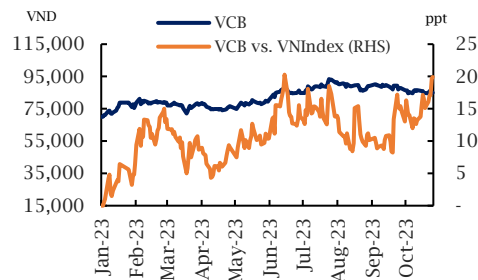


Vietnam: Banking

30 October 2023

BUY
TP Upside +17%
Close 27 Oct 2023
Current Price VND 85,000
12M Target VND 99,420
Share price performance relative to VNI


Source: Fiipro

Market cap	US\$19 bn
6M avg. daily turnover	US\$4.6 mn
Outstanding shares (**)	5,589 mn
Free float	11%
FINI ownership	23.5%
Major shareholders	90%
2024E Asset/Equity (*)	11.1x
2024E P/E (*)	10.5x
2024E P/B (*)	2.3x
FOL Remaining Room	6.5%
2024E Dividend yield (*)	0.9%

Source: Fiipro, (*) Yuanta Vietnam

VCB's 3Q23 Results	3Q23	% QoQ	% YoY
NII (VND bn)	12,596	-10%	-8%
Net Fee Inc.(VND bn)	891	-45%	-19%
Adj. TOI (VND bn)	15,257	-11%	-7%
Opex (VND bn)	5,233	-7%	-18%
Provision (VND bn)	1,494	-41%	-46%
PATMI (VND bn)	7,269	-2%	20%
NPL (%)	1.21%	38bps	41bps
LLR (%)	270%	-116ppt	-132ppt
CASA ratio (%)	31.3%	1.3ppt	-3.6ppt

Source: Company Data, Yuanta Vietnam

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Vietcombank (VCB VN)
Lower provisioning helped earnings

VCB's 3Q23 PATMI reached VND7.3 tn (-2% QoQ / but +20% YoY). The YoY increase was driven largely by lower provisioning. 9M23 PATMI was VND23.7 tn (+19% YoY), completing 66% of our forecast.

Details

Loan growth was only 3.9% in 9M23, far below the sector average of 6.9%, while deposits grew by 8.5% in 9M23.

3Q23 net interest income was VND12.6 tn (-10% QoQ/-8% YoY). We estimate annualized NIM on average total assets was 2.93% (-23bps QoQ/-43bps YoY).

3Q23 net fee income declined by -45% QoQ/-19% YoY to VND891 bn. 9M23 net fees decreased by -12% YoY to VND3.9 tn. The details are unclear, but we think the decline was largely due to lower banca sales.

3Q23 net other income was VND521 bn (+102% QoQ/+34% YoY). We attribute the increase primarily to NPL recoveries.

3Q23 opex decreased by -7% QoQ/-18% YoY to VND5.2 tn. VCB cut its administrative expenses by -29% QoQ/-46% YoY to VND1.2 tn in 3Q23. 9M23 opex was VND16.2 tn (-3% YoY), and we estimate VCB's adjusted CIR (excluding net other income) was 32% (-3ppt YoY).

Provisioning was the key earnings driver in 3Q23. VCB reduced provisioning substantially by -41% QoQ/-46% YoY to VND1.5 tn in 3Q23. 9M23 provisioning was down by -22% YoY to VND6.1 tn.

VCB's 3Q23 NPL ratio increased to 1.21% (+38bps QoQ/+41bps YoY), and LLR ratio declined to 270% (-116ppt QoQ/-132ppt YoY) in 3Q23.

A positive sign : VCB's CASA ratio increased to 31.3% at 3Q23 (+1.3ppt QoQ/ but -3.6ppt YoY).

Our view

Reduced provisioning supported earnings, in line with our expectations. VCB may persist with this approach to boost future earnings given its strong reserve cushion.

The improved CASA ratio will help lower VCB's funding cost in 4Q23.

4Q23 earnings should further improve given our expectation of higher credit growth and lower funding cost.

Asset quality remains strong despite rising NPLs. VCB still has a strong buffer with LLR of 270%, which is the highest in the sector. The bank's NPL ratio rose in 3Q23 but remains under control at just 1.21%.

The stock now trades at 2.3x 2024E P/B. We continue to view VCB as the highest quality bank in Vietnam, and we maintain our BUY rating.

Catalyst: VCB's 6.5% strategic stake sale plan, which the bank expects to complete in early 2024.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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Ratings Definitions

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.

HOLD–Underperform: In our view, the stock's fundamentals are relatively less 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.

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.

Under Review: We actively follow the company, although our estimates, rating and target price are under review.

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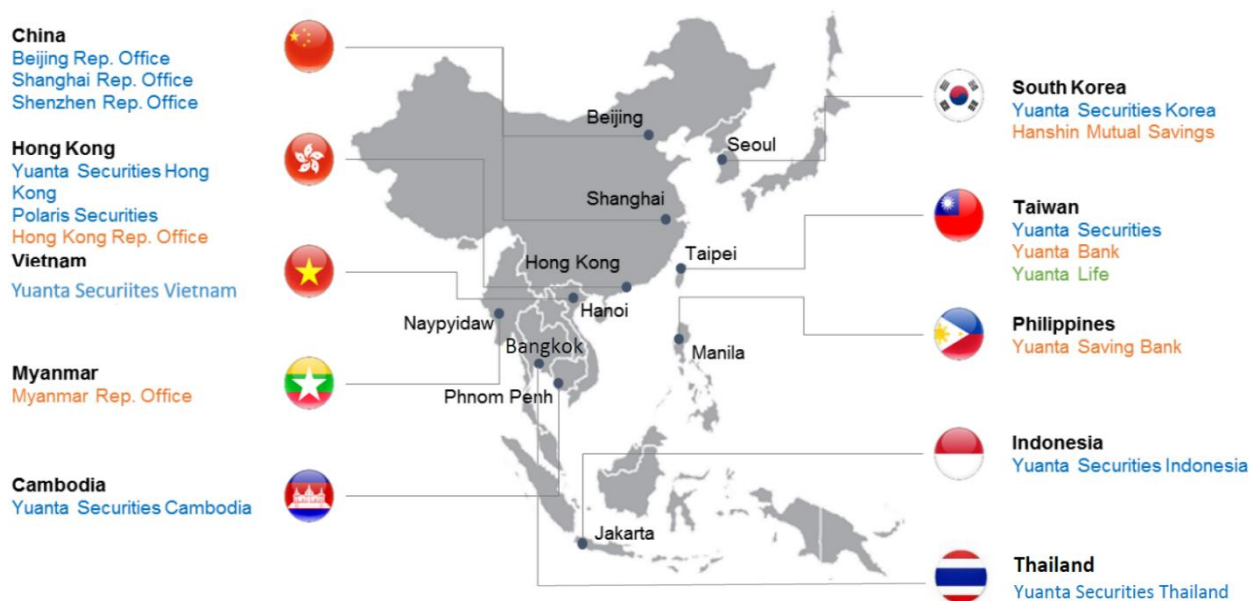
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