

Vietnam

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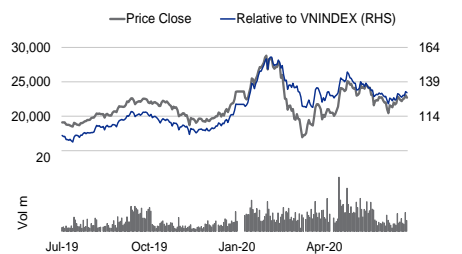
Consensus ratings*: Buy 10 Hold 3 Sell 0

Current price:	VND22,700
Target price:	VND25,000
Previous target:	VND25,000
Up/downside:	10.1%
CGS-CIMB / Consensus:	-17.9%
Reuters:	VPB.HM
Bloomberg:	VPB VN
Market cap:	US\$2,387m
	VND55,336,888m
Average daily turnover:	US\$4.40m
	VND101,928m
Current shares o/s	2,438m
Free float:	72.7%

*Source: Bloomberg

Key financial forecasts

	Dec-20F	Dec-21F	Dec-22F
Net Profit (VNDb)	8,269	10,237	12,333
Core EPS (VND)	3,392	4,199	5,059
Core EPS Growth	3.3%	23.8%	20.5%
FD Core P/E (x)	6.69	5.41	4.49
Recurring ROE	17.8%	18.4%	18.4%
P/BV (x)	1.10	0.91	0.76
DPS (VND)	-	-	-
Dividend Yield	0%	0%	0%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-0.4	8.1	17
Relative (%)	0.4	-0.3	29.3

Major shareholders	% held
Mr. Ngo Chi Dzung	4.5
Mr. Bui Hai Quan	2.3
Mr. Lo Bang Giang	0.1

Analyst(s)

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Vietnam Prosperity JSC Bank

Lower-than-expected provision expenses

- VPB's 2Q20 net profit grew 44% yoy and 27.5% qoq, thanks to well-managed operating expenses and subdued provision expenses.
- 1H20 net profit rose 51.7 % yoy to VND5,265bn, making up 63.7% of our full-year forecast.
- Maintain Hold with an unchanged TP of VND25,000.

1H20 net interest income (NII) grew 8.8% yoy

- VPB posted VND15,722bn in 1H20 NII on the back of a 13.6% yoy increase in interest earnings assets (IEAs); loan book grew 9.1% yoy and corporate bonds balance jumped 2.2x yoy. By end-2Q20, credit growth reached 6.8% vs end-FY19, slightly higher than half of 13% credit growth quota for 2020. However, VPB has received a credit threshold extension from the State Bank of Vietnam (SBV), leaving the bank more room for credit expansion.
- 1H20 net interest margin (NIM) fell 42bp yoy as a consequence of a 280bp yoy compression in the NIM of FE Credit, its consumer finance arm. FE Credit's 1H20 NIM dropped to 26.6%, squeezed by its high-risk lending strategy. FE Credit's loan book shrank 0.8% vs. end-FY19, reducing its contribution to the consolidated loan book from 25.1% as at end-FY19 to 23.7% at end-2Q20.

1H20 non-interest income (non-II) increased 31.6% yoy

- 1H20 non-II surged 31.6 yoy, driven by a 2.6x yoy gain from trading and investment securities. VPB offloaded 80% of its trading securities (~VND1,279bn) and 37% of its credit institutions investment securities (~VND9,000bn) in 1H20.
- Net fee income rose 12% yoy in 1H20, thanks to: 1) VND503bn (+56% yoy) income from payment service; and 2) VND1,023bn (+37% yoy) from bad debt recovery.

Strong 1H20 bottomline, thanks to better cost control

- 1H20 cost-to-income ratio (CIR) declined to 31% from 35.8% in 1H19 due to aggressive cost optimisation.
- VPB's non-performing loan (NPL) ratio was 3.2% at end-2Q20, slightly lower the 3.4% at end-FY19. NPL ratio declined yoy at the parent bank level (from 2.9% at end-1H19 to 2.6% at end-1H20) but stayed unchanged yoy at FE Credit (5.0%). Consequently, 1H20 provision expenses fell a slight 0.6% yoy, boosting 1H20 net profit growth to 51.7% yoy, to VND5,265bn, forming 63.7% of our FY20 forecast.
- Loan-loss-reserves improved to 49.1% at end-2Q20 from 46.4% at end-FY19. Last year, VPB bought back VND3,200bn worth of VAMC bond.
- VPB's credit cost declined 63bp yoy to 4.9% in 1H20 as it tightened its high-risk lending activities. FE Credit has stopped lending to new-to-bank customers and is focused on lending to existing customers. However, we expect VPB's credit cost to bounce back in 2H20F to end FY20 at 5.4% as we forecast a sharp rise in bad debts and that the sluggish lending activities of consumer finance will linger until end-FY20F.

Maintain Hold, with unchanged TP of VND25,000

- We maintain our Hold rating and TP of VND25,000 based on residual income valuation (COE: 14.3%; LTG: 3.0%). Downside risk could come from a higher-than-expected credit cost. Upside risk would be better-than-expected credit growth.

Figure 1: VPB's key ratios by quarter

Key ratios	2Q19	3Q19	4Q19	1Q20	2Q20
NII/Total operating income (TOI)	83.7%	84.0%	82.2%	81.0%	86.1%
Non-II/TOI	16.3%	16.0%	17.8%	19.0%	13.9%
NIM (annualised)	9.1%	9.3%	9.3%	8.9%	8.7%
Non-performing loans (NPL) ratio	3.4%	3.5%	3.4%	3.0%	3.2%
Loan-loss-reserves (LLR)	48.5%	49.6%	46.4%	52.0%	49.1%
Credit cost (annualised)	5.5%	5.6%	5.6%	5.7%	4.9%
ROAA (trailing 12 months)	2.3%	2.5%	2.4%	2.5%	2.7%
ROAE (trailing 12 months)	21.1%	22.6%	21.5%	22.7%	23.6%

SOURCES: VND RESEARCH, COMPANY REPORTS

Figure 2: Results comparison

Profit & Loss Statement	2Q20	2Q19	yoy%	1Q20	qoq%	6M20	6M19	yoy%	VND FY20F forecasts	% of VND forecasts	Comments
Net interest income	7,701	7,666	0.5%	8,021	-4.0%	15,722	14,451	8.8%	31,793	49.5%	In line with our forecast
Non-interest income	1,248	1,204	3.7%	1,884	-33.8%	3,132	2,381	31.6%	6,383	49.1%	In line with our forecast
Operating revenue	8,948	8,869	0.9%	9,906	-9.7%	18,854	16,832	12.0%	38,177	49.4%	
Operation expenses	(2,555)	(3,044)	-16.0%	(3,283)	-22.2%	(5,838)	(6,020)	-3.0%	(13,362)	43.7%	Below our forecast as actual opex was lower than our expectation due to good managed operating expenses
Pre-provision profit	6,393	5,826	9.7%	6,623	-3.5%	13,016	10,813	20.4%	24,815	52.5%	
Provision expenses	(2,720)	(3,266)	-16.7%	(3,712)	-26.7%	(6,431)	(6,470)	-0.6%	(14,480)	44.4%	Below our forecast due to lower than expected credit cost. However, we are of the view that people's incomes are affected by slow economic growth post-pandemic, leading to low demand and high provision expenses for consumption loans. Thus, credit cost for consumption loans is likely to remain high after the pandemic.
Pre-tax profit	3,673	2,560	43.5%	2,911	26.2%	6,585	4,343	51.6%	10,335	63.7%	
Net profit	2,951	2,049	44.0%	2,314	27.5%	5,265	3,471	51.7%	8,269	63.7%	Higher than our estimate

SOURCES: VND RESEARCH, COMPANY REPORTS

Figure 3: Regional peer comparison

Bank	Bloomberg Ticker	Recommend ation	Closing price	Target price	Market Cap	P/BV (x)		P/E (x)		3-yr Forward EPS CAGR		ROE (%)	
						FY20F	FY21F	FY20F	FY21F	%	FY20F	FY21F	
China Merchants Bank	3968 HK	ADD	(local curr.) 39	(local curr.) 48	(US\$m) 132,830	1.2	1.1	7.6	6.4	18.4%	17.1%	17.9%	
Bank Rakyat Indonesia	BBRI IJ	ADD	3,100	3,000	26,006	2.1	1.8	20.4	11.0	6.4%	9.7%	17.7%	
Bank Mandiri	BMRI IJ	ADD	5,175	6,000	16,425	1.2	1.1	15.7	9.0	5.1%	7.4%	13.1%	
Vietcombank	VCB VN	HOLD	82,200	86,200	13,152	3.1	2.6	14.4	12.4	16.1%	23.6%	22.7%	
BDO Unibank Inc	BDO PM	ADD	93	135	8,245	1.1	1.0	13.8	12.5	1.7%	7.9%	8.2%	
Yes Bank	YES IN	ADD	20	100	3,312	0.2	0.1	2.8	1.3	28.3%	6.1%	11.9%	
Indusind Bank	IIB IN	ADD	521	675	4,815	1.0	0.9	7.8	6.8	14.1%	13.1%	13.5%	
Military Commercial Joint Stock Bank	MBB VN	ADD	17,200	26,200	1,789	0.9	0.7	4.7	4.2	13.3%	20.5%	19.4%	
Asia Commercial Joint Stock Bank	ACB VN	ADD	24,500	28,500	1,757	1.2	1.0	6.2	5.6	11.6%	21.6%	20.4%	
Techcombank	TCB VN	ADD	20,500	27,400	3,095	1.0	0.8	6.7	5.8	12.5%	16.0%	15.8%	
Average						1.3	1.1	10.0	7.5	12.7%	14.3%	16.1%	
VPBank	VPB VN	HOLD	23,900	25,000	2,496	1.2	1.0	7.0	5.7	15.5%	17.9%	18.4%	

PRICE AS OF 20 JULY 2020

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(VNDb)	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Net Interest Income	30,670	31,793	37,380	45,311
Total Non-Interest Income	5,685	6,383	8,144	9,131
Operating Revenue	36,356	38,177	45,524	54,442
Total Non-Interest Expenses	(12,344)	(13,362)	(15,478)	(18,510)
Pre-provision Operating Profit	24,012	24,815	30,046	35,932
Total Provision Charges	(13,688)	(14,480)	(17,251)	(20,515)
Operating Profit After Provisions	10,324	10,335	12,795	15,416
Pretax Income/(Loss) from Assoc.	0	0	0	0
Operating EBIT (incl Associates)	10,324	10,335	12,795	15,416
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	10,324	10,335	12,795	15,416
Exceptional Items				
Pre-tax Profit	10,324	10,335	12,795	15,416
Taxation	(2,064)	(2,066)	(2,558)	(3,083)
Consolidation Adjustments & Others				
Exceptional Income - post-tax				
Profit After Tax	8,260	8,269	10,237	12,333
Minority Interests				
Pref. & Special Div	0	0	0	0
FX And Other Adj.	0	0	0	0
Net Profit	8,260	8,269	10,237	12,333
Recurring Net Profit	8,260	8,269	10,237	12,333

Balance Sheet

(VNDb)	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Gross Loans	280,736	302,728	358,004	419,080
Liquid Assets & Invst. (Current)	70,296	87,866	95,774	111,120
Other Int. Earning Assets				
Total Gross Int. Earning Assets	351,032	390,593	453,777	530,200
Total Provisions/Loan Loss Reserve	(4,084)	(4,808)	(5,166)	(7,026)
Total Net Interest Earning Assets	346,948	385,786	448,611	523,174
Intangible Assets	580	627	689	772
Other Non-Interest Earning Assets	27,217	29,394	32,334	36,214
Total Non-Interest Earning Assets	27,797	30,021	33,023	36,986
Cash And Marketable Securities	2,459	2,656	2,922	3,272
Long-term Investments	0	0	0	0
Total Assets	377,204	418,463	484,556	563,432
Customer Interest-Bearing Liabilities	271,549	305,772	360,789	425,339
Bank Deposits	50,868	49,262	50,788	53,350
Interest Bearing Liabilities: Others	357	356	356	356
Total Interest-Bearing Liabilities	322,774	355,391	411,933	479,045
Bank's Liabilities Under Acceptances				
Total Non-Interest Bearing Liabilities	12,220	12,594	11,908	11,338
Total Liabilities	334,994	367,984	423,841	490,383
Shareholders' Equity	42,210	50,479	60,716	73,049
Minority Interests	0	0	0	0
Total Equity	42,210	50,479	60,716	73,049

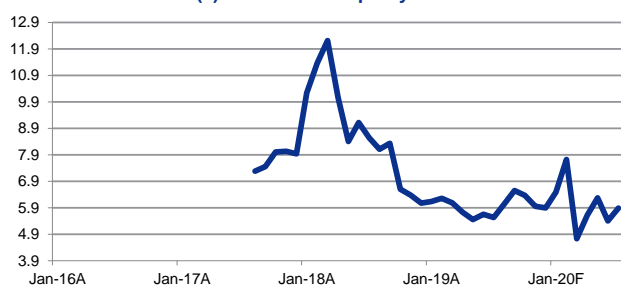
Balance Sheet Employment

	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Gross Loans/Cust Deposits	120%	111%	111%	108%
Avg Loans/Avg Deposits	125%	116%	111%	110%
Avg Liquid Assets/Avg Assets	25.9%	26.8%	27.6%	27.5%
Avg Liquid Assets/Avg IEAs	27.7%	28.8%	29.5%	29.3%
Net Cust Loans/Assets	67.1%	64.8%	66.0%	65.8%
Net Cust Loans/Broad Deposits	78.5%	76.4%	77.6%	77.4%
Equity & Provsns/Gross Cust Loans	18.0%	20.0%	20.3%	21.2%
Asset Risk Weighting	105%	111%	109%	109%
Provision Charge/Avg Cust Loans	5.71%	5.43%	5.74%	5.84%
Provision Charge/Avg Assets	3.91%	3.64%	3.82%	3.92%
Total Write Offs/Average Assets	3.76%	3.46%	3.74%	3.56%

Key Ratios

	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Income Growth	17.0%	5.0%	19.2%	19.6%
Operating Profit Growth	17.4%	3.3%	21.1%	19.6%
Pretax Profit Growth	12.2%	0.1%	23.8%	20.5%
Net Interest To Total Income	84.4%	83.3%	82.1%	83.2%
Cost Of Funds	6.39%	6.21%	6.27%	6.37%
Return On Interest Earning Assets	15.2%	14.3%	14.6%	15.0%
Net Interest Spread	8.80%	8.04%	8.28%	8.61%
Net Interest Margin (Avg Deposits)	15.9%	13.8%	13.8%	14.2%
Net Interest Margin (Avg RWA)	8.65%	7.41%	7.54%	7.93%
Provisions to Pre Prov. Operating Profit	57.0%	58.4%	57.4%	57.1%
Interest Return On Average Assets	8.76%	7.99%	8.28%	8.65%
Effective Tax Rate	20.0%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	NA	NA	NA	NA
Return On Average Assets	2.36%	2.08%	2.27%	2.35%

12-mth Fwd FD P/E (x) - Vietnam Prosperity JSC Bank



Key Drivers

	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Loan Growth (%)	15.9%	7.4%	17.6%	16.2%
Net Interest Margin (%)	9.3%	8.6%	8.9%	9.2%
Non Interest Income Growth (%)	-10.9%	12.3%	27.6%	12.1%
Cost-income Ratio (%)	34.0%	35.0%	34.0%	34.0%
Net NPL Ratio (%)	-12.8%	-16.9%	-19.1%	-21.8%
Loan Loss Reserve (%)	46.4%	51.2%	45.7%	59.8%
GP Ratio (%)	0.9%	1.0%	0.9%	1.0%
Tier 1 Ratio (%)	10.7%	10.9%	11.5%	11.9%
Total CAR (%)	11.1%	11.2%	11.8%	12.1%
Deposit Growth (%)	25.2%	15.8%	18.1%	18.9%
Loan-deposit Ratio (%)	118.3%	109.5%	109.3%	106.5%
Gross NPL Ratio (%)	3.4%	3.4%	3.5%	3.1%
Fee Income Growth (%)	73.1%	5.0%	30.0%	20.0%

SOURCES: VND RESEARCH, COMPANY REPORTS

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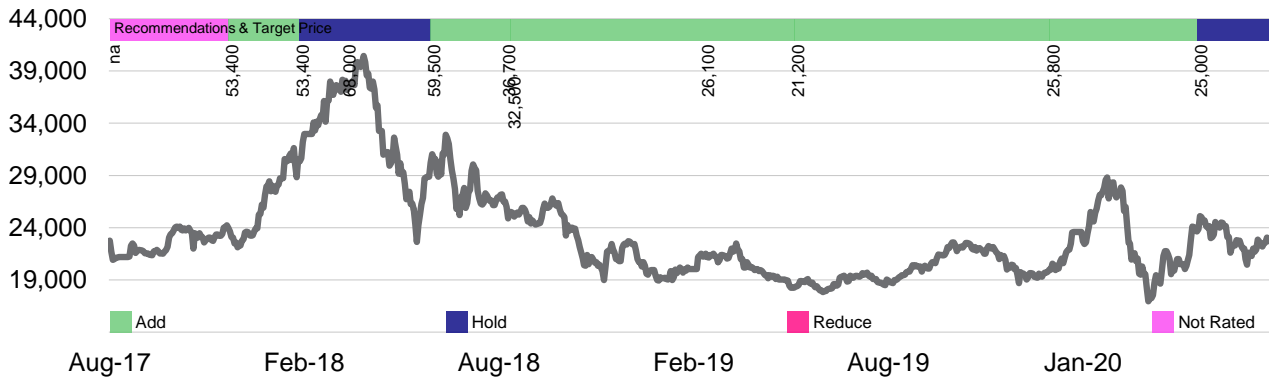
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800 companies under coverage for quarter ended on 30 June 2020		
	Rating Distribution (%)	Investment Banking clients (%)
Add	60.1%	0.4%
Hold	25.9%	0.1%
Reduce	14.0%	0.3%

Spitzer Chart for stock being researched (2 year data)

Vietnam Prosperity JSC Bank (VPB VN)

— Price Close



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2019, Anti-Corruption 2019

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BAM** – not available, n/a, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BGP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** - Good, n/a, **BJC** – Very Good, n/a, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, n/a, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHAYO** - Good, n/a, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – not available, n/a, **CRC** – not available, n/a, **DELTA** - Excellent, Declared, **DEMCO** – Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – not available, n/a, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Declared, **III** – Excellent, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – not available, n/a, **BJC** – Very Good, n/a, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Certified, **MALEE** – Excellent, Certified, **MC** – Excellent, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MK** – Very Good, n/a, **MTC** – Excellent, n/a, **NETBAY** – Very Good, n/a, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PLAT** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PSTC** – Very Good, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Excellent, n/a, **RSP** – not available, n/a, **S** – Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Certified, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Excellent, Certified, **SF** – Good, n/a, **SHR** – not available, n/a, **SIRI** – Very Good, Certified, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Excellent, Certified, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TMB** - Excellent, Certified, **TNR** – Very Good, Certified, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Declared, **UNIQ** – not available, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

[1 CG Score 2019 from Thai Institute of Directors Association \(IOD\)](#)

2 AGM Level 2018 from Thai Investors Association

3 Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of November 30, 2018) are categorised into:

companies that have declared their intention to join CAC, and companies certified by CAC.

4 The Stock Exchange of Thailand: the record of listed companies with corporate sustainable development "Thai sustainability Investment 2018" included:

SET and mai listed companies passed the assessment conducted by the Stock Exchange of Thailand: THSI (SET) and THSI (mai)

SET listed companies passed the assessment conducted by the Dow Jones Sustainability Indices (DJSI) .

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Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
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Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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