



Company Report:

Fortune Vietnam Joint Stock Commercial Bank (LPB)

Research Department

29/04/2025

NIM UNDER PRESSURE IN SHORT – TERM

BUSINESS PERFORMANCE UPDATE

In 2024, LPB recorded positive business performance growth, with total operating income (TOI) reaching a record high. Net interest income (NII) grew strongly by 37.4% YoY thanks to credit scale expansion and optimization of net interest margin (NIM). However, non-interest income (NOI) showed signs of stagnation, decreasing by 9.9% YoY. Preliminary Q1/2025 data shows LPB achieved 6% YTD loan growth, however, net interest income declined compared to the same period last year, indicating pressure on NIM. Nevertheless, improved non-interest income and a slight drop in provision expenses helped LPB still record a 10% YoY growth in pre-tax profit.

OUTLOOK

LPB has shown positive developments in business activities with strong profit growth in the past two years. In 2025, we forecast the bank will continue to maintain credit growth of around 17%-20%. However, pressure from funding costs and the business model may slightly reduce NIM, expected to settle around 3.5x%.

Thanks to good cost control and contributions from non-interest income, LPB is expected to achieve a pre-tax profit of around VND 11,400 billion in 2025, up 18% YoY.

Combining the Residual Income Method and P/B comparison, the target price is determined at VND 26,946 per share.

Recommendation:

Neutral

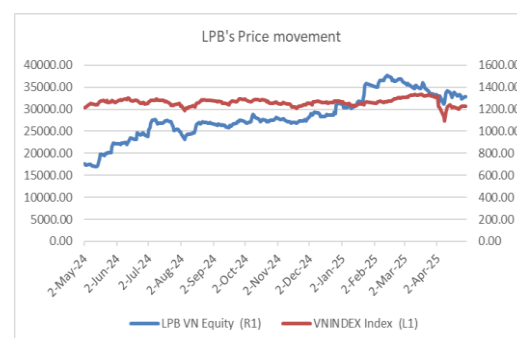
TP:

26,946

Current stock price:

VND32,650

Stock price movement:



LPB price change	1 M	3 M	1Y
Price change %	-2%	-9%	87%
Compare with VN index	5%	-6%	86%
Average price (VND)	32,963	34,791	28,283

Source: Bloomberg, Guotai Junan (VN)

Recommendation: Neutral

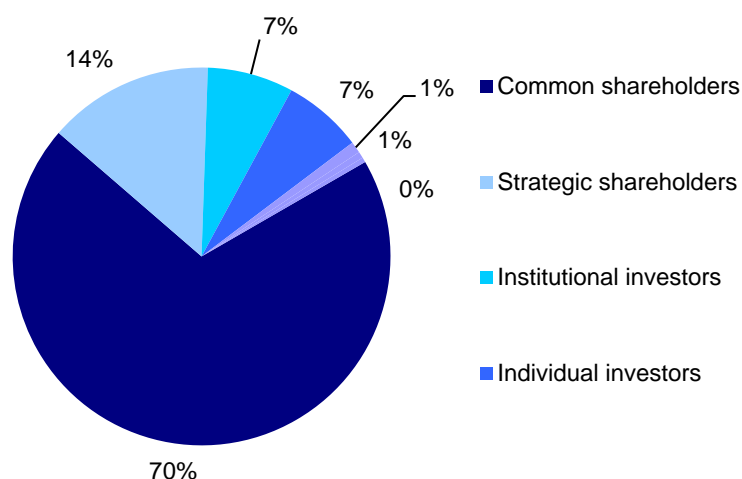
Outstanding shares (bn)	2,987	Major shareholder (%)	Vietnam Post 6.54%
Market capital (VND b)	99,327	Free float (%)	95%
3-Month Average Trading Volume('000)	3,184	LDR (%)	80.2%
Highest/Lowest 52w price (VND)	37,770 / 17,037	CAR (%)	12.24%

BANK OVERVIEW

History and Development Strategy

Lien Viet Post Joint Stock Commercial Bank (LPB) was established in 2008 with the goal of becoming a leading retail bank, providing inclusive financial services for the people, especially in rural areas. LPB officially changed its name to Loc Phat Joint Stock Commercial Bank as of July 15, 2024. As of 2025, the bank recorded total assets exceeding VND 450 trillion, placing it among the mid-sized banks in Vietnam. The bank's network includes 1,080 transaction points nationwide, of which more than 500 are post office transaction points – a key feature that differentiates its distribution model from other commercial banks.

Shareholders structure



Source: LPB, Guotai Junan (VN)

As of the end of 2024, LPB's shareholder structure is **fairly concentrated**, with VNPost being the largest shareholder (6.54%), alongside significant ownership from institutional and affiliated individual shareholders. The bank is strategically cooperating with Viettel and Viettel Post, opening up potential for forming a **finance – telecommunications – logistics alliance**, supporting the expansion of the digital ecosystem and cross-selling products, especially in rural areas.

BUSINESS PERFORMANCE UPDATE

Impressive PBT growth driven by core activities

LPBank recorded strong growth in total operating income (TOI), reaching a record high in 2024 of **approximately VND 20,000 billion**. The main growth driver came from net interest income (NII), while non-interest income (NOI) showed signs of stagnation compared to the previous year.

- **Net interest income (NII) grew by 37% YoY**, reflecting a 20.4% YoY expansion in credit scale and optimization of net interest margin (NIM).
- **Non-interest income (NOI) increased by only 3% YoY**, significantly lower than the 95% increase in 2023, indicating a slowdown in the expansion of non-interest revenue streams. Service income remained the main driver; however, a decline in its contribution to total NOI was noticeable.

Figure-1: TOI structure

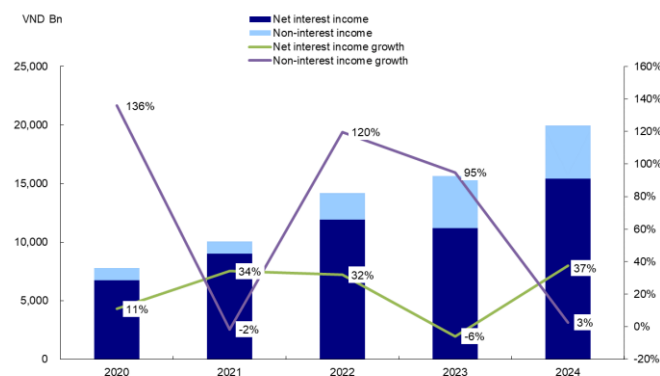
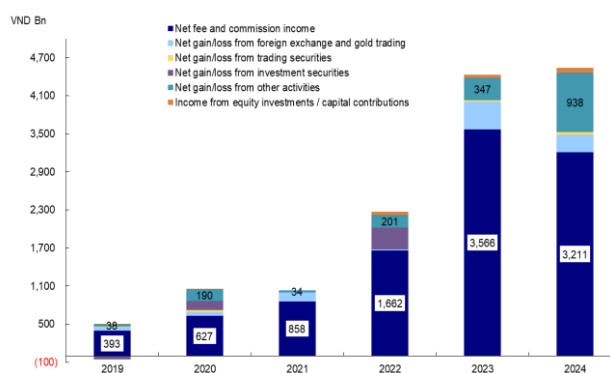


Figure-2: Non – interest income structure (NOI)



Source: LPB, Guotai Junan (VN)

The impressive 73% YoY growth in pre-tax profit (PBT) in 2024 was driven by the **recovery of NIM** compared to the previous year, along with tight control of **provisioning and operating costs**. The cost-to-income ratio (CIR) reached 29.15%, a sharp decline from 35.66% at the end of 2023. However, these drivers are unlikely to be sustained in 2025 and may become factors that constrain profit growth.

Figure-3: PBT

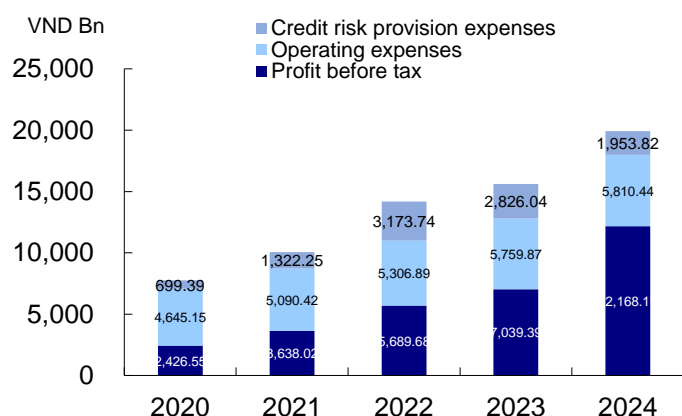
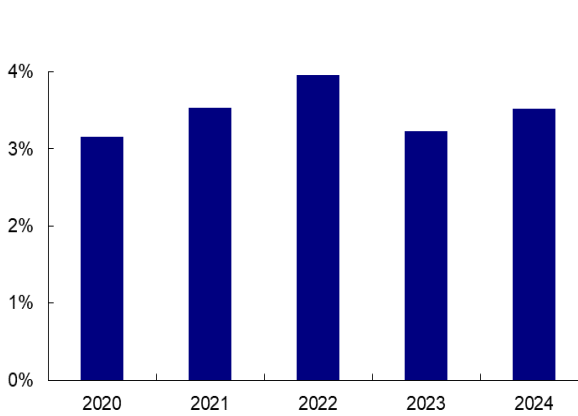


Figure-4: NIM



Source: LPB, Guotai Junan (VN)

Non-performing loan (NPL) risks

LPB's NPL ratio increased by 0.23% from the beginning of the year, rising from 1.34% to 1.57%, signaling increasing risk in the bank's loan portfolio. The bank's loan loss provision-to-loan ratio increased by 0.05%, from 1.26% at the beginning of the year to 1.31%. However, the NPL coverage ratio dropped to 83.29% from 93.65% in the same period last year due to reduced new provisioning and utilization of provisions to resolve bad debts. While this may support short-term profitability, it poses risks if asset quality continues to deteriorate. Balancing credit growth, NPL control, and provisioning levels will be crucial to the bank's profit outlook in 2025.

Figure-5: Asset quality

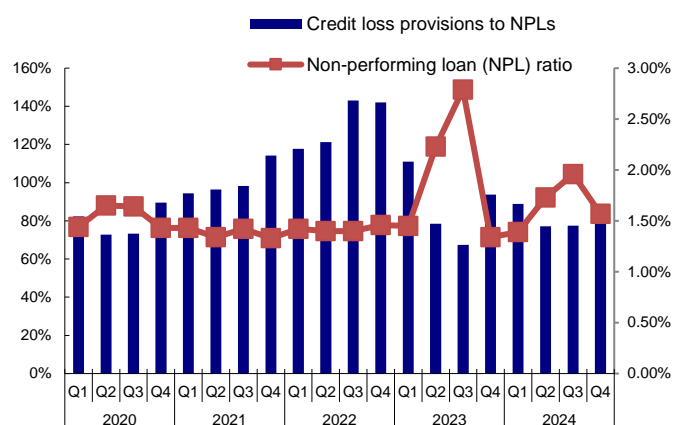
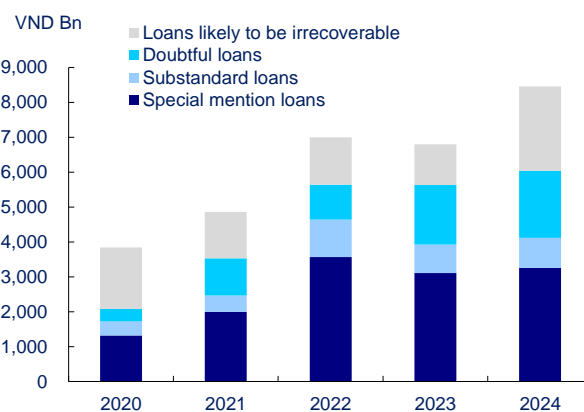


Figure-6: Breakdown of Debt Groups 2 to 5



Source: LPB, Guotai Junan (VN)

Bond investment portfolio structure: LPB focuses on high-quality assets (99.8% are government bonds and bonds issued by credit institutions), ensuring safety and good liquidity amid market volatility. The absence of high-risk corporate bonds in its investment portfolio reflects a prudent strategy, supporting the overall asset quality stability of LPB.

Figure-7: Customer Loan Portfolio by Maturity

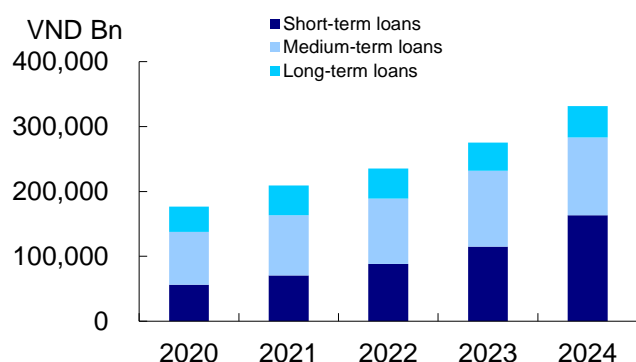
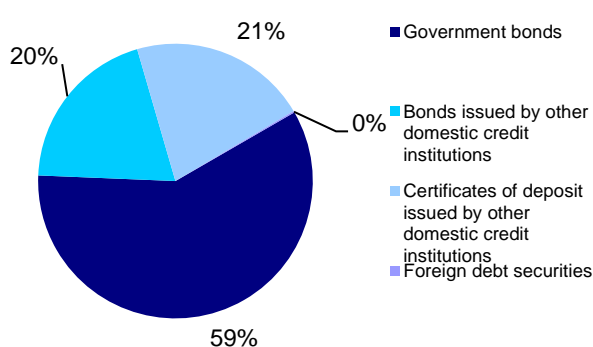


Figure-8: Investment securities portfolio 2024



Source: LPB, Guotai Junan (VN)

Loan portfolio: LPB has strongly focused on the retail segment (households and individuals), with a continuously increasing proportion from 2020–2024. The bank also maintains significant disbursement to domestic private enterprises, while limiting exposure to SOEs and FDI companies. Loan sector distribution remains relatively diversified, with a large share in “other industries” and trade & services.

2025 macro outlook: Risks are heightened by the potential re-imposition of protectionist trade policies by the US, negatively impacting export-oriented SMEs (textiles, wood, electronics). Domestic consumption recovery remains slow, and persistently high inflation increases credit risk from individual borrowers, especially given LPB’s large retail loan exposure and modest collateral coverage.

Impact: The current loan structure yields an attractive NIM but is highly sensitive to economic cycles. An economy facing a “double shock” from exports and consumption may require LPB to increase provisioning, thereby affecting short-term profits.

Figure-9: Customer Loan Portfolio by Client Segment

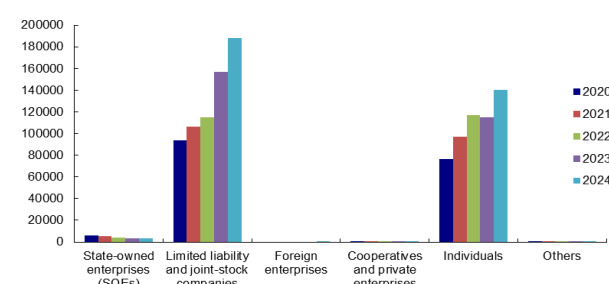
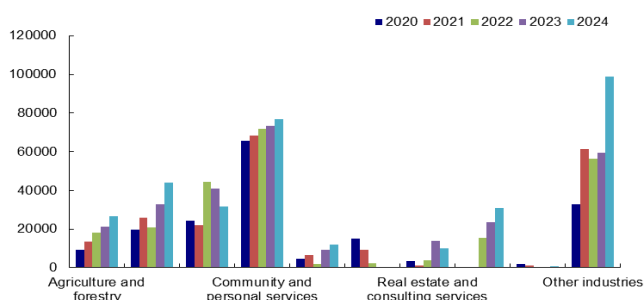


Figure-10: Customer Loan Portfolio by Industry



Source: LPB, Guotai Junan (VN)

Stable Net Interest Margin (NIM), Improving CASA

Figure-11: Capital structure

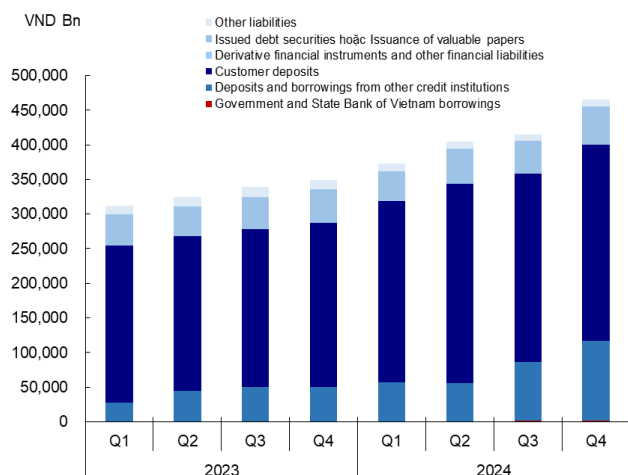
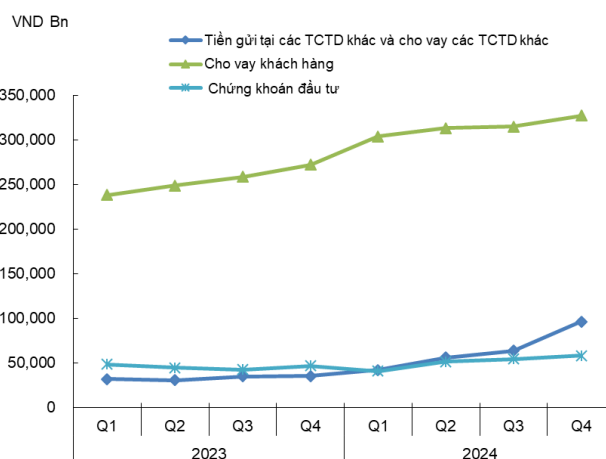


Figure-12: Earning assets



Source: LPB, Guotai Junan (VN)

Funding: Customer deposits continue to play a dominant role. Notably, in the last two quarters of the year, LPB recorded strong deposit growth from both customer deposits and interbank borrowings.

Interest-earning assets: LPB's interest-earning asset portfolio remains focused on core areas, including customer lending, deposits at and loans to other credit institutions.

Figure-13: NIM

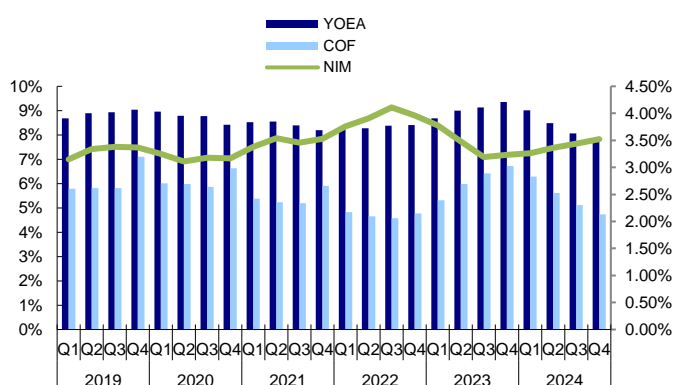
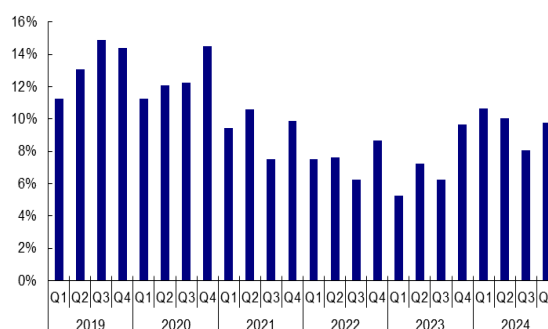


Figure-14: CASA



Source: LPB, Guotai Junan (VN)

In 2024, LPBank saw a notable improvement in net interest margin (NIM). Specifically, NIM reached 3.53%, up 29 basis points from 2023. In particular, Q4/2024 NIM reached 3.81%, compared to 3.44% in Q3/2024. This increase was mainly due to a faster decline in cost of funds (COF) relative to yield on earning assets (YOE). In Q4/2024, net interest income increased 34.7% YoY, supported by the improved NIM.

However, NIM outlook for 2025 faces several challenges. The State Bank of Vietnam is expected to maintain a flexible monetary policy to control inflation and support economic growth. This may limit the increase in lending rates, affecting YOE. Simultaneously, if LPBank fails to maintain a high ratio of low-cost current accounts (CASA) or has to raise capital at higher interest rates, COF may rise again, exerting downward pressure on NIM.

Projected Business Results

Key indicators	2024A	2025F	2026F	Explanation
Credit growth	20.40%	17.00%	16.50%	Focus on Retail and Domestic SMEs.
Net interest margin (NIM)	3.64%	3.59%	3.69%	COF Pressure from Deposit Competition; YOA Not Increasing Accordingly
Net interest income growth (NII)	37%	21%	18%	Slower Growth Due to NIM Pressure
Non – interest income growth (Non-II)	2.08%	10.48%	19.21%	Gradually Diversifying Revenue Streams
Non-II/NII	29%	27%	27%	Still a Retail-Oriented Bank
Total operating income growth (TOI)	18%	18%	19%	Combine NII + Non-II
Total operating expenses growth (OPEX)	22%	16%	20%	Focus on Improving CIR Through Digitalization
Cost to Income Ratio (CIR)	-29.15%	-30.00%	-29.58%	Trend Fluctuating Around the 30% Threshold
Credit risk provisions /loans to customers and investment securities	-0.50%	-0.45%	-0.43%	Cautious of Macroeconomic Pressure, Maintaining Asset Quality Stability
Non – performing loan (NPL)	1.57%	1.80%	1.80%	Stable Control, Below the Industry Average (~2%)
Average ROE	25.1%	25.3%	25.4%	Improved Due to Increased Profits

Stock Valuation Table Using the Residual Income Method

RESIDUAL INCOME APPROACH	2025F	2026F	2027F
Beginning book value = B(t-1)	43,338	47,337	61,128
Net income = NI(t)	11,466	13,791	16,441
Cash dividend = D(t)	7,467	-	-
Equity issue (by cash) = M(t)	-	-	-
Ending book value = B(t)	47,337	61,128	77,569
Equity charge = Ke*B(t-1)	5,721	6,249	8,069
Residual income = NI(t)-Ke*B(t-1)	5,745	7,543	8,372
Total PV(Residual Income)	48,989		
Total PV(Equity Issue)	0		
Current Book Value	43,338		
Total Discounted Cash Flows (DCF)	92,317		
Number of Shares Outstanding (millions)	2,987		
Share Value	30,906		

LPB Stock Valuation Table

Indicator	Explanation	Value
Book Value per Share (BVPS)	Estimated 2025F BVPS by GTJA	15,853
3-Year Average P/B of LPB (Trailing P/B)	Aggregated and calculated	1.28
Average P/B of Vietnam banking sector	Based on Bloomberg data	1.5
Reasonable P/B	GTJA estimate	1.45
Valuation Price (VND)	= BV x Reasonable P/B	22,986

Valuation Methodology Combination By applying a blended valuation approach using both the P/B multiple and the Residual Income (RI) method with equal weighting, we estimate the fair value of LPB shares to be VND 26,946 per share:

Methods	Price (VND/share)	Weight
P/B Comparison	22,986	50%
Residual Income (RI)	30,906	50%
Fair Value	26,946	

INVESTMENT OUTLOOK

LPB stock outlook

Over the past two years, LPB has recorded positive transformation in business operations with high profit growth. Moving into 2025, we expect the bank to maintain strong credit growth, estimated at around 17%–20%. However, competition in funding costs and structural limitations of the current business model may put pressure on net interest margin (NIM). Accordingly, we forecast LPB's NIM in 2025 to slightly decline to approximately 3.5x%.

Nevertheless, maintaining efficient cost control along with improvement in non-interest income—especially from service activities—is expected to support 2025 pre-tax profit, estimated at around VND 11,400 billion, equivalent to 18% growth YoY.

Based on a combination of the Residual Income and Comparative P/B valuation methods, we determine the target price for LPB shares at VND 26,946/share (17% lower than the closing price on April 29, 2025, of VND 32,550/share).

Recommendation: Neutral.



FINANCIAL STATEMENTS

Balance Sheet

Items	2024	2025F	2026F	2027F
ASSETS				
Cash and gold	1,162	1,164	1,130	3,187
Deposit at SBV	14,370	11,839	35,497	35,368
Deposits at and loans to other credit institutions	96,455	89,899	108,995	129,384
Provision for credit risk on loans to other credit institutions	(57)	(93)	(204)	(444)
Trading securities	660	841	944	1,092
Derivatives and other financial assets	9	4	6	9
Loans to customers	327,276	381,790	444,119	514,606
Investment securities	58,080	67,715	78,309	91,394
Capital contributions and long-term investments	549	549	549	549
Fixed assets	2,732	3,672	4,808	6,182
Other assets	7,037	10,649	12,068	13,172
TOTAL ASSETS	508,330	568,122	686,425	794,942
TOTAL LIABILITIES	464,992	520,784	625,296	717,372
Deposits and borrowings from SBV	1,271	2,227	2,164	2,760
Deposits at and borrowings from other credit institutions	115,349	102,774	138,479	149,762
Customer deposits	283,172	332,854	386,876	449,297
Derivatives and other financial liabilities	0	59	64	51
Issuance of valuable papers	55,459	67,411	80,081	96,586
Other liabilities	9,741	15,459	17,631	18,915
OWNER'S EQUITY	43,338	47,337	61,128	77,569
Equities	25,576	29,866	34,585	39,776
Funds	5,640	7,647	10,233	13,212
Undistributed profit/accumulated losses	12,122	9,969	16,692	22,399
TOTAL LIABILITIES AND OWNER'S EQUITY	508,330	568,122	686,425	794,942

Income statement

Items	2024	2025F	2026F	2027F
Interest income and equivalents	34,137	37,112	43,778	52,540
Interest expense and equivalents	(18,743)	(18,556)	(21,889)	(26,270)
Net interest income	15,394	18,556	21,889	26,270
Servicing fee income	3,594	4,347	5,020	5,850
Servicing fee expense	(383)	(421)	(511)	(581)
Net servicing fee profit	3,211	3,925	4,509	5,269
Profit from FX and gold trading	273	297	350	421
Profit from Held-for-Trading securities	43	-	-	-
Net gain/loss from investment securities	(1)	-	-	-
Other income	1,246	972	1,422	1,611
Other expenses	(308)	(253)	(360)	(413)
Profit from other activities	938	709	1,019	1,114
Equity investment income	75	75	75	75
TOTAL OPERATING INCOME	19,932	23,562	27,843	33,148
TOTAL OPERATING EXPENSES	(5,810)	(7,069)	(8,235)	(9,874)
Operating profit before credit risk allowance	14,122	16,494	19,608	23,274
Credit risk allowance expense	(1,954)	(2,060)	(2,260)	(2,622)
Pre-tax profit	12,168	14,433	17,348	20,652
Corporate income tax	(2,447)	(2,968)	(3,557)	(4,212)
Net profit after tax	9,721	11,466	13,791	16,441
Net income to parent bank's Shareholders	9,721	11,466	13,791	16,441
Earnings per share	4,195	3,839	4,619	5,506

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% OrThe Fundamental outlook of the sector is unfavorable

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