

**VIB COMMERCIAL JSB - VIB**

**Add**

**Asset quality to bear in mind**

Target price (12M)  
VND27,000

FINANCIALS | Update

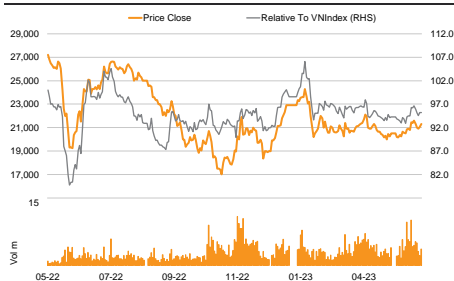
Consensus\*: Add:8 Hold:1 Reduce:0

Target price / Consensus: -6.2%

**Key changes in the report**

Previous rating	Add
Previous TP	VND27,000
Current price	VND21,100
52w high (VND)	27,200
52w low (VND)	17,000
3m Avg daily value (VNDmn)	81,949
Market cap (VNDbn)	44,367
Free float	20%
Dividend yield	12.2%
TTM P/E (x)	5.2
Current P/B (x)	1.4

**Price performance**



Source: VNDIRECT RESEARCH

**Ownership**

Chairman & related parties	14.9%
Commonwealth Bank of Australia	20.0%
BOD members and related parties	12.9%
Others	52.2%

Source: VNDIRECT RESEARCH

**Analyst(s):**



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- VIB's 1Q23 net profit grew 18.2% yoy to VND2,155bn (filling 23% of our FY23F forecast).
- VIB's NP growth is expected to slow down to 13%/18% yoy in FY23-24F (CAGR 2020-22 of 35%).
- Reiterate ADD with unchanged TP of VND27,000.

**Provisioning expenses put a lid on 1Q23 NP growth**

VIB posted a steady 1Q23 net interest income growth of 22.4% yoy thanks to c.30bps NIM expansion and 9.6% yoy of earning assets. VIB has successfully maintained its robust NIM until 1Q23 thanks to a huge individual lending exposure in loan mix and ample liquidity (discussed below). CIR is still controllable with 33.4% in 1Q23 (vs. 34.7% in 1Q22), leading to a 26% yoy growth in PPOP. However, provisioning expenses spiked 68.2% yoy (provision/PPOP was 20% - higher than the average levels in previous quarters – figure 5), denting the bank's 1Q23 NP growth to 18.2% yoy (VND2,155bn - filling 23% our FY23F forecast).

**One of a few banks having capabilities to mitigate NIM contraction risk**

We see the increase in corporate lending and individual deposits as the key trends among the sector now, putting downward pressure on NIM in overall (see our note [here](#)). However, banks with (1) high retail lending exposure and especially (2) ample liquidity can mitigate NIM contraction in this tough time; and VIB is a prominent name for this. We believe VIB is still able to manage the rising COF given benign liquidity position with a (1) relatively low LDR of 71% and (2) diversified funding mix with a decent amount of borrowing from interbank besides its exposure to customer deposits (figure 6). We estimate VIB's NIM will just shrink c.6bps to 4.7% during FY23-24F.

**However asset quality needs to bear in mind**

The high interest rate environment has dampened consumer spending and the ability to fulfill obligations, thus diminishing loan demand. Otherwise, banks will be more conservative to lend this group to minimize bad debt in this circumstance. As a prominent retail banking name focusing on mortgage and car loans (c.50% and 40% loan mix, respectively), VIB's loan book has been narrowed down 1.2% ytd (+7% yoy - figure 6). Asset quality also deteriorated because of that: NPL ratio spiked to 2.6% (vs. 1.8% at end-FY22) and LLR decreased to 38% (vs. 54% at end-FY22) at end-1Q23. We expect things will get better from 2H23, given (1) the effects of supportive measures (see our note [here](#)) and (2) the SBV had three-time reductions in its policy rates, marking a reversal in the monetary policy to support economic recovery.

**Reiterate ADD with unchanged TP of VND27,000**

We expect VIB's NP growth to slow down to 13%/18% yoy in FY23-24F (2020-22 CAGR of 35%), as its pressure from building up provisions persist though robust NIM could be maintained. Currently, VIB's valuation is only 1.17x P/B FY23F (peers' average of 1.2x); this level is below its -1SD range of 3-year P/B average, implying an attractive entry point. Our TP is based on the combination of FY23F P/B of 1.5x and residual income valuation approach (COE: 16.7%, LTG: 3%), weighting equally. Downside risks include (1) slower-than-expected interest rates cool down, (2) higher-than-expected bad debt spike, and (3) slower-than-expected of policies' effects.

Financial summary (VND)	12-21A	12-22A	12-23E	12-24E
Net interest income (bn)	11,816	14,963	16,702	19,480
Net interest margin	4.4%	4.7%	4.7%	4.7%
Total operating income (bn)	14,891	18,058	20,267	23,565
Total provision charges (bn)	(1,598)	(1,280)	(1,853)	(1,954)
Net profit (bn)	6,410	8,469	9,544	11,258
Net profit growth	38.1%	32.1%	12.7%	18.0%
Adjusted EPS	4,088	4,583	4,079	4,412
BVPS	15,640	15,491	15,472	19,925
ROAE	30.3%	29.7%	26.6%	25.2%

Source: VNDIRECT RESEARCH

## Asset quality to bear in mind

### Reiterate Add with unchanged TP of VND27,000

Combining with a 50% of P/B approach (1.5x P/B FY23F) and 50% residual income approach (COE: 16.7%, LTG: 3%), we derive a TP of VND27,000 for VIB.

Currently, VIB's valuation is only 1.17x P/B FY23F (peers' average of 1.2x); this level is below its -1SD range of 3-year P/B average, implying an attractive entry point. Downside risks include (1) slower-than-expected rates cool down, (2) higher-than-expected bad debt spike, and (3) slower-than-expected of policies' effects.

Figure 1: Residual income valuation, based on our estimates

Key assumptions	2023E	2024E	2025E	2026E	2027E	Terminal
Risk free rate	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Equity risk premium	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%
Beta	1.2	1.2	1.2	1.2	1.2	1.2
Cost of equity	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%
Long-term growth rate <i>(in VND bn, otherwise noted)</i>						3.0%
Opening shareholder's equity	32,651					
PV of RI (5 years)	15,689					
PV of Terminal value	10,659					
Implied Equity value	58,999					
No. of outstanding shares (m shares)	2,108					
Implied value per share (VND/share)	<b>27,991</b>					

Source: VNDIRECT RESEARCH

Figure 2: Target price calculation, based on our estimates

Approach	Weighting	Fair value (VND/share)	Contribution (VND/share)
Residual income	50%	27,991	13,996
P/B multiple (at 1.5x FY23F BV)	50%	25,986	12,993
Target price (VND/share)			26,989
<b>Target price (VND/share, rounded)</b>			<b>27,000</b>

Source: VNDIRECT RESEARCH

Figure 3: Vietnam bank comparison (price as of 31/05/2023)

Banks	Bloomberg Code	Price	Target	Recomm endation	Market cap	P/B (x)		P/E (x)		3-yr fw CAGR EPS		ROE %		ROA %	
		Latest	Price			Current	FY23F	T12M	FY23F	%	Current	FY23F	Current	FY23F	
Vietcombank	VCB VN	93,900	108,700	ADD	18.9	3.1	2.6	14.4	13.2	11.4%	23.6%	19.3%	1.9%	1.6%	
Vietnam Prosperity JSB	VPB VN	19,400	24,800	ADD	5.5	1.3	1.2	10.8	7.6	13.3%	12.9%	16.3%	1.9%	2.5%	
Techcombank	TCB VN	30,000	42,000	ADD	4.5	0.9	0.8	5.5	4.8	12.3%	17.8%	17.9%	2.9%	3.0%	
Vietinbank	CTG VN	27,900	35,900	ADD	5.7	1.2	1.1	7.9	9.6	13.3%	16.1%	16.8%	1.0%	1.1%	
Military Commercial JSB	MBB VN	18,700	29,300	ADD	3.6	1.0	0.9	4.7	4.5	16.5%	24.8%	23.1%	2.5%	2.6%	
Asia Commercial JS Bank	ACB VN	25,100	30,000	ADD	3.6	1.4	1.2	5.8	5.8	15.4%	26.3%	22.5%	2.6%	2.4%	
Vietnam International Commercial JSB	VIB VN	21,550	27,000	ADD	1.9	1.4	1.2	5.2	4.6	15.5%	29.7%	26.6%	2.5%	2.5%	
HDBank	HDB VN	18,450	25,000	ADD	2.0	1.2	1.1	5.9	7.6	17.9%	22.6%	23.2%	1.9%	2.2%	
Tien Phong Commercial JSB	TPB VN	24,350	31,000	ADD	1.6	1.1	1.0	6.0	5.2	16.0%	20.9%	20.2%	2.0%	2.1%	
LienViet Post Bank	LPB VN	14,600	17,400	ADD	1.1	1.0	0.9	5.3	5.8	6.8%	19.9%	17.5%	1.4%	1.3%	
<i>Average</i>						1.4	1.2	7.2	6.9	13.8%	21.5%	20.3%	2.1%	2.1%	
<i>Median</i>						1.2	1.1	5.9	5.8	13.8%	21.5%	20.2%	2.0%	2.2%	

Source: VNDIRECT RESEARCH

1Q23 recap: in line with expectations

Figure 4: Results comparison (VND bn unless otherwise noted)

FYE (VNDbn)	1Q23	1Q22	% yoy	FY23F forecast	2022	% yoy	% of VND forecasts	Comments
Net interest income (NII)	4,304	3,516	22.4%	16,702	14,963	11.6%	25.8%	In line with our forecast
Non-interest income (Non-II)	626	620	0.9%	3,564	3,095	15.2%	17.5%	Lower than our forecast due to a loss in investment incomes
Operating income (TOI)	4,930	4,136	19.2%	20,267	18,058	12.2%	24.3%	
Operating expenses	(1,568)	(1,460)	7.4%	(6,485)	(6,197)	4.7%	24.2%	
Pre-provision profit	3,362	2,676	25.6%	13,781	11,861	16.2%	24.4%	
Provision expenses	(668)	(397)	68.2%	(1,853)	(1,280)	44.8%	36.1%	Higher than our forecast
Pretax profit	2,694	2,279	18.2%	11,928	10,581	12.7%	22.6%	
Net profit	2,155	1,823	18.2%	9,544	8,469	12.7%	22.6%	In line with our forecast

Source: VIB, VNDIRECT RESEARCH

Figure 5: HDB's key ratios by quarters

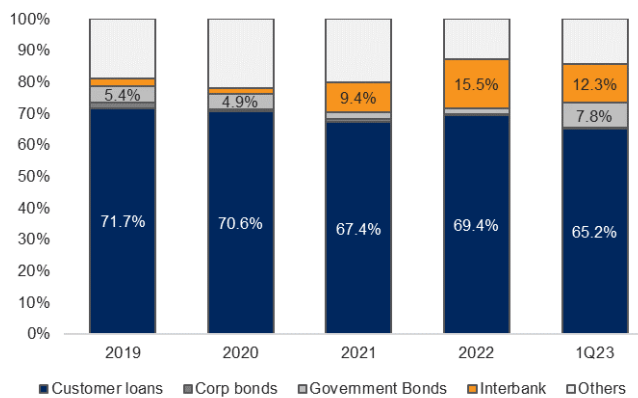
Key ratios	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23
NII/TOI	79.6%	74.5%	73.7%	76.0%	79.3%	77.7%	87.0%	75.5%	85.0%	80.3%	82.9%	83.5%	87.3%
Non-II/TOI	20.4%	25.5%	26.3%	24.0%	20.7%	22.3%	13.0%	24.5%	15.0%	19.7%	17.1%	16.5%	12.7%
NIM (annualised)	3.9%	3.9%	4.1%	4.0%	4.5%	4.5%	4.4%	4.4%	4.5%	4.6%	4.7%	4.7%	5.0%
CIR	45.5%	39.5%	37.1%	38.7%	38.9%	35.4%	46.4%	25.5%	35.3%	32.6%	36.1%	33.4%	31.8%
NPL	2.2%	2.4%	2.1%	1.7%	1.7%	1.7%	2.1%	2.3%	2.4%	2.4%	2.3%	2.5%	3.6%
LLR	47.3%	49.8%	48.3%	59.1%	62.0%	63.8%	54.1%	51.4%	51.8%	54.1%	54.0%	53.9%	38.0%
Credit cost (annualised)	0.5%	0.6%	0.6%	0.6%	0.8%	0.7%	0.7%	0.9%	0.8%	0.7%	0.6%	0.6%	1.2%
Provision/PPOP	12.7%	17.2%	12.5%	14.0%	15.6%	12.8%	16.2%	20.4%	14.8%	11.7%	5.6%	11.3%	19.9%
ROA	2.0%	2.0%	2.1%	2.2%	2.4%	2.5%	2.2%	2.3%	2.3%	2.3%	2.6%	2.5%	2.6%
ROE	27.6%	27.6%	28.9%	30.0%	31.4%	32.8%	29.3%	30.6%	30.1%	29.8%	32.0%	29.9%	29.3%

Source: VIB, VNDIRECT RESEARCH

Figure 6: VIB's key balance sheet KPIs analysis

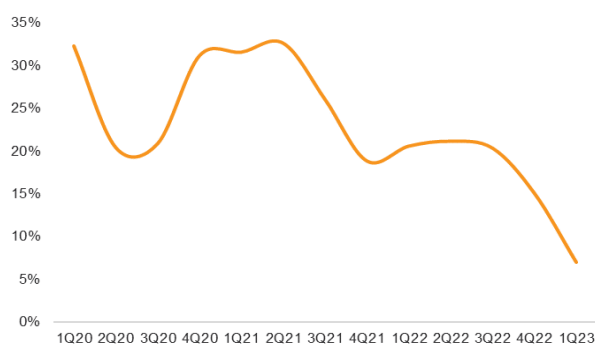
Earning asset (IEA) mix

- VIB's earnings asset increased 9.6% ytd at end-1Q23 (+20% yoy). Loans to customers decreased by 1.2% ytd to make up 65% IEA mix. The bank has diversified its earning sources, not focusing heavily on customer loans but also reaching to interbank and government bonds.
- Government bonds (GB) balances was 5 times higher than the end of FY22 as a potential investment channel given weak credit demand and abundant liquidity situation in the bank. Its contribution has jumped to 7.8% from 1.8% at end-FY22.
- Corporate bonds balance reduced 20.5% ytd. However, VIB has a low exposure to corporate bonds (CB) with only 0.4% in total IEA.



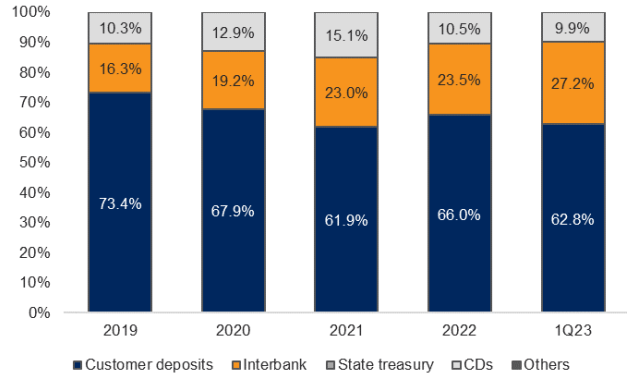
Loan mix vs. growth

- The high interest rate environment has dampened consumer spending and the ability to fulfill obligations, thus diminishing loan demand. Otherwise, banks will be more conservative to lend this group to minimize bad debt in this circumstance.
- As a prominent retail banking name (c.90% loan mix) focusing on mortgage and car loans (c.50% and 40% loan mix, respectively), VIB's loan book has been narrowed down 1.2% ytd (+7% yoy – chart on the right hand side).



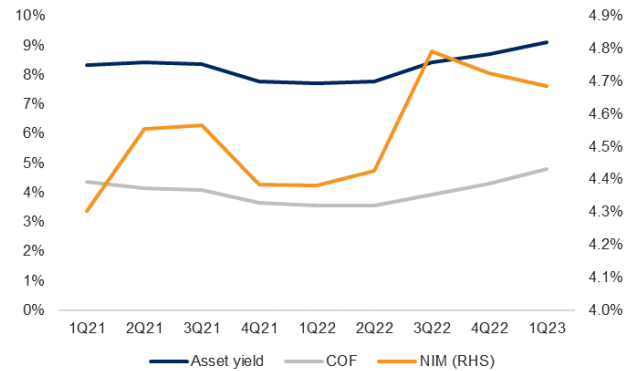
**Funding mix, deposit and CASA**

- VIB's deposit growth was -0.4% ytd (vs. 4.6% yoy growth of total funding). Instead of relying on customer deposit channels, VIB is trying to diversify its funding mix i.e. increasing interbank source.
- LDR has stayed at benign level of 71% at end-1Q23 (76% at end-FY22; regulatory threshold of 85%). VIB has been successful to maintain LDR ratio among 70-75% during the recent previous 5 years, indicating a well-manageable liquidity management.
- VIB's ST funding/MTLT loans ratio stayed at 28% at end-1Q23 (30% at end-FY22), relatively higher than peers as its high exposure to mortgage (LT loans). However, it is still under the maximum requirement level of 34%.
- CASA reduced to 12.4% (from 13.7% at end-2022), as individuals keep withdrawing their idle money to meet their financial situations and/or switch to term deposits in the context of a high interest rate environment.



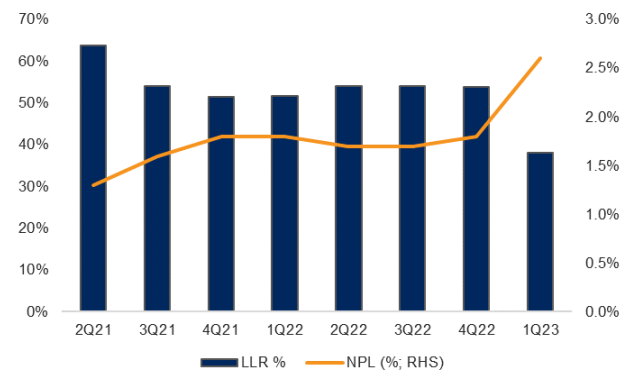
**NIM performance**

- VIB's annualized NIM flat in 1Q23. It is one of a few banks having capabilities to maintain NIM during this tough times.
- As mention before, we see the increase in corporate lending and individual deposit as the key trends among the sector. Thus banks with (1) high retail lending exposure and especially (2) ample liquidity will be able to maintain its robust NIM in this time; and VIB is a prominent name for this categories, as proven above.
- VIB is still able to manage the rising COF given benign liquidity position with a (1) relatively low LDR and (2) diversified funding mix with a decent amount of borrowing from interbank besides its exposure to customer deposits.



**Asset quality**

- VIB's bad debt rose strongly 46.7% ytd, in which group-3 surged 142% ytd compared to the level at end-FY22.
- The NPL ratio was 2.6% (vs. 1.8% at end-FY22). LLR went down to only 38% (vs. 54% at end-FY22). The bank's asset quality has deteriorated due to rising macro headwinds we have mentioned.
- However, we expect things to get better since 2H23 as (1) SBV marked a reversal in the monetary policy with three-time reductions in its policy rates; and (2) effects of supportive measures.



Source: VIB, VNDIRECT RESEARCH

**We take prudent FY23-24F earnings forecast for VIB**

Due to the aforementioned sectoral headwinds, VIB will see a slower earnings growth of 13/18% yoy during FY23-24F (CAGR FY20-22 of 35%), given...

- Credit growth will slow down to 13/18% in FY23-24F.
- NIM will nearly unchange with c.4.7% in FY23-24F.
- VIB will have to ramp up provisions to defend with possible bad debt spike, leading to a 45% yoy growth in provisioning expenses.

**Figure 6: Profit & loss statement key KPIs**

(In VND bn, otherwise noted)	2019	2020	2021	2022	2023F	2024F	CAGR 2020-22	CAGR 2022-24F
NII	6,213	8,496	11,816	14,963	16,702	19,480	32.7%	14.1%
% yoy	28.8%	36.7%	39.1%	26.6%	11.6%	16.6%		
Non-II	1,939	2,719	3,075	3,095	3,564	4,085	6.7%	14.9%
% yoy	53.8%	40.3%	13.1%	0.7%	15.2%	14.6%		
TOI	8,152	11,216	14,891	18,058	20,267	23,565	26.9%	14.2%
% yoy	34.0%	37.6%	32.8%	21.3%	12.2%	16.3%		
G&A expenses	3,437	4,465	5,282	6,197	6,485	7,541	17.8%	10.3%
% yoy	27.8%	29.9%	18.3%	17.3%	4.7%	16.3%		
Operating profit before provision	4,715	6,751	9,609	11,861	13,781	16,024	32.6%	16.2%
% yoy	38.8%	43.2%	42.3%	23.4%	16.2%	16.3%		
Provisions for bad debts	633	948	1,598	1,280	1,853	1,954	16.2%	23.6%
% yoy	-3.2%	49.8%	68.6%	-19.9%	44.8%	5.4%		
PBT	4,082	5,803	8,011	10,581	11,928	14,070	35.0%	15.3%
% yoy	48.8%	42.2%	38.0%	32.1%	12.7%	18.0%		
NP	3,266	4,642	6,410	8,469	9,544	11,258	35.1%	15.3%
% yoy	48.9%	42.1%	38.1%	32.1%	12.7%	18.0%		

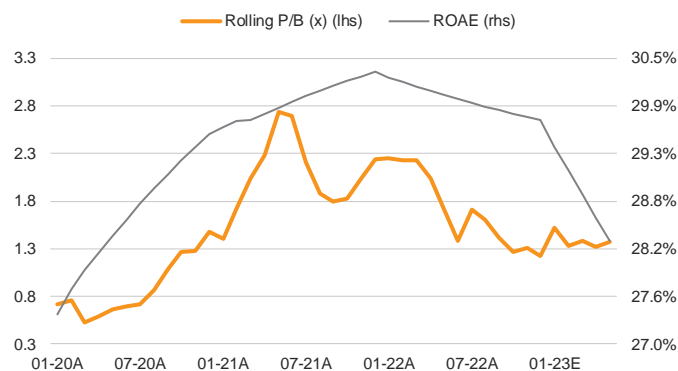
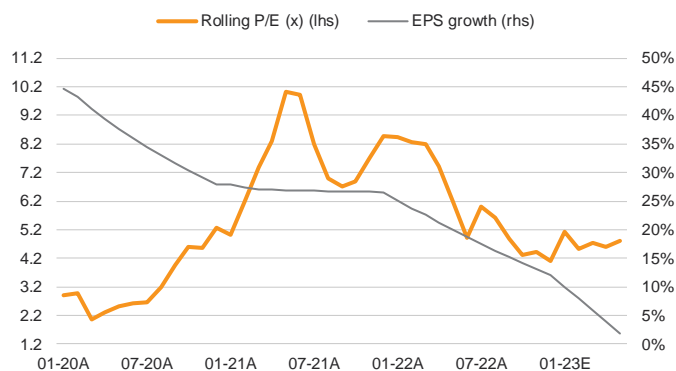
Source: VNDIRECT RESEARCH

**Figure 7: Balance sheet key KPIs**

(In VND bn, otherwise noted)	2019	2020	2021	2022	2023F	2024F	CAGR 2020-22	CAGR 2022-24F
Interest-earning assets (excl. provisions)	180,177	239,970	299,149	334,220	381,802	449,491	18.0%	16.0%
% yoy	32.7%	33.2%	24.7%	11.7%	14.2%	17.7%		
Gross loans to customers	129,200	169,520	201,517	231,944	262,097	309,274	17.0%	15.5%
% yoy	34.4%	31.2%	18.9%	15.1%	13.0%	18.0%		
Interbank	4,012	4,369	27,985	51,900	62,280	74,736	244.7%	20.0%
% yoy	-52.3%	8.9%	540.5%	85.5%	20.0%	20.0%		
Securities	27,925	41,466	44,757	40,293	46,332	53,278	-1.4%	15.0%
% yoy	-2.8%	48.5%	7.9%	-10.0%	15.0%	15.0%		
Interest-bearing liabilities	166,750	221,406	280,392	303,073	337,763	390,668	17.0%	13.5%
% yoy	33.1%	32.8%	26.6%	8.1%	11.4%	15.7%		
Customer deposit	122,357	150,349	173,565	200,124	224,139	260,001	15.4%	14.0%
% yoy	44.2%	22.9%	15.4%	15.3%	12.0%	16.0%		
CDs and valuable papers	17,155	28,559	42,298	31,775	31,775	36,541	5.5%	7.2%
% yoy	69.0%	66.5%	48.1%	-24.9%	0.0%	15.0%		
Interbank	27,225	42,488	64,456	71,166	81,841	94,118	29.4%	15.0%
% yoy	-7.4%	56.1%	51.7%	10.4%	15.0%	15.0%		

Source: VNDIRECT RESEARCH

## Valuation



### Income statement

(VNDbn)	12-22A	12-23E	12-24E
<b>Net interest income</b>	<b>14,963</b>	<b>16,702</b>	<b>19,480</b>
<b>Non interest income</b>	<b>3,095</b>	<b>3,564</b>	<b>4,085</b>
<b>Total operating income</b>	<b>18,058</b>	<b>20,267</b>	<b>23,565</b>
Total operating costs	(6,197)	(6,485)	(7,541)
<b>Pre-provision operating profit</b>	<b>11,861</b>	<b>13,781</b>	<b>16,024</b>
<b>Total provision charges</b>	<b>(1,280)</b>	<b>(1,853)</b>	<b>(1,954)</b>
Income from associates & JVs			
Net other income			
<b>Pre-tax profit</b>	<b>10,581</b>	<b>11,928</b>	<b>14,070</b>
Tax expense	(2,112)	(2,384)	(2,812)
<b>Profit after tax</b>	<b>8,469</b>	<b>9,544</b>	<b>11,258</b>
Minority interest	0	0	0
<b>Net profit</b>	<b>8,469</b>	<b>9,544</b>	<b>11,258</b>

### Balance sheet

(VNDbn)	12-22A	12-23E	12-24E
Gross loans to customers	231,944	262,097	309,274
Loans to banks			
<b>Total gross loans</b>	<b>231,944</b>	<b>262,097</b>	<b>309,274</b>
Securities - total	40,293	46,332	53,278
Other interest earning assets	61,983	73,373	86,939
<b>Total gross IEAs</b>	<b>334,220</b>	<b>381,802</b>	<b>449,491</b>
<b>Total provisions</b>	<b>(3,079)</b>	<b>(4,335)</b>	<b>(5,180)</b>
<b>Net loans to customers</b>	<b>228,879</b>	<b>257,994</b>	<b>304,360</b>
<b>Total net IEAs</b>	<b>331,141</b>	<b>377,467</b>	<b>444,311</b>
Cash and deposits	1,618	1,683	1,750
Total investments	72	75	78
Other assets	9,968	10,366	10,781
<b>Total non-IEAs</b>	<b>11,658</b>	<b>12,124</b>	<b>12,609</b>
<b>Total assets</b>	<b>342,799</b>	<b>389,591</b>	<b>456,920</b>
Customer deposits	200,124	224,139	260,001
Cds outstanding	31,775	31,775	36,541
Customer interest-bearing liabilities	231,899	255,914	296,542
Bank deposits	0	0	0
Broad deposits	231,899	255,914	296,542
Other interest-bearing liabilities	71,175	81,849	94,126
<b>Total IBLs</b>	<b>303,073</b>	<b>337,763</b>	<b>390,668</b>
Deferred tax liability			
Other non-interest bearing liabilities	7,075	12,718	15,884
<b>Total non-IBLs</b>	<b>7,075</b>	<b>12,718</b>	<b>15,884</b>
<b>Total liabilities</b>	<b>310,148</b>	<b>350,481</b>	<b>406,551</b>
Share capital	21,077	25,278	25,278
Additional paid-in capital	0	0	0
Treasury shares			
Retained earnings reserve	9,055	11,312	22,570
Other reserves	2,519	2,520	2,520
<b>Shareholders' equity</b>	<b>32,651</b>	<b>39,110</b>	<b>50,368</b>
Minority interest	0	0	0
<b>Total equity</b>	<b>32,651</b>	<b>39,110</b>	<b>50,368</b>
<b>Total liabilities &amp; equity</b>	<b>342,799</b>	<b>389,591</b>	<b>456,920</b>

	12-22A	12-23E	12-24E
<b>Growth rate (yoy)</b>			
Cust deposit growth	15.3%	12.0%	16.0%
Gross cust loan growth	15.1%	13.0%	18.0%
Net interest income growth	26.6%	11.6%	16.6%
Pre provision operating profit growth	23.4%	16.2%	16.3%
Net profit growth	32.1%	12.7%	18.0%
Growth in IEAs	11.6%	14.0%	17.7%
<b>Share value</b>			
Basic EPS (VND)	4,627	4,118	4,454
BVPS (VND)	15,491	15,472	19,925
DPS (VND)	2,579	1,251	0
EPS growth	12.1%	(11.0%)	8.2%

### Key ratios

	12-22A	12-23E	12-24E
Net interest margin	4.7%	4.7%	4.7%
Cost-income ratio	(34.3%)	(32.0%)	(32.0%)
Reported NPLs / gross cust loans	2.5%	2.7%	2.6%
Reported NPLs / net cust loans	2.5%	2.7%	2.6%
GP charge / average cust loans	0.6%	0.8%	0.7%
Total CAR	13.4%	13.7%	14.5%
Loan deposit ratio	100.0%	102.4%	104.3%
<b>Margins and spreads</b>			
Return on IEAs	8.7%	9.7%	9.4%
Cost of funds	4.3%	5.7%	5.3%
Interest return on average assets	4.6%	4.6%	4.6%
ROAE	29.7%	26.6%	25.2%

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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