trueFriend KIS Viet Nam Securities Corporation

Sector
Note

Financials
04 August 2023

Banking

2Q23 earnings slump persisted

Non-rated

2Q23 net profit growth remained dark

The aggregated PBT (27 banks) stayed flat at -2.6%yoy in 1Q23 and -5.7%QoQ, filling about 47% PBT guidance. Results were divergent with 11/27 outperformers. Banks with strong PBT growth include VCB (+25%yoy), CTG (+13.2%yoy), STB (+79.9%yoy), NAB (+44.9%yoy), OCB (+74.5%yoy), PGB (26.8%yoy). Meanwhile, banks sharply contracted their profit growth such as TCB (-22.8%yoy), VPB (-37.5%yoy), LPB (-50.9%yoy), TPB (-25.2%yoy), SSB (-36.9%yoy), EIB (-51.1%yoy) and other some small banks. Main reasons were (1) the NIM drops (2) the higher provision expense amid the increasing bad debt.

Discouraging credit absorption of the economy

1H23 credit growth rose 4.73%YTD, far behind 1st credit quota of 11% and the same period in previous years, due to the low credit demand for both enterprises and individuals amid the economic slowdown. Banks saw slower 2Q23 credit growth except for TCB, NAB, MSB, KLB, and PGB. However, some banks used up almost 1st credit quota (TCB, MBB, HDB, VPB).

No signal of NIM revival

2Q23 NIM of most banks plunged yoy and qoq, except for STB, VIB, BAB and NVB. Asset yields was affected by support packages of interest rate reduction, a decrease in retail proportions with high yields in the credit balance. Meanwhile, cost of fund (COF) was not down immediately amid deposit rate downtrend. NIM of SOBs inched down less than the remainder. However, NIM of Large private banks such as VPB, MBB, TCB, and HDB fell more. 2Q23 CASA ratio improved qoq as a bright signal.

Increasing 2Q23 bad debt wearied down the provision buffer

The 2Q23 bad debt consistently rose amid the insignificantly recovered economy. However, 2Q23 bad debt grew slowly after the launched circular 02/2023/NHNN. NPL (3-5 group of 27 listed banks) ticked up from 4Q22's 1.6% and 1Q23's 1.9% to 2Q23's 2.1% (vs the manageable target of 3%). NPL (2-5 group) was up from 4Q22's 3.4% and 1Q23's 4.4% to 2Q23's 4.6%. Sector's provision buffer become thinner with LLR reduction from 4Q22's 123% to 2Q23's 100%.

Gradual recovery outlook

Expected 3Q23 credit growth could rise faster than 1H23 thanks to better capital absorption of the economy. NIM could not be down furthermore amid the deposit rate decline and CASA improvement. NPL could be controlled under the target of 3% thanks to circular 02/2023 and the gradual market recovery but increasing restructuring loan (2-years expense allocation). Provision expense could rise, especially banks with thin provision buffer and high NPLs. Risk factors: An unforeseen prolonged recession leads to slower operating performance and uncontrolled increasing bad debt. A large number of corporate bonds maturing in the coming months remain challenging.

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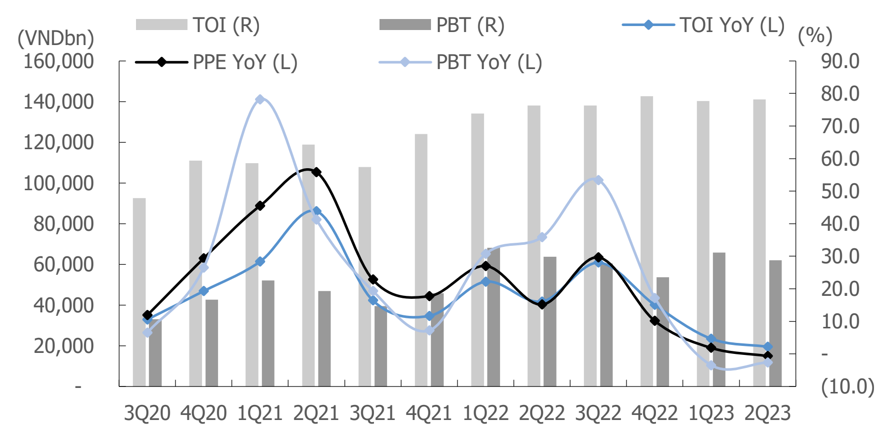
The PBT growth was still dark in 2Q23 (-2.6%yoy and -5.7%qoq) as a result of squeezed NIM decline and high provision expense

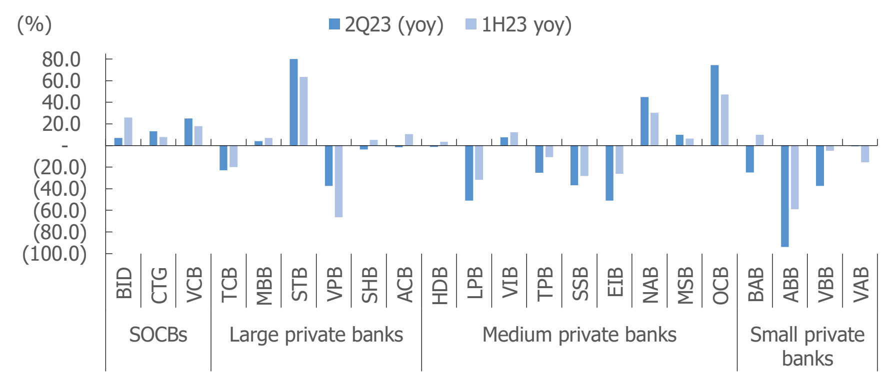
Figure 1. Aggregated TOI and PBT remained dark in 2Q23



Source: Fiinpro, KISVN

Banks' PBT growth diverged: SOCBs outperformed, private banks slumped, expect for MBB, STB, VIB, NAB, MSB, OCB, PGB, SGB.

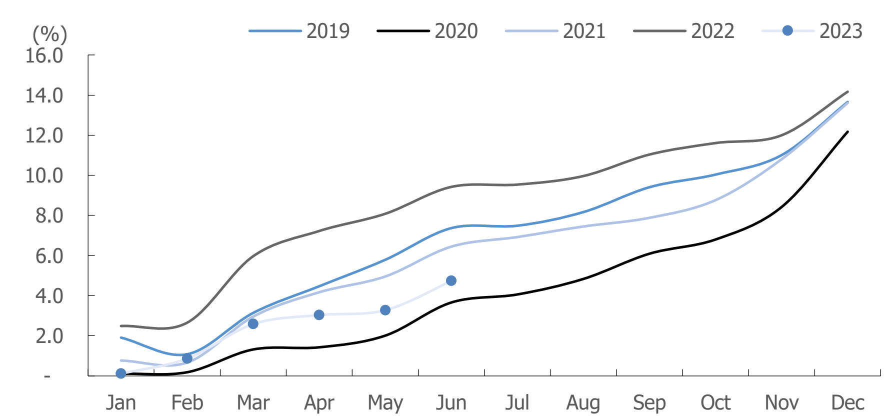
Figure 2. Banks' PBT diverged in 2Q23



Source: Fiinpro, KISVN

1H23 credit growth of the economy was 4.73%YTD, lower than the same period in 2018-2019 and 2021-2023.

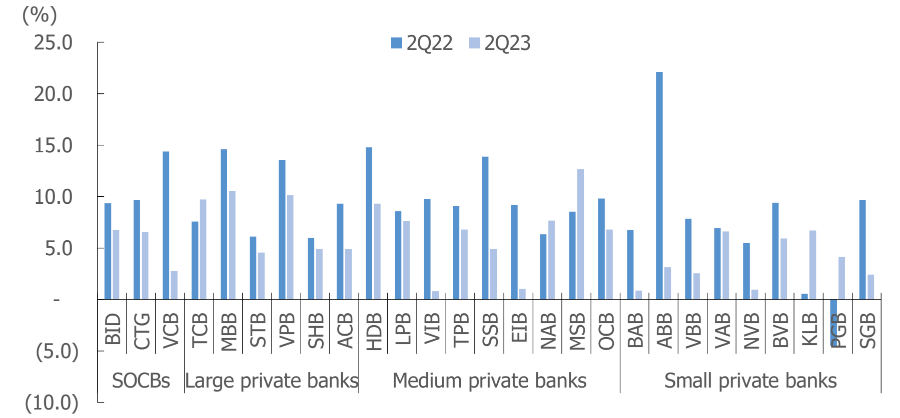
Figure 3. Credit growth to the economy: 2Q23 witnessed the abnormality



Source: SBV, KISVN

Figure 4. Slower credit growth

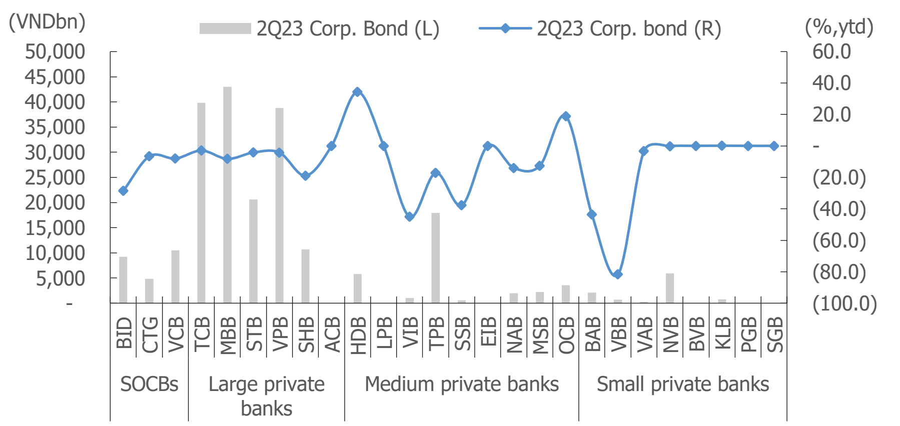
Banks saw slower 2Q23 credit growth except for TCB, NAB, MSB, KLB, and PGB.



Source: Fiinpro, KISVN

Figure 5. Banks continues to reduce outstanding balance

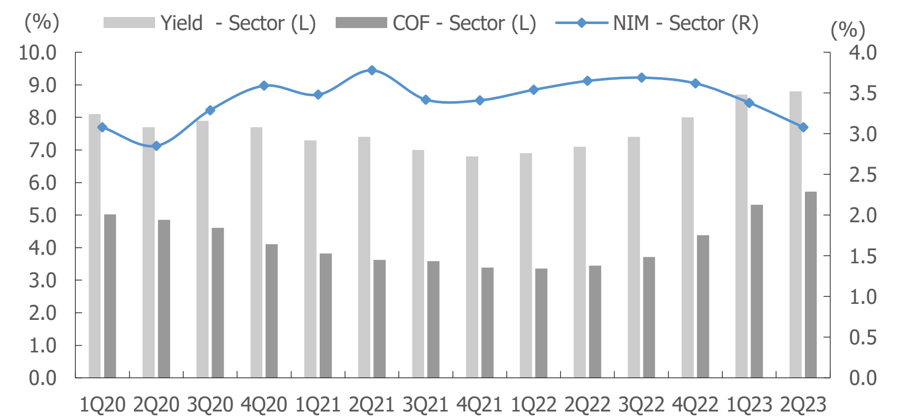
Almost all banks reduced their corporate bond book amid the bond market stagnation, except for HDB, OCB, and KLB.



Source: Fiinpro, KISVN

Figure 6. 2Q23 NIM still shrank

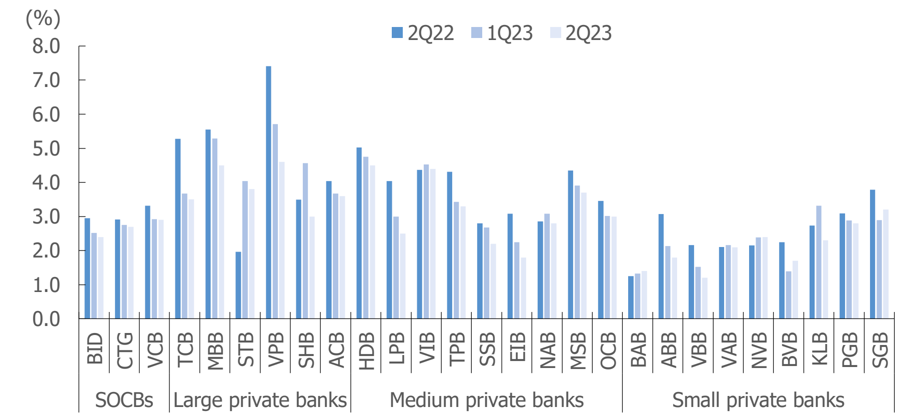
2Q23 NIM still retreated due to support packages of interest rate reduction and the decreasing retail proportion.



Source: Fiinpro, KISVN

NIM of SOBs inched down less than the remainder. Meanwhile, the large private banks fell more.

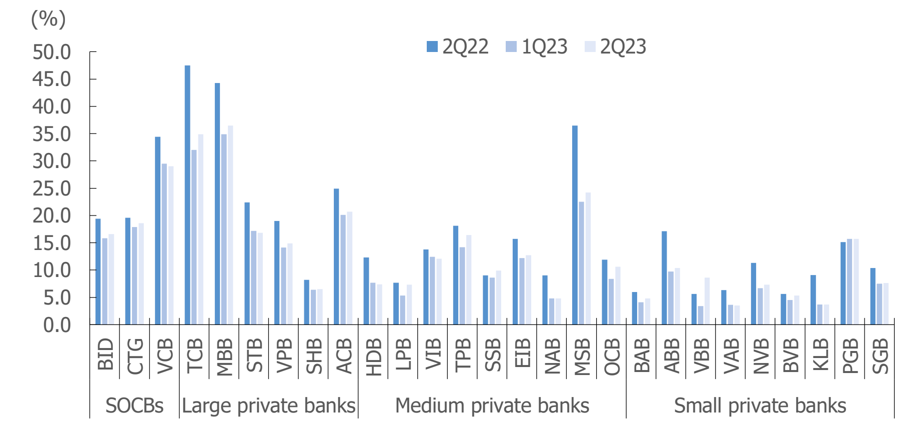
Figure 7. Banks almost narrowed the margin



Source: Fiinpro, KISVN

2Q23 CASA ratio recovered qoq amid the interest rate decline.

Figure 8. CASA by bank: CASA improvement from the previous quarter

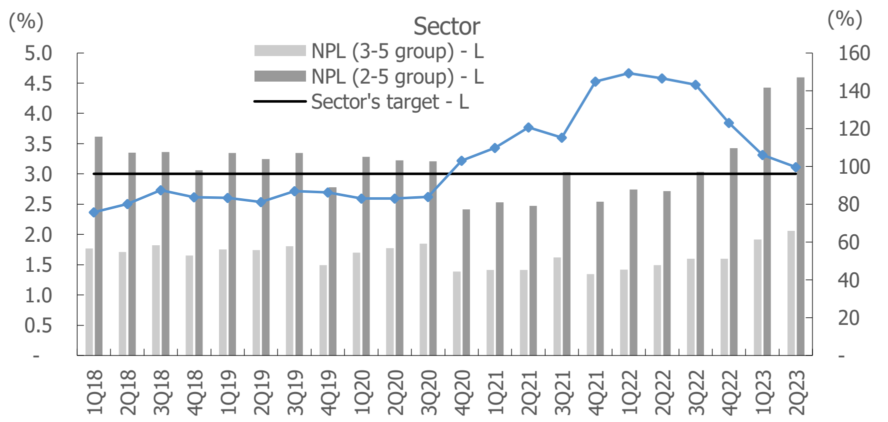


Source: Fiinpro, KISVN

Sectors' 2Q23 NPL (3-5 group) and NPL (2-5 group) inched up to 2.1% from 1Q23's 1.9% and to 4.6% from 1Q23's 4.4%

Sector's provision buffer become thinner with LLR reduction from 4Q22's 123% to 2Q23's 100%. Bank group with a high LLR include BID, CTG, BID, TCB, MBB, ACB and BAB

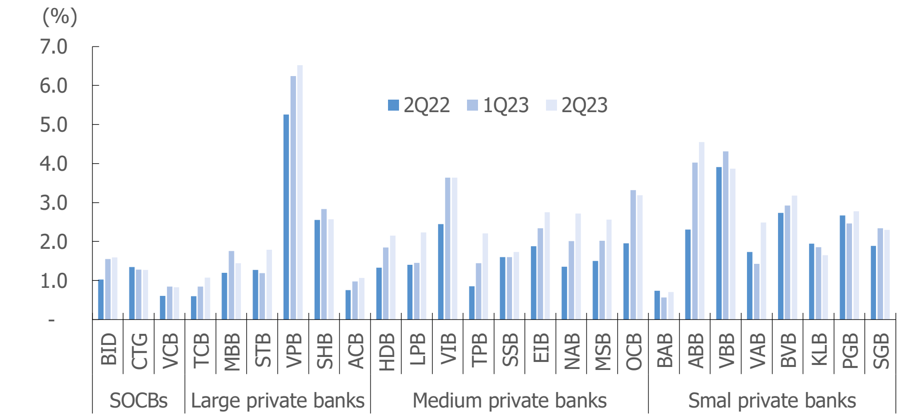
Figure 9. Increasing bad debt wearied down the provision buffer



Source: Fiinpro, KISVN. Note: current loan: group 1, Special mentioned loan: group 2, Substandard loan: group 3, doubtful loan:; group 4, esti mated loss loan: group 5.

CTG, VCB, TCB, MBB, ACB and BAB still kept the low NPLs (3-5 group)

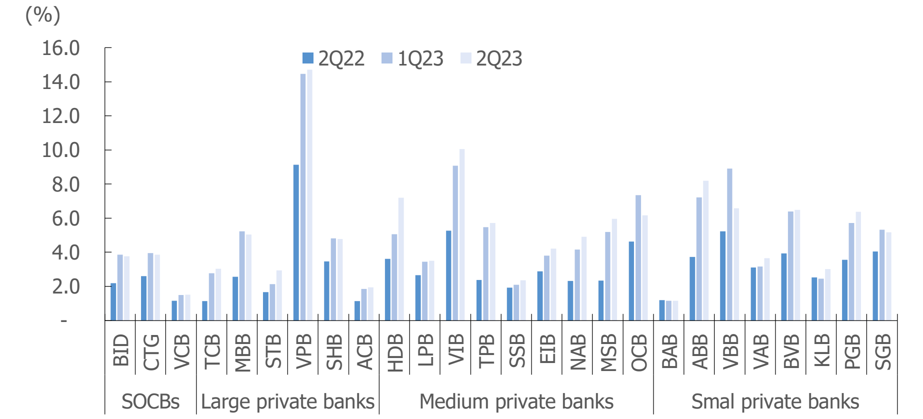
Figure 10. 2Q23 NPL (3-5 group) still slightly edged



Source: Fiinpro, KISVN, Note: current loan: group 1, Special mentioned loan: group 2, Substandard loan: group 3, doubtful loan:; group 4, estimated loss loan: group 5.

NPLs of banks moved up, except for SOCBs, MBB, SHB, OCB, VBB, NVB, and SGB.

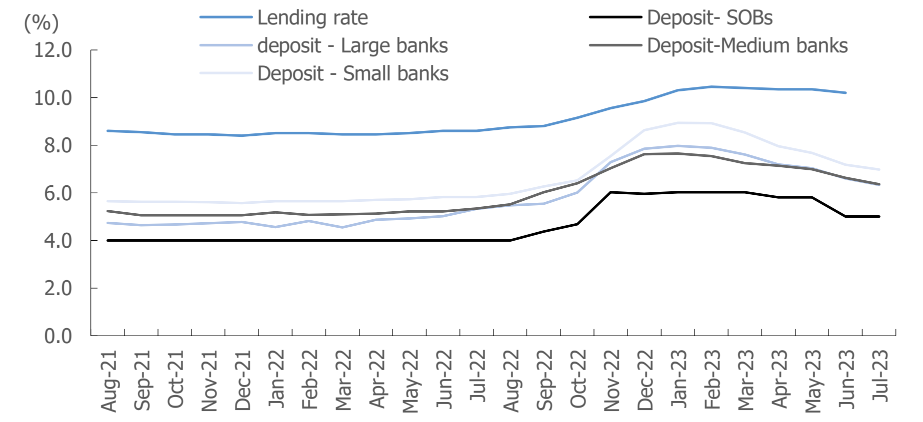
Figure 11. 2Q23 NPL (2-5 group) continue to climbed with a slower speed



Source: Fiinpro, KISVN. Note: current loan: group 1, Special mentioned loan: group 2, Substandard loan: group 3, doubtful loan:; group 4, estimated loss loan: group 5.

NIM could not be down furthermore amid the deposit rate decline and CASA improvement.

Figure 12. Deposit rate (6 months) continue to cool down



Source: Banks, SBVs, KISVN

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