

**Vietnam**

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**ADD** (no change)

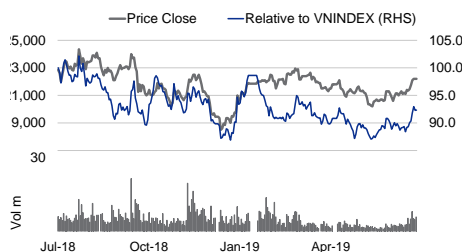
Consensus ratings\*: Buy 13 Hold 0 Sell 0

Current price:	VND22,200
Target price:	VND34,000
Previous target:	VND34,000
Up/downside:	53.2%
CGS-CIMB / Consensus:	2.4%
Reuters:	MBB.HM
Bloomberg:	MBB VN
Market cap:	US\$2,020m
	VND46,917,444m
Average daily turnover:	US\$2.14m
	VND49,927m
Current shares o/s	2,113m
Free float:	20.0%

\*Source: Bloomberg

**Key financial forecasts**

	Dec-19F	Dec-20F	Dec-21F
Net Profit (VNDb)	7,485	8,679	10,183
Core EPS (VND)	3,329	3,860	4,529
Core EPS Growth	24.6%	16.0%	17.3%
FD Core P/E (x)	6.74	5.75	4.90
Recurring ROE	20.0%	19.7%	19.3%
P/BV (x)	1.24	1.04	0.87
DPS (VND)	600.0	600.0	600.0
Dividend Yield	2.70%	2.70%	2.70%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	4.2	3.7	-4.7
Relative (%)	1.8	2	-9.9

Major shareholders	% held
Viettel Group	14.6
SCIC	9.7
Vietnam Helicopter Corporation	7.8

**Analyst(s)**

**Thuy LE Minh**  
T (84) 96 784 4629  
E thuy.leminh@vndirect.com.vn

# Military Commercial Joint Stock Bank

## Strong 1H19 results as expected

- Strong growth momentum continued but more bad debt raised credit cost.
- In 2Q19, net profit rose 34.0% yoy and 3.4% qoq while loan growth slowed (+11.3% at end-2Q19 vs. 6.7% at end-1Q19).
- MBB's 6M19 net profit (+29.3% yoy) was in line at 51.8% of our FY19F forecast. We maintain our Add call with a TP of VND34,000.

### Net interest income (NII) grew 25.5% yoy on increasing NIM

- Net interest margin (NIM) increased by 16bp yoy due to strong loan growth, especially from the high-yielding individual loan book. Individual loan book sustained strong growth momentum (+32.2% yoy), lifting its share of the total loan book from 34.9% at end-2Q18 to 39.5% at end-2Q19.
- Loan book grew 16.6% yoy, outperforming deposit book growth of 10.3% yoy, hence the pure loan-to-deposit ratio rose from 87.2% at end-2Q18 to 92.2% at end-2Q19.
- The individual loan book's strong performance helped asset yield improve by 14bp yoy, while funding costs only inched up by 4bp yoy, thus NIM improved 16bp yoy.

### Non-interest income (Non-II) posted robust growth of 38.4% yoy

- 38.4% yoy growth of non-II was driven by net fee income (+85.4% yoy), whereas other non-II grew slightly by 1.6% yoy.
- Bancassurance continued to be the main driver for net fee income, with income from insurance surged 155.1% yoy. Net fee income from payment services rose 19.7% yoy.
- Other income declined by 6.1% yoy as MBB divested a real estate subsidiary in 2018, therefore it did not book profit from real estate business as it did in 2018. Income from bad debt recovery grew mildly by 7.5% yoy.

### Non-performing loan (NPL) ratio improved due to large write-offs

- NPL ratio declined to 1.26% by end-2Q19, from 1.29% at end-2Q18 and 1.41% at end-1Q19. This was due to aggressive write-offs. The annualised write-off rate spiked from 1.0% of the average loan book in 2Q18 to 2.3% in 2Q19. As a result, annualised credit cost rose from 1.7% in 2Q18 to 2.1% in 2Q19.
- In our view, NPL at MBB has increased at a fast pace due to aggressive expansion of consumer finance business. However, MBB ramped up loan write-offs in 6M19 to reduce the NPL ratio at both the parent bank and subsidiaries.

### On track to meet our FY19F forecast

- 6M19 net profit reached VND3,931bn (+29.3% yoy), forming 51.8% of our FY19F forecast.
- We expect FY19 net profit to be in line with our forecast as the second half of the year is typically high season for banks. Hence, MBB would have higher income from non-II activities in 2H19 than 1H19. However, 2H19 NII would be lower than 1H19 as MBB had high credit growth in 1H19 at 13.8% vs. the assigned credit quota of 17% for FY19F.
- We maintain our Add rating with a TP of VND34,000. Our TP is based on an equal weighting of residual income (COE: 13.8%, LTG: 3.0%) and 1.8x FY19F P/BV.

### Re-rating catalyst and downside risks

- Re-rating catalyst is the divestment of Military Insurance Joint Stock Company (MIG VN, Not Rated; MIG).
- Downside risk could come from higher bad debt due to the higher risk inherent in retail lending and an imminent rise in interest rates.

**Figure 1: Results comparison (VND bn, otherwise noted)**

Profit & Loss statement	2Q19	2Q18	yoy%	1Q19	qoq%	6M19	6M18	yoy%	VNDIRECT FY19F forecasts	% of VND	Comments
Net interest income	4,395	3,504	25.4%	4,135	6.3%	8,530	6,797	25.5%	17,583	48.5%	In line with our forecasts.
Non-interest income	1,763	1,287	37.0%	1,319	33.6%	3,082	2,227	38.4%	5,929	52.0%	In line with our forecasts.
Operating revenue	6,158	4,791	28.5%	5,454	12.9%	11,612	9,024	28.7%	23,512	49.4%	
Operating expenses	(2,307)	(1,927)	19.7%	(2,066)	11.7%	(4,372)	(3,550)	23.2%	(10,110)	43.2%	Below our forecasts but we expect operating expenses will increase towards the year end.
Pre-provision profit	3,851	2,864	34.5%	3,389	13.6%	7,240	5,474	32.2%	13,402	54.0%	
Provision expenses	(1,400)	(953)	46.9%	(964)	45.1%	(2,364)	(1,645)	43.7%	(3,863)	61.2%	Higher than our forecasts as write-off rate was higher than our projections.
Pre-tax profit	2,451	1,911	28.3%	2,424	1.1%	4,875	3,829	27.3%	9,539	51.1%	
After-tax profit	1,998	1,491	34.0%	1,933	3.4%	3,931	3,040	29.3%	7,583	51.8%	In line with our forecasts.

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 2: MBB's key ratios by quarter**

Key ratios	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
NII/Total Operating Income (TOI)	77.8%	73.1%	75.7%	72.7%	75.8%	71.4%
Non-II/TOI	22.2%	26.9%	24.3%	27.3%	24.2%	28.6%
NIM (12 months trailing)	4.6%	4.5%	4.6%	4.5%	4.7%	4.6%
Loan-to-deposit ratio (Circular 36)	77.8%	76.6%	73.6%	73.7%	74.2%	72.8%
NPL	1.4%	1.3%	1.6%	1.3%	1.4%	1.3%
Loan-Loss-Reserves (LLR)	91.0%	106.2%	106.0%	112.3%	96.5%	97.6%
Credit cost (annualised)	1.5%	1.7%	1.6%	1.5%	1.7%	2.1%
ROAA (annualised)	2.0%	1.9%	1.9%	1.8%	2.1%	2.1%
ROAE (annualised)	20.9%	20.7%	21.3%	20.1%	23.0%	23.7%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 3: Regional sector comparison**

Banks	Bloomberg Ticker	Recomm endation	Closing Price	Target Price	Market cap	P/BV (x)		P/E (x)		3-yr Forward EPS CAGR	ROE (%)	
						FY19F	FY20F	FY19F	FY20F		%	FY19F
China Merchants Bank	3968 HK	ADD	(local curr.) 39	(local curr.) 45	(US\$m) 132,086	1.52	1.33	9.49	8.09	16.7%	17.0%	17.6%
Bank Rakyat Indonesia	BBRI IJ	ADD	4,500	4,500	39,809	2.64	2.33	14.92	13.11	13.9%	18.8%	18.8%
Bank Mandiri	BMRI IJ	ADD	7,775	8,800	26,023	1.82	1.64	12.75	11.08	15.4%	14.9%	15.6%
Indusind Bank	IIB IN	ADD	1,418	2,000	14,257	2.81	2.37	16.99	13.43	34.7%	17.9%	19.1%
BDO Unibank Inc	BDO PM	ADD	149	150	12,803	1.88	1.70	16.43	14.63	20.4%	12.5%	12.2%
Vietcombank	VCB VN	HOLD	79,000	73,800	12,615	3.54	2.98	18.07	15.45	13.2%	18.4%	17.4%
Techcombank	TCB VN	ADD	21,050	27,400	3,169	1.21	1.02	7.87	6.84	14.6%	16.5%	16.1%
Yes Bank	YES IN	ADD	91	160	3,067	0.76	0.70	11.73	7.46	40.6%	6.6%	9.7%
TMB Bank	TMB TB	REDUCE	2	2	2,729	0.81	0.77	11.12	9.26	-4.0%	7.5%	8.5%
Vietnam Prosperity JSC Bank	VPB VN	ADD	19,100	21,200	2,020	1.11	0.91	6.19	5.02	12.1%	19.7%	19.9%
Asia Commercial Joint Stock Bank	ACB VN	ADD	31,000	39,500	1,665	1.43	1.19	6.51	5.62	15.7%	24.3%	22.7%
<b>Average regional peers</b>						<b>1.8</b>	<b>1.5</b>	<b>12.0</b>	<b>10.0</b>	<b>17.6%</b>	<b>15.8%</b>	<b>16.2%</b>
<b>Military Commercial Joint Stock Bank</b>	<b>MBB VN</b>	<b>ADD</b>	<b>22,200</b>	<b>34,000</b>	<b>2,020</b>	<b>1.2</b>	<b>1.0</b>	<b>6.3</b>	<b>5.4</b>	<b>19.2%</b>	<b>20.0%</b>	<b>19.7%</b>

PRICE AS OF 22 JUL 2019  
SOURCES: CGS-CIMB RESEARCH, VNDIRECT RESEARCH, COMPANY REPORTS

## BY THE NUMBERS

### Profit & Loss

(VNDb)	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Net Interest Income	14,583	17,583	20,160	23,210
Total Non-Interest Income	4,953	5,929	7,247	8,557
<b>Operating Revenue</b>	<b>19,537</b>	<b>23,512</b>	<b>27,407</b>	<b>31,766</b>
Total Non-Interest Expenses	(8,734)	(10,110)	(11,785)	(13,342)
<b>Pre-provision Operating Profit</b>	<b>10,803</b>	<b>13,402</b>	<b>15,622</b>	<b>18,424</b>
Total Provision Charges	(3,035)	(3,863)	(4,561)	(5,447)
<b>Operating Profit After Provisions</b>	<b>7,767</b>	<b>9,539</b>	<b>11,060</b>	<b>12,977</b>
Pretax Income/(Loss) from Assoc.	0	0	0	0
<b>Operating EBIT (incl Associates)</b>	<b>7,767</b>	<b>9,539</b>	<b>11,060</b>	<b>12,977</b>
Non-Operating Income/(Expense)	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>7,767</b>	<b>9,539</b>	<b>11,060</b>	<b>12,977</b>
Exceptional Items				
<b>Pre-tax Profit</b>	<b>7,767</b>	<b>9,539</b>	<b>11,060</b>	<b>12,977</b>
Taxation	(1,577)	(1,955)	(2,267)	(2,660)
Consolidation Adjustments & Others				
Exceptional Income - post-tax				
<b>Profit After Tax</b>	<b>6,190</b>	<b>7,583</b>	<b>8,793</b>	<b>10,317</b>
Minority Interests	(77)	(99)	(114)	(134)
Pref. & Special Div	0	0	0	0
FX And Other Adj.	0	0	0	0
<b>Net Profit</b>	<b>6,113</b>	<b>7,485</b>	<b>8,679</b>	<b>10,183</b>
Recurring Net Profit	5,773	7,036	8,158	9,572

### Balance Sheet

(VNDb)	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Gross Loans	259,748	294,204	335,968	384,282
Liquid Assets & Invst. (Current)	74,567	78,296	82,210	86,321
Other Int. Earning Assets	10,548	11,075	11,629	12,211
<b>Total Gross Int. Earning Assets</b>	<b>344,863</b>	<b>383,575</b>	<b>429,808</b>	<b>482,813</b>
Total Provisions/Loan Loss Reserve	(3,469)	(4,363)	(4,977)	(5,729)
<b>Total Net Interest Earning Assets</b>	<b>341,394</b>	<b>379,211</b>	<b>424,831</b>	<b>477,084</b>
Intangible Assets	1,113	1,202	1,298	1,402
Other Non-Interest Earning Assets	18,082	19,528	21,090	22,778
<b>Total Non-Interest Earning Assets</b>	<b>19,195</b>	<b>20,730</b>	<b>22,389</b>	<b>24,180</b>
<b>Cash And Marketable Securities</b>	<b>1,737</b>	<b>1,875</b>	<b>2,026</b>	<b>2,188</b>
Long-term Investments	0	0	0	0
<b>Total Assets</b>	<b>362,325</b>	<b>401,817</b>	<b>449,245</b>	<b>503,452</b>
Customer Interest-Bearing Liabilities	251,122	280,476	318,688	362,197
Bank Deposits	60,471	62,285	65,399	67,361
Interest Bearing Liabilities: Others	2,958	3,011	3,065	3,120
<b>Total Interest-Bearing Liabilities</b>	<b>314,551</b>	<b>345,772</b>	<b>387,152</b>	<b>432,678</b>
Bank's Liabilities Under Acceptances				
Total Non-Interest Bearing Liabilities	13,601	16,594	15,145	14,805
<b>Total Liabilities</b>	<b>328,152</b>	<b>362,366</b>	<b>402,297</b>	<b>447,483</b>
<b>Shareholders' Equity</b>	<b>32,643</b>	<b>37,823</b>	<b>45,206</b>	<b>54,092</b>
Minority Interests	1,530	1,628	1,743	1,877
<b>Total Equity</b>	<b>34,173</b>	<b>39,452</b>	<b>46,948</b>	<b>55,969</b>

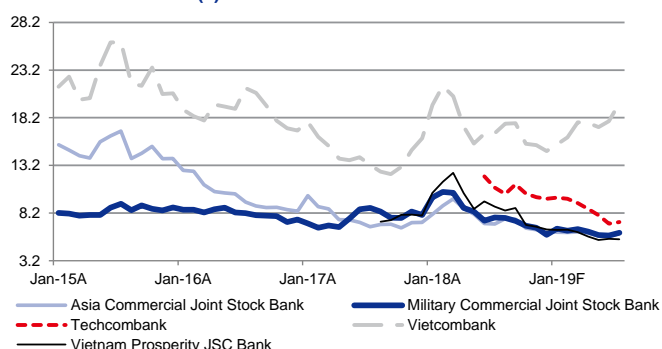
### Balance Sheet Employment

	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Gross Loans/Cust Deposits	89.5%	91.9%	92.7%	93.5%
Avg Loans/Avg Deposits	86.7%	90.7%	92.3%	93.1%
Avg Liquid Assets/Avg Assets	36.7%	35.4%	33.7%	32.2%
Avg Liquid Assets/Avg IEAs	38.5%	37.1%	35.2%	33.6%
Net Cust Loans/Assets	58.3%	60.4%	62.1%	63.7%
Net Cust Loans/Broad Deposits	67.8%	70.8%	72.6%	74.7%
Equity & Provsns/Gross Cust Loans	16.7%	17.0%	17.6%	18.2%
Asset Risk Weighting	105%	109%	110%	111%
Provision Charge/Avg Cust Loans	1.52%	1.67%	1.72%	1.78%
Provision Charge/Avg Assets	0.90%	1.01%	1.07%	1.14%
Total Write Offs/Average Assets	0.61%	0.78%	0.93%	0.99%

### Key Ratios

	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Income Growth	40.9%	20.3%	16.6%	15.9%
Operating Profit Growth	37.3%	24.1%	16.6%	17.9%
Pretax Profit Growth	68.3%	22.8%	16.0%	17.3%
Net Interest To Total Income	74.6%	74.8%	73.6%	73.1%
Cost Of Funds	3.48%	3.61%	3.71%	3.80%
Return On Interest Earning Assets	7.72%	8.10%	8.30%	8.50%
Net Interest Spread	4.24%	4.49%	4.59%	4.70%
Net Interest Margin (Avg Deposits)	6.34%	6.91%	7.01%	7.08%
Net Interest Margin (Avg RWA)	4.25%	4.30%	4.33%	4.41%
Provisions to Pre Prov. Operating Profit	28.1%	28.8%	29.2%	29.6%
Interest Return On Average Assets	4.31%	4.60%	4.74%	4.87%
Effective Tax Rate	20.3%	20.5%	20.5%	20.5%
Net Dividend Payout Ratio	21.2%	17.3%	14.9%	12.7%
Return On Average Assets	1.81%	1.96%	2.04%	2.14%

### 12-mth Fwd FD P/E (x)



### Key Drivers

	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Loan Growth (%)	16.6%	15.0%	15.0%	15.0%
Net Interest Margin (%)	4.5%	4.8%	5.0%	5.1%
Non Interest Income Growth (%)	87.0%	19.7%	22.2%	18.1%
Cost-income Ratio (%)	44.7%	43.0%	43.0%	42.0%
Net NPL Ratio (%)	0.6%	0.6%	0.5%	0.5%
Loan Loss Reserve (%)	112.3%	113.4%	114.8%	116.1%
GP Ratio (%)	0.7%	0.8%	0.8%	0.8%
Tier 1 Ratio (%)	8.6%	8.6%	9.1%	9.7%
Total CAR (%)	11.0%	10.8%	11.1%	11.5%
Deposit Growth (%)	9.0%	12.0%	14.0%	14.0%
Loan-deposit Ratio (%)	88.0%	90.2%	91.0%	91.8%
Gross NPL Ratio (%)	1.3%	1.5%	1.4%	1.4%
Fee Income Growth (%)	126.5%	30.0%	30.0%	23.0%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

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Indonesia	PT CGS-CIMB Sekuritas Indonesia	Financial Services Authority of Indonesia
Malaysia	CGS-CIMB Securities Sdn. Bhd. (formerly known as Jupiter Securities Sdn. Bhd.)	Securities Commission Malaysia
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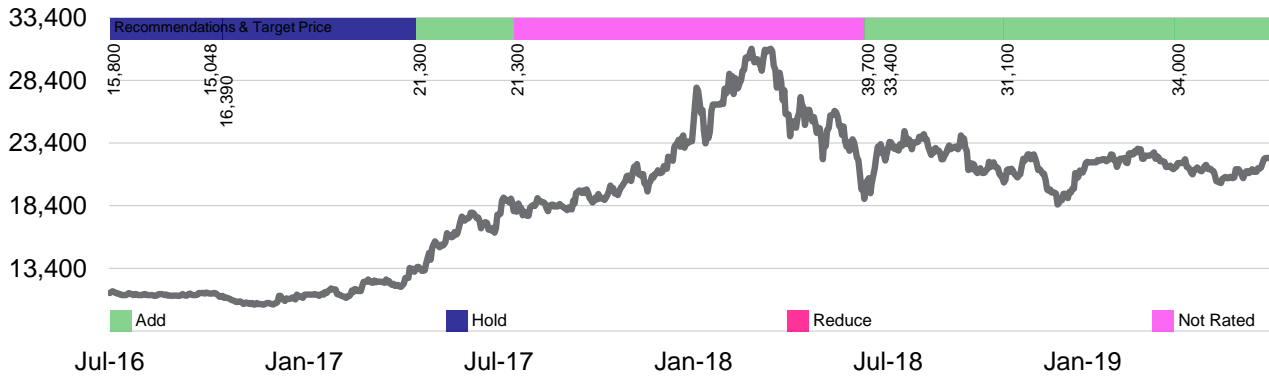
Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2019		
791 companies under coverage for quarter ended on 30 June 2019		
	Rating Distribution (%)	Investment Banking clients (%)
Add	57.9%	4.2%
Hold	26.5%	1.8%
Reduce	15.5%	0.4%



Spitzer Chart for stock being researched ( 2 year data )

**Military Commercial Joint Stock Bank (MBB VN)**

— Price Close



## Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2018, Anti-Corruption 2018

**ADVANC** – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, Declared, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BEM** – Very Good, n/a, **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, Declared, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Very Good, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DDD** – Very Good, Declared, **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, **HREIT** - Excellent, Certified **ICHI** – Excellent, Declared, **HUMAN** – not available, n/a, **III** – Good, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD\*** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – not available, n/a, **JWD** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Declared, **MALEE** – Very Good, Certified, **MC** – Very Good, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Declared, **NETBAY** – Good, n/a, **OSP** – not available, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PR9** – not available, n/a, **PSH** – Excellent, Certified, **PSTC** – Good, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **RSP** – not available, n/a, **S** – Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Very Good, Certified, **SF** – Good, 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** – Very Good, Declared, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Very Good, Declared, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Very Good, Declared, **UNIQ** – Good, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Very Good, Certified, **WORK** – Good, n/a.

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##### 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.

Hien Tran Khanh – Deputy Head of Research

Email: [hien.trankhanh@vndirect.com.vn](mailto:hien.trankhanh@vndirect.com.vn)

**Thuy Le Minh – Analyst**

Email: [thuy.leminh@vndirect.com.vn](mailto:thuy.leminh@vndirect.com.vn)

**VNDIRECT Securities Corporation**

1 Nguyen Thuong Hien Str – Hai Ba Trung Dist – Ha Noi | Tel: +84 2439724568

Email: [research@vndirect.com.vn](mailto:research@vndirect.com.vn) | Website: <https://vndirect.com.vn>