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1Q22 PBT reached VND11,146 billion, up 178.2% YoY

In 1Q22, VPBank (VPB) achieved net interest income (NII) of VND9,888 billion (+16.0% QoQ, +8.4% YoY), non-interest income (NOII) of VND8,382 billion (+229% QoQ, +334% YoY). Total operating income (TOI) therefore reached VND18,270 billion, (+65.3% YoY). Provision expense was VND4,132 billion (-23.1% QoQ, -7.2% YoY), helping 1Q22 PBT hit VND11,146 billion (+291.8% QoQ, +178.2% YoY)

VPB targets PBT of VND29,662 billion, up 106.5% YoY

VPB sets ambitious plans in 2022 with total assets of VND697.413 billion (+27.4% YoY); outstanding credit of VND518,440 billion (+35%). PBT should be VND29,662 billion (+106.5% YoY), with PBT of the parent bank growing by 66.0% YoY.

VPB plans to raise charter capital to VND79,334 billion

VPB plans to raise the charter capital to VND79,334 billion this year via paying stock dividends (50%) and making a private placement of 1.19 billion shares to its strategic investor.

VPB would expand the ecosystem by acquiring OPES Insurance & raise ownership at ASC Securities

VPB continues to expand the business ecosystem via increasing its ownership at OPES Insurance JSC from 11% to over 90% and contributing VND15,000 billion to ASC Securities to promote the provision of securities services.

We recommend BUYING VPB shares with a target price of VND44,400

Based on valuation results, business outlook, and possible risk factors, we recommend BUYING VPB shares with a target price of VND44,400/share, 30.0% higher than the closing price on May 6, 2022.

Buy maintain

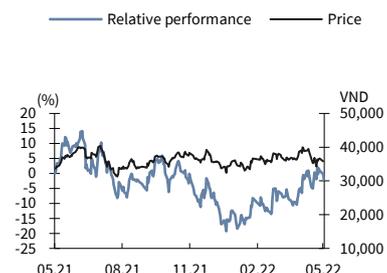
Target price	VND44,400
Upside/Downside	30.0%
Current price (May 6, 2022)	VND34,150
Consensus target price	VND45,390
Market cap (VNDbn)	150,754

Trading data	
Free float	89.5%
3M avg trading value (VNDbn/USDmn)	719/31.3
Foreign ownership	17.5%
Major shareholder	Composite Capital Master Fund LP (4.87%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	-7	-3	-6	8
Relative	3	7	0	-2

Forecast earnings & valuation

FY-end	2020A	2021A	2022F	2023F
Net revenue (VNDbn)	32,346	34,349	45,968	57,586
Pre-provision operating income (VNDbn)	27,641	33,583	47,487	53,311
NPAT of parent company (VNDbn)	10,414	11,808	21,416	23,168
EPS (VND)	4,116	2,621	3,176	3,436
EPS growth (%)	26%	-36%	21%	8%
PER (x)	8.3	13.0	10.8	9.9
Book value per share (VND)	20,867	19,187	16,479	20,182
PBR (x)	1.64	1.78	2.07	1.69
ROE (%)	21.9%	16.7%	23.2%	20.2%



Source: Bloomberg, KB Securities Vietnam

Updated business performance

In 1Q22, PBT reached VND11,146 billion, up 178.2% YoY

In 1Q22, VPB's business results continued to recover, with NII reaching VND9,888 billion (+16.0% QoQ, +8.4% YoY), of which NII of the parent bank expanded by 29.7% YoY and NII of FE Credit went down 13.9% YoY. NOII was VND8,382 billion (+229% QoQ, +334% YoY) thanks to upfront fee recognition of more than VND5,000 billion from the exclusive deal with AIA Vietnam, making TOI record VND18,270 billion (+65.3% YoY). Provision expense was VND4,132 billion (-23.1% QoQ, -7.2% YoY), helping 1Q22 PBT hit VND11,146 billion (+291.8% QoQ, +178.2% YoY).

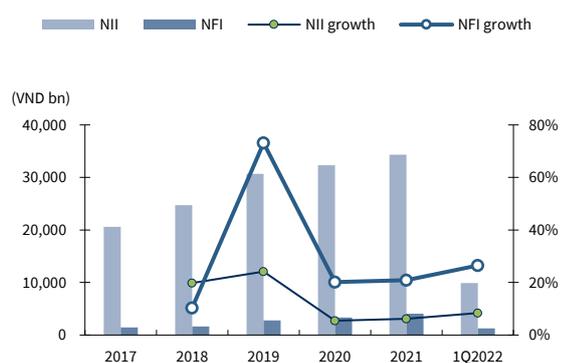
Credit growth in 1Q22 reached 8.6% YTD

Credit growth in 1Q22 was up 25.4% YoY and 8.6% YTD thanks to increased credit demand, with the parent bank's outstanding credit up 10.3% YTD and FE Credit's growth of 1.8% YTD. The ratio of corporate bonds to total outstanding loans hit 10.0%, up 274bps QoQ.

1Q22 NIM was flat QoQ thanks to improved earnings yield

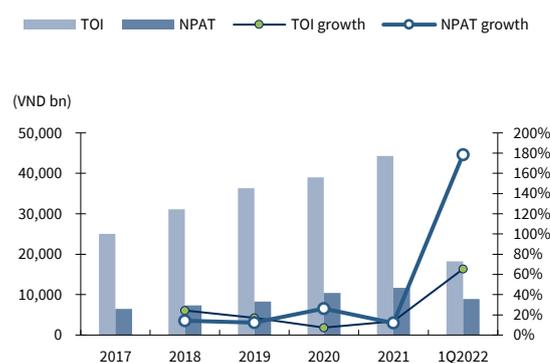
In 1Q22, NIM was flat QoQ after declining for two consecutive quarters, reaching 7.65% (+2bps QoQ, -144bps YoY). NIM of the parent bank touched 5.44% (+35bps QoQ) with improved average earnings yield (+17bps QoQ) thanks to an increase in the proportion of more profitable assets while the cost of capital shrank by 12bps QoQ. Meanwhile, FE Credit's NIM reached 21.5%, down 25bps QoQ, with average earnings yield down 104bps QoQ.

Fig 1. VPB – NII, service fees (VNDbn, %YoY)



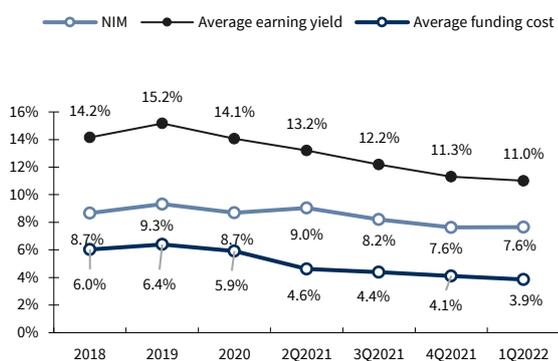
Source: VPBank, KB Securities Vietnam

Fig 2. VPB – TOI, NPAT (VNDbn, %YoY)



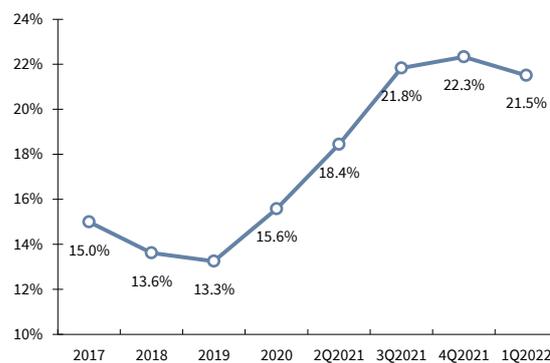
Source: VPBank, KB Securities Vietnam

Fig 3. VPB – 2018A-1Q22A NIM



Source: VPBank, KB Securities Vietnam

Fig 4. VPB – 2017A-1Q22A CASA

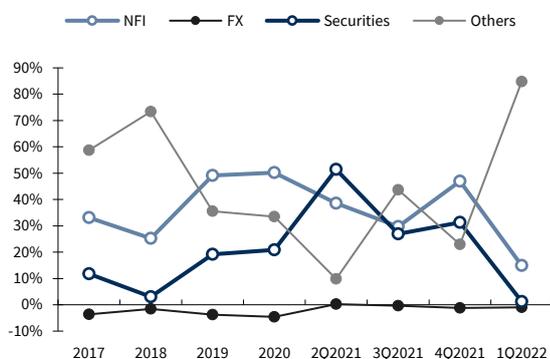


Source: VPBank, KB Securities Vietnam

In 1Q22, NOII touched VND8,382 billion, up 333.9% YoY

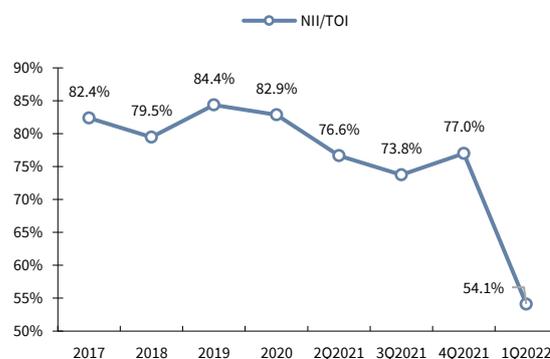
Over the last quarter, service fees hit VND1,249 billion (+4.4% QoQ, +26.5% YoY), with earnings from payment services jumping by 140.8% YoY and bancassurance improved by 8.3% YoY. Investment securities contributed VND105.3 billion (-47.1% YoY) while net other income reached VND7,110 billion thanks to the upfront fee recognition after the renegotiation with AIA, helping NOII touch VND8,381.9 billion, up 333.9% YoY.

Fig 5. VPB – 2017A-1Q22A NOII breakdown (%)



Source: VPBank, KB Securities Vietnam

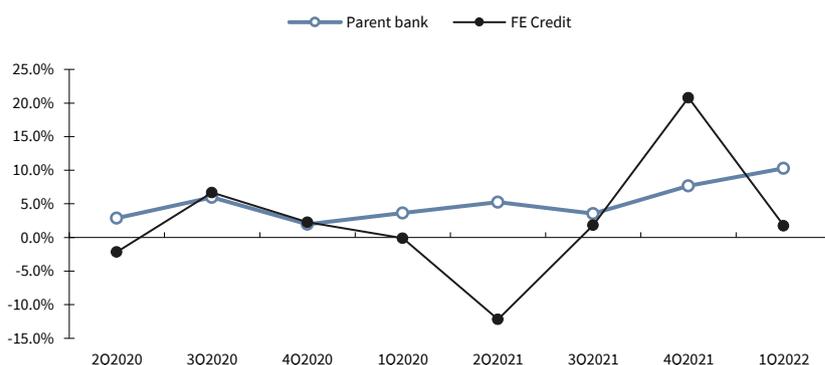
Fig 6. VPB – 2017A-1Q22A NII/TOI (%)



Source: VPBank, KB Securities Vietnam

Credit growth of the parent bank reached 10.3% QoQ while that of FE Credit slowed down after surging in 4Q21, reaching 1.8% QoQ.

Fig 7. VPB – 2020A-1Q22A credit growth (%)

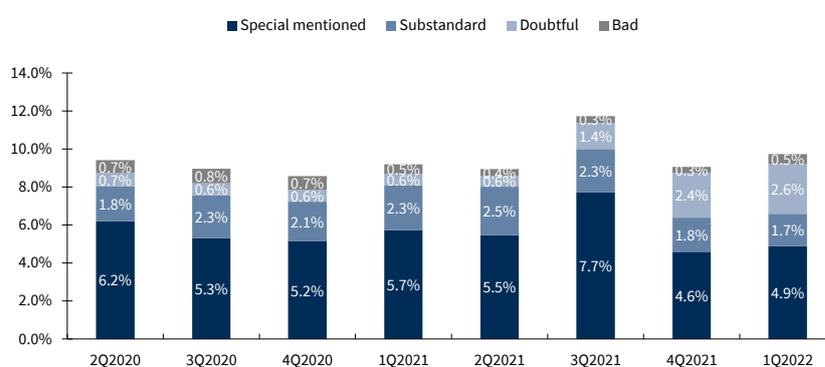


Source: VPBank, KB Securities Vietnam

NPL ratio reached 4.8%, up 36 bps QoQ, mainly due to deteriorated asset quality of FE Credit

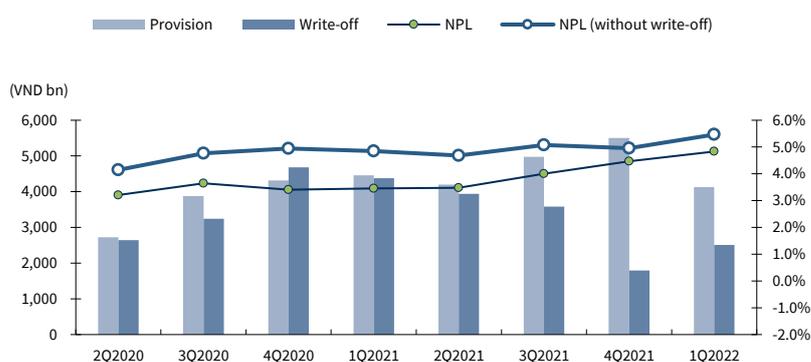
NPL ratio in 1Q22 reached 4.83%, up 36 bps QoQ. In particular, the NPL ratio of the parent bank was down 27bps QoQ to 2.01%, while the asset quality of FE Credit showed signs of declining, with the NPL ratio reaching 13.2 (+315bps QoQ), in our estimates. During the period, VPB made provisions of VND4,132 billion (-23.1% QoQ, -7.2% YoY); the loan loss coverage ratio (LLCR) was 63.6%, the highest for VPB in recent years. Restructured debts by the end of 1Q22 stood at VND12.7 trillion, down 21.1% QoQ. VPB revealed that 97.6% of restructured debts are on schedule for debt repayment. VPB has set aside VND1,345 trillion in provisions, following the guidelines of the State Bank.

Fig 8. VPB – Groups of debt (%)



Source: VPBank, KB Securities Vietnam

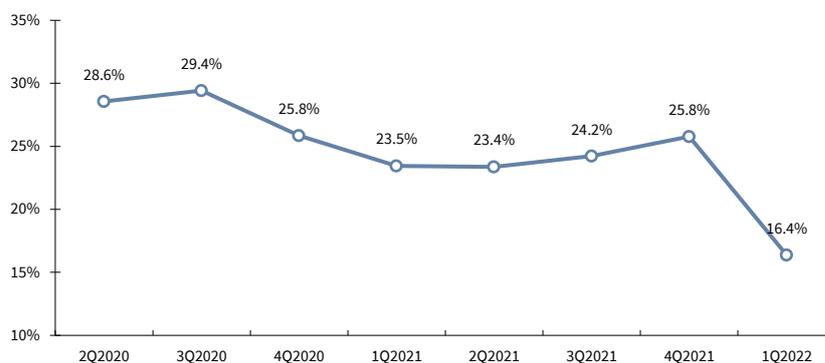
Fig 9. VPB – Provisions (VNDbn)



Source: VPBank, KB Securities Vietnam

CIR dropped sharply in 1Q22, reaching 16.4% vs. 25.8% in 4Q21, mainly due to a strong increase in TOI thanks to the upfront fee recognition from the renegotiation of the exclusive deal with AIA

Fig 10. VPB – 2020A–1Q22A CIR (%)



Source: VPBank, KB Securities Vietnam

VPB targets PBT of VND29,662 billion, up 106.5% YoY

At the AGM in Hanoi last April 29, VPB set an ambitious plan for 2022 with total assets of VND697,413 billion, up 27.4% YoY; outstanding credit of VND518,440 billion (+35%). PBT should rise to VND29,662 billion (+106.5% YoY), with PBT of the parent bank climbing by 66.0% YoY. This business plan is supported by: (1) the economic recovery combined with a sharp rise in Tier 1 capital, which may help promote credit growth; (2) extraordinary upfront fees from the exclusive agreement with AIA.

VPB plans to raise charter capital to VND79,334 billion by stock dividends & private placement

VPB plans to raise the charter capital in 2022 by stock dividends and private placement. VPB will pay stock dividends from equity at a rate of 50%, thereby lifting the charter capital to VND67.434 billion. Besides, VPB will make a private placement of 1.19 billion shares, equivalent to 15% of the charter capital, to foreign investors, raising the total charter capital to VND79,334 billion. These shares will be restricted from transfer for one year. The bank has been finding a strategic partner and hopes to get it done in the first half of 2022.

VPB would expand the business ecosystem by acquiring OPES Insurance & raise ownership at ASC Securities

VPB would increase its ownership at OPES Insurance JSC from 11% to over 90% by buying additional stakes at no more than 1.5 times the book value, thereby turning OPES into a subsidiary of VPB. OPES has joined the insurance market and made marked progress since 2018, with a market share of about 1% in premium revenue. Besides, VPB plans to contribute VND15,000 billion to ASC Securities to promote the provision of securities services. We will further update VPB's plans on OPES Insurance and ASC Securities in the coming time.

Forecast business performance

2022F business results

We make a forecast for VPB in 2022 as follows:

- Credit growth should reach 34.6%, up 1,588bps YoY, reflecting the expectation for boosted credit growth thanks to post-pandemic economic recovery on strong financial position following the Fe Credit deal.
- We estimate NIM to decrease by 1bps YoY to 7.62%, reflecting an increase in the average cost of funds thanks to improved asset quality and the recovery of Fe Credit.
- NPL ratio may hit 4.5%, unchanged from 2021.
- Provision expense is expected to decrease by 0.8% YoY to VND18,810 billion.
- We forecast the parent bank's NPAT to be VND21,416 billion, up 81.4% YoY.

Table 13. VPB – 2022E–2023E business results

VNDbn	2021A	2022F	2023F	% YoY 2022	%YoY 2023
NII	34,349	45,968	57,586	33.8%	25.3%
Operating income	4,059	4,907	6,080	20.9%	23.9%
TOI	44,301	62,074	69,236	40.1%	11.5%
Provision expense	(19,002)	(18,842)	(22,102)	-0.8%	17.3%
NPAT of the parent bank	11,808	21,416	23,168	81.4%	8.2%
NIM	7.63%	7.62%	7.64%	-2bps	2bps
Average earnings yield	11.30%	11.87%	12.06%	58bps	18bps
Average cost of funds	4.12%	5.07%	5.32%	95bps	24bps
CIR	24.2%	23.5%	23.0%	-70bps	-50bps
NPL	4.47%	4.50%	4.50%	3bps	0bps
Total assets	547,626	746,013	861,346	36%	15%
Equity	86,451	111,128	136,095	29%	22%

Source: KB Securities Vietnam

We recommend BUYING VPB shares with a target price of VND44,400 apiece

We combine two valuation methods, P/B and residual income, to find a fair price for VPB shares.

(1) P/B method

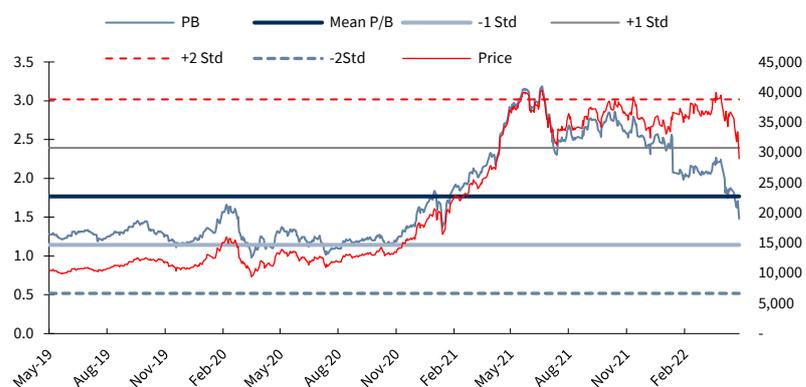
We give end-2022 forward P/B of 1.76x (vs. 2.3x in the previous forecast), equivalent to VPB's three-year average P/B, reflecting concerns over rising inflation and economic recession.

(2) Residual income method

In addition, we use the residual income method to reflect systematic risk and long-term expectations.

Based on the above two valuation methods with the ratio of 50-50, we recommend BUYING VPB shares with a target price of VND44,400/share, 24.5% higher than the closing price on May 6, 2022.

Fig 14. VPB – P/B & share performance (x, VND/share)



Source: Fiiipro, KB Securities Vietnam

Table 15. VPB – Target price according to residual income method (VND/share)

VNDbn	2022F	2023F	2024F
NPAT	21,416	23,168	26,399
Excessed return	10,972	9,743	9,959
Required rate of return (r)	12.08%		
Growth (g)	5.0%		
Terminal value	117,577		
End-2022 fair price	221,347		
Target price	49,126		

Source: KB Securities Vietnam

Table 16. VPB – Target price according to valuation methods (VND/share)

Valuation method	Forecast price	Weight	Weighted price
P/B	39,700	50%	19,850
Residual income	49,126	50%	24,563
Target price			44,400

Source: KB Securities Vietnam

VPB – 2019A–2023E financials

Income Statement (VNDbn)						Balance Sheet (VNDbn)					
	2019	2020	2021	2022F	2023F		2018	2019	2020E	2021F	2022F
Net interest income	30,670	32,346	34,349	45,968	57,586	Loans	253,100	286,319	345,607	468,404	539,847
Interest income	49,875	52,362	50,827	71,646	90,926	Marketable securities	1,567	493	6,971	4,255	5,242
Interest expense	(19,204)	(20,016)	(16,478)	(25,678)	(33,340)	Cash (ex. Reserves)	2,459	3,283	2,346	3,799	4,681
Fees & commissions	2,792	3,356	4,059	4,907	6,080	Interest earning assets	351,188	393,458	506,371	700,343	807,655
Other non-interest income	2,020	2,236	2,808	10,115	4,145	Fixed assets & other assets	27,797	26,853	47,877	52,538	60,239
Total operating income	36,356	39,033	44,301	62,074	69,288	Total assets	377,204	419,027	547,626	746,013	861,346
SG&A expenses	(2,344)	(11,392)	(10,719)	(14,587)	(15,936)	Customer deposits	213,950	233,428	241,837	319,753	393,981
Pre-provisioning OP	24,012	27,641	33,583	47,487	53,352	Borrowings & call money/repos	57,937	63,172	81,400	103,271	118,761
Provision for credit losses	(13,688)	(14,622)	(19,002)	(18,842)	(22,102)	Interest bearing liabilities	322,482	352,939	446,206	566,243	688,128
Other income	2,682	3,442	5,469	12,967	6,909	Other liabilities	12,220	13,107	14,865	68,492	36,918
Other expense	(663)	(1,206)	(2,661)	(2,853)	(2,764)	Total liabilities	334,994	366,233	461,175	634,886	725,218
Pre-tax income	10,324	13,019	14,580	28,644	31,250	Charter capital	25,300	25,300	45,057	67,434	67,434
Income tax expense	(2,064)	(2,606)	(2,930)	(5,729)	(6,250)	Capital surplus	693	366	77	77	77
NP	8,260	10,414	11,651	22,915	25,000	Retained earnings	11,806	17,415	22,500	21,538	44,738
Minority interest profit	-	-	157	(1,500)	(1,800)	Capital adjustments	-	-	-	-	-
Parent NP	8,260	10,414	11,808	21,416	23,200	Total shareholders' equity	42,210	52,794	86,451	111,128	136,128

Financial Indicators (%)						Valuation (VND, X, %)					
	2018	2019	2020E	2021F	2022F		2018	2019	2020E	2021F	2022F
Profitability						Share Price Indicators					
ROE	21.5%	21.9%	16.7%	23.2%	20.2%	EPS	3,265	4,116	2,621	3,176	3,440
ROA	2.4%	2.6%	2.4%	3.5%	3.1%	BVPS	16,684	20,867	19,187	16,479	20,187
Pre-provision ROE	49.9%	46.5%	38.6%	38.5%	34.5%	Tangible BVPS	16,455	20,610	19,042	16,347	20,025
Pre-provision ROA	5.5%	5.6%	5.6%	5.9%	5.3%	Valuations					
Net interest margin (NIM)	9.3%	8.7%	7.6%	7.6%	7.6%	PER	10.5	8.3	13.0	10.8	9.9
Efficiency						PBR	2.0	1.6	1.8	2.1	1.7
Pure Loan to deposit ratio	120.2%	124.6%	146.9%	150.0%	140.0%	Dividend yield	0.0%	0.0%	1.5%	1.9%	2.1%
Cost-income ratio	34.0%	29.2%	24.2%	23.5%	23.0%	ROE	21.5%	21.9%	16.7%	23.2%	20.2%
Growth						Capital Adequacy					
Asset growth	16.7%	11.1%	30.7%	36.2%	15.5%	CAR	10.0%	9.3%	10.0%	>8%	>8%
Loan growth	15.9%	13.1%	20.7%	35.5%	15.3%	Asset Quality					
PPOP growth	17.4%	15.1%	21.5%	41.4%	12.4%	NPL ratio (substandard)	3.4%	3.4%	4.5%	4.5%	4.5%
Parent NP growth	12.3%	26.1%	13.4%	81.4%	8.3%	Coverage ratio (substandard)	46.4%	45.3%	62.3%	52.0%	47.2%
EPS growth	12.3%	26.1%	-36.3%	21.2%	8.3%	NPL ratio (precautionary)	8.2%	8.6%	9.1%	9.1%	9.1%
BVPS growth	21.5%	25.1%	-8.1%	-14.1%	22.5%	Coverage ratio (precautionary)	19.4%	18.0%	30.7%	25.7%	23.4%

Source: VPBank, KB Securities Vietnam

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Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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