BANKS

Better asset quality, higher valuation

- We expect aggregate earnings of banks under our coverage will accelerate 17.7% and 19.7% YoY over FY25-26F.
- We prefer CTG, VPB and BID thanks to (i) credit growth benefits from public investment and retail consumptions; (ii) slighter provisioning buffer due to high provisioning in the last few years, and (iii) attractive valuation.

NIM expansion will be challenged in FY2025

We anticipate that banks will continue to maintain low lending rates in 2025 to support borrowers amid competitive pressure to boost credit. We also believe that deposit rates tend to keep rising in next 6 months due to significant lag behind of deposit growth compared to credit growth in 2024. Deposit growth of listed banks by the end of 2024 reach 13.4%, relatively lower than 17.7% of credit growth. Hence, we forecast NIM of banks unlikely to surge much in 2025F. Among banks under coverage, we anticipate that VPB is more likely to increase NIM thanks to not fully rebound of credit growth and consumer finance in 2024.

Asset quality is expected to improve in 2025

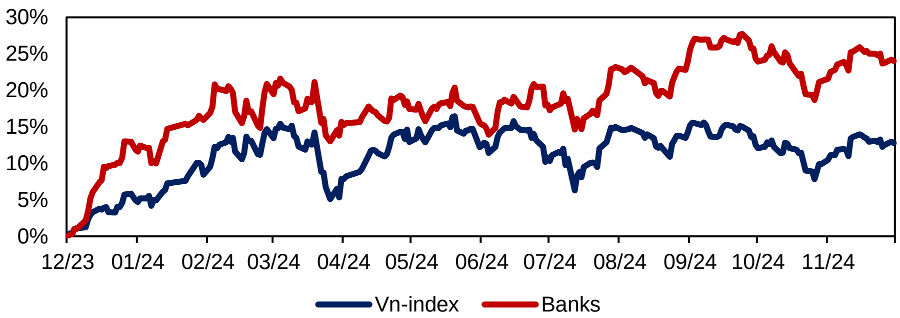
In 2025, the decreased Group 2 debt ratio is expected to provide a strong base for reducing the pressure from rising NPLs. Additionally, anticipated faster credit growth will help lower the NPL ratio. Banks that significantly increased provisioning and collected bad debt in 2024 are expected to intensify their lending activities in 2025, despite the surging NPLs. Overall, we expect that banks under coverage are able to decrease their average NPL ratio under 2% by the end of 2025F (2024: 2.1%) leading LLR to cross 100%. Given provision expenses to grow by 16.9%, acceleration of bad debt is necessarily maintained to achieve both targets of credit growth and improved asset quality.

We forecast that net profit of listed banks will grow by 17.7% YoY in 2025

We estimate TOI of banks under coverage to grow by 17.1% YoY. Although Non-II is expected to recover strongly in 2025F, it's portion in TOI's structure of banks under our coverage remained at 22% due to simultaneous faster growing of NII. The growth of Non-II will be propelled by a stronger rebound in NFI (net fee income) following higher retail credit growth and income created by continued enhancement in debt collection efforts. However, due to estimate of provision expenses to increase by 16.9% and CIR stayed flat, we expect earnings growth for banks under our coverage to reach 17.7% YoY in 2025F.

We prefer CTG, VPB and BID based on 1) credit growth acceleration take advantages from public investment and consumptions rebound; 2) gradually decreased provisioning burden in the next few years thanks to remarkably efforts in recent years; 3) attractive valuation compared to peers.

Figure 1: YTD price performances of banking vs. VN-index



Sources: FiinproX, MBS Research

Analyst
Dinh Cong Luyen
Luyen.dinhcong@mbs.com.vn

Analyst
Nguyen Duc Hao
Hao.NguyenDuc@mbs.com.vn

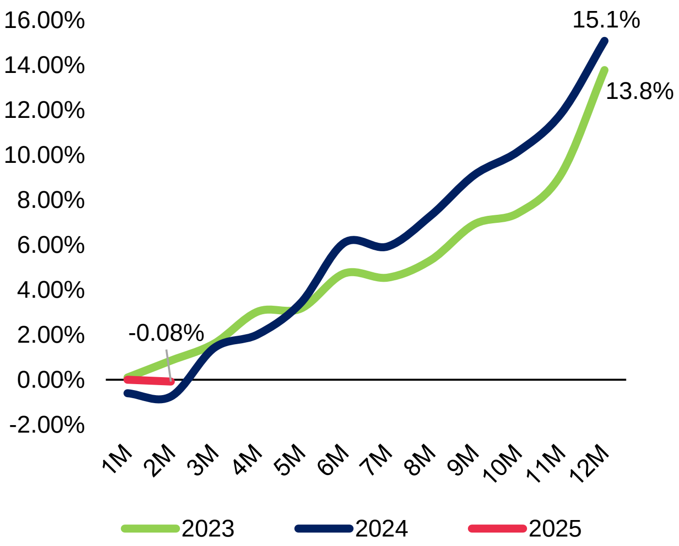
BETTER ASSET QUALITY, HIGHER VALUATION

We expect banking system's credit growth to reach 17-18% in FY25F

Credit growth improved in the early months of the year

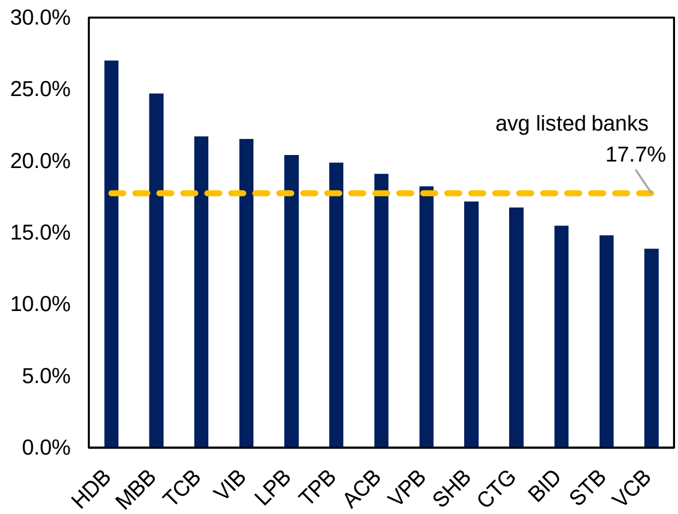
As of 13-Feb-2025, credit growth reached VND15.6tr (-0.08% YTD, compared to -0.88% YTD same period last year). Specifically, outstanding in VND decreased by 0.21% YTD, while foreign currency loans increased by +3.22% YTD. This indicates a stronger rebound in credit demand, creating a favourable foundation to support the State Bank of Vietnam's (SBV) 16% credit growth target for 2025.

Figure 2: Credit growth accelerated since Jun-24 to 13.1% (YTD)



Sources: SBV, MBS Research

Figure 3: Credit growth of listed banks as of end-4Q2024 (YTD)



Sources: Commercial banks, MBS Research

We expect credit growth to reach 17% in 2025F assuming GDP to grow by 7-8% supported by:

- Strong recovery of Vietnam's manufacturing and consumptions in 2025. Trade war version 2 might once again bring opportunities to China plus countries such as India, Southeast Asia, … Not fully rebound consumptions in 2024 proven by slow growing of retail sales at 9.3% YoY leave significant potential for consuming acceleration in 2025. We expect that retail lending will contribute more into total credit of banking system thanks to higher demand and low base last year.

- High disbursement rate of public investment: government spending in 2024 reached 86.4% annual plan, +5.7% YoY. We believe that the scenario of GDP growth by 8% in 2025 will encourage government to accelerate spending across complete level of 2024, around 90% as our forecast. This is expected to strengthen corporate lending and improve residence consumption power in 2025F.

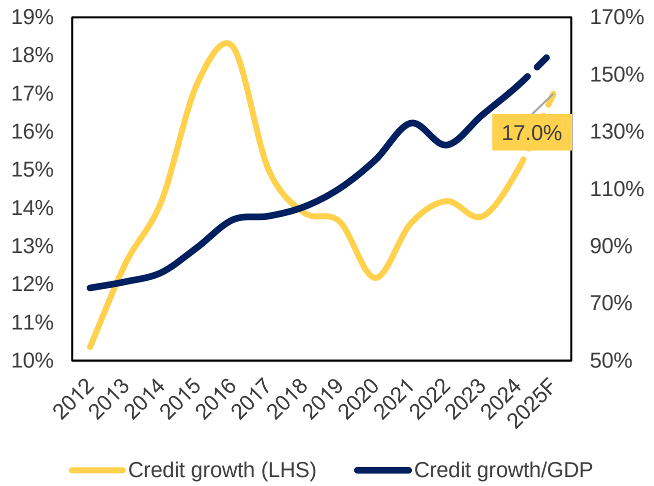
Banks with the following conditions to experience higher credit growth in 2025:

- High credit quota usage in 2024: Banks that have fully utilized a high credit quota in 2024 will be at a competitive advantage in securing credit quotas for FY2025.

- Growth in provision expenses and improved asset quality: Accelerating provision expenses in 2024, coupled with improved asset quality, will mitigate the pressure of surging NPLs (non-performing loans) in 2025 as retail banking credit growth rebounds.

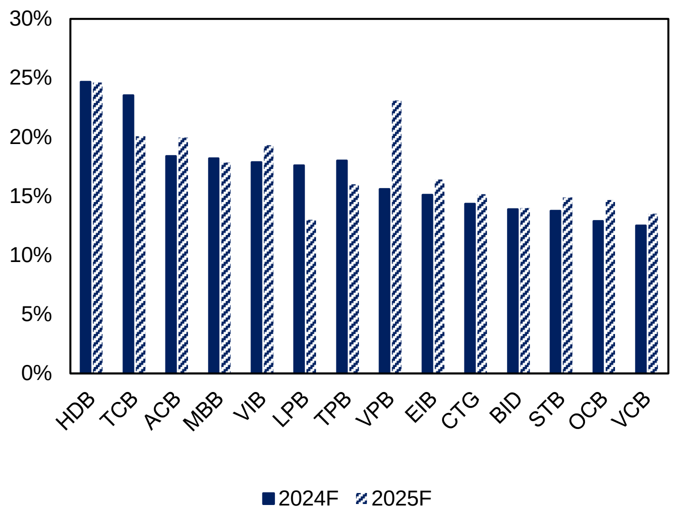
- Strong recovery of Net Interest Margin (NIM) in 2024: A robust recovery in NIM in 2024 will enable banks to reduce lending rates, providing a key advantage in expanding credit in 2025.

Figure 4: We expect a growth of 17-18% for system credit in 2025



Sources: GSO, SBV, MBS Research

Figure 5: Forecasted FY25F credit growth of banks under our coverage



Sources: Banks, MBS Research

We lower our forecast of net profit growth of banks under coverage to 17.7% YoY in 2025F (20.2% YoY in last forecast)

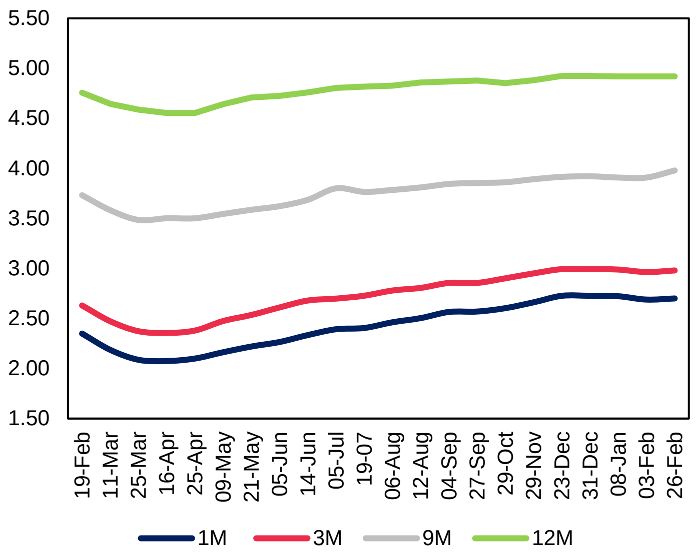
Lower forecast of NII's due to challenged NIM's increase though higher expected credit growth

Deposits rates began to rise again in April-24 as low deposit rates led to a gradual withdrawal of public deposits from the banking system. This have continued their upward trend since early 2025, particularly for the 6-month and 9-month tenors. Specifically, mid-sized banks have raised their 6-month and 9-month deposit rates by 6 bps since Jan-25, while small-banks have increased their 9-month rates by 15 bps.

We anticipate that banks continue to raise deposit interest rates primarily due to stronger credit demand YTD and the State Bank of Vietnam's (SBV) 16% credit growth target, which has prompted banks to increase term deposit rates to attract capital inflows. Additionally, the Loan-to-Deposit Ratio (LDR) of the entire banking sector increased by 213 basis points (bps) YoY in 2024, leading some banks to boost capital mobilization to bring their LDR back to a safer threshold.

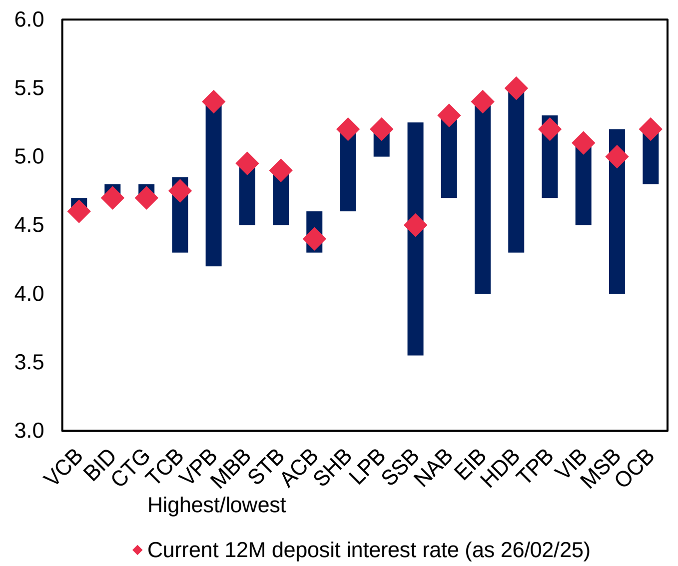
We believe that deposit rates tend to keep rising in next 6 months due to significant lag behind of deposit growth compared to credit growth. Deposit growth of listed banks by the end of 2024 reach 13.4%, relatively lower than 17.7% of credit growth. Faster growing of credit in the first 2 months 2025 versus last year signed stronger credit demand. Besides, top prioritized credit growth target of 16% also puts higher pressure on liquidity safe threshold of banks in the upcoming quarters. Hence, COF of banks in 2025F are unlikely to reduce compared to 2024.

Figure 6: Deposit rates of some medium-size banks increased slightly in the first 2M25



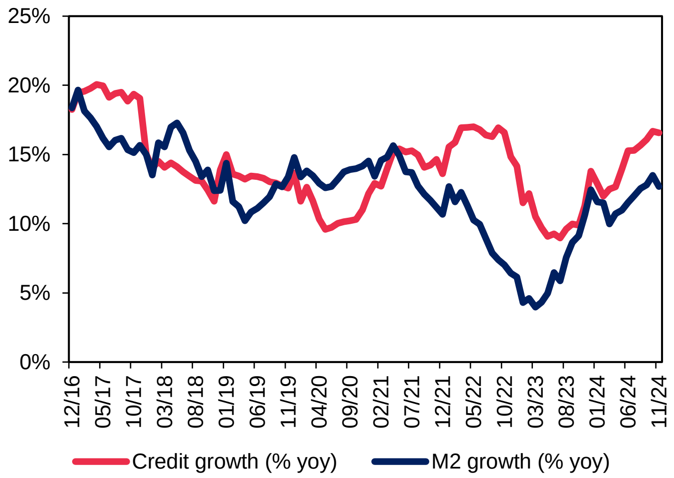
Sources: Banks, EVN, MBS Research

Figure 7: High/Low deposit rates in 12 months across banks



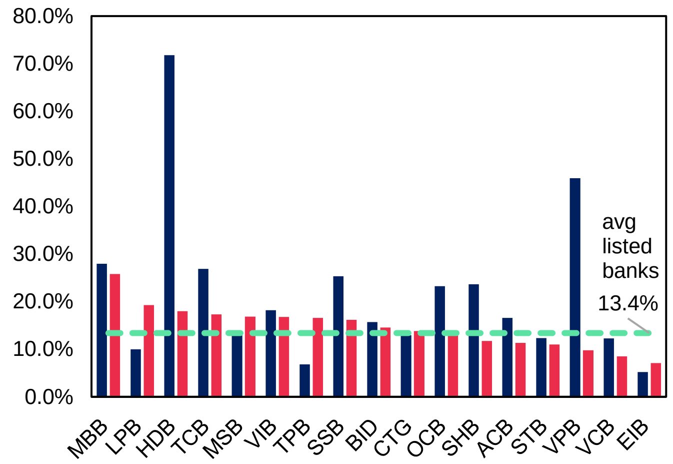
Sources: Commercial banks, MBS Research

Figure 8: M2 and credit growth of the banking system (VND bn)



Sources: SBV, MBS Research

Figure 9: Deposit growth of banks as of end-4Q24 (% YTD)



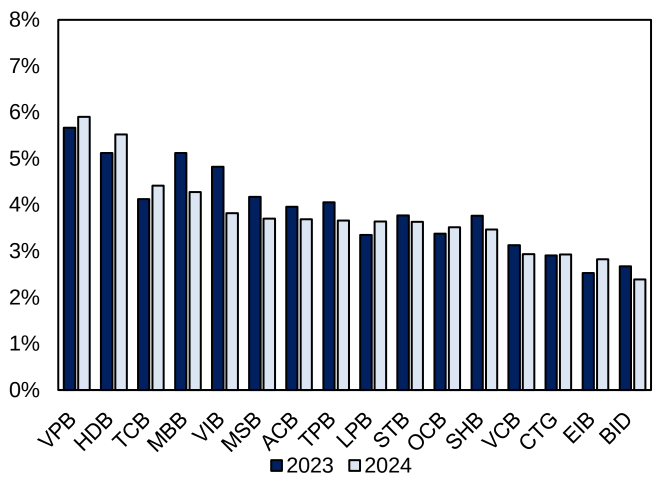
Sources: Commercial banks, MBS Research

In 2024, average lending rates of listed banks showed significant decline by 240 bps compared to 2023. All banks recorded decrease lending rates in 2024. Thanks to COF decreasing by 189 bps YoY, NIM of listed banks only slightly decreased by 10 bps compared to FY2023, reaching 3.41%. Overall, most banks recorded a decrease in NIM YoY in 2024, with MBB and VIB experiencing the largest contractions of 84 and 100 bps, respectively.

We anticipate that banks will continue to maintain low lending rates in 2025 to support borrowers amid competitive pressure to boost credit. The slow recovery of mortgages, due to a restricted real estate supply, has primarily slowed down retail banking in 2024 and this trend may persist for the 1H2025, further lowering banks' asset yields in 2025. Given raising deposit rates pressure in the upcoming quarters, we forecast NIM of banks unlikely to surge much in 2025F.

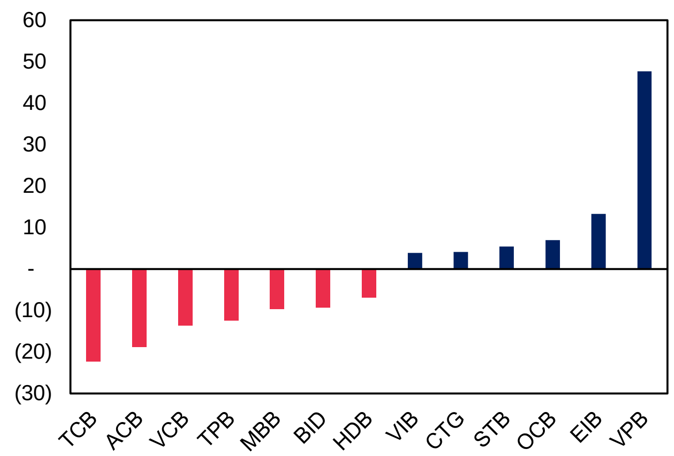
As of 19-Feb-2025, the average lending rate of the 10 largest banks have increased slightly by 9 bps vs. FY2024. In which, 3/4 SOCBs (State owned commercial banks) are at the forefront of increasing interest rates after hitting rock bottom in Dec-24 (VCB: +20 bps, Agribank: +2 bps. CTG: +40 bps). We assess this temporary upward of lending rates will gradually decline when credit growth is accelerated in the next quarters due to fiercer competition among banks lowering output rates.

Figure 10: Most banks in our coverage saw NIM decline in 2024



Sources: Commercial banks, MBS Research

Figure 11: FY2025F NIM's changes of banks under our coverage



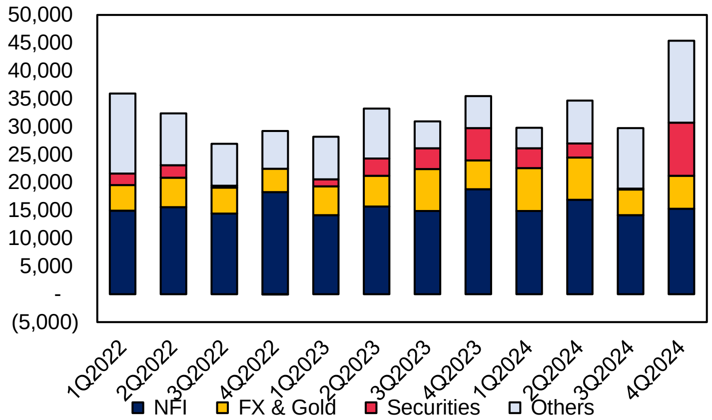
Sources: Commercial banks, MBS Research

Expected higher growth of Non-II signed by strong recovery in 4Q2024

In 2024, Non interest income (Non-II) of listed banks slightly increased by 9.2% YoY mainly driven by other incomes growing by 36.0% YoY and securities trading growing by 14.1%. Meanwhile, net fee income (NFI) declined by 3.6% YoY due to low retail credit demand and sluggish banca business. Positively, we observed that Non-II's growth bottomed out since 3Q2024. The growth was 21.7% YoY peaking in 4Q2023 and was down to -3.8% YoY in 3Q2024, then recovered to 28.0% YoY in the last quarter of 2024. But the main drivers were still from other incomes which was mainly resulted by accelerating bad debt collection.

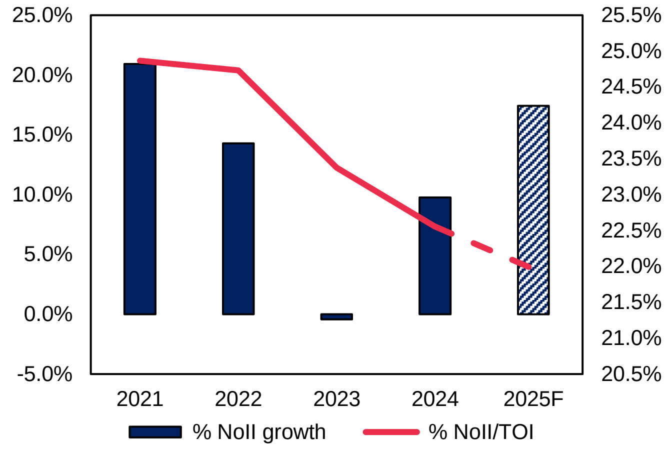
Annually, Non-II also showed recovery trend since 2023 which base for stronger growth in 2025 thanks to (i) faster retail credit growth resulting better fee income performance and (ii) low-interest environment encourages banks to seek more incomes from securities and other activities. Overall, we forecast Non-II of banks under coverage to grow by 16.9% YoY in 2025F thanks to low base in 2024. The main drivers of Non-II in the next 2 years seem to similar to FY2024. Sluggish of banca business is expected to last for mid-term; therefore, no banca deal will be created and revenue is unlikely to rebound to level before 2023. Hence, we expect that NFI of banks will mostly come from fees related to payment activities and cards using. In addition, another driver of Non-II is resulted by accelerating bad debt collections in order to improve asset quality.

Figure 12: Non-II growth signed recovery in 4Q2024



Sources: Commercial banks, MBS Research

Figure 13: Better growth of Non-II in 2025F of banks under coverage



Sources: Commercial banks, MBS Research

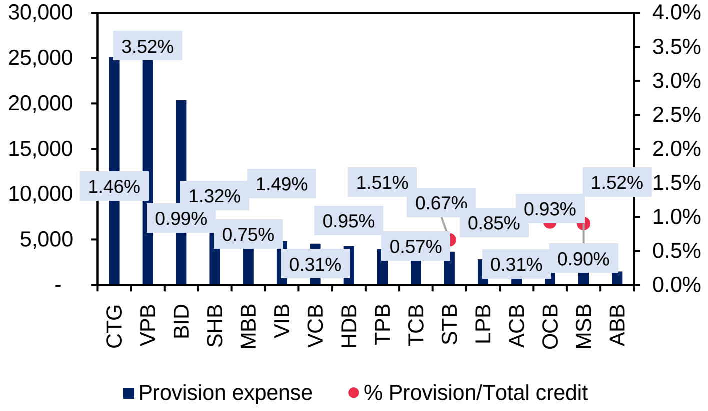
High provisioning will be maintained in 2025F

Provisioning has climbed modestly in 4Q2024. Provision expenses of listed banks grew by 3.6% YoY and 2.6% QoQ. In 2024, provision expenses grew by 8.1% YoY, the highest level in the last 3 years. There is a notable distinction in provisioning costs between private and state-owned banks. Robust NII growth has provided private banks with greater flexibility to enhance their provision buffers, resulting in a 27.6% QoQ increase in provisioning costs in 4Q2024. Meanwhile, SOE banking group proactively reduced provisioning costs in 4Q2024 (-27.9% QoQ) to ensure profit growth, of which VCB recorded a reversal of provision expenses of 32 VND bn in 4Q2024.

For FY2024, provision expenses of listed banks grew by 8.1% YoY, much higher than it was 2.6% in 2023. The credit cost reached 1.72% by the end of 2024, decreasing from 1.80% by the end of 2023.

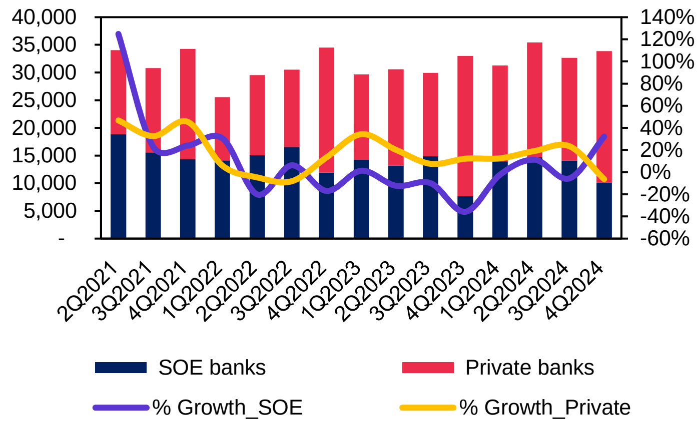
In 2025, we concern that credit growth will be contributed by larger part of retail banking which is likely to easily create more NPL than corporate banking. Hence, banks tend to intensify provisioning than previous year to keep NPL lower than 2024. Generally, we forecast provision expenses of banks under our coverage to grow by 16.9% YoY in 2025F in which SOEs banks is expected to get lower increasing of 12.6% YoY due to large portion of corporate banking. Private banks tend to accelerate retail and SMEs banking due to less competitive advantages compared to SOEs banks; therefore, they are likely to book provision expenses sooner while corporate loans take time to move to higher group of loans.

Figure 14: Provision/Total credit in 2024



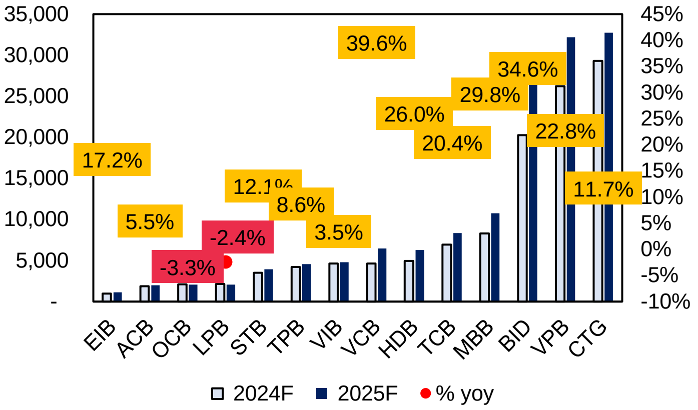
Sources: Commercial banks, MBS Research

Figure 15: Provision expenses change of banks by groups (VND bn,%)



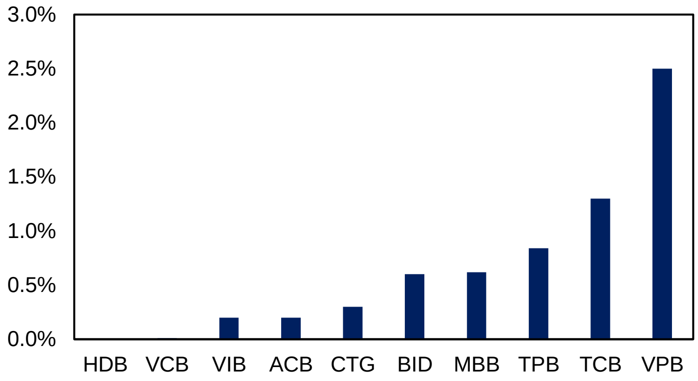
Sources: Commercial banks, MBS Research

Figure 16: Forecast of provision expenses in 2025F



Sources: Commercial banks, MBS Research

Figure 17: % Restructured loans under Circular 02 of listed banks by the end of 3Q2024



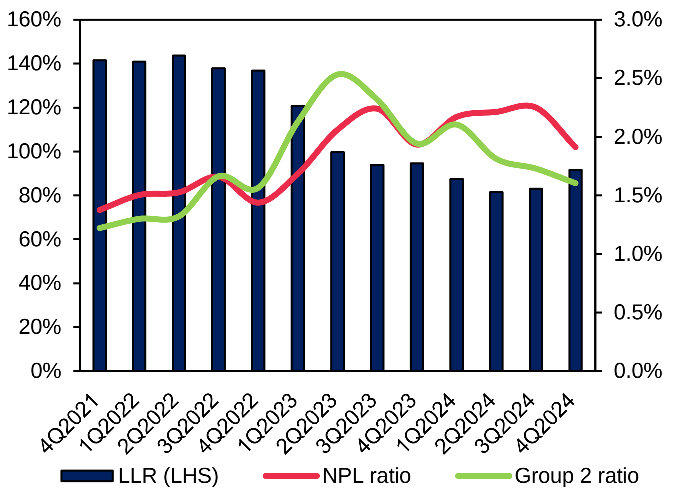
Sources: Commercial banks, MBS Research

Thanks to actively high provisioning remained, asset quality will continue to improve in 2025F

The average NPL ratio of listed banks declined by 34bps qoq at the end of 4Q2024, after 4th consecutive quarters of increase, to 1.91%. In addition, NPL formation decreased 10.1% qo and group 2 ratio also reduced for the 4th consecutive quarters, to 1.6% in 4Q2024. Promoting credit growth along with actively handling bad debts of banks in 4Q2024 has contributed to improving asset quality of the whole industry in 2024. LLR ratio of listed banks has shown the improvement in 4Q2024. It was 91.6% at the end of 2024 (+860 bps qoq) thanks to strengthened provisioning and the decrease of NPL formation.

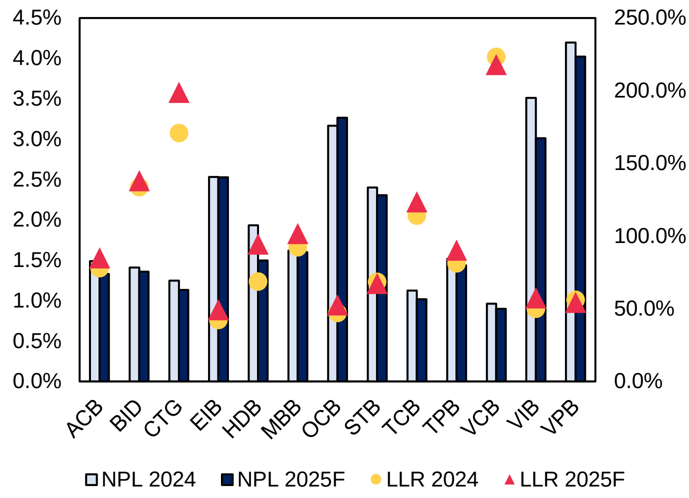
In 2025, the decreased Group 2 debt ratio is expected to provide a strong base for reducing the pressure from rising NPLs. Additionally, anticipated faster credit growth will help lower the NPL ratio. Banks that significantly increased provisioning and collected bad debt in 2024 are expected to intensify their lending activities in 2025, despite the surging NPLs. Overall, we expect that banks under coverage are able to decrease their average NPL ratio under 2% by the end of 2025F (2024: 2.1%) leading LLR to cross 100%. Given provision expenses to grow by 16.9%, acceleration of bad debt is necessarily maintained to achieve both targets of credit growth and improved asset quality.

Figure 18: Group 2 ratio reduced for the 4th consecutive quarter



Sources: Commercial banks, MBS Research

Figure 19: FY2025F NPL and LLR ratios of banks under coverage



Sources: Commercial banks, MBS Research

Overall, we forecast that net profit of listed banks under our coverage will grow by 17.7% YoY in 2025F (last forecast: 20.2%)

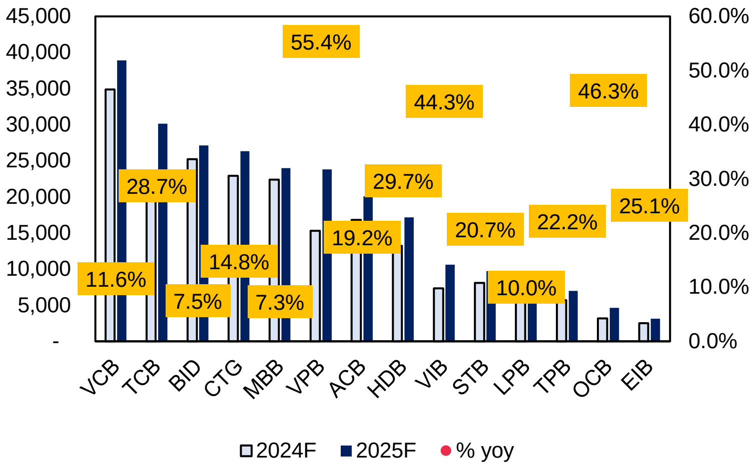
Net profit of listed banks increased by 17.5% YoY in 2024, in which banks under our coverage got growing of 16.8% (in line with our expectation). Profit growth seems to be in phase with credit growth that recorded growing 21.7% YoY in 2Q2024 and 21.0% YoY in 4Q2024 while slowed down to 17.6% in 3Q2024, when credit decelerated. Rebound of net profit in 4Q2024 signed for better outlook in 2025F.

We estimate TOI of banks under coverage to grow by 17.1% YoY. Although Non-II is expected to recover strongly in 2025F, it's portion in TOI's structure of banks under our coverage remained at 22% due to simultaneous faster growing of NII. Given NIM not increase much in 2025, accelerated credit growth will drive NII's growth better than 2024. The growth of Non-II will be propelled by a stronger rebound in NFI (net fee income) following higher retail credit growth and income created by continued enhancement in debt collection efforts. Certain banks, such as HDB, VIB, TCB, and OCB, which were more severely impacted in terms of Non-II growth due to low income from fees and retail banking in 2024, are expected to see a stronger recovery in Non-II growth in 2025.

However, due to estimate of provision expenses to increase by 16.9% and CIR stayed flat YoY, we expect earnings growth for banks under our coverage to reach 17.7% YoY in 2025F (last forecast: 20.2%). The main causes of this adjustment are from concerns regarding to high provisioning in this year.

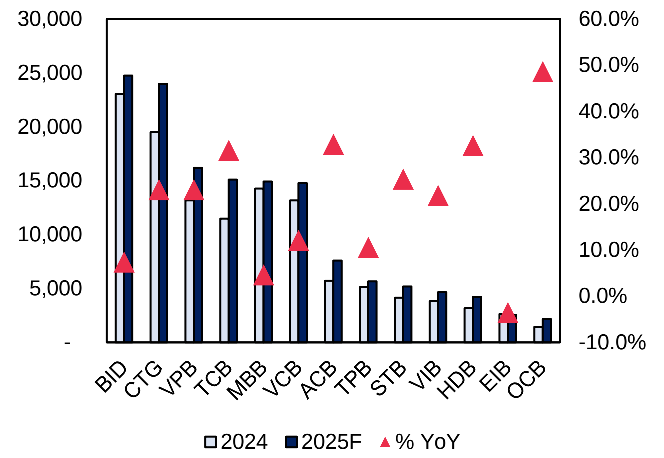
Details, net profit of SOCBs and private banks increased YoY and 14.7% and 19.8%, respectively. Lending rates hike pressure of SOCBs are larger than the private banks due to roles of macro stability that hesitate banks to enhance credit growth into retail customers, then restricted NIM's increase.

Figure 20: TOI's growth of banks under coverage in FY2025



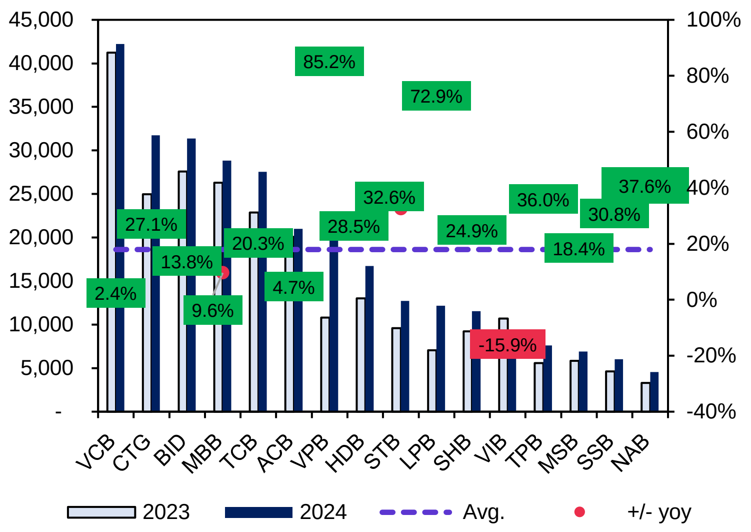
Sources: Commercial banks, MBS Research

Figure 21: Non-II growth of listed banks under coverage in 2025



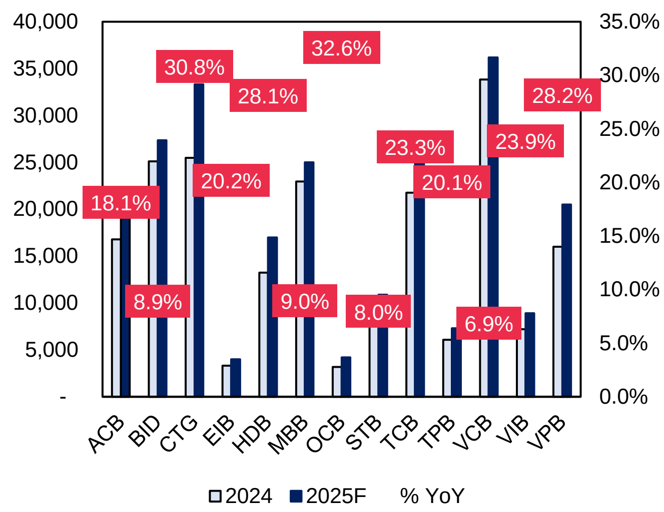
Sources: Commercial banks, MBS Research

Figure 22: Net profit of listed banks in 2024 increased by 17.5% YoY



Sources: Commercial banks, MBS Research

Figure 23: Net profit growth of banks under coverage to reach 17.7% YoY in 2025F (VND bn, %)



Sources: Commercial banks, MBS Research

Figure 24: 2025-26 business results projection under MBS coverage (1)

	VCB		BID		CTG		VPB		TCB		STB	
Financial metrics	**2025F**	**2026F**	**2025F**	**2026F**	**2025F**	**2026F**	**2025F**	**2026F**	**2025F**	**2026F**	**2025F**	**2026F**
Total operating income	76,299	86,598	92,292	105,572	96,189	109,063	75,784	91,556	57,710	67,493	32,589	35,690
% YoY	*11.3%*	*13.5%*	*13.9%*	*14.4%*	*17.4%*	*13.4%*	*21.7%*	*20.8%*	*22.8%*	*17.0%*	*13.6%*	*9.5%*
Net interest income	61,601	71,446	67,547	79,234	72,193	83,671	59,580	75,318	42,606	50,993	27,393	29,727
Non-interest income	14,698	15,152	24,745	26,338	23,995	25,392	16,204	16,237	15,104	16,499	5,196	5,963
Provision expenses	7,034	9,233	26,836	30,783	27,567	29,328	32,618	36,379	5,526	6,230	2,598	3,096
% YoY	*112.2%*	*31.3%*	*22.6%*	*14.7%*	*-0.1%*	*6.4%*	*16.9%*	*11.5%*	*35.4%*	*12.7%*	*31.6%*	*19.2%*
Net profit	35,661	39,226	27,363	32,144	33,339	39,413	20,494	27,145	26,833	31,535	10,892	12,295
% YoY	5.4%	10.0%	*8.9%*	*17.5%*	*30.9%*	*18.2%*	28.2%	32.5%	23.3%	17.5%	8.0%	12.9%
Credit growth	16.0%	15.0%	14.3%	14.0%	15.3%	15.0%	24.1%	23.5%	20.5%	20.1%	17.0%	14.9%
Deposit growth	12.0%	12.3%	15.6%	13.1%	14.3%	16.0%	13.2%	31.6%	20.4%	21.0%	14.9%	14.5%
LDR	83.6%	84.8%	86.2%	85.4%	85.0%	85.3%	107.2%	102.0%	82.8%	82.5%	90.4%	90.2%
CASA	34.5%	33.7%	19.3%	19.3%	25.0%	25.1%	12.8%	11.5%	38.4%	38.9%	17.2%	16.8%
NIM	2.8%	2.9%	2.3%	2.4%	3.0%	3.1%	6.4%	6.8%	4.2%	4.3%	3.7%	3.7%
CIR	32.3%	32.7%	33.1%	31.3%	28.0%	28.0%	23.0%	23.0%	32.0%	32.0%	50.0%	48.0%
NPL	0.9%	0.9%	1.4%	1.4%	1.1%	1.1%	4.0%	3.5%	1.0%	0.9%	2.3%	1.9%
LLR	218.0%	214.8%	138.0%	145.4%	198.8%	200.8%	54.3%	57.8%	123.4%	139.6%	67.3%	85.6%
ROE	17.2%	14.3%	15.9%	15.9%	20.3%	20.1%	13.5%	15.6%	16.9%	16.8%	18.1%	17.3%
ROA	1.6%	1.5%	0.9%	0.9%	1.3%	1.4%	2.1%	2.3%	2.5%	2.4%	1.4%	1.4%
EPS	6,380	7,018	4,441	5,352	6,184	7,309	2,456	3,254	3,757	4,415	5,777	6,522
BVPS	37,028	48,996	24,923	29,619	33,089	39,442	20,342	23,596	24,340	28,755	34,621	40,770

Sources: MBS Research

Figure 25: 2025-26 business results projection under MBS banking coverage (2)

	ACB		EIB		TPB		HDB		VIB		OCB	
Financial metrics	**2025F**	**2026F**	**2025F**	**2026F**	**2025F**	**2026F**	**2025F**	**2026F**	**2025F**	**2026F**	**2025F**	**2026F**
Total operating income	39,553	47,706	9,920	11,062	20,600	23,534	42,983	54,694	25,513	31,178	12,210	13,794
% YoY	*18.0%*	*20.6%*	*15.9%*	*11.5%*	*14.5%*	*14.2%*	*26.3%*	*27.2%*	*24.0%*	*22.2%*	*21.3%*	*13.0%*
Net interest income	31,954	38,437	7,380	8,312	14,975	17,353	38,778	48,996	20,862	25,470	10,037	11,059
Non-interest income	7,600	9,269	2,540	2,750	5,625	6,181	4,205	5,698	4,650	5,708	2,173	2,735
Provision expenses	1,683	2,053	950	1,195	4,896	5,533	6,991	8,097	5,685	6,913	2,431	2,350
% YoY	*4.8%*	*21.9%*	*-2.0%*	*25.8%*	*17.7%*	*13.0%*	*31.4%*	*15.8%*	*30.6%*	*21.6%*	*7.6%*	*-3.4%*
Net profit	19,836	23,907	3,999	4,445	7,005	8,226	16,975	22,017	8,924	11,183	4,209	5,183
% YoY	*18.1%*	*20.5%*	*20.2%*	*11.1%*	15.3%	17.4%	*28.1%*	*29.7%*	23.9%	25.3%	*32.6%*	*23.1%*
Credit growth	19.3%	19.0%	16.3%	16.5%	16.1%	16.7%	25.6%	27.5%	25.2%	20.4%	14.7%	14.9%
Deposit growth	19.3%	21.2%	15.3%	16.1%	15.0%	15.0%	24.4%	20.9%	28.4%	22.9%	15.3%	20.9%
LDR	80.5%	81.0%	82.0%	84.3%	71.7%	76.5%	73.3%	73.0%	76.0%	76.3%	79.6%	77.9%
CASA	22.9%	23.8%	15.0%	15.1%	21.2%	20.7%	11.6%	11.5%	13.1%	13.0%	12.2%	12.1%
NIM	3.5%	3.6%	3.0%	3.1%	3.5%	3.6%	5.5%	5.5%	3.9%	3.9%	3.6%	3.5%
CIR	33.0%	33.0%	39.8%	38.8%	33.6%	32.2%	34.0%	34.5%	34.0%	33.0%	37.0%	36.0%
NPL	1.3%	1.2%	2.9%	3.0%	1.5%	1.5%	1.5%	1.9%	3.0%	2.8%	3.3%	3.0%
LLR	85.1%	96.1%	48.9%	48.2%	85.6%	86.5%	94.4%	74.5%	57.3%	58.6%	52.6%	62.5%
ROE	21.5%	21.2%	14.4%	13.9%	16.2%	16.4%	27.0%	26.9%	19.4%	20.1%	12.5%	13.5%
ROA	2.1%	2.2%	1.6%	1.6%	1.5%	1.6%	2.2%	2.2%	1.6%	1.7%	1.5%	1.6%
EPS	4,441	5,352	2,140	2,514	2,651	3,114	4,735	6,142	2,995	3,754	1,707	2,102
BVPS	22,593	27,912	15,620	18,141	16,847	19,961	20,328	26,472	16,908	20,482	14,541	16,623

Sources: MBS Research

Most banks have accomplished requirements in terms of CAR Tier 1 ratio regarding to Basel III standard

Currently, over 20 listed banks have accomplished and applied CAR requirement regarding to Basel II standard into their operations following Cir. 41/2016/TT-NHNN. The banks are tending to upgrade the risk management standards regarding to Basel III to strengthen the competitiveness with global credit institutions.

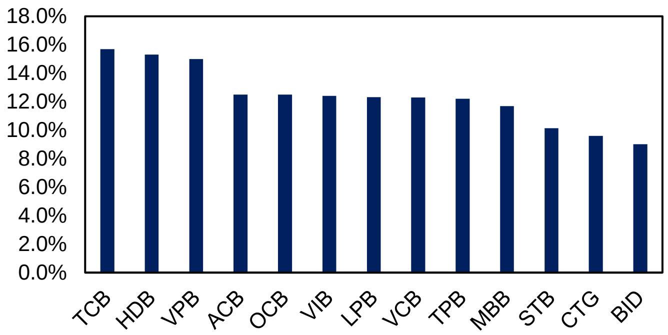
One of the main requirements of Basel III in terms of CAR Tier 1 is to reach at least 6%. According to CAR reports of banks at 31/12/2024, most of banks have accomplished this requirement in which BID and CTG got relatively lower CAR Tier 1 than other banks. This implies that these banks will get higher pressure of raising capital to supplement CAR. We appreciate banks to get high CAR ratio due to higher probability to accomplish Basel III.

VCB has delayed the planned private placement by 6.5% in 2024 that is expected to value around USD 1bn. The deal is expected to be done in 2025.

BIDV plans to privately place 123.8m shares to professional investors in 1Q2025 at VND38,800/share, expecting to raise over VND4.803tr. If the transaction proceeds smoothly, the bank's charter capital will surpass VND70.2 trillion. We expect those issues to raise CAR of BID to reach approximate 10% by the end of 2025.

The other banks have plans to pay shares dividend in 2025 to strengthen charter capital thanks to positive business results in 2024. Cash dividend is limited due to substantial capital needs for long term growth and risk management.

Figure 26: CAR of banks under coverage as of 31/12/2024



Sources: Commercial banks, MBS Research

Figure 27: Currently, only VCB and BID have planned to raise capital by private placements in 2025.

Banks	Activities	% issue	Estimated value	Time
VCB	Shares dividend Private placement	49.5% 6.5%	~ 1 USD bn	2025
BID	Private placement/Public issue	9.0%	Depends on market price at issuing time	2025

Sources: Commercial banks, MBS Research

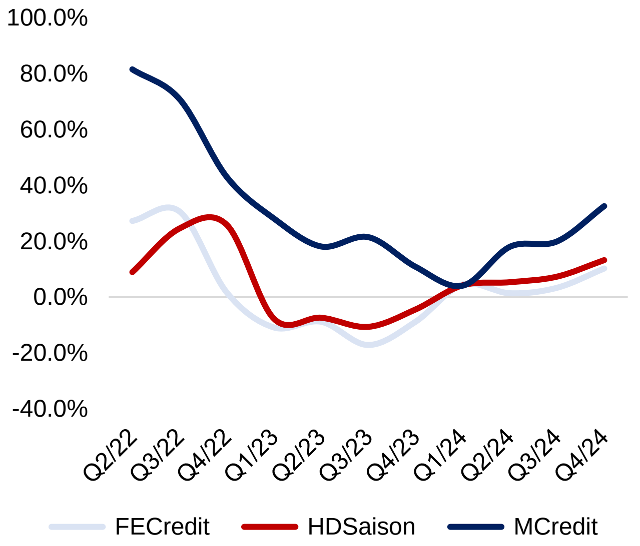
Consumer finance: We expect a more robust recovery in 2025

We see recovering credit demand from leading consumer finance companies in 2024. In which, M-credit loan growth in end of 2024 reached 32.4% YTD thanks to low base 2023 and taking advantage of major shareholders (MBB and Shinsei Group). While HDSaison recorded a credit growth of 13.2% YTD thanks to dominated market shares of motorbike loans around 36%. The biggest player - FECredit surprisedly recorded net profit in 2024 thanks to much better-than-expected results in 4Q2024. Specifically, FECredit's credit growth reached

10.3% compared to 2023. Total assets amounted to 67,648 VND bn (+7.0 YoY). FECredit also recorded a PBT of 512 VNDbn following a comprehensive restructuring phase. We believe that consumer finance credit will recover in 2025 due to the economic rebound, with accelerated planning GDP growth and increasing household income, which will drive strongly consumer finance demand. Additionally, supportive government policies and reforms in the consumer finance sector will encourage borrowing. Specifically, for loans under VND100m, customers are not required to provide a detailed capital usage plan. Instead, they only need to share basic information about the loan's purpose and their ability to repay.

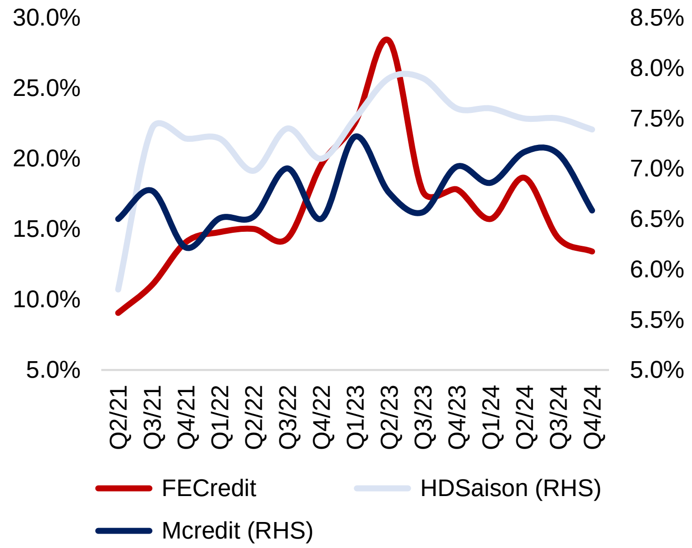
The NPL of Mcredit and HDSaison decrecased 44 bps/21bps YoY in 2024, while FECredit's NPL has significantly decreased from its peak of 28% in 2Q2023, to 13.4% by the end of 2024. We expect asset quality of consumer finance companies to improve in 2025 thanks to 1) a warming economy and a recovery in production and business activities; 2) enhance risk management practices and adopt stricter lending criteria and 3) stronger credit growth in 2025.

Figure 28: Credit growth of financial companies improved strongly in 4Q24



Sources: Banks, MBS Research

Figure 29: NPL ratio decreased at 3 financial companies



Sources: Banks, MBS Research

Investment strategy: Our stock picks are CTG, BID and VPB

Stock	Rating	Target price (VND/share)	Upside (%)	Investment thesis
CTG	**ADD**	52,100	26.4%	• Credit growth in 2025F is forecasted to reach 15.3%, increase 1% vs 2024 • NIM surges by 6 bps YoY in 2025F due to COF decline. CASA will reach 25% by the end of 2025F. • Non-II's growth is maintained over 15% YoY in 2025 mainly driven by strong acceleration of fee income. • Flat CIR ratio at 28.0% and provision expenses leading net profit to grow by 30.9% YoY. Credit cost is little down to 1.12% (2024: 1.27%) • NPL is expected to decrease to below 1.2% enhancing LLR ratio to approx. 198.8%. • P/B target 1.4x applied to BVPS 2025F.
VPB	**ADD**	25,050	31.8%	• Credit growth in 2025F is forecasted to reach 24.5% supported by rebound of FEC and expansion room for "0 dong" bank take over. • NIM is expected to recover to over 6% thanks to contribution of consumer finance. • FECredit is expected to get PBT of VND 1tn in 2025F. • Maintained low CIR at 23.0% and provision expenses to increase by 16.9% YoY that lead net profit to grow by 28.1% YoY in 2025F. • NPL is expected to decrease to 4% by end of 2025. • Atttractive valuation compared to peers with current P/B of 1.1x. P/B target 1.2x applied to BVPS 2025F thanks to significant improved asset quality.
BID	**ADD**	49,400	21.5%	• Credit growth to reach 14.3% in 2025, concentrated in public investment, export, agriculture sectors. • We forecast NIM to remain flat in 25/26, reaching 2.3% (-2 bps/+7 bps YoY) as BID is still the leading bank in maintaining low interest rates to promote credit growth • We expect asset quality to improve in 2025/26 thanks to 1) a warming economy and a recovery in production and business activities and BID will try to strengthen its balance sheet through write-offs and provisioning in 2025. As a results, we forecast that BID's NPL ratio will reachs 1.36%/1.26% in 2025 (-5 bps/-10 bps YoY). • The current price is 1.56x at FY25F BVPS, which is 25% below P/B 3-year average of 2.1x.
TPB	**ADD**	19,800	22.2%	• We like TPB for 1) its leading position in digitalisation banking which allow the bank to tap into young client and enhance the bank's lending ability, 2) credit growth is expected to reach 16/17% YoY in FY25/26F, supporting for earnings growth 3) NIM will expands 3/10 bps YoY to 3.54/3.64% in FY25/26F, driven by a higher net interest rate spread due to the ability to pass on interest costs amid a strong recovery in retail demand and 4) boosting provisioning in 2023/24 creates room for accelerating profit growth in 2025. • The current price is 1.0x at FY25F BVPS, which is 30% below P/B 3-year average of 1.25x. We believe that TPB is still a reasonable choice with earnings growth momentum of 15%/17% in FY25-26F and asset quality at two-year low.
TCB	**HOLD**	31,300	14.0%	• Credit growth in 2025F is forecasted to reach 20.5%, equivalent to FY2024. • NIM stays at 4.2% thanks to superior CASA position. • Non-II 2025F will grow by 31.5% YoY thanks to NFI recover by 15.0% YoY after sharply decline by 7.2% YoY in 2024. • NPL is expected to slightly decrease to 1.0% by end of 2025. Provision expenses is still up by 35.4% YoY due to slower than expected improvement of asset quality in 2024. As a results, net profit is expected to grow by 23.3% YoY in 2025F. • Atttractive valuation compared to peers with current P/B of 1.2x. CAR on top reached 15.3% by the end of 2024.

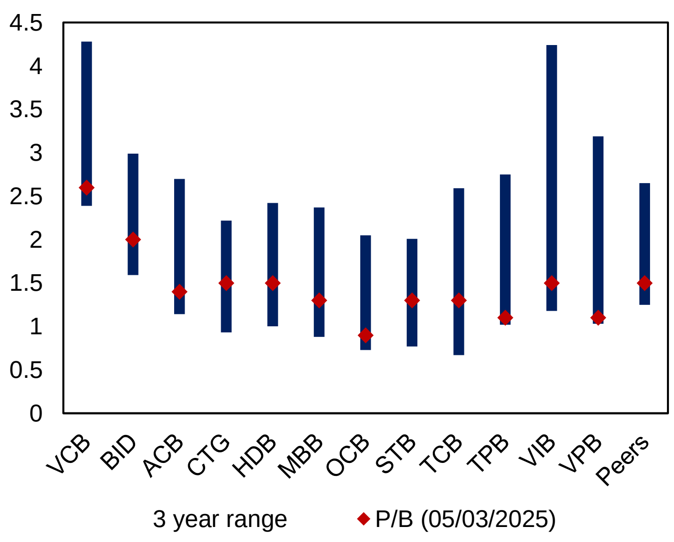
Stock	Rating	Target price (VND/share)	Upside (%)	Investment thesis
HDB	**ADD**	28,350	23.8%	• Credit growth in 2025F is forecasted to reach 25.0%. • NIM is expected to stay at 5.5%, superior to the banking sector, partly contributed by fast growth of consumer finance. • HDSaison is planned to profit 1.5 VNDtn before tax in 2025F. • Thanks to a consistently high NIM and industry-leading credit growth, HDB's net profit is expected to rise by 28.1% YoY in 2025F. • NPL is expected to decrease to 1.5% by end of 2025. • ROE on top compared to the sector leading to target P/B of 1.4x applied to BVPS 2025F
VCB	**ADD**	118,000	26.7%	• We forecast VCB's credit growth to reach 16% YoY in 2025F, primarily driven by a moderate recovery in corporate lending, which is expected to grow at 17% YoY, focusing on key sectors such as production, trading, and construction. • NIM is projected to decline slightly to 2.81%, with pressure in 1H25 to stabilize deposit interest rates while lowering lending rates, followed by a slight increase in interest rates in 2H25. • Despite the pressure on NIM, VCB is expected to maintain a strong CASA ratio of 34.45% in 2025F, ranking among the highest in the banking sector. This high proportion of low-cost funding is expected to provide some support in mitigating NIM compression. • At the current P/B of 2.6x based on FY2025F BVPS, VCB is trading 16.5% below its three-year average P/B of 3.0x. • Given the leading position in the banking sector, strong asset quality, and highest provision buffer, we recommend ADD for VCB with net profit expected to grow by 6.6%/14.4% YoY in 2025F/2026F.
VIB	**ADD**	**22,600**	7.1%	• Credit growth in 2025F is forecasted to reach 25.2% thanks to recovery of retail lending • NIM decreases by 8 bps YoY in 2025F due to low base last year. Besides, deposit growth in 2024 reached 28.4%, much higher than credit growth that will support stablize deposit rates of VIB in 2025F. • NII's increase by 24.5% YoY in 2025F after decline by 3.4% YoY in 2024 that mainly drive TOI to grow by 24.0% YoY. • Provision expenses will keep surging in 2025F by 30.6% YoY resulting net profit to grow 23.9% YoY. • NPL is expected to decrease to 3.0% enhancing LLR ratio to over 57.1%. • P/B target of 1.3x applied to BVPS 2025F thanks to expectation of ROE returning back to around 20%.
ACB	**ADD**	**30,900**	18.1%	• Credit growth in 2025F is forecasted to reach 19.3%, equivalent to 2024 • NIM decreases by 9 bps YoY in 2025F due to higher COF caused by deposit rates hike. Deposit growth was just 11.3% YoY in 2024, significantly lagged behind credit growth that is main cause of raising deposit rates in 2025F. • After plunging 26.5% YoY in 2024, Non-II is expected to rebound with a 32.9% increase in 2025 driven by fee income (+27.9% YoY) and x2 bad debt collection income. • Flat CIR ratio at 33.0% and slightly up provision expenses by 4.8% YoY leading net profit to grow by 18.1% YoY. • NPL is expected to decrease to 1.3% enhancing LLR ratio to over 95%. • P/B target of 1.4x applied to BVPS 2025F

Stock	Rating	Target price (VND/share)	Upside (%)	Investment thesis
STB	**HOLD**	**41,600**	7.2%	• Credit growth in 2025F is forecasted to reach 17.0%, much higher than 2024. • NIM rises by 5 bps YoY in 2025F thanks to accelerated credit growth. • After plunging 46.5% YoY in 2024 due to no longer provisioning for VAMC bond, provsision expenses is forecasted to surge by 31.6% YoY due to deteriorated asset quality by the end of 2024. • CIR will remain elevated at 50.0% that will decelerate net profit's growth to 8.0% YoY. • NPL is expected to decrease to 2.3%. • P/B target of 1.2x applied to BVPS 2025F due to less solid quality since 2023.
EIB	**HOLD**	**24,100**	**7.1%**	• We forecast NIM in FY25F to continue expanding, reaching 2.82% (+12 bps YoY) as AY will improves 45 bps YoY thanks to a higher interest rate base and increasing demand for retail lending, which offers higher lending yields. • We forecast EIB's LLR ratio to climb by 660 bps to 48.9% in 2025, driven by (1) strengthened provisioning efforts and (2) a forecasted NPL ratio reduction of 33 bps 2.2% in 2025. Overall, we forecast EIB's NP to increase 19.8%/17.4% in FY25/26F. • EIB is traded at 1.3x P/B 2025 lower 11.1% vs. average 1-year P/B and equivalent vs. peers. We believe EIB' s growth prospects are already priced in.
OCB	**ADD**	**14,100**	25.8%	• Credit growth 2025F is expected to reach 14.9%, 100% credit quota. • NIM improves by 14 bps YoY in 2025F due to low base last year and declined COF. Deposit growth was 13.4% YoY in 2024, higher than credit growth that might reduce deposit rates in 2025F due to less liquidity stretch. • After plunging 32.7% YoY in 2024, Non-II is expected to rebound with a 48.6% increase in 2025F driven by fee income (+39.0% YoY). • Flat CIR ratio at 37.0% and slightly up provision expenses by 7.6% YoY leading net profit to grow by 32.6% YoY. • NPL is up to 3.3% and LLR improves to 52.6% thanks to less using provision than 2024. • P/B target of 1.0x applied to BVPS 2025F.

Figure 30: The current P/B of the banking industry is equivalent to the 3-year average

Sources: Fiinpro, MBS Research

Figure 31: Except VCB and BID, most coverage banks are trading below sector P/B



Sources: Fiinpro, MBS Research

Figure 32: Peers comparison

Banks	Recommend	P/E		P/B		Earnings growth		ROE		ROA	
		2025F	2026F	2025F	2026F	2025F	2026F	2025F	2026F	2025F	2026F
ACB	ADD	5.9x	4.9x	1.2x	0.9x	18.1%	20.5%	21.5%	21.2%	2.1%	2.2%
BID	ADD	10.3x	8.7x	1.6x	1.4x	8.9%	17.5%	15.9%	15.9%	0.9%	0.9%
CTG	ADD	6.7x	5.7x	1.3x	1.1x	30.9%	18.2%	20.3%	20.1%	1.3%	1.4%
EIB	HOLD	10.4x	8.9x	1.4x	1.2x	19.8%	17.4%	14.0%	13.3%	14.4%	13.9%
HDB	ADD	4.8x	3.5x	1.1x	0.9x	28.1%	29.7%	26.8%	27.3%	1.6%	1.6%
OCB	ADD	6.6x	5.4x	0.8x	0.7x	32.6%	23.1%	12.5%	13.5%	1.5%	1.6%
STB	HOLD	6.8x	6.0x	1.1x	1.0x	15.3%	17.4%	18.1%	17.3%	1.4%	1.4%
TCB	ADD	7.3x	6.2x	1.1x	1.0x	23.3%	17.5%	16.9%	16.8%	2.5%	2.4%
TPB	HOLD	6.1x	5.2x	1.0x	0.9x	15.3%	17.4%	16.2%	16.4%	1.5%	1.6%
VCB	ADD	14.6x	13.3x	2.5x	1.9x	5.4%	10.0%	15.2%	14.3%	1.6%	1.5%
VIB	HOLD	7.0x	5.6x	1.2x	1.0x	23.9%	25.3%	19.4%	20.1%	1.6%	1.7%
VPB	ADD	7.8x	5.9x	0.9x	0.8x	28.2%	32.5%	13.5%	15.6%	2.1%	2.3%
Avg (excluding SOCBs)		7.0x	5.7x	1.1x	0.9x	19.7%	22.6%	17.7%	17.9%	3.2%	3.2%
Avg.		**7.9x**	**6.6x**	**1.3x**	**1.1x**	**17.7%**	**19.7%**	**17.5%**	**17.7%**	**2.7%**	**2.7%**

Sources: Bloomberg, MBS Research

DISCLAIMER

ABOUT MBS

Founded in May 2000 by the Military Commercial Joint Stock Bank (MB), MB Securities Joint Stock Company (MBS) is one of the first six securities companies in Vietnam. After years of development, MBS has grown into one of the premier brokerage houses in the country. In two consecutive years between 2009 and 2010, MBS leads the brokerage house in terms of market share on both Hanoi Stock Exchange (HNX) and HCMC Stock Exchange (HOSE) and continuously ranked among the Top 5 of market share at both stock exchanges.

Address:
MB Building, 21 Cat Linh, Dong Da Dist., Hanoi
Tel: + 8424 7304 5688 - Fax: +8424 3726 2601
Website: www.mbs.com.vn

MBS RESEARCH TEAM

Director, Head of Research
Hien Tran Thi Khanh

Deputy Head of Equity Research
Dzung Nguyen Tien

Macro & Market Strategy
Hung Ngo Quoc
Dinh Ha Anh
Vo Duc Anh

Banking – Financial Services
Luyen Dinh Cong
Hao Nguyen Duc

Real Estate
Duc Nguyen Minh
Thanh Le Hai

Consumer - Retail
Ly Nguyen Quynh
Anh Phương Nguyen

Industrials – Energy
Tung Nguyen Ha Duc
Huyen Pham Thi Thanh