BANKS

Improving at a consistent pace but unevenly distributed

- We expect earnings growth for banks under our coverage to reach 20.2% yoy in 2025 thanks to accelerated recovery of Non-II and NII's remained growth.
- We prefer CTG, VIB and TPB thanks to benefit from public investment; high provisioning in 2024 to support 2025 provision buffer, and attractive valuation.

NIM expansion will be challenged in FY2025

We anticipate that banks will continue to maintain low lending rates over the next 6-9 months to support borrowers, given that credit demand has not fully recovered. Deposit rates in 2025 are unlikely to remain as low as in 2024, due to stretched liquidity caused by high pressure from surging exchange rates. Overall, we believe that NIM for banks is unlikely to increase significantly in 2025.

Lower pressure of surging NPL in 2025

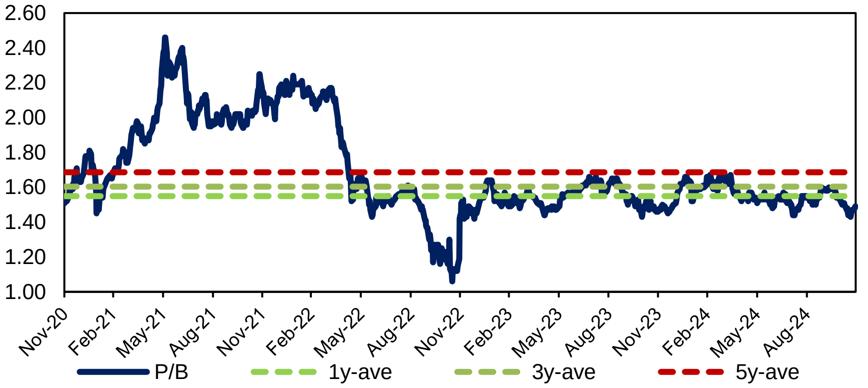
In 2025, the decreased Group 2 debt ratio is expected to provide a strong base for reducing the pressure from rising NPLs. Additionally, anticipated faster credit growth will help lower the NPL ratio. Banks that significantly increased provisioning and collected bad debt in 2024 are expected to intensify their lending activities in 2025, despite the surging NPLs.

Better earnings prospect in 2025

In 2025, we anticipate that the recovery of NoII (Non-Interest Income) will be the main driver of accelerated earnings growth while NII (Net Interest Income) maintains its growth. The growth of NoII will be propelled by a stronger rebound in NFI (Non-Financial Income) following higher retail credit growth and continued enhancement in debt collection efforts. Certain banks such as HDB, VIB, TCB, and OCB, which were more severely impacted in terms of NoII growth due to low income from fees and retail banking in 2024, are expected to see a stronger recovery in NoII growth in 2025. Overall, we expect earnings growth for banks under our coverage to reach 20.2% yoy in 2025.

We prefer CTG, VIB and TPB based on following rationale: 1) take advangtage from public investment; 2) high provisioning in 2024 to support 2025 provision buffer; 3) accelerated 25-26 net profit growth and 4) attractive valuation.
Downside risks to the sector include: 1) consumer credit demand recovered more slowly than expected, and lending rates remaining low longer than projected and 2) export activities and public investment disbursement are slower than expected.

Figure 1: Banking sector's current P/B is falling below 3Y- average range



Sources: FiinproX, MBS Research

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Improving at a consistent pace but unevenly distributed

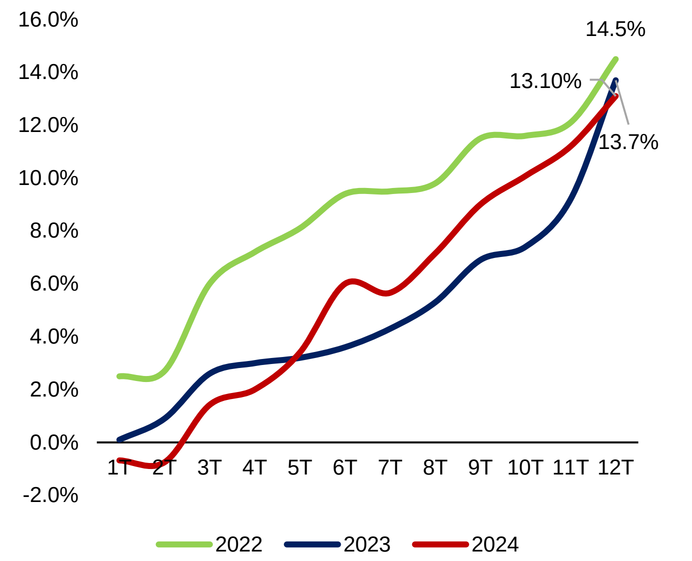
We expect credit growth to reach 15 – 16% in FY25F from the level of 15% in FY24

Credit growth target of 14% in 2024 is achievable

System credit had a sluggish performance in 1Q24 but then accelerated since May, driven by both manufacturing and trading. By end-3Q24, credit demand of manufacturing and trading sectors grew 9.3% YTD and 9.7% YTD, respectively. Meanwhile, construction lending growth were 5.4% YTD, lower than that of same period last year. Total credit balance of listed bank expanded 11.2% YTD at end-3Q24, among that, three SOE banks (VCB, CTG, BID) delivered an average growth of 9.6% YTD. LPB, HDB, TCB and ACB were banks that recorded the credit growth higher than 13% YTD.

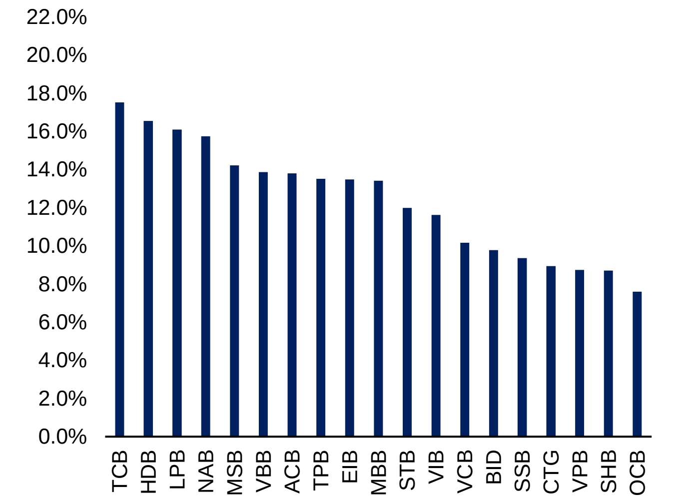
As at 19-Dec, system credit grew 13.1% YTD, faster than that of last year and not far from the State Bank of Vietnam (SBV) 's target of 15% for the whole year. We believe the growth rate of 15% is achievable following aggressive public investment disbursement rate and the higher credit demand of 4Q.

Figure 2: Industry credit growth accelerated since Jun to 13.1% (% YTD)



Sources: SBV, MBS Research

Figure 3: Credit growth of banks as of end-3Q24 (% YTD)



Sources: Commercial banks, MBS Research

We expect credit growth to reach 15 – 16% in FY25F from the level of 15% in FY24

Lending activities are likely to be driven by several factors:

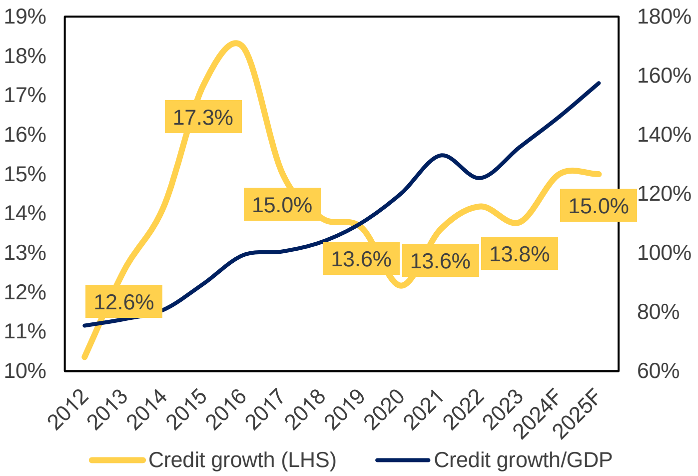
- Strong recovery of Vietnam's economy in 2025: This recovery will be fueled by a rebound in manufacturing and trading activities, thanks to increased external and domestic demand. This should enable the SBV (State Bank of Vietnam) to maintain an accommodative monetary policy in 2021.

- High disbursement rate of public investment: Continued high disbursement of public investment in 2025 is expected to create jobs and support credit demand, aligned with economic recovery goals and the implementation of Vietnam's mega infrastructure projects for 2021-2025.

We expect banks with the following conditions to experience higher credit growth in 2025:

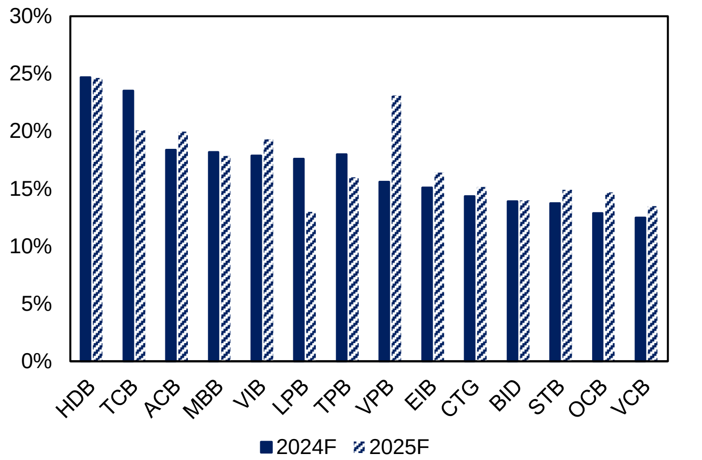
- High credit quota usage in 2024: Banks that have fully utilized a high credit quota in 2024 will be at a competitive advantage in securing credit quotas for FY2025.
- Growth in provision expenses and improved asset quality: Accelerating provision expenses in 2024, coupled with improved asset quality, 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 15% - 16% 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

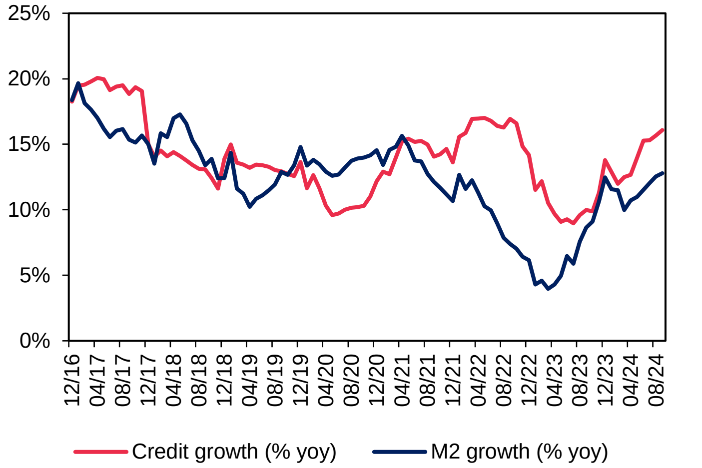
Deposit growth significantly lags behind credit growth which might create upward pressure on input rates

As of Sep-2024, the total money supply (M2) reached VND16,949tr, reflecting a 5.94% YTD. Individual deposits saw stronger growth at 6.5% YTD, outpacing deposits from firms (3.4% YTD). Notably, M2 in Sep-24 recorded a 1.75% mom growth, driven by the SBV's flexible monetary policies and deposit rate hikes by small and medium-sized banks since April 2024 to improve deposit growth. The total deposit balance of listed banks grew by 7.4% YTD. Among them, LPB, MSB, and STB led deposit growth among banks, achieving impressive rates of 14.3%/12.2%/11.0%, respectively.

According to the SBV, total deposits as of 7-Dec reached approximately VND15,950tr, (+9.5% YTD), significantly trailing the credit growth of 13.1% YTD.

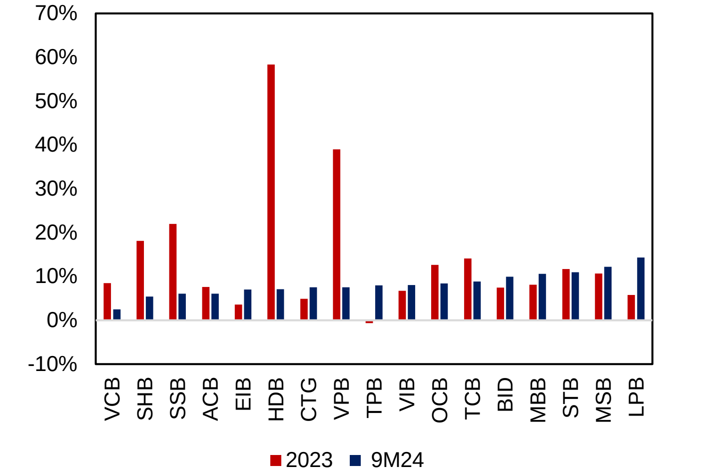
We expect deposit rates will inch up by an additional 20 bps by year-end, range between 5.1%-5.2%.

Figure 6: M2 and credit growth of the banking system (unit: VNDbn)



Sources: SBV, MBS Research

Figure 7: Deposit growth of banks as of end-3Q24 (% YTD)



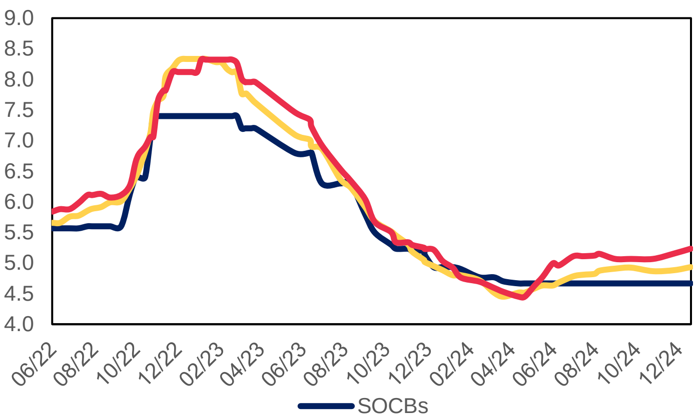
Sources: Commercial banks, MBS Research

We expect lending rates to decrease further, but deposit rates pick up tenderly

Deposits rates began to rise again in April as low deposit rates led to a gradual withdrawal of public deposits from the banking system. The upward trend became more pronounced from June, as credit growth accelerated from 3.4% at the end of May to 6.1% by the end of June. Credit growth outpacing deposit growth by 2-3 times fueled the competition to raise deposit rates, with some banks exceeding 6% per annum at times.

As of late November, the average 12-month deposit rate for commercial banks stood at 5%, up 14 basis points from the start of the year. Meanwhile, rates at state-owned commercial banks remained at 4.7%, 26 basis points lower than at the beginning of the year.

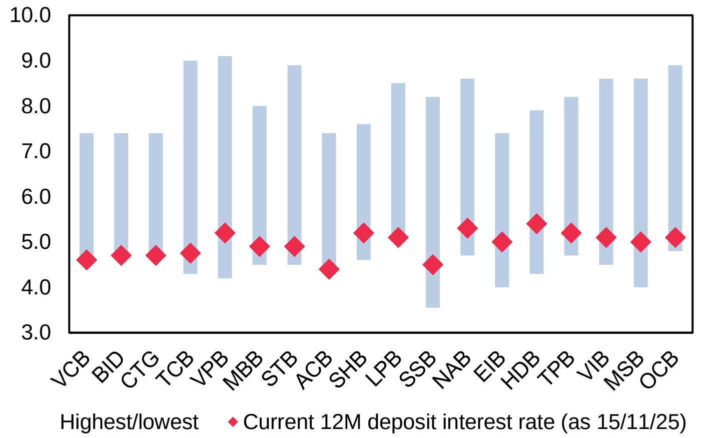
Figure 8: Though deposit rates of some medium-size banks started to inch up since Apr-24 but still stayed at low level



SOCBs: VCB, BID, CTG
Large private banks: TCB, VPB, MBB, STB, ACB, SHB
Medium and small private banks: LPB, SSB, NAB, EIB, HDB,

Sources: Banks, EVN, MBS Research

Figure 9: High/Low deposit rates in 12 months across banks



Sources: Commercial banks, MBS Research

Deposit rates maintained at low level and weak demand for retail credit in 1H24 have encouraged banks to reduce lending rates in 3Q24. Moreover, Circular 06/2023/TT-NHNN mandates commercial banks to disclose interest rates on new loans, fostering transparency. This policy has intensified competition among banks, contributing to a noticeable cooling of lending rates by 3Q24. In addition, the impact of typhoon Yagi has prompted banks to continuously lower interest rates and launch preferential loan packages to support businesses and individuals in 3Q24.

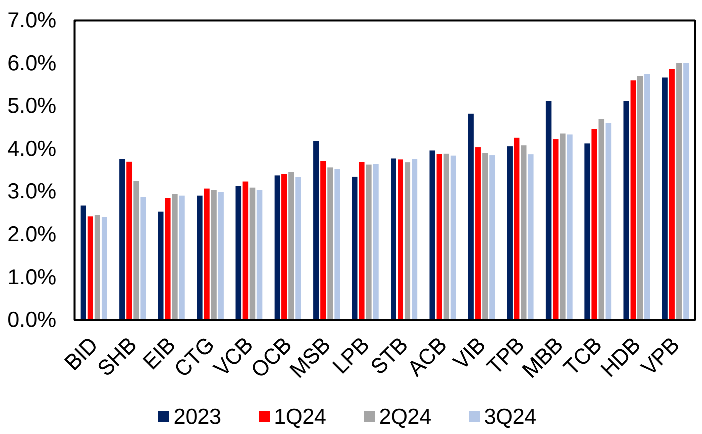
As of 23-Dec, the average lending rate of the 10 largest banks has decreased by 79 bps vs. Mar-24. In which, SOE banks are at the forefront of reducing interest rates to support customers (VCB: -90 bps, BID: -82 bps. Agribank: 69 bps). We expect lending rates to stay low during the 1H25, gradually increasing in 2H25 as retail credit demand gains stronger momentum.

NIM improvement will be challenged in FY2025

In 3Q24, the Net Interest Margin (NIM) for listed banks decreased by 4 basis points quarter-over-quarter and by 15 basis points compared to 2023, reaching 3.37%. Overall, most banks recorded a decrease in NIM for the first nine months of 2024, with MBB and VIB experiencing the largest contractions of 119 and 113 basis points, respectively, compared to 2023.

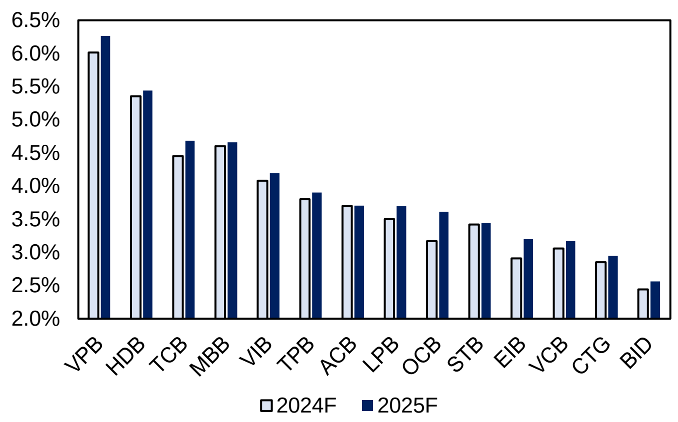
We anticipate that banks will continue to maintain low lending rates over the next 6-9 months to support borrowers, given that credit demand has not fully recovered. The slow recovery of mortgages, due to a restricted real estate supply, has primarily slowed down retail banking in 2024 and this trend may persist for the next six months, further lowering banks' asset yields in 2025.

Figure 10: Except for STB, LPB, HDB, most banks in our coverage saw NIM decline QoQ



Sources: Commercial banks, MBS Research

Figure 11: FY2025F NIM forecasts of banks under our coverage



Sources: Commercial banks, MBS Research

Deposit rates in 2025 are unlikely to remain as low as in 2024, due to stretched liquidity caused by high pressure from surging exchange rates. Moreover, interbank rates have shown signs of increasing in recent months due to global volatility. Consequently, the Cost of Funds (COF) for banks in 2025 is forecasted to be slightly higher than in 2024.

Overall, we believe that NIM for banks is unlikely to increase significantly in 2025. However, banks could see a noticeable rise in NIM due to two factors: (i) a low base for comparison, given the significant decrease in NIM in 2024, and (ii) a focus on addressing bad debt in 2024, leading to solid earnings growth in the long term.

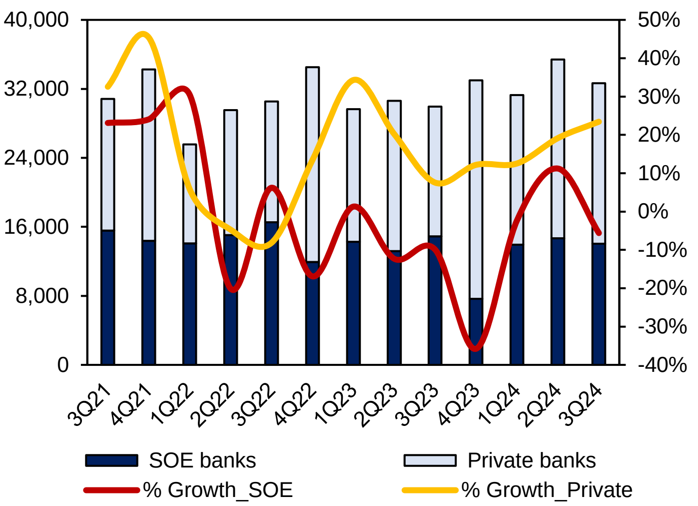
Better earnings prospect in FY25

Earnings growth of listed banks momentum moderate in 3Q24

Provisioning has slown down in 3Q2024. Provision expenses of listed banks grew by 5.4% yoy in 1Q2024 and accelerated to 15.7% yoy in 2Q2024 but decelerated to 9.7% in 3Q2024. In 9M2024, provision expenses grew by 10.1% 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 23.4% yoy increase in provisioning costs in 3Q24. Meanwhile, SOE banking group proactively reduced provisioning costs in 3Q24 (-5.6% yoy) to ensure profit growth.

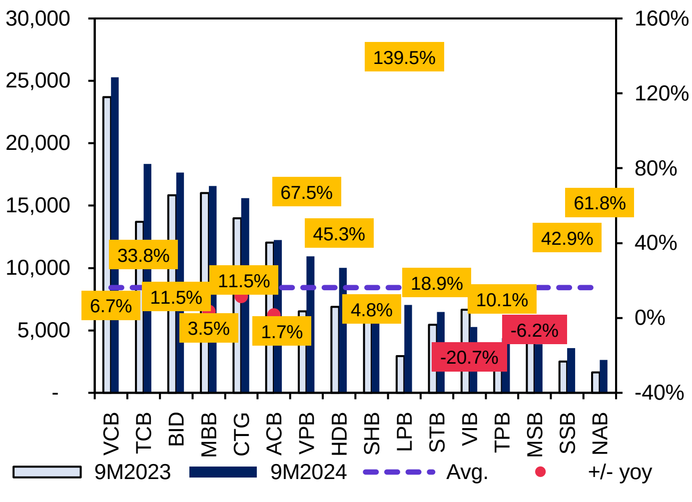
Thus, the net profit of SOE banks and private banks increased 19.4% yoy and 16.7% yoy, respectively. Overall, earnings of listed banks in 3Q24 and 9M24 increased to 16.2% yoy and 17.6% yoy. In the last quarter of 2024, with controllable NPL and little improved LLR, listed banks are no longer motivated to intensify credit provisioning leading the provision expense of the sector to grow by around 10% for FY2024.

Figure 12: 3Q24 provision expense was increased by 9% yoy leading by private banks (+23.4% yoy)



Sources: Commercial banks, MBS Research

Figure 13: 3Q24 earnings of listed banks increased to 17.6% yoy, lower than growth of 2Q24 by 21.6% yoy

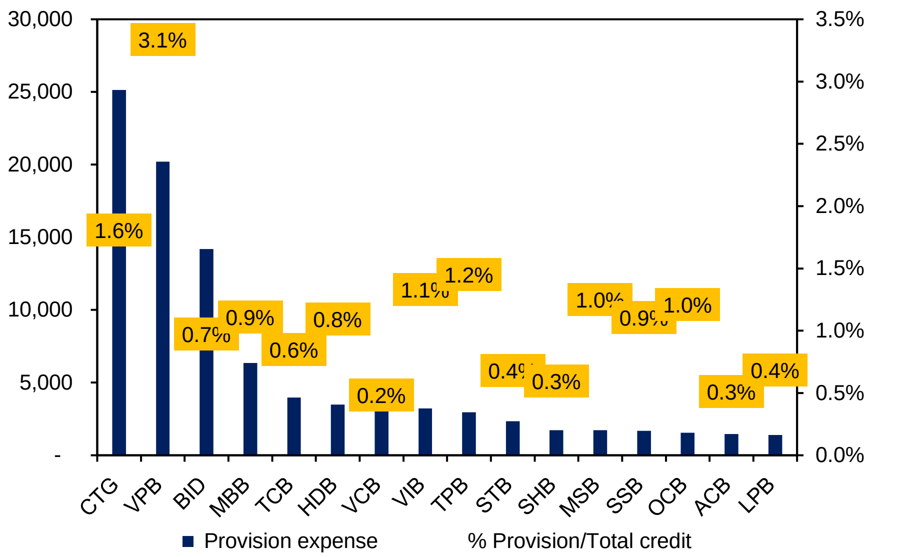


Sources: Commercial banks, MBS Research

Provision expenses of banks under coverage will increase by 20.1% yoy in 2025

In 2025, we concern that credit growth will be contributed by larger part of retail banking raising more NPL than corporate banking. Hence, banks tend to intensify provisioning than previous year to keep NPL lower than 2024.

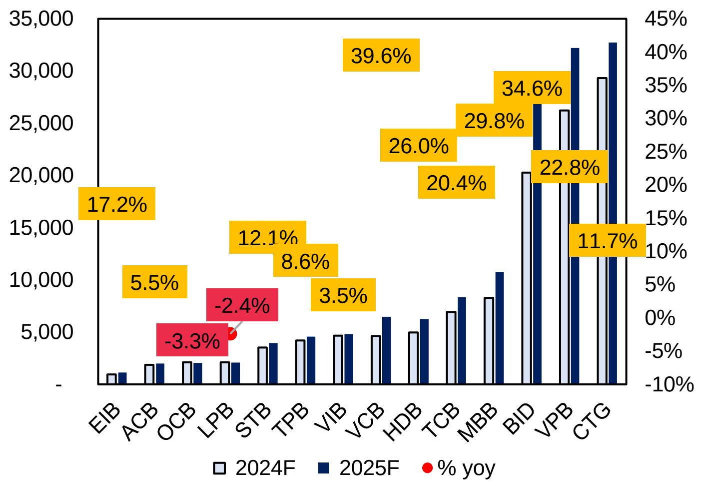
Figure 14: Provision/Total credit in 9M2024



Sources: Commercial banks, MBS Research

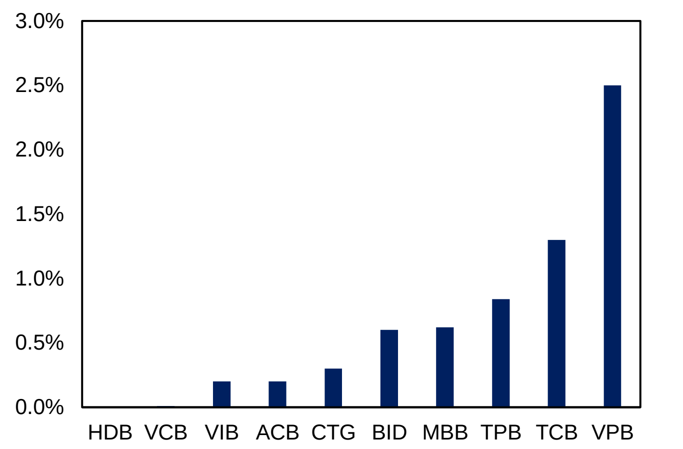
LLR ratio of listed banks has shown down trend since 2022 and was even lower than before the Covid-19. It was 83.0% at the and of 3Q2024, remarkably declined versus the peaked level of 141.5% by the end of 2021 (end of 2019: 85.4%). Therefore, we expect that banks might accelerate provisioning in 2025 to improve LLR, especially when Cir 02 is more likely to not extend that can suddenly rise NPL of low-quality banks.

Figure 15: Except for STB, LPB, HDB, most banks in our coverage saw NIM decline QoQ



Sources: Commercial banks, MBS Research

Figure 16: Restructured loans under Circular 02/ total loan book of listed banks



Sources: Commercial banks, MBS Research

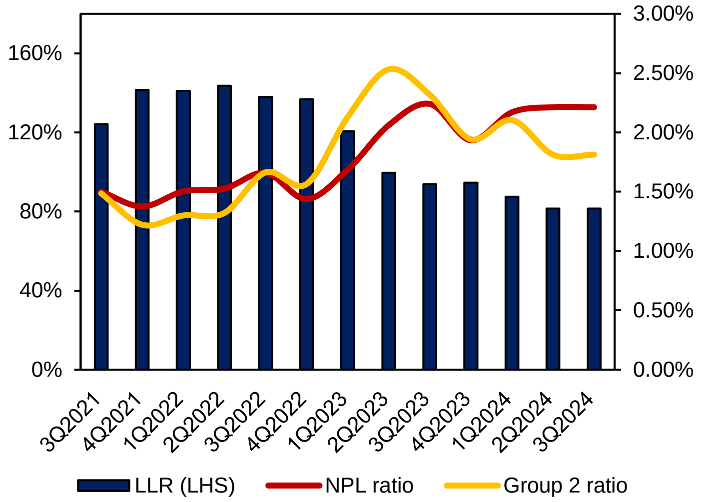
Lower pressure of surging NPL thanks to higher credit growth and accelerating bad debt collection in 2025

The asset quality of listed banks has deteriorated slightly compared to the previous quarter. The NPL ratio increased for the third consecutive quarter, reaching 2.25% in 3Q24, up by 32 basis points compared to the end of FY2023. This trend is expected to continue, primarily due to the slow recovery of the construction, agriculture, oil & gas sectors, and SMEs, compounded by the impact of Typhoon YAGI, which has challenged both businesses and individuals in their production and business recovery efforts.

The Loan Loss Reserve (LLR) ratio of listed banks was 83.5% at the end of 3Q24, up by 1.5 basis points quarter-over-quarter but down by 13.2% compared to the end of FY2023. Although 3Q24 showed a modest recovery, the provision buffers of listed banks remain weak, echoing the levels seen during the Covid-19 era.

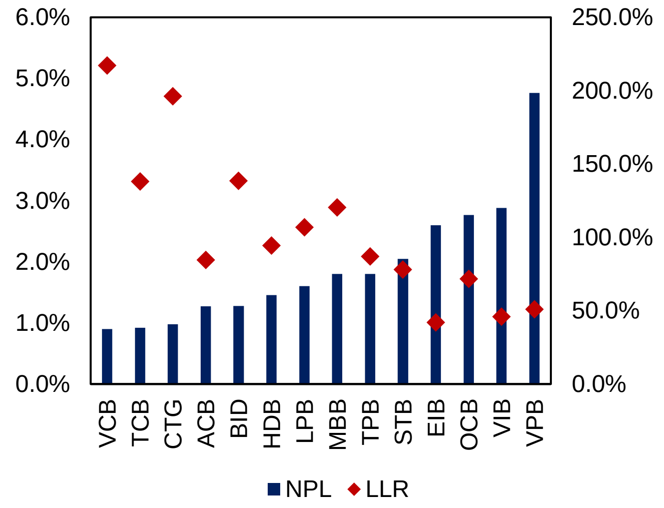
The Group 2 debt ratio decreased along with the LLR, but the NPL ratio continued to rise, indicating significant pressure from increasing NPLs in the last quarter of 2024. Weak credit demand in the first 10M24 significantly contributed to this trend. Therefore, we estimate that the NPL ratio at the end of 2024 will not be lower than at the end of 3Q24.

Figure 17: Group 2 debt and NPL ratios by the end of 3Q2024



Sources: Commercial banks, MBS Research

Figure 18: FY2025F NPL and LLR ratios of banks under coverage



Sources: Commercial banks, MBS Research

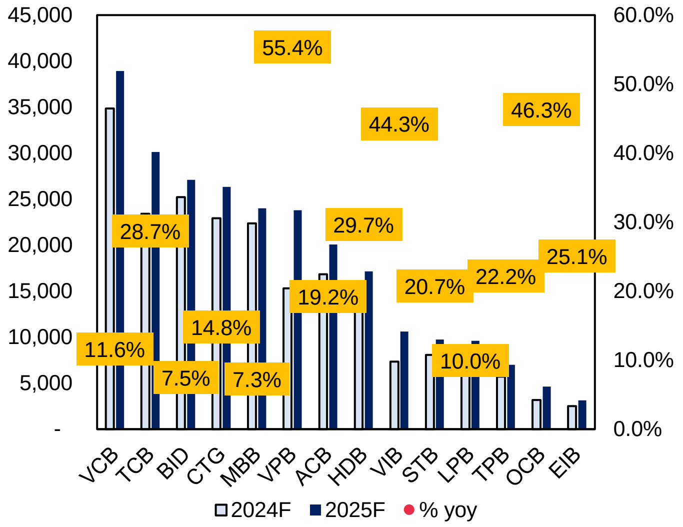
In 2025, the decreased Group 2 debt ratio is expected to provide a strong base for reducing the pressure from rising NPLs. Additionally, anticipated faster credit growth will help lower the NPL ratio. Banks that significantly increased provisioning and collected bad debt in 2024 are expected to intensify their lending activities in 2025, despite the surging NPLs.

We maintain our forecast that earnings growth of banks under coverage will reach around 15% in 2024 and bounce to over 20% in 2025

Given the expectation that NIM will not increase in 4Q2024 due to reduced lending rates and higher COF combined with a weak NoII recovery, we estimate that net profit growth in the last quarter of FY2024 will not exceed 16%. Therefore, our forecast for the banks under our coverage remains around 15-16%, similar to the last forecast.

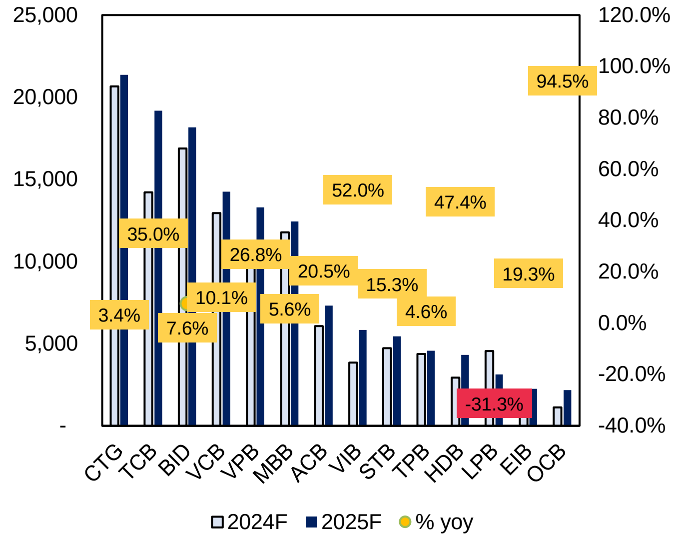
In 2025, we anticipate that the recovery of NoII (Non-Interest Income) will be the main driver of accelerated earnings growth while NII (Net Interest Income) maintains its growth. The growth of NoII will be propelled by a stronger rebound in NFI (Non-Financial Income) following higher retail credit growth and continued enhancement in debt collection efforts. Certain banks, such as HDB, VIB, TCB, and OCB, which were more severely impacted in terms of NoII growth due to low income from fees and retail banking in 2024, are expected to see a stronger recovery in NoII growth in 2025. Overall, we expect earnings growth for banks under our coverage to reach 20.2% year-over-year in 2025.

Figure 19: Estimates of TOI's growth of banks under coverage in FY2025



Sources: Commercial banks, MBS Research

Figure 20: NoII growth of listed banks under coverage in 2025



Sources: Commercial banks, MBS Research

Figure 21: 2024-25 business results projection under MBS banking coverage

	ACB		BID		CTG		EIB		HDB		LPB		VPB	
	2024F	2025F	2024F	2025F	2024F	2025F	2024F	2025F	2024F	2025F	2024F	2025F	2024F	2025F
Total operating income	34,233	40,436	76,125	90,507	79,645	95,737	7,879	9,699	32,773	42,219	19,039	20,533	60,204	75,288
% yoy	*4.5%*	*18.1%*	*4.2%*	*18.9%*	*12.9%*	*20.2%*	*20.2%*	*23.1%*	*24.1%*	*28.8%*	*21.8%*	*7.8%*	*21.0%*	*25.1%*
Net interest income	28,167	33,126	59,252	72,346	58,975	69,923	5,987	7,441	29,848	37,909	14,496	17,410	49,714	61,983
Non-interest income	6,067	7,310	16,873	18,161	20,670	25,814	1,892	2,258	2,925	4,310	4,543	3,123	10,490	13,305
Provision expenses	1,881	1,984	20,275	27,294	29,311	32,738	954	1,118	4,967	6,257	2,125	2,074	26,221	32,193
% yoy	*4.3%*	*5.5%*	*-0.1%*	*34.6%*	*16.7%*	*11.7%*	*37.4%*	*17.3%*	*16.4%*	*26.0%*	*-24.8%*	*-2.4%*	*4.9%*	*22.8%*
Net profit	16,834	20,075	25,229	27,112	22,934	26,327	2,504	3,133	13,232	17,158	8,735	9,607	15,320	19,318
% yoy	*4.9%*	*19.2%*	*10.6%*	*13.8%*	*14.4%*	*26.2%*	*15.6%*	*25.1%*	*28.0%*	*29.7%*	*56.8%*	*10.0%*	*80.4%*	*26.1%*
Credit growth	18.4%	20.0%	13.9%	14.0%	14.3%	15.2%	15.1%	16.4%	24.7%	24.6%	17.6%	11.4%	15.6%	23.1%
Funds growth	16.8%	17.0%	14.0%	12.2%	15.3%	16.8%	16.10%	16.90%	16.2%	19.5%	22.6%	12.1%	16.1%	26.1%
NIM	3.7%	3.7%	2.4%	2.6%	2.9%	3.0%	2.91%	3.20%	5.4%	5.4%	3.5%	3.7%	6.0%	6.3%
CIR	33.0%	33.0%	33.4%	31.7%	27.0%	28.0%	48.0%	47.9%	34.0%	34.0%	34.1%	34.5%	24.5%	25.0%
NPL	1.4%	1.3%	1.40%	1.28%	1.3%	1.1%	2.70%	2.60%	1.87%	1.45%	1.7%	1.6%	4.8%	4.7%
LLR	74.8%	84.6%	136.8%	138.6%	136.0%	168.1%	41%	42%	67.9%	94.6%	89.0%	107.0%	51.3%	48.7%
ROE	21.5%	21.2%	16.20%	15.60%	16.7%	18.2%	10.6%	11.8%	26.8%	27.3%	21.6%	18.9%	11.1%	12.9%
ROA	2.2%	2.2%	0.9%	0.9%	1.1%	1.2%	1.2%	1.3%	2.0%	2.2%	2.0%	1.8%	1.8%	1.9%

Sources: MBS Research

Figure 22: 2024-25 business results projection under MBS banking coverage

	OCB		STB		TCB		TPB		VCB		VIB	
	2024F	2025F	2024F	2025F	2024F	2025F	2024F	2025F	2024F	2025F	2024F	2025F
Total operating income	9,180	11,180	28,305	31,577	51,992	67,059	17,621	20,089	70,902	80,975	21,027	27,491
% yoy	*-2.6%*	*36.0%*	*8.1%*	*11.6%*	*29.8%*	*29.0%*	*8.5%*	*14.0%*	*7.0%*	*13.0%*	*-4.5%*	*29.4%*
Net interest income	8,063	9,007	23,965	26,376	37,777	47,875	13,253	15,519	57,960	66,726	17,312	21,513
Non-interest income	1,117	2,173	4,340	5,200	14,215	19,184	4,368	4,570	12,942	14,249	3,715	5,978
Provision expenses	2,120	2,049	3,516	3,942	6,935	8,350	4,199	4,562	4,641	6,024	4,647	4,808
% yoy	*30.3%*	*-3.3%*	*-4.7%*	*12.1%*	*76.9%*	*20.4%*	*6.4%*	*8.6%*	*2.0%*	*30.0%*	*-4.1%*	*3.5%*
Net profit	2,711	3,996	8,458	9,420	23,414	30,138	5,714	6,983	34,662	38,923	7,051	10,894
% yoy	*-17.9%*	*47.4%*	*9.6%*	*11.4%*	*28.7%*	*28.7%*	*28.0%*	*22.2%*	*4.9%*	*11.6%*	*-17.6%*	*54.5%*
Credit growth	12.9%	14.7%	13.7%	14.9%	23.5%	20.1%	16.0%	16.0%	12.5%	13.0%	21.5%	19.3%
Funds growth	9.7%	11.9%	9.4%	11.4%	22.9%	18.2%	13.0%	15.0%	11.6%	10.2%	18.7%	14.9%
NIM	3.2%	3.6%	3.7%	3.7%	4.5%	4.7%	3.8%	3.9%	3.1%	3.2%	3.9%	4.2%
CIR	40.0%	37.0%	50.0%	50.0%	30.0%	31.0%	35.9%	34.9%	31.4%	30.4%	36.0%	33.0%
NPL	3.0%	2.8%	2.4%	2.2%	1.20%	0.92%	2.0%	1.8%	1.0%	0.9%	3.0%	2.6%
LLR	62.2%	71.7%	70.4%	76.5%	101.3%	138.1%	77.4%	87.1%	205.2%	217.3%	49.9%	48.9%
ROE	10.5%	13.7%	17.0%	16.1%	16.8%	18.4%	14.8%	15.4%	17.0%	16.4%	17.9%	23.2%
ROA	1.3%	1.7%	1.2%	1.2%	2.5%	2.7%	1.4%	1.4%	1.7%	1.7%	1.6%	2.1%

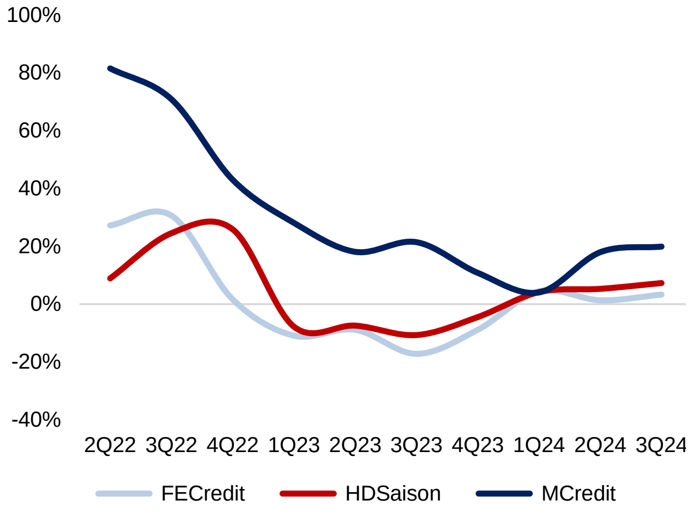
Sources: MBS Research

Consumer finance: We expect a more robust recovery in 2025

We see recovering credit demand from leading consumer finance companies in 9M24. In which, Mcredit loan growth in end of sep-24 reached 14.4% YTD thanks to low base 2023 and taking advantage of major shareholders (MBB and Shinsei Group). While HDsaigon recorded a credit growth of 7.3% YTD driven by motorbike loan segment (36% market share). In contrast, the biggest player - FE credit showed flat loan growth vs. 2023 due to restructuring the business model, focusing on less risky customer segments, especially workers in industrial parks, to minimize bad debt ratio. 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.

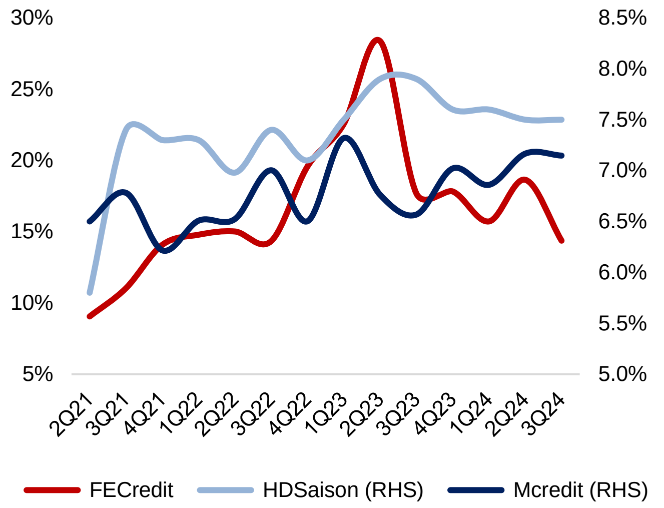
The NPL of Mcredit in HDsaigon remained at 7% in 9M24, while FEC's NPL has significantly decreased from its peak of 28% in Q2/23. We expect asset quality of consumer finance companies to improve in 2025 thanks to 1) a warming economy and a recovery in production and business activities; 2) enhance risk management practices and adopt stricter lending criteria and 3) stronger credit demand in 2025.

Figure 23: 3Q24 provision expense was increased by 9% yoy leading by private banks (+23.4% yoy)



Sources: Banks, MBS Research

Figure 24: 3Q24 earnings of listed banks increased to 17.6% yoy, lower than growth of 2Q24 by 21.6% yoy

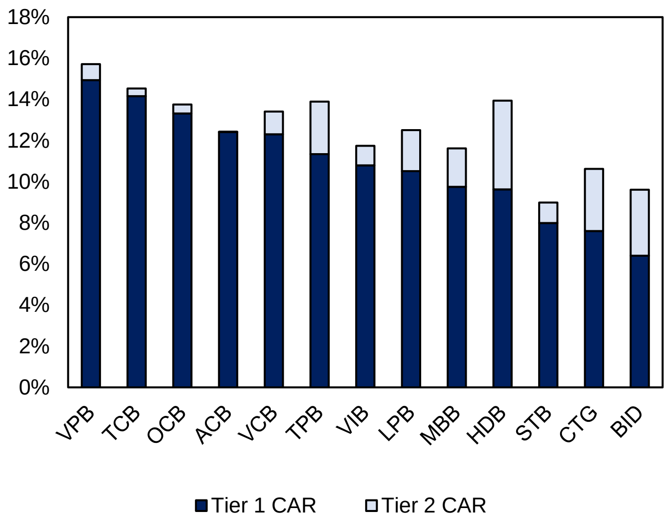


Sources: Banks, MBS Research

We expect capital mobilization activities to continue with SOE banks

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. While BID expects to carry out its first private placement to increase its charter capital (equivalent to 2.9% of the charter capital) in 1Q25. The remaining capital increase (6.1% of charter capital) will be executed when market conditions are favorable.

Figure 25: CAR of banks as of 30/06/2024



Sources: Commercial banks, MBS Research

Figure 26: Capital raising plan of banks in 2025

Banks	Type of activities	% of shares in issue	Issue value	Status
VCB	Dividend payment by share Private placement	38.8% 6.5%	The expected value of the additional issue about 1bn USD	2025
BID	Private placement/ Public offering	9.0%	Depending on the issue price	2025

Sources: Commercial banks, MBS Research

Investment strategy: Our stock picks are VIB, CTG and TPB

Stock	Rating	Target price (VND/share)	Investment thesis
VIB	**ADD**	24,500	• We revise forecast credit growth of VIB for FY2024 reaching 21.5%, full credit quote provided (extended in Nov 2024 from 16% last time). However, NIM in FY2024 will be down to 3.9% (-86 bps yoy). Provision expense will decrease by 4.1% yoy due to high base last year leading VIB's net profit go down by 17.6% yoy in FY2024. • In 2025, we expect net profit of VIB to grow by 54.5% yoy thanks to low base resulted mainly by accelerating both NII and NoII combined with remained provision expenses. NII is supported by NIM increased by 20 bps and credit growth by over 20%. Meanwhile, NoII's growth is majorly driven by strong recovery of fee income. NPL will be under 3% by the end of 2025. • Target P/B is revised up to 1.2x thanks to positive expectation of earnings growth and more solid asset quality in FY2025.
CTG	**ADD**	44,600	• Net profit of FY2024 is expected to grow by 14.5% yoy. Credit growth will reach 14.3% yoy while NIM is slightly down to 2.9% (FY2023: 3.0%). For FY2025, we expect net profit to grow by 26.2% yoy driven by recovery of NoII and NII by 24.9% and 18.5% yoy. Provision expenses will grow by 11.7% yoy (FY2024F: +16.7% yoy). NPL is expected to stay below 1.2%, -13 bps yoy. LLR will reach 136.0%, top 3 of all sector. • Target P/B is revised up to 1.4x for CTG thanks to positive outlook in 2025. This P/B is slightly higher than current P/B of 1.3x but much lower than BID (2.0x) and VCB (2.7x) due to higher credit cost. We believe the difference will shrink in long term.
TPB	**ADD**	20,800	• We like TPB for 1) its leading position in digitalization banking which allow the bank to tap into young client and enhance the bank's lending ability, 2) credit growth is expected to reach 18%/16% yoy in FY24/25F, supporting for earnings growth 3) NIM will expands 13 bps yoy to 3.95% in FY25F, driven by a higher net interest rate spread due to the ability to pass on interest costs amid a strong recovery in property market and 4) net profit in FY25/26F is expected to grow 22%/20% yoy • The current price is 1.1x at FY25F BVPS, which is 22% below P/B 3-year average of 1.4x and 15% P/B FY24F's peers. We believe that TPB is still a reasonable choice with earnings growth momentum of over 20%/year in FY24-26F and gradually improving asset quality.
TCB	**ADD**	29,900	• Credit growth will reach 23.5% for FY2024. NIM will strongly recover to 4.5% (+43 bps yoy). NoII's forecast is revised down to grow by 14.9% (last forecast: 24.9%) due to one-off expenses valued VND 1.8tn from banca with Manulife. NPL and LLR will reach 1.2% and 101.3% respectively. TCB's earnings forecast is adjusted to grow by 28.7% yoy in 2024. • In 2025, we expect that net profit will keep the same pace of growing with accelerated NoII's growth and slightly lower NII's growth due to high base last year. Besides, provision expenses will also decelerate thanks to improved asset quality proven by NPL under 1%. • P/B target is revised up to 1.3x since the ability to weather the difficulties shown in the recent 2 years.
HDB	**ADD**	33,050	• TOI in FY2024 is expected to increase by 24.1% yoy driven by growth of NII by 34.5% yoy while NoII will decrease by 30.8% yoy. Credit growth will reach 24.7% in 2024 and NIM is 5.4% (+32 bps yoy). NPL at the end of 2024 is expected to keep under 2.0%. In 2025, net profit is expected to grow by 29.7% thanks to strong recovery of NoII by 47.4% yoy. NIM is expected to remain at 5.4%, much higher than average of the sector. Credit cost will be maintained at 1.1%, equivalent to FY2024. • Target P/B is 1.4x, higher than its peers such as MBB, ACB, TCB,…reflecting higher effectiveness proven by ROE maintaining over 20% since FY2020.

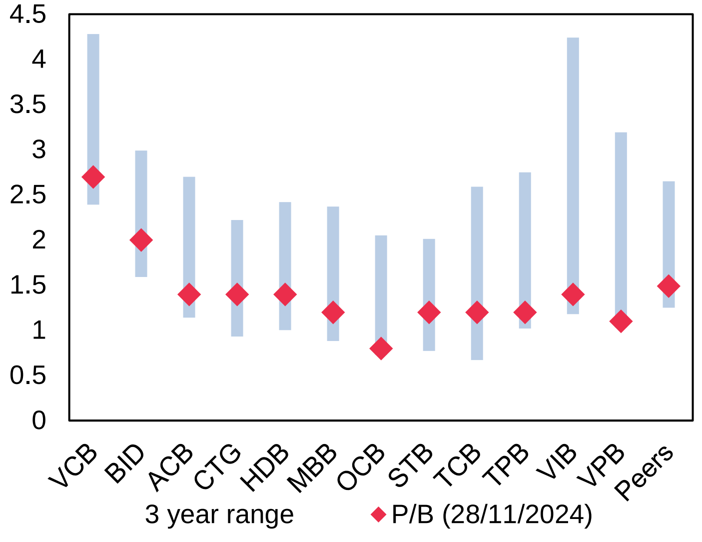
Stock	Rating	Target price (VND/share)	Investment thesis
VCB	**ADD**	115,000	• We forecast loan book in 2025 to grow 13% yoy as individual lending is expected to recovery sli in 2H25, supported by economic recovery and a resurgence in retail credit demand. Additionally, we expect consumer credit to improve in 2025 compared to the lower base of 2024. NIM will expands 11 bps yoy to 3.2% in FY25F, driven by a higher net interest rate spread due to the ability to pass on interest costs amid a strong recovery in retail demand in 2H25. We forecast net profit to grow 4.9%/11.6% in 2024-25 • The current price is 2.5x at FY24F BVPS, which is 19.3% below P/B 3-year average of 3.1x. We believe that VCB is still sturdy pick given 11% yoy net profit growth in FY25F and premier asset quality with largest provision buffer among banking sectors.
VPB	**ADD**	**22,150**	• Net profit of FY2024 is expected to grow by 80.4% yoy thanks to low base last year and strong recovery of NII which was resulted by NIM's significant increase. NPL is expect to below 5% by the end of 2024. • In 2025, net profit's growth is revised down to 26.1% yoy due to reducing expectation of NIM increase and persistent high provisioning. Higher credit growth in 2025 will be more contributed by retail banking that might cause high pressure of surgin NPL. Hence, maintain high provisioning is to keep NPL below 5% by the end of year. FECredit is expected to get net profit in 2025. • Target P/B is set to 1.1x as NPL is still much higher the average sector, attractive for long term with over 20%/year of net profit's growth.
ACB	**HOLD**	**27,100**	• Credit growth in FY2024 is adjusted up to 18.4% yoy (last forecast: 16.0% yoy). NIM is down to 3.7%, lower than 3.8% of 9M2024. NoII will be reduced by 22.1% yoy. Provision expense will increase slightly by 4.3% yoy while CIR will flat at 33.0%, the same level as in FY2023. Hence, net profit of ACB is expected to reach VND 16,834 bn (+4.9% yoy), completing ~95% FY2024's plan. • In 2025, we estimate net profit to grow by 19.2% mainly supported by NII growing by 17.6% yoy and flat provision expenses growth. • Target P/B is 1.3x reflecting underperformed earnings growth and deteriorated asset quality in 2024
STB	**HOLD**	**33,400**	• Net profit for FY2024 increases is expected to increase 9.6% yoy. TOI is expected to grow 8.1% yoy in which NII and NoII grow by 8.6% and 5.8% yoy. NIM is slightly down to 3.7% (FY2023: 3.8%) with credit growth expected to reach 13.7% by the end of 2024. • In 2025, net profit is expected to grow by 11.4% driven by stronger growth of NoII by 19.8%. NIM stays at 3.7% with accelerated credit growth to 15%. Provision expenses is forecasted to grow by 11.2% yoy with stable CIR at 50%. NPL will be down to 2.2% (2024: 2.5%) • Target P/B 1.1x, equivalent to current P/B, relatively attractive for long term, especially when restructure progress is completed
BID	**HOLD**	**51,800**	• We forecast NIM on recover in FY25/26F, reaching 2.56%/2.64% (+15 bps/+8 bps yoy) as AY will improves 40 bps/28 bps yoy thanks to a higher interest rate base and increasing demand for retail lending, which offers higher lending yields. While we forecast COF will rise more slowly, by 29 bps/17 bps yoy in FY25/26F due to a low base interest environment in FY24F • We expect asset quality to improve in 2025 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 1.3% in 2025 (+9 bps yoy).

Stock	Rating	Target price (VND/share)	Investment thesis
EIB	**HOLD**	**20,600**	• We forecast NIM in FY25F to continue expanding, reaching 3.2% (+29 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 147 bps/100bps to 42.1%/43.1% in 2025/26, driven by (1) strengthened provisioning efforts and (2) a forecasted NPL ratio reduction of 17 bps/9bps yoy to 2.6%/2.5% in 2025/26. Overall, we forecast EIB's NP to increase 19.9%/24.9%/19.8% in FY24/25F/26F. • EIB is traded at 1.3x P/B 2025 lower 7.1% vs. average 1-year P/B and equivalent vs. peers. We believe EIB' s growth prospects are already priced in
OCB	**HOLD**	**12,600**	• Net profit in 2024 is expected to decrease by 17.8% yoy due to negative business result in 9M2024 along with seriously deteriorated asset quality. TOI in FY2024 is forecasted to go up by 2.7% yoy in which NII increases by 19.2% yoy while NoII decreases by 48.6% yoy. Provision will go up by 30.3% yoy while CIR stays at high level of 40% for FY2024. • In 2025, we estimate that net profit growth will reach 47.4% yoy thanks to strong improvement of NoII and declined provision expenses by 3.3% yoy. NPL at the end of 2025 is expected to go down to 2.8% (2024F: 3.0%). • Target P/B is 0.9x. Despite of expected strong recovery of net profit growth in 2025, it is mainly due to low base in FY2024. This target P/B is equivalent to current P/B reflecting worse than expected business performance in 2024.

Figure 27: Banking sector's current P/B is falling below 3Y- average range and the peak in 2021

Sources: Fiinpro, MBS Research

Figure 28: Except VCB and BID, most coverage banks are trading below sector P/B



Sources: Fiinpro, MBS Research

Figure 29: Peer comparison

Banks	Market cap VNDbn	Recommend	P/E		P/B		Earnings growth		ROE		ROA	
			2024F	2025F	2024F	2025F	2024F	2025F	2024F	2025F	2024F	2025F
ACB	112,336	Hold	6.7x	5.6x	1.3x	1.1x	4.9%	19.2%	21.5%	21.2%	2.2%	2.2%
BID	264,500	Hold	11.2x	9.8x	1.8x	1.5x	10.6%	13.8%	16.2%	15.6%	0.9%	0.9%
CTG	195,199	ADD	8.4x	6.7x	1.3x	1.1x	14.4%	26.2%	16.7%	18.2%	1.1%	1.2%
EIB	36,696	Hold	12.9x	10.3x	1.4x	1.2x	15.9%	25.1%	10.6%	11.8%	1.2%	1.3%
HDB	82,833	ADD	5.7x	4.4x	1.4x	1.0x	28.0%	29.7%	26.8%	27.3%	2.0%	2.2%
LPB	84,785	N/a	9.7x	8.9x	2.0x	1.6x	56.8%	10.0%	21.6%	18.9%	2.1%	2.0%
OCB	26,877	Hold	8.9x	5.1x	0.7x	0.6x	-17.9%	47.4%	10.5%	13.7%	1.3%	1.7%
STB	64,097	Hold	7.4x	6.6x	1.2x	1.0x	9.6%	11.4%	17.0%	16.1%	1.2%	1.2%
TCB	172,029	ADD	7.2x	5.6x	1.1x	0.9x	28.7%	28.7%	16.8%	18.4%	2.5%	2.7%
TPB	42,932	ADD	7.5x	6.1x	1.2x	1.0x	28.0%	22.2%	15.3%	15.8%	1.5%	1.5%
VCB	520,344	ADD	15.1x	13.5x	2.6x	2.2x	4.9%	11.6%	17.1%	16.1%	1.7%	1.7%
VIB	57,348	ADD	6.8x	4.4x	1.2x	0.9x	-16.9%	54.5%	17.9%	23.2%	1.6%	2.1%
VPB	151,935	ADD	10.6x	8.3x	1.1x	1.0x	80.4%	26.1%	11.1%	12.9%	1.8%	1.9%
Avg (excluding SOE banks)			8.3x	6.5x	1.2x	1.0x	19.2%	22.5%	16.9%	17.9%	1.7%	1.9%
Avg.			**9.1x**	**7.3x**	**1.4x**	**1.2x**	**14.7%**	**20.2%**	**16.9%**	**17.6%**	**1.6%**	**1.7%**

Sources: Bloomberg, MBS Research

DISCLAIMER

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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.

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