance commission will boost earnings; 3) conservative strategy helps contain new bad debt better; 4) the large corporate customer base helps credit rebound quicker.
ACB	Slightly negative	Credit growth will slow and NIM fell on lower lending rates and the waiver of interest income. 60% of its loan book is individual loan, thus we expect ACB's NIM will face less pressure than other banks with smaller individual loan book, because corporates often get more support on interest waiver than individuals and the ticket size of individual loan is small. A large retail loan book also gives ACB a higher risk diversification, therefore, it will be less impacted by rising NPL. ACB has low exposure to risky sectors: exposure to construction and real estates developers was 6.3%, to mortgage was 24.1%, to unsecured lending was below 1% and collective exposure to manufacturing, agriculture, hospitality and transportation was 11.3% at end-FY19.	Quick recovery thanks to: 1) good asset quality and a lower risk profile (diversified customers, low exposure to high risk sectors) will help ACB to contain NPL; 2) a potential exclusive bancassurance deal is an income booster; 3) initiatives to expand customer base will improve its CASA. However, ACB may see lower credit growth than local peers as retail customers may be hesistant to take credit right after the epidemic ends.
MBB	Slightly negative	Credit growth and NIM will be hurted but a lower LDR than peer reduces pressure on NIM. MBB would see a faster rise in bad debt and credit cost than VCB and ACB due to its unsecured lending business. However, unsecured lending was below 4% of total outstanding loan at end-FY19, thus MBB has sufficient capacity to provision for new bad debt. With Viettel group being one of the major shareholders, MBB provides credits and receives deposits from companies within the group, as well as from their employees. As Viettel group participates in industries that are less affected by the Covid-19 outbreak (such as telcom, mail and good delivery service, multimedia), MBB would have some safeguard against credit loss and deposit withdrawal from this customer group.	Decent recovery rate, on the back of: 1) continued expansion into retail lending and unsecured lending which improves NIM; 2) strong growth in fee income driven by bancassurance, card products and digital banking; 3) the current provisioning buffer and the recovery of top line will help MBB curb NPL.
TCB	Negative	FY20F credit growth will be greatly affected as TCB has large exposure to real estate and a concentrated customer base. Increased exposure to real estate companies and their supply chain would lead to a faster rise in NPL and a larger drop in NIM compared to other bank in our coverage. As of end-FY19, total exposure to real estate sector was high at 77.2% of TCB's total credit.	Moderate recovery as we expect credit growth will gradually recover after the epidemic ends. TCB's big customer in real estate is selling several residential projects, hence there is much headroom for credit growth. However, home buyers may be still cautious to take on loans, as a result we expect credit growth to gradually recover. We forecast TCB's CASA will continue to rise but higher credit cost will weight on earnings growth.
VPB	Negative	In our coverage, VPB would be affected the most by the Covid-19 outbreak due to its consumer finance business. As business got disrupted, many people get lower paychecks or become unemployed. On the other hand, the main customers of consumer finance companies are low income individuals, who are the most vulnerable. Due to high risk in this segment, we expect the bank will curb its unsecured lending, hence credit growth and NIM will be hurted. The high risk nature of consumer finance business also poses a risk of fast increase in bad debt. As of end-FY19, unsecured lending made up 34% of VPB's total credit.	After the epidemic ends, VPB will resume its consumer finance business, hence credit growth and earnings will gradually recover. However, as the majority of the bank's customer are individuals who may hesitate to borrow after a hard time, credit growth and earnings are forecasted to recover moderately. In addition, the burden of higher NPL will hamper earnings growth. We expect moderate recovery under our base case scenario, but if the epidemic lasts until end-FY20F, VPB would be hardly hit and recovery would take years.

SOURCES: VNDIRECT RESEARCH

Valuations have become attractive

The gloomy sentiment from the Covid-19 outbreak has dampened the stock market, and the share prices of banks under our coverage have fallen by an average of 18.4% since end-FY19. All the banks under our coverage are trading at low FY20F P/BV and P/E levels, which are below their 5-year average P/BV and P/E (for VPB and TCB: FY20F P/BV and P/E are below the historical P/BV and P/E since their listings in Aug 2017 and Jun 2018, respectively). We expect the pandemic to end in Jun 2020. In FY21F, as credit growth rebounds, the recovery of the top line and decent provisioning coverage are sufficient to resolve the rising bad debt issues, in our view. We project banks' net profit growth to recover in FY21F, even though the recovery rate may vary between different banks.

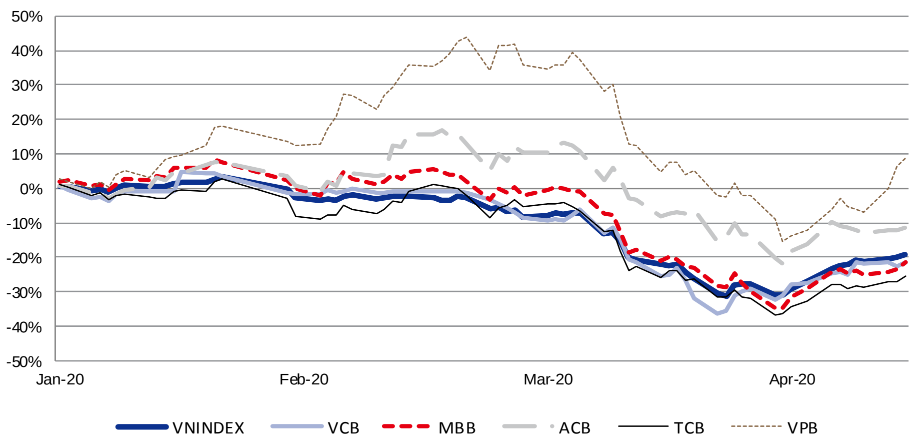
Figure 11: Vietnam banks' FY20F P/E, P/BV and distance from 5-year mean



NOTE: For VPB. TCB, distance from mean are based on historical data since listing in Aug 2017 and June 2018, respectively
SOURCES: VNDIRECT RESEARCH, BLOOMBERG

We believe Vietnam banks' current valuations are attractive as they are trading below the 5-year average and trading on par with regional peers despite better earnings growth outlook and much higher ROEs. The Covid-19 outbreak has dampened banks' share prices, but the Vietnamese government has responded more promptly than most. As of 9 Apr 2020, Vietnam had only 255 confirmed cases of Covid-19, making it one of the lowest number of cases per capita (3 cases/1m people) in the world. A good control of the pandemic helps to shorten the time to eventual recovery, thereby reducing its impact on the economy.

Figure 12: Performance of VNINDEX and the shares of banks under our coverage from 31 Dec 2019 till now



SOURCES: VNDIRECT RESEARCH, BLOOMBERG

Figure 13: Regional Banking Sector Comparison

Banks	Bloomberg Code	Recommendation	Closing Price	Target Price	Market Cap	P/BV (x)		P/E (x)		3-yr Forward CAGR EPS	ROE (%)	
			(local curr.)	(local curr.)	(US$m)	FY20F	FY21F	FY20F	FY21F	%	FY20F	FY21F
Agricultural Bank of China	1288 HK	ADD	3.11	3.80	166,644	0.5	0.5	4.5	4.2	6.6%	12.1%	11.8%
Bank of China	3988 HK	ADD	2.97	3.80	137,793	0.4	0.4	4.2	4.0	5.0%	11.0%	10.6%
China Merchants Bank	3968 HK	ADD	34.90	48.30	116,594	1.2	1.1	7.6	6.4	18.4%	17.1%	17.9%
Bank of Communications	3328 HK	ADD	4.76	5.40	50,183	0.4	0.4	4.1	3.9	7.3%	10.8%	10.7%
China Banks average						**0.7**	**0.6**	**5.1**	**4.6**	**9.3%**	**12.8%**	**12.8%**
ICICI Bank	ICICIBC IN	ADD	361.30	625.00	30,555	1.8	1.6	13.7	10.8	88.7%	14.0%	15.9%
Axis Bank	AXSB IN	ADD	455.55	925.00	16,793	1.3	1.1	10.0	7.0	55.6%	14.1%	17.1%
Indusind Bank	IIB IN	ADD	456.70	725.00	4,138	0.8	0.7	6.4	5.5	17.0%	13.8%	14.5%
Yes Bank	YES IN	ADD	29.45	100.00	4,829	0.3	0.2	4.4	2.1	28.3%	6.1%	11.9%
India Banks average						**1.1**	**0.9**	**8.6**	**6.3**	**47.4%**	**12.0%**	**14.9%**
Bank Central Asia	BBCA IJ	ADD	26,775	34,400	42,830	3.5	3.1	20.7	18.6	12.8%	17.6%	17.7%
Bank Rakyat Indonesia	BBRI IJ	HOLD	2,780	4,100	22,248	1.6	1.5	9.0	8.1	11.2%	18.2%	18.8%
Bank Mandiri	BMRI IJ	ADD	4,370	9,000	13,231	1.0	0.9	6.5	5.7	14.9%	15.3%	16.8%
Bank Negara Indonesia	BBNI IJ	ADD	4,100	6,100	4,961	0.7	0.6	4.9	4.5	6.3%	13.1%	14.0%
Indonesia Banks average						**1.7**	**1.5**	**10.3**	**9.2**	**11.3%**	**16.0%**	**16.8%**
Malayan Banking Bhd	MAY MK	HOLD	7.69	7.04	19,773	1.1	1.1	11.6	11.4	-0.9%	9.3%	9.8%
Public Bank Bhd	PBK MK	ADD	16.16	20.40	14,349	1.3	1.3	11.7	11.4	2.2%	11.9%	11.5%
Hong Leong Bank	HLBK MK	HOLD	13.78	14.15	6,832	1.0	0.9	11.1	10.5	3.9%	9.5%	9.2%
BIMB Holdings	BIMB MK	HOLD	3.37	3.41	1,382	0.9	0.9	9.1	9.5	-5.7%	10.7%	9.6%
Malaysia Banks average						**1.1**	**1.0**	**10.9**	**10.7**	**-0.1%**	**10.4%**	**10.0%**
Kasikornbank	KBANK TB	ADD	103.50	111.00	7,545	0.6	0.5	8.6	8.2	-2.8%	8.9%	8.8%
Siam Commercial Bank	SCB TB	HOLD	71.75	75.00	7,496	0.6	0.6	8.6	8.4	-7.2%	8.7%	8.6%
Bangkok Bank	BBL TB	ADD	119.00	122.00	6,989	0.5	0.5	7.4	7.2	-2.8%	8.8%	8.6%
Kiatnakin Bank	KKP TB	HOLD	41.00	43.00	1,068	0.8	0.8	6.7	6.2	1.4%	14.3%	14.9%
Thailand Banks average						**0.6**	**0.6**	**7.8**	**7.5**	**-2.8%**	**10.2%**	**10.3%**
Vietcombank	VCB VN	ADD	71,900	86,200	14,437	2.6	2.1	12.6	10.8	16.1%	22.4%	21.7%
Techcombank	TCB VN	ADD	17,700	27,400	3,557	0.9	0.7	5.8	5.1	12.1%	15.8%	15.4%
Vietnam Prosperity JSC Bank	VPB VN	ADD	21,000	25,800	2,104	1.0	0.8	5.9	5.3	12.8%	18.6%	17.5%
Military Commercial Joint Stock Bank	MBB VN	ADD	16,650	26,200	2,088	0.9	0.7	4.6	4.0	13.3%	20.5%	19.4%
Asia Commercial Joint Stock Bank	ACB VN	ADD	20,700	30,400	1,630	1.0	0.9	5.2	4.7	12.2%	21.7%	20.4%
Vietnam Banks average						**1.3**	**1.1**	**6.8**	**6.0**	**13.3%**	**19.8%**	**18.9%**
Vietnam Banks average - ex-VCB						**0.9**	**0.8**	**5.4**	**4.8**	**12.6%**	**19.1%**	**18.2%**
Regional Bank average						**1.0**	**0.9**	**8.5**	**7.7**	**13.0%**	**12.3%**	**12.9%**

PRICE AS OF 20 APR 2020
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Key financial ratios of banks under our coverage

Figure 14: Loan growth

Banks	FY18	FY19	FY20F	FY21F
VCB	16.3%	16.3%	13.0%	14.0%
MBB	16.6%	16.6%	13.0%	14.0%
ACB	16.1%	16.6%	12.0%	14.0%
TCB	-0.6%	44.3%	12.1%	15.3%
VPB	21.5%	15.9%	12.0%	15.5%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 15: Deposit growth

Banks	FY18	FY19	FY20F	FY21F
VCB	13.2%	15.8%	12.0%	13.0%
MBB	9.0%	13.6%	11.0%	13.0%
ACB	11.9%	14.1%	13.0%	14.0%
TCB	17.8%	14.8%	11.0%	14.0%
VPB	27.9%	25.2%	15.8%	17.8%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 16: Non-performing loan (NPL) ratio

Banks	FY18	FY19	FY20F	FY21F
VCB	1.0%	0.8%	1.0%	1.2%
MBB	1.3%	1.2%	1.2%	1.6%
ACB	0.7%	0.5%	0.6%	0.6%
TCB	1.8%	1.3%	1.6%	2.1%
VPB	3.5%	3.4%	3.7%	3.7%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 17: Loan-loss-reserves (LLR)

Banks	FY18	FY19	FY20F	FY21F
VCB	165%	182%	157%	139%
MBB	112%	110%	98%	81%
ACB	152%	175%	155%	150%
TCB	85%	95%	83%	73%
VPB	46%	46%	42%	35%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 18: Credit cost

Banks	FY18	FY19	FY20F	FY21F
VCB	1.3%	1.0%	1.1%	1.2%
MBB	1.5%	2.1%	2.1%	2.2%
ACB	0.4%	0.1%	0.3%	0.3%
TCB	1.2%	0.5%	0.6%	0.9%
VPB	5.6%	5.7%	5.8%	6.3%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 19: Loan-to-deposit ratio (LDR)

Banks	FY18	FY19	FY20F	FY21F
VCB	71.5%	73.4%	74.7%	76.0%
MBB	73.7%	74.2%	76.0%	77.3%
ACB	77.6%	77.7%	77.4%	78.3%
TCB	64.5%	75.3%	76.6%	78.1%
VPB	80.0%	79.7%	80.0%	79.9%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 20: Cost-to-income ratio (CIR)

Banks	FY18	FY19	FY20F	FY21F
VCB	34.7%	34.6%	36.0%	36.0%
MBB	44.7%	39.4%	41.0%	41.0%
ACB	47.8%	51.6%	49.0%	48.0%
TCB	31.8%	34.7%	34.0%	34.0%
VPB	34.2%	33.9%	34.0%	34.0%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 21: Capital adequacy ratio (CAR)

Banks	FY18	FY19	FY20F	FY21F
VCB	12.1%	9.6%	9.8%	10.3%
MBB	10.9%	10.1%	10.8%	10.9%
ACB	12.8%	10.9%	11.7%	11.9%
TCB	14.3%	15.5%	15.2%	15.4%
VPB	11.9%	11.1%	11.3%	11.7%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 22: ROA

Banks	FY18	FY19	FY20F	FY21F
VCB	1.1%	1.3%	1.3%	1.4%
MBB	1.7%	1.9%	1.9%	1.9%
ACB	1.6%	1.7%	1.6%	1.6%
TCB	2.9%	2.8%	2.6%	2.7%
VPB	2.4%	2.4%	2.2%	2.1%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 23: ROE

Banks	FY18	FY19	FY20F	FY21F
VCB	20.9%	20.6%	18.4%	17.9%
MBB	19.0%	20.8%	19.3%	18.3%
ACB	27.2%	24.2%	21.7%	20.4%
TCB	21.4%	17.7%	15.8%	15.4%
VPB	22.8%	21.5%	18.6%	17.5%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

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THAI, THANI, THG, TISCO, TKN, TMB, TOA, TOP, TPIPP, TQM, TRUE, TTW, TU, VGI, WHA, BEAUTY, JMART, LPN, SISB, WORK.

Corporate Governance Report:

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2020		
811 companies under coverage for quarter ended on 31 March 2020		
	Rating Distribution (%)	Investment Banking clients (%)
Add	60.8%	0.1%
Hold	27.6%	0.0%
Reduce	11.6%	0.0%

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2019, Anti-Corruption 2019

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BAM** – not available, n/a, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** - Good, n/a, **BJC** – Very Good, n/a, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, n/a, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHAYO** - Good, n/a, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – not available, n/a, **CRC** – not available, n/a, **DELTA** - Excellent, Declared, **DEMCO** – Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – not available, n/a, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Declared, **III** – Excellent, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – not available, n/a, **BJC** – Very Good, n/a, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Certified, **MALEE** – Excellent, Certified, **MC** – Excellent, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MK** – Very Good, n/a, **MTC** – Excellent, n/a, **NETBAY** – Very Good, n/a, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PLAT** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PSTC** – Very Good, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Excellent, n/a, **RSP** – not available, n/a, **S** – Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Certified, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Excellent, Certified, **SF** – Good, n/a, **SHR** – not available, n/a, **SIRI** – Very Good, Certified, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Excellent, Certified, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TMB** - Excellent, Certified, **TNR** – Very Good, Certified, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Declared, **UNIQ** – not available, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

1 CG Score 2019 from Thai Institute of Directors Association (IOD)
2 AGM Level 2018 from Thai Investors Association
3 Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of November 30, 2018) are categorised into:
companies that have declared their intention to join CAC, and companies certified by CAC.
4 The Stock Exchange of Thailand : the record of listed companies with corporate sustainable development "Thai sustainability Investment 2018" included:
SET and mai listed companies passed the assessment conducted by the Stock Exchange of Thailand: THSI (SET) and THSI (mai)
SET listed companies passed the assessment conducted by the Dow Jones Sustainability Indices (DJSI)

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.

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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