

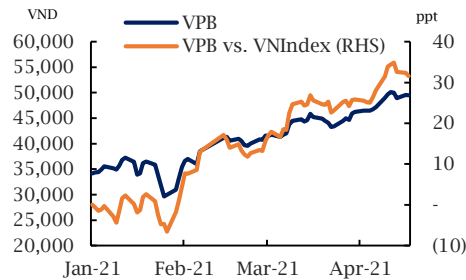
## HOLD - Underperform

Close 20 Apr 2021

Price VND 49,500  
12M Target VND 22,346

\* Our TP is under review.

Share price performance relative to VNI



Source: Bloomberg

Market cap	US\$5.3 bn
6M avg. daily turnover	US\$12.3 mn
Outstanding shares	2,455 mn
Free float	75%
FINI ownership	22.6%
Major shareholders	5.3%
2021E Asset/Equity (*)	7.5x
2021E P/E (*)	12.2x
2021E P/B (*)	2.0x
FOL Remaining Room	0.1%
2021E Dividend yield (*)	0.0%

Source: FiinPro, (\*) Yuanta Vietnam

## Vietnam Prosperity Bank (VPB VN)

### Lower COF and improved CIR

#### Event

VPB reported 1Q21 PATMI of VND3.2 tn (+11% QoQ/+38% YoY). The increase was due to lower cost of funds, lower operating cost, and a substantial jump in NPL recoveries.

#### Details

**Loans reached** VND301 tn (+3.6% YoY). Including corporate bonds, total credit reached VND332 tn (+2.8% YoY).

**1Q21 net interest income** was VND9.1 tn (+4% QoQ/+14% YoY), while NIM on total average assets was 8.53% (+14bps QoQ/+20bps YoY).

**Reduced cost of funds boosted NIM.** VPB's 1Q21 annualized COF decreased to 4.5% (-50bps QoQ/-1.6ppt YoY) in our calculation. CASA ratio increased to 17.0% (+1.4ppt QoQ/+4.8ppt YoY).

**1Q21 net fee income** was VND987 bn (-4% QoQ/ +42% YoY).

**Other income (mostly NPL recoveries) increased** by +9% QoQ /+75% YoY to reach VND789 bn.

**Opex decreased** by -6% QoQ/-21% YoY to reach VND2.6 tn, which was attributable to digitization. **Adjusted cost to income (CIR)** ratio decreased to 25.3% in 1Q21 (-2.5ppt QoQ/-9.5ppt YoY).

**Provisioning jumped** by +3% QoQ/+20% YoY to reach VND4.5 tn in 1Q21. Group NPLs were VND10.4 tn (+5% QoQ/+31% YoY) as at 1Q21, with the NPL increasing to 3.46% (+5bps QoQ/+43bps YoY). The parent bank NPL ratio decreased to 2.17% (-35bps QoQ/-48bps YoY).

**LLR ratio was 44% (-1ppt QoQ/-8ppt YoY)** in 1Q21.

**Short-term capital used for medium and long-term loans** was 29.9%, well below the SBV's cap of 40%. LDR was 73.5% vs. the limit of 85%.

**Capital levels continue to remain strong**, with total CAR of nearly 12%, well above the minimum requirement of 8%.

#### Our view

**Continue to keep an eye on NPLs, especially at FE Credit.** We estimate that the consumer finance subsidiary's NPL ratio is 7.7% as at 1Q21 (+1.5ppt QoQ/+3.6 ppt YoY).

**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 a listing of FE Credit. However, the unsecured consumer business continues to remain a key operational concern. However, at this point our target price may overstate the downside risk; our model and valuation are now under review.

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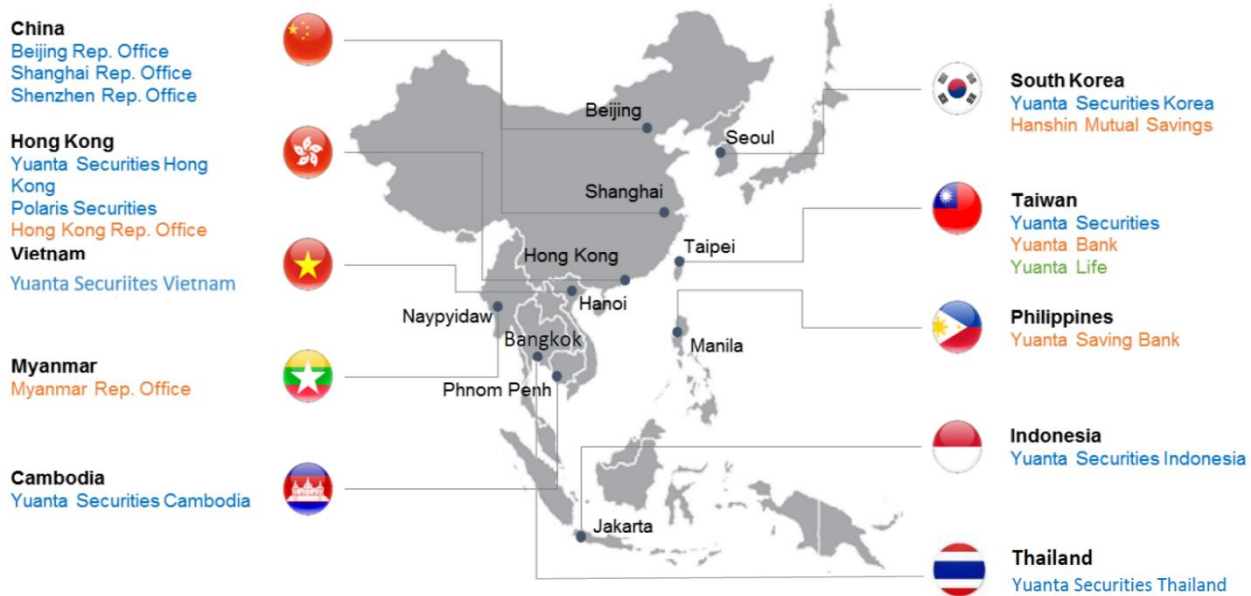
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