

05/02/2024
RECOMMENDATION BUY

Fair price	27,000 VND
Current price	21,200 VND
Potential up/downside	27%

SHARE INFORMATION

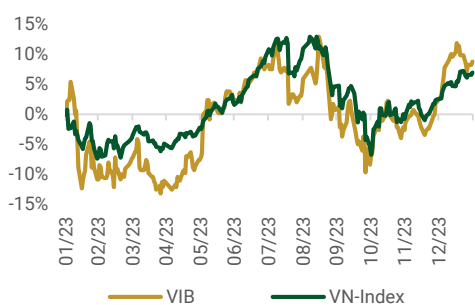
Outstanding shares (mil)	2,536
Free float (mil)	1,395
Market cap. (VND billion)	50,228
3m avg. volume (shares)	3,459,343
Foreign ownership (%)	20.5%
First listing date	01/09/2017

SHAREHOLDERS STRUCTURE

Commonwealth Bank of Australia (CBA)	20%
Funderra Joint Stock Company	4.7%
Others	75.3%

CRUCIAL INDICATORS

TTM EPS (VND)	3,507
BVPS (VND)	14,207
Liabilities/Equity (%)	91%
ROA (%)	2.4%
ROE (%)	26.7%
P/E	5.7x
P/B	1.4x
Dividend yield (%)	N/A

PRICE MOVEMENT COMPARED TO THE INDEX

OVERVIEW OF THE BANK

Vietnam International Bank (VIB) was established in 1996. VIB primarily operates in capital mobilization and credit lending. The bank also engages in international payment activities, foreign exchange business, financial investment, risk management, and capital preservation. VIB has been listed on the Ho Chi Minh City Stock Exchange (HOSE) since October 2020.

SENIOR ANALYST

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Digital transformation - the driving force for the new phase of growth

- By the end of 2023, Net Profit would be VND 8,562 billion (+1.1%YoY). Net interest income increased by 16% YoY to VND 17,361 billion, while Non-Interest Income rose 55.1% to VND 4,800 billion. VIB is implementing 6% cash dividend in 2023.
- We expect 2024 to be more positive thanks to the improvement of the economy, recovery of investor sentiment and a slight increase in interest rates. We recommend a BUY rating with a 27% upside.

Updated business performance in 2023: By the end of 2023, Net Income would be VND 8,562 billion (+1.1%YoY). NIM decreased slightly by 2 bps compared to the end of 2022 to 4.75%. Credit growth in 2023 reaches 14.2%YoY. Growth in payment services, FX trading, and debt collection were the main drivers for 55% YoY growth in Non-Interest Income.

Highest growth thanks to the expansion of core businesses. Auto loan of VIB has leading market share of 12%, while the Mortgage loan segment has the highest growth in the market (45% in 2018, 46% in 2019, and 41% in 2020, 25% in 2021, 29% in 2022, 6.3% in 2023). As a result, credit growth of VIB has achieved an impressive growth rate, with a CAGR of 19% during 2019-2023.

The ability to improve NIM is supported by the development strategy of retail banking and digital banking. NIM of VIB increased from 2.9% in 2016 to 4.75% in 2023, among the highest level in the industry.

Projection for 2024F: We project that the credit growth in 2024 would be 18.9% thanks to the expected economic rebound in Vietnam in 2024. With strong credit growth, we anticipate a slight increase in lending rates while deposit rates would rise at a slower pace. As a result, we project that Net Interest Margin of VIB would be 4.85% in 2024. We expect that the pressure of NPLs would increase due to legal gaps in NPL resolution and the lingering effects of the difficulties in 2023. However, the economic recovery would ease the burden of NPLs. Hence, we project that the NPL ratio in 2024 would be 3.59%, while the the provision expense for credit losses in 2024 would be VND 5,287 billion (+9% YoY). Consequently, we project that Net Profit of VIB in 2024 would be VND 9,843 billion (+15% YoY).

Evaluation: By using P/B and Residual Income, we recommend BUY for VIB at a price of VND 27,000 per share, indicating a potential price increase of 27% compared to the current price.

Risks: (1) The lowest Loan Losses Coverage ratio in the industry and the significant increase in special mentioned loans, which would create pressure on the bank's profitability in 2023. (2) High inflation risk affects retail lending

Financial indicators	2019A	2020A	2021A	2022A	2023A	2024F
Net Interest Income	6,213	8,496	11,816	14,963	17,361	20,599
Non-interest Income	1,938	2,720	3,075	3,095	4,800	4,846
Total Operating Income	8,152	11,216	14,891	18,058	22,160	25,445
Operating expense	(3,437)	(4,465)	(5,282)	(6,197)	(6,611)	(7,854)
Provision expenses for credit losses	(633)	(948)	(1,598)	(1,280)	(4,847)	(5,287)
Before-tax Profit	4,082	5,803	8,011	10,581	10,703	12,304
Net Profit	3,266	4,642	6,410	8,469	8,562	9,843
NPL ratio	1.96%	1.74%	2.32%	2.45%	3.14%	3.59%
CASA ratio	11.2%	11.9%	16.1%	13.6%	13.2%	14.2%