



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

Analyst

Trần Thị Hồng Nhung, CFA

Mail: [hungth@gtias.com.vn](mailto:hungth@gtias.com.vn) – ext 703

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### Profit still saw the upward trend

#### BUSINESS UPDATE

Weak demand in the retail segment caused bank credit growth to only reach 1% in the first half of the year.

However, the bank still maintained a high NIM base compared to Q1 as well as previous quarters.

PBT in Q2 set a new historical high at VND2,948 billion and brought the first half profit to VND5,642 billion, up 12%yoy.

VIB's asset quality improved in Q2 when the NPL ratio decreased slightly from 2.6% to 2.45%.

The bank received a credit growth limit of 14.25% in 2023.

The new banca agreement signed with Prudential will be the driving force for the bank's non-interest income in the long term.

#### RECOMMENDATION

In the long term, we believe that VIB's growth potential is still very prosperous with the current credit scale being quite modest compared to the leading joint stock commercial banks. Credit growth only reached 1% in the first half of the year, suggesting great room for credit growth for banks in the second half of the year.

Currently, VIB stock has **reached the target price** we recommended in the report published in March (equivalent to VND19,600/share after dividend). However, based on positive business expectations, we recommend that investors continue to hold stocks for long-term investment goals.

Recommendation:

**Hold**  
downgrade

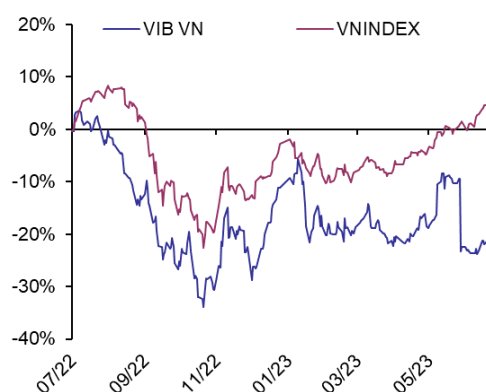
6-18m TP:

19,600

Current price:

VND20,650

#### Price performance



Price change	1 M	3 M	1Y
Abs. %	3.5%	0.7%	-19.5%
Relative to VN index	9.3%	14.9%	-19.0%
Avg price (VND)	20,243	19,077	18,198

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)	2,536.81	Major shareholders (%)	CBA 20%
Market cap (VND b)	52,511.92	Free float (%)	55%
3- month average vol. ('000)	6,576.49	LDR (%)	68
52w high/low (VND)	22750 / 13500	CAR (%)	12.0

Sources: the Company, Guotai Junan (VN).

## Weak credit but profit still witnessed the upward trend

In the first half of the year, VIB's retail lending portfolio decreased slightly compared to the end of 2022. Accordingly, RB credit decreased by 3% ytd while lending to corporate customers increased by 30% ytd and accounted for 13% of total bank credit.

More specifically on the retail segment - the focus of VIB, mortgage slowed down with outstanding loans flat in the past 2 quarters while auto loans dropped sharply, showing weak domestic demand.

Interest income in Q2 continued to record growth compared to Q1 despite a slight decrease in credit. NIM still maintains a high base of 4.7% which is considered a mix of both loan portfolio and bond portfolio. However, we believe a lower NIM (around 4.5%-4.6%) will be more sustainable.

In terms of fee income, net interest from service income, although improved significantly in Q2 (+30%qoq), is still low compared to the same period last year. Total net service income in the first half of the year was about VND 1,400 billion, down 10% yoy. We believe that the new banca contract will make a significant contribution to the bank's earnings in the long term (thanks to the upfront fees and new API).

Other activities such as securities investment, FX saw an improvement with the profit recorded in the first half of the year compared to the loss recorded in the same period last year.

As a result, VIB's total operating income reached more than VND 10,000 billion, up 17% yoy.

## Asset quality-NPL ratio dropped

The bank's NPL ratio decreased slightly in the second quarter, which is a positive signal for the bank's asset quality. We believe that this is the bank's attempt to write off bad debt. Meanwhile, provision expenses in the first half of the year doubled compared to the same period last year, to more than 1,500 billion VND.

Regarding the restructuring debt balance according to Circular 02, VIB has now restructured about 500 billion VND for customers.

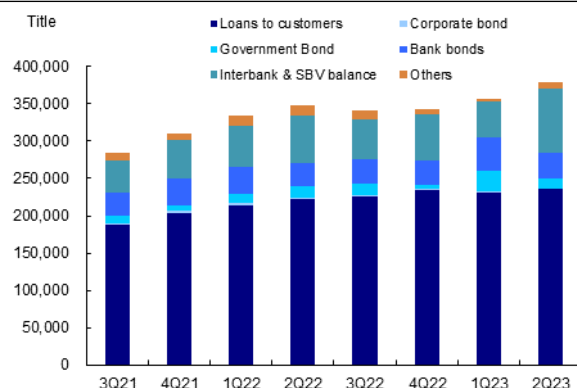
In the first half of the year, the corporate bond portfolio was maintained with a small proportion, with a balance of about VND 1,000 billion.

## RECOMMENDATION

In the long term, we believe that VIB's growth potential is still very prosperous with the current credit scale being quite modest compared to the leading joint stock commercial banks. Credit growth only reached 1% in the first half of the year, suggesting great room for credit growth for banks in the second half of the year.

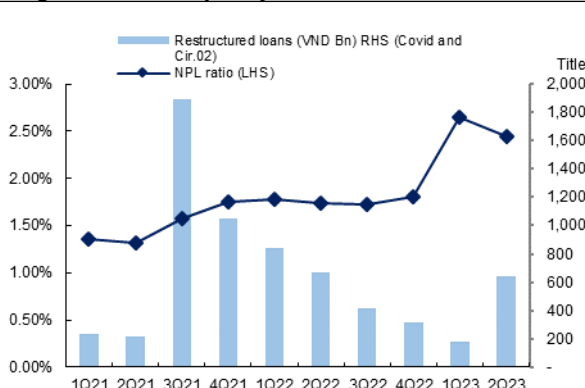
Currently, VIB stock has **reached the target price** we recommended in the report published in March (equivalent to VND19,600/share after dividend). However, based on positive business expectations, we recommend that investors continue to hold stocks for long-term investment goals.

Figure-1: Asset breakdown



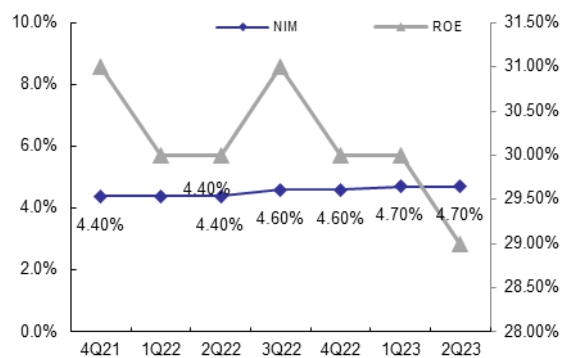
Source: VIB, Guotai Junan (VN).

Figure-2: Asset quality



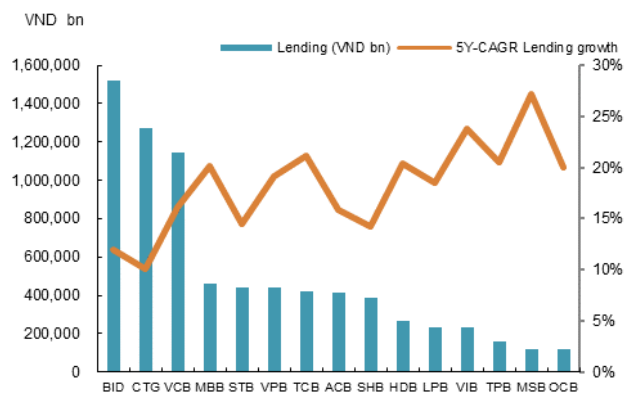
Source: VIB, Guotai Junan (VN).

Figure-3: Profitability



Source: VIB, Guotai Junan (VN).

Figure-4: VIB & peers



Source: Fiiipro, Guotai Junan (VN)

28 July 2023

VIB (VIB)

Company Report

### COMPANY RATING DEFINITION

Benchmark: VN – Index.

Time Horizon: 6 to 18 months

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

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## GUOTAI JUNAN VIETNAM RESEARCH & INVESTMENT STRATEGY

**Trần Thị Hồng Nhung, CFA**

Equity Analyst- Banking sector

[nhungtth@gtjas.com.vn](mailto:nhungtth@gtjas.com.vn)

(024) 35.730.073 – ext:703

**Võ Thế Vinh**

Head of Research

[vinhvt@gtjas.com.vn](mailto:vinhvt@gtjas.com.vn) - ext:701

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CHỨNG KHOÁN GUOTAI JUNAN (VIỆT NAM)  
GUOTAI JUNAN SECURITIES (VIETNAM)

CONTACT	Hanoi Head Office	HCMC Branch
Advising: (024) 35.730.073	R9-10, 1 <sup>st</sup> Floor, Charmvit Tower, 117 Trần Duy Hưng, Hà Nội	3 <sup>rd</sup> Floor, No. 2 BIS, Công Trường Quốc Tế, P. 6, Q.3, Tp.HCM
Stock ordering: (024) 35.779.999	Tel: (024) 35.730.073	Tel: (028) 38.239.966
Email: <a href="mailto:gtja@gtjas.com.vn">gtja@gtjas.com.vn</a> Website: <a href="http://www.gtjai.com.vn">www.gtjai.com.vn</a>	Fax: (024) 35.730.088	Fax: (028) 38.239.696

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