

Vietnam

HOLD (previously ADD)

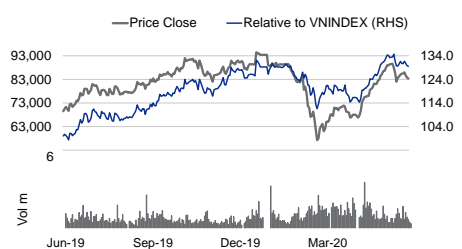
Consensus ratings*: Buy 9 Hold 6 Sell 1

Current price:	VND83,300
Target price:	VND86,200
Previous target:	VND86,200
Up/downside:	3.5%
CGS-CIMB / Consensus:	1.1%
Reuters:	VCB.HM
Bloomberg:	VCB VN
Market cap:	US\$13,318m
	VND308,949,504m
Average daily turnover:	US\$3.99m
	VND92,405m
Current shares o/s:	3,709m
Free float:	7.6%

*Source: Bloomberg

Key changes in this note

➤ No change



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	1	31.8	18.2
Relative (%)	3	9.1	29.4

Major shareholders	% held
State Bank of Vietnam	74.8
Mizuho Corporate Bank	15.0
GIC Private Limited	2.6

Analyst(s)

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Vietcombank

AGM 2020: Key takeaways

- VCB expects 6M20 pretax profit to be on par with 6M19, forming 42.7% of our FY20F forecast.
- NPL ratio was contained at 0.8% in 5M20 amid the Covid-19 outbreak.
- We downgrade VCB from Add to Hold as share price is approaching our TP.

Profit guidance has yet to be finalised for FY20F

Vietcombank (VCB) announced FY20F guidance with low growth across all criterion: 7% growth in total assets; 8% growth in total funding from customers (include customer deposits and valuable papers) and 10% credit growth. FY20F profit target has not been finalised due to uncertainty caused by the Covid-19 outbreak. The bank expects 6M20 pretax profit to be similar to 6M19, forming 42.7% of our full-year forecast. VCB may meet our full-year forecast thanks to higher bancassurance income in 2H20F, as the bank started distributing insurance products in Apr 2020. VCB's deposits rose 3.4% YTD and its credit also rose 3.4% YTD, higher than the system's credit growth of 2.1%.

Expect sizeable income from bancassurance

VCB shared that the upfront agency fee received from FWD Insurance for its exclusive bancassurance deal will be the highest agency fee of all bancassurance deals in Vietnam. However, the exact amount and profit booking mechanism were not disclosed.

Credit risk is strictly managed amid the Covid-19 headwinds

Although the pandemic poses a great risk of bad debt surging, VCB has managed to keep its non-performing loan ratio at 0.8% in 5M20, same as the level at end-FY19. VCB has restructured VND14tr of debt so far and expects to restructure another VND10tr in the remaining quarters. VCB plans to restructure VND24tr loans in total in FY20F, equivalent to 3.3% of total loans at end-FY19 and 3.0% of total loans at end-FY20F.

FY20F capital raising via stock dividend and private placement

VCB's shareholders approved the proposal to pay 18% stock dividend for FY18, from retained earnings in 3Q20F or 4Q20F. VCB also plans to raise capital through 6.5% private placement for institutional investors. There will be one-year lock-up period on the new shares. The private placement will be executed in 2020 or 2021. VCB planned to pay 8% cash dividend on par value for FY19, but this dividend is subject to the State Bank of Vietnam's approval. For FY20F, the bank also targets 8% dividend on par value.

Downgrade to Hold with TP unchanged at VND86,200

We downgrade VCB from Add to Hold as the share price has increased recently, approaching our TP. Our TP remains at VND86,200, which is based on an equal weighting of residual income valuation (COE: 13.0%; LTG: 4.0%) and 2.8x FY20F P/BV. A downside risk is higher-than-expected credit cost. An upside risk is a shorter period to book the one-off income from its exclusive bancassurance deal.

Financial Summary

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Net Interest Income (VNDb)	28,409	34,577	39,298	44,585	51,588
Total Non-Interest Income (VNDb)	10,870	11,153	14,898	19,642	26,518
Operating Revenue (VNDb)	39,278	45,730	54,195	64,227	78,106
Total Provision Charges (VNDb)	(7,398)	(6,790)	(8,216)	(10,216)	(13,735)
Net Profit (VNDb)	14,606	18,511	21,158	24,691	28,978
Core EPS (VND)	3,334	4,099	4,685	5,468	6,417
Core EPS Growth	58.5%	22.9%	14.3%	16.7%	17.4%
FD Core P/E (x)	24.98	20.32	17.78	15.24	12.98
DPS (VND)	800.0	800.0	800.0	800.0	800.0
Dividend Yield	0.96%	0.96%	0.96%	0.96%	0.96%
BVPS (VND)	17,264	21,785	26,498	32,131	38,881
P/BV (x)	4.83	3.82	3.14	2.59	2.14
ROE	20.9%	21.3%	19.4%	18.7%	18.1%
% Change In Core EPS Estimates			0.013%	0.008%	0.004%
CGS-CIMB/Consensus EPS (x)			1.25	1.20	1.15

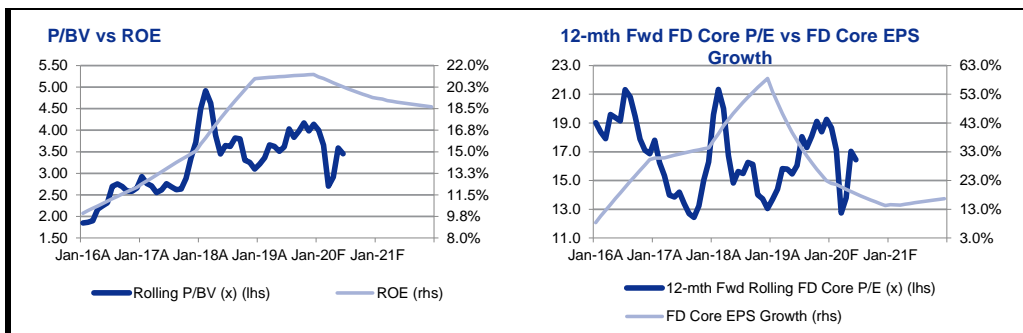
SOURCES: VND RESEARCH, COMPANY REPORTS

Figure 1: Regional peer comparison

Banks	Bloomberg Code	Recommendation	Closing price	Target price	Market cap	P/BV (x)		P/E (x)		3-yr Forward EPS CAGR	ROE (%)	
			(local curr.)	(local curr.)		(US\$m)	FY20F	FY21F	FY20F	FY21F	%	FY20F
HDFC Bank	HDFCB IN	ADD	1,029	1,275	74,645	3.0	2.6	19.5	16.8	17.6%	16.4%	16.5%
Bank Central Asia	BBCA IJ	ADD	28,625	27,300	49,788	4.2	3.7	34.6	26.0	7.1%	12.2%	15.2%
Bank Rakyat Indonesia	BBRI IJ	ADD	3,060	3,000	26,627	2.1	1.9	20.9	11.2	6.4%	9.7%	17.7%
Public Bank Bhd	PBK MK	ADD	16	19	14,864	1.4	1.3	12.7	12.5	0.2%	11.3%	10.9%
Bank Mandiri	BMRI IJ	ADD	5,025	6,000	16,543	1.2	1.1	15.9	9.0	5.1%	7.4%	13.1%
Indusind Bank	IIB IN	ADD	475	675	4,355	0.9	0.8	7.1	6.2	14.1%	13.1%	13.5%
Techcombank	TCB VN	ADD	20,350	27,400	3,070	1.0	0.8	6.6	5.7	12.5%	15.9%	15.7%
Vietnam Prosperity JSC Bank	VPB VN	HOLD	22,000	25,000	2,312	1.1	0.9	6.5	5.3	15.5%	17.9%	18.4%
Military Commercial Joint Stock Bank	MBB VN	ADD	17,350	26,200	1,804	0.9	0.8	4.8	4.2	13.3%	19.3%	18.3%
Asia Commercial Joint Stock Bank	ACB VN	ADD	23,600	28,500	1,692	1.2	1.0	6.0	5.4	11.6%	21.3%	20.1%
Average						1.7	1.5	13.4	10.2	10.3%	14.5%	15.9%
Vietcombank	VCB VN	HOLD	83,300	86,200	13,318	3.0	2.5	14.6	12.5	16.1%	18.4%	17.9%

PRICE AS OF 26 JUN 2020
SOURCES: CGS-CIMB RESEARCH, VND RESEARCH

BY THE NUMBERS



Profit & Loss

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Net Interest Income	28,409	34,577	39,298	44,585	51,588
Total Non-Interest Income	10,870	11,153	14,898	19,642	26,518
Operating Revenue	39,278	45,730	54,195	64,227	78,106
Total Non-Interest Expenses	(13,611)	(15,818)	(19,510)	(23,122)	(28,118)
Pre-provision Operating Profit	25,667	29,913	34,685	41,105	49,988
Total Provision Charges	(7,398)	(6,790)	(8,216)	(10,216)	(13,735)
Operating Profit After Provisions	18,269	23,122	26,469	30,889	36,253
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Operating EBIT (incl Associates)	18,269	23,122	26,469	30,889	36,253
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	18,269	23,122	26,469	30,889	36,253
Exceptional Items					
Pre-tax Profit	18,269	23,122	26,469	30,889	36,253
Taxation	(3,647)	(4,596)	(5,294)	(6,178)	(7,251)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	14,622	18,526	21,175	24,711	29,002
Minority Interests	(16)	(15)	(17)	(20)	(24)
Pref. & Special Div	0	0	0	0	0
FX And Other Adj.	0	0	0	0	0
Net Profit	14,606	18,511	21,158	24,691	28,978
Recurring Net Profit	11,995	15,203	17,377	20,279	23,800

Balance Sheet Employment

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Gross Loans/Cust Deposits	78.8%	79.1%	79.8%	80.5%	81.3%
Avg Loans/Avg Deposits	77.8%	79.0%	79.5%	80.2%	80.9%
Avg Liquid Assets/Avg Assets	42.8%	38.9%	37.9%	37.1%	36.1%
Avg Liquid Assets/Avg IEAs	43.9%	40.0%	38.9%	38.0%	36.8%
Net Cust Loans/Assets	57.9%	59.2%	60.0%	61.1%	62.4%
Net Cust Loans/Broad Deposits	69.1%	70.8%	71.8%	72.9%	74.0%
Equity & Provs/Gross Cust Loans	11.5%	12.4%	13.4%	14.3%	15.2%
Asset Risk Weighting	67.8%	72.9%	81.4%	83.3%	85.3%
Provision Charge/Avg Cust Loans	1.26%	0.99%	1.05%	1.15%	1.35%
Provision Charge/Avg Assets	0.70%	0.59%	0.64%	0.71%	0.85%
Total Write Offs/Average Assets	0.49%	0.58%	0.42%	0.49%	0.57%

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Gross Loans	882,095	984,177	1,097,152	1,229,399	1,388,343
Liquid Assets & Invst. (Current)	163,073	204,113	230,643	260,626	294,508
Other Int. Earning Assets					
Total Gross Int. Earning Assets	1,045,168	1,188,290	1,327,795	1,490,025	1,682,851
Total Provisions/Loan Loss Reserve	(10,294)	(10,417)	(13,155)	(16,265)	(20,843)
Total Net Interest Earning Assets	1,034,874	1,177,874	1,314,639	1,473,760	1,662,008
Intangible Assets	2,068	2,261	2,347	2,436	2,529
Other Non-Interest Earning Assets	24,292	28,806	29,903	31,041	32,223
Total Non-Interest Earning Assets	26,360	31,067	32,250	33,477	34,752
Cash And Marketable Securities	12,792	13,778	14,303	14,847	15,413
Long-term Investments	0	0	0	0	0
Total Assets	1,074,027	1,222,719	1,361,192	1,522,085	1,712,172
Customer Interest-Bearing Liabilities	823,390	949,835	1,060,180	1,194,346	1,357,888
Bank Deposits	76,524	73,617	77,298	81,163	85,221
Interest Bearing Liabilities: Others	90,711	92,386	94,234	96,119	98,041
Total Interest-Bearing Liabilities	990,625	1,115,838	1,231,712	1,371,628	1,541,150
Bank's Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	21,222	25,998	31,119	31,205	26,735
Total Liabilities	1,011,847	1,141,836	1,262,831	1,402,833	1,567,885
Shareholders' Equity	62,110	80,800	98,277	119,169	144,204
Minority Interests	(69)	(83)	(83)	(83)	(83)
Total Equity	62,041	80,716	98,194	119,086	144,120

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Income Growth	33.6%	16.4%	18.5%	18.5%	21.6%
Operating Profit Growth	46.3%	16.5%	16.0%	18.5%	21.6%
Pretax Profit Growth	61.1%	26.6%	14.5%	16.7%	17.4%
Net Interest To Total Income	72.3%	75.6%	72.5%	69.4%	66.0%
Cost Of Funds	2.81%	3.15%	3.06%	3.12%	3.19%
Return On Interest Earning Assets	5.44%	6.06%	5.97%	6.05%	6.18%
Net Interest Spread	2.63%	2.92%	2.92%	2.93%	2.99%
Net Interest Margin (Avg Deposits)	3.76%	4.00%	3.99%	4.03%	4.10%
Net Interest Margin (Avg RWA)	4.24%	4.27%	3.93%	3.75%	3.78%
Provisions to Pre Prov. Operating Profit	28.8%	22.7%	23.7%	24.9%	27.5%
Interest Return On Average Assets	2.69%	3.01%	3.04%	3.09%	3.19%
Effective Tax Rate	20.0%	19.9%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	20.3%	16.0%	14.0%	12.0%	10.2%
Return On Average Assets	1.38%	1.61%	1.64%	1.71%	1.79%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Loan Growth (%)	16.3%	16.3%	13.0%	14.0%	15.0%
Net Interest Margin (%)	2.8%	3.1%	3.1%	3.2%	3.3%
Non Interest Income Growth (%)	45.5%	2.6%	33.6%	31.8%	35.0%
Cost-income Ratio (%)	34.7%	34.6%	36.0%	36.0%	36.0%
Net NPL Ratio (%)	-3.9%	-4.3%	-4.5%	-4.7%	-5.1%
Loan Loss Reserve (%)	165.4%	179.5%	155.8%	137.8%	141.7%
GP Ratio (%)	0.8%	0.7%	0.8%	0.9%	1.0%
Tier 1 Ratio (%)	8.2%	8.0%	8.0%	8.6%	9.2%
Total CAR (%)	10.2%	9.7%	9.5%	10.1%	10.6%
Deposit Growth (%)	13.2%	15.8%	12.0%	13.0%	14.0%
Loan-deposit Ratio (%)	77.5%	78.0%	78.6%	79.2%	79.7%
Gross NPL Ratio (%)	1.0%	0.8%	1.0%	1.2%	1.4%
Fee Income Growth (%)	34.1%	26.6%	81.8%	49.0%	45.4%

SOURCES: VND RESEARCH, COMPANY REPORTS

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
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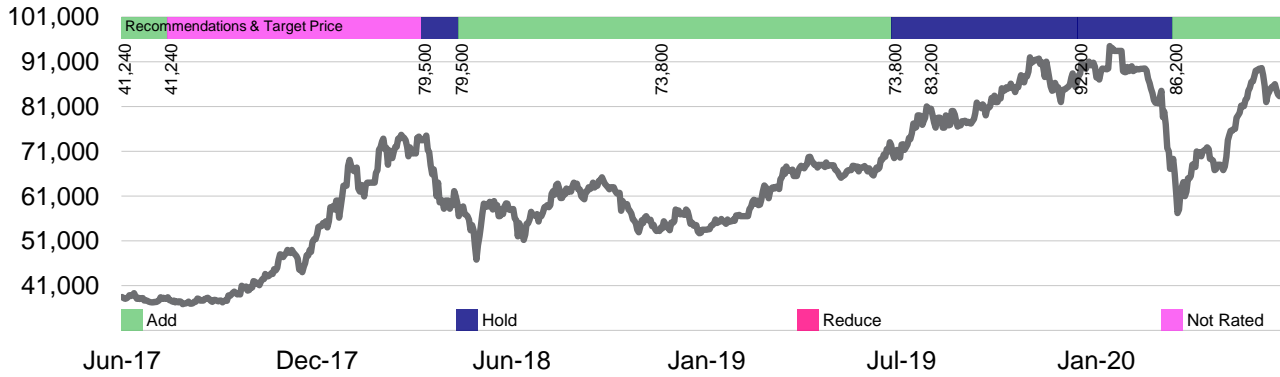
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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2020		
811 companies under coverage for quarter ended on 31 March 2020		
	Rating Distribution (%)	Investment Banking clients (%)
Add	60.8%	0.1%
Hold	27.6%	0.0%
Reduce	11.6%	0.0%

Spitzer Chart for stock being researched (2 year data)

Vietcombank (VCB VN)

— Price Close



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2019, Anti-Corruption 2019

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BAM** – not available, n/a, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BGP** – Excellent, Certified, **BPCG** – Excellent, Certified, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** – Good, n/a, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHAYO** – Good, n/a, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – not available, n/a, **CRC** – not available, n/a, **DELTA** – Excellent, Declared, **DEMCO** – Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – not available, n/a, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** – Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Declared, **III** – Excellent, n/a, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – not available, n/a, **BJC** – Very Good, n/a, **JMT** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Certified, **MALEE** – Excellent, Certified, **MC** – Excellent, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MK** – Very Good, n/a, **MTC** – Excellent, n/a, **NETBAY** – Very Good, n/a, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PLAT** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PSTC** – Very Good, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Excellent, n/a, **RSP** – not available, n/a, **S** – Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Certified, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Excellent, Certified, **SF** – Good, n/a, **SHR** – not available, n/a, **SIRI** – Very Good, Certified, **SPA** – Good, n/a, **SPALI** – Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Excellent, Certified, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TMB** – Excellent, Certified, **TNR** – Very Good, Certified, **TOP** – Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Declared, **UNIQ** – not available, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

1 CG Score 2019 from Thai Institute of Directors Association (IOD)

2 AGM Level 2018 from Thai Investors Association

3 Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of November 30, 2018) are categorised into:

companies that have declared their intention to join CAC, and companies certified by CAC.

4 The Stock Exchange of Thailand : the record of listed companies with corporate sustainable development "Thai sustainability Investment 2018" included:

SET and mai listed companies passed the assessment conducted by the Stock Exchange of Thailand: THSI (SET) and THSI (mai)

SET listed companies passed the assessment conducted by the Dow Jones Sustainability Indices (DJSI) .

RECOMMENDATION FRAMEWORK

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Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the:(i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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