

The giant tree of the banking industry

HOLD [-1.6%]

Update on: 10/11/2023

Fair price 87,300 VND

Current price 86,000 VND

THÔNG TIN CỔ PHIẾU

Outstanding shares (mil) 5,589.1

Free float (mil) 614.8

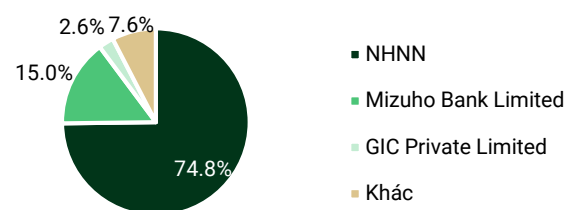
Market cap. (VND billion) 485,133

3m avg. volume (shares) 1,332,626

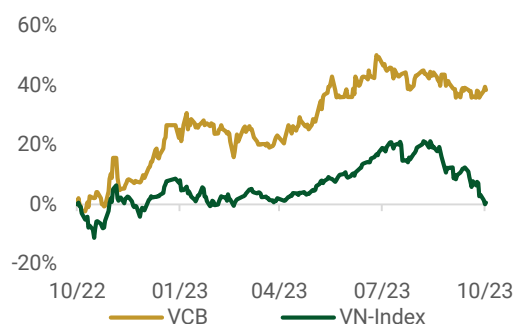
Foreign ownership (%) 23.54%

First listing date 30/06/2009

MAJOR SHAREHOLDERS



PRICE MOVEMENT COMPARED TO THE INDEX



Overview of the Bank:

Vietnam Joint Stock Commercial Bank for Foreign Trade (VCB) was established on April 1, 1963. VCB has evolved into a versatile bank, providing customers with a comprehensive range of financial services in international trade. The bank engages in traditional activities, such as capital mobilization, as well as modern banking services, including foreign currency and derivative trading, etc.

Investment highlights:

VCB is currently conducting a private placement of 6.5% of its equity capital for institutional investors. The private placement targeting institutional investors will take place from Q2 2023 to the end of Q2 2024, with an expected proceeds of USD 1.2 billion for VCB, contributing to an improvement of the CAR ratio by an additional 150-200 basis points.

Continuously enhancing its technological capabilities, VCB is implementing a retail strategy and catering to the Gen Z customer segment. Recent policies and products such as VCB Vibe, Contactless payments, and partnerships with mobile wallets like Apple Pay and Google Pay demonstrate VCB's ongoing efforts to adapt and stay current with modern trends.

Return on Equity (ROE) ranks among the top 25% of the highest and most sustainable banks over the years. Within the Big 4 State-owned banks, VCB recorded the highest ROE. In the latest 12-month period, VCB achieved an ROE of 23.2%, surpassing the industry average of 14.15%.

Outstanding CASA ratio. As of the end of 9M 2023, VCB's CASA ratio stood at 29.5%, placing it among the top 3 banks with the highest CASA ratios, well above the industry average of 12.8%.

VCB has consistently been at the forefront of supporting interest rates and has the lowest funding costs in the industry. In the last 12-month period, VCB's funding cost reached 3.51%. The advantage of low funding costs enables VCB to be more proactive in adjusting its lending rates to remain competitive within the industry.

Superior Asset Quality due to Prudent Lending Practices: As of the end of 9M 2023, NPL ratio stood at 1.21%, representing a 53 basis points increase compared to the end of 2022. However, it remains among the top 3 banks with the lowest NPL ratio in the industry. VCB also achieves the highest Loan Losses Coverage ratio in the industry (270.1%).

Evaluation & Recommendation:

We project credit growth of VCB to be 18.8% in 2024 thanks to the expected recovery of Vietnam's economy in 2024. Thanks to strong credit growth, we expect the lending interest rate landscape to experience a slight increase, while deposit interest rates would rise at a slower pace, we expect that VCB's NIM would be 3.61% in 2024, representing a 14 basis points increase compared to the end of 2023. In 2024, we expect the pressure of NPL to increase as Circular 02/2023/TT-NHNN expires, but the economic recovery would ease the burden of NPL. Hence, we project the NPL ratio to be 1.10% in 2024. Consequently, we expect Net Profit of VCB in 2024 to be VND 37,497 billion (+12.6% YoY).

Using the Residual Income and P/B valuation methods, we determine the fair price for VCB at VND 87,300 per share. Hence, we recommend Hold for VCB.

Risks:

(1) Interest rate risk; (2) Risk from rising NPLs; (3) Competitive risk; (4) Inflation risk; (5) Risk from economic downturn;

Financial indicators	2019A	2020A	2021A	2022A	2023F	2024F
Net Interest Income	34,577	36,285	42,400	53,246	60,079	67,614
Non-interest Income	11,153	12,776	14,324	14,836	17,487	20,577
Total Operating Income	45,730	49,063	56,724	68,083	77,566	88,191
Operating expense	(15,818)	(16,038)	(17,574)	(21,251)	(23,806)	(26,417)
Provision expenses for credit losses	(6,790)	(9,975)	(11,761)	(9,464)	(13,319)	(16,100)
Before-tax Profit	23,122	23,050	27,389	37,368	40,441	45,674
Net Profit	18,526	18,473	21,939	29,919	33,311	37,497
NPL ratio	0.79%	0.62%	0.64%	0.68%	1.06%	1.10%
CASA ratio	28.3%	29.7%	32.3%	32.3%	29.8%	31.3%