Maybank Kim Eng

VPBank (VPB VN)

Leader in banking on the mass, deeply undervalued

BUY Vietnam's leader in banking on the mass (BoM)

We initiate coverage of VPB with a BUY and a GGM-based TP of VND31,100 (1.5x FY20E P/BV, 18% FY19-21E ROE), implying 66% potential upside. We believe the current valuation has overly discounted pessimism about asset quality, which has largely been addressed by strengthened underwriting practices, and regulatory risks. We expect a return to strong double digit earnings growth in FY20E and any successful issue of new shares to foreign investors to provide re-rating catalysts. In addition, we expect the coming IPO of VPB's consumer finance subsidiary (e.g. FE Credit) to also help investors rediscover value of the company.

Valuation has become very undemanding

VPB's share price has pulled back 44% over the past 12 months due to over pessimism about asset quality and regulatory risk faced by FE Credit. We believe the shares are at an inflection point, with valuation very undemanding (~0.9x forward FY20E P/BV) for a bank with sustainable 16-18% ROEs in the next five years, capturing only the fair value of the mother bank and deeply undervaluing FE Credit.

Imminent catalysts for rerating

Thanks to aggressive write-offs and strengthened underwriting practices since 2018 (i.e. based on more strictly defined eligible customer base and focus on existing customers), VPB's asset quality is better controlled and credit-cost rate has started easing from 4Q18. Hence, we forecast VPB's net profit can resume higher growth of 16-18% in FY20-21E, backed by eased provisioning from 5.1% in FY19E to 4.6% in FY21E. This profit growth recovery will be supportive of VPB's plan to issue 260m new shares to both foreign and local investors in 2019-20.

IPO of FE Credit will also help rediscover value

Since 2018, the market has turned overly bearish about FE Credit due to concerns about regulatory risks and asset quality. The market (dominated by local retail traders) currently values FE Credit at only VND4,200b ~ 0.36x FY18 P/BV, assuming the mother bank is now fairly valued. In our view, FE Credit could command about 2.5x P/BV multiple, which is reasonable for a market leader with a 50% market share and around 30% ROE. We believe the coming IPO will help rediscover the value of FE Credit and also be a strong rerating catalyst for VPB shares.

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FYE Dec (VND b)	FY17A	FY18A	FY19E	FY20E	FY21E
Operating income	24,889	31,086	33,181	37,198	41,733
Pre-provision profit	16,131	20,452	21,544	24,339	27,475
Core net profit	6,441	7,356	7,430	8,789	10,258
Core EPS (VND)	2,820	3,025	3,024	3,577	4,176
Core EPS growth (%)	60.5	7.3	(0.0)	18.3	16.7
Net DPS (VND)	0	0	0	0	0
Core P/E (x)	9.0	6.6	6.2	5.2	4.5
P/BV (x)	1.3	1.4	1.1	0.9	0.8
Net dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Book value (VND)	19,831	14,145	17,169	20,747	24,922
ROAE (%)	28.4	23.1	19.3	18.9	18.3
ROAA (%)	2.5	2.4	2.1	2.2	2.2
Consensus net profit	-	-	7,511	9,348	10,441
MKE vs. Consensus (%)	-	-	(1.1)	(6.0)	(1.8)

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BUY

Share Price VND 18,750 **12m Price Target** VND 31,100 (+66%)

Company Description

One of Vietnam's top-5 largest private-sector bank and leader in banking on the mass and digital transformation

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52w high/low (VND)	27,200/17,850
3m avg turnover (USDm)	2.0
Free float (%)	55.0
Issued shares (m)	2,457
Market capitalisation	VND46.1T
	USD2.0B
Major shareholders:	
BoD and Management	41.6%
Institutional investors	36.0%
Others	22.5%

Price Performance



	-1M	-3M	-12M
Absolute (%)	(1)	(2)	(31)
Relative to index (%)	(6)	(3)	(35)

Source: FactSet

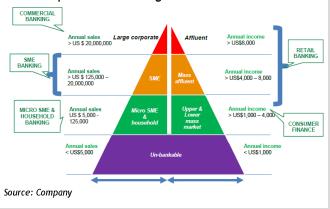
-VPBank - (LHS, VND)



Value Proposition

- Clear focus on banking-on-the-mass and strong execution have turned VPB into a top-5 private bank by assets and most valued banking brand among private-sector banks.
- Solid banking-on-the-mass covering entire bankable population: SMEs, micro SMEs, households.
- Being amongst the most efficient in terms of operations and returns compared to the rest of the Vietnamese banking sector.

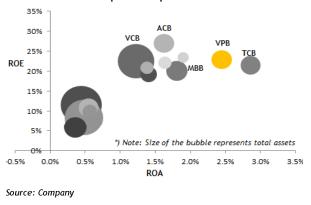
VPB's comprehensive banking-on-the-mass model



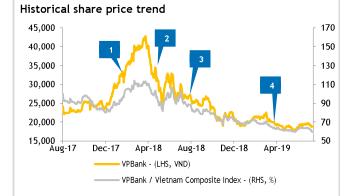
Financial Metrics

- Strong loan growth of 33% CAGR during 2013-18 driven by 41% growth in retail loans (including household loans and consumer finance) and 27% growth in MSME loans.
- Highest NIM of 9% among listed Vietnamese banks (average 3%), supported by high-yielding consumer finance (average 29%) and micro SME lending (12-13%).
- Thanks robust operating income, especially from NII, and reasonable Opex growth given sophisticated cost-control framework, VPB maintained industry-leading CIR of 34-39% in 2015-18.
- Due to consumer finance, consolidated NPL ratio of above 3% and credit costs of 3-5% are also higher than traditional banks.

VPB is one of the top-3 most profitable banks in Vietnam



Price Drivers



Source: Bloomberg

- 1. Strong stock-market rally + VPB's robust 1Q18 earnings
- Negative news flow on FE Credit. Regulators requested all consumer-finance companies to slow down their lending.
- 3. Profits missed target.
- 4. Draft regulation to tighten consumer-finance activities.

Swing Factors

Upside

- Higher credit-growth quota from regulators.
- Draft regulations on consumer finance relaxed in final version, i.e. less-strict limits on cash loans.
- Successful capital increases via private placements at good valuations.
- Partial divestment of FE Credit at good price.

Downside

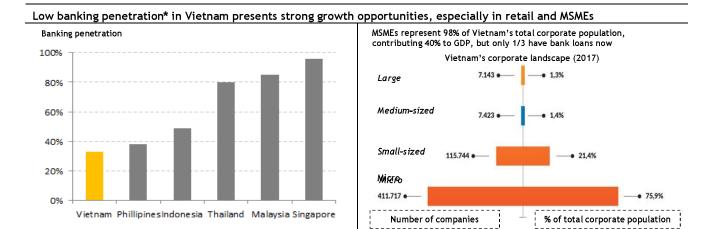
- Regulatory risks limit consumer-finance growth and margins.
- Spikes in NPLs, particularly in micro-SME and consumerfinance segments with significant unsecured loans.
- Slower than expected economic growth adversely impacting loan growth below our/market expectation.

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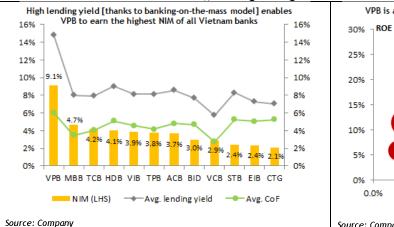
Focus charts

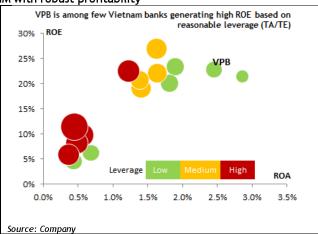


*Banking penetration = % adult population having bank accounts Source: Findex/World Bank (2017)

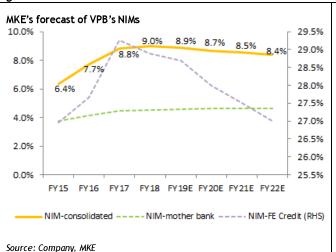
Source: Vietnam General Statistics Office (2018)

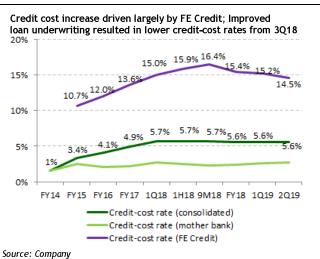
VPB is the leader in banking on the mass in Vietnam (i.e. targeting lower-income segments, including retail mass, household businesses and micro SMEs), earning the highest NIM with robust profitability





The market remains too pessimistic about regulatory risks and asset quality at VPB's consumer finance business. Based on our research, we believe VPB's NIM will not face an abrupt drop, and asset quality control is improving thanks to better loan underwriting, which will help credit costs continue easing (as seen from 4Q18). This will underpin stronger profit growth from FY20E and sustainable ROEs of 18-19%.







2. Investment thesis

VPB stock has faced severe headwinds of late due to: i) overall stock market weakness; and ii) overly pessimistic view about asset quality and profitability outlook due to rising regulatory risks related to its consumer finance business. We believe the current valuation (at 1.1x FY19E P/BV and 0.9x FY20E P/BV) has over-priced in such pessimism. Current valuation is very undemanding for a bank with sustainable 16-18% ROEs that we forecast the next five years.

Share price has priced in an overly pessimistic view about asset quality and profitability

• We expect that strengthened loan underwriting, especially at its consumer finance unit (e.g. FE Credit), will result in better asset quality control and thus easing credit cost rates. Note that since 2018 new loans have been underwritten based on more-strictly defined eligible customer base, more rigorous customer analytics, and greater focus on a deeper relationship with existing customers. Hence, asset quality is better controlled and its credit-cost rate has started easing from 4Q18. We believe FE Credit's credit cost rate peaked at 17.7% in 3Q18 and will start gradually easing through FY19-21E, which will help VPB's consolidated credit-cost rate to ease from 5.6% in FY18 to 5.1% in FY19E and to 4.6% by FY21E. This will result in materially stronger bottom-line earnings growth in FY20-21E, in our view. (Please refer to pages 16 & 17 for more detail.)

Strengthened loan underwriting at FE Credit will result in lower provisioning, which will support stronger profit growth in FY20-21E

 Stronger profit growth outlook in FY20-21E will be supportive of the bank's plan to issue 260m new shares in a private placement, which together present a catalyst for a VPB share rerating, in our view. In addition, the potential IPO of FE Credit will also help the market rediscover the value of the company, and represents another rerating catalyst for VPB shares. Stronger profit growth, new private placement, and IPO of FE Credit will represent strong catalysts for a rerating

We estimate that the market (dominated by local retail traders) currently values FE Credit at only VND4,200b -0.36x FY18 P/BV, assuming the mother bank is now fairly valued. In our view, during the upcoming IPO, FE Credit could command a 2.5x P/BV multiple, which is reasonable for a market leader with 50% market share and 30% ROE.

VPB is the leader in banking on the mass in Vietnam, which offers the strongest growth and profitability profile

• Among 36 domestic banks in Vietnam, we believe VPB is one of the industry-leaders which offers good exposure to Vietnam's fastest-growing and most-profitable segements. VPB is the leader among Vietnamese banks in banking on the mass, with a highly specialised business structure and platform focused on retail, household & MSME banking and consumer finance. Thanks to a clear strategy and strong execution of banking-on-the-mass model, VPB has grown rapidly in the past five years (e.g. 22% CAGR in banking assets and 49% CAGR in net profit to become the most valued banking brand among Vietnam's private-sector banks, and top-3 most profitable bank in 2017 and 2018 with 9% NIM, 2.4% ROA and 22.8% ROE.

Sustainable 16-18% ROEs over the next five years

Given its banking-on-the-mass model, with over 8% NIM, expanding fee income from bancassurance, excellent CIR of 32-34% and provisioning rate to normalize at 3-4%, we forecast VPB can maintain a solid ROA of 2.2-2.3% over the next five years, which can easily translate into a solid 16-18% ROE based on healthy leverage of about 8x.

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2.1 Robust macro background and low banking penetration represent strong growth potential

We believe Vietnam's banking sector over the next five years will remain in a high-growth phase, potentially yielding 3-4% NIMs for traditional commercial lenders and 6-8% for those going downstream into retail and SME banking.

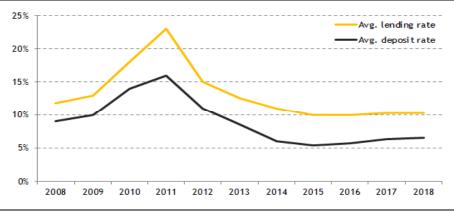
This is in consideration of robust macro background with steady GDP growth outlook & stable inflation, and the current state of finance penetration in the country, with less than 35% of its adult population having bank accounts, a 38% household-debt/GDP ratio, below 2.5% mortgage penetration, low car ownership of fewer than 20 cars per 1,000 people, a 1.6% life-insurance penetration rate and a growing MSME population. Only less than 30% of MSME or micro, small & medium enterprises has access to bank loans currently, according to the Vietnam Charmber of Commerce and Industry (VCCI) and National Credit Information Center Center of Vietnam (CIC).

Fig 1: MKE's GDP growth outlook for Vietnam remains the most robust in the region, driven by resilient domestic consumption + steady FDIs + rising exports, thanks to new free trade agreements (i.e. CPTTP, EVFTA)

nee trade t	Tree trade agreements (i.e. Criff, LVITA)									
	Real GDP growth (%)					Не	Headline Inflation (%, average)			
	2016	2017	2018	2019E	2020E	2016	2017	2018	2019E	2020E
Global	3.4	3.8	3.6	3.3	3.1	2.8	3.2	3.6	3.6	3.6
US	1.5	2.2	2.9	2.5	2.0	1.3	2.1	2.4	2.0	2.7
	•	•	•						•	
Indonesia	5.0	5.1	5.2	5.1	5.3	3.5	3.8	3.2	3.3	3.6
Malaysia	4.2	5.9	4.7	4.4	4.4	2.1	3.8	1.0	1.0	2.1
Philippines	6.9	6.7	6.2	6.0	6.5	1.3	2.9	5.2	2.6	3.0
Singapore	3.0	3.7	3.1	1.1	2.1	(0.5)	0.6	0.4	1.2	1.0
Thailand	3.4	4.0	4.1	3.2	3.6	0.2	0.7	1.1	1.1	1.0
Vietnam	6.2	6.8	7.1	6.8	6.5	2.6	3.5	3.5	2.9	3.7

Source: CEIC, MKE (December 2018)

Fig 2: Stable interest rate environment since 2015 due to prudent macro policies effectively put in place by the new government



Source: SBV, FinPro

Fig 3: Rising income presents large upside for retail banking growth in Vietnam

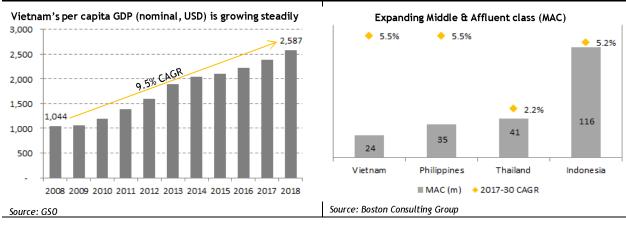


Fig 4: Large growth potential in mortgages and auto lending

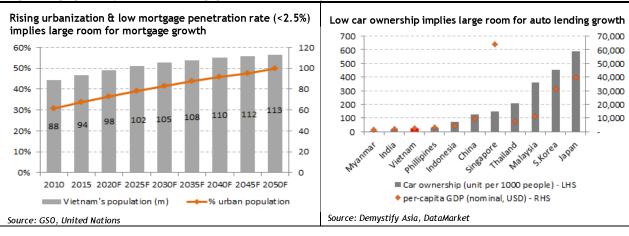
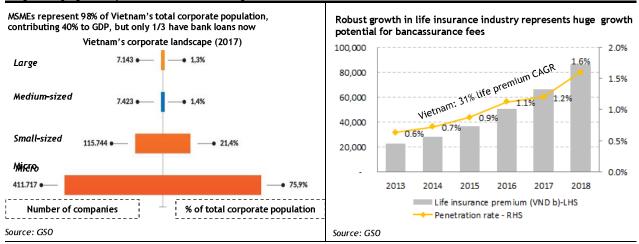


Fig 5: Huge growth potential in SME banking and bancassurance



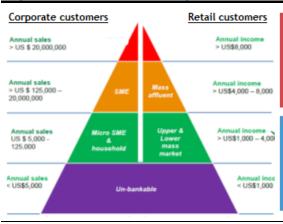
Although all banks in Vietnam are muscling their way into retail and SME banking, only a handful have successully built platforms that can offer them with a sustainable competitive edge for future success.

We divide banking in Vietnam into two segments: i) Traditional banking focuses on secured lending to clients with high income in the upper-mass

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to affluent segments; and ii) neo-banking targets the lower-income and underbanked population.

Fig 6: Traditional and neo-banking have different customer focuses



Traditional banking model focus on MAC and upper SME segments

All Vietnam banks are fighting for market share in this segment
 Key success factor: strong brand awareness and low cost of funds which essentially requires strong deposit franchise and transaction banking platform to maintain good CASA mix
 Current top players with the best CASA: VCB, MBB and TCB

Neo banking model expands focus downstream to mass market

A few banks are expanding to the mass market, including VPB, MBB and HDB which have built considerable exposure to consumer finance
 VPB emerges as the leader with a comprehensive & highly specialized business structure including: retail banking, consumer finance, household banking, and MSME banking.

Source: Company, MKE

In the traditional banking segment where regulations, operating frameworks and customer statistics are quite well-established, all Vietnamese banks have jumped in for market share. Hence, competition is more intense. We believe that in this segment, only a few big players with strong branding and low cost of funds can acquire clients at competitive pricing with room for good margins. We see Vietcombank (VCB VN, VND80,600, BUY, TP VND87,200), MB Bank (MBB VN, VND21850, BUY, TP VND28,900) and Techcombank (TCB VN, Not Rated) as the top three players in this segment, thanks to their industry-high CASA ratios made possible by strong coporate-customer bases and improving transaction-banking platforms.

In the neo banking realm, demand can be substantial but customer creditworthiness here is too far removed from the risk taste and core capabilities of the traditional lenders. To be successful in this segment, banks need to build processing and risk-management capabilities using big data. A platform that can process huge amounts of data - including non-structured data - are essential for customer acquisition for better know-your-customer & risk management, and an efficient distribution network.

The neo banking realm offers high growth and high lending yields, which allow young banks to bear higher funding costs to raise funds and scale up fast to catch up with traditional champions in terms of size and profitability. A few in Vietnam are already doing this, such as BoM, and VPB, while relatively young has emerged as a leader.

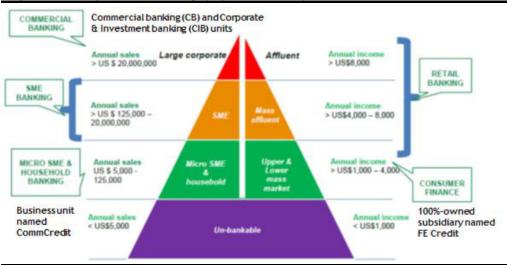
2.2 VPB offers good exposure to segments with highest growth potential and profitability

VPB is one of the top-5 largest private-sector banks in Vietnam today by assets, credit and deposit market shares. It was also rated the most valuable banking brand by UK-based Brand Finance and Forbes Vietnam in their reports dated Feb 2019.

In our view, VPB is one of the few banks in Vietnam with ambitious & committed owners, and a highly capable management with a good mix of foreign and local bankers. Under their stewardship, it has built a unique banking model with clear segmentation and specialisation targeting the

whole bankable population in Vietnam, including SME banking, household banking, retail banking and consumer finance.

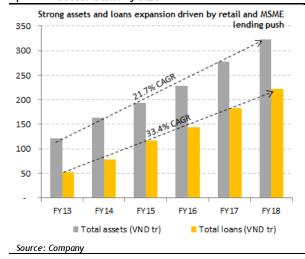
Fig 7: VPB's comprehensive and highly-specialised BoM platform



Source: Company

Timely and aggressive expansion into the mass market, including consumer finance and micro SME & household banking, gave VPB first-mover advantages in terms of growth, profitability, market share, customer data and market insights. This foundation should allow it to move up to the next phase of higher-quality growth based on better customer segmentation and analytics.

Fig 8: Expansion into the mass market has allowed VPB to rapidly scale up and become Vietnam's top-5 private-sector bank by size



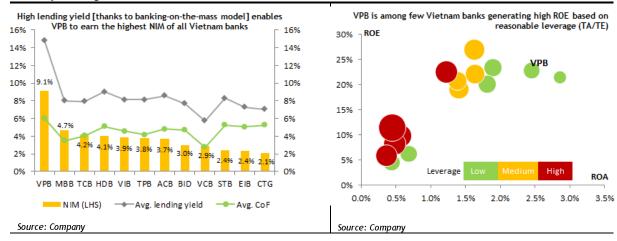
(Total assets, VND tr)	2013		2018
Agribank	697	BIDV	1,313
Vietinbank	576	Agribank	1,282
BIDV	548	CTG	1,164
VCB	469	VCB	1,074
MBB	180	STB	406
EIB	170	MBB	362
ACB	167	ACB	329
STB	161	VPB (rank # 7)	323
Techcom	159	SHB	323
SHB	144	TCB	321
VPB (rank #11)	121		
rce: Company			

In 5 years, VPB grew strongly from a mid-sized bank to a top-

VPB generated #3 largest revenue (TOI) and #4 largest Robust TOI and profit growth since FY13 as VPB expand net profit among all Vietnamese banks MSME & retail banking and consumer finance 35,000 (FY18: VND b) Net profit BIDV (BID) 44,483 14,606 VCB 30,000 Vietcombank (VCB) 39,278 TCB 8,463 BID VPB 31,086 7,358 25,000 Vietinbank (CTG) VPB 7,356 28,738 43.6% CAG 20,000 MB Bank (MBB) 19,537 MBB 6,113 Techcombank (TCB) 18,350 CTG 5,414 15,000 ACB ACB 5,137 14,033 HDB 2,842 Sacombank (STB) 11,677 10,000 HDBank (HDB) VIB 2,194 9,440 VIBank (VIB) 6,068 TPB 1,805 5.000 TPBank (TPB) 5,627 STB 1,790 1,761 5,016 OCB LienVietBank (LPB) 4,880 LPB 960 FY 13 FY 15 FY 16 FY 17 FY 18 Maritime Bank (MSB) 4,716 MSB 856 Net profit (VND b) ■ Total Operating Income (VND b) Eximbank (EIB) 4,452 FIB 661 Source: Company Source: Company

Fig 9: VPB generated the largest total operating incomes (TOI) among all private-sector banks, ranked behind only two big state-owned banks

Fig 10: VPB earned the highest NIM among all banks in Vietnam and generated attractive ROE based on a healthy leverage

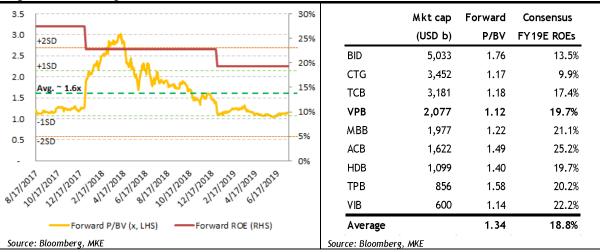


2.3 Deeply undervalued

VPB's shares have pulled back 44% from their VND43,300 peak on 10 Apr 2018 due to a confluence of adverse factors: i) overall stock market weakness amid rising global uncertainties; ii) VPB's decelerating growth and profitability due to slowdown in consumer finance business (e.g. FE Credit); and iii) concerns about asset quality and profitability outlook.

VPB now trades at 1.1x forward P/BV with a consensus FY19E ROE of 20% (MKE ROAE 19%), which is 31% below its average valuation since listing in Aug 2017. Compared to other local listed peers, VPB's valuation also appears undemanding.

Fig 11: Undemanding valuations



We believe the stock has been oversold and the current price has overlypriced in the negatives:

■ First of all, although VPB's profit growth has been decelerating due to stricter regulations, its ROEs should remain attractive at 18-19% in FY19-20E and sustainable at 16-18% in the next five years. Given better asset quality control resulting in eased provisioning, we expect VPB to resume better profit growth, at least 10% on average over the next five years (we forecast 16-18% profit growth during FY20-21E). Such ROE and growth profile implies a P/BV valuation of at least 1.5x based on a Gordon Growth Model.

Fig 12: Implied P/BV (at 14% discount rate) based on GGM

			ROE		
		16%	17%	18%	19%
Net profit growth 8%	6%	1.25	1.38	1.50	1.63
	8%	1.33	1.50	1.67	1.83
	10%	1.50	1.75	2.00	2.25

Source: MKE

 Secondly, potential regulations remain under review, such as a cap on cash loans (a high-yielding product) at 30% of a consumer-finance company's total loan book. Industry experts, bankers and economists have been calling for a removal or lifting of that cap. In view of the central bank's ongoing attempts to fight illegal lending and based on our observation of Vietnam's policy-making process e.g. the most recent involving a scrapping of limits on transaction values per day per e-wallet and their replacement by more reasonable limits on a monthly basis - we believe the final regulation on cash-loan limits would be less strict than what the draft suggests. For instance, there could be phased implementation and/or higher cash-loan limits. Concurrently, VPB's FE Credit has been boosting credit-card products to replace cash loans. The mother bank also continues to expand into high-yield segments, including MSME and household banking to defend NIMs. Hence, we believe VPB's consolidated NIMs will not decline abruptly in a short time and could possibly remain above 8% in the next five years.



■ Thirdly, regarding FE Credit's asset quality, particularly its cash loan book of VND43,000b as at end-FY18, our stress test suggests that, in the worst case 80% of its cash loan book is in trouble (the most pessimistic expectation in the market), FE Credit alone could fully clean up its bad loans in about 2.5 years (FY19-21) by using 100% of its earnings for provisions. In practice, we observe typically high NPL ratios of about 30% for cash loans (mostly occurring among the cash loans made to new-to-bank customers). Therefore, we believe the market concern over the 80% NPL ratio on FE Credit's cash loan book is excessively pessimistic.

Meanwhile, our Residual-Income-based stub valuation of VPB (excluding FE Credit) is VND17.050 a share, which equals 91% of its current market price.

This implies the market has largely priced in the most distressed scenario of no earnings contributions from FE Credit for the next two years, which is unwarranted. From a long-term view, we believe the current market price only captures the fair value of the mother bank and seriously undervalues FE Credit at only VND4,200b (~ 0.36x FY18 P/BV). In our estimation, FE Credit could command a market value of VND29,250b based on 2.5x FY18 P/BV, which is reasonable for a market leader with about 50% market share and 30% ROEs.

3. Valuation

3.1 Initiate with BUY; More catalysts for rerating than derating

Based on FY20E BVPS of VND20,747 and a target $1.5 \times P/BV$, we derive a 12-month TP of VND31,100 for VPB, representing 62% upside.

- Forward BVPS is based on expected 1% and 18% net profit growth in FY19-20E, respectively, and no cash dividend payout.
- 1.5x target P/BV is based on Gordon Growth Model with 18.8% FY19-21E average ROE and 12% average growth.
- We have also not assumed any dilution from VPB's plan to issue 260m new shares to both foreign and local investors in 2019-20.

Fig 13: GGM target P/BV (@ 18.8% FY19-21E average ROE and 12% average growth)

FY19-21E average	18.8%	18.8%	18.8%	18.8%	18.8%
Growth FY19-21E	12.0%	12.0%	12.0%	12.0%	12.0%
COE	14.0%	14.5%	15.5%	16.5%	17.5%
Implied P/BV	3.42	2.73	1.95	1.52	1.24

Source: MKE

Fig 14: TP based on P/BV at various SD levels

BVPS (FY2	0E: VND20,747)	Target price (VND)	Expected return	
	2SD below the average	0.6	11,600	-40%
Target	1SD below the average	1.1	22,800	19%
P/BV (x)	Implied P/BV (GGM-based, 18% FY19-21 ROE, 12% growth)	1.5	31,100	62%
Γ.	Average (since listing)	1.6	33,200	73%
	1SD above the average	2.2	45,600	138%

Source: MKE

Upside vs downside

In the worst case of zero profits from FE Credit and flat profits at the mother bank, VPB's consolidated ROAE could drop to about 10%; hence, forward P/BV for VPB could dip further to -2SD of its historical average (since listing in Aug 2017). We believe the worst case has a low probability of occurring because we don't expect regulations on consumer finance to become much stricter and credit losses at FE Credit to worsen.

We expect stronger profit growth and successful new-share issuance to foreign investors in FY20E to provide catalysts for a rerating of VPB shares in the next 12 months.

3.2 Intrinsic valuation implies "BUY"

We use a 12M forward P/BV valuation basis rather than a longer DDM or residual analysis to derive our 12-month TP for VPB (just like for other Vietnamese banks under our coverage), as it incorporates market sentiment, which is an important factor to be considered in markets like Vietnam where retail investors/traders dominate.

As a reference for long-term/value investors, we present our Residual-Income-based valuation for VPB on both a consolidated and stand-alone basis. We estimate the fair value of consolidated VPB at VND29,700 and standalone VPB (or the mother bank) at VND17,050.

The mother bank's fair value is equal to 91% of VPB's current share price (VND18,750), implying that the market (i.e. largely dominated by retail traders) now only values FE Credit at approximately VND4,200b, which is equal to 0.36x its FY18 P/BV. We believe the market is either seriously undervaluing FE Credit - a market leader in Vietnam's consumer finance with a 50% market share and 30% ROEs - or seriously undervaluing the mother bank. We expect the coming IPO of FE Credit will help the market better understand the value of the company. We learned that management used to expect a valuation above 5x P/BV for FE Credit (that was when the ROE was sustained above 50% and there was no cap on credit growth). However, given credit growth limits and normalized ROEs now of around 30%, we believe a target 2-2.5x P/BV valuation for FE Credit would be more reasonable.

Recent M&A transactions in Vietnam's consumer finance industry (i.e. Lotter Card acquired 100% Techcom Finance, and Shinhan Card acquired 100% Prudential Finance in 2018) commanded about 2.4-2.7x P/B multiples, according to our estimations based on publically disclosed information.

Fig 15: Residual-Income-based valuation of VPB on a consolidated basis

Risk free rate		4.0%	~ 5-year G-	-bond							
Market risk premium		8.0%	~ in-house	in-house survey and reference to Domodaran's research							
Beta		1.2	adjusted l	djusted beta, source: Bloomberg							
Cost of equity		13.6%									
Long-term COE		8.0%									
Long-term ROE		12.0%	Long-term	ROE is ba	sed on assur	nption of	c.1.2% ROA	and 10x b	alance-she	et leverage (TA/TE)
Long-term growth rate		6.0%	VPB's banking-on-the-mass model will enable it to sustain growth above overall industry & economy						try & economy.		
											Continuing
(Unit: VND b; otherwise stated)		2018	2019E	2020E	2021E	2022E	2023E			2031E	value
Total equity - End of period (VND b)	[=TE(t-1)*(1+ROE(t0)]	34,750	42,180	50,969	61,227	73,008	85,785			284,801	
ROE (%)		22.8%	19.3%	18.9%	18.3%	17.6%	ROE to cor	ntract gra	dually (fro	m 17.5% to	12.0%
							14.5%) as th	e market	matures (i	.e. slower	
							asset growt	h and an	d lower ma	rgins, and	
							lower balan	ce sheet	leverage).		
COE (%)			13.6%	13.6%	13.6%	13.6%	13.6%	13.6%	13.6%	13.6%	8.0%
Residual income (RI)	[= (ROE-COE)*TE(t-1]]		1,987	2,223	2,389	2,420	2,847			2,239	111,930
Present value (RI)			1,749	1,723	1,629	1,453	1,505		•••	427	21,332
Sum of PV (Kls)		38,325									
Sum of (PV_Rls + Total equity_FY18))	73,075									
# Shares outstanding (m)		2,457									
Value per share (VND)	[=(TE(t0) + Sum of	29,745									
	PV(Rls))/Shares OS]										

Source: MKE

July 31, 2019



Fig 16: Residual-Income-based valuation of VPB on a standalone basis, excluding FE Credit

Risk free rate		4.0%	~ 5-year G	-bond							
Market risk premium		8.0%	~ in-house	survey and	reference t	to Domoda	ran's resear	ch			
Beta		1.2	adjusted l	adjusted beta, source: Bloomberg							
Cost of equity		13.6%									
Long-term COF		8.0%									
Long-term ROE 12.0%			Long-term	ROE is bas	ed on assur	nption of o	c.1.2% ROA	and 10x b	alance-shee	t leverage	(TA/TE)
Long-term growth rate 6.0% VPB's banking-on-the-mass model will enable it to sustain growth above overall industry				try & economy.							
(Unit: VND b; otherwise stated)		2018	2019E	2020E	2021E	2022E	2023E			2031E	Terminal value
Total equity - End of period (VND b)	[=TE(t-1)*(1+ROE(t0)]	30,526	34,799	39,671	45,424	52,237	60,595			185,330	
ROE (%)		14.4%	14.5%	15.0%	15.5%	16.0%	ROE to de	cline grad	ually (from	16% to	12.0%
							14%) as the	market m	atures (i.e.	slower	
							asset growt	h and an	d lower mar	gins, and	
							lower balan	cc sheet	leverage).		
COE (%)			13.6%	13.6%	13.6%	13.6%	13.6%	13.6%	13.6%	13.6%	8.0%
Residual income (RI)	[= (ROE-COE)*TE(t-1]]		122	139	357	636	1,254			650	34,465
Present value (RI)			107	108	244	382	663			124	6,568
Sum of PV (RIs)		11,363									
Sum of (PV_RIs + Total equity_FY18)	41,889									
# Shares outstanding (m)		2,457									
Value per share (VND)	[=(TE(t0) + Sum of	17,051									
	PV(Rls))/Shares OS]										

Source: MKE

4. Financial forecasts

4.1 Earnings growth and profitability to normalise, with 18% ROEs

We forecast net-profit growth for VPB will decelerate to a bottom of 1% YoY in FY19E. This largely reflects normalised growth in operating income and still-elevated provisioning to clean up legacy troubled assets. Net-profit growth is expected to recover to 18% in FY20E and normalise to 15% on average in FY21-22E, backed by operating-income growth of 12-13% and easing provisioning rate from 5.1% in FY19E, 4.8% in FY20E, and 4.4% in FY22E.

We forecast ROAs will remain solid at 2.2-2.3%, while ROEs will decelerate gradually from 22.8% in FY18 to 19.3% in FY19E, and to 18% on average during FY21-22E, which implies a very healthy leverage of 8x. This has factored in the bank's need to build a larger capital base to comply with Basel-2.

Fig 17: Projections for FY19-21E

(Unit: VND b)	2015	2016	2017	2018	2019E	2020E	2021E	2022E
Net interest income	10,353	15,168	20,614	24,702	28,192	31,590	35,501	39,794
Growth (%)	95.7%	46.5%	35.9%	19.8%	14.1%	12.1%	12.4%	12.1%
NIM (%)	6.36%	7.71%	8.82%	8.99%	8.90%	8.69%	8.54%	8.38%
Non-interest income	1,713	1,696	4,275	6,384	4,990	5,608	6,232	6,800
Growth (%)	74.8%	-1.0%	152.1%	49.3%	-21.8%	12.4%	11.1%	9.1%
TOTAL OPERATING INCOME	12,066	16,864	24,889	31,086	33,181	37,198	41,733	46,593
Growth (%)	92.4%	39.8%	47.6%	24.9%	6.7%	12.1%	12.2%	11.6%
Operating expenses	5,692	6,621	8,758	10,634	11,637	12,860	14,258	15,888
Growth (%)	54.6%	16.3%	32.3%	21.4%	9.4%	10.5%	10.9%	11.4%
Cost-to-income ratio (%)	47.2%	39.3%	35.2%	34.2%	35.1%	34.6%	34.2%	34.1%
PRE-PROVISION OPERATING PROFIT	6,374	10,242	16,131	20,452	21,544	24,339	27,475	30,706
Growth (%)	146.3%	60.7%	57.5%	26.8%	5.3%	13.0%	12.9%	11.8%
Provision charges	3,278	5,313	8,001	11,253	12,257	13,353	14,652	15,979
Provisioning rate (%)	3.36%	4.06%	4.89%	5.56%	5.10%	4.80%	4.60%	4.40%
PRE-TAX PROFIT	3,096	4,929	8,130	9,199	9,288	10,986	12,823	14,726
Growth (%)	92.5%	59.2%	64.9%	13.1%	1.0%	18.3%	16.7%	14.8%
Tax rate (%)	22.6%	20.2%	20.8%	20.0%	20.0%	20.0%	20.0%	20.0%
Profit after tax	2,396	3,935	6,441	7,356	7,430	8,789	10,258	11,781
Growth (%)	91.1%	64.2%	63.7%	14.2%	1.0%	18.3%	16.7%	14.8%
Contribution to Bonus fund (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NET PROFIT TO SHAREHOLDERS	2,249	3,789	6,294	7,356	7,430	8,789	10,258	11,781
Growth (%)		68.4%	66.1%	72.4%	1.0%	18.3%	16.7%	14.8%
Key profitability and per-share ratios								
ROAA-adjusted (%)	1.3%	1.9%	2.5%	2.4%	2.1%	2.2%	2.2%	2.3%
ROAE-adjusted (%)	21.4%	25.7%	27.5%	22.8%	19.3%	18.9%	18.3%	17.6%
EPS (VND)	1,043	1,757	2,820	3,025	3,024	3,577	4,176	4,795
BVPS (VND)	18,280	20,331	19,831	14,145	17,169	20,747	24,922	29,717

Source: Company, MKE

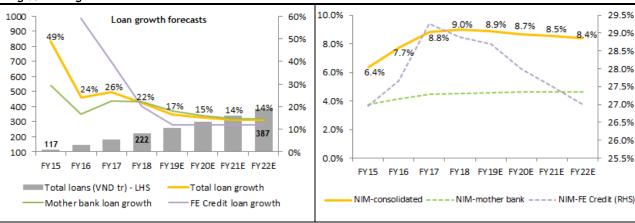
Assumptions:

NII growth is expected to decelerate to 14% in FY19E and around 12% in FY20-22E, assuming steady credit growth of 14% and a gradual normalisation of NIMs from 9% in FY18 to 8.4% by FY22E.

VPB's retail, MSME and consumer-finance businesses offer strong growth potential. But as regulators are cautious on consumer credit growth, we forecast only 14-16% credit growth for VPB for FY19-22E vs. 21.5-49.4% growth in FY13-18.

We expect declining NIMs for VPB because: i) margins in consumer finance should trend down from over 30% to 24-26% following heightened competition and a more mature market; ii) potentially more strict regulations limiting exposure to cash loans (and/or equivalent products); and iii) VPB is still in the middle of developing its deposit-taking capacity and transaction banking in order to improve its CASA ratio (which remains rather low now, below 15%). Hence, in the mid-term, we believe it doesn't yet have a buffer (i.e. lower cost of funds) for declining lending yields.

Fig 18: Loan growth and NIM forecasts



Source: Company, MKE

■ Fee and "other incomes" (from debt trading and bad debt recovery) are major contributors to VPB's non-NII. We forecast 50% growth for fee income in FY19 driven by bancassurance fees and transaction-banking fees, based on its 1Q19 growth. We maintain 15-25% fee income growth rates for FY20-22E.

"Other incomes" almost doubled in FY18 to VND4,700b/USD200m, making up 73% of its FY18 non-NII. Based on the bank's historical baddebt write-downs, we conservatively expect "other incomes" to normalise to VND2,500b in FY19-22E. We also assume zero growth for forex and trading income as they are small and not really treated as income centres at VPB.

Altogether, we forecast a 22% YoY decline in non-NII for FY19E, largely attributed to a drop in "other incomes" and normalised growth of 9-12%.

8,000 7,000 6,000 5,000 95% 4,000 3,000 2.000 1.000 FY 17 FY 18 FY19E FY20E FY21E FY22E (1,000)Fee incomes Trading incomes (FX & securities) Equity investment income ■ Other incomes

Fig 19: Non-NII forecasts (VND b; otherwise stated)

Source: Company, MKE

■ We expect management to reign in operating-expense growth via slower headcount expansion, increased automation and operational optimisation. For example, in FY18 VPB started reviewing its ComCredit unit and closed inefficient centres and focused on higher-income clients to generate higher profitability. Reduced paper work in operation will also contribute to slower growth in G&A expenses. Only depreciation expense will continue to rapidly increase because of the bank's pursuit of digital transformation that needs significant investments in IT and software. But depreciation expense currently makes up only 3% of VPB's total Opex. Hence, staff and G&A expenses remain key Opex drivers in the mid-term.

Overall, we forecast VPB's Opex growth to decelerate to 8-11% in FY19-21E and its CIR to maintain at around 34%.

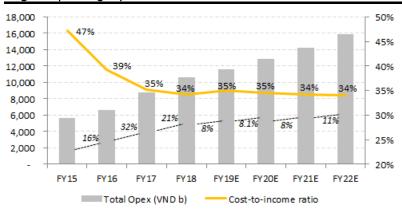


Fig 20: Operating-expense forecasts

Source: Company, MKE

• Given its large exposure to consumer finance, high proportion of unsecured lending and aggressive write-down policy (i.e. writing down 100% of loans classified below Group 3 vs. the current requirement of only 50% for Group 4 [past 180 days] and 100% for Group 5 [past 360 days]), VPB's consolidated credit-cost rates are normally 3x higher than the 0.8-1.5% for traditional commercial banks. This means a credit cost of 3-5% would be normal for a BOM model such as VPB's.



VPB's consolidated credit costs remained below 4.1% prior to FY17 before rising to 5-5.6% in FY17-18 due to provisioning charges at FE Credit. After three years of aggressive expansion to acquire customers and market share, FE Credit had to slow. It wrote down VND11,300b of significantly high-risk loans in FY18.

We forecast slower new-NPL formation at FE Credit based on our channel checks and with the understanding that a major part of its troubled loans had been written off in FY18 and its new loans are being underwritten in a more prudent manner based on a more-strictly-defined eligible customer base, more rigorous customer analytics, and greater focus on deepening relationships with existing customers. We expect FECredit's credit cost rate to have peaked at 15.4% in FY18 and to start easing gradually in FY19-21E.

Meanwhile, the mother bank aims to fully clean up the legacy bad debts by FY19E (i.e. the VAMC bonds, which are essentially NPLs and have been transferred to Vietnam Asset Management Company since 2013). VPB has about VND2,370b in net VAMC bonds as of end-FY18.

Altogether, these factors lead us to believe VPB's consolidated credit costs will gradually normalise from 5.6% in FY18 to 5.1% in FY19E, and to 4.4% by FY22E.

Credit cost increase driven largely by FE Credit; Improved loan underwriting resulted in lower credit-cost rates from 3Q18 Credit costs forecasts (consolidated) 20% 18,000 6.0% 5.6% 15.0% 15.9% 16.4% 16.000 4.8% 5.0% 15% 14.000 4.9% 12,000 4 0% 4.1% 10,000 10% 3.4% 3.0% 8,000 9% 6,000 2.0% 4,000 1.0% 2.000 0% 0.0% FY16 FY17 1Q18 1H18 9M18 FY18 1Q19 2Q19 FY15 FY16 FY17 FY18 FY19E FY20E FY21E FY22E Credit-cost rate (consolidated) Credit costs (VND b) Credit cost rates Credit-cost rate (mother bank) Credit-cost rate (FE Credit)

Fig 21: Credit-costs history and forecasts

Source: Company, MKE

4.2 Risks to our forecasts

i) Potential regulatory changes causing faster contractions in NIM, which may include stricter caps on high-yielding cash loans or maybe also credit-card loans and/or caps on consumer-finance lending rates.

Our current NIM forecasts factor in a potential regulatory cap on exposure to cash loans but not lending rates, which appears to be the most extreme risk. According to our discussions with the regulators and industry players, we deem the latter's risk is low over the next three years.

ii) Spikes in new NPLs, resulting in higher credit costs.

VPB wrote down 100% of its old NPLs classified below Group 3 in 2018. It also reviewed its eligible customer base and now uses a new stricter

analytic model to offer new products. As such, we expect provisioning pressure at FE Credit and VPB to ease in FY19-20E.

Other risks to our forecasts include: i) a deteriorating macro environment resulting in rising unemployment and lower debt-servicing capability. This is a low risk, in our view, given consensus forecasts that Vietnam's GDP could grow 6-6.5% with stable inflation of 3-4% in the next two years; and ii) aggressive underwriting due to moral hazard risk among FE Credit officers causing a fast new NPL formation again. This is a moderate-to-high risk that could have a direct impact on earnings, because VPB's current rather thin loan loss coverage means limited buffer for earnings in the face of an unexpected NPL increase.

60% 9.000 8,000 50% 7,000 6,000 40% 5,000 30% 4,000 3.5% 3.4% 3,000 20% 2.9% 2.000 10% 2.7% 1,000 2.54% 0% 2013 2014 2015 2016 2017 2018 xx%: NPL ratio → Loan-loss-coverage ratio (RHS) NPLs (VND b, LHS)

Fig 22: VPB's NPLs and Loan-loss coverage ratio (LLRC)

Source: Company, MKE



5. Corporate information

5.1 Rapid growth via BoM

Established on 12 Aug 1993, Vietnam Prosperity Bank (VPB) is a young and fast-evolving bank. It history as the entity we know today is even shorter, dating back to only 2010 when its current owners took control and gathered a strong team of experienced local and foreign bankers. In five years, from 2012 to 2017, its team transformed the bank into one of Vietnam's top-5 largest private banks by assets. VPB is among the top-3 most profitable banks in Vietnam with BoM units serving household, MSME and consumer-finance customers.

VPB was rated the most valued banking brand in Vietnam's private sector by Brand Finance and Forbes Vietnam in their reports in early 2019.

Fig 23: Milestones ·Leadership changed; Ngo Chi Dzung became Chairman · Listed on HoChiMinh Stock Exchange Renamed as Vietnam Prosperity Bank · Acquired Vinacomin Finance and · Established VPDirect acting as a Fintech Engaged McKinsey for overhauling business renamed as VPBank Finance inside the Bank to incubate and develop and operating model · Established as Vietnam Joint Company (aka. FECredit) and digital banking initiatives Stock Commercial Bank for spinned out its consumer finance Private Enterprises division into this subsidiary 2010 2018 1993 2014 Credit rating upgraded from ·Start 2012-17 strategy with focus B2 to B1 by Moody's on Retail and SME banking Strengthened sales and service · Launched Household banking unit · Engaged OCBC as a strategic model, centralized back office (aka CommCredit) and Digital shareholder and developed standardized Banking Services unit (DBS) · Established two subsidiaries: VPB products Sold VPBS AMC and VPB Securities (VPBS) OCBC divested its 15% stake

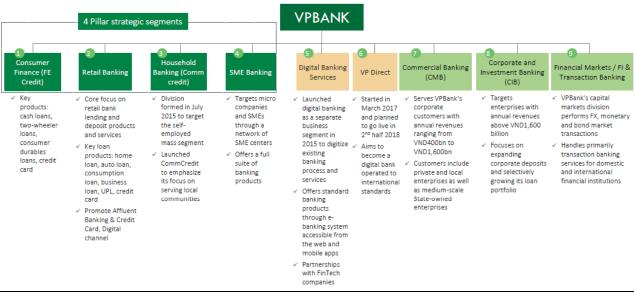
Source: Company

Listed in Aug 2017, VPB is now the fifth largest bank in Vietnam by market cap. End-2018 assets reached USD13.9b, about 3% of Vietnam's domestic banking assets. It is ranked No. 9 out of 36 domestic commercial banks and No. 5 among private-sector banks in Vietnam. The bank held a 3.2% share of the local credit market and 2.5% of the deposit market as of 2018. It serves nearly 6m customers via 222 branches & transaction offices, 172 household banking centres, 83 SME hubs and centres, and 12,200 consumer-finance POS nationwide. Retail, household, consumer-finance and SME banking made up 31.5%/2.4%/24%/13.7% of its FY18 loans, respectively.

5.2 FE Credit a bank within a bank

VPB has nine units, four of which are strategic businesses: SME banking, household banking (operated under CommCredit unit), Retail banking and Consumer finance (operated under FECredit).

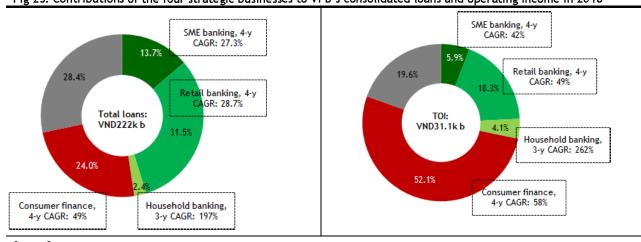
Fig 24: Organisational chart



Retail banking is its longest-standing division, dating to the bank's inception. It is followed by SME banking, set up as a specialised division in 2013; VPB was among the first few banks to do this. In 2016, it was the first to enter micro-SME lending. Consumer finance became a strategic business after VPB acquired Vinacomin Finance Company in late 2014 and renamed it FE Credit. Household banking is its youngest business, set up as a specialised division in Jul 2015 under CommCredit.

The four lines accounted for nearly 72% of VPB's consolidated loan book and contributed over 80% to its consolidated operating income in FY18.

Fig 25: Contributions of the four strategic businesses to VPB's consolidated loans and operating income in 2018



Source: Company

Fig 26: VPB's four strategic business lines

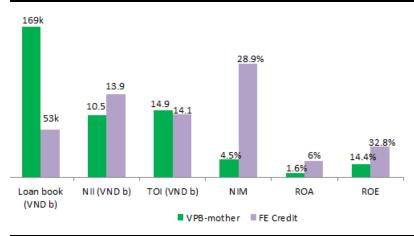
	SME banking	HH banking	Retail banking	Consumer finance
Targeted customers	MSMEs with revenue below VND400b/ US\$17m, operating in sectors benefiting from population growth, i.e. food, consumption products manufacturing.	Self-employed mass segment with annual turnover of US\$5k-125k for HH business owners and income of US\$2-10k for self-employed individuals.	Upper mass (monthly income of US\$210-360) and mass affluent (US\$360-710); Promoting affluent banking (above US\$710, launched in June 2018) and credit card	The lower to upper mass (monthly income of US\$70 & above).
Products	Full suite of banking products: auto, business financing, credit program, clean loans, business installment loans (BIL), banca, trade and FX, unsecured cards.	Daily and monthly installment loans, secured loans; fixed rates, 4-36-month tenor, loan size: USD500-15k.	All types of retail loans (Home, Auto, consumption, business loans, overdraft, UPL), Credit cards, Wealth management products.	Cash loans (75% CF loan book), two-wheeler (motorbike 17%), Consumer durables loans & credit cards & others (8% loan book). Loan size: up to VND70m Tenor: 3-36 months
Competitive edges	✓ First Vietnamese bank having specialized SME banking division - In 2013, VPB started SME banking transformation project, shifting from decentralised/judgement approach to centralised and scorerating model; ✓ No.1 bank serving micro SMEs; ✓ Products customised to the needs of MSMEs, i.e. corporate credit cards + competitive appraisal time + convenience; ✓ A network of 83 SME centres & direct sale agents who have strong local relations.	✓ First Vietnamese bank separating the segment from overall retail banking, forming a business line with a comprehensive business model; ✓ Largest network with a "hub-and-spoke" model that helps approaching and acquiring customers efficiently; ✓ Door-step banking with average processing time of below 48 hours. Digitalisation helps boost service quality and productivity, i.e. SMART Lead ecosystem launched in 2018.	✓ Strong brand awareness; ✓ Strong partnerships with reputable real estate developers, auto dealers.	✓ Strong brand + No.1 market share (>50%); ✓ Strong salesforce, wide network (12,200 POS) and full product suite; ✓ Strong core IT system, i.e. "Pegga" - one of the best technology available; ✓ Pioneer in digitalisation, offering superior customer experience, i.e. SNAP app can process and disburse loans in less than 15 minutes from registration step (from traditionally 4-5 days); ✓ Deploying machine learning models with better predictive power to traditional algorithms that will open up more cross- selling opportunities and control credit risks better.
# customers	Serving 80k customers, 10% MSME population in Vietnam	Serving about 150k customers, 3% of HH businesses population in Vietnam. Target to reach 300k customers by 2020, and USD1b plus assets.	Serving over 1.7m customers	Largest customer base, currently active accounts: over 4m. Possessing database of 25m customers (27% of Vietnam's population)
Loan book growth & margin	VND30,500b, 27.3% CAGR (2014-18). NIM: 2.5-3% (upper SMEs); 8-9% (micro SMEs).	VND5,300b, 197% CAGR (2015-18). NIM: 26% on average.	VND70,100b, 28.7% CAGR (2014-18). NIM: 2.5-4% (secured); 12-13% (unsecured)	VND53,300b, 49% CAGR (2014-18). NIM: 29% on average.

SME, household and retail banking are operated by the parent bank. Consumer finance is run by its 100%-owned subsidiary, FE Credit, to comply with current regulations.

FE Credit operates independently from VPB with regard to reporting lines (e.g. heads of FE Credit divisions report to FE Credit CEO), risk management (e.g. FE Credit has risk committee and council at Board and management levels), and IT system (e.g. core banking system, which was recently changed to "Pegga", one of the best technologies available, and a credit card system that is fully outsourced to third party, First Data Co. - one of the world' oldest and largest credit card processors). Thanks to

its high lending yields and margins, it generates higher amounts of operating income and profitability than its mother bank, despite having a loan book that is only a third of the size of the mother bank.

Fig 27: FE Credit generates operating income & profitability equal to or greater than its mother bank, thanks to its high NIMs



Source: Company

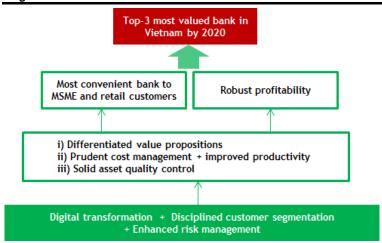
5.3 To become Vietnam's top-3

Since 2010, under its three key shareholders - Mr Dzung, Mr Quan and Mr Giang - VPB has been striving to become a top player with a focus on retail and SME banking.

By 2017, it had become one of the top-5 retail banks in Vietnam by assets and profitability. Along with Vietcombank (VCB VN, VND80,600, BUY, TP VND87,200), Vietinbank (CTG VN, Non Rated), and BIDV (BID VN, Non Rated), it was included in the list of global top-500 most-valued bank brands by Brand Finance, a UK business valuation consultancy, in Feb 2019. Its brand was valued at USD354m, up 6.3x since 2016, which ranked it at No. 361. VPB was the only private-sector bank in Vietnam to make its way to the top 500. In a separate ranking - "Vietnam's top 40 most valued brands" - Forbes Vietnam also rated VPB as the most valued banking brand in Vietnam's private banking sector.

For 2018-22, VPB aims to become one of the three most valued banks in Vietnam. To that end, it will continue to focus on: i) growth opportunities in retail and household banking, consumer finance and MSME banking; and ii) disciplined customer segmentation and digitalisation to offer differentiated value propositions to customers based on credit quality and cost management.

Fig 28: VPB's 2018-2022 vision



VPB's leaders see digital transformation as essential for its next development cycle. They have already made necessary organisational changes to implement the digital transformation.

In our view, its leaders and management team have always demonstrated ambition, vision and execution. We believe digital transformation will become a key trend in the next 10 years, potentially defining great banks in the crowd. VPB is currently one of two banks moving ahead in digital transformation. This is enabled by its strong leadership, strong execution and decent financial resources, in our view.

5.4 Shareholders and corporate governance

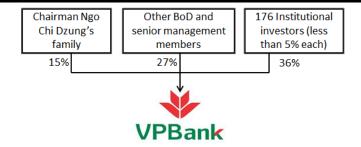
Chairman Ngo Chi Dzung, along with family members, own 15% of the bank. The other two major shareholders are Vice Chairmen, Bui Hai Quan and Lo Bang Giang, owning 6.8% and 7.6%, respectively. Altogether, the board and senior management own 42%.

VPB does not as of yet have strategic foreign investors. Foreign institutional investors who participated in its IPO in 2017 own less than 5% of the bank.

During 2006-13, VPB had a foreign strategic investor, Singapore's Oversea Chinese Banking Corporation (OCBC SP, SGD11.71, HOLD, TP SSD11.07). OCBC acquired 10% of VPB in 2006 and 4.9% in 2008. As VPB did not effectively become a strategic holding for OCBC, the bank divested its stake to three local individuals in 2013 that were said to be related to VPB's owners.

We believe the presence of investors like IFC and Singapore's GIC should provide sufficient corporate-governance assurance. That said, we await the entry of any strategic investor with the digital-banking expertise to assist with the bank's digital transformation.

Fig 29: Shareholding structure



The bank, with the advisory support of International Finance Corporation (IFC), has significantly improved its corporate governance in terms of board composition and functioning, control environment, risk management, transparency and disclosure. In Vietnam, it is regarded as one of two banks with the best investor relations programs.

5.5 Ambitious leadership and strong team

CEO Nguyen Duc Vinh has been instrumental in turning VPB into a top-5 private-sector bank in Vietnam during the past five years.

The bank's hire of Sanjeev Nanavati (since Aug 2018), a veteran banker with 30 years of experience from global banks, like Citibank, Bank of America, Standard Chartered Bank is a well-regarded thought leader on business and management, which further testifies to VPB's ambition of becoming a world-class bank.



Mr. Sanjeev Nanavat Standing DCEO, Senior Executive Managing Director

Mr. Nguyen Duc Vinh CEO, Member of BOD

Nanavati Mrs. Luu Thi Thao
DCEO, Standing DCEO,
ecutive Senior Executive
Director Managing Director

In charge of all revenue generating business units including RB/SME/HHB/CMB/CIB/FM/FITB/DBS and related functions of SPM & Marcom In charge of supporting business units including

FIN/IT/OPS/RM/CM/HR/LC/BICC

Name	Position Held	Profile
Ngo Chi Dzung	Board chairman	Mr. Dzung, 51, took over the leadership of VPBank from late 2010. Before VPBank, he was among the founding shareholders of VIB bank (1996-2004), then was Vice president of Techcombank (2006-10). He also held executive positions in several financial services companies, including: Lien Minh Investment Corporation (2005-10), KBG Group (Russia, 2007-09), BoD member of EuroCapital Securities Company (2009 - to date). He was also President of Overseas Vietnamese in Russia before 2011. Mr.Dzung graduated from Moscow Geological Prospecting University in 1992, then completed his doctoral thesis at the Institute of Social-Political Strategic Research under the Russian Academy of Sciences in 2002. Together with his mother and wife, Mr. Dzung owns 15% of VPBank.
Bui Hai Quan	Vice chairman	Mr. Quan, 51, has sat on the board since 2006, even before Mr. Dzung took over the leadership of VPBank. He also sits on the board of several other companies operating in wood processing, trade and investment. He earned a bachelor degree from Kiev National Economics University (Ukraine). Together with his wife, Mr. Quan owns 7.3% of VPBank.
Lo Bang Giang	Vice chairman	Mr. Giang, 47, has assumed the position since 2010. He joined Mr. Dzung to take over ownership of VPBank in the year. He used to work with Dzung at KBG Food (Ukraine) and worked for Delta Bank (Ukraine) as the head of its consumer finance business. Mr. Giang is known to be the key man behind the initiative and expansion of VPBank's consumer finance business. He earned a bachelor degree in Finance and Banking from Moscow Economics, Statistics and Information University (MESI) in 2010. Mr. Giang and his family members own 8.1% of the bank.
Nguyen Van Hao	Independent director	Mr. Hao, 64, has been elected an independent director and member of the Risk Management Committee since 2015. Prior to the position at VPBank, he held executive positions at several companies, including: COO at Japan Airlines-Vietnam (1994-2005), deputy CEO at Prudential Vietnam (2005-10) and advisor on consumer finance to Prudential group (UK) Mr. Hao earned a master's degree in economics from the Kiev National Aviation University (Ukraine).
Nguyen Duc Vinh	Board member, and CEO	Mr. Vinh, 61, joined VPBank as its CEO in July 2012. He assumed BoD member position in 2013. Before VPBank, Mr. Vinh spent nearly 16 years with Techcombank where he was CEO during 2000-12. He is recognised as one of the key men who turned Techcombank into a top-5 private sector bank in Vietnam, and is widely regarded as one of the top-3 best bank CEOs in the country. Before becoming a career banker, Mr. Vinh was Deputy General Director of Vietnam Airlines (Vietnam Airlines at that time held stake in Techcombank, so Mr. Vinh was assigned to join Techcombank as a Deputy CEO in 1996. He was promoted to be the bank's CEO in 2000). Mr. Vinh earned two MBAs from University of Michigan Business School (USA) and the HEC Paris University (France).
Luu Thi Thao	Executive managing director and CFO	Ms. Thao, 45, was appointed CFO in 2011. She is one of two executive managing directors under CEO Vinh in charge of all supporting units, including: finance, IT, HR. She played a critical leading role in a comprehensive transformation programme for VPBank, providing the bank with a wealth of knowledge and insights on the local environment with over 20 years of experience working at Big 4 auditing firms (PwC and KPMG) and big global banks like ABN AMRO and ANZ. Ms. Thao earned a degree in accounting from the Banking Academy (HCM, Vietnam). She has been a member of the Association of Chartered Certified Accountants of United Kingdom (ACCA UK) since 2002.
Sanjeev Nanavati	Executive managing director	Mr. Sanjeev joined VPBank in July 2018 as an executive managing director in charge of revenue generation units. Prior to this appointment, he served as Citibank's longest-serving CEO in Malaysia, and as senior advisor to McKinsey regarding Asian banks. Mr. Sanjeev has over 30 years of global and Asian banking experience at Citibank, Standard Chartered Bank, and Bank of America. While as CEO of Citibank, Mr. Sanjeev was widely regarded to have built and retained one of the best and most stable management teams. He is also a thought leader and contributor on business and management issues.
Rajeev De Roy	Chief operating officer (COO)	Mr. Rajeev joined VPBank in 2014 as COO. He has over 30 years of experience in the banking industry, holding executive positions at American Express (India), Mashreqbank (Dubai) and State Bank of India. Prior to VPBank, he also served as COO at a leading Vietnam bank, Techcombank.
Dmytro Kolechko	Chief risk officer (CRO)	Dmytro joined VPBank in 2015 as its CRO, with over 15 years of experience in the banking industry, including 10 years as CRO at Raiffeisenbank (Ukraine) and Alfabank (Ukraine). He earned his MBA from CompuCollege School of Business (Canada) and a MBA from Kyiu National University of Economics (Ukraine).
Duong Thi Thu Thuy	Head of Corporate and Investment Banking (CIB)	Huong has worked for VPBank since 2002. She is a VPB-career banker. Huong has more than 14 years of experience in banking and finance. She has a BS degree in Foreign Exchange from Hanoi Banking University and Bachelor degree in Finance and Banking from National Economics University and a BA degree in English Linguistics from Hanoi Foreign Languages University.
Fung Kai Jin	Head of SME banking	Fung joined VPBank in 2014. Prior to that, he was Head of SME Division at Standard Chartered Bank in Malaysia and Head of Commercial Banking in Alliance Bank Malaysia Berhad in Malaysia. He has an MBA degree from Curtin University (Australia) and a Bachelor degree in Economics from Royal Melbourne Academy - Institute of Technology.
Kiran Babu Kosaraju	Head of CommCredit (Household banking)	Kiran joined VPBank in 2015. Prior to that, he has 17 years working in the banking industry, including regional director for Citibank (India), executive managing director for Fullerton (India) sponsored by Singapore's Temasek where he successfully led implementation of initiatives in the Mass Market Credit across India. He was country head of Firstsource Solutions (Philippines) which specializes in providing global business process management to the banking and financial services industry.
Phung Duy Khuong	Head of retail banking	Khuong, 43, was appointed head of retail banking from Jan 2019. Prior to VPBank, he assumed similar positions at several local banks, including Vietinbank (2014-18), Maritime Bank (2010-14) and Dong A Bank. Before that, he was vice president at GE Money South East Asia and business development director of GE Money Vietnam. He earned a master degree in accounting from Monash University (Australia).
Shameek Bhargava	Head of VPDirect	Shameek joined VPBank in 2017 to lead the implementation of the bank's digital banking initiatives. He has over 22 years of experience in the banking industry, including digital banking, electronic payment, credit and debit cards, electronic banking, asset management and risk management. Before joining VPBank, he held the post of Managing Director and Country Head at DBS Bank India, where he established the first digital paperless bank. Prior to that, he worked at Deutsche Bank as Managing Director of Cards APAC and at ANZ Grindlays India.



FYE 31 Dec	FY17A	FY18A	FY19E	FY20E	FY21E
Key Metrics					
Core P/E (x)	9.0	6.6	6.2	5.2	4.5
Core FD P/E (x)	9.0	6.6	6.2	5.2	4.5
P/BV (x)	1.3	1.4	1.1	0.9	0.8
P/NTA (x)	1.3	1.4	1.1	0.9	0.8
Net dividend yield (%)	0.0	0.0	0.0	0.0	0.0
INCOME STATEMENT (VND b)					
Interest income	34,133.4	40,280.2	46,325.7	52,227.2	58,898.0
Interest expense	(13,518.9)	(15,578.6)	(18,134.1)	(20,637.0)	(23,396.8)
Net interest income	20,614.4	24,701.6	28,191.7	31,590.2	35,501.2
Net insurance income	0.0	0.0	0.0	0.0	0.0
Net fees and commission	1,461.5	1,612.5	2,418.7	3,023.4	3,628.1
Other income	2,813.4	4,771.6	2,570.9	2,584.7	2,604.1
Total non-interest income	4,275.0	6,384.1	4,989.6	5,608.1	6,232.2
Operating income	24,889.4	31,085.7	33,181.3	37,198.3	41,733.4
Staff costs	(5,060.3)	(6,020.8)	(6,901.5)	(7,743.5)	(8,645.6)
Other operating expenses	(3,698.0)	(4,613.2)	(4,735.5)	(5,116.3)	(5,612.9)
Operating expenses	(8,758.3)	(10,633.9)	(11,637.0)	(12,859.8)	(14,258.5)
Pre-provision profit	16,131.1	20,451.7	21,544.3	24,338.6	27,474.9
Loan impairment allowances	(8,001.1)	(11,253.2)	(12,256.6)	(13,352.6)	(14,652.1)
Other allowances	0.0	0.0	0.0	0.0	0.0
Associates & JV income	0.0	0.0	0.0	0.0	0.0
Pretax profit	8,130.1	9,198.5	9,287.7	10,986.0	12,822.8
Income tax	(1,689.3)	(1,842.9)	(1,857.5)	(2,197.2)	(2,564.6)
Minorities	0.0	0.0	0.0	0.0	0.0
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	6,440.8	7,355.6	7,430.1	8,788.8	10,258.3
Core net profit	6,440.8	7,355.6	7,430.1	8,788.8	10,258.3
Preferred Dividends	(146.4)	0.0	0.0	0.0	0.0
BALANCE SHEET (VND b)					
Cash & deposits with banks	20,094.3	18,427.0	22,323.8	27,237.8	32,836.0
Sec. under resale agreements	0.0	0.0	0.0	0.0	0.0
Derivatives financial assets	0.0	0.0	0.0	0.0	0.0
Dealing securities	1,424.9	4,202.4	4,202.4	4,202.4	4,202.4
Available-for-sale securities	0.0	0.0	0.0	0.0	0.0
Investment securities	53,558.0	51,926.4	55,561.3	61,117.4	68,451.5
Loans & advances	179,518.8	218,395.2	252,718.8	290,309.1	330,422.6
Central bank deposits	6,460.8	10,828.6	13,328.6	15,656.4	18,384.2
Investment in associates/JVs	152.5	190.7	200.2	210.2	220.7
Insurance assets	0.0	0.0	0.0	0.0	0.0
Fixed assets	457.7	1,385.6	2,214.8	2,828.4	3,626.1
Intangible assets	350.8	577.5	897.3	1,108.3	1,382.7
Other assets	15,734.5	17,357.8	20,229.9	23,278.3	26,539.8
Total assets	277,752.3	323,291.1	371,677.0	425,948.3	486,065.8
Deposits from customers	133,550.8	170,850.9	205,055.6	240,867.5	282,833.1
Deposits from banks & FIs	38,063.8	54,231.5	65,077.7	74,839.4	82,323.3
Derivatives financial instruments	160.5	18.6	0.0	0.0	0.0
Subordinated debt	5,377.0	2,877.0	2,877.0	2,877.0	2,877.0
Other securities in issue	61,056.4	46,110.7	43,679.0	41,351.2	39,139.8
Other borrowings	0.0	0.0	0.0	0.0	0.0
Insurance liabilities	0.0	0.0	0.0	0.0	0.0
Other liabilities	9,848.1	14,452.5	12,807.5	15,044.3	17,665.4
Total liabilities	248,056.6	288,541.1	329,496.8	374,979.3	424,838.6
Share capital	14,974.0	25,299.7	25,299.7	25,299.7	25,299.7
Reserves	13,989.5	9,450.4	16,880.5	25,669.3	35,927.6
Shareholders' funds	28,963.5	34,750.1	42,180.2	50,969.0	61,227.2
Preference shares	732.2	0.0	0.0	0.0	0.0
Minority interest	0.0	0.0	0.0	0.0	0.0
Total equity	29,695.7	34,750.1	42,180.2	50,969.0	61,227.2
Total liabilities & equity	277,752.3	323,291.1	371,677.0	425,948.3	486,065.8



FYE 31 Dec	FY17A	FY18A	FY19E	FY20E	FY21E
Key Ratios					
Growth (%)					
Net interest income	35.9	19.8	14.1	12.1	12.4
Non-interest income	152.1	49.3	(21.8)	12.4	11.1
Operating expenses	32.3	21.4	9.4	10.5	10.9
Pre-provision profit	57.5	26.8	5.3	13.0	12.9
Core net profit	63.7	14.2	1.0	18.3	16.7
Gross loans	26.3	21.5	16.5	15.1	14.0
Customer deposits	7.9	27.9	20.0	17.5	17.4
Total assets	21.4	16.4	15.0	14.6	14.1
Profitability (%)					
Non-int. income/Total income	17.2	20.5	15.0	15.1	14.9
Average lending yields	14.60	14.65	14.62	14.37	14.17
Average cost of funds	6.11	6.04	6.10	6.10	6.10
Net interest margin	8.82	8.99	8.90	8.69	8.54
Cost/income	35.2	34.2	35.1	34.6	34.2
Liquidity (%)					
Loans/customer deposits	134.4	127.8	123.2	120.5	116.8
Asset quality (%)					
Net NPL	1.7	1.9	1.1	0.7	0.8
Gross NPL	3.4	3.5	3.4	3.2	3.4
Loan loss coverage	50.8	45.9	67.9	77.3	77.6
Capital adequacy (%)					
CET1	na	na	na	na	na
Tier 1 capital	11.9	10.9	11.5	12.2	12.8
Risk-weighted capital	14.6	12.3	12.9	13.4	13.9
Returns (%)					
ROAE	28.4	23.1	19.3	18.9	18.3
ROAA	2.5	2.4	2.1	2.2	2.2
Shareholders equity/assets	10.4	10.7	11.3	12.0	12.6
C					

Source: Company; Maybank

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