

VPBANK (VPB) – UPDATE

Market Price	Target Price	Dividend Yield	Rating	Sector
VND17,450	VND25,700	0.00%	Add	FINANCIALS

23 February 2023

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

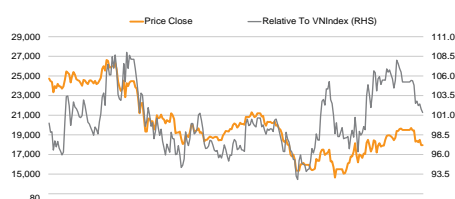
Consensus*: Add:10 Hold:1 Reduce:0

Target price / Consensus: -8.4%

Key changes in the report

- Lower FY23-24F net profit by 16/15%
- Lower target price by 2%

Price performance



Source: VNDIRECT RESEARCH

Key statistics

52w high (VND)	26,634
52w low (VND)	14,650
3m Avg daily value (VNDmn)	359,401
Market cap (VND bn)	119,495
Free float (%)	73
TTM P/E (x)	6.6
Current P/B (x)	1.2

Ownership

Mr. Ngo Chi Dzung	4.9%
Mr. Bui Hai Quan	2.3%
Mr. Nguyen Duc Vinh	1.5%
Others	91.3%

Source: VNDIRECT RESEARCH

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Strong lending activity at parent bank to drive profit growth

- 4Q22 net profit declined by 6.7% yoy to VND2,266bn, primarily due to higher operating expenses and heavy provision of FECredit (FEC).
- For FY23-24F, we expect VPB will deliver healthy earnings growth of 25%/24% yoy (ex. upfront fee from FY22 base), with the key drivers being strong growth in credit and net fee income (NFI) at the parent bank.
- Reiterate ADD with slightly lower TP of VND25,700.

4Q22 recap: negative earnings growth due to higher provision/opex

4Q22 NII increased by 20.6% yoy, driven by 26.0% yoy credit growth and relatively flat NIM yoy. Non-interest income (non-II) declined slightly by 2.5% yoy, driven by strong NFI growth at 57.3% yoy offset by a 94.2% yoy decline in trading income. On the expenses side, provision and operating expenses rose sharply yoy in 4Q22 by 36.3% and 42.4%, respectively, causing 4Q22 NP to decline by 6.7% yoy. For FY22, earnings grew 53.9% yoy, respectively, or 16.7% when excluding the upfront fee from banca deal with AIA.

Parent bank: strong across most facets

VPB's parent bank delivered 30.9% credit growth yoy in FY22, the highest in the system, driven by robust loan growth of 29.2% yoy, with particular strength in the retail and SME segment (+36.8% yoy). Deposit growth was also impressive at 28.5% yoy, much higher than peers as VPB continued to attract new customers with its VPBank NEO app. 4Q22 LDR edged up slightly to 76.8% (+30bps qoq and +110bps yoy). NIM expanded by ~20bps yoy to 5.5%. Asset quality deteriorated as NPL ratio rose by 80bps yoy to 2.8% but only 15bps qoq.

FECredit: Slower-than-expected recovery drove NPL to swell

Per management, FECredit's recovery was much slower than expected as unfavorable economic conditions continued to negatively affect low-income individuals, which are the core customers of FEC. As such, NPL spiked sharply in 4Q22 to 20.4% (+6.8pts yoy and +5.4pts qoq) and provision increased meaningfully yoy by 82% in 4Q22 and 23% for FY22. For FY22, FEC recorded a pre-tax loss of VND3tr. Given the current challenging macro picture, we expect FY23 will be another tough year for FEC, and thus, we forecast the segment will incur pre-tax loss of ~VND700bn this year before turning profitable in FY24F.

Headwinds priced in; reiterate ADD

We trim our FY23-24F net profit estimates by 16%/15% to VND17.2tr/VND21.2tr as we forecast lower NIM due to higher deposit rates/COF and assume more conservative provision given deteriorating asset quality. Our revised forecasts still imply healthy earnings growth of 25%/22% yoy (ex. upfront fee from FY22 base). Importantly, we believe these headwinds have been priced as VPB is now trading at only 1.0x FY23F P/B, well below its 3-year average of 1.7x. At this valuation, we continue to find VPB attractive considering its strong growth profile backed by leading CAR and upside catalysts including private placement and potential cash dividend. Reiterate ADD with slightly lower TP of VND 25,700.

Financial summary (VND)	12-21A	12-22A	12-23E	12-24E
Net interest income (bn)	34,349	41,021	47,205	54,814
Net interest margin	7.6%	7.5%	7.4%	7.3%
Total operating income (bn)	44,302	57,797	59,542	69,347
Total provision charges (bn)	(19,002)	(22,461)	(22,972)	(24,361)
Net profit (bn)	11,808	18,175	17,160	21,194
Net profit growth	13.4%	53.9%	(5.6%)	23.5%
Adjusted EPS	2,621	2,731	2,579	3,185
BVPS	17,413	14,552	17,131	20,315
ROAE	18.0%	20.7%	16.3%	17.0%

Source: VNDIRECT RESEARCH

STRONG LENDING ACTIVITY AT PARENT BANK TO DRIVE PROFIT GROWTH

Reiterate ADD with slightly lower 1-year target price of VND25,700

We continue to like VPB as one of our top pick for “growth-seeking” investors who are willing to look through the near-term macro uncertainties and want to embrace the long-term growth potential of Vietnam’s banking sector. Our preference for VPB is underpinned by: (1) top-tier CAR ratio of ~15% allowing for above-average credit growth (2) multiple opportunities to grow outside of the traditional lending business via its subsidiaries in the consumer finance (FECredit), brokerage (VPBank Securities), and non-life insurance (OPES) industries, and (3) attractive valuation with FY23F P/B of 1.0x, well below 3-year average of 1.7x, against 20%+ core earnings growth over the next 2 years.

We reiterate our ADD rating with a slightly lower 1-year target price VND25,700. Upside catalysts include (1) private placement to foreign strategic shareholder(s) and (2) potential cash dividend. Downside risks include (1) lower-than-expected NIM and (ii) higher-than-expected spike in bad debt considering the company’s high risk appetite.

Figure 1: Our target price valuation

Valuation	
FY23F Total equity (VNDbn)	114,005
FY23F Number of shares outstanding (M)	6,655
FY23F Book value per share	17,131
Target P/B (1.5x)	1.5
Target price (VND/share)	25,696
Target price (VND/share, rounded)	25,700

Source: VNDIRECT Research

Figure 2: Vietnam peer’s comparison (price as of 22/02/2023)

Banks	Bloomberg Ticker	Recommendation	Closing Price (local curr.)	Target Price (local curr.)	Market cap (US\$bn)	P/BV (x)		P/E (x)		FY21-24F				
						FY23F	FY24F	FY23F	FY24F	EPS CAGR %	ROE (%)	ROA (%)		
										FY23F	FY24F	FY23F	FY24F	
Vietcombank	VCB VN	ADD	93,000	84,600	18.7	2.7	2.3	15.4	13.5	14.3%	20.5%	19.3%	1.6%	1.6%
VietinBank	CTG VN	ADD	28,900	36,200	6.0	1.1	1.0	7.6	6.4	15.2%	16.4%	15.5%	1.0%	1.0%
Vietnam Prosperity JSC Bank	VPB VN	ADD	17,450	25,700	5.0	1.0	0.9	6.8	5.5	21.5%	16.3%	17.0%	2.8%	3.0%
Techcombank	TCB VN	ADD	27,500	44,000	4.2	0.7	0.6	3.9	3.4	16.4%	19.9%	18.7%	3.5%	3.5%
Asia Commercial JS Bank	ACB VN	ADD	24,850	30,000	3.6	1.1	0.9	5.7	5.2	19.3%	22.5%	20.1%	2.4%	2.3%
Military Commercial JSB	MBB VN	ADD	18,250	30,600	3.5	0.9	0.7	4.1	3.5	23.2%	23.1%	21.8%	2.6%	2.7%
HD Bank	HDB VN	ADD	18,500	25,000	2.0	1.0	0.8	5.1	4.3	21.7%	23.2%	22.4%	2.2%	2.2%
Vietnam International Bank	VIB VN	ADD	21,000	27,000	1.9	1.2	0.9	4.6	3.9	20.8%	29.3%	26.2%	2.6%	2.7%
Tien Phong Commercial JSB	TPB VN	ADD	23,550	31,000	1.6	1.0	0.8	5.4	4.6	19.0%	19.4%	18.9%	2.0%	2.2%
LienViet Post Bank	LPB VN	ADD	14,100	15,700	1.1	0.9	0.7	5.4	4.8	21.4%	17.5%	16.7%	1.3%	1.3%
<i>Average</i>						1.2	1.0	6.4	5.5	19.3%	20.8%	19.7%	2.2%	2.3%

Source: VNDIRECT Research, BLOOMBERG

4Q22 / FY22 recap: weaker than our expectation
Figure 3: 4Q22 and FY22 results comparison (VNDbn)

Profit & Loss statement	4Q22	4Q21	% yoy	3Q22	% qoq	FY22	FY21	% yoy	VND FY22F		Comments
									forecasts	% of VND forecasts	
Net interest income	10,283	8,523	-17%	10,385	-1%	41,021	34,349	19%	41,928	98%	
Non-interest income	2,485	2,548	3%	3,088	-20%	16,776	9,953	69%	18,067	93%	Weaker-than-expected trading income partially offset by higher-than-expected fee income
Operating revenue	12,768	11,071	-13%	13,473	-5%	57,797	44,302	30%	59,995	96%	
Operation expenses	(4,065)	(2,855)	-30%	(3,536)	15%	(14,116)	(10,719)	32%	(14,399)	98%	
Pre-provision profit	8,703	8,216	-6%	9,937	-12%	43,681	33,583	30%	45,596	96%	
Provision expenses	(7,320)	(5,371)	-27%	(5,423)	35%	(22,461)	(19,002)	18%	(19,557)	115%	Significantly higher-than-expected provision at FEC partially offset by better results at parent bank
Pre-tax profit	1,383	2,845	106%	4,514	-69%	21,220	14,581	46%	26,039	81%	
Net profit ex. MI	2,266	2,429	7%	3,730	-39%	18,175	11,808	54%	20,831	87%	

Source: VNDIRECT Research, Company reports

Figure 4: VPB's key ratios by quarter

Key ratios	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22
NII/Total operating income (TOI)	81%	86%	83%	82%	83%	77%	74%	77%	54%	79%	77%	81%
Non-II/TOI	19%	14%	17%	18%	17%	23%	26%	23%	46%	21%	23%	19%
NIM (annualised)	8.9%	8.3%	8.3%	8.9%	9.1%	8.9%	6.9%	7.1%	7.6%	7.6%	7.4%	7.2%
Non-performing loans (NPL) ratio	3.0%	3.2%	3.6%	3.4%	3.5%	3.5%	4.0%	4.5%	4.8%	5.3%	5.0%	5.7%
Loan-loss-reserves (LLR)	52%	49%	48%	45%	44%	45%	49%	61%	64%	62%	62%	54%
Credit cost (annualised)	5.7%	4.1%	5.7%	6.1%	6.0%	5.5%	6.3%	6.3%	4.5%	5.8%	5.5%	7.0%
Cost-to-income ratio (CIR)	33.1%	28.6%	29.4%	25.8%	23.5%	23.4%	24.2%	25.8%	23.4%	26.5%	26.2%	31.8%
Provision/Pre-provisioning operating profit (PPOP)	56%	43%	58%	54%	53%	45%	65%	65%	27%	57%	55%	84%

Source: VNDIRECT Research, Company reports

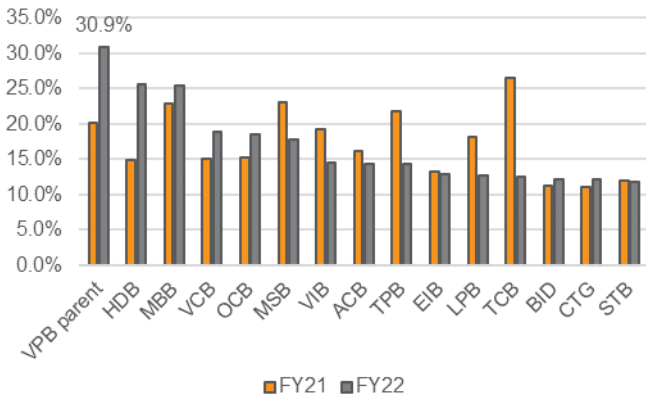
Parent bank: impressive growth in credit and fee income

For FY22, credit at parent bank grew by 30.9% yoy, which was the highest in the system. Strong loan growth of 29.2% yoy was the main driver behind credit growth, with significant contribution from Retail & SME (+36.8% yoy). The bank continued to shift its credit mix towards this client group, which now accounts for 61% of total credit (vs. 58% in FY21). Within the Retail portfolio, auto and mortgage loans increased meaningfully yoy by 45%/52% respectively. Notably, VPB now holds the #1 market share in the passenger car lending space. Corporate bonds at the parent bank increased 18.4% yoy but was relatively flat qoq. However, at the consolidated level, corporate bonds increased 45.8% yoy and 5.7% qoq.

On the funding side, customer deposit grew by 28.5% yoy, the 2nd highest in our coverage (only behind TPB). Strong deposit growth indicates the bank's continued success in attracting new customers with its mobile banking app VPBank NEO. Within customer deposits, CASA funds grew by 8.9% yoy in FY22. CASA ratio fell from 22.6% to 19.2%, a trend seen at most banks. Regarding other funding sources, VPB successfully mobilized more than USD1bn from global institutions this year, which helped to finance its long-term lending activities. In our view, strong access to capital overseas continues to be one of VPB's major competitive edges.

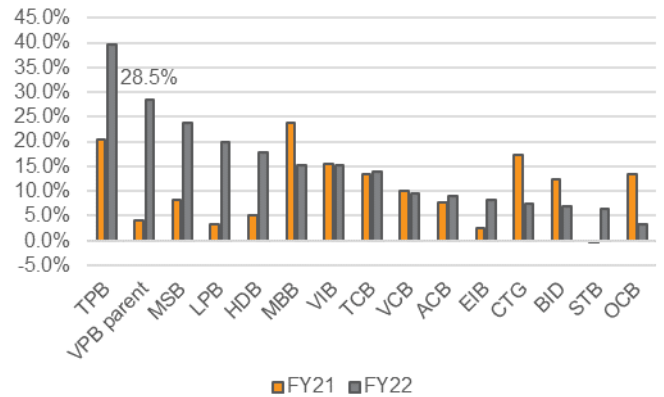
In terms of NIM, the parent bank managed to improve its NIM by 20bps to 5.5% in FY22 as its asset yield rose by 40bps to 9.3% and its COF rose by 50bps to 4.2%. Increases in the weights of Retail & SME loans and high-risk areas such as real estate along with higher LDR (76.8% at 4Q22 vs. 75.7% at 4Q21) contributed to higher asset yield. Meanwhile, COF increased due to 1) higher customer deposit rates, 2) higher interbank rates (VPB is a net borrower), and 3) more costly USD debts due to rate increases by the FED.

Figure 5: VPB's parent bank recorded the strongest credit growth in the system for FY22



Source: VNDIRECT Research, Company reports

Figure 6: The bank's deposit growth in FY22 was also impressive at 28.5%



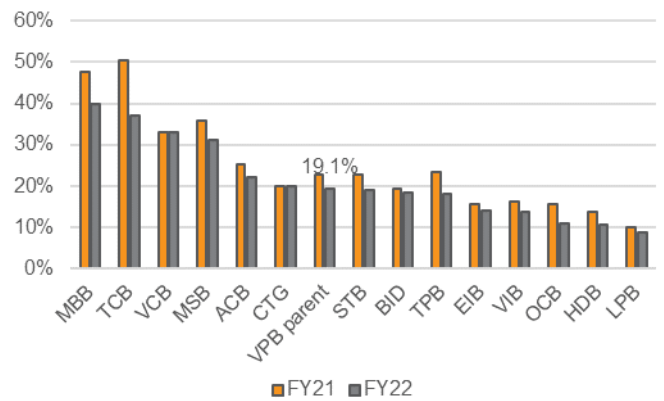
Source: VNDIRECT Research, Company reports

Figure 7: VPB managed to improve NIM in FY22 despite being one of the first commercial banks to lift deposit rates (Unit: bps)

	Asset yield	CoF	NIM
EIB	72	-36	106
STB	69	13	72
MSB	100	44	71
HDB	110	39	63
MBB	73	25	46
LPB	9	-17	43
VIB	65	52	34
OCB	63	31	34
ACB	28	3	25
VCB	16	5	24
VPB parent	40	50	20
BID	-5	-2	2
CTG	7	35	-3
TPB	7	43	-34
TCB	22	66	-41

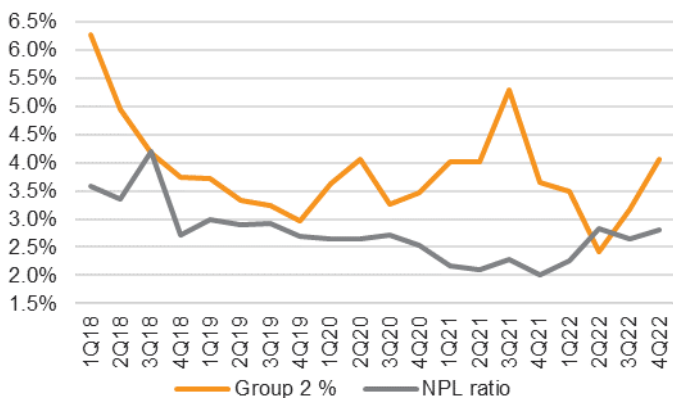
Source: VNDIRECT Research, Company reports

Figure 8: Similar to most banks, VPB experienced a decline in its CASA ratio in FY22



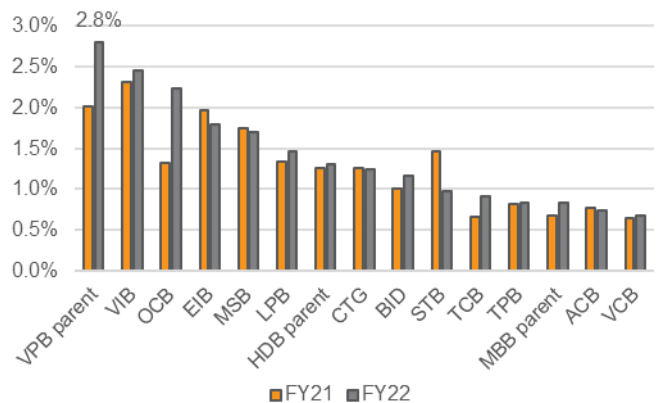
Source: VNDIRECT Research, Company reports

Figure 9: NPL trended higher in FY22 at VPB's parent bank



Source: VNDIRECT Research, Company reports

Figure 10: Most other banks did not see such a large increase in NPL ratio like VPB did in FY22



Source: VNDIRECT Research, Company reports

At the parent bank, non-II grew by 10.8% yoy in FY22 (when excluding banca upfront fee) with strong yoy growth in NFI and income from bad debt recovery of 63.8% and 43.0%, respectively, outweighing a significant decline of 107% yoy in trading gains (from both FX and securities). Within NFI, all banking services saw robust growth: 1) cards (20% of total gross fee income, + 57% yoy), payment & acquiring activities (47%, +101% yoy), banca (17%, +140% yoy), and others (16%, +9% yoy). We view strong growth in NFI as a strong positive for the bank given NFI is a more stable source of income than trading income, which is subject to market conditions.

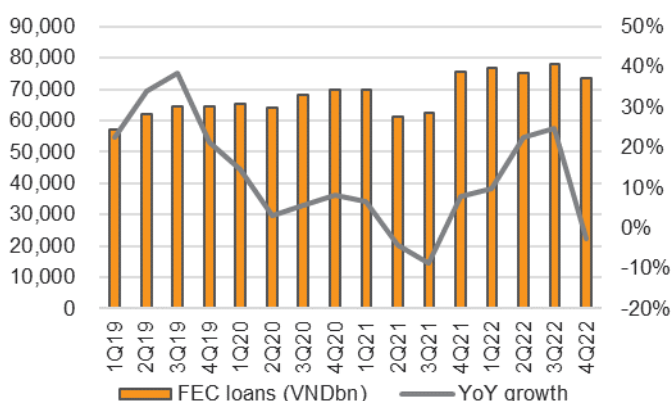
Asset quality at VPB's parent bank deteriorated in FY22 as and NPL ratio increased by 80bps yoy to 2.8% at end-FY22. Group 2 as % of total loans also increased from 3.7% at end-FY21 to 4.1% at end-FY22. At the recent analyst meeting, management noted 3 key reasons behind weaker credit quality: 1) higher lending rates, 2) COVID restructured loans turning into NPL, and 3) restrained credit access for certain customers. That said, the company did mention the portfolio at the parent bank performed better than expected.

FE Credit: Disappointing FY22 as NPL skyrocketed

We estimate loan balance at FE Credit declined by 2.7% yoy or increased by 3.4% yoy when including the VND4,570bn loans it sold to the parent bank. TOI grew at merely 1.5% yoy to VND16.7tr. However, operating expenses and provision expenses rose meaningfully by 28%/23% yoy, respectively, leading FEC to swing from a VND610bn pre-tax income in FY21 to a VND3tr pre-tax loss in FY22. NPL ratio skyrocketed to from 13.6% at end-FY21 to 20.4% at end-FY22.

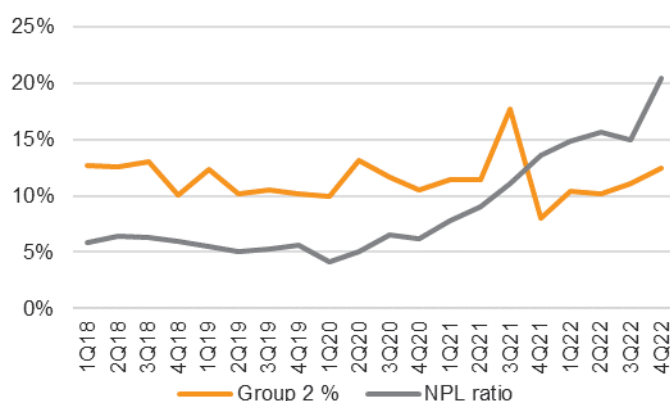
These results did not meet VPB's plan as FEC's recovery post COVID has been much slower than expected according to management. Now the current downswing on export orders / real estate & construction activities has continued to take a heavy toll on the financial situations of low-income individuals, which are the main customers of FE Credit.

Figure 11: FEC loan growth continues to be weak in 2022



Source: VNDIRECT Research, Company reports

Figure 12: FEC NPL spiked sharply in 4Q22



Source: VNDIRECT Research, Company reports

FE Credit: FY23F will not get easier, expect clearer path to recovery in FY24F

Looking ahead, management has mentioned that 2023 will continue to be a tough year for FEC, especially in the 1H23. The bank expects FEC activity will become more stable and profitable later in the year by 3Q-4Q23F. The overall pace of growth will be slow but the credit profile of the customers will be less risky. We share the same sentiment with management and take a conservative tack in our assumptions for FEC this year. Specifically, we forecast only 5% loan

growth in FY23F for FEC and a pre-tax loss of ~VND700bn. For FY24F, we expect economic conditions may start to improve more meaningfully, and thus, we forecast FEC to deliver 8% loan growth and pre-tax income of ~VND1.3tr.

VPBank Securities offers great growth potential

In 4Q22, VPB made another huge investment of VND6tr into its newly established brokerage arm VPBank Securities (VPBS), making VPBS the largest broker by charter capital. The company generated VND542bn of pre-tax income in FY22. At end-FY22, VPBS holds nearly VND3.3tr in margin loans, VND7.5tr in bonds and CDs, and VND5.1tr cash on its balance sheet. With a huge amount of “dry powder” ready to deploy, we expect VPBS will soon make its mark in the brokerage space and become an important revenue / earnings growth engine for the whole banking group.

FY23-24F outlook

For the parent bank, we maintain our assumption of robust loan growth in FY23-24F at 24.0%/22.2% yoy, respectively. Strong CAR and ample funding / liquidity as well as the fact that VPB will be supporting a distressed credit institution give us confidence that the bank will continue to receive above-average credit quota from SBV. For FEC, we now expect loan growth of 5.1%/8.2% yoy in FY23-24F, respectively, lower from previous 8.0%/10.0% yoy. Thus, consolidated growth will be 21.0%/20.0% yoy in FY23-24F, respectively.

We forecast consolidated NIM in FY23-24F at 7.4%/7.3% down from 7.5% in FY22 as we think it will be tough for VPB to fully offset the impact of higher deposit rates / COF despite growing Retail / SME weight in its credit mix. Slower loan growth assumed at FEC also weighs on consolidated NIM as FEC's NIM is structurally higher than parent bank's NIM.

We expect CIR to improve to 26.0%/25.7% in FY23-24F vs. 27.0% in FY22 (ex. banca upfront fee) as VPB stands to gain some operating leverage from continued TOI growth after expanding its staff and marketing budget meaningfully in FY22.

In terms of provisioning, we forecast provision expenses will increase by 15.0%/23.1% yoy in FY23-24F at the parent bank to VND10.0tr/VND12.3tr, respectively, which reflects our expectation of rising default risks especially in the real estate space. These are equivalent to 2.5% of loans vs. 2.8% in FY22. For FEC, we forecast provision expenses will moderate by 5.8%/7.1% yoy in FY23-24F to VND13.0tr/VND12.0tr, but remain elevated as % of loans at 17.2%/15.0%, respectively, vs 18.2% in FY22. Overall, total provision expenses will increase by 2.3%/6.0% yoy in FY23-24F to VND23.0tr/24.4tr. We expect consolidated NPL ratio to reach 5.0%/3.8% in FY23-24F vs. 5.7% in FY22.

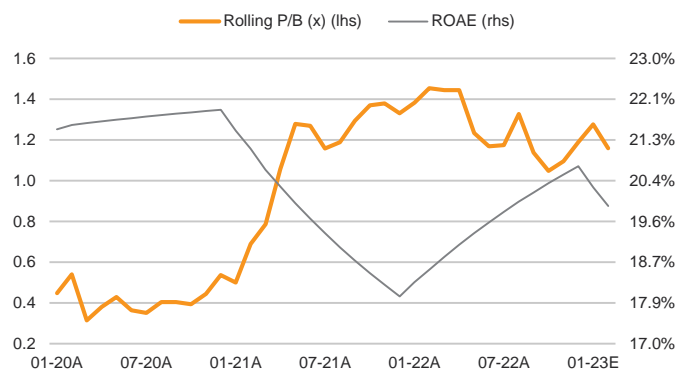
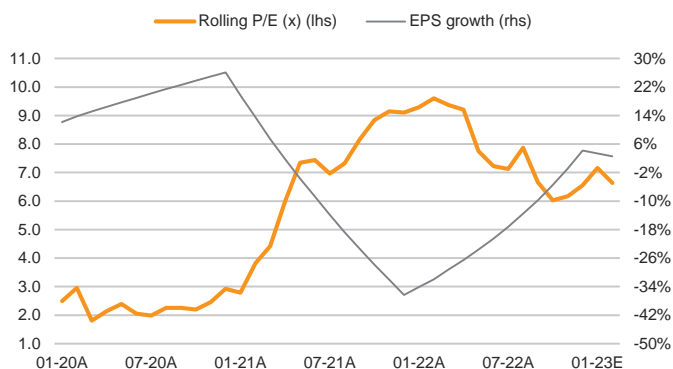
All in all, we revise VPB's net profit in FY23-24F lower by 16.3%/14.9%, respectively. Our revised forecasts still imply healthy earnings growth of 25%/24% yoy (excluding upfront fee from FY22 base).

Figure 13: FY23-24F earnings revision (VNDbn unless otherwise noted)

	Old forecasts		New forecasts		Change		Comments
	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	
Net interest income	50,460	61,951	47,205	54,814	-6.5%	-11.5%	We assume lower NIM due to COF headwind and more modest loan growth at FECredit given unfavorable economic conditions affecting FEC's key customers
Non-interest income	12,961	14,612	12,337	14,533	-4.8%	-0.5%	We lower our trading gain assumption in FY23F
Operating revenue	63,420	76,563	59,542	69,347	-6.1%	-9.4%	
Operating expenses	(16,489)	(19,906)	(15,458)	(17,848)	-6.3%	-10.3%	We now expect VPB to gain some operating leverage in FY23-24F after expanding its staff and investing in marketing heavily in FY22
Pre-provision profit	46,931	56,656	44,084	51,499	-6.1%	-9.1%	
Provision expenses	(21,290)	(25,513)	(22,972)	(24,361)	7.9%	-4.5%	We increase provision to reflect rising credit risk, especially at FECredit
Pre-tax profit	25,731	31,275	21,112	27,138	-17.9%	-13.2%	
Net profit	20,512	24,915	17,160	21,194	-16.3%	-14.9%	

Source: VNDIRECT Research

Valuation



Income statement

(VNDbn)	12-22A	12-23E	12-24E
Net interest income	41,021	47,205	54,814
Non interest income	16,776	12,337	14,533
Total operating income	57,797	59,542	69,347
Total operating costs	(14,116)	(15,458)	(17,848)
Pre-provision operating profit	43,681	44,084	51,499
Total provision charges	(22,461)	(22,972)	(24,361)
Income from associates & JVs			
Net other income			
Pre-tax profit	21,220	21,112	27,138
Tax expense	(4,296)	(4,222)	(5,428)
Profit after tax	16,924	16,890	21,710
Minority interest	1,251	270	(516)
Net profit	18,175	17,160	21,194

Balance sheet

(VNDbn)	12-22A	12-23E	12-24E
Gross loans to customers	438,338	530,543	636,854
Loans to banks	57,901	57,901	57,901
Total gross loans	496,239	588,444	694,755
Securities - total	91,179	103,106	113,809
Other interest earning assets	893	893	893
Total gross IEAs	588,311	692,443	809,458
Total provisions	(13,985)	(14,309)	(14,345)
Net loans to customers	424,662	516,585	622,896
Total net IEAs	574,326	678,134	795,112
Cash and deposits	2,658	3,139	3,680
Total investments	189	223	262
Other assets	53,900	63,643	74,621
Total non-IEAs	56,748	67,005	78,563
Total assets	631,074	745,139	873,676
Customer deposits	303,151	366,355	434,726
Cds outstanding	63,700	66,574	69,746
Customer interest-bearing liabilities	366,851	432,929	504,472
Bank deposits	142,178	167,723	190,908
Broad deposits	509,030	600,652	695,380
Other interest-bearing liabilities	62	62	62
Total IBLs	509,092	600,715	695,443
Deferred tax liability			
Other non-interest bearing liabilities	18,465	24,018	36,116
Total non-IBLs	18,465	24,018	36,116
Total liabilities	527,557	624,733	731,559
Share capital	67,434	67,434	67,434
Additional paid-in capital	0	0	0
Treasury shares	(883)	(883)	(883)
Retained earnings reserve	16,759	33,919	55,113
Other reserves	13,535	13,535	13,535
Shareholders' equity	96,845	114,005	135,199
Minority interest	6,672	6,402	6,918
Total equity	103,517	120,407	142,117
Total liabilities & equity	631,074	745,139	873,676

	12-22A	12-23E	12-24E
Growth rate (yoy)			
Cust deposit growth	25.4%	20.8%	18.7%
Gross cust loan growth	23.4%	21.0%	20.0%
Net interest income growth	19.4%	15.1%	16.1%
Pre provision operating profit growth	30.1%	0.9%	16.8%
Net profit growth	53.9%	(5.6%)	23.5%
Growth in IEAs	15.5%	18.1%	17.3%
Share value			
Basic EPS (VND)	2,731	2,579	3,185
BVPS (VND)	14,552	17,131	20,315
DPS (VND)	0	0	0
EPS growth	4.2%	(5.6%)	23.5%

Key ratios

	12-22A	12-23E	12-24E
Net interest margin	7.5%	7.4%	7.3%
Cost-income ratio	(24.4%)	(26.0%)	(25.7%)
Reported NPLs / gross cust loans	5.7%	4.9%	3.8%
Reported NPLs / net cust loans	5.9%	5.1%	3.8%
GP charge / average cust loans	5.7%	4.7%	4.2%
Total CAR	0.0%	0.0%	0.0%
Loan deposit ratio	119.5%	122.5%	126.2%
Margins and spreads			
Return on IEAs	11.4%	12.6%	12.5%
Cost of funds	4.4%	6.0%	6.0%
Interest return on average assets	7.0%	6.9%	6.8%
ROAE	20.7%	16.3%	17.0%

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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