



Company Report: Vietnam Prosperity Commercial Joint Stock Bank (VPB)

Analyst

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Temporary setback

Q1/2023 RESULTS

In Q1/2023, VPB recorded credit growth of 4.6%ytd with consolidated banks and 7.1%ytd with parent banks. The parent bank's pre-tax profit dropped to VND4,100 billion, down 18%yoy (excluding the AIA one-off in 1Q222). Interest income improved thanks to good credit growth while the non-interest income of bank dropped sharply in the context of an unfavorable market. Additionally, FE Credit's business continued to face difficulties, causing the bank's consolidated profit to drop sharply.

VPB has now closed the deal to sell 15% of its capital to SMBC and hopes to complete the deal in the third quarter of this year.

The bank plans to pay dividends in 2022 in cash, a ratio of 10%. It would be implemented in 2023.

COMMENT

Currently, VPB targets its strategy as a multi-sector group like MBB with its banking-security-insurance ecosystem (VPBank, FE Credit, VPBank Securities and OPES insurance). 2 new business segments are in the foundation stage, in the context of the unfavorable market. Meanwhile, this year, the parent bank's business was strongly supported by its solid capital base after the partial divestment of Fe Credit and private placement to foreign partners. The business plan with 33% credit growth this year is quite ambitious in the context of the industry's credit still facing many obstacles, especially the gloomy real estate environment and lower-than-expected economic growth. On the other hand, the improved capital buffer and participation in the restructuring of weak credit institutions are the factors that help the bank to receive high credit limits. Given the current more favorable interest rate environment and the strengthening capital buffer, we believe the bank's NIM to be flat compared to Q1's base.

Recommendation: -

(Updated)

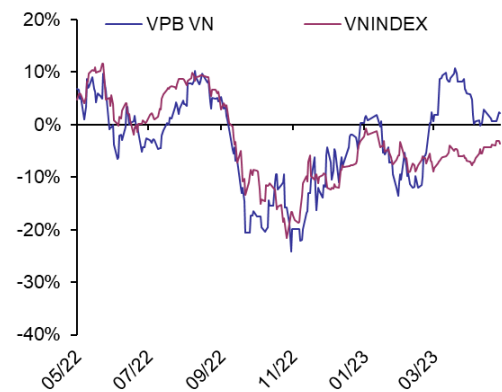
6-18m TP:

25,000

Current price:

VND19,200

Price performance



Abs. %	1 M	3 M	1Y
Relative to VN index	-6.1%	9.7%	-0.7%
Avg price (VND)	-5.5%	9.9%	-10.2%
Abs. %	19,553	19,473	18,713

Sources: Bloomberg, Guotai Junan (VN)

12/31	TOI (VND b)	Net Profit (VND b)	EPS (VND)	EPS (Δ%)	BPS (VND)	DPS (VND)	Yield (%)	NIM (%)	CIR (%)	ROE (%)
2021A	44,301	11,477	2,647	-38.02	11,622	-	-	7.77	-24.20	16.51
2022A	57,797	16,909	2,718	2.68	14,360	-	-	7.64	-24.42	17.82
2023F	69,945	18,228	2,703	-0.55	16,194	1,000	5%	6.50	-29.00	16.62
2024F	94,200	27,624	4,096	51.54	19,291	1,000	5%	7.00	-29.00	19.87
2025F	122,839	38,770	5,749	40.35	24,040	1,000	5%	7.20	-29.00	22.38

Shares in issue (m)	6,713.20	Major shareholders (%)	Dragon Capital 6%
Market cap (VND b)	128,893.52	Free float (%)	65%
3- month average vol. ('000)	14,508.41	LDR (%)	76
52w high/low (VND)	21733 / 13650	CAR (%)	14.5

Nguồn: the Company, Guotai Junan (VN).

Q1/2023 RESULTS

Credit growth was higher compared to the sector average with consolidated and parent bank credit growth reaching 7.1%ytd and 4.9%ytd respectively.

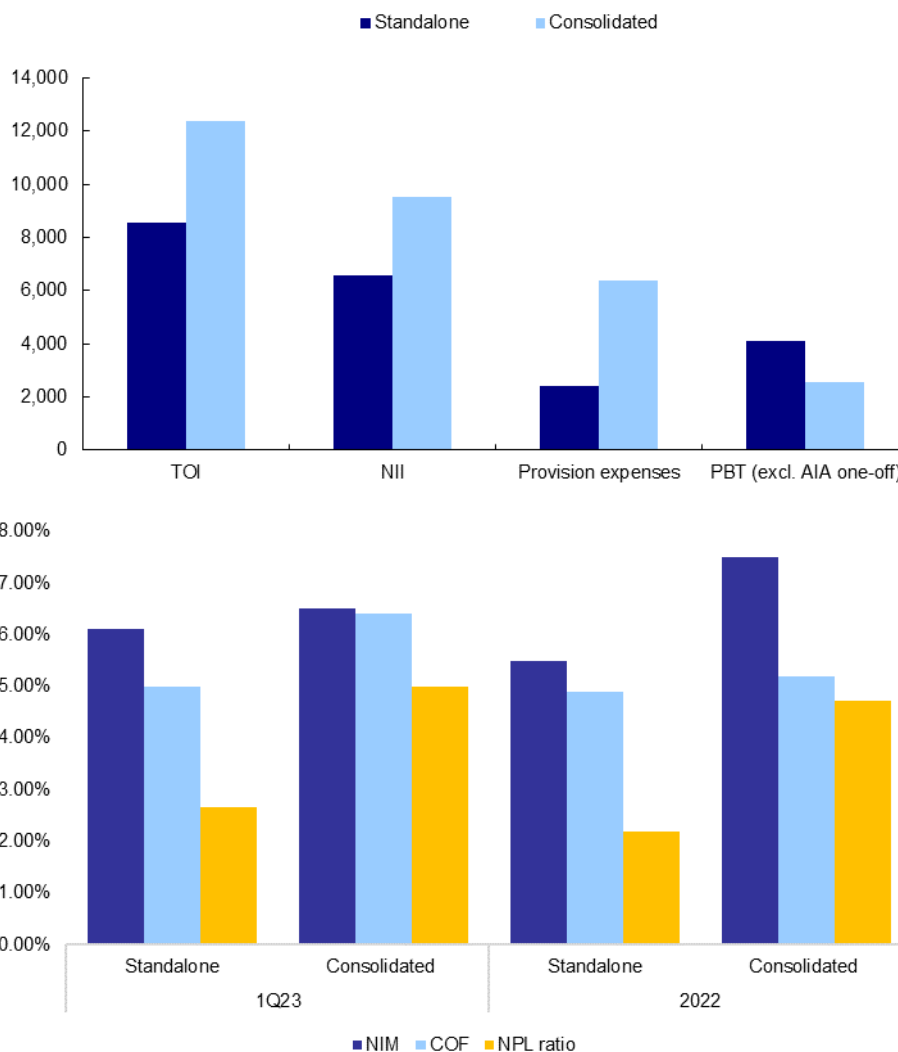
Even so, the context of a surge in deposit interest rate caused the bank's NII to weaken by 2%qoq while growing 8.5%yoy.

Non-interest income dropped sharply due to unfavorable market (income from securities investment business) and less debt collection (other income).

Meanwhile, fee income still increased strongly thanks to the increase in fees collected from cards, payments and banca (+10% ytd credit card growth supporting fee income).

As a result, excluding the extraordinary income from the deal with AIA in Q1.2022, VPB (parent) still recorded a profit decline of 18% compared to the same period last year. The influence of FE Credit made Q1's consolidated profit plummet to VND2,550 billion.

Fe Credit has not been able to recover as expected, pulling back its consolidated business results



Source: VPB, Guotai Junan (VN).

FE Credit's continued to record loss in the first quarter of the year and a sharp increase in bad debt have put more pressure on the bank's consolidated business results (consolidated profit decreased, NPL ratio surged). Thus, it has been more than a year for VPB's efforts to revive Fe Credit's business. However, the less favorable business environment made the bank's plan does not meet expectations, at least until the end of the second quarter.

In March, VPB closed the deal to sell 15% of capital to SMBC through private placement

In April, VPBank received a 10% deposit from SMBC with nearly VND 3,600 billion.

It is expected that around the end of July and the beginning of August, the bank will complete the procedures and receive 90% of the remaining amount of the deal. According to VPBank, SMBC's investment will bring the bank 35.9 trillion VND in Tier 1 capital (equivalent to 1.5 billion USD),

increasing VPBank's total equity from 103.5 trillion VND to approximately 140 trillion VND. Through the deal, **the bank's CAR hiked to 19%**.

COMMENT

Currently, VPB targets its strategy as a multi-sector group like MBB with its banking-security-insurance ecosystem (VPBank, FE Credit, VPBank Securities and OPES insurance). 2 new business segments are in the foundation stage, in the context of the unfavorable market. Meanwhile, the parent bank's business this year was strongly supported by its solid capital base after the partial divestment of Fe Credit and private placement to foreign partners. The business plan with 33% credit growth this year is quite ambitious in the context of the industry's credit still facing many obstacles, especially the gloomy real estate environment and lower-than-expected economic growth. On the other hand, the improved capital buffer and participation in the restructuring of weak credit institutions are the factors that help the bank to receive high credit limits. Given the current more favorable interest rate environment, and the strengthening capital buffer, we believe the bank's NIM to be flat compared to Q1's base.

In terms of asset quality, Circular 02 has a very positive impact on banks and helps VPB reduce the pressure to cross the 3% bad debt boundary (the bank's NPL ratio is close to 3%). Meanwhile, provision expenses pressure is still high (in both consolidated and parent bank) given that the Circular 02 requires banks to set aside 50% of provisions for the restructuring loans right in the financial year.

COMPANY RATING DEFINITION

Benchmark: VN – Index.

Time Horizon: 6 to 18 months

Rating	Definition
Buy	Relative Performance is greater than 15% Or the Fundamental outlook of the company or sector is favorable
Accumulate	Relative Performance is 5% to 15% Or the Fundamental outlook of the company or sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the company or sector is neutral
Reduce	Relative Performance is -15% to -5% Or the Fundamental outlook of the company or sector is unfavorable
Sell	Relative Performance is lower than - 15% Or the Fundamental outlook of the company or sector is unfavorable

SECTOR RATING DEFINITION

Benchmark: VN – Index

Time Horizon: 6 to 18 months

Rating	Definition
Outperform	Relative Performance is greater than 5% Or the Fundamental outlook of the sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the sector is neutral
Underperform	Relative Performance is lower than -5% Or The Fundamental outlook of the sector is unfavorable

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VPBank (VPB)

Company Report