true friend KIS Viet Nam Securities Corporation

Sector
Note

Financials
08 Nov 2024

Banking

Strong growth from the bottom

Overweight

Strong 3Q24 earnings growth from 3Q23 bottom

- Aggregated 3Q24 PBT (27 banks) surged +17.7%yoy from a low base 3Q23 thanks to net interest incomes' strong growth (+17.9%yoy) and moderate growths of OPEX (+9.8%yoy) and risk provision expenses (+9%yoy). Overall, the majority of large, medium, and small banks reported strong business outcomes. The aggregated 9H24 PBT rallied by +16%yoy, fulfilling 71% of the 2024 target (25 banks).
- Private banks in 3Q24 rebounded strongly from 3Q23 bottom, some impressive results: STB (+32.0%yoy) and VPB (+66.4%yoy) in large private banks; HDB (+42.7%yoy), LPB (+133.7%yoy), EIB (+194.4%yoy), and NAB (+112%yoy) in medium private banks.

Higher 3Q24 credit disbursement

- 9M24 Credit growth grew + 9.0%YTD, higher than 9M23's +7.0%YTD amid better business conditions. Credit corporate loans mainly boosted the credit growth, while retail loans were still recovering.
- Some led the industry credit growth, including NVB (3Q24's +18.8%YTD /3Q23's +7.3%YTD), TCB (3Q24's +17.5%YTD/3Q23's +13.5%YTD), HDB (3Q24's +16.6%YTD/ 3Q23's +11.5%YTD), LPB (3Q24's +16.1%YTD/3Q23's +11.9%YTD), NAB (3Q24's +15.8%YTD/3Q23's +9.7%YTD).

Slight pressure on the 3Q24 NIM

- 3Q24 NIM (Aggregated 27 banks) slightly fell -30bps qoq and remained similar to the same period, mainly resulting from lower asset yields and higher cost of funds. Average lending rates were still down, but the deposit rates slightly increased.
- Compared to 3Q23, improvements in 3Q24 included STB, VPB, HDB, LPB, SSB, EIB, NAB, and small private banks.
- 3Q24 CASA maintained at 21%, the same as 2Q24. MBB (36.3%) and TCB (36.5%) took the leading position, followed by VCB (33.5%) and MSB (24%).

Remained high bad-debt ratios

- 3Q24 bad debts remained at the same level as 2Q24. 3Q24 NPL (3-5 group)/ (2-5 group) (Aggregated 27 banks) maintained at 2.2%/3.9% (vs 2Q24: 2.2%/4.1%). Leaders with low ratios in 3Q24 NPL (3-5 group)/ (2-5 group): VCB (1.2%/1.6%), TCB (1.3%/2.1%), BAB (1.3%/1.8%), CTG (1.4%/2.9%), ACB (1.5%/2.1%).
- The loan loss coverage ratio remained from 2Q24's 81% to 3Q24's 83%. Against the odds, the SOCB banks and TCB sustained their LLCRs beyond 100%.

Research Dep
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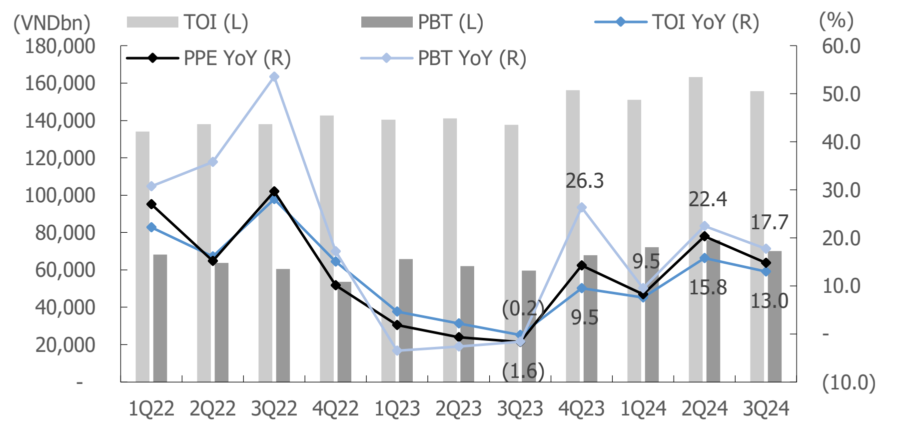
Maintained 4Q24F earnings and 2024F recovery

With the economic recovery, 4Q24 credit demands could accelerate and grow higher than in 2023. 4Q24NIM could be lower due to higher COF and lower lending rates. Despite remaining high non-performing loans, we expect this situation to be controlled amid better business conditions. While 4Q24F earnings could maintain the same level as 4Q23, 2024F earnings could still have positive growth compared to the same period. The banking valuation is attractive with the current P/B of 1.5x, lower than the 5-year historical average valuation of 1.8x.

Strong 3Q24 PBT growth from a low base 3Q23 resulted from higher net interest incomes and operating cost management

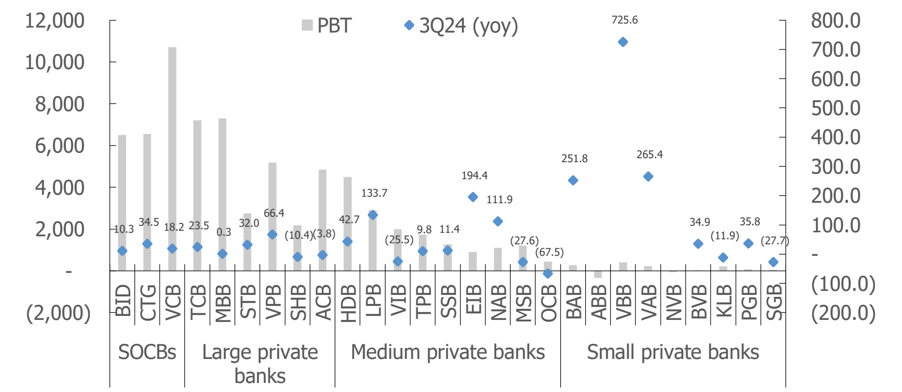
Figure 1. Strong growth in aggregated 3Q24 TOI and PBT from a low base 2023



Source: FiinproX, KIS Research

Most banks showed growth in earnings (17/27), except for SHB, ACB, VIB, MSB, OCB, ABB, NVB, KLB, and SGB. Strong business results occurred in most large, medium, and small banking groups.

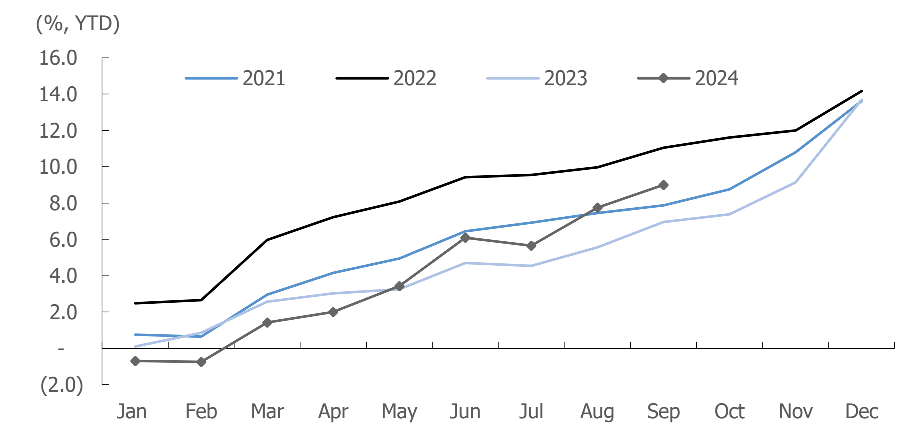
Figure 2. 3Q24 earnings divergence: 17/27 banks with strong growth



Source: FiinproX, KIS Research

Credit disbursement accelerated in 9M24, higher than in 9M23

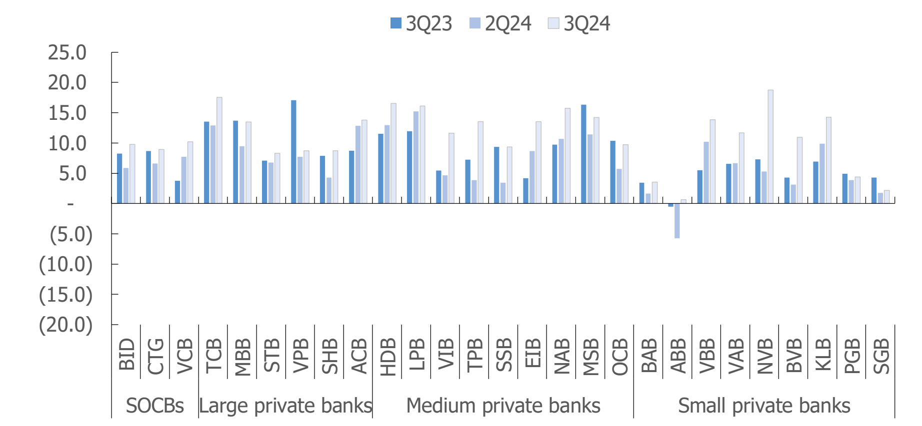
Figure 3. Improvement in 3Q24 credit growth



Source: SBV, KIS Research

Some led the industry credit growth: NVB, TCB, HDB, LPB, and NAB.

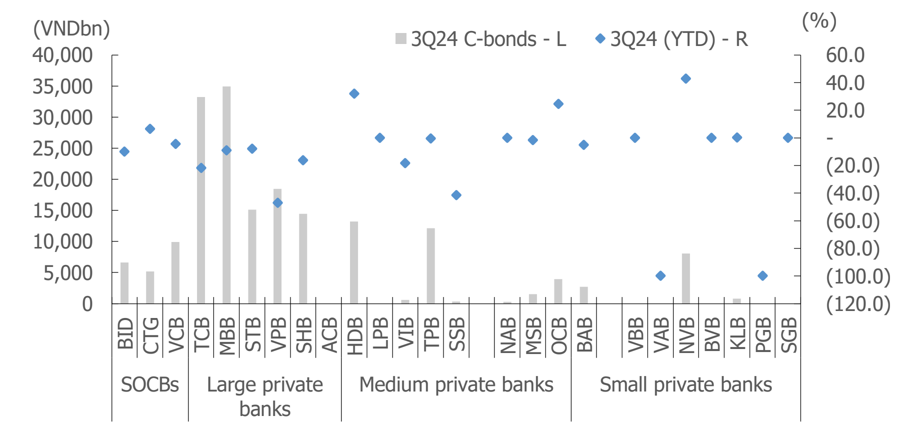
Figure 4. Credit growth diverged among banks



Source: FiinproX, KIS Research

Almost all banks reduced their corporate bond book amid the bond market stagnation, except for CTG, HDB, OCB, NVB.

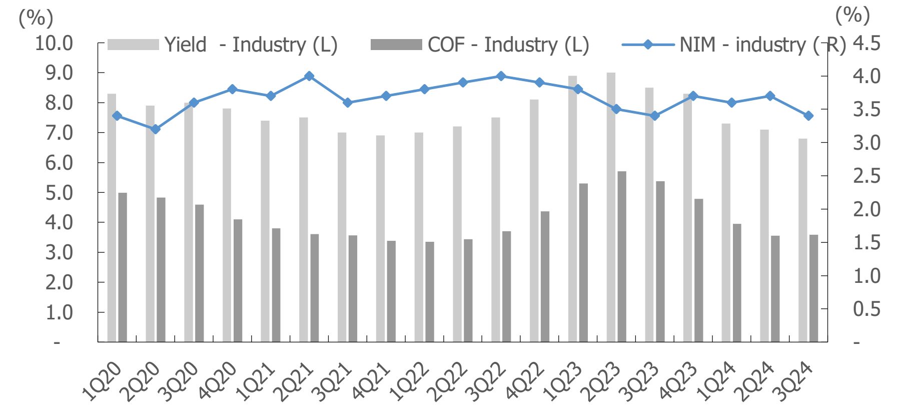
Figure 5. Banks continues to reduce outstanding balance



Source: FiinproX, KIS Research

Figure 6. sligth pressure on inndustry's 3Q24 NIM

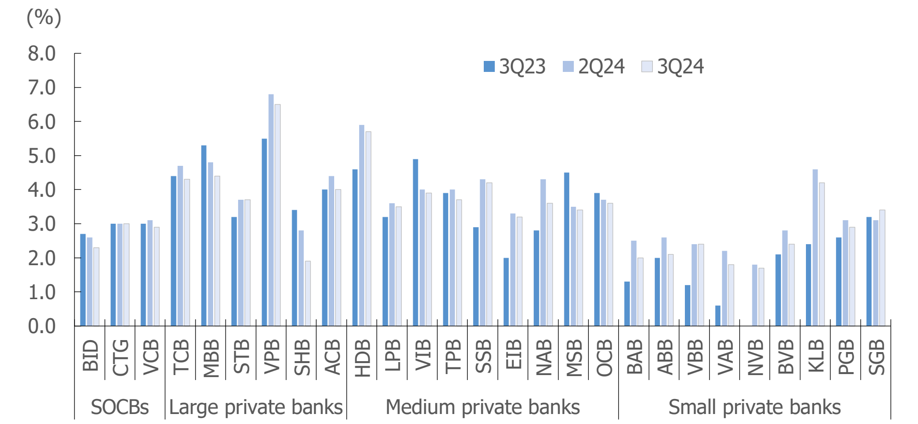
3Q24 NIM (Aggregated 27 banks) slightly fell -30bps qoq and remained similar to the same period, mainly resulting from lower asset yields and higher cost of funds.



Source: FiinproX, KIS Research

Figure 7. NIM divergence: 16/27 banks with improvement

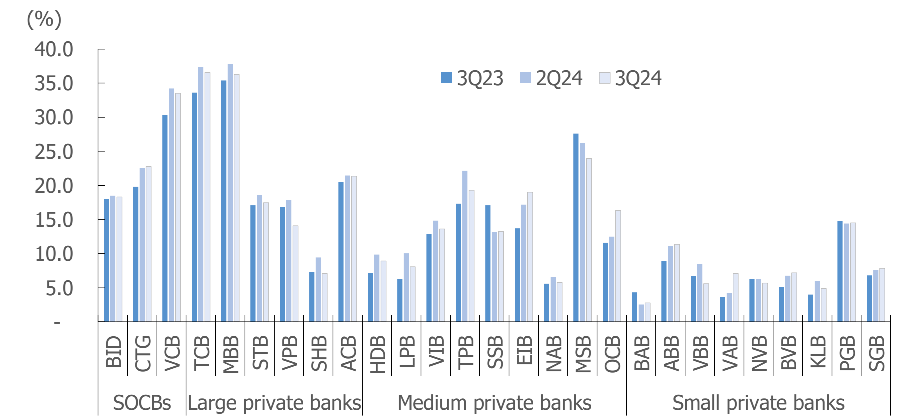
Industry's 3Q24 NIM fell qoq and maintained yoy. Compared to 3Q23, improvements included STB, VPB, HDB, LPB, SSB, EIB, NAB, and small private banks



Source: FiinproX, KIS Research

Figure 8. Remained CASA ratios: 10/27 banks with improvement

MBB (36%) and TCB (36%) took the leading position, followed by VCB (33.5%) and MSB (24%)

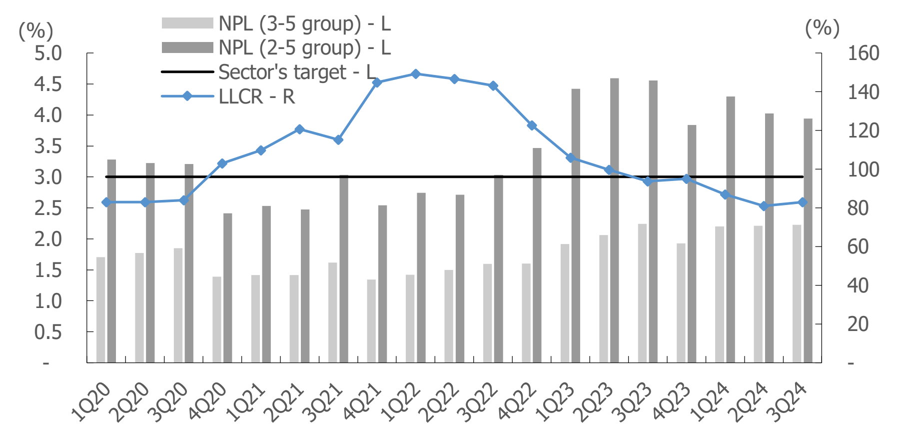


Source: FiinproX, KIS Research

Remained NPL and LLCR (from 2Q24's 81% to 3Q24's 83%)

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

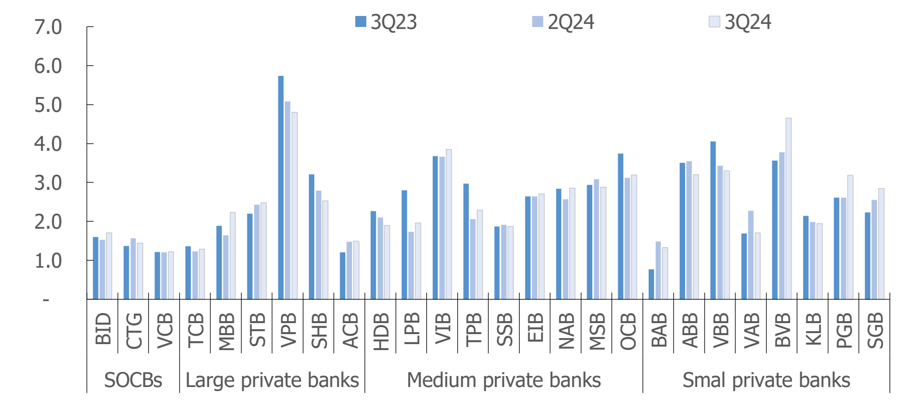
Figure 9. Remained bad-debt ratios (27 banks)



Source: FiinproX, KIS Research. 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, BAB, CTG, ACB

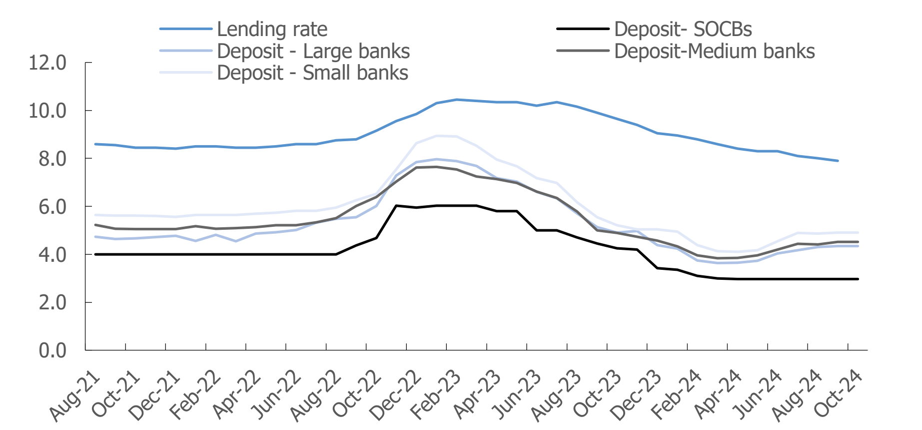
Figure 10. NPL (3-5 group) divergence: 15/27 banks with increasing ratio



Source: FiinproX, KIS Research, 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, KIS Research

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