# VIETCOMBANK (VCB VN): Rock the CASA

## *Leading funding franchise justifies the premium valuation*

# BUY

Current price (06-05-2019): VND 66,700

**Target price: VND 75,270**

**Upside: 12.8%**

**Take the lead:** VCB's strong CASA deposit franchise is a key competitive advantage, as demonstrated by its sector-low cost of funding. We expect higher credit growth than the industry average due to its early Basel II compliance. VCB is thus well-placed to improve NIM despite the increasing competition in retail banking. VCB is clearly not a deep value play. But we see the stock as an appropriate core holding in the Vietnam banks, perhaps as the conservative half of a barbell strategy with STB VN. We Initiate with a BUY recommendation.

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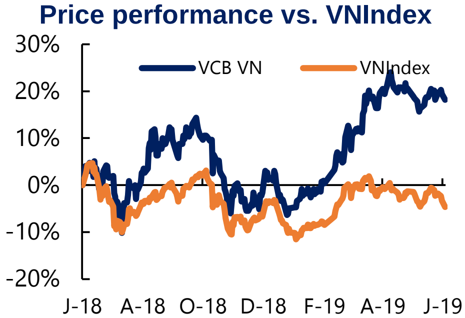
| 52-week Price Range | Market Cap | FY19E Dividend Yield | Remaining Foreign Room | Free-float | ATDV 3-month |
|---|---|---|---|---|---|
| **VND 50,500 – 69,800** | **USD 10.7 bn** | **1.4%** | **6.3%** | **25.2%** | **USD 2.6 mn** |

### Price performance vs. VNIndex




### Event catalysts

- Rising NIMs from the shift to retail lending with funding costs capped by high CASA.
- B-2 compliance gives VCB a strong case for a higher loan quota than the sector.
- Bancassurance could represent a large one-off gain in 2019E or 2020E and a new source of steady fees thereafter.

### Risks to our call

- Rising competition in retail banking in a fragmented market.
- The SBV may not allow VCB to expand loans by our 16% assumption.
- Bancassurance exclusivity deal might be delayed (but we don't factor this into our forecasts).

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**Company profile:** VCB's strong (for Vietnam) CASA ratio of 30% at 2018, reasonable (for Vietnam) Basel II CAR of 9.7%, and broad national footprint (552 branches & transaction offices and 16.8 million e-banking users) are core advantages in the increasingly competitive retail banking race. Retail loans are 46% of the total in 2018 – vs just 28% in 2015. We think the trend toward retail will persist and, coupled with the bank's sustained relative funding advantage, should drive NIMs higher in 2019-21E.

| Key Financials | 2018A | 2019E | 2020E |
|---|---|---|---|
| NIM | 2.90% | 3.05% | 3.19% |
| Fee growth | 34.1% | 30.5% | 29.6% |
| Adj. CIR | 37.8% | 37.0% | 36.2% |
| Adj. PPOP growth | 45.3% | 17.2% | 21.3% |
| Adj. PPOP/Asset | 2.09% | 2.13% | 2.28% |
| Adj. ROA | 1.22% | 1.31% | 1.41% |
| Adj. ROE | 22.5% | 21.3% | 21.3% |
| PER | 18.6x | 16.1x | 13.3x |
| PBR | 3.9x | 3.1x | 2.6x |
| Dividend yield | 1.2% | 1.4% | 1.9% |
| Loan growth | 16.3% | 16.3% | 14.6% |
| Deposit growth | 13.2% | 12.6% | 13.2% |
| LDR | 77.5% | 80% | 81% |
| NPL | 0.98% | 1.03% | 1.02% |
| Loan loss coverage | 165% | 160% | 162% |

*Source: Company Data, Yuanta Vietnam*

**Liability structure is the key advantage**, in our view. Banks with sustainably low funding costs typically generate relatively high ROA without taking on undue credit risks. Such banks tend to trade at a sustained premium valuation across the region. VCB's CASA ratio is around 30% vs the industry median of 15%. As a result, its funding cost is the sector's lowest at 2.8% vs the industry average of 5.1%.

**Sustainable growth in retail banking.** We see substantial room for NIM improvement from the ongoing shifting of the business mix toward retail loans, which posted 39.8% CAGR in 2015-18A. We expect the trend to continue and forecast 18.9% retail loan CAGR in 2019-21E. Coupled with the funding advantage, we expect NIM to increase from 2.90% in 2018A to 3.05%/3.10% in 2019-20E.

**Possible increased loan quota.** We think VCB is well-placed for an increased loan quota from the SBV this year given its 1) early Basel II adoption and 2) compliance with policy goals of increased loans to manufacturing and agricultural SMEs.

**Initiate with BUY – the premium valuation is justified.** VCB trades at 3.1x 2019E P/BV with expected ROE of 21%. Our target price implies 3.5x 2019E P/BV. This is not optically cheap, but given the CASA franchise, we think a premium is deserved. We suggest that clients consider adopting a barbell strategy with VCB (as a conservative core holding) and STB (as a high-risk, high-reward rerating story).

**Table 1- Market Valuations**

| Year | FY16A | FY17A | FY18A | FY19E | FY20E | FY21E |
|---|---|---|---|---|---|---|
| **Adjusted PER (x)** | 43.9 | 33.5 | 18.6 | 16.1 | 13.3 | 11.1 |
| **Adjusted PEG** | 6.9 | 1.1 | 0.2 | 1.0 | 0.6 | 0.5 |
| **Adjusted ROA** | 0.75% | 0.79% | 1.22% | 1.31% | 1.41% | 1.50% |
| **Adjusted ROE** | 11.7% | 14.2% | 22.5% | 21.3% | 21.3% | 21.9% |
| **PBR (x)** | 4.9 | 4.6 | 3.9 | 3.1 | 2.7 | 2.3 |
| **Dividend Yield** | 1.1% | 1.2% | 1.2% | 1.4% | 1.9% | 2.4% |

*Source: Company Data, Bloomberg, Yuanta Vietnam*

## INVESTMENT THESIS

**Valuation premium is justified for the following reasons:**

1) Lowest cost of funds vs. peers

2) Greater potential credit growth

3) Competitive strength in retail

We believe that a substantial valuation premium is justified for VCB for the following reasons:

**1) VCB's sector-low cost of funds which** is driven by a relatively high (for Vietnam) CASA ratio of c.30%,

**2) Its superior outlook for growth** given its compliance with Basel II and central bank policies encouraging loans to SMEs in manufacturing and agriculture,

**3) Its competitive strength in retail banking** vs. the many peer banks that are also targeting the segment. This strength is related to the two items above, as both NIMs and asset growth have room to outperform the sector, leading to sustained above-average profitability.

In light of the above positive drivers, we initiate coverage on VCB with a BUY rating. We suggest it as a core holding in the Vietnam banks and establish it as one of our top picks in the sector. Clearly, it is not a value play, but quality has a price – and we think the valuation premium is both justified and that it will be sustained. We think that investors should consider adopting a barbell approach by purchasing VCB (as a conservative, quality holding) and STB as a high risk / high reward longer-term rerating story.

**Our net income forecasts are 14%-15% higher than the consensus mean for 2019-20E**

**Yuanta vs Consensus.** Admittedly, the stock is already broadly covered by the Street so we are not claiming to be the first to discover it. However, our net income forecasts are 14%-15% higher than the consensus mean estimate for 2019E-20E. We believe that the Street is factoring in slower potential business expansion than our above-industry average credit growth assumption due to the bank's Basel II compliance and focus on lending to segments that the SBV desires to receive bank credit. Moreover, margin and earnings should continue to improve as retail loan growth boosts yields while the funding cost remains low thanks to the high CASA ratio.

**Table 2- Yuanta vs. Consensus**

| **Net income (VND bn)** | **2019E** | **2020E** |
|---|---|---|
| Consensus mean | 15,103 | 18,256 |
| **Yuanta forecast** | **17,154** | **21,015** |
| *%ge difference* | *14%* | *15%* |
| Consensus high | 17,904 | 21,428 |
| Consensus low | 10,937 | 12,775 |
| **EPS (VND)** | | |
| Consensus mean | 3,887 | 4,498 |
| **Yuanta forecast (adjusted)** | **4,145** | **5,002** |
| *%ge difference* | *7%* | *11%* |
| Consensus high | 4,563 | 4,820 |
| Consensus low | 3,040 | 3,551 |

*Source: Bloomberg, Yuanta Vietnam*

**Superior CASA ratio of 30.3% at 2018 vs sector median of 15.2%**

**VCB's high CASA ratio and retail-focused growth strategy should drive profitability higher in the years ahead.** The key driver of the bank's premium valuation is, to our minds, very clear: VCB's superior liability franchise with a CASA ratio of 30.3% at 2018 compared to the sector average of 16.3% and sector median of 15.2% (among the 17 listed banks). This results in the bank's sector-low funding cost. While the superior liability franchise is no secret, we think it is a key factor (along with strong management) behind the stock's premium to peers, which we believe is justified.

**The strategic shift to retail should also boost NIM going forward.**

In addition, a shift to retail represents a change for the bank's operations in recent years. Corporate loans accounted for 67%-74% of total loans from 2012-2016 but declined to 59% in 2017 and 54% in 2018. We believe that this strategic shift should boost asset yields, NIM, and earnings for VCB going forward. The relatively high (for Vietnam) Basel II CAR of 9.7% in 2018 should also support asset growth in Vietnam's increasingly competitive retail banking market.

**No.1 in cards (10% market share) and e-banking users (40% of Vietnam's banked population).**

**A bancassurance exclusivity deal could provide a sizeable boost to our fee income assumptions, if and when it happens.**

**Leading position in fee income segment**. Competition here is also heating up as many banks are trying to boost their non-interest income streams. VCB has advantages of scale as the No.1 card provider (14.8 million cards or 10% market share) and e-banking (16.8 million users, almost 40% of Vietnam's banked population). It also captures the highest market share in FX and international settlements (16.2% market share). Additionally, a potential bancassurance deal could provide a sizeable one-off boost to fee income when the exclusivity deal is signed plus ongoing fees from banca sales in subsequent years. The bank expects this to take place in late 2019 or early 2020. Given the difficulties related to their need to exit an existing JV with Cardif, we are not sure of the timing of such a deal and have not factored it into our forecasts.

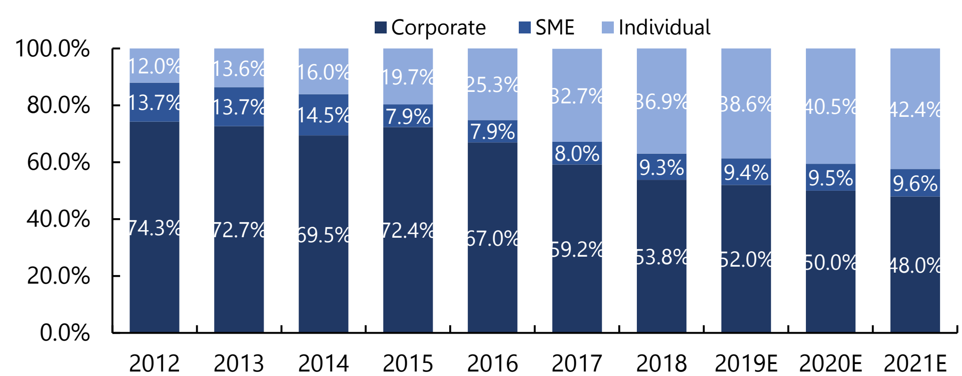
## CATALYSTS

### Shift toward a higher margin segment

**Retail loans to grow by 18.9% CAGR in 2019-21E, and to account for 50% of the loan book by 2020E.**

VCB historically was mostly focused on corporate loans, which made up 72.4% of the loan book in 2015. However, since then retail loans grew by 39.8% CAGR in 2015-2018A to contribute 46.2% of the loan book as at 2018. We expect the bank to maintain this focus on retail lending (including to individuals and SMEs), with retail loans to grow by 18.9% CAGR in 2019-21E to account for 50% of the loan book by 2020E.

**Figure 1- Loan Breakdown**




*Source: Company Data, Yuanta Vietnam*

**VCB has the lowest funding cost (2.8%) compared to sector median (5.1%).**

Funding cost is critical in determining banks' profitability. VCB is ranked No.2 in terms of its CASA ratio (30.3% as at 2018A and 29.7% as at 1Q19) and has the lowest cost of funding among banks. VCB has the sector's largest CASA market share at 22%. Also, VCB has plenty of room to increase NIM by the shift from corporate to retail loans, which typically generate better yields. We expect NIM to increase from 2.90% in 2018A to 3.05% and 3.19% for the period from 2019E-20E.

**Figure 2- CASA market share among banks in 2018**

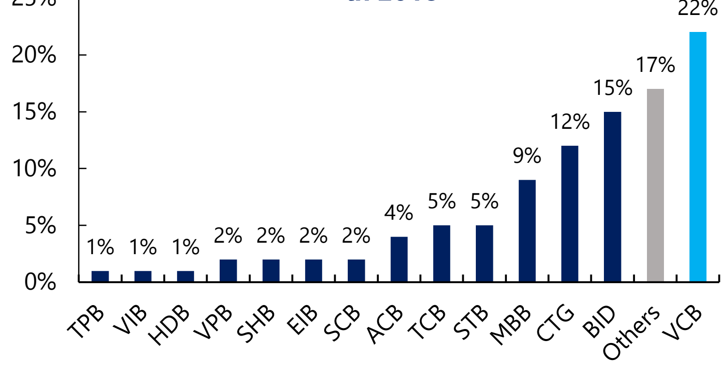
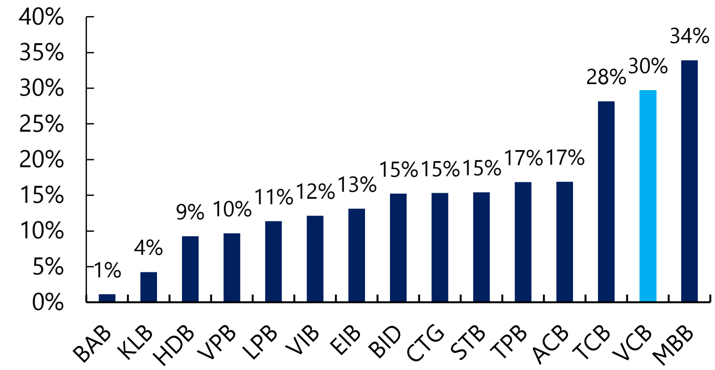



**Figure 3- CASA ratios among banks in 1Q19**




*Source: FiinPro, Yuanta Vietnam*

**Figure 4- VCB had the lowest cost of funds among banks in 2018**

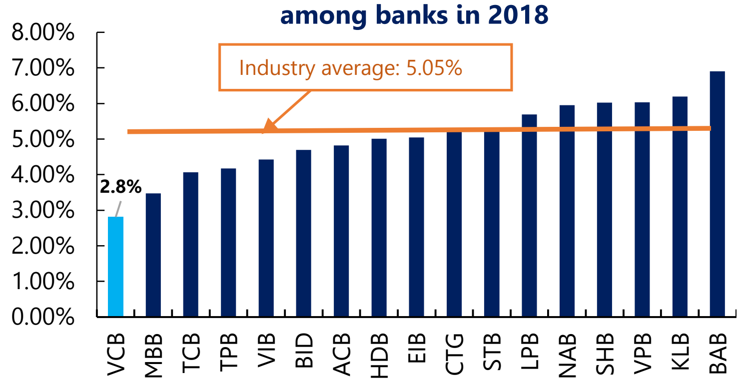
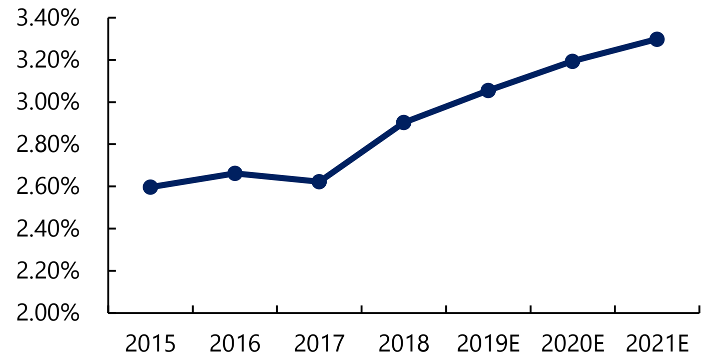



**Figure 5- NIM should continue to improve**




*Source: Company Data, FiinPro, Yuanta Vietnam*

## Stronger capital base to expand business

VCB issued 111.1 mn shares at an average price of VND54,960 to Mizuho Bank (16.7 mn shares) and GIC (94.4 mn shares) in 2018. This issuance increased its Tier 1 capital by VND 6.1 trillion. After the transaction, the ownership stakes of Mizuho Bank and GIC were 15% and 2.55%, respectively.

We estimate that bank's CET1 ratio and CAR under Basel I increased from 7.8% and 10.7% to 8.6% and 11.5% in 2018, respectively. However, we estimate that CAR under the Basel II is 10% (in line with guidance of 9.7%), which is 1.5ppt lower under Circular 36.

**Table 3- CAR estimate**

| Issuing price Scenarios | VND | 55,512 |
|---|---|---|
| Shareholder Capital | VND bn | 35,978 |
| New Shareholder Capital | VND bn | 1,111 |
| Total Shareholder Capital | VND bn | 37,089 |
| Share Premium | VND bn | 4,995 |
| **Total Shareholder Capital + share premium** | **VND bn** | **42,084** |
| CET 1 ratio before raising capital | % | 7.8% |
| CET 1 ratio after raising capital | % | 8.6% |
| CAR before raising capital | % | 10.7% |
| **CAR after raising capital** *(under the Circular 36)* | **%** | **11.5%** |
| **CAR under the Basel II** *(our estimate)* | **%** | **10.0%** |

*Source: Company data, Yuanta Vietnam*

**Figure 6- Shareholders 2018 pre-capital rasising**

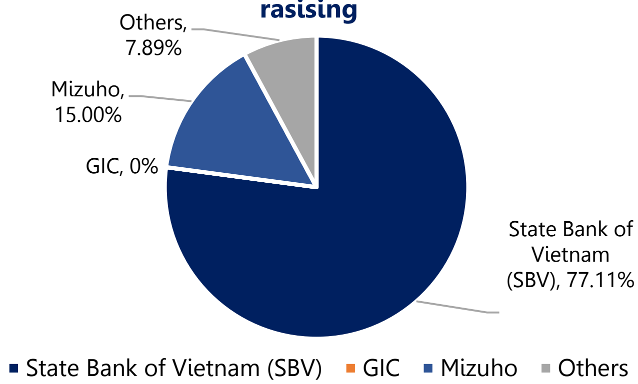
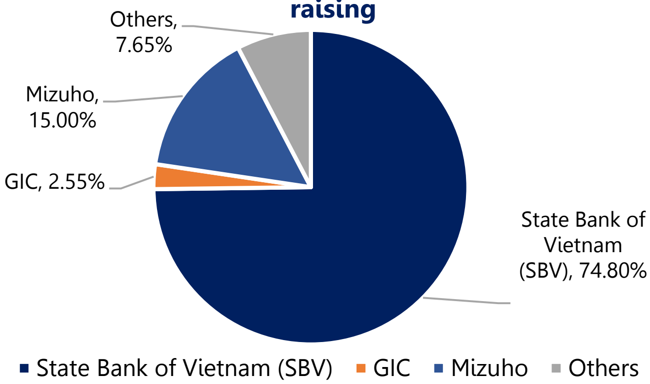



**Figure 7- Shareholders 2018 post-capital raising**




*Source: Company data, Yuanta Vietnam*

**Further capital issuance?** Historical capital calls aside, future issuance is perhaps more meaningful for investors today. VCB plans to raise approximately VND14 trillion via rights issue(s) in FY2019-20E, which would further bolster the bank's Basel II CAR. We have not factored this into our model, but obviously it would allow for potential upside to our asset expansion forecasts.

VCB is a pioneer in adopting Basel II among banks in Vietnam, which signals high asset quality and effective risk management. The bank's credit rating is also enhanced as a result, which further helps to reduce funding costs.

**We forecast loan growth of 16.3%, which is higher than the quota of 15% thanks to Basel II compliance.**

We forecast loan growth of 16.3%, ahead of the initial quota of 15% which we believe will be expanded due to VCB's sufficient capital and policy-supportive lending focus. We believe that SBV will continue to tighten credit growth for all banks in subsequent years. Thus, we forecast loan growth to decrease slightly to 14.6% from in 2020E and 13.9% in 2021E. We expect deposits to grow 12.8% CAGR in 2019-21E.

**Figure 8- Loans & Loan growth**

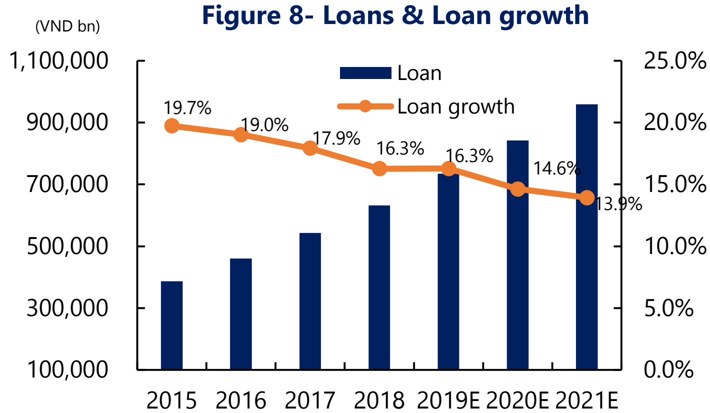
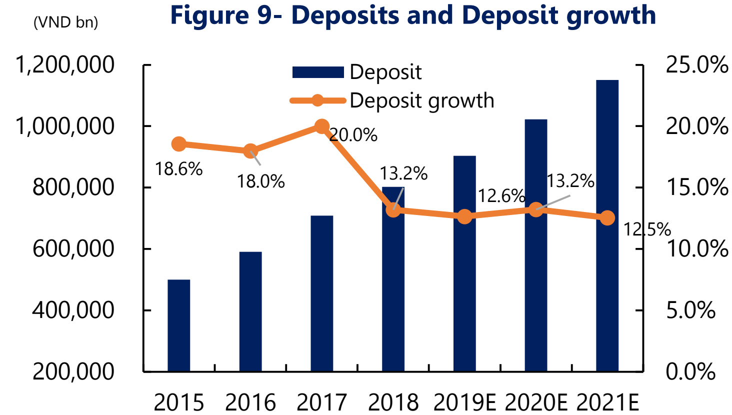



**Figure 9- Deposits and Deposit growth**




*Source: Company Data, Yuanta Vietnam*

Simplifying operations result in better services, lower costs, and higher profitability. Going forward, Vietnamese banks must upgrade their core banking systems, which is costly. However, if it is done well, it should help to improve efficiency, simplify business operations, and cut costs effectively. VCB is not an exception as its core banking system replacement has been a rather slow process that appears to be far from complete. However, VCB's cost efficiency *(see figure 10)* is among the best in the sector. We expect adjusted CIR to decrease to 36% on average in 2019E-21E.

Figure 10- Cost to Adj. Income among Banks in 2018

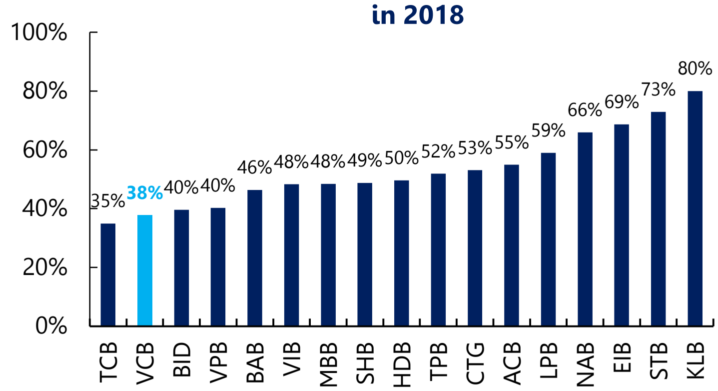
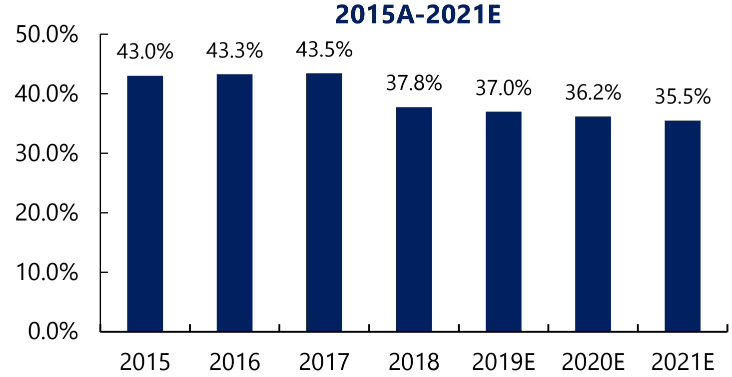



Figure 11- VCB's Cost to Adj. Income from 2015A-2021E




*Source: Fiinpro, Yuanta Vietnam*

## No.1 position in fee revenues

Almost all banks are focusing (or talking about focusing) on generating greater non-interest income streams to reduce their dependence on credit growth, which is both capital-intensive and strictly controlled by the SBV. The proportion of loans to total GDP was about 135% in 2018. The SBV is likely to temper credit growth going forward as it seeks to diversify capital funding sources, reduce inflation pressure, and avoid asset bubbles (i.e. credit for real estate and equity purchases). To compensate for this structural change, which we believe to be necessary for long-run banking system sustainability, all commercial banks must seek to expand their non-interest income in a highly fragmented and increasingly competitive market.

**VCB is a spearhead in fee income segment with 10% card market share and e-banking users of 40% of banked population.**

VCB is a spearhead in this process. It ranks 1st in card services and e-banking, with 14.8 million cards (10% market share) and 16.8 million users (40% of the banked population). Its technology network is also the broadest among banks with 2,500 ATMs (13.7% market share) and 46,000 PoS (15.9% market share). It also dominates in FX and international settlements (16.2% market share).

Net FX revenues and settlement income contribute 5.8% and 4.3% to total revenue, respectively *(figure 15)*. Three-year CAGR in 2015-18A for net FX income and net settlement income were 12.9% and 28.9%, respectively. We expect that VCB will continue to dominate in these segments, with FX contributing 5.6% and settlements 5.3% to total revenue in 2019E.

Figure 12- Number of users

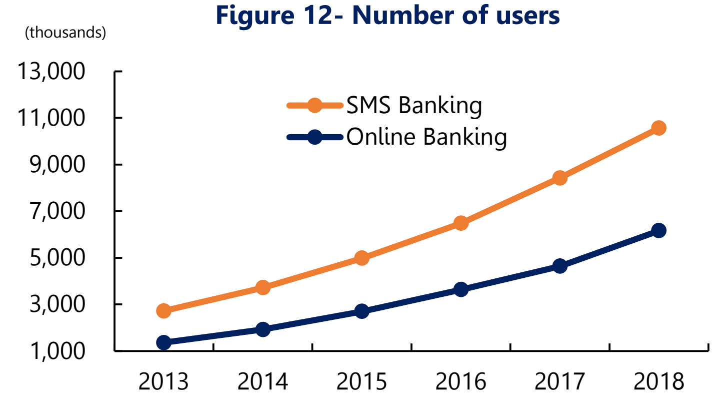
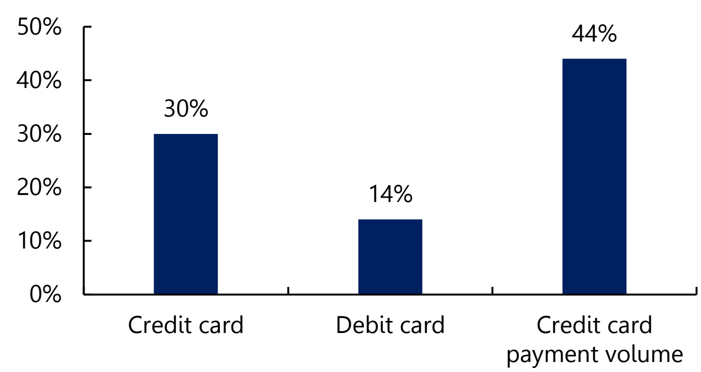



Figure 13- Market share of bank cards




*Source: Company Data, Yuanta Vietnam*

Figure 14- Net Income from settlements

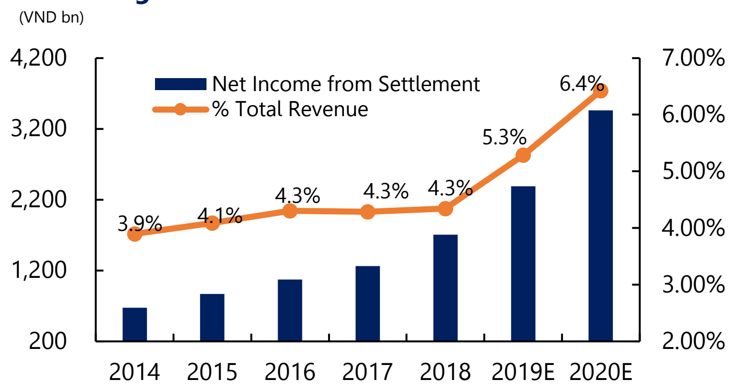
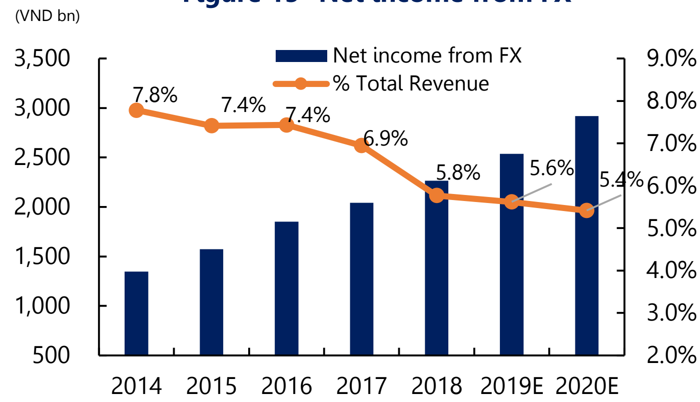
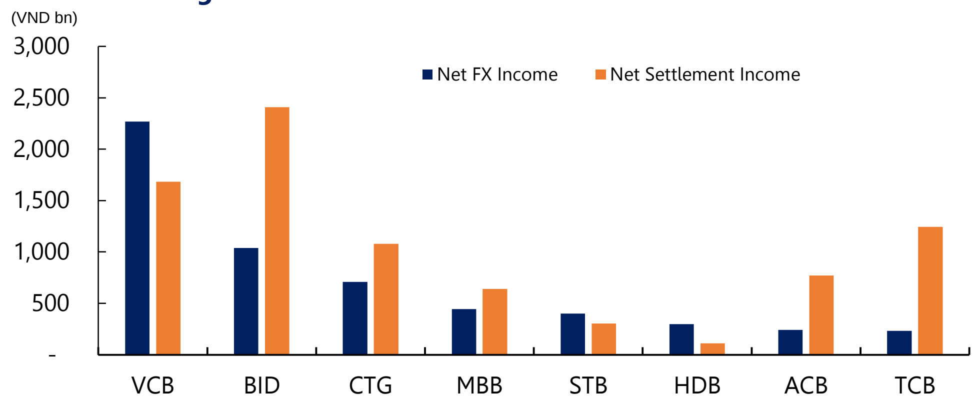



Figure 15- Net income from FX




*Source: Fiinpro, Yuanta Vietnam*

Figure 16- Net FX and settlement income for various banks




*Source: Company Data, Yuanta Vietnam*

**Potential fee income from an exclusivity bancassurance deal**

**Potential fee boost from bancassurance**. VCB has not disclosed fee income from its existing bancassurance business, a tie-up with BNP Paribas Cardif, but our sense is that this business has had trouble gaining traction. VCB's fee income (primarily from cards and settlements, but excluding FX) to total adjusted revenue was only 9.4% as in 2018A, which is considerably lower than JOCBs like TCB (21.2%) or STB (25.0%) and slightly below the industry average of 10.9%. Fee income could rise substantially once VCB enters a bancassurance deal, which the bank expects to happen in late 2019 or early 2020.

Vietcombank says it is seeking a bancassurance partner in 2019. We think that a minimum of 10-year exclusivity deal might be worth about USD1 bn. We have not factored this into our model, but given its large customer-based and solid brand – as well as a relative scarcity among the major banks – we believe that finding a partner to cooperate with VCB should not be an issue. However, a potential stumbling block to such a deal could be the company's tie-up with Cardif, which we assume will have to be addressed prior to doing a deal with another insurance provider.

**Potential one-off income from divestments**

**Other potential one-off income.** As noted, we believe that VCB will seek to divest its stake in the joint venture Vietcombank–Cardif Life Insurance Co. VCB owns 45% of this business and BNP Paribas Cardif owns 55%. The divestment could result in divestment gains of possibly as high as VND260 bn for VCB, based on the book value as at 12/31/2018A. Of course, we haven't factored this into our forecasts either.

VCB also owns 4.5% of MBB, 4.5% of EIB, and 1.21% at HVN as at 2018A. VCB could record investment profits of VND2.2 trillion if divested these stocks at current market values. Of course, the stocks are marked to market on the balance sheet, so the P&L

impact would really be more about accounting than economics. However, the boost to earnings could cause a short-term burst of investor excitement for VCB's stock. In any case, we don't think the bank will divest – although the rationale for these holdings is, shall we say, tenuous for a commercial bank.

## VALUATION: Our 12-month price target is VND 75,270

We apply two valuation methodologies to generate our VND 75,270 target price for VCB, which implies P/BV multiples of 3.5x for 2019E and 3.0x for 2020E and adjusted PERs of 18.2x for 2019E and 15.1x for 2020E.

Our target is calculated on a weighted average basis that comprises residual income (with a 70% weighting, the largest component), and dividend discount model (DDM, with a 30% weighting)

**Table 4- VCB's estimate Fair Value**

| Valuation Methods | Estimated Price | Weight (%) | Price (VND) | Upside (%) |
|---|---|---|---|---|
| Residual Income | 74,213 | 70.0% | 51,949 | |
| DDM Perpetuity | 77,755 | 30.0% | 23,326 | |
| **Estimated Fair Value** | | | **75,275** | **12.8%** |

*Source: Yuanta Vietnam*

***We employ the following assumptions for our models:***

- **Cost of equity** starts at 13.6% and falls to 9.9% in Year 15 to reflect reduced risk (and reduced potential returns) as VCB grows.
- **ROTCE** starts at 23% in Year 6 and gradually declines to 16% in Year 15.
- **Asset growth** starts at 12.5% in Year 6 and gradually declines to 7% in Year 15.
- **Loan growth** is expected to reach 16.3% in 2019E and to decrease gradually to 13.4% in 2023E, while **deposit growth** ranges from 12-13% during 2019-23E.

### Residual Income

**Residual value methodology is the largest component of our fair value estimate**

We prefer the residual income approach over other valuation methodologies because it appropriately captures the ROTCE improvement over multiple years. We therefore apply a 70% weight for this methodology (vs 30% weight for DDM) in calculating our target price.

The residual income approach results in a fair value for VCB of VND 74,213 per share, implying an 11% premium to the current share price (VND67,000 at Jun 3, 2019) and a 2019E P/BV multiple of 3.4x.

**Table 5- Implied fair value from residual income approach**

| **Implied Value of Equity:** | |
|---|---|
| Terminal Net Income Growth Rate: | 5.0% |
| Projected Net Income 1 Year After Period: | 59,366 |
| Residual Income Terminal Value: | 459,162 |
| (+) Current Common Shareholders' Equity: | 62,179 |
| (+) PV of Residual Income Terminal Value: | 116,566 |
| (+) Sum of PV of Residual Income: | 92,377 |
| **Implied Equity Value:** | **271,123** |
| *% of Implied Value from PV of TV:* | *43.0%* |
| Implied Share Price: | **74,213** |
| Current Share Price (Jun 05, 2019): | 66,700 |
| Implied P/BV | 3.4x |
| **Premium / (Discount) to Current:** | **11.3%** |

*Source: Yuanta Vietnam*

**Table 6 - Residual income fair value: Sensitivities to ROE and COE.**

| | | Initial Cost of Equity (Declines by 0.4% Annually): | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 11.00% | 11.50% | 12.00% | 12.50% | 13.00% | **13.62%** | 14.12% | 14.62% | 15.12% | 15.62% | 16.12% |
| **Terminal Return on Common Equity:** | 20.0% | 274,306 | 214,903 | 174,058 | 144,411 | 122,025 | **101,109** | 87,909 | 77,149 | 68,243 | 60,779 | 54,453 |
| | 19.5% | 263,993 | 206,940 | 167,705 | 139,221 | 117,710 | **97,605** | 84,914 | 74,567 | 66,000 | 58,818 | 52,729 |
| | 19.0% | 253,803 | 199,071 | 161,426 | 134,092 | 113,445 | **94,143** | 81,955 | 72,014 | 63,783 | 56,879 | 51,024 |
| | 18.5% | 243,735 | 191,296 | 155,223 | 129,024 | 109,230 | **90,721** | 79,030 | 69,492 | 61,591 | 54,962 | 49,339 |
| | **16.0%** | **195,196** | **153,808** | **125,306** | **104,581** | **88,900** | **74,213** | **64,918** | **57,320** | **51,015** | **45,713** | **41,205** |
| | 15.5% | 185,843 | 146,583 | 119,540 | 99,869 | 84,981 | **71,029** | 62,196 | 54,973 | 48,974 | 43,928 | 39,635 |
| | 15.0% | 176,606 | 139,448 | 113,845 | 95,215 | 81,110 | **67,885** | 59,508 | 52,653 | 46,958 | 42,165 | 38,084 |
| | 14.5% | 167,485 | 132,402 | 108,221 | 90,619 | 77,286 | **64,779** | 56,852 | 50,362 | 44,967 | 40,423 | 36,552 |
| | 14.0% | 158,478 | 125,444 | 102,667 | 86,079 | 73,509 | **61,711** | 54,229 | 48,099 | 43,000 | 38,702 | 35,038 |

*Source: Yuanta Vietnam*

## Dividend Discount Model (DDM)

For our DDM calculation, we assume that VCB will increase its dividend payout ratio slowly in the first five years as forecast in our model, after which the payout stabilizes at 50%.

To calculate terminal value, we use the perpetuity growth rate method. We arrive at a fair value of VND 77,755, implying 2019E P/BV of 3.6x.

**Table 7 - Implied fair value from DDM model**

| **Terminal Value - Perpetuity Growth Rate Method:** | |
|---|---|
| Terminal P / TBV Multiple by ROTCE: | 2.45 x |
| Terminal Value: | 893,474 |
| (+) PV of Terminal Value: | 196,699 |
| (+) Sum of PV of Dividends: | 87,365 |
| **Implied Equity Value:** | **284,064** |
| *% of Implied Value from PV of TV:* | *69.2%* |
| Implied Share Price: | **77,755** |
| Current Share Price (Jun 05, 2019): | 66,700 |
| Implied P/BV | 3.6x |
| **Premium / (Discount) to Current:** | **16.6%** |

*Source: Bloomberg, Yuanta Vietnam*

## INVESTMENT RISKS

**1) Competition is heating up** in retail banking and fee-generative services as many other banks aggressively focus on these segments. VCB is not immune to such competition, but we believe that its wide distribution network, strong reputation, and No.1 position in its main services segments (i.e. cards, FX, settlement) should help VCB weather the competition and remain at the top of the game.

**2) Capital raising in 2019-20E might delay.** We do not see a significant risk to VCB's capital adequacy as CAR under Basel II is almost 10% (well above the 8% requirement) after the private placement to Mizuho and GIC. However, risks might emerge from the new Draft Circular to replace Circular 36/2014, in which the calculation of Risk Weighted Assets (RWA) might be stricter and result in a lower CAR. On the other hand, such tightening of prudential standards would likely be an even greater growth impediment to the weaker banks, and we don't think that VCB would have problems raising capital via rights issue as planned. Indeed, we think this would probably constitute an upside risk to our call.

# COMPANY OVERVIEW

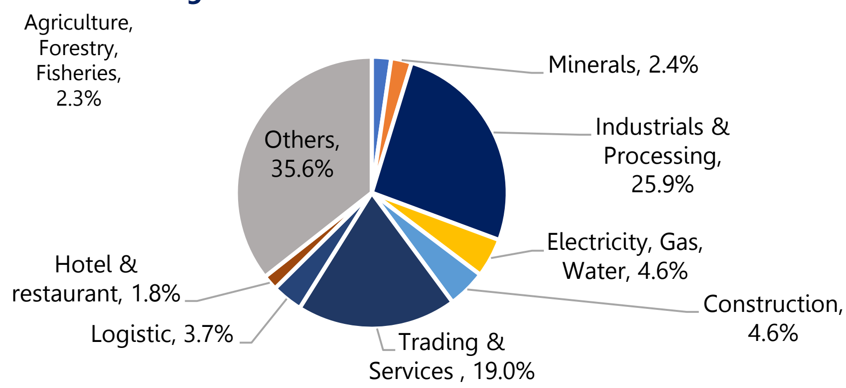
## SWOT Analysis

| Strengths | Weaknesses |
|---|---|
| ▪ High CASA ratio (30% as at 1Q19) compared to peers' median (15%).<br>▪ Plenty of room to increase NIM as VCB shifts its focus to retail clients (account for 46.2% of the total loan in 2018A and keep increasing from 2012-18A).<br>▪ A leader in card services, ATM (2,500 ATMs) & POS (46,000 POS) networks, E-banking (16.8 mn users, 40% of the banked population), and FX and international settlements (16.2% market share)<br>▪ High asset quality: the first bank to clear all its VAMC exposure, NPLs is were low at 0.98% in 2018A, 1.03% in 1Q19.<br>▪ Effective cost control, low adjusted CIR (38%) vs. the industry average of 46%.<br>▪ Strong reputation among Vietnamese banks, both among customers and investors<br>▪ A wide platform with 111 branches (111) and 441 transaction offices across 52 cities. | ▪ Old technology: Current core banking of VCB is quite outdated and replacement is taking surprisingly long.<br>▪ VCB has been investing in a new core banking system to enhance its competitiveness in "the industry 4.0" era. |
| **Opportunities** | **Threats** |
| ▪ Cashless payment is gaining familiarity amidst the rising middle class and supportive policies (e.g., Resolution No.2/NQ-CP).<br>▪ The above Resolution guides all schools, hospitals, utility companies, and telecom companies to cooperate with banks and intermediary payment service providers to use non-cash payment services. This is a big opportunity for a large payments bank like VCB to capture this change.<br>▪ Vietnam's economy is open to the world in terms of trade, with many FTAs signed, which will boost import and export activities. This will be a benefit to VCB as a No.1 player in the FX and settlement segments. | ▪ Competition is heating up not only within domestic banks but also foreign banks with strong capital base, experience, high-quality services, and latest technology. To be fair, this is both a threat and an opportunity, as it implies industry consolidation as weaker players are forced to merge.<br>▪ Domestic banks are under pressure to raise capital to meet Basel II, while foreign banks are already compliant.<br>▪ Liquidity pressure if the VND devalues, which would likely lead to higher domestic demand for holding USD and gold instead of VND.<br>▪ Although commercial banks remain the backbone of the financial system, fintech could disrupt the market for traditional banks like VCB. |

## Loan breakdown

VCB's loan book is comprised of industrial & processing (25.9%) and trading & services (19%) segments, with construction and real estate a much smaller driver (4.6%).

**Figure 17- Loan Breakdown in 2018**




*Source: Company Data, Yuanta Research estimate*

VCB has demonstrated its superior ability to control asset quality risks. The bank's NPL ratio is low at 0.98% in 2018A and 1.03% in 1Q19, which is far below the SBV's target of 3%. The NPL ratio including categories 2-5 (category 2 consists of special mention loans, which are not strictly defined as NPLs) was only 1.58% in 2018A and 1,61% in 1Q19. Short-term loans account for 54.9% of total loans, while medium to long-term loans represent 45.1% at 1Q19.

**Figure 18- Loans category 2-5, % of total loan**

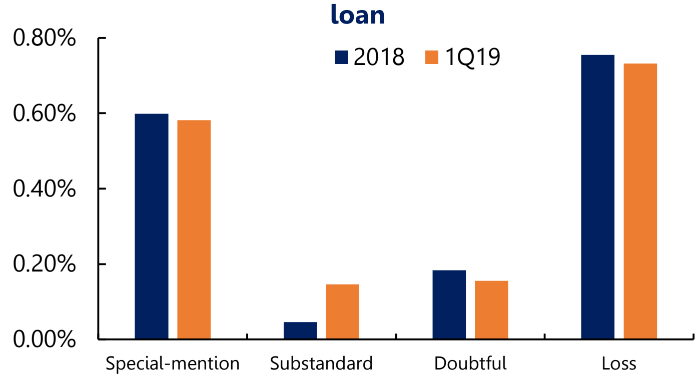
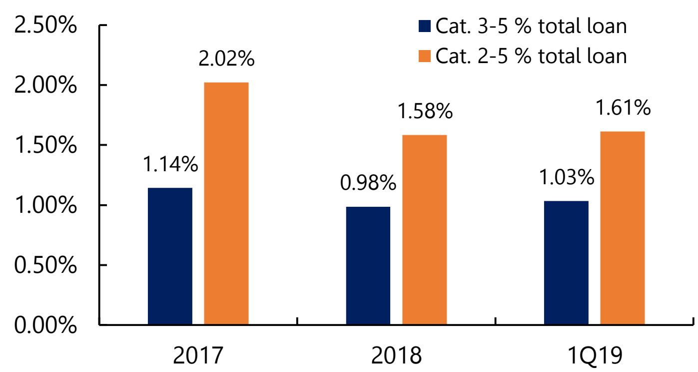



**Figure 19- NPL ratio**




*Source: Company Data, Yuanta Research estimate*

## Deposit breakdown

The bank's CASA ratio of 30% is high for a Vietnamese bank, which provides relatively low funding costs and enhances VCB's competitive advantage compared to peers. The CASA ratio is 18.8% on average for the 12 listed banks).

**Figure 20- Deposit Breakdown by Client in 2018**

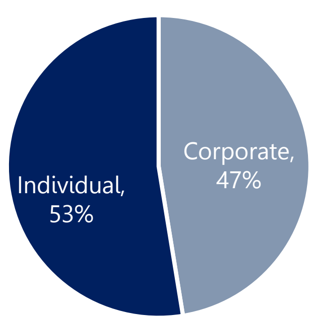
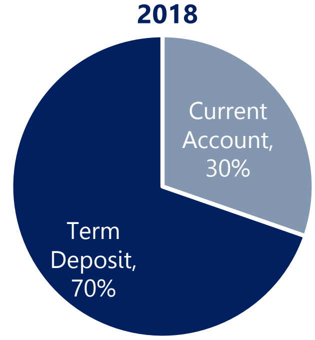



**Figure 21- Deposit Breakdown by Type in 2018**

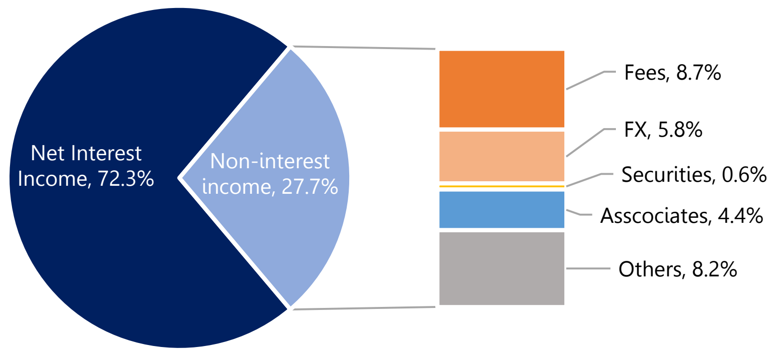



*Source: Company Data, Yuanta Vietnam*

## Revenue mix

Net interest income is of course the largest portion of total revenues. However, non-interest income has also played a significant role in recent years, increasing from 25.5% in 2016A to 27.7% in 2018A. Among the non-interest income sources, fees (i.e., revenues from cards and settlements, but excluding FX revenues) contribute the most to total revenue at 9.4% in 2018A, an increase from 9.2% in 2016A. We expect that the contribution of non-interest income, to total non-adjusted revenue will continue to rise to 10.6% and 11.5% in 2019E-20E.

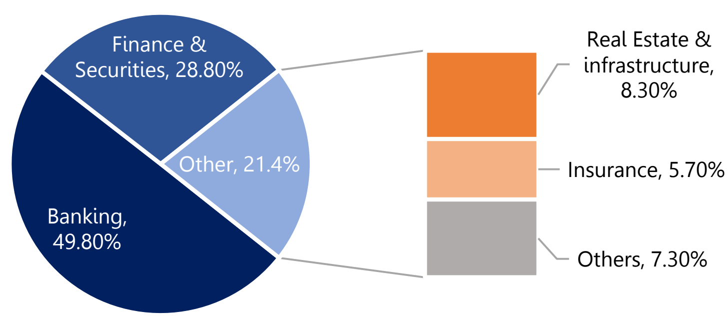
**Figure 22- Non-adjusted revenue breakdown in 2018A**




*Source: Company data, Yuanta Research*

**Total investment** in subsidiaries, JVs, and equity investments reached VND 5,904 bn (USD 260 mn) as of Dec 2018A. Wholly-owned subsidiaries account for 58.3% of this, including VCBS, VCBL, VFC, VCB Laos, and VCBR. JVs and partnerships represent 14% and include VCBF, Vietcombank Tower, VCB Money (TN Monex), VCB-Bonday Ben Thanh, and Vietcombank Cardif Life Insurance. Equity Investment represents 27.7%, including MB and PJICO. In terms of sector, 49.8% of VCB's investments were allocated to banking, followed by finance & securities (28.8%), real estate (8.3%), and insurance (5.7%).

**Figure 23- Investments by Sectors**




*Source: Company data*

## FINANCIAL STATEMENTS

| Income Statement (Quarterly) | 1Q.18 | 2Q.18 | 3Q.18 | 4Q.18 | 1Q.19E | 2Q.19E | 3Q.19E | 4Q.19E |
|---|---|---|---|---|---|---|---|---|
| **Net Interest Income** | **6,197** | **6,800** | **7,432** | **7,981** | **8,499** | **8,149** | **8,230** | **9,003** |
| Interest Income | 12,728 | 13,437 | 14,353 | 15,348 | 16,094 | 15,899 | 16,462 | 17,489 |
| Interest Expense | 6,531 | 6,637 | 6,921 | 7,367 | 7,595 | 7,750 | 8,232 | 8,486 |
| **Non-Interest Income** | **2,124** | **1,679** | **1,332** | **2,499** | **2,103** | **1,969** | **1,892** | **1,876** |
| Fee Income | 881 | 851 | 895 | 774 | 1,069 | 1,055 | 1,019 | 1,229 |
| Other Non II | 1,243 | 828 | 437 | 1,725 | 1,033 | 914 | 873 | 577 |
| **Adj. Operating Income** | **8,322** | **8,479** | **8,764** | **10,480** | **10,601** | **10,118** | **10,122** | **10,879** |
| Total Operating Costs | 4,067 | 3,864 | 3,986 | 1,694 | 4,384 | 4,250 | 4,196 | 2,553 |
| **Adj. Pre-Provision Profit** | **4,254** | **4,615** | **4,778** | **8,786** | **6,218** | **5,869** | **5,926** | **8,326** |
| *Provisions* | *1,498* | *1,738* | *1,762* | *2,400* | *1,506* | *2,320* | *2,179* | *2,609* |
| *Other Income* | *1,603* | *780* | *651* | *201* | *1,166* | *985* | *873* | *766* |
| **Net provision** | -105 | 958 | 1,112 | 2,199 | 340 | 1,335 | 1,306 | 1,843 |
| **Profit Before Tax** | **4,359** | **3,657** | **3,666** | **6,587** | **5,878** | **4,533** | **4,620** | **6,483** |
| Income Tax | 851 | 726 | 728 | 1,342 | 1,167 | 898 | 916 | 1,312 |
| **Net Profit** | **3,508** | **2,932** | **2,938** | **5,244** | **4,711** | **3,635** | **3,704** | **5,171** |
| Minorities | 4 | 5 | 4 | 4 | 4 | 4 | 4 | 7 |
| **PATMI** | **3,504** | **2,927** | **2,935** | **5,240** | **4,707** | **3,631** | **3,700** | **5,164** |
| *Shares Outstanding (mn shares)* | *3,598* | *3,598* | *3,598* | *3,598* | *3,709* | *3,709* | *3,709* | *3,709* |
| **EPS (VND)** | **974** | **813** | **816** | **1,457** | **1,269** | **979** | **998** | **1,392** |

| Balance Sheet (Quarterly) | 1Q.18 | 2Q.18 | 3Q.18 | 4Q.18 | 1Q.19E | 2Q.19E | 3Q.19E | 4Q.19E |
|---|---|---|---|---|---|---|---|---|
| Cash and precious metals & balance at SBV: | 37,505 | 26,005 | 40,346 | 23,638 | 49,956 | 46,694 | 48,323 | 36,133 |
| Loans and Advances to Banks: | 157,074 | 142,503 | 152,374 | 248,256 | 169,678 | 173,475 | 200,497 | 272,223 |
| ST & Long Term Investments: | 217,635 | 191,161 | 162,859 | 151,950 | 159,775 | 193,869 | 201,408 | 171,164 |
| Other: | 4,343 | 3,290 | 3,228 | 2,753 | 2,601 | 2,733 | 2,883 | 3,100 |
| **Gross Loans:** | **577,615** | **606,053** | **627,951** | **632,632** | **673,022** | **703,308** | **727,572** | **734,755** |
| (-) Specific Provisions: | 5,492 | 5,311 | 6,919 | 5,576 | 6,654 | 6,330 | 6,548 | 6,584 |
| (-) General Provisions: | 4,091 | 4,507 | 4,623 | 4,699 | 5,106 | 5,336 | 5,520 | 5,511 |
| Total provisions: | 9,583 | 9,818 | 11,542 | 10,274 | 11,761 | 11,666 | 12,068 | 12,095 |
| **Net Loans:** | **568,031** | **596,235** | **616,409** | **622,358** | **661,261** | **691,642** | **715,503** | **722,660** |
| Fixed Assets: | 4,128 | 4,044 | 4,204 | 4,460 | 4,295 | 4,247 | 4,329 | 4,737 |
| Intangible Assets: | 1,949 | 1,949 | 1,936 | 2,068 | 2,085 | 2,085 | 2,085 | 2,085 |
| Acrrued interests: | 6,387 | 6,517 | 8,166 | 7,410 | 7,965 | 7,965 | 7,965 | 7,965 |
| Deffered tax: | 6 | 6 | 6 | 7 | 6 | 6 | 6 | 6 |
| Other Assets: | 6,848 | 5,972 | 5,584 | 10,083 | 15,711 | 15,711 | 15,711 | 15,711 |
| **Total Assets:** | **1,003,906** | **977,682** | **995,111** | **1,072,983** | **1,073,332** | **1,138,427** | **1,198,710** | **1,235,784** |
| Deposits: | 730,987 | 764,497 | 773,406 | 802,223 | 838,277 | 881,072 | 929,225 | 903,325 |
| Due to SBV: | 131,381 | 71,701 | 81,235 | 90,685 | 79,114 | 76,686 | 84,440 | 105,452 |
| Due to Banks: | 40,590 | 39,530 | 34,176 | 76,524 | 39,264 | 63,222 | 64,706 | 88,985 |
| Subordinated Notes & Other: | 18,322 | 21,576 | 21,122 | 21,487 | 21,374 | 21,803 | 22,555 | 21,487 |
| Other Liabilities: | 26,560 | 21,775 | 23,646 | 18,175 | 22,310 | 23,314 | 24,119 | 36,540 |
| **Total Liabilities:** | **947,840** | **919,079** | **933,585** | **1,009,094** | **1,000,340** | **1,066,098** | **1,125,045** | **1,155,789** |
| Share Capital & Share Premium: | 36,322 | 36,322 | 36,322 | 36,322 | 42,429 | 42,429 | 42,429 | 42,429 |
| Reserves: | 7,254 | 7,259 | 7,254 | 7,265 | 9,446 | 9,446 | 9,446 | 9,446 |
| Retained Earnings: | 12,217 | 14,737 | 17,650 | 20,030 | 20,846 | 20,183 | 21,519 | 27,802 |
| Asset Revaluation: | 83 | 105 | 107 | 119 | 119 | 119 | 119 | 140 |
| FX diff: | 96 | 81 | 108 | 84 | 80 | 80 | 80 | 99 |
| **Total Equity:** | **55,972** | **58,505** | **61,443** | **63,820** | **72,919** | **72,257** | **73,592** | **79,916** |
| Minority Interests: | 93 | 98 | 84 | 69 | 73 | 73 | 73 | 79 |
| **Total Liabilities & Equity:** | **1,003,906** | **977,682** | **995,111** | **1,072,984** | **1,073,332** | **1,138,427** | **1,198,710** | **1,235,784** |

*Source: Company Data, Yuanta Vietnam;*
*Unit: VND bn*

| OROA Analysis (Annualized) | 2Q.17 | 3Q.17 | 4Q.17 | 1Q.18 | 2Q.18 | 3Q.18 | 4Q.18 | 1Q.19E | 2Q.19E | 3Q.19E | 4Q.19E |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Net II to Avg. Asset | 2.74% | 2.40% | 2.39% | 2.43% | 2.75% | 3.01% | 3.09% | 3.17% | 2.95% | 2.82% | 2.96% |
| Fees / adjusted revenues | 9.6% | 9.7% | 8.3% | 10.6% | 10.0% | 10.2% | 7.4% | 10.1% | 10.4% | 10.1% | 9.1% |
| Trading / adj. revenues | 9.4% | 12.0% | 8.3% | 14.9% | 9.8% | 5.0% | 16.5% | 9.7% | 9.0% | 8.6% | 5.3% |
| Adj. Non-II / adj. revenues | 18.9% | 21.7% | 16.6% | 25.5% | 19.8% | 15.2% | 23.8% | 19.8% | 19.5% | 18.7% | 17.2% |
| Cost / adj. revenues | 45.7% | 46.3% | 35.1% | 48.9% | 45.6% | 45.5% | 16.2% | 41.3% | 42.0% | 41.5% | 23.5% |
| **Adjusted PPOP / Assets** | **1.8%** | **1.6%** | **1.9%** | **1.7%** | **1.9%** | **1.9%** | **3.4%** | **2.3%** | **2.1%** | **2.0%** | **2.7%** |
| Provisioning / Assets | 0.8% | 0.7% | 0.7% | 0.6% | 0.7% | 0.7% | 0.9% | 0.6% | 0.8% | 0.7% | 0.9% |
| “Other income” / Assets | 0.2% | 0.3% | 0.3% | 0.6% | 0.3% | 0.3% | 0.1% | 0.4% | 0.4% | 0.3% | 0.3% |
| Net adj. credit costs/ assets | 0.6% | 0.4% | 0.4% | 0.0% | 0.4% | 0.5% | 0.9% | 0.1% | 0.5% | 0.4% | 0.6% |
| **OROA** | **1.23%** | **1.23%** | **1.41%** | **1.71%** | **1.48%** | **1.49%** | **2.55%** | **2.19%** | **1.64%** | **1.58%** | **2.13%** |
| Leverage (x) | 16.1 | 16.5 | 17.9 | 18.5 | 17.3 | 16.4 | 16.5 | 15.7 | 15.2 | 16.0 | 15.9 |
| OROE | 20% | 20% | 25% | 32% | 26% | 24% | 42% | 34% | 25% | 25% | 34% |

| Selected Calculated Ratios | FY17A | FY18A | FY19E | FY20E | FY21E |
|---|---|---|---|---|---|
| **GROWTH PROJECTIONS** | | | | | |
| Net interest income | 18.4% | 29.5% | 19.3% | 19.2% | 17.5% |
| Fee Income | 20.5% | 34.1% | 30.5% | 29.6% | 26.8% |
| Other NII | 21.6% | 49.5% | -19.7% | 13.3% | 12.9% |
| Operating costs | 19.4% | 14.7% | 13.4% | 17.3% | 15.8% |
| Gross Provision | -2.7% | 19.4% | 16.4% | 14.9% | 14.4% |
| Pre-provision profit | 18.5% | 45.3% | 17.2% | 21.3% | 19.5% |
| Adjusted Net profit | 32.2% | 60.7% | 17.4% | 22.5% | 20.3% |
| Assets | 31.4% | 3.7% | 15.1% | 13.3% | 12.9% |
| **ASSET ANALYSIS** | | | | | |
| Earning assets to total assets | 89% | 97% | 96% | 96% | 97% |
| Average Returns on Earnings Assets | 0.86% | 1.32% | 1.37% | 1.47% | 1.55% |
| **LOAN ANALYSIS** | | | | | |
| Net Loan growth (% YoY) | 18.2% | 16.1% | 16.3% | 14.6% | 13.9% |
| Net Loans to Interest Earnings Assets | 58% | 60% | 61% | 61% | 62% |
| **DEPOSIT ANALYSIS** | | | | | |
| Deposit growth (YoY %) | 20% | 13% | 13% | 13% | 13% |
| Deposits to Interest Bearing Liabilities | 91% | 102% | 100% | 101% | 101% |
| **LIQUIDITY** | | | | | |
| LDR | 76% | 78% | 80% | 81% | 82% |
| **ASSET QUALITY** | | | | | |
| NPL (Category 3-5) | 6,209 | 6,215 | 7,559 | 8,566 | 9,613 |
| NPL ratio | 1.14% | 0.98% | 1.03% | 1.02% | 1.00% |
| General Provisions to Gross loans | 0.74% | 0.89% | 0.90% | 0.90% | 0.89% |
| Total provisions to Gross loans | 1.49% | 1.63% | 1.65% | 1.65% | 1.64% |
| Loan loss coverage ratio | 131% | 165% | 160% | 162% | 164% |
| **SPREAD ANALYSIS** | | | | | |
| Int. rate received on Average IEA | 5.52% | 5.71% | 5.95% | 6.10% | 6.23% |
| Int. rate paid on Average IBL | 3.56% | 3.50% | 3.80% | 3.83% | 3.89% |
| Interest rate spread | 1.96% | 2.20% | 2.14% | 2.27% | 2.33% |
| NIM | 2.62% | 2.90% | 3.05% | 3.19% | 3.30% |
| **OTHER INCOME** | | | | | |
| Fee income to total income | 9.3% | 9.4% | 10.6% | 11.5% | 12.4% |
| Other Non-II to total Income | 10.4% | 11.7% | 8.1% | 7.7% | 7.4% |
| **OPERATING EFFICIENCY** | | | | | |
| Cost to income ratio | 40.4% | 34.7% | 33.9% | 33.3% | 32.8% |
| **CREDIT COSTS** | | | | | |
| Provision/avg. assets | 0.78% | 0.96% | 0.98% | 0.99% | 1.00% |
| **PROFITABILITY** | | | | | |
| Pre provision ROA | 1.49% | 2.09% | 2.13% | 2.28% | 2.41% |
| Pre provision ROE | 29.4% | 36.1% | 32.9% | 33.9% | 34.5% |
| ROA | 1.00% | 1.39% | 1.49% | 1.60% | 1.70% |
| ROE | 18.1% | 25.5% | 24.2% | 24.2% | 24.8% |
| Dividend Yield | 1.2% | 1.2% | 1.4% | 1.9% | 2.4% |
| **VALUATIONS** | | | | | |
| PER (x) | 33.3x | 18.5x | 14.1x | 11.7x | 9.7x |
| PBR (x) | 4.6x | 3.9x | 3.1x | 2.6x | 2.2x |

*Source: Company, Yuanta Vietnam*

| Income Statement (Annually) | Units: | Historical FY17A | FY18A | Projected FY19E | FY20E | FY21E |
|---|---|---|---|---|---|---|
| (+) Interest Income: | VND bn | 46,159 | 55,864 | 65,942 | 77,125 | 89,523 |
| (-) Interest Expense: | VND bn | (24,221) | (27,455) | (32,062) | (36,743) | (42,090) |
| **Total Net Interest Income:** | VND bn | **21,938** | **28,409** | **33,880** | **40,382** | **47,432** |
| (+) Services Income: | VND bn | 5,378 | 7,022 | 8,883 | 11,039 | 13,513 |
| (-) Services expenses: | VND bn | (2,840) | (3,620) | (4,442) | (5,283) | (6,216) |
| Total Net Income from Services: | VND bn | 2,538 | 3,402 | 4,442 | 5,756 | 7,297 |
| (+) Net income from FX: | VND bn | 2,042 | 2,266 | 2,656 | 3,009 | 3,397 |
| (+) Net income from stock: | VND bn | 457 | 250 | 292 | 331 | 374 |
| (+) Net income from investment in associates: | VND bn | 332 | 1,716 | 450 | 510 | 575 |
| Total other Net incomes: | VND bn | 2,831 | 4,232 | 3,398 | 3,850 | 4,346 |
| **Total Net Non-Interest Income:** | **VND bn** | **5,369** | **7,635** | **7,839** | **9,606** | **11,643** |
| **Adjusted Revenue (Net Operating Income):** | VND bn | **27,307** | **36,043** | **41,720** | **49,988** | **59,075** |
| Total Non-Interest Expenses: | VND bn | (11,866) | (13,610) | (15,429) | (18,091) | (20,956) |
| **Pre-provisioning Operating Income (PPOP):** | VND bn | **15,440** | **22,433** | **26,290** | **31,897** | **38,119** |
| Gross Provisions: | VND bn | (6,198) | (7,398) | (8,614) | (9,894) | (11,322) |
| NPL Recoveries: | VND bn | 2,100 | 3,234 | 3,790 | 4,295 | 4,847 |
| Net Provisions: | VND bn | (4,099) | (4,164) | (4,824) | (5,599) | (6,474) |
| **Pre-Tax Income:** | VND bn | **11,341** | **18,270** | **21,466** | **26,298** | **31,644** |
| (-) Income Tax Expense / (+) Tax Benefit: | VND bn | (2,231) | **(3,647)** | (4,293) | (5,260) | (6,329) |
| **Reported Net Income after tax:** | VND bn | **9,111** | **14,622** | **17,173** | **21,039** | **25,316** |
| (-) Minority Interest | VND bn | (20) | (16) | (19) | (24) | (29) |
| **Report Net Income to Common:** | VND bn | **9,091** | **14,606** | **17,154** | **21,015** | **25,287** |
| (-) Bonus & Welfare: | VND bn | (1,916) | (1,711) | (2,009) | (2,461) | (2,962) |
| **Net Attributable Net Income to Common:** | **VND bn** | **7,175** | **12,895** | **15,145** | **18,553** | **22,325** |
| Weighted Average Shares: | M Shares | 3,598 | **3,598** | 3,653 | 3,709 | 3,709 |
| Ending Common Shares: | M Shares | 3,598 | 3,598 | 3,709 | 3,709 | 3,709 |
| **Adjusted Diluted EPS** | | **1,994** | **3,584** | **4,145** | **5,002** | **6,019** |

| Balance Sheet (Annually): | Units: | FY17A | FY18A | Projected FY19E | FY20E | FY21E |
|---|---|---|---|---|---|---|
| Cash and Balances at Central Banks: | VND bn | 103,718 | 23,638 | 36,133 | 35,793 | 36,829 |
| Loans and Advances to Banks: | VND bn | 232,973 | 250,228 | 272,223 | 308,188 | 346,834 |
| Investment Securities - Available for Sale: | VND bn | 139,621 | 151,951 | 171,164 | 193,778 | 218,077 |
| Investment in Associates & others: | VND bn | 4,385 | 2,752 | 3,100 | 3,510 | 3,950 |
| **Gross Loans:** | VND bn | **543,434** | **631,867** | **734,755** | **842,240** | **959,513** |
| (-) Specific Provisions: | VND bn | (3,996) | (5,598) | (6,584) | (7,561) | (8,569) |
| (-) General Provisions: | VND bn | (4,117) | (4,695) | (5,511) | (6,317) | (7,196) |
| Total provisions: | VND bn | (8,113) | (10,294) | (12,095) | (13,878) | (15,765) |
| **Net Loans:** | VND bn | **535,321** | **621,573** | **722,660** | **828,363** | **943,748** |
| Fixed Tangible asset: | VND bn | 4,198 | 4,459 | 4,737 | 5,032 | 5,345 |
| Intangible Assets: | VND bn | 1,964 | 2,068 | 2,085 | 2,085 | 2,085 |
| Accrued interests: | VND bn | 6,026 | 7,409 | 7,965 | 7,965 | 7,965 |
| Deferred tax: | VND bn | 6 | 7 | 6 | 6 | 6 |
| Other Assets: | VND bn | 7,080 | 9,941 | 15,711 | 15,711 | 15,711 |
| **Total Assets:** | VND bn | **1,035,293** | **1,074,026** | **1,235,783** | **1,400,430** | **1,580,550** |
| Deposits: | VND bn | 708,520 | 801,929 | 903,325 | 1,022,670 | 1,150,912 |
| Liabilities to Government and SBV | VND bn | 171,385 | 90,685 | 105,452 | 120,878 | 137,709 |
| Due to Banks: | VND bn | 66,942 | 76,524 | 88,985 | 102,002 | 116,205 |
| Subordinated Notes & Investment Trust: | VND bn | 18,238 | 21,487 | 21,487 | 21,487 | 21,487 |
| Other Liabilities: | VND bn | 17,651 | 21,222 | 36,540 | 39,411 | 43,878 |
| **Total Liabilities:** | VND bn | **982,735** | **1,011,847** | **1,155,788** | **1,306,488** | **1,470,190** |
| Share Capital & Share Premium: | VND bn | 36,322 | 36,322 | 42,429 | 42,429 | 42,429 |
| Reserves: | VND bn | 7,254 | 9,446 | 9,446 | 9,446 | 9,446 |
| Retained Earnings: | VND bn | 8,715 | 16,139 | 27,800 | 41,715 | 58,013 |
| Minorities Interest: | VND bn | 89 | 69 | 81 | 99 | 119 |
| Asset Revaluation: | VND bn | 83 | 119 | 140 | 171 | 206 |
| FX Effect: | VND bn | 94 | 84 | 99 | 122 | 1246 |
| **Total Equity:** | VND bn | **52,558** | **62,179** | **79,995** | **93,982** | **110,359** |
| **Total Liabilities & Equity:** | VND bn | **1,035,293** | **1,074,027** | **1,235,783** | **1,400,430** | **1,580,550** |

*Source: Company data, Yuanta Vietnam*

# APPENDIX I: TERMS FOR PROVISION OF REPORT, DISCLAIMERS AND DISCLOSURES

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| Ratings | Total expected return within the next 12 months |
|---|---|
| BUY | Above 10% |
| HOLD | Between -10% to +10% |
| SELL | Below -10% |

**BUY:** We have a positive outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors add to their position.
**HOLD-Outperform**: In our view, the stock's fundamentals are relatively more attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.
**HOLD-Underperform**: In our view, the stock's fundamentals are relatively less attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.
**SELL**: We have a negative outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors reduce their position.
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