

**VPB – HOLD**

**STOCK INFORMATION**  
(March 19<sup>th</sup> 2019)

Stock exchange	HSX
Market price (VND)	21 900
10-day average trading volume	2 481 166
Market capital (VND bn)	53 557

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**UPDATE REPORT**

**Business results:** VPB's consolidated pre-tax profit in 2018 recorded VND 9,199 billion (+ 13.2% yoy, reaching 85% of the year target). Pre-tax profit of the parent bank reached VND 7,934 billion (+ 41% yoy), while that of FE Credit reached VND 4,118 billion (- 1.95% yoy, accounting for 45% of the total consolidated profit).

**Outlook:** We forecast that consolidated pre-tax profit for 2019 of VPB will be VND 9,851 billion (+ 7% yoy). Pre-tax profit of the parent bank reached VND 8,756 billion (+ 10.36% yoy) and that of FE Credit reached 3,640 billion VND (- 11.6% yoy).

**Key growth drivers include:** (i) VPBank continues to expand its core businesses with high profit margins, serving personal segment, small and medium enterprises, and consumer credit; (ii) Non-interest income; (iii) CIR rate is maintained at a low level compared to the banking industry's average.

**Risks:** (i) Low asset quality; and (ii) Interest rate risk.

**Recommendation:** With a market price of VND 21,900, VPB is trading with P/B forward 2019 of 1.29 times. VPB's outlook for business in 2019 will grow slightly along with deterioration in asset quality. Therefore, **we recommend HOLD and maintain VPB's target price of VND 23,907/share.**

Unit: VND bn	2015	2016	2017	2018	2019F
Net interest income	10 353	15 168	20 625	24 702	28 350
Non-interest income	1 713	1 696	4 399	6 384	7 285
Total operating income	12 066	16 864	25 023	31 086	35 636
Provision	3 278	5 313	8 002	11 253	13 658
Profit before tax	3 096	4 929	8 126	9 199	9 851
Profit after tax	2 396	3 935	6 438	7 356	7 878
NPL ratio	2.69%	2.91%	3.39%	3.50%	3.52%
LDR	NA	66.50%	71.30%	73.70%	NA
CIR	47%	39%	36%	34.21%	34.03%
NIM	6.5%	7.9%	9.0%	8.7%	8.67%
ROE	21.4%	25.7%	27.5%	22.40%	20.59%
CAR (Cir 36/2014)	12.20%	13.30%	14.40%	11.90%	NA
CAR (Basell II)	NA	9.40%	12.60%	11.10%	NA
LLR	55.38%	49.68%	50.79%	45.93%	44.02%
CASA	10.06%	12.70%	15.04%	13.68%	NA

Source: VPB, VCBS

**APPENDIX**
**INCOME STATEMENT**

<b>As of 31/12</b>					
Unit: VND billion	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019F</b>
Interest income	18 759	25 631	34 131	40 280	47 003
Interest expense	-8 405	-10 463	-13 506	-15 579	-18 652
<b>Net interest income</b>	<b>10 353</b>	<b>15 168</b>	<b>20 625</b>	<b>24 702</b>	<b>28 350</b>
Non-interest income (expense)	1 713	1 696	4 399	6 384	7 285
<b>Total operating income</b>	<b>12 066</b>	<b>16 864</b>	<b>25 023</b>	<b>31 086</b>	<b>35 636</b>
Operating expenses	-5 692	-6 621	-8 895	-10 634	-12 126
Operating profit (pre-provision)	6 374	10 242	16 128	20 452	23 509
Provisions (net of reversals)	-3 278	-5 313	-8 002	-11 253	-13 658
<b>Profit before taxation</b>	<b>3 096</b>	<b>4 929</b>	<b>8 126</b>	<b>9 199</b>	<b>9 851</b>
Taxation	-700	-994	-1 688	-1 843	-1 974
<b>Profit after taxation</b>	<b>2 396</b>	<b>3 935</b>	<b>6 438</b>	<b>7 356</b>	<b>7 878</b>
Minority interest	0,0	0,0	0,0	0,0	0,0

**BALANCE SHEET**

<b>As of 31/12</b>					
Unit: VND billion	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019F</b>
Gross loans to customers	116 804	144 673	182 666	221 962	252 517
Net loans to customers	115 062	142 583	179 517	218 395	248 601
Balances with SBV	2 261	2 983	6 460	10 829	7 261
Current accounts, deposits and placements with banks	14 600	9 389	17 520	16 571	24 418
Cash and equivalent	1 632	1 727	2 574	1 855	2 503
Marketable securities	49 773	58 292	54 983	56 129	67 437
Non-interest earning assets	10 547	13 797	16 695	19 512	19 718
<b>Total assets</b>	<b>193 876</b>	<b>228 771</b>	<b>277 750</b>	<b>323 291</b>	<b>369 937</b>
Deposits from customers	130 271	123 788	133 551	170 851	190 326
Current accounts of banks and payables to SBV	4 866	2 111	108	3 523	3 972
Borrowings from SBV and term deposits from banks	17 720	27 829	33 118	54 490	62 189
Debt securities and other borrowed funds	22 375	50 232	70 164	49 006	61 990
Non-interest generating liabilities	5 256	7 635	11 115	10 671	9 684
<b>Total liabilities</b>	<b>180 488</b>	<b>211 593</b>	<b>248 057</b>	<b>288 541</b>	<b>328 160</b>
Chartered capital	8 056	9 181	15 706	25 300	25 300
Surplus capital	1 289	1 289	5 866	1 289	1 289
Treasury stock	0	0	0	(2 492)	(2 492)
Other capital	0	0	0	0	0
Reserve funds	1 325	2 950	2 751	4 551	6 468
Exchange rate differences&asset valuation differences	0	0	0	0	0
Distributable retained profits	2 719	3 757	5 370	6 102	11 213
Shareholders' equity	13 389	17 178	29 693	34 750	41 778
Minority interest	0	0	(0)	(0)	(0)
<b>Total liabilities and equity</b>	<b>193 876</b>	<b>228 771</b>	<b>277 750</b>	<b>323 291</b>	<b>369 937</b>

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