Eximbank (EIB) HOLD

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Initiation

Target price **VND14,900**
Downside % **5**

Banking

Market cap	US$924m
Shares outstanding	1,235m
12M High	VND20,800
12M Low	VND11,795
Foreign ownership	29%
Foreign limit	30%

Ownership	
Sumitomo	15%
Vietcombank	8%
VOF	5%

Company Description

The bank is the 6th largest bank in Vietnam banking system with 2.6% market share in credit and 2.3% in deposit. EIB has the 4th largest network among JSCBs with 207 branches and units. EIB's network is relatively modest vs. peers as the bank could not expand during 2003-2007 due to restructuring process. The bank was founded in 1989 and had its IPO in 2009.

Slow Growth + Credit Costs = Weak Earnings

Eximbank (EIB) is the 6th largest bank in Vietnam in terms of total assets, and is focused on SME and retail lending. Following an outstanding earnings performance in FY2011, we look for EIB to greatly undershoot its FY2012 full-year target of VND4,600 billion in pre-tax earnings. Our own forecast calls for only VND3,394 billion in pre-tax earnings due to stagnant credit growth and provision charges to cover rising NPLs. With no positive catalysts on the horizon, we are initiating EIB with a HOLD rating and price target of VND 14,900.

FY2011 strong earnings cannot be maintained. EIB's outperformance in FY2011 was built around (i) 20% growth in credit, (ii) 20% growth in service activities and (iii) a high NIM of 3.7%, giving a superior ROAE of 20.4% and ROAA of 1.9%. Based on our FY2012E forecast of only 5% credit growth, a 40% drop in service fee and increasing NPLs of 1.8%, EIB's pre-tax earnings might only come to VND3,394 billion, 26% below its full-year target of VND4,600 billion.

Loan loss reserve coverage (LLR) needs to improve. EIB's loan book focuses more than 20% on the trading sector and nearly one-third on individuals, deemed to be less riskier than other sectors. Its stable NPL ratio of 1.7% as of 1H FY2012 is, however, likely to be understated under Vietnam Accounting Standard (VAS). We are quite worried about its very low loan-loss reserve ration of only 54% of NPLs vs. 87% at its peers. This can adversely affect its earnings through higher provisions.

Key concerns on gold deposit activity and cross-holding ownership. EIB's pure loan-deposit ratio is historically quite high at over 100%, yet this is partially relieved by EIB's strength in gold deposits - equivalent to one-third of customer deposits. As gold deposits will officially cease by 30 June 2013 at the latest, EIB should by ready to avoid a liquidity shortage in case gold is withdrawn. EIB's complicated relationship with ACB and STB has attracted attention from investors as well.

PBR is high at 1.4x. The stock is now priced at FY2012E P/B of 1.4x, slightly higher than its peer group 1.3x. EIB's forward P/E is 8.0x, in line with its peers. EIB will firmly pay a 10% stock bonus for FY2012, but its expected cash dividend of VND1,120/share might be revised down due to lagging earnings vs. its initial target.

Financials	FY11	FY12E	FY13E	FY14	FY15
Net interest income (VND bn)	5,303	5,520	5,557	5,895	6,500
Fee income (VND bn)	566	340	374	430	516
Pre-provisioned profit (VND bn)	4,327	4,101	4,235	4,444	4,843
Net profit (VND bn)	3,038	2,542	2,759	2,932	3,252
EPS (adjusted) (VND/share)	2,305	1,959	2,030	2,159	2,393
EPS growth (%)	68.9	-15.0	3.6	6.3	10.9
P/E (x)	5.9	8.0	7.7	7.3	6.6
P/B (x)	1.2	1.4	1.2	1.1	1.0
DPS (VND/share)	1,930	1120 (*)	n/a	n/a	n/a
Dividend yield (%)	12.3	7.1	n/a	n/a	n/a
ROAE (%)	20.4	16.1	17.0	16.1	15.8
ROAA (%)	1.9	1.4	1.6	1.6	1.7

(*) might be revised down

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Investment Thesis

We initiate coverage on EIB, target price of VND14,900 (5% downside). *EIB is now priced at FY2012E P/B of 1.4x, slightly higher than peers'1.3x (peers: ACB, CTG, MBB, STB and VCB). In terms of earnings, EIB's forward P/E is 8.0x, in line with peers. In this report, we provide a full analysis of Eximbank using the CAMEL framework.*

Capital adequacy ratio – far above the required level of 9% with no urgency for recapitalization.

- 15.5% CAR (as of 1H FY2012) is well above requirement with coming 10% bonus share for FY2012E.
- Cash dividend might be revised down from initial plan of 11.2% (VND1,120/share).

Asset quality – worryingly low LLR coverage.

- SMEs lendings focusing on trading sector and retail loans accounting for nearly one-third of loan book give certain level of comfort towards asset quality.
- NPLs ratio of 1.7% as of 1H FY2012, like most other banks, poses possibility of being understated.
- Key concern lies on lowest LLR among peers (EIB's 54% vs. peers' 87%).

Management and corporate governance – cross-holding ownership is concerned.

- The bank's CEO – Mr. Truong Van Phuoc – is the locomotive for the bank's success.
- Cross-holding ownership is worth careful watch.

Earnings quality – threatened by sluggish credit growth and higher provision charge.

- Historically strong earnings threatened by FY2012 stagnant credit growth and higher provision charges
- 13% earnings drop lead to lower ROAA of 1.4% and ROAE of 16.1% for FY2012
- Cost-effectiveness attributable to modest branch network among peers, CIR at 32% 1H FY2012.

Liquidity – improvement needed as gold deposit might be officially ceased

- Pure LDR consistently over 100% yet partially supported by strength in gold deposits.
- EIB might encounter potential liquidity risk once gold deposit is officially ceased.

CAMEL analysis

Capital adequacy ratio – far above the required level.

CAR requirement of 9% easily met. EIB's CAR has always been far above the minimum regulatory required level, especially thanks to the joining of Japanese strategic partner – Sumitomo Corporation. The pumping of USD225 million for 15% shares in EIB of Sumitomo lifted CAR of this bank to significantly high at 46% in FY2008. EIB's CAR is currently standing at 15%, a comfortable level without urgent need for recapitalization. For FY2012E, EIB will certainly pay 10% share dividend to maintain their CAR at current level.

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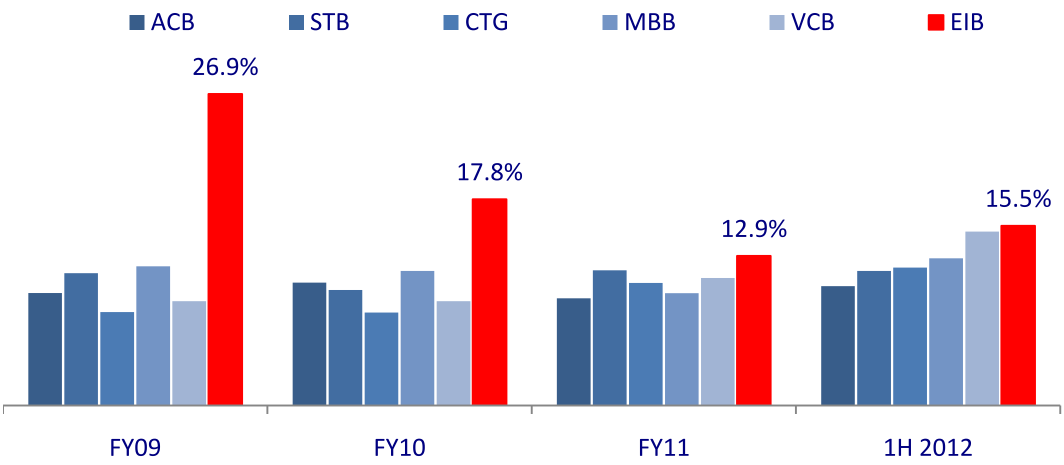
Figure 1: EIB enjoys highest CAR among listed banks



Source: VCSC, Banks

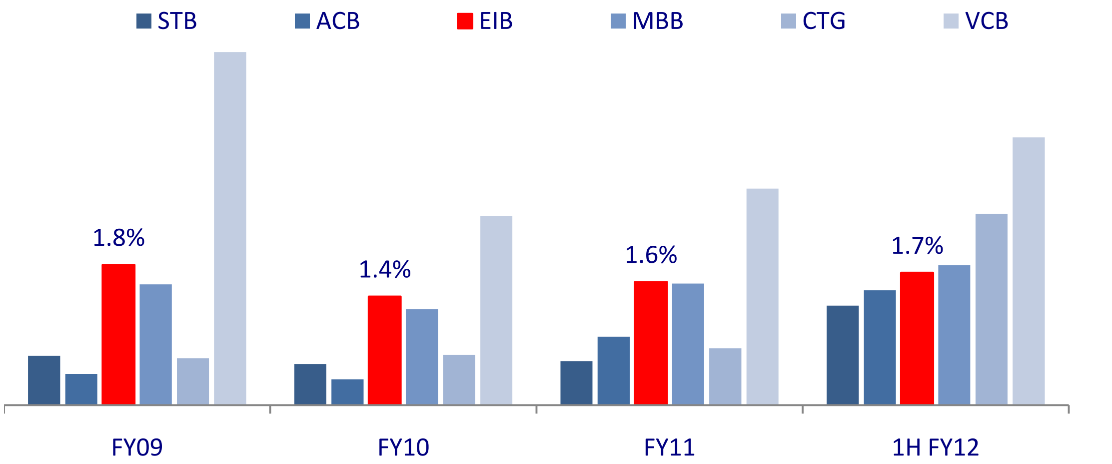
Cash dividend possibly to be revised down for FY2012E. EIB's management targeted to pay cash dividend of 11.2% (VND1,120/share) on the condition that their expected FY2012E earnings of VND4,600 billion is met. We doubt that EIB could maintain their initial cash dividend target given that the bank has just achieved 50% of full year target up to September and banking system is still struggling with low capital absorption in enterprises and no improvement in NPLs. According to our forecast, EIB might reach VND3,539 billion (77% full year target). So, we adjust cash dividend proportionately to 8.6% (VND860/share).

Asset quality – healthy loan book yet worryingly low LLR

Loan book skewed towards trading and retail. Designed to support import-export after being restructured, EIB's loan book focuses more than 20% on trading activities, especially for import-export enterprises. The bank has also shown more interest in agriculture sector, up from 5.5% loan book FY2009 to 11.7% 1H FY2012. In terms of customer types, retail loans currently take up nearly one-third of EIB's loan book, reaffirming EIB's target on retail banking. We think that exposure to retail sector carries less risk than corporate loans especially during current economic hardship. We also notice that EIB has gradually been more exposed to State-owned enterprises (SOEs) from 9.7% FY2009 to 13% 1H FY2012. Such exposure, however, does not cause us much concern because loans to SOEs mainly lie on healthier sectors like airlines and oil & gas.

NPLs – stable trend yet likely understated. EIB consistently kept its NPLs less than 2% despite system wide rising NPLs trend. EIB's NPLs was reported at 1.7% (inc. loans in gold) as of 1H FY2012. However, differences in classification criteria make comparison of NPLs difficult. Banks self reported numbers that amounted to a system-wide NPL ratio of just 4.47% as of June 2012. The SBV's Supervisory Board, which used a more standardized, stricter approach has offered an 8.6% number as of March 2012 instead. The discrepancy leads us to believe that EIB's self-reported NPLs are also likely to be understated because the bank also classifies loans under "common used" quantitative methods. Moreover, we think that the actual NPLs might partially be hidden in special-mentioned (group 2) loans given that maximum 20% of total loans could be re-scheduled and EIB's group 2 loans increased quite remarkably from 1.4% FY2011 to 2.3% 1H FY2012.

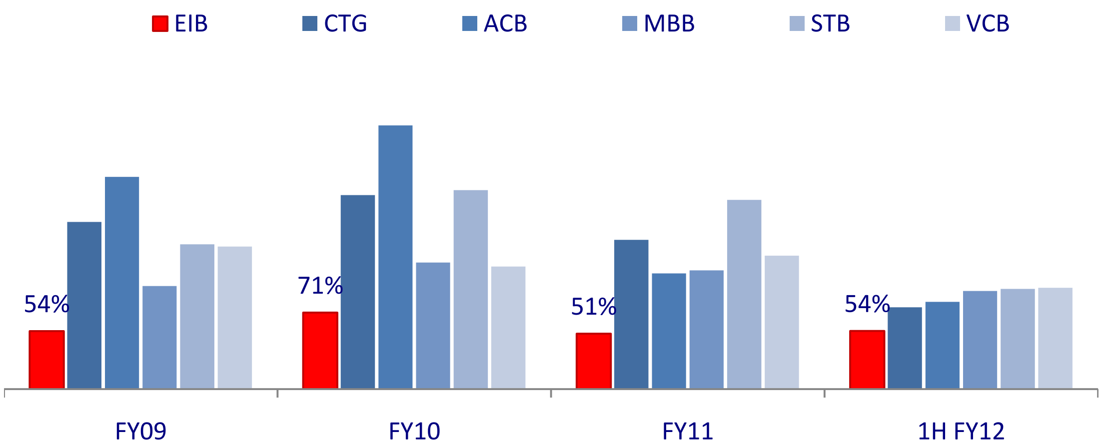
Figure 2: Stable NPLs yet possibly understated.



Source: VCSC, Banks

Key concern lies on LLR coverage. We are quite worried about the traditionally low and decreasing LLR of the bank, staying at only 53.8% 1H FY2012 vs. peers' 87%, especially when reported NPLs level is highly likely understated. EIB claims this low LLR as confidence in the quality of its collateral assets as well as its collateral assets liquidation process. We, however, still think that EIB's LLR should be raised up at least to peers level given that EIB's collateral assets' weighted value is of no significant premium over loan book value than other listed banks.

Figure 3: Worryingly lowest LLR among listed peers.



Source: VCSC, Banks

Figure 4a: Collateral value/ total loans

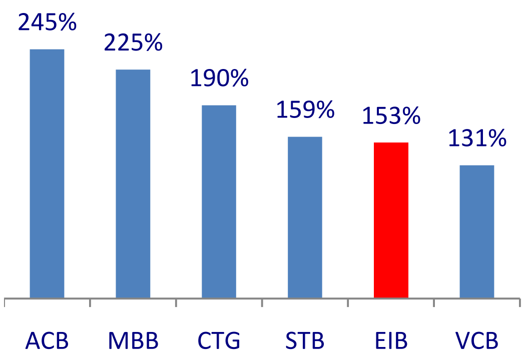
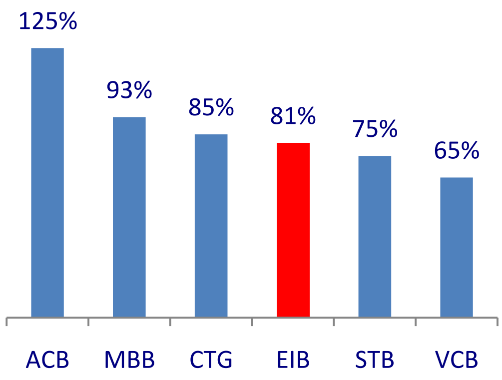


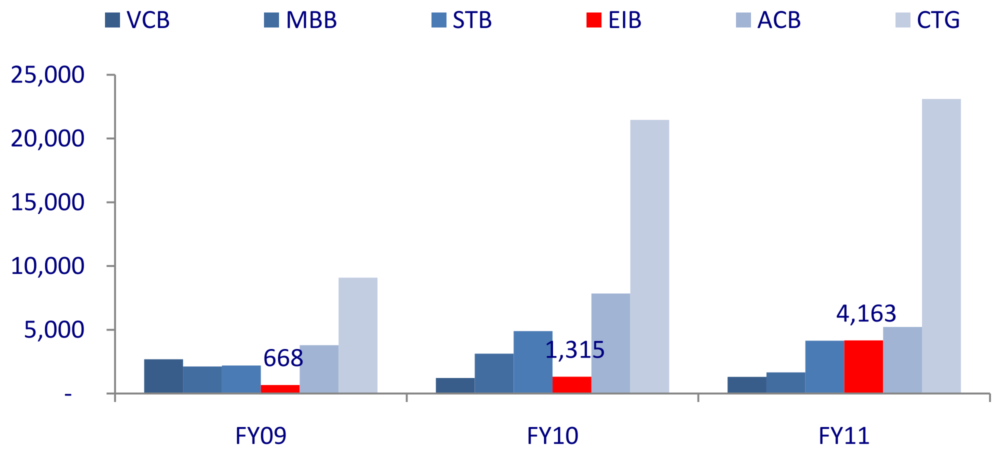
Figure 4b: Weighted value of collateral/ total loans



Source: VCSC, Banks

No trading securities and certain exposure to corporate bonds. EIB is not exposed to trading securities, which protects the bank from trading investment loss amid gloomy Vietnam stock exchange this year. 16% of the bank's debt securities investment portfolio lies on corporate bonds and we see that these bonds have not yet provisioned. Within the portfolio, VND1,050 billion is exposed to some SOEs namely Vinashin, EVN and Vinacomin. Although the government has not given any instruction to the bank on how to deal with Vinashin's bond, a possible option is that EIB needs to write-off as did by Vietinbank (CTG) or properly provision it. 75% of bond portfolio lies on property sector (VND2,000 billion to VID Hung Yen and VND900 billion to Hoang Anh Gia Lai – HAG). With major exposure to SOEs and volatile industries like property, we doubt that EIB's earnings will be adversely affected if properly provisioned. (*Note: The SBV is working on a new draft replacing Cir. 493 on loan classification and provision. If it is passed, corporate bonds will be counted as loans and provisioned more strictly*).

Figure 5: Corporate bond value among listed peers.



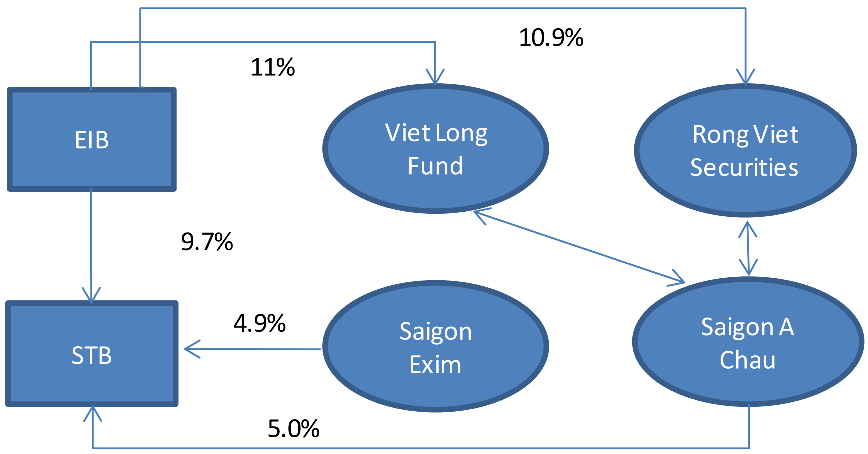
Source: VCSC, Banks

Management – potential risk on corporate governance

CEO Truong Van Phuoc – leading role for the recovery of the bank. Formerly Deputy CEO of Vietcombank (VCB), Mr. Phuoc was sent to EIB in 2000 and successfully restructured EIB from its record NPLs of 62% and persistent losses. Experienced with banking operations and foreign currency matters (Mr. Phuoc used to be Head of the SBV's Forex Management Bureau), Mr. Phuoc has turn EIB into one of the strongest joint stock commercial banks with strength in import-export activities.

Concerns on corporate governance. EIB currently directly owns 9.73% Sacombank (STB) as long-term investment. Moreover, the bank has relationship with other two investment companies having ownership in STB: Saigon Exim (5.0%) and Saigon A Chau (4.9%). EIB directly owns 11% of Saigon Exim Investment Co. and indirectly has relationship with Saigon A Chau Investment Co. via investment in Viet Long Growth Fund and Rong Viet Securities Co. As there has been more and more alert on cross-holding ownership among Vietnam banking system and wrongdoings in investment trust to banks-related affiliates, we see this as a minus point for EIB and worth a careful watch for potential risk.

Figure 6: Cross-holding structure among ACB, EIB and STB



Source: VCSC, Banks

Earnings quality – downside trend unavoidable, like most other banks.

Historically strong earnings growth might not be well maintained this year due to stagnant credit growth and system wide hardship. The bank witnessed strong growth in the FY2008-FY2011 period. EIB's net interest income increased at a CAGR of 59% thanks to its significantly high growth in credit (CAGR of 52%). Fee-based income grew at a CAGR of 72%. As a result, profit after tax rose at a CAGR of 62% in the past three years.

Indeed, past performance aside, for FY2012, we forecast only 5% credit growth based on the fact that credit up to September is possibly still sluggish at only 2% and provision charge will be 2.6x higher than that of FY2011 (16.6% of provisioned profit). As a result, bottom line earnings will drop by 16% yoy to VND2,542 billion, equivalent to 74% target of VND3,450 billion.

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Figure 7a: EIB's net interest income performance

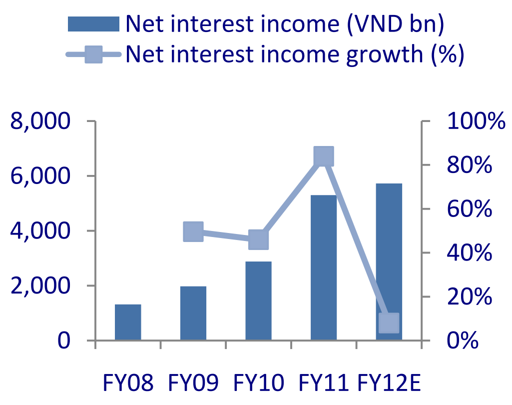
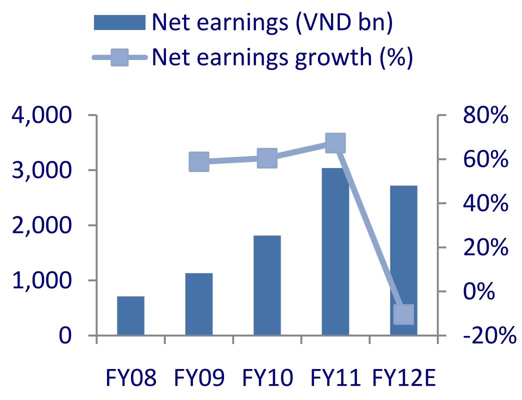


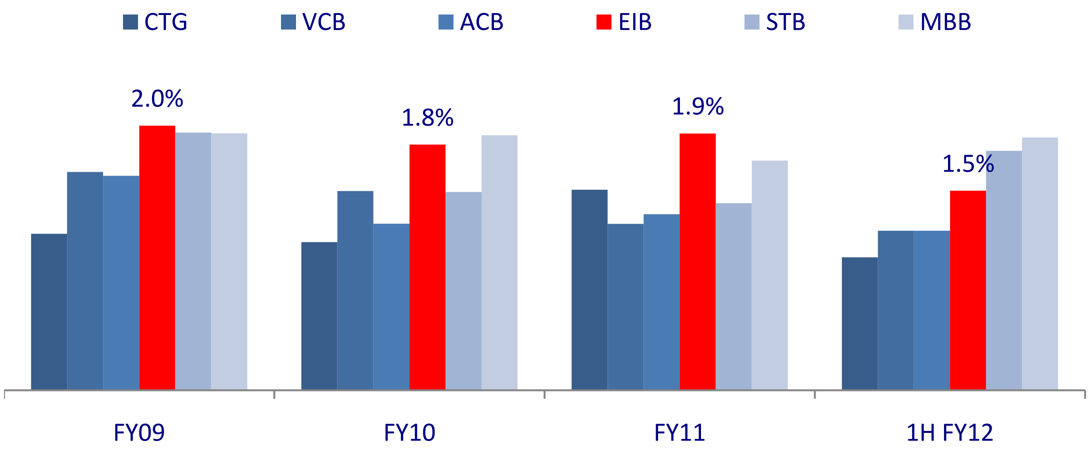
Figure7b: EIB's net earnings performance



Source: VCSC, EIB

ROAA and ROAE to drop, yet still at acceptable zone. Thanks to strong growth earnings growth in the past, the bank's ROAA improved significantly and ROAE was superior to peers. ROAA ranges within 1.7%-1.9%, much higher than peers of 1.4%-1.7%. ROAE gradually recovered to 20.4% FY2011 (the massive capital pumping in 2007 makes FY2008 ROAE extremely low at 8.6%). But going forward, these two ratios might drop due to lower earnings growth yet they are still within acceptable level at 16.1% for ROAE and 1.4% for ROAA FY2012E.

Figure 8: ROAA among listed banks.



Source: VCSC, Banks

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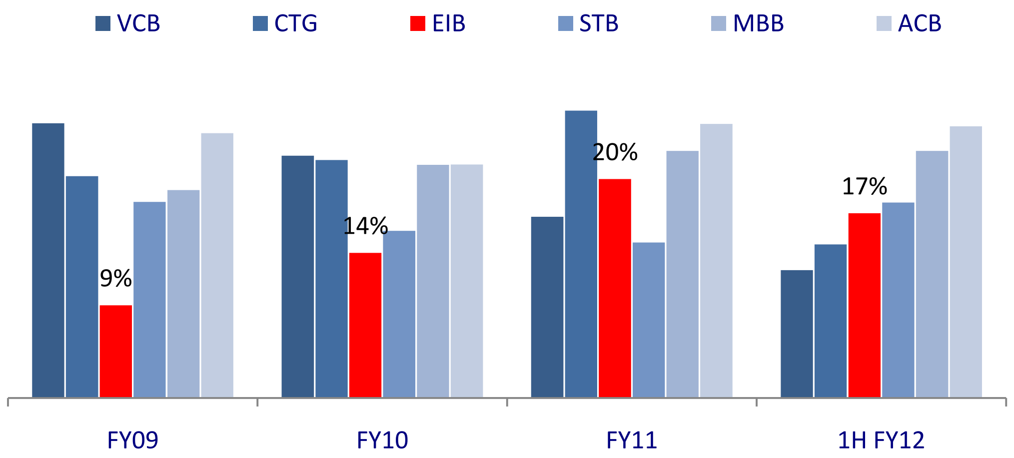
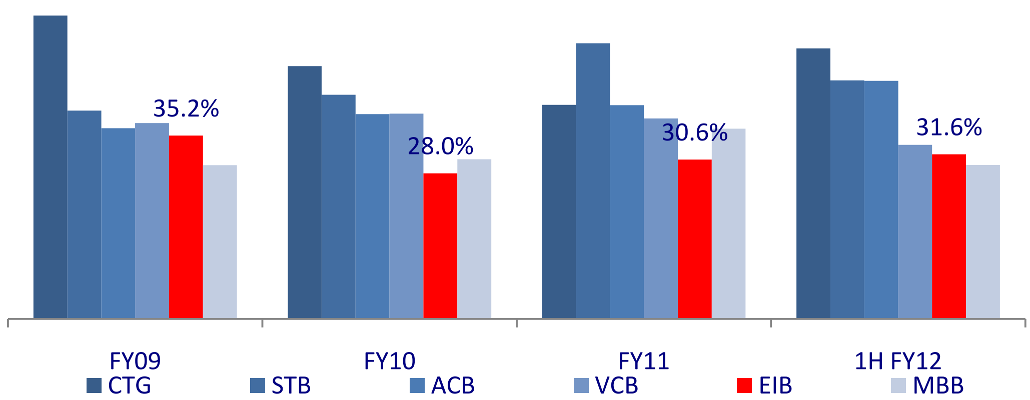
Figure 9: ROAE among listed banks



Source: VCSC, Banks

Cost controls stable at low level, expected to increase. EIB's Cost-to-Income ratio (CIR) has been kept relatively low at 28%-35% for period FY2007-FY2011. We, however, think that this low CIR can partially be explained by the fact that EIB owns quite a modest branch network (207 units) in comparison with other big joint stock commercial banks (half of STB's and two-third of ACB's). In order to follow retail banking strategy, EIB needs to expand its network more aggressively, which accordingly will increase the bank's CIR.

Figure 10: CIR among listed banks



Source: VCSC, Banks

Increasing reliance on net interest income. As other banks in Vietnam, reducing reliance on net interest income is not an easy task at all. During economic hardship, banks even need to reduce fee to retain customers while Vietnamese individual customers does not get used to being charged when using banking services. Worryingly, EIB's service income contribution to total operating income has dropped over time from 12.9% FY2010 to only 4.5% 1H FY2012. Service income 1H FY2012 decreased by 60% YoY.

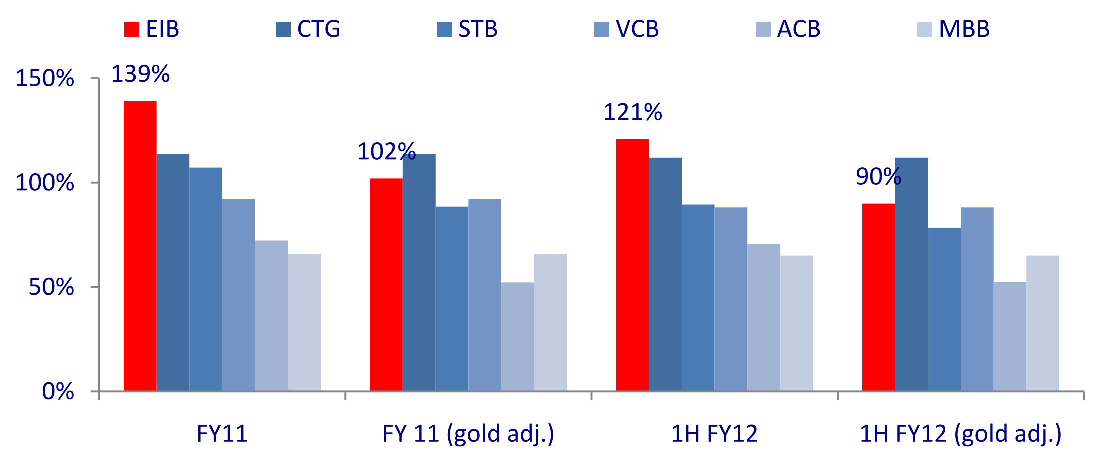
Due to fiercer competition among banks, EIB's international settlement up to July decreased by 16% yoy (USD2.97 billion) while national import export turnover actually increased by 13.8% yoy (USD127 billion). Forex transmittance turnover up to July also decreased by 51.2% yoy (USD229 millon) while 2012 national transmittance is expected to increase by 20% yoy. The positive side lies on card services with card payment turnover increased by 51% yoy (VND614 billion) up to July.

Liquidity – improvement needed as gold deposit might be officially ceased

Very high pure LDR yet partially relieved by high equity base and gold deposit. EIB's high pure LDR (customer loans/ customer deposits) at over 100% FY2009-FY2011 was mostly due to EIB's weakness in attracting customer deposits. FY2008-FY2011 CARG of customer deposits is only 20% vs. 52% of loan growth. Taking a more objective approach, EIB's deposit activities were not that disappointing when gold deposit was taken into. In FY2011, EIB's customer deposit (inc. gold) actually increased by 2.9% yoy.

The increasing brand awareness among individual helped EIB to improve its deposits by 16.2% YTD, lessening the burden of pure LDR from 139% FY2011 to 121% 1HFY2012. To some extent, this tight LDR has been supported by gold deposits under other categories ("valuable papers" and "other liabilities") – VND21,159bn, equivalent to one-third of customer deposits. As the SBV has delayed deadline for ceasing gold deposits by 30 June 2012 under Cir.12/2012/TT-NHNN, EIB will enjoy more time to improve its deposit base to offset gold deposit.

Figure 11: Pure LDR and gold adjusted LDR among listed banks.



Source: VCSC, Banks

Earnings forecast

Based on 1H earnings and nation-wide economic hardship, we forecast that EIB will post 16% drop in net earnings in FY2012. Credit growth might be much lower than expected at only 5% yet deposit growth will outperform at 15%. The banks' NIM will be contracted to 3.4% vs. 3.7% FY2011 as lending rates might be stable at lower level till year-end while deposit rates tend to be upward towards year-end. Amid rising NPLs, we forecast that the bank's NPLs will rise to 1.8% after writing off 0.7% of its total loan book.

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Credit growth. EIB is classified as a Tier-1 bank by the SBV, allowing for 17% credit growth. Although EIB has been initiative in launching attractive and creative package (e.g: 7%pa for short term loans till year end with forex hedge in June and 10%pa till Jan 2013 with forex hedge in August), the bank's credit growth up to September was possibly still very sluggish at only 2%. We think the bank will stay cautious in lending with stricter loan criteria in fear of accelerating NPLs further. We believe that 5.0% is a more reasonable target on the hope that EIB could manage 1.0% credit growth/month for the three remaining months of the year. We expect the economy will gradually turn better so that EIB's credit growth might recover to 8-10% annually for FY2013-2016 accordingly.

Asset growth. 40% asset growth in FY2011 was partially due to up to 100% growth in interbank assets. We think that it will be hard to grow total assets this year due to low credit growth and stricter regulations on interbank lendings. We forecast that total assets will drop by 5% yoy. Interbank market has been quiet since liquidity within the banking system has improved. Furthermore, after Cir.21/2012/TT-NHNN on interbank transactions became effective in 1 September 2012, banks become more cautious about interbank lendings as proper provision needs to be done in case of interbank default. From FY2013 to FY2016, we expect 0%-8% asset growth annually which is more reflective of organic growth.

Deposit growth. EIB caused certain surprise to investors when its customer deposit increased significantly by 16.2% up to June. Noticeably, deposit from individuals was up 22.9% up to June. Although we attribute such improvement to EIB's focus on brand awareness and branch expansion network, we are still conservative on deposit growth prospect from corporates given that enterprises are still struggling with business hardship 2H F2012. We forecast that EIB might growth customer deposit by 15% FY2012E, maintaining this level till FY2016E.

Figure 12: Key growth summary and forecast

	FY10	FY11	FY12E	FY13E	FY14E
Assets growth	100%	40%	-5%	0%	4%
Loans growth	62%	20%	5%	8%	8%
Deposits growth	50%	-8%	15%	15%	15%

Source: EIB, VCSC forecast

NIMs to be slightly contracted, yet stable long-term. The banks' NIM will be contracted to 3.5% vs. 3.7% FY2011 as lending rates might be stable at lower level till year-end while deposit rates tend to be upward towards year-end. Looking forward till FY2016E, EIB's NIM is expected to range 3.5%-3.7%. We forecast that average growth of interest earning assets will not be as high as that of net interest income as EIB will gradually reduce its exposure to interbank lendings.

Figure 13: Profitability ratio

	FY10	FY11	FY12E	FY13E	FY14E
Average funding cost	5.6%	9.4%	8.2%	8.0%	7.8%
Average gross yield	8.8%	12.3%	10.7%	10.7%	10.5%
Net spread	3.1%	2.9%	2.4%	2.7%	2.8%
Net interest margin	3.3%	3.7%	3.4%	3.5%	3.7%

Source: EIB, VCSC forecast

Fee income. In contrast to common expectation that banks will gradually improve its service activities, this year witnessed banks struggling to gain service fee. Banks, in fact, even had to reduce service fee to retain big customers. EIB is not an exception. We have already seen 60% yoy drop in those fees in the first half. We think that the economy cannot get better just overnight and EIB's fee income might drop 40% this year. Fee-based income is forecast to increase by an average of 16% FY2013-FY2016 on the hope that EIB might take more advantage of its import-export and individual customer base once the economy gradually recovers.

Figure 14: Income growth ratio

	FY10	FY11	FY12E	FY13E	FY14E
NII growth	46.0%	83.9%	4.1%	0.7%	6.1%
Fee income growth	124.6%	19.4%	-40.0%	10.0%	15.0%
Pre-provision profit growth	58.5%	63.7%	-5.2%	3.3%	4.9%
Net profit growth	60.5%	67.4%	-16.3%	8.5%	6.3%

Source: EIB, VCSC forecast

Low CIR, yet subject to increase due to branch expansion. As the bank is conservative in branch expansion plan this year due to industry hardship, we forecast that the bank's CIR will stay effective at 31% for FY2012. Going forward, we think that EIB still needs to focus on branch expansion to meet its growth target as the bank' network is still limited compared to other big peers like STB, ACB and Techcombank. We believe that EIB's CIR might range around 31%-33% for FY2013-FY2016.

NPLs. Although EIB keeps its NPLs quite stable at 1.7% 1HFY2012 vs. 1.6% FY2011 despite rising trend of the system, we think that till the year end, EIB needs to write off 0.7% its loan book to make NPLs standing at 1.8%. To our personal view, EIB should set aside more provision reserve to increase its LLR to a more comfortable level. We forecast NPLs to stay at 1.6% by FY2016E with decreasing writing-off proportion as the bank, like others in Vietnam, has the urgency to make on-going efforts to improve its risk management practices.

Figure 15: Asset quality

	FY10	FY11	FY12E	FY13E	FY14E
NPL ratio	1.4%	1.6%	1.8%	1.6%	1.6%
Loan loss reserve/NPL	71.0%	51.5%	55.0%	60.2%	61.0%

Source: EIB, VCSC forecast

Valuation

We valued EIB using an equal-weighted approach using the residual income and price-to-book multiple methods. We arrived at a weighted average fair value of VND14,900.

Figure 16: Weighted Average Fair Value per Share

Valuation method	Target value (VND)	Weight	Value (VND)
P/B approach	15,719	50%	7,859
Residual Income approach	14,160	50%	7,080

Residual Income Model

Our residual income model is based on five-year earnings projections, followed by a terminal growth phrase. The residual for each year is calculated by deducting a charge on equity from earnings, discounted by the appropriate present value factor.

Figure 17: Residual Income Assumptions

	FY12E	FY13E	FY14F	FY15E	FY16E	Terminal
10-year VGB yield	11.0%	10.5%	10.0%	9.5%	9.0%	8.0%
Beta	0.7	0.7	0.7	0.7	0.7	0.7
Risk premium	12.0%	11.0%	10.0%	9.0%	8.0%	8.0%
Cost of common equity	19.4%	18.2%	17.0%	15.8%	14.6%	13.6%
Beginning book value (VND bn)	15,259	17,103	19,355	21,928	24,954	
ROAE	16.3%	18.1%	17.0%	16.7%	16.8%	
COE	19.4%	18.2%	17.0%	15.8%	14.6%	
Net income (VND bn)	2,542	2,759	2,932	3,252	3,706	
Residual Income (VND bn)	-581	-21	27	219	575	7,015
Discount factor	1.05	1.23	1.42	1.61	1.78	1.72
Beginning book value (VND bn)	15,259					
PV of residual income (VND bn)	-95					
PV of Terminal BV (VND bn)	4,080					
Total Value (VND bn)	19,244					
Number of shares (mn)	1,359					
12-month target price (VND)	14,160					

Price-to-Book Approach

EIB is currently traded at FY12E P/B of 1.4x, slightly higher than peers FY12E P/B of 1.3x. Stock prices in the banking sector have been hit hard recently; we use the 2-year average P/B of peers (1.4x) for a more objective reference. For listed peers whose valuation models we have not developed yet, we follow management guidance for FY12E. We come up with a price target of VND14,900/share translating to a target P/B of 1.3x and target P/E of 7.6x.

Figure 18: Valuation multiples comparison approach

Name	Current Price (VND)	FY12 BVPS (VND)	FY12 P/B (VND)	FY12 EPS (VND)	FY12 P/E (x)	1H FY12 ROAE (%)	1H FY12 ROAA (%)
ACB	15,300	14,224	1.1	2,034	7.5	25.3	1.2
CTG	17,100	12,863	1.3	2,255	7.6	17.6	1.5
MBB	12,700	12,590	1.0	2,687	4.7	23.0	1.9
STB	19,100	12,044	1.6	2,025	9.4	18.2	1.8
VCB	23,300	18,531	1.3	2,155	10.8	11.9	1.2
Average			**1.3**		**8.0**		
EIB	**15,700**	**11,228**	**1.4**	**1,959**	**8.0**	**17.6**	**1.5**

Source: Banks, VCSC

Compared with regional peers, Vietnamese banks are neither cheaper nor more expensive than in terms of price-to-book multiples. Noticeable, given some similarities among Vietnam and China banking system like exposure to SOEs sector or rising NPLs, Vietnam banking valuation is more expensive than China.

Figure 19: Comparative valuations with regional peers

Name	Ticker	Mkt Cap (USD mn)	P/E (x) 12E	P/E (x) 13E	P/B (x) 12E	P/B (x) 13E	ROE (%) 12E	ROE (%) 13E	NPLs (%)	NIM (%)
BANK OF BEIJING	601169 CH	10,161	5.6	5.0	0.9	0.9	17.0	16.6	0.3	2.8
HUAXIA BANK	600015 CH	9,452	5.3	4.7	0.8	0.7	15.9	16.3	0.6	3.1
BANK OF NINGBO	002142 CH	4,467	7.5	6.8	1.3	1.2	18.8	18.4	0.5	3.7
CHONGQING RURAL	3618 HK	3,639	4.8	4.3	0.7	0.7	16.6	16.3	1.2	3.9
BANK OF NANJING	601009 CH	3,684	6.2	5.4	1.0	0.8	16.7	16.9	0.5	3.3
CHINA			**5.9**	**5.2**	**1.0**	**0.9**	**17.0**	**16.9**	**0.6**	**3.4**
AXIS BANK	AXSB IN	8,217	11.7	9.9	2.1	1.7	19.6	19.6	1.0	3.3
CANARA BANK	CBK IN	2,834	4.5	3.9	0.7	0.7	18.2	18.2	N/A	2.4
INDUSIND BANK	IIB IN	2,782	19.9	15.5	3.4	2.8	19.8	19.8	0.9	3.6
YES BANK	YES IN	2,278	13.1	10.6	2.7	2.2	22.8	22.8	0.2	2.7
ORIENTAL BANK	OBC IN	1,223	5.4	4.5	0.6	0.6	12.8	12.8	3.2	2.7
INDIA			**10.9**	**8.9**	**1.9**	**1.6**	**18.7**	**18.7**	**1.3**	**2.9**
BANK DANAMON	BDMN IJ	5,924	14.2	12.4	2.0	1.8	14.7	15.0	2.0	9.6
BANK CIMB NIAGA	BNGA IJ	3,186	10.9	9.4	1.6	1.4	14.9	15.9	2.4	
BANK TABUNGAN	BTPN IJ	2,952	15.3	12.6	3.7	2.9	27.4	25.8	0.3	13.2
BANK INTERNASIONAL	BNII IJ	2,388	37.0	23.9	2.7	2.4	7.5	10.6	1.5	
BANK PAN	PNBN IJ	1,715	8.6	7.3	1.1	0.9	11.8	12.2	2.6	4.6
INDONESIA			**17.2**	**13.1**	**2.2**	**1.9**	**15.3**	**15.9**	**1.8**	**9.1**
AMMB HOLDINGS	AMM MK	6,116	12.6	11.7	1.7	1.6	14.1	14.1	2.4	2.3
RHB CAPITAL	RHBC MK	5,154	9.7	8.9	1.3	1.2	13.8	13.7	2.8	2.3
HONG LEONG	HLFG MK	4,192	11.1	9.9	1.6	1.4	14.7	14.4	N/A	1.4
ALLIANCE FINANCIAL	AFG MK	2,104	13.9	12.7	1.8	1.7	13.6	13.6	2.4	1.9
AFFIN HOLDINGS	AHB MK	1,685	9.5	9.0	0.9	0.8	9.7	9.7	0.0	2.1
MALAYSIA			**11.4**	**10.5**	**1.5**	**1.3**	**13.2**	**13.1**	**1.9**	**2.0**
MCB BANK	MCB PA	1,744	7.9	7.4	1.7	1.5	21.9	21.1	10.0	
HABIB BANK LTD	HBL PA	1,466	6.2	5.5	1.2	1.0	18.6	18.4	9.3	
UNITED BANK	UBL PA	1,036	5.7	5.3	1.1	1.0	20.3	20.0	11.8	
NATIONAL BANK	NBP PA	858	4.5	4.2	0.6	0.6	13.4	14.1	N/A	5.8
BANK ALFALAH	BAFL PA	243	5.1	4.6	0.8	0.7	16.8	18.0	7.9	5.0
PAKISTAN			**5.9**	**5.4**	**1.1**	**1.0**	**18.2**	**18.3**	**9.8**	**5.4**
METROPOLITAN BANK	MBT PM	4,514	15.0	13.1	1.7	1.5	11.7	12.3	2.1	4.3
SECURITY BANK	SECB PM	1,752	12.4	11.2	2.1	1.8	19.2	18.3	0.8	5.0
UNION BANK	UBP PM	1,544	10.0	8.9	1.5	1.3	16.1	15.5	2.8	
CHINA BANKING	CHIB PM	1,448	10.4	9.9	1.4	1.3	13.5	14.0	3.0	
RIZAL COMMERCIAL	RCB PM	1,179	9.7	8.4	1.3	1.1	13.5	14.4	1.4	4.0
PHILIPPINES			**11.5**	**10.3**	**1.6**	**1.4**	**14.8**	**14.9**	**2.0**	**4.4**
BANK OF AYUDHYA	BAY TB	6,332	13.7	11.2	1.7	1.6	13.6	15.1	3.7	4.2
KRUNG THAI BANK	KTB TB	6,004	8.2	7.1	1.3	1.2	16.5	17.0	3.9	2.9
TMB BANK	TMB TB	2,187	14.0	12.8	1.2	1.2	9.2	9.1	5.6	2.5
THANACHART	TCAP TB	1,372	8.1	7.1	1.0	0.9	13.5	14.0	5.3	2.7
TISCO FINANCIAL	TISCO TB	920	8.2	7.0	1.6	1.4	20.7	21.6	0.9	2.8
THAILAND			**10.4**	**9.0**	**1.4**	**1.3**	**14.7**	**15.4**	**3.9**	**3.0**

Source: Bloomberg, note: NPLs calculated as non-performing loans/ total loans + interbank assets

Eximbank (EIB) HOLD

Financial Statements

Units: VND billion

Income statement	FY10	FY11	FY12E	FY13E
Interest income	*7,545*	*17,549*	*17,335*	*16,769*
Interest expenses	*-4,662*	*-12,246*	*-11,815*	*-11,212*
Net Interest income	2,883	5,303	5,520	5,557
Fees income	*560*	*693*	*416*	*457*
Fees expenses	*-86*	*-127*	*-76*	*-84*
Net Fee Income	474	566	340	374
Profit from forex	16	-88	-103	0
Profit from trading sec.	-2	0	0	0
Profit from inv. sec.	-28	-2	-2	-2
Net other incomes	291	398	188	188
Profit from associates	36	60	-31	23
G&A	-1,027	-1,910	-1,810	-1,903
Pre-provision profit	2,643	4,327	4,101	4,235
Provision expenses	-265	-271	-707	-552
Profit before tax	2,378	4,056	3,394	3,683
Tax - current	-563	-1,018	-852	-924
Profit after tax	1,815	3,038	2,542	2,759
Less: Minority interests	0	0	0	0
Net income	**1,815**	**3,038**	**2,542**	**2,759**

Valuation	FY10	FY11	FY12E	FY13E
EPS (VND)	1,364	2,305	1,959	2,030
BVPS (VND)	12,794	13,195	11,228	12,585
P/E Multiple (x)	8.4	5.9	8.0	7.7
P/B Multiple (x)	1.2	1.2	1.4	1.2

Profitability	FY10	FY11	FY12E	FY13E
Net Interest Margin (NIM)	3.3%	3.7%	3.4%	3.5%
Yield on Earning Assets	8.8%	12.3%	10.7%	10.7%
Cost of Fund	5.6%	9.4%	8.2%	8.0%
Cost-to-Income Ratio	28.0%	30.6%	30.6%	31.0%
ROAE	13.5%	20.4%	16.1%	17.0%
ROAA	1.8%	1.9%	1.4%	1.6%
Preprovision ROAA	2.7%	2.8%	2.3%	2.4%

Asset growth				
Loans Growth	62.4%	19.8%	5.0%	8.0%
Deposit Growth	50.0%	-7.7%	15.0%	15.0%

Asset quality	FY10	FY11	FY12E	FY13E
NPL ratio	1.4%	1.6%	1.8%	1.6%
Loan-loss reserves/NPLs	71.0%	51.5%	55.0%	60.2%
Loan-loss reserves/Loans	1.0%	0.8%	1.0%	1.0%
Provision Charges/Loans	0.4%	0.4%	0.9%	0.7%
NPL-to-Equity	6.6%	7.4%	9.2%	8.0%

Liquidity	FY10	FY11	FY12E	FY13E
Customers LDR	107%	139%	127%	119%
Interbank borrowings	28%	44%	36%	29%
CAR	18%	15%	15%	15%
Equity/Assets	10%	9%	9%	10%

Balance sheet	FY10	FY11	FY12E	FY13E
Cash & Precious Metals	6,429	7,295	8,719	8,719
Balances with SBV	1,541	2,166	1,918	1,918
Loans to other Cis	32,111	64,529	50,681	40,404
Trading Securities, net	0	0	0	0
Trading Securities	*0*	*0*	*0*	*0*
Less: Provision	*0*	*0*	*0*	*0*
Derivatives	17	0	0	0
Net loans to customers	61,718	74,044	77,620	83,847
Loans to customers	*62,346*	*74,663*	*78,396*	*84,668*
Less: Provision	*-628*	*-619*	*-776*	*-820*
Investment Securities	20,694	26,377	26,377	30,333
AFS Securities	*33*	*2*	*2*	*2*
HTM Securities	*20,661*	*26,375*	*26,375*	*30,331*
Less: Impairment	*20,661*	*26,375*	*26,375*	*30,331*
Other investment	1,295	927	100	100
Inv. in JVs	*0*	*0*	*0*	*0*
Inv. in associates	*156*	*100*	*100*	*100*
Other long-term inv.	*1,189*	*911*	*0*	*0*
Less: Impairment	*-50*	*-84*	*0*	*0*
Fixed Assets	1,068	1,912	1,996	2,089
Tangible fixed assets	*679*	*766*	*741*	*714*
Leased assets	*0*	*0*	*0*	*0*
Intangible fixed assets	*389*	*1,146*	*1,255*	*1,375*
Investment Properties	0	0	0	0
Other Assets	6,238	6,316	6,976	6,975
Total Assets	**131,111**	**183,566**	**174,387**	**174,387**
Total Liabilities	117,601	167,264	159,137	157,299
Due to Gov't and SBV	2,106	1,312	3,109	2,476
Deposits from other Cis	33,370	71,859	57,548	47,087
Customers deposits	58,151	53,653	61,701	70,956
Derivatives	0	157	157	157
Other funds	1	0	0	0
Valuable papers	20,855	19,211	19,183	19,183
Other liabilities	3,118	21,072	17,439	17,440
Shareholder's Equity	13,510	16,302	15,259	17,103
Capital	*12,526*	*12,526*	*13,762*	*13,762*
Reserves	*641*	*1,116*	*1,497*	*1,911*
Forex Dif. Reserve	*0*	*0*	*0*	*0*
Assets Revaluation	*0*	*0*	*0*	*0*
Retained Earnings	*343*	*2,660*	*0*	*1,431*
Minority Interest	0	0	0	0
Liabilities & Equities	**131,111**	**183,566**	**174,395**	**174,402**

Deposit mix				
Current deposits	12%	12%	12%	12%
Term-deposits	87%	86%	86%	86%
Other	1%	2%	2%	2%

Loans mix				
SOEs	9%	12%	12%	12%
SMEs	56%	62%	62%	62%
Individuals	36%	25%	25%	25%

Analyst Certification

I, Duong Pham, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities or issuers. I also certify that no part of my 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.

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Absolute performance, long term (fundamental) rating key: The recommendation is based on implied absolute upside/downside for the stock from the target price, defined as (target price – current price)/current price, and is not related to market performance. This structure applies from 1 November 2010.

Equity rating key	Definition
BUY	If the target price is 20% higher than the market price
ADD	If the target price is 10-20% higher than the market price
HOLD	If the target price is 10% below or 10% above the market price
REDUCE	If the target price is 10-20% lower than the market price
SELL	If the target price is 20% lower than the market price
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	The investment rating and target price for this stock have been suspended as there is not a sufficient fundamental basis for determining an investment rating or target. The previous investment rating and target price, if any, are no longer in effect for this stock.

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Valuation Methodology: To derive the target price, the analyst may use different valuation methods, including, but not limited to, discounted free cash-flow and comparative analysis. The selection of methods depends on the industry, the company, the nature of the stock and other circumstances. Company valuations are based on a single or a combination of one of the following valuation methods: 1) **Multiple-based models** (P/E, P/cash flow, EV/sales, EV/EBIT, EV/EBITA, EV/EBITDA), peer-group comparisons, and historical valuation approaches; 2) **Discount models** (DCF, DVMA, DDM); 3) **Break-up value approaches** or asset-based evaluation methods; and 4) **Economic profit approaches** (Residual Income, EVA). Valuation models are dependent on macroeconomic factors, such as GDP growth, interest rates, exchange rates, raw materials, on other assumptions about the economy, as well as risks inherent to the company under review. Furthermore, market sentiment may affect the valuation of companies. Valuations are also based on expectations that might change rapidly and without notice, depending on developments specific to individual industries.

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