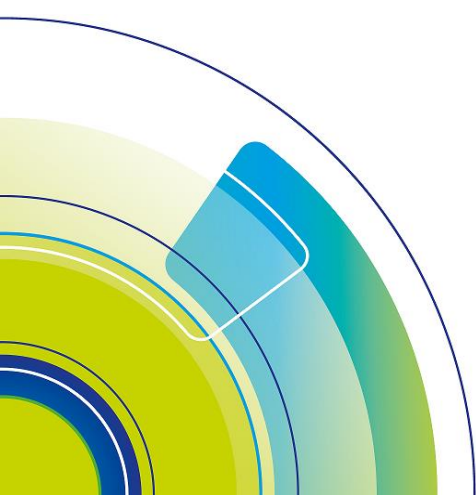




Update VCB – BUY

April 13, 2022



Hung Cao, CFA

(+84 28) 3823 4159 - Ext: 326

hungcv@acbs.com.vn

Recommendation

BUY

HOSE: VCB

Banking

Current price (VND)	82,400
Target price (VND)	96,500
Expected share price return	+17.1%
Expected dividend yield	1.5%
Expected total return	+18.6%

Stock performance (%)

	YTD	1M	3M	12M
Absolute	4.6	-1.7	3.0	7.6
Relative	5.8	-0.9	6.6	-9.9

Source: Bloomberg



Ownership

State Bank of Vietnam	74.8%
Mizuho Bank Ltd	15.0%
Others	10.2%

Stock Statistics

13-Apr-22

Bloomberg code

VCB VN

52-week range (VND)	73,276-96,000
No. of shares (m)	4,733
Mkt cap (VND bn)	389,959
Mkt cap (USD m)	16,940
Foreign room left (%)	6.4
Est. free float (%)	25.2
3m avg daily vol (shs)	1,485,463
VND/USD	23,020
Index: VNIndex / HNX	1477.20/427.45

BANK FOR FOREIGN TRADE OF VIETNAM (VCB)

We reiterate our **BUY** recommendation with a target price of VND96,500/share for VCB. The drastic provisioning in 2021 will reduce the pressure of provisioning and support VCB's 2022 profit growth.

PBT in 2021 grew by 18.8% thanks to solid growth from all business segments

In 2021, outstanding credit (including corporate bonds) grew by 15.1%. Credit growth recovered strongly in Q4/21, up 3.1% after only increasing 1.6% in Q3/21 due to the impact of the 4th wave of COVID-19. In which, individual loans grew by 17.7% and accounted for 47% of VCB's outstanding loans.

Deposit rates were stable at low levels in 2021 and CASA increased to 35.7%, keeping the cost of funds at a low level of 2.3%. NIM decreased slightly in 2H2021 as VCB reduced loan interests by an amount of VND4,635 billion to support customers in the 4th wave of COVID-19. However, VCB's NIM of 2021 reached 3.2%, highest in the last 10 years.

Non-interest activities such as services, foreign exchange trading, and off balance sheet debt collection all maintained good growth. Non-interest income in 2021 grew by 12.1% and accounted for 25.3% of total income of VCB.

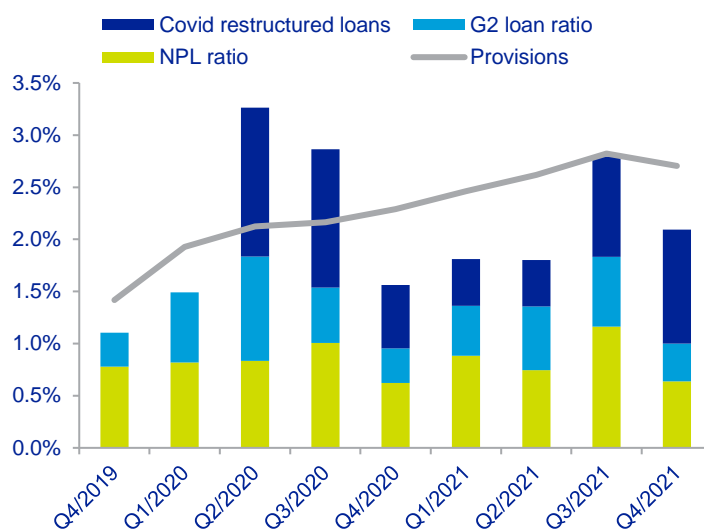
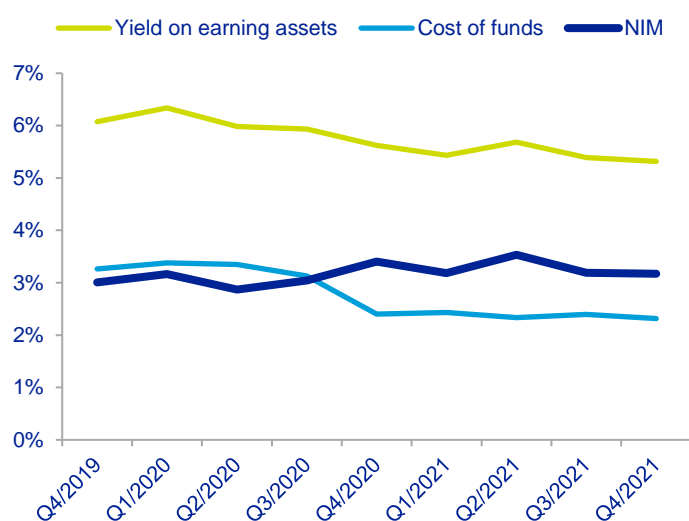
Total operating income grew by 15.6%, while operating expenses only increased by 9.6%, that helped VCB's profit before provisioning grew by 18.5%.

Asset quality maintained at a good level with a NPL ratio at 0.6%, equivalent to the beginning of the year. COVID-19 restructured loans increased slightly compared to Q3/21, at VND 10,500 billion, accounting for 1.1% of total outstanding loans. However, VCB has already made provisions for all COVID-19 restructured loans, causing provision expenses to increase by 18.8% and bringing NPL coverage ratio to a record level of 424%.

Profit before tax of 2021 reached VND 27,389 billion, up 18.8%.

(continue on the next page)

(VND bn)	2019	2020	2021	2022F	2023F	2024F
Credit growth	16.0%	14.0%	15.1%	15.0%	14.0%	13.0%
NIM	3.13%	2.95%	3.22%	3.25%	3.28%	3.32%
NFI proportion	24.4%	26.0%	25.3%	24.6%	24.1%	23.2%
TOI growth	16.4%	7.3%	15.6%	10.2%	14.6%	14.0%
CIR	34.6%	32.7%	31.0%	31.2%	30.2%	29.4%
Net credit costs	-0.52%	-0.95%	-0.97%	-0.38%	-0.39%	-0.42%
Profit before tax	23,122	23,050	27,389	36,725	42,783	49,488
growth	26.6%	-0.3%	18.8%	34.1%	16.5%	15.7%
Profit attributable	16,583	16,069	19,119	26,158	30,815	35,644
Adjusted EPS (VND)	4,471	4,333	5,155	5,527	6,114	7,072
BVPS (VND)	21,785	25,347	29,397	27,366	35,638	41,511
Equity/Total Assets	6.6%	7.1%	7.7%	8.1%	9.7%	10.0%
Adjusted ROA	1.4%	1.3%	1.4%	1.7%	1.8%	1.8%
Adjusted ROE	23.2%	18.4%	18.8%	21.9%	19.9%	18.3%
P/E	23.5	24.3	20.4	14.9	12.7	10.9
P/B	4.8	4.1	3.6	3.0	2.2	1.9
DPS (VND)	600	800	1,200	1,200	1,200	1,200
Dividend yield	0.7%	1.0%	1.5%	1.5%	1.5%	1.5%



Source: VCB, ACBS

Reduced provisioning pressure will be the key driver for strong profit growth of VCB in 2022

For 2022, we expect VCB to maintain NIM at the same level as 2021 thanks to:

- (1) A sharp increase in interbank interest rates from 0% to 2-3% will benefit net interbank lenders such as VCB. At the end of 2021, VCB's net interbank loans were VND116,000 billion.
- (2) The scale of loan interest support packages in 2022 will not be as large as in 2H2021 because the economy has been recovering since the 4th wave of the epidemic.
- (3) System liquidity is no longer abundant in 2022, which will put pressure on deposit rates to increase. However, CASA continues to grow thanks to the digital payment trend, which will help VCB control its cost of funds. We expect VCB's CASA to improve from 35.7% to 37.3% by the end of 2022.

We expect the provisioning pressure in 2022 to decrease and this will drive VCB's profit growth. At the end of 2021, VCB has made a full provision for the COVID-19 restructured loans, exceeding the minimum level of 30% as stipulated in Circulars 03/2021 and Circular 14/2021. In addition, the economic recovery since Q4/21 will help improve the solvency of customers and reduce the pressure of newly arising bad debt for VCB.

We expect VCB's profit before tax in 2022 to grow by 34.1% to VND36,725 billion.

We reiterate our BUY recommendation with 1-year target price of VND96,500/share using the discounted residual income method. Our target price equates to a forward P/E and P/B of 2022 of **17.5x** and **3.5x** respectively.

(Unit: VND billion, unless otherwise stated)	Market price (VND):	82,400	Target price (VND):	96,500	Market cap (VND bn):	389,959	
	2018	2019	2020	2021	2022F	2023F	2024F
INCOME ITEMS							
Net interest income	28,409	34,577	36,285	42,400	47,110	54,338	62,727
Net fee & commission income	3,402	4,307	6,607	7,407	8,444	9,542	10,687
Other non-interest income	7,467	6,846	6,170	6,917	6,955	7,741	8,262
Total operating income	39,278	45,730	49,063	56,724	62,509	71,621	81,676
Growth (%)	33.6%	16.4%	7.3%	15.6%	10.2%	14.6%	14.0%
Operating expenses	(13,611)	(15,818)	(16,038)	(17,574)	(19,507)	(21,653)	(24,035)
Profit before provision & tax	25,667	29,913	33,024	39,149	43,002	49,968	57,641
Provision for credit losses	(7,398)	(6,790)	(9,975)	(11,761)	(6,277)	(7,185)	(8,153)
Profit before tax	18,269	23,122	23,050	27,389	36,725	42,783	49,488
Profit attributable to shareholders	11,996	16,583	16,069	19,119	26,158	30,815	35,644
Growth (%)	66.7%	38.2%	-3.1%	19.0%	36.8%	17.8%	15.7%
Adjusted EPS (VND)	3,334	4,471	4,333	5,155	5,527	6,114	7,072
BALANCE SHEET ITEMS							
Outstanding loans & corporate bonds	629,505	731,514	826,224	947,203	1,091,105	1,245,912	1,409,427
Growth (%)	14.4%	16.2%	12.9%	14.6%	15.2%	14.2%	13.1%
Customer deposit	801,929	928,451	1,032,114	1,135,324	1,282,916	1,449,695	1,638,155
Growth (%)	13.2%	15.8%	11.2%	10.0%	13.0%	13.0%	13.0%
Total assets	1,074,027	1,222,719	1,326,230	1,414,673	1,604,900	1,846,832	2,093,183
Shareholder's equity	62,110	80,800	94,010	109,030	129,509	179,623	209,219
BVPS (VND)	17,264	21,785	25,347	29,397	27,366	35,638	41,511
KEY RATIOS							
NPL	1.0%	0.8%	0.6%	0.6%	0.6%	0.6%	0.6%
NPL coverage	165%	179%	368%	424%	398%	373%	356%
NIM	2.8%	3.1%	3.0%	3.2%	3.3%	3.3%	3.3%
CIR	34.7%	34.6%	32.7%	31.0%	31.2%	30.2%	29.4%
Equity / Total Assets	5.8%	6.6%	7.1%	7.7%	8.1%	9.7%	10.0%
Adjusted ROA	1.1%	1.4%	1.3%	1.4%	1.7%	1.8%	1.8%
Adjusted ROE	20.9%	23.2%	18.4%	18.8%	21.9%	19.9%	18.3%
P/E (x)	32.5	23.5	24.3	20.4	14.9	12.7	10.9
P/B (x)	6.3	4.8	4.1	3.6	3.0	2.2	1.9
Dividend yield	1.0%	0.7%	1.0%	1.5%	1.5%	1.5%	1.5%

CONTACTS

Ho Chi Minh City Head Office

41, Mac Dinh Chi, Dist. 1, Ho Chi Minh City
Tel: (+84 28) 3823 4159
Fax: (+84 28) 3823 5060

Hanoi Office

10 Phan Chu Trinh, HoanKiem Dist., Ha Noi
Tel: (+84 24) 3942 9395
Fax: (+84 24)3942 9407

RESEARCH DEPARTMENT

Associate Director

Gigi Nguyen Binh

(+84 28) 3823 4159 (x250)
giaonbt@acbs.com.vn

Manager – Property

Truc Pham

(+84 28) 3823 4159 (x303)
trucptt@acbs.com.vn

Manager – Financials

Hung Cao, CFA

(+84 28) 3823 4159 (x326)
hungcv@acbs.com.vn

Associate – Consumer-related, Technology

Chi Luong

(+84 28) 3823 4159 (x327)
chiltk@acbs.com.vn

Associate – Oil & Gas

Hung Phan

(+84 28) 3823 4159 (x354)
hungpv@acbs.com.vn

Associate – Consumer-related, Media

Trung Tran

(+84 28) 3823 4159 (x351)
trungtn@acbs.com.vn

Analyst – Construction materials

Huy Huynh

(+84 28) 3823 4159 (x325)
huyha@acbs.com.vn

Analyst – Utilities

Phuc Tran

(+84 28) 3823 4159 (x325)
phuctta@acbs.com.vn

Analyst – Technical

Phuoc Luong

(+84 28) 3823 4159 (x354)
phuocld@acbs.com.vn

Analyst – Derivatives, Macro

Minh Trinh

(+84 28) 3823 4159 (x352)
minhtvh@acbs.com.vn

INSTITUTIONAL AND SALES DEPARTMENT

Director - Head of Institutional Client

Tyler Cheung, CFA

(+84 28) 38 234 876
tyler@acbs.com.vn

Trading Manager

Huong Chu

(+84 28) 3824 6679
huongctk@acbs.com.vn

Customer Support Institutional Client

Thanh Le

(+84 28) 3823 4798
thanhln@acbs.com.vn

Trader

Thanh Tran

(+84 28) 3824 7677
thanhtt@acbs.com.vn

Trader

Phuong Chu

(+84 28) 3823 4159 (x357)
phuongctm@acbs.com.vn

Trader

Dung Ly

(+84 28) 3823 4159 (x313)
dungln.hso@acbs.com.vn

Trader

Nhi Nguyen

(+84 28) 3823 4159 (x315)
nhinp@acbs.com.vn

DISCLAIMER

Our Recommendation System

BUY: where we believe prospective 12 month VND total return (including dividends) will be 15% or more.

HOLD: where we believe it will be -15% to 15%.

SELL: where we believe it will be lower than -15%.

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