

JANUARY

12

MONDAY

ADVISORY DIARY

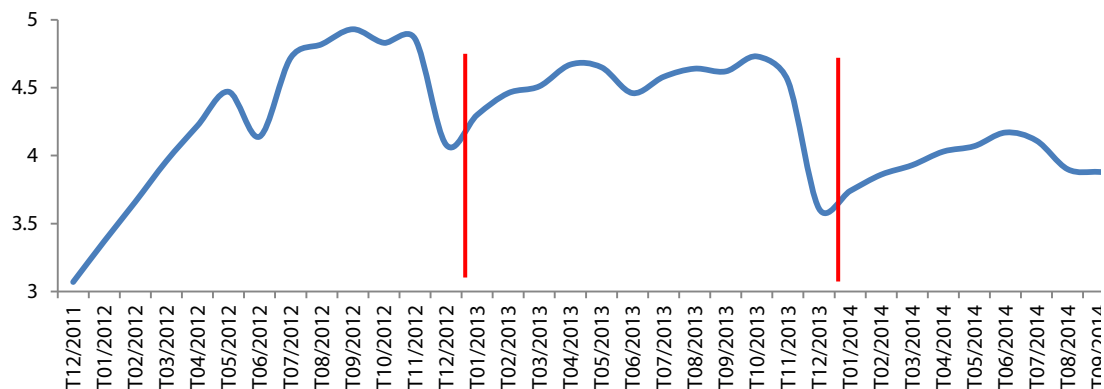
- **Banking stocks: Paying attention on balance sheet's quality**
- **Consecutive positive trend**

Banking stocks: Paying attention on balance sheet's quality

In the Morning Café of RongViet Securities, our industry analyst has given some information about the quality of the balance sheets of banks through the control of bad debts and provisioning. Besides, the performance of the bank is also mentioned in the discussion.

Accordingly, the NPL ratio of the banking system in 2014 has decreased significantly compared to 2012 and 2013, an estimate of 3.87% at the end of Oct 2014. Among the listed banks, 5/9 banks NPL ratio decreased compared to 2013 including BID, VCB, STB, SHB and NVB.

Graph 01. Banking system's NPL ratio



Source: SBV

NPL ratio of the system decreases rapidly because of the banks has handled and sold the debt to VAMC actively. According to published information by the VAMC, end of 2014, this agency has bought about 125,000 - 130,000 billion in bad loans at a price of around 105,000 billion. However, VAMC has handled and recovered around 4,161 billion, equivalent to 4.2% of the loan value on. The processing speed of the bad debt agency is quite slow, although the purchase of debt is as scheduled.

Table 01. Listed banks' NPL ratio

	BID	VCB	CTG	ACB	STB	EIB	SHB	NVB	MBB
2011	2.8%	2.0%	0.8%	0.9%	0.6%	1.6%	2.2%	2.9%	1.6%
2012	2.7%	2.3%	1.5%	2.5%	2.0%	1.3%	8.8%	5.6%	1.8%
2013	2.3%	2.7%	1.0%	3.0%	1.5%	2.0%	4.1%	6.1%	2.4%
30/09/2014	1.9%	2.5%	1.7%	3.1%	1.0%	3.4%	2.4%	4.9%	3.1%

Source: Rongviet Securities database

When considering the volatility of the rate of medium-long term debt to total debt, excluding VCB and CTG, which has a relatively steady rate, the rate at other banks such as BID, STB, EIB, NVB and MBB fluctuate sharply. It seems that the bank has reversed the loans with low credit quality even when the Central Bank allows the restructuring of overdue loans to support businesses. This is a sign that the bank has not implemented strictly the criteria on loan classification.

“Consecutive positive trend”

Table 02. Intermediate-longterm debt/Total debt

	BID	VCB	CTG	ACB	STB	EIB	SHB	NVB	MBB
2011	44.9%	41.1%	39.7%	48.1%	38.0%	32.2%	21.9%	40.6%	34.8%
2012	44.1%	38.0%	39.9%	45.7%	37.9%	31.9%	22.4%	18.2%	16.5%
2013	43.6%	36.1%	39.5%	47.0%	52.0%	33.8%	46.5%	44.5%	26.9%
30/09/2014	44.5%	36.1%	39.8%	48.5%	57.2%	44.1%	N/A	58.7%	35.2%

Source: Rongviet Securities database

Regarding to operating performance, Net Interest Margin (NIM) of banks generally still decreased, yet STB and MBB are the two banks which have highest NIM. It seems that VCB was focusing on quality of its balance sheet, which resulted business performance worse than the other listed banks. Most ratios, such as NIM and ROAE of VCB are lower than BID, CTG, STB and MBB. However, we appreciate VCB in controlling operating costs, with the expense/ income from operations decreased from 40% to 37.7% in 9T2014.

Table 03. NIM Ratio

	BID	VCB	CTG	ACB	STB	EIB	SHB	NVB	MBB
2011	3.44	3.85	5.09	3.38	4.71	3.73	3.51	4.07	4.60
2012	2.18	2.94	4.05	3.72	5.30	3.13	2.29	4.13	4.56
2013	2.87	2.55	3.61	2.88	4.89	1.80	1.85	2.99	3.71
2014 (annualized)	2.78	2.37	3.15	2.91	4.60	2.09	1.85	2.54	3.84

Source: Rongviet Securities database

RongViet analyst believed that the banking sector's prospect promises to look brighter with catalysts from M & A activities between commercial banks and debt collection period looks set to be quickened thanks to warming real estate sector. However, although commercial banks' financial statements look cleaner with a large proportion of bad debts sold to VAMC, the pace of debt settlement by this special entity has been rather very slow. Besides, as commercial banks highly rely on interest income (interest income proportion accounted for 70% of total banking income, except VCB) amid little improvement in NIM, it will certainly take time for commercial bank's performance to return to their previous prime. Our analyst argues that because the banking system is undergoing restructuring, therefore, investors should pay more attention to the changes in commercial banks' balance sheets quality instead of earnings results and related banking rumors.

Consecutive positive trend

In the early session of this week, VNIndex continued to be led by GAS and stocks in banking industry. However, key stocks transferred their role of leading: while the uptrend of GAS was lessen, BID surprised reached the ceiling. We did a statistic on variation of banking-index from 2013 till now and recognized that this wave was the longest and the most positive uptrend wave. Besides, the difference between this wave and previous ones was the consistency of banking stocks. While most banking waves in 2013 and 2014 reflected VCB's trend only, this wave successfully called the increase of the other banking stocks such as BID, STB and ACB.

	Period	+/- Bank-Index (%)
1 st wave	26/04 – 10/06/2013	+12,8%
	11/06 – early of 9/2013	-15%
2 st wave	Early of 9 – 22/10/2013	+14%
3 st wave	Early of 2014 – 25/3/2014	+21%
	26/03 – mid of 5/2014	-20%
4 st wave	Mid of 5 – early of 7/2014	+19%
	Early of 7 – mid of 11/2014	Narrow variation, ~7%
5 st wave	Mid of 11/2014 – current	+22%

Source: Rongviet Securities

Lam Nguyen

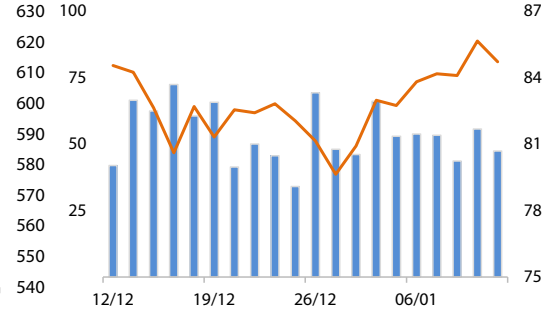
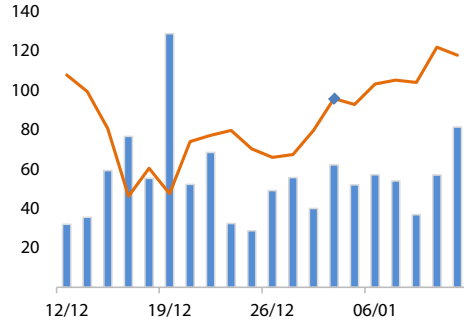
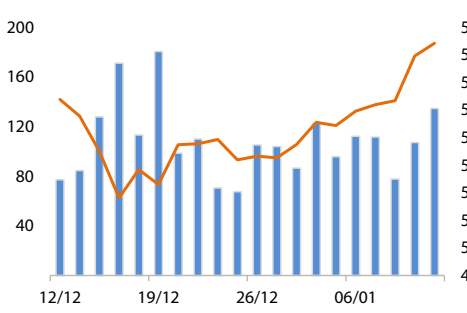
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In another side, OGC and NCT are the most noticeable stocks in this session. OGC witnessed the forth continuous sessions of decrease after its banking account had been blockaded by Oceanbank, required by authorized agent. The matching volume increased significantly, broke the record in Oct 23rd, 2014 and reached more than 32 million shares. Meanwhile, NCT hit the ceiling the third straight trading day.

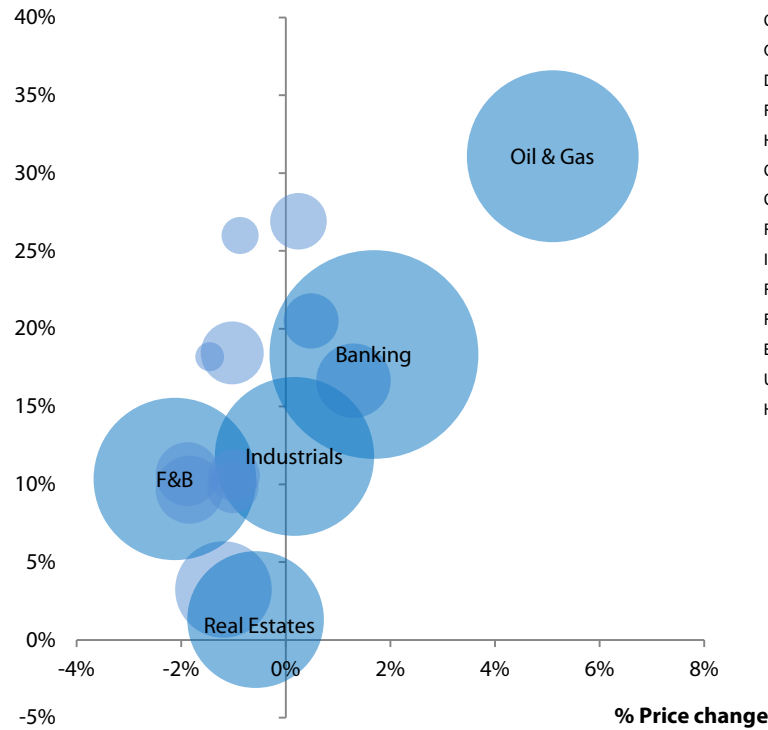
While oil price related information has been less influential, the meeting event of market members regarding the postponement of Circular 36 implementation certainly heated up the market. Although relevant authority has not expressed any opinion on these suggestions, investors' strong reaction recently (market plummeted after the circular was announced and increased as unofficial news of implementation postponement revealed) showed that speculating sentiment is still dominating the market. RongViet Research believes that the promulgation and implementation of Circular 36 would bring long-term sustainable benefits to the financial markets both in transparency and governing body's credibility aspect. We are quite agreed with MR. Le Xuan Nghia and Mr. Huyen Anh (SBV representative)'s opinions regarding postponing or executing the enforcement of Circular 36. In fact, the draft of this circular has been open for debates and feedbacks several times. Notably, the circular would take no retrospective effect for loan contracts from banks and securities companies not previously signed but not yet expired. Therefore, we believe that Circular 36 does not mean to tighten capital flow into the share market as concerned. However, as shared by Mr. Nghia, the securities market is a vital component of the economy and the governments are looking forward to more market participation in the process of restructuring the economy. As a result, the Circular implementation has to be nimble and avoids having unnecessary negative influences on the market.

VNINDEX 0.81% **574.32** **VN30** -0.43% **615.73** **HNXINDEX** -1.09% **84.72**



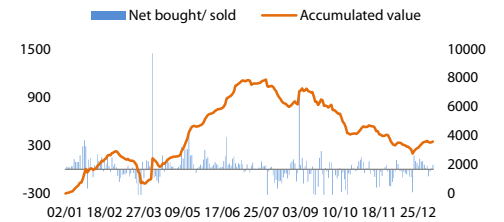
Industry Movement

Industry ROE

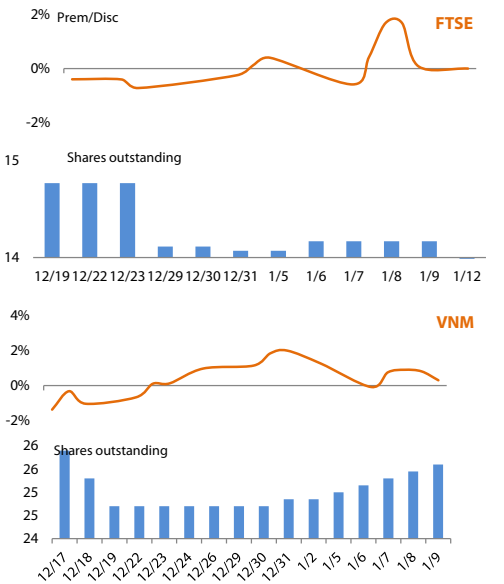


Industry	% change
Technologies	0.5%
Industrials	0.2%
Constructions	-1.2%
Oil & Gas	5.1%
Distribution	-1.5%
F&B	-2.1%
Household Goods	-1.0%
Cars & Parts	-0.9%
Chemicals	-1.0%
Resources	0.2%
Insurances	1.3%
Real Estates	-0.6%
Financials	-1.8%
Banking	1.7%
Utilities	-1.9%
Healthcare	-1.0%

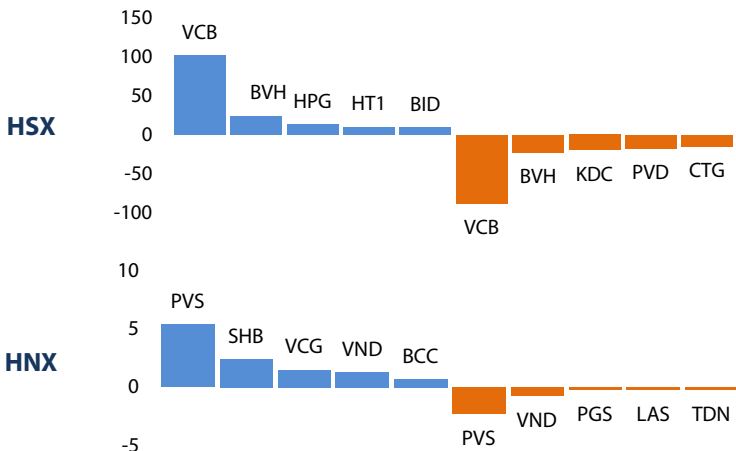
Foreign Investors Trading



ETF



Top net bought/sold by foreigners (VND bn)



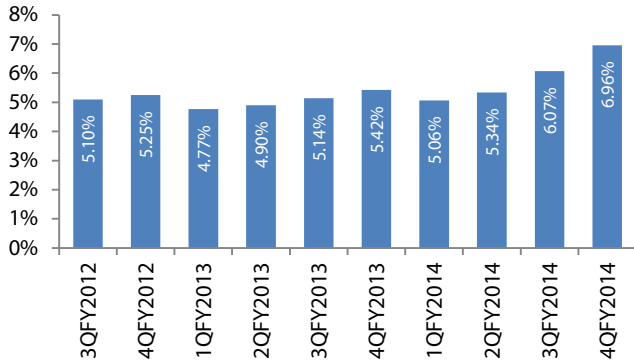
Top Active

Ticker	Price	Volume	% price change
OGC	6.0	32.25	-4.8%
FLC	10.7	7.86	-2.7%
MBB	14.2	6.46	-0.7%
VHG	12.0	4.89	-4.8%
ITA	8.0	4.36	-1.2%

Ticker	Price	Volume	% price change
SHB	8.8	7.15	-2.2%
KLF	10.7	5.99	-3.6%
SCR	9.1	2.55	-1.1%
PVS	27.1	2.41	-1.5%
PVX	4.9	2.39	-3.9%

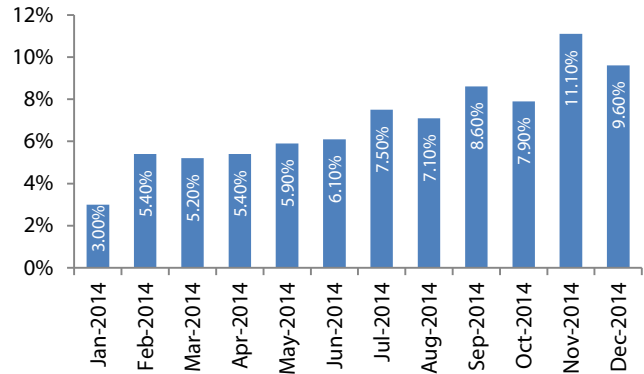
MACRO WATCH

Graph 1: GDP Growth



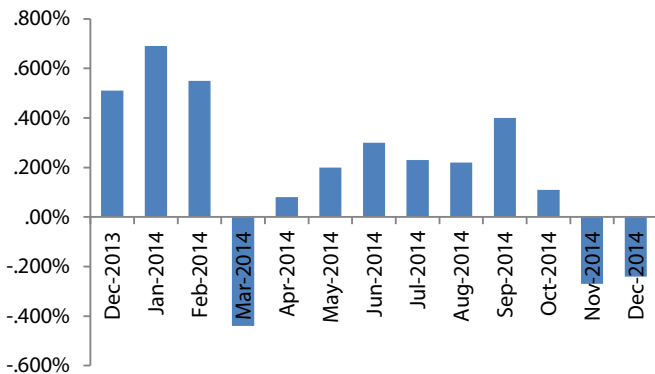
Sources: GSO. Rongviet Securities database
(* Comparison price in 1994)

Graph 2: IIP



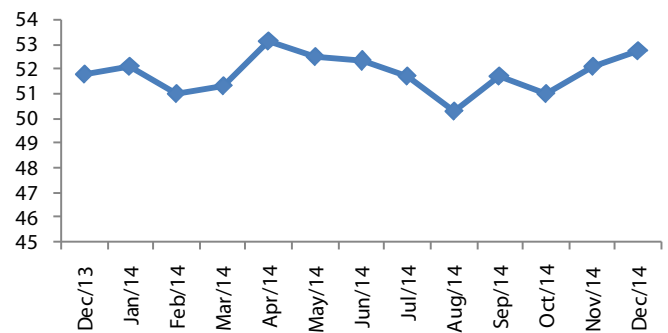
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



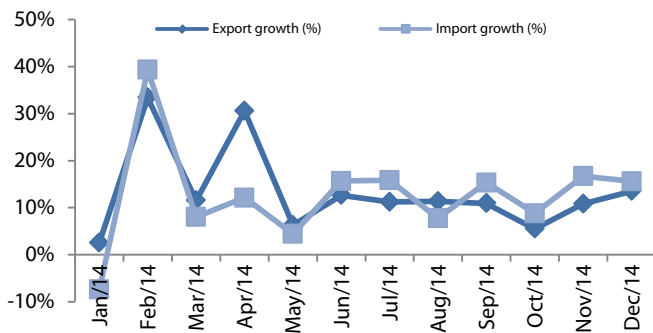
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



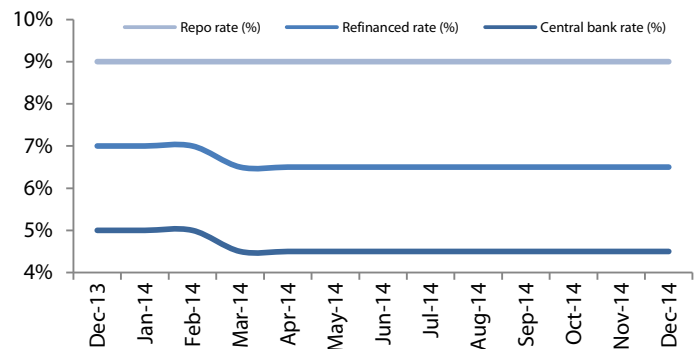
Sources: GSO. Rongviet Securities database

Graph 5: Trade Growth



Sources: GSO. Rongviet Securities database

Graph 6: Interest



Sources: SBV. Rongviet Securities database

RONG VIET NEWS

COMPANY REPORTS	Issued Date	Recommend	Target Price
HMH - Positive outlook from various supporting factors	Jan 06 th , 2014	Accumulate – Long term	33,800
DPM - Tail wind from crude oil	Dec 26 th , 2014	Buy – Intermediate term	36,100
VNM - 2014 - At the pit stop	Dec 19 th , 2014	Accumulate – Long term	110,000
PCT – Restructuring	Dec 11 th , 2014	Monitor	
FPT - Growth driver expected from retails	Dec 3 rd , 2014	Accumulate – Long term	61,000

Please find more information at <http://vdsc.com.vn/tabid/149/language/vi-VN/default.aspx>

FUND CERTIFICATION INFORMATION

Fund name	Trading Day	Subscription Fee (% of trading value)	Redemption Fee (% of trading value)	NAV per unit at valuation date	NAV per unit last valuation date	Change in NAV
VFF	06/01/2015	0%-0.75%	0%-2.5%	11,403	11,370	0.29%
VEOF	06/01/2015	0%-0.75%	0%-2.5%	9,353	9,065	3.18%
VF1	09/01/2015	0.2% - 1%	0.5%-1.5%	20,840	20,915	-0.36%
VF4	07/01/2015	0.2% - 1%	0%-1.5%	9,017	8,799	2.48%
VFA	09/01/2015	0.2% - 1%	0%-1.5%	7,345	7,313	0.43%
VFB	09/01/2015	0.3% - 0.6%	0%-1%	11,887	11,877	0.09%
ENF	02/01/2015	0% - 3%	0%	10,605	10,402	1.95%
MBVF	05/01/2015	1%	0%-1%	11,234	11,109	1.13%
MBBF	31/12/2014	0%-0.5%	0%-1%	11,908	11,893	0.13%

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