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VPbank (VPB)

Realigning ownership; flat guidance for 2020E

Earnings guidance kept flat for 2020E

— Management released flat earnings guidance of VND10,214 billion or down a modest 1% for 2020E in the proposal for the annual general shareholders' meeting. Other metrics included: 1) 12.3% YoY credit growth and year-end credit target of VND304,744 billion; 2) 10.4% YoY growth in deposits to VND299,728 billion; 3) 12.7% YoY growth in total assets to VND425,132 billion; and 4) non-performing loans below 3%. Shareholders will meet to approve these business targets on May 29.

More cautious year ahead & reducing new customer acquisitions

— Management's main strategy to combat the worsening credit environment during the coronavirus will be to slow new customer acquisitions and to focus credit growth on existing customers that offer better tracking to identify lower-risk clients. This will accompany tighter underwriting standards that will: 1) boost loan-to-value ratios and unused credit lines for secured retail loans; 2) lower customer limits on credit cards and only raise credit limits to known existing customers for unsecured retail credit; 3) focusing on lower-risk existing customers for the SME loan book; and 4) limiting credit growth for industries hit hardest by the coronavirus for large corporate lending. In terms of the bank's relief program, the bank estimates that 1.8% of customers have completed credit restructuring or about 5% of the total loan book.

Realigning ownership: seeking approval to lower foreign ownership to 15% & 5% buyback

— Management will request approval from shareholders to lower the foreign ownership limit to 15% from the current 23% as well as launching a treasury buyback for 5% of shares to realign the ownership structure. Earnings were VND8,260 billion in 2019 but the bank opted to not issue any cash dividends and will instead reinvest these profits into business operations to sustain growth. The Board of Directors also submitted a plan to issue 17 million shares (0.672% of total outstanding shares) for the ESOP at VND10,000 per share. The bank plans to use existing treasury shares and locks ups will allow recipients to sell 30% of holdings in year one; 35% after two years and 35% after three years.

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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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