

Vietnam International Commercial Joint Stock Bank

(HOSE: VIB)

Undervalued

Buy

(Upgrade)

TP: VND38,350

Upside +78.37%

Mirae Asset Securities (Vietnam) JSC.

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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

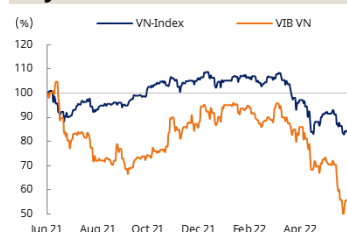
- Going forward, we still see great potential for the retail lending segment (house and car loans), as well as demand for life insurance and, in particular, card payments. This is also consistent with the trend of non-cash payments taking place in the world. We believe that VIB will continue to be a 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

Current price (06/30/2022,VND)	21,500	Market cap (VNDbn)	45,315
NPAT (22F, VNDbn)	8,424	Shares outstanding (mn)	2,108
Consensus NPAT (22F, VNDbn)	-	Free float (%)	63.4
EPS growth (22F, %, adjusted for div.)	33.4%	Foreign ownership (%)	20.5
P/E (22F, x)	9.60	Beta (12M)	1.3
Market P/E (x)	13.04	52-week low (VND)	18,000
VN-Index	1,197.6	52-week high (VND)	40,000

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	253	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

	2020	2021	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

	2020	2021	2022F	2023F
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%

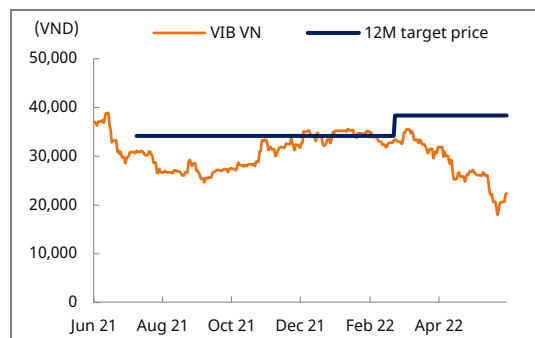
Source: Company financial statements, Mirae Asset Vietnam projection

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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