



Banking Sector Report

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- We assess that the outlook of Banking stocks in 2024 is **POSITIVE**. The drivers for price increase of Banking stocks include: (1) Improved business and economic conditions and the recovery of the real estate sector can promote credit growth and increase service fee income for banks; (2) Banks' NIM in 2024 is expected to improve compared to that of 2023 because of a low interest environment in 2024; (3) The pricing of banking stocks is at an attractive level; (4) Banks' NPL ratio and bond portfolio are expected to improved with the economic condition, thus improving banks' asset quality; (5) We assess the long-term outlook of the banking sector is positive. Notable risks of banking stocks that need monitoring: some banks are having high capital adequacy risk and/or liquidity risk.
- We issue a BUY recommendation on **MSB** with 6-18 months' target price of **VND 19,000/share**, an upside of +28% with purchase price of VND 14,800/share. A notable risk of MSB is that the bank is current having a higher NPL ratio than the sector average.

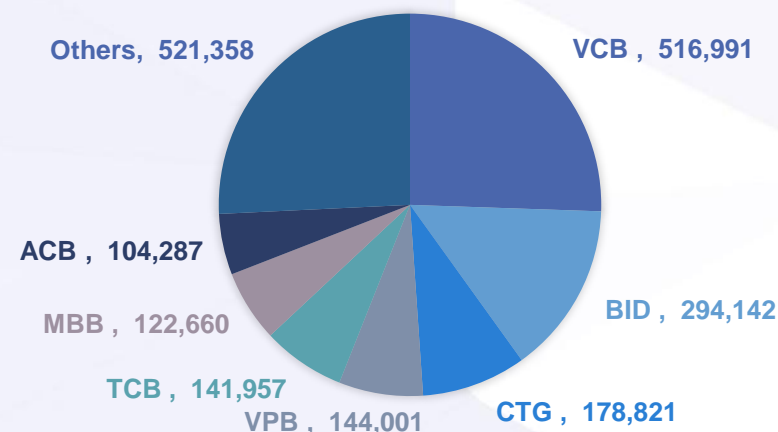


Key financial data of the sector (from 27 banks)

Indicator (TTM)	2023	2022
Shares outstanding (million shares)	67,170	57,776
BVPS (VND)	18,083	18,109
Revenue per share (VND)	9,882	10,595
Basic EPS (VND)	3,735	3,811
ROE	17.86%	19.71%
ROA	1.61%	1.81%
Revenue per employee (VND million)	2,400	2,579
Net profit per employee (VND million)	915	951
Basic P/E	9.23x	7.89x
P/B	1.50x	1.45x

Currently in Vietnam, there are 27 commercial banks with shares traded on 3 stock exchanges (HSX, HNX, UPCOM). In terms of market capitalization, VCB is the bank with the highest market cap with a market cap of 516,991 billion VND. The total market cap of 27 Vietnam banks as of March 18, 2024 is 2,024 trillion VND. The market cap of banking sector accounts for about 30% of the total capitalization of the 3 stock exchanges.

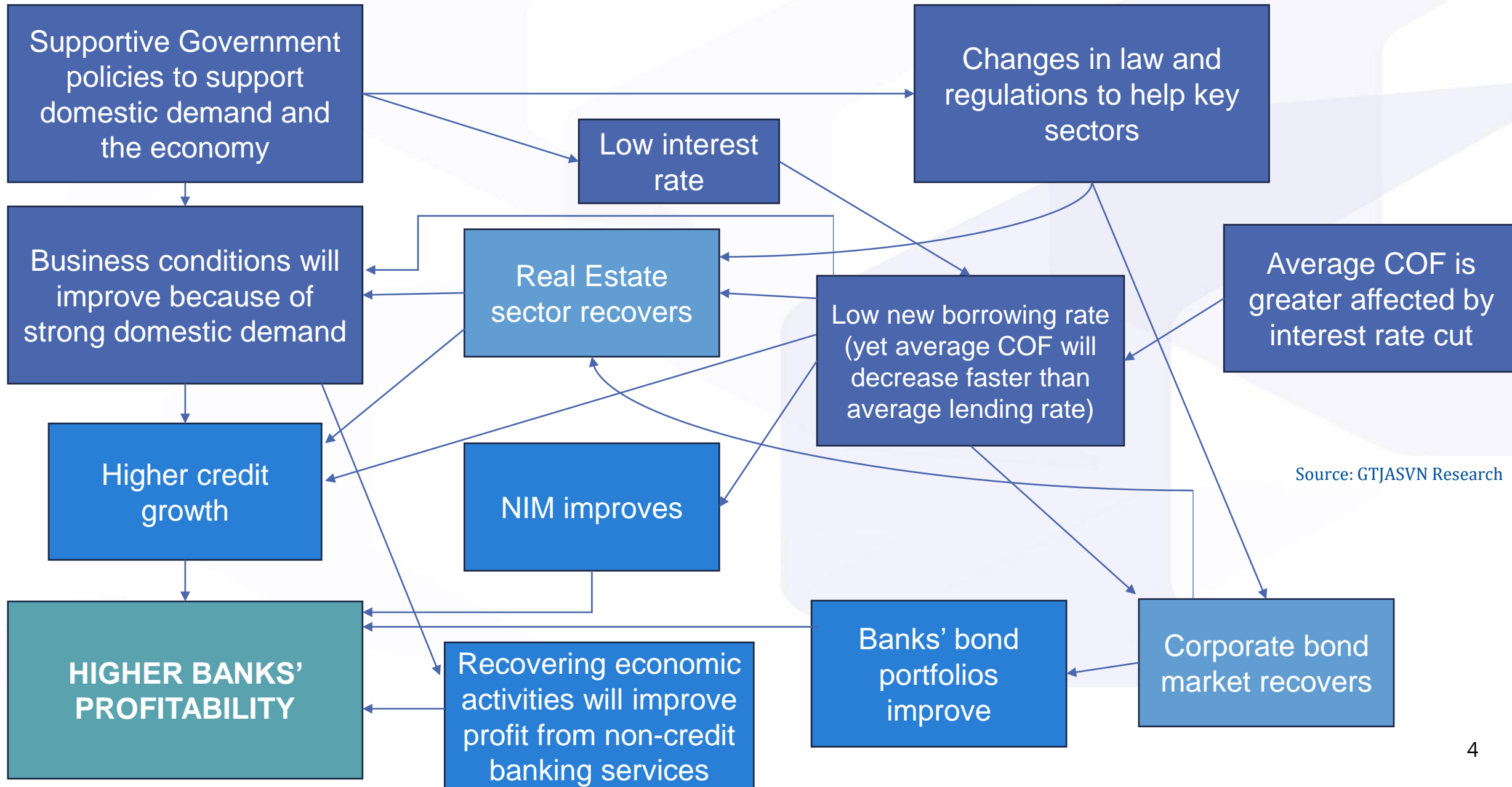
MARKET CAP OF 27 VN BANKS
(IN VND BILLION; DATA COLLECTED 18 MAR 2024)



Source: GTJASVN Research, FiinPro, FiinPro X

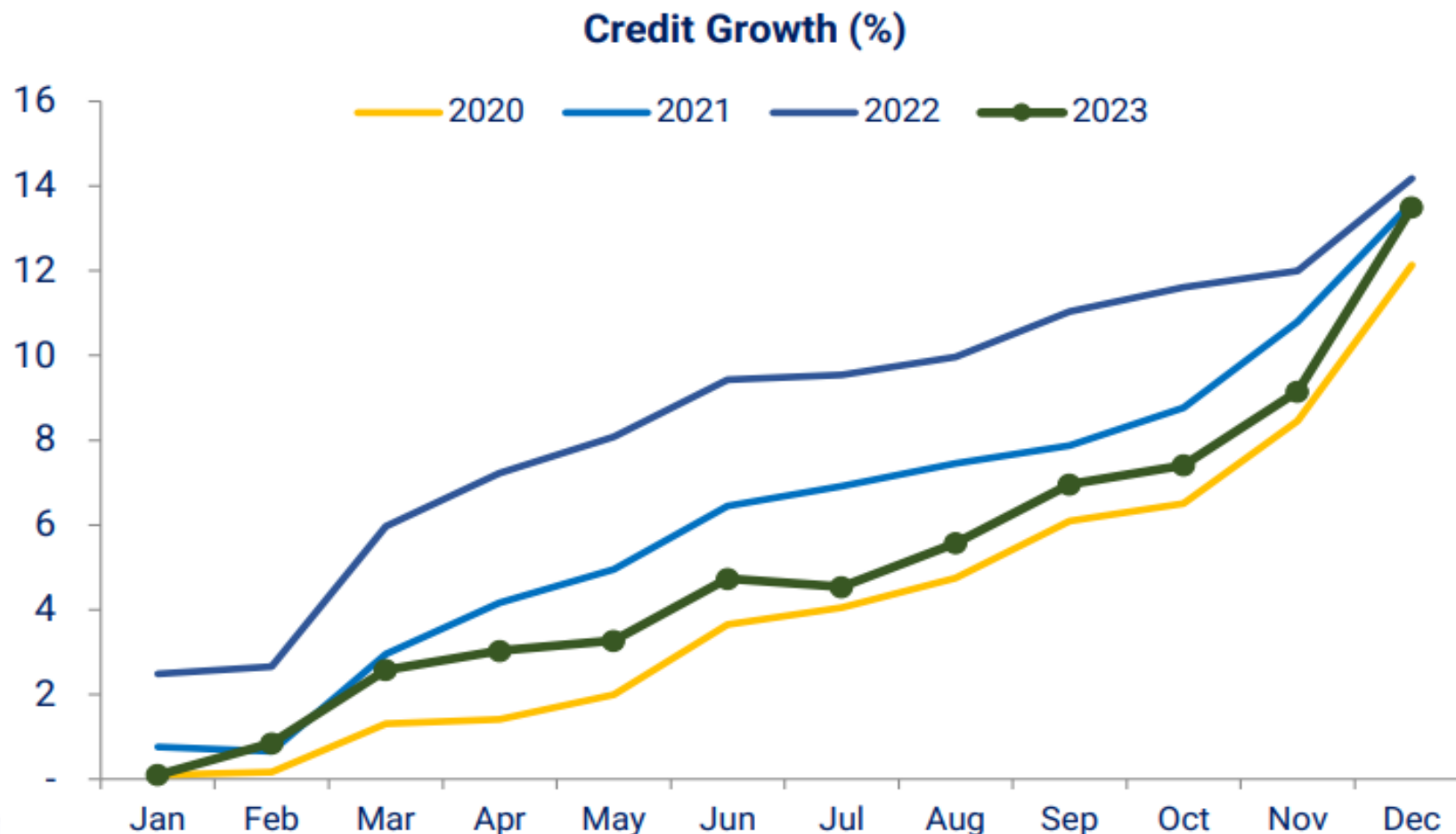


Banking Sector: Drivers for 2024



Source: GTJASVN Research

Banking Sector: Higher credit growth in 2024



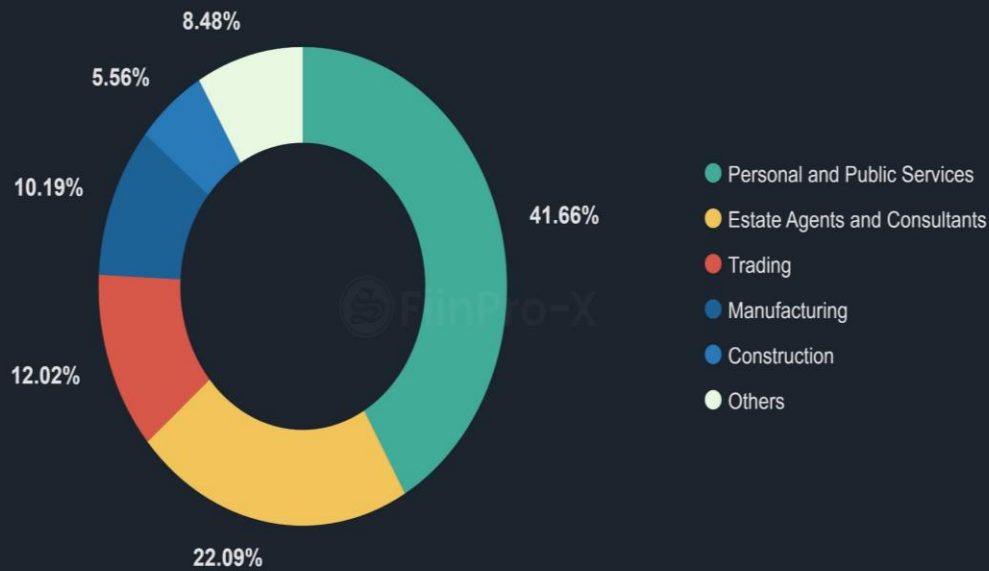
Source: GTJASVN Research, SBV, GSO, VBMA, vietnamnews.vn

Credit growth in 2023 was not as strong as in 2022, and even weak throughout the year compared to 2021, but it reached the same level as 2021 by the end of the year. Confidence of the domestic businesses and the weak real estate market was two of the possible reasons credit growth was not strong in 2023. We expect that the business conditions will improve in 2024. Combined with a recovery of the real estate market, it will promote credit growth in 2024. SBV set the target 15% for credit growth in 2024, and it has allocated all credit growth quota to banks in January. We expect credit growth in 2024 could reach 14%-14.5%. If a credit growth of 14.5% is reached, credit growth in 2024 will be the highest in 5 years.

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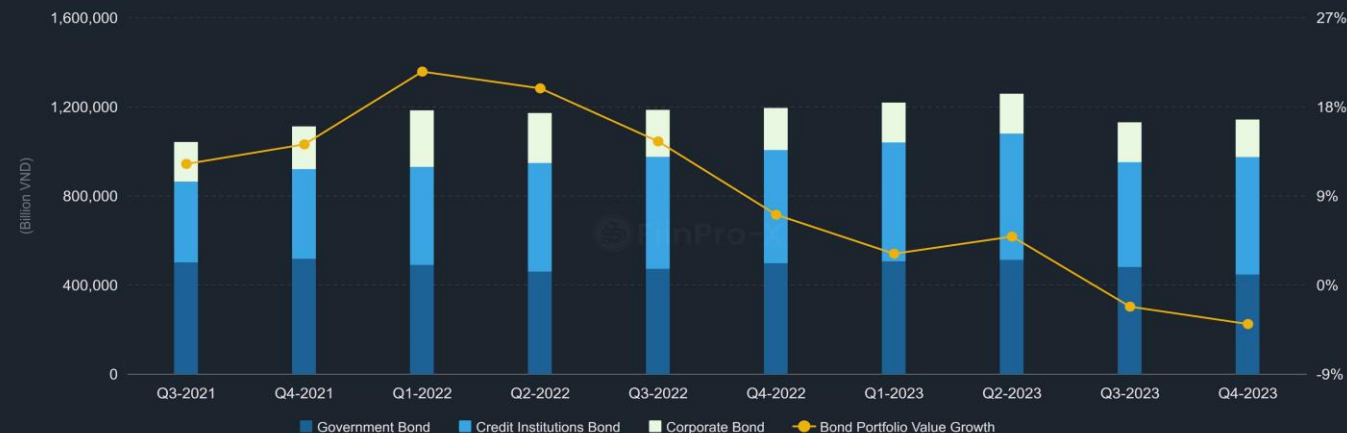
LOAN STRUCTURE



According to the data FiinPro X compiled from 11 banks, about 41.66% of loans in 2023 were Community Service and Personal loans, 22.09% were loans to the Real Estate and Consulting sectors, and 12.02% were loans to the Commercial sector.

Also according to Fiin Pro X data, compiled from 26 banks, the banks' bond portfolio reached a total value of VND 1,143.8 trillion, of which government bonds were VND 447.8 trillion, bonds issued by credit institutions were VND 527.1 trillion, and VND 168.9 trillion were corporate bonds.

VALUE OF BOND PORTFOLIOS



Source: 26 Banks

Source: GTJASVN Research, FiinPro X

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Banking Sector: NIM is expected to improve

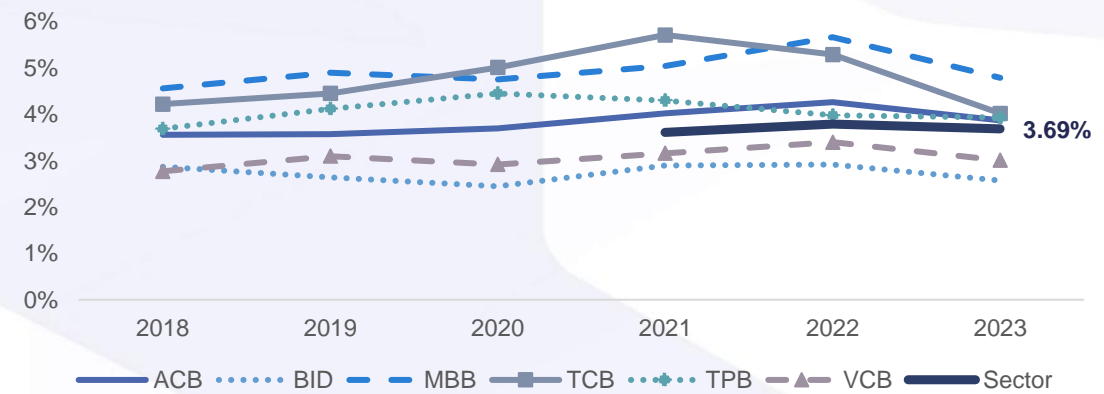


DEPOSIT INTEREST RATES COMPARISON



The industry's NIM decreased slightly to 3.69% in 2023 from 3.79% in 2022. The reason was that the deposit rate in the first half of 2023 were still high and the industry's COF increased from 4.38% in 2022 to 6.47% in 2023. However, banks have reduced deposit interest rates in the past 12 months and we expect this low deposit rate to be maintained in 2024, helping to improve NIM for banks in 2024. In the scenario where commercial banks start to increase deposit rates in the second half of 2024, COF in 2024 is still expected to remain low compared to 2023, helping NIM in 2024 improve compared to the previous year.

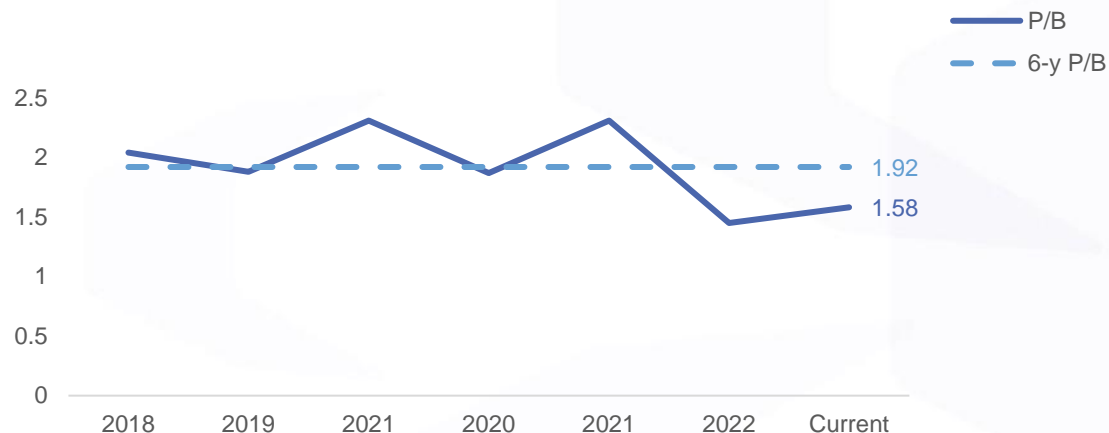
NIM of the sector and selected banks



Banking Sector: Attractive valuation

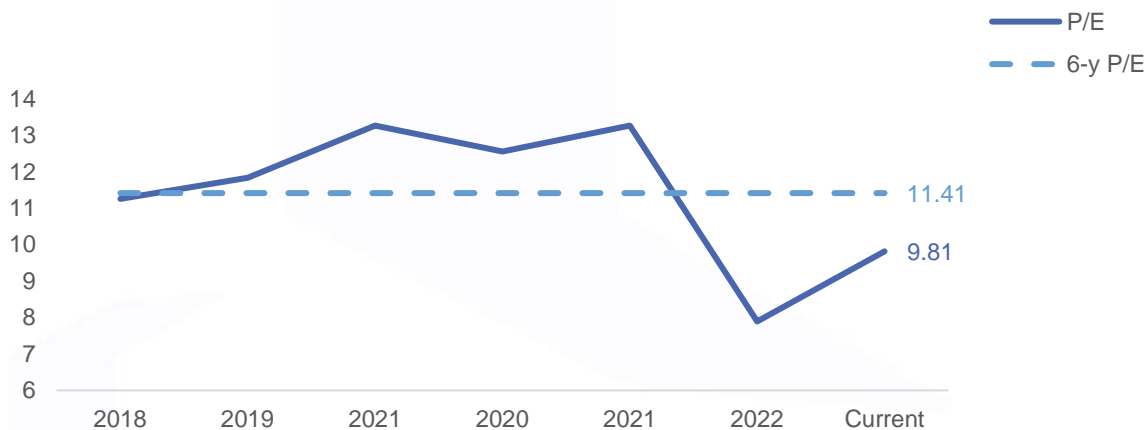


P/B (TTM) of VN banking sector

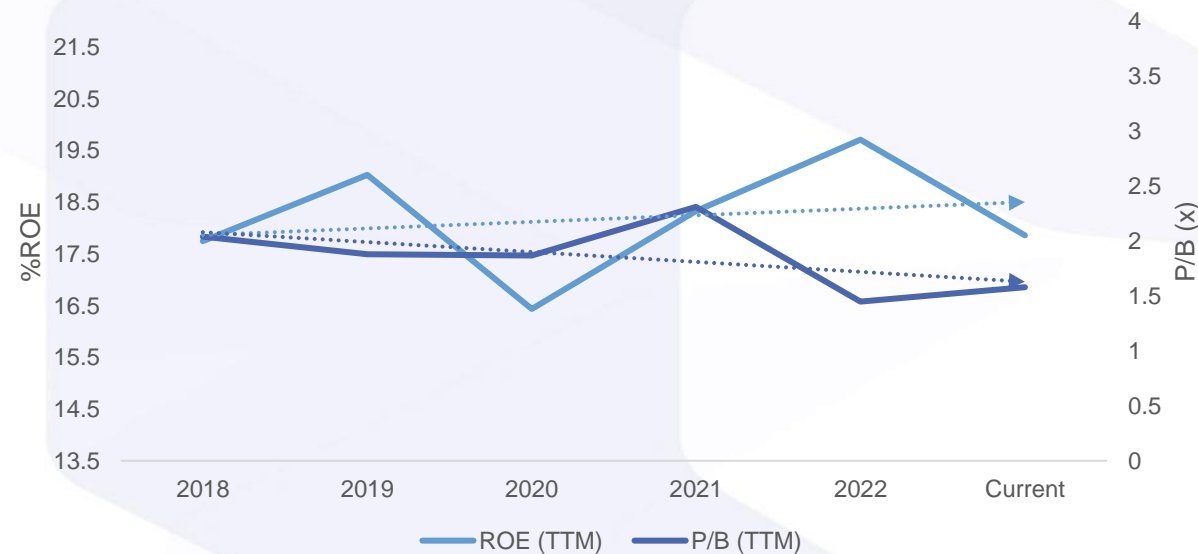


Besides profitability is expected to improve in 2024, there is also another potential driver for Vietnamese bank stocks to rise in price. The stocks of the sector is having low multiples, currently trading below average 6-year P/E and P/B. *(Data of P/B and P/E are as of 18 Mar 2024.)*

P/E (TTM) of VN banking sector



Since 2018, ROE of the sector slightly trended up, but P/B trended down

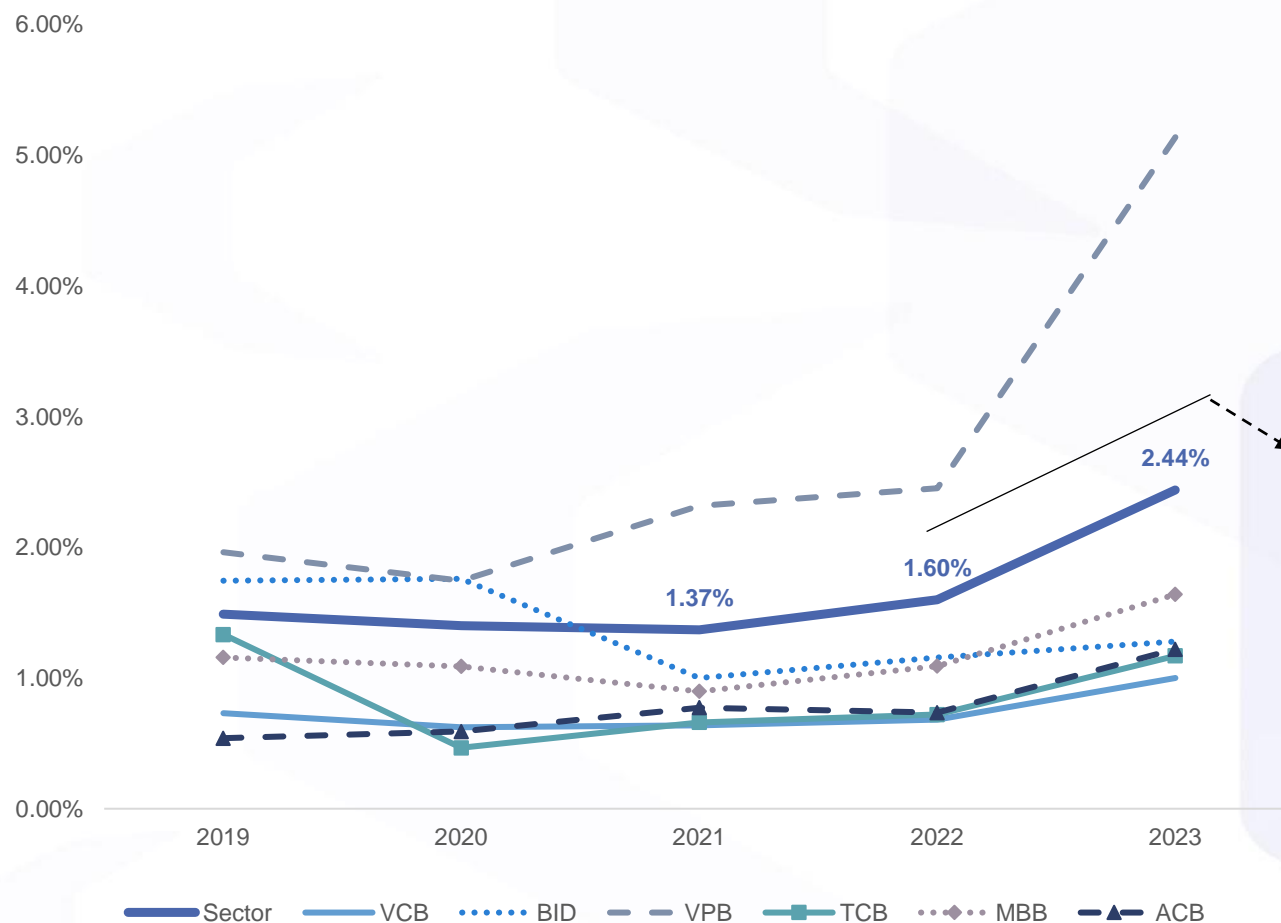


Source: GTJASVN Research, FiinPro

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NPL ratio of the sector and selected banks



NPL ratio of the whole sectors and many individual banks are rising sharply since 2021. Credit risk of the whole sector is increasing, and asset quality is deteriorating.

Some of the reasons for increasing NPL were: (1) the dual crisis of the real estate sector and the corporate bond markets in recent years; (2) the difficulties in economic and business conditions in 2023.

Circular 02/2023/TT-NHNN had decreased reported NPL ratio in 2023, and a more accurate NPL ratio could be much higher. However, many experts commented that the increasing NPL and NPL ratio is simply reflecting the conditions of the economy, and the level of bad debts is still under control by banks and SBV.

When business conditions improve and the real estate sector recovers in 2024, we expect that a portion of the NPL will become performing and the asset quality of VN banks will improve.

Source: GTJASVN Research, FiinPro, FiinProX, thanhtra.com.vn

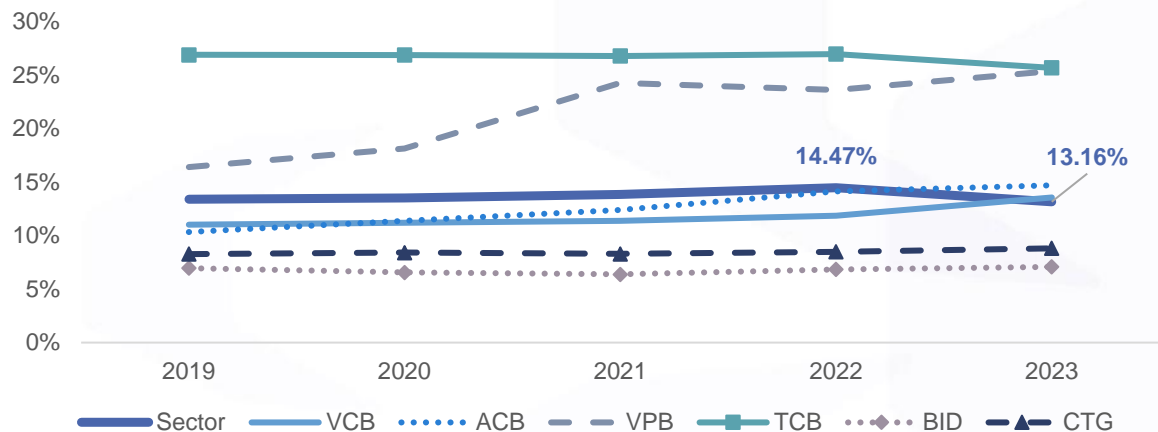
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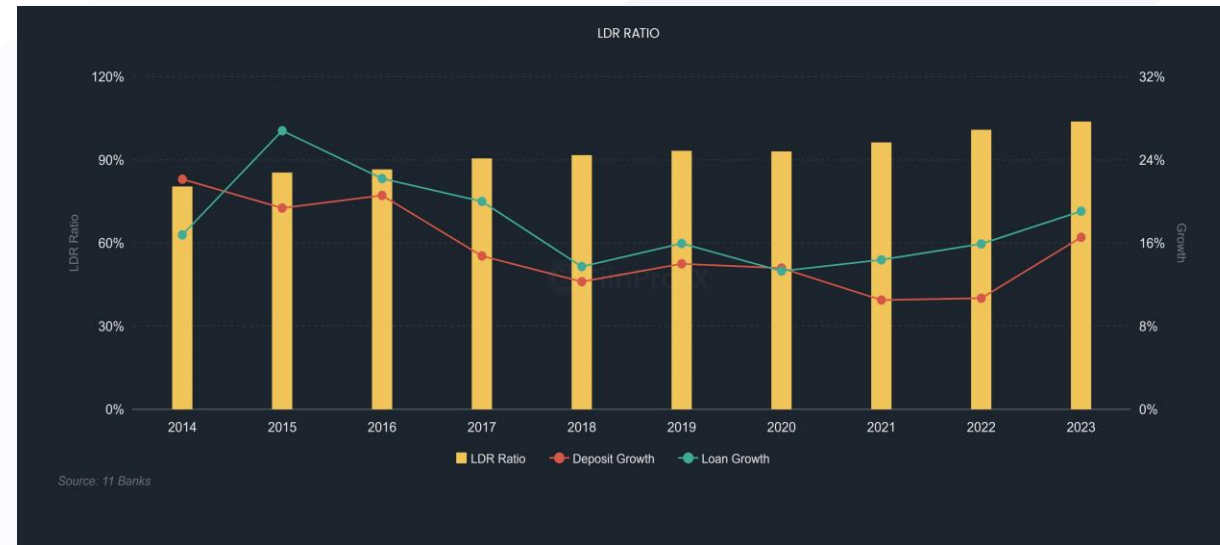
Banking Sector: Capital adequacy and liquidity risk



Equity/Loans ratio of the sector and selected bank



Equity/Loans ratio decreasing and pure LDR trending up may raise concerns about capital adequacy and liquidity of some banks, especially in the context of credit growth being promoted in 2024. According data from the State Bank, LDR of VN commercial banks in Jan 2024 (calculated according to Circular 26/2022/TT-NHNN) was still below the 85% ceiling. However, with the promotion of credit growth and Circular 26 is gradually expiring, we assess that liquidity risk of some commercial banks is a risk that needs to be paid attention in 2024.



KEY STATISTICAL RATIOS

(as at 31/01/2024, growth rate as compared to end of last year)

Unit: billions VND, %

Categories of CIs	Total Assets		Charter Capital		Ratio of short-term funding to be used for medium- and long-term loans	Loan to Deposit Ratio
	Amount	Growth rate	Amount	Growth rate		
(1)	(2)	(3)	(4)	(5)	(6)	(7)
State-owned banks	8.202.553	-1,49	217.882	0,00	23,22	81,31
Vietnam Bank for Social Policies	355.529	1,41	23.960	0,00		
Joint stock commercial banks	8.639.500	-3,87	543.191	0,12	40,07	80,88



The Credit Institutions Law (amended) was passed by National Assembly in Jan 2024 and will take effect from 01 July 2024. A few key amendments:

No.	Amendment	Comment
1	Lowering ownership ceiling at banks for institutional investors, insiders and related parties, other banks' shareholders (but keeping the ownership ceiling for foreign investors).	Reducing cross-ownership and shareholders' concentration. Aiming to improve bank governance.
2	Reducing credit limits for customers and related parties. Changes will take place gradually over 5 years.	This regulation aims at the safety of the system but may limit credit growth. However, gradual changes will reduce the negative impact.
3	Extend the real estate holding period due to bad debt processing to 5 years, instead of 3 years. Also from 2025, banks can transfer part or all collateral real estate assets to recover bad debts.	Giving banks more time to process bad debt. Giving banks more options to recover bad debts.
4	Banks are prohibited from selling optional insurance bundled with other banking products and services	Banks with high income from bancassurance will be greatly affected.

Source: GTJASVN Research, tapchicongthuong.vn, CafeF



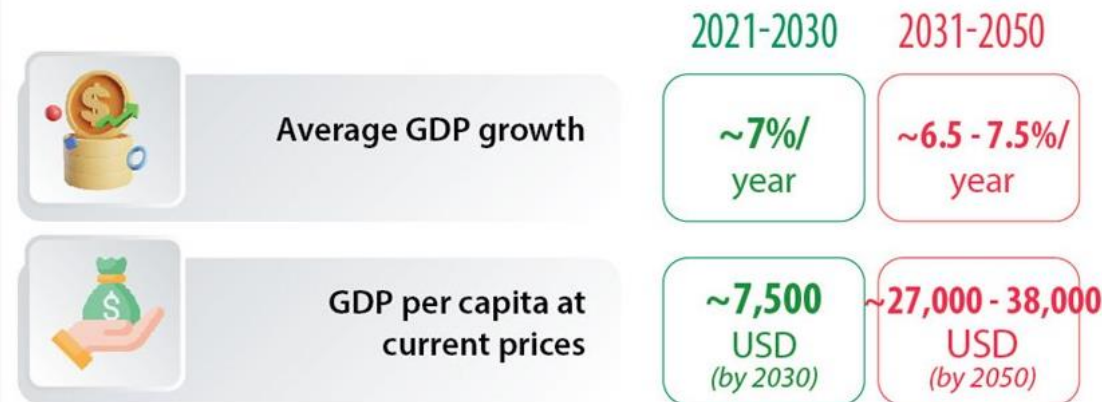
Even in our pessimistic scenario for 2024, the banking sector is still a promising sector because of attractive valuation and long-term outlook.

Banking occupies the central place in the economy. The Vietnamese banking sector is expected to benefit from Vietnam's high long-term economic growth. In 2021-2030, the GDP growth rate is targeted by the Government to be 7%/year. In the long run from 2031-2050, the Government set the target of annual growth of 6.5%-7.5%. On Dec 2023, Fitch Ratings forecasted Vietnam's medium-term GDP growth to be about 7%/year.

Banks also benefits from other trends. One notable trend is **digital payment**: Vietnam had the fastest growth in digital payment in Southeast Asia with an increase of 19% yoy in 2023 and an estimated increase of 13% CAGR in 2023-2025. Vietnam is heading towards a “cashless society” and the banking sector will contribute to and benefit from this trend.

ECONOMIC INDICATORS WITHIN THE NATIONAL MASTER PLAN FOR 2021-2030 WITH A VISION TO 2050

(Resolution No. 81/2023/QH15, dated January 9, 2023)



Source: GTJASVN Research, Vietnam News Agency, Fitch, Vietnam Briefing



Recommended stock: MSB (p1)

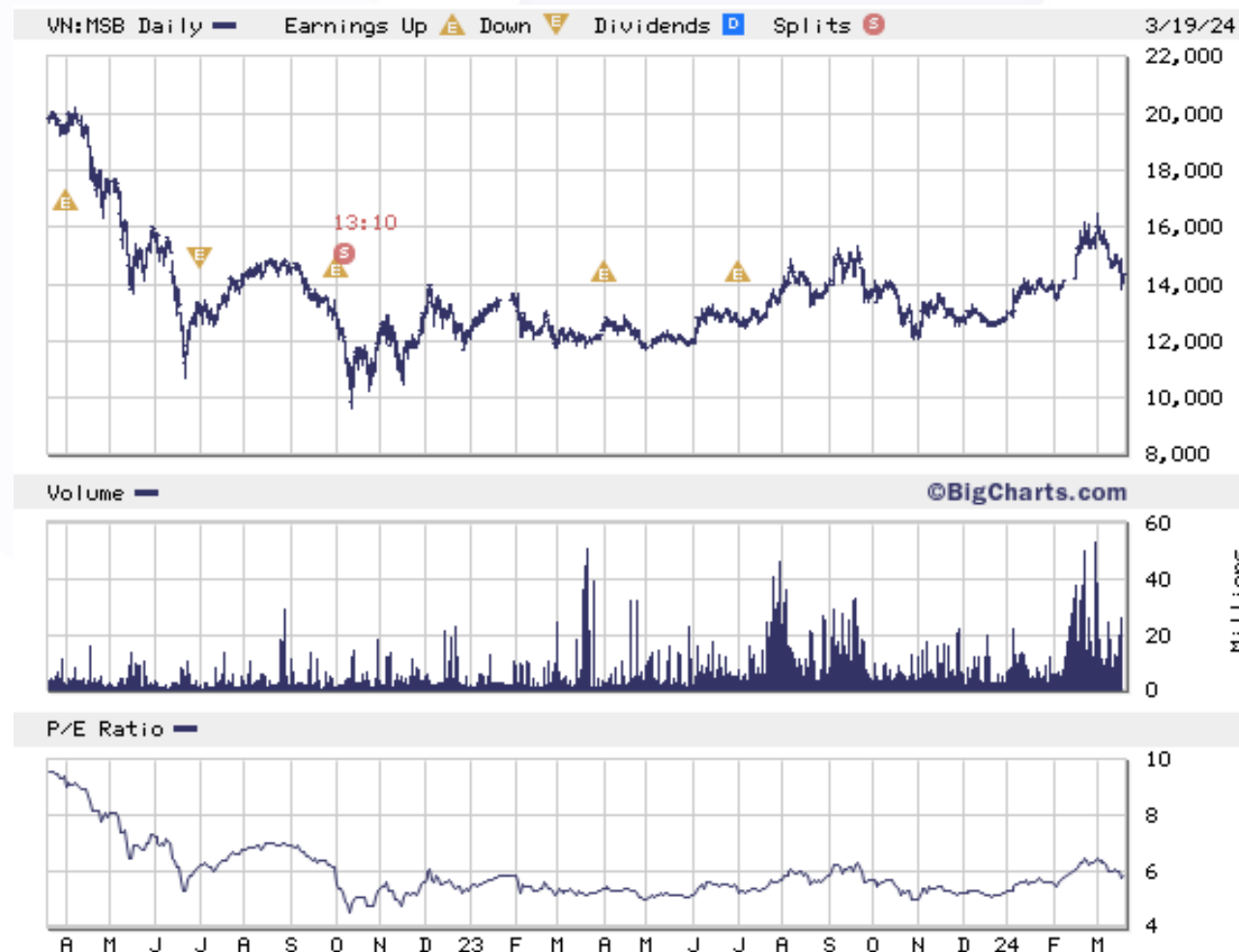


CHỨNG KHOÁN GUOTAI JUNAN (VIỆT NAM)
GUOTAI JUNAN SECURITIES (VIETNAM)

BASIC INFORMATION (DATA RETRIEVED ON 19 MAR 2024)

1. Company name	Vietnam Maritime Commercial Joint Stock Bank
2. Stock ticker	MSB
3. Exchange	HOSE
4. Market cap (VND b)	28,700
5. Outstanding shares (million shares)	2,000
6. Current price (VND)	14,800
7. Average volume in 1 month (million shares)	22.73
8. Large shareholders	VNPT (6.05%)
9. Total operating income 2023 (VND b)	12,289
10. Net profit 2023 (VND b)	4,644
11. Total assets 2023 (VND b)	267,006
12. Equity 2023 (VND b)	31,298

MSB stock movements in the last 2 years

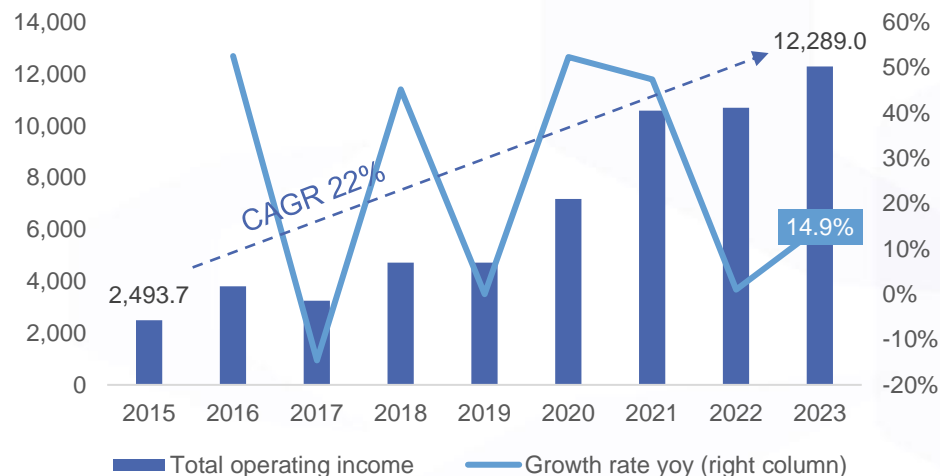


Source: GTJASVN Research, MSB, bigcharts.com

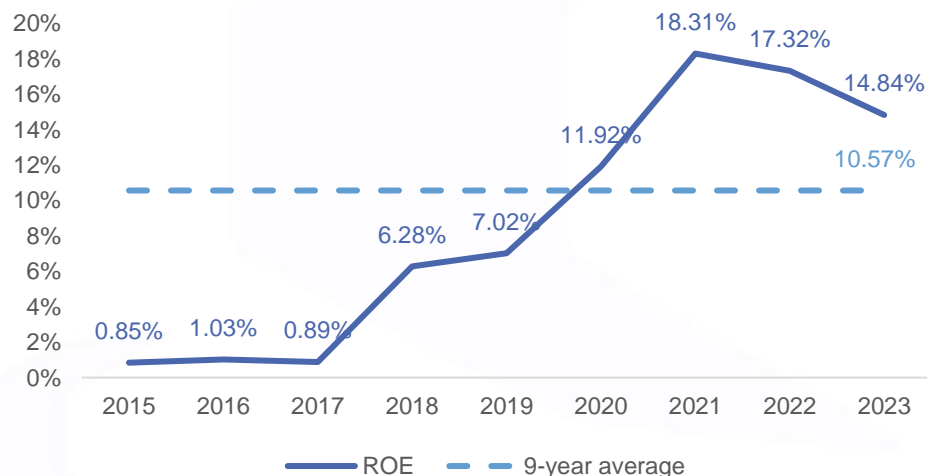
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Total Operating Income (VND b) of MSB



ROE of MSB



Comparing some MSB's indicators with sector average

Indicator(TTM)	MSB	Sector average
P/E	6.37x	9.81x
P/B	0.95x	1.58x
ROE	14.84%	17.86%
NIM	4.10%	3.69%
NPL	2.92%	2.44%

MSB is a bank with an average/slightly below average market capitalization. It currently has a higher NPL ratio compared to sector average (2.92% compared to 2.44%). This partly made MSB's ROE in 2023 lower than sector average (14.84% compared to 17.86%). However, it can be seen that MSB shares are being undervalued. Besides, looking at MSB's operational history, we can see that this bank has made great progress from 2020 to the present. MSB's total operating income has a good growth rate, with a CAGR of 22% in the period 2015-2023.

Source: GTJASVN Research, MSB, FiinPro X



Recommended stock: MSB (p3)



DEPOSIT GROWTH VS. CREDIT GROWTH



We appreciate MSB's growth potential. This bank has good deposit and credit growth in the period 2019-2023.

MSB's NIM is also usually at above average level in the industry, higher than many banks such as BID, CTG, STB, ... partly thanks to good CASA ratio (25.17% in 2023 compared to 19.58% of BID, 22.04% of CTG).

MSB also has a good tier 1 capital ratio, at 22.54%, demonstrating low capital adequacy risk.

MSB has a high service fee income proportion compared to peers, which can help reduce volatility in its profits.

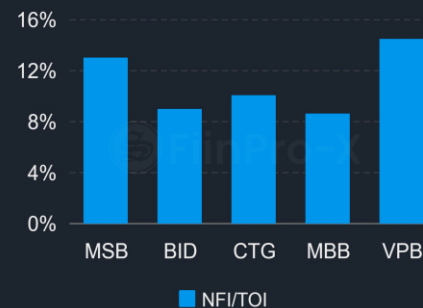
PEERS COMPARISON 2023



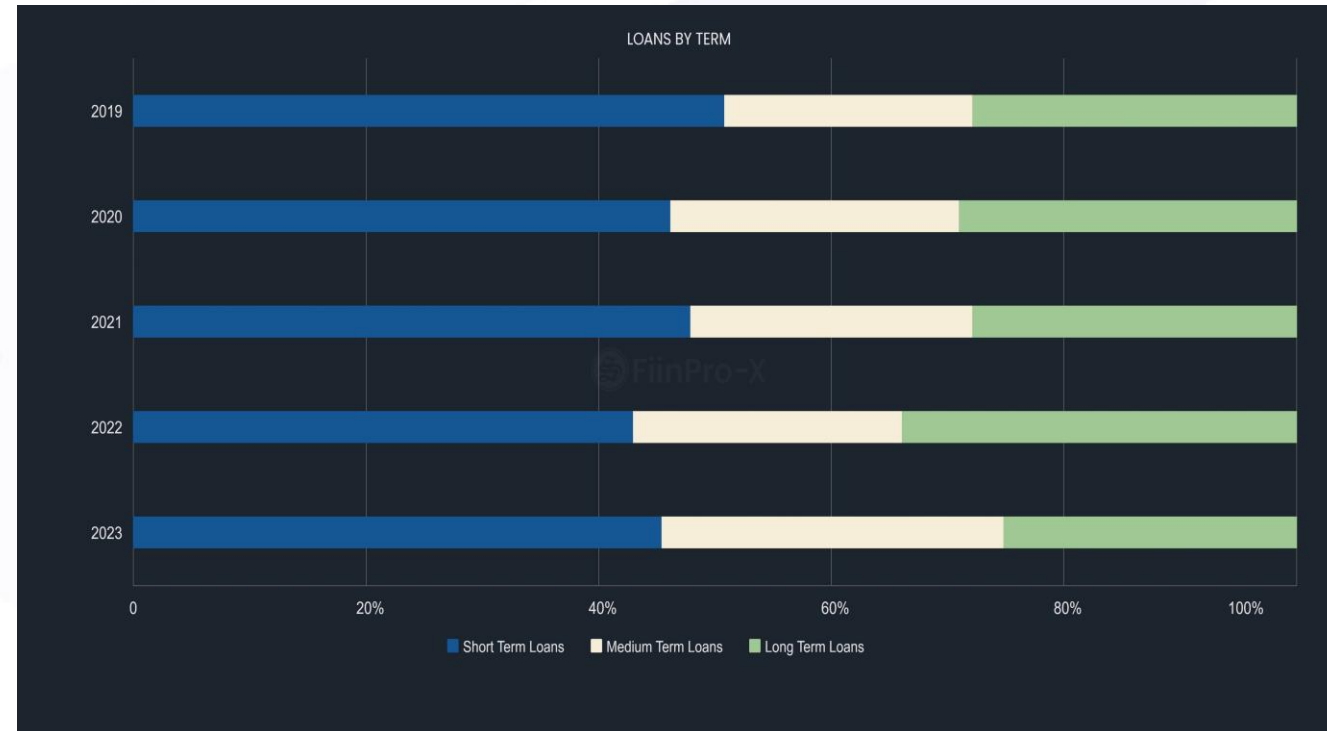
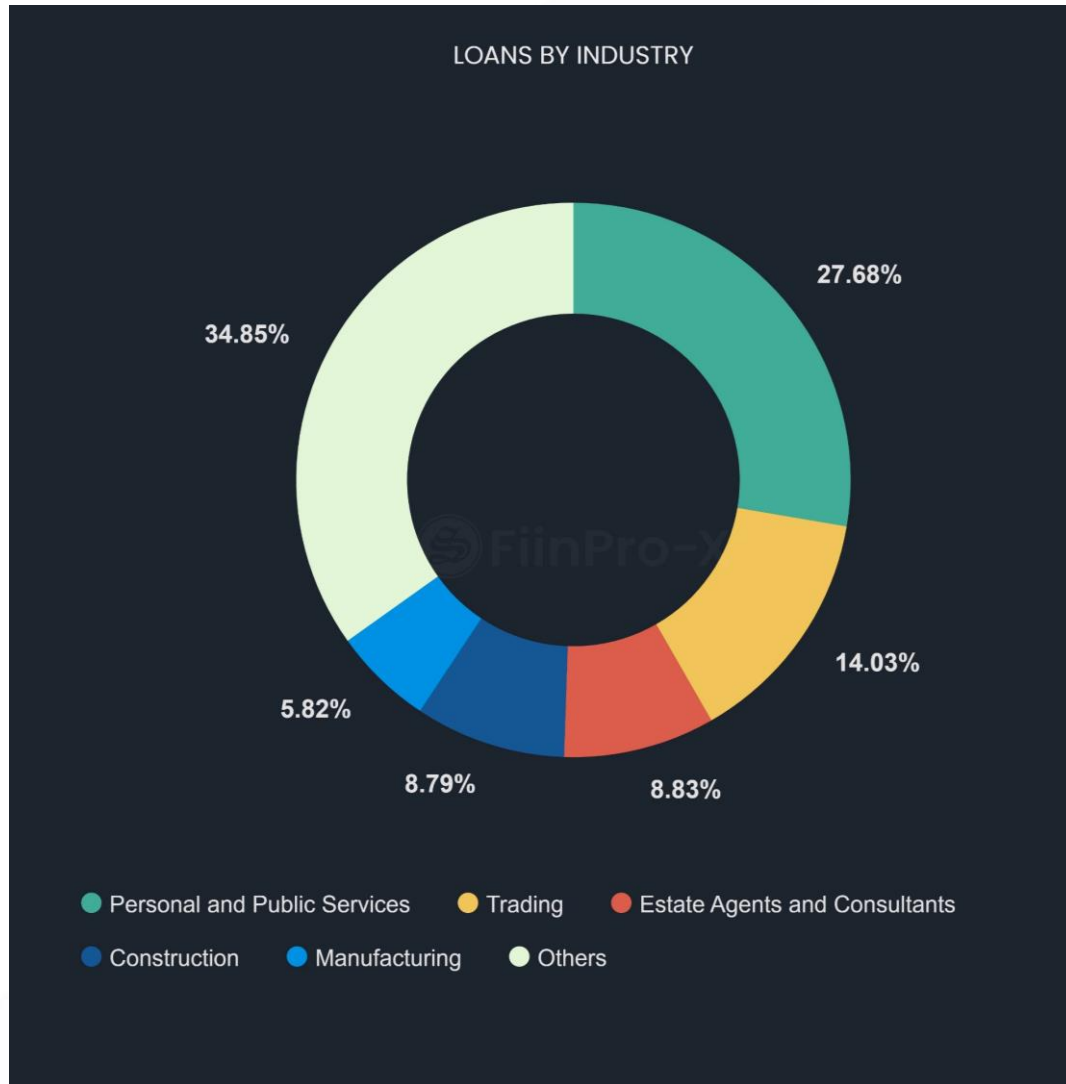
PEERS COMPARISON 2023



PEERS COMPARISON 2023



Recommended stock: MSB (p4)



The 2 figures show outstanding loans by industry (2023) and by terms of MSB. A notable risk of MSB is still its higher-than-average bad debt ratio. We expect MSB's bad debt situation to improve in 2024 in line with the improvement of the sector.

Source: GTJASVN Research, FiinPro X

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Recommended stock: MSB (p5)



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MSB reported that SBV assigned a credit growth target of 14.2% to MSB. While system-wide credit balance decreased in January 2024, MSB maintained its credit balance at a flat level. By the end of February, MSB's credit growth reached 1.09% compared to the beginning of the year. This shows that credit growth of MSB has had positive developments in early 2024. One of the growth drivers of MSB comes from its digital projects. MSB is one of the pioneer banks in promoting investment, development, and application of digital banking. Currently, the MSB mBank mobile application fully meets the customers' needs, from deposits, payments, to loans. All bank services of MSB reached 100% digitization.

MSB also reported that this bank is aiming for sustainable development goals and promoting green credit. In March 2024, MSB officially launched a green credit package of VND 3,000 billion in value with competitive interest rates to finance the growth of sustainable businesses.

We issue a **BUY** recommendation on **MSB** with 6-18 month's target price of **VND 19,000/share**, equivalent to a trailing P/B of 1.22x and an upside of +28% with a purchase price of VND 14,800/share.

Source: GTJASVN Research, MSB, FireAnt

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