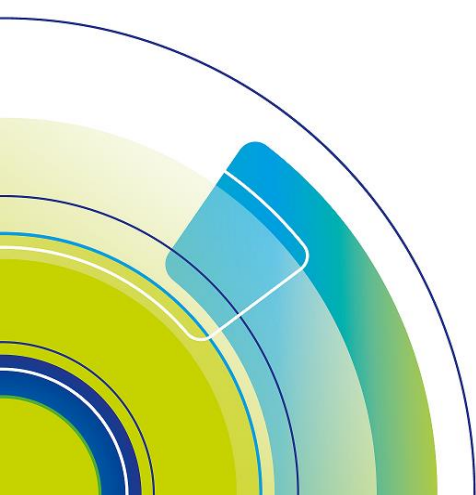




Update **VIB – OUTPERFORM**

September 17, 2024



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Recommendation **OUTPERFORM**

HOSE: VIB

Banking

Current price (VND) **18,000**

Target price (VND) **19,000**

Expected share price return +5.6%

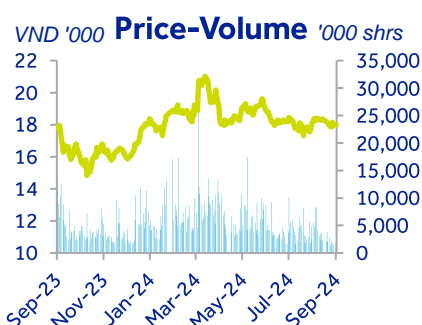
Expected dividend yield 5.6%

Expected total return **+11.1%**

Stock performance (%)

	YTD	1M	3M	12M
Absolute	13.8	-0.4	-6.4	3.5
Relative	2.4	0.3	-3.8	0.7

Source: Bloomberg



Ownership

Commonwealth Bank of Australia	19.8%
Đặng Khắc Vỹ (Board Chairman) & relatives	20.3%
Đỗ Xuân Hoàng (Board Member) & relatives	9.3%

Stock Statistics

17-Sep-24

Bloomberg code

VIB VN

52-week range (VND) 14,786-21,368

No. of shares (m) 2,979

Mkt cap (VND bn) 53,624

Mkt cap (USD m) 2,165

Foreign room left (%) 0.0

Est. free float (%) 76.7

3m avg daily vol (shs) 3,905,096

VND/USD 24,770

Index: VNIndex / HNX 1241.55/230.46

VIETNAM INTERNATIONAL COMMERCIAL JS BANK (VIB)

We downgraded from BUY to OUTPERFORM on VIB, following a 16,1% appreciation in the stock price since our last report. Our 1-year target price of VND19,000/share is based on target P/E and P/B of 6.5x and 1.2x, respectively. Downward pressure on NIM poses challenges for VIB's business performance to achieve a significant breakthrough in the upcoming quarters.

2Q24 business results declined with PBT reaching VND2,103 billion (-15.9% q/q and -28.7% y/y), mainly due to a sharp contraction in NIM (-0.22 pts q/q and -1.19 pts y/y), dropping to 4.00%. VIB's NIM is unlikely to improve in the near term, as lending rates face downward pressure to stimulate credit growth. Furthermore, the sluggish recovery in retail lending has compelled VIB to shift its focus toward large corporate loans, which typically offer lower yields. We forecast VIB's full-year 2024 NIM to reach 4.08%, down 0.89 pts y/y.

Outstanding loans saw a moderate growth of 4.2% y/y and 18.6% y/y, primarily driven by the robust growth in corporate loans (+20.1% y/y, +54.7% y/y), offsetting weak recovery in retail loans (+1.2% y/y and +12.9% y/y) despite recent signs of improvement. We forecast VIB's full-year 2024 credit growth to reach 13.9%.

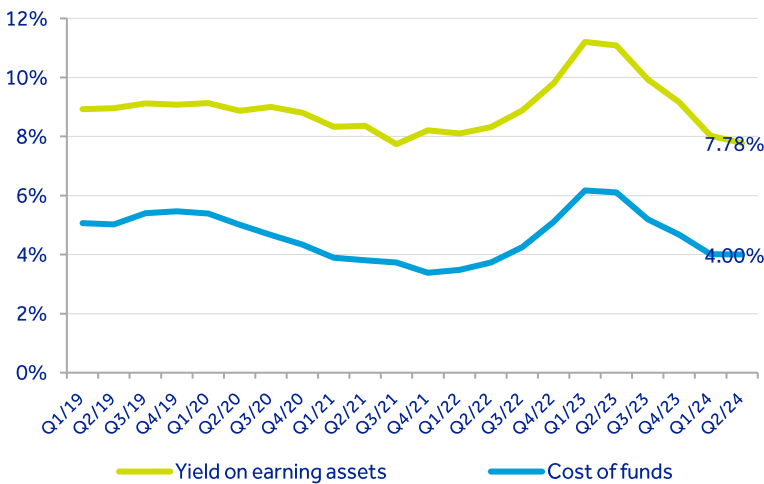
Asset quality improved in 2Q24, although it remains poor. NPL ratio remained stayed elevated at 3.66%, but Category 2 loan ratio plummeted by 1.19 pts q/q, suggesting a reduction in the risk of further NPL formation in upcoming quarters. Restructured loans continued on a downward trend, now accounting for just 0.21% of the total outstanding loans. Meanwhile, interest collection days decreased for three consecutive quarters to a healthy level of 31, signaling that the risk of new NPLs has substantially diminished.

VIB significantly ramped up its provisioning efforts, setting aside VND1,130 billion in Q2/24, representing a 31.4% y/y increase. However, despite these efforts, NPL coverage ratio was still among industry low of 48.1%. Hence, we expect VIB will need to maintain elevated provisioning levels, forecasting more than VND1,000 billion/quarter in 2H2024. This is, however, still lower than the hefty provisioning figures of VND1,600-1,700 billion/quarter in 2H2023. For the full year of 2024, we forecast provisioning expenses to reach VND4,284 billion, -11.6% y/y.

We forecast full-year 2024's PBT to reach VND10,747 billion, reflecting a modest growth of 0.4% y/y and achieving 89% of the profit plan set by the AGM.

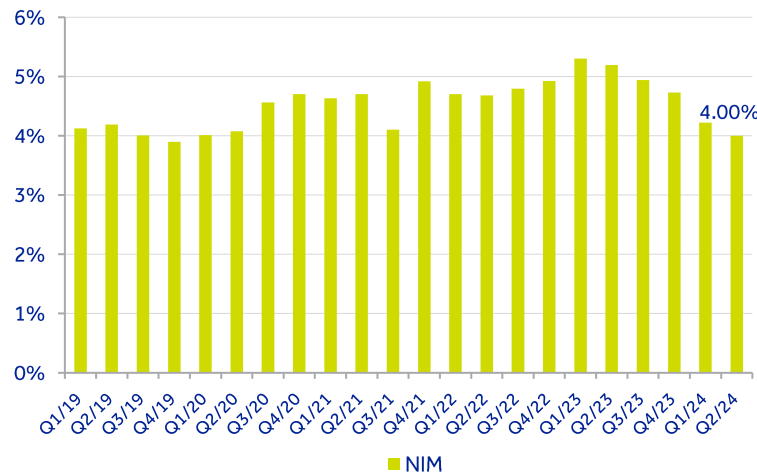
(VND bn)	2021	2022	2023	2024F	2025F	2026F
Credit growth	19.2%	14.5%	14.2%	13.9%	14.0%	14.0%
NIM	4.51%	4.93%	4.97%	4.07%	3.96%	3.96%
NFI proportion	20.6%	17.1%	21.7%	25.0%	25.0%	25.0%
TOI growth	32.8%	21.3%	22.7%	0.6%	11.9%	14.3%
CIR	35.5%	34.3%	29.8%	32.6%	32.0%	31.4%
Credit costs	0.85%	0.58%	1.94%	1.50%	1.80%	1.80%
Profit before tax	8,011	10,581	10,704	10,747	11,111	12,902
growth	38.0%	32.1%	1.2%	0.4%	3.4%	16.1%
Profit after tax after MI	6,410	8,469	8,563	8,597	8,889	10,322
Profit attributable	6,317	8,358	8,453	8,487	8,775	10,189
Adjusted EPS (VND)	2,490	3,295	3,332	2,860	2,956	3,433
BVPS (VND)	15,640	15,492	14,956	14,574	16,530	18,963
Adjusted ROA	2.3%	2.6%	2.3%	2.0%	1.8%	1.8%
Adjusted ROE	30.3%	29.7%	24.3%	21.2%	19.3%	19.6%
CAR (Basel 2)	11.7%	12.8%	11.7%	11.7%	11.6%	11.7%
P/E	19.0	5.8	5.9	6.3	6.1	5.2
P/B	3.0	1.2	1.3	1.2	1.1	0.9
DPS (VND)	-	-	1,500	1,250	1,000	1,000
Dividend yield	0.0%	0.0%	5.9%	5.9%	5.6%	5.6%

Lending rates reduced to stimulate credit demand...



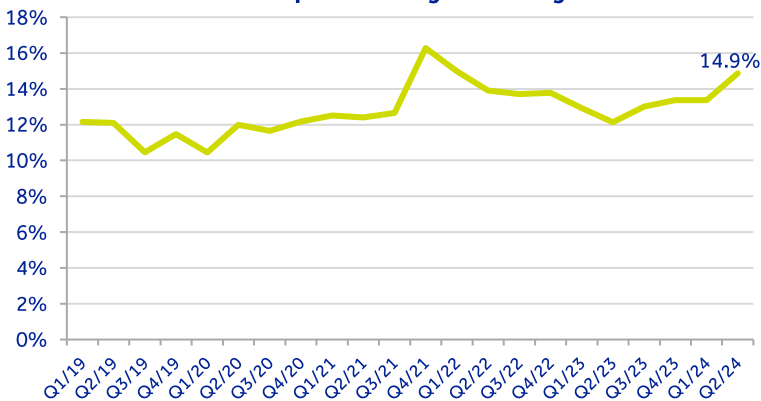
Source: VIB, ACBS

... caused NIM to face shrinkage pressure



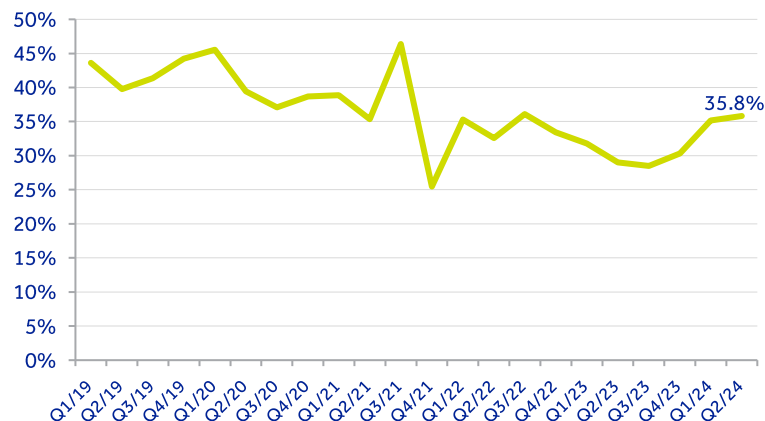
Source: VIB, ACBS

CASA ratio continued its upward trajectory, bolstered by a favorable low-interest rate environment and the expansion in digital banking



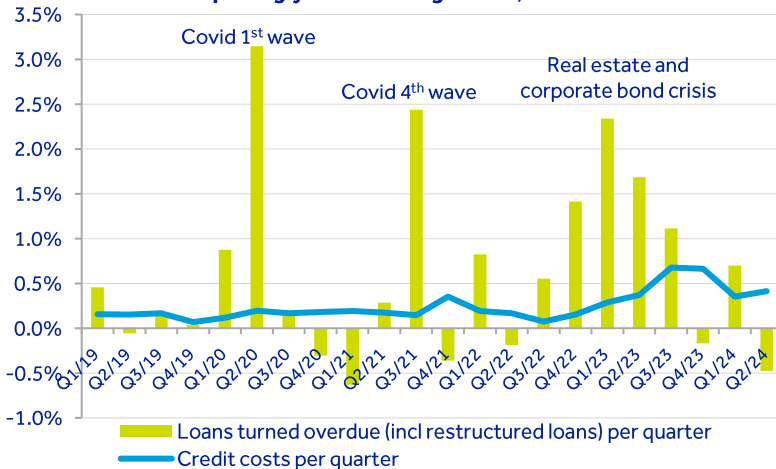
Source: VIB, ACBS

CIR has risen to 35.8%, driven by a 6.1% y/y decline in TOI, while staff expenses surged by 16.5% y/y



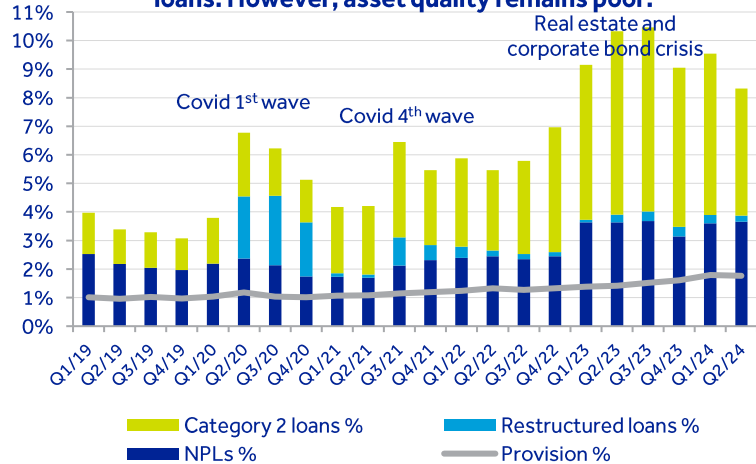
Source: VIB, ACBS

Overdue loan formation (including restructured loans) surprisingly stood at negative 0,5% in Q2/24...



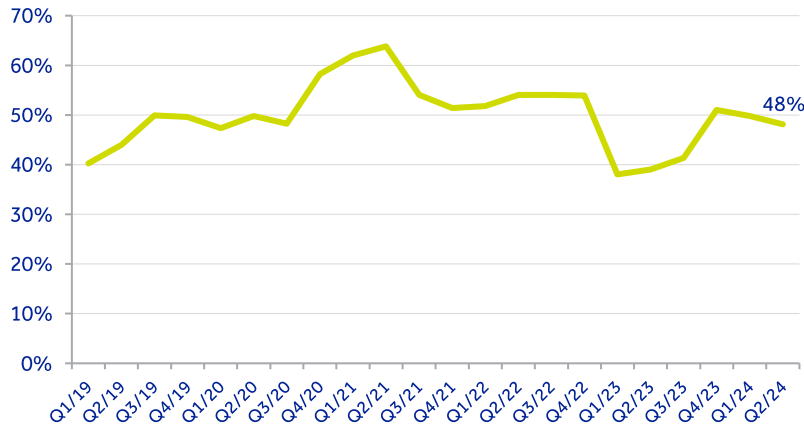
Source: VIB, ACBS

... mainly due to a significant drop in Category 2 loans. However, asset quality remains poor.



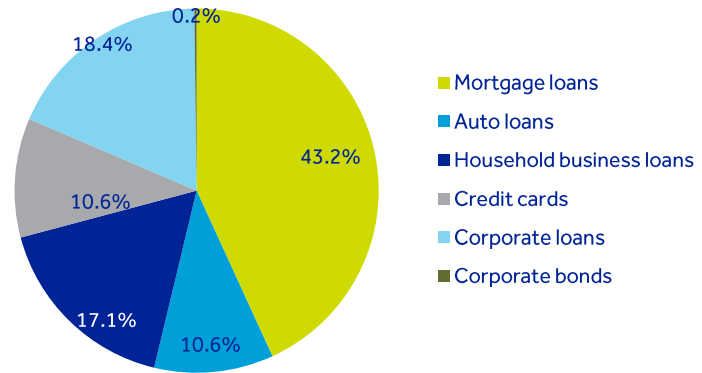
Source: VIB, ACBS

NPL coverage ratio were still among industry low of 48.1%



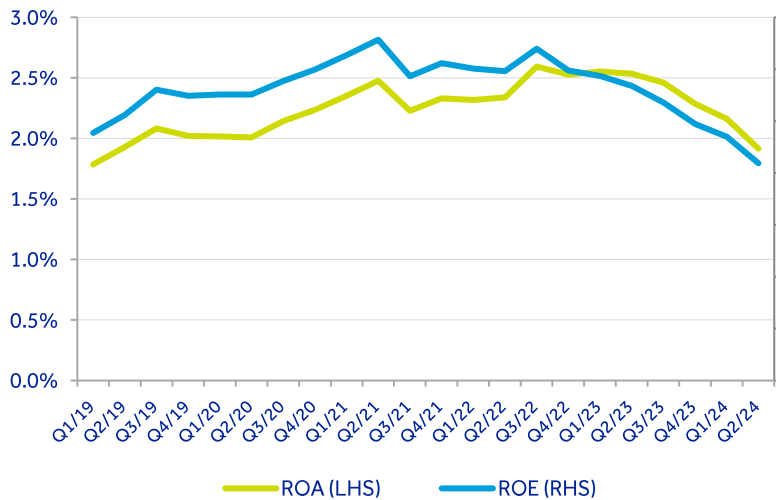
Source: VIB, ACBS

Credit structure



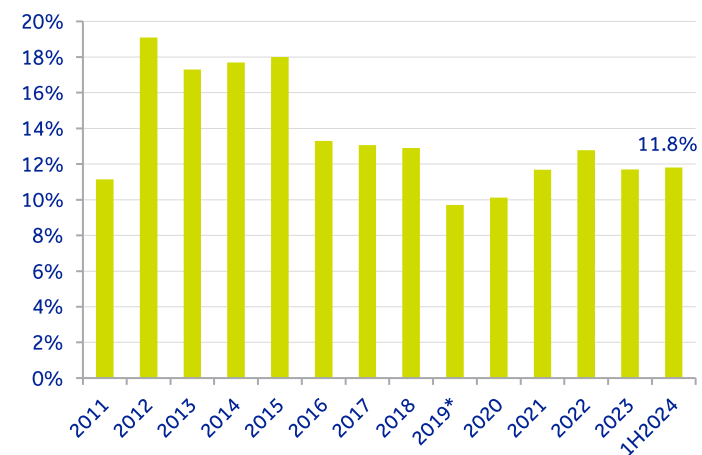
Source: VIB, ACBS

ROA and ROE declined



Source: VIB, ACBS

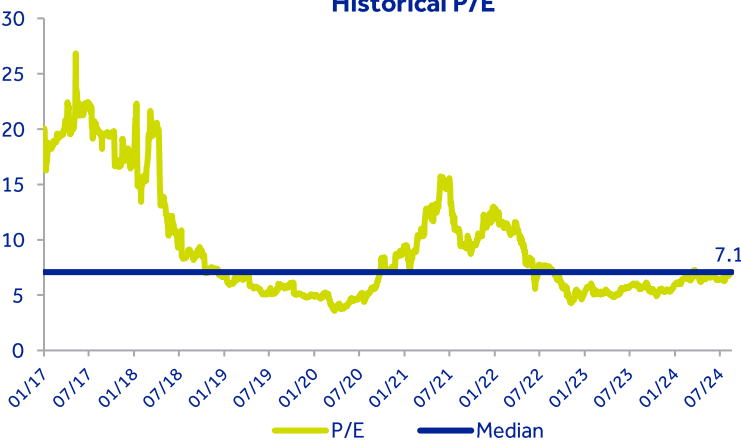
VIB's CAR



(*) : VIB applied Basel 2 since 2019

Source: VIB, ACBS

Historical P/E



Source: FiinPro-X, ACBS

Historical P/B



Source: FiinPro-X, ACBS

(Unit: VND billion)

Ticker	Exchange	Mkt cap 16-09-24	Total Equity Q2/24	Total Assets Q2/24	NPL ratio Q2/24	Category 2 loan Q2/24	NPL coverage Q2/24	CAR (Basel 2) 31-12-23	ROA (TTM)	ROE (TTM)	P/E	P/B
VCB	HOSE	496,870	181,703	1,905,639	1.2%	0.4%	218.2%	11.4%	1.8%	19.5%	14.9	2.7
BID	HOSE	272,196	134,717	2,521,071	1.5%	1.7%	132.5%	8.6%	1.0%	18.8%	11.9	2.1
CTG	HOSE	186,070	135,973	2,161,436	1.6%	1.5%	113.8%	9.3%	1.0%	15.9%	9.2	1.4
TCB	HOSE	156,399	138,552	908,307	1.2%	0.9%	102.6%	14.4%	2.5%	16.2%	7.3	1.1
VPB	HOSE	145,587	138,076	864,393	5.1%	8.2%	48.1%	17.1%	1.4%	9.1%	12.0	1.1
MBB	HOSE	126,821	104,214	988,605	1.6%	1.9%	101.8%	10.8%	2.3%	22.6%	5.9	1.3
ACB	HOSE	107,870	74,793	769,679	1.5%	0.6%	78.4%	12.5%	2.3%	22.9%	6.6	1.4
LPB	HOSE	77,240	38,338	442,583	1.7%	1.2%	78.2%	12.2%	2.1%	24.7%	8.7	2.0
HDB	HOSE	76,309	52,826	624,443	2.1%	4.6%	58.8%	12.6%	2.1%	26.2%	6.3	1.5
STB	HOSE	55,708	49,078	717,313	2.4%	0.8%	69.8%	9.1%	1.2%	17.6%	6.8	1.1
VIB	HOSE	53,624	38,350	430,962	3.7%	4.6%	48.1%	11.7%	1.9%	20.5%	6.9	1.4
SSB	HOSE	43,234	32,769	280,658	1.9%	1.1%	76.7%	13.6%	1.7%	15.1%	9.2	1.3
TPB	HOSE	39,629	35,609	361,555	2.1%	2.7%	66.0%	12.4%	1.3%	14.1%	8.4	1.1
SHB	HOSE	37,540	56,097	659,862	3.0%	2.0%	64.1%	12.2%	1.3%	15.6%	4.6	0.7
EIB	HOSE	31,945	23,489	211,999	2.6%	1.1%	40.0%	13.4%	1.1%	9.8%	14.4	1.4
MSB	HOSE	29,640	33,880	295,538	3.1%	2.2%	58.6%	12.8%	1.7%	14.8%	6.3	0.9
OCB	HOSE	27,987	30,142	238,884	3.1%	2.5%	54.6%	13.3%	1.6%	13.0%	7.4	0.9
NAB	HOSE	23,145	16,943	228,917	2.6%	2.7%	47.2%	11.2%	1.5%	20.4%	7.3	1.4
BAB	HNX	10,572	11,205	154,482	1.5%	0.6%	86.1%	0.0%	0.6%	8.1%	11.9	0.9
ABB	UPCoM	7,847	13,412	152,176	3.6%	1.2%	44.2%	11.0%	0.2%	2.5%	23.7	0.6
PGB	UPCoM	7,218	4,995	59,659	3.5%	1.4%	31.1%	12.0%	0.4%	4.3%	34.5	1.5
BVB	UPCoM	6,137	6,016	90,490	3.8%	1.6%	39.4%	11.3%	0.2%	2.5%	41.9	1.0
VBB	UPCoM	5,534	8,125	144,103	3.4%	1.4%	33.1%	10.4%	0.5%	9.5%	7.1	0.7
VAB	UPCoM	5,038	8,427	108,914	2.5%	0.1%	49.0%	9.3%	0.7%	9.6%	6.5	0.6
NVB	HNX	4,956	5,101	103,309	35.3%	5.9%	5.1%	9.2%	-0.7%	-13.0%	-7.4	1.0
KLB	UPCoM	4,699	6,139	91,668	2.0%	1.0%	69.8%	9.7%	0.8%	11.8%	6.8	0.8
SGB	UPCoM	4,404	4,208	32,413	2.6%	2.7%	38.3%	17.7%	0.8%	6.1%	17.5	1.1
Average		75,712	51,229	575,891	3.7%	2.1%	68.6%	11.5%	1.2%	13.3%	11.0	1.2
Median		37,540	33,880	295,538	2.5%	1.5%	58.8%	11.7%	1.3%	14.8%	7.4	1.1

Source: FiinPro-X, ACBS

(Unit: VND billion, unless otherwise stated)	Market price (VND):	46,000	Target price (VND):	54,000	Market cap (VND bn):	232,692	
	2020	2021	2022	2023	2024F	2025F	2026F
INCOME ITEMS							
Net interest income	8,496	11,816	14,963	17,361	16,720	18,716	21,402
Net fee & commission income	2,389	2,742	3,188	3,327	3,471	3,818	4,353
Other non-interest income	331	333	(93)	1,473	2,111	2,432	2,783
Total operating income	11,216	14,891	18,058	22,160	22,302	24,967	28,537
Growth (%)	37.6%	32.8%	21.3%	22.7%	0.6%	11.9%	14.3%
Operating expenses	(4,465)	(5,282)	(6,197)	(6,611)	(7,272)	(7,999)	(8,959)
Profit before provision & tax	6,751	9,609	11,861	15,550	15,030	16,968	19,578
Provision for credit losses	(948)	(1,598)	(1,280)	(4,846)	(4,284)	(5,856)	(6,676)
Profit before tax	5,803	8,011	10,581	10,704	10,747	11,111	12,902
Growth (%)	42.2%	38.0%	32.1%	1.2%	0.4%	3.4%	16.1%
Profit after tax after minority interests	4,642	6,410	8,469	8,563	8,597	8,889	10,322
Profit attributable to shareholders	4,544	6,317	8,358	8,453	8,487	8,775	10,189
Adjusted EPS (VND)	1,791	2,490	3,295	3,332	2,860	2,956	3,433
BALANCE SHEET ITEMS	2020	2021	2022	2023	2024F	2025F	2026F
Outstanding loans & corporate bonds	171,252	204,103	233,774	267,071	304,069	346,639	395,168
Growth (%)	29.5%	19.2%	14.5%	14.2%	13.9%	14.0%	14.0%
Customer deposits	150,349	173,565	200,124	236,577	269,698	307,456	350,500
Growth (%)	22.9%	15.4%	15.3%	18.2%	14.0%	14.0%	14.0%
Total assets	244,676	309,517	342,799	409,881	467,262	532,429	607,322
Shareholder's equity	17,974	24,291	32,651	37,940	43,256	49,063	56,284
BVPS (VND)	16,202	15,640	15,492	14,956	14,574	16,530	18,963
KEY RATIOS	2020	2021	2022	2023	2024F	2025F	2026F
NPL	1.7%	2.3%	2.5%	3.1%	3.2%	3.1%	3.1%
NPL coverage	59.1%	51.4%	53.9%	51.0%	44.5%	49.8%	54.7%
NIM	4.1%	4.5%	4.9%	5.0%	4.1%	4.0%	4.0%
CIR	39.8%	35.5%	34.3%	29.8%	32.6%	32.0%	31.4%
Adjusted ROA	2.2%	2.3%	2.6%	2.3%	2.0%	1.8%	1.8%
Adjusted ROE	29.6%	30.3%	29.7%	24.3%	21.2%	19.3%	19.6%
CAR (Basel 2)	10.1%	11.7%	12.8%	11.7%	11.7%	11.6%	11.7%
P/E (x)	18.1	19.0	5.8	5.9	6.3	6.1	5.2
P/B (x)	2.0	3.0	1.2	1.3	1.2	1.1	0.9
Dividend yield	0.0%	0.0%	0.0%	5.9%	5.9%	5.6%	5.6%

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Our Recommendation System

BUY	: total stock returns (including dividend yield) over the next 12 months are forecast to be 20% or higher.
OUTPERFORM	: total stock returns (including dividend yield) over the next 12 months are forecast to be from 10 to 20%.
NEUTRAL	: total stock returns (including dividend yield) over the next 12 months are forecast to be between -10 and 10%.
UNDERPERFORM	: total stock returns (including dividend yield) over the next 12 months are forecast to be from -10 to -20%.
SELL	: total stock returns (including dividend yield) over the next 12 months are forecast to be -20% or lower.

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