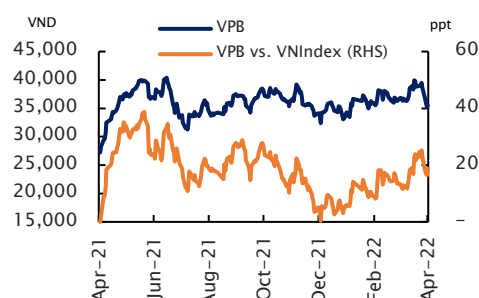


Vietnam: Banks
22 April 2022
BUY
TP upside (downside): +33%
Close 22 Apr 2022

Price	VND 36,800
12M Target	VND 48,820
Previous Target	VND 46,050
% change	+6%

Share price performance relative to VNI

Source: Bloomberg

Market cap	US\$6.9 bn
6M avg. daily turnover	US\$29 mn
Outstanding shares	4,445 mn
Free float	70%
FINI ownership	17.5%
Major shareholders	10.4%
2022E Asset/Equity (*)	5.7x
2022E P/E (*)	8.0x
2022E P/B (*)	1.6x
FOL Remaining Room	0.0%
2022E Dividend yield (*)	0.0%

Source: FiinPro, (*) Yuanta Vietnam

VPB's 1Q22 Results	1Q22	% QoQ	% YoY
NII (VND bn)	9,888	+16%	+8%
Net Fee Inc. (VND bn)	1,249	+4%	+27%
Other non-II (VND bn)	7,133	428%	655%
TOI (VND bn)	18,270	+65%	+65%
Opex (VND bn)	2,991	+5%	+15%
Provision (VND bn)	4,132	-23%	-7%
PATMI (VND bn)	8,672	+257%	+171%
NPL (under Cir.11) (%)	3.76%	+11bps	+75bps
LLR (%)	64%	+3ppt	+20ppt
CASA (%)	22%	-80bps	+5ppt

Source: Company Data, 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)

1Q22 PATMI reached VND8.7 tn (+257% QoQ / +171% YoY). The increase was driven by high net interest income and a one-off upfront fee from the exclusivity bancassurance deal. FE Credit contributed 6% to group PBT (or 13% if we strip out the one-off fee).

Details

Credit increased by +8.6% YTD to reach VND417 tn. FE Credit accounted for 18% of total loans.

1Q22 net interest income was VND9.9 tn (+16% QoQ / +8% YoY).

1Q22 net fee income was VND1.2 tn (+4% QoQ / +27% YoY). Other non-II was VND7.1 tn (+428% QoQ / +655% YoY), which was largely driven by a one-off upfront fee from the exclusivity bancassurance deal with AIA. In 1Q22, VPB and AIA extended the exclusivity bancassurance deal to 19 years from 15 years.

Opex was VND3.0 tn in 1Q22 (+5% QoQ / +15% YoY). CIR was 16%, but the normalized CIR (ex the one-off upfront fee) was 23.4% (-2.4ppt QoQ / -10bps YoY).

Provisioning decreased by -23% QoQ / -7% YoY to reach VND4.1 tn in 1Q22. In 1Q22, VPB booked VND169 bn in provisions against COVID-related restructured loans, and total accumulated provisions for restructured loans reached VND1.3 tn (or 0.4% of total 1Q22 loans).

Restructured loans declined to VND12.7 tn (-21.1% QoQ, accounting for 3.4% consolidated loans) as at 1Q22. Restructured loans of VPBank standalone were VND9.7 tn (-14% YoY, 2.6% of group loans), while that of FE Credit was VND3.0 tn (-38% YoY, 0.8% of group loans).

Consolidated NPL ratio (Cir.11) was 3.76% (+11bps QoQ / +75bps YoY) in 1Q22. LLR ratio was 64% (+3ppt QoQ / +20ppt YoY) in 1Q22, and LLR ratio (on & off BS) was 68% (+3ppt QoQ / +8ppt YoY).

CASA deposits increased by +9% QoQ / +50% YoY to reach VND59 tn. CASA ratio was 22% as at 4Q21 (-80bps QoQ / +5ppt YoY). CAR was 15.3%, well above the Basel II requirement of 8.0%.

Our view

We have increased our 2022E earnings forecast by +35% after the strong 1Q22 earnings results. The upside largely comes from the move to fully book the exclusivity deal income in 1Q22.

High cost efficiency. VPB's CIR is among the lowest in the sector and is on a declining trend - this is a key positive.

Capital level is strong, which will allow for solid business growth.

VPB trades at 1.6x 2022E P/B versus the sector median of 1.5x. Our 2022E ROE forecast of 20% vs. the Bloomberg's sector median of 21%. We increase our target price by 6% to VND48,820 on the back of increased earnings expectations, and 12-month TSR is now 33%.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

Yuanta does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Balance Sheet

(VND bn)	2021A	2022E	2023E	2024E
Cash & Balances at SBV	13,206	15,753	18,615	21,975
Loans to banks	57,105	59,986	70,883	83,680
Investment securities	82,769	95,846	113,256	131,691
Others:	1,312	1,565	1,849	2,183
Gross Loans:	355,281	429,416	501,193	582,557
(-) Specific Provisions:	(7,234)	(11,326)	(14,020)	(15,548)
(-) General Provisions:	(2,657)	(3,211)	(3,748)	(4,356)
Total provisions:	(9,891)	(14,537)	(17,768)	(19,905)
Net Loans:	345,390	414,879	483,425	562,652
Fixed Tangible asset:	1,217	1,217	1,217	1,217
Accrued interests:	4,897	4,652	3,024	2,722
Other Assets:	40,857	42,900	45,045	47,297
Total Assets:	547,409	637,453	737,970	854,072
Deposits:	241,837	288,472	340,874	402,413
Due to SBV & banks:	123,073	123,073	123,073	123,073
Subordinated notes	81,296	81,296	81,296	81,296
Other Liabilities:	14,925	32,108	57,495	80,488
Total Liabilities:	461,131	524,949	602,738	687,271
Capital & Premium:	45,134	45,134	45,134	45,134
Reserves:	12,559	12,559	12,559	12,559
Treasury Shares	(1,761)	(1,761)	(1,761)	(1,761)
Retained Earnings:	22,439	42,225	63,226	90,213
Minorities Interest:	7,906	14,347	16,074	20,656
Total Equity:	86,278	112,505	135,233	166,802
Total Liabilities & Equity:	547,409	637,453	737,970	854,072

Profit and Loss

(VND bn)	2021A	2022E	2023E	2024E
Net Interest income	34,349	41,891	50,954	60,854
<i>Net Fee Income</i>	<i>4,059</i>	<i>6,114</i>	<i>8,597</i>	<i>10,403</i>
<i>Other Non-IT</i>	<i>3,086</i>	<i>8,414</i>	<i>2,795</i>	<i>3,234</i>
Total Non-IT	7,145	14,528	11,392	13,638
TOI	41,494	56,418	62,345	74,492
Total expenses	(10,719)	(12,527)	(14,305)	(16,800)
PPOP:	30,775	43,892	48,041	57,692
Gross Provisions:	(19,219)	(21,511)	(23,102)	(25,105)
NPL Recoveries:	2,808	3,653	4,230	4,895
Net Provisions:	(16,411)	(17,858)	(18,873)	(20,210)
Pre-Tax Income:	14,364	26,034	29,168	37,482
(-) Income Tax:	(2,887)	(5,207)	(5,834)	(7,496)
Net Income	11,478	20,827	23,334	29,986
(-) Minority Interest	244	(1,041)	(2,333)	(2,999)
PATMI	11,722	19,786	21,001	26,987

Source: Company data, Yuanta Vietnam

Selected Calculated Ratios (Revised)	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
GROWTH PROJECTIONS						
Net interest income	24.2%	5.5%	6.2%	22.0%	21.6%	19.4%
Fee Income	73.1%	20.2%	20.9%	50.6%	40.6%	21.0%
Adj. Other NII	867.3%	25.3%	181.8%	172.7%	-66.8%	15.7%
Operating costs	16.1%	-7.7%	-5.9%	16.9%	14.2%	17.4%
Provision	21.6%	6.8%	31.4%	11.9%	7.4%	8.7%
Adj. Pre-provision profit	39.5%	15.5%	21.1%	42.6%	9.5%	20.1%
Adjusted Net profit	14.6%	26.1%	12.6%	68.8%	6.1%	28.5%
Assets	16.7%	11.1%	30.6%	16.4%	15.8%	15.7%
ASSET ANALYSIS						
Earning assets to total assets	92%	93%	91%	92%	93%	94%
Average Returns on IEAs	2.57%	2.83%	2.65%	3.65%	3.30%	3.63%
LOAN ANALYSIS						
Loan growth (% YoY)	16%	13%	22%	21%	17%	16%
Loans to IEAs	73%	74%	70%	71%	70%	70%
DEPOSIT ANALYSIS						
Deposit growth (YoY %)	25%	9%	4%	19%	18%	18%
Deposits to IBLs	64%	64%	52%	55%	57%	59%
LIQUIDITY						
Pure LDR	118%	123%	143%	144%	142%	140%
ASSET QUALITY						
NPL ratio	3.42%	3.41%	4.57%	4.46%	4.38%	4.22%
General Provisions/Gross loans	0.75%	0.71%	0.75%	0.75%	0.75%	0.75%
LLR	46%	45%	61%	76%	81%	81%
SPREAD ANALYSIS						
Int. rate received on Avg. IEA	15.52%	14.24%	11.50%	11.22%	11.45%	11.58%
Int. rate paid on Avg. IBL	6.16%	5.71%	3.98%	3.83%	3.90%	3.91%
Interest rate spread	9.36%	8.53%	7.51%	7.39%	7.55%	7.66%
NIM	9.55%	8.79%	7.77%	7.73%	8.00%	8.18%
OTHER INCOME						
Adj. Fee income to total income	8%	9%	10%	11%	14%	14%
Adj. Other Non-II to total Income	3%	3%	7%	15%	4%	4%
OPERATING EFFICIENCY						
Cost to income ratio	34%	29%	24%	21%	21%	21%
Adj. Cost to income ratio	36%	31%	26%	22%	23%	23%
CREDIT COSTS						
Provision cost/avg. loans	5.71%	5.34%	5.95%	5.48%	4.96%	4.63%
PROFITABILITY						
Adj. ROAA	2.36%	2.62%	2.38%	3.52%	3.39%	3.77%
Adj. ROAE	21.5%	21.9%	16.9%	19.9%	17.0%	17.9%
Dividend Yield	0%	0%	0%	0%	0%	0%
VALUATIONS						
PER (x)	10.5x	8.3x	10.4x	7.9x	7.5x	5.8x
PBR (x)	2.0x	1.6x	2.0x	1.6x	1.3x	1.1x

Source: Company data, Yuanta Vietnam

Appendix A: Important Disclosures

Analyst Certification

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

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.

Restricted: The rating and target price have been suspended temporarily to comply with applicable regulations and/or Yuanta policies.

Note: Yuanta research coverage with a Target Price is based on an investment period of 12 months. Greater China Discovery Series coverage does not have a formal 12 month Target Price and the recommendation is based on an investment period specified by the analyst in the report.

Global Disclaimer

© 2020 Yuanta. All rights reserved. The information in this report has been compiled from sources we believe to be reliable, but we do not hold ourselves responsible for its completeness or accuracy. It is not an offer to sell or solicitation of an offer to buy any securities. All opinions and estimates included in this report constitute our judgment as of this date and are subject to change without notice.

This report provides general information only. Neither the information nor any opinion expressed herein constitutes an offer or invitation to make an offer to buy or sell securities or other investments. This material is prepared for general circulation to clients and is not intended to provide tailored investment advice and does not take into account the individual financial situation and objectives of any specific person who may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities, investments or investment strategies discussed or recommended in this report. The information contained in this report has been compiled from sources believed to be reliable but no representation or warranty, express or implied, is made as to its accuracy, completeness or correctness. This report is not (and should not be construed as) a solicitation to act as securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on such business in that jurisdiction.

Yuanta research is distributed in the United States only to Major U.S. Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended and SEC staff interpretations thereof). All transactions by a US person in the securities mentioned in this report must be effected through a registered broker-dealer under Section 15 of the Securities Exchange Act of 1934, as amended. Yuanta research is distributed in Taiwan by Yuanta Securities Investment Consulting. Yuanta research is distributed in Hong Kong by Yuanta Securities (Hong Kong) Co. Limited, which is licensed in Hong Kong by the Securities and Futures Commission for regulated activities, including Type 4 regulated activity (advising on securities). In Hong Kong, this research report may not be redistributed, retransmitted or disclosed, in whole or in part or and any form or manner, without the express written consent of Yuanta Securities (Hong Kong) Co. Limited.

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

Matthew Smith, CFA

Head of Research

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

matthew.smith@yuanta.com.vn

Binh Truong

Deputy Head of Research (O&G, Energy)

Tel: +84 28 3622 6868 (ext. 3845)

binh.truong@yuanta.com.vn

Tanh Tran

Analyst (Banks)

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

tanh.tran@yuanta.com.vn

Tam Nguyen

Analyst (Property)

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

tam.nguyen@yuanta.com.vn

Di Luu

Assistant Analyst

Tel: +84 28 3622 6868 (ext. 3845)

di.luu@yuanta.com.vn

Institutional Sales

Anh Nguyen

Sales Trader Supervisor

Tel: +84 28 3622 6868 (ext. 3909)

anh.nguyen2@yuanta.com.vn

Trung Nguyen

Sales Trader

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

trung.nguyen1@yuanta.com.vn

Dat Bui

Sales Trader

Tel: +84 28 3622 6868 (ext. 3941)

dat.bui@yuanta.com.vn

Vi Truong

Sales Trader

Tel: +84 28 3622 6868 (ext. 3940)

vi.truong@yuanta.com.vn