

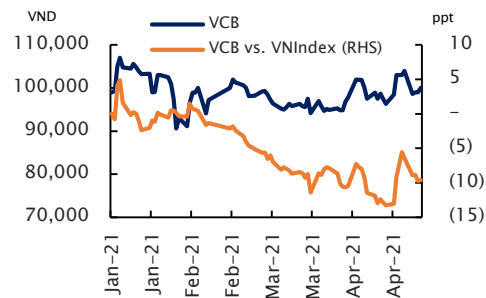
BUY

TP upside (downside) +16%

Close 04 May 2021

Price VND 99,100
12M Target VND 114,650

Share price performance relative to VNI



Source: Bloomberg

Market cap	US\$16.1 bn
6M avg. daily turnover	US\$6.4 mn
Outstanding shares	3,709 mn
Free float	11%
FINI ownership	23.4%
Major shareholders	93%
2021E Asset/Equity (*)	13.8x
2021E P/E (*)	17.1x
2021E P/B (*)	3.2x
FOL Remaining Room	6.6%
Dividend yield (*)	1.1%

Source: FiinPro, (*) Yuanta Vietnam

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Bloomberg code: YUTA

VIETCOMBANK (VCB VN)

Earnings boost by high fee income

Event

VCB reported 1Q21 PATMI of VND6.9 tn (+22% QoQ/+65% YoY) driven largely by high fee income (+12% QoQ/+205% YoY). VCB's 1Q21 PBT fulfilled 34% of the bank's full-year target and 28% of our forecast for 2021E.

Details

Loan growth was 3.8% YTD, completing 25% of our 2021E forecast.

1Q21 net interest income was VND10.1 tn (-3% QoQ/+12% YoY). Annualized NIM on average assets was 3.10% (-21bps QoQ/+4bps YoY).

1Q21 net fee income increased by +12% QoQ and +205% YoY to reach VND3.4 tn, which we believe that it was largely driven by upfront fee recognition and bancassurance sales.

Non-interest operating income (excluding fees and income related to NPL recoveries) was VND1.2 tn (+15% QoQ/+6% YoY).

Operating expense was VND4.8 tn (+39% QoQ/-3% YoY).

Provision cost was VND2.3 tn (-41% QoQ/+6% YoY).

Other income (mostly NPL recoveries) was VND1.0 tn (-3% YoY).

NPL ratio increased slightly by +26bps QoQ and 6bps YoY to reach 0.88% as at 1Q21. LLR was 279% (-89ppt QoQ/+44ppt YoY), which is still the highest in the sector.

CASA ratio was 33.1% (+3bps QoQ/+3.7ppt YoY).

Our view

VCB's leading loan loss coverage continues to reflect its prudent approach to credit risk, which is unmatched among its peers. The bank's sector-high LLR actually declined in 1Q21 (-89ppt QoQ), which partly helped boost earnings and reflects VCB's greater flexibility than most banks have to reduce provisioning and thus boost 2021E earnings without sacrificing asset quality.

Asset quality is solid with low NPL ratio but watch out for increasing NPLs. 1Q21 NPLs numbers increased by 47% YTD, and special mentioned loans (or cat. 2 NPLs) increased by 50% YTD.

Fee income continues to be higher driven by upfront fee recognition and bancassurance sales.

Reiterate **BUY**. The stock now trades at 3.2x 2021E P/B vs. the sector median of 1.6x. We continue to view VCB as the highest quality bank in Vietnam demonstrated by high LLR and low NPL ratios, and we believe VCB's valuation premium to be merited. Our target price of VND114,650 implies +17% total shareholder return.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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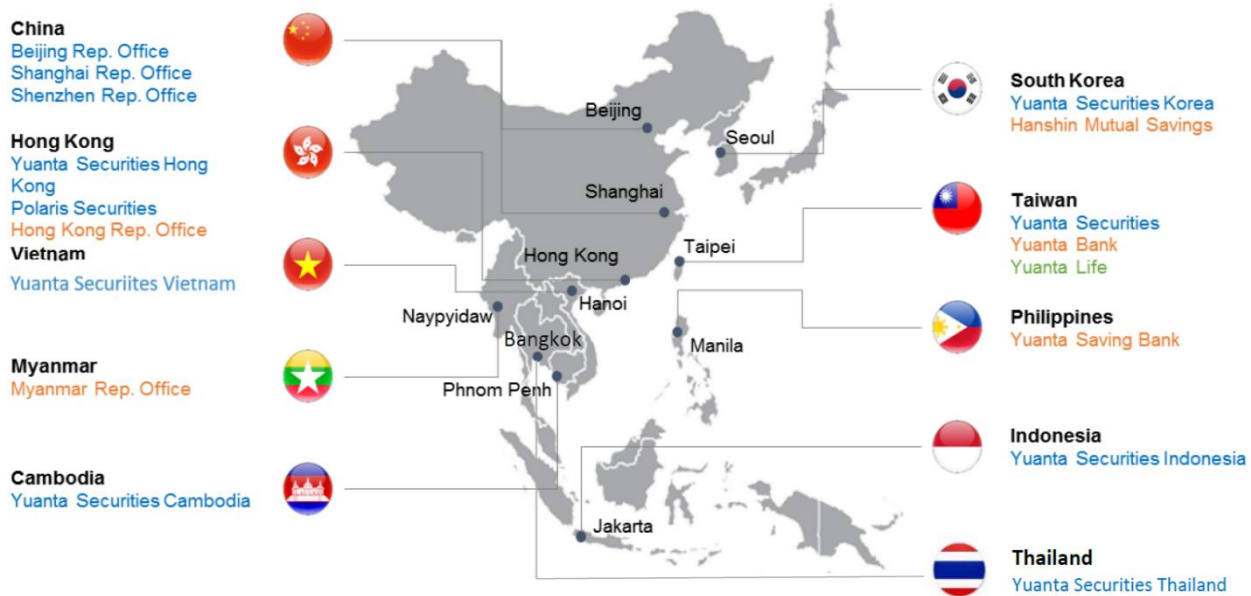
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