

Vietcombank (VCB)

Subdued profit performance

- Lower net interest margin in 1Q25
- Flat profit growth in 1Q25
- Await the recovery in 2Q25F

Facts: Flat profit growth in 1Q25

- 1Q25 PBT was only up +1.3%yoy to VND10.86tn due to weak operating income growth (-0.1%yoy) despite lower risk provision expenses (-50.1%yoy). 1Q25 PBT equaled 94% of KIS's 1Q25 estimation. Our estimation was higher than the actual number due to higher net interest income and non-interest income. 1Q25 PBT completed 25% of the 2025 guidance and 24% of KIS's 2025 estimation.
- Net interest income in 1Q25 (-2.8%yoy) was lower due to a decrease in NIM. NIM fell slightly from 3.18% in 1Q24 and 2.82% in 4Q24 to 2.66% in 1Q25, resulting from (1) higher cost of funds and 2) being weighted towards short-term tenor.
- Credit growth rose by +1.17%YTD in 1Q25, lower than the industry's 3.93%. According to management, considering loans sold to VCBNeo, credit growth was above the industry's ratio. Corporate loans stayed flat by -0.2%YTD in 1Q25, and retail loans rose +2.9% YTD in 1Q25. Retail loans focused on loans secured by valuable paper and others, while the business and mortgage loans remained flat.
- 1Q25 Non-interest incomes grew +12%yoy thanks to FX activities (+69%yoy) and other incomes (+30.5%yoy) from bad-debt recovery, while services incomes (-44%yoy) remained grey tone across segments: Domestic payment, trade finance, and insurance.
- 1Q25 operating expenses surged by +11.8%yoy – increased uniformity in all components, leading to higher CIR from 29% in 1Q24 to 33% in 1Q25.
- NPL (3-5 group)/NPL (2-5 group) slightly rose from 0.96%/1.2% in 4Q24 to 1.03%/1.3% in 1Q25, belonging to the low ratio in the industry. NPLs across segments: The corporate and retail rose from 1.1% in 4Q24 to 1.21% in 1Q25 and from 0.83% in 4Q24 to 0.85% in 1Q25, respectively. LLCR slightly declined from 223% in 4Q24 to 216% in 1Q25.

Pros & Cons: Await the recovery in 2Q25F

- Credit growth in 2Q25F could stay high, comparable to the +7.74%YTD achieved in 2Q24, driven by corporate and retail loans. With loan transfers to VCBNeo finished in 1Q25, credit growth in 2Q25 could readily align with industry trends, thanks to a robust project pipeline. 2Q25F NIM could remain pressured due to slow asset yield recovery.

12M rating **BUY (maintain)**

12M TP **75,000** *From 57,100*
Up/Downside **+31%**

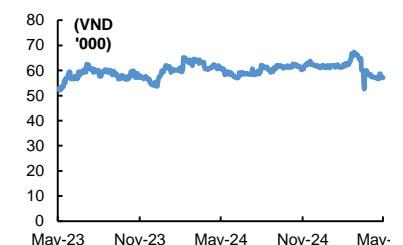
Stock Data

VNIndex (May 22, pt)	1,325
Stock price (May 22, VND)	57,100
Market cap (USD mn)	18,376
Shares outstanding (mn)	8,356
52-Week high/low (VND)	67,300/52,500
6M avg. daily turnover (USD mn)	7.31
Free float / Foreign ownership (%)	11.0/22.1
Major shareholders (%)	
SBV	74.8
Mizuho	15
GIC	2.2

Performance

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

Stock price trend



Source: Bloomberg

Research Dep

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- According to management, the 2025F credit growth target is 16.28%, higher than the 2024 rate of 13.9%, thanks to the demand recovery from both retail and corporates and enhanced loans for key national projects of public investments. Some large corporations and national projects could drive corporate credit growth. NIM could recover in the rest of the year.
- According to management, estimated customer loans are affected by tariffs equal to 10% of total loans for FDI enterprises and a small proportion for enterprises exporting directly to the US. VCB continues to follow the trends in tariff policies and expects the government's solution for better negotiation on tariffs and no change in the 2025 guidance with PBT of +3.5%yoy.
- Non-performing loans and credit costs could continue to keep the top low ratios (target below 1.5%) and large provision buffers with high LLCR, supporting earnings growth.

Action: BUY with a target price of VND75,000

We maintain BUY with a TP of 75,000 (after stock dividend with 49.5%), implying a +31% upside. Better business circumstances could allow VCB to have higher growth in 2025F, given by higher credit growth, NIM improvement in 2H25, and controllable non-performing loans. Private placement (6.5% of charter capital) has resumed and could be completed by end-2025 or early 2026 in favourable market conditions, according to management.

Table 1: Earnings trend and outlook

Unit: VNDbn, %

	2024					2025				2024	2025F	qoq	1Q25 yoy
	1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q				
Loans to customers and corporate bonds	1,276,727	1,379,829	1,411,059	1,458,377	1,475,423					1,458,377	1,700,498	1.2	15.6
% growth (ytd)	(0.3)	7.7	10.2	13.9	1.2					13.9	16.6	-	-
Loans to customers	1,266,478	1,369,645	1,401,152	1,449,220	1,466,391					1,449,220	1,692,415	1.2	15.8
NPL (3-5 group)	15,459	16,446	17,133	13,964	15,036					13,964	13,174	7.7	(2.7)
NPL ratio (% , %p)	1.22	1.20	1.22	0.96	1.03					0.96	0.78	-	-
NPL (2-5 group)	22,502	21,322	21,983	17,899	19,306					17,899	19,208	7.9	(14.2)
NPL ratio (% , %p)	1.78	1.56	1.57	1.24	1.32					1.2	1.1	-	-
Loan loss coverage (% , %p)	200	212	205	223	216					223	286	-	-
VAMC	-	-	-	-	-					0	0	-	-
Deposit from customers and bond	1,377,231	1,401,585	1,456,972	1,538,790	1,523,278					1,538,790	1,750,524	-	-
Deposit from customers	1,347,326	1,374,683	1,430,071	1,514,665	1,509,113					8.7	13.8	-	-
% growth (ytd)	(2.7)	(1.0)	2.9	8.7	(1.0)					1,514,665	1,723,080	(0.4)	12.0
CASA (%)	33.8	34.2	33.5	35.8	34.3					35.8	37.8	-	-
Total assets	1,773,714	1,905,639	1,932,362	2,085,874	2,109,261					2,085,397	2,335,938	1.1	18.9
Total equity	173,514	181,597	190,186	196,113	204,840					198,955	233,223	4.4	18.1
Total operating income	17,280	16,752	16,836	17,711	17,265					68,578	81,911	(2.5)	(0.1)
Net interest income	14,078	13,908	13,578	13,842	13,687					55,406	66,984	(1.1)	(2.8)
NIM (% , %p)	3.2	3.1	2.9	2.8	2.7					3.43	3.43	-	-
Non-interest income	3,202	2,844	3,258	3,868	3,578					13,173	14,927	(7.5)	11.7
Net commission income	2,639	2,660	2,619	2,510	2,830					10,428	12,417	12.7	7.2
Gains on investment securities	55	160	84	74	85					373	456	15.2	53.9
Other non-interest income	508	24	555	1,285	663					2,372	2,054	(48.4)	30.5
Provision for credit losses	1,508	1,514	326	(32)	752					3,315	11,168	-	(50.1)
Net operating revenue	15,772	15,238	16,510	17,743	16,512					65,264	70,743	(6.9)	4.7
SG&A	5,054	5,122	5,811	7,040	5,652					23,027	24,573	(19.7)	11.8
CIR (%)	29.2	30.6	34.5	39.8	32.7					33.6	30.0	-	-
Pre-provision earnings	12,226	11,630	11,025	10,670	11,612					45,551	57,338	8.8	(5.0)
EBT	10,718	10,116	10,699	10,703	10,860					42,236	46,170	1.5	1.3
Net profit	8,586	8,125	8,572	8,570	8,702					33,853	36,936	1.5	1.3
Controlling-int. NP										33,831	36,912	1.5	1.4

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

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

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

Valuation

	2021A	2022A	2023A	2024	2025F
Per share (VND, adj.)					
BPS	13,049	16,223	17,070	23,811	27,900
EPS	2,335	3,275	2,991	3,628	3,997
DPS	0	0	0	0	0
Valuation (x)					
PB	4.4	3.5	3.3	2.4	2.0
PE	24.5	17.4	19.1	15.7	14.3
P/PPE	12.2	10.2	12.3	10.5	8.3
Dividend yield (%)	2.1	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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