

Vietnam International Commercial Joint Stock

(HOSE: VIB)

Into the future

Trading Buy

(rating upgrade; TP raised)

TP: VND51,800

(+16.93%)

Mirae Asset Securities (Vietnam) LLC.

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Investment thesis

Maintained industry-leading growth rate, despite negative impact from pandemic in 2021

- At the end of 2021, VIB's total assets and total funding reached more than VND310tn and VND280tn (+27% and 27% compared with the beginning of the year). VIB's outstanding loans reached VND200tn (+18.9% YTD) – of which lending to individual customers was still the main growth driver. Car loans also bounced back strongly in 4Q21.
- At the end of 2021, VIB announced pre-tax profit of over VND8tn (+38% YoY) over the same period. Of this, the total operating income of VIB reached nearly VND15tn (+33% YoY), while net interest income reached VND11.8tn (+39% YoY).
- Robust business results, with a pre-tax profit of nearly VND2.7tn in 4Q21 – the highest single-quarter figure in VIB's history – helped VIB's ROE exceed 30% for a second consecutive year (2020–2021, leading the banking sector).
- VIB also announced 2021 NIM of 4.82%, a huge leap from 4.5% in 2021 and much higher than the 4.26% we forecast in the latest report. According to VIB, the bank has optimized the cost of capital, down by 1.1% compared with 2020. Debt balance was also reduced sharply, compared with the end of 3Q21.
- Also, VIB is negotiating to have new Banca upfront fees. The fees are expected to be recorded in 2022.

Leading retail bank in Vietnam, maintaining the No. 1 position in Banca activities

- In 2021, VIB's retail loans grew by 24%, even during the pandemic. They reached VND178tn, accounting for 87% of total outstanding loans. Demand deposits grew by 54%, of which individual customers increased by 63%. Banca activities continues to hold the No. 1 position, with a market share of 12% in Vietnam.
- VIB's bad debt ratio is at 1.75%, when including deposits and loans to other credit institutions excluding demand deposits, or 2.32% when only counting loans to customers (a significant increase compared with 1.74% at the beginning of the year)

Reasonable valuation with high expectations for full recovery of Vietnam's economy in 2022 and continued high credit growth

Valuation and recommendation

Upgrade to Trading Buy; raise TP to VND51,800/share

- Due to its impressive business results in 2021, and the aforementioned positive developments, we raise VIB's target price to VND51,800/share (equivalent to a 2021 P/E of 12.74x and 2021 P/B of 2.6x) from VND46,150 and upgrade our recommendation to Trading Buy (from Hold).
- We expect that, by 2022, VIB will continue to achieve the highest ROE in the banking industry, at an estimated 29.4%.

Key data



Share performance

(%)	1M	6M	12M
Absolute	-5.4	12.2	35.7
Relative	-3.1	2.5	12.7

Current price (03/18/2022,VND)	44,300	Market cap (VNDbn)	68,804
NPAT (22F, VNDbn)	8,424	Shares outstanding (mn)	1,553
Consensus NPAT (22F, VNDbn)	-	Free float (%)	63.3
EPS growth (22F, %)	33.4%	Foreign ownership (%)	20.5
P/E (22F, x)	8.15	Beta (12M)	1.1
Market P/E (x)	13.94	52-week low (VND)	30,000
VN-Index	1,469.1	52-week high (VND)	54,214

Earnings and valuation metrics

Fiscal year (31/12)	12/31/2018	12/31/2019	12/31/2020	12/31/2021F	12/31/2022F	12/31/2023F
NII (VNDbn)	4,825	6,213	8,496	11,816	14,251	16,935
Net fee income (VNDbn)	735	1,797	2,389	2,742	3,586	4,175
TOI (VNDbn)	6,086	8,152	11,216	14,891	18,176	21,379
NP (VNDbn)	2,194	3,266	4,642	6,410	8,424	9,931
EPS (VND)	3,873	3,894	4,096	4,067	5,424	6,394
ROE (%)	22.55%	27.11%	29.57%	30.33%	29.43%	26.21%
P/E (x)				12.74	9.55	8.10
P/B (x)				3.31	2.44	1.88
Book value (VND)	13,616	14,527	16,202	15,640	21,221	27,564

Source: Bloomberg, Mirae Asset Vietnam forecast

Compare 2021's results with forecast

Figure 1: 2021 VIB's results with MAS's forecast

	Q4/21	Q4/20	% YoY	2021	2020	% YoY	2021F MAS forecast	% MAS forecast
<i>Unit: VNDbn</i>								
Net interest income	3,400	2,561	32.7%	11,816	8,496	39.1%	10,176	116.1%
Net fee and commission income	954	751	27.0%	2,742	2,389	14.8%	2,878	95.3%
Total operating income	4,502	3,370	33.6%	14,891	11,216	32.8%	13,313	111.8%
Operating expense	(1,147)	(1,303)	-12.0%	(5,282)	(4,465)	18.3%	(5,093)	103.7%
Provision expense	(683)	(290)	135.5%	(1,598)	(948)	68.6%	(1,262)	126.6%
PBT	2,672	1,776	50.4%	8,011	5,803	38.0%	8,000	100.1%
PAT	2,138	1,421	50.5%	6,410	4,642	38.1%	6,400	100.2%

Source: VIB 2021 Audited FSs, Mirae Asset Vietnam Research forecast

Business results in 2021 are quite close to VIB's plan for 2021.

In 4Q21, VIB enjoyed significant growth in both net interest income and net fees and commissions income, thereby helping VIB exceed its set targets. However, because of the risks of the Covid pandemic, credit growth in 2021 will only reach 18.9%, lower than its expectation. Nevertheless, this is also a high level compared with the industry as a whole in 2021. In 2021, VIB also accumulated significant provisioning of VND1,598bn, exceeding our expectation by 26.6%. Notably, in 2021, VIB's NIM increased sharply to 4.82%, thanks to low-cost funds, the continued improvement of CASA (16%, from 13.7% at end-Q3, and 12.2% at end-2020), as well as a retail-focused lending portfolio. As a result, VIB's net interest income grew by 39.1% compared with 2020, and exceeded our forecast by 16.1%.

Valuation and recommendation

Thanks to its huge growth potential, proven profitability track record (ROE), and unique and diversified credit portfolio (thus minimizing concentration risk), VIB is currently trading with a PB of +33.95%, compared with the average for the eight top comparative commercial banks, and is currently trading at 2.83x, compared with the average trailing PB of 2.11x (TCB, VPB, MBB, HDB, ACB, STB, TPB, and VIB).

Going forward, we still see great potential for the retail lending segment (house and car loans). as well as demand for life insurance and, in particular, card payments. This is also consistent with the trend of non-cash payments taking place in the world. We assess that in the period of 2022–2023, VIB will still be a growth stock, and thus upgrade our recommendation to Trading Buy (from Hold) and raise our target price to VND51,800/share (expected profit of +17.19%) from VND46,150. This valuation is equivalent to 2021 trailing PE and 2021 trailing PB of 12.74x and 3.31x, respectively, and equivalent to 2022F PE and 2022F PB of 9.55x and 2.44x (the average trailing PB since its listing on HoSE), respectively.

Vietnam International Commercial JS Bank (VIB VN)

Income statement (summarized)

(VND bn)	2020	2021F	2022F	2023F
Interest Income	17,437	20,975	26,217	31,860
Interest Expense	(8,941)	(9,159)	(11,966)	(14,926)
Net Interest Income	8,496	11,816	14,251	16,935
Fee and commission income	2,952	3,521	4,482	5,219
Fee and commission expenses	(563)	(779)	(896)	(1,044)
Net fee and commission income	2,389	2,742	3,586	4,175
Income from foreign exchange activities	21	(87)	(108)	(132)
Income from trading securities	-	-	-	-
Income from securities investment	25	197	246	299
Net Other income	283	221	200	100
Equity Income	2	2	2	2
Total Operating Income	11,216	14,891	18,176	21,379
Total Operating Expenses	(4,465)	(5,282)	(6,007)	(6,916)
Pre-provisions Operating Profit	6,751	9,609	12,169	14,463
Provision expenses	(948)	(1,598)	(1,639)	(2,049)
Profit Before Tax	5,803	8,011	10,530	12,414
Net Taxes	(1,161)	(1,601)	(2,106)	(2,483)
Net Profit	4,642	6,410	8,424	9,931
Minority interests	-	-	-	-
Net Profit Attributable to Parent	4,642	6,410	8,424	9,931
EPS (VND)	4,096	4,067	5,424	6,394

Statement of Financial Position (Summarized)

(VND bn)	2020	2021F	2022F	2023F
Cash and cash equivalents	1,422	1,522	1,822	2,154
Balances with SBV	24,592	24,891	29,798	35,231
Deposits and loans to other CIs	4,369	27,985	30,504	33,249
Net loans and advances to clients	167,772	199,116	239,122	286,899
Gross Loan	169,520	201,517	241,820	290,184
Provisions	(1,748)	(2,400)	(2,698)	(3,285)
Debt Purchases	249	159	127	102
Net Investment Securities	41,372	44,737	57,486	62,010
Net Long-term Investments	74	70	70	70
Fixed Assets	407	604	654	654
Net Other Assets	4,420	10,434	10,779	5,740
Total Assets	244,676	309,517	370,233	426,006
Liabilities	226,702	285,226	337,273	383,195
Deposits & borrowings from other CIs	42,488	64,456	65,874	62,308
Customer deposits	150,349	173,565	216,956	260,347
Trusted funds	10	9	11	12
Bonds & Certificates of deposits	28,559	42,298	46,528	51,181
Other liabilities	5,296	4,898	7,905	9,346
Shareholder's Equity	17,974	24,291	32,960	42,811
Charter Capital	11,094	15,531	15,531	15,531
Retained earnings	5,626	6,971	15,219	24,574
Share premium	1	1	1	1
Funds	1,253	1,787	2,208	2,704
Total Liabilities and Equity	244,676	309,517	370,233	426,006

Key ratios

	2020	2021F	2022F	2023F
Valuation				
Average outstanding shares (mil)	1,017	1,331	1,553	1,553
Year-end outstanding shares (mil)	1,109	1,553	1,553	1,553
EPS (VND)	4,096	4,067	5,424	6,394
EPS growth	5.19%	-0.71%	33.36%	17.89%
BVPS (VND)	16,202	15,640	21,221	27,564
PE forward (@VND46,150)		12.74	9.55	8.10
PB forward (@VND46,150)		3.31	2.44	1.88
Capital Adequacy Ratio				
CAR	10.1%	11.7%	N/A	N/A
Equity/Total Assets	7.3%	7.8%	8.9%	10.0%
Equity multiplier	13.6	12.7	11.2	10.0
Asset quality				
Risk assets to total assets ratio	82.6%	85.7%	83.7%	85.1%
NPL ratio groups 3-5	1.74%	2.32%	1.4%	1.4%
NPL ratio groups 2-5	3.2%	4.9%	2.4%	2.4%
Loan loss coverage group 3-5 (LLR)	59.1%	51.4%	80.0%	78.3%
Loan loss coverage group 2-5	31.9%	24.1%	46.6%	46.3%
% write-off	0.28%	0.45%	0.55%	0.50%
% NPLs pre-write-off	2.03%	2.77%	1.95%	1.95%
NPLs formation	0.53%	1.30%	0.02%	0.79%
Credit cost	0.63%	0.86%	0.74%	0.77%

Growth ratios

	2020	2021F	2022F	2023F
Asset growth	32.6%	26.5%	19.6%	15.1%
Loan growth	31.2%	18.9%	20.0%	20.0%
Customer deposit growth	22.9%	15.4%	25.0%	20.0%
Capital growth	33.8%	35.1%	35.7%	29.9%
Pre-tax profit growth	42.2%	38.0%	31.4%	17.9%
Net profit growth	42.1%	38.1%	31.4%	17.9%
PPOP growth	43.2%	42.3%	26.6%	18.8%

Profitability & Efficiency

	2020	2021F	2022F	2023F
ROA	2.16%	2.3%	2.5%	2.5%
ROE	29.57%	30.3%	29.4%	26.2%
Average funding cost	4.61%	3.65%	3.93%	4.24%
Average gross yield	9.25%	8.56%	8.68%	8.91%
NIM	4.51%	4.82%	4.72%	4.73%
NII/ TOI	75.8%	79.4%	78.4%	79.2%
CIR	39.8%	35.1%	33.1%	32.4%
Provision expense/ TOI	8.4%	10.7%	9.0%	9.6%
Liquidity				
Pure LDR	112.8%	116.1%	111.5%	111.5%
LDR	76.6%	71.9%	73.4%	77.6%
Interbank borrowing/ total deposits	7.0%	9.4%	8.0%	6.7%

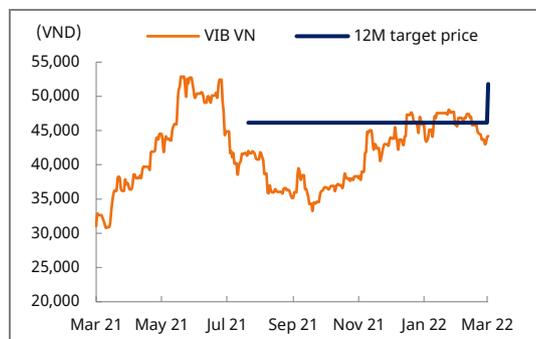
Source: Company financial statements, Mirae Asset Vietnam projection

APPENDIX 1

Important Disclosures & Disclaimers

2-Year Rating and Target Price History

Company (Code)	Date	Rating	Target Price
Vietnam International Comm. JS Bank (VIB VN)	03/21/2021	Trading Buy	51,800
Vietnam International Comm. JS Bank (VIB VN)	11/22/2021	Hold	46,150
Vietnam International Comm. JS Bank (VIB VN)	08/05/2021	Hold	46,150



Stock Ratings

Buy	: Relative performance of 20% or greater
Trading Buy	: Relative performance of 10% or greater, but with volatility
Hold	: Relative performance of -10% and 10%
Sell	: Relative performance of -10%

Industry Ratings

Overweight	: Fundamentals are favorable or improving
Neutral	: Fundamentals are steady without any material changes
Underweight	: Fundamentals are unfavorable or worsening

Ratings and Target Price History (Share price (—), Target price (—), Not covered (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆))

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