

Vietnam Prosperity Bank [VPB VN]

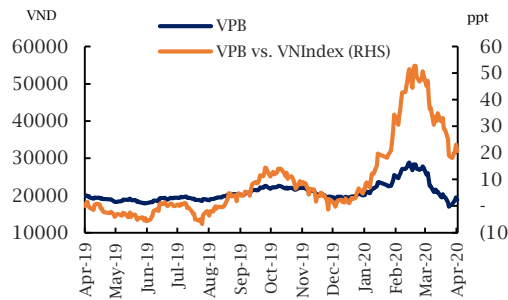
8 April 2020

BUY

TP upside/(downside) +36%

Close 08 Apr 2020

Price VND 18,750
12M Target VND 25,530



Market cap	US\$1.9 bn
6M avg. daily turnover	US\$3.0 mn
Outstanding shares	2,438 mn
Free float	73%
FINI ownership	23.4%
Major shareholders	39.6%
Asset/equity (x)	8.9
2020E P/E (x)	4.7
2020E P/B (x)	0.9
FOL remaining room	0.0%
2020E Dividend yield	0.0%

Source: Bloomberg

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Bloomberg code: YUTA

Event: VPB discusses the impact of Covid-19

VPB disclosed several forbearance measures for borrowers who have been economically impacted by the coronavirus. Details:

- **For corporate borrowers**, VPB has reduced interest rates by 1.5ppt for COVID-affected clients and by up to 2ppt for corporates with solid repayment histories & credit ratings.
- **For individual borrowers ((bank only)**, VPB has slashed rates by up to 3ppt for 3–6 months, depending on the loan package.
- **For consumer finance customers**, FE Credit has reduced rates by up to 10% of monthly installment payments and/or waived a portion of interest payments for loans in categories 2 to 5.
- **Impact is still unclear**. VPB states that many individuals and corporates have applied for loan restructuring. Without disclosing numbers, the bank said that this represents just a small portion of total loans.
- **VPB has also waived fees** on fast interbank money transfers for all transactions, is paying an additional 0.2ppt for online deposits, and has cut online shopping fees by 10–25%. VPB disclosed that total online transaction value in 1Q20 increased 25% YoY, while online transaction volumes jumped 50% YoY.
- **1Q20 results preview**. VPB did not disclose details of its 1Q20 financials, but stays that it performed well in terms of credit growth, revenue, and net profit.

Our take:

Lower credit growth, NIM, and net fee income are extremely likely to result from this, while asset quality is clearly under pressure.

Low leverage and strong capital should help VPB weather the storm.

The bank’s asset leverage of 9.1x 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%). For a Vietnamese bank, this represents strong solvency capital.

Valuation is cheap as the stock has come full circle since January VPB now trades at 0.9x 2020E P/BV, which is in line with the sector median despite 2020E ROE of 22% (higher than the sector median ROE of 19%). We have VPB on a **BUY rating**, but our earnings forecasts are currently under review in light of the operational headwinds.

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