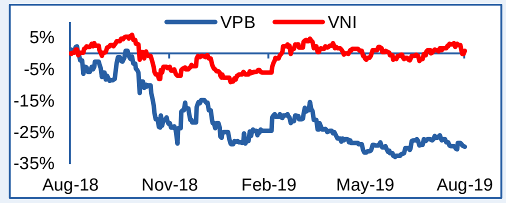
VPBank (VPB) [BUY +28.3%] — Update Report

Industry:	Banking					
Report Date:	**August 14, 2019**		2018	2019F	2020F	2021F
Current Price:	VND19,250	PPOP y/y	26.8%	11.0%	11.4%	9.7%
Current Target Price:	VND24,700	NPAT y/y	14.2%	1.3%	29.6%	10.1%
Previous Target Price:	VND22,000	NIM	8.8%	9.19%	8.94%	8.64%
		NPL	3.5%	3.74%	3.94%	3.94%
Upside to TP:	+28.3%	CIR	34.2%	35.0%	35.0%	35.0%
Dividend Yield:	0.0%	Div/Sh (VND)	0	0	0	0
TSR:	+28.3%	P/B	1.4x	1.0x	0.9x	0.7x



			VPB	Peers	VNI
Market Cap:	USD2.0bn				
Foreign Room	USD0	P/E (ttm)	6.5x	8.0x	16.4x
ADTV30D	USD1.4mn	P/B (curr)	1.2x	1.4x	2.4x
State Ownership	0%	ROE	20.6%	19.7%	14.7%
Outstanding Shares	2.457 bn	ROA	2.3%	1.7%	2.5%
Fully Diluted Shares	2.457 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 ~50% of its consolidated NPAT-MI from FE Credit in 2018.

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FEC recovery is key catalyst to re-rate VPB

- We raise our target price by 12.3% and upgrade VPB to a BUY rating from OUTPERFORM with a projected TSR of 28.3% as we lift our 2020/21/22/23 net income forecasts by 1.6%/5.5%/10.4%/11.9% and roll our valuation date forward to mid-2020.
- Our earnings forecasts increase as we rachet up our loan growth assumptions at FE Credit (FEC). However, our 2019F net income is relatively unchanged at VND7.4tn (USD320mn, +1.3% YoY or +11.6% YoY if one excludes a one-off gain from a bancassurance upfront in 2018) as our lift in provision expenses offsets the upward revision in pre-provision operating profit (PPOP).
- VPB received a 2019 credit top-up to 16% YoY and we revise up our 2019F consolidated loan growth to 15.8% vs 13.5% previously with the parent/FEC loan book growing 16%/15%.
- FEC posted signs of recovery with credit costs trending down. VPB's return metrics are at a premium to a peer median and the bank is strongly capitalized in a sector which is hungry for new capital. We find VPB's valuation as highly attractive at a 2019F P/B of 1.0x vs to the peer median at 1.3x.

Rebound in loan growth and yields in H1 2019 partly relieved concerns regarding FEC's growth prospects. With the liquidation of syndicated loans from FEC's book, we estimate H1 2019 FEC's consumer finance loan growth was 16.5% YTD. Achieving such a growth level from a base of more than USD2bn book is encouraging as consumer finance loan tenors are short. A reflection of H1 2019 numbers from HD Saison (HDS) indicate continued downward pressure on loan yields and constrained loan book growth, indicating that FEC's H1 2019 performance was due to superior execution. However, the unsecured consumer finance sector is still facing increasing competition with yields being pressed down, in our view. As listed in our concerns in our previous report Competition casts haze over growth of consumer finance dated May 28, 2019, Q2 results have eased our concerns on the future trajectory of NIM. However, we caution the need to monitor credit quality in the next few quarters after a such a dramatic jump in loan growth.

Financial metrics reflect improving business performance overall and we see the current valuation of the consolidated VPB has the potential to be re-rated. Based on VPB's information disclosure, the bank will seek shareholder approval in August 2019 to buy back shares in addition to the current amount of 73.2 million treasury shares. This signals management's belief that the stock is undervalued. The parent bank's TTM ROA was also high at 1.8% against the sector median at 1.7% and financial leverage is low. With both the parent bank and FEC showing signs of improvement, the stock is trading at a valuation of 1.0x/0.9x 2019F/20F P/B. We believe the current composite valuation of the parent bank and FEC is undervalued as FEC (100% owned) contributed ~50% to the consolidated bottom line.

H1 2019 recap: FEC executes well in increasingly competitive sector

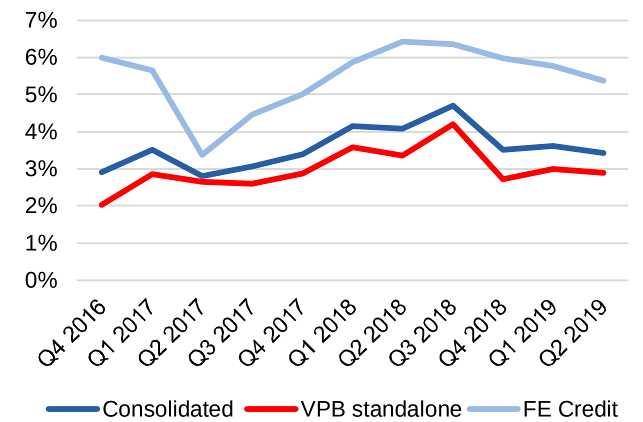
Figure 1: VPB's consolidated H1 2019 results

	H1 2018	H1 2019	YoY	VCSC comments
Net interest income	12,187	14,451	18.6%	Our estimated loan yields at FEC in H1 2019 is 38.2% vs 36.8% in 2018. H1 2019 consolidated NIM stood at 9.14% (+22 bps YoY). The recovery of FEC's loan yields and increase in consolidated NIM are clear positives.
Net fee income*	638	1,198	87.8%	Consolidated pure net fee income (NFI) growth remained strong at 104% YoY in H1 2019, supported by strong momentum at the parent bank and recovery from a low base and weak 2018 performance at FEC. The standalone bank saw 53% YoY growth in pure NFI, mainly due to (1) strong performance in transaction services and credit cards (+254% YoY) and (2) net fees from bancassurance services (+28% YoY). Therefore, we believe the improvement of FEC's NFI helped boost consolidated NFI growth.
Total NOII	2,324	2,381	2.4%	Consolidated total non-interest income (NOII) saw low growth as there was VND850bn/USD36mn of one-off gains from a bancassurance upfront in Q1 2018.
Total operating income (TOI)	14,511	16,832	16.0%	
OPEX	(4,689)	(6,020)	28.4%	
PPOP	9,822	10,813	10.1%	
Provision expenses	(5,446)	(6,470)	18.8%	
Net profit	3,504	3,471	-0.9%	Normalized net income growth (taking out a one-off gain from the bancassurance upfront with AIA in Q1 2018) was 22.9% YoY.
NIM	8.92%	9.14%	22 bps	
Interest-earning asset yields	14.44%	14.85%	41 bps	
Cost of funds	6.20%	6.32%	12 bps	
CASA ratio**	11.9%	10.4%	-1.5 ppts	
Term deposits in FX (%)	2.0%	1.3%	-0.7 ppts	
CIR	32.3%	35.8%	3.5 ppts	
NPL	4.07%	3.43%	-64 bps	
Loan growth (YTD)	8.8%	11.6%	2.8 ppts	H1 2019 loan growth of the parent bank was 10.3% YTD. We estimate FEC's loan book size as of the end of H1 2019 at VND58tn/USD2.5bn (+9.2% YTD). As the amount of debt purchased at the parent bank over the course of H1 2019 was similar to the syndicated loans built up at FEC in 2018, we expect FEC has fully liquidated the syndicated loans from its own accounts. Therefore, the actual consumer finance loan growth was 16.5% YTD, per our estimation.
Deposit growth (YTD)	13.3%	15.5%	2.2 ppts	

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

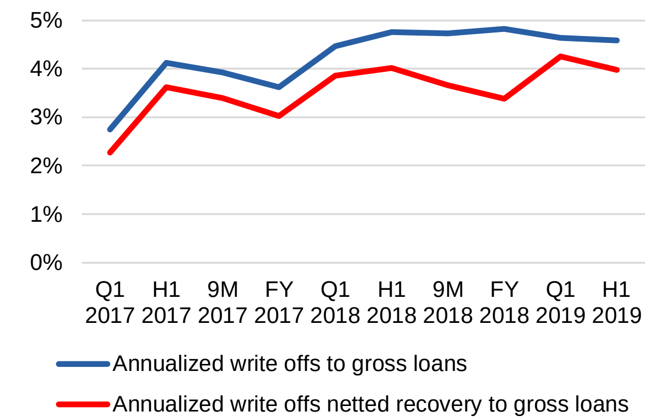
Credit quality trend saw positive progress in H1 2019. Both the parent bank and FEC reported improved NPL ratio after the spike in 2018. Special mentioned (group 2) loans saw drops in absolute terms at the parent bank (-4.5% QoQ) and FEC (-9.8% QoQ) in Q2 2019. The write-off rate at FEC continued to drop in Q2 2019 with annualized H1 2019 write-offs to gross loans coming in at 13.4% against Q1 2019 at 13.8% and H1 2018 at 15.3%. These are positive signs of improving credit quality, though levels of write-offs are still high, in our view. The NPL ratio of the parent bank was 2.89% (-46 bps YoY) and FEC was 5.37% (-106 bps YoY) as of the end of H1 2019. We believe it would be a significant achievement if FEC can maintain the downward trend of NPL ratio and credit costs in H2 2019 after the strong loan growth in H1 2019.

Figure 2: NPL ratio



Source: VPB, VCSC

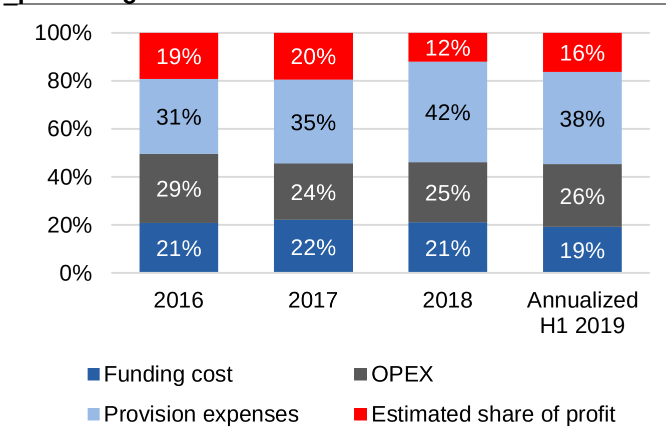
Figure 3: Pure write-offs vs write-offs netting recovery over gross loans (consolidated)



Source: VPB, VCSC

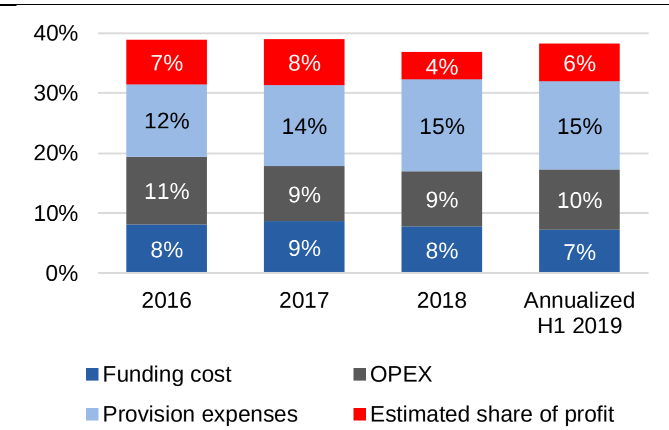
Recovering loan yields and recovery in post-provisioning profit metrics at FEC are key positive signs. The level of consumer finance loan growth in H1 2019 seen at FEC is an encouraging achievement from a high base of over USD2bn loan book. Following our estimation in our previous update report [Competition casts haze over growth of consumer finance] dated May 28, 2019, we saw the share of profit in FEC's interest income also started to recover in Q2 along with a loan yields increase. These results reflected superior execution of FEC in an increasingly competitive unsecured consumer finance sector in addition to posting positive signs for H2 performance.

Figure 4: Post provisioning pre-tax profit margin as percentage of interest income of FEC*



Source: VPB, VCSC - * As FEC's business model is largely dependent on interest income, we took out non-interest income and estimated the pre-tax profit portion of interest income.

Figure 5: Post provisioning margin in loan yield of FEC**



Source: VPB, VCSC - ** We multiplied the portions estimated in the left-hand chart with loan yields to estimate portions of the above components in loan yields.

2019 outlook: Expecting further improvement at FEC

Figure 6: VCSC's 2019 forecasts

	2018	2019F old	2019F new	2019F new vs 2018	VCSC comments on 2019 forecasts
Net interest income	24,702	28,334	29,648	20.0%	We lift our 2019 NII forecast by 4.6%, mainly due to our upward revision in consolidated NIM. We expect strong consumer finance loan growth in H1 2019.
Net fee income*	1,509	2,312	2,393	58.6%	
Total NOII	6,384	6,162	5,263	-17.6%	We revise down our 2019 total NOII projection by 14.6%, mainly because of a 27.9% cut in our net other income forecast. We believe the spike in income from debt selling activities to VND1.7tn/ USD80mn in H2 2018 was a one-off gain at FEC and will not happen again in 2019.
TOI	31,086	34,496	34,911	12.3%	
OPEX	(10,634)	(12,073)	(12,219)	14.9%	
PPOP	20,452	22,422	22,692	11.0%	
Provision expenses	(11,253)	(13,114)	(13,371)	18.8%	
Net profit	7,356	7,444	7,453	1.3%	Our 2019 net income forecast is relatively unchanged as the 1.2% lift in PPOP is offset by a 2.0% upward revision in provision charges.
NIM	8.83%	8.84%	9.19%	36 bps	
Interest-earning asset yields	14.40%	14.29%	14.60%	20 bps	
Cost of funds	6.05%	6.01%	6.01%	-4 bps	
CASA ratio**	13.7%	13.5%	13.5%	-0.2 ppts	
CIR	34.2%	35.0%	35.0%	0.8 ppts	
NPL	3.51%	3.74%	3.74%	23 bps	
Gross loans	221,962	252,016	256,361	15.8%	VPB received BASEL II compliance certification from the SBV and the bank received a 2019 credit top-up to 16%. Reported CAR under Circular 41/2016/SBV (Basel II) was 11.2% as of the end of H1 2019. With an assumption of muted corporate bond growth, we revise up our 2019 consolidated loan growth forecast to 15.8% vs 13.5% previously with the parent bank/FEC loan book growing 16%/15%.
Customer deposits	170,851	198,187	198,187	16.0%	
Valuable papers	48,658	44,765	44,765	-8.0%	
Total assets	323,291	359,369	359,378	11.2%	
Total equity	34,750	45,474	45,483	30.9%	
ROAE	22.8%	18.6%	18.6%	-4.2 ppts	
ROAA	2.4%	2.2%	2.2%	-0.2 ppts	
Regulated LDR	81.0%	84.3%	85.8%	4.7 ppts	

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

2020F: Expecting a bounce in bottom line growth

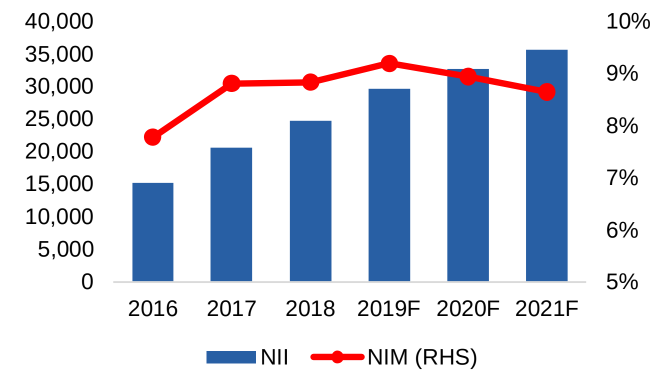
Figure 7: VCSC's 2020 forecasts

	2019F	2020F	YoY	VCSC comments on 2020 forecasts
Net interest income	29,648	32,666	10.2%	
Net fee income*	2,393	2,899	21.2%	
Total NOII	5,263	6,212	18.0%	
TOI	34,911	38,878	11.4%	
OPEX	(12,219)	(13,607)	11.4%	
PPOP	22,692	25,271	11.4%	
Provision expenses	(13,371)	(13,190)	-1.4%	
Net profit	7,453	9,660	29.6%	We expect VPB to report high bottom line growth in 2020 as (1) we expect the bank will put in a strong effort to fully clear its VAMC balance in 2019, thus easing burden on 2020 credit costs, and (2) there being no foreseen one-off gains in 2019.
NIM	9.19%	8.94%	-25 bps	We maintain our view on intensifying competition in the consumer finance landscape. A liquidation of syndicated loans and a strong boost to consumer finance loans in 2019 will grow consolidated NIM over the course of the current year. For the time being, we see it challenging to have increasing loan yields in the consumer finance space over the next two years to boost the consolidated NIM from the current level. With an expectation of continuous outstanding execution in the sector, we forecast VPB's consolidated NIM to reach 8.94% in 2020.
Interest-earning asset yields	14.60%	14.35%	-25 bps	
Cost of funds	6.01%	6.14%	13 bps	
CASA ratio**	13.5%	14.0%	0.5 ppts	
CIR	35.0%	35.0%	0 ppts	
NPL	3.74%	3.94%	20 bps	
Gross loans	256,361	291,139	13.6%	We forecast 2020 loan growth at the parent bank and FEC at 15% and 9% YoY, respectively. We forecast a cumulative consolidated loan growth CAGR during 2018-2021F at 14%.
Customer deposits	198,187	229,897	16.0%	
Valuable papers	44,765	48,347	8.0%	
Total assets	359,378	407,404	13.4%	
Total equity	45,483	54,564	20.0%	
ROAE	18.6%	19.3%	0.7 ppts	
ROAA	2.2%	2.5%	0.3 ppts	
Regulated LDR	85.8%	86.4%	0.6 ppts	

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

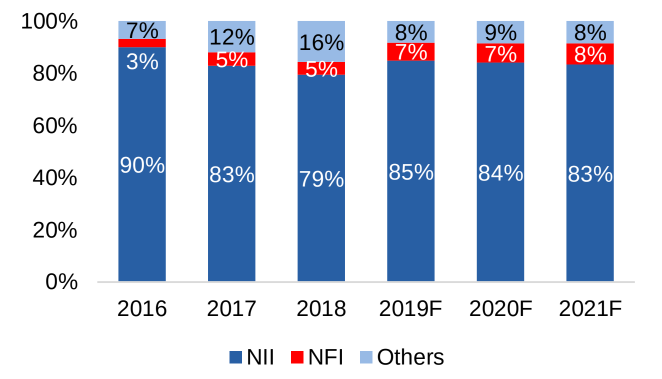
Key figures of VPB

Figure 8: NIM (%) and NII (VND bn) (2016-2021F)



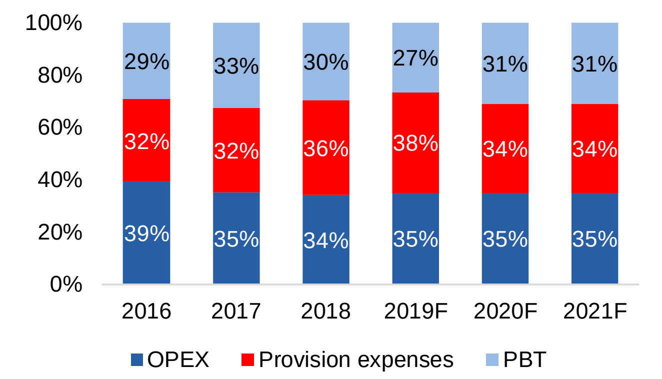
Source: VPB, VCSC

Figure 9: TOI components (2016-2021F)



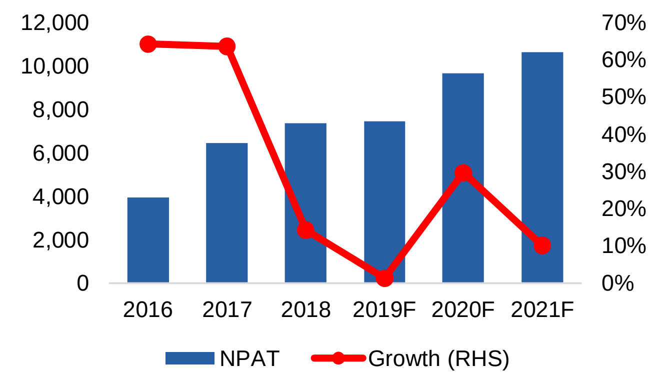
Source: VPB, VCSC

Figure 10: OPEX, provision expenses and PBT as % of TOI (2016-2021F)



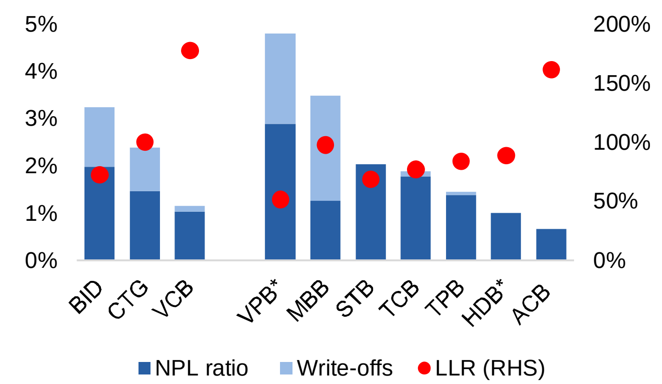
Source: VPB, VCSC

Figure 11: NPAT (VND bn) and growth (%) (2016-2021F)



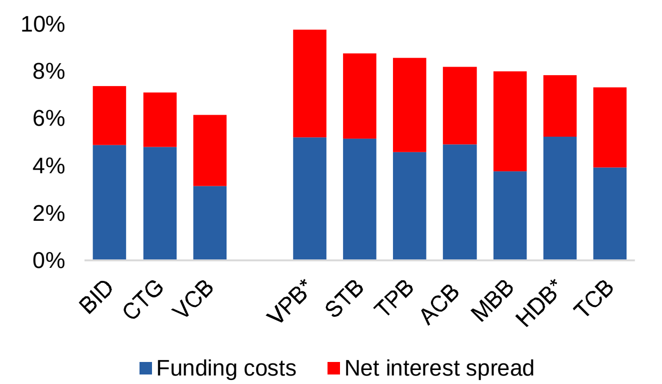
Source: VPB, VCSC

Figure 12: NPL ratio, annualized write-offs over gross loans and LLR of banks under coverage (H1 2019)**



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

Figure 13: Annualized interest-earning asset yields of banks under VCSC's coverage (H1 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 VND24,700/share.

Figure 14: Cost of equity

Cost of equity	
Risk free rate	4.8%
Beta	1.0
Market Risk Premium	8.4%
Cost of equity	13.2%

Source: VCSC

Figure 15: Valuation summary

Method	Fair value	Weighting	Contribution
Residual income	62,015 (USD2.71bn)	50%	31,007
Target P/B at 1.30x 2019F	59,128 (USD2.54bn)	50%	29,564
Composite valuation			**60,572 (USD2.60bn)**
Number of shares outstanding (bn)			2.457
Target price (VND)			**24,700**
Upside			28.3%
Dividend yield			0.0%
TSR			28.3%
2019F P/B at TP			1.33x
RATING			**BUY**

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

Figure 16: Residual income model

Residual income	2019F	2020F	2021F	2022F	2023F
ROE (Beginning period equity)	19.5%	21.2%	19.5%	18.2%	16.6%
COE	13.2%	13.2%	13.2%	13.2%	13.2%
Terminal Economic Margin (TEM)	6.3%	8.0%	6.3%	5.0%	3.4%
Equity value (Beginning period)	38,208	45,483	54,564	64,564	75,626
Residual income	1,205	3,656	3,436	3,245	2,595
PV of residual income	1,132	3,036	2,520	2,102	1,486
Sum PV of RI			10,277		
PV of terminal value (2% perpetual growth)			13,530		
Beginning EV (H1 2019)			38,208		
Fair equity value			**62,015**		
Number of shares outstanding (bn)			2.457		
Fair value per share (VND)			**25,243**		

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

We maintain our assumption of 2% perpetual growth rate for VPB, a one-ppt lower rate relative to other banks in our coverage as we hold our view that the consumer finance sector is facing intensifying competition.

Comparable peers

VPB is currently trading at a discount of 13.6% to the peer median 2019F P/B at 1.3x (**Figure 17**). Our observation suggests that VPB traded at an average discount of 11.8% to the peer median trailing P/B in the past 12 months.

VPB has premium return metrics with TTM ROE and ROA of 20.6% and 2.3% against a domestic peer median at 19.7% and 1.7%, respectively, as both the parent bank and FEC focus on unsecured high-yield segments. FEC showed signs of improvement in its core business and credit quality control in H1 2019. We lift our net income CAGR forecast during 2018-2023 to 11% vs 9% previously with a sustainable ROE of 18% under an assumption of well-capitalized conditions. However, we maintain our view that the consumer sector is facing increasing competition that could hem in FEC's growth outlook.

With premium return metrics, the current valuation at 1.0x 2019F P/B is compelling against the sector median of 1.3x. While the bottom-line growth outlook in 2019 is not strong due to (1) VAMC clearance and (2) one-off gains in 2018, we expect to see strong growth in 2020 derived from an easing off in provisioning if VPB can continue maintaining the downward trend of NPL ratios and credit costs. We put the bank at a 2019F target P/B of 1.3x.

Figure 17: Bloomberg consensus forecasts for Vietnamese banks

Bloomberg Ticker	Market Cap. (USD bn)	P/E			P/B			ROE			ROA	Equity Multiplier	NPL
		2018	2019F	2020F	2018	2019F	2020F	2018	2019F	2020F	TTM	2018	2018
ACB VN	1.51	6.31	6.77	5.91	1.48	1.42	1.03	26.4%	24.6%	22.6%	1.69%	15.67	0.73%
BID VN	5.20	16.78	19.92	12.26	2.22	1.79	1.67	13.8%	13.5%	15.8%	0.57%	24.07	1.90%
CTG VN	3.22	13.68	12.32	7.43	1.13	1.04	0.96	7.8%	10.2%	11.4%	0.49%	17.26	1.58%
MBB VN	1.94	6.66	6.04	5.23	1.34	1.18	1.01	21.7%	21.2%	21.1%	1.85%	10.60	1.33%
VCB VN	12.18	16.15	17.52	15.13	3.67	3.46	2.80	25.4%	23.8%	22.5%	1.52%	17.27	0.98%
STB VN	0.81	8.71	8.72	7.15	0.74	0.71	0.70	8.8%	8.3%	9.9%	0.56%	16.48	2.13%
HDB VN	1.04	8.47	8.75	8.56	1.54	1.31	1.10	19.1%	19.0%	17.8%	1.40%	12.84	1.53%
TCB VN	3.04	8.04	7.45	6.46	1.26	1.16	0.98	17.0%	16.8%	17.6%	2.84%	6.20	1.75%
TPB VN	0.78	8.21	8.04	5.90	1.61	1.50	1.15	21.8%	20.2%	21.5%	1.51%	12.82	1.12%
Median		**8.34**	**8.38**	**6.80**	**1.41**	**1.25**	**1.02**	**19.9%**	**19.0%**	**17.8%**	**1.40%**	**14.25**	**1.56%**
VPB VN	**1.96**	**6.27**	**6.03**	**5.03**	**1.20**	**1.04**	**0.90**	**20.6%**	**19.6%**	**19.5%**	**2.21%**	**9.30**	**3.50%**

Source: Bloomberg as on August 13, 2019

Statistical relationship between ROE and PB for Vietnamese banks:

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

Where:

1. i = 1,…,10 (being 10 banks under our coverage)
2. t = H2 2017,…,H1 2019 (some banks do not have four 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: 37 (33 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 $\boldsymbol{\beta}$

Figure 18: Regression with VCB

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 19: Regression without VCB

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

Using the results of the second regression suggests a valid trading value based on a TTM ROE of 20.6% should be 1.6x vs the current traded current multiple of 1.2x.

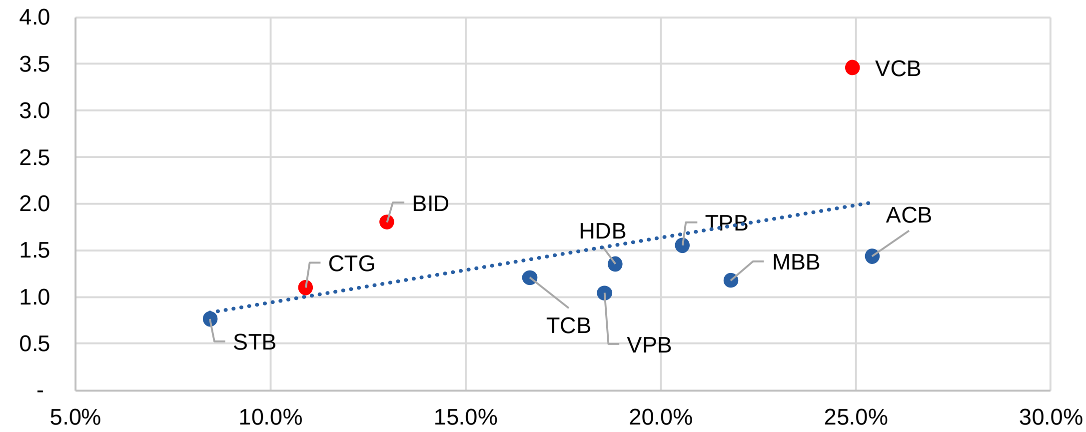
Figure 20: Sensitivity analysis of our 2019F P/B for VPB in relation to ROE derived from Gordon growth model and terminal growth rate, ceteris paribus.

		2019F ROE				
		14.6%	16.6%	18.6%	20.6%	22.6%
Terminal growth (g)	**1.0%**	1.11	1.28	1.44	1.60	1.77
	1.5%	1.12	1.29	1.46	1.63	1.80
	2.0%	1.12	1.30	1.48	1.66	1.84
	2.5%	1.13	1.32	1.50	1.69	1.88
	3.0%	1.14	1.33	1.53	1.72	1.92
	3.5%	1.14	1.35	1.55	1.76	1.97

Source: VCSC

The above sensitivity matrix illustrates a fair value P/B multiple for VPB at 1.48x using the Gordon Growth Model with ROE of 18.6% (our 2019F), cost of equity at 13.2% (**Figure 14**) and terminal growth of 2%. The P/B multiple derived is 11% higher than our 2019F projected P/B multiple of 1.33x at a target price of VND24,700/share (**Figure 15**). However, the business model is dependent largely on interest income from unsecured loans and a jump in H1 2019 loan growth at FEC needs credit quality validation in coming quarters. While VPB has a leading position in the market in the unsecured segment, (1) intensifying competition could press down yields and/or (2) a spike in NPLs could lead to substantial provision charges, dragging ROE projections.

Figure 21: Vietnam banks P/B (y-axis) and ROE (x-axis) (2019F)

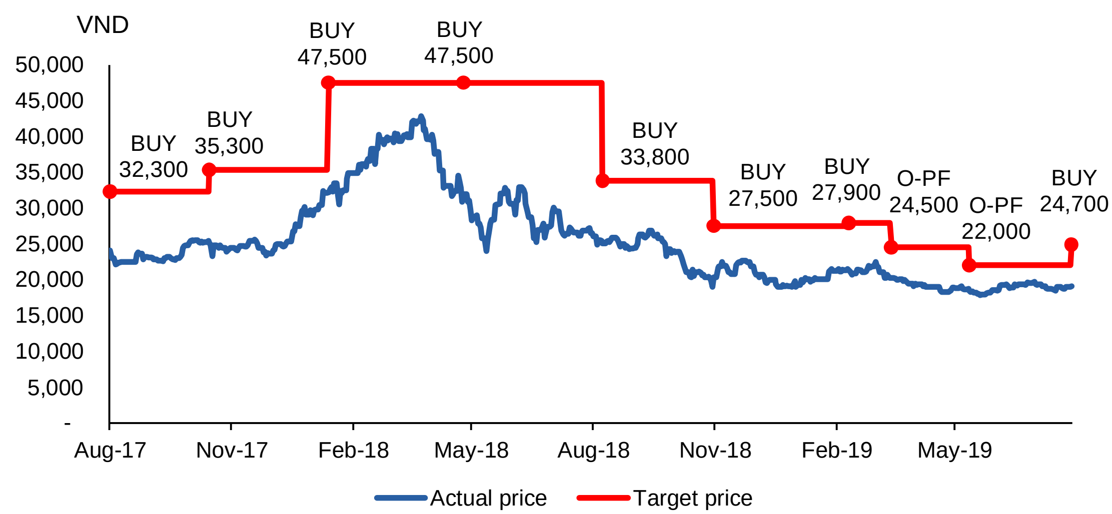


Source: VCSC, Red dots signify SOCBs

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.

History of recommendations

Figure 22: Historical VCSC target price vs share price (adjusted for stock dividends)



Source: VCSC

VIET CAPITAL SECURITIES

Financial Statements

P&L (VND bn)	2018	2019F	2020F	2021F
Interest inc.	40,280	47,112	52,452	58,201
Interest exp.	(15,579)	(17,465)	(19,786)	(22,626)
Net interest inc.	**24,702**	**29,648**	**32,666**	**35,575**
Fee & commission inc.	1,612	2,486	2,983	3,541
Other non-interest inc.	4,772	2,777	3,229	3,537
Total non-interest inc.	6,384	5,263	6,212	7,079
Total operating inc.	**31,086**	**34,911**	**38,878**	**42,654**
Non-interest exp.	(10,634)	(12,219)	(13,607)	(14,929)
Other G&A exp.	-	-	-	-
Total operating exp.	(10,634)	(12,219)	(13,607)	(14,929)
PPOP	**20,452**	**22,692**	**25,271**	**27,725**
Provision exp.	(11,253)	(13,371)	(13,190)	(14,421)
Other inc./exp.	-	-	-	-
Pre-tax profit	**9,199**	**9,321**	**12,081**	**13,304**
Taxes	(1,843)	(1,867)	(2,420)	(2,666)
Net profit	**7,356**	**7,453**	**9,660**	**10,639**
Minorities/pref divs	-	-	-	-
Attributable net profit	**7,356**	**7,453**	**9,660**	**10,639**
Adj shares, wt avg (mn)	2,433	2,457	2,457	2,457
EPS (VND)	3,024	3,034	3,932	4,330
DPS (VND)	-	-	-	-

BS (VND bn)	2018	2019F	2020F	2021F
Cash & equivalents	1,855	2,637	3,031	3,403
Balances with SBV	10,829	5,087	5,212	5,888
Due from FIs	16,571	18,229	20,052	22,057
ST investments	52,564	60,979	69,725	76,509
Net customer loans	218,395	251,529	285,345	322,676
HTM	3,565	2,309	1,921	1,599
Long term investments	191	162	154	146
Property & equipment	1,963	2,061	2,164	2,273
Other assets	17,358	16,385	19,800	18,938
Total assets	**323,291**	**359,378**	**407,404**	**453,488**
	-	-	-	-
Borrowings from SBV	3,781	3,296	3,788	4,253
IB deposits & borrowings	54,231	56,309	59,124	62,080
Other borrowed funds	330	346	363	382
Customer deposits	170,851	198,187	229,897	259,784
Other financial int.	19	-	-	-
Valuable papers	48,658	44,765	48,347	50,764
Other liabilities	10,671	10,991	11,321	11,661
Shareholders' equity	34,750	45,483	54,564	64,564
MI	-	-	-	-
Liabilities & equity	**323,291**	**359,378**	**407,404**	**453,488**

RATIOS (%)	2018	2019F	2020F	2021F
Growth				
Loan growth	21.5	15.8	13.6	13.1
Deposit growth	27.9	16.0	16.0	13.0
TOI growth	24.9	12.3	11.4	9.7
PPOP growth	26.8	11.0	11.4	9.7
NPAT growth	14.2	1.3	29.6	10.1
Asset quality				
Group 2 / loans	5.27	5.27	5.27	5.27
NPL ratio	3.51	3.74	3.94	3.94
LLR	45.9	50.4	50.5	50.5
Provision exp. / loans	5.07	5.22	4.53	4.38
Liquidity				
CAR under BASEL I	12.3	14.9	15.3	15.7
Regulated LDR	81.0	85.8	86.4	86.5

RATIOS (%)	2018	2019F	2020F	2021F
Profitability				
NIM	8.82	9.19	8.94	8.64
Int-earning asset yields	14.39	14.60	14.35	14.14
Funding costs	6.05	6.01	6.14	6.30
CIR	34.2	35.0	35.0	35.0
ROE decomposition				
Pre-provision NIM	8.22	8.69	8.52	8.26
Provisions	-3.74	-3.92	-3.44	-3.35
Post-provision NIM	4.48	4.77	5.08	4.91
Non-Interest inc.	2.12	1.54	1.62	1.64
Operating exp.	-3.54	-3.58	-3.55	-3.47
Taxes	-0.61	-0.55	-0.63	-0.62
ROAA	2.45	2.18	2.52	2.47
Equity Mult. (x)	9.3	8.5	7.7	7.2
ROAE	22.8	18.6	19.3	17.9

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%
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Unless otherwise specified, these performance parameters are set with a 12-month horizon. Movement in share prices may cause a temporary mismatch between the latest published rating and projected TSR for a stock based on its market price and the latest published target price.

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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