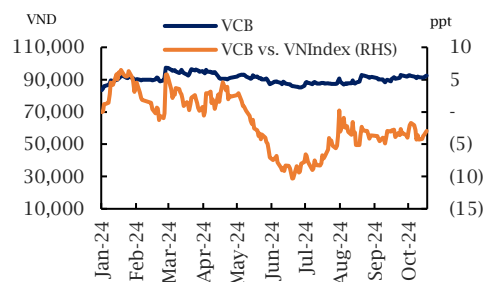


**Vietcombank [VCB VN]**
**31 October 2024**
**BUY**
**TP Upside +26%**
**Close 30 Oct 2024**
**Current Price VND 91,700**  
**12M Target VND 115,410**
**Share price performance relative to VNI**

**Source: Fiiipro**

<b>Market cap</b>	<b>US\$20 bn</b>
<b>6M avg. daily turnover</b>	<b>US\$6.9 mn</b>
<b>Outstanding shares</b>	<b>5,589 mn</b>
<b>Free float</b>	<b>11%</b>
<b>FINI ownership</b>	<b>23.3%</b>
<b>Major shareholders</b>	<b>90%</b>
<b>2024E Asset/Equity (*)</b>	<b>10x</b>
<b>2024E P/E (*)</b>	<b>13.9x</b>
<b>2024E P/B (*)</b>	<b>2.5x</b>
<b>FOL Remaining Room</b>	<b>6.7%</b>
<b>2025E Dividend yield (*)</b>	<b>0.0%</b>

Source: Fiiipro, (\*) Yuanta Vietnam

VCB's 3Q24 Results	3Q24	% QoQ	% YoY
NII (VND bn)	13,578	-2%	8%
Net Fee Inc.(VND bn)	1,272	-15%	43%
Adj. TOI (VND bn)	16,281	-3%	7%
Opex (VND bn)	5,811	14%	11%
Provision (VND bn)	326	-79%	-78%
PATMI (VND bn)	8,567	6%	18%
NPL (%)	1.22%	2bps	1bps
LLR (%)	205%	-7ppt	-65ppt
CASA (%)	34.8%	-60bps	3.5ppt

Source: Company Data, Yuanta Vietnam


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**Provisioning cut fueled earnings growth**

3Q24 PATMI reached VND8.6 tn (+6% QoQ/+18% YoY) largely driven by reduced provisioning. 9M24 PATMI reached VND25.3 tn, completing 63% of our 2024E forecast, primarily on lower-than-expected net interest income as VCB has followed the SBV's direction to cut loan yields to support borrowers.

**Details**

**Credit increased by 10.2% YTD** (customer loans + corporate bonds), but deposits (including valuable papers) increased by only +2.9% YTD.

**Net interest income reached VND13.6 tn (-2% QoQ/+8% YoY)** in 3Q24.

**Annualized NIM on average assets dropped to 2.83% (-19bps QoQ/-10bps YoY)**, on our calculation.

**Net fee income** was down by -15% QoQ, but it was up +43% YoY to reach VND1.3 tn in 3Q24 off a low 3Q23 base.

**Opex increased by +14% QoQ/11% YoY** to reach VND5.8 tn in 3Q24, bringing up the adjusted CIR (excluding net other incomes) to 35.7% (+5.1 ppt QoQ/+1.4ppt YoY) in 3Q24, on our calculation.

**Provisioning fell by -79% QoQ/-78% YoY** to just VND326bn, which we view as the key earnings growth driver of 3Q24.

**NPL ratio was roughly flat at 1.22% (+2bps QoQ/+1bps YoY)** in 3Q24, which we think remains the lowest in the sector. VCB's LLR ratio stood at 205% (-7ppt QoQ/-65ppt YoY), which we think remains the highest in the sector despite the very low provisioning in the quarter.

**CASA ratio was 34.8% (-60bps QoQ/ but +3.5ppt YoY)** in 3Q24.

**Our view**

**Credit growth will drive earnings.** VCB's credit growth was 10.2% YTD in 9M24, and we anticipate it to reach 15% by year-end. Recall that VCB's credit growth was only 3.8% YTD in 9M23, but it finished the 2023 year at 10.7%.

**However, interest expenses may increase in 4Q24**, as VCB's YTD deposit growth of just 2.9% YTD appears low vs. credit growth. We estimate the bank's LDR at c.83% in 3Q24, close to the regulatory cap of 85% and up +5ppt from an estimated 78% at 4Q23.

**Flexibility for further provisioning cuts.** Asset quality was stable in 3Q24, with no clear signal of rising NPL formation. VCB's sector-high loan loss coverage provides flexibility for reduced provisioning to support earnings, which is in line with our expectation.

**Admittedly, 3Q24 earnings quality is unlikely to catalyze much excitement among investors.** But we continue to view [VCB](#) as the highest quality bank in Vietnam. VCB is trading at 2.4x 2024E P/B, well below its 10-year average (*please see bottom left figure*). Our recently revised (on Oct 22) [target price](#) offers 26% expected 12-month upside.

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