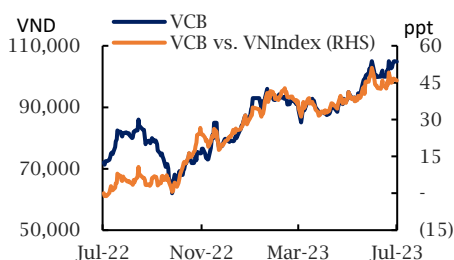


Close 28 Jul 2023

 Price VND 93,000  
 12M Target Under review

Share price performance relative to VNI



Source: Fiinpro

Market cap	US\$21.1 bn
6M avg. daily turnover	US\$4.0 mn
Outstanding shares (**)	5,589 mn
Free float	11%
FINI ownership	23.5%
Major shareholders	92.7%
2024E Asset/Equity (*)	11.3x
2024E P/E (*)	11.5x
2024E P/B (*)	2.4x
FOL Remaining Room	6.5%
2024E Dividend yield (*)	0.9%

Source: FiinPro, (\*) Yuanta Vietnam

(\*\*) Shares adjusted for stock dividend.

VCB's 2Q23 Results	2Q23	% QoQ	% YoY
NII (VND bn)	14,021	-1%	+10%
Net Fee Inc.(VND bn)	1,622	+11%	+134%
Adj. TOI (VND bn)	17,212	-1%	+14%
Opex (VND bn)	5,656	+7%	-3%
Provision (VND bn)	2,536	+25%	-7%
PATMI (VND bn)	7,423	-17%	+25%
NPL (%)	0.83%	-2bps	+22bps
LLR (%)	386%	+65ppt	-120ppt
CASA ratio (%)	30%	-40bps	-5.4ppt

Source: Company Data, Yuanta Vietnam

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## Vietcombank (VCB VN)

### Increased provisioning

VCB's 2Q23 PATMI reached VND7.4 tn (-17% QoQ / but +25% YoY). The QoQ decrease was due to higher provisioning, while the YoY increase was driven by higher net interest income and fee income. 1H23 PATMI was VND16.4 tn (+18% YoY), completing 48% of the bank's full-year guidance and 42% of our forecast.

### Details

The bank reported loan to customers growth of 2.9% YTD, while deposits grew by 6.7% YTD in 1H23.

2Q23 net interest income was VND14 tn (-1% QoQ/+10% YoY), which drove YoY earnings growth in 2Q23. Annualized NIM on average assets was 3.16% (+6bps QoQ/-18bps YoY) on our calculation.

2Q23 net fee income was VND1.6 tn (+11% QoQ/+134% YoY). The details are unclear, but YoY jump was partly due to low base in 2Q22.

2Q23 other income declined by -76% QoQ/-71% YoY to reach VND258 bn. Again, the details are unclear.

2Q23 opex was VND5.7 tn (+7% QoQ/ -3% YoY). We estimate VCB's adjusted CIR (excluding net other incomes) was 32.9% (+2.6ppt QoQ/-5.7ppt YoY).

Provisioning cost increased by +25% QoQ. However, provisioning decreased by -7% YoY.

LLR ratio jumped to 386% (+65ppt QoQ/ but -120ppt YoY) in 2Q23. VCB's 2Q23 NPL ratio was 0.83% (-2bps QoQ/but +22bps YoY).

CASA ratio decreased slightly to 30.0% as at 2Q23 (-40bps QoQ/-5.4ppt YoY). Gov't deposits dipped from c.4% at 1Q23 to 0.1% at 2Q23, possibly an indicator of increased public investment disbursement.

### Our view

**Asset quality remains the best among Vietnam banks.** VCB continues to build a stronger buffer with LLR of 386%, which is the highest in the sector. 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.

**VCB's CASA remains at a high level in 2Q23**, and we believe that CASA will improve in 2H23, in part driven by reduced term deposit rates. Both factors should result in lower funding costs for VCB.

**The stock now trades at 2.4x 2024E P/B.** We continue to view VCB as the highest quality bank in Vietnam, and we believe VCB's valuation premium to be merited.

**Catalyst:** VCB's 6.5% strategic stake sale plan, which the bank expects to complete in early 2024. Admittedly this story is not new, but it could nevertheless serve as a further catalyst for the share price in the months ahead.

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