

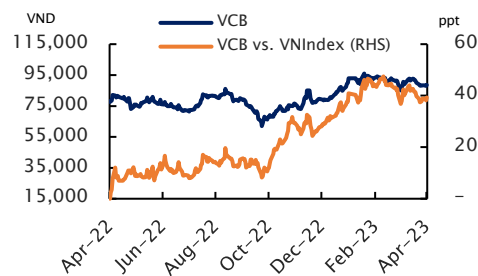
BUY

TP upside (downside) +3%

Close 28 Apr 2023

Price VND 90,500
12M Target VND 93,230

Share price performance relative to VNI



Source: Fiipro

Market cap	US\$17.8 bn
6M avg. daily turnover	US\$4.2 mn
Outstanding shares	4,733 mn
Free float	11%
FINI ownership	23.5%
Major shareholders	92.7%
2023E Asset/Equity (*)	11.5x
2023E P/E (*)	11.8x
2023E P/B (*)	2.4x
FOL Remaining Room	6.5%
Dividend yield (*)	1.0%

Source: FiinPro, (*) Yuanta Vietnam

VCB's 1Q23 Results	1Q23	% QoQ	% YoY
NII (VND bn)	14,203	-4%	19%
Net Fee Inc.(VND bn)	1,456	-38%	-46%
Adj. TOI (VND bn)	17,434	-5%	7%
Opex (VND bn)	5,274	16%	17%
Provision (VND bn)	2,022	20%	-11%
PATMI (VND bn)	8,986	-9%	13%
NPL (%)	0.85%	+16bps	+3bps
LLR (%)	321%	+4ppt	-52ppt
CASA ratio (%)	30.4%	-3.5ppt	-5.9ppt

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Vietcombank (VCB VN)

Provisioning drives YoY growth

VCB's 1Q23 PATMI reached VND9.0 tn (-9% QoQ/ +13% YoY), completing 26% of the bank's full-year guidance and 23% of our forecast. The YoY increase was mainly driven by higher net interest income and lower provisioning.

Details

The bank reported loan growth of 2.5% QoQ, while deposits grew by just 3.1% QoQ in 1Q23.

1Q23 net interest income was VND14.2 tn (-4% QoQ/+19% YoY). Annualized NIM on average assets was 3.10% (-32bps QoQ/-23 bps YoY) on our calculation.

1Q23 net fee income was VND1.5tn (-38% QoQ/-46% YoY). The details are unclear, but we think this is due to lower banca sales, in line with the sector trend in 1Q23.

1Q23 other income was VND1.1 tn (+261% QoQ/+124% YoY). A complete breakout is not available, but based on 4Q22 results, we think this was mostly loan loss recoveries.

1Q23 opex increased by +16% QoQ/ +17% YoY to reach VND5.3tn. We estimate VCB's adjusted CIR increased by +5ppt QoQ/+3ppt YoY to 30.3% in 1Q23.

A mixed impact of provisioning on earnings growth. Provisioning cost increased by +20% QoQ, which dragged QoQ earnings growth; however, provisioning decreased by -11% YoY.

LLR ratio was 321% (+4ppt QoQ/ but -52ppt YoY) in 1Q23. VCB's 1Q23 NPL ratio increased to 0.85% (+16bps QoQ/+3bps YoY).

CASA ratio decreased to 30.4% as at 1Q23 (-3.5ppt QoQ/-5.9ppt YoY).

Our view

Prudent risk management is good. Although provisioning cost decreased YoY, the bank's loan loss reserve (LLR) ratio remains at a very healthy level, while the NPL ratio is well-controlled at below 1.0%. We maintain our belief that its high LLR ratio reflects a wide reserve cushion that should support forward earnings.

Keep an eye on asset quality. VCB posted a substantial increase in category 3 NPLs of +508% QoQ/+73% YoY. However, [Circular 02/2023/TT-NHNN](#) will likely reduce reported NPL ratios and provisioning pressure for all the banks, including VCB.

The stock now trades at 2.4x 2023E P/B. We continue to view VCB as the highest quality bank in Vietnam, and we believe VCB's valuation premium to be merited. We maintain our [BUY](#) rating.

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BUY: We have a positive outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors add to their position.

HOLD–Outperform: In our view, the stock's fundamentals are relatively more attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

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SELL: We have a negative outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors reduce their position.

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