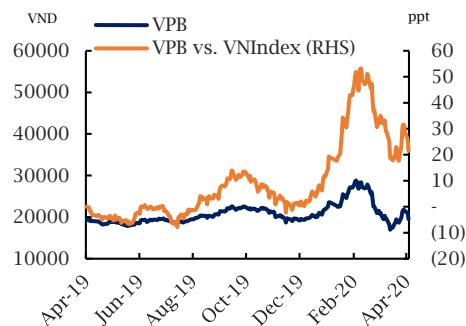


BUY
TP upside (downside) +31%
Close 21 Apr 2019
Price VND 19,550
12M Target (*) VND 25,530
() out TP is under review*
Share price performance relative to VNI

Source: Bloomberg

Market cap	US\$2.0 bn
6M avg. daily turnover	US\$2.9 mn
Outstanding shares	2,438 mn
Free float	73%
FINI ownership	23.2%
Major shareholders	39.6%
2020E Asset/Equity (*)	8.6x
2020E P/E (*)	5.2x
2020E P/B (*)	0.9x
FOL Remaining Room	0.3%
2020E Dividend yield	0.0%

Source: Bloomberg, (*) Yuanta Vietnam
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VP Bank (VPB VN)

1Q20 boosted by trading gains

Event

VPB reported 1Q20 PATMI of VND2.3 tn (-8.0% QoQ but +62.8% YoY), largely due to the +331% YoY rise in income from securities trading and investment. VPB has achieved 24.3% of Bloomberg consensus and 23.9% of our forecast for 2020E.

Details

Credit growth increased by just 2.6% YTD. The bank targets 15% credit growth for 2020E, while we estimate 12% YoY growth. Net interest income was VND8.0 tn (-0.5% QoQ/ but +14.2% YoY).

Net fees were VND695 bn in 1Q20 (-32.4% QoQ/+33.4% YoY).

Net gains from trading and investment jumped by +80% QoQ and +331% YoY to reach VND739bn. Other incomes (mostly loan loss recoveries) were down -27.2% QoQ but up +59.5% YoY to achieve VND451 bn in 1Q20.

1Q20 NPL ratio was 3.03% (-39bps QoQ/-59bps YoY). However, provisioning costs increased +0.5% QoQ and +15.8% YoY to reach VND3.7 tn in 1Q20. The bank's loan loss reserve (LLR) coverage ratio increased by +9ppt QoQ/+7ppt YoY to reach 55% in 1Q20.

Our view

Credit costs & LLR are key to monitoring asset quality in 2020. [SBV's forbearance policies](#) reduce the information value of reported NPLs. Banks should be increasing provisions and loan loss coverage to prepare for future recognition of credit quality deterioration.

However, VPB's current LLR coverage of 55% is low and the bank might need to increase provisions to weather the probable asset quality deterioration in upcoming quarters.

Earnings forecasts for 2020E may be stretched. Credit growth, NIM, fee income, and provision costs will all be under pressure. Trading gains may not be sustained throughout the year.

Low leverage and strong solvency capital should help VPB weather the storm. The bank's asset leverage of 8.9x is the second lowest in Vietnam. Total CAR (Basel II) was 11.1% at 4Q19, and most of this is Tier 1 capital (10.7%).

VPB trades at 0.9x 2020E P/B. We forecast 2020E ROE of 21.5%. We are now reviewing our model as we reflect on the potential economic and policy impact of the outbreak, we believe that such a high ROE should still be achievable once the crisis impact is over.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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Ratings Definitions

BUY: We have a positive outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors add to their position.

HOLD–Outperform: In our view, the stock's fundamentals are relatively more attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

HOLD–Underperform: In our view, the stock's fundamentals are relatively less attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

SELL: We have a negative outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors reduce their position.

Under Review: We actively follow the company, although our estimates, rating and target price are under review.

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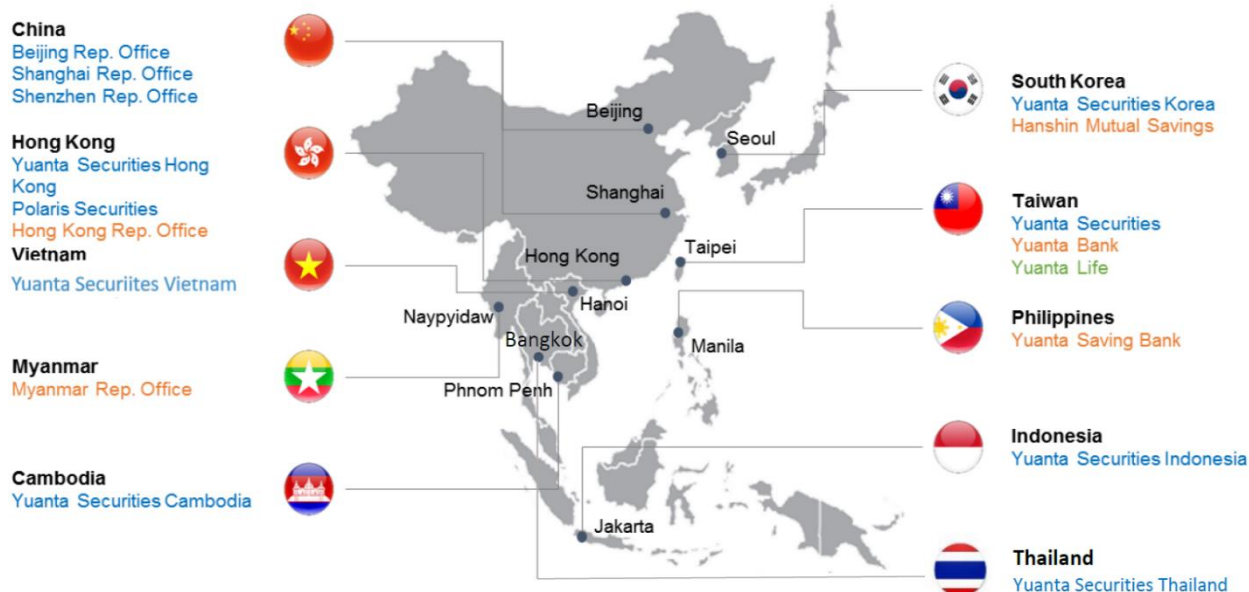
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