Feb 21, 2025

Shinhan Securities



Vietnam Technological and Commercial Joint Stock Bank

[Vietnam / Banking]

Bloomberg Code (VPB VN) | Reuters Code (VPB.HM)

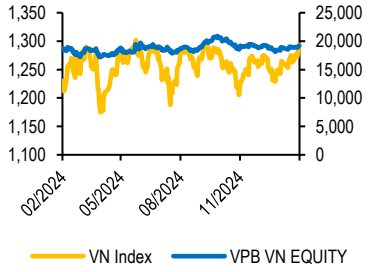
BUY

Update report

Target price (2025)	**VND 24,100**
Current price (20/02/25)	VND 19,200
Upside/downside	25.2%

VNINDEX		1,293
P/E thị trường (25F, x)		10.4
Market Cap (bn VND)		152,331
Outstanding shares (mn)		7,934
Free-Floating (mn)		7,096
Free floating (%)		89.4
52-Wk High/Low (VND)		21,050/17,500
90-day avg. trading volume (mn)		14.55
90-day avg. turnover (bn VND)		214
Foreign ownership (%)		24.9
Major shareholders (%)	SMBC	15.00

Performance	3T	6T	12T
Absolute (%)	2.7	3.2	-2.0
Relative to VN-Index (%)	-3.6	1.6	-7.2



Source: Bloomberg

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Asset quality improved

Updated with BUY recommendation, target price VND 24,100

Established in 1993, VPBank is a bank that pursues a modern retail strategy. VPB has grown strongly thanks to its ability to expand its network of branches and transaction points nationwide, along with the development of diverse products. With its leading position in consumer finance, FE Credit is expected to recover more clearly in 2025-2028. Two other subsidiaries, VPBankS (Securities) and OPES (Insurance), are also gradually contributing more to the bank's operations. Based on the residual income method and the P/B comparison method, we estimate the 12-month target price of VPB at VND 24,100/share.

Business results in 2024

VPBank recorded consolidated credit growth of 18.6% for the full year 2024. Of which, VPBank (parent) recorded growth of more than 19% and the consumer finance subsidiary Fe Credit grew by more than 10% for 2024. Notably, FE Credit previously had negative credit growth in the first 9 months of 2024, only breaking through and achieving the above growth rate in Q4/2024 alone.

Despite difficulties with interest rate developments in 2024, VPBank still showed improvement in the NIM (consolidated). Accordingly, consolidated NIM increased slightly from 5.6% at the end of 2023 to 5.9% at the end of 2024. Consolidated net interest income reached VND 49,080 billion (+28.6% YoY).

Consolidated non-interest income in 2024 increased slightly by nearly 14%. Consolidated fee income of VPBank decreased by 14%, due to fees from payment activities and bancassurance not achieving expectations. However, profits from trading in gold, foreign currency and other financial assets helped VPBank maintain positive growth for 2024.

The consolidated NPL ratio continued its positive downward trend, from 5.0% at the end of 2023 to 4.2% at the end of 2024. Unlike 2023, when bad debt decreased largely from Fe Credit's restructuring activities, the asset quality of VPBank (parent) also improved and is currently at 3% at the end of 2024.

Consolidated pre-tax profit of VPBank in 2024 was VND 20,004 billion (+82.06%), higher than our forecast but lower than the profit plan approved by the General Meeting of Shareholders.

Outlook for 2025

Key assumptions for 2025 include consolidated credit growth of approximately 22%, consolidated NIM recovering to above 6% thanks to contributions from FE Credit, consolidated NPLs controlled around 4.0%, credit risk cost/total credit of approximately 4.2%, consolidated CIR of 22-23%. Consolidated pre-tax profit of VPB in 2025 is forecast to reach VND 24,360 billion (+21.8% YoY), a slight increase compared to the latest report due to positive signals of asset quality and recovery of the retail customer segment.

Risk: 1) Retail customer segment recovering slower than forecast; (2) Lending interest rates are under downward pressure, putting pressure on NIM recovery; (3) The risk-handling asset process has been prolonged, causing non-interest income to recover slowly.

Year	**2021**	**2022**	**2023**	**2024**	**2025F**
Interest income (VNDbn)	34,349	41,021	38,175	49,080	62,291
Non-interest income (VNDbn)	9,953	16,776	11,569	13,166	15,073
Total operating income (VNDbn)	**44,301**	**57,797**	**49,743**	**62,246**	**77,364**
Provision and other expenses (VNDbn)	(29,938)	(36,577)	(38,756)	(42,242)	(53,004)
Profit before tax (VNDbn)	**14,364**	**21,220**	**10,987**	**20,004**	**24,360**
Credit growth (%)	18.7%	23.0%	25.4%	18.60	21.86
NIM (%)	7.91	7.50	5.58	5.94	6.35
ROE (%)	**16.5**	**17.8**	**7.1**	**11.13**	**12.65**

Source: Fiinpro, Company data, Shinhan Securities Vietnam

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Investor meeting summary Q1/2025

VPBank (parent) guidance for 2025

VPB (parent) targets credit growth in 2025 at 20-25%:

- Retail banking and SMEs (Small and Medium Enterprises) with a target growth of 30-40%.
- Corporate banking: Strengthen relationships and selectively promote industrial, real estate, and green credit sectors.
- FDI customers: Double the current number of FDI clients (currently around 1,000 businesses).

Capital Mobilization, VPB (parent) aims to grow deposit approximately 30%. This will be a crucial factor in 2025, as VPBank's Loan-to-Deposit Ratio (LDR) has currently reached around 82%, nearing the State Bank of Vietnam's (SBV) regulatory limit of 85%. Capital mobilization will be diversified across various sources, including interbank lending, offshore mobilization, and leveraging the strategic partnership with SMBC to increase the CASA.

Regarding asset quality, VPBank (the parent company) aims for a non-performing loan (NPL) ratio below 3%. Restructured loans will be closely monitored after Circular 02/2023/TT-NHNN expires. VPBank's credit costs are expected to remain below 2% due to improving asset quality and enhanced debt recovery efforts.

Subsidiaries:

- FE Credit aims for a minimum growth of 15% in 2025.
- Other subsidiaries, VPBankS and OPES, continue to expand their scale and are expected to contribute more to the group's profits.

Mandatory transfer of GPBank

Currently, VPBank is solely focused on improving GPBank's business model and governance. GPBank's financial statements will not be consolidated into VPBank's financial statements.

Other financial ratios:

- CIR (Cost-to-Income Ratio) of VPBank (parent): Around 25%.
- NIM (Net Interest Margin) of VPBank (parent): Stable and slightly improved from the current level.
- Pre-tax Profit of VPBank (parent): Expected to grow by 20-25%.

Valuations and recommendations

Valuation

We use the Residual Income (RI) method and the Price-to-Book (P/B) valuation method with a weighting of 60%-40%, respectively.

The target price for the stock for the next 12 months in 2025 is VND 24,100. We update the risk-free interest rate to 3.1% and the equity risk premium to 8.35% for this report.

1) P/B Comparison Valuation Method: Assuming VPB will reach an optimal CAR (Capital Adequacy Ratio) of around 14% by 2026, we take a target P/B of 1.5x on the 2026 base (the average of listed banks on HOSE, excluding the State-owned commercial banks). The equivalent target P/B at the time of the report is 1.25x. With a BVPS (Book Value Per Share) in 2025 of VND 20,282/share, the corresponding 12-month target share price of VPB is VND 25,353/share.

2) With the Residual Income (RI) method: the target stock value of VPB is estimated at VND 23,282/share.

Cost of Equity (%)	
Cost of Equity (%)	**13.1**
Risk-free rate (%)	3.1
Equity risk premium (%)	8.35
Beta	1.2

RI Method

(Unit: VNDbn)	**2024**	**2025F**	**2026F**	**2027F**	**2028F**
Cost of equity	13.1%	13.1%	13.1%	13.1%	13.1%
Cost of equity after 2028					13.1%
Net income atributes to parent	15,770	18,513	23,803	33,555	40,210
Residual income (RI)		-1,704	1,515	8,436	11,448
PV of RI		**-1,506**	**1,184**	**5,828**	**6,991**

Terminal value of RI (VNDbn)	**116,455**
Terminal growth (%)	2.00%

PV of terminal value (VNDbn	71,121
PV of RI (bn VND))	12,497
Beginning equity (bn VND)	147,275
Discount (%)	20%
Total value (bn VND)	184,715
Total outstanding shares (bn)	7.93
Target price (VND)	**23,282**

Valuation Summary

Method	**Weight**	**Price target (VND)**
Residual income	60%	23,282
P/B target (1.25x)	40%	25,353
Target price (VND)	**24,110**	

Source: Shinhan Securities Vietnam

Business overview

Company history

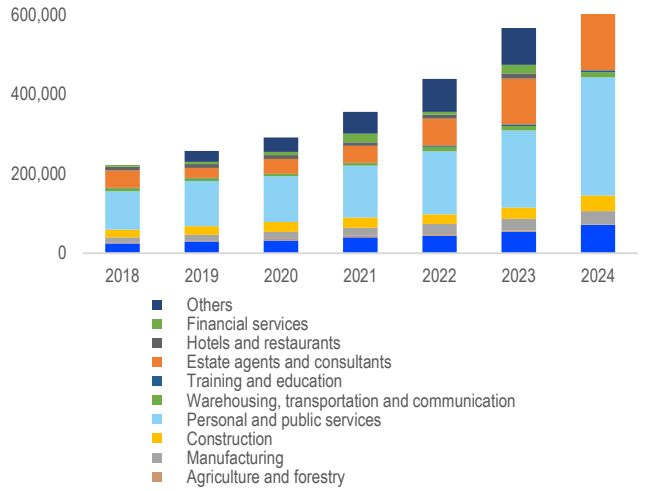
Vietnam Prosperity Joint Stock Commercial Bank (VPBank) was established in 1993. In 2010, VPB implemented a strategy to transform into a modern retail bank, during which the bank significantly expanded its branch network and transaction points. In 2015, the bank spun off its consumer credit business into a separate legal entity called FE Credit Company Limited. In 2017, VPB was listed on the Ho Chi Minh City Stock Exchange.

Sumitomo Mitsui (SMBC) has invested in VPBank twice: The first time was in 2021 when it acquired a 49% stake in FE Credit; the second time was in 2023, when SMBC purchased a 15% stake of VPBank through a private placement..

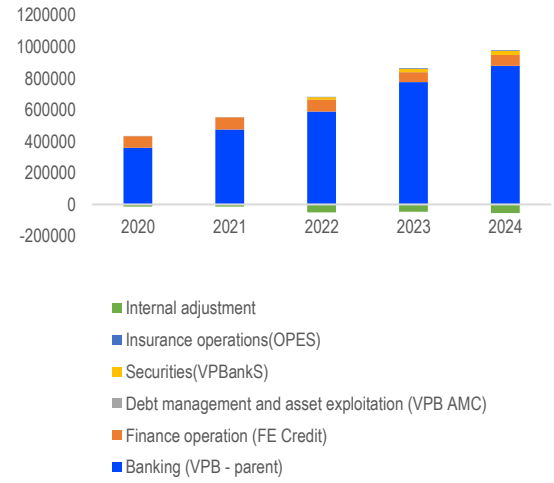
At the end of 2022, VPB acquired a 77.42% stake in ASC Securities and renamed it VPBank Securities ("VPBankS"). In the same year, VPB increased the capital of VPBankS to VND 15,000 billion. In addition to VPBankS, VPB acquired a 98% stake in OPES Insurance Joint Stock Company ("OPES").

Loan portfolio structure and corporate structure

VPBank's customer loan structure by industry group (VNDbn)

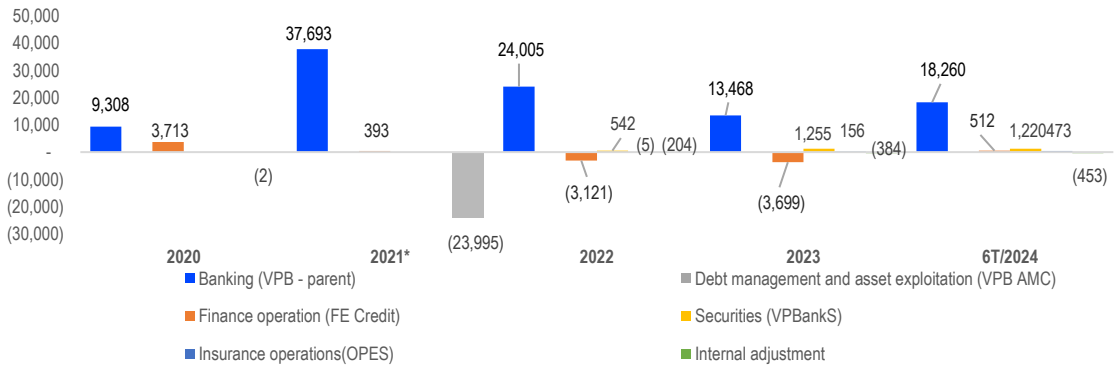


VPBank's asset structure (VNDbn)



Source: VPB, Fiinpro, Financial Statements, Shinhan Securities Vietnam

Pre-tax profit of VPBank (parent) and subsidiaries (VNDbn)

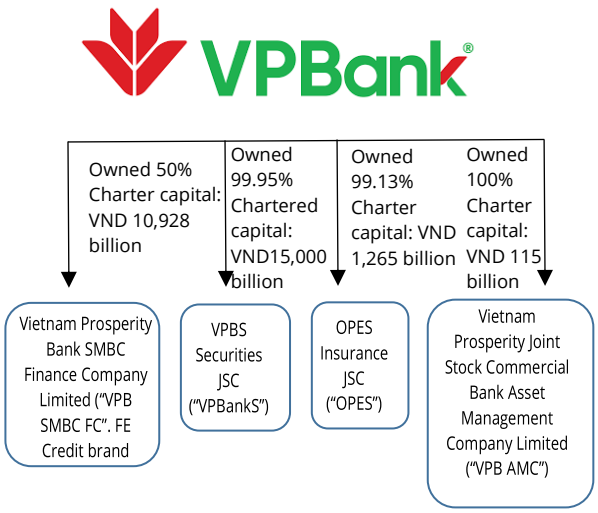


Source: VPB's departmental reports over the years, Shinhan Securities Vietnam
*2021: The sale of FE Credit resulted in an internal adjustment at the parent bank of nearly VND24 trillion

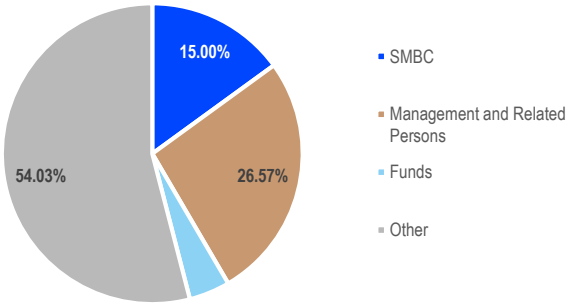
Ownership structure of VPB

- As of Q4/2024, in terms of individual shareholders, Chairman Ngo Chi Dung holds 4.14%. The Board of Directors and related persons hold more than 26.57% in VPB's ownership structure
- Institutional shareholders other than strategic shareholders SMBC (15%) including DIERACORP Joint Stock Company 4.3957%, foreign fund Composite Capital MasterFund LP (2.7301%) and foreign fund Vietnam EnterpriseInvestments Limited (1.2839%)

VPBank's subsidiary system

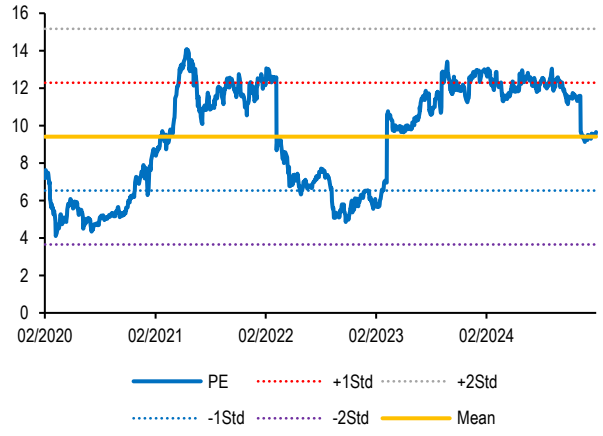


VPBank's shareholder structure as of Q4/2024 (%)



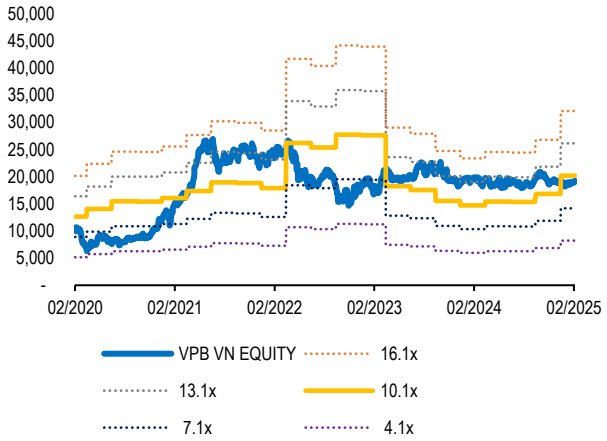
Source: VPB

PER of VPB



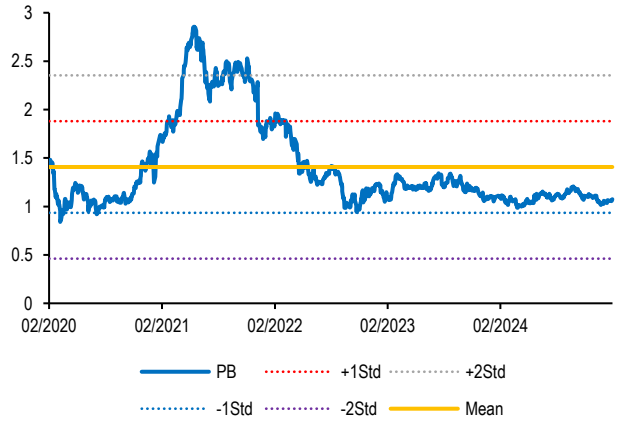
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PER band of VPB



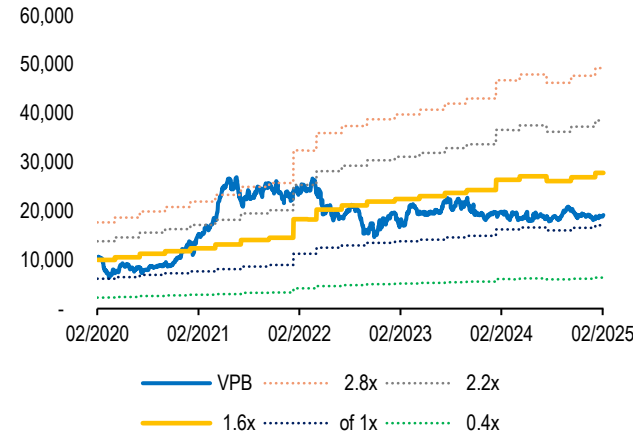
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PBR of VPB



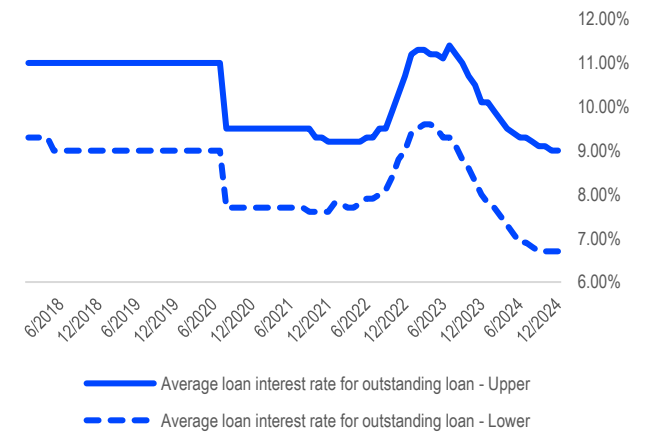
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PBR band of VPB



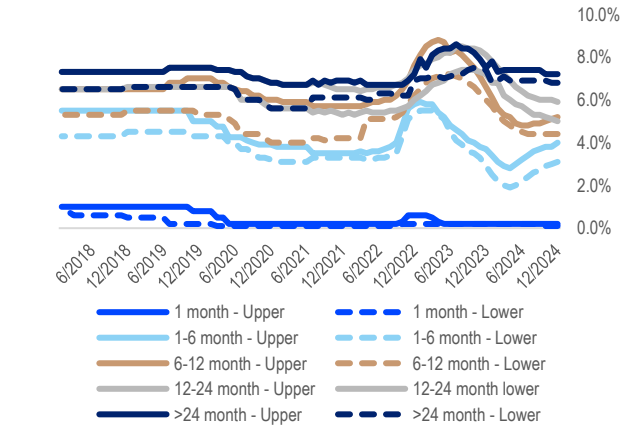
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Average loan interest rate in Vietnam



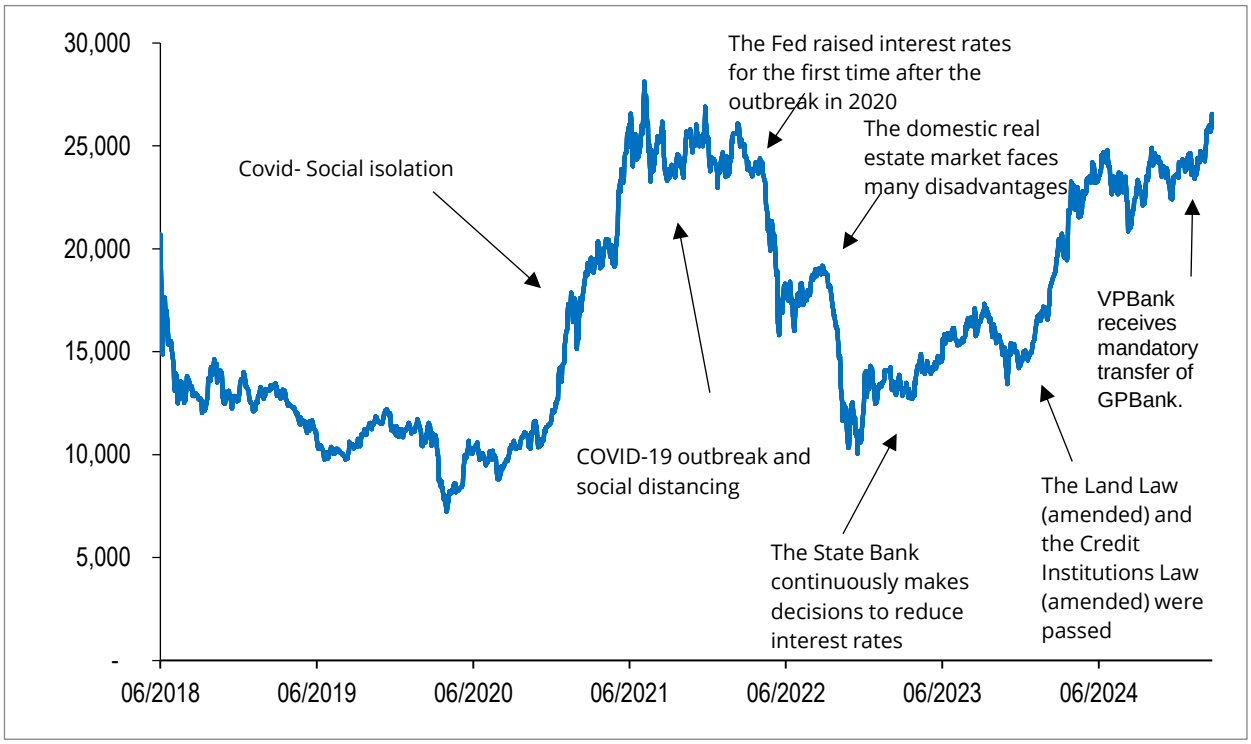
Source: SBV, Company Data, Shinhan Securities Vietnam

Average deposit interest rate in Vietnam



Source: SBV, Company Data, Shinhan Securities Vietnam

VPB important events



Source: Bloomberg, Company Data, Shinhan Securities Vietnam

Appendix: Financial statements

Balance sheet

Year (bn VND)	2021	2022	2023	2024	2025F
Total assets	**547,409**	**631,013**	**817,700**	**923,848**	**1,074,041**
Cash and precious metals	2,346	2,658	2,285	2,148	2,963
Balances with the SBV	10,861	9,935	8,423	14,327	11,850
Placements with and loans to	57,105	47,965	94,094	134,644	124,525
Trading securities	6,971	7,793	12,326	13,111	17,065
Derivatives and other financial assets	103	-	-	-	-
Loans and advances to	345,390	424,662	551,622	676,546	827,392
Debts purchase	959	893	822	800	800
Investment securities	75,798	83,076	94,587	52,783	55,823
Long-term investments	250	189	189	189	189
Fixed assets	1,873	1,858	1,924	2,024	2,066
Investment properties	-	-	-	-	-
Other assets	45,754	51,981	51,428	27,276	31,367
Total liabilities	**461,131**	**527,511**	**677,753**	**776,572**	**913,124**
Due to Gov and Loans from	8,454	1,929	4,118	6	6
Deposits and Loans from other	114,619	140,249	156,357	201,756	206,943
Deposits from customers	241,837	303,151	442,368	485,667	592,513
Derivatives, Funds received from Gov, international and	104	62	22	39	39
Convertible bonds/CDs and	81,296	63,700	47,787	66,976	87,068
Other liabilities	14,821	18,419	27,100	22,129	26,555
Shareholder's equity	**86,278**	**103,502**	**139,947**	**147,275**	**160,917**
Capital	43,374	66,551	103,332	103,332	103,332
Reserves	12,559	13,535	12,233	14,566	17,343
Retained earnings	22,439	16,752	19,149	24,008	33,898
Minority interest	7,906	6,664	5,232	5,370	6,345
Total liabilities and equity	**547,409**	**631,013**	**817,700**	**923,848**	**1,074,041**

Income statement

Year (bn)	2021	2022	2023	2024	2025F
Interest and Similar Income	50,827	62,200	76,557	80,112	102,318
Interest and Similar Expenses	(16,478)	(21,179)	(38,383)	(31,031)	(40,027)
Net Interest Income	**34,349**	**41,021**	**38,175**	**49,080**	**62,291**
Net Fee and Commission Income	4,059	6,438	7,096	6,124	7,691
From foreign currency and gold	(76)	(618)	(806)	827	385
From trading of trading securities	9	(149)	380	354	-
From disposal of investment	3,151	509	250	470	109
Net Fee and Commission Income	2,808	10,584	4,646	5,378	6,881
Dividends income	2	13	3	13	8
Total non-interest income	**9,953**	**16,776**	**11,569**	**13,166**	**15,073**
Total operating income	**44,301**	**57,797**	**49,743**	**62,246**	**77,364**
General and Admin expenses	(10,719)	(14,116)	(13,912)	(14,340)	(17,208)
Operating Profit Before Provision (PPOP)	33,583	43,681	35,832	47,906	60,156
Provision for credit losses	(19,219)	(22,461)	(24,844)	(27,903)	(35,796)
Profit before tax	**14,364**	**21,220**	**10,987**	**20,004**	**24,360**
Corporate income tax	(2,887)	(4,311)	(2,346)	(4,025)	(4,872)
Net profit after tax	**11,477**	**16,909**	**8,641**	**15,978**	**19,488**
Attributable to parent company	11,721	18,168	10,053	15,770	18,513

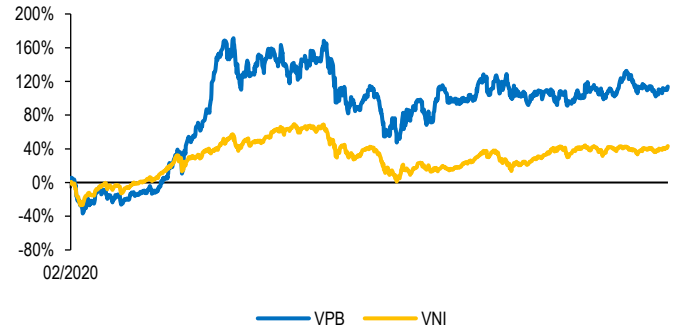
Financial indicators

Year	2021	2022	2023	2024	2025F
Growth (% YoY)					
Loans to customers	22.17	23.38	29.19	22.36	22.00
Deposits from customers	3.60	25.35	45.92	9.79	22.00
Shareholders' equity	63.43	19.96	35.21	5.24	9.26
Total assets	30.64	15.27	29.59	12.98	16.26
Net interest income	6.19	19.42	(6.94)	28.57	26.92
Net non-interest income	48.83	68.56	(31.04)	13.80	14.48
PPOP	21.49	30.07	(17.97)	33.70	25.57
Net profit before tax	10.33	47.73	(48.22)	82.06	21.78
Net profit after tax	10.21	47.33	(48.90)	84.92	21.96
Profitability (%)					
NIM	7.91	7.50	5.58	5.94	6.35
ROA	2.4	2.9	1.2	1.8	2.0
ROE	16.5	17.8	7.1	11.1	12.6
Liquidity (%)					
Pure LDR	146.91	144.59	128.01	142.66	142.66
Asset quality					
Leverage (x)	6.34	6.10	5.84	6.27	6.67
NPL ratio (%)	4.57	5.73	5.01	4.20	4.00
LLR ratio (%)	60.89	54.40	51.68	56.17	57.47
Reverse/total credit (%)	2.58	2.90	2.48	2.33	2.10
Credit costs/total loans (%)	5.95	5.66	4.95	4.43	4.65
Credit costs/total credit (%)	5.45	5.26	4.68	4.32	4.19
Per share items (VND)					
EPS	2,547	2,507	1,089	2,014	2,456
BPS	19,149	15,349	17,639	18,563	20,282
PPOP/Share	7,453	6,478	4,516	6,038	7,582

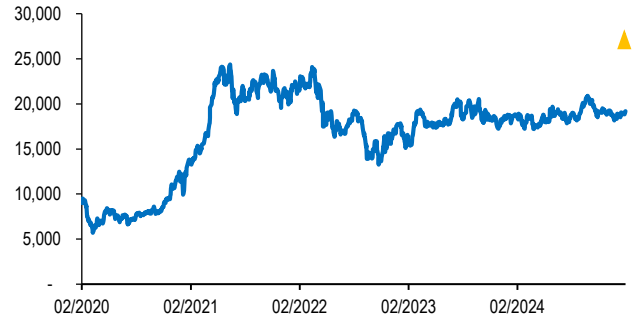
Source: Company data, Shinhan Securities Vietnam

Vietnam Prosperity Joint Stock Commercial Bank (VPB VN)

Price performance



Target price (VND)



Date (dd/mm/yyyy)	Recommendation	Target price (VND)	Range of price (%)	
			Average	Max/Min
30/08/2024 (Initial)	BUY	25,000	21.9	10/40
20/02/2025 (Update)	BUY	24,100	25.0	14/38

Note: Calculation of target price gap based on the past 12 months

Shinhan Securities Vietnam

Stock	Industry
◆ **BUY:** Upside potential in 12 months more than 15% ◆ **HOLD:** Upside potential in 12 months from -15% to 15% ◆ **SELL:** Upside potential in 12 months more than -15%	◆ **POSITIVE:** Based on market cap, largest share of sector stocks under coverage is rated BUY ◆ **NEUTRAL:** Based on market cap, largest share of sector stocks under coverage is rated HOLD ◆ **NEGATIVE:** Based on market cap, largest share of sector stocks under coverage is rated SELL

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