Vietnam

ADD *(no change)*

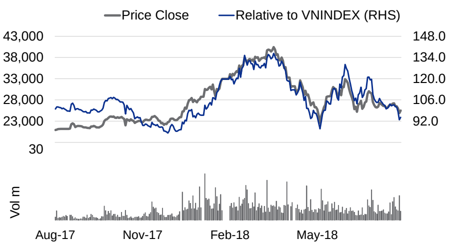
Consensus ratings*: Buy 5 Hold 2 Sell 0

Current price:	VND25,500
Target price:	VND32,500
Previous target:	VND36,700
Up/downside:	27.5%
CGS-CIMB / Consensus:	-27.1%
Reuters:	VPB.HM
Bloomberg:	VPB VN
Market cap:	US$2,655m
	VND61,787,860m
Average daily turnover:	US$5.89m
	VND135,033m
Current shares o/s:	2,423m
Free float:	72.7%

*Source: Bloomberg

Key changes in this note

- FY18F/19F/20F net profit reduced by 2.5%/5.7%/8.4%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-13.6	-7	21.9
Relative (%)	-18.5	-3.5	-5.5

Major shareholders	% held
Mr. Ngo Chi Dzung	4.5
Mr. Bui Hai Quan	2.3
Mr. Lo Bang Giang	0.1

Vietnam Prosperity JSC Bank

Loan growth slowdown dents earnings

- 1H18 pretax profit reached VND4,375bn, fulfilling only 40.5% of the bank's FY18 target, and also below our expectations at 41.3% of our full-year forecast.
- The sluggish performance at FE Credit was due to loan growth slowdown as the bank restructured its unsecured lending business following the central bank's inspection.
- The high profit growth of the parent bank compensated for lower growth of FE Credit.
- We revise down our TP to VND32,500 to account for lower loan growth for FY18-20F.
- Current valuation is attractive but asset quality deterioration is a medium-term risk.

Net interest income (NII) growth slowed but is still respectable

1H18 NII grew 27.2% yoy on the back of a 22.6% yoy loan growth and a 56bp yoy NIM expansion. Loan growth at both parent bank and the consumer finance arm – FE Credit (Unlisted) – tempered down from the high growth of 37.2% in 1HFY17 due to tighter credit control by the State Bank of Vietnam (SBV) and the inspection into FE Credit following customer complaints. NIM at the parent bank increased by 17bp while NIM at FE Credit fell by 54bp. 1H18 NII growth was much slower than the 40.7% growth seen in 1H17.

High non-interest income growth driven by bancassurance and bad debt recoveries

1H18 non-interest income (Non-II) grew by 35.5% yoy, of which net fee income (NFI) fell by 4.5% yoy and other Non-II surged by 58.8%. The latter was underpinned by higher bad debts recoveries (+81.4% yoy) and a VND850bn one-off upfront payment from AIA to VPB for an exclusive bancassurance partnership. Standalone NFI surged by 55.6% yoy but consolidated NFI fell slightly due to the drop in NFI at FE Credit, as FE Credit reversed income related to credit cards in 1H18 which we believe was linked to redressing of the aforementioned customer complaints. Sans one-off income, Non-II fell 14.1% yoy due to lower NFI and higher provision expenses for investment securities.

SBV's inspection at FE Credit created short-term headwinds

We believe SBV's inspection at FE Credit, following multiple complaints from clients of harassment by debt collectors, has led to the slack performance seen in 1H18. In 1H18, FE Credit's loan book only grew 3.5%, much lower than the 13.3% growth in the same period last year, as FE Credit suspended lending through some third-party channels. The company said it will boost digital and direct marketing to improve loan growth in 2H18. However, with stricter control from SBV, we haircut our previous loan growth forecasts for FY18F, FY19F and FY20F by 2.2, 1.8 and 1.8 percentage points, respectively.

Sound performance at the parent bank made up for FE Credit

Total operating income at the parent bank increased by 33.3% yoy, driven by a 24.8% yoy growth in NII and 62.1% yoy growth in Non-II. In 1H18, the bank significantly reduced its standalone cost-to-income ratio (CIR) to 25.6% from 34.0% in 1H17, thanks to greater automation and increased number of digital banking users. 1H18 standalone pretax profit increased by 44.0% yoy, making up for sluggish pretax growth of 19.3% yoy at FE Credit.

Attractive valuation but beware of longer-term asset quality risks

Concerns over the SBV inspection have hammered VPB's share price by 15.7% since 14 May 2018. We expect loan growth to improve post restructuring of the consumer lending operations, following SBV's inspection. VPB currently trades at a FY18 P/BV of 1.6x, compared to regional peers' average of 1.8x. We think this valuation is still attractive given VPB's industry-leading ROE and the low penetration of retail lending in Vietnam. As such, we maintain our Add rating. The main downside risk is asset quality deterioration as VPB's unsecured lending business is susceptible to rising interest rates. Our TP is lower than consensus TP as the latter has not been adjusted for the recent bonus shares issuance.

Financial Summary	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Net Interest Income (VNDb)	15,168	20,625	25,386	30,118	36,041
Total Non-Interest Income (VNDb)	1,696	4,399	4,813	5,130	5,751
Operating Revenue (VNDb)	16,864	25,023	30,199	35,248	41,792
Total Provision Charges (VNDb)	(5,313)	(8,002)	(9,603)	(11,282)	(13,464)
Net Profit (VNDb)	3,789	6,292	8,116	9,439	11,149
Core EPS (VND)	1,695	2,702	3,327	3,785	4,407
Core EPS Growth	58.1%	59.4%	23.1%	13.8%	16.4%
FD Core P/E (x)	15.04	9.44	7.67	6.74	5.79
DPS (VND)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
BVPS (VND)	7,687	12,255	15,527	18,114	22,521
P/BV (x)	3.32	2.08	1.64	1.41	1.13
ROE	24.8%	26.8%	23.9%	22.5%	21.7%
% Change In Core EPS Estimates			(2.58%)	(5.76%)	(8.52%)
CIMB/consensus EPS (x)			1.10	1.11	1.11

SOURCES: VND, COMPANY REPORTS

Analyst(s)

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Loan growth slowdown dents earnings

Figure 1: Results comparison

FYE (VNDbn)	2Q18	2Q17	yoy%	1Q18	qoq%	1H18	1H17	yoy%	VND FY18F forecasts	% of VND FY18F forecasts	Comments
Net interest income	6,160	4,753	30%	6,027	2%	12,187	9,582	27%	25,961	47%	Slightly below our forecasts due to low loan growth at FE Credit.
Non-interest income	691	1,139	-39%	1,633	-58%	2,324	1,716	35%	5,164	45%	Below our forecasts due to the drop in fee income at FE Credit.
Operating revenue	6,851	5,891	16%	7,660	-11%	14,511	11,297	28%	31,125	47%	Below our forecasts.
Operation expenses	(2,300)	(2,241)	3%	(2,389)	-4%	(4,689)	(4,038)	16%	(11,049)	42%	Below our forecasts as CIR greatly improved as VPB managed to cut operating costs in 1H18.
Pre-provision profit	4,551	3,650	25%	5,271	-14%	9,822	7,259	35%	20,076	49%	In line with our forecasts.
Total provision charges	(2,794)	(2,310)	21%	(2,652)	5%	(5,446)	(3,995)	36%	(9,479)	57%	Above our forecasts due to aggressive provisioning at the parent bank.
Pre-tax profit	1,757	1,340	31%	2,619	-33%	4,375	3,264	34%	10,597	41%	Below our forecasts.
Net profit	1,415	1,069	32%	2,089	-32%	3,504	2,606	34%	8,478	41%	Below our forecasts.

SOURCES: VND RESEARCH, COMPANY REPORTS

Figure 2: VPB's key ratios by quarter

	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18
NII/TOI	89.3%	80.7%	85.4%	76.3%	78.7%
Non-II/TOI	10.7%	19.3%	14.6%	23.7%	21.3%
NIM (annualized)	8.9%	8.4%	9.1%	9.1%	9.1%
CIR	33.2%	38.0%	36.3%	34.6%	31.2%
Loan-to-Deposit ratio	115.5%	123.0%	129.2%	134.4%	129.7%
NPL	3.5%	2.8%	3.1%	3.4%	4.1%
Credit cost (annualized)	4.5%	5.9%	3.9%	5.4%	5.7%
ROAA (annualized)	2.7%	1.8%	3.0%	2.9%	3.0%
ROAE (annualized)	34.2%	22.4%	32.1%	27.0%	27.3%

SOURCES: VND RESEARCH, COMPANY REPORTS

SBV's inspection at FE Credit created short-term headwinds

Recently, FE Credit – VPB's consumer finance arm - was implicated in allegations of client harassment after multiple complaints were lodged that the firm had been inundating customers with too many phone calls. The consumer protection agency sent a document summing up customers' complaints, saying that FE Credit had used threats to collect debts related to loans taken out to purchase cosmetics products from DeAura, one of FE Credit's partners. DeAura was reported to have enticed thousands of customers to sign loan agreements of nearly US$2,000 each without financial checks. Numerous DeAura customers said that they did not know that they signed a loan agreement. FE Credit quickly responded to those complaints by saying that it has complied with all regulations and disbursed loans for funding purchased of DeAura cosmetics only after the customers were found to have met all requirements. The company, however, also admitted to inappropriate behaviour via phone calls by its debt collectors which violates customer treatment rules. It added that it would take measures to remedy this.

The SBV's Banking Supervision Agency announced it would inspect FE Credit; however, this inspection is part of a periodic regimen already announced by the SBV at the end of 2017. Nonetheless, we believe SBV's inspection has impacted

FE Credit, evinced by low loan growth in 1H18 of just 3.5% compared to 13.3% in 1H17 since this particular investigation came on the heels of the customer complaints. FE Credit suspended lending through some third-party channels to better control loan origination and reduce risks stemming from the conduct of staff employed by third parties. We think that the lending suspension was what impacted loan growth in 1H18, but loan growth should improve going forward after the bank has restructured its operations. Management also mentioned that the second quarter of the year is often the low season in the consumer finance industry, and as a result, loan growth in 2H18 will be higher than in 1H18.

Sound performance at the parent bank to make up for FE Credit's moment of weakness

The parent bank's 1H18 total operating income increased by 33.3% yoy, driven by 24.8% yoy growth in NII and 62.1% yoy growth in Non-II. The strong growth in NII was thanks to 1) 21.2% yoy loan book growth, outpacing 17.8% yoy deposit book growth; and 2) 17bp yoy expansion in NIM. Non-II growth was driven by better bad debt recoveries and bancassurance income, which was largely comprised of a VND850bn one-off upfront payment from AIA to VPB for the exclusive bancassurance deal. Excluding the one-off income, non-II reduced 6.7% yoy due to higher provision expenses for investment securities. In addition, we believe VPB achieved high growth in bancassurance commissions from a low base last year as the bank started its bancassurance operations last year.

Given the slowdown at FE Credit, management made a concerted effort to reduce operating costs at the parent bank to boost the bottom line. 1H18's standalone operating expenses only increased by 6.9% yoy, trailing the 33.3% yoy growth of operating income, thus boosting pretax profit growth to 44.0% yoy. The standalone cost-to-income ratio (CIR) reduced significantly from 38.9% in FY17 to 25.6% in 1H18. The bank shared that it was able to cut operating costs thanks to a higher level of automation in its banking operations and increased usage of digital banking. We observed that digital banking at VPB is a bright spot as several of the bank's digital initiatives have shown traction. SME Connect – a platform to approach small/medium enterprises – attracted more than 4,700 users by the end of 2Q18, and the number of users increased by 60% versus 1Q18. The bank's DREAM platform – an online banking platform that is aimed as a new acquisition channel for "New to bank Mass Affluent and Upper Mass" customers has 21,790 users after launching in April 2018. Another digital banking initiative is online issuance of credit cards (9,000 credit cards issued so far through this channel).

Management stated their intentions to continue to improve banking automation to further reduce operating costs. Two initiatives in the pipeline include an automated underwriting and approval process for unsecured loans and credit cards and Robotic Process Automation for account opening and maintenance. Up until now, 75% of unsecured loans have been issued through the auto-underwriting process, and the bank is aiming to increase the rate to 90%. The Robotic Process Automation will be applied in account opening/maintenance and data entry in 2H18, and will be extended to more internal processes in the coming years. However, we think that the CIR fall in 1H18 was a one-time occurrence and it would be a stretch for this CIR to be maintained for the entire year.

Figure 3: 1H18 results of the standalone bank and FE Credit, based on our estimates

	Standalone bank			FE Credit		
FYE (VNDbn)	**1H18**	**1H17**	**yoy%**	**1H18**	**1H17**	**yoy%**
Net interest income	5,208	4,173	25%	6,978	5,408	29%
Non-interest income	2,003	1,236	62%	321	480	-33%
Operating revenue	7,211	5,409	33%	7,299	5,888	24%
Operation expenses	(2,576)	(2,409)	7%	(2,113)	(1,629)	30%
Pre-provision profit	4,636	3,000	55%	5,186	4,259	22%
Total provision charges	(1,828)	(1,051)	74%	(3,618)	(2,944)	23%
Pre-tax profit	2,807	1,949	44%	1,568	1,315	19%

SOURCES: VND RESEARCH, COMPANY REPORTS

Forecasts: lower loan growth projections on stricter credit control by SBV

Given a low loan growth of 3.5% in 1H18 at FE Credit due to the suspension of lending through third parties, we reduce our FY18F loan growth forecast for FE Credit from 25% previously to 13%. In addition, SBV has started to tighten credit growth to control inflation and, as a result, the lending quota for banks in the coming years could be lower and it will be more difficult to ask for a lift in credit quota. We adjust down our loan growth forecasts for the consolidated bank from 21.2%/21.0%/21.3% to 19.0%/19.2%/19.5% for FY18F/19F/20F, respectively, driven entirely by a lowering of loan growth forecasts at FE Credit. We also revise down our non-interest income forecast by 6.8% in FY18F as net fee income at FE Credit dropped 127.5% yoy due to income reversals, which in our view is a one-time occurrence related to remedial actions taken to address customer complaints. Our net profit forecasts for FY18F/19F/20F are adjusted down by 2.5%/5.7%/8.4%, respectively.

Figure 4: Changes in our forecasts (VND bn unless otherwise noted)

	Actual	Old forecasts			New forecasts			Change		
	FY17	FY18F	FY19F	FY20F	FY18F	FY19F	FY20F	FY18F	FY19F	FY20F
Net interest income	20,625	25,961	31,618	38,984	25,386	30,118	36,041	-2.2%	-4.7%	-7.5%
Non-interest income	4,399	5,164	5,504	6,110	4,813	5,130	5,751	-6.8%	-6.8%	-5.9%
Operating revenue	25,023	31,125	37,122	45,094	30,199	35,248	41,792	-3.0%	-5.0%	-7.3%
Operation expenses	(8,895)	(11,049)	(13,364)	(16,234)	(10,268)	(11,984)	(14,209)	-7.1%	-10.3%	-12.5%
Pre-provision profit	16,128	20,076	23,758	28,860	19,931	23,264	27,583	-0.7%	-2.1%	-4.4%
Provision expenses	(8,002)	(9,479)	(11,056)	(13,444)	(9,603)	(11,282)	(13,464)	1.3%	2.0%	0.1%
Pre-tax profit	8,126	10,597	12,702	15,417	10,329	11,981	14,119	-2.5%	-5.7%	-8.4%
Net profit	6,438	8,478	10,162	12,333	8,263	9,585	11,295	-2.5%	-5.7%	-8.4%

SOURCES: VND RESEARCH, COMPANY REPORTS

Valuation

We lower our TP to VND32,500; recommend Add on price weakness

We revise down our TP by 11% from VND36,700 to VND32,500 due to lower loan growth forecasts. At the current price, VPB trades at a FY18F P/BV of 1.6x, lower than the regional peer average of 1.8x. The stock price of VPB has plummeted by 15.7% since the news on SBV's inspection emerged. We believe the inspection of SBV has already impacted the bank's 1H18 performance and that this impact has been priced-in by the market. In our view, the valuation of VPB has come down to an attractive level as the bank trades at a sizeable discount to peers, while its ROE is much higher than peers thanks to high yield unsecured lending. In addition, VPB's consumer finance arm – FE Credit - has the leading market share of 48% as of end-FY17, and such a dominant position in the high yielding consumer finance deserves a valuation premium versus peers. As such, we maintain our Add rating on the stock. We think VPB's current valuation is attractive but asset quality risks might emerge in the medium-term if interest rates rise. As a result, we conservatively forecast a higher credit cost for FY18-20F at 4.7% of the average loan book compared to the 2.9% credit cost seen in 1H18. Re-rating catalyst include the possibility for lower CIR in the coming years as the bank's new initiatives of automated underwriting and approval of unsecured loans and credit cards and Robotic Process Automation help reduce operating costs, and thus increase earnings compared to our forecasts.

Figure 5: Residual income model - key assumptions & input, based on our estimated

General assumptions	2016A	2017A	2018F	2019F	2020F	2021F	2022F
Risk free rate (10-year VGB yield)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Equity risk premium	10.10%	10.10%	10.10%	10.10%	10.10%	10.10%	10.10%
Beta (source: BB, 1-y adj.beta)	0.82	0.82	0.82	0.82	0.82	0.82	0.82
Cost of equity	13.28%	13.28%	13.28%	13.28%	13.28%	13.28%	13.28%
Long-term growth rate							3.50%
Long-run COE							13.28%
(in VNDbn,otherwise noted)							
Opening shareholder's equity			29,693				
PV of RI (5 years)			15,703				
PV of Terminal value			33,316				
Implied EV			78,711				
No.of o/s shares (mn shares)			2,423				
Implied value per share (VND/share)			**32,484**				
Target price (VND/share, rounded)			**32,500**				

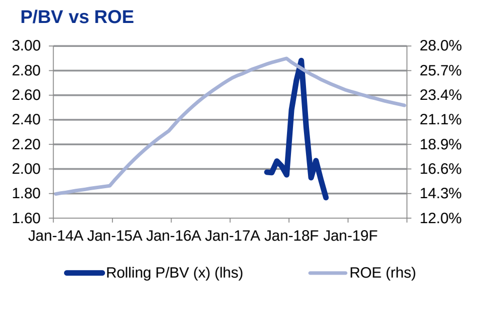
SOURCES: VND RESEARCH, COMPANY REPORTS

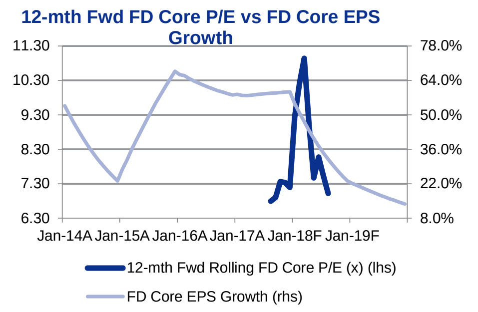
Figure 6: Regional peer comparisons

Banks	Bloomberg Ticker	Recommendation	Closing Price	Target Price	Market cap	P/BV (x)		P/E (x)		3-yr Forward EPS CAGR	ROE (%)	
			(local curr.)	(local curr.)	(US$m)	FY18F	FY19F	FY18F	FY19F	%	FY18F	FY19F
Bank Rakyat Indonesia	BBRI IJ	ADD	3,150	4,700	26,634	2.1	1.8	11.9	9.8	15.4%	18.5%	19.8%
Bank Negara Indonesia	BBNI IJ	ADD	7,375	11,100	9,428	1.3	1.1	8.6	7.3	16.5%	15.4%	16.1%
Public Bank Bhd	PBK MK	HOLD	25	24	23,366	2.0	1.8	16.9	15.7	5.5%	13.3%	12.2%
BIMB Holdings	BIMB MK	HOLD	4	4	1,557	1.3	1.2	9.4	8.9	5.9%	14.0%	13.8%
Siam Commercial Bank	SCB TB	HOLD	146	140	15,016	1.3	1.2	12.5	12.2	1.3%	13.3%	12.8%
Kiatnakin Bank	KKP TB	HOLD	75	80	1,924	1.5	1.4	9.6	9.0	8.3%	19.0%	19.4%
Kasikornbank	KBANK TB	REDUCE	216	193	15,659	1.4	1.3	14.6	13.4	5.7%	12.5%	12.7%
Vietcombank	VCB VN	ADD	62,700	79,500	9,692	3.6	3.1	23.8	20.3	20.7%	16.3%	16.4%
Average						***1.8***	***1.6***	***13.4***	***12.1***	***9.9%***	***15.3%***	***15.4%***
Vietnam Prosperity JSC Bank	**VPB VN**	**ADD**	**25,500**	**32,500**	**2,655**	**1.6**	**1.4**	**7.7**	**6.7**	**17.7%**	**23.9%**	**22.5%**

NOTE: AS OF 21 AUG 2018
SOURCES: CGS-CIMB RESEARCH, VND RESEARCH, BLOOMBERG

BY THE NUMBERS





Profit & Loss

(VNDb)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Net Interest Income	15,168	20,625	25,386	30,118	36,041
Total Non-Interest Income	1,696	4,399	4,813	5,130	5,751
Operating Revenue	**16,864**	**25,023**	**30,199**	**35,248**	**41,792**
Total Non-Interest Expenses	(6,621)	(8,895)	(10,268)	(11,984)	(14,209)
Pre-provision Operating Profit	**10,242**	**16,128**	**19,931**	**23,264**	**27,583**
Total Provision Charges	(5,313)	(8,002)	(9,603)	(11,282)	(13,464)
Operating Profit After Provisions	**4,929**	**8,126**	**10,329**	**11,981**	**14,119**
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Operating EBIT (incl Associates)	**4,929**	**8,126**	**10,329**	**11,981**	**14,119**
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	**4,929**	**8,126**	**10,329**	**11,981**	**14,119**
Exceptional Items					
Pre-tax Profit	**4,929**	**8,126**	**10,329**	**11,981**	**14,119**
Taxation	(994)	(1,688)	(2,066)	(2,396)	(2,824)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	**3,935**	**6,438**	**8,263**	**9,585**	**11,295**
Minority Interests					
Pref. & Special Div	0	0	0	0	0
FX And Other Adj.	(147)	(147)	(147)	(147)	(147)
Net Profit	**3,789**	**6,292**	**8,116**	**9,439**	**11,149**
Recurring Net Profit	3,789	6,292	8,116	9,439	11,149

Balance Sheet Employment

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Gross Loans/Cust Deposits	117%	137%	137%	138%	139%
Avg Loans/Avg Deposits	103%	127%	137%	138%	138%
Avg Liquid Assets/Avg Assets	33.3%	30.4%	28.4%	26.6%	25.0%
Avg Liquid Assets/Avg IEAs	35.3%	32.3%	30.0%	28.0%	26.0%
Net Cust Loans/Assets	62.3%	64.6%	66.8%	68.9%	71.0%
Net Cust Loans/Broad Deposits	70.8%	77.1%	80.3%	83.0%	85.9%
Equity & Provns/Gross Cust Loans	13.3%	18.0%	19.5%	20.1%	21.2%
Asset Risk Weighting	73.8%	86.1%	88.5%	89.1%	89.7%
Provision Charge/Avg Cust Loans	4.06%	4.89%	4.80%	4.73%	4.73%
Provision Charge/Avg Assets	2.51%	3.16%	3.22%	3.29%	3.40%
Total Write Offs/Average Assets	2.35%	2.74%	2.84%	2.70%	2.80%

SOURCES: VND, COMPANY REPORTS

BY THE NUMBERS… cont'd

Balance Sheet

(VNDb)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Gross Loans	157,045	206,646	242,142	284,703	335,941
Liquid Assets & Invst. (Current)	58,292	54,983	60,453	66,498	73,148
Other Int. Earning Assets					
Total Gross Int. Earning Assets	**215,337**	**261,629**	**302,595**	**351,202**	**409,089**
Total Provisions/Loan Loss Reserve	(2,090)	(3,149)	(4,271)	(6,291)	(8,684)
Total Net Interest Earning Assets	**213,247**	**258,481**	**298,324**	**344,910**	**400,406**
Intangible Assets	201	351	375	402	430
Other Non-Interest Earning Assets	13,595	16,344	17,489	18,713	20,023
Total Non-Interest Earning Assets	**13,797**	**16,695**	**17,864**	**19,114**	**20,452**
Cash And Marketable Securities	**1,727**	**2,574**	**2,754**	**2,947**	**3,154**
Long-term Investments	0	0	0	0	0
Total Assets	**228,771**	**277,750**	**318,943**	**366,972**	**424,012**
Customer Interest-Bearing Liabilities	172,438	199,655	231,428	269,727	314,689
Bank Deposits	28,836	33,200	34,061	34,949	35,865
Interest Bearing Liabilities: Others	2,685	4,086	3,955	4,140	4,334
Total Interest-Bearing Liabilities	**203,959**	**236,942**	**269,444**	**308,816**	**354,888**
Bank's Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	7,635	11,115	11,352	12,327	12,147
Total Liabilities	**211,593**	**248,057**	**280,796**	**321,144**	**367,035**
Shareholders' Equity	**17,178**	**29,693**	**38,147**	**45,828**	**56,977**
Minority Interests	0	0	0	0	0
Total Equity	**17,178**	**29,693**	**38,147**	**45,828**	**56,977**

Key Ratios

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Income Growth	39.8%	48.4%	20.7%	16.7%	18.6%
Operating Profit Growth	60.7%	57.5%	23.6%	16.7%	18.6%
Pretax Profit Growth	59.2%	64.8%	27.1%	16.0%	17.8%
Net Interest To Total Income	89.9%	82.4%	84.1%	85.4%	86.2%
Cost Of Funds	5.52%	6.13%	6.31%	6.38%	6.49%
Return On Interest Earning Assets	12.9%	14.3%	14.7%	14.9%	15.1%
Net Interest Spread	7.34%	8.19%	8.35%	8.48%	8.66%
Net Interest Margin (Avg Deposits)	11.9%	16.0%	17.4%	17.4%	17.5%
Net Interest Margin (Avg RWA)	9.8%	10.1%	9.7%	9.9%	10.2%
Provisions to Pre Prov. Operating Profit	51.9%	49.6%	48.2%	48.5%	48.8%
Interest Return On Average Assets	7.18%	8.14%	8.51%	8.78%	9.11%
Effective Tax Rate	20.2%	20.8%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	NA	NA	NA	NA	NA
Return On Average Assets	1.79%	2.48%	2.72%	2.75%	2.82%

Key Drivers

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Loan Growth (%)	23.9%	26.3%	19.0%	19.2%	19.5%
Net Interest Margin (%)	7.6%	8.6%	9.0%	9.2%	9.5%
Non Interest Income Growth (%)	-1.0%	159.4%	9.4%	6.6%	12.1%
Cost-income Ratio (%)	39.3%	35.5%	34.0%	34.0%	34.0%
Net NPL Ratio (%)	-4.0%	-6.3%	-8.5%	-10.5%	-12.3%
Loan Loss Reserve (%)	49.7%	50.8%	50.8%	59.2%	67.3%
GP Ratio (%)	0.8%	1.0%	1.1%	1.4%	1.6%
Tier 1 Ratio (%)	10.0%	12.4%	13.5%	14.0%	14.9%
Total CAR (%)	13.2%	14.6%	14.9%	14.8%	15.3%
Deposit Growth (%)	-5.0%	7.9%	18.5%	18.7%	18.7%
Loan-deposit Ratio (%)	115.2%	134.4%	134.7%	134.7%	135.0%
Gross NPL Ratio (%)	2.9%	3.4%	3.9%	4.1%	4.2%
Fee Income Growth (%)	-3.6%	69.8%	15.0%	15.0%	15.0%

SOURCES: VND, COMPANY REPORTS

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Stock Ratings	Definition:
Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the:(i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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