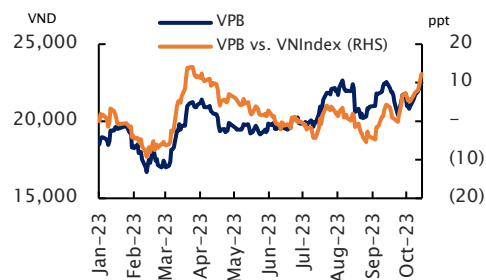


BUY

TP upside (downside): +13%
Close 17 Oct 2023
Price VND 22,700
12M Target VND 25,542
Share price performance relative to VNI


Source: Bloomberg

Market cap	US\$6.2 bn
6M avg. daily turnover	US\$16 mn
Outstanding shares	6,743 mn
Free float	70%
FINI ownership	16.2%
Major shareholders	36%
2024E Asset/equity (x)	7.2x
2024E P/E (x)	7.0x
2024E P/B (x)	1.2x
FOL remaining room	1.4%
2024E Dividend yield	4.4%

Source: FiinPro, Yuanta Vietnam

VPB's 3Q23 Results	3Q23	% QoQ	% YoY
NII (VND bn)	8,837	1%	-15%
Net Fee Inc.(VND bn)	1,889	14%	7%
Adj. TOI (VND bn)	10,766	1%	-12%
Opex (VND bn)	3,195	-13%	-10%
Provision (VND bn)	4,950	-24%	-9%
PATMI (VND bn)	2,425	-21%	-35%
NPL ratio (%) (*)	5.74%	-1.7ppt	72bp
LLR (%)	43%	5ppt	-19ppt
CASA (%)	16.8%	1.8ppt	-2.6ppt
CAR (%)	19%		

Source: Company Data, Yuanta Vietnam

(*) NPL ratio is based on reported Financial statements.

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VPB VN: Strong credit growth

3Q23 PATMI was VND2.4 tn (-21% QoQ/-35% YoY). 9M23 PATMI was VND8.0 tn (-50% YoY), fulfilling 49% of our forecast. The decline was attributable to lower net interest income (+1% QoQ/ but -15% YoY) and net other income (-77% QoQ/-60% YoY).

Details

Consolidated credit increased by +17% YTD and bank standalone credit growth was up +22% YTD, driven by retail & SMEs. We estimate that FE Credit accounts for 13% of total consolidated loans (down from 15% in 2Q23). VPB said that FE Credit's profit posted positive growth in 3Q2, but it did not disclose any specific details.

3Q23 net interest income was VND8.8 tn (+1% QoQ/ but -15% YoY), which was attributable to high cost of funds. Gross interest income increased by +22% YoY, but interest expenses jumped by +92% YoY in 3Q23. We estimated annualized NIM on average assets at 4.65% (-29bp QoQ/-2.2ppt YoY).

NIM pressure should ease going forward: VCB's CASA ratio increased to 16.8% (+1.8ppt QoQ/-2.6ppt YoY) in 3Q23, which should help reduce the bank's funding costs in 4Q23 and beyond.

3Q23 net fee income improved to reach VND1.9 tn (+14% QoQ/+7% YoY), mostly from payments (+17% QoQ/+33% YoY). We estimate that net income from insurance decreased by -3% QoQ / -47% YoY in 3Q23.

3Q23 NPL recoveries declined by -16% QoQ/-56% YoY to VND523 bn.

Opex fell by -13% QoQ/-10% YoY to reach VND3.2 tn in 3Q23.

Provisioning declined by -24% QoQ/-9% YoY to VND4.9 tn in 3Q23.

Aggregated NPLs decreased by -18% QoQ in 3Q23. VPB's consolidated NPL ratio was 5.74% (-1.7ppt QoQ/+72bp YoY) on our calculations.

LLR ratio was 43% (+5ppt QoQ/-19ppt YoY) in 3Q23. ST funding for MLT loans was 26.6% in 3Q23, well below the tightened (on Oct 1) regulatory cap of 30%.

VPB plans to pay a cash dividend of VND1,000 per share on Nov 20, implying a 4.4% dividend yield.

Our view

We expect funding costs to decline in 4Q23 as high-rate deposits that prevailed in 2H22 and 1Q23 largely matured in 2Q23 and in 3Q23. This trend should help to improve NIM in 4Q23 and 2024. Another positive sign: FE Credit's operations are showing signs of recovery, as management reported positive profit growth in 3Q23.

Asset quality improved with lower NPL ratio. In addition, strong CAR should support absorbing any potential unexpected credit losses.

Maintain BUY. VPB trades at 1.2x 2024E P/B versus the sector median of 0.9x.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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Ratings Definitions

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.

HOLD–Underperform: In our view, the stock's fundamentals are relatively less 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.

SELL: We have a negative 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 reduce their position.

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