



BANKING SECTOR

Update Q2/2022: **Neutral**

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KEY NOTES

- ❑ Credit growth touched the limit from early Q2 with total economy credit growth of 9.35%ytd. A new credit room is expected at the end of Q3/ early Q4 which will ensure a full-year growth of 14%-15%.
- ❑ Rising funding cost due to higher interest rates. NIM of large banks witnessed a downward trend while small-medium-scale banks recorded upward NIM thanks to good cost controlling in 1H. We expect the sector's NIM to be stable in 2H given banks' active measures in restructuring lending portfolios and diversifying funding sources.
- ❑ The listed banks recorded a 32% growth in PBT in 1H. We can see a skyrocketed growth this quarter given the low base income in Q3 last year. Therefore, despite some headwinds, banks may continue to experience good growth in 2H (25%-30%yoy).
- ❑ The non-performing loan is well controlled and believed to be stable in 2H.
- ❑ Looking for investment opportunities in banking stocks, we maintain the "BUY" recommendation for MBB, BID, and VPB given their good growth momentum and attractive capital raising plan.

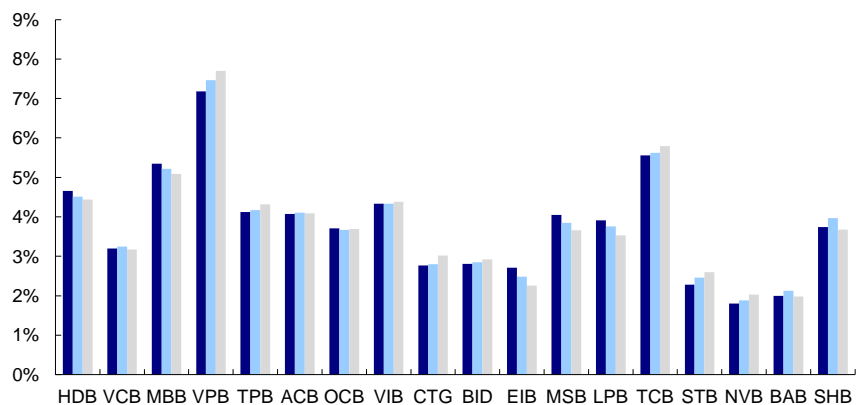
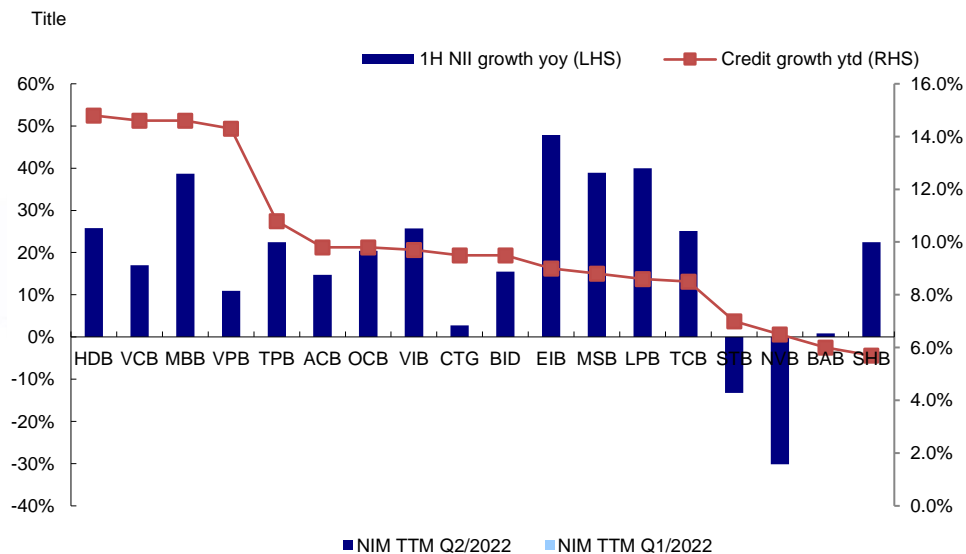




BUSINESS PERFORMANCE 1H2022



Higher interest rate puts pressure on NIM



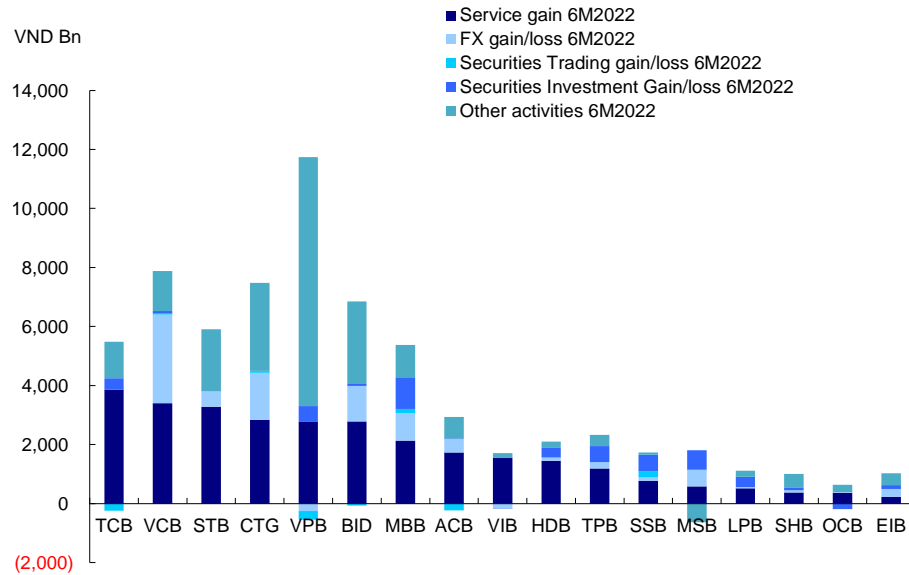
Source: Fiinpro, GTJAVN

- Haft of listed banks recorded lower NIM in Q2 due to higher funding cost. However, some banks still recorded upward NIM (small-medium -size banks like OCB, MSB, HDB) while MBB is the only large banks maintaining intact NIM.
- NII was slowdown given most of banks use full credit growth limit in early Q2. They need to restructure lending book to improve margin.





Fluctuated non-interest income components



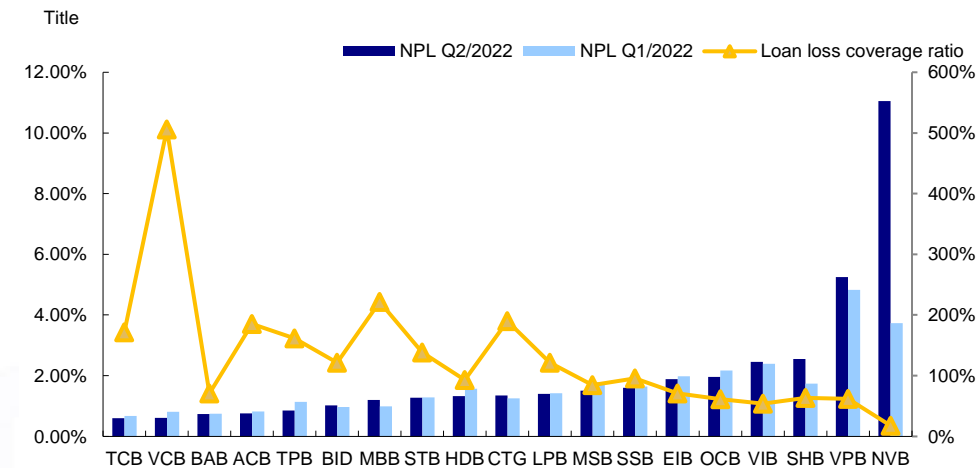
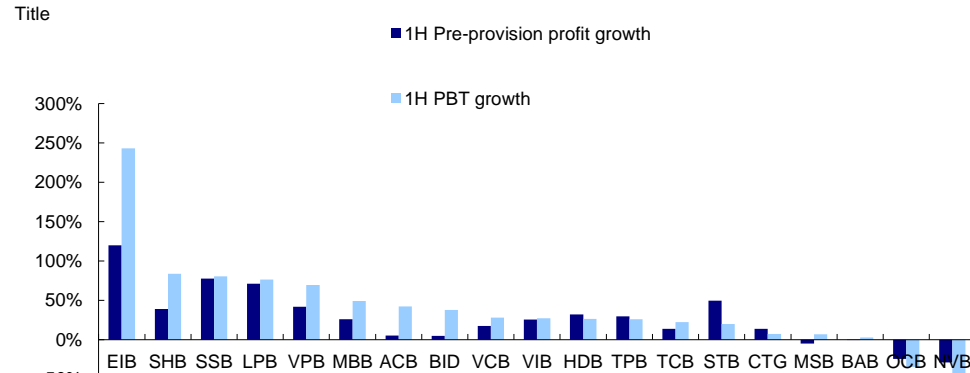
Source: Fiinpro, GTJAVN

- Of 25%yoy growth in non-interest income, service income increased by 21%yoy.
- Exempt for the sudden abnormal income in VPB (upfront fee), recoveries income was the most growing factor for banks' non -NII in 1H. The later likely doubled or tripled in many banks.
- Meanwhile, unfavored stock market and bond market eroded securities investment profit. Many banks recorded large loss from those items and put negative impact on TOI.





Non-performing loan is stable



Source: Fiinpro, GTJAVN

- There is no significant change in the assets quality of banks compared with Q1. NPL was stable and the loan loss coverage ratio was still at its record high.
- Meanwhile, amidst the restructuring policy expired at the end of June, the structured loan of many has reduced much. Large provision reversals had been made and posed a positive impact on the bottom line.





PROSPECT- OUTLOOK 2H2022





Are Banking stocks attractive enough in 2H?

Sector movement:

- The new credit limit for sure. Although it did not happen soon as expected, the new credit limit at the end of 2H will smooth credit flow in the system to reach the full-year growth of 14%-15% which is the main momentum for 30%PBT growth this year.
- Slow deposit growth was the active measure of banks in 1H to ensure the cost-benefit controlling of banks given their full credit limit in 1H. The active measure in lending restructuring will help to ensure good NIM in 2H.
- It is hard to have a deposit rate racing among banks. On 1st Oct, banks have to comply with the new limits -34% maximum limit of short-term funding used for medium and long-term loans and we see that most banks in the system have already met this requirement since the end of June. However, over the long-term, keeping the balance between credit and deposit is a big concern given our system lending still relies on real estate lending and long-term lending while the short-term deposit is a nature of Vietnam's banking system.
- The unclear benefit of 2% interest rate supportive package. According to SBV's statistics, disbursement for this program to mid-August is only VND4,100 bn, equivalent to the interest supportive amount of VND1 bn. We believe that the lingering progress will continue.

Other stories: besides the big movement of the system, many banks own their attractive stories like abnormal income from Banca contract (VPB), private placement plans or favorable policies for banks participating in rescuing bad banks under special (HDB, VCB, MBB).

The unfavorable market has made a private placement of banks to be lingering. However, banks are still on the urgency of capital raising that would lever banks' internal power as well as stock price once occurs. BID, VPB, LPB, and OCB are the case.





Banks' capital raising and private placement plan 2022

Ticker	Exchange	% pay dividend in shares	Date of record	Private placement plan
ACB	HOSE	25.00%	6/3/2022	
BAB	HNX	8.00%	7/6/2022	
BID	HOSE	12.00%	Q3-4/2022	X
CTG	HOSE	11.85%	Q3-4/2022	
EIB	HOSE	20.00%	Q3-4/2022	
HDB	HOSE	25.00%	Q3-4/2022	
LPB	HOSE	15.00%	Q3-4/2022	X
MBB	HOSE	20.00%	23/8/2022	
MSB	HOSE	25%	Q3-4/2022	
NVB	HNX	0%	-	
OCB	HOSE	30%	Q3-4/2022	X
SHB	HOSE	15.00%	Q3-4/2022	X
SSB	HOSE	12.74%	6/17/2022	
STB	HOSE	0%	-	
TCB	HOSE	0%	-	
TPB	HOSE	0%	-	
VCB	HOSE	18.10%	Q3-4/2022	
VIB	HOSE	35%	May-22	
VPB	HOSE	50%	Q4/2022	X





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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