

Vietnam Prosperity Bank [VPB VN]

23 July 2021

HOLD-Outperform
TP upside (downside) +9%
Close 22 July 2021

Price VND 60,800
 12M Target VND 66,485
 Previous Target VND 22,500

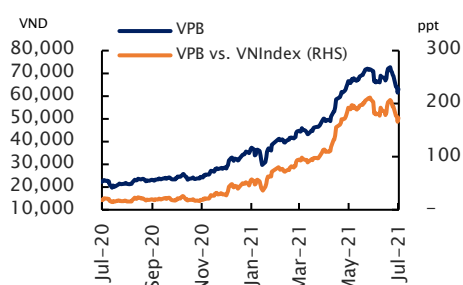
What's new?

- We increase our PATMI forecasts by 29% for 2021E and 31% for 2022E.
- Credit growth forecast increased due to stronger capital.
- Forecasts increased for NIM on reduced expected funding cost.
- We increase our target price after this long-awaited model revisit.

Our view

- Upgrade to HOLD-Outperform with 9% 12-month TSR.
- Valuation is reasonable at 1.8x 2021E P/B with 2021E ROE of 18%.
- Reduced risk from unsecured consumer. FE Credit divestment was well-timed given the COVID impact, in our view.

Company profile: VPB is a solid bank with strong capital, high historical profitability, and high-quality management. CAR under Basel II was 12.3% as at 2Q21. In Apr 2021, VPB sold 49% of FE Credit, its unsecured consumer finance subsidiary, to Sumitomo Mitsui.

Share price performance relative to VNIndex


Market cap	US\$6.6 bn
6M avg. daily turnover	US\$49 mn
Outstanding shares	2,455 mn
Free float	65%
FINI ownership	15%
Major shareholders	10.4%
2021E Asset/Equity (*)	5.3x
2021E P/E (*)	12.6x
2021E P/B (*)	1.8x
FOL Remaining Room	0.0%
2021E Dividend yield (*)	0.0%

Source: FiiPro, Yuanta Vietnam

	2020A	2021E	2022E	2023E
NIM (%)	8.80%	9.64%	9.63%	9.69%
Fee growth (%)	20%	26%	28%	34%
CIR	29%	28%	28%	28%
PPOP growth (%)	15%	26%	16%	17%
PATMI (VND bn)	10,414	11,804	13,663	17,119
ROAA (%)	2.62%	3.06%	3.08%	3.38%
ROAE (%)	21.9%	17.5%	15.5%	16.8%
PE (x)	14.2	12.6	10.9	8.7
PB (x)	2.8	1.8	1.6	1.4
Div. yield (%)	0.0%	0.0%	0.0%	0.0%

Source: Company Data, Yuanta Vietnam

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Vietnam Prosperity Bank

Strong capital to drive business growth

Expanding credit growth. We expect loan growth to expand after VPB's capital raise. Our 2021E loan growth forecast is 16% YoY.

NIM forecasts increased as we expect funding costs at FE Credit to decrease given support from its strategic partner, Sumitomo Mitsui.

We assume VPB's credit costs will increase regardless of deferred classification downgrades. We factor in provisioning for restructured loans as the prudent method of valuing the company.

We increase our PATMI forecasts by +29% for 2021E and 31% for 2022E with increased net interest income as the key upside driver offset by increased provisioning cost forecasts. Our increased forecasts imply earnings increase of +13% YoY for 2021E and +16% YoY for 2022E.

Our increased PATMI forecast is 7% below the consensus for 2021E. We believe that our provision assumption is higher than the Street's.

Risk exposure to FE Credit falls by half after VPB sold 49% of FE Credit to Sumitomo Mitsui. By the same token, FE Credit's profit contribution to VPB will also decrease by the same level. We have factored this in as minority interests in our model's P&L and balance sheet forecasts.

Capital levels will be strong, perhaps the highest among banks in Vietnam after selling the FE Credit stake and its capital raising plans in 2021E-22E. We estimate CAR post-FE Credit deal to reach 17%.

We upgrade to HOLD-Outperform. VPB trades at 1.8x 2021E P/BV which is lower than the sector median. However, our ROE forecast of 18% is lower than that of the peer median of 19%, as the increased capital base will pressure ROE. Our target implies +9% total shareholder returns. A possible upside catalyst for the shares: VPB plans to sell a 15% stake to foreign investors in 2021E or early 2022E.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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Table 1: Valuations

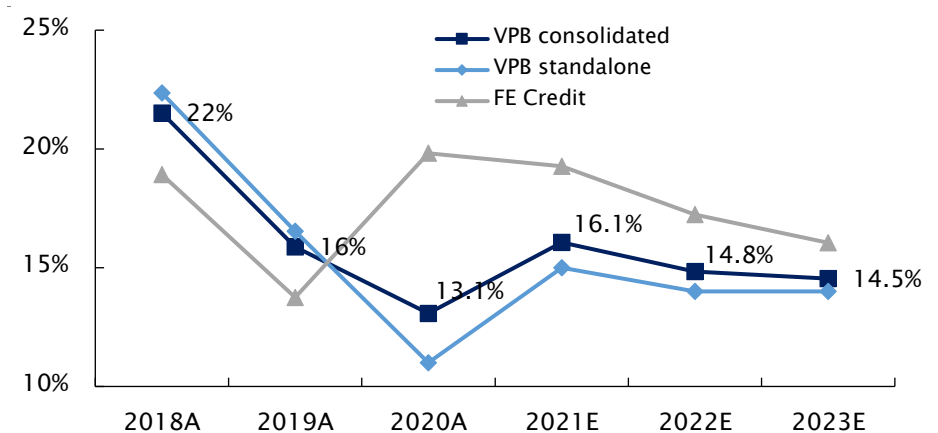
Valuation Ratios	2018A	2019A	2020A	2021E	2022E	2023E
Adjusted PER (x)	20.0	18.0	14.2	12.6	10.9	8.7
PEG	2.8	1.5	0.5	1.0	0.7	0.3
Adj. ROA (%)	2.45%	2.36%	2.62%	3.06%	3.08%	3.39%
Adj. ROE (%)	22.8%	21.5%	21.9%	17.5%	15.5%	16.8%
PBR (x)	4.3	3.5	2.8	1.8	1.6	1.4
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data, Yuanta Vietnam

Credit growth expansion with stronger capital

We increase our loan growth forecast by 4ppt to 16% in 2021E and 3ppt to 15% in 2022E. VPB's capital level will be strong after divestment gains from FE Credit and capital raising plans in 2022E. We estimate CAR to reach 17% after factoring in the divestment gains from the FE Credit deal, which we believe to be the highest level among all banks in Vietnam.

The SBV granted a new credit growth quota of 12.1% YoY for 2021 versus the initial quota of 8.5% YoY. However, VPB plans to increase its charter capital from VND25 tn to VND45 tn through stock dividends and bonus shares in 2021E. We expect this high capital level to elicit another increase in VPB's credit growth quota from the SBV before yearend.

Figure 3: Loan growth

Source: FiinPro, Yuanta Vietnam

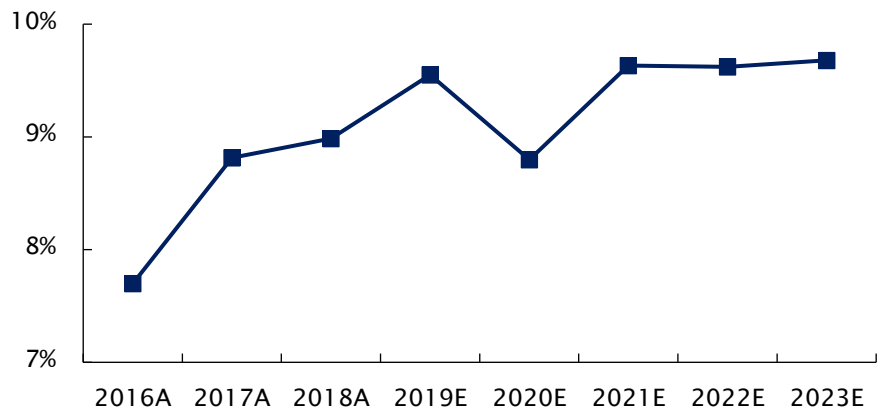
Note: Credit growth in this chart excludes corporate bonds.

NIM forecasts increased by 84bps to 9.64% for 2021E and 1.02ppt to 9.63% for 2022E as we expect funding costs to decline.

FE Credit's funding cost was about 9% on average for the period 2019–2020. However, we expect FE Credit's funding cost to decline given the support from Sumitomo Mitsui. As a comparison, HD Saison's funding cost, which is supported by its Japanese partner Credit Saison, was about 7.5% on average for the period 2019–2020. Thus, we expect FE Credit's funding cost will decline to about 7–8% on average.

In addition, the capital gain of about VND32,300 bn (USD1.4 bn) from selling FE Credit can be used as free funds for lending. With an average loan yield of 15% in 2019–2020, we estimate that VND32,300 bn of free funds would generate an additional of VND5.0 tn of net interest income (i.e., 15% of net interest income in 2020A). A more realistic asset yield of 10% (i.e., the parent bank's average yield) would generate VND3.2tn (10% of 2020 consolidated net interest income and 22% of the parent bank's 2020 net interest income).

Figure 4: NIM (%)



Source: FiinPro, Yuanta Vietnam

Fee income should increase. We expect VPB to renegotiate its bancassurance exclusivity contract to obtain a higher “upfront” fee. We haven’t factored this into our model as the details are unclear, but we believe this will take place in 2021E or early 2022E. VPB ranked 6th in terms of banca premium sales in Jun 2021, with annual premium equivalent (APE) of VND83 bn/month. If VPB is able to sign a new bancassurance exclusivity deal, we would expect the bank to receive about VND7–8 tn in upfront fees. This estimate is based on several comparable deals, as presented below:

Table 2: Estimated upfront fees from recent bancassurance exclusivity deals*

Banks	No. of clients at the time of signing the deal (mn)	No. of branches / offices	Network (cities)	Year (signed the deal)	Term (years)	Partner	Estimated upfront fee (VND bn)
VCB	10	552	53	Nov-19	15	FWD	9,000
TCB	5	315	45	Sep-17	15	Manulife	1,500
ACB	5	371	47	2020	15	Sun Life	8,500
CTG	14	1,150	63	2020	16	Manulife	N/A
VPB (old)	5	216	51	Oct-17	15	AIA	1,800
VPB (new)	5	233		2021E	???	???	8,000

Source: tapchitaichinh.vn, Yuanta Vietnam

* Note: All data for ACB, VCB, TCB, and VPB (old) are estimated numbers at the time of contract signing. Yuanta Vietnam estimate for VPB (new).

Increased credit cost assumptions. On the surface, rescheduling loan payments while maintaining debt categorizations should constrain reported NPLs in 2020E.

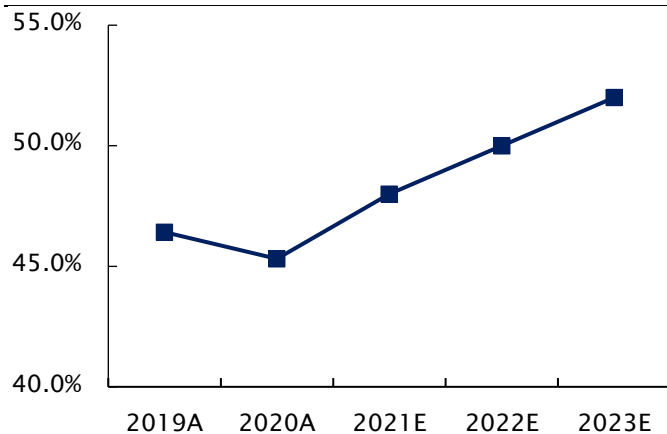
Circular 03/2021/TT-NHNN allows banks to provision for restructured loans over three years. This should partly help to reduce provisioning pressure and thus improve earnings, especially for banks with low loan loss reserve coverage such as VPB.

Regardless, we expect the bank to set aside higher provisions on an ongoing basis despite the lack of any change in reported NPLs. Doing so would clearly be prudent. Higher provisions would boost its observed coverage ratio, but given the likely rise in NPLs in 2021–22E, investors should take those numbers with a grain of salt when estimating a valuation for the stock.

VPB’s current LLR coverage of 45% (+1ppt QoQ/-4ppt YoY) as at 2Q21. We believe that VPB’s current LLR is low, even with the bank’s reported LLR on and off-balance sheet of about 60%. The bank should increase provisions to weather the probable asset quality deterioration in upcoming quarters. Whether

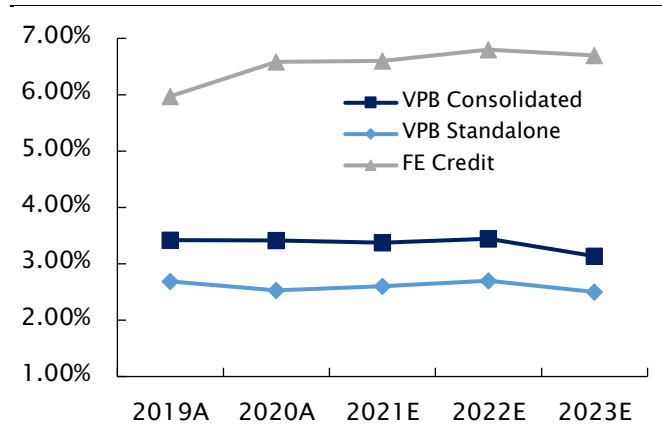
or not that actually happens, investors should assume increased provisioning as part of their valuation approach. We assume provisioning costs of VND17.7 tn (+21% YoY) in 2021E.

Figure 5: VPB's Consolidated LLR ratio



Source: FiinPro, Yuanta Vietnam

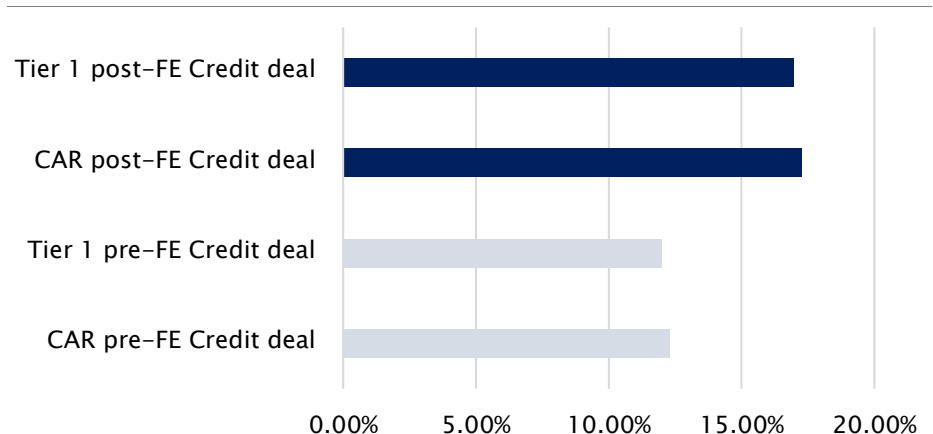
Figure 6: NPL ratios



Source: FiinPro, Yuanta Vietnam

Solid balance sheet: Low leverage and strong solvency capital should help VPB weather the storm. The bank's 2Q21 asset leverage of 7.8x is the second lowest in Vietnam. Total CAR (Basel II) was 12.3% at 2Q21, and most of this is Tier 1 capital (12.0%). After factoring divestment gain from selling 49% stake of FE Credit to Sumitomo, we estimate VPB's CAR to reach 17.3%.

Figure 7: CAR estimate (%)



Source: Company Data, Yuanta Vietnam

Catalyst: VPB plans to sell a 15% stake to strategic foreign investor

The bank plans to sell a 15% stake to foreign investors via private placement in 2021. Obviously, we don't know the details of investors, valuation, or when/if the deal will really occur. However, below are different scenarios for VPB's P/BV estimation from selling a 15% stake to a foreign strategic investor.

Table 3: Estimated selling price to strategic investors

	2021E					
Book value	81,795					
Shares	2,455					
BVPS	33,321					
Current Price (on Jul 21)	60,800					
2021E PB	1.8x					
Assumption on PB	1.6x	1.7x	1.8x	1.9x	2.0x	2.1x
Target price (VND/share)	53,314	56,646	59,978	63,310	66,642	69,975
Premium to the current price	-12%	-7%	-1%	4%	10%	15%

Source: Company Data, Yuanta Vietnam

Valuation table

Valuation Methods	Average Fair Value (VND/share)		
	Estimated Price	Weight (%)	Price
Residual Income	60,947	50.0%	30,474
Regression	76,580	25.0%	19,145
Public Comps	67,465	25.0%	16,866
Estimated Fair Value			66,485

Residual Income approach

Terminal Net Income Growth Rate:	4.0%
Projected Net Income 1 Year After Period:	50,801
Residual Income Terminal Value:	81,302
(+) Current Common Shareholders' Equity:	90,485
(+) PV of Residual Income Terminal Value:	16,883
(+) Sum of PV of Residual Income:	42,242
Implied Equity Value:	149,610
Implied Share Price:	60,947

Source: Yuanta Vietnam

Sensitivity table: ROE vs. Cost of equity

	Initial Cost of Equity (Declines by 0.40% Annually):							
	12.5%	13.0%	13.5%	13.9%	14.5%	15.0%	15.5%	
15.0%	95,471	84,903	76,007	70,587	62,554	56,859	51,903	
14.5%	91,957	81,855	73,347	68,162	60,472	55,017	50,268	
14.0%	88,457	78,820	70,698	65,746	58,399	53,184	48,640	
13.5%	84,973	75,798	68,061	63,342	56,335	51,358	47,018	
13.0%	81,504	72,789	65,435	60,947	54,280	49,540	45,404	
12.5%	78,050	69,793	62,821	58,563	52,233	47,729	43,797	
12.0%	74,611	66,810	60,218	56,189	50,196	45,927	42,197	
11.5%	71,187	63,840	57,626	53,826	48,167	44,132	40,603	
11.0%	67,778	60,883	55,046	51,473	46,147	42,346	39,017	

Source: Yuanta Vietnam

Yuanta vs. Consensus

Net income (VND bn)	2021E	2022E
Consensus mean	12,749	15,859
Yuanta forecast (adjusted)	11,819	13,694
%ge difference	-7.4%	-13.9%
Consensus high	13,623	24,910
Consensus low	11,900	14,181
Net income (VND bn)		
Consensus mean	5,660	5,954
Yuanta forecast (adjusted)	4,815	5,579
%ge difference	-15.1%	-6.5%
Consensus high	9,104	6,207
Consensus low	4,896	5,577

Source: Bloomberg, Yuanta Vietnam

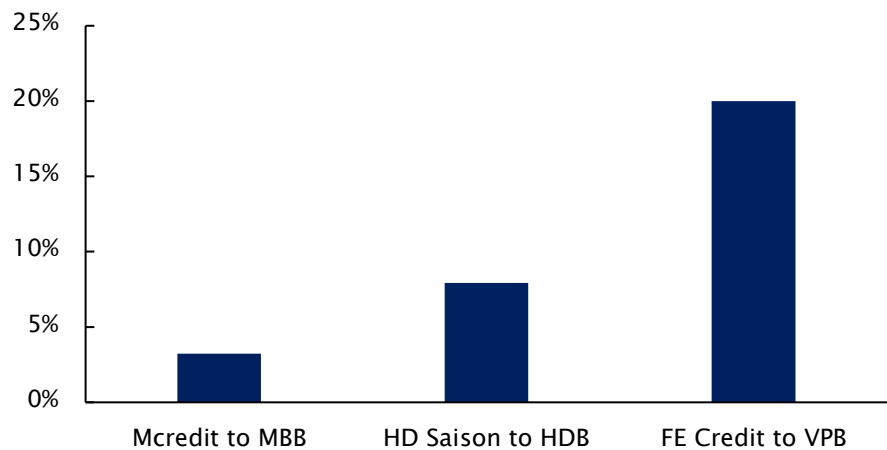
Risks to our investment view

VPB's unsecured consumer finance business remains a key concern amid the impact of the pandemic. We expect NPLs and provision to increase at FE Credit, which will hurt earnings. However, VPB's risk exposure to unsecured consumer finance has been reduced by half after selling a 49% stake of FE Credit to Sumitomo Mitsui. We think that was a considerable success for VPB's management both in terms of the bank's operations and the asset's premium valuation.

Banks that are associated with unsecured consumer finance (i.e. VPB, HDB, and MBB) are likely to suffer the most from the impact of the pandemic, in our view. VPB should be considerably more impacted compared to HDB and MBB given its higher exposure to consumer finance. As at 2Q21, FE Credit accounts for 20% of VPB's consolidated loans, whereas HD Saison accounts for just 8% of HDB's consolidated loans, and MCredit accounts for about 3% of MBB's consolidated loans (see figure 8 below).

However, on the positive side, VPB reduced its ownership in FE Credit to only 50% after selling a 49% stake to Sumitomo Mitsui in April 2021, which reduces its risk exposure given that both shareholders would share in any losses from the unsecured consumer finance business.

Figure 8: Loans contribution from consumer finance companies to banks



Source: Company Data, Yuanta Vietnam

The table below illustrates the degree of impact on each bank's CAR, book value, and current PB multiple from potential loan losses at their consumer finance subsidiaries.

Table 4 – Impact on VPB’s CARs, BVPS, and P/BV from potential loan loss at FE Credit

VPB (owns 50% of FE Credit)	1Q21						
VPB's Gross Loan (VND bn)	301,173						
FE Credit's loan (VND bn)	66,000						
% Loan write-offs at FE Credit	0%	10.0%	20.0%	30.0%	40.0%	50.0%	100.0%
Loan loss at FE attribute to VPB (VND bn)	–	6,600	13,200	19,800	26,400	33,000	66,000
<i>of which are attributable to VPB (VND bn)</i>	–	<i>3,300</i>	<i>6,600</i>	<i>9,900</i>	<i>13,200</i>	<i>16,500</i>	<i>33,000</i>
VPB's equity (Tier 1 Capital) (VND bn)	81,867	78,567	75,267	71,967	68,667	65,367	48,867
Tier 2 capital (VND bn)	1,458	1,458	1,458	1,458	1,458	1,458	1,458
Total Capital (VND bn)	83,325	80,025	76,725	73,425	70,125	66,825	50,325
RWA (VND bn)	482,763	482,763	482,763	482,763	482,763	482,763	482,763
CAR (%)	17.3%	16.6%	15.9%	15.2%	14.5%	13.8%	10.4%
Tier 1 ratio (%)	17.0%	16.3%	15.6%	14.9%	14.2%	13.5%	10.1%
BVPS (VND)	33,350	32,006	30,662	29,317	27,973	26,629	19,907
P/BV (x)	2.1	2.2	2.3	2.4	2.5	2.7	3.6

* Please note that we took into account divestment gains from FE Credit stake selling to VPB's total equity

Table 5 – Impact on MBB’s CARs, BVPS, and P/BV from potential loan loss at MCredit

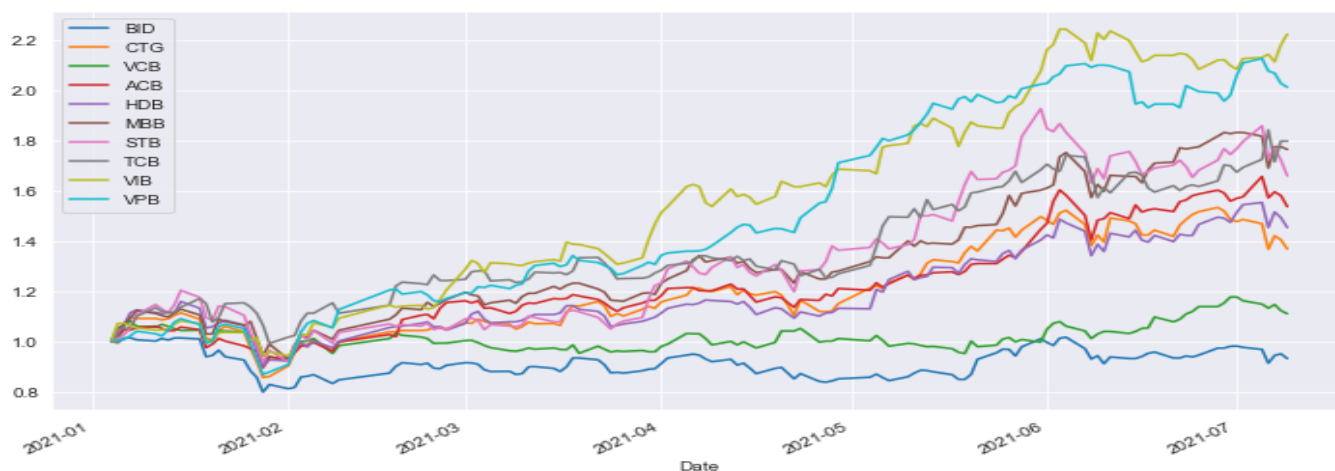
MBB (owns 50% of MCredit)	1Q21						
VPB's Gross Loan (VND bn)	324,007						
FE Credit's loan (VND bn)	10,500						
% Loan write-offs at FE Credit	0%	10.0%	20.0%	30.0%	40.0%	50.0%	100.0%
Loan loss at FE attribute to VPB (VND bn)	–	1,050	2,100	3,150	4,200	5,250	10,500
<i>of which are attributable to VPB (VND bn)</i>	–	<i>525</i>	<i>1,050</i>	<i>1,575</i>	<i>2,100</i>	<i>2,625</i>	<i>5,250</i>
MBB's equity (Tier 1 Capital) (VND bn)	46,962	46,437	45,912	45,387	44,862	44,337	41,712
Tier 2 capital (VND bn)	4,691	4,691	4,691	4,691	4,691	4,691	4,691
Total Capital (VND bn)	51,653	51,128	50,603	50,078	49,553	49,028	46,403
RWA (VND bn)	495,788	495,788	495,788	495,788	495,788	495,788	495,788
CAR (%)	10.4%	10.3%	10.2%	10.1%	10.0%	9.9%	9.4%
Tier 1 ratio (%)	9.47%	9.4%	9.3%	9.2%	9.0%	8.9%	8.4%
BVPS (VND)	19,196	16,592	16,404	16,217	16,029	15,842	14,904
P/BV (x)	2.1	2.4	2.4	2.5	2.5	2.5	2.7

Table 6 – Impact on HDB’s CARs, BVPS, and P/BV from potential loan loss at HD Saison

HDB (owns 50% of HD Saison)	1Q21						
VPB's Gross Loan (VND bn)	187,279						
FE Credit's loan (VND bn)	14,852						
% Loan write-offs at FE Credit	0%	10.0%	20.0%	30.0%	40.0%	50.0%	100.0%
Loan loss at FE attribute to VPB (VND bn)	–	1,485	2,970	4,456	5,941	7,426	14,852
<i>of which are attributable to VPB (VND bn)</i>	–	<i>743</i>	<i>1,485</i>	<i>2,228</i>	<i>2,970</i>	<i>3,713</i>	<i>7,426</i>
HDB's equity (Tier 1 Capital) (VND bn)	22,886	22,143	21,401	20,658	19,916	19,173	15,460
Tier 2 capital (VND bn)	7,223	7,223	7,223	7,223	7,223	7,223	7,223
Total Capital (VND bn)	30,090	29,366	28,623	27,881	27,138	26,396	22,683
RWA (VND bn)	248,620	248,620	248,620	248,620	248,620	248,620	248,620
CAR (%)	12.1%	11.8%	11.5%	11.2%	10.9%	10.6%	9.1%
Tier 1 ratio (%)	9.2%	8.9%	8.6%	8.3%	8.0%	7.7%	6.2%
BVPS (VND)	16,572	13,894	13,428	12,962	12,496	12,030	9,700
P/BV (x)	2.1	2.5	2.6	2.7	2.8	2.9	3.6

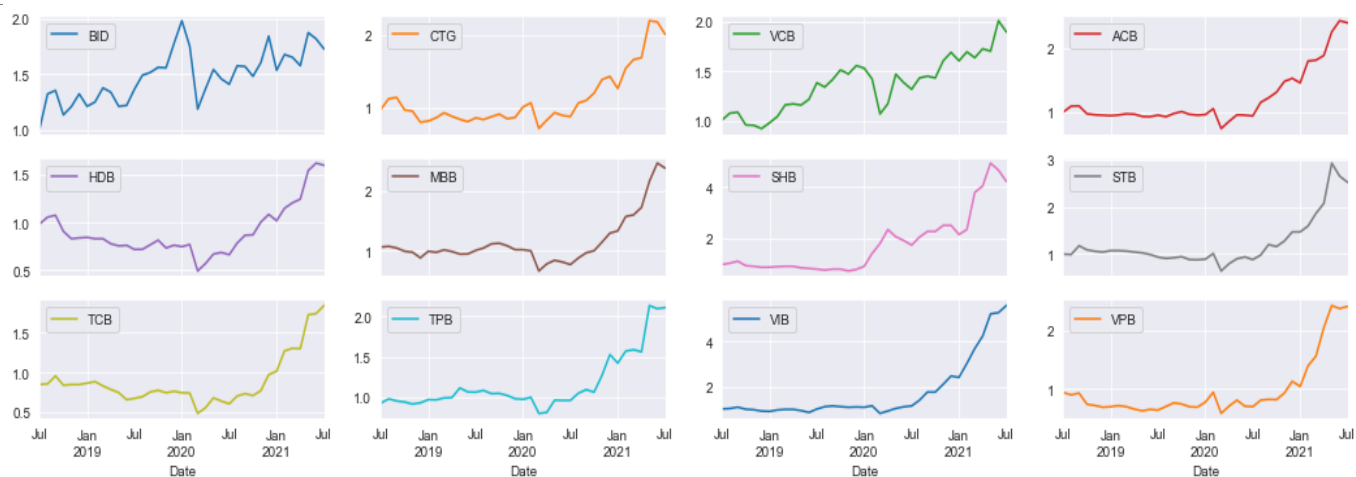
Basic Statistics

Figure 9: Banks stock prices from Jan to Jul 2021 (all prices start at 1)



Source: Bloomberg, Yuanta Vietnam

Figure 10: Banks' Cumulative return ((based on monthly return from Jan 2018 to Jul 2021))



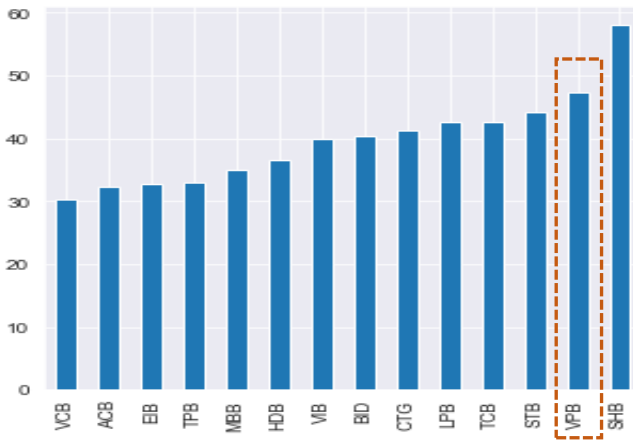
Source: Bloomberg, Yuanta Vietnam

Figure 11: Correlation between banks (based on monthly return from Jan 2018 to Jul 2021)

	BID	CTG	VCB	ACB	HDB	EIB	MBB	LPB	SHB	STB	TCB	TPB	VIB	VPB
BID	1.000000	0.717210	0.619526	0.648155	0.679536	0.295084	0.541602	0.152493	0.015132	0.488433	0.621116	0.542074	0.534771	0.504872
CTG	0.717210	1.000000	0.594840	0.893437	0.837256	0.425367	0.788783	0.159090	0.319132	0.714914	0.729056	0.668075	0.741592	0.743656
VCB	0.619526	0.594840	1.000000	0.638229	0.653444	0.345709	0.652483	0.004269	-0.173676	0.344020	0.527192	0.403596	0.472216	0.479192
ACB	0.648155	0.893437	0.638229	1.000000	0.915696	0.384785	0.844602	0.095468	0.214474	0.718270	0.783370	0.658740	0.775586	0.785318
HDB	0.679536	0.837256	0.653444	0.915696	1.000000	0.478660	0.831548	0.263929	0.194686	0.827253	0.825038	0.737081	0.781148	0.761317
EIB	0.295084	0.425367	0.345709	0.384785	0.478660	1.000000	0.448088	0.491119	0.122104	0.549645	0.440091	0.491725	0.422138	0.598597
MBB	0.541602	0.788783	0.652483	0.844602	0.831548	0.448088	1.000000	0.191872	0.059210	0.726245	0.768241	0.667075	0.768396	0.727667
LPB	0.152493	0.159090	0.004269	0.095468	0.263929	0.491119	0.191872	1.000000	0.256509	0.440115	0.334344	0.346168	0.379654	0.309020
SHB	0.015132	0.319132	-0.173676	0.214474	0.194686	0.122104	0.059210	0.256509	1.000000	0.375141	0.086727	0.062076	0.281131	0.348080
STB	0.488433	0.714914	0.344020	0.718270	0.827253	0.549645	0.726245	0.440115	0.375141	1.000000	0.777542	0.701244	0.774563	0.721488
TCB	0.621116	0.729056	0.527192	0.783370	0.825038	0.440091	0.768241	0.334344	0.086727	0.777542	1.000000	0.775580	0.767709	0.752765
TPB	0.542074	0.668075	0.403596	0.658740	0.737081	0.491725	0.667075	0.346168	0.062076	0.701244	0.775580	1.000000	0.639899	0.564565
VIB	0.534771	0.741592	0.472216	0.775586	0.781148	0.422138	0.768396	0.379654	0.281131	0.774563	0.767709	0.639899	1.000000	0.758980
VPB	0.504872	0.743656	0.479192	0.785318	0.761317	0.598597	0.727667	0.309020	0.348080	0.721488	0.752765	0.564565	0.758980	1.000000

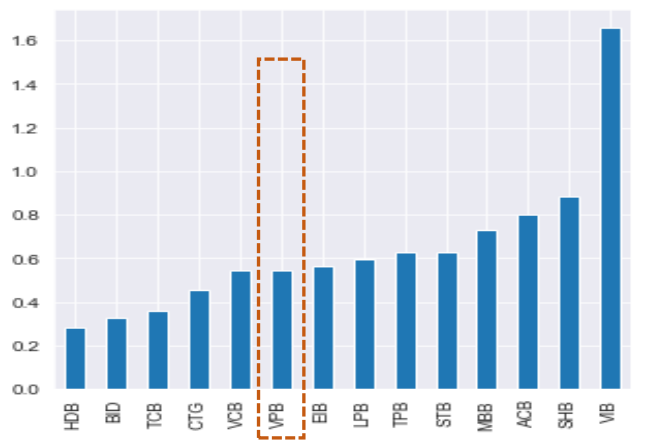
Source: Bloomberg, Yuanta Vietnam

Figure 12: Banks' annualized volatility (Jan 2018–Jul 2021)



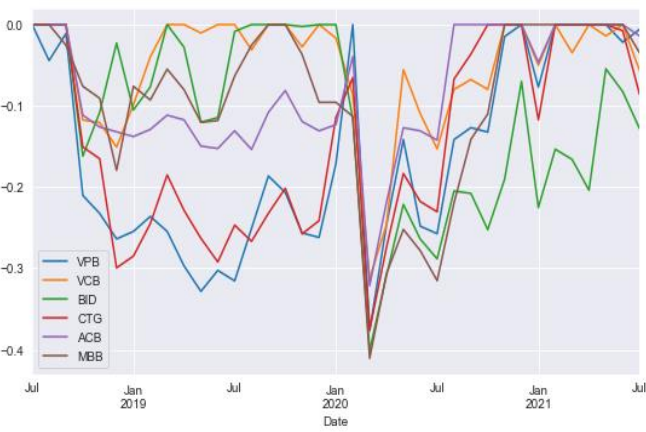
Source: Bloomberg, Yuanta Vietnam

Figure 13: Banks' Sharpe ratio (Jan 2018 – Jul 2021)



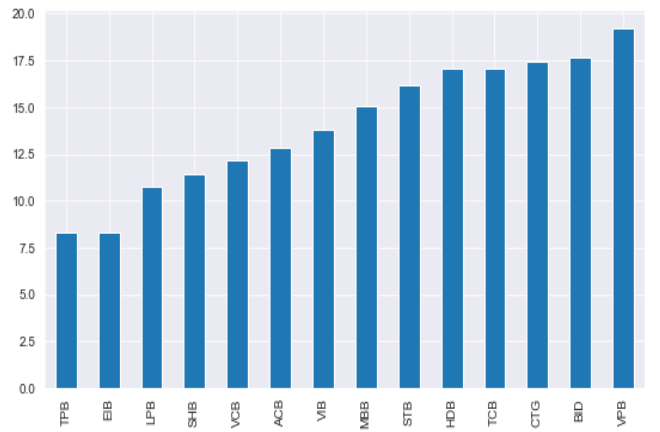
Source: Bloomberg, Yuanta Vietnam

Figure 14: Banks' monthly drawdown



Source: Bloomberg, Yuanta Vietnam

Figure 15: Banks' Value at Risk (VaR) at 5% level



Source: Bloomberg, Yuanta Vietnam

Key financial data (Old vs. New)

Balance Sheet (VND bn)	Old		New		% Difference (New vs. Old)	
	2021E	2022E	2021E	2022E	2021E	2022E
Gross Loans:	320,668	359,400	337,534	387,589	5%	8%
Total Assets:	458,186	516,882	481,128	549,187	5%	6%
Deposits:	273,195	320,143	260,118	300,740	-5%	-6%
Total Liabilities:	400,219	449,484	390,644	445,009	-2%	-1%
Capital & Premium:	25,992	25,992	25,665	25,665	-1%	-1%
Total Equity:	57,967	67,397	90,485	104,179	56%	55%
Total Liabilities & Equity:	458,186	516,882	481,128	549,187	5%	6%

Income Statement (VND bn)	Old		New		% Difference (New vs. Old)	
	2021E	2022E	2021E	2022E	2021E	2022E
Net interest income	35,560	39,421	40,296	46,426	13%	18%
Net fee income	4,112	5,118	4,225	5,420	3%	6%
Adj. TOI:	40,934	45,497	45,898	53,133	12%	17%
Total Expenses:	(14,085)	(15,513)	(13,454)	(15,572)	-4%	0%
PPOP:	26,849	29,984	32,444	37,562	21%	25%
Gross provision	(17,285)	(19,454)	(17,704)	(20,603)	2%	6%
NPL recoveries	1,845	2,568	2,483	2,894	35%	13%
Net Provisions:	(15,440)	(16,887)	(15,221)	(17,710)	-1%	5%
Pre-Tax Income:	11,409	13,097	17,224	19,852	51%	52%
(-) Tax:	(2,282)	(2,619)	(3,445)	(3,970)	51%	52%
Net Income	9,127	10,478	13,779	15,882	51%	52%
(-) Minority Interest	-	-	(1,960)	(2,188)	N/A	N/A
PATMI	9,127	10,478	11,819	13,694	29%	31%

Source: Yuanta Vietnam

Financial Statement (Revised)

Balance Sheet

(VND bn)	2020A	2021E	2022E	2023E
Cash & Balances at SBV	9,062	12,200	14,105	16,170
Loans to banks	19,555	23,818	27,538	31,570
Investment securities	45,174	50,339	58,200	66,723
Corporate bonds + others:	32,302	35,995	41,616	47,710
Gross Loans:	290,816	337,534	387,589	443,929
(-) Specific Provisions:	(2,429)	(3,151)	(4,012)	(4,188)
(-) General Provisions:	(2,068)	(2,319)	(2,663)	(3,050)
Total provisions:	(4,497)	(5,470)	(6,675)	(7,239)
Net Loans:	286,319	332,063	380,914	436,690
Fixed Tangible asset:	1,212	1,273	1,336	1,403
Intangible Assets:	651	651	651	651
Real estate investment	-	-	-	-
Accrued interests:	5,037	5,037	5,037	5,037
Other assets:	19,715	19,752	19,790	19,828
Total Assets:	419,027	481,128	549,187	625,782
Deposits:	233,428	260,118	300,740	344,777
Due to SBV & banks:	56,526	55,478	63,703	72,960
Subordinated notes	62,845	65,988	69,287	72,752
Other Liabilities:	13,434	9,060	11,278	13,947
Total Liabilities:	366,233	390,644	445,009	504,436
Capital & Premium:	25,665	25,665	25,665	25,665
Reserves:	11,912	11,912	11,912	11,912
Treasury Shares	(2,199)	(2,199)	(2,199)	(2,199)
Retained Earnings:	17,415	55,106	68,801	85,967
Total Equity:	52,794	90,485	104,179	121,345
Minority interests:	-	8,689	9,993	11,492
Equity attr. to shareholders	52,794	81,795	94,186	109,854
Total Liabilities & Equity:	419,027	481,128	549,187	625,782

Profit and Loss

(VND bn)	2020A	2021E	2022E	2023E
Net Interest income	32,346	40,296	46,426	53,626
<i>Net Fee Income</i>	<i>3,356</i>	<i>4,225</i>	<i>5,420</i>	<i>7,254</i>
<i>Other Non-II</i>	<i>1,095</i>	<i>1,378</i>	<i>1,288</i>	<i>1,295</i>
Total Non-II	4,451	5,603	6,708	8,550
TOI	36,797	45,898	53,133	62,176
Total expenses	(11,392)	(13,454)	(15,572)	(18,219)
PPOP:	25,405	32,444	37,562	43,957
Gross Provisions:	(14,622)	(17,704)	(20,603)	(22,371)
NPL Recoveries:	2,236	2,483	2,894	3,300
Net Provisions:	(12,385)	(15,221)	(17,710)	(19,071)
Pre-Tax Income:	13,019	17,224	19,852	24,886
(-) Income Tax:	(2,606)	(3,445)	(3,970)	(4,977)
Net Income	10,414	13,779	15,882	19,909
(-) Minority Interest	-	(1,960)	(2,188)	(2,742)
PATMI	10,414	11,819	13,694	17,167

Source: Company data, Yuanta Vietnam

Selected Calculated Ratios (Revised)	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
GROWTH PROJECTIONS						
Net interest income	19.8%	24.2%	5.5%	24.6%	15.2%	15.5%
Fee Income	10.3%	73.1%	20.2%	25.9%	28.3%	33.9%
Other NII	-78.2%	867.3%	25.3%	25.8%	-6.5%	0.6%
Operating costs	19.5%	16.1%	-7.7%	18.1%	15.7%	17.0%
Provision	40.6%	21.6%	6.8%	21.1%	16.4%	8.6%
Adj. Pre-provision profit	16.0%	39.5%	15.5%	27.7%	15.8%	17.0%
Adjusted Net profit	16.9%	12.3%	26.1%	13.5%	15.9%	25.4%
Assets	16.4%	16.7%	11.1%	14.8%	14.1%	13.9%
ASSET ANALYSIS						
Earning assets to total assets	91%	92%	93%	93%	94%	94%
Average Returns on IEAs	2.59%	2.52%	2.80%	2.78%	2.79%	3.05%
LOAN ANALYSIS						
Loan growth (% YoY)	22%	16%	13%	16%	15%	15%
Loans to IEAs	71%	72%	73%	73%	73%	73%
DEPOSIT ANALYSIS						
Deposit growth (YoY %)	28%	25%	9%	11%	16%	15%
Deposits to IBLs	59%	64%	64%	67%	68%	68%
LIQUIDITY						
Pure LDR	128%	118%	123%	128%	127%	127%
ASSET QUALITY						
NPL ratio	3.50%	3.42%	3.41%	3.38%	3.44%	3.14%
General Provisions/Gross loans	0.69%	0.75%	0.71%	0.69%	0.69%	0.69%
LLR	46%	46%	45%	48%	50%	52%
SPREAD ANALYSIS						
Int. rate received on Avg. IEA	14.21%	15.19%	14.06%	14.48%	14.19%	14.20%
Int. rate paid on Avg. IBL	5.81%	6.16%	5.71%	5.62%	5.57%	5.56%
Interest rate spread	8.40%	9.03%	8.35%	8.86%	8.62%	8.64%
NIM	8.71%	9.34%	8.69%	9.48%	9.45%	9.51%
OTHER INCOME						
Adj. Fee income to total income	6%	8%	9%	9%	10%	12%
Other Non-IL to total Income	0%	3%	3%	3%	2%	2%
OPERATING EFFICIENCY						
Cost to income ratio	34%	34%	29%	28%	28%	28%
Adj. Cost to income ratio	40%	36%	31%	29%	29%	29%
CREDIT COSTS						
Provision cost/avg. loans	5.56%	5.71%	5.34%	5.63%	5.68%	5.38%
PROFITABILITY						
Adj. ROAA	2.45%	2.36%	2.62%	3.06%	3.08%	3.39%
Adj. ROAE	22.8%	21.5%	21.9%	17.6%	15.6%	16.8%
Dividend Yield	0%	0%	0%	0%	0%	0%
VALUATIONS						
PER (x)	20.0x	18.0x	14.2x	12.6x	10.9x	8.7x
PBR (x)	4.3x	3.5x	2.8x	1.8x	1.6x	1.4x

Source: Company data, Yuanta Vietnam

Appendix A: Important Disclosures

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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.

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