Shinhan Securities



Vietnam International Commercial JSB

[Vietnam / Bank]

Bloomberg Code (VIB VN) | Reuters Code (VIB.HM)

HOLD

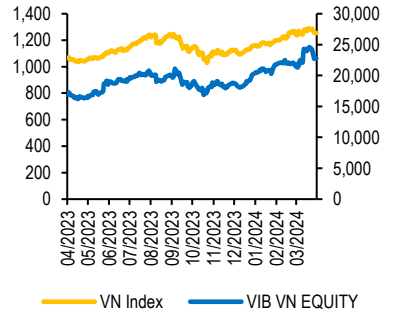
Update report

Target price (2025)	**21,600 VND**
Current price (11/01/24)	18,850 VND
Upside/downside	14.4%

VNINDEX	1,264
PE forward 2024F	11.8
Market Cap (VNDbn)	56,454
Outstanding shares (bn)	2,979
Free float (bn shares)	2,218
52-week high/low (VND)	21,368/15,000
90-day avg. trading volume (mn)	7.39
90-day avg. turnover (VNDbn)	166
Foreign ownership – Q3/2024(%)	14.7

Shareholder – Q3/2024 (%)	CBA	14.7

Performance	3T	6T	12T
Absolute (%)	8.9	21.7	30.6
Relative to VN-Index (%)	0.8	10.6	13.4



When capital cost is not a strength

Recommended HOLD, target price 21,600 VND

VIB's strategic orientation is to be the leading retail bank in Vietnam, with main products including home mortgage loans, auto loans and cards. In 2019, VIB was the first commercial bank to complete all 3 pillars of Basel II and VIB is applying risk management according to Basel III standards. VIB is a commercial bank with many years of leading in ROE ratio. However, unfavourable development of interest rate and slowing retail lending demand in 2023-2024 have caused VIB's ROE to fall below 20%. Based on the 2025 forecast, we lower VIB's target P/B to (1.2x) to reflect the bank's current difficulties. Combined with the residual income method, VIB's target price is VND21,600.

Business results 9M/2024

By the end of Q3/2024, VIB's credit growth reached nearly 12% YTD, of which in Q3/2024 alone, VIB grew by 7% YTD. The card segment continued to show outstanding growth in VIB's loan portfolio. The regulation on reducing registration tax by 50% helped VIB's auto loan segment grow positive again (returning to the top 1 in auto loan market share in Q3/2024, according to VAMA). Meanwhile, the mortgage segment remained almost flat in 9M/2024. NIM decreased more deeply than we expected, at the end of Q3/2024, VIB's NIM (TTM) decreased to 4% (from 4.7% at the end of Q4/2023). VIB's net interest income in 9M/2024 reached VND 12,041 billion (-7.6% YoY).

Non-interest income in 9M/2024 decreased slightly, fee income continued to face difficulties. VIB's positive point came from other income (mostly from debt collection activities, risk compensation) when it increased by more than 67% over the same period.

Regarding asset quality, VIB's NPL continued to increase to 3.85% (from 3.1% at the end of Q4/2023). However, we believe that VIB's NPL is approaching its peak when the bank's group 2 debt maintained a continuous downward trend for 4 consecutive quarters. Group 2 debt/total outstanding loans of VIB from a peak of 6.45% at the end of Q3/2023 has decreased sharply to 3.65% at the end of Q3/2024, compared to an average of 2.6% in the period 2020-2022. VIB's provision expenses in 9M/2024 reached VND5,460 billion (+12.7% YoY). VIB's CIR surge to 36%, largely due to the impact of the decrease in VIB's overall total operting income. VIB's operating expenses grew by nearly 13% YoY, equivalent to VIB's average OPEX growth rate in the past 4 years. VIB's pre-tax profit in 9M/2024 reached VND6,603 billion (-21% YoY), completing 55% of the 2024 target plan.

Outlook for 2024-2025

Credit growth recovered as we expected, but VIB had to accept a shrinkage in NIM for 2024. We expect VIB's credit in 2024 to reach 18% (using up the credit growth limit), and maintain this 18% growth momentum in 2025. NIM bottomed out at the end of 2024 before recovering slightly in 2025. NPL in 2024 and 2025 reached 3.5% and 3.3%. We revised VIB's pre-tax profit in 2024 down to VND8,414 billion (-21.4% YoY) and recovered to VND11,686 billion (+38.9%) for 2025.

Risks

1) Slow economic recovery leads to lower-than-forecast credit growth of VIB; 2) NPL grow faster than forecast put more pressure on credit expense of the bank;

Year	2021	2022	2023	2024F	2025F
Net interest income (VNDbn)	11,816	14,963	17,361	16,580	20,827
Non-interest income (VNDbn)	3,075	3,095	4,800	4,069	4,734
Total operating income (VNDbn)	**14,891**	**18,058**	**22,160**	**20,649**	**25,561**
Provision and other expenses (VNDbn)	(6,880)	(7,477)	(11,457)	(12,235)	(13,875)
Profit before tax (VNDbn)	**8,011**	**10,581**	**10,703**	**8,414**	**11,686**
Credit growth (%)	19.18%	14.54%	14.24%	18.00%	18.00%
NIM (%)	4.44%	4.62%	4.72%	3.84%	4.15%
ROE (%)	**30.33%**	**29.75%**	**24.26%**	**16.31%**	**19.28%**

Source: Fiinpro, Company data, Shinhan Securities Vietnam

Phuong Nguyen

(84-28) 6299-9004
phuong.nd@shinhan.com

Ly Bui - Head of research

(84-28) 6299-8029
ly.btt@shinhan.com



Scan the QR code or click to track

Shinhan Securities Vietnam Co., Ltd. does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Analysts employed by Shinhan Securities Vietnam Co., Ltd. , or a non-US affiliate thereof, are not registered/qualified as research analysts with FINRA, may not be associated persons of the member and may not be subject to FINRA restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account. For analyst certification and important disclosures, refer to the Compliance & Disclosure

Year	2024F (Old)	2024F (New)	%yoy	2025F	%yoy	Note
Net Interest Income (VNDbn)	19,516	16,580	*-4.50%*	20,827	25.62%	- VIB's retail loan balance at the end of Q3/2024 was 81% of total outstanding loans. The Board of Directors shared that this is a suitable ratio for VIB in the long term. We expect VIB to achieve credit growth of 18% for 2024 and 2025. Net interest income will decrease slightly by 4.5% in 2024 before recovering thanks to NIM bottoming out in 2024 and gradually recovering in 2025 (interbank interest rates are expected to stabilize and decrease slightly following the Fed's downward trend, preferential lending rates will enter the floating interest rate phase at the end of 2025): - In Q2/2024, VIB promoted home loan packages with preferential interest rates of 5.9% - 6.9% - 7.9%. The average outstanding loan (ticket size) of VIB's home loan group is around VND 2-4 billion. VIB expects this preferential interest rate to help the home loan product group grow more positively. However, we believe that with the above preferential interest rate, VIB's asset yield may continue to be under downward pressure. - According to VAMA, car sales grew strongly in September thanks to Decree 109/2024/ND-CP issued on August 29, 2024, which reduces registration fees by 50%. This Decree lasts for 3 months from September 1, 2024. Thanks to that, VIB's car loan segment will grow well again in Q3/2024. - In 2024, VIB's card spending is expected to grow by 30-40%. Considering the 2023-2026 period, we expect VIB's card spending to reach a CAGR of about 25%/year

Non-interest Income (VNDbn)	5,117	4,069	*-15.23%*	4,734	16.34%	Given the poor recovery prospects of the service fee segment (Bancasurance segment), we lower our estimate of non-interest income in 2024. - VIB has been actively writing off bad debts on the balance sheet in recent times. With the majority of retail loan portfolio secured by collateral (with pink/red books), we expect other income from debt settlement to gradually improve from Q4/2024. Management expects to recover VND366 billion in Q4/2024. For 2024, the bank targets to recover VND1,400 billion and VND1,500 billion for 2025.
Total Operating Income (VNDbn)	24,633	20,649	*-6.82%*	25,561	23.79%	
Profit Before Tax (VNDbn)	10,703	8,414	*-21.39%*	11,686	38.90%	- We revise up VIB's 2024 NPL forecast to 3.5% (from 3.0%), with a target LLR of around 55%. - Operating expenses 2024-2025 increase 15%. CIR in 2025 will return to around 34%.
Net Income (VNDbn)	8,567	6,731	*-21.40%*	9,349	38.90%	
Non-performing ratio- NPL (%)	3.0%	3.50%		3.30%		Group 2 debt has decreased for 4 consecutive quarters and is approaching the average level of 2020-2022. We believe this is an early signal that VIB's bad debt ratio has reached its peak and is expected to gradually decrease in the next 2 years.
Loan Loss Coverage Ratio – LLR (%)	71.15%	54.3%		55.0%		
Total Credit Growth – Ytd (%)	*16.0%*	*18.00%*		*18.00%*		- Credit growth was better than our expectations. We raised credit growth to 18%
Customer Deposit Growth – Ytd (%)	*14.0%*	*14.0%*		*18.0%*		- No change from last report

Net Interest Margin – NIM (TTM %)	*4.55%*	*3.84%*	*4.15%*

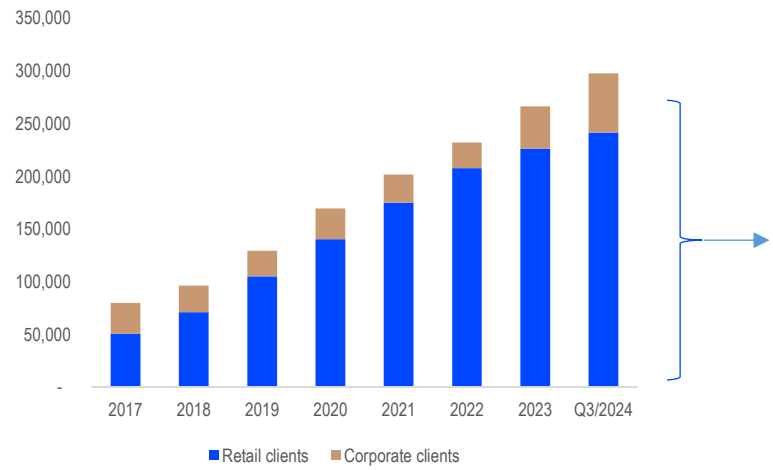
Company background

Company history

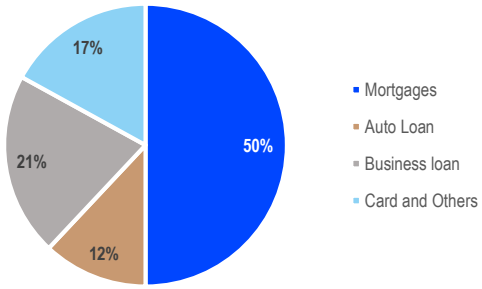
VIB was established under license number 0032/NH-GP issued on April 24, 1993 and officially came into operation on May 13, 1993. VIB was listed at the Hanoi Stock Exchange (HNX) on November 21, 2006. On December 9, 2020, VIB officially transfered to Ho Chi Minh City Stock Exchange (HOSE).

Bank loan break down

Customer loan break down by customer type (VNDbn)



Retail book loan by product at the end of Q3/2024 (%)



Source: VIB

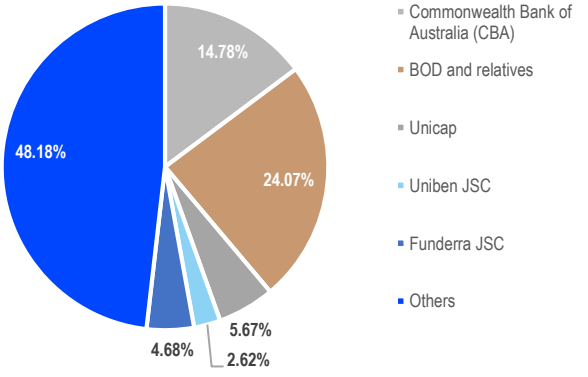
Shareholder structure of VIB

According to the report at the end of 2023, VIB's largest investor was Commonwealth Bank of Australia (CBA), owning 20.0%. CBA has been present with VIB since 2010. However, 2024 witnessed some changes in VIB's ownership structure. From July 2024, VIB locked the foreign ownership limit to only 4.99%. Not long after that, CBA announced its divestment from VIB. As of the time of the report, CBA had executed the sale agreement transactions of 5% and 10% on September 26 and October 29, respectively. Unicap Joint Stock Company - a newly established enterprise in September 2024 - informed that it was the buyer of 5% of CBA's shares. Currently, CBA holds less than 5% of VIB's shares.

Subsidiaries of VIB



Shareholder structure of VIB at the end of Q3/2024 (%)



Source: Fiinpro

Transformation plan 2017-2026

VIB's Digital Transformation Plan focused to growth its retail banking segment. The plan was built on 3 pillars: digital banking, digitization, and data.

- Digital banking: VIB is committed to providing customers with a convenient, fast, and secure online banking experience.
- Digitization: VIB is digitizing all of our internal processes to improve efficiency and reduce costs.
- Data: VIB is using data analytics to better understand our customers' needs and preferences.

Digital transformation plan of VIB

CAGR for 2017-2026 at **20–30%** growth rate



Source: VIB

Valuations and Recommendations

Update valuation with HOLD recommendation, target price VND 21,600

We have an update valuation on Vietnam International Commercial Joint Stock Bank (VIB) with a HOLD recommendation and a target price of VND21,600.

Valuation method

We apply a combination of residual income (RI) and P/B valuation methods with weights of 30%/70% respectively to value VIB.

For the P/B method, we take a value less than 1 standard deviation from VIB's 5-year average P/B of 1.2x to reflect VIB's short-term difficulties. With 2025 BVPS at VND17,592/share, the target price for VIB is estimated at VND21,110/share.

Cost of Equity (%)	
Cost of Equity (%)	**14.6**
Risk-free rate (%)	2.9
Equity risk premium (%)	9.00
Beta	1.3

RI Method

(Unit: VNDbn)	**2024F**	**2025F**	**2026F**	**2027F**	**2028F**
Cost of equity	14.6%	14.6%	14.6%	14.6%	14.6%
Cost of equity after 2028					14.6%
Net income	6,731	9,349	12,133	16,353	18,051
Residual income (RI)	707	2,269	3,740	6,220	5,815
PV of RI	**683**	**1,913**	**2,752**	**3,994**	**3,259**

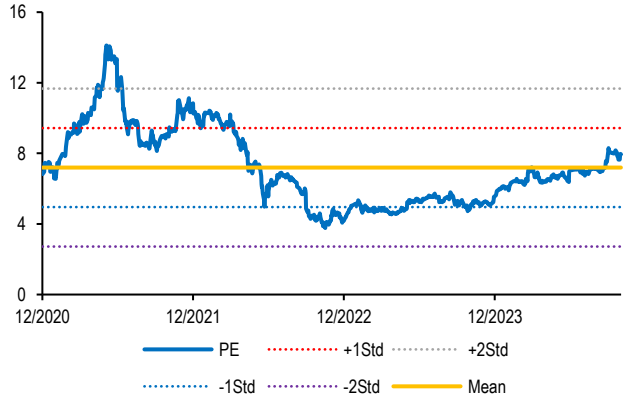
Terminal value of RI (VNDbn)	**56,568**
Terminal growth (%)	2.00%
PV of terminal value (VNDbn	31,698
PV of RI (bn VND))	12,601
Beginning equity (bn VND)	39,942
Size discount	20%
Total value (bn VND)	67,394
Total outstanding shares (bn)	2.98
Target price (VND)	**22,622**

Valuation Summary

Method	**Weight**	**Price target (VND)**
Residual income	30%	22,622
P/B target (1.2x)	70%	21,110
Target price (VND)	**21,564**	

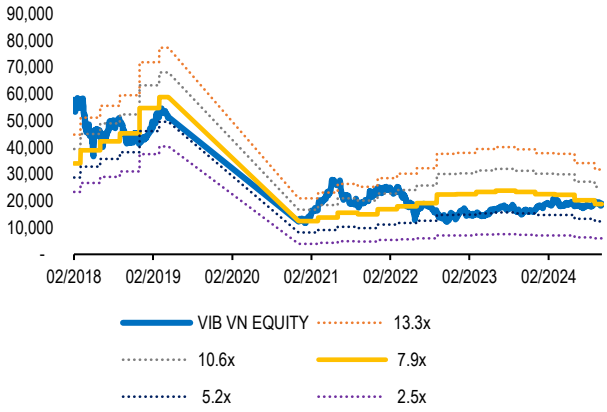
Source: Shinhan Securities Vietnam

PER of VIB



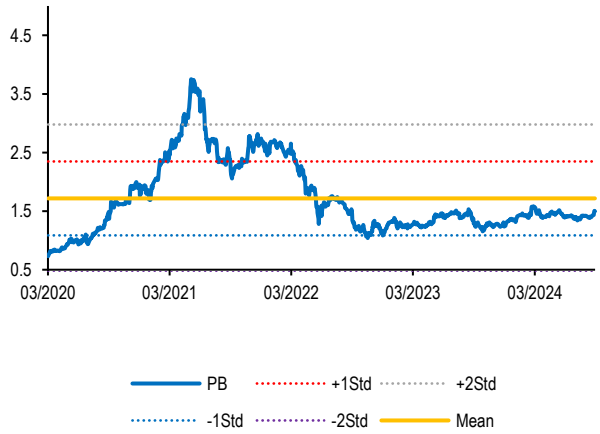
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PER of VIB



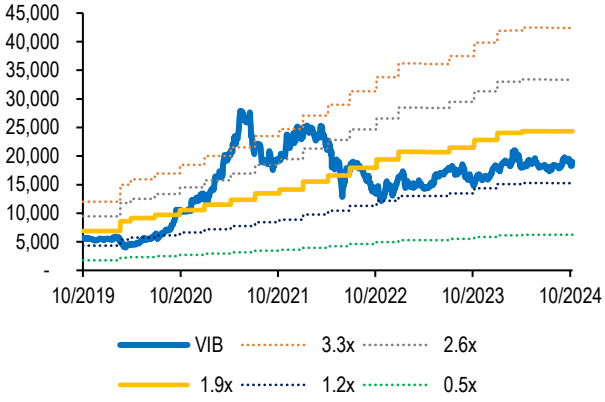
Source: Bloomberg, Company data, Shinhan Securities Vietnam

VIB stock price and P/B valuation



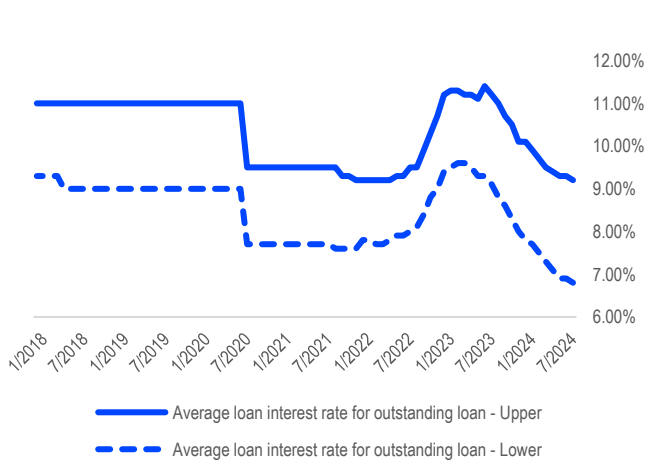
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PBR of VIB



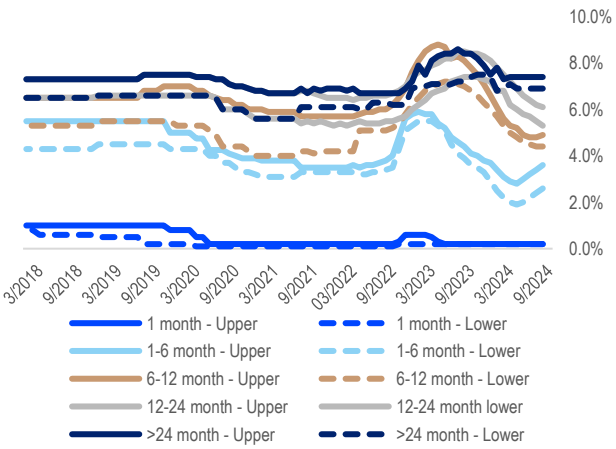
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Average loan interest rate in Vietnam



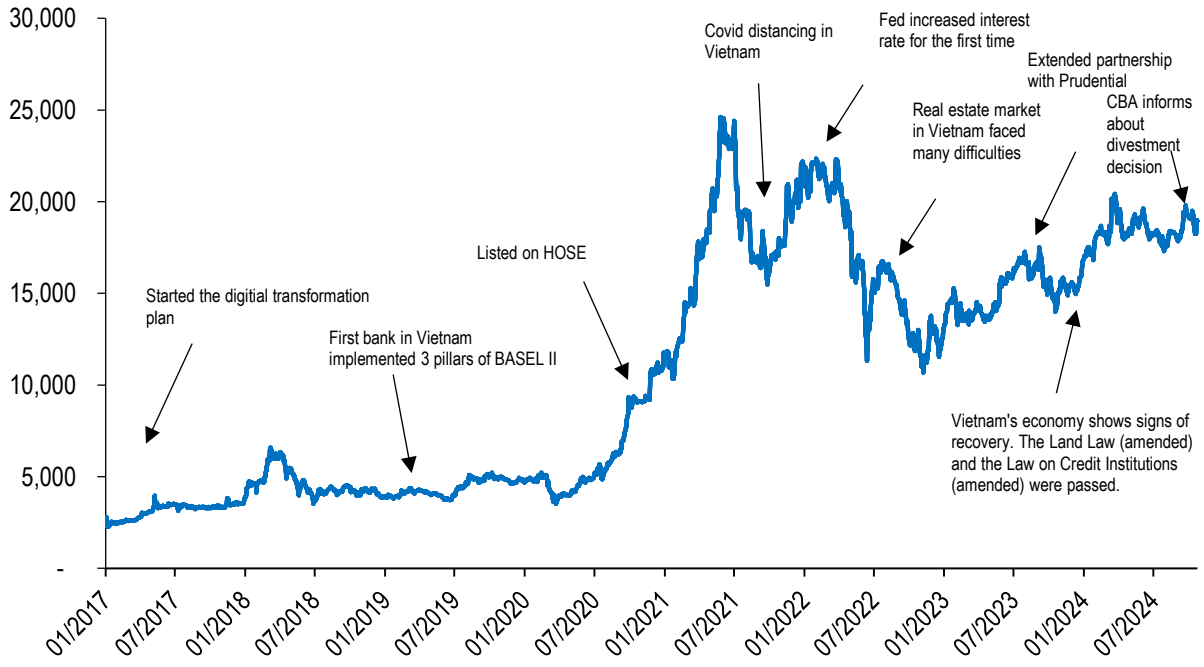
Source: SBV, Company data, Shinhan Securities Vietnam

Average deposit interest rate in Vietnam



Source: SBV, Company data, Shinhan Securities Vietnam

Important events of VIB



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Risks

Risks of economic slowdown/recession

VIB's credit growth in 2024-2025 is lower than our forecast of 18% due to weak corporate and individual borrowing needs.

The risk of bad debt increases

Although they do not hold corporate bonds and their loan portfolios are less exposed to real estate developers. However, in the event that the real estate market recovers more slowly than expected, the negative impact could still spread to the rest of the industry.

Appendix: Financial statements

Balance sheet

Year (VND bn)	2021	2022	2023	2024F	2025F
Total assets	**309,517**	**342,799**	**409,881**	**467,717**	**551,646**
Cash and precious metals	1,522	1,618	1,681	2,158	2,546
Balances with the SBV	24,891	10,063	8,218	8,091	9,547
Placements with and loans to other credit institutions	27,985	51,900	68,198	70,975	89,020
Trading securities	-	-	-	-	-
Derivatives and other financial assets	-	21	157	157	157
Loans and advances to	199,116	228,879	262,074	309,451	365,352
Debts purchase	159	103	16	16	16
Investment securities	44,737	40,279	60,988	67,011	73,637
Long-term investments	70	69	69	69	69
Fixed assets	604	700	756	907	1,088
Investment properties	3	3	3	3	3
Other assets	10,431	9,165	7,720	8,878	10,210
Total liabilities	**285,226**	**310,148**	**371,942**	**423,134**	**499,237**
Due to Gov and Loans from	-	-	-	-	-
Deposits and Loans from other	64,456	71,166	98,640	107,363	123,050
Deposits from customers	173,565	200,124	236,577	269,698	318,244
Other borrowed and entrusted fund	73	8	7	7	7
Convertible bonds/CDs and other valuable papers issued	42,298	31,775	23,897	31,066	40,386
Other liabilities	4,834	7,075	12,821	15,000	17,550
Shareholder's equity	**24,291**	**32,651**	**37,939**	**44,583**	**52,409**
Capital	21,887	27,291	34,046	25,370	25,370
Reserves	1,787	2,518	3,470	4,480	5,882
Retained earnings	6,971	9,055	9,099	14,733	21,157
Minority interest	-	-	-	-	-
Total liabilities and equity	**309,517**	**342,799**	**409,881**	**467,717**	**551,646**

Income statement

Year (bn)	2021	2022	2023	2024F	2025F
Interest and Similar Income	20,975	27,509	35,568	33,305	39,653
Interest and Similar Expenses	(9,159)	(12,547)	(18,207)	(16,725)	(18,825)
Net Interest Income	**11,816**	**14,963**	**17,361**	**16,580**	**20,827**
Net Fee and Commission Income	2,742	3,188	3,327	2,903	3,426
From foreign currency and gold	(87)	(275)	548	145	171
From trading of trading securities	-	-	-	-	-
From disposal of investment	197	(176)	130	-	-
Net other income	221	355	792	1,021	1,137
Dividends income	2	3	3	-	-
Total non-interest income	**3,075**	**3,095**	**4,800**	**4,069**	**4,734**
Total operating income	**14,891**	**18,058**	**22,160**	**20,649**	**25,561**
General and Admin expenses	(5,282)	(6,197)	(6,611)	(7,602)	(8,743)
Operating Profit Before Provision (PPOP)	9,609	11,861	15,550	13,047	16,819
Provision for credit losses	(1,598)	(1,280)	(4,847)	(4,633)	(5,132)
Profit before tax	**8,011**	**10,581**	**10,703**	**8,414**	**11,686**
Corporate income tax	(1,601)	(2,112)	(2,141)	(1,683)	(2,337)
Net profit after tax	**6,410**	**8,469**	**8,562**	**6,731**	**9,349**
Attributable to parent company	6,410	8,469	8,562	6,731	9,349

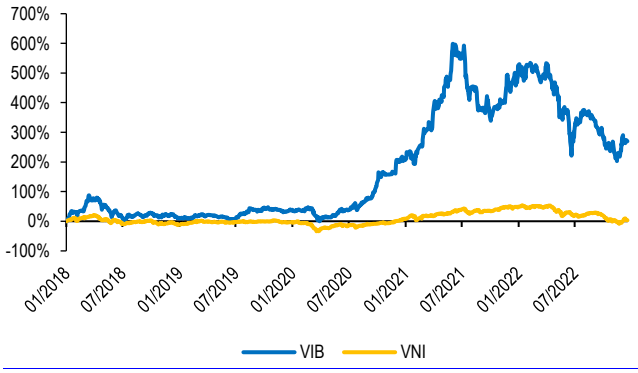
Financial indicators

Year	2021	2022	2023	2024F	2025F
Growth (% YoY)					
Loans to customers	18.87	15.10	14.83	18.00	18.00
Deposits from customers	15.44	15.30	18.22	14.00	18.00
Shareholders' equity	35.15	34.42	16.20	17.51	17.55
Total assets	26.50	10.75	19.57	14.11	17.94
Net interest income	39.08	26.63	16.03	(4.50)	25.62
Net non-interest income	13.07	0.67	55.07	(15.23)	16.34
PPOP	42.34	23.43	31.10	(16.10)	28.91
Net profit before tax	38.05	32.08	1.15	(21.39)	38.90
Net profit after tax	38.07	32.12	1.11	(21.39)	38.90
Profitability (%)					
NIM	4.33	4.54	4.62	3.84	4.15
ROA	2.27	2.48	2.24	1.5	1.8
ROE	30.33	29.75	24.26	16.3	19.3
Liquidity (%)					
LDR	116.10	115.90	112.58	116.53	116.53
Loans/Deposits					
Asset quality	12.74	10.50	10.80	10.49	10.53
Leverage (x)	2.32	2.45	3.14	3.50	3.30
NPL ratio (%)	51.40	53.89	51.00	54.29	55.02
LLR ratio (%)	1.18	1.31	1.60	1.60	1.50
Reverse/total credit (%)	0.78	0.55	1.81	1.59	1.49
Credit costs/total credit (%)					
Per share items (VND)	4,127	4,018	3,375	2,259	3,138
EPS	15,640	15,492	14,955	14,965	17,592
BPS	6,187	5,627	6,130	4,379	5,645

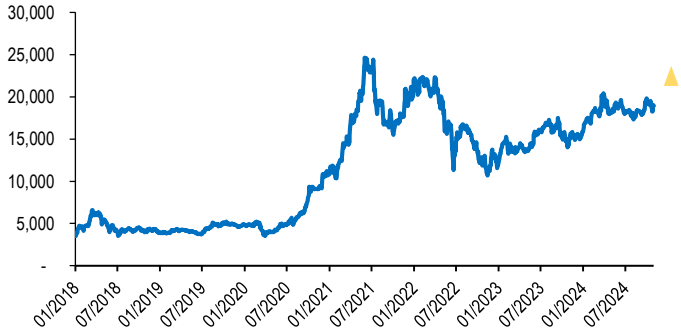
Source: Company data, Shinhan Securities Vietnam

Vietnam International Commercial JSB (VIB VN)

Price performance



Target price (VND)



Date	Recommendation	Target price (VND)	Range of price (%) Average	Max/Min
08/04/2024 (Initial report)	HOLD	21,373	21.3	1.4/50.9
05/11/2024 (Update)	HOLD	21,564	18.6	1/44

Lưu ý: Tính toán chênh lệnh giá mục tiêu dựa trên 12 tháng qua

Shinhan Securities Vietnam

Stock	Industry
◆ **BUY:** Upside potential in 12 months more than 15% ◆ **HOLD:** Upside potential in 12 months from -15% to 15% ◆ **SELL:** Upside potential in 12 months more than -15%	◆ **POSITIVE:** Based on market cap, largest share of sector stocks under coverage is rated BUY ◆ **NEUTRAL:** Based on market cap, largest share of sector stocks under coverage is rated HOLD ◆ **NEGATIVE:** Based on market cap, largest share of sector stocks under coverage is rated SELL ◆

Compliance & Disclosure Notice

Analyst Certification

- The following analysts hereby certify that their views about the companies and securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report: Phuong Nguyen

Important Disclosures & Disclaimers

- As of the date of publication, Shinhan Securities Vietnam Co., Ltd. does not beneficially own 1% or more of any class of common equity securities of the following companies mentioned in this report: VIB VN
- Shinhan Securities Vietnam Co., Ltd. or one of its affiliates, and/or their respective officers, directors, or employees may have interests, or long or short positions, and may at any time make purchases or sales as a principal or agent of the securities of the companies mentioned in this report.
- As of the date of publication, research analysts responsible for this report and members of their households do not have any financial interest in the debt or equity securities of the companies mentioned in this report.
- Research analysts responsible for this report receive compensation based upon, among other factors, the overall profitability of Shinhan Securities Vietnam Co., Ltd. including profits derived from investment banking. The analysts responsible for this report may also receive compensation based upon, among other factors, the overall profitability of sales and trading businesses relating to the class of securities or financial instruments for which such analysts are responsible.
- All opinions and estimates regarding the companies and their securities are accurate representations of the research analysts' judgments and may differ from actual results.
- This report is intended to provide information to assist investment decisions only, and should not be used or construed as an offer or a solicitation of an offer to buy or sell any securities. The information herein has been obtained from sources deemed reliable, but such information has not been independently verified and no guarantee, representation, or warranty, expressed or implied, is made as to its accuracy, completeness, or correctness. Shinhan Securities Vietnam Co., Ltd. makes the best effort but does not guarantee the accuracy, completeness, or correctness of information and opinions translated into English from original Vietnamese language materials. Shinhan Securities Vietnam Co., Ltd. accepts no liability whatsoever for any direct, indirect, and/or consequential loss arising from any use of this material or its contents. Stock selection and final investment decisions should be made at the investor's own and sole discretion.
- This report is distributed to our customers only, and any unauthorized use, duplication, or redistribution of this report is strictly prohibited.
- Investing in any Vietnamese securities or related financial instruments discussed in this research report may present certain risks. The securities of Vietnamese issuers may not be registered with, or be subject to the regulations of, the US Securities and Exchange Commission. Information on Vietnamese securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the US. The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in currencies other than the Vietnamese won is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Distribution

- United States: This report is distributed in the US by Shinhan Investment America, Inc., a member of FINRA/SIPC, and is only intended for major US institutional investors as defined in Rule 15a-6(a)(2) of the US Securities Exchange Act of 1934. All US persons that receive this document by their acceptance thereof represent and warrant that they are major US institutional investors and have not received this report under any express or implied understanding that they will direct commission income to Shinhan Securities Vietnam Co., Ltd. or its affiliates. Pursuant to Rule 15a-6(a)(3), any US recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with Shinhan Investment America, Inc., which accepts responsibility for the contents of this report in the US. The securities described herein may not have been registered under the US Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the US or to US persons unless they have been registered or are in compliance with an exemption from registration requirements.
- All Other Jurisdictions: Customers in all other countries who wish to effect a transaction in any securities referenced in this report should contact Shinhan Securities Vietnam Co., Ltd. or its affiliates only if distribution to or use by such customer of this report would not violate applicable laws and regulations and not subject Shinhan Securities Vietnam Co., Ltd. and its affiliates to any registration or licensing requirement within such jurisdiction.



Shinhan Investment Network

SEOUL

Shinhan Securities Co., Ltd
Shinhan Investment Tower
70, Youido-dong, Yongdungpo-gu,
Seoul, Korea 150-712
Tel : (82-2) 3772-2700, 2702
Fax : (82-2) 6671-7573

NEW YORK

Shinhan Investment America Inc.
1325 Avenue of the Americas Suite 702,
New York, NY 10019
Tel : (1-212) 397-4000
Fax : (1-212) 397-0032

Hong Kong

Shinhan Investment Asia Ltd.
Unit 7705 A, Level 77
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong
Tel : (852) 3713-5333
Fax : (852) 3713-5300

Indonesia

PT Shinhan Sekuritas Indonesia
30th Floor, IFC 2, Jl. Jend. Sudirman Kav.
22-23, Jakarta, Indonesia
Tel : (62-21) 5140-1133
Fax : (62-21) 5140-1599

Shanghai

Shinhan Investment Corp.
Shanghai Representative Office
Room 104, Huaneng Union Mansion No.958,
Luijiazui Ring Road, PuDong, Shanghai, China
Tel : (86-21) 6888-9135/6
Fax : (86-21) 6888-9139

Ho Chi Minh

Shinhan Securities Vietnam Co., Ltd.
18th Floor, The Mett Tower, 15 Tran Bach Dang, Thu Thiem Ward,
Thu Duc City, HCM City, Vietnam
Tel : (84-8) 6299-8000
Fax : (84-8) 6299-4232

Ha Noi

Shinhan Securities Vietnam Co., Ltd.
Hanoi Branch
2nd Floor, Leadvisors Building, No. 41A Ly Thai To,
Ly Thai To Ward, Hoan Kiem District, Hanoi, Vietnam.
Tel : (84-8) 6299-8000