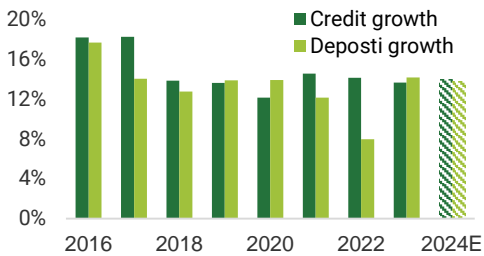
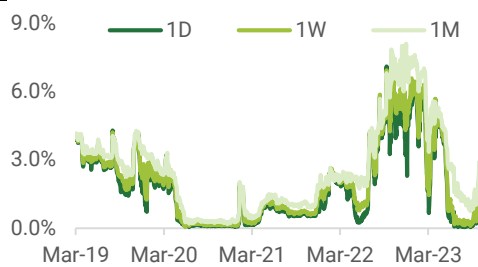


16/01/2023

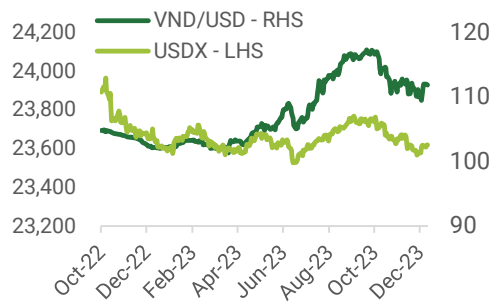
CREDIT GROWTH AND MOBILIZATION GROWTH



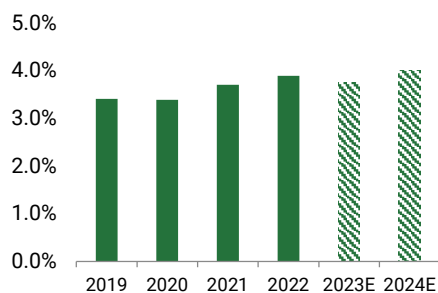
INTERBANK RATE



FX RATE



NIM OF BANKING INDUSTRY



SENIOR ANALYST

Vy Nguyen
vynguyen@phs.vn

Abundant liquidity in 2024

- Despite the continuous decrease in deposit rates, the higher growth of mobilized funds in 2023 compared to credit growth indicates a weak capital demand in the economy. As a result, the abundant liquidity in the residential market improved.
- Stable exchange rates, controlled inflation, and positive foreign exchange reserves would maintain interbank rates around 0.5-1.5% in 2024.
- The issuance of various legal documents would create momentum to drive the growth of the banking sector in 2024.

Despite the low interest rate environment, the amount of deposits in the banking system from residents and economic organizations was over VND 13.5 quadrillion by the end of 2023 (+14.2% YoY).

According to information from the State Bank of Vietnam (SBV), total credit in the economy showed an increase of approximately 13.71% compared to the end of 2022, corresponding to an additional capital of VND 1.63 quadrillion in 2023. Particularly, the year 2023 witnessed a lower credit growth rate compared to the growth rate of mobilized funds, which had not occurred in the past three years (since 2020). Interbank market liquidity maintained abundant in 2023 and the early stages of 2024.

Stable exchange rates, controlled inflation, and positive FX reserves in 2024 serve as driving forces for the government and the State Bank of Vietnam (SBV) to continue implementing and maintaining an accommodative monetary policy (keeping interest rates at a low level).

We believe that liquidity would be abundant in 2024. As a result, deposit rates are expected to continue their downward trend in Q1 2024 and remain stable throughout the year. The interest rate trend may experience a slight increase in the late stages of the year (Q4 2024) due to the economic recovery, which would drive credit demand and spending. However, we anticipate that the increase in deposit rates would be around 0.5 - 1.0%, bringing the 12-month deposit interest rate to around 5.5 - 6.0%. For the interbank market, we also expect the interest rate trend to be similar to the residential market. The interbank rate is estimated to maintain around 0.5 - 1.5% (for the ON - 1 week tenor) throughout 2024. Hence, with the expectation of abundant liquidity, we project that the Net Interest Margin (NIM) for the banking sector in 2024 would improve to 4.01%.

Positive laws impacting the banking sector in 2024 include Circular 22/2023/TT-NHNN, Circular 26/2022/TT-NHNN, Resolution 148/NQ-CP, Circular 08/2020/TT-NHNN, Circular 02/2023/TT-NHNN, Decree 08/2023/ND-CP, and the Draft Law on Credit Institutions (amendment). These laws would provide momentum for the business growth in 2024, while supporting the banking sector to control risks, manage asset quality, and enhance transparency.

Update business result of banks in 2023:

	Pre-tax Profit 2023 (announced)	%YoY	% target	% PHS projection
MBB	26,200	15%	100%	103%
VCB	42,000	15%	100%	104%
BID	27,400	19%	100%	102%
VIB	10,800	2%	88%	100%
LPB	5,128	24%	117%	111%
STB	9,500	50%	100%	99%