

**VIB COMMERCIAL JSB (VIB)**

**ADD (Maintain)**

**FINANCIALS**

Current Price	VND19,150
52Wk High/Low	VND20,374/14,931
Target Price	VND23,600
Previous TP	VND24,800
TP vs Consensus	7.8%
Upside	23.2%
Dividend Yield	5.6%
Total stock return	28.8%

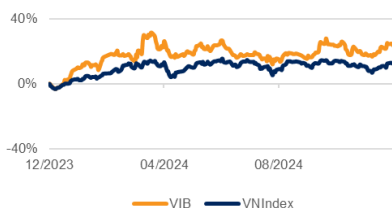
Growth rating	Negative
Value rating	Positive
ST Technical Analysis	<a href="#">Negative</a>

Market Cap	USD2.25bn
3m Avg daily value	USD7.70mn
Avail Foreign Room	USD0.0mn
Outstanding Shares	2,979mn
Fully diluted O/S	2,979mn

	VIB	Coverage	VNI
P/E TTM	8.0x	9.2x	13.3x
P/B Current	1.5x	1.5x	1.7x
ROA	1.9%	1.8%	2.1%
ROE	18.9%	18.7%	12.5%

*\*as of 12/11/2024*

**Share Price performance**



Share price (%)	1M	3M	12M
VIB	5.2	7.3	23.9
Relative to index	1.5	1.2	12.7

**Ownership**

Chairman and related parties	15.3%
Commonwealth Bank of Australia	4.7%
UniCap and related parties	7.5%
Others	72.5%

**Business Description**

VIB Commercial JSB (VIB) is a leading commercial bank in Vietnam, with a focus on retail customers, mortgage and auto loans. The bank has a network of over 189 branches and 298 ATMs across the country, and serves over 4.5 million customers.

**Analyst(s):**



**Hung Vu**

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**Retail demand drives NIM expansion**

- We maintain our ADD rating with 23.2% upside. We slightly reduce our TP 4.8% while the share price has stayed flat since our last report.
- We reduce our TP to reflect a 19.4% decrease in FY25 NPAT compared to the previous forecast, driven by sustained provisioning pressure.
- The TTM P/B ratio of 1.48x is below our coverage average of 1.51x and undervalues TTM ROAE of 18.9% vs an average of 18.7% for our coverage universe.

**Financial Highlights**

- 3Q24 TOI declined 18.1% YoY to VND4.9tn (USD194mn), due to a sharp fall in net gains from currency trading and NIM compression.
- 3Q24 PBT plunged 25.5% YoY to VND2.0tn (USD79mn) due to NIM compression and a higher operating expense.
- 3Q24 ROAE fell to 18.9% (-2.5% pts QoQ), extending a downward trend since 4Q22, but was still above our coverage average of 18.7%.

**Investment Thesis**

**Retail demand recovery to support credit growth in 2025**

We project VIB's total credit growth to reach ~16% in FY25, underpinned by strong retail loan demand, which accounts for 81% of the loan book. Retail loans are forecast to grow 16% YoY in FY25, up from 13% in FY24, supported by a recovery in domestic consumption and the property market. Mortgage lending (50% of retail loans) will benefit from stable mortgage rates and rising housing demand, while business loans (21% of retail loans) will continue to expand steadily, driven by the e-commerce boom and favorable tax policies.

**Retail demand rebound to also drive NIM turnaround in 2025**

We forecast NIM to expand 11 bps to 3.9% in FY25 after falling to 3.7% in 3Q24, as asset yields rose faster than funding costs. We expect asset yields to increase 28 bps, supported by higher long-term loan penetration and robust credit demand. CASA ratio growth of 1% pts, boosted by enhanced brand recognition through sponsorship of popular shows, will help alleviate funding cost pressures. These factors enable VIB to balance strong credit growth while maintaining profitability.

**Group five debt shift will add pressure on provisioning**

Asset quality will improve in 2025, with NPL formation declining by 27.8% YoY, driven by a recovering property market. As mortgage loans account for 41% of VIB's portfolio, rising liquidity and property prices will enhance repayment capacity. However, provision expenses may remain flat due to write-offs and higher specific provisions from increased Group 5 debt. We expect net profit to grow 25.8% YoY, boosting ROAE to 19.6% from 17.5% in FY24.

**Commonwealth Bank of Australia reduced its ownership to ~5%**

On October 29, 2024, CBA sold another 10% (~300 million shares) of VIB, lowering its stake to ~5%. This follows a 5% divestment in September. VIB stated CBA plans to sell only 15%, and VIB has no intention of seeking a new strategic partner.

Financial summary	12-23A	12-24E	12-25F	12-26F
Net profit YoY	1.1%	-18.7%	25.8%	43.0%
Credit growth YoY	14.2%	19.8%	15.8%	15.4%
NIM	4.70%	3.76%	3.87%	4.14%
CASA ratio	13.3%	14.0%	15.0%	16.0%
NPLs / Gross loans	3.1%	3.6%	3.6%	3.1%
LLR	51.0%	49.6%	54.9%	53.0%
ROEA	24.3%	17.5%	19.6%	23.3%
P/B	1.2x	1.3x	1.2x	0.9x

Source: VNDIRECT RESEARCH

## Company Profile

Established in 1996, Vietnam International Commercial Joint Stock Bank (VIB VN) is one of the leading commercial banks in Vietnam, ranking 11th in terms of total assets within the Vietnamese banking system. VIB, with headquarters in Ho Chi Minh City, currently owns 189 branches and transaction offices spread across cities in Vietnam, catering to over 4.5 million customers. VIB was listed on the UPCoM-Index since the beginning of 2017 and officially transferred to the VN-Index in November 2020.

VIB boasts a specialized business structure focused on retail customers which includes mortgage loans, auto loans, business loans and cards. VIB has a top-three market share in auto loans, accounting for 12% of the market in 2023. However, going forward, VIB is focused on business loans, targeting primarily small merchants on e-commerce platforms.

Nevertheless, mortgage lending remains the core business segment of VIB, constituting 44% of its loan book. In particular, the quality of collateral assets in this segment is very high with 99.5% secured by red book/pink book. In addition, mortgage loans mainly consist of residential home loans (80% mortgage loans) in secondary markets with complete legal documentation. Therefore, VIB has a significant advantage in bad debt recovery compared to other banks.

Commonwealth Bank of Australia has owned a 20% stake in VIB since 2019. CBA is one of the largest banks in the world with a market capitalization of USD122bn and is rated A2 by Moody's. Over the past 14 years, CBA has collaborated with VIB to build an operating platform, a corporate governance model, and a tight risk appetite.

In September 2024, CBA began executing its plan to reduce its stake to ~5%. On September 9, it executed a significant block trade of 148 million shares, equivalent to 5% of outstanding shares. On October 29, 2024, CBA divested an additional 10%, bringing its ownership down to ~5%. According to VIB, CBA plans to retain this remaining stake. VIB has no intention of seeking a new strategic partner following CBA's divestment.

At the beginning of October 2024, VIB announced a new major shareholder, Unicap, with a 2.24% stake. Additionally, Unicap's chairman and a board member hold 1.95% and 3.29%, respectively. In total, Unicap and its related shareholder group hold 7.47% of shares. According to data from the National Business Registration Portal, Unicap Joint Stock Company (CTCP Unicap) was established on September 4, 2024. The company's main business activity is wholesale food distribution. Unicap has a charter capital of VND100bn (USD4mn). Among the shareholders of Unicap, Mr. Đặng Khắc Cường holds 1% of the capital, while Ms. Nguyễn Thùy Nga and Ms. Tống Ngọc Mỹ Trâm each hold 49.5%. According to KAFI's disclosure on July 12, 2022, Ms. Tống Ngọc Mỹ Trâm, Ms. Nguyễn Thùy Nga, and Mr. Đặng Khắc Cường are major shareholders, holding 0.76%, 2.36%, and 6.36% of KAFI's shares, respectively. Meanwhile, the largest shareholder of KAFI is UNIBEN JSC, with a 22.5% stake. UNIBEN is also a significant shareholder of VIB, holding ~2% of its shares. Mr. Đặng Khắc Vỹ, Chairman of VIB, holds a 4.86% stake in KAFI and is also a major shareholder of UNIBEN JSC.

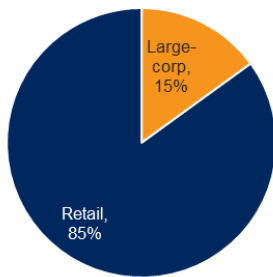
The Chairman of the Board of Directors is Mr. Dang Khac Vy. He and related parties currently hold a 20% stake in VIB (per CafeF). He holds a Ph.D in Economics from the Russian Academy of Sciences and has been serving as Chairman of the Board of Directors since 2013.

The CEO of VIB is Mr. Han Ngoc Vu (0.2% VIB stake), who holds a Master's degree in Business Administration from Solvay Brussels School in Belgium. He

served as CEO from 2006 to 2008, Chairman of the Board of Directors from 2008 to 2013, and has been CEO again since 2013.

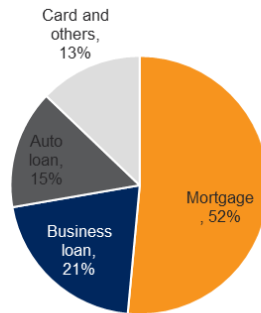
The Chief Financial Officer is Mr. Ho Van Long, who holds a Bachelor's degree in Economics and ACCA certification. He joined VIB in 2008 and has held various important positions including Senior Auditor at Ernst & Young Vietnam, Director of MIS & ABC Projects as well as Assistant to the CEO at Techcombank, and Head of the Financial Accounting Department at Asia Pacific Breweries (Heineken Group).

**Figure 1: VIB is most exposed to its retail book**



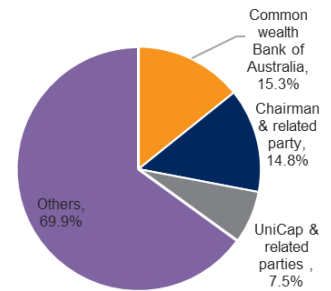
Source: VIB, VNDIRECT RESEARCH

**Figure 2: Retail loan book mix by sector**



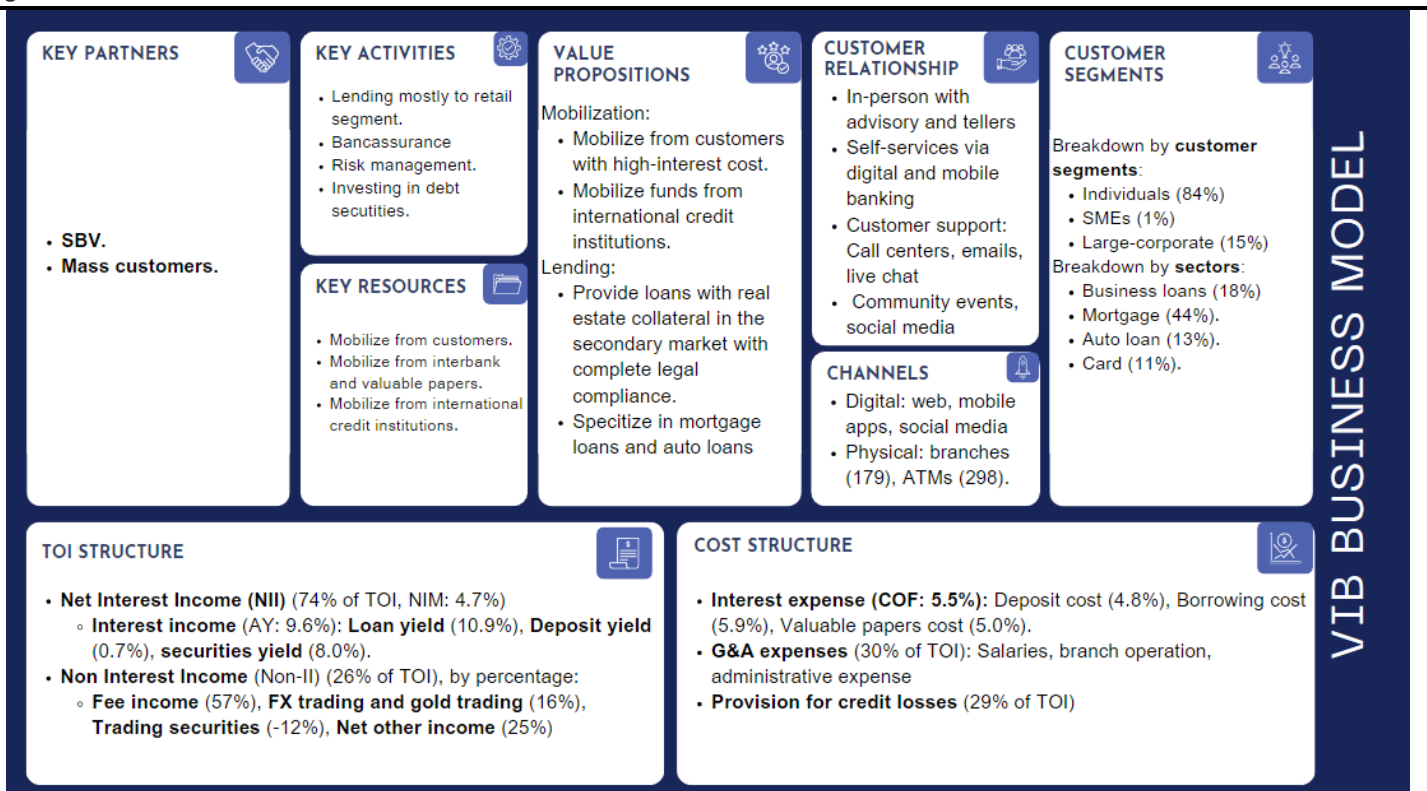
Source: VIB, VNDIRECT RESEARCH

**Figure 3: Ownership structure**



Source: CafeF, VNDIRECT RESEARCH

**Figure 4: VIB business model canvas as of end-FY23**



Source: VNDIRECT RESEARCH

## Results Recap 3Q24: NIM compression pulls down earnings

Figure 5: VIB's key ratios by quarter

Key ratios	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24
NII/TOI	82.9%	83.5%	87.3%	82.1%	77.6%	74.2%	75.9%	78.3%	82.2%
Non-II/TOI	17.1%	16.5%	12.7%	17.9%	22.4%	25.8%	24.1%	21.7%	17.8%
Credit growth YoY	20.9%	14.5%	6.4%	5.2%	7.3%	14.2%	16.3%	18.6%	20.9%
NIM (Q)	4.6%	4.7%	5.0%	4.9%	5.0%	4.4%	4.0%	3.8%	3.7%
Assets yield (Q)	8.0%	8.6%	9.4%	10.6%	10.4%	9.7%	8.6%	7.5%	7.3%
Cost of funds (Q)	3.7%	4.2%	5.1%	6.2%	6.1%	5.2%	4.7%	4.0%	4.0%
CIR	36.1%	33.4%	31.8%	29.0%	28.5%	30.3%	35.2%	35.8%	36.1%
LDR	74.8%	76.6%	72.7%	69.7%	73.3%	74.2%	73.6%	73.3%	76.1%
Bad debts / Gross loans	2.3%	2.5%	3.6%	3.6%	3.7%	3.1%	3.6%	3.7%	3.9%
LLR	54.0%	53.9%	38.0%	39.1%	41.4%	51.0%	49.8%	48.1%	47.1%
Credit cost (quarterly)	0.3%	0.6%	1.2%	1.5%	2.7%	2.6%	1.4%	1.7%	1.6%
Provision/PPOP	5.6%	11.3%	19.9%	22.6%	37.7%	41.6%	27.4%	34.9%	36.6%
ROAA	2.7%	2.6%	2.5%	2.5%	2.4%	2.3%	2.2%	1.9%	1.7%
ROAE	31.9%	29.7%	30.0%	28.8%	26.7%	24.3%	23.7%	21.4%	18.9%

Source: VIB, VNDIRECT RESEARCH

Figure 6: VIB's results comparison

	3Q23	3Q24	% QoQ (3Q24 vs 2Q24)	% YoY (3Q24 vs 3Q23)	9M23	9M24	FY24F (VND's forecast)	% of VND forecasts
NII YoY	12.7%	-6.1%	2.9%		17.9%	-7.6%	-12.7%	79%
Non-interest income YoY	115.5%	-48.6%	-19.9%		41.9%	-1.2%	7.7%	63%
OPEX YoY	2.8%	3.8%	-1.3%		4.5%	12.8%	8.4%	76%
PPOP YoY	45.7%	-26.8%	-2.5%		31.3%	-14.3%	-15.4%	75%
Provision expenses YoY	881%	-28.9%	2.3%		240%	2%	-14.9%	78%
Pre-tax profit YoY	-3.9%	-25.5%	-5.0%		6.5%	-20.7%	-15.5%	73%
Loan growth YoY	8.6%	21.1%	6.7%		8.6%	21.1%	12.4%	
Deposit growth YoY	13.0%	19.7%	3.2%		13.0%	19.7%	72.6%	
NIM	4.6%	3.7%	0.0% pts	-0.9% pts	4.9%	3.8%	3.7%	
Interest-earning asset yield	9.3%	7.4%	0.1% pts	-1.9% pts	10.2%	7.4%	7.6%	
Cost of funds	5.2%	4.1%	0.1% pts	-1.1% pts	5.9%	4.0%	4.1%	
CASA ratio	12.9%	13.6%	-1.2% pts	0.7% pts	12.9%	13.6%	4.1%	
CIR	28.5%	36.1%	0.3% pts	7.6% pts	29.7%	35.7%	35.3%	
ROAE	26.7%	18.9%	-2.5% pts	-7.8% pts	26.7%	18.9%	18.1%	
NPLs / Gross loans	3.7%	3.9%	0.2% pts	0.2% pts	3.7%	3.9%	3.5%	
Group 2 loans / Gross loans	6.4%	3.6%	-0.8% pts	-2.8% pts	6.4%	3.6%	4.0%	
Loan loss reserves	41.4%	47.1%	-1.0% pts	5.8% pts	41.4%	47.1%	50.5%	

Source: VIB, VNDIRECT RESEARCH

### Sacrificing NIM to boost credit demand

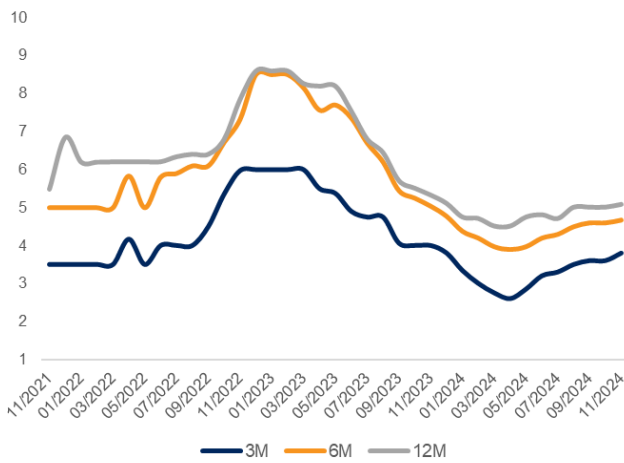
NII fell 6.1% YoY to VND4.0tn (USD158mn) in 3Q24, marking a third consecutive quarter of negative growth. This decline was driven by NIM compression, while loan growth recovered. NIM compressed by 0.9% pts YoY in 3Q24. COF edged down 1.1% pts YoY, supported by: 1) a 1.4% pts YoY drop in the 12-month deposit rate in 3Q24; and 2) an improved CASA ratio (+0.7% pts YoY). Meanwhile, AY fell by 1.9% pts YoY - declining faster than COF - due to a 2.7% pts YoY slump in lending yield, as VIB offered favorable lending rates to attract more clients.

On the bright side, the lower lending rate strategy proved effective, supporting outstanding loans to grow 6.7% QoQ in 3Q24 - one of the highest levels in the

sector. Customer loans surged 11.7% YTD as of end-3Q24, outpacing system credit growth of 9.0% (more on this below).

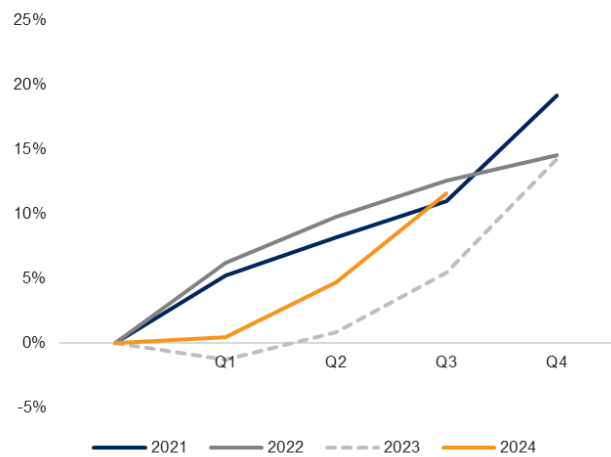
On a quarter-on-quarter basis, NIM slightly dropped 4 bps QoQ, driven by AY rising lower than COF. On the one hand, COF rose 11 bps QoQ given higher deposit cost. Deposit cost inched up 19 bps QoQ, driven by increase interest across all terms since May 2024 and a lower CASA (-1.2% pts QoQ). On the other hand, AY only increased 5 bps QoQ in 3Q24, lower than COF, driven by a 13 bps QoQ fall of the lending yield. The drop in lending yield was due to credit growth and a strong rise of short-term loans.

**Figure 7: Interest rate rose across all terms since May 2024 (%)**



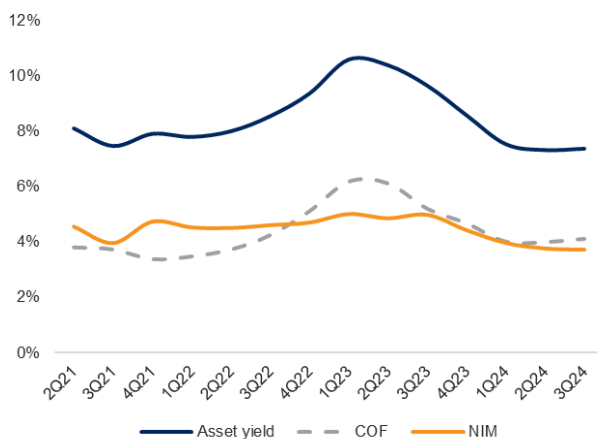
Sources: VIB, VNDIRECT RESEARCH

**Figure 8: Credit growth by quarter (YTD, %)**



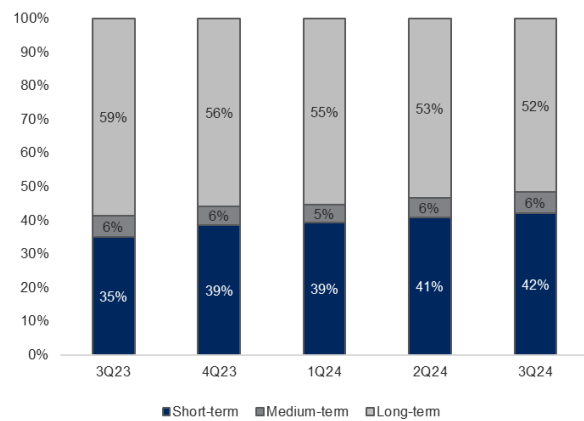
Sources: VIB, VNDIRECT RESEARCH

**Figure 9: NIM diminished amid low retail demand**



Sources: VIB, VNDIRECT RESEARCH

**Figure 10: Loan book structure by term (%)**



Sources: VIB, VNDIRECT RESEARCH

**Currency trading negatively impacted non-interest income**

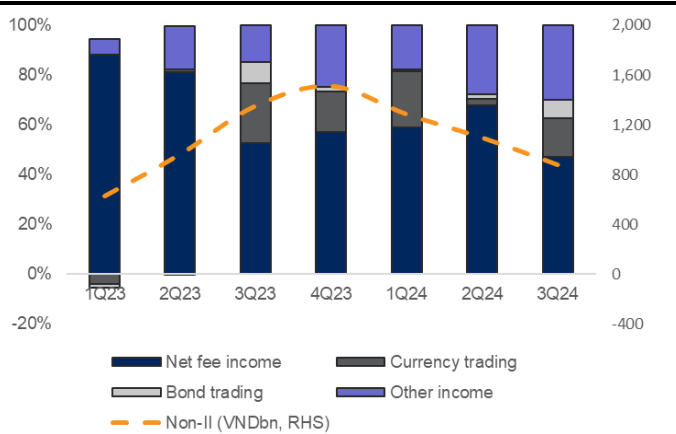
3Q24 total operating income (TOI) declined by 18.1% YoY to VND4.9tn (USD194mn), accelerating from a 6.1% YoY drop in 2Q24, driven by decreases in both net interest income (NII) and non-interest income (Non-II).

Non-II plummeted 35.5% YoY in 3Q24, due to a sharp fall in net gain from currency trading (-57.6% YoY), bond trading (-41.9% YoY) and fee income (-

42.4% YoY). In the contrary, other income rose 29.3% YoY, supported by robust bad debt recovery, reflecting VIB's aggressive write-off strategy.

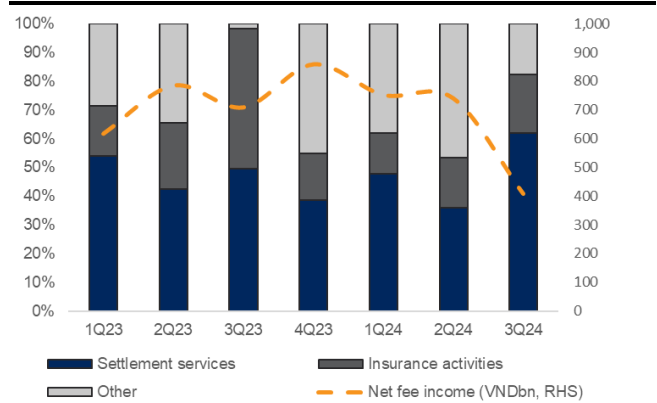
The sharp decline in net fee income was primarily driven by insurance activities (-75.8% YoY), as new regulations restricted banks from offering insurance to customers within 60 days before or after loan disbursement.

**Figure 11: Non-II structure (%)**



Sources: VIB, VNDIRECT RESEARCH

**Figure 12: Net fee income structure (%)**



Sources: VIB, VNDIRECT RESEARCH

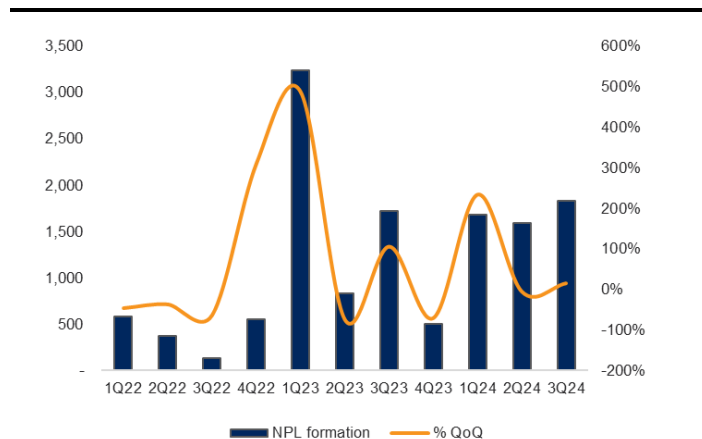
### Higher asset expenses drove operating expense

Operating profit before provisions (PPOP) plummeted 26.8% YoY due to modest growth of 3.8% YoY in operating expenses (OPEX). The increase in OPEX was mainly driven by asset expenses (+18.0% YoY). Consequently, given TOI's slump, the CIR rose to 36.1% in 3Q24, surpassing the three-year average of 33.2%.

### Asset quality remained a concern

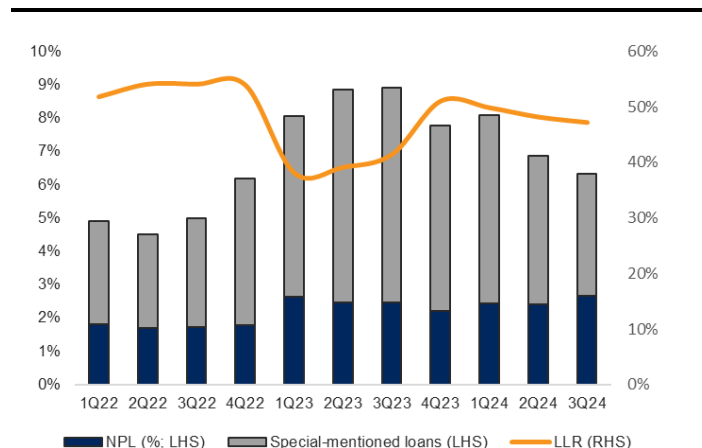
VIB's asset quality continued to decline, with the bad debt to gross loan ratio rising by 19 bps QoQ. However, the group 2 ratio decreased to 3.6% for a second consecutive quarter, signalling that the situation might improve in upcoming quarters. Amid prolonged bad debt risk, VIB maintained a high credit cost of 1.7% while reducing the write-off ratio to 0.8% (-0.7% pts QoQ). Due to a high credit cost base of 2.7% in 3Q23, provision expenses fell by 28.9% YoY. Altogether, PBT tumbled 25.5% YoY to VND2.0tn (USD79mn), resulting in a decline in trailing ROAE of 2.5% pts QoQ to 18.9%.

Figure 13: NPL formation (Unit: VNDbn) remained high in 3Q24...



Sources: VIB, VNDIRECT RESEARCH

Figure 14: ...as well as the NPL ratio



Sources: VIB, VNDIRECT RESEARCH

## Balance sheet KPI: Credit growth shines

Figure 15: Balance sheet key KPIs (QoQ growth, %)

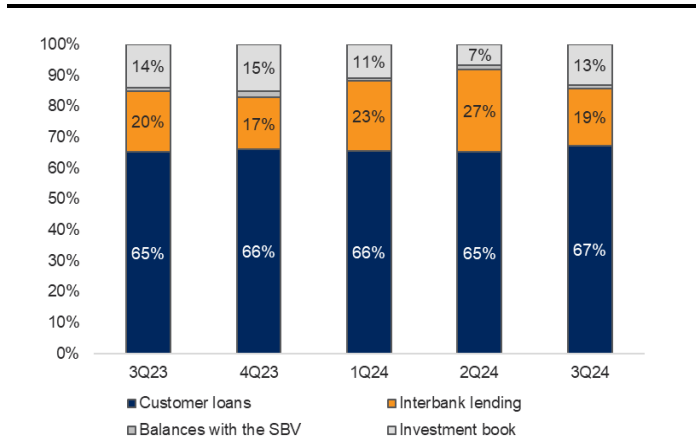
Balance sheet key KPIs	3Q23	4Q23	1Q24	2Q24	3Q24
<b>Interest-earning assets (excl. provisions) "IEAs"</b>					
Interest-earning assets (excl. provisions) "IEAs"	1.6%	7.1%	1.1%	4.8%	3.5%
Customer loans	4.7%	8.4%	0.5%	4.2%	6.7%
Interbank lending	-6.4%	-8.7%	36.0%	23.4%	-27.8%
Investment book	4.2%	16.4%	-27.3%	-35.1%	101.5%
<b>Interest-bearing liabilities "IBLs"</b>					
Interest-bearing liabilities "IBLs"	-0.5%	7.1%	1.4%	4.6%	3.3%
Customer deposits	4.0%	10.8%	-1.0%	5.7%	3.2%
Interbank deposits	-7.6%	0.3%	8.1%	10.0%	-2.9%
CDs and valuable papers	-7.2%	1.6%	-2.9%	-31.0%	37.3%
CASA ratio (%)	12.9%	13.3%	13.4%	14.8%	13.6%
LDR (%)	73.3%	74.2%	73.6%	73.3%	76.1%
SLFR (%)	27.9%	26.9%	25.3%	26.2%	25.7%

Source: VIB, VNDIRECT RESEARCH

### IEA structure: Increasing allocation to long-term assets

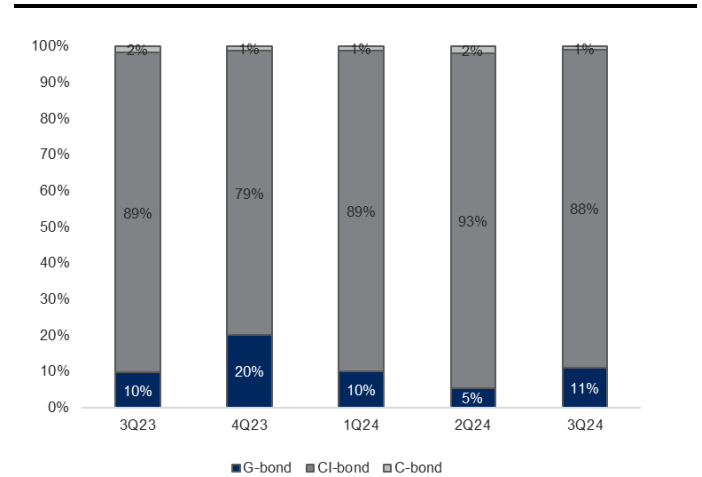
In 3Q24, total interest-earning assets (IEA) grew by 3.5% QoQ, moderating from 4.8% QoQ in 2Q24 but outperforming the sector average of 3.2% QoQ. Growth was primarily driven by customer loans (+6.7% QoQ) and the investment book (+101.5% QoQ). Customer loans accelerated to 6.7% QoQ from 4.7% QoQ in 2Q24, marking one of the strongest growth rates in the sector and accounting for 67% of the IEA mix (details below). Additionally, the investment book surged on Government bonds (+318.0% QoQ) and credit institution bonds (+91.2% QoQ). Conversely, interbank lending declined sharply by 27.8% QoQ. In summary, VIB shifted its allocation toward long-term assets in 3Q24.

**Figure 16: IEA structure by quarter**



Sources: VIB, VNDIRECT RESEARCH

**Figure 17: Investment book structure**



Sources: VIB, VNDIRECT RESEARCH

**Strong corporate demand remained key driver of credit growth**

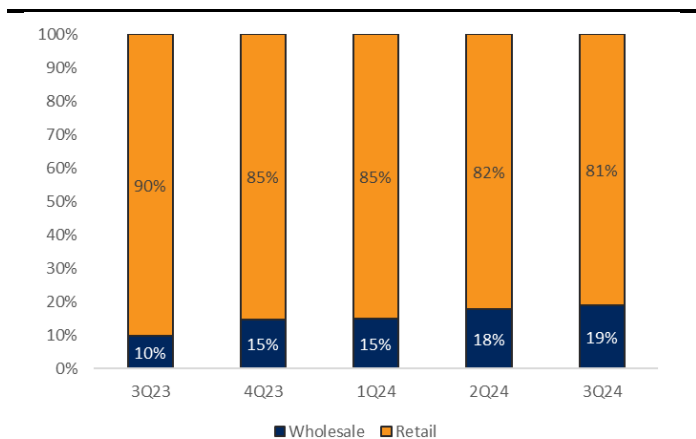
VIB's credit growth rose by 11.6% YTD at the end of 3Q24, surpassing the system average of 9.0% YTD. Additionally, the pace is accelerating as credit grew 6.7% QoQ in 3Q24, marking one of the highest rates among banks.

By customer type, customer loan growth in 3Q24 was primarily driven by large corporate loans (+12.7% QoQ). Retail loans grew slower at 5.4% QoQ but showed a strong recovery compared to 0.5% QoQ growth in 2Q24.

In the retail lending structure, business loans led growth with a 5.4% QoQ increase. VIB's business loans have demonstrated steady expansion, achieving a CAGR of 32% from 2021 to date, driven by the irreversible trend of e-commerce, despite sluggish retail demand in 2023. Meanwhile, demand for mortgage and auto loans remained weak, declining by 0.6% QoQ and 2.7% QoQ, respectively.

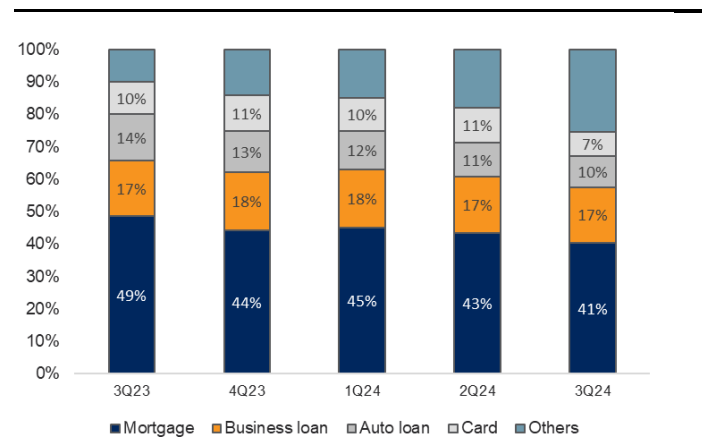
In the wholesale lending structure, 12.7% QoQ growth was primarily driven by material & construction loans (+18.1% QoQ) and power, oil & gas loans (+24.0% QoQ). Material & construction loans surged 18.1% QoQ in 3Q24, aligning with the recovery trend in the property sector.

**Figure 18: Loan book structure by customer type**



Sources: VIB, VNDIRECT RESEARCH

**Figure 19: Loan book structure by sector**



Sources: VIB, VNDIRECT RESEARCH

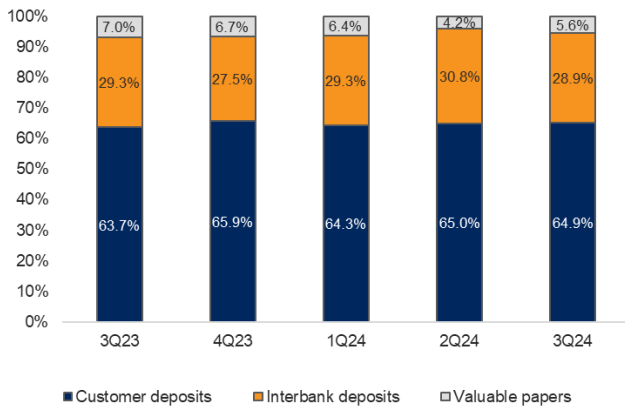
**IBL structure: Valuable papers drove growth**

In 3Q24, total interest-bearing liabilities (IBL) edged up 3.3% QoQ, aligning with IEA growth (+3.5% QoQ) and surpassing the sector average of 2.7% QoQ (top 25 banks). The increase in funding was primarily driven by valuable papers (+37.3% QoQ) and customer deposits (+3.2% QoQ). Meanwhile, VIB reduced its interbank borrowings by 2.9% QoQ in 3Q24.

The CASA ratio fell to 13.6% in 3Q24, down from 14.8% in 2Q24, given a 22 bps QoQ increase in 12-month deposits at the counter.

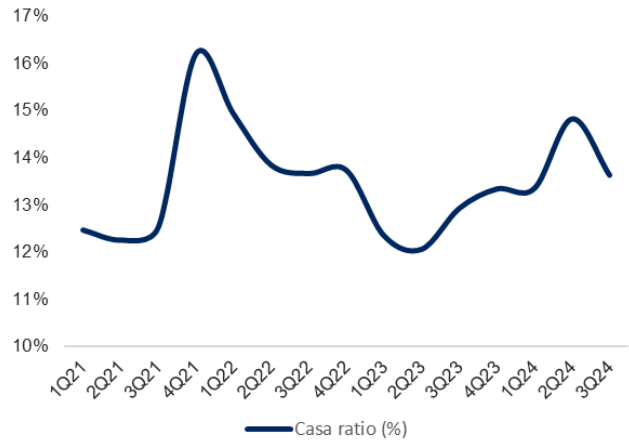
In 3Q24, strong loan growth (+6.7% QoQ) pushed VIB’s LDR to 76.1%, up from 73.3% in 2Q24, remaining below the regulatory threshold of 85% and aligning with the sector average. Meanwhile, the SLFR ratio slightly declined to 25.7% from 26.2% in 2Q24, supported by increased mobilization from valuable papers.

**Figure 20: IBL structure by quarter**



Sources: VIB, VNDIRECT RESEARCH

**Figure 21: CASA ratio fell in 3Q24**



Sources: VIB, VNDIRECT RESEARCH

## FY25 outlook: NIM resurgence amid retail demand rebound

Figure 22: Forecast revision (VND bn, otherwise noted)

FYE (VNDbn)	Old forecasts		New forecasts				Change		Comments
	FY24F	FY25F	FY24F	% yoy	FY25F	% yoy	FY24F	FY25F	
<b>Net Interest Income</b>	15,158	18,400	16,167	-6.9%	18,859	16.7%	6.7%	2.5%	
NIM	3.7%	4.2%	3.8%	-0.9% pts	3.9%	0.1% pts	0.0% pts	-0.3% pts	We maintained the forecast for FY24
Credit growth	12.2%	14.2%	19.8%	5.6% pts	15.8%	-4.0% pts	7.6% pts	1.6% pts	We rose our credit growth forecast to reflect the strong surge in credit growth amid sacrifice in NIM
<b>Non-Interest Income</b>	5,171	5,288	4,206	-12.4%	4,746	12.8%	-18.7%	-10.3%	We reduced our FY24 Non-II forecasts due to weak fee income and lower net gains from both currency and bond trading.
<b>Operating revenue</b>	20,330	23,689	20,372	-8.1%	23,605	15.9%	0.2%	-0.4%	
<b>Operating expenses</b>	7,167	7,817	7,237	9.5%	8,262	14.2%	1.0%	5.7%	
CIR	35.3%	33.0%	35.5%	5.7% pts	35.0%	-0.5% pts	0.3% pts	2.0% pts	We raised our CIR to reflect VIB's potential strategy to boost credit growth through a horizon approach, leading to higher staff costs.
<b>Pre-provision profit</b>	13,163	15,872	13,135	-15.5%	15,343	16.8%	-0.2%	-3.3%	
<b>Provision expenses</b>	4,123	2,288	4,429	-8.6%	4,394	-0.8%	7.4%	92.1%	
Credit cost	1.46%	0.76%	1.51%	-0.4% pts	1.38%	-0.1% pts	0.1% pts	0.6% pts	We raised our credit cost forecast by 0.1% pts to account for the persistence of bad debt risks.
<b>Pre-tax profit</b>	9,040	13,584	8,706	-18.7%	10,949	25.8%	-3.7%	-19.4%	
<b>Net profit</b>	7,233	10,869	6,966	-18.7%	8,760	25.8%	-3.7%	-19.4%	

Source: VNDIRECT RESEARCH

### FY25 outlook: NIM resurgence amid retail demand rebound

We expect VIB's net profit to strongly rebound 25.8% YoY in FY25, driven by: 1) a low base in FY24; 2) sustained credit growth; 3) NIM expansion; and 4) lower provision cost.

#### Retail demand recovery to support credit growth

We project total operating income to surge 15.9% YoY in FY25, marking a strong recovery from an 8.1% YoY decline in FY24, driven by a robust rebound in net interest income. We expect net interest income to rise 16.7% YoY in FY25, supported by NIM expansion and sustained credit growth.

We forecast VIB's credit growth to reach ~16% YoY in 2025, exceeding the stagnation seen in 2022–2023. This sustainable growth will be primarily driven by retail demand, which accounts for 81% of the loan book mix.

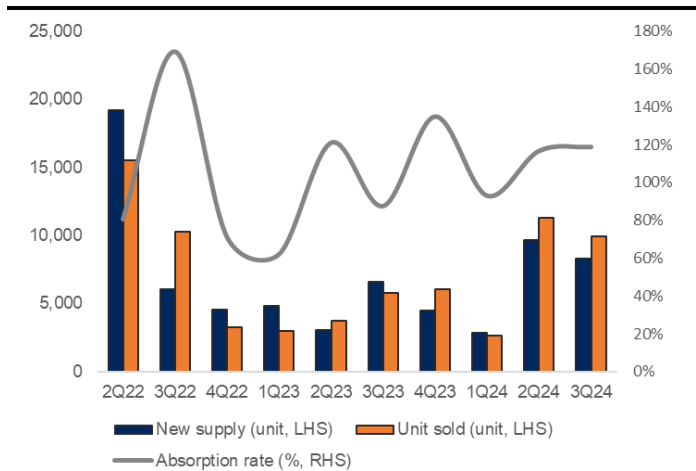
We expect retail demand (individuals + SMEs) to grow 16% YoY in 2025, accelerating from 13% YoY in 2024. This growth will be driven by a recovery in the property sector and rising domestic consumption. Over the past two quarters, the market has experienced a solid rebound, underpinned by: 1) a surge in new supply and units sold in Hanoi and HCMC; and 2) high absorption rates of ~120%. Property prices have also remained elevated in both cities.

We expect this positive trend to persist, supported by: 1) sustained demand for real housing; 2) the return of investment buyers; 3) increased supply from new and resumed projects, facilitated by streamlined legal procedures under the Amended Land Law; and 4) stable mortgage rates boosting homebuyer confidence ([Property sector note](#)). As a result, VIB's mortgage lending, which accounts for 50% of its retail book mix, is likely to see solid demand in 2025.

Additionally, we expect business loans (21% of the retail book mix) to accelerate in 2025, driven by a recovery of domestic consumption. VIB's business loans have shown steady growth, achieving a CAGR of 32% from 2021 to date, fueled by the irreversible trend of e-commerce, despite sluggish retail demand in 2023.

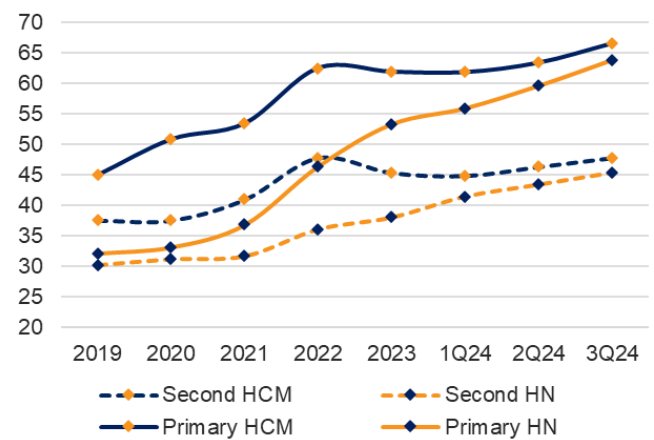
We anticipate this trend will accelerate in 2025, supported by the recovery in domestic consumption and the extension of the VAT reduction policy.

**Figure 23: Total new supply and units sold in Hanoi and HCMC**



Sources: CBRE, VNDIRECT RESEARCH

**Figure 24: Average condo prices in Hanoi and HCMC (Units: VNDmn/sqm)**



Sources: CBRE, VNDIRECT RESEARCH

**NIM to expand without sacrificing credit growth**

We anticipate NIM to rise by 11 bps YoY to 3.9% in 2025, still lower than the average of 4.6% during 2021–2023. NIM expansion is driven by a faster increase in AY compared to COF.

On the one hand, we project VIB’s COF to rise by 23 bps YoY in 2025, driven by an increase in deposit cost rates and higher costs for valuable papers. The deposit cost rate will surge by 28 bps YoY in 2025, driven by rising customer deposit mobilization to fund credit demand while CASA expands. VIB’s CASA ratio will increase by 1% pts YoY, supported by stronger brand recognition following sponsorship of popular shows like 'Anh Trai Say Hi' and 'The Masked Singer'. Additionally, the cost of valuable papers will face upward pressure, rising by 69 bps YoY due to the prevailing high interest rate environment.

On the other hand, we expect AY to rise by 28 bps YoY in 2025, higher COF growth, fueled by higher lending yields and higher securities yields. Lending yield will increase by 6 bps YoY in 2025, driven by: 1) no need to sacrifice NIM to boost credit growth; 2) a higher share of long-term loans, supported by mortgage loans; and 3) the ending of the incentive period and less favorable interest rate policies.

**Group five debt shift will add pressure on provisioning**

We expect asset quality to improve in 2025 due to a decline in NPL formation. NPL formation will drop by 27.8% YoY, driven by an improved ability and willingness to meet debt obligations, supported by a recovering property market. As mortgage loans make up the largest share of VIB’s loan book (41%), the recovery of liquidity and property prices will help VIB and its clients more easily liquidate assets.

Despite the improvement in asset quality, we expect provision pressure to remain flat compared to FY24 due to the write-off strategy and the increase in the specific provision balance. While VIB has eased its aggressive write-off strategy with a lower write-off ratio (-15 bps YoY), we believe the ratio will still remain higher than the levels observed during the 2020-2022 period. Additionally, we anticipate that the specific provision balance will continue to face upward pressure due to the shift in debt structure towards Group 5.

Consequently, we project net profit to surge by 25.8% YoY in FY25, driving ROAE to rise to 19.6% from 17.5% in FY24.

## Valuation: Reiterate ADD with a lower TP of VND23,600

We combine P/B valuation and the residual income approach with an equal weight of 50% to deliver a target price of VND23,600 for VIB. For the next year, we revise the cost of equity with a lower risk-free rate of 2.7% (previous report: 2.78%), a lower [equity risk premium](#) of 7.8%, and a five-year average adjusted Beta of 1.45. Additionally, we rolled the target P/B multiple to the end of FY25.

Figure 25: Target price calculation

Approach	Weighting	Fair value (VND/Share)	Contribution (VND/Share)
Residual income	50%	23,930	11,965
P/B multiple (at 1.5x FY25F BV)	50%	23,181	11,590
Target price (VND/share)			23,555
<b>Target price (VND/share, rounded)</b>			<b>23,600</b>

Source: VNDIRECT RESEARCH

Figure 26: Residual income valuation

Key assumptions	4Q24E	2025F	2026F	2027F	2028F	Terminal
Risk free rate (10-year G-bond yield)	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
Equity risk premium	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%
Beta	1.5	1.5	1.5	1.5	1.5	1.5
Cost of equity	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%
% ROAE	16.5%	19.6%	23.3%	20.9%	19.7%	18.5%
Long-term growth rate						3.0%
Ending shareholder's equity	41,845	47,626	60,158	72,521	88,397	
RI	247	2,747	5,688	5,189	5,454	32,104
Discount factor	0.97	0.85	0.74	0.65	0.57	0.57
PV of RI	239	2,323	4,205	3,354	3,083	18,144
<i>(in VND bn, otherwise noted)</i>						
Opening shareholder's equity	39,942					
PV of RI (5 years)	13,204					
PV of Terminal value	18,144					
Implied Equity value	71,290					
No. of outstanding shares (m shares)	2,979					
Implied value per share (VND/share)	<b>23,930</b>					

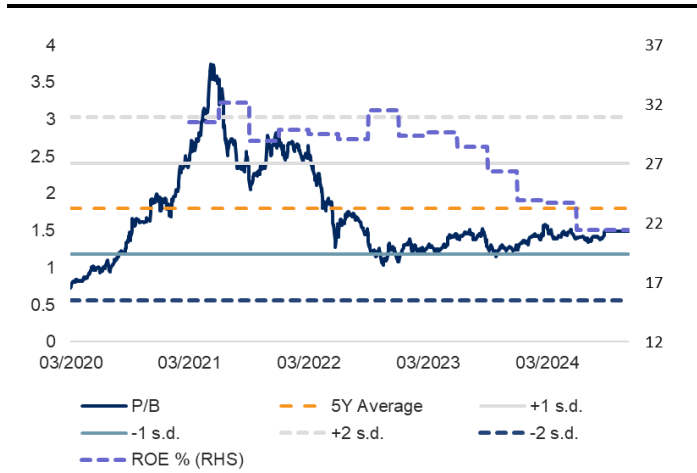
Source: VNDIRECT RESEARCH

Figure 27: Sensitivity analysis for residual income method

Cost of equity	Terminal growth rate				
	1.0%	2.0%	3.0%	4.0%	5.0%
12.4%	26,350	27,461	28,809	30,480	32,603
13.4%	24,306	25,140	26,134	27,341	28,836
<b>14.4%</b>	<b>22,568</b>	<b>23,194</b>	<b>23,930</b>	<b>24,807</b>	<b>25,873</b>
15.4%	21,072	21,539	22,082	22,720	23,481
16.4%	19,771	20,115	20,510	20,970	21,510

Source: VNDIRECT RESEARCH

**Figure 28: VIB P/B vs ROE**



Sources: VIB, VNDIRECT RESEARCH

**Figure 29: VIB price to book ratio compared to sector average**



Sources: VIB, VNDIRECT RESEARCH

**Figure 30: Vietnamese bank comparison (price as of 12/11/2024)**

Bloomberg Code	Upside (%)	Market cap (USDm)	NIM (%)		NPL (%)		P/B (x)		P/E (x)		3-yr Forward EPS CAGR	ROAA (%)		ROAE (%)	
			TTM	FY24F	TTM	FY24F	TTM	FY24F	TTM	FY24F	%	TTM	FY24F	TTM	FY24F
VCB VN	17.5%	20,549.4	3.0%	3.0%	1.2%	1.1%	2.7	2.6	15.1	16.2	8.6%	1.9%	1.8%	19.8%	18.9%
CTG VN	9.8%	7,692.3	3.0%	2.9%	1.3%	1.4%	1.4	1.3	9.0	9.8	26.5%	1.0%	1.1%	16.5%	16.8%
BID VN	9.7%	10,468.2	2.5%	2.4%	1.5%	1.4%	2.0	1.9	11.4	13.4	23.7%	1.0%	0.9%	18.9%	17.5%
VPB VN	22.1%	6,018.6	5.9%	5.8%	4.8%	4.8%	1.1	1.1	11.6	10.4	36.1%	1.6%	1.7%	10.8%	10.7%
TCB VN	28.8%	6,723.5	4.3%	4.4%	1.1%	1.3%	1.2	1.2	7.5	7.5	28.2%	2.6%	2.5%	16.8%	16.3%
MBB VN	28.4%	5,081.3	4.5%	4.7%	2.5%	1.5%	1.2	1.2	6.0	6.4	9.3%	2.3%	2.2%	22.0%	21.2%
ACB VN	34.3%	4,470.9	4.0%	3.6%	1.5%	1.5%	1.4	1.4	7.0	7.1	9.9%	2.3%	2.1%	22.3%	20.9%
HDB VN	22.9%	3,250.5	6.2%	5.4%	2.2%	1.8%	1.6	1.5	6.3	6.6	23.3%	2.3%	2.0%	28.1%	25.7%
TPB VN	28.8%	1,697.0	4.2%	4.1%	2.2%	1.9%	1.2	1.1	8.9	6.6	10.6%	1.3%	1.6%	14.2%	16.7%
LPB VN	-24.4%	3,386.5	3.3%	3.3%	1.4%	1.1%	2.1	2.0	8.9	10.3	7.8%	2.4%	2.0%	28.8%	21.8%
STB VN	23.3%	2,499.9	3.8%	4.1%	2.3%	3.0%	1.2	1.1	7.3	5.8	29.2%	1.3%	1.5%	18.4%	21.3%
OCB VN	18.6%	1,098.0	2.7%	3.3%	2.9%	2.5%	0.9	0.9	12.7	7.7	14.3%	0.9%	1.4%	7.4%	12.0%
<b>Average</b>			<b>4.0%</b>	<b>3.9%</b>	<b>2.2%</b>	<b>2.1%</b>	<b>1.51</b>	<b>1.4</b>	<b>9.2</b>	<b>8.9</b>	<b>18.3%</b>	<b>1.8%</b>	<b>1.7%</b>	<b>18.7%</b>	<b>18.2%</b>
<b>VIB VN</b>	<b>23.2%</b>	<b>2,248.2</b>	<b>4.2%</b>	<b>3.8%</b>	<b>3.6%</b>	<b>3.6%</b>	<b>1.48</b>	<b>1.3</b>	<b>8.0</b>	<b>7.7</b>	<b>10.2%</b>	<b>1.9%</b>	<b>1.6%</b>	<b>18.9%</b>	<b>17.5%</b>

Source: BLOOMBERG, VNDIRECT RESEARCH

## Income statement

<b>Income Statement</b>							
<b>(VNDbn)</b>	<b>12-19A</b>	<b>12-20A</b>	<b>12-21A</b>	<b>12-22A</b>	<b>12-23A</b>	<b>12-24E</b>	<b>12-25F</b>
Net Interest Income	6,213	8,496	11,816	14,963	17,361	16,167	18,859
Non-Interest Income	1,939	2,719	3,075	3,095	4,800	4,206	4,746
<b>Net Operating Income</b>	<b>8,152</b>	<b>11,216</b>	<b>14,891</b>	<b>18,058</b>	<b>22,160</b>	<b>20,372</b>	<b>23,605</b>
Operating Expenses	3,437	4,465	5,282	6,197	6,611	7,237	8,262
Pre-Provision Profit	4,715	6,751	9,609	11,861	15,550	13,135	15,343
Provision expense	633	948	1,598	1,280	4,846	4,429	4,394
Profit Before Tax	4,082	5,803	8,011	10,581	10,704	8,706	10,949
<b>Net Profit After Tax</b>	<b>3,266</b>	<b>4,642</b>	<b>6,410</b>	<b>8,469</b>	<b>8,563</b>	<b>6,966</b>	<b>8,760</b>

## Balance sheet

<b>Balance Sheet</b>							
<b>(VNDbn)</b>	<b>12-19A</b>	<b>12-20A</b>	<b>12-21A</b>	<b>12-22A</b>	<b>12-23A</b>	<b>12-24E</b>	<b>12-25F</b>
Cash & Deposits with SBV	20,200	26,014	26,412	11,681	9,899	8,323	9,050
Interbank Loans	4,012	4,369	27,985	51,900	68,198	68,198	71,607
Securities	27,925	41,466	44,757	40,293	60,999	61,003	69,537
<b>Loans to Customers</b>	<b>127,914</b>	<b>167,772</b>	<b>199,116</b>	<b>228,879</b>	<b>262,075</b>	<b>313,677</b>	<b>362,692</b>
Gross Loans	129,200	169,520	201,517	231,944	266,346	319,441	369,923
Provision	(1,286)	(1,748)	(2,400)	(3,065)	(4,271)	(5,764)	(7,231)
Net Fixed Assets	365	407	604	700	756	786	818
Other Assets	4,116	4,648	10,642	9,347	7,955	8,267	8,613
<b>Total Assets</b>	<b>184,531</b>	<b>244,676</b>	<b>309,517</b>	<b>342,799</b>	<b>409,881</b>	<b>460,254</b>	<b>522,317</b>
Payables to the Government and SBV	-	-	-	-	-	-	-
Interbank Deposits	27,225	42,488	64,456	71,166	98,640	113,436	102,092
Customer Deposits	122,357	150,349	173,565	200,124	236,577	277,775	321,672
Valuable Papers	17,155	28,559	42,298	31,775	23,897	23,897	31,066
Other Liabilities	4,365	5,306	4,907	7,083	12,828	3,301	19,860
<b>Total Liabilities</b>	<b>171,102</b>	<b>226,702</b>	<b>285,226</b>	<b>310,148</b>	<b>371,942</b>	<b>418,409</b>	<b>474,690</b>
Equity	9,245	11,094	15,531	21,077	25,368	29,791	29,791
Reserves	2,593	1,253	1,787	2,518	3,470	3,470	3,470
Retained Earnings	1,590	5,626	6,971	9,055	9,099	8,581	14,363
Non-Controlling Interests	-	-	-	-	-	-	-
<b>Total Owners' Equity</b>	<b>13,430</b>	<b>17,974</b>	<b>24,291</b>	<b>32,651</b>	<b>37,940</b>	<b>41,845</b>	<b>47,626</b>
<b>Total Liabilities and Owners' Equity</b>	<b>184,531</b>	<b>244,676</b>	<b>309,517</b>	<b>342,799</b>	<b>409,881</b>	<b>460,254</b>	<b>522,317</b>

## Key ratios

### Key Ratios

	<u>12-19A</u>	<u>12-20A</u>	<u>12-21A</u>	<u>12-22A</u>	<u>12-23A</u>	<u>12-24E</u>	<u>12-25F</u>
<b>Valuation ratios</b>							
Price to book		1.76	2.67	1.08	1.24	1.26	1.20
Dividend yield		0%	0%	0%	8%	7%	5%
Dividend Payout Ratio	16%	0%	0%	0%	37%	46%	34%
EPS (VND)	1,507	2,000	2,503	3,307	3,344	2,502	2,913
<b>Growth Rates</b>							
Credit YoY	31.3%	29.5%	19.2%	14.5%	14.2%	19.8%	15.8%
Deposits YoY	44.2%	22.9%	15.4%	15.3%	18.2%	17.4%	15.8%
Net Interest Income YoY	28.8%	36.7%	39.1%	26.6%	16.0%	-6.9%	16.7%
Non Interest Income YoY	53.8%	40.3%	13.1%	0.7%	55.1%	-12.4%	12.8%
TOI YoY	34.0%	37.6%	32.8%	21.3%	22.7%	-8.1%	15.9%
Net Profit YoY	48.9%	42.1%	38.1%	32.1%	1.1%	-18.7%	25.8%
<b>Profitability Ratios</b>							
NIM	3.93%	4.04%	4.38%	4.72%	4.70%	3.76%	3.87%
Cost to Income ratio (CIR) (%)	42.2%	39.8%	35.5%	34.3%	29.8%	35.5%	35.0%
Operating Profit Margin ( PPOP Margin)	57.8%	60.2%	64.5%	65.7%	70.2%	64.5%	65.0%
Net Profit Margin	40.1%	41.4%	43.0%	46.9%	38.6%	34.2%	37.1%
ROAA	2.0%	2.2%	2.3%	2.6%	2.3%	1.6%	1.8%
ROAE	27.1%	29.6%	30.3%	29.7%	24.3%	17.5%	19.6%
<b>Asset Quality</b>							
Group 2 Ratio	1.11%	1.49%	2.62%	4.38%	5.57%	4.00%	3.50%
Group 2 Formation YoY							
NPL Ratio	1.96%	1.74%	2.32%	2.45%	3.14%	3.65%	3.56%
NPL Formation YoY	-83.2%	165.0%	191.3%	-37.4%	282.9%	-1.7%	-27.8%
Write-off Ratio (Including Loans Sold to VAMC)	0.20%	0.32%	0.49%	0.29%	1.45%	1.00%	0.85%
Loan Loss Reserves (LLR) (%)	51%	59%	51%	54%	51%	50%	55%
<b>Liquidity and Solvency Ratios</b>							
LDR (Loans to Deposits Ratio)	77.7%	76.7%	72.0%	76.7%	74.3%	77.1%	81.5%
<b>Leverage Ratios</b>							
Equity/Assets	7.3%	7.8%	9.5%	9.3%	9.1%	9.1%	9.9%

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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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