



# BANKING SECTOR 2024 Mid- year Outlook: Positive

# Banking Sector: Summary



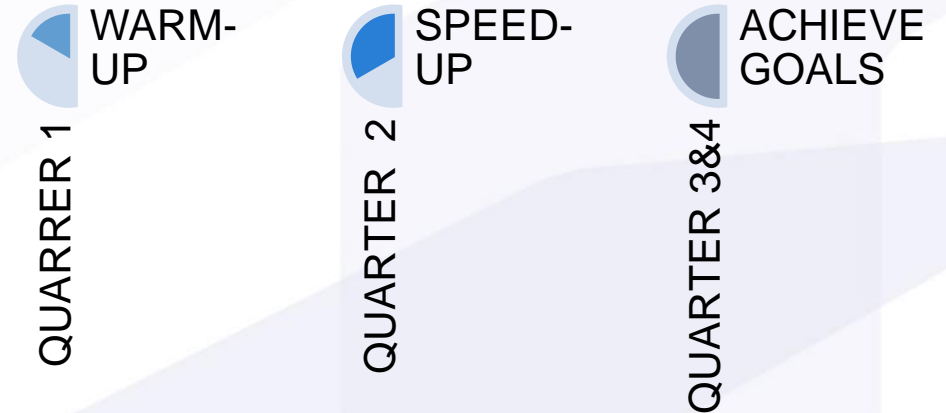
CHỨNG KHOÁN GUOTAI JUNAN (VIỆT NAM)  
GUOTAI JUNAN SECURITIES (VIETNAM)

## 2024- SOLID AND RELIABLE

The multi-dimensional context in the economic picture is partly reflected in the bank's business picture in the first half of the year.

Domestic consumption and manufacturing increased, and credit was expanded into these sectors.

However, the housing loan market, which makes up a sizable share and was the banks' primary area of activity in prior years, has not yet demonstrated a discernible comeback. In general, this segment is still rather depressing in the first half of the year, even though the financial results for the second quarter have not yet been released. However, we believe that by year's end, the domestic real estate market will progressively warm up, giving banks a foundation on which to meet their 2024 credit growth goal.



We keep hearing the term "**Differentiation**" in relation to each bank's performance. Differentiation is evident in the bank performance ratios, deposits, earnings, and credit growth. However, variations in the same direction of the bad debt trend (**UP**) still present difficulties for banks' earnings outcomes. But we have faith that banks will effectively navigate obstacles and emerge victorious with the right business strategy. Additionally, the banking sector will continue to be crucial to the State Bank's (SBV) policy and market regulation efforts in 2024. Specifically, the state-owned banking sector (SOB) will normally assist the SBV in controlling the gold market.

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## BANKS' BUSINESS PROSPECTS

Profits in the banking sector are projected to increase by 11% in 2024, which will see a 5% increase in state-owned bank (SOB) profits and a 15% increase in private commercial bank profits. The higher net interest income as a result of widened credit scale and net interest income margin (NIM) served as the primary catalyst.

The burden of rising bad debt pressure is felt by banks' provision expenses. We predict that system-wide provision costs will be equal to 2023 and that system bad debt is getting close to its peak. Based on the aforementioned projection, there will be greater opportunities for industry profits in 2025, along with the potential for a more robust economic rebound, encouraging investment and lending activity.

## INVESTMENT RECOMMENDATION

With an average increase of 16% ytd, price changes in banking industry equities were generally rather positive in the first half of the year.

That being said, this represents the market's average growth. There is still a lot of space for growth in the banking sector, even with a P/B valuation that is 15% lower than the 5-year average. Nonetheless, picking equities with strong asset quality and solid fundamentals is essential.

**RECOMMENDED STOCKS: TCB, HDB, LPB, VCB, ACB.**





## I/ INDUSTRY OVERVIEW AND BUSINESS ENVIRONMENT

### Macro

The business outlook for the banking sector is still better than it was in 2023.

### Money market

Liquidity in the system is ample

### Credit growth

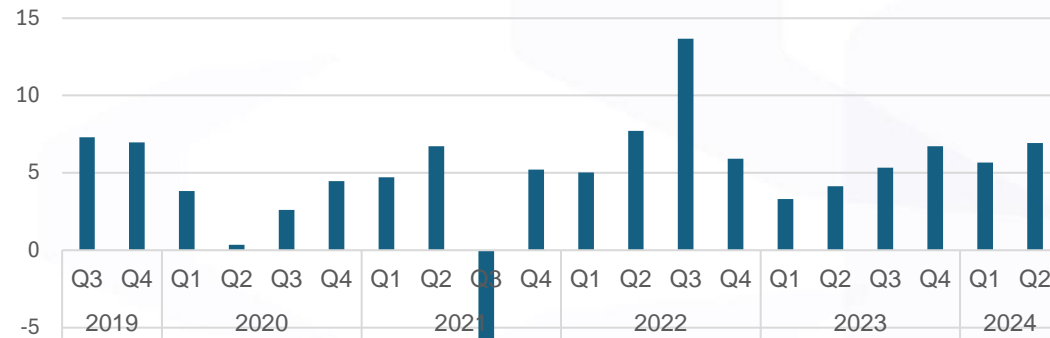
Credit growth until June 20, 2024 reaches 4.17%ytd.





## MACRO: The banking industry business environment continues to improve

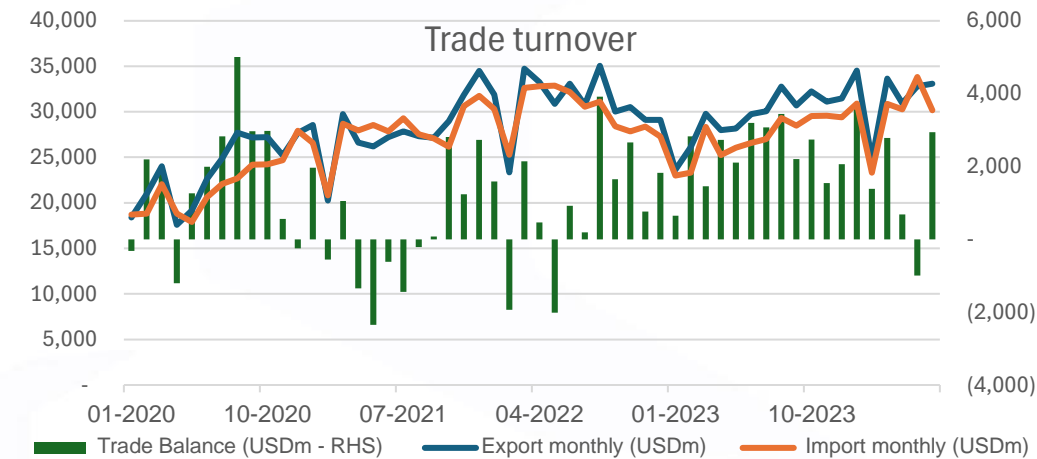
Vietnam GDP growth (quarter)



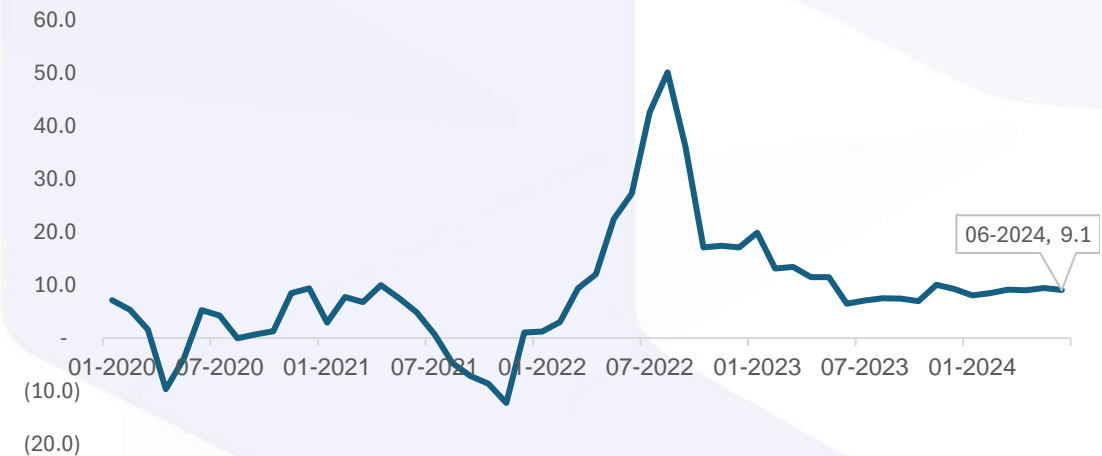
IIP yoy (%)



Trade turnover



Total retail sales growth (% yoy)



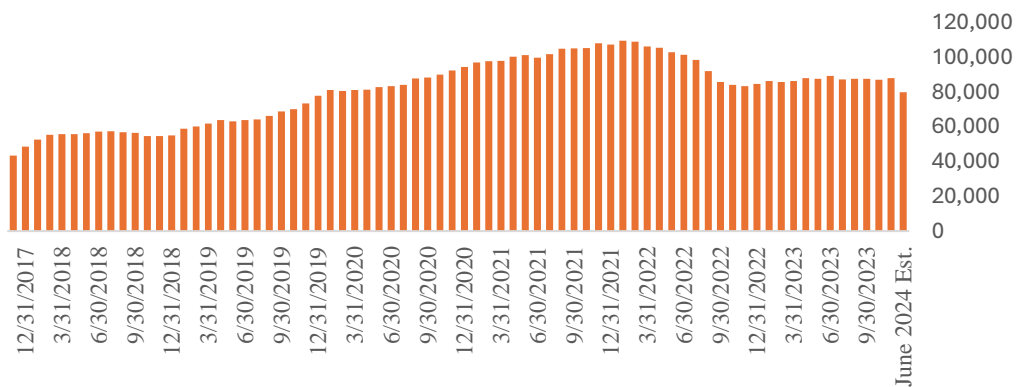
Sources: GSO, FiiiproX, GTIASVN





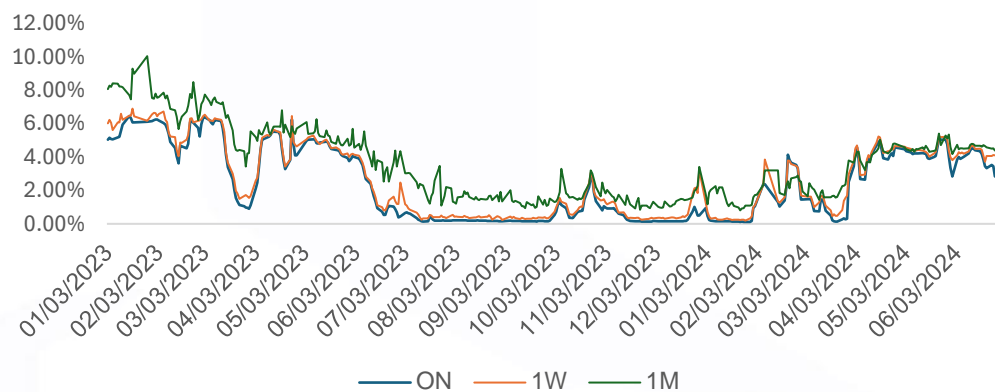
## Liquidity in the system is ample

Vietnam FX Reserves (USD mn)

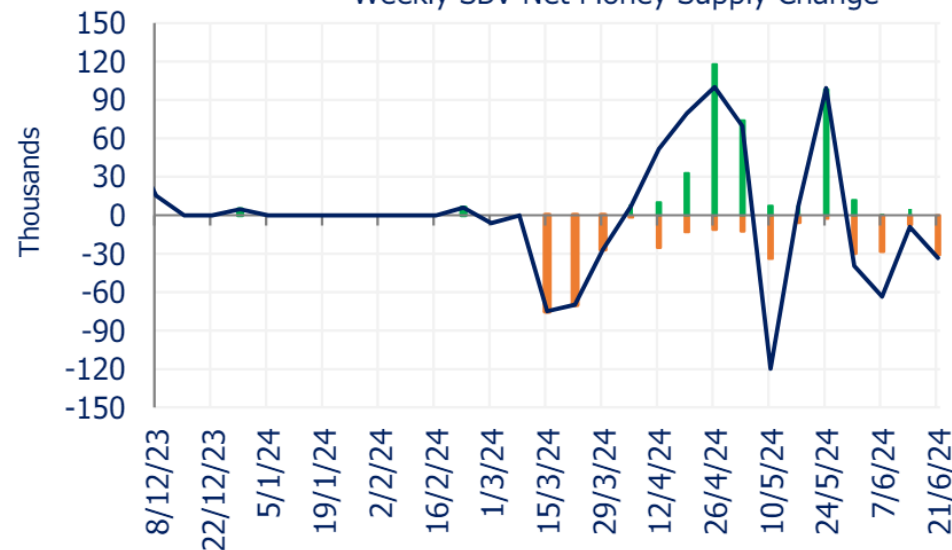
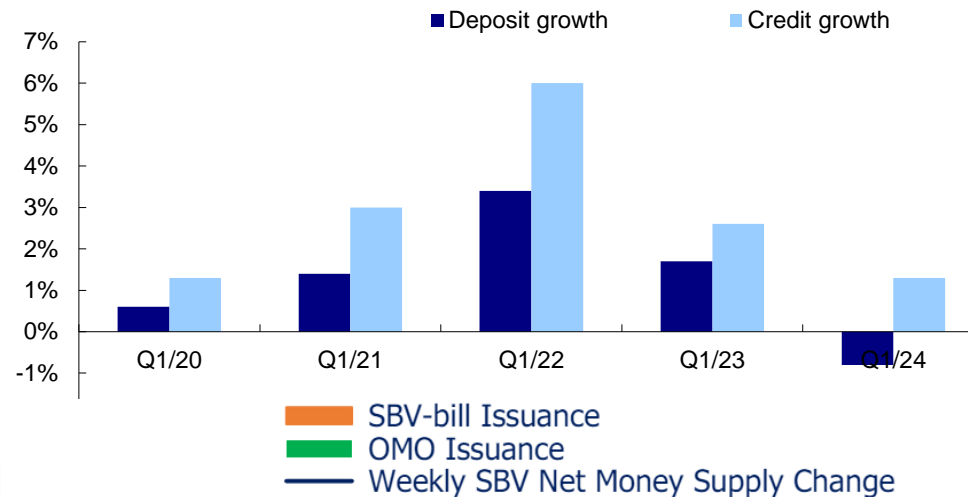


Vietnam FX Reserves (USD mn)

Interbank rate



Title



Unit: VND Trillion

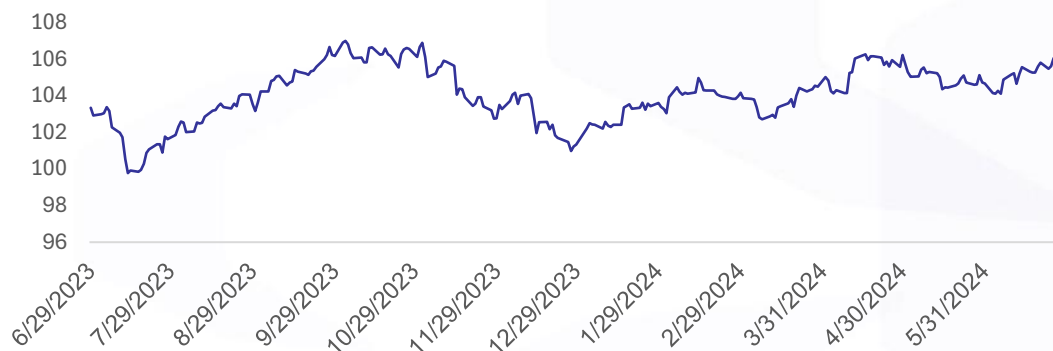
Sources:  
VBMA,  
Bloomberg,  
FiinproX,  
GTJASVN  
Research

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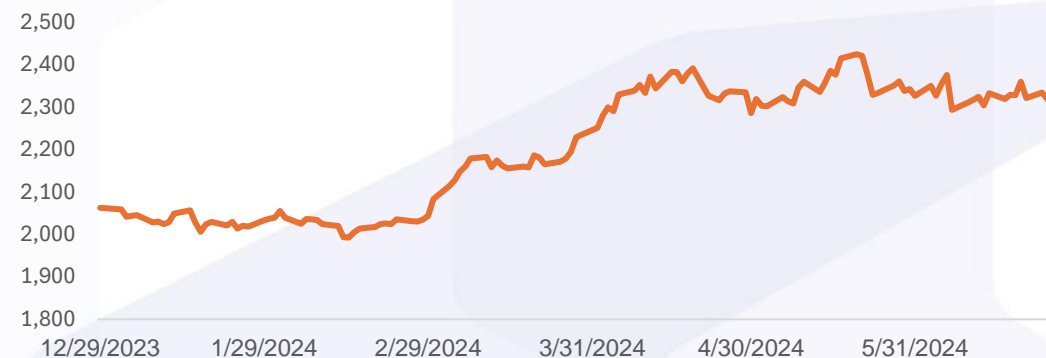


## The challenge comes from exchange rate pressure and the shocking increase in gold price gap

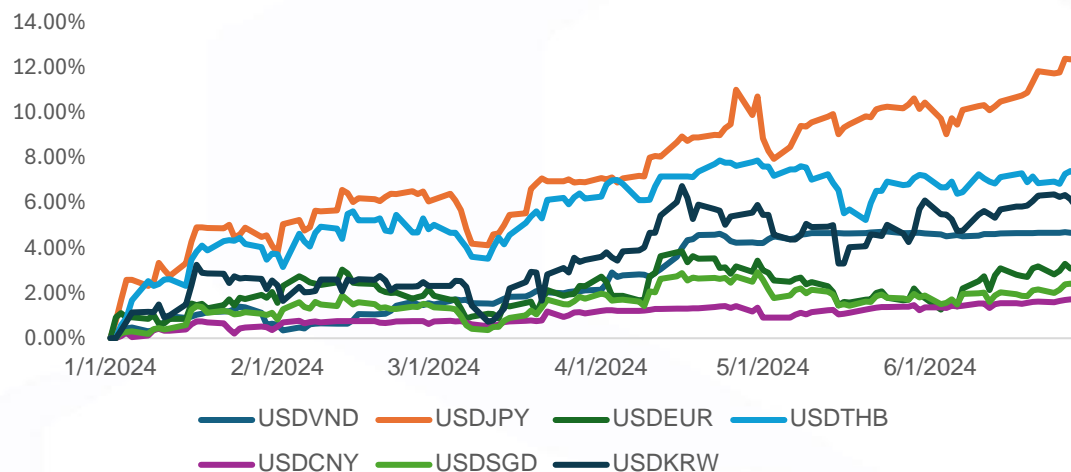
DXY Index



Gold Price (USD/ounce)



Fluctuations of currencies against to USD



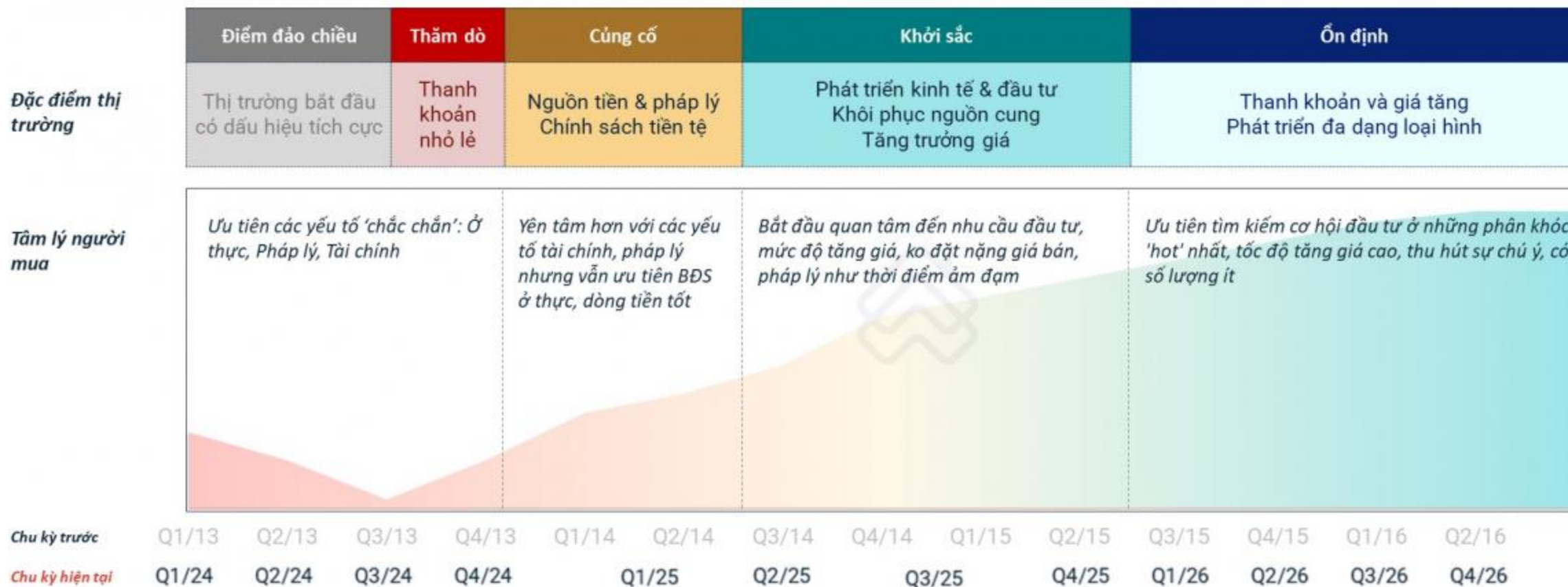
Gold prices cooled down after the State Bank of Vietnam sold gold to stabilize prices from May 29



Sources: Wichart, Bloomberg, FiinproX, GTJASVN Research



The real estate market is gradually warming up and is expected to improve from the beginning of 2025



Báo cáo thị trường BĐS 6 tháng đầu năm 2024

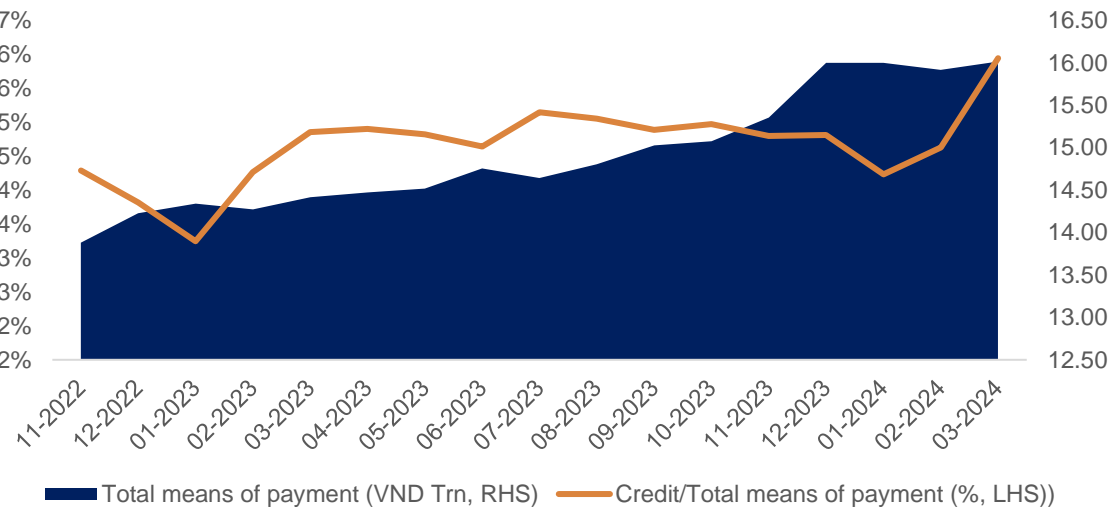
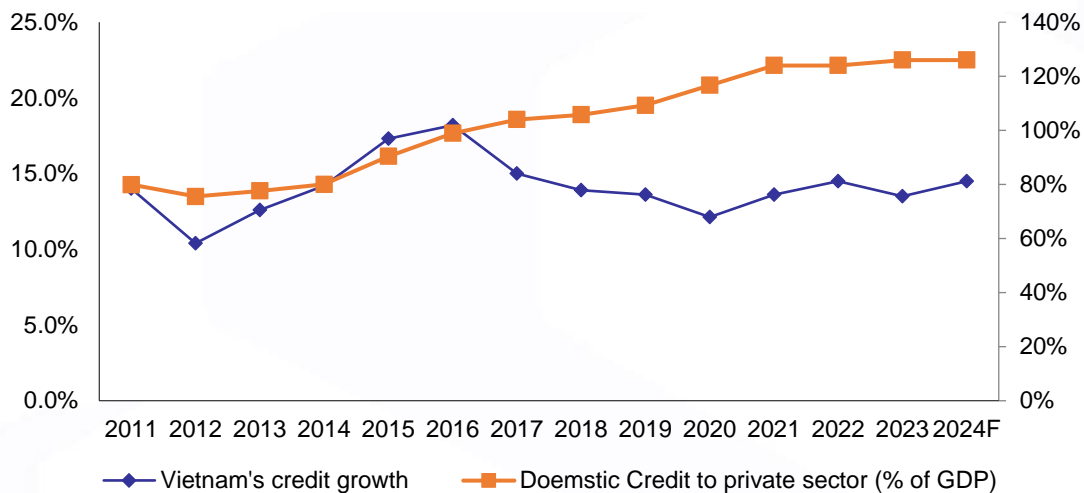
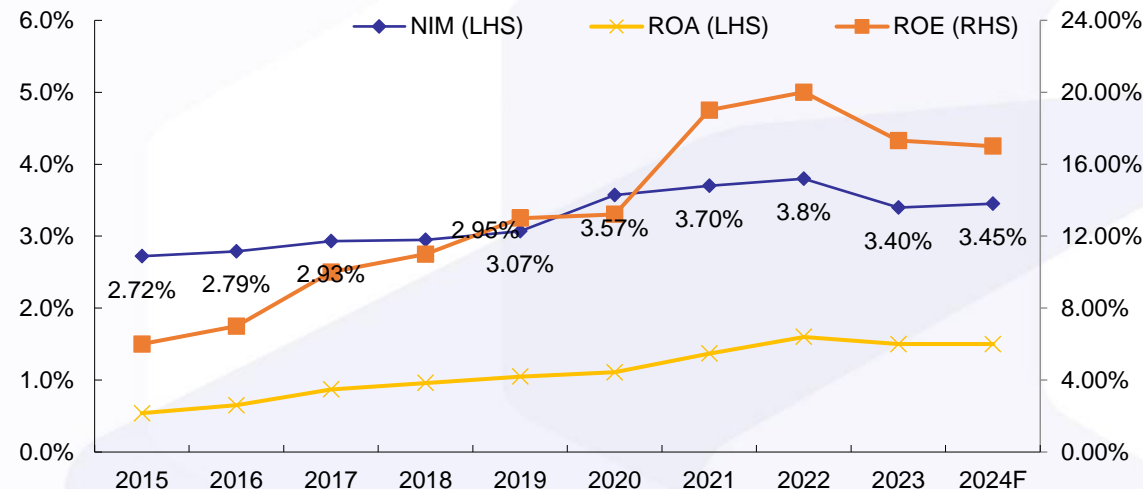
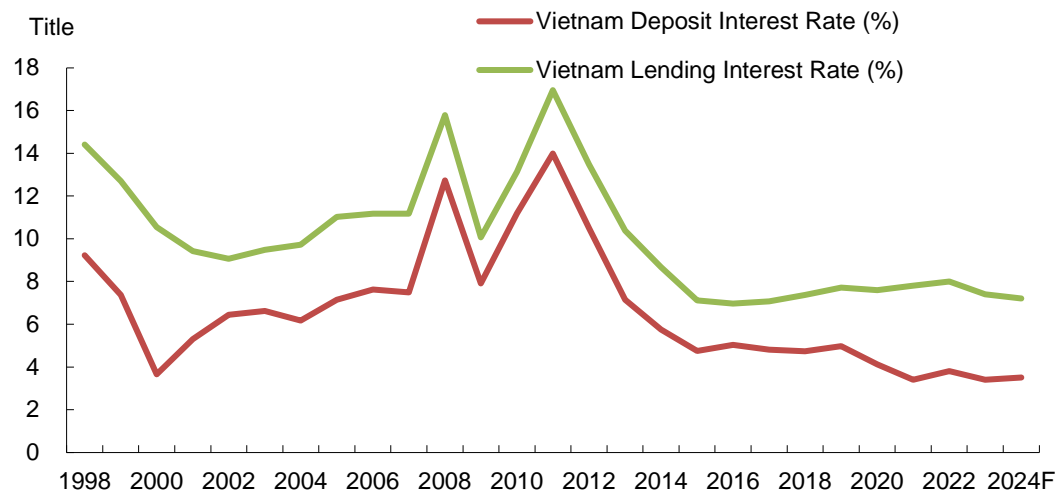




# Banking Sector: Industry overview



## General developments in the banking industry:

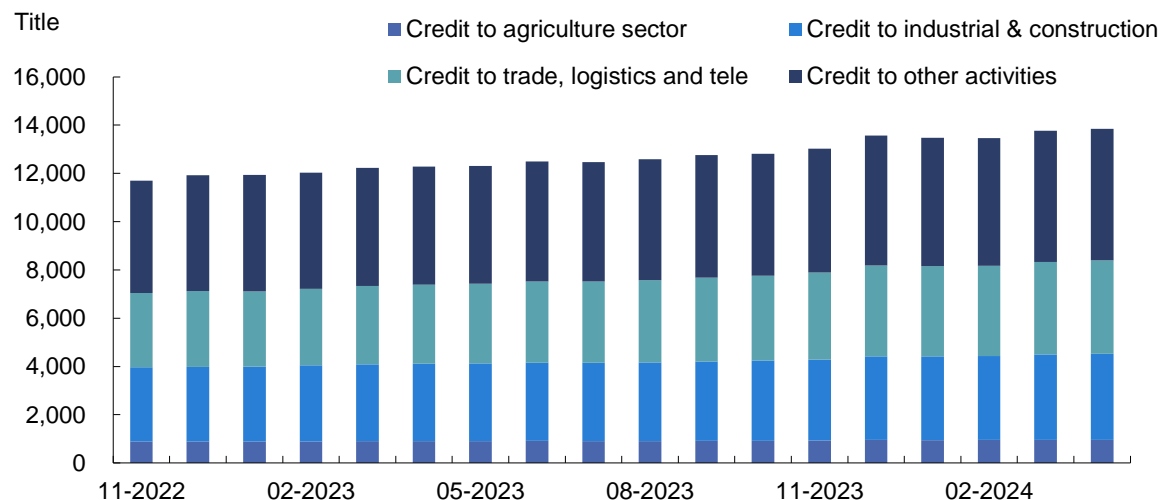
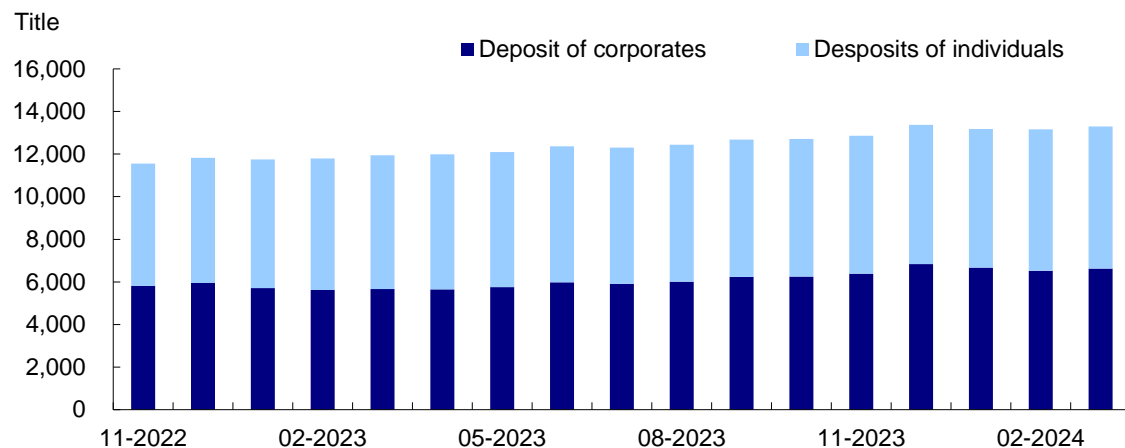


Sources: WB, FiiiproX, GTJASVN Research

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## General developments in the banking industry:



- Credit growth until June 20, 2024 reaches 4.17%ytd.
- Deposits of economic entities decreased slightly while deposits of residents increased.
- The credit speed compared to the same period last year is still faster than the money supply growth rate; Credit increased more strongly in the industrial, construction and commercial sectors.

Sources: FiinproX, GTJASVN Research



## Main events in the banking industry in the first half of 2024

Time	Jan 2024	March 2024	22/5/2024	29/5/2024	6/6/2024
Event	Passed the amended Law on Credit Institutions	Banks started to raise deposit rates	Increase OMO interest rate	SBV started to sell gold to SOBs	Extension of Circular 02 Aimed at Mitigating Bad Debts
Details	<p>Shareholders owning 01% or more of charter capital (previously 5%) must disclose information.Reduce the maximum ownership ratio with bank shareholders: individuals reduce from 10% to 5%, Organizations reduce from 15% to 10% by 2030; Shareholders and related persons of that shareholder Must not own shares exceeding 15%Reducing lending rates to a group of customers: The credit limit of non-bank organizations is also reduced compared to before. The total outstanding credit balance for a customer must not exceed 15% of the non-bank credit institution's equity capital (previously 25%); for a customer and related person of the customer must not exceed 25% of the non-bank credit institution's equity capital (previously 50%).Other regulations related to insurance business activities, increasing asset quality and system operational safety.</p>		Effort to stabilize the system liquidity	Effort to stabilize the gold market	The State Bank of Việt Nam (SBV) has decided to allow commercial banks to reschedule the debt repayment period and maintain the debt group for certain sectors for an additional six months, to support struggling businesses.





# 2/ MID-YEAR OUTLOOK

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## STEP FORWARD

Unlike years ago, this year banks receive credit limit allocation for the entire year right from the beginning of the year. Therefore, each bank's credit growth rate, whether fast or slow, can be part of the bank's disbursement strategy and calculate the appropriate time for the target segment.

The picture of credit growth and profit differentiated. Business activities of the banking industry in 2024 in general still face many difficulties, especially in terms of credit growth. However, there are still banks that recorded outstanding credit growth right from the beginning of the year such as LPB, TCB...

Interest rate adjustments are not uniform. Private commercial banks sharply increased interest rates for mobilizing term deposits while state-owned banks almost kept interest rates unchanged.

In terms of profits, we think that banks will continue to be under pressure from increased deposit interest rates (especially for the private banks). NIM and net interest income were affected by low lending rates. However, system-wide NIM is expected to improve slightly thanks to increased CASA (demand deposits increase faster than term deposits).

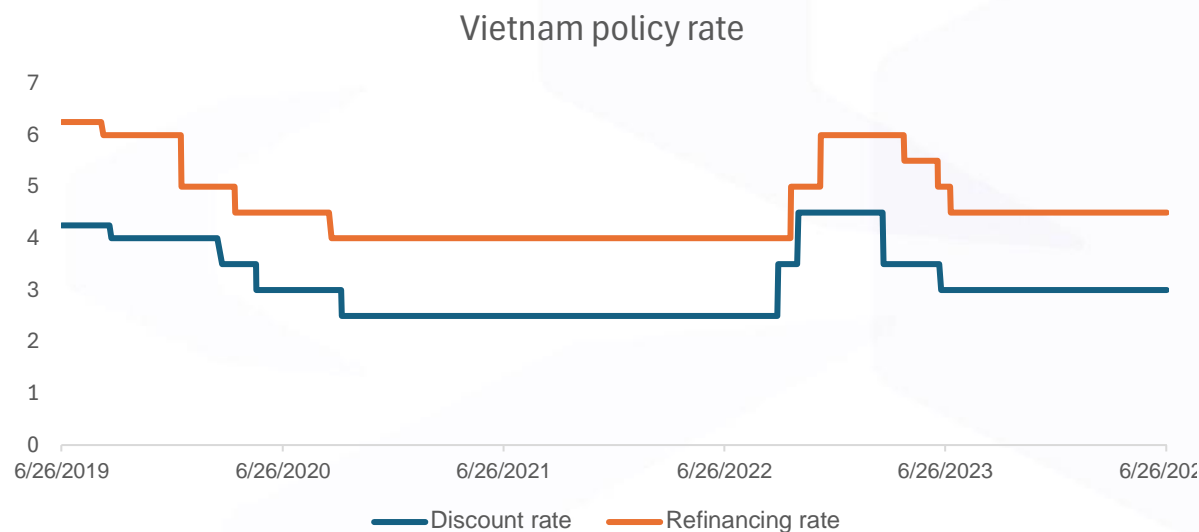
## ON OLD PLATFORM

Credit safety and quality are still prioritized by banks as the system-wide bad debt ratio maintains an increasing trend for many consecutive quarters. In early June, the State Bank also officially extended Circular 02/2023, thereby extending the debt deferral and deferral period for another 6 months.

Banks continue to plan to increase capital to increase buffers and support credit expansion activities.



## Interest rates are anchored at a low level



Although the State Bank maintained loose monetary policy in the first half of this year with low interest rates to support the economy, exchange rate fluctuations pose a big challenge.

VND has depreciated by about 5% compared to USD in the first half of the year due to the Fed's slow lowering of interest rates and high demand for USD to serve the import needs of businesses in Q2/2024.

Banks are in a difficult position when they have to keep lending interest rates at a low level while having to raise deposit mobilization interest rates (from a low base) to have capital for credit activities as well as ensure targets related to liquidity, system safety.

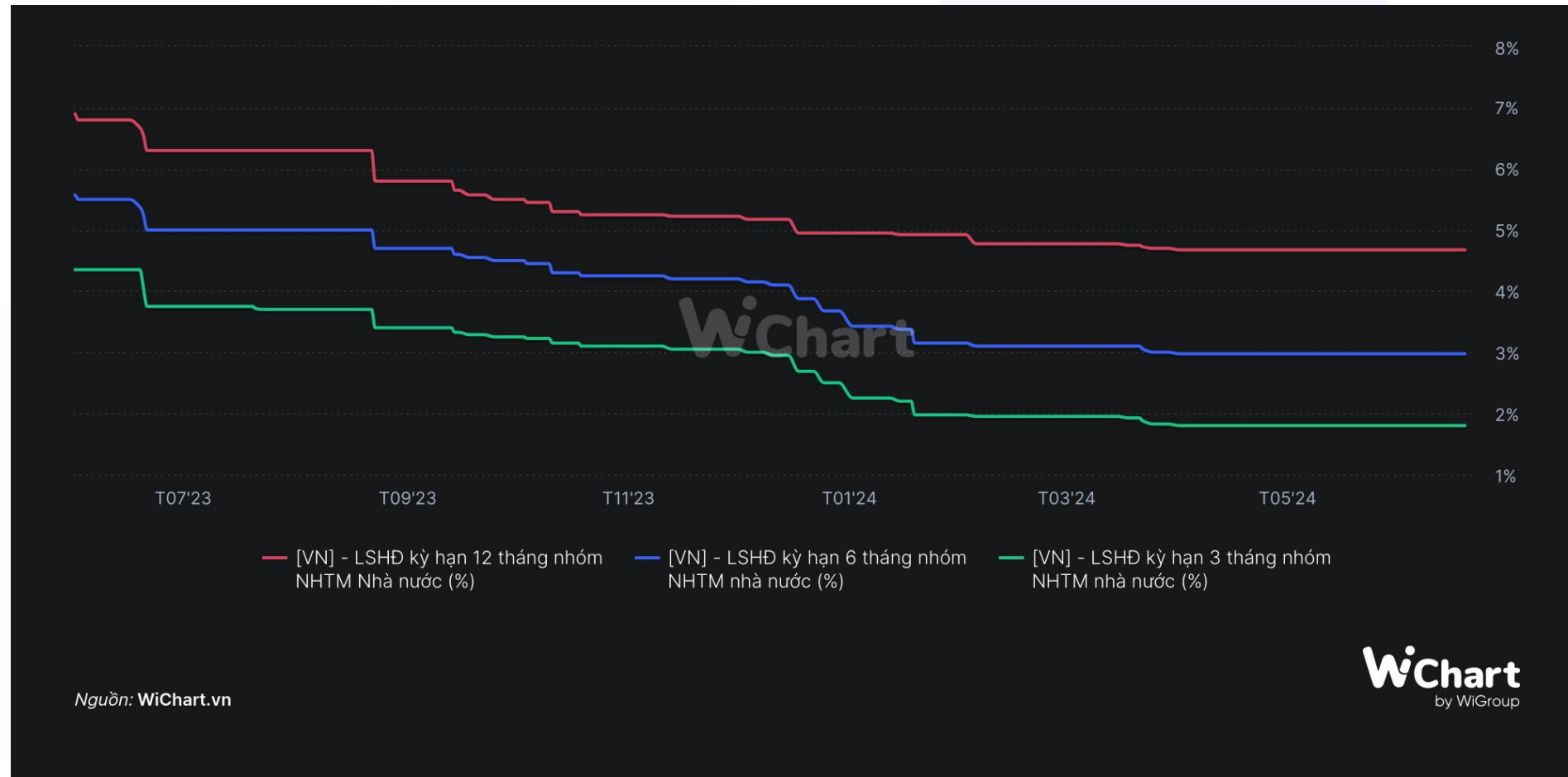
We predict that the policy interest rates will be flat this year and may be raised in 2025 when the economy strong enough. Nonetheless, We do not rule out the possibility of an interest rate hike (slightly) if the exchange rate pressure is too large.

Sources: Bloomberg, GTJASVN Research

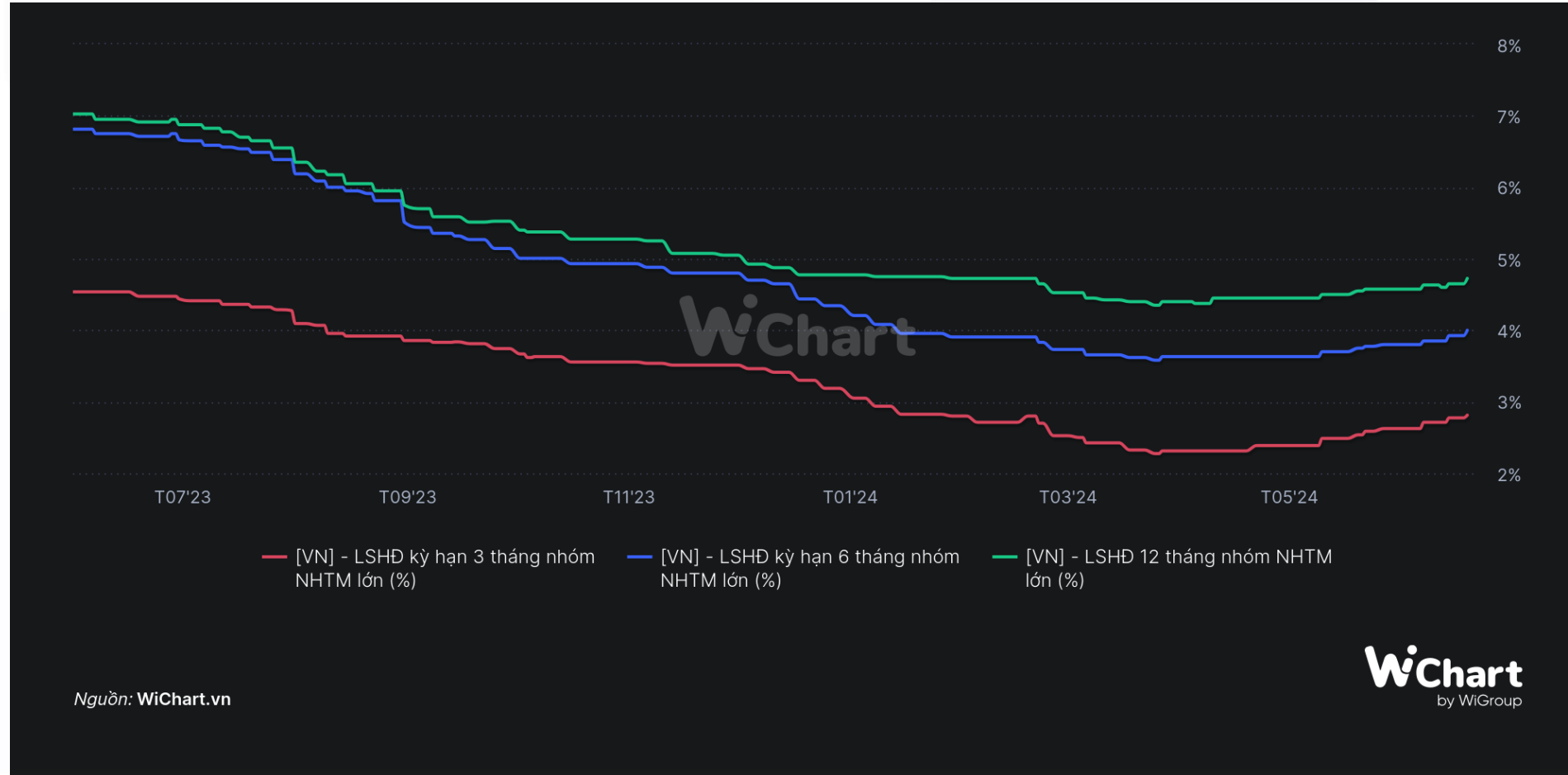


## Term deposit interest rates for state-owned banks

Pressure to balance ratios of capital adequacy, liquidity and NIM and COF impacts

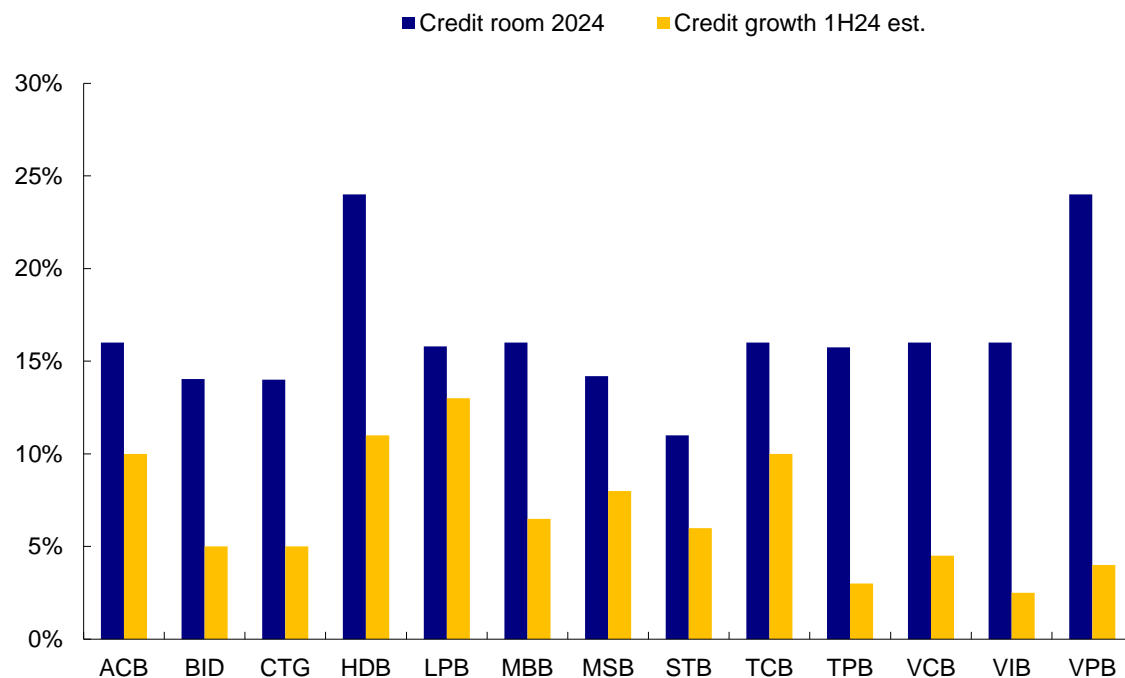


## Term deposit interest rates of large commercial joint stock groups





## System credit growth will reach the target threshold of 14%-15%



Unlike previous years, in 2024, the SBV has allocated full-year credit growth targets to all banks right from the beginning of the year. This creates initiative for banks in allocating credit and balancing capital resources.

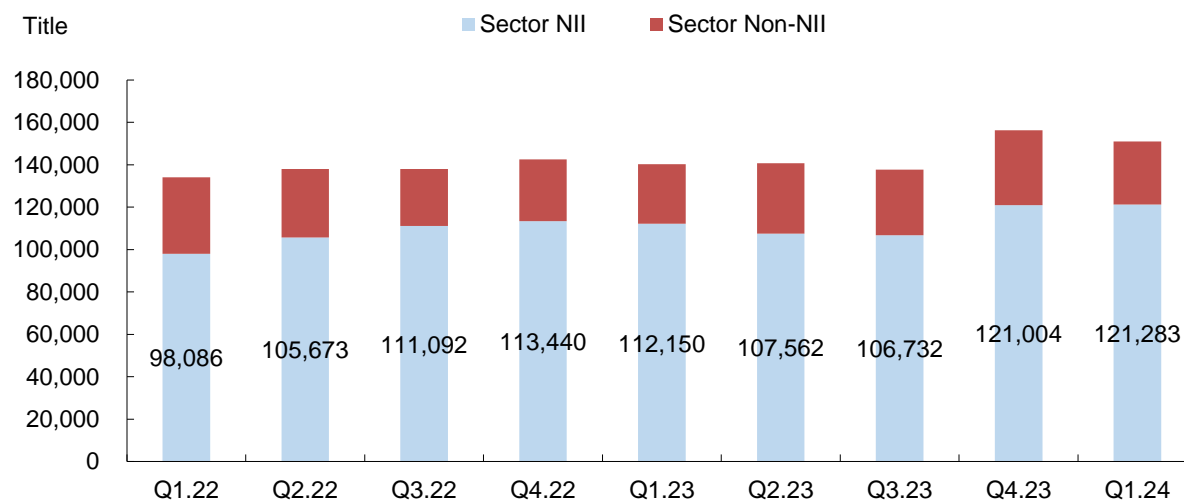
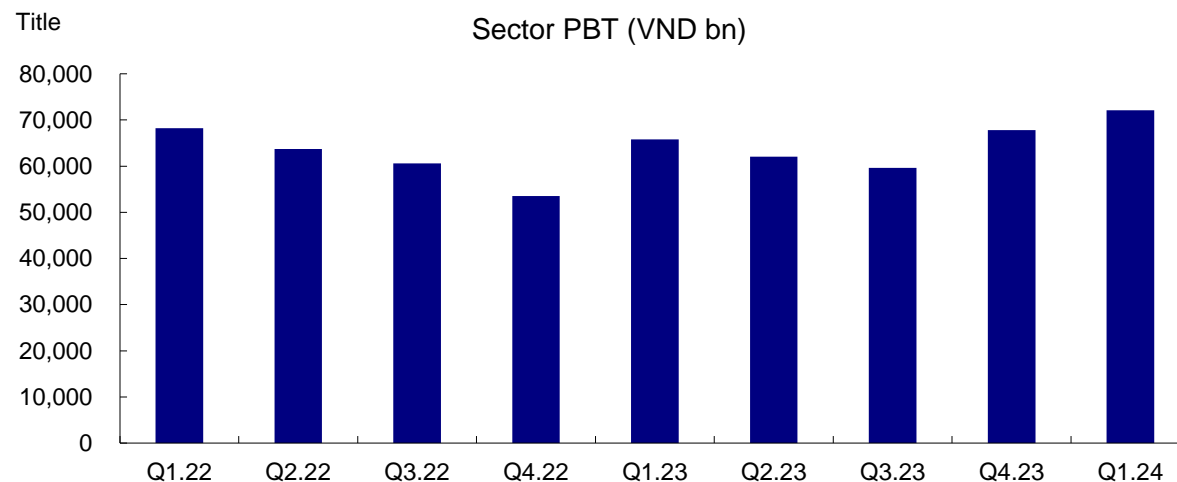
In the first half of the year, the credit of the joint stock commercial bank group increased positively such as LPB, TCB, MSB, HDB... On the other hand, there are still exceptions such as VPB, despite receiving the highest credit allocation in the industry, credit increased poor due to weak demand from key customer groups (retail, SME). In the state-owned banking group, despite a slow start in the first quarter, all three SOB banks accelerated in the second quarter with credit growth expected to average 5% by the end of the second quarter.

We expect that with the motivation coming from the improvement of the business environment, the real estate market, and the recovery of retail activities, banks will achieve the credit growth target in 2024, thereby completing the system-wide credit growth target.

Sources: banks, GTJASVN Research



## Profit trends of banks by quarter

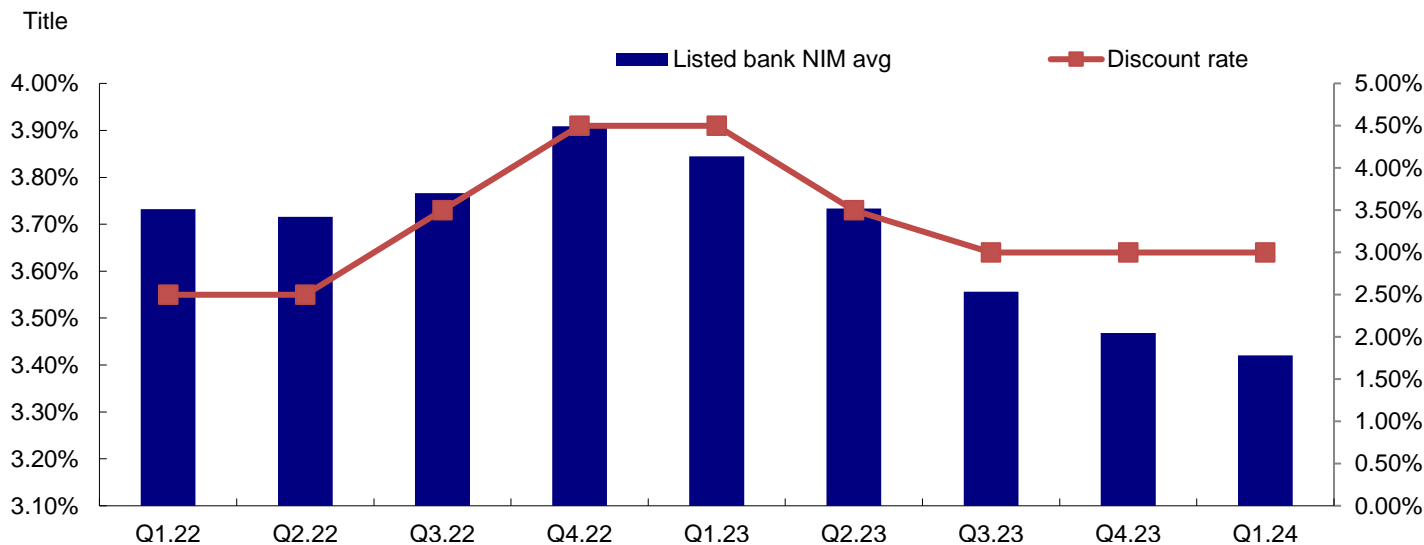


The total profit of 27 banks on the stock exchange reached 72 trillion VND in the first quarter and continued the increasing trend of the previous two quarters. In particular, net interest income continues to lead the increase in operating income of banks. Regarding growth motivation, boosting credit in the second quarter will help improve revenue from state-owned banks (low or negative growth in the first quarter). The private banking group continued to maintain the growth trend in the first quarter. In the second quarter, many banks raised deposit interest rates for demand deposits (about 1% on average), however CASA improved is expected to help banks balance COF and reduce pressure on NIM. In 2024, we estimate that the profit of the entire banking system will increase by 11% compared to 2023, of which the state-owned banking group will increase 1% in profit and the joint stock commercial group will grow by 15%.

Sources: FiiiproX, GTJASVN Research

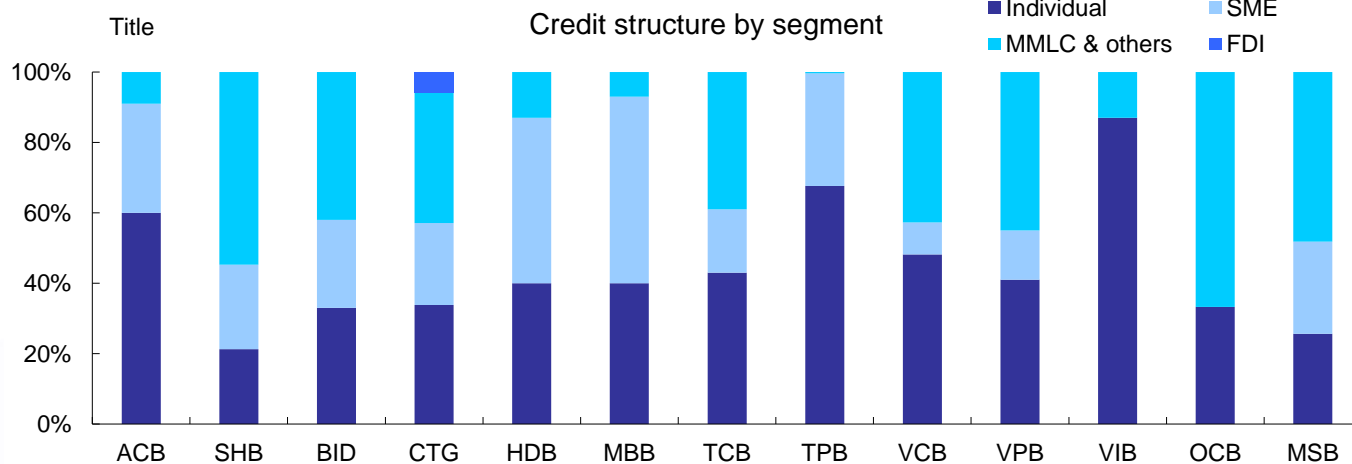


## Profit trends of banks by quarter



The average NIM of listed banks is still under pressure due to low lending interest rates and lending segments with high profit margins (individual customers) have not yet recovered.

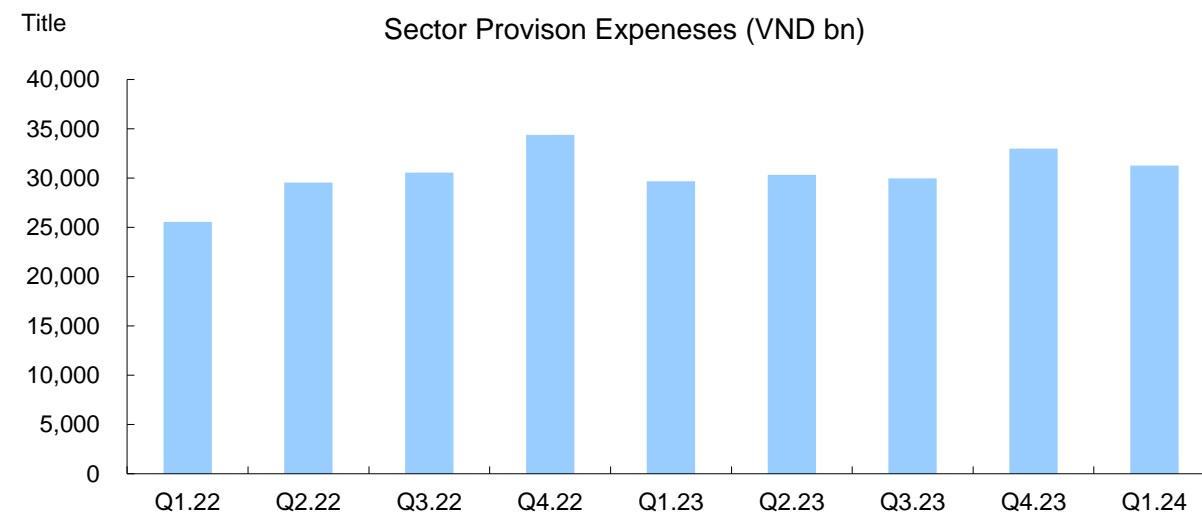
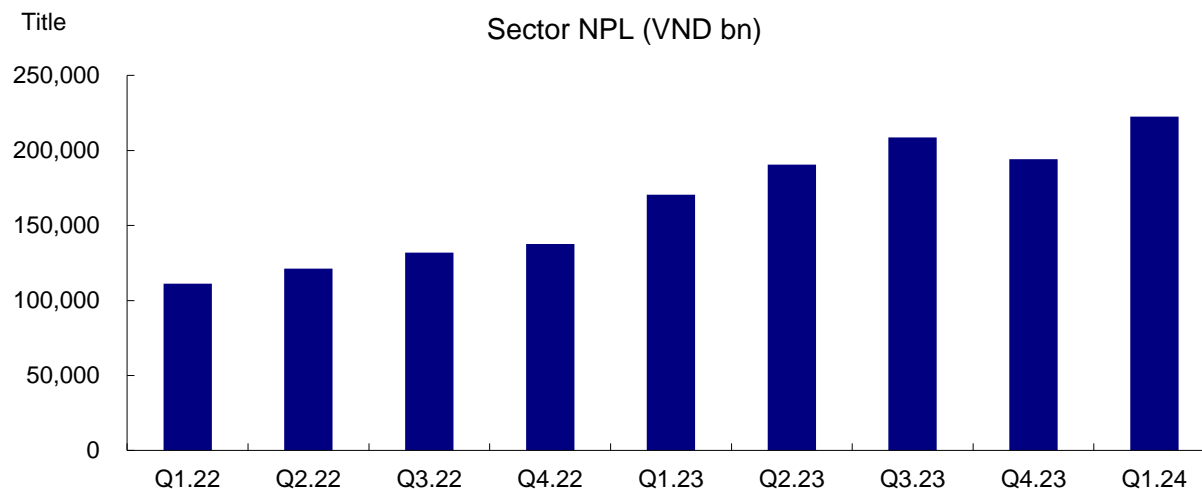
However, in the general picture, when considered individually, income among banks diverges when the NIM of the joint stock commercial group improves while the state-owned bank group stays flat.



Sources: bank, Bloomberg, FiiiproX, GTJASVN Research



## Bad debt trends and pressure on provisioning



Credit risk provision costs still cause banks headaches due to the increasing trend of bad debt. However, we believe that the scale of bad debt throughout the system is approaching its peak and may have peaked in 2024.

Accordingly, credit risk provisioning costs are expected to go flat in 2024 (compared to 2023).

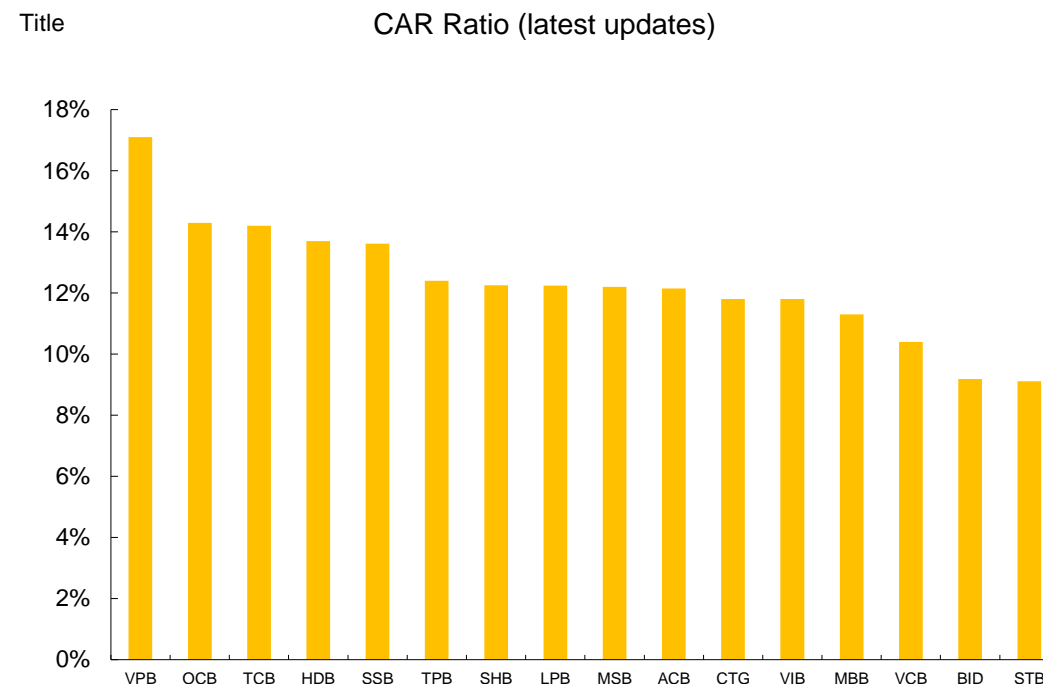
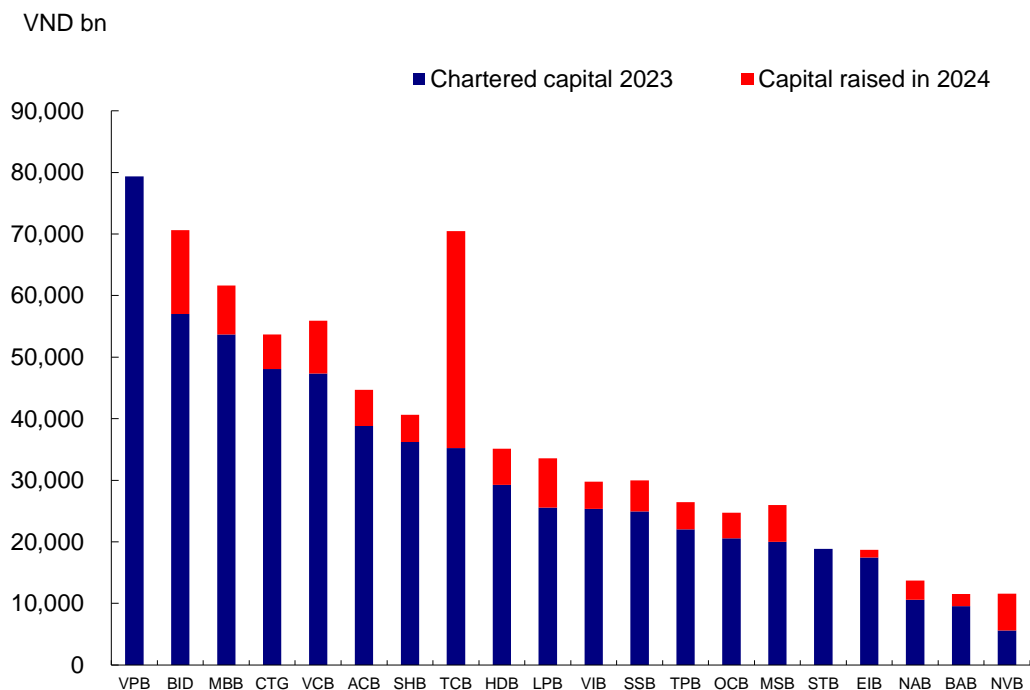
Supportive information for the banking system as well as borrowers is that Circular 02/2023 was officially extended in early June. This partly reduces the risk of recording related bad debts. The system at some banks has customers who have finished their debt restructuring period but have not yet completed their obligations.

Sources: FiiiproX, GTJASVN Research





## Plans to increase capital of banks and capital adequacy ratio (CAR)



The average CAR coefficient of the state-owned banking group is 9.87%, although above the system's minimum threshold of 8%, it is still quite low. Meanwhile, the CAR ratio of many banks has decreased from the peak set in the 2022-2023 period. Therefore, banks are continuing to promote capital increase plans (mainly through annual stock dividend payments).

Sources: banks, FiiiproX, GTJASVN Research



## Profit fluctuations of banks in the first quarter of 2024 (yoy)

	NII growth yoy	Non NII growth yoy	TOI growth yoy	Operating expenses growth	Provision expenses growth	PBT growth yoy
LPB	24.88%	182%	42.87%	2%	-4%	84.36%
VPB	18.77%	-26%	8.51%	1%	-10%	64.02%
HDB	47.92%	-28%	37.03%	25%	33%	46.85%
SSB	11.45%	51%	19.54%	10%	-20%	40.79%
TCB	30.22%	36%	31.85%	3%	127%	38.74%
NAB	10.48%	67%	15.53%	20%	-51%	30.98%
OCB	8.58%	14%	9.43%	14%	-40%	23.49%
STB	1.96%	-4%	1.09%	4%	-32%	11.40%
SHB	-11.53%	86%	-5.86%	-8%	-48%	10.97%
BID	-2.83%	9%	-0.62%	12%	-21%	6.80%
CTG	19.80%	-11%	12.04%	11%	20%	3.85%
TPB	25.23%	36%	28.04%	6%	275%	3.60%
MSB	9.64%	6%	8.71%	12%	34%	0.25%
VCB	-0.88%	-26%	-6.68%	-4%	-25%	-4.48%
ACB	8.15%	-15%	3.14%	10%	100%	-5.12%
VIB	-6.23%	105%	7.89%	19%	42%	-7.13%
MBB	-11.39%	74%	0.73%	-2%	46%	-11.01%
EIB	9.82%	-49%	-5.40%	-10%	206%	-24.08%

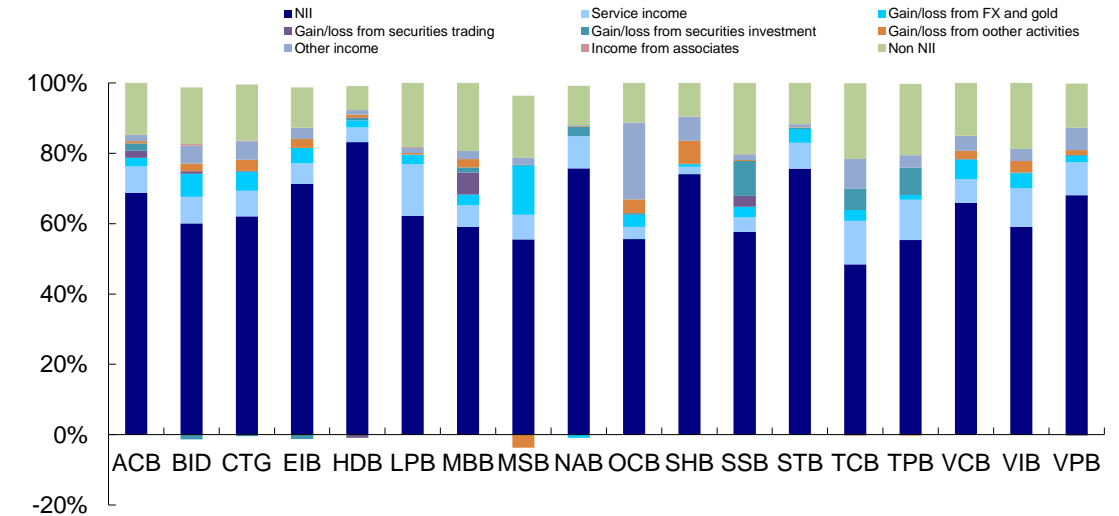
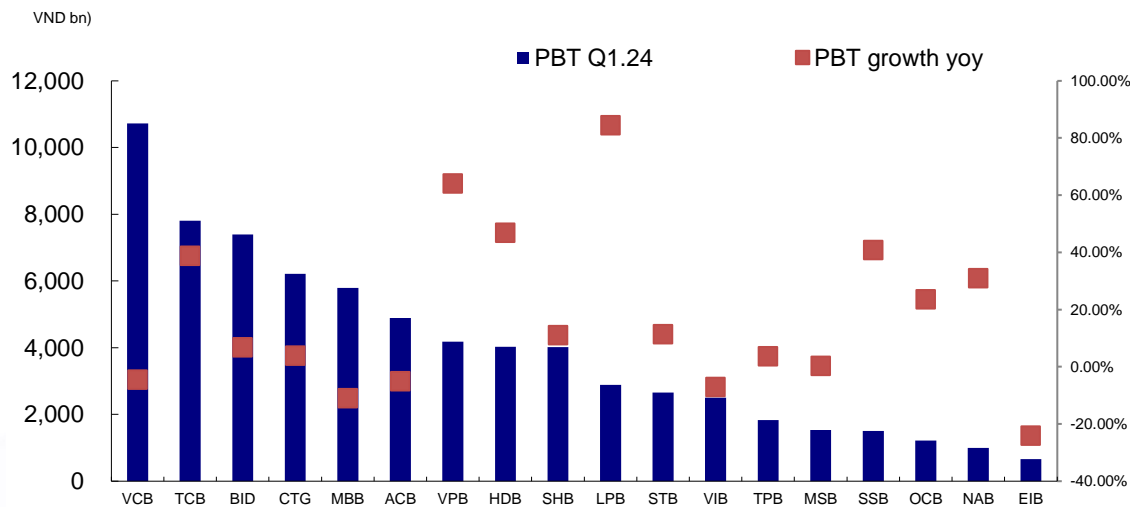
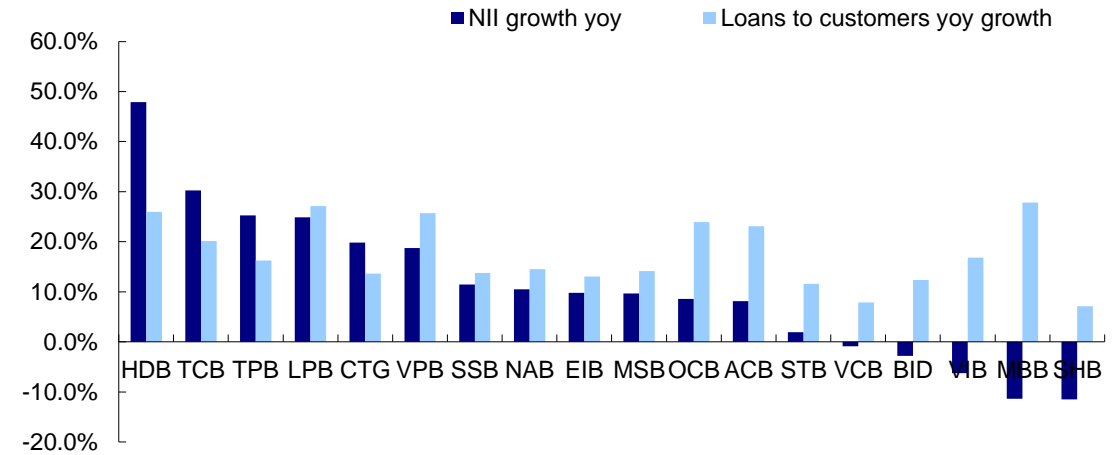
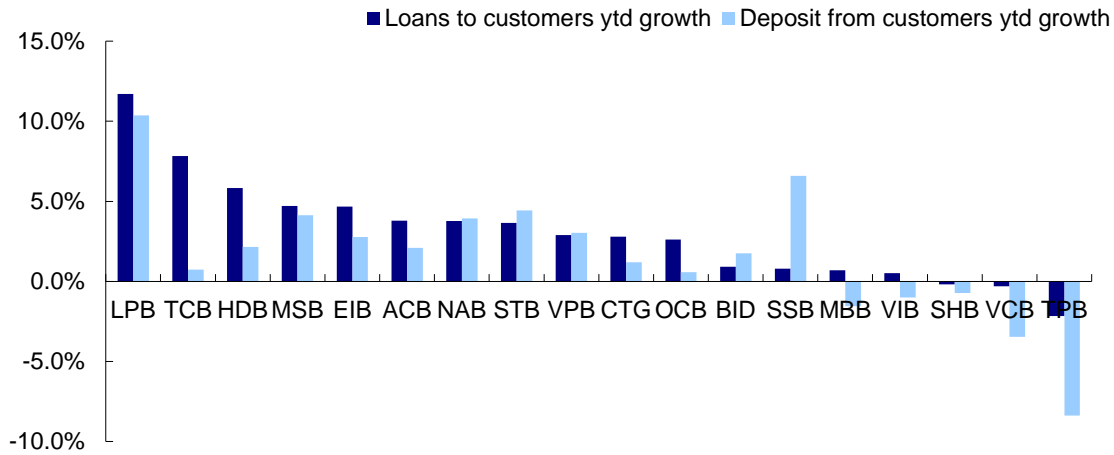
Banking group with outstanding pre-tax profit growth: LPB, VPB, HDB, SSB, TCB.

General characteristics: Net interest income increased sharply, provision expenses decreased (LPB, VPB, SSB) or accounted for a small proportion in the pre-provision income structure (HDB and TCB).

Sources: FiiiproX, GTJASVN Research



# Banking Sector: KQKD Q1.2024

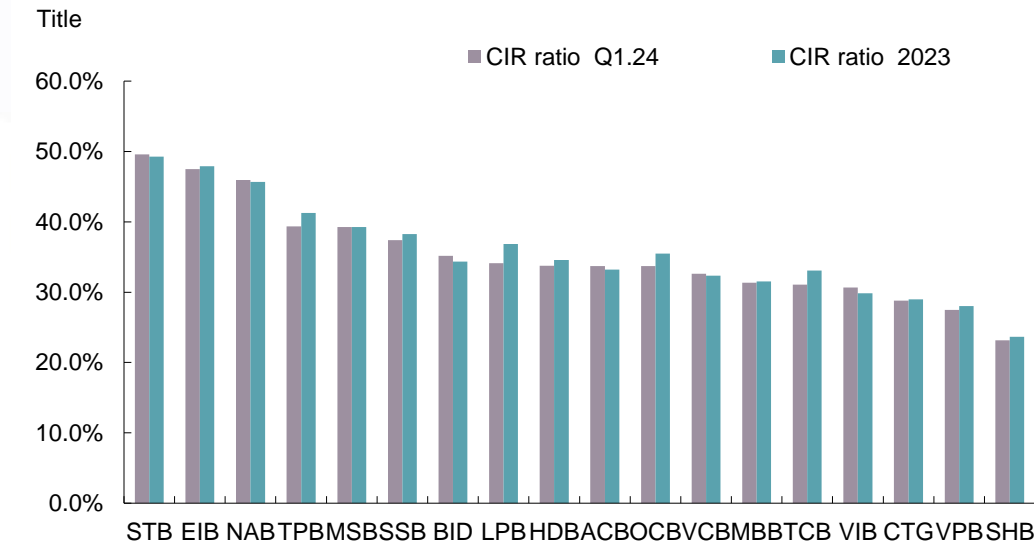
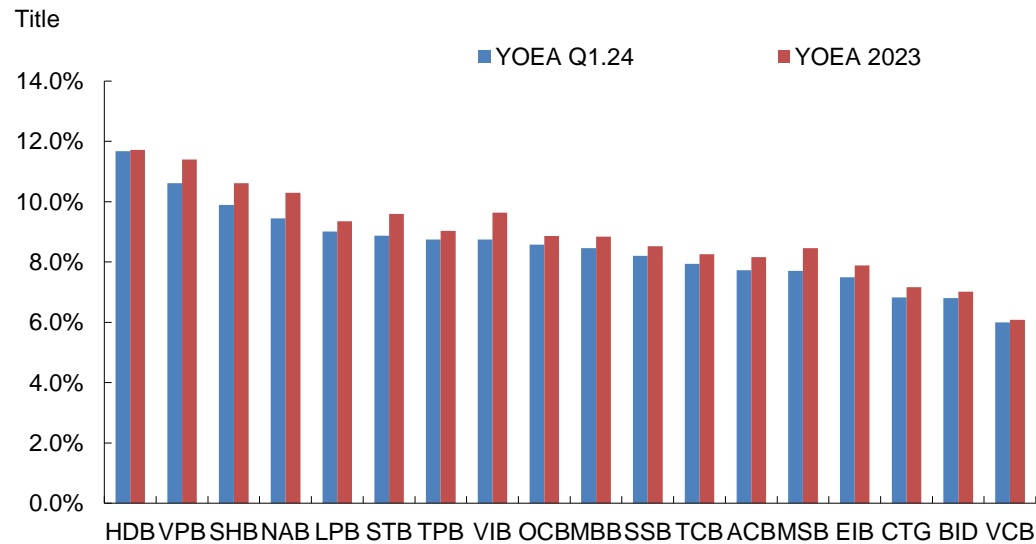
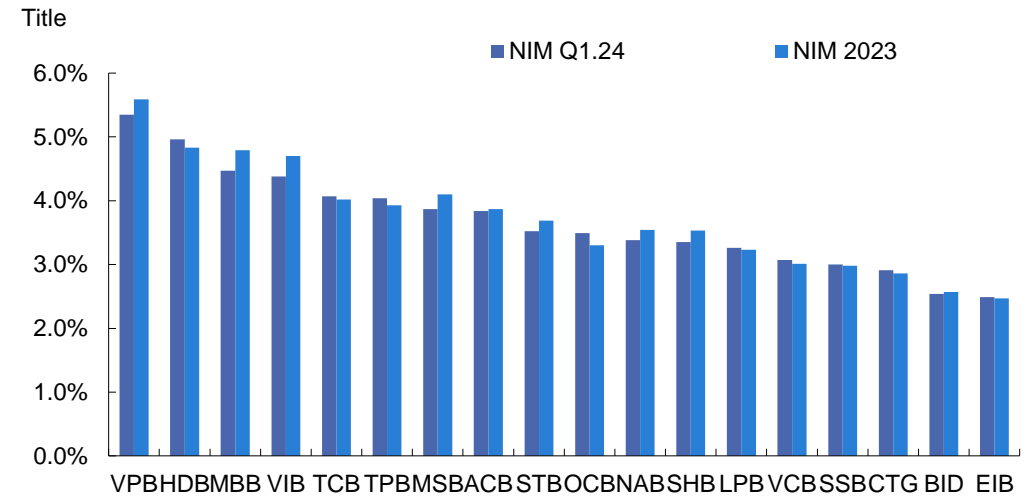
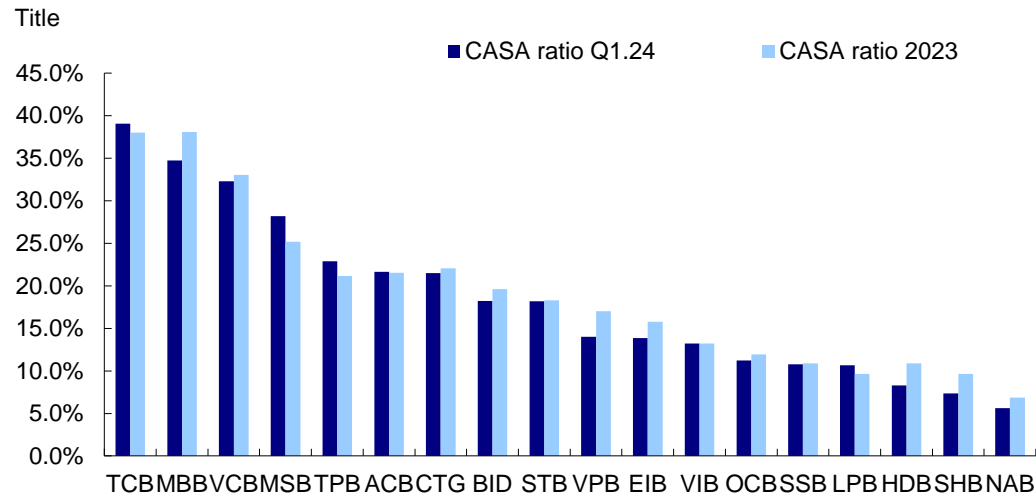


Sources: FiiiproX, GTJASVN Research

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# Banking Sector: Business results Q1.2024

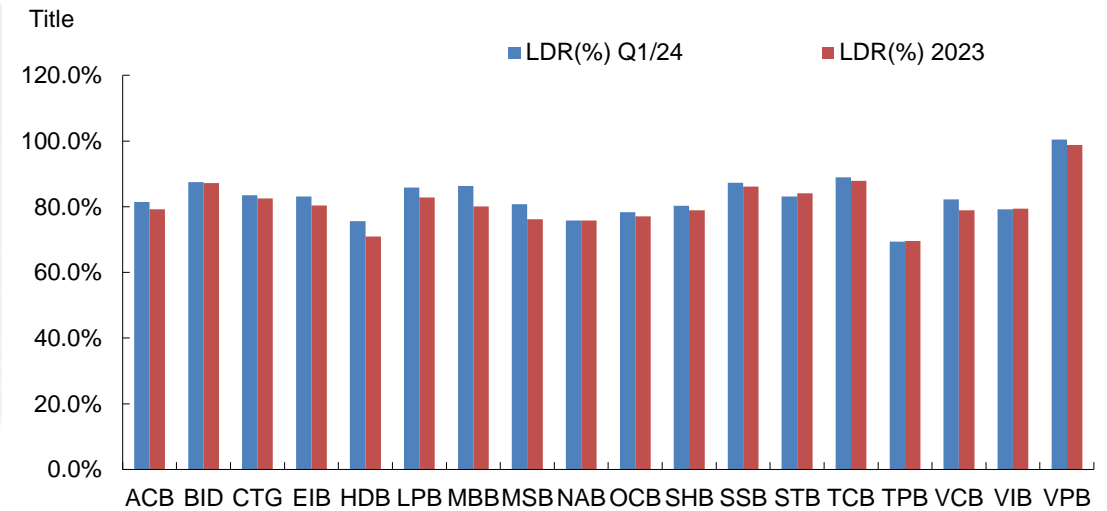
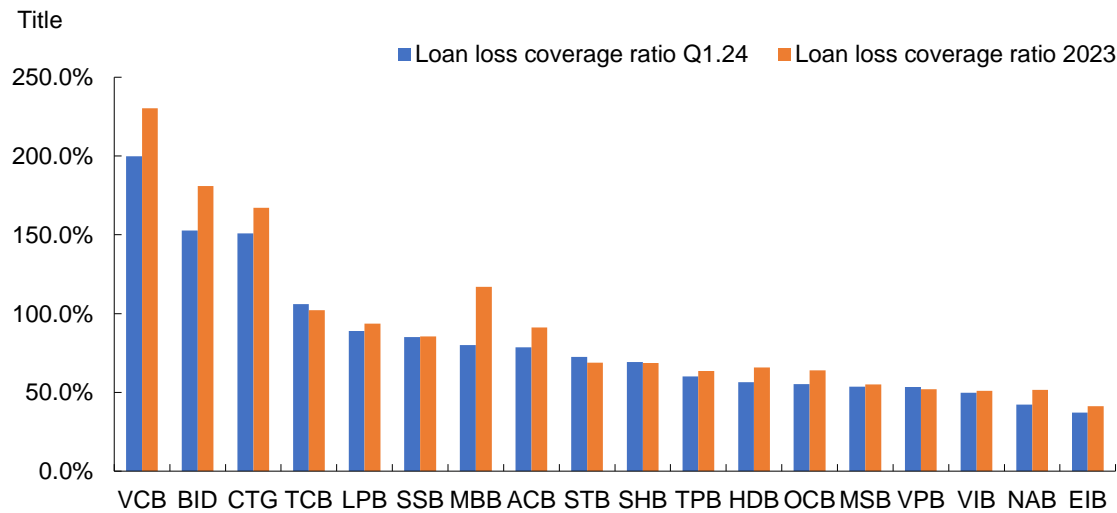
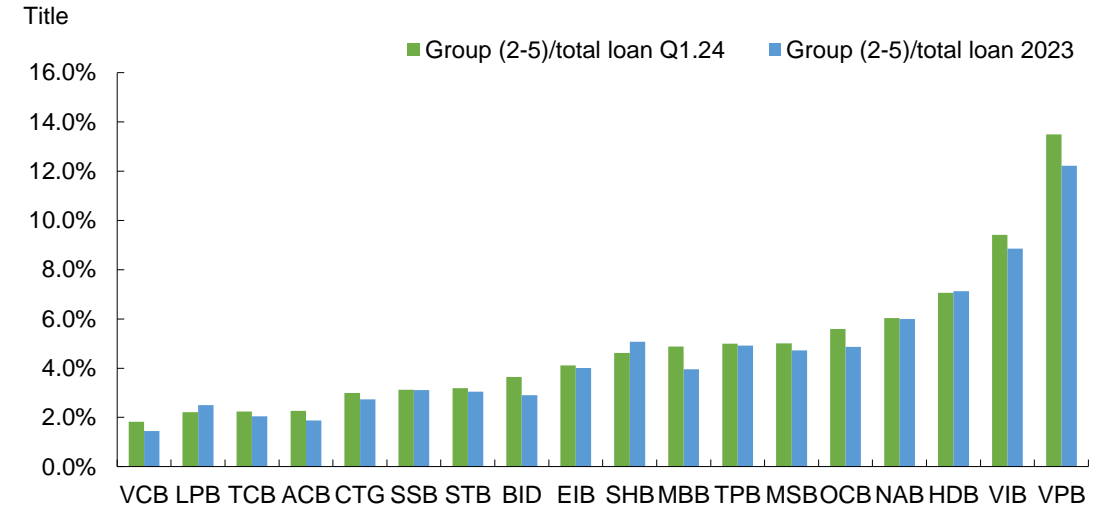
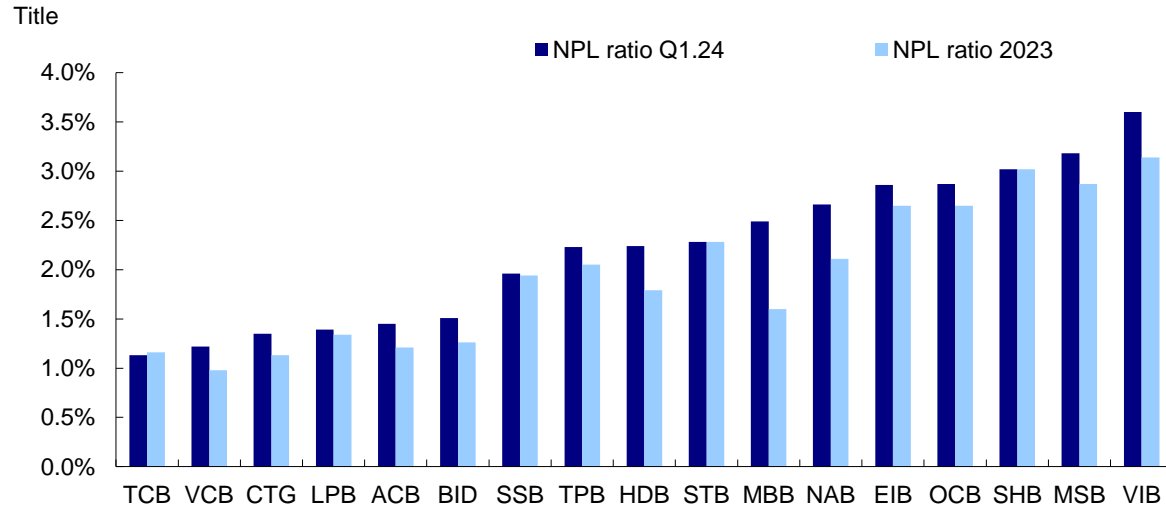


Sources: FiiiproX, GTJASVN Research

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# Banking Sector: Business results Q1.2024



Sources: FiiiproX, GTJASVN Research

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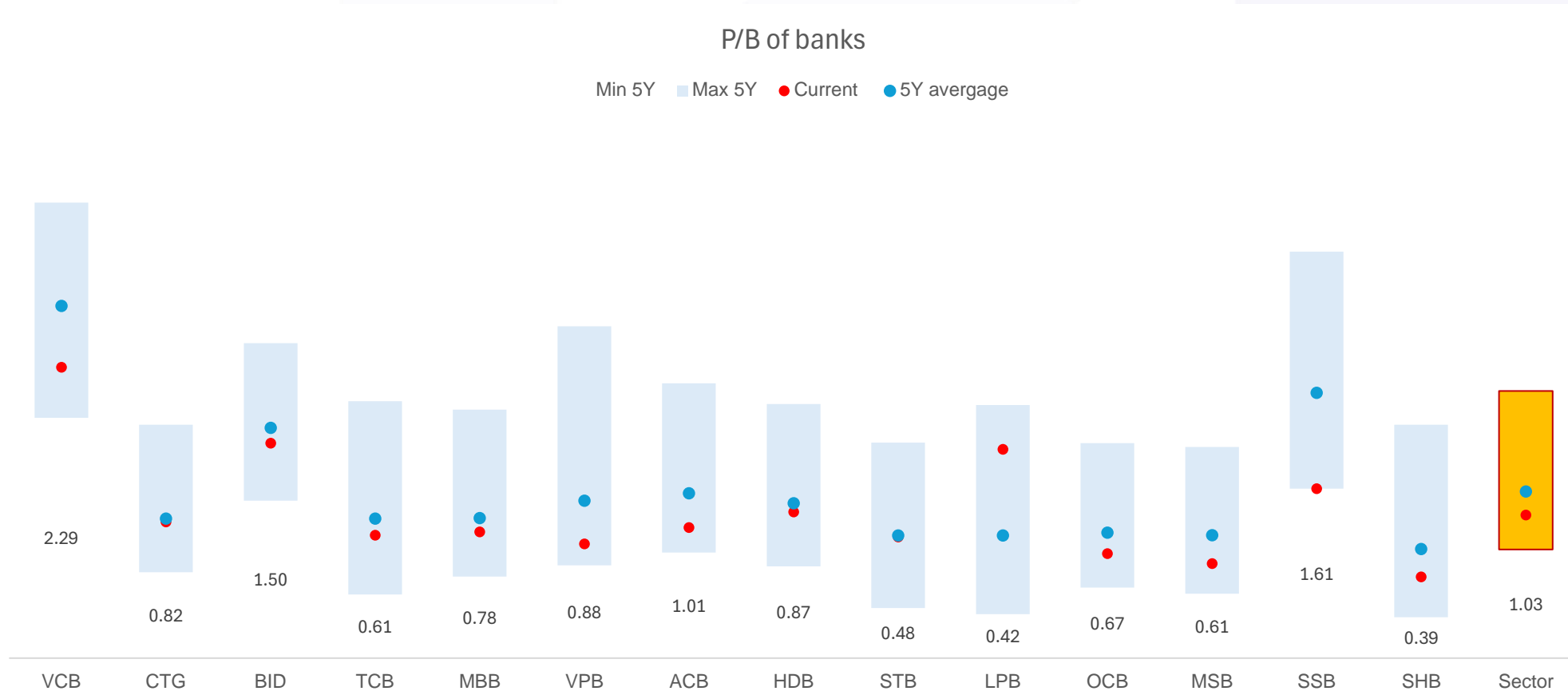




# **3/ BANKING STOCK INVESTMENT STRATEGY**

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## Industry valuations are lower than the 5-year average



Banking stocks are trading at valuations below their 5-year average (except LPB).

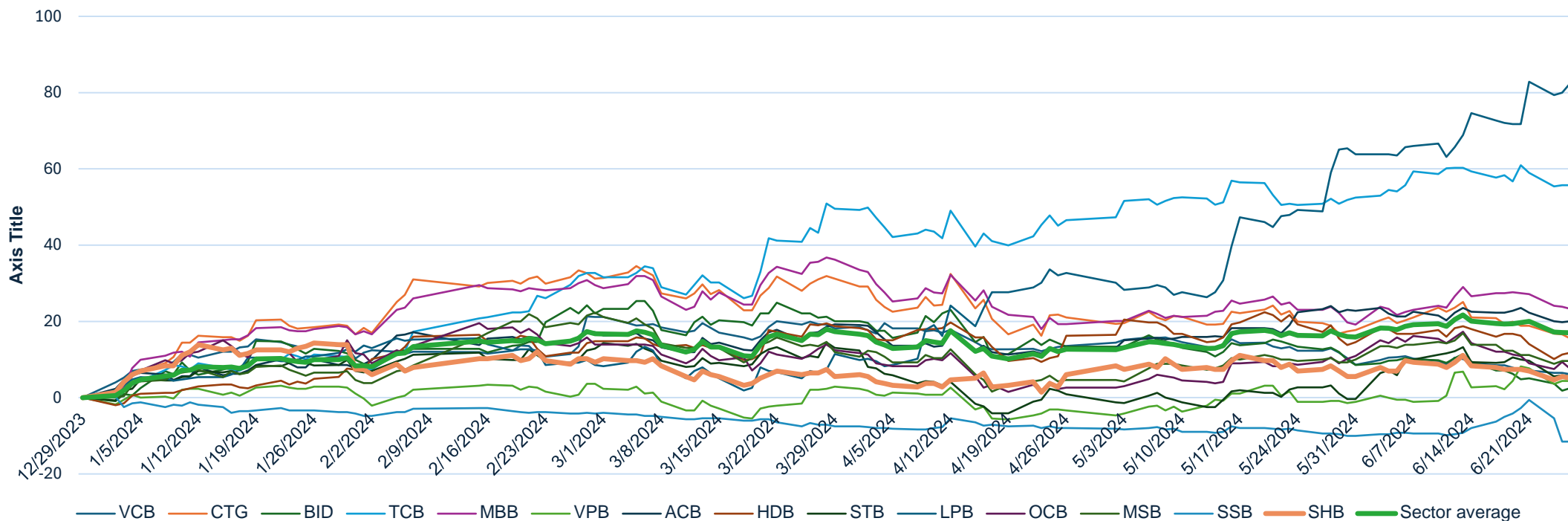
Sources: Bloomberg, GTJASVN Research

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## Price movements of banking industry stocks since the beginning of the year

Stock price fluctuations since the beginning of the year



Price fluctuations in banking industry stocks were generally quite positive in the first half of the year with an average increase of 16% ytd. However, this is the average increase of the market. With a valuation 15% lower than the 5-year average, the room for growth in the banking industry is still large. However, it is necessary to select stocks with good fundamentals and high asset quality.

Sources: Bloomberg, GTJASVN Research



## Recommended stocks

- TCB
- HDB
- LPB

Aggressive

- VCB
- ACB

Defensive



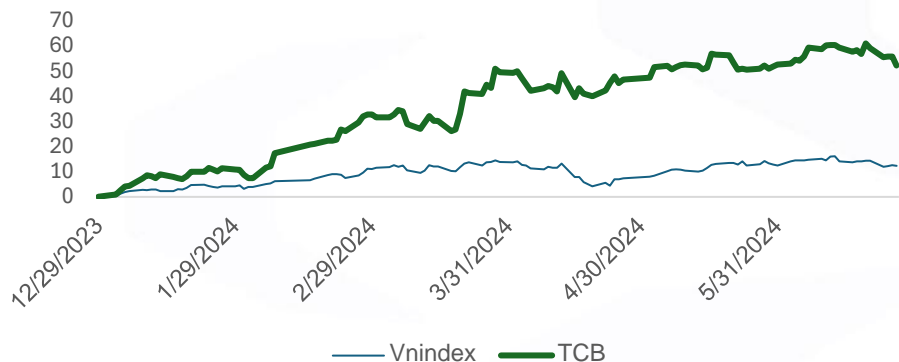
Recommendation:

**TP**

**Buy**

**25,750**

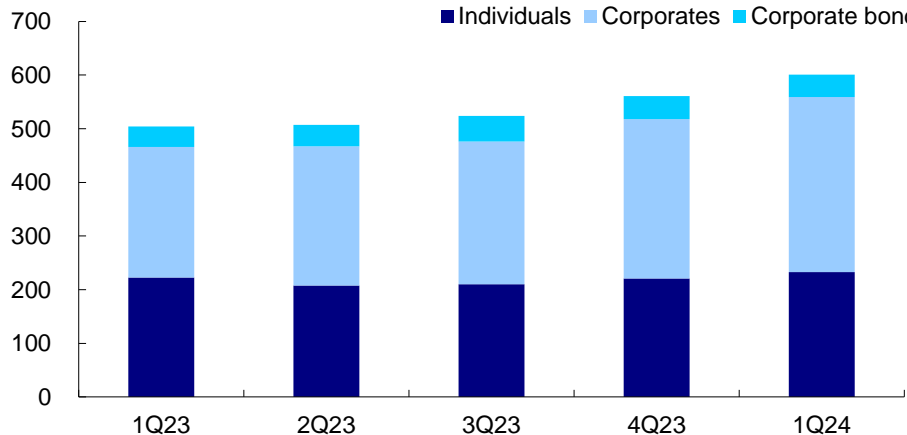
Price performance ytd (%)



VND trn

Credit structure by segment

■ Individuals ■ Corporates ■ Corporate bond



## Investment highlights:

TCB is a joint stock commercial bank belonging to the private sector investment group.

The bank's business results in 2024 are expected to grow well thanks to:

- NIM increased thanks to high credit growth, CASA coefficient improved from the bottom area, COF decreased.
- IB operating income improved as the bond market warmed up.
- Outstanding debt for the home loan segment and individual customer and credit card segments is expected to increase well, bringing high profit margins.
- TCB has just completed issuing shares to increase capital, creating a premise for the upcoming growth period. This is also the first year TCB has paid cash dividends.
- TCB is a bank with industry-leading operating efficiency and asset quality coefficients (NIM, ROE, CASA, NPL ratio, CAR).

## Risks:

Credit demand and bond business activities did not recover as quickly as expected.

Pressure to increase mobilization costs on NIM.

Source: TCB, Bloomberg, GTJAS Research

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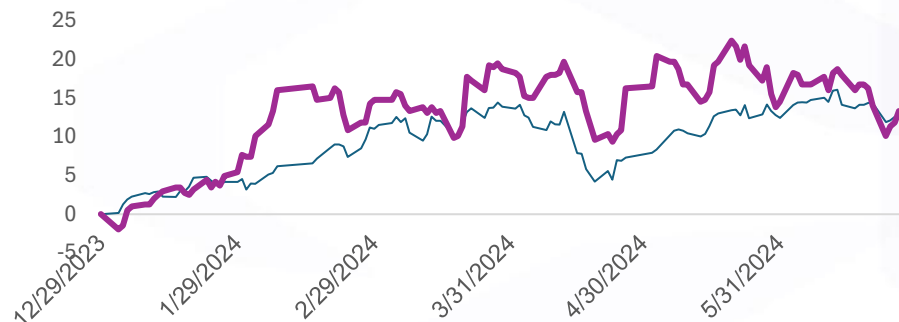
Recommendation:

**Neutral**

**TP**

**24,450**

Price performance ytd

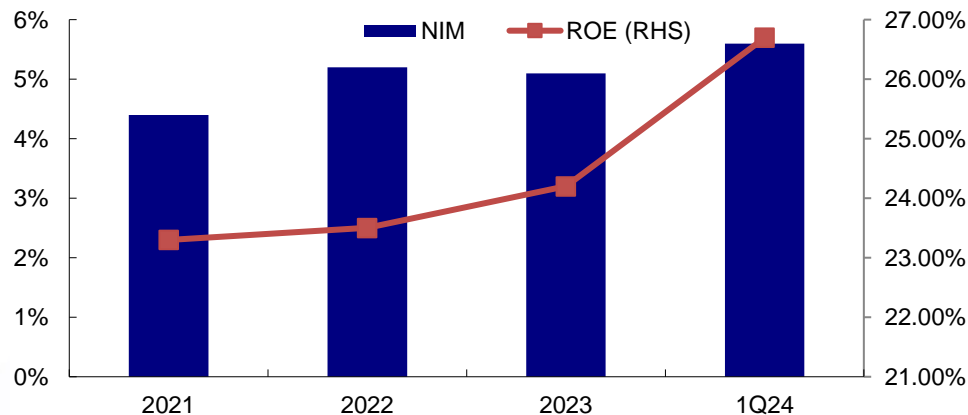


Title

Vnindex HDB

Hiệu quả sinh lời

NIM ROE (RHS)



Source: HDB, Bloomberg, GTJAS Research

## Investment highlights:

HDB is one of the banks that has recorded the best and most consistent growth rate in the system in recent years. The bank is among the few banks to receive a credit growth limit of more than 20% annually.

HDB's NIM ranks 2nd in the system thanks to high profit margin from personal lending activities and from consumer finance companies.

In the first quarter of 2024, the bank recorded pre-tax profit growth of 46.8%. In 2024, HDB plans to grow profits by 22%, credit growth corresponding to the limit assigned by the State Bank (24%). ROE accordingly reached nearly 25%, among the most efficient in the system.

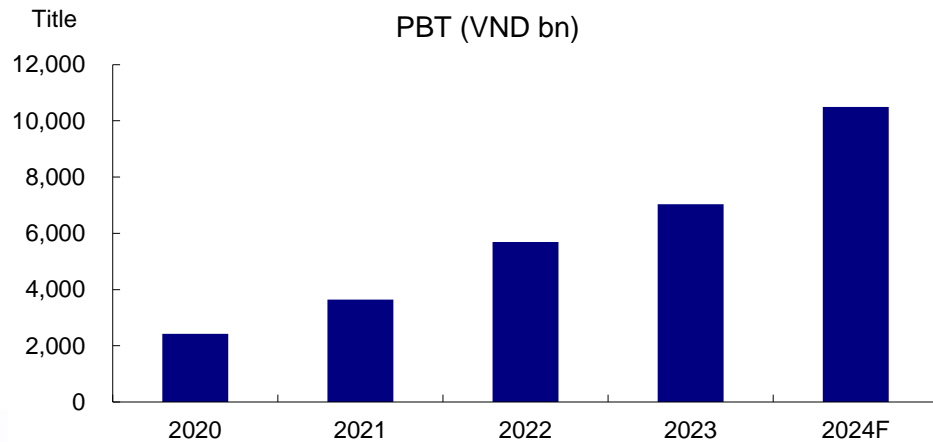
However, stock valuation is no longer too attractive as it is approaching the 5-year average.



Recommendation:

Neutral

TP



## Expectations:

Foundational year for transformation. We anticipate significant changes at LPB both this year and in the coming years, including the bank renaming itself Loc Phat Commercial Joint Stock Bank and raising capital through the issuance of shares that will pay dividends at a ratio of 16.8%.

In the first quarter of 2024, the bank recorded the highest credit and profit growth rates in the industry, at 12% ytd and 84% yoy, respectively. This is also the bank's record high profit quarter. In 2024, the bank expects profit to reach 10,500 billion VND, equivalent to 50% growth.

## Risk:

Bank stock prices have increased sharply in the past year, causing the P/B stock valuation to anchor at a high level. Investors need to monitor and consider investing at reasonable valuation levels.

Source: LPB, Bloomberg, GTJAS Research

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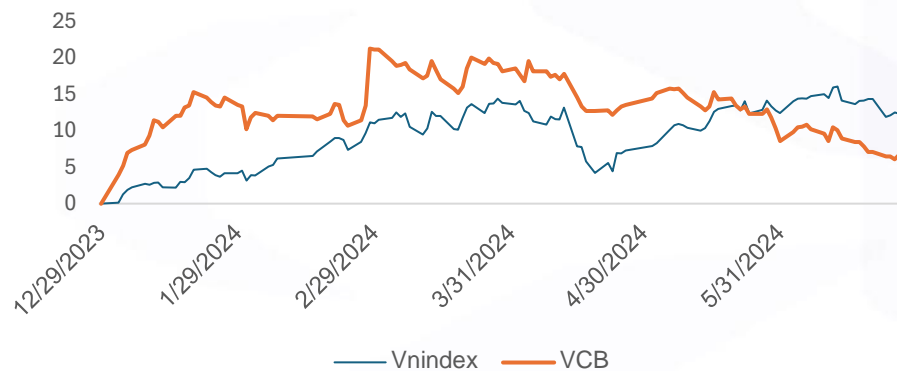
Recommendation:

**Buy**

**TP**

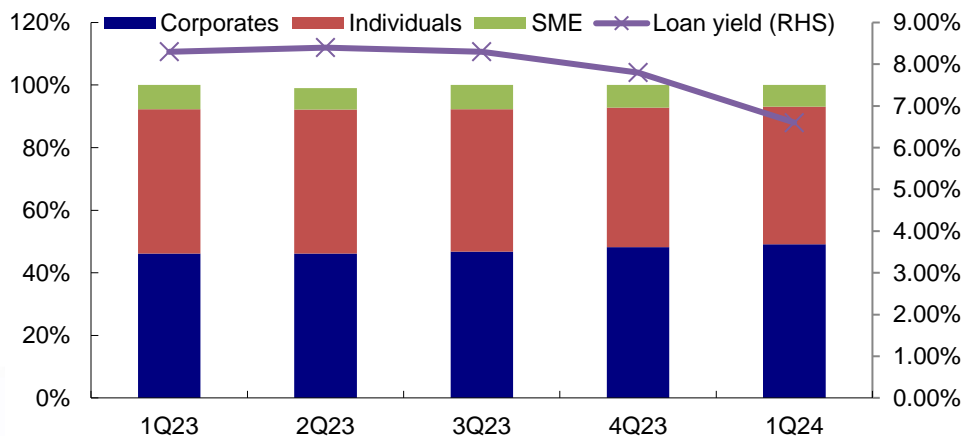
**110,000**

Price performance ytd



Title

Loan breakdown by segment



## Investment highlights:

Thanks to its advantages over corporate clients, particularly in foreign payment activities, Vietnam Post Bank has been the most profitable bank in Vietnam for a number of years. Vietcombank, which ranks third in the banking sector, is able to retain and increase its CASA ratio because to the prominent brand.

With a bad debt ratio of approximately 1% and the highest bad debt coverage ratio in the system at 200%, the bank has some of the best asset quality in the system.

Both lending-related and non-interest businesses (foreign exchange trading, international payments, and service revenue from cooperative insurance business initiatives) persistently propel the bank's growing pace.

Vietcombank declared in 2022 that it will be taking part in the systemic restructuring of a weak bank. Thereby, the bank benefits from the support mechanism from the State Bank with higher credit limits than other banks in the same block, thereby promoting loan growth and non-interest income of the bank.

## Risks:

Credit growth and profit margin did not increase as expected

Source: VCB, Bloomberg, GTJAS Research

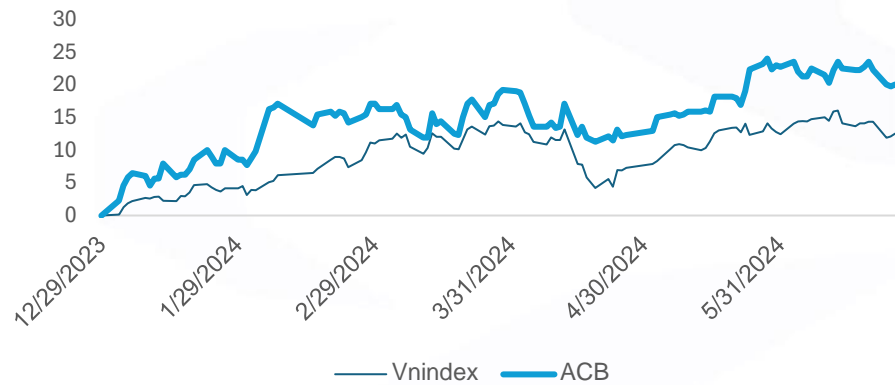
Open account in 3 minutes  
(Hotline: 024 3577 9999)



Recommendation:  
**TP**

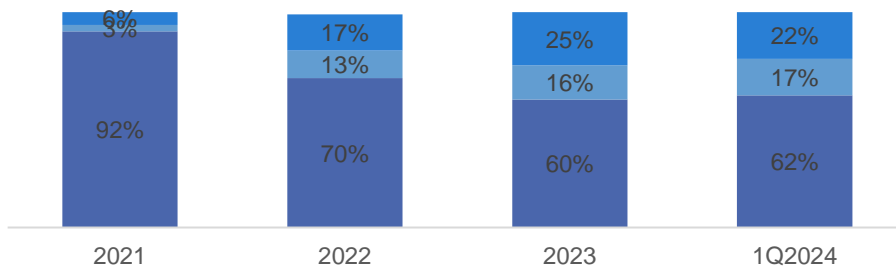
**Hold**  
**25,500**

Price performance ytd



Investment portfolio of ACB

■ Gov bonds ■ Financial instituon bonds ■ Bank CDs



## Investment highlights:

ACB is the bank with the best asset quality in the private commercial joint stock group.

The bank maintains stable credit growth and profits over the years, has a safe loan portfolio and does not invest in corporate bonds.

The bank maintains regular dividend payments over the years (Both stocks and cash).

ACB is suitable due to its long-term holding portfolio with the advantage of owning a sustainable business model, prudent risk appetite and the highest safety in the system.

## Risks:

Credit growth and profit margin did not increase as expected

Source: ACB, Bloomberg, GTJAS Research

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