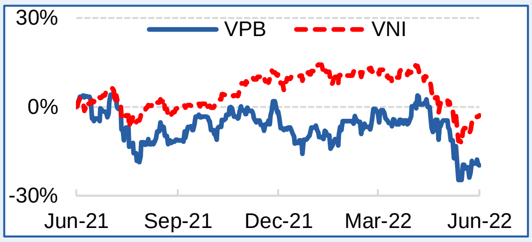
VIET CAPITAL SECURITIES

VPBank (VPB) [BUY +62.3%]

Update Report

Industry:	**Banking**
Report Date:	**June 2, 2022**
Current Price:	VND30,250
Current Target Price:	VND49,100
Previous Target Price:	VND48,000
Upside to TP:	+62.3%
Dividend Yield:	0.0%
TSR:	+62.3%

	2021	2022F	2023F	2024F
PPOP y/y	21.5%	45.4%	6.1%	18.0%
NPAT y/y	10.2%	90.0%	6.3%	17.3%
EPS y/y	11.6%	61.1%	-5.9%	16.2%
NIM	7.64%	7.82%	8.24%	8.36%
NPL ratio	4.57%	3.90%	3.60%	3.30%
CIR	24.2%	20.0%	26.0%	26.5%
P/B	1.6x	1.2x	1.0x	0.9x
P/E	11.5x	7.1x	7.5x	6.5x



Market Cap:	USD5.8bn
Foreign Room:	USD0
ADTV30D:	USD20.0mn
State Ownership:	0%
Outstanding Shares:	4.445 bn
Fully Diluted Shares*:	5.269 bn

	VPB	Peers	VNI
P/E (ttm)	7.8x	8.3x	13.9x
P/B (curr)	1.4x	1.7x	2.2x
ROE (ttm)	22.7%	21.7%	15.9%
ROA (ttm)	3.4%	1.8%	2.6%

*Based on our assumption for capital raising

Company overview

Vietnam Prosperity Joint Stock Commercial Bank is a Vietnam-based commercial bank with one fully-owned subsidiary — asset management company VPBank AMC — and 50% ownership of consumer finance company FE Credit. FE Credit contributed around 21% to the consolidated loan book in 2021.

Ngoc Huynh
Analyst
ngoc.huynh@vcsc.com.vn
+84 28 3914 3588 ext. 138

Long Ngo
Associate Director
long.ngo@vcsc.com.vn
+84 28 3914 3588 ext. 123

Expanded ecosystem improves VPB's equity story

- We maintain our BUY rating and increase our target price (TP) by 2.3% to VND49,100/share as (1) the positive impact of rolling our TP to mid-2023F outweighs our (2) 2.1% lower NPAT 2022-2026F vs our previous forecast and (3) downward revision in target P/B from 2.0x to 1.95x.
- We increase our 2022F net income (before MI) by 34.9% to VND21.8tn (USD9348mn; +90% YoY) vs our previous forecast as a result of (1) a higher-than-expected supporting banca fee booked in Q1 2022, (2) 13.9% decrease in OPEX and (3) 1.1% decrease in our provision charge assumption.
- We model for (1) an ESOP issuance using 30 million treasury shares and (2) private placement of 793.3 million primary shares to a foreign strategic investor to amass a 15% stake in 2022F.
- VPB's consolidated restructured loans decreased from VND16.1tn in Q4 2021 to VND12.7tn in Q1 2022, of which VND9.7tn was from the parent bank and VND3.0bn was from FE Credit (FEC).
- Upside risk: Earnings contribution from VPBank Securities Company and non-life insurer OPES; higher-than-expected credit growth.
- Downside risks: Failure to secure a strategic investor would make our projected increases in offshore funding/credit growth harder to achieve; failure to contain credit costs — especially at FEC.

New offshore loans support VPB's funding cost outlook — in line with our expectation. On April 28, VPB announced that it received another USD600mn offshore syndicated facility with the participation of Sumitomo Mitsui Banking Corporation (SMBC). Up to now, VPB has received around USD900mn of offshore funding with the arrangement of SMBC, which indicates a strong partnership between the two parties, in our view. At VPB's recent AGM, management shared that it expects to raise another USD400mn-500mn of syndicated loans in the next few months. We believe this will be a huge advantage for VPB to achieve high credit growth and optimize funding costs. Moreover, we expect VPB to continue to lower funding costs from 4.12% in 2021 to around 3.8% in 2024F.

VPB will have one of the most diversified ecosystems among banks under our coverage — similar to MBB. Via acquiring the former incarnation of VPBank Securities JSC and OPES, we believe VPB will expand its ecosystems and create more cross-selling opportunities to bolster NFI. However, we believe these subsidiaries are unlikely to generate significant profit in the near future as they are still in the early stages of being rolled out.

VPB plans to participate in supporting a distressed credit institution (DCI). Though there was no specific plan shared by management, shareholders did pass a resolution for this at VPB's recent AGM. Management does not disclose further information as it is still evaluating the plan and said that it was too early to quantify the impact on the bank's business. Given the lack of information, we have not considered this event in our valuation.

VIET CAPITAL SECURITIES

Q1 2022 Recap: Supporting banca fee, parent bank make up for FEC's slow quarter

Figure 1: VPB's Q1 2022 results

VND bn	Q1 2021	Q1 2022	YoY	% of 2022F Old	VCSC comments
Net interest income	9,120	9,888	8.4%	23%	* Q1 2022 NII was broadly in line with our expectation.
Net fee income*	944	1,166	23.6%	19%	* Pure NFI was VND1.25tn (+26.5% YoY), which completed 25% of our full-year forecast thanks to a nearly two-fold increase in income from settlement service fees.
Total NOII	1,932	8,382	333.9%	70%	* NOII surged more than 3x YoY thanks to abnormal income from renegotiating the banca partnership with AIA. According to the bank, the supporting fee from the banca deal with AIA of around VND5.5tn was entirely recorded in Q1 2022 instead of allocating it over five years as per our previous assumption.
TOI	11,051	18,270	65.3%	33%	
OPEX	(2,592)	(2,991)	15.4%	22%	* CIR trended down 7.1 ppts to 16.4% thanks to (1) a 65.3% YoY increase in TOI that outweighed (2) a 15.4% YoY increase in OPEX. If we exclude the abnormal income from the banca supporting fee, Q1 2022 CIR would be around 23.4%, which is still among the very low end in our coverage.
PPOP	8,459	15,279	80.6%	36%	
Provision expenses	(4,453)	(4,132)	-7.2%	19%	* Consolidated provision expenses in Q1 2022 decreased 7.2% YoY as (1) a 32% decrease in provision expenses at FEC outweighed (2) a 49% increase in provision expenses at the parent bank. Accordingly, consolidated LLR increased from 60.9% in 2021 to 63.6%.
Net profit	3,202	8,917	178.5%	55%	
NIM	9.09%	7.65%	-144 bps		* Consolidated NIM decreased 144 bps YoY as (1) a 227-bp decrease in IEA yield due to a nearly 2x surge in interbank balances outweighed (2) a 78-bp decrease in COF. We believe the YoY surge in interbank balances mainly came from the proceeds of selling FEC.
IEA yield	13.29%	11.02%	-227 bps		
Cost of funds	4.68%	3.90%	-78 bps		
CASA ratio**	17.0%	21.6%	4.6 ppts		* CASA volume increased 9.2% QoQ, which was slower than the term deposit growth of 14.5% QoQ; therefore, the CASA ratio edged down 1 ppt QoQ.
CASA plus term deposits in FX (%)	17.9%	22.3%	4.4 ppts		
CIR	23.5%	16.4%	-7.1 ppts		
NPL ratio	3.46%	4.83%	137 bps		* The consolidated NPL ratio in Q1 2022 surged 137 bps YoY due to (1) a 9-bp YoY increase in the NPL ratio at the parent bank and (2) a 7-ppt YoY surge in the NPL ratio at FEC. Given that FEC's annualized write-off rate to gross loans in Q1 2022 was only 5.6% vs 17.7% in Q1 2021, we think that a slower write-off strategy in Q1 2022 contributed to the surge in the NPL ratio at FEC.
Loan growth (QoQ)	3.6%	5.4%	1.8 ppts		* Q1 2022 consolidated loan growth was 5.4% QoQ, which was derived from 6.4% QoQ loan growth at the parent bank and a 1.6% QoQ increase in loans at FEC. Q1 2022 consolidated credit growth was 8.6% QoQ (10.3% QoQ at the parent bank). The corporate bond balance at the parent bank increased 50% YoY to VND41.6tn (USD1.8bn).
Deposit growth (QoQ)	-0.4%	13.4%	13.8 ppts		

Source: VPB, VCSC; units are in VND bn unless otherwise stated; *net fee income includes FX income; **CASA volume includes demand and margin deposits.

2022F Outlook: Lower funding costs support NIM expansion

Figure 2: VCSC's 2022F forecasts

VND bn	2021	2022F old	2022F new	2022F new vs 2021	VCSC comments
Net interest income	34,349	43,626	44,197	28.7%	
Net fee income*	3,983	6,086	5,407	35.8%	* We remove our assumption of the supporting fee from the exclusive bancassurance deal with AIA to be paid in equal installments over five years starting from 2022 and booked into the NFI line item. Instead, this supporting fee was booked in other income, and we estimate around VND5.5tn was recorded in Q1 2022.
Total NOII	9,953	12,031	16,852	69.3%	* We believe gains from investment securities in 2022 will drop 25% YoY given (1) a high base for net gains from investment securities in 2021 and (2) as a recovery in Government bond yields in 2022 is less likely to encourage the bank to realize gains from Government bonds like in 2021.
TOI	44,301	55,657	61,049	37.8%	
OPEX	(10,719)	(13,636)	(12,210)	13.9%	* We reduced our CIR from 24.5% to 20.0% mainly due to the revised banca assumption that contributes a 9.7% increase in our TOI vs previous forecast. We believe the low CIR level in Q1 2022 of 16.5% will not be sustainable and will increase toward the end of the year due to VPB's constant need to invest in technology, capex and especially marketing campaigns following the bank's rebranding strategy announcement in April 2022.
PPOP	33,583	42,021	48,839	45.4%	
Provision expenses	(19,219)	(21,797)	(21,552)	12.1%	* We trim our provision expense assumption by 1.7% vs our previous forecast mainly due to a lower projection of parent bank loan growth of 23% vs 25% in our previous forecast as Q1 2022 loan growth of 6.4% QoQ was lower than the peer median of 6.6% QoQ.
Net profit	11,477	16,161	21,804	90.0%	
NIM	7.64%	7.83%	7.82%	18 bps	* Our NIM forecast is roughly unchanged. We believe credit demand for consumer finance will pick up in future quarters, which will support higher NIM vs 7.65% in Q1 2022. * In our view, the deposit rate will increase modestly in 2022F and produce upward pressure on cost of funds. However, we believe VPB still has headroom to grow its CASA as the expansion of offshore loans and interbank deposits will ease the pressure of costly valuable papers. Taken together, we assume a 4-bp YoY decline in COF.
IEA yield	11.30%	11.28%	11.24%	-6 bps	* IEA yield is projected to decrease 4 bps vs our previous forecast mainly because we assume proceeds of VND37.5tn from a private placement of a 15% stake to a strategic investor vs VND35.0tn in our previous Update Report, which results in a higher value of interest-earning assets vs previous forecast.
Cost of funds	4.12%	4.08%	4.08%	-4 bps	
CASA ratio**	22.4%	25.0%	25.0%	2.6 ppts	
CIR	24.2%	24.5%	20.0%	-4.2 ppts	
NPL	4.57%	3.90%	3.90%	-67 bps	
Gross loans	355,281	438,068	432,470	21.7%	
Customer deposits	241,837	278,113	285,368	18.0%	
Valuable papers	81,296	73,166	73,166	-10.0%	
Total assets	547,409	646,388	662,388	21.0%	
Total equity	86,278	136,586	145,163	68.3%	* We assume two transactions in 2022F: (1) ESOP issuance using 30 million treasury shares and (2) VND37.5tn from selling 793.3 million primary shares to a strategic investor.
ROAE	16.9%	13.5%	17.9%	1.1 ppts	
ROAA	2.4%	2.5%	3.4%	1.0 ppts	
Regulated LDR	75.7%	83.0%	79.5%	3.8 ppts	

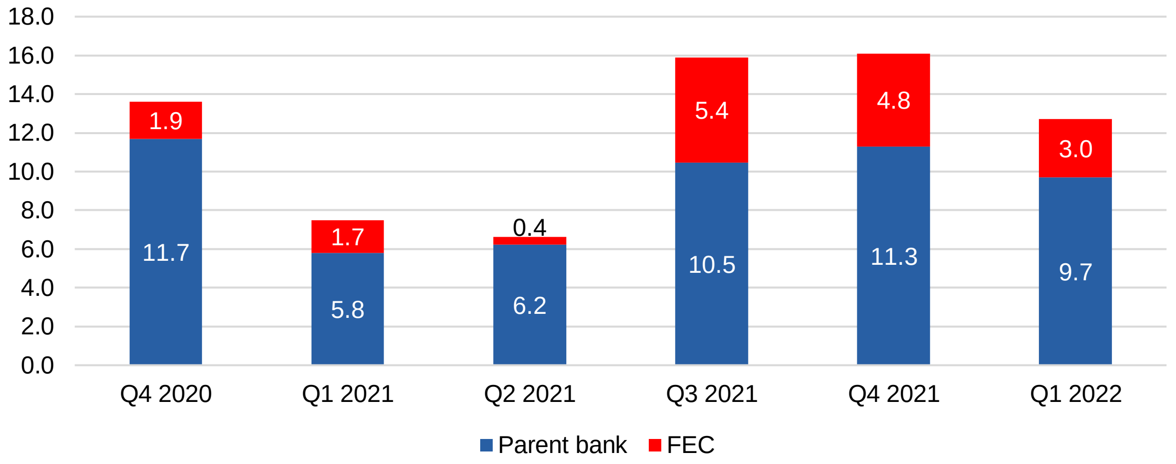
Source: VPB, VCSC; units are in VND bn unless otherwise stated; *net fee income includes FX income; **CASA volume includes demand and margin deposits.

We revise our assumption for the sale of a 15% stake to a foreign strategic shareholder following VPB's AGM guidance. In our previous Update Report, we assumed that VPB would offer all treasury shares plus 716.0 million primary shares to a strategic investor to raise VND35.0tn (USD1.5bn) of new equity to provide an opportunity for a strategic investor to amass a 15% stake in VPB. However, at VPB's recent AGM, the management stated that it expects to issue 1.19 billion shares (post 50% stock dividend and ESOP issuing 30 million shares), but the exact number of shares could be changed after the stock dividend issuance. With the new guidance set by management, we now assume that VPB will offer 793.3 million primary shares at VND47,300/share (prior to 50% stock dividend) to a strategic investor to raise VND37.5tn (USD1.5bn) of new equity in 2022F. We have not changed our assumption on the selling price of VND47,300/share at which primary shares will be sold.

Restructured loans decreased at both parent bank and FEC in Q1 2022. VPB's disclosure regarding restructured loans as of Q1 2022 can be summarized as follows:

- Total restructured loans (excluding customers that returned to 'normalized' status according to rules set out by the State Bank of Vietnam (SBV)) was VND12.7tn (~3.6% of total consolidated loans) — a decrease of 21.1% QoQ — of which VND9.7tn came from the parent bank and VND3.0tn from FEC.
- The parent bank's accumulated provision for restructured loans was VND1,345bn in Q1 2022, in compliance with SBV's provisioning roadmap (30%, 60% and 100% in 2021, 2022 and 2023, respectively).

Figure 3: Restructured loans of parent bank and FEC in Q4 2020 – Q1 2022 (VND tn)

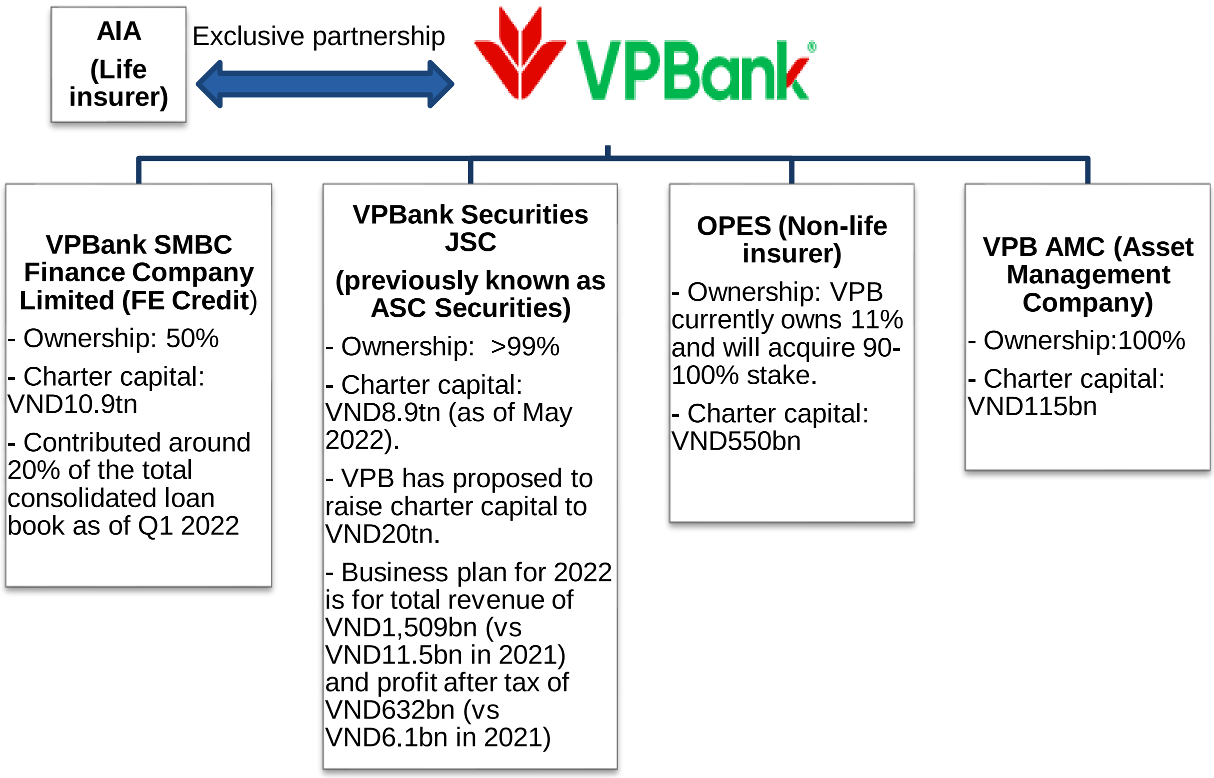


Source: VPB, VCSC

VPB to enlarge its exposure to the brokerage sector and acquire a non-life insurance company. On May 26, VPBank Securities JSC (VPBankS) — previously known as ASC Securities— was approved to raise its capital to VND8.9tn. After the capital raising, VPB owns more than 99% stake of VPBankS. According to the AGM plan, VPB proposes to contribute a maximum capital of VND20tn to VPBankS (vs SSI's current charter capital of VND9.9tn), so it is likely that this subsidiary will continue to increase capital in the near future. However, if we can gauge anything from SSI's pending request to get approval for its rights issue, it seems that authorities are dragging their feet on approving such large capital increases. According to management's disclosures, the new capital injected to VPBankS will be used for capex and upgrading facilities at this subsidiary with the overarching aim of developing an investment banking business.

In addition, VPB has proposed to acquire a 90%-100% stake of OPES Insurance Company — a non-life insurer. The charter capital of OPES is VND550bn. As of 2021, VPB owned 11% of OPES. We note that both parties signed a strategic partnership in March 2019. According to management, acquiring OPES would not impact the partnership between VPB and AIA as AIA is a life insurer. Furthermore, VPB currently does not have any IPO plans for OPES or VPBankS in the near future, and the bank wants to focus on developing the core businesses of these subsidiaries.

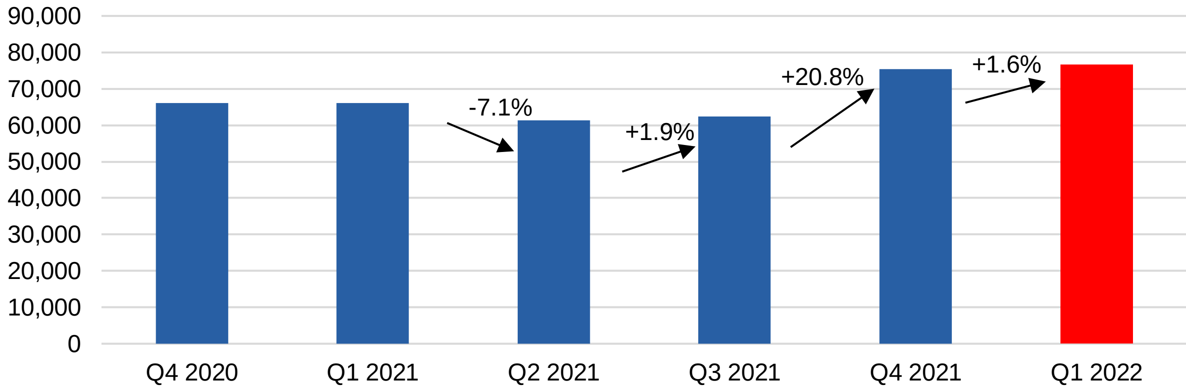
Figure 4: VPB's ecosystem



Source: VPB, VCSC

FEC's ending net receivables (ENR) inched up in Q1 2022. FEC's ENR increased 1.6% QoQ. From VPB's disclosures, NIM of FEC has improved from 20% in Q4 2021 to more than 22% in Q1 2022. In addition, FEC's COF improved to around 6.3% vs 7.0% in 2021.

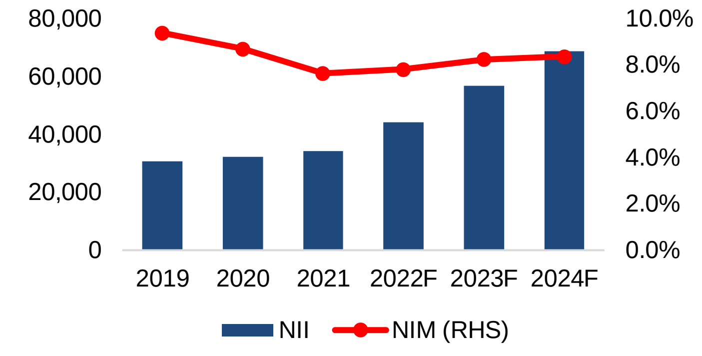
Figure 5: Quarterly ending net receivables (ENR) of FEC's loan book (VND bn)



Source: VPB, VCSC

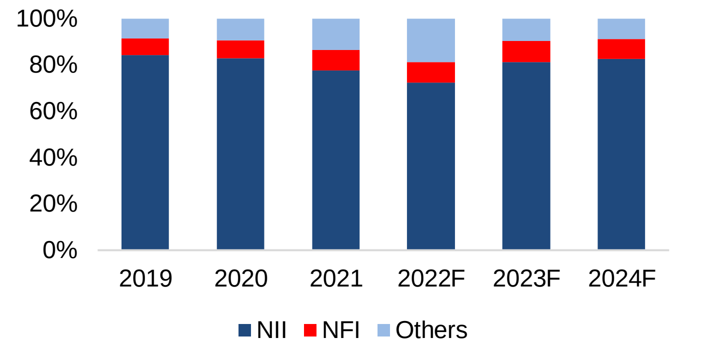
Key Figures of VPB

Figure 6: NIM (%) and NII (VND bn) (2019-2024F)



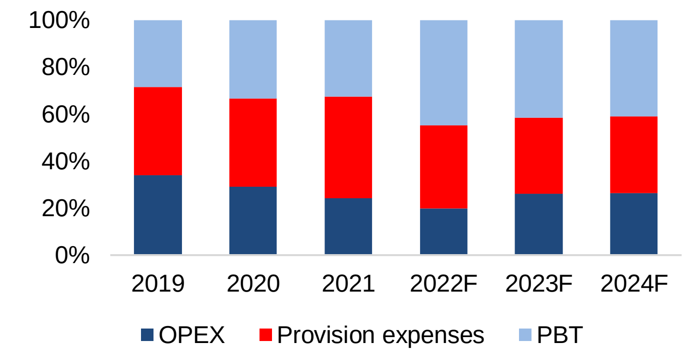
Source: VPB, VCSC

Figure 7: TOI components (2019-2024F)



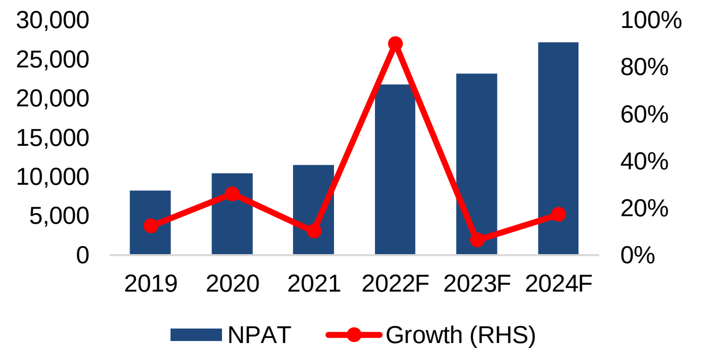
Source: VPB, VCSC

Figure 8: OPEX, provision expenses and PBT as % of TOI (2019-2024F)



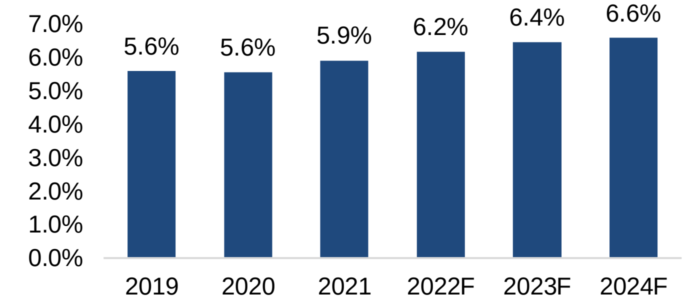
Source: VPB, VCSC

Figure 9: NPAT (VND bn) and growth (%) (2019-2024F)



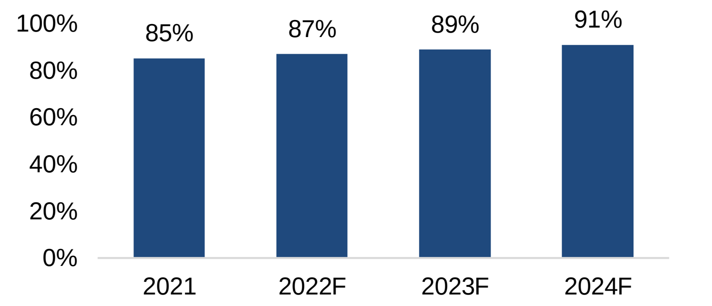
Source: VPB, VCSC

Figure 10: Lending market share in our coverage universe (2019-2024F)



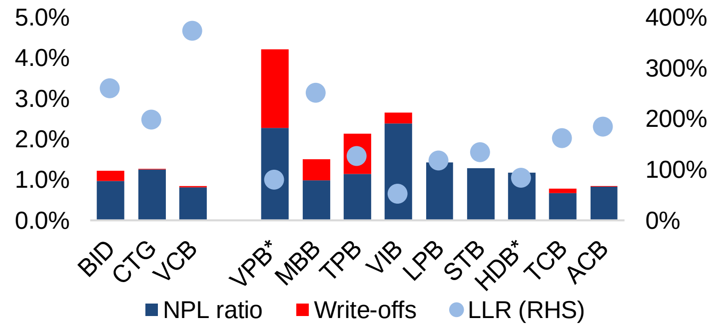
Source: Company data, VCSC

Figure 11: RWAs as % of total assets (2021-2024F)



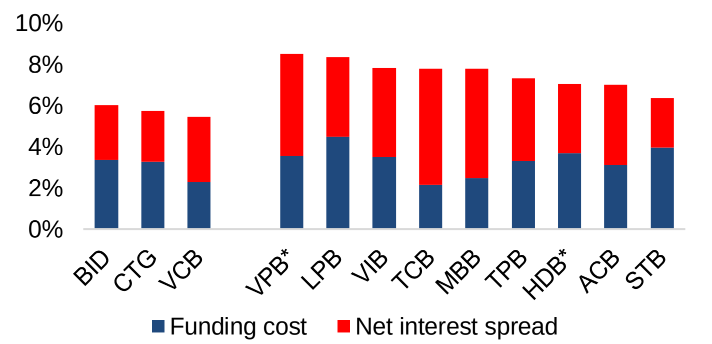
Source: VPB, VCSC

Figure 12: NPL ratio, annualized write-offs over gross loans and LLR of banks under coverage (Q1 2022)**



Source: Company data, VCSC; * standalone bank only; ** LLR is percentage of total provision balance over NPLs.

Figure 13: Annualized interest-earning asset yields of banks under coverage (Q1 2022)



Source: Company data, VCSC; * standalone bank only

Valuation

We utilize two valuation methodologies in estimating our target price, assigning equal weighting for the residual income method and target P/B multiple. We maintain our cost of equity assumption at 12.5%.

In this Update Report, we maintain our BUY rating and increase our target price by 2.3% to (TP) to VND49,100/share as (1) the positive impact of rolling our TP to mid-2023F outweighs our (2) 2.1% lower NPAT 2022-2026F vs our previous forecast and (3) downward revision in target P/B from 2.0x to 1.95x. We decrease our 2023-2026F net income by 7.0% vs our previous forecast due to (1) a 4.2% decrease in PPOP that outweighs (2) a 4.2% decrease in provision expenses due to lowering write-offs to consolidated loans by 20 bps for each year on average. Our 4.2% decrease in PPOP is mainly driven by (1) a 1.3% decrease in NII and (2) removing our assumption of the supporting fee from the exclusive bancassurance deal with AIA to be paid in equal installments over five years starting from 2022F.

Figure 14: Cost of equity

Cost of equity	
Risk free rate	5.5%
Beta	1.0
Market risk premium	7.0%
Cost of equity	**12.5%**

Source: VCSC

Figure 15: Valuation summary

(VND per share)	Fair value	Weighting	Contribution
Number of shares outstanding (bn)			4.445
Residual income	42,499	50%	21,249
Target P/B @ 1.95x mid-2023F	55,656	50%	27,828
Target price (VND)			**49,100**
Current price			30,250
Upside			62.3%
Dividend yield			0.0%
TSR			62.3%
2022F P/B at TP			1.60x
RATING			**BUY**

Source: VCSC; units are in VND unless otherwise stated.

Figure 16: Residual income model

(VND bn)	2022F	2023F	2024F	2025F	2026F
ROE (Beginning period equity)	26.4%	15.5%	15.7%	16.1%	16.0%
COE	12.5%	12.5%	12.5%	12.5%	12.5%
Economic Margin	13.9%	3.0%	3.2%	3.6%	3.5%
Equity value (Beginning period)	78,372	136,181	156,068	179,167	206,228
Residual income (RI)	5,466	4,133	5,065	6,393	7,189
PV of residual income	5,153	3,464	3,773	4,233	4,232
Sum PV of RI			20,855		
PV of terminal value (8% intermediate growth rate for 10 years and 3% perpetual growth)			60,795		
Beginning EV (average of 2021/2022F)			107,276		
Current equity value			**188,927**		
Number of shares outstanding (bn)			4.445		
Fair value per outstanding share (VND)			**42,499**		
Number of diluted shares (bn)			5.269		
Fair value per diluted share (VND)			35,858		

Source: VCSC; units are in VND bn unless otherwise stated.

We maintain our intermediate growth rate for 10 years after the explicit forecast period at 8% — a rate we will also continue to apply to TCB and VCB. We also maintain our assumed perpetuity growth rate at 3% — a rate used for most banks in our coverage universe. We anticipate VPB will approach industry leading CAR levels in the next 12 months that we currently see at TCB, thus boosting VPB's ability to capture growth opportunities.

Our residual income model includes our assumed proceeds of VND37.5tn from selling 793.3 million primary shares to a strategic investor in mid-2022. However, VPB is penalized as our projected ROEs reflect the negative impact of low leverage, which is especially pronounced after the modeled placement to a strategic investor in 2022F. Therefore, we use the fair value per outstanding shares from the residual income method for our target price estimation.

Figure 17: Target P/B approach

	Fair value
Target P/B	**1.95x**
Mid-2023F equity value (VND bn)	146,124
Target market value of equity posting issuing (VND bn)	284,942
Issuing value (VND bn)	37,525
Pre-issuing value (VND bn)	247,417
Number of outstanding shares (billion)	4.445
Fair value per share (VND)	**55,656**

Source: VCSC

Comparable peers

Consolidated profit in 2021 trailed our expectation due to the subpar performance of FEC as consumer finance was severely impacted by several COVID-19 lockdowns in Vietnam. However, efforts were made at the management level to overcome this difficulty via (1) the decision to sell Government bonds and realize gains amid the low-yield environment, (2) a prompt response to the pandemic by management in the unsecured lending segment by curbing disbursement (including consumer finance) and (3) the lowest CIR compared to its peers thanks to well-controlled OPEX. In 2021, management also delivered on its multiyear effort to monetize a portion of FEC and set a new valuation benchmark for this subsidiary.

VPB is currently trading at a 7.1% discount to the peer median 2022F P/B at 1.43x (**Figure 19**), according to Bloomberg consensus. Our observation suggests that VPB traded at a premium of 22.7% to the peer median trailing P/B in the past 12 months.

VPB has a similar retail-focused approach to HDB with a sizable exposure to the consumer finance industry. VPB traded at an average premium of 4% to HDB's trailing P/B over the last three years (**Figure 18**) with an average ROE in 2018-2021 of 20.8% vs 20.7% at HDB. **Figure 18** indicates VPB's P/B took a hit at the end of 2021; however, this was due to booking the sale of FEC. VPB traded at a 6% discount to HDB's trailing P/B as of June 1, 2022.

In our view, VPB's valuation has scope for further upward re-rating, which is supported by the following reasons:

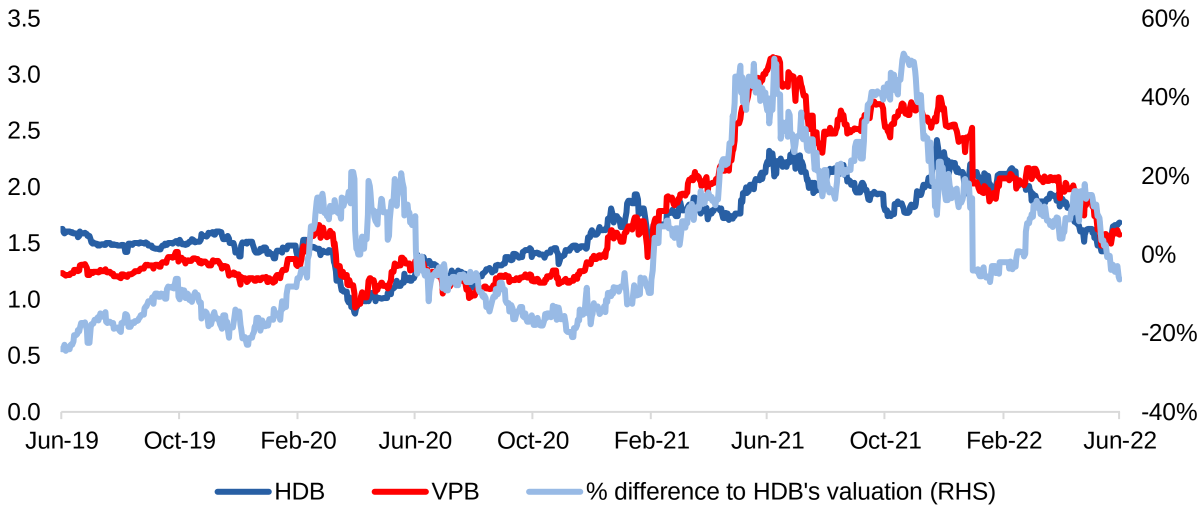
- We believe the addition of Sumitomo Mitsui Financial Group (SMFG) as a significant shareholder of FEC helps to solve the challenge of projected IEA yield pressure at FEC in coming years by displacing the largest portion of FEC's current funding source in the form of valuable papers (49% of funding at YE2021) with cheaper offshore funding sources.
- We believe VPB is heading for the upper tier of CAR levels in our coverage universe via the entry of a strategic investor in 2022. However, we believe a strategic investor will offer not just fresh equity capital but also an opportunity to increase interbank FX deposits (liability side) and align interest between the operation of FEC and the parent bank, in turn bolstering CASA by banking more customers via digital banking platform ÜBank — which will broaden strategic growth opportunities for VPB and lower credit costs as VPB diversifies its credit exposure.
- VPB's COF has always been among the high-end in our coverage; additionally, the bank still has headroom to lower COF via lifting its CASA ratio and cheap funding sources, in our view. Up to now, VPB has received around USD900mn of offshore funding with the arrangement of SMBC, which indicates a strong partnership between the two parties, in our view. At VPB's April 2022 AGM, management shared that it expects to raise another USD400mn-500mn of syndicated loans in the next few months. We believe the offshore funding from international financial

institutions will support a more competitive COF at VPB in the future by supplanting costly valuable papers. We expect VPB to lower funding costs from 2022F onward to a level at around 3.8% in 2024F.

- We think VPB's decision to acquire a securities company and a non-life insurer in order to expand its ecosystem will help to enrich the bank's fee income sources.
- VPB's investor relation meetings are held frequently and contain informative content.

Taken together, we only marginally lower our 2022/23F target P/B to 1.95x, which is the highest level that we apply for private banks (same with TCB). We believe that with a strong capital buffer and a diversified ecosystem, VPB has a strong position to capture long-term sustainable growth.

Figure 18: Historical trailing P/B of VPB and HDB over the last three years



Source: Bloomberg, VCSC

Figure 19: Bloomberg consensus forecasts for Vietnamese banks

Bloomberg Ticker	Market Cap. (USD bn)	P/E			P/B			ROE			ROA	Equity Multi.	NPLs/ loans
		2021	2022F	2023F	2021	2022F	2023F	2021	2022F	2023F	TTM	2021	2021
ACB VN	3.6	8.1	7.7	5.7	1.74	1.46	1.19	24.2%	25.1%	23.2%	2.13%	11.8	0.77%
BID VN	7.7	15.5	13.4	9.7	2.05	1.91	1.50	13.8%	16.4%	19.1%	0.67%	20.4	0.98%
CTG VN	5.7	10.9	6.4	5.3	1.37	1.25	1.06	13.0%	20.8%	21.8%	0.82%	16.4	1.26%
MBB VN	4.5	7.6	7.0	5.3	1.63	1.38	1.09	23.7%	24.4%	23.7%	2.36%	9.7	0.90%
VCB VN	16.4	16.6	14.6	12.0	3.26	2.78	2.32	21.1%	21.1%	21.7%	1.68%	12.7	0.64%
STB VN	1.8	10.6	1.1	0.9	1.18	1.09	0.95	11.9%	13.2%	19.4%	0.74%	15.2	1.47%
HDB VN	2.3	8.1	7.1	6.2	1.68	1.45	1.23	23.1%	22.2%	20.6%	1.81%	12.2	1.65%
TCB VN	5.6	6.7	6.1	5.1	1.32	1.14	0.94	21.7%	20.4%	19.4%	3.55%	6.1	0.66%
TPB VN	2.2	9.7	7.8	6.3	1.85	1.59	1.27	22.0%	22.4%	22.5%	1.92%	11.3	0.82%
VIB VN	2.4	8.3	7.5	6.3	2.14	1.98	1.53	29.5%	29.1%	25.6%	2.29%	12.7	2.32%
LPB VN	1.0	6.8	5.3	5.0	1.18	0.93	0.78	18.5%	21.5%	19.0%	1.08%	17.2	1.33%
Median		**8.3**	**7.1**	**5.7**	**1.68**	**1.45**	**1.19**	**21.7%**	**21.5%**	**21.7%**	**1.81%**	**12.7**	**0.98%**
VPB VN	**5.9**	**8.0**	**7.1**	**6.7**	**1.58**	**1.35**	**1.11**	**24.0%**	**21.4%**	**17.6%**	**3.44%**	**6.3**	**4.47%**

Source: Bloomberg as of June 1, 2022, VCSC

Figure 20: Sensitivity analysis of 2022F P/B for VPB derived from ROE and terminal growth rate using the Gordon Growth Model, ceteris paribus.

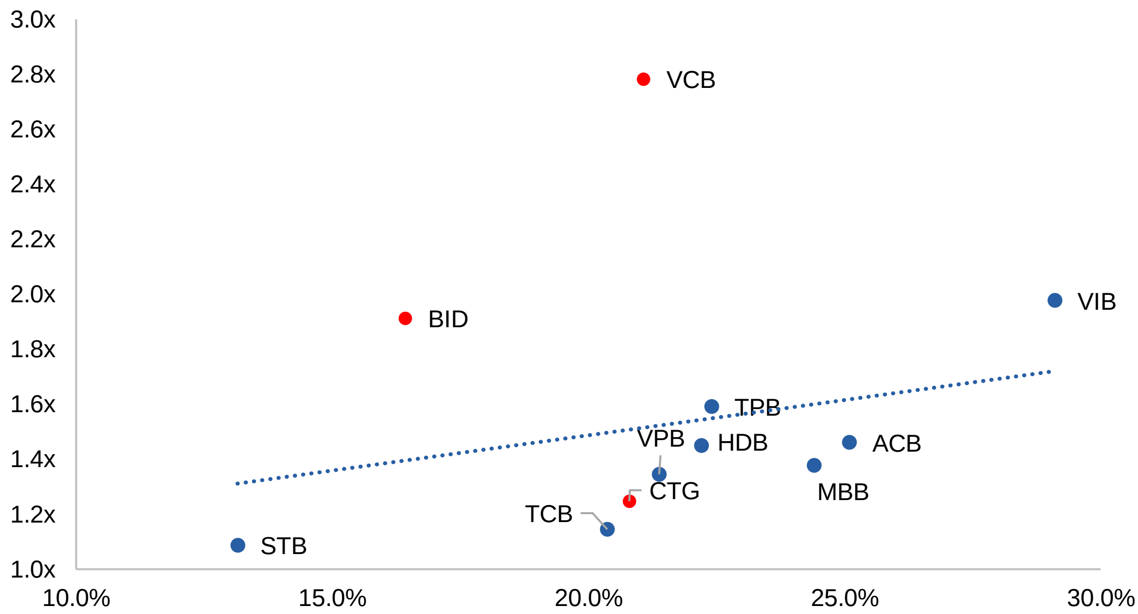
	Average ROE in 2016-2026F					
		15.0%	**17.0%**	**19.0%**	**21.0%**	**23.0%**
Terminal growth (g)	**1.5%**	1.23	1.41	1.59	1.77	1.95
	2.0%	1.24	1.43	1.62	1.81	2.00
	2.5%	1.25	1.45	1.65	1.85	2.05
	3.0%	1.26	1.47	**1.68**	1.89	2.10
	3.5%	1.28	1.50	1.72	1.94	2.17
	4.0%	1.29	1.53	1.76	2.00	2.23

Source: VCSC

The above sensitivity matrix illustrates a fair value P/B multiple for VPB at 1.68x using the Gordon Growth Model (GGM) with our average ROE during 2016-2026F at 19.0%, cost of equity at 12.5% (**Figure 14**) and terminal growth assumption of 3%.

The P/B multiple derived from the GGM is 14% lower than our 2022F target P/B multiple of 1.95x because our projected ROEs reflect the negative impact of low leverage — especially pronounced after the modeled placement to a strategic investor in 2022F. At its AGM in April 2022, management shared that it expects to propose cash dividends of 30% of NPAT per year at next year's AGM. However, we have not modeled for cash dividend payment in 2022-2026F as the resolution has not yet been tabled to shareholders.

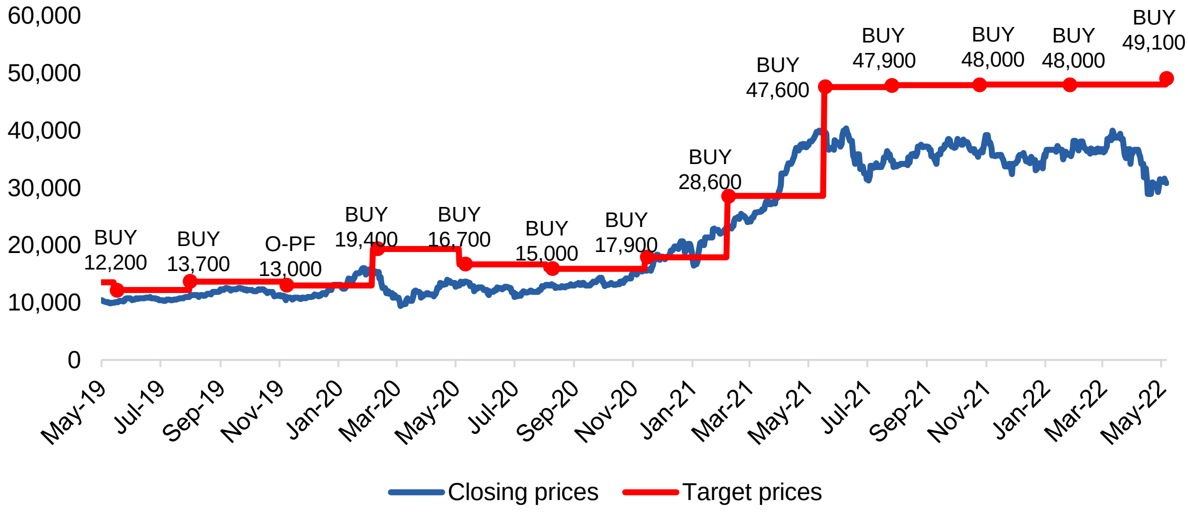
Figure 21: Vietnam banks P/B (y-axis) and ROE (x-axis) (2022F)



Source: Bloomberg, VCSC — red dots signify SOCBs; priced on June 1, 2022

History of Recommendations

Figure 22: Historical VCSC target price vs share price (VND/share)



Source: Bloomberg, VCSC

Financial Statements

P&L (VND bn)	2021	2022F	2023F	2024F
Interest inc.	50,827	63,549	78,900	94,439
Interest exp.	(16,478)	(19,352)	(22,055)	(25,731)
Net interest inc.	**34,349**	**44,197**	**56,845**	**68,708**
Fee & commission inc.	4,059	5,483	6,468	7,310
Other non-interest inc.	5,894	11,369	6,682	7,141
Total non-interest inc.	9,953	16,852	13,150	14,451
Total operating inc.	**44,301**	**61,049**	**69,995**	**83,159**
Non-interest exp.	(10,719)	(12,210)	(18,199)	(22,037)
Other G&A exp.	0	0	0	0
Total operating exp.	(10,719)	(12,210)	(18,199)	(22,037)
PPOP	**33,583**	**48,839**	**51,796**	**61,122**
Provision exp.	(19,219)	(21,552)	(22,783)	(27,096)
Other inc./exp.	0	0	0	0
Pre-tax profit	**14,364**	**27,288**	**29,014**	**34,026**
Taxes	(2,887)	(5,484)	(5,831)	(6,838)
Net profit	**11,477**	**21,804**	**23,183**	**27,188**
Minorities/pref divs	244	(1,076)	(2,027)	(2,614)
Attributable net profit	**11,721**	**20,728**	**21,156**	**24,573**
Adj shares, wt avg (mn)	4,426	4,857	5,269	5,269
EPS (VND)	2,648	4,268	4,015	4,664
DPS (VND)	0	0	0	0

BS (VND bn)	2021	2022F	2023F	2024F
Cash & equivalents	2,346	3,607	4,753	5,805
Balances with SBV	10,861	5,794	5,757	6,646
Due from FIs	57,105	85,354	121,003	154,884
ST investments	83,005	100,180	105,189	110,448
Net customer loans	345,390	421,441	510,072	600,718
HTM	723	612	518	438
Long term investments	250	187	187	187
Property & equipment	1,873	1,967	2,065	2,168
Other assets	45,857	43,247	52,306	61,542
Total assets	**547,409**	**662,388**	**801,850**	**942,836**
Borrowings from SBV	8,454	10,555	13,906	16,985
IB deposits & borrowings	114,619	132,756	195,922	239,635
Other borrowed funds	104	114	126	138
Customer deposits	241,837	285,368	339,588	404,109
Other financial int.	0	0	0	0
Valuable papers	81,296	73,166	69,508	72,983
Other liabilities	14,821	15,266	15,724	16,196
Shareholders' equity	78,372	136,181	156,068	179,167
MI	7,906	8,982	11,009	13,624
Liabilities & equity	**547,409**	**662,388**	**801,850**	**942,836**

RATIOS (%)	2021	2022F	2023F	2024F
Growth				
Loan growth	22.2	21.7	20.9	17.7
Deposit growth	3.6	18.0	19.0	19.0
TOI growth	13.5	37.8	14.7	18.8
PPOP growth	21.5	45.4	6.1	18.0
NPAT growth	10.2	90.0	6.3	17.3
Asset quality				
Group 2 / loans	4.73	6.00	6.00	6.00
NPL ratio	4.57	3.90	3.60	3.30
LLR / NPLs	60.9	65.4	69.0	72.4
Provision exp. / loans	5.41	4.98	4.36	4.40
Liquidity				
CAR under BASEL II	14.3	19.4	17.9	17.0
Regulated LDR	75.7	79.5	78.7	78.7

RATIOS (%)	2021	2022F	2023F	2024F
Profitability				
NIM	7.64	7.82	8.24	8.36
Int-earning asset yields	11.30	11.24	11.43	11.49
Funding costs	4.12	4.08	3.93	3.80
CIR	24.2	20.0	26.0	26.5
ROE decomposition (as % avg total assets)				
NII	7.11	7.31	7.76	7.88
Provisions	-3.98	-3.56	-3.11	-3.11
Post-provision NII	3.13	3.74	4.65	4.77
Non-Interest inc.	2.06	2.79	1.80	1.66
Operating exp.	-2.22	-2.02	-2.49	-2.53
Taxes & MI	-0.55	-1.08	-1.07	-1.08
ROAA	2.43	3.43	2.89	2.82
Equity Mult. (x)	6.9	5.2	4.7	4.8
ROAE	16.9	17.9	13.6	13.7

Source: Company data, VCSC. We assume (1) ESOP issuance using 30 million treasury shares and (2) VND37.5tn from selling 793.3 million primary shares to a strategic investor in 2022F.

VCSC Rating System

Stock ratings are set based on projected total shareholder return (TSR), defined as (target price – current price)/current price + dividend yield, and are not related to market performance.

Equity rating key	Definition
BUY	If the projected TSR is 20% or higher
OUTPERFORM	If the projected TSR is between 10% and 20%
MARKET PERFORM	If the projected TSR is between -10% and 10%
UNDERPERFORM	If the projected TSR is between -10% and -20%
SELL	If the projected TSR is -20% or lower
NOT RATED	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulation and/or firm policies in certain circumstances, including when VCSC is acting in an advisory capacity in a merger or strategic transaction involving the company.
RATING SUSPENDED, COVERAGE TERMINATED	A rating may be suspended, or coverage terminated, if fundamental information is deemed insufficient to determine a target price or investment rating or due to a reallocation of research resources. Any previous investment rating and target price are no longer in effect.

Unless otherwise specified, these performance parameters are set with a 12-month horizon. Movement in share prices may cause a temporary mismatch between the latest published rating and projected TSR for a stock based on its market price and the latest published target price.

Target prices are generally based on the analyst's assessment of the stock's fair value over a 12-month horizon. However, the target price may differ from the analyst's fair value if the analyst believes that the market will not price the stock in line with assessed fair value over the specified time horizon.

Risks: Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative.

Disclaimer

Analyst Certification of Independence

We, Ngoc Huynh and Long Ngo, hereby certify that the views expressed in this report accurately reflect our personal views about the subject securities or issuers. We also certify that no part of our compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues, which include revenues from, among other business units, Institutional Equities and Investment Banking.

VCSC and its officers, directors and employees may have positions in any securities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such securities (or investment). VCSC may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment.

 This report has been prepared on the basis of information believed to be reliable at the time of publication. VCSC makes no representation or warranty regarding the completeness and accuracy of such information. Opinions, estimates and projection expressed in this report represent the current views of the author at the date of publication only. They do not necessarily reflect the opinions of VCSC and are subject to change without notice. This report is provided, for information purposes only, to institutional investors and retail clients of VCSC in Vietnam and overseas in accordance to relevant laws and regulations explicit to the country where this report is distributed, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of VCSC. Please cite sources when quoting.

U.K. and European Economic Area (EEA): Unless specified to the contrary, issued and approved for distribution in the U.K. and the EEA by VCSC issued by VCSC has been prepared in accordance with VCSC’s policies for managing conflicts of interest arising as a result of publication and distribution of investment research. Many European regulators require a firm to establish, implement and maintain such a policy. This report has been issued in the U.K. only to persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is only available to relevant persons and will be engaged in only with relevant persons. In other EEA countries, the report has been issued to persons regarded as professional investors (or equivalent) in their home jurisdiction. **Australia:** This material is issued and distributed by VCSC in Australia to "wholesale clients" only. VCSC does not issue or distribute this material to "retail clients". The recipient of this material must not distribute it to any third party or outside Australia without the prior written consent of VCSC. For the purposes of this paragraph the terms "wholesale client" and "retail client" have the meanings given to them in section 761G of the Corporations Act 2001. **Hong Kong:** The 1% ownership disclosure as of the previous month end satisfies the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission. (For research published within the first ten days of the month, the disclosure may be based on the month end data from two months prior.) **Japan:** There is a risk that a loss may occur due to a change in the price of the shares in the case of share trading, and that a loss may occur due to the exchange rate in the case of foreign share trading. In the case of share trading, VCSC will be receiving a brokerage fee and consumption tax (shouhizei) calculated by multiplying the executed price by the commission rate which was individually agreed between VCSC and the customer in advance. **Korea:** This report may have been edited or contributed to from time to time by affiliates of VCSC. **Singapore:** VCSC and/or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is 1% or greater, the specific holding is disclosed in the Important Disclosures section above. **India:** For private circulation only, not for sale. **Pakistan:** For private circulation only, not for sale. **New Zealand:** This material is issued and distributed by VCSC in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money. VCSC does not issue or distribute this material to members of "the public" as determined in accordance with section 3 of the Securities Act 1978. The recipient of this material must not distribute it to any third party or outside New Zealand without the prior written consent of VCSC. **Canada:** The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, or solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. The information contained herein is under no circumstances to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. To the extent that the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities must be conducted through a dealer registered in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgment upon these materials, the information contained herein or the merits of the securities described herein, and any representation to the contrary is an offence. **Dubai:** This report has been issued to persons regarded as professional clients as defined under the DFSA rules. **United States:** This research report prepared by VCSC is distributed in the United States to Major US Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) only by Decker&Co, LLC, a broker-dealer registered in the US (registered under Section 15 of Securities Exchange Act of 1934, as amended). All responsibility for the distribution of this report by Decker&Co, LLC in the US shall be borne by Decker&Co, LLC. All resulting transactions by a US person or entity should be effected through a registered broker-dealer in the US. This report is not directed at you if VCSC Broker or Decker&Co, LLC is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that Decker&Co, LLC and VCSC is permitted to provide research material concerning investment to you under relevant legislation and regulations.

Contacts

Corporate

www.vcsc.com.vn

Head Office
Bitexco Financial Tower, 15th Floor
2 Hai Trieu Street, District 1, HCMC
+84 28 3914 3588

Hanoi Branch
109 Tran Hung Dao
Hoan Kiem District, Hanoi
+84 24 6262 6999

Transaction Office Nguyen Hue
Vinatex Building, 1st & 3rd Floor
10 Nguyen Hue Street, District 1, HCMC
+84 28 3914 3588 (417)

Transaction Office Nguyen Cong Tru
Floor 6B, 236-238 Nguyen Cong Tru Street
District 1, HCMC
+84 28 3914 3588 (400)

Transaction Office Dong Da
9 Nguyen Ngoc Doan
Dong Da District, Hanoi
+84 24 6262 6999

Transaction Office ABS
Sailing Tower, 8th Floor
111A Pasteur Street, District 1, HCMC
+84 28 3914 3588 (403)

Research

Research Team: +84 28 3914 3588
research@vcsc.com.vn

Alastair Macdonald, Head of Research, ext 105
alastair.macdonald@vcsc.com.vn

Banks, Securities and Insurance
Long Ngo, Associate Director, ext 123
- Truc Ngo, Analyst, ext 116
- Ngoc Huynh, Analyst, ext 138

Macro
Luong Hoang, Manager, ext 364
- Nguyen Truong, Senior Analyst, ext 132

Consumer
Nam Hoang, Manager, ext 124
- Ha Dao, Senior Analyst, ext 194
- Ha Huynh, Analyst, ext 185
- Huy Phan, Analyst, ext 173
- Nhan Nguyen, Analyst, ext 139

Oil & Gas and Power
Duong Dinh, Senior Manager, ext 140
- Tram Ngo, Manager, ext 135
- Thang Hoang, Analyst, ext 196

Real Estate and Infrastructure
Hong Luu, Senior Manager, ext 120
- Dang Thai, Senior Analyst, ext 149
- Thuc Than, Analyst, ext 174

Materials and Industrials
Vy Nguyen, Manager, ext 147
- Vinh Bui, Analyst, ext 149

Retail Client Research
Duc Vu, Senior Manager, ext 363
- Trung Nguyen, Senior Analyst, ext 129
- Anh Tong, Analyst, ext 363
- Ha Bui, Analyst, ext 364

Brokerage and Institutional Sales & Trading

Tuan Nhan
Managing Director, Brokerage & Institutional Sales & Trading
+84 28 3914 3588, ext 107
tuan.nhan@vcsc.com.vn

Quynh Chau
Managing Director
Brokerage
+84 28 3914 3588, ext 222
quynh.chau@vcsc.com.vn

Dung Nguyen
Director
Institutional Sales & Trading
+84 28 3914 3588, ext 136
dung.nguyen@vcsc.com.vn