

Updated ranking of the 18 listed banks based on 2019 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 Capital, Asset quality, Management, Earnings, and Liquidity. 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.](#)” The updated rankings in this report are based on the banks’ 2019 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 ratios and other data are encouraged to request it from us.

We remain **Overweight** the banks and reiterate **BUY** on [STB](#), [MBB](#), and [VPB](#). We also reiterate **HOLD-Outperform** on [VCB](#) and [BID](#) and **HOLD-Underperform** on [HDB](#).

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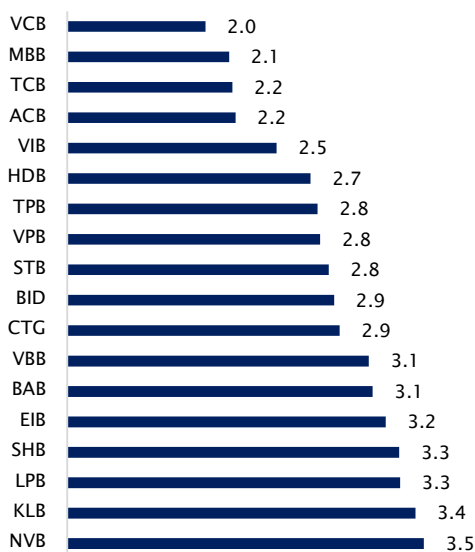
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Themes and catalysts

- **Positive asset quality trend.** The sector’s aggregated NPL ratio was 1.44% (-32bps QoQ / -24 bps YoY) in 4Q19.
- **Cost efficiency continues to improve.** Adj. CIR was 44% in 2019 (-3ppt YoY).
- **2019 NIM of 3.25%** was up 29bps YoY.
- **2019 PBT increased 29% YoY** among all of the 18 listed banks.

Trends and Risks

- **Coronavirus & macro uncertainty:** As a proxy on economic trends, bank shares face short-term risks. But we believe the economic impact will be short-lived and remain Overweight.
- **Funding pressures could dent NIM/asset growth.** Banks must now transfer all treasury deposits to the SBV by the end of each day.

Banks Ranking on CAMEL Scores


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 continues to be a core competitive advantage. We expect that fee income in 2020E will boom thanks to the exclusivity bancassurance deal with FWD.

[MBB](#) (Buy), [ACB](#) (Not Rated) and [TCB](#) (Not rated) round out the top three. MBB has supplanted ACB as the No.2 CAMEL-ranked bank in our [3Q19 CAMEL update](#). MBB’s improvement was largely due to capital solvency (i.e., equity/assets of 9.7% was up 20bps QoQ and 30bps YoY), and profitability (i.e., NIM +34bps YoY, adj. CIR fell -5ppt YoY, and ROAE +2ppt YoY).

[STB](#)’s (BUY) CAMEL score of 2.8 deteriorated slightly QoQ from 2.7. But crucially, STB’s asset quality continues to improve as management works through the legacy NPAs. The bank’s total NPA ratio (which includes legacy bad assets) declined to 16.6% in 4Q19 (-60bps QoQ / -5.2ppt YoY). We reiterate BUY on STB, as we believe that its turnaround story will lead to a rerating.

The journey is the goal. The CAMEL framework allows us to track banks’ fundamental trends through time, and thus (we hope) to identify potential rerating stories before the market does. For example, CAMEL laggard LPB (Not Rated, but ranked 16th on our 4Q19 score card) scored 3.3 on our 4Q19 CAMEL ranking, an improvement on its 3.5 score in 3Q19. This was largely due to its improvement in profitability (i.e. fees/revenues of 6% improved 2ppt QoQ) and solvency (i.e. equity/assets-plus-off-balance-sheet-exposure of 5.4% increased 30bps QoQ). This improvement is meaningful despite LPB’s still-low overall ranking because the stock is trading at 0.6x 2019 P/BV, and the sequential fundamental quality improvement suggests a possible rerating if it continues.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

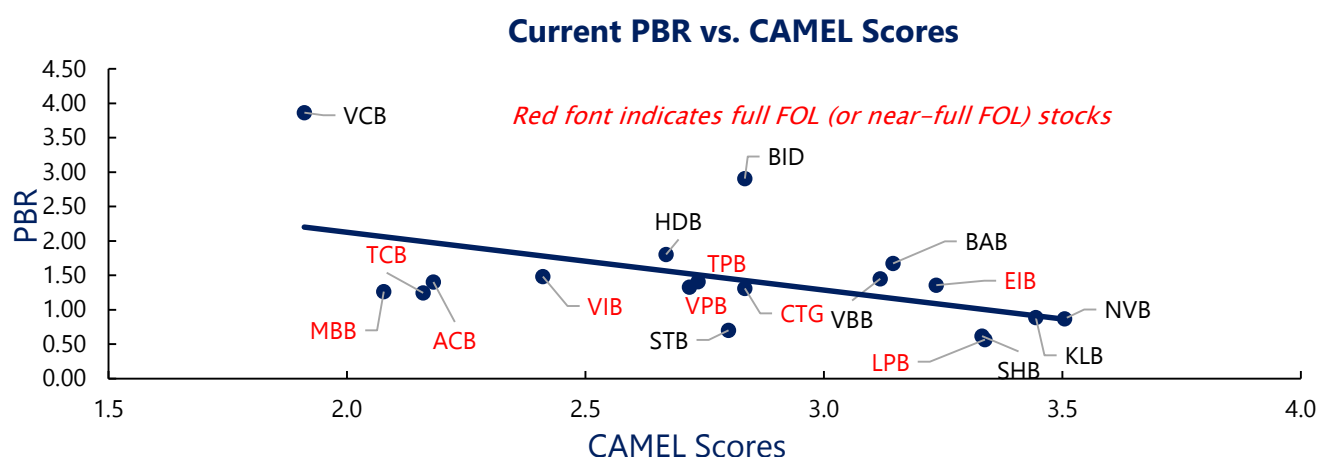
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Table 1- Yuanta Vietnam Coverage universe

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	8,105	1.6	Hold-Outperform	46,700	38,713	-17%	1.9%	-15%
	HD Bank	HDB VN	1,166	2.1	Hold-Underperform	27,550	30,970	12%	0.0%	12%
	MB Bank	MBB VN	2,133	4.0	BUY	21,250	28,694	35%	3.2%	38%
	Sacombank	STB VN	794	1.4	BUY	10,200	14,049	38%	0.0%	38%
	Vietcombank	VCB VN	14,389	2.4	Hold-Outperform	89,900	92,035	2%	0.9%	3%
	Vietnam Prosperity Ba	VPB VN	2,535	1.8	BUY	24,150	25,530	6%	0.0%	6%
Brokers	HCM City Securities	HCM VN	280	1.0	BUY	21,200	29,931	41%	4.5%	46%
	Saigon Securities	SSI VN	400	1.3	Hold-Underperform	18,250	23,525	29%	5.2%	34%
	Viet Capital Securities	VCI VN	206	0.1	Hold-Outperform	29,000	32,437	12%	4.3%	16%
	VNDirect Securities	VND VN	130	0.2	BUY	14,400	13,231	-8%	4.2%	-4%
Energy	PV POW	POW VN	1,182	1.0	BUY	11,700	17,457	49%	2.6%	52%
	PV NT2	NT2 VN	266	0.2	Hold-Outperform	21,450	29,195	36%	9.3%	45%
Consumer	Masan Group	MSN VN	2,901	2.5	BUY	57,500	84,143	46%	0.0%	46%
	Phu Nhuan Jewelry	PNJ VN	843	1.6	Hold-Underperform	86,800	86,300	-1%	2.3%	2%
	Digiworld	DGW VN	42	0.6	Hold-Outperform	23,300	31,574	36%	5.0%	41%
Oil & GAS	PV Drilling	PVD VN	276	1.1	BUY	15,200	19,896	31%	0.0%	31%
Property	Nam Long	NLG VN	291	0.5	BUY	27,000	36,400	35%	1.9%	37%
	Novaland	NVL VN	2,343	0.9	Hold-Ourperform	56,000	65,073	16%	0.0%	16%
	Khang Dien	KDH VN	620	0.4	BUY	26,400	31,081	18%	1.9%	20%
	Vinhomes	VHM VN	12,095	5.1	BUY	85,200	94,862	11%	1.2%	13%
Transport	Airports Corp Vietnam	ACV VN	6,971	0.2	Hold-Underperform	74,200	76,400	3%	1.2%	4%

*Note: TSR = Total shareholder return over the next 12 months inclusive of expected share price change and dividends. Pricing data as of close on Feb 5, 2019.

Source: Bloomberg, Yuanta Vietnam



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 Adequacy	2.8	3.0	2.6	4.1	3.6	2.7	3.1	3.5	2.1	3.0	3.1	3.4	1.8	2.9	3.1	2.7	2.9	2.0
Asset Quality	2.1	2.4	3.2	2.3	3.4	3.0	3.2	3.2	2.7	3.5	3.5	3.4	2.7	3.0	3.3	2.1	3.3	4.1
Management	1.9	3.4	3.1	2.8	3.7	2.1	3.3	3.5	2.0	4.4	3.6	2.4	2.0	2.8	3.5	2.0	1.5	2.1
Earnings	2.1	4.0	3.2	3.0	3.6	2.0	4.2	3.2	1.6	4.2	3.3	3.3	1.6	1.4	3.3	1.8	1.6	2.1
Liquidity	2.0	2.9	2.4	2.4	2.0	3.7	3.5	3.3	2.3	2.4	3.2	1.7	2.6	3.6	2.5	1.4	3.0	3.5
CAMEL Score	2.2	3.1	2.9	2.9	3.2	2.7	3.4	3.3	2.1	3.5	3.3	2.8	2.2	2.8	3.1	2.0	2.5	2.8

Source: Company data, Yuanta Vietnam

Table 3- CAMEL RATINGS_4Q19 Update

2019		ACB	BAB	BID	CTG	EIB	HDB	KLB	LPB	MBB	NVB	SHB	STB	TCB	TPB	VBB	VCB	VIB	VPB	
Capital Adequacy	Tier 1 CAR	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5
	Tier 2 CAR	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5
	CAR	3	1	3	5	1	3	1	1	4	1	1	1	1	3	1	4	4	3	
	Equity Assets	3	3	4	4	2	3	3	4	2	4	4	4	1	3	3	3	3	3	1
	Equity/Assets + Off BS	3	3	4	4	4	3	3	4	4	4	4	4	3	4	4	3	4	3	
	VAMC-adj equity/Assets	3	3	4	3	3	2	3	3	2	4	4	5	1	3	3	3	3	3	1
	Tangible Equity / Assets	4	4	5	4	3	3	4	4	2	5	5	4	1	3	4	4	4	3	1
	Interbank / Assets	2	3	1	3	4	3	4	4	2	4	2	1	3	3	3	5	1	2	
	Loans / Assets	5	5	5	5	5	4	4	5	4	1	5	4	3	3	3	3	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	1	5	5	1	5	5	1	5	5	5	1	1	5	1	1	1	1
	Trend	1.2	3.6	1.4	2.3	3.5	2.2	4.1	1.4	2.0	2.3	1.7	3.0	2.6	2.3	4.2	1.0	4.4	2.2	
	Asset Quality	SML ratio	1	1	3	1	1	2	1	2	2	4	2	1	1	3	1	1	2	5
Type 3 NPL ratio		1	1	1	1	3	1	1	1	2	1	1	1	1	2	1	1	1	5	
Type 4 NPL ratio		1	1	3	1	1	3	1	2	3	4	1	1	1	3	2	1	2	5	
Type 5 NPL ratio		1	1	4	3	3	2	3	4	1	3	5	5	5	1	3	2	5	3	
NPL & SML ratio		1	1	4	2	3	3	2	3	3	5	4	3	3	4	2	2	4	5	
Gross NPL ratio		1	1	3	2	3	2	2	2	2	3	3	3	2	2	2	1	3	5	
Net NPL ratio		2	2	4	3	4	3	3	3	3	4	4	4	3	3	3	2	4	5	
LLR / Gross loans		4	4	2	2	4	3	5	3	3	3	3	2	3	3	5	2	4	1	
LLR / NPLs		1	1	4	1	5	3	3	3	1	4	5	5	2	2	5	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	2	1	2	1	1	1	5	1	1	2	1	1	1	
Accrued interest/assets		1	5	1	1	1	3	5	5	1	5	5	5	3	1	5	1	1	4	
Other receivables/Assets		2	1	3	2	3	5	5	3	4	5	5	3	2	5	2	3	3	4	
Trend		2.6	3.2	2.7	2.6	2.9	2.8	3.8	3.7	3.0	2.1	2.9	2.6	2.8	3.8	3.5	2.4	2.7	2.8	
Management	Fees / Adj income	3	5	3	3	4	4	4	4	3	5	4	1	2	3	5	3	1	4	
	Fees / Assets	2	5	3	3	4	3	4	4	2	5	4	2	2	2	5	3	1	2	
	Costs / Adj income	3	3	2	2	4	2	5	4	2	4	2	5	1	2	4	1	2	1	
	Costs / Assets	4	2	2	2	3	4	4	4	5	2	2	4	4	4	3	2	4	5	
	CASA growth	1	1	2	1	3	1	1	5	1	5	5	1	1	4	1	1	2	1	
	Credit costs / Assets	1	1	5	5	2	3	1	1	5	2	3	3	1	4	1	3	2	5	
	Credit cost adj. NIM	1	4	5	4	4	1	4	2	1	5	4	4	1	2	4	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 management	1	5	3	4	5	2	3	4	1	5	3	1	2	2	5	1	1	2	
	Trend	2.1	3.1	2.8	2.0	3.0	1.6	3.2	2.5	2.3	3.4	3.2	1.6	3.7	3.2	2.4	1.5	1.2	2.2	
AVERAGE RATING		2.1	3.4	3.1	3.0	3.7	2.5	3.3	3.5	2.4	4.1	3.4	2.6	2.2	2.9	3.5	2.1	1.7	2.5	
Earnings	NIM	2	5	3	3	4	1	4	2	1	5	4	4	1	1	4	2	1	1	
	Fees / adj revenue	3	5	3	3	4	4	4	4	3	5	4	1	2	3	5	3	1	4	
	Invest. inc/adj revenue	4	5	4	4	1	4	3	5	3	5	3	4	2	1	1	2	5	5	
	Total adj non-ll/revenue	2	4	2	3	1	3	3	4	1	4	3	1	1	1	1	2	1	3	
	Cost / adj revenue	3	3	2	2	4	2	5	4	2	4	2	5	1	2	4	1	2	1	
	PPOP / Assets	2	5	2	2	5	1	5	4	1	5	3	5	1	1	5	1	1	1	
	Provisioning / assets	1	1	2	2	1	1	1	1	2	1	1	1	1	1	1	1	1	5	
	OROA	1	4	5	4	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	3	4	4	5	3	
	Pretax ROA	1	4	4	4	5	1	5	3	1	5	4	5	1	1	3	1	1	1	
	PAT ROA	1	4	4	3	4	1	5	3	1	5	4	4	1	1	3	1	1	1	
	Minint / assets	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
	Average Leverage	2	2	4	3	2	2	2	3	2	4	3	3	1	2	2	3	2	1	
	PATMI ROE	1	4	3	3	5	1	5	3	1	5	3	4	2	1	4	1	1	1	
Trend	2.3	3.1	3.2	2.5	2.5	1.8	4.5	2.3	1.7	2.2	2.6	1.7	3.2	1.3	1.7	1.7	1.6	2.6		
Liquidity	Gross LDR	2	3	4	4	2	5	4	4	3	1	4	1	3	4	2	1	4	5	
	Net LDR	2	3	3	4	2	5	4	4	3	1	4	1	3	4	2	1	4	5	
	Deposits / Assets	1	2	2	2	1	5	4	3	3	2	2	1	4	5	2	1	3	5	
	Deposits / Liabilities	1	2	2	2	1	5	4	3	3	2	3	1	3	5	2	1	3	5	
	Current accounts/Deposits	2	5	2	2	3	3	5	3	1	4	4	2	1	2	4	1	3	3	
	LTMT loans/Current deposits	3	5	3	3	4	5	5	5	1	5	5	3	2	5	5	1	5	5	
	MT loans / Total loans	1	3	1	1	1	3	3	5	2	5	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	4.0	3.7	3.1	2.4	2.1	4.0	3.7	4.5	3.4	2.5	3.1	2.7	3.4	3.5	2.3	2.8	2.0	1.8	

Source: Fiiipro, Yuanta Vietnam

Appendix A: Important Disclosures

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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.

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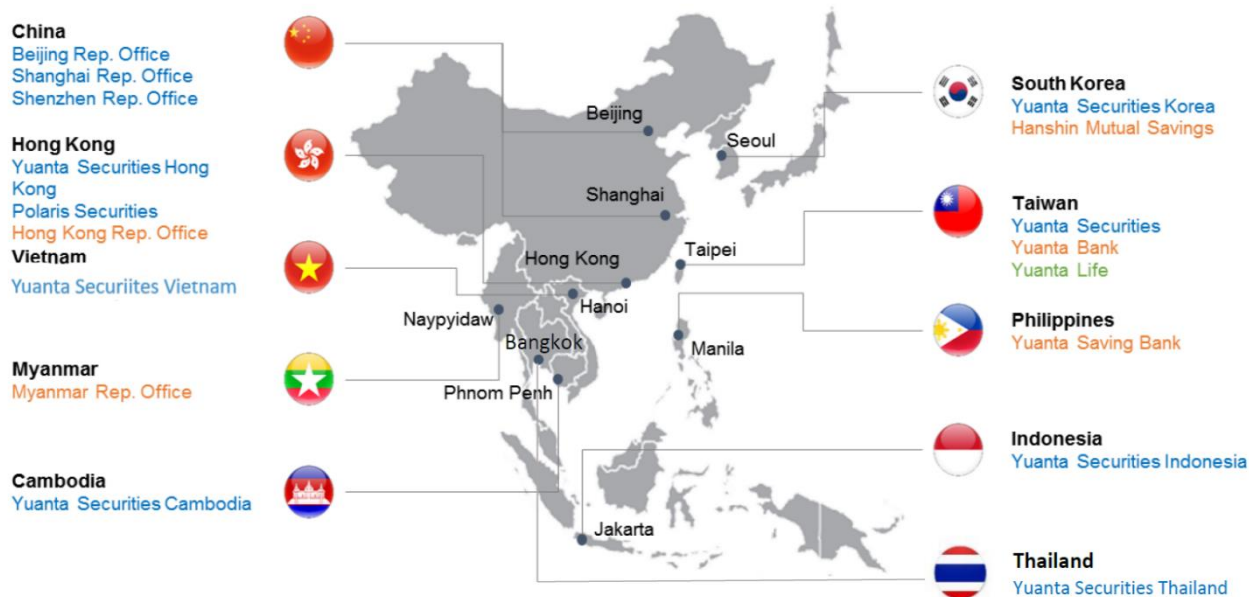
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