BANKING

STABLE EARNINGS PROSPECT AMID EXTERNAL UNCERTAINTIES

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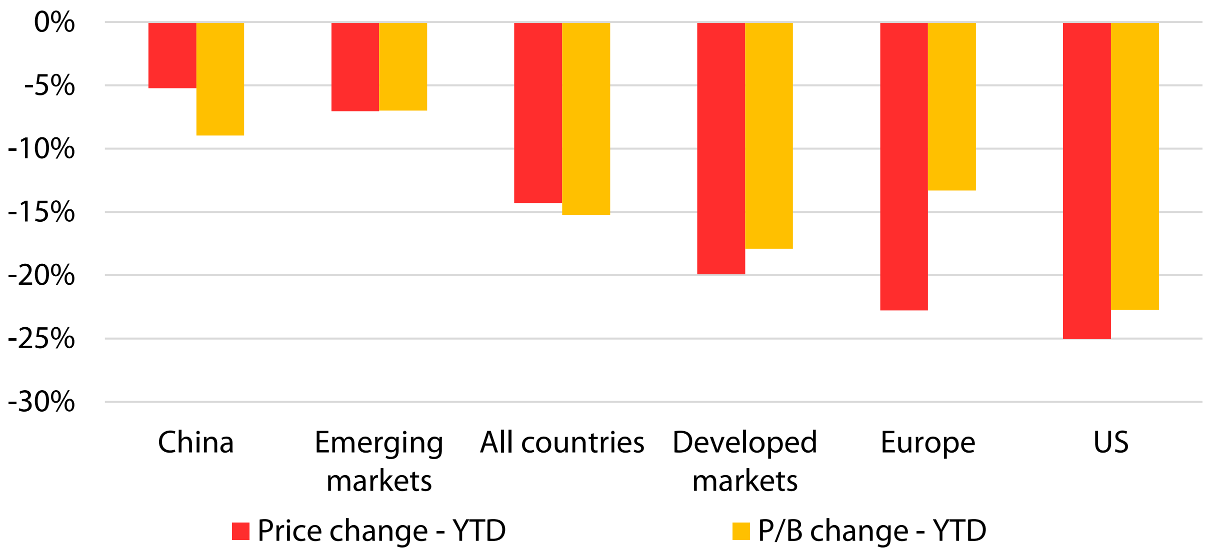
Banking stocks corrected globally in 1H2022, led by large-sized banks

- Global banks were not immune to the severe risk-off wave which might be attributed to the fear of inflation, rate hike, and recession. 92 major banks over 25 countries had their values fall by 17% in 6M22. The median price shortfall for the first and second quartiles ranked by total assets are -13% and -8% respectively in comparison to -6% of the whole portfolio. Given the aggressive policy normalization in developed economies, the banks in the US and Europe also fell steeper than that of peers or those in the emerging markets.

In Vietnam, multiple valuation de-rated broadly while earnings results were relatively positive

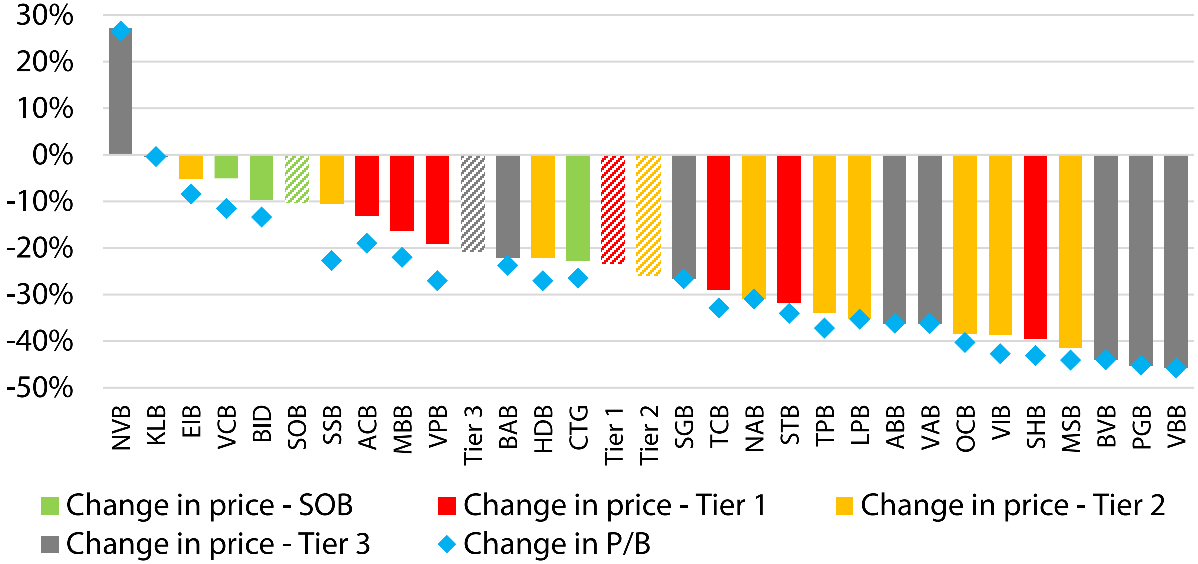
- In 1H22, most Vietnamese banks had negative price performance. On average, the medium-sized banks including Tier 1 and Tier 2 ones experienced the greatest shortfalls. State-owned banks were relatively resilient thanks to lower exposure to the real estate developers during the regulation tightening which is believed to be one of the risk-off triggers. In contrast, the median price shortfall implies its correlation with the bank scale. P/B multiple saw a median decline of -31% while that of global peers was down by -5%.

Figure 1: Global banking indices performance (YTD, %)



Source: Bloomberg, Rong Viet Securities. Indices by MSCI. Data as of June 30

Figure 2: Price and valuation multiple change (YTD, %)



Source: Bloomberg, Rong Viet Securities. Data as of June 30

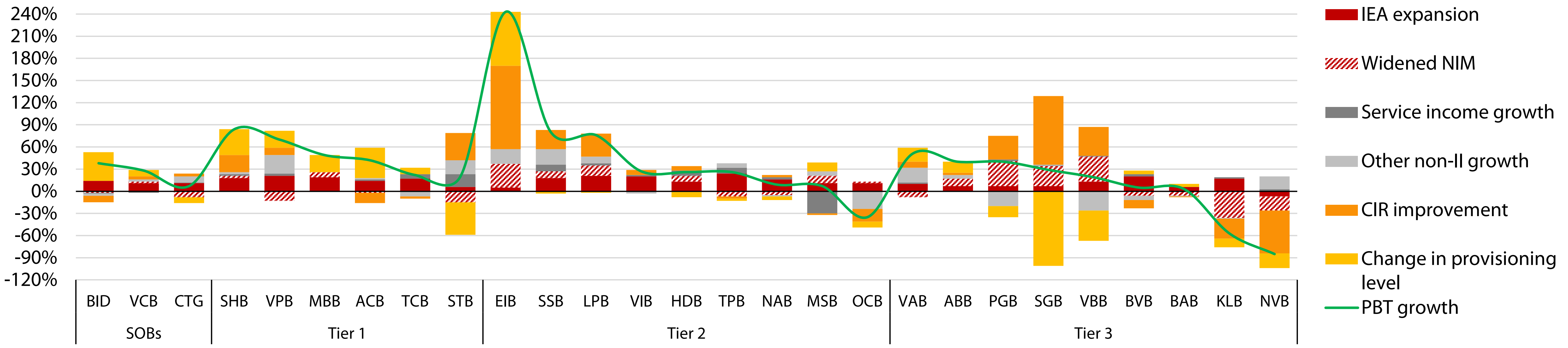
Dispersion in reported quarterly earnings growth of banks were anticipated with large banks having the edge

- Earnings growth of the sector reached 31% YoY in 1Q22, bouncing back from 7% in 4Q21 and 12% in 3Q21. The rising momentum was extended into 2Q22 with 36% YoY, bringing about a 33% growth for 1H22. However, we spot an increasing polarization in earnings growth among banks with the large ones tending to have better results. State-owned and Tier 1 banks had 23% ad 46% average earnings growth, respectively, while those of Tier 2 and Tier 3 banks were 29% and 8%. This suits our prior expectations about the growth dispersion in the sector in the first half of 2022, mainly driven by the distinction in the customers' recovery pace, provisioning buffer and comparison base.

Credit growth remained as a leading growth engine while the curtailment of credit cost margin emerged as a new driver at some banks

- The leading growth factor differs among banks, but the year-on-year credit expansion remained as a pivotal driver with the highest average contribution to PBT growth (13% YoY) and the lowest deviation (7%). There was not a conspicuous trend for NIM due to the difference in interest rate base, funding needs in relative to credit growth quota, and the ability to seek non-deposit funds. Credit costs did have a positive impact on growth generally which meets our expectations. The modest improvement in CIR was also expected.

Figure 3: 1H22 PBT growth component (%, YoY)



Source: Banks' FS, Rong Viet Securities

PROFIT BEFORE TAX GROWTH BY BANK TIERS

Figure 4: Quarterly PBT growth components of SOBs (%, YoY)

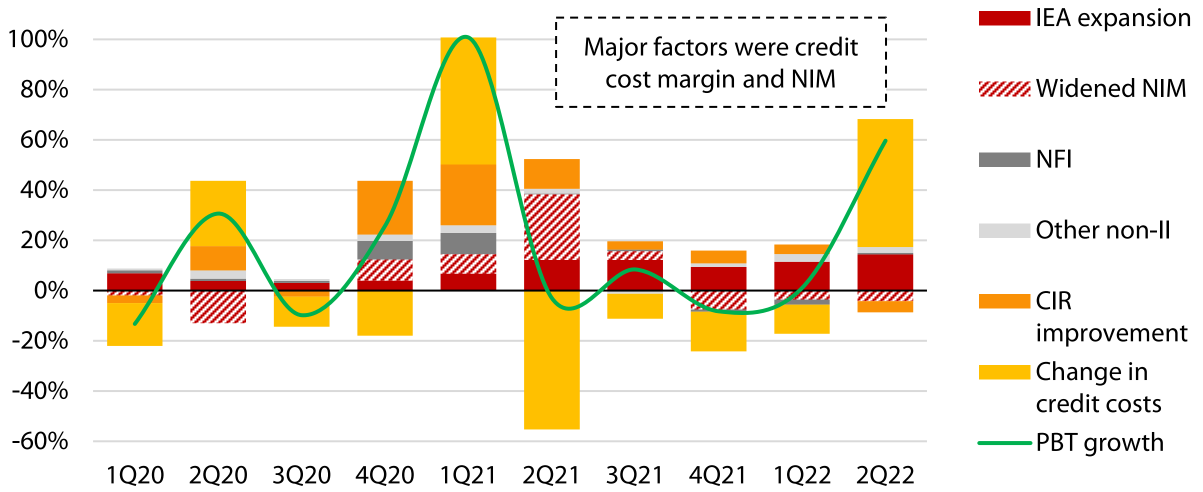


Figure 5: Quarterly PBT growth components of Tier 1 banks (%, YoY)

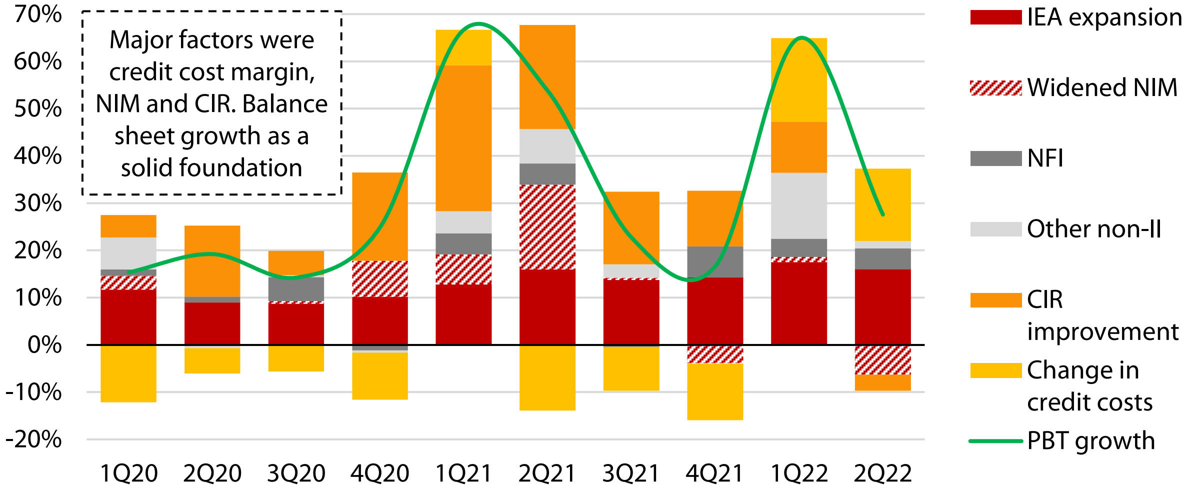


Figure 6: Quarterly PBT growth components of Tier 2 banks (%, YoY)

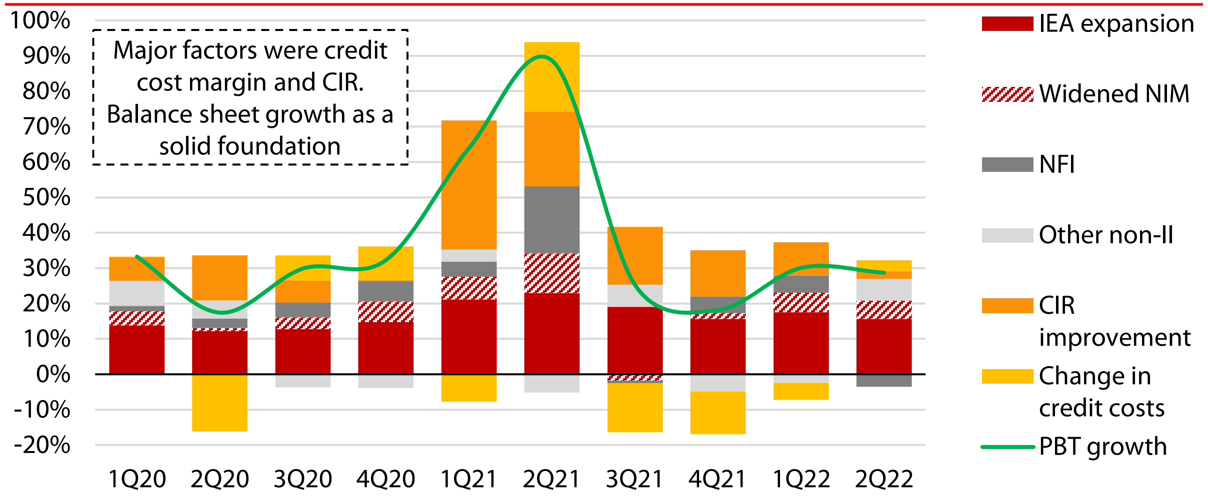
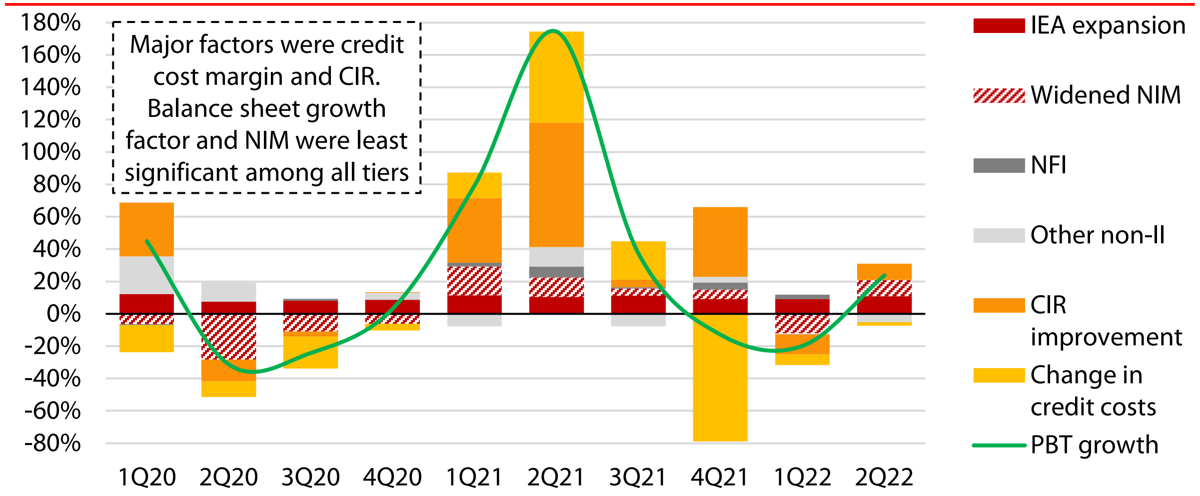


Figure 7: Quarterly PBT growth components of Tier 3 banks (%, YoY)



Source: Banks' FS, Rong Viet Securities. 27 listed banks are categorized into tiers by credit base. Tier 1 includes VPB,TCB,MBB, ACB, STB, SHB. Tier 2 includes VIB, TPB, LPB, HDB, SSB, EIB, NAB, MSB, OCB.

HEADWINDS WIDENED THE GAP DESPITE RISING RATES

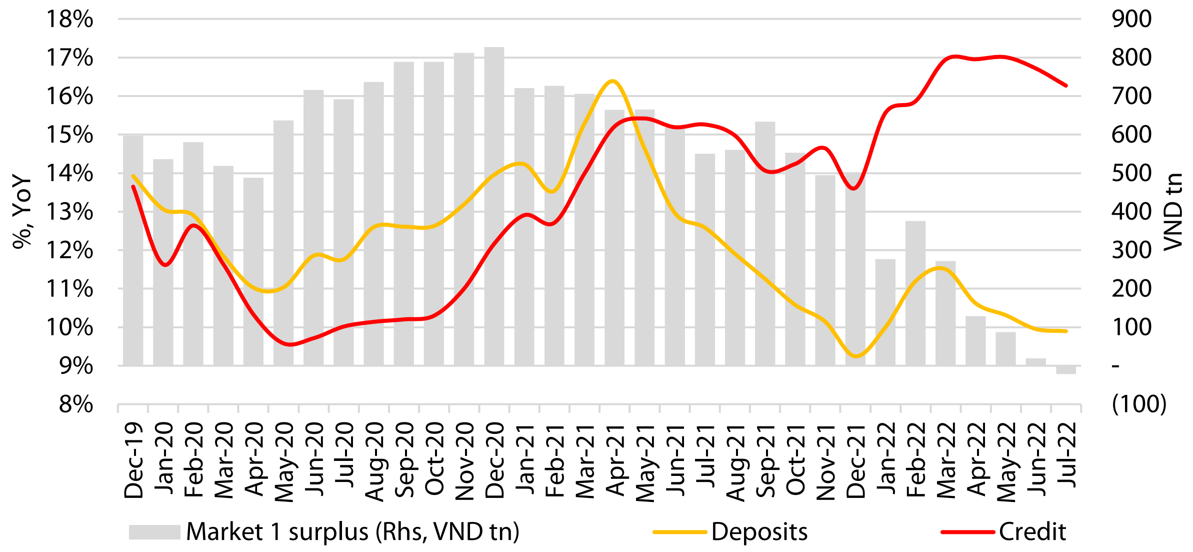
The credit – deposit growth gap was depressed partially due to the deposits in foreign currencies

- Deposits in foreign currencies (FX) has hindered the sector's deposit growth in 2021-2022. Until December 21, 2021, FX deposits fell -1.5% YTD while FX credits grew 17.4% YTD, implying robust demand and lower liquidity. As of March 23, 2022 – a month after the start of the Ukraine war and a week after the first Fed's rate hike, FX deposits rose by VND 41 tn to its peak of circa VND 957 tn (4.4% YTD, led the 2.4% YTD of total deposits). FX credits stayed resilient with a 5.9% growth compared to 4.1% of total credits. Since then, the FX credit–deposit growth gap widened as FX deposits fell by -9% (circa VND 90 tn) from the peak to reach -5.4% YTD growth on May 9 while FX credits growth was 7.4% YTD. As of mid-June, the gap narrowed due to the rebound in FX deposits (-2.3% YTD). From the peak, the contraction in FX deposits directly made total deposits down by -0.5% YTD.

The hikes in quoted deposit rates across the private banking sector could not prevent the market 1 surplus from reaching the historical low

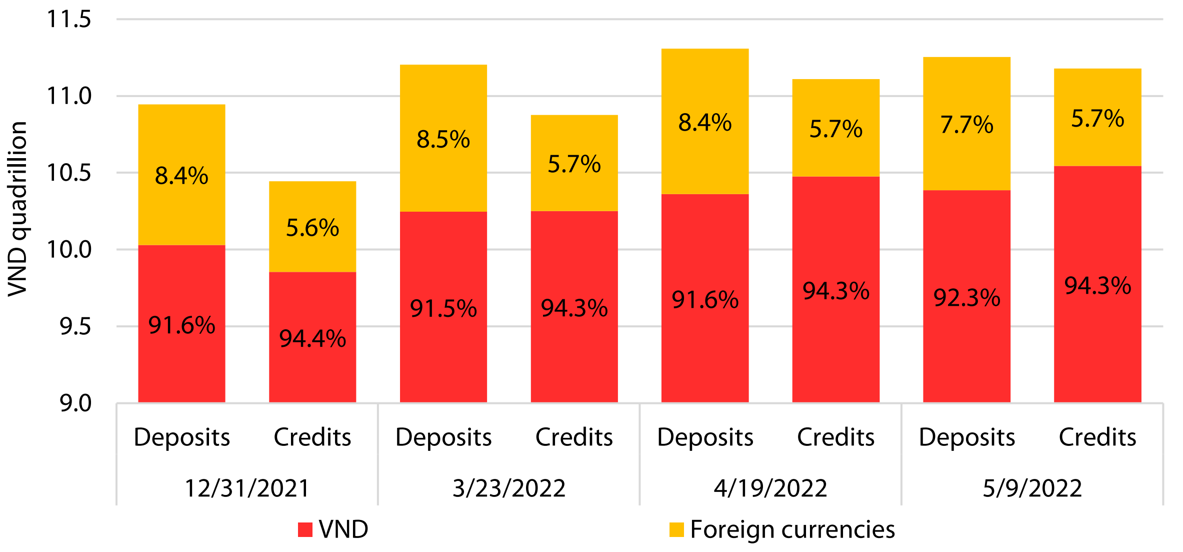
- VND deposits spearheaded total deposits in 1H22, supported by deposits rate hikes. Total deposits speeded up well from the 2021 pace, at 4.5% YTD. Credit growth approached the granted quota in June (9.4% YTD), implying constrained headroom and stagnant growth until further quota is announced. Market 1 surplus turned negative since July.

Figure 8: Credit – deposit growth and market 1 surplus (%, YoY, VND)



Source: SBV, Rong Viet Securities

Figure 9: Credit - deposit structure of the banking system

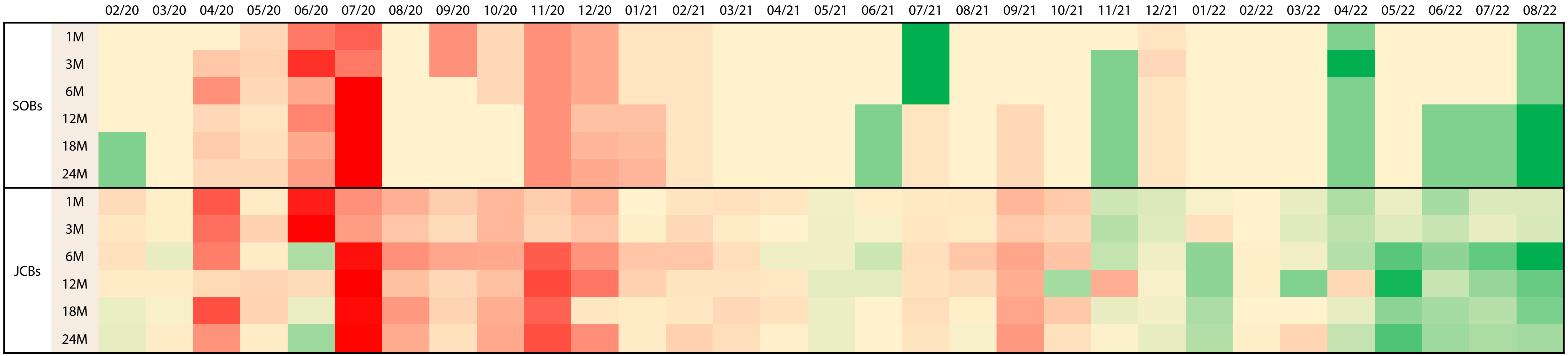


Source: SBV, Rong Viet Securities

Stronger-than-expected quoted deposit rates hikes but undesirable funding raise

- We anticipated more rates hikes in the 2H22 than in the 1H. The higher initial credit growth quota in comparison to last year contributed to the funding demand spike, thereby, boosting the frequency of revising up quoted retail deposit rates. Private banks were more active in adjusting their quoted rates. In 8M2022, the state-owned banks increased their rates by 0.1-0.3%, mostly during the year-mid. The longer-term rates were revised up steeper than the short ones. Major private banks adjusted their quoted rates up by an average of 72 bps. The most significant change was 190 bps in 8M22. Average deposit costs were up by an average of 15 bps in 1H22 across all tiers. That of the SOBs was up by 10 bps while that of the Tier 1 banks was 22 bps higher than last year, indicating weak transmission for the large banks. The credit – deposit growth gap still widened in 1H22.
- We witnessed structural pressure on the small-sized banks regarding balance sheet growth ability and funding advantages as predicted in the 2022 Strategy Report. Despite less-than-average deposit rates hike, the state-owned banks had good deposit growth in 1H22 (3.5% YTD) thanks to the funding advantages from their customer base and pricing power. Tier 3 banks struggled to expand the deposit base, at 1.3% YTD. Tier 1 and 2 banks leading the deposit growth also had the largest average increase in deposit rates.

Table 1: Quoted deposit rate change month-on-month by bank tier (%)



Source: Rong Viet Securities. Table 1: colored by the scale of rate change from the previous month. Rates are the highest possible retail deposit rates for each maturity.

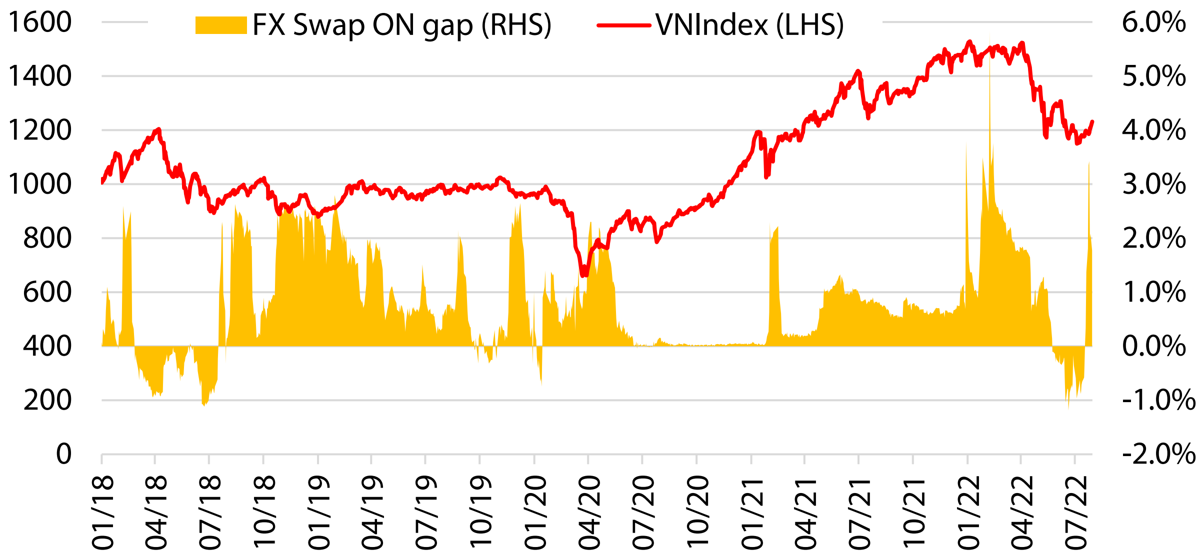
USDVND interbank gap has been under constant pressure although the SBV intervened

- In the last few years, there were only a few times that the USDVND interbank rate gap turned negative. Figure 11 shows a relative correlation between the differentials and the performance of the stock market when the swap rate gap enters the negative zone. A negative swap gap also intensifies the pressure on FX rates. The USDVND exchange rate has increased drastically since the beginning of the year mainly due to policy divergence and weakening USD inflows. Specifically, the risk of global recession and weak demand deteriorated the trade balance and FDI inflows. By also causing the surging demand for USD for speculative purposes as well as hedging, it made a feedback loop that constantly weigh on the exchange rate and the supportive monetary policy. The SBV has improvised well to balance the short- and long-term goals with ample resources. The VND depreciated.

Inflation – credit growth – interest rate – exchange rate: Respond flexibly to maintain the ultimate target

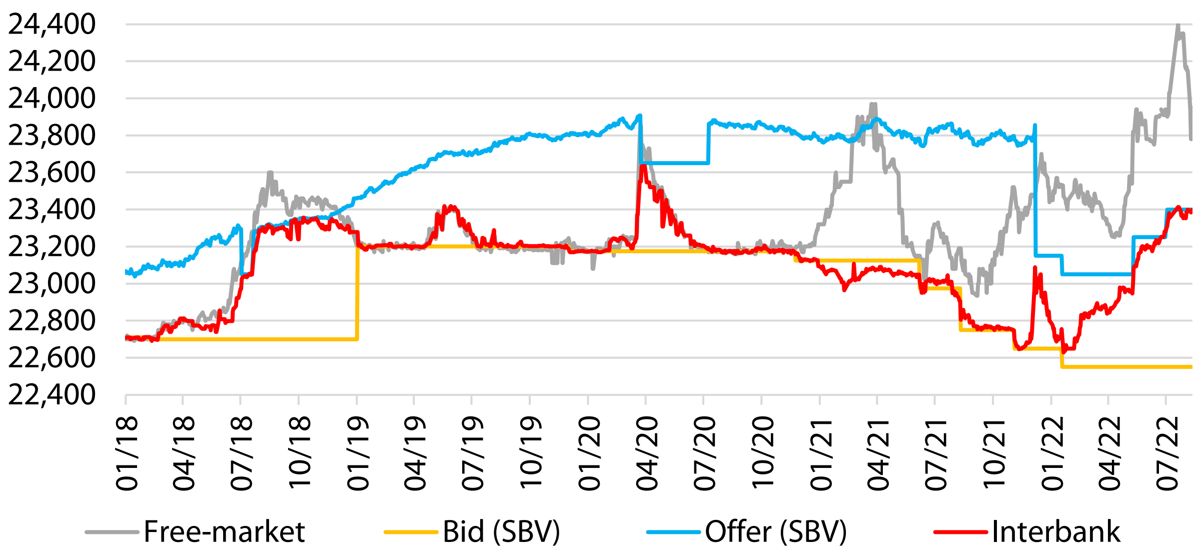
- FX reserves and forward contracts were used to balance the USD flow with spot demand and VND liquidity. The SBV conducted outright bill sales and rate-auctioned repurchase channel on OMO to timely withdraw/inject VND at desirable maturities and costs. The goal was to monitor VND liquidity, thereby, affecting the VND interbank rate and FX swap gap.

Figure 10: Overnight interbank swap rate gap and VNIndex



Source: VBMA, Bloomberg, Rong Viet Securities

Figure 11: Interbank and free-market USDVND exchange rates



Source: Bloomberg, Fiinpro, Rong Viet Securities

Strong balance sheet expansion backed by non-customer funding

- Total assets grew 8% YTD and 19% YoY in 1H22. Notably, state-owned banks were the leaders with a 12% YTD, equaled to the growth of the whole year 2021. In 2021, state-owned banks were the laggards while Tier 1 and 2 banks had the highest growths thanks to outstanding credit growth quota. The reversed situation in 1H22 was enabled by the shifting allocation of credit growth quota which was subjected to the real estate credit control. The strong balance sheet expansion of the banking sector was funded partly by customer deposits (5% YTD, 11% YoY), which was hampered by the low interest rate environment and slow disbursement of government funds. The remained resources mostly came from the interbank market when regulatory liquidity ratios were under constrained and public investment disbursement rate was not up to expectation.

Positive NIM change across the sector as a result of monitoring liquidity ratios, balancing market 1 rates and funding demand, and asset reallocation

- Rates hikes pulled up the deposit rates in 1H22. However, the rate of change differs among banks. Those of the state-owned banks were stickier compared to those of other banks due to stronger pricing power and their role in setting up the benchmark. Median NIM rose steadily since the trough in 3Q21. Other NIM positive factors were higher market 1 LDR.

Figure 12: NIM (annualized)

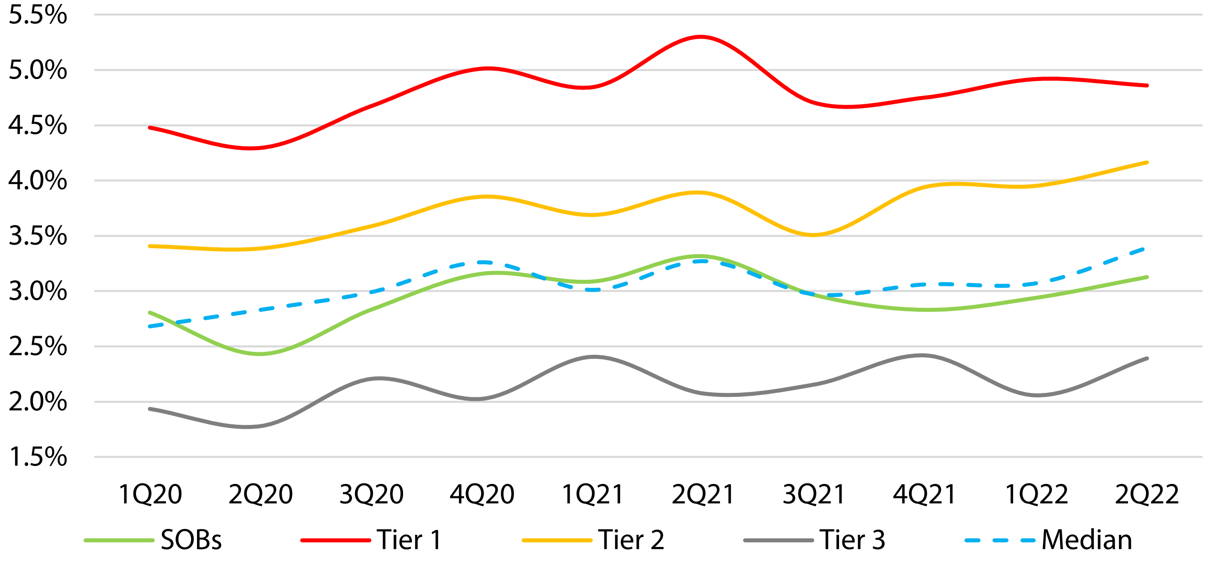
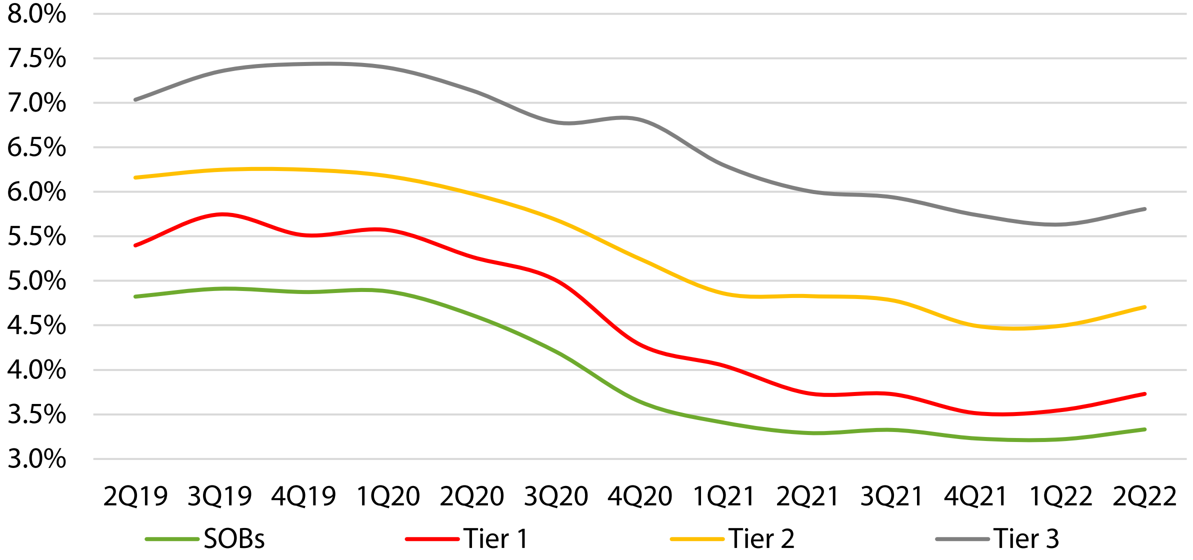


Figure 13: Average deposit rate (%, annualized)



Source: Banks' FS, Rong Viet Securities. 27 listed banks are categorized into tiers by credit base. Tier 1 includes VPB,TCB,MBB, ACB, STB, SHB. Tier 2 includes VIB, TPB, LPB, HDB, SSB, EIB, NAB, MSB, OCB.

THE IN-LINE DECELERATION OF OPERATING INCOME

Headwinds on the growth capability and margin pressured net interest income momentum

- The 1Q and 2Q22 market 1 rate gaps widened from the second half of 2021 at state-owned and Tier 2 banks while the other tiers could not fully pass the incremental costs to the customers. Average lending yields of Tier 1 banks went flat since 4Q21 despite a 22 bps uptick in average deposit costs and extensive quoted rate hikes. Credit growth was resilient (10% YTD, 17% YoY) while deposit growth lagged, contributing to the strong TOI growth in 1H22. The banking sector reached over VND 272 tn in 1H22 revenue, equivalent to a 19% growth. This laid the foundation for the 33% earnings growth. Nevertheless, growth momentum has been stagnant since 3Q21 if excluding one-off items. Adjusted TOI growth was at 16-17% YoY in 1Q and 2Q22, up from the range of 12-16% in 2H21. The trajectory was significantly lower than the peak in 2Q21 (44% YoY), partly due to the high base effect.

Transitory volatility in non-interest income could not support TOI growth

- NFI (12% YoY) saw headwinds from the comparison base, fee competition and corrections on the asset markets which lowered its momentum despite having supports from the recovery in cards, development in the bancassurance segment and trade finance. FX sales could not light up other non-II growth in 1H22.

Figure 14: Average lending yield (%, annualized)

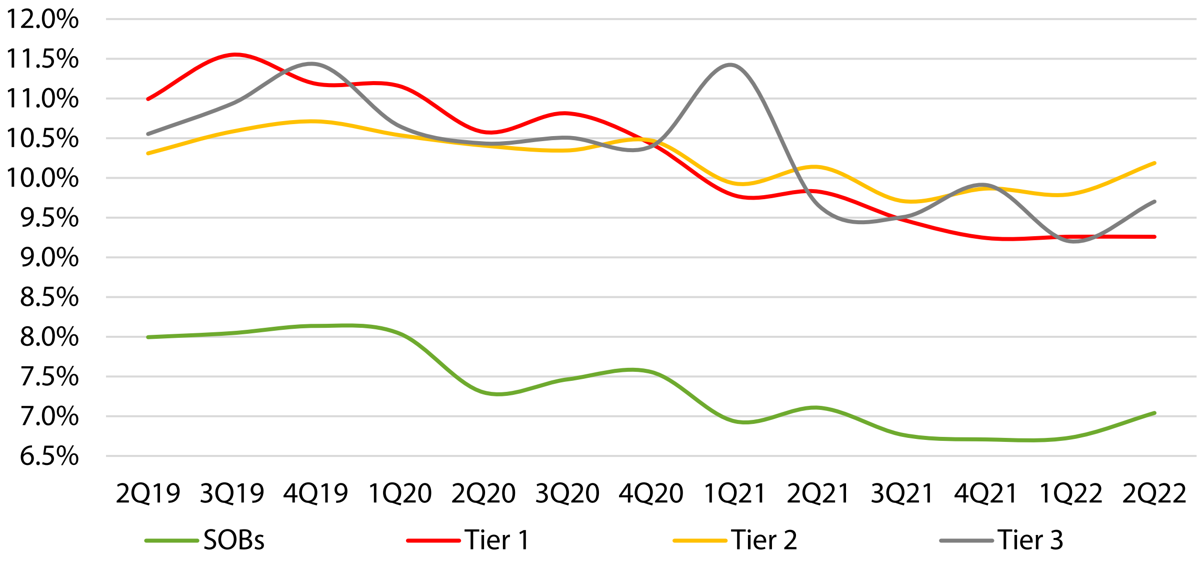
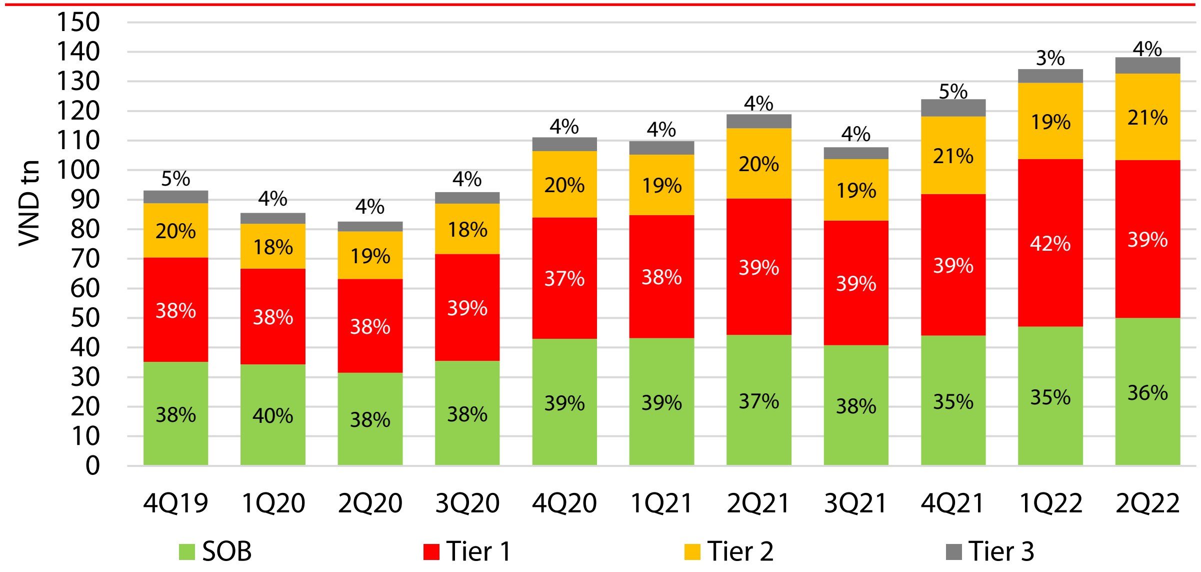


Figure 15: Total operating income by bank tier (VND bn, %)



Source: Banks' FS, Rong Viet Securities

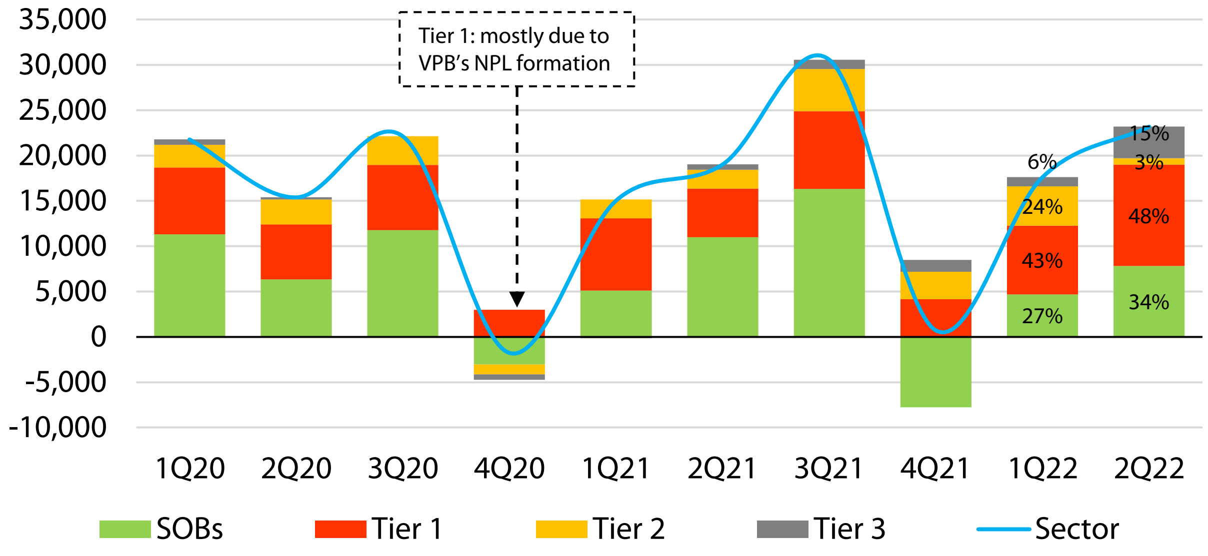
The balance sheet health remained intact at most banks during the first half despite regulatory pressures on the real estate and corporate bond markets

- Although the asset markets experienced strong volatility and the availability of funds was hindered for some sectors, the quality of loans remained healthy. Restructured loans fell steadily at major banks, followed by the decline in total loans of restructured customers and provision reversals. Restructuring demand also eased. There were mixed results in the movement of NPL ratio of bank groups. State-owned banks improved their balance sheet and NPL ratio robustly as well as building a thick provisioning buffer. The figures of large private banks was biased due to the slow recovery of consumer finance segment. Private banks exposed to high-profile customers still got resilient balance sheet through the shocks in real estate and corporate bond market. This suits our prior forecasts of a K-shape recovery and is backed by the obscure effect of fiscal policy.

The defaults on restructured loans stayed healthy at large banks as projected

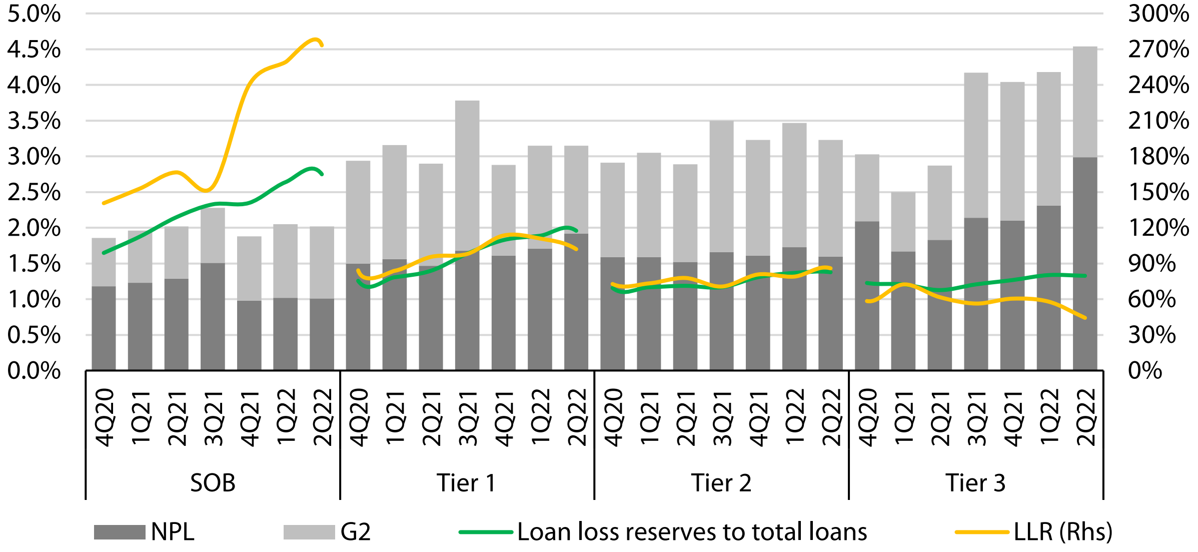
- Banks in our coverage had over VND 54 tn of restructured loans in 2Q22, down from VND 90 tn in 2021. Those are mostly reported to have normal repayment status as the economy recovered relatively well. Asset quality remained healthy. Combined with the buffer reinforced in 2021, loan loss coverage ratio stayed elevated and even rocketed higher at SOBs.

Figure 16: Net NPL formation (VND bn)



Source: Banks' FS, Rong Viet Securities. Adjusted for outliers and unannounced figures.

Figure 17: Quality and coverage ratio of the loan book (%)



Source: Batdongsan.com

A COMPREHENSIVE IMPROVEMENT IN CREDIT RISK COST

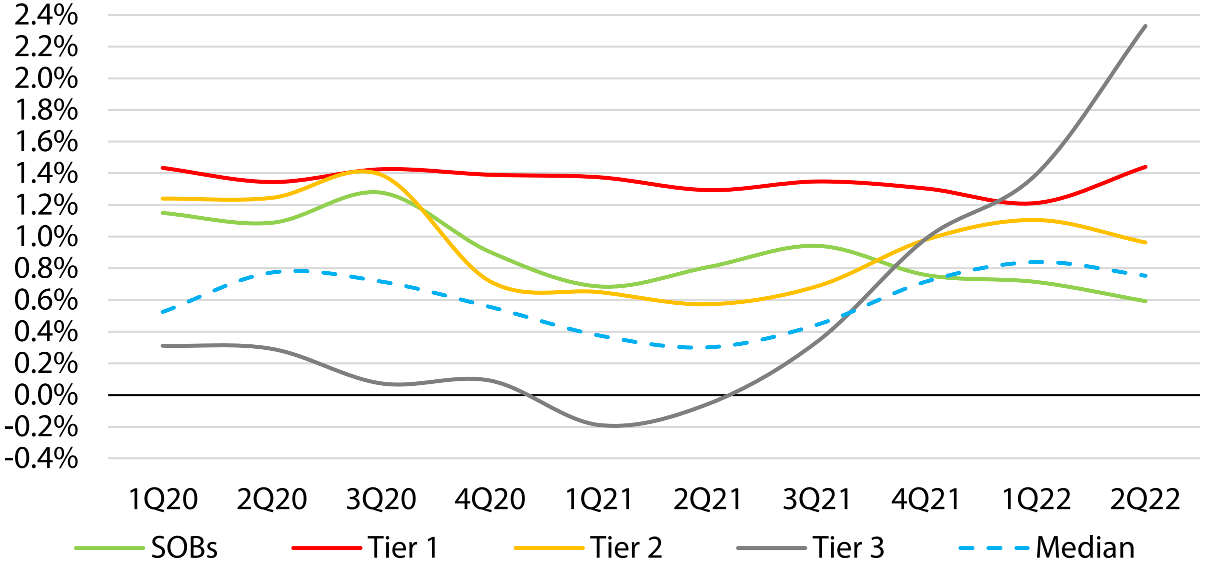
Credit cost margin seems to have peaked on a sector-wide basis in 1H2022 thanks to the strict provisions for total loans of restructured customers

- Net NPL formation bounced back at state-owned banks but stayed low at Tier 2 banks. The NPL formation rate curve showed signals of good customer recovery at large banks and middle-to-high-profile customers. The curve of Tier 1 and Tier 3 banks spotted an opposite trend in 1H22 due to impacts from the consumer finance segment and lower-profile customers' stagnant recovery. Most of the banks in our coverage have fully provisioned for restructured loans ahead of the deadline, relieving the pressure on credit cost margin.

Provisions showed signs of cooling down on many fronts but only at large banks

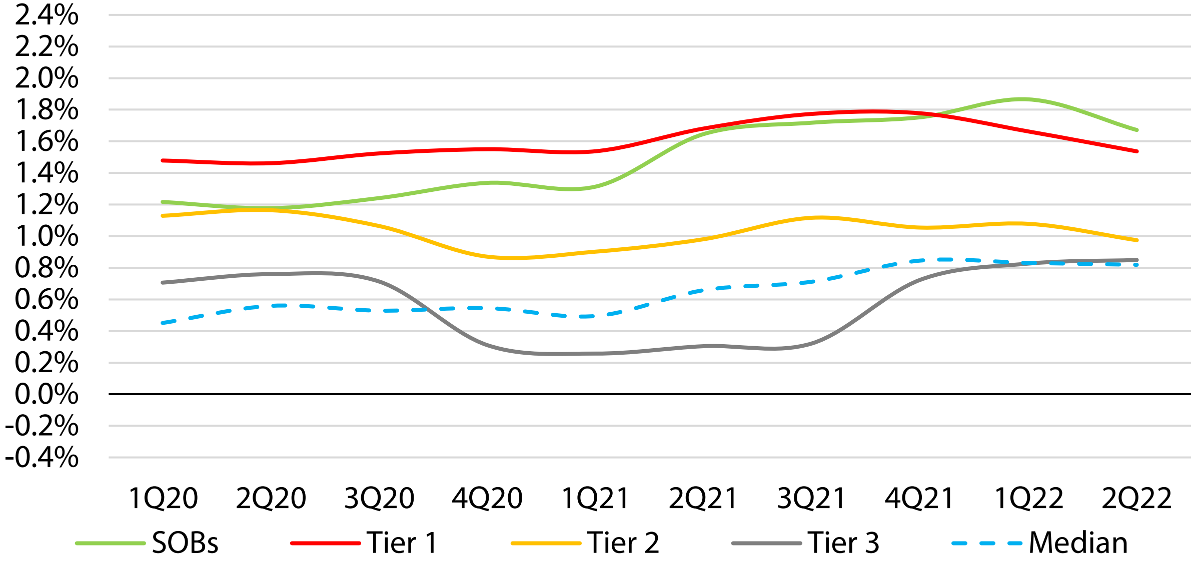
- Provisioning pressure gradually eased in 1H22 thanks to various catalysts. Nevertheless, the buffer and the soundness of provision polarized among bank tiers. Most major banks fully provisioned for restructured loans, which created a high comparison base for credit costs. Restructured customers with resilient financial health have been reported to have normal payment status, suggesting potential provision reversals. The in-line economic recovery will at least support banks exposed to customers with strong financial capability. As a result, state-owned and several Tier 1 banks are more likely to experience credit risk cost reduction in multiple scenarios while Tier 2 banks will be supported moderately.

Figure 18: Net NPL formation rate (TTM)



Source: Banks' FS, Rong Viet Securities. Adjusted for outliers and unannounced figures.

Figure 19: Credit cost margin (TTM)

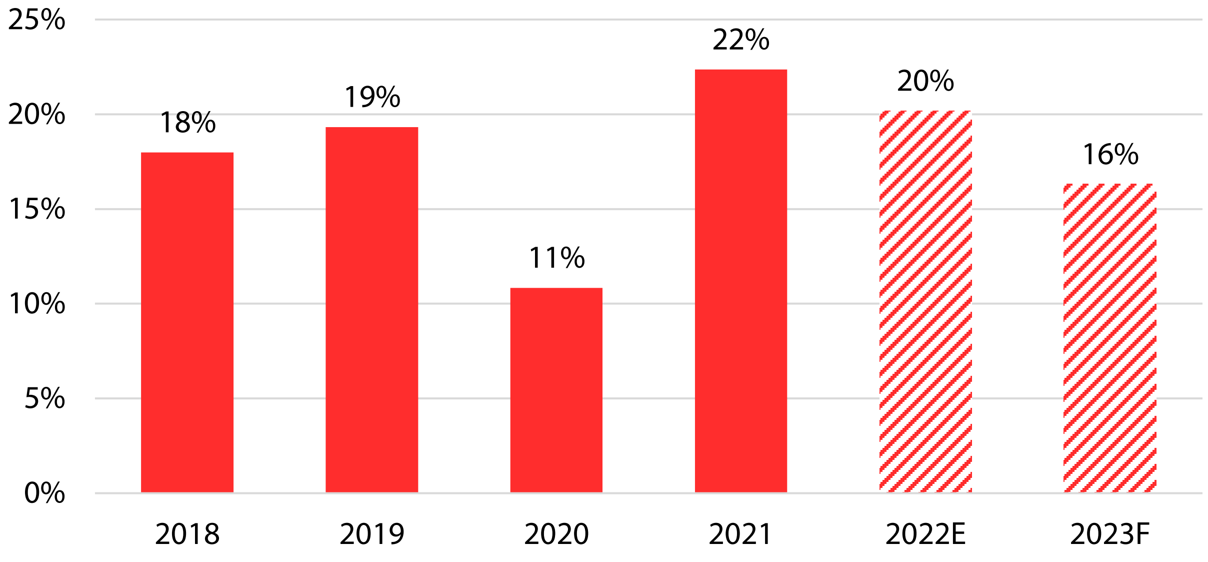


Source: Banks' FS, Rong Viet Securities. Adjusted for outliers and unannounced figures.

Rising volatility in the monetary policy direction imposes risk to our previous balance sheet growth theme

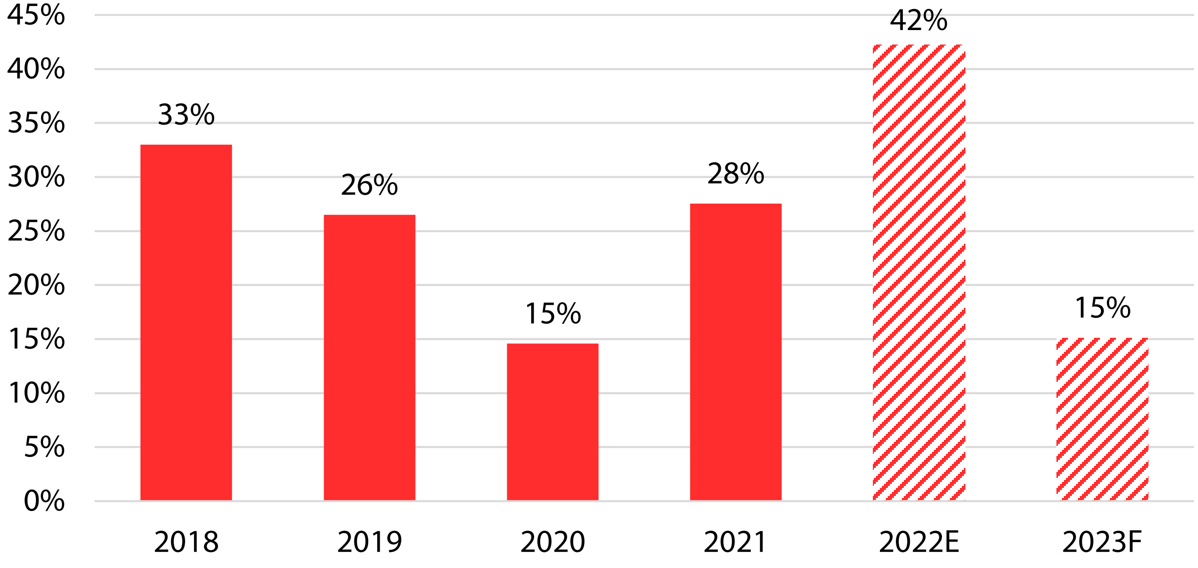
- Recalling our view in the 2022 Strategy Report: "*Opportunities will arise from the recovery theme mainly. We have high hopes for provision reversals and easing credit cost margin which should boost earnings growth tremendously, yet we also keep our feet on the ground by factoring in possible continuous disruptions and unsatisfied pace of recovery.*" Coming to 2022, we expected an expansion monetary policy to facilitate growth at large private banks with robust capital and liquidity. However, the unexpected events leading to the hesitation in granting credit growth quota and the credit reallocation between banks endangered our forecasts on growth factor. **We consider the policy and regulation headwinds as transitory, thereby, maintaining our view on the growth potential of TCB, MBB and ACB**. Our top picks have plenty of room to maneuver and deliver expectedly high earnings growth as well as strong profitability and efficiency in a higher cost environment and amid uncertainties. We even revised upward some of the forecasts in 2Q22. Compared to the 2022 Strategy Report, the growth period is moved forward due to steeper decline in credit cost margin (-51 bps vs -25 bps previously). 2022 TOI growth is revised up from 17% to 20% while 2022 PBT growth forecast is adjusted from 27% to 42%. Accordingly, 2023 TOI and PBT growth forecasts are revised down by 8% and 3% respectively.

Figure 20: TOI growth of our coverage



Source: Batdongsan.com

Figure 21: PBT growth of our coverage



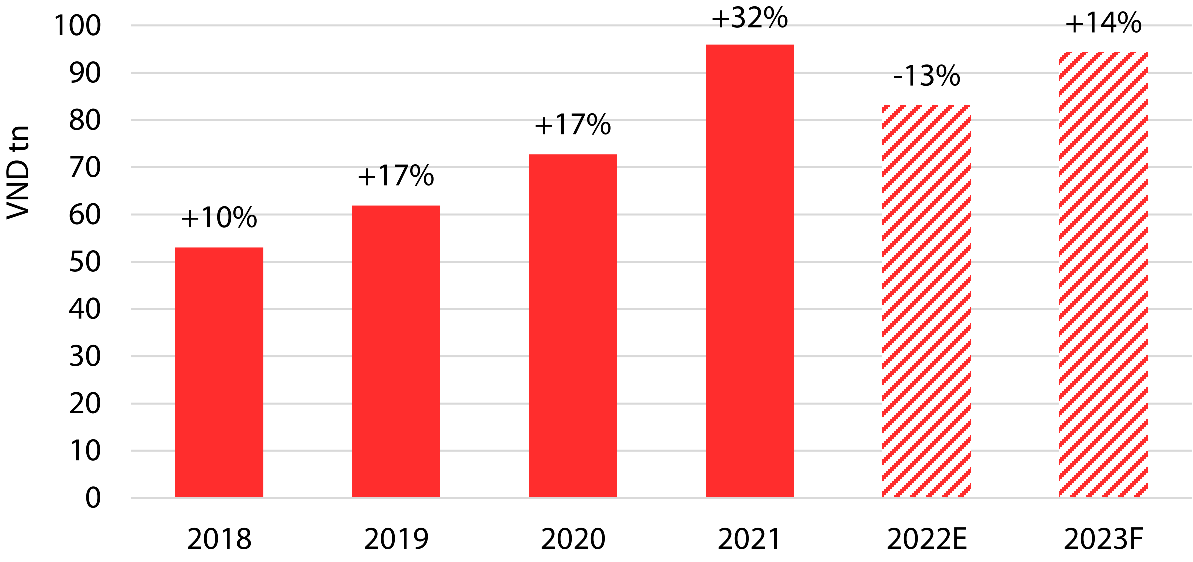
Source: Batdongsan.com

"…, we forecast that several banks will experience provision reversals, … VCB and ACB are projected to lead this trend given their outstanding provisioning buffers. CTG and BID will be riskier bets. TCB and MBB are expected to pose a lower-than-peers contribution from year-on-year credit cost margin reduction …" – 2022 Strategy Report.

Risk cost sensitivity to earnings will be a pivotal driver amid growth scare concern

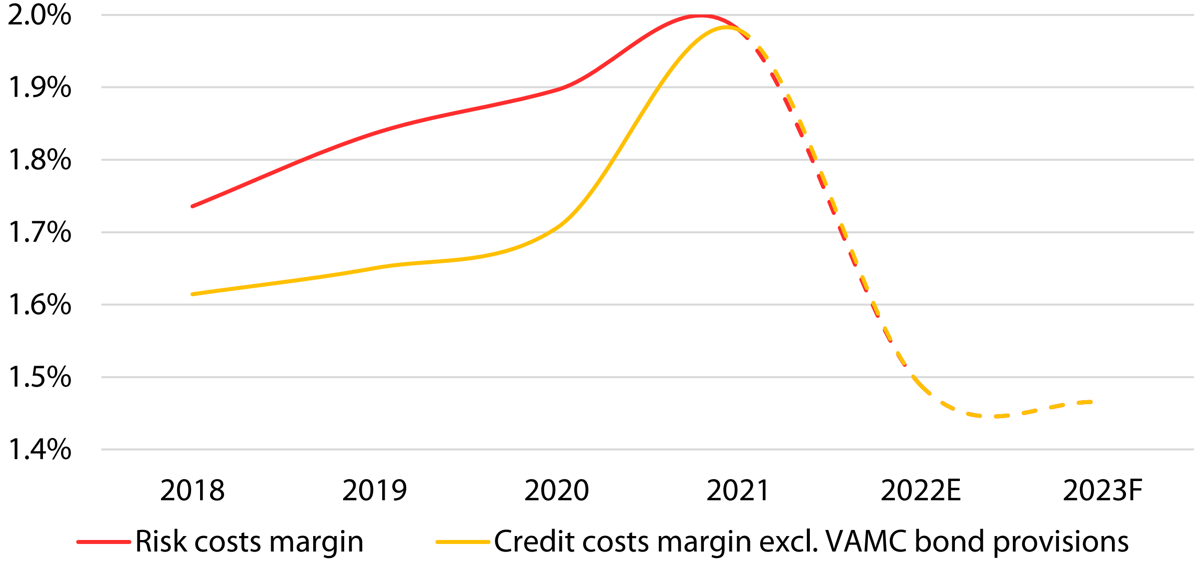
- Several prior growth engines turn uncertain due to the macro background but the themes remain intact. 1H22 results of our top picks were slightly better-than-expected. However, we see volatility in the short-term, thereby, adding some more investment scenarios. **As credit growth constraint weighs on large private banks, risk cost management brings greater certainty**. The economic recovery theme remains resilient in the short-term, suiting our anticipated K-shape recovery and potentially supported by the public investment in 2H22. Given these, VCB, CTG and BID are expected to have robust results. We prefer the first two banks as their valuation is more advantageous. **Growth seeking in a higher cost environment and with constraints may induce "flight to quality". Banks will balance between growth and holistic banking profitability.** We expect TCB to maneuver through the headwinds with effective capital allocation while MBB will continue to benefit from the provisioning buffer. Risk cost reduction is the main investment thesis in 2H22.

Figure 22: Credit costs of our coverage



Source: Banks' FS, Rong Viet Securities

Figure 23: Credit cost margin of our coverage



Source: Batdongsan.com

THE PRESSURE ON CREDIT GROWTH QUOTA GRANTING

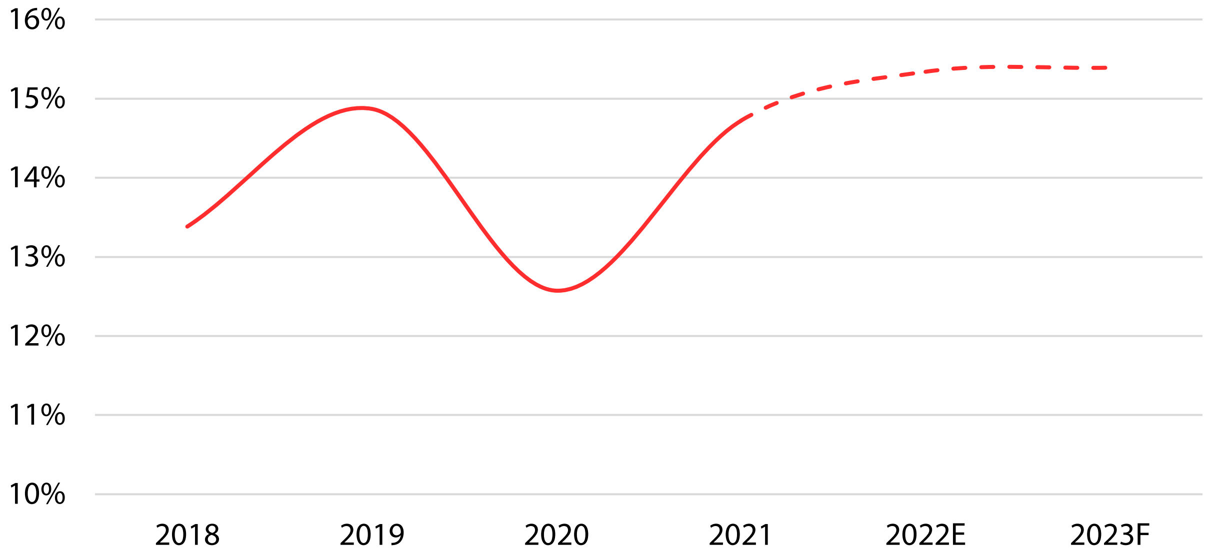
Unknown credit growth quota and its allocation among banks

- From a vital growth factor to private banks, credit growth quota now imposes downside risk and becomes the known unknown when the forward guidance is not straightforward. As the SBV committed to a 14% credit growth, we are still uncertain about the size, frequency and timing of the quota granting as well as its allocation among banks. Those strongly affect the capital and funding plan of the banks. The change in credit policy may lead to a flatter credit growth level between banks, taking away the growth advantage of some private ones. We did not change our 2022-2023 credit growth forecasts much, but we see measures the banks could take to flexibly counter the impact in case of negative surprises.

Widening NIM becomes a positive factor while Inconspicuous effect on deposits from the uncertain macro questions the convergence of credit – deposit growth gap

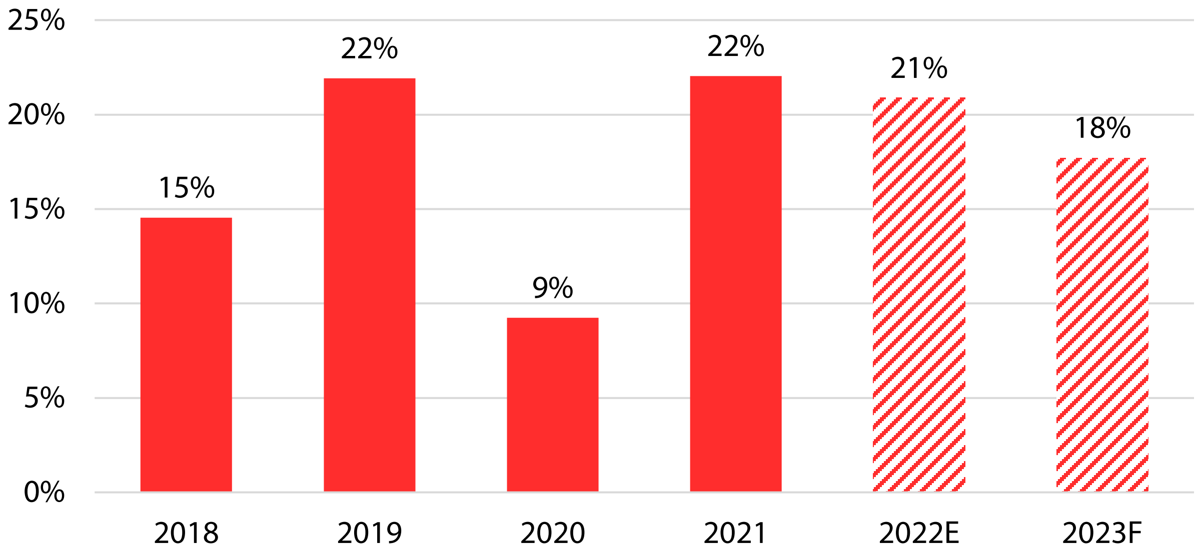
- Non-deposit funds will increase structurally thanks to offshore borrowing facilities. Regulatory liquidity ratios under constrained will also lead to stably high interbank funds. Beside higher quoted deposit rates, the pace of movement of public investment funds and its capital efficiency will determine the structure and growth ability of deposits, potentially closing the credit – deposit growth gap as credit growth quota is limited. NIM will see both headwinds and tailwinds, but the comparison base is definitely supportive.

Figure 24: Loan growth of our coverage



Source: Banks' FS, Rong Viet Securities

Figure 25: NII growth of our coverage



Source: Batdongsan.com

A tighter real estate market should be addressed as a systemic risk

- Given the deep integration of real estates in banking operation and its role in the economy, tight conditions in real estate market or struggling major developers would have a broad impact on banks and other components. Combined with the precedent case in China, we consider the real estate risk in Vietnam, including corporate bond issues, as systemic risk and accordingly treat it universally. Our approach to stock pick considering the concern: counting on the last line of defense. China banks with smaller capital buffer (bubble size) tend to decline more despite having lower loan exposure to property developers. Meanwhile, there was a weak correlation between the exposure, capital buffer and maximum drawdown in Vietnam in 1H22. Therefore, the price shortfall in 1H22 rather implied spill-over effect or resulted from other concerns or sentiment issue.

Figure 26: Bond maturity distribution of real estate developers

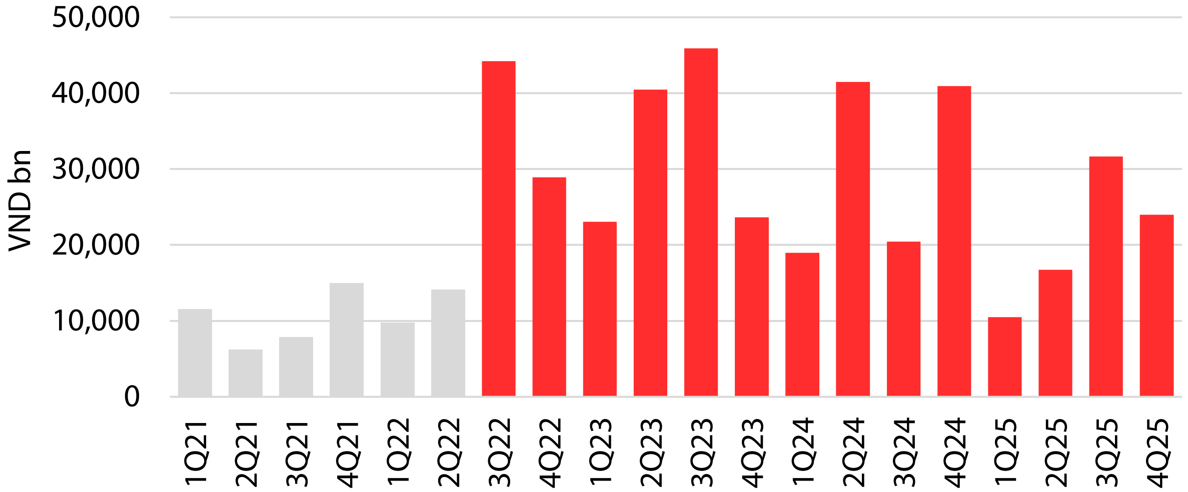


Figure 27: Max drawdown & RE exposure of large Chinese banks

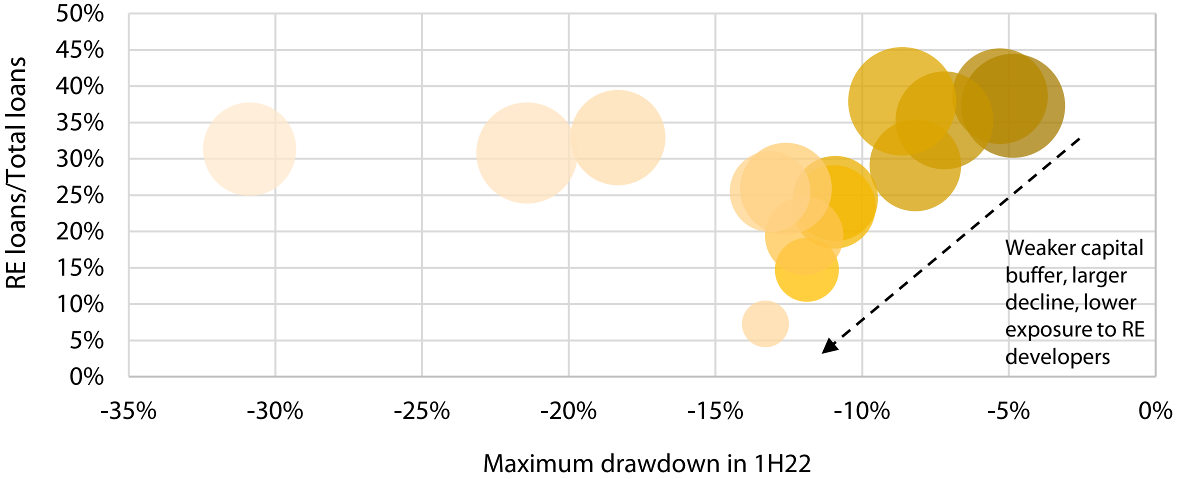
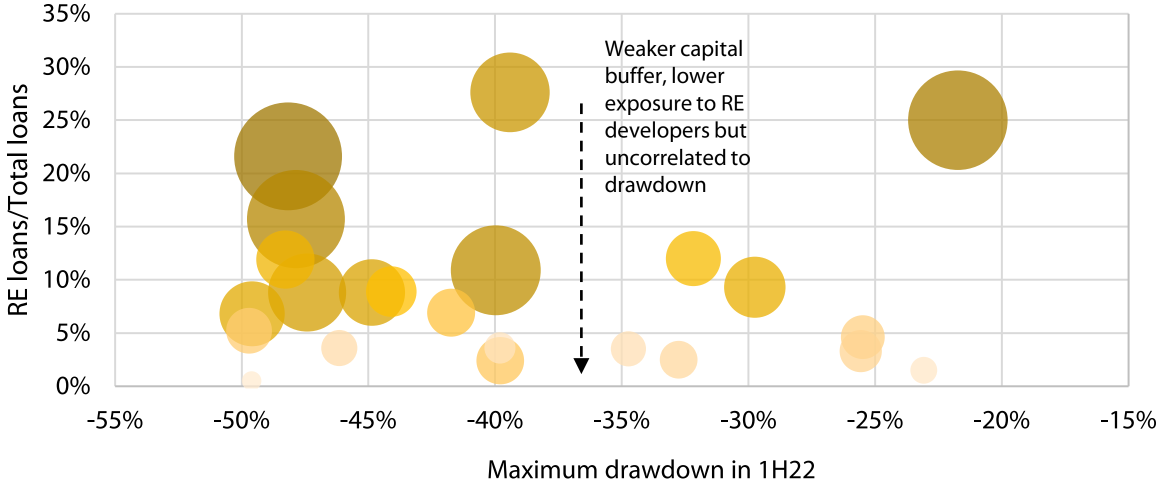


Figure 28: Max drawdown & real estate exposure of Vietnam banks



Source: Banks' FS, Rong Viet Securities. Horizontal axis: maximum drawdown in 1H22. Vertical axis: Loans to real estate developers to total loans. Bubble size: Loans to real estate developers to total equity.

Competitive pricing should put tension on NIM and leave the small banks struggling

- Rate hike is inevitable. Vietnamese banks have significant level of maturity mismatch, which was also mentioned by the SBV Governor. We expect the rate hike wave to remain in the next few years, but the pace would be modest. Depositor behaviors changed at banks with digital transformation and well-connected ecosystem, resulting in low transmission from quoted rate hikes into average deposit costs. Rate competition is likely to occur at smaller banks, which should pressure NIM aggressively as the cost environment is changing. Combined with the maturity structure of banks, we think there will be beneficiaries when quoted deposit rates go higher, including TCB and MBB in our coverage. There will also be market 1 rate gap contraction at several banks undergoing rebalanced deposit duration. Overall, NIM outlook is polarized, but the comparison base will be supportive mostly.

Growth seeking in a higher cost environment weighs on capital charge and balance sheet management

- When rates rise, capital become costlier. Marginal increase of funds at higher costs requires higher risk-adjusted return. Going into riskier segments may bring undesirable yield given rising costs of funds and costs of capital charged. Effective capital allocation and funding management will lead to tactical shift at some banks regarding their strategy.

Figure 29: Correlation between quoted rate and average deposit costs

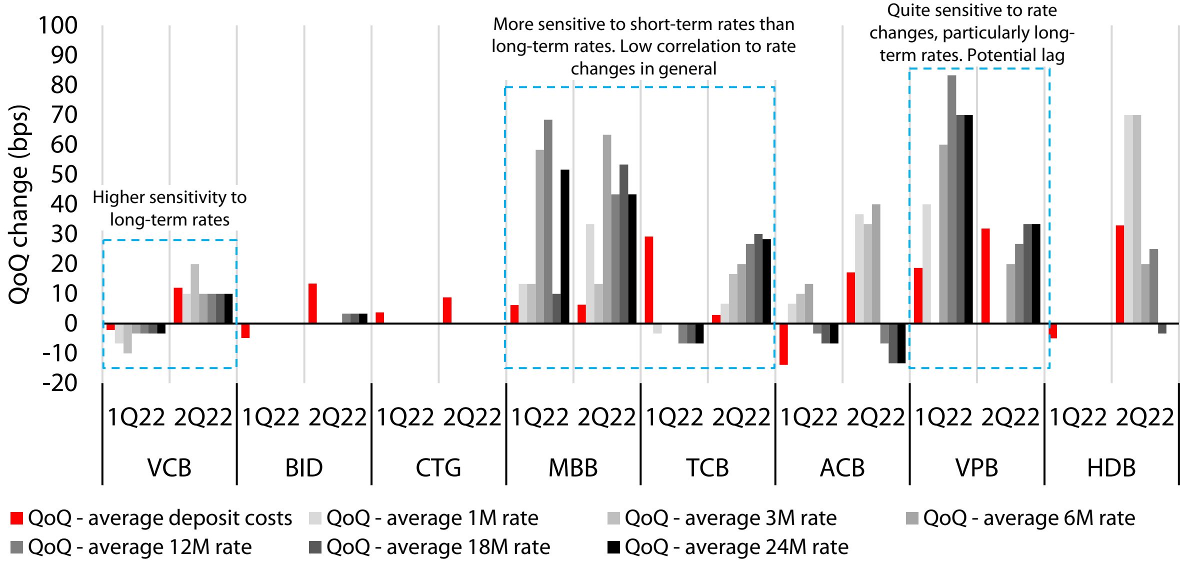
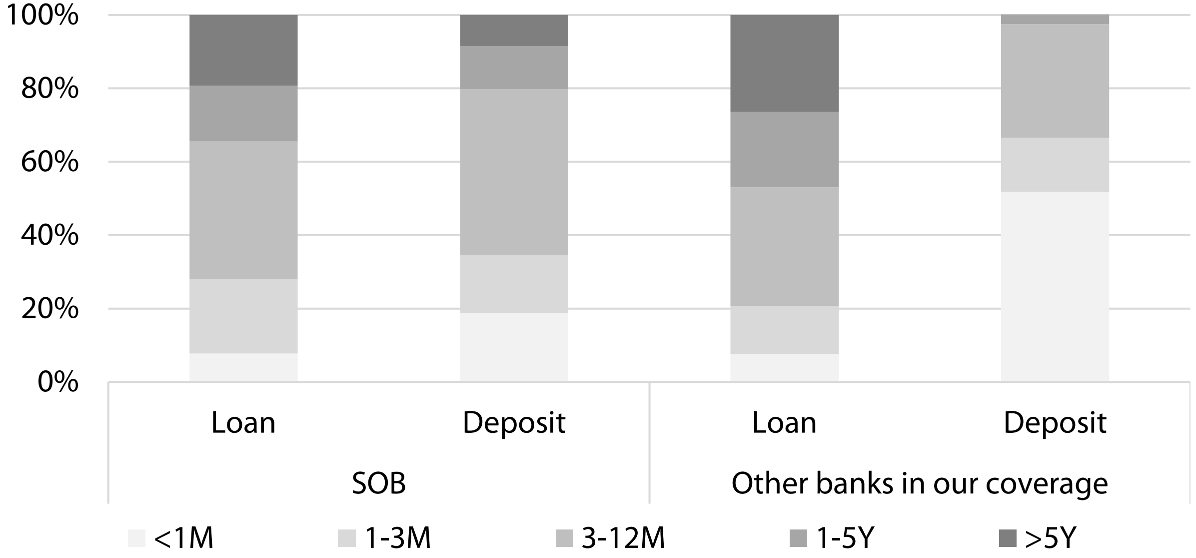


Figure 30: Maturity structure of the banks in our coverage



*Source: Banks' FS, Rong Viet Securities. * Average of quoted rate in the quarter. Rates are the highest possible retail deposit rates for each maturity.*

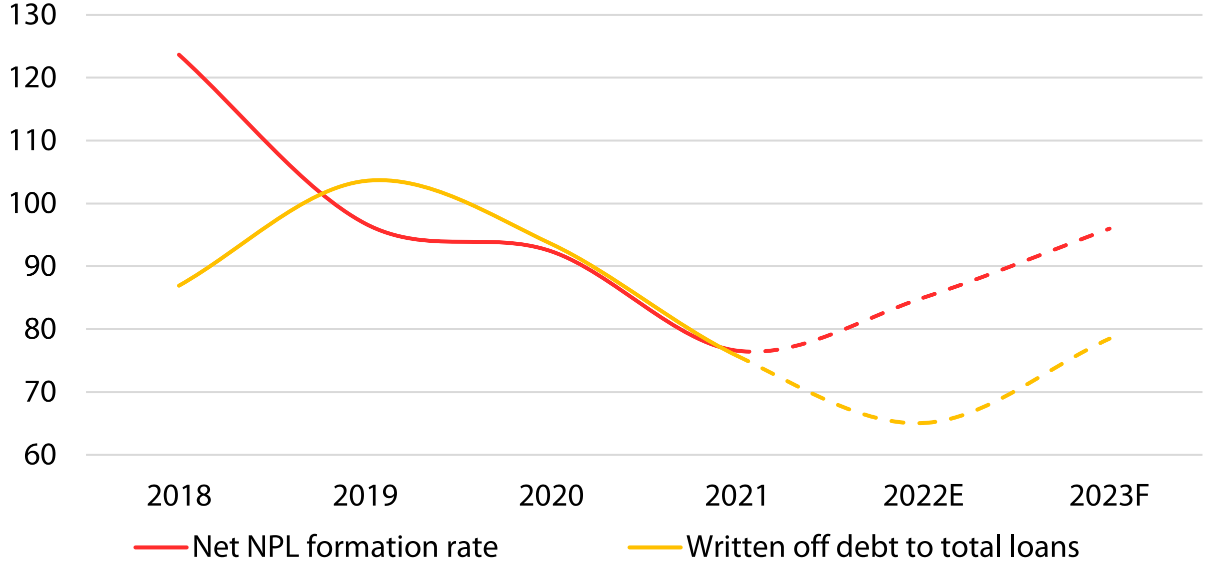
Anticipating volatility in total operating income growth momentum

- Top-line growth at banks will have divergent tendencies coming from uncertainties and the banks' characteristics. While credit growth quota is expected to have mixed effects due to differed sensitivity, NIM will be supported by the comparison base, thereby boosting NII momentum. Non-interest income will witness strong recovery in contribution from subsidiaries as well as resilient growth of bancassurance and trade financing. Its trajectory will rebound from 1H22.

Tailwinds on the risk costs side to counter external uncertainties and encourage earnings growth

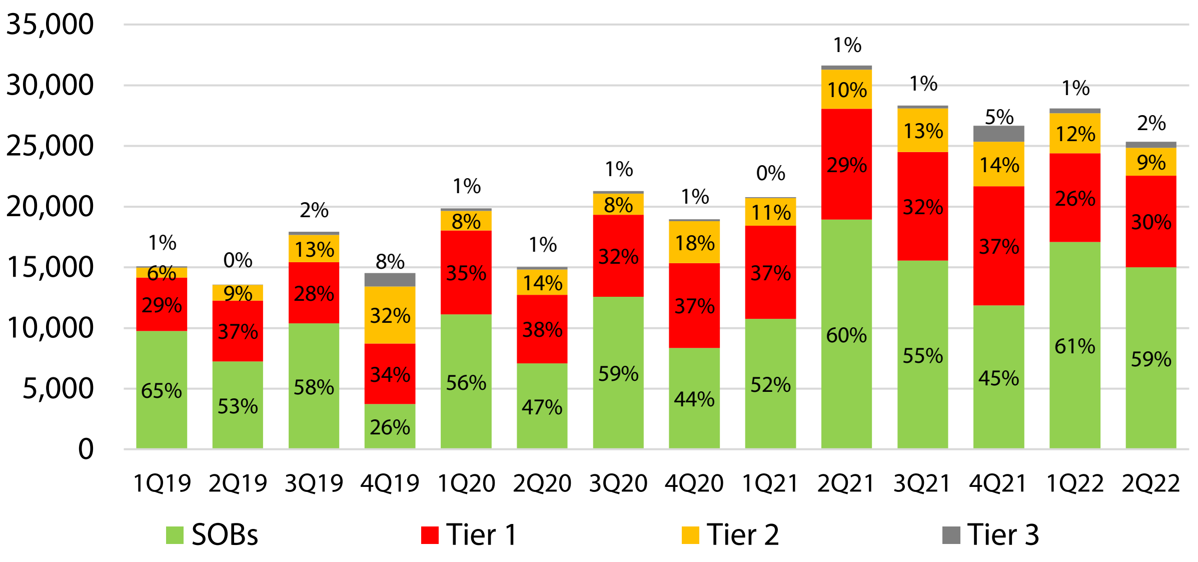
- Resilience of the balance sheet through the shocks will lead to improved credit costs at conservative banks. We expect moderate deterioration of restructured loans, pressuring NPL formation and write-off. Loan loss coverage might fall at state-owned banks due to the exposure to large corporates, but the balance sheet health will remain unimpaired.
- NPL formation rate is projected to pick up in 2H22 and 2023 but still flat from the pre-Covid level. Restructured loans and normalization of NPL movement are attributed to that. The capacity and ability to further reduce credit risk costs are polarized. State-owned banks and large private banks have the edge thanks to the provisioning buffer.

Figure 31: Credit cost margin of our coverage



Source: Banks' FS, Rong Viet Securities

Figure 32: Provisioning level (VND bn)



Source: Banks' FS, Rong Viet Securities. Adjusted for outliers and unannounced figures.

Balancing between banking profitability and efficiency and growth

- Efficiency will be prioritized to preserve the capital base. We expect ramped up ROA and ROE in 2022 due to risk cost enhancement. 2023 efficiency ratios will normalize from the high base of 2022 as there will be plenty of capital raised. Capital allocation effectiveness will be carefully considered in a costly environment and under balance sheet constraints. Those limits come from the availability of funds which depends on the credit growth quota and public investment. Besides, small banks would struggle to allocate resources efficiently to bring sufficient returns. We maintain our preference on larger-sized banks over smaller ones.

Valuation as a downside protection to the sector

- Valuation has become attractive across the board when compared to the historical multiples. Even when benchmarking the historical P/B at higher cost environment, we also see manageable risk/return balance to our picks. The remaining factor is story, including benefits from the bank transfer program, private placement and dividends to some extents.

Figure 33: ROA and ROE of our coverage

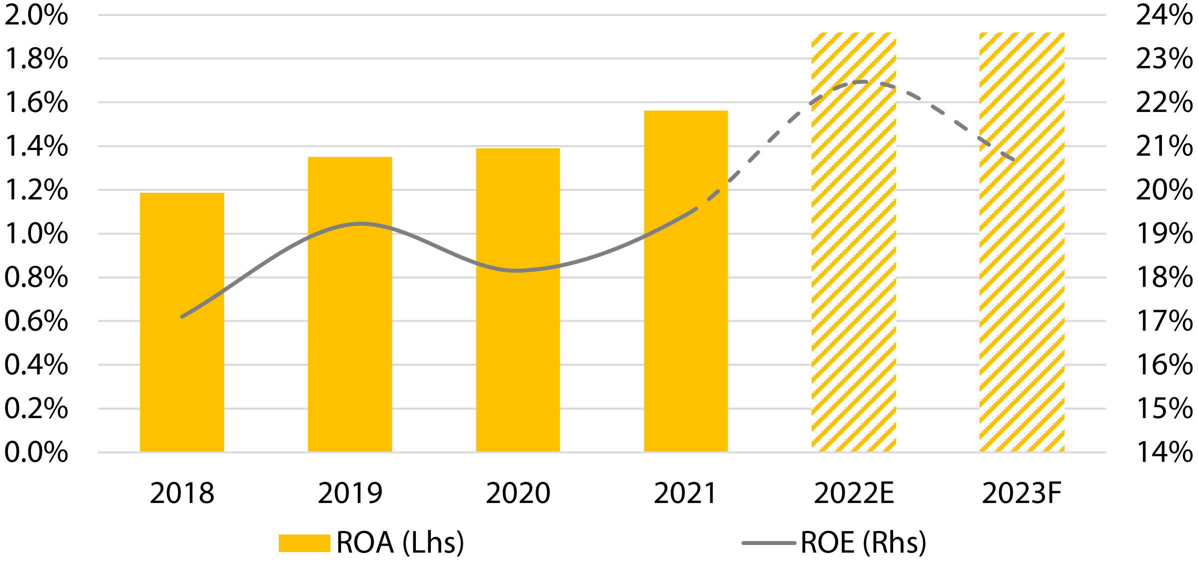
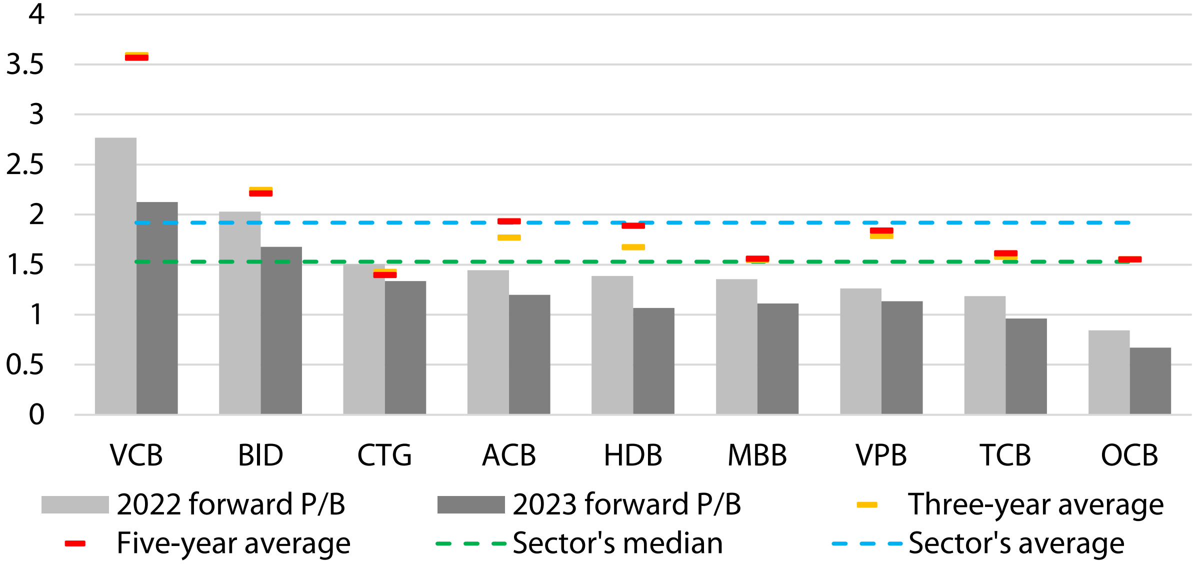


Figure 34: Historical P/B multiples and forecasts of our coverage



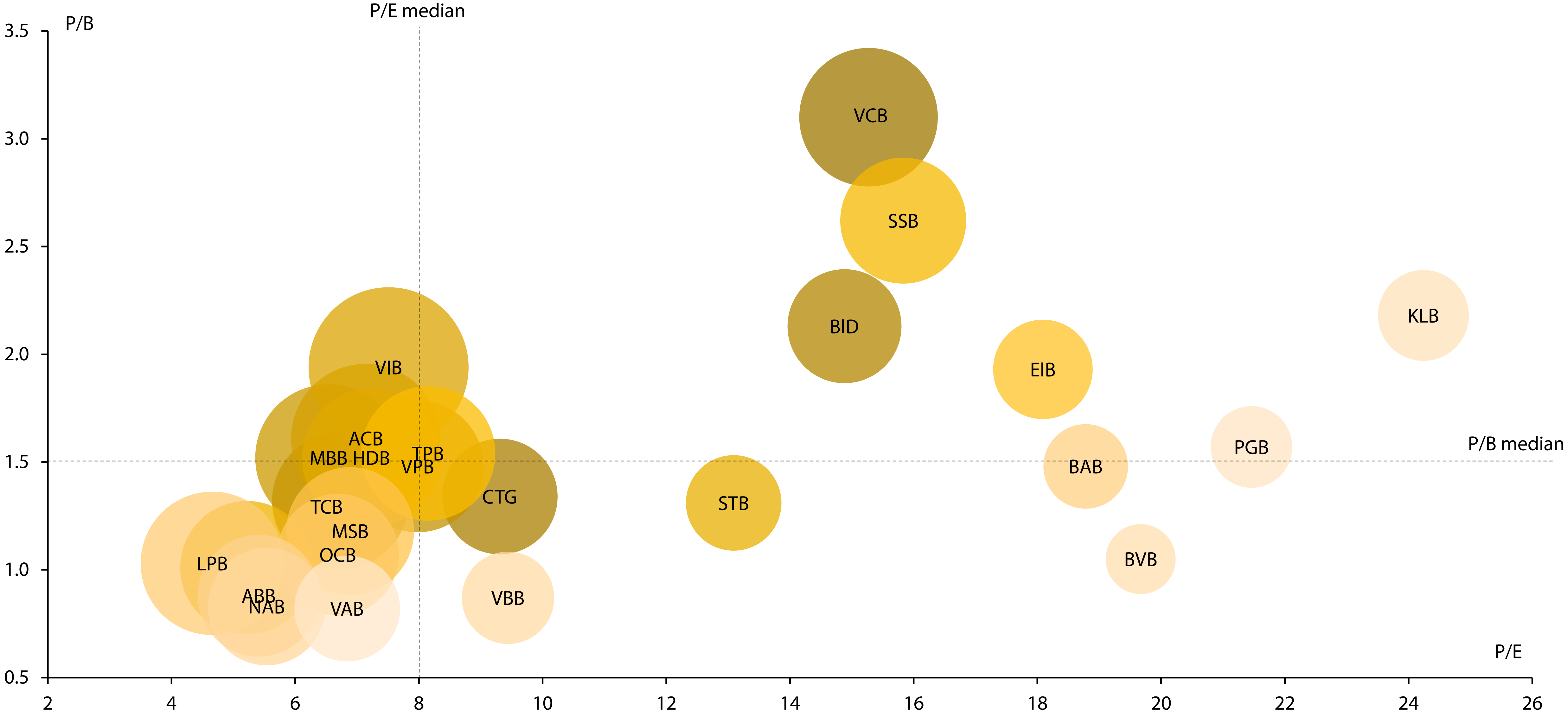
Source: Banks' FS, Rong Viet Securities

INDUSTRY COMPARABLE (TTM)

Ticker	Market cap (USD mn)	Target price (VND)	Net interest income growth (TTM, %YoY)	Net service income growth (TTM, %YoY)	Operating income growth (TTM, %YoY)	Net profit growth (TTM, %YoY)	NIM (TTM)	NPL ratio (%)	ROA (%)	ROE (%)	PE (TTM)	PB	Dividend yield (TTM, %)
VCB	16,211	96,900	14.1%	-15.2%	11.5%	21.5%	3.2%	0.6%	1.7%	21.7%	15.3	3.1	0.0%
BID	8,266	37.400	16.2%	1.3%	8.5%	28.9%	2.8%	1.0%	0.7%	14.7%	14.9	2.1	0.0%
CTG	5,818	34.000	3.7%	6.9%	8.8%	-10.1%	2.8%	1.3%	0.9%	15.1%	9.3	1.3	0.0%
TCB	5,797	62.700	28.2%	49.5%	20.0%	25.1%	5.6%	0.6%	3.4%	21.1%	6.7	1.3	0.0%
VPB	5,694	46.200	3.9%	18.0%	21.9%	34.8%	7.2%	5.3%	3.1%	19.6%	8.0	1.5	0.0%
MBB	4,373	42.800	32.2%	10.5%	28.0%	50.9%	5.3%	1.2%	2.5%	24.2%	6.5	1.5	0.0%
ACB	3,571	33.600	15.2%	29.3%	17.8%	21.3%	4.1%	0.8%	2.3%	25.1%	7.1	1.6	0.0%
SSB	2,622	n/a	45.6%	113.5%	53.4%	73.7%	3.1%	1.6%	1.7%	17.9%	15.8	2.6	0.0%
VIB	2,332	n/a	26.2%	6.6%	19.1%	22.7%	4.3%	2.4%	2.3%	28.9%	7.5	1.9	0.0%
HDB	2,145	32.000	19.8%	66.8%	20.1%	29.3%	4.7%	1.3%	1.9%	21.6%	7.2	1.5	0.0%
STB	1,998	n/a	-8.7%	42.6%	7.2%	3.1%	2.3%	1.3%	0.7%	10.3%	13.1	1.3	0.0%
TPB	1,905	n/a	28.4%	23.9%	32.0%	27.2%	4.1%	0.9%	1.9%	20.4%	8.1	1.5	0.0%

Source: FiinGroup, Rong Viet Securities. Share price as of 10 Aug 2022.

PE, PB & ROE (TTM)

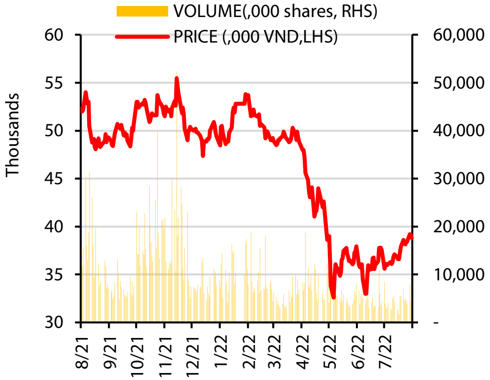


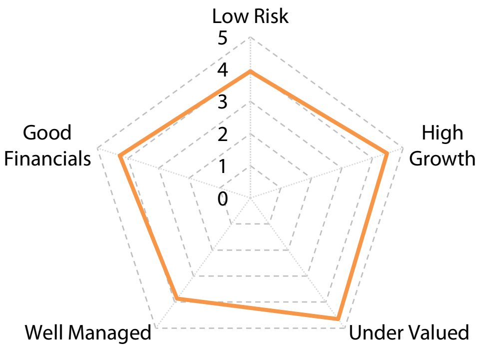
Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 10 August 2022. Exclude SGB and NVB.

INTACT LONG-TERM OUTLOOK AMID TRANSITORY SHOCKS

HSX: TCB

BUY: +62% **MP: 38,800** **TP: 62,700**





STOCK INFO

Sector	Banks
Market Cap ($ mn)	5,826
Current Shares O/S (mn shares)	3,511
3M Avg. Volume (K)	5,144
3M Avg. Trading Value ($ mn)	188
Remaining foreign room (%)	0.0
52-week range ('000 VND)	56 – 32.55

FINANCIALS	2021A	2022E	2023F
NII (VND bn)	26,699	32,300	38,522
TOI (VND bn)	37,076	44,700	52,991
NPAT (VND bn)	18,038	22,638	26,716
ROA (%)	3.6	3.6	3.6
ROE (%)	21.52	21.8	20.8
Asset growth (%)	29.4	18.8	19.8
Book Value (VND)	26,264	32,712	40,321
P/E (x) (*)	9.8	6.1	5.1
P/B (x) (*)	1.4	1.2	1.0

INVESTMENT RATIONALE

Transient slowdown but resilient long-term balance sheet growth thanks to sound competitive advantages

- Despite the potential of modest expansion in 2022 due to tight regulatory conditions, we maintain the long-term outlook for its balance sheet growth and ROE enhancement. The fundamentals were not impaired by short-term shocks: top-tier technology infrastructure, strong capital buffer to tackle stress scenarios including shocks in real estate, and a well-connected ecosystem. TCB manages to stabilize its banking profitability and efficiency in multiple environments due to the competitive funding costs and prices of credit facilities and good customers' financial profile. In 1H22, TCB balanced the NIM, risk costs and capital allocation holistically to adapt to the uncertain background including the undesirable credit growth quota.

A well-diversified and firmly established funding base backed by a high-profile retail deposit franchise and sizeable and long-term offshore funding facilities

- Thanks to the wide wealth ecosystem which retains money flow, TCB grew the deposit base with stable CASA while seeking offshore borrowings for the competitive longer-term funds.

Enabled by the in-line economic recovery in 2022, TCB has solid foundations to deliver extensive organic growth and continuous improvement in efficiency

- Thanks to the foreseeable reduction in provisions and extensive fee growth, TCB still delivered a strong balance sheet and stable earnings growth momentum in the first two quarters in 2022 despite rising NIM pressure. We expect TCB to maintain its momentum and efficiency in the 2H, driven by the continuous improvement in credit costs and customers' risk profile.

RISKS TO OUR CALL

- There are uncertainties in the medium-term economic recovery due to global macro, and in credit growth quota, real estate and corporate bond outlook due to the regulatory tightening.

Figure 1: NIM, risk-adjusted NIM and yields (annualized, %)

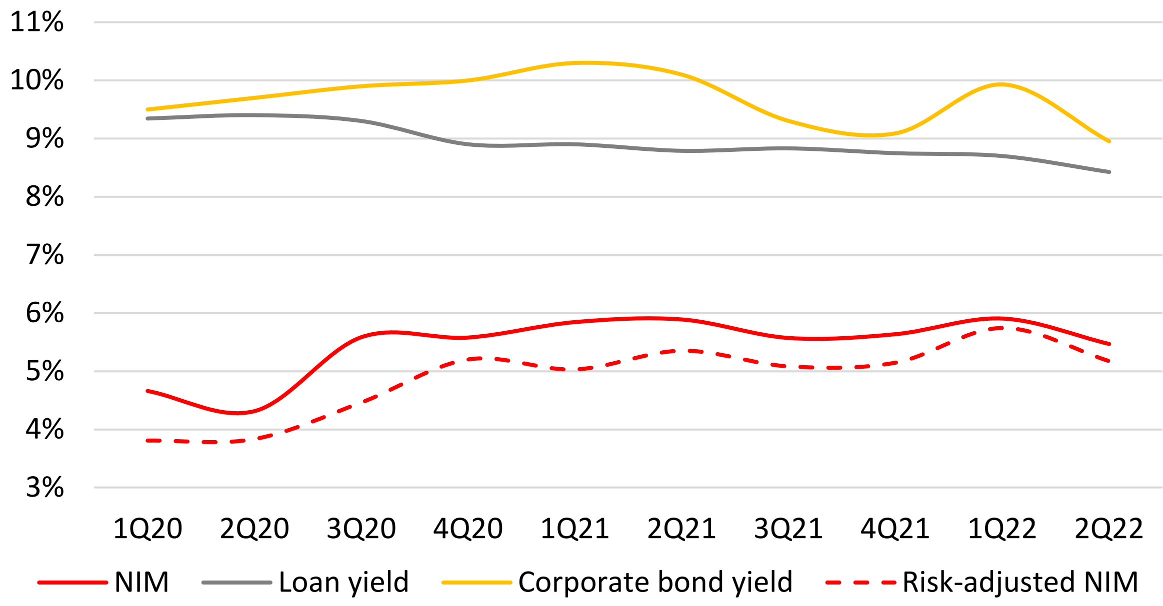
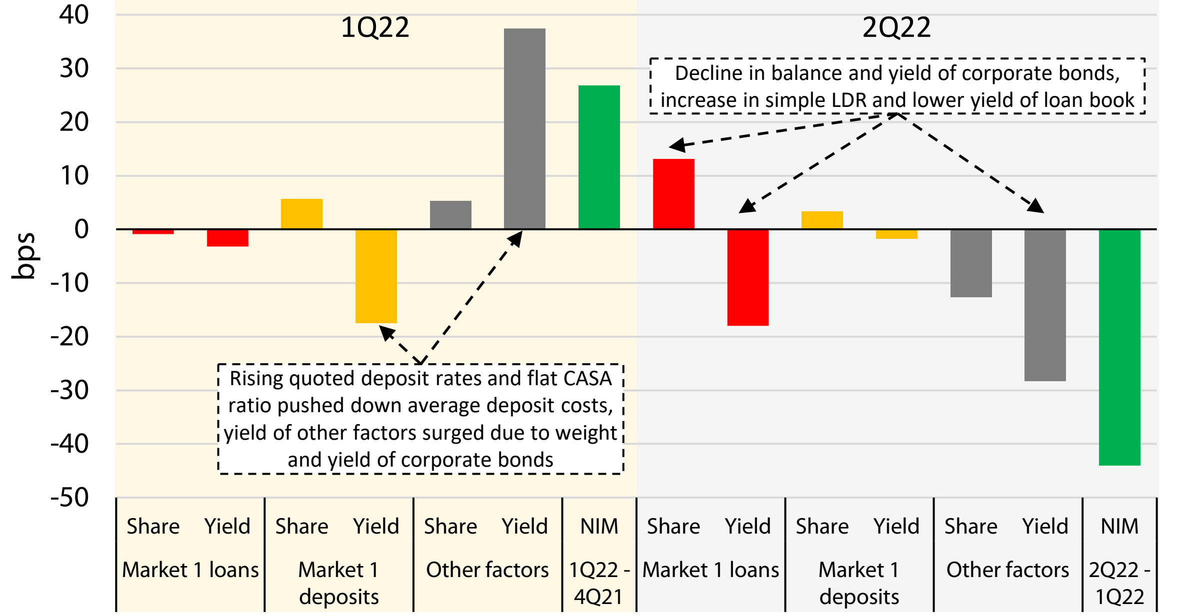


Figure 2: QoQ NIM change decompositions (annualized, %)



Despite the headwinds from credit growth and NIM, growth momentum persists thanks to well-diversified income sources and risk cost reduction

- Contrary to our prior expectation of a high quota in 2022, TCB was granted moderate initial credit growth limit, thereby, hindering its capacity to expand. The bank-only credit growth was 8.5% YTD in 1H22, up slightly from 7.9% in 1Q. NIM was flat in 1Q before dropping sharply in 2Q22. Its earnings growths in 1Q (23% YoY) and 2Q (22% YoY) were driven mostly by balance sheet growth (24% YoY in 1H), net fee income (39% YoY in 1H22) and credit cost. Its balance sheet remained robust with a stably low NPL ratio (0.6%).

Holistic banking profitability was focused to strengthen capital allocation efficiency and bank risk profile

- As the balance sheet capacity is constrained on both the credit allocation and the funding costs front, tactical rotation to ensure profitability and efficiency is adopted. NFI growth led TOI despite the 2Q fall in corporate bond segment. Growth seeking at a higher cost encouraged flight-to-quality, effective capital allocation and to boost non-funded income streams. The bank risk profile was improved broadly with the recovery of customers' financials. The risk weight density fell to 108% and Basel II CAR increased.

Source: TCB, Rong Viet Securities

Figure 3: Forecasts of PBT growth components (%, YoY)

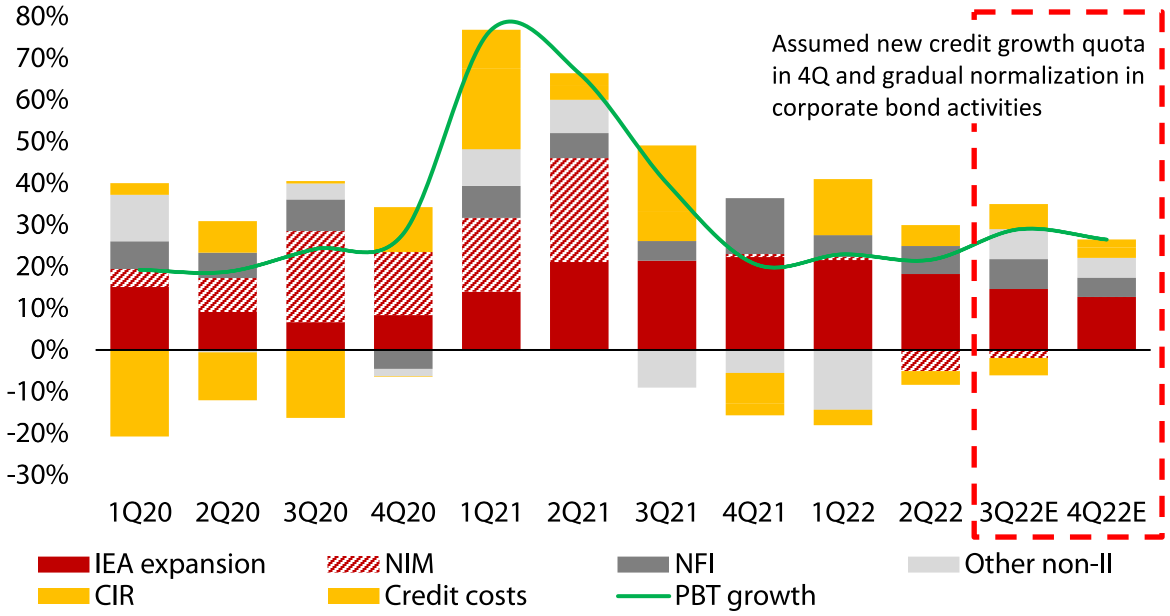
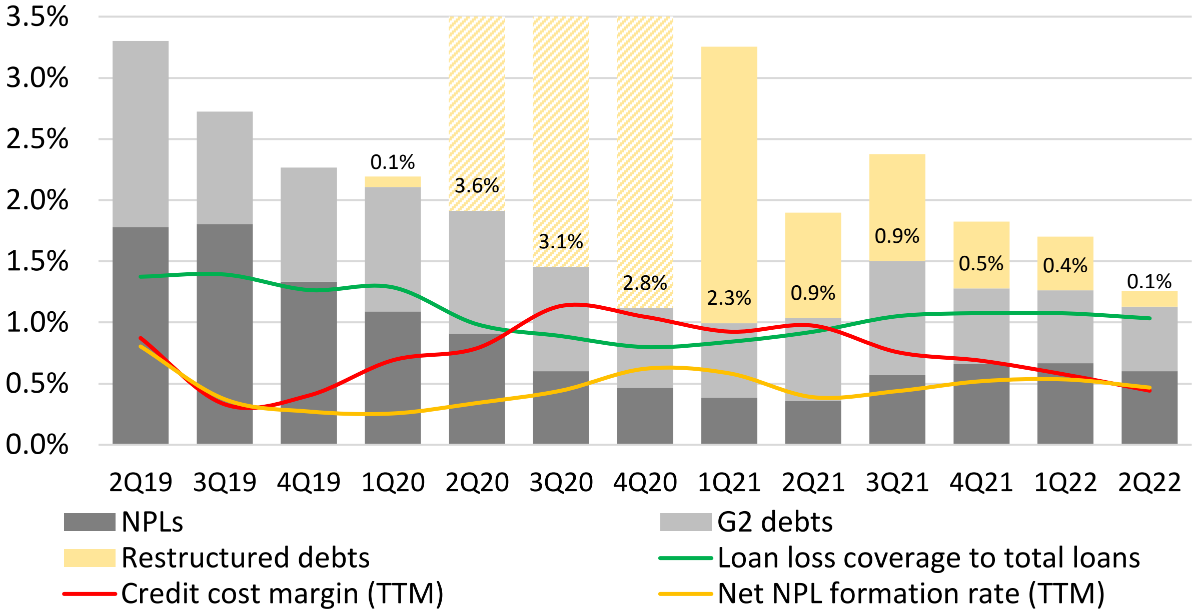


Figure 4: Asset quality and provisioning buffer indicators (%)



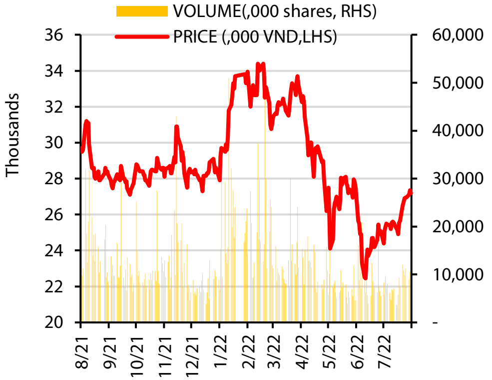
Focusing on risk-adjusted NIM and non-funded income to deliver stable growth

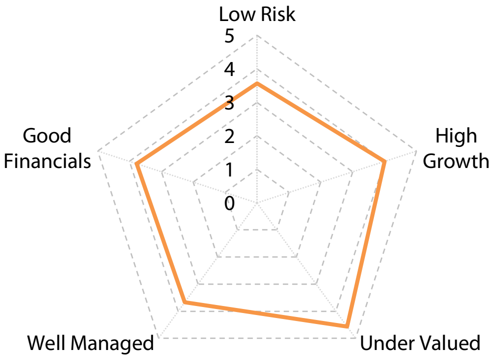
- We revise our forecasts to adapt to the headwinds on the balance sheet growth. TCB is forecasted to pivot on the economic recovery and digitalization to reduce credit risk costs and cross-sell non-interest products such as cards, FX, payments. The bank's bancassurance segment saw severe competition but still grew 33% on APE in 1H22. TCB will have reversals from bond provisions in 2H22 which is estimated to be over VND 500 bn. The bank expects a strong recovery in corporate bond market activities to support NFI and offset the decline in bad debt recollection. We project NFI to grow 45% YoY in 2H22 and 23% in 2023, contributing to a 24% and 19% increase in TOI respectively.
- We revise down the 2022 credit growth and NIM. TCB will maintain stable earnings growth momentum in 3Q and 4Q22 with higher contribution from non-interest income and lower asset growth. NIM will fluctuate at 5.4-5.6% in 2022 and 2023. CASA ratio will rebound, mainly backed by the availability of credit. Credit costs will stay below 0.5% thanks to its healthy book. We maintain the 2022 PBT at VND 29.0 tn (USD 1.2 bn, 25% YoY) but decrease the 2023 PBT by 5% (18% YoY) to reflect a slower asset growth.

Source: TCB, Rong Viet Securities

ROBUST GROWTH AND MULTIPLE CATALYSTS

<BUY: 57%> <MP: 27,200> <TP: 42,800>





STOCK INFO

Sector	Banks
Market Cap ($ mn)	4,395
Current Shares O/S (mn shares)	3,778
3M Avg. Volume (K)	8,139
3M Avg. Trading Value (VND Bn)	209
Remaining foreign room (%)	0.0
52-week range ('000 VND)	34.9 – 21.85

FINANCIALS	2021A	2022E	2023F
NII (VND bn)	26,200	36,015	43,007
TOI (VND bn)	36,934	46,714	54,687
NPAT (VND bn)	12,697	18,024	21,162
ROA (%)	2.3	2.7	2.5
ROE (%)	22.6	25.7	24.5
Asset growth (%)	22.7	23.9	22.1
Book Value (VND)	16,538	20,101	24,489
P/E (x) (*)	8.0	5.5	4.6
P/B (x) (*)	1.7	1.4	1.1

INVESTMENT RATIONALES

The prompt digitalization leverages the long-standing and structural advantages to transform and reinforce the ecosystem for sustainable and effective expansion

- Aggressive customer experience enhancement creates robust momentum for CASA expansion. That with long-standing relationships with large military enterprises helps MBB maintain a low funding cost. This gives the bank the capacity to maneuver credits to desirable segments to match the group's target in various economic phases. The diversification into non-funded segments ensures effective capital allocation. The expanding retail customer base also facilitates non-interest income from cross-selling products including insurance and credit cards.

The outstandingly diversified network, extensively robust profitability and efficiency and strong capital position initiate the ambition to become a financial conglomerate

- 2022-2026 strategy targets to transform the bank into a tech-enabled financial conglomerate with a full-scale digitalization. Self-built core technologies with in-house personnel allow for in-time update and maintenance and cost efficiency, ensuring its competitiveness. Combined with the customer base advantage, MBB has the ability to deliver robust profitability via NIM and credit loss improvement. Its well-rounded ecosystem will contribute to the path to extensively transform to a financial group.

Volatile 1H22 bottom-line growth sets expectation for 2H22 trajectory as the provisioning buffer will pay off

- Its 49% earnings growth in 1H22 was driven by high credit quota and cost excellence. The solid provisioning buffer and stable NIM will contribute primarily to the 35% growth in 2H22.

RISKS TO OUR CALL

- Downside risks include the stability of funds and the slower-than-expected recovery of strategic segments. The uncertainty from the bank transfer program poses risk on both sides.

Figure 1: Quarterly PBT growth components (%, YoY)

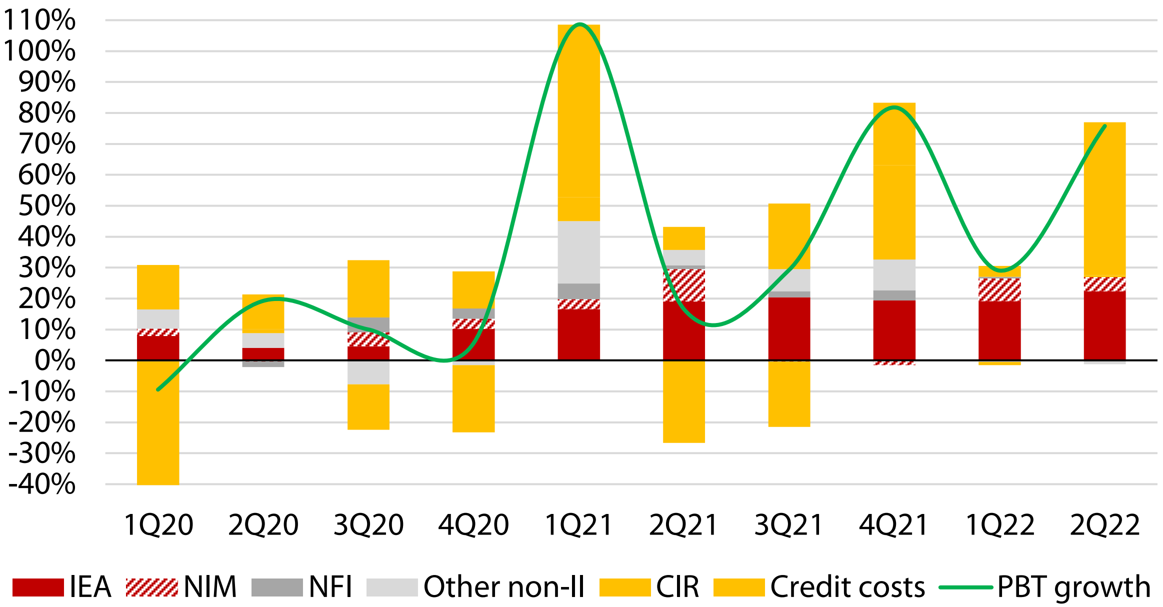
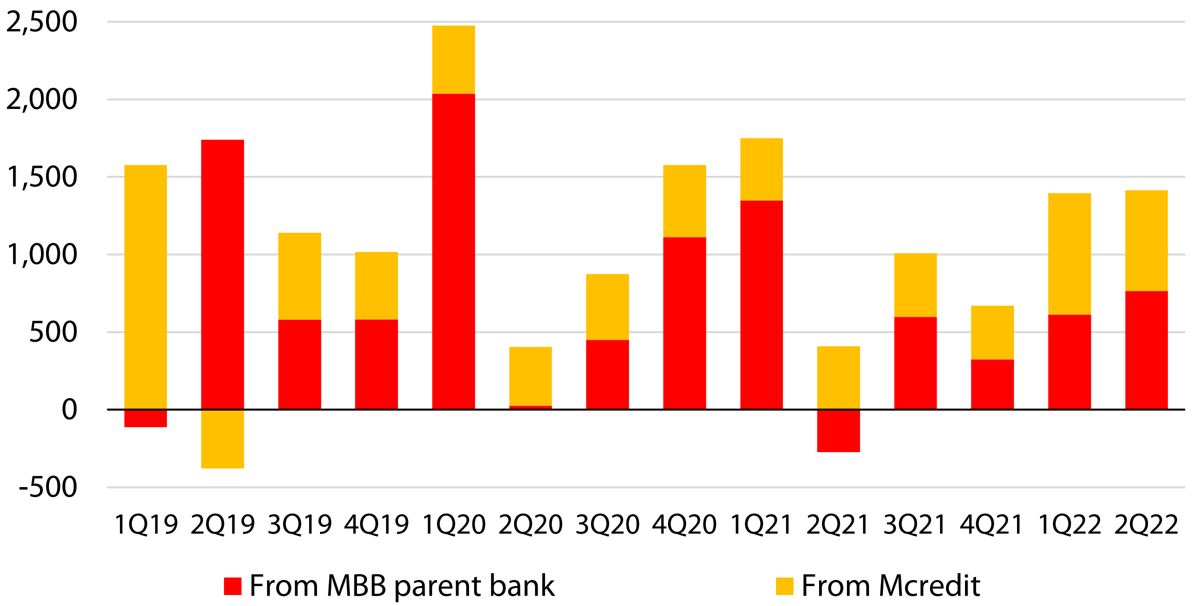


Figure 2: Quarterly net NPL formation (VND bn)



Despite a weaker-than-expected NFI, MBB had stably high TOI growth momentum thanks to a top-tier quota and the recovery of NIM and credit costs

- NFI was almost flat on a year-over-year basis in 1H22 (2% YoY) due to the contraction in the insurance income margin. The bad debt collection income also fall sharply, contributing to the -4% growth of other non-II. 26% YoY growth in TOI was mainly driven by NII (39% YoY). In which, top-notch initial credit growth quota (15% for the parent bank) and the quick recovery in NIM (circa 0.6% from both 2H21 and 1H21) were the drivers. The market 1 rate gap extended well as lending yield bounced back from the low base in 2H21 while deposit rates were stagnant. Credit costs declined 17% YoY in 1H22, supported by the provision reversals of restructured loans due to good repayment.

The solid provisioning buffer helped MBB stay resilient even when balance sheet health moderately deteriorated

- NPL formation remained elevated in 1H22 due to the unparallel recovery pace across the segments and potentially the aftermath effect in the consumer finance arm. The NPL formation rate picked up quickly and started to converge to the credit cost margin. Restructured loan balance fluctuated in 1H22, landing at 0.8% of the loan book.

Source: MBB, Rong Viet Securities

Figure 3: Net NPL formation rate and credit cost margin (%, TTM)

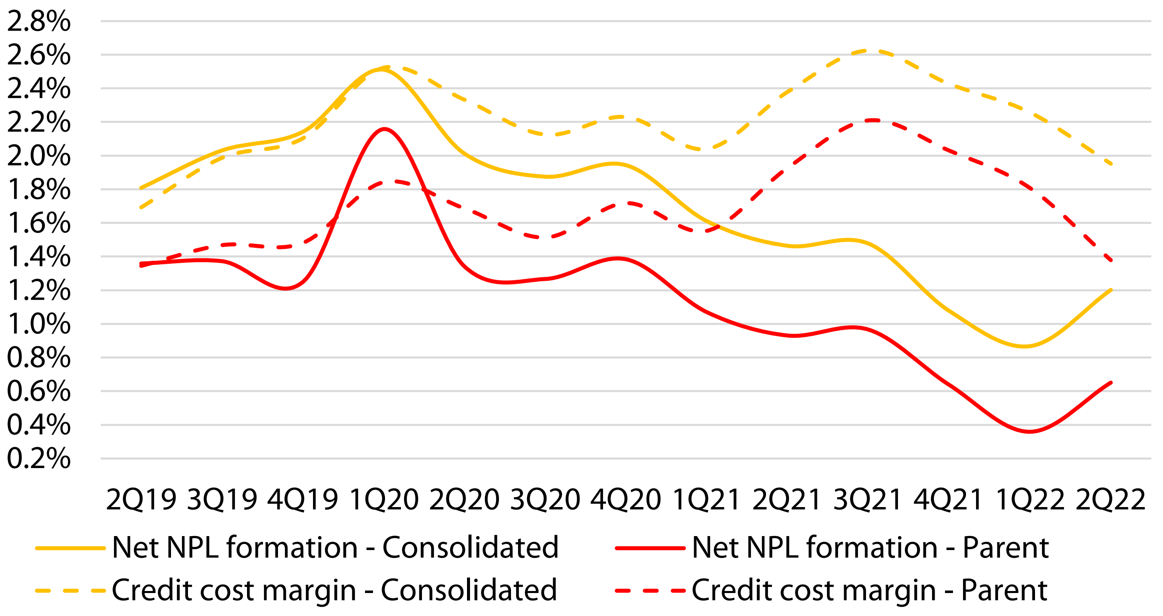
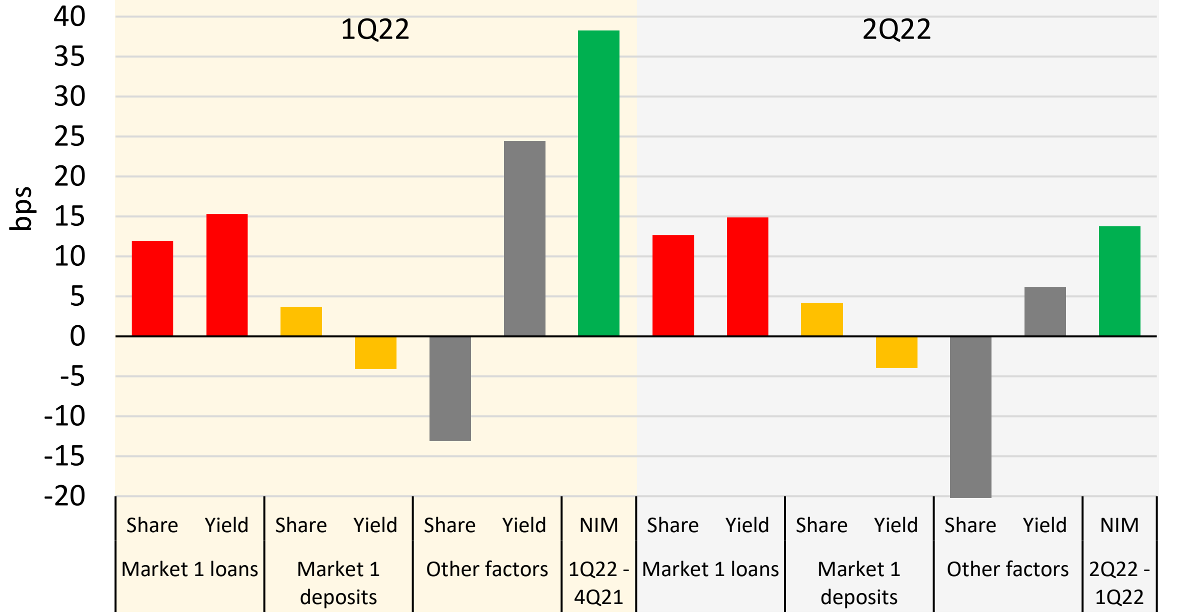


Figure 4: QoQ NIM change decomposition (annualized, %)



We expect normalized earnings growth momentum but there are plenty of potential surprises

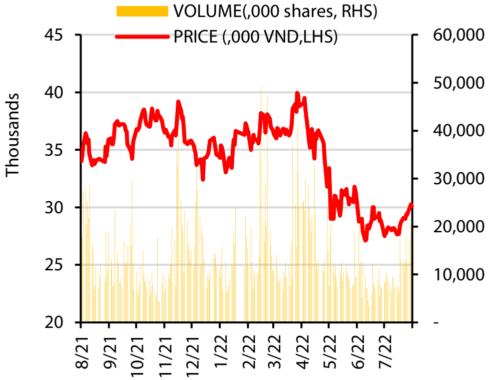
- The recovery of NIM was enabled by better loan yield and credit allocation. We expect the 2H22 NIM to be slightly down from 1H (-21 bps) because of ramped up deposit rates (up by 32 bps). The high credit growth quota as a benefit from the mandatory bank transfer program will put pressure on the funding demand. However, the low comparison base of NIM will back the high growth momentum of NII. NII is projected to grow by 36% YoY in 2H22 before normalize to 19% YoY in 2023 due to headwinds on the NIM front. NFI is expected to recover in 2H22 (28% YoY) broadly across the segments. Bad debt collection will be flat. 2H22 PBT is projected to be down slightly from 1H22 (-3%). 2H22 earnings growth rate will stay high (35% YoY), resulting in the 42% earnings growth of 2022. 2023 PBT is forecasted at VND 27.4 tn (USD 1.2 bn, 17% YoY). MBB expects to have low restructured loans delinquency rate (below 10%), thereby, relieving the tension on provisions. Its good buffer paid off in 1H22 and we expect the same in 2H. MBB might record provision reversals for restructured loans fully in 2022. This helps MBB to stay resilient with robust improvement in credit costs. The mandatory bank transfer program opens up potential surprises going forward. It might support the bank stock price in an uncertain macro and policy environment.

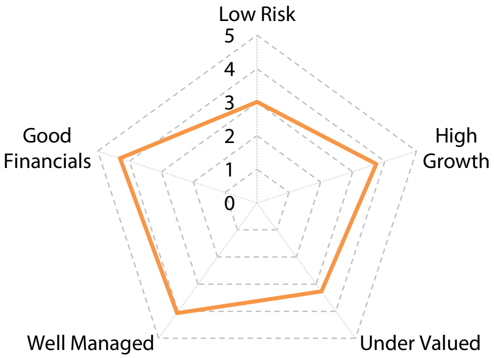
Source: MBB, Rong Viet Securities

EXPECTED HEADWINDS QUESTION THE ANNUAL PLAN

HSX: VPB

<BUY: +53%> **<MP: 30,100>** **<TP: 46,200>**





STOCK INFO

Sector	Banks
Market Cap ($ mn)	5,722
Current Shares O/S (mn shares)	4,445
3M Avg. Volume (K)	10,479
3M Avg. Trading Value (VND Bn)	309
Remaining foreign room (%)	-0.2
52-week range (VND)	41.05 – 26.5

FINANCIALS

FINANCIALS	2021A	2022E	2023F
NII (VND bn)	34,349	41,575	52,730
TOI (VND bn)	44,301	58,288	71,270
NPAT (VND bn)	11,808	19,912	23,560
ROA (%)	2.4	3.2	3.2
ROE (%)	17.0	20.3	19.2
Asset growth (%)	30.7	25.4	15.0
Book Value (VND)	19,447	23,872	26,545
P/E (x) (*)	9.0	7.0	6.5
P/B (x) (*)	1.8	1.3	1.1

INVESTMENT RATIONALE

A well-rounded and digitalized ecosystem serving the largest customer pool lays the foundations for outstanding growth potential and cyclically high profitability

- Given strong capital injections from extension fee, divestment and private placement, VPB strongly expands its ecosystem beside enhancing liquidity and capital buffer. Its ecosystem is among the most well-rounded one though not yet well-connected. We expect the costs of funds to gradually improved thanks to competitive offshore funds and ecosystem integration which should help retain money flow. Growth potential comes from the consumer finance market and mass segment, boosting growth momentum and profitability in expansion cycles.

Robust position in profitable businesses thanks to proven and pioneering model and risk excellence

- VPB has secured its primacy in populated classes before moving up the income ladder. Its risk management model, including bad debt recollection, helped deliver scalability and competitive risk–return balance and make up its strong competitive advantages. Selectively diversifying the customer pool leads to resilience in profitability and reinforce the capital buffer.

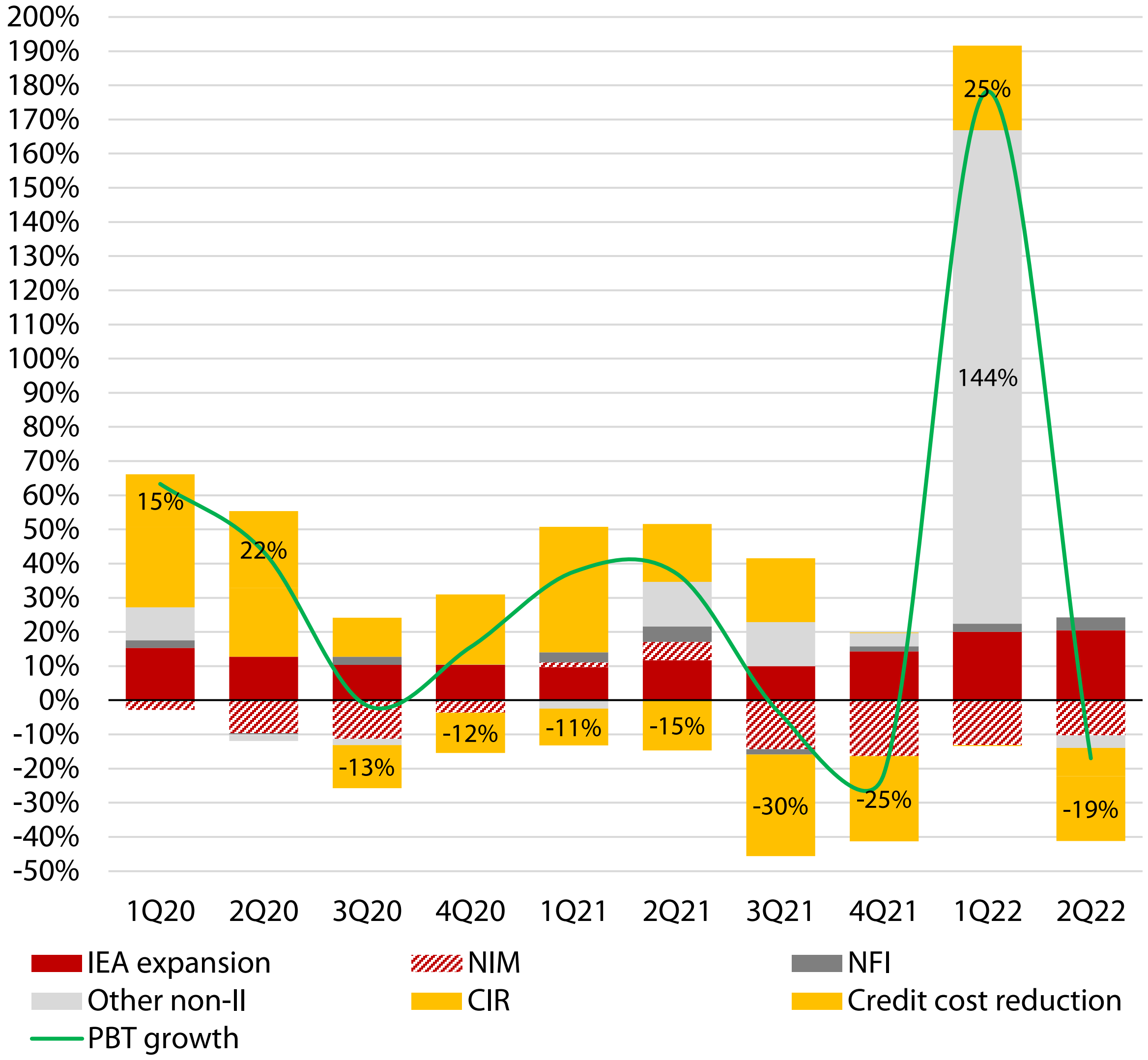
Moderate top-line growth in 1H22 and uncertain balance sheet growth capacity make the annual business plan skeptical, but the catalyst remains

- 1H22 results showed volatile earnings growth while normalized top-line growth was moderate. Credit cost and upfront fee were pivotal drivers. We expect 2H22 growth to be robust, backed by larger contribution from subsidiaries and risk cost management. However, the ability to complete the ambitious annual plan is doubtful when the macro background is uncertain.

RISKS TO OUR CALL

- Upside risks: a stronger-than-expected contribution by subsidiaries. Downside risks: a weak recovery of low-class customers and unknown level of NPL reclassification of restructured loans.

Figure 1: PBT growth components (%, YoY)



Source: VPB, Rong Viet Securities

Moderate core growth remained due to pressure on the NIM front, missing contribution from newly invested subsidiaries and headwinds from the consumer finance company

- PBT growth rocketed to 178% YoY in 1Q22 before falling sharply in 2Q22 (-17% YoY). Excluding the bancassurance extension fee, earnings growth showed good recovery in 1Q (39% YoY) from the low base in the end of 2021.
- Credit growth was robust as the parent bank used up the initial quota of roughly 15%. Consolidated NIM in 1Q and 2Q22 was down to 6.8-6.9% from the end of 2021 due to the headwinds from the consumer finance market. 1H22 net interest income was up 11% YoY, impacted by the performance of FE Credit and contributing modestly to earnings growth (70% YoY). Parent bank's net interest income growth speeded up in 1H22, at 28% YoY.
- On the non-interest income side, net fee income was resilient broadly while other non-II was strongly supported by the extension fee. Bond trading income was weak given the high comparison base, rising bond yield and low contribution from the securities company.

Bancassurance upfront fee clouded the pressure on the balance sheet health

- NPL ratios continued to move up to 4.0% (consolidated) and 2.0 (bank-only). Net NPL formation showed constant pressure from the slow recovery of the customers, both at the parent bank and FE Credit. Restructured loans declined well to 2.5% of the loan book, mostly at the parent bank. FE Credit witnessed an increase in restructured loan balance in 2Q22. Credit cost margin was put under tension also, leading to the negative contribution in 2Q22 which made PBT down by 19% directly.

Figure 2: NPL formation, write-off and provisions of FE Credit (TTM)

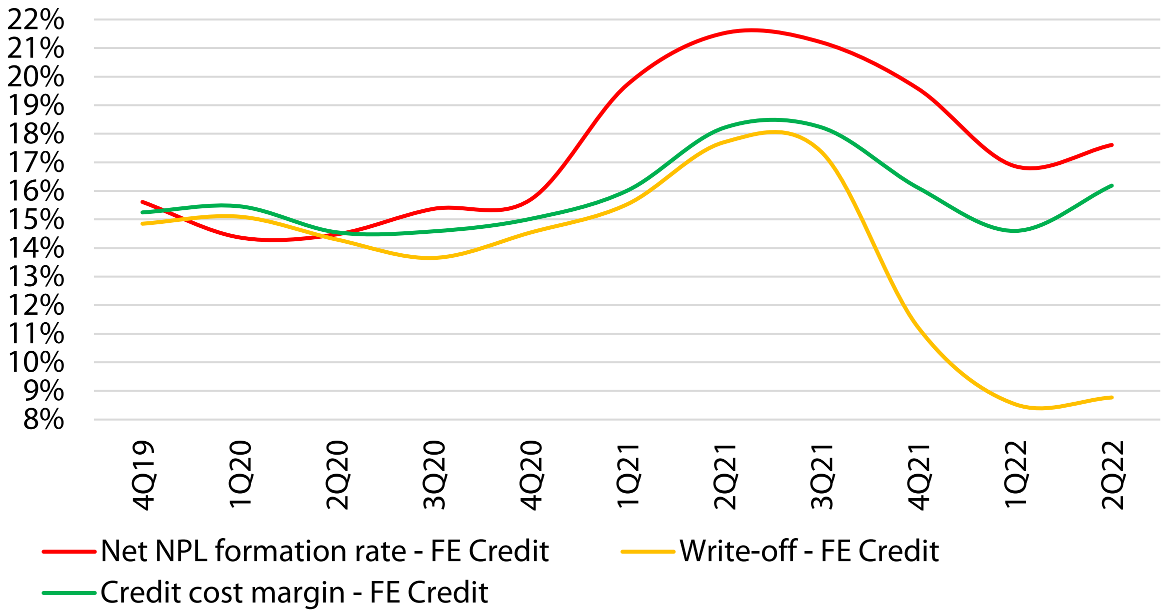
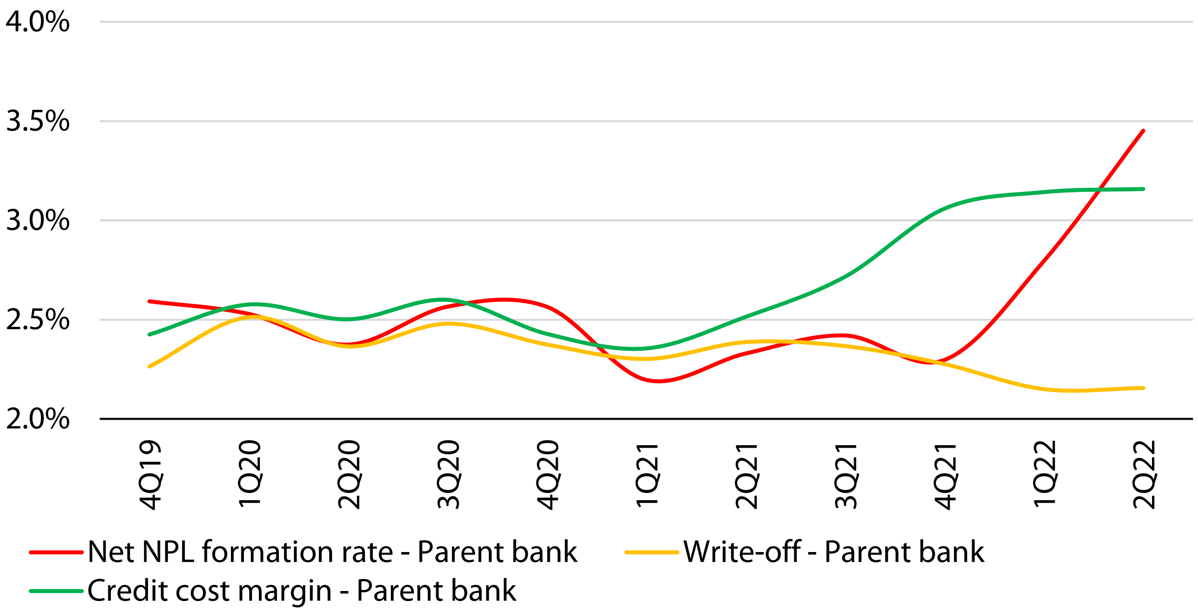


Figure 3: Bank-only NPL formation, write-off and provisions (TTM)



The gloomy macro situation questions the completion of the ambitious annual plan, but high growth is still expected, and the capital plan will be a strong catalyst

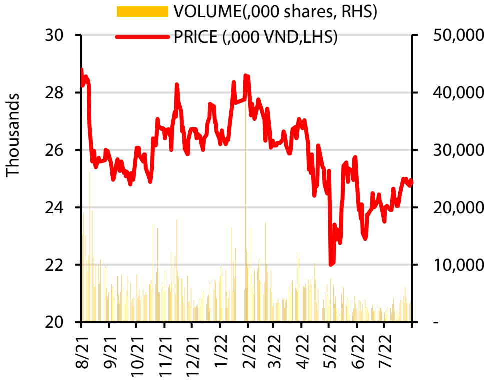
- Given the targeted 2022 PBT, VPB might struggle to fulfill the plan in the case of continuously undesirable recovery. We expect a 90% earnings growth in 2H22, equaled to 87% of the target, and 20% growth in 2023. Those are driven by 26% YoY and 22% YoY growth in total operating income, respectively. Newly invested subsidiaries are expected to contribute more from 2H22. The earnings forecasts also imply peaking growth momentum in 2022. However, the bank will be supported by capital catalysts, including the potential bank transfer program and the pending private placement. The timing of those is uncertain as well as the credit growth quota which the bank had high expectation. We conservatively factor in a 22% credit growth for the parent bank. NIM is expected to bounce back strongly to 8.0% in 2H22, driven by the recovery of the customers and thereby, better loan yield. Funding costs will be driven up by higher deposit rates, but the capital position will support. Net NPL formation rate and credit cost margin are projected to peak in 2H22. Those are not expected to normalize quickly despite the forecasts of major contribution towards earnings growth in 2H22 and 2023.

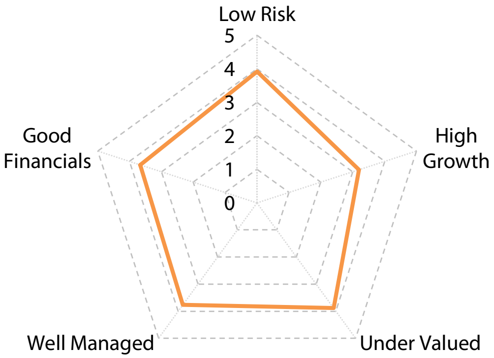
Source: VPB, Rong Viet Securities

RESILIENT GROWTH FROM THE PROVISIONING BUFFER

HSX: ACB

<BUY: +35%> **<MP: 24,850>** **<TP: 33,600>**





STOCK INFO

Sector	Banks
Market Cap ($ mn)	3,589
Current Shares O/S (mn shares)	3,377
3M Avg. Volume (K)	2,929
3M Avg. Trading Value ($ mn)	71
Remaining foreign room (%)	0.0
52-week range (‘000 VND)	29.08 – 22

FINANCIALS	2021A	2022E	2023F
NII (VND bn)	18,945	22,447	26,089
TOI (VND bn)	23,564	27,874	33,165
NPAT (VND bn)	9,603	13,224	15,291
ROA (%)	2.0	2.4	2.4
ROE (%)	23.9	25.7	23.9
Asset growth (%)	18.7	13.2	14.2
Book Value (VND)	13,294	17,210	20,737
P/E (x) (*)	12.3	6.4	5.5
P/B (x) (*)	2.6	1.4	1.2

INVESTMENT RATIONALE

Stable funding base backed by a leading retail deposit franchise will secure balance sheet growth and cross-selling ability

- ACB has a strong consumer banking platform, including retail and SME. The steadily growing customer base focusing on middle-and-high profile segments secures a robust funding structure and the ability to sustain desirable NIM. This grants ACB the capability to monitor balance sheet growth to suit the risk appetite and enhances cross-selling ability.

Prudent lending approach and gradual digitalization are the fundamentals for sustainable efficiency

- Under a proper growth strategy, ACB manages to underwrite loans conservatively to maintain a healthy balance sheet and efficient capital allocation. It leads to well-controlled risk costs and profitability, and helps the bank stay resilient in various scenarios. Its sufficient capital and liquidity position will ensure growth capacity and capability during uncertain times.

Despite keeping out of the market turbulence, banking profitability and efficiency continue to take priority over-growth

- Growth momentum started to speed up in 2022, landing at 33% YoY and 51% YoY in 1Q and 2Q22 respectively. Credit cost reduction was a major driver, particularly the provision reversals for restructured loans. We expect ACB to continue benefiting from the reversals despite partial NPL reclassification of restructured loans. 2H22 PBT is projected to grow 33% YoY.

RISKS TO OUR CALL

- Due to its sensitivity to provisions, the uncertainty in customer recovery and restructured debt reclassification imposes downside risk. The credit growth quota poses risks though limited.

Figure 1: Quarterly PBT growth components (%, YoY)

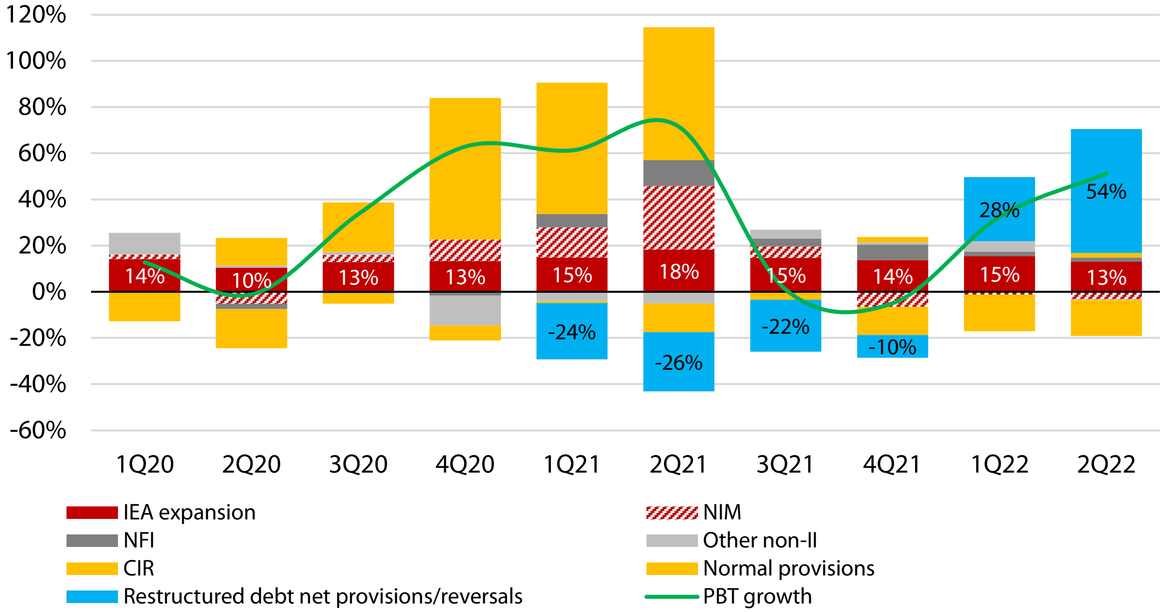
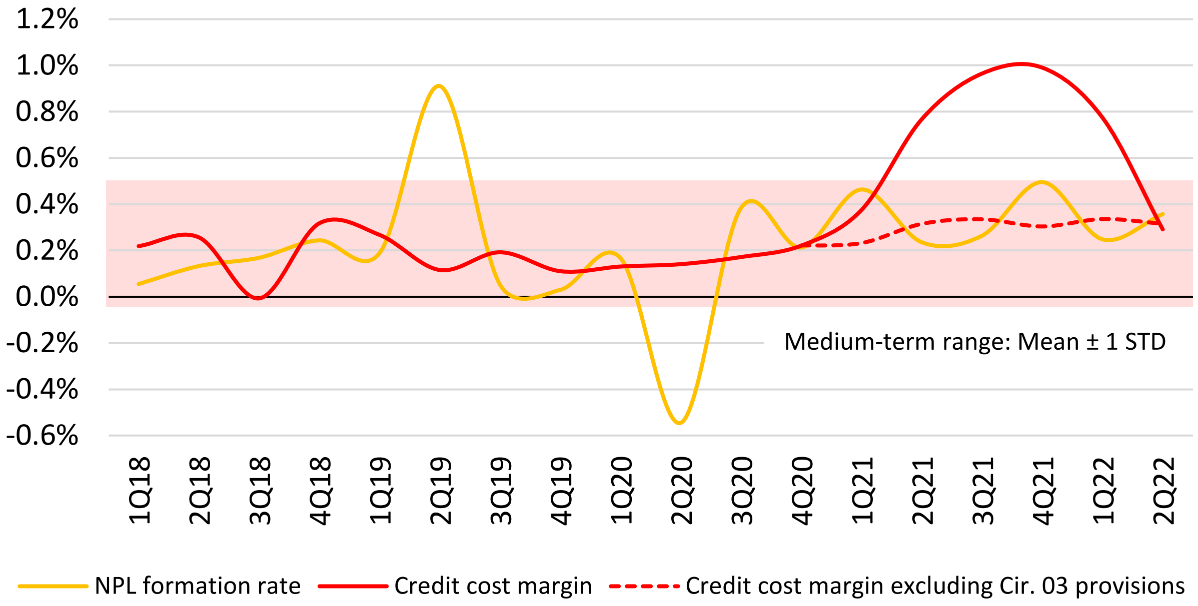


Figure 2: Net NPL formation rate and credit cost margin (TTM)



Well-managed NIM despite rising quoted deposit rates and high base effect helped mitigate the pressure on total operating income

- Similar to other banks where NIM recovered from the end of 2021, ACB maintained its NIM in the range of 4.2–4.3% in the first two quarters. However, the high comparison base prevented it from contributing positively to earnings growth. Balance sheet growth also slowed down due to moderate credit growth quota. NFI growth momentum was stable while bad debt recollection became a major driver. Equity investment was hit moderately. Total operating income growth was 21% in 1Q and 11% in 2Q22.

Net provision reversals boosted growth momentum and clouded a modest pre-provision growth

- Normalized earnings growth would have been 5% and -2% YoY in 1Q and 2Q22 when excluding the provision reversals from restructured debt. The pre-provision growth was 5% YoY in 1H22 due to the pickup in CIR. Normalized credit cost margin showed stable provisioning level, while restructured debt provisions were being reversed partially.

Source: ACB, Rong Viet Securities

Figure 3: Debt groups, LLR and adjusted LLR (%)

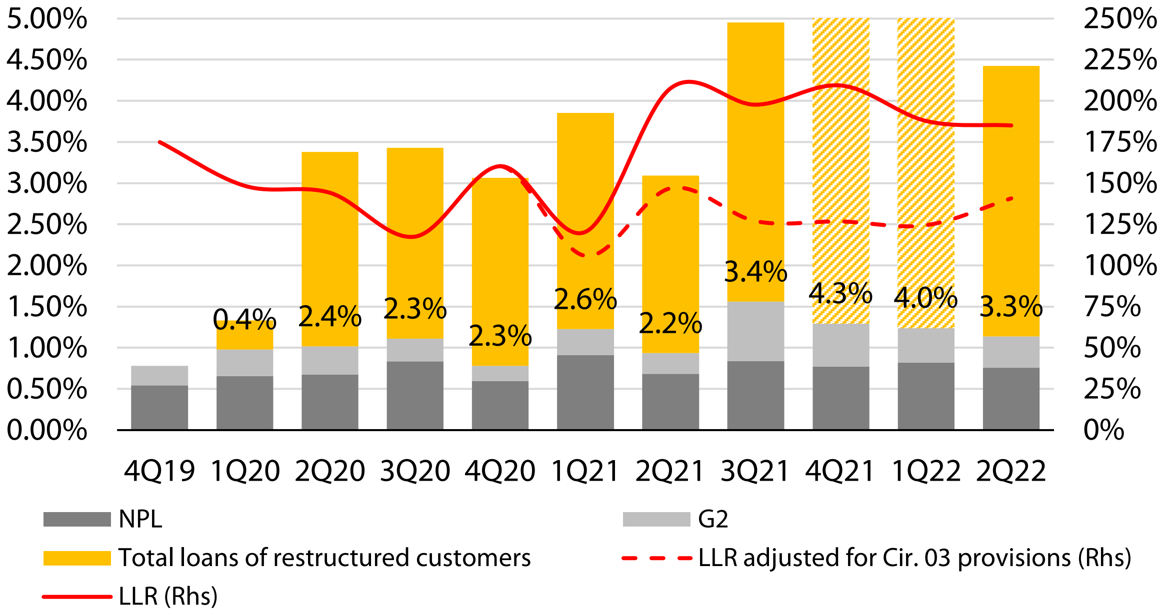
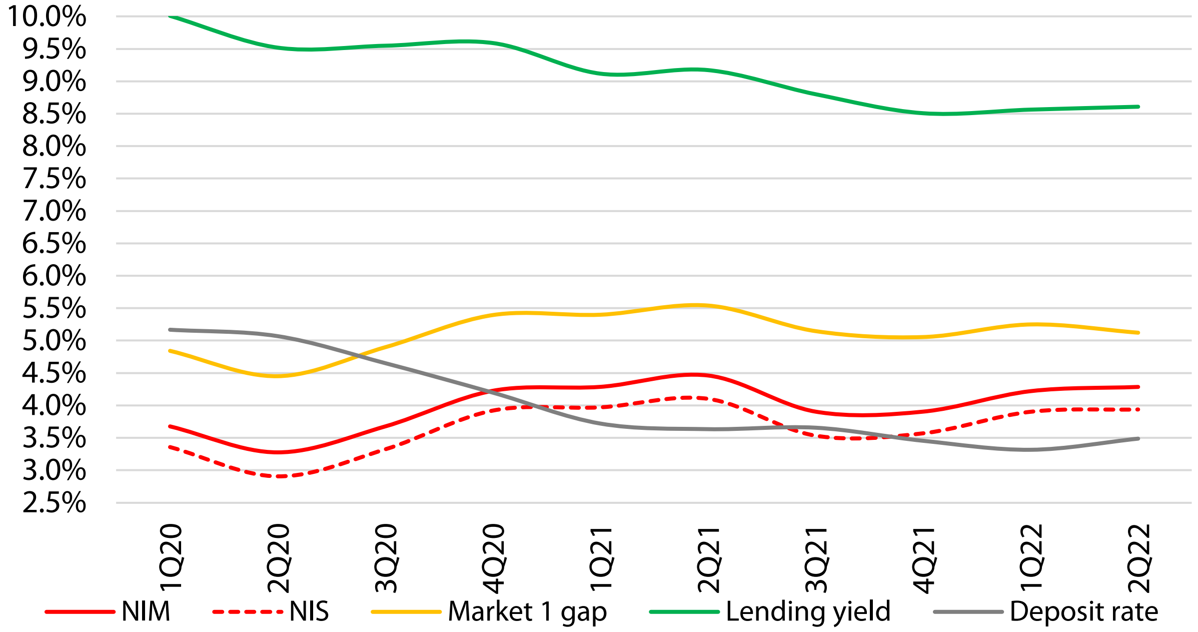


Figure 4: NIM, yields and costs (annualized, %)



Earnings growth is expected to normalize while profitability and efficiency will be prioritized

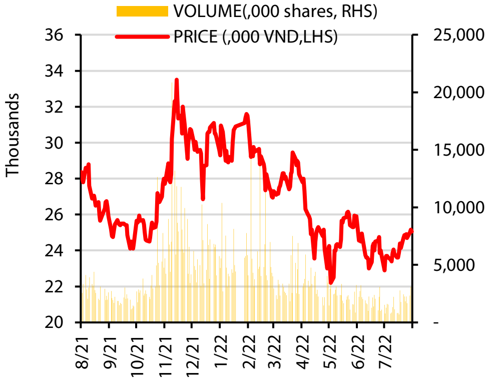
- We revised our forecasts to price in the major reversals in 1H22 as well as the potential of partial deterioration of restructured loans. NIM is expected to fall modestly from 1H due to higher funding costs but will stay well above the 4% level. Total operating income forecasts are revised up by 1% for the 2022-2023 period due to bad debt recollection. CIR remains stagnant. 2022 credit cost margin is adjusted steeply to circa 0.1%. This implies a 44% YoY decline in provisions, leading the 33% YoY growth of 2H22 PBT. PBT forecasts are revised up by 7% to VND 16.5 tn (USD 0.7 bn, 38% YoY) in 2022 and by 2% to VND 19.1 tn (USD 0.8 bn, 16% YoY) in 2023. Growth momentum will ease gradually.
- The NPL reclassification at the end of the restructuring period and further credit growth quota are the known unknowns. We expect the bank to ramp up its provisioning level modestly in 2H22. Despite being fully provisioned under Circular 03, we expect the loan book quality to deteriorate moderately. Average deposit rate is projected to pick up by 42 bps in 2H22, in which 19 bps will be passed through to credit customers. Banking profitability will be maintained in a higher cost environment. ROE will stay elevated.

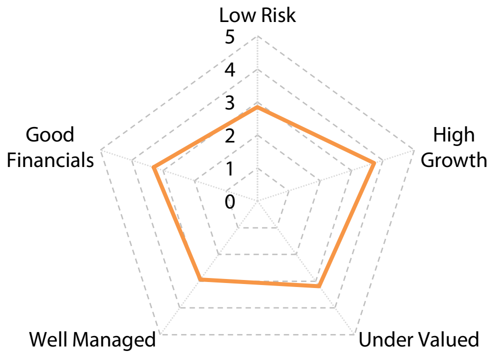
Source: ACB, Rong Viet Securities

DIVERSIFIED FACTORS WARRANT GROWTH MOMENTUM

HSX: HDB

<BUY: +28%> <MP: 25,050> <TP: 32,000>





STOCK INFO

Sector	Banks
Market Cap ($ mn)	2,156
Current Shares O/S (mn shares)	2,012
3M Avg. Volume (K)	2,013
3M Avg. Trading Value (VND Bn)	49
Remaining foreign room (%)	0.6
52-week range (VND)	33.95 – 21.5

FINANCIALS

FINANCIALS	2021A	2022E	2023F
NII (VND bn)	13,891	17,824	21,572
TOI (VND bn)	16,758	22,001	28,638
NPAT (VND bn)	6,054	8,311	11,339
ROA (%)	1.8	2.0	2.3
ROE (%)	21.8	24.6	26.9
Asset growth (%)	17.4	18.4	19.2
Book Value (VND)	14,573	18,073	23,482
P/E (x) (*)	10.4	6.2	4.5
P/B (x) (*)	1.7	1.4	1.1

INVESTMENT RATIONALE

Good profitability and resilient growth with middle market orientation backed by a leading consumer finance company

- HDB has the capability to sustain its efficiency ratios due to robust risk-adjusted NIM as a result of risk management, appropriate lending yield and high balance sheet growth. We expect the bank to further enhance ROA as technology applications help improve productivity, thereby, driving CIR lower and boosting the net profit margin. HDSaison, one of the leaders in consumer lending, plays a vital part in the wide ecosystem with value chain lending approach in middle segments and enables HDB to approach early-staged customers who will later be served by the parent bank. We expect a stable loan growth and intact market share given the fast-growing demand and the bank's favorable position. The stable funding mix with long-term deposits and valued papers is the foundation to deliver stable liquidity and pursue high-yield lending.

Stable growth momentum in 1H to persist in 2H backed by the development on the bancassurance front and cost management

- Despite several uncertainties in the first half of the year, HDB recorded impressive results supported by both net interest income (26% YoY) and net fee income (68% YoY), leading to earnings growth of 26% YoY. We project that the bank will continue to maintain its growth momentum, landing at 43% YoY for PBT in 2H22 driven by higher-than-average granted credit growth quota, recovering NIM and further contribution from the bancassurance segment. NII and NFI will increase by circa 31% and 60% YoY, respectively.

RISKS TO OUR CALL

- Downside risks include the consumer finance segment's exposure to the uncertain economic recovery, threatening unanticipated NPL formation. Upside risks include the potential expansion through M&A or private placement and the potential bancassurance exclusive deal, combined with its participation in the SBV's restructuring program.

Figure 1: Quarterly PBT growth components (%, YoY)

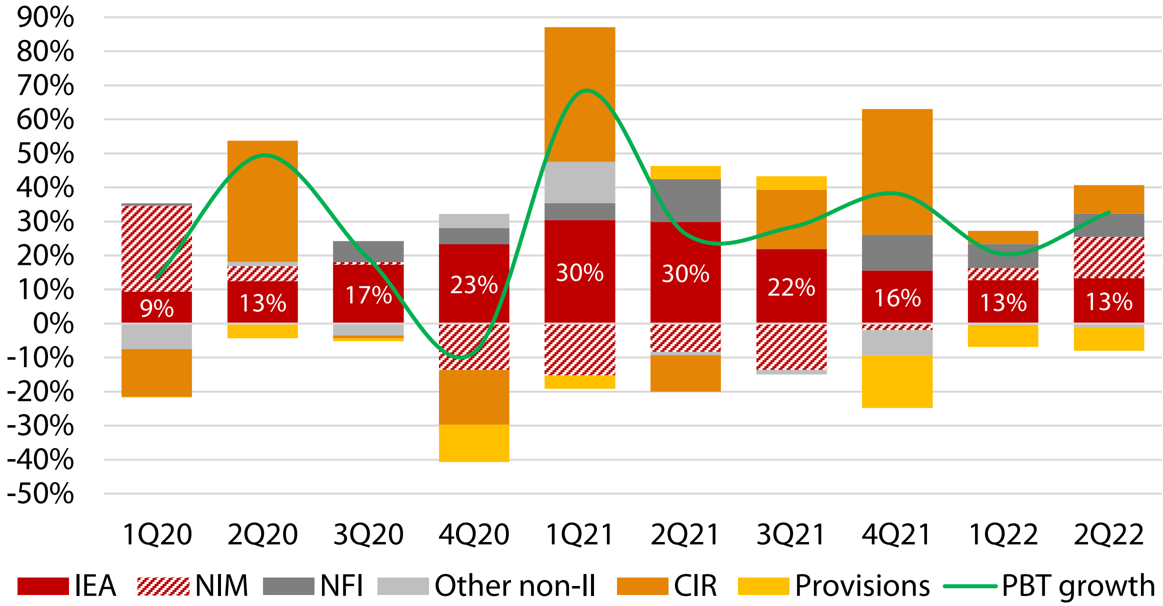
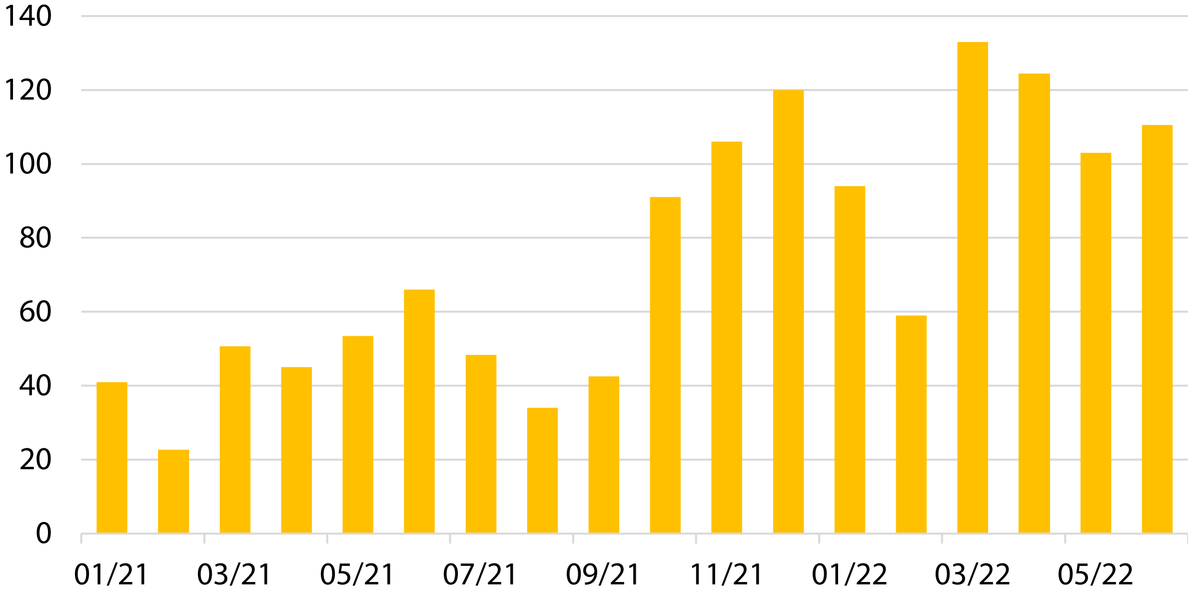


Figure 2: Bancassurance APE sales (VND bn)



The broad recovery in interest-earning income source was supported by the bancassurance segment

- 2Q22 results were in line with our projections as HDB maintained momentum in both NII and NFI. In 1H22, NII was up 26% YoY thanks to widened NIM (up 0.6% from 2H21) and boosted credit growth (23% YoY). Credit growth of the parent bank was 15% YTD, equal to that of the whole year 2021. Robust growth of bancassurance backed by the broad physical network and high penetration in rural areas propelled NFI (68% YoY). 1H22 TOI and PBT reached VND 10.7 tn (27% YoY) and VND 5.3 tn (26% YoY) respectively.

The resilience of HDSaison helped lighten the impact from the consumer finance segment

- Although net NPL formation rate and credit cost margin of HDSaison have maintained a steady upward momentum in recent quarters, performance was better-than-average compared to industry peers given the slower-than-expected recovery and prolonged aftermath effect. The consumer finance arm managed to increase disbursement effectively and maintain a good profitability to contribute to consolidated results.

Source: HDB, Rong Viet Securities

Figure 3: NPL formation & credit cost margin of parent bank (TTM)

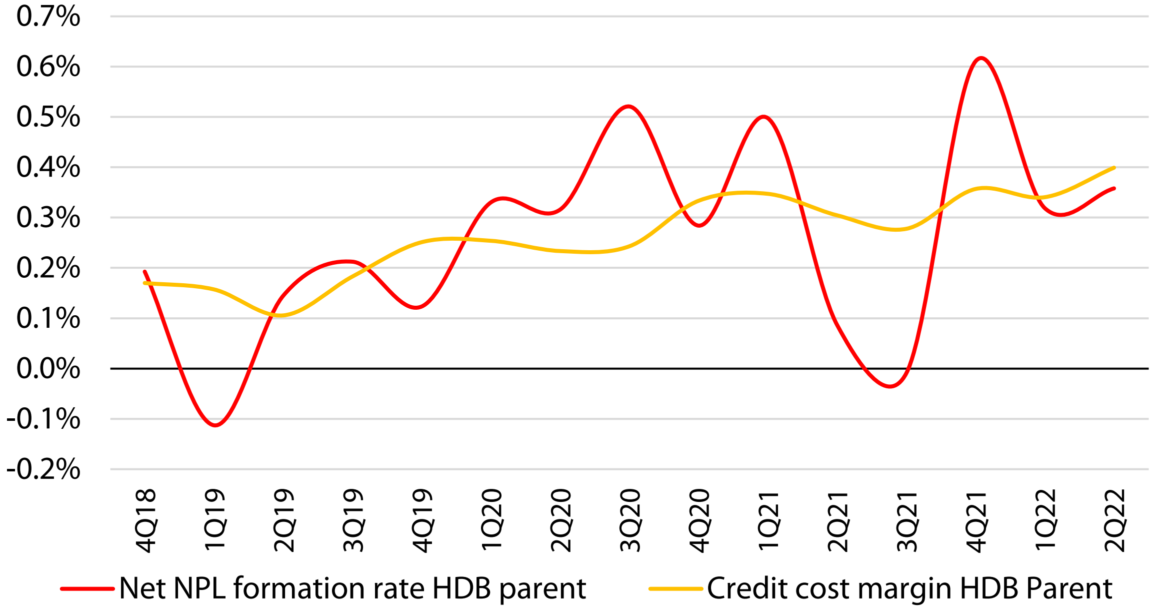
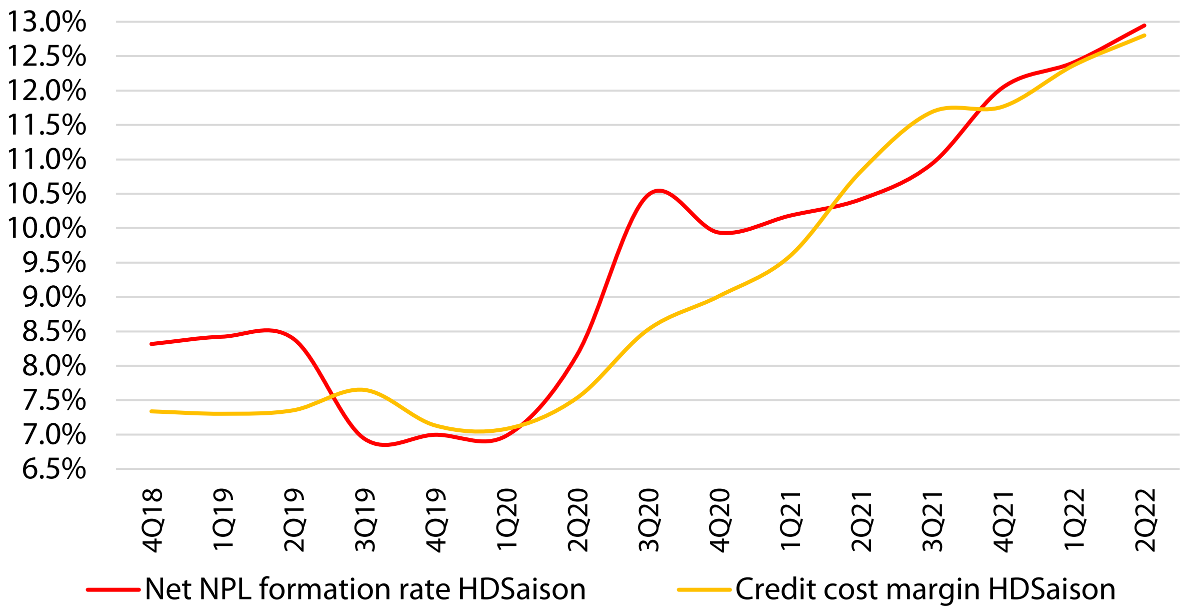


Figure 4: NPL formation & credit cost margin of HDSaison (TTM)



Stably high momentum backed by various factors to counter uncertainties

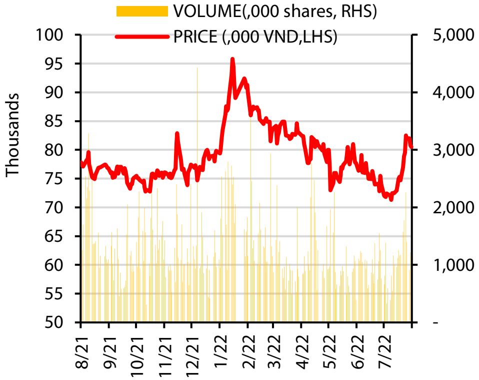
- Credit growth and NIM are projected to remain favorable growth factors to NII towards the year-end but will slow down in 2023 due to deposit rates hike. Bancassurance will continue to be the main driver of NFI. It is expected to account for circa half of the NFI and lead to the catalyst of a high-value exclusive deal. NFI growth is forecasted at 63% for 2022 and 87% YoY for 2023. TOI will expand steadily in the 2022-2023 period at circa 30% each year. The stronger-than-average expansion of the customer deposit base in 1H22 sets an advantage to the liquidity position and funding costs in 2H22. Bad debt formation is expected to decline in 2H, thereby, mitigating its pressure on credit costs. It will lead to a flat credit cost margin at 1.1% for the next two years. The bank may have provision reversals for the restructured customers though insignificant. We project 2022 PBT to reach VND 10.8 tn (USD 460 mn, 34% YoY), implying a 43% YoY earnings growth for the second half. The 2023 PBT forecast is at VND 14.6 tn (USD 621 mn, 35% YoY). Despite the macro headwinds, HDB will be supported by potential catalysts including capital and scale enhancement through M&A or private placement.

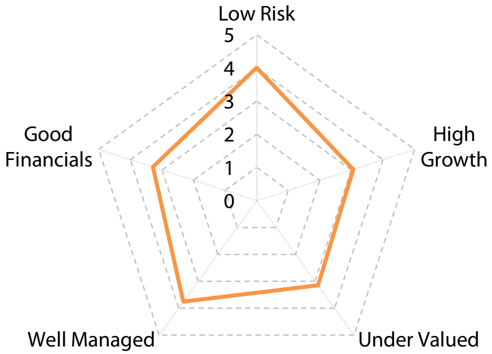
Source: HDB, Rong Viet Securities

COMPREHENSIVE RESILIENCE RAMPS UP GROWTH

HSX: VCB

<BUY: +20%> <MP: 80,500> <TP: 96,900>





STOCK INFO

Sector	Banks
Market Cap ($ mn)	16,293
Current Shares O/S (mn shares)	4,733
3M Avg. Volume (K)	1,015
3M Avg. Trading Value ($ mn)	77
Remaining foreign room (%)	6.4
52-week range ('000 VND)	96 – 68.9

FINANCIALS

FINANCIALS	2021A	2022E	2023F
NII (VND bn)	42,379	51,011	59,273
TOI (VND bn)	56,703	65,933	75,055
NPAT (VND bn)	21,903	29,528	33,143
ROA (%)	1.6	2.0	1.9
ROE (%)	20.9	23.7	20.2
Asset growth (%)	6.6	11.9	15.7
Book Value (VND)	23,491	29,088	37,870
P/E (x) (*)	21.9	13.0	12.3
P/B (x) (*)	3.3	2.8	2.1

INVESTMENT RATIONALE

The bank's broad network and high-quality customers reinforce the advantage of the funding base and promote non-interest income

- VCB generates one of the lowest costs of funds due to its most competitive pricing leading to a low term deposit rate, and good CASA ratio. Its deposit growth is relatively stable regardless of the lagging pace in quoted rate hike compared to private banks. This indicates good stability of funds, robust pricing power and a quality customer base. Backed by its relationships with major domestic exporters and importers and the broad corresponding network, VCB has sustainable advantages in non-interest segments such as payment, trade financing and FX.

Excellent management, good capital base and strong banking profitability lay the foundations for sustainable growth capacity and scaling ability

- VCB has great ratios of retail loan and deposit beside the largest retail CASA market share. It maintains a conservative approach in loan appraising and provisioning, resulting in a steadily low NPL formation, strong balance sheet and firm provisioning buffer. These factors assure the sustainability of holistic profitability and efficiency which enable high balance sheet growth.

Quarterly earnings growth will speed up from 1H22 thanks to credit growth and risk management

- Earnings results have ramped up since 2Q22 due to strong credit growth with a top-tier quota, lower credit costs and one-off bonus. Growth momentum is forecasted to be maintained in the coming quarters based on major provision reversals. Credit growth will be uncertain growth components in 2H22 and 2023 while NIM and credit cost are more reliable factors.

RISKS TO OUR CALL

- Downside risks include uncertain macro scenario and potential of further supportive package. Upside risks include the timing of the private placement and benefits of the transfer program.

Figure 1: NIM, average loan yield and deposit rate (annualized, %)

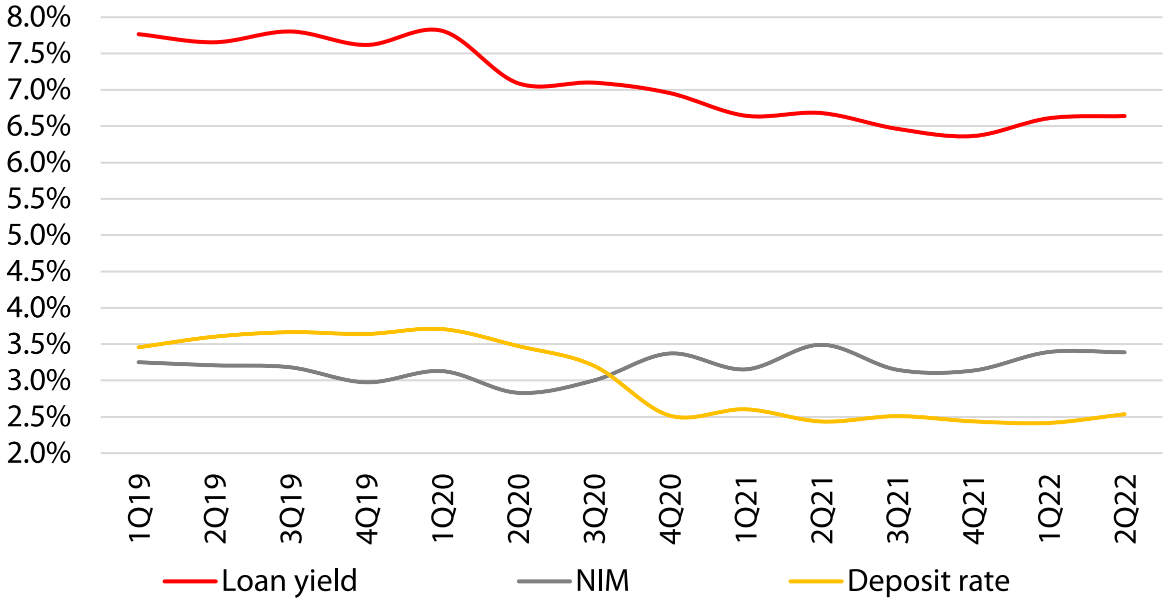
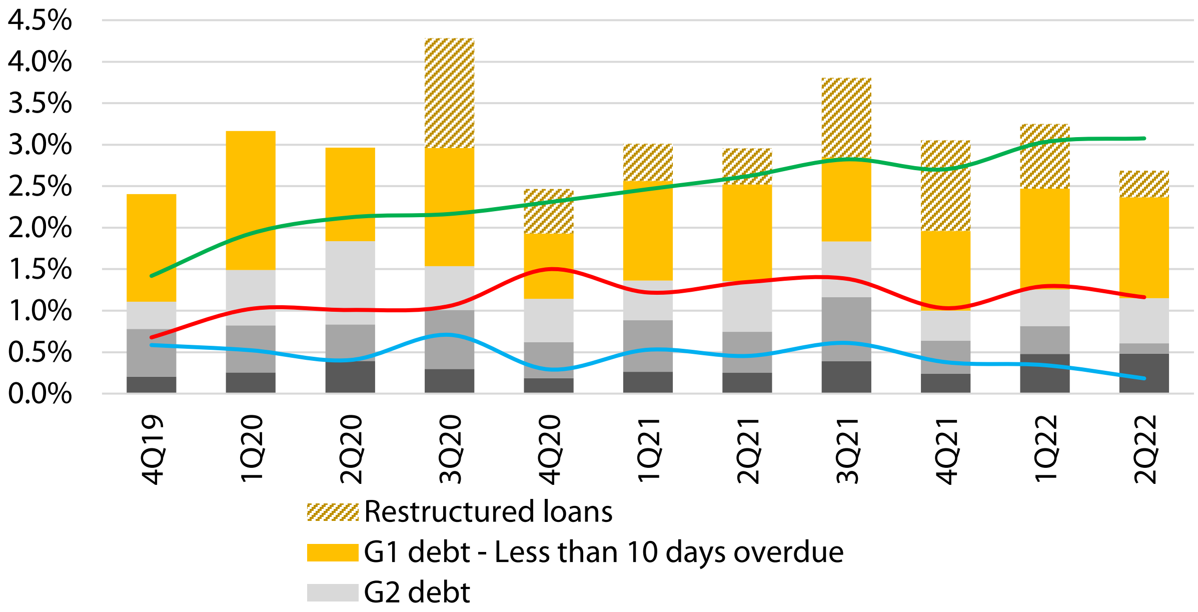


Figure 2: Asset quality indicators (TTM, %)



Robust NIM amid rising deposit rate wave and high initial credit growth quota lay the foundations for growth momentum

- NIM recovered well from the end of 2021, averaging 3.4% in 1H22. Its quoted deposit rate was not adjusted in 1H22 despite the peer pressure. The high base effect prevented it from contributing strongly to earnings growth. VCB was granted a top-tier credit growth quota which the bank has used up in 1H. Its 20% year-over-year credit expansion made up most of the contribution of operating income to PBT growth. The other major growth factor is credit cost. Its dramatic fall in 2Q directly made PBT grew by 26% YoY.

Riding the economic recovery wave to ramp up earnings growth and maintain a healthy balance sheet

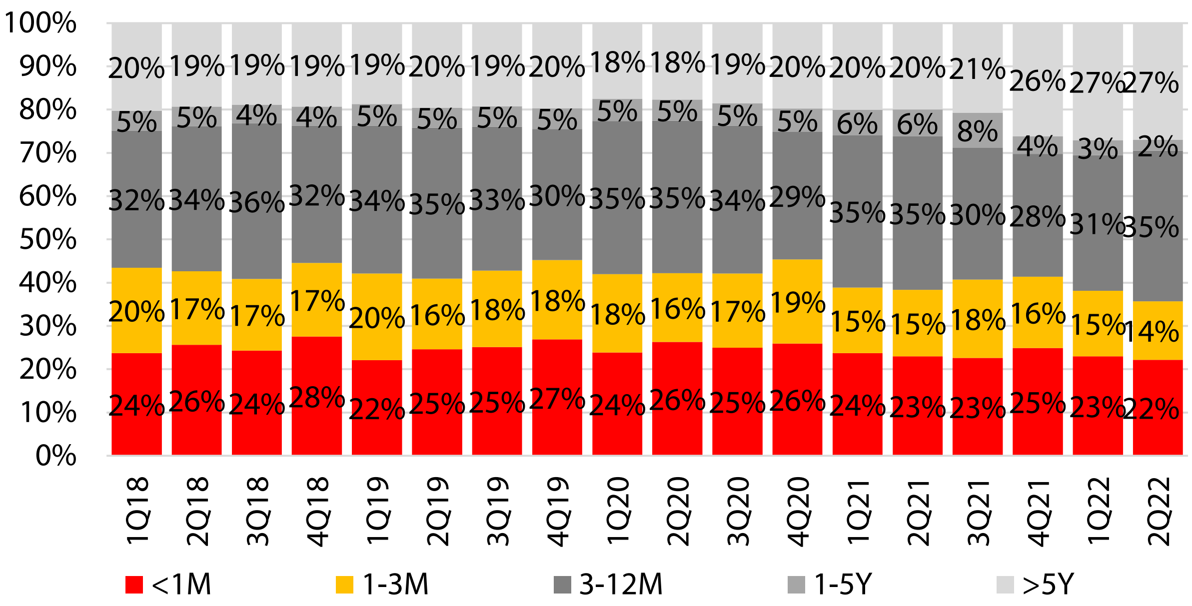
- Net NPL formation rate declined steadily to an insignificant level (0.2%) in 1H22, relieving the pressure on provisioning and creating headroom for reversals at the year end. Its restructured loan balance was reduced from VND 10.5 tn in 2021 to VND 8 tn in 1Q22, then circa VND 6.5 tn in April, VND 5 tn in May before landing at VND 4 tn in 2Q22. The NPL ratio fell to 0.6%, in which 0.1% was early reclassified. The recovery of customer's financials enhanced the book quality and was attributed to the -9% decline in credit cost.

Source: VCB, Rong Viet Securities

Table 1: Performance forecasts (VND bn, %YoY)

VND bn, %	2H21	1H22	2H22	%HoH	%YoY
Net interest income	21,209	24,773	26,238	6%	24%
Total operating income	28,122	32,706	33,228	2%	18%
Risk costs	-6,261	-5,007	-3,493	-30%	-44%
PBT	13,802	17,373	19,515	12%	41%

Figure 3: Customer deposit by maturity bucket (%)



Various potential growth factors to bring up top-tier earnings growth amid uncertainties

- We revised our forecasts to factor in the potential of a delayed private placement and the resilience in NIM. Given the prudent provisioning level in 1H, we expect VCB to smoothly absorb the shock from reclassification of restructured debt in 2H22. Balance sheet growth will still be supportive even when further credit growth quota is uncertain. NIM is forecasted to be flat from 1H22, at 3.3%, despite deposit rates hikes. 2022-2023 PBT is not affected much by the revision, remaining at VND 36.9 tn (USD 1.6 bn, 35% YoY) and VND 41.4 tn (USD 1.8 bn, 12% YoY), implying a 41% earnings growth in 2H22. Credit cost will be the pivotal growth component while NIM will contribute positively.

Lower-than-average headline risk exposure but uncertain capital catalysts

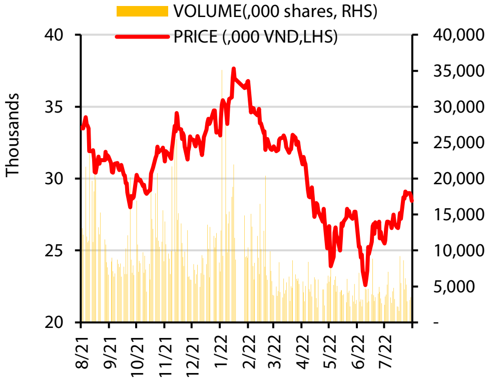
- The completion of capital raising in 2022 is uncertain, while the bank transfer program is also unpredictable regarding benefits and timing. VCB was relatively resilient to the headwinds on the corporate bond and real estate market thanks to feasible exposure. VCB does not allocate much credit to property developers and corporate bond book.

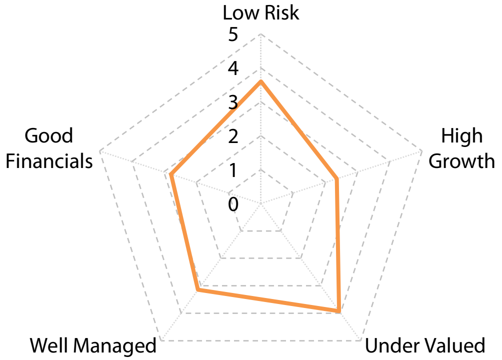
Source: VCB, Rong Viet Securities

CATCHING THE CREDIT RISK COST VOLATILITY

HSX: CTG

<BUY: +20%> **<MP: 28,450>** **<TP: 34,000>**





STOCK INFO

Sector	Banks
Market Cap ($ mn)	5,847
Current Shares O/S (mn shares)	4,806
3M Avg. Volume (K)	4,255
3M Avg. Trading Value ($ mn)	113
Remaining foreign room (%)	3.2
52-week range ('000 VND)	38.2 – 22.5

FINANCIALS

FINANCIALS	2021A	2022E	2023F
NII (VND bn)	41,788	46,520	53,022
TOI (VND bn)	53,157	61,233	68,779
NPAT (VND bn)	14,089	21,488	29,742
ROA (%)	1.0	1.3	1.3
ROE (%)	15.8	21.0	19.9
Asset growth (%)	14.2	10.8	11.1
Book Value (VND)	15,905	18,915	21,576
P/E (x) (*)	16.2	9.1	8.2
P/B (x) (*)	1.8	1.5	1.3

INVESTMENT RATIONALE

Improving asset quality, solid funding base, widened risk-adjusted NIM and ramping up non-interest income will boost efficiency ratios to new sustainable levels

- Following the improvement of asset quality, the pressure on risk costs is relieved, thereby, boosting earnings and profitability ratios to higher levels. Non-interest services and CASA ratio will be further promoted with the support of a wide customer base and strong enterprise partnerships which help diversify income and bring stable and competitive funding costs.
- By investing in technology, combined with the increasing risk-adjusted NIM as costs of funds drops sharply and credit costs are controlled, CTG is capable of growing the balance sheet efficiently despite pressure from the capital base. The upcoming increase in settlement volume and debt collection will contribute to a higher profitability via non-interest income growth.

In the medium-term, combining an affordable growth strategy with sustained profitability and feasible capital plan will help reinforce the foundations

- We estimate that the CAR could be at a safer level in 2023-2025 given the appropriate balance sheet expansion, sustaining profitability, deleveraging strategy and retail banking orientation.

Expected volatility in 1H22 earnings will gradually ease in 2H22 as growth will be boosted from the low base

- CTG recorded extreme fluctuation in quarterly earnings growth in 1H22 as expected due to its sensitivity to credit costs while revenue momentum was stable. NIM has headroom to improve in 2H22, becoming the potential catalyst. However, we still count on the normalization in credit cost margin to be the pivotal factor leading to the 54% earnings growth in 2H22.

RISKS TO OUR CALL

- Downside risks include the uncertainty of the economic recovery and further preferential loan packages. Upside risk includes the higher-than-expected credit growth quota.

Figure 1: Quarterly PBT growth components (%, YoY)

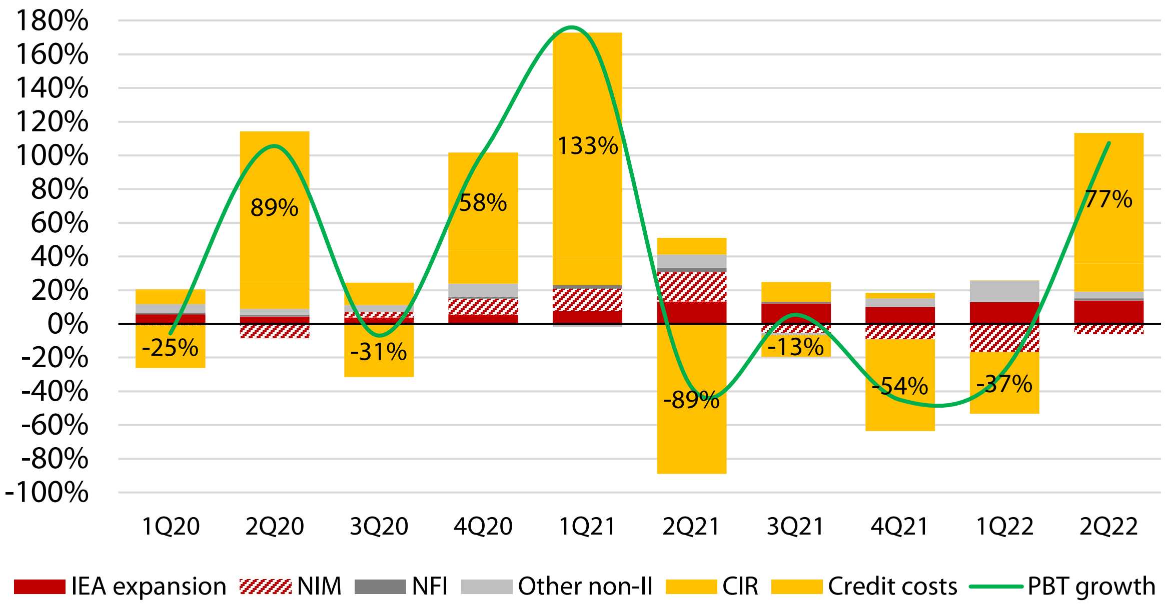
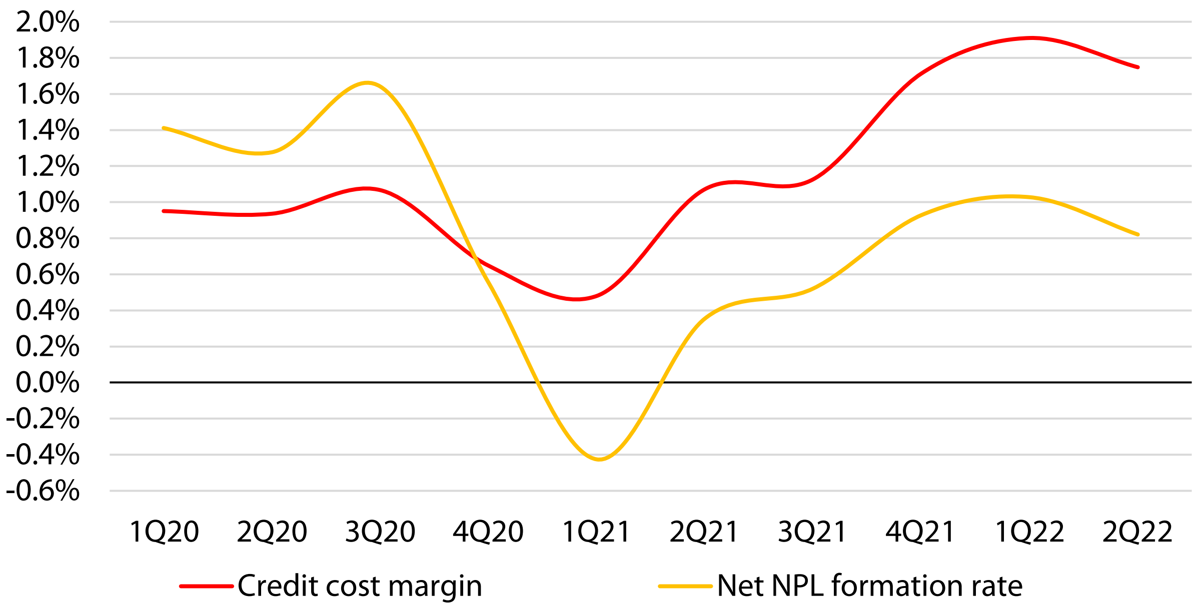


Figure 2: Credit cost margin and NPL formation rate (%, TTM)



Stable total operating income growth despite weak NIM recovery

- NIM was sticky at the low level in 1Q22 due to the maintained supportive packages. The early utilization of granted credit growth quota allowed CTG to allocate resources to segments offering better yield, thereby, expanding NIM in 2Q22. Balance sheet expansion in 1H22 was ramped up slightly thanks to good deposit growth (16% YoY) although 2Q22 witnessed struggles in the funding base. As a result, NII growth suffered from the high comparison base, reaching 3% YoY in 1H22. TOI was supported by other non-II including recoveries and FX, posting an 11% YoY growth with a stable quarterly momentum. Contribution of TOI in PBT growth was moderate. 1H22 PBT growth was 7% YoY.

The expectedly high sensitivity to credit cost pays off

- Excluding the risk cost impact, the pre-provision growth would have been 9% and 30% YoY for 1Q and 2Q22 respectively. The strong fluctuation in quarterly earnings growth is within our expectation. The change in balance sheet health was supportive as NPL ratio and bad debt formation was controlled well. Restructured loans also declined.

Source: CTG, Rong Viet Securities

Figure 3: Debt groups and loan loss coverage, excluding VAMC (%)

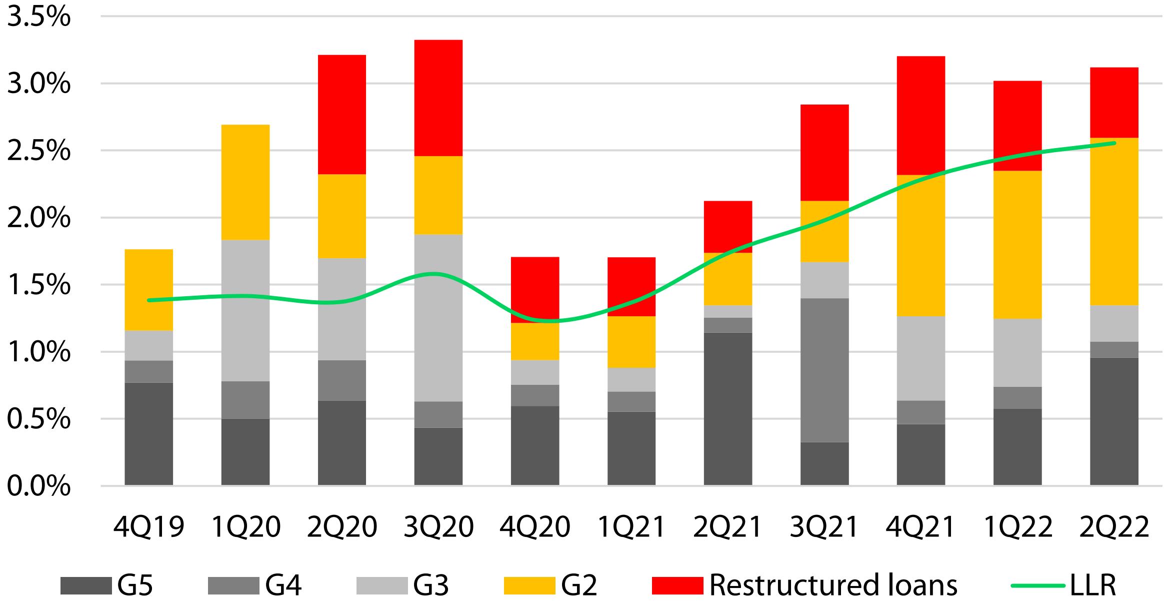
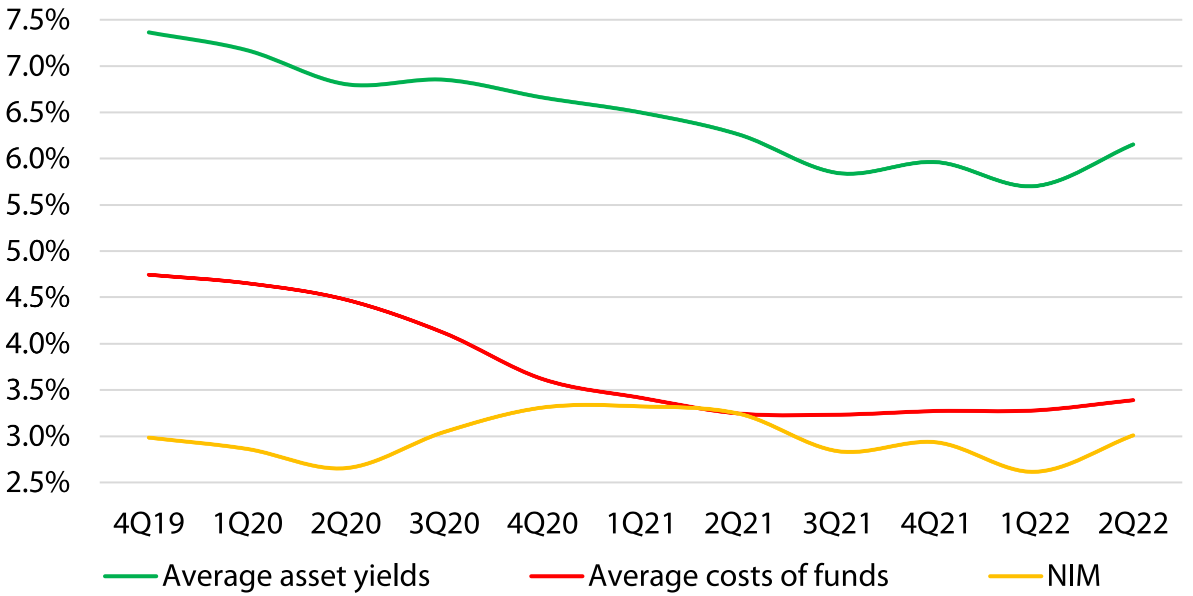


Figure 4: NIM, yields and costs (annualized)



Credit growth quota issue does not pose threat to CTG's earnings growth

- As the major growth factor for CTG is credit cost enhancement, the bank is less impacted by the uncertainties in credit growth quota granting. The government investment disbursement would be a supportive factor to the customers' recovery. Therefore, we consider the high earnings growth of CTG in 2H22 is relatively reliable. We expect a 54% earnings growth in 2H22, driven by a moderate pre-provision growth of 20%. NIM expansion will turn to be a constructive element, while NFI growth will continue to improve thanks to the bancassurance sales. We conservatively factor in a 12% credit growth. There might be surprises as the bank is seeking a 14-15% growth.

The pace and level of credit cost margin normalization will determine the high-growth period

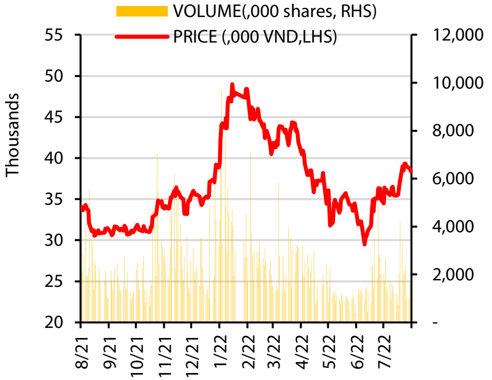
- We expect CTG to control its credit cost margin efficiently at 1.2-1.3% in the next few years, backed by the restructured loan provision reversals. Given its sensitivity to credit costs, CTG has strong tailwinds to counter the uncertain global macro and policy scenario. 2023 PBT growth is expected to normalize to 12% YoY (VND 29.7 tn, USD 1.3 bn).

Source: CTG, Rong Viet Securities

STABLY HIGH GROWTH BY MITIGATING CREDIT LOSSES

HSX: BID

<NEUTRAL: -3%> **<MP: 38,400>** **<TP: 37,400>**



STOCK INFO

Sector	Banks
Market Cap ($ mn)	8,307
Current Shares O/S (mn shares)	5,059
3M Avg. Volume (K)	1,547
3M Avg. Trading Value (VND Bn)	55
Remaining foreign room (%)	13.1
52-week range ('000 VND)	49.95 – 28.95

FINANCIALS

FINANCIALS	2021A	2022E	2023F
NII (VND bn)	46,818	55,382	62,112
TOI (VND bn)	62,395	70,220	76,857
NPAT (VND bn)	10,573	16,294	18,584
ROA (%)	0.7	0.9	0.9
ROE (%)	12.8	18.0	17.0
Asset growth (%)	16.2	12.8	12.6
Book Value (VND)	17,073	18,921	22,892
P/E (x) (*)	27.9	14.9	13.9
P/B (x) (*)	2.4	2.0	1.7

INVESTMENT RATIONALES

Improvement in asset quality and capital base will gradually enhance holistic banking profitability and efficiency

- Asset quality has gradually improved following the VAMC bond clearance. NPL formation rate decreased from a high base to a more efficient level, which should promote risk-adjusted NIM. Holistic profitability and efficiency will be enhanced as well as the balance sheet resilience thanks to the potential capital raising, thereby bringing viable expansion.

Sustainable and affordable growth pace funded by funding advantages

- BID is the one of the largest banks regarding total assets, credit book and deposit base. This implies a massive network and strong deposit franchise, of which the bank can leverage to offer services at scale and grow its funding base with competitive pricing power. This funding advantages lay the foundations for growth in higher cost cycles.

Ramping up growth level and momentum solely backed by dramatic risk cost reduction

- In 1H22, BID achieved 36% YoY earnings growth and better-than-average price performance. These are attributed to the limited exposure to headline risks including real estate loans and corporate bonds and accelerated fall in credit cost margin from a high base. We expect BID to boost earnings growth to 79% YoY in 2H22 before quickly normalizing to 14% YoY in 2023.

RISKS TO OUR CALL

- Downside risk includes the timing of the private placement. The economic recovery and status should have a material impact on credit loss as BID has a large market share of customers.

Figure 1: Quarterly PBT growth components (%, YoY)

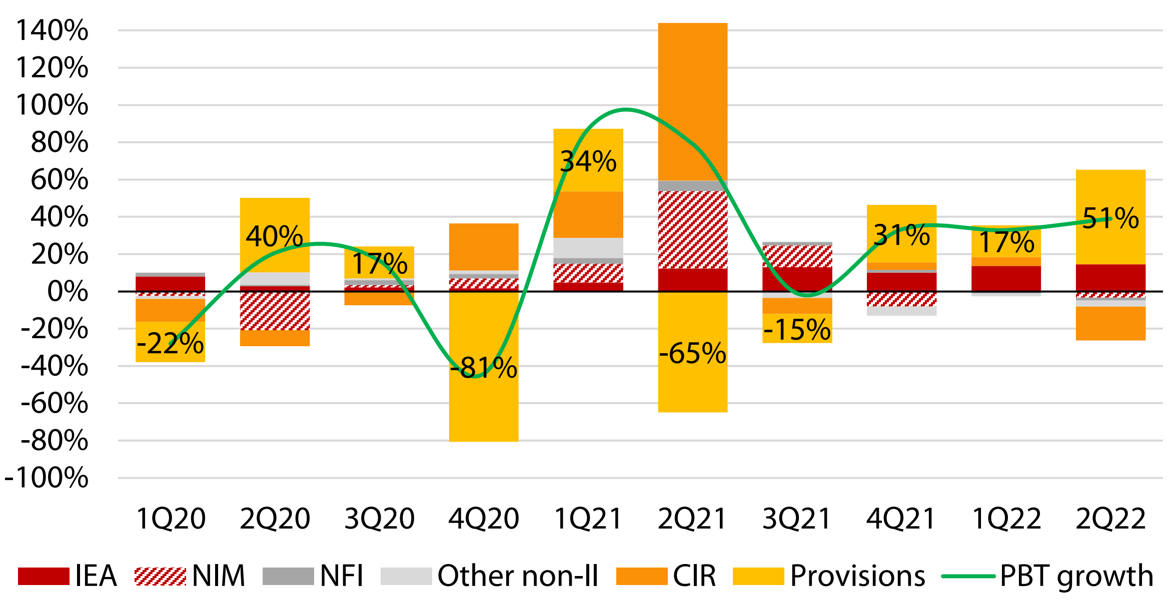
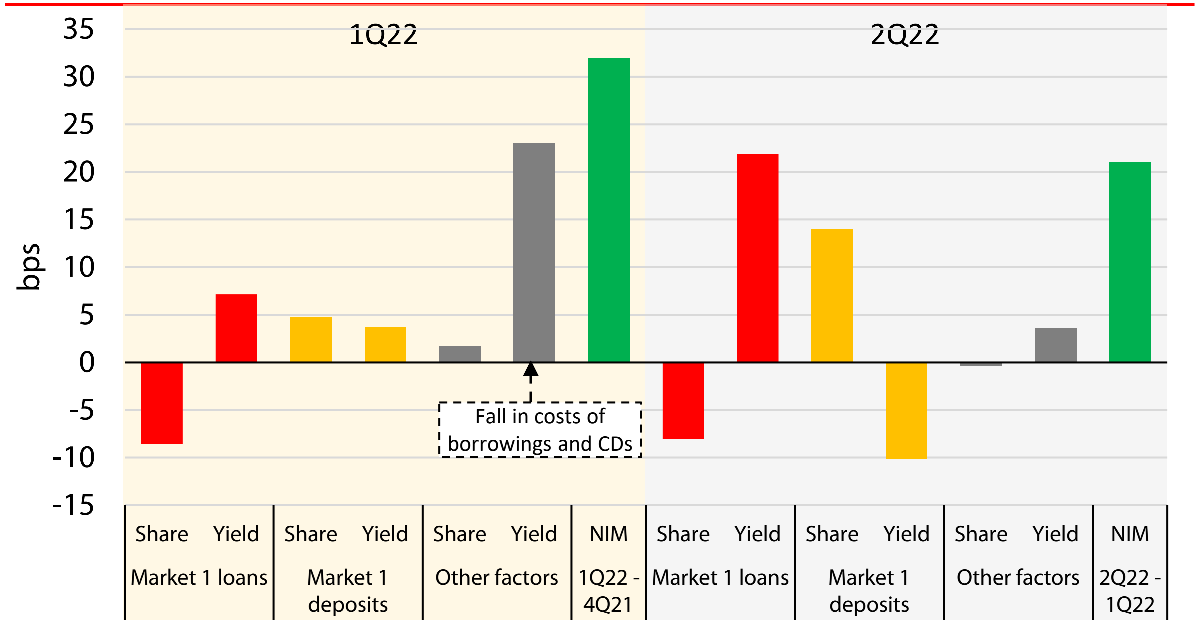


Figure 2: QoQ NIM change decomposition (annualized, %)



Credit cost enhancement steadily supported earnings growth momentum while NIM recovered but slightly slower-than-expected

- BID was granted a 10% credit growth quota in 1H22, resulting in a moderate contribution from balance sheet expansion. NIM and credit costs have been major PBT factors. Loan yield recovered slower than expected but did affect positively and made NIM expanded by 7 bps QoQ in 1Q22 and 22 bps QoQ in 2Q22. Given the significant exposure to valuable papers, the decline in the average yield of those due to repricing and newly issued bonds accounted for a major part of NIM change in 1Q22. The market 1 rate gap improved in 1H22. However, the high comparison base of NIM led to the negative contribution of NIM to PBT growth. NII grew 17% YoY in 1H while TOI expanded 9% YoY. NFI dropped sharply in 1H due to the zero-transaction-fee program. If the transaction fee was added back, NFI growth would have been 14% YoY in 1H per our estimations.
- Balance sheet health was well-enhanced. NPL ratio stayed flat at 1.0%. Restructured loans declined to VND 15 tn while total loans of restructured customers fell to circa VND 50 tn. BID has made full provisions for restructured loans, estimated at VND 21.8 tn. This implies an adjusted loan loss coverage of 119% instead of the headline LLR of 263%.

Source: BID, Rong Viet Securities

Figure 3: Net NPL formation (VND bn)

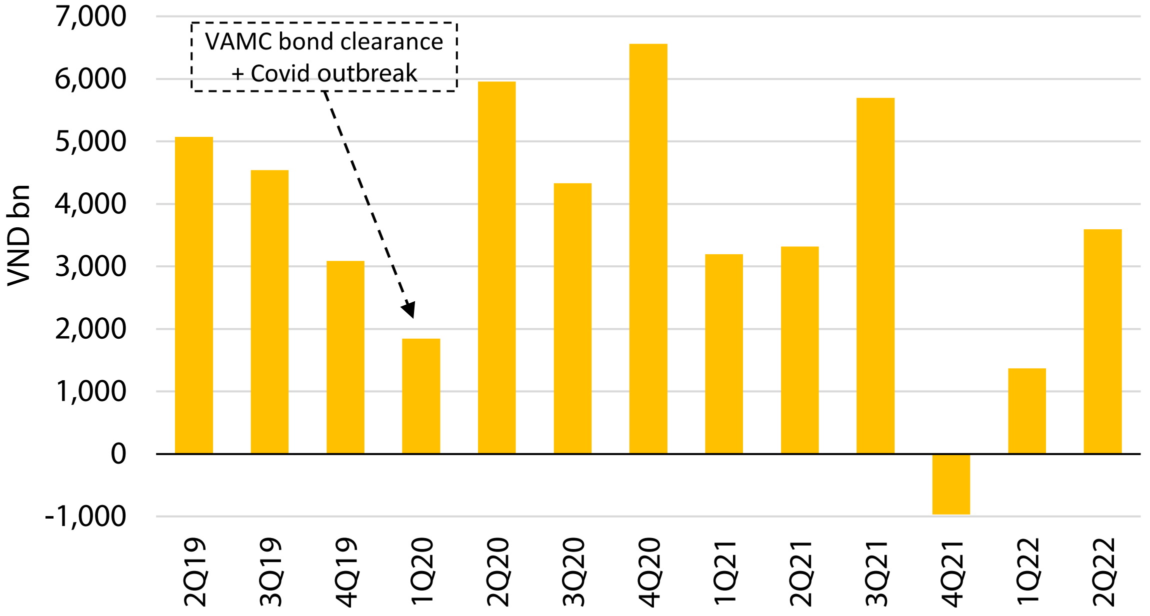
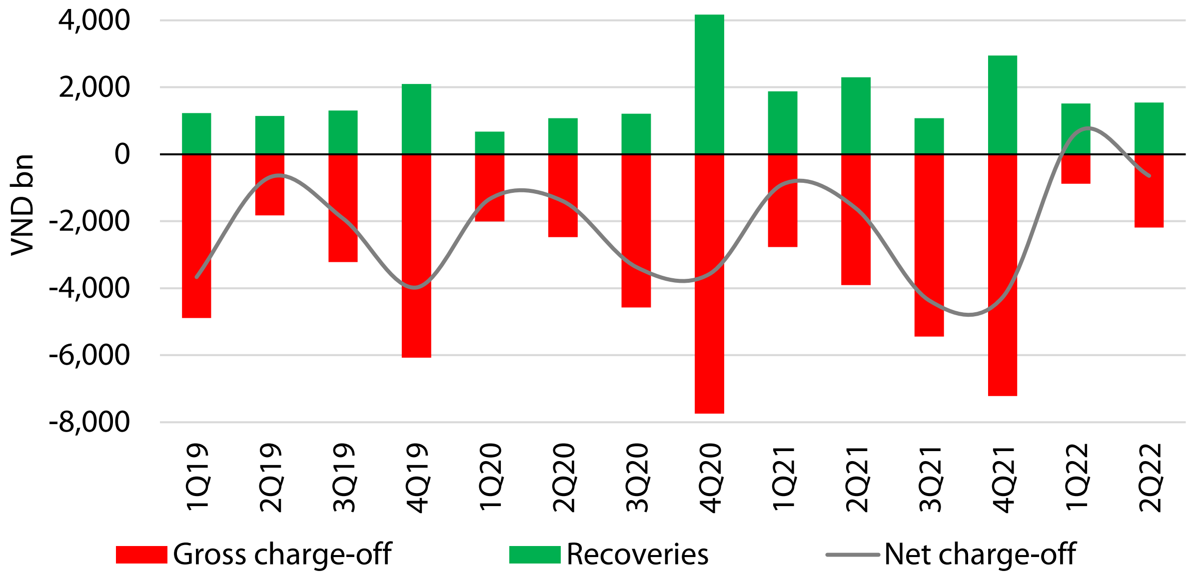


Figure 4: Charge-off and recoveries (VND bn)



The expected contribution from declining credit cost margin

- BID has maintained its growth momentum from 4Q21. Credit costs were the main driver, particularly in 2Q22. We expect BID to boost earnings growth to 79% YoY in 2H22 before quickly normalizing to 14% YoY in 2023. The pivot point will still be credit costs. We expect credit cost margin to fall to a sustainable level in 2023 (1.6-1.7%). However, given the large unreversed provisions for restructured loans, we expect the bank to have a solid growth buffer that could surprise our forecasts in the case of strong customer recovery (especially large corporates), insignificant deterioration in the restructured loan book and soft landing of the global economy. In the short-term, the bank does not have the intention to realize provision reversals yet. TOI growth is projected to be 18% in 2H22 and 9% in 2023 mostly due to stable credit growth and flat NIM while NFI still records negative results in 2H22 (-18% YoY).

When growth normalizes, capital buffer enhancement will be the catalyst

- Capital raising plan experienced headwinds from the stock market correction and regulations. Despite its uncertainty, the capital contribution will help BID to boost the top-line growth via expansion ability and have more sustainable balance sheet growth. It will act as a strong catalyst supporting the stock price when growth normalizes in 2023.

Source: BID, Rong Viet Securities

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