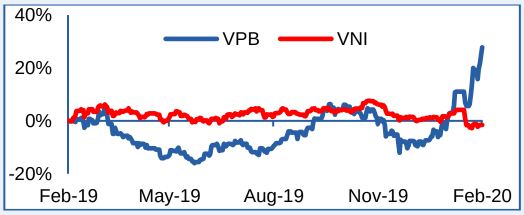
VPBank (VPB) [BUY +29.2%] — Update Report

			2019	2020F	2021F	2022F
Industry:	**Banking**					
Report Date:	**February 18, 2020**	PPOP y/y	17.5%	13.1%	13.3%	11.8%
Current Price:	VND27,100	NPAT y/y	12.4%	27.9%	21.2%	15.3%
Current Target Price:	VND35,000	EPS y/y	11.8%	28.4%	21.2%	15.3%
Previous Target Price:	VND23,400	NIM	9.33%	9.16%	9.19%	9.08%
		NPL	3.42%	3.36%	3.31%	3.21%
Upside to TP:	+29.2%	CIR	33.9%	34.5%	34.5%	34.5%
Dividend Yield:	0.0%	P/B	1.6x	1.2x	1.0x	0.8x
TSR:	+29.2%	P/E	8.0x	6.2x	5.2x	4.5x



			VPB	Peers	VNI
Market Cap:	USD2.8bn				
Foreign Room	USD0	P/E (ttm)	8.0x	7.5x	16.4x
ADTV30D	USD3.7mn	P/B (curr)	1.6x	1.4x	2.2x
State Ownership	0%	ROE	21.5%	21.5%	13.4%
Outstanding Shares	2.438 bn	ROA	2.4%	1.7%	2.2%
Fully Diluted Shares	2.438 bn				

Company Overview

Vietnam Prosperity Joint Stock Commercial Bank is a Vietnam-based commercial bank with two fully-owned subsidiaries: an asset management company (VPBank AMC) and a consumer finance company (FE Credit). VPB derived around half of its consolidated net income from FE Credit in 2019.

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FEC trade sale – positive re-rating catalyst

- We upgrade VPB to BUY from OUTPERFORM and lift our target price (TP) by 50% as we increase our aggregate net income projection during 2020-24 by 31%. The increase in net income forecasts is driven in large part by upward revisions (1) in FEC's loan CAGR during 2019-2024F to 10% vs 6% previously with (2) NIM remaining at 25% vs 21% previously.
- We increase our 2020F net income by 8.4% to VND10.6tn/USD454mn due to a 7.3% lift in pre-provision operating profit (PPOP) more than offsetting a 6.4% lift in provision charges. We expect strong net income growth of 27.9% YoY in 2020 due to an easing off in VAMC provisioning.
- We lift our target 2020 P/B to 1.5x (vs 1.1x previously) given that Circular 18/2019/SBV (Cir.18) has removed the regulatory overhang on the consumer finance sector. The lift in our TP reflects our reassessment of VPB to accord with the views espoused in our 2020 strategy report.
- We find VPB (which is in line with its peer valuation) attractive at a 2020F P/B of 1.2x. Our 2020F ROE is 22% vs a peer median of 20% — although VPB's leverage is lower than its peers. Our TP implies a 2020F P/B at 1.6x.
- Downside risks: (1) failure to contain NPLs and credit costs that could lead to lower-than-expected 2020F bottom-line growth; and (2) execution risk in delivering FEC's loan mix guidance (see **page 4** for more details). At present, we believe the coronavirus issue is immaterial for VPB.

FEC consistently contributed around half of the consolidated bank's net income with its 2020F ROE forecast for mid-30s — highlighting how undervalued FEC is within the overall valuation of VPB. At VPB's analyst meeting last week, FEC's presentation materials projected a loan book size of VND125tn in 2024 (16% CAGR during 2019-24G) vs our projection of VND99tn (10% CAGR during the same period). FEC's materials indicate undimmed prospects, even with the implementation of Cir.18, as FEC sees credit cards as the main solution to continue to grow yet still be in compliance. Even adopting our more modest loan growth assumption and NIM projection of 30.3%, 30.2% and 29.4% for the next three years, we see compelling undervaluation.

VPB plans to sell down its stake in FEC in 2020, which is a key re-rating catalyst for FEC and the consolidated bank. Per management, VPB plans to sell down its stake in FEC in 2020 — either in the form of an IPO or seeking strategic partner(s). We believe VPB will maintain effective control of FEC; however, there is no further public information regarding the deal, pending more details at the upcoming AGM. In our view, a trade sale has a higher probability of success than a broadly marketed institutional offering amid a somewhat lukewarm trading sentiment in the listed space, which is evidenced by recent trade sales involving stakes in BID, VCB and BVH in 2019 and an OCB deal in early 2020. Given FEC's ROE, it is valid to argue a valuation of 2.5-3x 2019 P/B based on the Gordon Growth Model, equating to ~60% of the current composite valuation of VPB, or implying the parent bank is trading at 0.7x 2019 P/B. Also, given the current maturity profile of consumer finance penetration in Vietnam, it is challenging for competitors to reach the same scale.

2019 recap: Results ahead of forecast on NOII

Figure 1: VPB's consolidated 2019 results

(VND bn)	2018	2019	YoY	% of VCSC's 2019F	VCSC comments
Net interest income	24,702	30,492	23.4%	102%	- Strong NII growth was derived from a consolidated NIM expansion of 51 bps YoY to 9.33%. FEC's loan yield trended in positive direction as it stood at 39.4% in FY2019 vs 36.9% in FY2018.
Net fee income*	1,509	2,753	82.5%	113%	- Consolidated pure NFI growth was 84% with the parent bank recording 65% growth. The parent bank's strong performance was supported by bancassurance (+41% YoY in net fees) and banking services (+139% YoY in net fees). Other fee income, which was mainly driven by the credit card segment, grew 93%. - The higher growth rate in consolidated pure NFI was because of a bounce at FEC from a low base in 2018.
Total NOII	6,384	5,863	-8.2%	114%	- Drop in NOII because of low recovery income at FEC.
Total operating income (TOI)	31,086	36,356	17.0%	104%	
OPEX	(10,634)	(12,334)	16.0%	101%	
PPOP	20,452	24,021	17.5%	105%	
Provision expenses	(11,253)	(13,688)	21.6%	103%	- Write-offs to gross loans stood at 14.0% (-30 bps YoY) at FEC and 2.14% (+32 bps YoY) at the parent bank. The rise in the parent bank's write-off rate was offset by a strong recovery. The parent bank fully provisioned for its VAMC balance by YE2019.
Net profit	7,356	8,268	12.4%	109%	- Net income growth, excluding a one-off gain from a bancassurance upfront with AIA in 2018, was 23.9% YoY.
NIM	8.82%	9.33%	51 bps		
Interest-earning asset yield	14.39%	15.21%	82 bps		- Given that FEC has ~95% market share in credit cards among consumer finance companies (2019) – in addition to its aggressive expansion plan – we expect the credit card segment will offset the drop in direct disbursement cash loans portion that we anticipate in coming years.
Cost of funds	6.05%	6.40%	35 bps		
CASA ratio**	13.7%	13.3%	-0.4 ppts		
Term deposits in FX (%)	1.8%	1.2%	-0.6 ppts		
CIR	34.2%	33.9%	-0.3 ppts		
NPL	3.51%	3.42%	-9 bps		
Loan growth (YTD)	21.5%	15.9%	-5.6 ppts		- Loan growth at the parent bank/FEC was 14.5%/13.7% YoY (the disparity between consolidated figure and breakdown numbers is the result of a reclassification of syndicated loans from FEC to the parent bank). - 2019 consolidated credit growth was 16.9% YoY as VPB's corporate bond balance surged 61% YoY. - FEC's 2019 loan book size was VND60.6tn/USD2.6bn. The company liquidated syndicated loans that were built up in 2018; therefore, with 13.7% loan book growth, the growth of consumer finance loans was 21.3%.
Deposit growth (YTD)	27.9%	25.2%	-2.7 ppts		

Source: VPB & VCSC, units are in VND bn unless otherwise stated - *Net fee income includes FX income, **CASA volume included demand and margin deposits.

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2020 outlook: Net income to see strong growth

Figure 2: VCSC's 2020 forecasts

(VND bn)	2019	2020F old	2020F new	2020F new vs 2019	VCSC comments on 2020 forecasts
Net interest income	30,492	32,754	34,277	12.4%	- We lift our 2020F NII by 4.6%, mainly derived from a lift in our consolidated NIM projection. We factor in a slight slide in FEC's loan yield to ~38% (vs 36% previously) from the current high level of ~39% in 2020F.
Net fee income*	2,753	2,899	3,270	18.8%	- We lift our 2020F NFI by 12.8% as 2019 performance posted signs of (1) improvement in banking and insurance services at both the parent bank and FEC; and (2) strong growth momentum of the credit card segment.
Total NOII	5,863	6,209	7,214	23.0%	- Our 2020F total NOII increases by 16.2% vs our previous forecast, which is mainly supported by our lift in income from recovery of written-off debts due to high 2018 and 2019 write-off rates.
TOI	36,356	38,964	41,491	14.1%	
OPEX	(12,334)	(13,637)	(14,314)	16.1%	- We believe investment in automation at VPB/FEC helps to reduce staff costs and presses down CIR. We see a sustainable consolidated CIR level in the coming years at ~35%, which is among the lowest level vs peers.
PPOP	24,021	25,326	27,177	13.1%	
Provision expenses	(13,688)	(13,120)	(13,955)	2.0%	- While we lift our 2020F consolidated write-offs to gross loans to 4.32% from 4.20% as FEC's write-off rate was still high in 2019, we believe the YoY rise in consolidated provision charges in 2020 will slow due to an easing in VAMC provisioning.
Net profit	8,268	9,761	10,578	27.9%	- Our 2020F net income increases by 8.4% as a 7.3% lift in PPOP more than offsets a 6.4% lift provision charges
NIM	9.33%	8.99%	9.16%	-17 bps	
Interest-earning asset yield	15.21%	14.41%	15.09%	-12 bps	- We expect a slight decrease in the consolidated loan yield as the current level of loan yield at both the parent bank/FEC of ~12%/~39% are a high base in the context of intensifying competition, in our view. However, we believe there will be no severe drop in consumer finance loan yield as FEC implements its Cir.18 compliance (see our discussion on **page 4**)
Cost of funds	6.40%	6.14%	6.51%	11 bps	
CASA ratio**	13.3%	14.0%	14.0%	0.7 ppts	
CIR	33.9%	35.0%	34.5%	0.6 ppts	
NPL	3.42%	3.94%	3.36%	-6 bps	
Gross loans	257,184	289,808	289,879	12.7%	- Our 2020F consolidated loan book is relatively unchanged with the loan growth forecast of the parent bank/FEC at 15%/13% YoY.
Customer deposits	213,950	229,897	246,042	15.0%	
Valuable papers	57,600	48,347	62,208	8.0%	
Total assets	377,214	402,760	425,465	12.8%	
Total equity	42,218	49,919	53,364	26.4%	
ROAE	21.5%	21.5%	22.1%	0.6 ppts	
ROAA	2.4%	2.6%	2.6%	0.2 ppts	
Regulated LDR	79.8%	86.0%	80.8%	1.0 ppts	

Source: VCSC, units are in VND bn unless otherwise stated – *Net fee income includes FX income, **CASA volume included demand and margin deposits

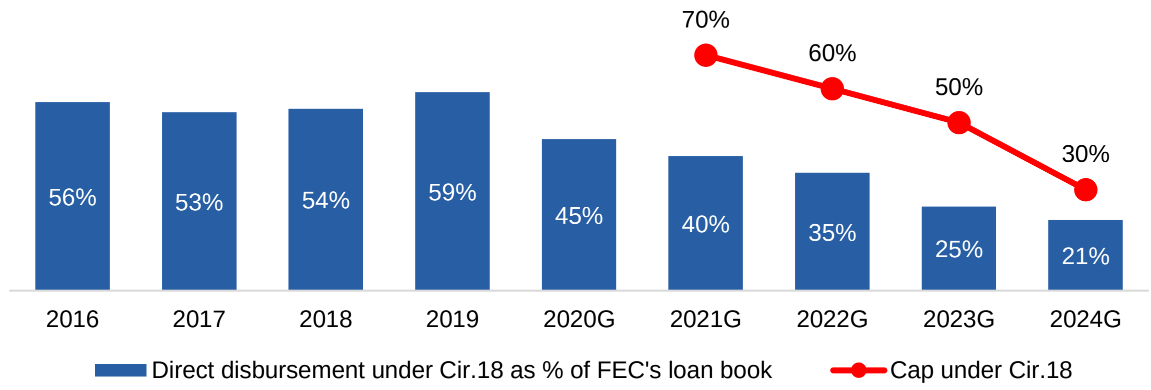
Cir.18 to have negligible impact on FEC's loan yield and loan growth outlook, in our view. The SBV promulgated Cir.18 in November 2019 to introduce staggered caps on the cash loan component of the overall loan book of consumer finance companies. Our initial reading of Cir.18 missed that only outstanding balance of cash loans per customer in excess of VND20mn will be part of the cap calculation, thus Cir.18 encourages smaller size cash loans. Also, the credit card segment is not a part of the cap calculation. Cir.18 settles the regulatory framework for the next five years for the consumer finance sector; however, it importantly opts to avoid imposing the one thing that could have quickly damaged ROE – an interest rate cap. **Figures 3 & 4** map management guidance for a structural change of FEC's loan book five years down the line. We believe there will be little impact on loan yield as FEC carries out its compliance of Cir.18 in the next five years and as we expect the aggressive expansion plan of the credit card segment will offset for the drop in the cash loans portion.

Figure 3: Company guidance for FEC's loan book breakdown by segment (2020-2024)

	2016	2017	2018	2019	2020G	2021G	2022G	2023G	2024G
Two-wheeler loans	8%	8%	9%	8%	7%	7%	6%	6%	5%
Consumer durable loans	11%	9%	8%	6%	5%	5%	5%	4%	4%
Cash loans (new-to-bank)	33%	30%	22%	21%	19%	18%	16%	15%	14%
Cash loans (cross-sell/top-up)	48%	47%	54%	52%	50%	48%	46%	44%	42%
Credit card	1%	5%	7%	14%	18%	23%	27%	31%	35%

Source: VPB

Figure 4: Direct disbursement cash loans* as calculated in accordance with Cir.18 as % of total loan book and company guidance for 2020-2024



Source: VPB - * Direct disbursement only applied for cash loans in excess of VND20mn

We see sustainable NIM of FEC toward the end of our explicit forecast period at ~25% vs the current level of ~30% in the context of intensifying competition. The booming period (2014-2017) of the consumer finance sector has passed in which FEC's loan CAGR was 131% during the period. The loan CAGR of FEC during 2017-2019 slowed to a 16% CAGR. According to Stoxplus, the proportion of consumer finance companies within loans outstanding in the segment accounted for 7.4% in 2018; this represents a drop from 14.6% in 2014, indicating both the strong performance of traditional banks' share and progress in penetrating the addressable market (i.e., unbanked segment of the population). However, there is still room for FEC to deliver mid-10% loan growth from its current high base in the coming year, which is supported by increased worker income in this addressable market.

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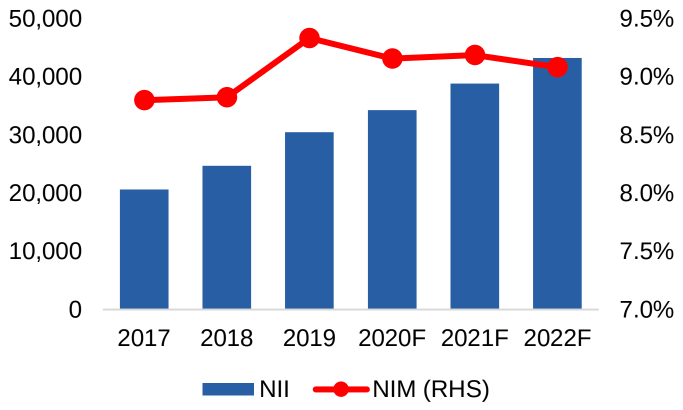
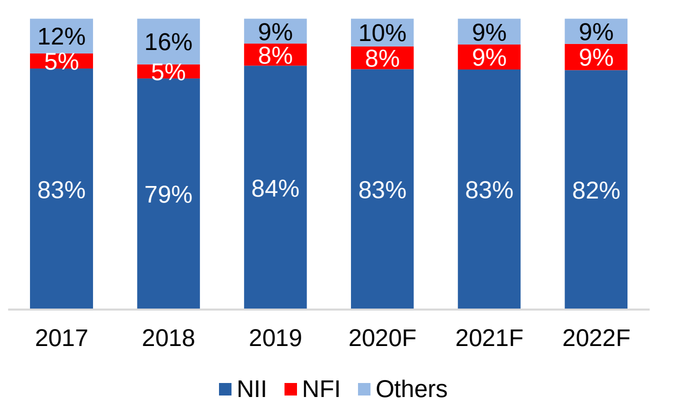
Key figures of VPB

Figure 5: NIM (%) and NII (VND bn) (2017-2022F)



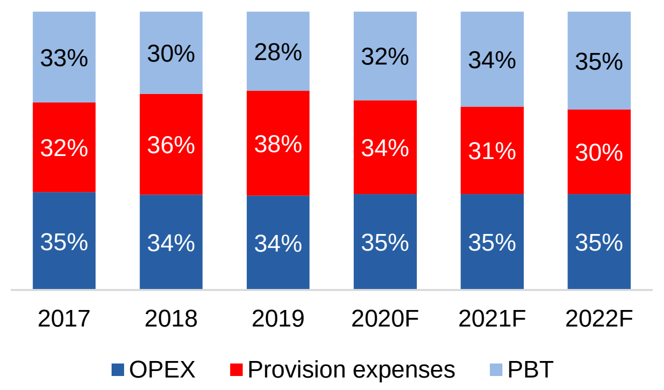
Source: VPB, VCSC

Figure 6: TOI components (2017-2022F)



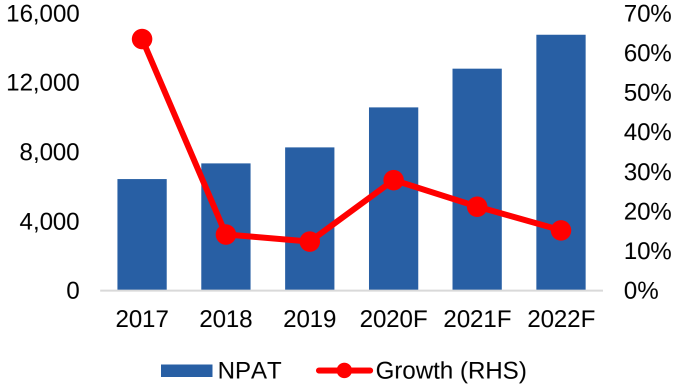
Source: VPB, VCSC

Figure 7: OPEX, provision expenses and PBT as % of TOI (2017-2022F)



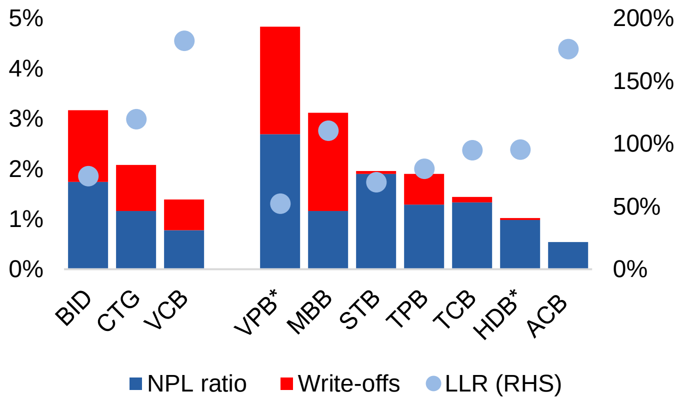
Source: VPB, VCSC

Figure 8: NPAT (VND bn) and growth (%) (2017-2022F)



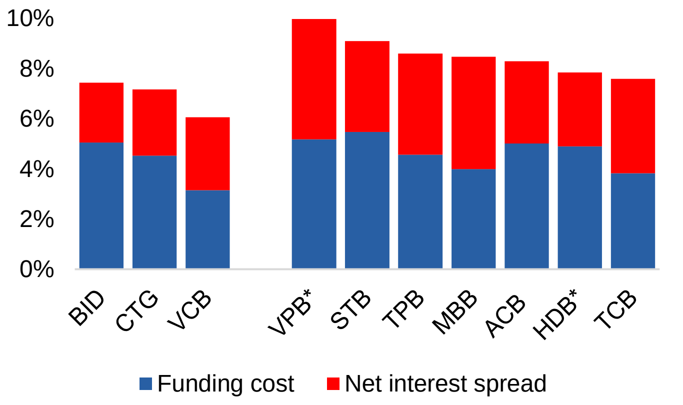
Source: VPB, VCSC

Figure 9: NPL ratio, annualized write-offs over gross loans and LLR of banks under coverage (FY 2019)**



Source: Company data, VCSC – * standalone bank only, ** LLR is percentage of total provision balance over NPLs

Figure 10: Interest-earning asset yields of banks under VCSC's coverage (FY 2019)



Source: Company data, VCSC - * standalone bank only

Valuation

We utilize two valuation methodologies in estimating our target price, assigning equal weighting for the residual income method and target P/B multiples. Our target price is VND35,000/share.

Figure 11: Cost of equity

Cost of equity	
Risk free rate	4.5%
Beta	1.0
Market risk premium	8.7%
Cost of equity	13.2%

Source: VCSC

Figure 12: Valuation summary

Method	Fair value	Weighting	Contribution
Residual income	90,482 (USD3.88bn)	50%	45,241
Target P/B at 1.5x 2020F	80,046 (USD3.44bn)	50%	40,023
Composite valuation			**85,264 (USD3.66bn)**
Number of shares outstanding (bn)			2.438
Target price (VND)			**35,000**
Upside			29.2%
Dividend yield			0.0%
TSR			29.2%
2020F P/B at TP			1.60x
RATING			**BUY**

Source: VCSC; units are in VND bn unless otherwise stated

Figure 13: Residual income model

Residual income	2020F	2021F	2022F	2023F	2024F
ROE (over beginning period equity)	25.1%	24.0%	22.6%	21.0%	19.2%
COE	13.2%	13.2%	13.2%	13.2%	13.2%
Economic Margin	11.9%	10.8%	9.4%	7.8%	6.0%
Equity value (Beginning period)	42,218	53,364	65,417	79,313	94,952
Residual income (RI)	5,006	5,778	6,148	6,168	5,740
PV of residual income	4,422	4,509	4,238	3,757	3,088
Sum PV of RI			20,014		
PV of terminal value (2.5% intermediate growth rate for 10 years and 2% perpetual growth)			28,250		
Beginning EV (YE2019)			42,218		
Fair equity value			**90,482**		
Number of shares outstanding (bn)			2.438		
Fair value per share (VND)			**37,117**		

Source: VCSC; units are in VND bn unless otherwise stated

We maintain our assumption on an intermediate growth rate of 2.5% for 10 years after the explicit forecast as well as our assumption on a perpetual growth rate of 2% for VPB (a one-ppt lower rate relative to other banks in our coverage) due to intensifying competition in the consumer finance space.

Comparable peers

VPB has been closing the valuation gap to its peers during the first two months of 2020 as its stock price has risen ~35% YTD as of February 17, 2020, after delivering solid 2019 results. VPB is currently trading at a slight premium of 4.8% to the peer median 2020F P/B at 1.24x (**Figure 14**). Our observation suggests that VPB traded at an average discount of 17.0% to the peer median trailing P/B in the past 12 months.

VPB is operating under a well-capitalized condition in a sector that is hungry for capital. Both the parent bank and FEC focus on unsecured high-yield segments. Additionally, both have posted signs of improvement in their core businesses and credit quality control over the course of 2019. VPB maintained high return metrics with 2019 ROE and ROA of 21.5% and 2.4% against a peer median of 21.5% and 1.8%, respectively. The bank has fully provisioned for its VAMC balance in 2019, thus its ROE is expected to rise in 2020, which is derived from an easing off in VAMC provisioning given a contained credit quality.

FEC has shown positive signs of developing its credit card segment to offset the reduction in its cash loans portion in the coming years. Also, only cash loans with ticket size of over VND20mn will be part of the cap calculation under Cir.18. Therefore, we revise (1) our view that Cir.18 will not severely impact FEC's loan yield and (2) our net income CAGR forecast during 2019-24 to 17% vs 10% previously.

Given sound fundamentals of the parent bank and FEC's large scale (leading market share with a USD2.6bn consumer finance loan book) embedded within the consolidated entity's valuation, we find VPB attractive at a current consensus P/B forward of 1.30x. Taken together, we put the bank at a 2020F target P/B of 1.5x.

Figure 14: Bloomberg consensus forecasts for Vietnamese banks

Bloomberg Ticker	Market Cap. (USD bn)	P/E			P/B			ROE			ROA	Equity Multiplier	NPL
		2019	2020F	2021F	2019	2020F	2021F	2019	2020F	2021F	TTM	2019	2019
ACB VN	1.88	7.42	6.81	6.13	1.58	1.32	1.12	24.6%	20.8%	20.4%	1.68%	13.82	0.54%
BID VN	8.92	21.33	23.48	19.37	2.77	2.47	2.38	13.5%	13.7%	14.5%	0.61%	19.16	1.74%
CTG VN	4.26	10.45	10.25	7.01	1.29	1.19	1.02	13.1%	13.4%	13.4%	0.80%	16.04	1.16%
MBB VN	2.22	6.10	6.05	5.12	1.34	1.13	0.95	22.1%	21.0%	20.4%	2.06%	10.60	1.16%
VCB VN	14.27	17.87	15.92	13.72	3.87	3.06	2.59	25.1%	23.8%	22.4%	1.61%	14.27	0.78%
STB VN	0.90	10.41	8.21	6.37	0.79	0.66	0.59	9.6%	10.3%	13.2%	0.57%	16.96	1.94%
HDB VN	1.19	7.82	7.56	6.62	1.47	1.36	1.18	21.6%	19.5%	19.6%	1.87%	12.84	1.53%
TCB VN	3.59	8.26	7.67	6.52	1.35	1.15	0.98	18.0%	17.0%	16.4%	2.91%	6.18	1.36%
TPB VN	0.78	5.82	5.64	4.84	1.38	1.12	0.93	26.1%	22.4%	21.3%	2.06%	12.59	1.29%
Median		**8.14**	**7.61**	**6.44**	**1.42**	**1.24**	**1.04**	**21.5%**	**20.2%**	**19.6%**	**1.78%**	**13.82**	**1.33%**
VPB VN	**2.84**	**8.02**	**6.77**	**5.84**	**1.56**	**1.30**	**1.05**	**21.5%**	**20.8%**	**19.6%**	**2.39%**	**8.94**	**3.42%**

Source: Bloomberg as of February 17, 2020

Statistical relationship between ROE and PB for Vietnamese banks:

$$\boldsymbol{P/B_{it} = \alpha + \beta ROE_{it} + \gamma Dummy_i + \mu_{it}}$$

Where:

1. i = 1,…,10 (being 10 banks under our coverage)
2. t = H2 2017,…,H2 2019 (some banks do not have five entries, hence the dataset is slightly unbalanced). H2 2017 was chosen as the starting point because it captured the listing of VPB and was quickly followed by HDB.
3. ROE = trailing 12-month return on equity
4. Dummy = 1 for majority Government owned banks and 0 for private banks

5. P/B = current price to book ratio

Observations: 47 (42 without VCB)

Notes:

1. We control for AR1 serial correlation
2. Residuals are weighted by the gross loan book to acknowledge that SOE banks have larger balance sheets than private banks
3. Although the Dummy variable is not statistically significant, we find that including the Dummy variable improves the Akaike's Information Criterion (AIC) value of the regression and improves the statistical significance of β

Figure 15: Regression with VCB

Parameter	Estimate	Std. Error	Sig. (p-value)
Intercept	1.042	0.568	0.085
β	0.012	0.018	0.487
γ	0.970	0.970	0.125
Akaike's Information Criterion (AIC)	63.3		

Source: Company data and VCSC

Figure 16: Regression with VCB (six months ago)

Parameter	Estimate	Std. Error	Sig. (p-value)
Intercept	0.749	0.540	0.189
β	0.040	0.021	0.066
γ	0.847	0.467	0.124
Akaike's Information Criterion (AIC)	60.9		

Source: Company data and VCSC

Figure 17: Regression without VCB

Parameter	Estimate	Std. Error	Sig. (p-value)
Intercept	1.055	0.357	0.007
β	0.018	0.015	0.237
γ	0.318	0.294	0.312
Akaike's Information Criterion (AIC)	36.7		

Source: Company data and VCSC

Figure 18: Regression without VCB (six months ago)

Parameter	Estimate	Std. Error	Sig. (p-value)
Intercept	0.742	0.348	0.049
β	0.043	0.017	0.017
γ	0.380	0.244	0.162
Akaike's Information Criterion (AIC)	35.4		

Source: Company data and VCSC

Given that the statistical relationship between P/B and ROE has completely broken down with the addition of H2 2019 data as p-values are above 0.05 (which indicate an insignificant relationship), even with exclusion of VCB, we will then temporarily halt calculating a fair P/B based on regression analysis until such time as statistical significance returns.

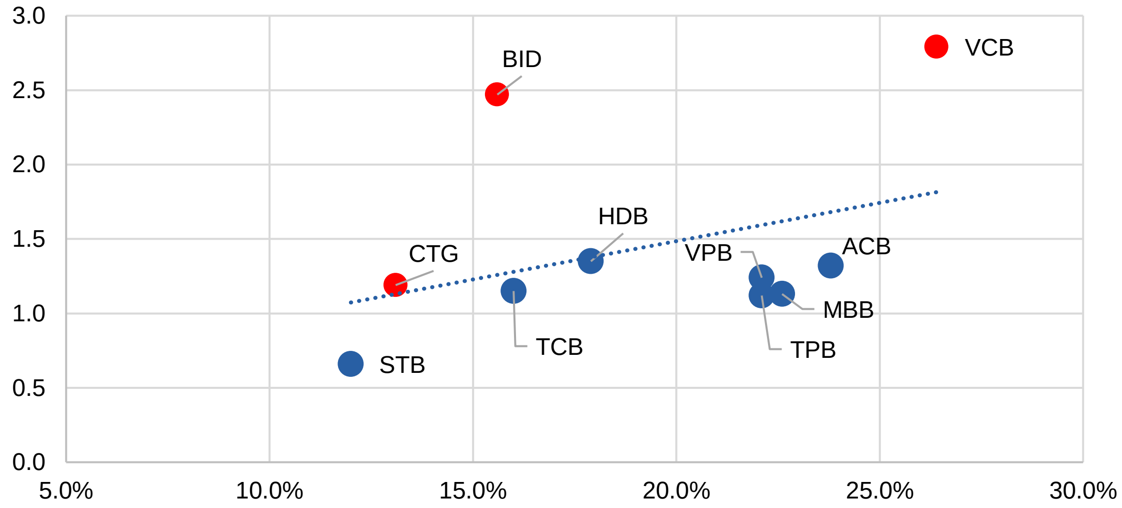
Figure 19: Sensitivity analysis of our 2020F P/B for VPB in relation to ROE derived from Gordon growth model and terminal growth rate, ceteris paribus.

		2020F ROE				
		18.1%	20.1%	22.1%	24.1%	26.1%
Terminal growth (g)	1.0%	1.40	1.57	1.73	1.90	2.06
	1.5%	1.42	1.59	1.76	1.93	2.11
	2.0%	1.44	1.62	1.80	1.98	2.15
	2.5%	1.46	1.65	1.84	2.02	2.21
	3.0%	1.48	1.68	1.88	2.07	2.27
	3.5%	1.51	1.71	1.92	2.13	2.33

Source: VCSC

The above sensitivity matrix illustrates a fair value P/B multiple for VPB at 1.80x using the Gordon Growth Model (GGM) with our 2020F ROE of 22.1%, cost of equity at 13.2% (**Figure 11**) and terminal growth assumption of 2%. The P/B multiple derived from GGM is 12.5% higher than our 2020F projected P/B multiple of 1.60x at a target price of VND35,000/share (**Figure 12**) because we project 2020 net income will present a high base and ROE will trend down from 2021 onward toward a sustainable level of 18% at the end of our explicit forecast period.

Figure 20: Vietnam banks P/B (y-axis) and ROE (x-axis) (2020F)



Source: VCSC, Red dots signify SOCBs, priced on February 17, 2020

Risk to our positive view and forecasts: VPB may fail to meet our NPL ratio and earnings expectations either due to its failure to execute on its business model regarding high-yield businesses, failure to continue growing its retail franchise/digital banking or a macro-driven banking crisis that leads to a new cycle of NPLs.

* Regarding coronavirus, we believe there will not be a significant spike in official unemployment and that banks will generally be able to accommodate some selected temporary disruption to cash flows among business customers — hence no major spike in NPLs. The issue of coronavirus is immaterial for VPB, in our view.

History of recommendations

Figure 21: Historical VCSC target price vs share price (VND, adjusted for all share issues)

Source: Bloomberg, VCSC

Financial Statements

P&L (VND bn)	2019	2020F	2021F	2022F
Interest inc.	49,697	56,478	63,526	70,505
Interest exp.	(19,204)	(22,201)	(24,691)	(27,233)
Net interest inc.	**30,492**	**34,277**	**38,835**	**43,272**
Fee & commission inc.	2,970	3,541	4,249	4,972
Other non-interest inc.	2,893	3,673	3,937	4,303
Total non-interest inc.	5,863	7,214	8,186	9,275
Total operating inc.	**36,356**	**41,491**	**47,021**	**52,546**
Non-interest exp.	(12,334)	(14,314)	(16,222)	(18,128)
Other G&A exp.	0	0	0	0
Total operating exp.	(12,334)	(14,314)	(16,222)	(18,128)
PPOP	**24,021**	**27,177**	**30,799**	**34,418**
Provision exp.	(13,688)	(13,955)	(14,773)	(15,941)
Other inc./exp.	0	0	0	0
Pre-tax profit	**10,334**	**13,222**	**16,026**	**18,477**
Taxes	(2,066)	(2,643)	(3,204)	(3,694)
Net profit	**8,268**	**10,578**	**12,822**	**14,783**
Minorities/pref divs	0	0	0	0
Attributable net profit	**8,268**	**10,578**	**12,822**	**14,783**
Adj wt avg shares (mn)	2,447	2,438	2,438	2,438
EPS (VND)	3,379	4,339	5,260	6,064
DPS (VND)	0	0	0	0

BS (VND bn)	2019	2020F	2021F	2022F
Cash & equivalents	2,459	2,789	3,142	3,541
Balances with SBV	3,454	5,798	6,516	7,261
Due from FIs	20,098	22,107	24,318	26,750
ST investments	69,202	79,441	87,319	100,258
Net customer loans	253,100	284,363	323,312	363,857
HTM	1,094	432	170	67
Long term investments	174	170	162	153
Property & equipment	1,923	2,019	2,120	2,226
Other assets	25,710	28,347	28,456	27,749
Total assets	**377,214**	**425,465**	**475,514**	**531,862**
Borrowings from SBV	19	22	25	28
IB deposits & borrowings	50,868	50,983	53,532	56,208
Other borrowed funds	292	258	229	202
Customer deposits	213,950	246,042	278,027	314,171
Other financial int.	46	0	0	0
Valuable papers	57,600	62,208	65,318	68,584
Other liabilities	12,222	12,589	12,966	13,355
Shareholders' equity	42,218	53,364	65,417	79,313
MI	0	0	0	0
Liabilities & equity	**377,214**	**425,465**	**475,514**	**531,862**

RATIOS (%)	2019	2020F	2021F	2022F
Growth				
Loan growth	16.1	12.7	13.6	12.5
Deposit growth	25.2	15.0	13.0	13.0
TOI growth	17.0	14.1	13.3	11.8
PPOP growth	17.5	13.1	13.3	11.8
NPAT growth	12.4	27.9	21.2	15.3
Asset quality				
Group 2 / loans	4.76	4.76	4.76	4.76
NPL ratio	3.42	3.36	3.31	3.21
LLR	46.4	56.7	56.2	57.8
Provision exp. / loans	5.32	4.81	4.48	4.30
Liquidity				
CAR under Basel II	11.1	11.7	12.5	13.2
Regulated LDR	79.8	80.8	81.5	81.2

RATIOS (%)	2019	2020F	2021F	2022F
Profitability				
NIM	9.33	9.16	9.19	9.08
Int-earning asset yields	15.21	15.09	15.03	14.80
Funding costs	6.40	6.51	6.53	6.51
CIR	33.9	34.5	34.5	34.5
ROE decomposition (as % of avg total assets)				
NII	8.71	8.54	8.62	8.59
Provisions	-3.91	-3.48	-3.28	-3.16
Post-provision NII	4.80	5.06	5.34	5.43
Non-Interest inc.	1.67	1.80	1.82	1.84
Operating exp.	-3.52	-3.57	-3.60	-3.60
Taxes & MI	-0.59	-0.66	-0.71	-0.73
ROAA	2.36	2.64	2.85	2.93
Equity Mult. (x)	9.1	8.4	7.6	7.0
ROAE	21.5	22.1	21.6	20.4

Source: Company data, VCSC

VCSC Rating System

Stock ratings are set based on projected total shareholder return (TSR), defined as (target price – current price)/current price + dividend yield, and are not related to market performance.

Equity rating key	Definition
BUY	If the projected TSR is 20% or higher
OUTPERFORM	If the projected TSR is between 10% and 20%
MARKET PERFORM	If the projected TSR is between -10% and 10%
UNDERPERFORM	If the projected TSR is between -10% and -20%
SELL	If the projected TSR is -20% or lower
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Target prices are generally based on the analyst's assessment of the stock's fair value over a 12-month horizon. However, the target price may differ from the analyst's fair value if the analyst believes that the market will not price the stock in line with assessed fair value over the specified time horizon.

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