

Banking Sector

Stronger earnings growth, asset quality to improve in 2024

May 2024

Duy Nguyen, PhD

Senior Manager

duy.nguyenanh@vietcap.com.vn

+8428 3914 3588 ext.123

Ngoc Huynh

Senior Analyst

ngoc.huynh@vietcap.com.vn

+8428 3914 3588 ext.138

Nga Ho

Analyst

nga.ho@vietcap.com.vn

+8428 3914 3588 ext.516

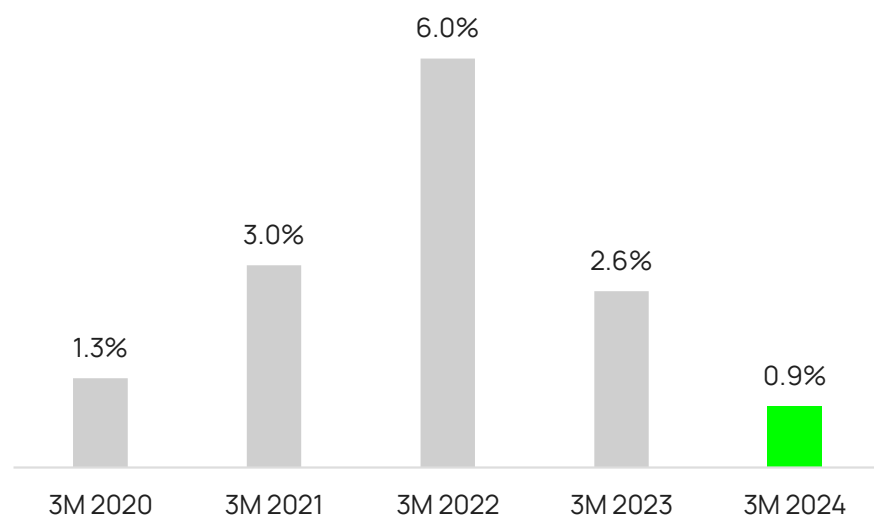
Summary recap and outlook

- Q1 2024 system-wide credit growth was weak at 0.9%. However, we saw MoM improvement and an acceleration in credit disbursement in March. Despite weak Q1 2024 credit growth, **our outlook remains positive for stronger credit growth in the remainder of 2024, and we forecast full-year credit growth of 13.4%.**
- Q1 2024 aggregate NIM of banks under our coverage declined both YoY and QoQ to 3.55%. **We expect NIM will slightly improve in the remainder of 2024F with stronger credit growth and gradual improvement in asset quality.** We forecast the 2024F aggregate NIM of banks under our coverage to be 3.65% (+10 bps YoY).
- NOII growth slowed down in Q1 2024 to 5.4% YoY. However, we maintain our expectation for strong NOII full-year growth of 21.2% YoY, driven by ongoing strong settlement services fees and an improvement in recoveries from written-off bad debts.
- Asset quality deteriorated slightly QoQ in Q1 2024 after a QoQ improvement in Q4 2023 amid weak credit growth and low write-offs. **In the coming quarters, we expect banks will increase bad debt write-offs to control NPL ratios.** We expect that improvement in top-line growth in the coming quarters will help to counteract high credit costs.
- Q1 2024 aggregate NPAT was flat QoQ but increased 11% YoY. Earnings of banks under our coverage were broadly in line with our expectations, except for LPB (higher) and MBB (lower). **We currently forecast 2024F aggregate NPAT of banks under our coverage to increase 19% YoY and Q1 2024 aggregate NPAT completed 23% of our full-year forecast.**
- Our top picks for 2024 are **MBB** and **STB**. These stocks offer some of the highest projected returns based on our end-2024 target prices as of May 10. We believe these banks offer robust core performance and strong growth outlooks at attractive valuations. We recommend **VCB** and **ACB** for investors seeking relatively defensive exposure to the sector.

Q1 2024 Recap

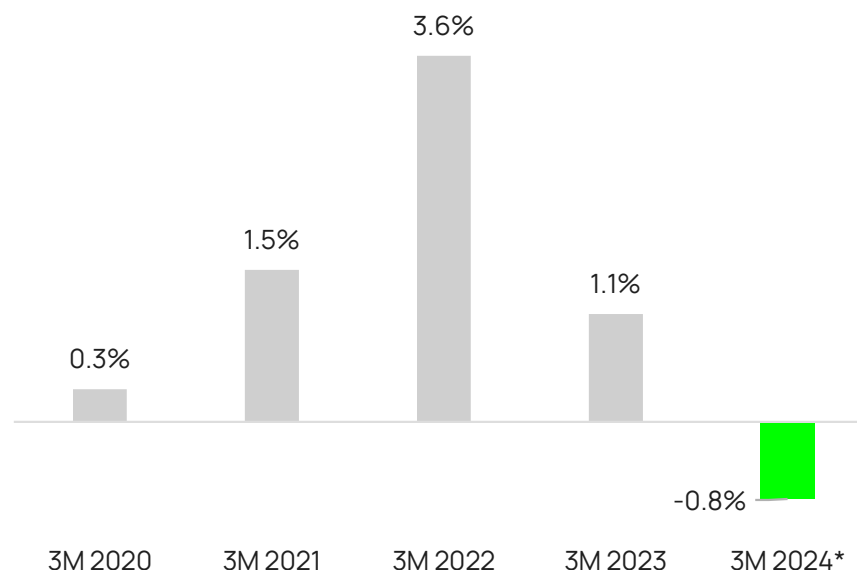
System-wide credit & deposit growth

Annual system credit growth



Source: State Bank of Vietnam (SBV), CT No:32/CD-TTg on April 5, 2024; Vietcap.

System-wide deposit growth

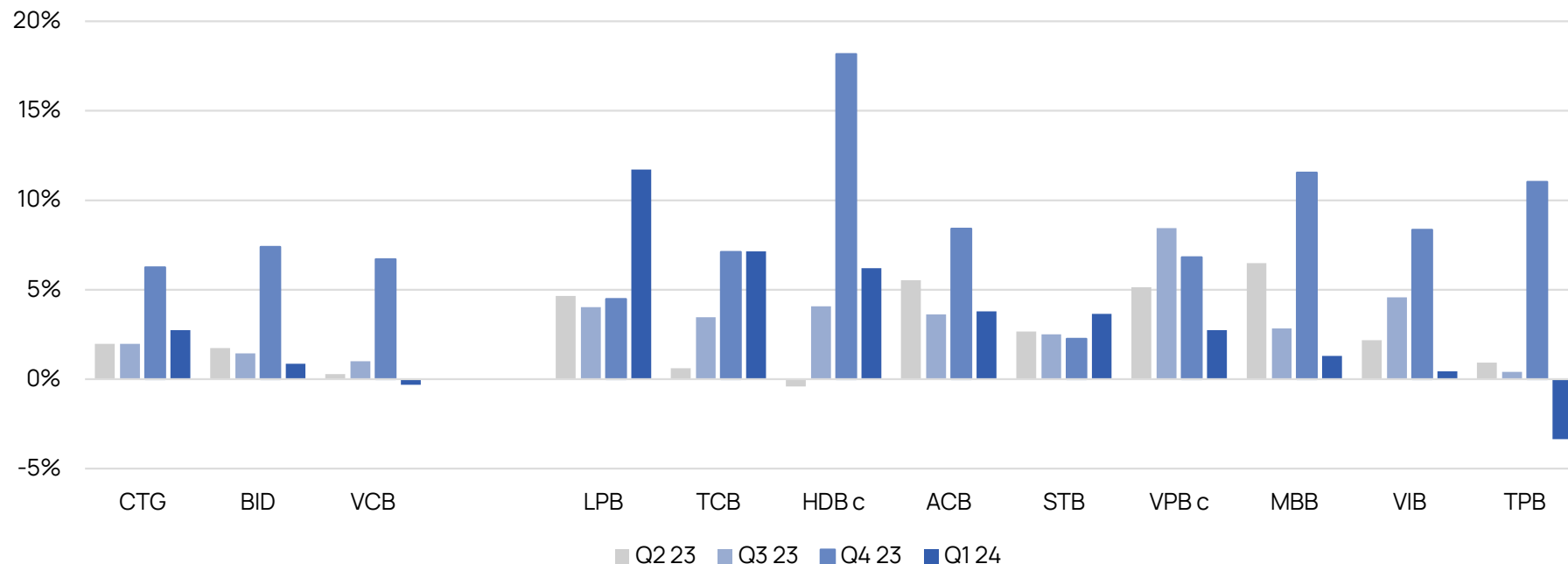


Source: SBV, General Statistics of Vietnam (GSO), Vietcap. Note: *data as of March 25, 2024.

- Weak credit growth in Q1 2024 is in line with our expectation and could be attributed to seasonal factors and a strong increase in late 2023. However, we see MoM improvement and an acceleration in credit disbursement in March.
- System-wide deposit growth slightly decreased in Q1 2024, broadly in line with credit growth at -0.8%. While the breakdown for Q1 2024 deposits from customers is not yet available, the 1M 2024 breakdown by the SBV indicates that deposits from institutions decreased by 2.31%, while deposits from individuals decreased 0.53%.

Credit growth of banks under our coverage

Credit growth of banks under our coverage (QoQ)

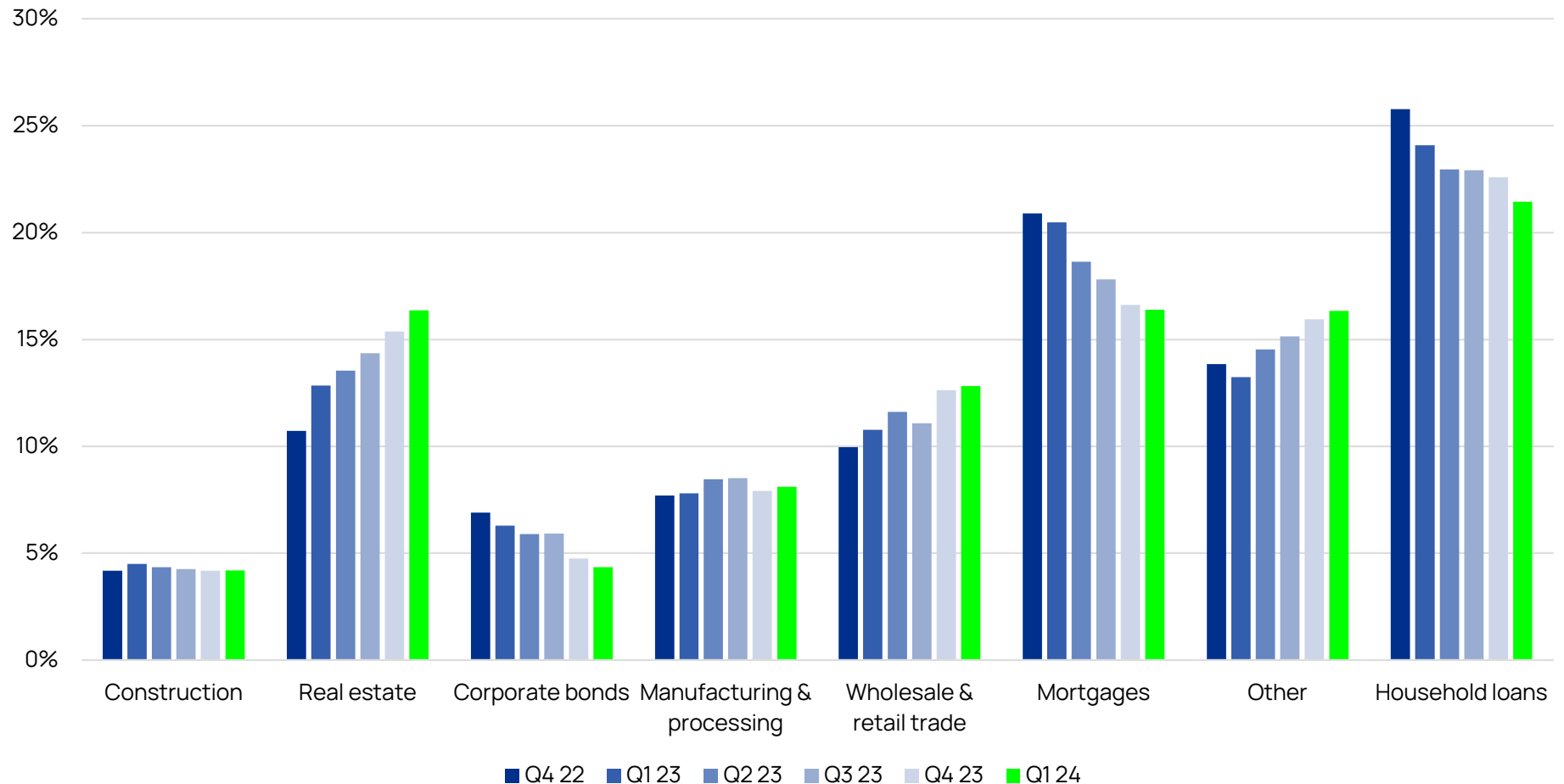


Source: Company data, Vietcap; ('c' denotes consolidated)

- In general, many banks under our coverage reported higher credit growth compared to the overall industry (coverage aggregate growth 2.4% vs industry growth of 0.9%), with outstanding numbers reported at private banks such as TCB (+7.1%), HDB (+ 6.2%), and LPB (+11.7 %). High credit growth at these banks was partly contributed by strong demand for credit from real estate developers.
- TPB had lower credit growth than the system level, with a decline of 3% QoQ due to weak credit demand of retail customers and the sale of some of the large corporate loans to other institutions.

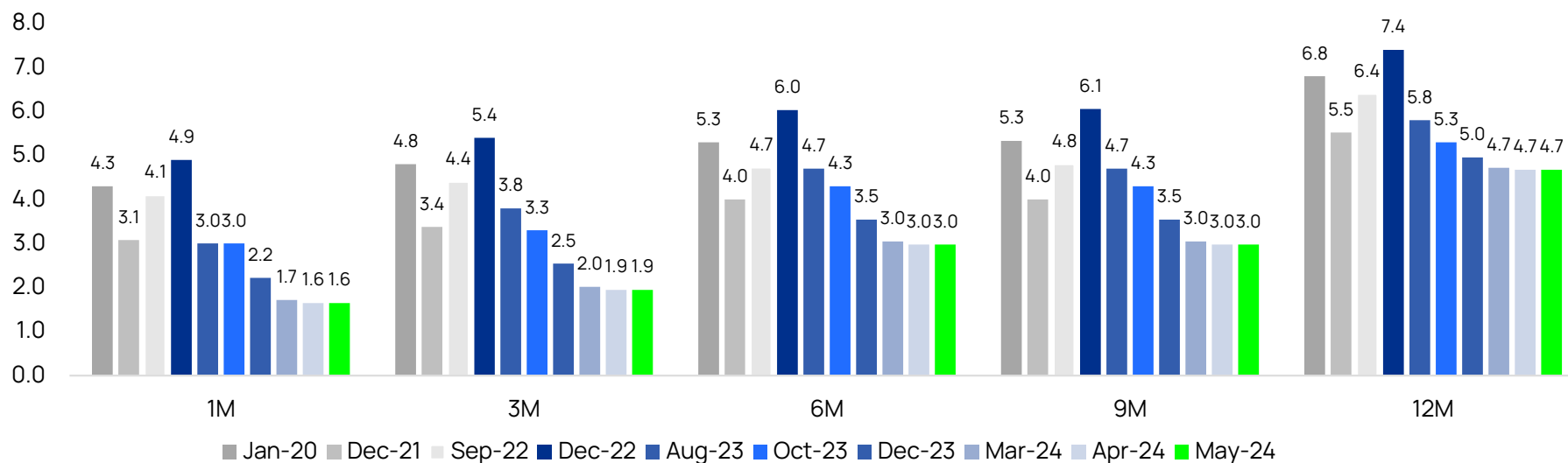
The corporate segment remained the key driver for credit growth in Q1 2024

Breakdown of credit balance of private of banks which provide quarterly breakdown data (includes HDB, VPB, MBB, TCB, TPB, and VIB)

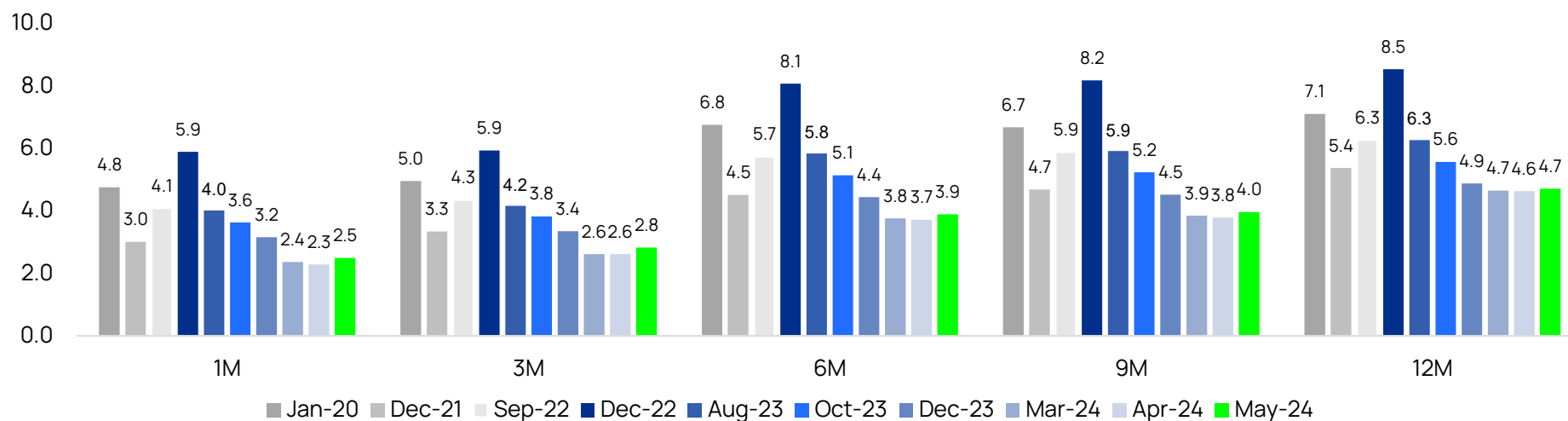


Deposit rates

Weighted average deposit rates of SOE banks (%)

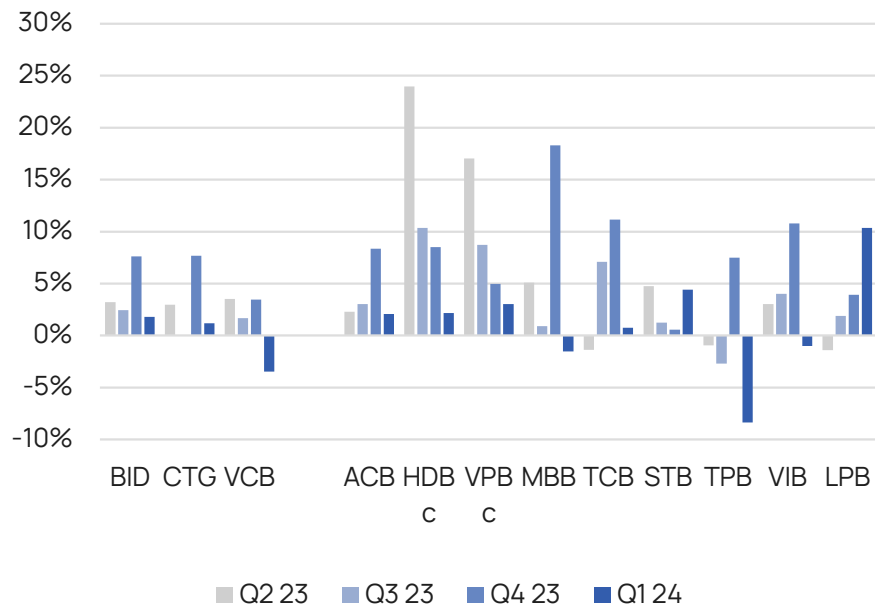


Weighted average deposit rates of private banks (%)



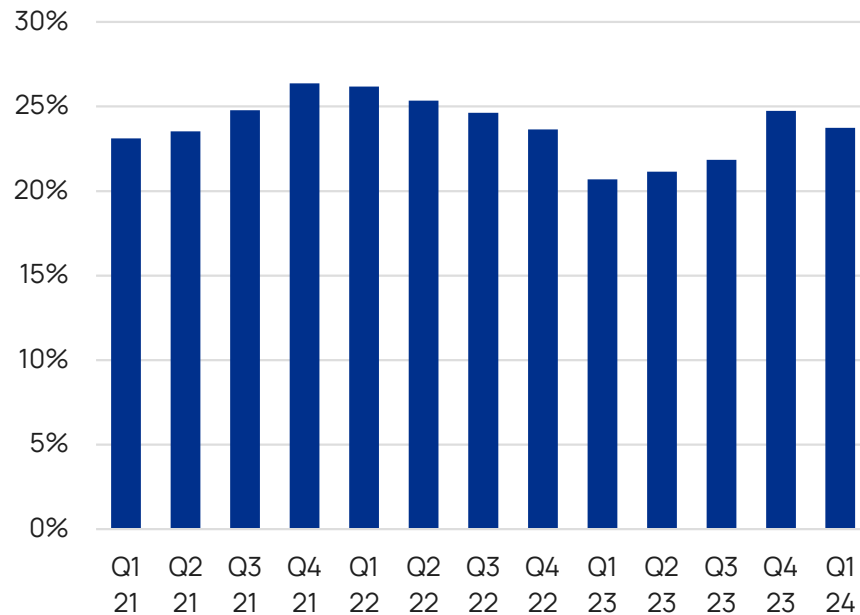
Deposit growth & CASA ratio

Deposit growth of banks under our coverage (QoQ)



Source: Company data, Vietcap

Aggregate CASA ratio of banks under our coverage

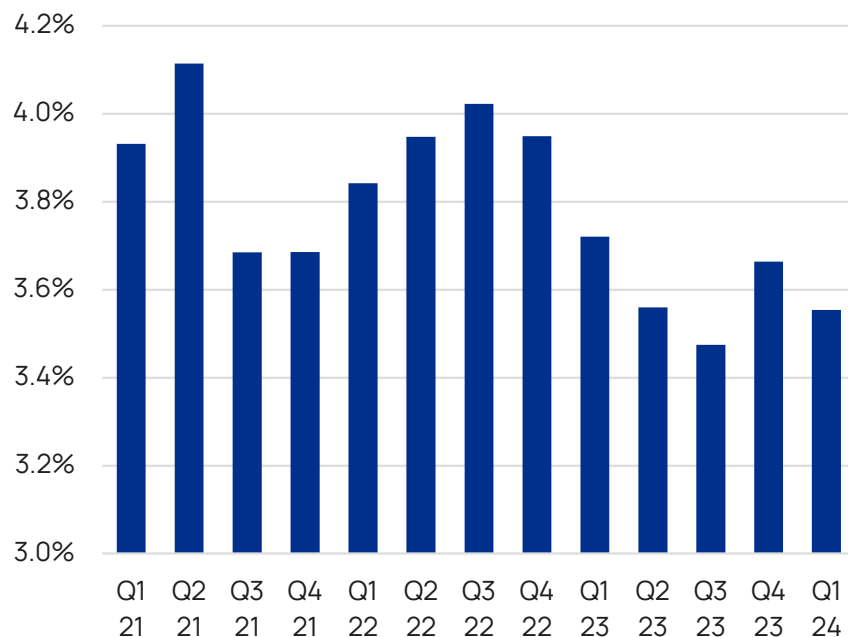


Source: Company data, Vietcap

- Most of the banks under our coverage reported a QoQ decrease in CASA ratio in Q1 2024. We maintain our expectation of improvement in the CASA ratio for coming quarters.

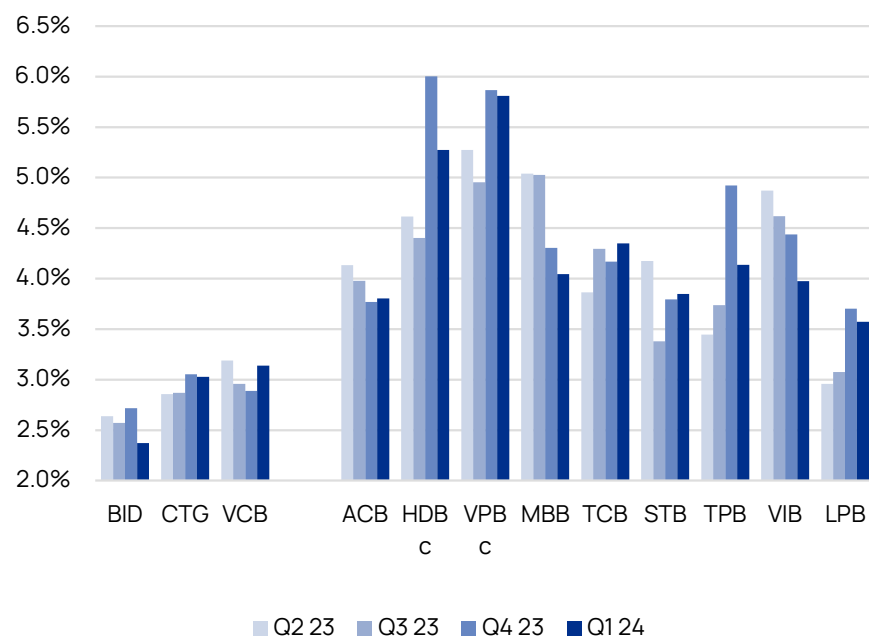
NIM (1)

Aggregate NIM of banks under our coverage, quarterly



Source: Company data, Vietcap

NIM by banks

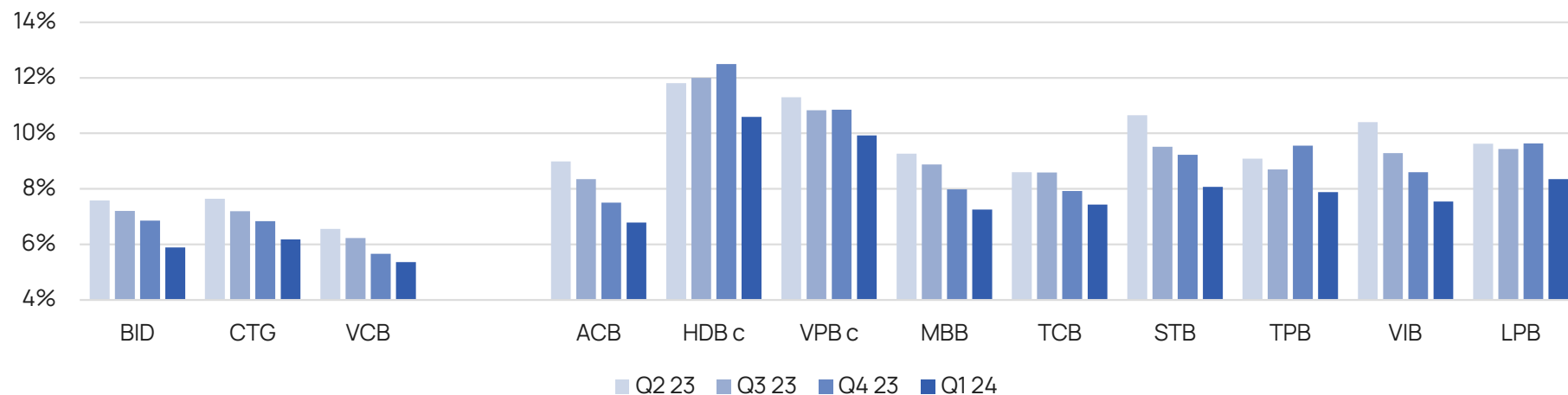


Source: Company data, Vietcap; ('c' denotes consolidated)

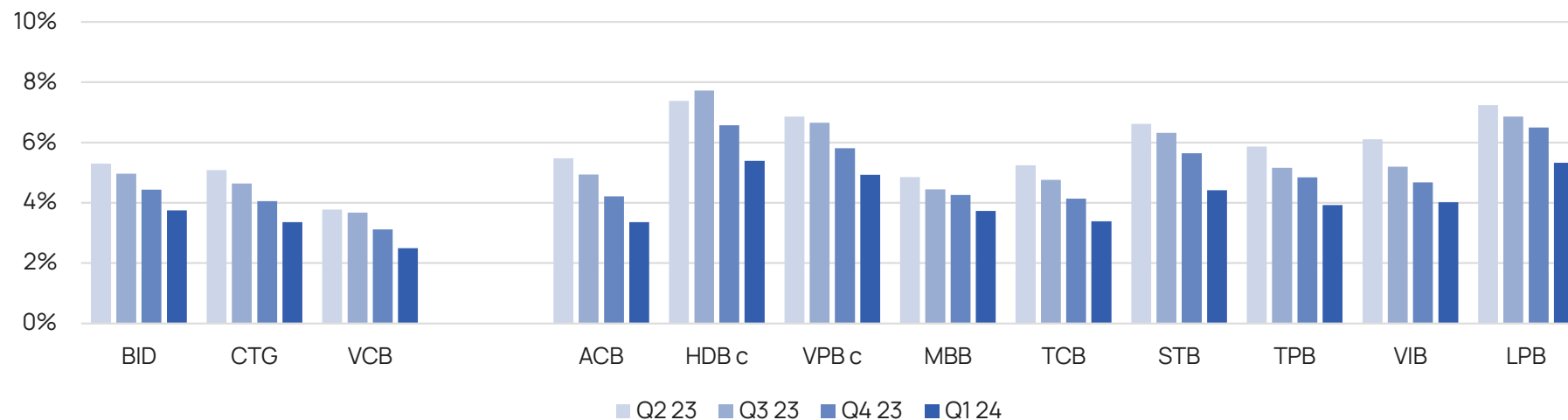
- Q1 2024 aggregate NIM of banks under our coverage declined both YoY and QoQ. The QoQ compression in NIM can be attributed to (i) a 104 bps QoQ average decrease in IEA yield that was stronger than the 87 bps QoQ average improvement in COF; (ii) a slight drop QoQ in the CASA ratio, and (iii) a QoQ increase in the NPL ratio.

NIM (2)

IEA yields of banks under our coverage

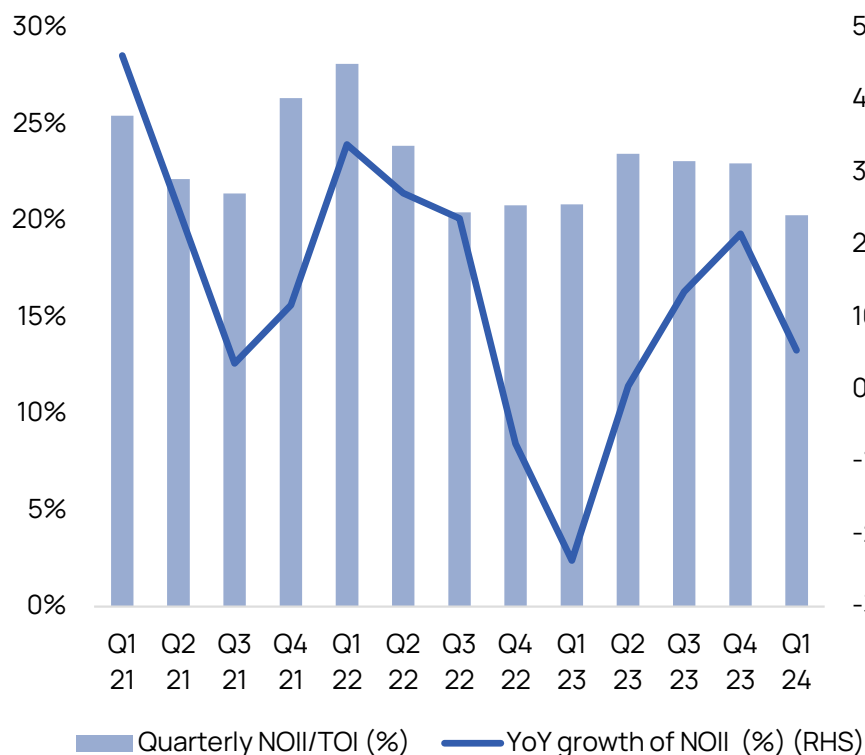


COF of banks under our coverage

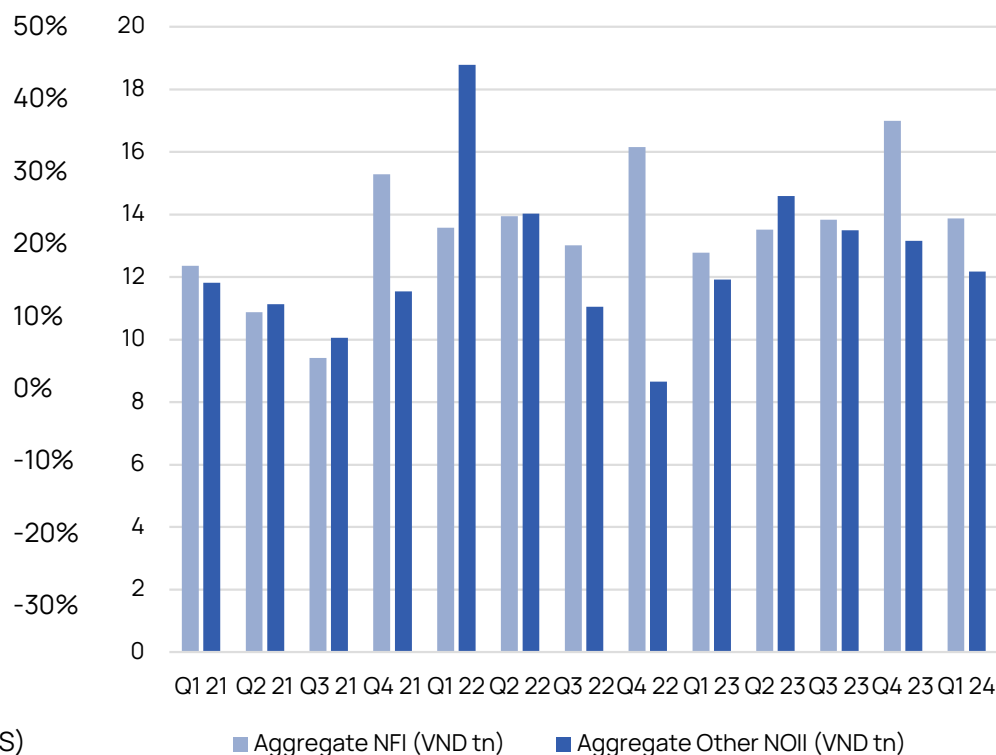


Non-interest income (NOII)

Quarterly aggregate NOII/TOI and NOII growth



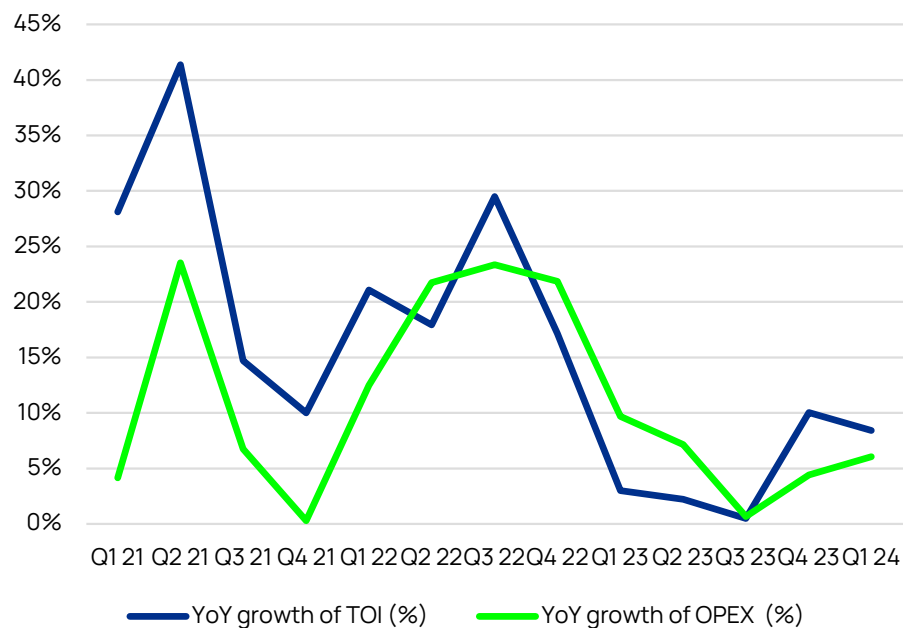
Quarterly NOII breakdown



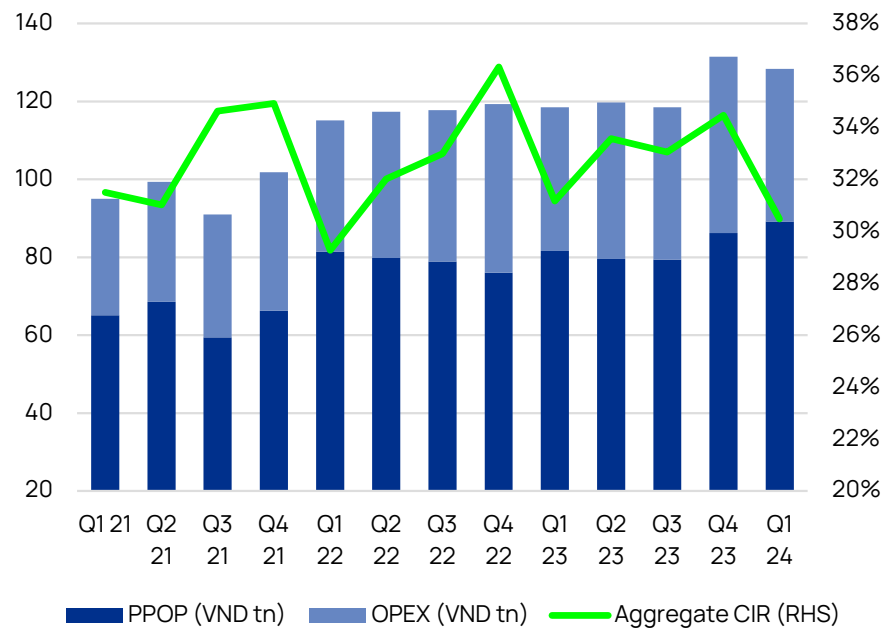
- Q1 2024 aggregate NOII increased 5.4% YoY but decreased 13.6% QoQ from a high base in Q4 2023. If we exclude one-off income of around VND1.9tn at LPB in Q4 2023, Q1 2024 NOII decreased 7.8% QoQ.
- Aggregate other NOII decreased in three consecutive quarters, which we attribute to remaining slow recovery from written-off bad debts and decreases in gains from trading & investment securities.

Operating costs

Aggregate TOI and OPEX growth

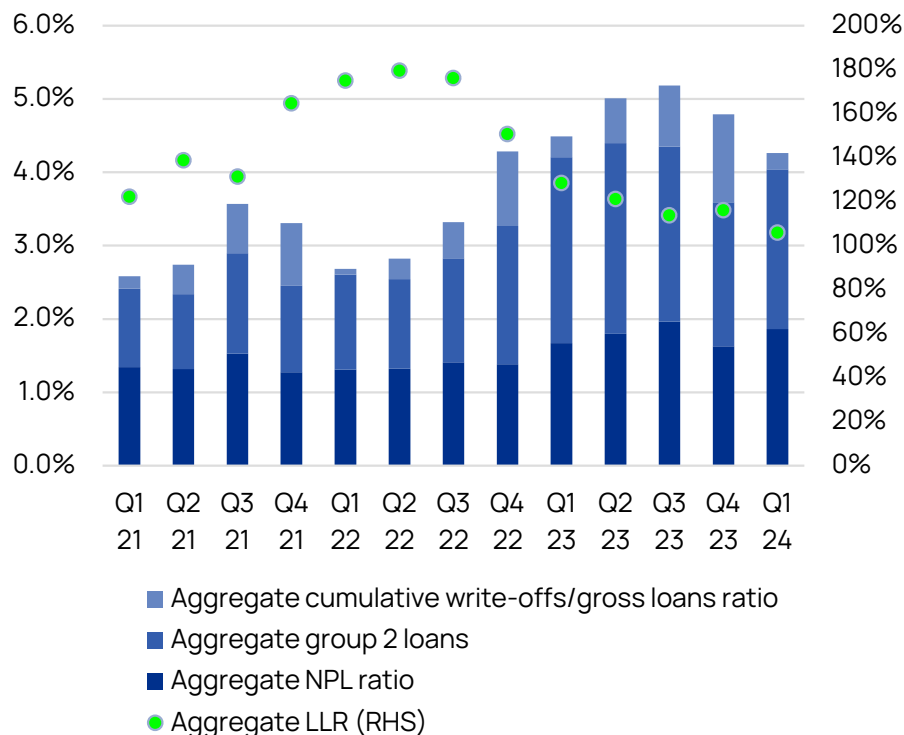


Aggregate CIR, PPOP, & OPEX

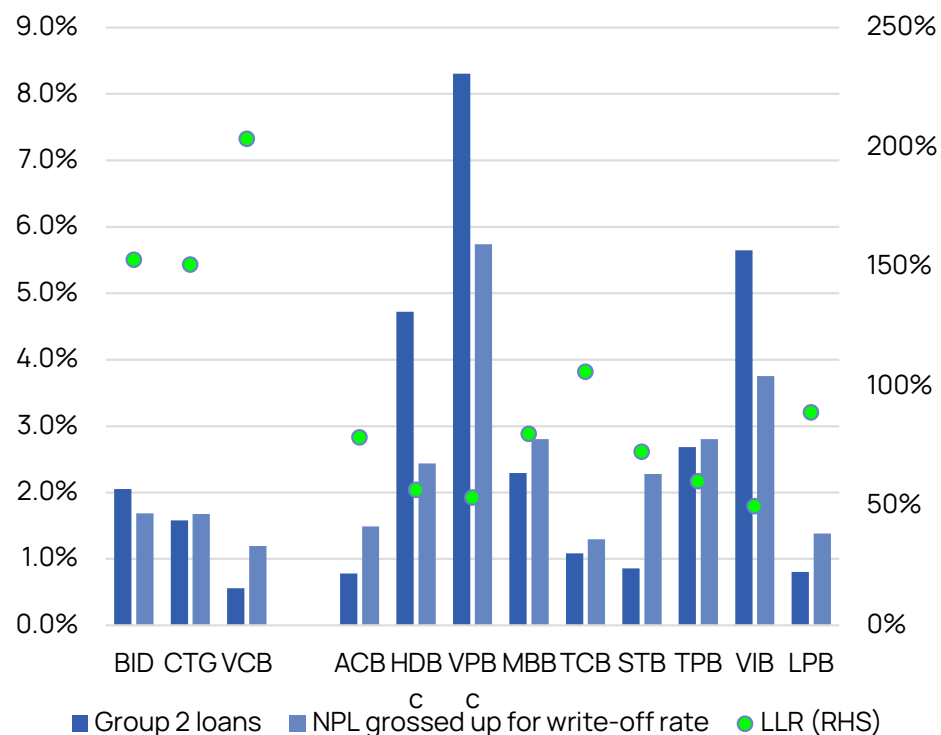


Asset quality (1)

Asset quality of Vietcap's banking coverage, quarterly



Asset quality of Vietcap's banking coverage in Q1 2024

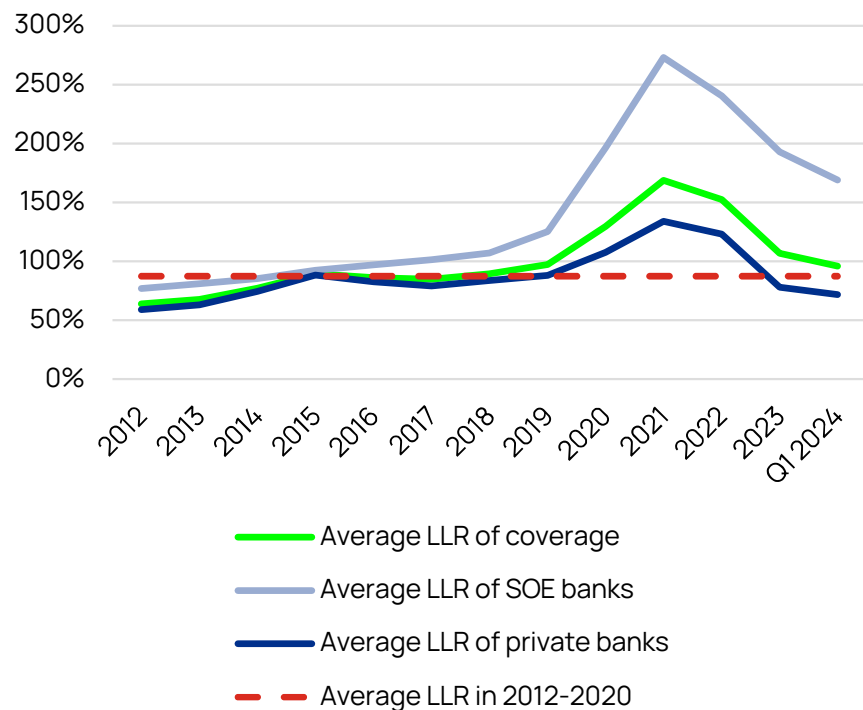


Source: Company data, Vietcap ('c' denotes consolidated)

- Asset quality deteriorated slightly QoQ in Q1 2024 after a QoQ improvement in Q4 2023 amid weak credit growth and low write-offs.
- The increase in the NPL ratio was attributed to both retail lending (including mortgage lending) and corporates. CIC classification also contributed to a higher aggregate reported NPL ratio.

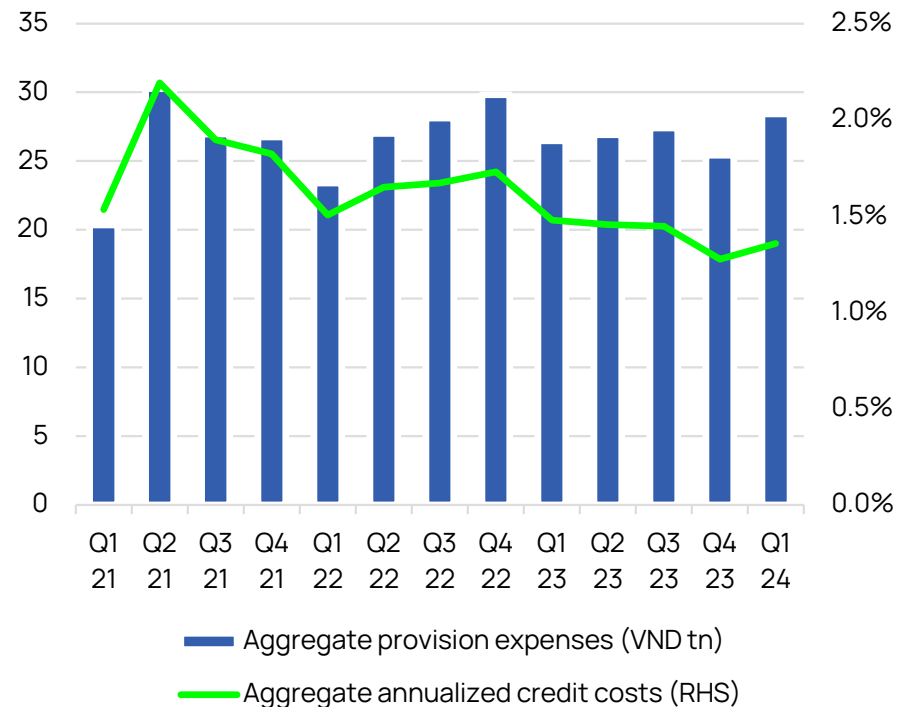
Asset quality (2)

Average LLR of banks under coverage



Source: Company data, Vietcap

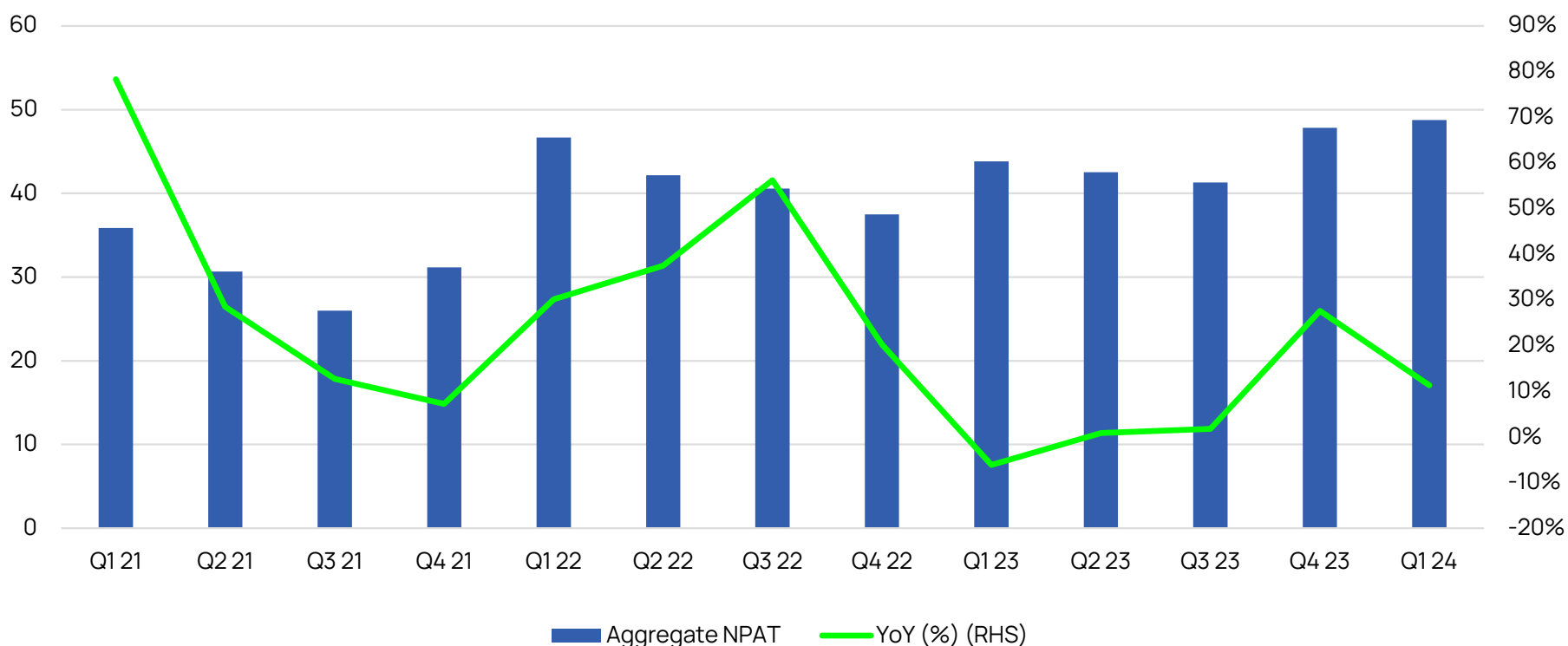
Aggregate provision expenses (VND tn) and credit costs (%), quarterly



Source: Company data, Vietcap

NPAT

Aggregate NPAT, quarterly (VND tn)



- Q1 2024 aggregate NPAT of banks under our coverage was relatively flat QoQ due to (1) a 1.3% QoQ increase in aggregate NII that was mainly driven by strong credit growth in Q4 2023 and (2) a 4-ppt QoQ decrease in CIR that offset (3) a 13.6% QoQ decrease in aggregate NOII from a high base in Q4 2023 and (4) an 11.8% QoQ increase in aggregate provision expenses.

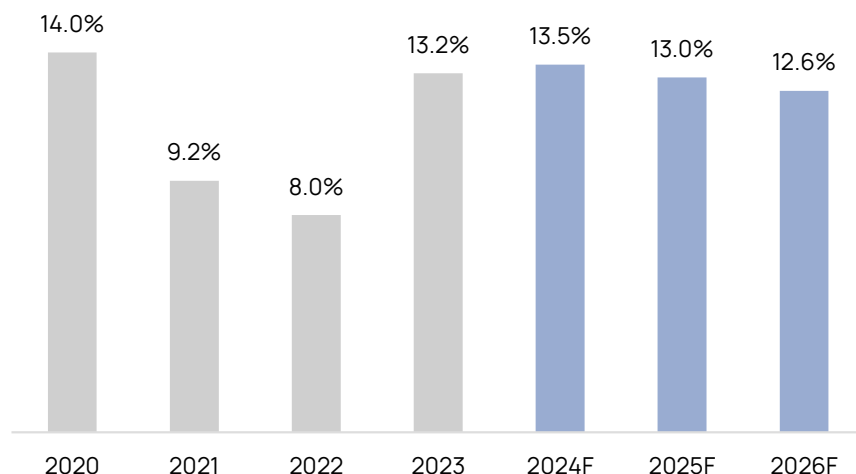
NPAT of banks under our coverage (VND tn)

	Q1 2023	Q1 2024	YoY	2024F*	2024F vs 2023
BID	5,559	5,916	6.4%	27,482	25.1%
CTG	4,831	5,003	3.5%	23,605	17.8%
VCB	8,992	8,586	-4.5%	37,887	14.6%
VPB c	1,650	3,142	90.4%	13,189	52.6%
LPB	1,243	2,299	84.9%	6,502	16.7%
HDB c	2,194	3,213	46.5%	12,770	23.6%
TCB	4,537	6,277	38.3%	21,719	19.4%
STB	1,900	2,111	11.1%	9,372	21.4%
TPB	1,413	1,462	3.5%	5,809	30.1%
ACB	4,135	3,905	-5.6%	18,452	15.0%
VIB	2,155	2,001	-7.1%	9,745	13.8%
MBB	5,206	4,624	-11.2%	23,270	10.5%

2024 Outlook

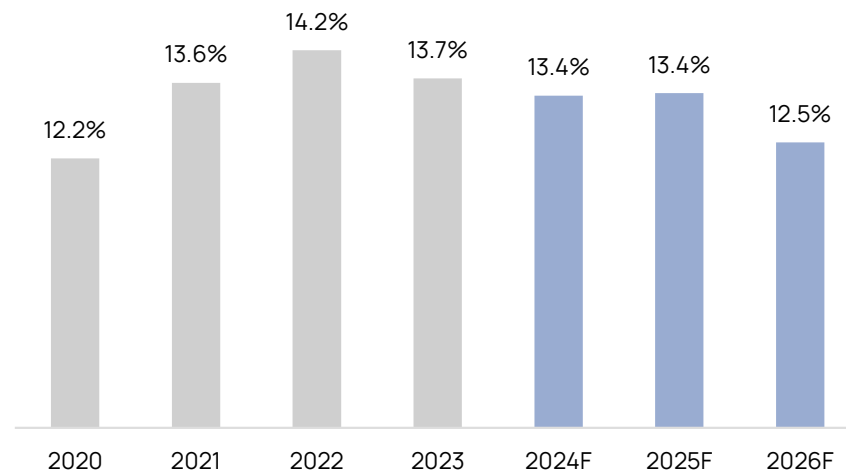
System-wide credit growth & deposit growth

Annual system credit growth



Source: SBV, Vietcap estimates. * 2024F - 2026F represent implied system-wide credit growth, which is calculated based on our forecast for credit growth of banks in our coverage universe less than 1.7 ppts (the average difference in the last five years).

Annual system deposit growth

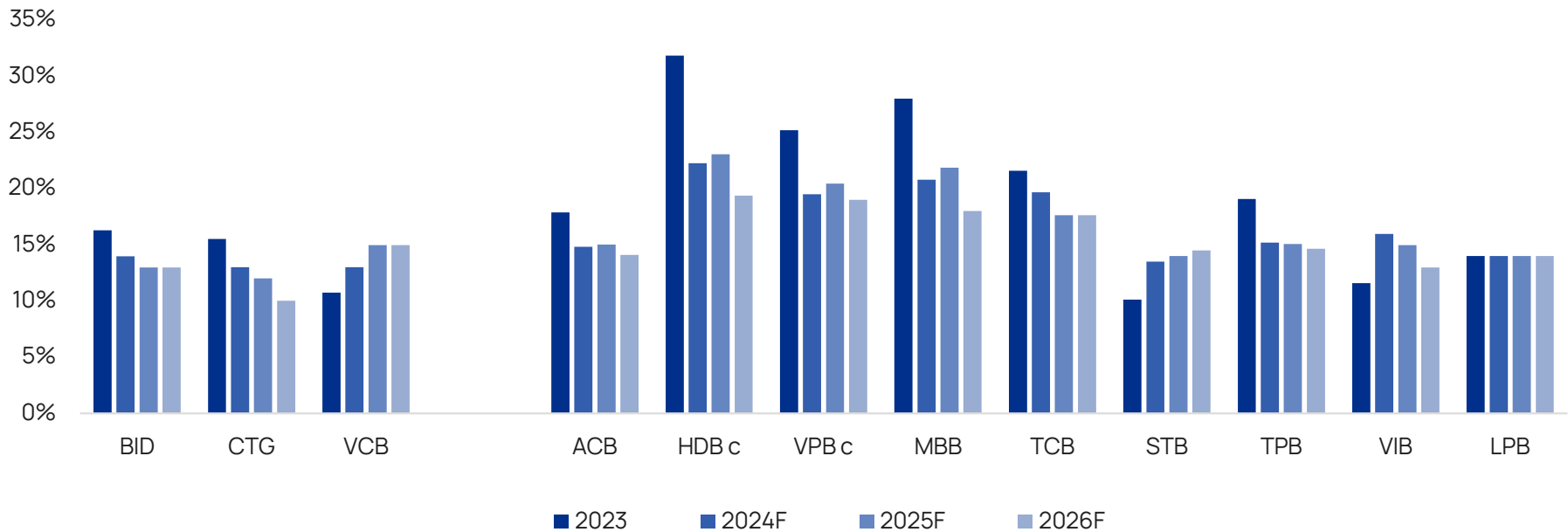


Source: State Bank of Vietnam (SBV), Vietcap estimates. * 2024F - 2026F represent implied system-wide deposit growth, which is calculated based on our forecast for deposit growth of banks in our coverage universe less than 3.6 ppts (the average difference in the last three years).

- Our outlook remains positive for stronger credit growth in 2024. Banks are likely to focus on corporate lending in H1 2024. We expect a stronger recovery in retail credit demand from H2 2024.
- We expect deposit growth in 2024 to slow down vs 2023 given the anticipated low interest environment during most of the year. While deposit growth in 2023 was mostly driven by retail depositors, we expect more balanced growth between corporate and retail depositors in 2024.

Credit growth of banks under our coverage

Credit growth of banks under our coverage (YoY)

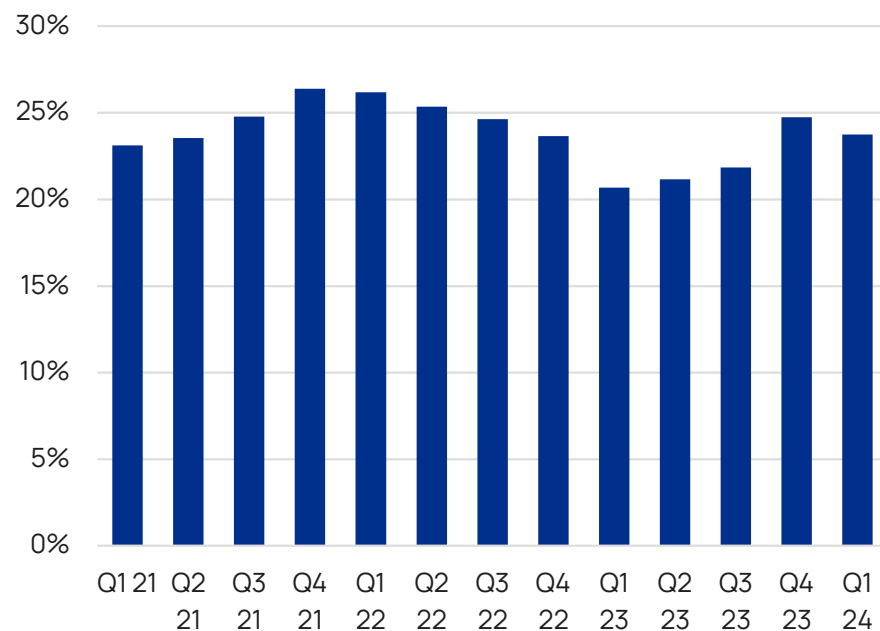


Source: Company data, Vietcap; ('c' denotes consolidated)

- We expect private banks (especially those that joined the rescue of the zero dong banks program), to continue to grow their loan books stronger than peers in the next three years.

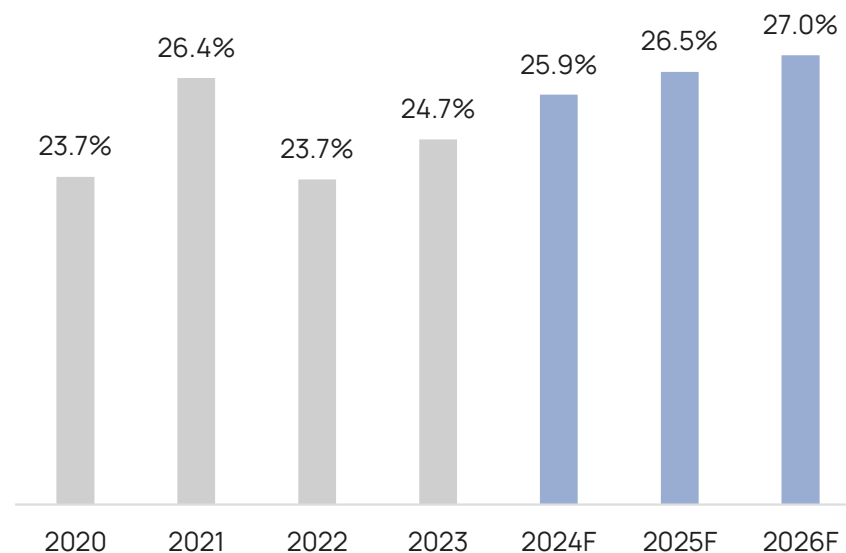
CASA ratio

Aggregate CASA ratio of banks under our coverage, quarterly



Source: Company data, Vietcap

Aggregate CASA ratio of banks under our coverage, yearly

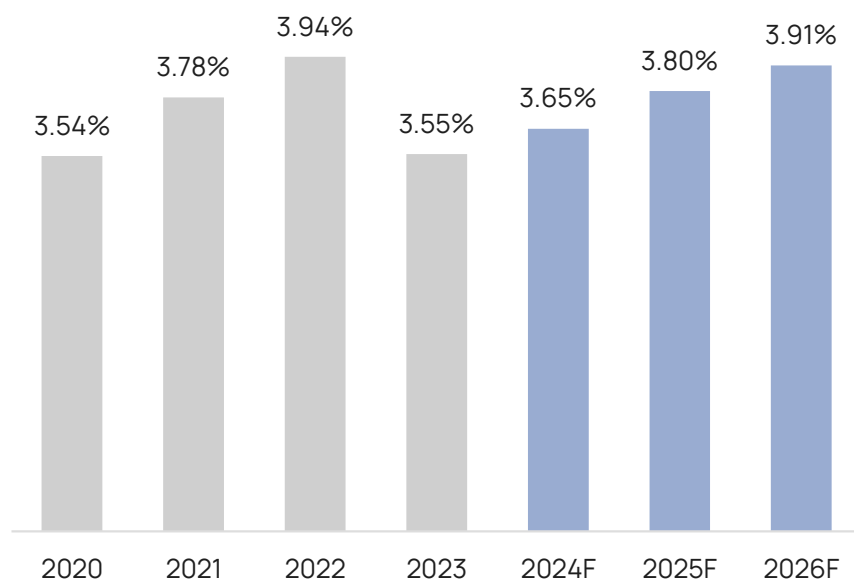


Source: Company data, Vietcap

- The CASA ratio increased YoY (+ 3.1 ppts YoY) but slightly decreased QoQ (-1 ppts QoQ), which is partly explained by seasonal factors as corporates tend to strengthen their cash balance at the year's end. We maintain our expectation of improvement in the CASA ratio for coming quarters due to a current low interest rate environment.
- We do not expect the SBV to change its current stance of monetary policy (growth oriented) this year. We currently forecast for a 25-bp increase in the deposit rate cap for terms < 6M in late 2024.

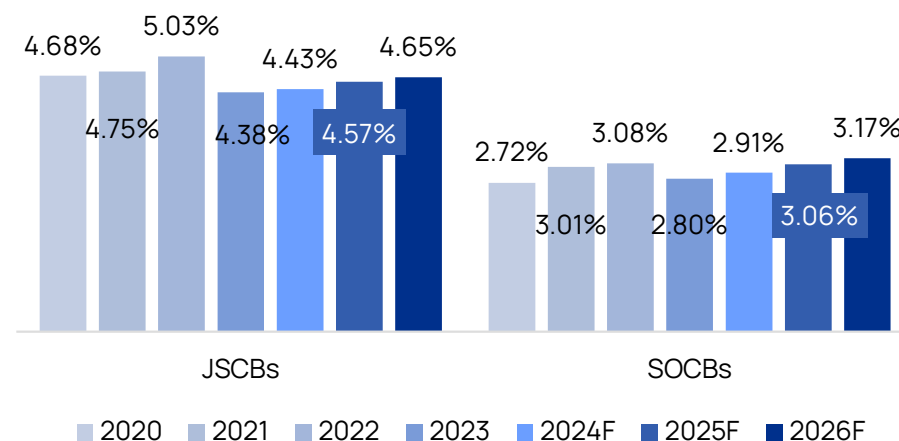
NIM (1)

Aggregate NIM yearly



Source: Company data, Vietcap

SOCBs and JOCBs aggregate NIM

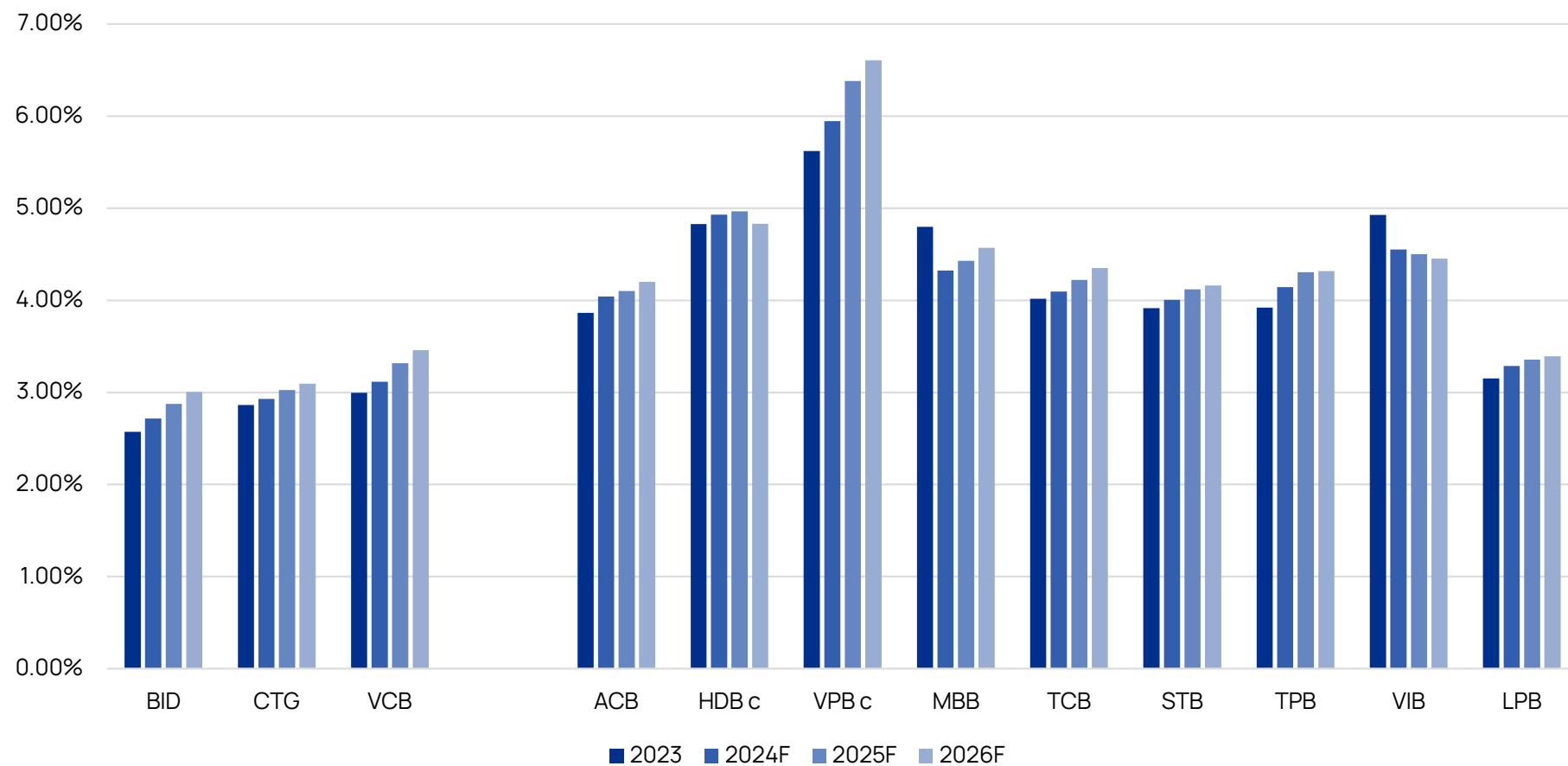


Source: Company data, Vietcap

- For 2024F, we forecast a 10-bp YoY increase in aggregate NIM due to (1) stronger credit demand from retail borrowers in H2 2024, (2) lower support packages for customers as the economy recovers, and (3) an improvement in asset quality.

NIM (2)

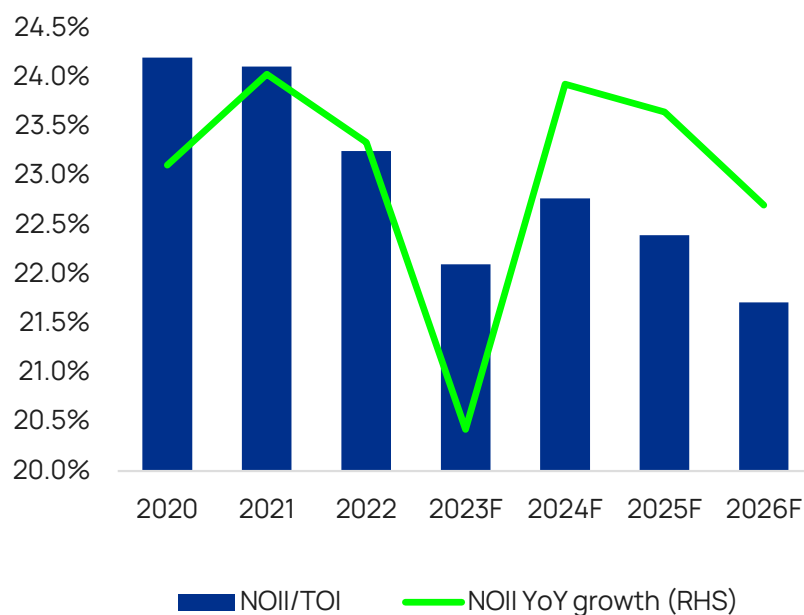
NIM by banks, yearly



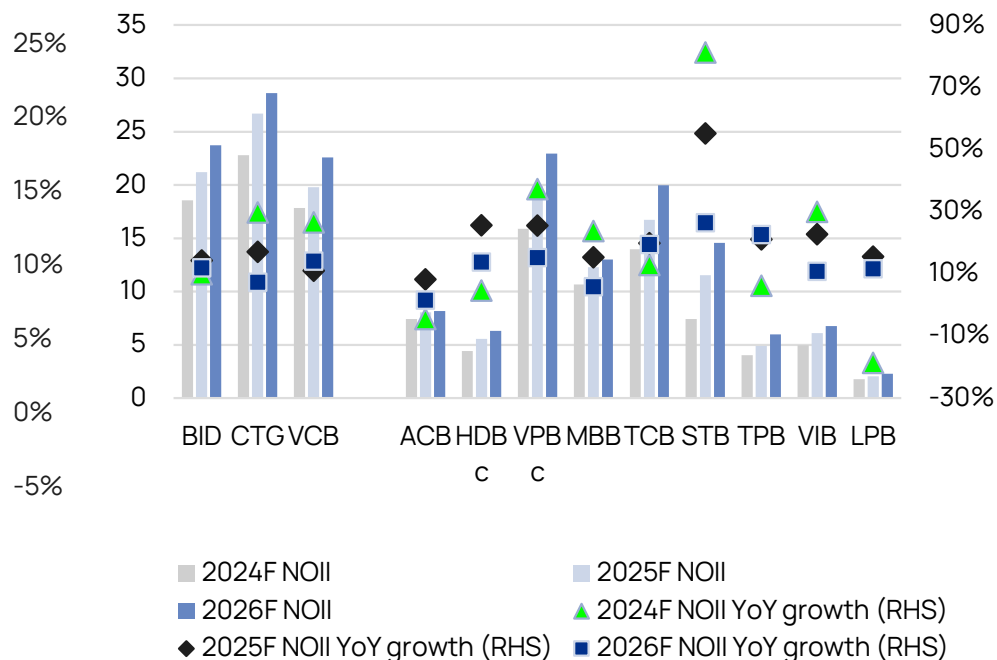
Source: Company data, Vietcap('c' denotes consolidated)

Non-interest income (NOII)

Aggregate NOII/TOI and NOII growth, yearly



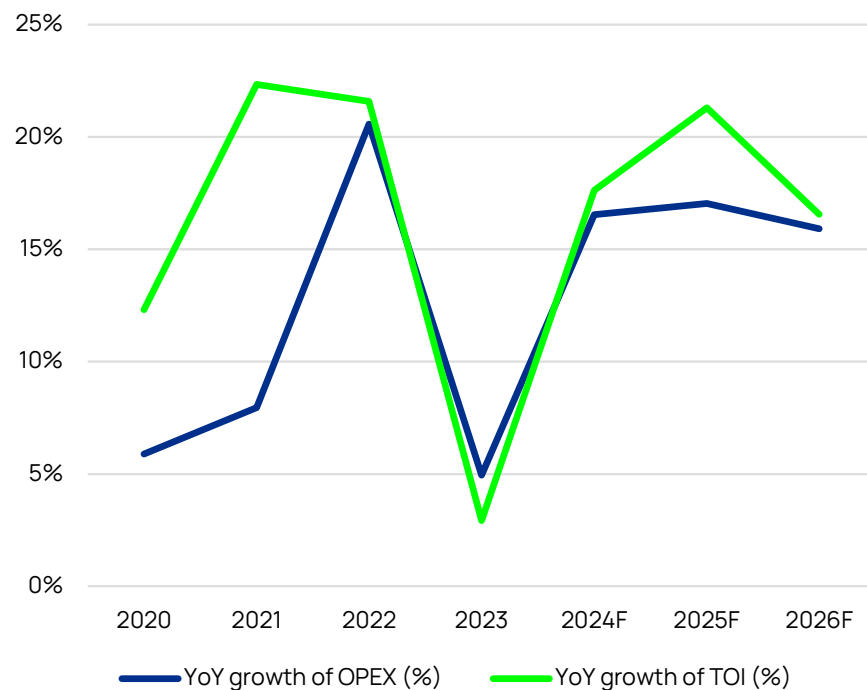
Forecast NOII by banks (VND tn)



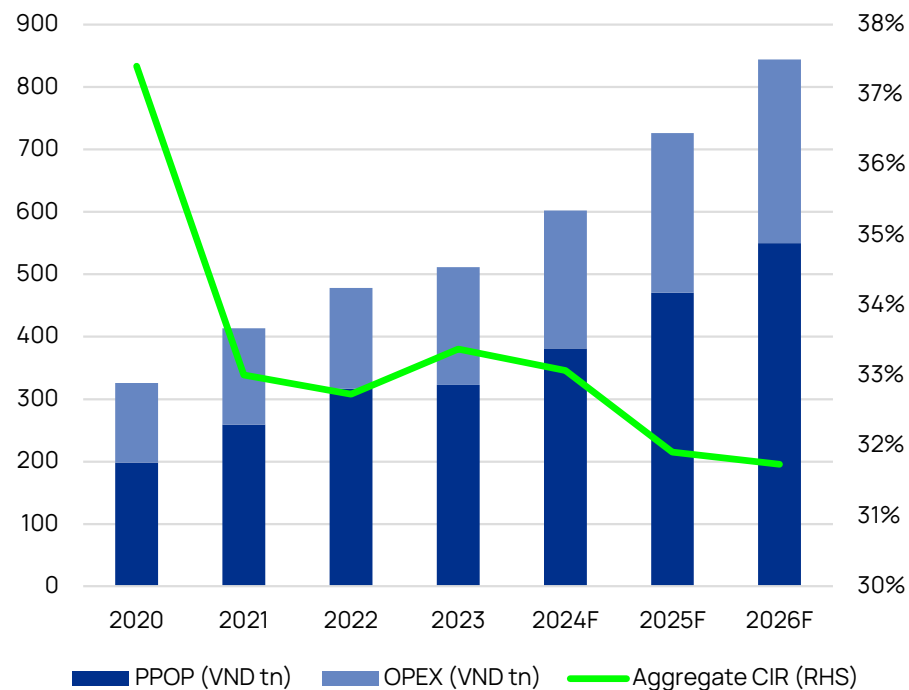
- We currently forecast 2024F aggregate NOII in our coverage to increase 21.2% YoY. We believe that pure NFI growth will be maintained due to (i) ongoing strong settlement services fees and other non-credit services fee amid improving credit growth and economic activities and (ii) an improvement in recoveries from written-off bad debts across all banks from a low base.
- We still expect slow progress in handling collaterals (i.e., low recovery bad debt ratio), given that the current sluggishness in the real estate sector and bancassurance could take more time to recover.

Operating costs

Aggregate TOI and OPEX growth, yearly

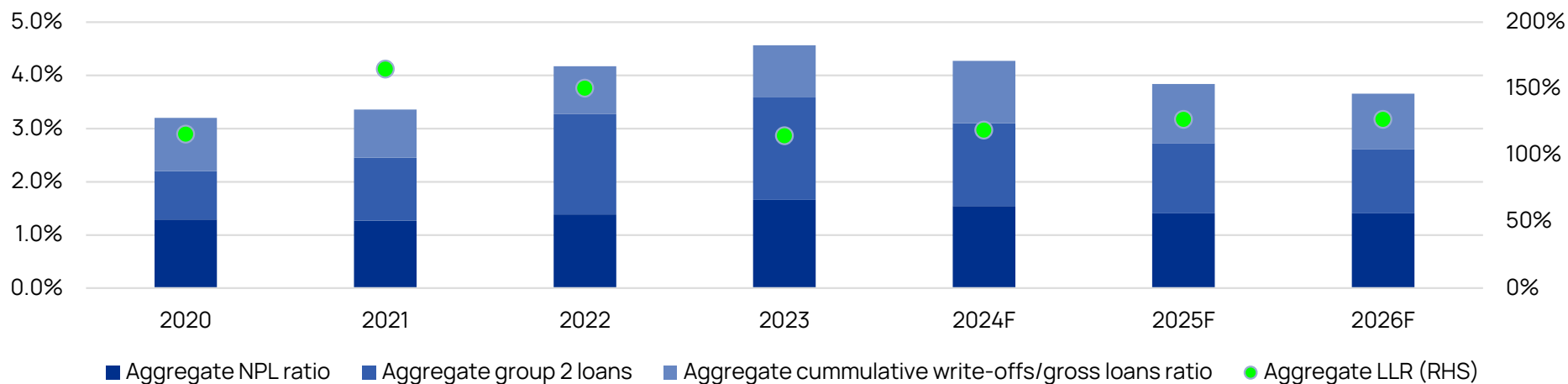


Aggregate CIR, PPOP, & OPEX, yearly

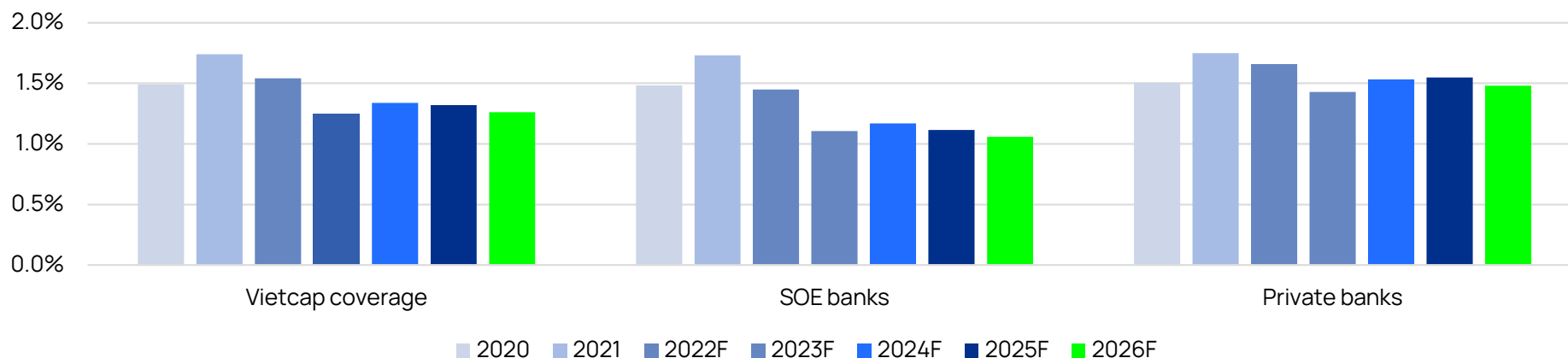


Asset quality (1)

Asset quality of Vietcap's banking coverage yearly

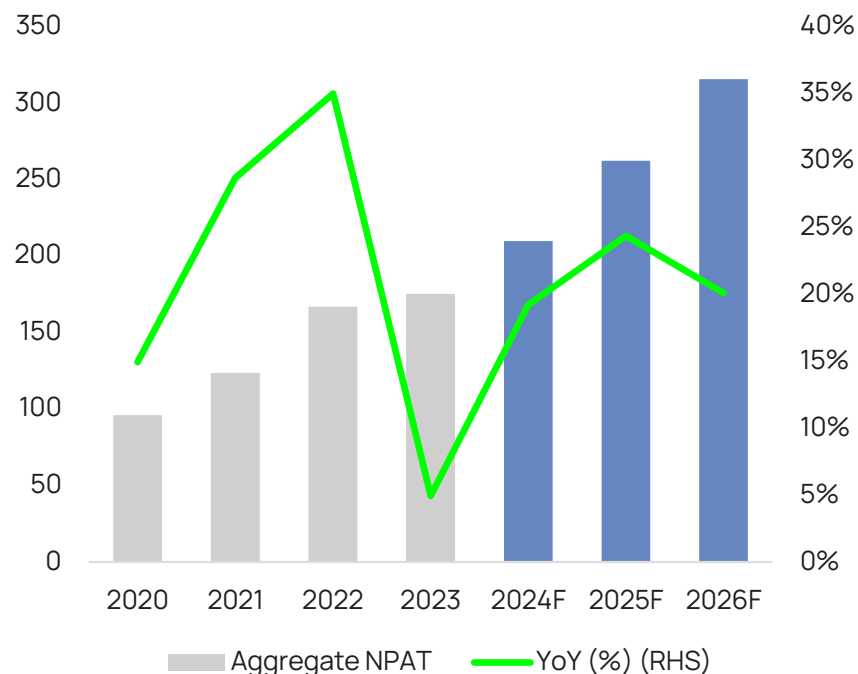


Credit costs of Vietcap's banking coverage yearly

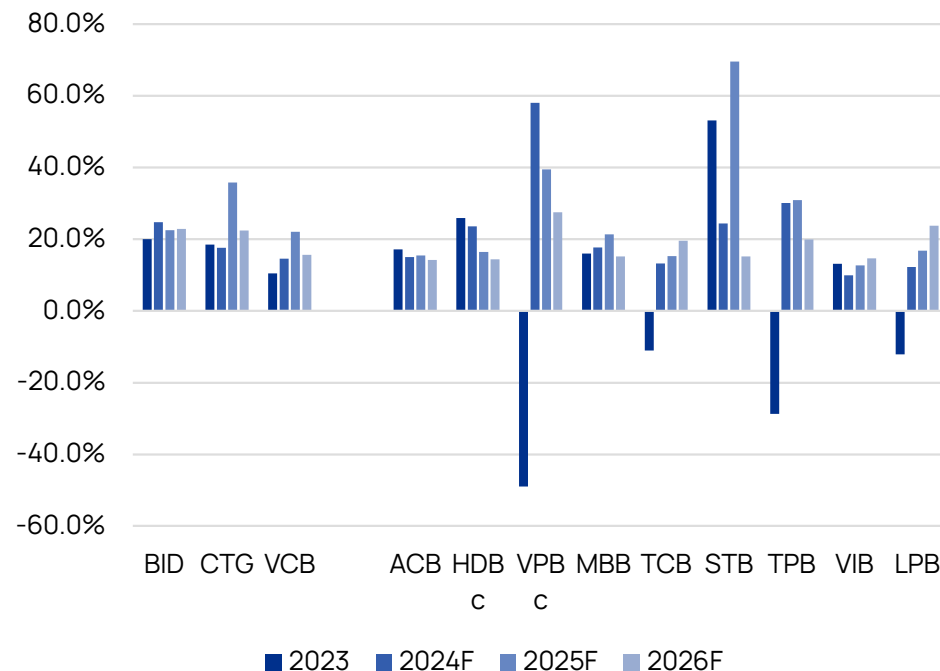


Net profits

Aggregate NPAT, yearly (VND tn)



NPAT growth yearly by banks (VND tn)

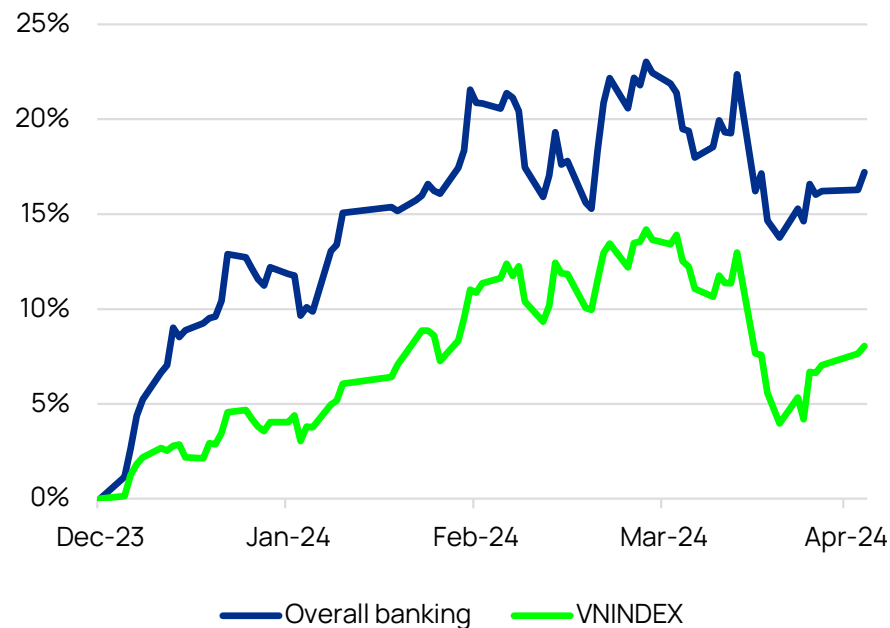


- We forecast 2024F aggregate NPAT to grow by 19.2% YoY, which is mainly driven by (1) a 16.6% YoY increase in aggregate NII on higher NIM and strong credit growth, and (2) a 21.2% YoY increase in aggregate NOI led by ongoing strong settlement services fees and other non-credit services fees amid improving credit growth and economic activities, and higher recovery income from written-off bad debts as the real estate market recovers. These factors are partly offset by our projection for credit costs to remain high as loan defaults and downgrades in the loan classification of impaired credit lag the economic cycle.

Recent performance & top picks

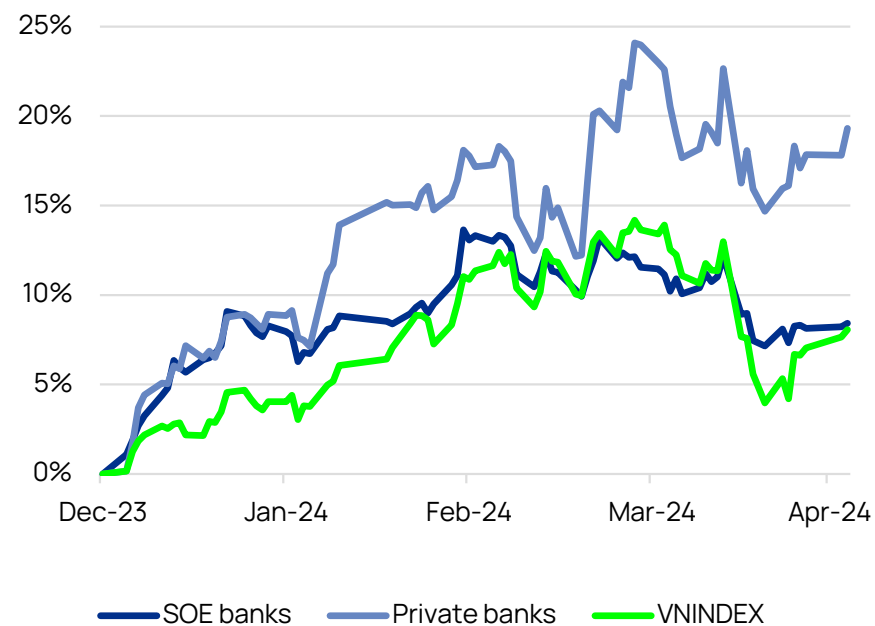
YTD banking share price performance

Share price performance, YTD (1)



Source: Vietcap, Fiinpro as of May 3, 2024 (Note: Overall banking represents all banking stocks under Vietcap's coverage and is weighted by market capitalization).

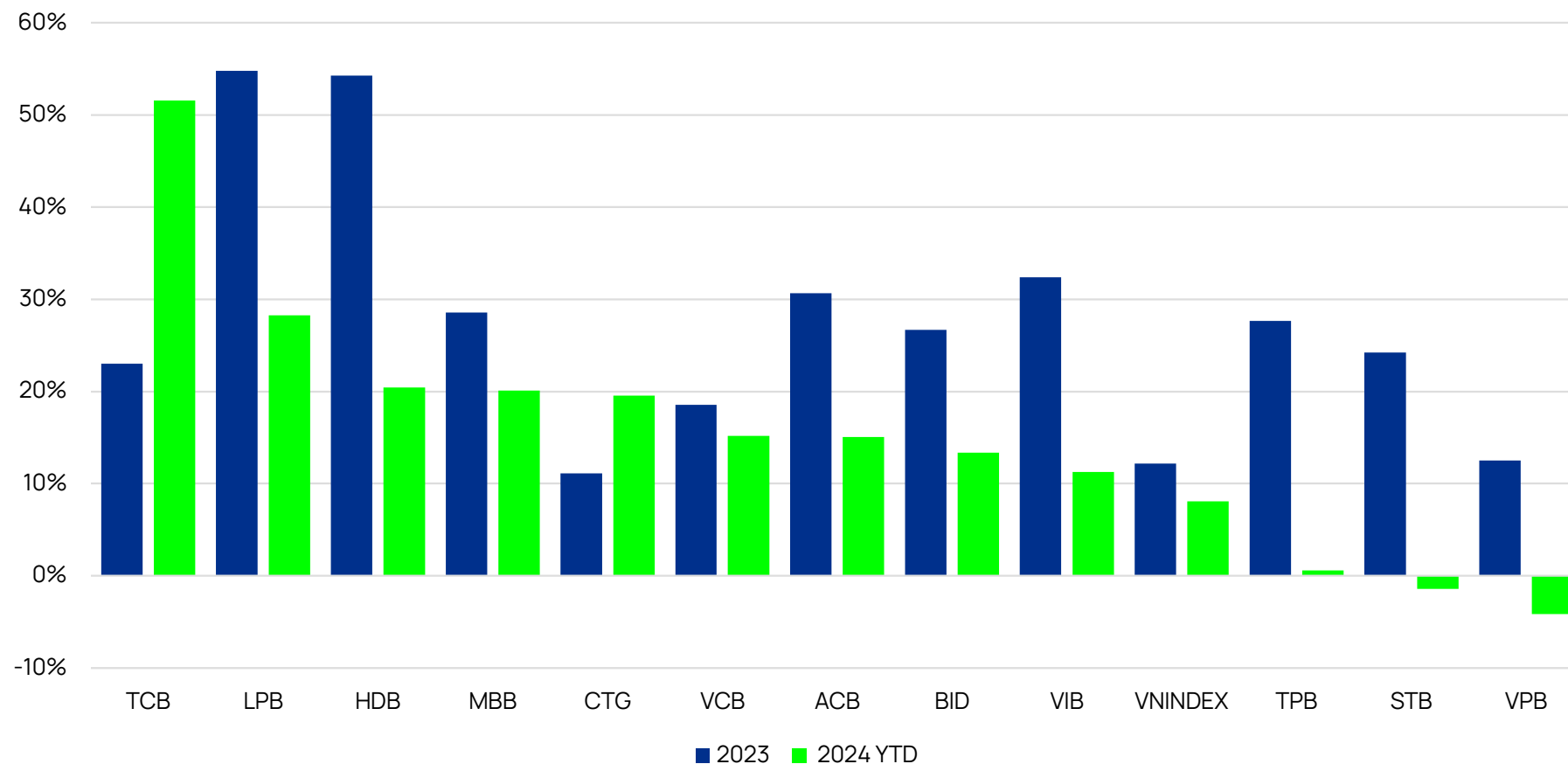
Share price performance, YTD (2)



Source: Vietcap, Fiinpro as of May 3, 2024 (Note: Overall banking represents all banking stocks under Vietcap's coverage and is weighted by market capitalization).

Banks' share price performance in 2024 YTD

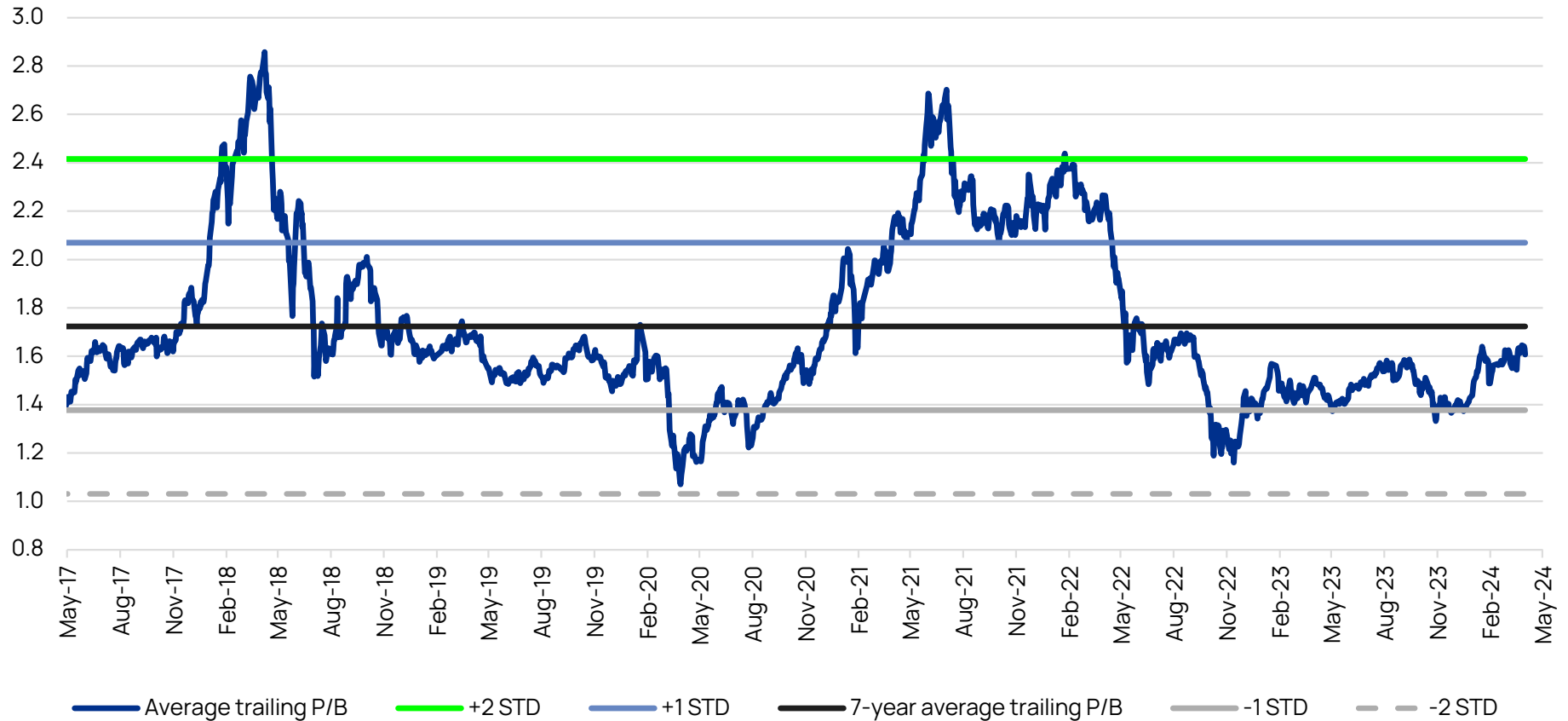
Banks' share price performance YTD



Source: Vietcap, Fiiopro as of May 3, 2024.

Trailing P/B of banks under our coverage

Average trailing P/B of banks under our coverage (May 2017 – May 2024)

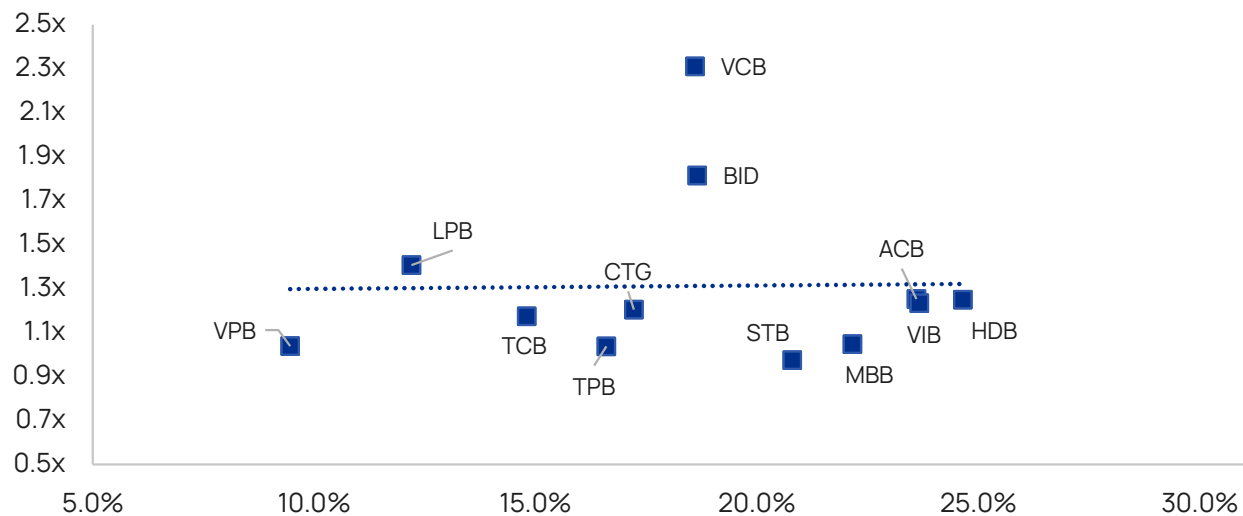


Source: Vietcap, Fiiipro as of May 3, 2024.

Themes for top picks

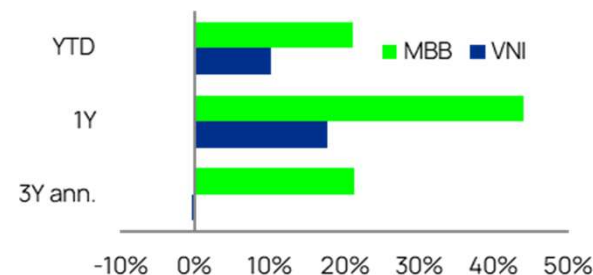
- Based on a one-year investment horizon, our top picks are **MBB** and **STB**. These stocks offer some of the highest projected returns based on our end-2024 target prices as of May 10, 2024.
- MBB** offers a high NIM adjusted for credit costs, strong credit growth backed by a diversified ecosystem, a top-tier CASA ratio with sustained CASA deposits from military-related parties and subsidiaries, and a strong provisioning buffer. Meanwhile, **STB** has one of the strongest private bank franchises and we expect a boost in earnings (forecast NPAT CAGR of 41.6% over the next 3 years) as the pressure from clearing legacy assets diminishes.
- For investors who prefer defensive exposure to the sector amid the current uncertainties, we recommend **VCB** and **ACB** due to their conservative lending strategies and top-tier asset quality. For **VCB**, in addition to its defensive characteristics, we also see growth drivers at VCB from potentially higher credit growth than peers due to rehabilitating a distressed credit institution (DCI) and bancassurance. In addition, **ACB** has delivered impressive ROEs supported by a conservative lending strategy, competitive funding costs, and a well-established banking franchise in the southern region.

Vietnam banks P/B (y-axis) and ROE (x-axis) (2024F)



MBB - BUY, TP of VND30,000

Rating*	BUY		2023	2024F	2025F	2026F	
Share Price (10 May)	VND22,600	PPOP (VND bn)	32,393	38,140	46,322	55,318	YTD
Target Price (TP)*	VND30,000	% YoY	5.3%	17.7%	21.5%	19.4%	1Y
		NPAT-MI (VND bn)	20,677	22,855	26,688	32,783	3Y ann.
		% YoY	18.3%	10.5%	16.8%	22.8%	
Upside to TP	+32.8%	EPS	18.3%	9.8%	16.0%	22.8%	
Dividend Yield	+2.2%	NIM	4.80%	4.33%	4.43%	4.57%	
TSR	+35.0%	CASA ratio	40.2%	38.4%	38.6%	38.8%	
		NPLs/gross loans	1.60%	1.70%	1.50%	1.30%	
Industry	Banking	Credit costs	1.00%	1.22%	1.36%	1.28%	
Market Cap	USD4.8bn	CIR	31.5%	29.5%	29.0%	28.5%	
Foreign Room	USD0mn	P/B	1.3x	1.1x	0.9x	0.7x	
ADTV30D	USD24mn	P/E	5.8x	5.2x	4.5x	3.6x	
State Ownership	9.4%	ROE	24.5%	22.2%	21.2%	21.4%	
Outstanding Shares	5.287 bn	ROA	2.5%	2.2%	2.2%	2.3%	
Fully Diluted Shares	5.287 bn	* TP and rating last updated May 10, 2024					



Company Overview

Founded in 1994, MBB is the fourth largest bank in our coverage universe as calculated by total assets as of December 31, 2023. The bank had its IPO in 2004 and has listed shares since November 2011.

MBB has the most diversified ecosystem among our coverage. MBB has six subsidiaries, including life and non-life insurers, a consumer finance company, a securities company, and fund & asset management companies, which we believe create cross-selling opportunities. In addition, MBB has demonstrated success in innovating its banking apps and attracting new customers.

We believe that MBB has a solid competitive advantage in terms of (1) funding costs, with a top-tier CASA ratio, and (2) a dynamic growth outlook from its network of subsidiaries and strategic partners. In addition, we assume MBB will receive a higher-than-average credit quota in our explicit forecast period due to its participation in the scheme to support a weak credit institution.

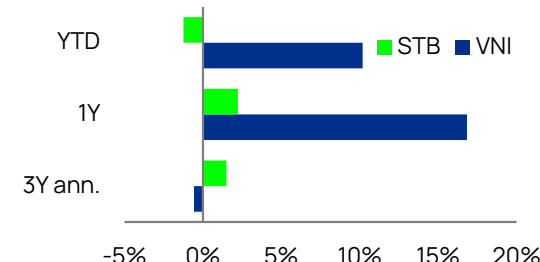
NIM to recover gradually after substantial contraction in the last two quarters. Though NII was weaker than our expectation, MBB's NFI exceeded our forecasts in the last two quarters due to strong growth of securities brokerage and settlement and cash service. We believe that NIM should gradually improve in the remainder of 2024 due to (1) improvement in IEA yield (stronger credit growth, improving asset quality) and (2) optimizing funding costs.

Asset quality to improve in the remainder of 2024F. MBB's Q1 NPL ratio was higher than our expectation due to loan group reclassification of a major customer following the Credit Information Center (CIC). MBB expects to solve this case in Q2 2024 and commit with its target for the 2024F NPL ratio below 2% and LLR at 100%.

MBB is currently trading at a 15% discount to the peer median 2024F P/B at 1.2x with a 2024F ROE of 23.4% vs the peer median of 18.2%, according to our forecast. **Downside risks:** Higher-than-expected credit cost resulting from prolonged difficulties in the real estate and corporate bond markets; lower-than-expected CASA ratio; supporting a distressed credit institution could hinder the bank's growth.

STB - BUY, TP of VND38,100

Rating*	BUY		2023	2024F	2025F	2026F	
Share Price (May 10)	VND27,600	PPOP (VND bn)	13,282	19,787	27,418	31,751	YTD
Target Price (TP)*	VND38,100	% YoY	-12.7%	49.0%	38.6%	15.8%	1Y
		NPAT-MI (VND bn)	7,718	9,372	16,238	18,708	3Y ann.
		% YoY	53.1%	21.4%	73.3%	15.2%	
Upside to TP	+38.0%	EPS	51.5%	21.4%	73.3%	15.2%	
Dividend Yield	0.0%	NIM	3.91%	4.03%	4.16%	4.20%	
TSR	+38.0%	CASA ratio	18.6%	20.5%	21.5%	21.5%	
		NPLs/gross loans	2.28%	1.80%	1.40%	1.20%	
Industry	Banking	Credit costs	0.76%	1.47%	1.14%	1.17%	
Market Cap	USD2.1bn	CIR	49.3%	43.5%	39.6%	39.0%	
Foreign Room	USD134mn	P/B	1.3x	1.1x	0.8x	0.7x	
ADTV30D	USD15mn	P/E	8.7x	7.2x	4.1x	3.6x	
State Ownership	0.0%	ROE	18.3%	18.8%	26.7%	24.7%	
Outstanding Shares	1.885 bn	ROA	1.2%	1.3%	2.0%	2.0%	
Fully Diluted Shares	1.885 bn	* TP and rating last updated February 26, 2024					



Company Overview

STB was founded in 1991, IPO'd in 1996 and listed in 2006. As of 2022, STB was the fifth largest among our coverage banks by gross loans. In October 2015, STB merged with Southern Bank and the SBV took control of 51% of voting rights from a group of shareholders deemed to have breached ownership caps.

STB owns one of the strongest private bank franchises in Vietnam. As of end-2023, STB possesses 552 branches and transaction offices and was the second largest private bank in terms of brick-and-mortar network under our coverage. The bank focuses on southern Vietnam with large exposure to the retail and SME segments.

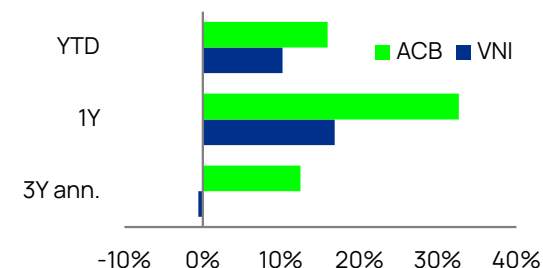
Solid core banking business is one of the criteria that contributes to the success of STB's restructuring plan, in our view. In the last seven years, its main objective has been to clear legacy assets related to its merger with Phuong Nam Southern Bank in 2015 via collateral sales and/or provisioning. We have observed positive progress in resolving legacy debts, which supports our conviction in the bank's restructuring story. We expect STB to finish clearing its VAMC balance in 2024, which will unlock further growth potential and shift its focus to enhancing its core business. In our view, one of the key criteria that contributed to the recovery of STB is its resilient core banking business. Its TOI (adding back the reversal of legacy accrued interests) grew at a CAGR of 28.1% in the last five years, per our estimation. We believe STB's earnings will soar after its restructuring period. We forecast STB's NPAT to increase at a CAGR of 34.3% in the next three years supported by our forecasts for improvement in NIM and CIR as well as high recovery income from written-off legacy assets.

STB is currently trading at a 2024F P/B of 1.1x compared to the peer median 2024F P/B at 1.2x with a 2024F ROE of 18.8% vs the peer median of 18.2%, according to our forecast.

Downside risks to our positive view: Higher-than-expected NPLs; STB fails to sell large collateral assets.

ACB - BUY, TP of VND33,800

Rating*	BUY		2023	2024F	2025F	2026F
Share Price (May 10)	VND27,700	PPOP (VND bn)	21,871	24,735	28,098	31,881
Target Price (TP)*	VND33,800	% YoY	27.3%	13.1%	13.6%	13.5%
		NPAT (VND bn)	16,044	18,452	21,308	24,345
		% YoY	17.2%	15.0%	15.5%	14.3%
Upside to TP	+22.0%	EPS	16.9%	15.0%	15.5%	14.3%
Dividend Yield	3.6%	NIM	3.87%	4.04%	4.10%	4.20%
TSR	+25.6%	CASA ratio	22.0%	23.9%	25.3%	26.0%
		NPLs/gross loans	1.21%	0.65%	0.55%	0.60%
Industry	Banking	Credit costs	0.37%	0.30%	0.22%	0.20%
Market Cap	USD4.3bn	CIR	33.2%	34.5%	34.8%	34.9%
Foreign Room	USD0mn	P/B	1.5x	1.3x	1.1x	0.9x
ADTV30D	USD23mn	P/E	6.7x	5.9x	5.1x	4.4x
State Ownership	0.0%	ROE	24.8%	23.6%	22.6%	21.5%
Outstanding Shares	3.884 bn	ROA	2.42%	2.40%	2.43%	2.43%
Fully Diluted Shares	3.884 bn	* TP and rating last updated February 20, 2024				



Company Overview:

Founded in 1993, ACB is the seventh largest bank among our coverage banks by total assets as of December 31, 2023. ACB primarily focuses on the retail and SME segments. ACB listed shares on HNX in November 2006 and moved to HSX in December 2020.

Conservative bank with a diversified loan book that minimizes risk in unfavorable conditions. ACB is a retail-focused bank with more than 90% of its loan book from retail and SME customers. ACB had no exposure to corporate bonds and only 1.1% of its loan book was related to real estate developers in 2023. Therefore, the bank owns one of the best-quality loan books among listed Vietnamese banks.

ACB enjoyed one of the lowest costs of funds (COF) among private banks despite CASA being at the median level. We believe its (1) loyal customers and (2) large coverage footprint of physical transaction offices in the southern region have supported ACB in mobilizing relatively low-cost funding from retail customers. As of December 2023, ACB's 12-month deposit rates were the lowest in comparison to other Vietnamese banks. We believe ACB can use its low funding costs to offer competitive lending rates and acquire good-quality customers.

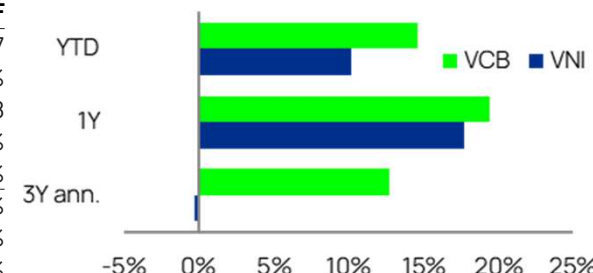
ACB outperformed in the bancassurance segment, despite (1) the Government's stricter regulation on selling insurance through banks and (2) cases of misselling bancassurance by some banks negatively affecting the sentiment of retail customers. In 2023, ACB ranked first in accumulated APE sales, indicating that their bancassurance activities are conducted effectively. In addition, over the last two years, ACB has consistently ranked among the top four banks in terms of new annual premium equivalent (APE).

We believe ACB's valuation is attractive considering its relatively low operational risks and high ROE. ACB's forward PB is 1.24x vs peer median of 1.20x. Additionally, we expect ACB 2024F ROE of 23.6% compared to the peer median of 18.2%.

Risks to our positive view: (1) Lower CASA ratio vs our forecasts; (2) weak performance of bancassurance; (3) higher-than-expected NPLs.

VCB - OUTPERFORM, TP of VND105,000

Rating*	OUTPERFORM		2023	2024F	2025F	2026F	
Share Price (May 10)	VND92,000	PPOP (VND bn)	45,809	53,556	65,076	77,787	YTD
Target Price (TP)*	VND105,000	% YoY	-2.2%	16.9%	21.5%	19.5%	
		NPAT-MI (VND bn)	33,033	37,862	46,227	53,448	1Y
		% YoY	10.5%	14.6%	22.1%	15.6%	
Upside to TP	+17.3%	EPS	11.8%	14.6%	14.6%	15.6%	3Y ann.
Dividend Yield	0.0%	NIM	3.00%	3.12%	3.32%	3.46%	
TSR	+17.3%	CASA ratio	35.2%	36.2%	36.2%	37.2%	
		NPLs/gross loans	0.98%	0.90%	0.80%	0.90%	
Industry	Banking	Credit costs	0.36%	0.43%	0.44%	0.58%	
Market Cap	USD20.6bn	CIR	32.4%	32.0%	31.0%	30.4%	
Foreign Room	USD1.3bn	P/B	16.8x	14.7x	12.8x	11.1x	
ADTV30D	USD5mn	P/E	3.0x	2.2x	1.9x	1.7x	
State Ownership	74.8%	ROE	21.7%	18.6%	17.8%	17.8%	
Outstanding Shares	5.589 bn	ROA	1.8%	1.9%	2.0%	2.0%	
Fully Diluted Shares	5.952 bn	* TP and rating last updated February 26, 2024					



Company Overview

Founded in 1963, VCB is the second largest bank in our coverage universe as calculated by total assets as of December 31, 2023, and most profitable in terms of total net profit. The bank had its IPO in 2008 and has listed shares since June 30, 2009.

VCB is one of the best quality banks in our coverage universe due to its high-quality customer base and conservative provisioning. VCB's low deposit rate due to its SOE prestige, together with the third highest CASA ratio, has helped the bank to contain one of the lowest COF under our coverage. As a result, VCB could be able to offer competitive lending rate to customers, thereby controlling its asset quality. As of 2023, VCB's SML ratio grossed up NPL ratio and write-off rate of 1.87% was the lowest under our coverage. In addition, since 2015, VCB's LLR has consistently stood at the highest level across the banks that we cover. With a 2023 LLR of 230%, we believe that VCB is well-positioned to cope with economic uncertainty.

We are positive on VCB's potential growth outlook. If VCB can raise new equity through private placement in 2024, it would then unlock top-line growth potential over the next three years. Given VCB's superior network franchise, we expect to see stronger credit expansion and NIM improvement when the bank shifts its lending portion towards retail customers. The bank also has market-leading positions in FX and cards and an FDI franchise that could support the bank's fee income.

Upside catalyst: Private placement to foreign investors of a 6.5% stake pre-private placement.

Risks to our positive view: (1) Capital raising does not materialize as expected; (2) lower-than-expected CASA; (3) risks arising from participation in rehabilitation of a distressed credit institution; (4) higher-than-expected support packages from VCB to support the economy.

Key data and summary valuations

Banking sector: Key data

Code	Rating	Market Cap USD mn	State O'ship %	For. Limit %	For. Avail USD mn	ADTV 30D USD mn	Share Price VND ps	Target Price VND ps	Target price updated	Upside %	Div. Yield %	TSR %
CTG	O-PF	7,056	64.5%	30.0%	242	14	32,850	39,300	02/26/24	19.6%	0.0%	19.6%
VCB	O-PF	20,568	74.8%	30.0%	1,334	5	92,000	105,000	02/26/24	14.1%	0.0%	14.1%
BID	M-PF	11,184	81.0%	30.0%	1,425	3	49,050	54,200	03/08/24	10.5%	0.0%	10.5%
STB	BUY	2,081	0.0%	30.0%	134	15	27,600	38,100	02/28/24	38.0%	0.0%	38.0%
MBB	BUY	4,780	9.4%	23.2%	0	24	22,600	30,000	05/10/24	32.7%	2.2%	35.0%
VPB	BUY	5,871	0.0%	30.0%	119	15	18,500	24,000	03/08/24	29.7%	2.7%	32.4%
ACB	BUY	4,304	0.0%	30.0%	0	23	27,700	33,800	02/20/24	22.0%	3.6%	25.6%
VIB	M-PF	2,187	0.0%	20.5%	0	8	21,550	26,000	03/29/24	20.7%	4.6%	25.3%
TPB	O-PF	1,594	0.0%	30.0%	18	6	18,100	21,700	02/05/24	19.9%	0.0%	19.9%
HDB	O-PF	2,761	0.0%	20.0%	7	12	23,700	26,000	02/23/24	9.7%	2.1%	11.8%
TCB	O-PF	6,834	0.0%	22.5%	0	22	48,500	44,500	02/19/24	-8.3%	3.1%	-5.2%
LPB	U-PF	2,056	0.0%	5.0%	81	13	20,100	14,900	04/03/24	-25.9%	0.0%	-25.9%

Banking sector: Summary valuations

Code	Share Price VND ps	EPS g 2023F %	EPS g 2024F%	EPS g 2025F%	P/B current x	P/B 2024F x	P/B 2025F x	P/E TTM x	P/E 2024F x	P/E 2025F x	ROE 2024F%	Assets/equity LQ x
VCB	92,000	11.8%	14.6%	14.6%	2.96	2.30	1.96	17.9	15.1	13.2	18.6%	10.2
CTG	32,850	18.1%	17.7%	36.1%	1.36	1.20	1.01	10.3	8.8	6.5	17.2%	15.9
BID	49,050	22.7%	23.4%	13.2%	2.26	1.80	1.57	14.7	12.1	10.7	18.7%	18.0
VPB	18,500	-52.1%	27.0%	30.3%	1.06	1.03	0.95	14.5	11.2	8.6	9.5%	5.8
STB	27,600	51.4%	21.4%	73.3%	1.09	0.97	0.77	6.6	6.5	3.7	20.8%	14.5
MBB	22,600	18.3%	9.8%	16.0%	1.23	1.04	0.87	5.8	5.2	4.5	22.2%	8.9
TCB	48,500	-10.8%	19.4%	19.1%	1.24	1.17	1.02	8.7	8.0	6.7	15.5%	6.4
TPB	18,100	-28.8%	30.2%	31.0%	1.17	1.03	0.86	8.8	6.9	5.2	16.6%	10.4
ACB	27,700	17.4%	14.5%	15.5%	1.44	1.26	1.05	6.8	5.9	5.1	23.6%	9.7
HDB	23,700	29.2%	21.7%	15.4%	1.44	1.25	1.02	6.2	5.6	4.8	24.6%	12.1
VIB	21,550	1.1%	13.6%	20.3%	1.42	1.23	1.02	6.5	5.7	4.7	23.7%	10.8
LPB	20,100	-2.0%	-9.3%	4.5%	1.41	1.41	1.27	7.8	12.7	12.1	12.2%	11.3

Disclaimer

Analyst Certification of Independence

We, Duy Nguyen, Nga Ho, and Ngoc Huynh, hereby certify that the views expressed in this report accurately reflect our personal views about the subject securities or issuers. We also certify that no part of our compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues, which include revenues from, among other business units, Institutional Equities and Investment Banking.

Vietcap and its officers, directors and employees may have positions in any securities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such securities (or investment). Vietcap may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment.

Copyright 2024 Vietcap Securities Company "Vietcap". All rights reserved. This report has been prepared on the basis of information believed to be reliable at the time of publication. Vietcap makes no representation or warranty regarding the completeness and accuracy of such information. Opinions, estimates and projection expressed in this report represent the current views of the author at the date of publication only. They do not necessarily reflect the opinions of Vietcap and are subject to change without notice. This report is provided, for information purposes only, to institutional investors and retail clients of Vietcap in Vietnam and overseas in accordance to relevant laws and regulations explicit to the country where this report is distributed, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of Vietcap. Please cite sources when quoting.

U.K. and European Economic Area (EEA): Unless specified to the contrary, issued and approved for distribution in the U.K. and the EEA by Vietcap issued by Vietcap has been prepared in accordance with Vietcap's policies for managing conflicts of interest arising as a result of publication and distribution of investment research. Many European regulators require a firm to establish, implement and maintain such a policy. This report has been issued in the U.K. only to persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is only available to relevant persons and will be engaged in only with relevant persons. In other EEA countries, the report has been issued to persons regarded as professional investors (or equivalent) in their home jurisdiction. **Australia:** This material is issued and distributed by Vietcap in Australia to "wholesale clients" only. Vietcap does not issue or distribute this material to "retail clients". The recipient of this material must not distribute it to any third party or outside Australia without the prior written consent of Vietcap. For the purposes of this paragraph the terms "wholesale client" and "retail client" have the meanings given to them in section 761G of the Corporations Act 2001. **Hong Kong:** The 1% ownership disclosure as of the previous month end satisfies the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission. (For research published within the first ten days of the month, the disclosure may be based on the month end data from two months prior.) **Japan:** There is a risk that a loss may occur due to a change in the price of the shares in the case of share trading, and that a loss may occur due to the exchange rate in the case of foreign share trading. In the case of share trading, Vietcap will be receiving a brokerage fee and consumption tax (shouhizei) calculated by multiplying the executed price by the commission rate which was individually agreed between Vietcap and the customer in advance. **Korea:** This report may have been edited or contributed to from time to time by affiliates of Vietcap. **Singapore:** Vietcap and/or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is 1% or greater, the specific holding is disclosed in the Important Disclosures section above. **India:** For private circulation only, not for sale. **Pakistan:** For private circulation only, not for sale. **New Zealand:** This material is issued and distributed by Vietcap in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money. Vietcap does not issue or distribute this material to members of "the public" as determined in accordance with section 3 of the Securities Act 1978. The recipient of this material must not distribute it to any third party or outside New Zealand without the prior written consent of Vietcap. **Canada:** The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, or solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. The information contained herein is under no circumstances to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. To the extent that the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities must be conducted through a dealer registered in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgment upon these materials, the information contained herein or the merits of the securities described herein, and any representation to the contrary is an offence. **Dubai:** This report has been issued to persons regarded as professional clients as defined under the DFSA rules. **United States:** This research report prepared by Vietcap is distributed in the United States to Major US Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) only by Decker&Co, LLC, a broker-dealer registered in the US (registered under Section 15 of Securities Exchange Act of 1934, as amended). All responsibility for the distribution of this report by Decker&Co, LLC in the US shall be borne by Decker&Co, LLC. All resulting transactions by a US person or entity should be effected through a registered broker-dealer in the US. This report is not directed at you if Vietcap Broker or Decker&Co, LLC is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that Decker&Co, LLC and Vietcap is permitted to provide research material concerning investment to you under relevant legislation and regulations.

Contacts

Research

Duy Nguyen, PhD ,Senior Manager
+84 28 3914 3588, ext 123
duy.nguyenanh@vietcap.com.vn

Research team
+84 28 3914 3588
research@vietcap.com.vn

Alastair Macdonald, Head of Research
+84 28 3914 3588, ext 105
alastair.macdonald@vietcap.com.vn

Ngoc Huynh, Senior Analyst
+84 28 3914 3588, ext 138
ngoc.huynh@vietcap.com.vn

Nga Ho, Analyst
+84 28 3914 3588, ext 516
nga.ho@vietcap.com.vn

Brokerage and Institutional Sales & Trading

Tuan Nhan
Managing Director, Brokerage & Institutional Sales & Trading
+84 28 3914 3588, ext 107
tuan.nhan@vietcap.com.vn

Quynh Chau
Managing Director Brokerage
+84 28 3914 3588, ext 222
quynh.chau@vietcap.com.vn

Dung Nguyen
Director Institutional Sales & Trading
+84 28 3914 3588, ext 136
dung.nguyen@vietcap.com.vn