Banking industry in 2H2023

A Difficult Road to Recovery

Phuong Nguyen
Analyst
☎ (84-28) 6299-9004
✉ phuong.nd@shinhan.com

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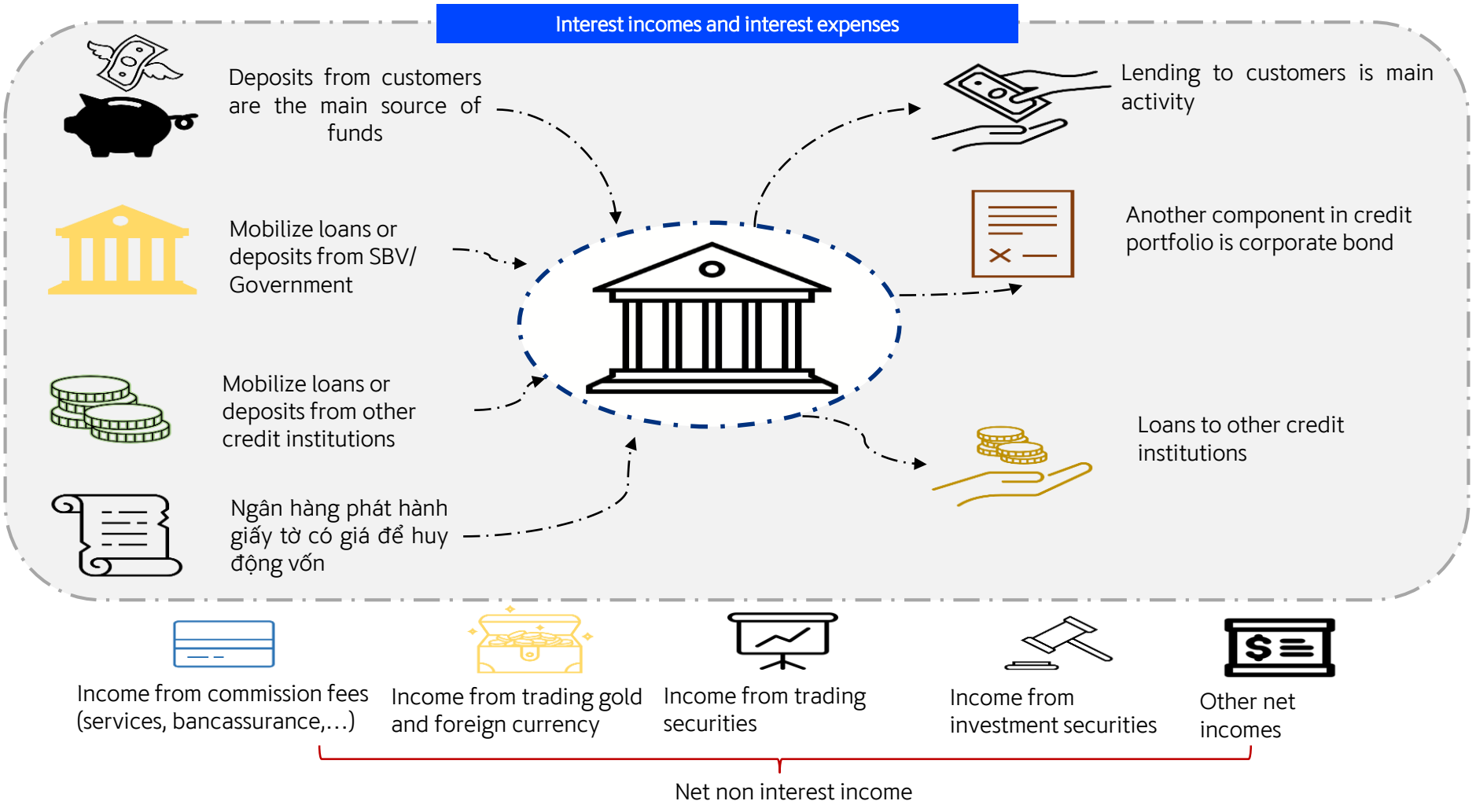
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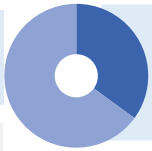
1. Overview of banking industry



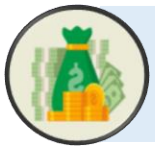
1. Overview of banking industry

17 banks listed on HOSE,

Vietcombank, BIDV, VietinBank, TECHCOMBANK, VPBank, MB, ACB, HDBank (Cam kết lợi ích cao nhất), Sacombank, TPBank, SHB (Đối tác tin cậy, giải pháp phù hợp), VIB (Ngân hàng Quốc Tế), SeABank, EXIMBANK, MSB, OCB (Ngân Hàng Phương Đông), LienVietPostBank (NGÂN HÀNG BƯU ĐIỆN LIÊN VIỆT)



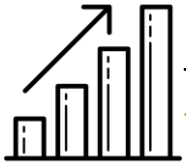
Market cap
~37% of total market cap



Transaction value
~27% total market value



Transaction volume
~22% total market volume

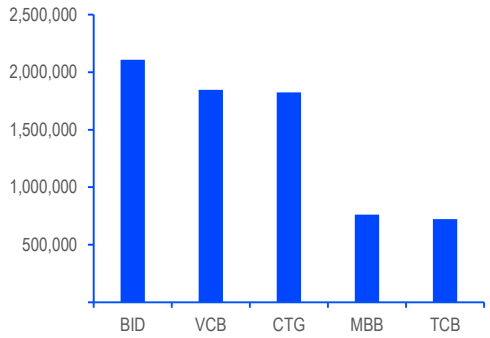


Total asset 03/31/2023
~12 VND quadrillions



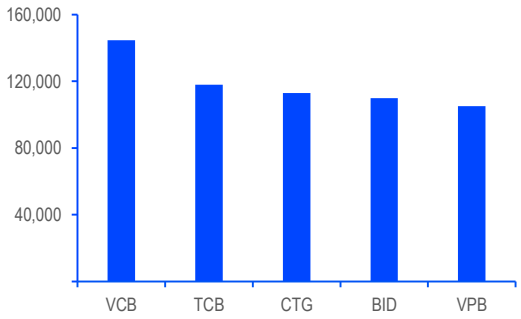
Total equity value 03/312023
~1 VND quadrillions

Top 5 banks with largest asset value (VND bn)



Source: Company data, Fiinpro, Shinhan Securities Vietnam

Top 5 banks with largest equity value (VNDbn)



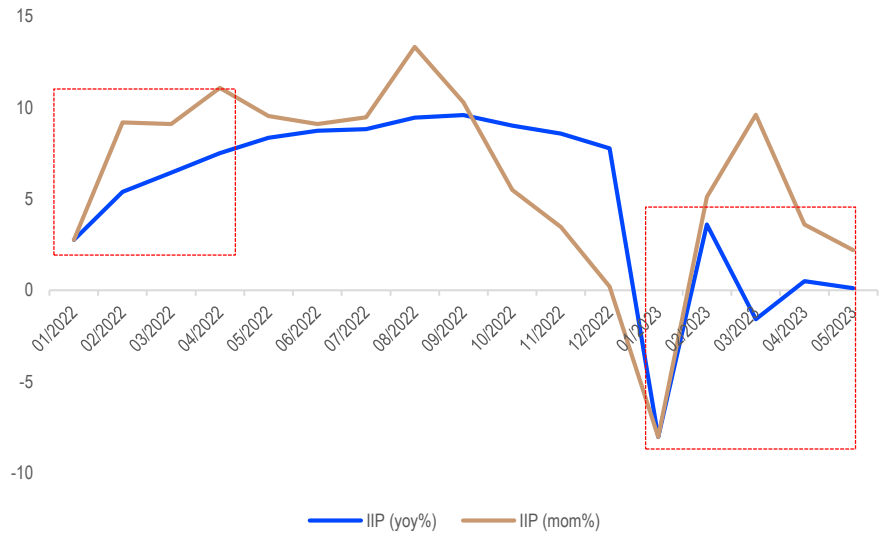
Source: Company data, Fiinpro, Shinhan Securities Vietnam

Source: Fiinpro, Shinhan Securities Vietnam
Data extracted at 03/31/2023

2. Overview of the economy

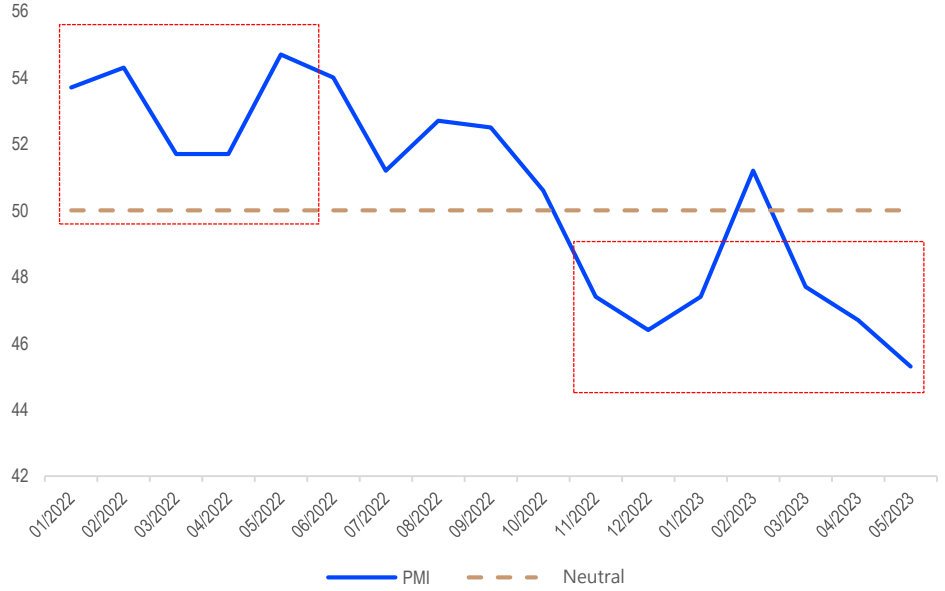
The economy has faced many difficulties in the first months of 2023, and the industrial production sector has shown signs of weakness through many statistics.

Growth of Industrial Production Index (IIP)



Source: GSO, Company Data, Shinhan Securities Vietnam

Purchasing Managers' Index™ (PMI)

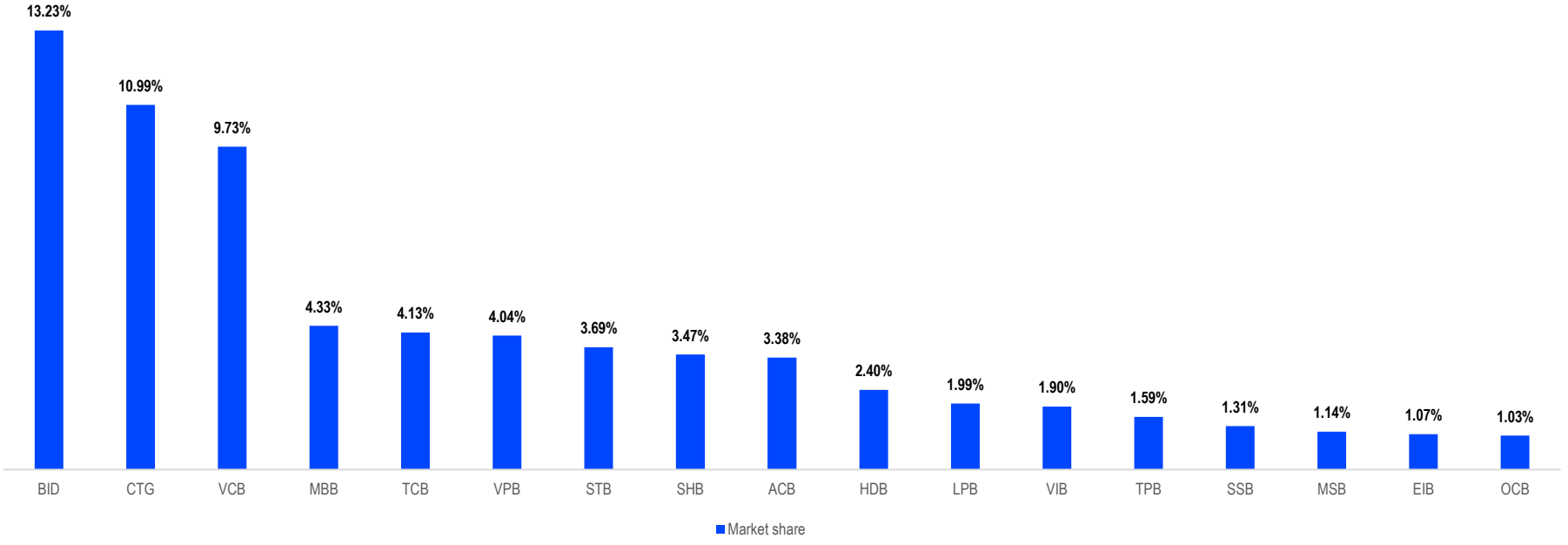


Source: Company Data, Fiiinpro, Shinhan Securities Vietnam

- Industrial Production Index (IIP) growth rate was less positive compared to the same period. According to the latest data, in the first 5 months of this year, IIP decreased by 2% yoy (an increase of 8.1% was recorded in the same period of 2022). The Purchasing Managers' Index™ (PMI) has been below 50 points for 4 out of 5 months due to weak customer demand and a continuous decline in orders
- Weak customer demand along with a continuous decline in orders have significantly impacted Vietnam's manufacturing industry in the first half of this year. To cope with this situation, companies have reduced their production capacity, employment and purchasing activities. The real estate industry has also been relatively sluggish in the first half of this year, which has affected the credit demand of the entire economy

3. Credit of commercial banks

Credit share in Q1/2023 (%)



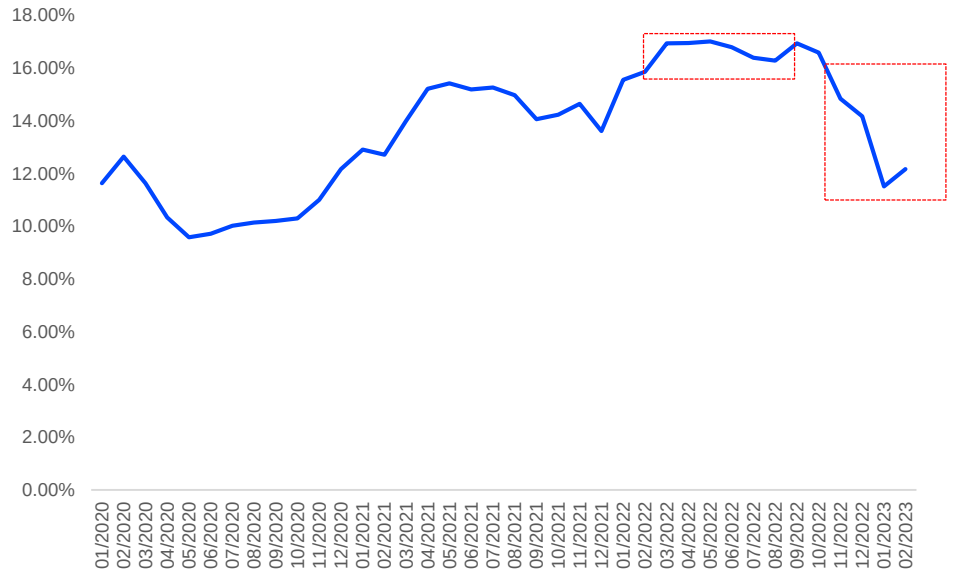
Source: Company Data, Fiinpro, Shinhan Securities Vietnam

- The State Bank of Vietnam (SBV) has set a growth target of 14-15% for the year 2023. However, as of May 2023, credit growth for the entire economy has only increased by 3.2% compared to 2022. Weak credit demand poses a challenge to the entire banking industry in achieving the growth target for the rest of the year. However, looking at each individual banks we can see this goal is achievable. State owned commercial banks target credit growth for 2023 at 14-15%, smaller commercial banks with small size advantage set target growth higher than the industry target.
- Regarding credit market share, among banks listed on HOSE exchange, state-owned banks such as BIDV (BID), VietinBank (CTG), and Vietcombank (VCB) account for nearly 44% of total credit in the economy. Following them are MBBank (MBB), Techcombank (TCB), VPBank (VPB), Sacombank (STB), SHB and ACB with each bank's credit market share ranging from around 3-4.5%

3. Credit of commercial banks

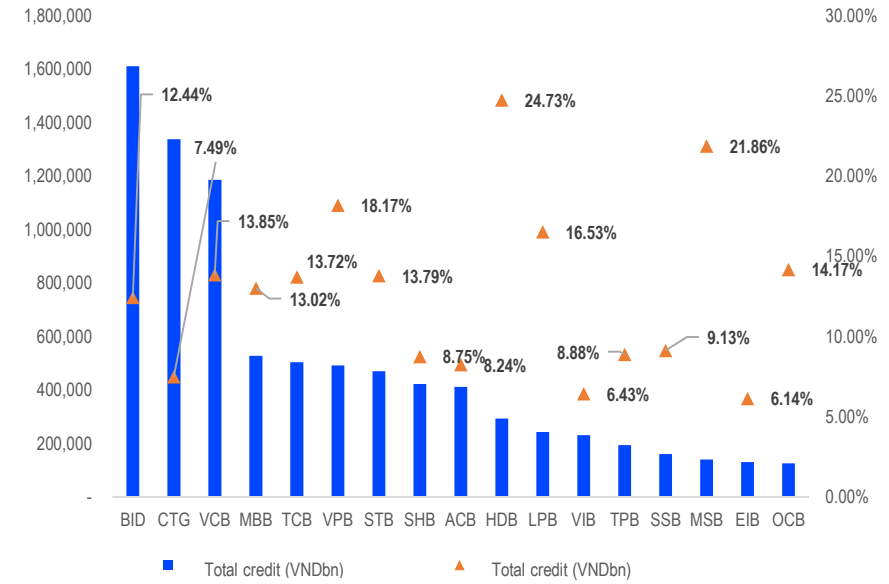
The credit growth in the first months of 2023 is lower than the same period last year. While most banks are still facing many challenges in credit growth, some banks have used up all the credit room of the first phase of this year.

The credit growth of the entire industry has slowed down (% yoy)



Source: SBV, Company Data, Shinhan Securities Vietnam

Credit growth is diverging among banks (% yoy)



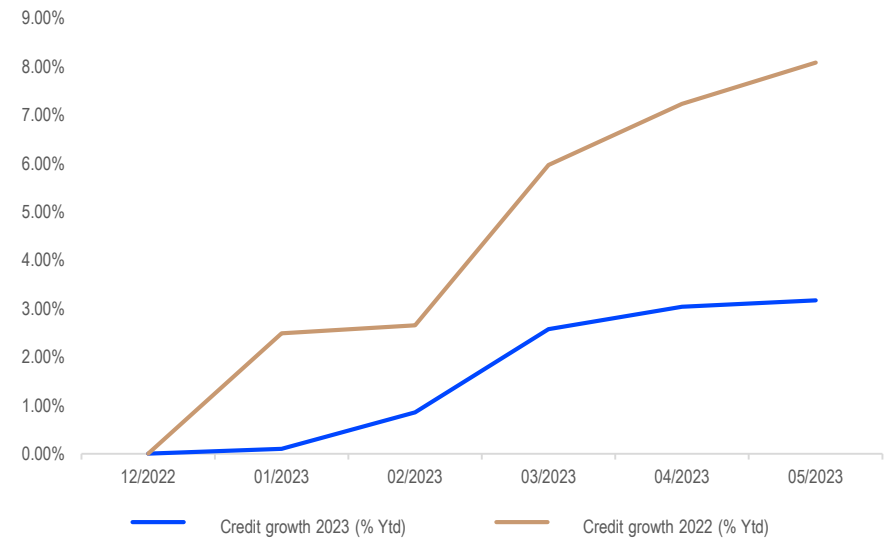
Source: Company Data, Fiinpro, Shinhan Securities Vietnam

- The credit growth of the entire industry has clearly seen a slowdown since September 2022 until now. According to published data, the credit growth rate (yoy) from around 16% in the first half of 2022 has steadily decreased to only 10.5% in March 2023. The declining import demand of major markets in the US and Europe has directly affected Vietnam's production and business activities. In addition, the interest rate level increased back to pre-pandemic levels, reducing the demand for borrowing by businesses, especially in the context of Vietnam's economy and slow global growth in 2023.
- Credit growth also reflects the business situation of banks listed on HOSE. This group only increased by 11.87% (yoy).

3. Credit of commercial banks

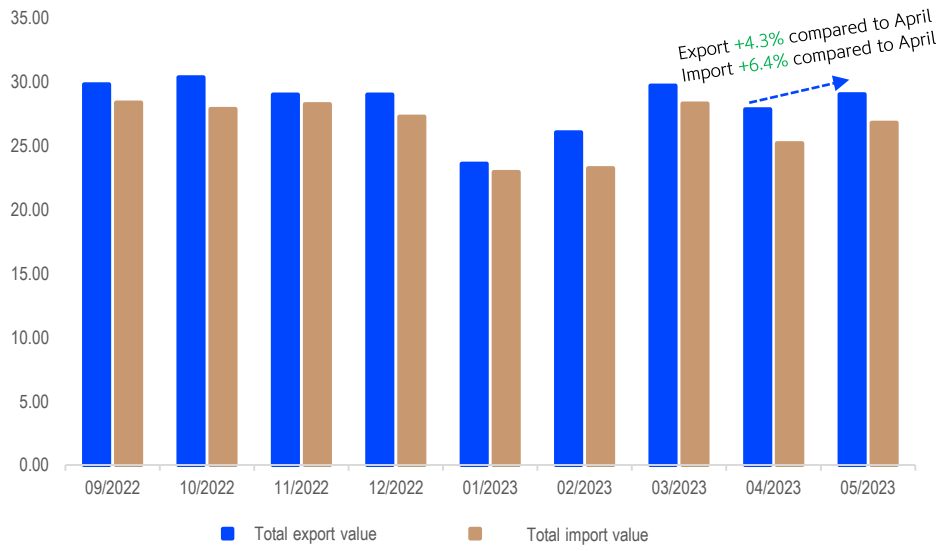
There are some signs of slight improvement in the economy.

Credit growth (% ytd)



Source: SBV, GSO, Company Data, Shinhan Securities Vietnam

Total export and import value of Vietnam (USD bn)



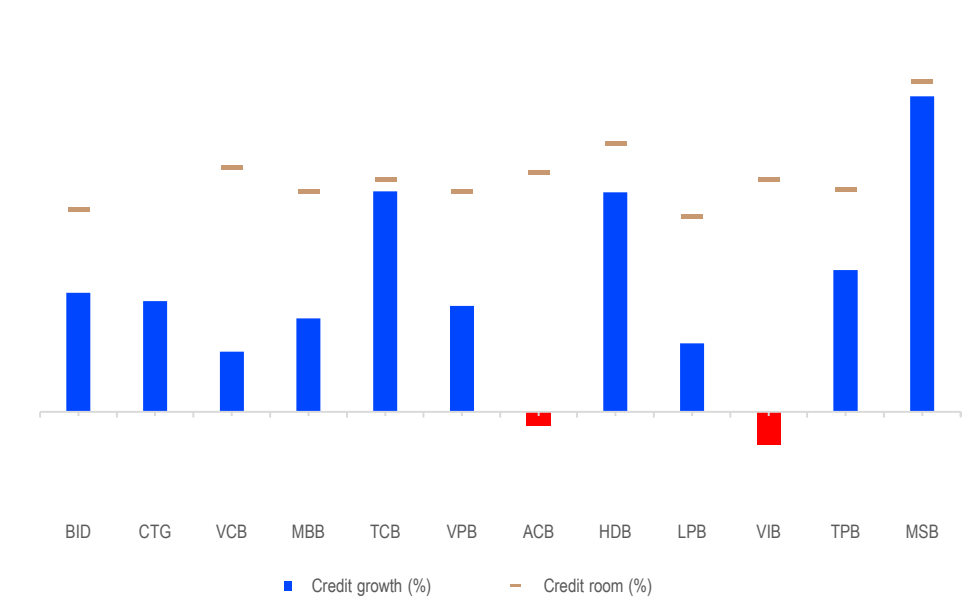
Source: SBV, GSO, Fiinpro, Shinhan Securities Vietnam

- Although credit in the whole economy slowed down in the first months of the year. However, we are also seeing signs of recovery in some indices. It can be mentioned that the total import-export value in May 2023 has increased slightly, reaching more than 29 and 27 billion USD, respectively, increasing at 4.3% and 6.4% compared to the previous month. We expect that the recovery trend of Vietnam's economy will be clearer in the coming months and support credit growth of the entire banking industry

3. Credit of commercial banks

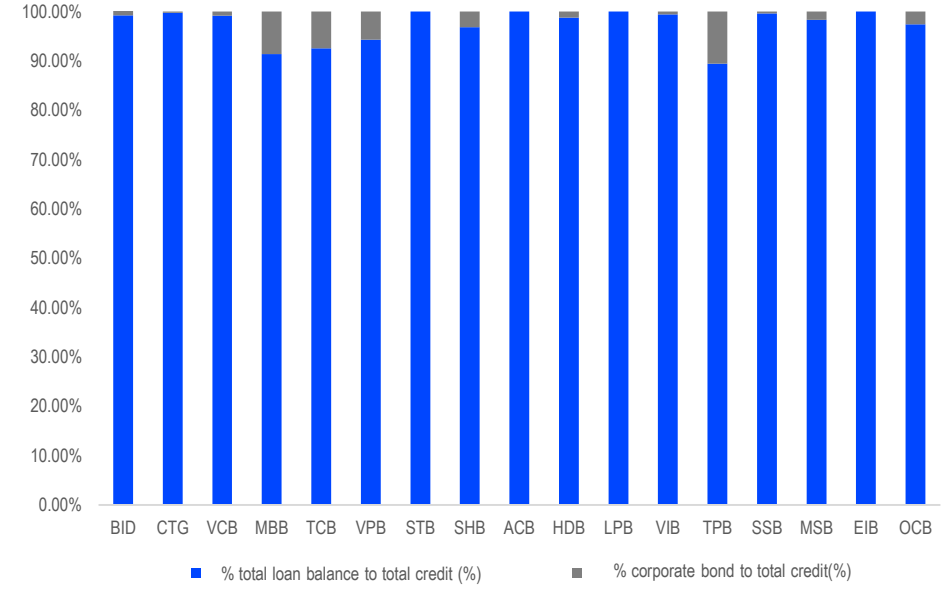
Most of the industry is still facing many challenges in terms of credit growth, but some banks have used up their first credit room this year.

Credit growth (ytd) and credit room first half of 2023 (%)



Source: Company Data, Fiiinpro, Shinhan Securities Vietnam

Credit composition of the bank at the end of Q1/2023 (%)



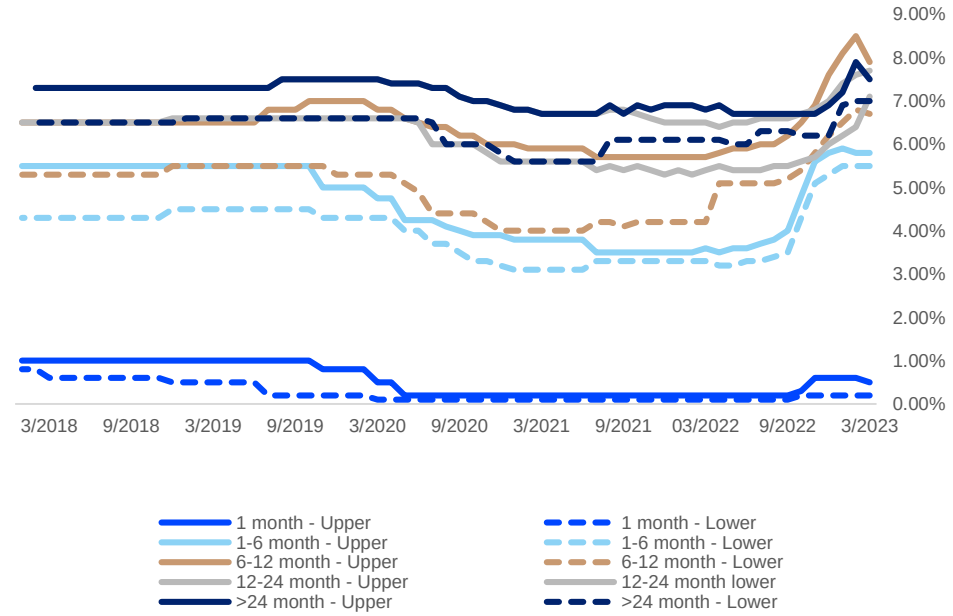
Source: Company Data, Fiiinpro, Shinhan Securities Vietnam

- Based on the business results of Q1/2023, some banks have used up almost all of the credit room allocated by the State Bank of Vietnam (SBV) at the beginning of the year. MSB bank grew by 12.93%, while its credit room was only granted at 13.5%. This situation also appeared in TCB or HDB banks, which still had good credit growth compared to the whole industry. We expect that SBV will expand credit room for these banks in the near future
- Regarding credit structure, customer loans account for a large proportion of total credit of banks. Corporate bond market share has received much attention recently but only accounts for a small proportion. Banks such as TCB, MBB, TPB or VPB have a proportion of outstanding loans at 6-11% of total credit. The remaining proportion of outstanding loans accounts for less than 5%

4. Movement of interest rates

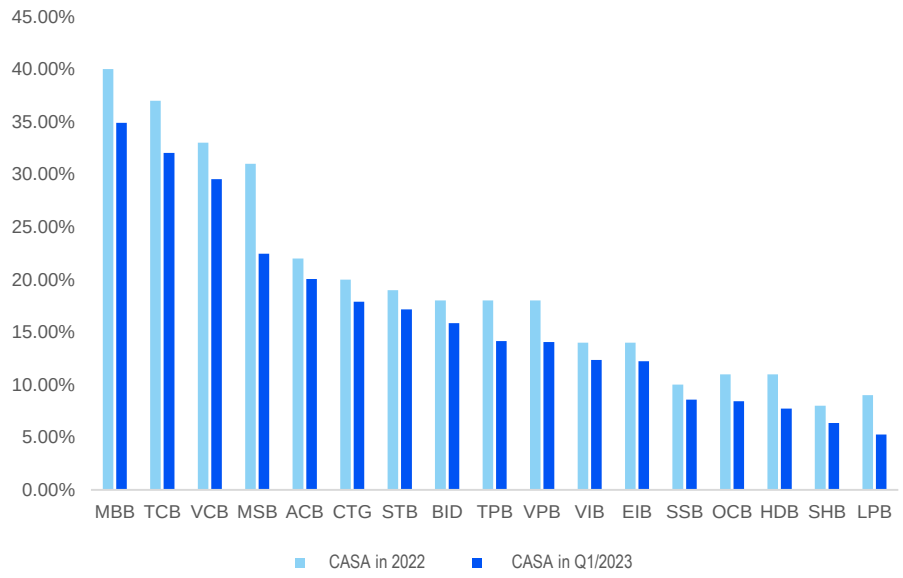
Deposit interest rates return to pre-pandemic levels, non-term deposit rates in Q1/2023 decreased at all banks listed on HOSE

Deposit interest rates in the market returned to pre-epidemic levels (%)



Source: Company Data, Fiiinpro, Shinhan Securities Vietnam

Demand Deposit (CASA) continues to decrease(%)



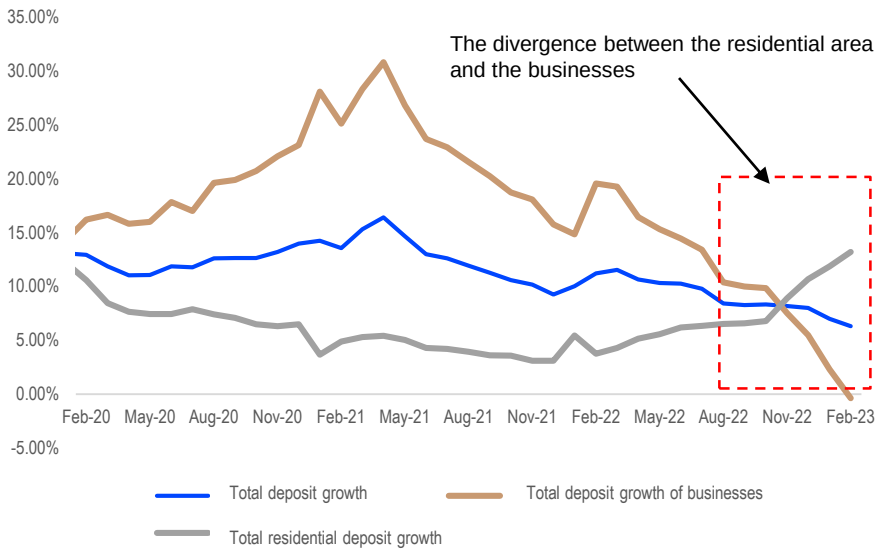
Source: Company Data, Fiiinpro, Shinhan Securities Vietnam

- After the liquidity problem at the end of 2022, deposit interest rates of banks have returned back to pre-pandemic levels. The current interest rate is significantly higher than that of 2020-2021. The average interest rate for 6-12 month term deposits is at 6.8%-8% (140-160bps higher than the same period)
- CASA deposits continue to decline as customers switch from non-term deposits to term deposits to enjoy higher interest rates. All banks listed on HOSE saw a decrease in CASA ratio in Q1/2023 compared to the end of 2022. MBB, TCB and VCB are leading in terms of CASA ratio
- As observed, many commercial banks have further reduced deposit interest rates in May and June, so we believe that the cost of funds will be s table and decrease slightly in the second half of 2023.

5. Deposit growth

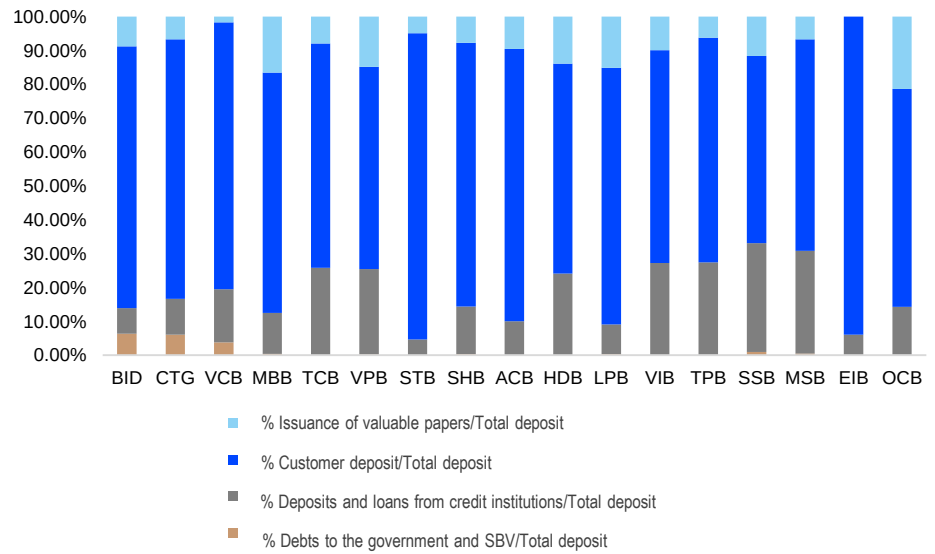
The industry's mobilization has a divergence between residential areas and financial institutions, high interest rates have helped increase deposits from residential areas.

Deposit growth of the whole industry at the end of Q1/2023 (%)



Source: Company Data, Fiiinpro, Shinhan Securities Vietnam

Deposit composition of banks at the end of Q1/2023(%)



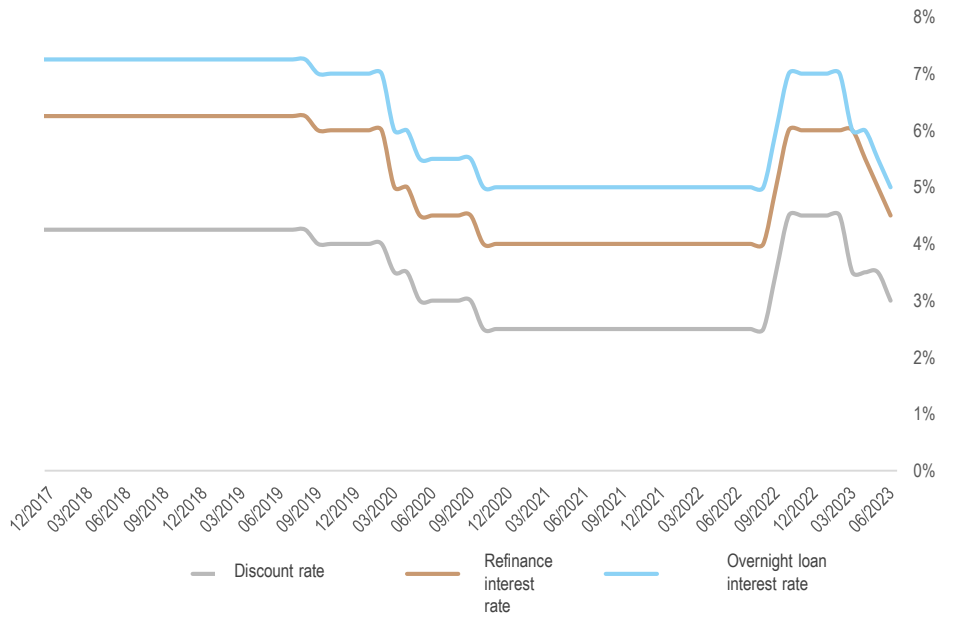
Source: Company Data, Fiiinpro, Shinhan Securities Vietnam

- In the context of the still sluggish economy, the growth of deposits from credit institutions has decreased sharply while deposits from individuals have recovered well. Enterprises tend to withdraw deposits to cover their operating costs, while residential areas actively deposit money into banks to enjoy high interest rates.
- In terms of mobilization structure, 74.2% comes from customer deposits, 14.6% comes from credit institutions, 8.32% comes from issuing valuable papers and 2.78% comes from the government and SBV (only state-owned banks mobilize from this source).

6. Policy interest rate cut

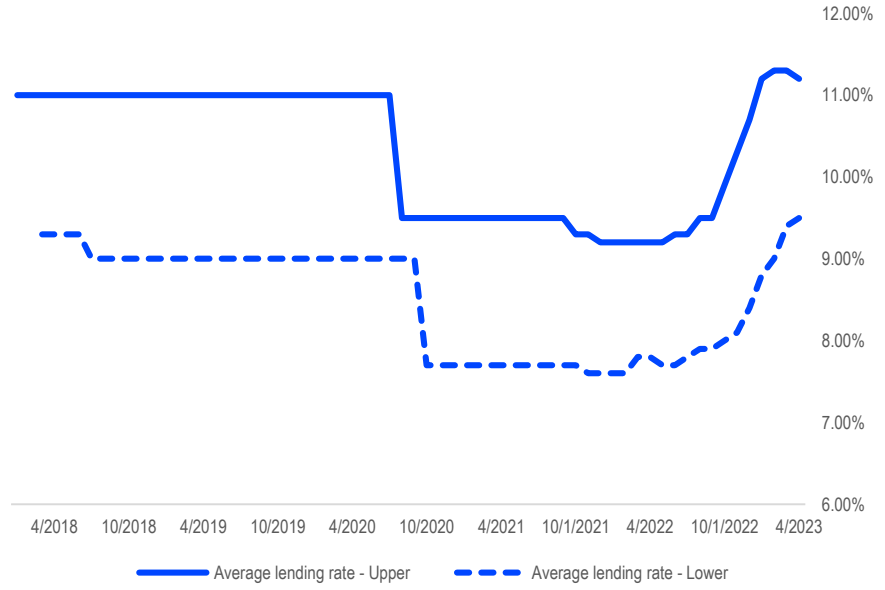
While input interest rates have fallen several times in the first half of 2023, lending rates will take time to adjust accordingly.

Banks cut interest rates for the 4th time this year (%)



Source: SBV, Company Data, Fiiinpro, Shinhan Securities Vietnam

Lending rate took time to be adjusted (%)



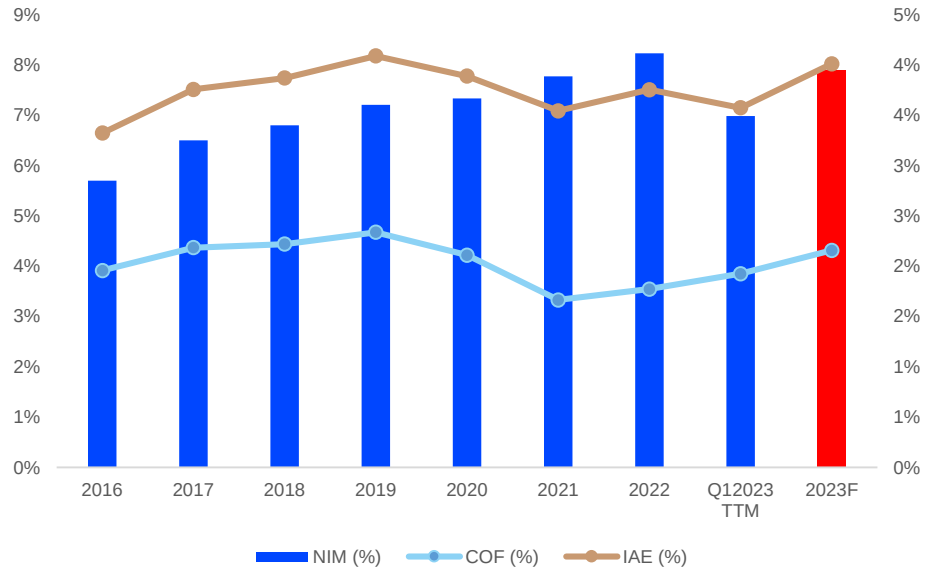
Source: SBV, Company Data, Fiiinpro, Shinhan Securities Vietnam

- On June 16, 2023, the State Bank continued to make a decision to reduce the operating interest rate (the 4th time of the year). overnight lending rates in inter-bank electronic payments and loans to cover capital shortfalls in clearing payments of the State Bank for credit institutions decreased from 5.5%/year to 5%/year; refinancing interest rate reduced from 5.0%/year to 4.5%/year; rediscount interest rate reduced from 3.5%/year to 3.0%/year
- On the market, OMO interest rates have recently decreased slightly from 5.5% to 4.5%, and interbank interest rates are currently trading lower than in late 2022. With policy support, the input interest rates of many banks may be less pressured in the coming time; however, output lending rates will have a delay of about 1-2 quarters. Therefore, we predict that lending rates may begin to decline in Q3 and Q4. Currently, the average lending rate for April 2023 of credit institutions is at 9.6%-11.2%, with almost no significant decrease compared to January 2023.

7. NIM of commercial banks

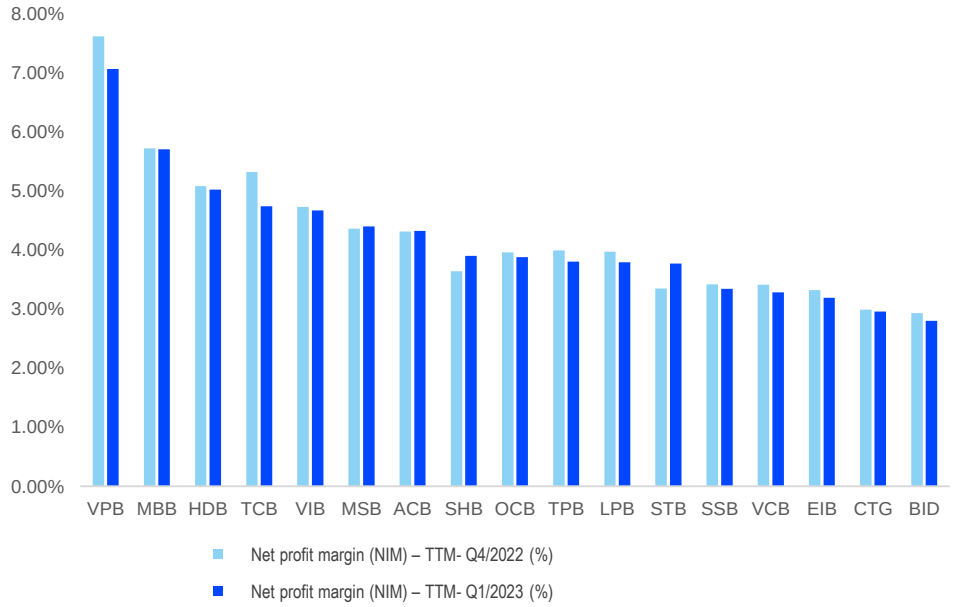
The cost of funds increased faster than lending rates, causing a sharp decrease in NIM of banks in Q1/2023. However, the pressure to narrow NIM is no longer as high as in the first months of this year.

Bank's NIM to trend down in Q1/2023 (%)



Source: Company Data, Fiiinpro, Shinhan Securities Vietnam

NIM of banks in Q1/2023 (% TTM)



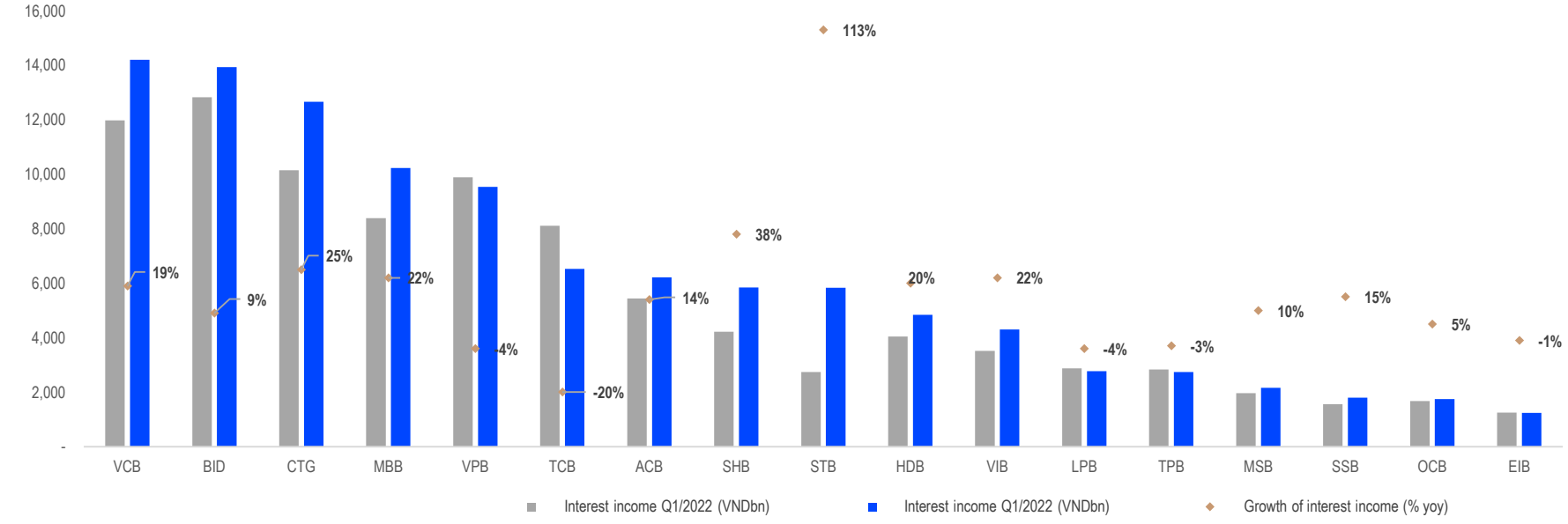
Source: Company Data, Fiiinpro, Shinhan Securities Vietnam

- With the high cost of funds from the last months of 2022, the NIM of the banking industry has decreased significantly in Q1 this year. Specifically, the NIM of listed banks on HOSE decreased from 4.113% at the end of Q4/2022 to 3.50 in Q1/2023
- With reducing interest rates decisions of SBV, deposit interest rates of banks all adjusted down after liquidity in the system was improved, we expect that banks' cost of funds will decrease in the remaining part of the year. This will create room for banks to reduce lending rates to stimulate market borrowing demand. With a certain delay between adjusting input interest rates and lending rates, banks' NIM may start to see improving and stabilizing in 2H2023 instead of continuing the downward trend of Q1/2023.

8. Interest income of commercial banks

Interest income of the industry in Q1/2023 slowed down compared to the same period last year; weak credit growth and narrowing NIM.

Interest income of banks listed on HOSE in Q1/2023



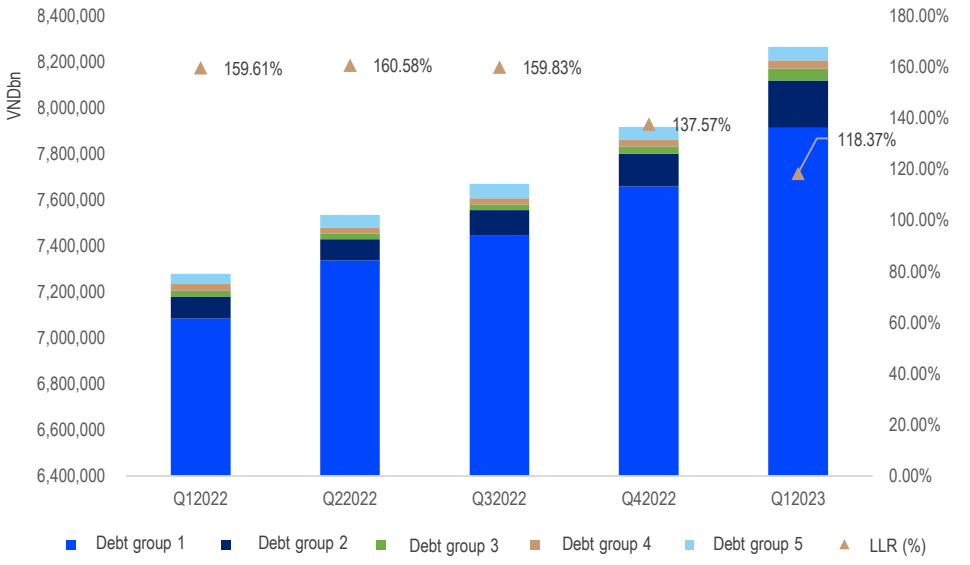
Source: Company Data, Fiiinpro, Shinhan Securities Vietnam

- The group of state-owned commercial banks listed including VCB, BID and CTG shows their stability compared to the general level of the industry thanks to their brand recognition and diverse customer base. VCB grew 19% YoY, BID grew 9% and CTG grew 25% YoY.
- The group of private joint stock banks has relatively clear differentiation, with many banks showing negative growth rates such as TCB (-20% YoY), LPB (-4%), EIB (-1%). STB with its own story about the restructuring plan has grown the strongest in the industry (+113% YoY). Unfavorable interest rate developments along with weak credit growth have affected income from interest of the banking industry.

9. Non-performing loans

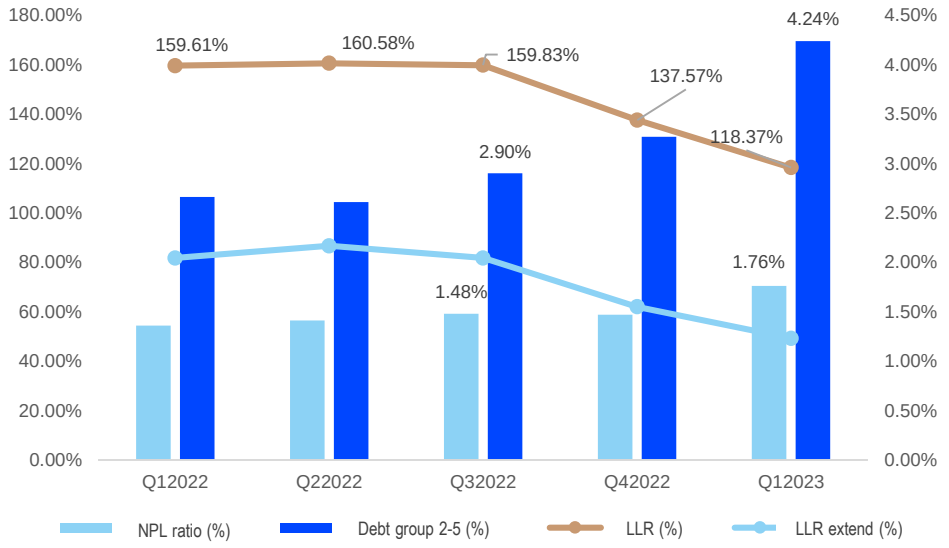
Group 2 debt increased rapidly, putting pressure on the NPL ratio of the banking industry. As the NPL ratio increases rapidly, the NPL coverage ratio of banks is significantly thinning over the same period.

NPL ratio continues its upward trend (%)



Source: Company Data, Fiiinpro, Shinhan Securities Vietnam

Loan loss coverage ratio (LLR) has been significantly thinner (%)



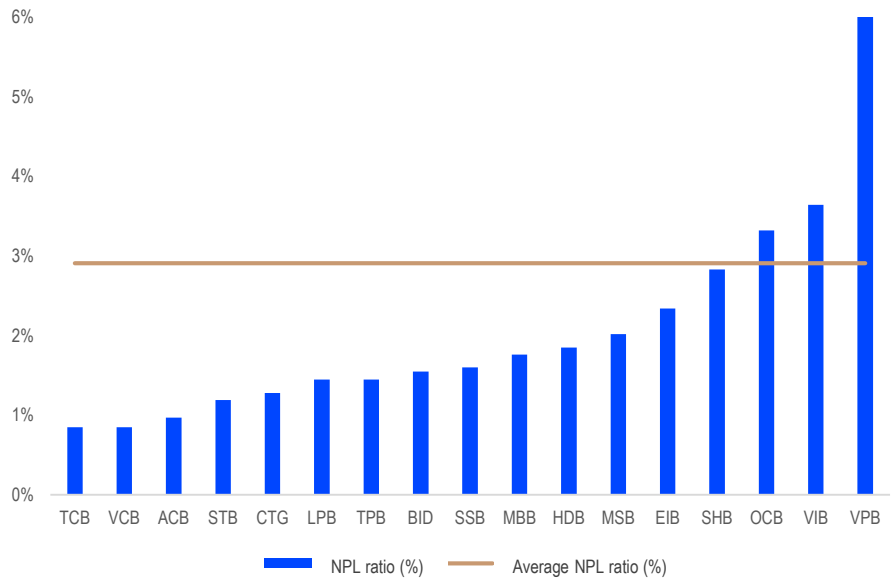
Source: Company Data, Fiiinpro, Shinhan Securities Vietnam

- The NPL ratio of banks listed on HOSE increased from 1.47% at the end of Q4/2022 to 1.76% in Q1/2023. It is noteworthy that the ratio of group 2-4 debts increased sharply from 3.27% to 4.24%, reflecting the difficulties of businesses in the early months of this year. To support businesses during this difficult period, SBV has allowed banks to maintain their debt groups through Circular 02/2023/TT-NHNN
- The NPL coverage ratio continues to decline, currently at 118.37%, which is still at a safe level but has decreased significantly from 160% in the same period last year. With the decrease in NPL coverage ratio, banks will continue to face pressure on provisioning in 2023

9. Non-performing loans

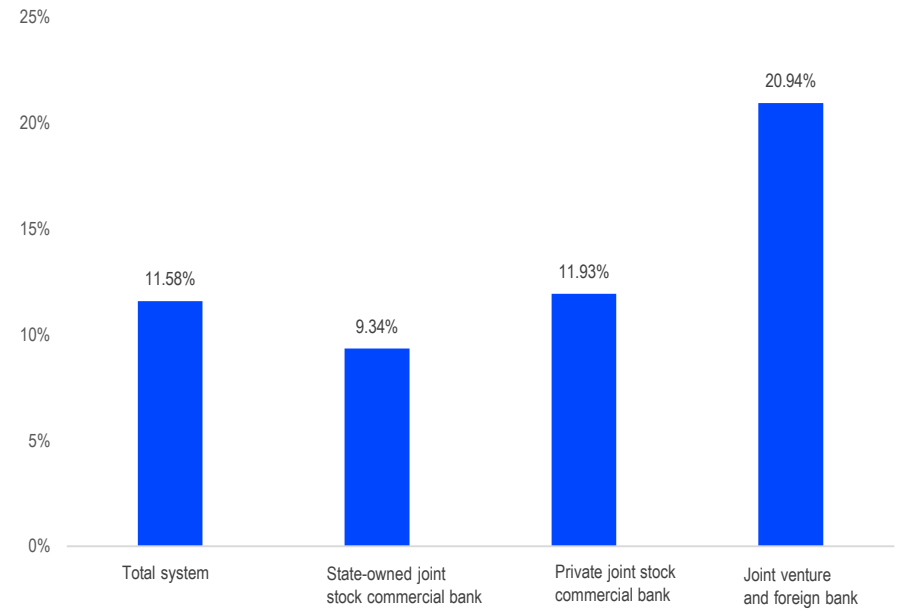
The bank's NPL ratio increased rapidly in Q1/2023. The capital adequacy ratio of the system has generally remained stable, with improvements occurring in the group of State-owned commercial banks.

NPL ratio of commercial banks in Q1/2023 (%)



Source: SBV, Fiinpro, Shinhan Securities Vietnam

Capital adequacy ratio of the whole banking industry Q1/2023 (%)



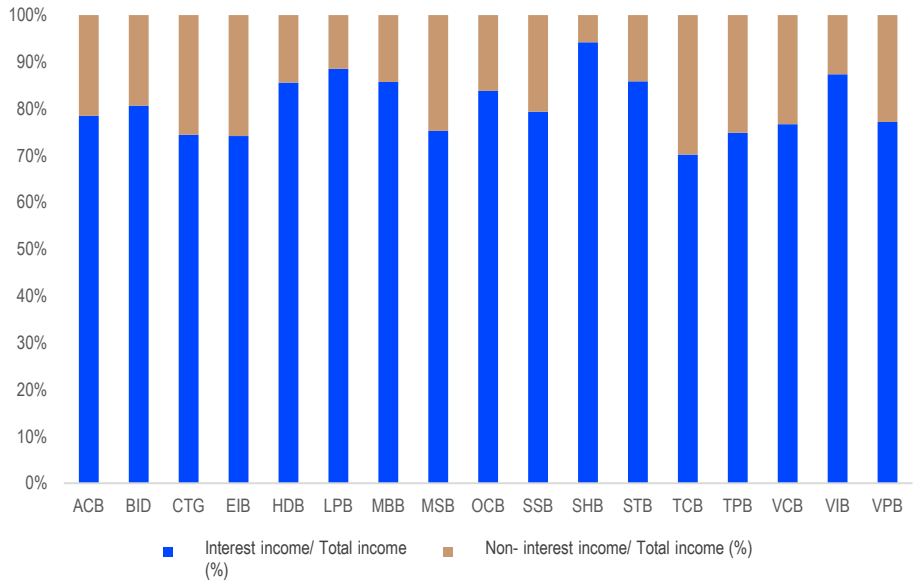
Source: Company Data, Fiinpro, Shinhan Securities Vietnam

- According to the SBV's data at the end of February, the industry's on-balance sheet NPL ratio rose to 2.91%. The banks with the lowest NPL ratio are TCB (0.85%), VCB (0.85%), ACB (0.97%), STB (1.19%) and CTG (1.28%). On the other hand, VPB and VIB, two banks focusing on consumer retail, had the highest consolidated NPL ratio at 6.24% and 3.64% respectively
- The capital adequacy ratio of the whole industry did not change much, the capital adequacy ratio at the end of Q1/2023 was at 11.58%. State-owned joint stock commercial banks increased from 9.04% to 9.34%, private joint stock commercial banks decreased slightly from 12.29% to 11.93%.

10. Non-interest income of commercial banks

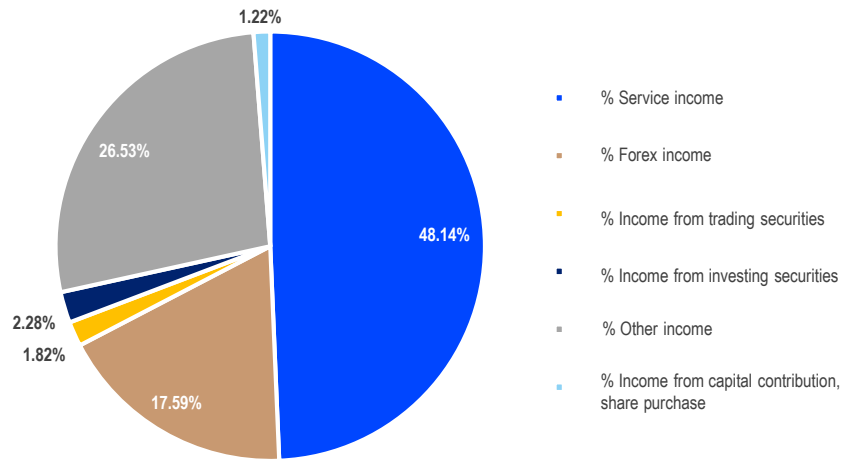
Non- Cash payment will continue to be the trend of the banking industry. Meanwhile, Bancassurance segment faced many difficulties in the first months of 2023.

Structure of non-interest income over total income (%)



Source: Company Data, Fiiinpro, Shinhan Securities Vietnam

Components of fee income(%)



Source: Company Data, Fiiinpro, Shinhan Securities Vietnam

- Non-interest income of banks listed on HOSE in Q1/2023 decreased by 22.2% (yoy) because many banks did not have extraordinary income from signing insurance distribution contracts. If these items are omitted in calculations, non-interest income in Q1/2023 was flat, down slightly by 0.39% (yoy)
- Many disputes related to insurance products have negatively affected income from Bancassurance channel.
- Meanwhile, income from payments and cards still showed good growth. In the first 4 months of 2023, non-cash payment transactions increased by 54% in number. Payment via QR code channel increased 161% in quantity and 44% in value. Non-cash payment trend will continue to be the foundation for banks' fee income to grow in the coming years..

11. Industry Outlook in 2023

The policy has been approved	Summary of main content	Impact
Circular 02/2023/TT-NHNN	Allowing credit institutions to restructure debts, keeping the same debt group for customers for customers who are facing difficulties in production and business activities. However, credit institutions still have to make provision for this debt	- Extend NPL recognition for banks - Provision for this loan balance is made in 2 years, reducing the pressure of provisioning in the short term
Circular 03/2023/TT-NHNN	Cessation of Clause 11 Article 4 of Circular No. 16/2021/TT-NHNN	Circular helps to loosen some conditions for repurchase of corporate bonds in 2023. Improve liquidity bottleneck in short term
Decree 08/2023/ND-CP	Allowing bond issuers to negotiate to pay bond principal and interest with other assets	Create a legal corridor for businesses to negotiate

11. Industry Outlook in 2023

Waiting policy in the second half of 2023 (adopted at the 6th National Assembly session in October 2023)	Main content	Impact
Law on credit institutions (amended)	- Law on NPL handling policy - Tighter lending and share ownership - Additional regulations related to credit growth limit - Along with some other content that is still in the process of getting comments	Increase the safety of the credit institution system, helping the management agency to manage more effectively
Amending Circular 41/2016/TT-NHNN	- Adjusted credit risk coefficients for some loans - Reduce the risk coefficient to buy social housing, housing under state support programs and projects. Supplementing regulations on guarantee ratio and debt repayment ratio for social housing loans - Clarifying the regulation to redefine the guaranteed ratio (LTV) in real estate, supplementing the regulation on the exchange rate due to revaluation of equity. The draft is still in the comment process	Encourage demand for loans for real estate development projects, industrial park real estate, social housing
Land Law (amended) Law on real estate business (amended) Housing Law (amended)	- Synchronizing master plans and plans on land use - Completing regulations on land allocation, land lease, and land use purpose change - More specific regulations on compensation, support for resettlement, land recovery - Completing the mechanism for determining land prices according to market principles - Prescribing higher tax rates for people with large areas of land, many houses, land speculation, slow putting to use, and abandoned land - Completing legal regulations related to the real estate market	Help remove overlapping knots, utilize land resources, help stabilize social life, and create motivation to the real estate market.

11. Industry Outlook in 2023

Interest rates in many countries are forecast to peak soon

Country	Interest rate	1M	3M	6M	1Y	2Y	3Y
USA	**5.12**	5.29	5.40	5.17	4.45	3.33	3.18
EU	**3.25**	3.44	3.72	3.83	3.58	2.95	2.71
UK	**4.50**	4.65	5.10	5.54	5.44	4.65	4.30
AUS	**3.85**	3.92	4.05	4.01	3.82	3.34	3.29
China	**2.00**	1.76	1.96	1.90	2.04	2.31	2.55

Source: Bloomberg, data extracted on 06/01/2023

- Currently, the market is expecting US interest rates to peak later this year. Therefore, it is likely that the interest rate trend may reverse at the end of 2023 or the beginning of 2024, the valuation ground of banking stocks may improve accordingly in the near future.
- The trend of peak interest rates may also appear within a year in developed economies such as the United Kingdom, the European Union or Australia. Meanwhile, the Central Bank of China, due to a long period of anti-epidemic, is still using monetary policy to support the economy.

11. Industry Outlook in 2023

Industry outlook for 2H/2023

- Regarding credit growth, we maintain credit growth of 14% in 2023, assuming credit demand can recover in the third quarter of this year;
- Regarding economic growth, the IMF expects Vietnam to grow its GDP at 5.8% in 2023 and recover with an increase of 6.9% in 2024
- Despite the reduction in operating interest rates by the State Bank of Vietnam, commercial banks' capital costs are likely to remain high in 2023. Meanwhile, with low credit demand, interest rates Bank lending may be reduced in Q3 and Q4 to support credit growth. Accordingly, the bank's NIM is forecasted to decrease slightly this year
- With the issuance of Circular 02/2023/TT-NHNN, banks can maintain the same debt group for some customers. In our opinion, the bank's NPL ratio may start to move sideways in the rest of the year. We forecast the industry's NPL could fall to around 2.5-2.6% at the end of the year
- Income related to bancasurance in the short term may be affected by many negative issues in the past time. However, in the long run, this market still has a lot of growth potential
- With the trend of non-cash payment in Vietnam increasing strongly, in 4 months of 2023, non-cash payment transactions grew by nearly 44%. Card and payment related income will continue to play a major role in banks' non-interest income

III. Industry Outlook in 2023

Risks:

- The slow economic growth/recession may cause the SBV's monetary easing policy to not work as expected and the credit growth of the whole industry may be slower than the target level
- NPL ratio increased faster due to slow economic recovery and enterprises having problems in paying debt obligations
- The real estate market may be slower to recover than expected and the revised laws may take a long time to materialize into business results

12. Bank valuation

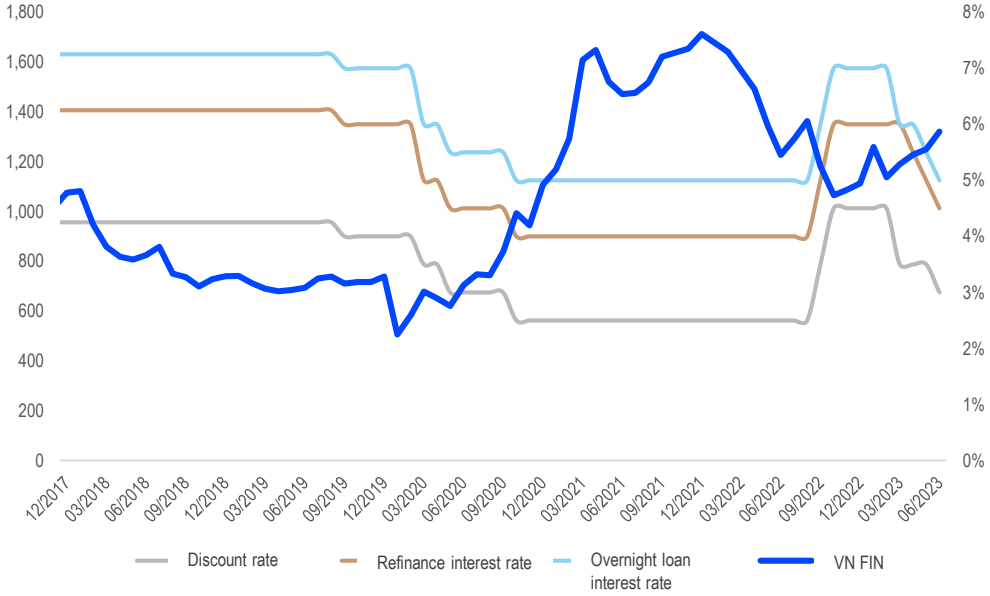
The bank's valuation is at an attractive level- lower than 5 year average.

Bank valuations remain attractive (x)



Source: Bloomberg, Company Data, Fiinpro, Shinhan Securities Vietnam

Trading history favors the recovery trend



Source: Company Data, Fiinpro, Shinhan Securities Vietnam

- Currently, the bank's P/B valuation is at 1.5x. This valuation is lower than the industry's average valuation in the past 5 years and is reflecting the difficulties of the economy in general and the banking industry in particular
- Based on trading history, bank stocks listed on HOSE will usually rebound after the operating interest rate is adjusted down. With three reductions in the operating interest rate of the State Bank of Vietnam, we expect the market valuation will improve in the near future

13. Target price of listed banks on HOSE

Banks listed on HOSE

Stock	Market cap (VNDbn)	Target price* (VND)	Growth of NII 3T2023 (% YoY)	Growth of NOII 3T2023 (% YoY)	Tăng trưởng TOI 3T2023 (% YoY)	Asset/Equity (x)	NIM (TTM)	NPL (TTM)	CIR (TTM)	ROE (TTM)	P/B (TTM)
VCB	444,383	107,000	19%	-22%	11%	12.76	3.28%	0.85%	28.48%	23.16%	3.09
BID	222,069	44,598**	9%	22%	6%	19.18	2.80%	1.55%	27.96%	19.65%	2.11
CTG	134,321	30,600	25%	45%	21%	16.15	2.96%	1.28%	25.35%	15.86%	1.20
VPB	130,236	27,400	-4%	33%	-32%	6.45	7.06%	6.24%	27.70%	11.76%	1.31
TCB	106,572	34,700	-20%	6%	-7%	6.13	4.74%	0.85%	33.79%	17.18%	0.90
MBB	85,239	26,700	22%	-23%	3%	8.97	5.70%	1.76%	29.91%	23.09%	1.05
ACB	83,119	28,500	14%	5%	16%	9.77	4.32%	0.97%	31.66%	25.42%	1.36
SSB	62,331	N/A	15%	-48%	-3%	9.05	3.34%	1.60%	36.70%	15.20%	0.79
STB	52,786	34,200	113%	-28%	33%	14.71	3.77%	1.19%	50.23%	14.92%	1.28
HDB	46,784	22,518*	20%	16%	10%	11.24	5.02%	1.85%	34.62%	20.79%	1.21
VIB	45,420	28,880*	22%	2%	19%	10.97	4.67%	3.64%	31.80%	28.40%	1.37
TPB	41,363	27,233*	-3%	20%	1%	10.20	3.80%	1.45%	43.16%	20.31%	1.14
SHB	36,036	N/A	38%	26%	32%	12.45	3.90%	2.83%	19.50%	18.75%	2.29
EIB	30,760	N/A	-1%	90%	0%	8.68	3.19%	2.34%	42.25%	14.82%	1.42
LPB	25,418	16,233*	-4%	15%	-4%	13.33	3.79%	1.45%	42.90%	18.74%	0.98
MSB	24,658	13,850*	10%	-10%	19%	8.41	4.40%	2.02%	32.73%	17.84%	0.85
OCB	24,600	18,100*	5%	-2%	4%	7.64	3.88%	3.32%	36.54%	14.75%	0.89

Source: Fiinpro, Bloomberg Consensus, Shinhan Securities
* This target price is calculated on 01/06/2023. Banks that pay dividends will change this target price.
** Target price according to Bloomberg ConsensusData as of 06/01/2023

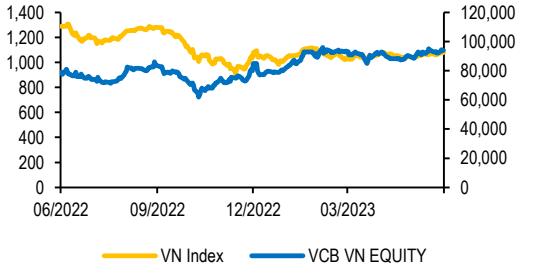
14. Outstanding bank

HOLD

(Update report)

Target price* (12 months)	**VND 107,000**
Current price (06/06/23)	VND 99,000
Upside (%)	8.0%
VN-INDEX	1,108
Market PE Forward (23F)	10.5
Market Cap (bn VND)	444,383
Outstanding shares (mn)	4,733
Free-Floating (mn)	1,192
52-Wk High/Low (VND)	96,300/ 62,000
90-day avg. trading volume (mn)	0.76
90-day avg. turnover (bn VND)	62
Foreign ownership (%)	0.9
Shareholders (%) SBV	74.8
Shareholders (%) Mizuho Bank, Ltd.	15

Performance	3T	6T	12M
Absolute (%)	0.8	10.5	18.9
Relative to VNIndex(%)	-3.2	10.6	35.2



* The target price is determined before the dividend payment

Joint Stock Commercial Bank for Foreign Trade of Vietnam (VCB)

Joint Stock Commercial Bank for Foreign Trade of Vietnam (HoSE: VCB) is one of the "Big 4" state-owned banks with the largest market capitalization in the banking industry. VCB has always maintained the advantage of being the most efficient bank in business, improved asset quality over the years, and continuously made efforts in digital transformation. In addition, VCB always aims at complying international standards throughout its operation, continuously being trusted by prestigious organizations in the world. We set the updated valuation of VCB this time at VND 107,000, equivalent to a upside of 8%. The change this time comes from a reduction in the risk-free rate from 4% to 3.5% in our pricing model.

Update business result for the first quarter of 2023

In Q1/2023, VCB's EBT reached VND 11,221 billion (+13.1% yoy), reaching 26% of the whole year plan in 2023. Credit growth increased by 2.5% ytd, higher than the industry average. NPL ratio increased slightly from 0.68% at the end of Q4/2022 to 0.85% at the end of Q1/2023. VCB's loan loss coverage ratio is at a very safe level, reaching 321%. VCB's fee income, excluding one-time recognition, will grow by about 8% over the same period.

Investment thesis and Catalyst

- Good asset quality, low NPL ratio, the highest NPL coverage ratio in the industry. The NPL ratio remained below 1% and the NPL coverage ratio continued to improve
- Diversified sources of mobilized capital and relatively low cost of capital help the bank's NIM to be less volatile
- VCB has accepted a compulsory transfer of a credit institution, participating in this plan will help VCB receive favor from the SBV when allocating a credit room
- VCB is still in the process of finding investors for private placement. This deal will help improve the bank's capital adequacy ratio by about 150-200bps

Forecast for 2023

- We forecast VCB will see credit growth of 13%, and net interest income up 11%. EBT is expected to increase by more than 16% thanks to good asset quality and low NPL control.
- Risks: (1) Risks of slow economic growth/recession; (2) The risk of NPL increases higher than expectation.

Year	2019	2020	2021	2022	2023F
Net interest income (VND bn)	34,538	36,285	42,273	53,246	59,074
Net non-interest income (VND bn)	11,155	12,778	14,357	14,837	18,066
TOI (VND bn)	45,693	49,063	56,630	68,083	77,140
Profit before tax (VND bn)	23,212	23,050	27,486	37,359	43,426
Growth of PBT (%)	27.06	-0.70	19.25	35.92	16.24
P/E (x)	18.6	18.7	15.7	14.8	12.7
P/B (x)	4.3	3.7	3.2	3.2	2.8
ROE (%)	26.0	21.1	21.6	24.2	23.3

Source: Bloomberg, Company data, Shinhan Securities Vietnam

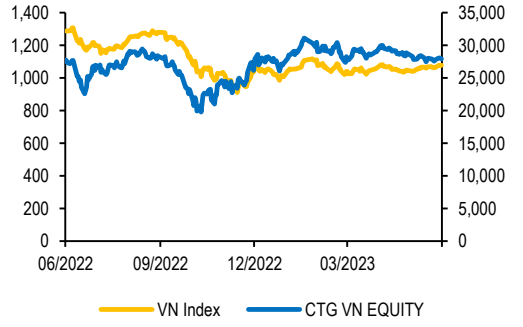
14. Outstanding bank

HOLD

(Update report)

Target price* (12 months)	**VND 30,600**
Current price (06/06/23)	VND 28,700
Upside (%)	7.0%
VN-INDEX	1,108
Market PE Forward (23F)	10.5
Market Cap (bn VND)	134,321
Outstanding shares (mn)	4,806
Free-Floating (mn)	1,708
52-Wk High/Low (VND)	31,250/ 19,500
90-day avg. trading volume (mn)	2.65
90-day avg. turnover (bn VND)	71
Foreign ownership (%)	1.1
Shareholders (%) SBV	64.5
Shareholders (%) Tokyo Mitsubishi	19.7

Performance	3T	6T	12M
Absolute (%)	0.5	0.0	0.7
Relative to VNIndex(%)	-3.4	0.1	17.0



* The target price is determined before the dividend payment

VIETNAM JOINT STOCK COMMERCIAL BANK FOR INDUSTRY AND TRADE (CTG)

Vietnam Joint Stock Commercial Bank for Industry and Trade was established on the basis of separation from the State Bank in 1988. This is a state-owned commercial bank which is highly appreciated by us thanks to its wide network throughout Vietnam, playing an important role. in the country's financial system. CTG owns a large corporate customer base in a variety of industries and has grown steadily over the years. With a target P/B for 2023 at 1.3 and combined with the residual income method, we forecast CTG's target price in the next 12 months to be 30,600, which is in line with the current trading price.market translation.

Update business result for the first quarter of 2023

CTG's total operating income reached VND 17,018 billion (+21% yoy), outstanding loans to customers increased by 4.6% ytd. Growth in Q1 focused on large corporate and FDI segments. CTG's NPL ratio in Q1/2023 increased slightly to 1.28% from 1.24% in Q4/2022. loan loss coverage ratio decreased slightly from 189% in Q4/2022 to 173% in Q1/2023. CTG's provision for credit risks in Q1 amounted to VND 6,724 billion (+52% yoy), causing pre-tax profit to increase slightly by 1.9% to VND 5,980 billion. Net fee income grew at 52% yoy thanks in part to commission fees from the life insurance partnership with Manulife which started to be recognized in Q1/2023

Investment thesis and Catalyst

- CTG is a large bank brand with high brand awareness and good growth in corporate customer base in the context of economic difficulties. In the future, CTG will focus on expanding and developing the retail segment thanks to its strong customer base and branch network
- NIM has been kept stable by the bank even though the deposit interest rates of the whole industry have increased significantly in recent years
- Prudence in asset quality management. CTG advocates limiting credit to high-risk sectors such as real estate and corporate bonds. NPL ratio and loan loss coverage ratio are always among the leading in the industry

Forecast for 2023

- We forecast CTG will continue to grow in 2023 with credit growth of around 10%, and net interest income growth of 12.4%. CTG's non-interest income continued to maintain a growth rate of more than 25.4%. EBT can reach more than 22,780 billion dong (+7.9% yoy). CTG's NPL ratio can be maintained below 1.3% for the whole year
- Risks: (1) Risks of slow economic growth/recession; (2) The risk of NPL increases higher than expectation.

Year	2019	2020	2021	2022	2023F
Net interest income (VND bn)	33,199	35,581	41,788	47,930	53,857
Net non-interest income (VND bn)	7,320	9,737	11,368	16,650	18,393
TOI (VND bn)	40,519	45,317	53,157	64,580	72,250
Profit before tax (VND bn)	11,781	17,085	17,589	21,113	22,780
Growth of PBT (%)	79.6	45.0	3.0	20.0	7.9
P/E (x)	11.2	7.7	9.7	8.1	7.5
P/B (x)	1.4	1.2	1.5	1.3	1.1
ROE (%)	13.1	16.8	15.7	16.7	15.7

Source: Bloomberg, Company data, Shinhan Securities Vietnam

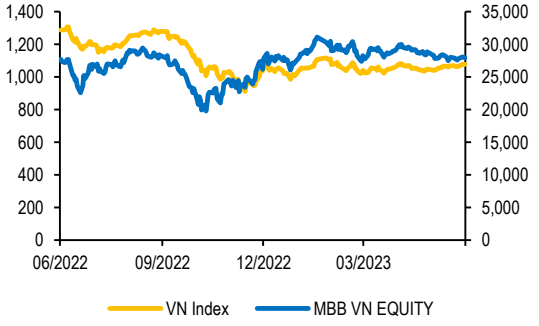
14. Outstanding bank

BUY

(Update report)

Target price* (12 months)	**VND 29,200**
Current price (06/06/23)	VND 20,450
Upside (%)	42.8%
VN-INDEX	1,108
Market PE Forward (23F)	10.5
Market Cap (bn VND)	85,239
Outstanding shares (mn)	4,534
Free-Floating (mn)	2,672
52-Wk High/Low (VND)	23,950/ 13,200
90-day avg. trading volume (mn)	7.87
90-day avg. turnover (bn VND)	132
Foreign ownership (%)	1.3
Shareholders (%) VIETTEL Group	14.1
Shareholders (%) SCIC	9.4

Performance	3T	6T	12M
Absolute (%)	8.0	0.0	-17.1
Relative to VNIndex(%)	4.1	0.1	-0.7



* The target price is determined before the dividend payment

Military Commercial Joint Stock Bank (MBB)

Military Commercial Joint Stock Bank (MBB) has had many outstanding achievements in recent years, reflected in its asset quality, outstanding profitability, and high credit rating by rating agencies. international. MBB has a close relationship with military enterprises such as Viettel, Vinacomin, Vietnam Helicopter, etc., helping the bank's demand deposit ratio at the highest level in the whole system, thereby helping MBB control control capital costs more effectively. We update MBB's share valuation this time at VND29,200., the upward adjustment this time comes from a reduction in the risk-free rate from 4% to 3.5% in our valuation model.

Update business result for the first quarter of 2023

MBB's net interest income came in at VND10,277 billion (+22% yoy), credit growth was 2.1% ytd with NIM holding steady at 5.7%. The NPL ratio reflects the general difficulties of the market when it increased sharply from 1.09% at the end of Q4/2022 to 1.76%. The credit with Novaland until now shared by management is still classified as debt group 1, which is the amount that will receive a lot of attention from shareholders in 2023. CASA leads the industry at 36%. MBB's fee income dropped 23% as insurance, securities brokerage and other income were affected negatively. However, MBB's EBT reached VND 6,512 billion, completing 25% of the target of VND 26,100 billion in 2023.

Investment thesis and Catalyst

- NPL ratio is expected to have more positive changes after Circular 02/2023/TT-NHNN was approved in April this year
- Compulsory handover helps support credit growth
- ROE is in the top group of the industry
- CASA leads the industry, keeping the cost of capital less volatile in the recent period, the bank's NIM remains at the top of the industry (only after VPB)

Forecast for 2023

- We cautiously forecast that MBB's credit growth in 2023 will reach 14%, net interest income will continue to play a key role in MBB's growth this year with an expected growth of 12%. The bank's NIM fell slightly by 120bps, to 5.5%. MBB's EBT will probably reach VND24,900 billion (+9.5% yoy)
- Risks: (1) Risks of slow economic growth/recession; (2) Risk of NPL increases faster than expected; (3) the real estate market recovered more slowly than expected

Year	2019	2020	2021	2022	2023F
Net interest income (VND bn)	18,000	20,278	26,200	36,023	40,395
Net non-interest income (VND bn)	6,650	7,084	10,735	9,570	10,097
TOI (VND bn)	24,650	27,362	36,934	45,593	50,493
Profit before tax (VND bn)	10,036	10,688	16,527	22,729	24,888
Growth of PBT (%)	29.2	6.5	54.6	37.5	9.5
P/E (x)	6.5	5.5	6.1	5.4	4.7
P/B (x)	1.1	1.0	1.1	1.1	0.9
ROE (%)	21.1	18.4	22.6	24.6	21.7

Source: Bloomberg, Company data, Shinhan Securities Vietnam

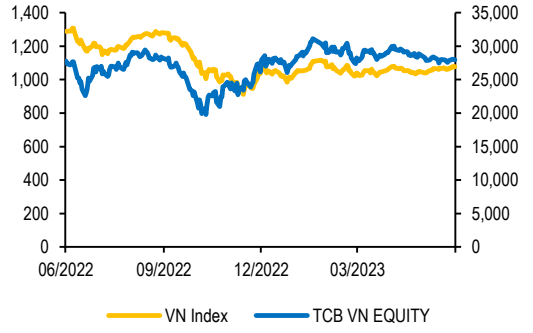
14. Outstanding bank

HOLD

	(Update report)
Target price (12 months)	**VND 37,000**
Current price (06/06/23)	VND 32,700
Upside (%)	13.0%
VN-INDEX	1,108
Market PE Forward (23F)	10.5
Market Cap (bn VND)	106,572
Outstanding shares (mn)	3,517
Free-Floating (mn)	2,714
52-Wk High/Low (VND)	39,950/ 19,300
90-day avg. trading volume (mn)	3.61
90-day avg. turnover (bn VND)	105
Foreign ownership (%)	1.3

Shareholders (%)	Masan	14.9

Performance	3T	6T	12M
Absolute (%)	11.4	5.2	-16.8
Relative to VNIndex(%)	7.5	5.4	-0.4



Vietnam Technological And Commercial Joint Stock Bank (TCB)

Vietnam Technological and Commercial Joint Stock Bank (TCB) is one of the leading banks in terms of credit market share and asset size in the group of private joint stock commercial banks. Loans to construction, real estate and home loans will continue to be the mainstays of Techcombank in the future. This is also one of the banks that continuously invest heavily in digital banking services, thereby attracting many new customers to its platform. TCB is currently one of the leading banks in the system based on many important indicators such as NPL ratio, CASA or ROE. We update TCB's valuation at VND37,000, after adjusting CASA for Q1 results and reducing the risk-free rate when calculating the discount rate.

Update business result for the first quarter of 2023

TCB grew total credit at 9% ytd, the wholesale banking segment (WB) had an impressive growth of 38%, the retail banking segment increased by more than 29%, while corporate bonds declined. stronger than 50% due to unfavorable market movements. The cost of capital increased due to the influence of the input interest rate that continued to increase and the proportion of CASA decreased sharply from 37% to only 32%. TCB's NIM decreased from 5.1% to 4.6%, causing interest income to drop by nearly 20% yoy.. TCB's fee income segment grew 14% yoy, in which the advantaged segment of IB services decreased more 73%. TCB's EBT in the first quarter of 2023 reached VND 5,623 billion (-17% yoy), reaching 26% of the year's profit target.

Investment thesis and Catalyst

- Savings deposit interest rates have dropped from the peak at the end of Q4 2022, we forecast the decline in demand deposits of banks will slow down. The bank's NIM will therefore also be more likely to recover for the rest of 2023.
- Circular 03/2023/TT-NHNN and Decree 08/2023/ND-CP can help TCB's IB fee income segment be less gloomy than the second half of 2023
- With a strong focus on real estate, the passing of the revised land law, housing law and real estate business law could mark a market recovery in Q4/2023 and early 2024

Forecast for 2023

- We forecast TCB's full-year credit growth of 14%, NPL ratio at 1%, NIM could reach 4.95% for the whole year. Non-interest income increased by 14%. EBT in 2023 reached VND 25,900 billion (+1.2% yoy)
- Risks: (1) Risk of slow economic growth/recession; (2) The risk of NPL increases; (3) the real estate market recovers more slowly than expected

Year	2019	2020	2021	2022	2023F
Net interest income (VND bn)	14,258	18,751	26,699	30,290	32,099
Net non-interest income (VND bn)	6,810	8,627	10,378	10,612	12,118
TOI (VND bn)	21,068	27,379	37,076	40,902	44,217
Profit before tax (VND bn)	12,838	15,800	23,238	25,568	25,872
Growth of PBT (%)	20.4	23.1	47.1	10.0	1.2
P/E (x)	9.9	8.1	5.5	5.0	4.9
P/B (x)	1.6	1.4	1.1	0.9	0.8
ROE (%)	17.7	18.1	21.7	19.7	16.5

Source: Bloomberg, Company data, Shinhan Securities Vietnam

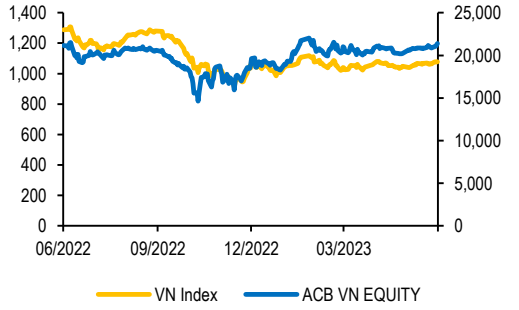
14. Outstanding bank

BUY

(Update report)

Target price* (12 months)	**VND 28,500**
Current price (06/06/23)	VND 21,800
Upside (%)	30.7%
VN-INDEX	1,108
Market PE Forward (23F)	10.5
Market Cap (bn VND)	83,119
Outstanding shares (mn)	3,884
Free-Floating (mn)	3,134
52-Wk High/Low (VND)	23,043/ 15,174
90-day avg. trading volume (mn)	5.58
90-day avg. turnover (bn VND)	134
Foreign ownership (%)	1.0
Shareholders (%) DFHL	6.9
Shareholders (%) Sather Gate	5

Performance	3T	6T	12M
Absolute (%)	-1.8	4.7	-2.9
Relative to VNIndex(%)	-5.7	4.9	13.4



*Target price after stock dividend adjustment

Asia Commercial Joint Stock Bank (ACB)

Asia Commercial Joint Stock Bank (ACB) is strategically oriented to be the leading retail bank in Vietnam. This is also a bank with a cautious development strategy, not investing in corporate bonds. In terms of asset quality, this bank is one of the pioneer banks to complete the BASEL III standard. ACB has good credit growth and is improving its business model day by day. We keep ACB's valuation unchanged as in the most recent report, ACB's target price is at VND28,500.

Update business result for the first quarter of 2023

ACB's credit growth was negative 0.7% ytd. However, thanks to the improvement of NIM from 4% to 4.3%, ACB's interest income still achieved double-digit growth (+14.2%yoy). In addition, after setting aside for the technology fund and perform effective cost control, ACB's operating expenses decreased by 38% compared to the previous quarter. ACB's ROE improved to nearly 26%. ACB's EBT reached VND5,126 billion (+25% yoy), completing 26% of the profit target in 2023.

Investment thesis and Catalyst

- A conservative strategy, do not invest in corporate bonds and limit lending to real estate business. With nearly 95% lending to retail and SMEs, 98% secured loans, we highly appreciate ACB's asset quality. This is also a few in the banking industry with a NPL ratio of less than 1%.
- Non-interest income maintained a growth rate of more than 20%, supporting ACB's income growth as credit demand slowed significantly in 2023.
- Profits can be supported from the reversal of provision for restructuring debts from the time of the Covid-19 epidemic

Forecast for 2023

- We forecast ACB's credit growth at 14% in 2023. The bank's NIM down slightly by 24bps. Bad debt supported by Circular 02 helps the bank maintain this ratio below 1% as planned. ACB's EBT in 2023 may increase slightly by 9.3%, reaching VND 18,708 billion
- Risks: (1) Risk of slow economic growth/recession; (2) The risk of NPL increases faster than expected

Year	2019	2020	2021	2022	2023F
Net interest income (VND bn)	12,112	14,582	18,945	23,534	25,097
Net non-interest income (VND bn)	3,985	3,579	4,619	5,257	6,758
TOI (VND bn)	16,097	18,161	23,564	28,790	31,854
Profit before tax (VND bn)	7,516	9,596	11,998	17,114	18,708
Growth of PBT (%)	17.7	27.7	25.0	42.6	9.3
P/E (x)	6.8	6.9	6.9	6.0	5.5
P/B (x)	1.5	1.5	1.5	1.4	1.2
ROE (%)	24.6	24.3	23.9	26.5	23.9

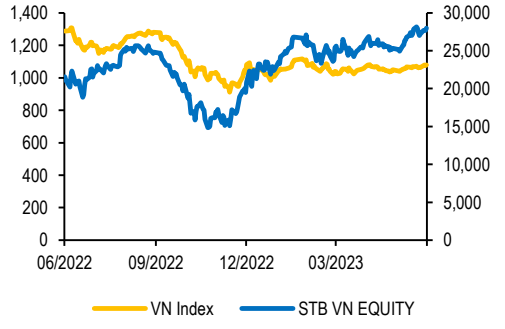
Source: Bloomberg, Company data, Shinhan Securities Vietnam

14. Outstanding bank

BUY

	(Update report)
Target price (12 months)	**VND 34,200**
Current price (06/06/23)	VND 28,300
Upside (%)	21.0%
VN-INDEX	1,108
Market PE Forward (23F)	10.5
Market Cap (bn VND)	51,938
Outstanding shares (mn)	1,885
Free-Floating (mn)	1,758
52-Wk High/Low (VND)	28,500/ 14,050
90-day avg. trading volume (mn)	17.3
90-day avg. turnover (bn VND)	448
Foreign ownership (%)	1.2
Shareholders (%) Ông Dương Công Minh	3.3
Shareholders (%) CTBC Vietnam Equity fund.	2.2

Performance	**3T**	**6T**	**12M**
Absolute (%)	16.0	37.8	20.8
Relative to VNIndex(%)	11.3	35.4	37.9



Saigon Thuong Tin Commercial Joint Stock Bank (STB)

Saigon Thuong Tin Commercial Joint Stock Bank (STB) is in the group of private commercial joint stock banks with a large credit market share. STB participated in the restructuring project after merging with Phuong Nam Commercial Joint Stock Bank. Bad debts from mergers have significantly affected STB's business results in the period 2016-2022. However, 2023 could be the last year in the restructuring project and this will help the bank grow strongly in the period of 2023-2024. Using the Residual income method and P/B ratio, we value STB's price in the next 12 months at VND34,200.

Update business result for the first quarter of 2023

Sacombank grew strongly interest income (+113% yoy). This strong growth is explained by the fact that STB has processed more than 21,500 billion dong of accrued interest in 2022. Since the beginning of the year, STB's credit growth has increased by more than 2%. In contrast, STB's net profit from services in Q1/2023 was only VND 658 billion (-57% yoy). STB's EBT reached 2,383 billion dong. Compared to the pre-tax profit target of 2023 at VND 9,500 billion, STB's pre-tax profit in Q1/2023 has completed 25% of the whole year plan. STB's NPL ratio is currently at 1.19%, lower than the industry average

Investment thesis and Catalyst

- STB expects to auction and finish handling shares of Mr. Tram Be group and Phong Phu Industrial Park this year. The successful disposal of outstanding assets can bring extraordinary profits to STB, in addition, STB's NIM can also be improved thanks to this additional capital
- STB will also make a full provision for VAMC bonds, about VND8,000 billion in 2023. With the full provision of VAMC bonds, STB will no longer be under pressure to make a large provision in 2024
- After the restructuring project, STB has shared that it will pay dividends, raise charter capital and seek strategic partners in the near future

Forecast for 2023

- We forecast STB's credit growth in 2023 at 12% y/y, NPL ratio maintained at 1%. STB's NIM continued to improve to 3.9%. STB's pre-tax profit grew at a high rate of over 41% thanks to the completion of the provision of NPLs related to the restructuring project
- Risks: (1) Risk of slow economic growth/recession; (2) The risk of NPL increases; (3) Risks related to slower-than-expected disposal of backlogged assets

Year	2019	2020	2021	2022	2023F
Net interest income (VND bn)	9,181	11,527	11,964	17,147	22,021
Net non-interest income (VND bn)	5,455	5,744	5,740	8,994	9,071
TOI (VND bn)	14,635	17,271	17,704	26,141	31,092
Profit before tax (VND bn)	3,217	3,339	4,400	6,339	8,945
Growth of PBT (%)	43.2	3.8	31.8	44.1	41.1
P/E (x)	19.2	17.6	13.8	9.3	6.6
P/B (x)	1.8	1.6	1.4	1.2	1.1
ROE (%)	9.6	9.6	10.8	13.8	17.4

Source: Bloomberg, Company data, Shinhan Securities Vietnam

14. Outstanding bank

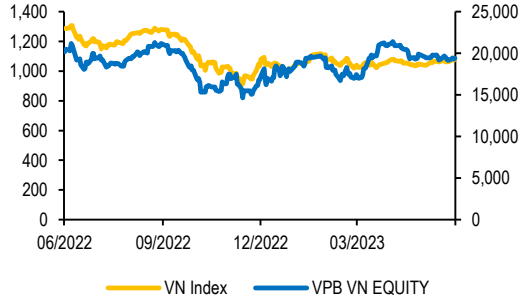
BUY

(Update report)

Target price* (12 months)	**VND 26,700**
Current price (06/06/23)	VND 19,850
Upside (%)	34.0%
VN-INDEX	1,108
Market PE Forward (23F)	10.5
Market Cap (bn VND)	130,236
Outstanding shares (mn)	6,713
Free-Floating (mn)	4,666
52-Wk High/Low (VND)	21,730/ 13,650
90-day avg. trading volume (mn)	14.86
90-day avg. turnover (bn VND)	268
Foreign ownership (%)	1.1

Shareholders (%)	Composite Capital Master Fund LP	4.9

Performance	3T	6T	12M
Absolute (%)	12.1	12.1	-3.8
Relative to VNIndex(%)	8.2	12.3	12.5



* The target price is determined before the dividend payment

Vietnam Prosperity Joint Stock Commercial Bank (VPB)

Vietnam Prosperity Joint Stock Commercial Bank (VPB), established in 1993, is a bank pursuing a modern retail strategy. VPB has grown strongly thanks to the ability to expand its network of branches and transaction points nationwide, along with the development of a variety of products. Although VPB's FE credit is no longer as explosive as in the early stages, it still holds the number one market share in consumer finance. In early 2023, VPB reached an agreement to sell 15% of charter capital to SMBC through a private placement of shares. VPB's individual capital adequacy ratio is expected to increase to 19% after this deal, the highest among Vietnamese banks. With the added capital, we appreciate VPB and value it with a target P/B of 1.4x for the next 12 months. VPB's target price is at VND 26,700, with a potential for a 34% increase in price.

Update business result for the first quarter of 2023

In terms of consolidated business results, VPB's credit balance grew at 4.9% ytd, customer deposits increased sharply by 12.8% ytd. The consumer finance segment is in the process of restructuring, so its growth is slower than that of the parent bank. VPB's interest income reached VND 9,534 billion (-4% yoy). Service income grew to VND 1,668 billion (+34%). VPB's consolidated pre-tax profit in Q1/2023 reached VND2,550 billion (-54.8% yoy-not counting extraordinary income in the same period) due to a 54% increase in provision expenses for credit risks.

Investment thesis and Catalyst

- Completing the private placement with SMBC helped VPB earn 35.9 trillion dong, the price for this deal is 30,159 dong/share. In addition to capital improvement, this deal also marks the closer cooperation between SMBC and VPB
- VPB is also a participant in the forced transfer of weak banks. We expect VPB to continue to grow well thanks to the additional credit room
- NPLs in the second half of 2023 may be flat thanks to the impact of Circular 02/2023TT-NHNN
- FE Credit can book a profit in the second half of 2023 and thereby help the bank's consolidated profit to be kept stable

Forecast for 2023

- We forecast VPB will grow its consolidated credit at 22%, and interest income up 14.7%. NPLs decreased slightly from 6.2% in Q1/2023 to 6% at the end of the year. EBT is expected at 17,572 billion dong (-17.19%) because there is no longer abnormal income like the same period last year

- Risks: (1) Risk of slow economic growth/recession; (2) The risk of Fe Credit continuing to lose (3) The risk of NPL increasing.

Year	2019	2020	2021	2022	2023F
Net interest income (VND bn)	30,670	32,346	34,349	41,021	47,039
Net non-interest income (VND bn)	5,685	6,687	9,953	16,776	12,719
TOI (VND bn)	36,356	39,033	44,301	57,797	59,757
Profit before tax (VND bn)	10,324	13,019	14,364	21,220	17,572
Growth of PBT (%)	12.24	26.11	10.33	47.73	-17.19
P/E (x)	6.1	4.8	7.8	7.9	11.2
P/B (x)	1.2	1.0	1.0	1.3	1.0
ROE (%)	21.47%	21.92%	16.86%	19.15%	11.81%

Source: Bloomberg, Company data, Shinhan Securities Vietnam

SSV rating methodology

Shinhan Securities Vietnam

Stock	Industry
BUY: Upside potential in 12 months more than 15%	**POSITIVE**: Based on market cap, largest share of sector stocks under coverage is rated BUY
HOLD: Upside potential in 12 months from -15% to 15%	**NEUTRAL**: Based on market cap, largest share of sector stocks under coverage is rated HOLD
SELL: Upside potential in 12 months less than -15%	**NEGATIVE**: Based on market cap, largest share of sector stocks under coverage is rated SELL

Shinhan Investment Network

SEOUL

Shinhan Securities Co., Ltd
Shinhan Investment Tower
70, Youido-dong, Yongdungpo-gu,
Seoul, Korea 150-712
Tel : (82-2) 3772-2700, 2702
Fax : (82-2) 6671-7573

NEW YORK

Shinhan Investment America Inc.
1325 Avenue of the Americas Suite 702,
New York, NY 10019
Tel : (1-212) 397-4000
Fax : (1-212) 397-0032

HONG KONG

Shinhan Investment Asia Ltd.
Unit 7705 A, Level 77
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong
Tel : (852) 3713-5333
Fax : (852) 3713-5300

INDONESIA

PT Shinhan Sekuritas Indonesia
30th Floor, IFC 2, Jl. Jend. Sudirman Kav.
22-23, Jakarta, Indonesia
Tel : (62-21) 5140-1133
Fax : (62-21) 5140-1599

SHANGHAI

Shinhan Investment Corp.
Shanghai Representative Office
Room 104, Huaneng Union Mansion No.958,
Luijiazui Ring Road, PuDong, Shanghai, China
Tel : (86-21) 6888-9135/6
Fax : (86-21) 6888-9139

HO CHI MINH

Shinhan Securities Vietnam Co., Ltd.
22nd Floor, Centec Tower, 72-74 Nguyen Thi Minh Khai Street,
District 3, Ho Chi Minh City, Vietnam
Tel : (84-8) 6299-8000
Fax : (84-8) 6299-4232

HA NOI

Shinhan Securities Vietnam Co., Ltd.
Hanoi Branch
2nd Floor, Leadvisors Building, No. 41A Ly Thai To,
Ly Thai To Ward, Hoan Kiem District,
Hanoi, Vietnam.
Tel : (84-8) 6299-8000

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