

26/11/2024

VPBankS Research



VIETNAM PROSPERITY JS COMMERCIAL BANK (HOSE: VPB)

Banks

12-MONTH RATING

BUY

Target price (12M)	23,600 ₫
Upside	22.3%
Most recent close	19,300 ₫

Continuously enhance business while managing asset quality and refining operational frameworks

We maintain a **BUY** for VPB, with a target price of VND23,600 per share, based on the residual income discount model.

VPB's PBT growth outperforms the industry:

- Consolidated PBT totaled nearly VND13.9 trillion (+67% yoy), driven by higher interest income from key sectors (auto loans, credit cards, and corporate clients). CIR was optimized to 24%, securing top position as supported by its successful digital transformation, controlled OPEX and significant TOI growth.
- For 9T2024, the consolidated credit growth reached 9% ytd, in line with the industry average. COF was effectively managed, remaining stable compared to the previous quarter at 4.3% (consolidated) and 4.1% (separate). Consolidated NIM decreased by 30 bps qoq, primarily due to reduced interest rates to support customers impacted by Typhoon Yagi. VPB maintained a leading position in the market with a consolidated NIM of 6.1% and single NIM at 4.9%.
- FEC has reported profits for two consecutive quarters, with a cumulative total of nearly VND500 billion, driven by a strategic focus on high-quality customers and expediting debt collection. FEC's disbursement in Q3 experienced a robust yoy growth of 26%.
- FDI sector comprises approximately 500 clients, with only one-third being Japanese, highlighting the diversity of the customer base and that the focus is not solely on serving its strategic partner's customers. Recently, VPB has partnered with Lotte C&F Vietnam and EV manufacturer BYD to provide comprehensive financial solutions.

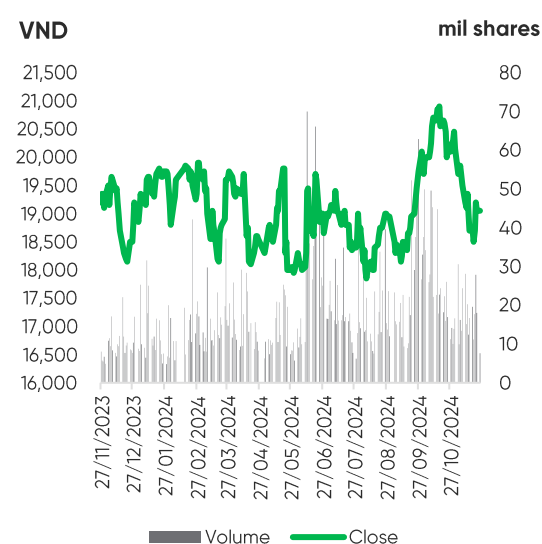
Enhancing capital buffer and optimizing asset quality:

- VPB's CAR reached 15.66% (+10 bps qoq), highest among listed banks.
- The establishment of a centralized debt collection center has yielded significant results, with collections from consolidated provisioned debt surpassing VND3.2 trillion over three quarters (+90% yoy). Consolidated NPL ratio decreased by 34 bps qoq, reaching 4.06%, while the parent bank's NPL remained below the 3% threshold as regulated.
- The parent bank's corporate bond investment portfolio represents just 2.82% of the total outstanding credit balance (-52% ytd).

TRADING INFO

Market cap (VNDb)	151,141 ₫
Outstanding shares	7,933,924,000
52W Average volume	18,696,880
52W High	20,900 ₫
52W Low	17,850 ₫
Beta	1.25

STOCK PRICE MOVEMENT



Unit: VNDb	9M2023	9M2024	% yoy
NII	27,133	35,887	32.3%
TOI	36,402	44,602	22.5%
PBT	8,279	13,852	67.3%
EPS	1,195	1,407	15%
BVPS	15,547	17,304	11.3%
PE	13.06	12.16	-6.9%
PB	1.28	1.17	-8.9%
NIM	5.80%	6.10%	5.2%
CIR	28.28%	23.65%	-16.4%
ROA	1.52%	1.57%	3.6%
ROE	10.10%	13.60%	34.6%

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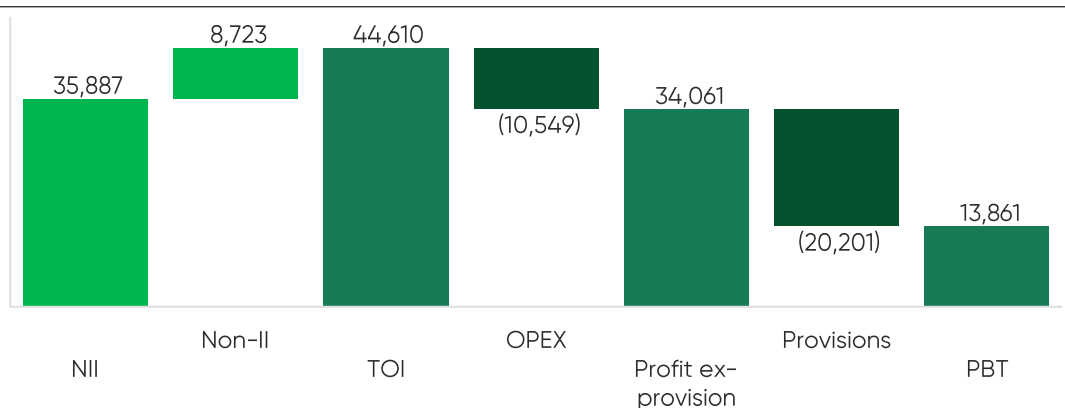
Completion status of 2024 guidance

No.	Indicators	2024G	9M2024 results	Completion rate
1	Consolidated total assets (VNDb)	974,270	858,885	88%
2	Consolidated customer deposits and valuable papers (VNDb)	598,864	526,724	88%
3	Consolidated credit balance (VNDb)	752,104	654,614	87%
4	Bank's NPL ratio (Circular 11)	<3%	2.98%	Đạt
5	Consolidated PBT (VNDb)	23,165	13,861	60%
6	Separate PBT (VNDb)	20,709	13,052	63%

In 2024, we consider the PBT guidance to be relatively challenging. However, with the newly raised capital, we believe that, even in a worst-case scenario, VPB will have sufficient resources to achieve approximately 80% of this year's guidance while maintaining planned dividend payments. By the end of 9M2024, the targets for Total Assets, Deposits, and Credit are largely in line with our projections. Historically, VPB has set ambitious PBT targets, and 2024 is no exception. The PBT target for 9M2024 (60% reached) aligns with our forecast. We anticipate that the majority of the guidance objectives will be realized in Q4/2024, driven by the momentum from year-end consumption and the credit season.

Figure 1. 9M2024 Earnings result

Unit: billion VND



Business results demonstrated strong growth compared to the low base of 2023, primarily driven by a remarkable 32% yoy increase in NII for 9M2024, with Q3 alone seeing a 38% yoy growth. The parent bank's credit growth reached 10.4% ytd, with retail lending showing positive trends, particularly in products such as credit cards (+9.6% ytd), card fees (+8.3% yoy), and auto loans (+8.6% ytd), securing a 60% market share in the passenger car segment. Non-II for 9M2024 declined by 6% yoy, mainly due to a 22% qoq drop in in Q3, driven by profit margin pressure in the foreign currency segment caused by high exchange rates and the lingering negative impact of Banca, with Banca fees falling by 50% yoy. Provision expenses for 9M2024 rose by only 13% yoy.

Sources: AR, FS, IR Pack

Credit growth for 9M2024 reached 9% ytd (consolidated) and 9.4% ytd (separate). We consider VPB's credit growth level to be relatively conservative compared to historical trends, as VPB's strategy remains focused on further tightening credit policies to safeguard the quality of the bank's new outstanding loans.

Credit growth has slowed compared to previous periods, due to a strategic shift

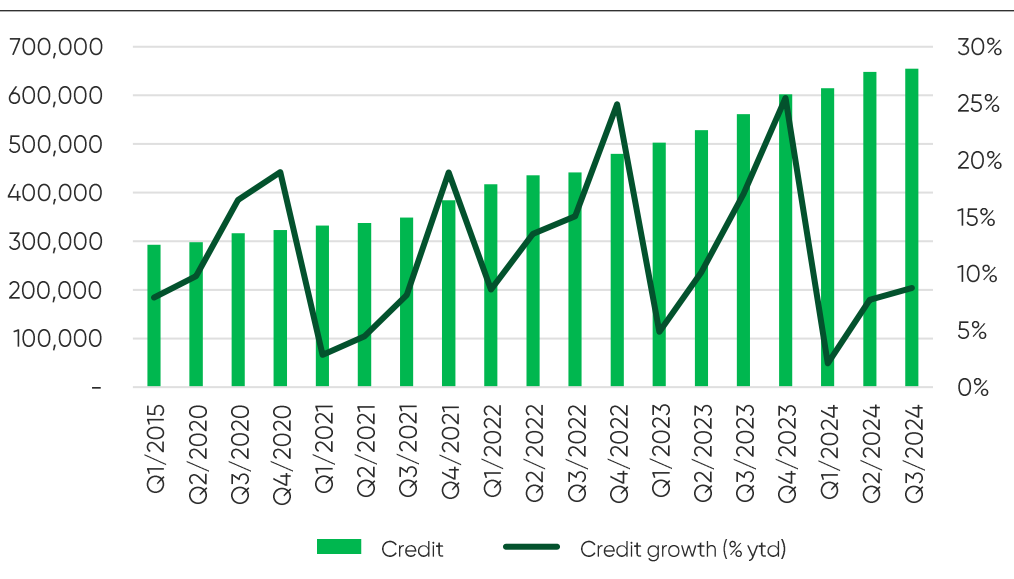
The outstanding loans in the retail customer segment and SME sectors is primarily driven by card products - which saw a 9.6% ytd increase in outstanding loans and a 16% yoy growth in spending volume- as well as car loan products (outstanding loans grew by 8.6% ytd).

As of the end of Q3, parent bank's outstanding real estate loans totaled approximately VND148 trillion, representing 26.1% of the loan portfolio, with an average LTV ratio of 30.18%. The retail home loan portfolio had an outstanding loan balance of approximately VND86 trillion, accounting for 15.1% of the loan portfolio, with an average LTV of around 55%.

Consumer lending and credit cards are the two strongest areas for FEC, with a total outstanding debt of approximately VND56 trillion.

Figure 3. Credit balance & credit growth

Unit: trillion VND, % ytd



Source: FS

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Interest rates have risen once again to stimulate growth in deposits for the year-end credit season, leading to a slowdown in VPB's COF, which has remained at the low levels seen in late 2021 and early 2022. This trend aligns with the broader industry movement, particularly within the retail banking sector, where customer deposits remain the primary source of capital. As COF faced upward pressure and VPB engaged in price competition to capture market share from other retail banks, NIM also experienced a slowdown, slightly declining to levels seen at the end of 2021 – parent bank's NIM stood at 4.9%, while the consolidated NIM was 6.1%, maintaining the top position in the industry. We expect that NIM will be maintained at these levels through Q4/2024 and 1H2025, due to continued pressures from exchange rates and persistent system liquidity challenges.

COF remains stable, while NIM declines along with market trend

Figure 8. NIM

Unit: %

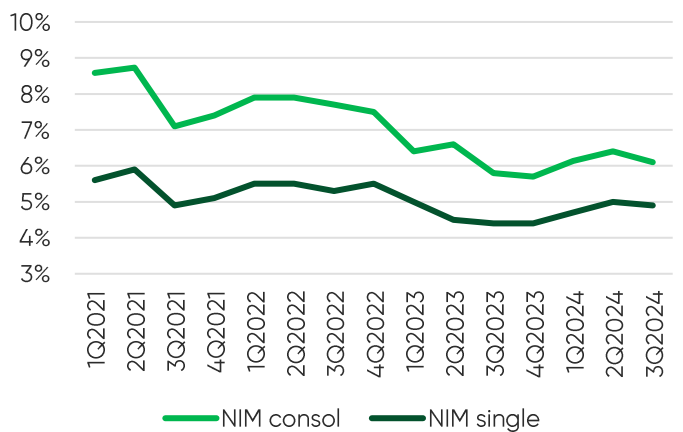
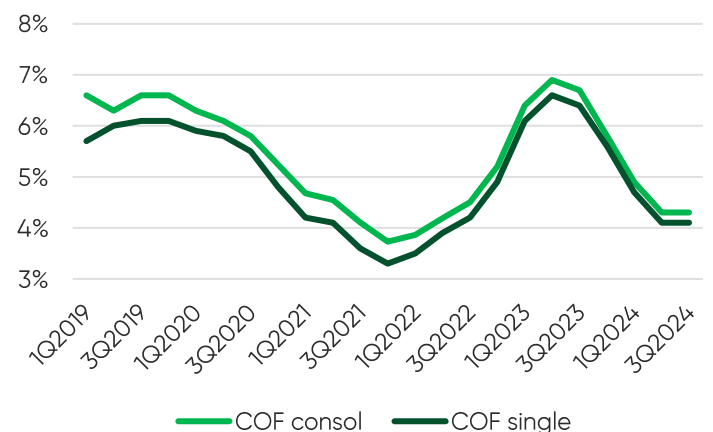


Figure 9. COF

Unit: %

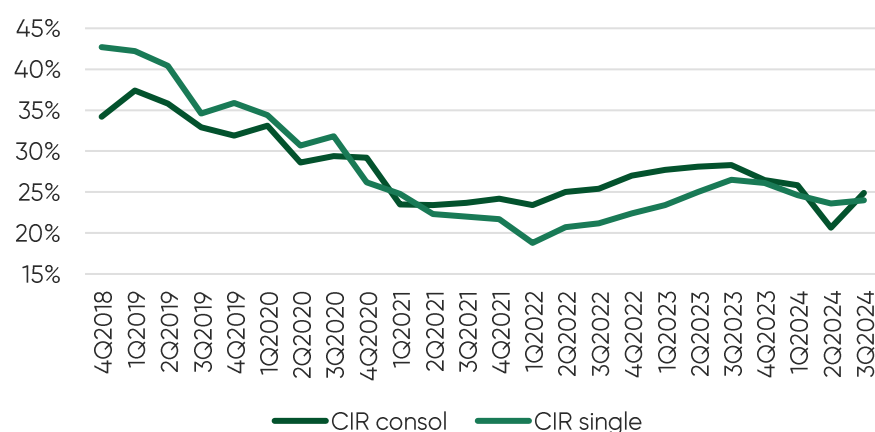


Due to comprehensive digital transformation and high TOI growth from a low base, along with a cost-saving campaign, VPB's CIR continues to maintain its TOP 1 position in the market and is much more competitive than the industry average at 34%.

VPB maintains its position as the market leader in terms of CIR

Figure 10. CIR

Unit: %

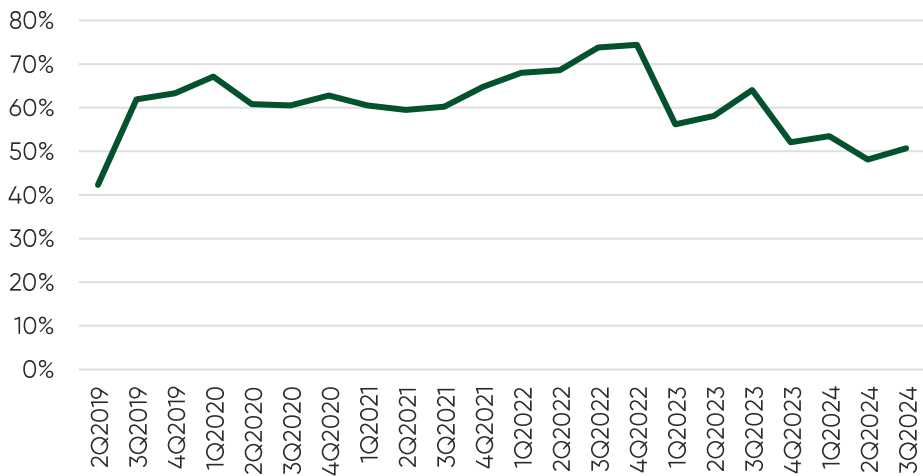


Sources: IR Pack, FS

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Figure 11. LLR

Unit: %



LLR improved compared to the previous quarter but has not yet reached the optimal level.

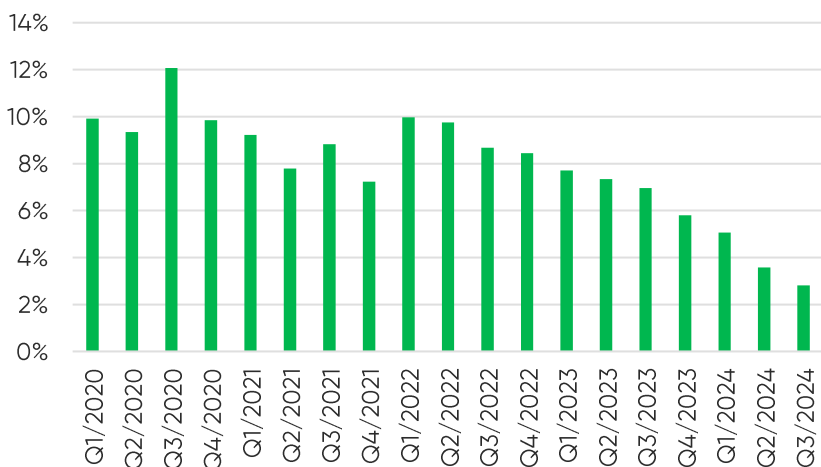
VPB has proactively reduced its exposure to corporate bonds within the total consolidated credit balance over the past two years, particularly following the liquidity crisis at the end of 2022. From 10% at the beginning of 2022, VPB strategically reduced its corporate bond holdings to 8% by the end of 2022, in response to the crisis. The bank continued this strategy, further decreasing the investment ratio to near 3% by the end of Q3/2024.

We expect this proportion to remain stable through 1H2025, as the corporate bond market gradually recovers alongside the recovery of the real estate market. This recovery, coupled with a return of investor confidence, is anticipated as corporate bonds maturing in 2025 show signs of more timely repayments.

Proactively reduce the scale of corporate bond investments to strengthen and build a healthier balance sheet.

Figure 12. Corporate bonds-to-Consolidated credit ratio

Unit: %



Sources: IR Pack, FS

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Debt impacted by Typhoon Yagi amounts to approximately VND6 trillion, representing 0.82% of the bank's total outstanding loans, which is in line with the industry average of 1%. It is anticipated that the State Bank will issue a new circular to provide support to affected customers.

In 9M2024, VPB achieved total revenue of VND 3.2 trillion from debt settlement, three times higher than the same period last year, with Q3 contributing VND 1.6 trillion, or 58% of the total. The AFS investment segment also made significant strides in reducing bad debt, decreasing nearly all group 2 debt (-97% ytd), settling all group 3 debt, and reducing group 4 debt by 28%.

Although the NPL ratio remained flat qoq, group 2 debt decreased by 22.2% qoq, marking a decline for two consecutive quarters, reaching 5% at the parent bank. This indicates a recovery in the real estate market, the effectiveness of active debt collection efforts, and improved quality in new debt.

Figure 15. NPL ratio (Circular 31)

Unit: %

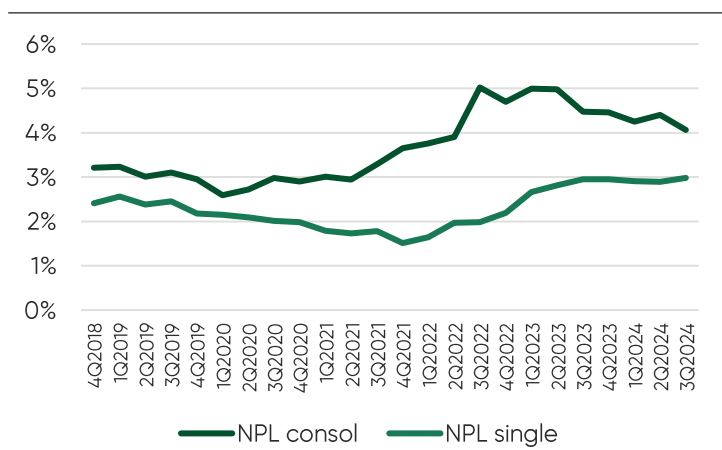
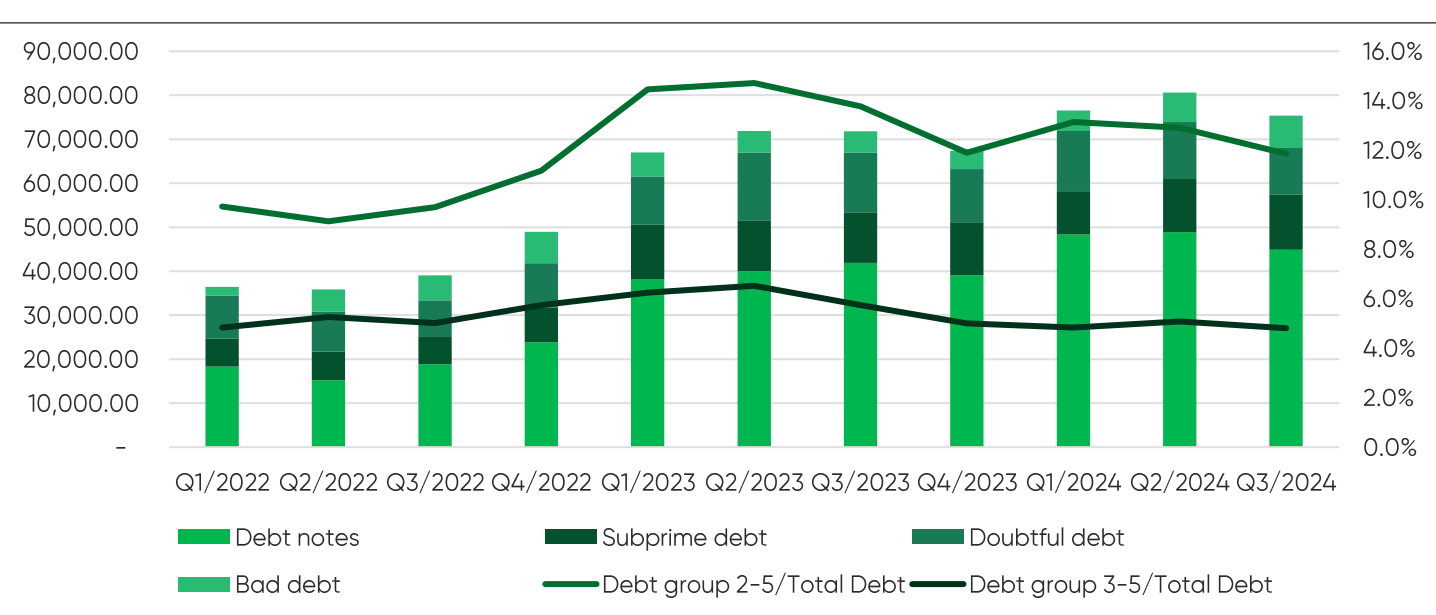


Figure 16. Consolidated overdue debt (group 2-5)

Unit: billion VND; %

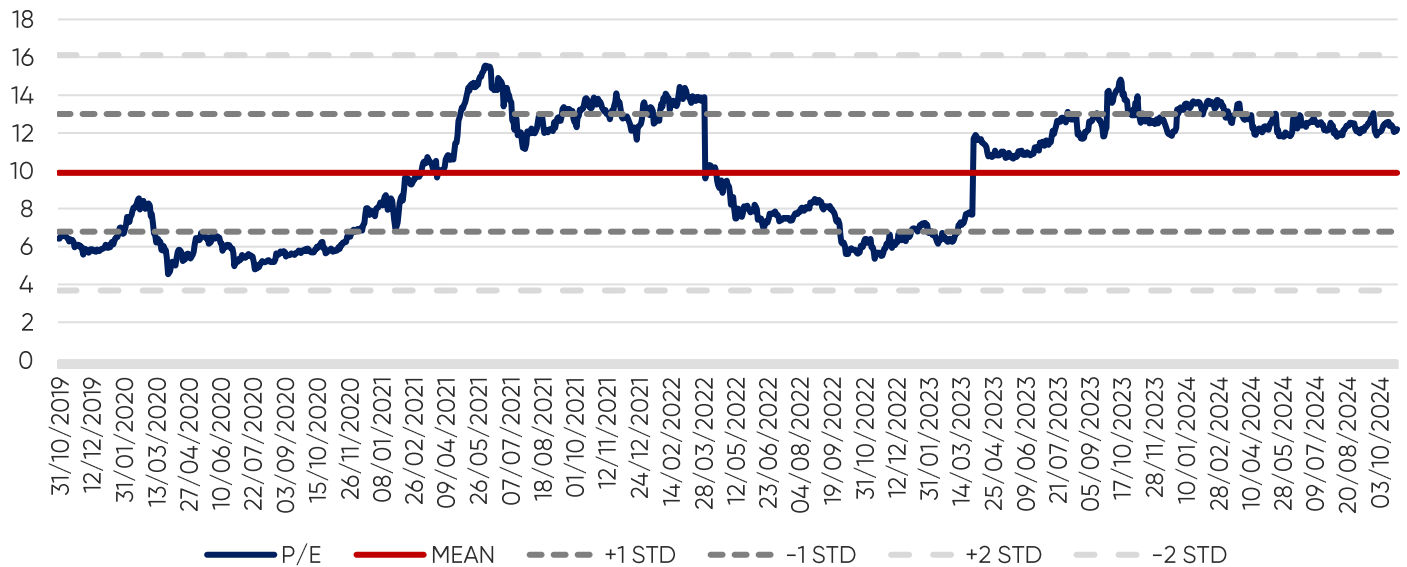


Sources: IR Pack, FS

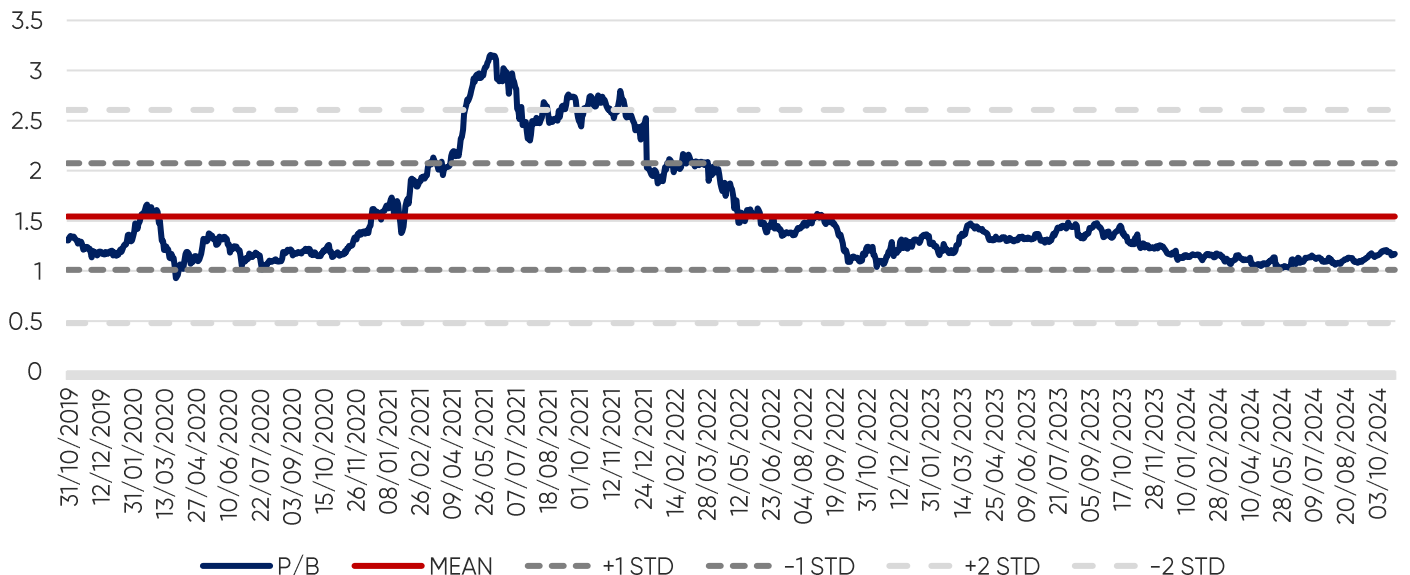
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Figure 18. P/E performance

Unit: times

**Figure 19. P/B performance**

Unit: times



VPB's P/E ratio is trading at approximately +1 STD, comparable to the period when VPB was valued at its peak in 2021. Meanwhile, VPB's P/B ratio stands at 1.17, significantly below the industry average of 1.5, and is trading around -1 STD. Hence, VPB remains at a relatively attractive valuation.

Source: Bloomberg

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VALUATION

Assumptions

Based on the latest business results, updated shareholder meeting documents, and our assessment of the business prospects in the coming years, we project that VPB will achieve approximately 85% of its guidance for the year. The key forecast indicators are as follows:

- NIM: 6.1% (as per BOD's guidance)
- Deposit growth and credit lending growth: 25%
- CIR: 26.5%
- NPL (group 3-5): 5.2%
- Cash dividend payment at a 10% rate remains consistent with the plan announced at the General Meeting of Shareholders.

Valuation parameters	
Risk-free rate	5%
Beta	1.25
Premium	9%
Cost of equity	16.2%

Forecast

RI	2024	2025	2026	2027	2028
Beginning equity	134,631	142,093	153,569	173,078	195,105
Period's PAT	15,396	19,410	27,443	29,961	38,495
Cash dividends	7,934	7,934	7,934	7,934	7,934
Ending equity	142,093	153,569	173,078	195,105	225,667
Residual income	(6,421)	(3,616)	2,557	1,914	6,878

PV (residual income)	45,346
Current book value	142,093
Intrinsic value of equity	187,439
Number of shares (million)	7,934
Share price (VND)	23,625

APPENDIX – CONSOLIDATED FINANCIAL STATEMENTS

VNDb	2022	2023	2024F	VNDb	2022	2023	2024F
Balance sheet				Income statement			
Cash and gold	2,658	2,285	2,856	Interest and similar income	62,200	76,557	104,038
Deposit at SBV	9,935	8,423	2,434	Interest and similar expenses	(21,179)	(38,383)	(52,160)
Deposits and loans from other credit institutions	47,965	94,094	96,344	NII	41,021	38,175	51,877
Trading securities	7,793	12,326	15,441	Service income	10,456	12,308	15,002
Derivatives and other financial assets	0	0	41	Service operating costs	(4,018)	(5,096)	(6,837)
Customer loans	424,662	551,472	689,537	Net profit/loss from service activities	6,438	7,212	8,164
Investment securities	83,076	94,587	112,917	Net profit/loss from foreign exchange trading	(618)	(806)	(610)
Contributed capital, long-term investment	189	189	189	Net profit/loss from trading securities	(149)	380	624
Fixed assets	1,858	1,924	1,945	Net profit/loss from trading investment securities	509	250	1,873
Other assets	52,874	52,267	55,810	Net profit/loss from other operations	10,584	4,526	5,093
TOTAL ASSETS	631,013	817,567	977,515	Income from capital contribution	13	3	3
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY				TOI	57,797	49,739	67,025
Government and State Bank debts	1,929	4,118	5,039	Total operating expenses	(14,116)	(13,941)	(17,762)
Deposits and loans from other credit institutions	140,249	156,357	158,805	Net operating profit before provision for bad debts	43,681	35,798	49,263
Customer deposits	303,151	442,368	552,960	Provisions for bad debts	(22,461)	(24,994)	(29,203)
Derivatives and other financial liabilities	15	0	98	PBT	21,220	10,804	20,060
Funding, investment trust, lending to financial institutions at risk	47	22	314	Corporate taxes	(4,311)	(2,310)	(4,722)
Issuance of valuable papers	63,700	47,787	81,299	PAT	16,909	8,494	15,338
Other liabilities	18,419	27,118	31,741	Non-controlling interest	(1,259)	(1,480)	(58)
TOTAL LIABILITIES	527,511	677,771	830,257	Bank shareholders' PAT	18,168	9,974	15,396
Capital	66,551	103,332	103,332	Growth			
Equity	67,434	79,339	79,339	Deposit	25.4%	45.9%	25.0%
Surplus equity	0	23,993	23,993	Loans	23.4%	29.2%	25.0%
Other	(883)	0	0	Total assets	15.3%	29.6%	19.6%
Credit institution funds	13,535	12,233	14,543	Shareholders' equity	20.0%	35.1%	5.3%
Exchange rate difference	0	0	0	NII	19.4%	-6.9%	35.9%
Asset revaluation difference	0	0	0	OPEX	31.7%	-1.2%	27.4%
Retained earnings/Accumulated losses	16,752	19,066	24,219	PBT	47.7%	-49.1%	85.7%
Minority shareholder interests	6,664	5,164	5,164	PAT	47.3%	-49.8%	80.6%
TOTAL SHAREHOLDERS' EQUITY	103,502	139,796	147,258				
Capital demand				Profit			
CAR	14.9%	17.1%		NIM	7.6%	5.7%	6.1%
Total assets/Total equity	6.2	6.0	6.3	Non-II/TOI	29.0%	23.3%	22.6%
Asset quality				ROAA	2.9%	1.2%	1.7%
Group 3-5 bad debts	5.7%	5.0%	5.2%	ROEA	17.8%	10.0%	10.7%
Provisions for bad debts (group 2-5) ratio	28%	22%	22%	Valuation			
Liquidity				P/E	6.59	13.40	12.17
LDR	95.9%	102.1%	101.4%	P/B	1.25	1.13	1.32
				Book value	14,360	16,969	17,910

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