

26 Jul 2023

Vietnam international (VIB)

Struggling credit growth

AM briefing

- We tuned in to VIB's analyst meeting on July 26 which shed some light on its 2Q23 operational updates.

Resilient 2Q23 profit growth

- VIB released its results with 2Q23 PBT up 7%yoy (to VND2,948bn) thanks to (1) an increase in net interest income (+19%yoy) (2) manageable OPEX (2Q23 CIR: 29% vs 2Q22 CIR: 33%). However, the increasing provision expense (+137%yoy) was the dampening factor of profit growth
- Accumulated results, 1H23 PBT rose 12%yoy to VND5,642bn, completing 46% of 2023 target.

Struggling credit growth but solid NIM

- 2Q23 total credit growth stayed flat at 0.8% YTD (vs 1Q23: -1.3%YTD) mainly due to a decrease in retail segment (87% of total credit; credit growth: -2.5%YTD) amid the economic slowdown.
- The management expects faster 2H23 credit growth with more favorable economic environment and the 2023 target of 15%-20%. 2nd credit approval is granted with 14.25% by SBV, per company.
- 2Q23 Net interest margin (NIM LTM) inched up to 4.7% (vs 4.4% in 2Q22 and 4.7% in 1Q23) thanks to simultaneous decrease adjustment of the deposit and lending rates. NIM could maintain in 2H23 at around 4.5%, per company

Decreasing NFI growth

- 2Q23 NFI and 1H23 went down 13%yoy (to VND786bn) and -10%yoy (to VND1,404bn) respectively due to the Banca fee decline.
- In 2023, the Bancassurance has re-signed the contract with Prudential. Upfront fees could allocate throughout the contract period.

12M rating **NON-RATED**

12M TP

Up/Downside

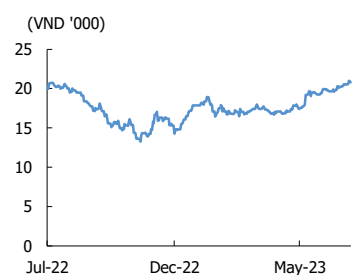
Stock Data

VNIndex (July 26, pt)	1,201
Stock price (July 26, VND)	20,800
Market cap (USD mn)	2,229
Shares outstanding (mn)	2,537
52-Week high/low (VND)	21,000/13,248
6M avg. daily turnover (USD mn)	4.36
Free float / Foreign ownership (%)	58.8/20.5
Major shareholders (%)	
Commonwealth Bank of Australia	20.0
Uniben	4.7

Performance

	1M	6M	12M
Absolute (%)	4.3	16.7	4.2
Relative to VNIndex (%p)	(1.9)	7.5	1.5

Stock price trend



Source: Bloomberg

	2018A	2019A	2020A	2021A	2022A
TOI (VND bn)	6,086	8,152	11,216	14,891	18,058
chg. (% YoY)	48.8	33.9	37.6	32.8	21.3
PPE (VND bn)	3,396	4,715	6,751	9,609	11,861
Net profit (VND bn)	2,194	3,266	4,642	6,410	8,469
EPS (VND, adj.)	3,873	3,894	4,096	2,997	3,971
chg. (% YoY)	93.5	0.5	5.2	-26.8	32.5
PB (x)	1.5	1.4	1.3	1.3	1.4
PE (x)	7.6	6.1	5.1	5.2	5.3
P/PPE (x)	4.9	4.1	3.5	3.4	3.7
NIM (%)	3.8	3.9	4.0	4.4	4.7
ROE (%)	22.6	27.1	29.6	30.3	29.7
ROA (%)	1.7	2.0	2.2	2.3	2.6
Dividend yield (%)	2.7	0.0	0.0	0.0	7.2
CAR (%)	13.0	10.0	10.0	12.0	13.0

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

Manageable OPEX

- 2Q23 OPEX and 1H23 were up 4%yoy and 5.5%yoy. With the efficient cost management, CIR ratio fell from 34% in 1H22 to 30% in 1H23. The management views that the 2023 CIR could control at 30% (vs 2022 CIR of 34%).

Asset quality

- 2Q23 NPL inched down 2.45%, compared to 1Q23 of 2.6% and end-22 of 1.79%.
- The management views that the 2023 NPL could be controlled at 2% amid the market recovery outlook.

Recommendation and Ratings

VIB is trading at PB of 1.63x, lower than peers' average of 1.65x (1.2% premium) and lower than the five-year average of 1.84x (13% premium).

Table 1: Snapshot of income statement

Units: VNDbn, %

	2Q22	3Q22	4Q22	1Q23	2Q23	qoq	yoy	1H22	1H23	yoy
Net interest income	3,700	3,836	3,911	4,304	4,402	2%	19%	7,215	8,706	21%
Total operating income	4,609	4,627	4,687	4,930	5,364	9%	16%	8,745	10,294	18%
Profit before provision expense	3,107	2,957	3,120	3,362	3,808	13%	23%	5,784	7,170	24%
PBT	2,744	2,791	2,767	2,694	2,948	9%	7%	5,023	5,642	12%

Source: Company data, KIS

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