

# Banking

## On the path to recovery

### 1Q24 earnings gradually recovered

- Aggregated 1Q24PBT (27 banks) surged +9.5%yoy thanks to an improvement in total operating incomes (+7.6%yoy) for both NII (+8%yoy) and Non-NII (+27%yoy); and management of OPEX, and provision risk expenses. Business results were divergent: Large and medium private banks outweigh SOCBs and small banks in profit growth.
- 1Q24 Outformers in the industry: TCB (+38.7%yoy), VPB (+64%yoy), LPB (+84.3%yoy), and SSB (+40.8%yoy) strongly recovered from a low-based 1Q23; HDB (+33%yoy), NAB (+31%yoy), and OCB (+23.5%yoy) kept its momentum rates.

### Slow down 1Q24 credit disbursement

- 1Q24 Credit growth was slow +1.34%YTD in 1Q24, lower than the 1Q23's +2.58%YTD. Retail credit demands were still slow amid the weak purchasing power, and corporate demands were not brighter across industries in the economy.
- Some led the industry credit growth, including LPB (1Q24's 11.7% vs 1Q23's 2.8%), TCB (1Q24's 7.1% vs 1Q23's 9%), HDB (1Q24's 6.2% vs 1Q23's 9.0%), EIB (1Q24's 4.7% vs 1Q23's -0.3%), MSB (1Q24's 4.7% vs 1Q23's 12.9%), OCB (1Q24's 4.6% vs 1Q23's 2%).

### A high base of earning assets led NIM decline

- 1Q24 NIM (Aggregated 27 banks) slightly fell -0.1%qoq and -0.2%yoy amid the decreasing COF. Per our observation, an increase in net interest incomes (+0.2%qoq, +8.1%yoy) did not correspond to an increase in earning assets (+0.3%qoq, +14%yoy) amid the low credit demand. NIM improvement still waited for better asset yields of the retail segment and mid&long-term capital demand from manufacturing and business.
- CASA also slightly dropped from 4Q23's 22% to 1Q23's 21%. In 1Q24, TCB (40.5%) surpassed MBB (36.1%) to take the leading position, followed by VCB (33.8%) and MSB (29.2%).

### Bad debts rose again

- 1Q24 bad debts rose again to the peak as 3Q23. 1Q24 NPL (3-5 group)/(2-5 group) (Aggregated 27 banks) were up to 2.2%/4.3% (vs 4Q23: 1.9%/3.8%). Leaders were NVB (29.0%/32.8% in 1Q24), VPB (4.8%/13.1% in 1Q24), ABB (3.9%/5.9% in 1Q24), BVB (3.9%/6.0% in 1Q24), VIB (3.6%/9.2% in 1Q24).
- The loan loss coverage ratio fell from 4Q23's 95% to 1Q24's 87%. Against the odds, the SOCB banks, TCB, and BAB sustained their LLCRs beyond 100%.

## Non-rated

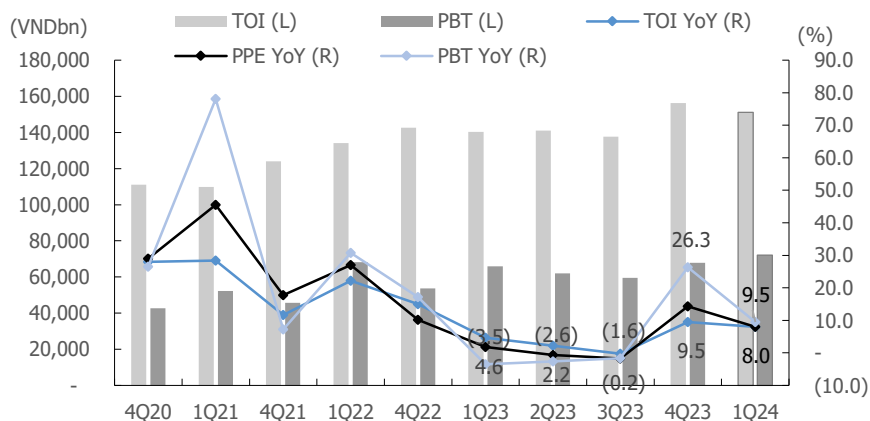
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## 2024F: Continuous improvement prospects

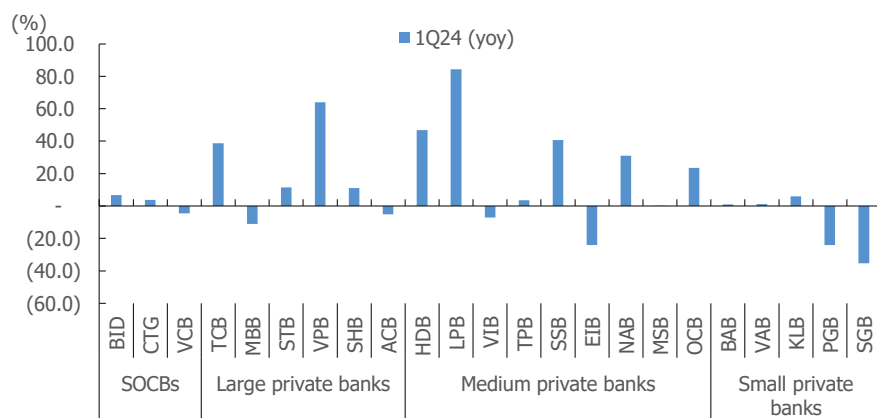
2Q24 credit growth could be higher than 1Q24 thanks to better market conditions. NIM could continue to recover under the maintained low COF and better asset yields. NPLs could gradually decline in 2024. However, banks with low provision buffers and high bad debt ratios could suffer pressures to increase the cost of bad debt provisions. The banking valuation is attractive with the current P/B of 1.5x, lower than the 5-year historical average valuation of 1.8x.

**Figure 1. Aggregated TOI and PBT gradually recovered**



Source: Fiinpro, KISVN

**Figure 2. Banks' PBT diverged in 1Q24**



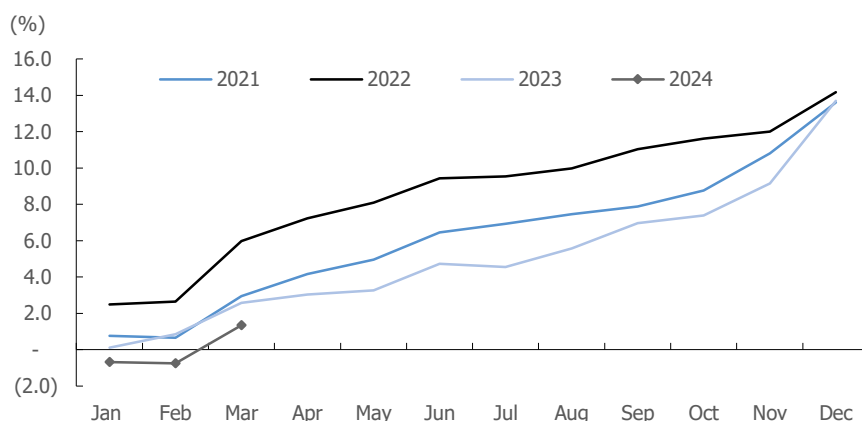
Source: Fiinpro, KISVN

**1Q24 PBT growth gradually recovered as a result of an increase in total operating incomes (7.6%yoy) and cost managements.**

**1Q24 PBT growth diverged: large and medium private banks mostly outperformed; small banks mostly fell in profits.**

**Figure 3. Slow 1Q24 credit growth**

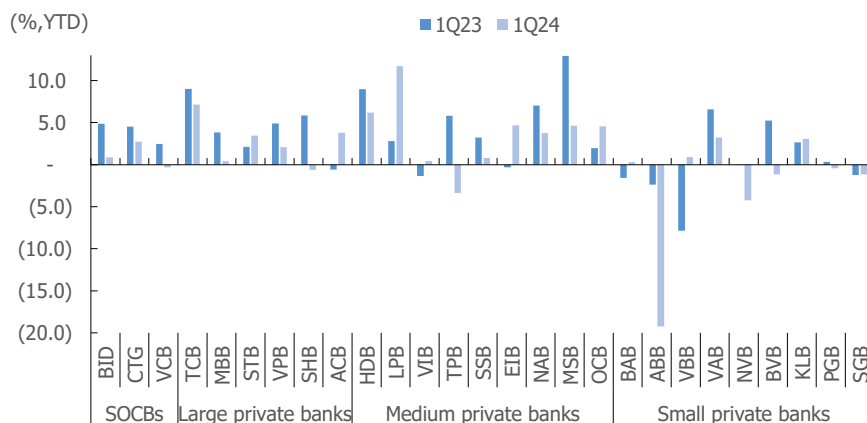
**1Q24 credit growth of the economy grew slowly to +1.34%YTD, lower than 1Q23's +2.58%YTD.**



Source: SBV, KISVN

**Figure 4. Credit growth diverged among banks**

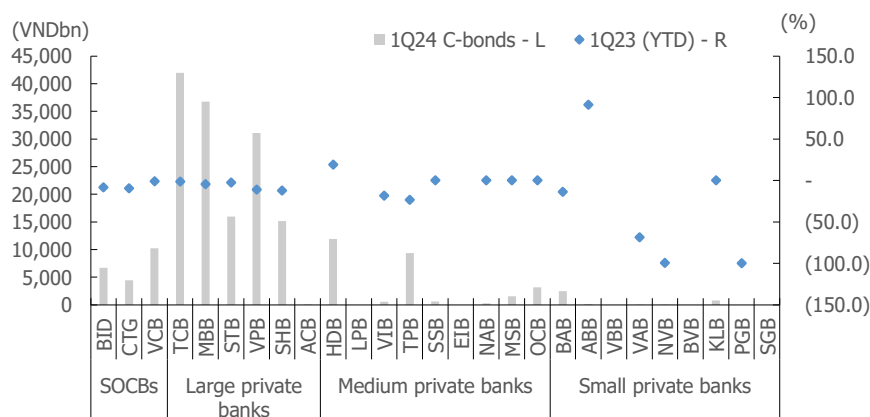
**Higher credit growth: STB, ACB, LPB, VIB, EIB, OCB, BAB, VBB, and KLB.**



Source: Fiinpro, KISVN

**Figure 5. Banks continues to reduce outstanding balance**

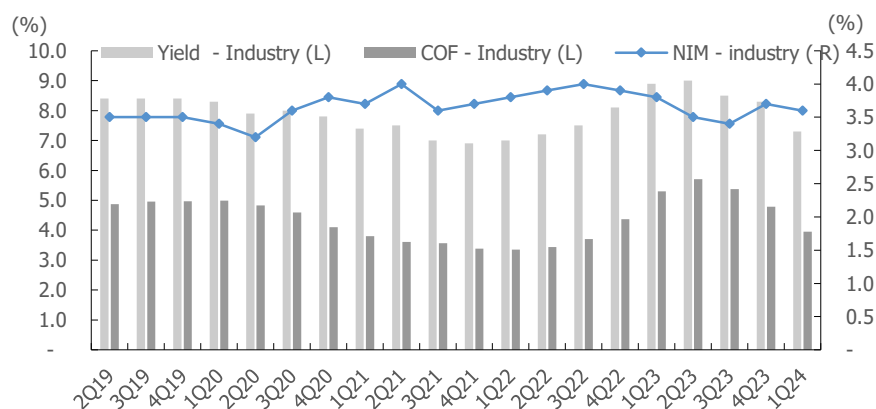
**Almost all banks reduced their corporate bond book amid the bond market stagnation, except for HDB and ABB.**



Source: Fiinpro, KISVN

**Figure 6. Industry's 1Q24 NIM slightly fell**

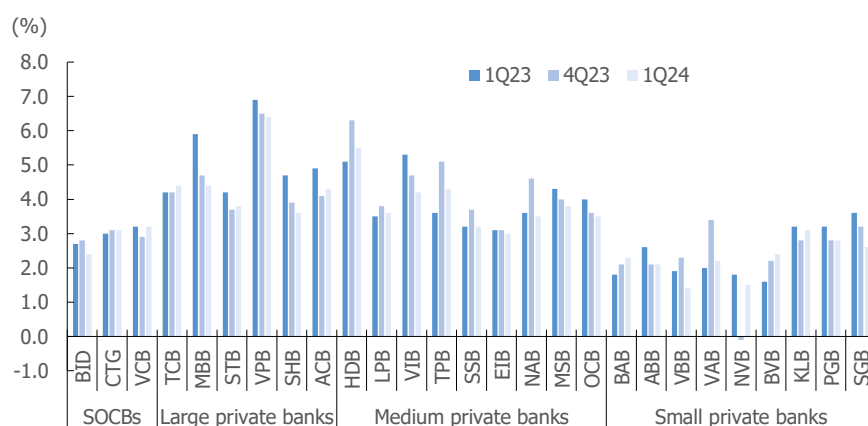
**1Q24 NIM slightly fell from a high base of interest-earning assets.**



Source: Fiinpro, KISVN

**Figure 7. Banks slightly fell**

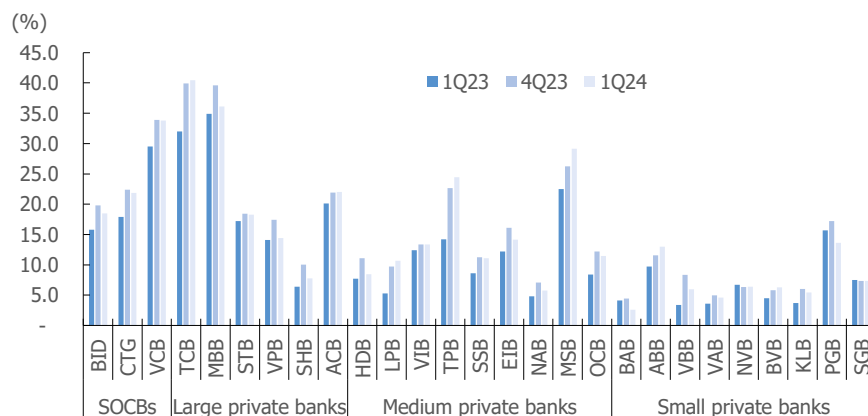
**Some banks had stronger NIM yoy and qoq: TCB, BAB, và BVB.**



Source: Fiinpro, KISVN

**Figure 8. CASA by bank: maintained high ratio**

**1Q24 CASA ratios slightly dropped qoq but still maintained higher ratios yoy.**

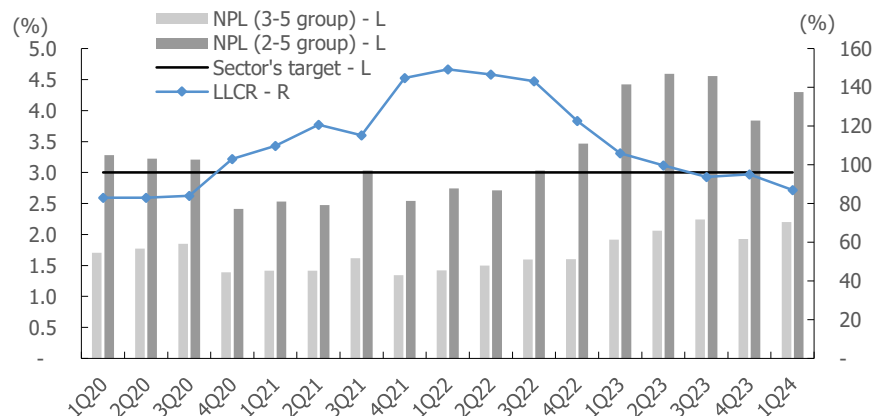


Source: Fiinpro, KISVN

**Higher NPL and lower LLCR (from 4Q23's 94% to 1Q24's 87%).**

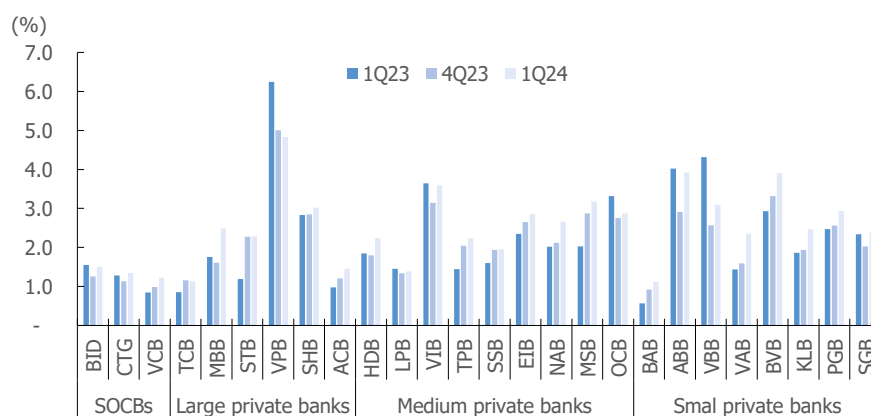
**Bank groups with a high LLCR include BID, CTG, VCB, TCB, and BAB.**

**Figure 9. Non-performance loans rose back (27 listed banks)**



Source: Fiinpro, KISVN. Note: current loan: group 1, Special mentioned loan: group 2, Substandard loan: group 3, doubtful loan: group 4, estimated loss loan: group 5.

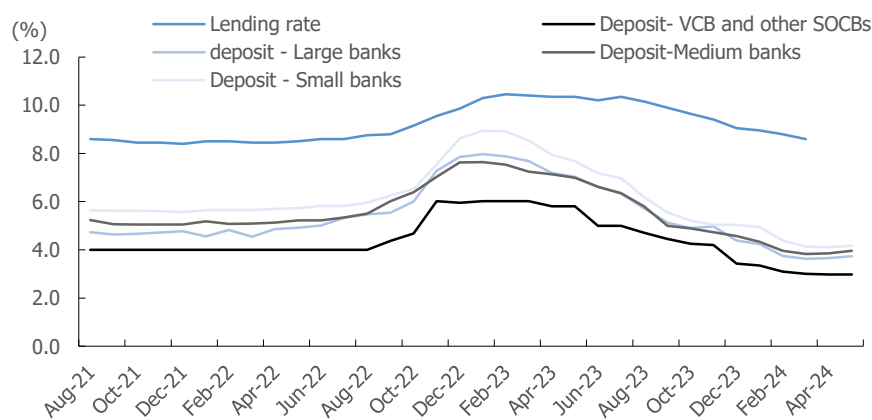
**Figure 10. NPL (3-5 group) rose again**



Source: Fiinpro, KISVN. Note: current loan: group 1, Special mentioned loan: group 2, Substandard loan: group 3, doubtful loan: group 4, estimated loss loan: group 5.

**Deposit interest rates remain low despite starting to rise in May 2024 slightly.**

**Figure 11. Deposit rates (6 months) remain low**



Source: Banks, SBV, KISVN

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