

Vietnam International Commercial Joint Stock Bank

(HOSE: VIB)

Undervalued

Buy
(Upgrade)

TP: VND38,350
Upside +78.37%

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Investment thesis

1H22 Update:

- Due to the nature of Vietnam International Commercial Joint Stock Bank (VIB)'s credit book (high retail concentration), credit growth was low in 1Q22. First quarter retail credit demand is usually low, due to the Tet holiday effects. In addition, global supply chain disruptions have pressured auto supply, curtailing demand for auto loans. During 1Q22, credit growth of the bank was on par with the sector average, increasing by 6.1% YTD. 1Q22 VIB's net loans reached VND211tn (+6.2% YTD).
- Moving to end-2Q22, we forecast VIB's credit growth at approximately 10% (at the current approved quota). About 86–87% of VIB's loan book is made up of retail loans.
- **2022 credit growth:** Due to recent sector turbulence, we still maintain our forecast of 20% credit growth for VIB (below the bank's target) for 2022-2023
- **Profit before tax:** We maintain our 2022 PBT forecast at VND10,530bn. According to VIB, the bank will record PBT of approximately VND5,000bn (~48% of our forecast) in 1H22, not including expected new Banca upfront fees, for which VIB is still negotiating. VIB expects the fees to be recorded in late-2022.
- **NPLs:** According to VIB, the bank's bad debt ratio is at 1.73%, as of May 2022 (slightly improved compared with the 2.32% as of end-2021). VIB was able to overcome the negative impact of Covid-19 and recent tightening policy of corporate bonds, thanks to its: 1) large proportion of retail loans; 2) small loan amount per customer; and 3) modest amount of corporate bonds. We expect the NPL ratio of VIB to further improve in the remainder of the year.

Deep-discount value stock with high expectations for full recovery of Vietnam's economy in 2022

- 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 believe that VIB will continue to be a growth stock in 2022–2023, and is currently trading at very deep discount.

Valuation and recommendation

Upgrade to Buy; maintain TP at VND38,350

- Due to its impressive business results in 2022, and the aforementioned positive developments, we maintain VIB's target price at VND38,350/share (equivalent to a 2022F P/E of 9.60x and 2022F P/B of 2.45x), after adjusting for stock and cash dividends. We upgrade our recommendation to Buy (from Trading Buy).
- We forecast that, in 2022, VIB will maintain the highest ROE in the banking industry, at an estimated 29.4%.

Key data



Share performance

| (%) | 1M | 6M | 12M |
|----------|-------|-------|-------|
| Absolute | -17.6 | -36.1 | -39.5 |
| Relative | -11.8 | -17.4 | -25.9 |

Earnings and valuation metrics

| Fiscal year (31/12) | 12/31/2018 | 12/31/2019 | 12/31/2020 | 12/31/2021 | 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 | 3,997 | 4,712 |
| ROE (%) | 22.55% | 27.11% | 29.57% | 30.33% | 29.43% | 26.21% |
| P/E (x) (@VND38,350) | | | | 12.74 | 9.60 | 8.10 |
| P/B (x) (@VND38,350) | | | | 3.31 | 2.45 | 1.88 |
| Book value (VND) | 13,616 | 14,527 | 16,202 | 15,640 | 15,638 | 20,312 |

Source: Bloomberg, Mirae Asset Vietnam forecast

Vietnam International Commercial JS Bank (VIB VN)

Income statement (summarized)

| (VNDbn) | 2020 | 2021 | 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 | 3,997 | 4,712 |

Statement of Financial Position (Summarized)

| (VNDbn) | 2020 | 2021 | 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 | 21,077 | 21,077 |
| Retained earnings | 5,626 | 6,971 | 9,674 | 19,028 |
| 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 | 2021 | 2022F | 2023F |
|------------------------------------|--------|--------|--------|--------|
| Valuation | | | | |
| Average outstanding shares (mil) | 1,017 | 1,331 | 1,830 | 2,108 |
| Year-end outstanding shares (mil) | 1,109 | 1,553 | 2,108 | 2,108 |
| EPS (VND) | 4,096 | 4,067 | 3,997 | 4,712 |
| EPS growth (*fully diluted) | 5.19% | -0.71% | -1.73% | 17.89% |
| BVPS (VND) | 16,202 | 15,640 | 15,638 | 20,312 |
| PE forward (@VND38,350) | | 12.74 | 9.60 | 8.14 |
| PB forward (@VND38,350) | | 3.31 | 2.45 | 1.89 |
| 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 | 2021 | 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 | | | | |
| 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% |
| NI/ 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% |

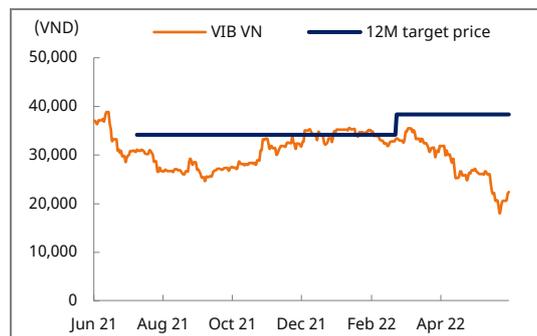
Source: Company financial statements, Mirae Asset Vietnam projection

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) | 07/01/2022 | Buy | 38,350 |
| Vietnam International Comm. JS Bank (VIB VN) | 03/21/2022 | Trading Buy | 38,350 |
| Vietnam International Comm. JS Bank (VIB VN) | 11/22/2021 | Hold | 34,167 |
| Vietnam International Comm. JS Bank (VIB VN) | 08/05/2021 | Hold | 34,167 |



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 (◆))

* Our investment rating is a guide to the relative return of the stock versus the market over the next 12 months.

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