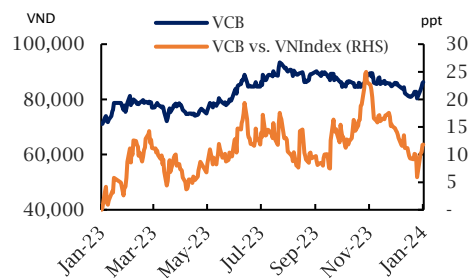


**Vietnam: Banking**
**8 January 2024**
**BUY**
**TP Upside +15%**
**Close 5 Jan 2024**
**Current Price VND 86,200**  
**12M Target VND 99,420**
**Share price performance relative to VNI**

**Source: Fiinpro**

Market cap	US\$20 bn
6M avg. daily turnover	US\$5.3 mn
Outstanding shares (**)	5,589 mn
Free float	11%
FINI ownership	23.4%
Major shareholders	90%
2024E Asset/Equity (*)	11x
2024E P/E (*)	10.6x
2024E P/B (*)	2.3x
FOL Remaining Room	6.6%
2024E Dividend yield (*)	0.9%

Source: FiinPro, (\*) Yuanta Vietnam

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**Bloomberg code: YUTA**
**Vietcombank (VCB VN)**
**Asset quality remains strong**

VCB's prelim 4Q23 PBT reached VND11.7 tn (+29% QoQ / but -6% YoY). Prelim 2023 PBT was VND41.2 tn (+10% YoY), completing 91% of our forecast. **In 2024, VCB aims to achieve PBT growth of at least 10% in 2024. The bank targets asset growth of at least 8% YoY and credit growth of at least 12% YoY.** This credit growth is far below the SBV's target for the sector of 15% in 2024.

**Details**

**VCB reported total loan of VND1.27 quadrillion for growth of +10.6% YoY, well below the sector average of +13.5% growth.** VCB's deposits grew by +12.1% YoY to reach VND1.41 quadrillion in 2023.

Preliminary ROE reached 21.7% and ROA was 1.78% in 2023, which are slightly below our forecasts of 22.1% for ROE and 1.89% for ROA.

**Reported NPL ratio of 0.97% (-24bps QoQ/+29bps YoY) remains among the lowest in the sector.** VCB aims to keep its NPL ratio below 1.5% in 2024. Special mention loan (SML) ratio was about 0.42% (-22bps QoQ/+6bps YoY) as at 4Q23.

**Loan loss reserve ratio declined to 185% (-85bps QoQ/-47bps YoY) as at 4Q23.**

**Our view**

**We believe lower provisioning and increased fee income** were key earnings drivers for VCB in 4Q23. In a likely boost for fee income, VCB had previously guided that part of the upfront fee from its bancassurance exclusivity deal with FWD would be booked in 4Q23.

**VCB's LLR ratio declined sequentially even though NPLs decreased.** Reduced provisioning supported earnings, as we had expected. VCB may persist with this approach to earnings management in the future.

**Net interest income** may be another driver of 4Q earnings growth. Credit was up by only 3.9% YTD in 9M23, but full-year credit growth jumped by another 6.7ppt in 4Q23 to reach 10.6% YoY. Also, VCB's funding cost likely decreased, which is probably in line with the sector.

**Asset quality remains strong, demonstrated by a sub-1% NPL ratio.** Though the loan loss reserve ratio decreased sequentially, VCB still has very strong loan loss coverage with its LLR ratio of 185%.

**VCB's 2024 PBT and credit growth targets are very conservative.** We expect VCB's credit growth to reach at least +15% YoY in 2024, well ahead of management's +12% YoY target.

**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 expects to complete its 6.5% strategic stake sale plan in early 2024. This is not a new story, but it could serve as a significant catalyst for the stock price.

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

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**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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