

19 Nov 2024

Vietcombank (VCB)

Maintaining asset quality

- Corporate and retail led credit growth
- Higher credit disbursement and best-in-class risk management
- Maintain a BUY rating

Facts: Strong profit growth from the bottom

- 3Q24 PBT rallied +18.2% yoy/+5.8%qoq to VND10.7tn thanks to (1) maintained operating incomes (+6.7%yoy/+0.5%qoq) and (2) a decrease in provision risk expenses (-78.2% yoy/ -78.5%qoq).
- Accumulated 9M24 PBT posted VND31.5tn, up +6.7%yoy, equaling 73% of the 2024 target and 70% of KIS estimation. Our estimation was higher than the actual number due to higher operating incomes.
- 3Q24 interest incomes rose by +7.8%yoy/-2.4%qoq from a low base 3Q23. Credit growth surged from 2Q24's +7.7% YTD to 3Q24's +10.2% YTD, higher than 3Q23's 3.8%YTD. 3Q24 Corporate loans grew strongly by +11.4%YTD and retail loans recovered to 3Q24's +10.5% YTD. Retail loans focused on business loans, loans secured by valuable paper, and consumption loans while waiting for the mortgage segment to recover.
- Lower NIM (3Q24's 2.9%/ 2Q24's 3.1%/ 3Q23's 3.0%) resulted from (1) reducing interest rates to support customers and (2) lending more corporate loans.
- 9M24 Non-interest incomes were not bright for key income sources such as bancassurance, FX, etc.
- 3Q24 Operating expenses surged by +11%yoy due to higher administration costs (+38%yoy), leading to higher CIR from 3Q23's 33% and 2Q24's 31% to 3Q24's 35%.
- VCB kept its best-in-class asset quality. NPL (3-5 group)/NPL (2-5 group) maintained from 1.2%/1.6% in 2Q24 to 1.22%/1.6% in 3Q24, belonging to the lowest ratio in the industry. 3Q24 Restructured loans under circular 02/2023-NHNN were low, accounting for 0.01% of total loans.
- NPL from the corporate segment fell from 2Q24's 1.48% to 3Q24's 1.36%, while NPL from the retail segment rose from 2Q24's 0.9% to 3Q24's 1.1%. Sectors with higher bad-debt ratios included Oil&Gas, construction, materials, and hospitality. LLCR slightly fell from 2Q24's 212% to 3Q24's 205%.

12M rating **BUY (maintain)**

12M TP **109,000** from 91,700

Up/Downside +19%

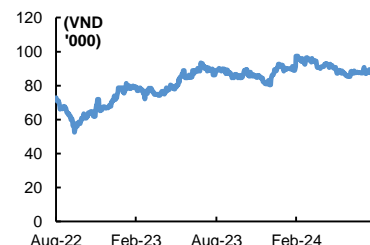
Stock Data

VNIndex (Nov 18, pt)	1,217
Stock price (Nov 18, VND)	91,700
Market cap (USD mn)	20,162
Shares outstanding (mn)	5,589
52-Week high/low (VND)	97,400/80,300
6M avg. daily turnover (USD mn)	5.71
Free float / Foreign ownership (%)	25.2/23.4
Major shareholders (%)	
SBV	63.3
Mizuho	12.7
GIC	2.16

Performance

	1M	6M	12M
Absolute (%)	0.0	-0.1	0.0
Relative to VNIndex (%)	0.0	-0.1	0.0

Stock price trend



Source: Bloomberg

Research Dep

researchdept@kisvn.vn

Pros & Cons: Higher credit disbursement and best-in-class risk management

- Corporate loans and retail could continue to expand in 4Q24, exceeding 4Q23. The management expects large corporations and national projects (transportation, infrastructure, depot, and engineering areas) to drive corporate credit growth.
- Better market conditions could keep higher demand for retail loans in 4Q24. 4Q24 NIM could remain the same as 3Q24 with stability in the costs of funds
- Non-performing loans and credit costs could continue to keep the top lowest ratios in the industry and large provision buffers with high LLCR.

Action: Confirmed BUY with a target price of VND109,000

We maintain BUY with a TP of 109,000, implying a +19% upside. Better business circumstances could allow VCB to have moderate growth in 2024F. In addition to the retail segment's revival, VCB's solid risk management could relieve pressure on risk provision expenses.

Table 1. Earnings trend and outlook

Unit: VNDbn, %

	2023				2024				2023	2024F	3Q24	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			qoq	yoy
Loans to customers and corporate bonds	1,184,859	1,188,232	1,200,276	1,280,733	1,276,727	1,379,829	1,411,059		1,280,733	1,458,823	2.3	17.6
% growth (ytd)	2.5	2.7	3.8	10.7	(0.3)	7.7	10.2		10.7	13.9	-	-
Loans to customers	1,174,081	1,177,728	1,189,831	1,270,359	1,266,478	1,369,645	1,401,152		1,270,359	1,447,931	2.3	17.8
NPL (3-5 group)	9,942	9,783	14,393	12,455	15,459	16,446	17,133		12,455	14,196	4.2	19.0
NPL ratio (% , %p)	0.85	0.83	1.21	0.98	1.22	1.20	1.22		0.98	0.98	0.0	0.0
NPL (2-5 group)	17,485	17,863	22,051	18,015	22,502	21,322	21,983		18,015	20,533	3.1	(0.3)
NPL ratio (% , %p)	1.49	1.52	1.85	1.42	1.78	1.56	1.57		1.4	1.4	0.0	(0.3)
Loan loss coverage (% , %p)	321	386	270	230	200	212	205		230	215	(7.5)	(65.4)
VAMC	-	-	-	-	-	-	-		-	-	-	-
Deposit from customers and bond	1,308,826	1,343,178	1,364,285	1,415,607	1,377,231	1,401,585	1,456,972		1,415,607	1,574,215	4.0	6.8
Deposit from customers	1,281,488	1,326,854	1,349,007	1,395,695	1,347,326	1,374,683	1,430,071		1,395,695	1,550,951	-	-
% growth (ytd)	3.2	5.9	7.5	11.6	(2.7)	(1.0)	2.9		11.6	11.2	4.0	6.0
CASA (%)	29.5	29.0	30.3	33.9	33.8	34.2	33.5		33.9	36.1	(0.7)	3.2
Total assets	1,846,431	1,704,273	1,731,306	1,839,223	1,773,714	1,905,639	1,932,362		1,839,223	2,105,925	1.4	11.6
Total equity	144,565	151,903	159,139	168,449	173,514	181,597	190,186		168,449	201,682	4.7	19.5
Total operating income	18,517	17,470	15,777	15,959	17,280	16,752	16,836		67,723	73,551	0.5	6.7
Net interest income	14,203	14,021	12,596	12,801	14,078	13,908	13,578		53,621	58,382	(2.4)	7.8
NIM (% , %p)	3.2	3.3	3.0	2.9	3.2	3.1	2.9		3.0	3.4	(0.2)	(0.1)
Non-interest income	4,314	3,450	3,181	3,158	3,202	2,844	3,258		14,103	15,169	14.6	2.4
Net commission income	3,162	3,103	2,472	2,703	2,639	2,660	2,619		11,440	12,527	(1.5)	6.0
Gains on investment securities	69	89	188	44	55	160	84		391	304	(47.1)	(55.2)
Other non-interest income	1,083	258	521	410	508	24	555		2,272	2,338	2,174.2	6.5
Provision for credit losses	2,022	2,536	1,494	(1,487)	1,508	1,514	326		4,565	6,749	(78.5)	(78.2)
Net operating revenue	16,496	14,934	14,284	17,446	15,772	15,238	16,510		63,159	66,802	8.3	15.6
SG&A	5,274	5,656	5,233	5,752	5,054	5,122	5,811		21,915	22,065	13.5	11.1
CIR (%)	28.5	32.4	33.2	36.0	29.2	30.6	34.5		32.4	30.0	3.9	1.4
Pre-provision earnings	13,243	11,814	10,545	10,207	12,226	11,630	11,025		45,809	51,485	(5.2)	4.5
EBT	11,221	9,278	9,051	11,693	10,718	10,116	10,699		41,244	44,737	5.8	18.2
Net profit	8,992	7,428	7,275	9,360	8,586	8,125	8,572		33,054	35,789	5.5	17.8
Controlling-int. NP	8,986	7,423	7,269	9,355	8,580	8,119	8,567		33,033	35,766	5.5	17.9

Source: FiiiproX, VCB, KIS Research

Balance sheet

(VND tn)

	2021A	2022A	2023A	2024F	2025F
Total assets	1,415	1,814	1,839	2,106	2,394
Gross IEAs	1,386	1,760	1,818	2,085	2,370
Loans and corp bonds	973	1,156	1,281	1,459	1,707
Household					
Corporate					
Dep't and loans to FIs	318	409	396	474	498
Dep't to SBV and G-bond	95	195	141	152	165
VAMC bond	-	-	-	-	-
NIEAs	59	90	56	58	64
Others	30	36	35	37	39
Total liabilities	1,306	1,678	1,671	1,904	2,153
Deposits	1,135	1,243	1,396	1,551	1,766
Debentures	17	25	20	23	35
Dep't and loans from FIs	110	233	214	225	236
Loans from Gov't and SBV	9	67	2	71	74
Other liabilities	34	110	40	35	42
Total equities	109	136	168	202	241
Controlling interests	109	136	168	202	241
Capital stock	37	47	56	56	56
Capital surplus	5	5	5	5	5
Other reserves	18	23	23	28	33
Retained earnings	48	61	85	112	146
OCI	0	(0)	(0)	1	1
Minority interest	0	0	0	0	0

Key financial data

	2021A	2022A	2023A	2024F	2025F
Profitability and efficiency (%)					
ROE	21.6	24.4	21.7	19.3	19.5
ROA	1.6	1.9	1.8	1.8	1.9
NIM	3.2	3.4	3.0	3.0	3.4
Asset yield	5.3	5.6	6.1	4.9	5.8
Cost of fund	2.3	2.5	3.4	2.0	2.6
Cost-income ratio	31.0	31.2	32.4	30.0	30.0
Credit cost	1.3	0.9	0.4	0.5	0.7
Growth (%)					
Net profit of controlling interest	18.8	36.4	10.5	8.3	20.4
Pre-provision earnings	18.5	19.6	-2.2	12.4	26.5
Credit growth	15.1	18.8	10.7	13.9	17.0
Total assets	6.7	28.2	1.4	14.5	13.7
Asset quality (%)					
NPL ratio	0.6	0.7	1.0	1.0	0.7
NPL coverage ratio	424.4	316.9	230.3	215.1	287.7
Loan to deposit	77.4	77.6	79.6	82.1	84.7
Capital adequacy (%)					
CAR ratio	10.4	10.2	12.2	12.5	13.3
CET1 ratio	N/A	N/A	N/A	N/A	N/A
Tier 1 ratio	9.2	9.1	11.1	11.6	12.2

Income statement

(VND tn)

	2021A	2022A	2023A	2024F	2025F
Total operating income	57	68	68	74	93
Net interest income	42	53	54	58	75
Interest income	71	88	108	94	128
Interest cost	28	35	55	36	53
Non-interest income	14	15	14	15	18
Net commission income	12	13	11	13	14
Gains on investment securities	0	0	0	0	0
Other non-interest income	2	2	2	2	3
Provision for credit losses	12	9	5	7	11
Net operating revenue	45	59	63	67	82
SG&A	18	21	22	22	28
Employee benefits	10	11	12	-	-
Pre-provision earnings	39	47	46	51	65
Earnings before tax	27	37	41	45	54
Tax	5	7	8	9	11
Tax rate (%)	0	0	0	0	0
Continuing operations profit	19	28	31	34	40
Reversals of written-off loans	3	2	2	2	3
Net profit	22	30	33	36	43
Net profit of controlling interest	22	30	33	36	43

Valuation

	2021A	2022A	2023A	2024F	2025F
Per share (VND, adj.)					
BPS	19,508	24,254	25,520	36,068	43,089
EPS	3,491	4,896	4,471	5,770	7,021
DPS	0	0	0	0	0
Valuation (x)					
PB	4.7	3.8	3.6	2.5	2.1
PE	26.3	18.7	20.5	15.9	13.1
P/PPE	13.1	10.9	13.2	10.0	7.9
Dividend yield (%)	1.3	0.0	0.0	0.0	0.0
Dividend payout ratio (%)	0.0	0.0	0.0	0.0	0.0
ROE analysis (%)					
ROE	21.6	24.4	21.7	19.3	19.5
Leverage(x)	13.0	13.4	10.9	10.4	9.9
IEAs to total assets	95.9	95.1	97.0	97.3	97.4
Net income to IEAs	1.6	1.7	1.8	1.7	1.8
Net interest income to IEAs	3.1	3.0	2.9	2.8	3.2
Non-interest income to IEAs	1.0	0.8	0.8	0.7	0.7
Credit cost to IEAs	0.8	0.5	0.3	0.3	0.5
SG&A to IEAs	1.3	1.2	1.2	1.1	1.2

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