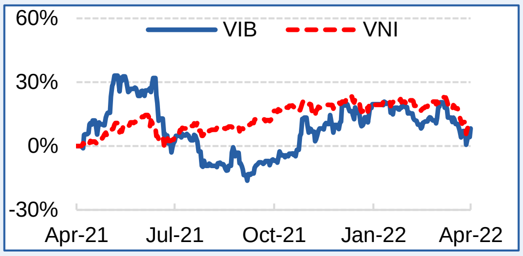
VIET CAPITAL SECURITIES

Vietnam International Bank (VIB)

Earnings Flash

Industry:	**Banking**
Report Date:	**April 29, 2022**
Current Price:	VND43,000
Target Price*:	VND43,900
Upside:	2.1%
Dividend yield:	0.0%
TSR:	2.1%
Rating*:	MARKET PERFORM

	2021	Q1 22	2022F
PPOP y/y	42.3%	25.0%	30.9%
NPAT y/y	38.1%	26.1%	34.4%
EPS y/y	39.0%	27.3%	34.4%
NIM	4.38%	4.54%	4.50%
NPLs/loans	2.32%	2.39%	1.97%
CIR	35.5%	35.3%	33.3%
P/E	10.4x	N/A	7.8x
P/B	2.7x	2.7x	2.0x



Market Cap:	USD2.9bn
Foreign Room:	USD0mn
ADTV30D:	USD2.3mn
State Ownership:	0%
Outstanding Shares:	1.553 bn
Fully Diluted Shares:	1.553 bn

	VIB	Peers	VNI
P/E (ttm)	9.2x	9.5x	15.2x
P/B (curr)	2.6x	1.8x	2.4x
ROE (ttm)	32.2%	21.7%	15.8%
ROA (ttm)	2.5%	1.8%	2.6%

* TP and rating last updated March 1, 2022

Company overview

Established in 1996, VIB is the third smallest bank in our coverage universe in terms of total assets and brick & mortar network as of December 31, 2021. VIB's strategy focuses on retail banking. The bank was registered for trading on UPCoM in 2017 and listed on HOSE in November 2020.

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Weak NOII holds back bottom-line growth

VIB released Q1 2022 results with bottom-line net profit of VND1.8tn (USD79mn; +26% YoY), achieving 21% of our FY2021 forecast. The increase in NPAT was mainly due to (1) a 27% YoY rise in NII that outweighed (2) a 14% YoY decrease in NOII, (3) 7.3% YoY increase in OPEX and (4) 18.9% YoY increase in provision expenses. Overall, Q1 2022 results tracked slightly behind our forecast. At VIB's recent analyst meeting, management disclosed that it expects Q2 2022 PBT of VND2.7tn (+26% YoY).

Stronger credit growth vs deposit growth in Q1 2022 supported NIM improvement from Q4 2021. Q1 2022 NIM of VIB was 4.54% vs 2021 NIM of 4.38% thanks to (1) a 3-bp increase in IEA yield in Q1 2021 vs 2021 and (2) 17-bp decrease in COF in Q1 2022 vs 2021. We believe the credit growth of 6.3% QoQ vs deposit growth of 5.9% QoQ supported the expansion of NIM in Q1 2022. In addition, the Q1 2022 CASA ratio was 15.0% vs 16.3% in Q4 2021. Given a 17% QoQ increase in FX loans from other credit institutions to VND24.5tn, we think that VIB improved its cost of funds via utilizing offshore funding, which outweighed the impact of its decreasing CASA ratio.

Despite strong NII growth, NOII trailed our expectation. Q1 2022 NOII was VND620bn (-14%YoY), completing 15% of our full-year forecast. We attribute the subpar performance of Q1 2022 NOII to (1) a VND81bn loss in trading FX in Q1 2022 vs a VND9bn gain in trading FX in Q1 2021 and (2) 96% YoY drop in Q1 2022 gains from investment securities to VND2.3bn that outweighed (3) a 6.4% YoY increase in pure NFI. Q1 2022 YoY growth in NFI was mainly contributed by a 52% YoY increase in settlement services thanks to a 55% YoY increase in the number of cards in force, in our view. Meanwhile, weakness in fee income from bancassurance continued as bancassurance fee income decreased 20% YoY.

Regarding credit quality, the NPL ratio inched up on a quarterly basis and was up significantly on a YoY basis. As of Q1 2022, the NPL ratio was 2.39% (+7 bps QoQ and +66 bps YoY) while Group 2 loans to gross loans surged 47 bps QoQ to 3.09%. Management claimed that 93% of NPLs were secured. Q1 2022 provision expenses were VND397bn (+19% YoY), completing 22% of our full-year forecast. In addition, restructured loans dropped from VND1.1tn (equivalent to 0.52% of the total loan book) in Q4 2021 to VND840bn (equivalent to 0.39% of the total loan book) in Q1 2022 as most customers paid back their restructured loans. The provision balance for restructured loans was VND240bn as of Q1 2022.

Q1 2022 CIR was 35.3% (-3.6 ppts YoY) vs our full-year forecast of 33.3%. Q1 2022 OPEX rose 7.3% YoY due to (1) a 26.7% YoY increase in expenses for fixed assets and (2) 22.5% YoY increase in expenses for operating management. Notably, expenses for employees decreased 1.5% YoY despite a 1.9% YoY increase in headcount to 9,895 in Q1 2022.

Figure 1: VIB's consolidated Q1 2022 results

VND bn	Q1 2021	Q1 2022	YoY
NII	2,778	3,516	26.5%
Non-interest income	723	620	-14.2%
OPEX	(1,361)	(1,460)	7.3%
PPOP	2,141	2,676	25.0%
Provision expenses	(334)	(397)	18.9%
NPAT-MI	1,446	1,823	26.1%
Loan growth**	4.7%	6.3%	1.5 ppts
Deposit growth**	4.3%	5.9%	1.6 ppts
NIM	4.52%	4.54%	2 bps
Interest-earning asset yield	8.11%	7.81%	-30 bps
Cost of funds	3.89%	3.49%	-41 bps
CASA ratio*	12.5%	15.0%	2.5 ppts
CASA ratio plus term deposits in FX	16.6%	18.5%	1.9 ppts
CIR	38.9%	35.3%	-3.6 ppts
NPLs / Gross loans	1.73%	2.39%	66 bps
Group 2 loans / Gross loans	2.32%	3.09%	77 bps
Accrued interest / IEAs	0.79%	0.74%	-5 bps

Source: VIB, VCSC. *CASA volume includes demand deposits and margin deposits; ** Q1 2021 and Q1 2022 loan and deposit growth is QoQ growth.

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BUY	If the projected TSR is 20% or higher
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