



Vietnam International Commercial JSB

[Vietnam / Bank]

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

HOLD

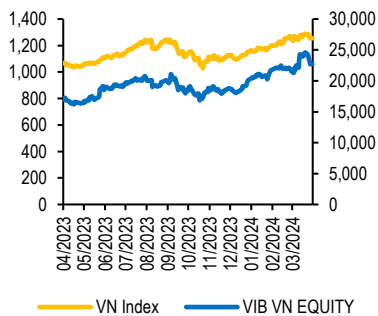
Initial report

Target price (12 month) **25,010 VND**
Current price (04/08/24) **22,700 VND**
Upside/downside **10.5%**

VNINDEX	1,255
PE forward 2024F	11.6
Market Cap (VNDbn)	57,712
Outstanding shares (bn)	2,537
Free float (bn shares)	1,744
52-week high/low (VND)	24,750/16,625
90-day avg. trading volume (mn)	550
90-day avg. turnover (VNDbn)	144
Foreign ownership (%)	20.50

Shareholder (%) CBA 20.0

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



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Recommended HOLD, target price 25,010 VND

VIB is well known for its retail loan in Vietnam, with main products include Mortgage, Car loan and Credit card loan. In 2019, VIB is the first commercial bank to complete all 3 pillars of Basel II and VIB is also applying Basel III for managing liquidity more efficiently. Commonwealth Bank of Australia (CBA) has been the strategic investor from 2010 of VIB and been playing the fundamental role in this bank development process. Also, VIB leading commercial bank listed in terms of Return on Equity (ROE), around 24-30%. With the residual method (RI) and the comparative method based on the P/B ratio (1.3x), we initialize target price for VIB in the next 12 months at VND25,010, upside potential at 10.5%.

Aims to be the leading retail bank in the market

VIB owned the largest retail loan share in its credit book, consist of around 85-90% of bank's total loan book. VIB continues to implement the strategy of simplify and fasten its procedure to attract retail clients. The majority of VIB's digital banking customers are between the ages of 25-45. Among them, the Gen Z customer group is increasing and accounting for a large proportion. We expect the core business of VIB would start to pickup in 2024 due to lower loan interest rate level and recovery of retail demand after difficult year of 2023.

Strictly follow the essential risk practice

VIB has long known for the pioneer for its transparency and keep implementing the comprehensive standards for regulation, supervision and risk management. Regarding asset quality, debt group 2 and NPL balance had 2 consecutive quarter trending down after peaked in Q2/2023. With conversion rate slowed down across the bank industry, we expect the NPL ratio of VIB would be stabilized in 2024. VIB has over 91% of its outstanding loans collateralized. Additionally, 99.5% of its real estate secured assets constitute properties with land use right certificates. Therefore, VIB could benefit from liquidating assets from its portfolio of non-performing loans

Positive retail loan book growth in 2024

With robust business model center around retail banking, VIB would start to get back on track and expand its core business in 2024. We expect VIB total credit growth of 2024 would start to see modest recovery, reaches 15%-16% YoY. With NIM stabilized around 4.5-4.7%, NII of VIB would grow around 12.4% YoY. NPL ratio of VIB is assumed to decrease around 3% by the end of 2024. With favored movement of NPL, we expect credit expenses of VIB would slightly reduced around -5% YoY. CIR in 2024 is expected to be around 32%. Profit before tax of VIB in 2024 therefore could be around VND 12,291 bn (+14.8% YoY).

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	2020	2021	2022	2023	2024F
Net interest income (VNDbn)	8,496	11,816	14,963	17,361	19,516
Non-interest income (VNDbn)	2,719	3,075	3,095	4,800	5,117
Total operating income (VNDbn)	11,216	14,891	18,058	22,160	24,633
Provision and other expenses (VNDbn)	(5,413)	(6,880)	(7,477)	(11,457)	(12,343)
Profit before tax (VNDbn)	5,803	8,011	10,581	10,703	12,291
Credit growth (%)	29.52%	19.18%	14.54%	14.24%	15.96%
NIM (%)	4.09	4.33	4.54	4.62	4.55
ROE (%)	29.57	30.33	29.75	24.26	23.46

Source: Finpro, Company data, Shinhan Securities Vietnam

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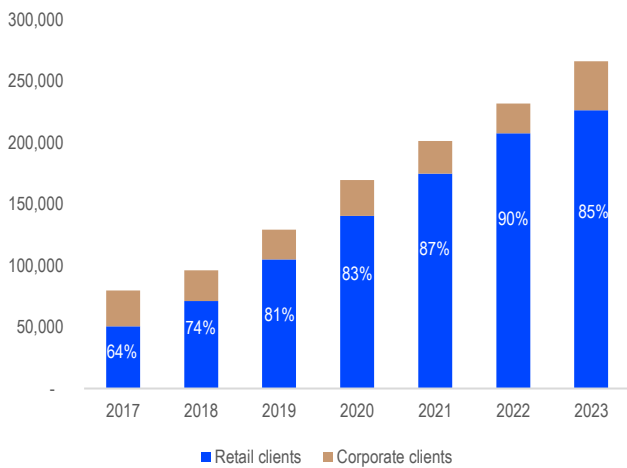
Company background

Company history

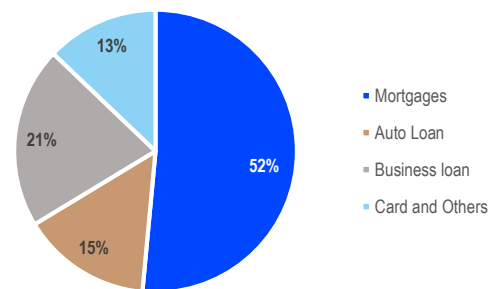
VIB was established under license number 0032/NH-GP issued on April 24, 1993 and officially came into operation on May 13, 1993. VIB was listed at the Hanoi Stock Exchange (HNX) on November 21, 2006. On December 9, 2020, VIB officially transferred to Ho Chi Minh City Stock Exchange (HOSE).

Bank loan break down

Customer loan break down by customer type (VNDbn)



Retail book loan by product at the end of Q4/2023 (%)



Source: VIB

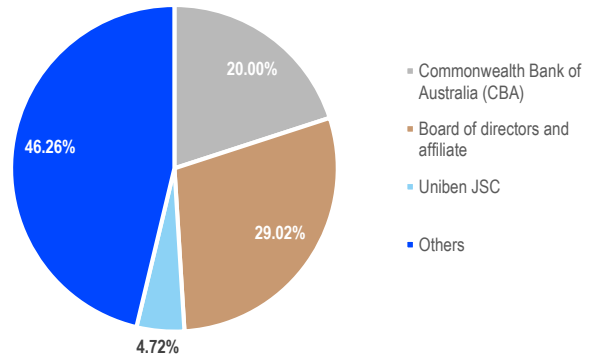
Shareholder structure of VIB

As reported in 2023, the largest investor of VIB is Commonwealth Bank of Australia (CBA), owning 20.0%. CBA has presented from 2010, until now it still the strategic investor of the bank. Dang Khac Vy, chairman of management board, had 4.95% stakes of VIB. Family member of Dang Khac Vy including his wife, mother and sister took approximately 9.5% stakes. Do Xuan Hoang, a member of management board, and his father and children possessed more than 7.5% of VIB's shares. In aggregate, BOD and affiliate owned nearly 29% of VIB shares. Uniben (owned 4.72%) is said to have many connections with the family of chairman Dang Khac Vy of VIB. Mr. Dang Khac Vy has invested and provided credit to Uniben JSC many times during the development process of this enterprise.

Subsidiaries of VIB



Shareholder structure of VIB at the end of 2023 (%)



Source: VIB

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

Company core business

Credit growth focused on the retail clients

1. Retail loan portfolio is expected to recover in 2024 after a difficult year

During 2016-2018, VIB actively settled the State Bank and Asset Management Company of Vietnamese credit institutions (VAMC) bonds. In this period, instead of focus on credit growth like other banks, VIB prioritized to handling the settlement related to VAMC and maintain low provisioning levels for bank book Non-performing loan (NPL). In 2018, VIB officially cleared VND1,464 billion VAMC bonds outstanding in the year. Also in this year, VIB kickstarted its digital transformation plan 2017-2026

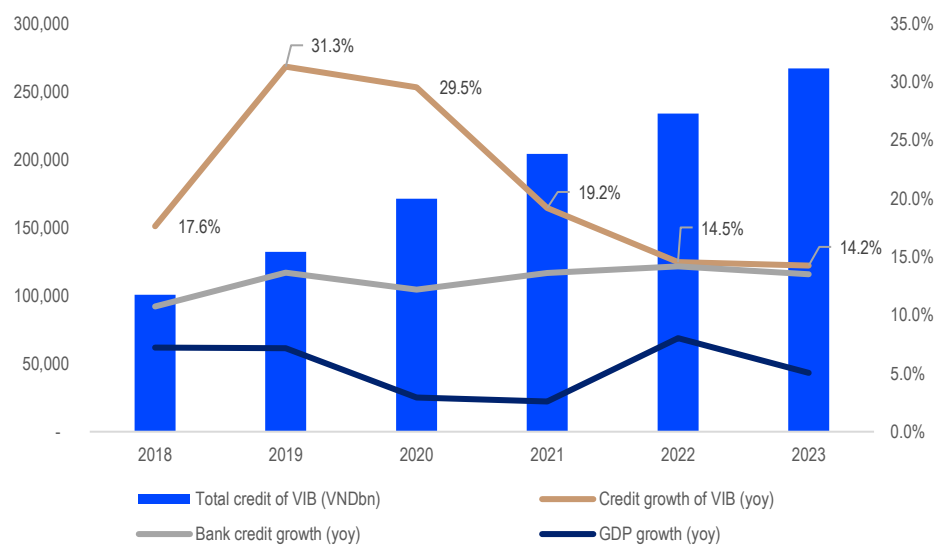
After completing the restructuring til the end of 2022, VIB enjoyed better-than-average credit growth in the next 3 years from 2019-2021, at over 31.3%, 29.5% and 19.2% respectively. There were two contrasting business conditions, in 1H2022, VIB kept growing at over 9.7% before slowing down in 2H2022 due to negative effect from real estate and harden economy conditions; VIB finished the 2022 only grow its total credit at just around 14.5%.

Unfavorable macro economic environment in 2023 as the businesses found it harder to generate positive cash flow. Low demand in both domestic and foreign import markets, along side with dampen real estates activities had slow down the retail credit growth of VIB. High interest rate in 1H2023 also added pressure to local businesses. Higher cost of capital lead to unattractive loan rate offered to VIB's retail clients which contributed approximately around 85-90% of total customer loan portfolio. Total credit of VIB in 2023 only reached 14.24%, in which retail loan book only increased around 9%.

Low interest rate could help the retail loan portfolio recover gradually in 2024

As consumer credit demand follows the economic cycles, GDP growth of Vietnam is expected to reach around 6% in 2024. The early positive signs in manufacturing activities in the first 3 months of 2024 continues to strengthen our view for a better business results for VIB. We forecast the total credit of VIB could grow at the rate of 16.0% in 2024, retail credit could reach 17.3% YoY.

Credit growth and GDP growth from 2018-2023 (%)

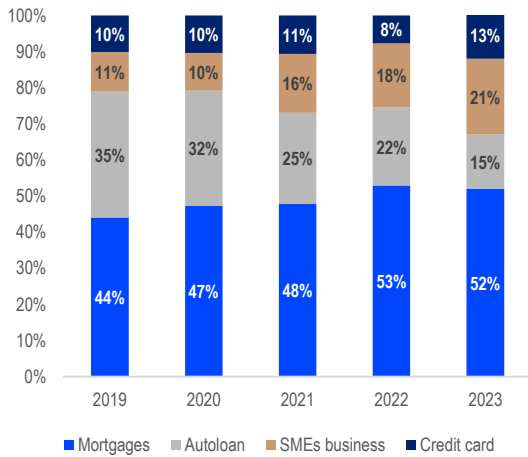


Source: Fiinpro, Company data, Shinhan Securities Vietnam

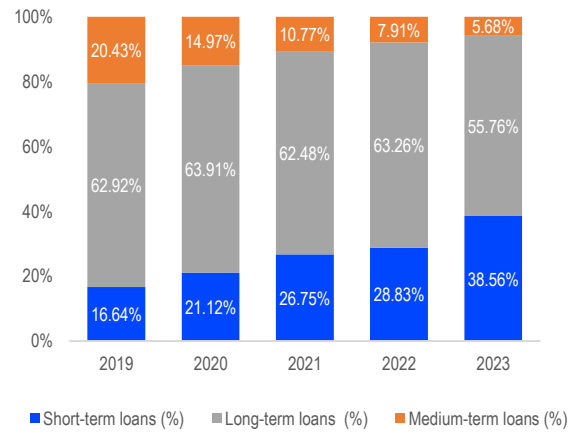
2. Main loan products: Mortgage, Auto loan, SME business loan and card loan

Averagely 85%-90% of VIB total loan book was from retail segment, in which over 50% came from mortgages. Rely on mortgage product explained the customer loan structure of VIB, averagely 50-60% were long-term loans. Other loan products of VIB included Auto loan, SMEs business and Credit card loan.

Retail loan products breakdown 2019-2023 (%)



Customer loan by duration (%)



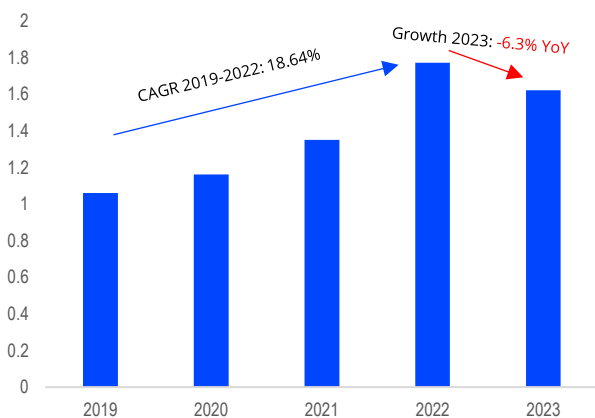
Source: Company data, Shinhan Securities Vietnam

a. Mortgage contributed the most to VIB retail loan book

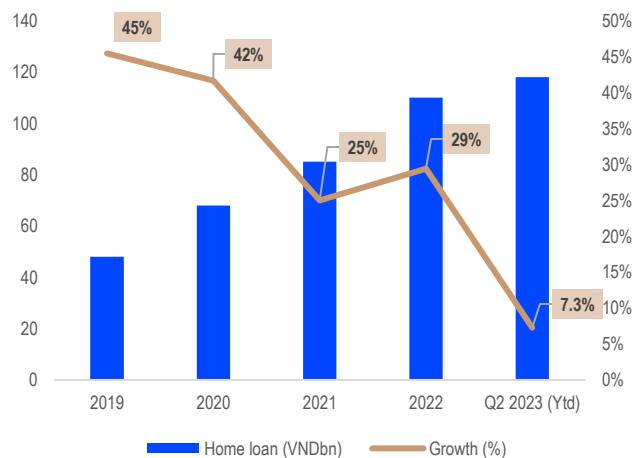
- Conservative approach for mortgage product

The home mortgage loan product of VIB targets the loan segment that already obtained Household Certificates of Land Use Rights (LUR). Besides, VIB spared small percentage of loan book for reputable and quality real estate developer. For risk management perspective, VIB only accepted collateral assets that possessed sufficient legal documents, high value and good liquidity.

Home loan in Vietnam from 2019-2023 (VND quadrillion)



VIB home loan growth was also affected negatively in 2023 (VNDbn)

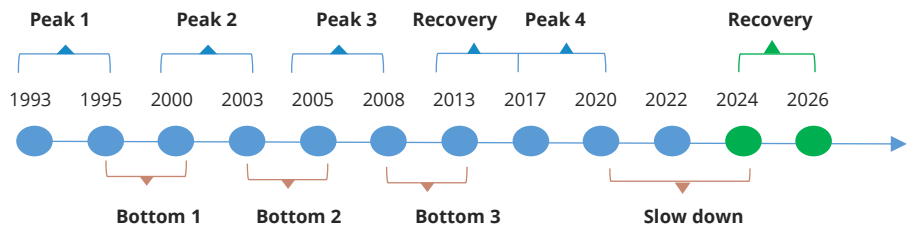


Source: Fiinpro, Company data, Shinhan Securities Vietnam

• **Short-term challenges but positive outlook for mortgage product**

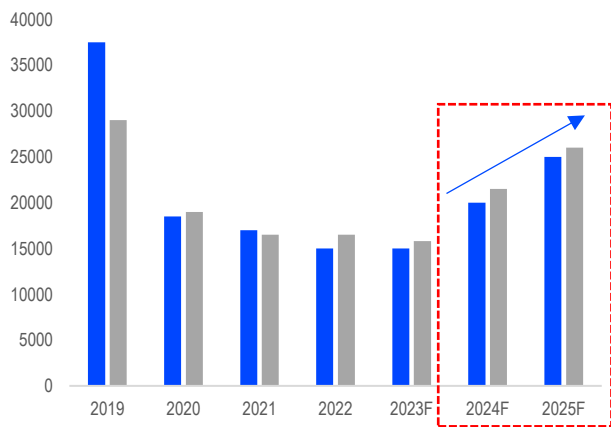
Vietnam is currently in the golden population period, with 70% of its population being of working age. This population structure is expected to remain stable until 2038. The average age of Vietnamese people is around 34 years old, which is when they typically have a high demand for housing to settle down. Due to the large working population and the tendency to migrate to big cities for work, the Vietnamese family structure has become smaller and more flexible, with a shift towards nuclear families. According to GSO, the average Vietnamese family size decreased from 3.9 people/household in 2010 to 3.6 people/household. In addition, with positive outlook for Vietnam GDP growth in the next 5 years, average income per capita would increase accordingly. Given the high young population, fragmented family structure and upward trend of disposable income, it is expected that the demand for residential real estate will continue to increase in the near future.

Vietnam real estate cycle over the years

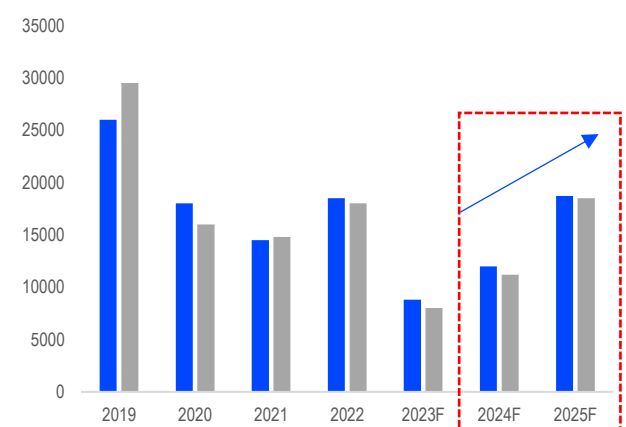


Source: Shinhan Securities Vietnam

Forecasting the number of new and sold condos in Hanoi



Forecasting the number of new and sold condos in HCMC



Source: CBRE, Shinhan Securities Vietnam

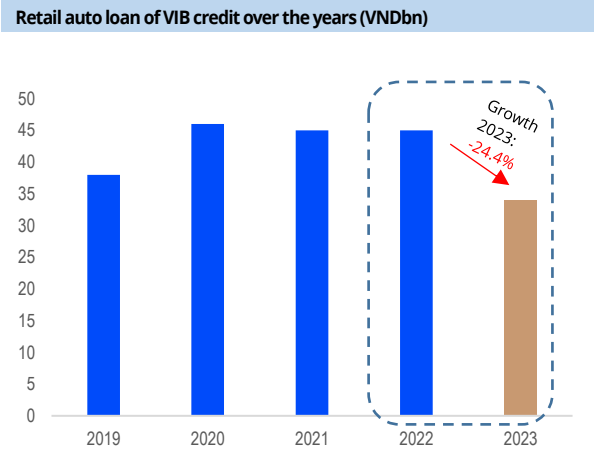
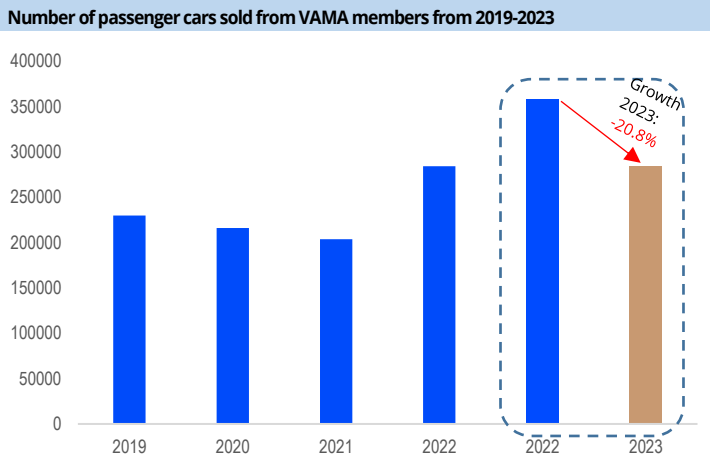
• **Loan interest rate trended down could push mortgage demand**

Average loan interest rate of VIB also showed favorable trend recently. In comparison with the beginning of 2023, average loan interest rate of VIB loan book has decreased around 4%, staying around 10-12%. Lowering interest rate level is a necessary step to trigger the recovery. In the first months of 2024, VIB launched a preferential loan package with interest rate of 8.5% for apartment purchase loan to stimulate customer demand.

With all things considered, we forecast Mortgage loan of VIB could grow around 14% YoY in 2024 (higher than the growth rate of 7.3% in 2023)

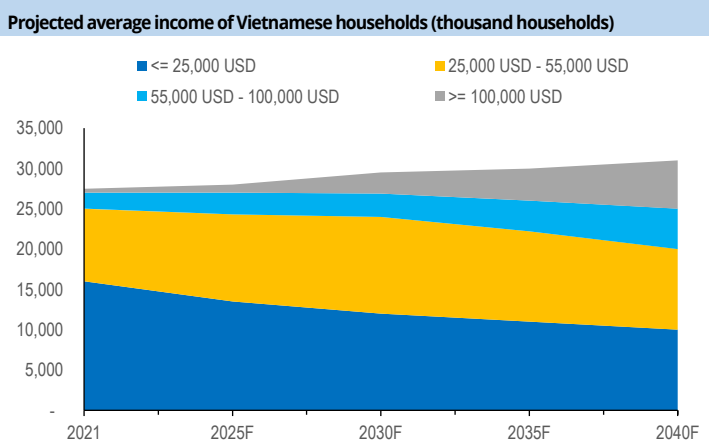
b. **Auto Loan**

VIB is one of the pioneer for this type of loan in Vietnam Automobile Market. According to Vietnam Automobile Manufacturers Association (VAMA), at the end of 2023, VIB in top 3 auto loan lender in terms of market share (approximately 12%). VIB mainly focused on serving travel needs, focusing on loan to buy new cars through a large cooperative distribution network with famous and reputable car brands. VIB has been able to established early connections with automobile brands throughout Vietnam, thus create a competitive for VIB to grow from 2018-2020.



Source: VAMA, Company data, Shinhan Securities Vietnam

According to the statistics from International Organization of Motor Vehicle Manufacturers (OICA), Vietnam has relatively lower car ownership per 1,000 people when compared to its peers. Combined with, expanding average income of Vietnamese households trend, we maintain positive outlook for this product line. We reckon that VIB has not been able to keep its remarkable growth rate in the last 3 years, therefore we only forecast auto loan to grow around 15% YoY, similar growth rate of the banking industry.



Source: Euromonitor, OICA, Shinhan Securities Vietnam

c. Retail business Loan (SMEs), Credit card loan and Corporate segment (CIB):

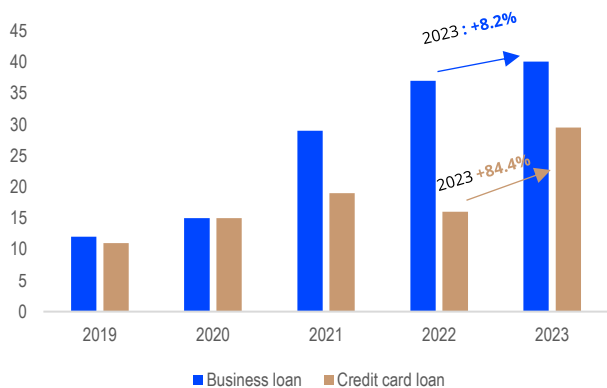
Other loan products are designed for small businesses, household businesses, small and medium enterprises (SMEs) and corporate enterprises. In 2023, VIB released many new products to attract new customers for this section:

+ My VIB Corp for enterprise: New App launched on Jan 09th, 2023. The application aims to

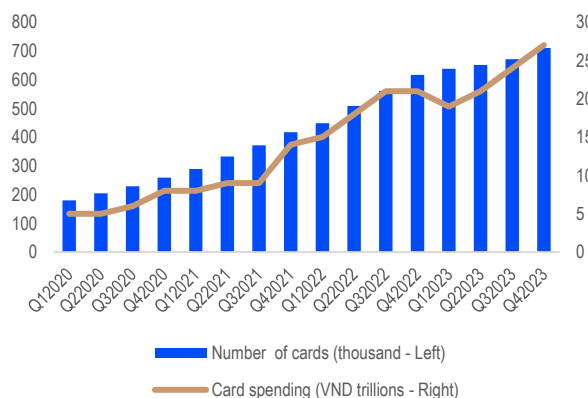
- help customers to manage cashflow more effectively along with convenient functions.
- + Implemented the Soft POS technology to its VIB Checkout application intended to help SMEs, business households and individuals do business with smart financial management and have more comprehensive payment solutions.
- + VIB also cooperated with Lazada to release the new credit card named LazCard to boost e-commerce purchase on Lazada platform.
- + VIB, for the first time, implemented AR technology and virtual financial advisor Vie to support its customer and improve overall services.
- + VIB cooperated with American express to launch new credit card named Super Card.

For branding activities, as its target group is young customers, VIB accompanies the year's largest outdoor music event in Vietnam - "The Masked Singer All", along with other smaller events throughout the year.

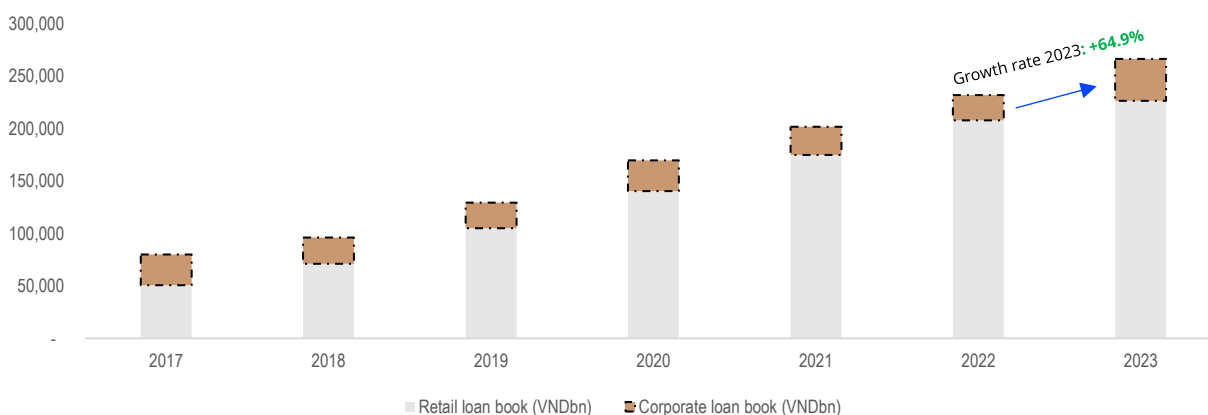
Retail business loans and Credit cards 2019-2023 (VNDbn)



Number of VIB bank cards grew positively



Corporate segment witnessed strong growth to offset the stagnant retail segment in 2023 (VNDbn)



Source: Company data, Fiiipro, Shinhan Securities Vietnam

Retail business loan: CAGR growth rate from 2020-2023 estimated around 35.1% and around 8.1% YoY in 2023. Credit loan owned CAGR rate for the same period around 28.0% and surged around 84.4% YoY in 2023 thanks to new credit cards launched during the year.

Corporate segment: also grew tremendously in 2023, approximately +64.9%. Corporate segment consisted of around 10-15% of total customer loan book during the 2019-2023 period. For this segment, VIB focuses on lending to corporate clients with good business results, leading in the private sector. For State-related companies: Viettel, EVN, VNPT...;

Private companies: Hoa Phat, Co op mart, Tiki,...; FDI: Gamuda, Phu My Hung,...

Credit card loan: Number of VIB cards continued to grow at high level in the last 4 years. Combined with the non-cash payment trend in Vietnam, from 2020-2024, VIB recored a CAGR rate of 52.4% in card spending. Growth rate of card spending in 2023 recorded at 28.6%, good grow level considers 2023 was a difficult year for retail customers.

Strategically, credit card continues to play important role for VIB retail banking development. In its digital transformation plan for the period 2021-2026, VIB targets its number of clients to reach 10 million by the end of 2026. Based on the number of 4.5 million by the end of 2022, it could translate to CAGR growth rate for this period to be over 22%. According to Future of Payment report conducted by MasterCard in 2023, Vietnam is expected to be the leading country in terms of payment transaction volume in Southeast Asia. By 2027, the total payment volume in the region is projected to increase by 86% to 54 trillion USD. Vietnam is forecast to have a remarkable growth rate of 152% to reach 21.5 trillion USD, making it the top performer in the region. Therefore, we believe VIB is on the right track in its focus on retail banking, constantly innovation and integrated new feature to promote its digital platform.

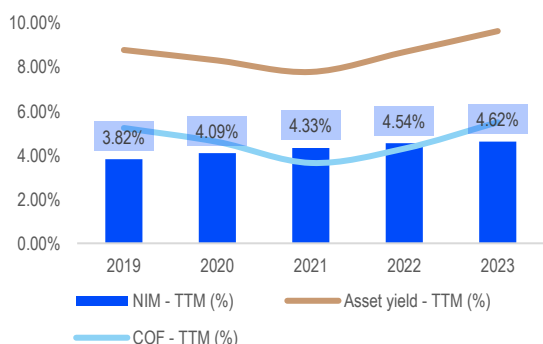
Interest income grew strongly in the last 5 years

Net interest income experienced healthy growth with high net interest margin (NIM)

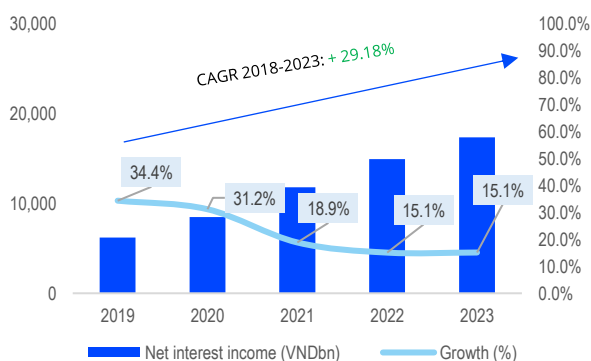
VIB constantly improved its NIM over the year, by the end of 2023, NIM (TTM) of VIB was estimated around 4.62%. This NIM level belonged to the top 4 of the banks listed on HOSE, along with MBB, VPB and HDB. Thanks to high interbank funding, VIB has been able to control its average COF in 2023, leading to higher NIM in comparison with 2022.

Net interest income in the last 5-year period, from 2018-2023, obtained CAGR rate of 29.18%. Noticeably, despite unfavorable interest rate movement in 2023, VIB could still enjoyed 15.1% growth rate. It is likely that NIM of VIB could stay relatively in the range 4.5-4.7% in 2024; take into account for credit growth around 15-16%, we expect net interest income of VIB could reach 12-13% growth in 2024.

NIM, Asset yield and COF of VIB (TTM)



Net interest income over the years from 2019-2023 (VNDbn)



Source: Company data, Fiiipro, Shinhan Securities Vietnam

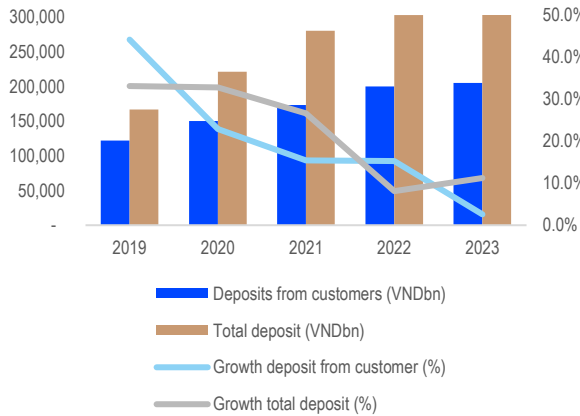
1. Cost of fund (COF)

VIB utilized interbank channel to optimized its COF

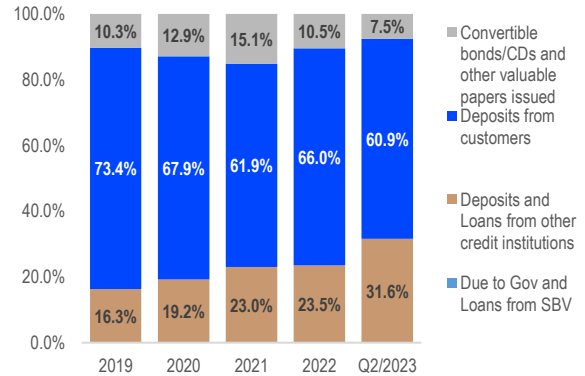
We have seen significant change in VIB capital mobilization in recent years as VIB increased its capital from interbank channel. In 2019, approximately 73.4% of VIB capital was mobilized from customer deposits and around 16.3% from funds from other institutions (interbank). By the end of 2023, these number changed to 60.9% and 31.6% respectively

for customer deposits and interbank. Explanations for this shift could be seen from low interest rate base in interbank market and relatively lower CASA ratio (around 13-15%). Average COF in 2023 was estimated at around 5.4%, increased from 4,11% in 2022. With customer deposit interest rate fell drastically from 5.5%-8.6% (the peak) to around 3.1-5.2% (currently), we forecast the average COF of VIB could decreased sharply to around 4.25% in 2024.

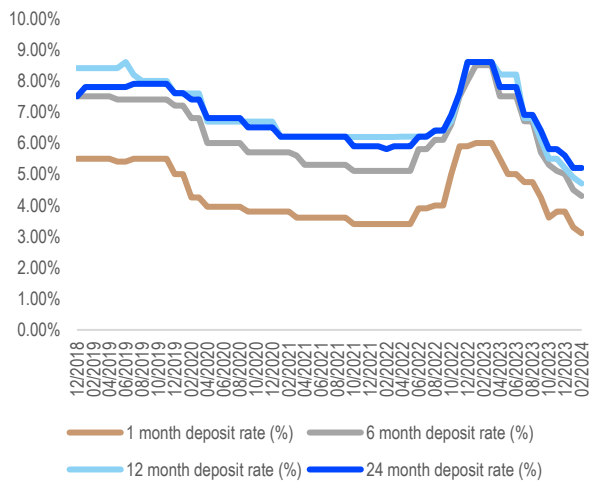
VIB deposit structure for 2019-2023 (VNDbn)



VIB deposit structure heavily rely on interbank market (%)

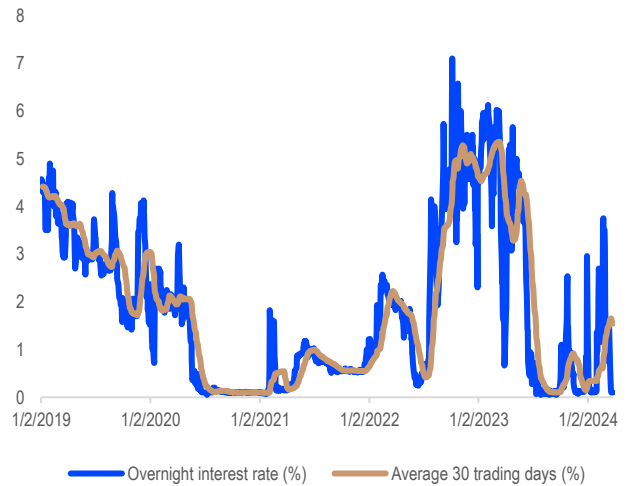


VIB's deposit rate over the years



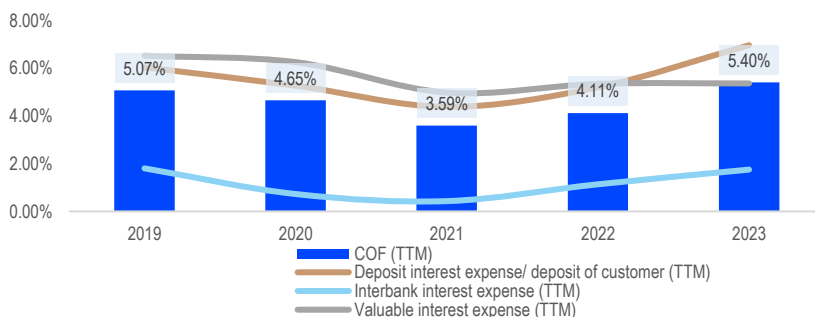
Source: Finpro, Company data, Shinhan Securities Vietnam

Vietnam interbank overnight rate (%)



Source: Finpro, Bloomberg, Company data, Shinhan Securities Vietnam

VIB cost of funds from 2019-2023 (%)

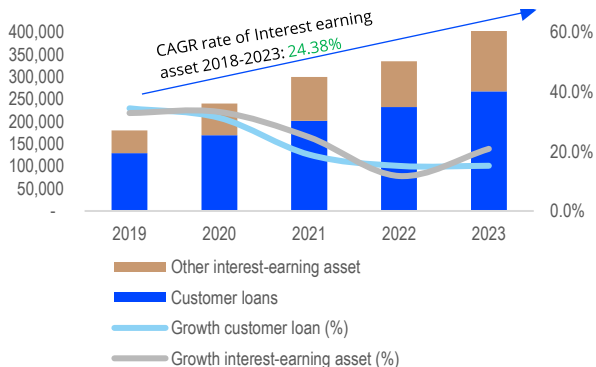


Source: Finpro, Company data, Shinhan Securities Vietnam

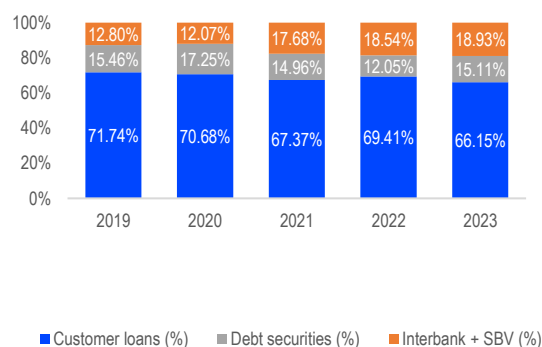
2. Asset yield of VIB

Earning asset of VIB during the period 2018-2023 grew at the CAGR rate of around 24.38%, with around 70% was customer loan. In 2023, the retail loan demand was particularly low VIB had shifted its excess capital to loan other institutions and purchase government bonds. As a result, customer loan proportion of earning asset in 2023 fell to 66.15%, from 69.41% in 2022.

Earning asset growth over the year 2019-2023 (VNDbn)



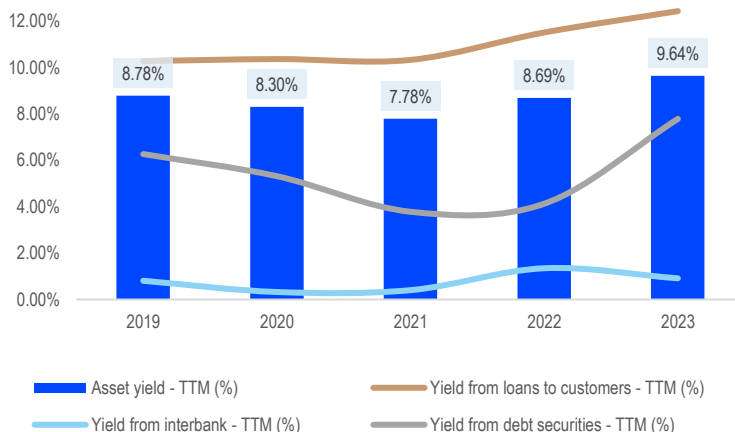
Earning asset structure (%)



Source: Finpro, Company data, Shinhan Securities Vietnam

As the average COF rose remarkably by the end of 2022 and carried through the 1H2023, VIB had to increase its overall asset yield to maintain its NIM. Asset yield increased from 8.69% in 2022 to 9.64% in 2023. The increased of asset yield came mostly from the increased yield from VIB's customer loan. However, thanks to COF lowered in 2H2023, average interest rate from customer loan book of VIB dropped about more than 200bps. We expect the downtrend of average yield of VIB would continued well in to 2024, decreased to around 8.44% by the end of 2024.

Asset yield TTM 2019-2023 (%)



Source: Company data, Finpro, Shinhan Securities Vietnam

Following strictly to SBV risk requirements

1. Strictly followed SBV requirements and strict risk mangemeent balance out the worsen in terms of asset quality

VIB was one of the bank pioneered to apply in both Basel II and Basel III. In 2023, VIB selected by the SBV to pilot AIRB Basel II. VIB has also fully applied scorecards for retail lending products. In 2024, VIB plans to deploy AIRB Basel III, starting to pilot the system and testing in the period of 2025-2026.

As could be seen from the table, VIB has been strictly followed SBV requirement in main risk and liquidity ratios including CAR, Ratio of short-term capital for medium and long-term loans, LDR, LCR and Liquid asset ratios.

Risk and liquidity ratios of VIB (%)

Risk ratios of VIB	2019	2020	2021	2022	2023
Capital adequacy ratio (CAR)	10%	9.7%	10.1%	11.7%	11.7%
Requirement leve (>=)	8%	8%	8%	8%	8%
Ratio of short-term capital for medium and long-term loans	36%	34%	34%	32%	27%
Requirement level (<=)	40%	40%	40%	37%→34%	34%→30%
Loan to Deposit (LDR - cir 41)	77%	77%	76.6	71%	73%
Requirement level (<=)	80%	80%	80%	80%	80%
Liquidity Coverage Ratio	56%	74%	62%	68%	58%
Requirement level (>=)	50%	50%	50%	50%	50%
Liquid asset ratio	19%	18%	17%	18%	18%
Requirement level (>=)	10%	10%	10%	10%	10%

CAR of VIB in comparison with other banks end of 2022



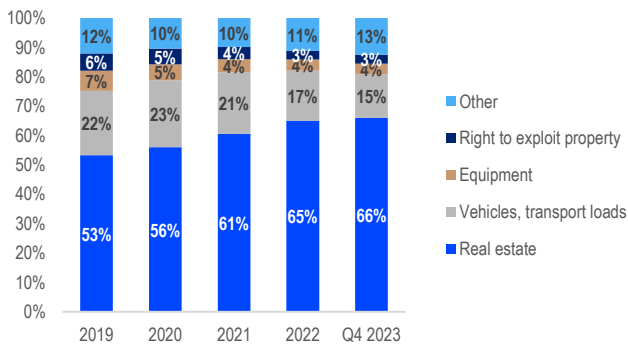
Source: Company data, Finpro, Shinhan Securities Vietnam

2. High value collateral and small exposure to real estate developers

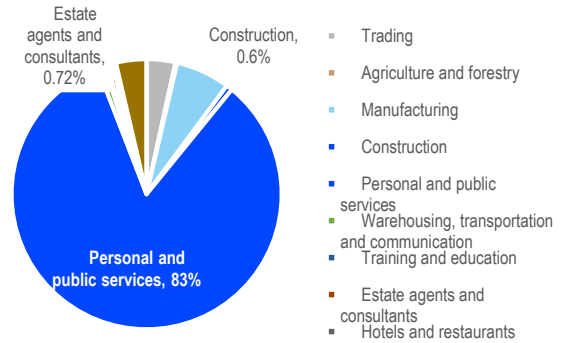
With its main target on retail loan, VIB inherently has low concentrate risk. Within retail loan book, 91% was secured loan. Regarding to its home loan portfolio, 99.5% collateral asset are real estates with legal Household Certificates of Land Use Rights (LUR). For the whole

bank book, at the end of Q4/2023, 15% of collateral assets was Vehicles and 66% was real estates. VIB focuses mainly on granting loan to customers with the need to buy a house or repair or renovate a house, VIB had a very low exposure to real estate developers and constructions sector (only around 1.32% of total customer loan book). Loan-to-value (LTV) of VIB by the end of 2023 was estimated around 46%, usually fluctuated around the range 40-45%.

Collateral asset of VIB over the years (%)



Loan breaks down by industry end of 2023 (%)



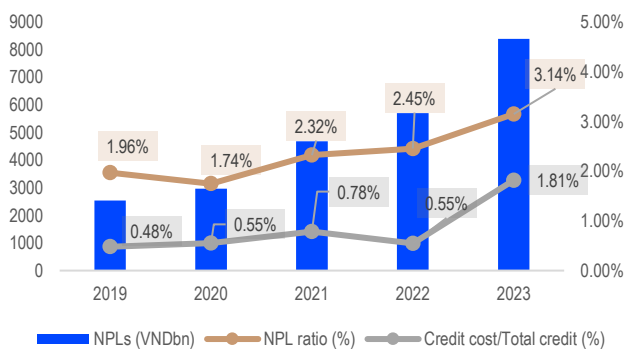
Source: Fiinpro, Company data, Shinhan Securities Vietnam

3. Asset quality worsen in 2023 but is expected to gradually improving

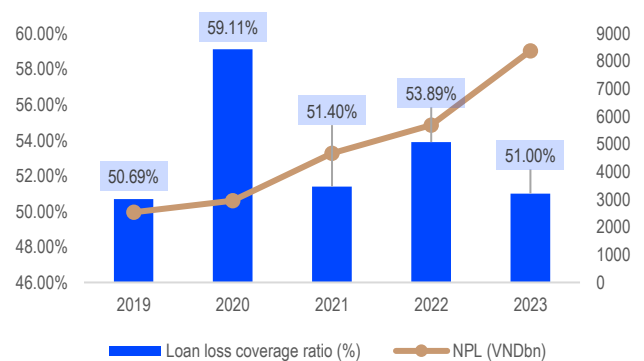
Non-performing loan (NPLs) of Vietnam Banks listed on HOSE surged dramatically in 2023, averagely around +39.40%. For VIB, NPL in 2023 grew at the rate of 47.3% YoY, higher than the average number. This could be explained by the retail oriented loan book of VIB, the downturn of the economy would generally affect more on retail customers than corporates. NPL ratio by the end of 2023 reached 3.14%, the structured debt from Covid policy and follow Circular 02/TT-NHNN was around 0.34%.

Regarding to loan loss coverage ratio (LLR), VIB maintained LLR ratio around 50-60%, closely match with the minimum level required by The state bank of Vietnam. For that reason, upmove of NPLs instantly put pressure on credit expenses of VIB. Credit cost/ Total credit of VIB increased from 0.55% at the end of 2022 to 1.81% at the end of 2023. However, with the general recoveries of the economy, we expect the NPLs ratio could be controlled at 3% in 2024; we also expect circular 02/TT-NHNN would be extended in 2024.

NPLs and credit expense of VIB over the years (VND bn)



Loan loss coverage ratio LLR của VIB (%)



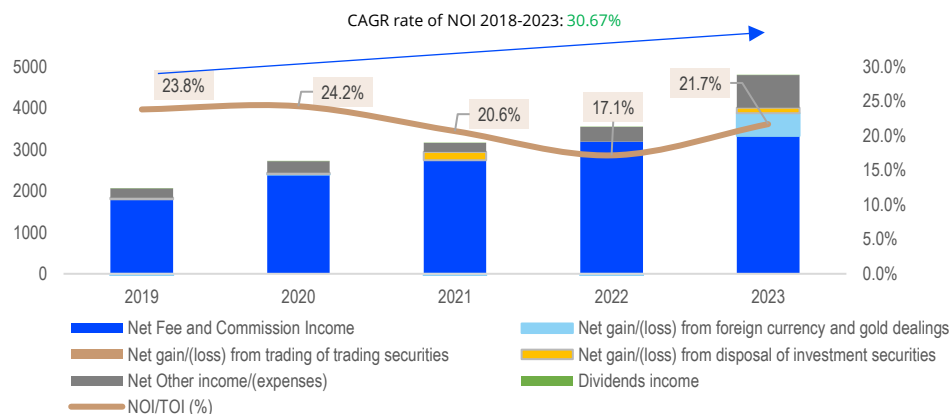
Source: Company data, Fiinpro, Shinhan Securities Vietnam

Non-interest income maintain healthy growth thanks to cards and bancassurance

Non-interest income (NOI) comprised mostly from Net Fee Incomes (NFI)

NOI of VIB comprised roughly in the range 18-24% of Total operating income (TOI). With the exception of 2023 as the negative effect on Bancassurance segment, NFI contributed around 90-100% of NOI. CAGR for this business over 5 year period from 2018-2023 reached 30.67%.

Non-interest income (NOI) of VIB 2019-2023 (VNDbn)



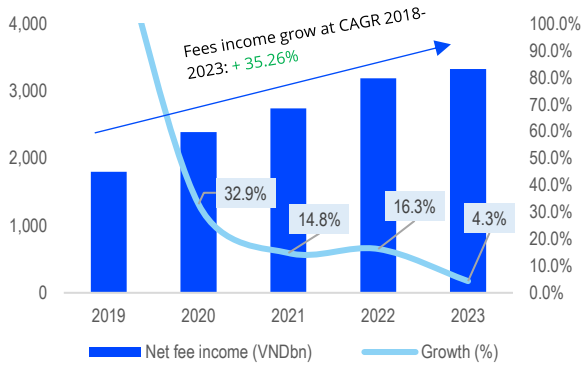
Source: Company data, Finpro, Shinhan Securities Vietnam

Net Fee Incomes growth relied on Settlement fees and Insurance commission

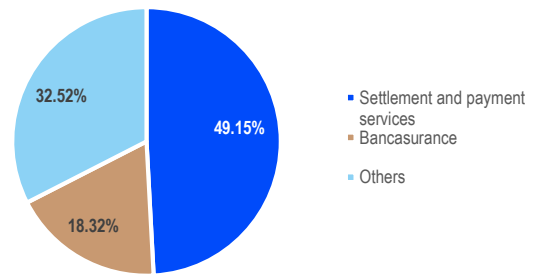
Settlement fees with digital transformation plan started around 2017 and the ongoing non-cash payment trend in Vietnam grew speedily over the last 5 years. Settlement service grew at CAGR rate from 2018-2023 around 47.7%. In 2024, VIB announced officially to implementation of Temenos core banking solution on collaboration, collaboration with Amazon Web Services and ITSS. This implementation would set a strong foundation for further adoption and development of technology in the future.

Exclusive Bancassurance partnership with Prudential Vietnam officially signed in 2015 and was extended to 2036. The partnership with Prudential is essential for VIB to offering comprehensive financial solutions for its customers. Upfront fees from the the deal would be recorded across 13 years of the contract. CAGR growth rate of 2018-2023 of Bancassurance fees was around 29.7%. From the Ministry of Finance, in 2023 insurance penetration rate of Vietnam only around 2.6%, much lower than other developed market such as USA, Korea, Singapore (around 8-12%). We expect bancassurance would stabilized in 2024 and grow strongly in the upcoming time due to large potential of Vietnam insurance market.

Net fee income of VIB (VND billion)



Fee income break down in 2023 (VND billion)



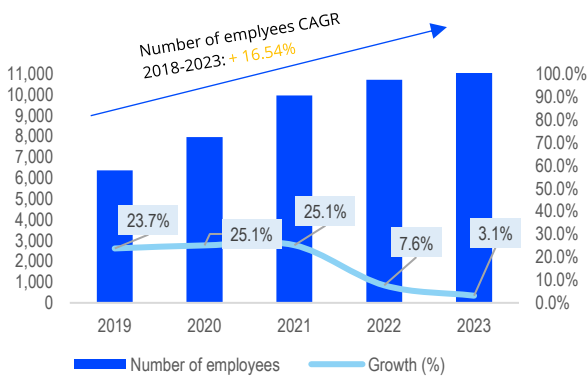
Source: Company data, Fiiipro, Shinhan Securities Vietnam

One of the bank with highest Return on Equity

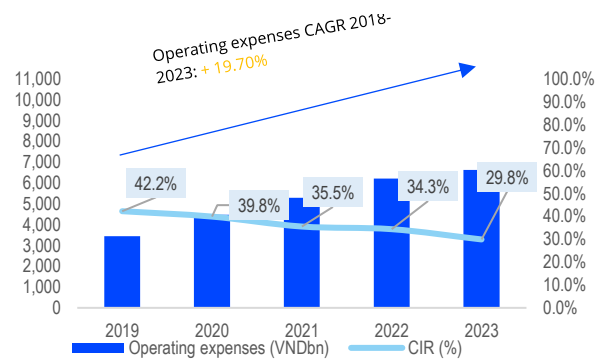
1. Operating expenses

Operation cost: After strong investment, CIR of VIB enjoyed downward trend from 40-45% to around 30-35% during 2021-2023. We assume CIR of VIB would maintained around 30-35% in 2024.

VIB number of employees over the years



Operating expenses and CIR (%)

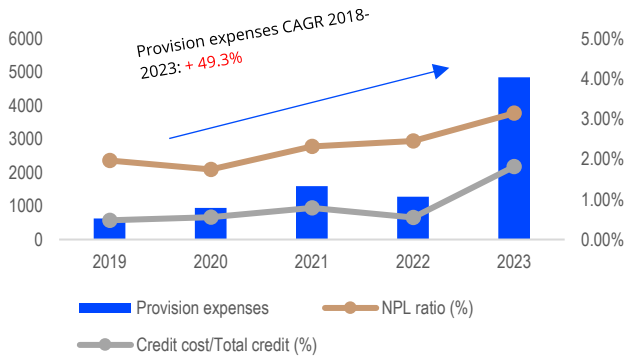


Source: Company data, Fiiipro, Shinhan Securities Vietnam

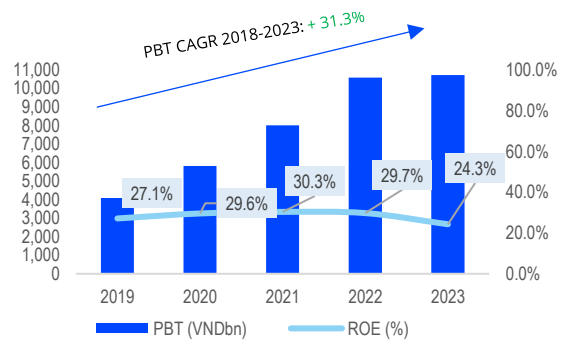
2. VIB possessed the one of best ROE in the listed banks on HOSE

For the period 2019-2022, VIB lead the listed banks on HOSE in term of ROE, VIB was able to maintained its ROE around the range 27-30%. However, as the NPL picked up in 2023, provision expenses eroded significantly the profit of VIB. ROE by the end of 2023 was estimated to be around 24%. We expect the ROE of VIB would still under pressure in 2024, as VIB would need to write off bad debt in the previous year. After writing off debt, VIB would enjoy income related to liquidating assets in the later years, therefore we forecast the ROE of VIB would be back to above 25% in 2025-2026 period.

Provision expenses of VIB 2019-2023 (VND billion)



PBT and ROE of banks 2019-2023 (VNDbn)



Source: Company data, Fiiipro, Shinhan Securities Vietnam

2024 business results and earnings estimates

Earning estimate

We forecast VIB's credit growth in 2024 at 16.0%. This forecast is based on the recoveries of retail loan book. Customers' deposits increased around 14%, slightly lower than 2023 as the deposit interest rate fell the low level of 2020-2021.

For interest rate level in 2024, we expect deposit interest rate would stay at low level at least in 1H2024 before slightly increase in 2H2024. In the analyst meeting session, management of VIB has adjusting the interest rate pricing for significant of its loan book from under 1-3 months to 12 months. From our understanding, this approach is intended to keep asset yield decreased slower, thus partly protect VIB's NIM for 2024. We assume the NIM of VIB would slightly decreased to 4.55% in 2024. We forecast VIB's NPL ratio for 2024 would be control at around 3%, decrease modestly from 2023. We expect VIB would keep provision expenses in 2024 at high level (around VND 4,600 bn). After 1 year of strictly control its operating expenses, we expect operating expenses would increase back in 2024 and the CIR for this year would be around 31.4%.

For NOI, we expect the NFIs would recovered from low based in 2023. As dicussed in AGM 2024, VIB expect to receive around VND 1,000-1,500 bn income from liquidating collateral asset from NPL in previous period. However, as interest rate of government bond yield was currently low, we do not expect VIB could take signficiant profit from trading investment securities in 2024. NOI in 2024 could reach VND5,117 bn, slightly increased at 6.6% YoY.

Take into account of all above assumptions, we forecast the profit before tax of VIB of 2024 to be at VND12,291 bn (+14.8% YoY).

Updated Q1/2024 business results from the AGM 2024

VIB said pre-tax profit in Q1/2024 is about 2,600 billion VND. The target of VND 12,000 billion in 2024 according to leaders is therefore feasible. Credit growth at the end of Q1/2024 reached about 1%, bad debt increased slightly compared to 2023.

Indicators	2022	2023	YoY	2024F	YoY
Total credit (including corporate bonds) (VND bn)	233,774	267,071	+14.2%	309,686	+16.0%
Deposits from customers (VND bn)	173,565	200,124	+18.2%	269,698	+14.0%
NPL (%)	2.45	3.14		3.0	
NIM (%)	4.54	4.62		4.55	
Net interest income (VND bn)	14,963	17,361	+16.03%	19,516	+12.4%
Non interest income (VND bn)	3,095	4,800	+55.07%	5,117	+6.6%
Total operating income (VND bn)	18,058	22,160	+22.71%	24,633	+11.2%
Provision expense (VND bn)	(1,280)	(4,847)		(4,608)	
Operating expense (VND bn)	(6,197)	(6,611)	+6.7%	(7,735)	+17.0%
Net profit before tax (VND bn)	10,581	10,703	+1.11%	12,291	+14.83%

Valuations and Recommendations

Initial valuation with HOLD recommendation, target price VND 25,010

We have an initial valuation on Vietnam International Commercial Joint Stock Bank (VIB) with a HOLD recommendation and a target price of VND25,010, an upside potential of 10.5%.

Valuation method

We apply a combination of residual income (RI) and P/B valuation methods with the 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, which is at 1.3x.

Cost of Equity (%)	
Cost of Equity (%)	14.0
Risk-free rate (%)	2.5
Equity risk premium (%)	9.00
Beta	1.28

RI Method					
(Unit: VNDbn)	2024F	2025F	2026F	2027F	2028F
Cost of equity	14.0%	14.0%	14.0%	14.0%	14.0%
Cost of equity after 2028					14.0%
Net income	9,833	13,189	15,724	17,292	19,033
Residual income (RI)	3,957	6,012	6,910	6,611	6,296
PV of RI	3,471	4,624	4,662	3,911	3,267

Terminal value of RI (VNDbn)	62,708
Terminal growth (%)	2.00%

PV of terminal value (VNDbn)	32,540
PV of RI (bn VND)	19,935
Beginning equity (bn VND)	37,939
Size discount	20%
Total value (bn VND)	72,331
Total outstanding shares (bn)	2.54
Target price (VND)	28,513

Valuation Summary		
Method	Weight	Price target (VND)
Residual income	30%	28,513
P/B target (1.3x)	70%	23,509
Target price (VND)		25,010

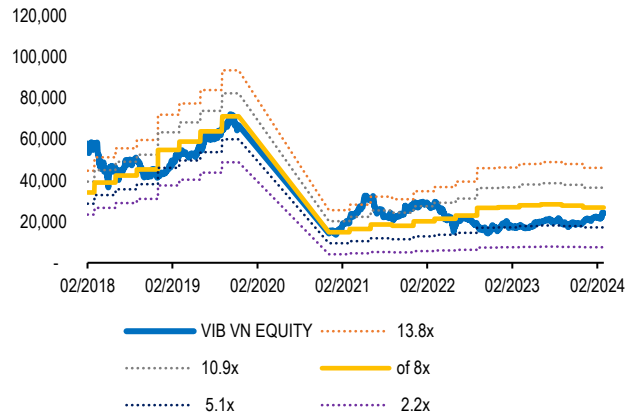
Source: Shinhan Securities Vietnam

PER of VIB



Source: Bloomberg, Company data, Shinhan Securities Vietnam

PER of VIB



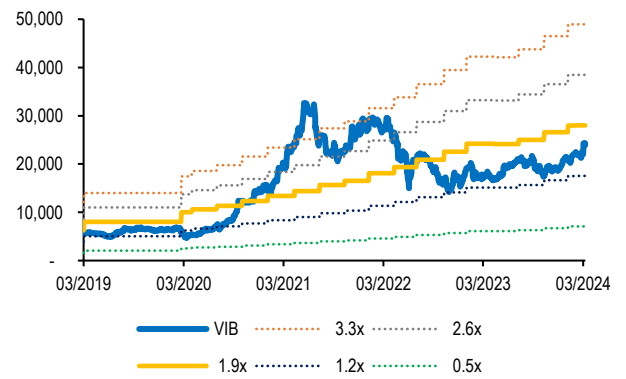
Source: Bloomberg, Company data, Shinhan Securities Vietnam

VIB stock price and P/B valuation



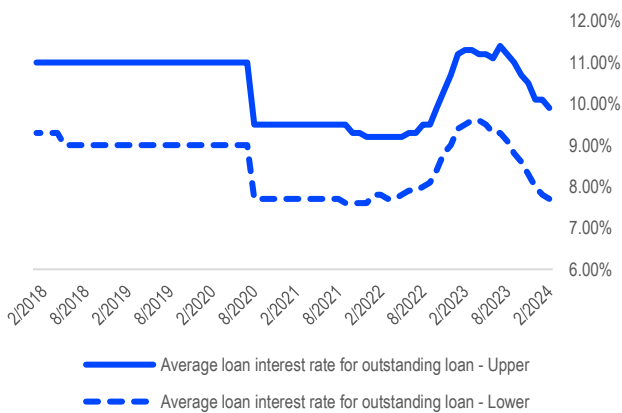
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PBR of VIB



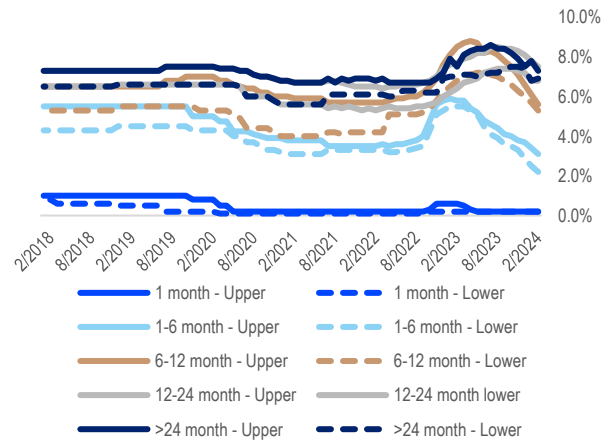
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Average loan interest rate in Vietnam



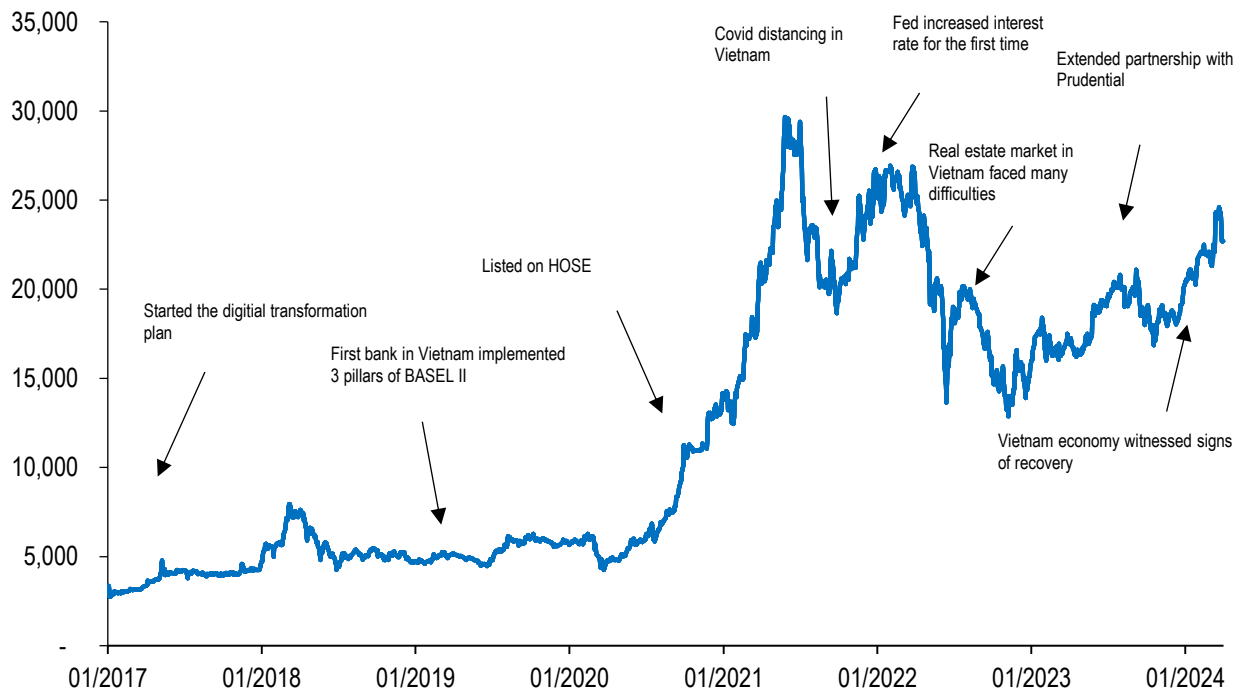
Source: SBV, Company data, Shinhan Securities Vietnam

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 is lower than our forecast of 16% 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 investors, in the event that the real estate market recovers more slowly than expected, the negative impact could spread to the rest of the industry.

Appendix: Financial statements

Balance sheet

Year (VND bn)	2020	2021	2022	2023	2024F
Total assets	244,676	309,517	342,799	409,881	461,336
Cash and precious metals	1,422	1,522	1,618	1,681	2,158
Balances with the SBV	24,592	24,891	10,063	8,218	8,091
Placements with and loans to other credit institutions	4,369	27,985	51,900	68,198	70,457
Trading securities	-	-	-	-	-
Derivatives and other financial assets	24	-	21	157	157
Loans and advances to	167,772	199,116	228,879	262,074	303,620
Debts purchase	249	159	103	16	16
Investment securities	41,372	44,737	40,279	60,988	67,011
Long-term investments	74	70	69	69	69
Fixed assets	407	604	700	756	875
Investment properties	-	3	3	3	3
Other assets	4,396	10,431	9,165	7,720	8,878
Total liabilities	226,702	285,226	310,148	371,942	415,461
Due to Gov and Loans from	-	-	-	-	-
Deposits and Loans from other	42,488	64,456	71,166	98,640	99,690
Deposits from customers	150,349	173,565	200,124	236,577	269,698
Other borrowed and entrusted fund	10	73	8	7	7
Convertible bonds/CDs and other valuable papers issued	28,559	42,298	31,775	23,897	31,066
Other liabilities	5,296	4,834	7,075	12,821	15,000
Shareholder's equity	17,974	24,291	32,651	37,939	45,875
Capital	16,799	21,887	27,291	34,046	34,046
Reserves	1,253	1,787	2,518	3,470	4,945
Retained earnings	5,626	6,971	9,055	9,099	15,560
Minority interest	-	-	-	-	-
Total liabilities and equity	244,676	309,517	342,799	409,881	461,336

Financial indicators

Year	2020	2021	2022	2023	2024F
Growth (% YoY)					
Loans to customers	31.21	18.87	15.10	14.83	16.00
Deposits from customers	22.88	15.44	15.30	18.22	14.00
Shareholders' equity	33.84	35.15	34.42	16.20	20.92
Total assets	32.59	26.50	10.75	19.57	12.55
Net interest income	36.74	39.08	26.63	16.03	12.41
Net non-interest income	40.26	13.07	0.67	55.07	6.62
PPOP	43.17	42.34	23.43	31.10	8.68
Net profit before tax	42.15	38.05	32.08	1.15	14.83
Net profit after tax	42.12	38.07	32.12	1.11	14.83
Profitability (%)					
NIM	4.09	4.33	4.54	4.62	4.55
ROA	2.18	2.27	2.48	2.24	2.26
ROE	29.57	30.33	29.75	24.26	23.46
Liquidity (%)					
LDR	112.75	116.10	115.90	112.58	114.56
Loans/Deposits					
Asset quality					
Leverage (x)	13.61	12.74	10.50	10.80	10.06
NPL ratio (%)	1.74	2.32	2.45	3.14	3.00
LLR ratio (%)	59.11	51.40	53.89	51.00	71.15
Reverse/total credit (%)	1.02	1.18	1.31	1.60	1.72
Credit costs/total credit (%)	0.55	0.78	0.55	1.81	1.49
Per share items (VND)					
EPS	4,185	4,127	4,018	3,375	3,876
BPS	16,202	15,640	15,492	14,955	18,084

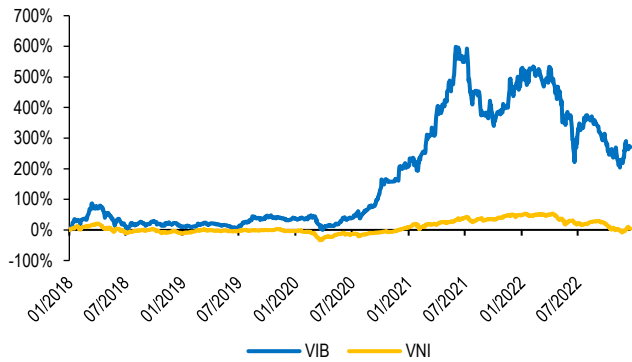
Source: Company data, Shinhan Securities Vietnam

Income statement

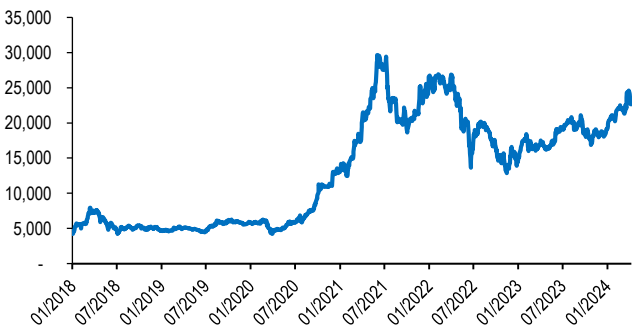
Year (bn)	2020	2021	2022	2023	2024F
Interest and Similar Income	17,437	20,975	27,509	35,568	35,659
Interest and Similar Expenses	(8,941)	(9,159)	(12,547)	(18,207)	(16,144)
Net Interest Income	8,496	11,816	14,963	17,361	19,516
Net Fee and Commission Income	2,389	2,742	3,188	3,327	3,912
From foreign currency and gold	21	(87)	(275)	548	144
From trading of trading securities	-	-	-	-	-
From disposal of investment	25	197	(176)	130	-
Net other income	283	221	355	792	1,062
Dividends income	2	2	3	3	-
Total non-interest income	2,719	3,075	3,095	4,800	5,117
Total operating income	11,216	14,891	18,058	22,160	24,633
General and Admin expenses	(4,465)	(5,282)	(6,197)	(6,611)	(7,735)
Operating Profit Before Provision (PPOP)	6,751	9,609	11,861	15,550	16,899
Provision for credit losses	(948)	(1,598)	(1,280)	(4,847)	(4,608)
Profit before tax	5,803	8,011	10,581	10,703	12,291
Corporate income tax	(1,161)	(1,601)	(2,112)	(2,141)	(2,458)
Net profit after tax	4,642	6,410	8,469	8,562	9,833
Attributable to parent company	4,642	6,410	8,469	8,562	9,833

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	25,010	21.3	1.4/50.9

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

Shinhan Securities Vietnam

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- ◆ **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%

Industry

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- ◆ **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
- ◆

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