

25 Feb 2025

Vietcombank (VCB)

Strengthening credit growth

- Diminished profit growth, but stronger credit growth
- Moderate profit growth in 1Q25F
- Maintain a BUY rating

Facts: Diminished profit growth

- 4Q24 PBT was down -8.5%yoy to VND10.7tn due to absence of provision reversal as in 4Q23. Otherwise, some items contributed to the 4Q24 profit: Net interest incomes (+8.1%yoy), other incomes (+213%yoy), low provision risk expenses (only VND32bn), compensating with net fee incomes (-6%yoy) and higher operating expenses (+22.4%yoy).
- Accumulated 2024 PBT posted VND42.2tn, up +2.4%yoy, equaling 98% of the 2024 target and 94% of KIS estimation. Our estimation was lower than the actual number due to lower estimated operating incomes and higher estimated operating expenses.
- Credit growth rose from 10.2%YTD in 3Q24 to 13.9%YTD in 4Q24, higher than 10.7%YTD in 4Q23. Corporate loans grew strongly by +16%YTD in 4Q24 and retail loans recovered to +12% YTD in 4Q24. Retail loans focused on business loans, loans secured by valuable paper, and others, while the mortgage segment remarkably started to recover in 4Q24.
- 4Q24 NIM fell slightly from 2.93% in 4Q23, 2.89% in 3Q24 to 2.82% in 4Q24, resulting from (1) reducing interest rates to support customers and (2) lending more corporate loans. Overall, 2024 NIM dropped from 3.02% in 2023 to 2.88% in 2024.
- Other incomes from bad debt recovery drove non-interest incomes in 2024, while net fee incomes remained grey tone across segments: domestic payment, cards, trade finance, and insurance.
- 4Q24 Operating expenses surged by +22.4%yoy as seasonal events mainly due to higher administration costs (+125%yoy), leading to higher CIR from 36% in 4Q23 to 40% in 4Q24. Overall, 2024 operating expenses were manageable, only up 5%yoy.
- VCB kept its best-in-class and improved asset quality. NPL (3-5 group)/NPL (2-5 group) maintained from 1.22%/1.6% in 3Q24 to 0.96%/1.2% in 4Q24, belonging to the lowest ratio in the industry. In 4Q24, restructured loans under circular 02/2023-NHNN were low, accounting for 0.01% of total loans, and there was no balance under Circular 53/2024/TT-NHNN (Typhoon Yagi).

12M rating **BUY (maintain)**

12M TP **112,000** from 93,500

Up/Downside +20%

Stock Data

VNIndex (24 Feb , pt)	1,305
Stock price (24 Feb , VND)	93,500
Market cap (USD mn)	20,358
Shares outstanding (mn)	5,589
52-Week high/low (VND)	97,400/85,200
6M avg. daily turnover (USD mn)	5.48
Free float / Foreign ownership (%)	11.0/22.8
Major shareholders (%)	
SBV	74.8
Mizuho	15
GIC	2.2

Performance

	1M	6M	12M
Absolute (%)	1.0	1.6	5.2
Relative to VNIndex (%p)	(2.2)	(0.3)	(2.5)

Stock price trend



Source: Bloomberg

Research Dep

researchdept@kisvn.vn

- Improvement NPLs across segments: the corporate segment fell from 1.36% in 3Q24 to 1.1% in 4Q24; the retail segment slipped down from 1.0% in 3Q24 to 0.8% in 4Q24. LLCR slightly rose from 205% in 3Q24 to 223% in 4Q24.

Pros & Cons: Moderate profit growth in 1Q25F

- Credit growth in 1Q25F is projected to increase, driven by corporate and retail loans, particularly mortgages, continuing the 4Q24 recovery. 2025F credit growth could be higher than 2024 thanks to the demand recovery from all segments and enhancing loan support for key national projects of public investments. Some large corporations and national projects, including transportation, infrastructure, depot, and engineering areas, could drive corporate credit growth. 1Q25F NIM may remain pressured due to slow asset yield recovery
- 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 VND112,000

We maintain BUY with a TP of 112,000, implying a +20% upside. Better business circumstances could allow VCB to have higher growth in 2025F given by higher credit growth, improvement in NIM, non-interest income recovery, and controllable non-performing loans.

Table 1. Earnings trend and outlook

Unit: VNDbn, %

	2023		2024				2023		2024	2025F	4Q24	
	3Q	4Q	1Q	2Q	3Q	4Q				qoq	yoy	
Loans to customers and corporate bonds	1,200,276	1,280,733	1,276,727	1,379,829	1,411,059	1,458,377	1,280,733	1,458,377	1,700,498	3.4	13.9	
% growth (ytd)	3.8	10.7	(0.3)	7.7	10.2	13.9	10.7	13.9	16.6			
Loans to customers	1,189,831	1,270,359	1,266,478	1,369,645	1,401,152	1,449,220	1,270,359	1,449,220	1,692,415	3.4	14.1	
NPL (3-5 group)	14,393	12,455	15,459	16,446	17,133	13,964	12,455	13,964	13,174	(18.5)	12.1	
NPL ratio (% , %p)	1.21	0.98	1.22	1.20	1.22	0.96	0.98	0.96	0.78			
NPL (2-5 group)	22,051	18,015	22,502	21,322	21,983	17,899	18,015	17,899	19,208	(18.6)	(0.6)	
NPL ratio (% , %p)	1.85	1.42	1.78	1.56	1.57	1.24	1.4	1.2	1.1			
Loan loss coverage (% , %p)	270	230	200	212	205	223	230	223	286			
VAMC	-	-	-	-	-	-	-	-	0			
Deposit from customers and bond	1,364,285	1,415,607	1,377,231	1,401,585	1,456,972	1,538,790	1,415,607	1,538,790	1,750,524			
Deposit from customers	1,349,007	1,395,695	1,347,326	1,374,683	1,430,071	1,514,665	1,395,695	1,514,665	13.8			
% growth (ytd)	7.5	11.6	(2.7)	(1.0)	2.9	8.7	11.6	8.7	1,723,080	5.9	8.5	
CASA (%)	30.3	33.9	33.8	34.2	33.5	35.8	33.9	35.8	37.8	-	-	
Total assets	1,731,306	1,839,223	1,773,714	1,905,639	1,932,362	2,085,397	1,839,223	2,085,397	2,335,938	7.9	13.4	
Total equity	159,139	168,449	173,514	181,597	190,186	198,860	168,449	198,955	233,223	4.6	18.1	
Total operating income	15,777	15,959	17,280	16,752	16,836	17,711	67,723	68,578	81,911	5.2	11.0	
Net interest income	12,596	12,801	14,078	13,908	13,578	13,842	53,621	55,406	66,984	1.9	8.1	
NIM (% , %p)	3.0	2.9	3.2	3.1	2.9	2.8	3.0	3.4	3.43			
Non-interest income	3,181	3,158	3,202	2,844	3,258	3,868	14,103	13,173	14,927	18.7	22.5	
Net commission income	2,472	2,703	2,639	2,660	2,619	2,510	11,440	10,428	12,417	(4.2)	(7.1)	
Gains on investment securities	188	44	55	160	84	74	391	373	456	(12.8)	66.0	
Other non-interest income	521	410	508	24	555	1,285	2,272	2,372	2,054	131.6	213.0	
Provision for credit losses	1,494	(1,487)	1,508	1,514	326	(32)	4,565	3,315	11,168	-	(97.8)	
Net operating revenue	14,284	17,446	15,772	15,238	16,510	17,743	63,159	65,264	70,743	7.5	1.7	
SG&A	5,233	5,752	5,054	5,122	5,811	7,040	21,915	23,027	24,573	21.1	22.4	
CIR (%)	33.2	36.0	29.2	30.6	34.5	39.8	32.4	33.6	30.0	-	-	
Pre-provision earnings	10,545	10,207	12,226	11,630	11,025	10,670	45,809	45,551	57,338	(3.2)	4.5	
EBT	9,051	11,693	10,718	10,116	10,699	10,703	41,244	42,236	46,170	0.0	(8.5)	
Net profit	7,275	9,360	8,586	8,125	8,572	8,570	33,054	33,853	36,936	(0.0)	(8.4)	
Controlling-int. NP	7,269	9,355	8,580	8,119	8,567	8,565	33,033	33,831	36,912	(0.0)	(8.4)	

Source: FiinproX, VCB, KIS Research

Balance sheet

(VND tn)

	2021A	2022A	2023A	2024	2025F
Total assets	1,415	1,814	1,839	2,085	2,336
Gross IEAs	1,386	1,760	1,818	2,061	2,314
Loans and corp bonds	973	1,156	1,281	1,458	1,700
Household					
Corporate					
Dep't and loans to FIs	318	409	396	463	462
Dep't to SBV and G-bond	95	195	141	139	152
VAMC bond	-	-	-	-	-
NIEAs	59	90	56	57	60
Others	30	36	35	33	39
Total liabilities	1,306	1,678	1,671	1,886	2,103
Deposits	1,135	1,243	1,396	1,515	1,723
Debentures	17	25	20	24	27
Dep't and loans from FIs	110	233	214	235	246
Loans from Gov't and SBV	9	67	2	78	68
Other liabilities	34	110	40	35	38
Total equities	109	136	168	199	233
Controlling interests	109	136	168	199	233
Capital stock	37	47	56	56	56
Capital surplus	5	5	5	5	5
Other reserves	18	23	23	27	33
Retained earnings	48	61	85	111	139
OCI	0	(0)	(0)	(0)	1
Minority interest	0	0	0	0	0

Key financial data

	2021A	2022A	2023A	2024	2025F
Profitability and efficiency (%)					
ROE	21.6	24.4	21.7	18.4	17.1
ROA	1.6	1.9	1.8	1.7	1.7
NIM	3.2	3.4	3.0	2.9	3.1
Asset yield	5.3	5.6	6.1	4.9	5.3
Cost of fund	2.3	2.5	3.4	2.2	2.5
Cost-income ratio	31.0	31.2	32.4	33.6	30.0
Credit cost	1.3	0.9	0.4	0.2	0.7
Growth (%)					
Net profit of controlling interest	18.8	36.4	10.5	2.4	9.1
Pre-provision earnings	18.5	19.6	-2.2	-0.6	25.9
Credit growth	15.1	18.8	10.7	13.9	16.6
Total assets	6.7	28.2	1.4	13.4	12.0
Asset quality (%)					
NPL ratio	0.6	0.7	1.0	1.0	0.8
NPL coverage ratio	424.4	316.9	230.3	223.3	285.7
Loan to deposit	77.4	77.6	79.6	82.8	85.7
Capital adequacy (%)					
CAR ratio	10.4	10.2	12.2	12.6	13.1
CET1 ratio	N/A	N/A	N/A	N/A	N/A
Tier 1 ratio	9.2	9.1	11.1	11.6	12.1

Income statement

(VND tn)

	2021A	2022A	2023A	2024	2025F
Total operating income	57	68	68	69	82
Net interest income	42	53	54	55	67
Interest income	71	88	108	94	115
Interest cost	28	35	55	38	48
Non-interest income	14	15	14	13	15
Net commission income	12	13	11	10	12
Gains on investment securities	0	0	0	0	0
Other non-interest income	2	2	2	2	2
Provision for credit losses	12	9	5	3	11
Net operating revenue	45	59	63	65	71
SG&A	18	21	22	23	25
Employee benefits	10	11	12	12	-
Pre-provision earnings	39	47	46	46	57
Earnings before tax	27	37	41	42	46
Tax	5	7	8	8	9
Tax rate (%)	0	0	0	0	0
Continuing operations profit	19	28	31	30	33
Reversals of written-off loans	3	2	2	4	4
Net profit	22	30	33	34	37
Net profit of controlling interest	22	30	33	34	37

Valuation

	2021A	2022A	2023A	2024	2025F
Per share (VND, adj.)					
BPS	19,508	24,254	25,520	30,141	41,711
EPS	3,491	4,896	4,471	4,592	5,975
DPS	0	0	0	0	0
Valuation (x)					
PB	4.7	3.8	3.6	3.1	2.2
PE	26.5	18.9	20.7	20.2	15.5
P/PPE	13.2	11.1	13.3	13.4	9.0
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	18.4	17.1
Leverage(x)	13.0	13.4	10.9	10.5	10.0
IEAs to total assets	95.9	95.1	97.0	97.3	97.5
Net income to IEAs	1.6	1.7	1.8	1.6	1.6
Net interest income to IEAs	3.1	3.0	2.9	2.7	2.9
Non-interest income to IEAs	1.0	0.8	0.8	0.6	0.6
Credit cost to IEAs	0.8	0.5	0.3	0.2	0.5
SG&A to IEAs	1.3	1.2	1.2	1.1	1.1

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