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VPBank (VPB)

Flat 2020E guidance; FE Credit up to 49% stake sale

Guidance at least flat performance for 2020E & on track to meet half of goal in 1H 2020

— Shareholders approved flat pretax earnings guidance of VND10,214 billion (down 1.1% YoY) and annual credit growth target of 12.3% to VND304,744 billion for 2020E. Other metrics approved were: 1) deposit growth (including certificates of deposits) of 10.4% to VND299,728 billion; and 2) non-performing loans of the parent bank under 3%. Overall asset growth was also set at 12.7% to VND425,132 billion. Management also announced that year-to-May pretax profit has already reached half of the full-year target at VND5,100 billion. Year-to-June pretax earnings are expected at VND6,000 billion – implying 2Q pretax results at VND3,090 billion or up 6% QoQ and 21% YoY – but management will also strive to beat this guidance by 10%–20%. Moreover, management expects less reliance on the bond portfolio for 2Q performance vs 1Q.

Most SME customers back to business; consumers less affected; & FE Credit still cautious

— May credit growth slowed to 12% YoY vs 1Q's 21.1% on more cautious lending to sectors that were harder hit by the coronavirus. Highly affected sectors in tourism, travel, hospitality and trade are still being closely monitored for recovery, while about 90% of SME customers are back in business by the end of May vs about 70% in mid-May. Retail customers in the middle- to high-income groups (the bank's main customer base) were less affected but management remains cautious on its consumer finance customers at FE Credit. Management plans to slow credit growth at FE Credit to 1%–2% for June by temporarily halting new customer acquisition, focusing on less risky customers, and tightening risk controls.

Capital management: 49% stake sale for FE Credit; FOL down to 15%; no cash dividend

— Talks to sell up to a 49% stake in FE Credit (regulatory cap as a financial company) have been postponed due to the coronavirus but management remains confident that a deal can be reached within the year. This also implies that management has scrapped plans to IPO FE Credit. Although the stake sale will reduce VPB's net interest margin from 9% levels now, management plans to use the capital from the FE Credit sale to boost the bank's capital base, enhance scale and expand lending to retail and SME customers. Shareholders also approved reducing the FOL to 15% from 23% and the bank will submit this plan for approval to the State Securities Commission. Once approved and an effective date is set foreign investors will only be allowed to sell shares and any purchases will be restricted until foreign ownership falls below 15%. Management will not pay a cash dividend for 2019 performance but instead will reinvest all gains for 2020E operations. Shareholders also approved a 17-million-share ESOP taken from treasury shares and issued for VND10,000.

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Investment ratings & definitions

Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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