

BUY

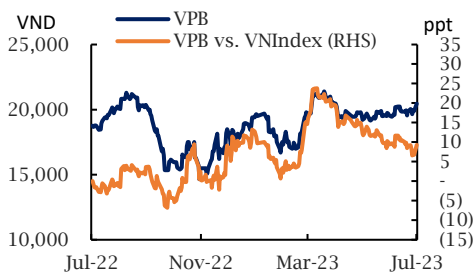
TP upside (downside): +0%

Close 8 Aug 2023

Price VND 22,200
12M Target VND 22,060

Our model is under review.

Share price performance relative to VNI



Source: Bloomberg

| | |
|-------------------------------|-------------------|
| Market cap | US\$6.4 bn |
| 6M avg. daily turnover | US\$17 mn |
| Outstanding shares | 6,743 mn |
| Free float | 70% |
| FINI ownership | 16.8% |
| Major shareholders | 15.8% |
| 2024E Asset/equity (x) | 7.3x |
| 2024E P/E (x) | 7.0x |
| 2024E P/B (x) | 1.1x |
| FOL remaining room | 0.9% |
| Dividend yield (*) | 4.5% |

Source: FiinPro, Yuanta Vietnam

() Our model is under review.*

| VPB's 2Q23 Results | 2Q23 | % QoQ | % YoY |
|----------------------|--------|--------|--------|
| NII (VND bn) | 8,762 | -8% | -16% |
| Net Fee Inc.(VND bn) | 1,657 | -1% | 8% |
| Adj. TOI (VND bn) | 10,610 | -3% | -11% |
| Opex (VND bn) | 3,679 | 7% | 4% |
| Provision (VND bn) | 6,490 | 2% | 16% |
| PATMI (VND bn) | 3,062 | 21% | -13% |
| NPL (%) (Cir. 11) | 4.98% | -1bps | +1ppt |
| LLR (%) | 38% | -8ppt | -24ppt |
| CASA (%) | 15.0% | +80bps | -4ppt |
| CAR (%) (*) | 13.9% | | |

Source: Company Data, Yuanta Vietnam

() The bank expects CAR to reach 19% post private placement.*

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VPB VN: 2Q23 Analyst Meeting

2Q23 PATMI was VND3.1 tn (+21% QoQ/-13% YoY). 1H23 PATMI was VND5.6 tn (-54% YoY), fulfilling only 23% of full-year guidance and 27% of our forecast. The QoQ increase was driven by higher net other income and deferred income tax, while the YoY decline was due to lower net interest income and higher provisioning.

Details

Consolidated credit (including corporate bonds) increased by +10% YTD. The consumer finance subsidiary accounted for 14.8% of consolidated loans. Bank standalone credit growth was 13% YTD, driven by retail & SMEs, representing 60% of total parent bank credit.

2Q23 net interest income was VND8.8 tn (-8% QoQ/-16% YoY) as cost of fund climbed to 6.9% (+50bps QoQ/+2.7ppt YoY). Thus, consolidated NIM fell to 6.7% (-70bps QoQ/-2.4ppt YoY). Management expects the COF to peak in 3Q23 and start to decrease from 4Q23.

2Q23 net fee income was VND1.7 tn (-1% QoQ/but +8% YoY). Net income from insurance decreased by -17% QoQ/-12% YoY, on our calculations in 2Q23. This trend happens to most other banks in 1H23.

NPL recoveries was VND626 bn (+12% QoQ/-39% YoY) in 2Q23.

Opex increased by +8% QoQ/+4% YoY to reach VND3.7 tn in 2Q23. We estimate adjusted CIR (excluding net other incomes) of 35% (+4ppt QoQ/+5ppt YoY).

Provisioning was VND6.5 tn (+2% QoQ/+16% YoY) in 2Q23, which was another key the YoY earnings drag in 2Q23.

Consolidated reported NPL ratio was 4.98% (-1bp QoQ/+1.0 ppt YoY) in 2Q23 (under Cir. 11). The standalone bank NPL ratio (under Cir. 11) was 2.81% (+15bps QoQ/+84bps YoY).

LLR ratio continued to decrease to 38% (-8ppt QoQ/-24ppt YoY) in 2Q23. **CASA ratio** increased to 15% (+80bps QoQ/-4ppt YoY) in 2Q23.

Bank standalone LDR ratio was 70.6% vs. the SBV's cap of 85.0%, and ST funding used for MLT loans was 25.9% (vs. cap of 34.0%) in 2Q23.

Our view

We believe that earnings will improve in 2H23 given the reduced COF and increased credit growth. **However**, we are cautious about the bank's ability to meet its full-year target due to weak results in 1H23. Moreover, we expect that FE Credit will continue to weigh down on consolidated earnings in 2H23.

Asset quality continues to deteriorate. High NPLs ratio and lowered LLR ratio are a concern. However, strong CAR should support absorbing any potential unexpected credit losses. Also, the [Circular 02/2023/TT-NHNN](#) may help to alleviate provisioning pressure and reduce reported NPLs.

VPB trades at 1.1x 2024E P/B versus the sector median of 0.9x. Our model is under review.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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BUY: We have a positive outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors add to their position.

HOLD-Outperform: In our view, the stock's fundamentals are relatively more attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

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