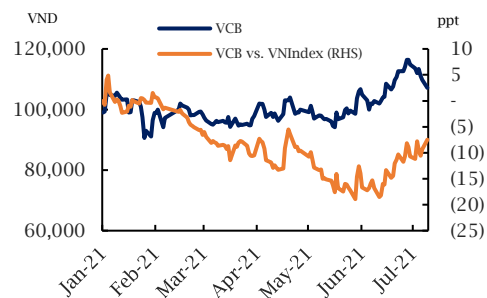


**BUY**
**TP upside (downside) +7%**
**Close 12 Jul 2021**

 Price VND 107,100  
 12M Target VND 114,650

**Share price performance relative to VNI**


Source: Bloomberg

Market cap	US\$17.2 bn
6M avg. daily turnover	US\$9.1 mn
Outstanding shares	3,709 mn
Free float	11%
FINI ownership	23.7%
Major shareholders	93.0%
2021E Asset/Equity (*)	13.8x
2021E P/E (*)	19.8x
2021E P/B (*)	3.5x
FOL Remaining Room	6.3%
Dividend yield (*)	0.7%

Source: FiinPro, (\*) Yuanta Vietnam

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**VIETCOMBANK (VCB VN)**
**Maintain high loan loss reserve**
**Event**

VCB's 2Q21 preliminary PBT was reportedly about VND6.0 tn (-31% QoQ/+3% YoY). 1H21 PBT reached about VND14.8 tn (+35% YoY), fulfilling 58% of the bank's full-year target and 48% of our forecast for 2021E.

**Details**

Credit increased 9.8% YTD (vs. the initial quota of 10.5%) to reach VND920 tn. Retail credit (+11.9% YTD) represented 54.8% of total loans as at 2Q21 vs. 53.5% at 2020. According to the media, VCB has asked for a higher credit growth quota of 14% and is waiting for SBV's approval.

Customer deposit was about VND1,051 tn (+1.8% YTD).

The bank reported 1H21 PPOP of about VND19.6 tn (+30% YoY). Thus, 2Q21 PPOP was about VND8.6 tn (-21% QoQ/+14% YoY).

NPL ratio increased slightly by +3bps QoQ and 7bps YoY to reach 0.91% as at 2Q21. LLR ratio was 280% (+1ppt QoQ/+26ppt YoY), which is probably the second highest in the sector; VCB's preliminary LLR ratio is lower than the 311% ratio reported by [MBB](#).

VCB's 2Q21 results	2Q21	% QoQ	% YoY	%YTD
PBT (VND tn)	6.0	-31%	+3%	
Loan (VND tn)	920			9.8%
NPL ratio (%)	0.91%	+3bps	+7bps	+29bps
LLR (%)	280%	+1ppt	+26ppt	-88ppt

**Our view**

We believe that high credit growth and high fee income were positive for PPOP, but high provisioning costs were a drag on earnings. We will provide further detailed analysis on VCB's earnings once the bank has released its full financial statements.

VCB's high loan loss coverage continues to reflect its prudent approach to credit risk. The high LLR ratio 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.

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

**Maintain BUY.** The stock now trades at 3.5x 2021E P/B vs. the sector median of 1.9x. We continue to view VCB as the highest quality bank in Vietnam, as demonstrated by its high LLR and low NPL ratios, and we believe VCB's valuation premium to be merited.

**ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.**

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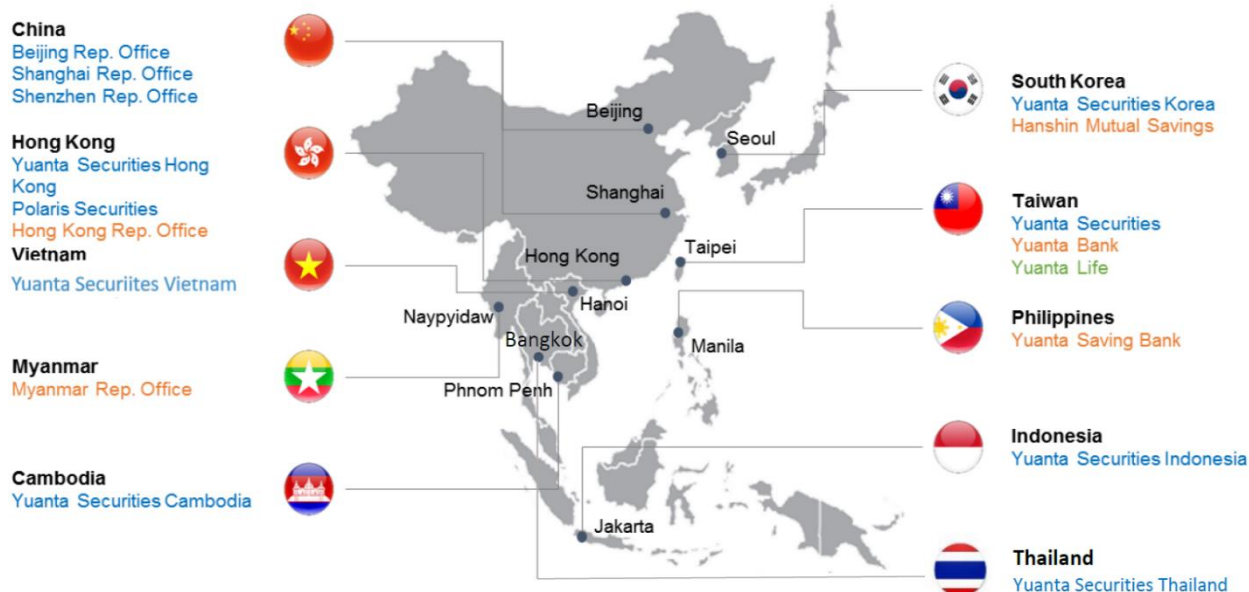
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