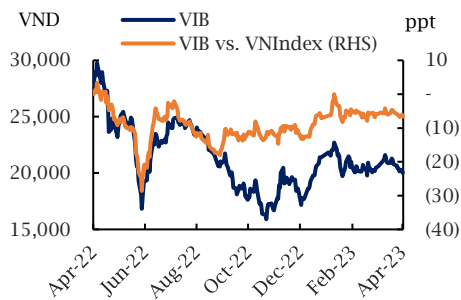


Vietnam: Banking
26 April 2023
Not Rated
TP upside/(downside) N/A
Close 25 Apr 2023
Price VND 20,000
12M Target N/A
Share price performance relative to VNI

Source: Bloomberg

Market cap	US\$1.8 bn
6M avg. daily turnover	US\$5.3 mn
Outstanding shares	2,108 mn
Free float	50%
FINI ownership	20.5%
Major shareholders	24.7%
2023E P/E (x) (*)	4.8x
2023E P/B (x) (*)	1.1x
FOL remaining room	0.0%
2023E dividend yield	7.5%

Source: FiinPro, (*) Bloomberg

VIB's 1Q23 Results	1Q23	% QoQ	% YoY
NII (VND bn)	4,304	+10	+22%
Net Fee Inc.(VND bn)	618	-26%	-5%
Opex (VND bn)	1,568	0%	+7%
Provision (VND bn)	668	+89%	+68%
PBT (VND bn)	2,693	-3%	+18%
NPL (under SBV regulations) (%)	2.6%	+80bps	+80bps
CAR	12.3%		

Source: Company Data, Yuanta Vietnam
Research Analyst:
Tanh Tran

+84 28 3622 6868 ext 3874

tanh.tran@yuanta.com.vn
Bloomberg code: YUTA
VIB: Outstanding credit fell in 1Q23

1Q23 PBT was VND2.7 tn (-3% QoQ/+18% YoY). The YoY increase was mainly driven by higher net interest income (+22% YoY).

Details

Credit declined by -1.2% QoQ in 1Q23, which management attributed to “market difficulties”. According to the meeting slides, mortgages (mostly residential) decreased by -1% QoQ. As a result, retail loans account for 89% of total loans (vs. 90% in 2022). VIB reports that 92% of retail loans are secured. VIB’s 1Q23 LDR was relatively low at 71.4%.

1Q23 net interest income increased by +10% QoQ/+22% YoY to reach VND4.3 tn. According to management, trailing 12-month (TTM) NIM was 4.7% (+10bps QoQ/ +30bps YoY), with the increase mainly due to decreased interbank and offshore funding costs.

1Q23 net fee income was VND618 bn (-26% QoQ/ -5% YoY).

1Q23 opex was VND1.6 tn (flat QoQ/+7% YoY). The bank reported TTM CIR of 33% (-1ppt QoQ/ -2ppt YoY).

VIB increased provisioning to VND668 bn (+89% QoQ/+68% YoY) to address rising NPLs in the retail customer segment. The bank reported TTM credit cost/loans of 0.7% (+10bps QoQ/ -10bps YoY).

VIB’s NPL ratio reached 2.6% (+80bps QoQ & YoY) in 1Q23. VIB did not disclose its 1Q23 LLR ratio, but the ratio was just 54% at 4Q22.

ST funding to MLT loans was 28% as at 1Q23 vs. the SBV’s cap of 34%.

CAR was 12.3% (-50bps QoQ/ +1ppt YoY) in 1Q23.

Our view

VIB’s 2023E earnings target could be affected by credit growth. We think the +25% YoY credit growth target is ambitious after the decline in 1Q23. But low LDR and strong capital should support future growth.

VIB has low corporate bond exposure at 0.4% of total assets in 1Q23, which should address concerns about corporate bond defaults. However, the bank’s LLR ratio was very low in 4Q22, and investors should observe the 1Q23 figure when it becomes available.

We believe that regulations (i.e., Circular 02/2023/TT-NHNN) **should reduce near-term provisioning pressure** and reported NPL ratios for all the banks. However, experience indicates that restructured debt costs will have to be paid eventually anyway, via lower asset yields and (eventually) increased provisioning costs.

We don’t cover VIB and have no recommendation on the stock. VIB trades at 1.1x 2023E P/B in line with the sector median of 1.1x. This appears to be an attractive valuation based on the Bloomberg consensus ROE forecast of 26% for 2023E vs. the sector median 19%.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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BUY: We have a positive outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors add to their position.

HOLD–Outperform: In our view, the stock's fundamentals are relatively more attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

HOLD–Underperform: In our view, the stock's fundamentals are relatively less attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

SELL: We have a negative outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors reduce their position.

Under Review: We actively follow the company, although our estimates, rating and target price are under review.

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Taiwan persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities Investment Consulting
4F, 225,
Section 3 Nanking East Road, Taipei 104
Taiwan

Hong Kong persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities (Hong Kong) Co. Ltd
23/F, Tower 1, Admiralty Centre
18 Harcourt Road,
Hong Kong

Korean persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Head Office
Yuanta Securities Building
Euljiro 76 Jung-gu
Seoul, Korea 100-845
Tel: +822 3770 3454

Indonesia persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
PT YUANTA SECURITIES INDONESIA
(A member of the Yuanta Group)
Equity Tower, 10th Floor Unit EFGH
SCBD Lot 9
Jl. Jend. Sudirman Kav. 52-53
Tel: (6221) - 5153608 (General)

Thailand persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Thailand)
127 Gaysorn Tower, 16th floor
Ratchadamri Road, Pathumwan
Bangkok 10330

Vietnam persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Vietnam)
4th Floor, Saigon Centre
Tower 1, 65 Le Loi Boulevard,
Ben Nghe Ward, District 1,
HCMC, Vietnam

YUANTA SECURITIES NETWORK



YUANTA SECURITIES VIETNAM OFFICE

Head office: 4th Floor, Saigon Centre, Tower 1, 65 Le Loi Boulevard, Ben Nghe Ward, District 1, HCMC, Vietnam

Matthew Smith, CFA

Head of Research

Tel: +84 28 3622 6868 (ext. 3815)

matthew.smith@yuanta.com.vn

Tanh Tran

Analyst (Banks)

Tel: +84 28 3622 6868 (ext. 3874)

tanh.tran@yuanta.com.vn

Di Luu

Assistant Analyst

Tel: +84 28 3622 6868 (ext. 3845)

di.luu@yuanta.com.vn

Institutional Sales

Anh Nguyen

Sales Trader Supervisor

Tel: +84 28 3622 6868 (ext. 3909)

anh.nguyen2@yuanta.com.vn

Dat Bui

Sales Trader

Tel: +84 28 3622 6868 (ext. 3941)

dat.bui@yuanta.com.vn

Binh Truong

Deputy Head of Research (O&G, Energy)

Tel: +84 28 3622 6868 (ext. 3845)

binh.truong@yuanta.com.vn

Tam Nguyen

Analyst (Property)

Tel: +84 28 3622 6868 (ext. 3874)

tam.nguyen@yuanta.com.vn

Trung Nguyen

Sales Trader

Tel: +84 28 3622 6868 (ext. 3890)

trung.nguyen1@yuanta.com.vn

Vi Truong

Sales Trader

Tel: +84 28 3622 6868 (ext. 3940)

vi.truong@yuanta.com.vn