

BUY [+11.4%]

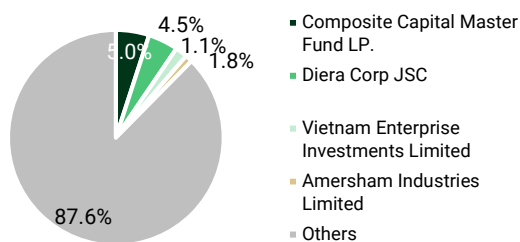
Updated: 19/09/2023

Fair price 24,400 VND
Current price 21,900 VND

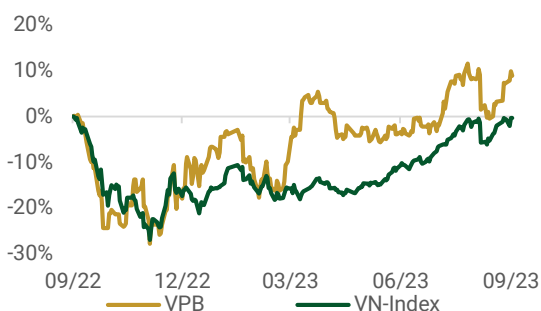
STOCK INFORMATION

Outstanding shares (mil) 6,743
Free float (mil) 4,699
Market cap. (VND billion) 149,704.45
3m avg. volume (shares) 23,094,870
Foreign ownership (%) 16.60%
First listing date 08/17/2017

MAJOR SHAREHOLDERS



PRICE MOVEMENT COMPARED TO THE INDEX



HISTORICAL VALUATION



Universal banking strategy brings new growth momentum

Overview of the bank: Vietnam Prosperity Commercial Joint Stock Bank (VPBank) was established in 1993. The bank operates mainly in capital mobilization and lending. VPB has subsidiaries in many different financial segments, such as insurance (OPES), securities (VPBS), asset management, and consumer lending (FE Credit).

Investment highlights:

Universal banking strategy is the long-term growth driver.

VPB pursues the strategy to become a universal bank with the full ecosystem and advanced technology through its subsidiaries. Hence, (1) the average lending rate was among the top 25% of banks with the highest rate; (2) Benefitting from low-cost capital thanks to proceeds from private offerings to strategic shareholders and retail-focused strategy; (3) The average yield on investment securities was among the top 25% highest. However, the business strategy of focusing on risky areas of the industry has caused VPB's asset quality to be strongly affected during a period of economic difficulty.

Strong capital buffer raises the bank's resilience. VPB has the second highest capital buffer in the industry, raising the bank's resilience against the potential risks. Furthermore, the private offering to SMBC in 2023 would thicken the bank's capital buffer.

Evaluation & Recommendations:

We project 2023 credit growth to be 19.4%YoY thanks to positive development of the economy in H2 2023, while credit growth in 2024 would be 21.2% because Vietnam's economic activity is expected to regain momentum again in 2024. For NIM of VPB in 2023, we forecast to be 7.56%, down 22 bps compared to the end of 2022 but higher than 6.39% in H1 2023 as pressure on cost of funds is gradually reducing till the end of the year. By 2024, we project NIM would be improved to 7.94% compared to the end of 2023 because (1) the expected interest rates remain low in 2024; (2) Benefitting from low-cost capital from international organizations and complete a private offering for SMBC. We project the NPL ratio in 2023 to be 4.54%. NPL in 2024, in opposite, will face pressure to increase when Circular 02/2023/TT-NHNN is expiring. As a result, the NPL ratio in 2024 is expected to be 5.68%. Using the valuation method of Discounted Residual Income and P/B, we determine the fair value for VPB is 24,400 VND/share. Hence, we recommend Buy for this stock.

Investment risks: (1) Interest rate risk; (2) Risk from rising NPLs; (3) Competitive risk; (4) Inflation risk; (5) Risk from economic downturn; (6) Liquidity risk.

Financial Indicators	2018A	2019A	2020A	2021A	2022A	2023F	2024F
Net Interest Income (VND billion)	24,702	30,670	32,346	34,349	41,021	47,774	60,632
Net Profit (VND billion)	7,356	8,260	10,414	11,477	16,909	14,007	19,356
EPS (VND)	2,908	3,265	4,116	2,547	2,507	2,077	2,870
EPS Growth (%)	14%	12%	26%	10%	47%	-17%	38%
Book Value (VND)	13,735	16,684	20,867	19,149	15,349	17,612	20,670
P/E	3.66	2.28	2.13	8.41	8.54	11.78	8.52
P/B	0.78	0.45	0.42	1.12	1.40	1.01	0.86
Cash dividend (VND)	0%	0%	0%	0%	0%	0%	0%