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THE DIFFERENCE IS INCREASINGLY VIVID

- Divergence continues to occur in the business results of the banking system in Q2.2024.
- Lending activities have clearly improved in Q2. In terms of mobilization, we see that although mobilization rates increased slightly in Q2, the system's mobilization growth is quite slow.
- Most banks increased Provison expense for Credit Losses in 2Q.2024, which is one of the main factors that reduced banks' profits.
- The Government and the State Bank have recently continuously introduced many measures to support and promote the economy, through which we believe that the banking system would also have better prospects in the coming period, especially when exchange rate pressure cools down and the State Bank is more aggressive in implementing loose monetary policy. However, PHS believes that banks would focus on controlling asset quality in 2024. Hence, the industry's profit growth is expected to be around 15 - 17%.

Credit growth improves in Q2 2024

Divergence continues to occur in the banking system's business results in Q2.2024. As we mentioned in our Q1.2024 Business Results Update report, the banking industry has witnessed deep divergence this year. Moreover, this trend has not changed. However, we see that there has been a further improvement in profit growth in Q2, notably the expansion of NIM and improvement in non-interest income thanks to favorable macroeconomic factors.

Lending activities have clearly improved in Q2. According to data from the State Bank of Vietnam, after only a slight increase of 1.42%YTD in 1Q2024, credit has accelerated strongly and reached 6.1%YTD by the end of Q2. However, differentiation in lending activities continued to increase. Large joint stock commercial banks with strong ecosystems or strengths in lending to corporate customers, such as TCB, ACB, HDB, LPB or MSB, are banks with positive credit growth rates. On the contrary, banks with strong retail positions, such as VIB, TPB or VPB, seem to be weaker. State-owned banks, such as VCB, CTG and BID, recorded weaker growth rates in both credit and profit compared to the whole industry, which we believe is due to lower risk appetite. PHS maintains its view that credit growth for the whole year would be at 14%, especially after the SBV announced the expansion of credit room for banks at the end of August. Beneficiaries in our opinion include ACB, HDB, LPB, MBB and VPB.

In terms of mobilization, we see that although the mobilization rate increased slightly in Q2, the system's mobilization growth is quite slow, reaching only 1.50%YTD as of 1H.2024 (Q1: -0.53%YTD). Some commercial banks even recorded a decrease in deposits in the first 6 months of the year, such as VCB, TPB. According to PHS, the reason for the weaker mobilization is because (1) lending activities experience difficulties (in fact, the credit growth rate in the first months of the year is lower than the same period of previous years); (2) commercial banks proactively increase the LDR ratio to optimize capital sources in the above context (most clearly shown in banks with medium and small capital, such as TPB), and