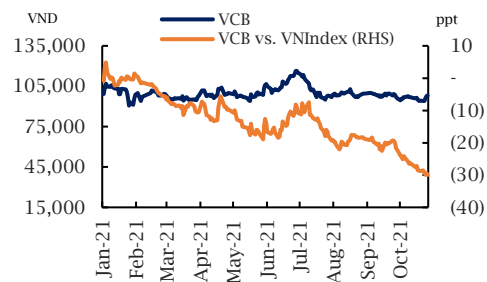


## Vietnam: Banking

1 November 2021

**BUY**
**TP upside (downside) +17%**
**Close 29 Oct 2021**
**Price VND 98,000**  
**12M Target VND 114,650**
**Share price performance relative to VNI**

**Source: Bloomberg**

<b>Market cap</b>	<b>US\$15.8 bn</b>
<b>6M avg. daily turnover</b>	<b>US\$7.7 mn</b>
<b>Outstanding shares</b>	<b>3,709 mn</b>
<b>Free float</b>	<b>11%</b>
<b>FINI ownership</b>	<b>23.5%</b>
<b>Major shareholders</b>	<b>93.0%</b>
<b>2021E Asset/Equity (*)</b>	<b>13.8x</b>
<b>2021E P/E (*)</b>	<b>17.0x</b>
<b>2021E P/B (*)</b>	<b>3.2x</b>
<b>FOL Remaining Room</b>	<b>6.5%</b>
<b>Dividend yield (*)</b>	<b>0.8%</b>

**Source: FiinPro, (\*) Yuanta Vietnam**

VCB's 3Q21 Results	3Q21	% QoQ	% YoY
NII (VND bn)	10,428	-6%	+20%
Net Fee Inc. (VND bn)	1,127	+163%	-10%
Other non-II (VND bn)	1,698	+23%	+6%
TOI (VND bn)	13,253	+3%	+14%
Opex (VND bn)	5,002	+6%	+9%
Provision (VND bn)	2,513	-22%	+24%
PATMI (VND bn)	4,594	+16%	+15%
NPL (%)	1.16%	+42bps	+15bps
LLR (%)	243%	-109ppt	+28ppt
CASA (%)	34%	+1ppt	+4ppt

**Source: Company Data, Yuanta Vietnam**
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**VIETCOMBANK (VCB VN)**
**3Q21 boosted by low provisioning**

VCB reported 3Q21 PATMI of VND4.6 tn (+16% QoQ/+15% YoY). The QoQ results were driven by higher fees and FX gains and lower provisioning cost. Strong net interest income (+20% YoY) supported YoY earnings. 9M21 PATMI was VND15.5 tn (+21% YoY).

**Details**

**Loans increased by 11.5% YTD** (vs. the full-year quota of 12.5%) to reach VND936 tn, while deposits increased by +7.4% YTD to reach VND1,108 tn as at 3Q21.

**3Q21 net interest income** (net-II) was VND10.4 tn (-6% QoQ/+20% YoY). 9M21 net-II was VND31.6 tn (+22% YoY).

**3Q21 net fee income** was VND1.1 tn (+163% QoQ/-10% YoY), which was a key driver for QoQ earnings growth. 9M21 net fee income was VND5.0 tn (+41% YoY).

**Net gain FX and gold dealings** were VND1.2 tn in 3Q21 (+19% QoQ/+13% YoY). 9M21 results were VND3.2 tn (+8% YoY).

**Opex** was VND5.0 tn in 3Q21 (+6% QoQ/+9% YoY). 9M21 opex was VND14.5 tn (+15% YoY). CIR was 35% in 9M21 (-1ppt YoY).

**Provisioning** was VND2.5 tn (-22% QoQ/but +24% YoY) in 3Q21. 9M21 provisioning was VND8.0 tn (+33% YoY).

**Net other income** (mainly NPL recoveries) was VND452 bn (+26% QoQ/-16% YoY). 9M21 net other income was VND1.8 tn (-2% YoY).

**Rising NPLs.** NPL ratio was 1.16% (+42bps QoQ/+15bps YoY) in 3Q21. Aggregate NPLs were VND10.9 tn (+59% QoQ/+38% YoY). **LLR ratio** was 243% (-109ppt QoQ/ but +28ppt YoY), which is still the highest in the sector.

**CASA deposits** were VND381 tn (+9% QoQ/+27% YoY). **CASA ratio** was 34.3% as at 3Q21 (+1ppt QoQ/+4ppt YoY).

**Our view**

Similar to [MBB](#), VCB posted a strong sequential increased in earnings in 3Q21 driven largely by lower provisioning. This is unsurprising to us, as we stated previously that VCB's high LLR allows it to lower provisioning to boost earnings.

**Asset quality deterioration is a concern.** Particularly, cat. 2 loans increased 44% YTD, cat.3 NPLs increased 149% YTD and cat.4 NPLs jumped 1,298% YTD. **However, VCB's high LLR ratio** reflects its prudent approach to credit risk.

**Maintain BUY.** The stock now trades at 3.2x 2021E P/B vs. the sector median of 1.9x. **We continue to view VCB as the highest quality bank in Vietnam**, and we believe VCB's valuation premium to be merited.

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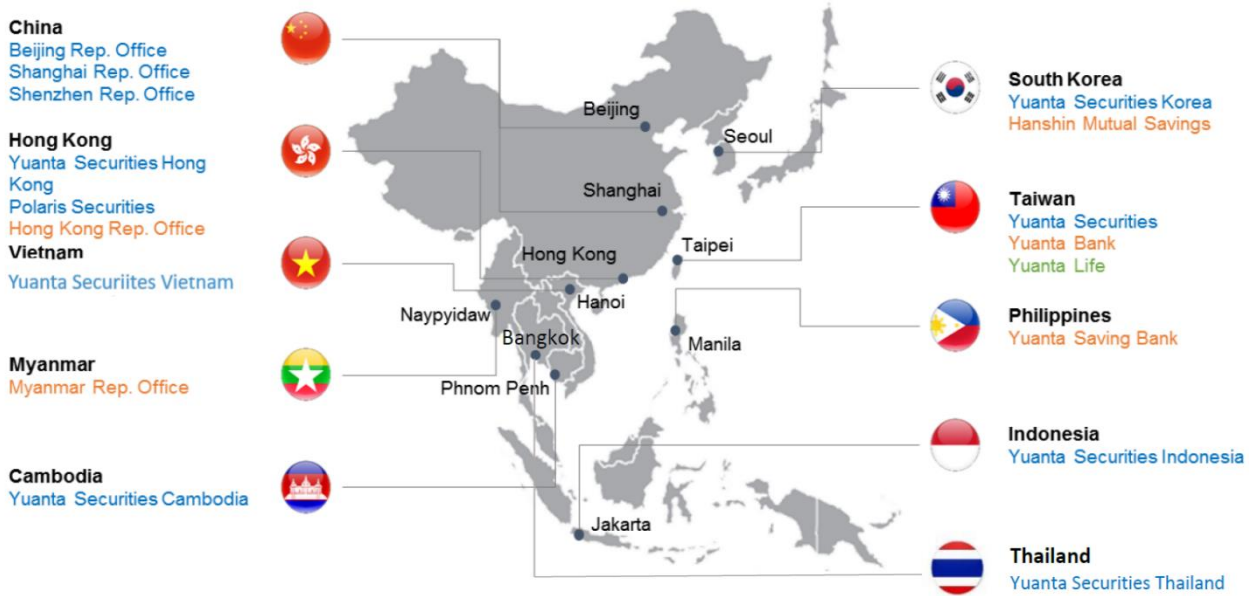
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