VCB – Q2/22 earnings results

Joint Stock Commercial Bank for Foreign Trade of Vietnam (HSX: VCB) announced Q2/22's PBT of VND7,423 billion, +50.2% YoY. Profit growth drivers came from non-interest income and a reduction in provision expenses thanks to a sharp improvement in asset quality.

(Unit: VND billion)	Q2/2022	Q2/2021	+/- YoY
Outstanding credit (incl corp. bonds)	1,112,901	928,623	19.8%
Customer deposits	1,195,392	1,051,274	13.7%
Net interest income	12,797	11,096	15.3%
Non-interest income	3,175	1,807	75.7%
Total income	15,972	12,903	23.8%
Operating expenses	(5,816)	(4,736)	22.8%
Profit before provisioning & tax	10,157	8,167	24.4%
Provision expenses	(2,733)	(3,225)	-15.2%
Profit before tax	7,423	4,942	50.2%

Source: VCB

Outstanding credit (including corporate bonds) grew by 14.4% YTD and 19.8% YoY.

Customer deposits grew steadily by 5.3% YTD and 13.7% YoY, although VCB has barely raised deposit rates since the beginning of the year. However, CASA ratio decreased slightly QoQ, reaching 35.4%.

Lending and deposit rates of VCB remained stable. Therefore, NIM reached 3.47%, flat QoQ and YoY.

Asset quality improved dramatically. NPL ratio stood at 0.61%, decreased 20 bps from the previous quarter. COVID-19 restructured loans decreased by 50% compared to the previous quarter to VND4,000 billion, accounting for 0.4% of outstanding loans.

NPL and restructured loans dropped sharply while VCB still made a provisions for another VND2,733 billion, bringing NPL coverage ratio to a very high level of 506%.

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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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