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Sector
Note

Financials
06 Aug 2024

Banking

Sustained recovery

Overweight

Strong 2Q24 earnings recovery

- Aggregated 2Q24 PBT (27 banks) surged +22.6%yoy thanks to an improvement in total operating incomes (+15.8%yoy) for higher net interest incomes (+19.3%yoy) and OPEX management (2Q24 CIR's 32% vs 2Q23 CIR's 34%). Most banks grew strongly, except for VIB and OCB, and private banks outweighed SOCBs (state-owned commercial banks). Aggregated 1H2024 PBT (25 banks) completed 48% of 2024 target.
- Private banks in 2Q24 rebounded strongly from 2Q23 bottom, some impressive results: TCB (+38.5%yoy) and VPB (+71.6%yoy) in large private banks; HDB (+50.9%yoy), LPB (+244%yoy), SSB (+83%yoy), EIB (+52%yoy), and NAB (+60%yoy) in medium private banks.

2Q24 credit disbursement met the industry's growth target

- Instead of sluggish credit growth in 1Q24, Credit growth boosted in 2Q24, especially June 2024's 2.7% out of 6.1%YTD in the first six months – higher than 2Q23's 4.7%YTD. Although the credit growth fell to 5.66% at the end of July 2024, credit demand gradually rebounded amid better business conditions. Credit corporate customers mainly boosted in the first months of 1H2024, and retail loans also showed recovery signals.
- Some led the industry credit growth, including LPB (2Q24's 15.2% vs 2Q23's 7.6%), HDB (2Q24's 13%YTD vs 2Q23's 9.3%YTD), TCB (2Q24's 12.9% YTD vs 2Q23's 9.7% YTD), ACB (2Q24's 12.9%YTD vs 2Q23's 4.9% YTD), MSB (2Q24's 11.4% vs 2Q23's 12.7%).

2Q24 NIM improvement

- 2Q24 NIM (Aggregated 27 banks) slightly rose +0.1%qoq and +0.2%yoy amid the decreasing COF and higher credit growth. 2Q24 NIM showcased obvious improvement in private banks rather than SOCBs.
- 2Q24 CASA maintained at 21% - the same as 1Q24. MBB (38%) and TCB (37%) took the leading position, followed by VCB (34%) and MSB (26%).

Remained bad debts

- 2Q24 bad debts remained at the same level as 1Q24. 2Q24 NPL (3-5 group)/ (2-5 group) (Aggregated 27 banks) maintained at 2.2%/4.0% (vs 1Q24: 2.2%/4.3%). Leaders with low ratios in 2Q24 NPL (3-5 group)/ (2-5 group): VCB (1.2%/1.6%), TCB (1.2%/2.1%), ACB (1.5%/2.0%), BAB (1.5%/2.1%), BID (1.5%/3.1%), CTG (1.6%/3.0%).
- The loan loss coverage ratio fell from 1Q24's 87% to 2Q24's 81%. Against the odds, the SOCB banks, MBB, and TCB sustained their LLCRs beyond 100%.

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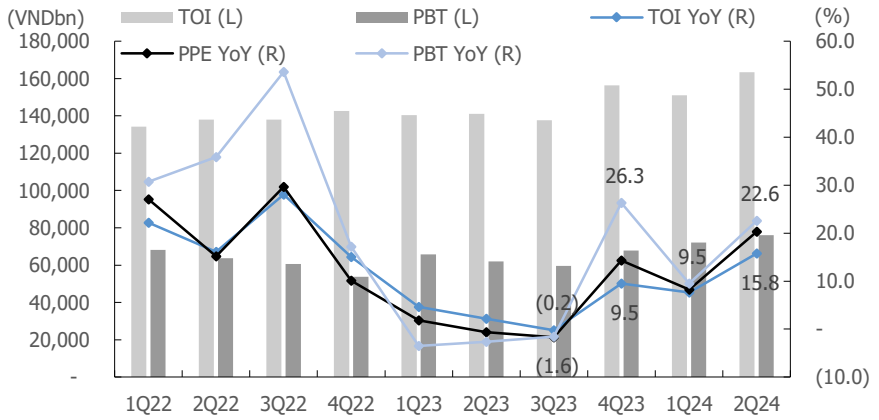
2024F: Improvement prospects

With the economic recovery, 2H2024 credit demands could accelerate and grow higher than in 2023. NIM could regain improvement from 2Q24 and 2H2024 after slightly falling in 1Q24. Other integrated banking services could also warm up. Despite an increase in non-performing loans again in 1H2024, we expect this situation to be controlled amid better business conditions in 2H2024. The banking valuation is attractive with the current P/B of 1.46x, lower than the 5-year historical average valuation of 1.8x.

Strong 2Q24 PBT recovery resulted from better total operating incomes and operating cost management

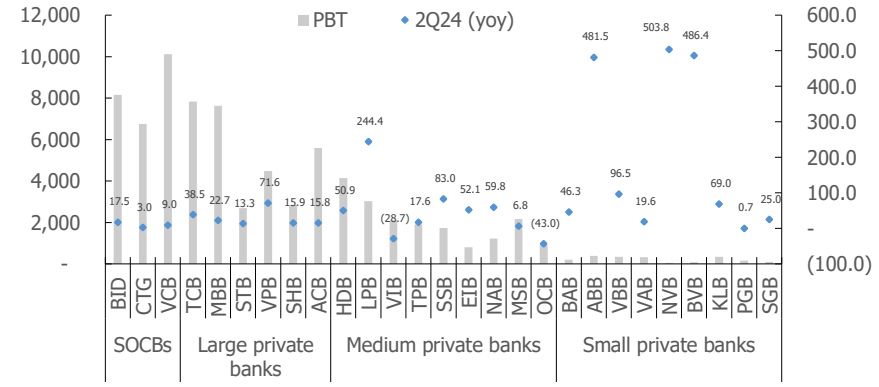
Figure 1. Strong recovery in aggregated TOI and PBT in 2Q24



Source: Fiinpro, KISVN

Most banks showed growth in earnings, except for VIB and OCB. Private banks outweighed SOCBs

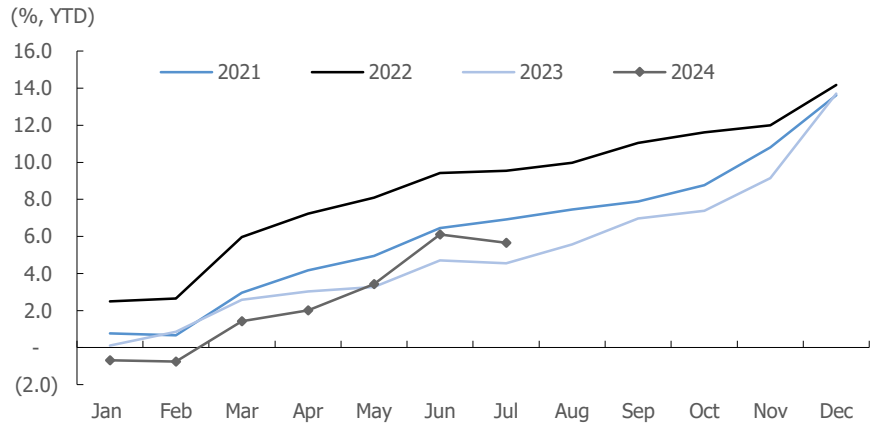
Figure 2. 2Q24 Earnings recovery by banks



Source: Fiinpro, KISVN

Credit disbursement accelerated in June before slightly slumping in July

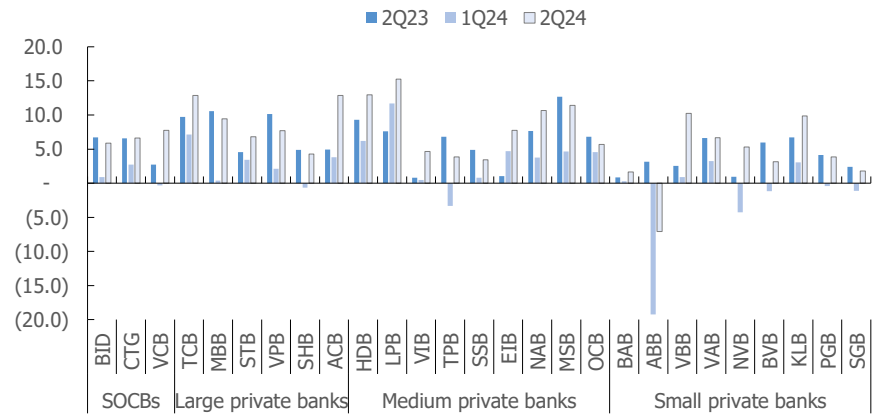
Figure 3. Improvement in 2Q24 credit growth



Source: SBV, KISVN

Some led the industry credit growth: LPB, HDB TCB, ACB, and MSB

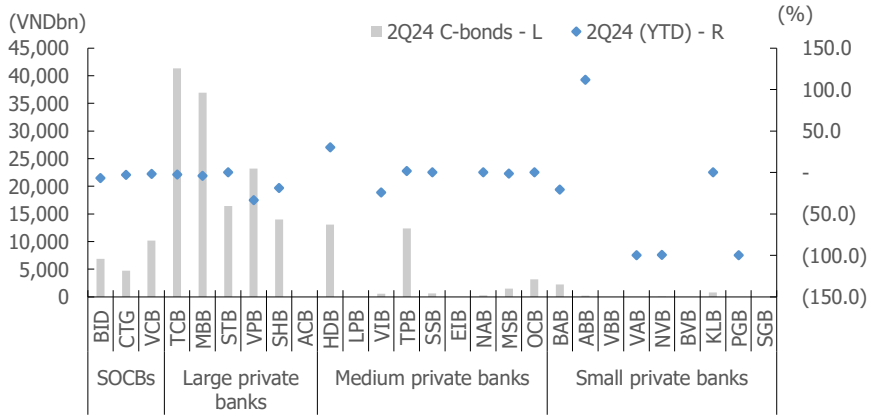
Figure 4. Credit growth diverged among banks



Source: Fiinpro, KISVN

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

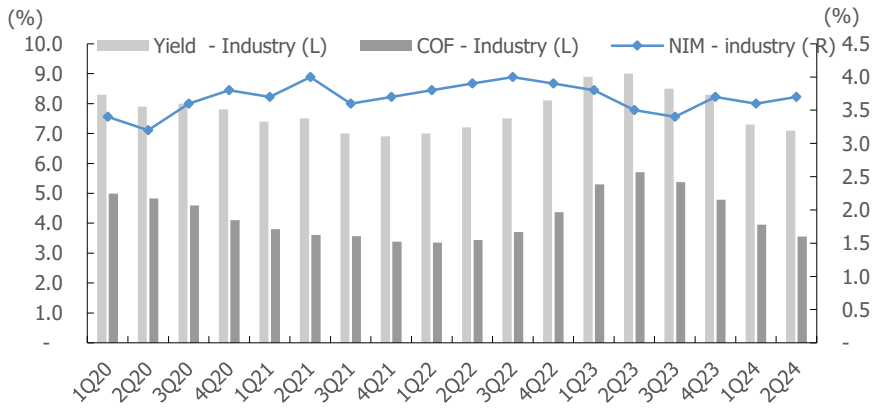
Figure 5. Banks continues to reduce outstanding balance



Source: Fiinpro, KISVN

2Q24 NIM improvement thanks to decreasing COF and credit improvement

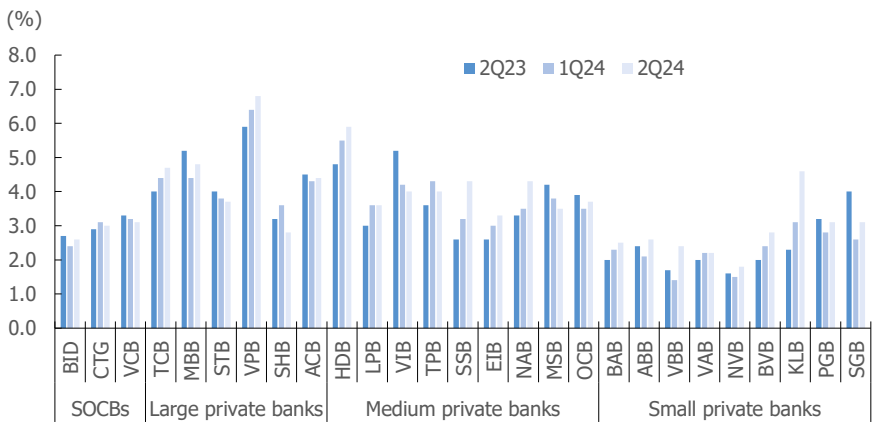
Figure 6. Industry's 2Q24 NIM improvement



Source: Fiinpro, KISVN

2Q24 NIM showcased obvious improvements in private banks rather than SOCBs

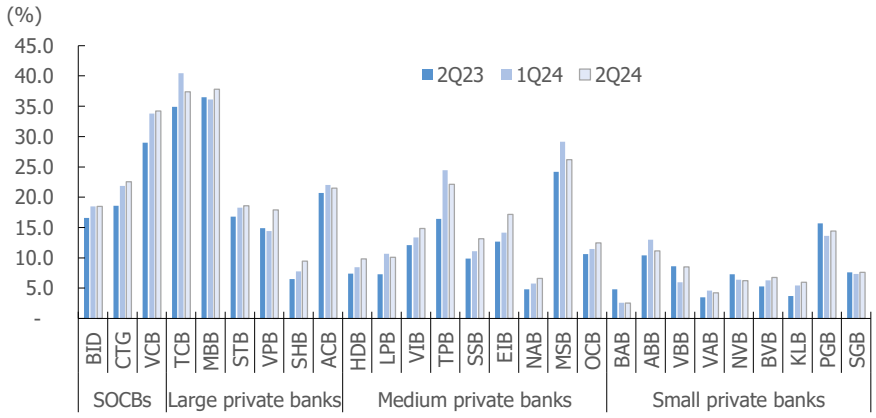
Figure 7. NIM divergence: 18/27 banks with improvement



Source: Fiinpro, KISVN

MBB (38%) and TCB (37%) took the leading position, followed by VCB (34%) and MSB (26%)

Figure 8. CASA divergence: 17/27 banks with improvement

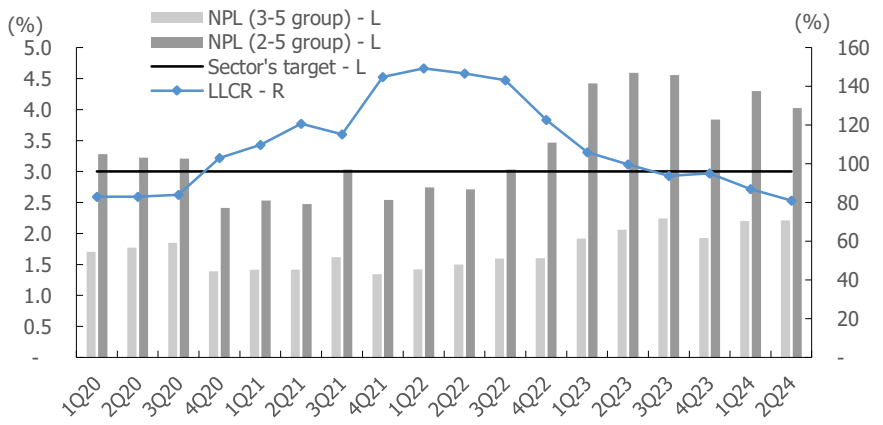


Source: Fiinpro, KISVN

Remained NPL and lower LLCR (from 1Q24's 87% to 2Q24's 81%)

Bank groups with a high LLCR include BID, CTG, VCB, TCB, and MBB

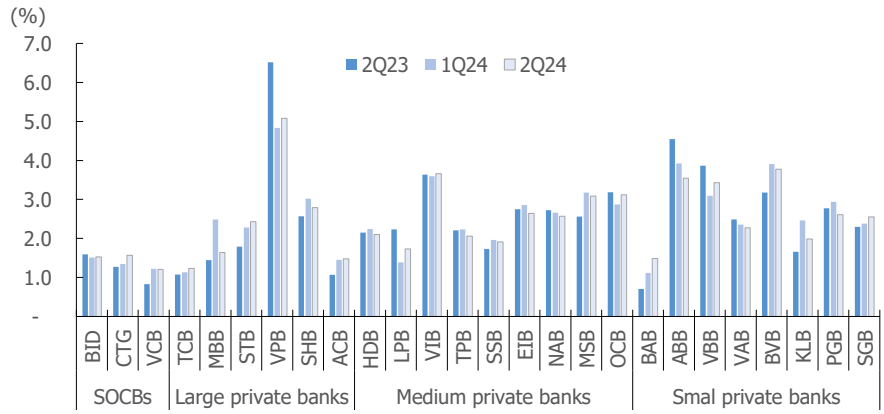
Figure 9. Remained bad-debt ratios (27 banks)



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.

Leaders with low ratios include VCB, TCB, ACB, BAB, BID, CTG

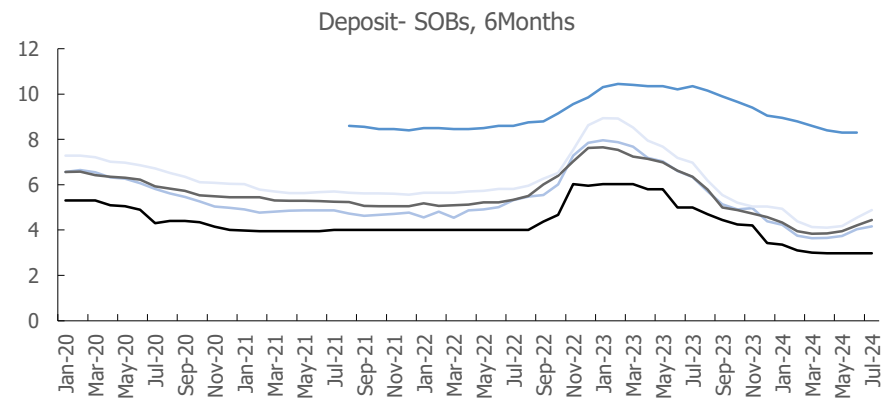
Figure 10. NPL (3-5 group) divergence: 12/27 banks with increasing ratio



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 from May 2024

Figure 11. Deposit rates (6 months) inched up from May 2024



Source: Banks, SBV, KISVN

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