VPBank Securities

Vietnam Banks

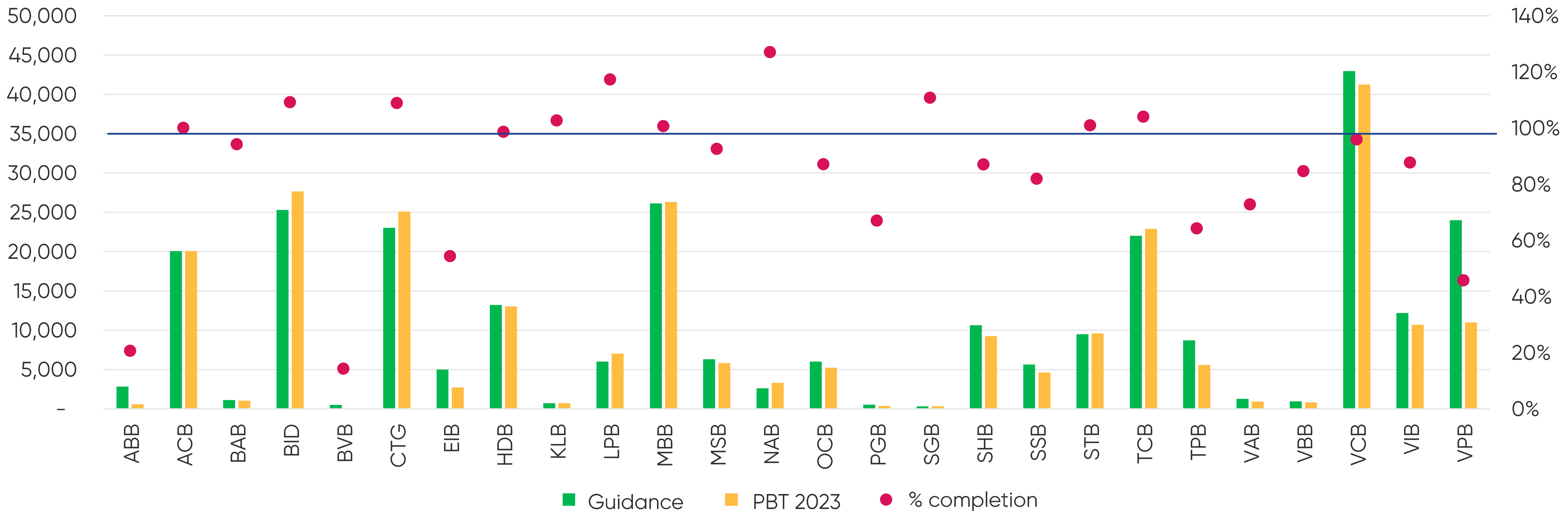
2024 Outlook

KEY POINTS

- **Listed banks will have completed, not accounting for NVB's accrued losses, 85% of their PBT guidance by the end of 2023, on average**. Only 10 out of 27 banks completed the 2023 PBT guidance with 100% or higher. PBT increased by 3.8% over the prior year, which was the lowest growth rate over the preceding ten years. Our prediction is that the total PBT of the listed banking sector would increase 15% yoy in 2024, equivalent to 293,650 billion VND, provided that SBV does not hike interest rates and that the major banks on our cover list use at least 90% of the credit room allotted from the start of the year.
- **In the backdrop of a bleak credit environment throughout the year, the outstanding completion of 13.78% on the target of 14% represents the highlight of the year's credit growth**. A number of retail non-state-owned banks, including VPB (from 17.1% in Q3 to 26% in Q4), ACB (from 8.7% in Q3 to 17.9% in Q4), HDB (from 11.5% in Q3 to 31.8% in Q4), and VIB (5.5%; 4.5% in Q3 and Q4 alone increased to 14.2%), showed signs of recovery in consumer confidence and credit demand of businesses. Compared to the state-owned commercial banking industry, which grew credit at a rate of 14.2%, the non-state-owned banking industry grew credit at a much higher average rate of 16.9%. The banks are fully allocated to achieving the 15% credit growth objective at the start of 2024 in order to maximize their flexibility. According to our projections, 2024's credit growth will stand at 14.83% if banks utilised at least 90% of their credit room. About 16% is the average credit growth guidance by banks, however, we see some major banks like ACB, LPB, TPB, and VCB that have growth targets lower than the government's target credit growth rate. Banks like HDB, MBB, VIB, and VPB are examples of non-state-owned banks that continue to have high credit growth target.
- **NIM seemed to bottom in the third quarter of 2023 and either flatten out or slightly rebound in the fourth quarter.** NIM declined persisted at 8/27 banks in Q4/2023, lower than 22/27 banks in Q2/2023, and 16/27 banks in Q3/2023. The banks that decreased lending interest rates to dramatically expand credit growth at the end of the year, including MBB, MSB, TCB, and VCB, recorded even more apparent NIM contractions. In 2023, the industry-wide NIM level is 3.5%, which is 20 basis points less than our initial prediction for the year. We predict that industry NIM will rise to 3.75% in 2024, with larger banks regaining higher NIM levels.
- **Asset quality is predicted to remain unchanged:** by the end of 2023, the credit institutions' on-balance sheet bad debt increased to 4.55% from 2.03% at the end of 2022, while the average bad debt ratio of listed banks is at 2%, down 20 basis points from the previous quarter. The impact of SCB Bank's event with Van Thinh Phat is mostly responsible for the increase. This incident had an extensive effect on the industry's quality of assets, because the entire industry had to work together to address it. Normally, the real estate and construction loan market sees a significant increase in Q2, but this year, particularly in Q3 and Q4, the growth has persisted.
- **The banking industry's outlook for 2024 is neutral: challenges will persist in the first half of the year, with hopes for improvement in the second half. Net interest margins (NIM) from banks are expected to improve** as a result of low-interest rates **lowering capital costs and FDI providing incentives to lend** (due to the upgrade to comprehensive strategic partnership with the US and Japan), **import-export expected recovery** (in global import demand), and **recovery in domestic loan demand** (VAT tax reduction policy and other market support policies). Risks include the real estate market's continued stagnation, the lack of investor interest in investment products due to continued apprehension of corporate bonds and life insurance policies, and the ongoing need to manage bad debt.
- In terms of valuation, the industry's P/E and P/B ratios have not approached the average level since 2013, indicating that the industry is still now trading at a very favorable level. There will be some volatility in the near term, but given the low base of the year 2023, we anticipate higher growth in 2024 and a gradual recovery of profit growth and equity in the last quarter of the year. We anticipate valuation will see a return to an appealing level of 8.6 to 9.4 times P/E (against an average of 12 times) and 1.3-1.6 times P/B (versus an average of 1.8 times) for the year 2024. Regarding the banking sector, which is intricately linked to the economy, we recommend that the investors invest for the medium and long term.
- **Recommended stocks: BID, CTG, VCB, MBB, VIB, VPB**

2023 – A CHALLENGING YEAR FOR EVERYONE

Guidance completion in 2023

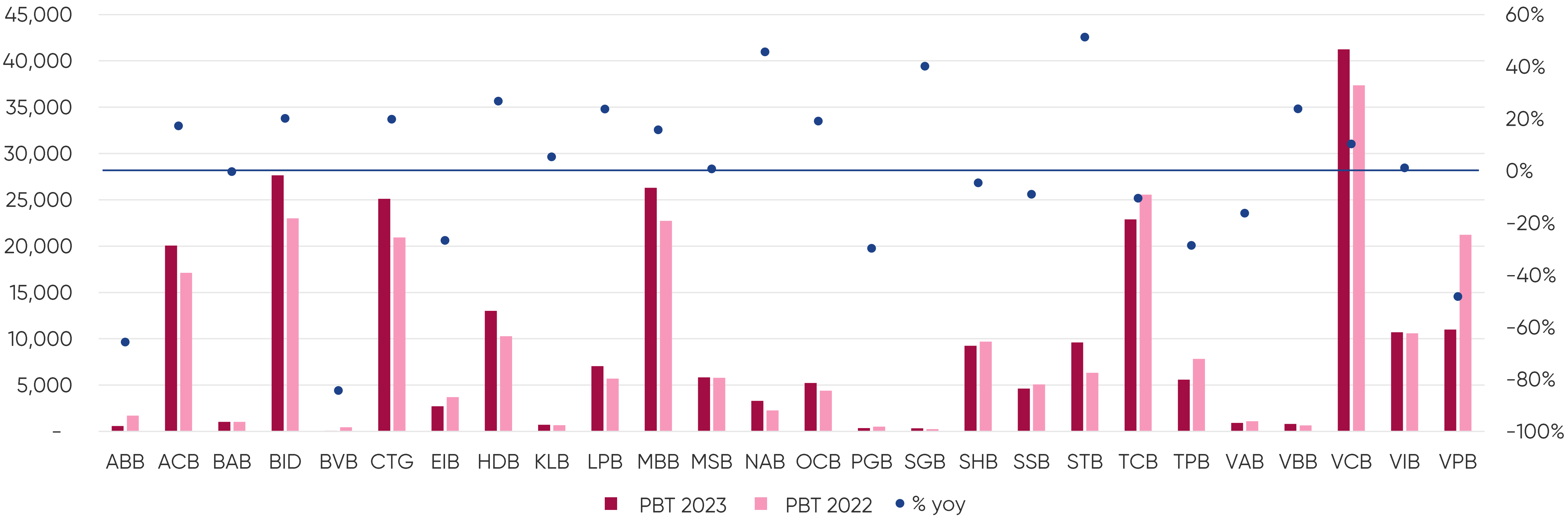


- Despite a dismal situation during the year, the banking industry achieved excellent credit growth, with the industry as a whole reaching 13.78% at the conclusion of the year. This created expectations for the PBT of banks for the entire year 2023. Since interest rate was already extremely low, it would act as leverage to reduce COF and increase the expected NIM.
- Investors also anticipate that the banking sector would recover from the challenging and depressing background of 2023 in 2024. However, when examining the % guidance completion in terms of PBT, we also note that the banking sector is highly differentiated, with an industry average of 85% of guidance completed (not including NVB's losses), with only 11/27 listed banks having completed at least 100% of guidance.

Sources: FS, AR, VPBankS Research

2023 – A CHALLENGING YEAR FOR EVERYONE

Guidane completion status, compared with the previous year



- The entire industry's profit before tax increased by 33.6% in 2022 compared to the prior year, while the listed banking sector's profit before tax increased by just 3.8% yoy in 2023, the lowest level in the last ten years. Suppose SBV does not hike interest rates in 2024 and major banks on the watchlist are able to utilize 90% of the allotted credit room since the start of the year. In that case, we predict that the PBT of the whole listed banking sector would increase at a rate of 15% yoy or equivalent to 293,650 billion VND.
- The business results for the industry are not particularly encouraging, but certain banks, like ACB, BIDV, CTG, MBB, TCB, and VCB, are doing fairly well: these are also the banks that have seen the most price hikes in the market recently.

Sources: FS, AR, VPBankS Research

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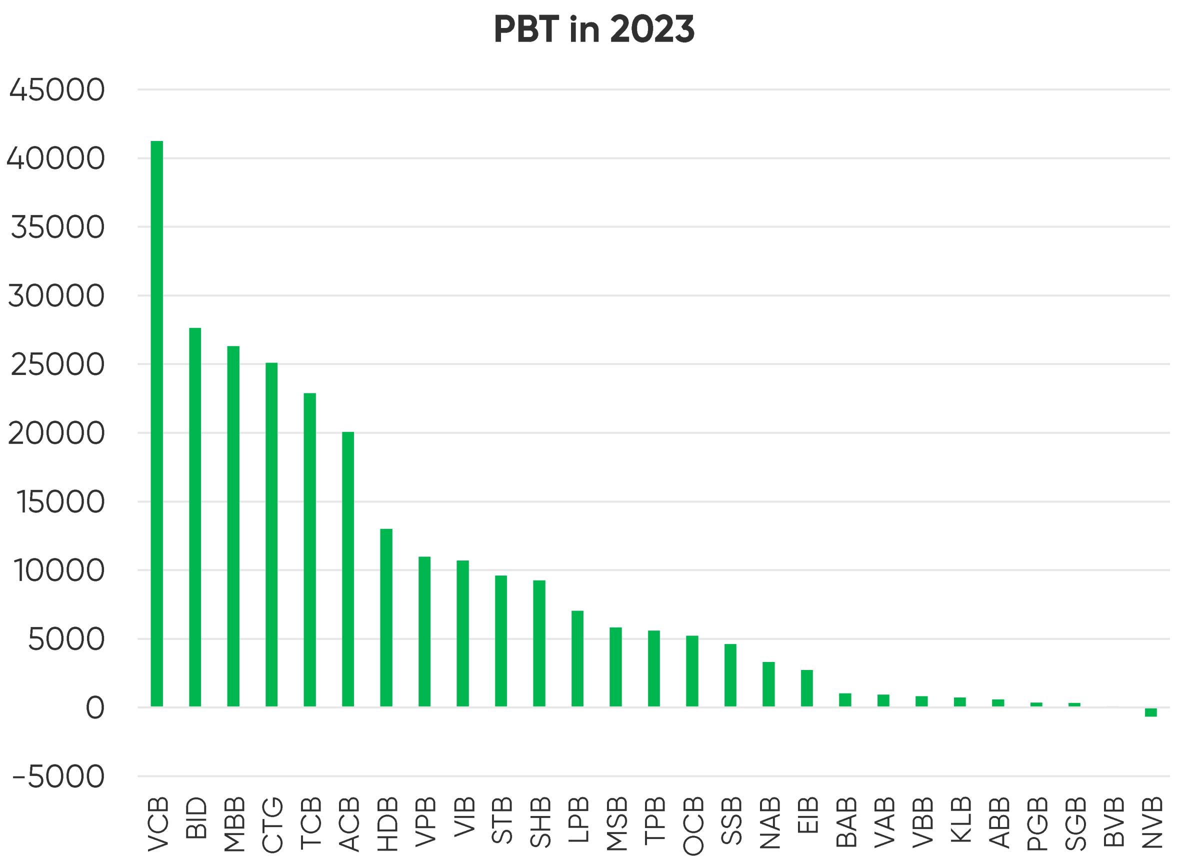
2023 – A CHALLENGING YEAR FOR EVERYONE

Scale metrics

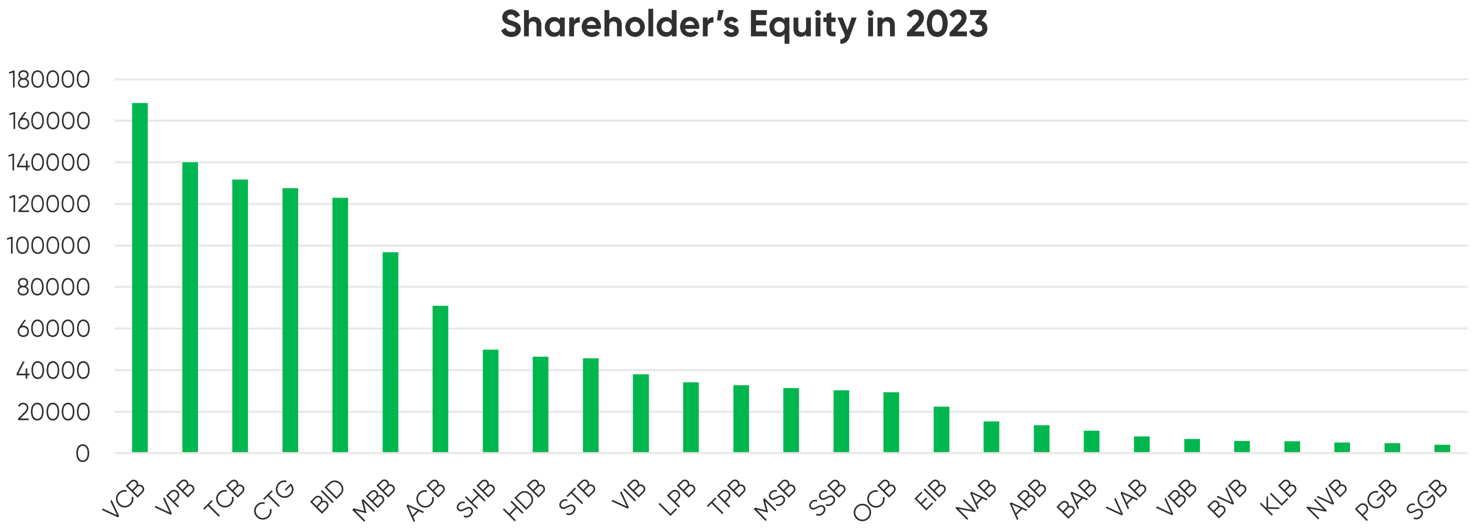


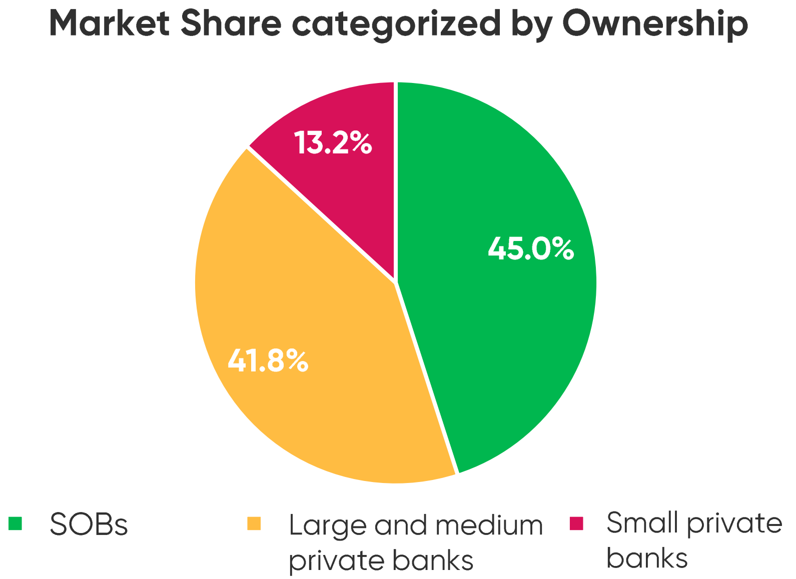
Banks with good business results all share one thing in common: they are the largest banks in the sector by size. Looking at metrics, notably Total Assets, Equity, and Large Lending Market Share, the TOP 7 are made up of banks like VCB, CTG, BIDV, MBB, VPB, TCB, and ACB. Naturally, having a large charter capital and equity base makes it easier for these banks to grow their total assets or market share because they have access to more resources than other banks do.

Sources: FS, AR, VPBankS Research

2023 – A CHALLENGING YEAR FOR EVERYONE

Market share overview





- State-owned banks continue to hold a disproportionately large part of the lending market, with BIDV holding the top spot and other state-owned banks trailing well behind. Three state-owned banks and ten large and medium-sized private banks receive the majority (87%) of the market share. It will be challenging for the remaining small banks to compete in the future.

- Lending market share also depends on large capital buffers. The 13 banks with the largest market share in the industry are also the 13 largest banks in terms of equity.

Sources: FS, VPBankS Research

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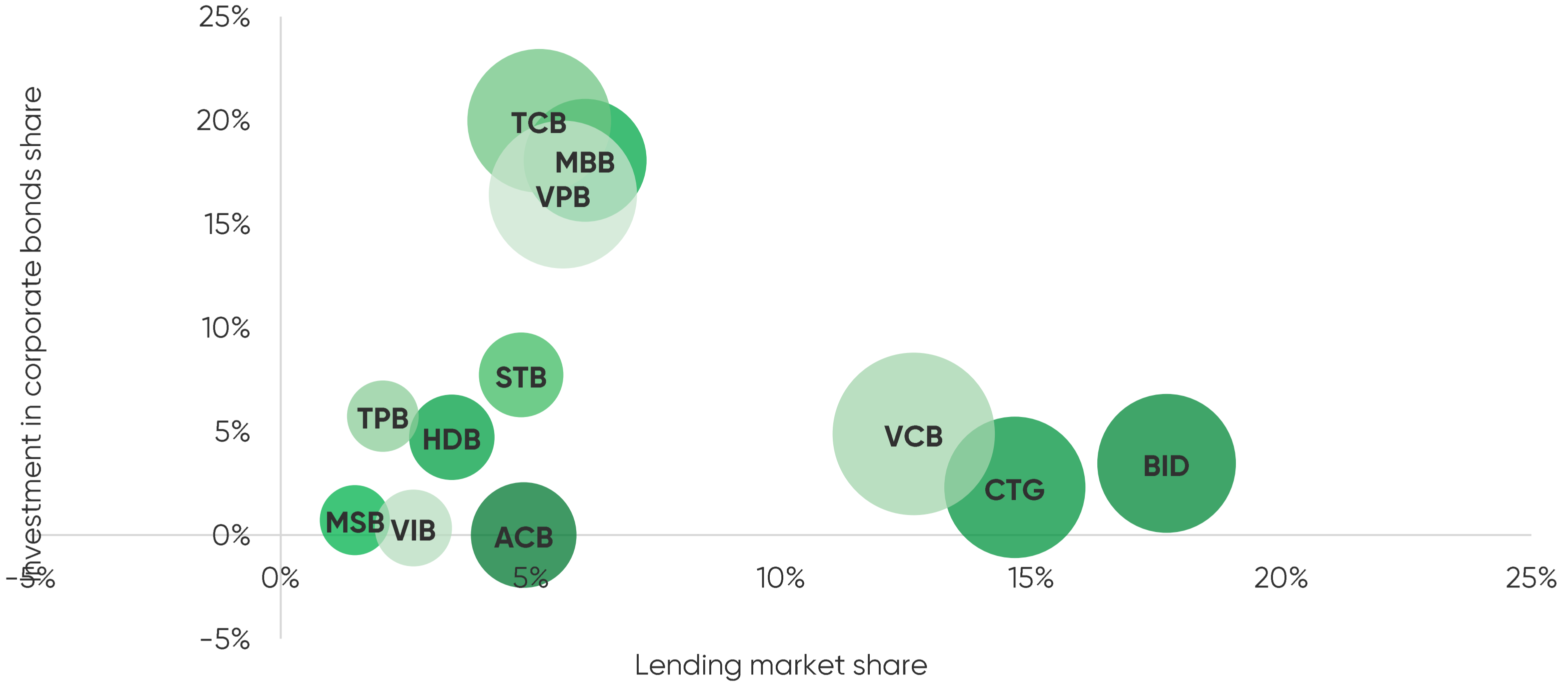
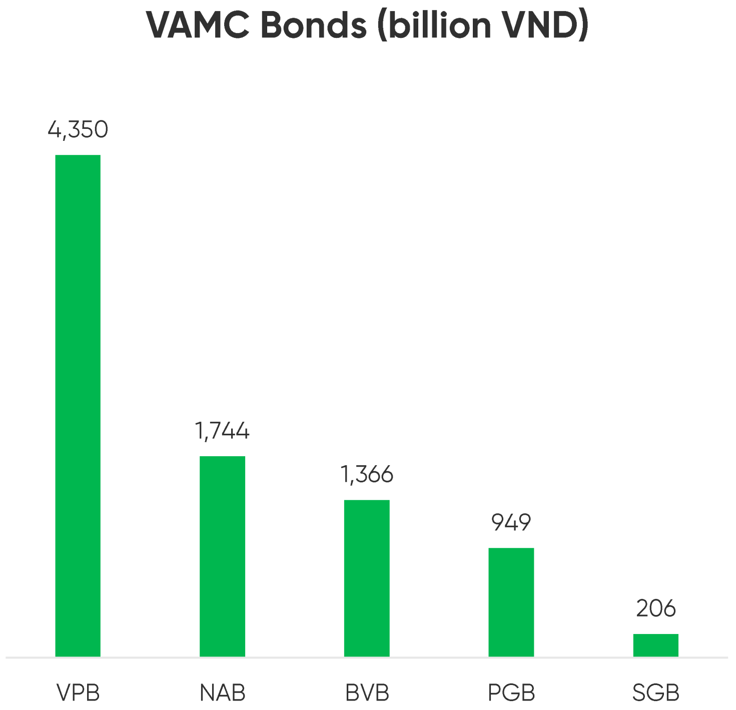
2023 – A CHALLENGING YEAR FOR EVERYONE

Corporate bonds and VAMC





- The State-owned banking group does not need to rely on corporate bonds to support credit growth because they have strong lending capacity and positioning; on the other hand, TCB, MBB, and VPB groups balance well between the lending and corporate bond markets. Because of this, these three banks' credit growth is more varied and driven, especially during challenging times like 2023.
- In Q4 of 2023, VPB managed debt using VAMC bonds, even though they had not required this approach for several years. The 4,350 billion figure primarily comes from retail customers, with SMEs accounting for a small portion of the total. During the real estate slump, using VAMC bonds for debt settlement is the most practical and secure course of action. because only secured bad debts with solid legal collateral are purchased by VAMC. With a recovery percentage of more than 78.3%, VPBank successfully exploited bad debt sales to VAMC between 2013 and 2019. In fact, as of the end of 2019, only 11 banks—including VPBank—of the more than 40 institutions utilizing this mechanism had been able to purchase all of the bad debt back from VAMC. We expect VPB to be able to clear VAMC debt from its books this year.

Sources: FS, VPBankS

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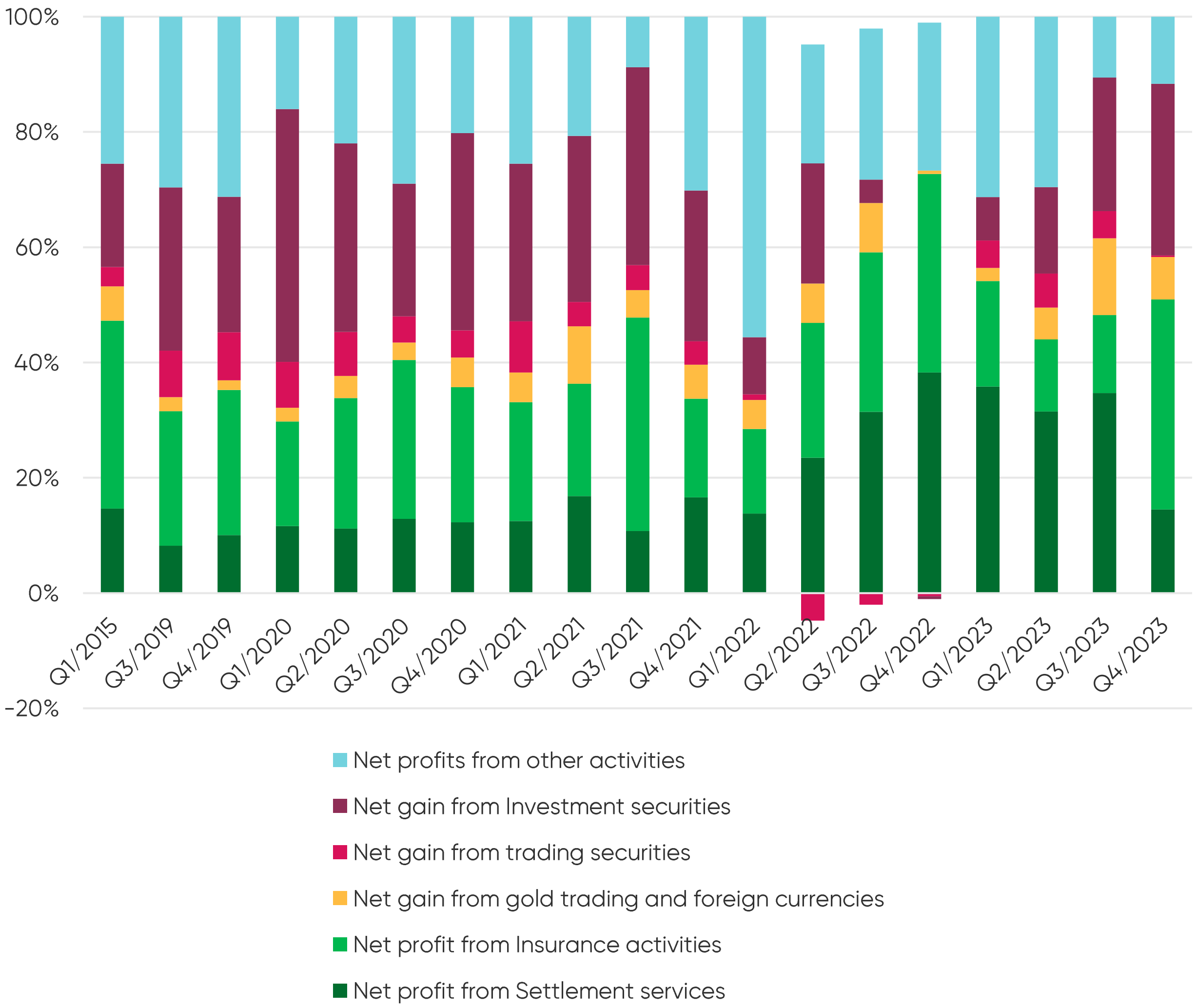
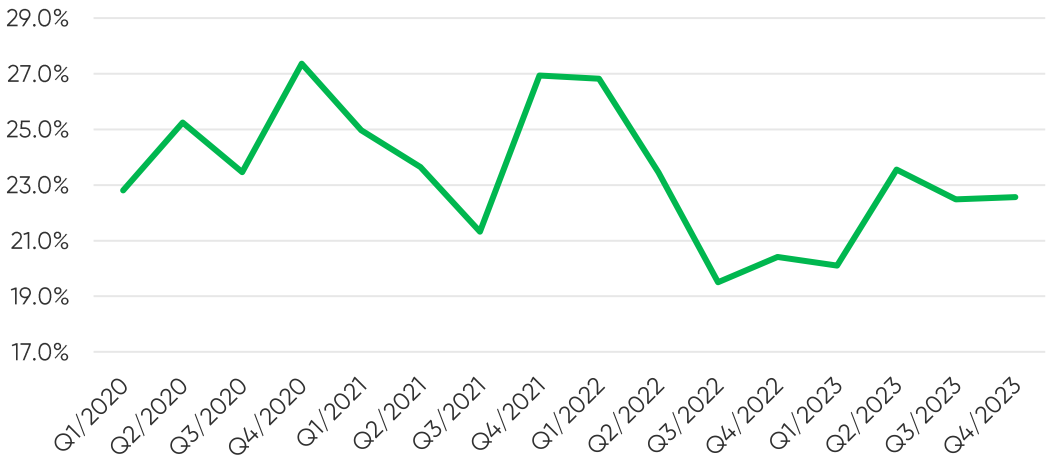
2023 – A CHALLENGING YEAR FOR EVERYONE

Non-interest income overview

Core Non-interest Income Structure



Non-interest Income/TOI



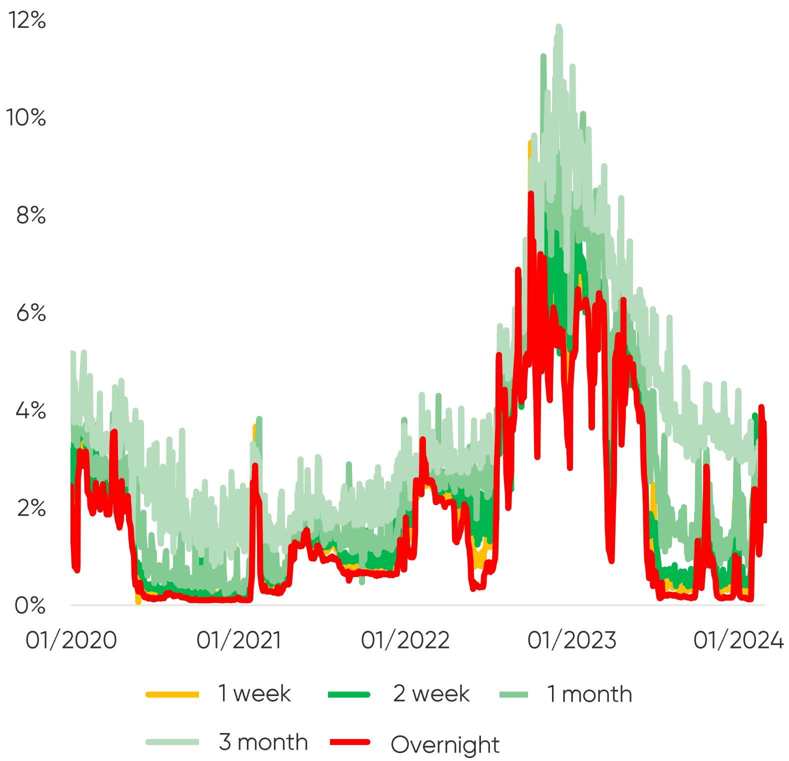
- It is anticipated that non-interest income will rise from its low in 2023; nevertheless, we should only anticipate income from investments and payment services, as well as income from debt recovery to contribute to structure. Similar to the 2023 insurance case, other banks will be impacted by EIB's credit card case, which involves 8.8 billion VND in interest and fees for the use of only 8.5 million VND. This will make it challenging for banks to increase their income from card services. It is still impractical to expect much from the insurance field, since consumers do not fully understand the product and it will be challenging to persuade them to invest in non-essential financial goods like life insurance in light of declining consumer expenditure. The cross-selling of insurance still faces numerous challenges.
- According to our projection, the industry-wide non-interest income/operating income ratio may flatten out in 2024 and marginally recover to the range of 22–25%.

Sources: FS, VPBankS

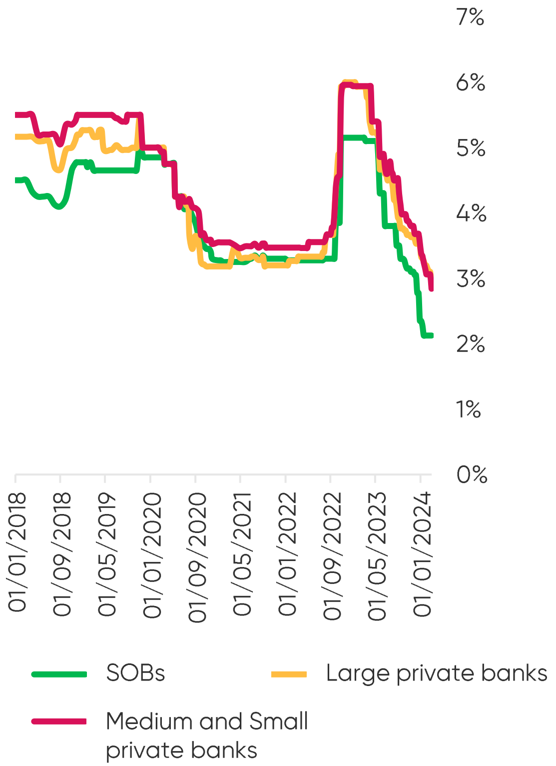
2024 – COST OF FUNDS WILL SUPPORT NIM RECOVERY

Interest rates continue to be maintained at a low level consistent with the goal of loosend monetary policy

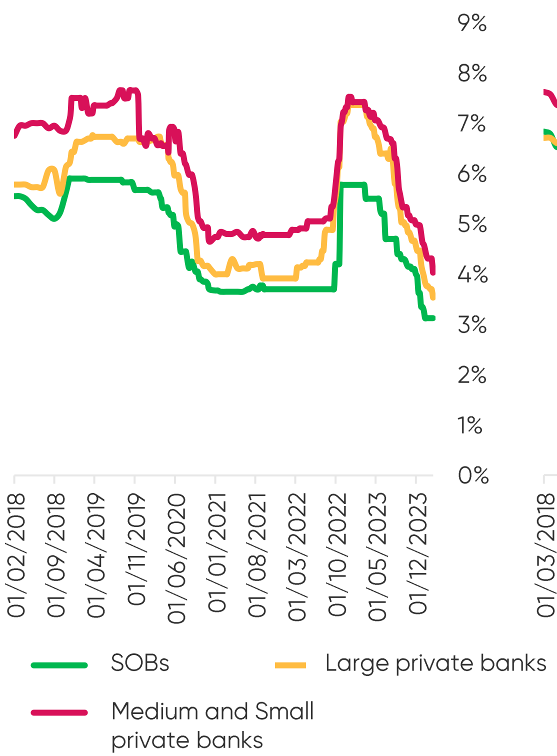
Interbank Rates



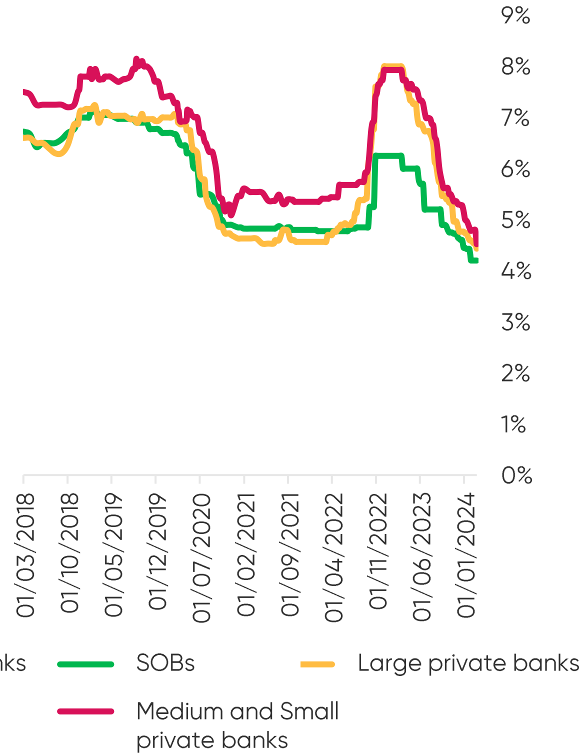
Interest Rate for Deposit Under 3M



Interest Rate for Deposit Between 3M- 6M



Interest Rate for Deposit Over 13M



Interbank interest rates continued to decrease in January with sales decreasing slightly. Deposit interest rates across all terms in all commercial bank groups are still falling, reaching their lowest point since 2018. This indicates that liquidity is still plentiful but that credit demand hasn't fully recovered, as evidenced by the 0.72% decrease in banking sector credit growth at the end of February 2024, compared to the beginning of the year.

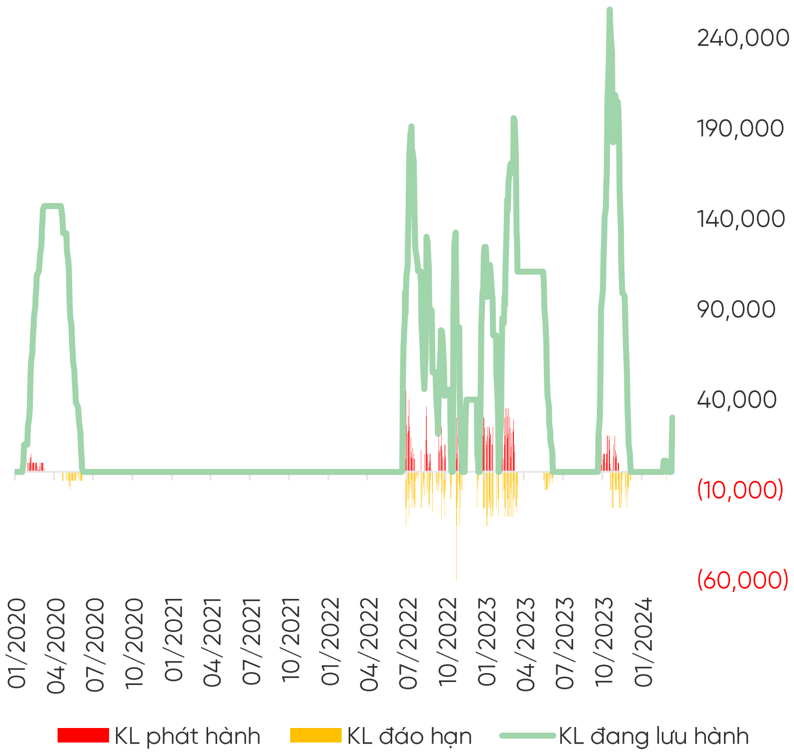
Sources: GSO, Fiinpro, VPBankS Research

VPBank Securities

2024 – COST OF FUNDS WILL SUPPORT NIM RECOVERY

Interest rates continue to be maintained at a low level consistent with the goal of loosend monetary policy

SBV Treasury Bill



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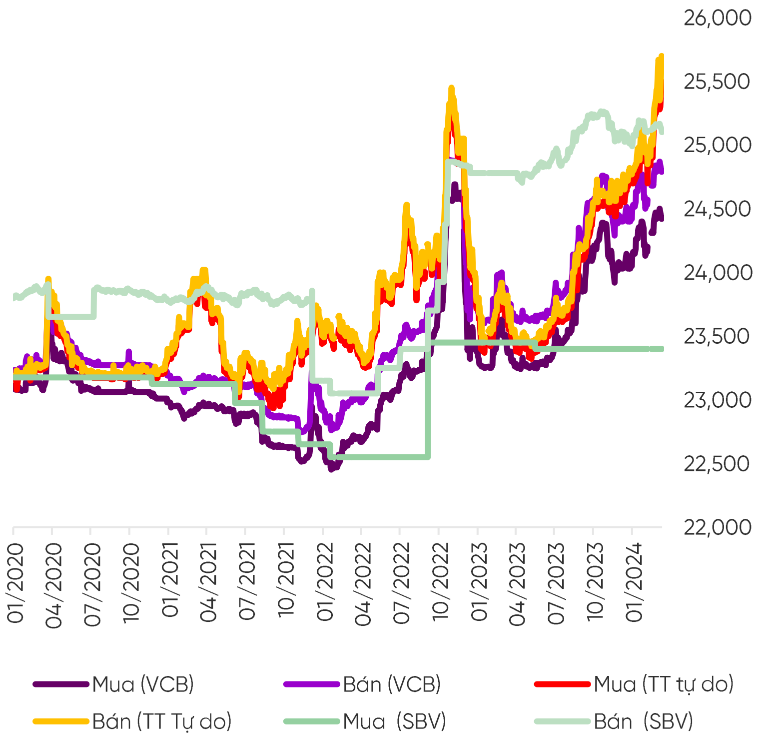
Exchange Rate

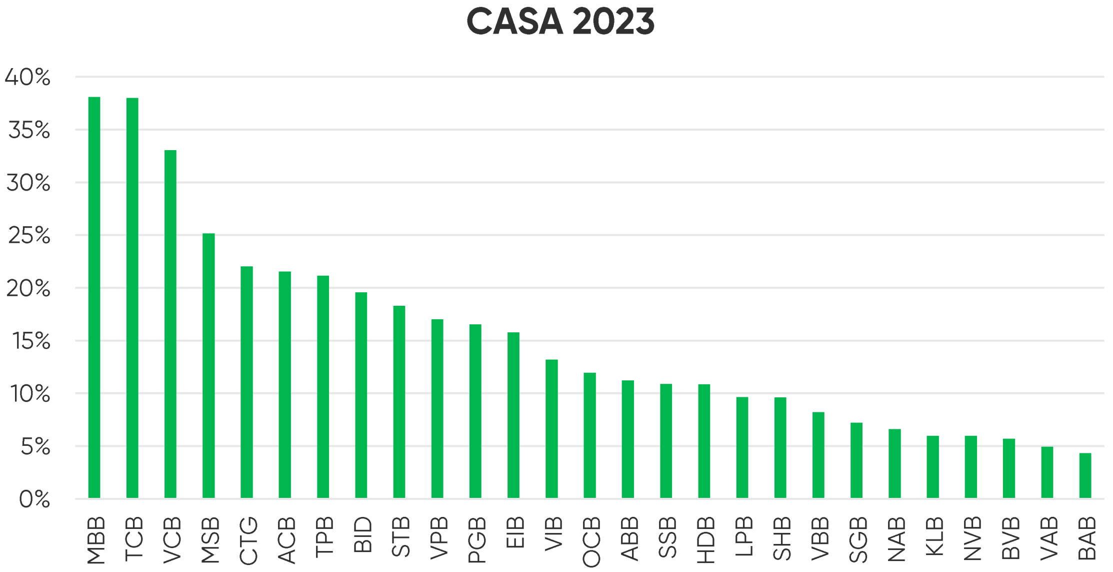


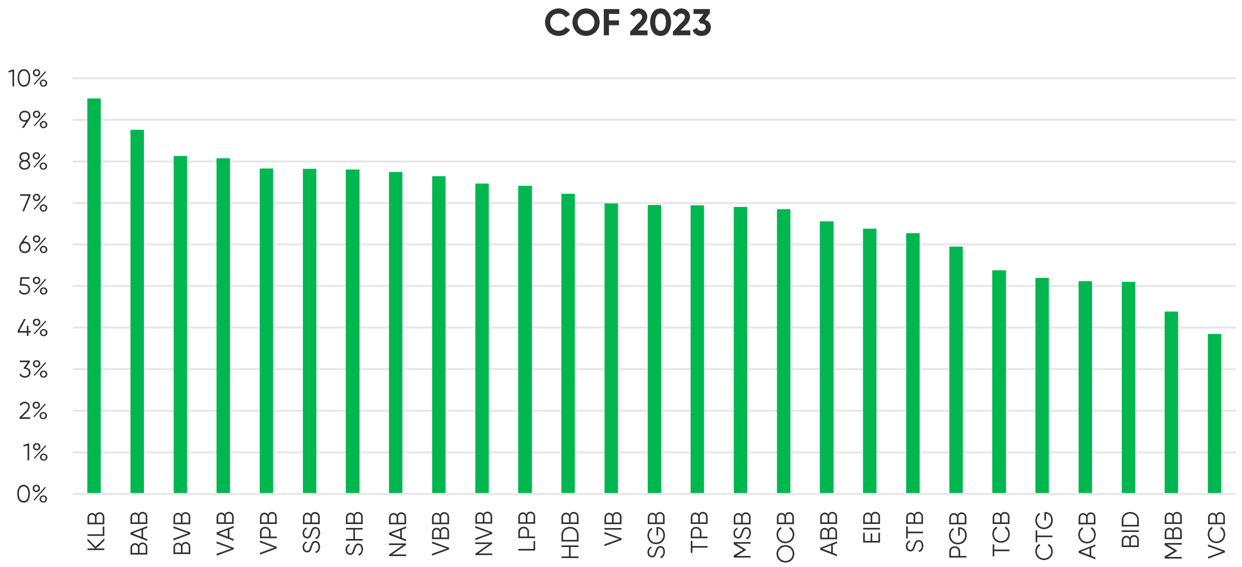
The Fed's continued policy of high interest rates has kept the USD's strength firmly anchored at a high level, which has caused the exchange rate to slowly increase once more. It is anticipated that a positive trade balance and the State Bank's foreign exchange reserves, which stand at an ample 90 billion USD, will sustain effective management of exchange rates throughout the remainder of 2024.

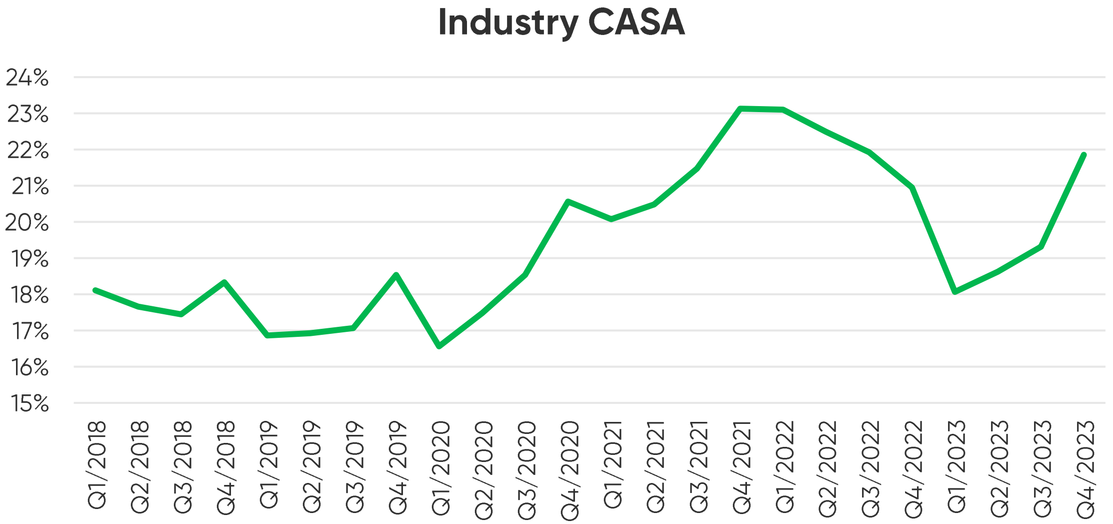
Sources: SBV, Fiinpro, VPBankS Research

2024 – COST OF FUNDS WILL SUPPORT NIM RECOVERY

CASA is expected to grow; COF cools down considerably to support NIM recovery





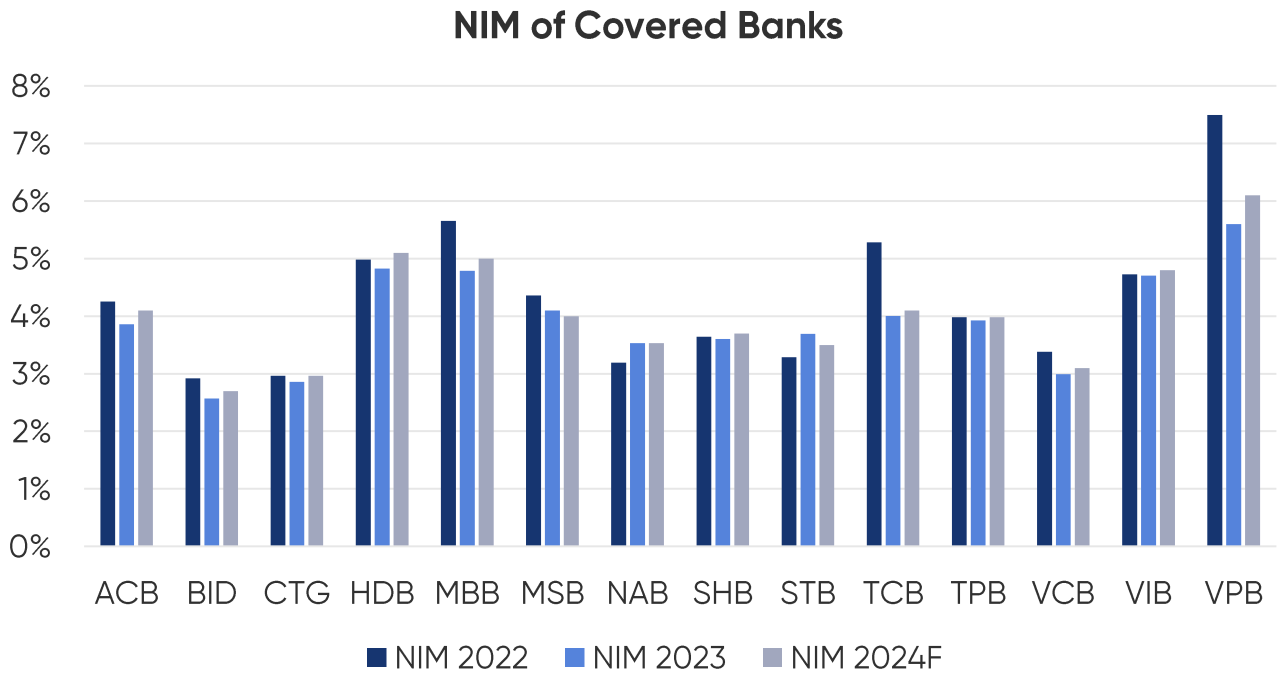


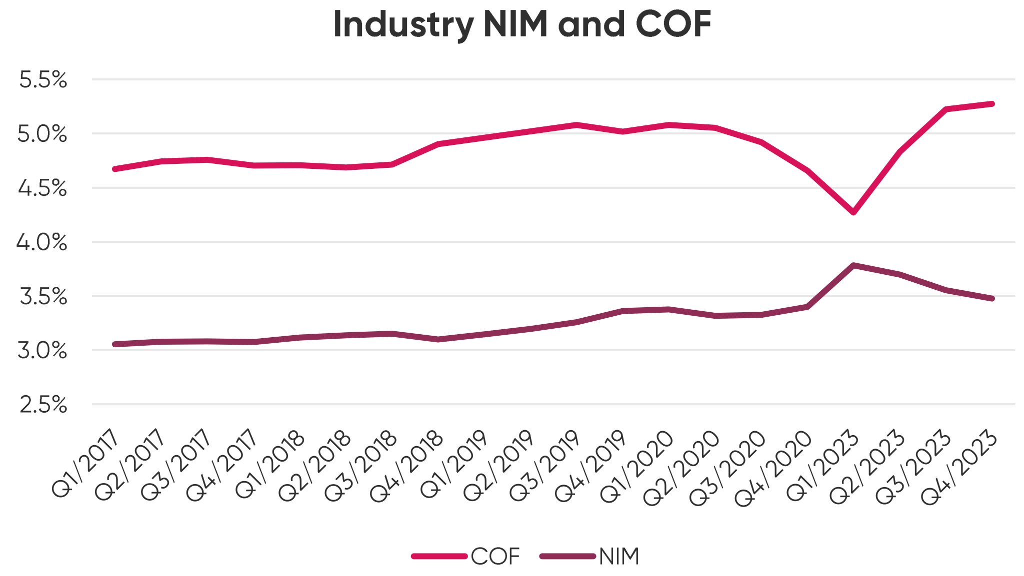
- The recent decline in interbank interest rates will contribute to a decrease in banks' cost of funds. Discussions with bank executives revealed that SBV will not have much leeway to lower interest rates at the end of this year. The advantage of low COF still lies with state-owned banks and private banks with high CASA such as MBB and TCB.
- The recovery of industry CASA is also a driving force for the industry to save COF. CASA's bottom was during Q1/2023 and continuously recovered quickly to the level during the COVID pandemic in just the last 3 quarters of the year. Currently, the entire industry CASA is at 22%, greatly strengthening the prospects of NIM recovery in 2024. Promos to boost CASA are currently being run concurrently by banks, such as promoting clients to VIP status if they deposit a significant amount in CASA with the bank for a predetermined amount of time.

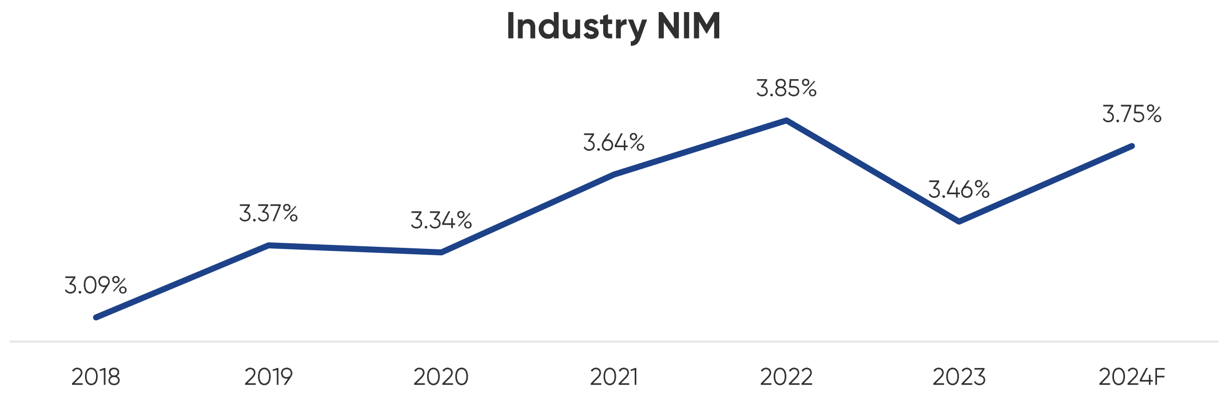
Sources: FS, VPBankS

2024 – EXPECTING NIM RECOVERY

NIM 2024 is expected to recover in most large banks





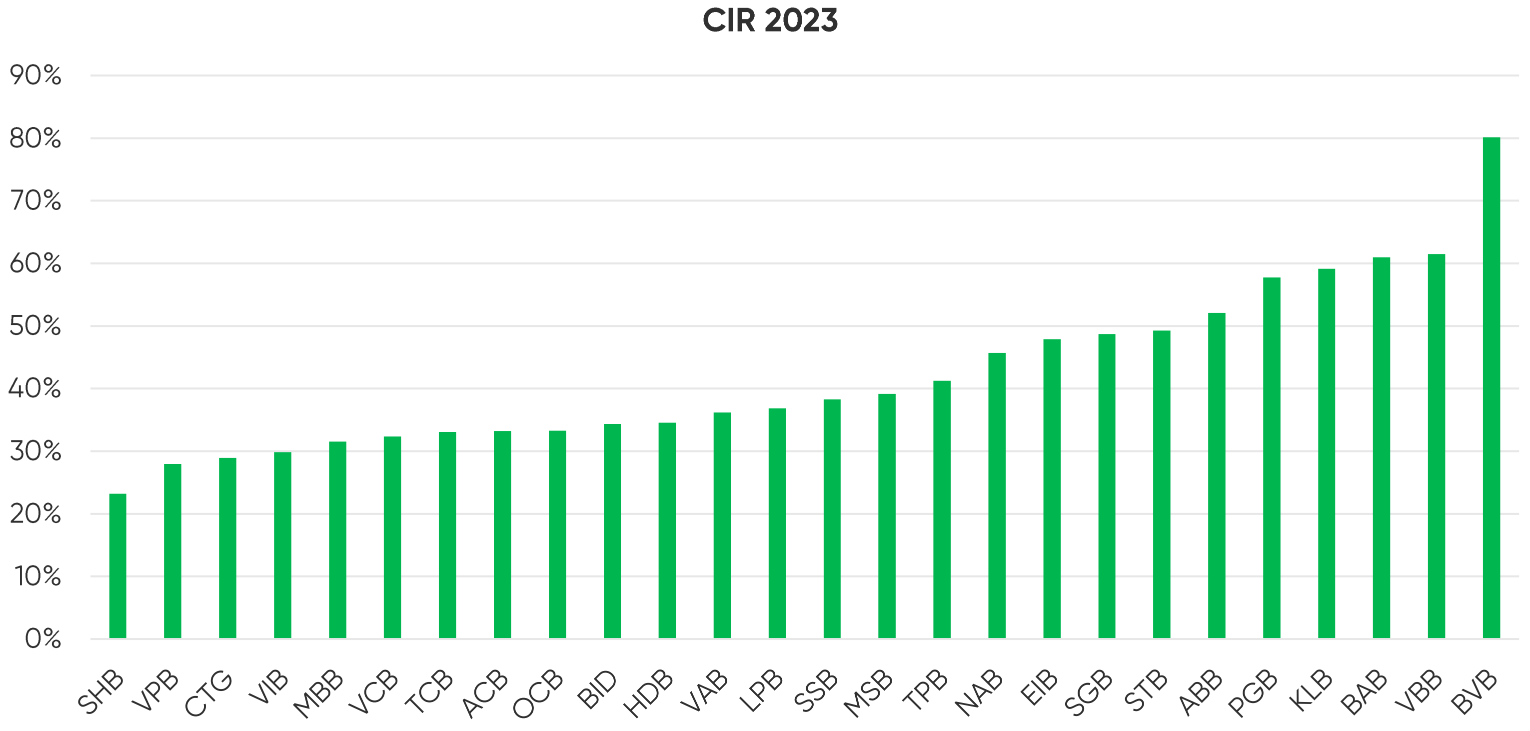


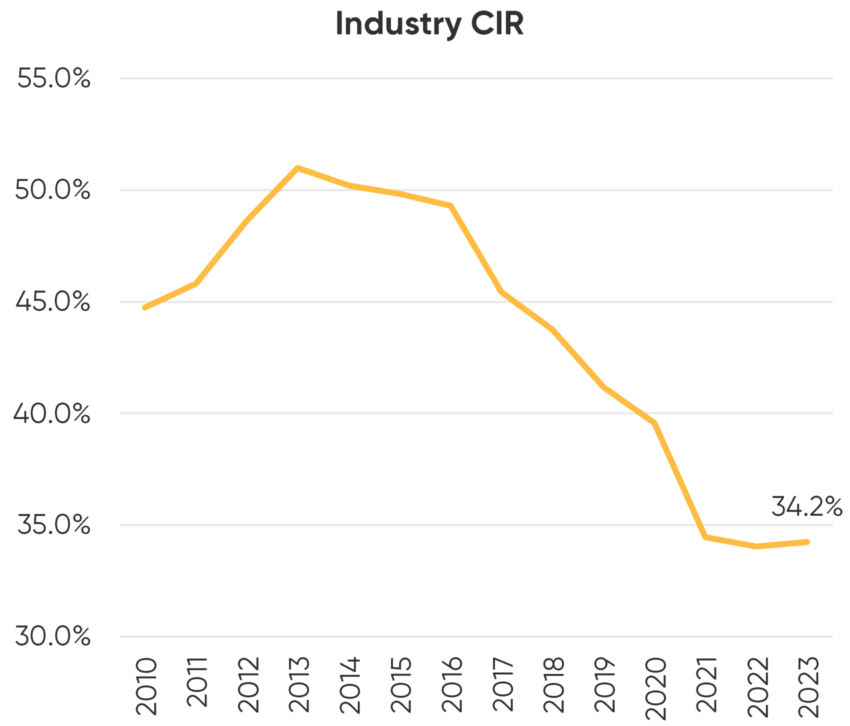
- NIM declined as a result of high cost of funds at the start of the year and dismal credit growth. The industry decline was worse than anticipated: in 2023, the industry NIM level is 3.5%, which is 20 basis points less than our initial prediction for the year.
- With low interest rates, we predict that in 2024, NIM levels will rise slightly in the first half of the year and more in the second half, when the Fed is anticipated to halt tightening monetary policy and lessen pressure from the interest rate differential between the US and Vietnam, allowing Vietnam to adopt a more flexible monetary policy. Even though some retail banks—VPB, VIB, MBB, HDB, and ACB—were most severely hit by the NIM contraction, their NIM growth is still greater than the industry average. When the market rebounds, these banks should see the fastest NIM increase.

Sources: FS, VPBankS

2024 – SAVINGS ON COST WILL CONTINUE

CIR continuously improves, supporting profit

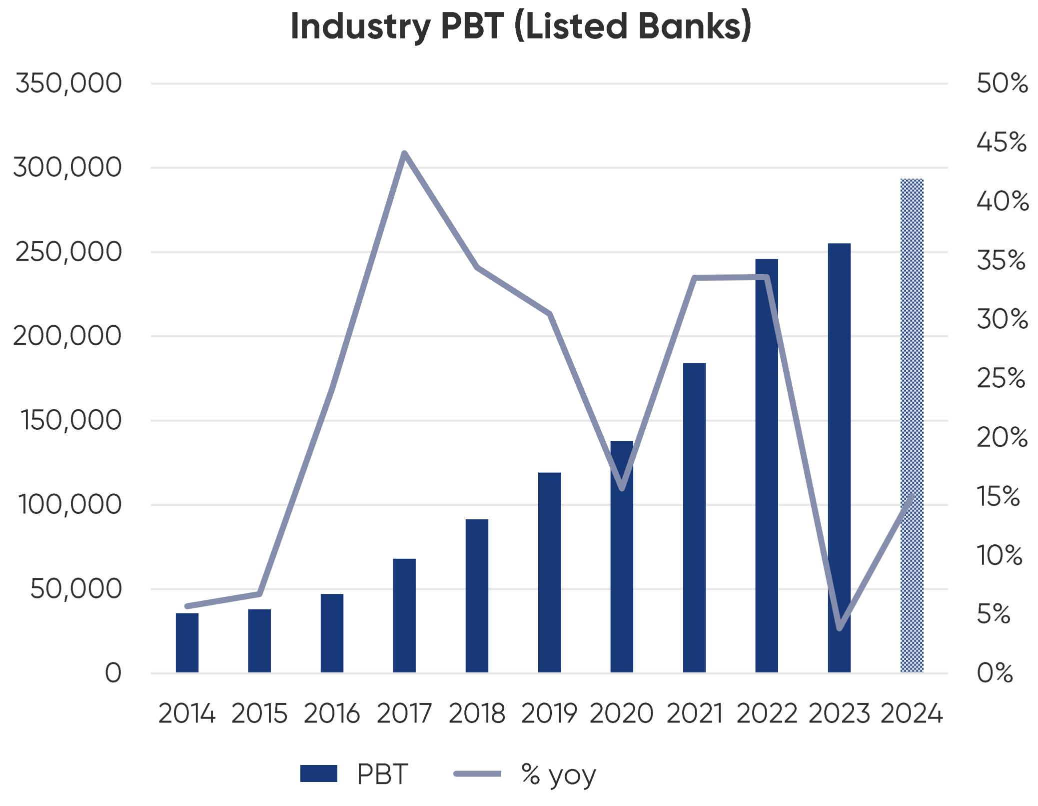


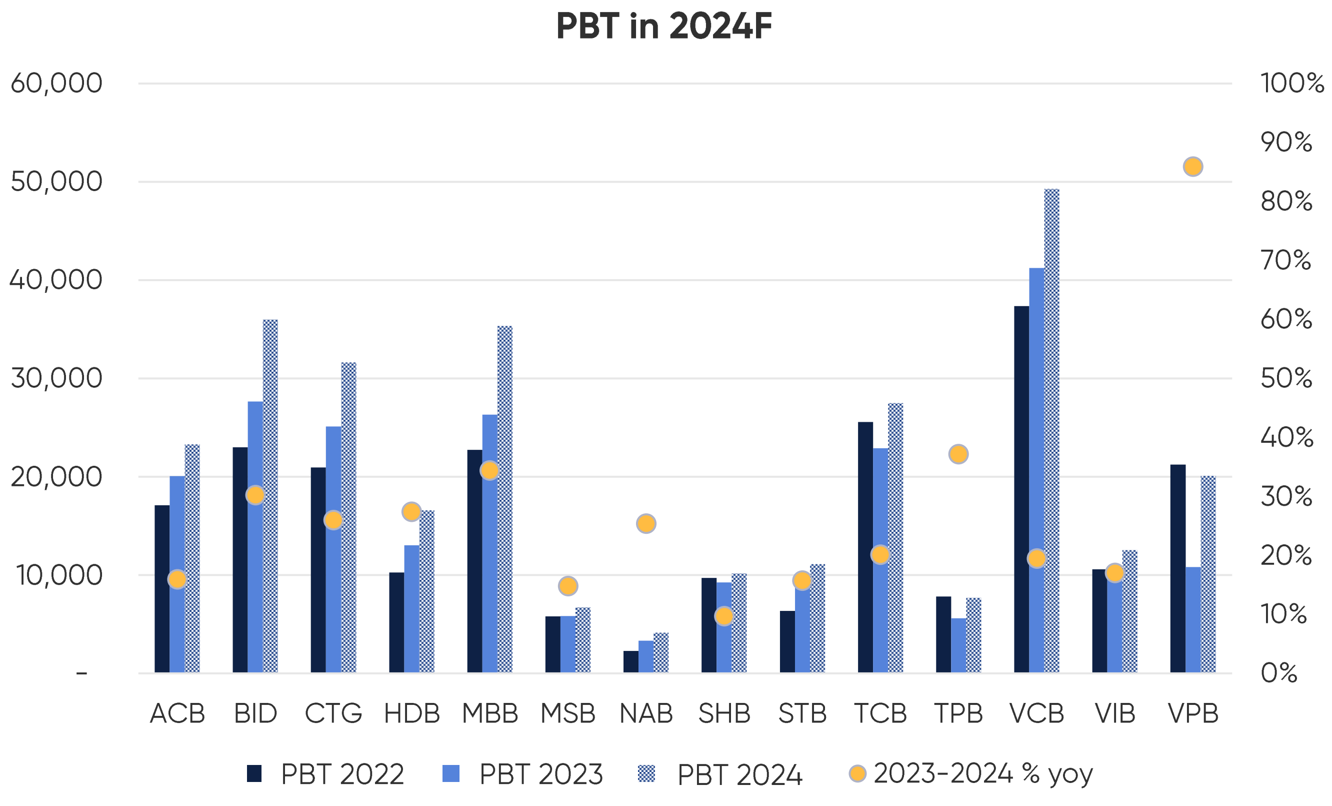


The industry CIR is currently 34.2%, a significant decrease over the previous ten years. It is thanks to digital transformation assisting banks in automating several procedures, which has allowed banks to save expenses and raise the industry CIR level to a more reasonable level. Currently, only 11/27 listed banks have CIR levels below the industry average, which are state-owned banks and private banks such as SHB, VPB, VIB, MBB, TCB, ACB, OCB, and HDB.

Sources: FS, VPBankS

2024 – PBT IN 2024 IS EXPECTED TO RECOVER FROM 2023'S LOW



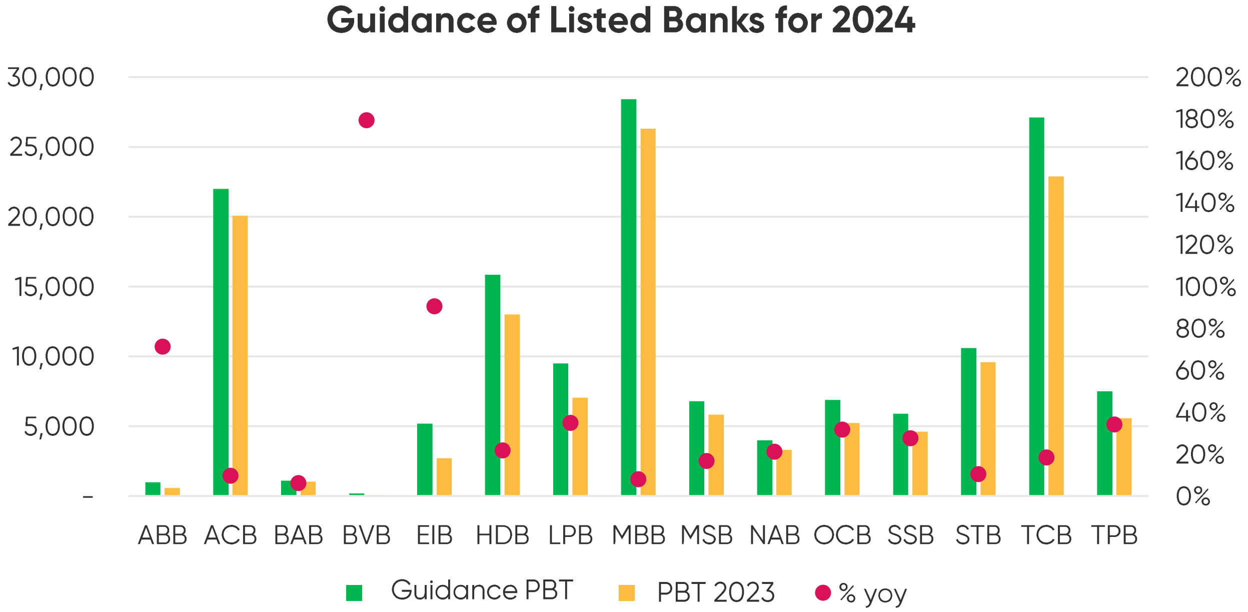


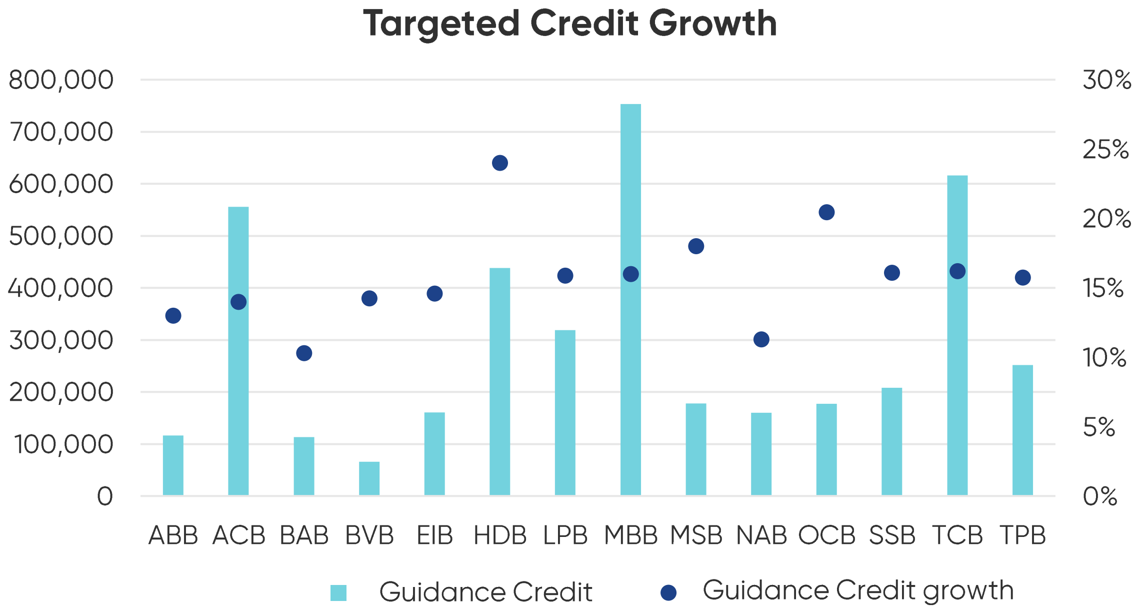
- The profit before taxes increased by 3.8% compared to the prior year, which was the lowest in the last ten years. Our projections indicate that the entire listed banking sector's PBT will increase by 15% yoy in 2024, or 293,650 billion VND, provided that SBV does not hike interest rates and that the major banks on the watch list utilize all 90% of the credit room allotted from the start of the year.
- Overall, large banks are expected to experience more positive growth than the prior year. Due to their greater difficulty in maintaining a competitive position, small banks are unlikely to see strong growth. The banks we monitor will have an average PBT growth of 26% the following year. The average PBT growth rate for the banks we selected is projected to be 32% in 2024, which is higher than the industry average (15%).

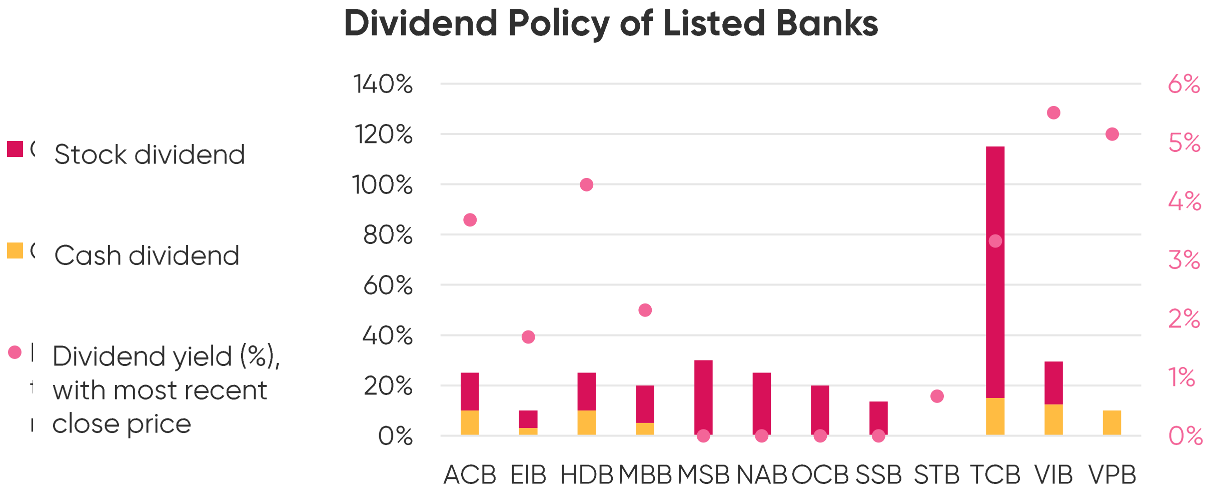
Sources: FS, VPBankS

2024 – EXPECTING DIVIDENDS

Expectations for more regular dividend payment and more realistic business guidance





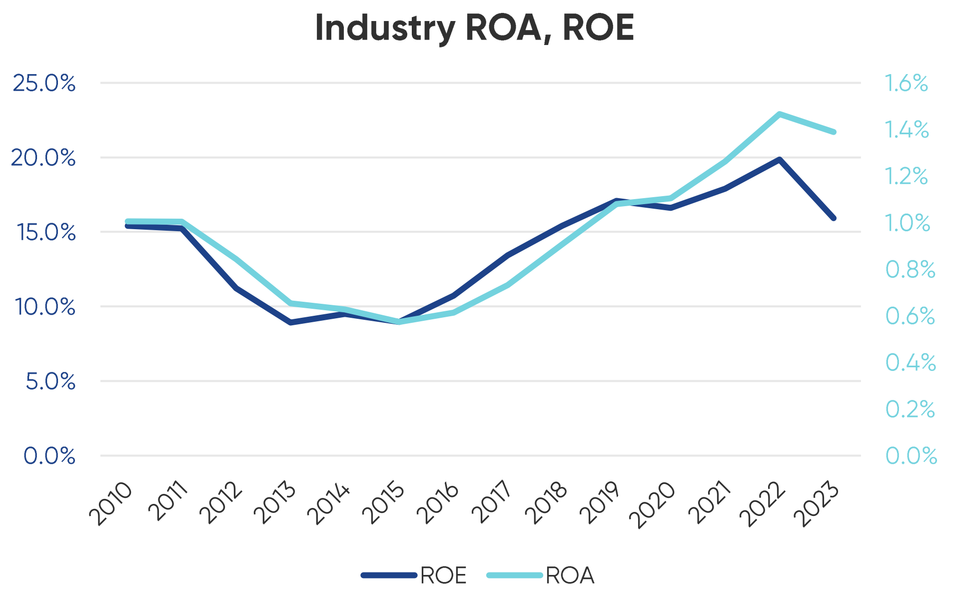


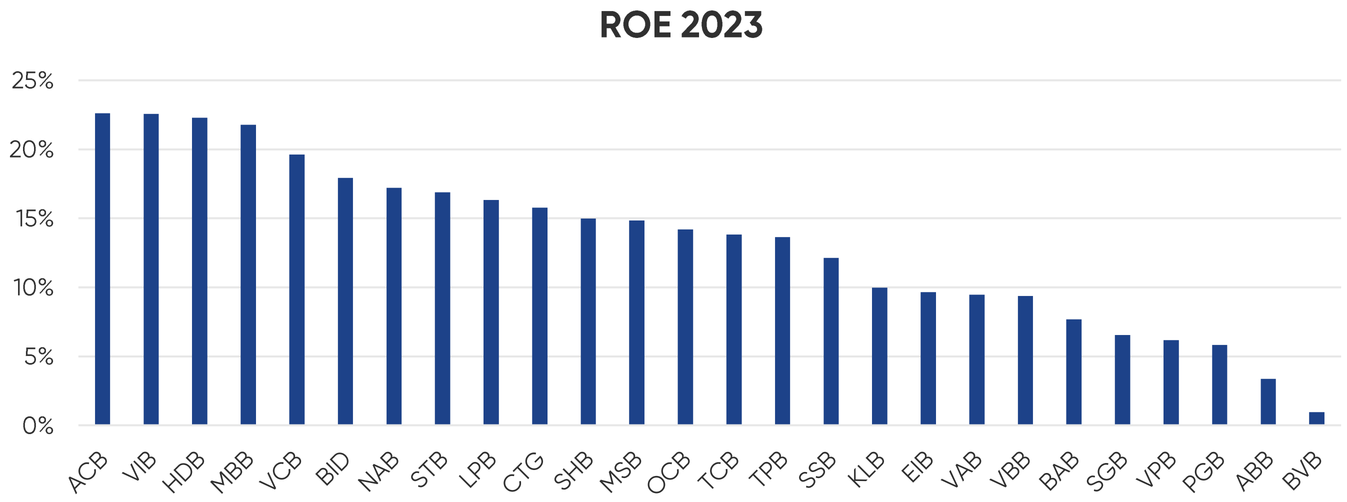
The majority of big banks have made their business plans public and presented them for review and approval at the AGM. Major private banks like ACB, HDB, MBB, TCB, and VIB target an average 14% increase in their profit before taxes in 2024. Other smaller private banks, including LPB, MSB, NAB, OCB, SSB, and TPB, target stronger growth at 28% yoy. The four banks with the highest target in terms of PBT are ABB (+71% yoy), EIB (+90% yoy), VPB (+114% yoy), and BVB (+179% yoy). In terms of credit growth, banks generally anticipate credit growth of roughly 16%, with certain major banks – such as ACB, LPB, TPB, and VCB – setting growth objectives lower than the credit growth target established by the government. Private banks with high credit quotas like HDB, MBB, VIB, and VPB continue to maintain a high credit growth target. This year, banks with strong financial potential such as ACB, MBB, HDB, VIB, and VPB would have the financial strength to pay dividends and intend to do so on a more frequent basis.

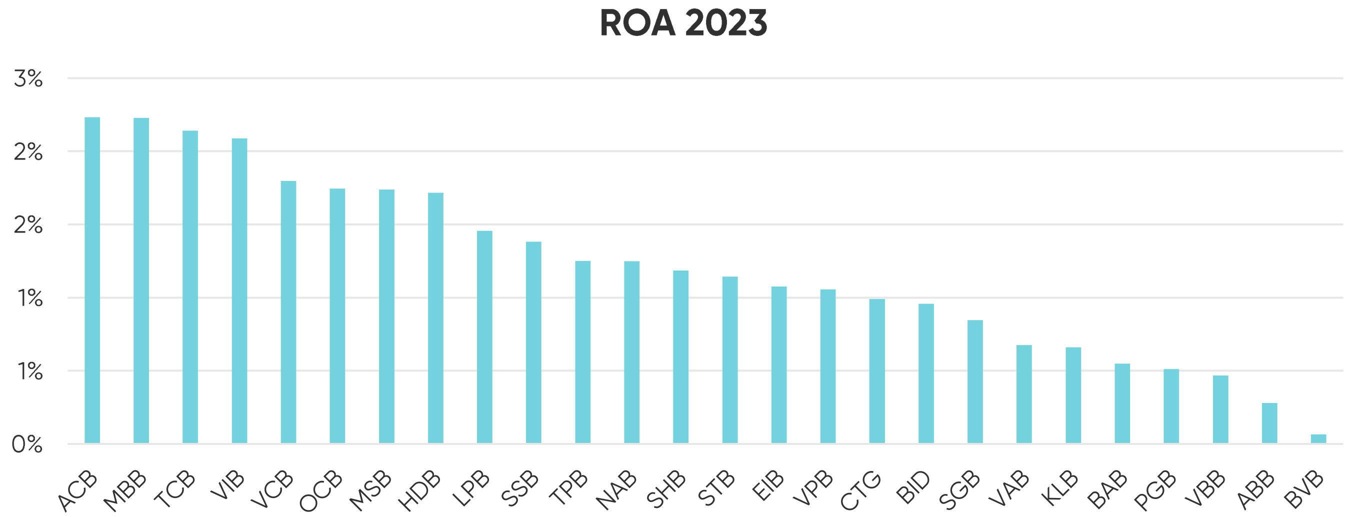
Sources: AM Report, made available to public up to 05/04/2024

2024 – ROE, ROA WILL RECOVER

ROE and ROA will recover in line with expectations of profit growth





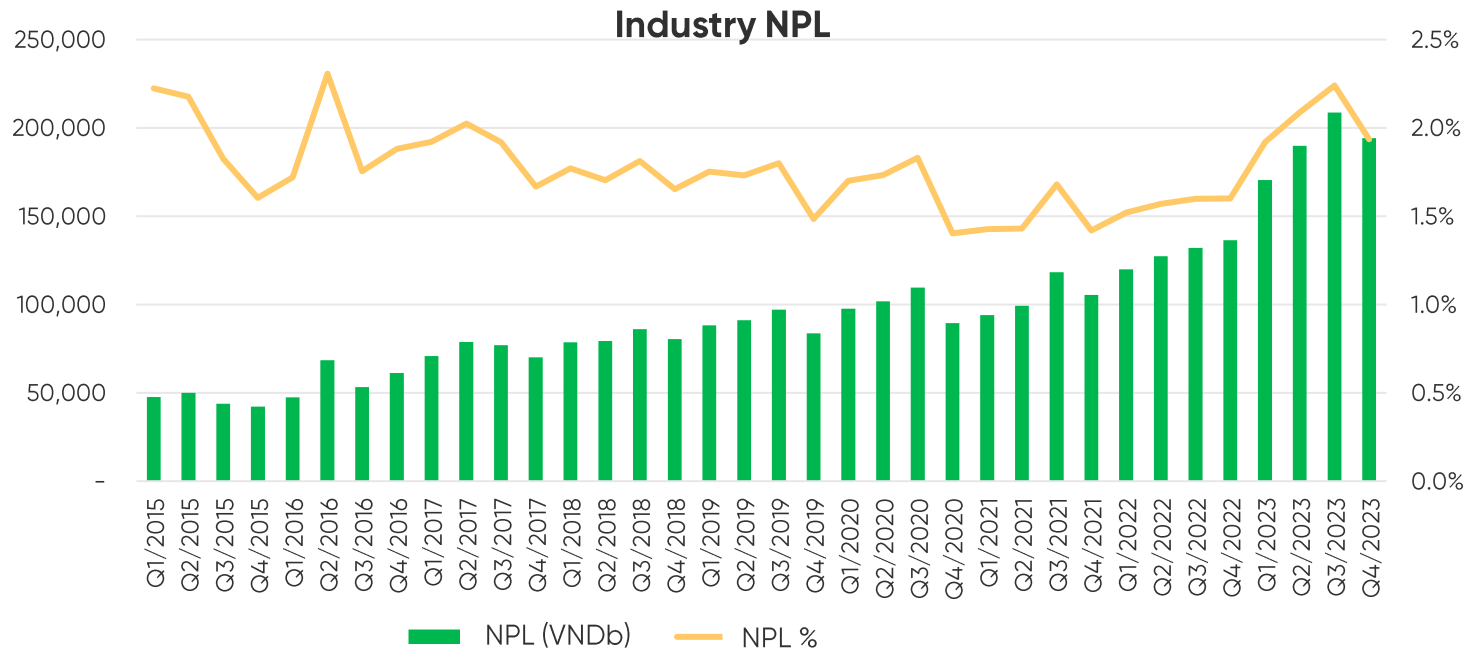


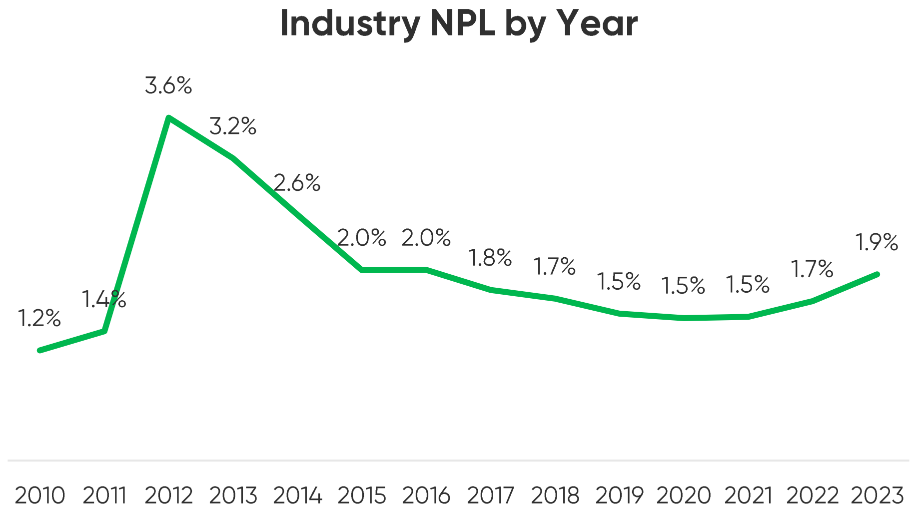
- The industry's overall ROE is trending downward from 19.8% to 15.9% and its overall ROA is declining from 1.5% to 1.4% from last year to this year due to the absence of favourable market conditions. With better profit growth and slower capital growth than the previous years, we can anticipate ROE and ROA to rise again in 2024.
- Comparing ROE and ROA at large banks, however, reveals that some banks still manage to have respectable PBT results in 2023 despite lacking the scale-related competitive advantages. For instance, VIB, HDB, NAB are among the TOP in terms of ROE; and VIB, OCB, MSB, and HDB are among the TOP in terms of ROA.

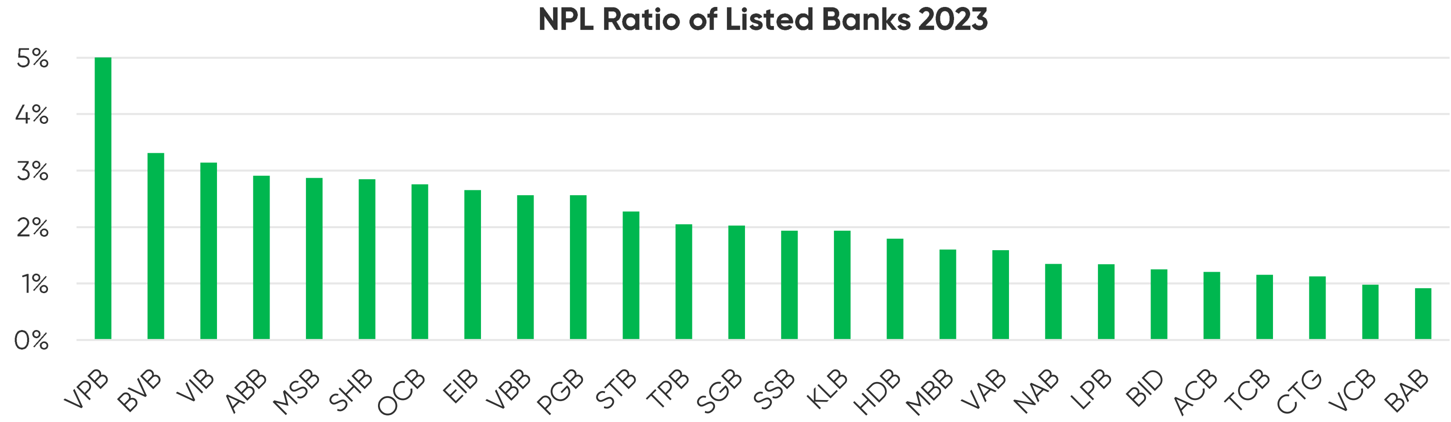
Sources: FS, VPBankS

2024 – CHALLENGES WITH NON-PERFORMING LOANS

Asset quality overview







Annual NPL has continuously increased from the COVID period up until now. In addition, there appears to have been a slowing in bank debt recovery in 2023. The industry NPL is 1.9%, which is significant when compared to 2022's 1.7%, marking a 12% increase; while, historically, banks has managed to lower bad debt, and the coverage ratio has also been steadily improving. The good news is that while bad debt rose during the first three quarters of 2023, it dropped significantly in the fourth quarter. NPL levels of every bank have increased, however a few, like VCB, CTG, TCB, and ACB, continue to have low NPL levels. Banks are required to set aside a significant amount of money (135 trillion VND) for provisions. If the situation improves in 2024 and banks manage to recover bad debts, there will be a significant amount left at their disposal.

Sources: FS, VPBankS

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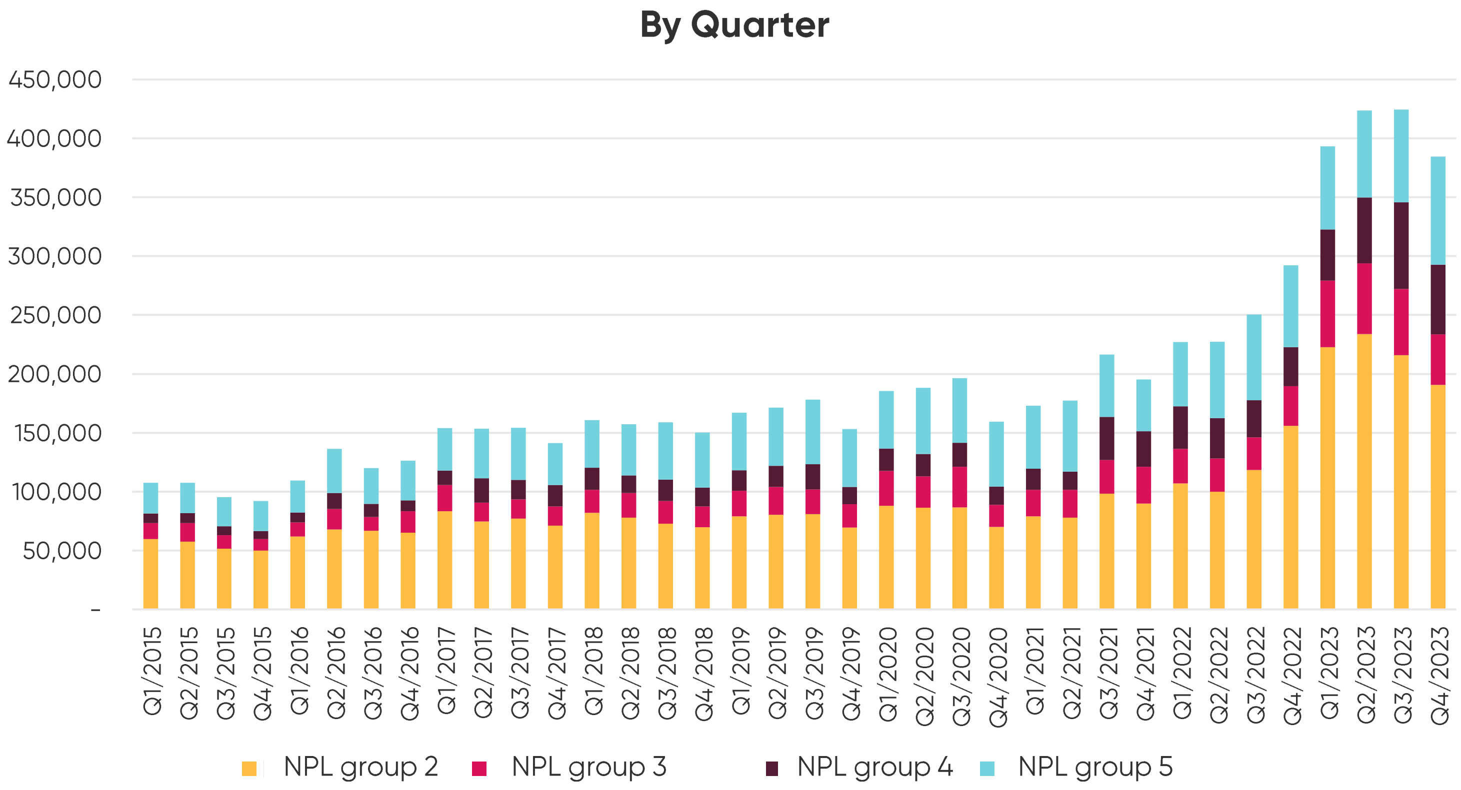
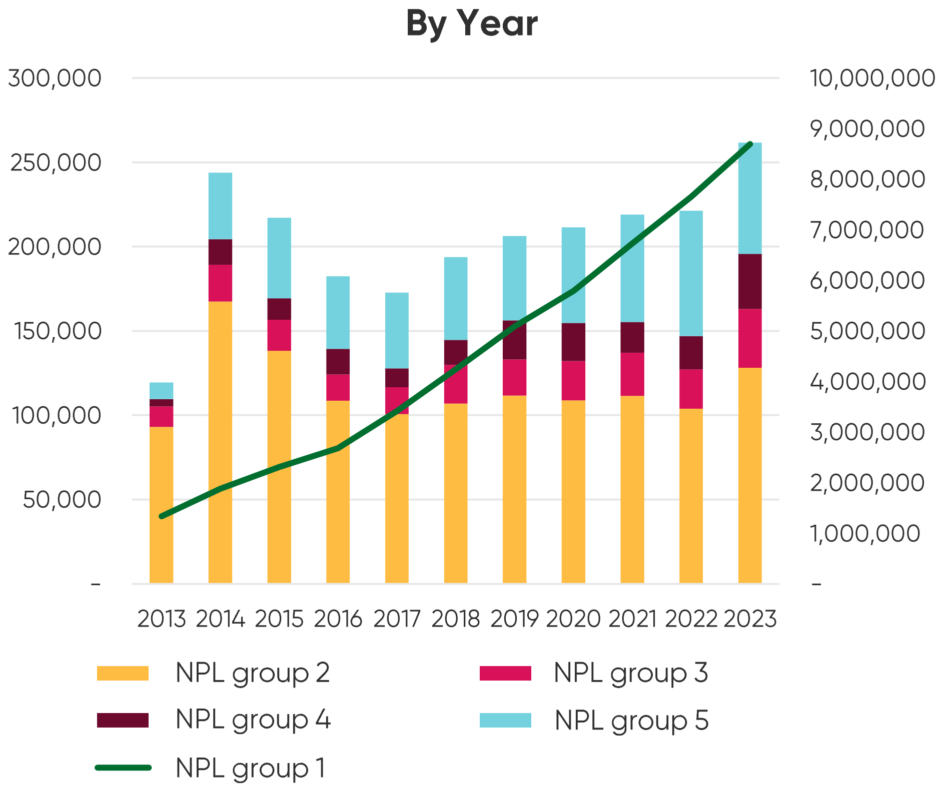
2024 – CHALLENGES WITH NON-PERFORMING LOANS

Classifications of bad debt groups





An encouraging signal is that bad debt is declining every quarter, which could indicate that the amount of bad debt has been contained. Group 2's debt has started to decline over the last three quarters; accompanied by the debt rescheduling policy of Circular 02 and Amendments to the Credit Institution Laws provided a positive signal. Except group 5 increase - which might have been a direct result of group 3 to 4 increase in previous quarters, we observe that debt groups 3 and 4 similarly show a tendency to decline in Q4.

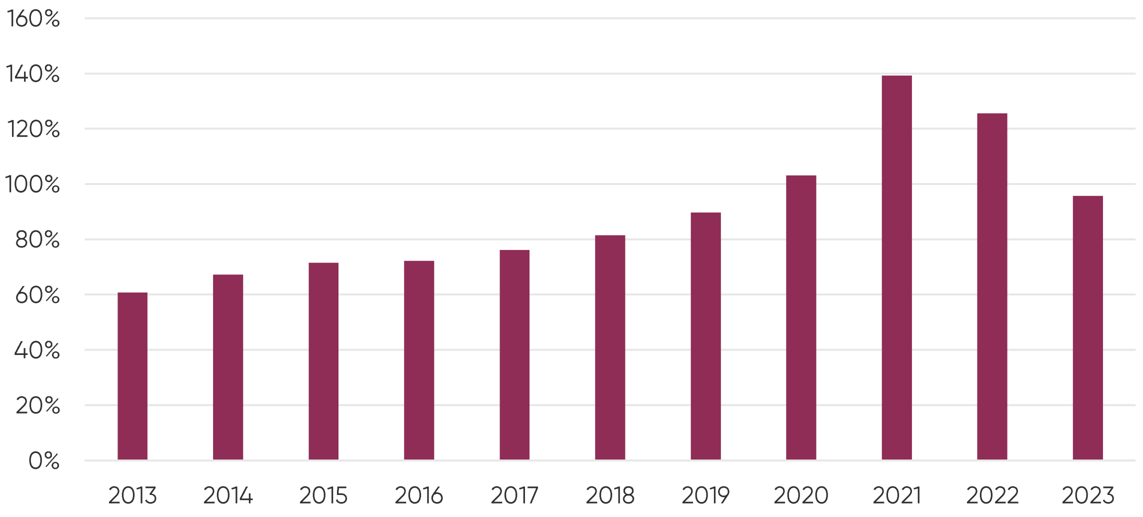
However, the main factor that determines whether or not things actually get better is the quality of the assets of businesses and households. Further economic conditions need to be monitored: in particular, the Q1 NPL results when the CIC statistics are finalized at the start of the year.

Sources: FS, VPBankS

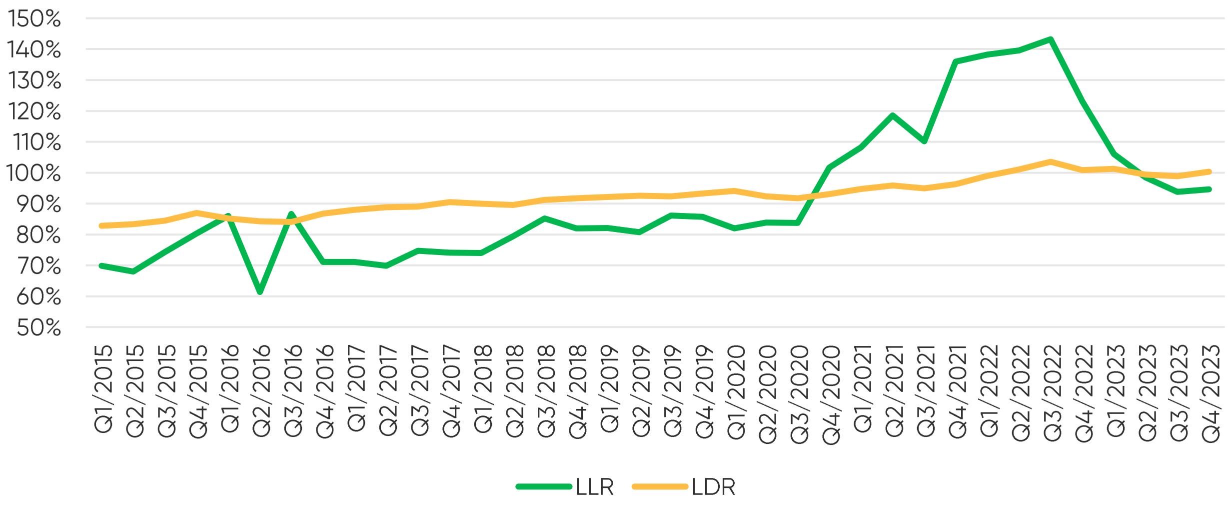
2024 – CHALLENGES WITH NON-PERFORMING LOANS

Attempts to improve asset quality

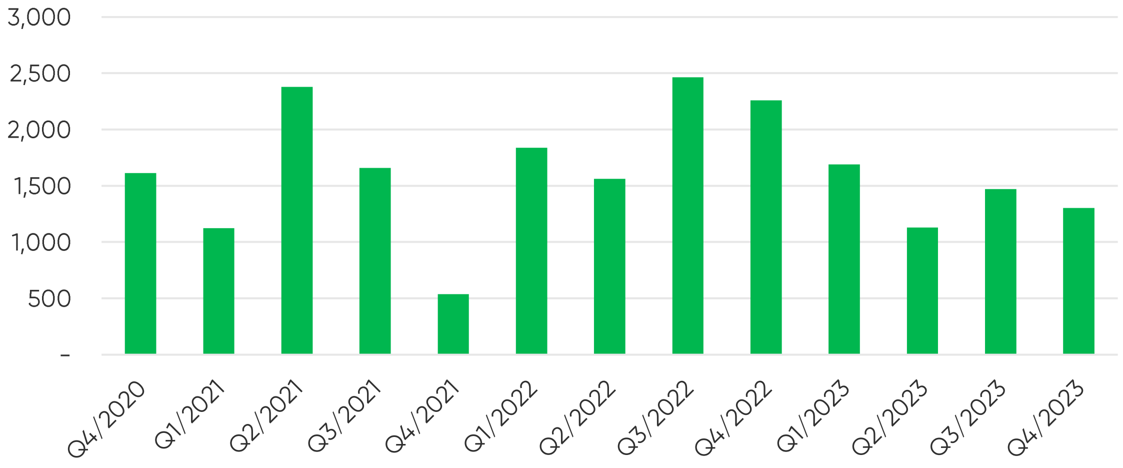
Industry LLR 2023



LLR and LDR



Income from Debt Recovery in 2023 (billion VND)*



- The rise in non-performing loans forced banks to make large provisions and a sharp decline in the bad debt coverage ratio. In addition, retail banks' collections from debt recovery also slowed down in 2023.
- The LLR bad debt coverage ratio for the entire industry dropped dramatically to less than 80%. VCB is the bank with the highest bad debt coverage ratio in the system, at roughly 225%, but it also dropped significantly from over 270% in the previous two quarters (Q3/2023: 270%, Q2/2023: 387%).
- Net LDR still flattens out, but is at 100%. We believe that a high level of LDR is reasonable for a rising economy such as Vietnam; nonetheless, stringent oversight is required to guarantee the quality of assets.

*: Data collected from BVB, KLB, MBB, TCB, TPB, VBB, VIB, VPB

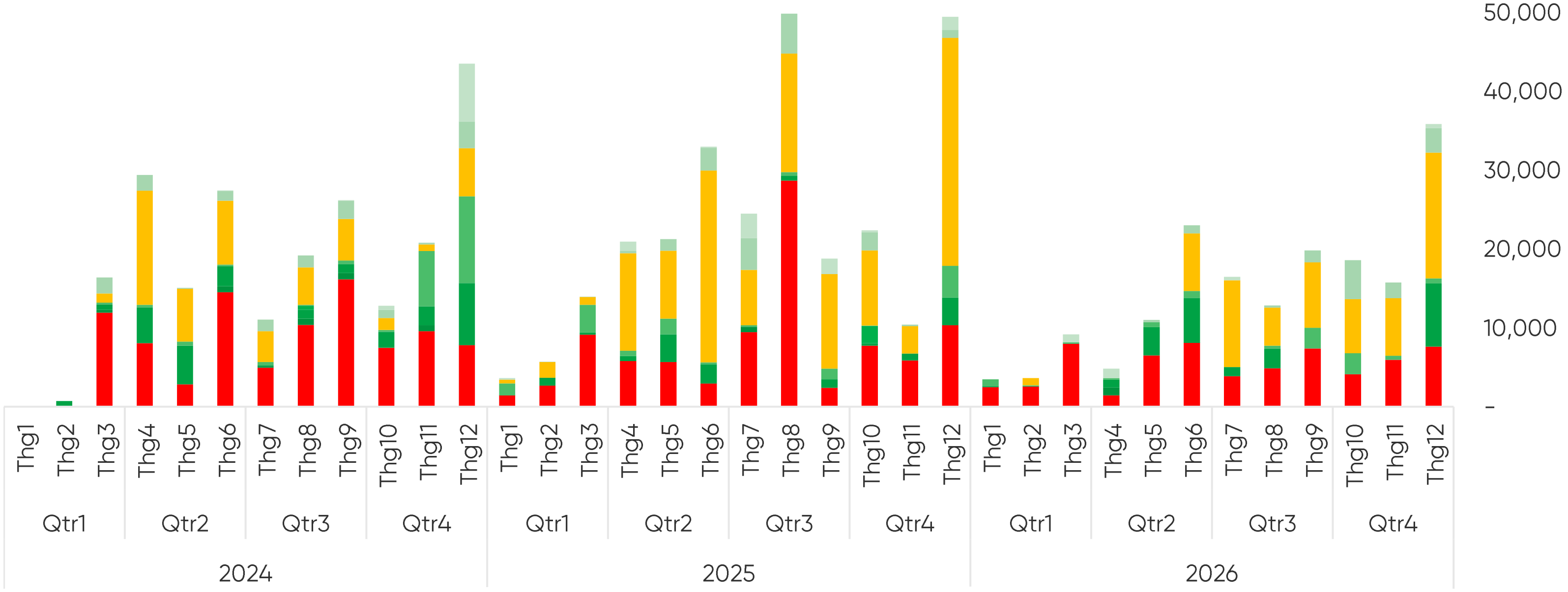
Sources: FS, VPBankS

VPBank Securities

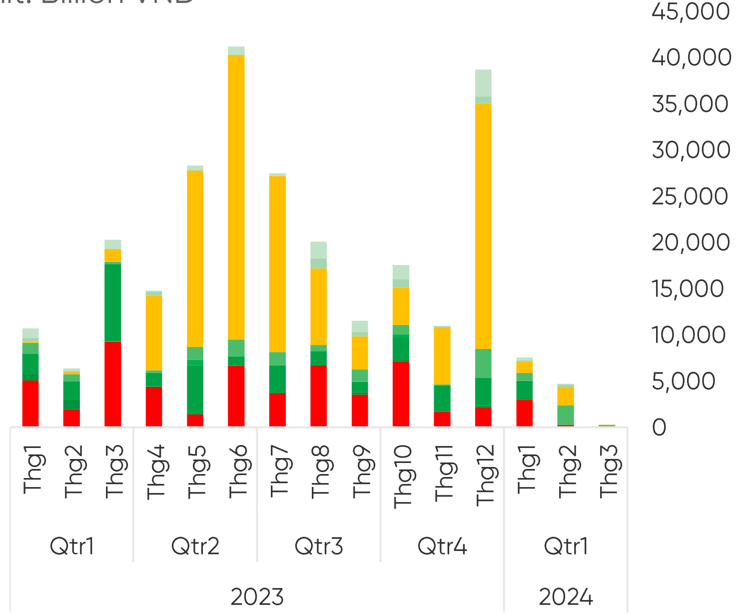
2024 – CHALLENGES WITH NON-PERFORMING LOANS

Significant pressure on bonds maturing

Total value of bonds maturing
Unit: Billion VND



Total value of bond repurchase before maturity
Unit: Billion VND



Real estate | Securities Brokerage | Others | Energy | Manufacturing | Financial Institutions | Commericlals | Constructions

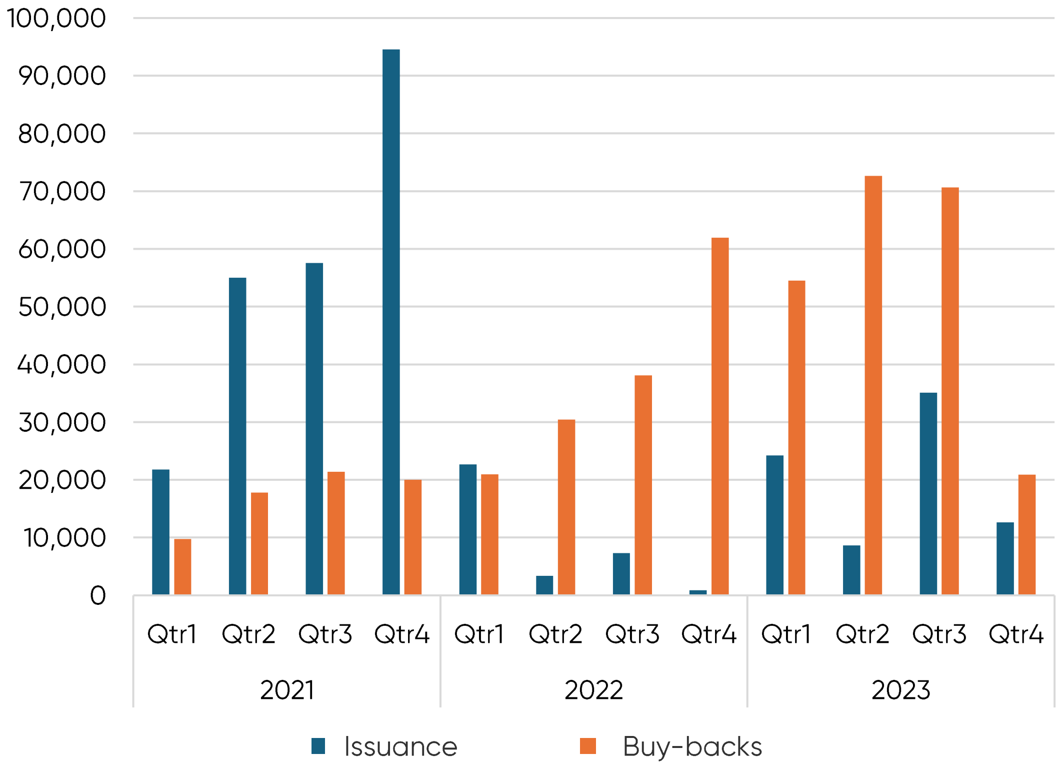
- Over 222 trillion VND in total value of bonds will mature in 2024. Of these, the real estate sector makes up the biggest portion, making up almost 42% of the total value, reaching over 93 trillion VND, distributed equally across the final three quarters of the year, with the third quarter having the highest value, surpassing 31 billion VND.
- The amount of pre-mature bond repurchases by financial institutions continued to increase sharply in December 2023 after a quiet period at the end of the third quarter and the beginning of the fourth quarter, recording a total repurchase value of more than 21.3 trillion VND. The total value of pre-mature repurchases by financial institutions in 2024 will reach more than 127 trillion VND. In the first month of the year, real estate bonds recorded a pre-maturity redemption value of nearly VND 3 trillion, with the majority being bonds from Voyage Investment Company with a redemption value of VND 2.3 trillion.

Sources: GSO, Fiinpro, VPBankS Research

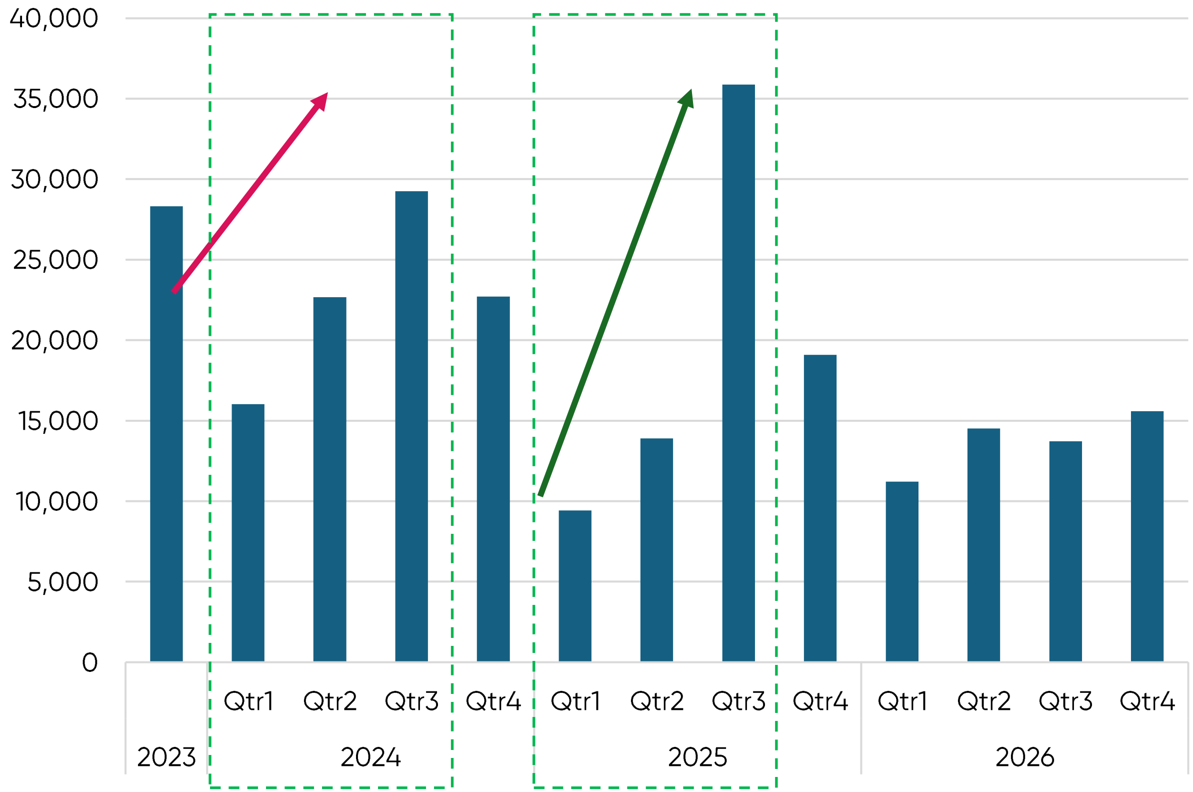
2024 – CHALLENGES WITH NON-PERFORMING LOANS

Pressure on real estate bonds maturing weakens

Pressure on real estate bonds maturing
Unit:Billion VND



Pressure on real estate bonds maturing
Unit:Billion VND



- The total value of bonds issued in the real estate sector in 11M2023 was around 80,567 billion VND; while this represents an improvement over the latter half of 2H2022, it remains much less than in 2021.
- In addition, thanks to the government's supportive policies, the pressure to repurchase bonds before maturity by real estate companies in 2H2023 has decreased compared to the previous 6 months and compared to the same period last year. However, the pressure to repay debt in the next 24 months is still huge, especially in Q3/2024 (29,248 billion VND) and Q3/2025 (35,882 billion VND).

Sources: GSO, Fiinpro, VPBankS Research

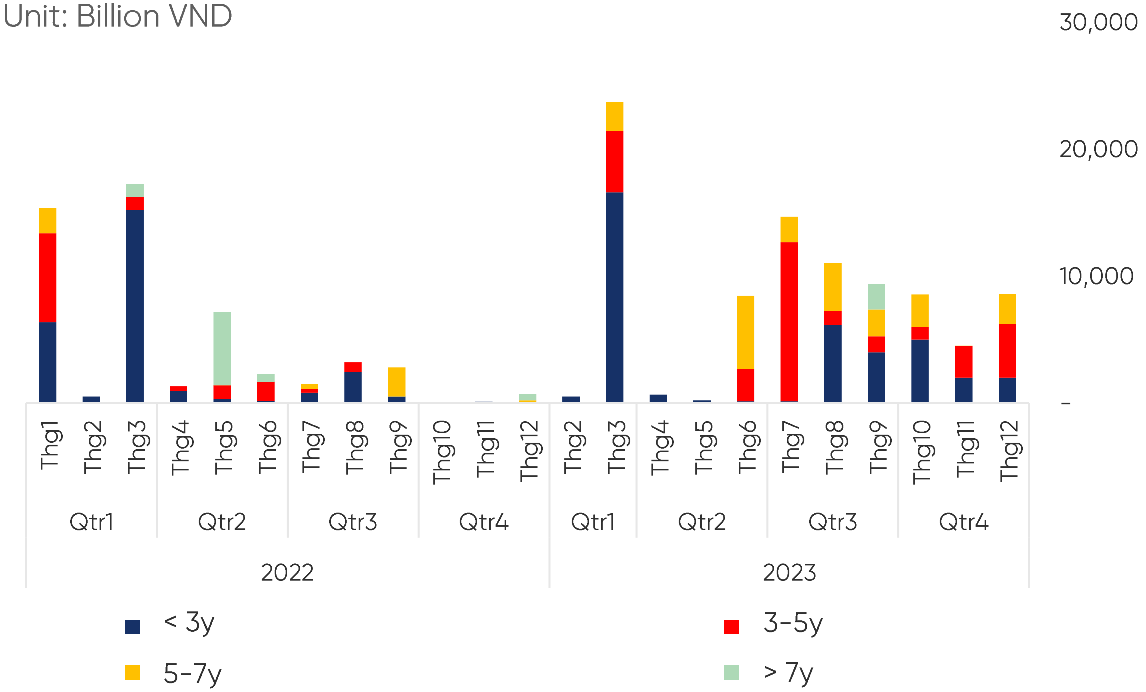
VPBank Securities

2024 – CHALLENGES WITH NON-PERFORMING LOANS

Prospect for corporate bonds

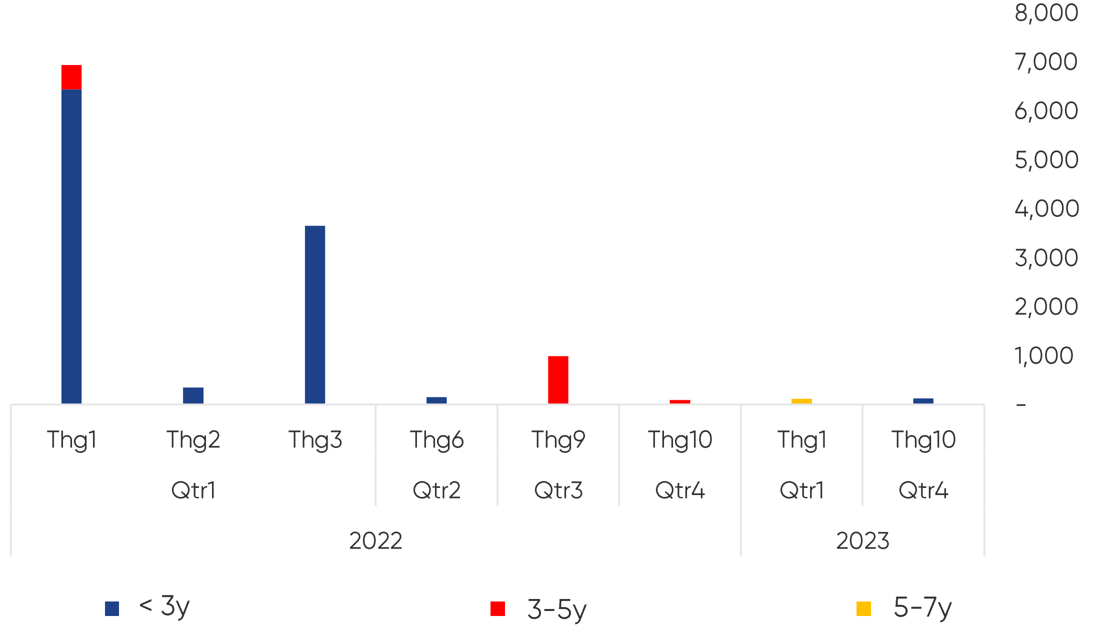
Total value of real estate bonds issued

Unit: Billion VND



Total value of construction bonds issued

Unit: Billion VND



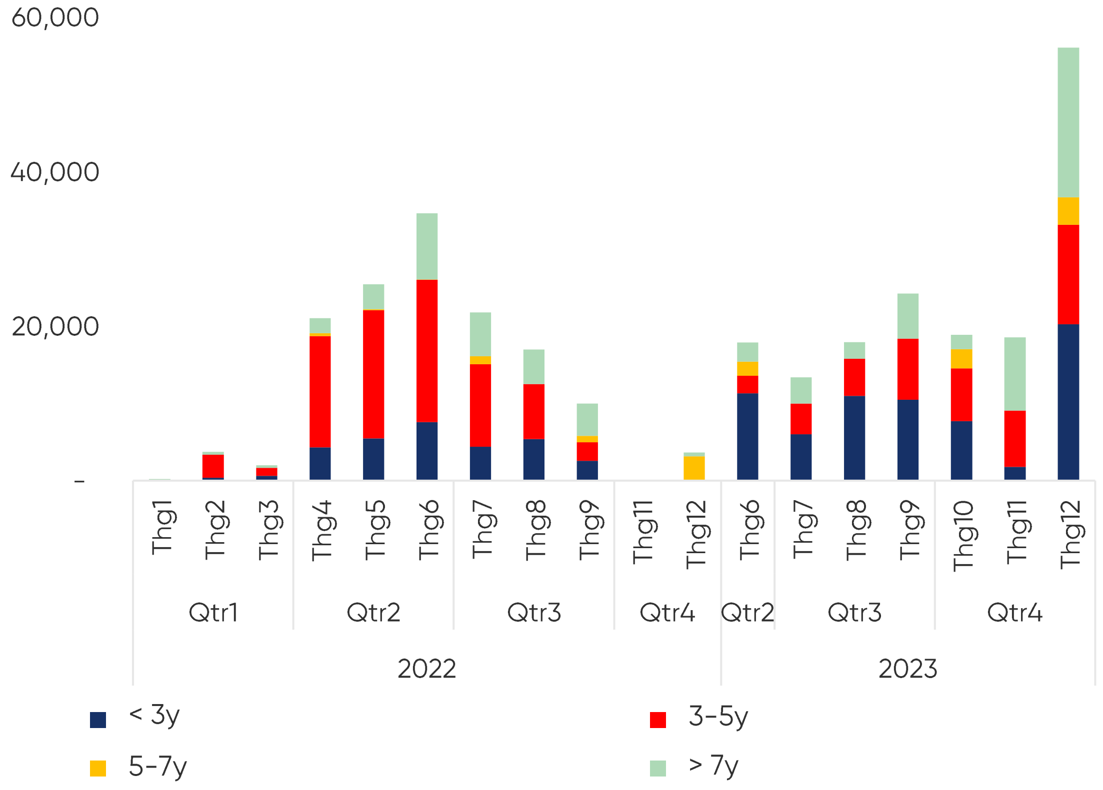
- The adoption of the Amended Laws on Land, Housing, and Real Estate Business, together with a number of other initiatives, continue to support the real estate sector. When projects are approved and the market is stable, real estate businesses have the advantage of issuing bonds to supplement capital for project development.
- The real estate market always has huge capital demand. Besides bank credit loans, bonds play a key role in attracting capital. The recent active reform of the corporate bond market and real estate market is expected to provide great support for real estate businesses with good projects and sound legal frameworks. This is both an opportunity for credit growth and an opportunity to manage bad debt at banks with high concentration in corporate bonds. Therefore, choosing corporate bonds from issuers with strong financial health and project implementation potential is very important. When examining banks' loan portfolio structure, it is important to consider both the size of investment and the primary bond issuers.

Sources: GSO, Fiinpro, VPBankS Research

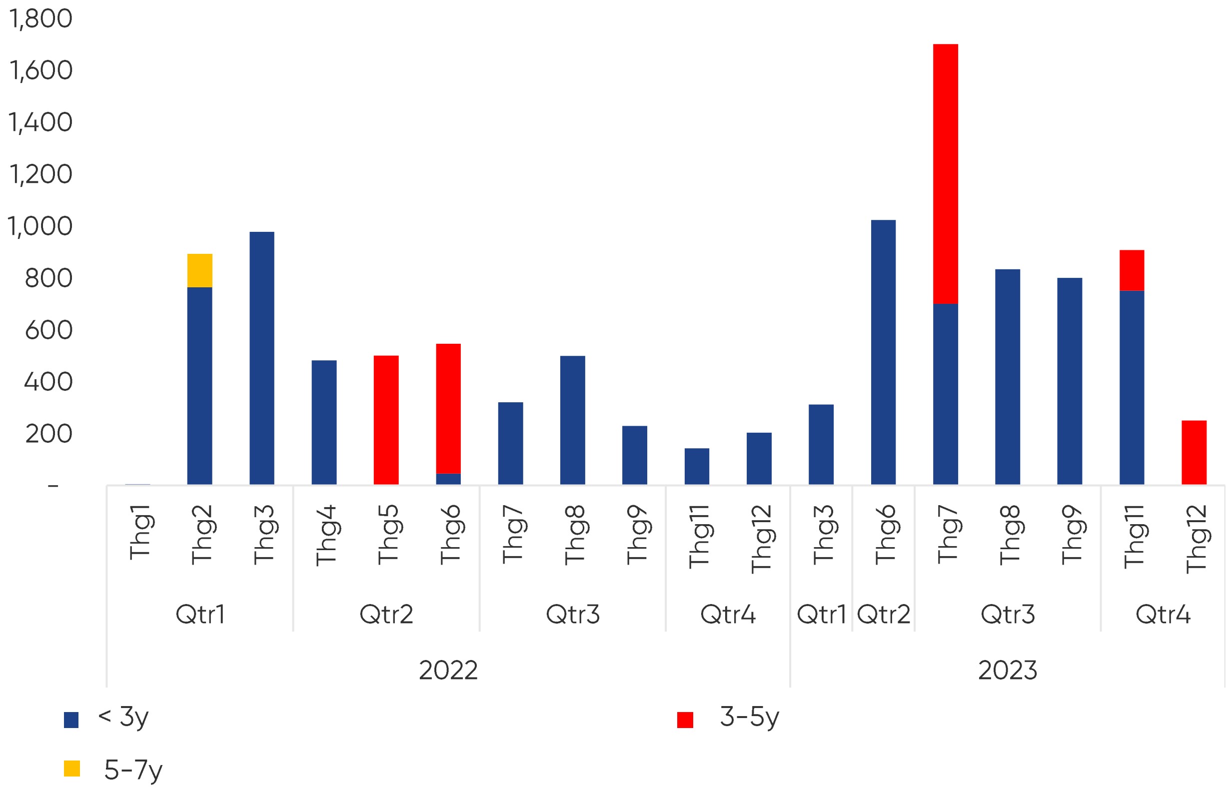
2024 – CHALLENGES WITH NON-PERFORMING LOANS

Prospect for corporate bonds

Total value of bonds issued by credit institutions
Unit: Billion VND



Total value of bonds issued by securities company
Unit: Billion VND

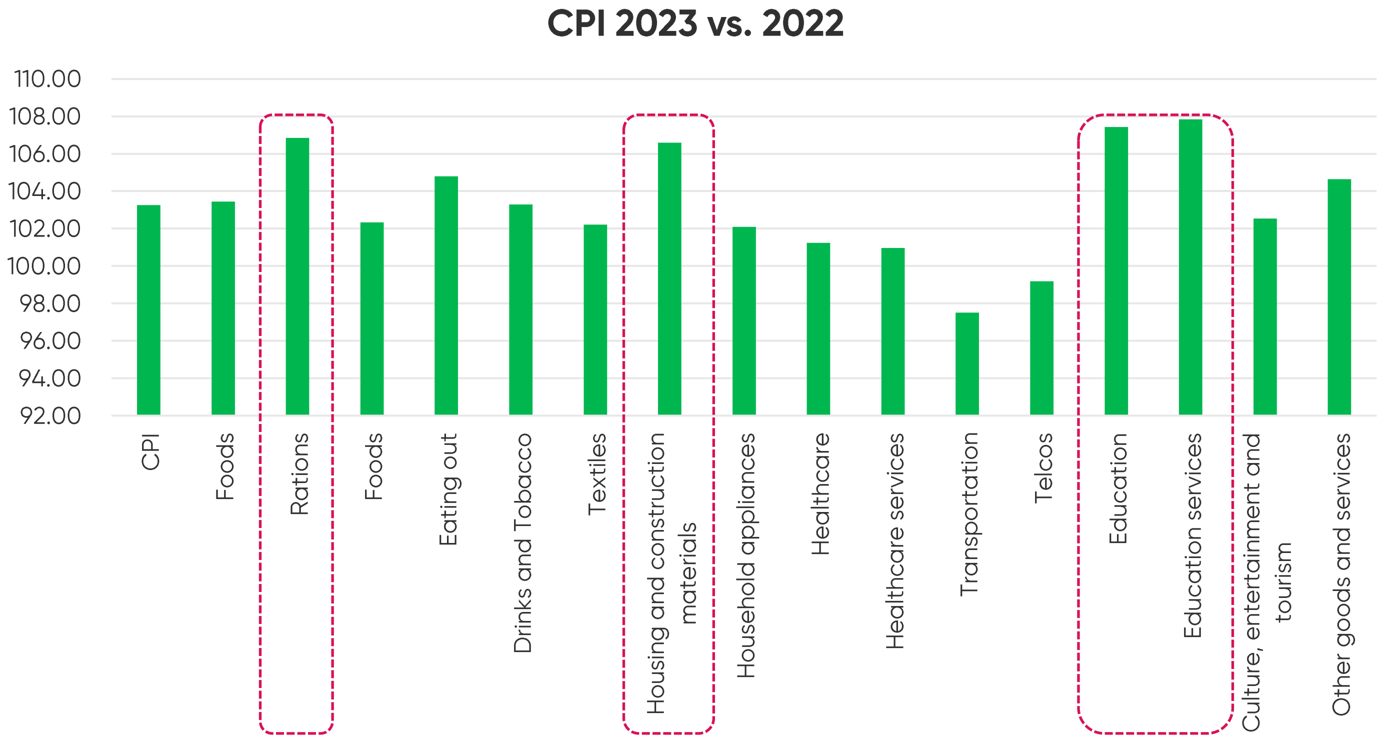


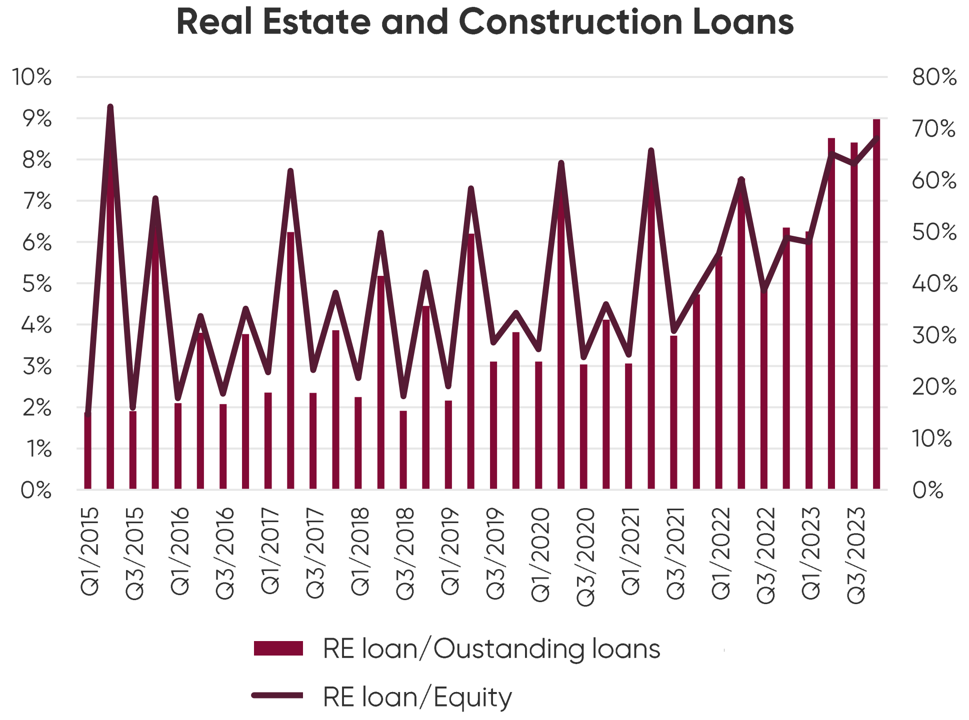
In terms of financial institutions, the lackluster recovery in market demand for credit has resulted in a low level of capital demand for credit institution bonds at the start of the year. Nonetheless, we continue to believe that more medium- and long-term capital will be required in the near future when the economy starts to fully recover to guarantee medium- and long-term loans to be in line with regulations, increasing bond issuance demand of financial institutions again.

Sources: GSO, Fiinpro, VPBankS Research

2024 – CHALLENGES WITH NON-PERFORMING LOANS

Settlement of bad debts depends on accumulated assets and spending concerns





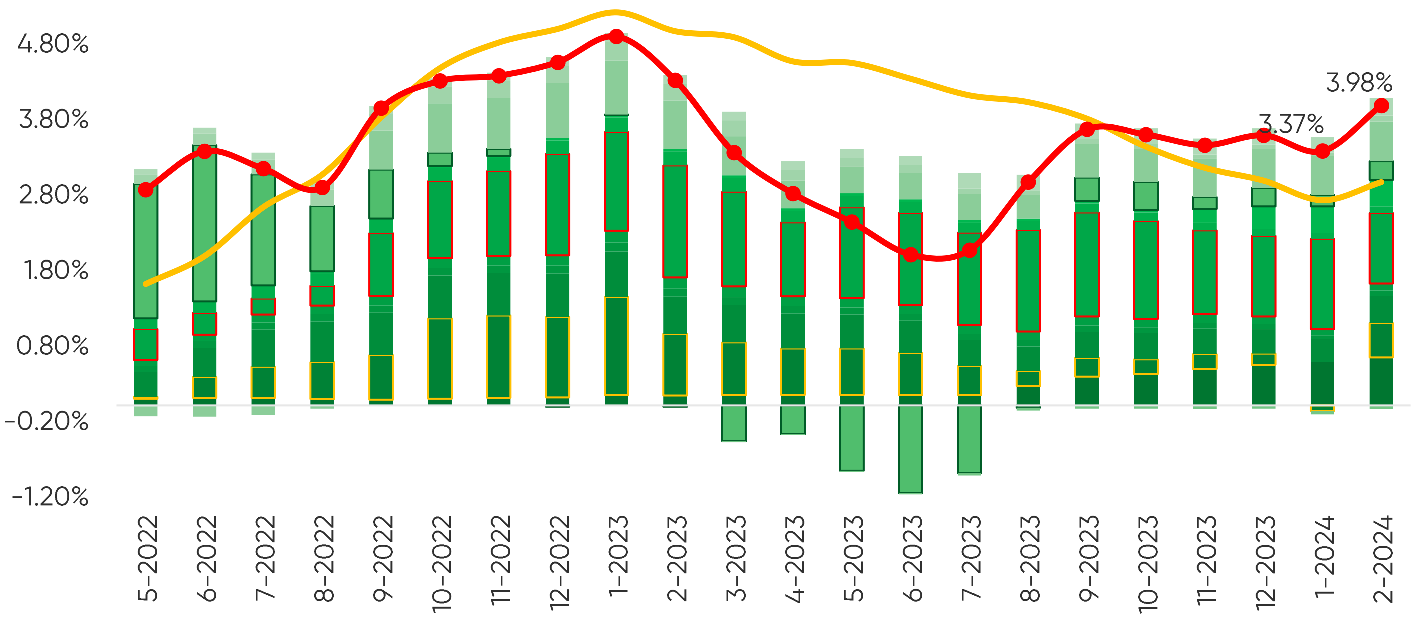
- This year, the main segment of the economy—the middle and lower income group—is most negatively impacted by the macroeconomic climate that affects people's assets. Inflation must be controlled in tandem with growth: after two months, Vietnam's inflation rate—which was 3.3% at the end of 2023—rose to 3.67%. When examining the inflation figures for 2023 and 2022, we find that the majority of the inflation indicators that rise much beyond 5% are related to staple goods like food, housing, and education. This in turn affects people's accumulated assets and purchasing power, which has an immediate impact on their capacity to pay back debt. By the end of 2023, the system's NPL excluding restructured debt following Circular 02/2023/TT-NHNN (about 183,500 billion VND by the end of 2023, or 1.35% of all outstanding debt) —was 4.55%, up from 2.03% at the end of 2022 and beyond the government's aim of 3%. The occurrence involving SCB Bank and Van Thinh Phat, as well as the case of commercial banks under special control and compulsory purchase, was the primary cause of the surge. The estimated NPL of the remaining banks is still less than 3%, nevertheless. The industry as a whole must cooperate to handle the aftermath, so it will have an overall effect on the industry's asset quality in the near future. Normally, the real estate and construction loan market sees a significant increase in Q2, but this year, particularly in Q3 and Q4, the growth has persisted.

Sources: GSO, Fiinpro, VPBankS Research

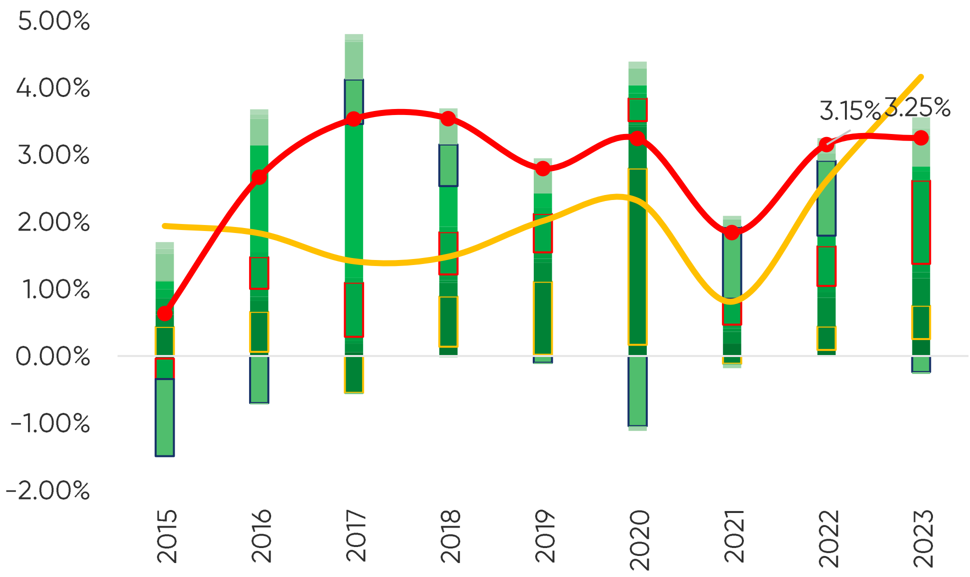
2024 – CHALLENGES WITH NON-PERFORMING LOANS

Inflation must be monitored

Inflation and each group's impact by months



Inflation and each group's impact by year

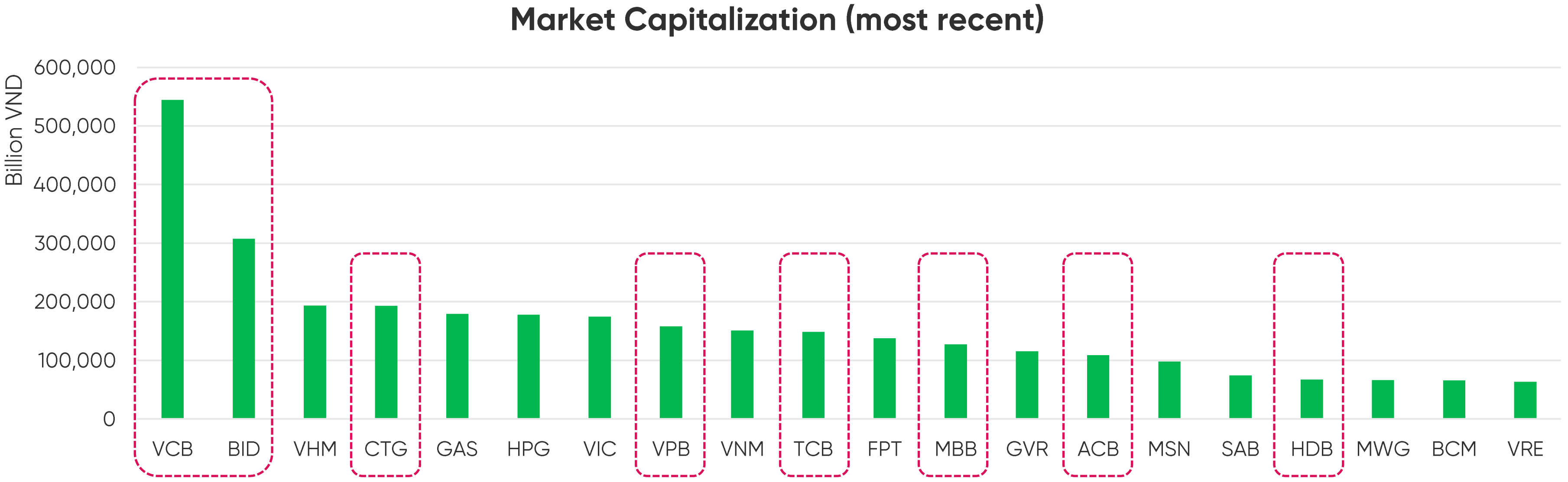


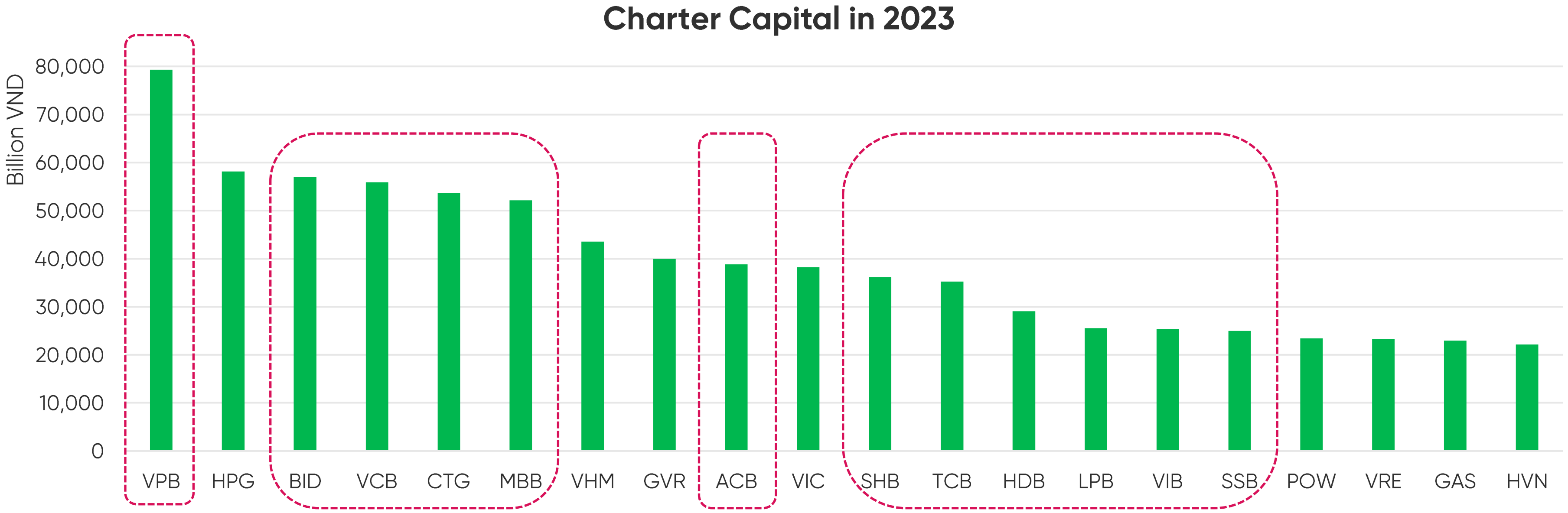
Rations | Foods | Eating out | Drinks and tobacco | Textiles
Housing and Construction materials | Household appliances | Healthcare | Transportation | Telcos
Education | Culture, entertainment and tourism | Other goods and services | Core CPI | CPI

The primary drivers of inflation in 2023 (3.25%) was housing and construction materials. Inflation developments in the first month of 2024 showed an increase in the housing and construction materials group, with expectations that the real estate market condition will progressively improve in the second half of 2024, leading to an increase in prices of this group. In addition, the wage reform policy outlined in Resolution No. 27-NQ/TW, which takes effect on July 1, 2024, may have an effect on the cost of food and healthcare, which are the two industries with the biggest price increases in the past year and are also two extremely important industries of life. As a result, we anticipate that inflation will rise marginally more in 2024 compared to 2023, with a target of 3.5–4%.

Sources: GSO, Fiinpro, VPBankS Research

POSITION IN THE ECONOMY





- Up until this point, the combined capitalization of the three banks—Vietcombank, BIDV, and VietinBank—has surpassed one million billion VND, or over one-fifth of the total value of the entire HOSE exchange. One thing all banks have in common is that they are all planning to increase capital. Eight out of the twenty companies with the highest market capitalization, or forty percent, are banks. Twelve out of the twenty companies in the TOP 20 with the highest charter capital are banks. As a result, the banking sector enjoys a strong position in the economy.
- Multiple banks are planning to raise capital. CTG plans to pay dividends in shares to increase capital from 53,700 billion VND to 65,300 billion VND. VCB plans to privately offer 6.5% shares, BIDV also has a similar plan with 5% shares. SHB is in the process of negotiating to sell 20% of capital to foreign investors. In addition, SeABank and LPB, HDB also have plans to sell capital to foreign investors.

Sources: FS, Fiinpro, VPBankS Research

2024 – ECONOMIC GROWTH DRIVERS

Economic recovery is expected to support wealth accumulation and management of bad debt

Growth drivers

FDI growth

- The upgrade to comprehensive strategic partnership with the United States and Japan is expected to attract a new wave of investment in Vietnam.

Import – export recovery

- The world economy's gradual recovery after the interest rate hike cycle will boost import demands.
- Commodity prices are expected to be more stable after geopolitical conflicts

Borrowing demand recovery

- An economy with low interest rates and policies to promote consumption such as reducing VAT and supporting real estate projects will stimulate more borrowing demand.

Risks

Stagnant real estate market

- The housing and real estate lending business accounts for a large portion of bank credit, thus a struggling real estate market will hinder net interest revenue.

Unattractive investment products

- Investors' apprehensive views about the prospects of the real estate industry, accordingly, there is a certain caution towards banks that have lots of real estate loans.
- Concerns about corporate bond products and life insurance

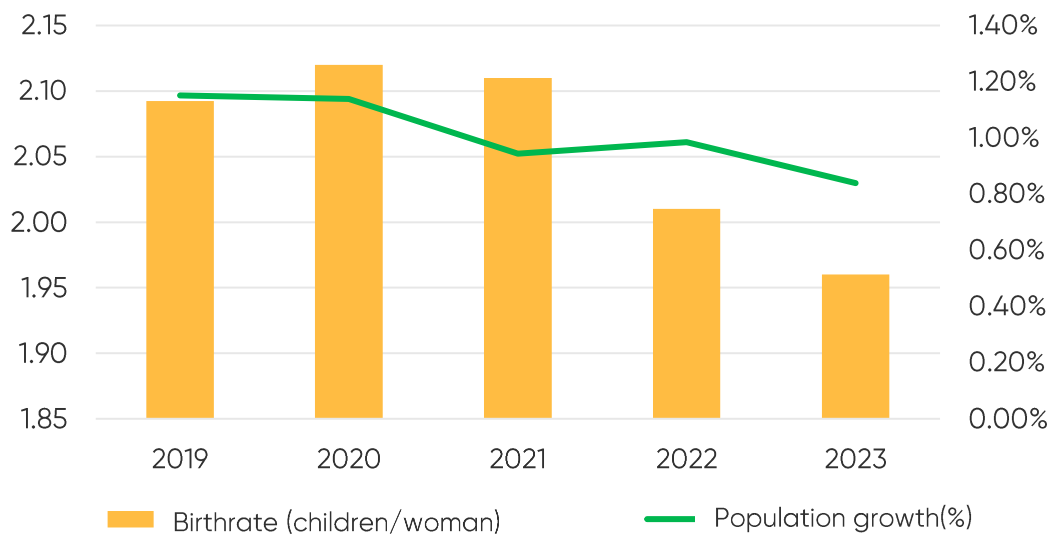
Pressure to control bad debts

- Rising NPL over the last one year will pose great pressure to banks

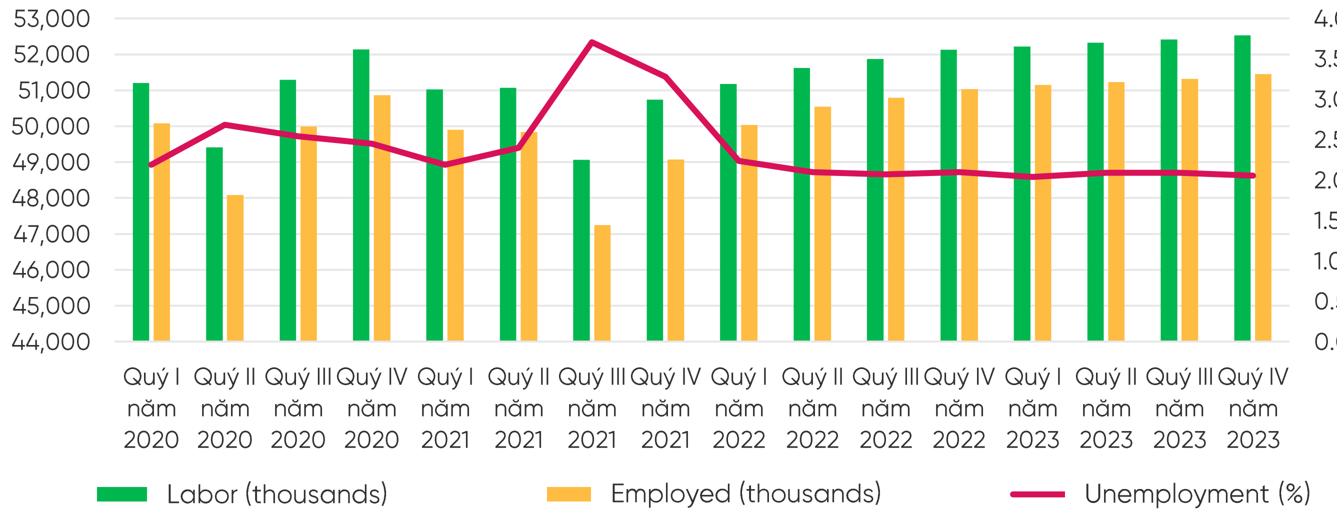
2024 – ECONOMIC GROWTH DRIVERS

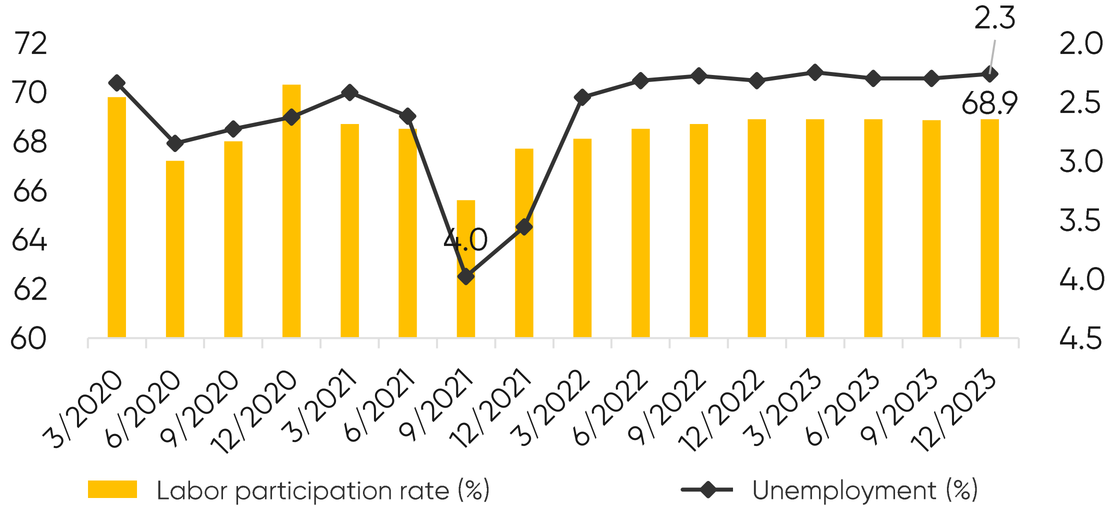
Current population is sufficient for production, birth rate needs to maintain for the future

Birth rate is declining in Vietnam…



…but the working age population is still sufficient for production





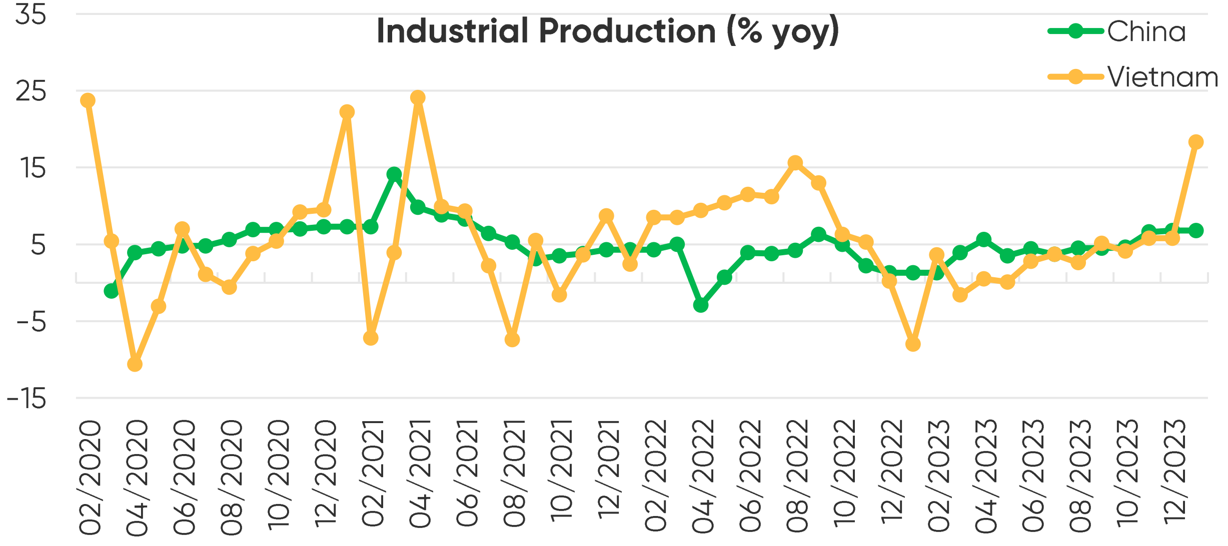
- Vietnam currently has a large enough population to support its production needs, and although the country's birth rate has been steadily declining over the previous five years, it is still far greater than China's. It was just 1.7 last year in China, and in Vietnam, it was still nearly at the level of two children for every woman. By 2023, there will be 100.3 million people living in Vietnam, having grown at a CAGR of 1.1% year between 2010 and 2023. Vietnam must continue at this level going forward.
- Our labor participation rate has been rising over the past few quarters, while the unemployment rate at 2% of the whole population has been constant. In comparison to previous years, the labor force participation rate remained relatively steady in 2023, with males reaching 75.3% and women reaching 62.7% of the total population. Furthermore, Vietnam's unemployment rate in 2023 is 2.3%, a significant decrease from the 5.1% global rate.

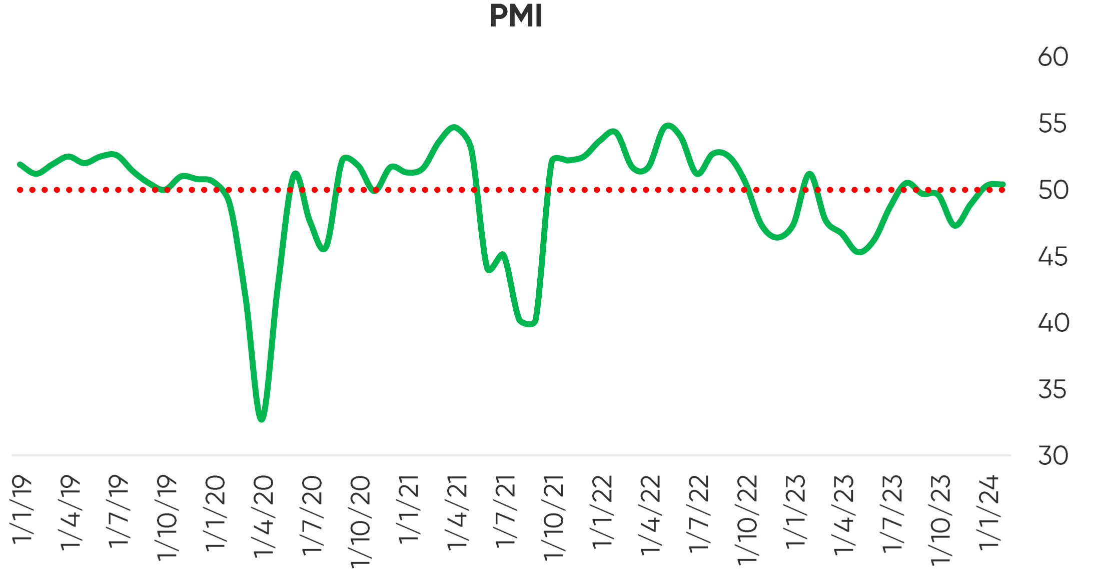
Sources: GSO, Fiinpro, VPBankS Research

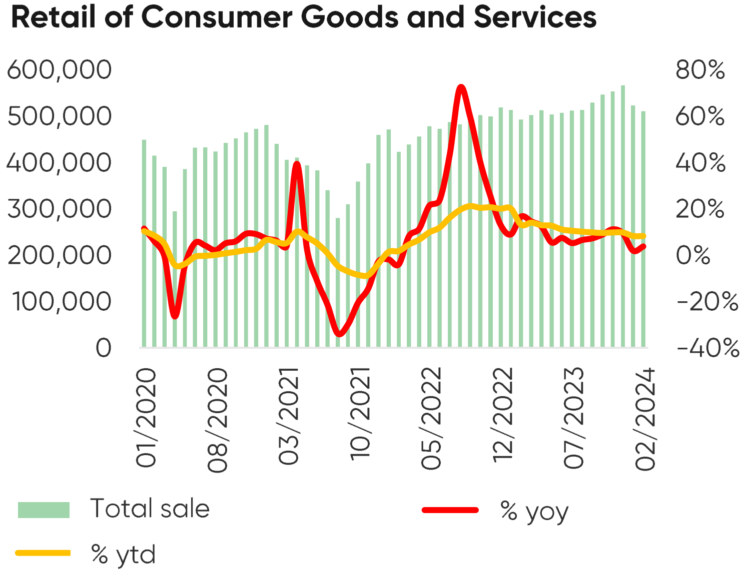
VPBank Securities

2024 – ECONOMIC GROWTH DRIVERS

Industrial production and consumer retail







- China's industrial production has been slowing down over the past year, whereas ours has increased significantly based on changes over the corresponding period. In January 2024, the PMI index increased to 50 and the IIP industrial production index showed encouraging signals once more. This indicates that the manufacturing and processing sectors will come comeback in 2024.
- In January 2024, there were more than 1.5 million international tourist arrivals, a level of arrivals that has not been seen since before the COVID-19 pandemic. In 2024, the tourism sector's resurgence will have a stimulating effect, supporting retail sales of products and consumption while also aiding in the recovery of the service sector.

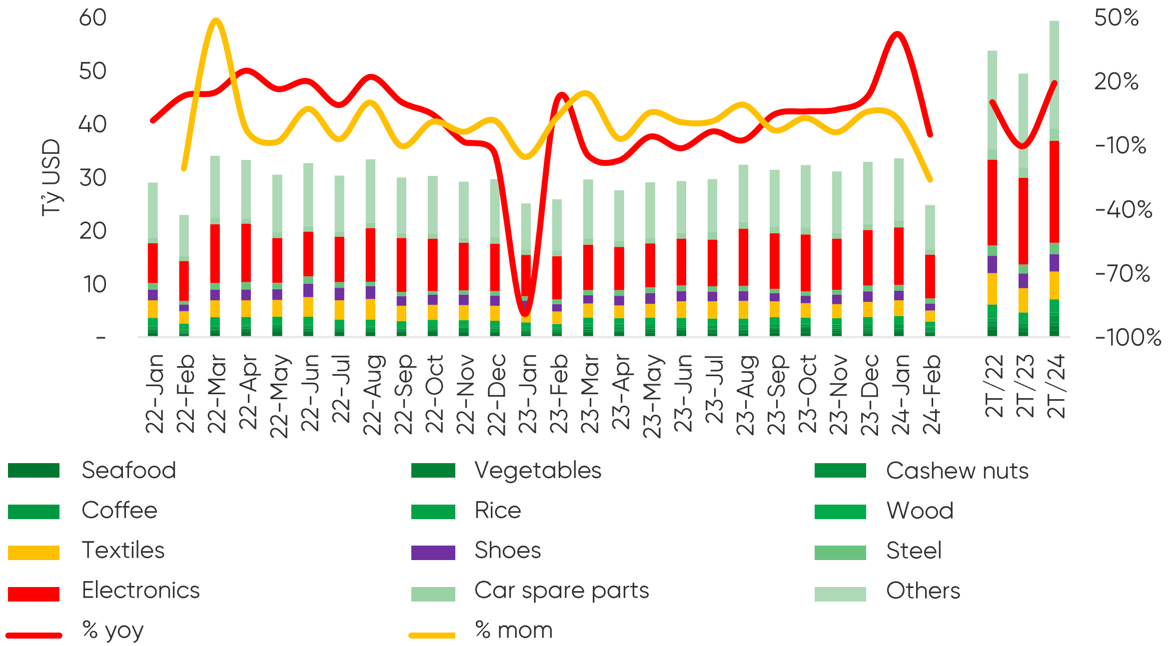
Sources: GSO, Fiinpro, VPBankS Research

2024 – ECONOMIC GROWTH DRIVERS

Trade balance remains positive and shows signs of recovery

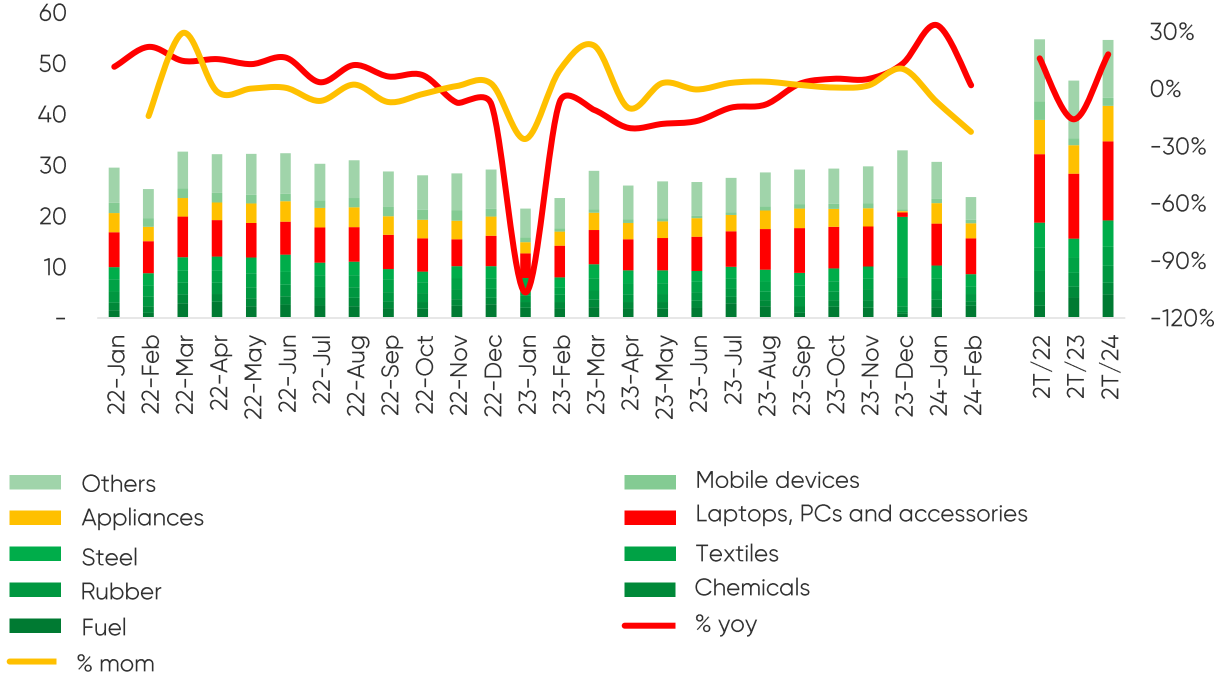
Export

Unit: Billion USD



Import

Unit: Billion VND

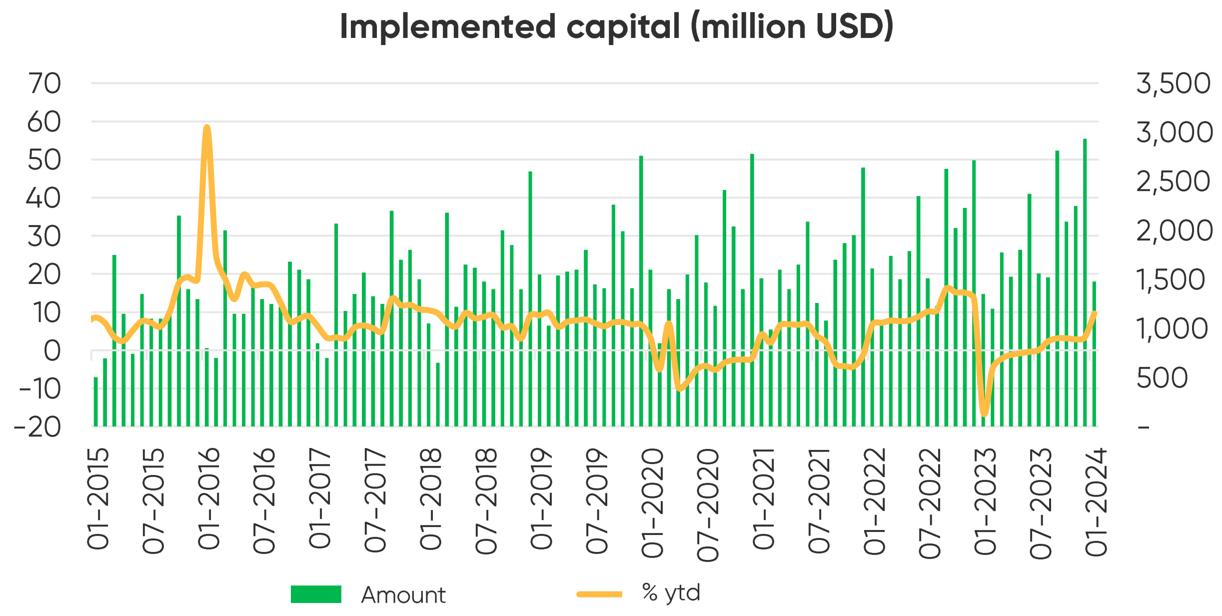


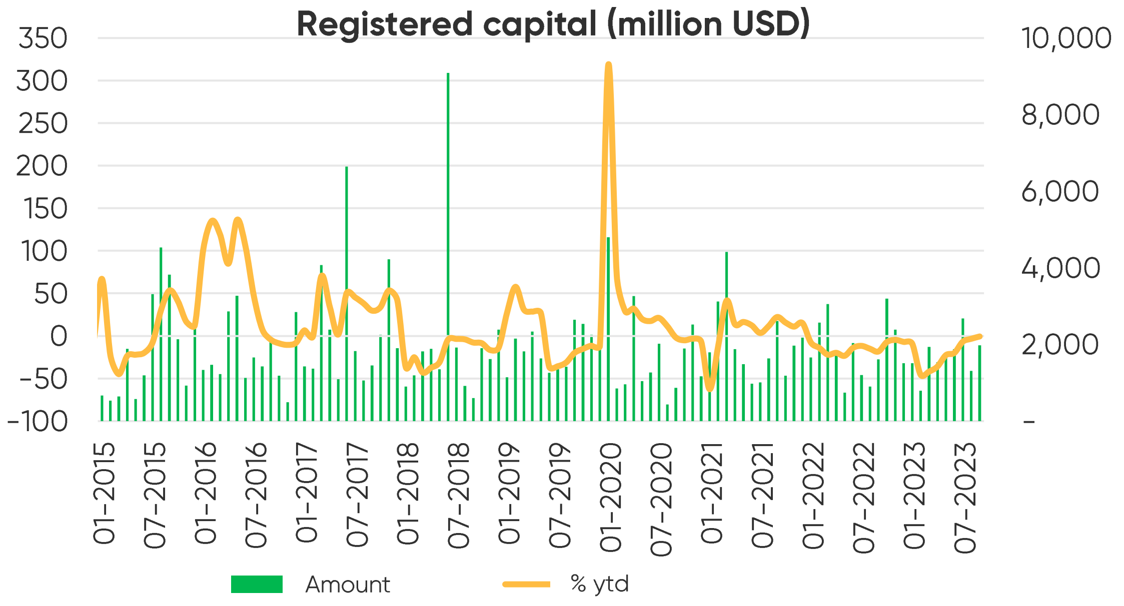
- Positive developments are evident in the first month of 2024, as exports rise significantly over the same period the previous year, bringing the expected trade surplus to about $3 billion USD—more than three times larger than the same period. Electronic goods and components, which rose by 40% over the same time period to reach more than $3 billion USD, make up a sizeable portion of this. On the import side, the value of computers, electronic devices, and their components was up by more than 3.4 billion USD (+72% over the same period) .
- This is only one of many promising developments in early 2024 that raise hopes for the year's recovery of global trade; nonetheless, challenges of the Chinese economy and an extended tightening of US monetary policy remain, exerting significant pressure on Vietnam's capacity for exports in 2024. Strong banks that offer capital for import and export are VCB, BID, CTG, MBB, VPB, and MSB.

Sources: GSO, Fiinpro, VPBankS Research

2024 – ECONOMIC GROWTH DRIVERS

FDI continues to be a growth driver that receives special attention from the Government



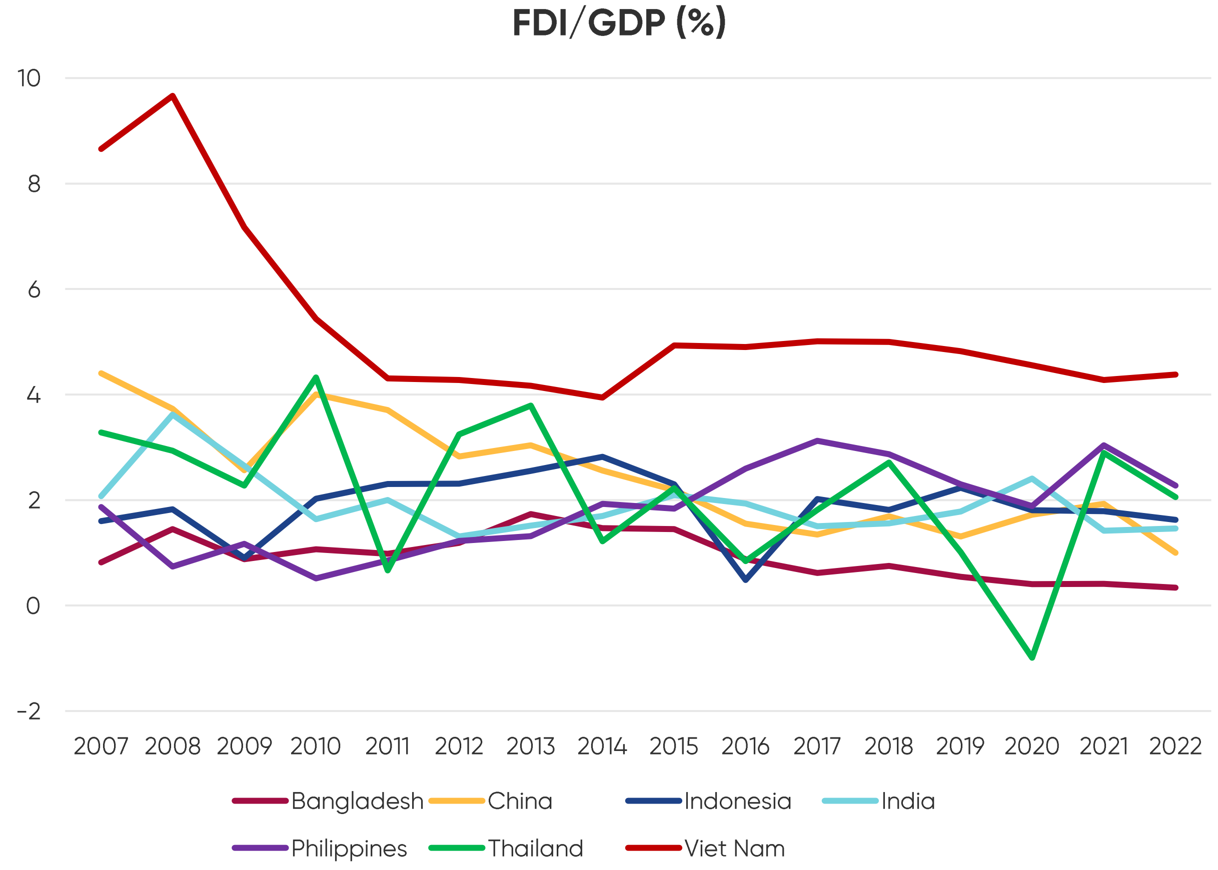


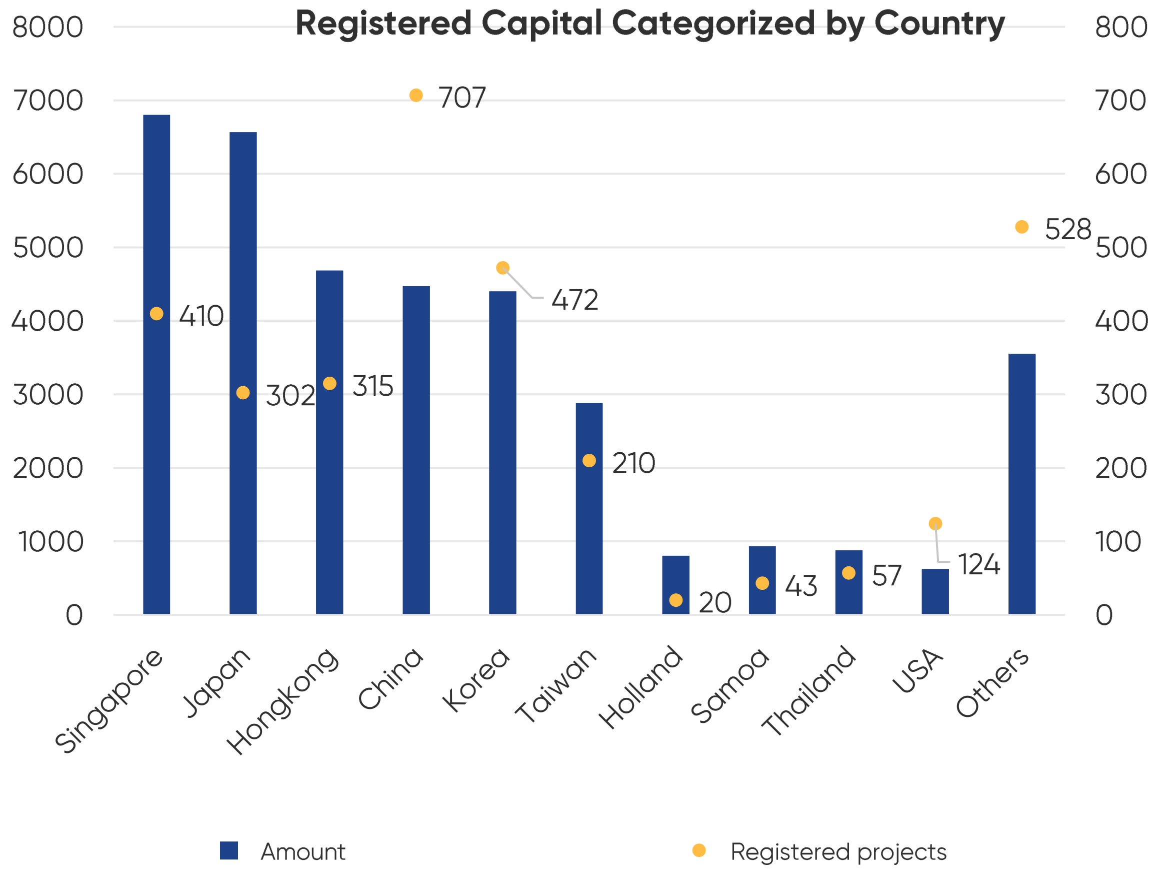
- Over the previous year, there has been a steady growth in the amount of implemented and registered FDI. By February 20, 2024, the total newly registered capital, capital adjustments and contribution, share purchase, and capital contribution purchase (GVMCP) of foreign investors reached more than 4.29 billion USD, up 38.6% from the same period in 2023. Investment registration certificates have been awarded to 405 new projects, representing a 55.2% rise over the same period. The total registered capital has increased to approximately 3.6 billion USD, more than twice as much as it was during the previous period. The amount of newly registered investment capital rose dramatically in the first two months of 2024 since there were more new projects (up 55.2%) and larger investment capital projects (more than 400 million USD and more than 600 million USD).
- With a total investment capital of around 2.54 billion USD, or 59.1% of all registered investment capital, foreign investors have mostly made investments in the processing and manufacturing industries, grew by 16.8% over the same time frame. With a total investment capital of around 1.41 billion USD, or 32.7% of all registered investment capital and more than 3.5 times more over the same period, the real estate business industry came in second. With more than 2.08 billion USD in total investment capital—48.5% of all capital—and more than 2.1 times more than it did during the same period in 2023, Singapore remains the leader with the most investment. China's Hong Kong comes in second, followed by Japan and China. Foreign investment projects are estimated to have been disbursed around 2.8 billion USD as of February 20, 2024, an increase of 9.8% over the same period in 2023,

Sources: GSO, Fiinpro, VPBankS Research

2024 – ECONOMIC GROWTH DRIVERS

FDI brings many benefits to the country in general and the banking industry in particular in 2024





- Vietnam's GDP still receives a larger share of foreign direct investment (FDI) than do other nations in the area and nations of comparable size, such Bangladesh. Furthermore, although FDI's contribution to GDP has been trending downward over the past three years, Vietnam has seen an upsurge in this trend following the end of the COVID-19 pandemic, indicating the country's appeal to international capital flows.
- The primary nations that provide FDI in Vietnam continue to be Singapore, Japan, Hong Kong, China, and Korea. As a result, banks like VCB, BID, CTG, and VPB that have a sizable FDI clientele from these nations will reap the benefits in 2024.

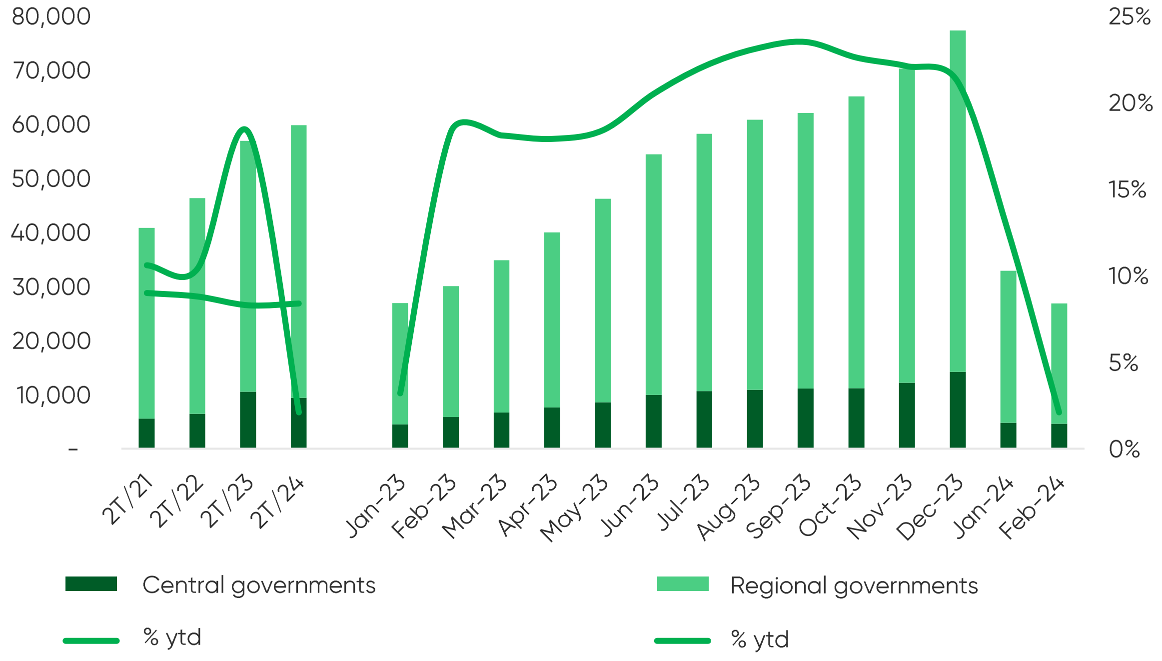
Sources: GSO, Fiinpro, VPBankS Research

VPBank Securities

2024 – ECONOMIC GROWTH DRIVERS

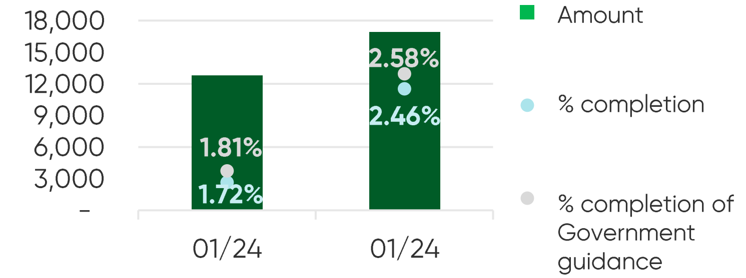
Public investment focuses on infrastructure development to improve economic performance when FDI flows in

The total public investment plan assigned at the start of 2024 is smaller than the plan for 2023 and places greater emphasis on funds given to localities than to the Ministry of Transport. At the same time, as the majority of major projects have begun and are moving into the construction acceleration phase, with this year's perspective centered on the quality of actual disbursement, actual disbursement demand is anticipated to rise faster and in greater magnitude. This is demonstrated by the fact that by the end of January 2024, 97% of the capital had been allocated, compared to less than 78% during the same period in 2023. The Ministry of Finance's report states that actual capital disbursed for public investment in January was higher than the annual plan's progress, totaling 16,934.3 billion VND (+32.3% yoy). Public investment continues to stimulate the economy in the backdrop of challenges and maintains a greater disbursement value in January 2024 as well as for the same month in 2023. The banks chosen by the state to be the focal point for coordinating public investment capital are state-owned banks such as VCB and BID.



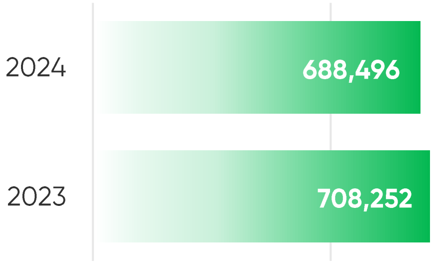
Progress of public investment disbursement up to January 2024 compared to the same period

Unit: Billion VND



Decision of the Prime Minister on state budget plans (*)

Unit: Billion VND



Ranking of Provinces in allocating state budget capital

Unit: Million VND

Province	2024	2023	%yoy
Hanoi	81,033,180	46,956,098	72.6%
Ho Chi Minh City	79,263,776	70,518,116	12.4%
Ministry of Transport	56,666,281	94,161,562	-39.8%
Hung Yen	19,921,061	12,006,358	65.9%
Hai Phong	17,019,198	13,403,337	27.0%
Binh Duong	15,278,379	12,182,893	25.4%
Quang Ninh	14,278,211	14,971,728	-4.6%
Dong Nai	12,347,405	11,683,295	5.7%
Ba Ria – Vung Tau	11,334,111	10,792,111	5.0%
Thanh Hoa	11,185,053	12,505,572	-10.6%

(*) Note: All plans' figures are compiled using the beginning of the year's data, future adjustments are to be expected

Sources: GSO, MOF, VPBankS Research

Synchronously developed infrastructure helps enhance the value of industrial estate

Ring Road No. 4. Hanoi

Expected completion date: 2025

Long Thanh Airport

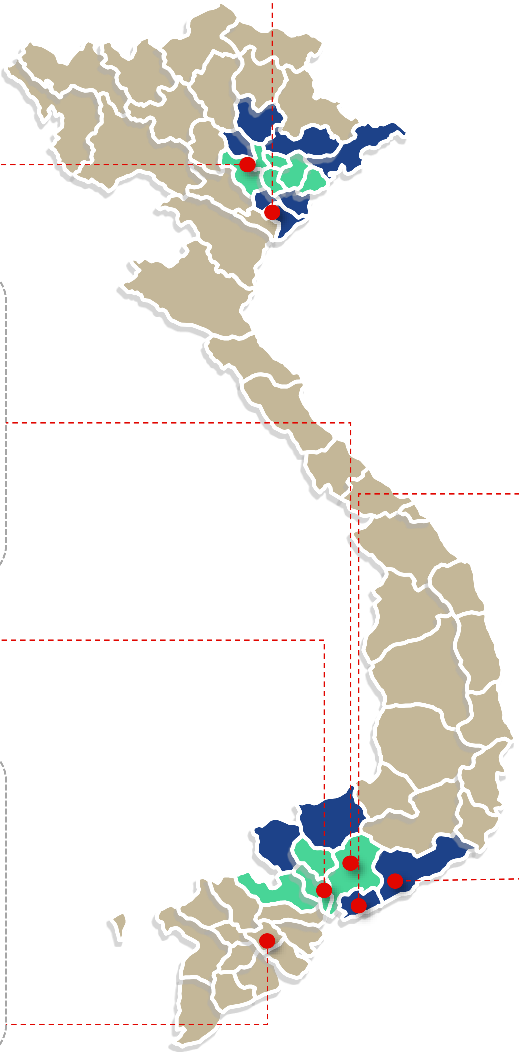
Expected completion date: 2026

Ring Road No. 3. HCM City

Expected completion date: 2025

My Thuan-Can Tho Expressway and Can Tho Bridge No. 2

Expected completion date: 2023



Ninh Binh-Hai Phong Expressway

Expected completion date: 2027

Tier 1 Market

Tier 2 Market

Bien Hoa-Vung Tau Expressway

Expected completion date: 2025

Dau Giay-Phan Thiet-Vinh Hao Expressway

Completed 2023

Sources: CafeF, VnExpress, CBRE, VPBankS Research

2024 – ECONOMIC GROWTH DRIVERS

Many projects have started construction in 2023, 2024 will be the year of accelerated construction.

Many important projects began construction in 2023, indicating that the majority of construction activity will be concentrated in the years following 2024 and 2026, necessitating substantial projects and cash for infrastructure construction companies, construction materials supply companies, utility construction companies, and other sectors that indirectly profit from construction activities and related transportation infrastructure, including real estate, industrial park real estate, shipping, and logistics

Public Investment Projects	Total Investment	Construction Progress								
		2019	2020	2021	2022	2023	2024	2025	2026	2027
11 North-South expressway sub-projects (phase 1)	90,346									
12 North-South expressway sub-projects (phase 2)	146,987									
Ring Road No.3 of Ho Chi Minh City	75,378									
Ring Road No.4 of Hanoi	85,813									
Long Thanh Airport (phase 1)	109,112									
Bien Hoa - Vung Tau Expressway (phase 1)	17,800									
Khanh Hoa - Buon Ma Thuot Expressway	21,900									
Chau Doc - Can Tho - Soc Trang Expressway	44,690									

Sources: Ministry of Construction,, VPBankS Research

2024 – ECONOMIC GROWTH DRIVERS

Support policies from management agencies

#	Policy	Content
N1	Amended Law on Credit Institution	The new law tackles bad debt, allows early intervention, specifies improved regulations on special loans, limits credit for associated individuals and groups, and limits share ownership for individuals (5%), organizations (10%), and stakeholder groups (15%). This will have a significant effect on lowering cross-ownership and manipulation, and credit restrictions for related groups will be used to limit credit risk. Even though it is a sound management strategy, this will present challenges for major organizations with high credit limits, despite having a roadmap to downsize them. In addition, technology applied to the industry is being legalized (online lending, fintech). The law clearly outlines the steps that will be taken to support liquidity, guarantee system security, and protect depositors' interests when a credit institution faces large withdrawals.
N2	Circular 02	Regarding Circular 02/2023 on restructuring debt repayment terms and maintaining debt group, Standing Deputy Governor Dao Minh Tu said that the State Bank is considering extending Circular 02/2023/TT-NHNN on rescheduling the debt repayment period and maintaining debt group. In case of necessity, the State Bank can continue to uphold Circular 02.
N3	Circular 06	This legal document is operative as of September 1, 2023. To remove and establish more favorable conditions for clients to obtain Bank loans, Circular 06/2023 has specifically supplemented regulations on lending following the digital transformation process in banking activities and other legislation. To reduce the risks associated with lending activities, the Circular also adds to the existing laws to control risks, which help to guarantee the credit institution system's operational safety. However, given the continued challenges facing the economy, the State Bank issued Circular No. 10/2023/TT-NHNN on August 23, 2023, to further prioritize promoting economic growth, suspended the effectiveness of Clauses 8, 9, and 10 as well as Article 8 of Circular No. 39/2016/TT-NHNN, which has been supplemented according to Clause 2, Article 1 of Circular No. 06/2023/TT-NHNN) from the date September 1, 2023 until the effective date of new legal documents regulating these issues.
N4	Circular 16	To help address challenges facing the economy, the State Bank is drafting a circular that would update and change certain regulations to better fit the current state of the market. Regulations requiring credit institutions to employ non-cash payment services to reimburse the issuing company and the bond seller for the amount of corporate bond purchases are among the items anticipated to be included in the draft. This regulation is in line with the government's policy of encouraging non-cash payments and aims to monitor and oversee the use of proceeds from corporate bond issuance, improve information transparency, and support the long-term growth of the corporate bond market.
N5	Credit growth quota	Providing flexible room of up to 15% from the beginning of the year for banks, banks participating in the zero-dong banks restructuring will receive another portion of room.

Sources: GSO, Fiinpro, VPBankS Research

VPBank Securities

2024 – ECONOMIC GROWTH DRIVERS

Amendments to Amended Law on Credit Institution

#	Policy	Content	Effect
N1	Related people and positions	• Add subsidiaries of subsidiaries and direct and indirect familial links to the definition of related persons. • Additional instances of not holding the same position.	• Increase transparency in ownership structure • Reduce personal interests when holding multiple positions
N2	Responsibility for information disclosure	Managers, executives, members of the Supervisory Board, etc. who own 1% or more (from 5%) of the charter capital of another organization must disclose their interests annually.	• Increase information transparency
N3	Share ownership	• Limit share ownership for individuals (5%, according to the Law before Amendment), organizations (10%, from 15%) and related groups (15%, from 20%) except state ownership and foreign ownership. If any shareholder is holding larger share ownership than regulated, the ownership must be maintained and must not be increased. • Ownership includes the number of shares owned by the enterprise in which the shareholder owns 65% or more of the charter capital. • Limits that credit institutions are not allowed to contribute capital or purchase shares of other businesses and credit institutions that are shareholders, capital contributing members, related persons of major shareholders, capital contributing members of that same credit institution	• State and foreign investors will benefit more than other types of investors. • Reduce incentives for cross-ownership
N4	Credit restrictions	• Credit institutions that are parents are not allowed to lend to securities companies that are children/affiliated companies • The overall credit limit for each subject must not go over 10% of the equity capital of the credit institution, and the credit limit for all entities must not go over 15% of equity capital (20% before amendments). • The total credit limit for 1 customer is 10% of equity capital (15% before amendments), for 1 customer and related people it is 15% of equity capital (25% before amendments).	• Reduces loan concentration risk and credit risk • Large corporate customers will be affected when the limit is reduced, affecting cash flow and possibly increasing financial costs • Banks lose their loyal customer base and incur additional costs in maintaining and finding new customers
N5	Liquidity support	Clearly stipulate measures to be applied when a credit institution experiences mass withdrawals and measures to support liquidity, ensure system safety, and ensure depositors' rights.	Ensure system stability to avoid bank runs like SCB

Sources: GSO, Fiinpro, VPBankS Research

VPBank Securities

2024 – ECONOMIC GROWTH DRIVERS

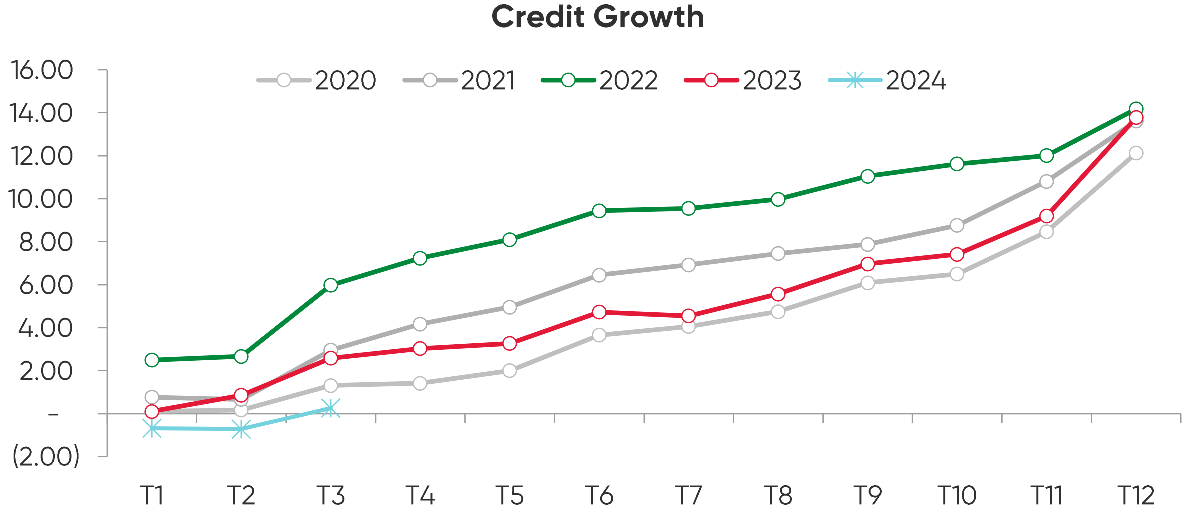
Amendments to Amended Law on Credit Institution

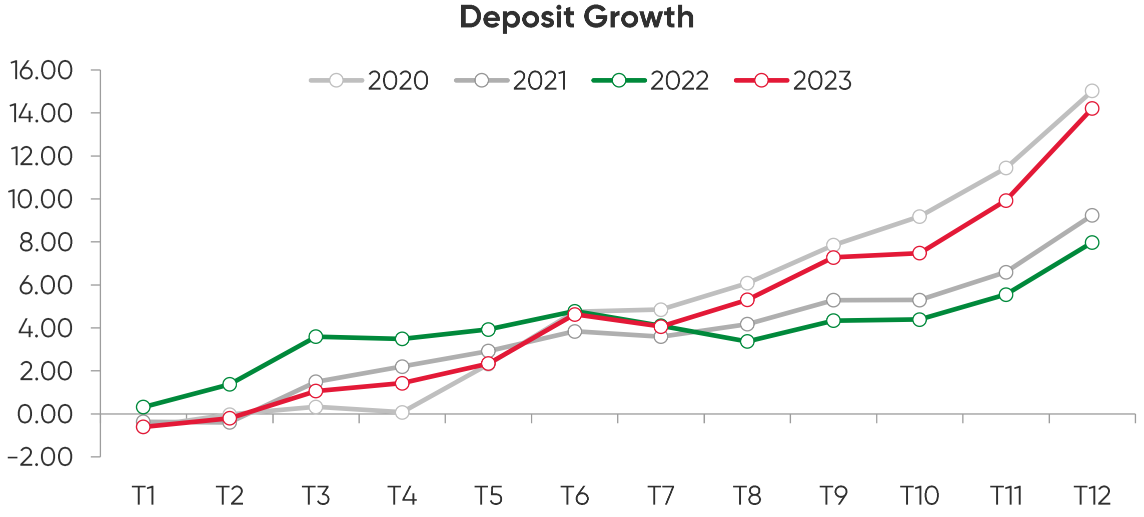
#	Policy	Content	Effect
N6	Early intervention	Supplementing regulations requiring commercial banks and foreign bank branches to develop expected recovery plans in cases of early intervention/special control. Periodically at least every 2 years, commercial banks and foreign bank branches must update and adjust remediation plans to ensure compliance with the actual operations of credit institutions. Banks under special control are no longer allowed to issue long-term bonds for Vietnam's deposit insurance, but can only refinance loans at subsidized interest rates and have a 50% reduction in the required reserve ratio.	Reducing systemic risks, the State Bank will intervene more promptly when cases like SCB are identified
N7	Legalizing technology	Legalize online lending and fintech activities	Technological impacts on banks being legalized (online lending, fintech) will happen very quickly and are being reflected in the law.
N8	Handling bad debts	Selling bad debts and collateral assets, procedures for seizing collateral assets, buying and selling bad debts with collateral assets being land use rights, assets attached to land, land formed in the future, transfer of collateral assets	Add new provisions to create a legal corridor for bad debt handling

Sources: GSO, Fiinpro, VPBankS Research

2024 – ECONOMIC GROWTH DRIVERS

Credit growth target of 15%, challenge or opportunity for the industry?





- The credit growth hit the desired mark of 13.71% in the challenging economic environment of the previous year. As the situation improves this year, the target credit growth rate of 15% can be expected to be completed. According to our projections, there will be a 14.83% increase in credit by 2024 if banks in our cover list use up at least 90% of their credit room.
- Following a sharp increase in the final weeks of 2023, the total amount of outstanding credit debt in the economy shrank to a negative growth rate of 0.72% in the first two months of 2024 before beginning to stabilize at 0.26% ytd by the end of March. The reason for this is attributed to the unexpected rise in credit disbursed at the close of 2023, which decreased credit demand in the first month of the following year. Other contributing factors include the seasonal factor of Tet holiday and the economy's poor capital absorption capacity. The amount of credit debt outstanding in the economy rose by 4.56 percentage points in December alone, or more than 540,000 billion VND. This is one-third of the overall growth for the year 2023. Furthermore, because of the heightened risk of bad debt, the approaching expiration of Circular 02, and the numerous barriers to implementing regulations on the handling of collateral assets, credit institutions are becoming increasingly cautious when issuing loans. The unsupportive business environment, along with legal issues, growing costs from inflation pressure, a lack of orders, high production and operating costs, and other challenges still face enterprise operations, negating the need for loans. People cut back on borrowing and spending while increasing provisions. Since the problems in the bond and real estate markets haven't been fully and fundamentally resolved, along with the slowdown in attracting capital through stocks, bonds, FDI capital, capital for growth continues to be concentrated in banks' credits. Therefore, the most important thing is to have real growth momentum to address the needs of the general public and business households to reduce defensiveness and stimulate consumption, in turn increasing demand for credit.

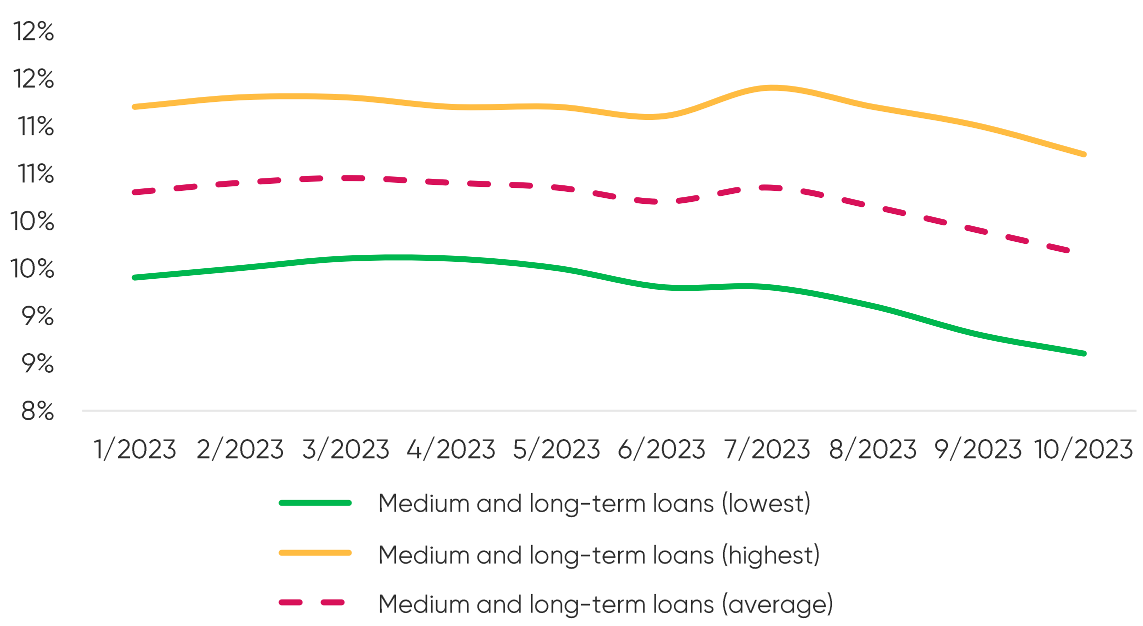
Sources: GSO, Fiinpro, VPBankS Research

VPBank Securities

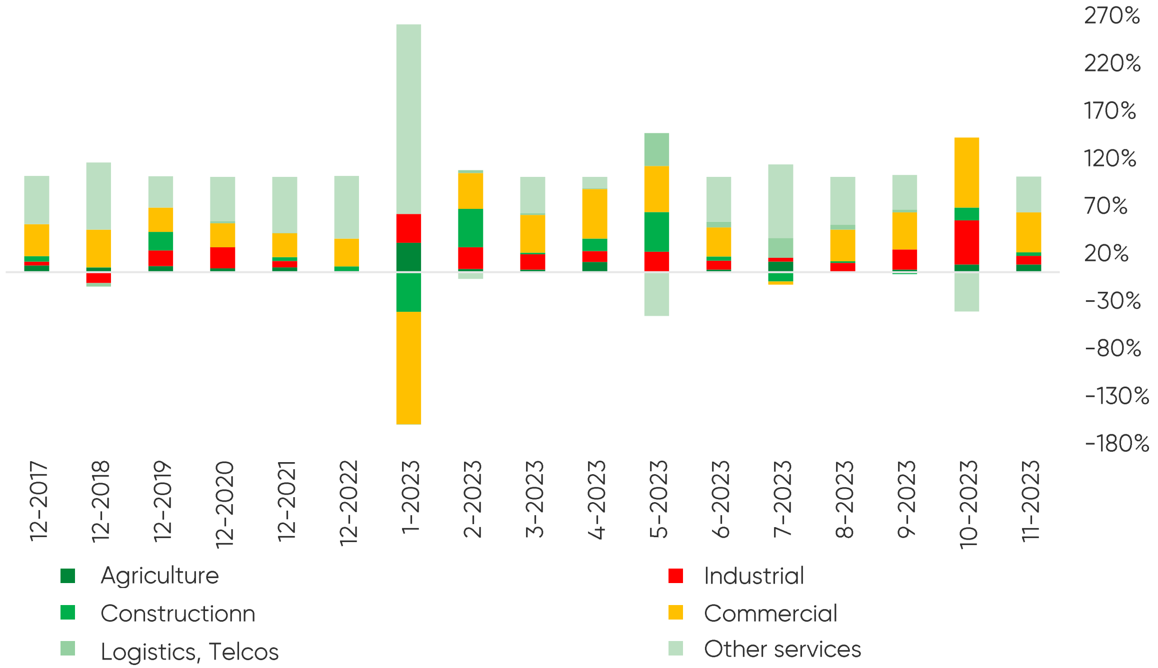
2024 – ECONOMIC GROWTH DRIVERS

Whether the credit market reaches its target or not depends on the credit demand

Medium and Long-term Lending Interest Rate continues to decline



Credit growth structure compared to previous month



- The growth of credit going into business ventures is highly erratic. Credit poured back into the industrial and commercial sectors throughout the three months of August, September, and October - this is partially due to expectations of a gradual revival of economic activity. With the production-trade group as the driving force and the gradual recovery of the real estate industry due to the removal of legal bottlenecks (through the revised Real Estate Law), it is anticipated that credit will continue to flow positively and contribute to economic growth.
- As the government and SBV encourage commercial banks to lower lending interest rates in order to assist the economy, we anticipate that lending interest rates—including those for house loans—will continue to decline in the upcoming months. We anticipate that the decline in interest rates on home loans will keep bolstering the confidence of prospective homeowners and real estate brokerage activities, strengthening the outlook for real estate sales in 2024.

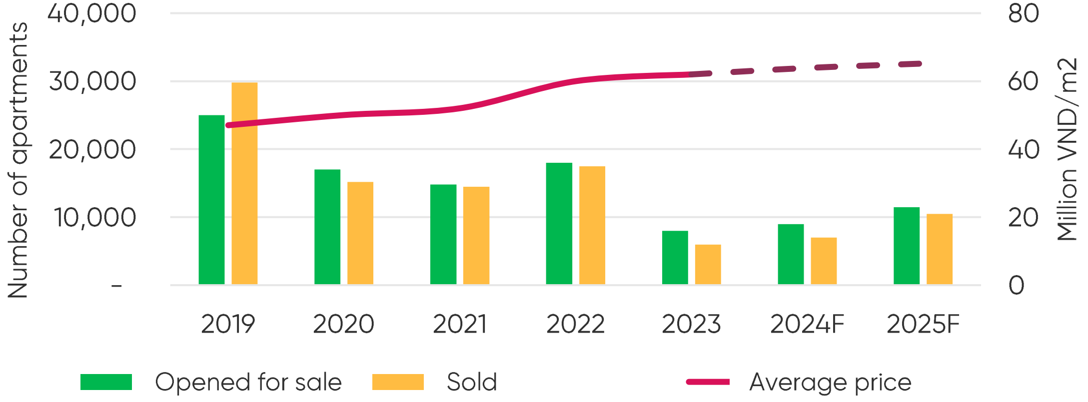
Sources: GSO, Fiinpro, VPBankS Research

2024 – ECONOMIC GROWTH DRIVERS

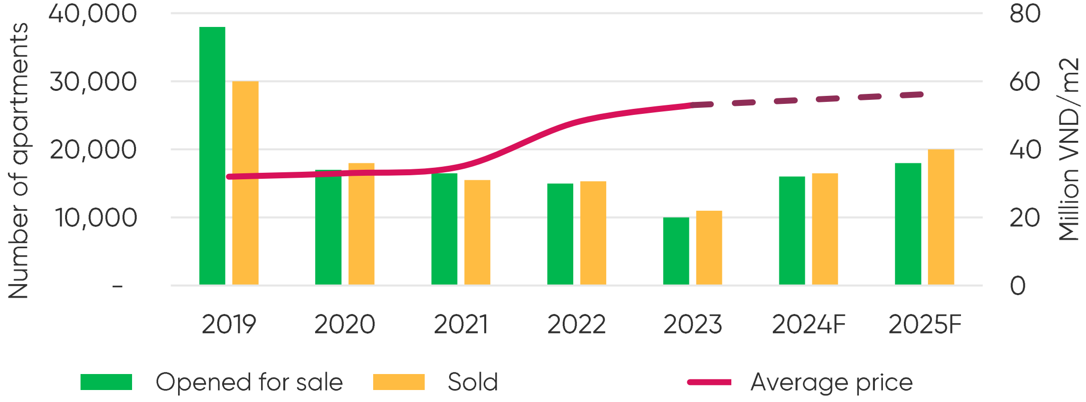
General public's need to settle down still persists, hence real estate market has plenty of room for growth

Apartments: After 2024, a recovery in supply is anticipated. Both markets are seeing a rise in prices. However, growing housing costs can also make it more difficult for people to establish a family and reproduce, which will have a detrimental effect on the potential for future economic growth.

HCM City

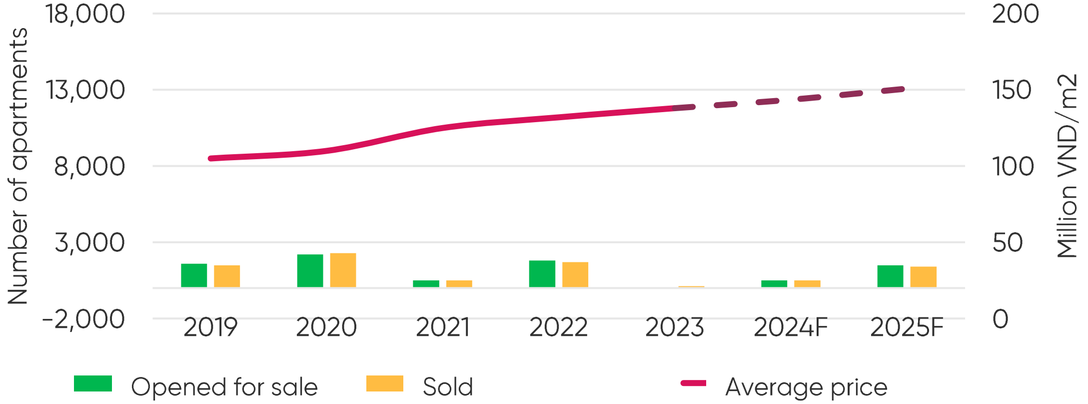


Hanoi

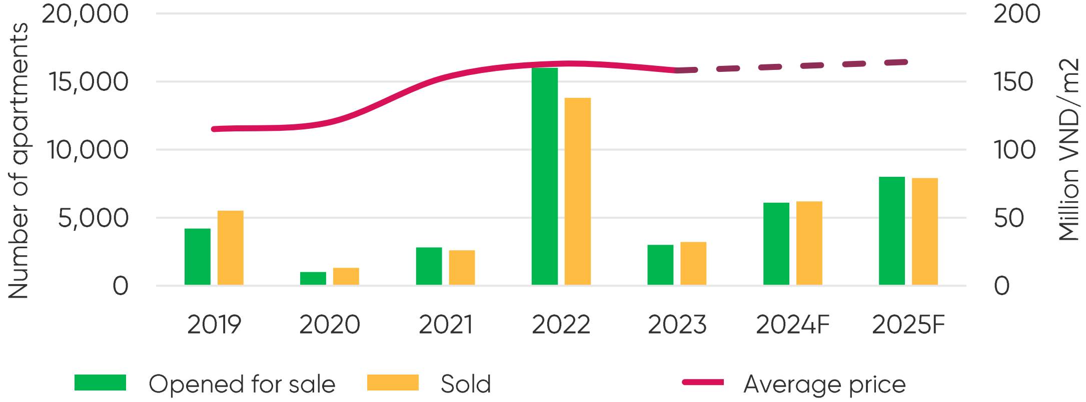


Private housing: As new urban areas arise, there will likely be a greater supply of land-attached real estate available in Hanoi.

HCM City



Hanoi

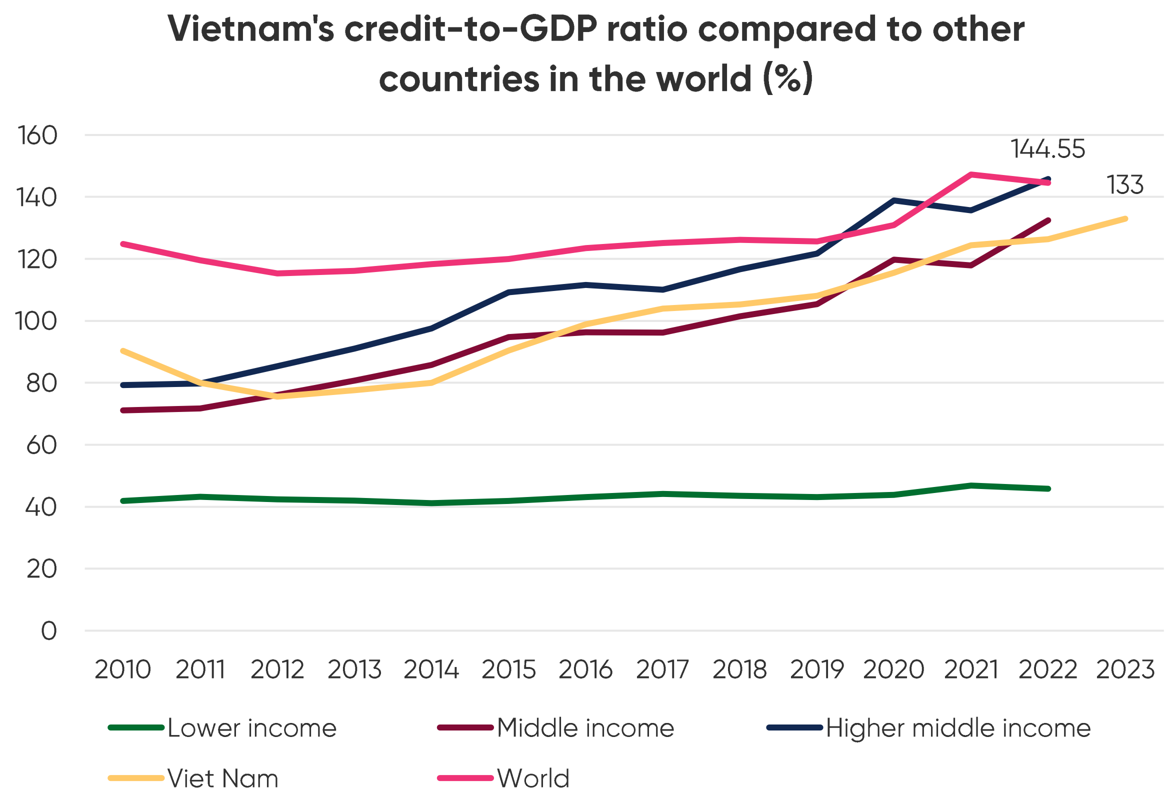


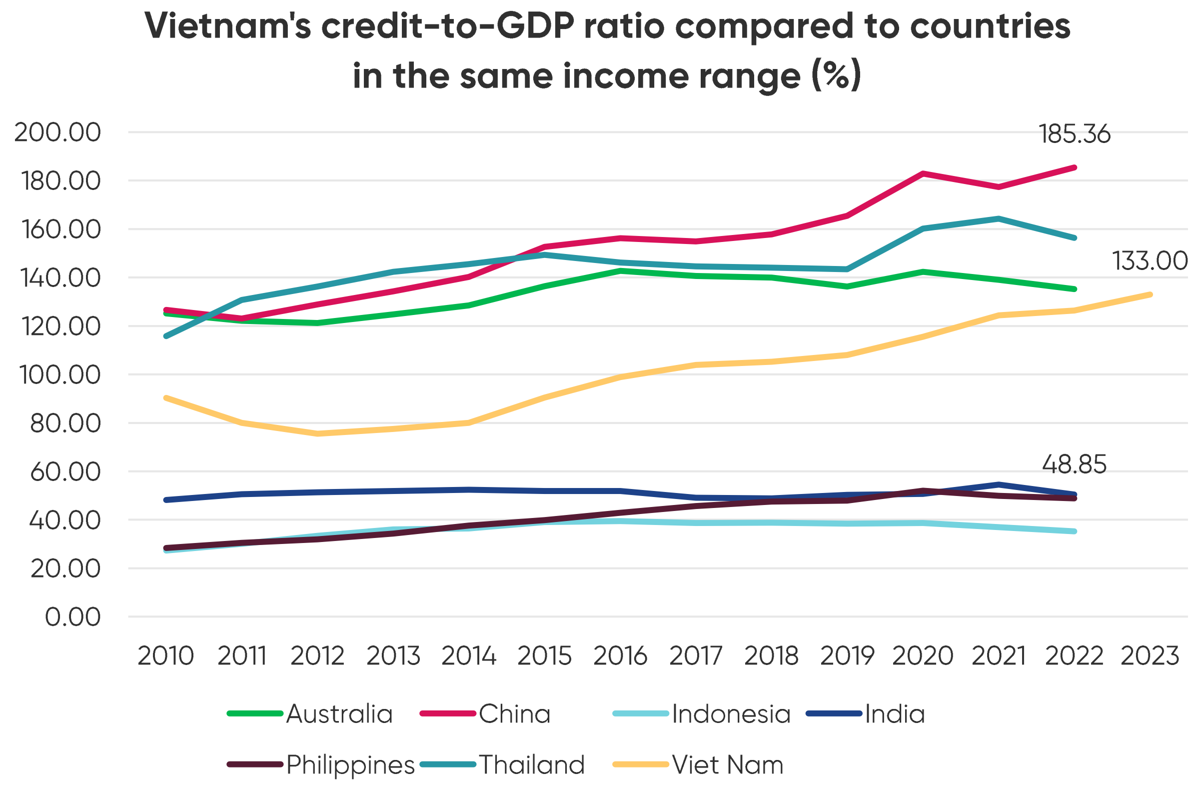
Sources: CBRE, VPBankS Research

VPBank Securities

2024 – ECONOMIC GROWTH DRIVERS

Credit growth target of 15%, should we try to achieve the target?





- Vietnam's credit-to-GDP ratio is relatively high when compared to economies with lower-middle incomes. This ratio represents the relationship between a nation's gross domestic product (GDP) and its credit debt. An economy that generates and sells enough goods and services to pay off debt without taking on further debt is indicated by a lower debt-to-GDP ratio. However, Vietnam's rate has been above 100% consistently since 2017 and has continued to rise in the recent years. Vietnam is getting close to the level of developed nations of Australia, China, and Thailand, and is even higher than that of comparable nations in terms of income such as Indonesia, India or the Philippines even if Vietnam's GDP is not on par to the developed counterparts. Vietnam's rate has also been rising consistently in recent years in comparison to the average of other nations at the same income level; it is currently anchored at a high level and is still getting close to the global average. This also needs to be monitored since maintaining a safe level of credit management requires sufficient GDP growth.

Sources: World Bank, VPBankS Research

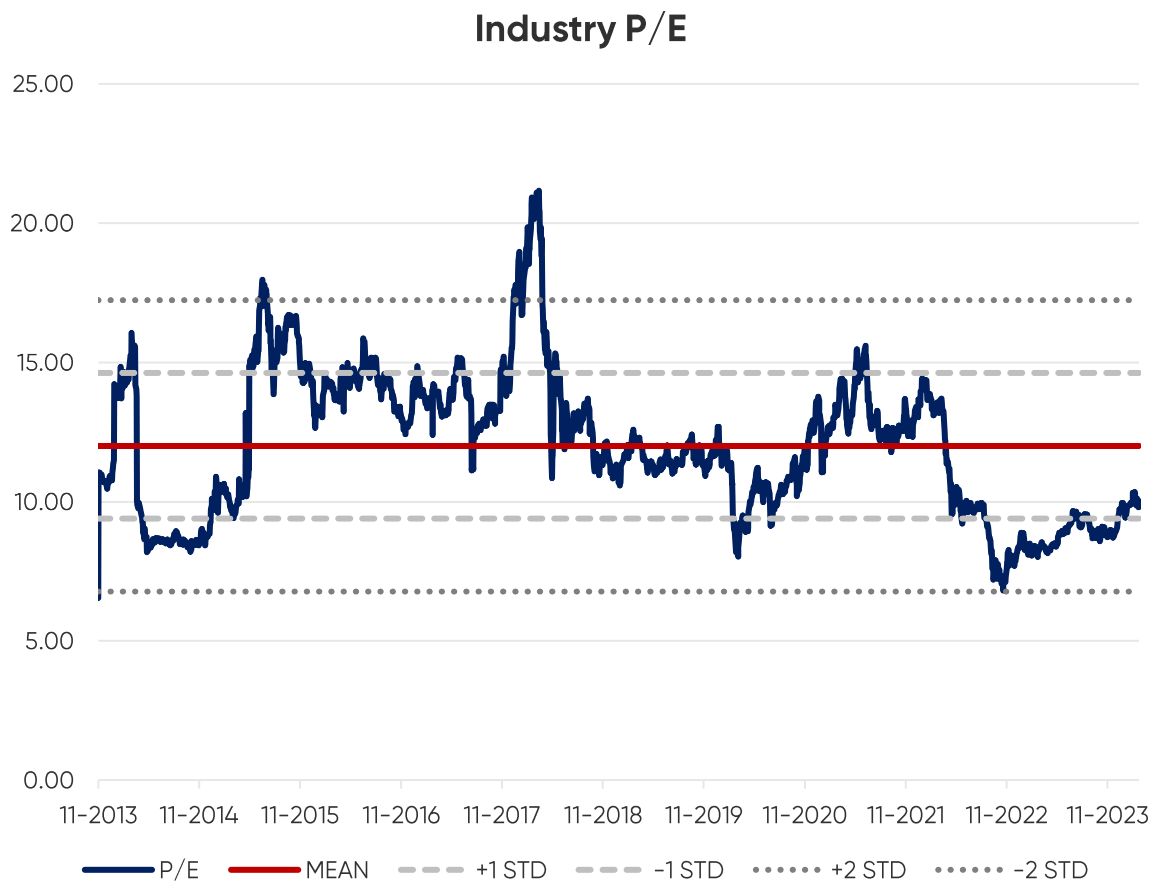
VPBank Securities

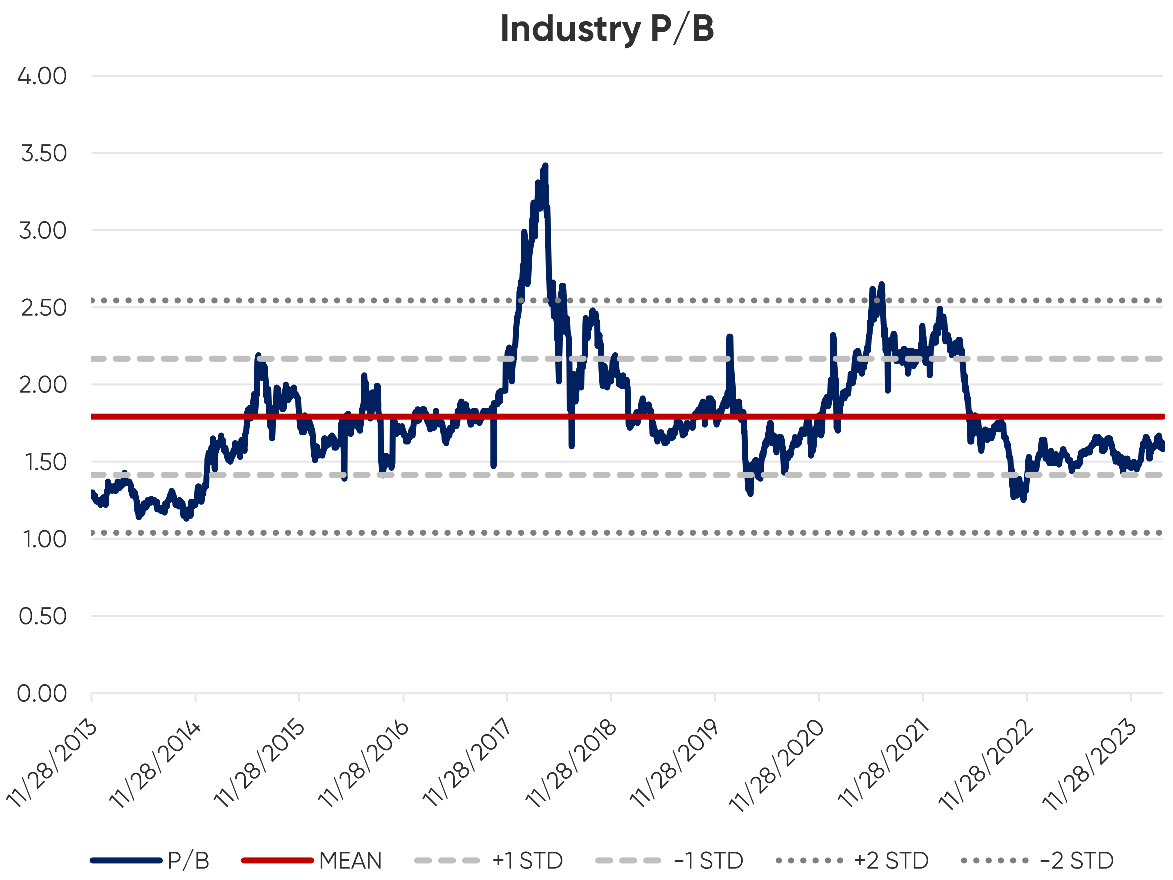
TRADING OVERVIEW

Sources: *Fiinpro, VPBankS Research*

- Stocks like TCB, MBB, and CTG have gained in value by more than 30% since the start of the year. Impressive price rises were also seen at other major banks, including BID, VCB, which jumped by more than 20%; ACB, VIB, which jumped by more than 15%. Additionally, the banking sector contributes significantly to the upward trend of the VNINDEX since it accounts for almost 30% of total market capitalization.
- Vietnam is currently categorized as a frontier market by FTSE Russell and MSCI, with the goal of upgrading to an emerging market. According to World Bank estimates, until 2030, improving the stock market might attract up to USD 25 billion in new investment from foreign investors into the Vietnamese market. Upon upgrading, it is anticipated that the banking sector's capitalization will likewise grow faster.

TRADING OVERVIEW





- In terms of valuation, the industry's P/E and P/B ratios have not yet approached the average level since 2013, indicating that the industry is now trading at a favorable level.
- There will be some volatility in the near term, but given 2023's low, we anticipate higher growth in 2024 and a gradual recovery of profit growth and equity in the last quarter of the year 2023. 2024 will see a return to an appealing valuation level of 8.6 to 9.4 times P/E (against an average of 12 times) and 1.3-1.6 times P/B (versus an average of 1.8 times). We advise investors to make medium- and long-term investments in the banking sector, given its strong economic ties.

Sources: FiinPro, VPBankS Research

VPBank Securities

RECOMMENDED STOCKS

Investment suggestion: Banks that have strong capital buffers, know how to manage bad debt, have steady credit growth and loan market share, and have a clear 2024 narrative (capital sale) will stand out from the competition.

Ticker	Name	Target price VND	Investment highlights
BID	BIDV	59,000	Large reserve buffer and greater expertise than other banks in managing and controlling bad debt. Credit growth is a lever for BIDV's full-year business outcomes since it has the largest lending market share in the industry. This is especially true when BIDV promotes the retail segment, which has a higher NIM. The primary factors behind 2024's solid growth are the low deposit interest rates that will keep capital costs from rising and provide momentum for NIM to rise once again. Non-interest revenue from cross-selling and investments will also rise from 2023's low base. BIDV is planning to privately issue 9% of shares according to the 2022 AGM resolution.
CTG	VietinBank	40,800	Excellent credit lending potential: Consistently among the top four lenders in the industry, enjoying the support of a loyal and diverse clientele. In the current "NIM recession" environment, NIM remains stable: Controlling COF has allowed CTG to maintain an average NIM level of 2.8% from 2015 to the present; with the advantage of being a state-owned bank, CTG is not reliant on CASA like private banks are. Interest income is more steady since CTG was proactive in promoting credit growth, beginning early and steadily at the beginning of the year. Plan for capital increase: Plans to issue shares and pay cash dividends have been permitted; share dividend will be distributed to raise fund; anticipate a rise in tier 1 capital in 2022–2025 to bolster CAR. Among State-owned commercial banks, the shareholder structure is the most diverse, with the least reliance on the State Bank (64.46% versus BID 80.99% and VCB 74.98%).
VCB	VietcomBank	103,500	No. 1 position in the banking sector, appealing capital costs, and can easily compete with other banks in the corporate and medium-to-high-end retail customer segments—the two most stable groups in terms of asset quality and NIM. The private offering of 6.5% of capital is expected to be completed in 2024.

VPBank Securities

RECOMMENDED STOCKS

Investment suggestion: Banks that have strong capital buffers, know how to manage bad debt, have steady credit growth and loan market share, and have a clear 2024 narrative (capital sale) will stand out from the competition.

Ticker	Name	Target price VND	Investment highlights
MBB	MBBank	26,800	MBB's notable competitive advantages are positive business results, a sizable client base, a stable and diverse ecosystem, and cheap COF. MBB excels in its retail strategy when it comes to card products and good credit growth brought about by MCredit's recovery in consumer lending. Because of its benefits—such as being on the receiving end of compulsory transfer of "zero-dong" banks, its good SBV rating, its capital base, and its strong credit growth from 2023—MBB continues to have a higher credit room than other banks. In addition, MB Ageas is anticipated to rebound from its 2023 low, promoting increasing non-interest income from life insurance. MBB intends to distribute dividends at a 20% par value.
VIB	VIBank	28,600	In 2024, it is anticipated that the strategic product segments of corporate customers and production loans, and consumer card loans will all be recovered. VIB's credit growth reached 5.5% by the end of Q3/2023, with 4.5% of the growth accomplished in just Q3. By the conclusion of Q4, VIB had used up all its credit room, totaling 14.2%. The proportion of outstanding debt in the Real Estate & Construction sector relative to the overall debt is low (by the end of 2023, it was 1.4%, significantly lower than the industry average of 17.6%). Compared to other retail-oriented banks and the sector, its investment in corporate bonds is relatively small, similar to ACB. Through a thorough digital transformation, CIR reached TOP 4 in the market, its high NIM was only behind VPB and was maintained well in 2023; it consistently reached TOP 4 in ROA and TOP 2 in ROE in the whole industry for many years; last year, they handled bad debt successfully, as seen by the 84% yoy growth in debt recovery income.
VPB	VPBank	23,600	No. 1 position in the sector for charter capital, deposit growth, and credit growth—all crucial components of a bank's business model. Strong growth indicates that credit demand has gradually rebounded. It also demonstrates that VPB supports and stands by its clients during this challenging period, which will help it sustain and grow its lending market share going forward. With the help of strategic shareholder SMBC, business operations are being expanded into the FDI corporate customer area, providing new motivation for growth. The subsidiaries' development and recovery demonstrate the continued efficiency of the ecosystem strategy. FE Credit again posted positive growth in 2H2023, indicating the beginning of the consumer credit's recovery and the restructuring's fruitful result. VPBankS's subsidiary experienced strong growth, with PBT at the TOP 4 in the industry after only nearly 2 years of operation.

JSC BANK FOR INVESTMENT AND DEVELOPMENT OF VIETNAM (HOSE: BID)

BUY – Target price: 59,000 (+15.7%)

Investment thesis

We recommend **BUY** for **BID**, with a target price of **59,000 VND/share**, based on the following arguments:

1. **TOP 1 lending market share:** From 2012 until the present, BIDV's credit market share has consistently held the top spot in the market, with a market share that is consistently in the double digits (averaging 19.17% over a 12-year period). Even though big private banks like VPB, HDB, and TCB have grown in recent years and have taken a portion of the market share from BIDV, the bank still has strengths in lending because of its ample capital resources, affordable capital costs, stringent lending policies, and risk management procedures that keep the amount of bad debt at a low level in comparison to the industry. Additionally, BIDV has greater experience managing and controlling bad debt than other banks due to its more than 65 years in the business, as evidenced by its sizable reserve buffer and average bad debt coverage ratio of 204.5% during the previous three years. Consequently, BIDV's full-year business results can be boosted by having a flexible credit room from the start of the year and a high credit room limit, particularly when BIDV supports the retail market, which has a higher NIM. The primary factors behind 2024's solid growth are the low deposit interest rates that will keep capital costs from rising and provide momentum for NIM to rise once again. Non-interest revenue from cross-selling and investments will also rise from 2023's low base.
2. **The only state-owned bank that thrives in the retail market:** BIDV made an early investment in app innovation and debuted a fresh version of SmartBanking in 2021. Since then, the bank has consistently drawn in a large number of new clients. Additionally, after employing the previous logo for 13 years, BIDV formally unveiled a new one at the beginning of 2022, bringing the brand's modernity and dynamism to the forefront. Digital retail clients expanded by 50% in 2023 compared to 2022, and credit cards issued grew by 75% yoy, marking a new record. In 2023, 44% of BIDV's outstanding loans come from retail customers, contributing 56% of the PBT.
3. **BIDV is planning to privately issue 9% of shares according to the 2022 AGM resolution**

Investment risks

To stabilize exchange rates, regulatory interest rates may rise once more, which could have an impact on capital costs. Private placement may not be done this year.

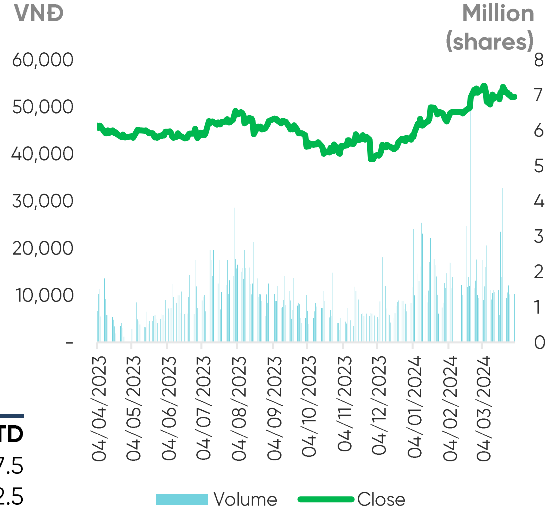
Market cap (VNDb)	296,993	52W High	54,400
Outstanding shares	5,700,436,000	52W Low	38,850
52W Average volume	1,890,570	Beta	1.11

	2022	2023	2024F
EPS	2,143	3,641	4,574
BVPS	16,435	19,663	24,475
PE	19.00	19.67	12.92
PB	2.87	2.88	2.41
NIM	2.6%	2.5%	2.8%
CIR	32.4%	34.3%	32.6%
ROA	0.93%	0.97%	1.1%
ROE	19.8%	19.8%	20.2%

Price movement

	1M	3M	6M	YTD
BID (%)	-4.7	16.4	38.3	17.5
VNIndex (%)	1	11.1	13.7	12.5

STOCK PRICE MOVEMENT



	Unit	2021	2022	2023	2024F
Net interest income	**VNDb**	46,823	56,070	56,136	68,789
Non-interest income	**VNDb**	15,670	13,513	16,888	20,209
Operating expenses	VNDb	(19,465)	(22,557)	(25,080)	(29,135)
Provision for credit losses	VNDb	(29,481)	(24,015)	(20,295)	(24,128)
Profit before tax	**VNDb**	13,548	23,009	27,650	36,007
Profit after tax	**VNDb**	10,841	18,420	22,027	28,775
Total asset growth	%	16.2%	20.4%	8.5%	20.3%
Shareholder's equity growth	%	8.4%	20.7%	18.0%	26.6%
Shareholder's equity/Total asset	%	4.9%	4.9%	5.3%	5.5%
NPL ratio	%	1.0%	1.2%	1.3%	1.3%

VPBank Securities

VIETNAM JOINT STOCK COMMERCIAL BANK FOR INDUSTRY AND TRADE (HOSE: CTG)

BUY – Target price: 40,800 (+19.8%)

Investment thesis

We recommend **BUY** for **CTG**, with a target price of **40,800 VND/share**, based on the following arguments:

1. **Excellent credit lending potential:** Consistently among the top four lenders in the industry, enjoying the support of a loyal and diverse clientele. By the conclusion of Q3/2023, credit growth had reached 8.7%, the most among commercial banks owned by the state. By the end of 2023, credit growth had nearly doubled, pushing it above the industry average in the last quarter, reaching 15.5%. According to VietinBank's strategy, the credit structure has favorably changed, rising in scale across all segments and shifting to the Retail and SME segments (the Retail and SME segment climbed from 63.4% in 2022 to 63.7% in 2023). The FDI category saw a 35% yoy growth, and we anticipate that this growth will help CTG's extending more credit to customers within this segment.
2. **In the current "NIM recession" environment, NIM remains stable:** Thanks to its controlling COF with the advantage of being a state-owned bank, CTG has managed to maintain an average NIM level of 2.8% from 2015 to the present. Due to enhanced CASA and its proactiveness to steadily promote credit growth the beginning of the year, CTG successfully maintained NIM (2.91%, down 0.02% from the start of the year) in 2023, without declining as much as BID (down 0.41% ytd) and VCB (down 0.4% ytd), providing more constant interest income. Given the current low interest rates, it is anticipated that NIM will rise considerably more and COF would decline even more.
3. **Low CIR across the sector, lowest CIR among state-owned banks:** CIR has been steadily declining over the last five years, from 38.8% in 2019 to less than 30% in the last two years, reaching 28.9% in 2023 (far lower than the industry average of 34.2%); efforts to optimize operating costs are stronger than those of private banks.
4. **The shareholder structure is the most diverse, with the least reliance on the State Bank among State-owned commercial banks (64.46% compared to BID 80.99%, VCB 74.98%).**

Investment risks

The switch to BASEL III will be hampered by a low CAR ratio (3y average 9% compared to 11% industry average). To stabilize exchange rates, regulatory interest rates may rise once more, which could have an impact on capital costs.

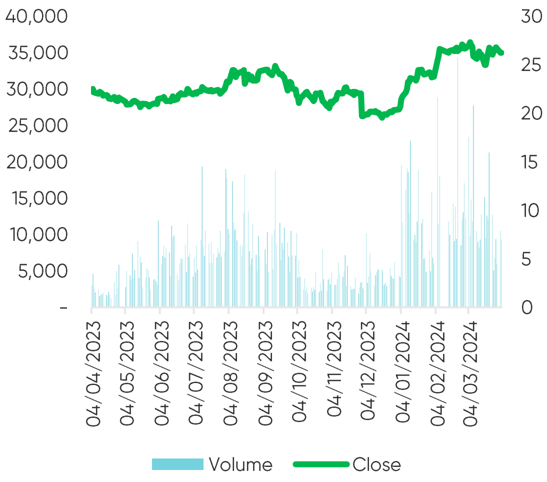
Market cap (VNDb)	187,950 ₫	52W High	36,450 ₫
Outstanding shares	5,369,992,000	52W Low	26,050 ₫
52W Average volume	7,956,490	Beta	1.15

	2022	2023	2024F
EPS	3,503	3,749	4,978
BVPS	22,354	23,596	28,574
PE	7.78	7.23	7.16
PB	1.22	1.15	1.25
NIM	2.93%	2.91%	2.96%
CIR	29.6%	28.9%	28.9%
ROA	1.25%	1.31%	1.3%
ROE	16.68%	17.08%	18.6%

Price movement

	1M	3M	6M	YTD
CTG (%)	-4.4	23.4	30.8	25.6
VNIndex (%)	1	11.1	13.7	12.5

STOCK PRICE MOVEMENT



	Unit	2021	2022	2023	2024F
Net interest income	**VNDb**	41,788	47,792	53,083	61,266
Non-interest income	**VNDb**	11,368	16,325	17,575	18,337
Operating expenses	VNDb	(17,186)	(19,007)	(20,443)	(23,031)
Provisions for credit losses	VNDb	(18,382)	(24,163)	(25,115)	(23,119)
Profit before tax	**VNDb**	17,589	20,946	25,100	33,453
Profit after tax	**VNDb**	14,215	16,835	20,133	26,919
Total asset growth	%	14.2%	18.1%	12.4%	13.0%
Shareholder's equity growth	%	9.6%	15.5%	17.9%	20.5%
Shareholder's equity/Total asset	%	6.2%	6.0%	6.1%	6.5%
NPL ratio	%	1.3%	1.2%	1.1%	1.1%

JOINT STOCK COMMERCIAL BANK FOR FOREIGN TRADE OF VIETNAM (HOSE: VCB)

BUY – Target price: 103,500 (+10.3%)

Investment thesis

We recommend **BUY** for **VCB**, with a target price of **103,500 VND/share**, based on the following arguments:

1. **Top spot in the banking sector:** Top spot in terms of asset quality, market capitalization, profit before taxes, and significant corporate customers. In addition, because of its favorable capital costs as a State-owned bank and its status as a "National" bank, many businesses sign up for employee salary packages to gain more favorable conditions when applying for loans, making it easy for VCB to compete with other banks in CASA to expand its retail customer base without using excessive resources. VCB's primary focus in its retail customer base is the mid-to-high-end clientele, the two most stable segments in terms of asset quality and net profit margin but accounting for a low proportion in the population structure.
2. **Unique advantages in lending, foreign exchange, and international payments:** VCB has agent relationships with over 1,200 banks across more than 85 nations and territories. It is also the first bank in Vietnam with a license to do foreign exchange transactions. With a 19% market share in the international payment category, VCB maintains its top spot in 2023. The foreign currency transaction segment also makes a significant contribution to TOI, coming in at 8.4%, compared to the industry average of just 3.7%. Due to its stringent loan requirements but cheap lending interest rates, and alluring payment plans, VCB has an advantage in the credit segment when it comes to lending to corporate clients with good credit ratings, thus helping it manage its bad debt better. From 2012 until the present, VCB's credit market share has consistently remained in the top four markets, with an average market share of 12.94% during a 12-year period, consistently in the two digits. Even in 2023, NPL was consistently at the lowest level in the sector, hovering around 1%, but LLR remained the highest in the market at 230%.
3. **The private offering of 6.5% of capital is expected to be completed in 2024.**

Investment risks

The private offering deal may not be closed this year. The retail segment is quite weak, so when interest rates are lowered, it may not be able to push credit as strongly as other banks (the segment's contribution to outstanding loans in 2023 has decreased by 3% from 2022).

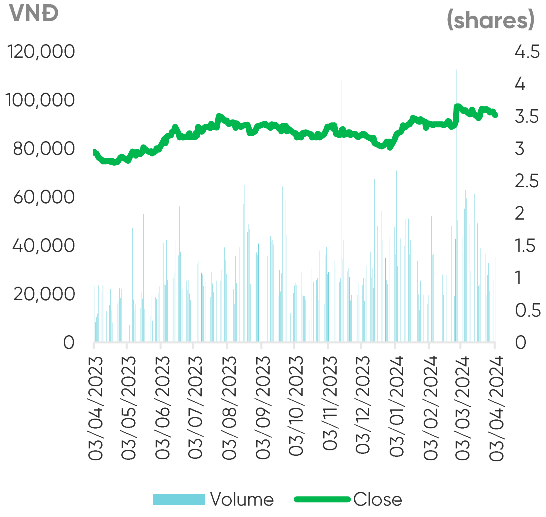
Market cap (VNDb)	532,082	52W High	97,400
Outstanding shares	5,589,091,000	52W Low	74,090
52W Average volume	1,146,840	Beta	0.86

	2022	2023	2024F
EPS	6,322	5,914	
BVPS	28,644	30,139	
PE	12.65	13.58	
PB	2.79	2.66	
NIM	3.4%	3%	
CIR	31%	32%	
ROA	1.9%	1.8%	
ROE	24%	22%	

Price movement

	1M	3M	6M	YTD
VCB (%)	-3.6	11	8.7	16.8
VNIndex (%)	1	11.1	13.7	12.5

STOCK PRICE MOVEMENT



	Unit	2021	2022	2023	2024F
Net interest income	**VNDb**	42,400	53,246	53,621	58,670
Non-interest income	**VNDb**	14,324	14,836	14,103	15,786
Operating expenses	VNDb	(17,574)	(21,251)	(21,915)	(22,337)
Provisions for credit losses	VNDb	(11,761)	(9,464)	(4,565)	(4,428)
Profit before tax	**VNDb**	27,389	37,368	41,244	47,691
Profit after tax	**VNDb**	21,939	29,919	33,054	38,203
Total asset growth	%	6.7%	28.2%	1.4%	20.1%
Shareholder's equity growth	%	16.0%	24.3%	24.3%	22.7%
Shareholder's equity/Total asset	%	8%	7%	9%	9%
NPL ratio	%	0.6%	0.7%	1.0%	0.7%

MILITARY COMMERCIAL JOINT STOCK BANK (HOSE: MBB)

BUY – Target price: 26,800 (+10.7%)

Investment thesis

We recommend **BUY** for **MBB**, with a target price of **26,800 VND/share**, based on the following arguments:

1. **The system's most diverse ecosystem:** MBB boasts a sizable, diverse, and stable clientele. MBB concentrates on the middle and high-end customer base who yields better asset quality and net profit margin.
2. **Good credit growth:** MBB performed well in its retail strategy as a result of the recovery of consumer lending at MCredit and card products. Due to its advantages over other banks, including its being on the receiving end of the "zero-dong" bank compulsory transfer, its strong SBV rating, capital base, and significant credit growth from 2023 (reached TOP in the market at 27.9%, twice as large as the industry average), MBB continues to have a higher credit room than other banks. In 2023, its CASA exhibits its leading position, with the unique support of the Viettel Group. Thus, COF encourages a higher NIM this year. It is also anticipated that its non-interest income from MIG non-life insurance and MB Ageas life insurance will recover from its low in 2023.
3. **Where the quintessence converges:** Low and stable COF, maintained at an average of 4% in the most recent 5-year period 2019-2023; ROE exceeded 23.9% (TOP 4) and ROA reached 2.5% (TOP 2), with CASA at 38% ranks first in the industry; from 2020 until the present, NIM has consistently remained above 5%; in 2023, NIM hit 4.9%, just behind VPB, while CIR reached 31.5% (TOP 5); the bad debt coverage ratio was 117%, second only to state-owned banks, while the bad debt ratio was 1.6%, below the industry average of 2.2%.
4. **Harmony between dividends and growth:** MBB plans to pay dividends at a rate of about 20%, of which 5% is in cash and 15% is in stocks.

Investment risks

It will be challenging to manage bad debt at a time when the real estate and corporate bond markets still have a lot of issues to resolve as MBB's portfolio's concentration on significant real estate companies and investment in corporate bonds more than other banks. Products that target younger retail consumers may not yield high profitability, while occurring high associated costs.

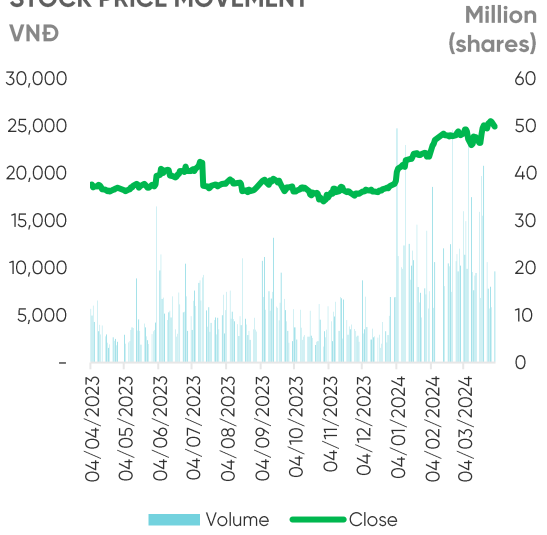
Market cap (VNDb)	131,120 ₫	52W High	25,500 ₫
Outstanding shares	5,287,084,000	52W Low	17,000 ₫
52W Average volume	22,057,570	Beta	1.24

	2022	2023	2024F
EPS	4,004	4,038	4,631
BVPS	16,751	17,786	19,402
PE	4.27	4.62	5.34
PB	1.02	1.05	1.27
NIM	5.8%	4.9%	5.1%
CIR	32.5%	31.5%	30%
ROA	2.7%	2.5%	2.7%
ROE	25.6%	23.9%	25.6%

Price movement

	1M	3M	6M	YTD
MBB (%)	0.8	26.4	34.1	29.8
VNIndex (%)	1	11.1	13.7	12.5

STOCK PRICE MOVEMENT



	Unit	2021	2022	2023	2024F
Net interest income	**VNDb**	26,200	36,023	38,684	48,156
Non-interest income	**VNDb**	10,735	9,570	8,622	10,213
Operating expenses	VNDb	(12,377)	(14,816)	(14,913)	(17,511)
Provisions for credit losses	VNDb	(8,030)	(8,048)	(6,087)	(5,501)
Profit before tax	**VNDb**	16,527	22,729	26,306	35,358
Profit after tax	**VNDb**	13,221	18,155	21,054	28,275
Total asset growth	%	22.7%	20.0%	29.7%	15.6%
Shareholder's equity growth	%	24.7%	27.4%	21.5%	24.4%
Shareholder's equity/Total asset	%	10.2%	10.6%	10.5%	10.7%
NPL ratio	%	0.9%	1.1%	1.6%	1.9%

VIETNAM INTERNATIONAL COMMERCIAL JOINT STOCK BANK (HOSE: VIB)

BUY – Target price: 28,600 (+23.3%)

Investment thesis

We recommend **BUY** for **VIB**, with a target price of **28,600 VND/share**, based on the following arguments:

1. **A bank with efficient operations:** CIR is ranked #4 in the market due to its thorough digital transformation; high NIM, only behind VPB and MBB, was well-maintained in 2023; for many years, VIB consistently achieved TOP 4 in ROA and TOP 2 in ROE; bad debt was managed well in the year 2023, with debt recovery income growing 84% yoy.
2. **Great credit growth potential:** Consumer loans and card products are likely to recover as a result of lower interest rates and a resumption of domestic consumption momentum. VIB's credit growth reached 5.5% by the conclusion of Q3/2023, with 4.5% of the growth completed in just that quarter. VIB had used up its credit room of 14.2% by the end of Q4. In 2024, VIB set a target credit growth of 20%. Assuming VIB manages to push the entire credit room to corporate customers instead of the unsuitable car loan segment in this economic landscape, and manages to provide more card products for VIP customers and more incentive packages for social housing loans, it is entirely possible for VIB to reach its target.
3. **Real estate and construction loan balances are low compared to industry average:** 1.4% at the end of 2023 compared to the industry average of 17.6%. The investment portfolio in corporate bond is low compared to the industry and other retail-oriented banks, similar to ACB.
4. **Harmony between dividends and growth:** VIB has a tradition of paying regular dividends in cash (from 2015 until now, paying over 5% of par value, except for the COVID 2020-2022 period), while still maintaining a good PBT growth with 7-year CAGR reaching 45.7%.

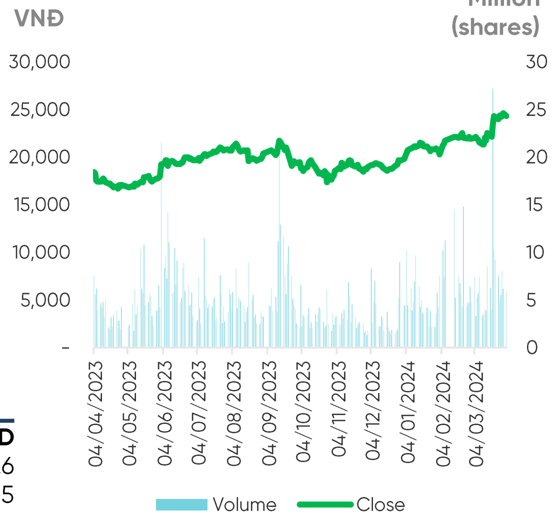
Investment risks

The credit card incident caused by EIB caused an overall negative impact on credit card products across the industry. Credit growth may compromise asset quality, so asset quality may decline, leading to a stronger increase in provisions. The car loans segment may still be affected due to unsupportive macro factors.

Market cap (VNDb)	61,644 đ	52W High	24,600 đ
Outstanding shares	2,536,808,000	52W Low	16,667 đ
52W Average volume	5,144,520	Beta	1.26

	2022	2023	2024F
EPS	4,018	3,375	3,373
BVPS	15,492	14,955	14,658
PE	3.94	5.81	8.47
PB	1.02	1.31	1.95
NIM	4.6%	4.7%	4.6%
CIR	34%	30%	30%
ROA	2.6%	2.3%	2.2%
ROE	30%	25%	24.6%

STOCK PRICE MOVEMENT



Price movement

	1M	3M	6M	YTD
VIB (%)	7.5	20.6	28.9	23.6
VNIndex (%)	1	11.1	13.7	12.5

	Unit	2021	2022	2023	2024F
Net interest income	**VNDb**	11,816	14,963	17,361	20,051
Non-interest income	**VNDb**	3,075	3,095	4,800	4,658
Operating expenses	VNDb	(5,282)	(6,197)	(6,611)	(7,413)
Provisions for credit losses	**VNDb**	(1,598)	(1,280)	(4,847)	(4,784)
Profit before tax	**VNDb**	8,011	10,581	10,703	12,512
Profit after tax	**VNDb**	6,410	8,469	8,562	10,012
Total asset growth	%	26.5%	10.8%	19.6%	22.1%
Shareholder's equity growth	%	35.1%	34.4%	16.2%	14.7%
Shareholder's equity/Total asset	%	8%	10%	9%	9%
NPL ratio	%	2.3%	2.5%	3.1%	3.8%

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK (HOSE: VPB)

BUY – Target price: 23,600 (+22.3%)

Investment thesis

We recommend **BUY** for **VPB**, with a target price of **23,600 VND/share**, based on the following arguments:

1. **VPBank's business model sets it apart from other banks:** VPB caters and thrives in every customer sector, including all segment in corporate to retail, serving almost one-third of Vietnam's population. VPB may growing the FDI customer business segment with the help of its strategic partner SMBC supported by the welcoming waves of foreign direct investment (FDI), particularly from Japanese clients. After just a year, VPBankS and OPES generated more than VND 1,400 billion in PBT, demonstrating the effectiveness of the comprehensive ecosystem strategy.
2. **Benefiting from strong credit growth potential:** As a result of the strategic deal, VPB's CAR increased to 17.1%, highest among listed banks. This gave VPB the upper hand when it comes to obtaining credit room from the SBV. Furthermore, VPB has been designated as one of the four banks to receive the mandatory transfer of 'zero-dong' banks (GPBank), which can be a motivation for growth in the years to come. VPB set its target credit growth in 2024 at 25% - highest in the industry, further demonstrating its high credit growth potential.
3. **NIM showed significant improvement in Q4 despite being negatively impacted in 9M2023**, consolidated lending NIM rose from 6.6% in Q3 to 7.3% in Q4, and retail lending NIM from 5.6% in Q3 to 6.2% in Q4, demonstrating its robust recovery in 2024. It is anticipated that the consumer lending segment will contribute more significantly, along with the RB and SME lending segment's excellent growth, given its current foundation, its TOP position in market share in consumer and retail lending, and its FDI customers. VPB's NIM is anticipated to stay at 6.1%.

Investment risks

Credit growth may compromise asset quality, so asset quality may decline, leading to a stronger increase in provisions.

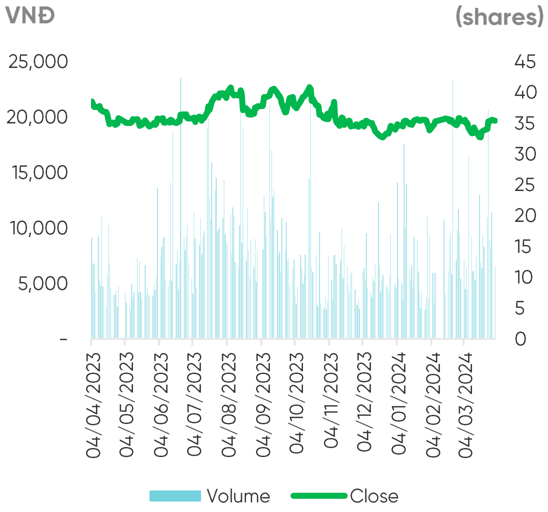
Market cap (VNDb)	155,902 ₫	52W High	22,700 ₫
Outstanding shares	7,933,924,000	52W Low	18,150 ₫
52W Average volume	17,576,920	Beta	1.25

	2022	2023	2024F
EPS	2,507	1,071	1,623
BVPS	14,360	16,969	17,603
PE	7.14	17.93	13.25
PB	1.25	1.13	1.22
NIM	7.7%	5.7%	6.1%
CIR	24.4%	28.0%	26.4%
ROA	2.9%	1.2%	1.4%
ROE	17.8%	10%	10.81%

Price movement

	1M	3M	6M	YTD
VPB (%)	-1.5	1.3	-3.3	0.8
VNIndex (%)	1	11.1	13.7	12.5

STOCK PRICE MOVEMENT



	Unit	2021	2022	2023	2024F
Net interest income	**VNDb**	34,349	41,021	38,175	51,306
Non-interest income	**VNDb**	9,953	16,776	11,565	15,134
Operating expenses	VNDb	(10,719)	(14,116)	(13,941)	(17,569)
Provisions for credit losses	**VNDb**	(19,219)	(22,461)	(24,994)	(28,780)
Profit before tax	**VNDb**	14,364	21,220	10,804	20,040
Profit after tax	**VNDb**	11,477	16,909	8,494	15,322
Total asset growth	%	30.6%	15.3%	29.6%	20.2%
Shareholder's equity growth	%	63.4%	20.0%	35.1%	7.2%
Shareholder's equity/Total asset	%	14.4%	16.1%	16.8%	16.1%
NPL ratio	%	4.6%	5.7%	5.0%	5.2%

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