

Updated ranking of the 18 listed banks based on 1Q20 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 1Q20 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. As always, Yuanta clients who wish to see the underlying ratios and other data are encouraged to request it from us.

[VCB](#) ranks No 1 and remains top sector pick. We recommend a risk/reward barbell that also comprises [STB](#). Our top SELL is [BID](#).

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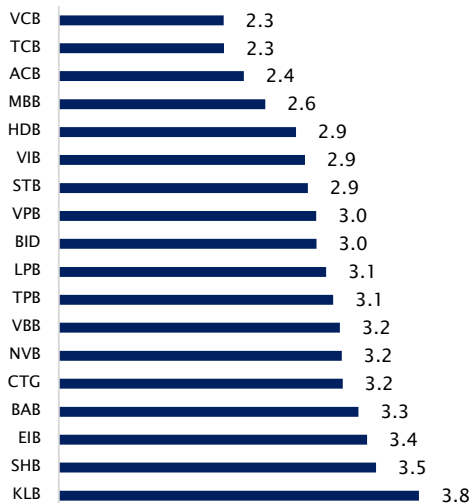
Themes and catalysts

- The sector's 1Q20 results were weak – no major surprise there.
- Sector NIM fell 8bps vs. 2019.
- CASA deposits fell 11% vs. 2019.
- 1Q provisioning +24% QoQ/+34% YoY.
- 1Q PATMI -11.4% QoQ/+3.3% YoY.
- 2Q20 is likely to be worse given falling yields & fees and rising credit costs.

Trends and Risks

- Earnings forecasts for 2020E appear stretched (including our own).
- Credit costs & loan loss reserve ratios are key to monitoring asset quality in 2020...
- ... whereas NPL ratios are less meaningful. Even in normal times, NPL recognition guidelines mean that a bank's NPL ratio is a lagging indicator of its asset quality. But current policy actually *requires* banks to engage in extend-and-pretend behavior.

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 \(BUY\)](#) remains Vietnam's No. 1 CAMEL-ranked bank. Its loan loss reserve (LLR) ratio of 235% (+53ppt QoQ/+66ppt YoY) reflects VCB's prudent approach to building a strong buffer against probable asset quality deterioration due to Covid-19. The macro outlook in 2020 is not great, but VCB remains the highest-quality bank and we see it as the best available play on a still-positive longer term macro story for Vietnam.

[TCB \(Not rated\)](#), [ACB \(Not Rated\)](#), and [MBB \(BUY\)](#) round out the top three. TCB has supplanted MBB as the No.2 CAMEL-ranked bank in our [4Q19 CAMEL update](#). TCB's asset quality has improved slightly (i.e. 1Q20 NPL ratio of 1.09% was down 24bps YTD; LLR ratio was up 23ppt YTD to reach 118% in 1Q20). However, TCB's higher ranking was largely due to the decrease of other banks' CAMEL scores.

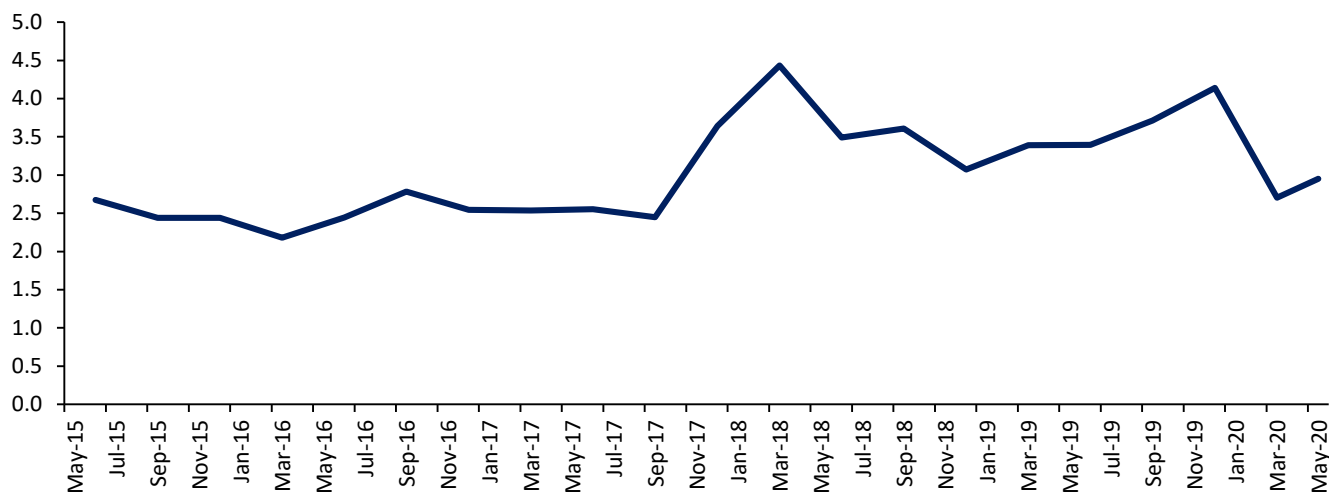
[STB \(BUY\)](#) CAMEL score of 2.9 decreased slightly QoQ, but its ranking jumped from 9th to 7th place. Crucially, STB's asset quality continues to improve, as its NPA ratio (largely legacy bad assets) declined to 15.8% in 1Q20 (-90bps QoQ/-4.1ppt YoY). The crisis may slow STB's turnaround momentum, but its 14% loan growth CAGR in 2016-19 (vs the sector's 16%) suggests relatively low new NPL formation risk.

In the current dismal operational outlook, investors should focus on quality. This informs our top pick call. VCB's 2.5x 2020E P/BV multiple is highly attractive vs its five-year trailing average of 3.0x (see Figure 1 inside) and longer term 20%-plus ROE outlook. For those seeking greater risk/reward, we would add STB.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

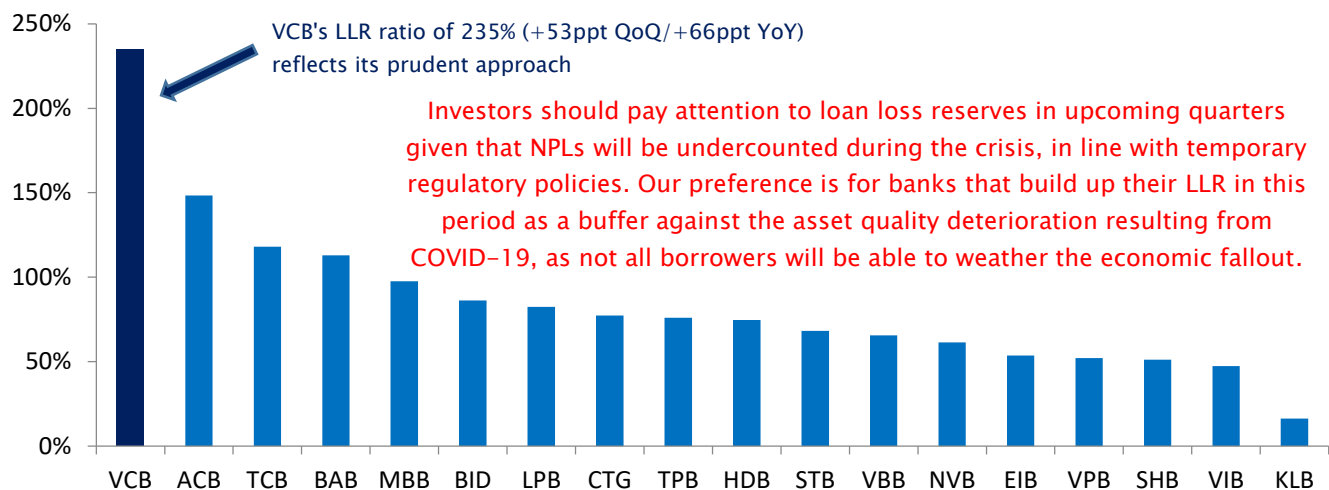
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Figure 1: VCB's historical trailing P/BV (x)



Source: Bloomberg

Figure 2: Loan loss reserve ratios (calculated as LLR / NPLs)



Source: FiinPro, Yuanta Vietnam

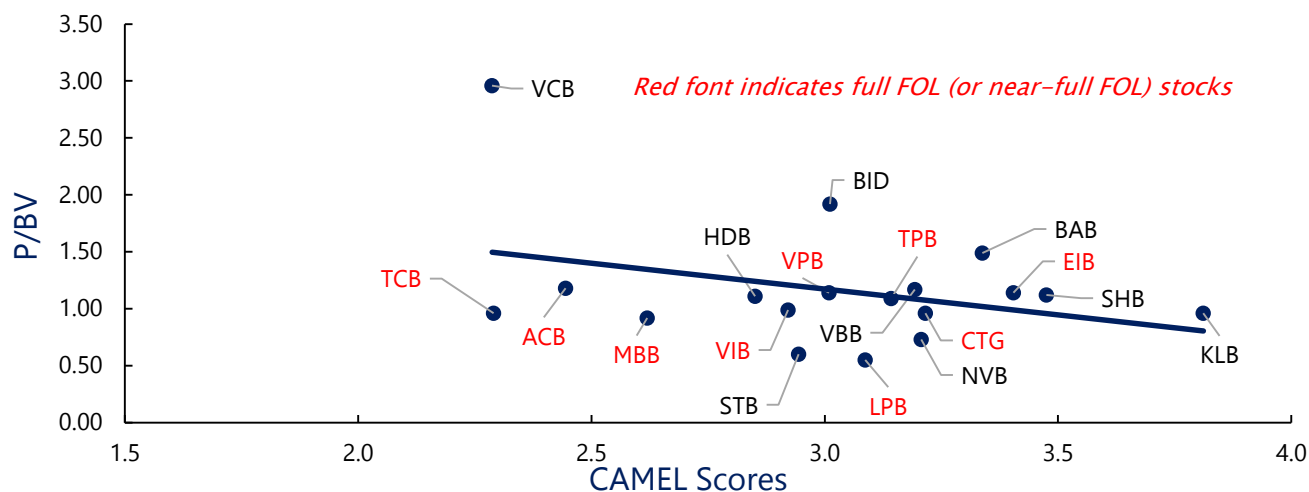
Table 1- Yuanta Vietnam Coverage Universe

Sector	Company	Stock code	Market cap (USDm)	3-month ADT (USDm)	Yuanta Rating	Current price (VND)	Target price (VND)	Up (down) side	2020E Dividend yield	12-m TSR*
Banks	BIDV	BID VN	6,446	2.0	SELL	37,550	37,300	-1%	0.0%	-1%
	HD Bank	HDB VN	878	1.7	Hold-Underperform	21,300	30,970	45%	0.0%	45%
	MB Bank	MBB VN	1,678	5.2	BUY	16,300	25,900	59%	0.0%	59%
	Sacombank	STB VN	719	4.8	BUY	9,340	12,950	39%	0.0%	39%
	Vietcombank	VCB VN	11,034	3.9	BUY	69,700	77,600	11%	0.0%	11%
	Vietnam Prosperity Bank	VPB VN	2,227	4.3	BUY	21,400	25,530	19%	0.0%	19%
Brokers	HCM City Securities	HCM VN	220	1.1	BUY	16,900	29,931	77%	1.7%	79%
	Saigon Securities	SSI VN	339	1.7	Hold-Outperform	13,200	23,525	78%	5.2%	83%
	Viet Capital Securities	VCI VN	133	0.2	Hold-Underperform	19,000	32,437	71%	5.0%	76%
	VNDirect Securities	VND VN	98	0.3	Hold-Underperform	11,000	13,231	20%	4.9%	25%
Energy	PV POW	POW VN	1,020	1.7	BUY	10,200	17,457	71%	2.9%	74%
	PV NT2	NT2 VN	248	0.3	Hold-Outperform	20,150	29,195	45%	12.4%	57%
	PCC1	PC1 VN	110	0.3	BUY	16,150	24,092	49%	0.0%	49%
Consumer	Masan Group	MSN VN	2,934	4.3	BUY	58,800	84,143	43%	0.0%	43%
	Phu Nhuan Jewelry	PNJ VN	553	2.1	Hold-Underperform	57,500	86,300	50%	3.5%	54%
	Digiworld	DGW VN	49	0.5	Hold-Outperform	26,600	31,574	19%	5.4%	24%
OIL & GAS	PV Drilling	PVD VN	172	2.0	Hold-Outperform	9,570	10,429	9%	0.0%	9%
Property	Nam Long	NLG VN	238	0.7	BUY	22,300	36,400	63%	2.2%	65%
	Novaland	NVL VN	2,197	1.5	Hold-Ourperform	53,100	65,073	23%	0.0%	23%
	Khang Dien	KDH VN	491	0.3	BUY	21,150	31,081	47%	2.4%	49%
	Vinhomes	VHM VN	9,492	2.9	BUY	67,600	94,862	40%	1.5%	42%
Transport	Airports Corp Vietnam	ACV VN	5,390	0.5	Hold-Underperform	58,000	76,400	32%	1.6%	33%

*Note: TSR = Total shareholder return over the next 12 months inclusive of expected share price change and dividends. We expect 2020E dividend yields for all banks to be zero, as the SBV has told banks not to pay cash dividends in 2020. Pricing data as of close on May 7, 2020.

Source: Bloomberg, Yuanta Vietnam

Figure 3: Current P/BV 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 Adequacy	3.0	3.3	2.6	4.0	3.6	2.1	3.8	3.1	2.6	3.2	3.5	2.8	2.0	3.2	2.7	2.6	3.2	2.3
Asset Quality	2.3	2.5	3.3	3.1	3.6	3.4	4.0	3.0	3.1	3.9	4.1	3.4	2.6	3.6	3.4	2.2	3.7	4.0
Management	2.7	4.2	3.5	3.5	4.0	2.9	4.0	3.0	2.6	2.8	3.7	3.3	2.6	3.1	4.2	2.9	2.4	2.9
Earnings	2.4	4.2	3.4	3.0	3.5	2.4	4.2	3.6	1.8	4.1	3.6	3.6	1.7	1.8	3.3	2.2	1.9	2.1
Liquidity	1.9	2.4	2.3	2.5	2.3	3.5	3.1	2.7	3.0	2.1	2.6	1.7	2.5	4.0	2.5	1.5	3.5	3.8
CAMEL Score	2.4	3.3	3.0	3.2	3.4	2.9	3.8	3.1	2.6	3.2	3.5	2.9	2.3	3.1	3.2	2.3	2.9	3.0

Source: FiiPro, Yuanta Vietnam

Table 3- CAMEL RATINGS_1Q20 Update

	1Q20	ACB	BAB	BID	CTG	EIB	HDB	KLB	LPB	MBB	NVB	SHB	STB	TCB	TPB	VBB	VCB	VIB	VPB	
Capital Adequacy	CAR	4	5	3	5	5	3	5	3	4	5	5	5	1	3	5	4	4	3	
	Equity/Assets	3	3	4	4	2	2	3	4	2	4	4	4	1	3	3	3	3	3	1
	Equity/Assets + Off B	3	3	4	4	3	3	3	4	4	4	4	4	3	4	4	3	4	3	3
	VAMC-adj equity/Adj. Assets	3	3	4	3	2	2	3	3	1	3	4	3	1	3	3	3	3	3	1
	Tangible Equity/Assets	3	4	4	4	3	2	4	4	2	4	5	4	1	3	3	3	3	3	1
	VAMC adj TE/VAMC adj TA	3	3	4	3	3	2	4	3	1	4	4	4	1	3	3	3	3	3	1
	Interbank/Assets	2	2	2	3	3	2	5	1	3	2	2	1	2	3	2	4	4	1	1
	Loans/Assets	5	5	5	5	5	5	4	5	3	2	5	5	3	3	4	4	5	5	
	Current FOL room (%)	5	1	1	5	5	2	1	5	5	1	1	1	5	5	1	3	5	5	
	Basel II approval	1	5	1	5	5	1	5	1	1	5	5	1	1	1	1	1	1	1	
Trend	1.8	3.3	1.6	1.9	2.3	1.8	5.0	1.9	1.8	1.8	1.8	2.3	2.1	4.2	3.1	1.2	3.1	2.4		
Asset Quality	SML ratio	1	1	3	1	1	2	1	1	2	4	3	1	2	3	2	1	2	5	
	Type 3 NPL ratio	1	1	1	4	3	1	1	1	2	1	2	1	1	3	1	1	1	5	
	Type 4 NPL ratio	1	1	4	2	1	4	2	2	5	3	2	1	1	4	3	1	3	5	
	Type 5 NPL ratio	1	1	4	2	3	2	5	4	1	5	5	5	3	2	3	2	5	2	
	NPL & SML ratio	1	1	5	3	3	4	5	3	4	5	5	3	3	5	3	2	4	5	
	Gross NPL ratio	1	1	3	3	3	2	5	2	3	3	4	3	2	3	2	1	4	5	
	Net NPL ratio	2	2	4	4	4	3	5	3	4	4	5	4	3	4	3	2	5	5	
	LLR / Gross loans	4	4	1	2	4	3	4	3	1	3	3	2	2	2	5	1	4	1	
	LLR / NPLs	1	1	3	4	5	4	5	3	2	5	5	5	1	4	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	1	1	1	2	1	1	1	
	Accrued interest / Assets	1	5	2	1	1	3	5	5	1	5	5	5	4	1	5	1	1	3	
Other receivables / Assets	2	1	3	2	4	5	4	2	4	5	5	3	3	5	2	2	3	4		
Trend	4.0	4.2	3.5	3.8	4.1	4.0	4.1	3.3	3.8	3.4	4.0	3.6	2.7	4.4	3.3	3.4	3.9	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	3	5	3	3	4	3	4	4	2	5	4	2	2	2	5	3	2	2	
	Costs / Adj income	3	3	2	1	4	2	5	4	2	4	2	5	1	2	4	1	2	1	
	Costs / Assets	4	2	2	2	3	4	4	4	4	2	2	4	4	4	3	2	3	5	
	CASA growth	5	5	5	5	5	4	5	5	5	1	5	5	5	5	5	5	5	5	
	Credit costs / Assets	1	1	5	5	2	3	1	1	5	2	3	2	2	4	1	3	2	5	
	Credit cost adjusted NIM	1	4	5	4	4	1	4	2	1	5	4	4	1	2	4	3	1	1	
	Governance rating	0	5	3	4	5	3	4	0	0	0	4	3	4	3	5	1	2	2	
	Quality of management	0	5	3	4	5	2	3	0	0	0	3	1	2	2	5	1	1	2	
	Trend	4.1	4.3	2.9	3.4	3.0	3.5	4.0	3.4	3.9	1.9	3.9	3.8	3.4	4.3	3.0	4.1	3.8	3.2	
Earnings	NIM	2	5	4	3	4	1	5	2	1	5	4	4	1	1	5	3	1	1	
	Fees / adj revenue	3	5	3	3	4	4	4	4	3	5	4	1	2	3	5	3	1	4	
	Investment inc / adj revenue	3	4	3	4	1	5	2	5	3	5	3	4	1	1	1	2	5	4	
	Total adj non-II / adj revenue	2	4	2	2	1	4	3	4	1	4	3	1	1	1	1	2	1	3	
	Cost / adj revenue	3	3	2	1	4	2	5	4	2	4	2	5	1	2	4	1	2	1	
	PPOP / Assets	3	5	2	2	5	1	5	5	1	5	4	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	5	5	4	5	1	5	4	1	5	4	5	1	1	4	1	1	1	
	Other income / assets	4	5	4	5	5	5	5	5	3	5	5	4	4	3	4	5	5	3	
	Pretax ROA	1	4	5	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	3	3	2	2	2	3	2	3	3	3	1	2	2	2	2	1	
	PATMI ROE	1	5	4	3	5	1	5	3	1	5	3	5	2	1	4	1	1	1	
Trend	3.9	4.3	3.4	2.8	2.0	3.8	4.3	3.5	3.0	1.7	3.9	3.2	3.7	3.6	1.7	4.1	3.6	2.6		
Liquidity	Gross LDR	2	2	4	4	2	5	3	4	4	1	4	1	3	5	2	2	4	5	
	Net LDR	2	2	3	4	2	5	3	3	4	1	4	1	3	5	2	1	4	5	
	Deposits / Assets	1	1	1	2	1	5	4	2	5	1	2	1	4	5	2	1	4	5	
	Deposits / Liabilities	1	1	1	2	1	5	4	2	4	1	2	1	3	5	1	1	4	5	
	Current accounts / Deposits	2	5	3	3	3	3	5	3	1	4	4	2	1	3	5	1	3	3	
	LTMT loans/Current deposits	3	5	3	4	5	5	5	5	2	5	5	3	2	5	5	1	5	5	
	MT loans / Total loans	1	3	1	1	1	3	2	5	2	4	5	3	4	5	5	1	3	5	
	LT loans / Total loans	3	3	3	3	4	2	2	2	3	3	3	2	3	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	2.6	3.4	2.1	3.8	2.3	2.7	2.6	4.2	2.2	0.0	3.0	3.2	4.0	2.1	3.2	3.8	3.8	

Source: FiinPro, 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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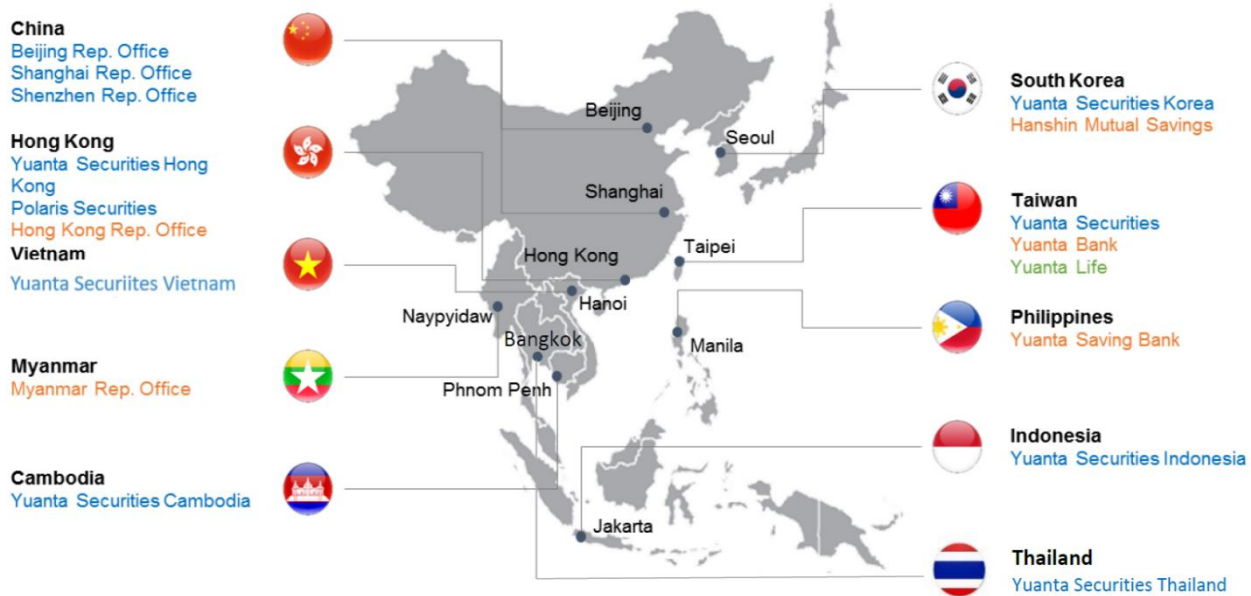
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