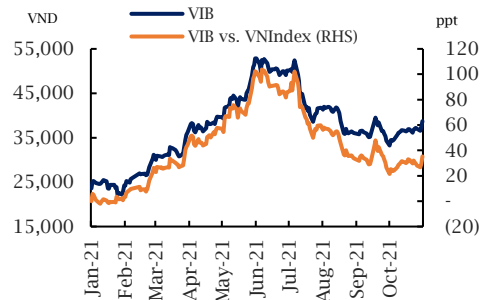


## Vietnam: Banking

5 November 2021

**Not Rated**
**TP upside/(downside) N/A**

Close 4 Nov 2021

**Price VND 38,300**  
**12M Target N/A**
**Share price performance relative to VNI**

**Source: Bloomberg**

<b>Market cap</b>	<b>US\$2.6 bn</b>
<b>6M avg. daily turnover</b>	<b>US\$3.8 mn</b>
<b>Outstanding shares</b>	<b>1,553 mn</b>
<b>Free float</b>	<b>45%</b>
<b>FINI ownership</b>	<b>20.5%</b>
<b>Major shareholders</b>	<b>24.7%</b>
<b>2021E P/E (x) (*)</b>	<b>9.7x</b>
<b>2021E P/B (x) (*)</b>	<b>2.3x</b>
<b>FOL remaining room</b>	<b>0.0%</b>
<b>2021E dividend yield</b>	<b>0.0%</b>

**Source: FiinPro, (\*) Bloomberg**

VIB's 3Q21 Results	3Q21	% QoQ	% YoY
NII (VND bn)	2,678	-10%	+20%
Net Fee Inc.(VND bn)	414	-46%	-33%
TOI (VND bn)	3,080	-19%	+2%
Opex (VND bn)	1,429	+6%	+27%
Provision (VND bn)	267	-15%	+12%
PATMI (VND bn)	1,108	-36%	-17%
NPL (%)	2.12% +43bps		-2bps
NPL (cir. 02) (%)	1.57% +25bps		-19bps
LLR (%)	54% -10ppt		+6ppt
CASA (%)	12.6% +20bps		+1ppt

**Source: Company Data, Yuanta Vietnam**
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**VIB: Analyst Meeting takeaways**

**3Q21 net interest income was VND2.7 tn (-10% QoQ/+20%YoY).** 9M21 net interest income was VND8.4 tn (+42% YoY). The bank expects net interest income to improve in 4Q21 as stalled restructured loan payments resume and COF declines due to the \$260 mn in ADB funding.

**3Q21 net fee income declined -46% QoQ/-33% YoY to reach VND414 bn,** which was the key earnings drag. 9M21 net fee income was VND1.8 tn (+9% YoY), of which banca fees were VND754 bn (-8% YoY) while card fees increased by +49% YoY to reach VND520 bn.

**3Q21 opex was VND1.4 tn (+6% QoQ/+27% YoY) due to employee incentives.** 9M21 opex was VND4.1 tn (+31% YoY). 9M21 CIR was 39.8% (-50bps YoY). The bank expect CIR to decrease in 4Q21.

**3Q21 provisioning was VND267 bn (-15% QoQ/+12% YoY).** 9M21 provisioning was VND915 bn (+39% YoY).

**PATMI declined -36% QoQ/-17% YoY to reach only VND1.1 tn in 3Q21.** 9M21 PATMI reached VND4.3 tn (+33% YoY). The bank still expects to exceed the PBT target (VND7.5 tn, +29% YoY) set in the AGM for 2021.

**NPL ratio (cir. 02) was 1.57% as at 3Q21 (+25bps QoQ/-19bps YoY).** **3Q21 LLR ratio declined to 54% (-10ppt QoQ/+6ppt YoY),** which is low compared to the sector median of 74%. The bank justifies its relatively low LLR by high secured loans (93% of the total loans).

**The bank said restructured loans were below 1% of 3Q21 loans,** mostly from retail lending with small average size of less than VND1 bn.

**CASA ratio was low at 12.6% as at 3Q21 (+20bps QoQ/+1ppt YoY).**

**ST funding to MLT loans was 31.7% as at 3Q21,** well below the SBV's cap of 40%. **CAR ratio was 10.6%.**

**Our view**

**We expect recovery in 4Q21** driven by increased net-ll and fees (i.e. banca sales and card fees).

**Loan loss coverage is among the lowest in the sector.** Low LTV and mortgage collateral provide a buffer, but we think that collateral value for auto loans (25% of VIB's total loans) can be a moving target.

**Keep an eye on NPLs.** Cat.2 NPLs increased by 148% YTD, and cat.3 NPL increased by 133% YTD. While LLR ratio is relatively low, which might cause asset quality deterioration amid the Covid impact.

**We don't cover VIB and have no recommendation on the stock.** VIB trades at 2.3x 2021E P/B vs. the sector median of 1.9x. This appears to be reasonable given the Bloomberg consensus expectation of 28% ROE in 2021E for VIB vs. the sector median of 20%.

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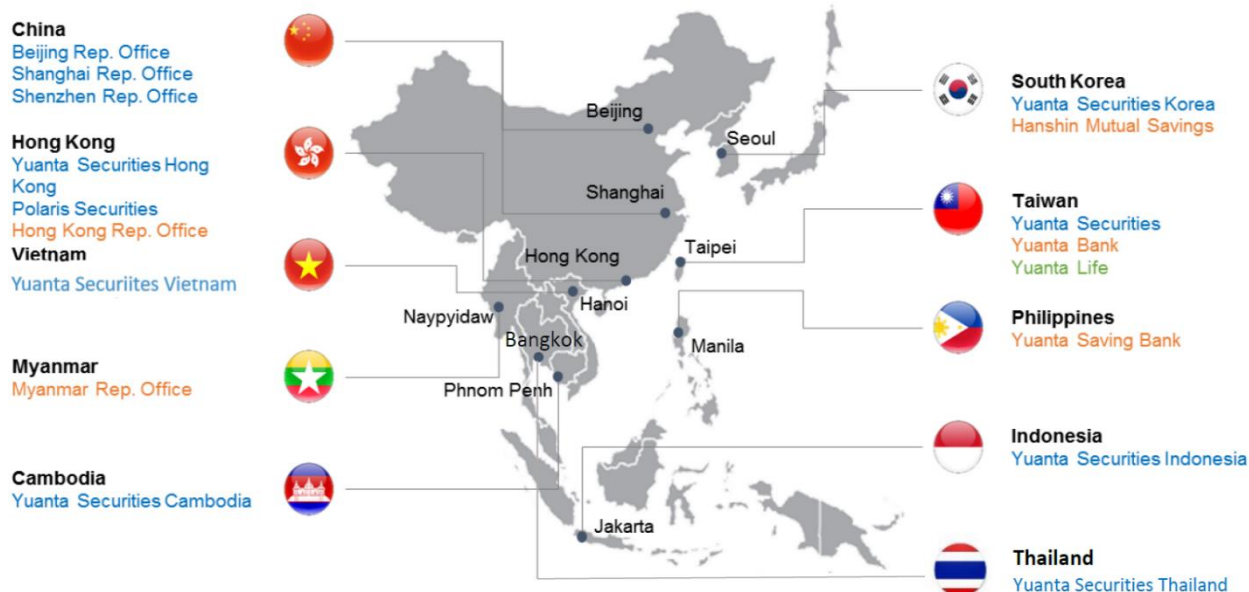
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