Yuanta Research

Express Note

Vietnam Prosperity Bank [VPB VN]

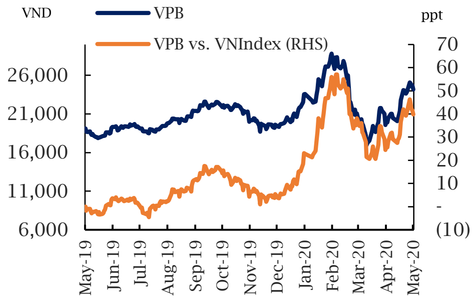
29 May 2020

HOLD-UPF

TP upside/(downside) -4%

Close 29 May 2020

Price	VND 23,350
12M Target	VND 22,500



Market cap	US$2.4 bn
6M avg. daily turnover	US$3.8 mn
Outstanding shares	2,438 mn
Free float	73%
FINI ownership	23.4%
Major shareholders	44.4%
2020E Asset/equity (x)	8.3
2020E P/E (x)	8.3
2020E P/B (x)	1.2
FOL remaining room	0.03%
Dividend yield (%)	0.0%

Source: Bloomberg

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Annual General Meeting Takeaways

VPB held its annual general meeting (AGM) on May 29 to discuss their business results for 2019 and to set targets for 2020. The ESOP was also a key discussion point of the AGM.

Key Takeaways

VPB targets 2020E PBT of VND10.2 tn (-1.1% YoY). In the first five months of 2020, VPB achieved approximately VND5.1 tn in PBT, representing 50% of its full-year target.

The bank set credit growth (including corporate bonds) at 12.3% YoY (vs our forecast of 9.8%). The bank targets asset growth of 12.7% YoY (vs our forecast of 7.9%) and deposit & surbodinated notes growth of 10.4% YoY (vs our forecast of 7.3%).

VPB plans to issue 17 mn ESOP shares (0.7% of outstanding shares) to employees at a price of VND10,000 per share, with lock-up period of three years in which employees can sell 30% after 1 year, 35% after 2 years, and 35% after 3 years. The 5.1m shares freed up in Year 1 represent slightly more than 1 day of trading volume.

Management also dicussed the FE Credit IPO. VPB disclosed that the bank was in negotiations with investors, but progress has been delayed due to Covid-19. This is in line with our expectations.

Our view

Credit growth throughout the sector is likely to weaken due to the impact of Covid-19. Thus, we reiterate our forecast for credit growth (including corporate bonds) of only 9.8% YoY in 2020E.

We expect NIM to decrease as VPB has cut lending rates to support certain borrowers in line with SBV policy. We forecast NIM of 8.56% in 2020E (-99bps YoY).

Credit costs should rise as we expect VPB to prudently provision for restructured loans, some of which will not recover regardless of arbitrary delays in asset quality reclassification. We expect its reported LLR ratio to increase by 13ppt YoY to reach 59% in 2020E.

Thus, we reiterate our 2020E PBT forecast of VND8.9 tn (-14% YoY), which is 13% below the bank's target and 14% below the consensus.

We reiterate HOLD-Underperform. VPB trades at 1.1x 2020E P/BV which is in line with the sector median, while our forecast ROE of 16% is slightly lower than that the peer median of 18%. Our target price implies negative total shareholder returns of -4%.

We discussed the FE Credit IPO in 2020 as a risk to our recent downgrade. The discussion at the AGM confirmed our view that such a deal is very unlikely to occur this year given the murky macro outlook for banks generally and unsecured lending especially.

Appendix A: Important Disclosures

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