

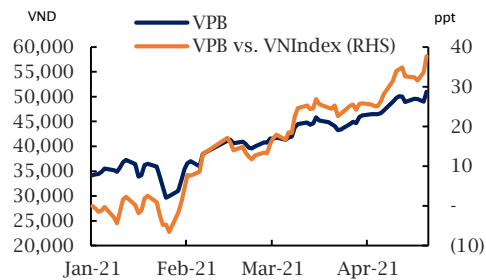
HOLD - Underperform

Close 23 Apr 2021

Price VND 51,000
12M Target VND 22,346

* Our TP is under review.

Share price performance relative to VNI



Source: Bloomberg

Market cap	US\$5.4 bn
6M avg. daily turnover	US\$12.9 mn
Outstanding shares	2,455 mn
Free float	65%
FINI ownership	22.7%
Major shareholders	5.3%
2021E Asset/Equity (*)	7.5x
2021E P/E (*)	12.5x
2021E P/B (*)	2.0x
FOL Remaining Room	0.5%
2021E Dividend yield (*)	0.0%

Source: FiinPro, (*) Yuanta Vietnam

Research Analyst:

Tanh Tran

+84 28 3622 6868 ext
3874

tanh.tran@yuanta.com.vn

Bloomberg code: YUTA

Vietnam Prosperity Bank (VPB VN)

Low impact from Circular 03?

Event

VPB held an analyst meeting on Apr 23, 2021 to discuss its 1Q21 results. Below are some key additional highlights from the meeting. Please see [our report on VPB's 1Q21](#) results for more details on the bank's results, which had been released previously.

Details

The bank reported total credit of VND332 tn (+2.8% YTD). Credit at VPB standalone was VND266 tn (3.6% YTD), contributed by SMEs (14%), retail (39%), and corporate & others (47%).

1 Q21 PBT was VND4.0 tn (+11% QoQ/+38% YoY), of which 80% came from VPB standalone and 20% from FE Credit (vs. 29% in 2020)

The bank is confident in its asset quality, especially restructured loans. Management said that only 2.6% of restructured loans became NPLs, (i.e., VND500 bn). The bank also said that two-thirds of customers are back to normal after restructuring.

On Circular No. 03/2021/TT-NHNN, management estimates that the impact of the Circular 03 to its NPL, provision and profit is insignificant. The total estimated provision impact is about VND1,120 bn (0.4% of 1Q21 total loans) over 3 years. As such, VPB will have to provide an additional of VND340 bn in 2021E, VND330 bn in 2022E, and VND450 bn in 2023E.

The bank's LLR ratio (including write-offs) was 60.5% as at 1Q21.

FE Credit divestment. Management said that they expect to complete a deal in 2Q21. However, but they didn't disclose any details as the deal it is still under discussion.

Dividend is likely not on the table. VPB said that the dividend policy will be discussed in the upcoming AGM on Apr 29. However, they indicated that VPB is unlikely to pay a cash dividend this year.

Our view

Maintain HOLD-Underperform. The stock trades at 2.0x 2021E P/B vs. the sector median of 1.6x, which we attribute mostly to the expectation of the FE Credit IPO. The contribution from FE Credit to the Group's profit has been trending down from 43% in 2019 to 29% in 2020 and only 20% in 1Q21.

The unsecured consumer business continues to remain a key operational concern. However, at this point our target price may overstate the downside risk, and our valuation is now under review.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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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.

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Taiwan persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities Investment Consulting
4F, 225,
Section 3 Nanking East Road, Taipei 104
Taiwan

Hong Kong persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities (Hong Kong) Co. Ltd
23/F, Tower 1, Admiralty Centre
18 Harcourt Road,
Hong Kong

Korean persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Head Office
Yuanta Securities Building
Euljiro 76 Jung-gu
Seoul, Korea 100-845
Tel: +822 3770 3454

Indonesia persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
PT YUANTA SECURITIES INDONESIA
(A member of the Yuanta Group)
Equity Tower, 10th Floor Unit EFGH
SCBD Lot 9
Jl. Jend. Sudirman Kav. 52-53
Tel: (6221) - 5153608 (General)

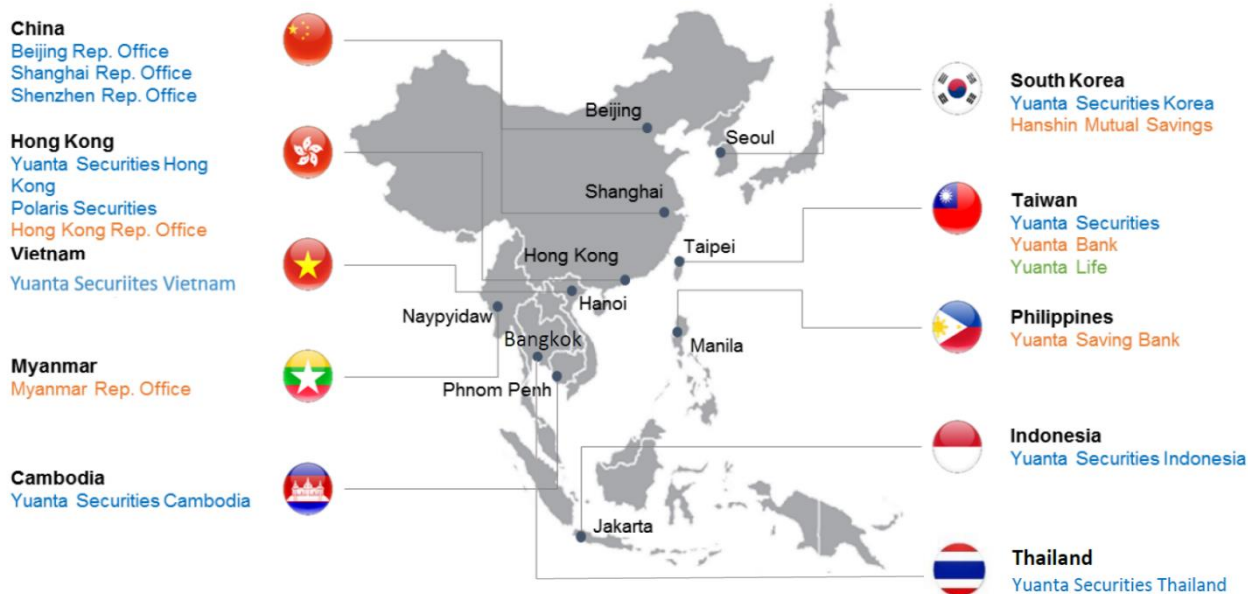
Thailand persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Thailand)
127 Gaysorn Tower, 16th floor
Ratchadamri Road, Pathumwan
Bangkok 10330

Vietnam persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Vietnam)
4th Floor, Saigon Centre
Tower 1, 65 Le Loi Boulevard,
Ben Nghe Ward, District 1,
HCMC, Vietnam

YUANTA SECURITIES NETWORK



YUANTA SECURITIES VIETNAM OFFICE

Head office: 4th Floor, Saigon Centre, Tower 1, 65 Le Loi Boulevard, Ben Nghe Ward, District 1, HCMC, Vietnam

Institutional Research

Matthew Smith, CFA

Head of Research

Tel: +84 28 3622 6868 (ext. 3815)

matthew.smith@yuanta.com.vn

Tam Nguyen

Analyst (Property)

Tel: +84 28 3622 6868 (ext. 3874)

tam.nguyen@yuanta.com.vn

Tram Nguyen

Assistant Analyst

Tel: +84 28 3622 6868 (ext. 3872)

tram.nguyen@yuanta.com.vn

Institutional Sales

Huy Nguyen

Head of Institutional sales

Tel: +84 28 3622 6868 (3808)

Huy.nguyen@yuanta.com.vn

Binh Truong

Deputy Head of Research (O&G, Energy)

Tel: +84 28 3622 6868 (3845)

binh.truong@yuanta.com.vn

Tanh Tran

Analyst (Banks)

Tel: +84 28 3622 6868 (3874)

tanh.tran@yuanta.com.vn

Duyen Nguyen

Sales Trader

Tel: +84 28 3622 6868 (ext. 3890)

duyen.nguyen@yuanta.com.vn