

## VIB COMMERCIAL JSB (VIB) – EARNINGS UPDATE

<b>Market Price</b>	<b>Target Price</b>	<b>Dividend Yield</b>	<b>Rating</b>	<b>Sector</b>
VND55,400	N/A	0.00%	N/A	FINANCIALS

5 May 2021

**Outlook – Short term:** **Positive**  
**Outlook – Long term:** **Positive**  
**Valuation:** **Positive**

Consensus\*: Add:2 Hold:2 Reduce:2

Target price / Consensus: 7.0%

### Key changes in the report

➤ N/A

### Price performance



Source: VND RESEARCH

### Key statistics

52w high (VND)	55,600
52w low (VND)	11,917
3m Avg daily value (VNDmn)	34,100
Market cap (VND bn)	60,794
Free float (%)	20
TTM P/E (x)	12.2
Current P/B (x)	3.43

### Ownership

Chairman & related parties	14.9%
Commonwealth Bank of Australia	20.0%
BOD members and related parties	12.9%
Others	52.20%

Source: VND RESEARCH

### Analyst(s):



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## Robust 1Q21 earnings growth

- 1Q21 net profit rose 68.1% yoy to VND1,446bn on a 54.4% yoy net interest income growth and a 48.1% yoy net fee income rise, in line with our forecast.
- Loan book expanded 31.6% yoy (+4.7% ytd) at end-1Q21, driven by a 38.4% yoy (+7.5% ytd) retail lending increase.

### 1Q21 NP skyrocketed on topline hike and CIR amelioration

- Net interest income (NII) increased 54.4% yoy to VND2,778bn, following 31.6% yoy growth of loan book and a 61bp yoy increase of NIM.
- Annualised NIM inched up to 4.5% as a 149bp yoy decline in cost of fund on key policy rates cuts offset a 79bp yoy drop in assets yield. Assets yield recorded a less compressed rate due to the bank's effectiveness in expanding on retail lending which was up to 85% loan book at end-1Q21 from 81% at end-1Q20.
- Net fee income (NFI) surged 48.1% yoy to VND609bn in 1Q21, driven by a 52.4% yoy rise in settlement income (contributed 29% to NFI) and a 27% yoy increase in commission fee income (accounted for 44% NFI).
- Cost income ratio (CIR) subdued to 38.9% in 1Q21 following the downward path from the levels of 45.5%, 39.5%, 37.1%, and 38.7% seen in the past 4 quarters, thanks to VIB's operational efficiency.
- The bank took the opportunity to aggressively increase provisioning expense 114.3% yoy, improving asset quality in 1Q21.
- Consequently, 1Q21 net profit rose 68.1 yoy, fulfilling 24.4% our FY21 forecast.

### Asset quality has considerably improved

- The bank aggressively wrote off bad debt in 1Q21, bringing its non-performing loan (NPL) ratio to 1.7%, same level seen at end-FY20 but heavily down from 2.2% at end-1Q20. Particularly, the annualised write-off rate was up to 0.42% in 1Q21 from 0.05% in 1Q20, and significantly higher than FY20 write-off rate of 0.32%.
- Robust provision also lifted loan loss reserve (LLR) to 62% at end-1Q21 from 58.2% at end-2020 and 47.3% at end-1Q20.

### Maintaining earnings growth forecast of 27.6% for FY21F

- We expect NII to increase 31.8% yoy on a 26% yoy loan book rise and a 10bp yoy NIM hike.
- We forecast a 22% yoy growth in NFI which is given by commission fee and settlement incomes makes up 89% Non-II vs. the rates of 88%/93% in FY20/19.
- Together with a CIR of 40% and a credit cost of 0.67%, FY21F net profit is estimated to grow 27.6% yoy to VND5,920bn.

Financial summary (VND)	12-19A	12-20A	12-21E	12-22E
Net interest income (bn)	6,213	8,496	11,202	14,464
Net interest margin	3.9%	4.0%	4.1%	4.3%
Total operating income (bn)	8,152	11,216	14,469	18,335
Total provision charges (bn)	(633)	(950)	(1,281)	(1,839)
Net profit (bn)	3,266	4,641	5,920	7,329
Net profit growth	48.9%	42.1%	27.6%	23.8%
Adjusted EPS	3,473	4,572	5,286	6,545
BVPS	14,527	16,200	21,536	28,143
ROAE	27.1%	29.6%	28.3%	26.6%

Source: VNDIRECT RESEARCH, COMPANY REPORTS

**ROBUST 1Q21 EARNINGS GROWTH**
**Figure 1: Results comparison (VNDbn unless otherwise noted)**

Profit & Loss statement	1Q21	1Q20	% yoy	4Q20	% qoq	VND FY21F forecasts	% of VND forecasts	Comments
Net interest income	2,778	1,799	54.4%	2,561	8.5%	11,202	24.8%	In line with out forecast
Non-interest income (Non-II)	723	461	56.9%	808	-10.5%	3,267	22.1%	In line with out forecast
Operating revenue	3,502	2,260	54.9%	3,370	3.9%	14,469	24.2%	
Operation expenses	(1,361)	(1,029)	32.2%	(1,303)	4.4%	(5,787)	23.5%	In line with out forecast
Pre-provision profit	2,141	1,231	73.9%	2,066	3.6%	8,681	24.7%	
Provision expenses	(334)	(156)	114.3%	(290)	15.1%	(1,281)	26.1%	In line with out forecast
Pre-tax profit	1,807	1,075	68.0%	1,776	1.7%	7,400	24.4%	
Net profit	1,446	860	68.1%	1,421	1.8%	5,920	24.4%	In line with out forecast

Source: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 2: VIB key ratios by quarters**

Key ratios	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21
NII/TOI	84.1%	83.1%	85.7%	68.2%	80.8%	78.6%	73.3%	73.5%	79.6%	74.5%	73.7%	76.0%	79.3%
Non-II/TOI	15.9%	16.9%	14.3%	31.8%	19.2%	21.4%	26.7%	26.5%	20.4%	25.5%	26.3%	24.0%	20.7%
NIM (annualised)	3.3%	3.7%	3.8%	3.8%	4.0%	3.9%	3.9%	3.9%	3.9%	3.9%	4.1%	4.0%	4.5%
Cost to Income ratio (CIR)	51.0%	46.7%	45.9%	36.5%	43.6%	39.8%	41.4%	43.9%	45.5%	39.5%	37.1%	38.7%	38.9%
Non-performing loan (NPL) ratio	2.5%	2.3%	2.5%	2.5%	2.5%	2.4%	2.0%	2.0%	2.2%	2.4%	2.1%	1.7%	1.7%
Loan-loss-reserves (LLR)	46.0%	53.2%	46.6%	36.2%	40.3%	42.3%	49.9%	50.7%	47.3%	49.8%	48.3%	58.2%	62.0%
Credit cost (annualised)	0.5%	0.6%	0.7%	0.7%	0.6%	0.6%	0.6%	0.6%	0.5%	0.6%	0.6%	0.7%	0.8%
ROAA (trailing 12 months)	1.2%	1.4%	1.6%	1.7%	1.8%	1.9%	2.1%	2.0%	2.0%	2.0%	2.1%	2.2%	2.4%
ROAE (trailing 12 months)	15.9%	19.2%	21.5%	22.7%	23.9%	25.6%	28.0%	27.5%	27.6%	27.6%	28.9%	30.0%	31.4%

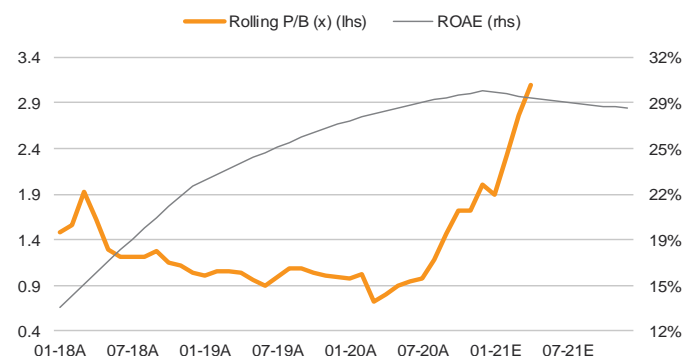
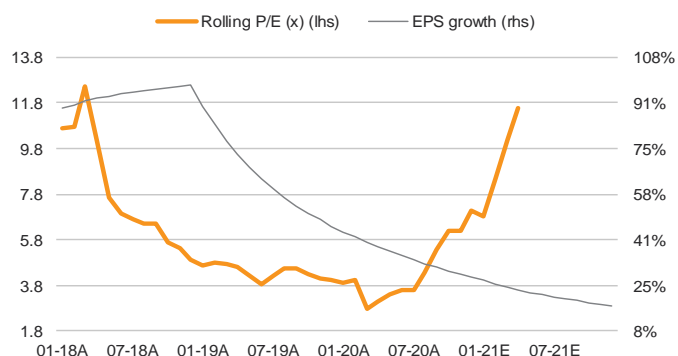
Source: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 3: Vietnam banks comparison**

Banks	Ticker	Recomm endation	Closing Price	Target Price	Market cap	P/B (x)		P/E (x)		3-yr Forward EPS CAGR		ROE (%)		ROA (%)	
						FY21F	FY22F	FY21F	FY22F	%	FY21F	FY22F	FY21F	FY22F	
Vietcombank	VCB VN	ADD	99,100	111,400	15,640	3.1	2.6	17.1	13.9	22.9%	20.7%	20.5%	1.6%	1.7%	
Techcombank	TCB VN	ADD	43,400	40,400	6,473	1.6	1.3	9.6	8.2	18.5%	16.0%	15.9%	2.8%	2.8%	
VPBank	VPB VN	HOLD	59,500	56,300	6,215	2.0	1.7	10.0	9.3	21.1%	21.9%	21.9%	2.9%	2.8%	
MBBank	MBB VN	ADD	31,250	35,900	3,722	1.5	1.2	8.0	6.7	21.4%	19.4%	20.6%	1.9%	2.1%	
Asia Commercial Bank	ACB VN	ADD	34,450	39,500	3,169	1.7	1.4	8.7	7.5	16.0%	22.0%	20.5%	1.9%	1.9%	
Lien Viet Post Bank	LPB VN	HOLD	21,500	15,900	983	1.4	1.2	11.3	8.1	19.0%	13.80%	14.90%	0.8%	0.9%	
<b>Average</b>						<b>1.9</b>	<b>1.6</b>	<b>10.8</b>	<b>8.9</b>	<b>19.8%</b>	<b>19.0%</b>	<b>19.1%</b>	<b>2.0%</b>	<b>2.0%</b>	
Vietnam International Bank	VIB VN	HOLD	55,400	45,300	2,615	2.6	2.0	10.5	8.5	18.9%	28.3%	26.6%	2.2%	2.1%	

PRICE AS OF 04 MAY 2021

Source: VNDIRECT RESEARCH, COMPANY REPORTS, BLOOMBERG

**Valuation**

**Income statement**

(VNDbn)	12-20A	12-21E	12-22E
<b>Net interest income</b>	<b>8,496</b>	<b>11,202</b>	<b>14,464</b>
<b>Non interest income</b>	<b>2,719</b>	<b>3,267</b>	<b>3,871</b>
<b>Total operating income</b>	<b>11,216</b>	<b>14,469</b>	<b>18,335</b>
Total operating costs	(4,465)	(5,787)	(7,334)
<b>Pre-provision operating profit</b>	<b>6,751</b>	<b>8,681</b>	<b>11,001</b>
<b>Total provision charges</b>	<b>(950)</b>	<b>(1,281)</b>	<b>(1,839)</b>
Income from associates & JVs			
Net other income			
<b>Pre-tax profit</b>	<b>5,801</b>	<b>7,400</b>	<b>9,162</b>
Tax expense	(1,160)	(1,480)	(1,833)
<b>Profit after tax</b>	<b>4,641</b>	<b>5,920</b>	<b>7,329</b>
Minority interest	0	0	0
<b>Net profit</b>	<b>4,641</b>	<b>5,920</b>	<b>7,329</b>

**Balance sheet**

(VNDbn)	12-20A	12-21E	12-22E
Gross loans to customers	169,520	213,595	266,994
Loans to banks			
<b>Total gross loans</b>	<b>169,520</b>	<b>213,595</b>	<b>266,994</b>
Securities - total	41,466	49,753	58,702
Other interest earning assets	28,984	37,896	49,556
<b>Total gross IEAs</b>	<b>239,970</b>	<b>301,244</b>	<b>375,253</b>
<b>Total provisions</b>	<b>(1,817)</b>	<b>(2,486)</b>	<b>(3,409)</b>
<b>Net loans to customers</b>	<b>167,798</b>	<b>211,358</b>	<b>263,879</b>
<b>Total net IEAs</b>	<b>238,154</b>	<b>298,758</b>	<b>371,843</b>
Cash and deposits	1,422	1,507	1,598
Total investments	74	78	83
Other assets	5,052	5,355	5,677
<b>Total non-IEAs</b>	<b>6,548</b>	<b>6,941</b>	<b>7,357</b>
<b>Total assets</b>	<b>244,701</b>	<b>305,698</b>	<b>379,201</b>
Customer deposits	150,360	187,951	231,179
Cds outstanding	28,559	35,699	44,623
Customer interest-bearing liabilities	178,919	223,649	275,802
Bank deposits	0	0	0
Broad deposits	178,919	223,649	275,802
Other interest-bearing liabilities	42,486	53,105	66,379
<b>Total IBLs</b>	<b>221,406</b>	<b>276,754</b>	<b>342,182</b>
Deferred tax liability			
Other non-interest bearing liabilities	5,324	5,052	5,798
<b>Total non-IBLs</b>	<b>5,324</b>	<b>5,052</b>	<b>5,798</b>
<b>Total liabilities</b>	<b>226,729</b>	<b>281,806</b>	<b>347,979</b>
Share capital	11,094	11,094	11,094
Additional paid-in capital	0	0	0
Treasury shares			
Retained earnings reserve	5,624	11,544	18,873
Other reserves	1,254	1,254	1,254
<b>Shareholders' equity</b>	<b>17,972</b>	<b>23,892</b>	<b>31,221</b>
Minority interest	0	0	0
<b>Total equity</b>	<b>17,972</b>	<b>23,892</b>	<b>31,221</b>
<b>Total liabilities &amp; equity</b>	<b>244,701</b>	<b>305,698</b>	<b>379,201</b>

	12-20A	12-21E	12-22E
<b>Growth rate (yoy)</b>			
Cust deposit growth	22.9%	25.0%	23.0%
Gross cust loan growth	31.2%	26.0%	25.0%
Net interest income growth	36.7%	31.8%	29.1%
Pre provision operating profit growth	43.2%	28.6%	26.7%
Net profit growth	42.1%	27.6%	23.8%
Growth in IEAs	33.2%	25.4%	24.5%
<b>Share value</b>			
Basic EPS (VND)	4,563	5,336	6,607
BVPS (VND)	16,200	21,536	28,143
DPS (VND)	0	0	0
EPS growth	27.5%	16.9%	23.8%

**Key ratios**

	12-20A	12-21E	12-22E
Net interest margin	4.0%	4.1%	4.3%
Cost-income ratio	(39.8%)	(40.0%)	(40.0%)
Reported NPLs / gross cust loans	1.7%	1.7%	1.7%
Reported NPLs / net cust loans	1.8%	1.7%	1.7%
GP charge / average cust loans	0.6%	0.7%	0.8%
Total CAR	10.1%	10.2%	10.4%
Loan deposit ratio	94.7%	95.5%	96.8%
<b>Margins and spreads</b>			
Return on IEAs	8.3%	8.3%	8.4%
Cost of funds	4.6%	4.5%	4.5%
Interest return on average assets	4.0%	4.1%	4.2%
ROAE	29.6%	28.3%	26.6%

Source: VNDIRECT RESEARCH, COMPANY REPORTS

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**RECOMMENDATION FRAMEWORK**

**Stock Ratings**

Definition:

- Add                    The stock's total return is expected to reach 15% or higher over the next 12 months.
- Hold                    The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
- Reduce                The stock's total return is expected to fall below negative 10% over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

**Sector Ratings**

Definition:

- Overweight            An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral                A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight         An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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