

## MILITARY COMMERCIAL JSB (MBB) – UPDATE

<b>Market Price</b>	<b>Target Price</b>	<b>Dividend Yield</b>	<b>Rating</b>	<b>Sector</b>
VND32,050	VND40,800	0.00%	Add	FINANCIALS

23 March 2022

**Outlook – Short term:** **Positive**  
**Outlook – Long term:** **Positive**  
**Valuation:** **Positive**

Consensus\*: Add:14 Hold:0 Reduce:0

Target price / Consensus: 5.5%

### Key changes in the report

- Increase target price by 18.3%.
- FY22-24F EPS increase 7.2%/11.1%/15.3%.

### Price performance



Source: VND RESEARCH

### Key statistics

52w high (VND)	34,400
52w low (VND)	20,370
3m Avg daily value (VNDmn)	493,752
Market cap (VND bn)	121,662
Free float (%)	20
TTM P/E (x)	9.61
Current P/B (x)	2.06

### Ownership

Viettel Group	14.6%
SCIC	9.8%
Vietnam Helicopter Corporation	7.8%
Others	67.8%

Source: VND RESEARCH

### Analyst(s):


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## Tap into digital banking

- FY21 net profit surged 53.7% yoy to VND12,697bn, on the back of strong credit growth and NIM expansion.
- We estimate earnings to grow 28.5%/21.8% yoy over FY22-23F base on 20%/17.5% yoy of loan growth and 5.03%/5.11% of NIM.
- Reiterate Add rating with a higher TP of VND40,800.

### Strong all facets

FY21 net interest income (NII) surged 29% yoy driven by 26% yoy of credit growth and net interest margin (NIM) of 5.03%. FY21 non-interest income (non-II) surged 51.5% yoy mainly thanks to 68.1% yoy growth of income from bad-debt recover and 23.7% yoy growth of bancassurance. On the cost side, FY21 CIR dropped down to 33.5% from 38.6% last year, thanks to control effectively in labor cost. FY21 provision expenses increased 31.2% yoy, bringing loan-loss-ratio (LLR) to reach 268% - the second highest among listed bank. Besides that, NPL slid to 0.9% from 1.1% last year, lower 53% than average industry was 1.92% in FY21.

### The bank will embark a new phase of growth since 2022

In the analyst meeting on 15 March, Management shared its aim to be among top digital banks by launching the Digital Innovation Lab in Cat Linh street in November 2021 and continue to upgrade App MB and Biz MB. Besides, the bank will promote retail lending, focusing in individual mortgage lending and micro SME lending with CAGR of credit growth reach 17% in FY22-26F. For FY22F, the bank sets plan pre-tax profit increase 26.7% yoy to reach VND20.9tr support by 20% yoy of credit growth, lead to ROE reach 23%. MBB also continues control strict credit quality with NPL less than 1% in FY22.

### We estimate earning to grow 28.5%/21.8% yoy over FY22-23F

In FY22-23F, we forecast NII increase 19.9%/18.0% yoy in 20.0%/17.5% yoy of loan growth and 5.03%/5.11% of NIM. We believe that MBB focus on retail lending and improve MB App help the bank increase credit and improve CASA. Non-II grow 16.4%/14.1% yoy thanks the bank accelerates the development of cross-selling, promoting digital products and contribution from subsidiaries. In additional, we believe the provision expenses decrease 5.0%/1.7% than FY21 thanks high provision buffer in previous period. As a result, we project FY22-23F earning to grow 28.5%/21.8% yoy.

### We raise our TP to VND40,800 following FY22-24F earnings upgrade

Our new TP is based on the equal weight of residual income valuation (COE: 15.1%; LTG: 3.0%) and a target of 2.0x for FY22F book value. Downside risks include higher-than-expected inflation that might hinder loan growth and higher-than-expected bad debts. An upside risk is stronger growth in fee income higher than our projection.

Financial summary (VND)	12-20A	12-21A	12-22E	12-23E
Net interest income (bn)	20,278	26,200	31,408	37,061
Net interest margin	4.7%	5.0%	5.0%	5.1%
Total operating income (bn)	27,362	36,934	43,909	51,330
Total provision charges (bn)	(6,118)	(8,030)	(7,626)	(7,890)
Net profit (bn)	8,263	12,697	16,314	19,870
Net profit growth	5.6%	53.7%	28.5%	21.8%
Adjusted EPS	2,059	3,175	4,086	4,977
BVPS	12,563	15,768	19,489	24,152
ROAE	19.2%	23.6%	24.5%	24.1%

Source: VND RESEARCH

## TAP INTO DIGITAL BANKING

### Investment thesis

Our ADD rating is underpinned by:

(1) Expand on retail lending and micro-SME base on apply technology application and large network. By upgrade application and programs to attracted new customers, the users used app surged 210% yoy in FY21. Besides that, MBB App was the only banking application to appear in the ranking of "Top Apps of 2021" on iOS operating system in Vietnam (top 10).

(2) The bank's solid asset quality with considerable provision source, securing its bottom-line pristine. At end FY21, the bank maintained in top 4 banks with lowest non-performing loan (NPL) ratio and top 2 banks highest loan loss reserve (LLR).

(3) We expect the bank to sustain the strong earnings growth of 28.5%/21.8% yoy in FY22-23F base on 20.0%/17.5% yoy loan growth and stable NIM of 5.03%/5.11%.

### We raise our 1-year TP to VND40,800, following FY22-23F EPS upgrade

We revised up FY22-23F EPS by 7.2%/11.1% to reflect the bank's strong credit growth and higher-than-previous expect CASA ratio. We use the residual income and P/BV methods to value MBB, with equal weighting of each method. At the current price, MBB trades at 1.6x FY22 P/BV, lower than the regional peer average of 2.0x. We believe MBB deserves to be further re-rated to P/BV of 2.0x to fully reflect the higher ROE in FY22-23F than average. Combining the residual income valuation and P/BV multiple valuations with equal weighting, we derive a target price of VND40,800 for MBB.

**Figure 1: Target price calculation, based on our estimates**

Approach	Weight	Fair value (VND/share)	Contribution (VND/share)
Residual income	50%	42,306	21,153
P/BV multiple (at 2.0x FY22F BVPS)	50%	39,245	19,622
Target price (VND/share)			40,776
<b>Target price (VND/share, rounded)</b>			<b>40,800</b>

Source: VNDIRECT RESEARCH

**Figure 2: Key assumptions of residual income valuation, based on our estimates**

GENERAL ASSUMPTIONS	2022F	2023F	2024F	2025F	2026F	Terminal
Risk free rate (5-year VGB yield)	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Equity risk premium	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%
Beta	1.1	1.1	1.1	1.1	1.1	1.1
Cost of equity	15.1%	15.1%	15.1%	15.1%	15.1%	15.1%
Long-term growth rate						3.0%
Opening shareholder's equity	59,575					
PV of RI (5 years)	31,775					
PV of Terminal value	67,414					
Implied EV	158,764					
No. of o/s shares	3,753					
<b>Implied value per share</b>	<b>42,306</b>					

Source: VNDIRECT RESEARCH

**Figure 3: Vietnam's peer comparison (price as at 24/03/2022)**

	Ticker	Recommendation	Closing Price	Price	Mkt cap	P/BV (x)		P/E (x)		3-year EPS		ROE (%)		ROA (%)	
			LC\$	LC\$	US\$m	FY22F	FY23F	FY22F	FY23F	CAGR (%)	FY22F	FY23F	FY22F	FY23F	
Vietcombank	VCB VN	ADD	83,500	118,700	17,842	3.09	2.58	19.10	15.90	23.8%	20.0%	21.0%	1.7%	1.8%	
VietinBank	CTG VN	ADD	32,550	41,700	7,195	1.63	1.40	16.89	14.07	17.3%	15.0%	15.8%	1.0%	1.1%	
Techcombank	TCB VN	ADD	49,300	70,000	7,834	1.60	1.30	8.30	6.90	21.1%	22.1%	21.6%	3.6%	3.7%	
Vietnam Prosperity JSB	VPB VN	ADD	36,350	41,000	6,899	1.60	1.36	10.90	8.50	22.7%	16.1%	17.0%	3.0%	3.2%	
Asia Commercial JS Bank	ACB VN	ADD	32,900	41,800	4,004	1.62	1.32	7.96	6.95	18.8%	23.6%	22.5%	2.2%	2.2%	
Vietnam International Commercial JSB	VIB VN	HOLD	44,700	46,400	3,146	2.4	1.9	10.5	8.9	18.6%	23.0%	22.0%	2.0%	2.0%	
Tien Phong Commercial JSB	TPB VN	HOLD	40,100	41,100	2,846	1.9	1.6	11.0	9.0	23.1%	20.9%	21.0%	2.0%	2.1%	
<b>Average regional peers</b>						<b>2.0</b>	<b>1.6</b>	<b>12.1</b>	<b>10.0</b>	<b>20.8%</b>	<b>20.1%</b>	<b>20.1%</b>	<b>2.2%</b>	<b>2.3%</b>	
Military Commercial Joint Stock Bank	MBB VN	ADD	32,050	40,800	5,483	1.6	1.3	7.4	6.1	21.7%	24.5%	24.1%	2.5%	2.6%	

Source: VNDIRECT RESEARCH, BLOOMBERG

### 2021 recap: Strong all facets

**Figure 4: 4Q21 and FY21 results comparison (VND bn, otherwise noted)**

Profit & Loss statement	4Q21	4Q20	yoy%	3Q21	qoq%	VND	% of VND	Comments
						FY21F	forecasts	
Net interest income	26,200	20,278	23.7%	5,165	38.8%	25,533	102.6%	In line with our forecasts
Non-interest income	10,735	7,084	53.5%	1,571	87.6%	9,357	114.7%	Higher than our forecasts as better-than-expected bad debt collection in 1Q21 when the epidemic situation subdued.
Operating revenue	36,935	27,362	31.1%	6,735	50.2%	34,890	105.9%	
Operating expenses	(12,377)	(10,555)	7.0%	(2,836)	22.1%	(12,212)	101.4%	In line with our forecasts
Pre-provision profit	24,557	16,807	48.5%	3,899	70.7%	22,679	108.3%	
Provision expenses	(8,030)	(6,118)	4.5%	(884)	127.6%	(6,823)	117.7%	Higher than our forecasts in 2Q21, 4Q21.
Pre-tax profit	16,527	10,688	81.8%	3,015	54.0%	15,856	104.2%	
Net profit	12,697	8,263	82.6%	2,357	49.6%	12,368	102.7%	In line with our forecasts

Source: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 5: MBB's key ratios by quarter**

Key ratios	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
NII/Total Operating Income (TOI)	72.20%	73.04%	74.07%	70.34%	76.68%	75.11%	64.75%	73.53%	74.89%	70.87%
Non-II/TOI	27.80%	26.96%	25.93%	29.66%	23.32%	24.89%	35.25%	26.47%	25.11%	29.13%
NIM (annualised)	4.84%	5.10%	4.83%	4.71%	5.15%	5.33%	5.04%	5.41%	5.12%	5.22%
Loan-to-deposit ratio (Circular 36)	74.45%	74.19%	74.14%	76.04%	78.75%	74.40%	78.12%	75.67%	72.11%	70.74%
NPL	1.54%	1.16%	1.62%	1.37%	1.50%	1.09%	1.29%	0.76%	0.95%	0.88%
Loan-Loss-Reserves (LLR)	102.73%	110.47%	97.56%	121.03%	118.88%	134.07%	127.38%	236.50%	232.80%	267.98%
Credit cost (annualised)	2.16%	2.10%	3.36%	2.59%	2.15%	2.23%	2.33%	2.69%	2.55%	2.18%
CIR (cost-to-income)	36.12%	45.70%	32.35%	37.02%	42.11%	41.93%	30.50%	34.59%	34.75%	34.23%
Provision/Pre-provisioning operating profit (PPOP)	32.37%	33.42%	48.80%	29.39%	22.66%	42.98%	28.32%	41.65%	31.33%	30.23%
ROAA (trailing 12M)	1.98%	2.02%	1.94%	1.95%	1.99%	1.82%	2.25%	2.26%	2.31%	2.35%
ROAE (trailing 12M)	21.82%	22.15%	20.05%	20.70%	20.01%	19.24%	22.11%	21.39%	22.16%	24.05%

Source: VNDIRECT RESEARCH, COMPANY REPORTS

### Analyst meeting key takeaways:

In the Analyst meeting on 15 March, MBB Management has shared the bank's FY22-26F strategy and 1Q22 prelim result.

The bank will accelerate retail lending activities, including individual and micro-SME with target to increase its client base from 20 million in FY22F to 30

million in FY26F, of which Priority and Private segment target 2.8 million clients by 2026 through enhancing customer experience.

MBB plans to expend about VND1,6tr – VND2tr per year in the next 5 year to invest in digital banking with strategic initiatives focus on BAAS (banking as a service), big data...

MBB also sets several financial targets for FY22-26F, including: 11% CAGR for total assets, 17% CAGR for credit, 24% and 21% CAGR for total operating income and pre-tax profit, respectively.

The bank also plans to raise capital via private placement for Viettel, its strategic partner. The detail private placement has disclosed yet. In terms of dividend plan, the bank will pay stock dividend at the rate more than 15%, the final result will be approved at the annual general meeting on 25 April.

In FY22F, the bank sets a pre-tax profit target of VND20,9tr (+26,7% yoy) with credit growth of 20% yoy. According to Management, 1Q22 credit growth was 10% ytd, while pre-tax profit reach VND5,500bn (+20% yoy).

In our view, MBB will likely achieve its targets for the following reasons:

- 1) The bank is better capitalized than peers with a CAR of 11.2% (Basel II) as at end-FY21, which would allow it to sustain robust loan growth moving forward.
- 2) Potential for growth in non-interest income thanks to diversification of income sources from subsidiaries.
- 3) Expand on retail lending and micro-SME help the bank has higher asset yield than other banks. Besides that, cost of fund does not increase too much as the bank continuously improved the CASA thanks to its programs to attract new customers and technology applications. We estimate NIM in FY22F is stayed at 5.03%.

### **FY22-23F outlook**

#### **Focusing on retail lending and micro-SME**

MBB plans CAGR credit growth to reach 17% in FY22-26F (lower than that 21% in FY17-21) base on the strategy of continuing to push into retail lending and expansion of micro-SME. As the sharing information in Analyst Meeting, MBB's credit grows around 10% ytd in 1Q22, the bank aims to propose State bank (SBV) to lift its credit growth limit higher than initial 15%. We believe that the bank will be able to increase credit growth limit to reach its target of 20% credit growth in FY22F thanks to high CAR (11.2% as base II) and low LDR (we estimated around 70%) at end FY21.

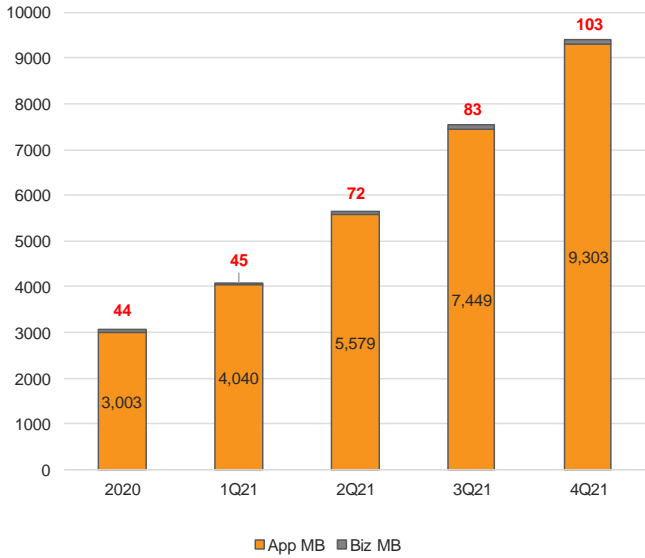
#### **NIM expansion on higher retail lending and improving CASA**

Looking back in FY21, MBB's loan grew 21.6% yoy, in which retail lending increased 27.5% yoy. We believe this is the result of reaching out to new customers thanks to new programs as free transfer for life for all customers when using apps, gifting a beautiful digital account number, free transfers for corporate customers.... and it will continue to operate in FY22-26F. The increase in retail lending will help the bank has higher asset yield than other banks. In additional, the bank also focuses on Private and Priority to get higher profit with a target reach 2,8bn customers in FY26F. We think this is a smart long-term strategy as growing middle-class in Vietnam in the next decade.

In FY21, the users used App MB surged to 9,3 million from 3 million at end FY20 (+210% yoy), the transaction increase to 388 million from 89,8 million (+344%yoy) in previous period. We assume that the MBB's CASA will be continuously improve thanks to apply digital technology by app to increase new customers and transactions. This support MBB's CoF is not increase too much

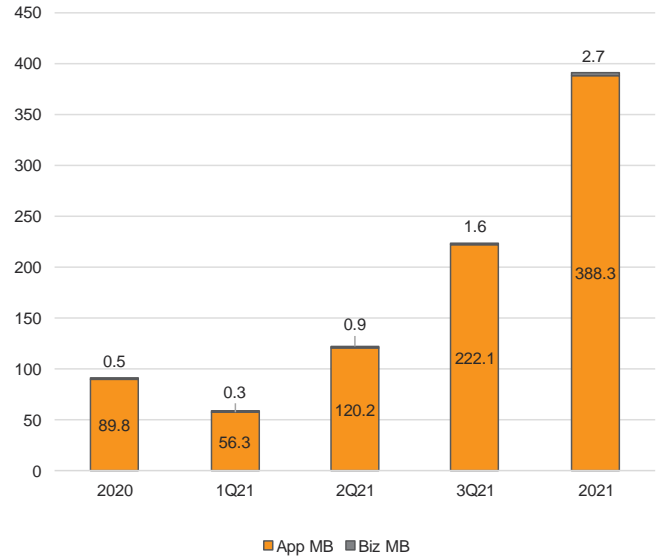
in the context rising deposit rates caused by inflation and competition for funds in FY22F.

**Figure 6: App MB users increased from 3 million to 9,3 million in FY21 (+210% yoy)**



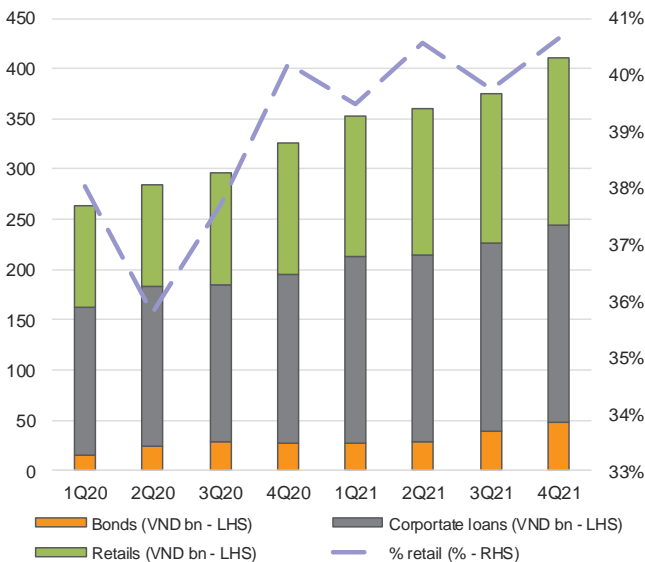
Source: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 7: The transaction used App MB reached 388 million in FY21 (+344% yoy)**



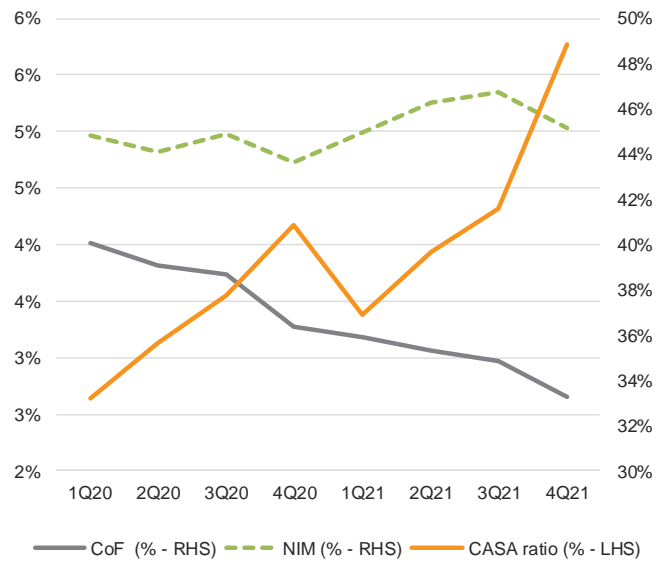
Source: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 8: Retail accounting more than 40% in credit at end-4Q21**



Source: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 9: High CASA led to reduce CoF and expansion NIM in FY21**



Source: VNDIRECT RESEARCH, COMPANY REPORTS

**Non-interest income tends to increase gradually**

MBB's has six subsidiaries, some of which were among on top in terms of market share as Military Insurance Company (MIC) was in top 5 of insurance revenue (top 6 in FY20), MCredit was in top 3 of credit size in consumer finance... contribution 14% in consolidated pre-tax profit in FY21. We believe that subsidiaries will continue to grow and increase profits in 2022, especially for Military Insurance Company (MIC). Since FY21, MIC has applied a series of comprehensive digital technology application solutions on the system, allowing users to "maximize" benefit when querying for details, enrolling and



receiving insurance benefits easily through online operations. Along with that, the application of AI, Chatbot in insurance product introduction and consulting activities has brought about a sudden growth in the number of customers on digital channels for MIC. In 1Q22, according to preliminary business estimates, MIC recorded a total insurance revenue of more than VND1,200bn, an increase of 35% yoy; 5 times higher than industry growth rate.

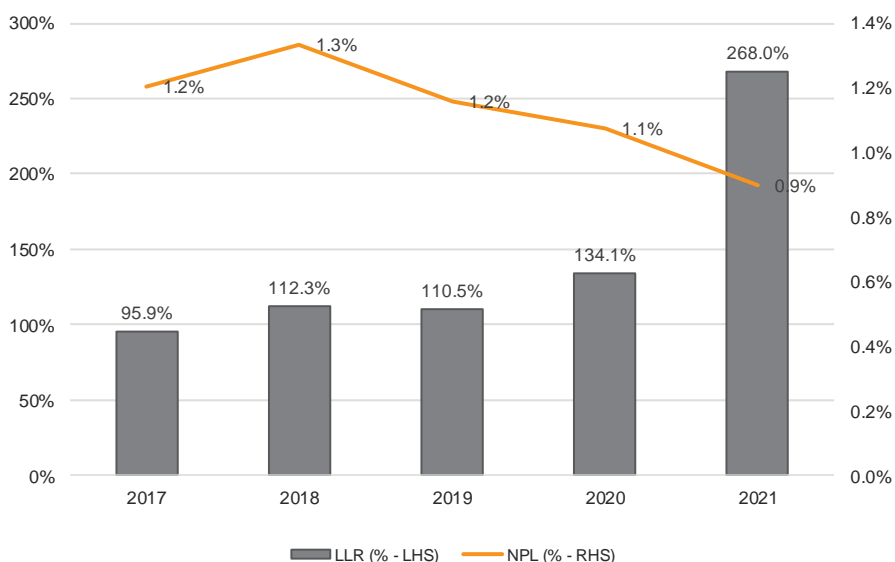
In additional, the bank accelerates the development of cross-selling within the group, promoting digital products in FY22-26F to increase profit from bancassurance and payment fee. We believe non-ii increase 16.4% yoy in FY22F.

**Provision expenses will decrease thanks to solid asset quality since FY22F**

MB applied the three lines of defense model to the bank's governance, ensuring the separation of functions and tasks of the units, avoiding overlap, increasing the bank's sense of responsibility in identifying, evaluating, monitoring, and controlling risk. As a result, NPL ratio was controlled reach 0.9% for consolidated and 0.7% for the separate bank in FY21. The bank also increased provisioning to lead LLR reach 268% at end-FY21 – the second highest among banks.

The bank believes that 90-95% of restructure loan is receivable in FY22-26F. In additional, the bank booked 100% provision for restructuring debt instead of 30% as prescribed in FY21. Therefore, we forecast the bank will decrease provision expenses in next few years thanks to high LLR in FY21 and control bad debts efficiently. We estimate provision expense FY22-24F decrease from 2-5% than FY21 with NPL less than 1%.

**Figure 10: Asset quality improved in FY17-21**



Source: VNDIRECT RESEARCH, COMPANY REPORTS

## We revise our earnings forecast for FY22-24F

**Figure 11: FY22-24F earnings revision (VND bn, otherwise noted)**

	Old forecasts			New forecasts			Change			Comments
	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F	
Net Interest Income	28,184	32,309	37,603	31,408	37,061	43,128	11.4%	14.7%	14.7%	We assume loan growth is around 17.5%-20% in FY22-24F and NIM FY22F is 5.03%.
Non-Interest Income	10,508	11,815	13,547	12,501	14,269	16,194	19.0%	20.8%	19.5%	
Operating revenue	38,692	44,124	51,150	43,909	51,330	59,322	13.5%	16.3%	16.0%	
Operating expenses	(13,542)	(15,443)	(17,903)	(15,368)	(17,966)	(20,763)	13.5%	16.3%	16.0%	
Pre-provision profit	25,150	28,680	33,248	28,541	33,365	38,559	13.5%	16.3%	16.0%	
Provision expenses	(5,645)	(5,742)	(6,375)	(7,626)	(7,890)	(7,576)	35.1%	37.4%	18.8%	We estimate PPOP around 20-25% in FY22-24F.
Pre-tax profit	19,505	22,938	26,873	20,915	25,475	30,984	7.2%	11.1%	15.3%	
Net profit	15,214	17,892	20,961	16,314	19,870	24,167	7.2%	11.1%	15.3%	

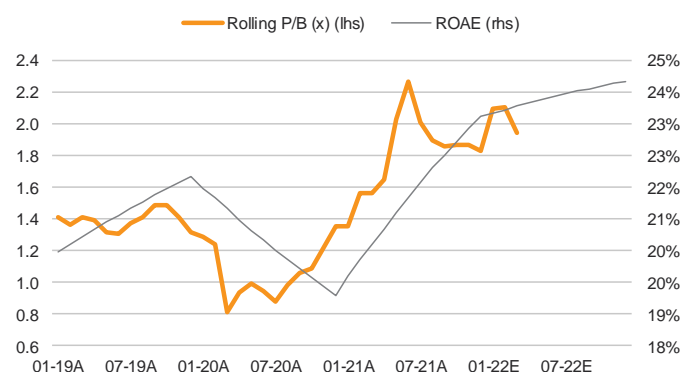
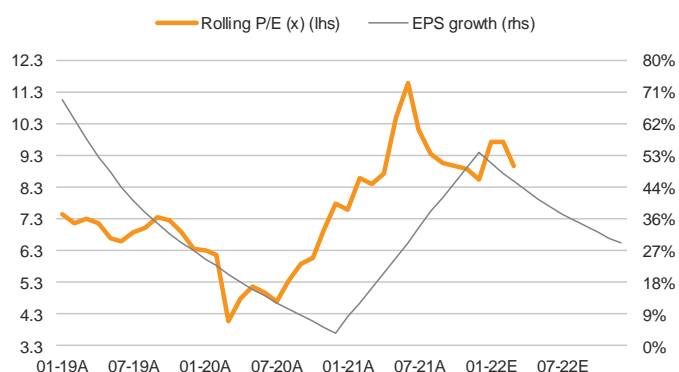
Source: VNDIRECT RESEARCH

We lift our NII forecast in FY22-24F by 11.4%/14.7%/14.7% largely due to higher credit growth over the forecast period, in line with management's guidance as mentioned above.

We also lift non-ii projections over FY22-24F by 19.0%/20.8%/19.5% as we believe subsidiaries will continue to grow and contribution in non-interest income.

Consequently, we revise up our net profit by 7.2%/11.1%/15.3 in FY22-24F.

**Valuation**



**Income statement**

(VNDbn)	12-21A	12-22E	12-23E
<b>Net interest income</b>	<b>26,200</b>	<b>31,408</b>	<b>37,061</b>
<b>Non interest income</b>	<b>10,735</b>	<b>12,501</b>	<b>14,269</b>
<b>Total operating income</b>	<b>36,934</b>	<b>43,909</b>	<b>51,330</b>
Total operating costs	(12,377)	(15,368)	(17,966)
<b>Pre-provision operating profit</b>	<b>24,557</b>	<b>28,541</b>	<b>33,365</b>
<b>Total provision charges</b>	<b>(8,030)</b>	<b>(7,626)</b>	<b>(7,890)</b>
Income from associates & JVs			
Net other income			
<b>Pre-tax profit</b>	<b>16,527</b>	<b>20,915</b>	<b>25,475</b>
Tax expense	(3,306)	(4,183)	(5,095)
<b>Profit after tax</b>	<b>13,221</b>	<b>16,732</b>	<b>20,380</b>
Minority interest	(524)	(418)	(509)
<b>Net profit</b>	<b>12,697</b>	<b>16,314</b>	<b>19,870</b>

**Balance sheet**

(VNDbn)	12-21A	12-22E	12-23E
Gross loans to customers	363,555	436,266	512,612
Loans to banks	35,985	39,583	43,542
<b>Total gross loans</b>	<b>399,540</b>	<b>475,849</b>	<b>556,154</b>
Securities - total	136,804	156,946	172,641
Other interest earning assets	38,325	42,158	46,374
<b>Total gross IEAs</b>	<b>574,669</b>	<b>674,953</b>	<b>775,168</b>
<b>Total provisions</b>	<b>(9,180)</b>	<b>(15,163)</b>	<b>(9,993)</b>
<b>Net loans to customers</b>	<b>354,797</b>	<b>427,048</b>	<b>503,190</b>
<b>Total net IEAs</b>	<b>565,489</b>	<b>659,791</b>	<b>765,176</b>
Cash and deposits	3,475	3,719	3,979
Total investments	1,072	1,147	1,228
Other assets	37,104	39,701	42,480
<b>Total non-IEAs</b>	<b>41,652</b>	<b>44,567</b>	<b>47,687</b>
<b>Total assets</b>	<b>607,140</b>	<b>704,358</b>	<b>812,863</b>
Customer deposits	384,692	477,018	553,341
Cds outstanding	66,887	77,589	85,348
Customer interest-bearing liabilities	451,579	554,607	638,689
Bank deposits	59,823	65,805	69,095
Broad deposits	511,402	620,412	707,784
Other interest-bearing liabilities	1,999	1,999	1,999
<b>Total IBLs</b>	<b>513,400</b>	<b>622,411</b>	<b>709,783</b>
Deferred tax liability			
Other non-interest bearing liabilities	31,254	4,981	7,985
<b>Total non-IBLs</b>	<b>31,254</b>	<b>4,981</b>	<b>7,985</b>
<b>Total liabilities</b>	<b>544,654</b>	<b>627,391</b>	<b>717,768</b>
Share capital	37,783	37,783	37,783
Additional paid-in capital	1,535	1,535	1,535
Treasury shares	0	0	0
Retained earnings reserve	12,915	26,977	44,596
Other reserves	7,341	7,341	7,341
<b>Shareholders' equity</b>	<b>59,575</b>	<b>73,637</b>	<b>91,256</b>
Minority interest	2,911	3,329	3,839
<b>Total equity</b>	<b>62,486</b>	<b>76,966</b>	<b>95,095</b>
<b>Total liabilities &amp; equity</b>	<b>607,140</b>	<b>704,358</b>	<b>812,863</b>

	12-21A	12-22E	12-23E
<b>Growth rate (yoy)</b>			
Cust deposit growth	23.7%	24.0%	16.0%
Gross cust loan growth	21.9%	20.0%	17.5%
Net interest income growth	29.2%	19.9%	18.0%
Pre provision operating profit growth	46.1%	16.2%	16.9%
Net profit growth	53.7%	28.5%	21.8%
Growth in IEAs	22.4%	16.7%	16.0%
<b>Share value</b>			
Basic EPS (VND)	3,378	4,347	5,295
BVPS (VND)	15,768	19,489	24,152
DPS (VND)	0	596	596
EPS growth	54.3%	28.7%	21.8%

**Key ratios**

	12-21A	12-22E	12-23E
Net interest margin	5.0%	5.0%	5.1%
Cost-income ratio	(33.5%)	(35.0%)	(35.0%)
Reported NPLs / gross cust loans	0.9%	0.7%	0.3%
Reported NPLs / net cust loans	0.9%	0.7%	0.3%
GP charge / average cust loans	2.4%	1.9%	1.7%
Total CAR	10.2%	10.8%	11.3%
Loan deposit ratio	80.5%	78.7%	80.3%
<b>Margins and spreads</b>			
Return on IEAs	7.4%	7.4%	7.5%
Cost of funds	2.6%	2.6%	2.6%
Interest return on average assets	4.8%	4.8%	4.9%
ROAE	23.6%	24.5%	24.1%

Source: VND RESEARCH



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**RECOMMENDATION FRAMEWORK**

**Stock Ratings**

Definition:

- Add                    The stock's total return is expected to reach 15% or higher over the next 12 months.
- Hold                    The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
- Reduce                The stock's total return is expected to fall below negative 10% over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

**Sector Ratings**

Definition:

- Overweight            An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral                A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight         An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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