



Company Report: Vietnam International Joint Stock Commercial Bank (VIB)

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Intact NIM

BUSINESS OUTLOOK 2023

Based on a conservative view, we temporarily put a conservative credit growth expectation of 15% for VIB in 2023 (although the bank's plan is 25%). Signs of cooling off in the deposit rate help reinforce the expectation that banking NIM will be flat this year at 4.6%. Strength in insurance and card activities led to a positive growth of 18% in service income. CIR is properly managed at 35% while provision expense for credit risk continues to increase in the context of increasing bad debts along with expanding credit scale. With the above assumptions, we estimate the bank's pre-tax profit will grow by 22% in 2023, equivalent to VND 12,900 billion.

RECOMMENDATIONS

In the long term, we believe that VIB's growth prospect is still promising with the current credit scale being quite modest compared to the leading joint stock commercial banks.

We recommend "**Buy**" on VIB stock, with a 1-year target price of **25,000/share**, equivalent to an investment rate of return of 19%. However, it is necessary to carefully consider the appropriate disbursement time in the context that the stock is currently trading at a less attractive P/B of 1.3x that is higher than the industry average.

Recommendation:

Mua
 (Maintained)

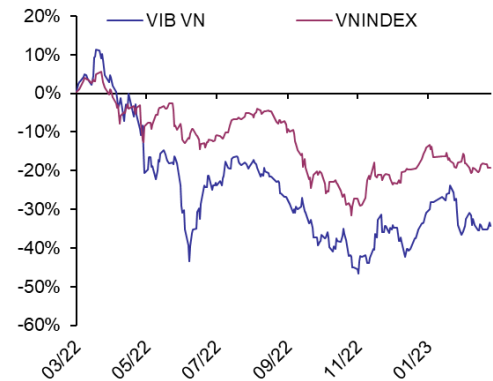
6-18m TP:

25,000

Current price:

VND20,250

Price performance



Price change	1 M	3 M	1Y
Abs. %	-3.6%	-1.7%	-37.4%
Relative to VN index	-5.0%	-2.7%	-66.5%
Avg price (VND)	20,907	21,189	23,893

Sources: Bloomberg, Guotai Junan (VN)

12/31	TOI (VND b)	Net Profit (VND b)	EPS (VND)	EPS (Δ%)	BPS (VND)	DPS (VND)	Yield (%)	NIM (%)	CIR (%)	ROE (%)
2021A	14,891	6,410	4,067	-0.71%	11,525	-	0%	4.38%	-35.47%	30.33%
2022A	18,058	8,469	3,971	-2.36%	15,492	1,500	8%	4.60%	-34.32%	29.75%
2023F	21,980	10,372	4,921	23.93%	18,913	-	0%	4.60%	-35.00%	28.61%
2024F	25,527	12,007	5,697	15.76%	24,609	-	0%	4.70%	-35.00%	26.18%
2025F	30,858	14,521	6,890	20.94%	31,499	-	0%	4.70%	-35.00%	24.56%

Shares in issue (m)	2,107.67	Major shareholders (%)	CBA 20%
Market cap (VND b)	44,682.67	Free float (%)	55%
3- month average vol. ('000)	3,497.43	LDR (%)	76
52w high/low (VND)	36148 / 16200	CAR (%)	12.8

Sources: the Company, Guotai Junan (VN).

Entering the accumulation phase

Credit structure focusing on the retail segment (90% of total credit) helps VIB to be less affected by events related to bonds in recent times. However, the unfavorable macro context along with the gloomy real estate market, the interest rate has cooled down, but is still high, showing the not too optimistic prospect of credit growth for mortgage and auto loans - two main credit pillars of VIB.

Asset quality

The high NPL ratio is a minus point for VIB in the context that concerns related to the banks' asset quality are given higher priority than growth prospects. The data shows that VIB's provision buffer (provision for credit risk/bad debt) is around 60%, relatively low compared to the industry average at about 1x and far away from SOBs at 2x-4x.

The bad debt ratio of the bank has increased sharply in the past 2 years. The current NPL at 1.8% puts significant pressure on VIB's provision for credit risk.

On the positive side, (1) VIB currently only has a modest restructuring debt balance of about VND 300 billion (2) Corporate bond accounts for only 0.8% of the bank's total credit and most of it belongs to the non-real estate sectors minimize risk concerns.

BUSINESS OUTLOOK

We believe that 2023 is the year banking system will focus on restructuring assets, reshaping business models and creating momentum for the next growing phase, VIB is no exception.

Based on a conservative view, we temporarily put a conservative credit growth expectation of 15% for VIB in 2023 (although the bank's plan is 25%). Signs of cooling off in the deposit rate help reinforce the expectation that banking NIM will be flat this year at 4.6%. Strength in insurance and card activities led to a positive growth of 18% in service income. CIR is properly managed at 35% while provision expense for credit risk continues to increase in the context of increasing bad debts along with expanding credit scale. With the above assumptions, we estimate the bank's pre-tax profit will grow by 22% in 2023, equivalent to VND 12,900 billion.

In the long term, we believe that VIB's growth prospect is still promising with the current credit scale being quite modest compared to the leading joint stock commercial banks. The bank is now also in the top group of the system in terms of ROE while NIM is continuously improving. VIB is also considered as one of the most dynamic banks in terms of activities in the card and insurance markets as well as digitalization initiatives that still bring positive achievements. We believe that the new product lines developed by VIB are in line with the bank's strategy. Therefore, the long-term growth target of doubling the total number of customers from 4.5 million current customers to 10 million customers within the next 5 years with the majority of Gen Z and Millenia groups is relatively achievable.

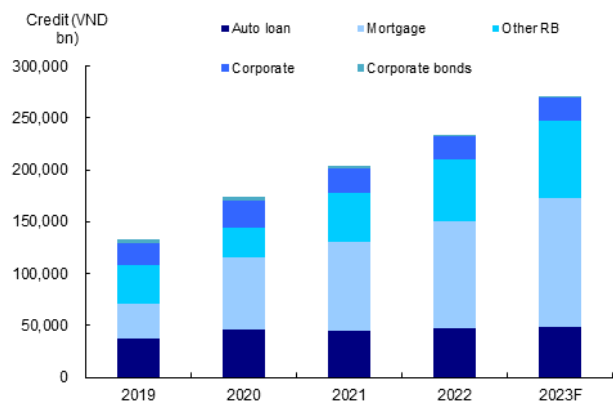
Dividend payment plan

The bank plans to pay a dividend at the rate of 20% in shares and 15% in cash (1,500VND/share) in 2023. The bank has now completed the payment of a cash dividend of 1,000VND/share at the beginning of March this year.

RECOMMENDATIONS

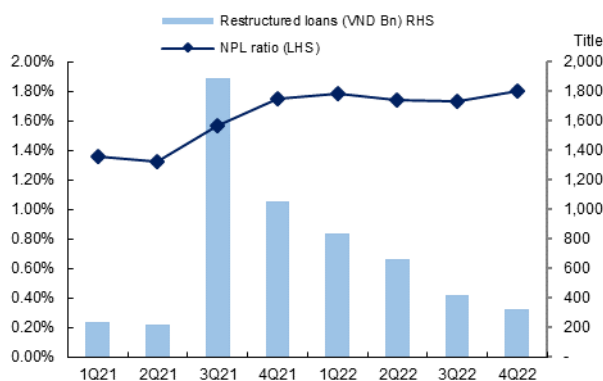
With a valuation of VND25,000/share, we recommend **"Buy"** VIB with an expected **1-year investment rate of return of 19%** compared to the closing price on February 14, 2023. However, it is necessary to carefully consider the appropriate disbursement time in the context that the stock is currently trading at a less attractive P/B of 1.3x that is higher than the industry average.

Figure-1: Credit breakdown



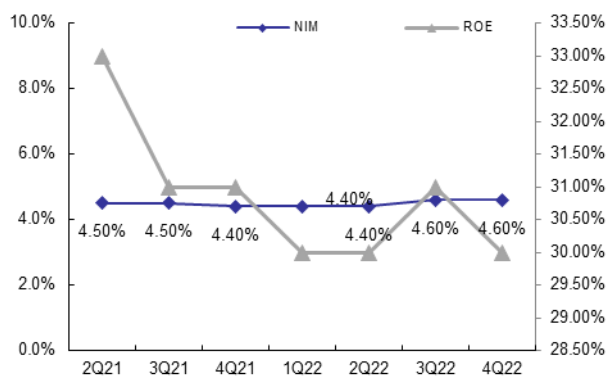
Source: VIB, Guotai Junan (VN).

Figure-2: Asset quality



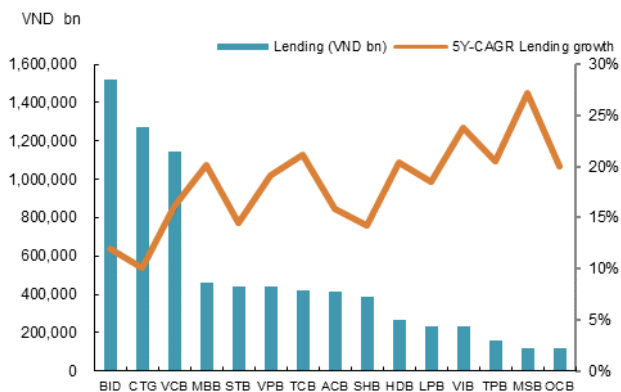
Source: VIB, Guotai Junan (VN).

Figure-3: Efficiency



Source: VIB, Guotai Junan (VN).

Figure-4: VIB & peers



Source: Fiiipro, Guotai Junan (VN)



Financial Statements and Ratios

Financial Statement					Income Statement				
Year end Dec (VND ' bil)	2020	2021	2022	2023F	Year end Dec (VND ' bil)	2020	2021	2022	2023F
TOTAL ASSETS					Interest and Similar Income				
Cash and precious metal	1,422	1,522	1,618	1,952		17,437	20,975	27,509	31,670
Loans and advances to customers, net	167,772	199,116	228,879	265,198	Interest and Similar Expenses	(8,941)	(9,159)	(12,547)	(13,962)
Investment securities	41,372	44,737	40,279	46,669	Net Interest Income	8,496	11,816	14,963	17,708
Fixed assets	407	604	700	(13)	TOI	11,216	14,891	18,058	21,980
Investment property	-	3	3	-	Total operating expenses	(4,465)	(5,282)	(6,197)	(7,693)
Other assets	4,396	10,431	9,165	10,619	Operating Profit Before Provision for Credit Losses	6,751	9,609	11,861	14,287
LIABILITIES & SHAREHOLDERS' EQUITY					Provision for credit losses				
TOTAL LIABILITIES	226,702	285,226	310,148	354,315		(948)	(1,598)	(1,280)	(1,322)
Due to Gov and Loans from SBV	-	-	-	-	PBT	5,803	8,011	10,581	12,965
Deposits & Loans from other credit institutions	42,488	64,456	71,166	82,460	PAT	4,642	6,410	8,469	10,372
Deposits from customers	150,349	173,565	200,124	231,883	Minority interest	-	-	-	-
	-	64	-	-	Attributable to parent company	4,642	6,410	8,469	10,372
Funds received from Gov, international and other institutions	10	9	8	-	EPS	4,096	4,067	3,971	4,921
Valuable papers	28,559	42,298	31,775	31,775	Financial Ratio				
Other liabilities	5,296	4,834	7,075	8,197		2020	2021	2022	2023F
SHAREHOLDERS' EQUITY	17,974	24,291	32,651	39,862	NIM (Net Interest Margin)	4.05%	4.38%	4.60%	4.60%
Capital and fund	17,974	24,291	32,651	39,862	Output average interest rate	9.25%	8.56%	9.19%	9.20%
Retained earnings	5,626	6,971	9,055	15,371	Input average interest rate	-4.61%	-3.65%	-4.30%	-4.30%
Minority interest	-	-	-	-	Earnings Spread	4.65%	4.91%	4.89%	4.90%
LIABILITIES & SHAREHOLDERS' EQUITY	244,676	309,517	342,799	394,177	Interest expense/Interest income	-51.28%	-43.67%	-45.61%	-44.08%
					Net Serving Fee Margin (NSFM)	1.27%	1.12%	1.07%	1.10%
					Servicing fee expense/Servicing fee income	-19.08%	-22.12%	-29.60%	-25.86%
					NNIM (Net Non-Interest Margin)	1.44%	1.26%	1.03%	1.24%
					EBT to Interest Income ratio	33.28%	38.19%	38.46%	40.94%
					CIR (Cost-to-Income) ratio	-39.81%	-35.47%	-34.32%	-35.00%
					Asset Management				
					LDR (Loan-to-Deposit) ratio Market 1	112.75%	116.10%	115.90%	115.90%
					LDR (Loan-to-Deposit) ratio Market 2	16.95%	27.10%	47.30%	58.97%
					ROA	2.16%	2.31%	2.60%	2.82%
					ROE	29.57%	30.33%	29.75%	28.61%

Source: the Company, Guotai Junan (VN).

COMPANY RATING DEFINITION

Benchmark: VN – Index.

Time Horizon: 6 to 18 months

Rating	Definition
Buy	Relative Performance is greater than 15% Or the Fundamental outlook of the company or sector is favorable
Accumulate	Relative Performance is 5% to 15% Or the Fundamental outlook of the company or sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the company or sector is neutral
Reduce	Relative Performance is -15% to -5% Or the Fundamental outlook of the company or sector is unfavorable
Sell	Relative Performance is lower than -15% Or the Fundamental outlook of the company or sector is unfavorable

SECTOR RATING DEFINITION

Benchmark: VN – Index

Time Horizon: 6 to 18 months

Rating	Definition
Outperform	Relative Performance is greater than 5% Or the Fundamental outlook of the sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the sector is neutral
Underperform	Relative Performance is lower than -5% Or The Fundamental outlook of the sector is unfavorable

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Company Report