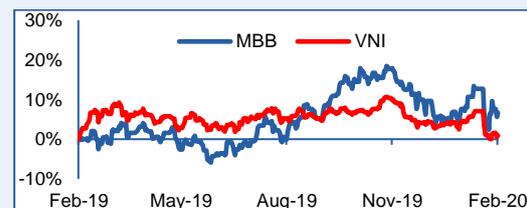


Industry:	Banking		<u>2019</u>	<u>2020F</u>	<u>2021F</u>	<u>2022F</u>
Report Date:	February 13, 2020	PPOP y/y	38.2%	15.8%	13.4%	11.2%
Current Price:	VND21,400	NPAT y/y	30.4%	21.3%	11.4%	11.9%
Current Target Price:	VND32,100	EPS y/y	27.1%	12.5%	11.2%	11.9%
Previous Target Price:	VND34,000	NIM	4.89%	5.05%	5.09%	5.10%
		NPL	1.16%	1.30%	1.40%	1.30%
Upside to TP:	+50.0%	CIR	39.4%	39.4%	39.4%	39.4%
Dividend Yield:	<u>2.8%</u>	P/B	1.3x	1.1x	0.9x	0.8x
TSR:	+52.8%	P/E	6.2x	5.1x	4.6x	4.1x



Market Cap:	USD2.2bn		<u>MBB</u>	<u>Peers</u>	<u>VNI</u>
Foreign Room:	USD0	P/E (ttm)	6.2x	7.5x	16.4x
ADTV30D:	USD6.2mn	P/B (curr)	1.3x	1.4x	2.2x
State Ownership:	0%	ROE	22.1%	21.5%	13.4%
Outstanding Shares:	2.347 bn	ROA	2.0%	1.7%	2.2%
Fully Diluted Shares:	2.347 bn				

Company Overview

Founded in 1994, MBB is the fifth largest bank among our ten coverage banks as calculated by total assets as of December 31, 2019. The bank had its IPO in 2004 and has listed shares since November 2011.

Fundamentally cheap but capital raising result disappoints

- We maintain a BUY rating on MBB due to its strong fundamentals and sound outlook while it is trading under the peer median valuation. We trim our target price by 5.6% as (1) we decrease our aggregate net income during 2020-24F by 2.0% and (2) lower our intermediate growth assumption as we unwind our previous assumption of a capital raise of ~USD240mn in 2020F.
- However, we increase 2020F net income by 7.2% to VND9.8tn (USD420mn, +21.3%) due to a 5.1% lift in pre-provision operating profit (PPOP) — partly offset by a 1.4% lift in provision charges.
- The lift in our 2020F PPOP is mainly derived from our higher 2020 loan growth forecast at 16% vs 14% previously. We believe Circular 22, which sets the LDR cap to be 85% from 2020, will create opportunity for the bank to continue lifting its regulated LDR from the current level of 74%. Therefore, MBB's NIM has headroom for further expansion on the back of increasing LDR and lifting its retail lending portion, in our view.
- MBB's valuation is attractive, in our view, at 1.1x 2020F P/B against the peer median at 1.2x. Our 2020F ROE is 23% against a peer median at 20%. Our target price implies a 2020F P/B at 1.6x.
- Downside risks: CASA ratio downside risk and execution risk in MCredit's development. We expect that MCredit's contribution to the consolidated loan book will stay below 5% during the forecast period. At present, we believe the coronavirus issue is immaterial for MBB.

MBB opened an additional 0.9% of FOL to offload around half of its treasury shares. MBB sold 21.4 million shares (0.9% of outstanding shares) to foreign institutional investors in January 2020. The current FOL of MBB is 20.9% vs 20% previously. We estimate total proceeds to equity was VND579bn/USD25mn. We unwind our previous assumption of a larger equity placement in 2020F. The treasury share sale exercise was done roughly at the same time that IFC sold 56 million shares of CTG to mostly institutional investors, highlighting a lack of appetite for aggressively priced deals.

MCredit's loan growth will slow to mid-20% level during 2020-21, in our view. We project MCredit's contribution to the consolidated loan book will inch up to 4.0% by YE2021 with its growth slow to contain credit costs. Though MBB has not published its current cash loan percentage calculated under Circular 18, we think it is not overly challenging to comply given the smaller ticket sizes at MCredit. We see MCredit as simply providing slight enhancement to consolidated loan yields.

Capital raising catalyst is behind MBB and we currently see no major catalysts — apart from potential inflows of three new ETFs and the unlikely decision to lift FOL independent of capital raising. MBB is fundamentally cheap, but it missed a prime window to capitalize on strong NII and NFI growth in 2019 by delivering what traditionally energizes retail domestic investor interest — a successful capital raising in size. MBB, VPB and TCB can at any time lift their FOL to boost share price performance, but no bank has shown interest in doing so. As mentioned in our strategy report, [Premium growth in a slow growth world](#), the three new ETFs are positive for FOL-full and financial stocks, yet two out of the three – VNFINSELECT and VNDIAMOND – are awaiting approval.

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2019 recap: Earnings slightly beat on high NIM; NPLs contained

Figure 1: MBB's 2019 results

(VND bn)	2018	2019	YoY	% of VCSC's 2019F	VCSC comments
Net interest income	14,583	18,000	23.4%	103%	- NII has delivered strong growth for three consecutive years thanks to the progress of lifting its retail lending portion. The consolidated retail lending portion stood at 40.5% as of YE2019, up from 37.7% in 2018, lifting its loan yield by 75 bps YoY to 8.47% to drive NIM expansion. - MCredit is now making a positive marginal difference to the loan yield as the majority of MCredit's book is cash loans. Our estimate of MCredit's loan book as of YE2019 was VND8.6tn/USD367mn (+57.6% YoY), which contributed 3.4% to the consolidated book.
Net fee income*	3,006	3,833	27.5%	94%	- The net fee income (NFI) growth rate remained sound, but it posted signs of slowing from high base due to insurance services – the largest component in NFI with a 56% contribution. Net fees from insurance/banking services delivered 18%/19% YoY growth.
Total NOII	4,953	6,650	34.3%	99%	- Total NOII was in line with our expectation, due to strong income from recovery of written-off debts (+89% YoY).
Total operating income (TOI)	19,537	24,650	26.2%	102%	
OPEX	(8,734)	(9,724)	11.3%	98%	
PPOP	10,803	14,927	38.2%	105%	
Provision expenses	(3,035)	(4,891)	61.1%	107%	- 2019 consolidated write-offs to gross loans was relatively high at 1.96% vs 0.91% in 2018 due to MCredit's expansion. However, the consolidated NPL ratio was contained at 1.16% as of YE2019 with the loan loss reserve ratio (LLR) remaining fully covered at 110%. - With a 0.98% NPL ratio at the parent bank, we estimate MCredit's NPL ratio at 6.52% as of YE2019. MBB is optimizing profit at these levels of NPLs and credit costs, in our view.
Net profit	6,190	8,069	30.4%	105%	
NIM	4.54%	4.89%	35 bps		
Interest-earning asset yield	7.72%	8.47%	75 bps		
Cost of funds	3.48%	3.97%	49 bps		
CASA ratio**	42.1%	38.4%	-3.7 ppts		
Term deposits in FX (%)	2.0%	1.8%	-0.2 ppts		
CIR	44.7%	39.4%	-5.3 ppts		- Although CIR surged towards year-end due to high staff costs, as expected, yearly CIR posted signs of improvement, which triggers trims in our 2020F forecasts.
NPL	1.32%	1.16%	-16 bps		
Loan growth (YTD)	16.6%	16.6%	0 ppts		- 2019 credit growth stood at 18.7% as the corporate bond balance surged 71.5% YoY.
Deposit growth (YTD)	9.0%	13.6%	4.6 ppts		

Source: MBB & VCSC, units are in VND bn unless otherwise stated - *Net fee income includes FX gains, **CASA volume included demand and margin deposits.

2020 outlook: NIM still has headroom to expand; unwinding our previous 2020F capital raise assumption

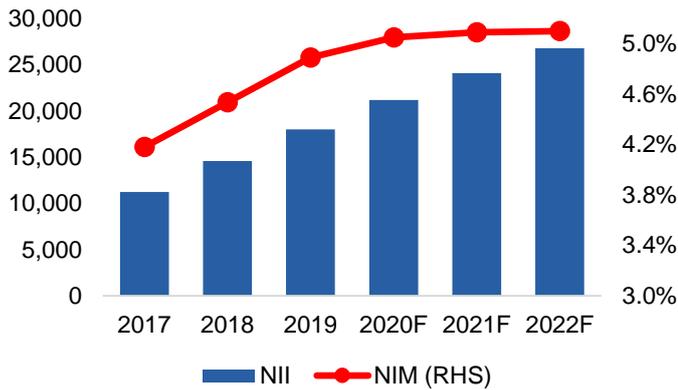
Figure 2: VCSC's 2020 forecasts

(VND bn)	2019	2020F Old	2020F New	2020F New vs 2019	VCSC comments on 2020 forecasts
Net interest income	18,000	19,872	21,183	17.7%	- We lift our 2020F NII by 6.6%, mainly driven by (1) a higher-than-expected 2019 loan book base and (2) our upward revision in 2020F loan growth to 16% vs 14% previously. - We maintain our 2020F traditional retail lending/MCredit portion at 39.3%/3.7%.
Net fee income*	3,833	5,046	4,436	15.7%	- 2019 fee revenue growth slowed relative to superior growth rates in 2017 and 2018 that created a high base. We cut our 2020 NFI forecast by 12%.
Total NOII	6,650	7,758	7,339	10.4%	
TOI	24,650	27,630	28,522	15.7%	
OPEX	(9,724)	(11,190)	(11,238)	15.6%	- We believe MBB is aiming to maintain its CIR below the 40% level and we revise down our 2020F CIR to 39.4% vs 40.5% previously.
PPOP	14,927	16,440	17,285	15.8%	
Provision expenses	(4,891)	(4,981)	(5,050)	3.3%	- We slightly lift our 2020F provision expense by 1.4% and project 2020 provision expenses to gross loans at 1.74% (vs 1.95% in 2019) with LLR remaining fully covered as credit quality is relatively contained. - We maintain our projection that MCredit's loan book growth will slow to the mid-20% level during 2020-21 with the assumption that its portion will remain less than 5% during the forecast period.
Net profit	8,069	9,131	9,788	21.3%	
NIM	4.89%	4.73%	5.05%	16 bps	- We believe NIM has headroom for further expansion as (1) Circular 22 regulates LDR cap at 85% vs 80% previously, thus MBB still has room to leverage its LDR from the current level of ~74%; (2) MCredit's expansion and corporate bond build-up are tailwinds for IEA yield to increase; and (3) strong CASA ratio – although the longevity of Q4 2019's jump still needs to be validated in Q1 2020.
Interest-earning asset yield	8.47%	8.40%	8.69%	22 bps	
Cost of funds	3.97%	4.05%	4.08%	11 bps	
CASA ratio**	38.4%	34.5%	39.0%	0.6 ppts	
CIR	39.4%	40.5%	39.4%	0 ppts	
NPL	1.16%	1.50%	1.30%	14 bps	
Gross loans	250,331	281,453	290,384	16.0%	
Customer deposits	272,710	298,276	308,162	13.0%	
Valuable papers	26,289	27,499	31,117	18.4%	
Total assets	411,488	470,219	468,216	13.8%	
Total equity	37,998	51,130	46,170	21.5%	- MBB only sold around half of its treasury shares in Q1 2020; there is no further official information regarding additional issuance in 2020, which prompts us to unwind our assumption for additional capital raising for the rest of 2020.
ROE	22.1%	20.4%	22.6%	0.5 ppts	
ROA	2.0%	2.1%	2.2%	0.1 ppts	
Regulated LDR	74.1%	74.9%	75.6%	1.5 ppts	

Source: VCSC, units are in VND bn unless otherwise stated - *Net fee income includes FX gains, **CASA volume included demand and margin deposits.

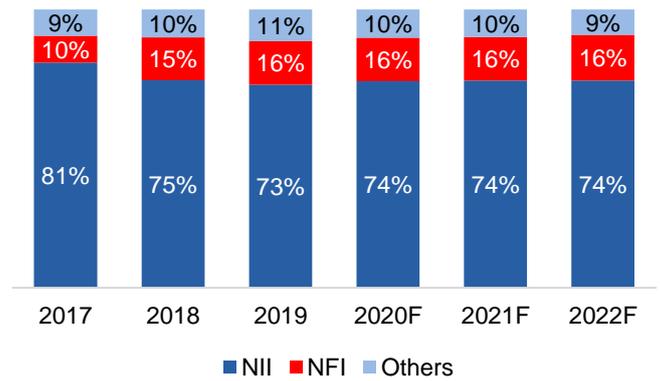
Key figures of MBB

Figure 3: NIM (%) and NII (VND bn) (2017-2022F)



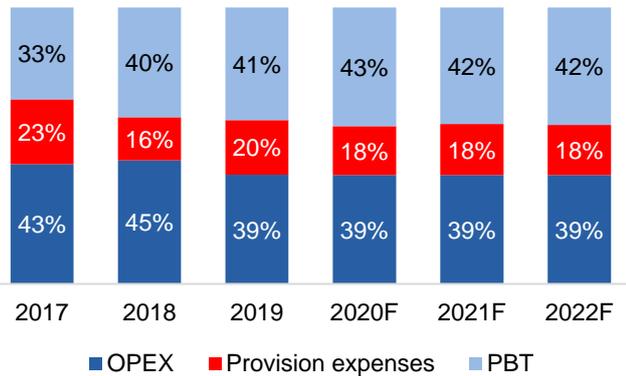
Source: MBB, VCSC

Figure 4: TOI components (2017-2022F)



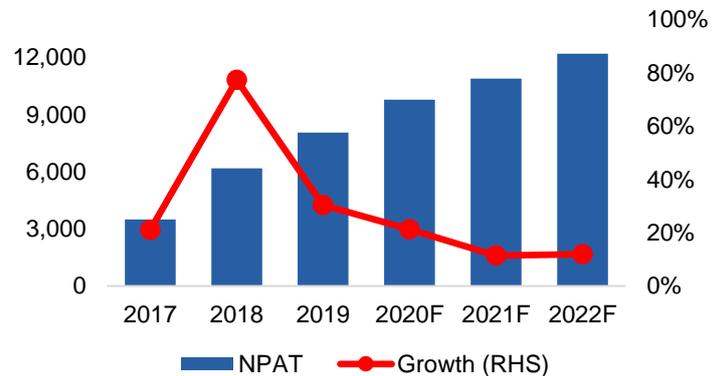
Source: MBB, VCSC

Figure 5: OPEX, provision expenses and PBT as % of TOI (2017-2022F)



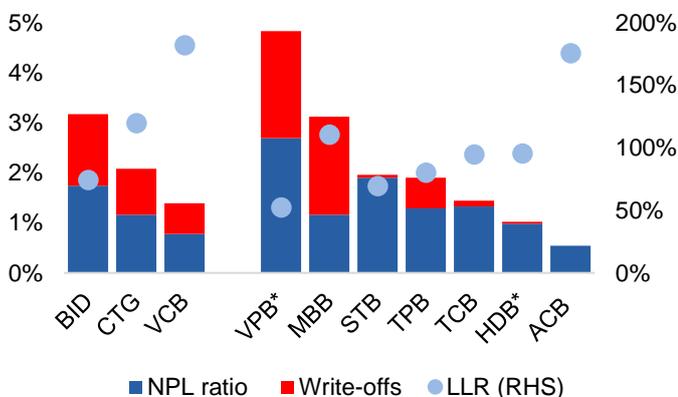
Source: MBB, VCSC

Figure 6: NPAT (VND bn) and growth (%) (2017-2022F)



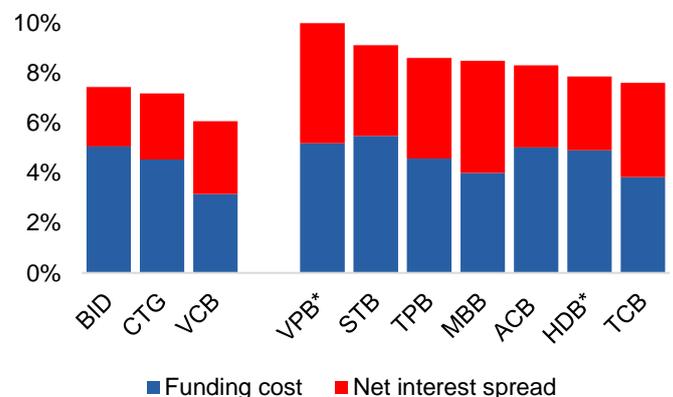
Source: MBB, VCSC

Figure 7: NPL ratio, annualized write-offs over gross loans and LLR of banks under coverage (FY 2019)**



Source: Company data, VCSC – * standalone bank only, ** LLR is percentage of total provision balance over NPLs

Figure 8: Interest-earning asset yields of banks under coverage (FY 2019)



Source: Company data, VCSC - * standalone bank only

Valuation

* We drastically pare down our equity placement estimates discussed in our previous report, [Outlook remains strong: expect capital raising in early 2020](#), dated November 11, 2019, as MBB only sold around half of its treasury shares (21.4 million shares out of a total of 47 million treasury shares). MBB lifted its FOL to 20.9% to offload the aforementioned shares to foreign institutional investors vs 20.0% previously. The current outstanding share count is 2.347 billion.

We utilize two valuation methodologies in estimating our target price, assigning equal weighting for the residual income method and target P/B multiple. Our target price is VND32,100/share.

Figure 9: Cost of equity

Cost of equity	
Risk free rate	4.5%
Beta	1.0
Market risk premium	8.7%
Cost of equity	13.2%

Source: VCSC

Figure 10: Valuation summary

Method	Fair value	Weighting	Contribution
Residual income	81,273 (USD3.49bn)	50%	40,636
Target P/B @ 1.5x 2020F	69,256 (USD2.97bn)	50%	34,628
Composite valuation			75,264 (USD3.23bn)
Number of shares outstanding (bn)			2.347
Target price (VND)			32,100
Upside			50.0%
Dividend yield			2.8%
TSR			52.8%
2020F P/B at TP			1.63x
RATING			BUY

Source: VCSC, units are in VND bn unless otherwise stated

Figure 11: Residual income model

Residual income	2020F	2021F	2022F	2023F	2024F
ROE (Beginning period equity)	25.8%	23.6%	22.4%	20.8%	19.8%
COE	13.2%	13.2%	13.2%	13.2%	13.2%
Economic Margin	12.6%	10.4%	9.2%	7.6%	6.6%
Equity value (Beginning period)	37,998	46,170	54,595	64,035	74,307
Residual income (RI)	4,772	4,812	5,002	4,875	4,903
PV of residual income	4,216	3,755	3,448	2,969	2,638
Sum PV of RI			17,025		
PV of terminal value (3.5% intermediate growth rate for 10 years and 3% perpetual growth)			26,250		
Beginning EV (YE2019)			37,998		
Fair equity value			81,273		
Number of shares outstanding (bn)			2.347		
Fair value per share (VND)			34,627		

Source: VCSC, units are in VND bn unless otherwise stated

As we pare down our equity placement estimates, we revise down our intermediate growth rate for 10 years after the explicit forecast period to 3.5% vs our previous assumption of 7.0%. We maintain our assumption on a perpetual growth rate at 3%. We maintain our forecast that MCredit's contribution to the consolidated loan book will stay below 5% during our explicit forecast period (trending up from 3.4% as of YE2019 to 4.4% by YE2024F).

Comparable peers

MBB is currently trading at a discount of 9.1% to the peer median 2020F P/B at 1.21x (**Figure 12**). Our observation suggests that MBB traded at an average discount of 14.1% to the peer median trailing P/B in the past 12 months.

MBB's return metrics saw strong improvement during 2016-19 with its ROE/ROA rising to 22.1%/2.0% (2019) from 12.1%/1.2% (2016), which was mainly derived from a positive shift toward the retail segment. In addition, the bank's return metrics are high against a peer median ROE/ROA of 21.5%/1.8%.

MBB can maintain its high ROE in coming years as (1) it has capability to continue delivering strong loan growth and (2) its NIM has headroom for further expansion.

However, the fee income revenue growth showed signs of slowing and a capital raise did not materialize as expected. We trim our net income CAGR during 2018-24F to 16% vs 21% previously.

MBB has a competitive advantage against its private peers as ~44% of its equity ownership is SOE-linked (Viettel/SCIC/SaigonNewport/VNHelicopter/Vietcombank own 14.4%/9.6%/7.3%/7.6%/5.0%), which confers an ability to leverage off SOE infrastructure for network and attracting customer deposits in addition to CASA volume from the military.

With strong fundamentals and sound growth outlook, we believe the current valuation is compelling and MBB deserves a re-rate in share price. Taken together, we put the bank at a target 2020F P/B of 1.7x.

Figure 12: Bloomberg consensus forecasts for Vietnamese banks

Bloomberg Ticker	Market Cap. (USD bn)	P/E			P/B			ROE			ROA	Equity Multiplier	NPL
		2019	2020F	2021F	2019	2020F	2021F	2019	2020F	2021F	TTM	2019	2019
ACB VN	1.69	6.66	6.11	5.50	1.41	1.19	1.00	24.6%	20.8%	20.4%	1.68%	13.82	0.54%
BID VN	8.79	21.04	23.16	19.11	2.74	2.44	2.35	13.5%	13.7%	14.5%	0.61%	19.16	1.74%
CTG VN	4.45	10.92	10.72	7.33	1.35	1.24	1.07	13.1%	13.4%	13.4%	0.80%	16.04	1.16%
VCB VN	14.23	17.83	15.77	13.76	3.86	3.05	2.58	25.1%	23.8%	22.4%	1.61%	14.27	0.78%
VPB VN	2.66	7.52	6.46	5.68	1.47	1.23	1.00	21.5%	20.8%	19.6%	2.39%	8.94	3.42%
STB VN	0.88	10.14	7.01	5.46	0.77	0.64	0.57	9.6%	10.3%	13.2%	0.57%	16.96	1.94%
HDB VN	1.20	7.89	7.62	6.68	1.48	1.37	1.19	21.6%	19.5%	19.6%	1.87%	12.84	1.53%
TCB VN	3.34	7.69	7.04	6.07	1.25	1.07	0.92	18.0%	17.0%	16.4%	2.91%	6.18	1.36%
TPB VN	0.75	5.61	5.44	4.66	1.33	1.08	0.89	26.1%	22.4%	21.3%	2.06%	12.59	1.29%
Median		7.79	7.03	5.87	1.38	1.21	1.00	21.5%	20.2%	19.6%	1.78%	13.82	1.33%
MBB VN	2.14	5.90	5.92	4.99	1.30	1.10	0.92	22.1%	21.0%	20.4%	2.06%	10.60	1.16%

Source: Bloomberg as of February 11, 2020

Statistical relationship between ROE and PB for Vietnamese banks:

$$P/B_{it} = \alpha + \beta ROE_{it} + \gamma Dummy_i + \mu_{it}$$

Where:

1. $i = 1, \dots, 10$ (being 10 banks under our coverage)
2. $t = H2\ 2017, \dots, H2\ 2019$ (some banks do not have five entries, hence the dataset is slightly unbalanced). H2 2017 was chosen as the starting point because it captured the listing of VPB and was quickly followed by HDB.
3. ROE = trailing 12-month return on equity
4. Dummy = 1 for majority Government owned banks and 0 for private banks

5. P/B = current price to book ratio

Observations: 47 (42 without VCB)

Notes:

1. We control for AR1 serial correlation
2. Residuals are weighted by the gross loan book to acknowledge that SOE banks have larger balance sheets than private banks
3. Although the Dummy variable is not statistically significant, we find that including the Dummy variable improves the Akaike's Information Criterion (AIC) value of the regression and improves the statistical significance of β

Figure 13: Regression with VCB

Parameter	Estimate	Std. Error	Sig. (p-value)
Intercept	1.042	0.568	0.085
β	0.012	0.018	0.487
γ	0.970	0.970	0.125
Akaike's Information Criterion (AIC)	63.3		

Source: Company data and VCSC

Figure 14: Regression with VCB (six months ago)

Parameter	Estimate	Std. Error	Sig. (p-value)
Intercept	0.749	0.540	0.189
β	0.040	0.021	0.066
γ	0.847	0.467	0.124
Akaike's Information Criterion (AIC)	60.9		

Source: Company data and VCSC

Figure 15: Regression without VCB

Parameter	Estimate	Std. Error	Sig. (p-value)
Intercept	1.055	0.357	0.007
β	0.018	0.015	0.237
γ	0.318	0.294	0.312
Akaike's Information Criterion (AIC)	36.7		

Source: Company data and VCSC

Figure 16: Regression without VCB (six months ago)

Parameter	Estimate	Std. Error	Sig. (p-value)
Intercept	0.742	0.348	0.049
β	0.043	0.017	0.017
γ	0.380	0.244	0.162
Akaike's Information Criterion (AIC)	35.4		

Source: Company data and VCSC

Given that the statistical relationship between P/B and ROE has completely broken down with the addition of H2 2019 data as p-values are above 0.05, which indicate an insignificant relationship, even with exclusion of VCB, we will then temporarily halt calculating a fair P/B based on regression analysis until such time as statistical significance returns.

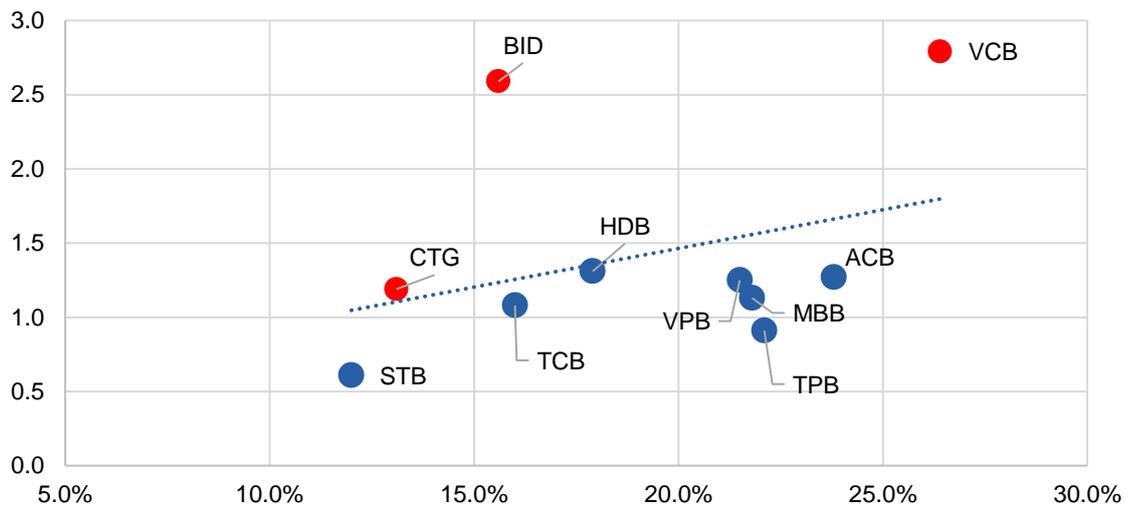
Figure 17: Sensitivity analysis of our 2020F P/B for MBB in relation to ROE derived from the Gordon Growth Model and terminal growth rate, ceteris paribus.

Terminal growth (g)	2020F ROE				
	18.6%	20.6%	22.6%	24.6%	26.6%
1.5%	1.46	1.63	1.80	1.97	2.14
2.0%	1.48	1.66	1.84	2.01	2.19
2.5%	1.50	1.69	1.87	2.06	2.25
3.0%	1.52	1.72	1.92	2.11	2.31
3.5%	1.55	1.76	1.96	2.17	2.38
4.0%	1.58	1.80	2.02	2.23	2.45

Source: VCSC

The above sensitivity matrix illustrates a fair value P/B multiple for MBB at 1.92x using the Gordon Growth Model (GGM) with 2020F ROE of 22.6%, cost of equity at 13.2% (Figure 9) and a terminal growth assumption of 3%. The P/B multiple derived from GGM is 18% higher than our 2020F projected P/B of 1.63x at a TP of VND32,100/share (Figure 10) because we project ROE will trend down toward a sustainable level of 18% at the end of our explicit forecast period.

Figure 18: Vietnam banks P/B (y-axis) and ROE (x-axis) (2020F)



Source: VCSC - Red dots signify SOCB banks, priced on February 10, 2020

Potential downside risks to our positive view: MBB may fail to execute on its high-yield business model (MCredit) due to a failure in risk management and growth strategies, which could lead to a spike in credit costs and/or cost of funds. Other risks include the failure to continue growing its retail franchise/digital banking or a macro-driven banking crisis that leads to a new cycle of NPLs.

* Regarding coronavirus, we believe there will not be a significant spike in official unemployment and that banks will generally be able to accommodate some selected temporary disruption to cash flows among business customers — hence no major spike in NPLs. The issue of coronavirus is immaterial for MBB, in our view.

History of recommendations

Figure 19: Historical VCSC target price vs share price (VND, adjusted for all share issues)



Source: Bloomberg, VCSC

Financial Statements

P&L (VND bn)	2019	2020F	2021F	2022F
Interest inc.	31,197	36,459	41,345	46,007
Interest exp.	(13,197)	(15,276)	(17,258)	(19,218)
Net interest inc.	18,000	21,183	24,087	26,789
Fee & commission inc.	3,186	3,692	4,246	4,980
Other non-interest inc.	3,465	3,648	4,003	4,192
Total non-interest inc.	6,650	7,339	8,249	9,172
Total operating inc.	24,650	28,522	32,336	35,961
Non-interest exp.	(9,724)	(11,238)	(12,740)	(14,169)
Other G&A exp.	-	-	-	-
Total operating exp.	(9,724)	(11,238)	(12,740)	(14,169)
PPOP	14,927	17,285	19,596	21,792
Provision exp.	(4,891)	(5,050)	(5,963)	(6,532)
Other inc./exp.	-	-	-	-
Pre-tax profit	10,036	12,235	13,633	15,260
Taxes	(1,968)	(2,447)	(2,727)	(3,052)
Net profit	8,069	9,788	10,906	12,208
Minorities/pref divs	(246)	(296)	(346)	(396)
Attributable net profit	7,823	9,492	10,560	11,812
Wt avg shares (mn)	2,175	2,345	2,347	2,347
EPS (VND)	3,596	4,047	4,499	5,033
DPS (VND)	600	800	900	1,000

BS (VND bn)	2019	2020F	2021F	2022F
Cash & equivalents	2,344	2,642	2,929	3,250
Balances with SBV	14,347	16,646	18,771	21,018
Due from FIs	39,691	41,676	43,760	45,948
ST investments	83,600	95,538	97,493	99,490
Net customer loans	247,130	286,489	330,566	377,106
HTM	3,197	3,107	3,019	2,934
Long term investments	887	909	937	965
Property & equipment	2,829	2,934	3,044	3,158
Other assets	17,462	18,274	19,608	19,728
Total assets	411,488	468,216	520,127	573,597
Borrowings from SBV	17	17	17	17
IB deposits & borrowings	50,314	59,498	59,498	59,498
Other borrowed funds	302	302	302	302
Customer deposits	272,710	308,162	345,141	386,558
Other financial int.	-	-	-	-
Valuable papers	26,289	31,117	35,329	38,862
Other liabilities	21,971	20,872	22,959	21,811
Shareholders' equity	37,998	46,170	54,595	64,035
MI	1,888	2,077	2,284	2,513
Liabilities & equity	411,488	468,216	520,127	573,597

RATIOS (%)	2019	2020F	2021F	2022F
Growth				
Loan growth	16.6	16.0	15.5	14.0
Deposit growth	13.6	13.0	12.0	12.0
TOI growth	26.2	15.7	13.4	11.2
PPOP growth	38.2	15.8	13.4	11.2
NPAT growth	30.4	21.3	11.4	11.9
Asset quality				
Group 2 / loans	1.16	1.50	1.50	1.50
NPL ratio	1.16	1.30	1.40	1.30
LLR	110.5	103.2	102.8	105.5
Provision exp. / loans	1.95	1.74	1.78	1.71
Liquidity				
CAR under Basel I	10.5	11.6	12.0	12.5
Regulated LDR	74.1	75.6	79.2	81.9

RATIOS (%)	2019	2020F	2021F	2022F
Profitability				
NIM	4.89	5.05	5.09	5.10
Int-earning asset yields	8.47	8.69	8.74	8.76
Funding costs	3.97	4.08	4.11	4.15
CIR	39.4	39.4	39.4	39.4
ROE decomposition (as % of avg total assets)				
NII	4.65	4.82	4.87	4.90
Provisions	-1.26	-1.15	-1.21	-1.19
Post-provision NII	3.39	3.67	3.67	3.70
Non-Interest inc.	1.72	1.67	1.67	1.68
Operating exp.	-2.51	-2.55	-2.58	-2.59
Taxes & MI	-0.57	-0.62	-0.62	-0.63
ROAA	2.02	2.16	2.14	2.16
Equity Mult. (x)	11.0	10.5	9.8	9.2
ROAE	22.1	22.6	21.0	19.9

Source: Company data, VCSC

VCSC Rating System

Stock ratings are set based on projected total shareholder return (TSR), defined as (target price – current price)/current price + dividend yield, and are not related to market performance.

Equity rating key	Definition
BUY	If the projected TSR is 20% or higher
OUTPERFORM	If the projected TSR is between 10% and 20%
MARKET PERFORM	If the projected TSR is between -10% and 10%
UNDERPERFORM	If the projected TSR is between -10% and -20%
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Target prices are generally based on the analyst's assessment of the stock's fair value over a 12-month horizon. However, the target price may differ from the analyst's fair value if the analyst believes that the market will not price the stock in line with assessed fair value over the specified time horizon.

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