



BANKING SECTOR

Results Update Q1/2022:
Neutral

Equity research team_ Guotai Junan Vietnam
05/ 2022



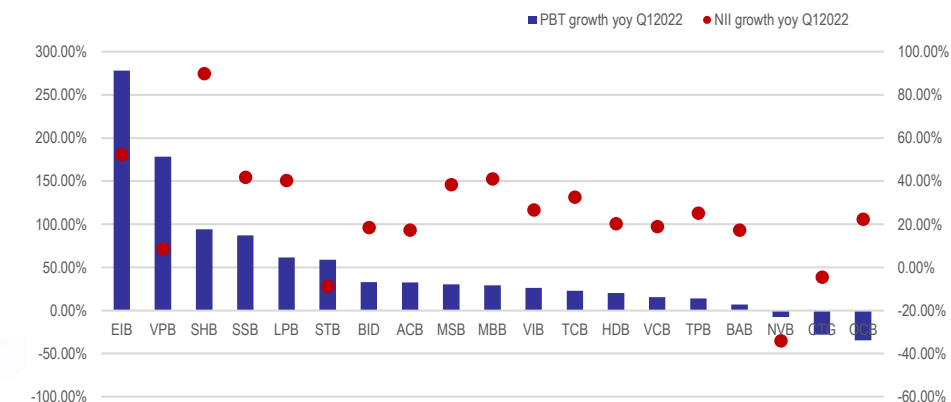
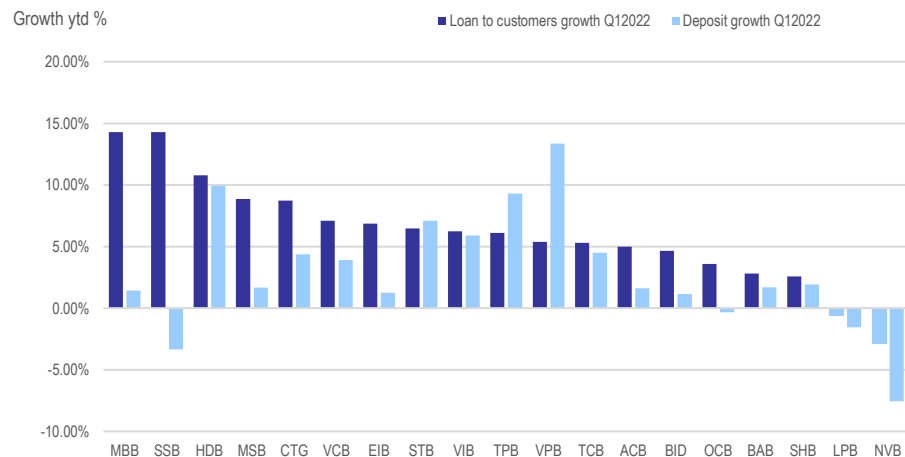


KEY POINTS

- ❑ The total credit growth recovered as expected. Vietnam's credit growth reached 5.04%ytd in Q1/2022.
- ❑ The lending and funding rates are going upward, in line with the global trend.
- ❑ Rising interest rates has posted an uneven impact on banks' profit margin. NIM of the leading private banks such as MBB, TCB remained stable while it was recorded the higher NIM at VPB and MSB.
- ❑ The average PBT growth of listed banks was recorded at 48%yoy, partly biased to the skyrocketed growth at EIB and VPB. Most of banks reported 25%-30% PBT growth in the last quarter.
- ❑ NPL ratio was kept in control. Banks are stepping up the bad debts handling and bringing restructured loans to the balance sheet.
- ❑ Investment recommendations: continue to focus on banks owning attractive stories and solid business activities: VPB (private placement plan, skyrocketed profit, successful mobilization of international syndicated loans), MBB (booming profits thanks to digital transformation and the story of restructuring a credit institution under special). In addition, we keep eyes on the fast-growing medium-sized banks such as OCB, MSB, VIB.



Slight narrowed NIM due to higher deposit rate, upward NPL ratio

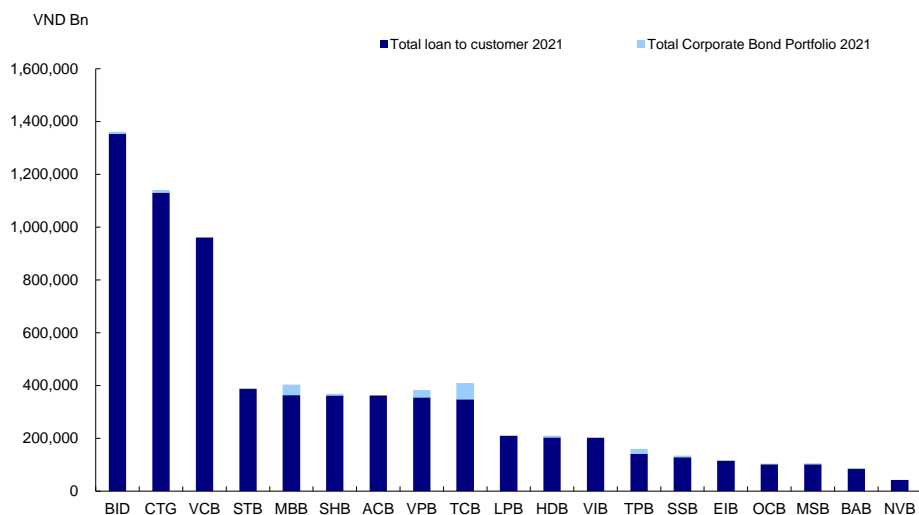


Source: Fiinpro, GTJAVN

- ✓ Most banks recorded a lower NIM in the first quarter of 2022. On the contrary, there is the brighter picture in some banks having upward NIM at VPB, MSB. The left-hand side chart is the 12-month trailing NIM that was partly affected by the negative results of banks in the second and third quarters of 2021.
- ✓ Strengthened provision expenses and bad debts handlings took place in the first quarter. Restructured loans have steadily brought back to the main book, reflected in provision expenses and the NPL ratio.
- ✓ Meanwhile, banks are actively writing off bad debts and strengthening their provision buffers. Accelerating bad debt recovery from Q1/2022 will continue in the coming quarters and posted positive impact on net interest income and income from bad debt recovery of banks. There is unlikely new restructuring loans from now when the epidemic is no longer worrisome and the deadline for restructuring loans is near to come in June 2022 (according to Cir.14).



The SBV's tough assessment on corporate bond issuance and real estate lending activities

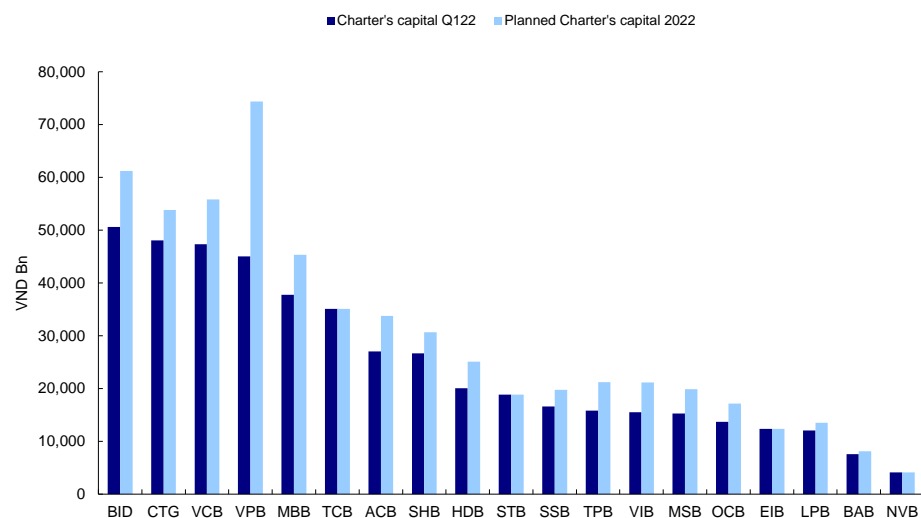


Source: banks, Fiinpro, GTJAVN

- ✓ The Circular No. 16/2021/TT-NHNN and SBV's action on correcting the corporate bond issuance in the 1st quarter 2022 has posted worrisome on market in the short-term. But the more benefit in the long-term by improving market transparency and minimizing systematic risks would favor this market.
- ✓ Regarding to the correction in Q1, most banks declared no impact or very small exposure to the violated corporations. However, real estate lending & disbursement will slow down somewhat in the coming time as banks access in the more prudent manner, that indirectly affect real estate projects progress. The latter is the premise for personal loans (especially mortgage) which accounts for a very high banks' loan proportion.



AGM highlights and 2022 expectations



Source: Fiinpro, GTJAVN

- Most private commercial banks target 25%-30% PBT growth in 2022. The SOBs group plans the modest profit growth but has not ruled out expecting a spike in profits for these banks.
- Banks continue to raise capital through the issuance stock dividend. In addition, there are the private placement plans at VPB, OCB, BIDV and MBB.
- MBB and VCB will take over and restructure credit institutions under special. The transfer of poor-performing credit institutions will affect the above-mentioned banks in two dimensions: (1) part of profits and resourcing (capital and labors) must be transferred to these weak banks to support the restructuring and (2) SBV will provide the favorable mechanism for MBB, VCB such as higher credit growth limit and support part of financial resources for the restructuring. MBB is considered to benefit more from the above information.
- Continue to expect good profit growth at the private commercial bank group (MBB, VPB, OCB, MSB). In addition, it is possible to expect a surged profit at LPB, HDB if they sign the exclusive insurance cooperation this year.





Listed banks' Q1/2022 performance

Ticker	Name	Exchange	Loan to customers Q12022 (VND bn)	PBT Q12022 (VND bn)
ACB	Asia Bank	HOSE	379,983	4,114
BID	BIDV	HOSE	1,417,854	4,514
CTG	VietinBank	HOSE	1,229,579	5,822
EIB	Eximbank	HOSE	122,553	809
HDB	HDBank	HOSE	225,154	2,528
LPB	LienViet Post Bank	HOSE	207,749	1,795
MBB	MBBank	HOSE	415,549	5,910
MSB	MSB Bank	HOSE	110,579	1,495
OCB	Orient Bank	HOSE	105,716	836
SHB	SHB	HOSE	371,787	3,227
SSB	SeABank	HOSE	145,837	1,306
STB	Sacombank	HOSE	413,028	1,589
TCB	Techcombank	HOSE	365,743	6,785
TPB	Tien Phong Bank	HOSE	149,875	1,623
VCB	Vietcombank	HOSE	1,028,900	9,950
VIB	VIBBank	HOSE	214,119	2,279
VPB	VPBank	HOSE	374,457	11,146
BAB	North Asia Bank	HNX	86,980	246
NVB	Citizen Bank	HNX	40,421	25

Source: Fiinpro, GTJAVN





Q1/2022 BUSINESS PERFORMANCE



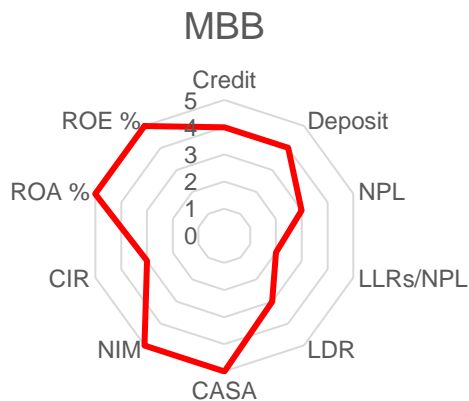
Recommendation:

TP

Buy
40,000

Military Commercial Banks (MBB)

Take over credit institution under special



Q1/2022 performance update:

- Credit growth climbed by 14.3%ytd, PBT grew 29%yoy. All segments (lending and services, securities, insurance) recorded good growth.
- MBB will take over one credit institution under special this year. The acquired bank will not be consolidated in MBB’s financial statement, then posting no impact on financial ratio and capital buffer of MBB. Besides, ass taking this responsibility, MBB may receive higher credit growth limit from SBV (30%-35%) that matches the growing demand of MBB and create positive impact on bank’s profit and growing strategy.
- The bank decides to issue stock dividend with the ratio of 20%. Besides, there are 2 private placement plans: 1 for Viettel according the approval in 2021 AGM and 1 new plan of issuing 65 million share to investors.

Shares in issue (m)	3,778.32
Market cap (VND b)	110,327
3- month average vol. ('000)	13,902
52w high/low (VND)	34,900 / 21926



Recommendation:

TP

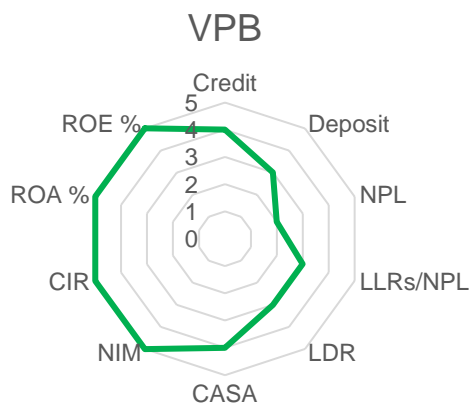
Buy
45,000

Vietnam Prosperity Bank (VPB)

Raising capital and promising catalysts

Q1/2022 performance update:

- Skyrocketed PBT growth in Quý 1/2022 (+178% yoy) thanks to abnormal income from banca contract with AIA. PBT reached over VND 11,000 bn. The separate bank's result recorded good performance, contributing to higher NIM at 8.6% in Q1/2021.
- In April, VPB successfully mobilize USD 600 mn syndicated loan from international institutions. The bank also plan to mobilized total USD 1-1.5 bn in 2022 that will significantly lower bank's COF this year.
- VPB plans to complete the private placement plan for international investor in Q3 which is good catalyst for VPB stock.



Shares in issue (m)	4,445.47
Market cap (VND b)	161,815
3- month average vol. ('000)	18,573
52w high/low (VND)	41,050 / 31,222



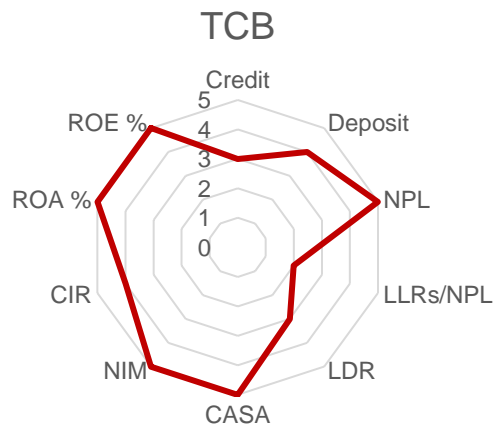
Techcombank (TCB)- Continue not paying dividend

Recommendation:

TP

Accumulate

64,500



Q1/2022 performance update:

- Credit growth was recorded at 7.9% ytd, PBT grew by 23% yoy. The bank still recorded impressive financial ratio compared to peers, intact NIM, low COF and stable CASA at 50% (top 1 sector).
- NPL ratio was remained under 1% (0.7%). The bank reported lower restructured loan at VND 1,600 bn at the end of Q1/2022.
- The bank continues not paying dividend this year. There no capital raising plan in the short-term.

Shares in issue (m)	3,510.92
Market cap (VND b)	150,267
3- month average vol. ('000)	8,074
52w high/low (VND)	58600 / 38,850

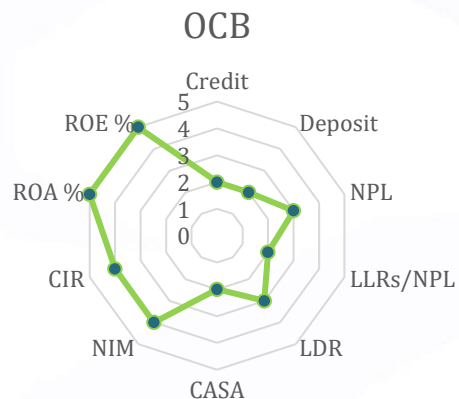


Recommendation:
TP

Hold
33,200

Orient Bank (OCB)- Temporary stepping back

Q1/2022 performance update:



- OCB reported 6% ytd credit growth in Q1/2022, PBT reached VND836 bn, declining 34% yoy due to 70% decrease in securities activities, higher operating cost and provision expenses.
- NPL ratio was maintained under 1%.
- The private placement plan is expected to complete in Q3/2022.
- In 2022, the bank targets 30% growth in PBT, 25% growth in credit. However, from the information of the bank's Board, the credit plan of OCB is partly affected by the events related to FLC and Dai Nam. According to VND 1,800bn loans from FLC, OCB recovered VND 1,500 bn in April. All related loans have collaterals and possess no significant impact on bank's result.

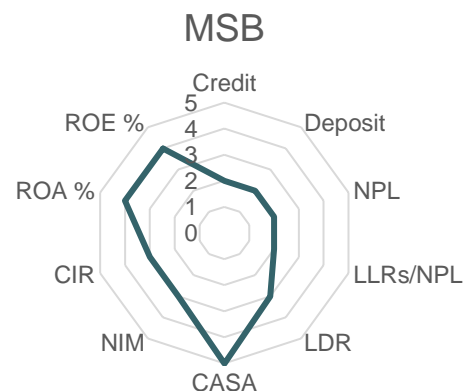
Shares in issue (m)	1,369.88
Market cap (VND b)	31,644
3- month average vol. ('000)	2,382
52w high/low (VND)	31,700 / 18,200



Recommendation:
TP

Buy
33,000

Maritime Bank (MSB) – Maintain momentum in Q1



Q1/2022 performance update:

- MSB reported 9% ytd credit growth in Q1/2022. PBT reached VND 1,500 bn, + 30% yoy, underpinned by 38% growth in net interest income and positive service income growth.
- The bank is in the progress of divesting FCCOM. The expected profit from the divestment is around VND 1,500-2,000 bn.
- The bank targets PBT of VND 6,800 bn, +34% yoy in 2022. Total assets grow 14% to VND 233,000 bn, credit grows by 25% yoy. The bank plan raise capital by 30% through issuing stock dividend.

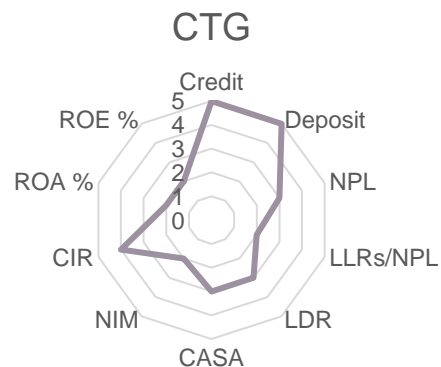
Shares in issue (m)	1,527.5
Market cap (VND b)	34,674
3- month average vol. ('000)	4,440.53
52w high/low (VND)	29,050 / 16,150



Vietinbank (CTG)- Provision expenses pressure PBT

Recommendation:
TP

Buy
40,800



Q1/2022 performance update:

- Customer lending increased by 8.76% ytd. However, the increase in deposit rates caused the bank's NIM to fall in Q1, net interest income decreased by 4.6% yoy. The upfront fee from the exclusive insurance policy with Manulife has not yet been recorded. In addition, provision expenses tripled, causing the bank's PBT to drop by 28% yoy.
- CTG is still in the process of negotiating the sale of Vietinbank Leasing.
- The bank plans to raise capital by 12% this year.

Shares in issue (m)	4,805.75
Market cap (VND b)	132,158.14
3- month average vol. ('000)	7,050.48
52w high/low (VND)	42,535/ 25,500

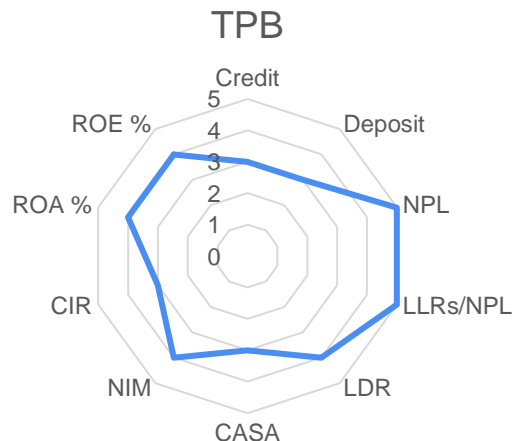


Recommendation:
TP

Accumulate
40,000

Tien Phong Bank (TPB)

Q1/2022 performance update:



- Credit balance reached VND 178 trillion, up 11% ytd, among the fastest growing banks in the system. The bank's net interest income increased by 30% yoy, but the sharp increase in operating and provision expenses posted negative impact on the bank's PBT which increased by only 14.1% yoy.
- The bad debt ratio is well controlled and maintained below 1%.
- TPB aims to achieve pre-tax profit of VND8,200 billion, up 36% in 2022. the bank plans to pay dividends in shares and issue ESOP, raising total bank's capital by 34%.

Shares in issue (m)	1,581.76
Market cap (VND b)	52,593.37
3- month average vol. ('000)	5,084.78
52w high/low (VND)	44,000 / 19,900

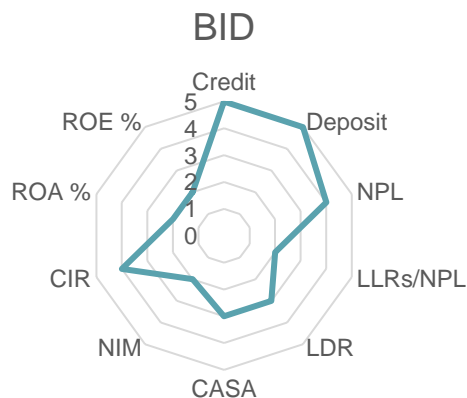


Recommendation:
TP

Buy
55,000

Vietnam Investment & Development Bank (BID)

Q1/2022 performance update:



- Credit balance reached VND 1.43 trillion, +4.7% ytd. Net interest income increased by 19.3% yoy. Service income fell 14% yoy while foreign exchange income increased by 53% yoy. The bank's total profit in the first quarter of 2022 reached VND3,358 billion, an increase of 36% yoy.
- The bank maintains the largest total asset size in the system. The bad debt ratio is over 1%.
- BIDV aims to achieve PBT of VND20,600 billion this year, up 53% yoy. In addition, the bank plans to raise capital including issuing stock dividend (ratio 12%) and a 9% private placement plan.

Shares in issue (m)	5,058.52
Market cap (VND b)	188,430.01
3- month average vol. ('000)	2,528.1
52w high/low (VND)	49,950/ 30,000





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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