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THE PICTURE OF PROFIT DIFFERENTIATION

- Overall, Q1 2024 was a challenging quarter for the banking industry due to the economic conditions that have not fully shown signs of recovery. At the end of Q1 2024, Pre-Tax Profit of the banking sector increased by 10% YoY, with Net Interest Income growing by 8% YoY and Non-Interest Income increasing by 6% YoY.
- Credit only experienced a low growth rate of 0.26% YTD. Net Interest Margin (NIM) contracted by 43 bps compared to the end of 2023 to 3.49%. The NPL ratio increased by 25 bps to 2.18%, while the Loan Losses Coverage ratio decreased by 12% to 87%.
- Despite the current macroeconomic challenges, we expect the economy to be more activated in the coming quarters. Hence, we recommend stocks, such as BID, CTG, MBB, ACB, VPB, HDB, STB, VIB, MSB, as these stocks have good fundamentals and potential benefits when the economy recovers.

Pre-Tax Profits in Q1 2024 of commercial banks showed differentiation. Profit growth in the system was not high, with 13 out of 27 banks recording growth, while 14 out of 27 banks experienced low or negative growth. Some banks achieved optimistic results partly thanks to strong Non-Interest Income activities, coupled with the higher reduction of Cost of Funds compared to the Lending rates, leading to an improvement in NIM.

The first quarter typically witnesses slow credit growth. The results of 2024 showed even weaker performance than our projections. According to information from the State Bank of Vietnam (SBV), the credit growth in Q1 was only 0.26%. Among the banks covered by PHS, only few banks recorded positive credit growth, including BID, CTG, HDB, LPB, MSB, STB, TCB, and VPB, while VCB even experienced a decline in its loan growth.

Provision expense for credit losses witnessed significant increase, especially among banks with a high proportion of real estate loans such as MBB and TCB. Additionally, asset quality mostly deteriorated due to the impact of a challenging economy and reduced purchasing power, affecting the business operations of corporate customers. However, some banks managed to intensify debt recovery activities in Q1/2024 and improve asset quality, such as VPB and STB.

Overall, financial performance in the first quarter of 2024 aligned with PHS's projections. However, given the current domestic economic situation and global political developments, we believe there are still significant risks for the banking sector in the remaining months of 2024. Nevertheless, we maintain an optimistic outlook for the banking industry. We will provide a more detailed update on the banking sector's prospects in the upcoming strategic reports.