Sector report | BANKS

Time to accumulate

28 Aug 2024

MBS Research

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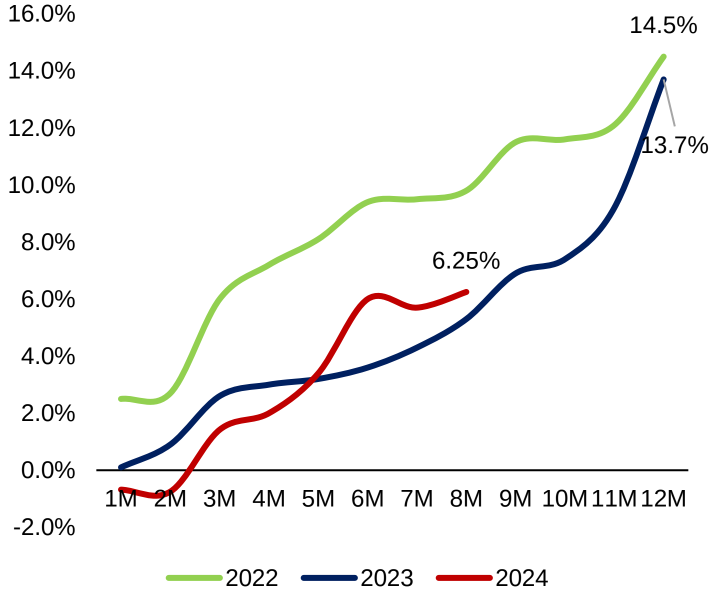
Credit growth to accelerate since Apr 2024, driven by manufacturing recovery

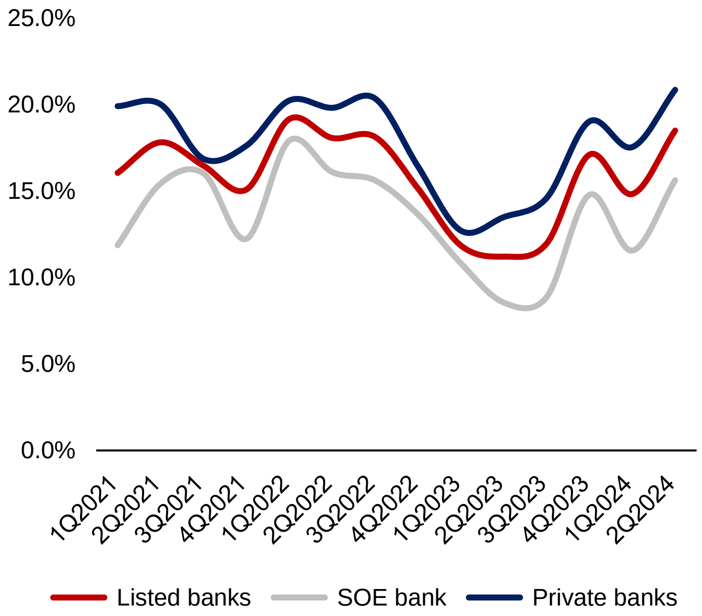
- According to the State Bank of Vietnam (SBV), the credit growth was 6.25% as of 16/08/2024 which is far from the target of 14-15% for FY2024. We think that credit growth to accelerate since Apr-24 thanks to manufacturing recovery. For 7M24, exports and imports grew 15.7% and 18.5%, respectively, resulting in a trade surplus of USD 14.08bn. Production activities have shown steady growth for five months in a row, with the Industrial Production Index (IIP) surging by 11.2% yoy in tandem with the PMI index to hold stable at 54.7 in July. However, credit growth was accelerated in the last month of 2Q2024 much faster than 5M2024 implying the unstableness underlying.
- In general, commercial banks have lead credit growth of the whole system while credit growth of SOEs banks has slowed down because of the prepayment activities are stronger driven by low interest rates.

Credit growth was accelerated in the last month of 2Q2024



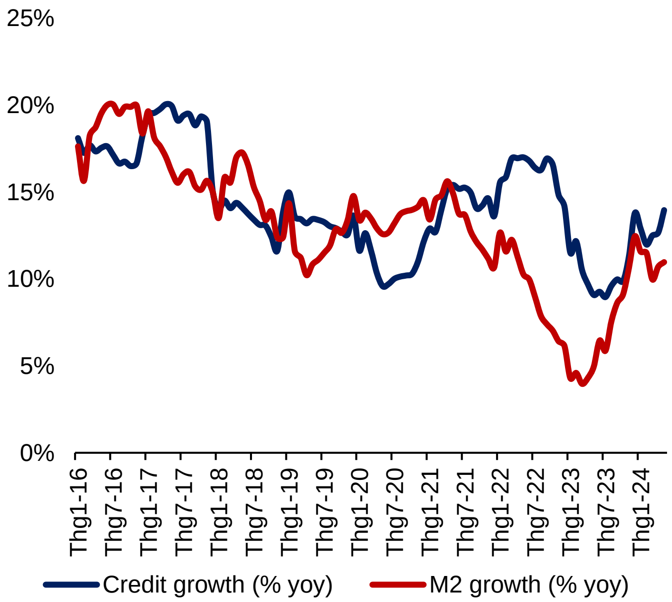
- *Source: SBV, MBS Research*

Credit growth (% yoy) of group of listed banks by quarter



- *Source: Commercial banks, MBS Research*

Credit growth and M2 growth



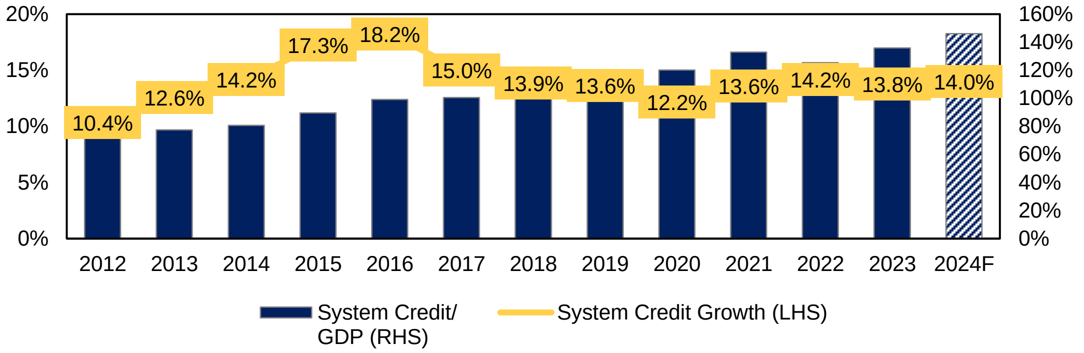
- *Source: Bloomberg, MBS Research*

We expect system credit growth to reach the target of 14% for the whole year

- We expect credit growth to reach 14% in 2024 with a projected GDP growth of 6.5% for the whole year. Retail lending is expected to recover stronger than in 1H2024 driven by consumer finance, credit card and car loans thanks to low lending rates. As of first 7 months of 2024, total retail sales recorded growth by 8.7% yoy. We also believe that mortgage will keep the same pace of growth as in 1H2024 thanks to the recovery of secondary real estate transactions volume.

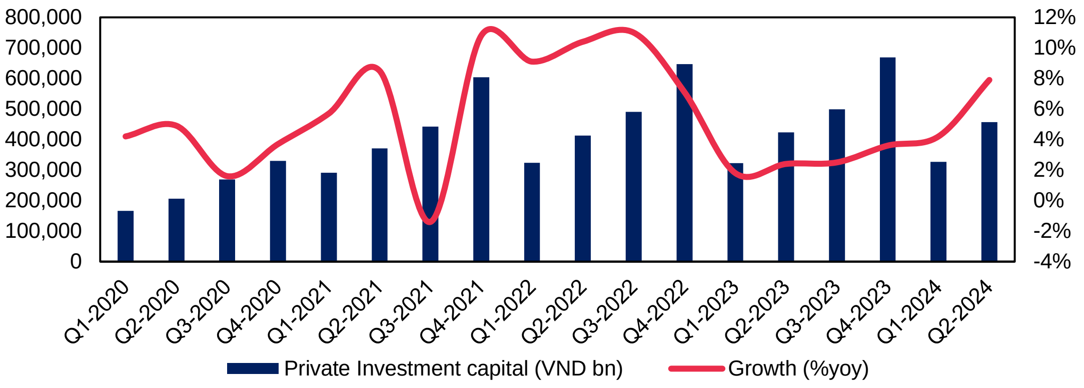
- For corporate banking, we anticipate that import and investment activities are main drivers of credit growth in 2H2024. Public and private investments inched up 2.3% in 7M24 and 6.7% in1H24. We expect the Ministry of Planning and Investment to increase disbursement of public investment projects in 2H24 such as Long Thanh airport and North-South expressway to complete 95% of the plan assigned by the Prime Minister. We expect import activities to expand by 15-16% yoy in 2024, driven by the 18.5% growth achieved in 7M24. Meanwhile real estate was recovering lower than expected though we have seen some positive signs of recovery such as (i) inventories-to-asset ratio of real estate companies slightly increase in 1H2024; (ii) highly growing land-related tax revenues recorded in 1H24 compared to 1H23.

We expect system credit growth to reach the target of 14% for the whole year



- *Source: Commercial banks, MBS Research*

Private investment capital increased 7.8% yoy in 2Q2024



- *Source: General Statistics Office, MBS Research*

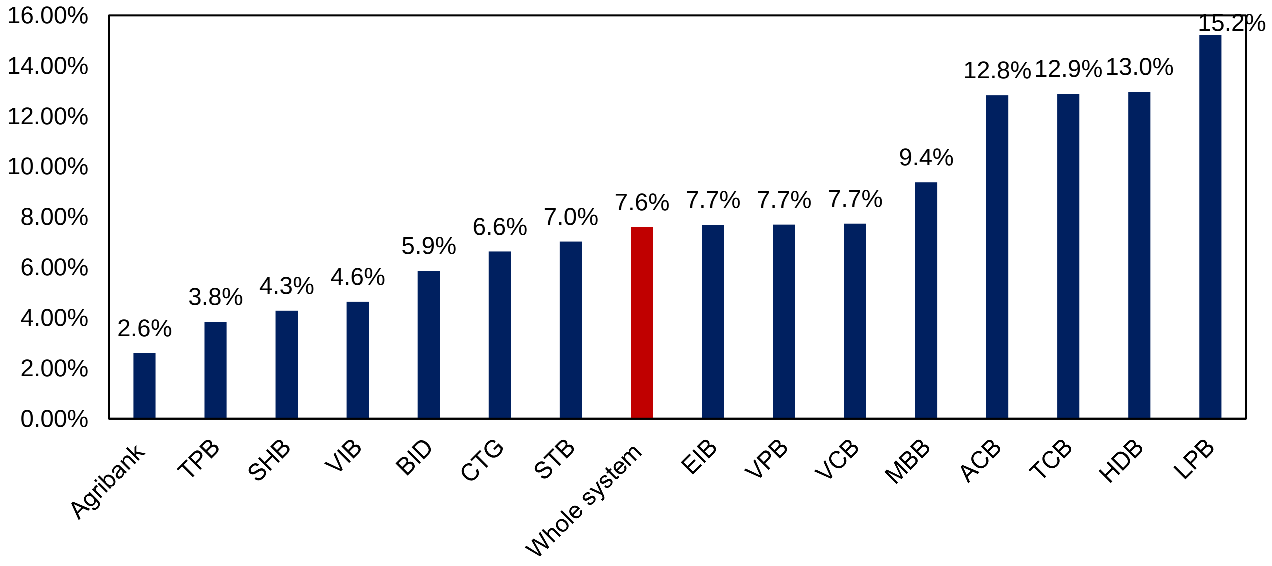
Credit will focus on banks that can either afford to scarifice NIM more than others or have more solid asset quality

- We expect banks that have these following characters will deliver higher credit growth for the remainder of FY2024 : (1) Higher NIM: Some banks can afford to sacrifice their (NIM) by reducing lending rates, including: VPB, MBB, TCB, and HDB. (2) Solid asset quality: Banks with proven asset quality during the Covid-19 pandemic (up to the present) are better positioned. These banks, such as ACB, VCB, and TCB, can overcome provision pressure in the upcoming quarters as credit continues to grow. (3) Historical strong credit growth: banks that demonstrated an ability to absorb credit during high prepayment pressure in FY2023 and 1H2024 are likely to sustain their growth. This resilience is especially valuable given the weak demand experienced from 2H2023 until now

FY24F credit growth of banks under our coverage

No	Banks	2023	2024F credit growth quota	2024F MBS Research forecasts
1	ACB	14.5%	16%	20.8%
2	BID	14.0%	14%	13.9%
3	CTG	14.0%	14%	14.3%
4	HDB	29.0%	15%	24.7%
5	MBB	24.0%	16%	22.3%
6	OCB	15.0%	20%	12.9%
7	STB	11.0%	10%	11.6%
8	TCB	14.0%	20%	23.5%
9	TPB	14.0%	16%	16.0%
10	VCB	14.0%	14%	12.0%
11	VIB	15.0%	16%	16.0%
12	VPB	24.0%	15%	24.4%
13	EIB	7.6%	9%	9.9%

Credit growth of Top 15 largest banks as of 30/06/2024 (% ytd)



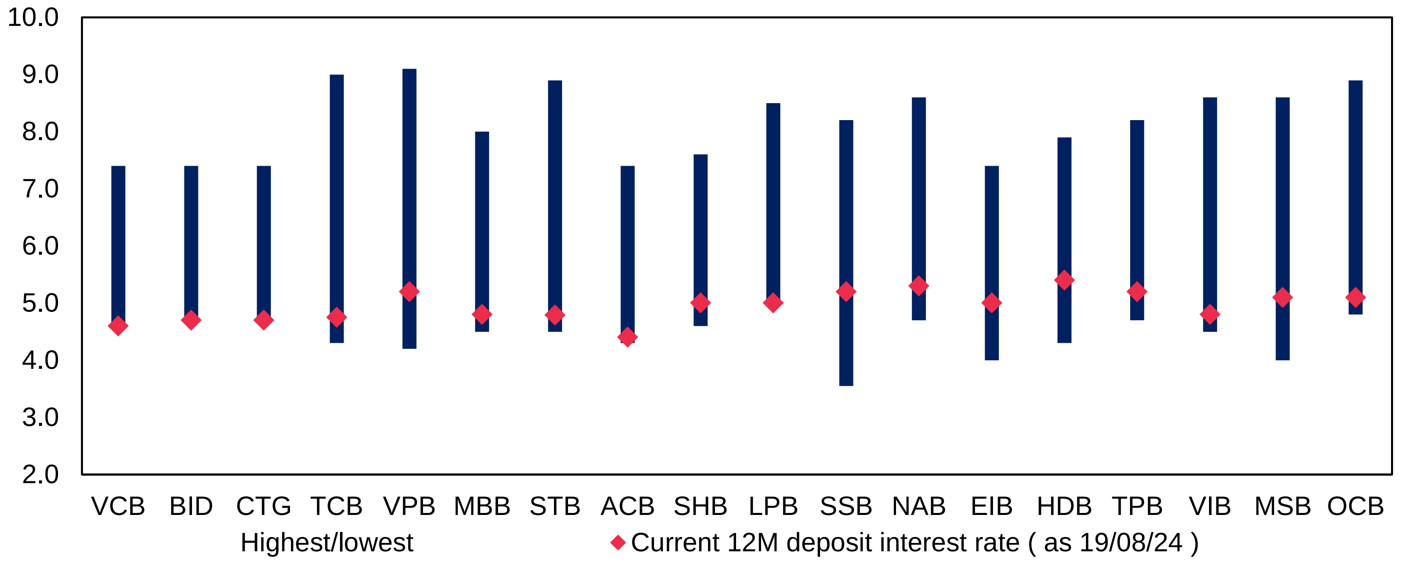
- *Source: Commercial banks, MBS Research*

NIM is expected to slide down cross most of banks under our coverage in 2024

- 12M deposit rates slide down to historical low since Apr 2023, alongside with SBV 's 4 times of policy rates cutdown. Commercial banks has lowered deposit rates by at least 200 – 330bps till 2Q24 which will fully reflected in the cost of fund (COF) this year.

- Though deposit rates of some medium-size banks started to inch up since Apr 2024 but still stayed at low level. We forecast that the 12M deposit rate of large commercial banks likely increased by 50bps more to 5.2% - 5.5% by the end of 2024.

Current deposit rates and the highest/lowest rates of banks since 2023



- *Source: Commercial banks, MBS Research*

Banks under our coverage record lower COF in 1H24 compared to 2023

	+/- EAY (YTD)	+/- COF (YTD)	+/- EAY (yoy)	+/- COF (yoy)
MSB	(196)	(287)	(264)	(47)
SHB	(265)	(224)	(335)	(259)
VPB	(146)	(211)	(170)	(205)
STB	(193)	(202)	(242)	(222)
EIB	(145)	(204)	(187)	(240)
HDB	(111)	(178)	(126)	(203)
LPB	(129)	(176)	(145)	(188)
OCB	(143)	(173)	(238)	(221)
SSB	(60)	(144)	(97)	(190)
TPB	(141)	(148)	(139)	(186)
CTG	(158)	(181)	(158)	(181)
VIB	(226)	(153)	(310)	(214)
ACB	(138)	(148)	(217)	(207)
TCB	(70)	(133)	(117)	(188)
BID	(130)	(130)	(168)	(169)
VCB	(99)	(116)	(152)	(144)
MBB	(238)	(98)	(238)	(135)

- *Source: Commercial banks, MBS Research*

NIM is expected to slide down cross most of banks under our coverage in 2024

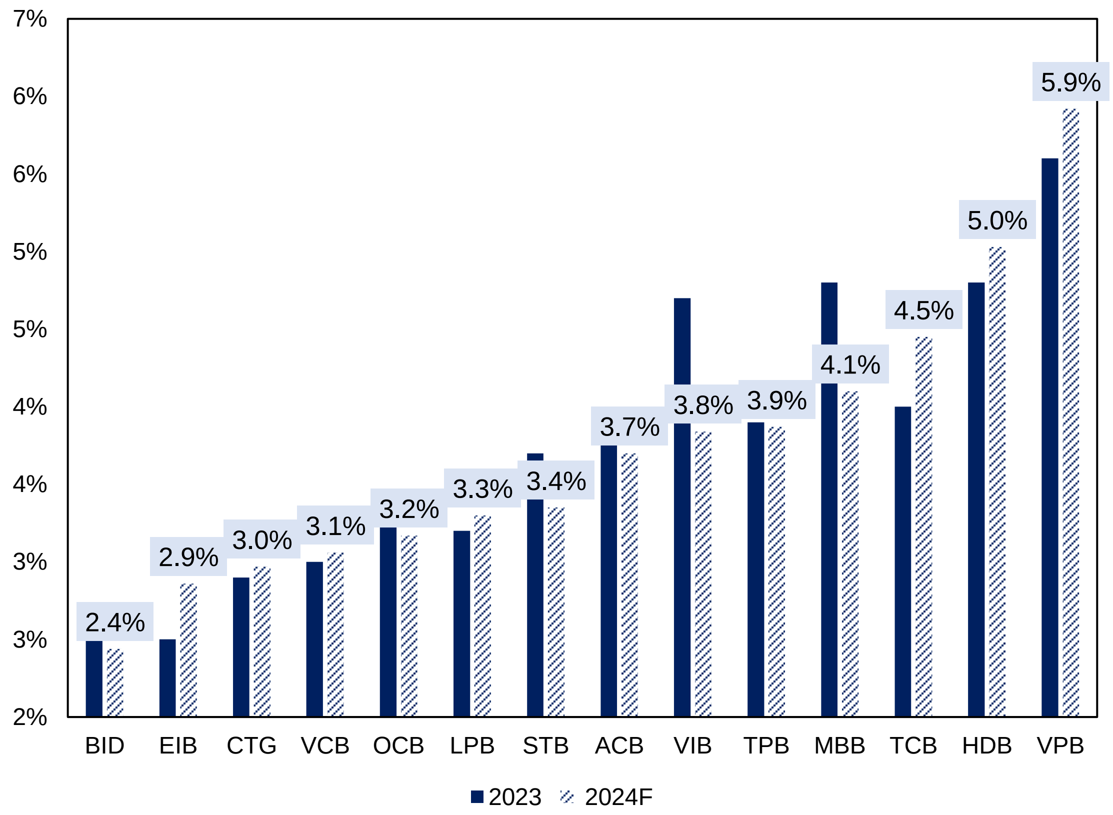
- Deposit rates maintained at low level and weak credit demand have encouraged banks to reduce lending rates that will lower NIM of most banks in 1H2024 compared to 1H2023. NIM for 6M2024 of listed banks decreased 18 bps yoy and 7 bps in 2023, reaching 3.87%.

- As our observation, cost of funds (COF) of banks under our coverage have significantly decreased in 1H24 but still smaller than EAY decline. In our opinions, deposit rates will slightly be raised in 2H2024 proven by that some banks have increased their rates recently. Hence, we expect deposit rate to increase slightly in 2H24, while lending rate will remain flat or slightly decrease in 2H24 to attract customers. Overall, the down of COF will still be smaller than EAY decline that has leads NIM of most banks declined in 2024.

- Besides, we believe that banks with a cost of funds (COF) advantage and strong momentum in consumer and real estate lending, such as HDB, TCB, and VPB, are likely to sustain their NIM in 2H24.

- In 2025, assumption of higher credit demand leading to higher lending rates will recover NIM of banks while COF will be maintained as the same level as in 2024.

FY24F NIM forecasts of banks under our coverage



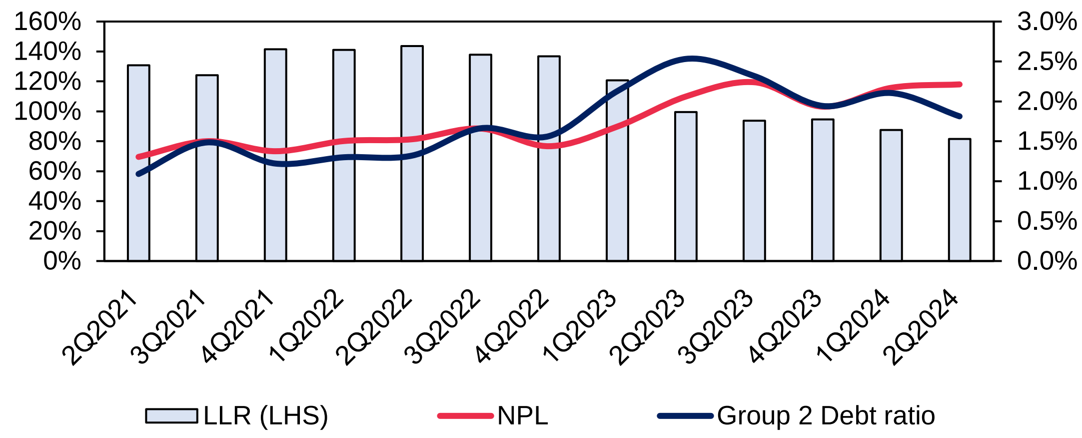
- *Source: Commercial banks, MBS Research*

Asset quality is expected to be less solid at the end of 2024 compared to 1Q2024

- Asset quality of the listed banks has been deteriorated slightly compared to previous quarter. NPL and group 2 debt ratios were 2.21% and 1.81%, respectively increased by 4 bps and decreased by 29 bps compared to previous quarter. Compared to end of FY2023, these ratios were up by 28 bps and down by 13 bps respectively. LLR of listed banks was 81.5% at the end of 2Q2024, down by 6% compared to last quarter and by 13.2% compared to the end of FY2023. Group 2 debt ratio was decreased along with LLR being down but NPL was still up that have shown that raising NPL pressure is still large in the upcoming quarters. Week credit demand in 6M2024 (6.0% YTD for the whole system and 7.6% YTD for listed banks) has significantly contributed to this trend.

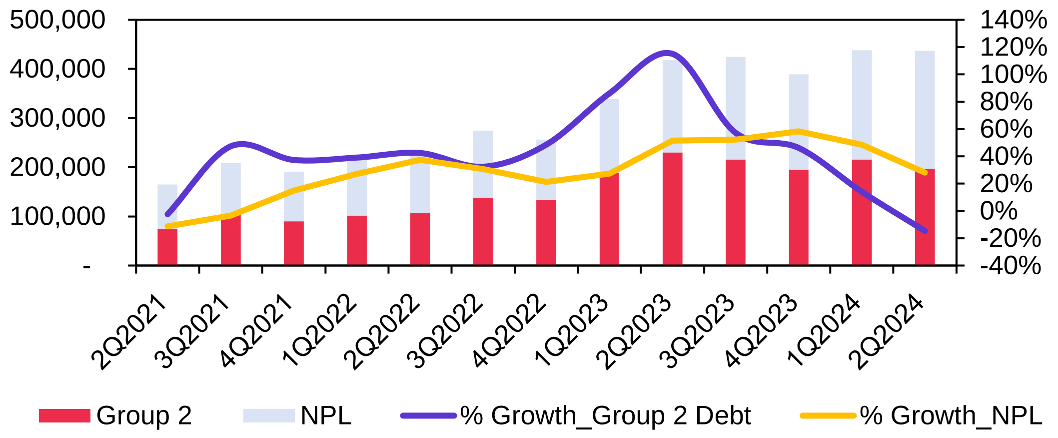
- In 2H2024, we forecast that NIM of most banks in 2H2024 will be flat or lower than it was in 1H2024 leading to lower growth of NII and TOI, so listed banks are expected to have less room for provisioning and writing off bad debt. Based on that, we anticipate that NPL of the listed banks at the end of 2024 will be little higher than at 30/06/2024 while LLR will be reduced due to higher percentage of provision expense spent for writing off bad debt.

Asset quality of listed banks quarterly (%)



- *Source: Commercial banks, MBS Research*

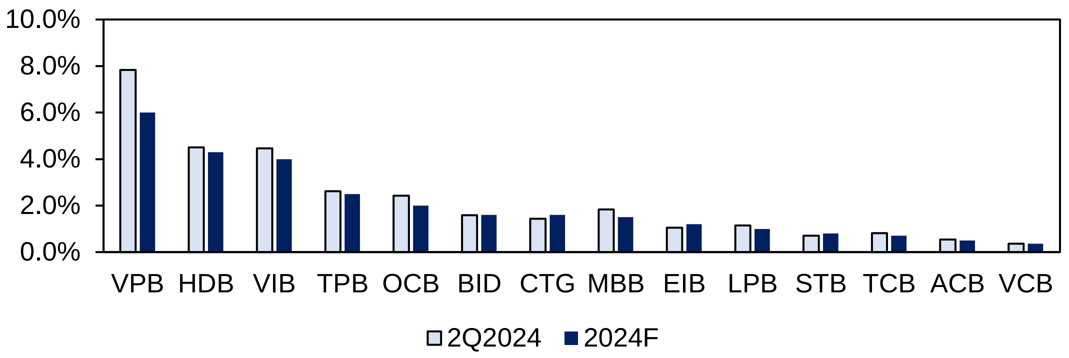
NPL has turned back to high level as in 3Q2023



- *Source: Commercial banks, MBS Research*

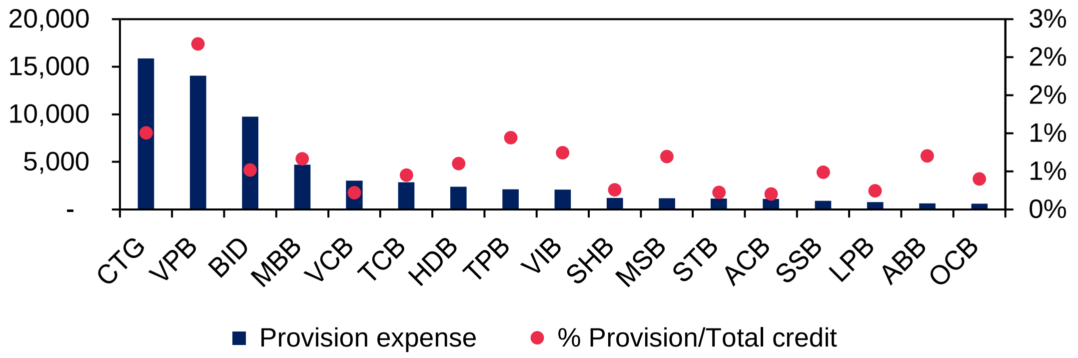
Asset quality is expected to be less solid at the end of 2024 compared to at the end of 2Q2024

Forecasted Group 2 Debt ratio of listed banks under our coverage at the end of 2024



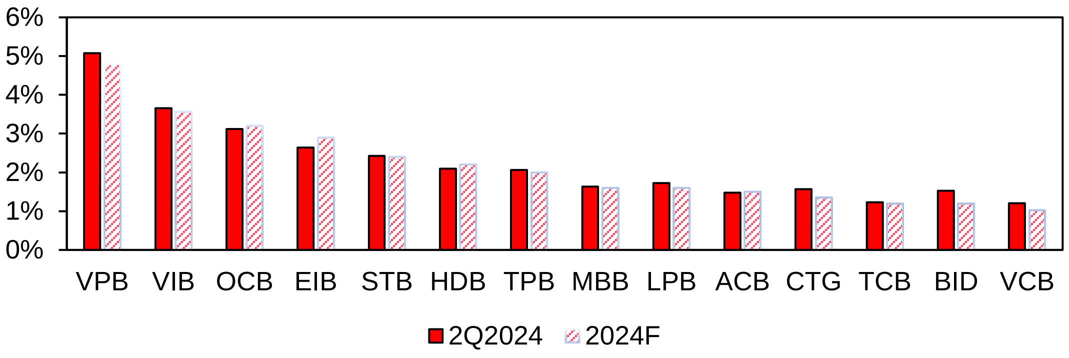
- *Source: Commercial banks, MBS Research*

6M2024 Provision expense/Credit exposure



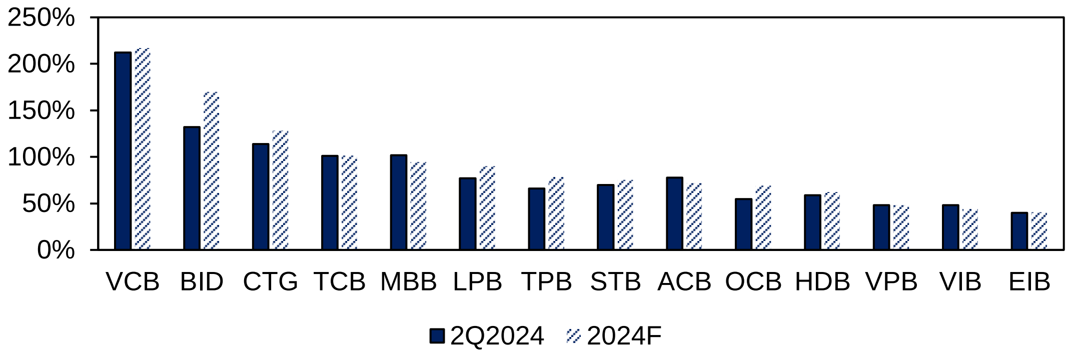
- *Source: Commercial banks, MBS Research*

Forecasted NPL ratio of listed banks under our coverage at the end of 2024



- *Source: Commercial banks, MBS Research*

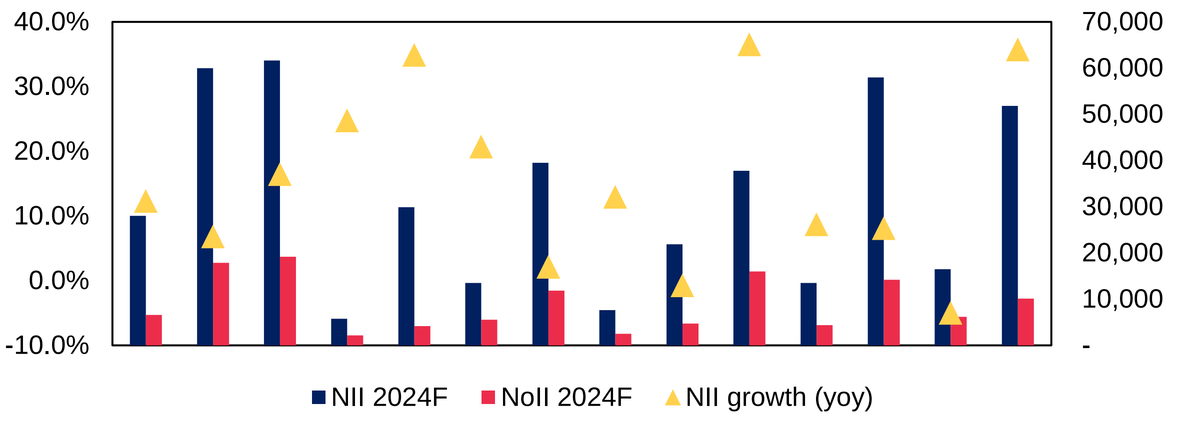
LLR of most listed banks are anticipated to go down due to higher percentage of provision expense spent for writing off bad debt.



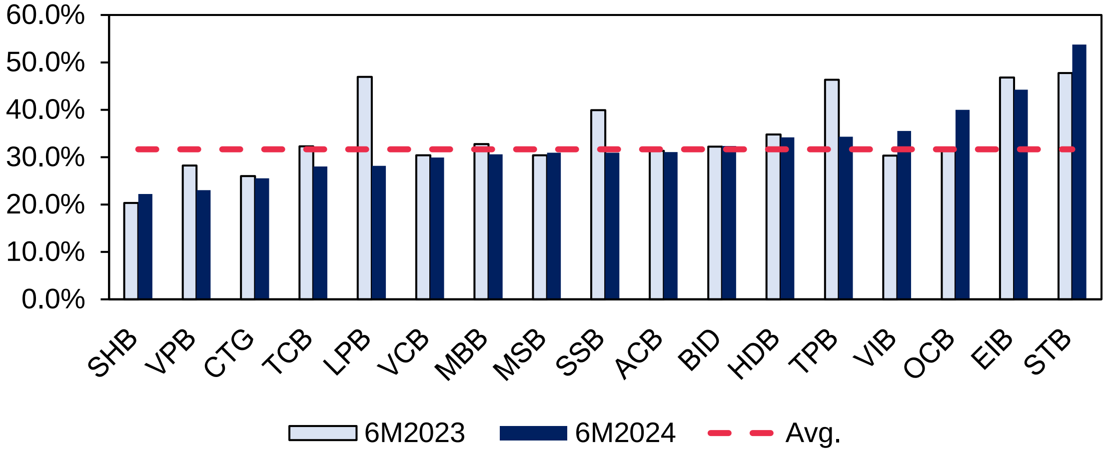
- *Source: Commercial banks, MBS Research*

Higher quality of earnings growth in 1H2024 based on increasing provision expense

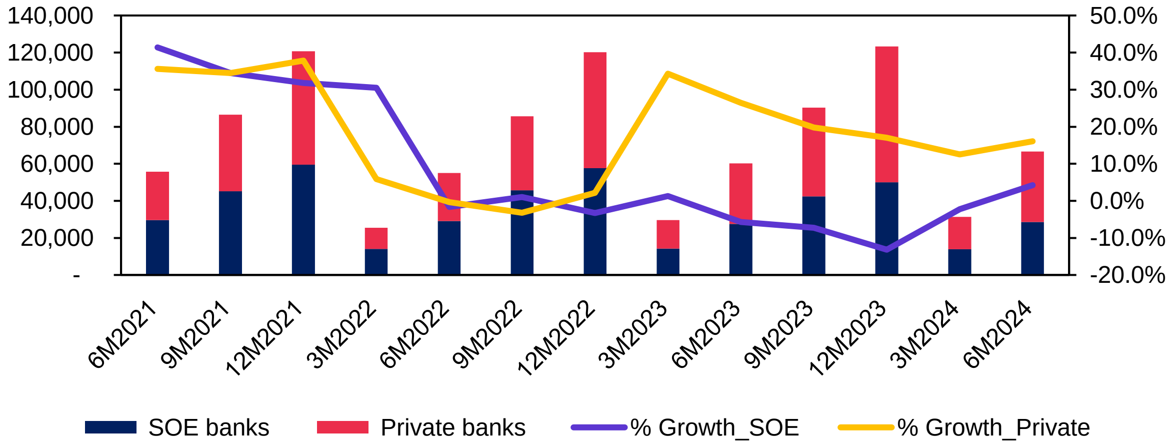
NII and NoII of banks under coverage is expected to grow by 14.6% and 9.7% yoy respectively.



CIR of listed banks was declined by 1.5% yoy in 1H2024

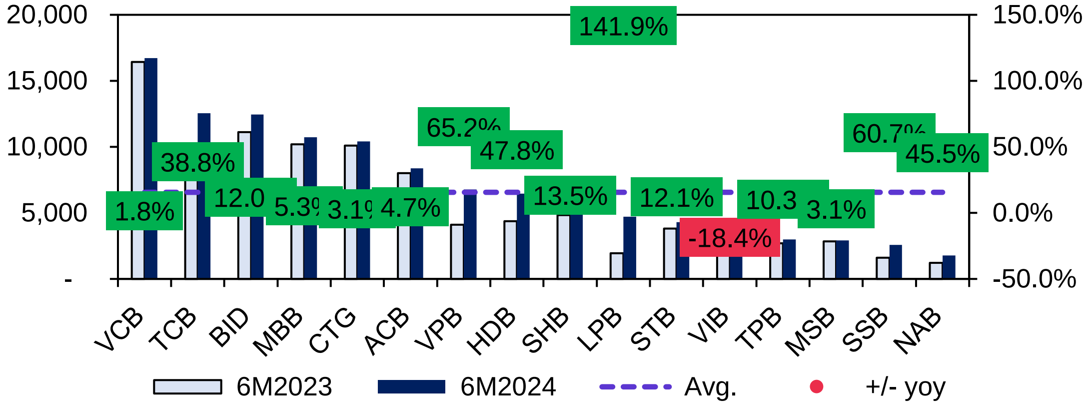


1H2024 provision expense was increased by 10.6% yoy leading by private banks, much higher than 1Q2024 growth (by 5.4% yoy)



- *Source: Commercial banks, MBS Research*

6M2024 earnings of listed banks accelerated to 15.6% yoy, higher than growth of 1Q2024 by 9.6% yoy

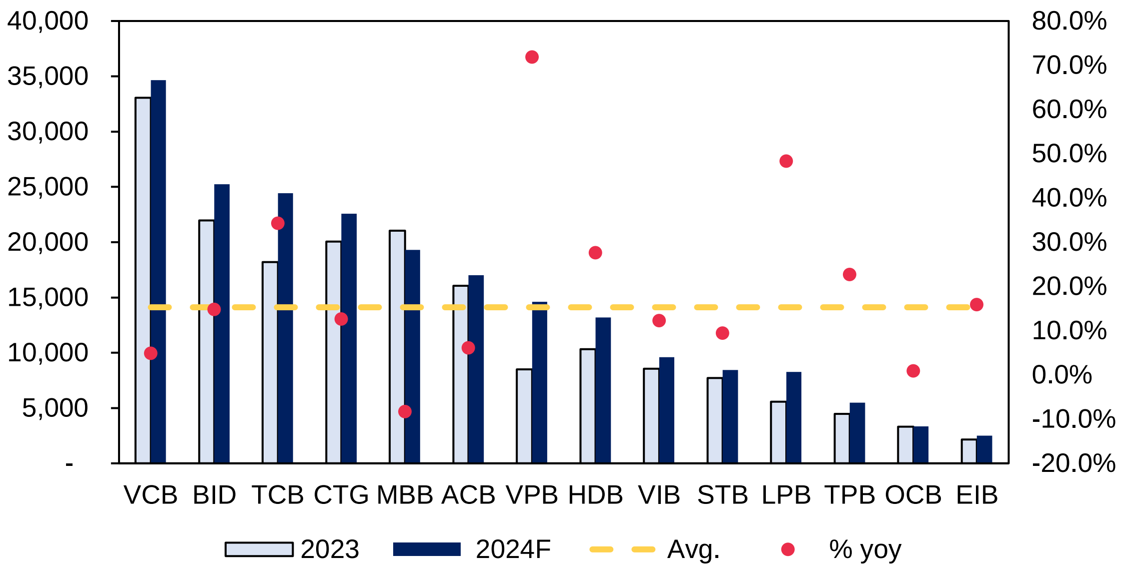


- *Source: Commercial banks, MBS Research*

We maintained our forecast that earning of banks under our coverage in FY2024 will growth by 15.3% yoy

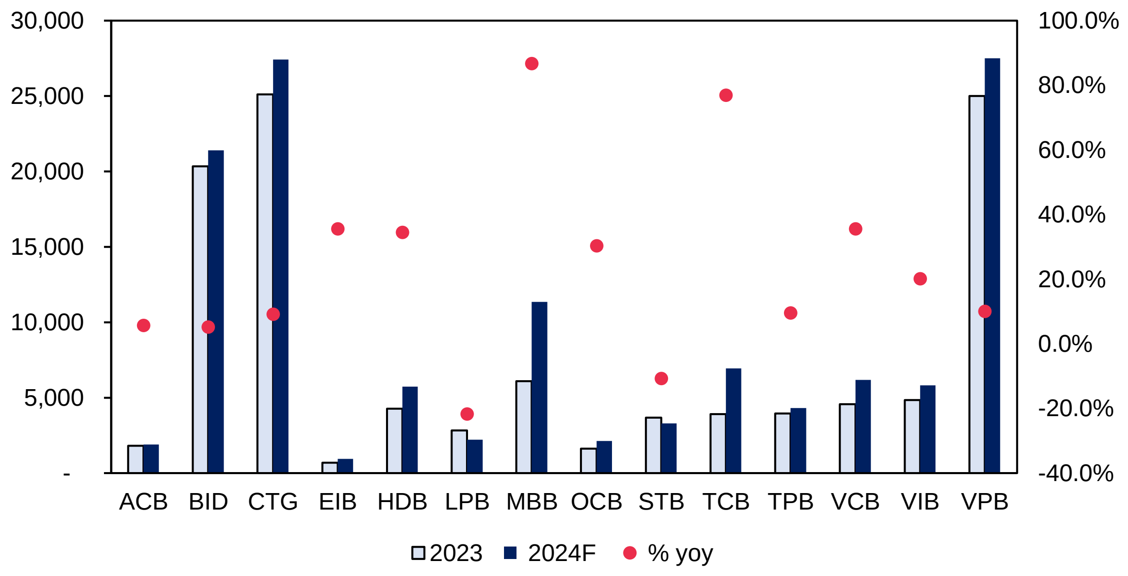
- Despite of anticipation of lower NIM, we maintain our forecast of earning of banks under coverage similar to last forecast. That means we expect the earning of these banks will grow by around 15.3% yoy for FY2024. We expect that lower provisioning and declined CIR in 2H2024 than 1H2024 will cover the impact from NIM's reduction maintaining earning growth as the same level as 1H2024. Our forecasts have also shown that the large commercial banks get higher growth of earnings than SOEs and small banks since (i) they still lead credit growth of the whole system while SOEs banks maintain the pace; (ii) NIM of the large commercial banks will recover stronger than the other groups as they have more flexible price policy than SOEs banks and more advantages of COF than smaller banks. Besides, the faster recovery of NoII of the large commercial banks will be maintained in 2H2024.

Estimates of earning growth of banks under our coverage in FY2024



- *Source: Commercial banks, MBS Research*

Provision expense forecasted in FY2024

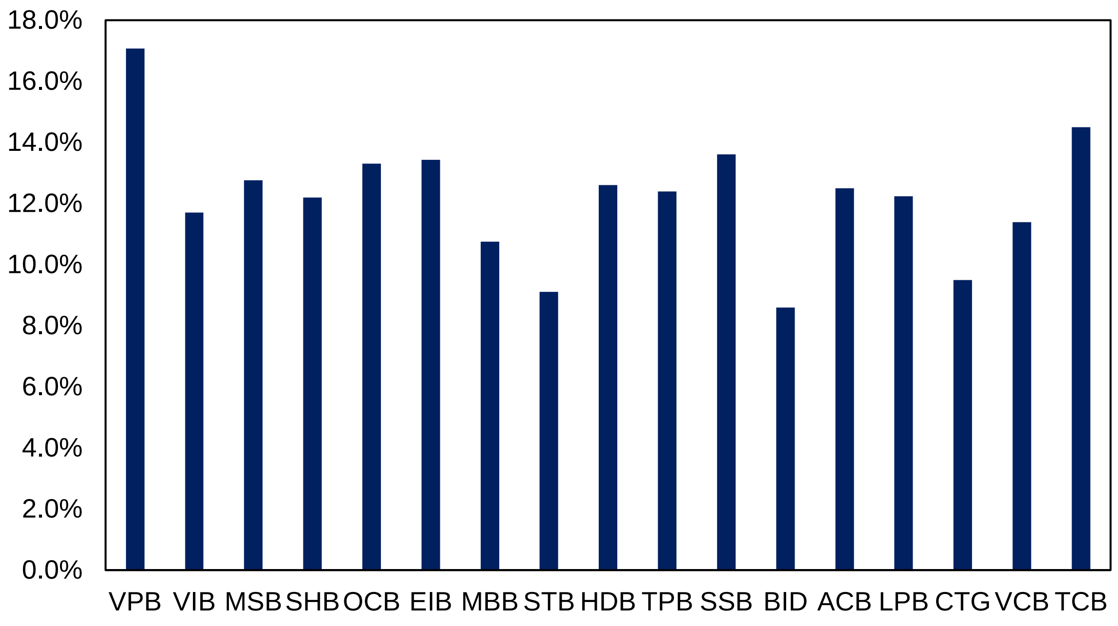


- *Source: Commercial banks, MBS Research*

We expect that no capital raising activities in 2H2024

- VCB has delayed the planned private placement by 6.5% that is expected to value around USD 1bn in 2025.
- BID has delayed its plan of issuing more by 9.0% chartered capital to 2025. The valuation is dependent on the market price at that time.

CAR of banks as of 31/12/2023



- *Source: Commercial banks, MBS Research*

Capital raising plan of banks in 2024

Banks	Type of activities	% of shares in issue	Issue value	Status
VCB	Dividend payment by share Private placement	38.8% 6.5%	The expected value of the additional issue about 1bn USD	Delayed
BID	Private placement/ Public offering	9.0%	Depending on the issue price	Delayed
CTG	Dividend payment by share	SBV approved		In progress
MBB	Private placement Dividend payment by share	73 mn shares 15-20%	The value of the additional issue is more than 1.1tn VND	Completed
ACB	Dividend payment by share	15.0%		Completed
NAB	Dividend payment by share ESOP	25% 50mn share		Completed
LPB	Public offering	500mn shares	Price 10,000 VND/share	Completed

- *Source: Commercial banks, MBS Research*

Legal document and regulations that have been expected to impact banking sector in 2024 (1)

	Regulations	Main points	Evaluative Commentary
1	Roadmap for reducing the ratio of short-term capital for long-term loans according to Circular 08/2020/TT-NHNN	▪ From 01/10/2023, the maximum ratio of short-term capital for medium and long-term loans will decrease to 30%.	▪ State-owned commercial banks and large-scale joint stock commercial banks having a high ratio of loans provided to help finance infrastructure developments, real estate, and energy projects such as TCB, MBB, VPB, HDB, etc. would face greater pressure on enhancing long-term capital mobilization (requires higher capital cost).
2	Circular 26/2022/TT-NHNN (Amended Circular 22/2019/TT-NHNN) aims to adjust the LDR ratio calculation method at commercial banks	▪ Deposits of State Treasury will be included in the mobilized capital at a certain deducted rate: - From the effective date of the Circular until 31/12/2023: 50%; - From 01/01/2024 to 31/12/2024: 60%; - From 01/01/2025 to 31/12/2025: 80%; - From 01/01/2026 onwards: 100%.	▪ Circular 26 will bring advantages to banks with abundant deposits from the State Treasury. According to our evaluation, the state-owned commercial banks group will benefit more from this policy
3	Circular 02/2023/TT-NHNN: Regulations on credit institutions restructuring debts repayment, keep debt classifications unchanged for debtors facing difficulties in business, production activities and repaying loans borrowed for personal use.	▪ Apart from the production and business sector, the Circular has allowed debt rescheduling/postponement for consumer lending – a sector also facing difficulties amid a decline in borrowers' income (The draft circular has not included the consumer loans yet) ▪ The debt group should be retained according to the most recent classification before restructuring and the accrued interest should be removed from the balance sheet for monitoring purpose (accrued interest must be taken off) until **31/12/2024.**	▪ Debtors have more time to arrange their funds for debt repayment, thereby completely resolving potential bad debts of the banking system. ▪ Extending the validity period of the Circular will help gradually reduce provisioning pressure on commercial banks when business results in 2024 are expected to be more bullish, thus, increasing provisioning buffers for banks.

Source: MBS Research

Legal document and regulations that have been expected to impact banking sector in 2024 (2)

	Regulations	Main points	Evaluative Commentary
4	Circular 03/2023 postponing the implementation of Clause 11, Article 4 of Circular 16/2021, allowing banks to buy corporate bonds	▪ Is a way for banks to promote loan growth through purchasing corporate bonds amid weak credit growth and redundant liquidity in the banking system.	▪ Partially help in increasing bond demand, beneficial for banks operating actively in the corporate bond market such as TPB (9.2% of total outstanding loan), TCB (7.9%), MBB (7.7%), VPB (7.4%). ▪ Offer more room for commercial banks to roll over debts to qualified bondholders who have the ability to repay debts.
5	Circular 22/2023 amending and supplementing some articles of Circular No. 41/2016 regulating the capital adequacy ratio for banks.	▪ Keep the risk coefficient (HSRR) for real estate business loan at 200%. However, HSRR will be 160% when financing industrial park real estate project. ▪ Supplement HSRR regulations applicable to residential mortgage loans based on guaranteed rate (LTV) and debt repayment ability ratio (DSC)	▪ Help to improve to asset quality of banks, especially banks that have high portion of real estate accounted in lending portfolio. ▪ Negative impact to credit growth of the whole system in weak credit demand situation now.
6	Resolution 148/NQ-CP/2022	▪ Pilot resolution on handling bad debts of credit institutions according to Resolution No. 42/2017/QH14	▪ Directly affected entities are 100% State-owned organizations established by the Government to handle bad debts of credit institutions, foreign bank branches and related organizations. Therefore, this may affect the debt handling activities of credit institutions in 2024, causing provisioning pressure to increase.
7	New Law on Credit Institutions 2024 (expected to take effect soon from July 1, 2024)	▪ Limit of organized shareholders down from 15% to 10%; shareholders related group from 20% to 15%. Group of shareholders limit to 5% of charter capital. ▪ Banca products are not allowed to obligatedly combined with credit products provided by banks in any case. ▪ Credit institutions have the right to transfer part or all of the collateral assets, which are real estate projects, to recover debt.	▪ Limit cross-ownership and help identify major risks from backyard businesses like the cases of SCB and Van Thinh Phat. ▪ Banca activities will be more strictly managed, this will cause banks' income growth rate of banca activities to slow down compared to the period of 2019-2021. In particular, the group of joint stock commercial banks has a high proportion of banca income in total non-interest income such as VIB and ACB. ▪ This will help banks have more options in dealing with large projects which have a small part facing legal problems, thereby smoothening the cash flow of real estate businesses and reducing bad debts for banks, especially listed banks with a high real estate lending rate like TCB, MBB, VPB, SHB, HDB, etc.

2024 – 2025 forecasts summary of banks under our coverage

	ACB		BID		CTG		EIB		HDB		LPB	
	2024F	**2025F**	**2024F**	**2025F**	**2024F**	**2025F**	**2024F**	**2025F**	**2024F**	**2025F**	**2024F**	**2025F**
TOI	34,620	42,046	77,821	93,908	80,850	92,179	7,866	9,337	34,115	43,363	19,070	20,034
% svck	*5.7%*	*21.4%*	*6.6%*	*20.7%*	*14.6%*	*14.0%*	*15.8%*	*20.8%*	*29.2%*	*27.1%*	*22.0%*	*5.1%*
Net profit	17,021	20,905	25,229	29,339	22,570	28,600	2,509	3,029	13,188	16,824	8,266	8,841
% svck	*6.1%*	*22.8%*	*14.9%*	*17.0%*	*12.6%*	*26.7%*	*15.9%*	*20.7%*	*27.6%*	*27.6%*	*48.3%*	*7.0%*
Credit growth	20.8%	20.0%	13.9%	15.0%	14.3%	12.7%	9.9%	16.4%	24.7%	24.6%	17.5%	11.4%
Funding growth	15.7%	20.3%	14.0%	12.0%	15.0%	16.7%	9.60%	16.10%	16.50%	19.38%	22.6%	12.1%
NIM	3.7%	3.7%	2.4%	2.7%	3.0%	3.1%	2.9%	3.1%	5.1%	5.5%	3.3%	3.4%
CIR	33.0%	33.0%	31.9%	29.9%	31.0%	30.0%	48.0%	47.9%	34.5%	34.5%	34.1%	34.5%
NPL	1.5%	1.3%	1.3%	1.2%	1.4%	1.4%	2.7%	2.6%	2.2%	1.5%	1.6%	1.4%
LLR	71.7%	81.2%	150.2%	149.6%	128.3%	137.1%	42.5%	43.8%	59.8%	92.9%	90.0%	110.0%
ROE	21.7%	22.0%	16.8%	16.3%	16.5%	18.0%	10.6%	11.4%	26.6%	26.6%	21.6%	18.9%
ROA	2.2%	2.3%	0.9%	1.0%	1.1%	1.2%	1.2%	1.3%	2.0%	2.2%	2.0%	1.8%
EPS	3,811	4,680	4,396	4,970	3,782	4,187	1,436	1,734	4,528	5,776	3,232	3,457
BVPS	19,228	23,375	25,958	30,928	25,149	27,144	14,337	16,081	18,795	24,569	16,571	20,028

2024 – 2025 forecasts summary of banks under our coverage

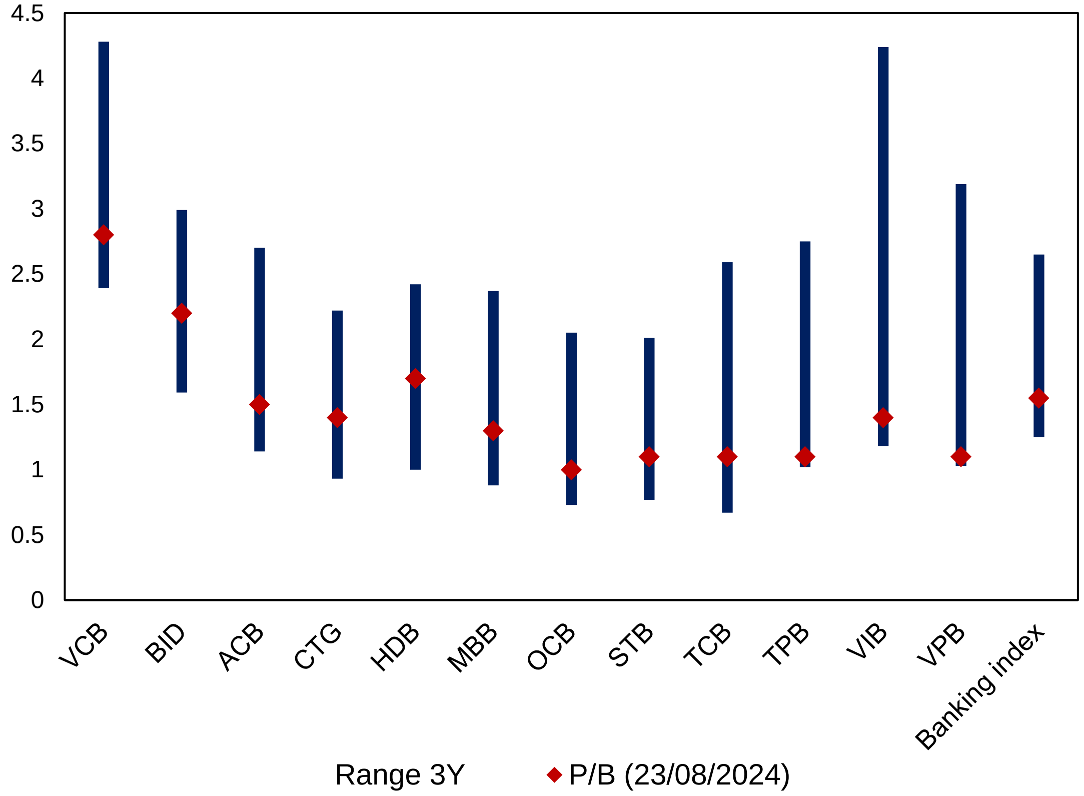
	OCB		STB		TCB		TPB		VCB		VIB		VPB	
	2024F	2025F	2024F	2025F	2024F	2025F	2024F	2025F	2024F	2025F	2024F	2025F	2024F	2025F
TOI	10,137	12,853	26,642	32,502	53,814	67,106	17,877	20,286	72,157	81,864	22,693	28,173	61,927	84,782
% svck	*13.4%*	*26.8%*	*1.8%*	*22.0%*	*34.3%*	*24.7%*	*10.0%*	*13.0%*	*7.0%*	*13.0%*	*2.4%*	*24.1%*	*24.5%*	*36.9%*
Net profit	3,332	4,838	8,448	11,599	24,428	30,164	5,475	6,738	34,662	39,768	7,693	10,254	14,598	22,669
% svck	*0.9%*	*45.2%*	*9.4%*	*37.3%*	*34.3%*	*23.5%*	*22.7%*	*23.0%*	*4.9%*	*14.8%*	*-10.2%*	*33.3%*	*71.9%*	*55.3%*
Credit growth	12.9%	14.7%	11.6%	14.9%	23.5%	20.1%	16.0%	16.0%	12.0%	13.0%	16.0%	19.3%	24.4%	23.6%
Funding growth	9.7%	11.9%	7.5%	11.4%	22.9%	18.2%	13.0%	15.0%	11.6%	10.2%	12.5%	15.3%	27.1%	27.0%
NIM	3.2%	3.6%	3.4%	3.8%	4.5%	4.7%	3.9%	4.0%	3.1%	3.2%	3.8%	4.2%	5.9%	6.5%
CIR	38.0%	37.0%	49.0%	45.0%	30.0%	31.0%	37.5%	36.6%	31.4%	30.4%	32.0%	31.0%	26.0%	27.0%
NPL	2.6%	2.3%	2.3%	2.0%	1.2%	0.9%	2.0%	1.8%	1.0%	0.9%	3.6%	3.2%	4.8%	4.8%
LLR	72.3%	86.8%	53.8%	46.0%	101.3%	138.1%	79.9%	87.1%	205.2%	217.3%	44.1%	39.9%	48.2%	44.1%
ROE	11.0%	14.1%	17.0%	19.5%	17.5%	18.3%	14.8%	15.4%	17.0%	16.4%	19.2%	21.8%	10.6%	15.4%
ROA	1.3%	1.7%	1.2%	1.5%	2.6%	2.7%	1.4%	1.4%	1.7%	1.7%	1.8%	2.0%	1.6%	2.0%
EPS	1,850	2,399	4,340	4,510	3,432	4,238	2,487	3,060	6,198	7,115	3,048	3,033	1,732	2,717
BVPS	14,669	16,266	26,033	28,589	21,214	25,496	16,859	19,920	36,354	43,469	15,118	16,608	17,701	19,418

Investment strategy : We believe the current valuation of banks remains attractive for investment

Banking sector's current P/B is falling below 3Y- average range and the peak in 2021

- *Source: Fiinpro, MBS Research*

Except VCB and BID, most coverage banks are trading below sector P/B



- *Source: Fiinpro, MBS Research*

Investment strategy: Our stock picks are VPB , VCB and TCB

Ticker	Rating	Target price	Investment thesis
TCB	ADD	25,400	Credit growth will keep the same pace as in 1H2024 and reach 23.5% for FY2024. NIM will strongly recover to 4.5% (+43 bps yoy). NoII in FY2024 keep growing by 29.5% yoy, little lower than 1H2024 as the fee income is expected to be slown down. NPL and LLR will reach 1.2% and 101.3% respectively. TCB's earnings is anticipated to grow by 34.3% yoy based on significant increase of provision expense by 76.9% yoy, equivalent to 112.7% FY2024's plan. P/B target is 1.2x since the risks from related parties and weak recovery of primary real estate market.
VPB	ADD	24,600	Credit growth is adjusted down to 24.4% and NIM will increase 35 bps to 5.9% yoy. FECredit (FEC) recored 145 VNDbn PBT in 2Q2024 reducing accumulated loss in 1H2024 down to 707 VNDbn. FEC is expected to record no loss in FY2024. Group 2-5 is in downtrend despite of higher NPL of FECredit. Provision expense in FY2024 will increase by 10.0% yoy. VPB's earning in FY24F is forecased to reach 14,598 VNDbn (+71.9% yoy, -5.0% compared to last forecast). Current P/B is 1.1x, quite attractive compared to its peers and for long term since the asset quality and earning growth have recovered.
VCB	ADD	110,500	We forecast loan book in 2024 to grow 12% yoy as individual lending is expected to rebound in 2H24, supported by economic recovery and a resurgence in retail credit demand. Additionally, we expect consumer credit to improve in 2024 compared to the lower base of 2023. NIM will expands 11 bps yoy to 3.2% in FY25F, driven by a higher net interest rate spread due to the ability to pass on interest costs amid a strong recovery in retail demand. We forecast net profit to grow 4.8%/14.8% in 2024-25 The current price is 2.4x at FY24F BVPS, which is 25% below P/B 3-year average of 3.2x. We believe that VCB is still sturdy pick given 15% yoy net profit growth in FY25F and premier asset quality with largest provision buffer among banking sectors.

Investment strategy: Our stock picks are VPB , VCB and TCB

Ticker	Rating	Target price	Investment thesis
HDB	ADD	31,300	TOI in FY2024 is expected to increase by 29.2% yoy driven by growth of NII by 34.9% yoy while NoII will slightly decrease by 0.8% yoy. Credit growth will reach 24.7% in 2024 and NIM is 5.0% (-34 bps compared to 1H2024). NPL at the end of 2024 is expected to keep at 2.1%, the same as 1H2024. Credit cost is stabilized at 1.3% for FY2024. HDB's earnings of FY2024 will reach 13,188 VNDbn (+27.6% yoy), equivalent to 105.0% FY2024's plan. Current P/B is 1.6x, higher than its peers, but relatively attractive for long term with high growth potential of 25%/year and ROE over 22%/year.
TPB	ADD	20,900	We expect credit growth to reach 16%/18% in FY24F/FY25F. This forecast is based on several factors: (1) reducing lending rates to stimulate credit demand during 2024-2025; (2) continued leadership in growth from the corporate customer segment in 2024; (3) TPB's strong track record of impressive credit growth over the years.. NIM is expected to improve 1.3 bps and reach 4.0% in FY25F thanks to a higher interest rate base and increasing demand for retail lending, which offers higher lending yields. We expect NPLs to have peaked in 1Q24, as group 2 loan ratio has decreased for three consecutive quarters. We forecast TPB's NPL ratio in FY2024 to reach 2.0% (~ FY23).
VIB	HOLD	20,800	We forecast credit growth of VIB for FY2024 reaching 16.0%, full credit quote provided as retail banking in 2H2024 will recover stronger than in 1H2024. However, NIM in FY2024 will be down to 3.8% (-86 bps yoy). NPL at the end of 2024 is expected to reach 3.6%, slight down compared to end of 2Q2024 but much higher than at the end of 2023. LLR will go down to 44.1%. Provision expense will grow by 20.1% yoy leading VIB's earnings of FY2024 down by 10.2% yoy. Target P/B is forecasted down to 1.1x as the asset quality has been seriously impacted along with negative business performance.
BID	HOLD	56,150	In 2024, we forecast credit growth to reach 14% in FY24 driven by two main factors: (1) lower lending rates stimulating credit demand; (2) the corporate lending segment continues to grow strongly in 2024. We expect BID's asset quality to improve in 2H24 driven by: (1) credit growth rebound; (2) economic recovery and the extension of Circular 02/2023/TT-NHNN for an additional 6 months are expected to enhance borrowers' repayment capacity; (3) stable net profit growth will provide the bank with more room to increase provisions. We forecast BID's net profit to grow 14.9/16.6% yoy

Investment strategy: Our stock picks are VPB , VCB and TCB

Ticker	Rating	Target price	Investment thesis
ACB	HOLD	26,100	Credit growth in FY2024 is adjusted up to 20.8% yoy (last forecast: 16.0% yoy) as credit growth was increased positively in 2Q2024. NIM in FY2024 is forecasted being down to 3.7%, lower than 3.8% of 1H2024. NoII in FY2024 will be reduced by 15.3% yoy. Provision expense will increase slightly by 5.7% yoy while CIR will flat at 33.0%, the same level as in FY2023. Hence, earnings of ACB is expected to reach 17,021VNDbn (+6.1% yoy), completing 97.0% FY2024's plan. Current P/B is 1.4x, higher than peers like TCB, MBB, STB, VPB. Taret P/B is 1.3x as NPL is expected to reach 1.5% (+37 bps yoy) at the end of 2024.
STB	HOLD	30,100	Net profit for FY2024 increases is expected to increase 9.4% yoy. Credit growth will reach 11.6% with NIM being down to 3.4%. NPL is expected to be high level of 2.3%. Provision expense will decrease by 19.6% yoy because of provision for VAMC bond ended. Earnings of FY2024 will grow by 9.4%, accomplishing 100% FY2024's plan. Current P/B is 1.1x, relatively attractive for long term, especially when restructure progress is completed.
CTG	HOLD	33,500	Net profit of FY2024 is expected to grow by 12.6% yoy. Credit growth will reach 14.3% yoy while NIM maintain the same level as FY2023 at 3.0%. For FY2025, we expect that net profit growth will increase to 26.7% yoy as the recovery of credit demand improving NIM and NOI. NPL is expected to stay at 1.4%, equivalent to at the end of 2023. LLR will reach 128.3%, top 3 of all sector. Target P/B of 1.3x is appropriate for CTG. Compared to other 2 SOEs banks, this P/B is quite lower as the credit cost of CTG is much higher than VCB and BID.
EIB	HOLD	20,800	We forcast that EIB's credit growth will reach 9.9% in 2024 and 16.4% in 2025, driven by several factors: (1) continued growth in wholesale and retail lending, which constituted 36% of EIB's lending structure in 2023; (2) recovery in real estate lending as the real estate market warms up from Q4/23 onwards; and (3) expected growth in SME lending due to the provision of credit packages with attractive interest rates. We forecast EIB's NIM to reach its bottom in 2023 and will see a slight improvement to 20 bps in 2024. This improvement is expected due to a reduction in funding costs by 150 basis points, reflecting the ongoing decline in deposit interest rates since 3Q23. We forecast net profit to grow 15.9%/20.7% in 2024-25.

Investment strategy: Our stock picks are VPB , VCB and TCB

	Market cap	Target price	Recom.	P/E		P/B		Earnings growth		ROE		ROA	
	VNDbn	VND		2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
BID	282,742	56,150	HOLD	11.2x	9.9x	1.9x	1.6x	14.9%	17.0%	16.9%	16.0%	1.0%	0.9%
VCB	511,402	110,500	ADD	14.8x	12.9x	2.5x	2.1x	4.9%	14.6%	16.4%	15.9%	1.7%	1.8%
CTG	187,144	33,500	HOLD	8.4x	7.6x	1.3x	1.2x	12.6%	26.7%	15.9%	17.3%	1.0%	1.8%
VPB	150,745	24,600	ADD	11.8x	9.8x	1.1x	1.0x	71.9%	55.3%	9.1%	11.7%	1.4%	1.8%
TCB	159,570	25,400	ADD	7.0x	6.2x	1.1x	1.0x	34.3%	23.5%	16.2%	16.6%	2.5%	2.5%
ACB	109,210	26,100	HOLD	6.4x	5.7x	1.4x	1.3x	6.1%	22.8%	22.9%	21.6%	2.3%	2.3%
STB	55,802	30,100	HOLD	6.7x	6.5x	1.1x	1.0x	9.4%	37.3%	17.6%	16.2%	1.2%	1.2%
HDB	78,930	31,300	ADD	6.2x	5.7x	1.5x	1.3x	27.6%	27.6%	26.2%	23.3%	2.1%	1.9%
LPB	80,053	n/a	n/a	9.8x	9.1x	1.9x	1.6x	48.3%	7.0%	21.6%	18.9%	2.0%	1.8%
VIB	54,316	20,800	HOLD	6.8x	6.8x	1.4x	1.2x	-10.2%	33.3%	20.5%	23.4%	1.9%	2.2%
OCB	29,281	16,500	HOLD	7.9x	6.1x	1.0x	0.9x	0.9%	45.2%	13.0%	15.9%	1.6%	1.9%
EIB	32,614	20,800	HOLD	13.1x	10.8x	1.3x	1.2x	15.9%	20.7%	10.6%	11.4%	1.2%	1.3%
TPB	39,079	20,900	ADD	7.1x	5.8x	1.1x	0.9x	22.7%	23.0%	14.8%	15.4%	1.4%	1.5%
Average				***9.0x***	***7.9x***	***1.4x***	***1.3x***			***17.0%***	***17.2%***	***1.6%***	***1.8%***

- *Source: Fiinpro, MBS Research*

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MBS INVESTMENT RECOMMENDATION

Stock rating

Our investment recommendations are based on the expected profitability of the stock, calculated as the sum of (i) the percentage difference between target price and market price at the time of publication, and (ii) expected dividend yield. Unless otherwise stated in the report, investment recommendations have an investment horizon of 12 months.

ADD	The stock can generate a profitability of 15% or more
HOLD	The stock can generate a profitability of between -15% and 15%
REDUCE	The stock can generate a loss of 15% or more

Sector rating

POSITIVE	Industry stocks have Add recommendations on a weighted market capitalization basis
NEUTRAL	Industry stocks have Hold recommendations on a weighted market capitalization basis
NEGATIVE	Industry stocks have Reduce recommendations on a weighted market capitalization basis

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