

BANKING SECTOR

BUSINESS RESULTS Q1/2021

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Sector outlook: Outperform

Vietnam key figures Q1/2021

GDP Growth yoy	4.48%
Outstanding credit ('000 tril)	9.469
Credit/GDP (est)	116%
Credit growth ytd	2.93%
M2 growth ytd	1.47%
Refinancing rate	4.00%
Average inflation yoy	0.29%

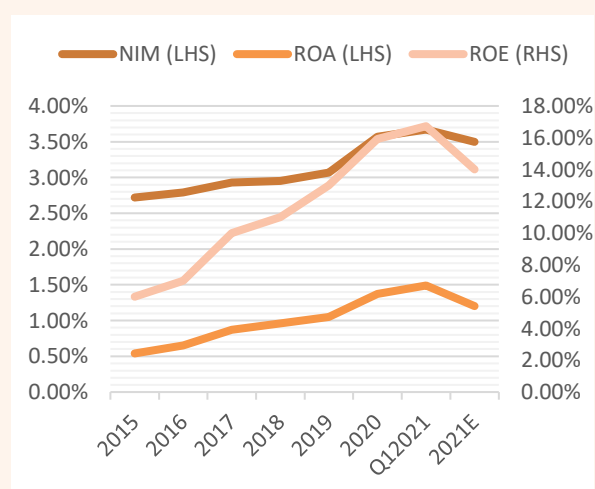
Vietnam Banks

P/E	13.00
P/B	2.21
ROA	1.49%
ROE	16.73%
NIM	3.57%
Market cap (VND Bil)	1,656,562

Market

P/E VNINDEX	17.0
P/B VNINDEX	2.58
P/E Asia Pacific Banking*	11.6
P/B Asia Pacific Banking *	1.06

(*Source: MSCI, 30/4/2021)



Average 19 listed banks

Sources: Fiiipro, IVS Research

Key themes

1. Q12021, credit to the economy grew by 2.93% ytd (compared to 0.68% in the same period of 2020); policy rate remained low, expected to go sideways until the end of the year; abundant liquidity.
2. 1st quarter business results of banks were positive compared to the same period last year.
3. Bad debts are well controlled; Circular 03/2021 (replacing Circular 01/2020) plays an important role in supporting the system health.
4. AGM 2021: Many banks approved plans to pay dividends in shares to strengthen capital buffers.
5. Remarkable event: On April 28, 2021, VPB signed an agreement to sell 49% holding in FE Credit to SMBC Group (Japan).

SUMMARY

- Maintain “**Outperform**” rating for the sector.
- Based on 1st quarter results and epidemic control capacity in Vietnam as well as support policies from the SBV (interest rate reduction, TT03/2021), we believe that most banks will achieve their business target for 2021.
- Some banks picked for outstanding 2021 performance: VPB with cash flow from selling FE Credit, CTG recovering from the restructuring period, VCB no longer has provision expenses pressure.
- Along with positive business results, capital raising activities and the search for strategic partners (LPB, OCB, SHB, VCB, TPB, VPB) or signing exclusive insurance cooperation contracts (HDB, LPB), will be one of the positive driving forces driving the momentum of banking stocks in the period of 2021-2022.
- P/E, P/B of sector are still attractive when they are respectively 30% and 16% lower than VNINDEX. Compared to the emerging markets and ASEAN peers, the current higher price of banking stocks is fully in line with the attractive profitability and potential of Vietnam's banking industry in a more favorable macro condition.

VIETNAMESE BANKING STOCKS

Trading Code	Name	Ex-change	Marcap (VND Bil)	P/E	P/B	ROA % TTM	ROE % TTM	NIM TTM	NPL TTM	Close price Date: 2021-05-11 (VND)
BAB	Bac A Bank	HNX	17,925	28.22	2.10	0.57%	7.65%	2.01%	0.42%	25,300
NVB	National Citizen Banks	HNX	6,590	607.28	1.54	0.01%	0.25%	2.62%	1.49%	16,200
SHB	SHB	HNX	45,251	13.17	1.77	0.85%	14.24%	2.83%	1.89%	23,500
ACB	Asia Commercial Bank	HOSE	77,384	8.97	2.04	2.02%	25.17%	3.86%	0.91%	35,800
BID	BIDV	HOSE	169,327	20.22	2.14	0.56%	10.37%	2.57%	1.76%	42,100
CTG	VietinBank	HOSE	164,575	9.28	1.80	1.37%	20.76%	3.03%	0.88%	44,200
EIB	Eximbank	HOSE	31,596	36.06	1.86	0.57%	5.27%	2.22%	2.30%	25,700
HDB	HDBank	HOSE	47,813	9.71	1.94	1.70%	20.16%	4.63%	1.51%	30,000
LPB	LienViet Post Bank	HOSE	23,266	10.33	1.54	0.99%	16.01%	3.38%	1.43%	21,650
MBB	MBBank	HOSE	91,519	8.99	1.78	2.18%	20.42%	4.96%	1.29%	32,700
MSB	MSB Bank	HOSE	26,553	9.83	1.49	1.55%	16.17%	3.52%	1.86%	22,950
OCB	Orient Commercial Bank	HOSE	26,192	6.95	1.42	2.57%	21.78%	3.88%	1.69%	23,900
SSB	SeABank	HOSE	33,845	19.74	2.38	0.93%	12.58%	2.19%	1.80%	28,000
STB	Sacombank	HOSE	44,460	16.48	1.50	0.55%	9.44%	2.66%	1.48%	24,650
TCB	Techcombank	HOSE	164,731	11.54	2.10	3.36%	19.56%	5.36%	0.38%	47,000
TPB	TienphongBank	HOSE	31,981	8.22	1.78	1.93%	23.76%	4.23%	1.19%	31,000
VCB	Vietcombank	HOSE	363,099	17.15	3.60	1.70%	22.11%	3.07%	0.88%	97,900
VIB	VIBBank	HOSE	68,006	13.01	3.52	2.28%	30.27%	4.23%	0.00%	61,300
VPB	VPBank	HOSE	154,649	13.62	2.76	2.71%	21.95%	8.58%	3.46%	63,000
ABB	An Binh Bank	UPCOM	10,339	8.50	1.11	1.21%	13.96%	2.66%	0.00%	17,800
BVB	Viet Capital Bank	UPCOM	5,438	19.64	1.35	0.42%	6.28%	2.09%	2.83%	14,600
KLB	Kienlongbank	UPCOM	8,639	14.27	1.94	1.05%	15.00%	2.92%	1.57%	27,300
NAB	Nam A Bank	UPCOM	7,988	7.11	1.15	0.85%	17.01%	2.61%	0.95%	17,600
PGB	PG Bank	UPCOM	4,493	25.75	1.12	0.50%	4.47%	2.94%	2.58%	15,200
SGB	Saigon Bank	UPCOM	4,074	38.16	1.11	0.48%	2.92%	2.81%	1.58%	13,200
VBB	VietBank	UPCOM	5,827	26.13	1.08	0.26%	4.20%	0.51%	1.87%	13,900

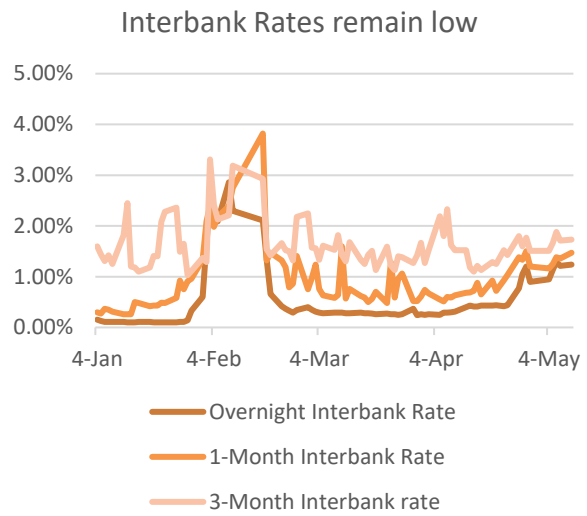
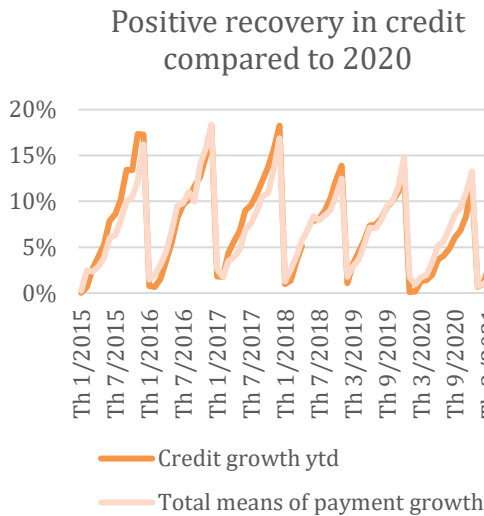
Source: Fiipro, dated 11/5/2021

Table: Vietnamese banks and peers

	P/E Median	P/B median	ROE Median	NIM Median
<i>VN Banks</i>	13.01	1.86	19.56%	3.38%
<i>Thailand Banks</i>	10.73	0.69	7.27%	3.33%
<i>Chinese Banks</i>	5.45	0.55	10.96%	2.09%
<i>Korean Banks</i>	5.47	0.48	7.60%	2.19%
<i>Malaysian Banks</i>	14.46	1.13	7.65%	1.86%

Sources: Bloomberg, IVS Research

Credit to the economy grew by 2.93% in the first quarter, higher than the same period in 2019-2020, but still lower than the first quarter of 2018.

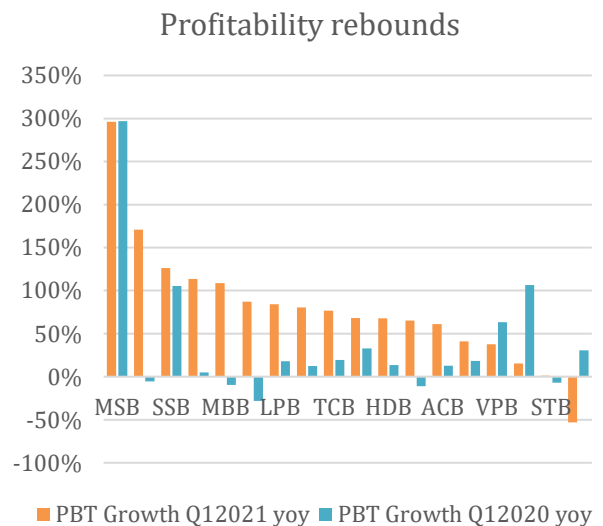
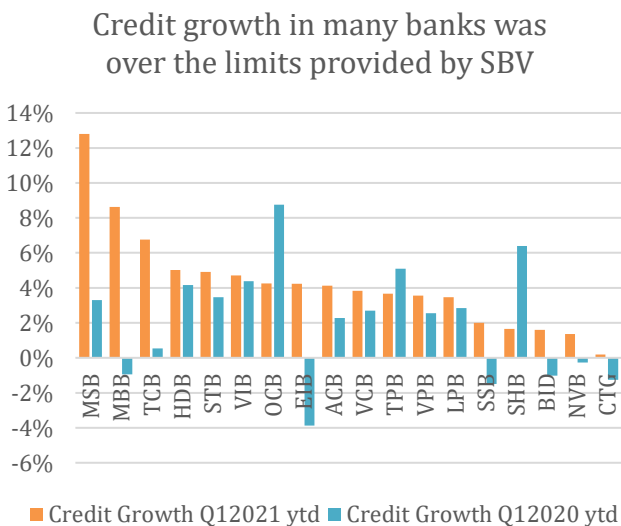


Sources: Fiinpro, IVS Research

It is likely that credit growth target for 2021 (8%-12%) would be achieved as the growth recorded in 1st quarter at 2.93% is relatively high and reflects the recovery.

In the interbank market, interest rates remained low (exempt for a short jump in early February due to the Lunar New Year seasonal factor) showing that there is a little challenge for the system liquidity.

A little signal of recovery: profits increased sharply, spiked credit to customers at MSB, MBB, TCB (exceeding SBV's credit limits provided).



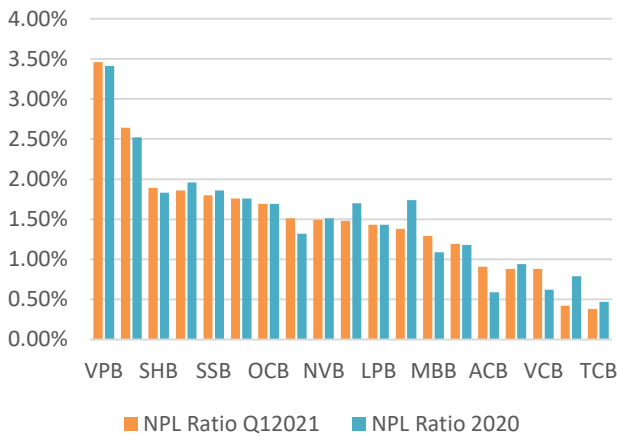
Sources: IVS Research, Fiinpro

Profitability rebounded thanks to several reasons:

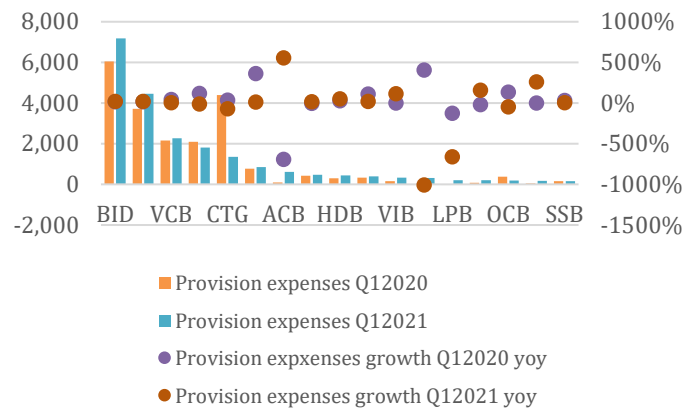
- Low profit base in Q1/2020.
- Lending recovered compared to Q1/2020.
- Net interest margins expanded thanks to a the decrease in funding costs more than lending interest rates decline.
- Sharp operating cost cutting.

Asset's quality is well controlled

NPL mixed at the end of Q12021



Provision expenses sharply down at CTG

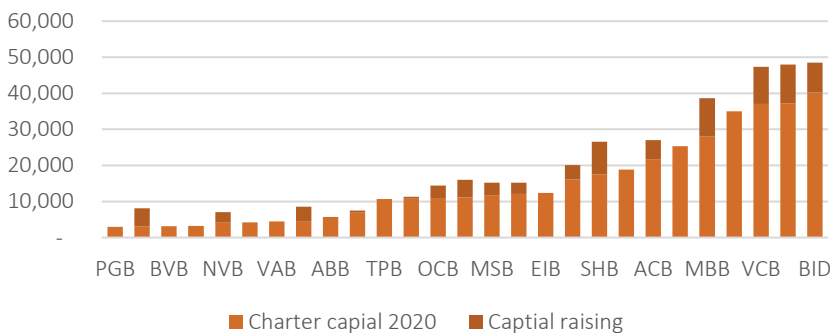


Sources: IVS Research, Fiiipro

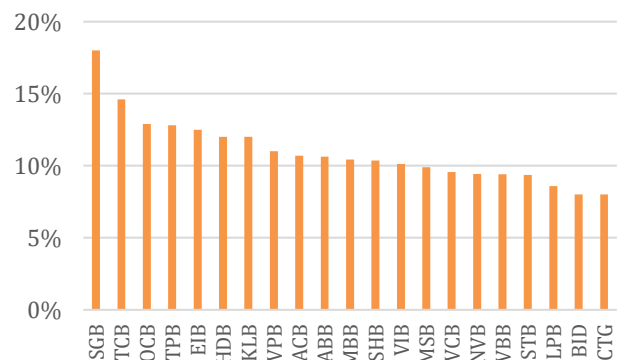
- Total bad debts of banks increased by 5.3% compared to the end of 2020.
- The increase in NPL ratio at some banks (ACB, MBB, VCB) may be due to the proactive actions that banks classified mentioned/low quality loans to Group 4-5 loans as well as stop restructuring loans according to Cir03.
- Circular 03/2021 plays an important role in supporting banks to help relieve the provision expenses pressure in the short term. (Investors refer to the report on the impact of Cir03 on banks [here](#)).

The approval of capital raising is the key point of 2021 AGM

Planned Banks' charter capital at the end of 2021 (VND Bil)



CAR 2020



Sources: IVS Research, banks

High dividend ratio at 25%-30% (by shares) was approved in many banks to strengthen capital buffers.

COMMENTS

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COMPANY RATING DEFINITION

Benchmark: VN – Index.

Time Horizon: 6 to 18 months

Rating	Definition
Buy	Relative Performance is greater than 15% Or the Fundamental outlook of the company or sector is favorable
Accumulate	Relative Performance is 5% to 15% Or the Fundamental outlook of the company or sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the company or sector is neutral
Reduce	Relative Performance is -15% to -5% Or the Fundamental outlook of the company or sector is unfavorable
Sell	Relative Performance is lower than - 15% Or the Fundamental outlook of the company or sector is unfavorable

SECTOR RATING DEFINITION

Benchmark: VN – Index

Time Horizon: 6 to 18 months

Rating	Definition
Outperform	Relative Performance is greater than 5% Or the Fundamental outlook of the sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the sector is neutral
Underperform	Relative Performance is lower than -5% OrThe Fundamental outlook of the sector is unfavorable

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