

Bank Sector_Update

2 April 2024

Stock code	Yuanta Rating	Current price (VND)	Target price (VND)	12-m TSR*
ACB VN	BUY	28,450	33,790	22%
BID VN	HOLD-UPF	52,100	47,470	-9%
HDB VN	BUY	24,000	29,450	27%
MBB VN	BUY	24,900	32,480	32%
STB VN	HOLD-OPF	31,400	34,930	11%
VCB VN	BUY	95,200	106,910	12%
VPB VN	BUY	19,650	23,400	24%

Source: Bloomberg (pricing date: Apr 1), Yuanta Vietnam

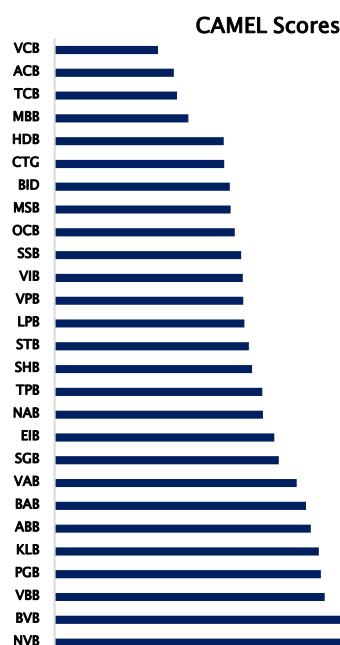
What's new?

- ACB and VCB remain the top two highest quality banks in our view.
- We updated models for seven banks under our coverage to reflect lower discount rates and roll forward our valuation to 2025.
- We upgrade to HOLD Outperform for STB and maintain HOLD Underperform for BID, largely due to valuation.

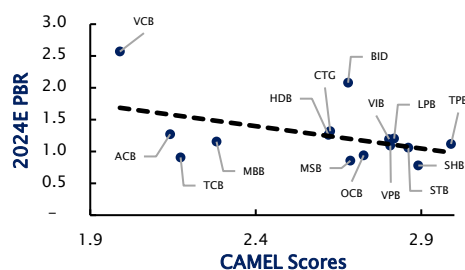
Our view

- Net interest income will be the key driver in 2024 given lower COF.
- The NPL ratio is likely to peak given the low interest rate environment and possible extension of Circular 02.
- However, we cannot rule out the risk of rising rates due to VND devaluation.
- Valuation is still reasonable to buy. We reiterate BUY on ACB, MBB, VPB, HDB, and VCB.

Overview: VCB (BUY), ACB (BUY), MBB (BUY), and TCB (Not Rated), remain the Top 4 in our CAMEL framework rankings in 4Q23. We expect increased credit growth and lower funding costs to bolster earnings in 2024. We added BaoVietBank (OTC, not rated) into our CAMEL database. BaoVietBank's assets represents a mere of 0.6% of the sector's assets (28 banks).



Source: FiinPro-X, Yuanta Vietnam



Source: Bloomberg, Yuanta Vietnam

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Bloomberg code: YUTA

Valuation update – remain overweight banks

What drove earnings in 2023? Gains from trading/investment securities supported earnings in 2023, with VND13.8 tn (+3x YoY).

But that will change in 2024 as we believe net interest income (net-II) will be the key earnings driver given higher credit growth and reduced funding costs. We expect credit growth to reach 15% in 2024. *Please see 2024E outlook summary on page 6.*

Asset quality deteriorated in 2023, but we remain optimistic for a recovery in 2024 given the expectation for an economic rebound and low interest rate environment. **The NPL ratio is likely to peak given the low interest rate environment and the possible extension of Circular 02.**

Mixed provisioning policies in 2023, but the aggregated sector provisioning was up by +3% YoY. We believe that provisioning pressure should ease in 2024 given expectation of improved asset quality; **however**, banks with low LLR ratio and high NPL ratio might need to further increase provisioning costs.

We updated models for seven banks under coverage to incorporate lower discount rates. We also roll forward our valuation basis to 2025, and we reiterate BUY ratings on ACB, MBB, VCB, VPB and HDB. VPB's price has been a laggard, but it now offers a 12m-TSR of 24%. We believe that VPB's stock will rerate given our expectation for FE Credit recovery.

Maintain overweight banks given 1) improved net-II in 2024E, driven by increased credit growth and lower funding costs; and 2) valuation is still attractive, with a sector median 1.1x 2024E PB and ROE of 18%. We forecast 2024E ROE of 20% on average for 7 banks under our coverage.

Risks: There is a potential for asset quality deterioration due to a prolongation of the property market's recession. We also cannot rule out the risk of rising rates due to VND devaluation.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

Yuanta does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

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Company Updates
ACB: Solid bank with attractive valuation
MBB: Strong deposit franchise and valuation is still cheap
VCB: Stake sale is on the way
VPB: FE Credit recovery to reduce burden on VPB
HDB: Valuation is cheap
STB: Recovery is nearly done; but pay attention to new NPL formation
BID: Catalyst from the stake sale but current valuation fails to impress

Yuanta Vietnam Banks Coverage Universe

Table 1- Yuanta Vietnam Banks Coverage Universe

Stock code	Market cap (USD mn)	Yuanta Rating	Current price (VND)	Target price (VND)	2024E Dividend yield	12-m TSR*	2024E ROE	2024E ROA	2024E BVPS	2024E PB
ACB VN	4,500	BUY	28,450	33,790	3.6%	22%	24%	2.5%	22,184	1.3x
BID VN	12,073	HOLD-UP	52,100	47,470	0.0%	-9%	17%	1.1%	24,952	2.1x
HDB VN	2,853	BUY	24,000	29,450	4.2%	27%	25%	2.0%	18,879	1.3x
MBB VN	5,459	BUY	24,900	32,480	2.0%	32%	23%	2.5%	21,619	1.2x
STB VN	2,422	HOLD-OP	31,400	34,930	0.0%	11%	19%	1.5%	29,469	1.1x
VCB VN	21,561	BUY	95,200	106,910	0.0%	12%	20%	2.0%	36,934	2.6x
VPB VN	6,370	BUY	19,650	23,400	5.1%	24%	10%	1.7%	17,884	1.1x

*Note: TSR = Total shareholder return over the next 12 months inclusive of expected share price change and dividends. Pricing data as of close on Apr 1, 2024.

Source: Bloomberg, Yuanta Vietnam

Table 2- Yuanta Vietnam Bank Coverage_2024E forecast

Stock code	PATMI	PATMI growth	Loan	Loan growth	Deposit	Deposit growth	NII	NII growth	Fee income	Fee growth	Opex	Opex growth	Provisioning	Provisioning growth	EPS	EPS growth
ACB VN	19,377	21%	562,714	15.4%	552,000	14%	30,288	21%	3,616	24%	12,032	11%	1,888	5%	4,915	21%
BID VN	26,148	21%	2,048,617	15.2%	1,945,604	14%	67,182	20%	8,004	22%	29,026	16%	24,362	20%	4,120	25%
HDB VN	13,032	29%	420,580	22.5%	449,092	21%	28,793	30%	2,714	24%	11,609	27%	5,179	21%	4,506	29%
MBB VN	25,667	24%	721,307	18.0%	662,063	17%	48,517	25%	4,946	21%	17,441	17%	7,693	26%	4,580	22%
STB VN	10,889	41%	563,341	16.7%	582,915	14%	27,527	25%	3,385	29%	14,601	13%	4,321	17%	5,776	41%
VCB VN	40,148	22%	1,469,694	15.7%	1,601,273	15%	62,386	16%	7,927	37%	25,199	15%	4,907	7%	6,619	22%
VPB VN	15,111	50%	713,277	26.0%	554,288	25%	49,526	30%	8,884	25%	16,961	22%	28,408	14%	1,905	32%

Source: Yuanta Vietnam

Summary_2023 earnings (28 banks aggregate)

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Bank Sector	2023	% YoY
NII (VND bn)	448,848	5%
Net Fee Inc.(VND bn)	64,022	0%
Adj. Other non-II (VND bn)	39,127	58%
Adj. TOI (VND bn)	551,998	7%
Opex (VND bn)	197,705	6%
Provision (VND bn)	123,996	3%
Net other incomes (VND bn)	25,076	-31%
PATMI (VND bn)	203,763	4%
NPL (%)	1.94%	35bps
LLR (%)	94%	-29ppt
CASA (%)	22%	90bps

Source: FiinPro-X, Yuanta Vietnam

VCB and ACB retain their No. 1 & 2 rankings in our CAMEL framework in 4Q23. NPL ratios of VCB and ACB are among the lowest in the sector with 0.98% for VCB and 1.21% for ACB. In addition, VCB stands out with the sector-high loan loss reserve (LLR) ratio of 230% as at 4Q23.

2023 PATMI of the 28 banks was VND204 tn (+4% YoY). Among seven banks under our coverage, six banks posted positive earnings growth in 2023, including STB (+53% YoY), HDB (+30% YoY), BID (+18% YoY), MBB (+18% YoY), ACB (+17% YoY), and VCB (+11% YoY). Except for VPB, which reported a decline in earnings of -45% YoY, which was due to FE Credit and a one-off upfront fee from the renewed exclusivity bancassurance deal. Even if stripping out the one-off income, VPB's PATMI still decreased by about -21% YoY in 2023.

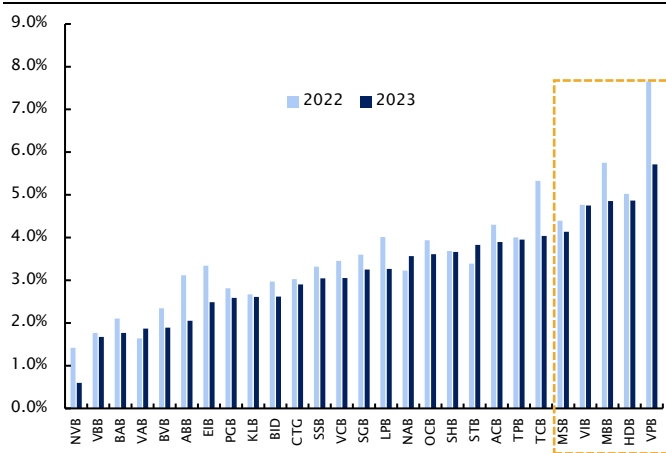
Net gains from trading/investment securities were the key earnings growth in 2023. Total net trading/investing gains were VND13.8 (+3x YoY) in 2023.

NIM declined by about -40bps to 3.45% in 2023 (based on aggregate data of 28 banks) as banks had to cut the loan yields to support borrowers while facing accelerated funding costs. In 2022, the SBV implemented two consecutive policy rates increases in Sep and Oct following the low rate period during the COVID, which pushed up the funding costs in 2023. However, the SBV then decided to cut the policy rates four consecutive times in Mar, Apr, May, and Jun in 2023. Thus, we expect the banks' funding costs should be lower by about 1.5ppt to 2.0ppt in 2024.

Total credit costs (28 banks) increased slightly by +3% YoY. However, credit costs were a burden for many banks in 2023 such as MSB and VIB (please see figure 8 below) given deteriorated asset quality. The reported NPL ratio (28 banks aggregate) jumped by +35bps to 1.94%. However, the actual NPL ratio should be higher if we incorporate restructured loans according to the Circular 02/2023/TT-NHNN, which we estimate at about 1% of the total loans.

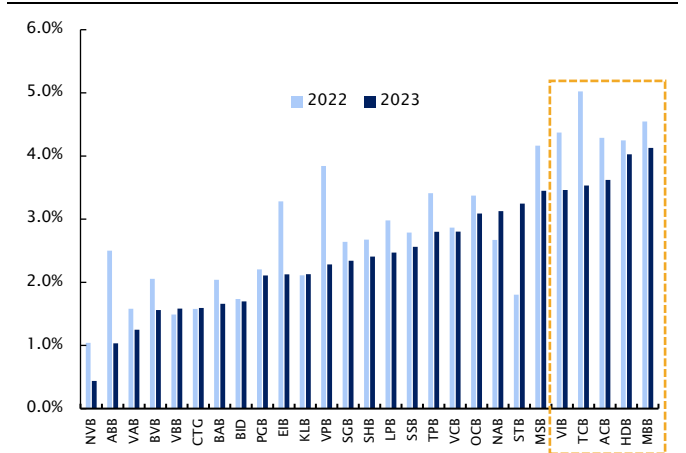
Credit cost adjusted NIM (we calculated as the difference between NIM and credit cost/assets) of 28 banks decreased by -27bps YoY to 2.55% in 2023. Among them, the top five banks with the highest credit cost adjusted NIM were MBB, HDB, ACB, TCB, and VIB. Notably, although ACB did not rank in the top 5 in terms of NIM, its credit cost adjusted NIM was in the top 3. This underscores ACB's high profitability and robust asset quality.

Figure 1: NIM among banks



Source: FiinPro-X, Yuanta Vietnam

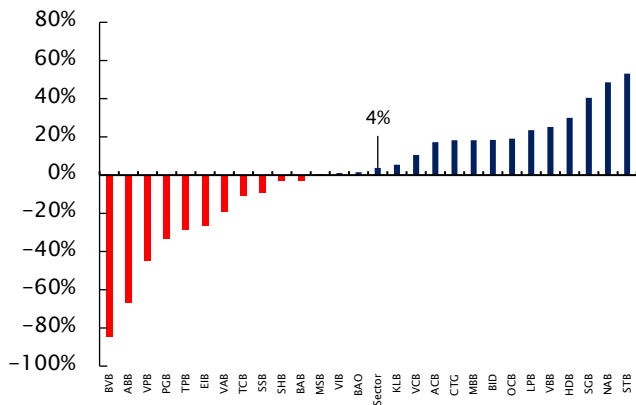
Figure 2: Credit cost adjusted NIM among banks



Source: FiinPro-X, Yuanta Vietnam

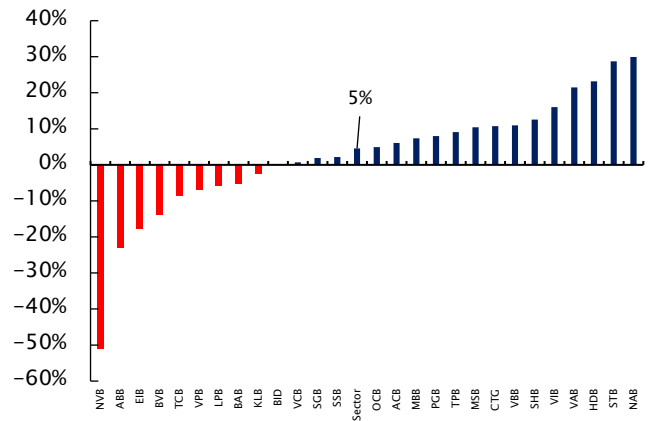
Earnings and key drivers_2023 summary

Figure 3: 2023 PATMI growth (% YoY)



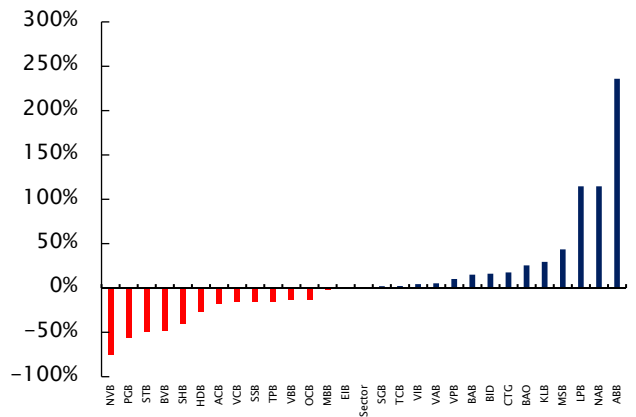
Source: FiinPro-X, Yuanta Vietnam

Figure 4: 2023 net-interest income (% YoY)



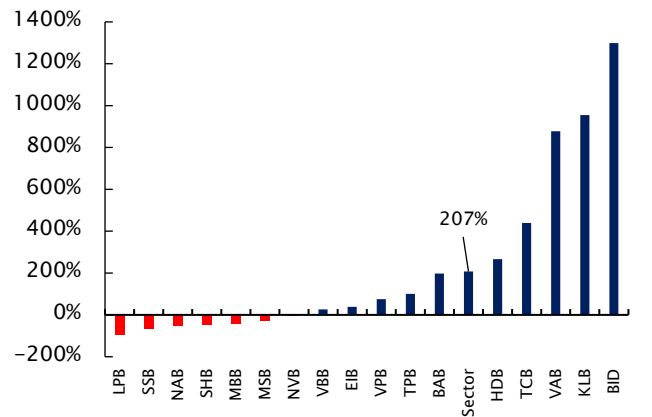
Source: FiinPro-X, Yuanta Vietnam

Figure 5: 2023 net fee income growth (% YoY)



Source: FiinPro-X, Yuanta Vietnam

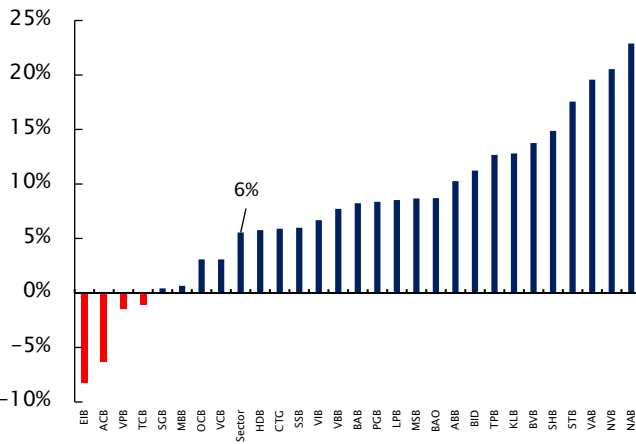
Figure 6: 2023 net trading/investment gains (% YoY)



Source: FiinPro-X, Yuanta Vietnam

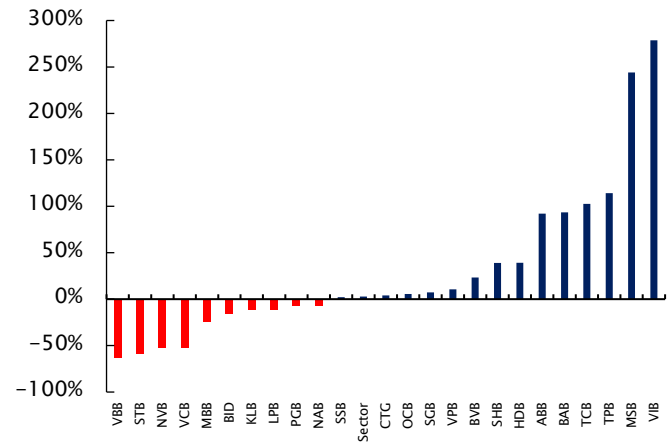
Note: some banks posted strong growth in net trading/investment gains, but their results were negative in 2022; thus, we couldn't compute the growth and those banks are not shown here.

Figure 7: 2023 opex growth (% YoY)



Source: FiinPro-X, Yuanta Vietnam

Figure 8: 2023 provisioning growth (% YoY)



Source: FiinPro-X, Yuanta Vietnam

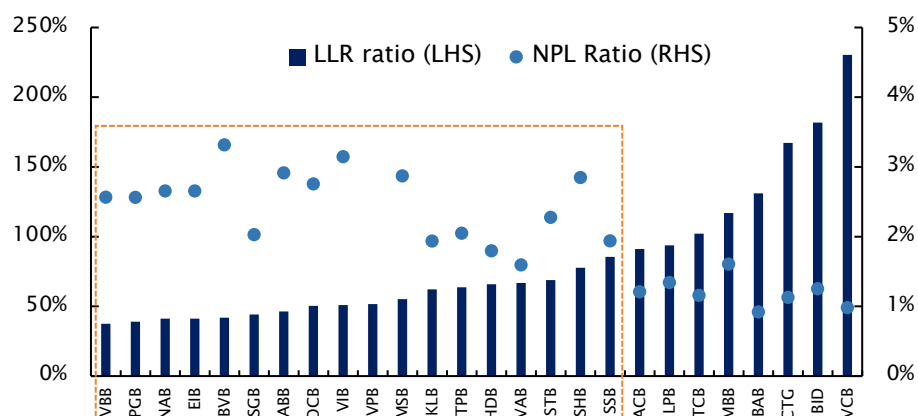
Net interest income will be the key earnings driver in 2024 given expectation for higher credit growth and reduced funding costs. Especially for banks that participate in restructuring troubled banks will receive higher than the sector average credit growth in 2024, including HDB, MBB, VCB, and VPB.

The key trend in 4Q23 was the recovery of CASA ratio and decreasing funding cost. 4Q23 CASA ratio increased to 22% (+2.5ppt QoQ/+80bps YoY). We expect CASA ratio to continue to increase in 2024 given less attractive term-deposit rates.

Asset quality also improved slightly QoQ with a lower NPL ratio of 1.94% (-30bps QoQ/+35bps YoY). We think that the reported NPL ratio peaked in 2023 and will ease in 2024 given 1) low interest rates which will reduce payment burden for borrowers, and 2) better economic outlook.

Despite provisioning pressure might ease in 2024, we think banks especially the ones with low LLR ratios and high NPL ratios might need to increase provisioning buffer (see chart below).

Figure 9: NPL and LLR ratios among banks



Source: FiinPro-X, Yuanta Vietnam

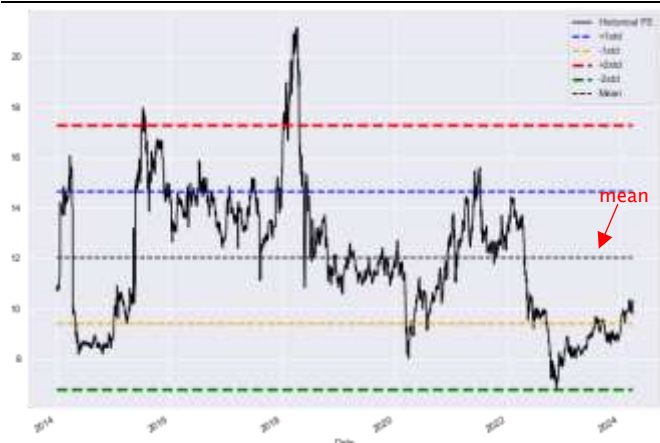
Below is the summary table for the outlook of Vietnam banks in 2024

Key items	Outlook for 2024	Charts of banks under our coverage																								
Credit growth	We expect the sector's credit growth to reach 15% in 2024 given: 1) low interest rate environment, 2) expectation of economic recovery especially in import-export, public investment, and FDI.	<p>2024E loan growth forecast</p> <table border="1"> <tr><th>Bank</th><th>Forecast</th></tr> <tr><td>BID</td><td>15%</td></tr> <tr><td>ACB</td><td>15%</td></tr> <tr><td>VCB</td><td>16%</td></tr> <tr><td>STB</td><td>17%</td></tr> <tr><td>MBB</td><td>18%</td></tr> <tr><td>HDB</td><td>22%</td></tr> <tr><td>VPB</td><td>26%</td></tr> </table>	Bank	Forecast	BID	15%	ACB	15%	VCB	16%	STB	17%	MBB	18%	HDB	22%	VPB	26%								
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CASA ratio	CASA ratio will continue to improve in 2024 given less attractive term deposit rates, which will help reduce funding costs.	<p>2024E funding costs forecast</p> <table border="1"> <tr><th>Bank</th><th>Forecast</th></tr> <tr><td>VCB</td><td>~3.0%</td></tr> <tr><td>MBB</td><td>~4.0%</td></tr> <tr><td>BID</td><td>~3.0%</td></tr> <tr><td>ACB</td><td>~4.5%</td></tr> <tr><td>STB</td><td>~4.0%</td></tr> <tr><td>VPB</td><td>~6.5%</td></tr> <tr><td>HDB</td><td>~5.0%</td></tr> </table>	Bank	Forecast	VCB	~3.0%	MBB	~4.0%	BID	~3.0%	ACB	~4.5%	STB	~4.0%	VPB	~6.5%	HDB	~5.0%								
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Capital level	<p>We expect capital levels to bolster in the period 2024–2025 as many banks plan to raise capital. Notably, these plans include BID's intention to divest 9% stake (based on charter capital as at 2021) and VCB's proposal to sell 6.5% of its stake.</p> <p>We estimate BID's CAR to improve to 11%, and VCB's CAR to reach 14% after the successful stake sale.</p>	<p>CAR estimation after raising capital</p> <table border="1"> <tr><th>Bank</th><th>Before</th><th>After</th></tr> <tr><td>BID</td><td>~8.5%</td><td>11%</td></tr> <tr><td>VCB</td><td>~10.5%</td><td>14%</td></tr> </table>	Bank	Before	After	BID	~8.5%	11%	VCB	~10.5%	14%															
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NPL ratio	NPL ratio is likely peaked thanks to 1) low debt payment burden from borrowers given low interest rates, 2) the possible extension of the Circular 02	<p>2024E NPL ratios forecast</p> <table border="1"> <tr><th>Bank</th><th>2023</th><th>2024E</th></tr> <tr><td>VCB</td><td>~0.8%</td><td>~0.8%</td></tr> <tr><td>ACB</td><td>~1.0%</td><td>~1.0%</td></tr> <tr><td>BID</td><td>~1.0%</td><td>~1.0%</td></tr> <tr><td>HDB</td><td>~1.5%</td><td>~1.5%</td></tr> <tr><td>MBB</td><td>~1.5%</td><td>~1.5%</td></tr> <tr><td>STB</td><td>~2.0%</td><td>~2.0%</td></tr> <tr><td>VPB</td><td>~4.5%</td><td>~4.0%</td></tr> </table>	Bank	2023	2024E	VCB	~0.8%	~0.8%	ACB	~1.0%	~1.0%	BID	~1.0%	~1.0%	HDB	~1.5%	~1.5%	MBB	~1.5%	~1.5%	STB	~2.0%	~2.0%	VPB	~4.5%	~4.0%
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Net interest income	Net interest income will be the key earnings drivers in 2024 given the expectation of higher credit growth and lower funding costs in 2024.	<p>2024E Net interest income growth</p> <table border="1"> <tr><th>Bank</th><th>Growth</th></tr> <tr><td>VCB</td><td>~15%</td></tr> <tr><td>BID</td><td>~18%</td></tr> <tr><td>ACB</td><td>~18%</td></tr> <tr><td>STB</td><td>~22%</td></tr> <tr><td>MBB</td><td>~22%</td></tr> <tr><td>VPB</td><td>~28%</td></tr> <tr><td>HDB</td><td>~28%</td></tr> </table>	Bank	Growth	VCB	~15%	BID	~18%	ACB	~18%	STB	~22%	MBB	~22%	VPB	~28%	HDB	~28%								
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Provisioning	Provisioning pressure might be lesser in 2024 as we expect NPL ratio is peaked given reduced debt payment burden from the borrowers due to low interest rates and expectation of improved economy in 2024.	<p>2024E Provisioning growth forecast</p> <table border="1"> <tr><th>Bank</th><th>Forecast</th></tr> <tr><td>ACB</td><td>~5%</td></tr> <tr><td>VCB</td><td>~8%</td></tr> <tr><td>VPB</td><td>~12%</td></tr> <tr><td>STB</td><td>~15%</td></tr> <tr><td>BID</td><td>~18%</td></tr> <tr><td>HDB</td><td>~20%</td></tr> <tr><td>MBB</td><td>~25%</td></tr> </table>	Bank	Forecast	ACB	~5%	VCB	~8%	VPB	~12%	STB	~15%	BID	~18%	HDB	~20%	MBB	~25%								
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PATMI	Overall, we expect banks' profit to increase in 2024. For 7 banks under our coverage, we expect PATMI to grow by +30% YoY on average, largely driven by: 1) VPB (+50% YoY) mostly from a rebound off a low base in 2023 and expectation of FE Credit recovery, and 2) STB (+41% YoY). The restructuring at STB is nearly done; thus, capital allocated to legacy assets will be freed up and shifted into interest-earning assets in 2024.	<p>2024E PATMI growth forecast</p> <table border="1"> <tr><th>Bank</th><th>Forecast</th></tr> <tr><td>ACB</td><td>21%</td></tr> <tr><td>BID</td><td>21%</td></tr> <tr><td>VCB</td><td>22%</td></tr> <tr><td>MBB</td><td>24%</td></tr> <tr><td>HDB</td><td>29%</td></tr> <tr><td>STB</td><td>41%</td></tr> <tr><td>VPB</td><td>50%</td></tr> </table>	Bank	Forecast	ACB	21%	BID	21%	VCB	22%	MBB	24%	HDB	29%	STB	41%	VPB	50%								
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New credit law	<p>Key changes:</p> <ul style="list-style-type: none"> • Reducing the cap on individual ownership in a bank (but not for foreigners). • Reducing credit limits and thus concentration risks. • Longer maximum periods for holding real estate to assist debt resolution. • Clarity on the benefits for receiving banks that take over weak banks 	Please see here for details.																								

Sector valuations

The bank sector trades at 1.1x 2024E PB with a 2024E ROE of 18%. Based on historical PB, the bank sector still trades below its 10-year average. With the expectation of earnings improvement in 2024, we still overweight bank stocks at the current level. We forecast an average 2024E ROE of 20% for seven banks under our coverage.

Figure 10: Bank Sector's historical PE



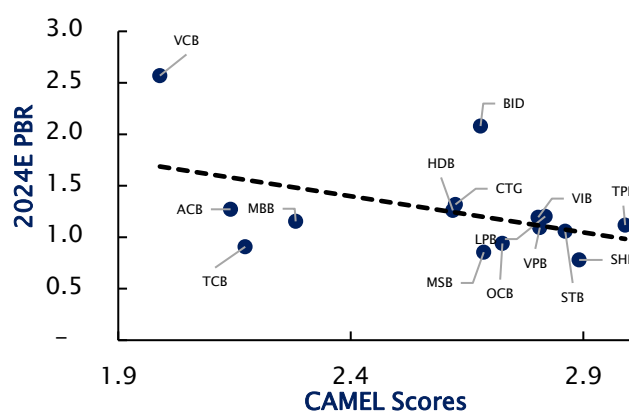
Source: Bloomberg, Yuanta Vietnam

Figure 11: Bank Sector's historical PB



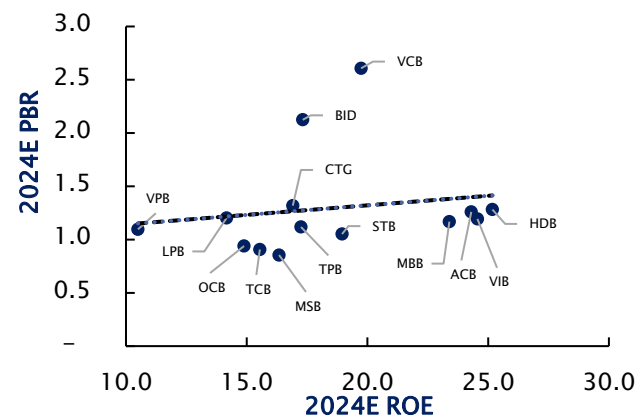
Source: Bloomberg, Yuanta Vietnam

Figure 12: 2024E PB vs. CAMEL Scores



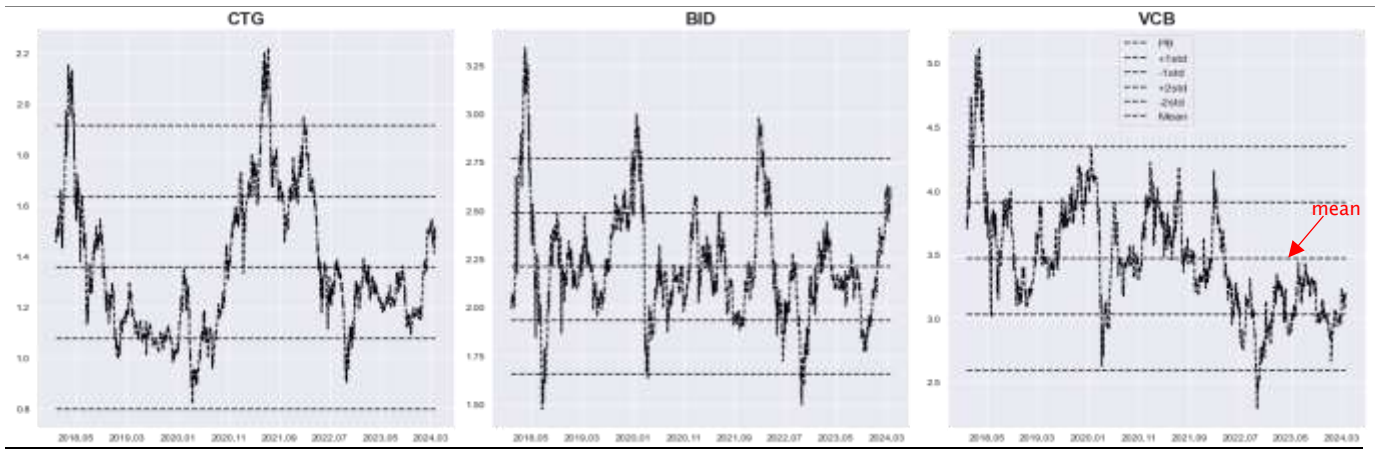
Source: Bloomberg, Yuanta Vietnam

Figure 13: 2024E PB vs. ROE



Source: Bloomberg, Yuanta Vietnam

Figure 14: SOCBs Historical PB valuations



Source: Bloomberg, Yuanta Vietnam

Figure 15: JOCBs Historical PB valuations



Source: Bloomberg, Yuanta Vietnam

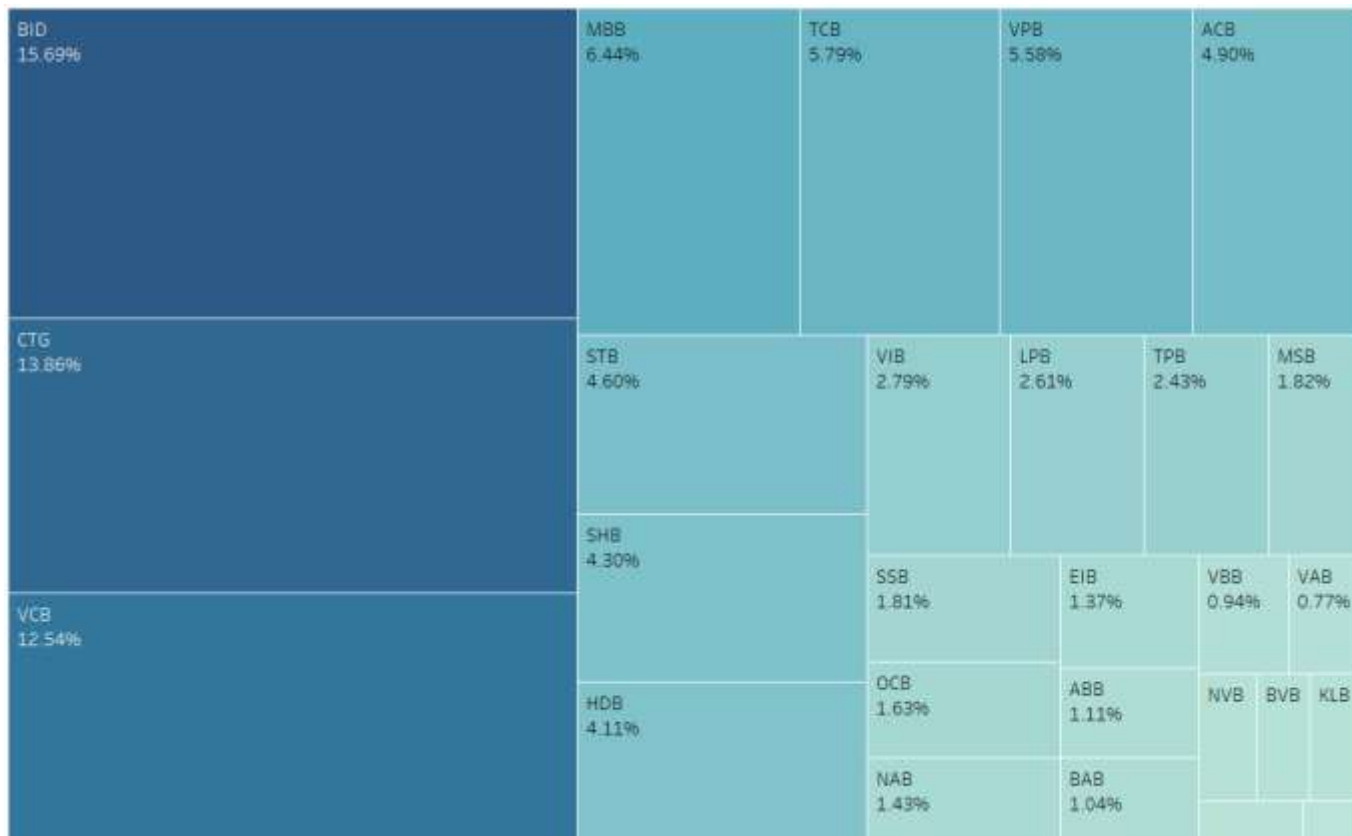
Key ratios



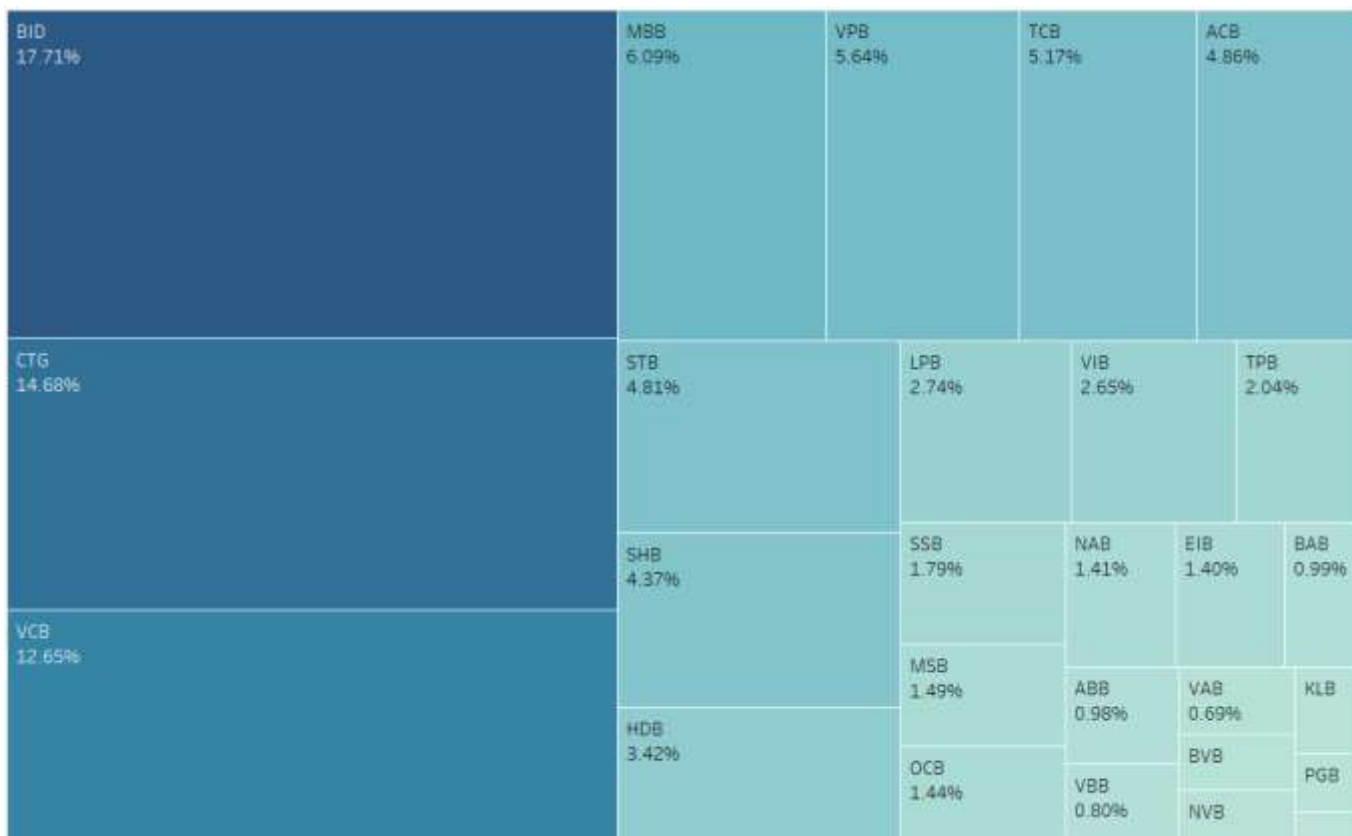
Source: FiinPro-X, Yuanta Vietnam

* Data are as at 4Q23

Asset market share:



Loan market share:



Source: FiinPro-X, Yuanta Vietnam

*** Note:** These data are as at 4Q23 and based on the 28 listed and OTC banks (which do not include sizeable unlisted banks like Agribank or SCB).

Bank stock prices: Key statistics

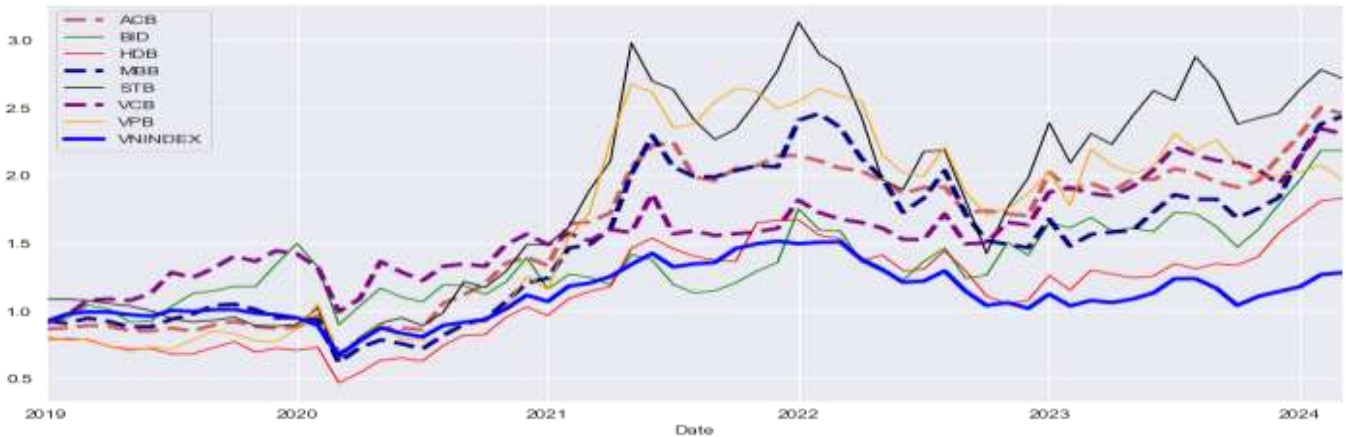
Figure 16: Banks stock prices performance since our last update in Aug 2023



Source: Bloomberg, Yuanta Vietnam

Bank stocks in our coverage have higher cumulative return than the VNINDEX over the period Jan 2019 to Jul 2023.

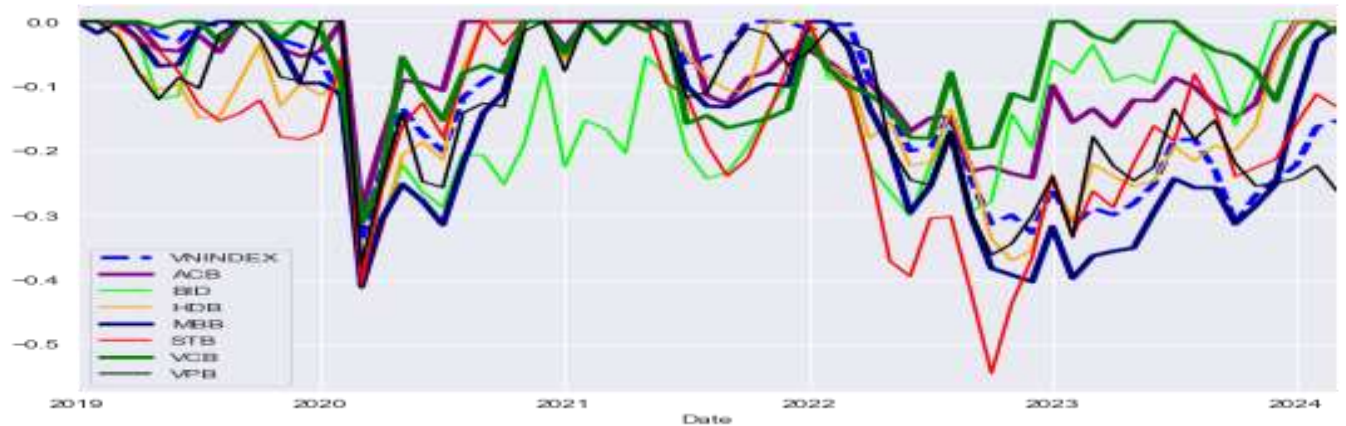
Figure 17: Yuanta Coverage_Cummulative Return vs. VNINDEX since Jan 2019



Source: Bloomberg, Yuanta Vietnam

ACB (purple) and VCB (green) experienced lower drawdowns compared to the VNINDEX (dotted blue) and other bank stocks during the volatile period like 2020 or 2022.

Figure 18: Yuanta Coverage_Monthly Drawdown vs. VNINDEX since Jan 2019



Source: Bloomberg, Yuanta Vietnam

COMPANY UPDATES

Asia Commercial Bank [ACB VN]

2 April 2024

BUY

TP upside +19%

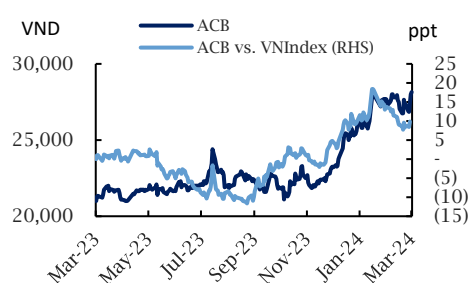
Close 1 Apr 2024

Current Price VND 28,450

12M Target VND 33,790

Company profile: ACB ranks among Vietnam's most fundamentally solid banks, with strong capital ratios and asset quality; ACB reported zero exposure to corporate bonds. ACB is primarily a retail-focused bank, with 94% of its loan book in the retail segment and 79% of deposits from consumers as at 4Q23. ACB's loans accounted for 3.6% of the total loans in the system. Capital level is strong, with a total CAR of 12.5% as at 4Q23.

Share price performance relative to VNIndex



Market cap	US\$4.4 bn
6M avg. daily turnover	US\$9.2 mn
Outstanding shares	3,884 mn
Free float	90%
FINI ownership	30.00%
Major shareholders	28.5%
2024E Asset/equity (x)	9.6x
2024E P/E (x)	5.7x
2024E P/B (x)	1.3x
FOL remaining room	0.0%
2024E dividend yield (%)	3.6%

Source: FiinPro-X, Yuanta Vietnam

Year to Dec	2023	2024E	2025E	2026E
NIM (%)	3.89%	4.03%	4.11%	4.14%
Fee growth (%)	-17%	24%	22%	21%
Adj. CIR (%)	34%	32%	32%	31%
PPOP growth (%)	30%	20%	16%	16%
Net income (VND bn)	16,045	19,377	22,659	26,359
ROAA (%)	2.42%	2.51%	2.56%	2.61%
Adj. ROAE (%)	24.4%	24.3%	23.4%	22.5%
PE (x)	6.9	5.7	4.9	4.2
PB (x)	1.5	1.3	1.0	0.9
Div. yield (%)	3.6%	3.6%	3.6%	4.3%

Source: FiinPro-X, Yuanta Vietnam,

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What's new?

- ▶ We increase our TP by +19% after rolling forward our valuation basis to 2025, and factoring in a lower discount rate.
- ▶ We cut the discount rate by 1.2ppt versus our last update on Aug 23.
- ▶ We maintain our PATMI forecast for 2024E at VND19.4 tn (+21% YoY).

Our view

- ▶ Asset quality remains solid, and ACB maintains at the 2nd place in our CAMEL framework.
- ▶ Reiterate BUY. ACB trades at 1.3x 2024E P/B vs. the sector median of 1.1x given its higher ROE.
- ▶ ACB deserves a premium vs. peers, and our new TP implies 12m TSR of 33%.

Asia Commercial Bank [ACB VN] [Back to top](#)

Solid bank with reasonable price

We maintain our credit growth forecast at 15% for 2024E. We think that ACB's solid balance sheet (with low NPL ratio of 1.2% and no exposure to corporate bonds) and strong capital with Tier 1 of 12.9% should allow for a higher credit quota from the SBV.

We forecast gains from trading/investment securities to reach VND1.9 tn (10% of 2024E PATMI), which continues to contribute to ACB's earnings in 2024. Government bonds trading and available for sale (AFS) of ACB accounted for 2.6% of its assets as at 4Q23.

We forecast provisioning to reach VND1.9 tn (+5% YoY) for 2024E. Overall, asset quality risk is relatively low for ACB given its zero exposure to corporate bonds, low NPL ratio, and its prudent approach (98% of loans are secured with LTV of only 55%). However, we still factor in higher provisioning to account for the potential indirect impact on ACB's loan portfolio.

Our PATMI forecast is VND19.4 tn (+21% YoY) in 2024E, which is nearly unchanged from our previous forecast in Aug 2023.

Yuanta vs. the Street. Our earnings forecast is now 4% above the consensus for 2024E. Our loan growth forecast for ACB is probably higher than the street given ACB's robust balance sheet and strong Tier 1 capital.

We believe that ACB deserves a premium over peers given its strong operational results and solid asset quality. We expect 2024E ROE to reach 24% compared to the sector median of 18%.

Reiterate BUY. We increased our target price by +19% to VND33,790 based mostly on the reduced discount rate (i.e., the 12-m SOE bank deposit rate, which has decreased by -1.5ppt since our last model update. Our new TP implies 2024E P/B of 1.5x and 12-month total shareholder returns of 23%.

Risks: higher NPLs and lower credit growth are the key downside risks. Upside risks include higher loan growth and lower provisioning expenses than we are currently forecasting. Another risk is the possibility of rising interest rates given the VND devaluation, which should apply to all stocks.

ACB VN_Company Update

Valuation Ratios

Valuation Ratios	2021A	2022A	2023A	2024E	2025E	2026E
PER (x)	8.0	7.0	6.9	5.7	4.9	4.2
PEG	(15.7)	0.2	4.5	0.3	0.3	0.3
ROAA (%)	1.98%	2.41%	2.42%	2.51%	2.56%	2.61%
Adj. ROAE (%)	23.5%	26.2%	24.4%	24.3%	23.4%	22.5%
PBR (x)	1.7	1.6	1.5	1.3	1.0	0.9
Dividend Yield (%)	0.0%	0.0%	3.6%	3.6%	3.6%	4.3%

Source: FiinPro-X, Yuanta Vietnam

We maintain credit growth forecast at 15% YoY for 2024E. However, we think ACB can have higher credit quota given its solid assets and strong capital level with Tier 1 ratio of 12.9%, which might constitute an upside risk to our forecast.

Below is the sensitivity analysis of the impact of loan growth to net income.

Sensitivity analysis	-3ppt	-2ppt	-1ppt	Base	+1ppt	+2ppt	+3ppt
2024E Loan growth	12%	13%	14%	15%	16%	17%	18%
2024E Net Income	19,113	19,201	19,289	19,377	19,465	19,553	19,640
(+/-) % vs. Base Case	-1.4%	-0.9%	-0.5%		0.5%	0.9%	1.4%

Source: Yuanta Vietnam

We expect ACB's NIM to recover in 2024, given the reduced cost of funds. We estimate ACB's COF to decrease by -82bps YoY in 2024.

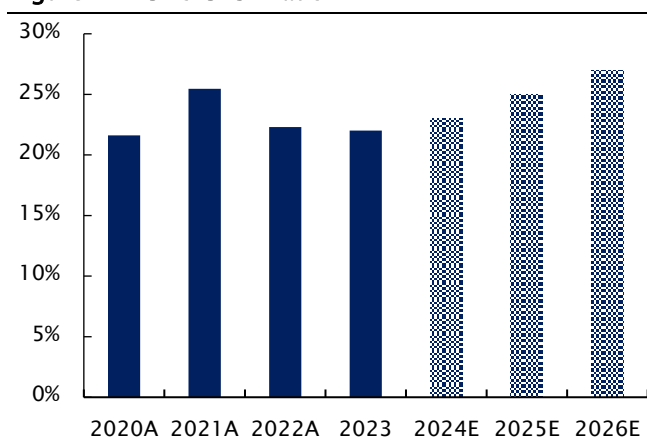
We also expect the bank's CASA ratio to recover in 2024 given low term-deposit rates, which will help reduce its COF. We expect ACB's CASA ratio to reach 23% in 2024E. As a result, we forecast NIM to reach 4.03% in 2024E (+13bp YoY).

We ran a sensitivity analysis to see the potential saving on ACB's COF (deposit rates) and interest paid on deposits when CASA ratio changes. The result shows that a -1ppt increase in CASA ratio would lead to a reduction of -6bp in deposit rate, equivalent to VND311 bn (or 2% of PATMI).

Sensitivity analysis	-3ppt	-2ppt	-1ppt	Base	+1ppt	+2ppt	+3ppt
Change in CASA ratio (2023)	19%	20%	21%	22%	23%	24%	25%
Change in deposit rate (%)	5.22%	5.16%	5.09%	5.03%	4.97%	4.90%	4.84%
(+/-) % vs. Base Case	19bps	13bps	6bps		-6bps	-13bps	-19bps
Change in interest paid on deposits (VND bn)	932	621	311		(311)	(621)	(932)
(+/-) % vs. Base Case	4%	3%	1%		-1%	-3%	-4%

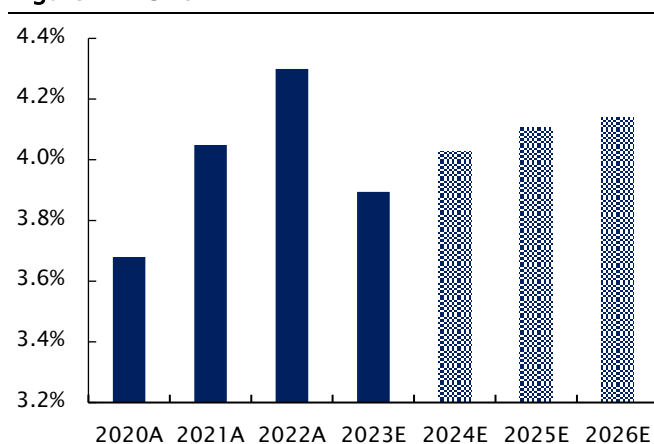
Source: Yuanta Vietnam

Figure 1: ACB's CASA ratio



Source: FiinPro-X, Yuanta Vietnam

Figure 2: ACB's NIM



Source: FiinPro-X, Yuanta Vietnam

ACB also has room to improve its NIM by increasing the ratio of short-term funding used for medium- and long-term loans if they choose to do so. This ratio has been on a declining trend since 2019 and was only 17.3% as in 2023, well below the SBV's requirement of 30.0%.

Provisioning pressure is not huge for ACB in 2024 given its low NPL ratio (1.21%), no exposure to corporate bonds, and low loans to real estate business purpose (4% of the total loans); however, we still pencil in a small increase of 5% in provisioning to weather against asset quality deterioration due to the potential indirect impact on ACB's loan portfolio and to boost its LLR ratio. For 2024, we estimate provisioning cost at VND1.9 tn (+5% YoY).

Ceteris paribus, below is our sensitivity analysis of the impact of the change in provisioning to net income. For a 10% reduction in provisioning cost, PATMI will increase by 0.8%.

Sensitivity analysis	30%	20%	10%	Base	-10%	-20%	-30%
2024E Provisioning	(2,455)	(2,266)	(2,077)	(1,888)	(1,699)	(1,511)	(1,322)
2024E Net income	18,924	19,075	19,226	19,377	19,528	19,679	19,830
(+/-) % vs. Base Case	-2.3%	-1.6%	-0.8%		0.8%	1.6%	2.3%

Source: Yuanta Vietnam

ACB's Operating Return on Asset (OROA) analysis

Year	2019A	2020A	2021A	2022A	2023	2024E	2025E	2026E
NIM	3.56%	3.68%	4.05%	4.30%	3.89%	4.03%	4.11%	4.14%
Net interest income to adj. TOI	83.0%	81.5%	80.9%	84.7%	78.3%	81.3%	83.1%	83.3%
Cost to income	56.9%	42.6%	35.1%	41.7%	34.1%	32.3%	31.6%	30.9%
PPOP/Assets	1.76%	2.48%	3.13%	2.85%	3.17%	3.26%	3.31%	3.37%
Provisions to Assets	0.08%	0.23%	0.69%	0.01%	0.27%	0.24%	0.23%	0.22%
Operating Return on Assets (OROA)	1.77%	2.36%	2.56%	2.95%	3.01%	3.11%	3.15%	3.21%
Leverage (x)	13.8	12.5	11.8	10.4	10.1	9.6	9.0	8.5
Operating Return on Equity (OROE)	24.5%	29.6%	30.1%	30.6%	30.5%	29.8%	28.5%	27.4%

Source: FiinPro-X, Yuanta Vietnam

Valuation

ACB trades at 1.3x 2024E P/BV, higher than the sector median of 1.1x. However, we expect ROE to reach 24% for 2024E, well above the sector median ROE of 18% for 2024E (source: Bloomberg consensus).

Thus, we believe that ACB deserves a premium over most of its peers given its strong operational results and solid asset quality as discussed above.

ACB's historical PB is at -1std below the mean, which is appealing for long-term investors.

Figure 3: ACB trades at -1std below the mean level



Source: Bloomberg, Yuanta Vietnam

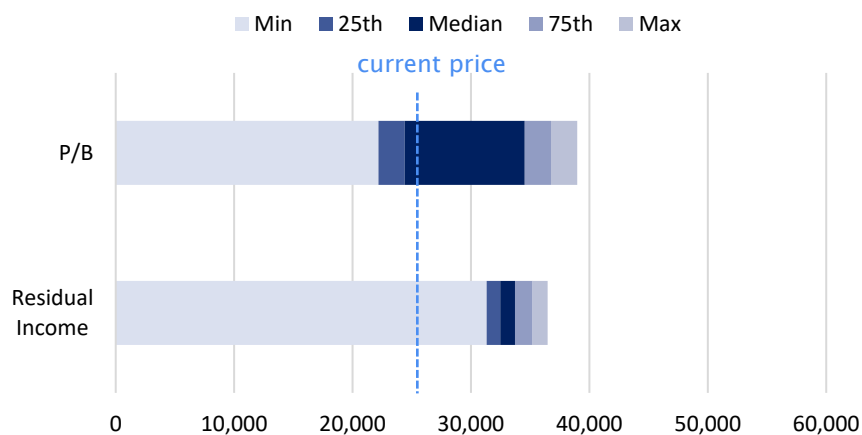
We increased our target price for ACB by +19% to VND33,794 from our previous estimate to reflect a lower discount rate, which has decreased by -1.5ppt since our last model update in August 2023.

Our new target price implies 2024E P/BV of 1.5x and a 12-month TSR of 23%, which we think is reasonable given the bank's strong fundamentals.

Valuation Methods	Estimated Value	Weight (%)	Weighted value
Residual Income	33,656	75.0%	25,242
Comparable P/B	34,210	25.0%	8,553
Estimated Fair Value			33,794

Source: Yuanta Vietnam

Figure 4: ACB's Valuation Graph



Source: Yuanta Vietnam

Sensitivity table of Residual Income Approach: ROE vs. Cost of equity

ROE	COE						
	12.5%	13.0%	13.5%	14.2%	14.7%	15.2%	15.7%
21%	34,842	33,767	32,728	31,430	30,469	29,540	28,641
22%	35,564	34,473	33,417	32,098	31,122	30,178	29,265
23%	36,293	35,184	34,112	32,771	31,779	30,820	29,893
24%	37,250	36,118	35,024	33,656	32,643	31,664	30,718
25%	37,694	36,552	35,447	34,066	33,045	32,056	31,101
26%	38,440	37,280	36,158	34,755	33,717	32,714	31,743
27%	39,192	38,013	36,874	35,450	34,395	33,376	32,390

Source: Yuanta Vietnam

APPENDIX

ACB's Financial statements

Balance Sheet

(VND bn)	2023	2024E	2025E	2026E
Cash & Balances at SBV	25,414	29,063	33,331	38,006
Loans to banks	114,874	131,365	150,661	171,790
Investment securities	80,640	92,217	105,762	120,595
Invest. Associates	140	160	184	209
Gross Loans:	487,602	562,714	644,779	734,530
(-) Specific Provisions:	(1,775)	(1,579)	(1,228)	(728)
(-) General Provisions:	(3,592)	(4,150)	(4,755)	(5,417)
Total provisions:	(5,367)	(5,729)	(5,983)	(6,144)
Net Loans:	482,235	556,985	638,797	728,386
Fixed Tangible asset:	3,318	3,554	3,807	4,079
Intangible Assets:	1,445	1,445	1,445	1,445
Real estate investment	177	177	177	177
Accrued interests:	4,283	4,283	4,283	4,283
Deferred tax:	34	34	34	34
Other Assets:	6,235	6,235	6,235	6,235
Total Assets:	718,795	825,517	944,716	1,075,239
Deposits:	482,703	552,000	633,079	721,867
Due to SBV:	0	0	0	0
Due to Banks:	89,507	103,295	118,359	134,834
Subordinated notes	52,410	52,410	52,410	52,410
Other Liabilities:	23,219	31,650	36,264	40,216
Total Liabilities:	647,839	739,354	840,112	949,327
Capital & Premium:	39,112	39,112	39,112	39,112
Reserves:	11,557	11,557	11,557	11,557
Retained Earnings:	20,286	35,493	53,934	75,242
Total Equity:	70,956	86,163	104,603	125,912
Total Liabilities & Equity	718,795	825,517	944,716	1,075,239

Profit and Loss

(VND bn)	2023	2024E	2025E	2026E
Net Interest income	24,960	30,288	35,585	40,995
Net Fee Income	2,922	3,616	4,398	5,300
Other Non-IT	4,001	3,328	2,864	2,938
Total Non-IT	6,924	6,944	7,262	8,237
TOI	31,883	37,232	42,848	49,233
Total expenses	(10,874)	(12,032)	(13,527)	(15,234)
PPOP:	21,009	25,200	29,321	33,998
Gross Provisions:	(1,804)	(1,888)	(2,038)	(2,235)
NPL Recoveries:	863	909	1,041	1,184
Net Provisions:	(941)	(979)	(998)	(1,050)
Pre-Tax Income:	20,068	24,221	28,323	32,948
(-) Income Tax:	(4,023)	(4,844)	(5,665)	(6,590)
Net Income	16,045	19,377	22,659	26,359
(-) Minority Interest	-	-	-	-
(-) Others	(237)	(286)	(334)	(389)
Adj. Net Income	15,808	19,091	22,324	25,970
Diluted EPS	4,070	4,915	5,748	6,686

ACB's financial ratios

Financial Ratios	FY21A	FY22A	FY23	FY24E	FY25E	FY26E
GROWTH PROJECTIONS						
Net interest income	30%	24%	6%	21%	17%	15%
Fee Income	71%	22%	-17%	24%	22%	21%
Other NII	-1%	-53%	440%	-17%	-14%	3%
Operating costs	8%	41%	-6%	11%	12%	13%
Gross Provision	254%	-98%	2448%	5%	8%	10%
Preprovision profit	48%	7%	30%	20%	16%	16%
Adjusted Net profit	25%	43%	17%	21%	17%	16%
Assets	19%	15%	18%	15%	14%	14%
ASSET ANALYSIS						
Earning assets to total assets	97%	96%	97%	98%	98%	98%
Average Returns on Earnings Assets	2.02%	2.47%	2.47%	2.54%	2.58%	2.62%
LOAN ANALYSIS						
Loan growth (% YoY)	16%	14%	18%	15%	15%	14%
Net Loans to Interest Earnings Asset	70%	70%	69%	69%	69%	69%
DEPOSIT ANALYSIS						
Deposit growth (YoY %)	8%	9%	17%	14%	15%	14%
Deposits to Interest Bearing Liabilities	82%	79%	77%	78%	79%	79%
LIQUIDITY						
Pure LDR	94%	99%	100%	101%	101%	101%
ASSET QUALITY						
NPL (Category 3-5)	2,799	3,045	5,887	5,720	5,973	6,134
NPL ratio	0.77%	0.74%	1.21%	1.02%	0.93%	0.84%
General Provisions to Gross loans	0.74%	0.74%	0.74%	0.74%	0.74%	0.74%
Loan loss coverage ratio	209%	159%	91%	100%	100%	100%
SPREAD ANALYSIS						
Int. rate received on Average IEA	7.20%	7.44%	8.17%	7.51%	7.71%	7.88%
Int. rate paid on Average IBL	3.42%	3.46%	4.76%	3.93%	4.14%	4.33%
Interest rate spread	3.79%	3.97%	3.41%	3.58%	3.58%	3.56%
NIM	4.05%	4.30%	3.89%	4.03%	4.11%	4.14%
OTHER INCOME						
Fee income to total income	12%	13%	9%	10%	10.3%	10.8%
Other Non Interest income to total	7%	3%	13%	9%	6.7%	6.0%
OPERATING EFFICIENCY						
Cost to income ratio	35%	40%	33%	32%	31%	30%
Adj. Cost to income ratio	35%	42%	34%	32%	32%	31%
CREDIT COSTS						
Provisioning/avg. loans	0.99%	0.02%	0.40%	0.36%	0.34%	0.32%
PROFITABILITY						
Pre provision ROA	3.13%	2.85%	3.17%	3.26%	3.31%	3.37%
Pre provision ROE	37.8%	31.3%	32.5%	32.1%	30.7%	29.5%
ROAA	1.98%	2.41%	2.42%	2.51%	2.56%	2.61%
Adj. ROAE	23.5%	26.2%	24.4%	24.3%	23.4%	22.5%
Dividend payout ratio	0%	0%	25%	25%	20%	21%
Dividend Yield	0.0%	0.0%	3.7%	3.7%	3.7%	4.5%
VALUATIONS						
PER (x)	9.5x	6.7x	6.6x	5.4x	4.7x	4.0x
PBR (x)	1.6x	1.5x	1.5x	1.2x	1.0x	0.8x

Source: FiinPro-X, Yuanta Vietnam

MBBank [MBB VN]

2 April 2024

BUY

TP upside +30%

Close 1 Apr 2024

Current Price VND 24,900

12M Target VND 32,480

What's new?

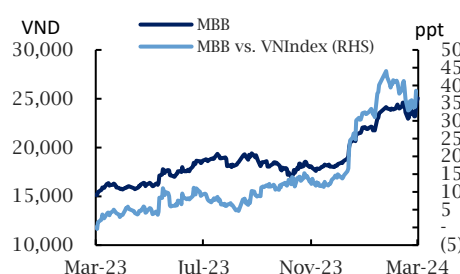
- ▶ We increase our TP by +29% on reduced discount rate and valuation basis roll-forward to 2025.
- ▶ We maintain our credit growth forecast at 18% for 2024E, which is +2ppt above the bank's target.
- ▶ Our 2024E PATMI forecast is VND26 tn, implying a 24% YoY increase.

Our view

- ▶ Valuation is still cheap. MBB trades at 1.1x 2024E P/B, in line with the sector median despite its higher ROE.
- ▶ MBB's strong CASA franchise should help sustain high NIM.
- ▶ Risk: High corporate bond exposure; however, it decreased to 4.1% per assets from its peak of 7.5% in 3Q22.

Company profile: MBB has one of the strongest deposit franchises in the Vietnamese banking sector with a 40% CASA ratio as at 4Q23, far ahead of the 12% sector median. Corporate loans (55% of MBB's total loans to customers as at 4Q23), and retail loans (45% of the total as at 4Q23). Corporate bonds accounted for 4.1% of the total assets as at 4Q23.

Share price performance relative to VNIndex



Market cap	US\$5.3 bn
6M avg. daily turnover	US\$14.4 mn
Outstanding shares	5,287 mn
Free float	55%
FINI ownership	23.2%
Major shareholders	53.0%
2024E Asset/Equity (x)	9.3x
2024E P/E (x)	5.4x
2024E P/B (x)	1.1x
FOL Remaining Room	0.0%
2024E Dividend yield (%)	2.0%

Source: FiinPro-X, (*) Yuanta Vietnam

Year to Dec	2023	2024E	2025E	2026E
NIM (%)	4.78%	4.86%	4.90%	5.07%
Fee growth (%)	-1%	21%	18%	17%
CIR	32%	30%	30%	30%
PPOP growth (%)	5%	28%	17%	20%
Net income (VND bn)	20,677	25,667	30,345	37,136
ROAA	2.52%	2.55%	2.60%	2.75%
Adj. ROAE	23.1%	23.4%	22.5%	22.6%
PE (x)	6.6	5.4	4.6	3.7
PB (x)	1.4	1.1	0.9	0.8
Div. yield (%)	2.0%	2.0%	2.0%	4.0%

Source: FiinPro-X, Yuanta Vietnam

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MBBank [MBB VN]

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Valuation is still attractive

We maintain our loan growth forecast for MBB at 18% YoY for 2024E which is higher than MBB's target of 16%, given the expectation of an economic recovery and a reward for MBB's involvement in restructuring a weak bank.

Strong deposit franchise, with the highest CASA ratio (CASA/customer deposits) in the sector of 40.2%, should help MBB sustain high NIM. We expect CASA ratio to improve to 41% in 2024 as term deposits become less attractive due to reduced deposit rates. We forecast NIM to reach 4.86% (+7bps YoY). *Ceteris paribus*, a 1ppt increase in CASA ratio will help MBB save VND339 bn in interest expense.

MBB can also be able to boost its NIM by increasing exposure to retail lending (see page 19 for sensitivities).

Our provisioning forecast is VND7.7 tn (+26% YoY) for 2024E. In 2023, MBB cut provisioning by -24% YoY as it used provisioning to handle bad debts. We think that MBB will increase provisioning in 2024 back to the same range as in 2021 and 2022. *Ceteris paribus*, a 10% change in provisioning will cause a 2.4% change in net income in the opposite direction (see p. 20).

Reduced exposure to corporate bonds, which helps improve investors sentiment on the stock. MBB's corporate bond/total assets declined to 4.1% from its peak of 7.5% in 3Q22. Specifically, MBB's exposure to Novaland (NVL VN) was 0.9% of assets in 4Q23: *Please see page 21 for sensitivities.*

Our 2024E earnings forecast is VND26 tn (+24% YoY) for 2024E, which is far above the bank's target of 10% growth in earnings largely due to our higher credit growth assumption.

Yuanta versus the consensus. Our PATMI forecast is in line with the consensus mean for 2024E. However, our provisioning forecast might be higher than the street.

Valuation is still cheap. MBB trades at 1.1x 2024E P/B, which is in line with the sector median despite 2024E ROE of 23% vs. the sector median of 18%.

We raise our target price by +29% to VND32,480, implying a 1.5x 2024E P/B and a 12-month TSR of 32%. We reiterate our BUY recommendation.

MBB VN_Company Update

Valuations

Valuation Ratios	2021A	2022A	2023	2024E	2025E	2026E
PER (x)	7.9	6.8	6.6	5.4	4.6	3.7
PEG	0.6	0.4	2.3	0.2	0.3	0.2
ROAA (%)	2.40%	2.72%	2.52%	2.55%	2.60%	2.75%
ROAE (%)	22.0%	24.3%	23.1%	23.4%	22.5%	22.6%
PBR (x)	1.6	1.5	1.4	1.1	0.9	0.8
Dividend Yield (%)	0.0%	0.0%	2.0%	2.0%	2.0%	4.0%

Source: FiinPro-X, Yuanta Vietnam

We maintain our loan growth forecast for MBB at 18% YoY for 2024E which is higher than the bank's target of 16% given the expected economic recovery and a higher-than-sector credit quota as a reward for MBB's participation in restructuring a weak bank.

Over the past three years, MBB posted an impressive average loan growth of 27% YoY annually, without any year falling below a 20% growth rate. Thus, we are confident in projecting an 18% loan growth for 2024E. The upside risk is that MBB can manage to have higher credit growth than our forecast.

Thus, we conducted a sensitivity analysis to evaluate the impact of changing in loan growth to MBB's net income, assuming other things remain unchanged.

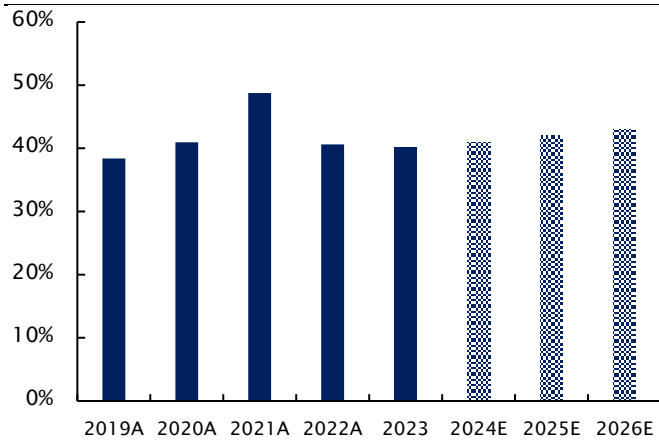
The result shows that a 1ppt change in loan growth will cause a 0.4% change in net income in the same direction.

Sensitivity analysis	-3ppt	-2ppt	-1ppt	Base	+1ppt	+2ppt	+3ppt
2024E Loan growth	15%	16%	17%	18%	19%	20%	21%
2024E Net Income	25,354	25,458	25,562	25,667	25,771	25,875	25,979
(+/-) % vs. Base Case	-1.2%	-0.8%	-0.4%		0.4%	0.8%	1.2%

Source: Yuanta Vietnam

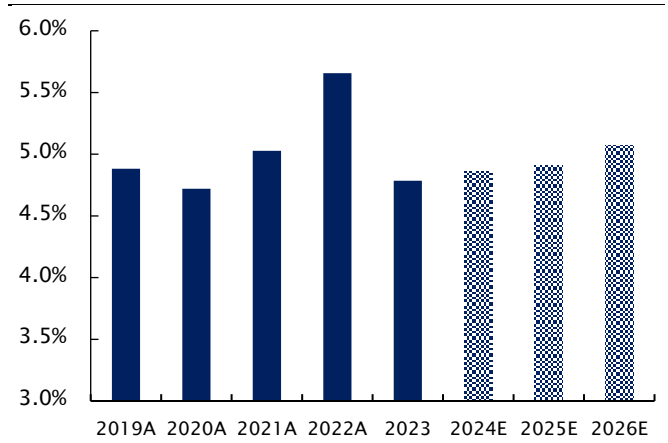
We forecast MBB's NIM to increase by +8bps YoY to 4.86% in 2024E given its strong CASA deposit franchise with the highest CASA ratio (40.2%) in the sector. MBB can also be able to boost its NIM in the future by increasing its retail lendings. Currently, retail loans accounts for 45% of the total loans, and MBB can direct more loans to retail segment to help boost NIM. However, this will depend on the bank's strategy.

Figure 1: MBB's CASA ratio



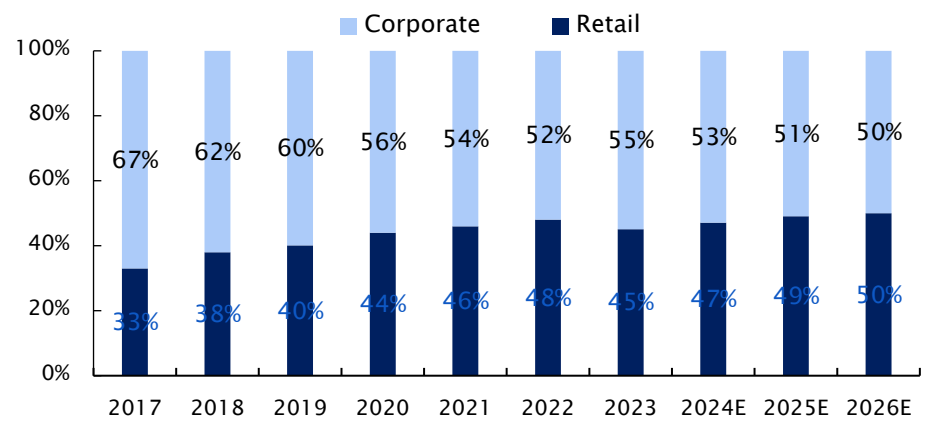
Source: FiinPro-X, Yuanta Vietnam

Figure 2: MBB's NIM



Source: FiinPro-X, Yuanta Vietnam

Figure 3: MBB's loan breakdown



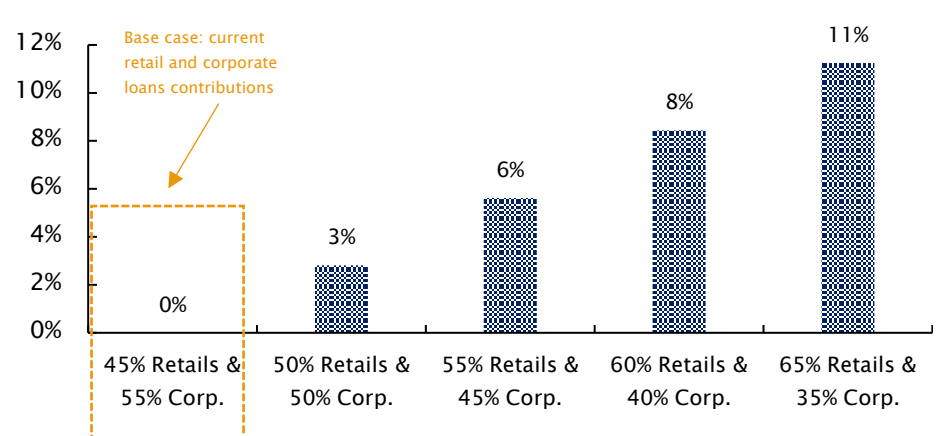
Source: FiinPro-X, Yuanta Vietnam

Below is our sensitivity analysis on the impact of different combinations of retails loans and corporate loans on PATMI (based on 2024E earnings).

Our base case is that retail loans account for 45% and corporate loans account for 55% of the total loans. We also assume that the loan yield gap between retail and corporate loans is about 200bps.

Ceteris paribus, a +5ppt increase in retail loans would lead to a corresponding rise in PATMI of about +3%. If we assume that retail loans account for 50% of the total and corporate loans represent the remaining 50% of the loan book, then PATMI would increase by +3% compared to our base case loan mix of 45% retail and 55% corporate.

Figure 4: Sensitivity – MBB's PATMI change on increasing retail loans



Source: Company Data, Yuanta Vietnam

We forecast provisioning to reach VND7.7 tn (+26% YoY) for 2024E. In 2023, MBB cut provisioning by -24% YoY as it used provisioning to handle bad debts. We think that MBB will increase provisioning in 2024 to weather asset quality deterioration.

Below is the sensitivity analysis of the impact of provisioning to net income.

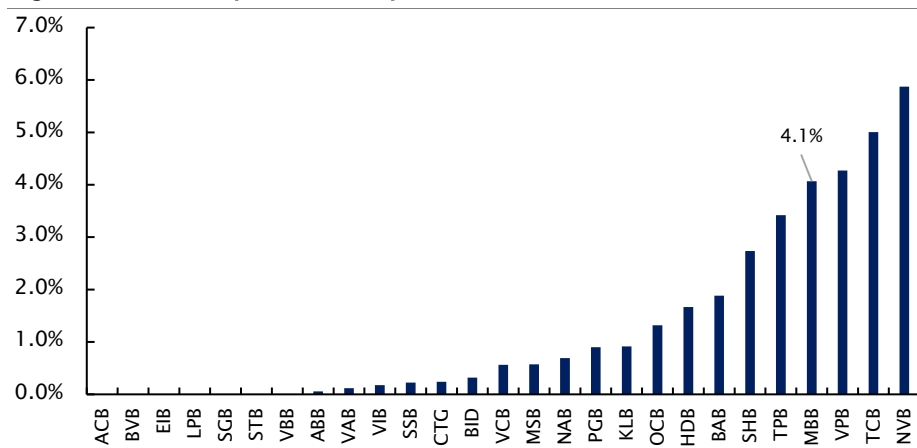
Ceteris paribus, a 10% change in provisioning will cause a 2.4% change in net income in the opposite direction.

Sensitivity analysis	30%	20%	10%	Base	-10%	-20%	-30%
2024E Provisioning	(10,001)	(9,232)	(8,463)	(7,693)	(6,924)	(6,155)	(5,385)
2024E Net Income	23,853	24,458	25,062	25,667	26,271	26,875	27,480
(+/-) % vs. Base Case	-7.1%	-4.7%	-2.4%		2.4%	4.7%	7.1%

Source: Yuanta Vietnam

Corporate bonds exposure has been on the declining trend. Total corporate bonds per total assets of MBB declined to 4.1% from the peak of 7.5% in 3Q22. High corporate bonds exposure was the key reason that dragged down MBB's shares in the last year, and the bank's effort to reduce corporate bonds helped boost investors' confidence.

Figure 5: Banks' exposure to corporate bonds as at 4Q23



Source: FiinPro-X, Yuanta Vietnam

Specifically, MBB's exposure to Novaland (NVL VN) represents 0.9% of total assets.

Sensitivities of provisioning/earnings to MBB's exposure to Novaland

According to NVL's financial statements, MBB's total exposure to Novaland was VND8.2 tn (0.9% of MBB's total assets) as at 4Q23. Of which, VND6.4 tn of this was corporate bonds (0.6% of MBB's assets) and the remainder was loans.

In an extreme worst-case scenario (which we think to be extremely unlikely), the loss of 100% of MBB's credit to NVL in 2023 would result in full-year provisioning coming in +98% above our forecast and PATMI coming in -25% below our forecast, with ROE falling from 23.4% in our base case to 18.1%. Though such an outcome would be extremely painful, it would not be a structural event for MBB.

Total credit exposure to NVL as at 4Q23 (VND bn)	8,200				
Assumption on % default out of total exposure to NVL	20%	40%	60%	80%	100%
Provisioning (base case) (VND bn)	(7,693)	(7,693)	(7,693)	(7,693)	(7,693)
Additional provisioning related to NVL (VND bn)	(1,640)	(3,280)	(4,920)	(6,560)	(8,200)
Total provisioning (downside case) (VND bn)	(9,333)	(10,973)	(12,613)	(14,253)	(15,893)

Impact on MBB's earnings

2024E Net income (base case) (VND bn)	25,667				
2024E Net income (downside case) (VND bn)	24,378	23,090	21,801	20,513	19,224
<i>vs. base case</i>	<i>-5%</i>	<i>-10%</i>	<i>-15%</i>	<i>-20%</i>	<i>-25%</i>

Impact on MBB's ROE

ROE (base case) (%)	23.4%				
ROE (downside case) (%)	22.4%	21.3%	20.2%	19.1%	18.1%
<i>vs. base case</i>	<i>-1.0ppt</i>	<i>-2.1ppt</i>	<i>-3.2ppt</i>	<i>-4.2ppt</i>	<i>-5.3ppt</i>

Source: Novaland's 4Q23 financial statements, Yuanta Vietnam

MBB's Operating Return on Asset (OROA) Analysis

Year	2019A	2020A	2021A	2022A	2023	2024E	2025E	2026E
NIM	4.88%	4.72%	5.03%	5.66%	4.78%	4.86%	4.90%	5.07%
Net interest income to adj. TOI	79.8%	79.0%	77.8%	82.9%	86.2%	87.1%	87.3%	87.6%
Cost to income	43.1%	41.1%	36.7%	34.1%	33.2%	31.3%	31.2%	31.0%
PPOP/Assets	3.32%	3.34%	3.87%	4.29%	3.58%	3.73%	3.78%	3.92%
Provisions to Assets	1.26%	1.35%	1.46%	1.21%	0.73%	0.75%	0.73%	0.69%
Operating Return on Assets (OROA)	2.22%	2.17%	2.63%	3.29%	2.98%	3.08%	3.13%	3.30%
Leverage (x)	10.3	9.9	9.7	9.2	9.8	9.3	8.7	8.4
Operating Return on Equity (OROE)	22.9%	21.4%	25.6%	30.1%	29.1%	28.6%	27.2%	27.6%

Source: FiinPro, Yuanta Vietnam

Valuation is still attractive. MBB trades at 1.1x 2024E P/B, in line with the sector median. Given its superior operational results with a 2024E ROE of 23% versus the sector median of 18%, we believe that MBB deserves a premium over its peers.

Figure 6: MBB trades slightly above its mean level



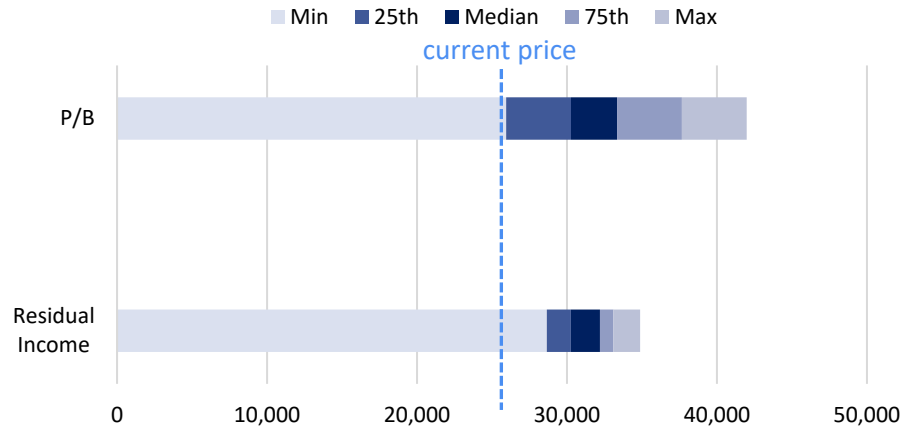
Source: Bloomberg, Yuanta Vietnam

We increase our target price by +29% versus our previous target after factoring in a lower discount rate and roll forward our valuation basis to 2025. We reduced the discount rate as the SOE banks' 12-month deposit rate has decreased by -1.5ppt since our last update in August 2023. Our new TP implies a 2024E PB of 1.5x and 12-month total shareholder returns of 32%.

Valuation Methods	Estimated Value	Weight (%)	Weighted value
Residual Income	32,193	75.0%	24,145
Comparable P/B	33,339	25.0%	8,335
Estimated Fair Value			32,480

Source: Yuanta Vietnam

Figure 7: MBB's Valuation Graph



Source: Yuanta Vietnam

Sensitivity table of Residual Income Approach: ROE vs. Cost of equity

ROE	COE						
	13.5%	14.0%	14.5%	14.6%	15.1%	15.6%	16.1%
20.0%	32,079	31,057	30,069	29,875	28,927	28,010	27,124
21.0%	32,792	31,753	30,748	30,552	29,588	28,656	27,755
22.0%	33,511	32,455	31,434	31,234	30,254	29,306	28,390
23.4%	34,522	33,442	32,398	32,193	31,191	30,221	29,284
24.4%	35,256	34,158	33,096	32,888	31,870	30,885	29,932
25.4%	35,995	34,879	33,801	33,589	32,554	31,553	30,585
26.4%	36,740	35,607	34,511	34,296	33,244	32,227	31,244

Source: Yuanta Vietnam

MBB's Financial statements

Balance Sheet

(VND bn)	2023	2024E	2025E	2026E
Cash & Balances at SBV	69,997	81,656	95,859	112,404
Loans to banks	46,344	54,063	63,466	74,421
Investment securities	192,174	224,183	239,860	281,259
Invest. Associates	2,547	2,971	3,488	4,090
Gross Loans:	611,049	721,307	846,012	991,570
(-) Specific Provisions:	(7,115)	(6,788)	(7,220)	(8,007)
(-) General Provisions:	(4,354)	(5,140)	(6,029)	(7,066)
Total provisions:	(11,470)	(11,929)	(13,249)	(15,074)
Net Loans:	599,579	709,378	832,763	976,496
Fixed Tangible asset:	3,194	2,951	2,727	2,519
Intangible Assets:	1,660	1,660	1,660	1,660
Real estate investment	240	240	240	240
Accrued interests:	8,669	8,669	8,669	8,669
Deferred tax:	29	29	29	29
Other Assets:	20,521	20,521	20,521	20,521
Total Assets:	944,954	1,106,321	1,269,281	1,482,306
Deposits:	567,533	662,063	777,218	911,364
Due to SBV:	9	10	12	14
Due to Banks:	99,810	117,820	138,190	161,966
Subordinated notes	126,463	132,786	139,426	146,397
Other Liabilities:	54,428	74,408	68,279	85,281
Total Liabilities:	848,242	987,087	1,123,124	1,305,021
Capital & Premium:	54,938	56,103	56,103	56,103
Reserves:	12,194	12,194	12,194	12,194
Treasury Shares	-	-	-	-
Retained Earnings:	25,560	46,004	72,028	101,852
Minorities Interest:	3,973	4,932	5,831	7,136
Asset Revaluation:	-	-	-	-
FX Effect:	46	-	-	-
Total Equity:	96,711	119,234	146,157	177,285
Total Liabilities & Equity:	944,954	1,106,321	1,269,281	1,482,306

Profit and Loss

(VND bn)	2023	2024E	2025E	2026E
Net Interest income	38,684	48,517	56,980	68,511
Net Fee Income	4,085	4,946	5,818	6,821
Other Non-It	2,109	2,235	2,437	2,847
Total Non-It	6,194	7,181	8,256	9,668
TOI	44,878	55,699	65,236	78,179
Total expenses	(14,913)	(17,441)	(20,372)	(24,226)
PPOP:	29,965	38,257	44,864	53,953
Gross Provisions:	(6,087)	(7,693)	(8,655)	(9,506)
NPL Recoveries:	2,428	2,104	2,414	2,819
Net Provisions:	(3,659)	(5,589)	(6,241)	(6,687)
Pre-Tax Income	26,306	32,668	38,623	47,266
(-) Income Tax:	(5,252)	(6,534)	(7,725)	(9,453)
Net Income	21,054	26,134	30,899	37,813
(-) Minority Interest:	(377)	(468)	(553)	(677)
(-) Others	(1,168)	(1,450)	(1,714)	(2,098)
PATMI	19,509	24,217	28,631	35,038
Adjusted Diluted E	3,742	4,612	5,415	6,627

MBB's Key ratios

Financial Ratios	FY21A	FY22A	FY23	FY24E	FY25E	FY26E
GROWTH PROJECTIONS						
Net interest income	29%	37%	7%	25%	17%	20%
Fee Income	22%	-5%	-1%	21%	18%	17%
Other NII	70%	6%	-36%	6%	9%	17%
Operating costs	17%	20%	1%	17%	17%	19%
Gross Provision	31%	0%	-24%	26%	12%	10%
Preprovision profit	41%	34%	5%	28%	17%	20%
Adjusted Net profit	54%	38%	18%	24%	18%	22%
Assets	23%	20%	30%	17%	15%	17%
ASSET ANALYSIS						
Earning assets to total assets	95%	96%	97%	98%	98%	98%
Average Returns on Earnings Assets	2.27%	2.59%	2.41%	2.42%	2.46%	2.59%
LOAN ANALYSIS						
Loan growth (% YoY)	22%	27%	33%	18%	17%	17%
Net Loans to Interest Earnings Assets	62%	64%	65%	66%	67%	67%
DEPOSIT ANALYSIS						
Deposit growth (YoY %)	24%	15%	28%	17%	17%	17%
Deposits to Interest Bearing Liabilities	75%	73%	67%	67%	69%	70%
LIQUIDITY						
Pure LDR	92%	101%	106%	107%	107%	107%
ASSET QUALITY						
NPL (Category 3-5)	3,268	5,031	9,805	10,197	11,325	12,886
NPL ratio	0.90%	1.09%	1.60%	1.41%	1.34%	1.30%
General Provisions to Gross loans	0.71%	0.74%	0.71%	0.71%	0.71%	0.71%
Loan loss coverage ratio	268%	238%	117%	117%	117%	117%
SPREAD ANALYSIS						
Int. rate received on Average IEA	7.38%	8.24%	8.55%	7.55%	7.67%	7.88%
Int. rate paid on Average IBL	2.65%	2.95%	4.19%	2.94%	3.04%	3.13%
Interest rate spread	4.73%	5.29%	4.36%	4.62%	4.63%	4.76%
NIM	5.03%	5.66%	4.78%	4.86%	4.90%	5.07%
OTHER INCOME						
Fee income to total income	13%	10%	9%	9%	8.9%	8.7%
Other Non-It to total Income	9%	8%	5%	4%	3.7%	3.6%
OPERATING EFFICIENCY						
Cost to income ratio	34%	32%	32%	30%	30%	30%
Adj. Cost to income ratio	37%	34%	33%	31%	31.2%	31.0%
CREDIT COSTS						
Provisioning /Avg. Loans	2.43%	1.95%	1.14%	1.15%	1.10%	1.03%
PROFITABILITY						
Pre provision ROA	3.87%	4.29%	3.58%	3.73%	3.78%	3.92%
Pre provision ROE	37.8%	40.3%	34.0%	35.4%	33.8%	33.4%
ROAA	2.40%	2.72%	2.52%	2.55%	2.60%	2.75%
Adj. ROAE	22.0%	24.3%	23.1%	23.4%	22.5%	22.6%
Dividend payout ratio	0%	0%	14%	13%	11%	18%
Dividend Yield	0.0%	0.0%	2.0%	2.0%	2.0%	4.0%
VALUATIONS						
PER (x)	7.9x	6.8x	6.6x	5.4x	4.6x	3.7x
PBR (x)	1.6x	1.5x	1.4x	1.1x	0.9x	0.8x

Source: FiinPro, Yuanta Vietnam

Vietcombank [VCB VN]

2 April 2024

BUY

TP upside +12%

Close 1 Apr 2024

Current Price VND 95,200

12M Target VND 106,910

What's new?

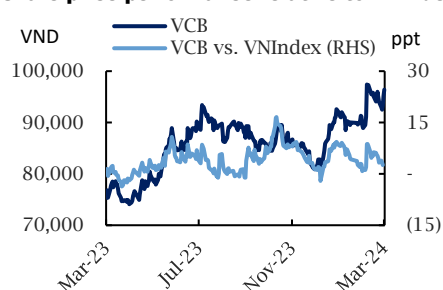
- ▶ We increase our TP by +8% on lower discount rate and valuation basis rollover to 2025.
- ▶ We maintain our credit growth forecast for 2024E at 16%.
- ▶ We expect provisioning to rise by +7% YoY for 2024E.
- ▶ We forecast earnings for 2024E of VND40 tn (+22% YoY).

Our view

- ▶ Solid balance sheet with low NPL ratio of 0.98% and sector-high LLR of 230%.
- ▶ Catalyst: a 6.5% stake sale plan could be a significant share price catalyst.
- ▶ Maintain BUY. We continue to view VCB as the highest quality bank.
- ▶ Risks: higher-than-expected NPL and higher-than-expected provisioning.

Company profile: VCB is Vietnam's premier bank, in our view. Its strong CASA deposit franchise and broad national footprint are core advantages in the increasingly competitive retail banking race. VCB's CAR was 11.6% in 2023, and the bank plans to increase its capital by selling a 6.5% stake to a strategic investor via private placement. The bank expects to complete the deal by the end of 2024 or early 2025.

Share price performance relative to VNIndex



Market cap	US\$21.7 bn
6M avg. daily turnover	US\$5.3 mn
Outstanding shares	5,589 mn
Free float	11%
FINI ownership	23.50%
Major shareholders	89.80%
2024E Asset/Equity (x)	10x
2024E P/E (x)	14.6x
2024E P/B (x)	2.6x
FOL Remaining Room	6.5%
2024E Dividend yield (%)	0.0%

Source: FiinPro-X, Yuanta Vietnam

Year to Dec	2023	2024E	2025E	2026E
NIM (%)	3.14%	3.30%	3.32%	3.32%
Fee growth (%)	-15%	37%	25%	24%
CIR	33%	33%	32%	31%
PPOP growth (%)	-3%	20%	18%	16%
Net income (VND bn)	33,033	40,148	47,294	54,935
ROAA	1.81%	2.04%	2.10%	2.14%
Adj. ROAE	20.0%	19.7%	19.1%	18.6%
PE (x)	17.7	14.6	12.4	10.6
PB (x)	3.2	2.6	2.2	1.8
Div. yield (%)	0.0%	0.0%	0.0%	1.0%

Source: FiinPro-X, Yuanta Vietnam

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Vietcombank [VCB VN]

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Stake sale is on the way

We maintain our credit growth assumption at 16% YoY for 2024E, given the expectation of an economic recovery, VCB's strong asset quality, and as a reward for restructuring a weak bank.

We expect funding cost to decrease in 2024 given lowered deposit rates and VCB's high CASA ratio of 35%. We forecast funding cost to decline by -50bps to 2.9% in 2024E; However, VCB might also reduce the loan yield to support borrowers and the economy. Thus, we expect NIM to increase slightly by +16bps YoY to reach 3.30% in 2024E.

Ceteris paribus, a +1ppt increase in CASA ratio would save VND785 bn (2% of 2023 PATMI) in interest expenses for VCB. (please see page 25)

We increase provisioning forecast by +7% YoY to VND4.9 tn in 2024E. However, given its sector-high LLR ratio of 230%, the bank has the flexibility to lower its provisioning to boost its earnings if they choose to do so.

We forecast 2024E PATMI to reach VND40 tn (+22% YoY). Our 2024E PATMI forecast is in line with the consensus for 2024E, but we think our provisioning assumption is lower than the street given VCB's sector-high LLR ratio.

VCB merits a valuation premium. VCB has the cheapest funding cost in the sector, backed by its strong deposit franchise. This is a competitive advantage vs. peers. VCB now trades at 2.5x 2024E P/BV. Our new target price implies 12-month TSR of 12%, and we maintain BUY given the upside catalyst from the stake sale.

Catalyst: A 6.5% stake selling to foreign investors could be a strong catalyst for share price. Assuming that VCB will sell at a 2024E P/B of 2.8x, and VCB's CAR will improve by +2.8ppt to 14%. (please see page 27)

Key risks: A key downside risk to our forecast is the higher NPL ratio and higher provisioning cost than we assume. On the other hand, a possible successful private placement would increase the bank's capital and spur higher asset growth.

VCB VN_Company Update

Valuations

Valuation Ratios	2021A	2022A	2023	2024E	2025E	2026E
PER (x)	23.2	16.6	17.7	14.6	12.4	10.6
PEG	1.2	0.4	(2.7)	0.7	0.7	0.7
ROAA (%)	1.61%	1.85%	1.81%	2.04%	2.10%	2.14%
ROAE (%)	19.4%	22.5%	20.0%	19.7%	19.1%	18.6%
PBR (x)	4.2	3.4	3.2	2.6	2.2	1.8
Dividend Yield (%)	0.4%	0.7%	0.0%	0.0%	0.0%	1.0%

Source: FiinPro-X, Yuanta Vietnam

We maintain our loan growth forecast for VCB at 16% YoY 2024E, given the expectation of an economic recovery, VCB's strong asset quality, and as a reward from the SBV for restructuring a weak bank.

Below is the sensitivity analysis of the impact of loan growth to net income.

Ceteris paribus, a +1ppt change in loan growth will lead to a 0.3% change in net income.

Sensitivity analysis	-3ppt	-2ppt	-1ppt	Base	+1ppt	+2ppt	+3ppt
2024E Loan growth	13%	14%	15%	16%	17%	18%	19%
2024E Net Income	39,826	39,933	40,040	40,148	40,255	40,362	40,469
(+/-) % vs. Base Case	-0.8%	-0.5%	-0.3%		0.3%	0.5%	0.8%

Source: Yuanta Vietnam

VCB has the highest CASA deposits among Vietnam banks with VND491 tn, representing 22% of CASA market share of the 27 listed banks as at 4Q23.

VCB's CASA ratio was the third highest in the sector at 35% in 4Q23. We believe that the CASA ratio will improve in 2024E, as term deposits are less attractive due to lower deposit rates.

Below is the sensitivity analysis of the impact of CASA ratio to net income.

Ceteris paribus, a 1ppt increase in CASA ratio will help VCB save VND785 bn in interest expenses (equivalent to 2% of 2023 PATMI).

Sensitivity analysis	-3ppt	-2ppt	-1ppt	Base	+1ppt	+2ppt	+3ppt
Change in CASA ratio (2023)	32%	33%	34%	35%	36%	37%	38%
Change in deposit rate (%)	3.92%	3.86%	3.80%	3.75%	3.69%	3.64%	3.58%
(+/-) % vs. Base Case	17bps	11bps	6bps		-6bps	-11bps	-17bps
Change in interest paid on deposits (VND bn)	2,356	1,571	785	-	(785)	(1,571)	(2,356)
(+/-) % vs. Base Case	5%	3%	2%		-2%	-3%	-5%

Source: Yuanta Vietnam

Provisioning. We think that VCB will stick with its prudent approach by maintaining high provisioning levels to weather against any possible asset quality deterioration in 2024. Thus, we forecast credit costs to increase slightly by +7% in 2024E after the bank slashed provisioning expense by -52% YoY in 2023.

However, VCB with low NPL of 0.98% ratio and the sector high LLR ratio of 230% as at 4Q23 will have the flexibility to further reduce its provisioning expenses in 2024E if they choose to do so.

If the bank decides to further cut the provisioning in 2023, it will constitute an upside side to our forecast.

Below is the sensitivity analysis of the impact of provisioning to net income.

Ceteris paribus, a 10% decrease in provisioning will lead to a 1% increase in net income for VCB.

Sensitivity analysis	30%	20%	10%	Base	-10%	-20%	-30%
2024E Provisioning	(6,379)	(5,888)	(5,398)	(4,907)	(4,416)	(3,926)	(3,435)
2024E Net Income	38,971	39,363	39,755	40,148	40,540	40,932	41,325
(+/-) % vs. Base Case	-2.9%	-2.0%	-1.0%		1.0%	2.0%	2.9%

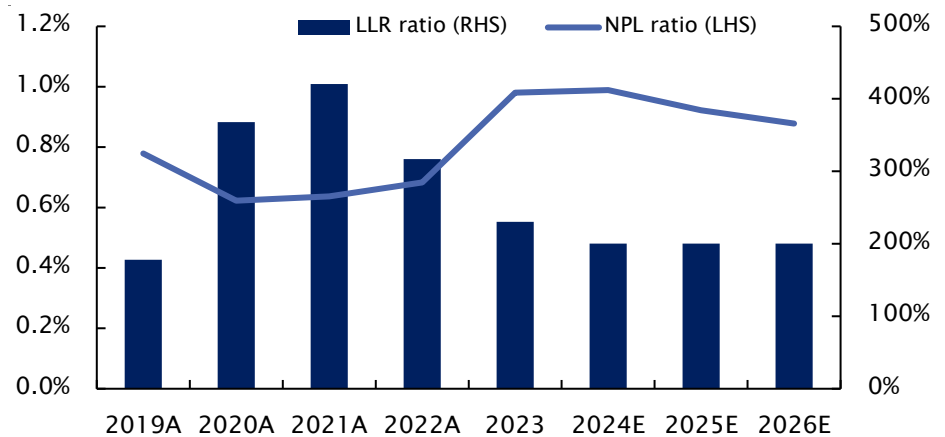
Source: Yuanta Vietnam

Asset quality remains the best among Vietnam banks

We continue to view VCB as the highest quality bank in Vietnam. VCB's NPL ratio is very low at 0.98%, and its loan loss reserve (LLR) ratio is the highest in the sector at 230% as at 4Q23. We anticipate VCB to continue to follow its prudent risk management approach by maintaining its high loan loss reserve ratio of 200% in 2024E.

VCB has low exposure to corporate bonds with 0.6% of assets as at 4Q23.

Figure 1: VCB's NPL and LLR ratios



Source: FiinPro-X, Yuanta Vietnam

VCB's Operating Return on Asset (OROA) Analysis

Year	2019A	2020A	2021A	2022A	2023	2024E	2025E	2026E
NIM	3.15%	2.99%	3.21%	3.52%	3.14%	3.30%	3.32%	3.32%
Net interest income to adj. TOI	81.0%	76.8%	77.9%	80.6%	81.9%	80.7%	80.1%	79.5%
Cost to income	37.2%	33.9%	32.6%	32.2%	33.5%	32.6%	31.9%	31.4%
PPOP/Assets	2.33%	2.45%	2.67%	2.77%	2.38%	2.64%	2.72%	2.77%
Provisions to Assets	0.58%	0.78%	0.84%	0.59%	0.25%	0.25%	0.25%	0.25%
Operating Return on Assets (OROA)	1.86%	1.79%	1.94%	2.38%	2.30%	2.50%	2.57%	2.62%
Leverage (x)	15.1	14.1	13.0	13.4	10.9	10.2	9.6	9.3
Operating Return on Equity (OROE)	28.2%	25.3%	25.2%	31.8%	25.1%	25.5%	24.7%	24.3%

Source: FiinPro, Yuanta Vietnam

Analyzing the impact of the 6.5% stake sale to VCB's CAR

Assuming that VCB can sell at a P/B of 2.8x, VCB will collect a total of about VND37.6 tn (USD1.5 bn) (comprising VND3.6 tn in charter capital and VND34 tn in share premium).

Based on the latest disclosed data on Tier 1, CAR, and risk weighted assets (RWA) as of Jun 30, 23, we estimate that VCB's CAR will improve by +2.8ppt to 14% post deal.

The table below illustrates the various share issuance prices and the corresponding impacts to CAR.

Issuing price Scenarios	Unit	96,400	100,093	103,787	107,480	111,173
P/BV	x	2.6x	2.7x	2.8x	2.9x	3.0x
Current Charter Capital	VND bn	55,891	55,891	55,891	55,891	55,891
New issuing shares	mn shares	363	363	363	363	363
Additional Charter Capital	VND bn	3,633	3,633	3,633	3,633	3,633
Total Charter Capital	VND bn	59,524	59,524	59,524	59,524	59,524
Share Premium	VND bn	31,388	32,730	34,072	35,414	36,756
Charter Capital + share premium	VND bn	90,913	92,254	93,596	94,938	96,280
Current Tier 1 capital	VND bn	137,545	137,545	137,545	137,545	137,545
Tier 1 capital after raising capital	VND bn	172,567	173,909	175,250	176,592	177,934
Tier 2 capital	VND bn	12,443	12,443	12,443	12,443	12,443
RWA (30/6/23)	VND bn	1,337,991	1,337,991	1,337,991	1,337,991	1,337,991
Tier 1 ratio before raising capital	%	10.28%	10.3%	10.3%	10.3%	10.3%
Tier 1 ratio after raising capital	%	12.9%	13.0%	13.1%	13.2%	13.3%
CAR before raising capital	%	11.21%	11.2%	11.2%	11.2%	11.2%
CAR after raising capital	%	13.8%	13.9%	14.0%	14.1%	14.2%

Source: Company data, Yuanta Vietnam

Valuation

We reduced our discount rate by -1.1 ppt to 13.3%, primarily due to the reduced risk-free rate in line with falling SOE 12-month term deposit rates. We also roll forward our valuation basis to 2025. As a result, our target price increases by +8% to VND106,910, implying 12-month TSR of 12% and a 2024E P/BV of 2.9x. VCB trades at 2024E P/BV at 2.5x, which is far above the sector median. However, VCB's P/BV is still slightly below its historical mean level, as illustrated in the figure below.

We believe that VCB merits a premium over its peers given its dominant market position, with the highest asset quality and the cheapest COF among banks.

Figure 2: VCB still trades slightly below its historical mean



Source: Bloomberg, Yuanta Vietnam

Sensitivity table of Residual Income Approach: ROE vs. Cost of equity

ROE	COE						
	12.0%	12.5%	13.0%	13.3%	13.8%	14.3%	14.8%
15.5%	186,185	155,660	131,928	121,969	104,992	91,107	79,586
15.0%	178,306	149,135	126,450	116,928	100,691	87,406	76,379
14.5%	170,461	142,639	120,995	111,908	96,408	83,720	73,185
14.0%	162,650	136,171	115,564	106,910	92,143	80,051	70,005
13.5%	154,873	129,731	110,157	101,933	87,897	76,398	66,839
13.0%	147,130	123,320	104,773	96,979	83,670	72,760	63,686
12.5%	139,422	116,936	99,413	92,046	79,461	69,138	60,547

Source: Yuanta Vietnam

VCB's Financial Statements

Balance Sheet

(VND bn)	2023	2024E	2025E	2026E
Cash & Balances at SBV	72,609	67,292	76,533	86,507
Loans to banks	335,616	385,051	437,933	495,003
Investment securities	148,275	170,116	193,479	218,692
Invest. Associates	2,225	2,553	2,903	3,282
Gross Loans:	1,270,359	1,469,694	1,687,819	1,927,000
(-) Specific Provisions:	(19,314)	(18,244)	(18,698)	(19,638)
(-) General Provisions:	(9,370)	(10,870)	(12,483)	(14,252)
Total provisions:	(28,684)	(29,113)	(31,181)	(33,889)
Net Loans:	1,241,675	1,440,580	1,656,638	1,893,110
Fixed Tangible asset:	5,116	5,317	5,527	5,745
Intangible Assets:	2,593	2,593	2,593	2,593
Real estate investment	0	0	0	0
Accrued interests:	9,200	9,200	9,200	9,200
Deferred tax:	848	848	848	848
Other Assets:	21,065	21,065	21,065	21,065
Total Assets:	1,839,223	2,104,615	2,406,720	2,736,046
Deposits:	1,395,695	1,601,273	1,821,188	2,058,519
Due to SBV:	1,671	1,933	2,220	2,534
Due to Banks:	213,842	203,306	182,845	150,946
Subordinated notes	19,913	19,913	19,913	19,913
Other Liabilities:	39,560	71,650	130,416	208,944
Total Liabilities:	1,670,680	1,898,075	2,156,581	2,440,855
Capital & Premium:	61,696	61,696	61,696	61,696
Reserves:	22,562	22,562	22,562	22,562
Treasury Shares	-	-	-	-
Retained Earnings:	85,174	122,167	165,746	210,775
Minorities Interest:	94	114	135	156
Asset Revaluation:	-	-	-	-
FX Effect:	(983)	-	-	-
Total Equity:	168,543	206,540	250,139	295,190
Total Liabilities & Equity:	1,839,223	2,104,615	2,406,720	2,736,046

Profit and Loss

(VND bn)	2023	2024E	2025E	2026E
Net Interest Income	53,621	62,386	72,226	82,473
Net Fee Income	5,780	7,927	9,924	12,264
Other Non-It	6,051	6,972	7,973	9,064
Total Non-It	11,830	14,898	17,896	21,328
TOI	65,451	77,284	90,122	103,801
Total expenses	(21,915)	(25,199)	(28,794)	(32,594)
PPOP:	43,536	52,085	61,328	71,208
Gross Provisions:	(4,565)	(4,907)	(5,648)	(6,446)
NPL Recoveries:	2,272	3,039	3,475	3,951
Net Provisions:	(2,293)	(1,868)	(2,173)	(2,495)
Pre-Tax Income	41,244	50,217	59,156	68,712
(-) Income Tax:	(8,189)	(10,043)	(11,831)	(13,742)
Net Income	33,054	40,173	47,325	54,970
(-) Minority Intere	(21)	(26)	(30)	(35)
(-) Others	(2,595)	(3,154)	(3,716)	(4,316)
Adj. Net Income	30,438	36,993	43,578	50,619
Adjusted Diluted I	5,446	6,619	7,797	9,057

VCB's Key ratios

Financial Ratios	FY21A	FY22A	FY23	FY24E	FY25E	FY26E
GROWTH PROJECTIONS						
Net interest income	16%	26%	1%	16%	16%	14%
Fee Income	12%	-8%	-15%	37%	25%	24%
Other NII	4%	30%	2%	15%	14%	14%
Operating costs	10%	20%	3%	15%	14%	13%
Gross Provision	15%	-18%	-52%	7%	15%	14%
Preprovision profit	17%	22%	-3%	20%	18%	16%
Adjusted Net profit	19%	36%	10%	22%	18%	16%
Assets	7%	28%	1%	14%	14%	14%
ASSET ANALYSIS						
Earning assets to total assets	96%	91%	96%	96%	96%	97%
Average Returns on Earnings /	1.50%	1.82%	1.78%	1.96%	2.00%	2.04%
LOAN ANALYSIS						
Net Loan growth (% YoY)	14%	20%	11%	16%	15%	14%
Net Loans to Interest Earnings	69%	68%	71%	71%	71%	72%
DEPOSIT ANALYSIS						
Deposit growth (YoY %)	10%	10%	12%	15%	14%	13%
Deposits to Interest Bearing L	89%	79%	86%	88%	90%	92%
LIQUIDITY						
Pure LDR	82%	90%	89%	90%	91%	92%
ASSET QUALITY						
NPL (Category 3-5)	6,121	7,820	12,455	14,535	15,567	16,920
NPL ratio	0.64%	0.68%	0.98%	0.99%	0.92%	0.88%
General Provisions to Gross lo	0.73%	0.74%	0.74%	0.74%	0.74%	0.74%
LLR	421%	317%	230%	200%	200%	200%
SPREAD ANALYSIS						
Int. rate received on Average	5.37%	5.83%	6.33%	5.91%	6.18%	6.38%
Int. rate paid on Average IBL	2.30%	2.45%	3.41%	2.86%	3.23%	3.57%
Interest rate spread	3.07%	3.38%	2.93%	3.05%	2.95%	2.81%
NIM	3.21%	3.52%	3.14%	3.30%	3.32%	3.32%
OTHER INCOME						
Fee income to total income	14%	10%	9%	10%	11.0%	11.8%
Other Non Interest income to	8%	9%	9%	9%	8.8%	8.7%
OPERATING EFFICIENCY						
CIR	31%	31%	32%	31%	31%	30%
Adj. CIR	33%	32%	33%	33%	32%	31%
CREDIT COSTS						
Provision/avg. assets	0.84%	0.59%	0.25%	0.25%	0.25%	0.25%
PROFITABILITY						
Pre provision ROA	2.67%	2.77%	2.38%	2.64%	2.72%	2.77%
Pre provision ROE	36.0%	36.6%	28.6%	27.8%	26.9%	26.1%
ROAA	1.61%	1.85%	1.81%	2.04%	2.10%	2.14%
Adj. ROAE	19.4%	22.5%	20.0%	19.7%	19.1%	18.6%
Dividend payout ratio	12%	17%	0%	0%	0%	13%
Dividend Yield	0.4%	0.8%	0.0%	0.0%	0.0%	1.1%
VALUATIONS						
PER (x)	22.3x	16.0x	17.1x	14.0x	11.9x	10.3x
PBR (x)	4.0x	3.2x	3.1x	2.5x	2.1x	1.8x

Source: FiinPro-X, Yuanta Vietnam

VPBank [VPB VN]

2 April 2024

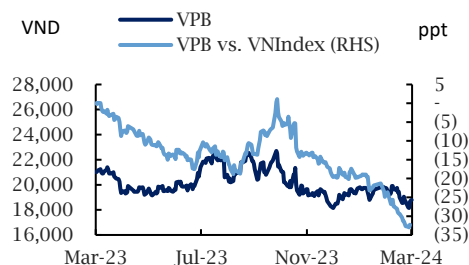
BUY**TP upside** +19%**Close 1 Apr 2024****Current Price** VND 19,650**12M Target** VND 23,400**What's new?**

- ▶ We reduced our target price by –8% as we cut our earnings forecast by –30% for 2024E vs. our previous forecast. Admittedly, we were too optimistic in our previous assumption.
- ▶ But our 2024E PATMI still represents an increase of 50% YoY off the low base in 2023.

Our view

- ▶ High credit growth of 26% given its strong capital level of 17% and a reward for restructuring a weak bank.
- ▶ Potential FE Credit recovery (see p.30)
- ▶ NIM to recover given improved CASA and increased loans from FE Credit.
- ▶ Risks: higher-than-expected NPLs and prolonged crisis at FE Credit.

Company profile: VPB is a solid bank with strong capital and a capable management team. In Apr 2021, VPB sold 49% of FE Credit, its unsecured consumer finance subsidiary, to Sumitomo Mitsui. In 2022, VPB bought 97.4% of VPBank Securities. VPB sold 15% of its charter capital to Sumitomo Mitsui via private placement in 2023. CAR (post private placement) is 17%.

Share price performance relative to VNIndex

Market cap	US\$6.0 bn
6M avg. daily turnover	US\$13.1 mn
Outstanding shares	7,934 mn
Free float	60%
FINI ownership	27.60%
Major shareholders	46.60%
2024E Asset/equity (x)	6.5x
2024E P/E (x)	9.9x
2024E P/B (x)	1.0x
FOL room	2.4%
2024E Dividend yield (%)	5.3%

Source: FiinPro-X, Yuanta Vietnam

Year to Dec	2023	2024E	2025E	2026E
NIM (%)	5.67%	5.88%	5.96%	6.08%
Fee growth (%)	10%	25%	23%	21%
CIR	31%	29%	28%	27%
PPOP growth (%)	-22%	34%	23%	22%
Net income (VND bn)	10,053	15,111	19,639	24,623
ROAA	1.19%	1.75%	1.95%	2.12%
Adj. ROAE	8.3%	10.5%	12.7%	14.5%
PE (x)	13.0	9.9	7.6	6.1
PB (x)	1.1	1.0	1.0	0.9
Div. yield (%)	5.3%	5.3%	5.3%	6.4%

Source: FiinPro-X, Yuanta Vietnam

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tanh.tran@yuanta.com.vn**Bloomberg code:** YUTA**VPBank [VPB VN]**[Back to top](#)**FE Credit recovery to reduce burden on VPB**

We maintain our 2024E loan growth forecast at 26% YoY, given VPB's strong CAR of 17% and a reward for its restructuring a troubled bank.

We expect VPB's funding cost to decrease by –2.1ppt 4.5% in 2024E. We expect VPB's CASA ratio to increase by +1ppt to 18% in 2024, given less attractive term deposits. We forecast NIM to reach 5.88% (+21bps YoY) in 2024E buoyed by increased CASA and the expectation of FE Credit recovery.

We reduced our provisioning by –15% versus our previous forecast for 2024E given our expectation of FE Credit's recovery. Despite this reduction, our 2024E forecast still presents a +14% YoY increase. FE Credit's earnings turned positive in 2H23, and we expect it to continue to improve in 2024 (please see p. 42 for details), which reduces provisioning pressure for VPB. However, VPB's LLR ratio was relatively low at 52%, which justifies our projection for a +14% YoY increase in provisioning for 2024E. *Ceteris paribus, a 10% reduction in provisioning would lead to a 15% increase in net income (see p.32).*

We forecast PATMI to reach VND15 tn in 2024E, implying a growth of +50% YoY given low base in 2023.

VPB's exposure to corporate bonds declined to 4.3% of its total assets (–70bps QoQ) compared to the peak level of 7.0% in 2Q22. Specifically, VPB's exposure to Novaland (NVL) represents 1.0% of its assets (*please see p. 32 for sensitivity analysis on VPB's exposure to NVL*).

Yuanta vs. the consensus. Our 2024E earnings are in line with the consensus, but our loan growth forecast is probably higher than the street's estimate.

Valuation is cheap. VPB trades at 1.0x 2024E P/B, which is slightly lower than the sector median of 1.1x. Our new target price implies a 12-month TSR of 24% and 2024 P/B of 1.3x, which is still lower than our P/B forecast for ACB and MBB, which stand at 1.5x. We maintain BUY on VPB.

Risks: Higher-than-expected NPLs, lower-than-expected credit growth, and prolonged crisis at FE Credit. Investors should monitor these factors closely as they could adversely impact VPB's valuation.

VPB VN_Company Update

Valuations

Valuation Ratios	2021A	2022A	2023	2024E	2025E	2026E
PER (x)	10.7	6.9	13.0	9.9	7.6	6.1
PEG	(0.2)	0.1	(0.3)	0.3	0.3	0.2
ROAA (%)	2.38%	2.87%	1.19%	1.75%	1.95%	2.12%
ROAE (%)	16.9%	19.1%	8.3%	10.5%	12.7%	14.5%
PBR (x)	1.6	1.3	1.1	1.0	1.0	0.9
Dividend Yield (%)	0.0%	0.0%	5.3%	5.3%	5.3%	6.4%

Source: FiinPro-X, Yuanta Vietnam

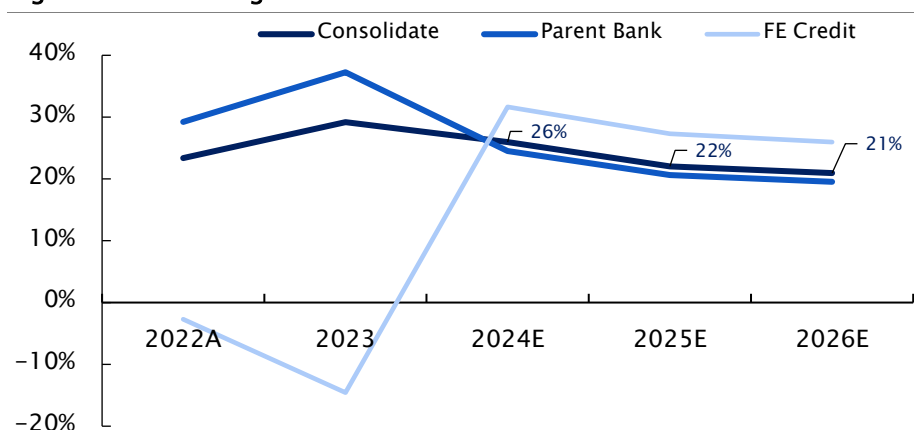
Our loan growth forecast for VPB remains at 26% YoY for 2024E, buoyed by its robust capital level boasting a CAR of 17% and a reward for its involvement in restructuring a weak bank. We expect loans at FE Credit to recover in 2024.

Despite a decline of -14.6% YoY in 2023, in our calculation, there were signs of improvement in 4Q23 with a mere decrease of -0.4% QoQ compared to significant declines in previous quarters (-5.5% QoQ in 3Q23 and -11% QoQ in 1Q23). This indicates a potential rebound in 2024 for FE Credit.

VPB will focus towards catering more FDI clients in 2024 following its strategic partnership with Japanese shareholder SMBC. We expect workers at those FDI companies will be potential clients of both VPBank and FE Credit. FDI inflows have been significant, with total registered FDI capital amounting to USD36.6 bn (+32.1% YoY) and disbursed FDI capital reaching USD23.2 bn (+3.5% YoY) which is 63.3% of the total registered FDI capital. In the first 2M24, total disbursed FDI capital achieved USD2.8 bn (+9.8% YoY).

We expect consolidated loan growth of 26% YoY for 2024, mostly fueled by the parent bank with a forecasted loan growth of 25% YoY. We also expect a recovery in FE Credit loan growth with 32% YoY off a low base in 2023. Currently, parent bank contributes 88% to the consolidated loans, while FE Credit accounts for only 11% (versus 17% in 2022), and the remainder is from VPBank Securities. We project FE Credit's contribution to the consolidated loans to increase by +1 ppt to 12% in 2024.

Figure 1: VPB's loan growth



Source: FiinPro-X, Yuanta Vietnam

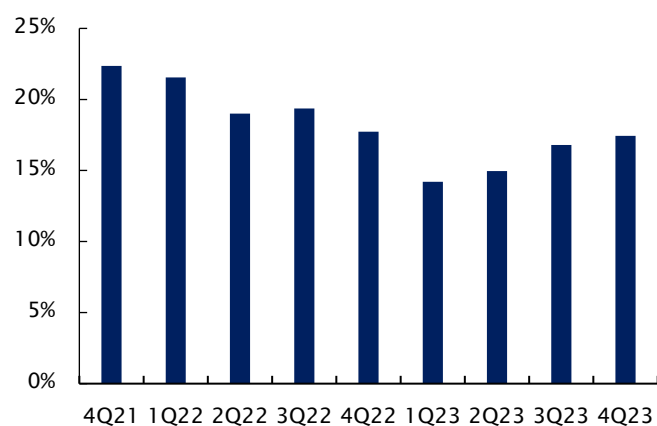
Below is the sensitivity analysis of the impact of loan growth to net income.

Sensitivity analysis	-3ppt	-2ppt	-1ppt	Base	+1ppt	+2ppt	+3ppt
2024E Loan growth	23%	24%	25%	26%	27%	28%	29%
2024E Net Income	14,951	15,004	15,058	15,111	15,165	15,219	15,272
(+/-) % vs. Base Case	-1.1%	-0.7%	-0.4%		0.4%	0.7%	1.1%

Source: Yuanta Vietnam

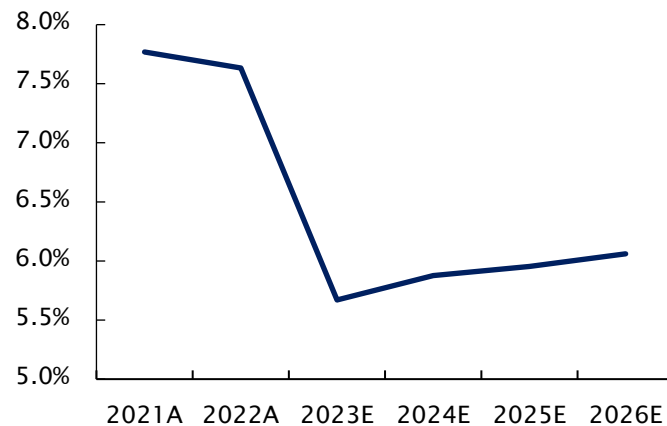
NIM improved thanks to lower funding cost. Total CASA deposits jumped by +43% YoY in 2023, and CASA ratio has been on an uptrend since 2Q23. We expect VPB's CASA ratio to increase by +1ppt to 18% in 2024, given less attractive term deposits. VPB's 12-month deposit rate is only about 4.3%. We forecast VPB's funding cost to decrease by -2.1ppt YoY to 4.5% in 2024E. Also, NIM will improve given our anticipation of FE Credit's recovery in 2024. We anticipate NIM to reach 5.88% (+21bps YoY) in 2024E.

Figure 2: VPB's CASA ratio has recovered



Source: Company Data, Yuanta Vietnam

Figure 3: VPB's NIM



Source: FiinPro-X, Yuanta Vietnam

Below is the sensitivity analysis of the impact of CASA ratio to net income. Ceteris paribus, a 1ppt increase in CASA ratio will help VPB save VND285 bn in interest expenses (equivalent to 3% of 2023 PATMI).

Sensitivity analysis	-3ppt	-2ppt	-1ppt	Base	+1ppt	+2ppt	+3ppt
Change in CASA ratio (2023)	14%	15%	16%	17%	18%	19%	20%
Change in deposit rate (%)	6.09%	6.02%	5.96%	5.89%	5.83%	5.76%	5.70%
(+/-) % vs. Base Case	0.19%	0.13%	0.06%		-0.06%	-0.13%	-0.19%
Change in interest paid on deposits (VND bn)	856	571	285	-	(285)	(571)	(856)
(+/-) % vs. Base Case	3%	2%	1%		-1%	-2%	-3%

Source: Yuanta Vietnam

We expect provisioning to reach VND28 tn (+14% YoY) in 2024E.

Provisioning pressure will be lower in 2024E given the expectation of FE Credit recovery. FE Credit recorded a positive profit in 3Q23 and 4Q23 after experiencing a loss from 2022.

However, asset quality is still in focus. VPB's LLR coverage was low at just 52% (-2.7ppt YoY), and NPL ratio was 5.01% (-73bps YoY) in 4Q23. VPB's NPL ratio is among the highest in the sector, mostly due to its high exposure to unsecured consumer finance business. VPB owns 50% of FE Credit.

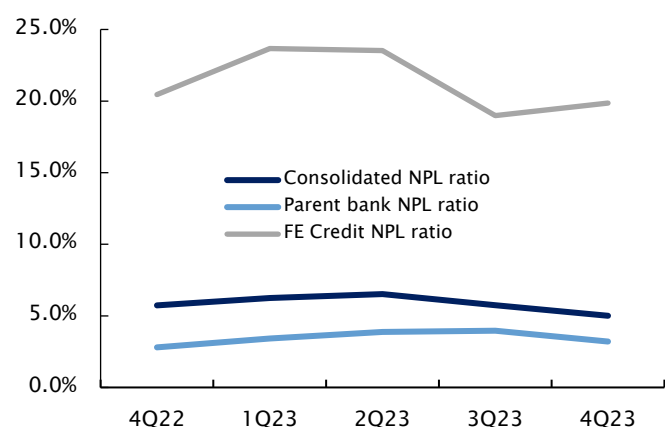
High NPLs are normal given VPB's large unsecured consumer finance business, which offsets higher credit costs by providing higher NIM, and thus should be profitable through the cycle. The NPL ratio at FE Credit was 20% as at 4Q23, in our calculation based on VPB's financial statements of both consolidated and parent bank financial. However, FE Credit's NPL ratio has been trending down since 1Q23 (see figure 4 below).

The NPL ratio at the parent bank, which does not consolidate FE Credit, was also high at 3.20% (+15bps QoQ/+84bps YoY). This is among the highest reported NPL ratios in the sector.

Overall, we expect the recovery of FE Credit is on the way, which should help reduce provisioning pressure for VPB. However, we still pencil in a 14% YoY increase in provisioning for VPB in 2024E given its high NPL and low LLR ratios.

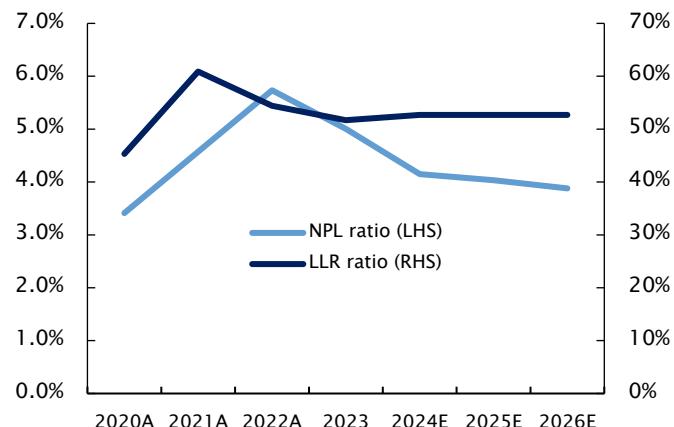
Even if the bank chooses not to follow this policy, we believe it is prudent to build in increased provisioning assumptions when valuing VPB.

Figure 4: NPL ratio at FE has trending down



Source: Company Data, Yuanta Vietnam

Figure 5: VPB's consolidated NPL and LLR ratios



Source: FiinPro-X, Yuanta Vietnam

Below is the sensitivity analysis of the impact of provisioning to net income.

Ceteris paribus, a 10% change in provisioning will cause a 15% change in net income in the opposite direction.

Sensitivity analysis	30%	20%	10%	Base	-10%	-20%	-30%
2024E Provisioning	(36,930)	(34,089)	(31,248)	(28,408)	(25,567)	(22,726)	(19,885)
2024E Net Income	8,498	10,703	12,907	15,111	17,316	19,520	21,725
(+/-) % vs. Base Case	-44%	-29%	-15%		15%	29%	44%

Source: Yuanta Vietnam

Moreover, VPB's exposure to corporate bonds (4.3% of total assets, -70bps QoQ) was the third highest in the sector in 4Q23. However, this has declined from the peak of 7.0% in 2Q22.

According to NVL's 4Q23 financial statements, VPB's total exposure to NVL was VND8.2 tn, representing 1.0% of VPB's total assets as at 4Q23. Of which, VND7.0 is corporate bonds and VND1.2 tn is loans.

Sensitivities of provisioning/earnings to VPB's exposure to Novaland

In an extreme worst-case scenario (which we do not think will occur), the loss of 100% of VPB's credit to NVL in 2024E would result in full-year provisioning coming in +30% above our forecast and PATMI coming in -40% below our forecast, with ROE falling from 11% in our base case to 6%.

Total exposure to NVL as at 4Q23 (VND bn)	8,212				
Assumption on % default out of total exposure to NVL	20%	40%	60%	80%	100%
Provisioning (base case) (VND bn)	(28,408)	(28,408)	(28,408)	(28,408)	(28,408)
Additional provisioning related to NVL (VND bn)	(1,642)	(3,285)	(4,927)	(6,570)	(8,212)
Total provisioning (downside case) (VND bn)	(30,050)	(31,692)	(33,335)	(34,977)	(36,620)

Impact on VPB's earnings

2024E Net income (base case) (VND bn)	15,111				
2024E Net income (downside case) (VND bn)	13,837	12,562	11,288	10,013	8,739
vs. base case	-8%	-17%	-25%	-34%	-42%

Impact on VPB's ROE

ROE (base case) (%)	10.5%				
ROE (downside case) (%)	9.7%	8.8%	8.0%	7.1%	6.3%
vs. base case	-80bps	-1.7ppt	-2.5ppt	-3.4ppt	-4.2ppt

Source: Novaland's 4Q23 financial statements, Yuanta Vietnam

VPB's Operating Return on Asset (OROA) Analysis

Year	2019A	2020A	2021A	2022A	2023	2024E	2025E	2026E
NIM	9.55%	8.79%	7.77%	7.63%	5.67%	5.88%	5.96%	6.08%
Net interest income to adj. TOI	88.9%	87.6%	83.8%	75.9%	84.6%	84.4%	84.1%	84.1%
Cost to income	35.8%	30.9%	26.1%	26.1%	30.8%	28.9%	28.0%	27.4%
PPOP/Assets	6.32%	6.41%	6.27%	6.78%	4.31%	4.68%	4.88%	5.08%
Provisions to Assets	3.91%	3.67%	3.98%	3.81%	3.43%	3.19%	3.13%	3.12%
Operating Return on Assets (OROA)	2.98%	3.26%	2.87%	3.62%	1.20%	1.76%	1.97%	2.13%
Leverage (x)	8.9	7.9	6.3	6.1	5.8	6.5	6.9	7.3
Operating Return on Equity (OROE)	26.7%	25.9%	18.2%	22.1%	7.0%	11.5%	13.8%	15.7%

Source: FiinPro, Yuanta Vietnam

Valuation

We reduce our discount rate by -60bps to 14.6% primarily due to a lowered risk-free rate, and we roll forward our valuation basis to 2025. However, we reduce our earnings forecast by -30% compared to our previous forecast for 2024E. Admittedly, we were too optimistic in our earnings forecast for 2023, but the actual 2023 result was -39% below our forecast.

Overall, we cut our target price by -8% to VND23,400, implying 12-month TSR of 24% and 2024E P/BV of 1.3x.

Figure 6: VPB trades at -1std below the mean level.

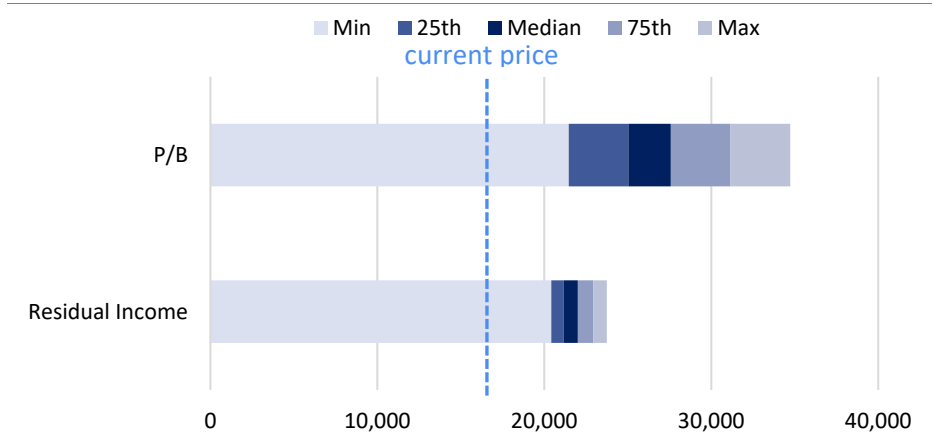


Source: Bloomberg, Yuanta Vietnam

Valuation Methods	Estimated Value	Weight (%)	Weighted value
Residual Income	22,008	75.0%	16,506
Comparable PB	27,580	25.0%	6,895
Estimated Fair Value			23,401

Source: Yuanta Vietnam

Figure 7: VPB's Valuation Graph



Source: Yuanta Vietnam

Sensitivity table of Residual Income Approach: ROE vs. Cost of equity

		COE						
		13.0%	13.5%	14.0%	14.6%	15.1%	15.6%	16.1%
ROE	7%	23,586	22,902	22,241	21,477	20,862	20,268	19,693
	8%	23,740	23,056	22,394	21,629	21,014	20,419	19,843
	9%	23,895	23,210	22,547	21,781	21,165	20,570	19,993
	10%	24,125	23,439	22,776	22,008	21,392	20,795	20,218
	11%	24,279	23,593	22,929	22,160	21,543	20,946	20,368
	12%	24,434	23,746	23,082	22,313	21,695	21,097	20,518
	13%	24,588	23,900	23,234	22,465	21,846	21,247	20,668

Source: Yuanta Vietnam

VPB's Financial Statements

Balance Sheet

	2023	2024E	2025E	2026E
Cash	2,285	2,863	3,546	4,353
Loans and Advances to Banks:	94,094	90,185	91,101	86,546
Investment Securities:	106,913	111,791	124,725	136,246
Others:	1,011	1,267	1,569	1,926
Gross Loans:	566,271	713,277	870,453	1,052,788
(-) Specific Provisions:	(10,495)	(11,217)	(14,768)	(19,409)
(-) General Provisions:	(4,154)	(5,334)	(6,509)	(7,872)
Total provisions:	(14,649)	(16,551)	(21,277)	(27,281)
Net Loans:	551,622	696,726	849,175	1,025,507
Property, Plant and Equipment (PP&E):	1,298	1,298	1,298	1,298
Intangible Assets:	626	626	626	626
Real estate investment	0	0	0	0
Accrued interests:	8,976	8,079	7,271	6,544
Deferred tax:	1,264	1,264	1,264	1,264
Other Assets:	41,188	38,968	36,867	34,880
Total Assets:	817,700	963,620	1,130,512	1,315,232
Deposits:	442,368	554,288	686,494	842,669
Due to SBV:&*Banks	160,475	160,475	160,475	160,475
Subordinated Notes:	47,787	47,787	47,787	47,787
Other Liabilities:	27,100	52,936	73,972	85,237
Total Liabilities:	677,753	815,588	968,852	1,136,318
Share Capital & Share Premium:	103,332	103,332	103,332	103,332
Reserves:	12,233	12,233	12,233	12,233
Treasury Shares	-	-	-	-
Retained Earnings:	19,149	26,326	38,032	53,133
Asset Revaluation:	-	-	-	-
FX Effect:	-	-	-	-
Minorities Interest:	5,232	6,140	8,063	10,215
Total Equity	139,947	148,031	161,659	178,914
Total Liabilities & Equity:	817,700	963,620	1,130,512	1,315,232

Profit and Loss

	2023	2024E	2025E	2026E
Total Net Interest Income:	38,175	49,526	59,747	71,882
Net Fee Income	7,096	8,884	10,965	13,293
Other non-ll	(173)	252	296	344
Total non-ll	6,923	9,136	11,261	13,637
Adj. TOI	45,098	58,662	71,008	85,519
Total expenses	(13,912)	(16,961)	(19,904)	(23,405)
Adj. PPOP	31,186	41,701	51,104	62,114
Gross Provisions:	(24,844)	(28,408)	(32,782)	(38,151)
Net other Incomes:	4,646	6,180	7,250	8,435
Net Provisions:	(20,199)	(22,228)	(25,532)	(29,716)
Pre-Tax Income:	10,987	19,473	25,572	32,398
(-) Income Taxes:	(2,346)	(3,895)	(5,114)	(6,480)
Net Income	8,641	15,579	20,457	25,918
(-) Minorities Interest:	1,412	(467)	(818)	(1,296)
(-) Others:	-	-	-	-
PATMI	10,053	15,111	19,639	24,623
Adjusted EPS	1,445	1,905	2,475	3,103

VPB's Key ratios

Financial Ratios	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GROWTH PROJECTIONS						
Net interest income	6%	19%	-7%	30%	21%	20%
Fee Income	21%	59%	10%	25%	23%	21%
Adjusted. Other NII	117%	153%	-103%	-246%	17%	16%
Operating costs	-6%	32%	-1%	22%	17%	18%
Provision	31%	17%	11%	14%	15%	16%
Preprovision profit	19%	32%	-22%	34%	23%	22%
Adjusted Net profit	13%	55%	-45%	50%	30%	25%
Assets	31%	15%	30%	18%	17%	16%
ASSET ANALYSIS						
Earning assets to total assets	91%	92%	94%	95%	96%	97%
Average Returns on Earnings Assets	2.65%	3.38%	1.49%	1.79%	1.96%	2.08%
LOAN ANALYSIS						
Loan growth (% YoY)	22%	23%	29%	26%	22%	21%
Net Loans to Interest Earnings Assets	70%	73%	72%	76%	78%	80%
DEPOSIT ANALYSIS						
Deposit growth (YoY %)	4%	25%	46%	25%	24%	23%
Deposits to Interest Bearing Liabilities	54%	60%	68%	73%	77%	80%
LIQUIDITY						
LDR	143%	140%	125%	126%	124%	122%
ASSET QUALITY						
NPL (Category 3-5)	16,244	25,137	28,344	31,416	40,387	51,783
NPL ratio	4.57%	5.73%	5.01%	4.40%	4.64%	4.92%
General Provisions to Gross loans	0.75%	0.74%	0.73%	0.75%	0.75%	0.75%
LLR	61%	54%	52%	53%	53%	53%
SPREAD ANALYSIS						
Int. rate received on Average IEA	11.50%	11.58%	11.37%	9.67%	9.95%	10.20%
Int. rate paid on Average IBL	4.12%	4.43%	6.62%	4.52%	4.83%	5.01%
Interest rate spread	7.37%	7.14%	4.75%	5.15%	5.13%	5.19%
NIM	7.77%	7.63%	5.67%	5.88%	5.96%	6.08%
OTHER INCOME						
Fee income to total income	10%	12%	16%	15%	15.4%	15.5%
Other Non Interest income to total Inc	6%	12%	0%	0%	0.4%	0.4%
OPERATING EFFICIENCY						
Cost to income ratio	24%	24%	28%	26%	25%	25%
Adj. Cost to income ratio	26%	26%	31%	29%	28%	27%
CREDIT COSTS						
Provision/Avg. loans	5.95%	5.66%	4.95%	4.44%	4.14%	3.97%
PROFITABILITY						
Pre provision ROAA	6.27%	6.78%	4.31%	4.68%	4.88%	5.08%
Pre provision ROAE	43.6%	42.1%	25.6%	29.0%	33.0%	36.5%
ROAA	2.38%	2.87%	1.19%	1.75%	1.95%	2.12%
ROAE	16.9%	19.1%	8.3%	10.5%	12.7%	14.5%
Dividend payout ratio	0%	0%	44%	79%	53%	48%
Dividend Yield	0.0%	0.0%	5.3%	5.3%	5.3%	6.4%
VALUATIONS						
PER (x)	10.7x	6.9x	13.0x	9.9x	7.6x	6.1x
PBR (x)	1.6x	1.3x	1.1x	1.1x	1.0x	0.9x

Source: FiinPro-X, Yuanta Vietnam

HDBank [HDB VN]

2 April 2024

BUY

TP upside +23%

Close 1 Apr 2023

Current Price VND 24,000

12M Target VND 29,450

What's new?

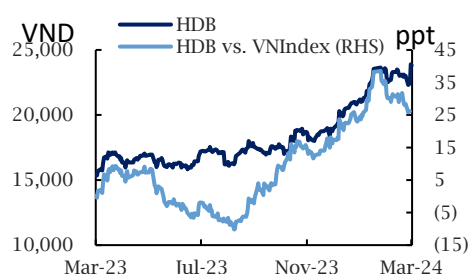
- ▶ We increased our TP by +32% on lower discount rate and valuation basis roll-forward to 2025.
- ▶ Our revised credit growth forecast is 23% (-1ppt) and we increase our provisioning by +16% for 2024E.
- ▶ Our revised PATMI forecast is up by +7% for 2024E.

Our view

- ▶ Reiterate BUY given cheap valuation. HDB trades at 1.2x 2024E P/BV vs. the sector median of 1.1x despite its superior operational results.
- ▶ Strong capital level with CAR of 12.6%.
- ▶ Catalyst: potential banca exclusivity deal.
- ▶ Risks: higher-than-expected NPLs.

Company profile: HDB is a retail and SME bank that also owns 50% of HD Saison, a top-three consumer finance business. Retail loans account for 39.0% of total consolidated loans, SMEs loans are 53.7%, HD Saison accounts for 4.7%, and Corporate and Institutional Banking (CIB) loans are just 2.6% as at 4Q23. Capital level is strong, with CAR of 12.6% as at 4Q23.

Share price performance relative to VNIndex



Market cap	US\$2.8 bn
6M avg. daily turnover	US\$8.1 mn
Outstanding shares	2,893 mn
Free float	75%
FINI ownership	19.8%
Major shareholders	18.7%
2024E Asset/equity (x)	12.6x
2024E P/E (x)	5.3x
2024E P/B (x)	1.3x
FOL remaining room	0.2%
2024E Dividend yield (%)	4.2%

Source: FiinPro-X, Yuanta Vietnam

Year to Dec	2023	2024E	2025E	2026E
NIM (%)	5.12%	5.18%	5.16%	5.11%
Fee growth (%)	-26%	24%	22%	21%
CIR	35%	34%	34%	34%
PPOP growth (%)	33%	27%	21%	19%
Net income (VND bn)	10,071	13,032	15,964	19,179
ROAA	2.03%	2.04%	2.09%	2.11%
Adj. ROAE	23.6%	25.2%	25.0%	24.3%
PE (x)	6.9	5.3	4.3	3.6
PB (x)	1.6	1.3	1.0	0.8
Div. yield (%)	4.2%	4.2%	4.2%	5.0%

Source: FiinPro-X, Yuanta Vietnam

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HDBank [VPB VN]

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Valuation is cheap

We forecast 2024E loan growth forecast at 23% YoY (-1ppt versus our previous forecast). We believe that HDB has room to expand credit growth given its participation in restructuring a troubled bank, which should earn it a higher SBV quota, and its strong capital level with CAR of 12.6%.

Our net interest income increased by +10% versus our previous forecast given lowered funding costs to reach VND28.8 tn (+30% YoY).

We expect HDB's loan yield to decrease by -1.3ppt to 11.4% and funding cost to decline by -1.6ppt to 5.2% in 2024E given reduced deposit rates. CASA ratio is relatively low of only 11% (+50bp YoY). Thus, our NIM forecast is 5.18% (+6ppt YoY).

Our provisioning increased by +16% for 2024E. We forecast provisioning costs to reach VND5.2 tn (+21% YoY) in 2024E. HDB's 4Q23 loan loss reserve ratio of 66% is relatively low in our view, which justifies our projection for high provisioning growth in 2024E. A 1ppt change in provisioning cost would lead to a 3.1% change in PATMI in the opposite direction (please see p. 37).

Our PATMI forecast increased by +7% for 2024E, implying growth of +29% YoY in 2024E.

Yuanta vs. the consensus. Our earnings forecast is in line with the consensus for 2024E. But we think our provisioning is higher than the street.

Valuation is still cheap. HDB trades at 1.2x 2024E P/B, which is slightly higher than the sector median despite its stronger operational results. We forecast HDB's 2024E ROE to reach 25% versus the Bloomberg consensus of 18%.

Reiterate BUY. Our new target price implies 2024E P/B of 1.6x and 12-month TSR of 27%, and we reiterate BUY.

Catalyst: Upside catalyst for HDB's earnings and share price in 2024 could be from the potential new bancassurance exclusivity fee. However, this has been under discussion for years, and we think it might continue to delay given the gloomy picture in the bancassurance industry.

Risks: Higher-than-expected NPLs and lower-than-expected credit growth.

HDB VN_Company Update

Valuations

Valuation Ratios	2021A	2022A	2023	2024E	2025E	2026E
PER (x)	9.9	7.8	6.9	5.3	4.3	3.6
PEG	(0.2)	0.3	0.5	0.2	0.2	0.2
ROAA (%)	1.86%	2.08%	2.03%	2.04%	2.09%	2.11%
ROAE (%)	21.8%	22.2%	23.6%	25.2%	25.0%	24.3%
PBR (x)	2.1	1.6	1.6	1.3	1.0	0.8
Dividend Yield (%)	0.0%	0.0%	4.2%	4.2%	4.2%	5.0%

Source: FiinPro-X, Yuanta Vietnam

We forecast HDB's loan growth to reach 23% YoY in 2024E. We believe that HDB has room to expand credit growth given: 1) higher-than average loan growth quota from the SBV as a reward for its participation in restructuring a troubled bank and 2) strong capital level with CAR of 12.6%.

Below is the sensitivity analysis of the impact of loan growth to net income.

Ceteris paribus, a 1ppt change in loan growth would cause a 0.4% change in net income.

Sensitivity analysis	-3ppt	-2ppt	-1ppt	Base	+1ppt	+2ppt	+3ppt
2024E Loan growth	19%	20%	21%	22%	23%	24%	25%
2024E Net Income	12,870	12,924	12,978	13,032	13,087	13,141	13,195
(+/-) % vs. Base Case	-1.2%	-0.8%	-0.4%		0.4%	0.8%	1.2%

Source: Yuanta Vietnam

We expect HDB's loan yield to decrease by -1.3ppt to 11.4% and **funding cost** to decrease by -1.6ppt to 5.2% in 2024E given reduced deposit rates. CASA is not a competitive advantage of HDB demonstrated by its low CASA ratio of only 11% (+50bps YoY). Thus, our NIM forecast increases slightly by +6ppt YoY to 5.18%.

Below is the sensitivity analysis of the impact of CASA ratio to net income.

Ceteris paribus, a 1ppt increase in CASA ratio will help HDB save VND245 bn in interest expenses (equivalent to 2% of 2023 PATMI).

Sensitivity analysis	-3ppt	-2ppt	-1ppt	Base	+1ppt	+2ppt	+3ppt
Change in CASA ratio (2023)	8%	9%	10%	11%	12%	13%	14%
Change in deposit rate (%)	6.58%	6.51%	6.45%	6.38%	6.31%	6.25%	6.18%
(+/-) % vs. Base Case	20bps	13bps	7bps		-7bps	-13bps	-20bps
Change in interest paid on deposits (VND bn)	736	491	245	-	(245)	(491)	(736)
(+/-) % vs. Base Case	3%	2%	1%		-1%	-2%	-3%

Source: Yuanta Vietnam

We forecast provisioning costs to reach VND5.2 tn (+21% YoY) in 2024E. HDB's 4Q23 loan loss reserve ratio is only 66%, which is low compared to the top-tier banks such as BID (182%), CTG (167%), MBB (117%), or VCB (230%); it is also substantially lower than HDB's own 5-year historical average LLR ratio of 76%.

Below is the sensitivity analysis of the impact of provisioning to net income.

Ceteris paribus, a 10% change in provisioning will cause a 3% change in net income in the opposite direction.

Sensitivity analysis	30%	20%	10%	Base	-10%	-20%	-30%
2024E Provisioning	(6,732)	(6,214)	(5,696)	(5,179)	(4,661)	(4,143)	(3,625)
2024E Net Income	11,834	12,233	12,633	13,032	13,432	13,831	14,231
(+/-) % vs. Base Case	-9.2%	-6.1%	-3.1%		3.1%	6.1%	9.2%

Source: Yuanta Vietnam

HDB's Operating Return on Asset (OROA) Analysis

Year	2019A	2020A	2021A	2022A	2023	2024E	2025E	2026E
NIM	4.72%	4.70%	4.41%	5.15%	5.12%	5.18%	5.16%	5.11%
Net interest income to adj. TOI	89.0%	89.7%	83.8%	84.0%	84.8%	86.4%	86.4%	86.2%
Cost to income	46.4%	46.6%	38.5%	40.3%	34.9%	34.8%	34.8%	34.7%
PPOP/Assets	2.63%	2.58%	2.94%	3.24%	3.34%	3.28%	3.30%	3.30%
Provisions to Assets	0.58%	0.65%	0.66%	0.78%	0.84%	0.78%	0.75%	0.73%
Operating Return on Assets (OROA)	2.26%	2.15%	2.57%	2.89%	3.09%	3.12%	3.15%	3.14%
Leverage (x)	11.3	12.9	12.2	10.7	13.0	12.6	12.2	11.8
Operating Return on Equity (OROE)	25.5%	27.8%	31.3%	30.8%	40.1%	39.5%	38.4%	37.0%

Source: FiinPro-X, Yuanta Vietnam

Valuation

We increased our target price by +32% given lowered discount rate by -80bps to 15.1%, primarily due to a lowered risk-free rate. We also roll forward our valuation basis to 2025. Our new target price is VND29,450, implying 12-month TSR of 27% and 2024E P/BV of 1.6x.

Figure 1: HDB trades slightly below its mean

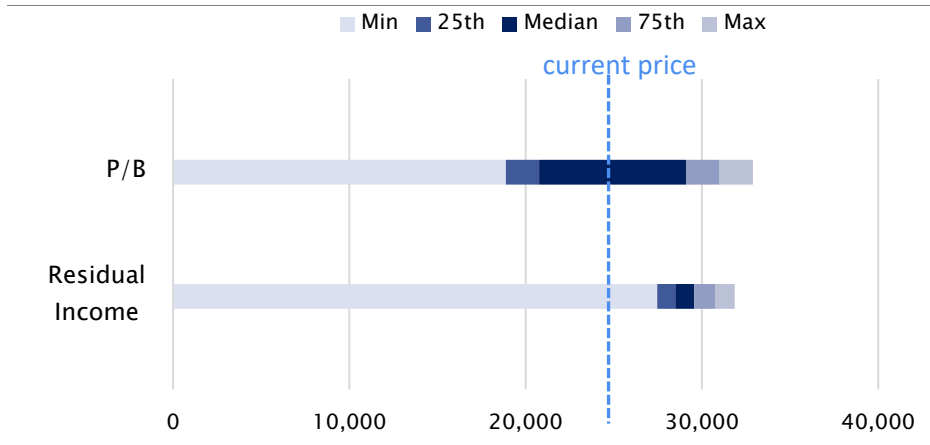


Source: Bloomberg, Yuanta Vietnam

Valuation Methods	Estimated Value	Weight (%)	Weighted value
Residual Income	29,563	75.0%	22,172
Comparable PB	29,114	25.0%	7,278
Estimated Fair Value			29,450

Source: Yuanta Vietnam

Figure 2: HDB's Valuation Graph



Source: Yuanta Vietnam

Sensitivity table of Residual Income Approach: ROE vs. Cost of equity

		COE						
		13.5%	14.0%	14.5%	15.1%	15.6%	16.1%	16.6%
ROE	22%	32,078	31,080	30,115	29,090	28,191	27,322	26,481
	23%	32,229	31,230	30,264	29,239	28,339	27,470	26,628
	24%	32,380	31,380	30,414	29,388	28,488	27,617	26,775
	25%	32,557	31,557	30,589	29,563	28,662	27,791	26,948
	26%	32,708	31,707	30,739	29,712	28,810	27,938	27,095
	27%	32,859	31,857	30,889	29,860	28,958	28,086	27,242
	28%	33,010	32,007	31,038	30,009	29,106	28,233	27,389

Source: Yuanta Vietnam

HDB's Financial Statements

Balance Sheet

(VND bn)	2023	2024E	2025E	2026E
Cash & Balances at SBV	44,292	53,233	64,324	76,904
Loans to banks	96,515	112,409	130,229	149,064
Investment securities	62,673	75,911	91,604	109,405
Invest. Associates	254	307	371	443
Gross Loans:	343,404	420,580	512,976	619,192
(-) Specific Provisions:	(1,491)	(1,922)	(2,309)	(2,766)
(-) General Provisions:	(2,563)	(3,141)	(3,831)	(4,624)
Total provisions:	(4,054)	(5,063)	(6,140)	(7,390)
Net Loans:	339,350	415,517	506,836	611,803
Fixed Tangible asset:	713	805	909	1,026
Intangible Assets:	710	710	710	710
Real estate investment	0	0	0	0
Accrued interests:	6,017	6,318	6,634	6,966
Deferred tax:	77	77	77	77
Other Assets:	51,715	56,886	62,575	68,832
Total Assets:	602,315	722,173	864,268	1,025,230
Deposits:	370,778	449,092	541,933	647,248
Due to SBV:	27	33	40	48
Due to Banks:	112,087	137,277	167,435	202,104
Subordinated notes	50,938	53,485	56,159	58,967
Other Liabilities:	22,085	25,153	27,928	29,760
Total Liabilities:	555,915	665,040	793,495	938,127
Capital & Premium:	29,612	29,612	29,612	29,612
Reserves:	4,708	4,708	4,708	4,708
Treasury Shares	(413)	(413)	(413)	(413)
Retained Earnings:	10,562	20,701	33,772	49,479
Minorities Interest:	1,931	2,525	3,093	3,716
Asset Revaluation:	-	-	-	-
FX Effect:	-	-	-	-
Total Equity:	46,400	57,134	70,773	87,103
Total Liabilities & Equity:	602,315	722,173	864,268	1,025,230

Profit and Loss

(VND bn)	2023	2024E	2025E	2026E
Net Interest income	22,184	28,793	34,689	41,214
<i>Net Fee Income</i>	<i>2,188</i>	<i>2,714</i>	<i>3,317</i>	<i>4,022</i>
<i>Other Non-II</i>	<i>1,783</i>	<i>1,806</i>	<i>2,161</i>	<i>2,564</i>
Total Non-II	3,971	4,520	5,478	6,586
TOI	26,155	33,313	40,167	47,800
Total expenses	(9,129)	(11,609)	(13,975)	(16,598)
PPOP:	17,025	21,704	26,193	31,202
Gross Provisions:	(4,268)	(5,179)	(5,940)	(6,864)
NPL Recoveries:	259	367	440	522
Net Provisions:	(4,009)	(4,811)	(5,500)	(6,342)
Pre-Tax Income:	13,017	16,893	20,693	24,860
(-) Income Tax:	(2,681)	(3,379)	(4,139)	(4,972)
Net Income	10,336	13,514	16,554	19,888
(-) Minority Interest	(265)	(482)	(590)	(709)
(-) Others	-	-	-	-
PATMI	10,071	13,032	15,964	19,179
Adjusted Diluted EPS	3,482	4,506	5,519	6,630

HDB's Key Ratios

Financial Ratios	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GROWTH PROJECTIONS						
Net interest income	1.7%	30%	23%	30%	20%	19%
Fee Income	10.3%	5.3%	-26%	2.4%	2.2%	2.1%
Other NII	8.3%	-3.8%	27.9%	1%	2.0%	1.9%
Operating costs	3%	3.5%	6%	2.7%	2.0%	1.9%
Gross Provision	2.9%	3.3%	3.9%	2.1%	1.5%	1.6%
Preprovision profit	4.4%	2.6%	3.3%	2.7%	2.1%	1.9%
Adjusted Net profit	4.2%	2.8%	3.0%	2.9%	2.2%	2.0%
Assets	1.7%	1.1%	4.5%	2.0%	2.0%	1.9%
ASSET ANALYSIS						
Earning assets to total assets	90%	87%	83%	84%	85%	86%
Average Returns on Earnings Assets	1.92%	2.22%	2.32%	2.34%	2.37%	2.38%
LOAN ANALYSIS						
Loan growth (% YoY)	14%	30%	30%	22%	22%	21%
Net Loans to Interest Earnings Assets	60%	72%	67%	68%	69%	70%
DEPOSIT ANALYSIS						
Deposit growth (YoY %)	5%	1.8%	7.2%	2.1%	2.1%	1.9%
Deposits to Interest Bearing Liabilities	5.5%	5.9%	6.9%	7.0%	7.1%	7.1%
LIQUIDITY						
Pure LDR	110%	121%	92%	93%	94%	95%
ASSET QUALITY						
NPL (Category 3-5)	3.360	4.404	6.160	5.956	7.223	8.694
NPL ratio	1.65%	1.67%	1.79%	1.42%	1.41%	1.40%
General Provisions to Gross loans	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%
Loan loss coverage ratio	7.3%	7.0%	6.6%	8.5%	8.5%	8.5%
SPREAD ANALYSIS						
Int. rate received on Average IEA	8.31%	9.52%	12.15%	10.69%	10.77%	10.85%
Int. rate paid on Average IBL	3.98%	4.39%	6.79%	5.22%	5.37%	5.54%
Interest rate spread	4.33%	5.13%	5.36%	5.47%	5.40%	5.32%
NIM	4.41%	5.15%	5.12%	5.18%	5.16%	5.11%
OTHER INCOME						
Fee income to total income	1.2%	1.4%	8%	8%	8.3%	8.4%
Other Non Interest income to total Income	5%	2%	7%	5%	5.4%	5.4%
OPERATING EFFICIENCY						
Cost to income ratio	3.8%	3.9%	3.5%	3.4%	3.4%	3.4%
Adj. Cost to income ratio	3.9%	4.0%	3.5%	3.5%	3.5%	3.5%
CREDIT COSTS						
Provisioning / Avg. Loans	1.21%	1.31%	1.41%	1.36%	1.27%	1.21%
PROFITABILITY						
Pre provision ROA	2.94%	3.24%	3.34%	3.28%	3.30%	3.30%
Pre provision ROE	36.7%	36.7%	39.9%	41.9%	41.0%	39.5%
ROAA	1.86%	2.08%	2.03%	2.04%	2.09%	2.11%
Adj. ROAE	21.8%	22.2%	23.6%	25.2%	25.0%	24.3%
Dividend payout ratio	0%	0%	32%	29%	22%	22%
Dividend Yield	0.0%	0.0%	4.2%	4.2%	4.2%	5.0%
VALUATIONS						
PER (x)	9.9x	7.8x	6.9x	5.3x	4.3x	3.6x
PBR (x)	2.1x	1.6x	1.6x	1.3x	1.0x	0.8x

Source: FiinPro-X, Yuanta Vietnam

Sacombank [STB VN]

2 April 2024

HOLD-Outperform

TP upside +11%

Close 1 Apr 2024

Current Price VND 31,400

12M Target VND 34,930

What's new?

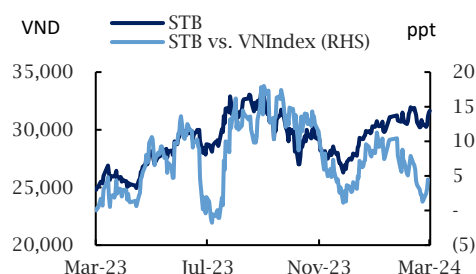
- ▶ We increase our TP by +3% after rolling forward valuation basis year to 2025 and reducing discount rate.
- ▶ We increase loan growth forecast by +1 ppt to 17% in 2024.
- ▶ We estimate NPA/total assets is only 2% versus the peak of 25% in 2017.
- ▶ We forecast PATMI to reach VND9.6 tn (+41% YoY) in 2024.

Our view

- ▶ Our new TP implies a 12% upside, and we upgrade to HOLD-Outperform.
- ▶ STB trades at 1.1x 2024E P/B, in line with the peer median.
- ▶ Restructuring is almost done, but STB should trade below ACB and MBB.
- ▶ Risks: prolonged delay in the sale of 32.5% of STB's shares held by VAMC.

Company profile: STB is Vietnam's 8th largest listed bank (27 listed banks) by assets with 4.6% market share as at 4Q23. It operates a primarily retail and SME focused commercial banking business. A merger with the former Southern Bank in 2015 resulted in substantial asset quality troubles that the new management has worked through over the past several years. At this point, our view is that the restructuring period has come to an end, but the valuation is fair.

Share price performance relative to VNIndex



Market cap	US\$2.4 bn
6M avg. daily turnover	US\$23 mn
Outstanding shares	1,885 mn
Free float	67.5%
FINI ownership	24.2%
Major shareholders	8.9%
2024E Asset/equity (x)	13.8x
2024E P/E (x)	6.2x
2024E P/B (x)	1.1x
FOL remaining room	5.8%
2024E Dividend yield (%)	0.0%

Source: FiinPro-X, Yuanta Vietnam

Year to Dec	2023	2024E	2025E	2026E
NIM (%)	3.79%	4.14%	4.13%	4.32%
Fee growth (%)	-50%	29%	22%	21%
CIR	50%	46%	45%	43%
PPOP growth (%)	4%	34%	17%	21%
Net income (VND bn)	6,803	9,597	13,029	16,342
ROAA	1.22%	1.51%	1.81%	2.02%
Adj. ROAE	16.1%	18.9%	21.0%	21.3%
PE (x)	8.8	6.2	4.6	3.7
PB (x)	1.3	1.1	0.9	0.7
Div. yield (%)	0.0%	0.0%	0.0%	0.0%

Source: FiinPro-X, Yuanta Vietnam

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Sacombank [STB VN]

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Upgrade to HOLD-Outperform

We increase our 2024E loan growth forecast by +1 ppt to 17% YoY. We expect STB to complete its restructuring in 2024, and STB's loan growth should outperform the sector average thereafter. Our net interest income forecast is unchanged versus our previous forecast for 2024E, implying an increase of 25% YoY. We remain our view that capital allocated to legacy assets will be freed up and shifted into interest-earning assets in 2024.

Successful legacy assets handling will support NIM in 2024E, along with lowered funding cost. We expect NIM to reach 4.14% (+36bps YoY) in 2024E.

We still increase our provisioning by +17% YoY in 2024E to weather against rising NPLs. Though the legacy assets restructuring has nearly completed, NPLs from loans jumped by 156% YoY in 2023. NPL ratio surged to 2.28% (+1.3ppt YoY).

Net-net, our net income forecast to increase by +41% YoY to reach VND9.6 tn, primarily driven by higher net interest income.

Yuanta vs. the Consensus. Our earnings forecast is 5% below the consensus mean for 2024E, probably due to our high provisioning assumption.

Upgrade to HOLD-Outperform. We haven't changed our view on STB from the previous update, and this upgrade is entirely due to our valuation given reduced discount rate and roll forward valuation basis to 2025. STB trades at 1.1x 2024E P/B, which is in line with the sector median.

We believe that STB should trade in line with or just slightly above the sector's median level. More specifically, we think STB merits a discount to high-quality banks such as ACB and MBB -- even after completing the restructuring -- as the market now seems to suggest. Our new target price implies 2024E P/B of 1.2x and TSR of 11%.

Downside risk: New NPLs formation and prolonged delay in the sale of 32.5% of STB's shares held by VAMC.

Upside risks include higher-than-expected credit growth and the unknown result of the potential sale of the 32.5% stake controlled by SBV.

STB VN_Company Update

Valuations

Valuation Ratios	2021A	2022A	2023	2024E	2025E	2026E
PER (x)	19.4	11.8	8.8	6.2	4.6	3.7
PEG	0.6	0.2	0.3	0.2	0.1	0.1
ROAA (%)	0.67%	0.91%	1.22%	1.51%	1.81%	2.02%
ROAE (%)	9.5%	13.8%	16.1%	18.9%	21.0%	21.3%
PBR (x)	1.7	1.5	1.3	1.1	0.9	0.7
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: FiinPro-X, Yuanta Vietnam

We forecast loan growth for STB at 17% YoY for both 2024E and 2025E. We expect STB to complete its restructuring in 2024, and STB's loan growth should outperform the sector average thereafter. We remain our view that capital allocated to legacy assets will be freed up and shifted into interest-earning assets in 2024. We forecast net interest income to reach VND27.5 tn in 2024E (+25% YoY).

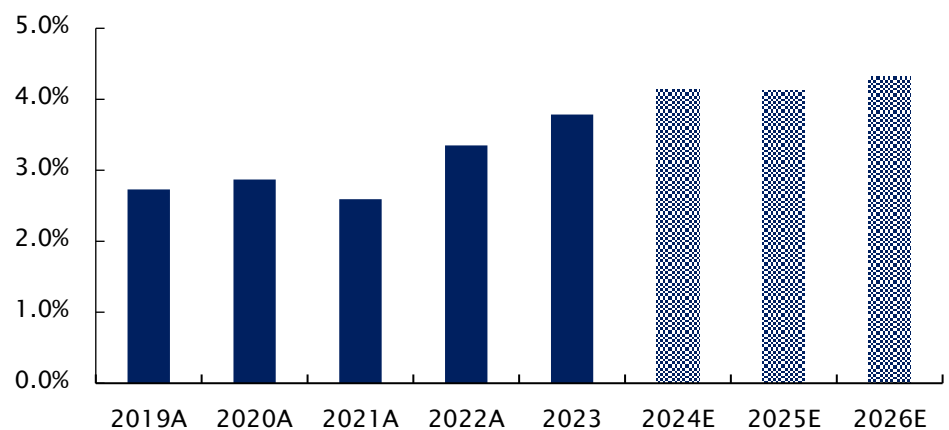
Below is the sensitivity analysis of the impact of loan growth to net income.

Sensitivity analysis	-3ppt	-2ppt	-1ppt	Base	+1ppt	+2ppt	+3ppt
2024E Loan growth	14%	15%	16%	17%	18%	19%	20%
2024E Net Income	10,792	10,824	10,856	10,889	10,921	10,953	10,986
(+/-) % vs. Base Case	-0.9%	-0.6%	-0.3%		0.3%	0.6%	0.9%

Source: Yuanta Vietnam

We expect the resolution of legacy assets to support NIM as capital is freed up and shifted into interest-earnings assets. Also, lowered funding costs will support NIM. We thus expect NIM to reach 4.14% (+36bps YoY) in 2024E.

Figure 1: STB's NIM



Source: FiinPro-X, Yuanta Vietnam

We increase provisioning by +17% YoY to VND4.3 tn in 2024E to weather against rising NPLs. New NPLs formation surged by 156% YoY in 2023, resulting in an NPL ratio of 2.28% (+1.3ppt YoY).

Below is the sensitivity analysis of the impact of provisioning to net income.

Ceteris paribus, a 10% change in provisioning would lead to a 3% change in net income in the opposite direction for STB.

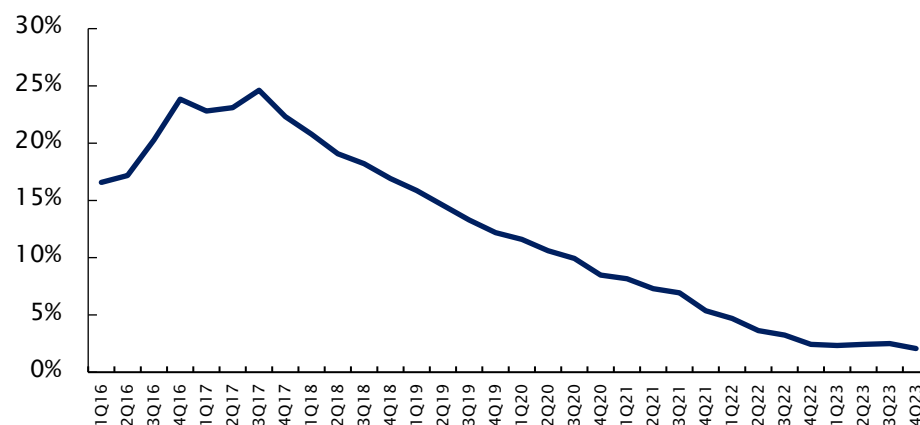
Sensitivity analysis	-30%	-20%	-10%	Base	+10%	+20%	+30%
2024E Provisioning	(5,618)	(5,186)	(4,753)	(4,321)	(3,889)	(3,457)	(3,025)
2024E Adj. Net Income	9,852	10,197	10,543	10,889	11,234	11,580	11,926
(+/-) % vs. Base Case	-10%	-6%	-3%		3%	6%	10%

Source: Yuanta Vietnam

Legacy asset restructuring is nearly done. Total net NPAs (including net NPLs, net VAMC bonds, accrued interests, and receivables) have decreased from a whopping 25% in 3Q17 to just ~2.1% in 4Q23, based on our calculations.

As a result, total net NPAs have fallen from 3.9x the bank's total common equity in 3Q17 to just 0.3x of equity in 4Q23. This trend illustrates management's laudable success in restructuring the legacy bad assets and returning the bank to solvency.

Figure 2: STB's NPAs/Total Assets



Source: FiinPro-X, Yuanta Vietnam

STB's Operating Return on Asset (OROA) Analysis

Year	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E
NIM	2.73%	2.87%	2.59%	3.35%	3.79%	4.14%	4.13%	4.32%
Net interest income to adj. TOI	69.5%	71.4%	69.4%	73.3%	85.4%	86.3%	85.6%	85.4%
Cost to income	70.1%	67.5%	56.5%	46.7%	49.9%	45.8%	44.6%	43.1%
PPOP/Assets	0.92%	1.11%	1.48%	2.24%	2.05%	2.40%	2.47%	2.67%
Provisions to Assets	0.50%	0.64%	0.70%	1.60%	0.58%	0.60%	0.30%	0.23%
Operating Return on Assets (OROA)	0.67%	0.67%	0.92%	0.84%	1.64%	2.00%	2.38%	2.64%
Leverage (x)	17.0	17.0	15.2	15.3	14.7	13.8	12.6	11.4
Operating Return on Equity (OROE)	11.4%	11.3%	14.0%	12.9%	24.2%	27.7%	29.9%	30.1%

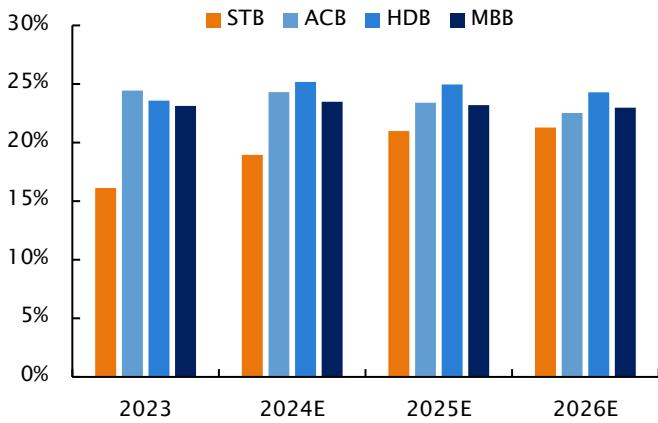
Source: FiinPro-X, Yuanta Vietnam

Valuation

STB's valuation is not cheap relative to its underlying profitability in our opinion. The stock is now trading at 1.1x 2024 P/B, in line with the sector median.

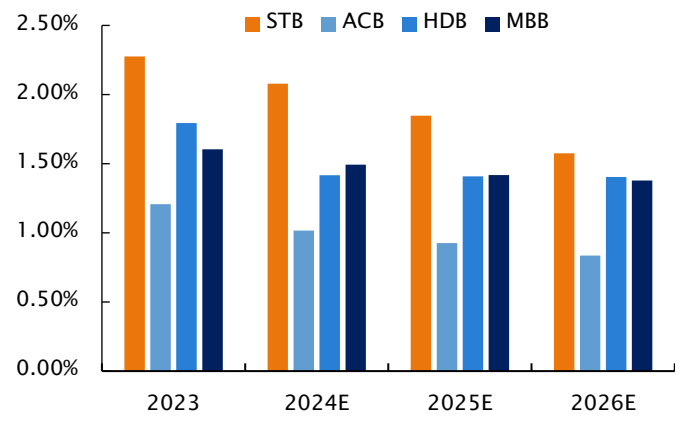
We think that STB should trade above the sector median, but we don't think that STB should trade at the same valuations as its higher-quality peers such as ACB or MBB. This may be a contrast to the sell-side consensus view on STB. Our new target price implies 2024E P/B of 1.2x and TSR of 13%.

Figure 3: STB's ROE still far below its peers



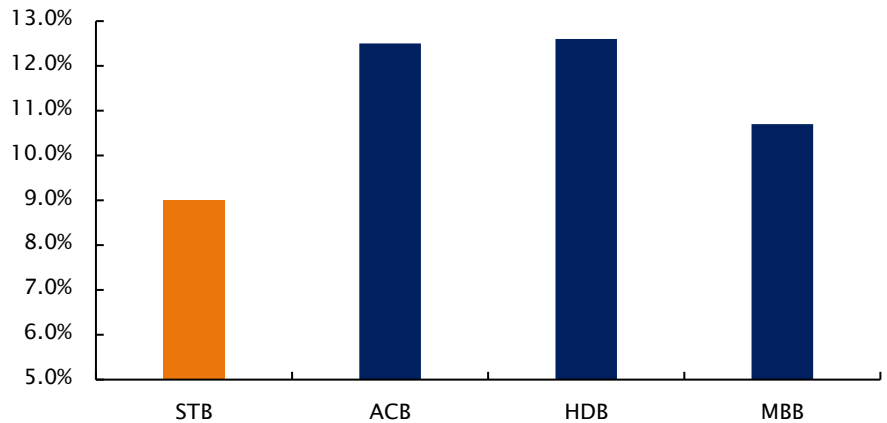
Source: Company Data, Yuanta Vietnam

Figure 4: STB's NPL ratio is high versus peers



Source: FiinPro-X, Yuanta Vietnam

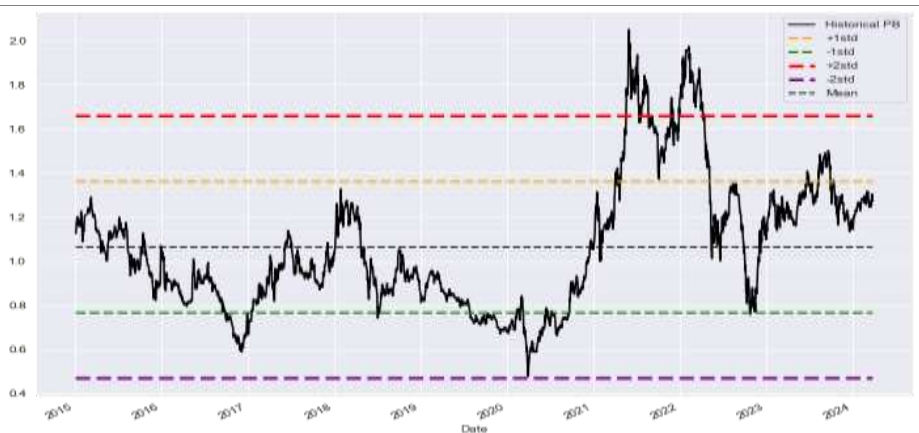
Figure 5: STB's capital level is relatively weak



Source: Company Data, Yuanta Vietnam

The stock's P/B multiple is higher than its own historical mean, while most other banks in our coverage trade below their mean levels. Thus, we think STB is not highly attractive at the current level compared to the other banks.

Figure 6: STB's trades at +1std above the mean level

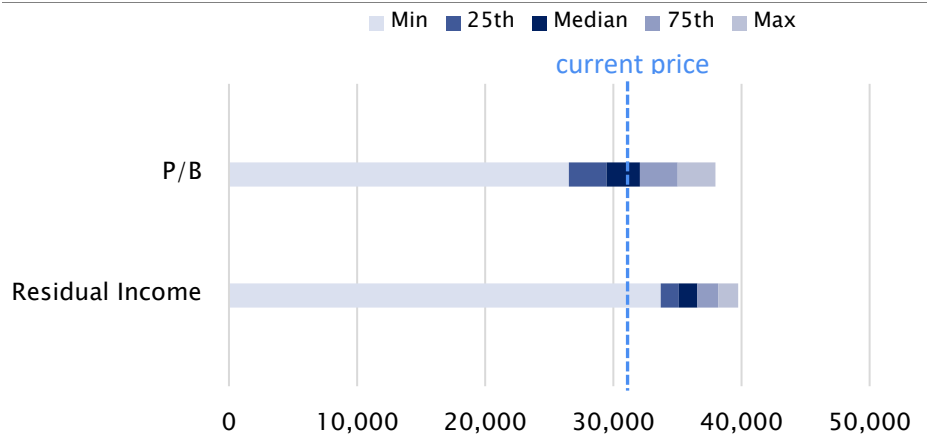


Source: Bloomberg, Yuanta Vietnam

Valuation Methods	Estimated Value	Weight (%)	Weighted value
Residual Income	35,885	75.0%	26,914
Comparable PB	32,073	25.0%	8,018
Estimated Fair Value			34,930

Source: Yuanta Vietnam

Figure 7: STB's Valuation Graph



Source: Yuanta Vietnam

Sensitivity table of Residual Income Approach: ROE vs. Cost of equity

ROE	COE						
	13.5%	14.0%	14.5%	15.3%	15.8%	16.3%	16.8%
16%	39,932	38,571	37,257	35,198	33,999	32,840	31,721
17%	40,169	38,807	37,491	35,431	34,231	33,071	31,951
18%	40,406	39,042	37,726	35,664	34,462	33,302	32,181
19%	40,630	39,266	37,949	35,885	34,683	33,521	32,399
20%	40,867	39,502	38,183	36,118	34,915	33,752	32,629
21%	41,104	39,737	38,418	36,351	35,147	33,983	32,859
22%	41,341	39,973	38,653	36,584	35,378	34,214	33,089

Source: Yuanta Vietnam

STB's Financial Statements

Balance Sheet

(VND bn)	2023	2024E	2025E	2026E
Cash and Balances at Central Banks:	7,545	8,611	9,645	10,802
Loans and Advances to Banks:	50,333	57,445	57,810	57,435
Investment Securities:	74,636	73,524	69,289	62,980
Others:	83	94	106	118
Gross Loans:	482,731	563,341	657,736	763,006
(-) Specific Provisions:	(3,584)	(5,145)	(6,005)	(6,293)
(-) General Provisions:	(3,978)	(4,225)	(4,933)	(5,723)
Total provisions:	(7,562)	(9,370)	(10,938)	(12,016)
Net Loans:	475,169	553,970	646,798	750,990
Property, Plant and Equipment (PP&E):	4,283	4,283	4,283	4,283
Intangible Assets:	2,987	2,987	2,987	2,987
Real estate investment	0	0	0	0
Accrued interests:	5,687	3,697	3,327	2,994
Deferred tax:	398	398	398	398
Other Assets:	40,422	47,813	54,165	58,653
Total Assets:	674,390	766,903	863,924	967,840
Deposits:	510,744	582,915	652,864	731,208
Due to SBV:&"Banks	15,248	28,450	37,969	37,969
Subordinated Notes:	28,992	28,992	28,992	28,992
Other Liabilities:	50,535	61,090	75,070	84,229
Total Liabilities:	628,656	711,346	795,339	882,913
Share Capital & Share Premium:	20,602	20,602	20,602	20,602
Reserves + FX diff.:	4,971	4,971	4,971	4,971
Treasury Shares	-	-	-	-
Retained Earnings:	20,387	29,983	43,012	59,354
Asset Revaluation:	-	-	-	-
FX Effect:	(225)	-	-	-
Minorities Interest	-	-	-	-
Total Equity	45,734	55,556	68,585	84,927
Total Liabilities & Equity:	674,390	766,903	863,924	967,840

Profit and Loss

(VND bn)	2023	2024E	2025E	2026E
Total Net Interest	22,072	27,527	31,122	36,712
Net Fee Income:	2,618	3,385	4,132	5,017
Other non-IL	1,156	989	1,115	1,249
Total non-IL	3,774	4,374	5,246	6,266
Adj. TOI	25,846	31,901	36,369	42,977
Total expenses	(12,890)	(14,601)	(16,203)	(18,510)
Adj. PPOP	12,957	17,300	20,166	24,467
Gross provisions	(3,688)	(4,321)	(2,426)	(2,148)
Net other income:	327	632	738	859
Net Provisions:	(3,362)	(3,689)	(1,688)	(1,289)
Pre-Tax Income	9,595	13,611	18,478	23,178
(-) Income taxes:	(1,876)	(2,722)	(3,696)	(4,636)
Net Income	7,719	10,889	14,783	18,542
Minority Interest	0%	0%	0%	0%
Bonus & Welfare	(916)	(1,292)	(1,754)	(2,200)
PATMI	6,803	9,597	13,029	16,342
Adjusted EPS	3,609	5,091	6,911	8,669

STB's Key Ratios

Financial Ratios	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GROWTH PROJECTIONS						
Net interest income	4%	43%	29%	25%	13%	18%
Fee Income	16%	20%	-50%	29%	22%	21%
Adjusted. Other NII	7%	12%	10%	-14%	13%	12%
Operating costs	-11%	12%	18%	13%	11%	14%
Provision	17%	150%	-58%	17%	-44%	-11%
Preprovision profit	43%	66%	4%	34%	17%	21%
Adjusted Net profit	34%	68%	35%	41%	36%	25%
Assets	6%	14%	14%	14%	13%	12%
ASSET ANALYSIS						
Earning assets to total assets	92%	92%	92%	92%	93%	93%
Average Returns on Earnings Assets	0.65%	0.98%	1.17%	1.44%	1.73%	1.92%
LOAN ANALYSIS						
Loan growth (% YoY)	14%	13%	10%	17%	17%	16%
Net Loans to Interest Earnings Assets	80%	79%	77%	78%	81%	83%
DEPOSIT ANALYSIS						
Deposit growth (YoY %)	0%	6%	12%	14%	12%	12%
Deposits to Interest Bearing Liabilities	88%	82%	81%	82%	82%	83%
LIQUIDITY						
LDR	89%	95%	93%	95%	99%	103%
ASSET QUALITY						
NPL (Category 3-5)	5,832	4,299	10,984	11,713	12,153	12,016
NPL ratio	1.50%	0.98%	2.28%	2.08%	1.85%	1.57%
General Provisions to Gross loans	1.04%	0.54%	0.82%	0.75%	0.75%	0.75%
LLR	119%	131%	69%	80%	90%	100%
SPREAD ANALYSIS						
Int. rate received on Average IEA	6.44%	7.30%	9.59%	8.57%	8.93%	9.32%
Int. rate paid on Average IBL	3.73%	3.89%	5.73%	4.39%	4.81%	5.07%
Interest rate spread	2.71%	3.41%	3.86%	4.18%	4.12%	4.26%
NIM	2.59%	3.35%	3.79%	4.14%	4.13%	4.32%
OTHER INCOME						
Fee income to total income	25%	22%	10%	11%	11.4%	11.7%
Other Non Interest income to total Ir	5%	5%	4%	3%	3.1%	2.9%
OPERATING EFFICIENCY						
Cost to income ratio	55%	42%	49%	45%	44%	42%
Adj. Cost to income ratio	57%	47%	50%	46%	45%	43%
CREDIT COSTS						
Provision/Avg. loans	0.98%	2.15%	0.80%	0.83%	0.40%	0.30%
PROFITABILITY						
Pre provision ROAA	1.5%	2.2%	2.0%	2.4%	2.5%	2.7%
Pre provision ROAE	23.72%	34.23%	30.72%	34.16%	32.49%	31.88%
ROAA	0.7%	0.9%	1.2%	1.5%	1.8%	2.0%
ROAE	10%	14%	16%	19%	21%	21%
Dividend payout ratio			0.0%	0.0%	0.0%	0.0%
VALUATIONS						
PER (x)	19.4x	11.8x	8.8x	6.2x	4.6x	3.7x
PBR (x)	1.7x	1.5x	1.3x	1.1x	0.9x	0.7x

Source: FiinPro-X, Yuanta Vietnam

BIDV [BID VN]

2 April 2024

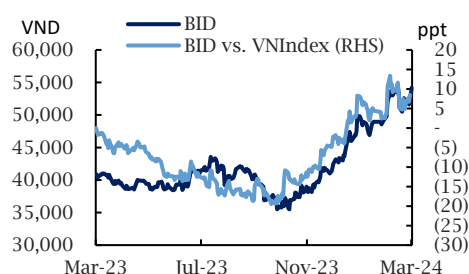
HOLD-Underperform**TP upside** -9%**Close 1 Apr 2024****Current Price** VND 52,100**12M Target** VND 47,470**What's new?**

- ▶ We increase our TP by +11% given lowered discount rate and roll forward our valuation basis to 2025.
- ▶ We forecast credit growth to reach 16% in 2024E.
- ▶ We raise our 2024E earnings forecast by +4% to VND26 tn implying +21% YoY growth.

Our view

- ▶ Maintain HOLD-Underperform.
- ▶ Valuation is not attractive at 2.1x 2024E P/B vs the sector median 1.1x.
- ▶ Asset quality is strong compared to the sector, with low NPL of 1.25% and LLR ratio of 182%.
- ▶ Catalysts: a 9% stake sale to foreign investors, and potential bancassurance exclusivity deal.

Company profile: BID is Vietnam's largest bank by assets. Its leading retail and SME banking franchise is supported by a broad network of 190 branches and 895 transaction offices across the nation. As of 4Q23, retail loans account for 44% of total loans, followed by corporate (34%) and SMEs (22%).

Share price performance relative to VNIndex**BIDV [BID VN]**[Back to top](#)**Catalyst: Stake sale; but valuation fails to impress**

We forecast loan growth to reach 15% YoY in 2024E. A potential capital raising would bolster credit growth in 2024E and beyond. BID plans to sell a ~9% stake (pre-money) to foreign investors, which we think to happen in end-2024 or early 2025. We estimate CAR (post deal) to improve by 1.3ppt to reach 10.6%. (please see page 48)

We forecast NIM to increase by +20bps to 2.77% in 2024E given reduced funding costs and BID's strategy to shift focus to the retail segment. Retail loans account for 44% of the total loans compared to 34% in 2019.

We cut our provisioning forecast by -16% versus our previous forecast for 2024E. However, our 2024E provisioning forecast still represents a 20% YoY increase to weather asset quality deterioration.

Yuanta vs. the consensus. Our earnings forecast is slightly below the consensus for 2024E, probably due to our above-consensus provisioning assumption.

BID's asset quality is quite strong compared to the sector. NPL ratio was 1.25% (+10bps YoY), and LLR ratio was 182% (-35ppt YoY). Though LLR decreased in 2023, BID's LLR ratio is the second highest in the sector, just behind VCB.

Maintain HOLD-Underperform. The stock is a bit overvalued in our estimates. BID trades at 2.1x 2024E P/B, which is far higher than the sector median of 1.1x.

Some observers try to justify BID's valuation premium by its admittedly vast scale and funding advantages as a major SOE bank. However, we don't think BID deserves a VCB-like premium given its weaker quality and CASA franchise. Our new TP implies 2024E P/B of 1.9x and 12-month TSR of -9%, and we maintain our HOLD-Underperform recommendation.

Downside risks: higher-than-expected NPLs and provisioning; lower credit growth. **Upside risks:** Successful sale of another 9% stake (pre-money) to foreign investors and lower-than-expected provisioning.

Market cap	US\$12.5 bn
6M avg. daily turnover	US\$2.6 mn
Outstanding shares	5,700 mn
Free float	4%
FINI ownership	17.30%
Major shareholders	96.00%
2024 Asset/Equity	17.5x
2024E P/E (*)	13.2x
2024E P/B (*)	2.2x
FOL Remaining Room	12.7%
2024 Dividend yield (*)	0.0%

Source: FiinPro-X, Yuanta Vietnam

Year to Dec	2023	2024E	2025E	2026E
NIM (%)	2.57%	2.77%	2.81%	2.84%
Fee growth (%)	16%	22%	20%	19%
CIR (%)	35%	34%	33%	32%
PPOP growth (%)	7%	22%	16%	16%
Net income (VND bn)	21,552	26,148	31,145	36,877
ROAA (%)	1.00%	1.09%	1.15%	1.21%
Adj. ROAE (%)	16.5%	17.3%	17.2%	17.2%
PE (x)	15.6	13.2	11.0	9.3
PB (x)	2.6	2.2	1.8	1.6
Div. yield (%)	0.0%	0.0%	0.0%	1.6%

Source: FiinPro-X, Yuanta Vietnam

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BID VN Company Update

Valuations

Valuation Ratios	2021A	2022A	2023	2024E	2025E	2026E
PER (x)	31.4	17.3	16.5	13.2	11.0	9.3
PEG	0.6	0.2	1.4	0.7	0.6	0.5
ROAA (%)	0.66%	0.95%	1.00%	1.09%	1.15%	1.21%
ROAE (%)	10.5%	16.6%	16.5%	17.3%	17.2%	17.2%
PBR (x)	2.6	2.8	2.6	2.2	1.8	1.6
Dividend Yield (%)	0.5%	0.1%	0.0%	0.0%	0.0%	1.6%

Source: FiinPro-X, Yuanta Vietnam

We forecast loan growth for BID to reach 15% YoY for 2024E. The potential sale of a 9% stake to foreign investors via private placement would help bolster credit growth in 2024E and beyond.

Below is our sensitivity analysis of the impact of loan growth to net income.

Sensitivity analysis	-3ppt	-2ppt	-1ppt	Base	+1ppt	+2ppt	+3ppt
2024E Loan growth	12%	13%	14%	15%	16%	17%	18%
2024E Adj. Net Income	26,099	26,115	26,132	26,148	26,165	26,181	26,198
(+/-) % vs. Base Case	-0.19%	-0.13%	-0.06%		0.06%	0.13%	0.19%

Source: Yuanta Vietnam

Analyze the impact of potential stake sale to BID's CAR

BID plans to sell 9% of its stake (based on charter capital as at 2021) to foreign investors, which we think to happen by end-2024 or early 2025. BID's share price has jumped by about 25% since the beginning of the year, probably due to potential stake sale.

Assuming that BID sells at a 2024E P/B of 2.0x, BID will collect a total of about VND23 tn (~USD1.0 bn) (comprising VND4.6 tn in charter capital and VND18 tn in share premium).

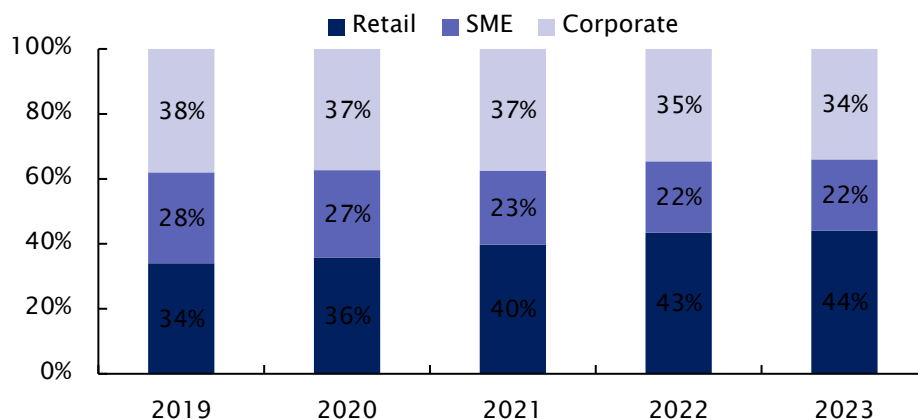
Based on the latest disclosed data on Tier 1, CAR, and risk weighted assets (RWA) as of Jun 30, 23, we estimate that BID's CAR will improve by +1.6ppt to 10.7% post deal.

The table below illustrates the various share issuance prices and the corresponding impacts to CAR.

Issuing price Scenarios	Unit	44,914	47,410	49,905	52,400	54,895
P/B	x	1.8x	1.9x	2.0x	2.1x	2.2x
Current Charter Capital	VND bn	57,004	57,004	57,004	57,004	57,004
New issuing shares	mn	455	455	455	455	455
Additional Charter Capital	VND bn	4,553	4,553	4,553	4,553	4,553
Total Charter Capital	VND bn	61,557	61,557	61,557	61,557	61,557
Share Premium	VND bn	15,895	17,031	18,167	19,303	20,439
Charter Capital + share premium	VND bn	77,452	78,588	79,724	80,860	81,996
Current Tier 1 capital	VND bn	108,762	108,762	108,762	108,762	108,762
Tier 1 capital after raising capital	VND bn	129,210	130,346	131,482	132,618	133,754
Tier 2 capital	VND bn	50,003	50,003	50,003	50,003	50,003
RWA (30/6/23)	VND bn	1,699,056	1,699,056	1,699,056	1,699,056	1,699,056
CET 1 ratio before raising capital	%	6.40%	6.4%	6.4%	6.4%	6.4%
CET 1 ratio after raising capital	%	7.6%	7.7%	7.7%	7.8%	7.9%
CAR before raising capital	%	9.34%	9.3%	9.3%	9.3%	9.3%
CAR after raising capital	%	10.5%	10.6%	10.7%	10.7%	10.8%

We forecast NIM to increase by +20bps to 2.77% in 2024E given reduced funding costs. Also, BID's strategy to shift focus to the retail segment will help boost NIM. Retail loans contribution to the total loans increased to 44% compared to 34% in 2019.

Figure 1: BID's shifting focus toward retail segment



Source: Company Data

BID's asset quality is quite strong compared to the sector. NPL ratio was 1.25% (+10bps YoY), and LLR ratio was 182% (-35ppt YoY). Though LLR decreased in 2023, BID's LLR ratio is the second highest in the sector, just behind VCB.

BID reduced provisioning by -19% YoY in 2022 and -15% YoY in 2023, which helped boost its earnings in those years. **However, our 2024E provisioning forecast represents a +20% YoY increase** to weather asset quality deterioration and given low base in 2023.

Below is our sensitivity analysis of the impact of provisioning to net income.

Ceteris paribus, a 10% change in provisioning would lead to a 7% change in earnings for BID.

Sensitivity analysis	30%	20%	10%	Base	-10%	-20%	-30%
2024E Provisioning	(31,671)	(29,235)	(26,799)	(24,362)	(21,926)	(19,490)	(17,054)
2024E Net Income	20,428	22,334	24,241	26,148	28,055	29,962	31,869
(+/-) % vs. Base Case	-22%	-15%	-7%		7%	15%	22%

Source: Yuanta Vietnam

BID's Operating Return on Asset (OROA) Analysis

Year	2019A	2020A	2021A	2022A	2023	2024E	2025E	2026E
NIM	2.63%	2.43%	2.90%	2.92%	2.57%	2.77%	2.81%	2.84%
Net interest income to adj. TOI	84.1%	79.6%	83.1%	85.8%	79.1%	79.2%	78.9%	78.7%
Cost to income	40.4%	39.4%	34.6%	34.5%	35.3%	34.2%	33.2%	32.4%
PPOP/Assets	1.82%	1.81%	2.25%	2.21%	2.07%	2.28%	2.36%	2.43%
Provisions to Assets	1.44%	1.55%	1.80%	1.24%	0.92%	0.99%	0.97%	0.95%
Operating Return on Assets (OROA)	0.43%	0.30%	0.48%	0.99%	1.18%	1.31%	1.40%	1.49%
Leverage (x)	19.2	19.0	20.4	20.4	18.7	17.5	16.5	16.0
Operating Return on Equity (OROE)	8.2%	5.8%	9.8%	20.2%	22.1%	22.9%	23.1%	23.9%

Source: FiinPro-X, Yuanta Vietnam

Valuation

BID trades at 2.1x 2024E P/B, which is higher than the sector's median of 1.1x.

Some observers argue that BID merits a premium over the sector given its vast scale of assets and networks and funding advantage from being a major state-owned bank. We do not necessarily disagree with this assessment, but we do not think that BID deserves a premium as high as VCB's. This cautious view on

BID's valuation in comparison to VCB's is reasonable given its weaker funding franchise and lower profitability.

We believe that BID's potential for expansion is limited unless it successfully secures additional capital to bolster its Capital Adequacy Ratio (CAR).

Our new target price implies 2024E P/B of 1.9x and TSR of -9%, and we maintain our HOLD-Underperform recommendation. This is just because we see better value in the higher quality private banks.

Figure 2: BID now trades far above the historical mean

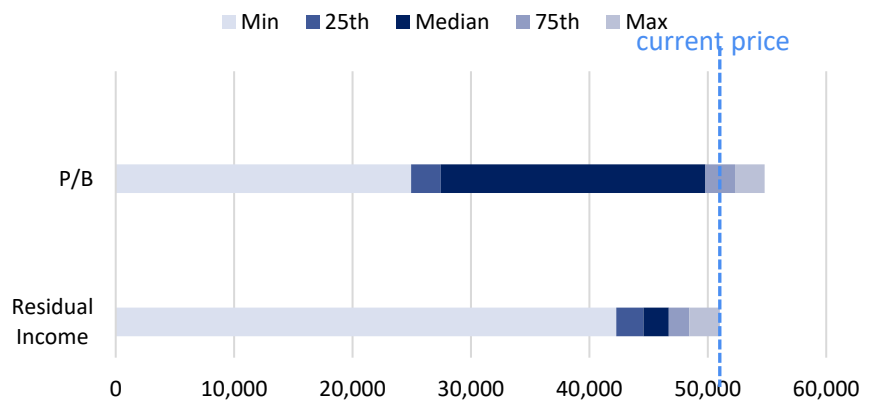


Source: Bloomberg, Yuanta Vietnam

Valuation Methods	Estimated Value	Weight (%)	Weighted value
Residual Income	46,699	75.0%	35,025
Comparable PB	49,803	25.0%	12,451
Estimated Fair Value			47,475

Source: Yuanta Vietnam

Figure 3: BID's Valuation Graph



Source: Yuanta Vietnam

Sensitivity table of Residual Income Approach: ROE vs. Cost of equity

ROE	COE						
	12.0%	12.5%	13.0%	13.3%	13.8%	14.3%	14.8%
17%	47,783	46,269	44,808	44,096	42,708	41,367	40,071
18%	48,799	47,260	45,773	45,049	43,637	42,274	40,956
19%	49,824	48,259	46,747	46,011	44,575	43,188	41,848
20%	50,559	48,975	47,445	46,699	45,247	43,843	42,487
21%	51,601	49,990	48,434	47,677	46,200	44,772	43,393
22%	52,652	51,015	49,433	48,663	47,161	45,710	44,308
23%	53,714	52,049	50,442	49,658	48,132	46,656	45,231

Source: Yuanta Vietnam

BID's Financial Statements

Balance Sheet

(VND bn)	2023	2024E	2025E	2026E
Cash & Balances at SBV	62,645	71,516	81,166	91,621
Loans to banks	211,809	222,346	230,267	259,927
Investment securities	229,366	242,389	253,015	285,605
Invest. Associates	3,113	3,554	4,033	4,553
Gross Loans:	1,777,665	2,048,617	2,345,774	2,670,489
(-) Specific Provisions:	(27,193)	(30,640)	(33,264)	(35,016)
(-) General Provisions:	(13,227)	(15,272)	(17,487)	(19,908)
Total provisions:	(40,420)	(45,912)	(50,751)	(54,924)
Net Loans:	1,737,245	2,002,705	2,295,023	2,615,566
Fixed Tangible asset:	6,402	6,720	7,055	7,406
Intangible Assets:	4,695	4,695	4,695	4,695
Real estate investment	0	0	0	0
Accrued interests:	15,556	15,556	15,556	15,556
Deferred tax:	37	37	37	37
Other Assets:	29,949	29,949	29,949	29,949
Total Assets:	2,300,814	2,599,466	2,920,794	3,314,913
Deposits:	1,704,269	1,945,604	2,208,135	2,492,561
Due to SBV:	35,896	41,368	47,368	53,925
Due to Banks:	182,252	210,031	240,497	273,787
Subordinated notes	189,487	189,487	189,487	189,487
Other Liabilities:	65,993	64,711	57,918	98,380
Total Liabilities:	2,177,897	2,451,201	2,743,405	3,108,140
Capital & Premium:	72,711	72,711	72,711	72,711
Reserves:	12,454	12,454	12,454	12,454
Treasury Shares	-	-	-	-
Retained Earnings:	33,589	57,074	85,047	113,110
Minorities Interest:	4,966	6,026	7,177	8,498
Asset Revaluation:	-	-	-	-
FX Effect:	(803)	-	-	-
Total Equity:	122,917	148,265	177,390	206,773
Total Liabilities & Equity:	2,300,814	2,599,466	2,920,794	3,314,913

Profit and Loss

(VND bn)	2023	2024E	2025E	2026E
Net Interest Incc	56,136	67,182	76,938	88,127
Net Fee Income	6,572	8,004	9,631	11,496
Other Non-ll	8,240	9,689	10,886	12,355
Total Non-ll	14,812	17,692	20,518	23,851
TOI	70,948	84,874	97,455	111,978
Total expenses	(25,080)	(29,026)	(32,398)	(36,324)
PPOP:	45,868	55,848	65,057	75,654
Gross Provision:	(20,295)	(24,362)	(26,842)	(29,665)
NPL Recoveries:	2,076	1,921	1,575	1,124
Net Provisions:	(18,218)	(22,441)	(25,267)	(28,540)
Pre-Tax Incon	27,650	33,407	39,790	47,114
(-) Income Tax:	(5,622)	(6,681)	(7,958)	(9,423)
Net Income	22,027	26,725	31,832	37,691
(-) Minority Inter	(476)	(577)	(687)	(814)
Adj. Net Incon	21,552	26,148	31,145	36,877
Adjusted Dilute	3,484	4,120	4,907	5,810

BID's Key Ratios

Financial Ratios	FY21	FY22	FY23	FY24	FY25	FY26
GROWTH PROJECTIONS						
Net interest income	31%	20%	0%	20%	15%	15%
Fee Income	26%	-1.5%	16%	22%	20%	19%
Other NII	-26%	2.7%	12.5%	1.8%	1.2%	1.3%
Operating costs	10%	16%	11%	16%	12%	12%
Gross Provision	26%	-19%	-15%	20%	10%	11%
Preprovision profit	35%	16%	7%	22%	16%	16%
Adjusted Net profit	50%	81%	19%	25%	19%	18%
Assets	16%	20%	8%	13%	12%	13%
ASSET ANALYSIS						
Earning assets to total assets	99%	99%	99%	99%	99%	99%
Average Returns on Earnings Assets	0.54%	0.82%	0.86%	0.97%	1.02%	1.07%
LOAN ANALYSIS						
Loan growth (% YoY)	12%	12%	17%	15%	15%	14%
Net Loans to Interest Earnings Assets	76%	71%	76%	78%	79%	79%
DEPOSIT ANALYSIS						
Deposit growth (YoY %)	13%	7%	16%	14%	13%	13%
Deposits to Interest Bearing Liabilities	82%	73%	78%	79%	80%	80%
LIQUIDITY						
Pure LDR	96%	101%	102%	103%	104%	105%
ASSET QUALITY						
NPL (Category 3-5)	13,546	17,622	22,229	27,033	29,883	32,339
NPL ratio	1.00%	1.16%	1.25%	1.32%	1.27%	1.21%
General Provisions to Gross loans	0.75%	0.74%	0.74%	0.75%	0.75%	0.75%
Loan loss coverage ratio	215%	216%	182%	170%	170%	170%
SPREAD ANALYSIS						
Int. rate received on Average IEA	6.25%	6.30%	6.99%	6.33%	6.52%	6.70%
Int. rate paid on Average IBL	3.48%	3.52%	4.61%	3.72%	3.91%	4.08%
Interest rate spread	2.77%	2.78%	2.38%	2.60%	2.61%	2.62%
NIM	2.90%	2.92%	2.57%	2.77%	2.81%	2.84%
OTHER INCOME						
Fee income to total income	12%	9%	9%	9%	9.9%	10.3%
Other Non Interest income to total Income	5%	6%	12%	11%	11.2%	11.0%
OPERATING EFFICIENCY						
Cost to income ratio	31%	32%	34%	33%	33%	32%
Adj. Cost to income ratio	35%	35%	35%	34%	33%	32%
CREDIT COSTS						
Provision/avg. loans	2.30%	1.67%	1.23%	1.27%	1.22%	1.18%
PROFITABILITY						
Pre provision ROA	2.25%	2.21%	2.07%	2.28%	2.36%	2.43%
Pre provision ROE	44.4%	44.9%	40.4%	41.2%	40.0%	39.4%
Adj. ROAA	0.66%	0.95%	1.00%	1.09%	1.15%	1.21%
Adj. ROAE	10.5%	16.6%	16.5%	17.3%	17.2%	17.2%
Dividend payout ratio	23%	3%	1%	0%	0%	18%
Dividend Yield	0.5%	0.1%	0.0%	0.0%	0.0%	1.6%
VALUATIONS						
PER (x)	31.4x	17.3x	15.6x	13.2x	11.0x	9.3x
PBR (x)	2.6x	2.8x	2.6x	2.2x	1.8x	1.6x

Source: FiinPro, Yuanta Vietnam

Appendix A: Important Disclosures

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