COMPANY UPDATE REPORT
SACOMBANK - STB

STB: SLIGHT DECREASE IN PROFIT DUE TO HIGH PROVISION EXPENSE; PESSIMISTIC OUTLOOK AFTER THE MERGER WITH SOUTHERN BANK

Stock information	Oct 7, 2015
Ticker symbol	STB
Industry	Banking
Exchange	HSX
Market price (VND)	17,500
Market cap (VND bn)	19,993
Outstanding shares (shares)	1,142,511,590
P/B	1.05
EPS forward (VND)	345

- **1H2015 business results:** Profit before taxes (PBT) reached VND1,525 bn (-6.09% yoy) due to the sharp increase in provision expense (+128.9% yoy) had offset the significant increase in Total operating income (+10.82% yoy). Credit and deposit growth rate reached 9.91% and 10.35% YTD respectively, outperformed the system (6.28% & 4.58% YTD). NIM decline of 33 percentage points year over year was explained by the intense competition in retail banking segment. Business results of Q3.2015 remained stable.
- **NPL ratio was 1.21%, drop from Q1 level and equivalent to 2014 level of 1,19%.** The sales of NPL to VAMC were promoted withVND1,322 bn sold in 1H2015. Provision expense increased primarily due to the monthly provision STB has to make forVND4,349 bn special bonds received in 2014 from VAMC.
- **STB has darker outlook after merger with Southern Bank (PNB).** Provision expense in the period 2015-2017 is expected to increase with 75.9% CAGR in order to handle the low quality assets of PNB, leading to significant decline in EBT. We appreciate the restructuring ability of STB which could make it fully recovered since 2019 and achieve high profitability stage thereafter.
- **Forecasts:** PBT is projected at VND625 bn (-72.7% yoy) due to the sharp increase provision expense for PNB assets in Q4.2015, accumulated amount for entire year of VND2,971 bn. 2014 credit and deposit are forecasted to grow at 18% and 18.5% YTD. Expected NIM and LDR decrease significantly in Q4 due to the merger. Because of the pessimistic outlook after merger, **we recommend WATCH for STB.**

Indicators	2012A	2013A	2014A	1H2015	2015F
Operating income (VND bn)	6,853	7,601	8,249	4,466	9,025
+/- yoy (%)	1.46%	10.91%	8.53%	10.82%	9.14%
NPAT (VND bn)	1,002	2,229	2,206	1,180	532
+/- yoy (%)	-49.76%	122.4%	-1.02%	-7.16%	-75.9%
Total assets (VND bn)	151,390	161,350	189,803	210,777	303,897
+/- yoy (%)	7.01%	6.58%	17.63%	17.79%	60.11%
NPL ratio (%)	2.05%	1.46%	1.19%	1.21%	7.42%
Loan loss coverage ratio (%)	73.3%	84.0%	89.9%	93.4%	16.19%
Lending/Deposit ratio (LDR)	89.6%	84.0%	78.5%	78.2%	75.8%
NIM (%)	5.11%	4.97%	4.18%	4.36%	3.12%

In this report:

See disclaimer at page 12.

Stock statistics see at

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VCBS Research

1H2015 BUSINESS RESULT UPDATES

Business results

In 1H2015, both income sources grew positively, while operating expense only had a slight increase. However, the suddenly rise of 128.9% of provision expense had pulled profit before taxes decrease compared to 1H2014.

Credit growth and operating income was quite good, however the steady decline of NIM and the sharp increase of provision expenses year over year should be noted.

Summary of 1H2015 business results:

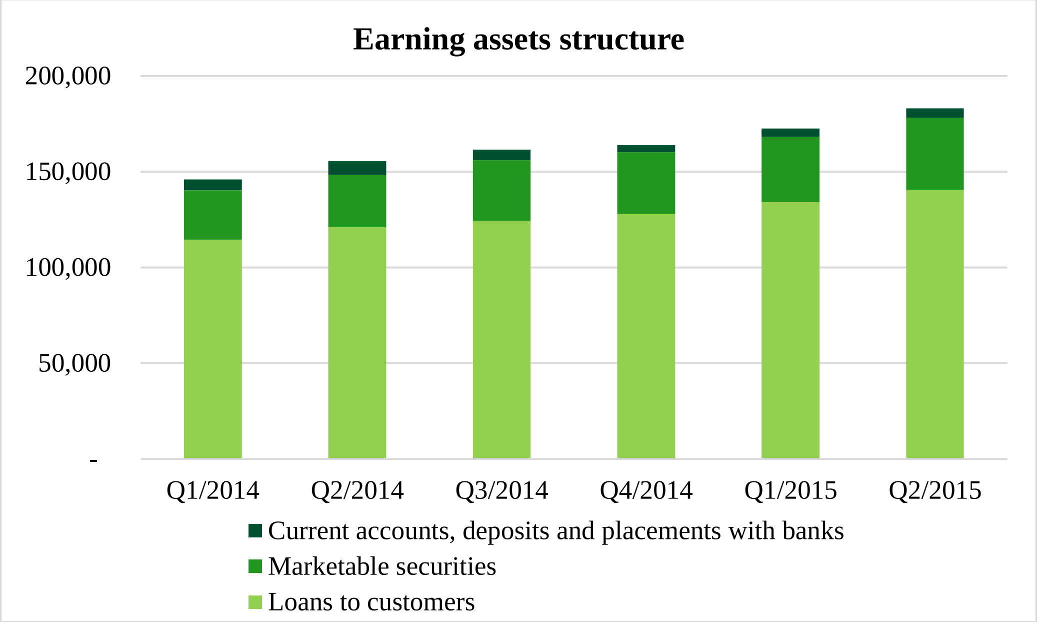
Indicators	1H2014	1H2015	%yoy	Note
Net interest income	3,453	3,794	9.88%	Total earning assets increased 12.27% ytd and 18.36% yoy.
Non-interest income	597	694	16.3%	Mainly because of the increase in service income of 17.61% yoy and small profit in trading and investing securities operation (1H2014 recorded VND100 bn loss in this activity)
Total operating income	4,050	4,488	10.82%	Weight of non-interest income rose to 15.5% from 14.7% last year 1H.
Operating expense	2,120	2,265	6.81%	CIR was controlled at 50.5%, compared to 52.3% last year 1H.
Profit before provision	1,930	2,223	15.18%	Total Operating income grew at higher rate than operating expense.
Provision expense	305	698	128.9%	Dramatic increase mainly because of the periodical provision for VAMC special bonds (increased VND517 bn in 1H2015, compared to VND 0 in 1H2014)
Profit before taxes	1,624	1,525	-6.09%	

Source: STB, VCBS compilation (revised 1H2015 information)

- **Net interest income reached VND3,794 bn (+9.88% yoy) in 1H2015** thanks to rapid growth of earning assets (+12.27% ytd and +18.36% yoy). This income still played the major role in STB income structure (accounted for 82.7% Operating income).
- **Non-interest income: grew robustly** (+17.61% yoy), mainly because of the increase in service income of 17.61% yoy and small profit in trading and investing securities operation (1H2014 recorded VND100 bn loss in this activity). Service income still accounted for high weight in non-interest income structure (reached 76.27%) with the significant contribution of treasury activities and other income. Forex trading operation kept bringing stable income to STB (reached VND118 bn, -8.2% yoy). In Q2.2015, STB was the listed bank that had highest weight of service income in operating income structure (reached 12.2%), showing

STB's strength in providing banking service operation.

- **Earning asset witnessed a rapid growth with the contribution of growth in scale of both loans to customers** (+9.91% ytd, +16.1% yoy) and marketable securities (+18.9% ytd, +39.7% yoy), meanwhile STB deposits and placement with banks account fluctuated (+35.2% ytd, -31.3% yoy) but did not affect much due to small weight.



Source: Sacombank's financial statement

- **NIM dropped 33 percentage points:** A reason was that loans to customers increased at lower rate than the growth of deposits from customers (+10.35% ytd, +21.36% yoy), which made STB raise its securities portfolio, including mostly bonds, the asset type that has lower yield than loans, leading to the decrease in NIM.
- **Provision expense witnessed a significant increase** (+128.9%) to VND 697 bn including VND 517 bn provision for VAMC special bonds compared to VND 0 in 1H2014. In 2014 STB had sold VND 4,984 bn NPLs to VAMC in exchange for VND 4,339 bn special bonds, the debt selling activities was promoted at the 2H2014. Besides, provision expense for loans to customer increases 20% yoy, reaching VND245 bn.
- **Operating expense:** The cost to income ratio (CIR) in 1H2015 reached 50.5%, which decreased significantly from 1H2014 level of 52.3%. Compared to ACB (a retail bank that had loans to individual customers accounted for 46% of total loans, equivalent to STB level), which had CIR of 61.8%, STB operation was more effective and cost controlling activities were improved.

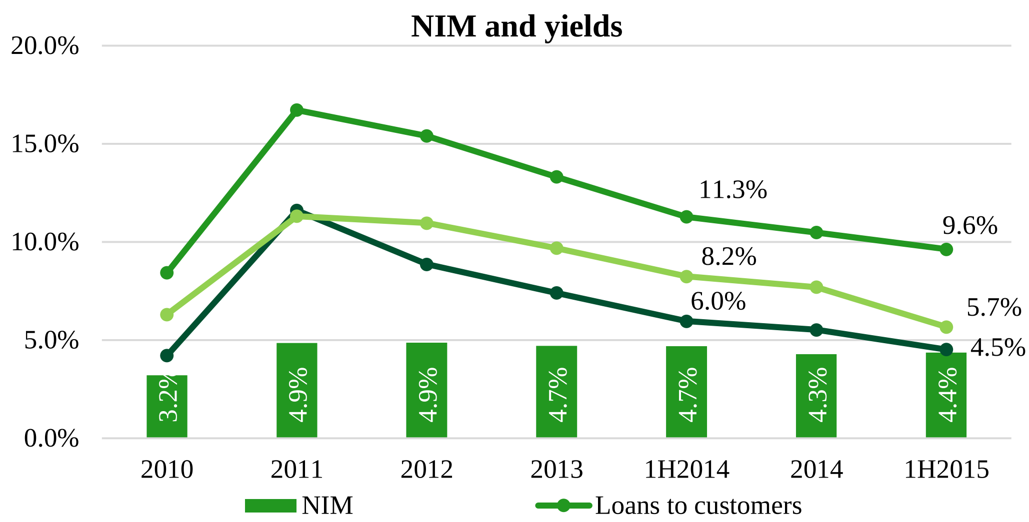
Lending activities

The high growth of loans to individuals and long-term lending could not be sufficient to hold the declining trend of NIM compared to the same period last year. The credit growth depended on

- **Loans to individuals grew significantly at 13.4% ytd in 1H2015**, its weight reached 45.9%, rising from 44.51% at the end of 2014. Loans to domestic businesses grew at much lower rate and depended mostly in private sector (+7.5% ytd, accounted for 95.3% total loans to domestic businesses), while loans to state-owned sector declined in both weight and size.
- **Regarding industries breakdown,** the credit growth had significant contributions from Asset trading and consulting service activities (+12.8% ytd) and Construction (+15.6% ytd). These were also 2nd of 3rd largest weighted industries in lending structure, accounting for

several industries that have significant weight in lending structure.

24.49% and 12.94% respectively. Besides, several others also had high credit growth such as Agriculture-forestry-fishery (+13.8% ytd), Household consumer production (+11.5% ytd), Logistics (+18.1% ytd) and mining (+54.4% ytd).



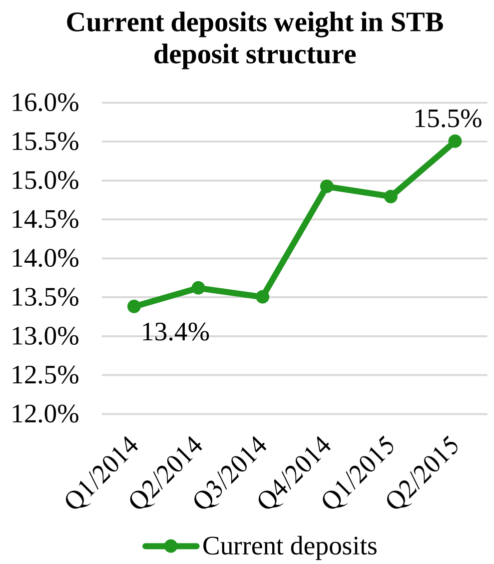
Source: VCBS compilation

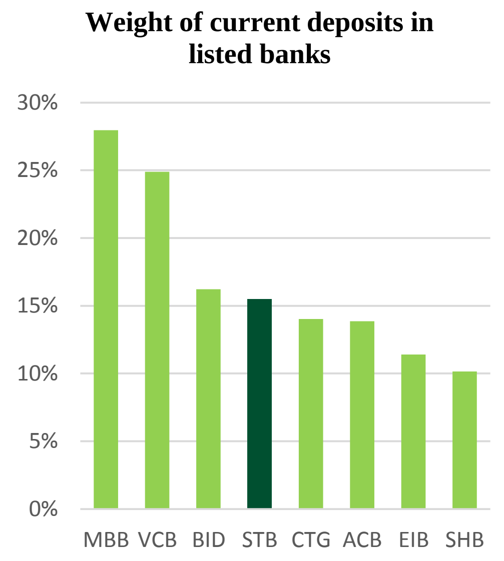
- **Regarding loan terms, STB loans grew steadily at each of three terms, long-term loans however increased more rapidly** (+15.5% ytd) due to the rise in demand for buying and investing in assets while short-term loans and medium-term loans also realized positive growth rate, reaching 8.19% and 9.28% yoy respectively.
- **NIM dropped quite significantly, from 4.69% in 1H2014 to 4.36% in 1H2015**, equivalent to 33 percentage points because the yields on lending and investing decreased at faster rate than yield paid for mobilizing. However, NIM in 1H2015 was still higher than NIM in overall 2014. We suppose the reason is that Net-interest income in Q4.2014 dropped suddenly from partial interest reversal, pulling the whole year NIM down. In 1H2015, the positive growth of retail operation and long-term lending had positive effect on NIM. However we realize that STB used to be the leading listed bank in term of NIM in a long period thanks to its strength in retail banking operation. Meanwhile, the competition in this segment was becoming more intense because almost banks intended to promote retail activities, including state-owned banks with advantages in network and cost of funds over STB. Thus, despite still remaining at the top, a decline in NIM of STB was unavoidable.

Funds mobilizing operation

STB mobilization quality was improved thanks to the weight of current deposits in customer deposit structure kept its increasing trend. LDR stayed at ideal level helping STB to maintain mobilizing growth at normal level, and equivalent to the credit growth.

- **Mobilization scale remained positive growth** (deposits from customer which accounted for most of the funds mobilization, increased 10.35% ytd, +21.36% yoy) and expanded more quickly than loans to customers although mobilizing interest rates stayed low compared to peer (except MBB), and even lower than state-owned banks group in several terms.
- **STB had no pressure to reduce loans to deposits ratio (LDR) under Circular 36 because LDR of STB is lower than 80% from Q3.2014, the maximum level according to Circular 36 prescribed for private bank sector, reached 78.2% at the end of Q2.2015**. We believe that this is an ideal LDR level, therefore STB could proactively manage deposit interest rate to control mobilizing cost at low level compared to its main competitors in retail banking (ACB, EIB).





Source: VCBS compilation

- **Fund mobilizing quality improved in 1H2015** thanks to the strong growth of current deposits (CD) at 14.65% ytd, lifting its weight in deposits structure to 15.5%. STB is not a wholesale bank but still ranked at 4th in weight of current deposit in mobilizing structure, even higher than CTG. With respect to customers, the growth in deposits is contributed mainly by individuals (+10.79% ytd, +22.07% yoy) which accounted for 84.5% deposits structure. We believe that with the retail bank characteristics, the high weight of individual deposits could help STB to expose and deploy its lending program through this channel, although the mobilizing cost could be more expensive.

Deposits interest rates statistics at several banks in 1H2015:

Unit: %	CD	1M	2M	3M	6M	9M	12M
STB	**0.30**	**4.20**	**4.40**	**4.60**	**5.10**	**5.40**	**5.80**
State-owned banks average	0.78	4.25	4.48	4.55	5.23	5.40	6.00
Class 1 average (EIB, ACB, TCB) except MBB	0.37	4.33	4.42	4.60	5..12	5.37	5.92
Class 2 average (VPB, VIB, SHB)	0.50	4.57	4.58	4.68	5.48	5.68	6.43

Source: VCBS compilation

ASSETS QUALITY

NPLs ratio was maintained low while provisioning coverage ratio increased, implying an improvement of assets quality.

- **STB assets quality improved in Q2.2015.** The NPLs ratios decreased to 1.21% from 1.5% in Q1.2015. This ratio was equivalent with the 2014 level (1.19%).
- **Provisioning coverage ratio increased sharply to 93.5% at the end of Q2 after decreasing in Q1 (72.66%) from 89.91% at the end of 2014.** In 1H2015, STB used

However, we note that STB had sold directly its debt in class 1 and 2 to VAMC in Q4.2015, showing that credit risk could also arise from the good classified debts.

VND245 bn for provision of loans loss while the absolute value of NPLs dropped VND300 bn. In debt structure, class 3 and 4 declined significantly while class 5 kept increasing and accounted for 77.8% total NPLs.

- **In 1H2015, STB had sold VND1,322 bn NPLs to VAMC and received VND1,301 bn special bonds.** Up to Jun 31 2015, STB held VND6,236 bn special bonds of VAMC. Provision for special bonds in 1H2015 was VND517 bn. STB currently uses immediate provisioning method for special bonds and allocates equally its yearly provision obligation to each month. According to our calculation, only VND23 bn provision was made for the volume of special bonds that STB bought in 1H2015. Therefore, provision expense for STB special bonds is expected to increase in 2H2015 with the pressure to make provision for the special bonds amount STB bought in 1H.

OTHER HIGHLIGHTS

STB Information

CAR was improved thanks to Circular 36 and the merger with PNB, however the pressure of raising capital would arise in 1H2016.

The benefit from the merger with PNB is not large compared to the cost that STB has to suffer to solve PNB assets.

- **Medium CAR level:** reported CAR in 2014 was only 9.87%. However, with the change in CAR calculation in Circular 36, general provision is included in capital tier 2 and several risk weighted ratio were reduced. Thus, CAR in 2014 was adjusted to increase to 11% (source: Sacombank). According to our estimates, current CAR is insufficient for STB to remain credit growth in 2016 and establish new subsidiaries such as finance and insurance company with total planned investment of VND1,300 bn. Thus, the pressure to raise capital to ensure CAR above 9% is higher in the end of 2016.
- **STB has officially merged with PNB at Oct 1st 2015.** According to the Resolution of Extraordinary General Meeting in July 2015, STB would pay stock dividend and bonuses for existing shareholders in October this year. Exchange ratio for the merger is reported at 1:0.75, meaning 1 PNB share will be exchanged for 0.75 share of the after-merger bank. Besides, 1 STB share before merger would receive 0.3875 additional shares of after-merger bank from stock dividend and bonuses. Therefore, the actual exchange ratio is 1:0.54. The charter capital whereby would increase to VND18.853 bn and PNB financial statements would be unified in Quarter 4 financial statement of STB.
- **We suppose that STB will be the negatively affected party in the merger with PNB**. It has to deal with the large-size NPLs burden from PNB, which could make after-merger bank spend about 4 years to solve. The benefit from the merger however is unclear:

Positive effects	Negative effects
▪ Total assets and mobilization increase suddenly to make it become the 5th largest bank in system. ▪ Ranks 4th in system in term of branch and transaction point network with 567 locations (including 112 branches). ▪ Expands branch network in Northern thanks to transferring PNB Southern branches. ▪ SBV received the authorization of Mr. Tram Be for all of his shareholder right after merger. This is a chance for STB to restructure its ownership and governance.	▪ NPLs ratio of after-merge bank surges due to low quality assets of PNB with NPLs ratio before merger of 55.31%, equivalent to VND23,483 bn in November 2015. (source: SBV inspectors) ▪ High switching cost after merger due to the location's overlapping of two banks. ▪ High operating expense after merger because of PNB's high CIR (>70%) and the STB activities such as uniting system technology and improving staff ability.

Analysis of Southern Bank financial situation

PNB assets quality is very poor. The reported NPLs is low but the actual NPLs is much higher. The potential bad debt items lay on the receivables, interest, fee receivables and restructured debt.

- **Southern Bank is a medium-size commercial bank** with VND4,000 bn Charter capital and total assets of VND 82,049 bn at the end of 2014. PNB has a low LDR of only 56% in 2014. The major income of PNB was from trading and investing securities operation. The core operation was unprofitable due to the low LDR leading to negative NIM of 0.3% in 2014. PNB had high operating expense (CIR 2014 was 78%). Profit before taxes has declined over years and reached only VND17 bn in 2014. PNB assets quality had decreased in the period 2011-2014.

NPLs and potential bad debt items of PNB:

VND bn	2011	2012	2013	2014
Reported NPLs (class 3,4,5)	820	1,318	1,604	2,553
Reported NPLs ratio	2.3%	3.0%	3.8%	5.9%
Provisioning coverage ratio	58.7%	69%	71%	33.2%
Receivables ***Including:***	14,405	16,604	14,867	13,594
Tran Hung Dao house purchasing advance	259	259	100	100
Receivables for clearing debt	3,571	4,893	6,550	6,860
Phuong Nam gold and silver company	717	717	714	714
Securities receivables	6,277	6,746	6,229	5,344
Interest, fee receivables	3,638	6,376	11,051	15,956
Restructured debt	N/A	N/A	N/A	6,768
NPLs sold to VAMC	0	0	1,440	619

Source: Southern Bank financial statement and information from Sacombank EGM

NPLs according to the conclusion of SBV inspectors at Jun 30, 2012 was VND 18,788 bn (45.6% of gross loans). This number increased to VND 23,483 bn (55.31% of gross loans). The low reported NPLs was due to the fact that PNB did not transfer debt regarding the SBV inspector recommendations.

In general, PNB has poor assets quality. NPL not only has very high NPLs ratio (5.9%), but also many potential bad debt items on its financial statement with significant size. We especially note these items: (1) *Receivables for clearing debt* (8.3% Total assets); (2) *Securities receivables* (6.5% Total assets); (3) *Interest, fee receivables* (19.44% Total assets); and (4) *Restructured debts* (8.2% Total assets). By which we believe that actual bad debt scale of PNB is much larger than reported number, with increasing trend year by year. Therefore, we reclassify PNB assets based on 2014 financial statement. We move 80% of potential bad debt items (including *receivables, custody transferred clearing debt assets waiting for solving*) which had been posted in financial statement for 1-3 years, to class 5 (require 100% provisioning). The actual number of PNB at 2014 end was VND18,058 bn (including VND2,553 bn reported NPLs, VND2,059 bn NPLs sold to VAMC and an additional amount of VND10,756 bn according to our reclassification).

Besides, regarding VND15,956 bn of interest, fee receivables of PNB at Dec 31, 2014, we suppose that after-merger bank could implement interest reversal. STB interest income could be

negatively affected in the coming years, although we do not take into account this issue in forecast model.

In summary, we expect that STB would need about 4 years to deal with PNB assets after merger. Annual provision expense would increase sharply while profit could record significant decrease.

2015 FORECASTS

Credit and mobilization are expected to maintain positive growth. However the suddenly rise in operating expense and provision expense after merger would drown bank profit.

- **Credit growth:** loans to customers of STB is planned to grow 13% this year. However in 1H2015, STB reached 9.81% growth rate. According to seasonal factor, growth rate is usually boosted toward year end. We estimate that credit growth rate would reach 18% in 2015 with gross loans of after-merger bank of VND204,396 bn.
- **Mobilization growth:** STB planned to increase mobilization from organizations and individuals 15% this year. In 1H2015, customer deposits grew 10.35%. We estimate for overall 2015 that mobilization from customers would grow 18.5%, with customer deposits of VND269,796 bn at the year end. The confirmation from STB about business results in Q3.2015 strengthens our estimation, that bank still maintains the growth level in lending and mobilizing from the beginning of the year.
- **NIM after-merger is expected to decrease significantly** due to the effect of negative NIM of PNB. Forecasted NIM for 2015 is only 3.12%.
- **LDR at year end is forecasted to decrease to 75.58%** because of the low LDR of PNB. This can leave a little room for STB to grow its lending portfolio at faster rate than mobilizing.
- **Operating expense would increase after the merger with PNB.** Forecasted CIR is 59.6% in 2015. Total operating income is expected to grow 9.4%, reaching VND9,025 bn while Profit from operation before provision is forecasted to decline 5.8%.
- **NPLs ratio after merger based on reported NPLs of PNB is estimated at 2.3%,** however regarding to our reclassification, the actual NPLs ratio of after-merger bank could go up to 7.42%. With this level, after-merger bank would be under the special supervision of SBV. Because of the change of VAMC mechanism according to Circular 14, STB would have to increase amount written off to reduce NPLs ratio to under 3%.
- **Provision expense is forecasted to increase sharply in Q4** because the after-merger bank would have to make additional provision for VAMC special bonds of PNB and NPLs of PNB which have very low provision coverage ratio. The projected provision expense of STB in 2015 is VND2,971 bn (+109%yoy). In the period 2015-2017, VCBS forecasts this expense would increase with CAGR of 75.9%, which is quite fit with STB forecast.
- **The merger would help CAR of STB to improve** with the positive effect from high reported CAR of PNB of 14.02% (2014). The increasing in charter capital through paying stock dividend and stock bonus is just a technical change and would not change STB capital. We forecast CAR of after-merger bank would reach 9.97% in 2015 end, which decreased from year beginning due to (1) The establishment of Sacombank finance company, life and non-life insurance company with total investment of VND1,300 bn in 2015 (source: AGM 2015); (2) The relatively high credit growth rate of about 18% in 2015 results in the expansion of risk weighted assets size.
- **STB profit from 2015 to 2019 is expected to decline significantly** due to the increase of provision expense. VCBS forecasts Profit before taxes to be VND532 bn in 2015. Estimated EPS reaches VND345.
- **According to information from bank representative, STB is working with several parties to choose appropriate strategic shareholder.** However, the pressure from ensuring

CAR above 9% could make STB trying to close negotiating in 2H2016, when the bank is more stable after the merger.

VALUATION

We downgrade our recommendation of STB from HOLD to WATCH due to the negative effects of the merger with PNB.

We apply relative valuation method for trailing 12 months P/B ratio of listed banks. However, we exclude VCB, BID, CTG, SHB and NVB out of peer group due to the significant difference in scale, ownership and asset quality which may led to the bias in using P/B.

Oct 7, 2015	Price (VND)	BVPS (VND)	P/B
ACB	19,900	13,771	1.45
EIB	11,700	11,783	0.99
MBB	15,400	15,323	1.01
Average P/B			1.15
BVPS of STB (VND)			16,594
STB fair value (VND/share)			19,083

STB fair value according to P/B relative valuation method is VND19,083/share, 9% higher than market price at Oct 7, 2015, resulting in a HOLD recommendation, showing bank's stable situation in the last 12 months. However, we take into account the negative effect of the merger with PNB. After the merge, STB assets quality would decrease significantly, NPLs is expected to surge when PNB assets are reclassified following STB standards. With forecast of about 4 year for STB to recover to the healthy situation like before the merger, we downgrade the recommendation for STB from HOLD to WATCH.

INVESTMENT VIEWPOINTS

We recommend WATCH to STB.

STB is a strong commercial bank with advantages in retail banking operation and healthy financial situation in system. However, together with the disorder in ownership and management, the merger with Southern Bank could make STB to face with many difficulties in the coming years. After-merger bank would need about 4 years to solve the low quality assets portfolio of PNB. This would make STB profit to drop sharply in 2015-2016. Although we expect profit will recover from 2017, STB could only reach the profit level equivalent to 2014 in 2019.

Based on the size advantage from the merger and the strong position in retail banking, we appreciate the restructuring ability of STB which could make it fully recover since 2019 and achieve high profitability stage thereafter. We recommend investors to WATCH STB in the 2 upcoming years and wait for the new positive movements in restructuring operation of the after-merger bank.

Appendices: Business result forecasts

BALANCE SHEET	2015E	2016E	2017E	2018E	2019E	2020E
Unit: VND bn						
Gross loans to customers	204,396	233,142	265,435	302,062	334,610	374,763
Net loans to customers	201,942	229,984	261,709	297,639	329,348	367,405
Balances with SBV	8,875	8,761	9,881	10,956	12,023	13,426
Current accounts, deposits and placements with banks	8,833	9,696	10,935	11,999	13,168	14,705
Marketable securities	35,489	45,875	50,373	59,442	66,387	74,119
Cash and equivalent	6,639	8,622	9,723	10,961	12,028	13,432
Non-interest earning assets	42,119	43,379	44,079	44,120	42,182	47,244
Total assets	**303,897**	**346,319**	**386,700**	**435,117**	**475,137**	**530,331**
Deposits from customers	269,796	305,722	344,780	388,680	426,562	476,357
Current accounts of banks and payables to SBV	202	317	358	383	399	424
Borrowings from SBV and term deposits from banks	5,024	5,699	6,427	7,245	7,951	8,879
Debt securities and other borrowed funds	1,322	1,500	1,692	1,907	2,093	2,337
Non-interest generating liabilities	4,926	5,588	6,302	7,104	7,796	8,705
Total liabilities	**281,270**	**318,826**	**359,558**	**405,318**	**444,800**	**496,701**
Shareholder’s capital	19,424	24,138	24,138	26,756	26,756	26,756
Chartered capital	18,853	23,566	23,566	26,184	26,184	26,184
Treasury stock						
Surplus capital	571	571	571	571	571	571
Reserve funds	2,207	2,257	2,356	2,527	2,852	3,709
Exchange rate differences & asset valuation differences	(106)	(76)	(46)	(16)	14	44
Other capital						
Distributable retained profits	1,102	1,175	695	533	715	3,119
Total equity	**22,627**	**27,493**	**27,142**	**29,799**	**30,336**	**33,629**
Total liabilities and equity	**303,897**	**346,319**	**386,700**	**435,117**	**475,137**	**530,331**
Total earning assets	279,161	281,512	321,945	371,463	415,333	462,267
Total mobilized funds	276,344	313,238	353,256	398,215	437,005	487,996

INCOME STATEMENT	2015E	2016E	2017E	2018E	2019E	2020E
Unit: VND bn						
Interest income	20,863	23,811	28,101	32,945	38,063	42,518
Interest expense	(13,905)	(14,590)	(17,145)	(20,048)	(23,099)	(26,034)
Net interest income	**6,959**	**9,221**	**10,956**	**12,897**	**14,965**	**16,485**
Non-interest income (expense)	2,067	2,554	2,651	2,801	3,100	3,415
Total operating income	**9,025**	**11,775**	**13,608**	**15,697**	**18,065**	**19,899**
Operating expenses	(5,429)	(6,847)	(7,641)	(8,499)	(9,420)	(10,377)
Operating profit (pre-provision)	3,596	4,927	5,967	7,198	8,645	9,523
Provisions expense	(2,971)	(4,605)	(5,234)	(5,872)	(6,047)	(2,479)
Profit before taxation	**625**	**322**	**732**	**1,325**	**2,597**	**7,044**
Taxes	(94)	(24)	(106)	(225)	(469)	(1,359)
Profit after taxes	**532**	**298**	**626**	**1,100**	**2,128**	**5,685**
Minority interest	-	-	-	-	-	-
EPS (VND)	345	158	266	467	813	2,171

FINANCIAL RATIOS	2015E	2016E	2017E	2018E	2019E	2020E
Annual growth rates						
Gross loans	59.7%	14.1%	13.9%	13.8%	10.8%	12.0%
Total assets	59.5%	13.9%	13.8%	13.7%	10.7%	11.6%
Customer deposits	65.5%	13.3%	12.8%	12.7%	9.7%	11.7%
Net interest income	8.4%	32.5%	18.8%	17.7%	16.0%	10.2%
Non-interest income	13.1%	23.6%	3.8%	5.6%	10.7%	10.2%
Profit before tax	(77.9%)	(48.5%)	127.3%	81.0%	96.0%	171.2%
Net profit	(75.9%)	(44.0%)	110.2%	75.8%	93.4%	167.2%
Profitability						
Net interest margin (NIM)	3.12%	3.29%	3.63%	3.72%	3.80%	3.76%
ROAA	0.22%	0.09%	0.17%	0.27%	0.47%	1.13%
ROAE	2.61%	1.19%	2.29%	3.86%	7.08%	17.78%
Efficiency						
Cost-to-income ratio (CIR)	60.2%	58.2%	56.2%	54.1%	52.1%	52.1%
Funding						
Gross loans-to-deposit ratio (LDR)	75.8%	76.3%	77.0%	77.7%	78.4%	78.7%
Capital adequacy						
Tier 1 CAR	8.52%	9.40%	8.13%	7.94%	7.26%	7.22%
Total CAR	9.97%	10.70%	9.39%	9.66%	9.39%	9.01%
Asset quality						
NPL ratio	7.42%	1.39%	1.48%	1.57%	1.67%	1.97%
Provisioning coverage ratio	16.19%	24.66%	34.02%	51.59%	94.08%	99.59%
Income structure						
Non-interest income / Operating income	22.9%	21.7%	19.5%	17.8%	17.2%	17.2%

DISCLAIMER

This report is designed to provide updated information on the fixed-income, including bonds, interest rates, some other related. The VCBS analysts exert their best efforts to obtain the most accurate and timely information available from various sources, including information pertaining to market prices, yields and rates. All information stated in the report has been collected and assessed as carefully as possible.

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