

Action

Buy

TP upside (downside) +11%

Close 7 Oct 2019

Price VND 82,800
 12M Target VND 92,035
 Change N/A

What's new?

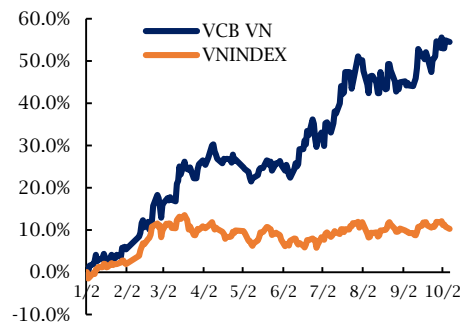
- ▶ Prelim 3Q19 PBT was VND6.3 tn (+16% QoQ / +72% YoY)
- ▶ 9M19 PBT (+51% YoY) was 82% of our full-year forecast.
- ▶ CASA deposit growth of just 5% YTD is a potential concern.

Our view

- ▶ Vietnam's leading CASA deposit franchise.
- ▶ Increased credit quota likely in 4Q19 given Basel II compliance.
- ▶ Bancassurance deal with FWD will provide an earnings boost from 2020E onwards.

Company profile: VCB is Vietnam's premier bank, in our view. Its strong CASA deposit franchise, solvency capital, and broad national footprint are core advantages in the increasingly competitive retail banking race.

Share price performance relative to VNINDEX



Market cap	US\$13 bn
6M avg. daily turnover	US\$2.4 mn
Outstanding shares	3,709 mn
Free float	25%
FINI ownership	23.8%
Major shareholders	92.4%
2019E Asset/Equity	15.5x
2019E P/E	19.9x
2019E P/B	3.8x
FOL Room	6.2%

Source: Bloomberg, Yuanta Vietnam

Vietcombank (VCB VN)

Strong 3Q PBT, but watch the CASA

Retail loans dominate. VCB's credit growth has increased 11.6% YTD, of which retail loans jumped 24% while corporate loans inched up only 1.1% vs 2018A. Retail loans at 3Q19 account for 50.5% of the loan book, +5ppt higher than the retail loan contribution at 2018A.

But CASA deposits failed to excite. Total deposits grew 12.1% YTD, exceeding management's full-year target of 11%-13%. However, CASA deposits grew more slowly (+5.2% YTD) to account for 27.7% of total deposits (down from 30.3% at 2018E).

3Q19 PBT was VND6.3 tn (+16% QoQ and +72% YoY), and 9M19 PBT of VND17.6 tn was up 51% YoY. This completed 86% of the bank's full-year target, 82% of our 2019E forecast, and 78% of Bloomberg consensus PBT for this year.

Higher credit growth quota. We expect the SBV to give VCB a higher-than-sector-average credit quota (i.e. 15%-16%) in 2019 as compensation for early Basel II compliance.

Still rocking the CASA. Although the CASA ratio can be affected by timing issues and typically rises at yearend, VCB's 3Q19 CASA ratio was the lowest since 3Q15. This could raise some concern. However, we make no changes to our view on VCB's leading funding franchise pending greater clarity from management.

NIM should increase on the shift to retail loans. We forecast NIM to reach 3.05% in 2019E, 15bps higher than that of 2018A. We are still waiting for the detailed 3Q19/9M19 financial statements to confirm our view that NIM likely continued to climb in 3Q19. The rapid increase in retail loans supports our confidence in this expectation, but admittedly the relatively slow growth of CASA deposits raises some concern.

We reiterate our BUY recommendation on VCB, and retain it as one of our top picks in our Vietnam coverage universe. We believe that NIM will continue to improve supported by low funding cost and the shift to retail banking. The recent deal with FWD Group will provide a huge fee income boost and the bottom line as a result. Please see our recent report on Oct 1st, titled [Fees boosted by bancassurance deal](#) for more details.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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