MB Securities

RESEARCH REPORT Q3.2021

VPBank - Overcome the pandemic – Prepare for recovery

Analyst: Tran Thai Binh

HCMC, November 5th, 2021

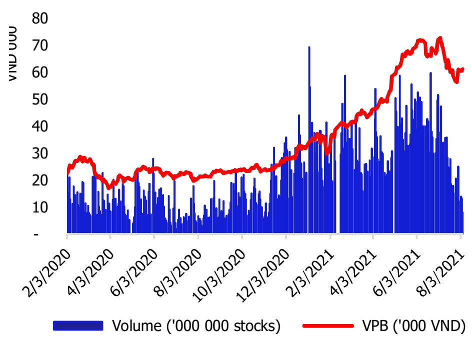
MBSecurities

BUY

Vietnam Prosperity Joint-Stock Commercial Bank(HSX:VPB)

Date	05/11/2021
Current Price	37,950 VND
Target Price	**53,800 VND**
Upside (%)	+41.8%
Bloomberg	VPB VN
Market cap (bil VND)	168,928
52 weeks movement (VND)	13,132 - 41,048
Average daily value 12M (bil VND)	595,927
FOL (%)	19.2%
Current FO (%)	19.2%

Stock performance



	1M	3M	12M
VPB (%)	3.7%	18.5%	195.0%
VNIndex (%)	7.8%	11.6%	57.1%

Shareholder structure

Dragon Capital	5.29%
Mr. Ngo Chi Dung	4.81%
Mrs. Hoang Anh Minh	4.78%
Mrs. Vu Thi Quyen	4.77%
Mrs. Kim Ngoc Cam Ly	4.20%

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OVERCOME THE PANDEMIC - PREPARE FOR RECOVERY

Investment Opportunities

We recommend BUY for VPB stock with a target price of VND **53,800/share** (+41.8% upside) based on: (i) growth in operating limits relying on strongly improved capital; (ii) improved asset quality by proactive provisioning; (iii) CASA grows thanks to digital transformation; (iv) top profitability.

Investment thesis

Credit growth thanks to strong capital improvement. The completion of the 49% sales of FEC's charter capital in October 2021 is expected to bring VPBank about 1.4 billion USD and accordingly, VPBank's equity is expected to reach more than 96 trillion VND by the end of 2021. CAR is expected to reach 17%, partly helping VPBank get approval for higher operating limits from the SBV, including lines of credit - a core factor for VPBank's growth in the future.

Promote retail lending and consumer lending by technology platforms. SMBC's participation is expected to help VPBank maintain its leading position in the consumer lending segment with more than 50% market share. Moreover, VPBank Neo digital bank has proven effective, as of September 2021 it has attracted more than 2.6 million new customers with more than 95 million online transactions. It is the foundation for the retail lending segment to achieve high growth rate in the future.

Strengthen provisioning to ensure asset quality. In 9M2021, the increase in provisioning helps VPBank's consolidated and separate LLR improve significantly. Consolidated and separate LLR ratios reached 73.6% and 78.9% respectively at the end of Q3/2021 compared to 73.1% and 69.8% in the same period of 2020. However, due to an increase in NPL ratio, credit costs were increased slightly from 4.6% in Q2 to 4.8% in Q3. VPBank still cautiously maintains the ratio of provisioning to pre-tax and pre-provision profit (PPOP) of more than 50%.

Postive CASA growth thanks to effective digital transformation. The rate of CASA continuously growing from the end of 2020 to Q3/2021 reached 22.1% by changing in customer approach strategy. Besides, we expect strategic shareholder SMBC to replace interbank foreign currency loans with foreign currency deposits with cheaper capital costs. In addition, with the promotion of digital transformation to develop a diverse ecosystem and larger customer base in the individual customers and SME lending segments, VPB's CASA ratio is expected to continue increasing strongly.

Maintain top profitability. In 9M2021, although provisioning expense for credit risk increased by more than 32.3% yoy, VPBank's consolidated profit before tax still reached more than 11.7 trillion VND (+25% YoY), in which the parent bank reached nearly 11 trillion VND (+75% YoY). Consolidated 9M2021 NIM reached 8.5%, the parent bank in particular recorded a positive figure at 5.4% compared to 4.6% in 9M2020. We expect the bank's NIM to continue to grow in the coming years as it maintains its dominant position in the consumer lending segment. Revenue from insurance premium accounts for a large proportion in the structure of non-interest income, it is expected that VPBank will renegotiate the exclusive bancassurance deal with AIA to collect a higher "upfront" fee. However, since there is no specific plan yet, we have not included this factor in our valuation model for the time being, but we expect this transaction to take place in 2022. ROA and ROE remain in the group of high profitability banks in the industry.

Valuation

We value VPB stock with a target price of VND **53,800/share** based on methods of Residual Income (RI) and comparing P/B and P/E. We use a cost of equity capital (Re) at 13.2% for the RI method and a P/B of 2.2x and a P/E of 13.3x for the relative valuation method (comparing P/B and P/E).

Table 1: Summary

	Unit	2019A	2020A	2021F	2022F
Operating income	**VND bn**	**36,356**	**39,033**	**46,561**	**59,988**
Profit before provision & tax	**VND bn**	**24,012**	**27,641**	**35,619**	**45,891**
Growth (%)	%	17.4%	15.1%	28.9%	28.8%
Credit provision expenses	**VND bn**	**13,688**	**14,622**	**18,345**	**21,765**
Growth (%)	%	21.6%	6.8%	25.5%	18.6%
Profit before tax	**VND bn**	**10,324**	**13,019**	**17,274**	**24,126**
Growth (%)	%	12.2%	26.1%	32.7%	39.7%
Net profit	**VND bn**	**8,260**	**10,414**	**13,819**	**19,301**
Growth (%)	%	12.3%	26.1%	32.7%	39.7%
Basic EPS	**VND**	**3,376**	**4,271**	**2,992**	**3,366**
BVPS	**VND**	**16,684**	**20,867**	**19,608**	**20,137**
ROAA	%	2.4%	2.6%	3.0%	3.5%
ROAE	%	21.5%	22.0%	18.5%	18.3%
P/E	**times**	**18.1x**	**9.0x**	**12.8x**	**11.4x**
P/B	**times**	**3.7x**	**1.8x**	**2.0x**	**1.9x**

Sources: VPB, MBS Research

Investment thesis

Update business result in Q3/2021 and 9M2021

In the third quarter of 2021, VPBank achieved consolidated operating income (TOI) of VND 10,133 billion (+7.0% yoy), of which net interest income (NII) reached VND 7,474 billion (-5.2% yoy), accounting for 73.8% TOI. The reason for the decrease in NII was mainly due to the fact that customer loan growth in Q3/2021 only increased by 2.1% compared to 2.9% in Q3/2020, and at the same time, the bank reduced interest rates to support customers who are struggling due to Covid 19. Non-interest income (NoII) reached VND 2,659 billion (+67.4% yoy) thanks to an increase in income from non-performing loans recoveries by nearly +150% yoy.

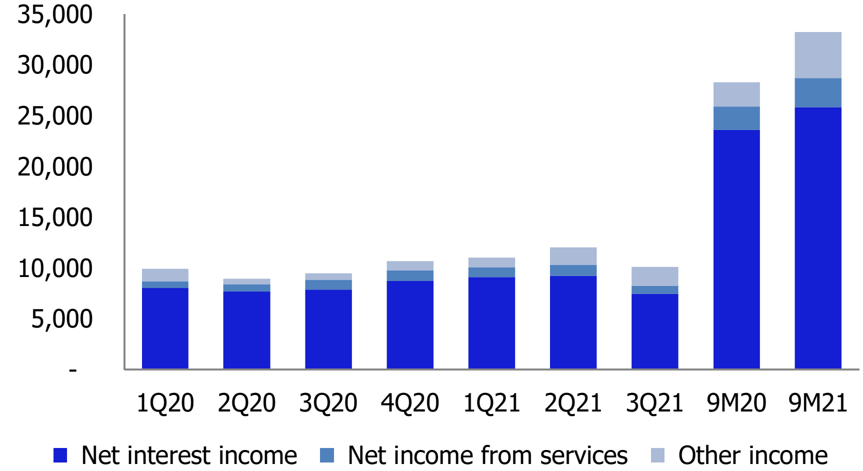
Accumulated in 9M2021, VPB's consolidated TOI reached VND 33,231 billion (+17.3% yoy), of which NII and NoII reached VND 25,826 billion (+9.4% yoy) and VND 7,405 billion (+56.9%) respectively thanks to the sharp increase of revenue from debt recoveries and investment securities. As VPB actively reducing interest rates according to the guidance of the State Bank of Vietnam, NIM of 9M2021 decreased slightly to 8.5% compared to 8.7% in 9M2020.

Notably, operating expenses in 9M2021 reached VND 7,864 billion (-8.8% yoy), being one of the few banks which operating expenses decreased over the same period, helping to keep the bank's CIR ratio continued to decrease to 23.7%, significantly lower than 30.4% in 9M2020, accordingly VPBank is one of the banks with the lowest CIR ratio in the industry. This helps the bank's consolidated Profit Before Tax (PBT) to reach more than VND 11,736 billion (+24.9% yoy), completing more than 70% of the PBT target for 2021.

By the end of Q3/2021, VPB's consolidated credit growth reached 8.1% and 67% of the current granted credit limit of VPB, of which the parent bank had a credit growth rate of 11.6%, and FE Credit's (FEC) loan weight dropped to 18% from 20% in the first half of 2021. Realizing the focus on retail and consumer lending segments - customers who bear the brunt severely affected by the pandemic – VPB has cautiously promoted the control of new loans to ensure asset quality, and at the same time, the bank has also prioritized supporting customers in accordance with the guidance of the State Bank with the implementation of interest reduction for more than 238,500 customers and debt restructuring for a total outstanding balance of more than VND 15.9 trillion, an increase of 2.4 times compared to Q2/2021.

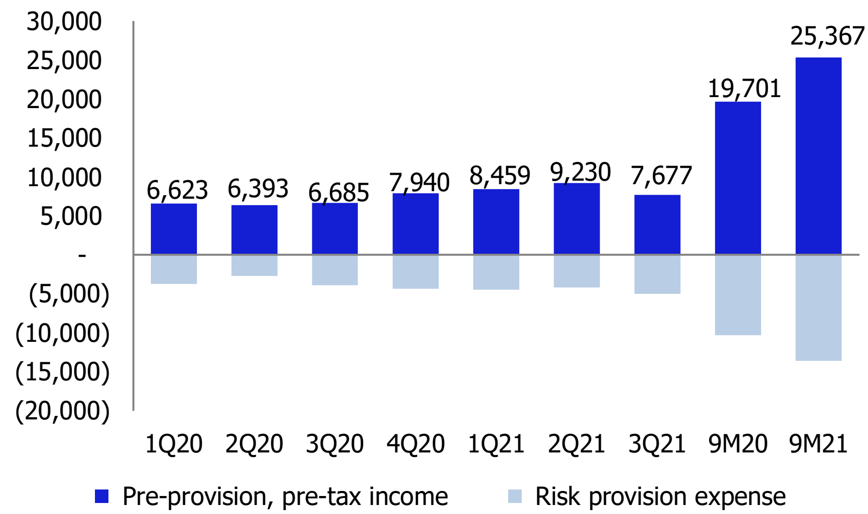
VPB's consolidated non-performing loans ratio reached 3.3%, mainly due to the increase in non-performing loans of the consumer lending segment due to the impact of the pandemic. The parent bank's non-performing loans ratio was maintained at 1.78%, a slight increase compared to Q2/2021 and significantly lower than the 2% of Q3/2020. With the increase in the consolidated non-performing loans ratio, VPB also increased provisioning to ensure asset quality. Accumulated 9 months of 2021, provision expenses reached more than VND 13,631 billion (+32.3% yoy), helping LLR to reach 73.6%, equivalent to 9M2020.

Figure 1: VPB income structure



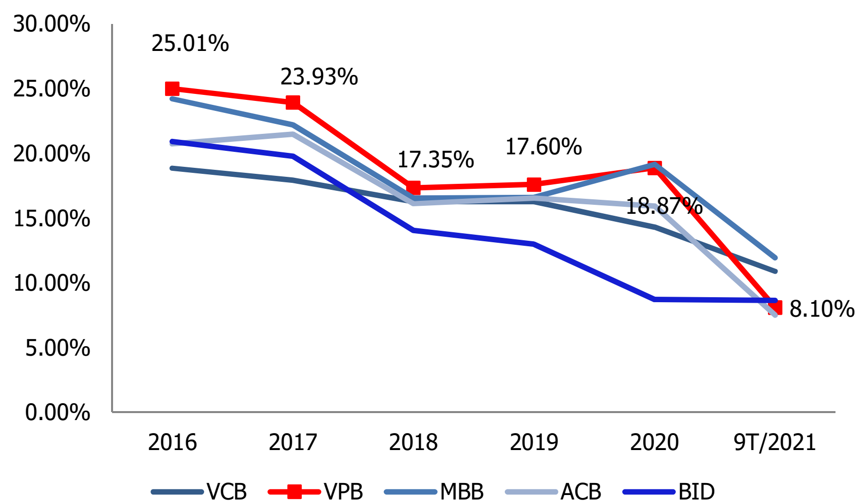
Sources: VPB, MBS Research

Figure 2: PPOP and Risk provision expense



Sources: VPB, MBS Research

Figure 3 : Credit growth



Sources: VPB, MBS Research

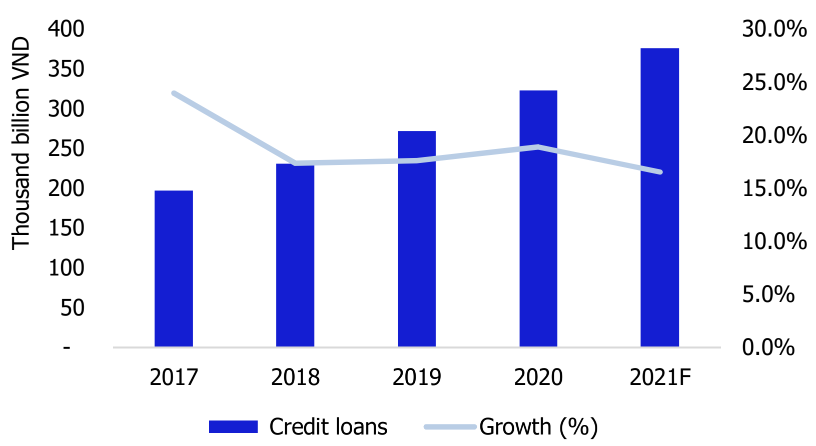
Growth in operating limits thanks to strong capital increase

In October 2021, VPB announced the completion of the transfer of 49% of FE Credit's charter capital to SMBC at a valuation of USD 2.8 billion. Specifically, on October 28, 2021, VPB and SMBC officially completed all transfer procedures, so that SMBC officially holds 49% of the charter capital at FE Credit. We expect this deal will bring VPB about USD 1.4 billion and it is expected that this cash flow will be directly accounted into VPB's Total Equity in the consolidated report in the fourth quarter of 2021. In addition, VPB also issued shares as dividends and raise charter capital at the ratio of 10:8 in October 2021, bringing the current charter capital of VPB to more than VND 45 trillion. We estimate that by the end of 2021, VPB's Total Equity will reach over VND 96 trillion and bring VPB's Basel II CAR to over 17%, leading the banking industry. This is one of the very important conditions in increasing the operating limits, including the credit limit from the SBV, helping VPB achieve higher growth in the future. At the same time, the new capital will also help VPB have a basis to expand operations into other areas such as asset management and investment banking to prepare for the post-Covid-19 growth recovery.

Besides, the reopening of the economy at the beginning of Q4/2021 has brought many positive signs for economic recovery as well as credit demand, especially in the retail and consumer credit sectors. In Q3/2021, VPB actively tightened credit for high-risk products such as unsecured loans for individuals and business households due to the impact of the Covid-19 pandemic, while still focusing on the following key segments such as SMEs, RB by actively applying digital transformation. Specifically, credit growth of VPB's SME and RB segments reached more than 22%, continuing to be the main driving force for the bank's business results. We expect that when credit demand recovers in Q4/2021, VPB's main business segments, which are retail lending and consumer lending, will have a boom when VPB's policies in the third quarter of this year was mainly customer support and prudent risk control.

In July 2021, the SBV raised VPB's credit limit from 8.5% to 12.5% and will continue to consider raising in the last quarter of 2021, especially after VPB's capital increase plans are being implemented properly. We expect VPB's credit growth in the fourth quarter of 2021 to reach over 6.3%, bringing total credit growth in 2021 to 16.6%. In 2022, as VPB plans to issue 15% capital to strategic shareholders to raise its charter capital to more than VND 75 trillion and becomes the largest charter capital bank in the industry, we expect VPB's credit growth will reach over 22% provided that the pandemic is under control.

Figure 4: Credit loans and growth



Sources: VPB, MBS Research

Boosting retail and consumer lending thanks to advanced technology platforms

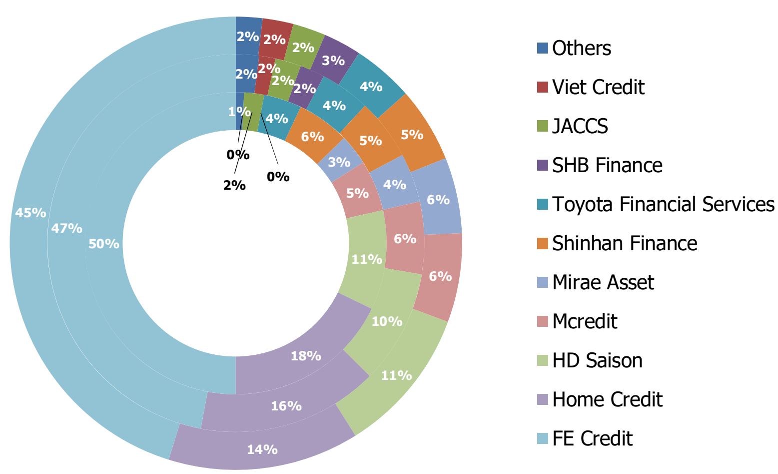
Maintaining the leading position in consumer lending segment

In 9M2021, credit growth of FE Credit (FEC) decreased by -5.5% compared to the beginning of the year. Due to the impact of the Covid-19 pandemic, VPB mainly focused on controlling the quality of FEC's outstanding loans. We appreciate the cautious approach as VPB actively reducing outstanding loan growth in the context of the epidemic while strengthening the system as a foundation when the economy gradually recovers. However, with its leading position, FE Credit still holds a market share of more than 50% in the consumer lending market.

We expect a positive outlook on the consumer finance industry thanks to favorable macro factors, as Vietnam is forecasted to remain one of the fastest growing economies after the pandemic. At the same time, commercial banks' active digital transformation helps improve operational efficiency and improve the customer experience journey, thereby helping increase customer base faster along with M&A activities from international finance companies, great potential could be seen for banking group.

We expect that consumer demand will have a boom in the last quarter of 2021, the demand for consumer credit will increase sharply, thereby helping FEC achieve higher growth in Q4/2021. With its unique position in the consumer finance sector, along with the power of effective digital transformation and the participation of strategic shareholders SMBC, we forecast that FEC will continue to maintain its greater than 50% market share and continue to contribute from 40-50% of interest income to VPBank. According to the bank's management, despite transferring 49% of FEC's charter capital, VPBank still focuses on the field of consumer finance and considers it one of the main business pillars of the bank.

Figure 5: Retail lending market share



Sources: FiinResearch, MBS Research

Retail lending is the key growth driver in the future

In the context that the consumer credit segment is carefully controlled by VPB to ensure asset quality, the lending to retail customers & SMEs segment is becoming the main growth driver in the coming years.

At the end of Q3/2021, lending to retail customers & SMEs grew by 22% compared to the beginning of the year, accounting for more than 46% of VPB's total loan portfolio. Thanks to its digitalization efforts, VPB has launched a series of products focused on SMEs such as eKYC or online disbursement solutions to help customers get fund through the pandemic. In addition, unsecured loans were clearly controlled in the third quarter with the proportion accounted for only 25% of total lending while this figure of second quarter was 27%, which clearly illustrates the strategy which focused on controlling risks and pushing the proportion of mortgage loans in the third quarter of 2021 to nearly 75% of the total loan portfolio.

Digital transformation activities have brought positive results and exhibited great efficiency during the pandemic. Specifically, by the end of September 2021, VPBank Neo had 2.6 million registered customers with the total number of transactions via such digital banking platform reaching more than 95 million, an increase of 2.24 times over the same period last year.

We expect the retail lending segment to maintain a growth rate of 25% per annum after 2022 on the basis that VPB continues to promote digital transformation thanks to abundant new resources. With a customer base of more than 20 million customers and a highly effective digitalization platform, VPB has a strong basis to expand into investment banking and asset management activities to maintain high growth momentum.

Figure 6: Credit structure by industry

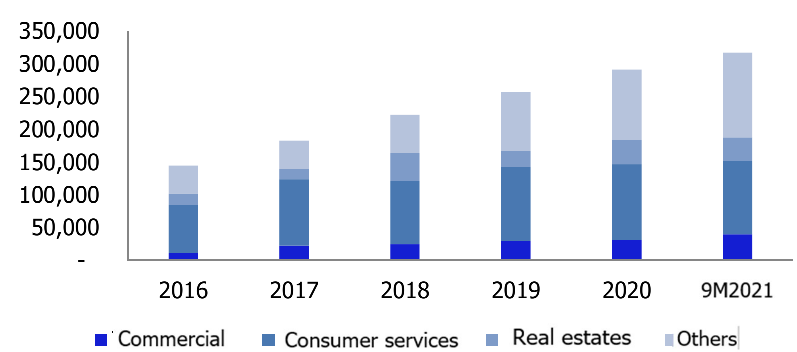
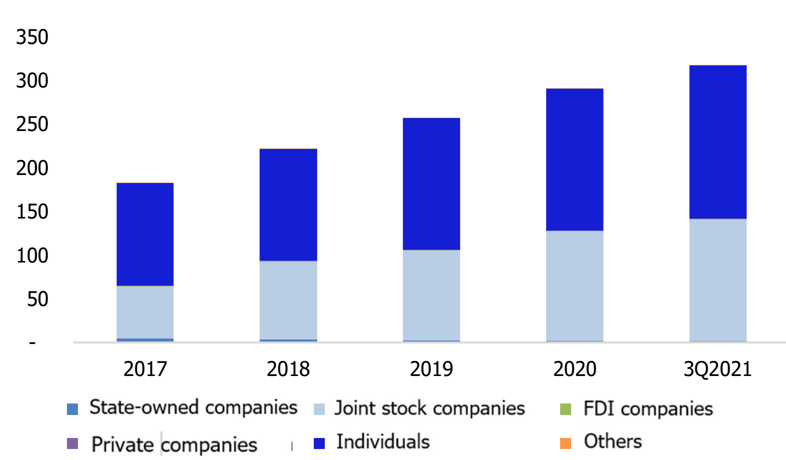


Figure 7: Credit structure by customer group



Sources: VPB, MBS Research

Strengthening provision to ensure asset quality

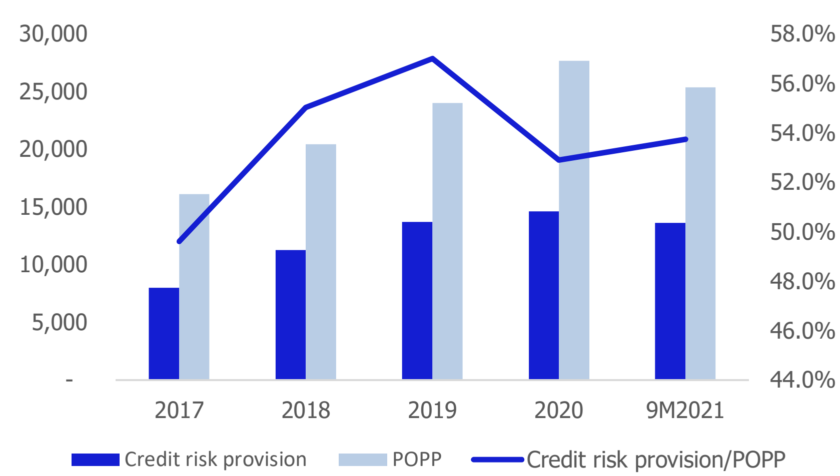
By focusing on the consumer and retail lending segments, VPB achieves high profits, but it also increases the risk of non-performing loans. Therefore, VPB has always actively controlled non-performing loanss as well as increased investment in technology to promote debt recovery. Consolidated and individual NPL ratio according to Circular 02 of VPB in the previous period has remained quite positive at 3% and 2%, respectively.However, in Q3/2021, due to the impact of the Covid-19 epidemic, VPB's key customer segments were affected, leading to the ratio of consolidated and individual NPLs increasing to 3.29% and 1.78%, respectively. .

In order to control potential non-performing loanss, the bank has continuously made provisions as well as actively written off non-performing loanss during the period with provisions. In 2019, VPB actively wrote off 14.3 trillion of non-performing loanss and continued to set aside 13.7 trillion right in the period, similarly in 2020 when they erased 14.2 trillion and set aside 14.6 trillion. In 9M2021, VPB also handled VND 11,906 billion from provisions (+25.0% YoY), non-performing loans settlement equivalent to VND 2,700 billion (+73.8% YoY).While many other banks handle non-performing loanss on a case-by-case basis, at VPB, the product policy is standardized and there are almost no exceptions for each individual customer. The good practice of non-performing loans control comes from VPB's organizational structure and we believe that this contributes to the control of NPL ratio.

According to Circular 14/2021/TT-NHNN, all the commercial banks can distribute provision for non-performing loanss within 3 years, till the end of 2023. This can help banks reduce pressure of having provision that can affect the growth of revenue, however VPB is having provision for the entire VND15.9 trillion of restructuring loans to reduce pressure for the following years.

In 9M/2021, with the strengthening of provisioning, VPB's consolidated and individual LLR has been improved. Consolidated and individual LLR ratios reached 73.6% and 78.9% respectively at the end of Q3/2021 compared to 73.1% and 69.8% in the same period of 2020. However, due to an increase in NPL ratio, expenditures were increased. Credit fees increased slightly from 4.6% in Q2 to 4.8% in Q3. VPB still maintains the ratio of provisioning to pre-tax and pre-provision profit (PPOP) of over 50%.

Figure 8: Credit risk provision/PPOP

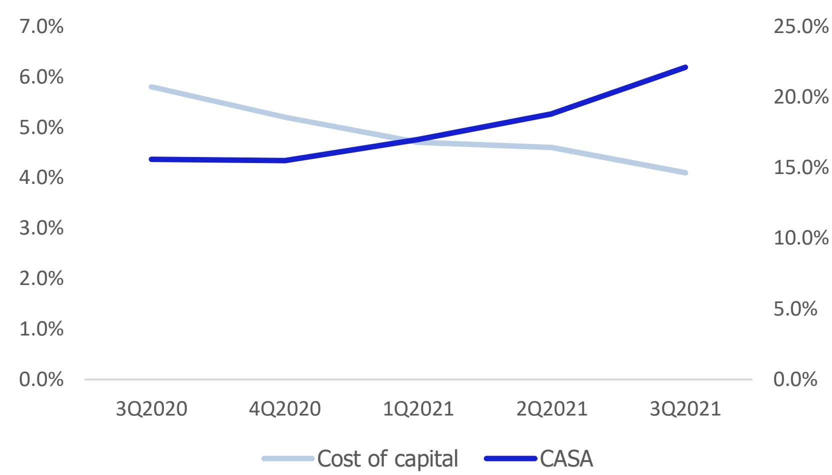


Sources: VPB, MBS Research

CASA's positive growth thanks to effective digital transformation

By participating in retail lending segments with a large customer base and the advantage of digital transformation, VPB's CASA is showing significant improvement. Specifically, CASA ratio at the end of Q3/2021 reached 22.1%, significantly increased compared to the figure at the end of 2020, 15.6%. Compared to the industry average, VPB's CASA ratio is not yet great, but VPB's recent efforts to improve this ratio have brought about positive changes, being clearly highlighted in its industry-leading CASA growth rate, all thanks to the effective digital transformation efforts. Online deposit ratio in 9M2021 reached 51%, an increase of 31% compared to the beginning of the year. With more emphasis being put on digital conversion to aid the diverse development of its ecosystem and the scale of its customer base in the lending segments of KHCN and SMEs, VPB's CASA rate should continue on its upward trajectory. Having SMBC on board, we expect VPB's loans of foreign currency (around 7% of total loans at the end of 2020) to be replaced by an amount of money saved up abroad with cheaper capital cost. Currently, both VCB and CTG have large foreign interbank deposits and both of them have the Japanese Bank as their strategic shareholder. With the strategy of expanding the retail lending segment, we expect VPB to implement the strategy of increasing the proportion of CASA in the deposit structure. In 2022, we forecast that VPB's CASA ratio will reach more than 26% based on strategies for developing digital products and services.

Figure 9: CASA & Cost of capital



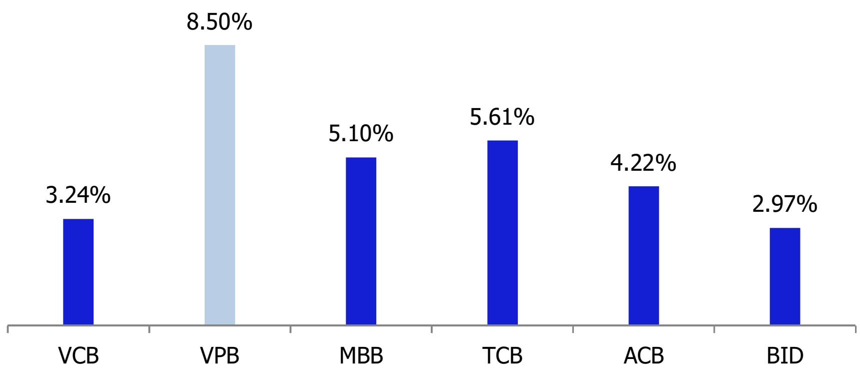
Sources: VPB, MBS Research

Maintaining the first place in earning capacity.

Highest NIM amongst banks

With the average proportion of retail lending accounting for 20% of the total loan portfolio and retail lending also accounting for more than 46%, VPB's average lending interest rate is significantly higher than the industry average, always above 14% since 2017. This leads VPB's NIM to always lead the industry with an average of over 8.5% compared to the industry average of around 5%. In 9M2021, consolidated NIM decreased slightly to 8.5% from 8.7% in the same period last year, while NIM of the parent bank increased sharply from 4.6% in 9M2020 to 5.4% at the end of Q3/2021. The decrease in consolidated NIM mainly came from the decrease in credit growth of FEC as well as the bank's initiative in cutting interest rates to support customers affected by the pandemic according to the guidance of the State Bank.

Figure 10: NIM of listed banks



Source: FS Banks, MBS Research

Improving cost of fund thanks to CASA and lower interest rate

However, the low interest rates and strong increase of CASA helped the consolidated cost of capital decrease significantly from 5.8% in Q3/2020 to 4.1% in Q3/2021, limiting the downward trend of average loan interest rates.

Average funding costs of FE Credit was about 9% in the period from 2019-2020. However, we expect FE Credit's funding cost to decrease due to the support from SMBC. To compare, HD Saison's funding costs, backed by Japanese financial group Credit Saison, averaged around 7.5% during 2019-2020. Therefore, we expect FE Credit's average funding cost to drop around 7-8%. In addition, the income from sale of FE Credit shares can be used as equity capital for lending.

We forecast the NIM of 2021 and 2022 to reach 9.1% and 9.8% respectively with the expectation that the bank can boost business again in the high-margin consumer lending segment in Q4/2021 and the coming year of 2022. According to VPB's representative, the bank plans to make the outstanding balance of FEC to be equal to 2020 by mid 2022.

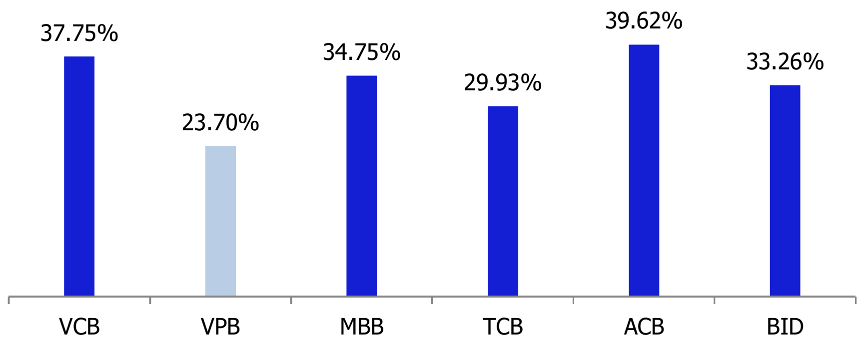
Lowest CIR rate in the banking industry

The highlight of VPB's perfomance in 9M2021 came from the fact that even though operating costs were lower compared to that of the same period last year, revenue still grew, which is a clear indication of improved operation efficiency thanks to digital transformation, especially during the pandemic.

In 9M2021, VPB recorded an operating expense of VND7,864 billion (-8.8% YoY) thanks to a significant reduction in staff and administrative expenses. This is partly due to the decline in employee activities caused by the pandemic, but this also shows the effectiveness of applying digital transformation to VPB's processes and applications; both the number of customers and the number of transactions has increased dramatically. The CIR ratio in 3Q2021 reached 24.2%, a slight increase compared to the trough in 6M2021, but this consequently contributed to the VPB's CIR ratio in 9M2021 reaching 23.7%, which is a significant reduction compared to the percentages of 2020 and 2019, having been 29.2% and 34% respectively. This is also considered to be the lowest CIR in the industry, according to data published in Q3/2021.

We expect VPB to maintain this CIR for both the year of 2021 and 2022, due to their strong growth potential in almost all the main fields of business in Q4/2021 and the whole of 2022.

Figure 11: CIR of listed banks



Source: FS Banks, MBS Research

Increasing ROA and ROE ranks in top banks

VPB is one of the banks with the fastest increase in equity size in the past 5 years with a compound annual growth rate (CAGR) of more than 31.6%. However, VPB still maintained a ROE of over 20% since 2015 and it is always among the top banks with the highest ROE in the industry. This was achieved thanks to VPB's extremely high NPAT growth rate, which was the result of a combination of factors, including the high NIM rate, fast credit growth and effective digital conversion. All of that has helped to drive CIR rate down way below the industry average. In 9M2021, VPB's ROE reached 21.6%, slightly down from 22% in 2020, however, ROA increased slightly from 2.6% to 2.8%

Figure 12: Measure performance and CIR

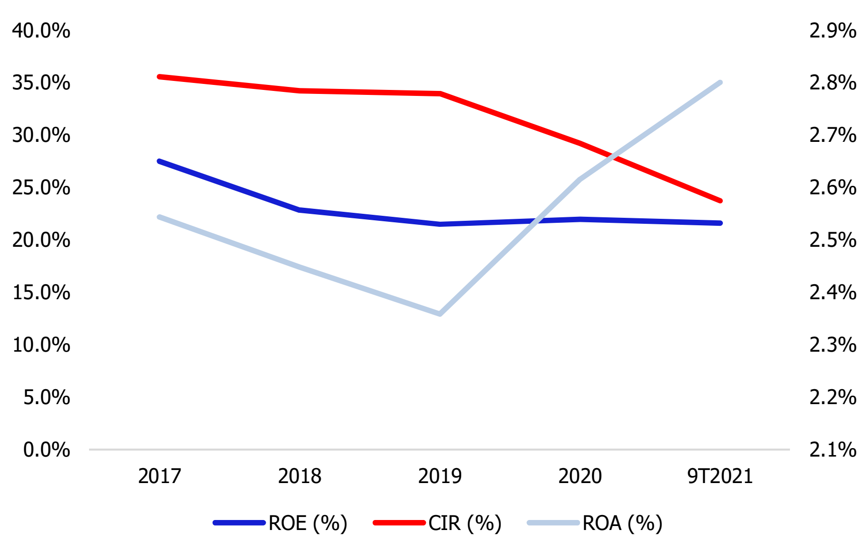
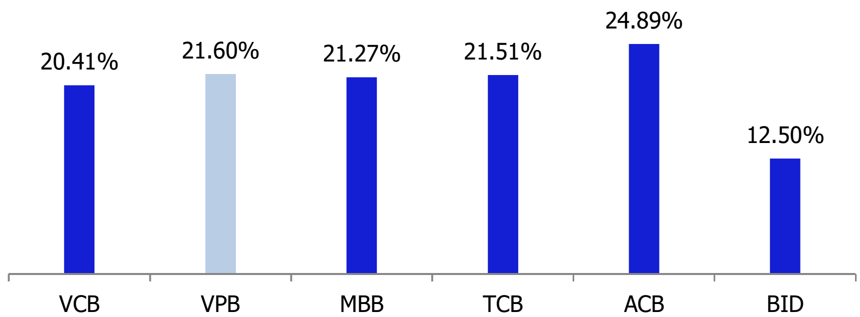


Figure 13: ROE 9M/2021 of listed banks



Source: FS Banks, MBS Research

Non-interest income is boosted to contribute to TOI

With interest income significantly affected by the Covid-19 pandemic, VPB actively increased non-interest income (NoII) to achieve positive business results in Q3/2021. In Q3/2021, VPB's NoII reached VND 2,658 billion (+67.4% YoY) mainly due to a sharp increase in securities trading and debt collection. Service activities recorded an income of VND 791 billion (-15.9% YoY). In 9M/2021, NoII reached VND 7,405 billion (+56.9% YoY). The strongest growth came from securities trading with over VND 2,362 billion (+114.3% YoY). Income from services reached VND 2,863 billion (+23.2% YoY), which was mainly from fee of card activities and payment activities with the proportion of about 60%. Revenue from insurance premiums was maintained compared to 2020.

VPB is currently ranked 6th in terms of banca premium revenue. We expect VPB to renegotiate the exclusive bancassurance deal to earn a higher "upfront" fee.

Figure 14: Income from services

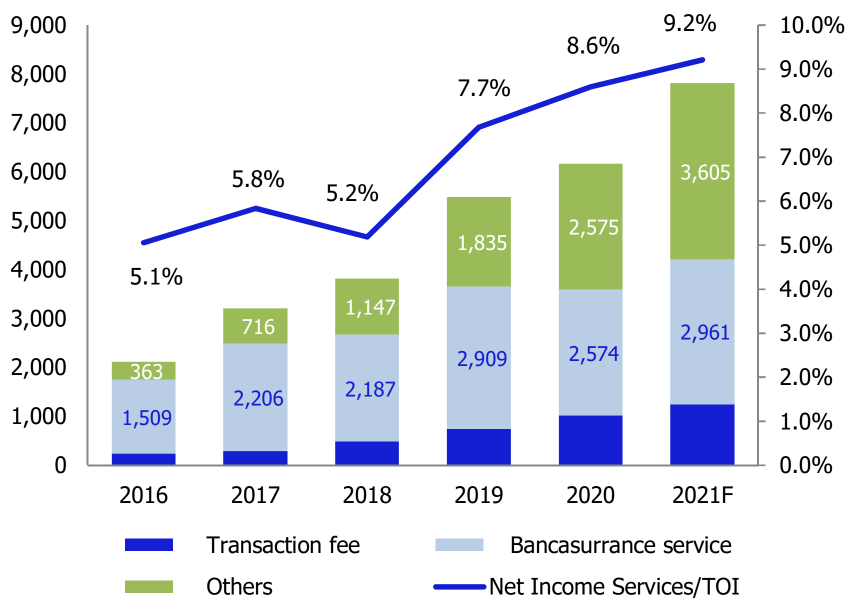


Figure 15: Non Opearing Income ratio

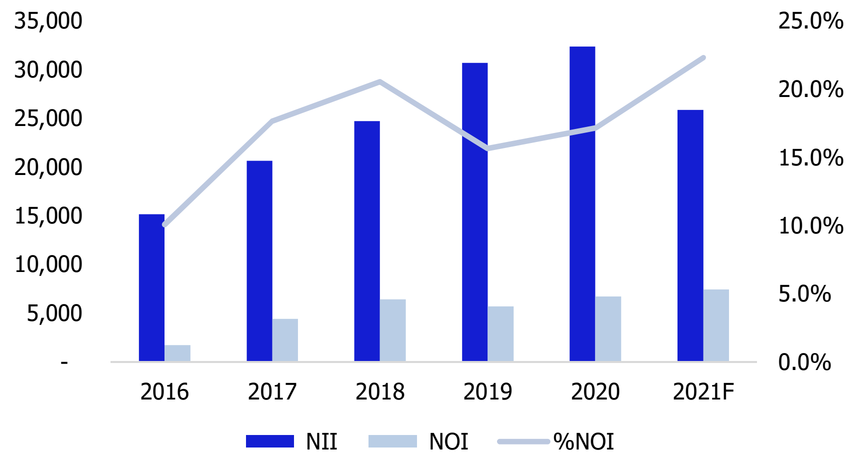


Table 2: Upfront fee for Bancassurance deal 2017-2020

BANK	No. of customers at the time of contract signing (mil)	Number of Branches	Locations	Contract date	Maturity (years)	Partners	Estimated upfront fee (bn VND)
VCB	10	552	53	11/2019	15	FWD	9000
TCB	5	315	45	9/2017	15	Manulife	1500
ACB	5	371	47	2020	15	Sun Life	8500
CTG	14	1150	63	2020	16	Manulife	-
VPB	5	216	51	10/2017	15	AIA	1800

Source: tapchitaichinh.vn, MBS Research

Recommendation and Valuation

We value VPB shares at the target price of VND 53,800 per share using the two following methods: Residual Income (RI) and relative valuation with other banks based (comparing P/B and P/E). The projections and assumptions that we use for relative valuation are the following:

a) Credit growth rate in 2021 will reach 16.6%, assuming that the State Bank continues to raise credit room for VPB in the last quarter of 2021.

b) Customer deposit in 2021 is forecasted to reach 12.7%, of which the rate of CASA will reach 20.2%.

c) Lending interest rate is forecasted at 15% for 2021, cost of capital will remain low at 4.52%, helping NIM to improve to 9.11%. LDR rate is expected to be above 100%.

d) VPB is improving their non-performing loans, so the non-performing loans ratio in 2021 is forecasted to reach 3.3%. Provisions/debts ratio increased to 5.8% from 5.4% in 2020 helping credit provision expenses to reach VND 18,345 billion (+25.5% YoY).

e) Total operating profit is expected to reach VND 46,561 billion (+19.3% y/y), EBT will reach VND 17,274 billion (+32.7% y/y). Non-interest income contributes 17.1% of total profit, as we expect the insurance market to decelerate in the second half of the year due to higher consumer spending. CIR rate is forecasted to reach 23.5% equivalent to 9M2021.

f) The cost of equity that was used is 13.2% to reflect the risk when the stock market continuously makes new highs. Growth rate g=5%.

g) For EPS and BVPS, we forecast in 2021, it will reach VND2,992/share and VND19,874/share, respectively.

Table 3: Valuation VPB

Stock	ROE	ROA	P/B	P/E
VCB	20.6%	1.6%	3.43	17.54
TCB	21.1%	3.6%	2.14	11.01
BID	12.8%	0.7%	2.10	16.94
CTG	18.6%	1.2%	1.75	9.91
VPB	22.6%	2.9%	2.47	11.95
MBB	21.0%	2.1%	2.04	10.39
ACB	26.4%	2.2%	2.38	9.91
VIB	31.6%	2.4%	3.08	10.95
HDB	22.0%	1.7%	2.09	10.35
STB	11.8%	0.7%	1.74	15.24
SHB	15.4%	0.9%	1.95	13.60
SSB	15.3%	1.2%	3.23	22.35
TPB	24.4%	2.0%	1.82	8.28
MSB	20.9%	2.1%	1.69	9.00
OCB	23.3%	2.7%	1.70	7.94
EIB	6.3%	0.7%	1.83	29.53
LPB	18.2%	1.1%	1.94	11.26
Median	**20.9%**	**1.7%**	**2.04**	**11.01**
Average	**19.6%**	**1.7%**	**2.20**	**13.30**

VND billion	2021F	2022F	2023F	2024F	2025F
Net Income	13,480,631	17,409,300	24,293,350	31,174,655	40,789,061
Residual Income	3,651,837	3,540,429	8,004,792	12,023,114	17,923,110
Terminal value					230,260,714
Cost of equity					13.2%
Terminal growth rate					5.0%
Equity value of stock					**252,261,852**
Number of shares					4,445,473,387
Target price (VND/share)					**56,700**

Valuation summary	%	Target price
Residual Income	80%	56,700
P/E	10%	39,800
P/B	10%	44,400
General target price		**53,800**
		37,950
		41.8%

Financial Summary

Income Statement (VND billion)	2019A	2020A	2021F	2022F
Net interest income	30,670	32,346	38,581	50,006
Net income from services	2,792	3,356	4,264	5,451
Net income from gold and forex	(217)	(307)	(202)	(9)
Gain/(loss) from trading securities	285	226	133	235
Gain/(loss) from investment securities	803	1,171	1,325	1,601
Other net income	2,020	2,236	2,460	2,706
TOTAL OPERATING INCOME	**36,356**	**39,033**	**46,561**	**59,988**
OPERATING EXPENSES	12,344	11,392	10,942	14,097
Profit before provision & tax	**24,012**	**27,641**	**35,619**	**45,891**
Credit provision expenses	13,688	14,622	18,345	21,765
Profit Before Tax	**10,324**	**13,019**	**17,274**	**24,126**
Total income tax expenses	2,064	2,606	3,455	4,825
Profit After Tax	**8,260**	**10,414**	**13,819**	**19,301**
Minority interest	-	-	339	1,891
Net profit for bank's shareholders	**8,260**	**10,414**	**13,481**	**17,409**

Balance Sheet		2019A	2020A	2021F	2022F
Cash & cash equivalents		2,459	3,283	3,245	4,733
Balances with the SBV		3,454	5,780	6,834	8,070
Balances with and loans to other Cis		20,098	19,555	39,354	25,566
Net Trading securities		1,567	493	1,704	2,093
Loans purchase		-	258	-	-
Loans and advances to customers		257,184	290,816	341,698	419,745
Loan provision		(4,084)	(4,497)	(5,370)	(6,427)
Net Investment securities		68,729	76,485	92,562	114,608
Long-term investments		164	239	213	218
Fixed assets		1,923	1,863	1,725	1,581
Investment properties		-	-	-	-
Other assets		25,710	24,752	22,975	27,850
TOTAL ASSET	-	**377,204**	**419,027**	**504,940**	**598,037**
LIABILITIES		**334,994**	**366,233**	**408,508**	**483,904**
Deposits of Government and the SBV		19	14	14	14
Deposits and borrowings from other Cis		50,868	56,511	62,162	70,240
Customer deposits		213,950	233,428	263,042	310,642
Derivatives and other financial liabilities		46	140	140	140
Agent capital of Cis		292	187	311	436
Valuable certificates issued		57,600	62,845	68,340	83,949
Other liabilities		12,220	13,107	14,499	18,483
EQUITY		**42,210**	**52,794**	**96,433**	**114,132**
Common shares		25,300	25,300	45,057	51,725
Common shares surplus		693	366	-	-
Treasury shares		(2,696)	(2,199)	(1,761)	(1,761)
Other capital		-	-	-	-
Funds of bank		7,107	11,912	14,271	17,318
Retained earnings		11,806	17,415	30,782	36,875
Minorities interest		-	-	8,083	9,975
TOTAL LIABILITIES AND EQUITY	-	**377,204**	**419,027**	**504,940**	**598,037**

Key ratio	2019A	2020A	2021F	2022F
Growth				
Asset growth	16.7%	11.1%	20.5%	18.4%
Loan & Investments growth	17.8%	12.3%	18.5%	23.1%
Deposit & Commercial papers growth	16.2%	9.4%	11.6%	18.1%
Profit before provision and tax growth	17.4%	15.1%	28.9%	28.8%
EBT growth	12.2%	26.1%	32.7%	39.7%
Capital Adequacy				
CAR	11.1%	12.0%	N/A	N/A
Total Equity/Total Assets	11.0%	11.9%	16.2%	19.1%
Total Assets/Total Equity	9.10	8.38	6.19	5.24
Asset Quality				
Loan group 3-5	3.4%	3.4%	3.3%	3.0%
Loan group 2	4.8%	5.2%	5.0%	5.0%
Provision reserve/Loan group 3-5 (LLR)	78.0%	77.5%	79.4%	81.4%
Liquidity				
Loan-to-Deposit ratio (LDR)	95.7%	105.6%	110.0%	113.5%
Liquid asset/Total Assets	25.5%	25.3%	28.5%	25.9%
Liquid asset/Customer deposit	36.4%	36.5%	44.2%	40.7%
Profitability				
ROA	2.4%	2.6%	3.0%	3.5%
ROE	21.5%	21.9%	18.5%	18.3%
NIM	9.4%	8.8%	9.1%	9.8%
Interest Income/ Operating Income	84.4%	82.9%	82.9%	83.4%
Operating Expense/ Operating Income	34.0%	29.2%	23.5%	23.5%
Valuation				
Basic EPS (VND)	3,376	4,271	2,992	3,366
BVPS (VND)	16,684	20,867	19,608	20,137
P/E	18.1x	14.3x	20.4x	18.1x
P/B	3.7x	2.9x	3.1x	3.0x

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STOCK RATING: The recommendation is based on the difference between the 12-month target price and the current price:

Rating	When (target price – current price)/ current price
BUY	>=15%
HOLD	From -15% to +15%
SELL	<= -15%

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