

Bank Sector Update

3 January 2024

Stock code	Yuanta Rating	Current price (VND)	Target price (VND)	12-m TSR*
ACB VN	BUY	24,350	28,510	22%
BID VN	HOLD-UPF	43,250	42,780	1%
HDB VN	BUY	19,800	22,390	19%
MBB VN	BUY	18,750	25,260	38%
STB VN	HOLD-UPF	27,700	33,575	21%
VCB VN	BUY	83,500	99,420	20%
VPB VN	BUY	18,700	25,540	41%

Source: Bloomberg (pricing date: Jan 2, 24), Yuanta Vietnam

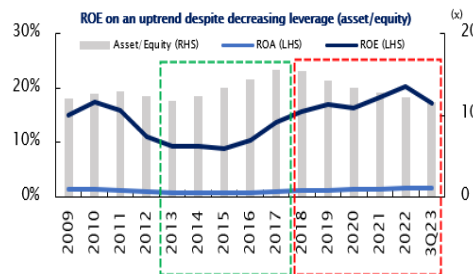
What's new?

- System credit increased by +13.5% YoY in 2023.
- The SBV targets credit growth of 15% YoY in 2024.
- Banks are set to receive full-year credit quotas in one go in 2024.
- Cheap!** The sector trades at 1.0x 2024E PB, with 2024E ROE of 20%.

Our view

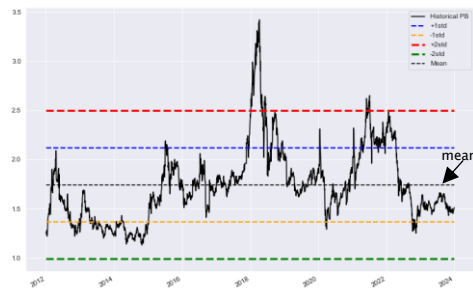
- 14–15% YoY credit growth is achievable in 2024 given the low base of 2023.
- System liquidity remains strong, but banks need more longer-term capital.
- Asset quality is a concern, but we expect a rebound in 2024.
- Low 2023 ROE is a temporary setback.
- Overweight banks in 2024.** We reiterate BUY on [ACB](#), [MBB](#), [HDB](#), [VCB](#), and [VPB](#).

Overview: We expect credit growth of 14% YoY in 2024. Banks might need to raise more medium and long-term capital to meet the new requirement on ST funding used for MLT loans, which will constrain NIM going forward. NPLs and provisioning will likely remain high on bad debt related to real estate, but the situation should ease in 2024.



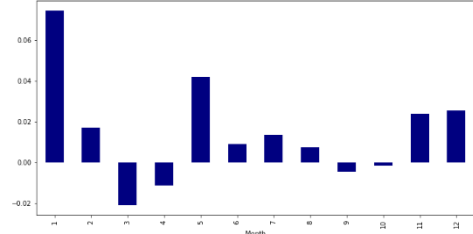
Source: FiinPro, Yuanta Vietnam

Valuation: Banks' historical PB



Source: Bloomberg, Yuanta Vietnam

Bank Stocks Average Monthly Return Over the Period 2013-2023



Source: FiinPro, Yuanta Vietnam

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Interest income key for 4Q23 earnings

Credit growth was 13.5% YoY in 2023. Credit growth jumped by 6.6% in 4Q23, equivalent to 96% of total credit growth in 9M23. Despite this back-ended growth impulse, net interest income should be the key earnings growth driver for the banks in 2024.

The SBV targets credit growth of 15% YoY in 2024 and intends to grant full-year quotas to the banks at one go rather than raising quotas throughout the year. We think 15% YoY credit growth is achievable given the low base of 2023 and anticipated economic recovery in 2024.

We expect a 1–2% reduction in bank funding costs in 4Q23 and this should persist at least through 1H24. This is because the high-rate deposits that prevailed in 2H22 and 1Q23 largely matured in 2H23. We think the SBV will not shift its easing monetary policy anytime soon.

But NIMs might be constrained as the cap on short-term funding used for medium-long-term loans is reduced to 30% from 34%. The impact of this change will be minimal for banks with low ST funding for MLT loans, such as ACB (17.4% at 3Q23), HDB (15.9%), and the SOE banks.

Asset quality remains a key focus. Credit growth spiked in 4Q23 in the context of ongoing issues in the real estate market that are likely to continue to weigh on banks' asset quality. Thus, we think investors should remain focused on the banks with strong asset quality, such as ACB and VCB.

The sector trades at 1.0x 2024E PB and ROE of 20% (Bloomberg consensus). Banks posted a consistent and structural uptrend in ROE in 2018–22 despite reduced leverage. Although ROEs appear very likely to decline in 2023, we think this is just a temporary setback.

Overweight the banks. We reiterate BUY on [ACB](#), [MBB](#), [HDB](#), [VCB](#), and [VPB](#). Bank stocks tend to perform well in Jan and Feb based on the statistics of average monthly returns during 2013–23 (see chart 3 on the left).

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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Appendix: Bank stocks_Statistics

Figure 1: Large cap bank (>US\$2 bn) stock price performance vs. VNINDEX from Jan '23 – Dec '23 (all start at 1)



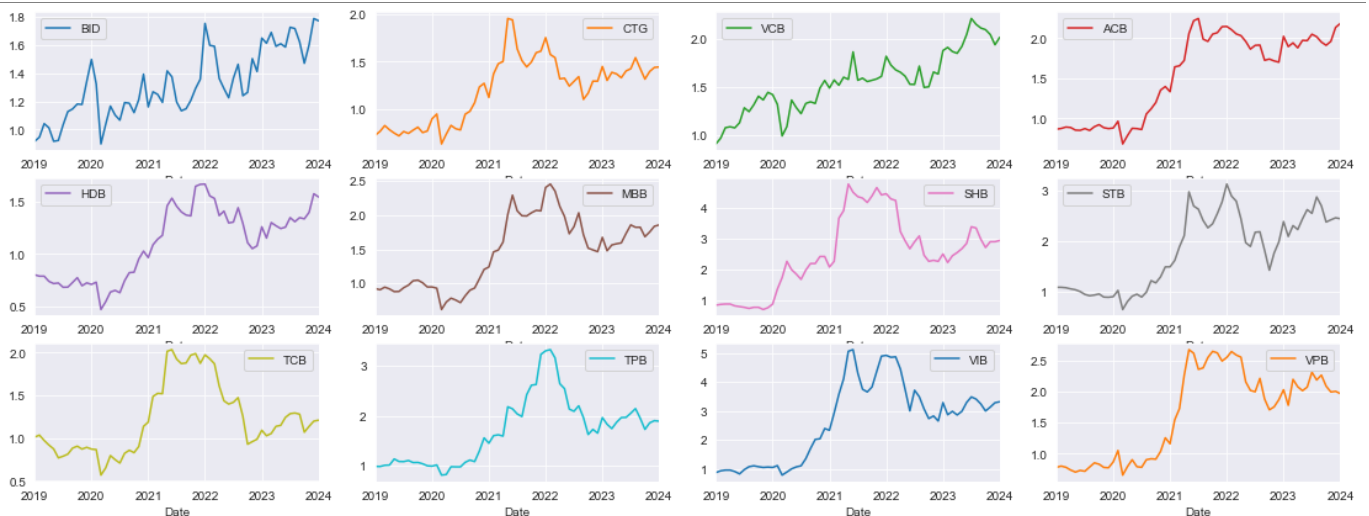
Source: Bloomberg, Yuanta Vietnam

Figure 2: Medium and small cap bank (<US\$2 bn) stock price performance from Jan '23 – Dec '23 (all start at 1)



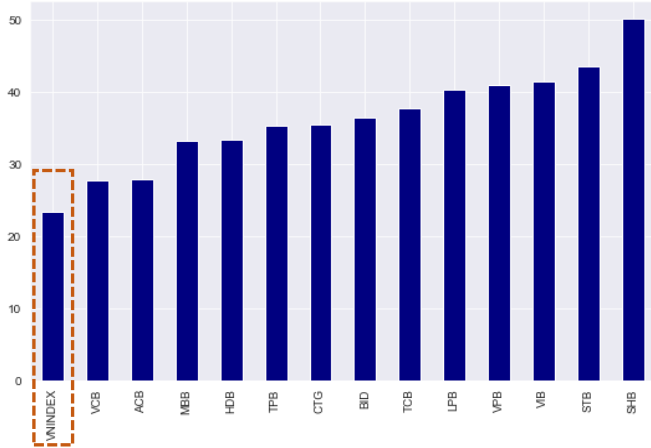
Source: Bloomberg, Yuanta Vietnam

Figure 3: Banks' stock cumulative monthly return from Jan 2019 – Dec 2023



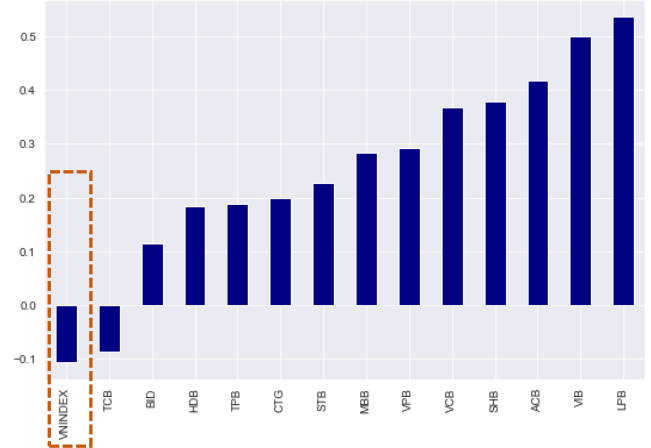
Source: Bloomberg, Yuanta Vietnam

Figure 4: Annualized volatility (Jan 2019–Dec 2023)



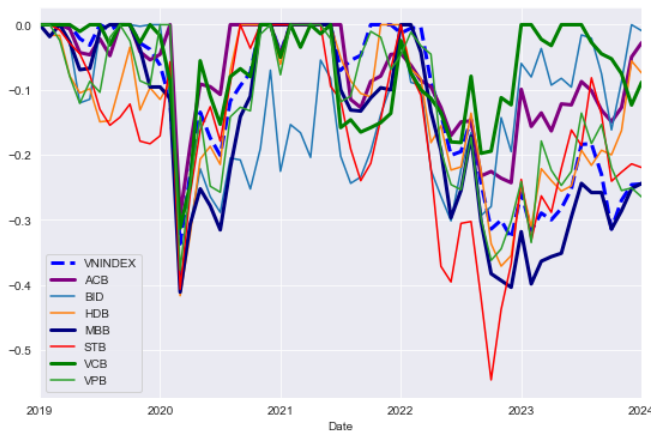
Source: Bloomberg, Yuanta Vietnam

Figure 5: Sharpe ratios (Jan 2019–Dec 2023)



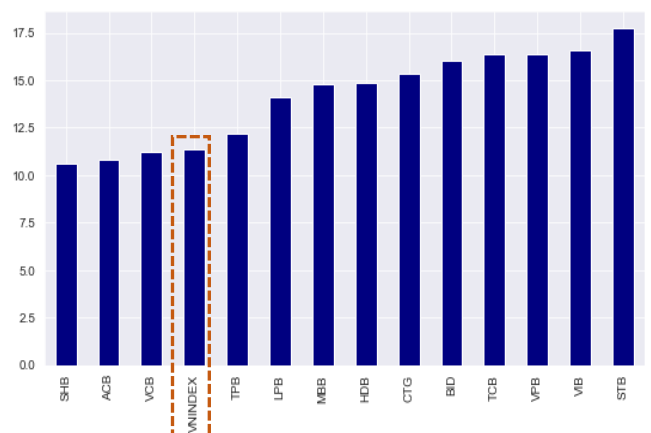
Source: Bloomberg, Yuanta Vietnam

Figure 6: Monthly drawdown



Source: Bloomberg, Yuanta Vietnam

Figure 7: Value at Risk (VaR) at 5% level



Source: Bloomberg, Yuanta Vietnam

Figure 8: Summary Statistics_Sorting by 'Max Drawdown' (monthly data from Jan 2019 – Dec 2023)

	Annualized Return	Annualized Volatility	Skewness	Kurtosis	Cornish-Fisher Var (5%)	Conditional Var (5%)	Annual Sharpe Ratio	Max Drawdown
ACB	0.198309	0.278977	-0.052042	6.668518	0.108241	0.142795	0.507837	-0.293651
VCB	0.183229	0.277097	-0.074444	4.765396	0.112067	0.151311	0.459245	-0.312639
VNINDEX	0.047814	0.233932	-0.700516	5.129172	0.113780	0.141509	-0.009447	-0.336687
VPB	0.202300	0.408613	0.073863	4.629364	0.163771	0.201823	0.355541	-0.376838
BID	0.119080	0.363473	-0.204095	3.779223	0.160551	0.196293	0.180942	-0.400971
MBB	0.174305	0.331254	-0.526114	4.983211	0.147741	0.184814	0.358102	-0.410870
HDB	0.140075	0.333642	-0.462848	5.680646	0.148396	0.178591	0.257396	-0.416393
CTG	0.149741	0.353821	-0.266065	4.760172	0.153596	0.203284	0.268779	-0.436081
VIB	0.295442	0.414061	0.021231	2.872727	0.165836	0.201982	0.566067	-0.481294
TPB	0.145061	0.352174	0.798346	4.650435	0.122219	0.173620	0.257458	-0.510059
LPB	0.305057	0.403348	0.552660	3.555495	0.141086	0.173538	0.604039	-0.514064
SHB	0.276956	0.501072	1.856818	8.295338	0.106219	0.175229	0.432373	-0.532422
TCB	0.040016	0.376800	-0.019052	5.405567	0.163563	0.229745	-0.026150	-0.543925
STB	0.180265	0.435775	0.061875	4.466561	0.177588	0.237301	0.284893	-0.545710

Source: Bloomberg, Yuanta Vietnam

Appendix A: Important Disclosures

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BUY: We have a positive outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors add to their position.

HOLD–Outperform: In our view, the stock's fundamentals are relatively more attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

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