Shinhan Securities

Banking Industry

Key growth from retail clients



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Content

Banking industry – Key growth from retail clients

1. **The economy recovered positively in the first 3 quarters of 2024**
   Economic indicators all showed a positive recovery of the economy, especially the industrial production sector.
2. **Business results of listed banks**
   Credit growth continued to be led by corporate customers in the first half of 2024. We expect NPL continue to be under pressure, especially from individual customers and SMEs. Meanwhile, NIM could not expand as banks promote preferential interest rate loan packages to boost lending growth.
3. **Prospects for the period 2024-2025**
   After 2 years of accelerating lending to corporate customers, we expect the recovery of the retail group and the ability to collect and handle debts to be the highlights of the banking industry in the period of 2024-2025. We maintain our forecast for banking industry profit before tax growth at 15% for 2024 and 24% for 2025.
4. **Potential bank stocks**
   ACB, STB, HDB, MBB, VPB

01

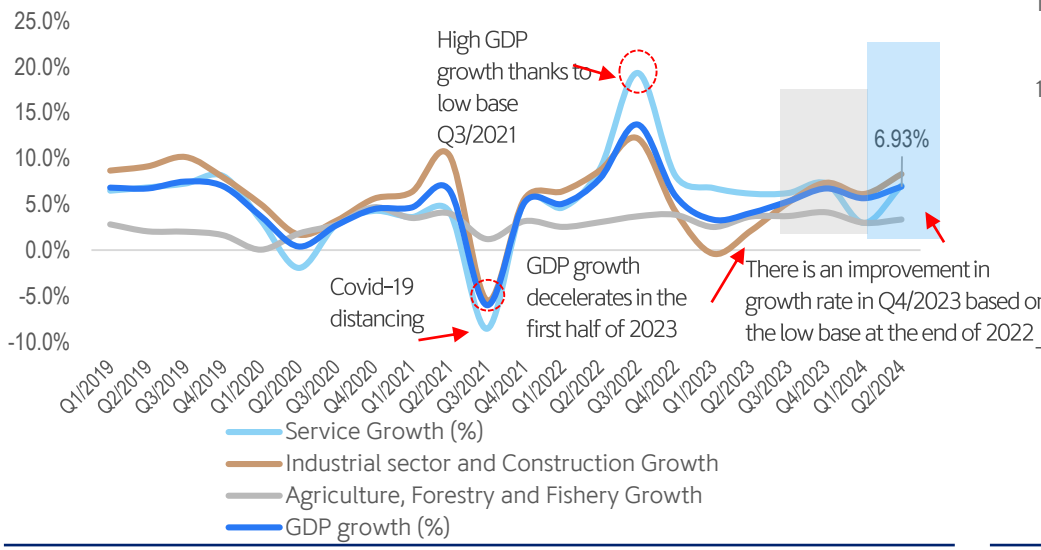
The economy recovered positively in the first 3 quarters of 2024

Economic indicators all showed a positive recovery of the economy, especially the industrial production sector.

Part 1 – The economy recovered positively in the first 3 quarters of 2024

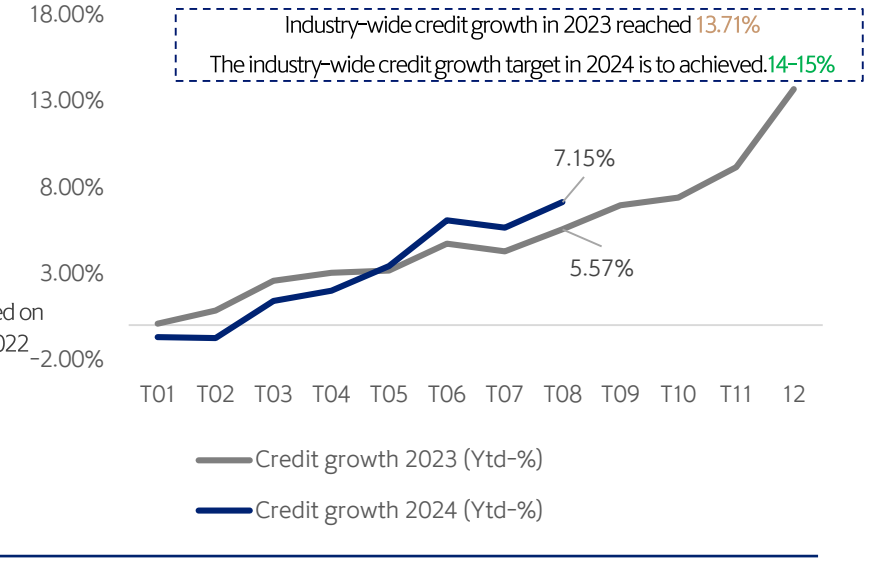
Credit growth improved compared to the same period last year

Quarterly GDP growth 2019-2024 (YoY)



Source: GSO, Fiinpro , Shinhan Securities Vietnam

Cumulative credit growth in 2024 (Ytd %)



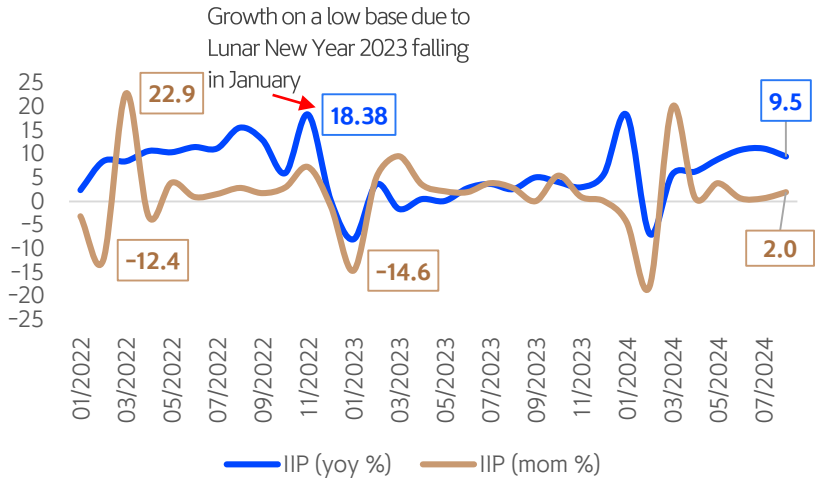
Source: SBV, Fiinpro, Shinhan Securities Vietnam

- GDP growth in Q2/2024 recovered strongly, reaching 6.93% YoY. If calculated cumulatively in 6M/2024, GDP growth was 6.42% YoY. In contrast to the situation in 2023, the Industrial and Construction sector accelerated at much better rate, reaching 8.29% in Q2/2024. Meanwhile, the service group maintained growth thanks to the increase in the number of international tourists to Vietnam in 6M/2024, reaching 8.8 million, an increase of more than 58% over the same period.
- Credit growth also showed a recovery trend, in line with the economy. By the end of August 2024, outstanding credit in the entire economy increased by 7.15% (higher than the 5.57% of August 2023). Thanks to the recovery of production and export activities along with public projects, bank credit has grown more evenly instead of focusing heavily on real estate developers.

Part 1 – The economy recovered positively in the first 3 quarters of 2024

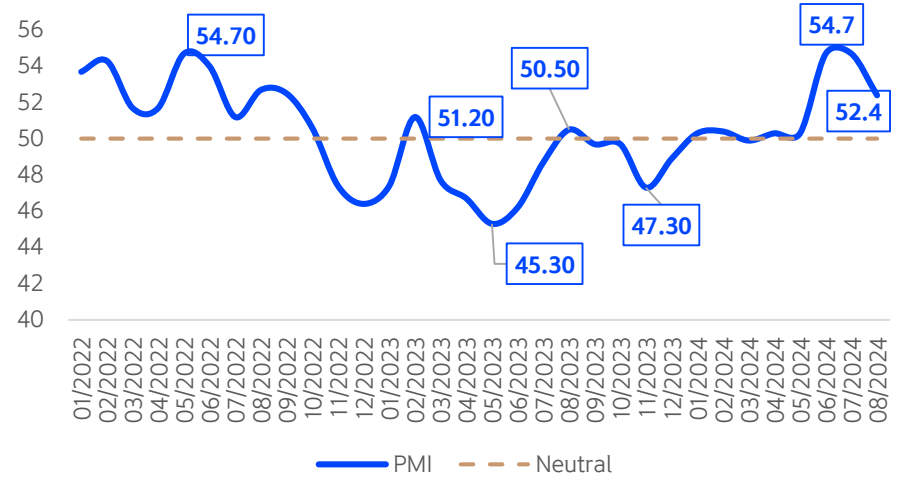
IIP and PMI indexes showed many positive signals

Industrial Production Index – IIP period 2022-09/2024



Source: GSO,, Shinhan Securities Vietnam

S&P Global PMI Vietnam Index 2022-01/2024

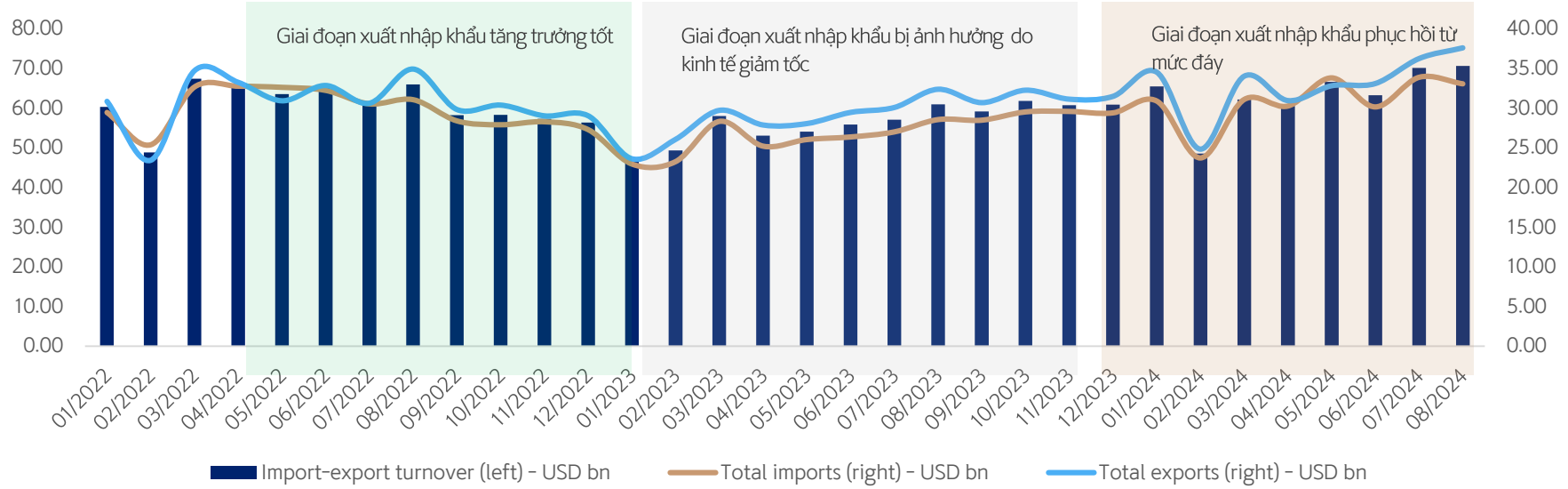


Source: PMI, Shinhan Securities Vietnam

- Vietnam's manufacturing sector improved significantly in Q2 and Q3/2024. The PMI indexes in June, July and August all showed an expansion in manufacturing activity. The latest report from S&P pointed to a positive signal for the economy as customer demand increased. This led to a significant increase in new orders and encouraged businesses to increase production. In addition, the report also emphasized the role of stable prices in attracting customers. Improved international demand helped the number of export orders increase for 5 consecutive months.

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

Import and export activities have shown signs of improvement for many consecutive months



Source: GSO, Fiinpro , Shinhan Securities Vietnam
* Lunar New Year 2024 falls in February, Lunar New Year 2023 falls in January, seasonal decline in exports appears during the Tet holiday months.

- The recovery of export production activities is also clearly shown through import-export turnover data in 8M/2024. The recovery trend of Vietnam's import-export activities started to recover from the bottom of Q2/2023. Accumulated in 8M/2024, the total import-export turnover of goods is estimated at USD 511.11 billion, up 16.7% over the same period in 2023. Growth is even in all 3 main commodity groups including agricultural products, manufacturing and processing industry and primary mineral fuels.

02

Business results of listed banks

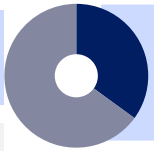
Credit growth continued to be led by corporate customers in the first half of 2024. We expect NPL continue to be under pressure, especially from individual customers and SMEs. Meanwhile, NIM could not expand as banks promote preferential interest rate loan packages to boost lending growth.

Part 2– Business results of listed banks

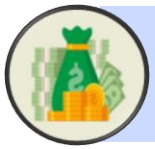
Overview of banks listed on HOSE

18 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), NGÂN HÀNG NAM Á



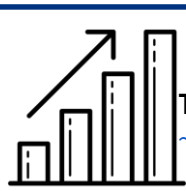
Industry market capitalization
~ 41% of market capitalization



Transaction value
~ 23% of total market transaction value



Trading volume
~35% of the market's trading volume

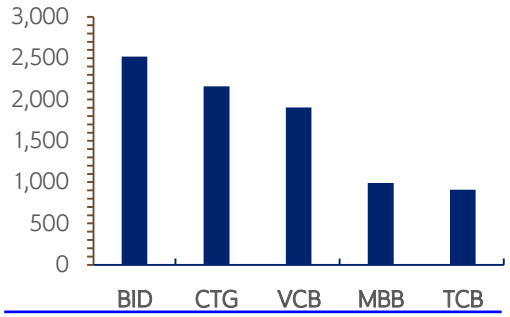


Total asset : 30/06/2024
~14.6 triệu tỷ đồng



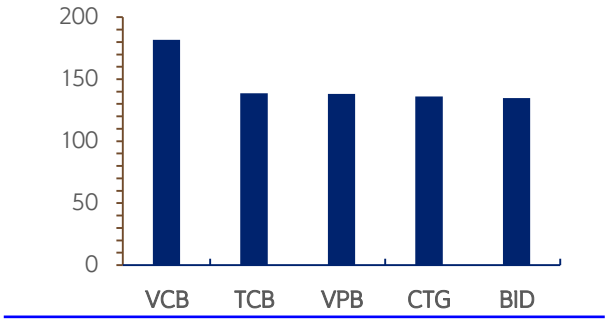
Total Equity: 30/06/2024
~1.3 triệu tỷ đồng

Top 5 banks with the largest assets (VNDtn)



Source: Company data, Fiiinpro, Shinhan Securities Vietnam

Top 5 banks with the largest equity capital (VNDtn)



Source: Company data, Fiiinpro, Shinhan Securities Vietnam

Source: Fiinpro, Shinhan Securities Vietnam

Dữ liệu tại Ngày 30/06/2024

2.1

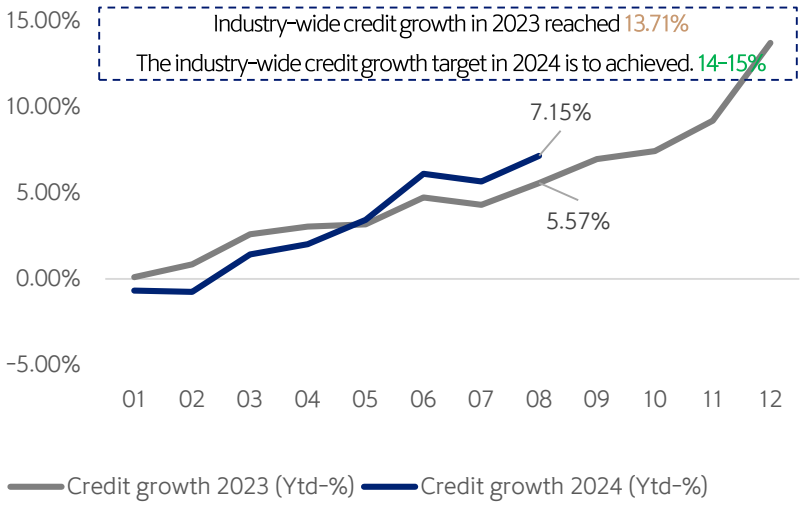
The hardship is not over yet.

Interest rates remained low, supporting the decline in banks' average cost of funds. However, exchange rate under pressure due to negative swap gap and increased imports (to serve export orders) has caused interbank interest rates to increase significantly compared to 2023. The continuous launch of preferential loan packages has caused the NIM of the entire industry to stagnate. Meanwhile, bancassurance and debt collection activities have not had many positive developments in the first half of 2024.

Part 2.1 – The hardship is not over yet

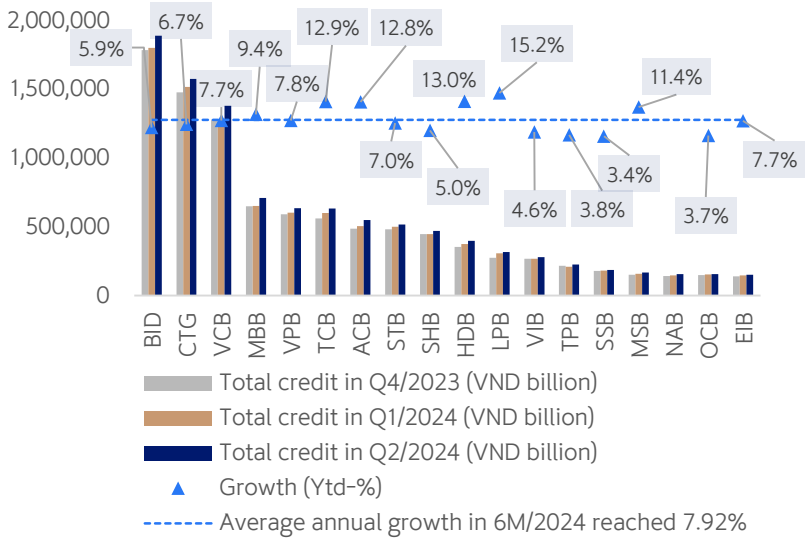
Credit growth in 2024 improved compared to last year

Credit of the entire banking system in 2024



Source: Fiinpro, SBV, Shinhan Securities Vietnam

Credit growth of banks on HOSE 6M/2024



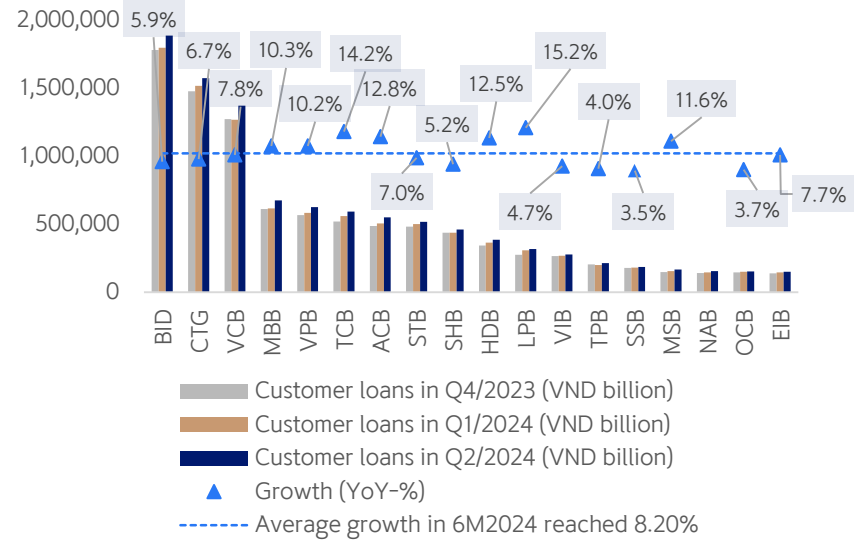
Source: Fiinpro, Financial statements of Banks, Shinhan Securities Vietnam

- According to our calculations from the financial statements of 18 banks listed on HOSE, credit growth in 6M/2024 reached 7.92% ytd (compared to 6.01% at the end of June of the entire banking system). Compared to the same period in 2023, credit growth of the listed banking group showed improvement (7.92% at the end of 6M/2024 with 6.1% at the end of 6M/2023) thanks to growth in public investment, expansion of production activities, and signs of slight growth in retail borrowing demand. Some banks with high retail proportions such as VIB, OCB or TPB had credit growth lower than the industry average. Lending to individual customers grew better than the same period but was still slow in the first half of 2024, thus the corporate customer group was still the driving driver for the 6-month-credit growth.
- The group of State-owned commercial banks achieved a positive growth rate of 6.65%. The group of private commercial banks achieved an average of 9.06%. Banks with the best credit growth in the first half of 2024 include TCB, ACB, HDB, LPB and MSB. According to the directive from the State Bank, if banks use up 80% of the annual credit limit by the end of August 2024, they will be automatically increased to a new limit.

Part 2.1 – The hardship is not over yet

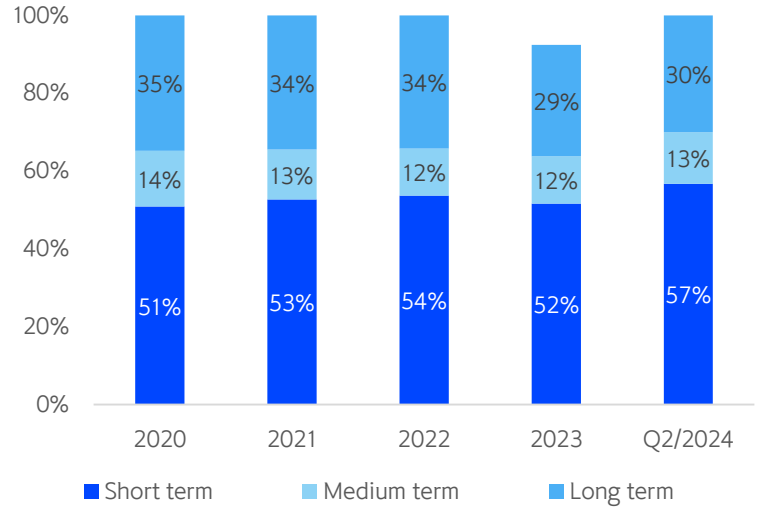
Short-term lending structure increased sharply in the first half of the year

Customer loans of banks at the end of Q2/2024 (VND billion)



Source: Fiinpro, Financial statements of Banks, Shinhan Securities Vietnam

Customer loans by term

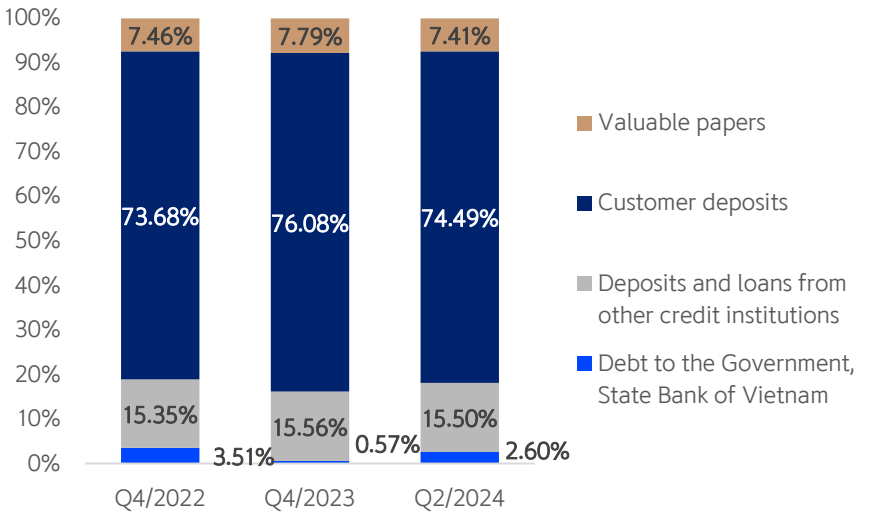


Source: Fiinpro, Financial statements of Banks, Shinhan Securities Vietnam

- Banks continued to reduce their corporate bond portfolios in the first half of 2024. Customer loan growth played a major role in bank credit growth. Average customer loan growth in 6M/2024 reached 8.20% Ytd.
- Regarding the structure of customer loans by term, the recovery of production activities increased the demand for short-term loans from businesses. Meanwhile, personal home loans (long-term loans) did not recovered as expected, the short-term loan proportion increased from 52% at the end of 2023 to 57% at the end of Q2/2024 and long-term loans decreased from 34% in 2022 to 29-30% in 2023-2024. We expect that the recovery in personal loan growth will help the long-term loan structure improve to the average range of 34-35% in the next 2 years.

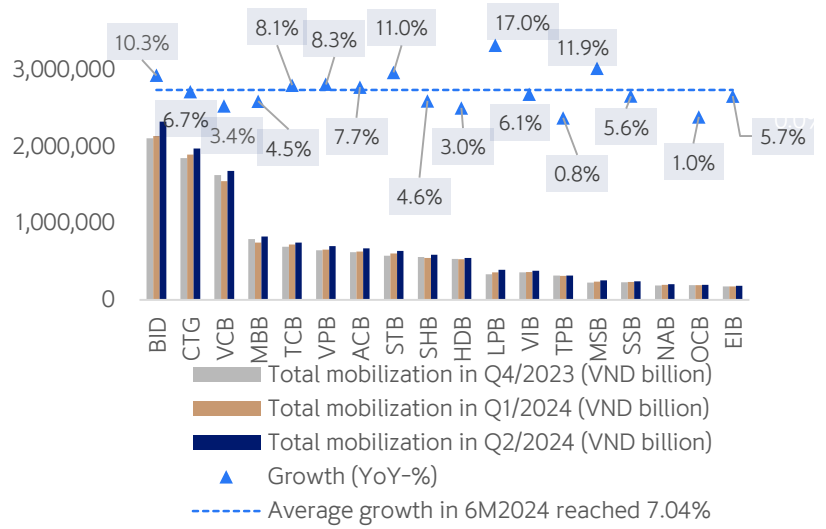
Total mobilization in line with credit growth

Mobilization ratio at the end of Q2/2024



Source: Fiinpro, Financial statements of Banks, Shinhan Securities Vietnam

Total mobilization growth at the end of Q2/2024 (%)



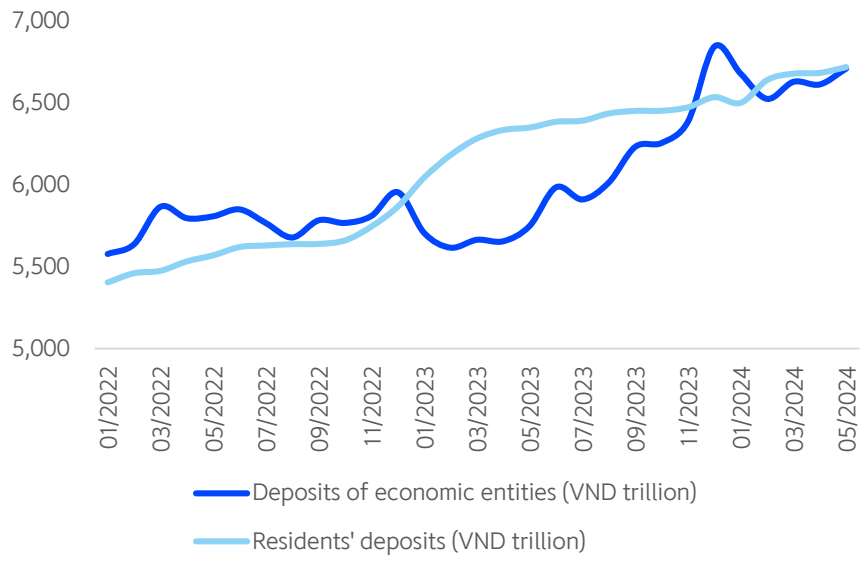
Source: Fiinpro, Financial statements of Banks, Shinhan Securities Vietnam

- Mobilization growth in 6M/2024 reached a growth rate of 7.04% Ytd. LPB, STB, BID or MSB banks are the group with the highest total mobilization growth. Of which, OCB, TPB or HDB are the banks with the lowest mobilization growth. For OCB or TPB, these banks had a loan growth rate lower than the industry average. For HDB, it has the advantage of a low LDR ratio (about 70%).
- In terms of mobilization proportion structure, customer deposits have decreased in proportion (from 76.08% at the end of 2023 to 74.49% at the end of Q2/2024). Meanwhile, Government debt and SBV debt increased slightly from 0.57% at the end of 2023 to 2.60% at the end of Q2/2024.

Part 2.1 – The hardship is not over yet

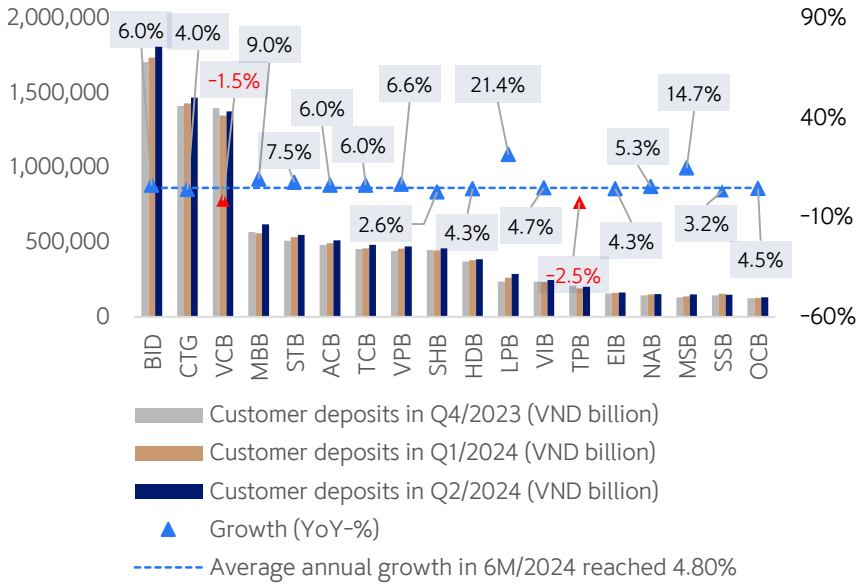
Deposit interest rates remained low, customer deposit experienced slow growth

Deposits of economic organizations and residents grew more evenly in 2024



Source: SBV, Shinhan Securities Vietnam ; Số liệu chi tiết được cập nhật chính thức trên website NHNN tới tháng 05/2024

Growth of customer deposits at banks on HOSE (%)



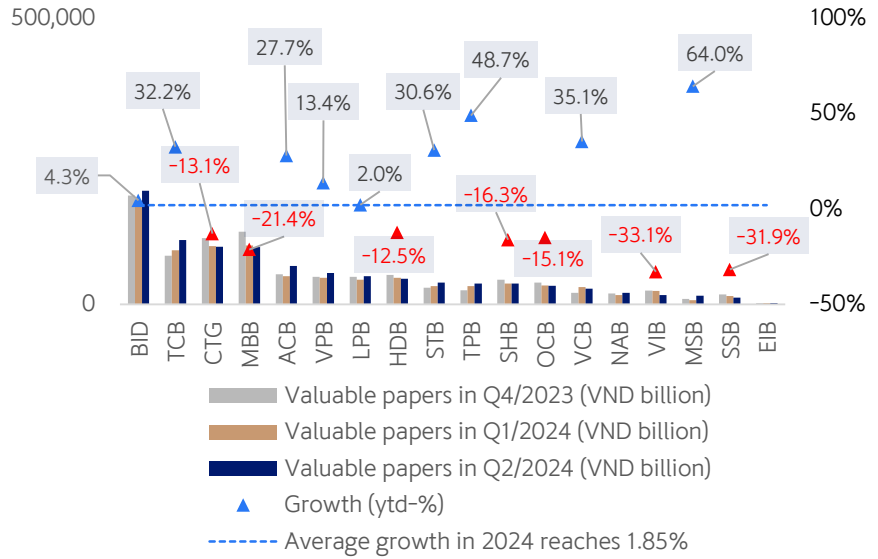
Source: Fiinpro, Financial statements of Banks, Shinhan Securities Vietnam

- Customer deposit growth at the end of Q2/2024 reached an average of 4.8% Ytd significantly lower than the 8.16% in the same period in 6M2023. Economic recovery and low deposit interest rates are the main factors slowing down bank deposit growth.

Part 2.1 – The hardship is not over yet

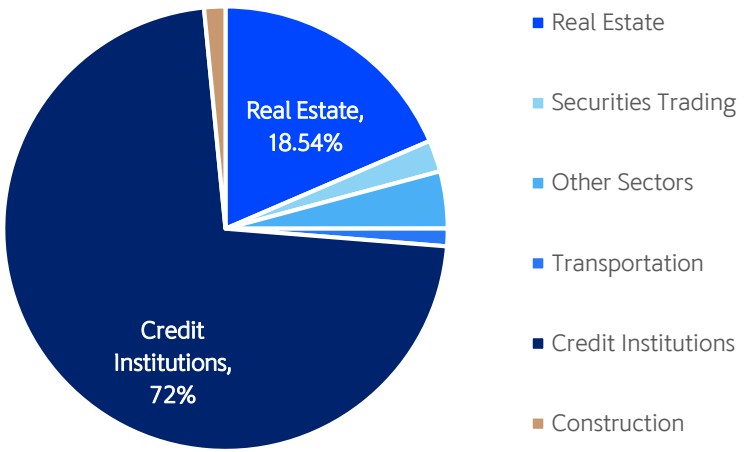
Some banks promoted the mobilization of valuable papers

Valuable papers at banks on HOSE at the end of Q2/2024



Source: Fiinpro, Financial statements of Banks, Shinhan Securities Vietnam

Proportion of bonds issued in 8M/2024 (%)



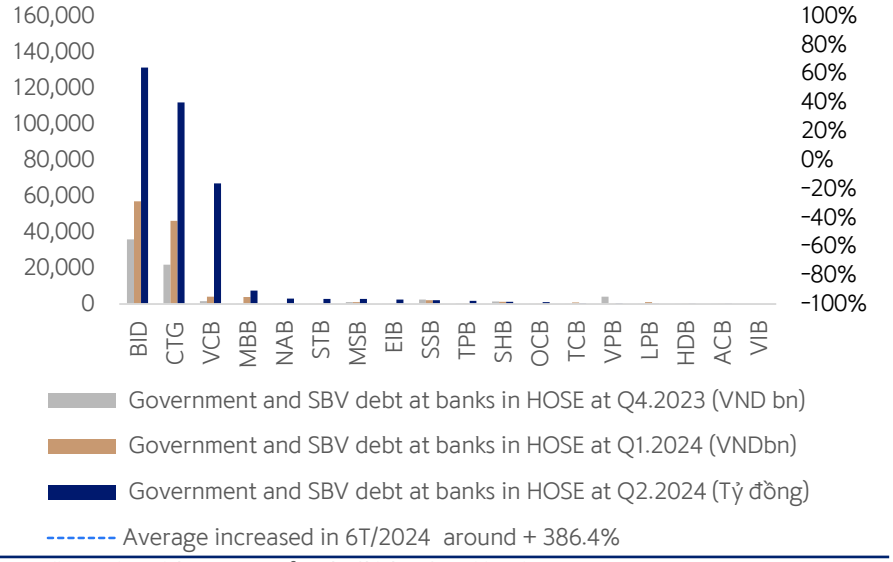
Source: VBMA report August 2024, Shinhan Securities Vietnam

- Bond issuance activities of listed banks in the first half of 2024 remained almost flat with only a slight increase of 1.85%. However, there was a clear differentiation among banks in the industry. Banks with good credit growth such as ACB, TCB, MSB increased mobilization through the channel of valuable papers in the first half of 2024.
- According to data compiled by VBMA, the proportion of bonds issued by credit institutions reached about 72% of the total issuance value, as of August 2024. This figure is overwhelming compared to the figure around 50% commonly seen in the market.

Part 2.1 – The hardship is not over yet

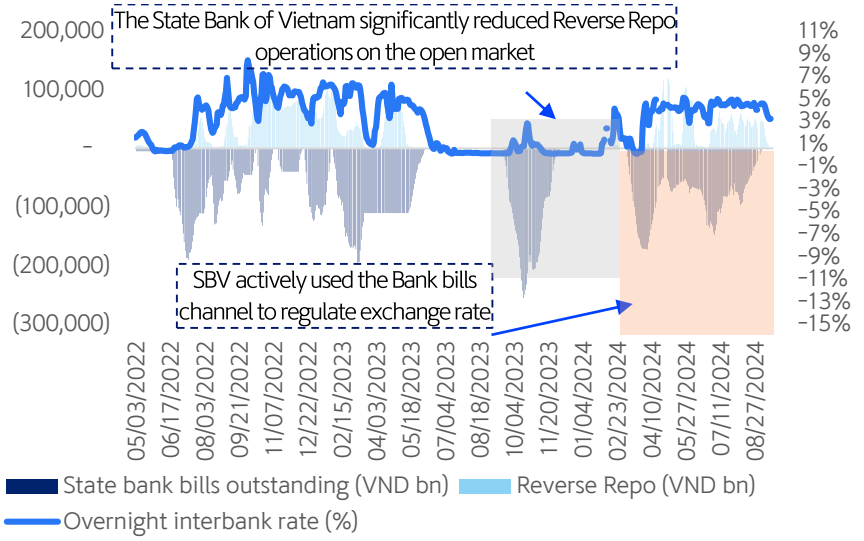
Vietnam State Treasury deposits continue to be the capital cost advantage of SOCBs

Government and SBV debt at banks in HOSE at Q2/2024



Source: Fiinpro, Financial statements of Banks, Shinhan Securities Vietnam

Open market operations of the State Bank



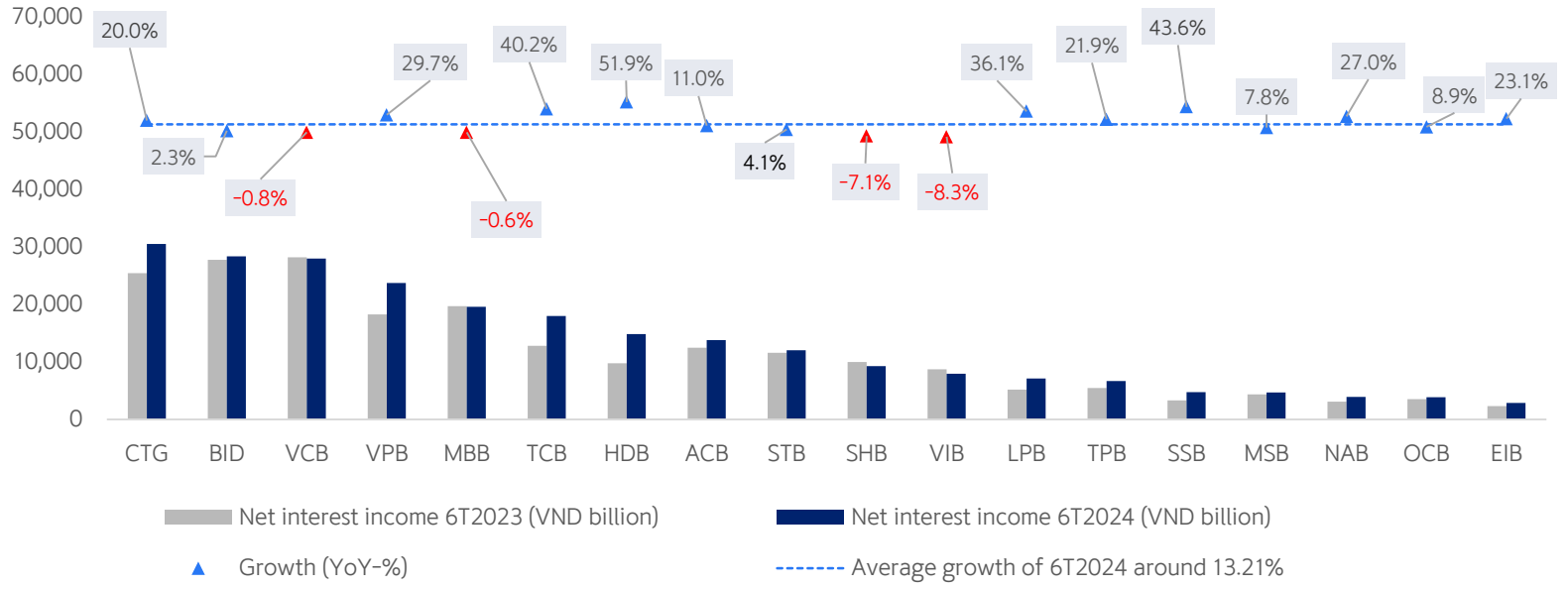
Source: SBV, Fiinpro, Shinhan Securities Vietnam

- Government and SBV debt was mainly concentrated in state-owned commercial banks: BID, CTG and VCB. Treasury deposits at state-owned banks with low interest rates are a typical capital advantage of this group. In addition, Circular 26/2022/TT-NHNN allows a part of Treasury deposits to be included in the LDR calculation, helping banks improve LDR for the period from December 31, 2023 to December 31, 2025.
- In Q2-Q3/2024, SBV used a combination of open market operations by issuing bank bills and simultaneously selling about USD 6 million to the market to regulate the exchange rate. Interbank interest rates in this period were regularly traded around 4-5% (compared to 0-1% in 2023).
- By the end of Q3/2023, with seasonal export activities, Vietnam's exchange rate had cooled down, and the SBV had twice lowered the OMO interest rate from 4.5% to 4%. In addition, the Fed's decision to reduce the operating interest rate by 50bps also supported the SBV's decision. The positive USD flow back into the market also created an opportunity for the SBV to buy back USD to increase the country's foreign exchange reserves.

Part 2.1 – The hardship is not over yet

Net interest income has better growth in 2023

Net interest income of banks listed on HOSE in 2024



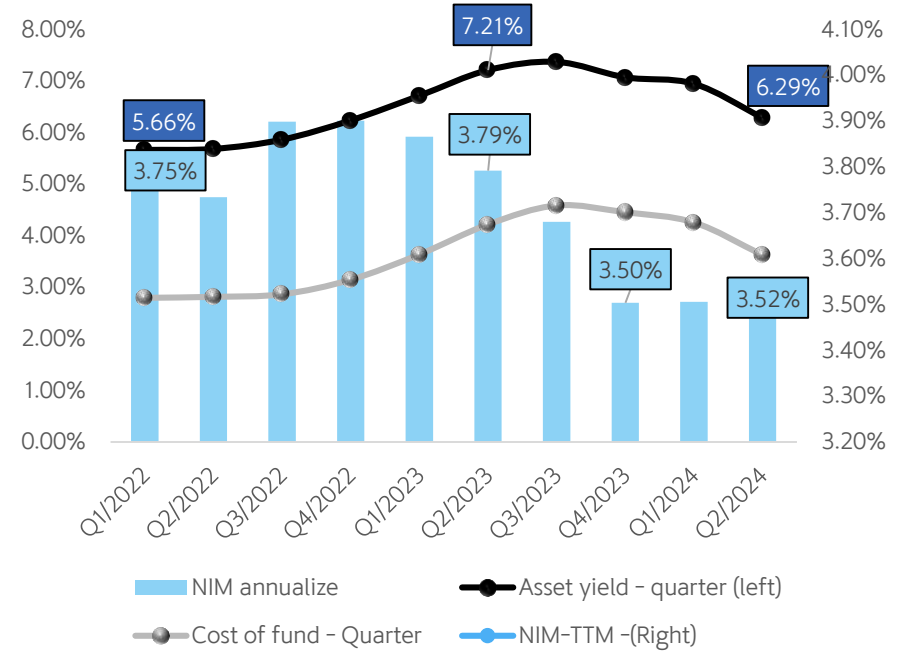
Source: Fiinpro, Financial statements of Banks, Shinhan Securities Vietnam

- Banks' net interest income had positive growth compared to the same period in 2023. In 6M/2024, net interest income of banks listed on HOSE achieved a growth rate of 13.2% YoY. Except for SHB and VIB, two banks with relatively significant decreases in 6M/2024, the remaining banks generally remained flat or recovered positively. The decrease in average cost of funds helped reduce pressure on NIM in 2024

Part 2.1 – The hardship is not over yet

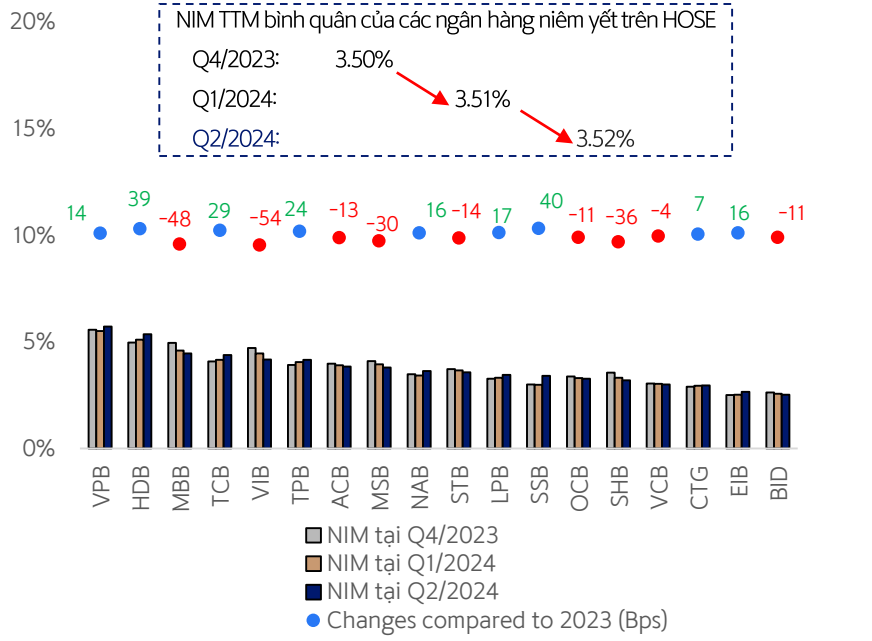
Preferential lending rates prevented NIM from expanding

Asset yield (IAE), Cost of capital (COF), Net interest margin (NIM) of banks on HOSE 2022-2024



Source: Fiinpro, Financial statements of Banks, Shinhan Securities Vietnam

Net profit margin (NIM) – TTM



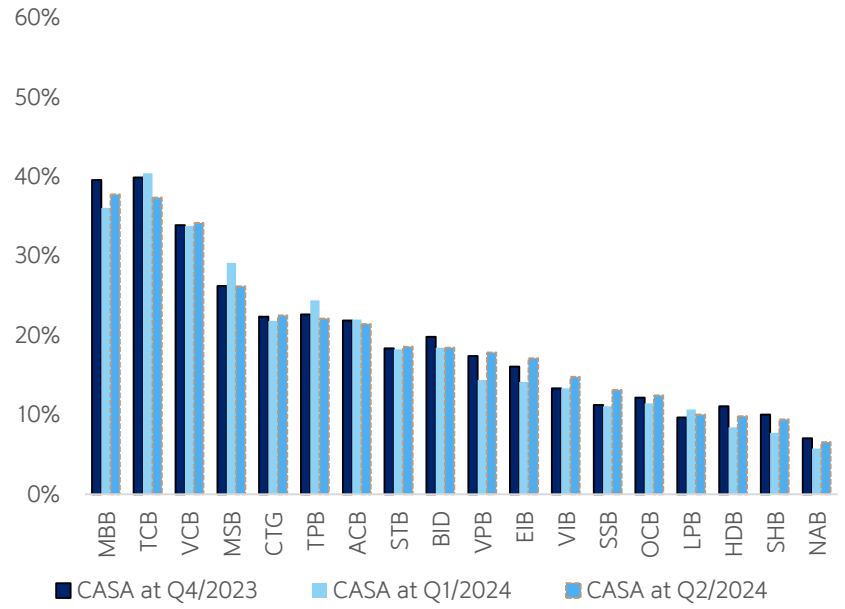
Source: Fiinpro, Financial statements of Banks, Shinhan Securities Vietnam

- The bank's COF peaked in Q3/2023 and continuously decreased in the following quarters, a trend consistent with the decline in deposit interest rates across the industry. However, the NIM of the banking group remained stable instead of expanding due to a sharp decrease in lending interest rates to stimulate credit growth.
- The differentiation is clear among banks, with some banks experiencing significant NIM expansion such as TCB, HDB or SSB. On the contrary, MBB, VIB, MSB or SHB are banks that have witnessed a narrowing of NIM.

Part 2.1 – The hardship is not over yet

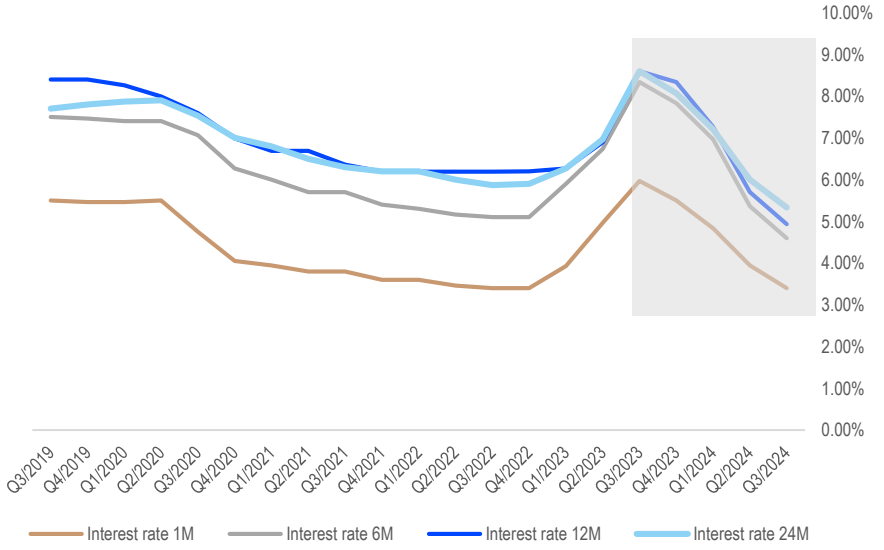
CASA ratio to recover strongly in Q4/2023 and decrease slightly in the first 2Qs of 2024

CASA of banks by the end of **Q2/2024 (%)**



Source: Fiinpro, Financial statements of Banks, Shinhan Securities Vietnam

Bank deposit interest rate (%)

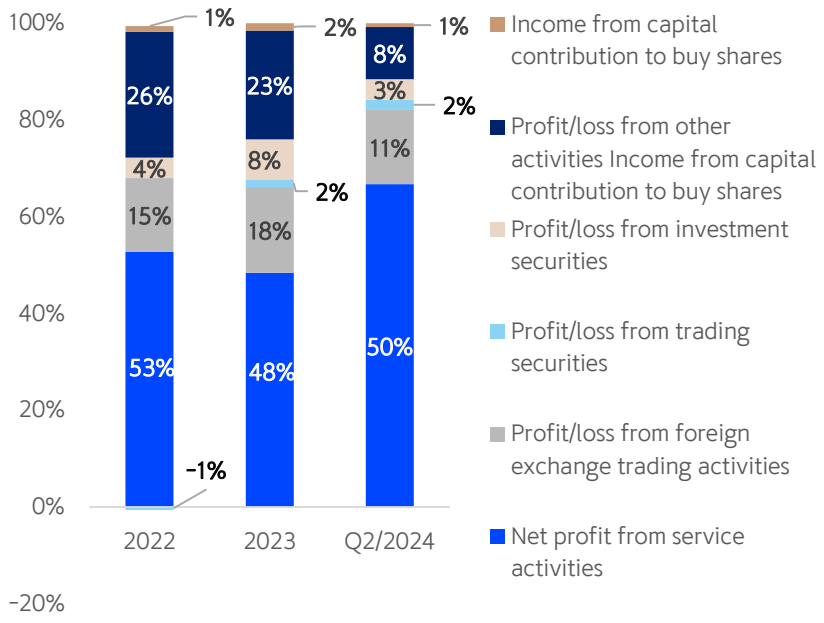


Source: Website of VCB, CTG, BID, ACB, TCB, MBB, VIB, HDB updated at the end of 09/2024

- MBB and TCB continue to be the two leading banks in terms of CASA ratio. In Q2/2024, after applying the automatic interest-generating policy, the deposits under this program were not accounted for in demand deposits, thus TCB's CASA decreased slightly. However, if considering the outstanding under this program, TCB's CASA was relatively stable in 6M/2024.
- In general, banks showed a slight decrease in CASA in Q1/2024 due to seasonal factors and Tet Holiday. After the first couple months of the year, CASA recovered in most banks by the end of Q2/2024.
- In terms of the average 12-month deposit interest rate, according to our research, it was only at 5.3% in Q3/2024, a sharp decrease compared to 8.6% in Q3/2023

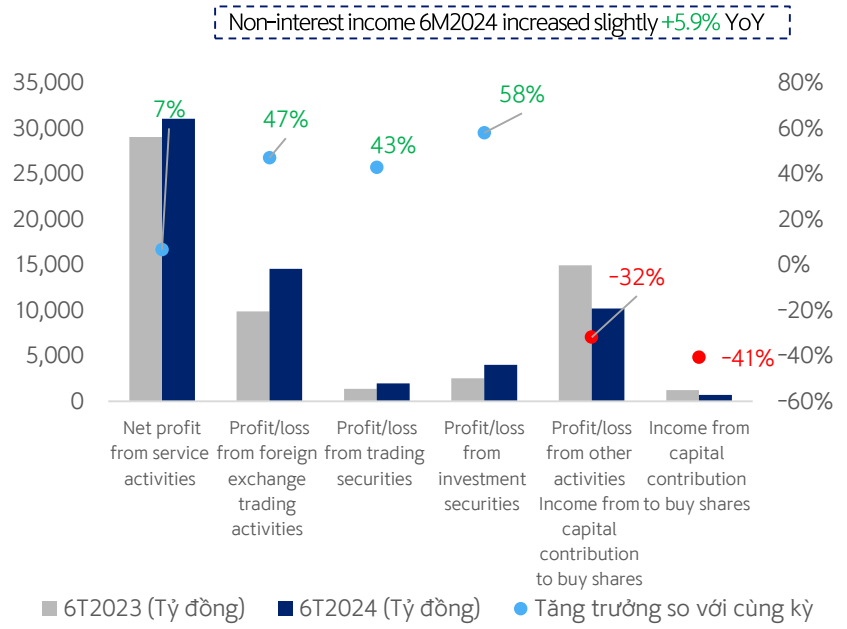
Non-interest income did not made any breakthrough yet

Non-interest income structure of banks on HOSE in 6M2024



Source: Fiinpro, Financial statements of Banks, Shinhan Securities Vietnam

Non-interest income has mixed performance in 6M2024

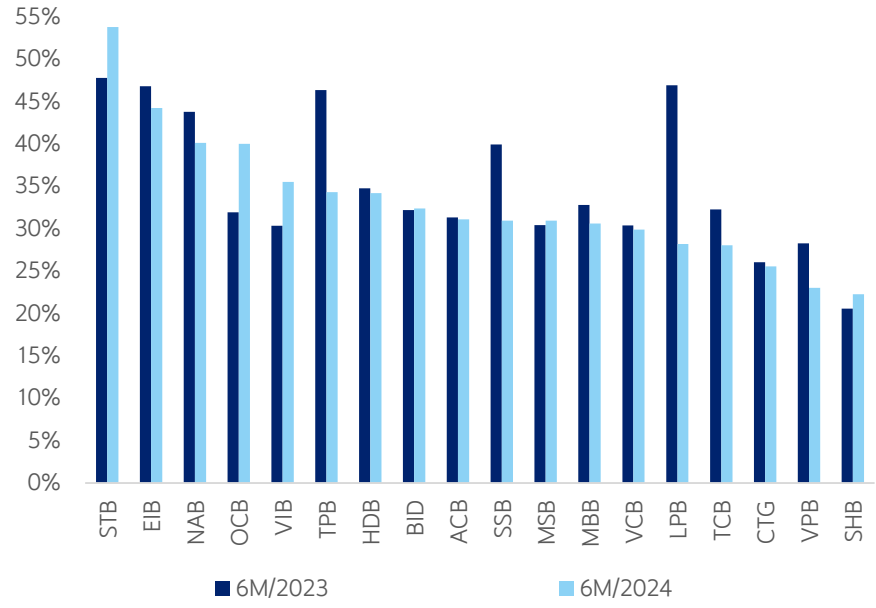


Source: Fiinpro, Financial statements of Banks, Shinhan Securities Vietnam

- Fee income accounted for about 50% of the non-interest income structure of the group of listed banking stocks on HOSE in 6M/2024
- Net profit from service activities continued to be flat, bancassurance activities did not shown signs of recovery as we expected. Fee growth came mostly from the payment segment.
- The gloom of the real estate market, along with slow asset processing and the lack of new bancassurance agreements, reduced income from other activities of the banking group.

Banks actively controlled operating costs

CIR to be tightly controlled by banks in 2024



Source: Fiinpro, Financial statements of Banks, Shinhan Securities Vietnam

Banks' operating efficiency to slightly decline in 2024

MCK	ROE TTM end of Q4/2023 (%)	ROE TTM end of Q2/2024 (%)	Changes (bps)
ACB	24.80%	23.85%	-95
BID	18.94%	18.32%	-62
CTG	17.00%	15.92%	-108
EIB	10.09%	9.87%	-22
HDB	23.59%	25.83%	224
LPB	19.16%	26.13%	698
MBB	23.45%	22.41%	-105
MSB	16.03%	14.93%	-110
NAB	18.80%	20.66%	186
OCB	12.28%	10.19%	-208
SHB	15.78%	15.20%	-58
SSB	13.01%	15.38%	237
STB	18.30%	18.01%	-29
TCB	14.69%	16.45%	175
TPB	13.74%	14.24%	51
VCB	21.80%	19.97%	-183
VIB	24.26%	21.40%	-286
VPB	8.20%	9.36%	117
Median	**17.65%**	**17.23%**	**-42**

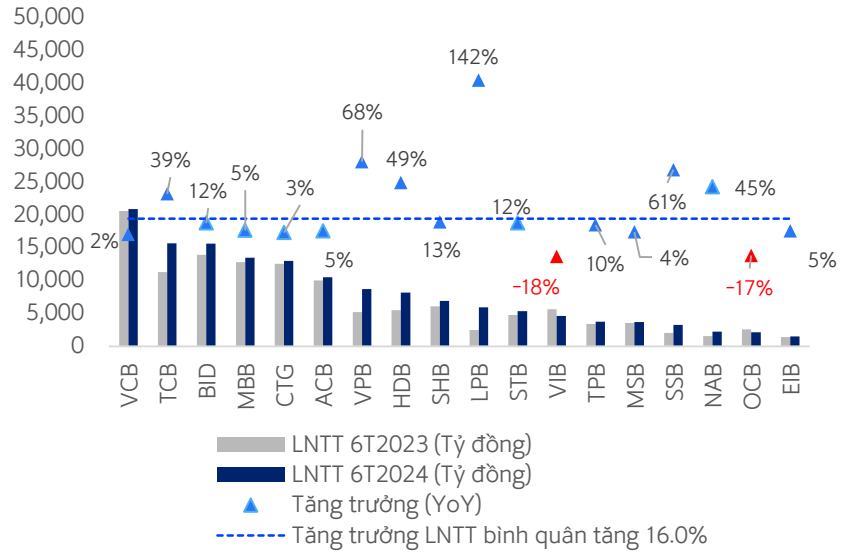
Source: Fiinpro, Financial statements of Banks, Shinhan Securities Vietnam

- The bank's CIR continued to decline in 6M/2024, averaging 31% (down from 32% in 6M/2023). Operating expenses continued to be tightly controlled by the bank in 6M/2024 and increased by only 6.5% YoY.
- The median ROE at the end of Q2/2024 of this group of banks decreased slightly by 42bps compared to Q4/2023. However, some banks have improved operating performance such as TCB, VPB, HDB, LPB, NAB, TPB.

Part 2.1 – The hardship is not over yet

Realized profits of banks are differentiated

Bank's profit before tax in 2023



Source: Fiinpro, Financial statements of Banks, Shinhan Securities Vietnam

Profit before tax compared to the target plan of banks in 2024

Stock	PBT 6M2024 (VNDbn)	PBT plan 2024 (VNDbn)	Complete(%)
ACB	10,490.56	22,000	47.68%
BID	15,548.91	30,348	51.24%
CTG	12,960.23	27,909*	46.44%
EIB	1,474.30	5,180	28.46%
HDB	8,164.58	16,000	51.03%
LPB	5,918.84	10,500	56.37%
MBB	13,428.31	28,410	47.27%
MSB	3,689.74	6,800	54.26%
NAB	2,216.62	4,000	55.42%
OCB	2,113.03	6,885	30.69%
SHB	6,859.67	11,286	60.78%
SSB	3,238.66	5,888	55.00%
STB	5,342.26	10,000	53.42%
TCB	15,628.17	27,100	57.67%
TPB	3,732.63	7,500	49.77%
VCB	20,834.51	42,000	49.61%
VIB	4,605.05	12,045	38.23%
VPB	8,665.30	23,165	37.41%
Total	**144,911.35**	**297,016**	**48.79%**

Source: Information from the resolution of the Annual General Meeting, Shinhan Securities Vietnam

- Profit before tax in the first 6 months of the year grew relatively positively, at 16.0% YoY. The group of state-owned commercial banks continued to grow at a moderate rate when VCB and CTG increased by only 2% and 3% YoY respectively; BID increased by about 12% YoY. The remaining group of private commercial banks had significant differentiation. Banks with good growth in 6M/2024 from the low base of the previous year such as TCB and VPB; groups with good credit growth and improved NIM such as HDB, SSB, NAB and LPB also had positive profits in the first half of 2024.
- The profit decline was clearly present in the two banks VIB and OCB: low demand for retail loans, NIM narrowed significantly due to a sharp increase in interbank interest rates and preferential interest rate home loan packages, manufacturing and business loans, and high NPL in the retail group. Meanwhile, in addition to the above reasons, OCB attracted attention with many changes in personnel in important positions in 2024, while VIB is the divestment plan of its strategic partner CBA.
- Compared to the 2024 profit plan, the listed banking group achieved 48.79%, banks such as VIB, VPB, EIB and OCB were performing worse than the plan after 6 months of business.

2.2

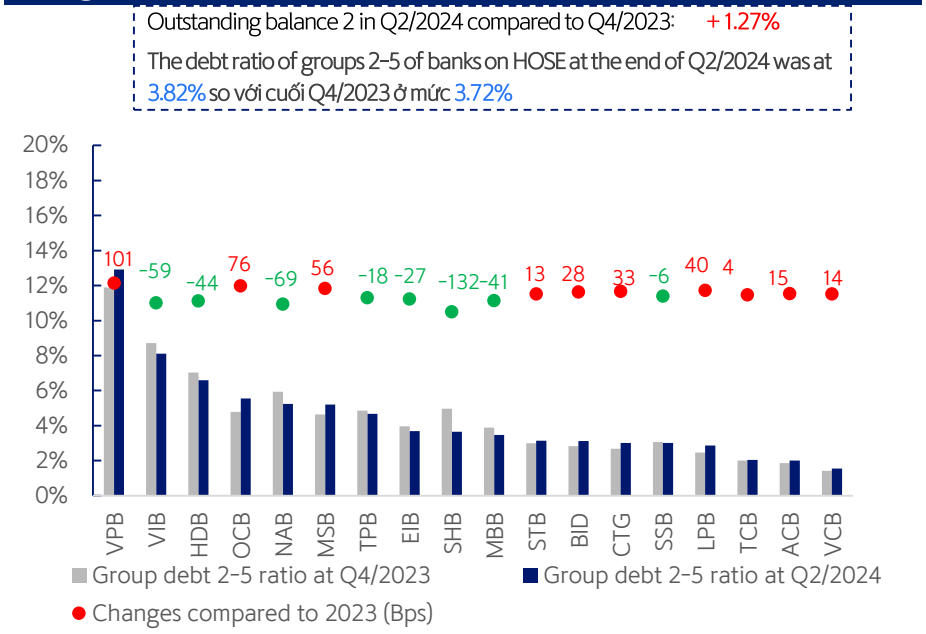
Bank asset quality continues to face pressure

Non-performing loan ratio remained high, provisioning costs continue to increase, reducing the growth momentum of bank profits. The loan loss coverage ratio of listed banks continued to decrease in 6M/2024.

Part 2.2 – Bank asset quality continues to face pressure

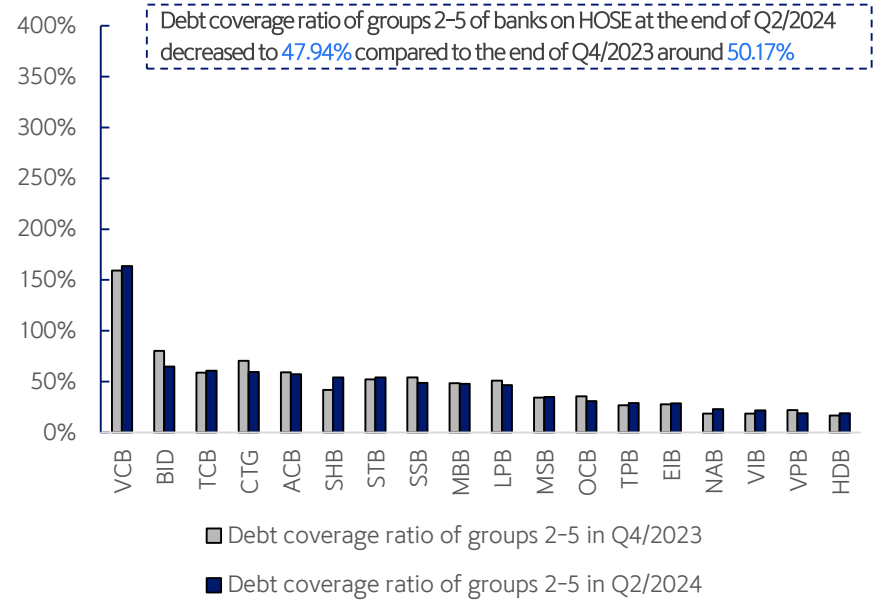
Debt group 2 outstanding at 6M/2024 stabilized after peaking in Q2/2023.

Debt group 2-5 ratio at banks on HOSE at the end of Q2/2024



Source: Fiinpro, Financial statements of Banks, Shinhan Securities Vietnam

Debt coverage ratio of groups 2-5 of listed banks at Q2/2024



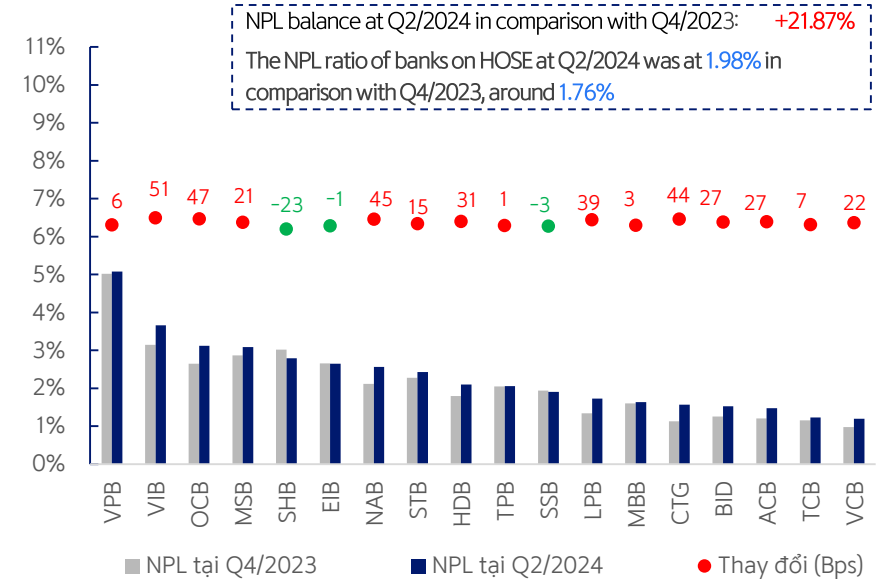
Source: Fiinpro, Financial statements of Banks, Shinhan Securities Vietnam

- Group 2 outstanding loans at the end of Q4/2023 decreased by 17.48% compared to the peak at the end of Q2/2023 and remained at this level in 6M/2024. By the end of Q2/2024, group 2 outstanding loans increased slightly by 1.27% compared to the end of 2023, the ratio of group 2 debt/total outstanding loans to customers decreased from the peak of 2.5% at the end of Q2/2023 to 1.8% at the end of Q2/2024. This is a positive trend for the banking group.
- The debt coverage ratio of group 2-5 decreased slightly from 50.17% at the end of 2023 to 47.94% at the end of Q2/2024.

Part 2.2 – Bank asset quality continues to face pressure

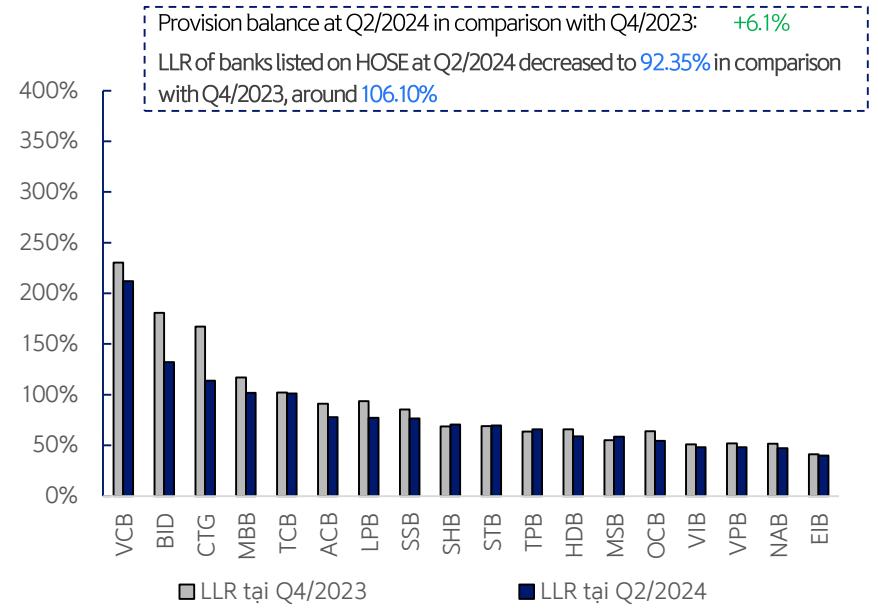
Non-performing loan (NPL) ratio remained at high level

NPL of banks listed on HOSE at the end of Q2/2024



Source: Fiinpro, Financial statements of Banks, Shinhan Securities Vietnam

Loan loss coverage ratio of banks on HOSE at Q2/2024



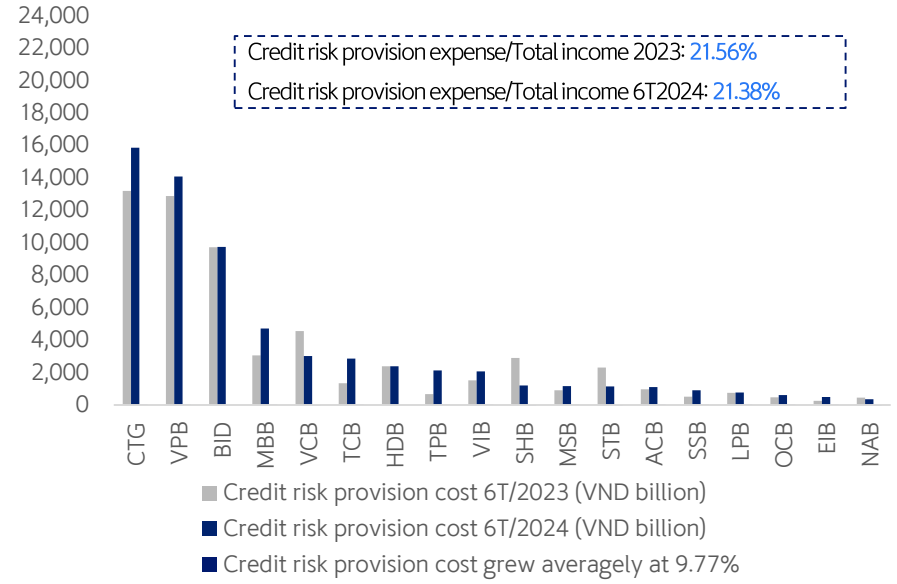
Source: Fiinpro, Financial statements of Banks, Shinhan Securities Vietnam

- Group 2 debt was stable and following the downtrend from its peak, but we expect short-term pressure on NPL to remain. The group 2 debt ratio remains high compared to the historical average, thus the banks will need time to make provision, perform write off NPL and gradually bring it back to the historical average. As of the end of Q2/2024, the average NPL ratio of banks reached 1.98%, up from 1.76% at the end of Q4/2023. We expect this ratio to remain at this high level for the rest of 2024. NPL in the past period come largely from individual customers and SMEs; these are vulnerable groups when income fluctuates.
- Loan loss coverage ratio (LLR) was getting thinner, from an average of 106.1% at the end of Q4/2023 to about 92.35% at the end of Q2/2024.

Part 2.2 – Bank asset quality continues to face pressure

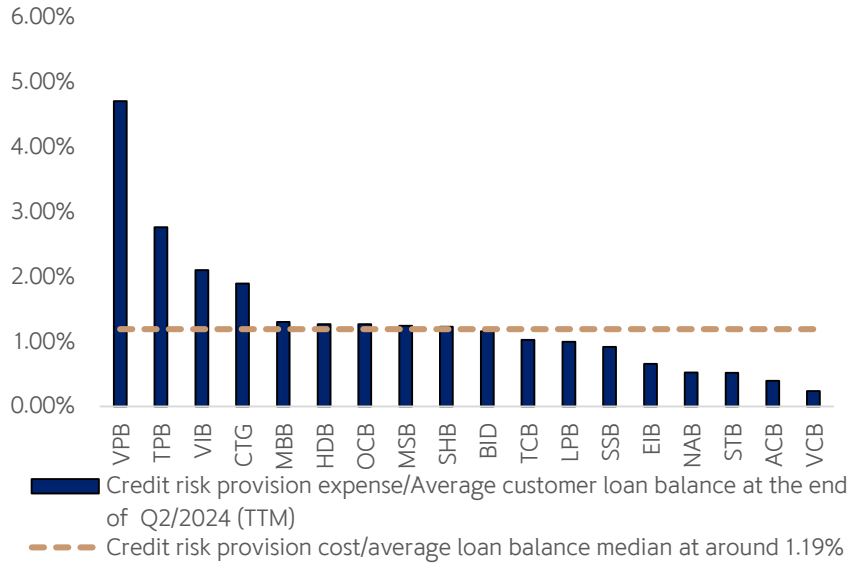
Provisioning costs increased under pressure from NPL

Bank provisioning costs for 6T/2024



Source: Fiinpro, Financial statements of Banks, Shinhan Securities Vietnam

Provision cost/average loan balance (%)



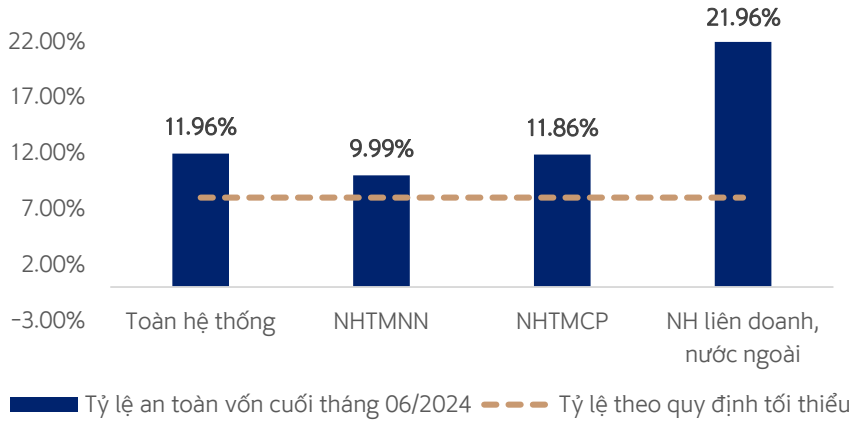
Source: Fiinpro, Financial statements of Banks, Shinhan Securities Vietnam

- Credit risk costs in 1H2024 increased by 10% compared to the same period in 2023. Credit risk provision costs/average loan balance remained relatively stable in 1H2024 and remained at 1.19%. However, we believe that with debt write-off activities concentrated in Q4, banks are likely to increase provisioning costs in the remaining 6M of 2024.

Part 2.2 – Bank asset quality continues to face pressure

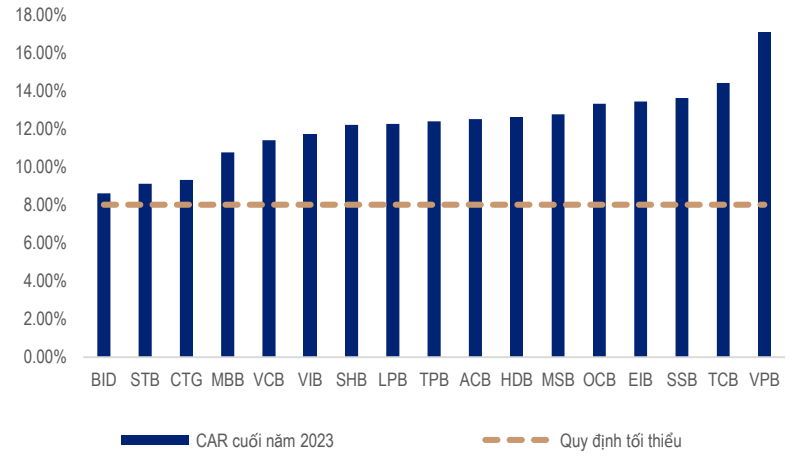
Capital adequacy ratio (CAR) improves in large banks

CAR of the entire banking system at the end of June 2024



Source: SBV, Shinhan Securities Vietnam

CAR of banks on HOSE at the end of December 2023



Source: Financial statements of Banks, Shinhan Securities Vietnam

- CAR in general has not changed much compared to the end of 2023. For the whole system, CAR reached an average of 11.96%, higher than the 8% requirement of the State Bank of Vietnam (slightly increased compared to 11.75% at the end of 2023). The relative improvement of CAR in the whole industry comes from the group of state-owned commercial banks and the group of joint-venture and foreign banks). Unlike the state-owned group, many banks in the private group have implemented a policy of paying cash dividends in 2024, thereby contributing to CAR remaining flat in 6M/2024 and remaining at 11.86%.

03

Outlook for 2024-2025

After 2 years of accelerating lending to corporate customers, we expect the recovery of the retail group and the ability to collect and handle bad debts to be the highlights of the banking industry in the period of 2024-2025. We maintain our forecast for banking industry profit before tax growth at 15% for 2024 and 24% for 2025.

Part 3– Outlook for 2024-2025

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

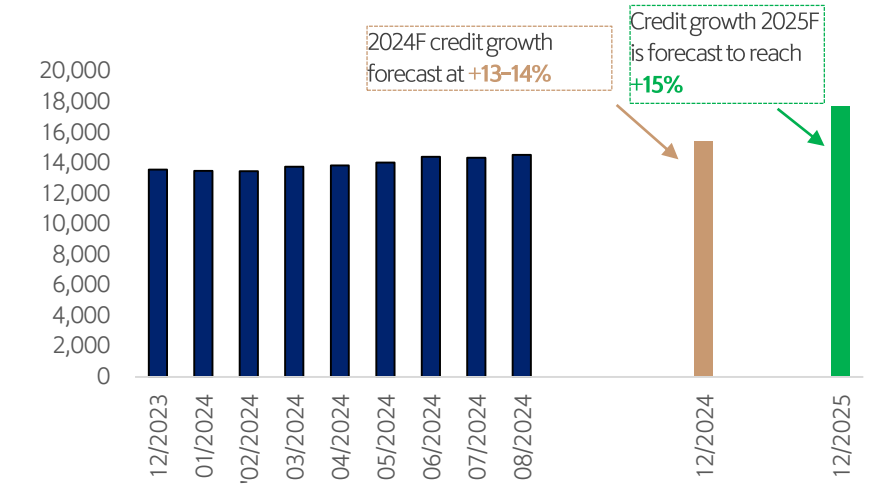
Index	Real GDP			CPI			Unemployment rate		
Country/year	**2024**	**2025**	**2026**	**2024**	**2025**	**2026**	**2024**	**2025**	**2026**
Vietnam	**6.0 %**	**6.5 %**	**6.5 %**	**3.8 %**	**3.5 %**	**3.7 %**	**2.2 %**	**2.2 %**	**2.2 %**
China	4.8 %	4.5 %	4.2 %	0.5 %	1.5 %	1.8 %	5.1 %	5.1 %	5.0 %
Hong Kong	3.0 %	2.5 %	2.5 %	1.8 %	2.1 %	2.0 %	3.0 %	2.9 %	2.8 %
India	7.8 %	6.9 %	6.6 %	4.8 %	4.5 %	4.5 %			
Indonesia	5.0 %	5.1 %	5.1 %	2.8 %	2.8 %	2.7 %	5.0 %	5.0 %	5.0 %
South Korea	2.5 %	2.2 %	2.2 %	2.5 %	2.0 %	2.0 %	2.9 %	3.0 %	3.0 %
Malaysia	4.9 %	4.6 %	4.5 %	2.3 %	2.6 %	2.3 %	3.3 %	3.3 %	3.3 %
Phillipines	5.8 %	6.0 %	6.1 %	3.5 %	3.0 %	3.0 %	4.2 %	4.3 %	4.3 %
Singapore	2.6 %	2.5 %	2.7 %	2.6 %	2.0 %	1.9 %	2.1 %	2.0 %	2.0 %
Taiwan	4.0 %	2.6 %	2.5 %	2.1 %	1.9 %	1.8 %	3.4 %	3.4 %	3.3 %
Thailand	2.5 %	3.0 %	3.1 %	0.8 %	1.4 %	1.6 %	1.1 %	1.0 %	1.0 %
USA	2.5 %	1.7 %	2.0 %	2.9 %	2.3 %	2.3 %	4.1 %	4.3 %	4.2 %
Japan	0.0 %	1.2 %	0.9 %	2.5 %	2.0 %	1.6 %	2.5 %	2.5 %	2.3 %
Euro	0.7 %	1.3 %	1.4 %	2.4 %	2.1 %	2.0 %	6.5 %	6.5 %	6.4 %
United Kingdom	1.1 %	1.4 %	1.5 %	2.6 %	2.3 %	2.0 %	4.3 %	4.5 %	4.5 %
Canada	1.1 %	1.7 %	2.0 %	2.6 %	2.2 %	2.0 %	6.3 %	6.6 %	6.2 %
Australia	1.2 %	2.2 %	2.5 %	3.4 %	2.8 %	2.6 %	4.2 %	4.5 %	4.5 %
Sweden	0.7 %	1.9 %	2.1 %	3.0 %	1.7 %	1.8 %	8.4 %	8.2 %	7.8 %
New Zealand	0.5 %	2.0 %	2.7 %	3.1 %	2.2 %	2.0 %	4.7 %	5.3 %	5.0 %
Switzerland	1.3 %	1.4 %	1.5 %	1.3 %	1.1 %	1.1 %	2.3 %	2.3 %	2.2 %
Denmark	1.8 %	2.0 %	1.8 %	1.5 %	2.0 %	2.0 %	5.4 %	5.2 %	
Norway	0.7 %	1.5 %	1.8 %	3.4 %	2.5 %	2.3 %	4.1 %	4.1 %	3.8 %
Germany	0.1 %	1.0 %	1.3 %	2.4 %	2.2 %	2.0 %	6.0 %	6.1 %	5.8 %
France	1.1 %	1.1 %	1.4 %	2.5 %	1.9 %	1.9 %	7.5 %	7.4 %	7.3 %
Italy	0.8 %	1.0 %	1.1 %	1.2 %	1.8 %	1.7 %	7.2 %	7.0 %	7.2 %

Source: Bloomberg Consensus, Shinhan Securities Vietnam

- According to statistics from Bloomberg, Vietnam's consensus GDP growth of **4%** in the 2024-2026 period is being forecast by organizations at **6-6.5%**, with CPI under control.

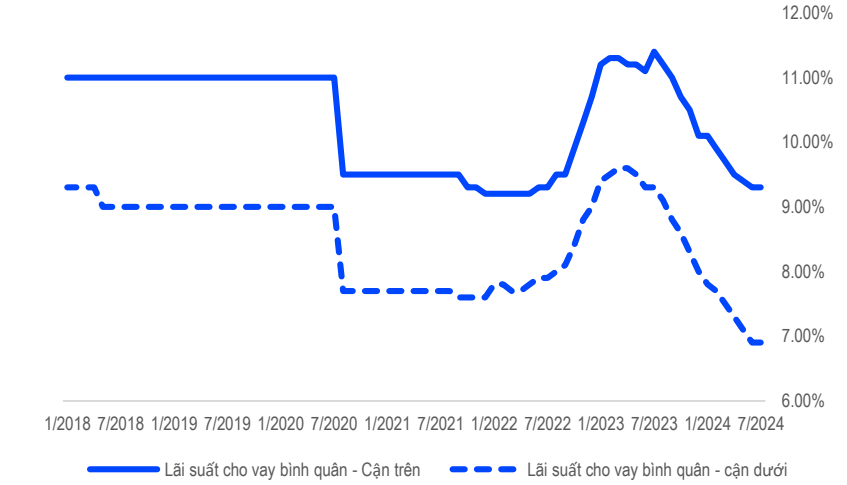
Banks working hard for the 15% credit growth target in 2024

Credit of Vietnam's economy **2023-2025 (VND trillion)**



Source: S&P Global PMI, Shinhan Securities Vietnam

Lending interest rates are expected to decrease in the near future



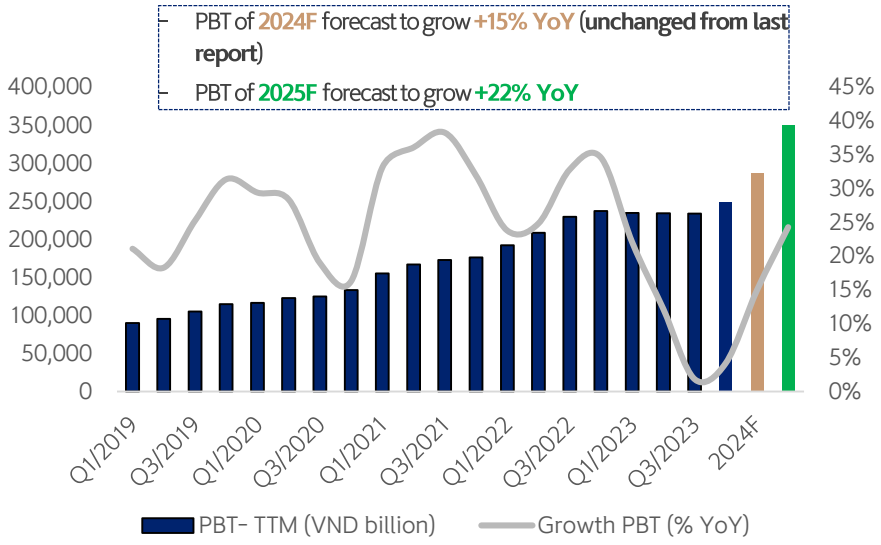
Source: GSO, Shinhan Securities Vietnam

- Based on our 2024 GDP growth forecast of around +6% YoY, the expected credit growth of the entire Vietnamese economy could reach around +13-14% YoY. In 2025, we expect credit growth to grow better and reach +15% YoY. Although the growth rate will not change much between 2024 and 2025, we expect the credit structure to change as the retail credit group will accelerate in the second half of 2025 and lead the overall growth momentum of the economy as in 2021-2022.
- The average lending interest rate has decreased very rapidly in 6M/2024 and the average lending interest rate in the market has returned to the low interest rate zone of 2021-2022. We believe interest rates could stabilize in this level for the remainder of 2024 and could rise slightly again in 2025.

Part 3– Outlook for 2024-2025

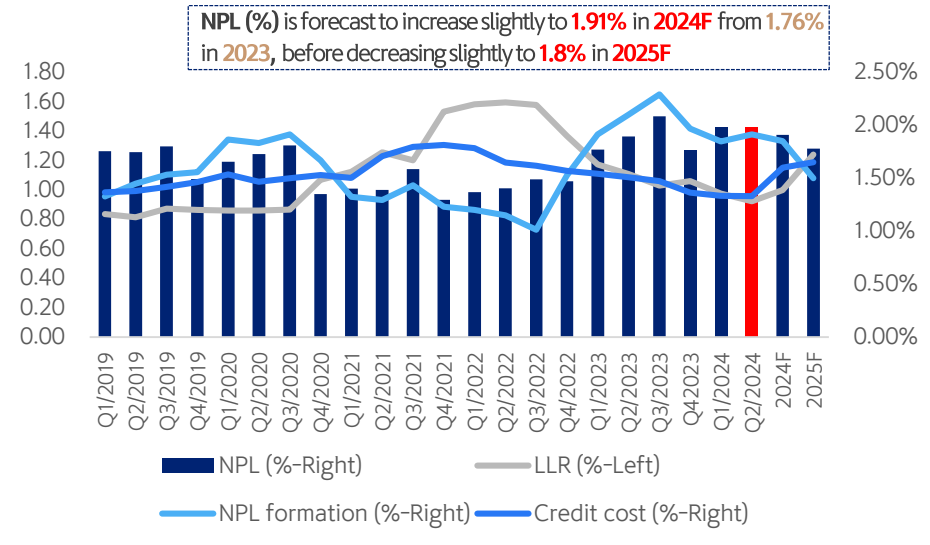
Pre-tax profit of banks listed on HOSE forecast to increase by 15% in 2024

Profit before tax (VNDbn)



Source: Fiinpro, Shinhan Securities Vietnam

Forecast non-performing loan ratio(NPL)



Source: Fiinpro, Shinhan Securities Vietnam

- **Key assumptions for net profit of 18 banks listed on HOSE:**
- NIM stable at **3.6%** for **2024F** and slightly increasing to **3.8%** for **2025F**
- Interest income to increase by **16.3%** for **2024F** and **22.0%** for **2025F**
- Non-interest income growth at **15.0%** for **2024F** and **20%** for **2025F**
- Operating expenses to increase slightly at **4.3%** for **2024F** and **21.6%** for **2025F**
- In **2024F**, NPL increases slightly to **1.91%** (vs. 1.76% in 2023); LLR (%) remains at **100%**; Credit cost expected at **1.60%**
- In **2025F,** NPL decreased to **1.8%** (compared to 1.91% in 2024); LLR (%) improved by **124%**; Credit cost expected at **1.65%**
- In **2024F**, the group's pre-tax profit is expected to grow by **15%** and reach **22%** growth for **2025F**
- P/B TTM is trading around **1.5x** (5-year average at 1.8x), P/B forward 2024 at **1.3x**, PB forward 2025 at **1.1x**

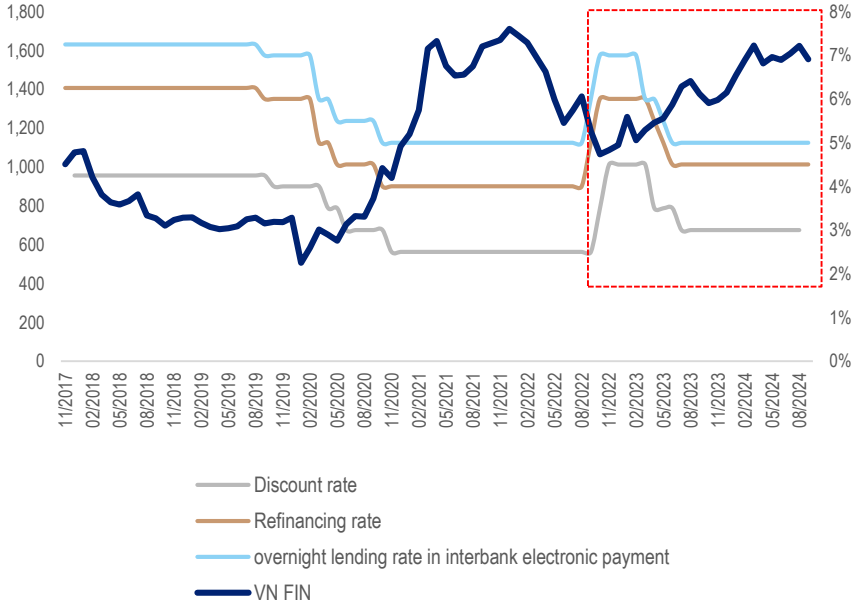
Bank valuations remain below average

Valuation of banks on HOSE (P/B)



Source: Bloomberg 18/03/2023, Shinhan Securities Vietnam

Policy interest rate and VN-FIN index



Source: SBV,Fiinpro , Shinhan Securities Vietnam

- The bank's P/B valuation continues to be below the industry's 5-year average. Currently, the industry's P/B is at 1.5x. Concerns about the decline in asset quality along with the general recovery of the Vietnamese economy are major factors affecting the bank's lower valuation compared to the past.
- Signs of economic recovery have become clearer in 6M/2024, however, the question mark over asset quality needs to be removed for the bank's valuation to return to the historical average. The forward P/B of 2024 at 1.3x and 2025 at 1.1x are showing the long-term investment potential of the banking industry.

04

Potential bank stocks

ACB, STB, HDB, VPB, MBB

Listed banks on HOSE

Stock	Market Cap (tỷ đồng)	Close price (VND)	Target price 2024* (VND)	Upside (%)	PBT growth in 6T/2024 (% YoY)	PBT growth in 2024F (% YoY)	PBT growth in 2025F (% YoY)	Asset/Equity (x)	NIM (TTM)	NPL (%)	LLR (%)	CIR (TTM)	ROE (TTM)	P/B (TTM)	PB Forward consensus
VCB	510,843	91,400	**101,600**	**11.2%**	2%	10%	22%	11.15	3.0%	1.2%	212.1%	32.2%	20.0%	2.79	2.53
BID	279,036	48,950	**53,000**	**8.3%**	12%	12%	20%	18.73	2.5%	1.5%	132.2%	34.4%	18.3%	2.14	1.93
CTG	192,514	35,850	**39,000**	**8.8%**	3%	11%	17%	16.15	3.0%	1.6%	113.8%	28.6%	15.9%	1.39	1.30
TCB	165,206	23,450	**26,200**	**11.7%**	39%	21%	36%	6.45	4.4%	1.2%	101.1%	30.6%	16.4%	1.17	1.11
VPB	151,141	19,050	**25,000**	**31.2%**	68%	55%	39%	5.85	5.7%	5.1%	48.1%	25.2%	9.4%	1.11	1.05
MBB	132,658	25,000	**29,000**	**16.0%**	5%	9%	20%	9.77	4.5%	1.6%	101.7%	30.5%	22.4%	1.28	1.21
ACB	114,793	25,700	**30,350**	**18.1%**	5%	11%	22%	10.13	3.9%	1.5%	77.8%	33.0%	23.9%	1.46	1.32
LPB	80,053	31,300			142%			11.22	3.5%	1.7%	77.1%	29.4%	26.1%	2.05	1.88
HDB	78,493	26,950	**30,000**	**15.0%**	49%	24%	25%	12.98	5.4%	2.1%	58.8%	34.3%	25.8%	1.52	1.43
STB	58,347	30,950	**37,000**	**16.3%**	12%	51%	47%	14.75	3.6%	2.4%	69.7%	52.4%	18.0%	1.15	1.03
VIB	55,114	18,500	**20,600**	**11.4%**	-18%	-8%	23%	10.80	4.2%	3.7%	48.1%	32.2%	21.4%	1.40	1.28
SSB	45,927	16,200			61%			8.78	3.4%	1.9%	76.7%	33.7%	15.4%	1.34	
TPB	40,422	15,300			10%			10.89	4.2%	2.1%	66.0%	35.5%	14.2%	1.12	1.07
SHB	38,089	10,400			13%			12.59	3.2%	2.8%	70.7%	24.7%	15.2%	0.68	
EIB	31,759	17,050			5%			8.97	2.7%	2.6%	40.0%	46.6%	9.9%	1.38	
MSB	30,030	11,550			4%			8.53	3.8%	3.1%	58.6%	39.1%	14.9%	0.88	0.82
OCB	28,480	11,550			-17%			8.41	3.3%	3.1%	54.6%	39.5%	10.2%	0.95	
NAB	21,954	16,600			45%			13.77	3.6%	2.6%	47.2%	43.6%	20.7%	1.37	

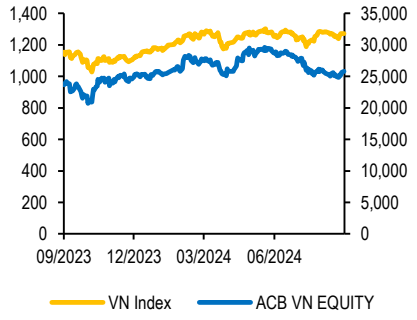
Source: Bloomberg updated on September 23, 2024, Shinhan Securities Vietnam
* The target price in this report is projected by SSV based on 2024 business results.

Asia Commercial Joint Stock Bank (HOSE:ACB)

ACB

Target price (year 2024)	**VND 30,350**
Current price (23/09/24)	VND 25,700
Upside (%)	18.1%
VNINDEX	1,271
PE market (24F)	11.9
Market cap (VNDbn)	114,793
Outstanding shares (shares mn)	4,467
Free Float (shares mn)	3,529
52-week high/low(VND)	26,261/ 18,217
Average trading volume 90 days (shares mn)	8.82
Average trading value of 90 days (VNDbn)	180
Foreign ownership (%)	30
Major shareholder(%) Sather Gate	4.99
Major shareholder(%) Tran Hung Huy	3.94

Performance	**3M**	**6M**	**12M**
Absolute (%)	4.7	5.0	32.5
Relative to VN-Index (%)	5.5	5.8	26.0



Retail banking has a cautious development strategy

Asia Commercial Joint Stock Bank (ACB) is strategically oriented to become the leading retail bank in Vietnam. This is also a bank with a cautious development strategy, not investing in corporate bonds. In 2024, ACB will promote growth in the corporate customer segment to diversify its loan portfolio and also support more sustainable growth in the future. In terms of asset quality, this is one of the pioneering banks to meet BASEL III standards. ACB has good credit growth and is increasingly improving its business model. Assuming an average profit growth rate of over 15% for the 2024-2028 period and stable business results in 2024. ACB's target for 2024 is VND 30,350.

Business result 6M2024

- Update on 6M/2024 business results: ACB said it achieved positive credit growth, about 12.8% YTD, both personal and corporate segments had good growth of over 12% in the first half of the year. Average lending interest rates in Q2/2024 continued to decrease by more than 100bps compared to 2023. Mobilization growth at the end of Q2/2024 reached 7.6% YTD. The investment securities portfolio mainly focuses on Government bonds and bonds of other credit institutions, ACB continues to maintain the policy of not investing in corporate bonds. NIM decreased slightly from 3.93% at the end of 2023 to 3.85% at the end of Q2/2024. ACB's CASA remains around 21.5-22% in the first 6 months of 2024. ACB's NPL ratio remains stable at 1.48%, with the loan loss coverage ratio around 77.8% by the end of Q2/2024. ACB's pre-tax profit reached VND10,491 billion (+5% YoY), reaching 48% of the annual plan. Basically, ACB is still closely following the annual plan targets set at the beginning of the year.

Investment thesis

- ACB operates cautiously, does not invest in corporate bonds and limits lending to real estate businesses. With nearly 95% of its loan portfolio for retail and small and medium enterprises, of which 98% are secured loans, we highly appreciate ACB's asset quality. It is also one of the few banks in the industry with a non-performing loan (NPL) ratio of around 1-1.5% in 2024.
- ACB is showing progress in the corporate lending segment.
- In the 2023-2027 period, we project that ACB's assets and profits can maintain sustainable growth with a positive compound annual growth rate (CAGR) of over 15%.

Outlook 2024-2025

- We believe that ACB's credit in 2024 can achieve a positive growth rate of 15%. The NPL ratio is controlled at 1.3%, NIM increases slightly to 4.04% (from 3.93% at the end of Q4/2023). We forecast ACB's pre-tax profit to reach VND22,082 billion (+10.1% YoY). We expect ACB's interest income in 2025 to improve thanks to the recovery in retail credit demand, and a slight increase in asset yields, helping NIM stabilize and expand. NPL is expected to peak in 2024 before decreasing in 2025. Pre-tax profit in 2025 is expected to increase by 20% YoY.

Risk: (1) Retail credit recovers slowly; (2) Bad debt continues to be high and bad debt handling activities are ineffective.

Year	2020	2021	2022	2023	2024F
Net interest income (VND bn)	14,582	18,945	23,534	24,960	29,741
Net non-interest income (VND bn)	3,579	4,619	5,257	7,787	7,249
TOI (VND bn)	18,161	23,564	28,790	32,747	36,990
Profit before tax (VND bn)	9,596	11,998	17,114	20,068	22,082
Growth of PBT (%)	27.7	25.0	42.6	17.3	10.1
P/E (x)	6.9	6.9	6.0	5.8	5.6
P/B (x)	1.5	1.5	1.4	1.3	1.2
ROE (%)	24.3	23.9	26.5	24.8	22.65

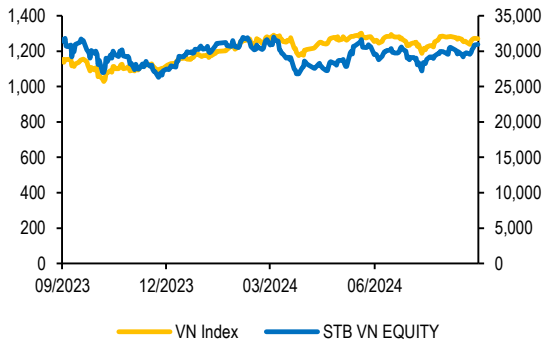
Source: Bloomberg, Shinhan Securities Vietnam

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

Sacombank

Target price (year 2024)	**VND 37,000**
Current price (23/09/24)	VND 30,950
Upside (%)	19.5%
VNINDEX	1,271
PE market (24F)	11.9
Market cap (VNDbn)	58,347
Outstanding shares (shares mn)	1,885
Free Float (shares mn)	1,781
52-week high/low(VND)	33,150/ 25,850
Average trading volume 90 days (shares mn)	10.62
Average trading value of 90 days (VNDbn)	271
Foreign ownership (%)	23.7
Major shareholder(%) Mr. Dương Công Minh	3.3
Major shareholder(%) PYN	5.2

Performance	3M	6M	12M
Absolute (%)	1.0	-2.2	-5.9
Relative to VN-Index (%)	1.8	-1.4	-12.5



About to turn a new page

Sacombank (STB) is one of the largest private commercial banks in terms of credit market share. STB is involved in a restructuring plan after merging with Southern Commercial Bank. Bad debts from the merger have significantly affected STB's business results in the period 2016-2023. However, 2023 may be the last year of the restructuring plan and this will help the bank grow strongly in the coming period. Using the residual income valuation method and based on P/B, we value STB's fair value for 2024 at VND37,000.

Business result 6M2024

At the end of Q2/2024, STB's credit growth reached 7% YTD, NIM decreased slightly to 3.58%. Interest income accordingly remained almost flat in the first 6 months of 2024, reaching a cumulative level of VND 12,067 billion (+1.57% YoY). Non-interest income also followed the same trend when remaining flat in the first half of 2024. However, according to the information of the 2024 General Meeting of Shareholders, STB will still record 20% of the value from the auction of 18 loans related to Phong Phu Industrial Park (134ha), the remaining (40% per year) will be paid in the next 2 years. The NPL ratio at the end of Q2/2024 increased to 2.43% (from 2.28% at the end of 2023), STB's provisioning expenses in 6M/2024 decreased by more than 51% YoY and STB's NPL coverage ratio (LLR) stabilized at 69.7% (slightly improved compared to 68.8% at the end of 2023). STB's pre-tax profit in 6M/2024 reached VND5,342 billion (+12.3% YoY), completing more than 50% of the 2024 plan.

Except for the NPL ratio, which is currently higher than the bank's control target of under 2%, other business indicators are basically still in line with STB's direction. We believe that with the money received from the auction of Phong Phu Industrial Park loans, STB will have more room to carry out activities to clear bad debts on the balance sheet.

Investment thesis

- In the coming time, STB plans to auction 32.5% of shares of Mr. Tram Be's group. According to STB's board of directors, this is the final step of restructuring after completing the settlement of bad debts with VAMC.
- After completing the restructuring, STB said it will pay dividends to shareholders, increase charter capital and seek strategic partners in the coming time.
- Currently, STB's mobilization structure mainly relies on deposits from individual customers. After restructuring, STB can diversify its deposit sources and reduce its cost of capital (COF).

Outlook 2024-2025

- We forecast STB's credit growth in 2024 at 14%, raising our forecast for the NPL ratio to 2.5%. Non-interest income could grow well thanks to the market recovery and the successful auction of bad debts related to Phong Phu Industrial Park. With the decline in lending rates to stimulate borrowing demand, we forecast NIM to decline slightly to 3.6% in 2024. We forecast STB's pre-tax profit to reach VND10,614 billion (+10.6% YoY), equivalent to STB's plan. In 2025, with the proceeds from the auction of Phong Phu Industrial Park loans as well as other potential income related to the handling of off-balance sheet assets related to VAMC bonds (100% provisioned), STB's pre-tax profit could reach 53% YoY in 2025.

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

Year	2020	2021	2022	2023	2024F
Net interest income (VND bn)	11,527	11,964	17,147	22,072	24,573
Net non-interest income (VND bn)	5,744	5,740	8,994	4,101	5,373
TOI (VND bn)	17,271	17,704	26,141	26,173	29,946
Profit before tax (VND bn)	3,339	4,400	6,339	9,595	10,614
Growth of PBT (%)	3.8	31.8	44.1	51.3	10.6
P/E (x)	17.6	13.8	9.3	6.8	6.8
P/B (x)	2.1	1.8	1.6	1.2	1.1
ROE (%)	9.6	10.8	13.8	18.3	17.0

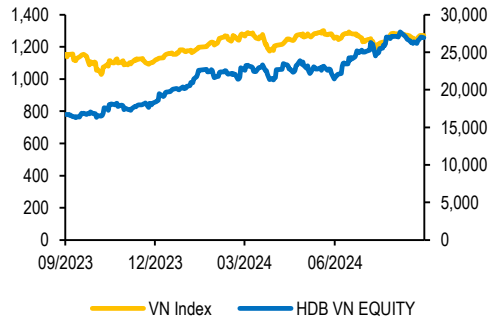
Source: Bloomberg, Shinhan Securities Vietnam

Ho Chi Minh City Development JSB (HOSE: HDB)

HDBank

Target price (year 2024)	**VND 30,000**
Current price (23/09/24)	VND 26,950
Upside (%)	11.3%
VNINDEX	1,271
PE market (24F)	11.9
Market cap (VNDbn)	78,493
Outstanding shares (shares mn)	2,913
Free Float (shares mn)	2,049
52-week high/low(VND)	27,700/ 16,550
Average trading volume 90 days (shares mn)	7.26
Average trading value of 90 days (VNDbn)	187
Foreign ownership (%)	18.5
Major shareholder(%) Sovico	14.27

Performance	3M	6M	12M
Absolute (%)	16.4	13.2	53.6
Relative to VN-Index (%)	17.2	14.0	47.0



Positive growth expectations for 2024-2025

HDBank has a multi-purpose retail banking strategy, targeting small and medium-sized enterprises and individual customers in secondary and rural cities by developing specialized financial products and services that suit their needs. At the same time, HDB is strengthening its e-banking platform to improve customer access. To expand its scope of operations, HDBank is expanding its branch network to smaller cities with low banking coverage. This targeting strategy is clearly demonstrated through its impressive performance in recent times, with asset and profit growth of over 25% per year in the 2019-2023 period. We believe that HDB can maintain positive growth in the coming time and achieve its annual profit target of over VND20,000 billion in the 2025-2026 period. Based on the residual income method and target P/B of 1.5x, we estimate HDBank's stock price in 2024 at VND30,000.

Business result 6M2024

HDB has positive credit growth in the first half of 2024, with an increase of nearly 13% YTD. Banks with good growth and reaching over 80% of credit room will automatically have their credit room expanded according to the direction of the State Bank. Therefore, HDB is expected to have positive credit growth prospects in the second half of 2024. Thanks to the advantage of low LDR, HDB can expand NIM in the first half of 2024 - going against the trend of NIM decline of the whole industry. By the end of Q2/2024, HDB's NIM improved to 5.37% from 4.98% at the end of 2023. NIM expansion along with a high credit base compared to the same period, HDB's interest income in 6M/2024 reached more than VND 14,880 billion (+52% YoY). In contrast, non-interest income decreased sharply due to poor recovery of fee income. HDB's bad debt ratio at the end of Q2/2024 was at 2.1% (up from 1.79% at the end of 2023, but slightly down from 2.24% at Q1/2024). Meanwhile, provision expenses were only the same in 6M/2024, causing HDB's Loan loss coverage ratio (LLR) to fall below 60%. Given the current trend, we believe that HDB's credit risk provision expenses may increase in the second half of 2024. HDB's pre-tax profit for 6M/2024 reached nearly VND8,165 billion (+49% YoY), completing more than 51% of the annual profit plan.

Investment thesis

- HDBank has participated in the restructuring of a weak bank, thanks to which HDB received a better credit limit than the industry average.
- HDB has an LDR ratio of around 70%, much lower than the regulatory limit of 85%. The low LDR ratio, combined with positive credit growth, could expand HDB's NIM in 2024.
- The recovery of HDSaison, which operates in the consumer finance sector, is expected to bring VND1,000 billion in pre-tax profit to HDBank in the second half of 2024. Personal consumption growth is expected to recover more clearly in 2025.

Outlook 2024-2025

- We expect HDB's consolidated credit in 2024 to reach nearly 20%. NPL ratio around 2%, NIM could reach 5.08% in 2024 (from 4.98% in 2023). Pre-tax profit in 2024 is estimated at VND15,430 billion (+18.5% YoY). In 2025, we expect HDB to maintain a pre-tax profit growth rate of over 20%, thanks to positive asset growth, stable NIM, recovering fee income and peaking NPL.
- **Risk:** (1) Credit growth is slower than expected; (2) Bad debt risk continues to increase; (3) HD Saison's recovery has not met expectations.

Year	2020	2021	2022	2023	2024F
Net interest income (VND bn)	12,898	13,891	18,012	22,184	29,193
Net non-interest income (VND bn)	1,882	2,867	3,956	4,230	3,601
TOI (VND bn)	14,779	16,758	21,967	26,414	32,794
Profit before tax (VND bn)	5,818	8,070	10,268	13,017	15,430
Growth of PBT (%)	15.6	38.87%	27.21%	25.90%	18.5%
P/E (x)	20.6	23.3	23.5	24.7	25.2
P/B (x)	8.9	10.2	5.2	5.8	6.3
ROE (%)	1.6	2.1	1.1	1.3	1.4

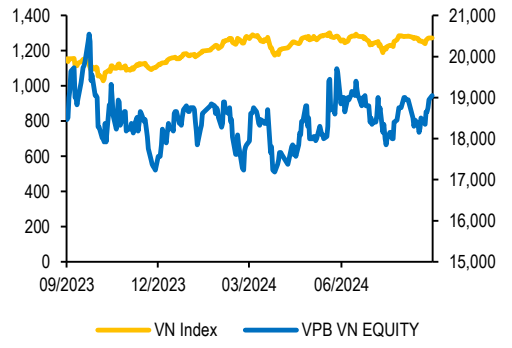
Source: Bloomberg, Shinhan Securities Vietnam

Vietnam Prosperity JSB (HOSE: VPB)

VPBank

Target price (year 2024)	**VND 25,000**
Current price (23/09/24)	VND 19,050
Upside (%)	31.2%
VNINDEX	1,271
PE market (24F)	11.9
Market cap (VNDbn)	151,141
Outstanding shares (shares mn)	7,934
Free Float (shares mn)	7,086
52-week high/low(VND)	23,150/ 17,500
Average trading volume 90 days (shares mn)	20.77
Average trading value of 90 days (VNDbn)	385
Foreign ownership (%)	27.46
Major shareholder(%) Sumitomo Mitsui	15.0

Performance	3M	6M	12M
Absolute (%)	-2.8	1.3	-10.4
Relative to VN-Index (%)	-2.0	2.1	-16.9



Shinhan Securities

Profits recover along with capital advantage

Established in 1993, VPBank is a bank pursuing 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, a subsidiary of VPBank, is currently in the final stages of restructuring its loan portfolio. With its leading position in consumer finance, FE Credit expects positive growth in 2024 and a clearer recovery in 2025-2028. In early 2023, VPB reached an agreement to sell 15% of its charter capital to SMBC through a private placement. VPB's capital adequacy ratio at the end of 2023 is at the highest level among listed banks in Vietnam. Two other subsidiaries, VPBankS (Securities) and OPES (Insurance), are also gradually contributing more to the bank's operations. Based on the residual income method and P/B comparison method, we estimate VPB's 12-month target price at VND25,000/share.

Business result 6M2024

- VPB's consolidated credit growth at the end of Q2/2024 reached 7.76% (VPB alone continued to be the driving force in the first half of 2024 when credit increased by more than 8.4%). The group of subsidiaries was still showing a relatively slow recovery in the first 6 months of 2024. VPB's consolidated NIM at the end of Q2/2024 reached 5.72%, slightly up from 5.58% at the end of Q4/2023. VPB's interest income in the first 2 quarters reached VND 23,731 billion (+30% YoY). This increase is thanks to the low base of 2023, VPB's subsidiary loan growth was negative during this period. Similar to the industry trend, VPB's insurance and other income related to bad debt settlement did not improve in the first half of 2024. VPB's bad debt ratio (NPL) stagnated and was at 5.08% at the end of Q2/2024. VPB's provisioning expenses in 6M/2024 increased slightly by nearly 10% YoY. VPB's pre-tax profit after 6M/2024 reached VND 8,665 billion (+ 68% YoY), reaching nearly 38% of the annual plan.

Investment thesis

- VPB has the highest CAR ratio, around 17% at the end of Q1/2024 and over 15% at the end of Q2/2024 after paying cash dividends. With a high CAR ratio, VPB has a large room for asset growth in the future. A high CAR ratio and good growth help VPB maintain its cash dividend policy in the coming years..
- FE Credit is at the end of its restructuring phase. With a positive consumer finance outlook, policy support with Circular 12/2024 allows credit institutions to lend small amounts, not exceeding VND100 million without a feasible capital use plan. Fe Credit is expected to recover positively in 2025-2026..
- VPBankS still has a lot of potential to develop with a large amount of capital.

Outlook 2024-2028

- Key assumptions for the period 2024-2028F: Total assets growth: 19.4%/year; Total credit growth: 21.5%/year; Equity growth: 12.9%/year (assuming cash dividend payment of 30% of annual profit); Target CAR ratio around 14%; NPL ratio peaks at 5.1% before gradually decreasing to below 4%; Credit cost/Credit balance controlled around 4.5-5%; NIM gradually improves to 7.5% by the end of 2027-2028; Profit after tax growth: 36.2%/year
- **Risk:** (1) Slower-than-expected economic recovery may cause bad debt pressure to persist; 2) Real estate market continues to recover slowly; 3) FE Credit recovers more slowly than expected

Year	2020	2021	2022	2023	2024F
Net interest income (VND bn)	20,278	26,200	36,023	38,175	53,001
Net non-interest income (VND bn)	7,084	10,735	9,570	11,569	11,623
TOI (VND bn)	27,362	36,934	45,593	49,743	64,624
Profit before tax (VND bn)	10,688	16,527	22,729	10,987	17,095
Growth of PBT (%)	6.5	54.6	37.5	-48.9	55.6
P/E (x)	11.6	15.4	7.1	13.4	7.89
P/B (x)	1.3	1.8	1.0	1.1	0.93
ROE (%)	16.5	17.8	7.1	9.4	9.4

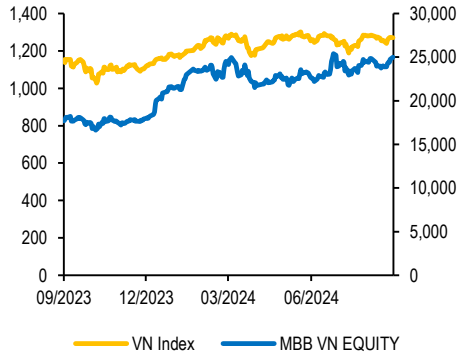
Source: Bloomberg, Shinhan Securities Vietnam

Vietnam Ba

Military Commercial Joint Stock Bank (HOSE: MBB)

Target price (year 2024)	**VND 29,000**
Current price (23/09/24)	VND 22,650
Upside (%)	16.2%
VNINDEX	1,271
PE market (24F)	11.9
Market cap (VNDbn)	132,658
Outstanding shares (shares mn)	5,306
Free Float (shares mn)	3,574
52-week high/low(VND)	25,750/ 16,950
Average trading volume 90 days (shares mn)	16.25
Average trading value of 90 days (VNDbn)	372
Foreign ownership (%)	23.2
Major shareholder(%) VIETTEL Group	14.8
Major shareholder(%) SCIC	9.9

Performance	3M	6M	12M
Absolute (%)	7.8	-0.2	33.7
Relative to VN-Index (%)	8.6	0.6	27.1



Profit realized close to target plan

Military Commercial Joint Stock Bank (MBB) has achieved many outstanding achievements in recent years of operation, demonstrated through its outstanding asset quality, profits and credit ratings highly appreciated by international rating organizations. MBB continues to focus on IT development and digital transformation towards the goal of "Becoming a Digital Enterprise, a Leading Financial Group". MBB is a bank with the strength of a high CASA ratio, helping to control the bank's capital costs well during volatile periods. Using the residual income (RI) method and the comparison method based on the P/B index, we update the target price for MBB in 2024 at VND 29,000.

Business result 6M2024

As planned by MBB's management at the beginning of the year, the business results in 6M/2024 grew slower than in 2023. Credit growth at the end of Q2/2024 reached 9.4% Ytd. NIM continued to decline to 4.47% at the end of Q2/2024 (compared to 4.96% at the end of 2023). Accordingly, MBB's interest income remained stable and reached VND 19,593 billion for 6M/2024. Service fee payments grew well +48% YoY thanks to securities brokerage and payment services. MBB's NPL ratio in Q1/2024 skyrocketed to 2.49% due to the impact of CIC, but the bank has put this customer's CIC-impact debt back into the good debt group and thereby brought NPL to 1.64% at the end of Q2/2024. Thanks to that, MBB's credit risk provisioning costs were reversed and helped MBB's Q2/2024 profit before tax increase by 23% YoY. Accumulated in 6M/2024, MBB reached VND 13,428 billion (+5% YoY), completing 47% of the annual profit plan.

Investment thesis

- MBB is a market leader in digital transformation, according to MBB's announcement, the number of customers has increased 39 times in just the past 5 years. In addition to its strengths in the corporate sector, MBB with certain successes in attracting individual customers is expected to be one of MBB's driving forces in the coming time.
- CASA leads the industry, helping capital costs to be less volatile in recent times, the bank's NIM is still maintained at one of the highest positions in the industry.
- MBB has a relatively comprehensive ecosystem with subsidiaries in insurance, securities, and consumer credit.

Outlook 2024-2025

- We expect MBB's credit growth in 2024 to be around 15.6%. The average cost of funds is expected to decrease to 3.5% (from 4.37% in 2023). The bank's NIM is likely to stabilize at 4.86% in 2024. With a target LRR above 100% and active on-balance sheet debt write-offs, we forecast that MBB will significantly increase its risk provisioning expenses in 2024. The NPL ratio in 2024 is expected to be controlled at around 2%. MBB's pre-tax profit is VND28,607 billion (+8.75% YoY). We forecast MBB's pre-tax profit to be more positive, reaching a growth rate of around 20%.

Risk: (1) Credit growth is slower than expected; (2) Bad debt from large customers continues to increase; (3) Real estate market recovers more slowly than expected

Year	2020	2021	2022	2023	2024F
Net interest income (VND bn)	20,278	26,200	36,023	38,684	47,030
Net non-interest income (VND bn)	7,084	10,735	9,570	8,622	10,454
TOI (VND bn)	27,362	36,934	45,593	47,306	57,483
Profit before tax (VND bn)	10,688	16,527	22,729	26,306	28,607
Growth of PBT (%)	6.5	54.6	37.5	15.7	8.7
P/E (x)	7.7	8.6	4.4	4.7	5.6
P/B (x)	1.3	1.8	1.0	1.0	1.1
ROE (%)	18.4	22.6	24.6	23.8	21.4

Source: Bloomberg, Shinhan Securities Vietnam

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



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