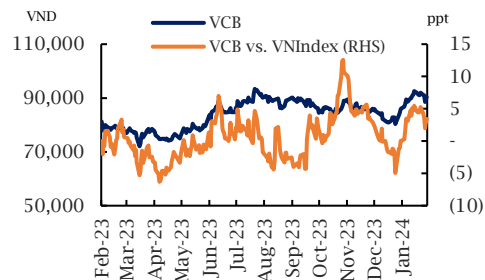


Vietnam: Banking

5 February 2024

BUY
TP Upside +10%
Close 5 Feb 2024
Current Price VND 90,000
12M Target VND 99,420
Share price performance relative to VNI


Source: Fiipro

Market cap	US\$21 bn
6M avg. daily turnover	US\$5.0 mn
Outstanding shares (**)	5,589 mn
Free float	11%
FINI ownership	23.6%
Major shareholders	90%
2024E Asset/Equity (*)	11x
2024E P/E (*)	11x
2024E P/B (*)	2.5x
FOL Remaining Room	6.4%
2024E Dividend yield (*)	0.0%

Source: FiinPro, (*) Yuanta Vietnam

VCB's 4Q23 Results	4Q23	% QoQ	% YoY
NII (VND bn)	12,801	2%	-14%
Net Fee Inc. (VND bn)	1,810	103%	-22%
Other non-II (VND bn)	937	-47%	-23%
Adj. TOI (VND bn)	15,548	2%	-15%
Opex (VND bn)	5,752	10%	26%
Provision (VND bn)	-1,487	-200%	-189%
PATMI (VND bn)	9,355	29%	-6%
NPL (%)	0.98%	-23bps	30bps
LLR (%)	230%	-40ppt	-87ppt
CASA (%)	33.1%	3.6ppt	80bps
CAR	11.6%		

Source: Company Data, Yuanta Vietnam

Research Analyst:
Tanh Tran

+84 28 3622 6868 ext 3874

tanh.tran@yuanta.com.vn
Bloomberg code: YUTA
Vietcombank (VCB VN)
Provisioning reversals boost earnings

VCB's 4Q23 PATMI reached VND9.4 tn (+29% QoQ / but -6% YoY). 2023 PATMI was VND33 tn (+11% YoY), fulfilling 92% of our forecast.

Details

Loan growth was 10.9% YoY, driven by wholesale (+18.6% YoY). VCB will continue to focus on wholesale lending in 2024.

Net interest income was VND12.8 tn (+2% QoQ/-14% YoY). VCB's cost of funds (COF) was 3.41% (-23bps QoQ/+96bps YoY), while NIM was 3.0% (-10bps QoQ/-40bps YoY) in 4Q23. VCB foresees COF to fall but asset yields to stabilize at current levels, implying slightly higher NIM (about +10bps YoY) in 2024.

Net fee income reached VND1.8 tn (+103% QoQ/-22% YoY) as VCB booked upfront fee from the banca exclusivity deal with FWD in 4Q23.

VCB recorded provisioning reversals of VND1.5 tn in 4Q23. Full-year provisioning thus came in at VND4.6 tn (-52% YoY).

NPL ratio of 0.98% (-23bps QoQ/+30bps YoY) remains among the lowest in the sector. VCB targets an NPL ratio of below 1.5% in 2024.

Reduced loan loss reserve ratio but still the highest in the sector. LLR ratio decreased to 230% (-40ppt QoQ/-87ppt YoY) as at 4Q23.

CASA ratio is now the third highest in the sector. VCB's CASA ratio rose to 33.1% (+3.6ppt QoQ/+80bps YoY).

The bank said there will be **no cash dividend from now to 2025**.

VCB aims to finish its 6.5% stake sale by late 2024 or early 2025.

Our view

Reduced provisioning supported earnings, in line with our expectations. VCB may continue with this approach to earnings management in the future.

However, we believe that net interest income will be the key earnings driver in 2024 given higher credit growth and reduced funding costs. This is in line with our expectations for the sector overall.

VCB's 2024 credit growth target is conservative. We expect VCB's credit growth to reach at least +15% YoY in 2024, well ahead of management's +12% YoY target.

Asset quality remains strong, demonstrated by a sub-1% NPL ratio. Though VCB's loan loss reserve ratio decreased sequentially as a result of provisioning reversals, the bank still boasts sector-high loan loss coverage with LLR ratio of 230%.

We continue to view VCB as the highest quality bank in Vietnam, and we maintain our BUY rating. The stock now trades at 2.5x 2024E P/B, and we think this valuation premium is justified by the fundamentals.

Catalyst: The stake sale plan could be significant share price catalyst.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

Yuanta does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Appendix A: Important Disclosures

Analyst Certification

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

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.

Restricted: The rating and target price have been suspended temporarily to comply with applicable regulations and/or Yuanta policies.

Note: Yuanta research coverage with a Target Price is based on an investment period of 12 months. Greater China Discovery Series coverage does not have a formal 12 month Target Price and the recommendation is based on an investment period specified by the analyst in the report.

Global Disclaimer

© 2023 Yuanta. All rights reserved. The information in this report has been compiled from sources we believe to be reliable, but we do not hold ourselves responsible for its completeness or accuracy. It is not an offer to sell or solicitation of an offer to buy any securities. All opinions and estimates included in this report constitute our judgment as of this date and are subject to change without notice.

This report provides general information only. Neither the information nor any opinion expressed herein constitutes an offer or invitation to make an offer to buy or sell securities or other investments. This material is prepared for general circulation to clients and is not intended to provide tailored investment advice and does not take into account the individual financial situation and objectives of any specific person who may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities, investments or investment strategies discussed or recommended in this report. The information contained in this report has been compiled from sources believed to be reliable but no representation or warranty, express or implied, is made as to its accuracy, completeness or correctness. This report is not (and should not be construed as) a solicitation to act as securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on such business in that jurisdiction.

Yuanta research is distributed in the United States only to Major U.S. Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended and SEC staff interpretations thereof). All transactions by a US person in the securities mentioned in this report must be effected through a registered broker-dealer under Section 15 of the Securities Exchange Act of 1934, as amended. Yuanta research is distributed in Taiwan by Yuanta Securities Investment Consulting. Yuanta research is distributed in Hong Kong by Yuanta Securities (Hong Kong) Co. Limited, which is licensed in Hong Kong by the Securities and Futures Commission for regulated activities, including Type 4 regulated activity (advising on securities). In Hong Kong, this research report may not be redistributed, retransmitted or disclosed, in whole or in part or and any form or manner, without the express written consent of Yuanta Securities (Hong Kong) Co. Limited.

Taiwan persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities Investment Consulting
4F, 225,
Section 3 Nanking East Road, Taipei 104
Taiwan

Hong Kong persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities (Hong Kong) Co. Ltd
23/F, Tower 1, Admiralty Centre
18 Harcourt Road,
Hong Kong

Korean persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Head Office
Yuanta Securities Building
Euljiro 76 Jung-gu
Seoul, Korea 100-845
Tel: +822 3770 3454

Indonesia persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
PT YUANTA SECURITIES INDONESIA
(A member of the Yuanta Group)
Equity Tower, 10th Floor Unit EFGH
SCBD Lot 9
Jl. Jend. Sudirman Kav. 52-53
Tel: (6221) - 5153608 (General)

Thailand persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Thailand)
127 Gaysorn Tower, 16th floor
Ratchadamri Road, Pathumwan
Bangkok 10330

Vietnam persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Vietnam)
4th Floor, Saigon Centre
Tower 1, 65 Le Loi Boulevard,
Ben Nghe Ward, District 1,
HCMC, Vietnam

YUANTA SECURITIES VIETNAM OFFICE

Head office: 4th Floor, Saigon Centre, Tower 1, 65 Le Loi Boulevard, Ben Nghe Ward, District 1, HCMC, Vietnam

Matthew Smith, CFA

Head of Research

Tel: +84 28 3622 6868 (ext. 3815)

matthew.smith@yuanta.com.vn

Tanh Tran

Analyst (Banks)

Tel: +84 28 3622 6868 (ext. 3874)

tanh.tran@yuanta.com.vn

Di Luu

Analyst (Consumer)

Tel: +84 28 3622 6868 (ext. 3845)

di.luu@yuanta.com.vn

Institutional Sales

Lawrence Heavey

Head of Institutional Sales

Tel: +84 28 3622 6868 (ext. 3835)

lawrence.heavey@yuanta.com.vn

Dat Bui

Sales Trader

Tel: +84 28 3622 6868 (ext. 3941)

dat.bui@yuanta.com.vn

Binh Truong

Deputy Head of Research (O&G, Energy)

Tel: +84 28 3622 6868 (ext. 3845)

binh.truong@yuanta.com.vn

Tam Nguyen

Analyst (Property)

Tel: +84 28 3622 6868 (ext. 3874)

tam.nguyen@yuanta.com.vn

An Nguyen

Assistant Analyst

Tel: +84 28 3622 6868 (ext. 3845)

an.nguyen@yuanta.com.vn

Anh Nguyen

Sales Trader Supervisor

Tel: +84 28 3622 6868 (ext. 3909)

anh.nguyen2@yuanta.com.vn

Hien Le

Sales Trader

Tel: +84 28 3622 6868

hien.le@yuanta.com.vn

Vi Truong

Sales Trader

Tel: +84 28 3622 6868 (ext. 3940)

vi.truong@yuanta.com.vn
