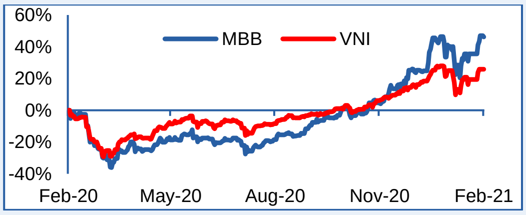
VIET CAPITAL SECURITIES

Military Bank (MBB) [MARKET PERFORM +8.9%]

Update Report

			2020	2021F	2022F	2023F
Industry:	**Banking**					
Report Date:	**February 24, 2021**	PPOP y/y	12.6%	20.8%	14.9%	11.8%
Current Price:	VND27,000	NPAT y/y	6.7%	27.9%	17.4%	15.5%
Current Target Price:	VND29,400	EPS y/y	-4.2%	28.0%	17.7%	15.7%
Previous Target Price*:	VND22,700	NIM	4.73%	5.04%	5.21%	5.23%
		NPL	1.09%	1.20%	1.20%	1.20%
Upside to TP:	+8.9%	CIR	38.6%	38.5%	38.5%	38.0%
Dividend Yield:	0.0%	P/B	1.6x	1.3x	1.1x	0.9x
TSR:	+8.9%	P/E	8.8x	6.9x	5.8x	5.1x



			MBB	Peers	VNI
Market Cap:	USD3.2bn				
Foreign Room:	USD0	P/E (ttm)	8.8x	9.4x	17.9x
ADTV30D:	USD19.5mn	P/B (curr)	1.6x	1.8x	2.5x
State Ownership:	0%	ROE	20.0%	20.2%	13.7%
Outstanding Shares:	2.799 bn	ROA	1.9%	1.82%	2.2%
Fully Diluted Shares:	2.799 bn	** Adjusted for a 100:0.9237 stock bonus in Jan 2021*			

Company Overview

Founded in 1994, MBB is the fourth largest bank in our coverage universe as calculated by total assets as of December 31, 2020. The bank had its IPO in 2004 and has listed shares since November 2011.

Nghia Dien
Senior Analyst
nghia.dien@vcsc.com.vn
+84 28 3914 3588 ext. 138

Long Ngo
Associate Director
long.ngo@vcsc.com.vn
+84 28 3914 3588 ext. 123

Stable deposit cost to support 2021 NIM expansion

- We raise our target price (TP) by 29% but downgrade our rating to MARKET PERFORM from OUTPERFORM as MBB's share price has increased ~41% over the last three months. We increase our TP as we (1) increase our aggregate net income forecast for 2021-2025 by 27% relative to our previous forecast and (2) increase our target P/B to 1.3x vs 1.05x previously.
- We increase our 2021F net income by 17% vs our previous forecast to VND11.0tn (USD472mn; +27.9% YoY) as (1) our 13% increase in pre-provision operating profit (PPOP) more than offsets (2) a 5% increase in our provision expenses assumption.
- We project 2021F loan growth at 20% YoY with mortgages being the main driver. We expect a high CASA ratio combined with stable deposit costs to support NIM expansion to 5.04% in 2021.
- We project MBB will not have any Circular 01 restructured loans by YE2021. We increase our assumed percentage of restructured loans that will ultimately perform to 75% vs 60% previously.
- We believe MBB is slightly undervalued at a 2021F P/B of 1.3x as MBB has sufficient regulatory capital buffer to capture growth opportunities. Our TP implies a 2021F P/B at 1.4x.
- Upside risks: Higher-than-expected increase in retail lending portion in the consolidated loan book; better-than-expected performance of restructured loans may require less provision charges.
- Downside risks: CASA ratio downside risk and execution risk in MCredit's development; failure to contain NPLs and credit costs; prolonged COVID-19 pandemic leading to higher NPLs.

MBB entered a partnership agreement with Novaland (NVL) on January 12, 2021. Accordingly, MBB will provide banking services for NVL and its customers. Though the partnership is not exclusive, we expect MBB will benefit from a boost in primary mortgages from NVL's 2021 projects (e.g., Aqua City in Dong Nai and Novaland Ho Tram). VPB entered a similar agreement with NVL in 2015, which helped VPB to achieve a mortgage loan CAGR of 26% in 2017-2020 relative to the parent bank's gross loan CAGR of 17% during the same period. We project MBB will deliver 20% YoY loan growth in 2021 with retail loans (excluding MCredit) growing 26% YoY. Together with our expectation for stable deposit cost, we expect NIM will expand to 5.04% (+31 bps YoY) in 2021.

C.01 restructured loans sharply declined in Q4 2020, paving the way for declining provisions/loans. C.01 restructured loans dropped to VND2.5tn (0.8% of gross loans) as of YE2020 relative to VND5.1tn (1.9% of gross loans) as of end-Q3 2020. We project MBB will not have any restructured loans by YE2021 (see page 4 for details). Due to increasing our assumption for the percentage of restructured loans that will ultimately perform to 75% vs 60% previously, we revise down our 2021F/2022F write-offs assumption to 1.60%/1.50% of gross loans vs 1.85%/1.70% previously and 1.67% in FY2020. Together with MBB's contained credit quality and strong provision buffer (loan loss reserve ratio of 134% as of YE2020), we believe MBB's provision expenses to gross loans peaked in 2020 at 2.05%; we project this ratio will trend down to 1.83%/1.71% in 2021/2022.

2020 Recap: Credit growth, NIM showed strength in Q4

Figure 1: MBB's consolidated 2020 results

VND bn	2019	2020	YoY	2020 vs VCSC's 2020F	VCSC comments
Net interest income	18,000	20,278	12.7%	105%	- 2020 NII surpassed our forecast by 5% due to higher-than-expected loan growth.
Net fee income*	3,833	4,361	13.8%	109%	- Pure fee income revenue was up 28% YoY. However, net fee income (NFI) was dragged down by a 44% YoY increase in fee expenses that could be related to the CASA attraction drive, in our view. 2020 FX income increased 21% YoY. Net fees from insurance services were strong (+78% YoY), contributing 89% to 2020 pure NFI.
Total NOII	6,650	7,084	6.5%	103%	
TOI	24,650	27,362	11.0%	104%	
OPEX	(9,724)	(10,555)	8.6%	107%	
PPOP	14,927	16,807	12.6%	102%	
Provision expenses	(4,891)	(6,118)	25.1%	108%	- 2020 provision charges to gross loans of 2.05% were in line with our expectation. The loan loss reserve ratio (LLR) was at 134% as of YE2020 — a historic high.
Net profit	8,069	8,606	6.7%	100%	
NIM	4.89%	4.73%	-16 bps		- 2020 NIM was at 4.73%, which was in line with our 2020F at 4.74%. However, NIM moved in a positive direction in Q4 (+18 bps QoQ). Funding cost continued to track down in Q4 relative to Q3 2020 amid rate cuts and an increase in CASA ratio to 40.9% as of YE2020 (+2.5 ppts YoY) — the highest level since Q4 2018.
IEA yield	8.47%	7.64%	-83 bps		
Cost of funds	3.97%	3.28%	-69 bps		
CASA ratio**	38.4%	40.9%	2.5 ppts		
Term deposits in FX (%)	1.8%	1.4%	-0.4 ppts		
CIR	39.4%	38.6%	-0.8 ppts		- CIR trended up in Q4 due to staff costs, which was in line with our general expectation and resulted in FY2020 CIR of 38.6% (-0.8 ppts YoY and +1.3 ppts relative to 9M 2020).
NPL ratio	1.16%	1.09%	-7 bps		- Credit quality was contained. We detect no major movement in Group 2 (special mention) loans and accrued interest levels.
Loan growth (YoY)	16.6%	19.2%	2.6 ppts		- 2020 consolidated credit growth was 22.9% YoY, which was derived from (1) 19.2% YoY loan growth and (2) an 88% YoY increase in corporate bond balance. The corporate bond balance inched down 0.8% QoQ in Q4 2020 — in line with our expectation. - The parent bank's loan growth was 18.8% YoY in 2020 (+10.2% QoQ in Q4 2020). The retail portion in the parent bank's loan book climbed to 42.5% as of YE2020 vs 37.7% as of H1 2020 and 38.8% as of YE2019. The margin lending book at the brokerage arm surged 53% YoY, which contributed 1.4% to the consolidated loan book as of YE2020 (+0.3 ppts YoY). - Loan growth at MCredit (consumer finance arm) returned to positive growth in Q4 2020 (+27% QoQ). MCredit's loan book size as of YE2020 was VND10.2tn/USD437mn (+18.9% YoY), which contributed 3.4% to the consolidated loan book (unchanged relative to YE2019).
Deposit growth (YoY)	13.6%	14.0%	0.4 ppts		

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

VIET CAPITAL SECURITIES

2021F: We expect NIM expansion in 2021

Figure 2: VCSC's 2021 forecasts

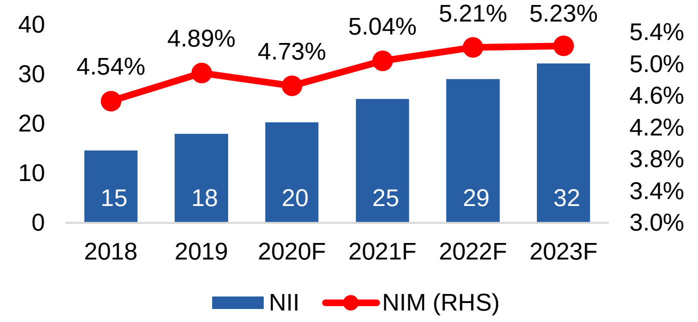
VND bn	2020	2021F old	2021F new	2021F new vs 2020	VCSC comments on 2021 forecasts
Net interest income	20,278	21,786	25,003	23.3%	- We increase 2021F NII by 15% vs our previous forecast as (1) we raise 2021F loan growth to 20% vs 15% previously on a higher-than-expected 2020 loan book and (2) increase 2021F consolidated NIM by 17 bps to 5.04% vs 4.87% previously.
Net fee income*	4,361	4,460	5,104	17.0%	- We increase our 2021F NFI by 14% relative to our previous forecast, which is derived from stronger-than-expected insurance service performance in 2020.
Total NOII	7,084	7,498	8,007	13.0%	- Our 2021F total non-interest income (NOII) increases by 7% relative to our previous forecast, which is mainly derived from our increase in NFI.
TOI	27,362	29,284	33,010	20.6%	
OPEX	(10,555)	(11,274)	(12,709)	20.4%	- Our 2021F TOI and OPEX both increase by 13% relative to our previous forecasts as we maintain our 2021 CIR assumption at 38.5%. We expect an average CIR of ~38% during our explicit forecast period (2021-2025).
PPOP	16,807	18,010	20,301	20.8%	- Our 2021F PPOP increases 13% relative to previous forecast.
Provision expenses	(6,118)	(6,210)	(6,540)	6.9%	- We increase our 2021F provision expenses by 5% vs our previous forecast due to our increased loan growth forecast. - However, the increase in provision expenses is lower than our increase in NII forecast as we (1) revise down our 2021F NPL ratio to 1.20% vs 1.45% previously and (2) cut our 2021F write-offs to gross loans to 1.60% vs 1.85% previously due to our revised assumption on the percentage of restructured loans that will perform to 75% vs 60% previously in addition to a lower-than-expected restructured loan level.
Net profit	8,606	9,440	11,009	27.9%	- Our 2021F net income increases by 17% relative to our previous forecast as (1) a 13% increase in PPOP more than offsets (2) a 5% increase in our provision expenses assumption.
NIM	4.73%	4.87%	5.04%	31 bps	- As mentioned, Q4 2020 NIM showed positive strength. The retail segment mainly drove strong consolidated loan growth in Q4 2020. Together with our view of stable deposit cost in 2021, we believe MBB's NIM will expand in 2021.
IEA yield	7.64%	8.18%	7.95%	31 bps	
Cost of funds	3.28%	3.78%	3.31%	3 bps	
CASA ratio**	40.9%	37.8%	41.0%	0.1 ppts	
CIR	38.6%	38.5%	38.5%	-0.1 ppts	
NPL ratio	1.09%	1.45%	1.20%	11 bps	
Gross loans	298,297	318,108	357,956	20.0%	- We increase our 2021F loan growth to 20.0% YoY vs 15.0% previously following our expectation of a stronger economic backdrop in 2021 relative to 2020. - Our 2021F consolidated credit growth is 19.9% YoY, which is derived from our 2021F loan/corporate bond growth assumption of 20.0%/19.0%. - We expect retail loans (excluding MCredit) will grow at 26% YoY and contribute 42.5% to the gross loan book (+2 ppts YoY), which will mainly be driven by mortgages from MBB's partnership with Novaland. We expect MCredit's loan growth to reach 16% YoY, which will contribute 3.3% to the consolidated loan book.
Customer deposits	310,960	305,980	351,385	13.0%	
Valuable papers	50,924	41,883	56,066	10.1%	
Total assets	494,982	490,723	554,681	12.1%	
Total equity	47,907	57,799	58,538	22.2%	- We expect MBB will continue to not pay cash dividend in 2021.
ROE	19.2%	17.1%	20.0%	0.8 ppts	
ROA	1.8%	1.9%	2.0%	0.2 ppts	
Regulated LDR	74.3%	80.1%	80.3%	6.0 ppts	

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

We project MBB will not have any C.01 restructured loans by YE2021. MBB experienced a sharp decline in restructured loans in Q4 2020 relative to end-Q3 — both in absolute terms and as a percentage of loans. Under the promulgation of Cir.01, banks can restructure commercially feasible loans but retain group classifications for these loans that were disbursed before January 23, 2020. In addition, the loans shall not be restructured for more than 12 months from the initial repayment deadline according to the loan agreement. Therefore, in the event there is no amendment to Cir.01 that touches upon the disbursement eligibility period, we project restructured loans will continue to trend down in the coming months and that 75% of MBB's restructured loans at YE2020 will return to normal status by YE2021.

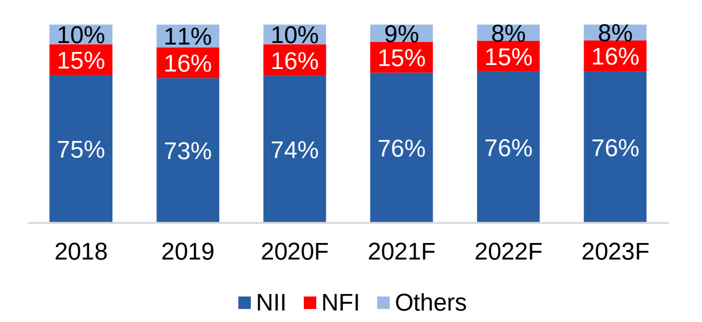
Key figures of MBB

Figure 3: NIM (%) and NII (VND tn) (2018-2023F)



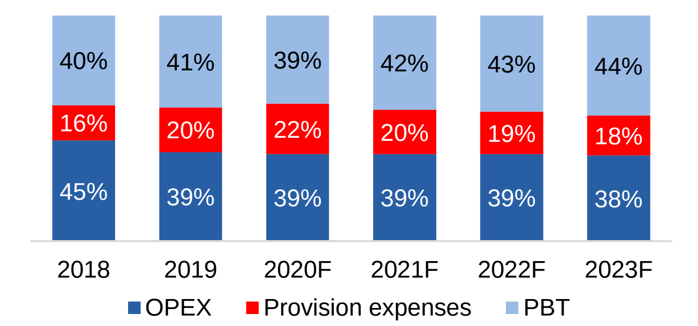
Source: MBB, VCSC

Figure 4: TOI components (2018-2023F)



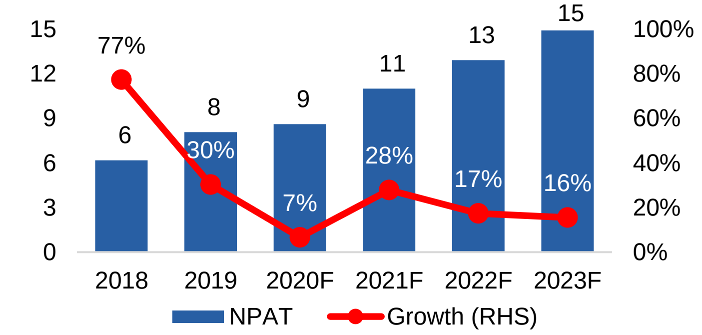
Source: MBB, VCSC

Figure 5: OPEX, provision expenses and PBT as % of TOI (2018-2023F)



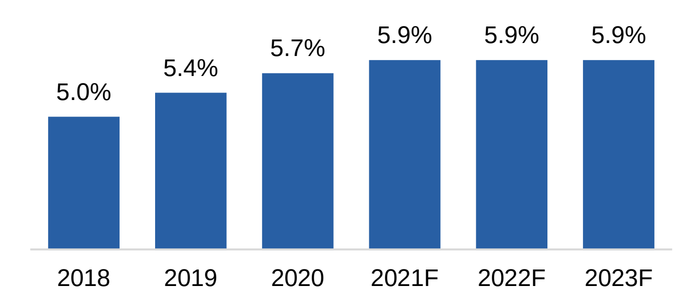
Source: MBB, VCSC

Figure 6: NPAT (VND tn) and NPAT growth (%) (2018-2023F)



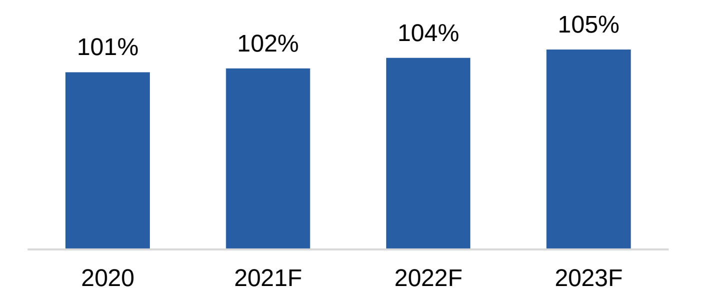
Source: MBB, VCSC

Figure 7: Lending market share in our coverage universe (2018-2023F)



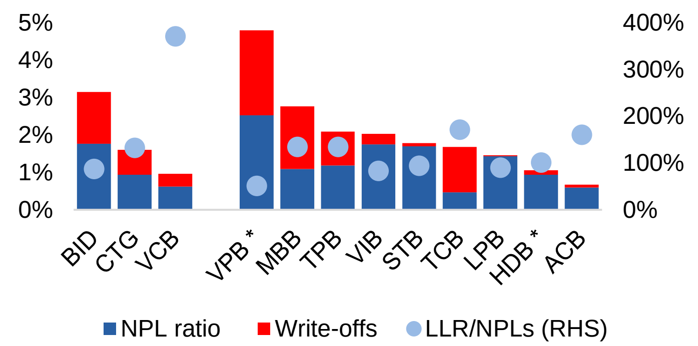
Source: Company data, VCSC

Figure 8: RWAs as % of total assets (2020-2023F)



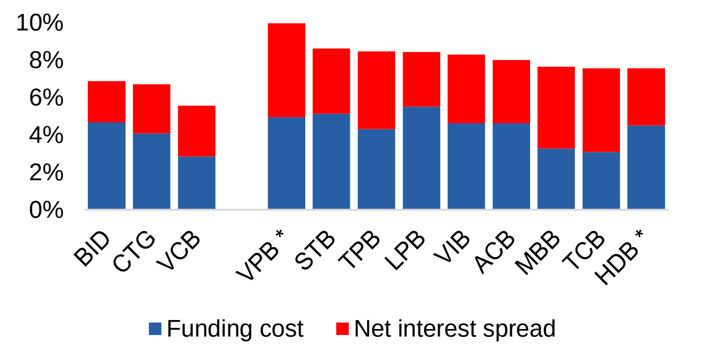
Source: MBB, VCSC

Figure 9: NPL ratio, annualized write-offs over gross loans and LLR of banks under coverage (FY 2020)**



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

Figure 10: Interest-earning asset yields of banks under coverage (FY 2020)



Source: Company data, VCSC - * standalone bank only

Valuation

We utilize two valuation methodologies in estimating our target price, assigning equal weighting for the residual income method and target P/B multiple. We maintain our cost of equity assumption at 13.0%. Our target price (TP) is VND29,400/share.

Figure 11: Cost of equity

Cost of equity	
Risk free rate	3.1%
Beta	1.0
Market risk premium	9.9%
Cost of equity	13.0%

Source: VCSC

Figure 12: Valuation summary

(VND bn)	Fair value	Weighting	Contribution
Residual income	88,555 (USD3.80bn)	50%	44,277
Target P/B @ 1.3x 2021F	76,099 (USD3.27bn)	50%	38,050
Composite valuation			**82,327 (USD3.53bn)**
Number of shares outstanding (bn)			2.799
Target price (VND)			**29,400**
Upside			8.9%
Dividend yield			0.0%
TSR			8.9%
2021F P/B at TP			1.41x
RATING			**MARKET PERFORM**

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

Figure 13: Residual income model

(VND bn)	2021F	2022F	2023F	2024F	2025F
ROE (Beginning period equity)	23.0%	22.1%	21.0%	19.1%	17.3%
COE	13.0%	13.0%	13.0%	13.0%	13.0%
Economic Margin	10.0%	9.1%	8.0%	6.1%	4.3%
Equity value (Beginning period)	47,907	58,538	71,047	85,520	101,393
Residual income (RI)	4,781	5,315	5,694	5,258	4,340
PV of residual income	4,231	4,162	3,946	3,225	2,356
Sum PV of RI			17,920		
PV of terminal value (3% intermediate growth rate for 10 years and 2.5% perpetual growth)			22,729		
Beginning EV (YE 2020)			47,907		
Fair equity value			**88,555**		
Number of shares outstanding (billion)			2.799		
Fair value per share (VND)			**31,641**		

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

We maintain our assumption for an intermediate growth rate of 3% for 10 years after the explicit forecast period as well as our assumption for a perpetuity growth rate of 2.5% due to intensifying competition in the consumer finance space.

However, our perpetuity growth rate assumption for MBB remains higher than our assumption for VPB and HDB at 2% as we expect that MCredit's contribution to the consolidated entity will remain below 5% during our explicit forecast period and embed the assumption that consumer finance will always be a minor part of MBB at the consolidated level.

Comparable peers

MBB's share price has increased 18% YTD as of February 24, 2021. MBB is currently trading at a 14% discount to the peer median 2021F P/B at 1.5x (**Figure 15**). Our observation suggests that MBB traded at an average discount of 17% to the peer median trailing P/B in the past 12 months.

MBB has traded at an average discount of 25% to ACB's trailing P/B over the past five years (**Figure 14**) with an average ROE during 2016-2019 of 17.4% vs 19.5% at ACB, which has a similar loan book size and IEA yield. MBB is currently trading at a 19% discount to ACB's trailing P/B as of February 24, 2021.

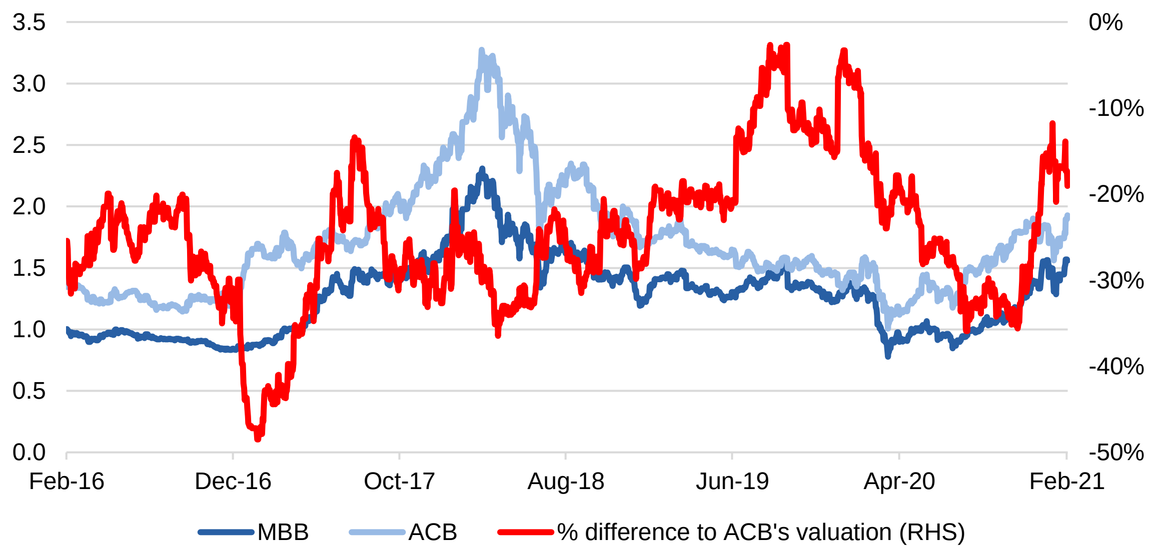
MBB's successes in the past decade have derived not so much from credit extension activities but instead from strategic decisions taken at the board level. During the last credit downturn, the decision to pivot into Government bonds to minimize credit losses and profit from trading bonds — and later the decision to partner with Ageas and move to form a JV in consumer finance — were handled better than at most of its competitors, in our view. However, in the core operation of lending and deposit gathering, we view MBB's execution as satisfactory rather than outperforming vs the sector based on its ability to grow its retail book and penetrate the mortgage market. Meanwhile, on the deposit side, we also believe that questions remain on the transparency of CASA sourcing.

In our view, the largest re-rating catalyst up until now was the capital raising plan at MBB in 2019, which was when the valuation gap with ACB narrowed (**Figure 14**). However, the result of the capital raising was disappointing. With this failure, we believe the best chance MBB had at re-rating has passed. We do not foresee any major catalysts in the next 12 months for MBB to close its P/B rating gap with ACB.

We also believe that MBB's IR activities lag behind peers in terms of the regularity of its analyst briefings.

Taken together and given the persistent discount compared to ACB amid the lack of a strong catalyst for a re-rating, in our view, we set our 2021F target P/B for MBB at 1.30x against our target P/B for ACB at 1.65x. In this Update Report, we increase our target P/B to 1.30x vs 1.05x previously, which is primarily because of our (1) 27% increase in our aggregate net income forecast for 2021-2025 and (2) 3-ppt lift in our average ROE forecast over 2021-2025 to 18% vs 15% previously.

Figure 14: Historical trailing P/B of MBB and ACB over the last five years



Source: Bloomberg, VCSC

Figure 15: Bloomberg consensus forecasts for Vietnamese banks

Bloomberg Ticker	Market Cap. (USD bn)	P/E			P/B			ROE			ROA	Equity Multiplier	NPL
		2020	2021F	2022F	2020	2021F	2022F	2020	2021F	2022F	TTM	2020	2020
ACB VN	2.9	8.7	8.2	7.0	1.90	1.59	1.33	24.3%	21.1%	20.3%	1.86%	12.5	0.59%
BID VN	7.7	24.9	19.0	12.6	2.32	2.03	1.80	9.4%	12.2%	15.4%	0.47%	19.0	1.76%
CTG VN	6.0	10.1	10.3	8.2	1.62	1.45	1.23	16.9%	15.3%	16.0%	1.06%	15.7	0.94%
VCB VN	16.3	20.4	18.7	14.8	3.80	3.23	2.73	20.5%	19.9%	21.2%	1.45%	13.4	0.62%
VPB VN	4.3	9.5	9.1	8.1	1.89	1.61	1.31	21.9%	18.8%	17.6%	2.62%	7.9	3.41%
STB VN	1.5	12.6	14.3	9.8	1.16	1.12	1.00	9.6%	8.6%	11.1%	0.57%	17.0	1.70%
HDB VN	1.8	9.6	7.6	6.6	1.77	1.33	1.12	20.2%	19.0%	18.5%	1.55%	12.9	0.87%
TCB VN	5.9	11.0	9.9	8.7	1.83	1.55	1.32	18.1%	17.2%	16.5%	2.99%	5.9	0.47%
TPB VN	1.2	7.9	7.8	6.6	1.71	1.45	1.20	23.5%	19.9%	19.7%	1.89%	12.3	1.18%
VIB VN	1.8	9.0	8.2	6.8	2.32	1.85	1.40	28.8%	26.6%	24.3%	2.16%	13.6	1.74%
LPB VN	0.9	8.5	8.7	5.3	1.11	1.06	0.91	13.9%	13.6%	17.9%	0.84%	17.0	1.43%
Median		**9.6**	**9.1**	**8.1**	**1.83**	**1.55**	**1.31**	**20.2%**	**18.8%**	**18.5%**	**1.82%**	**12.9**	**1.09%**
MBB VN	**3.3**	**9.1**	**7.7**	**6.5**	**1.57**	**1.30**	**1.12**	**19.2%**	**18.7%**	**19.0%**	**1.82%**	**9.9**	**1.09%**

Source: Bloomberg as of February 22, 2021, VCSC

Figure 16: Sensitivity analysis of our 2021F P/B for MBB in relation to ROE derived from the Gordon Growth Model and terminal growth rate, ceteris paribus

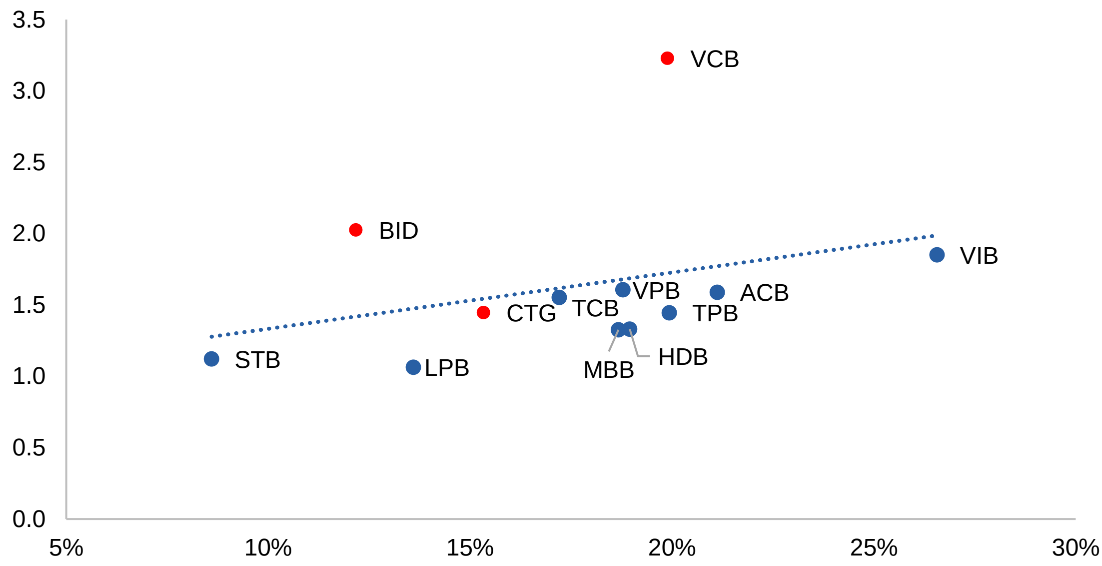
		Average ROE during 2016-2025F				
		13.7%	**15.7%**	**17.7%**	**19.7%**	**21.7%**
Terminal growth (g)	**1.5%**	1.06	1.23	1.41	1.58	1.76
	2.0%	1.06	1.25	1.43	1.61	1.79
	2.5%	1.07	1.26	1.45	1.64	1.83
	3.0%	1.07	1.27	1.47	1.67	1.87
	3.5%	1.07	1.28	1.49	1.71	1.92
	4.0%	1.08	1.30	1.52	1.74	1.97

Source: VCSC

The above sensitivity matrix illustrates a fair value P/B multiple for MBB at 1.45x using the Gordon Growth Model (GGM) with our average ROE during 2016-2025F at 17.7%, cost of equity at 13.0% (**Figure 11**) and a terminal growth assumption of 2.5%.

The P/B multiple derived from GGM is 11% higher than our 2021F target P/B multiple of 1.30x as we project ROE will trend down in the coming years to ~15% at the end of our explicit forecast period in 2025.

Figure 17: Vietnam banks P/B (y-axis) and ROE (x-axis) (2021F)



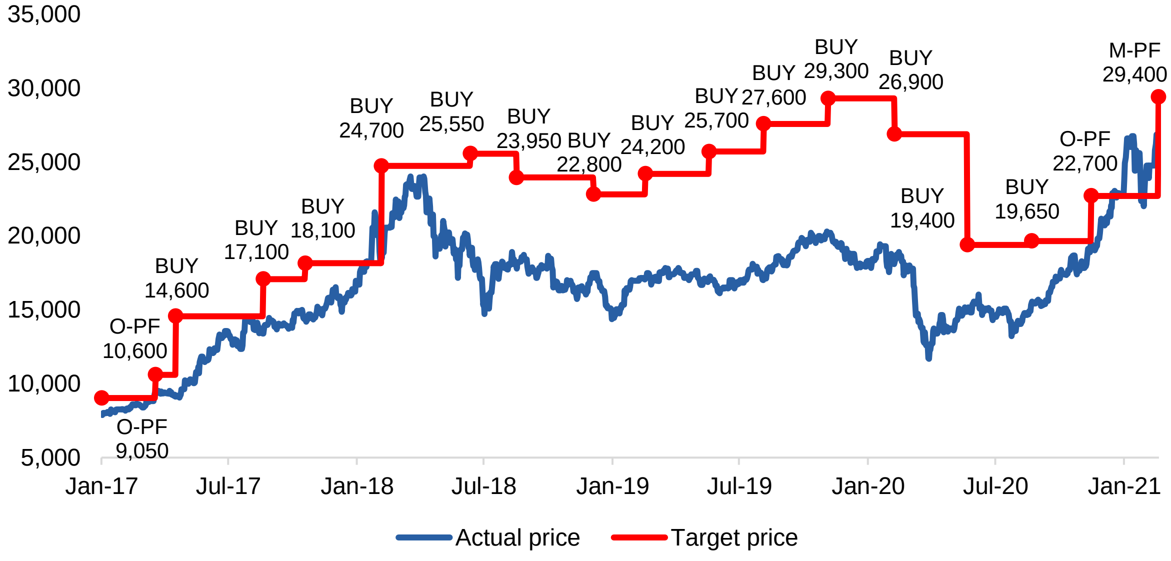
Source: Bloomberg, VCSC. Red dots signify SOCBs; priced on February 22, 2021

Potential upside risks: MBB may record a higher-than-expected retail loan growth (excluding MCredit), which could potentially lead to higher IEA yield. A better-than-expected performance of restructured loans may require less provision charges.

Potential downside risks: MBB may fail to maintain its high CASA ratio and/or 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 funding cost and/or credit cost. In addition, prolonged COVID-19 disruptions could lead to higher-than-expected NPLs and provision charges, which would dampen the bank's ROE.

History of recommendations

Figure 18: Historical VCSC target price vs share price (VND/share, adjusted for share issues)



Source: Bloomberg, VCSC

VIET CAPITAL SECURITIES

Financial Statements

P&L (VND bn)	2020	2021F	2022F	2023F
Interest inc.	32,767	39,431	45,652	51,228
Interest exp.	(12,490)	(14,428)	(16,674)	(19,063)
Net interest inc.	**20,278**	**25,003**	**28,979**	**32,165**
Fee & commission inc.	3,576	4,224	4,893	5,502
Other non-interest inc.	3,509	3,783	4,063	4,420
Total non-interest inc.	7,084	8,007	8,956	9,923
Total operating inc.	**27,362**	**33,010**	**37,935**	**42,088**
Non-interest exp.	(10,555)	(12,709)	(14,605)	(15,993)
Other G&A exp.	0	0	0	0
Total operating exp.	(10,555)	(12,709)	(14,605)	(15,993)
PPOP	**16,807**	**20,301**	**23,330**	**26,094**
Provision exp.	(6,118)	(6,540)	(7,174)	(7,432)
Other inc./exp.	0	0	0	0
Pre-tax profit	**10,688**	**13,761**	**16,156**	**18,662**
Taxes	(2,082)	(2,752)	(3,231)	(3,732)
Net profit	**8,606**	**11,009**	**12,925**	**14,930**
Minorities/pref divs	(343)	(378)	(415)	(457)
Attributable net profit	**8,263**	**10,631**	**12,509**	**14,473**
Wt avg shares (mn)	2,785	2,799	2,799	2,799
EPS (VND)	2,967	3,799	4,470	5,171
DPS (VND)	0	0	0	0

BS (VND bn)	2020	2021F	2022F	2023F
Cash & equivalents	3,109	3,460	3,893	4,272
Balances with SBV	17,297	20,135	22,670	25,213
Due from FIs	47,889	42,345	37,129	45,550
ST investments	99,425	101,979	104,146	109,385
Net customer loans	293,943	352,790	412,750	454,110
HTM	3,374	3,279	3,187	3,097
Long term investments	885	899	926	953
Property & equipment	4,559	4,738	4,925	5,120
Other assets	24,502	25,057	29,317	32,248
Total assets	**494,982**	**554,681**	**618,942**	**679,948**
Borrowings from SBV	15	15	15	15
IB deposits & borrowings	50,876	50,967	52,946	55,007
Other borrowed funds	207	207	207	207
Customer deposits	310,960	351,385	397,065	436,772
Other financial int.	0	0	0	0
Valuable papers	50,924	56,066	61,673	67,840
Other liabilities	31,900	35,090	33,335	31,668
Shareholders' equity	47,907	58,538	71,047	85,520
MI	2,193	2,412	2,654	2,919
Liabilities & equity	**494,982**	**554,681**	**618,942**	**679,948**

RATIOS (%)	2020	2021F	2022F	2023F
Growth				
Loan growth	19.2	20.0	17.0	10.0
Deposit growth	14.0	13.0	13.0	10.0
TOI growth	11.0	20.6	14.9	10.9
PPOP growth	12.6	20.8	14.9	11.8
NPAT growth	6.7	27.9	17.4	15.5
Asset quality				
Group 2 / loans	0.81	0.81	0.81	0.81
NPL ratio	1.09	1.20	1.20	1.20
LLR	134.1	120.3	120.6	119.0
Provision exp. / loans	2.05	1.83	1.71	1.61
Liquidity				
CAR under Basel II	11.0	11.5	12.5	13.3
Regulated LDR	74.3	80.3	84.2	84.5

RATIOS (%)	2020	2021F	2022F	2023F
Profitability				
NIM	4.73	5.04	5.21	5.23
Int-earning asset yields	7.64	7.95	8.21	8.33
Funding costs	3.28	3.31	3.44	3.56
CIR	38.6	38.5	38.5	38.0
ROE decomposition (as % of avg total assets)				
NII	4.47	4.76	4.94	4.95
Provisions	-1.35	-1.25	-1.22	-1.14
Post-provision NII	3.12	3.52	3.72	3.81
Non-Interest inc.	1.56	1.53	1.53	1.53
Operating exp.	-2.33	-2.42	-2.49	-2.46
Taxes & MI	-0.54	-0.60	-0.62	-0.65
ROAA	1.82	2.03	2.13	2.23
Equity Mult. (x)	10.6	9.9	9.1	8.3
ROAE	19.2	20.0	19.3	18.5

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%
SELL	If the projected TSR is -20% or lower
NOT RATED	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulation and/or firm policies in certain circumstances, including when VCSC is acting in an advisory capacity in a merger or strategic transaction involving the company.
RATING SUSPENDED, COVERAGE TERMINATED	A rating may be suspended, or coverage terminated, if fundamental information is deemed insufficient to determine a target price or investment rating or due to a reallocation of research resources. Any previous investment rating and target price are no longer in effect.

Unless otherwise specified, these performance parameters are set with a 12-month horizon. Movement in share prices may cause a temporary mismatch between the latest published rating and projected TSR for a stock based on its market price and the latest published target price.

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.

Risks: Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative.

Disclaimer

Analyst Certification of Independence

We, Nghia Dien and Long Ngo, hereby certify that the views expressed in this report accurately reflect our personal views about the subject securities or issuers. We also certify that no part of our compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues, which include revenues from, among other business units, Institutional Equities and Investment Banking.

VCSC and its officers, directors and employees may have positions in any securities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such securities (or investment). VCSC may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment.

 This report has been prepared on the basis of information believed to be reliable at the time of publication. VCSC makes no representation or warranty regarding the completeness and accuracy of such information. Opinions, estimates and projection expressed in this report represent the current views of the author at the date of publication only. They do not necessarily reflect the opinions of VCSC and are subject to change without notice. This report is provided, for information purposes only, to institutional investors and retail clients of VCSC in Vietnam and overseas in accordance to relevant laws and regulations explicit to the country where this report is distributed, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of VCSC. Please cite sources when quoting.

U.K. and European Economic Area (EEA): Unless specified to the contrary, issued and approved for distribution in the U.K. and the EEA by VCSC issued by VCSC has been prepared in accordance with VCSC’s policies for managing conflicts of interest arising as a result of publication and distribution of investment research. Many European regulators require a firm to establish, implement and maintain such a policy. This report has been issued in the U.K. only to persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is only available to relevant persons and will be engaged in only with relevant persons. In other EEA countries, the report has been issued to persons regarded as professional investors (or equivalent) in their home jurisdiction. **Australia:** This material is issued and distributed by VCSC in Australia to "wholesale clients" only. VCSC does not issue or distribute this material to "retail clients". The recipient of this material must not distribute it to any third party or outside Australia without the prior written consent of VCSC. For the purposes of this paragraph the terms "wholesale client" and "retail client" have the meanings given to them in section 761G of the Corporations Act 2001. **Hong Kong:** The 1% ownership disclosure as of the previous month end satisfies the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission. (For research published within the first ten days of the month, the disclosure may be based on the month end data from two months prior.) **Japan:** There is a risk that a loss may occur due to a change in the price of the shares in the case of share trading, and that a loss may occur due to the exchange rate in the case of foreign share trading. In the case of share trading, VCSC will be receiving a brokerage fee and consumption tax (shouhizei) calculated by multiplying the executed price by the commission rate which was individually agreed between VCSC and the customer in advance. **Korea:** This report may have been edited or contributed to from time to time by affiliates of VCSC. **Singapore:** VCSC and/or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is 1% or greater, the specific holding is disclosed in the Important Disclosures section above. **India:** For private circulation only, not for sale. **Pakistan:** For private circulation only, not for sale. **New Zealand:** This material is issued and distributed by VCSC in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money. VCSC does not issue or distribute this material to members of "the public" as determined in accordance with section 3 of the Securities Act 1978. The recipient of this material must not distribute it to any third party or outside New Zealand without the prior written consent of VCSC. **Canada:** The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, or solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. The information contained herein is under no circumstances to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. To the extent that the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities must be conducted through a dealer registered in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgment upon these materials, the information contained herein or the merits of the securities described herein, and any representation to the contrary is an offence. **Dubai:** This report has been issued to persons regarded as professional clients as defined under the DFSA rules. **United States:** This research report prepared by VCSC is distributed in the United States to Major US Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) only by Decker&Co, LLC, a broker-dealer registered in the US (registered under Section 15 of Securities Exchange Act of 1934, as amended). All responsibility for the distribution of this report by Decker&Co, LLC in the US shall be borne by Decker&Co, LLC. All resulting transactions by a US person or entity should be effected through a registered broker-dealer in the US. This report is not directed at you if VCSC Broker or Decker&Co, LLC is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that Decker&Co, LLC and VCSC is permitted to provide research material concerning investment to you under relevant legislation and regulations.

Contacts

Corporate

www.vcsc.com.vn

Head Office
Bitexco Financial Tower, 2 Hai Trieu Street
District 1, HCMC
+84 28 3914 3588

Hanoi Branch
109 Tran Hung Dao
Hoan Kiem District, Hanoi
+84 24 6262 6999

Transaction Office
10 Nguyen Hue Street
District 1, HCMC
+84 28 3914 3588

Transaction Office
236-238 Nguyen Cong Tru Street
District 1, HCMC
+84 28 3914 3588

Research

Research Team: +84 28 3914 3588
research@vcsc.com.vn

Alastair Macdonald, Head of Research, ext 105
alastair.macdonald@vcsc.com.vn

Banks, Securities and Insurance
Long Ngo, Associate Director, ext 123
- Nghia Dien, Senior Analyst, ext 138
- Anh Dinh, Analyst, ext 139
- Truc Ngo, Analyst, ext 116

Macro
Luong Hoang, Manager, ext 364
- Nguyen Truong, Senior Analyst, ext 132

Consumer and Pharma
Phap Dang, Associate Director, ext 143
- Ha Dao, Senior Analyst, ext 194
- Son Tran, Senior Analyst, ext 185
- Vinh Bui, Analyst, ext 191

Oil & Gas and Power
Duong Dinh, Senior Manager, ext 140
- Tram Ngo, Manager, ext 135
- Nghia Le, Analyst, ext 181
- Duc Le, Analyst, ext 196

Real Estate, Construction and Materials
Hong Luu, Senior Manager, ext 120
- Vy Nguyen, Manager, ext 147
- Duc Pham, Analyst, ext 174

Industrials and Transportation
Nam Hoang, Manager, ext 124
- Dang Thai, Senior Analyst, ext 149

Retail Client Research
Duc Vu, Senior Manager, ext 363
- Trung Nguyen, Senior Analyst, ext 129
- Anh Tong, Analyst, ext 363

Institutional Sales and Brokerage

& Foreign Individuals
Dung Nguyen
+84 28 3914 3588, ext 136
dung.nguyen@vcsc.com.vn

Retail & Corporate Brokerage

Ho Chi Minh & Hanoi
Quynh Chau
+84 28 3914 3588, ext 222
quynh.chau@vcsc.com.vn