

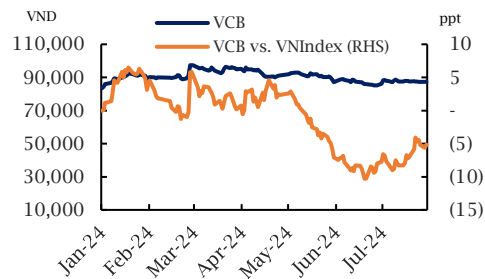
BUY

TP Upside +20%

Close 31 Jul 2024

Current Price VND 89,200
12M Target VND 106,910

Share price performance relative to VNI



Source: Fiiipro

Market cap	US\$19 bn
6M avg. daily turnover	US\$6.8 mn
Outstanding shares (**)	5,589 mn
Free float	11%
FINI ownership	23.2%
Major shareholders	90%
2024E Asset/Equity (*)	10x
2024E P/E (*)	13x
2024E P/B (*)	2.4x
FOL Remaining Room	6.8%
2024E Dividend yield (*)	0.0%

Source: Fiiipro, (*) Yuanta Vietnam

VCB's 2Q24 Results	2Q24	% QoQ	% YoY
NII (VND bn)	13,908	-1%	-1%
Net Fee Inc.(VND bn)	1,499	4%	-8%
Adj. TOI (VND bn)	16,727	0%	-3%
Opex (VND bn)	5,122	1%	-9%
Provision (VND bn)	1,514	0%	-40%
PATMI (VND bn)	8,119	-5%	9%
NPL (%)	1.20%	-2bps	37bps
LLR (%)	212%	12ppt	-174ppt
CASA (%)	35.4%	70bps	5.4ppt

Source: Company Data, Yuanta Vietnam



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Vietcombank (VCB VN)

Lowered provisioning supported earnings

2Q24 PATMI reached VND8.1 tn (-5% QoQ /but +9% YoY) with reduced opex and provisioning as the key driver of YoY growth. VCB has completed 42% of our 2024E forecast, primarily due to lower-than-expected fee income.

Details

Loans to customers increased by 7.8% YTD, while deposits from customers were down by -1.5% YTD.

Net interest income reached VND13.9tn (-1.2% QoQ/-0.8% YoY), Annualized NIM on average assets fell to 3.02% (-9bps QoQ/-13bps YoY), in our calculation. 1H24 NII fulfilled 45% of our 2024E forecast.

Net fee income was VND1.5 tn (+4% QoQ/but -8% YoY) in 2Q24. YTD fees were just 37% of our full-year forecast.

The bank reduced operating costs YoY. Opex was VND5.1 tn (+1% QoQ/-9% YoY) in 2Q24. The adjusted CIR was 30.6% (+50bps QoQ/but -2.2ppt YoY) in 2Q24, in our calculation.

VCB also cut provisioning by -40% YoY in 2Q24.

NPL ratio was 1.20% (-2bps QoQ/+37bps YoY) in 2Q24, which we think is still the lowest in the sector. VCB aims to control NPL ratio below 1.5% in 2024. **LLR ratio** increased to 212% (+12ppt QoQ/but -174ppt YoY) as at 2Q24.

CASA ratio improved by +70bps QoQ/+5.4ppt YoY to 35.4% in 2Q24.

Our view

Earnings results were not impressive. Net interest income declined along with asset yields. We think this trend is likely to continue in 2H24 given rising funding costs.

However, asset quality was stable in 2Q24. We believe VCB's NPL ratio of 1.20% is among the lowest in the sector, while its LLR boasts sector-high with 212%. This allows for flexibility for VCB to reduce provisioning to support earnings, as seen in the 2Q24 results.

We continue to view VCB as the highest quality bank in Vietnam, and we maintain our BUY rating. The stock now trades at 2.4x 2024E P/B, well below its 10-year average (*please see bottom figure on the left*).

Catalyst: The 6.5% stake sale plan could be a significant share price catalyst. We expect VCB's CAR to improve to 14% post deal.

The table below illustrates the various share issuance prices and the corresponding impacts to VCB's CAR.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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Analyzing the impact of potential stake sale to VCB's CAR

VCB plans to sell 6.5% of its stake to foreign investors.

Assuming that VCB sells at a range of 2024E P/B of 2.8–3.0x, VCB will collect a total of about VND37 – VND40 tn (~USD1.5 –1.6 bn) (comprising VND3.6 tn in charter capital and VND33–36 tn in share premium).

Based on the latest disclosed data on Tier 1, CAR, and risk weighted assets (RWA) as of Dec 31, 2023, we estimate that VCB's CAR will improve by about +2.5ppt to 14% post deal.

The table below illustrates the various share issuance prices and the corresponding impacts to CAR.

Issuing price Scenarios	Unit	88,000	91,693	95,387	99,080	102,773	106,467	110,160	113,853	117,547	121,240	124,934
P/BV	x	2.4x	2.5x	2.6x	2.7x	2.8x	2.9x	3.0x	3.1x	3.2x	3.3x	3.4x
<i>Premium to the current price</i>	%	0%	4%	8%	13%	17%	21%	25%	29%	34%	38%	42%
Current Shareholder Capital	VND bn	55,891	55,891	55,891	55,891	55,891	55,891	55,891	55,891	55,891	55,891	55,891
New issuing shares	mn shares	363	363	363	363	363	363	363	363	363	363	363
Additional Shareholder Capital	VND bn	3,633	3,633	3,633	3,633	3,633	3,633	3,633	3,633	3,633	3,633	3,633
Total Shareholder Capital	VND bn	59,524	59,524	59,524	59,524	59,524	59,524	59,524	59,524	59,524	59,524	59,524
Share Premium	VND bn	28,337	29,679	31,020	32,362	33,704	35,046	36,387	37,729	39,071	40,413	41,755
Total Shareholder Capital + share premium	VND bn	87,861	89,203	90,544	91,886	93,228	94,570	95,912	97,253	98,595	99,937	101,279
Current Tier 1 capital	VND bn	149,828	149,828	149,828	149,828	149,828	149,828	149,828	149,828	149,828	149,828	149,828
Tier 1 capital after raising capital	VND bn	181,798	183,139	184,481	185,823	187,165	188,506	189,848	191,190	192,532	193,874	195,215
Tier 2 capital	VND bn	15,530	15,530	15,530	15,530	15,530	15,530	15,530	15,530	15,530	15,530	15,530
RWA (31/12/23)	VND bn	1,439,268	1,439,268	1,439,268	1,439,268	1,439,268	1,439,268	1,439,268	1,439,268	1,439,268	1,439,268	1,439,268
CET 1 ratio before raising capital	%	10.41%	10.4%	10.4%	10.4%	10.4%	10.4%	10.4%	10.4%	10.4%	10.4%	10.4%
CET 1 ratio after raising capital	%	12.6%	12.7%	12.8%	12.9%	13.0%	13.1%	13.2%	13.3%	13.4%	13.5%	13.6%
CAR before raising capital	%	11.49%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%
CAR after raising capital	%	13.7%	13.8%	13.9%	14.0%	14.1%	14.2%	14.3%	14.4%	14.5%	14.5%	14.6%

Source: Company Data, Yuanta Vietnam

Appendix A: Important Disclosures

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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.

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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