

19 May 2023

# Vietcombank(VCB)

## Solid fundamental growth reaffirmed

### AM briefing

- We joined VCB's analyst meeting on May 19 which featured the strategic visibility on the bank and shed some light on its 1Q23 operational updates.

### 1Q23 Net profit outperformed the sector

- VCB released its results with PBT up 12.8% yoy to VND11,221bn, derived from strong top-line growth (+10.7% yoy) and low provision expenses (-11.1%yoy). A significant increase in OPEX (+17.0% yoy) was the key dampening factor.

### Credit growth accelerated, but lowest in recent years

- 1Q23 total credit rose up 2.5% YTD to VND1,185tn, we note that the growth was the lowest in the past five years. 1Q23 Customer loan accounted for 99% of total credit and grew 2.5%YTD.
- Loan balance growth was driven by the Corporate customer (+5.4%YTD) in 1Q23. Meanwhile, Retail book stayed the same, resulting in the retail proportion from 47.2% in 2022 to 46.1% in 1Q23. The company traded the retail loan growth off for risk management appetite, especially mortgage loans during the unfavorable market condition.
- Deposit growth climbed 3.1% YTD, higher than the sector 0.8% and VCB's credit growth. Thereby, the pure LDR slid from 92.1% in 2022 to 91.6% in 1Q23
- The management disclosed the credit growth could stay unchanged until now vs 1Q23. The 2023 credit growth target could stand at 14% yoy and 1<sup>st</sup> approval is granted with 9.6% by SBV, per company.

12M rating **Non-rated**

12M TP

Up/Downside

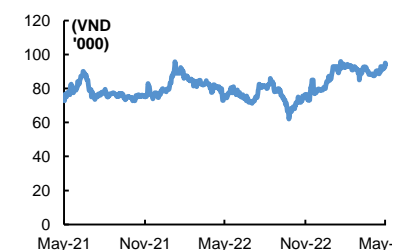
### Stock Data

VNIndex (May 19, pt)	1,067
Stock price (May 19, VND)	94,200
Market cap (USD mn)	18,995
Shares outstanding (mn)	4,733
52-Week high/low (VND)	96,000/62,000
6M avg. daily turnover (USD mn)	3.6
Free float / Foreign ownership (%)	25.2/23.5
Major shareholders (%)	
SBV	74.8
Mizuhio	15.0

### Performance

	1M	6M	12M
Absolute (%)	0.1	0.2	0.2
Relative to VNIndex (%p)	0.0	0.1	0.4

### Stock price trend



Source: Bloomberg

	2018A	2019A	2020A	2021A	2022A
TOI (VND bn)	39,278	45,730	49,063	56,724	68,083
chg. (% YoY)	33.6	16.4	7.3	15.6	20.0
PPE (VND bn)	25,667	29,913	33,024	39,149	46,832
Net profit (VND bn)	14,606	18,511	18,451	21,919	29,899
EPS (VND, adj.)	3,584	4,481	4,470	4,195	5,821
chg. (% YoY)	70.4	25.0	-0.2	-6.2	38.8
PB (x)	5.5	4.4	3.8	3.2	3.3
PE (x)	28.5	22.0	21.9	17.9	16.9
P/PPE (x)	13.2	11.7	10.6	8.9	9.5
NIM (%)	2.8	3.1	2.9	3.2	3.4
ROE (%)	25.5	25.9	21.1	21.6	24.4
ROA (%)	1.4	1.6	1.4	1.6	1.9
Dividend yield (%)	0.8	0.8	1.3	0.0	0.0
CAR (%)	12.1	9.3	9.6	9.3	10.0

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

### Research Dep

researchdept@kisvn.vn

### NIM contraction caused by high funding cost

- 1Q23 Net interest margin (NIM) inched down to 3.2% (vs 3.4% in 4Q22 and 3.4% in 1Q22) as a rise in cost of fund (COF) outweighed an increase in asset yield
- In 1Q23, a lower CASA ratio of 28.7% (vs. 32.3% as of end-2022) lifted the COF up. The declining CASA ratio was the trend widely observed among all banks
- According to the management, despite of the current deposit rate decline trend, 2Q22 NIM could still be around 1Q21 NIM due to credit support packages. 2023 NIM could stay flat yoy as the decreasing COF.

### NFI growth momentum revived

- NFI went down 9.3% yoy (VND3.231bn). While seeking further information, we estimate VCB is lack one-off income recorded in 1Q22. Eliminating one-off impact, NFI growth could tick up 8% yoy. Of which, FX and trade finance (TF) income expanded 12% yoy (VND1,706bn)/+14%yoy (VND367bn).
- Per the management's target, FX and TF income could grow at 15% yoy in 2023.

### High OPEX due to staff cost

OPEX surged 17% yoy due to high staff cost (+21% yoy, 54% of OPEX) and asset expense (+16%yoy, 13% of OPEX) in 1Q23. The CIR ratio accelerated from 26.9% in 1Q22 to 28.5% in 1Q23.

### Firm asset quality

- The loan type 2 (special mention loans) growth of 85% qoq was derived from retail segment (mortgaged loans and other individual loans). Bad debts (from type 3 to type 5) rose by 27%qoq, hit by oil and gas, hotel, entertainment...
- The ratio of loan type 2-5 to cross loan and NPL ascended to 1.5% (vs. 1.0% as of end- 2022) and 0.8% (vs. 0.7% by end-2022) respectively.
- According to the management, 2023 NPL must be manageable below 1% and 2023 provision expense guidance could come in at VND8,000bn, - 15%yoy. The restructuring loan defined in Circular 02 could be booked fully in 2023.

### Recommendation and Ratings

VCB is trading at PB of 3.1x, 209% premium over private peers' average of 1.49x and lower than the five-year average of 4x.

**Table 1: Snapshot of income statement**

	Units: VNDbn, %				
	1Q22	4Q22	1Q23	QoQ	YoY
Net interest income	11,976	14,809	14,203	(4.1)	18.6
Total operating income	16,733	18,663	18,517	(0.8)	10.7
Profit before provision expense	12,224	14,098	13,243	(6.1)	8.3
PBT	9,950	12,419	11,221	(9.6)	12.8

Source: Fiinpro, company data

■ **Guide to KIS Vietnam Securities Corp. stock ratings based on 12-month forward performance**

- BUY: Expected total return will be 15% or more
- Hold: Expected total return will be between -5% and 15%
- Sell: Expected total return will be -5% or less
- KIS Vietnam Securities Corp. does not offer target prices for stocks with Hold or Sell ratings.

■ **Guide to KIS Vietnam Securities Corp. sector ratings for the next 12 months**

- Overweight: Recommend increasing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.
- Neutral: Recommend maintaining the sector's weighting in the portfolio in line with its respective weighting in the VNIndex based on market capitalization.
- Underweight: Recommend reducing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.

■ **Analyst Certification**

I/We, as the research analyst/analysts who prepared this report, do hereby certify that the views expressed in this research report accurately reflect my/our personal views about the subject securities and issuers discussed in this report. I/We do hereby also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report.

■ **Important compliance notice**

As of the end of the month immediately preceding the date of publication of the research report or the public appearance (or the end of the second most recent month if the publication date is less than 10 calendar days after the end of the most recent month), KIS Vietnam Securities Corp. or its affiliates does not own 1% or more of any class of common equity securities of the companies mentioned in this report.

There is no actual, material conflict of interest of the research analyst or KIS Vietnam Securities Corp. or its affiliates known at the time of publication of the research report or at the time of the public appearance.

KIS Vietnam Securities Corp. or its affiliates has not managed or co-managed a public offering of securities for the companies mentioned in this report in the past 12 months;

KIS Vietnam Securities Corp. or its affiliates has not received compensation for investment banking services from the companies mentioned in this report in the past 12 months; KIS Vietnam Securities Corp. or its affiliates does not expect to receive or intend to seek compensation for investment banking services from the companies mentioned in this report in the next 3 months.

KIS Vietnam Securities Corp. or its affiliates was not making a market in securities of the companies mentioned in this report at the time that the research report was published.

KIS Vietnam Securities Corp. does not own over 1% of shares of the companies mentioned in this report as of 19 May 2023.

KIS Vietnam Securities Corp. has not provided this report to various third parties.

Neither the analyst/analysts who prepared this report nor their associates own any shares of the company/companies mentioned in this report as of 19 May 2023.

KIS Vietnam Securities Corp. has not issued CW with underlying stocks of Vietcombank(VCB) and is not the liquidity provider.

Prepared by: Research Dep

## Global Disclaimer

### ■ General

This research report and marketing materials for Vietnamese securities are originally prepared and issued by the Research Center of KIS Vietnam Securities Corp., an organization licensed with the State Securities Commission of Vietnam. The analyst(s) who participated in preparing and issuing this research report and marketing materials is/are licensed and regulated by the State Securities Commission of Vietnam in Vietnam only. This report and marketing materials are copyrighted and may not be copied, redistributed, forwarded or altered in any way without the consent of KIS Vietnam Securities Corp..

This research report and marketing materials are for information purposes only. They are not and should not be construed as an offer or solicitation of an offer to purchase or sell any securities or other financial instruments or to participate in any trading strategy. This research report and marketing materials do not provide individually tailored investment advice. This research report and marketing materials do not take into account individual investor circumstances, objectives or needs, and are not intended as recommendations of particular securities, financial instruments or strategies to any particular investor. The securities and other financial instruments discussed in this research report and marketing materials may not be suitable for all investors. The recipient of this research report and marketing materials must make their own independent decisions regarding any securities or financial instruments mentioned herein and investors should seek the advice of a financial adviser. KIS Vietnam Securities Corp. does not undertake that investors will obtain any profits, nor will it share with investors any investment profits. KIS Vietnam Securities Corp., its affiliates, or their affiliates and directors, officers, employees or agents of each of them disclaim any and all responsibility or liability whatsoever for any loss (director consequential) or damage arising out of the use of all or any part of this report or its contents or otherwise arising in connection therewith. Information and opinions contained herein are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or KIS Vietnam Securities Corp. The final investment decision is based on the client's judgment, and this research report and marketing materials cannot be used as evidence in any legal dispute related to investment decisions.

### ■ Country-specific disclaimer

**United States:** This report is distributed in the U.S. by Korea Investment & Securities America, Inc., a member of FINRA/SIPC, and is only intended for major U.S. institutional investors as defined in Rule 15a-6(a)(2) under the U.S. Securities Exchange Act of 1934. All U.S. persons that receive this document by their acceptance thereof represent and warrant that they are a major U.S. institutional investor and have not received this report under any express or implied understanding that they will direct commission income to Korea Investment & Securities, Co., Ltd. or its affiliates. Pursuant to Rule 15a-6(a)(3), any U.S. recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with Korea Investment & Securities America, Inc., which accepts responsibility for the contents of this report in the U.S. The securities described in this report may not have been registered under the U.S. Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the U.S. or to U.S. person absent registration or an applicable exemption from the registration requirement.

**United Kingdom:** This report is not an invitation nor is it intended to be an inducement to engage in investment activity for the purpose of section 21 of the Financial Services and Markets Act 2000 of the United Kingdom ("FSMA"). To the extent that this report does constitute such an invitation or inducement, it is directed only at (i) persons who are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) of the United Kingdom (the "Financial Promotion Order"); (ii) persons who fall within Articles 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order; and (iii) any other persons to whom this report can, for the purposes of section 21 of FSMA, otherwise lawfully be made (all such persons together being referred to as "relevant persons"). Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons. Persons who are not relevant persons must not act or rely on this report.

**Hong Kong:** This research report and marketing materials may be distributed in Hong Kong to institutional clients by Korea Investment & Securities Asia Limited (KISA), a Hong Kong representative subsidiary of Korea Investment & Securities Co., Ltd., and may not otherwise be distributed to any other party. KISA provides equity sales service to institutional clients in Hong Kong for Korean securities under its sole discretion, and is thus solely responsible for provision of the aforementioned equity selling activities in Hong Kong. All requests by and correspondence with Hong Kong investors involving securities discussed in this report and marketing materials must be effected through KISA, which is registered with The Securities & Futures Commission (SFC) of Hong Kong. Korea Investment & Securities Co., Ltd. is not a registered financial institution under Hong Kong's SFC.

**Singapore:** This report is provided pursuant to the financial advisory licensing exemption under Regulation 27(1)(e) of the Financial Advisers Regulation of Singapore and accordingly may only be provided to persons in Singapore who are "institutional investors" as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore. This report is intended only for the person to whom Korea Investment & Securities Co., Ltd. has provided this report and such person may not send, forward or transmit in any way this report or any copy of this report to any other person. Please contact Korea Investment & Securities Singapore Pte Ltd in respect of any matters arising from, or in connection with, the analysis or report (Contact Number: 65 6501 5600).

Copyright © 2023 KIS Vietnam Securities Corp.. All rights reserved. No part of this report may be reproduced or distributed in any manner without permission of KIS Vietnam Securities Corp..