CAMEL Analysis_3Q19 Update **11 November 2019**

Updated ranking of the 18 listed banks based on 3Q19 financial statements

We have updated our rankings of the 18 listed Vietnamese banks based on the CAMEL framework, a fundamental approach to bank analysis that focuses on **C**apital, **A**sset quality, **M**anagement, **E**arnings, and **L**iquidity. For a detailed description of the CAMEL methodology, please see our July 5 report titled "Vietnam Banks CAMEL Analysis – The good, the bad, and the chronically mispriced." We have added the UPCOM-traded National Citizen Commercial Bank (NVB VN) and Vietbank (VBB VN) to our database. The updated rankings in this report are based on the banks' 3Q19 unaudited financial statements, whereas our initial report was based on 2018 audited results. Table 3 inside presents detailed scores on 63 fundamental metrics for each listed bank. Clients of Yuanta Securities who wish to see the underlying data are encouraged to request it from us.

We remain Overweight the banks and continue to suggest a barbell approach comprising 1) a core long position in VCB (BUY) as a proxy on Vietnam's economic development 2) **and an allocation to STB (BUY)** as an undervalued turnaround play (think risk-reward). We also have a BUY recommendation on MBB, HOLD-Outperform on BID, and HOLD-Underperform on HDB.

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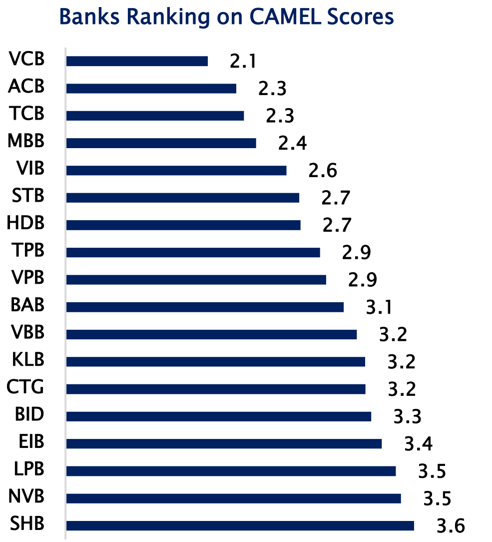
Themes and catalysts

- **Cost efficiency continues to improve.** Adjusted 3Q19 CIR was 44% (+1ppt QoQ / -3ppt YoY).
- **3Q19 PBT** increased by 13% QoQ / 44% YoY among all listed banks.
- **Reduced leverage on stronger capital solvency.** Asset/equity of 14.7x at 3Q19 was down from 15.8x at FY18.

Trends and Risks

- **Rising NPL ratio.** The sector's NPL ratio climbed to 1.76% in 3Q19 (+6bps QoQ / -2bps YoY).
- **Rising funding costs**, especially for the smaller banks with relatively weak funding franchises.
- **Bank stocks outperforming in 4Q19** led by VCB (+12% since Sep 30).



Source: Yuanta Vietnam

__Note:__ We define the CAMEL ratings of 1-5:
1: strong *2: satisfactory*
3: weak *4: poor*
5: unsatisfactory

VCB remains Vietnam's No. 1 CAMEL-ranked bank. VCB's sector-low funding cost remains a core competitive advantage. Fees should be boosted by the bancassurance deal with FWD, including the upfront fee of about US$400 mn and ongoing fees from banca sales. VCB is one of our top picks in the sector.

ACB (Not Rated) and TCB (Not rated) round out the top three. ACB has supplanted TCB as the No.2 CAMEL-ranked bank since our "CAMEL Analysis-2Q19 Update". ACB's improvement was largely due to improved capital (i.e., straight equity/assets of 7.1% was up 30bps QoQ and 70bps YTD), and earnings power (i.e., NIM improved 10bps QoQ, and ROAA was up 5bps QoQ).

STB's CAMEL ranking improved from 8th in 2Q19 to 6th in 3Q19. STB's 9M19 PBT was up 90% YoY. More importantly, asset quality continues to improve as management works through the legacy NPAs. Organic NPLs (i.e., Cat. 3-5 NPLs) declined to 2.00% of gross loans in 3Q19 (-4bps QoQ / -20bps YTD / -1.2ppt YoY). The bank's total nonperforming asset (NPA) ratio (which includes legacy bad debt) fell to 17% in 3Q19 (-1.5ppt QoQ / -4.6ppt YTD / -5.0ppt YoY).

We reiterate BUY on STB, which we see as a turnaround story given its strong core business performance amidst the ongoing legacy bad debt restructuring. The stock remains unloved despite the continued operational improvements. Given its low valuation and wide open FOL, we suggest that foreign institutions take a closer look.

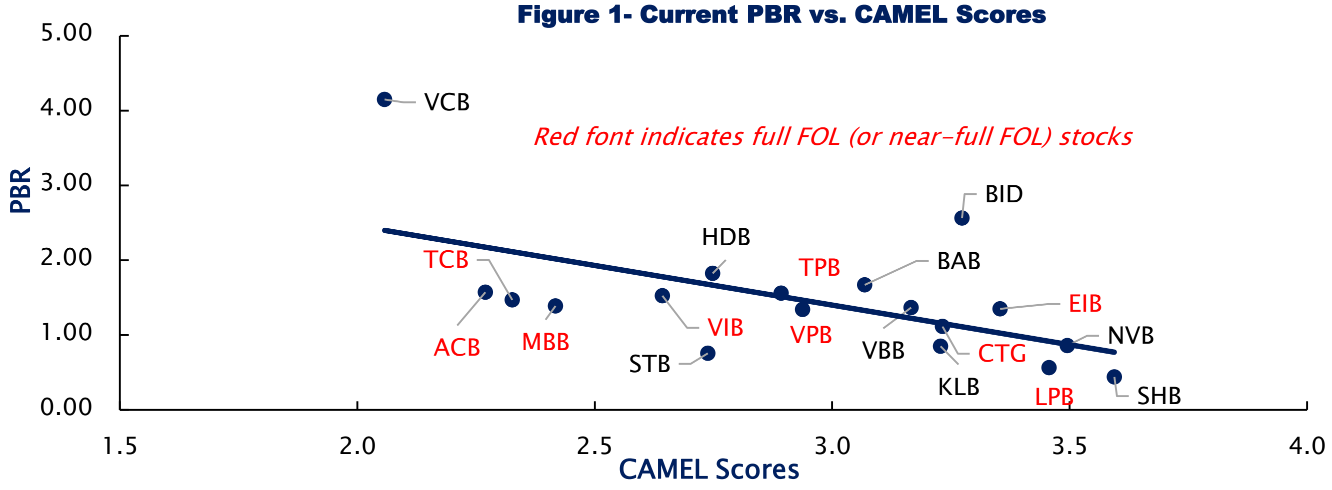
Table 1- Yuanta Vietnam Coverage universe

Yuanta Vietnam Coverage Universe										
Sector	Company	Stock code	Market cap (USDm)	3-month ADT (USDm)	Yuanta Rating	Current price (VND)	Target price (VND)	Up (down) side	2019E Dividend yield	12-m TSR*
Banks	BIDV	BID VN	7,169	1.9	Hold-Outperform	41,350	38,713	-6%	2.2%	-4%
	HD Bank	HDB VN	1,252	2.0	Hold-Underperform	29,600	30,970	5%	0.0%	5%
	MB Bank	MBB VN	2,346	4.4	BUY	23,400	29,880	28%	3.0%	31%
	Sacombank	STB VN	847	1.6	BUY	10,900	14,049	29%	0.0%	29%
	Vietcombank	VCB VN	14,612	2.7	BUY	91,400	92,035	1%	1.0%	2%
Brokers	HCM City Securities	HCM VN	336	1.1	BUY	25,500	29,659	16%	3.7%	20%
	Saigon Securities	SSI VN	485	1.6	Hold-Underperform	22,150	20,811	-6%	4.6%	-1%
	Viet Capital Securities	VCI VN	246	0.1	Hold-Outperform	34,700	39,234	13%	3.6%	17%
	VNDirect Securities	VND VN	127	0.2	BUY	14,150	19,732	39%	4.8%	44%
Energy	PV POW	POW VN	1,368	0.9	BUY	13,550	17,457	29%	2.2%	31%
	PV NT2	NT2 VN	285	0.3	Hold-Outperform	23,000	29,195	27%	8.7%	36%
Consumer	Masan Group	MSN VN	3,875	1.5	BUY	76,900	93,035	21%	2.0%	23%
	Phu Nhuan Jewelry	PNJ VN	823	2.2	Hold-Underperform	85,800	86,300	1%	2.3%	3%
	Digiworld	DGW VN	47	0.7	Hold-Outperform	26,000	31,574	21%	4.5%	26%
Oil & GAS	PV Drilling	PVD VN	303	1.7	BUY	16,700	21,707	30%	0.0%	30%
Property	Nam Long	NLG VN	305	0.8	BUY	28,350	36,400	28%	1.8%	30%
	Novaland	NVL VN	2,300	1.2	Hold-Outperform	58,300	65,000	11%	N/A	12%
	Vinhomes	VHM VN	14,164	2.3	BUY	98,100	94,862	-3%	1.0%	-2%
Transport	Airports Corp Vietnam	ACV VN	7,320	0.3	Hold-Underperform	78,000	76,400	-2%	1.2%	-1%

*Note: TSR = Total shareholder return over the next 12 months inclusive of expected share price change and dividends. Pricing data as of close on Nov 8, 2019.

Source: Bloomberg, Yuanta Vietnam

Figure 1- Current PBR vs. CAMEL Scores



Source: Bloomberg, Yuanta Vietnam

Table 2- Weighted ratings for each component of the CAMEL model

SUMMARY	ACB	BAB	BID	CTG	EIB	HDB	KLB	LPB	MBB	NVB	SHB	STB	TCB	TPB	VBB	VCB	VIB	VPB
Capital	2.7	3.2	3.6	4.1	3.4	2.4	3.1	3.7	2.1	2.9	3.3	3.5	2.1	3.1	3.0	2.5	2.7	1.8
Asset	2.1	2.4	3.6	2.6	3.4	3.4	3.2	3.2	3.0	4.1	4.2	3.2	3.2	3.3	3.1	2.3	3.5	4.3
Management	2.3	3.2	3.6	3.6	4.2	2.2	2.8	3.6	2.8	4.1	3.5	2.3	1.8	2.7	3.5	2.5	2.1	2.9
Earnings	2.3	4.0	3.6	3.4	3.9	1.9	3.8	3.4	1.7	4.3	3.5	3.2	1.7	1.6	3.8	1.7	1.6	2.1
Liquidity	1.9	2.6	2.1	2.5	1.9	3.8	3.3	3.3	2.6	2.1	3.4	1.5	2.8	3.7	2.5	1.3	3.2	3.6
CAMEL Score	2.3	3.1	3.3	3.2	3.4	2.7	3.2	3.5	2.4	3.5	3.6	2.7	2.3	2.9	3.2	2.1	2.6	2.9

Source: Company data, Yuanta Vietnam

- *Note: for CAR metric, we continued to use the 2018A data as we don't have full data for all banks' CARs in 2Q19.*

Table 3- CAMEL RATINGS_3Q19 Update

	3Q19	ACB	BAB	BID	CTG	EIB	HDB	KLB	LPB	MBB	NVB	SHB	STB	TCB	TPB	VBB	VCB	VIB	VPB
Capital Adequacy	CAR	2	5	4	5	1	2	1	3	3	1	3	3	2	3	1	2	2	2
	Equity / Assets	3	3	5	4	2	2	3	4	2	4	4	4	1	3	3	3	3	1
	Equity /Assets + Off BS	3	3	5	4	4	3	2	4	4	4	4	4	3	3	3	4	4	3
	VAMC-adj equity/Assets	3	3	4	3	3	2	2	3	2	3	4	4	1	3	3	3	3	1
	Tangible Equity/Assets	4	3	5	4	3	3	4	4	2	4	5	4	1	3	3	4	3	1
	VAMC adj TE / TA	3	3	5	4	4	2	3	4	2	4	5	4	1	3	3	3	3	1
	Interbank / Assets	2	2	2	3	3	2	4	2	3	2	2	1	3	3	3	4	1	1
	Loans / Assets	5	5	5	5	5	4	5	5	3	2	5	4	3	3	4	3	5	5
	Current FOL room (%)	5	1	1	5	5	4	1	5	1	1	1	2	3	5	1	3	2	3
	Basel II approval	1	5	5	5	5	1	5	5	1	5	5	5	1	1	5	1	1	1
	Trend	1.2	2.5	1.4	2.3	2.4	2.2	4.1	1.4	2.4	2.3	1.7	3.0	3.6	3.8	3.8	1.0	4.4	1.8
Asset Quality	SML ratio	1	1	3	1	1	2	1	1	2	4	4	1	1	3	1	1	2	5
	Type 3 NPL ratio	1	1	1	1	3	1	1	1	2	1	1	1	1	1	1	1	1	5
	Type 4 NPL ratio	1	1	5	3	1	5	3	4	3	5	5	2	3	5	1	2	3	5
	Type 5 NPL ratio	1	1	5	4	3	2	2	3	2	4	5	5	5	2	4	2	5	4
	NPL & SML ratio	1	1	5	3	3	4	2	3	4	5	5	3	3	4	3	2	4	5
	Gross NPL ratio	1	1	4	3	3	2	2	2	3	4	4	3	3	3	2	2	4	5
	Net NPL ratio	2	2	5	4	4	3	3	3	4	5	5	4	4	4	3	3	5	5
	LLR / Gross loans	4	4	1	1	4	3	4	3	1	3	2	2	2	3	5	1	4	1
	LLR / NPLs	1	1	4	1	5	4	3	3	1	5	5	4	4	3	4	1	5	5
	GPs / Performing loans	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5
	SPs / NPLs	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5
	SPs / NPLs + SMLs	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5
	VAMC bonds/ Assets	1	2	1	1	5	3	2	2	1	1	1	1	1	1	2	1	1	2
	Accr. interest/ Assets	1	5	1	1	1	4	5	5	2	5	5	5	3	1	5	1	1	4
	Other receiv./ Assets	2	1	3	2	4	4	5	3	4	5	5	3	2	5	2	2	3	5
	Trend	2.7	3.2	3.5	2.8	2.7	3.1	3.4	3.8	3.9	3.8	4.6	2.5	3.6	3.7	2.4	3.2	2.8	3.4
Management	Fees / Adj income	3	5	4	3	4	4	4	5	3	5	4	1	1	3	5	4	1	4
	Fees / Assets	2	4	3	3	4	4	3	4	2	5	4	2	1	2	5	3	2	2
	Costs / Adj income	3	3	1	2	5	2	5	4	2	5	2	4	1	2	5	1	2	1
	Costs / Assets	4	2	2	2	3	4	4	4	5	2	2	4	4	4	3	2	3	5
	CASA growth	3	1	5	4	5	1	1	5	5	3	5	1	1	5	1	3	5	5
	Credit costs / Assets	1	1	5	4	2	3	1	2	5	1	3	2	1	4	1	3	2	5
	Credit cost adjusted NIM	1	4	5	5	4	1	3	2	1	5	4	4	1	1	3	3	1	1
	Governance rating	3	5	3	4	5	3	4	4	2	5	4	3	4	3	5	2	2	2
	Quality of current management	1	5	3	4	5	2	3	4	1	5	3	1	2	2	5	1	1	2
	Trend	3.0	2.5	3.2	3.4	3.5	1.6	2.0	2.5	3.1	3.4	2.9	1.9	3.7	2.6	3.0	2.3	2.0	3.1
Earnings	NIM	2	5	3	4	4	1	3	2	1	5	4	4	1	1	4	2	1	1
	Fees / adj revenue	3	5	4	3	4	4	4	5	3	5	4	1	1	3	5	4	1	4
	Invest. Inc. / adj rev.	5	5	5	3	2	3	4	5	4	5	5	4	3	1	1	1	5	5
	Total adj non-II / rev.	2	4	3	2	2	3	2	5	1	5	3	1	1	1	3	1	2	4
	Cost / adj revenue	3	3	1	2	5	2	5	4	2	5	2	4	1	2	5	1	2	1
	PPOP / Assets	3	5	2	4	5	1	5	4	1	5	4	5	1	1	5	1	1	1
	Provisioning / assets	1	1	3	1	1	1	1	1	2	1	1	1	1	1	1	1	1	5
	OROA	1	4	5	5	5	1	5	3	1	5	4	5	1	1	5	1	1	1
	Other income / assets	4	5	4	5	5	5	5	5	3	5	5	4	3	5	4	4	4	1
	Pretax ROA	1	4	5	5	5	1	5	4	1	5	4	4	1	1	4	1	1	1
	PAT ROA	1	4	4	4	5	1	4	3	1	5	4	4	1	1	4	1	1	1
	Min. int. / assets	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
	Average Leverage	2	2	5	3	2	2	2	3	2	3	3	3	1	2	2	3	2	1
	PATMI ROE	1	4	3	5	5	1	5	3	1	5	3	4	2	1	5	1	1	1
	Trend	2.4	3.1	3.7	2.2	3.7	1.8	2.8	2.4	1.5	2.4	2.7	2.0	4.0	1.4	3.2	1.6	1.7	2.6
Liquidity	Gross LDR	2	3	3	4	1	5	4	4	3	1	4	1	3	4	2	1	4	5
	Net LDR	2	3	3	4	1	5	4	4	3	1	4	1	3	4	2	1	4	5
	Deposits / Assets	1	1	1	2	1	5	3	3	4	1	3	1	5	5	2	1	4	5
	Deposits / Liabilities	1	1	2	2	1	5	3	3	3	1	3	1	3	5	1	1	4	5
	Current accounts / Deposits	2	5	3	3	3	4	5	3	1	4	4	2	1	2	5	1	3	4
	LTMT loans/CASA	3	5	3	4	5	5	5	5	2	5	5	3	3	5	5	1	5	5
	MT loans / Total loans	1	3	1	1	1	3	3	5	2	4	5	4	4	5	5	1	4	5
	LT loans / Total loans	3	3	3	3	4	2	2	2	3	3	3	2	4	4	2	4	5	2
	ST deposits / LTMT loans	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
	Trend	3.4	2.8	1.8	1.8	2.3	4.0	3.7	4.5	4.4	2.1	4.0	1.7	3.4	4.4	2.3	2.3	2.0	1.8

Source: Fiinpro, Yuanta Vietnam

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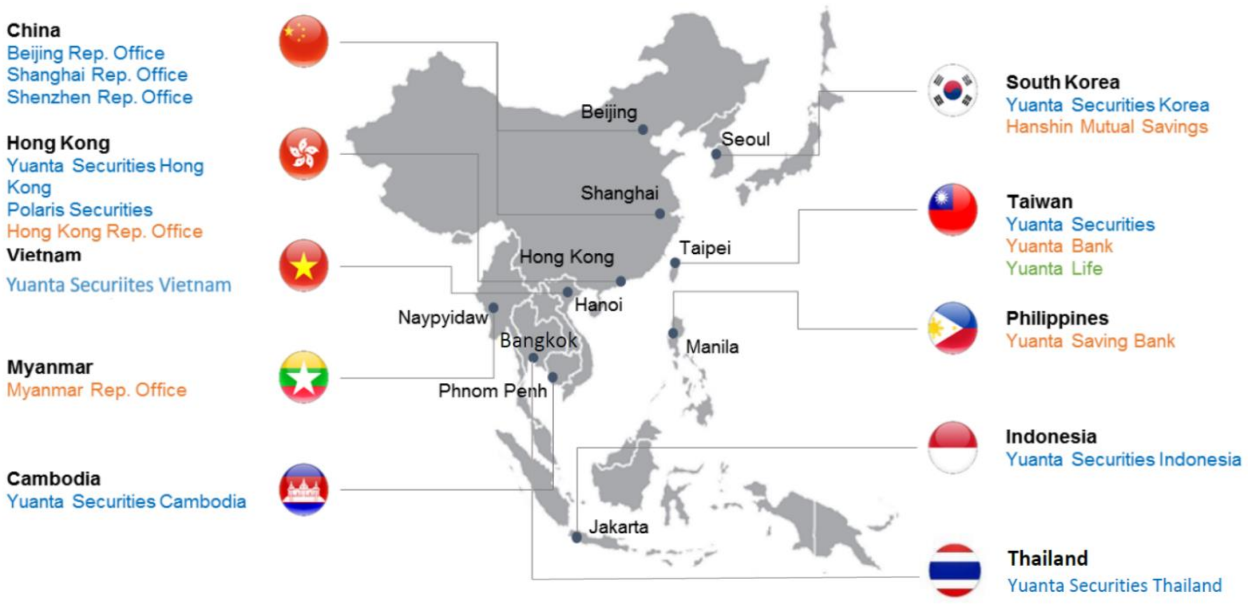

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