Shinhan Securities

Banking Industry

Banks' valuation is still in attractive territory



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

Content

Banking – Valuation has room for further growth

1. The economy continues to rise from the bottom

Industrial production activities and import & export values have all sent positive signals.

2. Updated business result of listed banks

Business results in 2023 surprised with strong credit growth in Q4/2023, NIM showed stability, bad debt ratio decreased after many consecutive quarters of increase. Some banks have the advantage of high reserve buffers to limit the recognition of credit risk costs during the period and combine it with recording profits from bonds thanks to the reduced interest rate level compared to 2022.

3. Many positive trends await for Banks in 2024

GDP growth in 2024 returns to 6%, 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 thanks to the potential for net interest income growth, fee income, bad debts are starting to show signs of being controlled and many capital raising deals in the near future.

Potential bank stocks

VCB, ACB, STB, TCB, MBB, VPB

Appendix – Notable legal policies

01

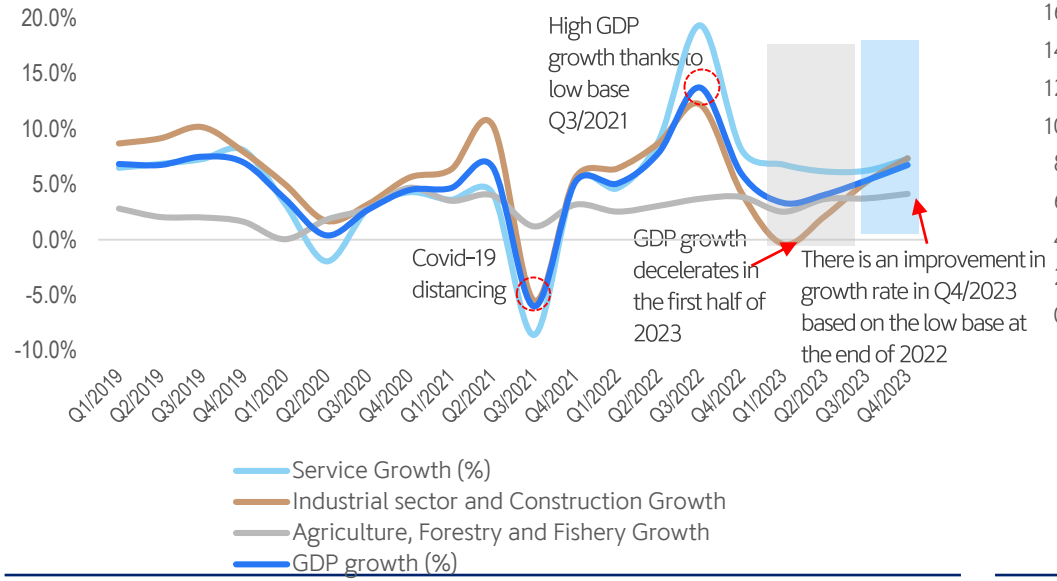
The economy is in the recovery phase

Economic growth in 2023 faces many difficulties when world and domestic demand declines. However, some signs of recovery have gradually become clearer in the last months of 2024.

Part 1 – The economy is in the recovery phase

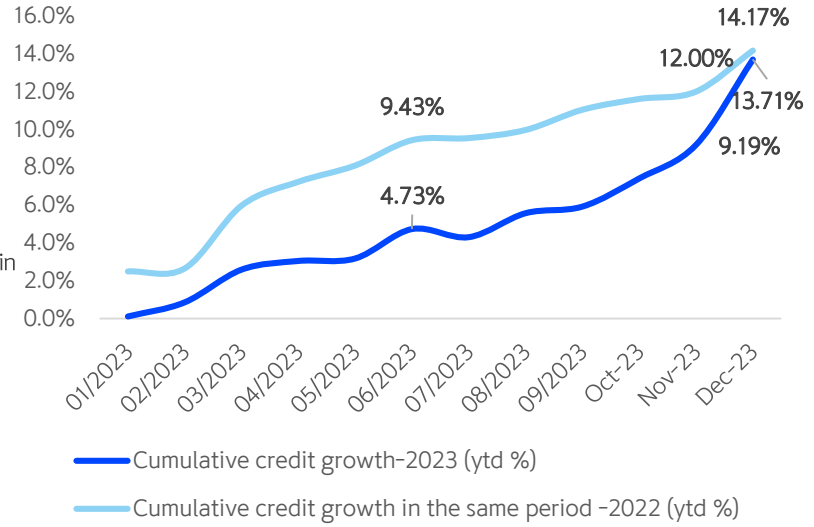
Credit growth accelerated in December 2023

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



Source: GSO, Fiinpro , Shinhan Securities Vietnam

Cumulative credit growth in 2023 (Ytd %)



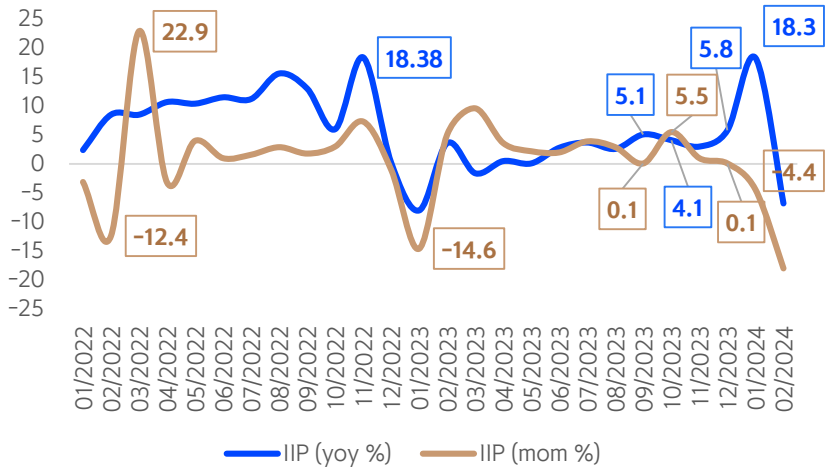
Source: SBV, Fiinpro, Shinhan Securities Vietnam

- Above the low base of 2022, Vietnam's GDP growth in Q4/2023 reached 6.73%. For the whole year 2023, Vietnam's GDP grew at 5.05% – lower than the target set by the National Assembly at the beginning of the year.
- Industry and construction growth continued to recover from the bottom and reaches 7.35% growth in Q4/2023. The service and agriculture, forestry, and fisheries sectors remained stable as in the previous months of 2023.
- Credit growth of the entire banking industry had large fluctuations in the last days of 2023. According to data published by SBV, as of November, credit growth of the entire system is only about 9.19% Ytd (significantly lower 12% in 11M2022). But in December, the entire industry's credit skyrocketed to 13.71% Ytd (nearly equivalent to the growth rate of the year 2022 at 14.17%). Commercial banks had disbursed significant credit during this period to meet increased capital demand at the end of Q4/2023. After remarkable growth in December 2023, total credit in January 2024 shrank modestly at – 0.6% ytd.

Part 1 – The economy is in the recovery phase

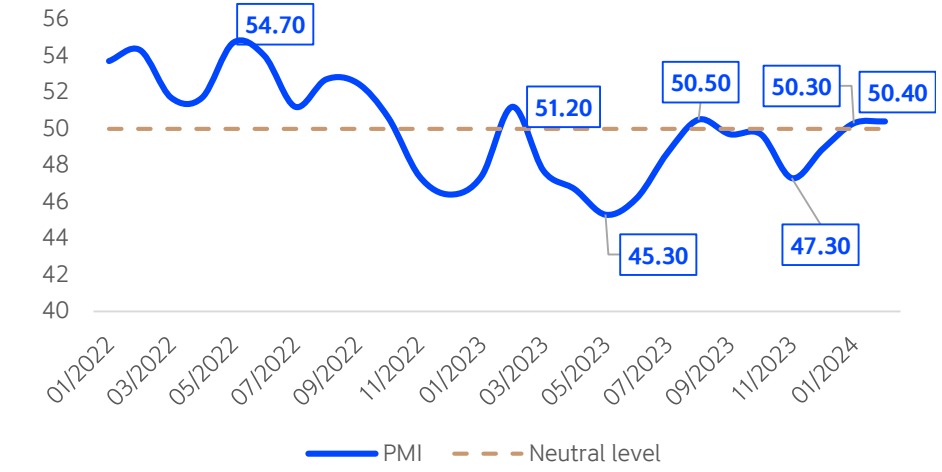
IIP and PMI show many positive signals

Industrial production index – IIP for the period 2022-02/2024



Source: GSO,, Shinhan Securities Vietnam

S&P Global PMI Vietnam index for the period 2022-02/2024

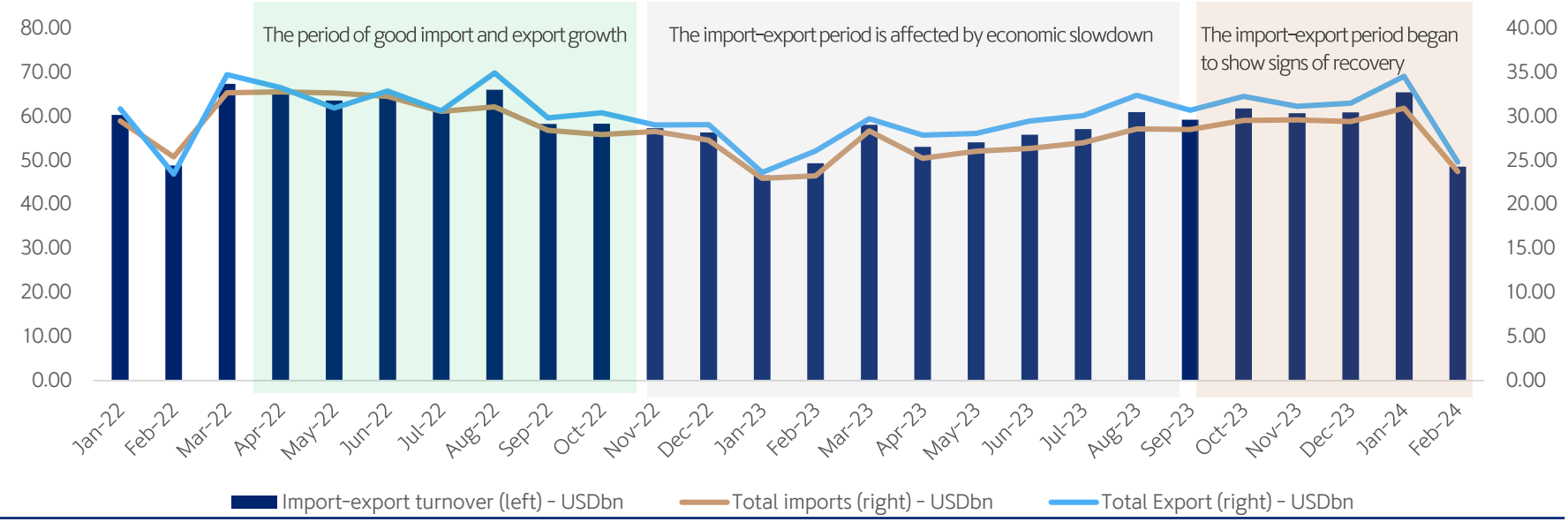


Source: PMI, Shinhan Securities Vietnam

- Vietnam's manufacturing industry has improved for two consecutive months in 2024. The PMI index recorded in January and February reached 50.3 and 50.4 respectively (PMI > 50 represents the expansion of manufacturing activities).). The increase in new orders has prompted manufacturers to recruit more workforce. This is the first time after 4 months that the number of employees has had positive growth. According to a report by S&P global, this is also the highest number in the past year.
- A positive sign is that finished goods inventories continue their downward trend. With the trend of reducing finished product inventories, we expect production activities to continue their expansion trend in the near future.

Import and export have positive signs in the first months of 2024

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



Source: GSO, Fiinpro , Shinhan Securities Vietnam

- Considering the total value of import-export turnover in October, November and December of 2023, Vietnam will reach about 183.34 billion USD (+6.66% YoY). Vietnam's main export products such as computers, electronic components, machinery and equipment, textile products, garments or wood products all showed positive growth in the 3 months of Q4/2023.
- This trend continues into the first 2 months of 2024, total import-export turnover reaches 113.96 billion USD (+4.47% YoY). Export value reached 59.35 billion USD (+9.38% YoY), import value reached 54.62 billion USD (-0.38% YoY). We expect the recovery of import and export activities to last for the rest of 2024.

02

Updated business result of listed banks

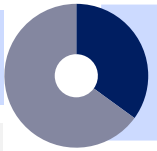
Business results in 2023 surprised with strong credit growth in Q4/2023, NIM stabilized, NPL ratio decreased after many consecutive quarters of increase. Some banks took the advantage of Loan loss coverage ratio (LLR) to limit the recognized of credit risk expenses and combine it with recording profits from bonds thanks to the reduced interest rate level compared to the same period. 2022.

Part 2 – Updated business result of listed banks

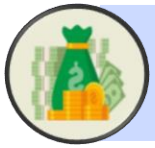
Overview of banks listed on HOSE

*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
~41% of market capitalization



Transaction value
~ 25% of total market transaction value



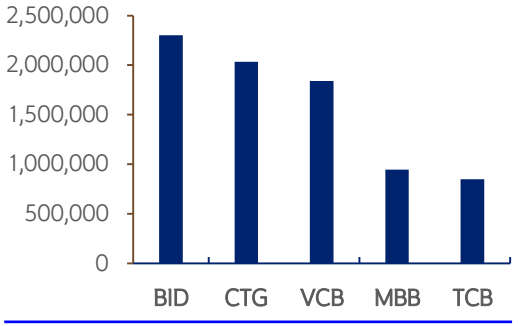
Trading volume
~ 22% of the market's trading volume



Total assets as of December 31, 2023
~VND13.5 quadrillion

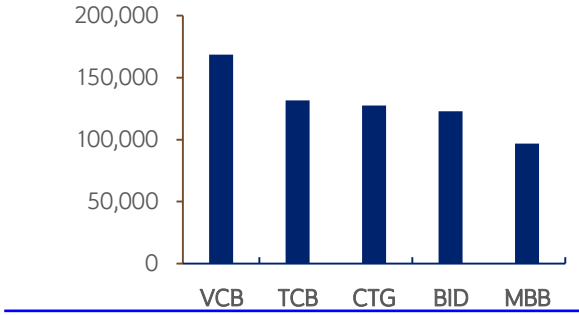
Total equity as of December 31, 2023
~VND1.2 quadrillion

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

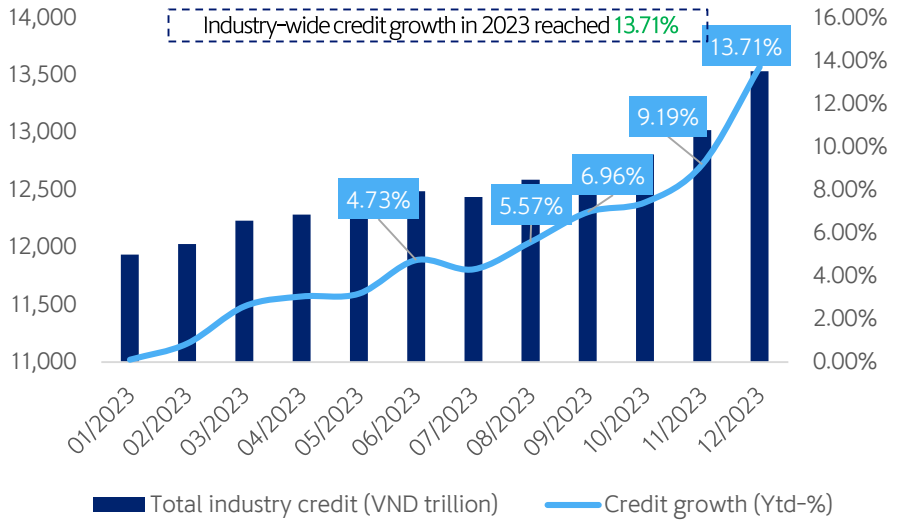
Data extracted at 31/12/2023
** This report does not include NAB data (Approved for listing on HOSE on March 8, 2024)*

2.1 Core business of banks had a flat growth year

Part 2.1 – Core business of banks had a flat growth year

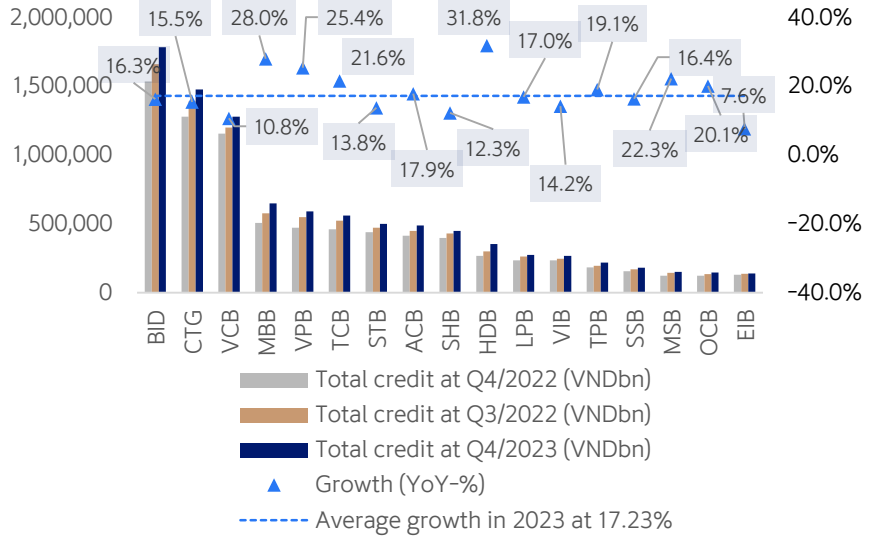
Credit growth in 2023 of banks listed on HOSE exceeds our expectations

Credit throughout the banking system in 2023



Source: SBV, Shinhan Securities Vietnam
This report does not include NAB data (Approved for listing on HOSE on March 8, 2024)

Credit growth of banks on HOSE in 2023



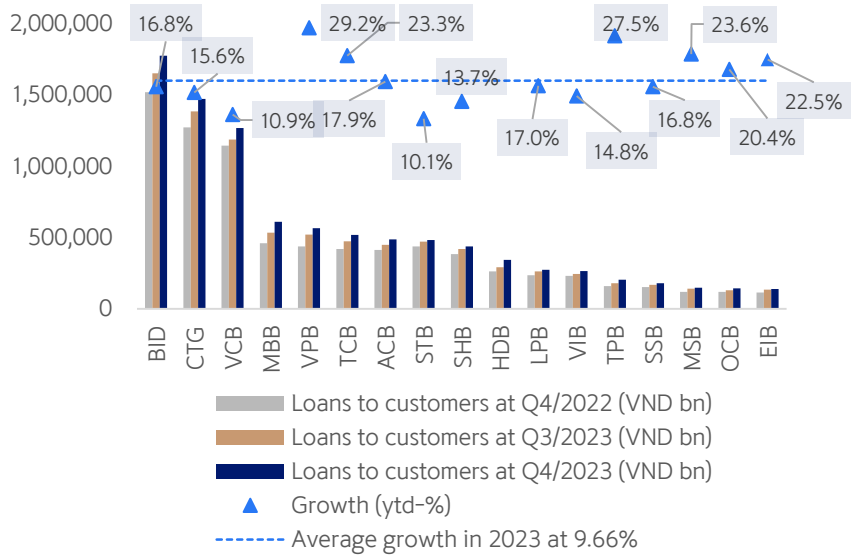
Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam
This report does not include NAB data (Approved for listing on HOSE on March 8, 2024)

- According to our synthesis from the financial statements of 17 banks listed on HOSE, credit growth in 2023 of this group reached 17.23% (exceeding our forecast at 14-15%). Corporate loan portfolios grew strongly at many banks with a strong focus on real estate business. Meanwhile, the retail loan portfolio at some banks within our research scope such as TCB, VIB, ACB encountered many difficulties.
- The group of agricultural joint stock commercial banks achieved positive growth of 14.4%. The group of private commercial banks achieved an average of 19.93%. Banks with the best credit growth in 2023 include MBB, TCB, VPB and HDB.

Part 2.1 – Core business of banks had a flat growth year

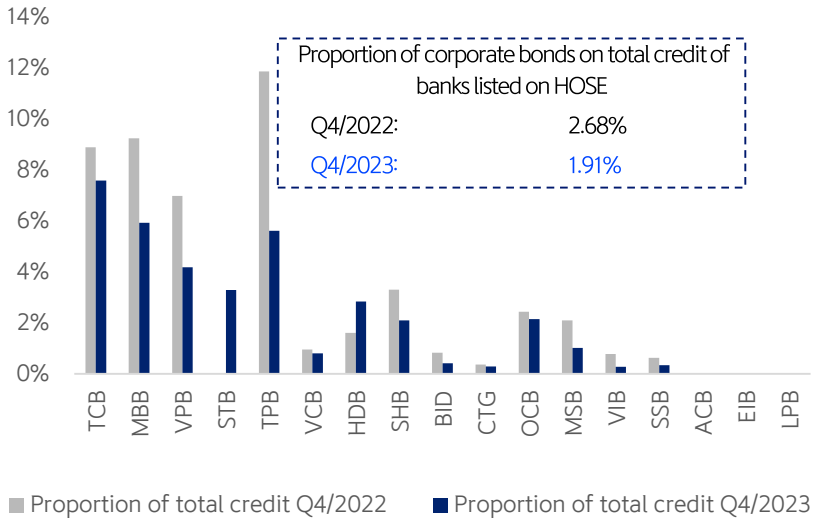
The bank's corporate bond portfolio proactively decreased sharply

Loans to customers of banks at the end of Q4/2023 (VNDbn)



Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam
This report does not include NAB data (Approved for listing on HOSE on March 8, 2024)

Banks reduce the proportion of corporate bonds (%)



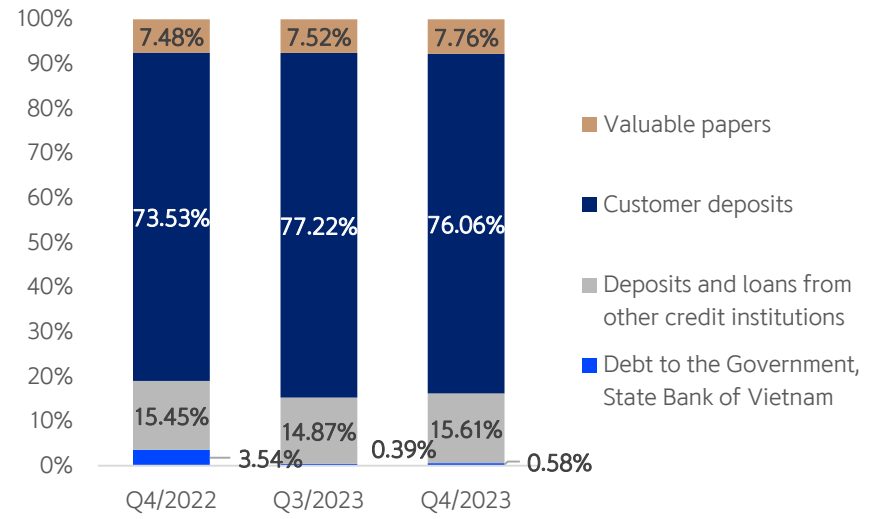
Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam
This report does not include NAB data (Approved for listing on HOSE on March 8, 2024)

- Similar to the trend mentioned in the most recent report, commercial banks continued to maintain a low proportion of corporate bonds in their total credit. Credit growth of the banking group listed on HOSE came from the growth of customer loans, with an average growth rate in 2023 of about 18.09% YoY.
- At the end of Q4/2022, corporate bonds accounted for 2.68%, by Q4/2023 this number was reduced to only 1.91%. In terms of absolute value, the total value of corporate bonds of banks listed on HOSE at the end of Q4/2023 decreased by 14.5% 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 4-7%).
- On the contrary, STB, ACB, EIB or LPB did not own any corporate bonds in their credit portfolio. The remaining banks had a relatively small proportion of corporate bonds, accounting for around 1-2% of their total credit portfolio at the end of Q4/2023..

Part 2.1 – Core business of banks had a flat growth year

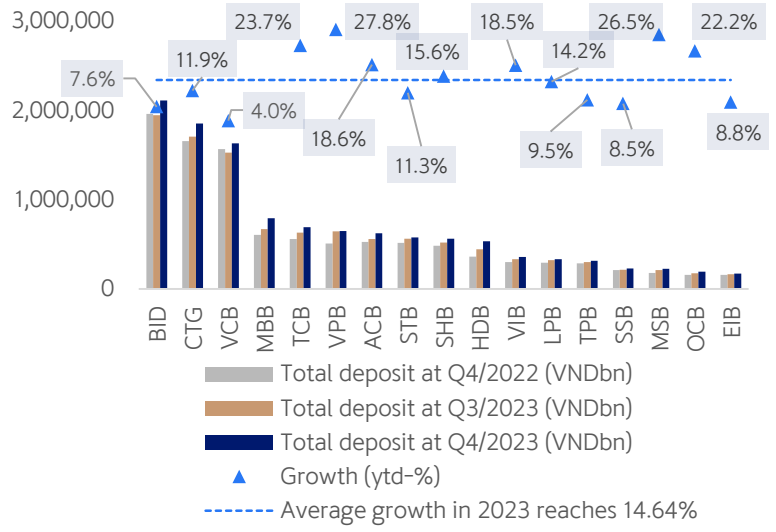
Customer deposits are the driving force that helps the bank's total mobilization grow

Total deposit structure at the end of Q4/2023



Source: Fiinpro, Financial reports of banks, Shinhan Securities Vietnam
This report does not include NAB data (Approved for listing on HOSE on March 8, 2024)

Total deposit growth in 2023 (%)



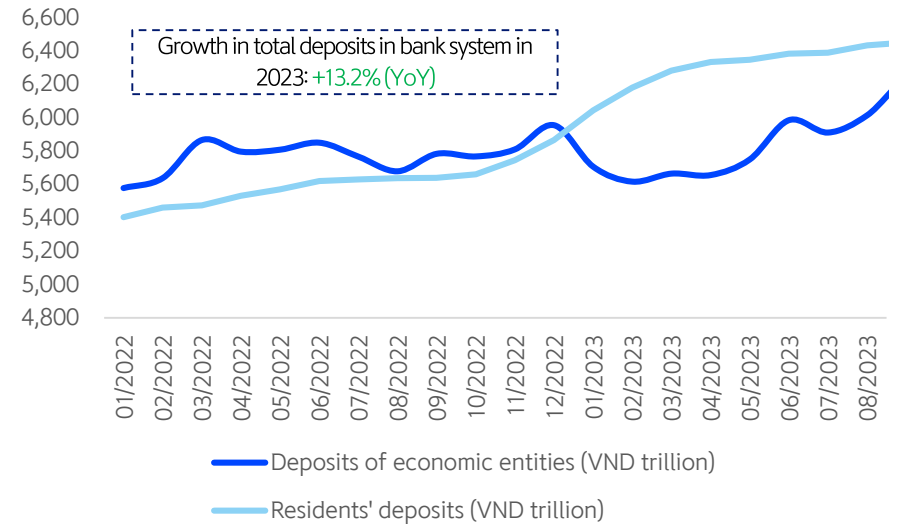
Source: Fiinpro, Financial reports of banks, Shinhan Securities Vietnam
This report does not include NAB data (Approved for listing on HOSE on March 8, 2024)

- Banks listed on HOSE maintain the proportion at the end of Q4/2023 relatively similar to that of Q3/2023 in the mobilization structure. The proportion of customer deposits at the end of Q4/2023 reached about 76.06%. Valuable papers of this banking group increased slightly because some banks issued bonds to handle the ratio of short-term capital for medium and long-term loans (to adjust accordingly to regulations ,reduced from 34% to 30%, applied in October). /2023). Deposits and loans from credit institutions at the end of Q4/2023 accounted for the total mobilization proportion of this banking group at 15.61%, equivalent to 15.45% at the end of Q4/2022..

Part 2.1 – Core business of banks had a flat growth year

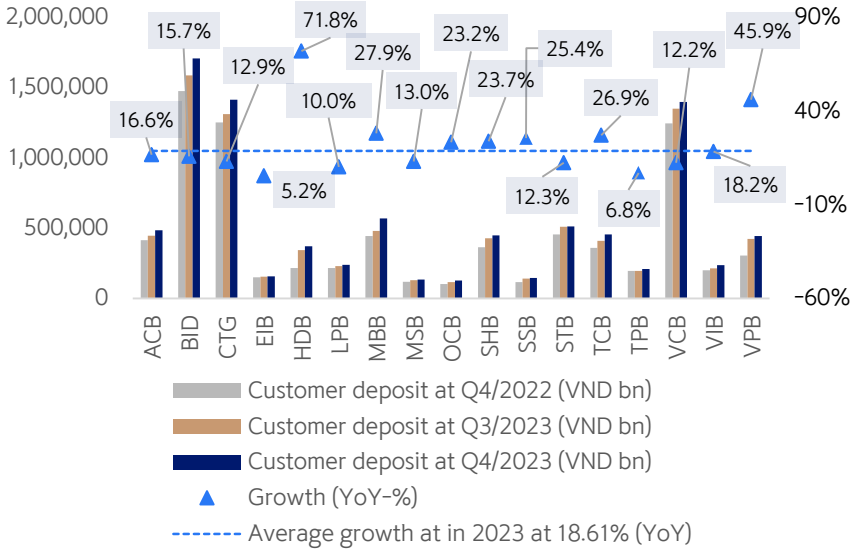
High interest rates in the early part of 2023 help banks mobilize effectively

Customer deposits grow well in 2023 (VND billion)



Source: SBV, Shinhan Securities Vietnam

Growth of customer deposits at banks on HOSE (%)



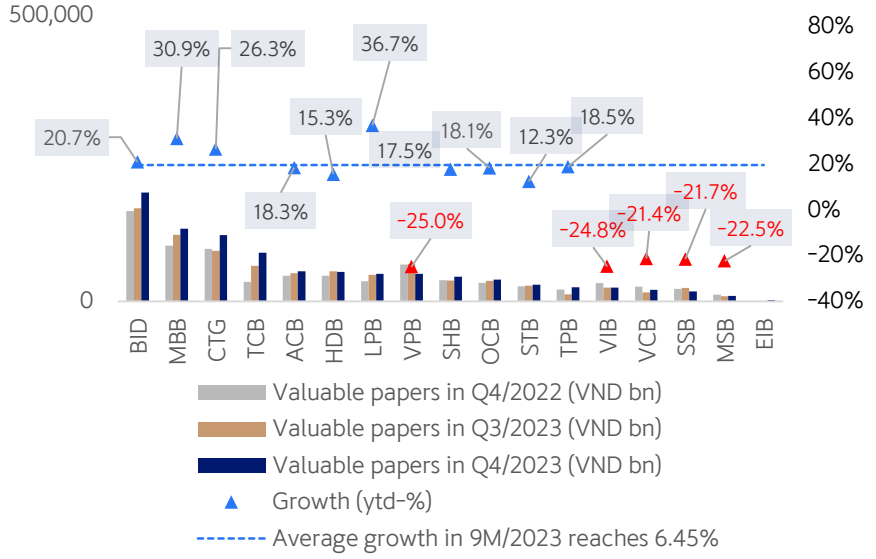
Source: Fiinpro, Financial reports of banks, Shinhan Securities Vietnam
This report does not include NAB data (Approved for listing on HOSE on March 8, 2024)

- Deposit growth of banks listed on HOSE reached an average growth rate of 18.61% for the whole year of 2023 – significantly higher than the same period in 2022. The reason banks mobilized well from customer deposit chanel due to high interest rates in the first months of 2023; In addition, business activities were not favorable in the first months of the year, also promoting the increase in deposits.
- Private joint stock commercial banks that are part of the plan to participate in weak bank restructuring such as VPB, HDB or MBB are the banks with the best customer deposit mobilization growth in the industry.

Part 2.1 – Core business of banks had a flat growth year

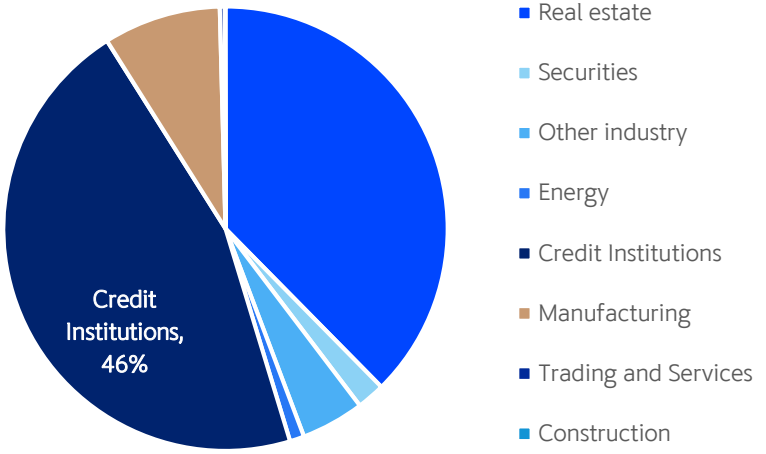
Mobilization of valuable papers will grow in 2023

Valuable papers at banks on HOSE at the end of Q4/2023



Source: Fiinpro, Financial reports of banks, Shinhan Securities Vietnam
This report does not include NAB data (Approved for listing on HOSE on March 8, 2024)

Proportion of bonds issued in 2023 by sectors (%)



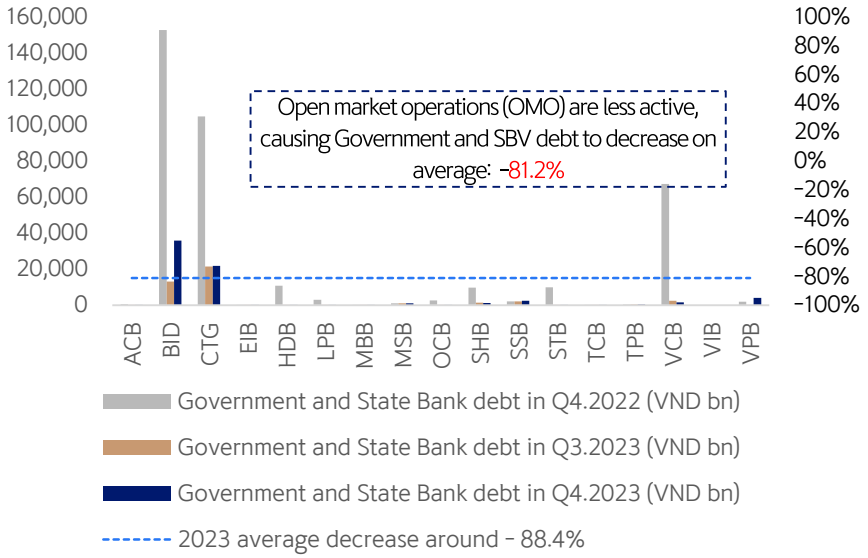
Source: VBMA October report, Shinhan Securities Vietnam

- Bond issuance activities of listed banking groups in 2023 on HOSE achieved an average growth rate of +19.37% YoY. Issuing valuable papers with terms greater than 5 years helps banks improve tier 2 capital and improve the ratio of short-term capital for medium and long-term loans at some banks.
- According to data compiled at HNX, the proportion of bonds issued by credit institutions reached about 46% of the total issued value, as of the end of November 2023.

Part 2.1 – Core business of banks had a flat growth year

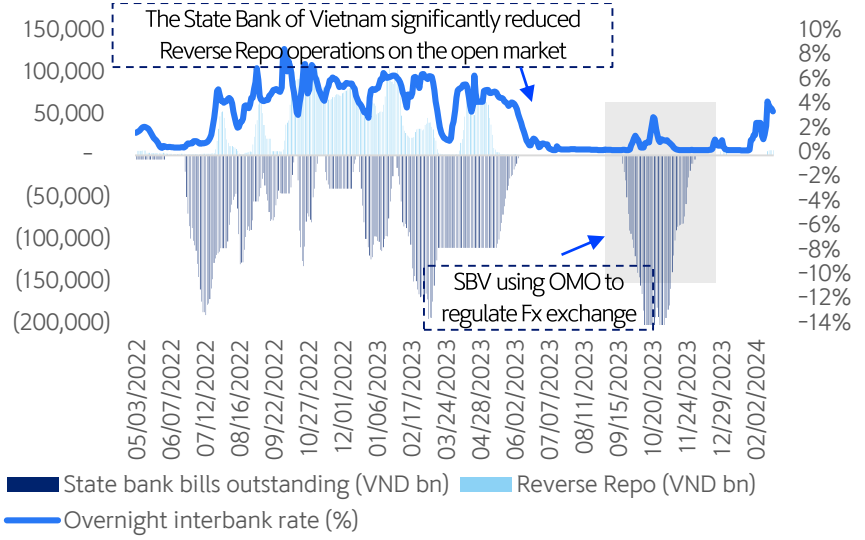
The open market channel becomes less active towards the end of 2023

Government and SBV debt at banks on HOSE as of Q4/2023



Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam
This report does not include NAB data (Approved for listing on HOSE on March 8, 2024)

OMOs of the State Bank



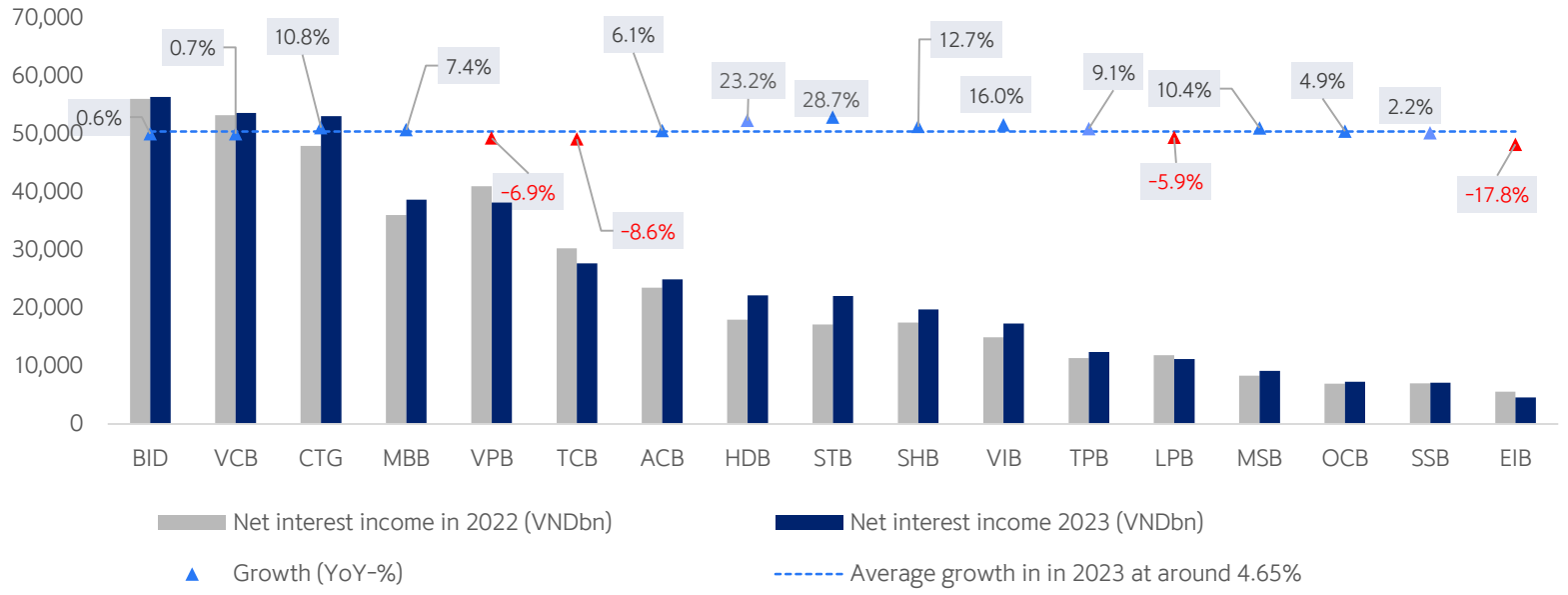
Source: SBV, Fiinpro, Shinhan Securities Vietnam

- After a period of active operations on the open market at the end of Q4/2022, 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 -81.2% compared to the end of Q4/2022).
- In September, SBV conducted many treasury bill auctions to temporarily absorb money from the commercial banking system. By the end of December, after the exchange rate was controlled, the issued bills in September had fully matured.
- In March 2024, SBV restarted to conduct the bill auction, however we consider this is a normal action of SBV to regulate exchange rates and interest rates in the interbank market.

Part 2.1 – Core business of banks had a flat growth year

Net interest income decelerated significantly over the same period

Net interest income of banks listed on HOSE in 2023



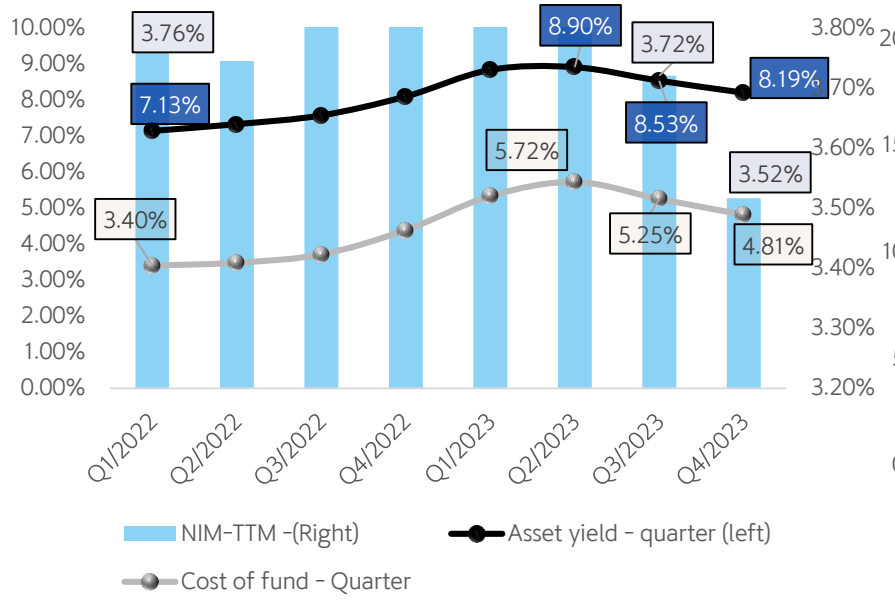
Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam
This report does not include NAB data (Approved for listing on HOSE on March 8, 2024)

- Net interest income in 2023 of the banking group listed on HOSE grew at a much slower rate compared to the same period in 2022. More specifically, net interest income in 2023 only increased of about 4.65% (compared to 23.28% of 2022). This low growth comes from noticeable shrinking NIM.
- However, the signal had become more positive when the net interest income of this banking group in Q4/2023 grew positively again, after a series of 3 consecutive quarters of decline. This is consistent with the movement of interest rates and credit growth of the system. Credit growth was disbursed considerably at the end of December, thus it had not reflect much on the bank's net interest income in 2023.

Part 2.1 – Core business of banks had a flat growth year

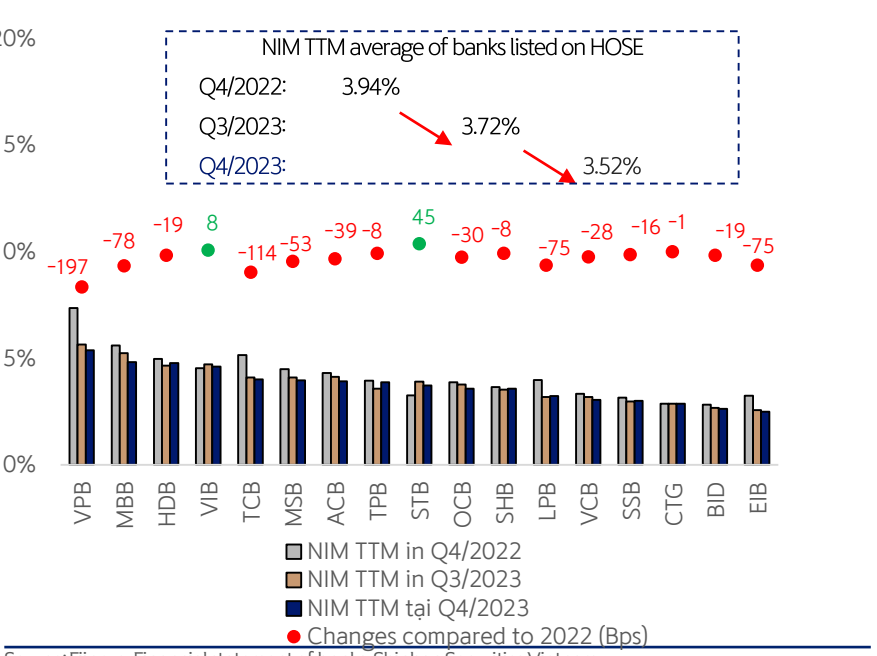
Reduced COF helped lower lending interest rates

Asset yield (IAE), Cost of capital (COF), Net interest margin (NIM) of banks on HOSE 2022-2023



Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam
This report does not include NAB data (Approved for listing on HOSE on March 8, 2024)

Net profit margin (NIM) – TTM



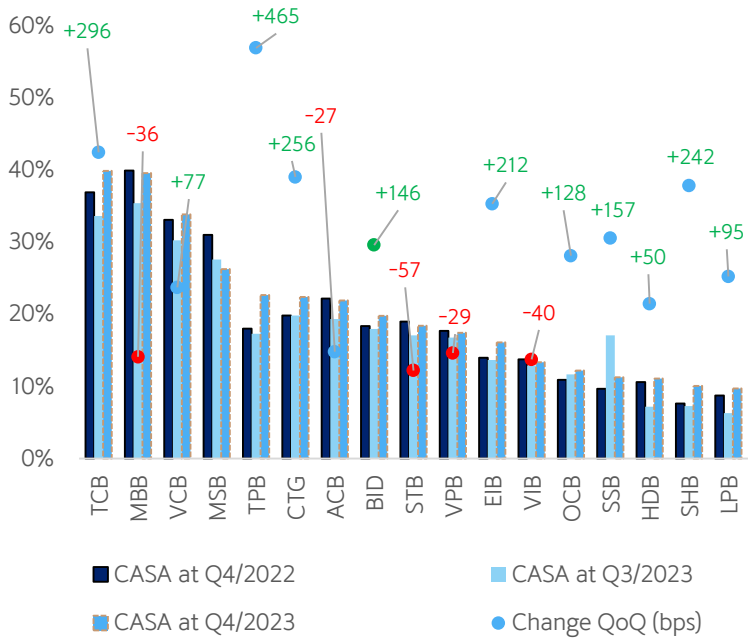
Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam
This report does not include NAB data (Approved for listing on HOSE on March 8, 2024)

- Going into details, the annualized COF of the banking group listed on HOSE in Q4/2023 was on average at 4.81% (down from 5.25% in Q3/2023); annualized IAE in Q4/2023 averaged at 8.19% (down from 8.53% in Q3/2023). The annualized NIM of this banking group in Q4/2023 is estimated at an average of 4.02% (up from the average of 3.79% in Q3/2023). We consider this an important signal and the foundation for improved NIM forecasts in 2024.
- NIM TTM of this banking group for the whole year 2023 is estimated at 3.52% (down from 3.94% in the year 2022). Most banks recorded a decrease in NIM in business results for the year of 2023 except VIB and STB. While STB relied on restructuring story, VIB successfully took advantage of low interest rates in the interbank market to control its capital costs.

Part 2.1 – Core business of banks had a flat growth year

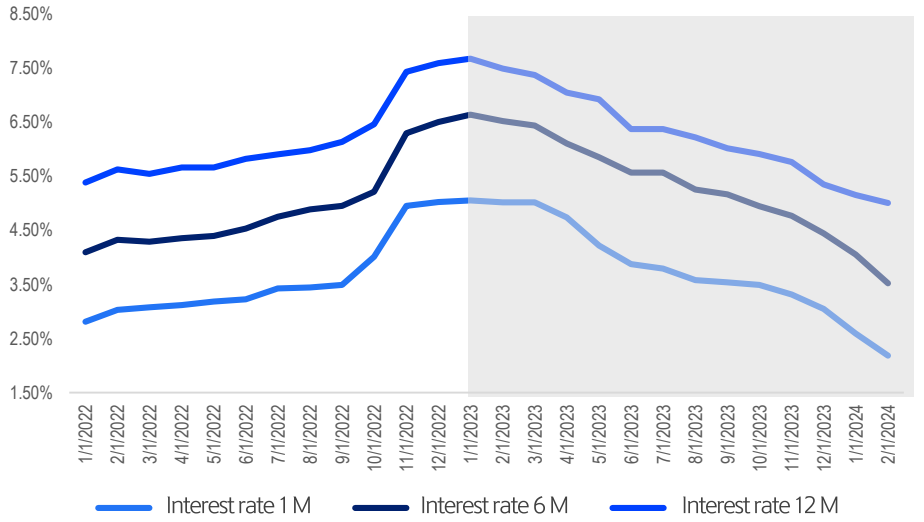
CASA rate recovers strongly in Q4/2023

CASA of banks by the end of Q4/2023



Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam
This report does not include NAB data (Approved for listing on HOSE on March 8, 2024)

Deposit rates of commercial banks (%)



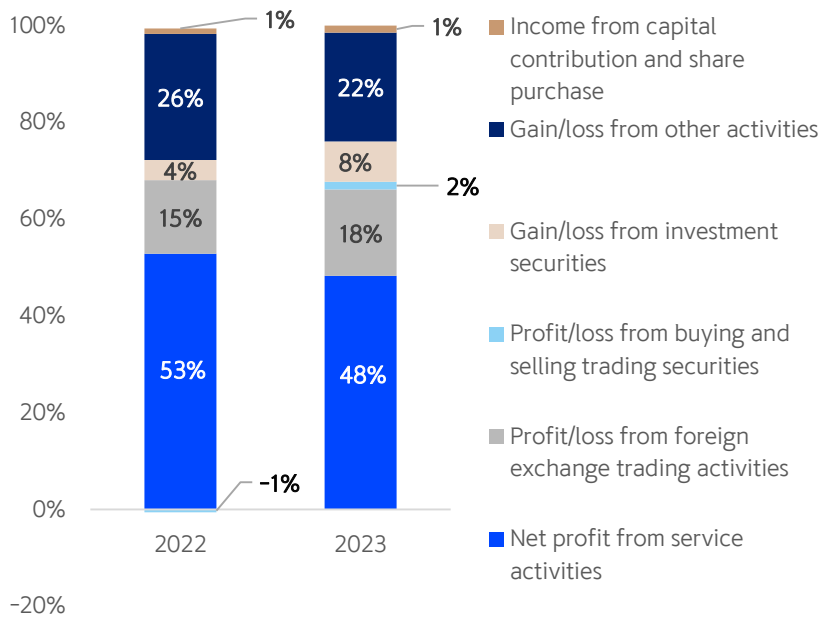
Source: Website of banks, Shinhan Securities Vietnam
This report does not include NAB data (Approved for listing on HOSE on March 8, 2024)

- Deposit interest rates, after many consecutive cuts, gradually returned to the base interest rate of the first half of 2022. Deposit interest rates for 6-12 month terms are being dropped at some typical banks we observed. area of 3.5-5.0%/year (deep decrease compared to the peak area of 6.0-8.3%)
- With deposit interest rates falling deeply and no longer as attractive as at the beginning of the year, the CASA ratio of this banking group recovered strongly in Q4/2023. CASA outstanding at the end of Q4/2023 of banks listed on HOSE increased slightly by 4% over the same period.

Part 2.1 – Core business of banks had a flat growth year

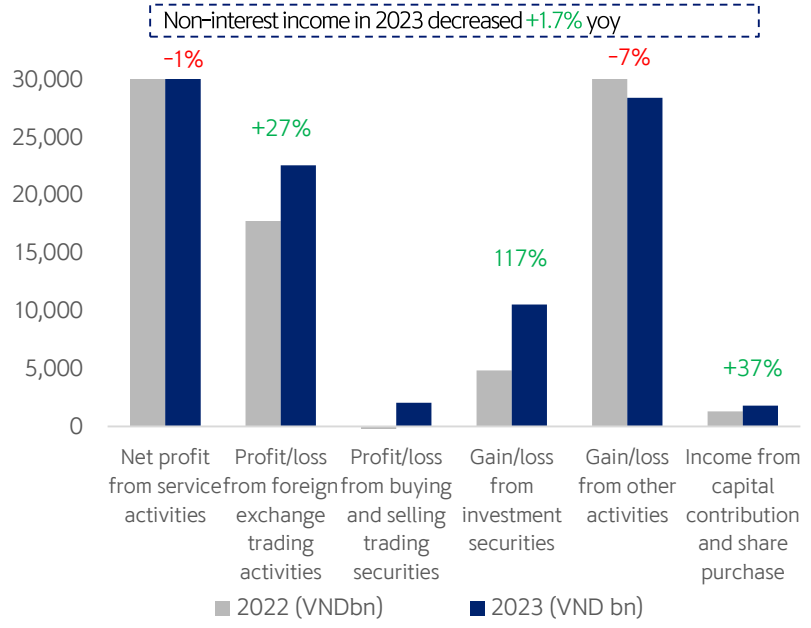
The bank's non-interest income with mixed results

Structure of the bank's non-interest income on HOSE in 2023



Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam
This report does not include NAB data (Approved for listing on HOSE on March 8, 2024

Divergence among non-interest incomes segments in 2023



Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam
This report does not include NAB data (Approved for listing on HOSE on March 8, 2024

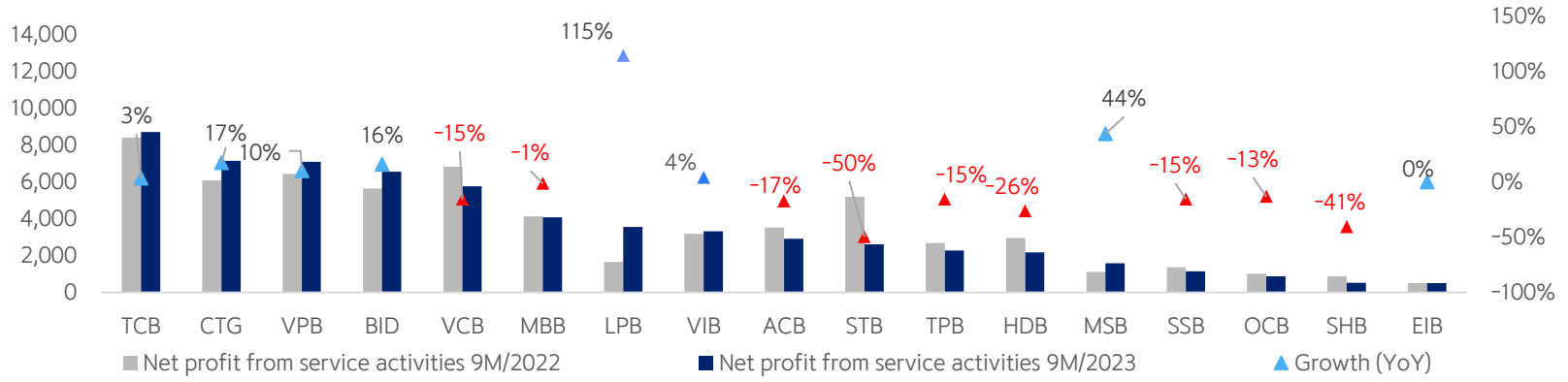
- Service activities and fee income contributed around 48% to the total non-interest income of banking stocks listed on HOSE in 2023. Service income in 2023 decreased slightly at 1% YoY. Income from cross-selling insurance was significantly affected in 2023, but this decline was balanced by the increasingly non-cash payments trend in Vietnam.
- In 2023, falling interest rates and a more stable corporate bond market created conditions for the investment securities segment to record good growth. This growth momentum was seen in some banks such as ACB, BID, CTG, HDB or TCB.
- The real estate market was relatively gloomy and the lack of major bancasurance deals in 2023 causes income from other activities to grow negatively.

Part 2.1 – Core business of banks had a flat growth year

The bank's fee income faces many obstacles

The bank's fee income in 2023

Insurance in 2023	Fee revenue (VNDbn)	Growth (%)
Insurance premium revenue	211,187	-4.4%
Non-life insurance premium revenue	71,149	2.0%
Life insurance premium revenue	140,038	-17.0%



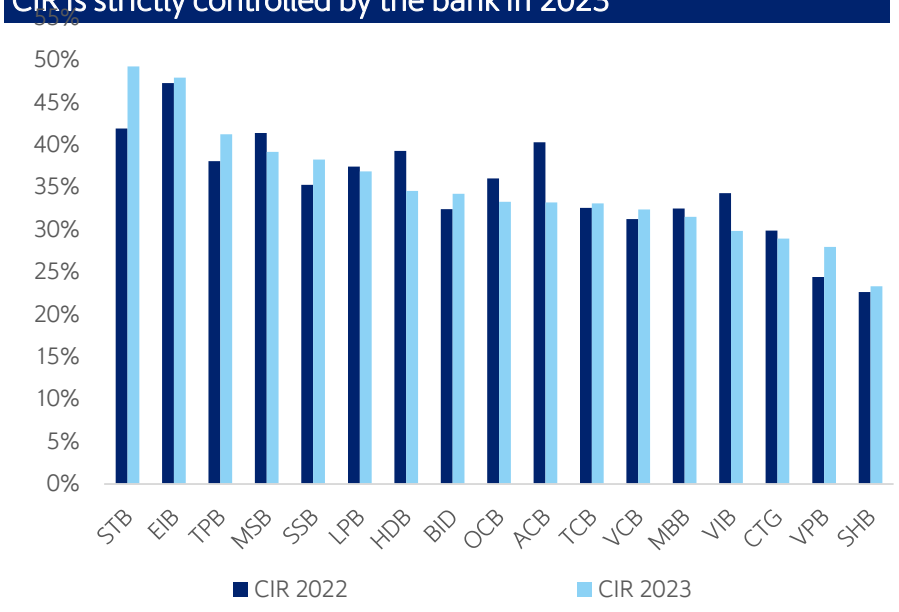
Nguồn: GSO, Fiinpro, Báo cáo tài chính các ngân hàng, Shinhan Securities Vietnam
This report does not include NAB data (Approved for listing on HOSE on March 8, 2024

- Life insurance premium revenue in 2023 decreased sharply at 17%. This was the main factor that impact the growth momentum of fee income of many banks in 2023. The Ministry of Finance during the year carried out a series of inspections of many insurance enterprises to strengthen management, supervision, and restore confidence in the insurance market. Also in 2023, the Ministry of Finance issued Circular 67/2023/TT-BTC, stated that: When selling investment-linked insurance, the consulting content must be recorded and banks are prohibited from selling investment-linked insurance with loan. The provision prohibiting banks from selling investment-linked insurance was also included in the Law on Credit Institutions (Amendment) passed in early 2024.
- With many intervention actions from regulators, due to potential of insurance market, we expect that the market could stabilize and grow back in 2024.

Part 2.1 – Core business of banks had a flat growth year

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

CIR is strictly controlled by the bank in 2023



Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam
This report does not include NAB data (Approved for listing on HOSE on March 8, 2024

The operating efficiency of banks decreased slightly in 2023

Stock	ROE TTM at Q4/2022 (%)	ROE TTM at Q4/2023 (%)	Change (bps)
ACB	26.49%	24.80%	-169
BID	19.09%	18.98%	-12
CTG	16.74%	16.95%	21
EIB	15.40%	10.09%	-531
HDB	22.21%	23.59%	138
LPB	22.08%	19.16%	-292
MBB	24.61%	23.45%	-115
MSB	18.96%	16.03%	-293
OCB	14.91%	15.28%	37
SHB	19.65%	16.36%	-329
SSB	18.05%	13.01%	-505
STB	13.83%	18.30%	447
TCB	19.52%	14.69%	-482
TPB	21.50%	13.74%	-777
VCB	23.99%	21.55%	-244
VIB	29.75%	24.26%	-549
VPB	19.14%	8.26%	-1,088
Average	**20.25%**	**19.16%**	-109

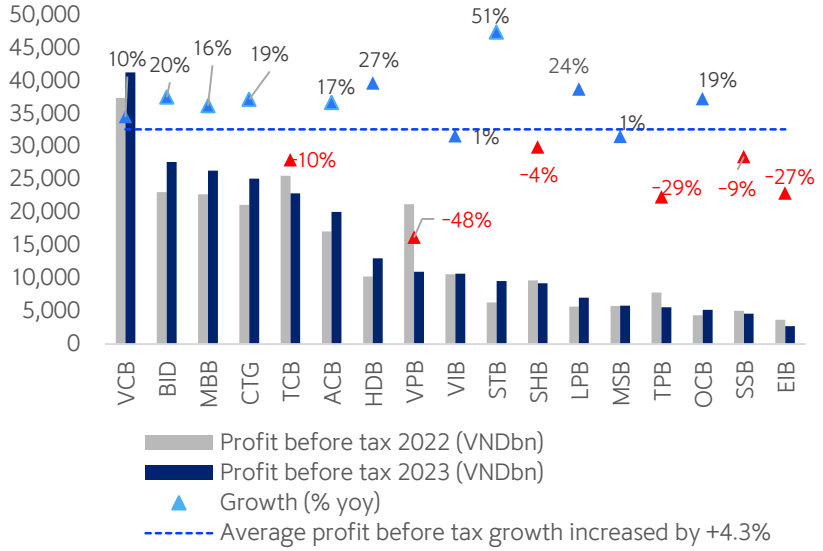
Source: Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam
This report does not include NAB data (Approved for listing on HOSE on March 8, 2024

- CIR of banks in 2023 was mostly around 35%. 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 reasonable level. The bank's SG&A costs in 2023 increased slightly only around 4.96% YoY (significantly lower than the 20.3% increase in 2022).
- ROE of the banks decreased from 20.25% in 2022 to 19.16% in 2023, a decrease of 109 bps. CTG, HDB and OCB are the few banks that improved their ROE coefficient in 2023. The remaining banks all recorded a decrease in operating efficiency.

Part 2.1 – Core business of banks had a flat growth year

Differentiated realized profits of banks

The bank's profit before tax in 2023



Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam
This report does not include NAB data (Approved for listing on HOSE on March 8, 2024

Profit before tax compared to banks' target plans for 2023

Stock	PBT 2023 (VNDbn)	PBT plan for 2023 (VNDbn)	% Target
ACB	20,068.00	20,058	100%
BID	27,641.95	26,461 *	104%
CTG	25,100.06	24,088 *	104%
EIB	2,719.63	5,000	54%
HDB	13,016.73	13,197	99%
LPB	7,039.39	6,000	117%
MBB	26,306.09	26,100	101%
MSB	5,829.91	6,300	93%
OCB	5,227.10	6,000	87%
SHB	9,233.04	10,600	87%
SSB	4,616.36	5,600	82%
STB	9,595.00	9,500	101%
TCB	22,888.23	22,000	104%
TPB	5,588.70	8,700	64%
VCB	41,243.69	42,973 *	96%
VIB	10,703.16	12,200	88%
VPB	10,987.18	24,003	46%
Total	**182,379**	**268,780**	**92%**

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 profit before tax (PBT), the banking group listed on HOSE recorded a positive growth of + 4.3% YoY in 2023 (+34.78% YoY in2022). The slight increase in PBT in 2023 comes from many factors including: Shrinking NIM, income from service fees not growing, lack of one-time upfront payment income from Bancasurance contracts, provisioning costs increased due to bad debt pressure.
- Overall, the listed banking group will end 2023 with an average of 92% of the year's profit before tax plan. VPB, EIB and TPB are the banking group with the lowest profit plan completion in 2023.

2.2

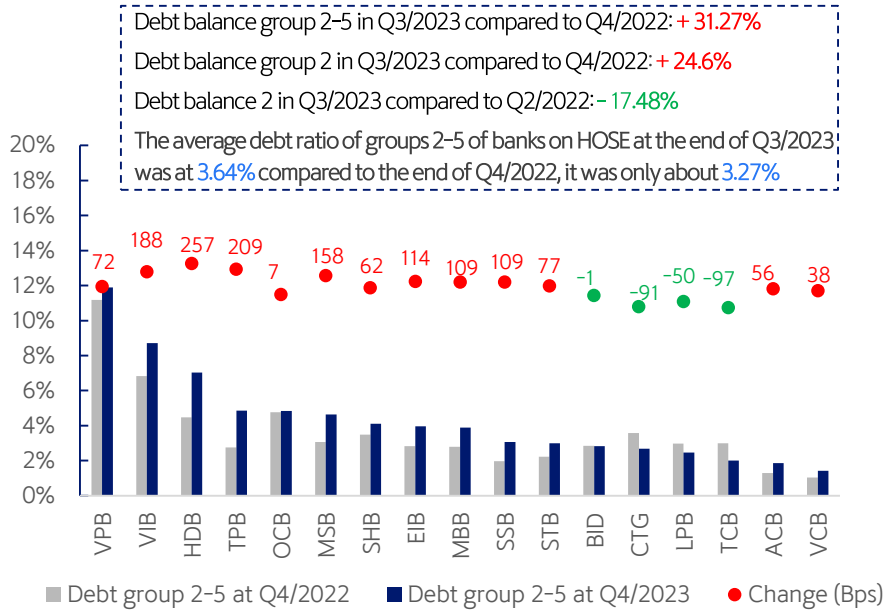
Bank asset quality declined

The banking group on HOSE simultaneously showed a decline in asset quality. The bad debt ratio increased in all banks in this group, and the provision buffer has also become much thinner compared to the end of 2022. However, group 2 outstanding debt and bad debt balance have shown a trend. create a peak in the second half of 2023.

Part 2.2 – Bank asset quality declined

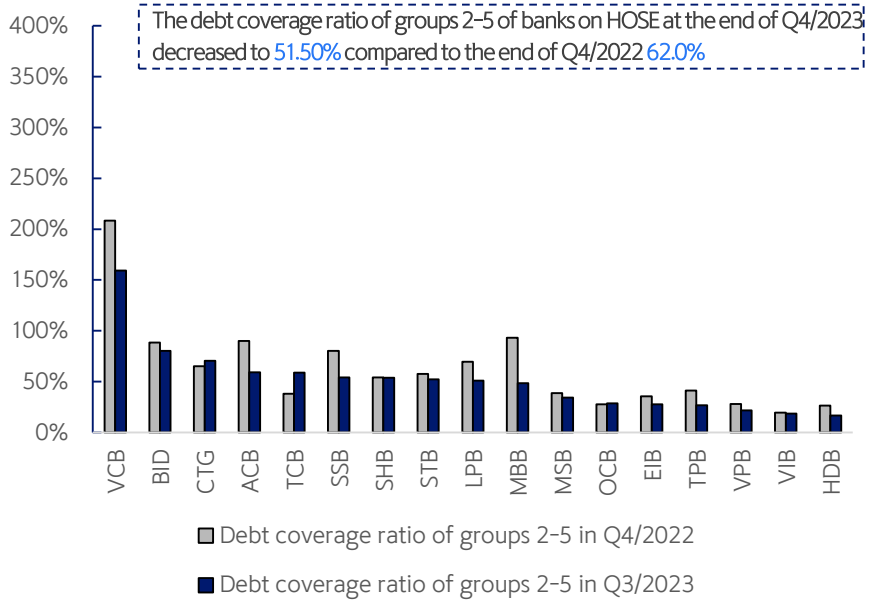
Group 2 outstanding debt decreased consecutively in the second half of 2023

Outstanding debt in group 2-5 at banks on HOSE at the end of Q4/2023



Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam
This report does not include NAB data (Approved for listing on HOSE on March 8, 2024

Debt coverage ratio of group 2-5 of banks on HOSE at the end of Q4/2023



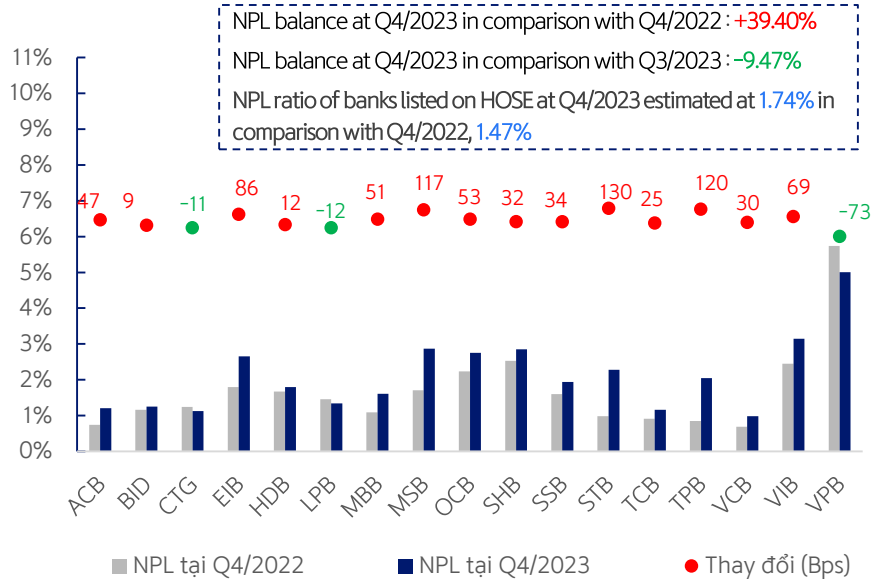
Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam
This report does not include NAB data (Approved for listing on HOSE on March 8, 2024

- Outstanding debt of group 2 at the end of Q4/2023 has decreased by 17.48% compared to the peak at the end of Q2/2023. This could be a positive sign that the conversion rate from debt group 1 to debt group 2 has decreased in the second half of 2023.
- Compared to the same period, outstanding debt group 2-5 at the end of Q4/2023 increased by 31.27% YoY. , average debt coverage ratio of groups 2-5 is at 51.50% (down from 62% at the end of 2022)

Part 2.2 – Bank asset quality declined

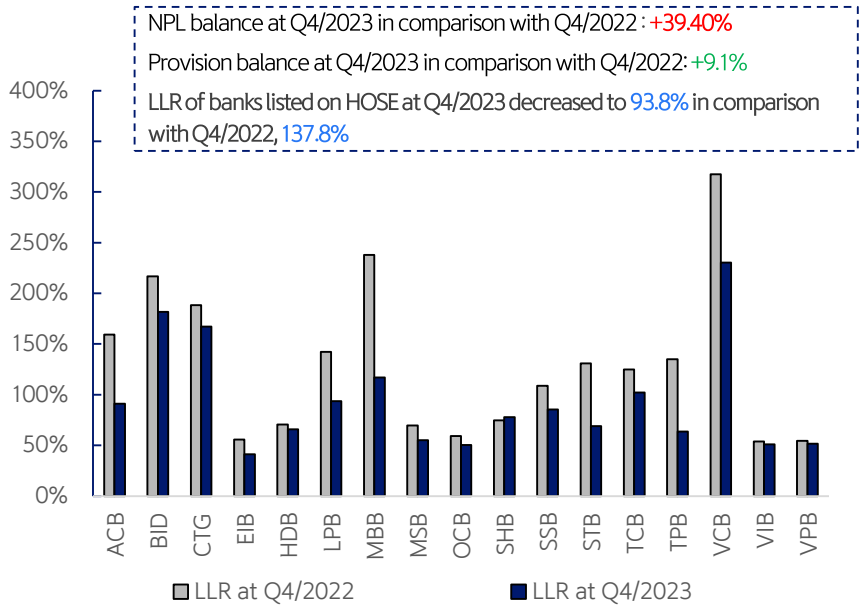
Bad debt balance increased rapidly but decreased slightly at the end of Q4/2023

Non-performing loan (NPL) of banks on HOSE at the end of Q4/2023



Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam
This report does not include NAB data (Approved for listing on HOSE on March 8, 2024

Loan loss coverage ratio (LLR) of banks on HOSE at the end of Q4/2023



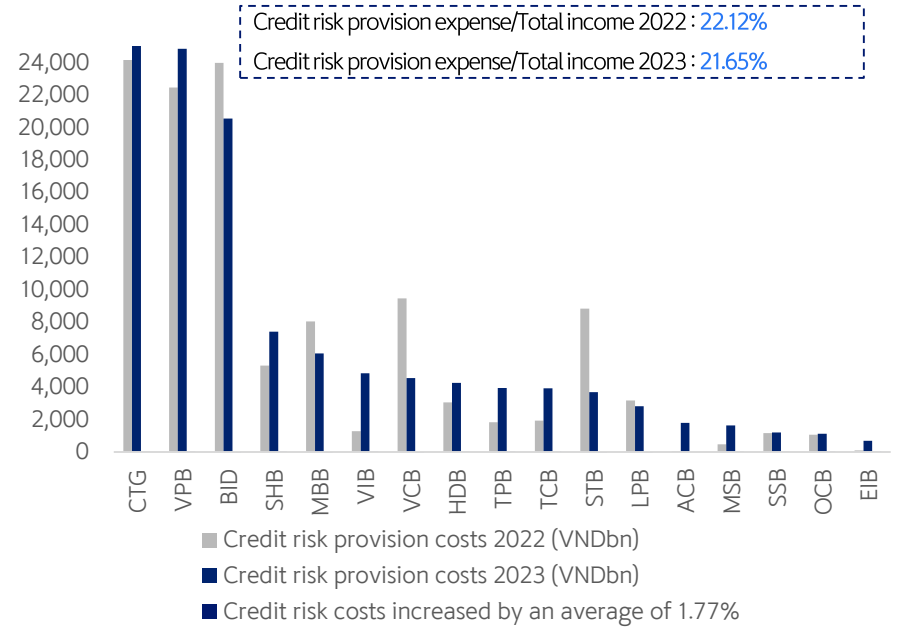
Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam
This report does not include NAB data (Approved for listing on HOSE on March 8, 2024

- With reduced consumer demand, affected export orders, lack of activity in the real estate market along with rising interest costs, the NPL ratio of banks listed on HOSE increased from 1.47%. by the end of 2022 to 1.74% by the end of Q4/2023. A positive sign is that the NPL balance at the end of Q4/2023 decreased by 9.47% compared to Q3/2023.
- The bad debt coverage ratio (LLR) of banks has also thinned considerably, from an average of 137.8% at the end of Q4/2022 to about 93.8% at the end of Q4/2023.

Part 2.2 – Bank asset quality declined

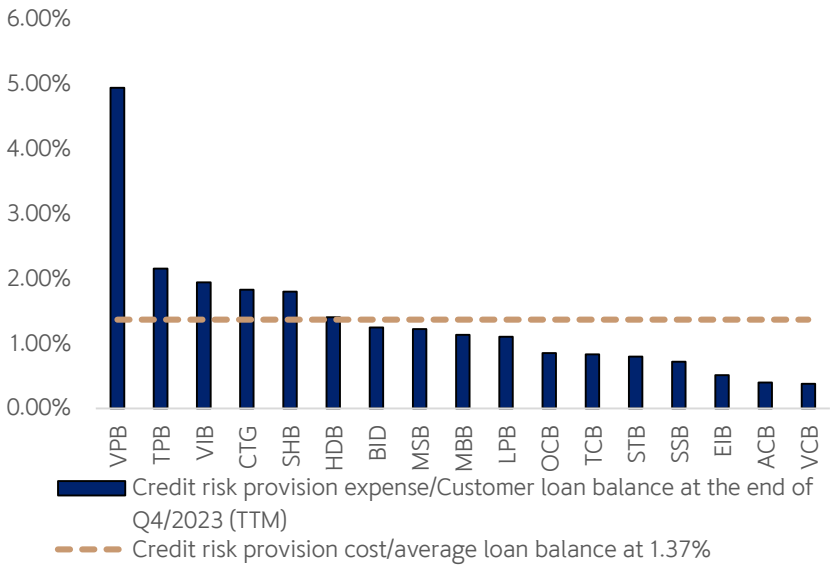
Provision costs continue to increase due to Non-performing loan pressure

The bank's provisioning costs in 2023



Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam
This report does not include NAB data (Approved for listing on HOSE on March 8, 2024

Provision expenses TTM/customer loan balance in 2023



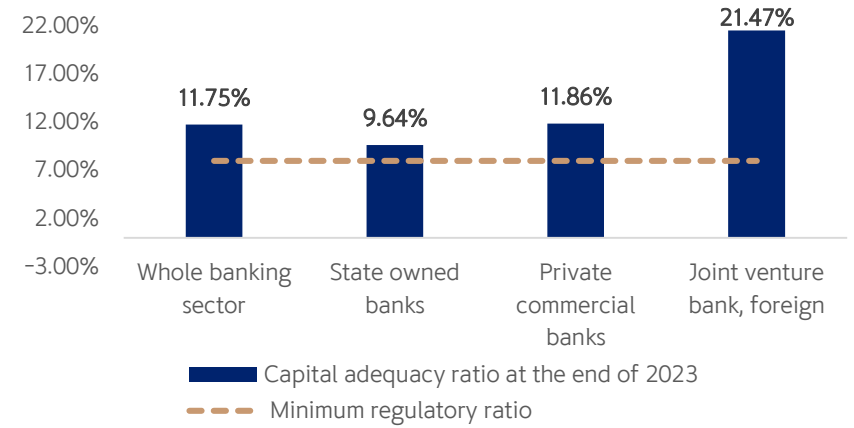
Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam
This report does not include NAB data (Approved for listing on HOSE on March 8, 2024

- Credit risk costs will increase slightly on average at 1.77% YoY in 2023. This cost increase is lower than the increase in NPL, especially banks with loan loss coverage ratio (LLR) that had taken this advantage to limit the recognize provision expenses in 2023.
- The average cost of provisioning/loan balance in 2023 will average 1.37% (down from 1.45% in 2022). VPB with its consumer credit subsidiary Fe Credit is 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

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
This report does not include NAB data (Approved for listing on HOSE on March 8, 2024

- The capital adequacy ratio in general did not change much compared to the end of 2022. Considering the whole system, the capital adequacy ratio reaches 11.75%, higher than the 8% requirement of the State Bank of Vietnam.
- Beside the state-owned banking group, STB is a bank with a low capital adequacy ratio compared to the industry average. It is expected that after successfully implementing the restructuring project (expected in 2024), this bank could increase its capital to improve this ratio.
- In 2023, VPB with the sale of capital to SMBC is the bank that will improve its CAR significantly. VPB's CAR by the end of 2023 will reach over 17%. We will fully update the detailed capital adequacy ratio data for each bank in the next report.

03

Many positive trends await in 2024

GDP growth in 2024 returns to 6%, 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 2024-2026

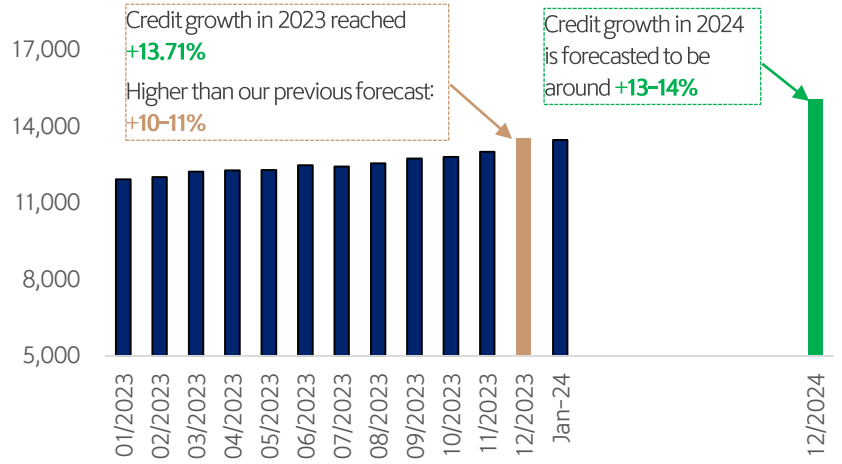
Index	Real GDP			CPI			Unemployment rate		
Country/year	**2024**	**2025**	**2026**	**2024**	**2025**	**2026**	**2024**	**2025**	**2026**
Vietnam	**6.0 %**	**6.3 %**	**6.6 %**	**3.5 %**	**3.2 %**	**4.0 %**	**2.2 %**	**2.2 %**	
China	4.6 %	4.4 %	4.2 %	1.0 %	1.7 %	1.9 %	5.1 %	5.1 %	5.1 %
Hong Kong	2.7 %	2.9 %	2.3 %	2.1 %	2.2 %	2.0 %	2.8 %	2.8 %	
India	6.9 %	6.4 %	6.5 %	5.4 %	4.6 %	4.5 %			
Indonesia	5.0 %	5.1 %	5.1 %	2.9 %	3.0 %	3.0 %	5.3 %	5.2 %	5.1 %
South Korea	2.1 %	2.2 %	2.0 %	2.4 %	2.0 %	2.0 %	2.9 %	3.0 %	
Malaysia	4.3 %	4.5 %	4.5 %	2.5 %	2.4 %	2.4 %	3.3 %	3.3 %	3.1 %
Phillipines	5.8 %	6.0 %	6.1 %	3.5 %	3.3 %	3.0 %	4.9 %	4.8 %	4.2 %
Singapore	2.3 %	2.6 %	2.7 %	3.1 %	2.0 %	1.7 %	2.1 %	2.1 %	
Taiwan	3.1 %	2.6 %	2.5 %	1.8 %	1.5 %	1.9 %	3.5 %	3.5 %	
Thailand	2.9 %	3.4 %	3.6 %	1.1 %	1.7 %	2.0 %	1.0 %	1.0 %	
USA	2.0 %	1.7 %	2.0 %	2.7 %	2.4 %	2.2 %	4.0 %	4.1 %	4.0 %
Japan	0.7 %	1.1 %	0.9 %	2.2 %	1.7 %	1.7 %	2.5 %	2.4 %	
Euro	0.5 %	1.4 %	1.4 %	2.3 %	2.1 %	2.0 %	6.7 %	6.6 %	6.7 %
United Kingdom	0.4 %	1.2 %	1.6 %	2.5 %	2.1 %	2.1 %	4.5 %	4.5 %	4.7 %
Canada	0.6 %	1.7 %	2.0 %	2.5 %	2.1 %	2.0 %	6.4 %	6.4 %	
Australia	1.4 %	2.2 %	2.5 %	3.4 %	2.8 %	2.4 %	4.3 %	4.6 %	
Sweden	0.3 %	1.8 %	2.1 %	2.7 %	1.9 %	2.1 %	8.2 %	8.0 %	7.0 %
New Zealand	1.0 %	2.2 %	2.8 %	3.2 %	2.2 %	2.1 %	4.9 %	5.1 %	
Switzerland	1.2 %	1.5 %	1.6 %	1.5 %	1.4 %	1.3 %	2.2 %	2.2 %	
Denmark	1.4 %	1.7 %		2.0 %	2.0 %		4.7 %	4.4 %	
Norway	0.6 %	1.4 %	2.1 %	3.6 %	2.5 %	2.0 %	3.7 %	3.7 %	4.0 %
Germany	0.2 %	1.2 %	1.3 %	2.6 %	2.2 %	2.0 %	5.9 %	5.7 %	5.5 %
France	0.7 %	1.3 %	1.6 %	2.6 %	2.0 %	1.9 %	7.5 %	7.4 %	7.2 %
Italy	0.5 %	1.1 %	1.1 %	1.7 %	2.0 %	2.0 %	7.6 %	7.4 %	

Source: Bloomberg Consensus, Shinhan Securities Vietnam

- The economy will rebound in 2024 and we forecast a return to **+6.0%** growth. CPI is controlled at **3%-3.5%** in 2024 in the context that many central banks around the world have reached the end of the cycle of raising interest rates.

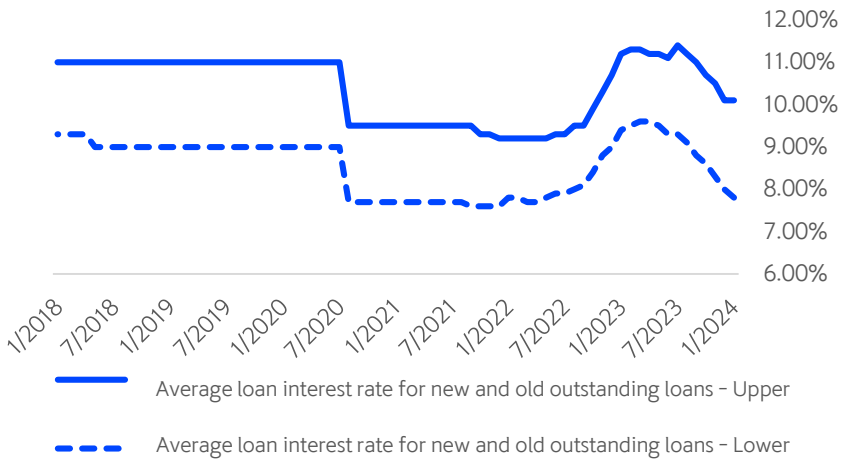
Credit growth in 2024 could reach 13–14%

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

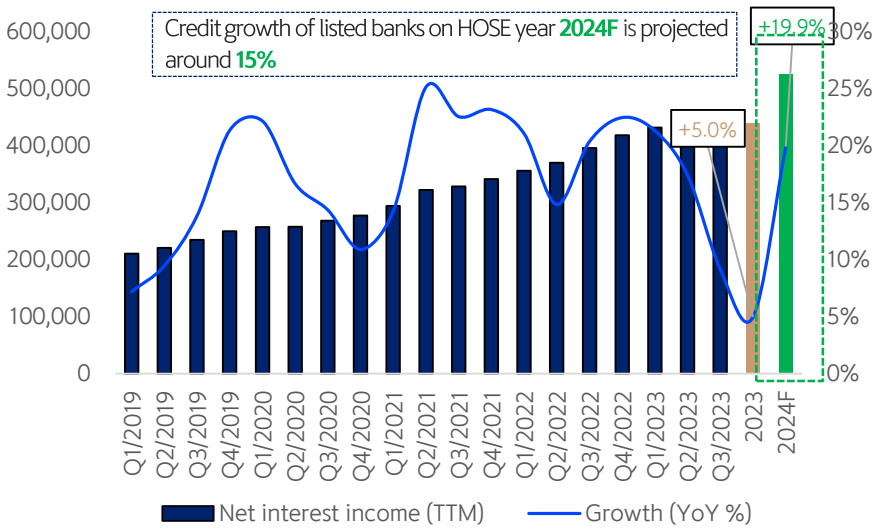


Source: GSO, Shinhan Securities Vietnam

- 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.
- Align with our expectations, the average lending interest rate on the market until January 2024 has decreased to around 7.8%–10.0% (down about 120bps compared to Q2/2023). With interest rates returning to low levels, we believe that there is not much room to reduce loan interest rates in the near future. Interest rates may therefore remain low in the first half of the year with the possibility of slightly increasing again in the second half of 2023.

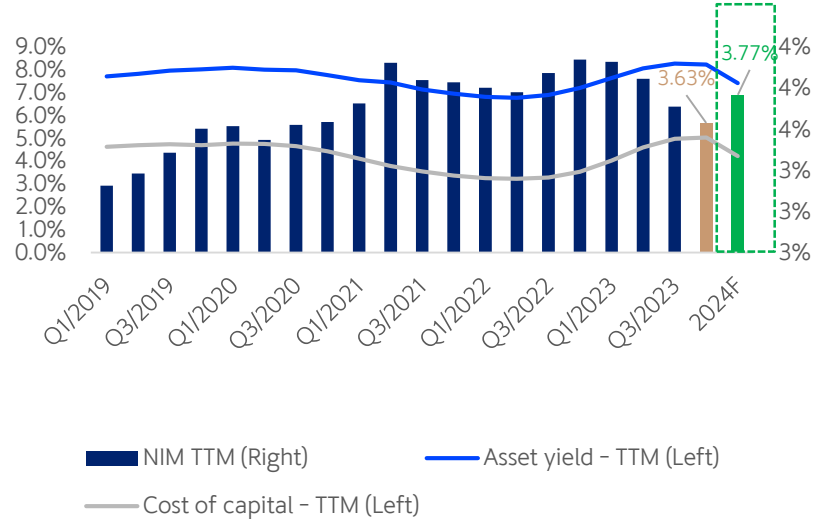
Slight improvement in NIM helps net interest income in 2024 grow by nearly 20%

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



Source: Shinhan Securities Vietnam

Net interest income of the bank on HOSE (VNDbn)

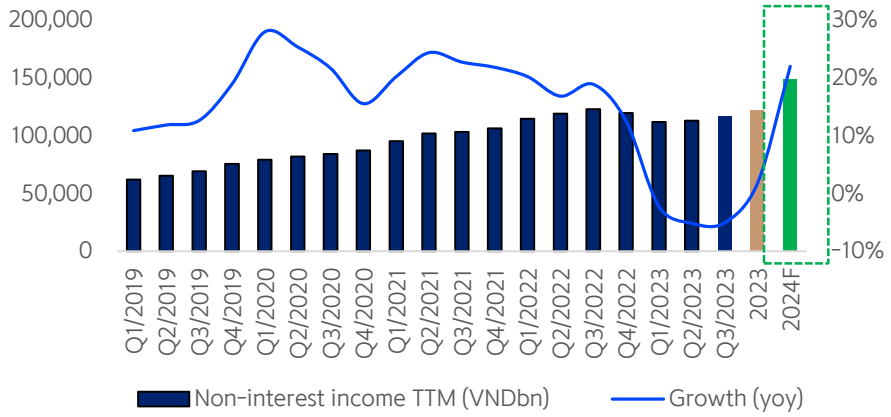


Source: Shinhan Securities Vietnam

- Commercial banks listed on HOSE will usually have credit growth rates about 1.5% higher than the system average. With that assumption, we forecast that this banking group will have credit growth of about **15%** by 2024.
- We expect NIM for the whole year 2024 to improve slightly to **3.77%** (from **3.63%** in 2023). Along with the assumption of 15% credit growth, the bank's net interest income growth in 2024 could reach **19.9%.**

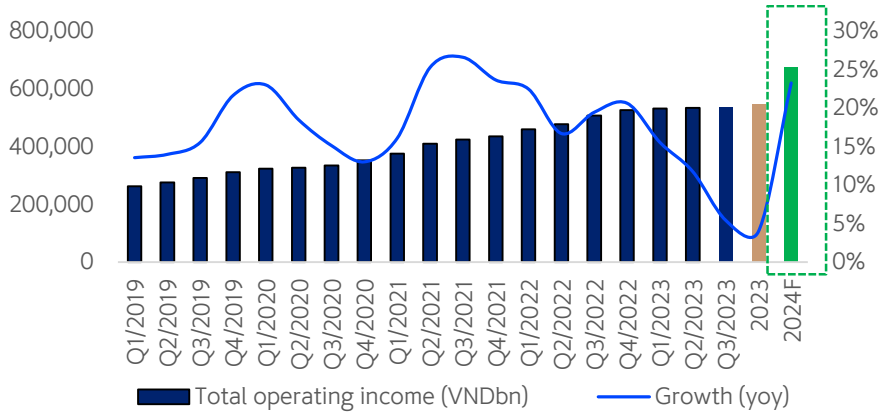
Non-interest income returned to growth after a year of slowdown

Non-interest income of the bank (VNDbn)



Source: Shinhan Securities Vietnam

Total operating income of the bank (VNDbn)

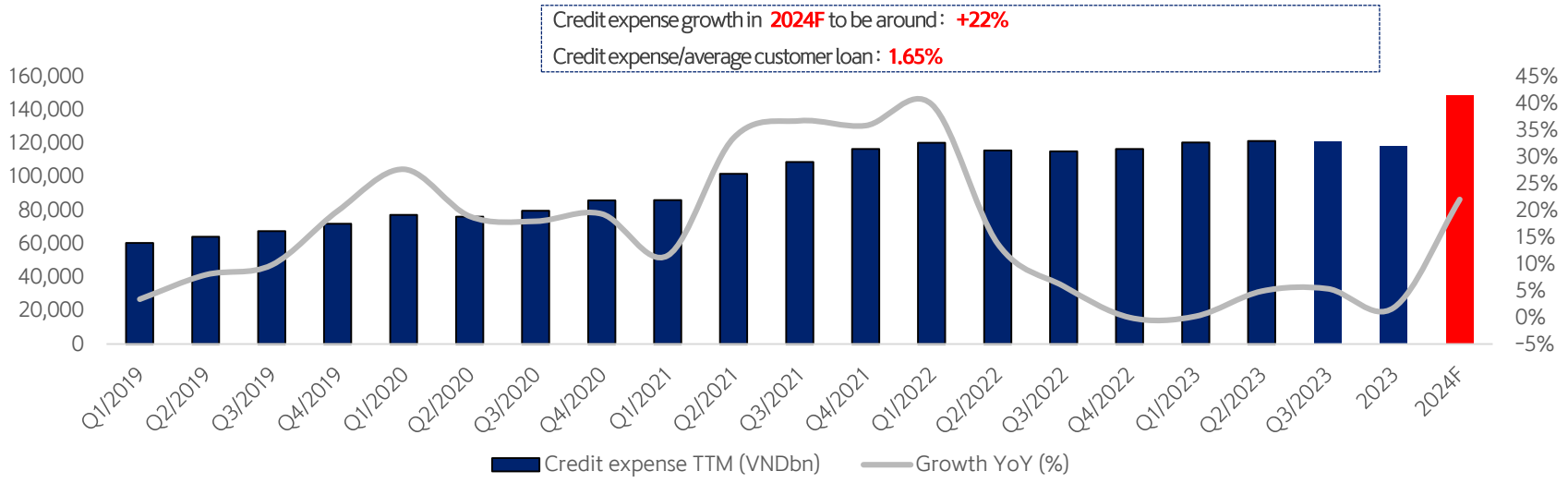


Source: Shinhan Securities Vietnam

- With low growth in 2023, along with expectations of recovery from affected business segments, non-interest income of banks listed on HOSE in 2024 may grow by **22.0%** over the same period.
- The total operating income of this group of listed banks may reach a growth rate of **23.3%** in 2024 compared to the same period.

Credit risk provision costs are expected to increase in 2024

Profit before tax of banks (VNDbn)

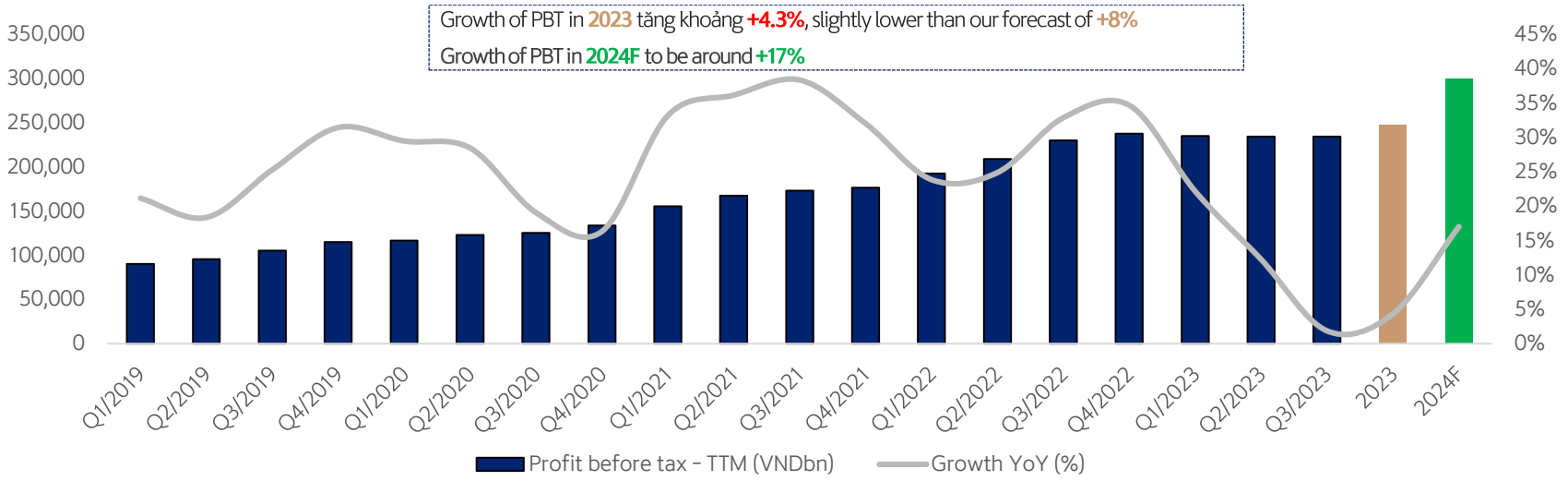


Source: Shinhan Securities Vietnam

- Regarding credit risk costs in 2024, we expect banks listed on HOSE to increase recognition of this cost to remove bad debts from the balance sheet and improve the bad debt coverage ratio. Based on average data for the period 2020–2022, we forecast that credit risk provision costs/average loan balance will increase to 1.65% (from 1.37% in 2023).

Pre-tax profit recovered thanks to many favorable factors

Bank's pre-tax profit (VND billion)



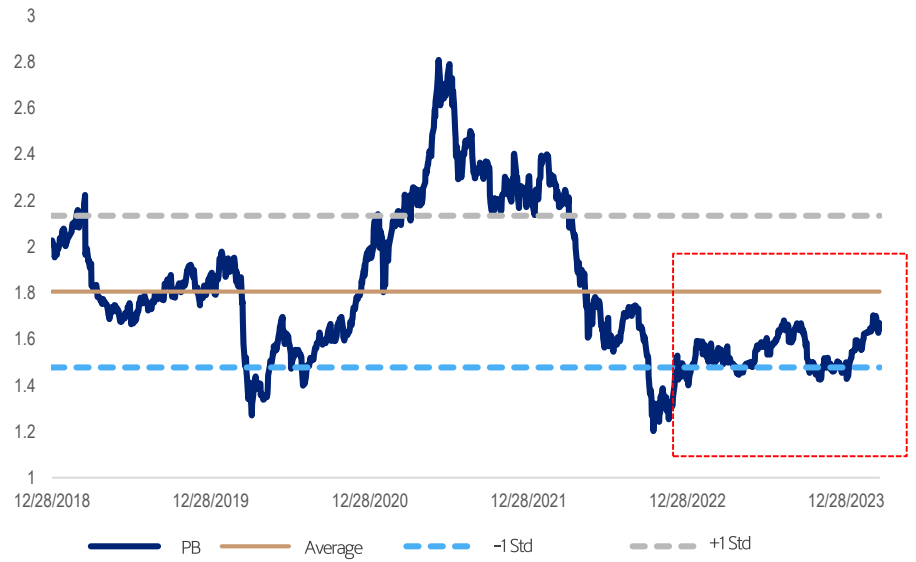
Nguồns: Shinhan Securities Vietnam

- With the assumption that operating costs in 2024 will grow again at 15% and credit risk costs/average loan balance will increase to 1.65%, the pre-tax profit of this banking group will accordingly be +17% increase for 2024.
- Based on the above profit growth assumption, we forecast P/B Forward at the end of 2024 at 1.3x. We think that banking stocks are still in low valuation areas and suitable for long-term investment strategies.

Part 3 – Many positive trends await in 2024

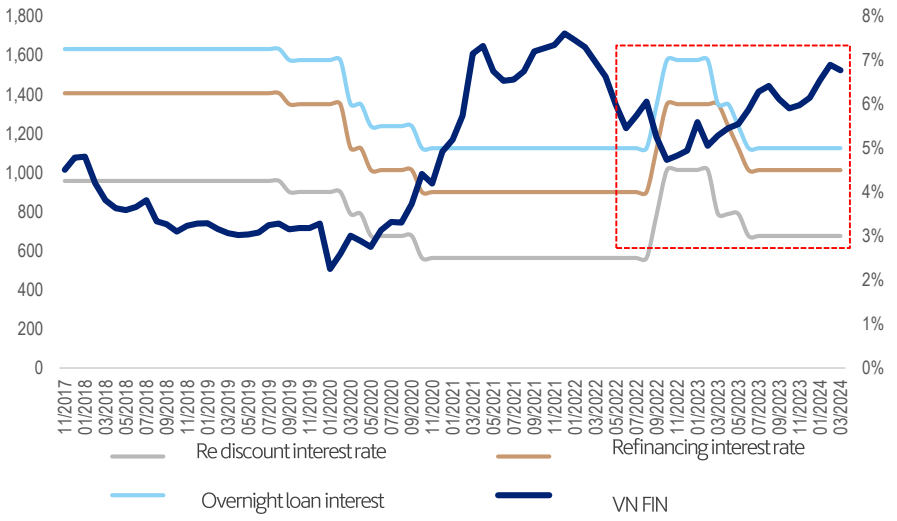
Banks' valuations are still lower than the average of the last 5 years

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

- According to our calculations based on data provided from Bloomberg, the banking group's valuation has improved to Price-to-Book at 1.7x, up from 1.5x at the end of Q4/2023. However, the valuation of the entire banking industry is still below the 5-year average (1.83x).
- With the prospect of profits recovering in 2024, the bank's equity capital can grow accordingly, making the banking group's valuation continue to be attractive for long-term investment. In the short term, the strong increase in bank stocks in the past short period of time may prompt many investors to take profits.

Notable capital raising/capital transfer activities in 2024

Summary table of some major capital sales/capital transfers in 2024

MCK	Summary
VCB	VCB plans to sell capital through a private placement of 6.5% of charter capital in 2024.
BID	BID plans to sell capital through a private placement of 9% of charter capital in 2024
MBB	Plan to issue 73 million shares to Military Industry and Telecommunications Group
HDB	- HDB can issue 500 million USD in convertible bonds in 2024. This plan was approved by the General Meeting of Shareholders in 2023 but HDB has not yet implemented it. - HDB also has 10% room available for foreign investors, and depending on market conditions, HDB will consider selling capital in the coming period.
SHB	SHB can continue its plan to increase capital through private placement to foreign investors as approved in the 2023 General Meeting of Shareholders. However, the detailed plan has not been announced by the bank.
STB	Sacombank plans to submit the plan to the State Bank and may auction 32.5% of Tram Be shares after completing the restructuring project, expected in 2024. However, until now this plan has not been published in detail by STB

Source: Company data, Shinhan Securities Vietnam

Schedule for the 2024 Annual General Meeting of Shareholders of listed banks

Summary table of expected time for the 2024 General Meeting of Shareholders

MCK	Ex-rights transaction date	Expected event date
VCB	March 26	April 27
BID	March 25	April 27
CTG	March 25	April 27
VPB	March 21	April 24
TCB	March 18	April
MBB	January 17	April 19
ACB	February 29	April 04
SSB	March 18	April
STB	March 13	April 25
HDB	March 27	April 26
VIB	February 23	April 02
SHB	March 14	April 25
TPB	March 21	April
LPB	February 14	April 27
EIB	March 13	April 26
OCB	March 15	April 15
MSB	March 07	April 13

Source: Company data, Shinhan Securities Việt Nam

04

Potential bank stocks

VCB, ACB, STB, TCB, MBB, VPB

Part 4 – Potential bank stocks

Ticker	Market cap (VNDbn)	Current price (VND)	Target price for 2024** (VND)	Upside (%)	Growth of NII 2023 (% YoY)	Growth of TOI 2023 (% YoY)	Growth of EBT 2023 (% YoY)	Asset/ Equity (x)	NIM (TTM)	NPL (TTM)	LLR (%)	CIR (TTM)	ROE (TTM)	P/B (TTM)	PB Forward
VCB	519,785	93,000	**107,748**	15.9%	1%	-1%	10%	10.9	3.0%	1.0%	230.3%	32.4%	21.6%	3.20	2.52
BID	296,423	52,000	**49,789**	-4.3%	1%	5%	20%	18.7	2.6%	1.3%	181.8%	34.2%	19.0%	2.63	1.93
CTG	178,821	33,300	**39,038**	17.2%	11%	9%	19%	15.9	2.9%	1.1%	167.2%	28.9%	17.0%	1.54	1.19
VPB	144,397	18,200	**22,863**	25.6%	-7%	-14%	-48%	5.8	5.4%	5.0%	51.7%	28.0%	8.3%	1.16	0.98
TCB	141,253	40,100	**50,340**	25.5%	-9%	-2%	-10%	6.5	4.0%	1.2%	102.1%	33.1%	14.7%	1.16	0.94
MBB	120,967	23,200	**29,277**	26.2%	7%	4%	16%	9.8	4.8%	1.6%	117.0%	31.5%	23.5%	1.39	1.04
ACB	104,481	26,900	**32,600**	21.2%	6%	14%	17%	10.1	3.9%	1.2%	91.2%	33.2%	24.8%	1.52	1.22
HDB	64,504	22,300	**25,271**	13.3%	23%	20%	27%	13.0	4.8%	1.8%	65.8%	34.6%	23.6%	1.52	1.16
STB	57,028	30,250	**37,928**	25.4%	29%	0%	51%	14.7	3.7%	2.3%	68.8%	49.2%	18.3%	1.31	0.96
VIB	56,444	22,250	**25,010**	12.4%	16%	23%	1%	10.8	4.6%	3.1%	51.0%	29.8%	24.3%	1.47	1.23
SSB	56,028	22,450			2%	-2%	-9%	8.8	3.0%	1.9%	85.5%	38.3%	13.0%	1.88	
LPB	41,050	16,050			-6%	10%	24%	11.2	3.2%	1.3%	93.8%	36.9%	19.2%	1.36	
SHB	40,836	11,150			13%	12%	-4%	12.6	3.6%	2.8%	77.7%	23.3%	16.4%	0.86	
TPB	40,290	18,300			9%	4%	-29%	10.9	3.9%	2.0%	63.7%	41.3%	13.7%	1.30	
EIB	32,032	18,400			-18%	-9%	-27%	9.0	2.5%	2.7%	41.2%	47.9%	10.1%	1.41	
OCB	30,206	14,700			5%	12%	19%	8.1	3.6%	2.8%	50.3%	33.3%	15.3%	1.06	
MSB	28,400	14,200			10%	15%	1%	8.5	4.0%	2.9%	55.2%	39.2%	16.0%	1.00	

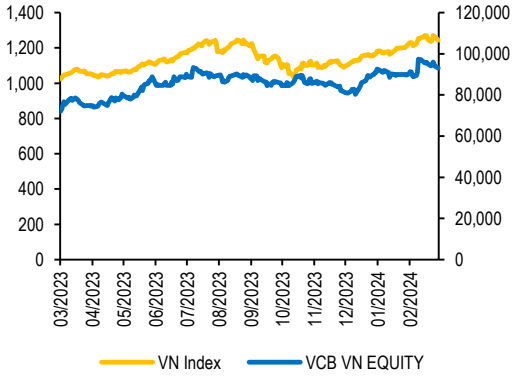
Source: Bloomberg update on 03/18/2023, Shinhan Securities Vietnam
** The target price in this report is forecast by SSV based on business results in 2024.

Bank for Foreign Trade of Vietnam (HOSE:VCB)

Vietcombank

Target price (year 2024)	**VND 107,748**
Current price (03/18/23)	VND 94,000
Upside (%)	15.9%
VNINDEX	1,263
PE market (24F)	11.5
Market cap (VNDbn)	539,347
Outstanding shares (shares mn)	5,589
Free Float (shares mn)	1,408
52-week high/low(VND)	100,500/ 72,058
Average trading volume 90 days (shares mn)	1.31
Average trading value of 90 days (VNDbn)	126
Beta	0.9
Major shareholder(%) SBV	74.80
Major shareholder(%) Mizuho	15.0

Performance	**3M**	**6M**	**12M**
Absolute (%)	13.3	7.8	24.0
Relative to VN-Index (%)	0.7	6.2	2.3



Brand of stability

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 107,748 VND.

Business results in 2023

- VCB's credit growth accelerated sharply in Q4/2023, helping the bank achieve a growth rate of 10.9% for the whole year. Customer deposits of VCB at the end of Q4/2023 reached VND 1,395 billion (+12.2% YoY). VCB's net interest income in 2023 reached VND 53,621 billion (+0.7% YoY). Compared to the end of 2022, VCB's NIM (TTM) at the end of 2023 narrowed to 3.01%. The positive point in the Q4/2023 report is that NIM Annualized in this quarter ended the 3-quarter consecutive decline, increasing slightly to 2.91% in Q4/2023 (compared to 2.89% in Q3/2023). Non-interest income did not improve significantly in Q4/2023, VCB reached VND 14,103 billion for the whole year (-5% YoY). VCB's total operating income showed the bank's advantage when it still maintained a growth rate higher than the industry average, reaching 16.2% YoY. In Q4/2023, VCB had a provision expense reversal when VCB recorded the transfer of Group 2 debts to Group 1 for some customers. VCB's operating costs were well controlled in 2023 when they only increased slightly by 3.1%. Non-performing loans at the end of Q4/2023 decreased sharply by 18.95% compared to Q3/2023, combined with the effect of good credit growth, helping VCB's NPL ratio to decrease to 0.98%.
- For the whole year of 2023, VCB achieved pre-tax profit of VND 41,244 billion (+10.5% YoY), basically completing the profit plan for the year approved at the beginning of the year.

Investment thesis

- Good asset quality, NPL ratio maintained below 1.5%, 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. In 2024, when capital costs have returned to a low level as expected, we forecast that VCB's NIM may increase slightly to 3.1%.
- VCB is still in the process of finding investors for a private placement. This deal will help improve the bank's capital adequacy ratio by about 150-200bps

Outlook for 2024

- We expect credit growth to reach about 13%, recovering but not increasing strongly because the absorption capacity of the economy in the first half of the year may is expected to not as high as expected (especially retail customer groups). With the expectation that NPL in 2024 will be below 1.5% and LLR will improve slightly compared to 2023, VCB's EBT could reach around VND 45,888 billion (+11% YoY)

Risk: (1) Exchange rate pressure may push deposit interest rates up again in the second half of 2024, causing VCB's NIM to not improve. (2) Credit growth did not recover as we forecast

Year	2020	2021	2022	2023	2024F
Net interest income (VND bn)	36,285	42,273	53,246	53,621	60,424
Net non-interest income (VND bn)	12,778	14,357	14,836	14,103	18,263
TOI (VND bn)	49,063	56,630	68,083	67,723	78,686
Profit before tax (VND bn)	23,050	27,486	37,359	41,244	45,888
Growth of PBT (%)	-0.70%	19.25%	35.92%	10.50%	11.1%
P/E (x)	21.9	18.9	13.7	13.6	14.7
P/B (x)	3.9	3.4	2.8	2.7	2.52
ROE (%)	21.08%	21.64%	24.19%	21.57%	21.99%

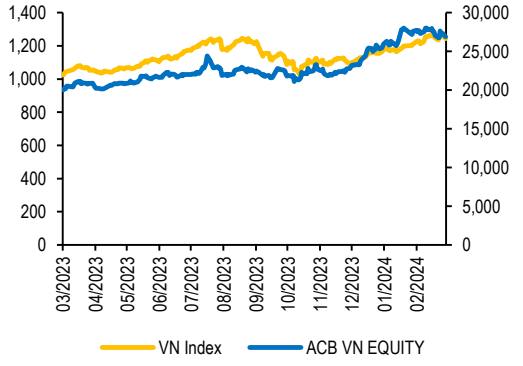
Source: Bloomberg, Shinhan Securities Vietnam

Asia Commercial Joint Stock Bank (HOSE:ACB)

ACB

Target price (year 2024)	**VND 32,190**
Current price (03/18/23)	VND 26,900
Upside (%)	21.2%
VNINDEX	1,263
PE market (24F)	11.5
Market cap (VNDbn)	106,811
Outstanding shares (shares mn)	3,884
Free Float (shares mn)	2,997
52-week high/low(VND)	28,400/ 20,739
Average trading volume 90 days (shares mn)	9.05
Average trading value of 90 days (VNDbn)	265
Beta	1.0
Major shareholder(%) Estes Investment	6.49

Performance	3M	6M	12M
Absolute (%)	22.8	20.1	29.1
Relative to VN-Index (%)	10.2	18.5	7.4



Retail bank with a cautious development strategy

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 risk-free interest rate and risk premium being adjusted downward along with the comparison base based on the business results of the whole year 2024, target price. ACB's target for 2024 is 32,190 VND.

Business results in 2023

- ACB's credit balance in 2023 increased by +17.9% compared to the end of 2022, a sharp increase compared to 8.7% at the end of Q3/2023. ACB also showed a corresponding growth rate of 16.6% in terms of customer deposits. However, despite the good credit growth compared to expectations, it was mainly concentrated in Q4/2023 and the unfavorable interest rate trend were factors that caused ACB's NIM to narrow to 3.86% (down from 4.26% at the end of 2022). ACB's net interest income accordingly reached only VND 701,621 billion (+6.1% YoY). Non-interest income was the main highlight for ACB in the context of slowing net interest income. Income from trading investment securities, thanks to recognizing profits from bonds due to the sharp decrease in interest rates compared to the end of 2022, this segment brought ACB VND 2,647 billion in 2023 (compared to VND 21 billion in 2022). As a result, ACB's total non-interest income in 2023 increased by 48.1%.
- ACB's NPL ratio at the end of 2023 was 1.21%, although the NPL balance increased by 9.01% compared to Q3/2023, the Group 2 balance had decreased for two consecutive quarters. Unlike 2022 with the expense for the science and technology fund in Q4/2022, ACB reduced this operating expense by 6.3% and brought CIR to 33.2% (compared to 40.3% of the same period). ACB's pre-tax profit in 2023 reached VND 20,068 billion (+17.2% YoY), achieving the profit target for the whole year.

Investment thesis

- ACB Bank is prudent, not investing in corporate bonds and limiting lending to real estate businesses. With nearly 95% of loans to retail and small and medium-sized enterprises, 98% of which are secured loans, we highly appreciate ACB's asset quality. This is also one of the few banks in the industry with a NPL ratio of around 1% in 2023.
- The CASA ratio at the end of 2023 improved to 21.91% (compared to 20% at the end of Q1/2023), and the adjusted deposit interest rate will begin to reflect more clearly on ACB's average cost of capital decline in 2024.

Outlook for 2024

- We expect: ACB's credit growth will reach 15% for 2024; NIM improved slightly to above 4%; NPL ratio is about 1.3%; ACB's fee income can grow by double digits after 1 year of negative growth. ACB's 2024 EBT may reach 22,625 billion VND (+12.8% YoY).
- **Risk**: (1) Retail credit growth slowly recovers; (2) Interest rates may increase again in the second half of 2024, putting pressure on NIM

Year	2020	2021	2022	2023	2024F
Net interest income (VND bn)	14,582	18,945	23,534	24,960	30,789
Net non-interest income (VND bn)	3,579	4,619	5,257	7,787	8,035
TOI (VND bn)	18,161	23,564	28,790	32,747	38,824
Profit before tax (VND bn)	9,596	11,998	17,114	20,068	22,625
Growth of PBT (%)	27.7	25.0	42.6	17.3	12.8
P/E (x)	6.9	6.9	6.0	5.5	5.8
P/B (x)	1.5	1.5	1.4	1.3	1.22
ROE (%)	24.3	23.9	26.5	24.8	23.15

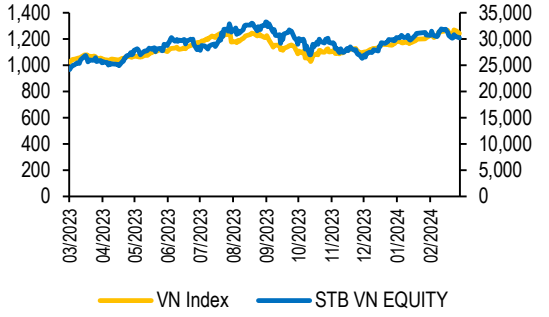
Source: Bloomberg, Shinhan Securities Vietnam

Sai Gon Thuong Tin Commercial Joint Stock Bank (HOSE: STB)

Sacombank

Target price (year 2024)	**VND 37,928**
Current price (03/18/23)	VND 30,250
Upside (%)	25.4%
VNINDEX	1,263
PE market (24F)	11.5
Market cap (VNDbn)	59,290
Outstanding shares (shares mn)	1,885
Free Float (shares mn)	1,774
52-week high/low(VND)	33,700/ 24,100
Average trading volume 90 days (shares mn)	18.18
Average trading value of 90 days (VNDbn)	548
Beta	1.2
Major shareholder(%) Mr. Dương Công Minh	3.3

Performance	3M	6M	12M
Absolute (%)	10.2	-4.7	25.8
Relative to VN-Index (%)	-2.4	-6.3	4.1



Potential from restructuring story

Sacombank (STB) is one of the largest private commercial banks in terms of credit market share. STB participated in the restructuring plan after merging with Phuong Nam Commercial Bank. Bad debts from the merger have significantly affected STB's business results in the period 2016-2022. However, 2023 could be the last year of the restructuring plan and this will help the bank grow strongly in the period 2023-2024. Using the residual income valuation method and the P/B ratio, we value STB's fair value for 2024 at VND 37,928.

Business results in 2023

Sacombank's credit growth in 2023 was 10.1%. The bank had a good year of mobilizing customer deposits, with growth of 12.3% for the year (significantly higher than the 6.4% in 2022). STB's NIM in 2023 improved to 3.79%, mainly due to the low base in the first half of the year due to STB's provision for interest income. STB's net interest income reached VND 22,072 billion (+28.7% YoY). STB's non-interest income for the whole year of 2023 only reached VND 4,546 billion (-49% YoY), mainly due to the decrease in fee income and other extraordinary income of the bank. STB's non-performing loan ratio (excluding VAMC) at the end of 2023 was 2.28%, with positive signs from the decrease in group 2 outstanding loans. However, due to the decrease in the recognition of provisions related to VAMC, STB's pre-tax profit reached VND 9,595 billion (+51% YoY).

Investment thesis

- In 2024, STB expects to auction shares of Mr. Tram Be's group and hopes to successfully auction debt related to Phong Phu Industrial Park.
- After the restructuring project, STB has shared that it will pay dividends, increase charter capital and seek strategic partners in the near future.
- Along with the industry trend, STB's NIM will likely continue to improve in 2024, helping the bank's interest business grow well in 2024.

Outlook for 2024

- We forecast STB's credit growth in 2024 to reach 12%, with the NPL ratio maintained at 2%. Non-interest income could see good growth thanks to market recovery and the successful auction of bad debts related to Phong Phu Industrial Park. We expect STB's pre-tax profit to reach VND 16,870 billion (+76% YoY). The detailed business plan and targets for 2024 will be approved by STB at the annual general meeting of shareholders to be held in April this year.

Risk: (1) The restructuring plan may be completed slower than expected; (2) The economic recovery is slower than forecast

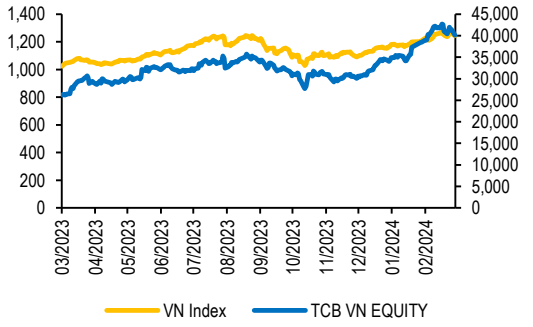
Year	2020	2021	2022	2023	2024F
Net interest income (VND bn)	11,527	11,964	17,147	22,072	27,190
Net non-interest income (VND bn)	5,744	5,740	8,994	4,101	7,846
TOI (VND bn)	17,271	17,704	26,141	26,173	35,035
Profit before tax (VND bn)	3,339	4,400	6,339	9,595	16,870
Growth of PBT (%)	3.8	31.8	44.1	51.3	75.6
P/E (x)	17.6	13.8	9.3	8.4	4.3
P/B (x)	2.1	1.8	1.6	1.1	1.0
ROE (%)	9.6	10.8	13.8	18.3	25.6

Source: Bloomberg, Shinhan Securities Vietnam

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

Target price (year 2024)	**VND 50,340**
Current price (03/18/23)	VND 40,100
Upside (%)	25.5%
VNINDEX	1,263
PE market (24F)	11.5
Market cap (VNDbn)	150,763
Outstanding shares (shares mn)	3,523
Free Float (shares mn)	2,402
52-week high/low(VND)	43,500/ 25,850
Average trading volume 90 days (shares mn)	5.18
Average trading value of 90 days (VNDbn)	213
Beta	1.3
Major shareholder(%) Masan	14.9

Performance	3M	6M	12M
Absolute (%)	38.7	19.7	57.9
Relative to VN-Index (%)	26.1	18.1	36.3



Profits recovered from a low base

Techcombank (TCB) is one of the leading banks in terms of credit market share and asset size in the private commercial bank group. Lending in the construction, real estate and home purchase sectors will continue to be Techcombank's core business 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 indicators such as NPL ratio, CASA or ROE. We update TCB's valuation in 2024 at VND 50,340 based on the good business growth results of the following year..

Business results in 2023

Techcombank's (TCB) credit balance in 2023 increased by 21.58% compared to the end of 2022, and customer deposits increased by 26.9%. TCB's CASA in Q4/2023 increased sharply by 32% compared to Q3/2023 (accounting for 39.9% of total customer deposits), mainly from the corporate customer segment. TCB's NIM continued to maintain stability and ended 2023 at 4.02%. TCB's net interest income in Q4/2023 increased by nearly 4.5% compared to Q3/2023, reaching VND 27,791 billion for the year (-9% yoy). Non-interest income in 2023 with a strong increase from LC, payment, cash and card segments helped TCB maintain double-digit growth. TCB's bad debt balance at the end of Q4/2023 decreased by about 14.9% compared to Q3/2023, after increasing continuously in the previous 3 quarters. The bad debt ratio at the end of 2023 was 1.19%, down from 1.4% at the end of Q3/2023. TCB increased the provision for credit risk costs in Q4/2023, recording VND 1,634 billion in Q4/2023 (+136% yoy). Pre-tax profit for the whole year of 2023 of TCB reached VND 22,888 billion (-10.5% yoy), exceeding the annual profit plan of VND 22,000 billion. TCB plans to allocate 20% of its profit to pay cash dividends for the following years.

Investment thesis

- CASA returning to a high level helps TCB's capital cost advantage grow from the bottom after 1 year of decline. TCB's NIM can therefore improve significantly to around 4.5-4.6% in 2024
- NPL ratio at the end of 2023 is still among the group of banks with the lowest ratio in the industry
- TCB plans to pay cash dividends to shareholders in the near future

Outlook for 2024

- With the recovery of TCB's CASA, we expect the bank's NIM to improve in 2024. TCB's retail loan balance with a high proportion of home loans is expected to return to growth in 2024 (down 2% in 2023). We expect TCB's credit growth in 2024 to reach over 20%. Regarding the NPL ratio, we assume TCB can maintain it around 1-1.5%. In addition, according to information from TCB's management, the bank has made 100% provision for NPL for restructured loans under Circular 02/2023/TT-NHNN (instead of 50% in 2023 as allowed by the circular), so TCB will not be affected in 2024 even if Circular 02 is not extended. We forecast TCB's pre-tax profit in 2024 to reach VND 29,641 billion (+29.5% yoy).

Rủi ro: (1) Asset quality may suffer in the case real estate market does not recover as expected; (2) Retail credit growth continues to recover slowly

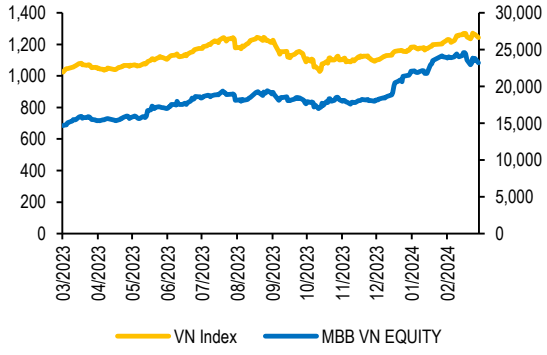
Year	2020	2021	2022	2023	2024F
Net interest income (VND bn)	18,751	26,699	30,290	27,691	38,076
Net non-interest income (VND bn)	8,627	10,378	10,612	12,370	14,598
TOI (VND bn)	27,379	37,076	40,902	40,061	52,674
Profit before tax (VND bn)	15,800	23,238	25,568	22,888	29,641
Growth of PBT (%)	23.1	47.1	10.0	-10.5	29.5
P/E (x)	8.1	5.5	5.0	6.2	5.2
P/B (x)	1.4	1.1	0.9	0.9	0.9
ROE (%)	18.1	21.7	19.7	14.8	16.8

Source: Bloomberg, Shinhan Securities Vietnam

Military Commercial Joint Stock Bank (HOSE: MBB)

Target price (year 2024)	**VND 29,277**
Current price (03/18/23)	VND 23,200
Upside (%)	26.2%
VNINDEX	1,263
PE market (24F)	11.5
Market cap (VNDbn)	128,788
Outstanding shares (shares mn)	5,214
Free Float (shares mn)	3,539
52-week high/low(VND)	25,150/ 14,957
Average trading volume 90 days (shares mn)	14.62
Average trading value of 90 days (VNDbn)	390
Beta	1.3
Major shareholder(%) VIETTEL Group	14.1
Major shareholder(%) SCIC	9.4

Performance	**3M**	**6M**	**12M**
Absolute (%)	35.3	28.0	63.2
Relative to VN-Index (%)	22.7	26.4	41.6



Persistent growth bank

Joint Stock Military Commercial Bank (MBB) has had many outstanding achievements in recent years, reflected in its asset quality, superior profits and high credit ratings by international rating agencies. MBB has close relationships with military enterprises such as Viettel, Vinacomin, Vietnam Helicopter, etc., which helps the bank's non-term deposit ratio to be the highest in the system, thereby helping MBB control its cost of capital more effectively. We update MBB's stock price valuation this time at VND 29,2771, to reflect the positive business results in 2024.

Business results in 2023

MBB's credit balance for the whole year of 2023 reached approximately 649 trillion VND (+28.8% YoY), of which more than 72 trillion VND was disbursed in Q4/2023. Customer deposits also had an impressive increase, reaching about 27.9% YoY. MBB's net interest income in 2023 reached VND 38,684 billion (+7.4% YoY). MBB has reduced lending rates to stimulate credit growth, causing NIM (TTM) to decrease sharply to 4.8% at the end of Q4/2023 (from 5.67% in 2022). Group 2 outstanding loans and bad debts both decreased in Q4/2023, the bad debt ratio at the end of the year was 1.6% (lower than 1.89% at the end of Q3/2023). According to information at the investor meeting in early 2024, Novaland and Sungroup's outstanding loans are still being recorded as group 1 loans, the bank said that the projects of these two investors are recovering well. In 2023, although bad debts increased sharply in line with the general trend of the industry, MBB took advantage of the large buffer of provisions in 2022 and only recognized more than VND 6,087 billion for risk provision costs (-24.4% YoY). Non-interest income in 2023 decreased by 9.9%, reaching VND 8,622 billion.

MBB's pre-tax profit in 2023 reached VND 26,306 billion (+15.7% YoY), completing the target plan for the year. MBB's profit growth in 2023 did not come much from total operating income but thanks to the reduction of risk provision costs and control of operating costs. MBB said it may pay cash dividends this year but has not announced a detailed dividend payment plan.

Investment thesis

- NPL is expected to continue to be under bank control, especially after Circular 02/2023/TT-NHNN continues to be extended this year.
- MBB leads the market in digital transformation, the number of customers according to MBB's announcement has increased 39 times in just the past 5 years.
- CASA leads the industry, helping capital costs to be less volatile in the recent period, the bank's NIM remains at the top of the industry (only behind VPB)

Outlook for 2024

- We project MBB's credit growth in 2024 to reach over 15%. NPL ratio around 1.5-2%, NIM could reach 5.4% in 2024. Pre-tax profit for 2024 is estimated to reach VND 30,760 billion (+16.8% YoY). In 2024, MBB's plan to merge with Oceanbank could be approved. Also this year, MBB will also issue 73 million shares to SCIC and the Military Industry-Telecommunications Group (Viettel).

Risk: (1) Credit growth is slower than expected ; (2) NPL risks continue to increase; (3) The real estate market is slower to recover than expected

Year	2020	2021	2022	2023F	2024F
Net interest income (VND bn)	20,278	26,200	36,023	38,684	52,827
Net non-interest income (VND bn)	7,084	10,735	9,570	8,622	11,323
TOI (VND bn)	27,362	36,934	45,593	47,306	64,150
Profit before tax (VND bn)	10,688	16,527	22,729	26,306	30,760
Growth of PBT (%)	6.5	54.6	37.5	15.7	16.88
P/E (x)	7.7	8.6	4.4	4.7	4.4
P/B (x)	1.3	1.8	1.0	1.0	1.0
ROE (%)	18.4	22.6	24.6	23.8	23.1

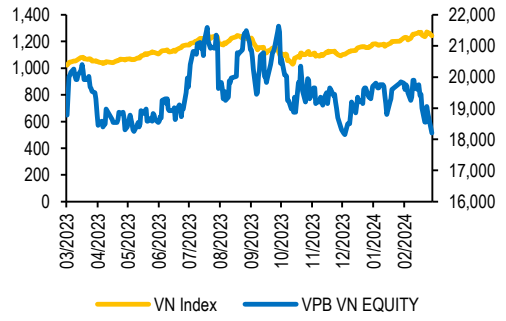
Source: Bloomberg, Shinhan Securities Vietnam

Vietnam Prosperity Joint Stock Commercial Bank(HOSE: VPB)

VPBank

Target price (year 2024)	**VND 22,863**
Current price (03/18/23)	VND 18,200
Upside (%)	25.6%
VNINDEX	1,263
PE market (24F)	11.5
Market cap (VNDbn)	154,712
Outstanding shares (shares mn)	7,934
Free Float (shares mn)	6,757
52-week high/low(VND)	23,150/ 17,200
Average trading volume 90 days (shares mn)	11.65
Average trading value of 90 days (VNDbn)	245
Beta	1.1
Major shareholder(%) Sumitomo Mitsui	15.1

Performance	3M	6M	12M
Absolute (%)	-0.8	-10.3	12.1
Relative to VN-Index (%)	-13.4	-11.9	-9.6



Profits recovered along with capital advantages

VPBank was founded in 1993 and is a bank that pursues a modern retail strategy. VPB has grown strongly thanks to its ability to expand its network of branches and transaction points nationwide, along with the development of diverse products. FE credit of VPB, although no longer booming as in the early stages, still holds the number one market share in consumer finance. In early 2023, VPB reached an agreement to sell 15% of its charter capital to SMBC bank through a private share issuance. VPB's standalone capital adequacy ratio increased to 17% after this deal, the highest in Vietnamese banks. With the additional capital potential, we highly appreciate VPB and value it with a target P/B of 1.2x for the next 12 months. VPB's target price is VND 22,863.

Business results in 2023

VPB's consolidated credit balance in 2023 grew by 25.4% YoY. Notably, VPB's standalone credit growth in 2023 was higher than the consolidated figure, reaching 31.79% YoY. This can be explained by the negative credit growth of Fe Credit, which is undergoing a strong restructuring process in 2023. VPB's consolidated net interest income in 2023 reached VND 38,175 billion (-6.94% YoY), affected by the decline from VPB's subsidiaries. Non-interest income also decreased sharply due to VPB's lack of one-time income from the exclusive Bancasurance with AIA Vietnam (signed in 2022). VPBank's consolidated total operating income in 2024 therefore decreased by 13.93% YoY. VPB's consolidated NPL ratio in 2023 decreased to 5.01% (from 5.73% at the end of 2022). VPB's standalone NPL ratio was 3.2% at the end of 2023, and the NPL ratio of VPB's subsidiaries was estimated at 17.8%. The increase in NPLs put pressure on VPB's credit risk provision costs, which increased by 10.61% YoY in 2023. VPB's pre-tax profit in 2023 only reached VND 10,987 billion (-48.2% YoY), only reaching less than 50% of the annual profit plan.

Investment thesis

- The capital sale to SMBC helps VPB's CAR improve strongly to 17% by the end of 2023.
- Fe Credit has had 2 consecutive quarters of positive profits. After the restructuring process, FE Credit expects to grow well again in 2024.
- NPL balance has shown signs of peaking and decreasing significantly in the last two quarters of 2023. Management also said that the conversion rate of debt group 1 to group 2 has decreased deeply after peaking in Q2/2023..

Outlook for 2024

- We forecast that VPB will have consolidated credit growth of 24% in 2024. Interest income increased by 45.3% thanks to improved NIM from the recovery of Fe Credit and stable deposit interest rates at a low level. We assume the NPL ratio could decrease to 4.5%. EBT in 2024 recovers to VND 19,330 billion (+78.9% YoY)

Risk: (1) Consumer credit growth recovers slowly; (2) NIM did not recover as expected (3) Bad debt risk increased.

Year	2020	2021	2022	2023	2024F
Net interest income (VND bn)	20,278	26,200	36,023	38,175	55,477
Net non-interest income (VND bn)	7,084	10,735	9,570	11,569	12,660
TOI (VND bn)	27,362	36,934	45,593	49,743	68,137
Profit before tax (VND bn)	10,688	16,527	22,729	10,987	19,330
Growth of PBT (%)	6.5	54.6	37.5	-48.9	78.9
P/E (x)	7.7	8.6	4.4	6.6	10.0
P/B (x)	1.3	1.8	1.0	1.2	0.98
ROE (%)	18.4	22.6	24.6	7.1	10.75

Source: Bloomberg, Shinhan Securities Vietnam

Apendix– Notable legal policies

Notable legal policies in 2024

Policy	Summary	Impact
Law on credit institutions (amended)	January 18, 2024, at the 5th extraordinary session, the Law on Credit Institutions (Amendment) was officially voted and passed by the National Assembly. The main changes in this draft law include: risk provisions, early intervention for credit institutions, legalization of Resolution 42/2017/QH14 on handling bad debts and collateral, and roadmap for tightening interest rates. Share ownership ratio, credit lending limit. The law takes effect from July 1, 2024; Clause 3, Article 200 and Clause 15, Article 210 take effect from January 1, 2025	Increase the safety of the credit institution system, helping management agencies manage more effectively
Extension of Circular 02/2023/TT-NHNN	- Allow credit institutions to restructure debt and maintain the same debt group for customers who are having difficulty in production and business activities. SBV will issue a decision to extend Circular 02/2023/TT-NHNN in the first half of 2024	- Delay recording bad debt for banks - Provisioning for this outstanding debt is made for 2 years, reducing short-term provisioning pressure

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 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


Shinhan
Securities