

VIS Rating affirms LPBank's A+ issuer rating, stable outlook

Hanoi, 08 May 2025 - Vietnam Investors Service and Credit Rating Agency Joint Stock Company (VIS Rating) has affirmed Fortune Vietnam Joint Stock Commercial Bank's (LPBank) A+ long-term issuer rating. The rating outlook remains stable.

RATING RATIONALE

The affirmation of LPBank's A+ long-term issuer rating with stable outlook reflects VIS Rating's view that the bank will maintain lower-than-industry asset risk by diversifying its loan portfolio and strengthening loan loss coverage, steady core profitability and capital generation capacity.

It also reflects our expectation that its credit fundamentals will remain robust despite a gradual decline in capitalization from robust loan growth and cash dividend payout.

LPBank's A+ long-term issuer rating reflects its above-average standalone assessment and our expectation of a moderate likelihood of government support for the bank in times of need. The bank's standalone assessment incorporates its above-average asset risk, profitability and capital, as well as its average funding structure and liquid resources relative to peers.

In 2024, higher delinquencies in LPBank's retail business loans led to a rise in its non-performing loan (NPL) ratio to 1.6% in 2024, from 1.3% a year ago, lower than the industry average of 2.2%.

According to the management, LPBank has tightened credit underwriting and loan recovery to address weakening retail debt serviceability, including stricter customer selection, close business monitoring, and active collection of loan repayments.

In 2024, LPBank expanded its lending to large corporates in line with its strategic focus to strengthen its lending and funding mix. Loans to large corporates rose to 29% of total loans at end-2024, up from 17% a year ago. We note that the majority of the new loans are extended to companies in the electricity, construction, hospitality, and agriculture sectors.

While the NPL ratio for the large corporate loan portfolio remains very low at present, we are mindful that credit concentration may increase as the bank's corporate lending accelerates and increases its vulnerability to single-name credit events. The bank targets to raise loan loss coverage to above 100% by end-2025, from 84% in 2024, to better manage its asset risk.

The bank's core profitability will remain steady, driven by gradually narrower net interest margins (NIM) and offset by its efforts to maintain cost discipline.

According to the bank management, the bank continued to implement various initiatives to gather new low-cost current account and savings account CASA deposits in 2024. For example, LPBank launched new products to attract high-net-worth retail clients in Hanoi and Ho Chi Minh City. However, we expect keen competition among banks will limit opportunities to lower deposit costs. The bank's move towards lending to large corporations will also lower its overall lending yields.

In 2024, the bank managed to reduce operating expenses by optimizing its physical network and operations, and digitizing and streamlining internal business processes. Its cost-to-income ratio (CIR) has improved to 29% in 2024 from 60% in 2019. According to the management, the bank plans to invest in new technology and maintain a CIR target of around 30% for 2025.

The bank's tangible common equity (TCE) to risk-weighted asset (RWA) ratio rose to 10.8% in 2024 from 9.7% in 2023, from retained earnings. The bank's reported total capital adequacy ratio (CAR) under the local Basel II standards was 13.3% in 2024, higher than the industry average of 11.5%.

We expect LPBank's capital ratio to decline by 1-1.5 percentage points from the current level over the next 12-18 months, if it completes its plans to grow loans at above-industry-average levels and pay a 25% cash dividend to its shareholders in 2025. According to the management, the bank plans to issue up to VND 4 trillion worth of subordinated bonds to support its asset growth.

We expect the bank's liquidity to remain stable. Liquid assets made up 28% of the bank's total assets in 2024, which we view to be sufficient to cover its short-term market funds.

LPBank's A+ rating incorporates our assumption of a moderate likelihood of support from the government during extraordinary circumstances. This assumption takes into account the bank's sizable domestic presence as well as the new regulatory framework that provides the regulator with multiple tools and mechanisms to address ailing banks.

As of December 2024, LPBank held a deposit market share of 2.2% through a nationwide network of 85 branches and 481 transaction offices, mainly located in rural provinces.

Factors that could lead to an upgrade of the rating

LPBank's A+ rating could be upgraded if the bank (1) exhibits a track record of maintaining prudent credit underwriting standards and improving the asset quality, for example by consistently maintaining its problem loan ratio at below 0.5%; or (2) improves its loss-absorption buffer through a substantial increase in core capitalization, such that TCE / RWA ratio stays above 13% on a sustained basis.

Factors that could lead to a downgrade of the rating

LPBank's A+ rating could be downgraded if (1) the bank's asset risk profile increases substantially through higher new problem loan formation rate and/or higher credit concentration alongside a deterioration in its loss absorption buffer or (2) the bank's funding and/or liquidity risks increases due to further weakening in its core deposit funding and/or increasing reliance on short-term market funds.

RATING METHODOLOGY

Rating Methodology: Financial Institutions.

For detailed information, please see our full methodologies at: <https://visrating.com/how-to-get-rated/view/financial-institutions-rating-methodology.2>

SUMMARY OF KEY FACTORS



Source: VIS Rating

Note: EW- Extremely Weak, VW- Very Weak, W- Weak, BA- Below-Average, AV- Average, AA- Above-Average, S- Strong, VS- Very Strong

CREDIT RATING HISTORY

Date	Rating type	Rating	Outlook	Action
08 May 2024	Long-term Issuer	A+	Stable	First-time assignment
08 May 2025	Long-term Issuer	A+	Stable	Update

RATING SCALE

Long-Term Rating

AAA	Issuers or debt instruments demonstrate the strongest creditworthiness relative to other domestic entities and transactions.
AA	Issuers or debt instruments demonstrate very strong creditworthiness relative to other domestic entities and transactions.
A	Issuers or debt instruments demonstrate above-average creditworthiness relative to other domestic entities and transactions.
BBB	Issuers or debt instruments demonstrate average creditworthiness relative to other domestic entities and transactions.
BB	Issuers or debt instruments demonstrate below-average creditworthiness relative to other domestic entities and transactions.
B	Issuers or debt instruments demonstrate weak creditworthiness relative to other domestic entities and transactions and may be approaching default, with strong recovery prospects.
CCC	Issuers or debt instruments demonstrate very weak creditworthiness relative to other domestic entities and transactions and are likely in or near default, typically with moderate recovery prospects.
CC	Issuers or debt instruments demonstrate extremely weak creditworthiness relative to other domestic entities and transactions and are typically in default, typically with poor recovery prospects.
C	Issuers or debt instruments demonstrate the weakest creditworthiness relative to other domestic entities and transactions and are typically in default, with very poor recovery prospects.

Note: Vietnam Investors Service appends the modifiers + and – to each generic rating classification from AA through CCC. The modifier + indicates that the obligation ranks in the higher end of its generic rating category; no modifier indicates a mid-range ranking; and the modifier – indicates a ranking in the lower end of that generic rating category

REGULATORY DISCLOSURES

For further specification of VIS Rating's Rating Symbols and Definitions, please see <https://visrating.com/how-to-get-rated/>.

LPBank's ownership stake in VIS Rating: 0%

The ownership ratio of LPBank held by VIS Rating's staff: 0%

Cases in which analysts and credit rating council members cease their participation in the credit rating contract before the contract expires and the reason for the cessation: 0

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