Credit Risk Assessment

Bank Full Name (‘<Short ver>’ or ‘<Initials>’)

Long-term Issuer Credit Rating*: <Score>
Outlook: <Positive/Neutral/Negative>

Hanoi, DD Month Year

This Credit Risk Assessment is opinion formed by FiinRatings on [Bank Full Name], but not on the basis of any contractual relationship between FiinRatings and the ranked party.

The credit score used in this Credit Risk Assessment reflects our view on [Bank Full Name]'s credit risk based exclusively on publicly available data and information. Therefore, it must not be equated with or represented as a rating on any other rating scale.

FiinRatings - a Credit Rating Service of FiinGroup JSC

HO: Level 10, Peakview Tower., 36 Hoang Cau St., O Cho Dua Ward, Dong Da Dist., Hanoi

RO: Level 46, Bitexco Financial Tower, 2 Hai Trieu Street, Ben Nghe Ward, District 1, Ho Chi Minh City

Tel: +84 24 3562 6962 (ext.: 107)

Email: support.fiinrating@fiingroup.vn
Web: https://fiingroup.vn/FiinRatings

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Credit Rating Summary

Issuer Name	Rating Type	Prelim Proposed Rating	Proposed Outlook
Bank Full Name (‘<Short ver>’ or ‘<Initials>’)	Issuer Rating – Initial	**<Score>**	<Outlook>

Industry Classification: Financial Institutions | Banks

Company Overview:

Economy and Industry Trends: Vietnam's economic growth in 2023-2024 is expected to recover at a slower pace to be in line with the global trend after a robust post-pandemic recovery in 2022, with the target GDP reaching 6.5% in 2023 proposed by Vietnam National Assembly. This is contributed by the FDI inflows remaining strong and Vietnam benefiting from production chains shifting out of China. Additionally, the average monthly CPI is seeing a gradual upward trend though still meeting the Government's inflation target of below 4%. By year-end 2022, the annual figure increased by 3.15% compared to the previous year. It is expected that inflation can peak at 8.8% as of year-end 2022 and decline to 6.5% in 2023, 4.1% in 2024.

For the banking system, we view that liquidity will be the key watching factor in 2023 as the gap between the outstanding loans growth and total deposits growth widens, creating liquidity pressure for the banking system. Commercial banks in Vietnam still have to ensure the minimum capital adequacy ratio and LDR ratio, especially at the time when the SBV loosens the credit room in October 2022.

In Q3/2022, outstanding customer deposits witnessed a sharp drop in the context of climbing interest rates and exchange rates, and stricter monitor in corporate bond issuance activities, leading to corporates prioritizing the withdrawal of deposits to repay loans. Meanwhile, the deposits from other credit institutions in the whole system also declined significantly since Q2/2022, along with the rapid increase of interbank interest rates, which saw a surge up to a record high of nearly 9% in October 2022.

While the bad debt of commercial banks remains stably low in Q2/2022, the amount in Q3/2022 showed signs of increasing when the debt restructuring regulation granted in Circular 14 ended. However, commercial banks have aggressively increased their provisioning practices within the period, we expect that asset quality of the whole system is manageable. We believe the stand-alone credit profiles of commercial banks are likely to show greater differentiation in the foreseeable future. In our opinion, ongoing strong regulatory and government support for the banking sector should keep overall credit quality stable.

Rating Snapshot:

	Initial Rating
Banking Sector Anchor	**a-**
Business Position	*+x*
Capital & Earnings	*+x*
Risk Position	*-x*
Funding & Liquidity	*-x*
Stand-alone Credit Profile	**<score>**
External Support	**+x**
Issuer Credit Rating	**<SCORE>**
Outlook	**<Outlook>**

Rating overview: The issuer credit rating of [Bank Full Name] (“[REDACTED]” or “[REDACTED]”) is underpinned

Besides, the stable outlook reflects FiinRatings’ expectation that [REDACTED] will maintain

Issuer’s credit strength:

- Superior business profile in terms of services provided and geographical coverage
- Strong asset quality with prudent risk management practices
- Strong funding and liquidity profile
- Highly importance to the government and to the banking system

Issuer’s credit weaknesses:

- Average capital level in comparison to industry peers
- Moderate capitalization and earnings profile compared to peers.

Exhibit 1: [REDACTED]’s SACP position among commercial banks in Vietnam

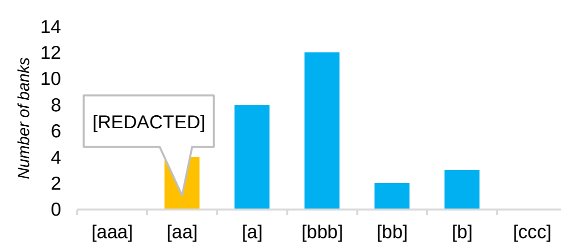


Exhibit 2: Key Metrics (2018-9M2022) of [REDACTED]

Financial year	Unit	2018A	2019A	2020A	2021A	1H2022A	9M2022A
Total assets	VND trillion						
Gross loan book	VND trillion						
Capital adequacy ratio (CAR)	%						
Common Equity Tier-1 Capital to Total Assets	%						
Net interest margin (NIM)	%						
Return on average assets (ROA)	%						
Non-performing loan ratio (NPL)	%						
Reserve Coverage Ratio	%						
Cost of financing (COF)	%						

Source: FiinRatings, [REDACTED]
Notes: NIM, ROE, ROA and COF are annualized figures

Rating Rationale

The long-term issuer credit rating of [REDACTED] ([REDACTED]) at **[SCORE]** with the **[Positive/Negative/Stable]** outlook reflects its robust financial indicators why its long record of fulfilling the public policy, thus high likelihood of extraordinary state support, if required. The bank’s very strong business position reflects our expectation that it will continue to benefit from the dominant market position with a solid, resilient franchise ability. The ratings also incorporate the banks’ adequate capital with high dividend payout ratios compared to the industry average. [REDACTED] is also among the most prudent banks in risk management. Like the other state-owned commercial banks in Vietnam, [REDACTED]’s funding and liquidity benefit from a strong deposit base.

Business Position: Dominant market position with a monopoly role as a foreign exchange dealer in the Vietnam banking system

[REDACTED] is a state-owned bank, the fourth-largest commercial Vietnamese bank in terms of total assets, with a consolidated asset base of VND 1,602.4 trillion as of 1H2022, and a market share of around 11% in domestic lending, while 11.7% in terms of depository base. The main drivers of [REDACTED]’s market share are its state-owned status, its long track record, and its leading position in foreign currency trading. Compared to the industry average, [REDACTED] has extensive geographic coverage by having more than 600 branches and transaction offices across Vietnam, together with its international presences in Laos, Hong Kong, Singapore, and the United States. We expect that the bank’s scale continues to grow owing to the recent mandatory weak bank rescue in 2022, known as CBBank, which is expected to bring about xx branches to the bank with higher credit limit granted compared to other commercial banks.

Besides the core lending services, [REDACTED] has built up its own eco-system to provide securities brokerages services, life and non-life insurances products to individuals, businesses, and public and social institutions, real estate rental and other services via its subsidiaries, including [REDACTED] Securities, [REDACTED] Tower, [REDACTED] Leasing, VFC (subsidiary in Hong Kong), [REDACTED] Laos, [REDACTED] Money. Additionally, [REDACTED] has played a monopoly role in domestic multi-currency interbank payment system via its [REDACTED]-money platform, which gives [REDACTED] a competitive advantage over other banks’ bilateral foreign currency payment systems. Most of the domestic credit institutions and several foreign bank branches open accounts in foreign currencies at the [REDACTED]. The Bank is also designated to take part in its policy role as the exclusive entity for settling Visa card transactions and the foreign currency converter bank for the ODA and other government-guaranteed loan disbursements. The bank’s net gain from foreign exchange transactions has accounted for a recurring portion of 9.1% in total operating income, reaching VND 3 trillion as of 1H2022.

[REDACTED] acquires a large base of corporate customers, especially entities working in import and export industries, thanks to its currency trading capacity and long track record. Some notable customers of [REDACTED] are PetroVietnam, Airports Corporation of Vietnam, and Petrolimex. State- owned enterprises are important clients of [REDACTED]. They used to account for 39-48% of [REDACTED]’s customer loans in the period of 2006-2008. Until 1H2022, state-owned enterprises loan in [REDACTED] still ranks 3rd, out of 31 sampled banks, at an outstanding value of VND 60.15 trillion. Currently, the Bank is gradually transforming into retail banking. As a result, its corporate loans decreased from 70% in 2014 to 45% in 2021, likewise, its individual loan increased from 16% in 2014 to 46% in 2021.

Capital and Earnings: Strong earnings profile that helps sustain the adequate capital

[REDACTED] has relatively higher operating efficiency and higher profitability than the industry median. From 2019 to 1H2022, its cost-to-income ratio has been consistently lower than the industry median (31-35% compared to 37- 48%). Regarding earning profile, [REDACTED] maintains an adequate level of NIM at around 3.0%, comparable to the industry average, yet profitability is significantly higher than average with ROA of 1.4-1.6% in the last three years, in comparison to peers’ average at 0.7-1.0%. The Bank’s higher profitability can be explained by its capacity to offer loans to import and export businesses. These businesses, while conducting trade finance, have to acquire other foreign exchange products (such as swap, options, and forward) accompanied by bank loans. Hence, the profit from these loans is sustainable even under adverse exchange rate movement. By 1H2022, [REDACTED] ranks 1st by net income of VND 13.9 trillion.

Though the Bank's profitability is strong compared to peers, its retained earnings are thin due to high cash dividends to the state with a payout rate of around 8-12% while other commercial banks are encouraged to keep the retained earnings or pay stock dividends. [REDACTED] can only significantly increase its core equity capital through either issuance to a strategic investor or additional equity infusion from the government

[REDACTED]'s reported capital adequacy ratio of around 9.3% is comfortably above the regulatory requirement of 8.0% as of year-end 2021. Though the level is the highest among state-owned banks (BID: 9.0%, CTG: 9.1%, AGRI: 10.2% but is following Basel I), it is lower than the commercial banks' median figure of 11.3%. The higher CAR compared to other state-owned banks is explained by [REDACTED]'s higher than the direct peers' of long-term bonds and provisioning. At the end of 11/2022, [REDACTED]'s subordinated bond with a tenor of over 5 years ranks first by the issued value of VND 19.4 trillion and second by the outstanding value of VND 7.5 trillion, contributing to the bank's tier-2 capital supplementation.

Risk Position: Prudent risk management practices notwithstanding high loan growth in its core lending business

The growth of [REDACTED]'s loan book surpassed the industry median and relative peers, despite the thin capitalization and increasing competition in the market. The Company's NPL is well below the average level at 0.6% in the last two fiscal years. Additionally, [REDACTED] is among Vietnam's most prudent commercial banks with a high reserve coverage reaching above 500% as of 1H2022. The risk appetite of [REDACTED] is low compared to industry's average, reflected via its fairly balanced loan book, which is 46.0% allocated to retail lending. In terms of corporate lending, more than 54.0% of loan book is allocated loans to trading and manufacturing, while exposure to higher-risk industries such as construction and real estate development is less than 9.0% at the year-end 2021.

Funding and Liquidity: Strong funding capacity and liquidity position

The Company's funding structure is largely deposit-based with customer deposits accounting for more than 80% of total liabilities. [REDACTED] maintains a stable mix between retail and corporate deposits at around 50% for each category. In the 2019-1H2022 period, the CASA level of the bank is above 30%, among the highest levels of domestic joint-stock banks (ranking 3rd by 1H2022, only below TCB and MBB). This results in an average funding cost of around 2. 2% by 1H2022, which is lower than peers' average.

Liquid assets/Total liabilities of [REDACTED] remains at a healthy level of 23.8% as of 1H2022, coupled with low level of wholesale funding at 16.7% of total liabilities. As one of the most reputable banks in Vietnam, we believe refinance risk and the possibility of bank run of [REDACTED] is minimal. As such, we assess liquidity of [REDACTED] as Strong.

External influences: Upward notching up to sovereign level due to high likelihood of extraordinary government support

With the majority ownership of [REDACTED], SBV closely supervises [REDACTED]'s management and operation. Most key personnel of the Bank are also appointed by SBV and may participate in other designated roles such as recovering the distressed SCB. In 2018, under SBV's supervision and monitor on the bank's investment activities, [REDACTED] had to divest from Saigonbank, OCB, Oceanbank, Eximbank and MB Bank, decreasing its ownership to lower than 5% due to SBV's ban on cross-ownership (Circular No 36/2014/TT-NHNN).

[REDACTED] is systemically important to the banking system (as stated by SBV in the list of domestic systematically important banks) and the government as an intermediary to execute fiscal policy. In 2021, following the state credit policy to support the post-pandemic recovery, VND 1.27 trillion of [REDACTED]'s outstanding loans have benefited from subsidized interest rates, and VND 1,975 billion of interest has been reduced, ranking just after Agribank and BIDV. Furthermore, 91% of BT and BOT projects is funded by [REDACTED] and 3 other commercial banks including BIDV, CTG and SHB.

At the end of 1H2022, [REDACTED]'s gross loan book accounts for 9.6% of total economy credit and 11% of the total banking system credit, likewise, its customer deposits accounts for 8.6% of total economy liquidity and 11.7% of total banking system deposits. As a bank with a dominant market share, [REDACTED] is believed to receive extraordinary support in time of distress. As such, we believe the issuer credit rating of the bank is equal to the sovereign level and conduct two notches upwards from the bank's standalone credit profile.

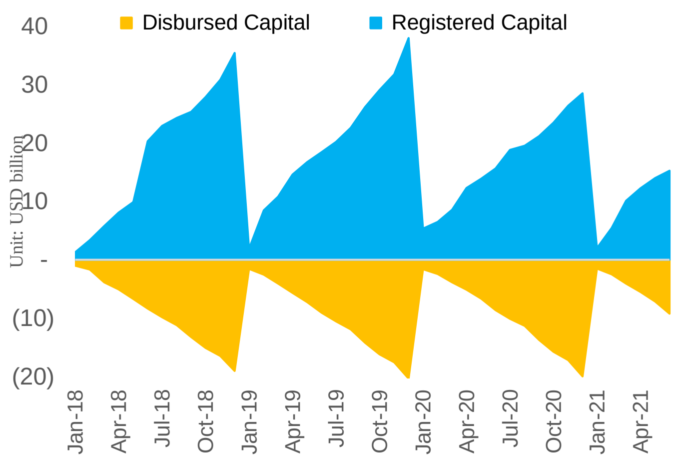
Banking Sector Anchor

Factor 1: Macroeconomic factors

This section addresses the structure and stability of the country's economy, along with the central government's macroeconomic policy flexibility, actual or potential imbalances in the economy. In our assessment, the stable outlook in Vietnam economy is driven by the continuing inflow of foreign direct investment (FDI), recovery in domestic consumption, and accelerating government expenditure:

A continuing inflow of FDI as Vietnam becomes a new manufacturing hub, followed by a favorable export pattern: The rapid growth of Vietnam economy over the past few years is partly based on strong foreign direct investment inflows (15-20% of total Gross Domestic Product), especially in the manufacturing sector. However, due to the deterioration in manufacturing conditions driven by lockdown in metropolitan cities, registered FDI in 8M2021 reaches US$19.1 bn, only being 97.9% compared to 8M2020. We believe that the rebound of Vietnam’s export largely depends on the vaccination rate, especially in industrial parks. Currently, the first dose vaccination rate reached 16% of the total population, and fully vaccinated rate reached only 2%. We anticipate that when the Vietnamese vaccinated population reach above 30% like Singapore or Japan, the temporary lockdown on the metropolitan cities like Hanoi, Ho Chi Minh City would be lifted, hence leads to the recovery in consumption demand in the final quarter of 2021.

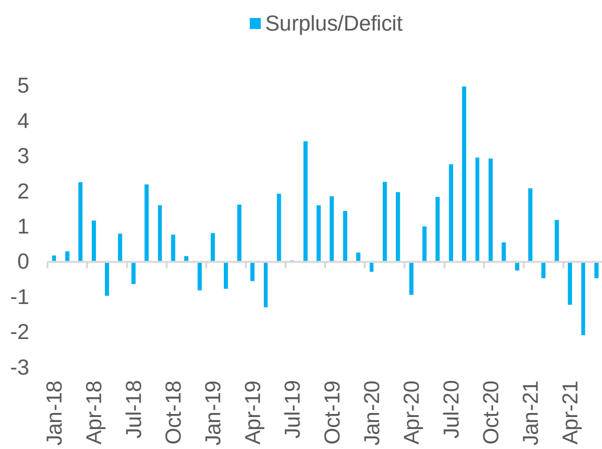
Exhibit 40: Vietnam Registered foreign direct investment



(USD bn)

Sources: FiinRatings, Vietnam Foreign Investment Agency

Exhibit 41: Vietnam's Trade balance (VND bn)

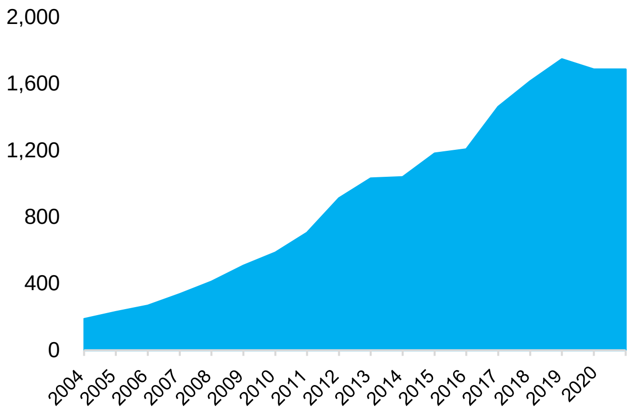


Sources: FiinRatings, Vietnam Customs

Government expenditure plan: The Vietnamese government has stepped up the disbursement of public investment since the start of 2020, considering it as a support to economic recovery. The government aims to implement US$119.3 bn over the next four years from 2021 to 2025 with focus on transport infrastructure and intra-regional connectivity, benefitting from public implementation as a result of Public-Private Law that took effect on January 1, 2021. However, due to pandemic breakout and social distancing measures, the disbursement rate over 7M2021 only reached 36.71% compared to the plan. In case the economy reopens in Q4 2021, we believe the disbursement rate will increase sharply to meet the construction timeline of mega projects like North-South Express or Long Thanh Airport.

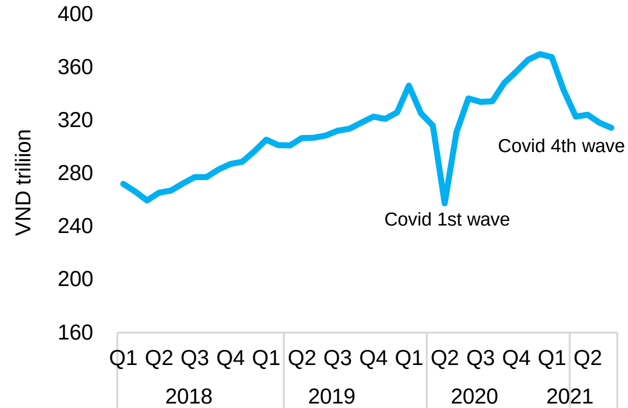
Domestic consumption: Amid the impact of the COVID-19 pandemic, domestic consumption remains resilient as recovering steadily since Q2 2020. Notably, retail sales have bounced back to the pre-COVID-19 level in November 2020. However, the level of Delta variant in 2021 lengthens the broad mobility restriction in metropolitan cities like Hanoi, Ho Chi Minh City, which directly affect both the supply and demand, therefore lowers domestic consumption. We believe with the rate of vaccine inoculation, in the first half of 2022, the government will open the economy and domestic consumption will improve significantly. Hence, on the back of the country’s successful containment of COVID-19 and vaccine rollout, we anticipate consumer confidence to improve on the momentum of its rapid retail sector expansion.

Exhibit 42: Vietnam's annual government expenditure (VND trn)



Sources: FiinRatings, Vietnam Foreign Investment Agency

Exhibit 43: Vietnam's retail sales (VND trn)



Sources: FiinRatings, Vietnam Customs

Manufacturing output and production: Vietnam manufacturing PMI in August 2021 shows the lowest record in 2021 at 40 points (standard points is 50) in tandem with the fall of industrial production index at 7.4% y-o-y due to severe disruption to supply chains, transportation difficulties both domestically and internationally. The temporary plant disclosure leads to the sharpest reduction in output and new orders since the first outbreak of the pandemic in 2020. In our base case, we assume the Covid-19 infection cases will reach the peak in September 2021; the production situation will normalize in October 2021 which directly improves retail sales in consumption season at the end of the year. The recovery of retail sales will lead to an increase in demand for consumer loans, coupled with loosening policy of the State Bank of Vietnam (“SBV”) to keep lending rates low and current inflation rate below 4% will encourage the economy recovery in Q4 2021.

Due to serious lockdown in Q3 2021, both manufacturing and export activities come to a halt, which leads to increase in bankruptcy with excessive non-performing loans and a high unemployment rate. Simultaneously, SBV’s maintenance in low-interest base for 1-year period indirectly creates contingent inflation threat. We believe that in base case, partial reopening of business operation in Southern provinces in October 2021 in tandem with timely support policy such as tax cutting, spending increase in investment, employment, and essential consumption will bring GDP growth rate in 2021 around 4% before returning to normal annual growth rate at 6.5-7% in 2022.

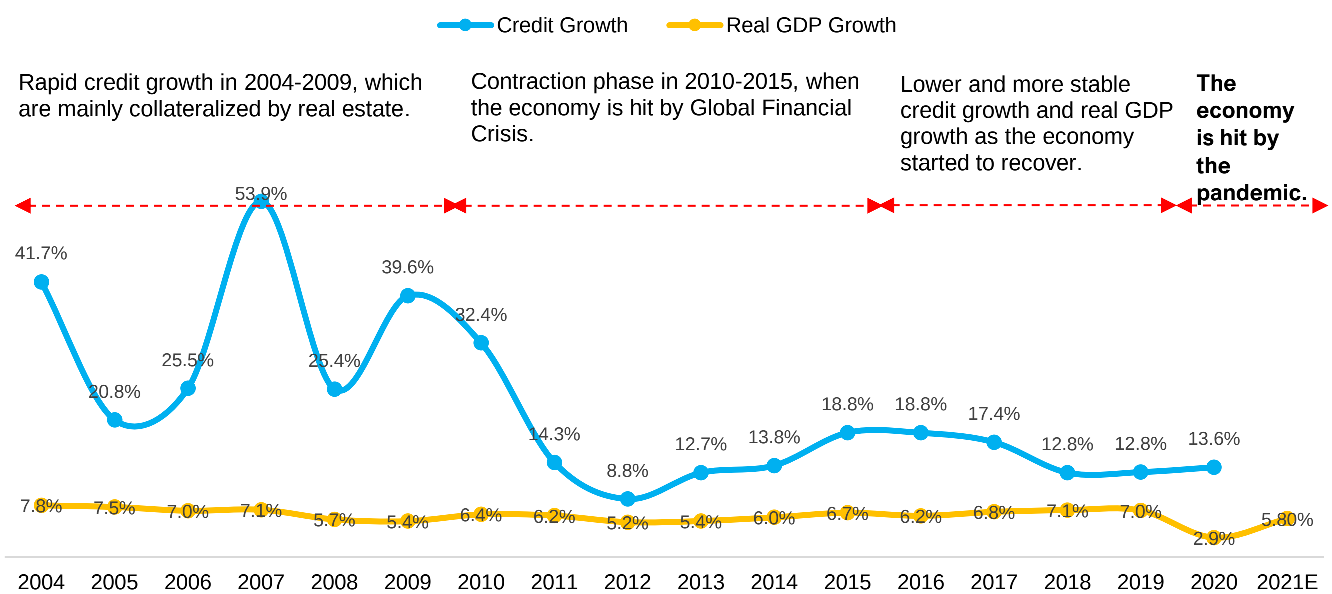
Factor 2: Banking industry risk

FiinRatings assesses the anchor of banking industry in Vietnam based on the economic outlook (Appendix 3) in the next 12-24 months, as well as the operating environment for the banks and the specific risks of the industry. The analysis also incorporates the influence of the regulatory framework on the industry, including existing support mechanism. We believe that the overall growth outlook for the banking sector will remain stable over the next 12-18 months and give the banking sector an anchor of “**a-**” in Vietnam. For a detailed analysis of the development history and outlook of Vietnamese banking industry, please refer to Appendix 4: Banking sector assessment.

This section addresses the quality and effectiveness of bank regulation and the track record of authorities in reducing vulnerability to financial crises, the competitive environment of a country's banking industry--including the industry's risk appetite, structure and performance--and possible distortions in the market. The assessment also addresses the range and stability of funding options available to banks, including the role of the central bank and government support.

For the past 2 decades, Vietnam’s banking sector has gone through 4 major periods:

Exhibit 44: Vietnam's Real GDP growth and Credit growth



Expansion phase (2004-2009)

The credit growth exceeding 30% on average between 2005 and 2010, which was 4x-5x the growth rate of real GDP. Following Vietnam's early-2007 accession to the World Trade Organization (WTO), the foreign capital inflows (FDI) surged. Monetary conditions were overly easy resulting in peak inflation rate at 23.1% in 2008, high current account deficits of 8-10% GDP, and excessive building of high-value private real estate units. Loan growth was brisk in this period, and the system has a high degree of leverage.

Contraction phase (2010-2015)

Being affected by the Global Financial Crisis, the real estate market in Vietnam has collapsed and frozen during this period. The banking system has stalled, with many small banks stopped their operation. Vietnamese government has induced restructuring process in 2012 to restore economic stability. There were several forced mergers and acquisitions (M&A) and changes in ownership between 2011 and 2015, largely focused on reducing the number of weak and small banks that the regulator had identified.

Recovery phase (2016-2019)

The Vietnamese economy is expanding, as reflected in the growth in real GDP and increase in domestic private sector credit. Property prices have moderately increased since 2015 after years of decline. Credit in Vietnam has expanded at a higher rate compared to real GDP growth in the past 3-4 years, however, the gap is lower than in the previous periods.

Downturn phase (from 2020)

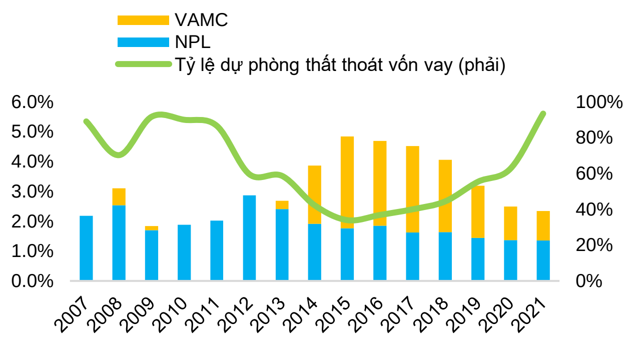
Under the impact of COVID-19, the economy is shrinking with only 2.9% of GDP growth in 2020 and expected 5.8% in 2021.

Banking sector outlook

We assess that the overall credit outlook for the banking sector in Vietnam will remain stable because of strong government support, more prudent regulatory framework introduced after the last financial crisis, and our expectations of a post-pandemic swift economic recovery.

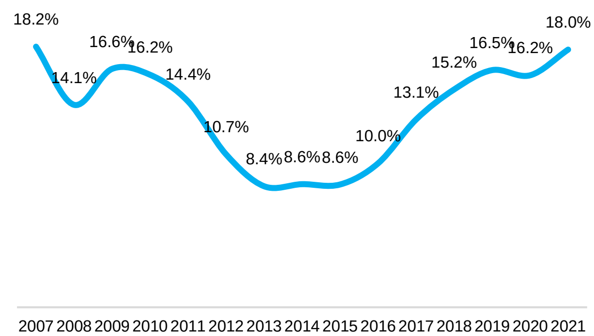
In the last 5 years, the bank profits and asset quality are improving substantially, which is supported by the strong economy, faster disposal of NPLs, and the structural changes in the sector. The reported non-performing loans (“NPLs”) in the commercial banks have declined to 1.4% of gross customer loans in the banking system in 2020, from 3.6% in 2013. The stressed loan including special mentioned loans (“SMLs”), sale of bad loans by the banks to Vietnam Asset Management Company (“VAMC”) and NPLs, forms 2%-6% of customer loans for the commercial banks. Consequently, the ROE of Vietnam commercial banks has recovered gradually from the low level of 8-10% in 2011-2015 to 15-17% per annum in the last 5 years.

Exhibit 26: NPL and VAMC in total loan book of commercial banks



Source: FiinRatings
Notes: Data is calculated from 28 commercial banks accounted for 73% total credit outstanding.

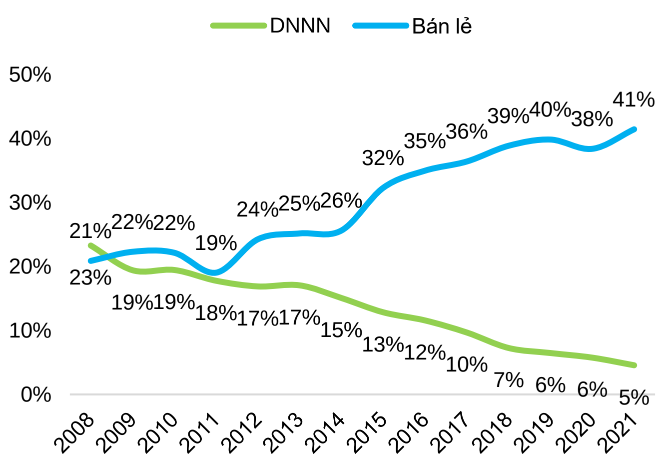
Exhibit 46: ROE of Vietnam commercial bank (2007-2021)



Source: FiinRatings
Notes: Data is calculated from 28 commercial banks accounted for 73% total credit outstanding.

Shifting to retail lending and lower loan proportion to State-Owned Enterprises (SOEs)

Exhibit 47: Proportion in loan book of commercial banks (2008-2020)

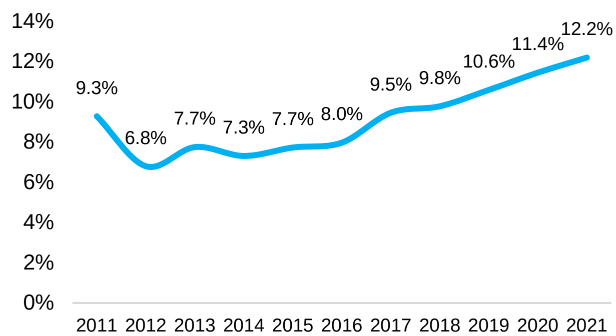


Since 2013, retail lending, especially consumer lending in Vietnam has increased rapidly with much of the economic growth driven by domestic demand. At the end of 2020, we estimate that retail lending has accounted for 38% of loan book of Vietnam commercial banks. On the contrary, the proportion of loans to SOEs in total loan book has decreased significantly, and only take up 6% of their loan book at the end of 2020.

It is observed from the past that some SOEs had difficulties from their aggressive financial leverage plus diversification to its non-core areas had created a large burden to the Vietnamese banking system. In our view, the shift to retail lending helps the banking sector reduce the concentration risk.

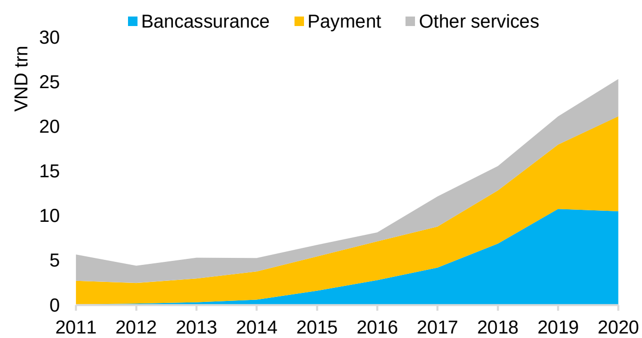
Higher contribution from non-interest income sources. The non-interest income contribution to the operating revenue has increased since 2011, which help support income sources diversification and stability for Vietnamese commercial banks. Of which, the bancassurance activities (an arrangement between a bank and an insurance company allowing the insurance company to sell its products to the bank's client base) witnessed 39.3% CAGR in the last 5 years. Bancassurance has become a strategic focus of many banks especially those pursuing retail banking strategy to utilize their huge retail customer database, as well as to provide a wider range of products to serve individual customers’ comprehensive demand. Considering Vietnam’s current low penetration of insurance spending at 3.07% of GDP, it is expected that insurance in general and banks’ insurance sales will be able to expand further in the years to come.

Exhibit 29: Non-interest income contribution to operating revenue



Source: FiinRatings
Notes: Data is calculated from 28 commercial banks accounted for 73% total credit outstanding.

Exhibit 30: Structure of non-interest income of commercial banks



Source: FiinRatings
Notes: Data from 10 banks accounted for 58% of non-interest income of 28 commercial banks.

Recent regulatory developments

SBV has taken steps to increase supervision and improve regulations as part of the restructuring process in recent years, including the following noteworthy issues:

- *Restriction of new banks, M&A activities, tighter cross-ownership restrictions*: The Amended Law on Credit Institutions 2017 introduced corrective actions for problem banks based on their level of capital. The new law specifies the resolution regime for problem banks, including rehabilitation, forced merger and acquisition, and declaration of bankruptcy. The regulator included industry consolidation as one of the key objectives in the restructuring plan in 2011. There were several forced mergers and acquisitions (M&A) and changes in ownership in 2012-2015, largely focused on reducing the number of weak and small banks that the regulator had identified. Until now, the process has been mostly completed and switched to the post-merger period.
- *Undercapitalization is the main issue of compliance with international standards*: To strengthen the finance sector stability, SBV established a framework for a formal financial stability function supported by systemic risk surveillance. SBV had defined a roadmap for compliance with Basel II standard with full adoption by 2020. Still, at the end of 2020, only 18/46 banks satisfying the Basel II requirement for capital adequacy. In our view, the banks with thin capital buffer would be more vulnerable to shocks such as COVID-19..

Modifiers Analysis

Business Position

FiinRatings assesses that [REDACTED]’s business position as “Adequate”, reflecting its market share maintained in top 10 in Vietnam, long-standing customer base with a wide range of products and distribution channels, and high level of business stability thanks to its business model focusing on .
In the medium and long term, FiinRatings expects that [REDACTED] will be able to sustain its current business position and revenue model thanks to its market share and a highly qualified management team with strong support from [REDACTED].

Business Stability

FiinRatings assesses that [REDACTED]’s business stability has strongly been supported by the domination of incomes from [REDACTED].

Exhibit x: [REDACTED]’s Loan book vs. sector

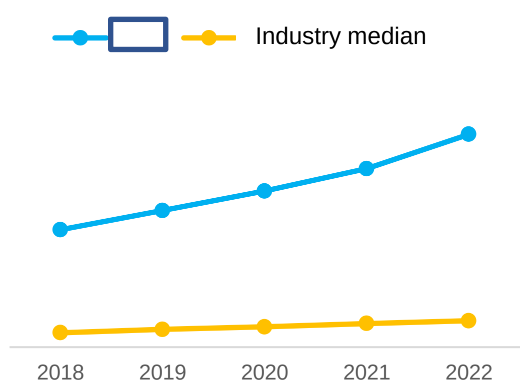
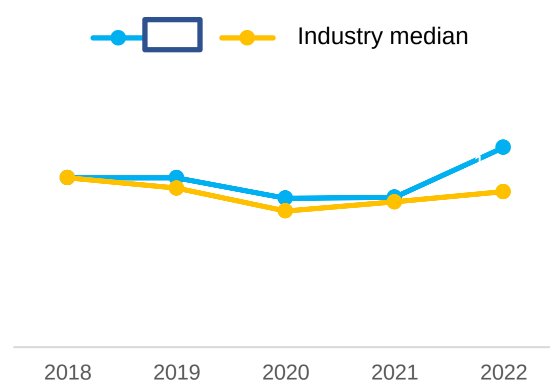


Exhibit x: [REDACTED]’s Loan book growth vs. sector



Source: FiinRatings, [REDACTED]

[REDACTED]’s moderate dependence on together with the high concentration on low-risk assets within the portfolio also contributes to the Company’s business stability.

Business Diversity

FiinRatings assesses that [REDACTED]’s current business diversity and the prospective of more diversified income sources also contributes to strengthen [REDACTED]'s business position. Being a large-scale company within the industry, [REDACTED] is eligible to

[REDACTED]'s revenue and profit in the short and medium term is expected to depend heavily on

Management and Governance

We assess [REDACTED]' leadership capacity and corporate governance policy as "adequate", reflecting the law compliance policy in the corporate governance of [REDACTED] as a whole and close support of the
to management and governance at [REDACTED].

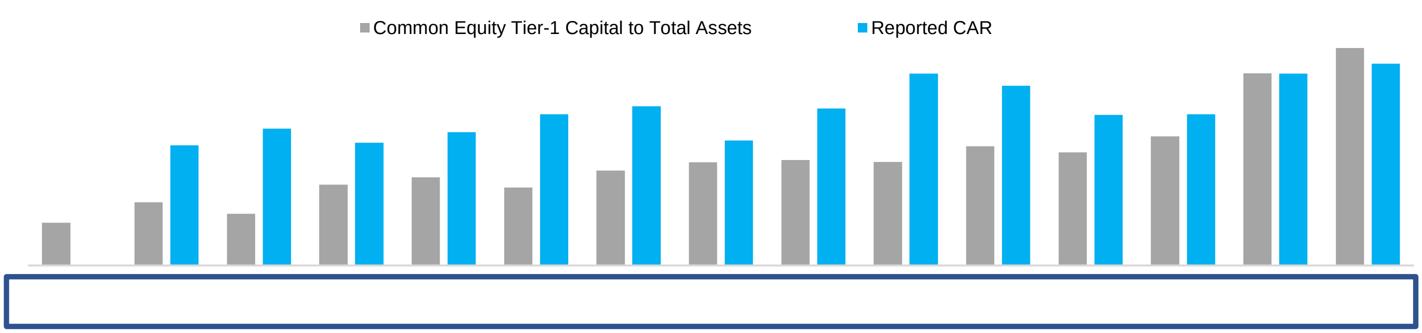
Capital, Leverage and Earnings

Capital and Leverage

FiinRatings assesses [REDACTED]'s capital and leverage as "Moderate" and adjusts notch above/below the anchor. Our assessment considers [REDACTED]'s relatively high level of financial leverage given its modest capital base compared to peers, which may increase the Company's risk in case of adverse changes in the financial market.

[REDACTED]'s debt is mainly allocated to . The Debt to Total Equity ratio of [REDACTED] in recent years is considerably higher than the average level of . This ratio is at 1.8 times in 2020 and 2021 for [REDACTED. In our base case scenario, [REDACTED] is expected to keep this ratio at 1.7 - 1.8 times in the next 18 - 24 months, as the company plans to expand its customer base by

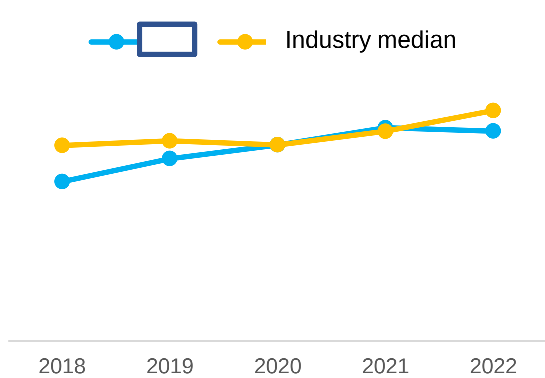
Exhibit x: [REDACTED] vs. top 15 commercial banks' CET1/Total assets and reported capital adequacy ratio (CAR) as of year-ended 2021



Source: FiinRatings, [REDACTED]

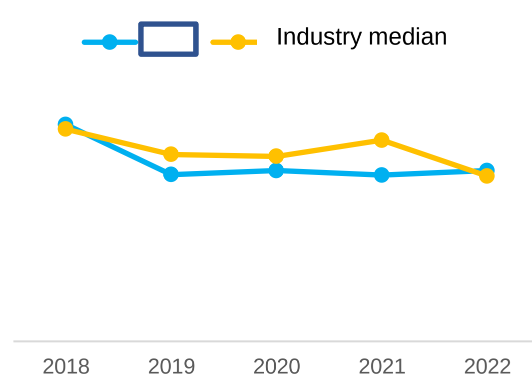
At the end of 2021, [REDACTED]'s Reported CAR is , which is considerably higher than , the median level of the top 15 commercial banks in terms of total assets. Although [REDACTED] plans to raise more equity from stock issuance (expected billion per year for the period 2022-2023), we forecast that this ratio will continue to stay at a high level, around times in the years 2022-2023 as [REDACTED] continue to utilize debt funding for services.

Exhibit x: [REDACTED]'s CET1/Total Asset vs.sector



Source: FiinRatings [REDACTED]
Note: (*) Peers include………..

Exhibit x: [REDACTED]'s Reported CAR vs. sector



Source: FiinRatings [REDACTED]
Note: (*) Peers include …………..

Earnings

FiinRatings assesses [REDACTED]' profitability as "Adequate", and makes no adjustments from the rating anchor. [REDACTED] has shown significant improvement in profitability over the past 5 years, and tends to maintain its parity with industry average within the range of 17-20% over the next 18-24 months.

Particularly in 2021, this ratio reached 21.4%, a significant increase in line with the industry's upward trend, but slightly lower compared to the top 20 firms in terms of market share, at 22.5%, as most of these firms derived significant revenues from proprietary trading, along with greater competition for market share. FiinRatings finds [REDACTED]'s complete write-off of bad debts and the fact that it has not recorded any more bad debts in recent years to be a positive factor, reinforcing expectations for the Company's profitability growth and efficient use of capital. In addition, we also believe that this profitability will be kept stable because most of [REDACTED]' revenues come from relatively low-risk activities and are less dependent on high-risk revenues from proprietary trading activities as some companies in the same sector. Therefore, we estimate that [REDACTED]' ROE will remain in the range of 17-20%, which is the average for the period 2022-2023.

Exhibit x: [REDACTED]’s NIM vs. sector

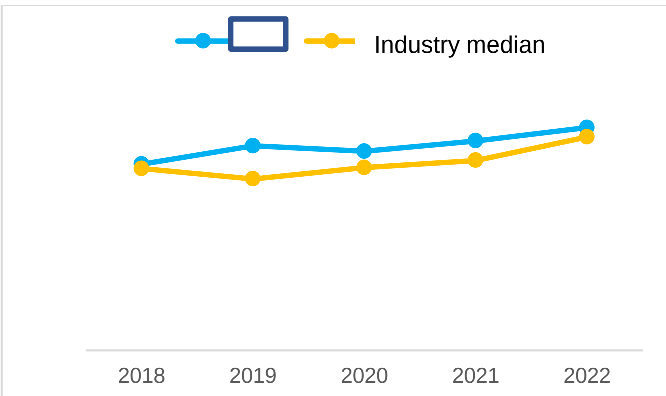
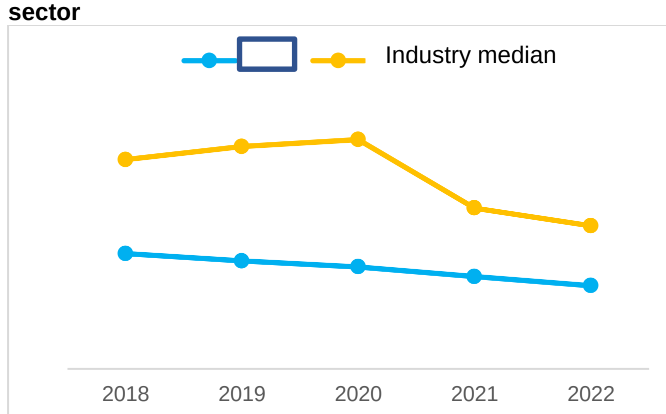


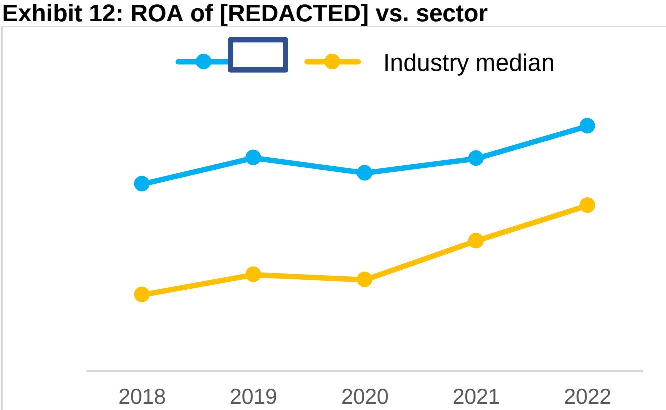
Exhibit x: [REDACTED]’s Interest Receivable Days vs. sector



Source: FiinRatings
Note: (*) Other peers including Top 20 securtities firms with largest stock and bond brokerage market share in 2019-2021

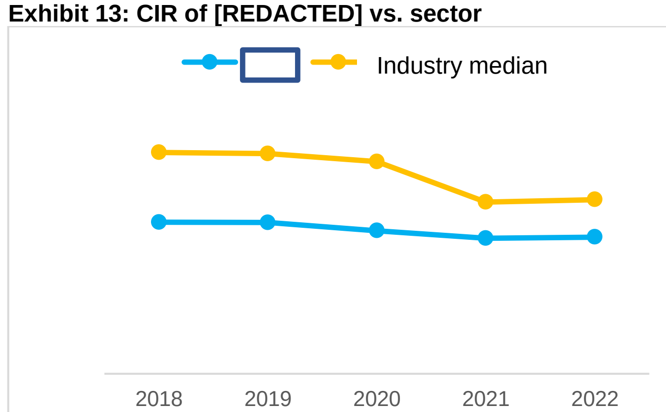
[REDACTED]'s cost to income ratio ("CIR") in 2019 and 2020 is relatively better than the industry average and increases to 53.7% in 2021, well above the industry average of 48.6%. However, [REDACTED]' adjusted CIR (excluding proprietary trading gains/losses from operating expenses and revenues) is better than the industry average during 2019-2021, as proprietary trading is not considered as key business of the company. In the next development phase, [REDACTED] has focused on acquiring client base through a digital brokerless platform, as well as developing robo-advisors, which could reduce operating costs while improving efficiency and client engagement. FiinRatings expects [REDACTED]' adjusted CIR to decline to 48-51% over the next two years.

Exhibit 12: ROA of [REDACTED] vs. sector



Source: FiinRatings
Note: (*) Other peers include Top 20 securities firms with largest stock and bond brokerage market share in 2019-2021

Exhibit 13: CIR of [REDACTED] vs. sector



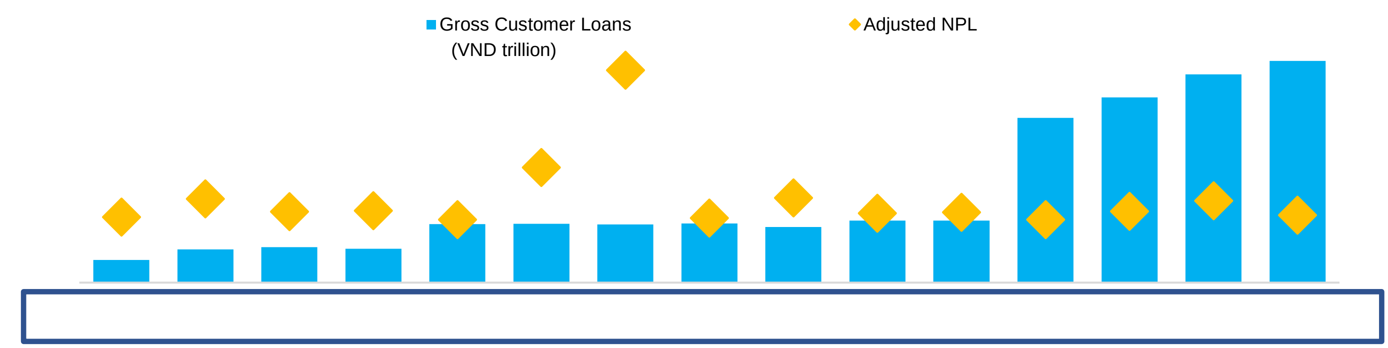
Source: FiinRatings
Note: (*) Other peers include Top 20 securities firms with largest stock and bond brokerage market share in 2019-2021

Risk Position

We assess the risk position of [REDACTED] as “Adequate”, reflecting a comprehensive and prudent risk management policy, low-risk appetite, low concentration risk, as well as a developed information technology system that [REDACTED]. In our opinion, this is an important factor to strengthen the Company's creditworthiness, helping [REDACTED] maintain and develop sustainably its business position, capital structure and profitability.

Since , [REDACTED] has established and strictly complied with the Company's prudent risk management policies. In terms of risk management framework,

Exhibit x: [REDACTED]’ Gross customer loans and NPL vs. Top 15 Commercial Banks as of 1H2022

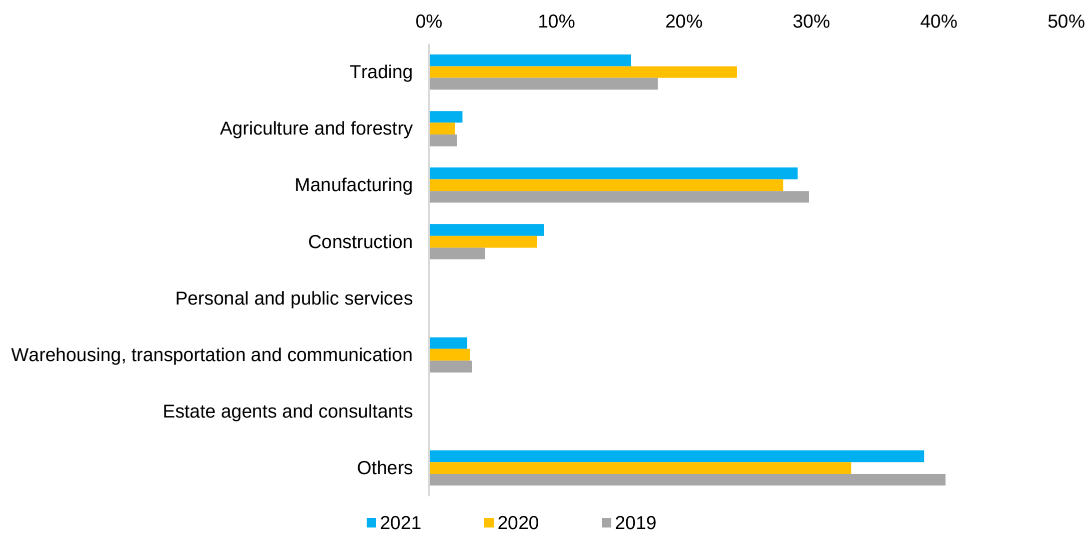


Source: FiinRatings, [REDACTED]

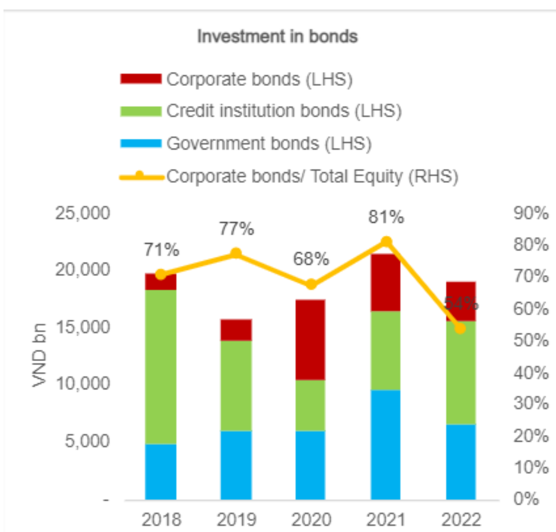
Regarding Asset Quality, [REDACTED] has

FiinRatings also assesses [REDACTED]'s risk appetite as relatively conservative, given that the company does not heavily depend on , along with a proprietary portfolio consisting largely of low-risk assets. [REDACTED]'s loan book focus on

Exhibit x: [REDACTED]’s SME & corporate loan portfolio composition (excluding consumer lending) as of YE2021



As for the corporate bond component in the Bank’s investment portfolio, the total value of corporate bonds held by [REDACTED] reached as of , accounting for % of investment portfolio and about % of the Company's total assets. In which, % of the total value of corporate bonds held by [REDACTED] are issued by large-scale real estate sector participants.



FiinRatings also evaluates [REDACTED]'s concentration risk at a relatively low level, based on the fact that the company has established and adhered to policies at a more conservative threshold than required by law. Specifically,

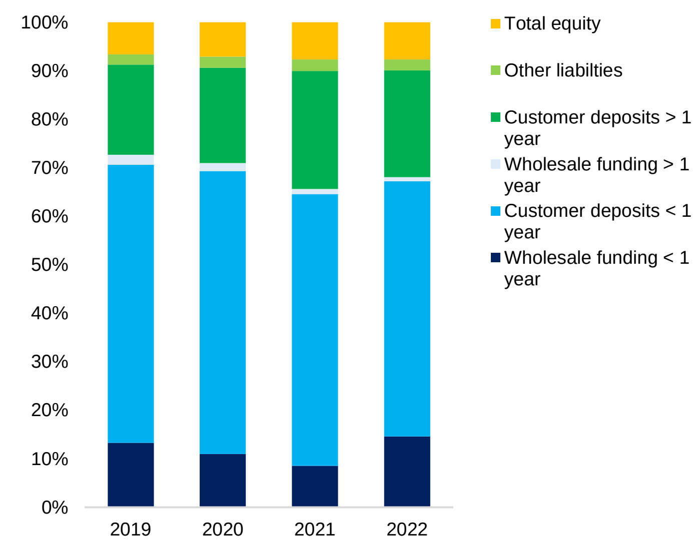
Funding and Liquidity

We assess that [REDACTED]’s funding capacity and liquidity at “Adequate” and do not make any adjustments to the rating anchor. This assessment reflects the ability to mobilize capital flexibly from low-cost sources, ensuring capital needs for activities of the company, and ensure stable liquidity in the upcoming period.

Funding

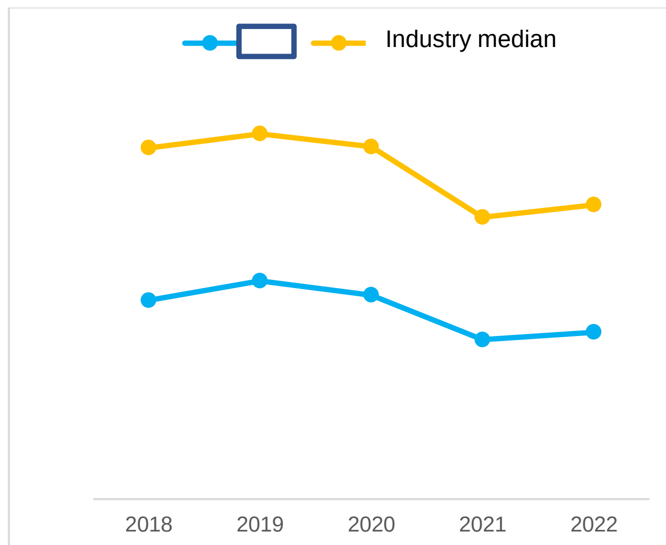
With an asset structure including , [REDACTED] has built a flexible and appropriate funding strategy focusing on short-term loans. As of December 31, 2021, short-term loans accounted for [REDACTED]'s total capital with relatively low interest rates being mobilized in various forms:
. Long-term debt has been mobilized through bonds with -month term and %- % average interest rate.

Exhibit x: [REDACTED]’s funding composition by residual maturity



Source: FiinRatings, [REDACTED]

Exhibit x: [REDACTED]’ cost of fund vs. sector



Source: FiinRatings, [REDACTED]

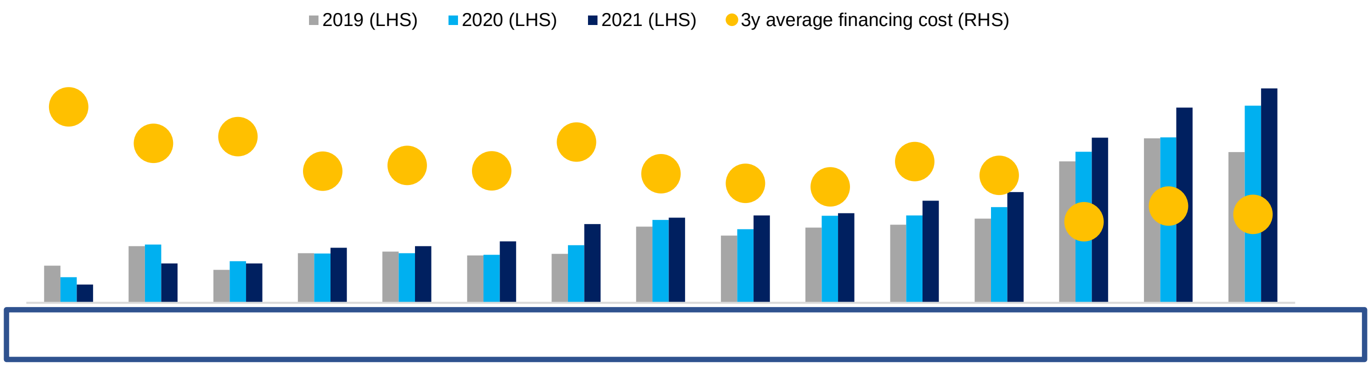
Exhibit x: Various forms of [REDACTED]’s capital mobilization

Forms of capital mobilization	Outstanding debt at 31/12/2021 (VND bn)	Interest rate	Term
Foreign banks	x	%	months
Domestic banks	x	%	months
Others	x	%	months
Payable according to partnership contracts	x	%	months
Short term debt	**X**		
Long term bonds	x	%	months
Long term debt	**X**		

Source: FiinRatings, [REDACTED]

Maintaining the capital structure in which short-term debt accounts for a large proportion helps [REDACTED] to gain flexibility in capital transfer and capital efficiency.

Exhibit x: [REDACTED] % CASA in total funding and 3-year average financing cost within 2019-2021 vs. Top 15 banks



Combining the above factors, we assess that the Company's funding capacity at "**Adequate**".

Liquidity

Although intensive use of short-term loans facilitates more flexible capital management, it also creates a liquidity risk for the Company to arrange regular payment sources. Identifying liquidity as one major issue, the annual risk management policy issued by the Board of Directors of [REDACTED] has provided a governance orientation specifically for this type of risk.

[REDACTED]'s capital use purpose for most loans is to supplement working capital for margin lending, investment in government bonds, and certificates of deposit (issued by other credit institutions).

As of , 2023, [REDACTED]'s unused credit limit at credit institutions is VND billion.

In assessing and controlling liquidity risks, [REDACTED] also monitors the Company's current ratio regularly, with the objective set out in the Company's Risk Management Policy for this rate to be consistently higher than times. According to the policy, the current ratio reaching times will be an early warning signal for the risk of liquidity loss and is obligated to be reported to the Board of Directors for immediate resolution. In practice, [REDACTED] has always maintained this ratio at over times.

In 2022, the liquidity sources for [REDACTED] is expected to come from financial activities, including short and medium-term loans and cash flow from issuing shares to existing shareholders.

We assess [REDACTED]'s liquidity as "Adequate", indicating the Company's ability to maintain stable liquidity in the next 12-24 months.

Exhibit x: Liquidity sources and uses of [REDACTED] in 2023

Liquidity sources	Liquidity uses
Operating income: VND billion New debt funding (net): VND billion Unused credit lines: VND billion Stock issue: VND billion	Investment in financial assets (net): VND billion Operating expenses: VND billion Payment of debt (net): VND billion Lending to customers (net): VND billion Investment in IT system: VND billion
Total sources: VND billion	**Total uses: VND billion**
Liquidity sources / Liquidity uses = x	

Source: FiinRatings, [REDACTED]

Group Support (when applicable)

FiinRatings assesses that [REDACTED]' credit profile benefits positively from the support and impact of its parent - [REDACTED], and makes an adjustment of notches up from the Stand-alone Credit Profile. Our assessment considers factors related to (i) the importance of [REDACTED] in [REDACTED]'s development strategy; (ii) commitments, capabilities as well as history of support from the parent bank, especially during difficult times of [REDACTED]; and (iii) synergies between [REDACTED] and [REDACTED].

FiinRatings believes that [REDACTED] plays a strategically important role in [REDACTED]'s development plan, especially in the medium term.

Exhibit x: [REDACTED] Group structure

Source: FiinRatings, [REDACTED], [REDACTED]

[REDACTED]’s strong credit profile as one of the largest banks in Vietnam along with the support that it provides [REDACTED] are also positive factors affecting [REDACTED]' credit profile.

We assess [REDACTED] as one of the leading joint stock commercial banks in Vietnam with total assets

Throughout the Company's operations, [REDACTED] has recorded the continuous support from [REDACTED], especially during the time when the Company suffered losses.

.

For subsidiaries, [REDACTED] commits and provides support in terms of annual capital contribution through two main criteria, including

FiinRatings also assesses that [REDACTED] has contributed important economic benefits to [REDACTED], and expects to continue to maintain and promote this association for the group. In the past years, [REDACTED]'s revenue contribution rate to the group ranks second among subsidiaries, just behind

in particular, thereby affirming the importance of [REDACTED] in the overall strategy of the group and the expectation of the growth in the economic benefit contribution of [REDACTED] over the next 5 years.

Exhibit 20: Profit before tax contribution from [REDACTED]’s subsidiaries (2017 – 2021)

Source: FiinRatings, [REDACTED]

Overall, FiinRatings assesses that [REDACTED]'s credit profile can positively benefit from the impact of the parent bank, reflecting the importance of [REDACTED] in the overall strategy of the [REDACTED] ecosystem, along with the support commitments and close supervision from the parent bank, and also the economic benefits [REDACTED] contributes to the group

Appendices

Appendix 1: Key metrics of [REDACTED] and Industry Average

Key Metrics for period ended	2019	2020	2021	1H2022	9M2022	2019	2020	2021	1H2022	9M2022
					[REDACTED]					Industry median
Business Position										
Capital and Earnings										
Risk Position										
Funding and Liquidity										

Source: FiinRatings, [REDACTED]

Appendix 2: Financial statements of [REDACTED]

Balance sheet (Unit: VND Trillion)	2016	2017	2018	2019	2020	2021	1H2022	9M2022
Cash and cash equivalents								
Balances with the SBV								
Placements with and loans to other credit institutions								
Loans and advances to customers								
Investment securities, Net								
Other assets								
Total assets								
Deposits and loans from other credit institutions								
Deposits from customers								
Convertible bonds/ CDs and other valuable papers issued								
Total liabilities								
Owner's equity								

Source: FiinRatings, [REDACTED]

Income statement (Unit: VND Trillion)	2016	2017	2018	2019	2020	2021	1H2022	9M2022
Net Interest Income								
Net Fee and Commission Income								
Net gain/(loss) from foreign currency and gold dealings								
Net gain/(loss) from trading of trading securities								
Net gain/(loss) from the disposal of investment securities								
Net other income/expenses								
Dividends income								
Total operating income								
General and Admin expenses								
Operating Profit Before Provision for Credit Losses								
Provision for credit losses								
Net accounting profit/(loss) before tax								
Tax expenses								
Net profit/(loss) after tax								

Source: FiinRatings, [REDACTED]

Appendix 3: Terms and Definition

DEFINITION OF KEY METRICS

- Interest and Service income = Revenue from rendering of pawn services + Revenue from insurance agency services
  (refer to the Notes to the Financial Statements)
- Total Operating Income = Revenue from sales of goods and rendering of services + (Financial income – Financial expenses) + (Other income – Other expenses)
- Total Operating Expenses = Costs of sales + SG&A expenses – Write-off expenses – Provision expenses
- Return on Average Assets (“ROA”) = Profit after tax/ Average assets
- Return on Average Equity (“ROE”) = Profit after tax/ Average equity
- Interest & Service Income = Interest Revenue + Revenue from services
- Total Operating Income = Total Revenue – Financial Income
- Total Operating Expense = Selling Expenses + General & Administrative Expenses
- Annual Percentage Rate (“APR”) = Interest and fees revenue/ Average Loan book
- Net Interest Margin (“NIM”) = (Interest and fees revenue – Financial Expenses)/ Average Loan Book
- Cost to Income (“CIR”) = Total Operating Expenses/ Total Operating Income
- Net write-offs = Gross write-offs – Recovery from write-offs
- Gross write-offs ratio = Gross write-offs/ Average Loan Book
- Net write-offs ratio = Net write-offs/ Average Loan Book
- Credit Cost = (Gross write-offs + Provision expenses during the year)/ Average Loan Book
- Cost of fund (“COF”) = Interest expenses/ Average debts
- Cost to Income Ratio (“CIR”) = Total Operating Expenses/ Total Operating Income
- Non-performing Loan (“NPL”) = Loans overdue > 90 days during the reporting period/ Total Loan Book
- Customer Deposits includes deposits from retail, small business, corporate and institutional customer deposits
- Wholesale Fundings refers to the deposits and other liabilities from institutions such as banks, pension funds, money market mutual funds and other financial intermediaries.

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