Shinhan Securities

Banking Industry

The recovery is gradually becoming clearer



Phuong Nguyen
☎ (84-28) 6299-9004
✉ phuong.nd@shinhan.com

Content

Banking – The recovery is gradually becoming clearer

1. The economy shows signs of reversal to support banking sector

   Economic growth in 9M2023 faces many difficulties when world and domestic demand declines. However, some signs of recovery have gradually become clearer in recent months.

2. Updated business result of listed banks

   Business results in the first 6 months of 2023 are in line with investors' expectations, credit growth is slow, NIM is narrowed, non-performing loan increases sharply and non-interest income is not positive, causing bank profits in the first 6 months to drop slightly.

3. Many positive trends await for Banks in 2024

   GDP growth in 2024 returns to 6% growth, credit growth reaches 13-14%. Pre-tax profits of banks listed on HOSE are expected to grow by 17%. The bank's valuation continues to be attractive in the long term

4. Potential bank stocks

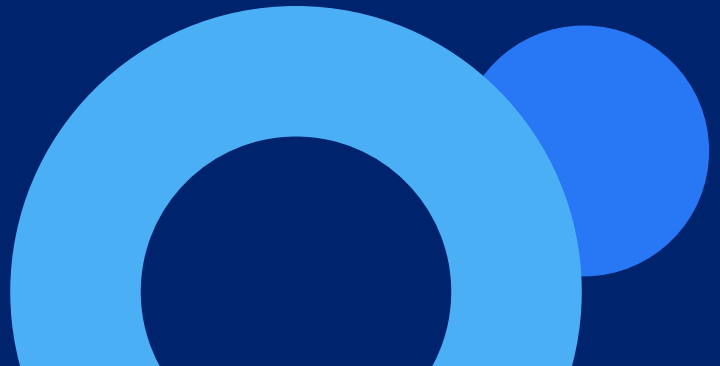
   ACB, STB, TCB, MBB - The recovery is gradually becoming clearer

Appendix – Notable legal policies

01

The economy shows signs of reversal to support banking sector

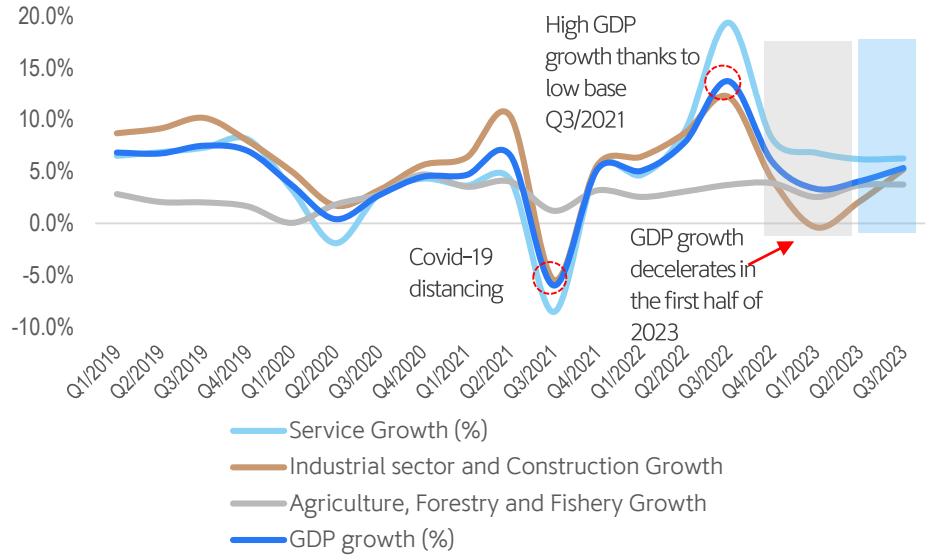
Economic growth in 9M2023 faces many difficulties when world and domestic demand declines. However, some signs of recovery have gradually become clearer in recent months.



Part 1 – The economy shows signs of reversal to support banking sector

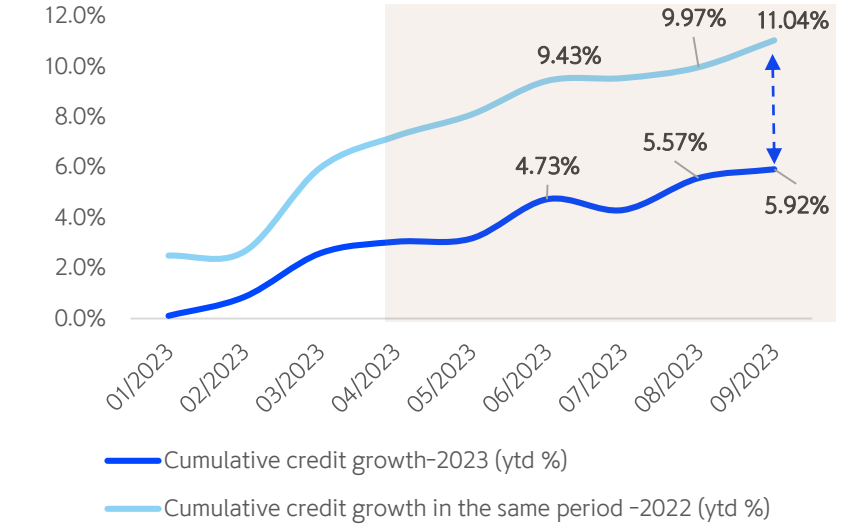
GDP growth in 9M2023 was dominated with gray color but in a positive trend

GDP growth by quarter for the period 2019-Q3/2023 (YoY)



Source: GSO, Fiinpro , Shinhan Securities Vietnam

Cumulative credit growth as of July 2023 (%)



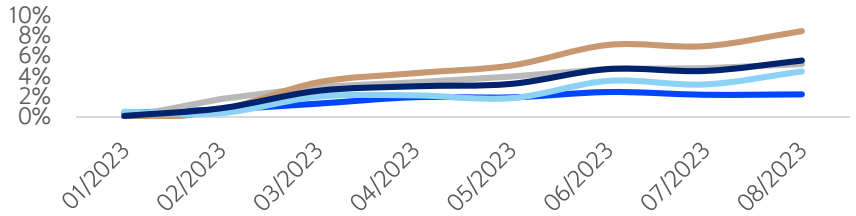
Source: SBV, Fiinpro, Shinhan Securities Vietnam

- Vietnam's economy in 9M2023 has grown less positively compared to the same period in 2022. However, GDP has been improved gradually on quarterly basis. Accumulated growth of GDP in 6M/2023 only reached 3.72% and in 9M/2023 the GDP growth improved to 4.24% yoy.
- While the service segment has recovered thanks to the economic opening and tourism activities have improved compared to the low base right after the epidemic; overall, the Agriculture, Forestry and Fisheries segment still maintains stable growth; the industrial and construction segment showed slower growth than total GDP growth, cumulative growth in 9M/2023 was only 2.41% yoy.
- With a large contribution to GDP, the industry and construction sectors are negatively affected by the general difficulties of the real estate market. The economy's credit growth as of September 2023 only reached a modest level of 5.73%. This growth rate makes the 14-15% target passed by the Vietnamese National Assembly in the beginning of the year even more difficult to achieve. However, upward momentum has been slightly improved in Q3 2023.

Part 1 – The economy shows signs of reversal to support banking sector

The service segment has the most positive growth in the first 9 months of 2023

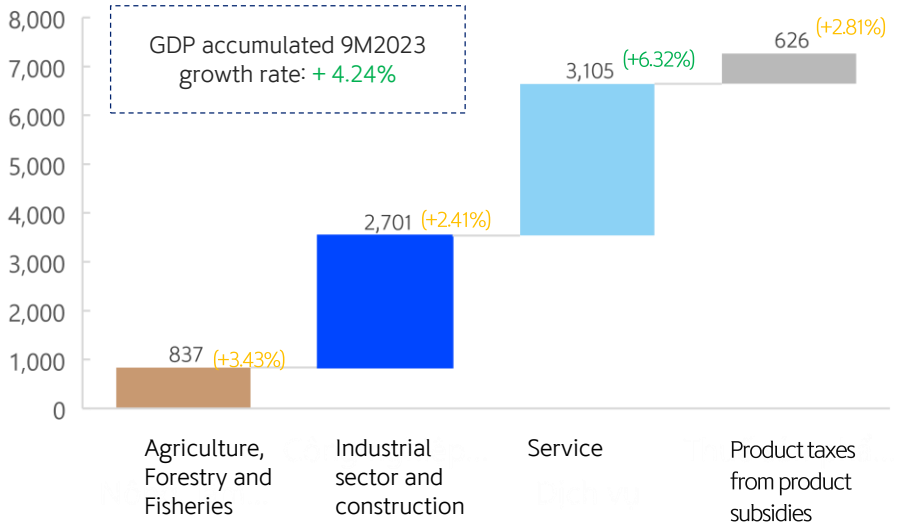
Credit growth breakdown in 8M2023 (%)



Sector	Credit growth 07/2023 (% Ytd)	Credit growth 07/2022 (% Ytd)	Credit growth 07/2021 (% Ytd)	Credit growth 07/2020 (% Ytd)
Agriculture, Forestry and Fisheries	2.24%	7.57%	2.18%	4.03%
Industrial sector and construction	5.24%	7.46%	7.77%	4.60%
Commercial, Transportation, Telecommunications	8.48%	10.87%	9.22%	4.91%
Other services	4.49%	12.54%	7.19%	5.13%
Total credit	**5.57%**	**9.97%**	**7.45%**	**4.82%**

Source: GSO, Fiinpro , Shinhan Securities Vietnam

GDP growth by industry group in 9M2023



Source: GSO, Fiinpro, Shinhan Securities Vietnam

- With the majority allocated to the industry, construction and service sectors, the growth of these two industry groups will have an important decision on the growth of the entire economy. Cumulatively, the service industry's recovery increased by more than 6.3%, higher than the cumulative increase in GDP at 4.24%. The remaining two industry groups, Industry, Construction and Agriculture, Forestry and Fishery, both grew slower than the overall growth rate of the economy.
- For the service segment, accommodation and entertainment services had double-digit growth thanks to the return of international tourists after a long absence. Contrary to the positivity of the whole industry, the real estate business segment showed a negative growth rate of -0.95% due to the gloom of the real estate market. The group of agriculture, forestry, fishery, and aquatic products in 9M2023 will grow by about 3.43% due to the impact of exports to major markets, especially the US and European markets. The decline in orders, production contraction, and difficult business conditions have made the industrial, processing, and manufacturing segments seem to stand still in 9M/2023.
- Compared to the high base level of the first months of 2022 due to pent-up demand after the epidemic, credit in 8M2023 of all 4 main industry groups according to SBV data showed less positive growth.

Part 1 – The economy shows signs of reversal to support banking sector

Services grew strongly, real estate business did not perform well

GDP by service industry in 9M2023

Sector	Total value (VND bn)	Contribution (%)	Growth in 9M2023 (% yoy)
Service	**3,104,755**	**100%**	**6.32%**
Wholesale and retail; Repair cars, motorbikes, motorbikes and other motor vehicles	738,452	**24%**	8.04%
Transportation, warehousing	368,060	**12%**	8.66%
Accommodation and food services	185,630	**6%**	13.17%
Information and communication	260,556	**8%**	2.67%
Financial, banking and insurance activities	343,532	**10%**	6.91%
Real estate business	251,821	**8%**	-0.95%
Professional, scientific and technological activities	159,081	**5%**	6.28%
Administrative operations and support services	93,618	**3%**	12.40%
Activities of the Communist Party and socio-political organizations; State management, national security and defense; mandatory social guarantees	138,960	**4%**	5.55%
Education and training	274,192	**10%**	4.34%
Health and social assistance activities	186,772	**6%**	1.32%
Arts, entertainment and recreation	45,719	**1%**	11.35%
Other service activities	48,742	**2%**	10.56%
Activities of hiring for work in households, producing physical products and services for self-consumption by households	9,620	**0%**	4.81%
Total GDP	**7,268,043**		**4.24%**

Source: GSO, Shinhan Securities Vietnam

Fisheries and construction industry decelerated

GDP of Agriculture, forestry and fisheries sector in 9M2023

Sector	Value (VNDbn)	Contribution (%)	Growth in 9M2023 (% yoy)
Agriculture, forestry and fisheries	**836,618**	**100%**	**3.43%**
Agriculture	597,112	71%	3.42%
Forestry	38,121	5%	3.13%
Seafood	201,385	24%	3.56%
Total GDP	**7,268,043**		**4.24%**

Source: GSO, Shinhan Securities Vietnam

GDP of Industrial sector and construction in 9M2023

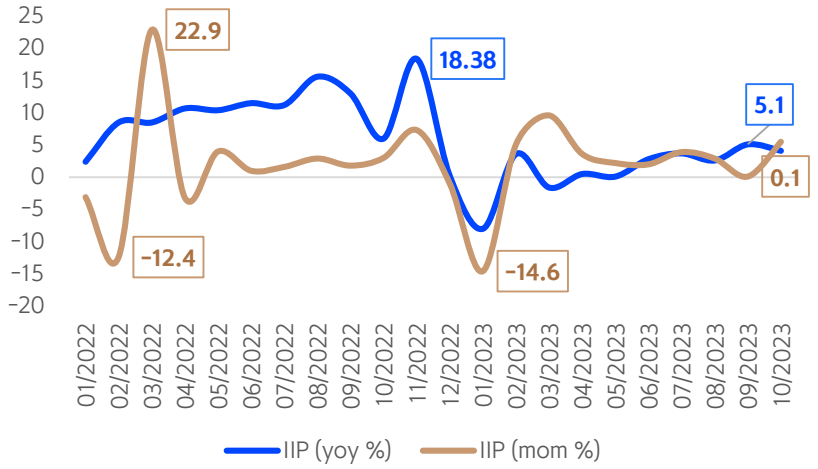
Sector	Value (VNDbn)	Contribution (%)	Growth in 9M2023 (% yoy)
Industrial sector and construction	**2,700,557**	**100%**	**2.41%**
Industrial sector	2,263,942	84%	1.65%
Mining	183,789	7%	-3.01%
Manufacturing and processing industry	1,732,161	64%	1.98%
Production and distribution of electricity, gas, hot water, steam and air conditioning	312,035	12%	2.90%
Water supply; waste and wastewater management and treatment activities	35,957	1%	4.69%
Construction	436,615	16%	6.17%
Total GDP	**7,268,043**		**4.24%**

Source: GSO, Shinhan Securities Vietnam

Part 1 – The economy shows signs of reversal to support banking sector

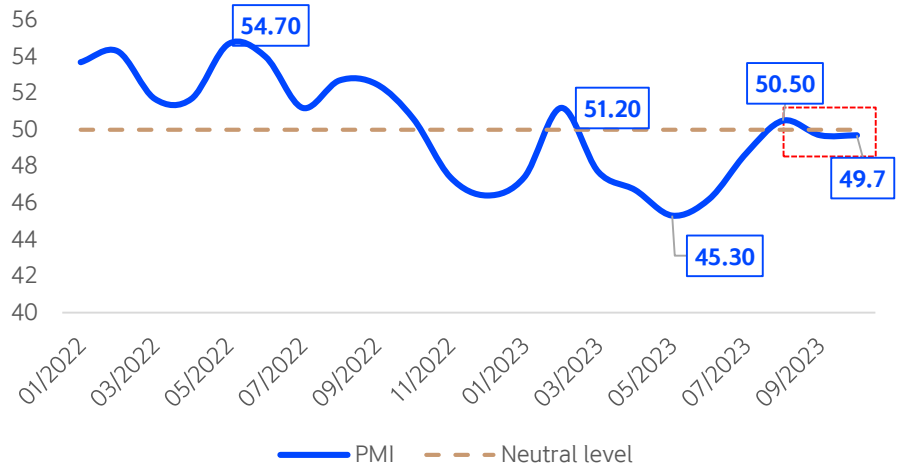
IIP and PMI show many positive signals

Industrial production index – IIP for the period 2022-2023



Source: GSO,, Shinhan Securities Vietnam

S&P Global PMI Vietnam index for the period 2022-2023



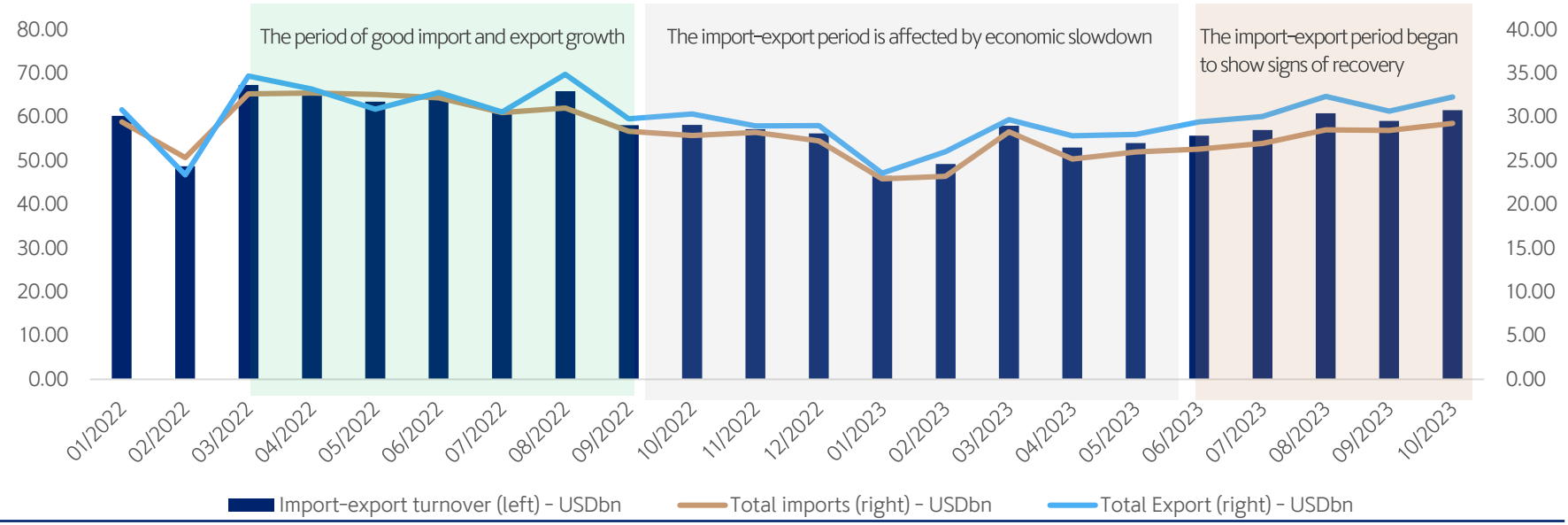
Source: PMI, Shinhan Securities Vietnam

- According to PMI's August report on Vietnam's manufacturing industry, signs of recovery have begun to appear more clearly. The number of new orders increased for the first time since February this year. Demand recovery helped both the number of new orders and output increase again, accordingly domestic companies increased purchasing activities to meet the above positive change. The PMI index in August showed a result of 50.5, meaning that business conditions in the manufacturing industry are expanding again after a series of contractions for 5 consecutive months (March-July 2023).
- In September and October, the PMI index decreased slightly back below 50. Orders this month continued to increase and purchasing activities were boosted by manufacturers for two consecutive months to meet new orders. However, companies are still relatively hesitant to hire more employees. We believe that domestic companies will need a clearer trend before they can boldly expand new recruitment and investment.
- The General Statistics Office's industrial production index also shows a bottoming trend from the end of March 2023, from a growth rate of -1.6% yoy to a positive growth rate of 2.6% yoy in August 2023 and increased to 5.1% and 4.1% yoy in September-October 2023.

Part 1 – The economy shows signs of reversal to support banking sector

Import and export are on track to return to their peak in 2022

Import-export activities show signs of improvement for many consecutive months (USDbn)



Source: GSO, Fiinpro , Shinhan Securities Vietnam

- Import-export activities in recent months have improved a lot compared to January-April 2023 period. However, compared to the year 2022, some main Vietnamese products such as wood, shoes, seafood, fibers, electronic products and components possessed negative growth. On a more positive note, vegetables, fruits and rice increased sharply yoy.
- Export value in August 2023 according to the General Department of Customs reached more than USD62 billion. This is the fourth consecutive month that Vietnam's economy has seen exports grow compared to the previous month. In September 2023, import and export value will decrease slightly due to the seasonal nature of the economy before returning to the recovery trend in October 2023. With the trend of reducing inventories in main markets such as the US and Europe, we expect import and export activities to maintain a recovery trend for the rest of 2023 before returning to growth momentum in 2024.

02

Updated business result of listed banks

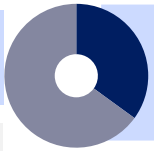
Business results in the first 9 months of 2023 are in line with investors' expectations, credit growth is slow, NIM is narrowed, bad debt increases sharply and non-interest income grows negatively, causing bank profits in the first 9 months to decrease slightly.

Part 2 – Updated business result of listed banks

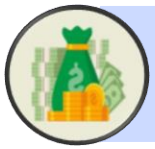
Overview of banks listed on HOSE

17 banks listed on HOSE exchange

Vietcombank, BIDV, VietinBank, TECHCOMBANK, VPBank, MB, ACB, HDBank (Cam kết lợi ích cao nhất), Sacombank, TPBank, SHB (Đối tác tin cậy, giải pháp phù hợp), VIB (Ngân hàng Quốc Tế), SeABank, EXIMBANK, MSB, OCB (Ngân Hàng Phương Đông), LienVietPostBank (NGÂN HÀNG BƯU ĐIỆN LIÊN VIỆT)



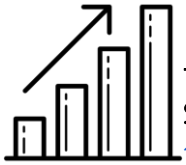
Industry market capitalization
~37% of market capitalization



Transaction value
~ 25% of total market transaction value



Trading volume
~ 22% of the market's trading volume

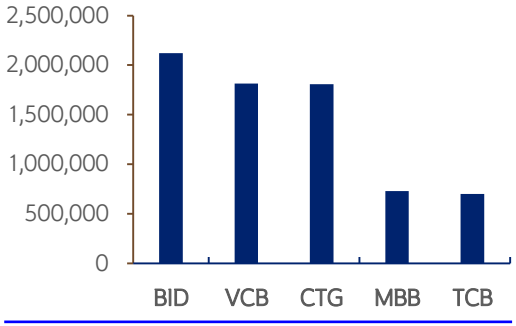


Total assets as of September 30, 2023
~VND12 quadrillion



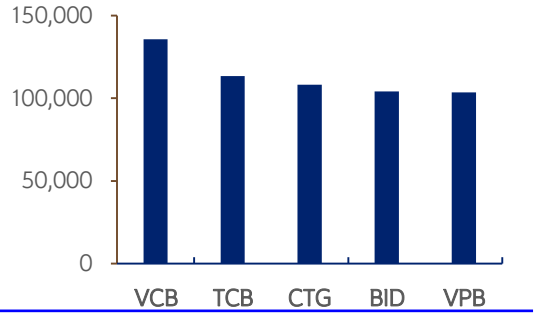
Total equity as of September 30, 2023
~VND1 quadrillion

Top 5 banks with the largest assets (VNDbn)



Source: Company data, Fiinpro, Shinhan Securities Vietnam

Top 5 banks with the largest equity capital (VNDbn)



Source: Company data, Fiinpro, Shinhan Securities Vietnam

Source: Fiinpro, Shinhan Securities Vietnam

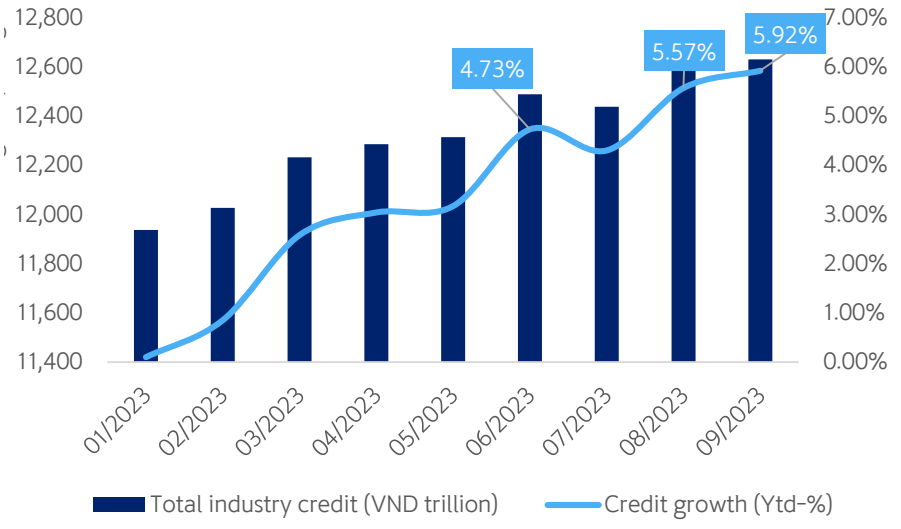
Data extracted at 25/09/2023

2.1 The bank's main business segment slowed down

Part 2.1 – The bank's main business segment slowed down

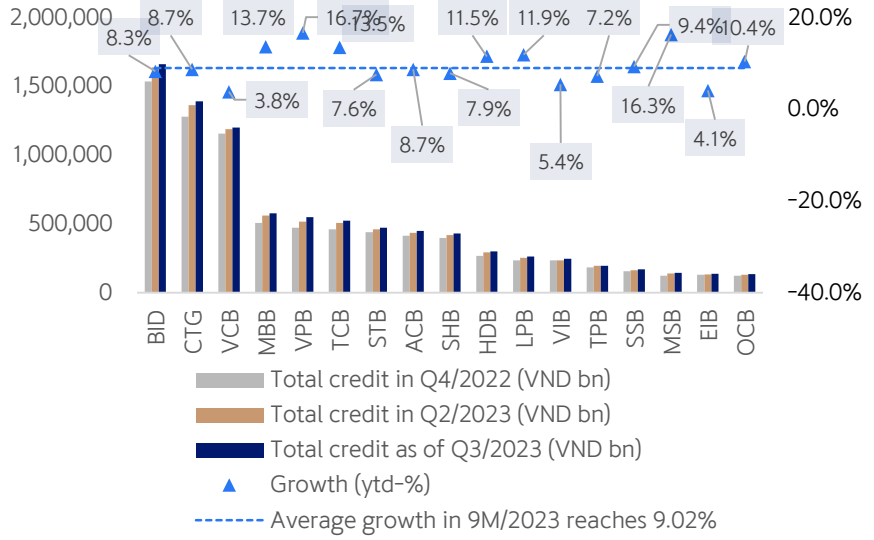
The banking industry's credit portfolio increased slightly

Credit throughout the banking system as of Sep 2023



Source: SBV, Shinhan Securities Vietnam

Credit growth of banks on HOSE in 9M2023



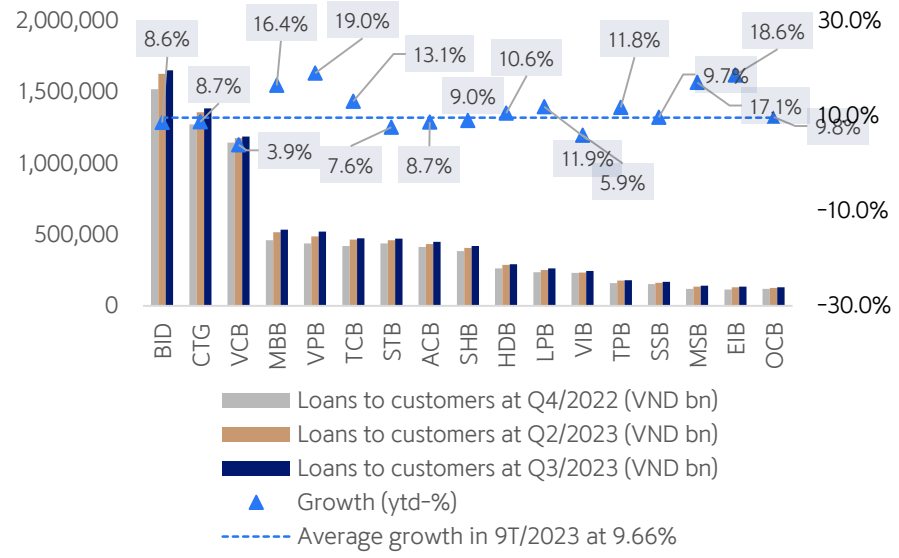
Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

- Credit growth of the entire Vietnamese banking system, according to data from the State Bank, reached a cumulative level of 5.92% in the first 9 months of 2023. Based on data from the 9M/2023 financial statements, the group of banks listed on HOSE, as usual, has a better average growth rate than the whole system, reached about 9.02%. In 9M/2023, the real estate industry support the credit growth of many banks.
- The group of agricultural joint stock commercial banks achieved growth at 7.11%, CTG, BIDV (8.7%, 8.3% respectively) had better growth than VCB (about 3.8%).
- The group of private commercial banks achieved an average of 11.34%. Business results in 9M/2023 showed a strong differentiation among banks, some banks have modest growth such as VIB, EIB (around 4-5%), while banks such as MBB, VPB (coming from the parent bank), TCB, HDB, MSB... had a significantly higher growth rate than the industry average.

Part 2.1 – The bank's main business segment slowed down

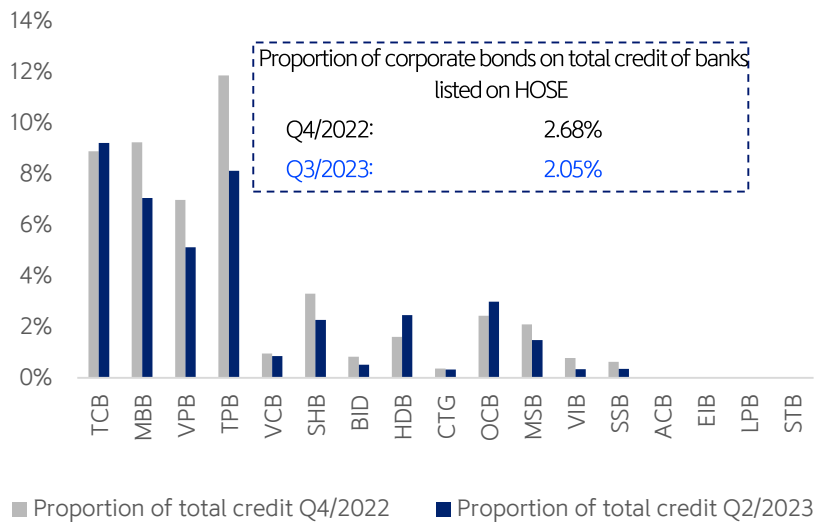
The bank's corporate bond portfolio proactively decreased sharply

Loans to customers of banks at the end of Q3/2023 (VNDbn)



Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

Banks reduce the proportion of corporate bonds (%)



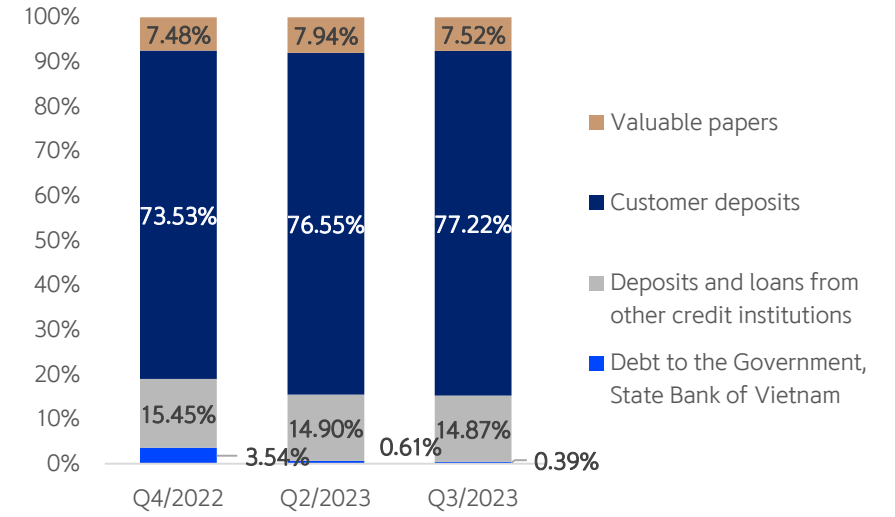
Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

- With rising risks to corporate bonds, commercial banks have simultaneously reduced the proportion of corporate bonds in their total credit. Accordingly, at the end of Q4/2022, corporate bonds accounted for 2.68%, but by Q3/2023 this number was only 2.05%. In terms of absolute value, the total value of corporate bonds of banks listed on HOSE in 9M/2023 decreased by 14.8% compared to the end of Q4/2022. The banking group with the largest proportion of corporate bonds includes TPB, TCB, MBB and VPB (reaching between 5-10%).
- On the contrary, STB, ACB, EIB or LPB do not own any corporate bonds in their credit portfolio. The remaining banks have a relatively small proportion of corporate bonds, accounting for around 1-2% of their total credit portfolio at the end of Q3/2023.
- Customer loans of this banking group have an average growth rate of 9.66% in 9M2023 (compared to the end of Q4/2022).

Part 2.1 – The bank's main business segment slowed down

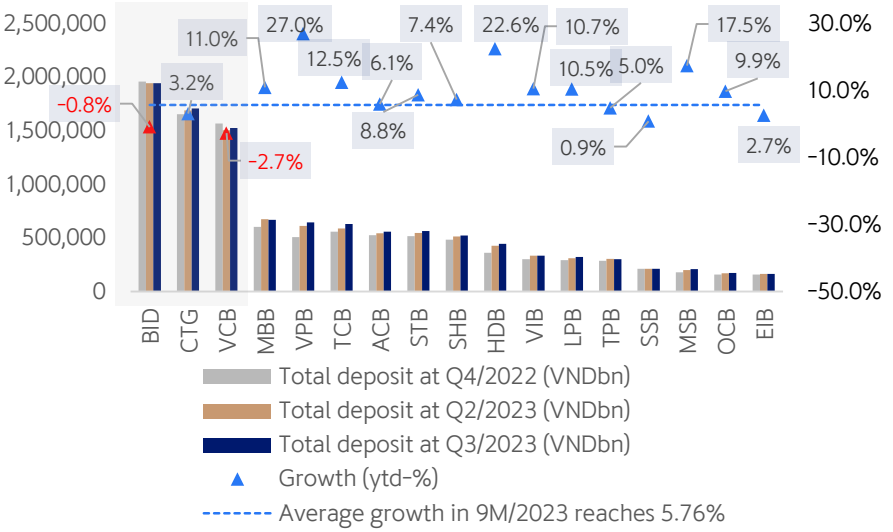
Customer deposits increases the proportion in the mobilization structure

Total deposit structure at the end of Q3/2023



Source: Fiinpro, Financial reports of banks, Shinhan Securities Vietnam

Total deposit growth in 9M2023 (%)



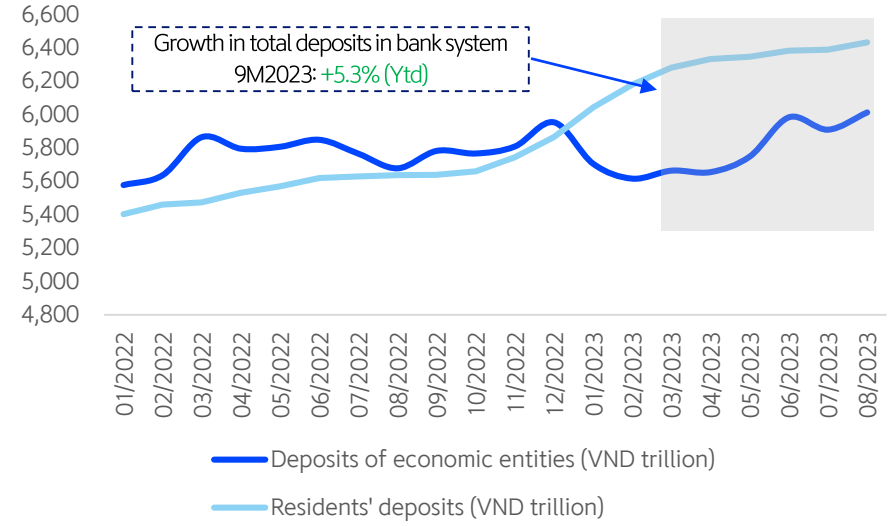
Source: Fiinpro, Financial reports of banks, Shinhan Securities Vietnam

- In the group of banks listed on HOSE, there are some notable changes in the mobilization structure: The proportion of customer deposits increased sharply from 73.53% to 77.22%; The proportion of government debt, the State Bank of Vietnam and deposits and loans from other credit institutions all showed a decline in proportion. This trend is explained by the high deposit interest rates in Q4.2022-Q1.2023, which helps commercial banks mobilize well through customer deposit channels, combined with not strong credit demand, which enable commercial banks to mobilize less capital from interbank and SBV channels.
- Interbank interest rates, from 4-6% at the beginning of 2023, have dropped deeply to trading at around 0-1%, 10-year government bond yields also show the same trend as above. (from 4-5% to trading around 2-3%).

Part 2.1 – The bank's main business segment slowed down

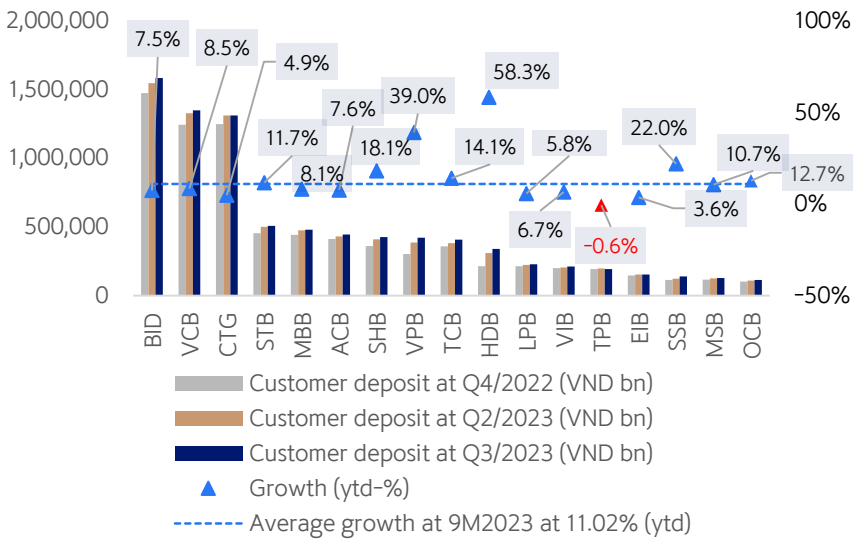
High interest rates help customer deposits increase well at banks

Customer deposits grow well in 9M2023 (VND billion)



Source: SBV, Shinhan Securities Vietnam

Growth of customer deposits at banks on HOSE (%)



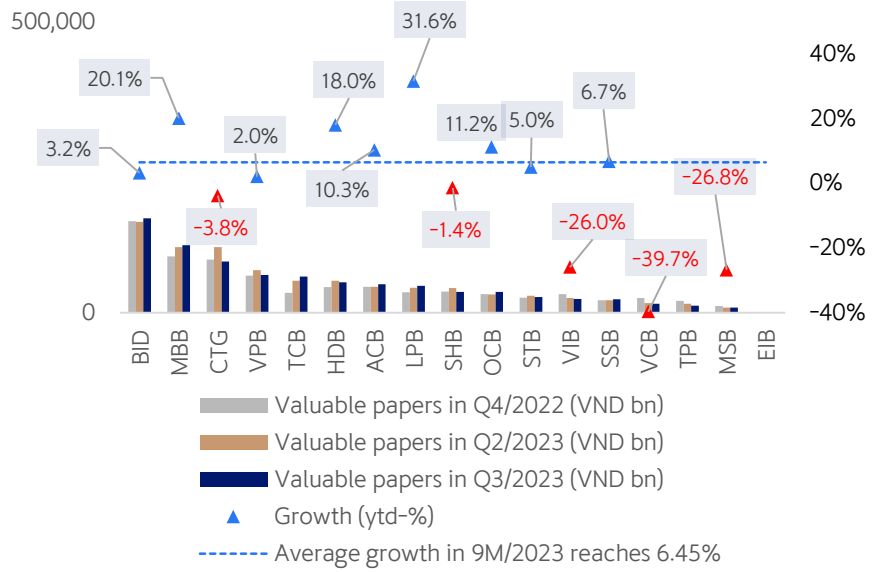
Source: Fiinpro, Financial reports of banks, Shinhan Securities Vietnam

- Based on data from the State Bank, deposit growth in the entire banking system in 9M/2023 reached 5.3% Ytd. A notable trend is that deposits from economic entities have accelerated again in recent months, consistent with the recovery of many industry groups in Vietnam. At the same time, when many commercial banks adjusted to reduce deposit interest rates, deposits from the residential sector also witnessed a slowdown in in Q3/2023.
- Thanks to high deposit interest rates in the first months of the year and unfavorable business conditions for expansion, banks have attracted large amount of capital from customer deposits. In 9M/2023, customer mobilization growth of banks listed on HOSE achieved positive growth (+11.02% Ytd), an outstanding growth compared to 9M/2022 (+4.37% Ytd). VPB and HDB banks have the best customer deposit growth rates in the industry in the first half of 2023, reaching growth of 39.0% and 58.3% Ytd, respectively.

Part 2.1 – The bank's main business segment slowed down

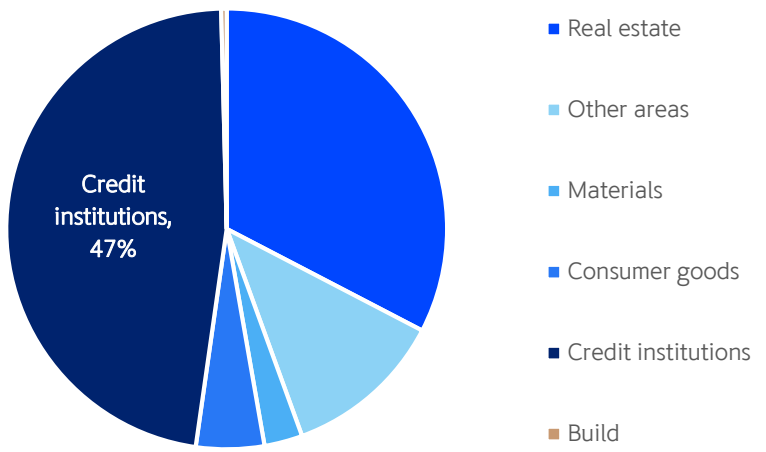
Valuable papers continue to be the bank's preferred mobilization channel

Valuable papers at banks on HOSE at the end of Q3/2023



Source: Fiinpro, Financial reports of banks, Shinhan Securities Vietnam

Proportion of bonds issued in 2023 by sectors



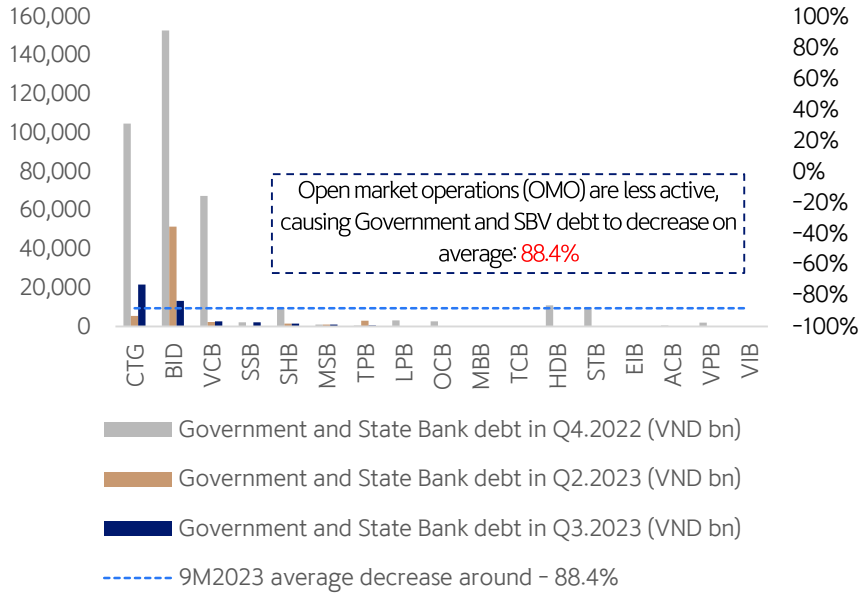
Source: VBMA October report, Shinhan Securities Vietnam

- Bond issuance activities of listed banks in 9M/2023 on HOSE achieved an average growth rate of +6.45% ytd (down from +9.17% Ytd in Q2/2023). When banks able to mobilize capital through customers deposit, some banks such as CTG, VPB, VCB, SHB proactively did not issue new bonds to replace their bonds maturing in Q3/2023.
- On the contrary, TCB issued bonds to improve the ratio of short-term capital for medium and long-term loans, TCB's valuable paper debt balance at the end of Q3/2023 increased by more than 81.8% Ytd.

Part 2.1 – The bank's main business segment slowed down

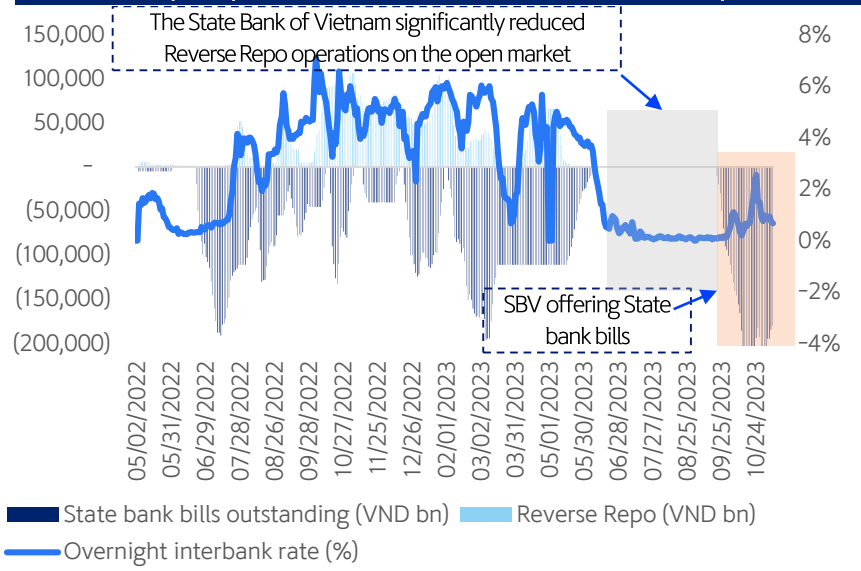
Mobilization through interbank and open market is less active

Government and SBV debt at banks on HOSE as of Q3.2023



Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

Reverse Repo operation of the State Bank from early 2023



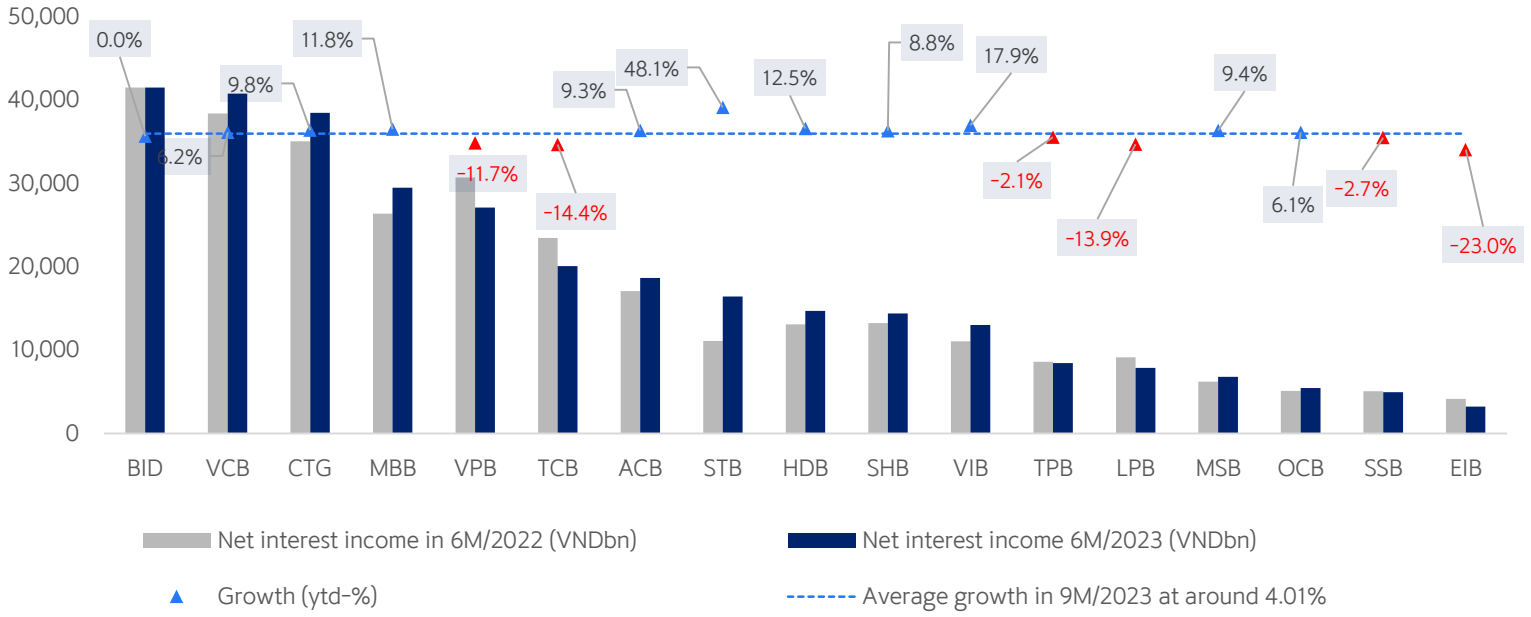
Source: SBV, Fiinpro, Shinhan Securities Vietnam

- After a period of active operations on the open market, the bank's system liquidity has returned to normal. With the short term typical of OMO operations, the Government and State Bank debt balances of commercial banks listed on HOSE have simultaneously decreased deeply (on average at -88.4% compared to the end of Q4/2022).
- In September, the State Bank conducted many treasury bill auctions to temporarily absorb money from the commercial banking system. In our opinion, excess system liquidity and the desire to control exchange rates in the last months of the year when imports start to increase again are the main reasons leading to this decision.

Part 2.1 – The bank's main business segment slowed down

Net interest income of banks increased more slowly than the same period

Net interest income of banks listed on HOSE in 9M2023



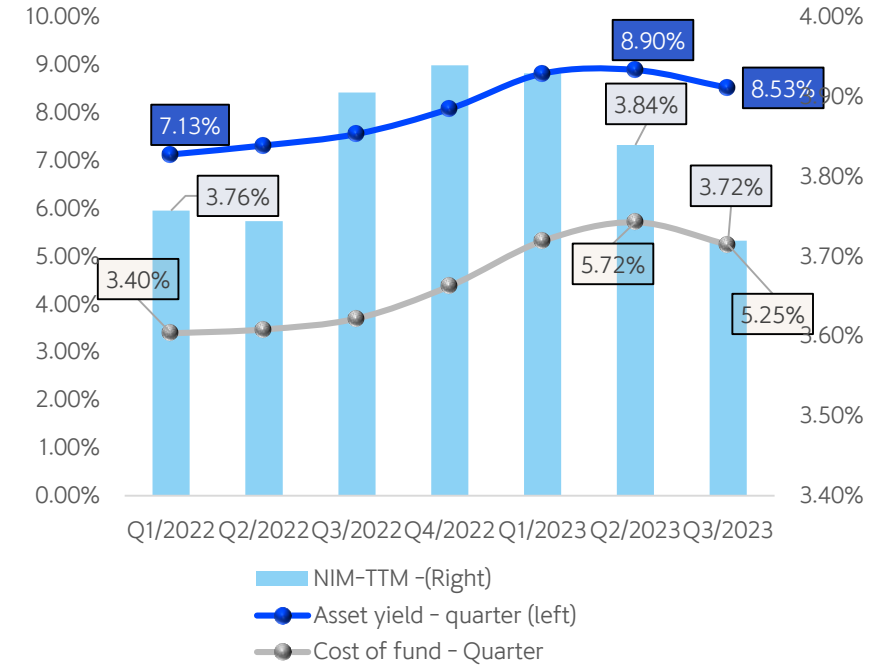
Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

- Net interest income in 9M/2023 of the banking group listed on HOSE grew at a much slower rate than the same period in 2022. More specifically, net interest income in 9M/2023 reached an average increase of about 4.01% (compared to 22.37% of 9M/2022). This low growth rate comes from low credit demand and shrinking NIM.
- TCB Bank has a large decrease in net interest income in 9M/2023 due to a sharp decline in demand deposits (CASA); EIB's downward momentum comes from both credit growth and NIM factors. In addition, VPB, TPB and LPB are also banks with negative net interest income growth in 9M/2023. The increase in deposit interest rates and the decrease in CASA (although there has been a slight improvement in Q3/2023 compared to Q2/2023) cause the bank's average capital cost to increase, affecting the bank's interest income segment.

Part 2.1 – The bank's main business segment slowed down

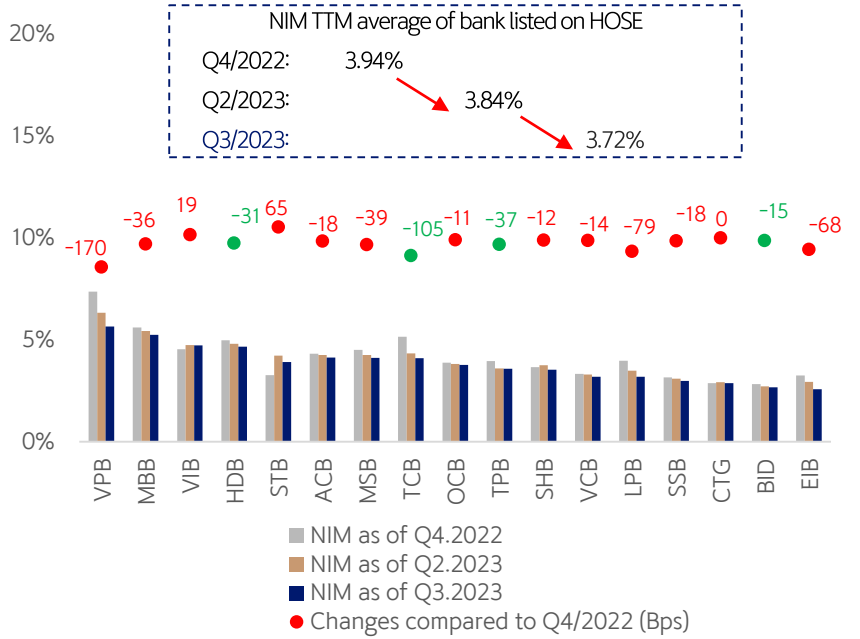
Cost of capital rose and NIM narrowed

Asset yield (IAE), Cost of capital (COF), Net interest margin (NIM) of banks on HOSE in end of Q3.2023



Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

Net profit margin (NIM) – TTM



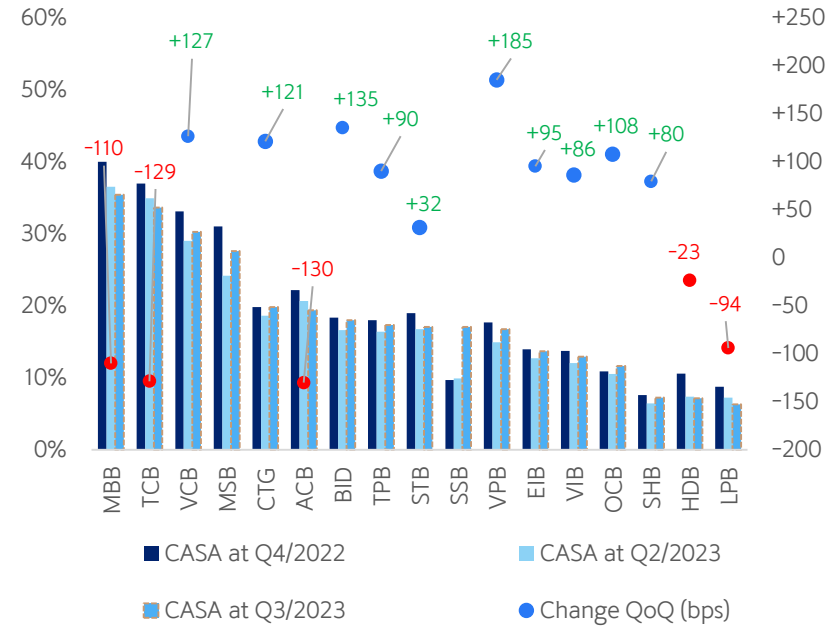
Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

- In detail, annualized COF of the banking group listed on HOSE increased from 4.38% at the end of Q4/2022 to 5.72% at the end of Q2/2023 and annualized IAE meanwhile increased at lower rate from 8.09% at the end of Q4/2022,up to 8.90% by the end of Q2/2023.
- In Q3/2023, annualized COF and IAE started to show a reversing trend, however banks' NIM continued to decrease because loan interest rates were adjusted to decrease faster than the decrease in capital costs in order to stimulate credit demand.
- The most recent 12-month NIM (TTM) of this banking group decreased from 3.94% at the end of Q4/2022 to 3.72% at the end of Q3/2023. Most banks recorded a decrease in NIM in business results for the first 9 months of 2023 except VIB and STB. While STB relied on the restructuring story, VIB took advantage of low interest rates in the interbank market to control the rise of COF.

Part 2.1 – The bank's main business segment slowed down

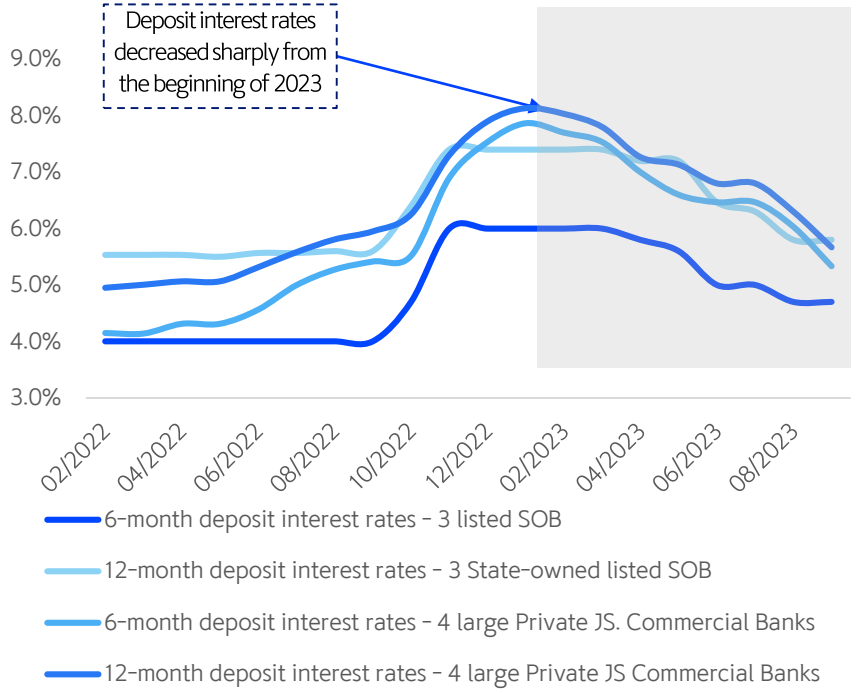
CASA has recovered slightly, although it is still worse than at the end of 2022

CASA of banks by the end of Q3/2023



Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

Deposit rates of banks trending down (%)



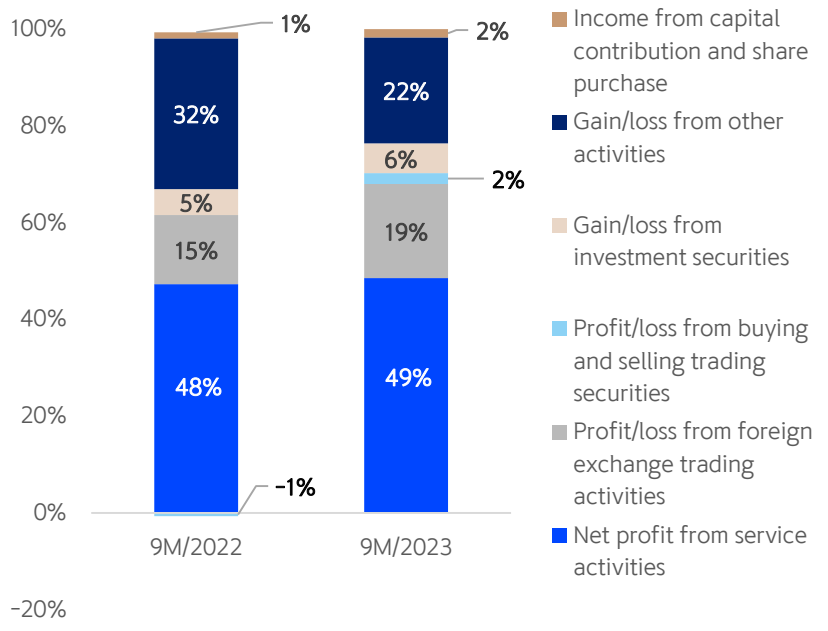
Source: Website of banks, Shinhan Securities Vietnam

- Deposit interest rates, after many consecutive cuts, have gradually returned to the base interest rate of the first half of 2022. Deposit interest rates for 6-12 month terms are being adjusted down to around 4.5-5.5%/year (deep decrease compared to the peak area of 6.0-8.3%)
- With deposit interest rates falling sharply and no longer as attractive as at the beginning of the year, the CASA ratio of this banking group has shown signs of recovery. On average, the CASA rate at the end of Q3/2023 increased by 72bps compared to the average rate at the end of Q2/2023 (although still down 168bps compared to the end of 2022).

Part 2.1 – The bank's main business segment slowed down

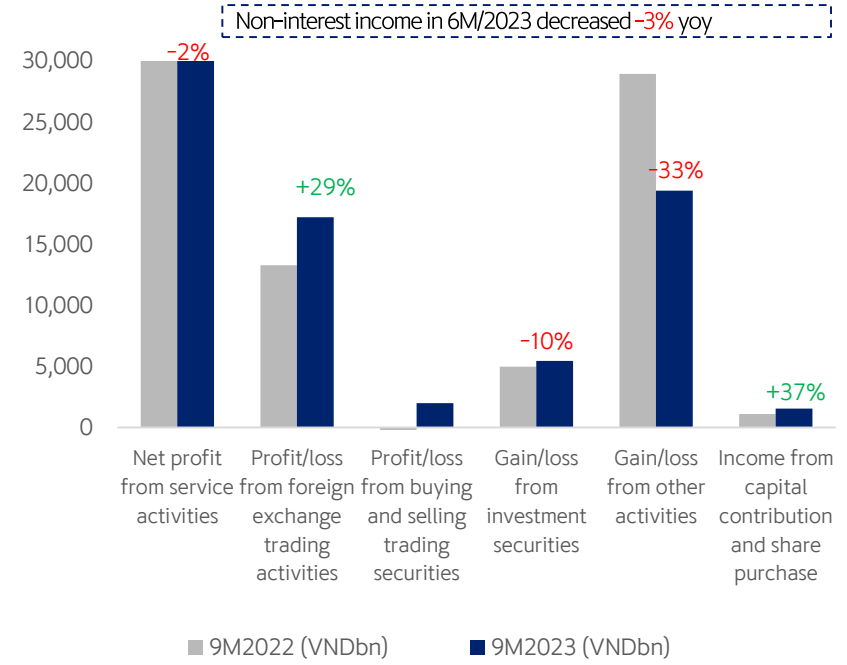
The bank's non-interest income decreased slightly

Structure of the bank's non-interest income on HOSE at the end of Q3/2023



Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

Divergence among non-interest incomes segments in 9M2023



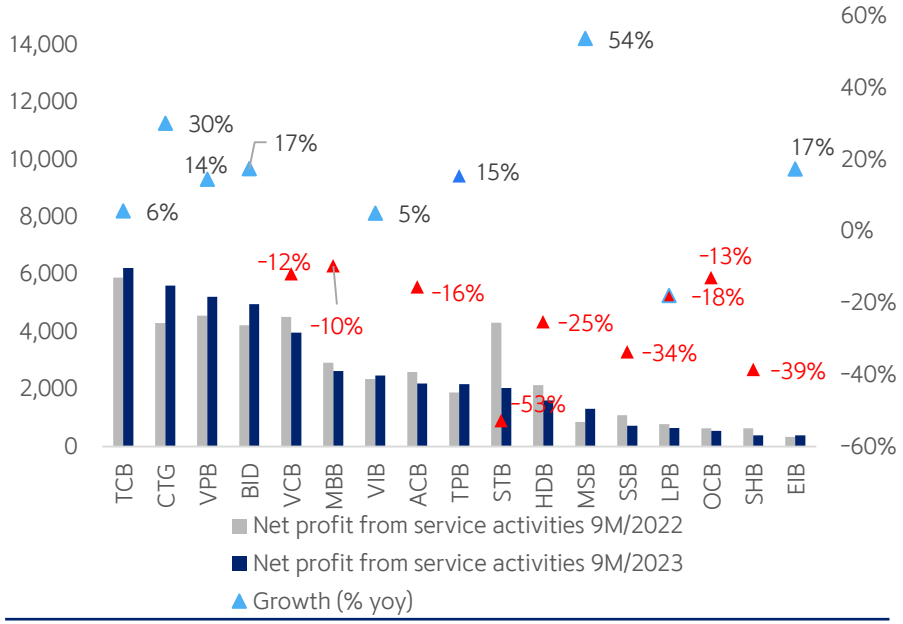
Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

- Non-interest structure of banking stocks listed on HOSE 9M/2023 with nearly 50% contribution from service activities and fee income. In the first 9 months of 2023, service income, other income and investment securities income witnessed negative growth compared to the same period in 2022. Meanwhile, the stock market rebounded from the bottom, helping the trading income of banks. Trading securities of the banking group from loss to profit in 9M/2023. Foreign exchange business also had good growth, about 29% over the same period last year.

Part 2.1 – The bank's main business segment slowed down

The bank's fee income faces many obstacles

Bank fee income in 9M/2023 (VNDbn)



Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

The insurance industry was negatively affected in 9M/2023

9M2023	Fee revenue (VNDbn)	Growth (%)
Insurance premium revenue	**165,600**	**-6.9%**
Non-life insurance premium revenue	52,200	2.6%
Life insurance premium revenue	113,400	-10.7%
Life insurance	**Proportion**	**Growth (%)**
New contracts	**100%**	**-31.3%**
Investment-linked insurance products	61.20%	-34.4%
Unit-linked insurance products	16.20%	-52.5%
Term insurance products	30.70%	-17.6%
Mixed insurance products	0.70%	-48.9%
Remaining products	7.40%	-44.9%

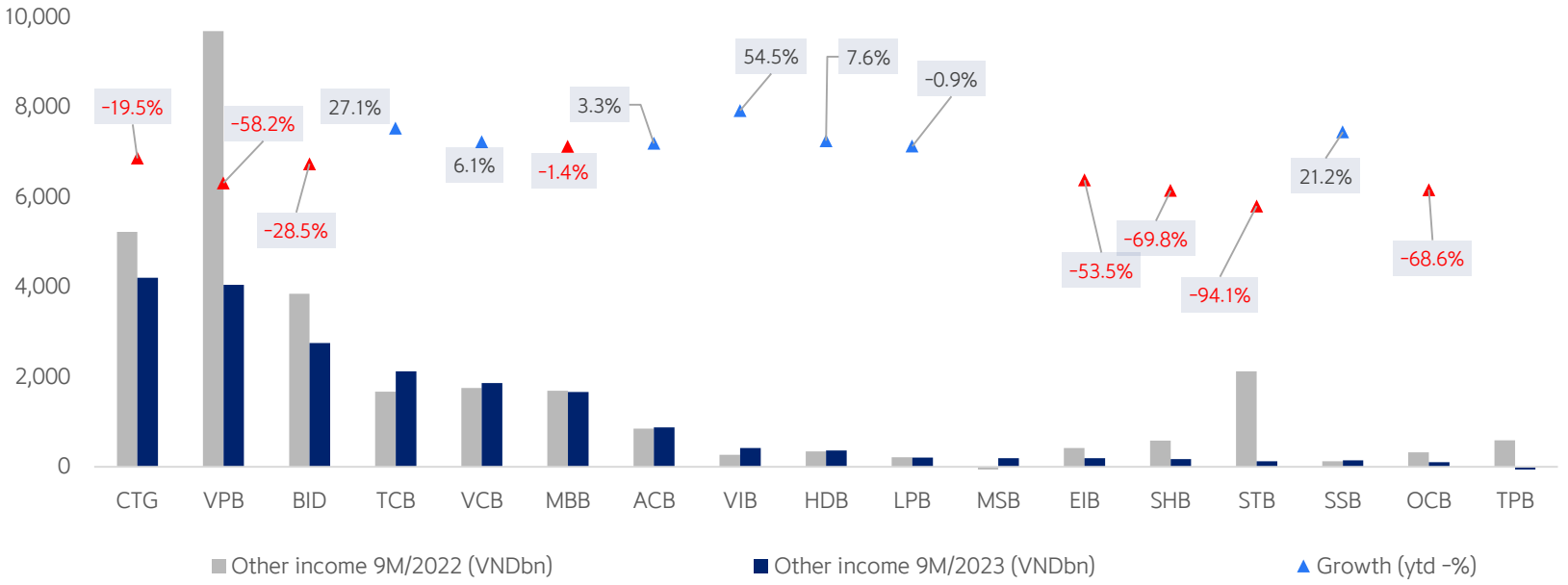
Source: AVI, Shinhan Securities Vietnam

- Fee income of banks listed on HOSE in 9M/2023 decreased slightly -3.3% over the same period (in 9M/2022 increased at 22.07%). The slowdown in fee income has a significant contribution from insurance-related fee income. At the beginning of 2023, many problems related to life insurance and investment-linked products have negatively affected market sentiment, causing this service segment to have negative growth.
- The bright side of the service segment comes from card and payment services in our cover bank stocks all grew well. According to SBV, non-cash payments increased by more than 51% in volume in the first 7 months of 2023. Domestic credit cards increased by 42.5% over the same period.

Part 2.1 – The bank's main business segment slowed down

Other income lacks many one-off incomes

Other income of banks decreased sharply in M/2023



Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

- The bank's other income decreased on average by more than -33.0% in 9M/2023 YoY. Most notable is VPB, compared to the same period, this bank recorded a Bancasurance prepayment fee of more than 5,000 billion VND in Q1/2022 and caused income in 9M/2023 to drop more than 57.9%. STB in the same period had other income of nearly 1,500 billion from liquidation of fixed assets. On a more positive note, TCB sold its old headquarters building in Hanoi, helping bring this bank 1,700 billion VND, other income increased by more than 62% YoY.
- The decline in other income comes from a number of factors such as while compared to the same period in 2022 there were exclusive Bancasurance deals such as VPBank with AIA Vietnam or CTG with Manulife Vietnam, the first half of 2023 with difficulties from The life insurance market has had no new exclusive deals signed. HDB's exclusive bancasurance deal expected in 2023 will likely take place in 2024.
- In addition, difficult business conditions also contribute to the difficulties to resolve debt, handle risks, and liquidate assets in 2023.

Part 2.1 – The bank's main business segment slowed down

The bank controls operating costs in the context of slow income growth

CIR is strictly controlled by the bank in 9M/2023



Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

The operating efficiency of banks decreased slightly in 6M/2023

MCK	ROE TTM in Q4/2022 (%)	ROE TTM in Q2/2023 (%)	Change (bps)
ACB	26.49%	24.33%	-216
BID	19.09%	17.87%	-122
CTG	16.74%	15.90%	-85
EIB	15.40%	8.45%	-695
HDB	22.21%	21.11%	-110
LPB	22.08%	14.48%	-759
MBB	24.61%	22.81%	-179
MSB	18.96%	21.53%	+257
OCB	14.91%	17.32%	+241
SHB	19.65%	16.29%	-336
SSB	16.32%	12.59%	-546
STB	13.83%	17.88%	+405
TCB	19.52%	14.44%	-508
TPB	21.50%	17.42%	-409
VCB	23.99%	23.37%	-63
VIB	29.75%	26.69%	-305
VPB	19.14%	9.69%	-945
Average	**20.25%**	**17.77%**	**-257**

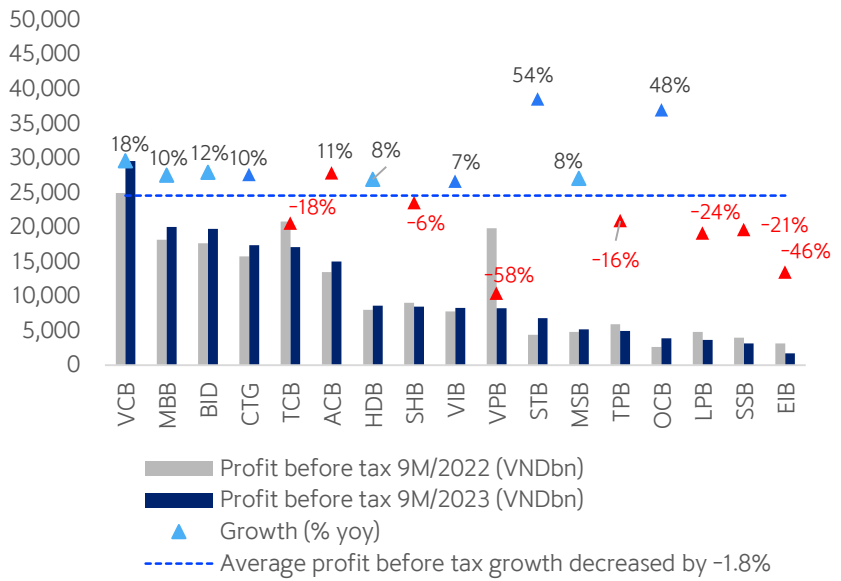
Source: Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

- CIR of banks in 9M/2023 is mostly around 35-36%. In the context of slowing industry growth, the banks in our research all showed efforts to control operating costs to maintain the CIR ratio at an appropriate level. The bank's SG&A costs in 9M/2023 decreased by 7.9% YoY.
- ROE of banks decreased from 20.25% in Q4/2022 to 17.77% in Q3/2023, a decrease of 257 bps. MSB, OCB and STB are the few banks that improved their ROE coefficient in 9M/2023. The remaining banks all recorded a decrease in operating efficiency.

Part 2.1 – The bank's main business segment slowed down

Pre-tax profit decreased slightly but in line with the bank's forecast

The bank's profit before tax in 9M/2023



Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

Profit before tax compared to banks' target plans for 2023

Stock	PBT 9T/2023 (VNDbn)	PBT plan for 2023 (VNDbn)	% target
ACB	15,024	20,058	75%
BID	19,755	26,461 *	75%
CTG	17,401	24,088 *	72%
EIB	1,712	5,000	34%
HDB	8,632	13,197	65%
LPB	3,687	6,000	61%
MBB	20,019	26,100	77%
MSB	5,223	6,300	83%
OCB	3,915	6,000	65%
SHB	8,498	10,600	80%
SSB	3,156	5,600	56%
STB	6,840	9,500	72%
TCB	17,115	22,000	78%
TPB	4,959	8,700	57%
VCB	29,550	42,973 *	69%
VIB	8,325	12,200	68%
VPB	8,279	24,003	34%
Total	**182,379**	**268,780**	**68%**

Source: The banks' resolutions, Shinhan Securities Vietnam

* BID, CTG set PBT growth target around 10-15%, VCB's target from 15%. These numbers are calculated by 15% growth.

- In terms of PBT, the banking group listed on HOSE recorded a negative growth of -1.8% yoy in 9M/2023 (compared to an increase of 40.54% yoy as of 9M/2022). PBT of 9M2023 decreased slightly due to many factors including: weak credit growth, narrowing NIM, weak growth in non-interest income, lack of one-time upfront payment income from bancassurance contracts, provisioning costs increased due to non-performing loan pressure.
- However, the management of banks had anticipated the difficult situation of 2023, the target plan approved at the AGM from the beginning of the year was more cautious than the previous year. Overall, this group of listed banks after 9 months reached 68% of the yearly plan. With the economic situation showing many signs of improvement, the ability to achieve the yearly target plan is possible for many banks.

2.2

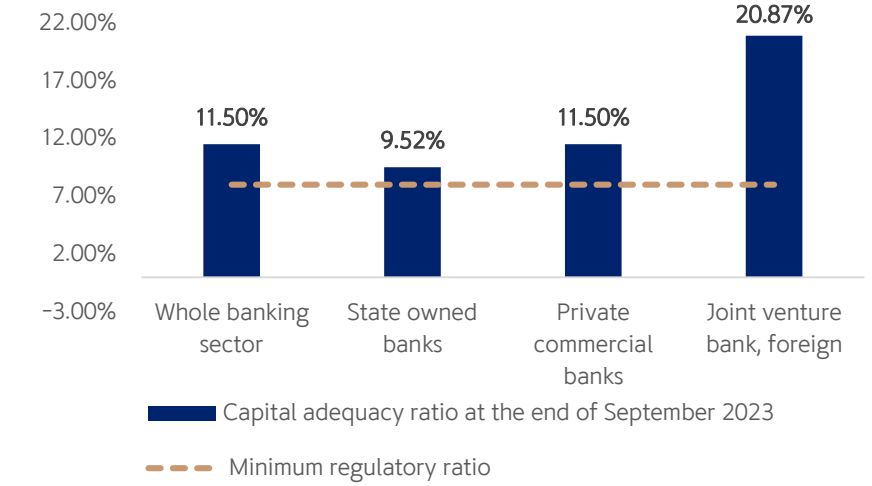
Bank asset quality declined

The banking group on HOSE simultaneously showed a decline in asset quality. The Non-performing loan ratio increased in all banks in this group, and the provision buffer has also become much thinner compared to the end of 2022.

Part 2.2 – Bank asset quality declined

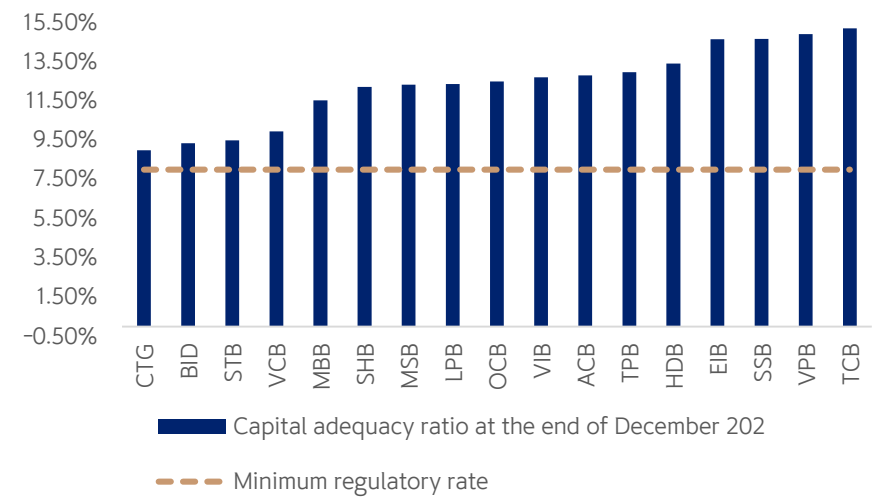
Capital adequacy ratio improved in large banking group

Capital adequacy ratio (CAR) of the entire banking system at the end of September 2023



Source: SBV, Shinhan Securities Vietnam

The bank's capital adequacy ratio on HOSE at the end of December 2022



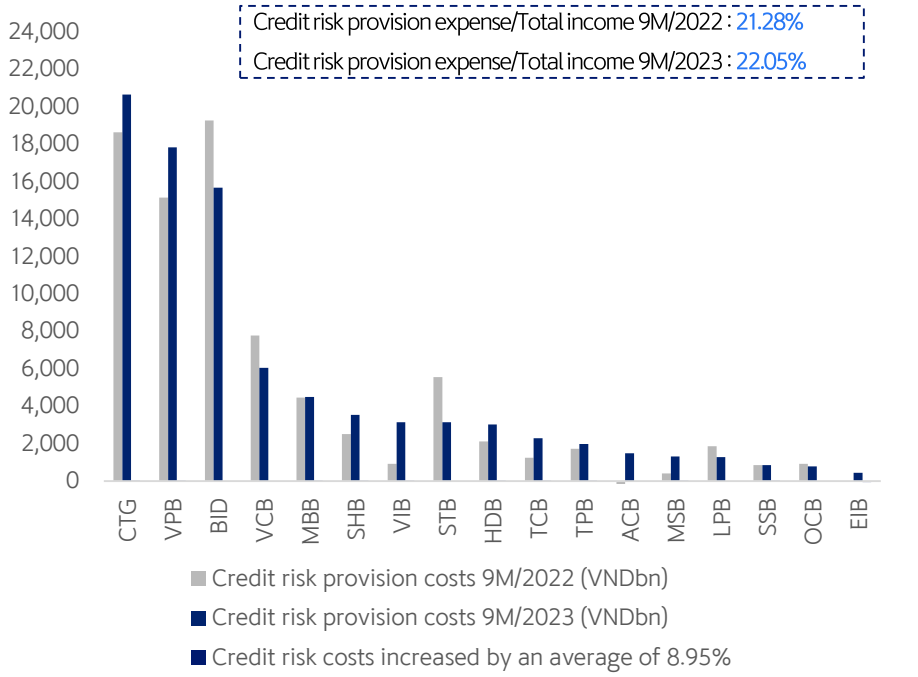
Source: SBV, Shinhan Securities Vietnam

- The capital adequacy ratio in general does not change much compared to the end of 2022. Considering the whole system, the capital adequacy ratio reaches 11.50%, higher than the 8% requirement of the State Bank of Vietnam.
- In which, the group of State-owned banking group has the lowest capital adequacy ratio, reaching about 9.52% (a slight increase from 9.04% from the end of 2022). The group of private commercial banks decreased slightly from 12.29% to 11.50%.
- Beside the state-owned banking group, STB is also a bank with a low capital adequacy ratio compared to the industry average. It is expected that after successfully completing the restructuring project (expected by the end of 2023), this bank will increase charter capital to improve this ratio.

Part 2.2 – Bank asset quality declined

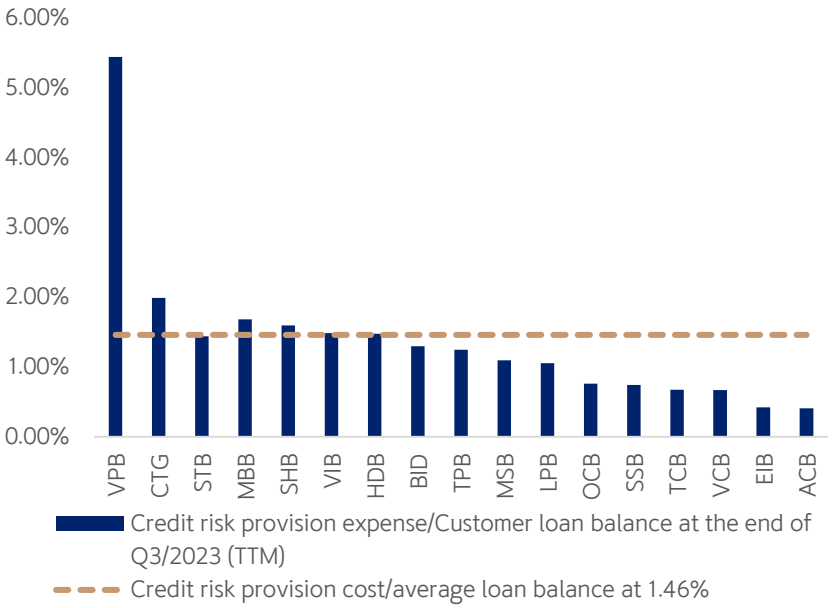
Provision costs continue to increase due to Non-performing loan pressure

The bank's provisioning costs in 9M/2023



Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

Provision expenses TTM/customer loan balance in Q3/2023



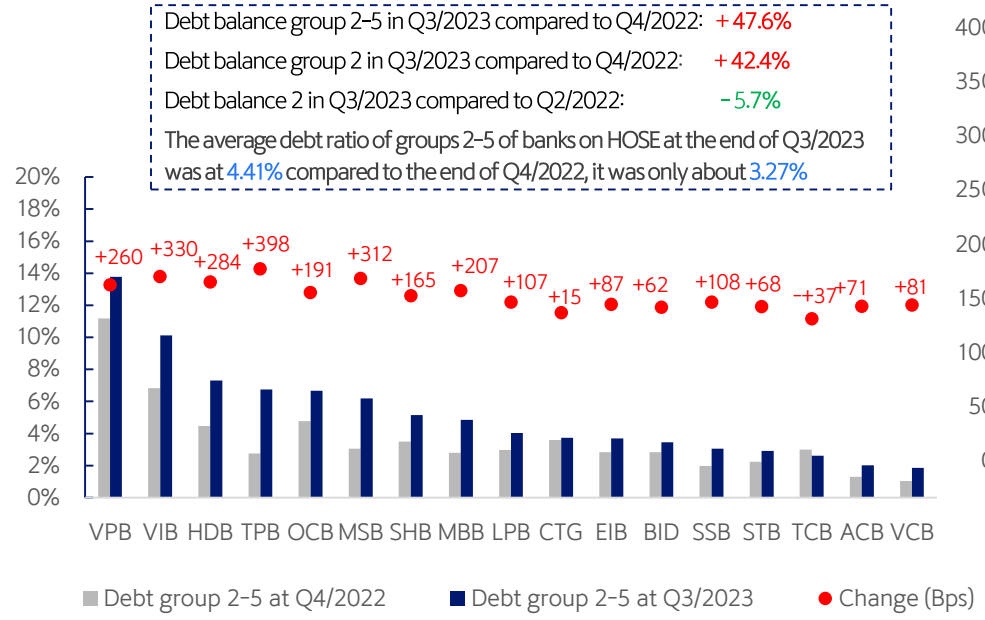
Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

- With the bank's total operating income growing less positively in 9M/2023, along with increasing pressure from non-performing loan, credit risk provision costs/Total operating income increased from 20.39% to 21.28%. In absolute terms, credit risk expense increased by an average of 5.70% in the 9 months of 2023. The credit expense increase is lower than the increase of NPL. Especially banks with good provision buffers, these banks had taken advantage of high provision to limit recording provision costs during the period.
- Provisioning costs/average loan balance stayed still compared to the end of 2022, remaining at 1.45%. VPB with its consumer finance subsidiary Fe Credit was the bank with the highest ratio of provisioning expenses/consolidated loan balance among the group of 17 banks listed on HOSE.

Part 2.2 – Bank asset quality declined

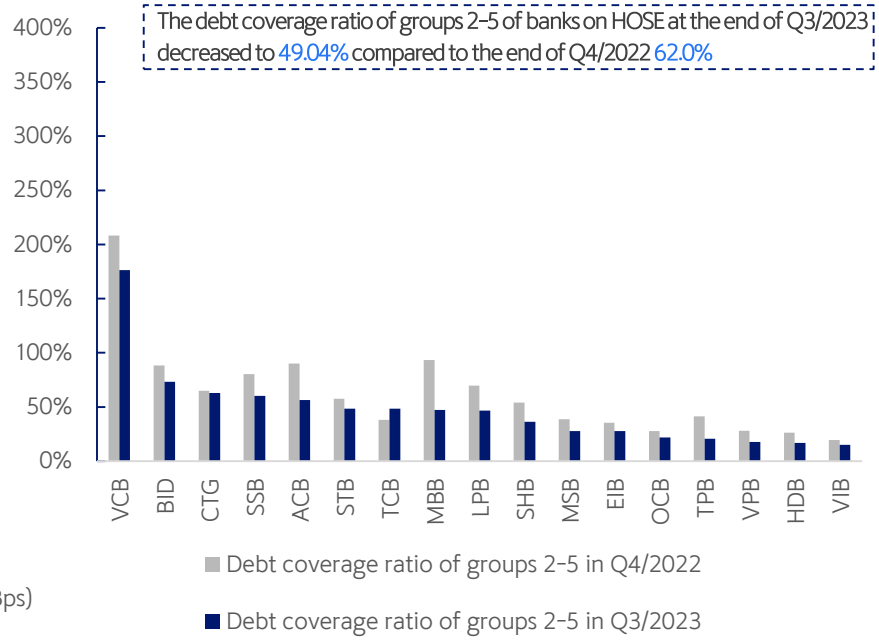
Group 2 debt increased rapidly, banks' NPL ratio was still under pressure in short term

Outstanding debt in group 2-5 at banks on HOSE at the end of Q3/2023



Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

Debt coverage ratio of group 2-5 of banks on HOSE at the end of Q3/2023



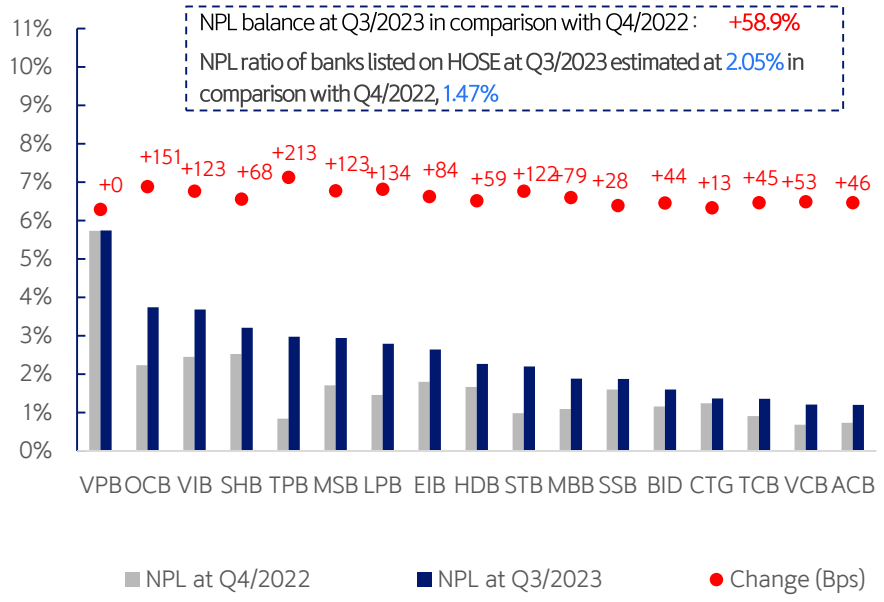
Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

- In the debt structure of banks, group 2 outstanding debt at the end of Q3/2023 increased sharply by about 42.4% compared to the end of 2022. We forecast this upward trend to continue to put pressure on NPL of the bank in the following quarters before showing signs of recovering in 2024. The positive point is that group 2 outstanding debt in Q3/2023 has decreased by 5.7% compared to Q2/2023.
- The coverage ratio of debt groups 2-5 at the end of Q3/2023 was stayed at 47.8% compared to 62.0% at the end of 2022. VCB stands out the most with the loan coverage ratio of groups 2-5 reaching more than 176%, this is the only bank with a ratio of over 100% among the group of banks on HOSE.

Part 2.2 – Bank asset quality declined

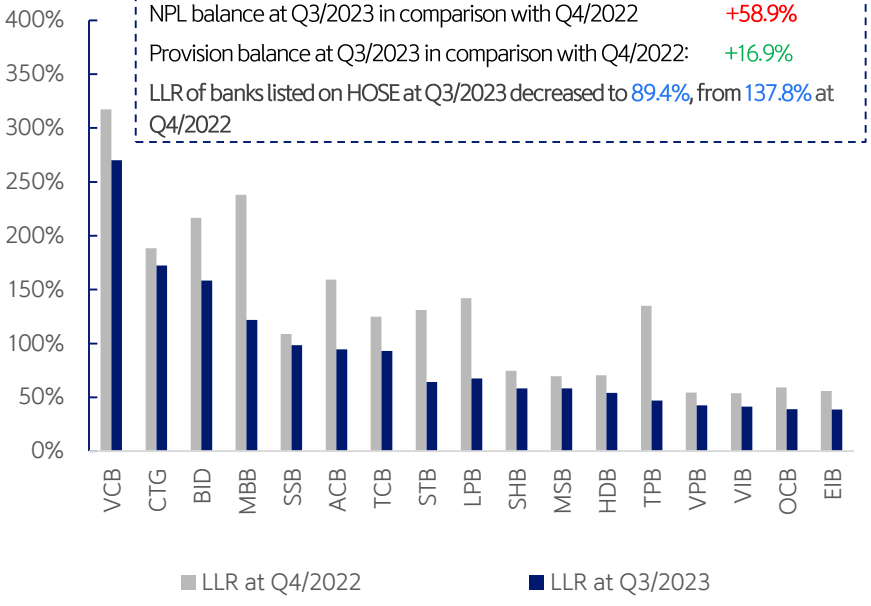
Group 2 debt increased rapidly, banks' non-performing loan ratio was under increasing pressure

Non-performing loan (NPL) of banks on HOSE at the end of Q3/2023



Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

Loan loss coverage ratio (LLR) of banks on HOSE at the end of Q3/2023



Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

- With decreasing consumer demand, affected export orders, lack of positivity in the real estate market along with rising interest costs, NPL ratio of banks listed on HOSE increased from 1.47% by the end of 2022 to 2.05% by the end of Q3/2023. NPL of all 17 banks at the end of the second quarter of 2023 all increased simultaneously.
- The loan loss coverage ratio (LLR) of banks had also thinned substantially, from an average of 137.8% at the end of Q4/2022 to about 89.4% at the end of Q3/2023. However, overall, the LLR buffer still remained around 100%. The group of banks with low provision buffers such as VIB, VPB, EIB, OCB,... could face pressure to record large provision expenses if NPL continues to increase.

2.3

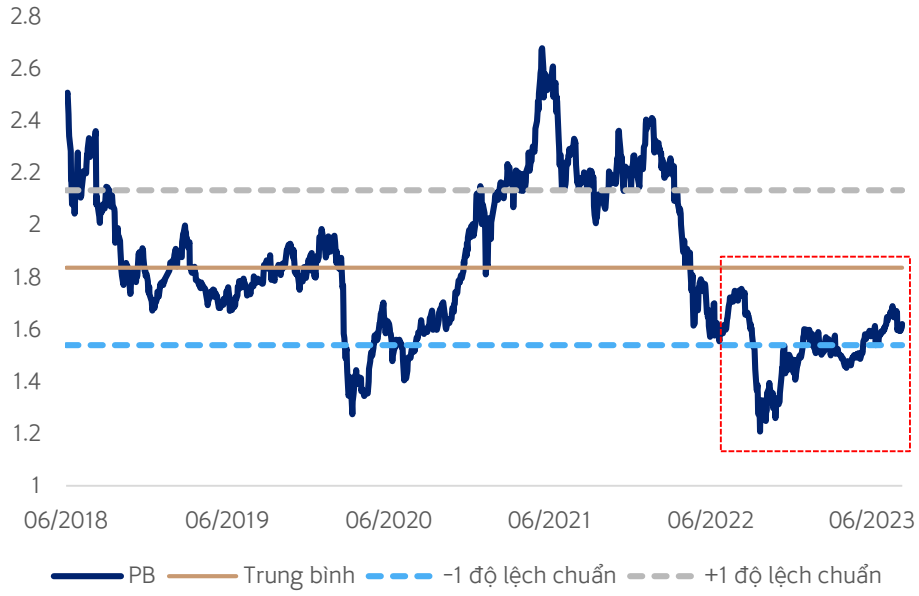
Banks' valuation is still in attractive territory

Although the current P/B valuation of banks listed on HOSE has increased to some extent compared to the end of 2022, it is still lower than the average valuation of the most recent 5 years.

Part 2.3 –Banks' valuation is still in attractive territory

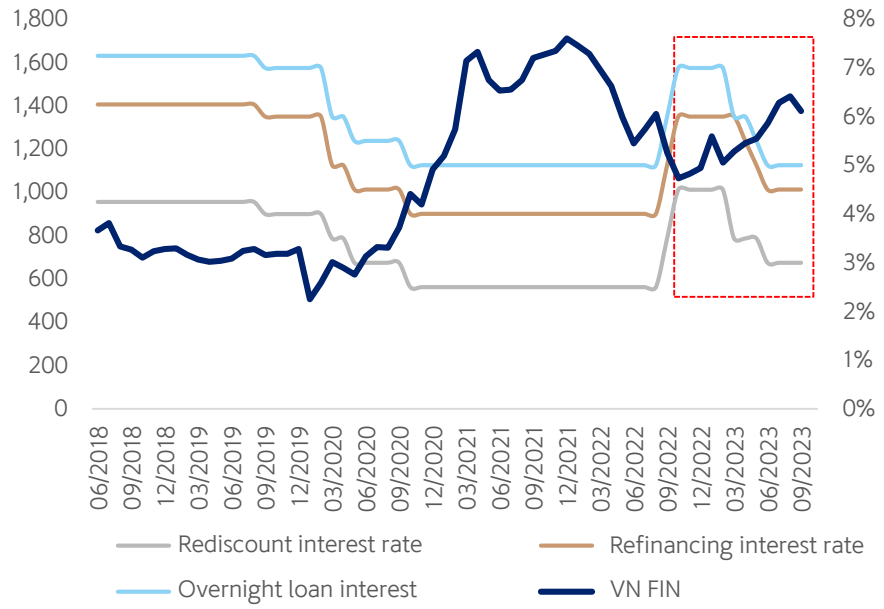
Banks' valuations are still lower than the average of the last 5 years

Valuation of banks on HOSE (P/B)



Source: Bloomberg, Shinhan Securities Vietnam

Policy interest rate and VN FIN index



Source: SBV,Fiinpro , Shinhan Securities Vietnam

- Based on Bloomberg data, the banking group's valuation has improved and currently traded at Price-to-Book around 1.62x, up from 1.5x at the end of Q1/2023. However, the valuation of the entire banking industry is still around -1 standard deviation below the 5-year-average (1.83x).
- The reduction of policy interest rates and the reduction of deposit interest rate ceilings for many months have helped the valuation level improve, but cautious sentiment is still present when pressure on non-performing loans, slow credit growth and the economy in general still faces many obstacles in short term.

2.4

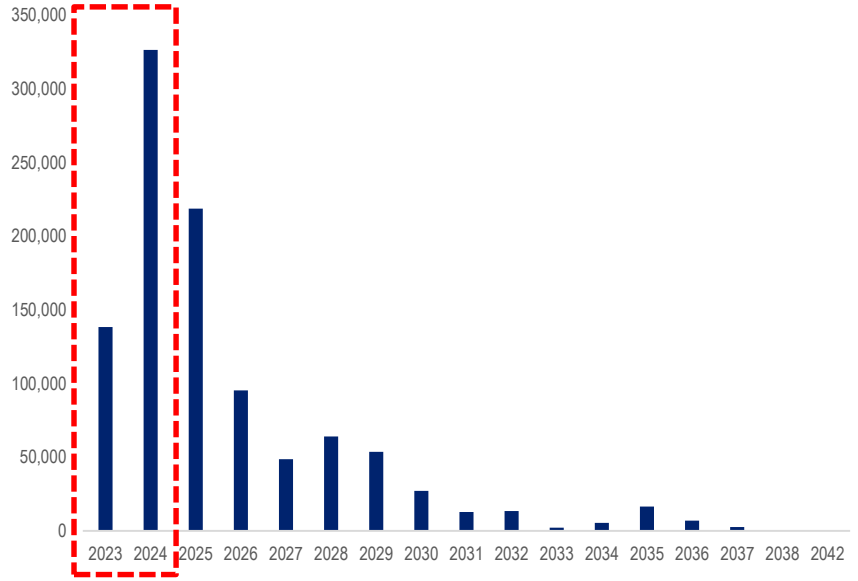
Risks from the corporate bond market still exist

Decree 08/2023/ND-CP allows issuers to negotiate with bondholders to postpone debt repayment periods and change some bond terms, helping a large number of corporate bonds to be extended by 12 months - 24 months. With bond value largely concentrated in 2024, this will continue to be an issue that needs attention in the near future.

Part 2.4 – Risks from the corporate bond market still exist

Corporate bond risks are concentrated at the end of 2024

Corporate bonds by maturity date updated at the end of June 30, 2023 (VNDbn)



Source: HNX, Shinhan Securities Vietnam

Value of corporate bonds maturing in 2023-2024 (VNDbn)



Source: HNX, Shinhan Securities Vietnam

- According to updated data at the end of June 30, 2023, the value of outstanding bonds is estimated by us to be about 1,043 trillion VND. This number has been additionally adjusted for bonds that have delayed bond interest payments or successfully extended their maturity date.
- The value of outstanding bonds maturing is largely concentrated in the period 2023-2024, with our estimate at about 481 trillion VND (accounting for about 46.1% of the total bond value of the entire market). With the value of corporate bonds largely focused on maturing in the next 1-2 years, we believe that pressure will remain high even though many businesses have successfully negotiated to extend debt repayment time – usually around 12-24 months compared to the original term.
- Corporate bonds, especially real estate businesses, have been extended until the end of 2024, but if the real estate market does not recover and bring positive operating cash flow, the NPL of the banks could be affected negatively.

03

Many positive trends await in 2024

GDP growth in 2024 returns to 6% growth, credit growth reaches 13-14%. Pre-tax profits of banks listed on HOSE are expected to grow by 17%. The bank's valuation continues to be attractive in the long term.

Part 3 – Many positive trends await in 2024

Vietnam's economy is forecast by many parties to recover in 2024

Consensus projections of some economies around the world for the period 2023-2025

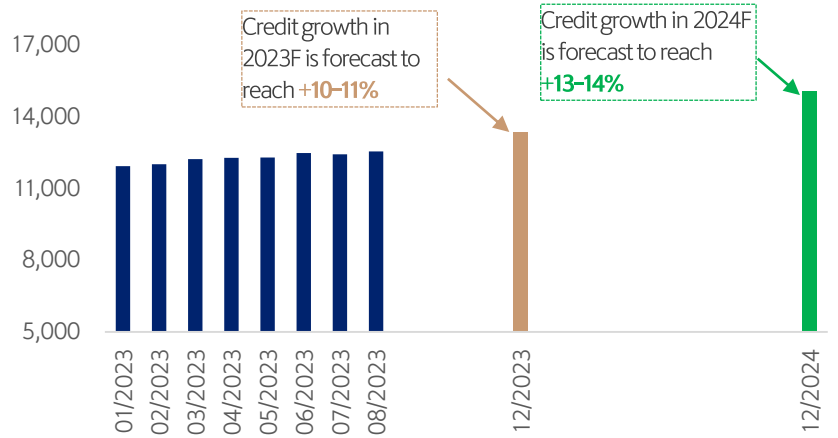
Index	Real GDP			CPI			Unemployment rate		
Country/year	**2023**	**2024**	**2025**	**2023**	**2024**	**2025**	**2023**	**2024**	**2025**
Vietnam	**5.0 %**	**6.4 %**	**6.7 %**	**3.0 %**	**3.0 %**	**3.5 %**	**2.4 %**	**2.4 %**	**2.8 %**
China	5.1 %	4.5 %	4.5 %	0.6 %	1.9 %	2.0 %	5.3 %	5.0 %	5.0 %
Hong Kong	4.0 %	3.0 %	2.9 %	2.0 %	2.2 %	2.3 %	3.1 %	3.0 %	3.0 %
India	7.0 %	6.1 %	6.3 %	6.6 %	5.4 %	4.6 %			
Indonesia	5.0 %	5.0 %	5.2 %	3.7 %	3.0 %	3.0 %	5.5 %	5.4 %	5.2 %
South Korea	1.2 %	2.2 %	2.5 %	3.4 %	2.2 %	2.0 %	2.9 %	3.2 %	3.3 %
Malaysia	4.0 %	4.5 %	4.5 %	2.9 %	2.5 %	2.2 %	3.5 %	3.3 %	3.3 %
Phillipines	5.2 %	5.8 %	6.1 %	5.6 %	3.2 %	3.1 %	5.0 %	5.0 %	5.0 %
Singapore	1.1 %	2.5 %	3.0 %	4.9 %	3.0 %	1.9 %	2.0 %	2.1 %	2.0 %
Taiwan	0.9 %	2.9 %	2.6 %	2.1 %	1.5 %	1.8 %	3.6 %	3.5 %	3.6 %
Thailand	3.0 %	3.6 %	3.1 %	1.8 %	2.0 %	1.6 %	1.1 %	1.1 %	1.1 %
USA	2.0 %	0.9 %	1.9 %	4.1 %	2.6 %	2.3 %	3.7 %	4.3 %	4.3 %
Japan	1.8 %	1.0 %	1.0 %	3.1 %	1.9 %	1.4 %	2.6 %	2.5 %	2.3 %
Euro	0.6 %	0.9 %	1.5 %	5.6 %	2.7 %	2.1 %	6.5 %	6.7 %	6.7 %
United Kingdom	0.3 %	0.5 %	1.5 %	7.5 %	3.0 %	2.0 %	4.1 %	4.5 %	4.2 %
Canada	1.4 %	0.8 %	2.0 %	3.8 %	2.4 %	2.0 %	5.4 %	6.1 %	6.2 %
Australia	1.5 %	1.5 %	2.2 %	5.5 %	3.2 %	2.6 %	3.7 %	4.5 %	4.6 %
Sweden	-0.5 %	0.6 %	2.0 %	8.4 %	2.8 %	2.0 %	7.6 %	7.9 %	7.7 %
New Zealand	0.7 %	1.0 %	2.3 %	5.4 %	2.7 %	2.1 %	3.8 %	4.9 %	5.0 %
Switzerland	0.8 %	1.3 %	1.6 %	2.3 %	1.5 %	1.4 %	2.1 %	2.2 %	2.1 %
Denmark	1.1 %	1.3 %	1.5 %	4.0 %	2.8 %	2.1 %	5.1 %	5.3 %	
Norway	1.2 %	0.9 %	1.4 %	5.7 %	3.0 %	2.3 %	3.6 %	3.7 %	3.4 %
Germany	-0.3 %	0.8 %	1.5 %	6.1 %	2.9 %	2.1 %	5.6 %	5.6 %	5.3 %
France	0.7 %	1.0 %	1.4 %	5.7 %	2.7 %	2.1 %	7.2 %	7.3 %	7.1 %
Italy	0.9 %	0.7 %	1.2 %	6.2 %	2.2 %	1.9 %	7.9 %	8.0 %	8.0 %

Source: Bloomberg Consensus, Shinhan Securities Vietnam

- We forecast that Vietnam's economy will witness recovery from many industry groups in the rest of the year, however we believe that Vietnam may only achieve growth of about **+5.0%** for the entire year 2023.
- The economy will rebound in 2024 and we forecast a return to growth **+6.0%,** similar to market consensus. CPI is controlled at a level **3%-3.5%** in 2024 in the context that many central banks in the world have reached the end of the cycle of increasing interest rates in the near future.

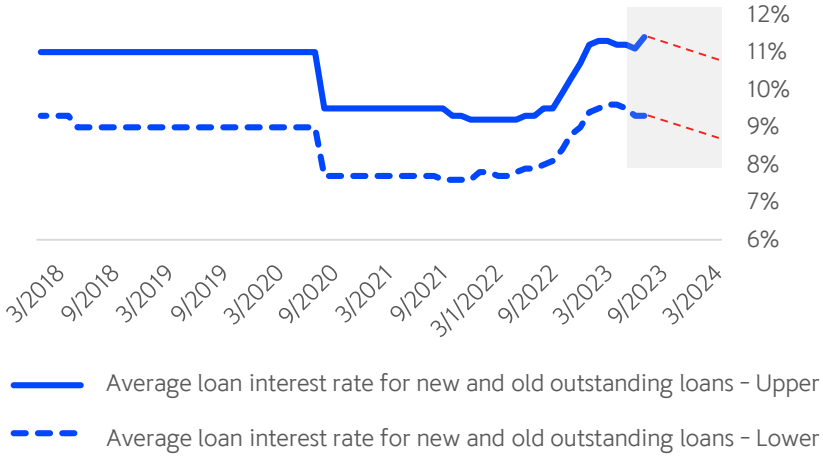
Credit growth in 2024 returns to 13–14%, lending interest rates continue to decrease

Credit of Vietnam's economy 2023-2024 (VND trillion)



Source: S&P Global PMI, Shinhan Securities Vietnam

Lending interest rates are expected to decrease in the near future

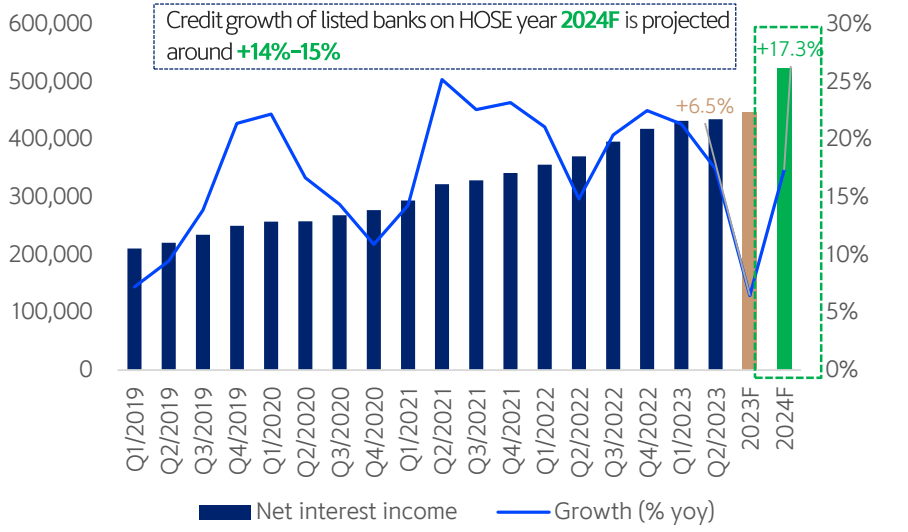


Source: GSO, Shinhan Securities Vietnam

- Based on our 2024 GDP growth forecast of about +6% YoY, the expected credit growth of the entire Vietnamese economy can reach about +13–14% YoY.
- The average lending interest rate until July 2023 remains high at 9.3–11.4%. Normally, there will be a certain delay in lending interest rate on the market because banks need to lower their capital costs before being able to adjust output interest rates to maintain NIM. We expect banks' capital costs will continue their downward trend and thereby create opportunities for banks to reduce lending interest rate by another 50–100 bps in the near future.

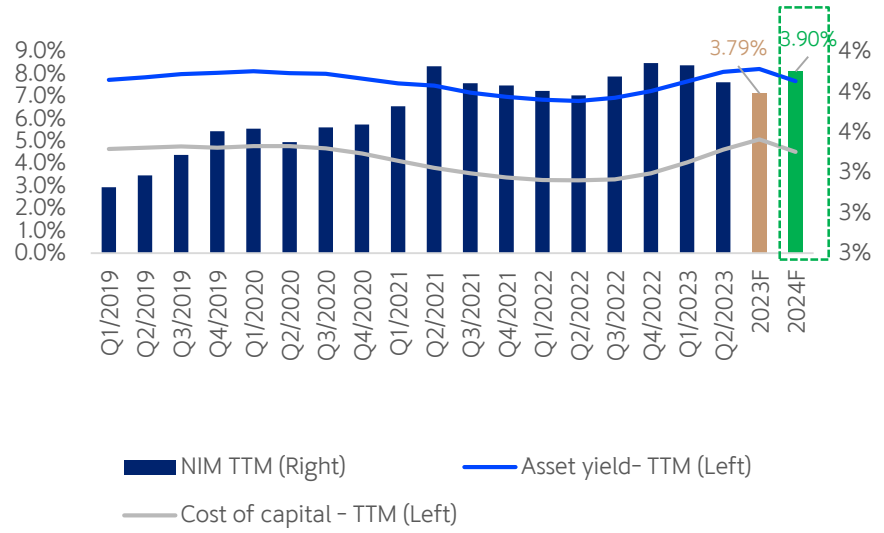
Slight improvement in NIM helps net interest income in 2024 grow by more than 17%

Net interest margin (NIM) for the period 2023F–2024F (%)



Source: Shinhan Securities Vietnam

Net interest income of the bank on HOSE (VNDbn)

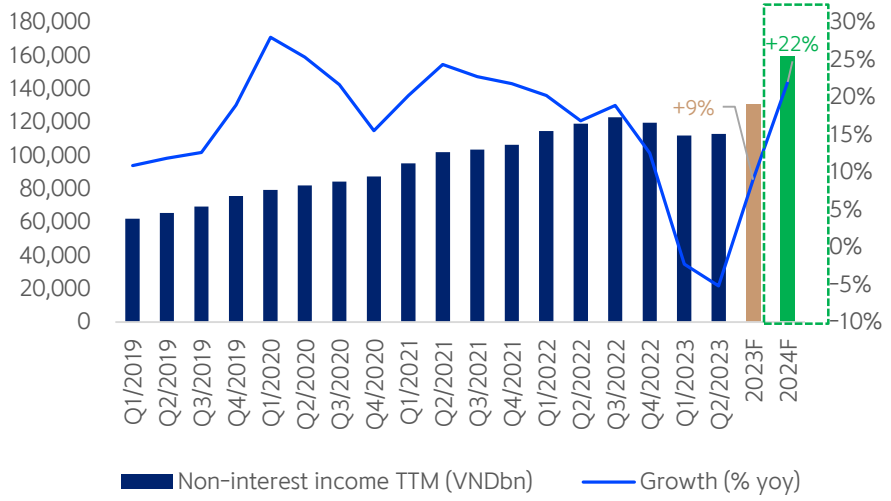


Source: Shinhan Securities Vietnam

- Commercial banks listed on HOSE usually have credit growth rates about 1.5% higher than the banking system average. With that assumption, we forecast that this banking group will have credit growth of about 14–15% in 2024.
- We expect NIM for the whole year 2023 to reach 3.75% before improving slightly to 3.90% in 2024. Along with the assumption of 14–15% credit growth, the bank's net interest income growth for 2 years 2023 and 2024 can reach 6.5% and 17.3% respectively.

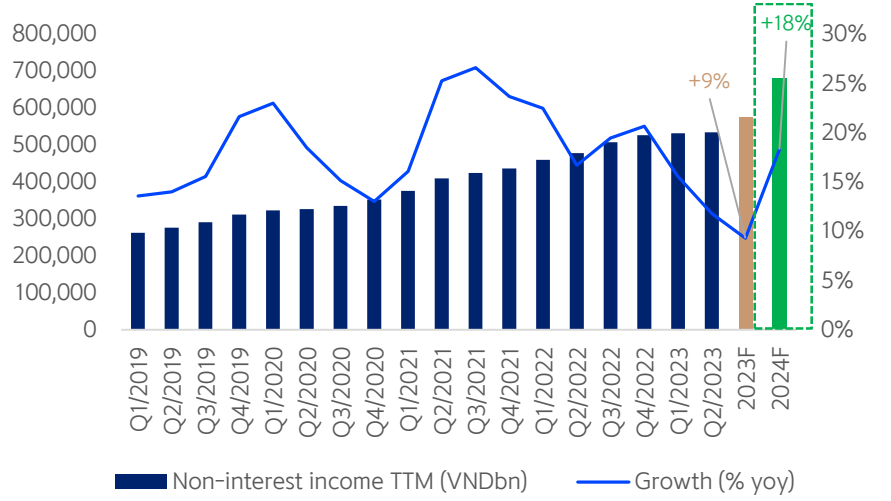
Non-interest income returned to growth after a year of slowdown

Non-interest income of the bank (VNDbn)



Source: Shinhan Securities Vietnam

Total operating income of the bank (VNDbn)

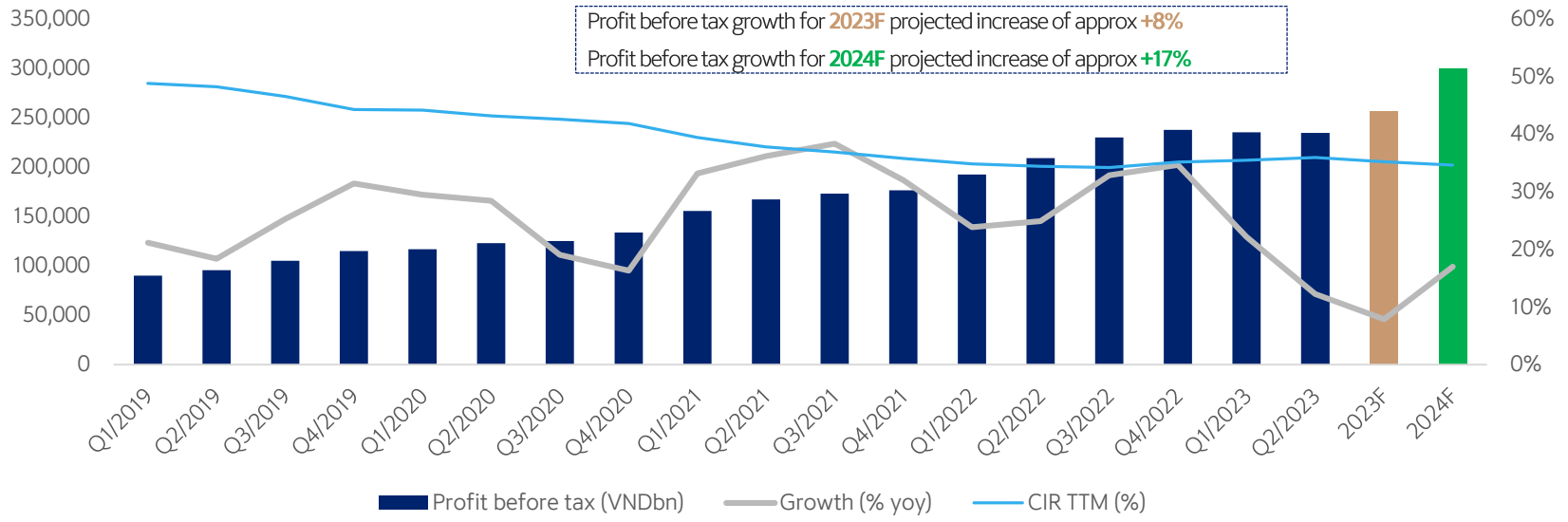


Source: Shinhan Securities Vietnam

- In 2023, with many difficulties from insurance, issuance consulting and asset handling and liquidation activities, we forecast that non-interest income may only increase by 9% over the same period. With low base of 2023, along with expectations of recovery from affected business segments, non-interest income of banks listed on HOSE in 2024 could grow by 22% yoy.
- The total operating income of this group of listed banks can achieve growth for 2023 and 2024 respectively at +9% and +18% yoy.

Pre-tax profit recovered thanks to many favorable factors

Profit before tax of banks (VNDbn)



Source: Shinhan Securities Vietnam

- With the assumption that the CIR of this banking group will remain at 35% for the whole year 2023 and decrease slightly to 34.5% in 2024 thanks to the return to growth of the banks' main business segment. Credit cost on average customer loan balance for 2024 is assumed to be 1.5%.
- Pre-tax profits of this banking group will increase +8% for 2023 and up +17% for 2024. The group of banking stocks with capitalization accounts for more than 36% of the entire market capitalization, with a forecast profit growth rate of nearly 20% in 2024, the valuation of not only the banking stocks group but also the whole VN-INDEX could positively elevated.
- Based on the above profit growth assumption, we forecast P/B Forward at the end of 2023 at 1.32x and 2024 at 1.07x. We consider banking stocks are in low valuation level and suitable for long-term investment strategies.

04

Potential bank stocks

VCB, ACB, STB, TCB, MBB – The recovery is gradually becoming clearer

Part 4 – Potential bank stocks

Ticker	Market cap (VNDbn)	Current price (VND)	Target price for 2024** (VND)	Upside (%)	Growth of NII 9M2023 (% YoY)	Growth of TOI 9M2023 (% YoY)	Growth of EBT 9M2023 (% YoY)	Asset/ Equity (x)	NIM (TTM)	NPL (TTM)	LLR (%)	CIR (TTM)	ROE (TTM)	P/B (TTM)
VCB	481,221	86,100	107,530**	24.9%	6%	5%	18%	13.37	3.2%	1.2%	270.1%	29.4%	23.4%	2.87
BID	214,987	42,500	58,310 **	37.2%	0%	1%	12%	20.35	2.7%	1.6%	158.4%	35.3%	17.9%	1.82
CTG	142,731	29,700	39,390**	32.6%	10%	10%	10%	16.72	2.9%	1.4%	172.4%	29.5%	15.9%	1.14
VPB	154,315	19,450	25,670 **	32.0%	-12%	-19%	-58%	6.10	5.7%	5.7%	42.7%	29.2%	9.7%	1.31
TCB	109,386	31,150	50,050 **	60.7%	-14%	-7%	-18%	6.16	4.1%	1.4%	93.0%	35.4%	14.4%	0.84
MBB	95,157	18,250	30,050 **	64.7%	12%	5%	10%	9.15	5.2%	1.9%	122.0%	31.0%	22.8%	1.04
ACB	87,780	22,600	31,800 **	40.7%	9%	17%	11%	10.40	4.1%	1.2%	94.6%	36.9%	24.3%	1.26
SSB	55,822	22,750			-3%	-10%	-21%	8.82	3.0%	1.9%	98.3%	39.8%	12.6%	2.05
STB	56,085	29,750	43,300**	45.5%	56%	11%	61%	15.32	4.2%	1.8%	77.1%	42.9%	17.5%	1.22
HDB	53,801	18,600	24,740**	33.0%	12%	13%	8%	10.68	4.7%	2.3%	54.2%	38.2%	21.1%	1.22
VIB	49,087	19,350	25,100**	29.7%	18%	22%	7%	10.50	4.7%	3.7%	41.4%	30.5%	26.7%	1.26
SHB	40,532	11,200	25,460		9%	8%	-6%	12.84	3.5%	3.2%	58.3%	24.9%	16.3%	0.86
TPB	38,088	17,300	12,953		-2%	-1%	-16%	10.19	3.6%	3.0%	47.0%	42.1%	17.4%	1.07
LPB	39,643	15,500	19,550		-14%	-13%	-24%	13.62	3.2%	2.8%	67.5%	44.3%	14.5%	1.38
EIB	31,684	18,200	15,293		-23%	-18%	-46%	9.04	2.6%	2.6%	38.6%	55.3%	8.4%	1.46
OCB	28,459	13,850	15,200		6%	18%	48%	7.68	3.8%	3.7%	39.1%	31.2%	17.3%	0.96
MSB	26,500	13,250	16,300		9%	19%	8%	7.98	4.1%	2.9%	58.2%	38.1%	21.5%	0.83

Source: Bloomberg updated on November 14, 2023, Shinhan Securities Vietnam

* Based on Bloomberg Consensus data on 12-month target prices of many forecasters;

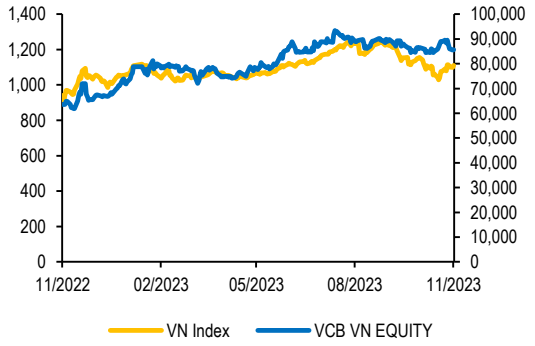
** The target price in this report is forecast by SSV based on business results in 2024.

Bank for Foreign Trade of Vietnam (HOSE:VCB)

Vietcombank

Target price (year 2024)	**VND 107,530**
Current price (14/11/23)	VND 86,100
Upside (%)	24.9%
VNINDEX	1,110
PE market (23F)	11.6
Market cap (VNDbn)	478,985
Outstanding shares (shares mn)	5,589
Free Float (shares mn)	1,408
52-week high/low(VND)	93,700/ 59,526
Average trading volume 90 days (shares mn)	1.18
Average trading value of 90 days (VNDbn)	107
Beta	0.9
Major shareholder(%) SBV	63.3
Major shareholder(%) Mizuho	12.7

Performance	**3T**	**6T**	**12M**
Absolute (%)	-3.7	9.1	34.8
Relative to VN-Index (%)	6.6	5.0	16.8



Advantage from high provision buffer

Joint Stock Commercial Bank for Foreign Trade of Vietnam (HoSE: VCB) is one of the "Big 4" state-owned banks with the largest market capitalization in the banking industry. VCB has always maintained the advantage of being the most efficient bank, with asset quality improving over the years, and constantly making efforts in digital transformation. With the residual income (RI) method and comparison method based on the P/B index, we update the target price for VCB for 2024 at 107,530 VND.

Business results 9M/2023

- VCB's interest income segment was flat in Q3/2023 due to credit growth in 9M/2023 only reaching 3.8% Ytd and NIM shrinking. VCB's most recent 12-month NIM at the end of Q3/2023 was estimated at 3.19%, down 14bps compared to Q4/2022. VCB's customer deposits reached more than 1,349 billion VND (+8.5% Ytd). Net interest income in Q3/2023 reached 12,596 billion VND (-10.16% QoQ, -7.82% YoY). Accumulated in 9M/2023, VCB's interest income segment reached 40,820 billion VND (+6.2% YoY). VCB's non-interest income in 9M/2023 continued to face many difficulties. Income from service activities in Q3/2023 reached 891 billion (-20% YoY, accumulated 9M/2023 -11.95% YoY). Foreign exchange and gold segment showed a brighter picture in Q3/2023 when maintained at VND 1,582 billion (-0.37% YoY, accumulated 9M/2023 +4.08% YoY). VCB's non-interest income was almost flat in 9M/2023.

- VCB's NPL balance at the end of Q3/2023 increased by more than 184% compared to the end of 2022, up 47.12% compared to Q2/2023. However, thanks to loan loss coverage ratio remaining above 300%, VCB only recorded provision costs in 9M/2023 of approximately VND 6,052 billion (-22.26% YoY). In addition, VCB also recorded the reversal of interbank loan provisions recorded at the end of Q4/2022.

- While total operating income in 9M/2023 only increased by about 4.8% YoY, VCB's pre-tax profit in 9M/2023 still grew well thanks to the reduction in credit risk provision expenses, reaching VND 29,550 billion (+ 18.49% YoY) and completed 70% of the yearly profit plan.

Investment thesis

- Good asset quality, low NPL ratio, highest loan loss coverage ratio in the industry.
- Diversified capital sources and capital costs maintained at a relatively low level help the bank's NIM fluctuate less.
- VCB accepts the mandatory transfer of a credit institution. Participating in this plan will help VCB receive favor from the State Bank when allocating credit room.VCB is still in the process of finding strategic investors for a private placement. This deal will help improve the bank's capital adequacy ratio by about 150-200bps

Forecast for 2023-24

- We expect lending interest rates will most likely remain at this current low level with little room for further reduction. Therefore, VCB's NIM will face less pressured in 2024. We lower our forecast for credit growth in 2023 to 8%, loan disbursement related to public investment helps credit growth in Q4/2023. In 2024, we expect the bank to recover with a growth rate of 13%. VCB's 2023 EBT can reach around VND 42,130 billion, closely following the bank's target growth plan of about 15% YoY; Next year we expect VCB to have more positive EBT growth, about 18% YoY.
- **Rủi ro**: (1) Lending interest rates continue to decrease and credit growth slows, causing NIM to continue to shrink. (2) Rapidly increasing bad debt puts pressure on risk provision costs.

Year	2020	2021	2022	2023F	2024F
Net interest income (VND bn)	36,285	42,273	53,246	56,181	62,374
Net non-interest income (VND bn)	12,778	14,357	14,836	14,743	18,289
TOI (VND bn)	49,063	56,630	68,083	70,924	80,663
Profit before tax (VND bn)	23,050	27,486	37,359	42,130	49,759
Growth of PBT (%)	-0.70%	19.25%	35.92%	12.77%	18.11%
P/E (x)	3.8	3.2	3.0	2.7	2.3
P/B (x)	0.8	0.7	0.7	0.5	0.5
ROE (%)	21.08%	21.64%	24.19%	22.22%	21.99%

Shinhan Securities

Nguồn: Bloomberg, Shinhan Securities Vietnam

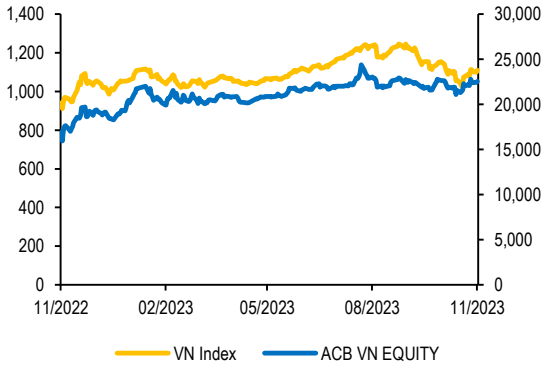
Asia Commercial Joint Stock Bank (HOSE:ACB)

ACB

Target price (year 2024)	**VND 31,800**
Current price (14/11/23)	VND 22,600
Upside (%)	40.7%

VNINDEX	1,110
PE market (23F)	11.6
Market cap (VNDbn)	87,585
Outstanding shares (shares mn)	3,884
Free Float (shares mn)	2,948
52-week high/low(VND)	24,400/ 15,174
Average trading volume 90 days (shares mn)	9.39
Average trading value of 90 days (VNDbn)	200
Beta	1.0
Major shareholder(%) DFHL	6.9
Major shareholder(%) Sather Gate	5

Performance	3T	6T	12M
Absolute (%)	-2.2	3.7	27.7
Relative to VN-Index (%)	8.1	-0.3	9.8



Bank maintains the top position in terms of asset quality

Asia Commercial Joint Stock Bank (ACB) has a strategic orientation as the leading retail bank in Vietnam. This is also a bank with a cautious development strategy, not investing in corporate bonds. In terms of asset quality, this bank is one of the pioneer banks to complete BASEL III standards. ACB has good credit growth and is increasingly perfecting its business model. We update ACB's valuation to increase compared to the most recent report due to the decrease of risk-free interest rate and the adjusted down risk premium along with a comparison base based on the business results of the whole year 2024, the target price of ACB for 2024 is at 31,800 VND.

Business results 9M/2023

ACB's total credit in the first 9 months of the year increased by 8.71% Ytd, a sharp increase compared to growth rate of 4.91% at Q2/2023. Customer deposit balance increased by 7.62%, (4.46% at the end of Q2/2023). Contrary to our expectations, ACB's CASA decreased from 20.67% in Q2/2023 to 19.37% at the end of Q3/2023. ACB's asset yield (IAE) in Q3/2023 decreased faster than the rate of decrease in cost of capital (COF), causing ACB's NIM to continue to shrink this quarter. ACB's Annualized NIM decreased by 16bps QoQ. TTM NIM up to Q3/2023 decreased slightly to 4.13%. Net interest income in Q3/2023 reached VND 6,209.13 billion, down slightly by 0.6% QoQ (+2.93% YoY). Although ACB's fee segment decreased by 11.9% YoY, ACB was able to realize profit from trading investment securities, reaching 882 billion VND (compared to a loss of VND 1.5 billion in the same period). Thereby helping non-interest income reached VND2,515 billion (+109% YoY). Total opearting income growth in Q3/2023 reached 8,424 billion VND (+18.8% YoY). ACB's non-performing loan ratio at the end of Q3/2023 increased slightly to 1.2%, from 1.06% at the end of Q2/2023. Provision expense in Q3/2023 were recorded at VND 521 billion (-35% QoQ). Profit before tax in Q3/2023 reached VND5,035 billion (+12.5% YoY). Cumulative 9 months, ACB's PBT reached VND15,024 billion, reaching 75% of the whole year 2023 plan.

Investment thesis

- Being a conservative bank, ACB does not invest in corporate bonds and limit lending to real estate businesses. With nearly 95% being retail and small and medium enterprise loans, and 98% being secured loans, we highly appreciate ACB's asset quality. This is also a few in the banking industry with a non-performing loan ratio around 1%-1.2%.
- Non-interest income maintains a growth rate of more than 20%, supporting ACB's income growth when credit demand slows significantly in 2023. With falling interest rates movement recently, ACB has recorded bond capital gain helping the investment bond segment grew well.

Forecast for 2023-24

- With positive signs of credit growth in Q3/2023 of ACB, bad debt increased more slowly than the whole industry, income from investment securities trading activities benefiting from reduced interest rates can help PBT. of ACB in 2023 will reach VND 18,627 billion (+9% YoY). We expect credit growth to be better for 2024, NIM will maintain and possibly increase slightly, helping ACB's profit before tax next year reach VND 22,553 billion (+21% YoY)..
- Risks: (1) Risk of economic recovery being slower than expected; (2) Non-performing loan risk increases

Year	2020	2021	2022	2023F	2024F
Net interest income (VND bn)	14,582	18,945	23,534	26,022	29,386
Net non-interest income (VND bn)	3,579	4,619	5,257	6,758	7,995
TOI (VND bn)	18,161	23,564	28,790	32,780	37,381
Profit before tax (VND bn)	9,596	11,998	17,114	18,627	22,553
Growth of PBT (%)	27.7	25.0	42.6	8.9	21
P/E (x)	6.9	6.9	6.0	5.1	4.3
P/B (x)	1.5	1.5	1.4	1.1	1.0
ROE (%)	24.3	23.9	26.5	23.8	24.8

Source: Bloomberg, Shinhan Securities Vietnam

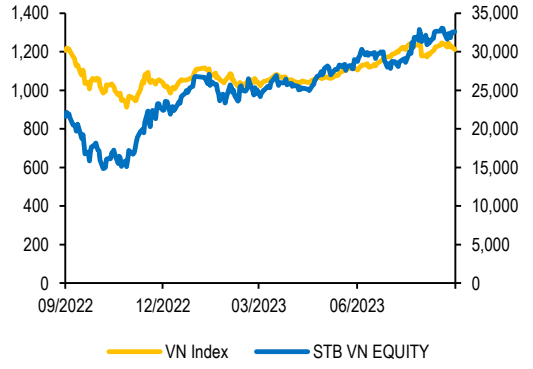
Shinhan Securities

Saigon Thuong Tin Commercial Joint Stock Bank (HOSE: STB)

Sacombank

Target price (year 2024)	**VND 43,300**
Current price (14/11/23)	VND 29,750
Upside (%)	45.5%
VNINDEX	1,110
PE market (23F)	11.6
Market cap (VNDbn)	56,745
Outstanding shares (shares mn)	1,885
Free Float (shares mn)	1,774
52-week high/low(VND)	33,700/ 14,450
Average trading volume 90 days (shares mn)	21.86
Average trading value of 90 days (VNDbn)	637
Beta	1.2
Major shareholder(%) Mr. Dương Công Minh	3.3
Major shareholder(%) CTBC Vietnam Equity fund.	2.2

Performance	**3T**	**6T**	**12M**
Absolute (%)	-5.6	12.3	89.9
Relative to VN-Index (%)	4.6	8.3	72.0



Shinhan Securities

Growth expectations after restructuring

Saigon Thuong Tin Commercial Joint Stock Bank (STB) is in the group of private joint stock commercial banks with a large credit market share. STB participates in the restructuring project after the merger of Phuong Nam Commercial Joint Stock Bank. VAMC bonds from the merger has significantly affected STB's business results in the period 2016-2022. However, 2023 may be the final year of the restructuring project and this will help the bank grow strongly in the 2023-2024 period. With the residual income valuation method and P/B ratio, we value STB's 2024 price at VND 43,300.

Business results 9M/2023

Sacombank's credit growth in 9M/2023 reached about 7.6%, customer deposits increased sharply at 11.7% (ytd). STB continues to have no outstanding corporate bond debt at the end of Q3/2023. Net interest income in Q3/2023 reached VND 4,851 billion (-15.8% YoY) due to the shrinking NIM significantly in this quarter. However, if considering the cumulative 9M/2023, STB's net interest income reached 16,439 billion VND (+48.1% YoY), reaching 75% of our forecast. STB's non-interest income in 9M/2023 cumulatively reached more than 3,025 billion VND (-48% YoY), largely due to the decline in the bank's fee income segment. STB's NPL continues to be under pressure and NPL balance at the end of Q3/2023 increased by nearly 1,956 billion VND (+26.3% QoQ). The NPL ratio at the end of Q3/2023 increased to 2.2%, from 1.79% at the end of Q2/2023. The positive point is that the bank's outstanding debt group 2 at the end of Q3/2023 decreased by 2,161 billion VND (nearly equivalent to the increase in NPL), this shows that the transferring rate from debt group 1 to group 2 has decelerated significantly. STB's credit risk provision expense in Q3/2023 was proactively recorded lower than Q2/2023, about VND 827 billion (-66% YoY). Net VAMC bonds after deducting provisions are about VND 3,888 billion at the end of Q3/2023, down more than 43.4% compared to the end of 2022.

STB's EBT in Q3/2023 reached VND 2,372 billion (+54.86% YoY). Accumulated 9M/2023, STB recorded VND 6,840 billion in EBT (+54.06% YoY), reaching 75% of our profit forecast.

Investment thesis

- STB expects to auction and complete the disposal of shares of Mr. Tram Be's group and Phong Phu Industrial Park in 2023. Successful disposal of outstanding assets can bring extraordinary profits to STB, in addition to NIM of STB in 2024 can also be improved thanks to this capital source.
- STB will also make full provision for VAMC bonds, about VND 8,000 billion in 2023. With full provision for VAMC bonds, STB will no longer be under pressure to make large provisions in 2024.
- After the restructuring project, STB has shared that it will pay dividends, increase charter capital and seek strategic partners in the near future.

Forecast for 2023-2024

- We forecast that STB's credit growth in 2023 will reach 9% over the same period, the NPL ratio would maintain at 1.2%. STB's NIM continued to improve to 3.8%. STB's pre-tax profit grew at the rate more than 45% YoY thanks to the completion of provision for uncollectible interest related to the restructuring project. With the completion of VAMC bond provisioning, credit growth reached 14%, NIM continues to expand, provisioning costs decreases sharply, STB could achieve EBT growth of 109% YoY for 2024. In case STB cannot fully make VAMC provision in 2023, with the assumption of transferring the entire remaining net VAMC to 2024, the bank's EBT growth can still achieve good growth, at 66% YoY.
- Risks: (1) Risk of economic recovery being slower than expected; (2) Non-performing loan risk increases

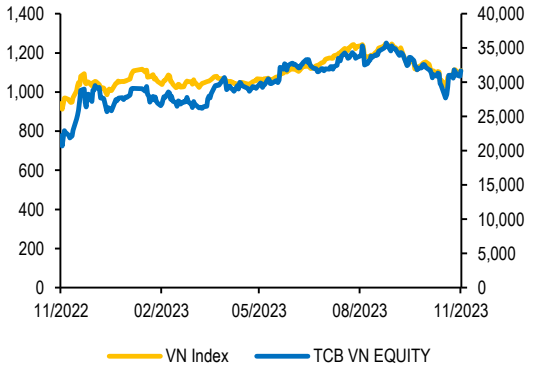
Year	2020	2021	2022	2023F	2024F
Net interest income (VND bn)	11,527	11,964	17,147	22,045	27,642
Net non-interest income (VND bn)	5,744	5,740	8,994	6,679	8,139
TOI (VND bn)	17,271	17,704	26,141	28,724	35,781
Profit before tax (VND bn)	3,339	4,400	6,339	9,147	19,150
Growth of PBT (%)	3.8	31.8	44.1	45.2	109
P/E (x)	17.6	13.8	9.3	8.7	4.3
P/B (x)	2.1	1.8	1.6	1.4	1.1
ROE (%)	9.6	10.8	13.8	17.2	28.9

Source: Bloomberg, Shinhan Securities Vietnam

Vietnam Technological and Commercial Joint Stock Bank (HOSE:TCB)

Target price (year 2024)	**VND 50,050**
Current price (14/11/23)	VND 31,150
Upside (%)	60.7%
VNINDEX	1,110
PE market (23F)	11.6
Market cap (VNDbn)	111,321
Outstanding shares (shares mn)	3,517
Free Float (shares mn)	2,632
52-week high/low(VND)	36,150/ 19,300
Average trading volume 90 days (shares mn)	5.08
Average trading value of 90 days (VNDbn)	156
Beta	1.3
Major shareholder(%) Masan	14.9

Performance	**3T**	**6T**	**12M**
Absolute (%)	-6.4	8.0	42.6
Relative to VN-Index (%)	3.9	4.0	24.6



Net interest income has begun to improve

Vietnam Technological and Commercial Joint Stock Bank construction, real estate and home loans will continue to be Techcombank's pillar areas in the future. This is also one of the banks that continuously invests heavily in digital banking services, thereby attracting many new customers to its platform. TCB Bank is currently one of the leading banks in the system with many important such as non-performing loan ratio, CASA or ROE. We update TCB's valuation in 2024 at VND 50,050 based on good business growth next year.

Updated business results 9M/2023

TCB's credit balance in the first 9 months of 2023 increased by 13.5% compared to the end of 2022, and customer deposit balance increased by 14.1%. TCB's Non-performing loan continued to face pressure and increased to 1.4% at the end of Q3/2023. However, the positive point in this report is that TCB's group 2 debt has decreased by nearly 35% compared to the previous quarter, ending a series of 5 consecutive increasing quarters. Net interest income in the third quarter increased by more than 15% qoq thanks to a significant reduction in cost of capital (COF). COF (annualize) in the third quarter decreased to 4.91%, from 5.41% in Q2/2023. TCB's annualized NIM also improved from 4.28% in Q2/2023 to 4.77% in Q3/2023. Non-interest income grew well thanks to the fee segment and recording profits from investment securities trading activities. TCB's provision costs this quarter increased sharply due to the rise of non-performing loan, TCB recorded more than VND944 billion provision expense in Q3 (+17% qoq). Cumulative 9 months of 2023, TCB's EBT reached VND17,115 billion (-17.8% yoy), processing nearly 78% of the year's profit plan.

Invesment thesis

- Savings deposit interest rates have decreased from the peak at the end of Q4 2022, and the proportion of banks' demand deposits has begun to increase. Accordingly, the bank's NIM will likely be stable for the rest of 2023 and progress to a slight recovery in 2024.
- Circular 03/2023/TT-NHNN and Decree 08/2023/ND-CP can help TCB's IB fee income segment to be less gloomy in the second half of 2023 and recover in 2024.
- With a heavy focus on real estate, the revised land law, housing law and real estate business law passed could mark a market recovery in the second half of 2024.

Forecast for 2023-2024

- With deposit interest rates decreasing significantly compared to the end of 2022 and the recovery of TCB's CASA, we expect the bank's capital costs will continue to decline for the rest of 2023 and the first half of the year. 2024. Thanks to that, NIM will have improved slightly for the period Q4/2023-2024. With Group 2 debt balance decreasing at the end of Q3/2023, we expect NPL to face less pressure and begin to decrease in the first half of 2024. TCB's 2023 EBT can reach VND 22,524 billion, complete the annual profit plan approved from the beginning of the year. In 2024, with the low base of the previous year, we expect TCB's EBT to grow by 28.8%, reaching VND 29,013 billion.
- Risks: (1) The real estate market recovered slower than expected; (2) Lending interest rates decreased faster than the decrease in non-capital expenditures, causing NIM to continue to shrink. (3) NPL increased rapidly.

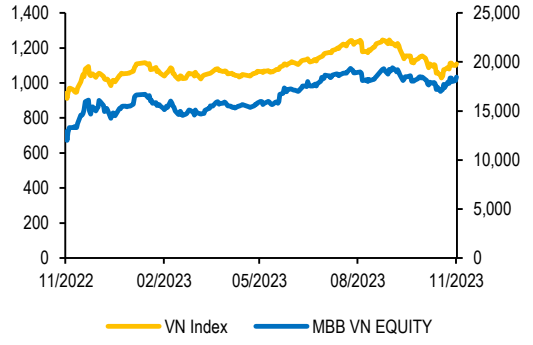
Year	2020	2021	2022	2023F	2024F
Net interest income (VND bn)	18,751	26,699	30,290	30,024	35,329
Net non-interest income (VND bn)	8,627	10,378	10,612	12,421	15,034
TOI (VND bn)	27,379	37,076	40,902	42,445	50,363
Profit before tax (VND bn)	15,800	23,238	25,568	24,963	31,079
Growth of PBT (%)	23.1	47.1	10.0	-2.3	25
P/E (x)	8.1	5.5	5.0	6.0	4.8
P/B (x)	1.4	1.1	0.9	0.9	0.8
ROE (%)	18.1	21.7	19.7	16.0	16.9

Source: Bloomberg, Shinhan Securities Vietnam

Military Commercial Joint Stock Bank (HOSE:MBB)

Target price (year 2024)	**VND 30,050**
Current price (14/11/23)	VND 18,250
Upside (%)	64.7%
VNINDEX	1,110
PE market (23F)	11.6
Market cap (VNDbn)	96,200
Outstanding shares (shares mn)	5,214
Free Float (shares mn)	3,050
52-week high/low(VND)	19,700/ 11,478
Average trading volume 90 days (shares mn)	10.01
Average trading value of 90 days (VNDbn)	173
Beta	1.2
Major shareholder(%) VIETTEL Group	14.1
Major shareholder(%) SCIC	9.4

Performance	**3T**	**6T**	**12M**
Absolute (%)	-2.6	13.8	39.6
Relative to VN-Index (%)	7.6	9.7	21.7



Persistence in difficult times

Military Commercial Joint Stock Bank (MBB) has had many outstanding achievements in recent years, reflected in its asset quality, outstanding profitability, and high credit rating by rating agencies. international. MBB has a close relationship with military enterprises such as Viettel, Vinacomin, Vietnam Helicopter, etc., helping the bank's demand deposit ratio at the highest level in the whole system, thereby helping MBB control control capital costs more effectively. We update MBB's stock valuation this time at 30,050 VND, to reflect positive business results in 2023 and continued growth momentum into 2024.

Updated business results 9M/2023

MBB's credit balance in the first 9 months of 2023 reached approximately VND577 trillion (+13.7% Ytd, credit room is about 24%). Customer deposits in the Q3/2023 have decelerated, only increasing by about 1%, in 9M/2023 increased by 8.1% Ytd. Annualized COF average capital cost in Q3/2023 has turned down for the first from beginning of 2022. MBB's Annualized NIM in Q3 is estimated at 5.83%, an increase of 4.6bps compared to Q2/2023. Non-performing loan ratio (NPL) increased from 1.44% in Q2/2023 to 1.89% in Q3/2023; However, MBB's group 2 debt also showed signs of reaching its peak when it decreased by more than 14% QoQ. Thanks to the improvement of Annualized NIM, MBB's net interest income in Q3/2023 reached VND 9,811 billion (+3.5% QoQ and 8.5% YoY). MBB made effort to reduce operating costs, CIR in Q3/2023 has decreased to 31%, from 32.5% at the end of 2022. Possessing a large loan loss provision ratio helped the provision expenses in 9M/2023 stayed almost equivalent to the same period. Accumulated in 9M/2023, MBB recorded pre-tax profit of 20,019 billion VND, (+10% YoY), reaching 76% of the year's plan. The consumer finance subsidiary M-credit, insurance, securities and fund management recorded a sharp decrease in profit in 9M/2023

Invesment thesis

- NPL ratio is expected to continue under control after Circular 02/2023/TT-NHNN was approved in April this year
- Receiving mandatory transfers and lending interest rates gradually cooling down support credit growth
- CASA leads the industry, keeping the cost of capital less volatile in the recent period, the bank's NIM remains at the top of the industry (only after VPB)

Forecast for 2023-2024

- We forecast that MBB's credit growth for the whole year 2023 will reach 18-20% and maintain this growth rate for 2024. The bad debt ratio is around 1.5-2%, NIM could reach 5.48% for the whole year 2023 and increase slightly to 5.51% for 2024. EBT for the period 2023-24 will reach VND 25,463 billion (+12.20% yoy) and VND 29,594 billion (+16.2% yoy) respectively.

Risks: (1) Risks of slow economic growth/recession; (2) Risk of NPL increases faster than expected; (3) the real estate market recovered more slowly than expected

Year	2020	2021	2022	2023F	2024F
Net interest income (VND bn)	20,278	26,200	36,023	40,964	47,537
Net non-interest income (VND bn)	7,084	10,735	9,570	7,433	10,829
TOI (VND bn)	27,362	36,934	45,593	48,397	58,366
Profit before tax (VND bn)	10,688	16,527	22,729	25,463	29,594
Growth of PBT (%)	6.5	54.6	37.5	12.03	16.22
P/E (x)	5.5	6.1	5.4	4.3	3.7
P/B (x)	1.0	1.1	1.1	0.9	0.7
ROE (%)	18.4	22.6	24.6	22.2	20.96

Source: Bloomberg, Shinhan Securities Vietnam

Appendix – Legal policy

Notable legal policies

Policy	Main content	Impact
Circular 22/2019/TT-NHNN	- According to regulations, the maximum ratio of short-term capital used for medium and long-term loans according to the roadmap will be from 34% to 30% on October 1, 2023.	Groups of private commercial banks with high ratio will need to restructure to meet the regulations of the circular.
Circular 06/2023/TT-NHNN and Circular 10/2023TT-NHNN	- Circular 06 tightens four additional capital requirements that cannot be loaned - Add capital usage plan in loan documents with home loan - Allows banks to lend to customers to repay loans at other banks - Circular 10/2023/TT-NHNN postpones the implementation of Clauses 8,9,10 in Article 8 of Circular 06/2023 to support the real estate market in the short term	- Tighter bank lending activities towards sustainable development - Allowing debt rollovers at banks helps banks be more competitive on loan interest rates - Postponement of implementation helps the real estate loan market to be able to carry out transactions as usual
Law on credit institutions (amended)	- Legalize non-performing loan handling policy - Tighter lending and share ownership - Additional regulations related to credit growth limits - Along with a number of other contents that are still in the process of getting feedback	Increase the safety of the credit institution system, helping management agencies manage more effectively
Amending Circular 41/2016/TT-NHNN	- Adjust credit risk coefficient for some loans - Reduce the risk coefficient to buy social housing and housing under state support programs and projects. Supplement regulations on security ratio and debt repayment ability ratio for social housing loans - Clarifying regulations to re-determine the security ratio (LTV) in real estate, adding regulations on exchange rates due to equity revaluation. The draft is still in the comment process	Encourage loan demand for real estate development projects, industrial park real estate, and social housing
Land law (amended) Real estate business law (amended) Housing law (amended)	- Synchronize planning and land use plans - Complete regulations on land allocation, land lease, and change of land use purpose - More specific regulations on compensation, resettlement support, and land recovery - Complete the mechanism for determining land prices according to market principles - Regulating higher tax rates for people with large areas of land, many houses, land speculation, slow use, and abandonment of landImprove legal regulations related to the real estate market	Helps remove overlapping bottlenecks, clears the source of land, helps stabilize social life, and adds motivation to the real estate market

Shinhan Investment Network

SEOUL
Shinhan Securities Co., Ltd
Shinhan Investment Tower
70, Youido-dong, Yongdungpo-gu,
Seoul, Korea 150-712
Tel : (82-2) 3772-2700, 2702
Fax : (82-2) 6671-7573

NEW YORK
Shinhan Investment America Inc.
1325 Avenue of the Americas Suite 702,
New York, NY 10019
Tel : (1-212) 397-4000
Fax : (1-212) 397-0032

HONG KONG
Shinhan Investment Asia Ltd.
Unit 7705 A, Level 77
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong
Tel : (852) 3713-5333
Fax : (852) 3713-5300

INDONESIA
PT Shinhan Sekuritas Indonesia
30th Floor, IFC 2, Jl. Jend. Sudirman Kav.
22-23, Jakarta, Indonesia
Tel : (62-21) 5140-1133
Fax : (62-21) 5140-1599

SHANGHAI
Shinhan Investment Corp.
Shanghai Representative Office
Room 104, Huaneng Union Mansion No.958,
Luijiazui Ring Road, PuDong, Shanghai, China
Tel : (86-21) 6888-9135/6
Fax : (86-21) 6888-9139

HO CHI MINH
Shinhan Securities Vietnam Co., Ltd.
22nd Floor, Centec Tower, 72-74 Nguyen Thi Minh Khai Street,
District 3, Ho Chi Minh City, Vietnam
Tel : (84-8) 6299-8000
Fax : (84-8) 6299-4232

HA NOI
Shinhan Securities Vietnam Co., Ltd.
Hanoi Branch
2nd Floor, Leadvisors Building, No. 41A Ly Thai To,
Ly Thai To Ward, Hoan Kiem District,
Hanoi, Vietnam.
Tel : (84-8) 6299-8000

Important Disclosure

Stock

- **BUY:** Expected 12-month gain of 15% or more
- **HOLD:** Expected 12-month loss of 15% to gain of 15%
- **SELL:** Expected 12-month loss of 15% or more

Sector

- **OVERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated BUY
- **NEUTRAL:** Based on market cap, largest share of sector stocks under coverage is rated HOLD
- **UNDERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated SELL



Compliance Notice

- Analyst Certification: We/I hereby certify the information and material presented in this report are accurate expressions of their views, and that we/I have not received internally or externally wrongful pressure to express such views.
- All opinions and estimates regarding the company and its securities are accurate representations of the covering analyst's judgments as of this date and may differ from actual results.
- This report is intended to provide information to assist investment decisions only and should not be used or considered an offer or the solicitation of an offer to sell or to buy any securities. Stock selection and final investment decisions should be made at the client's own discretion.
- This report is distributed to our clients only, and any unauthorized use, duplication, or redistribution of this report is strictly prohibited.

Disclaimers

- This research report and marketing materials for Vietnamese securities are originally prepared and issued by the Research Center of Shinhan Securities Vietnam Ltd.., an organization licensed with the State Securities Commission of Vietnam. The analyst(s) who participated in preparing and issuing this research report and marketing materials is/are licensed and regulated by the State Securities Commission of Vietnam in Vietnam only. This report and marketing materials are copyrighted and may not be copied, redistributed, forwarded or altered in any way without the consent of Shinhan Securities Vietnam Ltd.
- This research report and marketing materials are for information purposes only. They are not and should not be construed as an offer or solicitation of an offer to purchase or sell any securities or other financial instruments or to participate in any trading strategy. This research report and marketing materials do not provide individually tailored investment advice. This research report and marketing materials do not take into account individual investor circumstances, objectives or needs, and are not intended as recommendations of particular securities, financial instruments or strategies to any particular investor. The securities and other financial instruments discussed in this research report and marketing materials may not be suitable for all investors. The recipient of this research report and marketing materials must make their own independent decisions regarding any securities or financial instruments mentioned herein and investors should seek the advice of a financial adviser. Shinhan Securities Vietnam Ltd. does not undertake that investors will obtain any profits, nor will it share with investors any investment profits. Shinhan Securities Vietnam Ltd.., its affiliates, or their affiliates and directors, officers, employees or agents of each of them disclaim any and all responsibility or liability whatsoever for any loss (director consequential) or damage arising out of the use of all or any part of this report or its contents or otherwise arising in connection therewith. Information and opinions contained herein are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or Shinhan Securities Vietnam Ltd. The final investment decision is based on the client's judgment, and this research report and marketing materials cannot be used as evidence in any legal dispute related to investment decisions.
- Copyright ⓒ 2020 Shinhan Securities Vietnam Ltd. All rights reserved. No part of this report may be reproduced or distributed in any manner without permission of Shinhan Securities Vietnam Ltd.


Shinhan
Securities