VIETCOMBANK (VCB)

ADD (Maintain)

FINANCIALS

Current Price	VND90,600
52Wk High/Low	VND97,400/80,300
Target Price	VND109,600
Previous TP	ADD
TP vs Consensus	-0.2%
Upside	21.0%
Dividend Yield	0%
Total stock return	21.0%

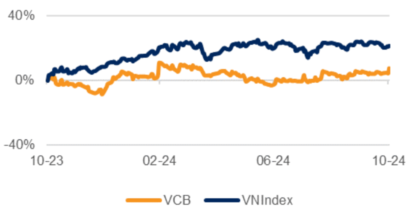
Growth rating	Neutral
Value rating	Positive
ST Technical Analysis	Negative

Market Cap	USD19,803.1mn
3m Avg daily value	USD5.0mn
Avail Foreign Room	USD1,338.6mn
Outstanding Shares	5,589.1mn
Fully diluted O/S	5,589.1mn

	VCB	Peers	VNI
P/E TTM	14.7x	8.7x	14.0x
P/B Current	2.7x	1.2x	1.7x
ROA	1.9%	1.7%	2.0%
ROE	19.8%	18.5%	12.4%

**as of 11/20/2024*

Share Price performance



Share price (%)	1M	3M	12M
Ordinary share	-2.8%	1.8%	19.9%
Relative to index	-5.5%	3.7%	15.9%

Ownership

State Bank of Vietnam	74.8%
Mizuho Corporate Bank	15.0%
GIC Private Limited	1.7%
Others	8.5%

Business Description

Vietcombank is in the commercial banking business for individual and corporate clients. It is also involved in international clearing, foreign exchange dealing and money transfering. The Bank has six subsidiaries and 13 affiliates. The State Bank of Vietnam is its controlling shareholder.

Analyst(s):

Phuong Tran Kim

phuong.trankim@vndirect.com.vn

Solid credit growth offsets contracted NIM

- We maintain our ADD rating with 21.0% upside, but cut our target price by 2.8%.
- The main drivers of our change in target price are reductions in our FY25-26 forecasts for NIM and Non-Interest Income.
- The current P/B of 2.7x fairly values the company's ROE in FY24.

Financial Highlights

- 3Q24 net profit (NP) increased 17.9% YoY to VND8.5tn (USD337mn) thanks to a combination of TOI growth and a decrease in provision expense.
- NPL ratio inched up 2 bps QoQ (+1 bps YoY) to 1.22%, while group 2 loans to total loans decreased 1 bp QoQ (-30 bps YoY) to 0.35%.
- We expect VCB's ROE to fall slightly to 19%, as we expect supportive lending packages to generate lower yield and non-interest income decreases.

Investment Thesis

Corporate lending to boost credit growth, while retail lending recovers slowly

VCB's total credit balance grew 2.4% QoQ (+10.3% YTD) in 3Q24, primarily driven by lending to corporate customers and the FDI segment. We anticipate this trend will continue as the core driver of VCB's credit growth, likely reaching 12% by the end of FY24. This growth will be supported by the stable recovery of the manufacturing and export sectors, as well as robust FDI inflows into Vietnam by year-end. Meanwhile, we expect retail lending to contribute more significantly to FY25 loan book, driven by the recovery of lending to household businesses toward the end of 2025. We believe mortgage lending will take more time to rebound, despite recent improvements in the northern real estate market.

NIM goes flat for FY24 as VCB lowers lending rates to stimulate credit growth

In 3Q24, annualized NIM declined by 7 bps QoQ (-11 bps YoY) to 3.01%. We forecast that FY24 NIM will remain flat compared to last year, as VCB continues to reduce lending rates to stimulate credit growth. However, NIM will receive partial support from VCB's ability to maintain low deposit rates and improve its CASA ratio. While we expect the retail lending segment to grow stronger in 2025, we estimate only a modest NIM increase of 13 bps YoY to 3.1%, as we expect VCB to keep lending rates at a lower-than-average level to stimulate credit growth.

Premier asset quality contributed to effective cost management

3Q24 NPL ratio stayed nearly flat YoY at 1.22%. The NPL formation rate decreased 21% pts QoQ (-45% pts YoY). VCB reported the lowest NPL ratio in the industry in 3Q24. With a 205% loan loss reserve (LLR), the highest in the industry, VCB has room to release provisions for write-offs. The lower-than-expected NPL formation rate suggests that the NPL ratio could decrease further, potentially reaching 1.07%.

Financial summary (VND)	12-23A	12-24E	12-25F	12-26F
Net profit growth (YoY)	14.7%	5.5%	14.5%	15.0%
Credit growth (YoY)	10.9%	12.0%	13.0%	14.0%
NIM	3.0%	3.0%	3.1%	3.2%
CASA	33.9%	35.0%	35.0%	35.0%
NPLs / Gross loans	1.0%	1.1%	1.0%	1.1%
LLR	230.3%	187.2%	167.5%	141.9%
ROE	21.7%	18.9%	18.5%	18.5%
P/B	3.05	2.56	2.23	1.93

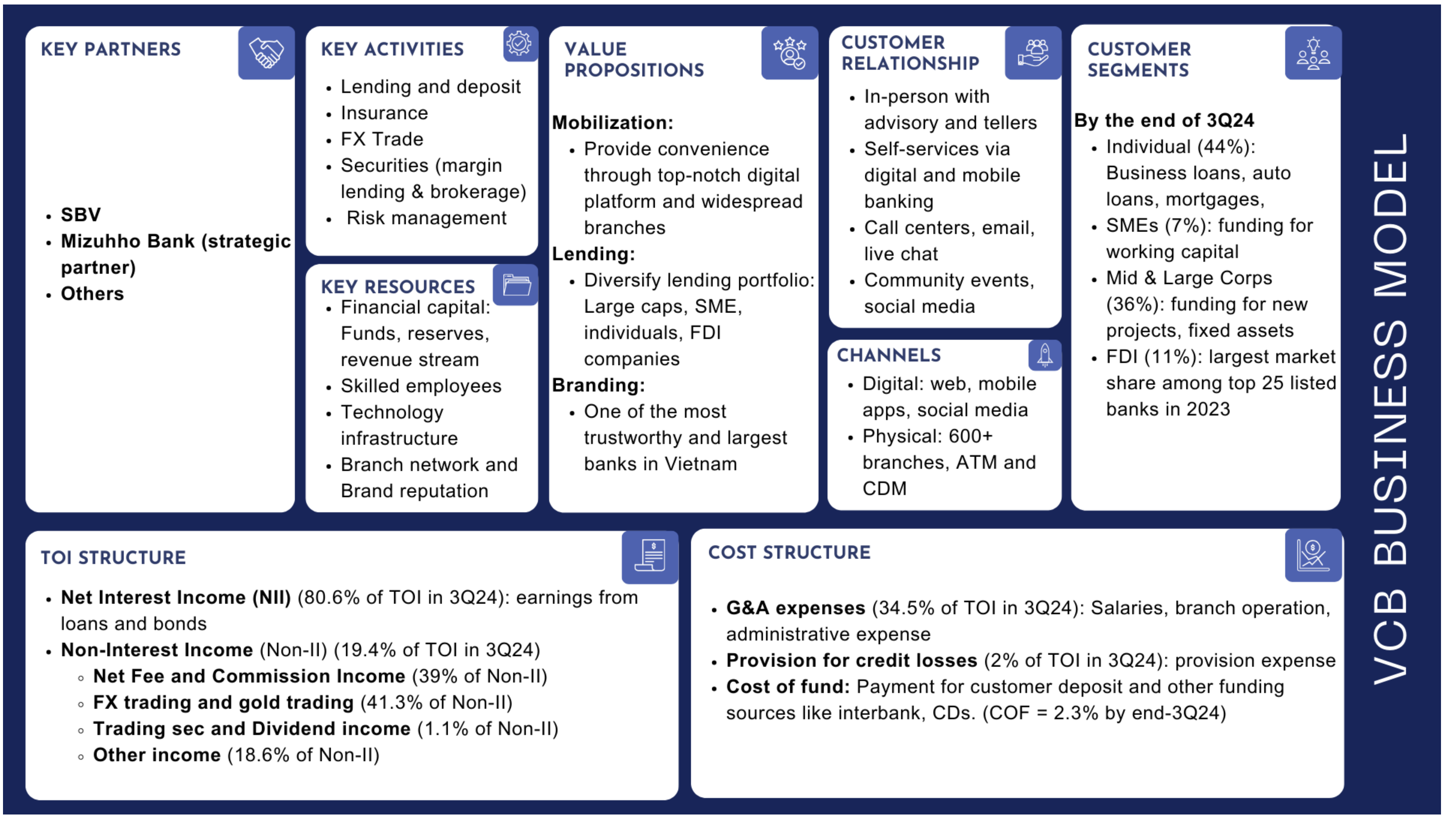
Source: VNDIRECT RESEARCH

Company Profile

Vietcombank, officially known as Joint Stock Commercial Bank for Foreign Trade of Vietnam, is a well-respected state-owned commercial bank (SOCB) recognized for its extensive network, robust financial services, and best-in-class asset quality. Established in 1963, Vietcombank has played a pivotal role in the development of Vietnam's banking sector, catering to the diverse needs of individuals, businesses, and institutions both domestically and internationally.

As a SOCB, VCB benefits from its strong relationships with large SOEs, which often generate strong cash flows and therefore allow the bank to maintain a low-risk lending portfolio. VCB was the first Vietnamese bank to build relationships with international banks. Thus, it holds a leading position in foreign trade, including trade financing, international settlement and FX transactions. This adds to VCB's advantages in terms of cross-selling services to its customers, helping the bank to diversify its income sources.

Figure 1: Business Canvas Model of VCB



Source: VCB, VNDIRECT RESEARCH

Results Recap: Controlled provision cost boosted earnings

Figure 2: Results comparison (VND bn unless otherwise noted)

Profit & Loss statement	3Q24	3Q23	% YoY	2Q24	% QoQ	9M24	% YoY	FY24F VND old forecast	% of VND FY24F old forecasts	Comments
Net interest income	13,578	12,596	7.8%	13,908	-2.4%	41,563	1.8%	57,897	71.8%	In line with our forecasts
Non-interest income	3,258	3,181	2.4%	2,844	14.6%	9,305	-15.0%	12,779	72.8%	In line with our forecasts
Operating revenue	16,836	15,777	6.7%	16,752	0.5%	50,868	-1.7%	70,677	72.0%	
Operation expenses	(5,811)	(5,233)	11.1%	(5,122)	13.5%	(15,987)	-1.1%	(21,203)	75.4%	In line with our forecasts
Pre-provision profit	11,025	10,545	4.5%	11,630	-5.2%	34,881	-2.0%	49,474	70.5%	
Provision expenses	(326)	(1,494)	-78.2%	(1,514)	-78.5%	(3,347)	-44.7%	(5,656)	59.2%	Lower than our forecasts due to lower-than-expected provision expense recorded in 3Q24
Pre-tax profit	10,699	9,051	18.2%	10,116	5.8%	31,533	6.7%	43,818	72.0%	
Net profit	8,567	7,269	17.9%	8,119	5.5%	25,266	6.7%	35,095	72.0%	In line with our forecasts

Source: VCB, VNDIRECT RESEARCH

Figure 3: VCB's key ratios by quarter

Key ratios	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24
Net interest income/TOI	81.7%	79.4%	76.7%	80.3%	79.8%	80.2%	81.5%	83.0%	80.6%
Non-interest income/TOI	18.3%	20.6%	23.3%	19.7%	20.2%	19.8%	18.5%	17.0%	19.4%
NIM (annualized)	3.41%	3.51%	3.18%	3.20%	2.96%	2.90%	3.16%	3.05%	2.86%
Cost-to-income ratio (CIR)	38.1%	24.5%	28.5%	32.4%	33.2%	36.0%	29.2%	30.6%	34.5%
Loan-to-deposit ratio (Circular 36)	82.6%	77.3%	74.6%	79.6%	79.3%	79.4%	83.4%	84.6%	84.5%
Non-performing loan ratio	0.8%	0.7%	0.8%	0.8%	1.2%	1.0%	1.2%	1.2%	1.2%
Loan-loss-reserves (LLR)	401.8%	317.4%	320.8%	385.8%	270.1%	230.3%	199.8%	212.1%	204.6%
Credit cost (annualized)	0.98%	0.88%	0.70%	0.78%	0.69%	0.28%	0.16%	0.16%	0.34%
ROAA (trailing 12m)	1.8%	1.9%	1.8%	1.9%	1.9%	1.8%	1.8%	1.9%	1.9%
ROAE (trailing 12m)	22.4%	24.2%	23.8%	23.6%	23.3%	21.7%	20.5%	20.0%	19.8%

Source: VCB, VNDIRECT RESEARCH

Steady growth in TOI attributed to solid credit growth

VCB’s performance in 3Q24 showed mixed results across income streams. Net interest income (NII) increased by 7.8% YoY, reflecting moderate growth in its lending activities. VCB’s low lending interest rates stimulated credit growth, but NIM was hurt and decreased 10 bps YoY (19 bps QoQ) to 2.9% in 3Q24. Meanwhile, non-interest income saw only a marginal increase of 2.4% YoY to VND3.2tn (USD129mn).

Well-controlled provision cost cushioned bottom line

Operating expenses (OPEX) rose by 11.9% YoY, contributing to a higher cost-to-income ratio (CIR) of 35.4% in 3Q24, up from 33.2% in 3Q23. On the other hand, provision expenses plunged by 78.2% YoY, reflecting the efforts in cost control and asset quality management of the bank. As a result, net profit in 3Q24 climbed 18% YoY to VND8.5tn (USD337mn). Accumulated for 9M24, net profit grew 6.7% YoY to VND25tn (USD1bn), completing 72% of our forecast.

Stable asset quality with ample provision buffer

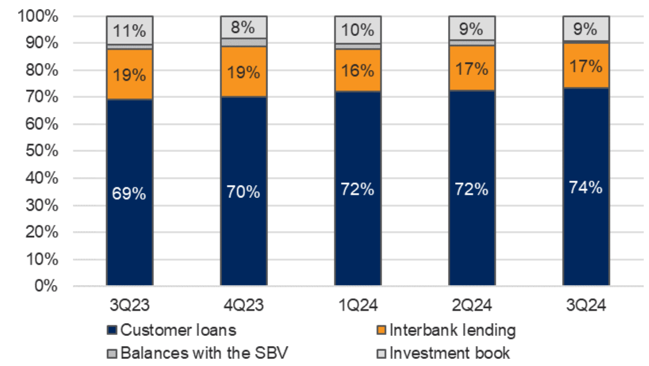
VCB’s asset quality showed stable metrics, with the NPL ratio staying flat QoQ and YoY at 1.2%, indicating a controlled level of bad loans. The ratio of group 2 loans to gross loans edged down 30bps YoY (flat QoQ) from 0.6% to 0.3%, suggesting minor increases in loans requiring close monitoring. Nevertheless, loan loss reserves remained high at 204.6%, a slight decrease from 270.1% in

3Q23, demonstrating a solid buffer for potential loan losses and reflecting prudent risk management.

Figure 4: VCB's key balance sheet KPI analysis

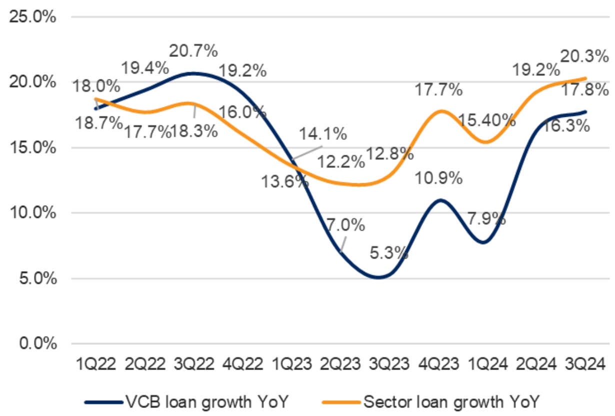
Interest-earning asset (IEA) mix: Customer lending accelerated, becoming the main driver for IEA growth

- In 3Q24, VCB's total IEA rose 0.8% QoQ (+10.8% YoY) primarily supported by 2.3% QoQ and 17.8% YoY growth in customer loans.
- Credit demand strengthened, fueled by VCB's competitive low lending rates and the revival of the manufacturing sector, as well as individual loans. Lending to the household business segment grew 2.5% QoQ (+0.9% YTD) after a solid recovery of the economy.
- Meanwhile, interbank lending and the investment portfolio remained stable compared to the prior quarter.



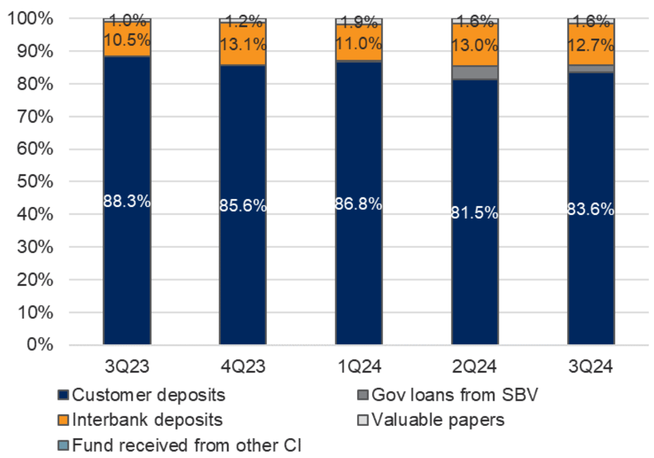
Loan growth: Keeping up the momentum

- VCB's loan book rose 17.8% YoY (+2.2% QoQ), significantly surpassing the 5.3% YoY growth recorded in 3Q23. Short-term loans, comprising 64% of the total loan portfolio, increased by 2.6% QoQ and 24.3% YoY, primarily driven by corporations' need for working capital.
- This robust lending growth can be attributed to:
  - (1) Economic recovery: By the end of September 2024, GDP expanded by 6.8% YoY, a marked improvement from the 4.4% growth seen in 9M23.
  - (2) Competitive lending rates: VCB's low lending yield of 5.6% in 3Q24, the lowest among the top 25 largest listed banks, stimulated strong credit demand.



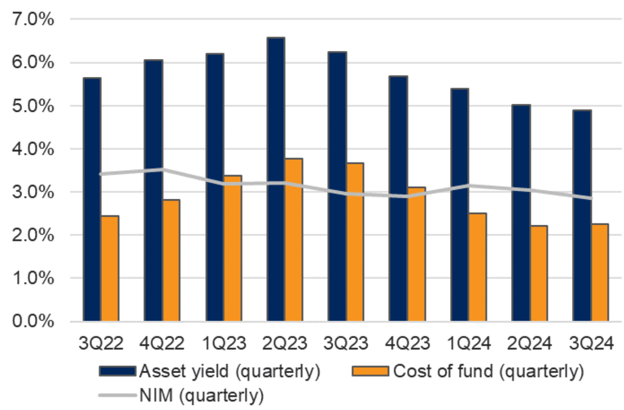
Funding mix: Customer deposits returned as the main driver

- By the end of 3Q24, total funding increased 1.4% QoQ (+12.0% YoY), driven by customer deposits.
- Customer deposits increased 4.0% QoQ (+6% YoY), improving from the previous quarter's growth rate of 2.0% QoQ. By the end of 3Q24, we estimate the LDR of VCB was at 84.5%. However, we expect VCB will not face significant difficulties in increasing customer deposits, thanks to its extensive branch network and strong brand reputation. Therefore, we anticipate that the cost of funds will not exert much pressure on NIM in FY24.
- Interbank deposits edged down 0.6% QoQ (+35.6% YoY) and valuable papers were flat compared to last quarter, accounting for 12.7% and 1.6% of total mobilization, respectively.



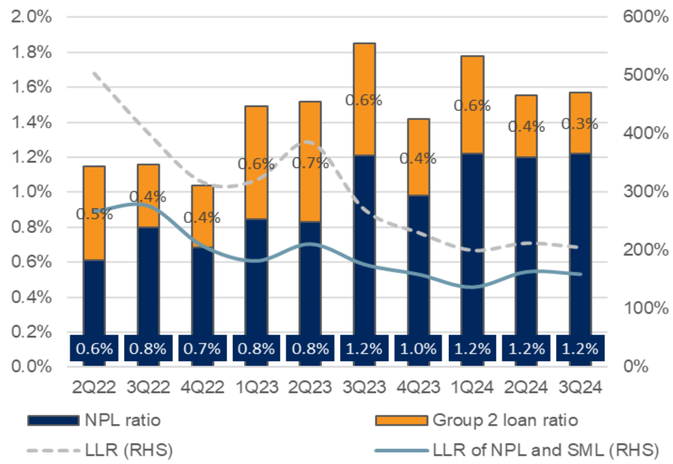
NIM performance: Continuing to slide

- Quarterly NIM dropped 19bps QoQ (-10bps YoY) to 2.86% in 3Q24, as VCB reduced its lending rate to support customers.
- Lending yield decreased 17bps QoQ (-254bps YoY) to 5.62% in 3Q24, the lowest among the top 25 listed banks. As a result, its quarterly asset yield continued to fall by 13bps QoQ (-135bps YoY) to 4.9%, the lowest level in the past three years.
- Quarterly COF inched up 5bps QoQ (-141bps YoY) as we estimate that the customer deposit interest rate moved up 17bps QoQ in 3Q24. It may be attributable to a lower CASA ratio, as the CASA rate dropped 36bps QoQ to 34.8% in 3Q24. Nevertheless, we anticipate that the CASA ratio of VCB will be around 35% by the end of the year, given the recovery in business activities of large corporates, one of the main customer segments of VCB, will generate cash flow into its current accounts.



Although the NPL ratio inched up QoQ, asset quality remained under control

- The NPL ratio in 3Q24 edged up 2bps to 1.22% (+1bps YoY), mostly due to the increase in group 5 loans (+10.7% QoQ), which accounted for 0.8% of total loans (vs 0.7% in 2Q24). Meanwhile, the group 2 loan ratio was flat QoQ (-30bps YoY).
- We anticipate that VCB can improve its NPL ratio in 4Q24 as: 1) the NPL formation rate of group 2 loans in the previous quarter has trended down since 2Q24, implying fewer group 2 loans deteriorated to group 3; and 2) VCB can write-off group 5 loans in 4Q24 thanks to its ample provision buffer.
- By the end of 3Q24, LLR decreased 7% pts QoQ (down 65% pts YoY) to 205%; however, VCB's LLR was still the highest among peers.



Source: VCB, VNDIRECT RESEARCH

FY24-25 outlook: Solid credit growth from the recovery of corporate customers

Figure 5: Earnings revision (VNDbn, unless otherwise noted)

Profit & Loss statement	Old forecasts			New forecasts			Change			Comments
	FY24E	FY25F	FY26F	FY24E	FY25F	FY26F	FY24E	FY25F	FY26F	
Net Interest Income	57,897	67,288	78,594	56,426	64,877	74,556	-2.5%	-3.6%	-5.1%	We have reduced our NIM forecast for FY24-26 by 5/4/7 bps, respectively, to reflect the slower-than-expected expansion of the retail lending book. Additionally, we anticipate that VCB will maintain low lending rates to support customers and stimulate credit growth.
Non-Interest Income	12,779	14,877	17,036	12,656	13,664	15,740	-1.0%	-8.1%	-7.6%	We reduced our projection for the annualized recovery rate to reflect a slower-than-expected recovery in the economy. We also decrease the net fee income forecast due to sluggish bancassurance segment.
Operating revenue	70,677	82,165	95,631	69,082	78,542	90,297	-2.3%	-4.4%	-5.6%	
Operating expenses	(21,203)	(24,649)	(28,689)	(21,415)	(23,562)	(27,089)	1.0%	-4.4%	-5.6%	We reduced the operating expense forecast in FY25-26F, due to lower-than-expected CIR ratio
Pre-provision profit	49,474	57,515	66,941	47,666	54,979	63,208	-3.7%	-4.4%	-5.6%	
Provision expenses	(5,656)	(6,090)	(6,089)	(4,174)	(5,303)	(6,021)	-26.2%	-12.9%	-1.1%	We lowered our forecast for provision expense, due to lower provision cost in 3Q24 and slower NPL formation rate in 3Q24
Pre-tax profit	43,818	51,426	60,853	43,492	49,676	57,187	-0.7%	-3.4%	-6.0%	
Net profit	35,095	41,188	48,739	34,834	39,787	45,802	-0.7%	-3.4%	-6.0%	
No. of shares outstanding (m)	5,589	5,589	5,589	5,589	5,589	5,589	0.0%	0.0%	0.0%	
EPS (VND/share)	5,790	6,795	8,040	5,746	6,563	7,556	-0.7%	-3.4%	-6.0%	Changes in net profit forecast mainly derives from adjustment above.

Source: VCB, VNDIRECT RESEARCH

We revised our FY24-25 earnings forecast for VCB

We reduced our FY24-FY25 EPS forecast by 0.7%/3.4%, due to the following reasons:

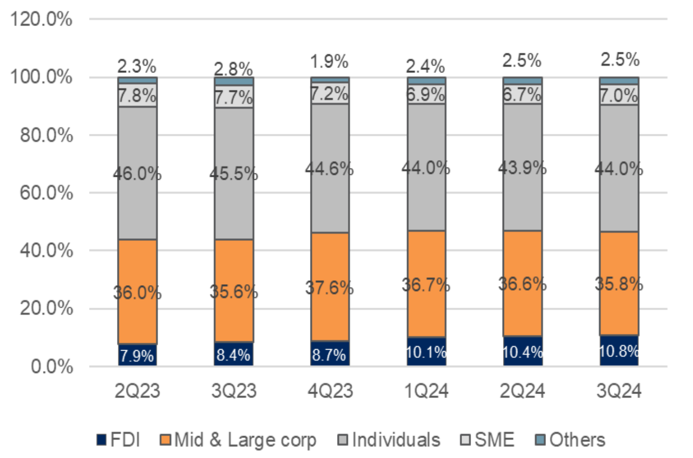
- We lowered our NIM forecast for FY24-25 as we believe VCB will maintain low lending rates to stimulate credit demand in 2H24.
- We also changed our forecast for income from bad debt recovery, as most of the bad debt was from mortgage loans with real estate as collateral. Despite the real estate sector possibly warming up in 2H24, we believe it will take time to process this collateral.

Corporate lending stayed robust, while retail lending gradually recovered

By the end of 3Q24, VCB's credit balance grew by 10.3% YTD, with a moderate increase of 2.4% QoQ following a surge of 8.1% QoQ in 2Q24. We maintain our forecast for VCB's credit growth to reach 12% for FY24, primarily driven by lending to FDI customers and the corporate segment. The FDI segment, which has expanded by 37% YTD, is one of the fastest-growing areas in VCB's loan portfolio. For 9M24, Vietnam's implemented FDI increased by 8.9% YoY, while registered FDI rose by 11.6% YoY. We expect the FDI segment to become a key driver of credit growth, particularly toward year-end, when FDI inflows typically peak.

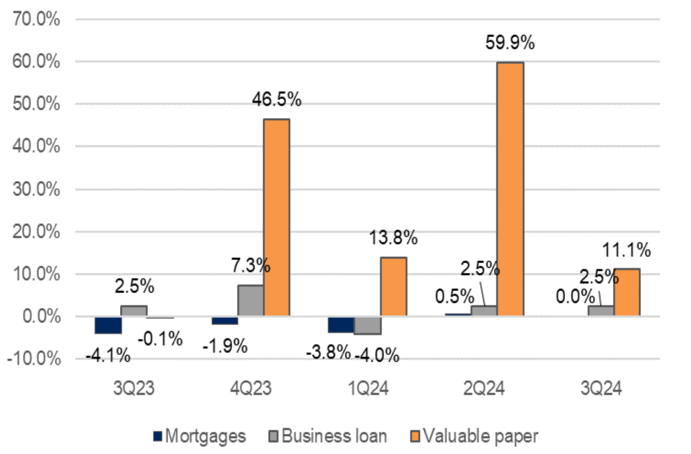
Individual lending, which accounts for 44% of the total loan book, showed slower growth of 2.5% QoQ (+8.8% YTD). We anticipate stronger expansion in the retail lending book in FY25, driven by household business loans (+2.5% QoQ, +0.9% YTD), as the economy continues on its recovery path. However, mortgage lending remains subdued and is likely to take more time to rebound, despite recent improvements in the northern real estate market. In 3Q24, mortgage lending was flat QoQ and declined by 3.3% YTD.

Figure 6: VCB is focused on lending to corporate segment with FDI as the main driver



Sources: VCB, VNDIRECT RESEARCH

Figure 7: Individual lending growth: Business lending showed steady recovery, while mortgage recovers more slowly

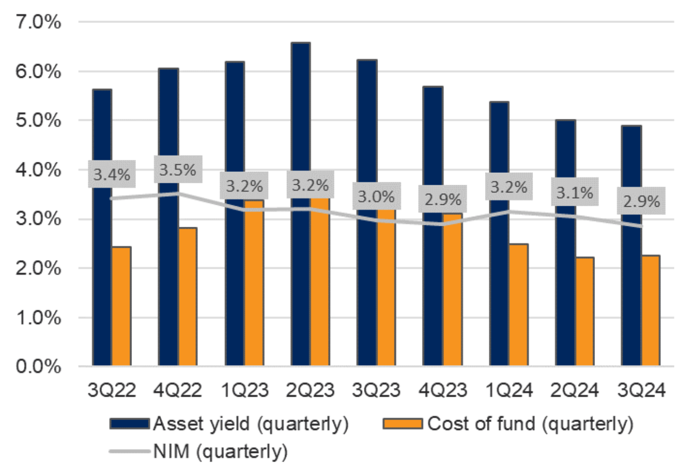


Sources: VCB, VNDIRECT RESEARCH

NIM will stay flat for FY24 and start to recover in 2025

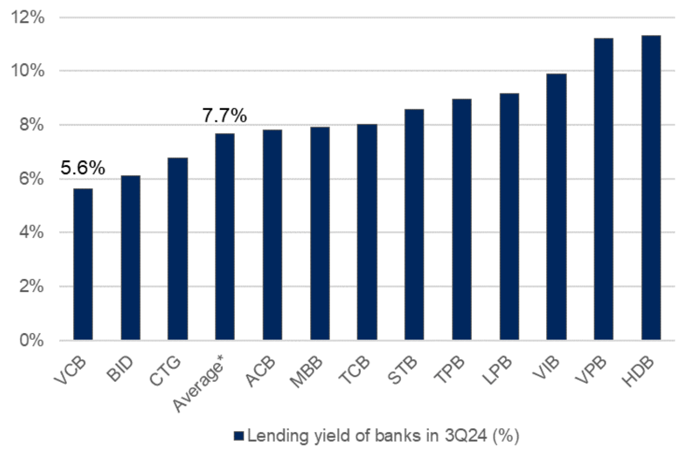
VCB's lending yield has declined since 2Q23 to reach 5.6% by end-3Q24. We expect the lending rate to remain low compared to peers in 4Q24, as VCB wants to stimulate credit growth as well as support customers who were impacted by the Typhoon Yagi.

Figure 8: VCB's NIM has declined in recent quarters



Sources: VCB, VNDIRECT RESEARCH

Figure 9: VCB's lending yield was the lowest among peers, according to our estimation



**Average of top 25 largest listed banks*

Sources: Company reports, VNDIRECT RESEARCH

Looking ahead to 2025, we anticipate a modest improvement in NIM as VCB continues to promote retail lending, particularly in the second half of the year.

Retail lending demand began to recover in 3Q24, with lending to the individual segment increasing by 2.5% QoQ (+8.8% YTD). However, we expect a delayed recovery in lending yields for 2025 due to two main factors: 1) a significant portion of VCB's loan book in 2024 is likely to consist of short-term loans, which typically generate lower yields in subsequent periods; and 2) VCB may maintain below-average lending rates to stimulate credit growth in 2025.

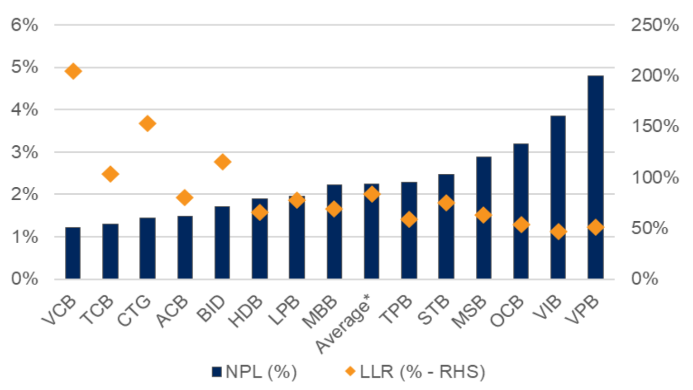
Premier asset quality thanks to well-controlled loan performance

In 3Q24, VCB's NPL ratio inched up 2bps QoQ to 1.22%. However, its NPL ratio was still the lowest in the industry, as the average NPL ratio of the sector rose by 3.4 bps QoQ. VCB showed its ability to manage loan performance as group 2, 3 and 4 loans decreased 0.5%/11.5%1.1% QoQ in 3Q24, respectively. Only group 5 loans increased, rising 10.7% QoQ. This was thanks to VBC's prudent lending strategy and the good quality of its customer lending.

VCB didn't write off any bad debt in 3Q24. Thus, there is ample room for write-offs in 4Q24, as VCB's Loan Loss Reserve (LLR) in 3Q24 was 205%, the highest in the industry. We expect the write-off rate can reach 0.3% by the end of FY24, which will bring the NPL ratio down to 1.07%.

The recent typhoon brought a mixed consequence. First, banks announced a supportive lending package to customers who got affected by the typhoon. VCB estimated that the loans affected by the typhoon accounted for 1% of total loans. Second, at the eighth session of the 15th National Assembly in November, the Governor of the State Bank of Vietnam announced that a proposal would be submitted to the Prime Minister for a Decision to maintain debt classification for typhoon-affected customers. If implemented, this measure could positively influence the monitoring and management of bank loan quality.

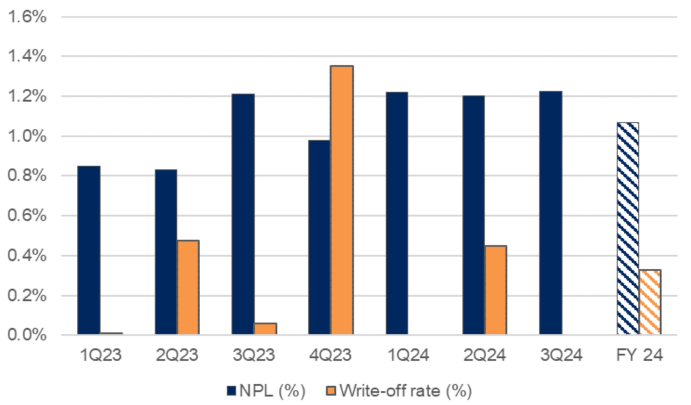
Figure 10: VCB had the lowest NPL and highest LLR in 2Q24



**Average of top 25 largest listed banks*

Sources: Company reports, VNDIRECT RESEARCH

Figure 11: VCB wrote off aggressively in 4Q23 and we expect to see the same trend this year



Sources: VCB, VNDIRECT RESEARCH

Valuation: Reiterate ADD with lower target price of VND109,600

We maintain the equity risk premium at 7.78%, following the update of adjustments from NYU Stern in July 2024. We also update the risk-free rate following the 10-year Government bond yield. We combine P/B valuation and the residual income approach with an equal weight of 50% to deliver a target price of VND109,600 for VCB. We rolled our residual income model to the end of 3Q24 to reflect the smaller impact of FY24 business results in our model.

Our target P/B is 2.8x, a 230% premium to the current sector P/B of 1.2x. Over the past five years, the average spread between the P/B ratio of the industry and VCB has been 231%.

A potential upside catalyst to our target price is lower-than-expected credit cost. Downside risk comes from: 1) a higher NPL ratio than expected; and 2) lower-than-expected non-interest fee income growth.

Figure 12: Residual income valuation, based on our estimates

General assumptions	**4Q24E**	**2025F**	**2026F**	**2027F**	**2028F**	**Terminal**
Risk free rate (10-year VGB yield)	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
Equity risk premium	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%
Beta (1 yr)	0.9	0.9	0.9	0.9	0.9	0.9
Cost of equity	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%
Long-term growth rate						3.0%
Long-run COE						9.58%
% ROE	19.0%	18.6%	18.5%	18.4%	18.4%	18.7%
Residual Income Model (in VND bn)						
RI	4,715	20,825	23,914	27,422	31,932	497,744
Discount factor	0.98	0.89	0.81	0.74	0.68	0.68
PV of RI	4,608	18,576	19,467	20,372	21,648	337,449
(in VND bn,otherwise noted)						
Opening shareholders' equity	190,297					
PV of residual income (5 years)	84,670					
PV of terminal value	337,449					
Implied Equity value	612,416					
No.of o/s shares (m shares)	5,589					
Implied value per share (VND/share)	**109,573**					

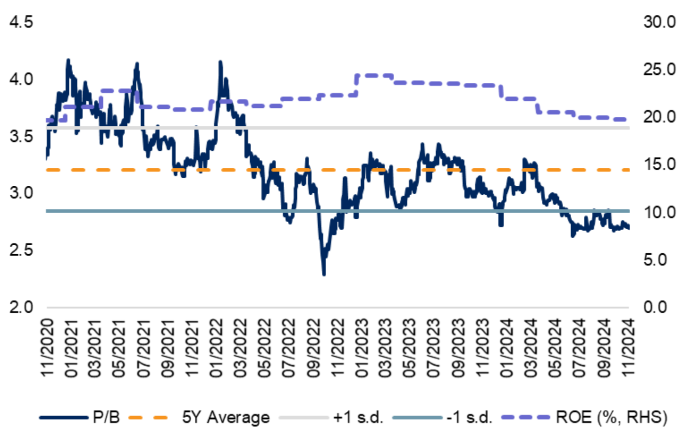
Source: VNDIRECT RESEARCH

Figure 13: Target price calculation

Approach	**Weight**	**Fair value (VND/share)**	**Contribution (VND/share)**
Residual income	50%	109,348	54,674
P/BV multiple (at 2.8x FY24 - 25F BVPS)	50%	109,939	54,969
Target price (VND/share)			109,644
Target price (VND/share, rounded)			**109,600**

Source: VNDIRECT RESEARCH

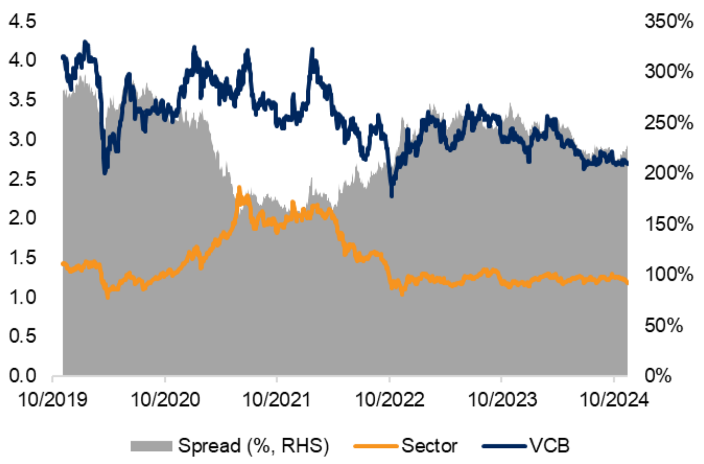
Figure 14: VCB price to book ratio compared to historical data



Data as of 11/19/2024

Sources: Bloomberg, VNDIRECT RESEARCH

Figure 15: VCB price to book ratio compared to sector average



Data as of 11/19/2024

Sources: Bloomberg, VNDIRECT RESEARCH

Figure 16: Vietnam bank comparison (price as of 11/19/2024)

Banks	Bloomberg Code	Market cap	NIM (%)		NPL (%)		P/B (x)		P/E (x)		3-yr Forward EPS CAGR	ROA (%)		ROE (%)	
		(USDmn)	TTM	FY24F	TTM	FY24F	TTM	FY24F	TTM	FY24F	%	TTM	FY24F	TTM	FY24F
VietinBank	CTG VN	6,978.4	3.0%	2.9%	1.3%	1.4%	1.3	1.2	8.2	8.9	26.5%	1.0%	1.1%	16.5%	16.8%
Bank for Investment and Development of Vietnam JSC	BID VN	10,090.4	2.5%	2.3%	1.5%	1.5%	1.9	1.8	11.0	11.9	29.1%	1.0%	1.0%	18.9%	18.8%
Vietnam Prosperity JSC Bank	VPB VN	5,811.3	5.9%	5.8%	4.8%	4.4%	1.1	1.0	11.2	9.6	45.8%	1.6%	1.7%	10.8%	11.1%
Techcombank	TCB VN	6,200.5	4.3%	4.1%	1.1%	0.9%	1.1	1.1	7.0	6.9	25.0%	2.6%	2.5%	16.8%	16.0%
Military Commercial Joint Stock Bank	MBB VN	4,858.3	4.5%	4.7%	2.5%	1.5%	1.2	1.1	5.7	6.1	9.3%	2.3%	2.2%	22.0%	21.2%
Asia Commercial Joint Stock Bank	ACB VN	4,274.2	4.0%	3.9%	1.5%	1.3%	1.4	1.3	6.7	6.3	12.6%	2.3%	2.2%	22.3%	22.3%
HD Bank	HDB VN	2,810.0	6.2%	5.1%	2.2%	1.8%	1.4	1.3	5.5	5.5	19.9%	2.3%	2.0%	28.1%	26.2%
Vietnam International JSB	VIB VN	2,123.4	4.2%	3.8%	3.6%	3.5%	1.4	1.2	7.6	7.0	13.5%	1.9%	1.8%	21.4%	18.1%
Tien Phong Commercial JSB	TPB VN	1,638.6	4.2%	4.1%	2.2%	1.9%	1.1	1.1	8.6	6.4	10.6%	1.3%	1.6%	14.2%	16.7%
LPBank	LPB VN	3,142.4	3.3%	3.3%	1.4%	1.1%	2.0	1.9	8.3	9.5	7.8%	2.4%	2.0%	28.8%	21.8%
Sacombank	STB VN	2,383.1	3.8%	4.1%	2.3%	3.0%	1.2	1.1	6.9	5.5	29.2%	1.3%	1.5%	18.4%	21.3%
Orient Commercial JSB	OCB VN	1,009.9	2.7%	3.3%	2.9%	2.5%	0.8	0.8	11.7	7.1	14.3%	0.9%	1.4%	7.4%	12.0%
Average			*4.0%*	*3.9%*	*2.2%*	*2.0%*	*1.4*	*1.3*	*8.7*	*8.2*	*19.4%*	*1.8%*	*1.7%*	*18.9%*	*18.5%*
Vietcombank	**VCB VN**	**20,138.7**	**3.0%**	**3.0%**	**1.2%**	**1.1%**	**2.7**	**2.5**	**14.8**	**15.9**	**8.6%**	**1.9%**	**1.8%**	**19.8%**	**18.9%**

Source: Bloomberg, VNDIRECT RESEARCH

Income statement

Income Statement							
(VNDbn)	2019A	2020A	2021A	2022A	2023A	2024E	2025F
Net Interest Income	34,577	36,285	42,400	53,246	53,621	56,426	64,877
Non-Interest Income	11,153	12,777	14,324	14,836	14,103	12,939	14,128
Net Operating Income	**45,730**	**49,063**	**56,724**	**68,083**	**67,723**	**69,365**	**79,005**
Operating Expenses	15,818	16,038	17,574	21,251	21,915	21,503	23,701
Pre-Provision Profit	29,913	33,024	39,149	46,832	45,809	47,862	55,303
Provision expense	15,818	16,038	17,574	21,251	21,915	21,503	23,701
Profit Before Tax	23,122	23,050	27,389	37,368	41,244	43,687	50,000
Net Profit After Tax	**18,511**	**18,451**	**21,919**	**29,899**	**33,033**	**34,990**	**40,046**

Balance sheet

Balance Sheet							
(VNDbn)	12-19A	12-20A	12-21A	12-22A	12-23A	12-24E	12-25F
Cash & Deposits with SBV	48,561	48,235	40,822	111,063	72,609	70,460	73,371
Interbank Loans	249,470	267,970	225,765	313,637	335,616	325,548	345,081
Securities	169,772	159,485	173,546	197,753	148,388	173,614	190,975
Loans to Customers	**724,290**	**820,545**	**934,774**	**1,120,287**	**1,241,675**	**1,394,388**	**1,580,110**
Gross Loans	734,707	839,788	960,750	1,145,066	1,270,359	1,422,802	1,607,766
Provision	(10,417)	(19,243)	(25,976)	(24,779)	(28,684)	(28,414)	(27,657)
Net Fixed Assets	9,175	10,778	10,972	10,179	9,933	10,848	12,094
Other Assets	21,451	19,216	28,794	60,896	31,002	33,847	37,736
Total Assets	**1,222,719**	**1,326,230**	**1,414,673**	**1,813,815**	**1,839,223**	**2,008,705**	**2,239,367**
Payables to the Government & SBV	92,366	41,177	9,468	67,315	1,671	36,758	40,434
Interbank Deposits	73,617	103,584	109,758	232,511	213,842	224,534	269,441
Customer Deposits	928,451	1,032,114	1,135,324	1,243,468	1,395,695	1,451,522	1,596,675
Valuable Papers	21,384	21,240	17,388	25,338	19,913	27,081	36,830
Other Liabilities	26,018	34,021	33,618	109,537	39,560	68,148	65,258
Total Liabilities	**1,141,836**	**1,232,135**	**1,305,555**	**1,678,169**	**1,670,680**	**1,808,044**	**2,008,638**
Equity	37,089	37,089	37,089	47,325	55,891	55,891	55,891
Reserves	12,186	14,926	18,173	22,557	22,562	22,562	22,562
Retained Earnings	26,055	36,650	48,434	60,733	85,174	117,292	147,359
Non-Controlling Interests	83	85	87	88	94	94	94
Total Owners' Equity	**80,883**	**94,095**	**109,117**	**135,646**	**168,543**	**200,661**	**230,728**
Total Liabilities and Owners' Equity	**1,222,719**	**1,326,230**	**1,414,673**	**1,813,815**	**1,839,223**	**2,008,705**	**2,239,367**

Key ratios

Key Ratios

	2019A	2020A	2021A	2022A	2023A	2024E	2025F
Valuation ratios							
Price to book	6.53	5.61	4.84	3.89	3.13	2.63	2.29
Dividend yield	0.9%	0.9%	0%	1.3%	0%	3%	0%
Dividend Payout Ratio	28%	28%	0%	25%	0%	0%	0%
EPS (VND)	2,822	2,868	3,552	4,751	5,449	5,746	6,580
Growth Rates							
Credit YoY	16.2%	13.0%	14.6%	19.5%	10.7%	12.0%	13.0%
Deposits YoY	15.8%	11.2%	10.0%	9.5%	12.2%	4.0%	10.0%
Net Interest Income YoY	21.7%	4.9%	16.9%	25.6%	0.7%	5.2%	15.0%
Non Interest Income YoY	2.6%	14.6%	12.1%	3.6%	-4.9%	-10.3%	9.4%
TOI YoY	16.4%	7.3%	15.6%	20.0%	-0.5%	2.0%	13.9%
Net Profit YoY	26.7%	-0.3%	18.8%	36.4%	10.5%	5.5%	14.5%
Profitabilty Ratios							
NIM	3.1%	2.9%	3.2%	3.4%	3.0%	3.0%	3.1%
Cost to Income ratio (CIR)	34.6%	32.7%	31.0%	31.2%	32.4%	31.0%	30.0%
Operating Profit Margin (PPOP Margin)	65.4%	67.3%	69.0%	68.8%	67.6%	69.0%	70.0%
Net Profit Margin	40.5%	37.6%	38.6%	43.9%	48.8%	50.4%	50.7%
ROAA	1.6%	1.4%	1.6%	1.9%	1.8%	1.8%	1.9%
ROEA	25.9%	21.1%	21.6%	24.4%	21.7%	18.9%	18.5%
Asset Quality							
Group 2 Ratio	0.3%	0.3%	0.4%	0.4%	0.4%	0.4%	0.4%
Group 2 Formation YoY	-200.7%	-104.6%	-516.0%	-540.1%	-499.8%	144.8%	-80.0%
NPL Ratio	0.8%	0.6%	0.6%	0.7%	1.0%	1.1%	1.0%
NPL Formation YoY	-0.4%	-45.3%	53.7%	52.1%	99.4%	-31.1%	3.3%
Write-off Ratio (Including Loans Sold to VAMC)	0.7%	0.4%	0.3%	0.3%	0.5%	0.3%	0.4%
Loan Loss Reserves (LLR)	179.5%	368.0%	424.4%	317.4%	230.3%	187.2%	167.5%
Liquidity and Solvency Ratios							
LDR (Loans to Deposits Ratio)	82.2%	81.6%	85.1%	83.5%	84.1%	83.5%	84.5%
Leverage Ratios							
Equity/Assets	6.6%	7.1%	7.7%	7.5%	9.2%	10.0%	10.3%

DISCLAIMER

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.

Barry Weisblatt – Head of Research
Email: barry.weisblatt@vndirect.com.vn

Chien Vo Minh – Manager
Email: chien.vominh@vndirect.com.vn

Phuong Tran Kim – Analyst
Email: phuong.trankim@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