

01/10/2024

**RECOMMENDATION BUY**

<b>Fair price</b>	24,600
<b>Current price</b>	19,900
<b>Upside/downside</b>	24%

**STOCK INFORMATION**

Outstanding shares (mil)	7,934
Free float (mil)	4,760
Market cap. (VND billion)	150,744
3m avg. volume (shares)	20,840
Foreign ownership (%)	25.5%
First listing date	17/08/2017

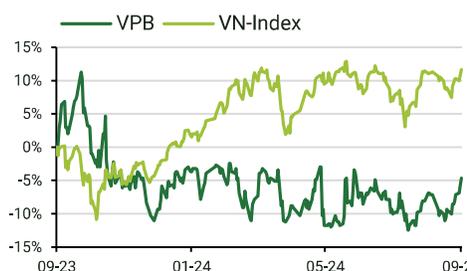
**SHAREHOLDER STRUCTURE**

Sumitomo Mitsui Banking Corporation	15.01%
Diera Corp JSC	4.40%
Ngo Chi Dung	4.14%
Hoang Anh Minh	4.12%
Vu Thi Quyen	4.11%
Others	68.23%

**IMPORTANT ASPECTS**

TTM EPS (VND)	1,532
BVPS (VND)	16,797
Debt/Equity (%)	5.3x
ROA (%)	1.4%
ROE (%)	9%
P/E	12.4x
P/B	1.1x
Dividend yield (%)	10%

**STOCK PRICE FLUCTUATIONS**



**COMPANY PROFILE**

Vietnam Prosperity Joint Stock Commercial Bank (VPBank) was originally established as the Vietnam Private Enterprise Joint Stock Commercial Bank in 1993. The bank primarily operates in the areas of capital mobilization and credit lending. VPBank has been listed and traded on the Ho Chi Minh City Stock Exchange (HOSE) since August 2017.

**ANALYST(S)**

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## STRONG GROWTH POTENTIAL

- We expect that business results of VPB to improve thanks to the recovery of domestic retail and consumption activities with expected credit growth in 2024 and 2025 of 20.2% and 24%, respectively. We also believe that FE Credit could be profitable in 2025F when the debt repayment capacity of the population improves thanks to better economic conditions.
- We expect NIM of VPB would improve to 6.07% in 2024 and 6.82% in 2025 thanks to stable input costs and better credit activities. Hence, NPAT in 2024 and 2025 would be VND 13,111 billion (+54.4%) and VND 18,539 billion (+41.4%), respectively.
- With 2024F and 2025F projected P/B of 1.3x and 1.1x, respectively, PHS project fair price of VPB at VND 24,600/share. We recommend BUY with an upside potential of 24%.

### Investment highlight

**Positive credit growth and maintaining leading position in NIM.** The bank's credit growth in H1 2024 was 7.8%YTD, higher than the growth rate of the industry. Retail credit and real estate loans are the main pillars in VPB's loan growth. Furthermore, thanks to the support from strategic shareholder SMBC (Japan's 2nd largest financial group), VPB has the opportunity to expand its large corporate customer segment, FDI customers and multinational corporations.

VPB is one of the few banks with improved NIM in H1 2024, compared to the end of 2023. NIM expanded by 12 bps compared to the end of 2023 to 5.34%, the highest in the industry thanks to (1) The average lending rate is among the highest in the market; (2) Ability to optimize cost of funds. With the support of SMBC, VPB could easily mobilize international capital at low interest rates. VPB successfully mobilized USD 400 million in medium and long-term syndicated loans from major financial institutions under the arrangement of SMBC in 2023, bringing the total number of loans backed by SMBC to USD 1.7 billion in the period from 2020 to 2023.

**Increasing risk tolerance with the highest capital adequacy ratio in the market.** In 2023, VPB completed the private placement of 15% of shares to Sumitomo Mitsui Banking Corporation (SMBC). So, VPB became the bank with the strongest CAR (17%). The large capital base helps VPB improve its balance sheet strength and have greater resilience when facing macro challenges.

**With efforts to recover debt, improve asset quality and a lending strategy aimed at more sustainable segments, FE Credit is gradually reducing losses and is expected to shift from loss to profit in the near future.** At the end of H1 2024, FEC's after-tax profit was VND 707 billion, less than the loss of VND 2,996 billion in H1 2023. FEC continues to implement a comprehensive restructuring strategy and limit credit activities. However, the results of the restructuring process have not shown clear progress as debt defaults are still recorded. Hence, we believe that completing the restructuring plan this year is relatively challenging for FEC in the current context. We expect FEC to be profitable in 2025 when people's debt repayment capacity is improved thanks to more prosperous economic activities.