

VIETCOMBANK - VCB
Hold
A bunker for the stormy days

FINANCIALS | Update

 Target price (12M)
VND91,000

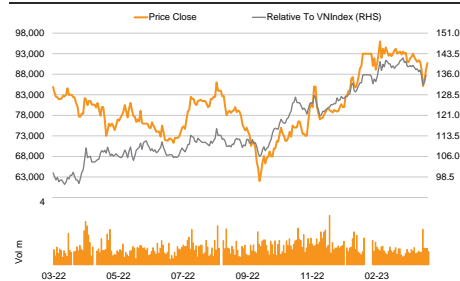
Consensus*: Add:10 Hold:7 Reduce:0

Target price / Consensus: -4.3%

Key changes in the report

- Increase EPS FY23/24/25F by 18%/14%/8%
- Increase TP by 6%

Previous rating	Add
Previous TP	VND86,400
Current price	VND90,700
52w high (VND)	96,000
52w low (VND)	62,000
3m Avg daily value (VNDmn)	83,303
Market cap (VNDbn)	421,194
Free float	8%
Dividend yield	0.00%
TTM P/E (x)	14.4
Current P/B (x)	3.11

Price performance


Source: VND RESEARCH

Ownership

State Bank of Vietnam	74.8%
Mizuho Corporate Bank	15.0%
GIC Private Limited	2.6%
Others	7.60%

Source: VND RESEARCH

Analyst(s):

Thanh Nguyen

thanh.nguyenphuong@vndirect.com.vn

- VCB's NP recorded VND29,892bn in 2022 (+36% yoy) in FY22, forming 118% of our full-year forecast, mostly thanks to lower credit cost.
- Asset quality continues to remain on top with lowest-among-peer NPL ratio and highest LLR.
- Downgrade our rating to Hold with a higher TP of VND91,000 as we expect higher NIM and lower provision costs in FY23-25F.

Robust FY22 net profit growth thanks to lower level of credit cost

FY22 TOI climbed by 20% yoy to VND 68,083bn, underpinned by equal growth of NII and non-interest income (non-II). The bank's credit balance rose by 19% yoy, playing the vital role to spur system's credit growth to 15.4% as the other SOCBs' credit growth only reached approx.14% yoy. Adding up, VCB was among a few banks which enjoyed NIM expansion by 24 bps yoy thanks to a reduction of 42bps yoy of its funding cost. We reckon that the bank has shifted its funding mix from customer deposits to interbank deposits which has lower cost in 2H22. At end-FY22, customer deposits composed of 79% of total bank's mobilization, sharply decline from 89% level at end-FY21. This could be a tactical move of the bank to guard itself against the escalation of funding cost during 2H22. On the expense side, FY22's credit cost reduced by 41bps yoy to 0.9%, spurring NP growth to 36%.

Asset quality remains on top

At end-FY22, the bank's LLR reached 317% - sharply reduced from 424% level at end-FY21 - but still the highest among sector. We noticed that the bank had usually maintained its LLR level at 170-180% at pre-Covid but lifted it sharply to more than 300% after-Covid period. Additionally, VCB's NPL stood at 0.7% at end-FY22 - the lowest among peers. In terms of asset mix, c-bonds continued to remain the lowest contribution in the bank's total interest earning assets (IEA) mix (less than 1%). Another notable point is VCB's collateral book value/total outstanding loans was 1.8x at end-FY22, in consistent with its conservative strategy.

FY23F guidance is in line with our forecasts

For 2023, the bank targets pre-tax profit growth by at least 12% yoy - a third of FY22 growth, which is similar to our current projection of 12.6%. We believe this is totally feasible given the bank's top-tier capital buffer and healthy loan mix. For FY23 credit growth, the bank receives first credit quota of 9.6% but we believe VCB would be able to increase by 12% thanks to strong capital buffer and as the SBV normally lifts its credit limit in the second half of the year.

Downgrade to Hold with higher TP of VND91,000

We increase our TP by 7.5% as we lifted our EPS forecasts by 18%/14%/8% over FY23-25F period following lower funding and provision costs. We downgrade to Hold rating as market price has rallied 13.4% ytd and now approached fair value. A possible upside to our TP is a higher-than-expected private new issuance share price. A downside risk is a higher-than-expected credit cost due to stagnant property sector.

Financial summary (VND)	12-21A	12-22A	12-23E	12-24E
Net interest income (bn)	42,387	53,247	59,776	67,451
Net interest margin	3.2%	3.4%	3.3%	3.4%
Total operating income (bn)	56,711	68,083	77,930	87,779
Total provision charges (bn)	(11,761)	(9,464)	(11,531)	(14,274)
Net profit (bn)	21,908	29,892	33,657	37,093
Net profit growth	18.7%	36.4%	12.6%	10.2%
Adjusted EPS	4,629	6,316	7,112	7,838
BVPS	23,472	29,139	35,246	41,980
ROAE	21.4%	24.0%	22.1%	20.3%

Source: VNDIRECT RESEARCH

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Valuation: downgrade to Hold with higher TP of VND91,000

We revised up our TP based on higher EPS forecast for FY23-25F as we adjust the bank's NIM and provision costs. As a result, our target price is increased to VND91,000 (previously VND84,600), still based on equal weighting of residual income valuation (COE: 12.5%; LTG: 4%) and 2.5x FY21F P/BV.

VCB has increased by 13% ytd, steadily outperformed versus VNINDEX (4.2%) and the sector (6.4%). VCB is currently trading much below its 5-year average P/BV (3.4x). At the current share price, VCB is trading at 2.6x FY23F P/B, a premium to Vietnam peers' average FY23F P/BV. It always trades at a premium vs. other local banks, given its industry-leading business advantages and financial performance as well as its limited free float. We downgrade to Hold rating as market price has rallied and now approached fair value. A possible upside to our TP is a higher-than-expected private shares issuance valuation. A downside risk is a higher-than-expected credit cost due to stagnant property sector.

Figure 1: Valuation - Residual income

General assumptions	2023F	2024F	2025F	2026F	2027F	Terminal
Risk free rate (5-year VGB yield)	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Equity risk premium	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Beta (1 yr)	0.9	0.9	0.9	0.9	0.9	0.9
Cost of equity	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%
Long-term growth rate						4.0%
<i>(in VND bn, otherwise noted)</i>						
Opening shareholders' equity	137,900					
PV of residual income (5 years)	61,189					
PV of terminal value	228,189					
Implied Equity value	427,279					
No. of o/s shares (m shares)	4,733					
Implied value per share (VND/share)	90,286					

Source: VNDIRECT RESEARCH

Figure 2: Our price target calculation

Approach	Weight	Fair value (VND/share)	Contribution (VND/share)
Residual income	50%	90,286	45,143
P/BV multiple (at 2.5x FY23F BVPS)	50%	91,641	45,820
Target price (VND/share)			90,963
Target price (VND/share, rounded)			91,000

Source: VNDIRECT RESEARCH

Figure 3: Vietnam peers' comparison (price as of 23/03/2022)

Banks	Bloomberg Code	Recom	Closing price	Target price	Market cap	P/B (x)		P/E (x)		3-yr Forward EPS CAGR	ROE (%)		ROA (%)	
			(local curr.)	(local curr.)	(US\$bn)	FY23F	FY24F	FY23F	FY24F	%	FY23F	FY24F	FY23F	FY24F
VietinBank	CTG VN	ADD	28,700	36,200.0	8.2	1.1	1.0	7.5	6.4	15.2%	16.4%	15.5%	1.0%	1.0%
Techcombank	TCB VN	ADD	26,200	44,000	4.6	0.7	0.6	3.7	3.3	16.4%	19.9%	18.7%	3.5%	3.5%
Vietnam Prosperity JSC Bank	VPB VN	ADD	21,050	25,700	7.7	1.2	1.0	8.2	6.6	21.5%	16.3%	17.0%	2.8%	3.0%
Military Commercial Joint Stock Bank	MBB VN	ADD	17,400	29,300	4.5	0.8	0.7	4.1	3.6	20.6%	22.5%	21.0%	2.4%	2.4%
Tien Phong Commercial JSB	TPB VN	ADD	22,050	31,000	5.6	0.9	0.7	5.0	4.2	19.0%	19.4%	18.9%	2.0%	2.2%
Asia Commercial Joint Stock Bank	ACB VN	ADD	24,500	30,000	6.0	1.1	0.9	5.6	5.0	19.3%	22.5%	20.1%	2.4%	2.3%
HD Bank	HDB VN	ADD	17,650	25,000	5.7	1.0	0.8	4.9	4.1	21.7%	23.2%	22.4%	2.2%	2.2%
Vietnam International Bank	VIB VN	ADD	20,650	27,000	5.1	1.2	0.9	4.6	3.9	20.8%	29.3%	26.2%	2.6%	2.7%
Average						1.0	0.8	5.5	4.6	19.3%	21.2%	20.0%	2.4%	2.4%
Vietcombank	VCB VN	Hold	90,700	91,000	18.4	2.6	2.2	12.8	11.6	16.9%	22.1%	20.3%	1.8%	1.8%

Source: VNDIRECT RESEARCH, Bloomberg

FY22 results recap: solid provision fuels NP growth

Figure 4: Results comparison (VND bn, otherwise noted)

Profit & Loss statement	4Q22	4Q21	% yoy	3Q22	% qoq	FY22	FY21	% yoy	FY22F VND forecast	% of VND FY22F forecasts	Comments
Net interest income	14,809	10,781	37.4%	13,664	8.4%	53,246	42,387	25.6%	49,711	107.1%	Above our forecast as VCB is able to expand its NIM to 3.4% vs our forecast of 3.25%
Non-interest income	3,853	4,088	-5.7%	3,050	26.3%	14,836	14,324	3.6%	17,067	86.9%	Lower than our forecast because the bank implemented its zero-fee policy in FY22
Operating revenue	18,663	14,869	25.5%	16,714	11.7%	68,083	56,711	20.1%	66,778	102.0%	
Operation expenses	(4,565)	(3,057)	49.3%	(6,370)	-28.3%	(21,260)	(17,575)	21.0%	(20,367)	104.4%	In line with our forecasts
Pre-provision profit	14,098	11,813	19.3%	10,344	36.3%	46,823	39,136	19.6%	46,411	100.9%	
Provision expenses	(1,679)	(3,748)	-55.2%	(2,778)	-39.6%	(9,464)	(11,761)	-19.5%	(14,661)	64.6%	Lower than our forecast as the bank reduced its credit cost to 0.9% vs our forecast of 1.4%
Pre-tax profit	12,419	8,064	54.0%	7,566	64.1%	37,359	27,376	36.5%	31,750	117.7%	
Net profit	9,928	6,451	53.9%	6,065	63.7%	29,892	21,908	36.4%	25,409	117.6%	Ahead of our forecast

Source: VNDIRECT RESEARCH, VCB

Figure 5: VCB's key ratios by quarter

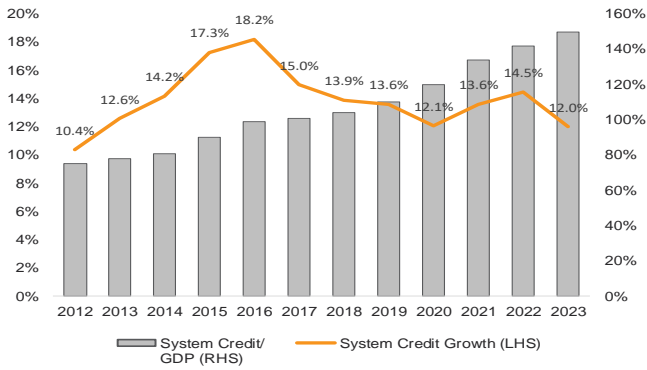
Key ratios	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22
Net interest income / Total operating income (TOI)	75.3%	72.2%	64.3%	86.0%	78.7%	72.5%	71.6%	80.1%	81.7%	79.4%
Non-interest income / TOI	24.7%	27.8%	35.7%	14.0%	21.3%	27.5%	28.4%	19.9%	18.3%	20.6%
NIM (annualized)	3.01%	3.38%	3.16%	3.50%	3.15%	3.14%	3.40%	3.39%	3.41%	3.51%
Cost-to-income ratio (CIR)	39.5%	23.8%	30.5%	36.7%	37.7%	20.6%	26.9%	36.4%	38.1%	24.5%
Loan-to-deposit ratio (Circular 36)	74.5%	72.9%	77.3%	79.8%	75.7%	76.3%	80.2%	78.4%	80.0%	75.6%
Non-performing loan (NPL) ratio	1.0%	0.6%	0.9%	0.7%	1.2%	0.6%	0.8%	0.6%	0.8%	0.7%
Loan-loss-reserves (LLR)	215.1%	367.3%	279.0%	351.8%	242.9%	424.4%	372.6%	504.4%	401.8%	317.4%
Credit cost (annualised)	1.06%	1.26%	1.06%	1.25%	1.20%	1.31%	1.24%	1.11%	1.12%	0.90%
Provision / Pre-provision operating profit (PPOP)	28.9%	35.4%	20.9%	39.5%	30.5%	31.7%	18.6%	26.9%	26.9%	11.9%
ROAA (trailing 12m)	1.5%	1.5%	1.7%	1.6%	1.6%	1.6%	1.7%	1.7%	1.8%	1.9%
ROAE (trailing 12m)	19.9%	20.8%	22.8%	21.2%	21.0%	21.0%	21.1%	22.0%	22.4%	24.2%

Source: VNDIRECT RESEARCH, VCB

Banking sector outlook in FY23F: asset quality is the key

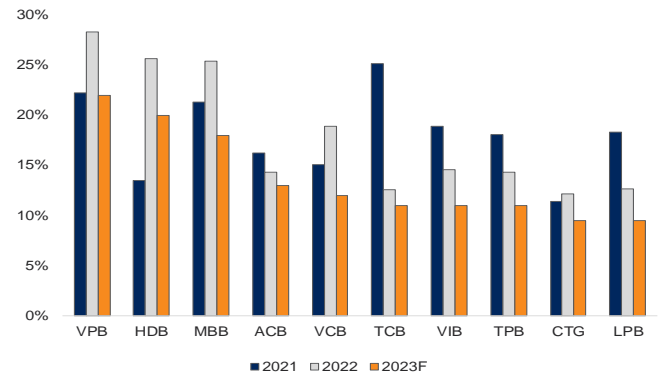
We still expect credit growth to cool down to 12% in FY23F

Figure 6: Credit growth forecast



Source: VNDIRECT RESEARCH

Figure 7: Credit growth forecast by each bank



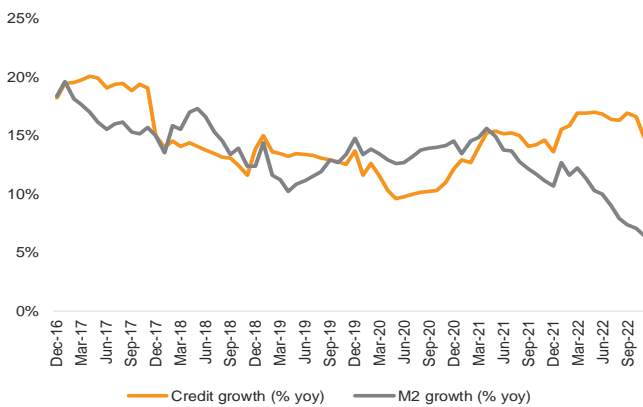
Source: VNDIRECT RESEARCH

In FY23F, we expect system credit growth may cool down to 12% due to stagnant property market, sluggish export activities, and higher lending rates. In addition, inflation will stay high given a 21% basic wage hike (effective in Jul 2023) and an increase in the price of some government-control services (retail electricity tariff, health care...). Lastly, although liquidity situation has improved, banks' LDR are still relatively high, putting a lid to the credit growth this year.

Wider gap between credit and deposit growth weighed on liquidity

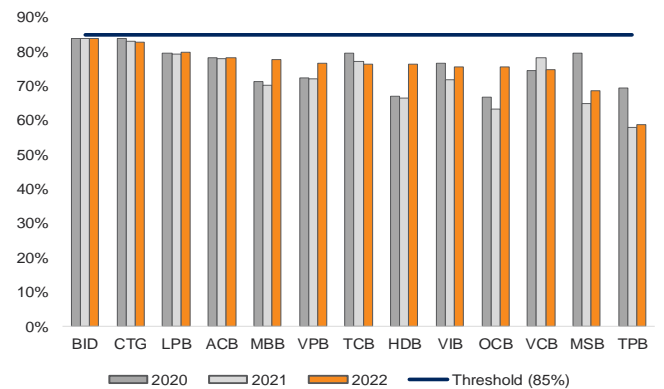
M2 improved by 3.6% ytd and 6.4% yoy at end-Nov 2022, much lower than system credit growth (+14.8% yoy), leading to a wider gap between credit-deposit growth. This weighed on the liquidity of most of the banks, reflecting in the increase in their LDR ratio at end-2022 compared with the levels at endFY21 (75-80%; except MSB and TPB). Notably, some banks' LDR nearly touched the regulatory requirement level of 85%.

Figure 8: Wider gap between credit and deposit growth weighed on liquidity



Source: SBV, VNDIRECT RESEARCH

Figure 9: Banks recorded higher LDR at end-2022

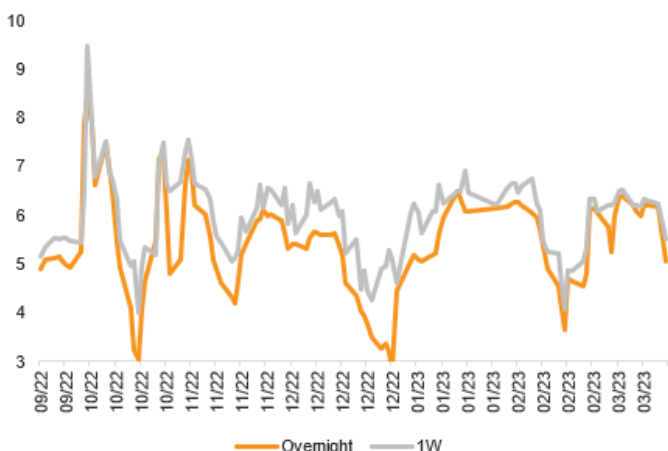


Source: Commercial banks, VNDIRECT RESEARCH

However, things have positively changed since the beginning of 2023.

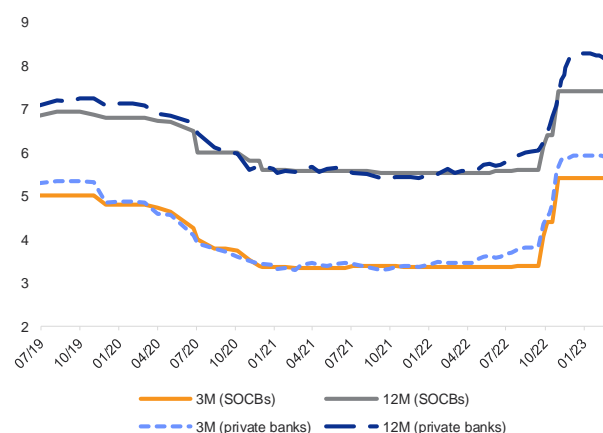
The cooling exchange rates have allowed the SBV to stabilize interest rates to support businesses and the economy (according to our estimates, SBV has bought about US\$3.6bn since the beginning of 2023). Thanks to this liquidity support, interbank rates have reduced notably from their peak in early Oct-2022. Overnight rates fluctuated in the range of 5-6% (compared to the peak of 8.4% in early October). Meanwhile, 1-week interest rates fluctuated in the range of 5-6.5% within this period (compared to the peak of 9.5% in early October). Besides, deposits rate also showed signs of easing and fluctuated at around 8-8.5% (from the peak of c.9%).

Figure 10: Interbank rates have hovered at 5-6%



Source: SBV

Figure 11: Deposit rates stopped surging and showed signs of easing (%)



Source: Commercial banks, VNDIRECT RESEARCH

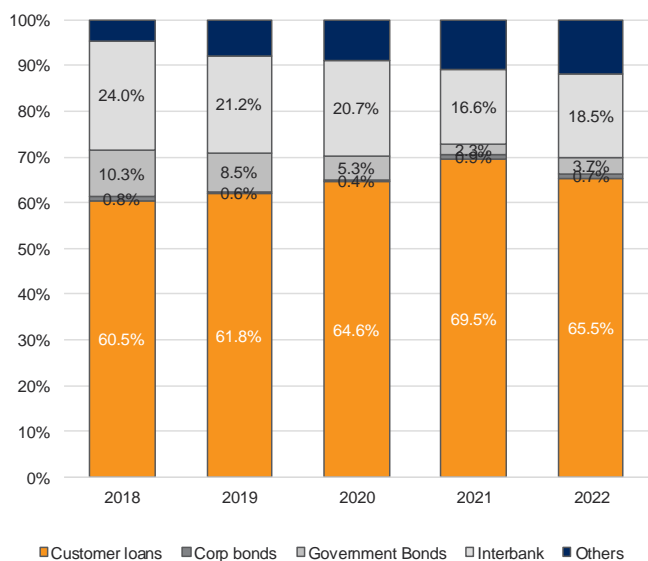
On the other hand, Circular 26/2022 will be an effective contributor to this liquidity improvement. As LDR formula has changed i.e. 50% of state treasury is allowed to use for lending activities (total amount of c.VND150tr, according to banks' 4Q22 financial statement), it will partially solve the liquidity constraints situation in this year.

VCB's FY23-25F outlook: sustainable growth thanks to healthy asset mix

Top-notch asset quality among the sector

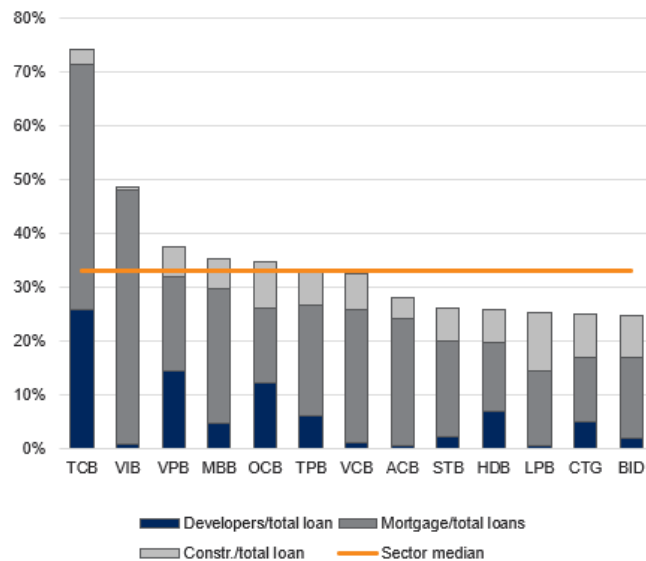
During Covid period, the bank lifted its proportion of outstanding loans in total IEA structure from the normal level of 60% to 70% at end FY21 to support affected customer according to Cir. 01 and Cir.03. At end-FY22, those restructured loans reduced to VND1.05tr, ~0.1% loan book, dragging customer loans composition to 65.5%. Meanwhile, corporate bonds continued to remain the lowest contribution in the bank's total IEA mix (less than 1%). The bank's total property credit exposure (including mortgage, developers and construction loans) remained stable at ~30%, lower than the sector's median (33%). For FY23-25F period, we reckon that the bank would maintain its LLR at approx. 350% level – considering the highest among the sector, instead of more than 420% at our previous forecast.

Figure 12: VCB owns a healthy asset mix with high proportion of interbank loans



Source: VNDIRECT RESEARCH, VCB

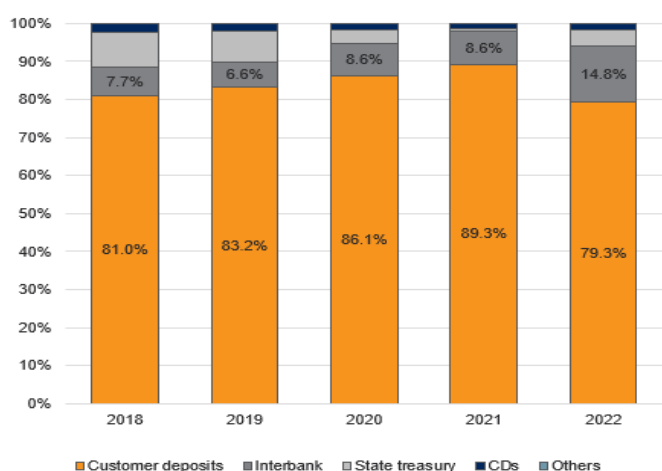
Figure 13: VCB's property credit exposure remained below sector's median at end-FY22



Source: VNDIRECT RESEARCH, Commercial banks

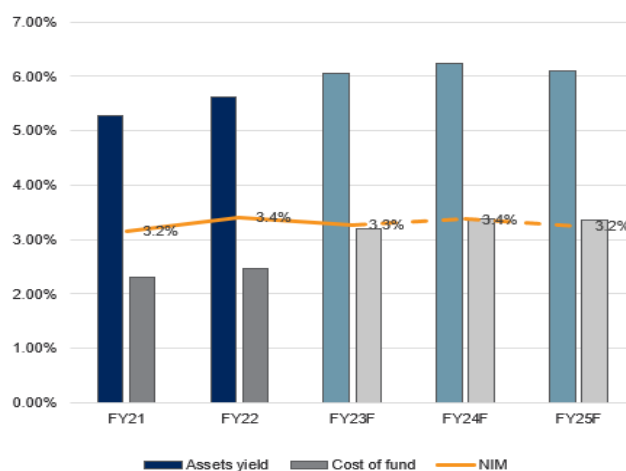
At end-FY22, VCB's mobilization amount increased by 23% yoy, mainly underpinned by growth in interbank (+112% yoy) and state treasury deposits (+611% yoy). At end-FY22, customer deposits composed of 79% of total bank's mobilization, sharply decline from 89% level at end-FY21. We reckon this could be a tactical move of the bank to defense itself versus the surge of funding cost during 2H22. Notably that VCB has been a laggard in raising interest rates compared with other commercial banks. FY22 VCB's funding cost only increased slightly by 16bps to 2.45% - lowest among the sector. We believe that the bank would be able to remain its cost of fund at 3.2%/3.4%/3.4% during FY23-25F period thanks to strong CASA base and low-cost funding mix.

Figure 14: Lower customer deposits proportion to hinder rising interest rates environment



Source: VNDIRECT RESEARCH, VCB

Figure 15: We expect the bank would be able to maintain its NIM at 3.2 – 3.4% during FY23-25F period



Source: VNDIRECT RESEARCH, VCB

Putting all the pieces together, we forecast VCB would achieve a solid EPS growth of 17.5%/13.5%/8.1% by lowering funding cost and provisioning over the timeframe.

Capital raising plan in FY23F to make room for loan growth

VCB announced plan to issue 6.5% of its capital charter to financial investors via book building in FY23. The subscription price is expected to be not lower than the valuation price or the average closing price of 10 trading sessions. The bank expects its CAR to be improved by 2 – 2.5%, making ways to receive higher credit growth limit as well as its market share

Figure 16: FY23-25F earnings revision

Profit & Loss statement	Old forecasts			New forecasts			Change			Comments
	FY23F	FY24F	FY25F	FY23F	FY24F	FY25F	FY23F	FY24F	FY25F	
Net Interest Income	53,198	57,336	64,019	59,776	67,451	71,926	12.4%	17.6%	12.4%	We revise our NIM from 3.1% to 3.3% during the period, driven by strong CASA base and its low-cost funding structure
Non-Interest Income	19,085	21,451	23,835	18,154	20,329	22,558	-4.9%	-5.2%	-5.4%	Fee income is reduced to reflect weaker-than-expected bancassurance sales in the future
Operating revenue	72,283	78,787	87,853	77,930	87,779	94,484	7.8%	11.4%	7.5%	
Operating expenses	(22,046)	(23,794)	(26,268)	(24,335)	(27,147)	(28,937)	10.4%	14.1%	10.2%	Opex is lifted up as we believe VCB would remain its CIR at this current level (31.2% compared with 30.5% previously) and increasing in TOI
Pre-provision profit	50,237	54,993	61,585	53,595	60,632	65,547	6.7%	10.3%	6.4%	
Provision expenses	(14,420)	(14,132)	(14,388)	(11,531)	(14,274)	(14,532)	-20.0%	1.0%	1.0%	We reckon that the bank would maintain its LLR at approx. 350% level – considering the highest among the sector
Pre-tax profit	35,816	40,861	47,197	42,064	46,358	51,014	17.4%	13.5%	8.1%	
Net profit	28,663	32,700	37,771	33,657	37,093	40,819	17.4%	13.4%	8.1%	Change net profit forecast forecast mainly derives from adjustment above.
No. of shares outstanding (m)	4,733	4,733	4,733	4,733	4,733	4,733	0.0%	0.0%	0.0%	
EPS (VND/share)	6,052	6,904	7,974	7,108	7,833	8,620	17.5%	13.5%	8.1%	

Source: VNDIRECT RESEARCH

Figure 17: Profit & loss statement key KPIs, based on our forecasts

	2020A	2021A	2022A	2023F	2024F	2025F	CAGR 2020-22	CAGR 2023-25F
Net interest income	36,285	42,387	53,247	59,776	67,451	71,926	21.14%	9.69%
Net fee income	6,607	7,407	6,839	8,123	9,535	11,089	1.74%	16.84%
FX & gold trading income	3,906	4,375	5,768	6,057	6,360	6,678	21.52%	5.00%
Income from trading and investment securities	463	149	175	184	193	202	-38.56%	5.00%
Other income	1,800	2,393	2,054	3,791	4,241	4,589	6.81%	10.02%
Operating income	49,063	56,711	68,083	77,930	87,779	94,484	17.80%	10.11%
	<i>% growth</i>	7.29%	15.59%	20.05%	14.46%	12.64%	7.64%	
Operating expense	16,038	17,575	21,260	24,335	27,147	28,937	15.13%	9.05%
	<i>% growth</i>	1.40%	9.58%	20.97%	14.46%	11.56%	6.59%	
Pre-provision profit	33,024	39,137	46,823	53,595	60,632	65,547	19.07%	10.59%
	<i>% growth</i>	10.40%	18.51%	19.64%	14.46%	13.13%	8.11%	
Provision expense	9,975	11,761	9,464	11,531	14,274	14,532	-2.59%	12.26%
	<i>% growth</i>	46.89%	17.91%	-19.53%	21.84%	23.79%	1.81%	
Pre-tax profit	23,050	27,376	37,359	42,064	46,358	51,014	27.31%	10.13%
	<i>% growth</i>	-0.32%	18.77%	36.47%	12.60%	10.21%	10.04%	
Profit after tax and minority interest	18,451	21,908	29,892	33,657	37,093	40,819	27.28%	10.13%
	<i>% growth</i>	-0.32%	18.74%	36.44%	12.60%	10.21%	10.04%	

Source: VNDIRECT RESEARCH, VCB

Figure 18: Balance key KPIs, based on our forecasts

	2020A	2021A	2022A	2023F	2024F	2025F	CAGR 2020-22	CAGR 2023-25F
Interest-earning assets (excl. provisions) "IEAs"	1,300,383	1,382,501	1,749,125	1,899,900	2,100,644	2,338,159	16.0%	10.9%
% growth		6.3%	26.5%	8.6%	10.6%	11.3%		
Gross loans to customers	839,788	960,750	1,145,066	1,282,474	1,436,371	1,623,099	16.8%	12.5%
% growth		14.4%	19.2%	12.0%	12.0%	13.0%		
Interbank deposit and loans	267,970	225,395	313,592	297,912	312,808	328,448	8.2%	5.0%
% growth		-15.9%	39.1%	-5.0%	5.0%	5.0%		
Securities	159,485	173,546	197,753	217,528	239,281	263,209	11.4%	10.0%
% growth		8.8%	13.9%	10.0%	10.0%	10.0%		
Interest-bearing liabilities "IBLs"	1,198,181	1,271,945	1,568,635	1,611,623	1,790,563	1,990,252	14.4%	11.1%
% growth		6.2%	23.3%	2.7%	11.1%	11.2%		
Customer deposit	1,032,114	1,135,324	1,243,469	1,405,119	1,573,734	1,762,582	9.8%	12.0%
% growth		10.0%	9.5%	13.0%	12.0%	12.0%		
CDs and valuable papers	21,240	17,388	25,338	26,605	27,935	29,332	9.2%	5.0%
% growth		-18.1%	45.7%	5.0%	5.0%	5.0%		
Deposit and loan from other banks	103,584	109,758	232,511	139,507	146,482	153,806	49.8%	5.0%
% growth		6.0%	111.8%	-40.0%	5.0%	5.0%		
Borrowing from SBV	41,177	9,468	67,315	40,389	42,408	44,529	27.9%	5.0%
% growth		-77.0%	611.0%	-40.0%	5.0%	5.0%		
Other funds from gov. and other org.	67	8	3	3	4	4	-77.8%	5.00%
% growth		-88.5%	-57.1%	5.0%	5.0%	5.0%		

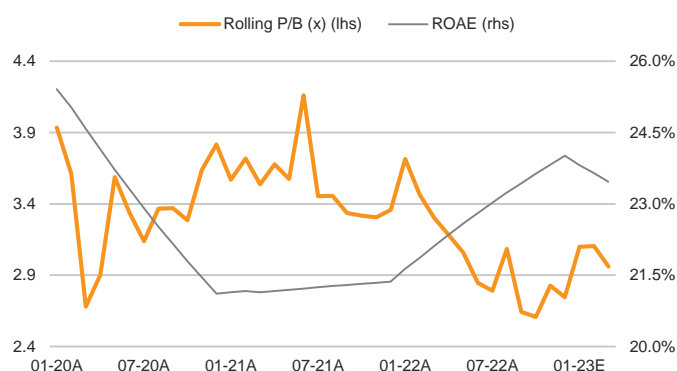
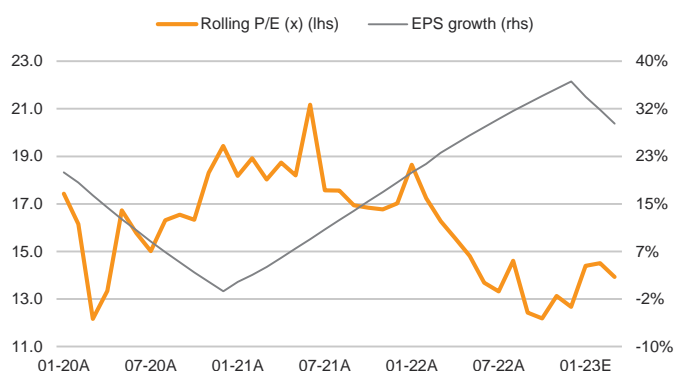
Source: VNDIRECT RESEARCH, VCB

Figure 19: Key ratios forecasts in FY23-25F

	2020	2021	2022	2023F	2024F	2025F
Loan growth	14.3%	14.4%	19.2%	12.0%	12.0%	13.0%
Deposit growth	11.2%	10.0%	9.5%	13.0%	12.0%	12.0%
NIM	2.92%	3.16%	3.40%	3.28%	3.37%	3.24%
LDR	81.62%	79.74%	76.27%	81.62%	82.16%	83.42%
CAR	9.6%	9.6%	10.1%	9.9%	10.2%	10.3%
NPL	0.74%	0.72%	0.62%	0.60%	0.67%	0.67%
LLR	310%	374%	347%	356%	341%	343%
ROAA	1.45%	1.60%	1.85%	1.78%	1.79%	1.78%
ROAE	21.1%	21.4%	24.0%	22.1%	20.3%	18.9%

Source: VNDIRECT RESEARCH, VCB

Valuation



Income statement

(VNDbn)	12-22A	12-23E	12-24E
Net interest income	53,247	59,776	67,451
Non interest income	14,836	18,154	20,329
Total operating income	68,083	77,930	87,779
Total operating costs	(21,260)	(24,335)	(27,147)
Pre-provision operating profit	46,823	53,595	60,632
Total provision charges	(9,464)	(11,531)	(14,274)
Income from associates & JVs			
Net other income			
Pre-tax profit	37,359	42,064	46,358
Tax expense	(7,446)	(8,384)	(9,240)
Profit after tax	29,912	33,680	37,118
Minority interest	(20)	(23)	(25)
Net profit	29,892	33,657	37,093

Balance sheet

(VNDbn)	12-22A	12-23E	12-24E
Gross loans to customers	1,145,066	1,282,474	1,436,371
Loans to banks	313,592	297,912	312,808
Total gross loans	1,458,658	1,580,386	1,749,179
Securities - total	197,753	217,528	239,281
Other interest earning assets	92,714	101,986	112,184
Total gross IEAs	1,749,125	1,899,900	2,100,644
Total provisions	(24,861)	(27,298)	(32,744)
Net loans to customers	1,120,287	1,255,267	1,403,726
Total net IEAs	1,724,264	1,872,603	2,067,900
Cash and deposits	18,349	19,927	22,005
Total investments	2,194	2,382	2,631
Other assets	69,382	75,351	83,210
Total non-IEAs	89,924	97,660	107,846
Total assets	1,814,188	1,970,263	2,175,745
Customer deposits	1,243,469	1,405,119	1,573,734
Cds outstanding	25,338	26,605	27,935
Customer interest-bearing liabilities	1,268,806	1,431,724	1,601,669
Bank deposits	299,826	179,895	188,890
Broad deposits	1,568,632	1,611,620	1,790,559
Other interest-bearing liabilities	3	3	4
Total IBLs	1,568,635	1,611,623	1,790,563
Deferred tax liability			
Other non-interest bearing liabilities	107,564	191,747	186,425
Total non-IBLs	107,564	191,747	186,425
Total liabilities	1,676,200	1,803,370	1,976,988
Share capital	47,325	47,325	47,325
Additional paid-in capital	5,805	5,805	5,805
Treasury shares			
Retained earnings reserve	67,500	96,404	128,269
Other reserves	17,270	17,270	17,270
Shareholders' equity	137,900	166,804	198,669
Minority interest	89	89	89
Total equity	137,989	166,893	198,758
Total liabilities & equity	1,814,188	1,970,263	2,175,745

	12-22A	12-23E	12-24E
Growth rate (yoy)			
Cust deposit growth	9.5%	13.0%	12.0%
Gross cust loan growth	19.2%	12.0%	12.0%
Net interest income growth	25.6%	12.3%	12.8%
Pre provision operating profit growth	19.6%	14.5%	13.1%
Net profit growth	36.4%	12.6%	10.2%
Growth in IEAs	27.1%	8.6%	10.4%
Share value			
Basic EPS (VND)	6,316	7,112	7,838
BVPS (VND)	29,139	35,246	41,980
DPS (VND)	0	1,000	1,100
EPS growth	36.4%	12.6%	10.2%

Key ratios

	12-22A	12-23E	12-24E
Net interest margin	3.4%	3.3%	3.4%
Cost-income ratio	(31.2%)	(31.2%)	(30.9%)
Reported NPLs / gross cust loans	0.6%	0.6%	0.7%
Reported NPLs / net cust loans	0.6%	0.6%	0.7%
GP charge / average cust loans	0.9%	1.0%	1.1%
Total CAR	0.0%	0.0%	0.0%
Loan deposit ratio	90.2%	89.6%	89.7%
Margins and spreads			
Return on IEAs	5.6%	6.1%	6.2%
Cost of funds	2.5%	3.2%	3.4%
Interest return on average assets	3.3%	3.2%	3.3%
ROAE	24.0%	22.1%	20.3%

Source: VND RESEARCH

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RECOMMENDATION FRAMEWORK

Stock Ratings

Definition:

- Add The stock's total return is expected to reach 15% or higher over the next 12 months.
- Hold The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
- Reduce The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Hien Tran Khanh – Head of Research

Email: hien.trankhanh@vndirect.com.vn

Thanh Nguyen – Senior Analyst

Email: thanh.nguyenphuong@vndirect.com.vn

VNDIRECT Securities Corporation

1 Nguyen Thuong Hien Str – Hai Ba Trung Dist – Ha Noi

Tel: +84 2439724568

Email: research@vndirect.com.vn

Website: <https://vndirect.com.vn>