

VIETCOMBANK (VCB) – UPDATE

Market Price	Target Price	Dividend Yield	Rating	Sector
VND76,500	VND95,600	0.00%	Add	FINANCIALS

16 June 2022

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

Consensus*: Add:12 Hold:4 Reduce:0

Target price / Consensus: 0.6%

Key changes in the report

- Increase target price by 2.8%
- Adjust EPS FY22-24F -0.1%/0.8%/-0.5%.

Price performance



Source: VND RESEARCH

Key statistics

52w high (VND)	95,800
52w low (VND)	72,775
3m Avg daily value (VNDmn)	83,473
Market cap (VND bn)	367,717
Free float (%)	8
TTM P/E (x)	15.4
Current P/B (x)	3.01

Ownership

State Bank of Vietnam	74.8%
Mizuho Corporate Bank	15.0%
GIC Private Limited	2.6%
Others	7.6%

Source: VND RESEARCH

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Save for a rainy day

- VCB set FY22F guidance of 15% yoy in credit growth and VND30,675bn (+12% yoy) in pre-tax profit.
- We forecast higher-than-guidance pre-tax profit growth of 21% yoy over FY22-23F, following lower provisioning expenses
- Reiterate Add rating with a higher TP of VND95,600.

Improving CASA to offset the rising cost of fund

Thanks to zero fee transaction scheme effective in 1Q22, VCB's demand deposit grew 27.6% yoy; 7.3% ytd to bring its current account saving account (CASA) ratio to historical high of 33.4% at end-1Q22; also the fourth highest among commercial banks. We estimate that VCB currently holds 8.5% of country deposit market share, which provides the bank best position to manage the rising cost of fund. Consequently, VCB is among a few banks to enjoy NIM expansion in 1Q22 (24bps yoy to 3.4%). We expect FY22F NIM to stay at 3.2% thanks to high CASA ratio (~35% at end-FY22F) and low loan-to-deposit ratio (~82% at end-FY22F).

VCB will likely acquire a struggling institution

Following the government-approved roadmap, VCB and MBB will acquire, at zero-cost, one of the institutions that are subjected under special supervision by State bank of Vietnam (SBV). VCB will be granted an unlimited credit growth but still maintains the compulsory capital adequacy ratio (CAR). The financial statement of this institution will not be consolidated into VCB during restructuring phase and SBV will provide 0%-interest-rate loan package in order to solve a part of accumulated loss. After restructuring, VCB is allowed to merge this institution or transfer for potential investors or offer to public (IPO).

Strong net profit growth with best-in-class asset quality over FY22-23F

We project net interest income (NII) to increase 9.5%/14.8% yoy over FY22-23F following 14.5%/13.0% yoy of loan growth and stable NIM of 3.2%. Non-interest income is expected to grow strongly 28.7%/21.3% yoy over FY22-23F thanks to net fee income and net gain from forex exchange. Loan-loss-coverage was 424.4% while NPL was 0.64% at end-FY21, providing room for VCB to lower its provisioning expenses for the next 2 years.

Reiterate Add rating with a new TP of VND95,600

Our 1-year target TP is slightly revised up 2.8% following a FY22-24F earnings adjustment. Negative market sentiments from tight regulations on capital market raise has dampened VCB's share price, thus offering a chance to accumulate for long-term value, in our view. Downside risks include higher-than-expected inflation that might hinder loan growth and higher-than-expected bad debts.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net interest income (bn)	36,285	42,387	46,407	53,292
Net interest margin	2.9%	3.2%	3.2%	3.2%
Total operating income (bn)	49,063	56,711	64,847	75,667
Total provision charges (bn)	(9,975)	(11,761)	(9,995)	(10,544)
Net profit (bn)	18,451	21,908	26,512	32,133
Net profit growth	(6.7%)	18.7%	21.0%	21.2%
Adjusted EPS	4,975	5,907	6,281	6,790
BVPS	25,347	29,951	31,105	35,910
ROAE	21.1%	21.4%	20.5%	20.3%

Source: VND RESEARCH

SAVE FOR A RAINY DAY

Reiterate ADD with 1-year target price of VND95,600

VCB's share price has plummeted 21% from peak in Jan 2022, due to market correction in 1Q22. At the current share price, VCB is trading at 2.5x FY22F P/BV, 16.7% lower than its 2-SD of 3.0x in average 3 year. In our view, the current valuation is attractive for long-term value as VCB is well-positioned to navigate the short-term headwinds from solid asset quality accumulated in the past thanks to its prudent lending activities, strong capital buffer and best-in-class asset quality.

Our TP based on the equal weight of residual income valuation (COE: 14.6%; LTG: 3%) and a target P/BV of 3.0x for FY22F book value. Downside risks to our call include higher-than-expected inflation that might hinder loan growth and higher-than-expected bad debts.

Figure 1: Residual income valuation, based on our estimates

General assumptions	2021F	2022F	2023F	2024F	2025F	Terminal
Risk free rate (5-year VGB yield)	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Equity risk premium	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Beta (1 yr)	1.0	1.0	1.0	1.0	1.0	1.0
Cost of equity	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%
Long-term growth rate						4.0%
<i>(in VND bn, otherwise noted)</i>						
Opening shareholders' equity	111,084					
PV of residual income (5 years)	53,784					
PV of terminal value	298,430					
Implied Equity value	463,298					
No. of o/s shares (m shares)	4,733					
Implied value per share (VND/share)						97,897

Source: VNDIRECT Research

Figure 2: Our target price calculation

Approach	Weight	Fair value (VND/share)	Contribution (VND/share)
Residual income	50%	97,897	48,948
P/BV multiple (at 3.0x FY22F BVPS)	50%	93,314	46,657
Target price (VND/share)			95,605
Target price (VND/share, rounded)			95,600

Source: VNDIRECT Research

Figure 3: Vietnam peers' comparison (price as of 03/03/2022)

Banks	Bloomberg Code	Recommendation	Closing price (local curr.)	Target price (local curr.)	Market cap (US\$bn)	P/B (x)		P/E (x)		3-yr Forward EPS CAGR		ROE (%)		ROA (%)	
						FY22F	FY23F	FY22F	FY23F	% FY22F	FY23F	FY22F	FY23F	FY22F	FY23F
VietinBank	CTG VN	ADD	24,700	41,700	7.0	1.6	1.4	16.9	14.1	17.3%	15.0%	15.8%	1.0%	1.1%	
Techcombank	TCB VN	ADD	36,050	66,400	7.7	1.6	1.3	8.3	6.9	23.3%	22.1%	21.6%	3.6%	3.7%	
Vietnam Prosperity JSC Bank	VPB VN	ADD	29,000	44,800	7.4	1.6	1.4	10.9	8.5	22.7%	16.1%	17.0%	3.0%	3.2%	
Military Commercial Joint Stock Bank	MBB VN	ADD	24,900	34,500	5.6	1.8	1.5	10.9	8.6	24.2%	23.0%	23.0%	2.3%	2.4%	
Tien Phong Commercial JSB	TPB VN	ADD	26,800	41,100	3.0	1.9	1.6	11.0	9.0	24.8%	20.8%	21.1%	2.0%	2.1%	
Asia Commercial Joint Stock Bank	ACB VN	ADD	24,100	41,700	4.0	1.6	1.3	8.0	7.0	21.3%	23.6%	22.5%	2.2%	2.2%	
Average						1.7	1.4	11.0	9.0	22.3%	20.1%	20.2%	2.4%	2.5%	
Vietcombank	VCB VN	ADD	79,100	95,600	17.6	2.5	2.2	12.6	11.7	20.6%	20.5%	20.3%	1.8%	1.8%	

Source: VNDIRECT Research, BLOOMBERG

1Q22 recap: in line with our forecast

Figure 4: 1Q22 results comparison (VND bn, otherwise noted)

Profit & Loss statement	1Q22	1Q21	yoy%	4Q21	qoq%	FY22F VND forecast	% of VND FY22F forecasts	Comments
Net interest income	11,976	10,082	18.8%	10,781	11.1%	46,425	25.8%	Slightly above than our forecast.
Non-interest income	4,758	5,604	-15.1%	4,088	16.4%	21,472	22.2%	Lower than our forecast due to lower than we expected in net fee income in FY21.
Operating revenue	16,734	15,686	6.7%	14,869	12.5%	67,897	24.6%	
Operation expenses	(4,509)	(4,779)	-5.6%	(3,057)	47.5%	(24,443)	18.4%	Efficient cost management delivered lower cost-to-income ratio (CIR) to 31% in FY21, lower than we
Pre-provision profit	12,224	10,906	12.1%	11,813	3.5%	43,454	28.1%	
Provision expenses	(2,274)	(2,275)	0.0%	(3,748)	-39.3%	(10,292)	22.1%	Higher than our forecast.
Pre-tax profit	9,950	8,631	15.3%	8,064	23.4%	33,162	30.0%	
Net profit	7,962	6,903	15.4%	6,451	23.4%	26,545	30.0%	In line with our forecast.

Source: VNDIRECT Research, VCB

Figure 5: VCB's key ratios by quarter

Key ratios	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
Net interest income/Total operating income (TOI)	75.9%	73.9%	81.0%	73.5%	75.3%	75.3%	72.2%	64.3%	86.0%	78.7%	72.5%	71.6%
Non-interest income/TOI	24.1%	26.1%	19.0%	26.5%	24.7%	24.7%	27.8%	35.7%	14.0%	21.3%	27.5%	28.4%
NIM (annualized)	3.2%	3.2%	3.1%	3.13%	2.91%	2.93%	2.91%	3.16%	3.50%	3.15%	3.14%	3.40%
Cost-to-income ratio (CIR)	36.6%	36.0%	34.6%	39.97%	29.05%	39.52%	23.83%	30.47%	36.69%	37.75%	20.56%	26.95%
Loan-to-deposit ratio (Circular 36)	74.7%	71.9%	72.4%	76.4%	73.3%	74.5%	72.9%	77.3%	79.8%	75.7%	76.3%	80.2%
Non-performing loan (NPL) ratio	1.0%	1.1%	0.8%	0.8%	0.8%	1.0%	0.6%	0.9%	0.7%	1.2%	0.6%	0.8%
Loan-loss-reserves (LLR)	177.5%	185.2%	182.0%	235.0%	254.5%	215.1%	367.3%	279.0%	351.8%	242.9%	424.4%	372.6%
Credit cost (annualised)	1.0%	1.0%	1.0%	1.2%	1.1%	1.1%	1.3%	1.1%	1.2%	1.2%	1.3%	1.2%
Provision/Pre-provisioning operating profit (PPOP)	25.0%	19.2%	35.4%	29.2%	24.4%	28.9%	35.4%	20.9%	39.5%	30.5%	31.7%	18.6%

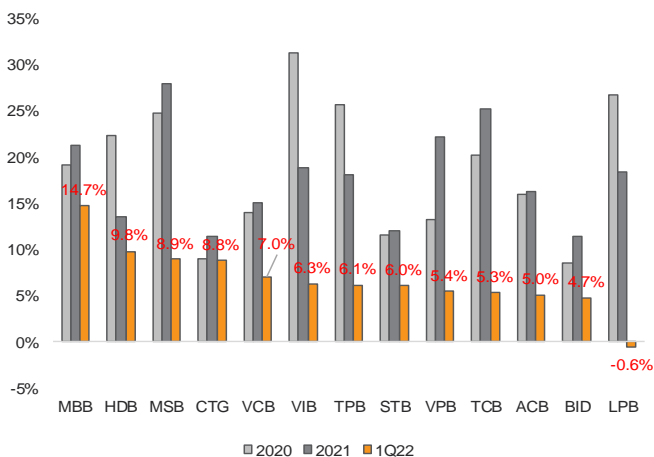
Source: VNDIRECT Research, VCB

Strong loan growth driven by corporate lending expansion

At end-1Q22, VCB's loan grew 7.1% ytd (higher than 3.8% ytd in 1Q21 and industry average of 5.97% ytd), in which corporate lending increased 7.6% ytd, retail lending increased 6.6% ytd and SME increased 4.8% ytd. VCB is one of banks that still has room for credit growth before reaching the threshold from the State Bank of Vietnam (SBV), so we believe this will help the bank achieve stable growth in the next quarter.

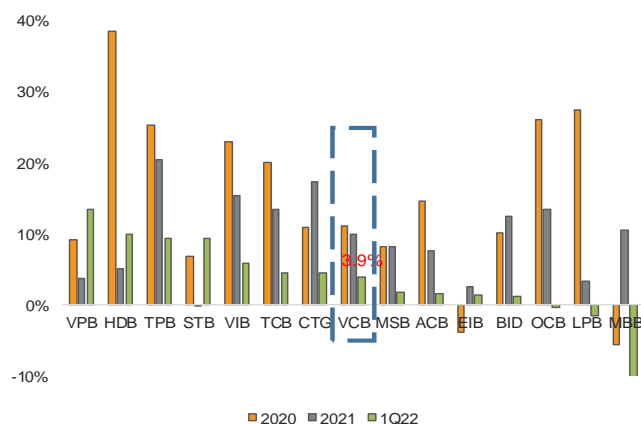
On the deposit side, VCB's customer deposit growth was 3.9% ytd in 1Q22 to VND1.180bn, while 1Q21 recorded a decreased of 0.64 % ytd, which lead LDR improved to 87%. The bank set target to control LDR from 80-85% in FY22F.

Figure 6: VCB's credit growth reached 7% ytd in 1Q22



Source: VNDIRECT Research, Commercial banks

Figure 7: Customer deposit growth was 3.9% ytd in 1Q22



Source: VNDIRECT Research, Commercial banks

VCB is among a few banks to enjoy NIM expansion in 1Q22

Thanks to zero fee transaction scheme effective in 1Q2, VCB's demand deposit grew 27.6% yoy, 7.3% ytd to bring its CASA ratio to historical high of 33.4% at end-1Q22; also the fourth highest among commercial banks. Consequently, cost of fund softened 15pbs yoy to 2.28% in 1Q22. On the other hand, asset yield slightly inched up 10bps yoy to 5.48%, to bring NIM to 3.4% in 1Q22, 24bps higher than that of 1Q21 and even 26bps higher than 4Q21.

For the 2H22, we see there is limited room for further NIM expansion amid the inching up deposit rates. Since 2Q22, we assume that the deposit rate is unlikely to remain at historic low due to the following reasons: (1) higher demand for fund raising, (2) higher inflation, (3) compete more fiercely with other investment channels to attract capital inflow. As a result, we expect that deposit rates to slightly increase 30-50bp in 2022F.

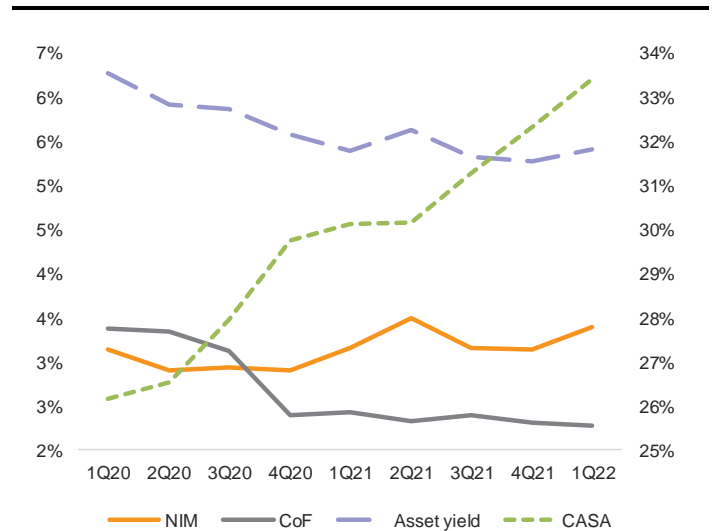
We estimate that VCB currently holds 8.5% of country deposit market share and maintain CASA ratio of 35% by end-FY22. Both will give the bank best position to manage the rising cost of fund.

Figure 8: VCB is one of the banks to improve NIM in 1Q22

+/- % IAE	COF	NIM
EIB	24	-77
LPB	(17)	-75
MSB	8	-44
MBB	(25)	-61
VCB	9	-15
HDB	(14)	-40
OCB	(17)	-35
TCB	-	-9
VIB	(30)	-40
BID	(35)	-36
ACB	(66)	-59
STB	(80)	-17
TPB	(110)	-56
CTG	(80)	-14
VPB	(228)	-82

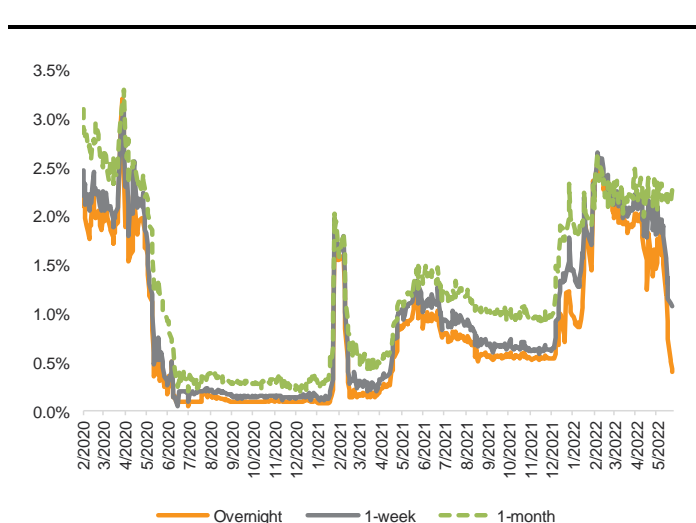
Source: VNDIRECT Research

Figure 9: High CASA helps VCB's NIM slightly improved in 1Q22



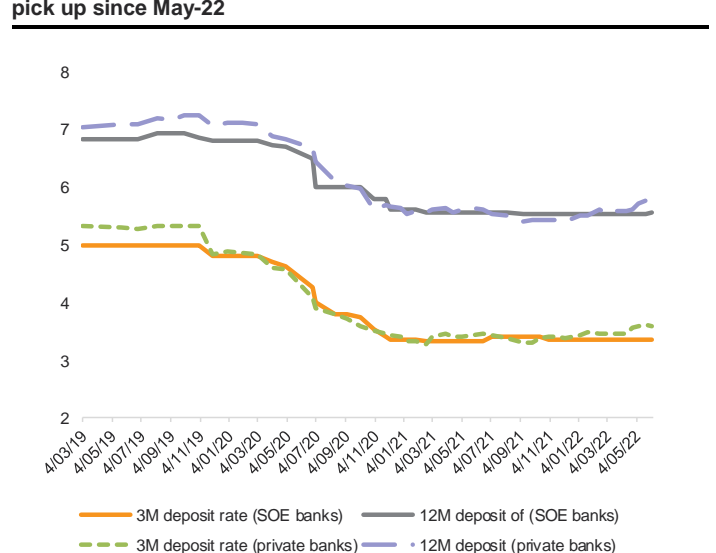
Source: VNDIRECT Research, VCB

Figure 10: Interbank interest rates rebound from historic lows



Source: Bloomberg, VNDIRECT Research

Figure 11: Deposit rate still stayed at low level; however, it started to pick up since May-22



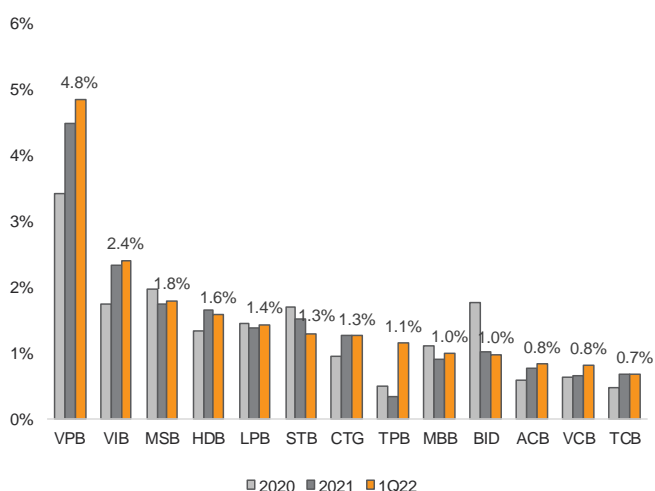
Source: Commercial banks, VNDIRECT Research

Best-in class asset quality and strong capital base

Non-performing-loan (NPL) ratio was 0.8% at end 1Q22, higher than that at end-4Q21 (0.64%) but still lower than that at end 1Q21 (0.9%). Restructuring loans decreased to VND8tr at end-1Q22 from VND10.9tr at end-4Q21. 1Q22 provisioning expenses stayed nearly flat at VND2,274bn, which led to a lower credit cost of 0.91% in 1Q22 (1.3% in 4Q21; 1.06% in 1Q21). Noted that the bank usually books provision more aggressively in the last quarter of the year.

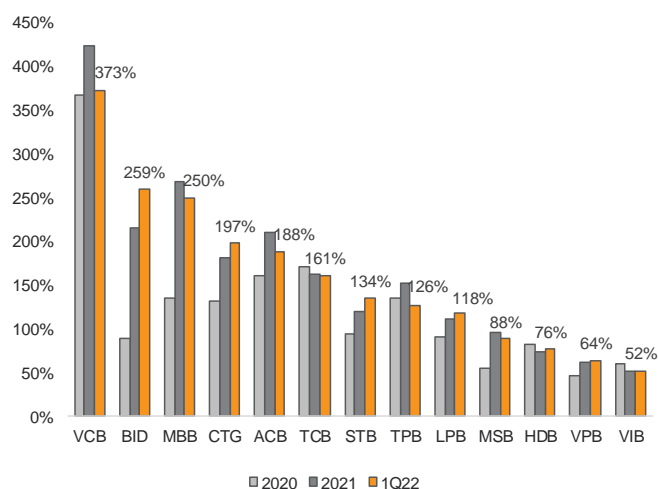
Loan-loss-coverage subdued to 372.6% at end-1Q22 from 424.4% at end-4Q21, but still the highest among banks. CAR, as we estimate, was around 9.3% in 1Q22 (vs 9.47% in 2021). As the bank has solid asset quality and all restructuring loans have been made provision in 2021, we believe that the expiration of Circular 14 at the end of 2Q22 will not have a significant impact on the bank in FY22F.

Figure 12: VCB's NPL was in the bottom among banks



Source: VNDIRECT Research, Commercial banks

Figure 13: while LLR was the highest among banks



Source: VNDIRECT Research, Commercial banks

FY22-23F outlook

We project that it will be difficult for VCB to achieve high credit growth from the State bank in FY22-23F when the LDR is quite high at 87% in 1Q22 and the CAR is at the medium level (we estimate around 9.3% in 1Q22). Therefore, we believe that VCB will maintain its loan ratio at 14.5%/13% yoy in FY22-23F.

We estimate VCB's NIM slightly reduce 10bps to 3.15% in FY22F (from 3.16% in 2021) as the bank has limited room to minimize the risks of rising deposit rates, caused by higher inflation and competition for funds. Although the bank are actively promoting CASA, we believe it has not helped to reduce CoF significantly in FY22F.

We expect non-interest income (non-II) to increase 28.7%/21.3% yoy mainly driven by net fee income and net gain from forex exchange. Particularly, we forecast net fee income has strong growth of 25% in FY22-23F, driven by settlement services and bancassurance. We also believe when the economy recovers, import and export activities will return to pre-pandemic levels, which will help the VCB take advantage, so we forecast the bank's net gain from forex exchange will grow strongly of 23.5%/24.8% yoy in FY22-23F.

We expect CIR to reach 33.5%/33% in FY22-23F (higher than 31% in 2021) as VCB has planned to keep investing in digital transformation to compete with other competitors.

Based on solid asset quality that has been built in the past and all restructuring loans were made provision, we project credit cost will fall to 0.97%/0.9% in

FY22-23F – lower than 1.3% in 2021). This led to provision expenses decrease/increase -15%/5.5% yoy with LLR 471%/366% in FY22-23F.

In conclusion, we estimate that VCB's net profit will grow 21.0%/21.2% yoy with ROE of 20.5%/20.3% in FY22-23F.

Figure 14: Profit & loss statement key KPIs in FY22-24F, based on our forecasts

<i>(In VNDbn, otherwise noted)</i>	2019A	2020A	2021A	2022F	2023F	2024F	CAGR 2019-21	CAGR 2022-24F
Net interest income	36,328	36,285	42,387	46,407	53,292	61,459	8.0%	15.1%
Net fee income	6,492	6,607	7,407	9,711	12,253	15,303	6.8%	25.5%
FX & gold trading income	3,479	3,906	4,375	5,401	6,742	7,955	12.1%	21.4%
Income from trading and investment securities	407	463	149	174	191	211	-39.5%	10.0%
Other income	2,753	1,800	2,393	3,154	3,189	4,652	-6.8%	21.5%
Operating income	49,459	49,063	56,711	64,847	75,667	89,580	7.1%	17.5%
<i>% growth</i>	25.9%	-0.8%	15.6%	14.3%	16.7%	18.4%		
Operating expense	16,064	16,038	17,575	21,724	24,970	29,562	4.6%	16.7%
<i>% growth</i>	18.0%	-0.2%	9.6%	23.6%	14.9%	18.4%		
Pre-provision profit	33,395	33,024	39,136	43,123	50,697	60,019	8.3%	18.0%
<i>% growth</i>	30.1%	-1.1%	18.5%	10.2%	17.6%	18.4%		
Provision expense	8,703	9,975	11,761	9,995	10,544	11,831	16.2%	8.8%
<i>% growth</i>	17.6%	14.6%	17.9%	-15.0%	5.5%	12.2%		
Profit before tax	24,692	23,050	27,376	33,128	40,153	48,188	5.3%	20.6%
<i>% growth</i>	35.2%	-6.7%	18.8%	21.0%	21.2%	20.0%		
Profit after tax and minority interest	19,784	18,451	21,908	26,512	32,133	38,564	5.2%	20.6%
<i>% growth</i>	35.5%	-6.7%	18.7%	21.0%	21.2%	20.0%		

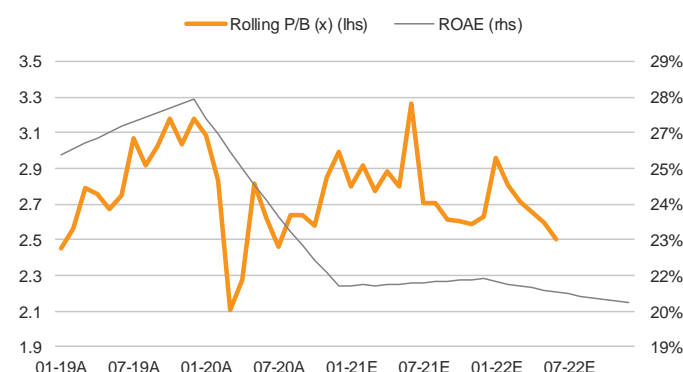
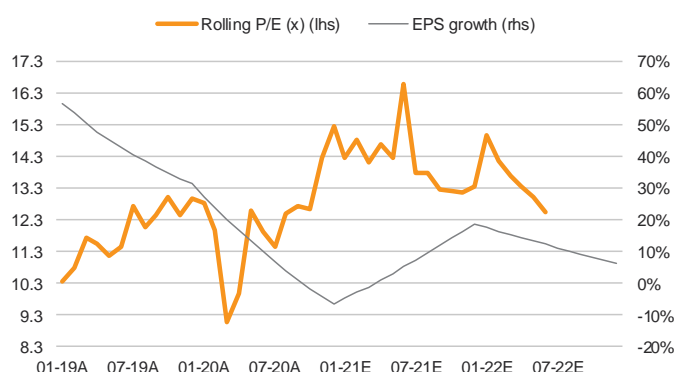
Source: VNDIRECT Research, VCB

Figure 15: Balance key KPIs in FY22-24F, based on our forecasts

<i>(In VNDbn, otherwise noted)</i>	2019A	2020A	2021A	2022F	2023F	2024F	CAGR 2019-21	CAGR 2022-24F
Interest-earning assets (excl. provisions) "IEAs"	1,188,731	1,300,383	1,382,501	1,563,985	1,743,148	1,925,490	7.8%	11.0%
<i>% growth</i>	13.7%	9.4%	6.3%	13.1%	11.5%	10.5%		
Gross loans to customers	734,707	839,788	960,750	1,100,059	1,243,066	1,386,019	14.4%	12.2%
<i>% growth</i>	16.3%	14.3%	14.4%	14.5%	13.0%	11.5%		
Interbank deposit and loans	249,470	267,970	225,395	247,934	260,331	273,347	-4.9%	5.0%
<i>% growth</i>	-0.3%	7.4%	-15.9%	10.0%	5.0%	5.0%		
Securities	169,772	159,485	173,546	190,901	211,900	235,209	1.1%	11.0%
<i>% growth</i>	11.5%	-6.1%	8.8%	10.0%	11.0%	11.0%		
Interest-bearing liabilities "IBLs"	1,115,838	1,198,181	1,271,945	1,426,811	1,562,182	1,695,222	6.8%	9.0%
<i>% growth</i>	12.6%	7.4%	6.2%	12.2%	9.5%	8.5%		
Customer deposit	928,451	1,032,114	1,135,324	1,282,916	1,411,208	1,538,216	10.6%	9.5%
<i>% growth</i>	15.8%	11.2%	10.0%	13.0%	10.0%	9.0%		
CDs and valuable papers	21,384	21,240	17,388	18,605	19,721	20,707	-9.8%	5.5%
<i>% growth</i>	-0.4%	-0.7%	-18.1%	7.0%	6.0%	5.0%		
Deposit and loan from other banks	73,617	103,584	109,758	115,246	121,008	125,848	22.1%	4.5%
<i>% growth</i>	-3.8%	40.7%	6.0%	5.0%	5.0%	4.0%		
Borrowing from SBV	92,366	41,177	9,468	10,036	10,237	10,442	-68.0%	2.0%
<i>% growth</i>		-55.4%	-77.0%	6.0%	2.0%	2.0%		
Other funds from gov. and other org.	20	67	8	8	8	8	-38.6%	2.0%
<i>% growth</i>	-23.1%	226.5%	-88.4%	2.0%	2.0%	2.0%		

Source: VNDIRECT Research, VCB

Valuation



Income statement

(VNDbn)	12-21E	12-22E	12-23E
Net interest income	42,387	46,407	53,292
Non interest income	14,324	18,440	22,375
Total operating income	56,711	64,847	75,667
Total operating costs	(17,575)	(21,724)	(24,970)
Pre-provision operating profit	39,136	43,123	50,697
Total provision charges	(11,761)	(9,995)	(10,544)
Income from associates & JVs			
Net other income			
Pre-tax profit	27,376	33,128	40,153
Tax expense	(5,447)	(6,592)	(7,990)
Profit after tax	21,928	26,536	32,163
Minority interest	(20)	(24)	(30)
Net profit	21,908	26,512	32,133

Balance sheet

(VNDbn)	12-21E	12-22E	12-23E
Gross loans to customers	960,750	1,100,059	1,243,066
Loans to banks	225,395	247,934	260,331
Total gross loans	1,186,145	1,347,993	1,503,397
Securities - total	173,546	190,901	211,900
Other interest earning assets	22,810	25,091	27,851
Total gross IEAs	1,382,501	1,563,985	1,743,148
Total provisions	(26,151)	(31,015)	(33,379)
Net loans to customers	934,774	1,069,240	1,209,905
Total net IEAs	1,356,350	1,532,970	1,709,769
Cash and deposits	18,012	18,788	19,597
Total investments	2,346	2,447	2,553
Other assets	38,058	39,697	41,407
Total non-IEAs	58,416	60,932	63,556
Total assets	1,414,765	1,593,902	1,773,325
Customer deposits	1,135,324	1,282,916	1,411,208
Cds outstanding	17,388	18,605	19,721
Customer interest-bearing liabilities	1,152,712	1,301,521	1,430,929
Bank deposits	119,226	125,282	131,245
Broad deposits	1,271,938	1,426,803	1,562,174
Other interest-bearing liabilities	8	8	8
Total IBLs	1,271,945	1,426,811	1,562,182
Deferred tax liability			
Other non-interest bearing liabilities	31,650	19,777	41,085
Total non-IBLs	31,650	19,777	41,085
Total liabilities	1,303,595	1,446,587	1,603,267
Share capital	37,089	47,325	47,325
Additional paid-in capital	4,995	4,995	4,995
Treasury shares			
Retained earnings reserve	53,683	75,722	93,805
Other reserves	15,317	19,161	23,820
Shareholders' equity	111,084	147,203	169,946
Minority interest	87	111	111
Total equity	111,171	147,314	170,058
Total liabilities & equity	1,414,765	1,593,902	1,773,325

	12-21E	12-22E	12-23E
Growth rate (yoy)			
Cust deposit growth	10.0%	13.0%	10.0%
Gross cust loan growth	14.4%	14.5%	13.0%
Net interest income growth	16.8%	9.5%	14.8%
Pre provision operating profit growth	18.5%	10.2%	17.6%
Net profit growth	18.7%	21.0%	21.2%
Growth in IEAs	5.9%	13.0%	11.5%
Share value			
Basic EPS (VND)	5,907	6,281	6,790
BVPS (VND)	29,951	31,105	35,910
DPS (VND)	0	0	0
EPS growth	18.7%	6.3%	8.1%

Key ratios

	12-21E	12-22E	12-23E
Net interest margin	3.2%	3.2%	3.2%
Cost-income ratio	(31.0%)	(33.5%)	(33.0%)
Reported NPLs / gross cust loans	0.6%	0.6%	0.7%
Reported NPLs / net cust loans	0.7%	0.6%	0.7%
GP charge / average cust loans	1.3%	1.0%	0.9%
Total CAR	0.0%	0.0%	0.0%
Loan deposit ratio	83.3%	84.5%	86.9%
Margins and spreads			
Return on IEAs	5.3%	5.4%	5.5%
Cost of funds	2.3%	2.5%	2.5%
Interest return on average assets	3.1%	3.1%	3.2%
ROAE	21.4%	20.5%	20.3%

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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