RONG VIET SECURITIES

BANKING INDUSTRY

OVERCOMING THE STORMS

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BANKING INDUSTRY - OVERCOMING THE STORMS

Negative | Neutral | Positive

Overview

The banking sector outlook for 2025 is expected to have more positive factors after a challenging year 2024, particularly in terms of managing bad debts. The PBT of the banks under our coverage is projected to grow by 11.5% in 2024 and show a more optimistic increase of 16.6% in 2025. The main driver of profit growth will come from strong credit growth, fueled by the economic recovery, alongside a gradual reduction in credit costs across the industry. However, the NIM of most banks will remain under pressure due to a slight increase in funding costs (30-50bps), while lending yield competition will persist. On the other hand, the risk of NPLs will continue to rise after Circular 02 expires on January 1, 2025, as there is a possibility of "unwanted" NPLs arising (due to differences in debt classifications of the same customers at different banks). This will lead to the need for additional provisioning beyond the plan.

*We believe the downside risk to sector valuations in 2025 is limited as earnings and book value continue to grow, while ROE and asset quality have significant room for improvement. Additionally, the "Vietnam stock market reclassification to emerging market" story will be an effective catalyst for large-cap stocks such as banks. We favor banks that have advantages in CASA and/or solid asset quality, such as **CTG, VCB, and ACB**, because they are better able to withstand market interest rate fluctuations and more easily capitalize on favorable market conditions to expand NIMs compared to other banks. Meanwhile, credit cost pressures will also be more limited in these banks, as they have fully booked additional provisions for restructured debts.*

Highlights

Favorable and sustainable credit growth in an environment where policy supporting strong economic growth

- The environment that policy supports growth with the government's expansionary fiscal policy (accelerating public investment disbursement, extending VAT cuts, increasing the minimum wage) while SBV maintains a "flexible easing" monetary policy with interest rates to manage exchange rates and liquidity.
- Corporate lending will continue to lead, as low interest rates may stimulate investment in production expansion, while we expect to see more positive signals of discretionary spending from consumers, and hence the retail lending demand in the latter part of 2025.

NIM is expected to continue facing pressure as funding costs rise faster than interest-earning asset yields

- Funding costs are expected to increase by 50 bps due to tighter liquidity as credit demand accelerates, along with the extension of deposit tenors to ensure short-term funding ratios for medium- to long-term lending. Competition for lending rates will persist, however not as intense as in 2023-2024 due to credit demand recovery.

The expiration of Circular 02 may lead to an increase in on-balance-sheet NPL, but the forecasted rise is expected to be limited and manageable

- Although there are differences in additional provisioning ratios among banks, the majority of banks under our coverage have fully made additional provisioning for restructured loans. Therefore, these banks are still capable of managing NPL ratios and mitigating potential credit cost pressures from these potential NPLs.

BANKING INDUSTRY - OVERCOMING THE STORMS

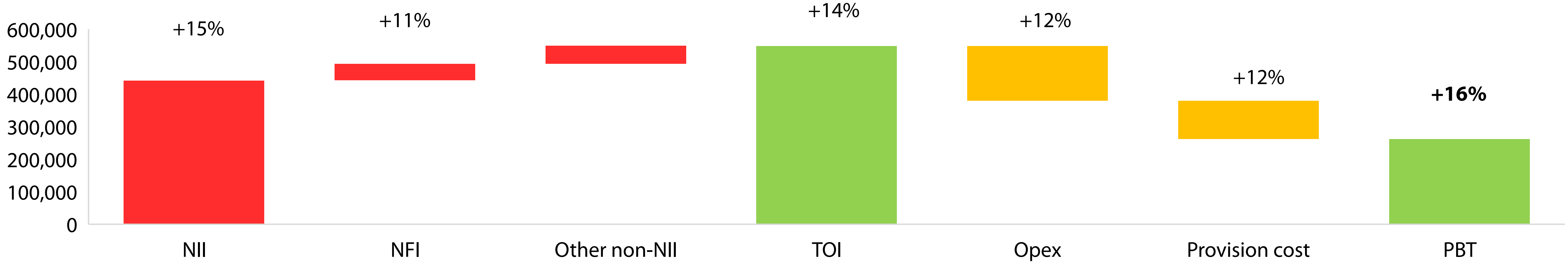
Highlights	**The net NPL formation rate and credit costs are projected to decline slightly in 2024 and 2025.** • The net NPL formation rate in 9M-2024 has already decreased compared to the same period in 2023, dropping by approximately 20 bps to 1.26%. It is likely that this rate for the full year 2024 will be lower than in 2023 (1.80%) and will continue its slight downward trend in 2025, supported by improved customer repayment capability amid a more positive macroeconomic growth outlook and low lending interest rates, despite the possibility of a modest rebound. • In fact, we also see many banks taking a more positive view on the trend of bad debt in the last quarters of the year, and being more confident in controlling the bad debt ratio without increasing provisions to prepare for write-offs. • The projected net NPL formation rate is expected to decline by 27 bps/29 bps in 2024F/2025F, reaching 1.5%/1.2%, respectively. At the same time, the forecasted credit cost ratio will be lower than the net NPL formation rate in 2024, as additional provisioning for restructured loans is expected to reduce significantly.
Risks to our calls	• **Credit costs may exceed expectations as banks rebuild provisioning buffers, which were significantly eroded by the rapid rise in NPL during 2023–2024.** • **Interest rates and exchange rate volatility**. Faster-than-expected interest rate increases, driven by exchange rate fluctuations and heightened liquidity pressures from credit growth, pose a downside risk to the NIM projections. • **The potential bad debts may be underestimated, hampering money circulation (due to technical restructuring) and economic growth**: Potential NPLs, including those tied to banks under special control, account for nearly 5% of GDP. These hidden risks could hinder faster-than-expected economic growth, affecting credit demand, customer repayment capacity, and the income outlook for the banking sector.

PROFIT GROWTH IMPROVES BUT REMAINS MODERATE

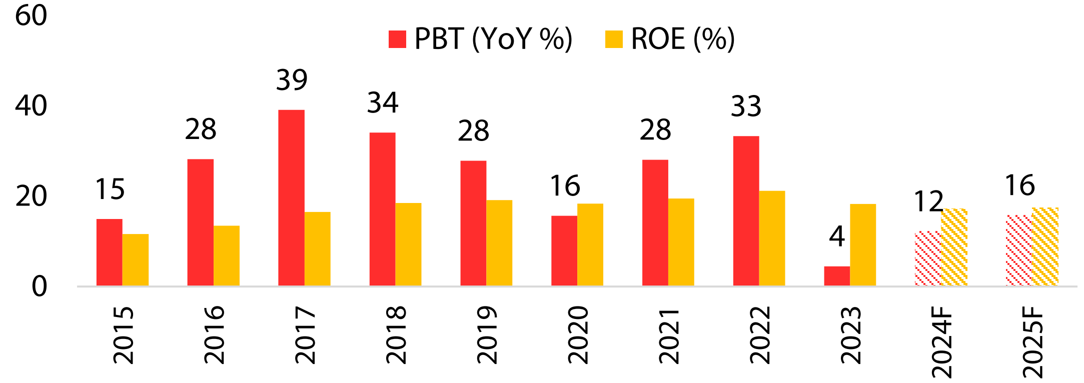
The PBT of banks under coverage* is expected to grow by 12% in 2024 and 16% in 2025F.

- We anticipate that the economy will continue improving in terms of growth rate, providing a more favorable environment for bank expansion. The two main drivers for the sector's growth in 2024 and 2025F are solid credit growth and reduced credit costs. However, NIM is likely to remain under pressure due to ongoing competition and rising funding costs.

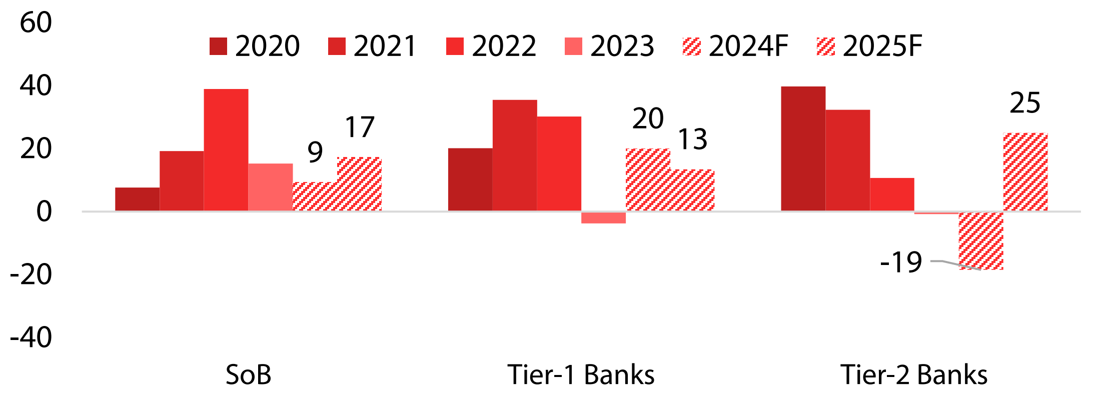
Projections of income and expense components for 2025 of banks under coverage* (%)



Projections of PBT growth and ROE for banks under coverage* (%)



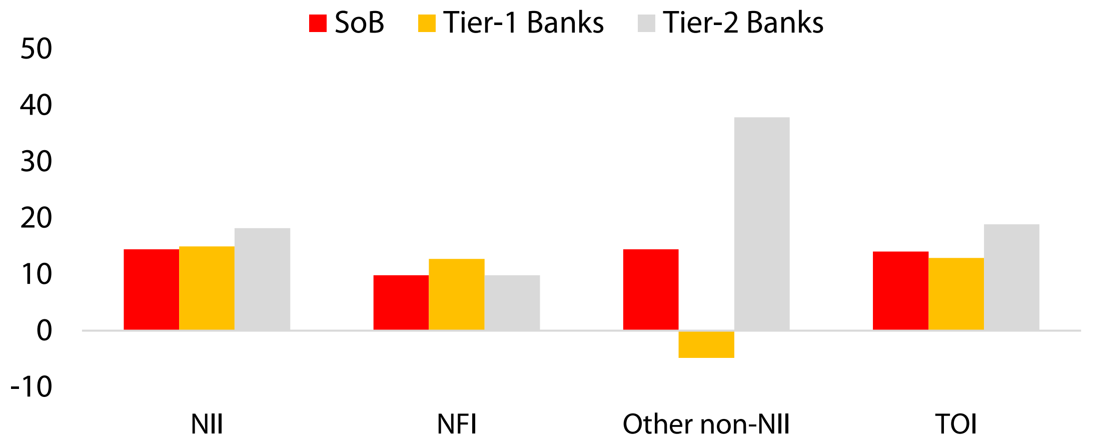
PBT growth by bank group



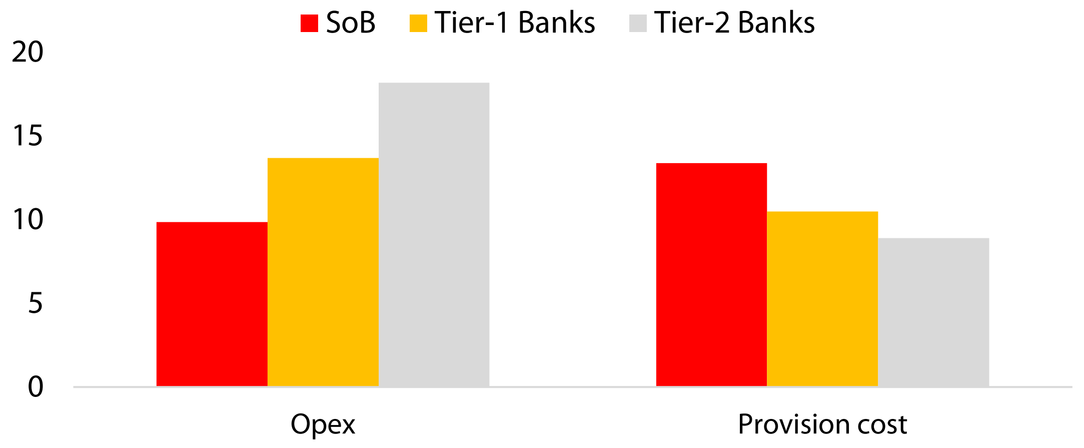
Source: Banks reports, RongViet Securities, VCB, BID, CTG, MBB, TCB, ACB, VPB, HDB, VIB ,OCB*

GROWTH DRIVERS FOR 2025 BY BANK GROUP

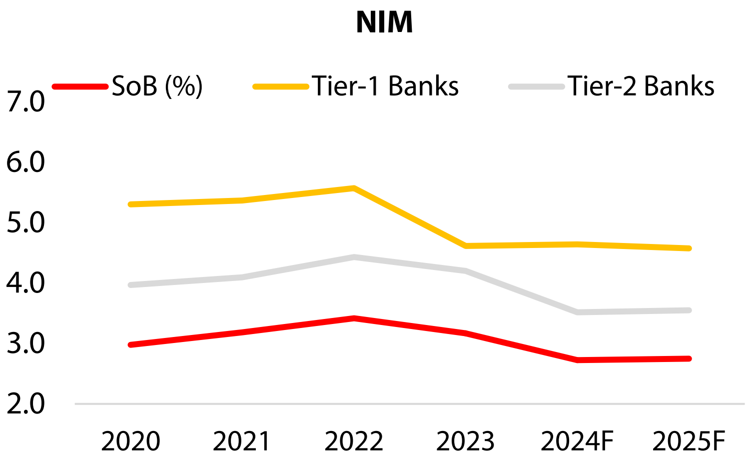
2025F Incomes growth by bank groups (%)

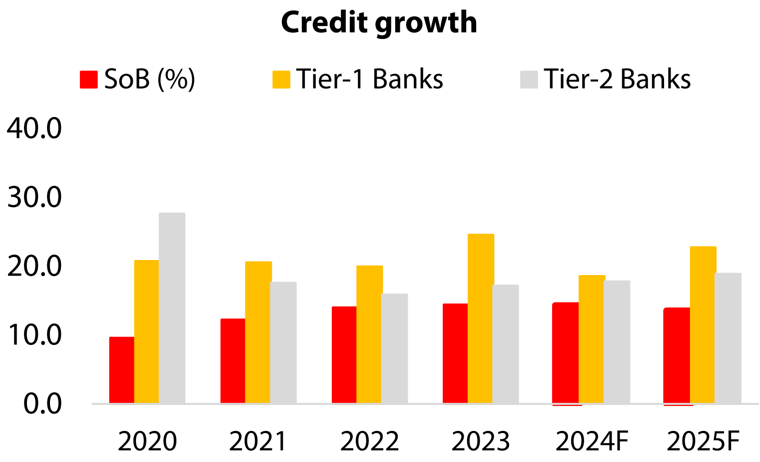


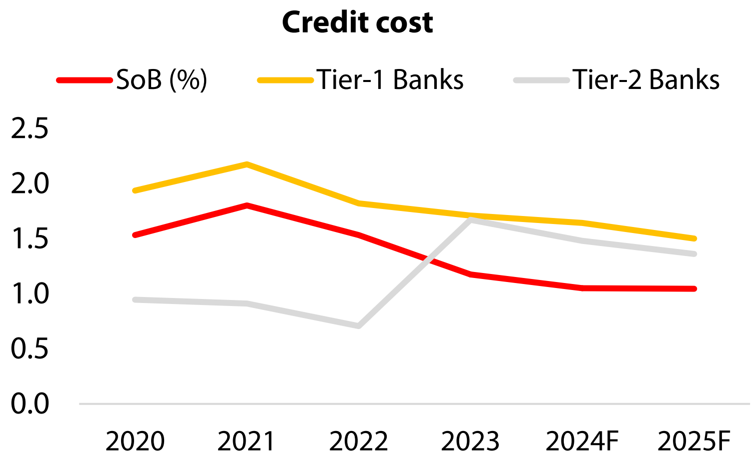
2025F Expenses growth by bank groups (%)



Projections of NIM, Credit growth, and Credit costs (%)







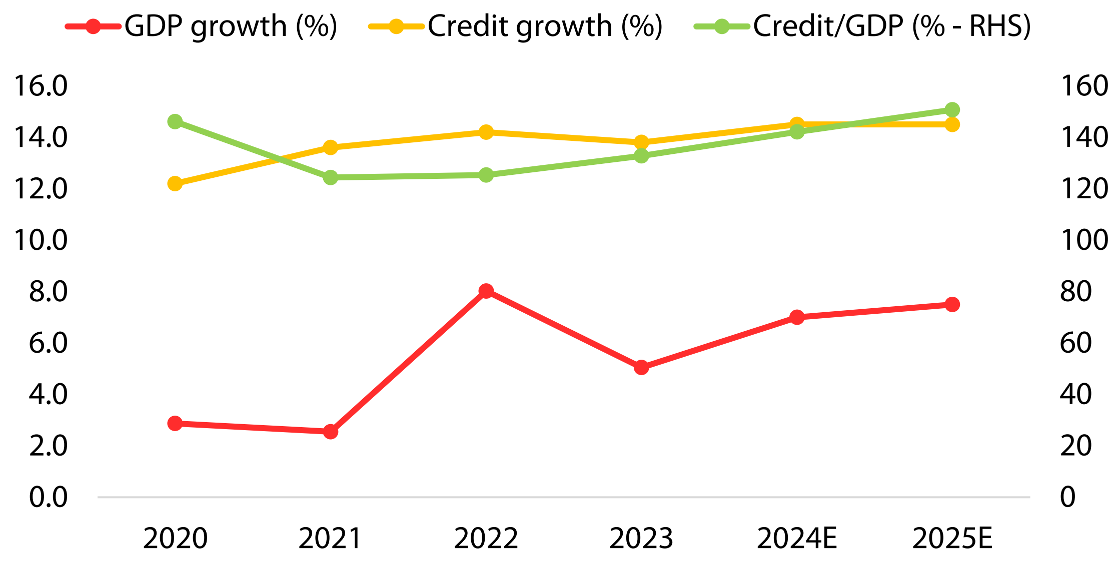
Source: Banks reports, RongViet Securities, SoB: VCB, BID, CTG, Tier-1 Banks: MBB, TCB, ACB, VPB, HDB, Tier-2 Banks: VIB ,OCB*

FAVORABLE ENVIRONMENT FOR CREDIT GROWTH

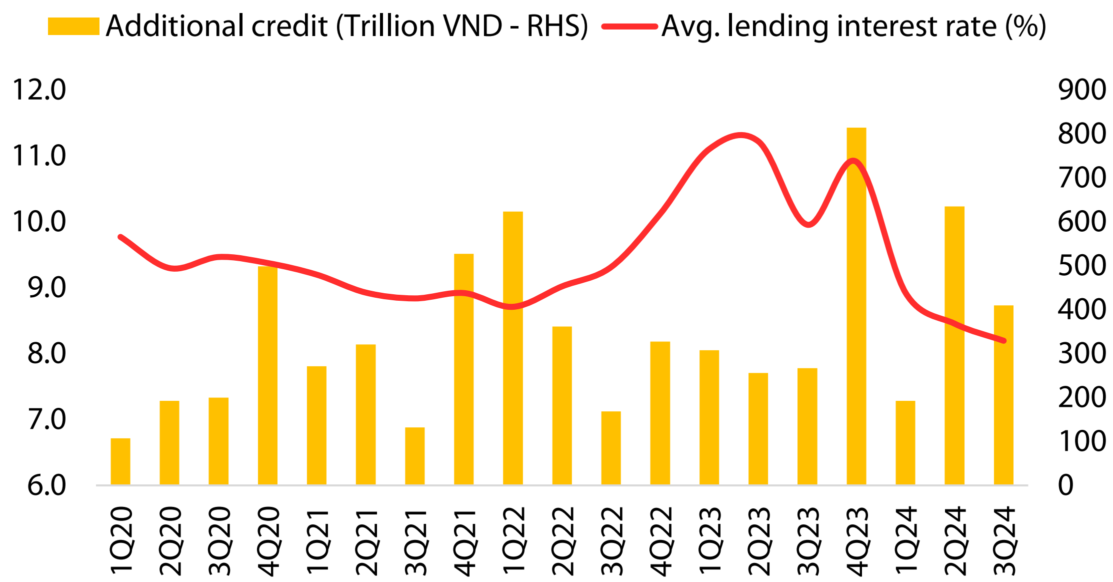
The strong economic growth target for 2025 is a positive indicator of credit demand.

- The government aims for a GDP growth of at least 8.0% and may tolerate some inflation risk, with the CPI expected to rise around 4.5%.
- Regarding **fiscal policy**, the government accepts a budget deficit of 3.6%, implying a significant increase in public investment disbursement and reduced income (such as extending VAT cuts, increasing the minimum wage, etc). We expect positive signals from investment activities in production expansion and consumption.
- We believe the SBV will maintain a "flexible easing" **monetary policy** to stimulate growth. As a result, the SBV will not alter managing interest rates (refinancing and rediscount rates) but will adjust open market rates flexibly to manage exchange rates and system liquidity.
- **Lending interest rates** may rise slightly again (2025F: +50 bps) as economic activities recover, but this will have little impact on credit demand.

Public investment, Private investment, and Trade as key drivers of economic growth in 2025

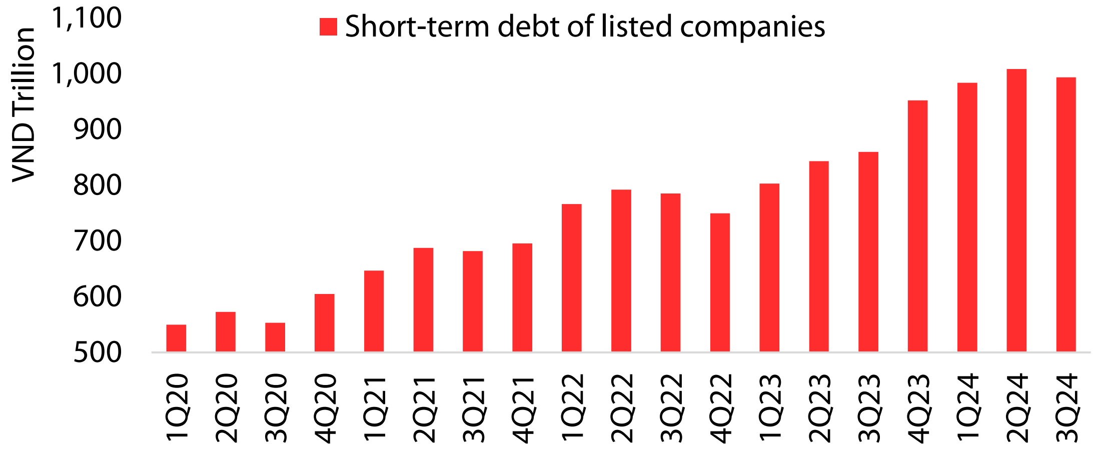


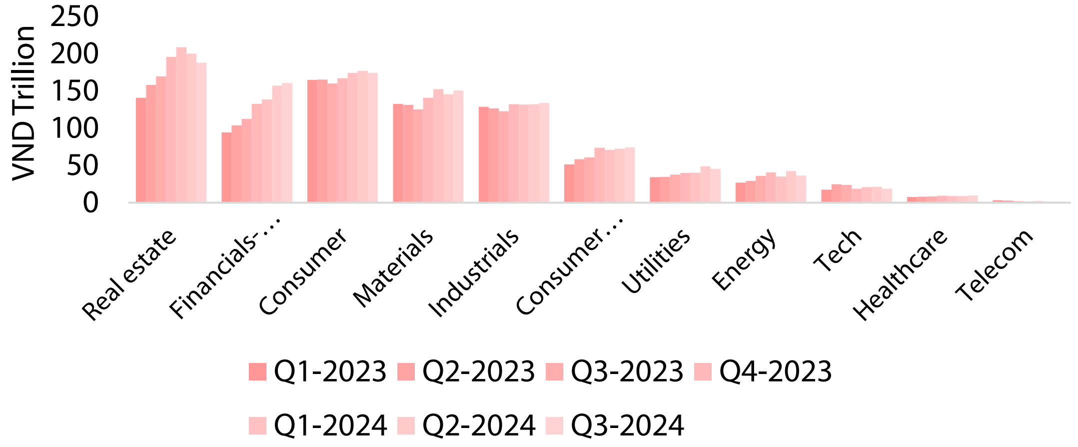
Lending interest rates may increase slightly, but remain low and continue to stimulate credit demand



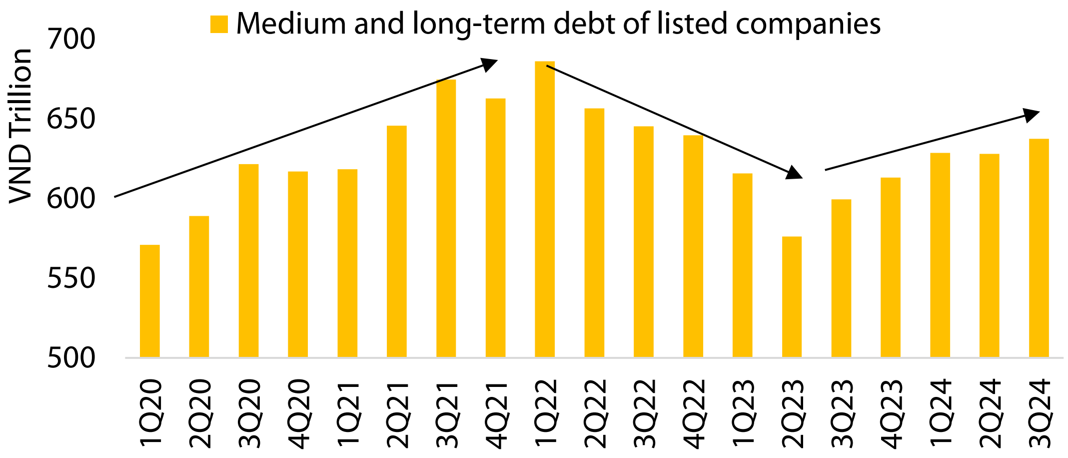
Source: GSO, SBV, Bloomberg, Banks reports, RongViet Securities

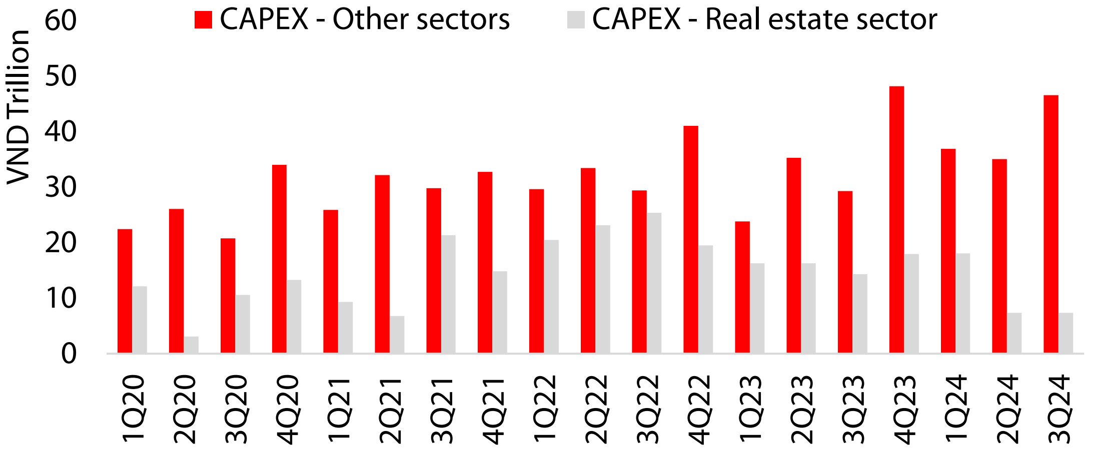
Short-term credit demand of listed companies remains positive, supported by debt restructuring needs of real estate firms and working capital requirements of other manufacturing companies





Medium- and long-term credit demand is expected to continue rising due to lower lending rates, facilitating access to capital for businesses expansion

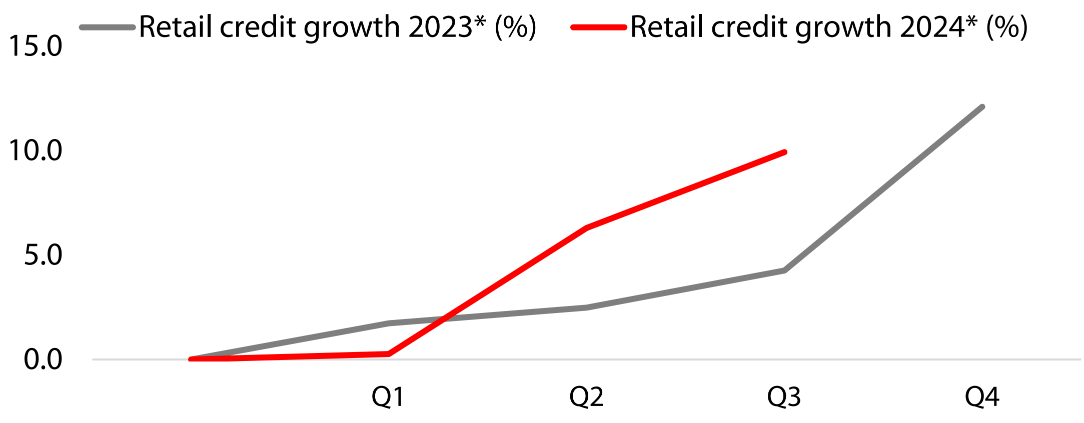


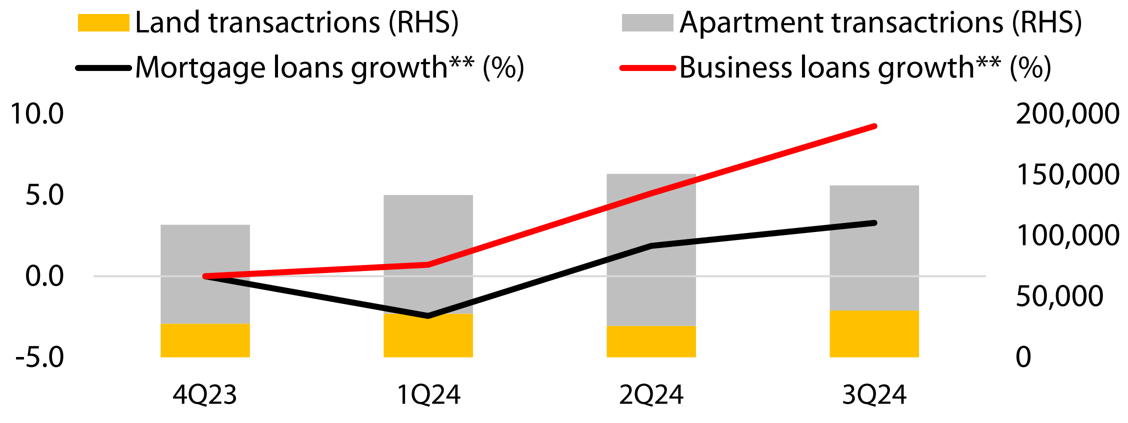


Source: Listed companies reports in HOSE, HNX and UPCoM, RongViet Securities

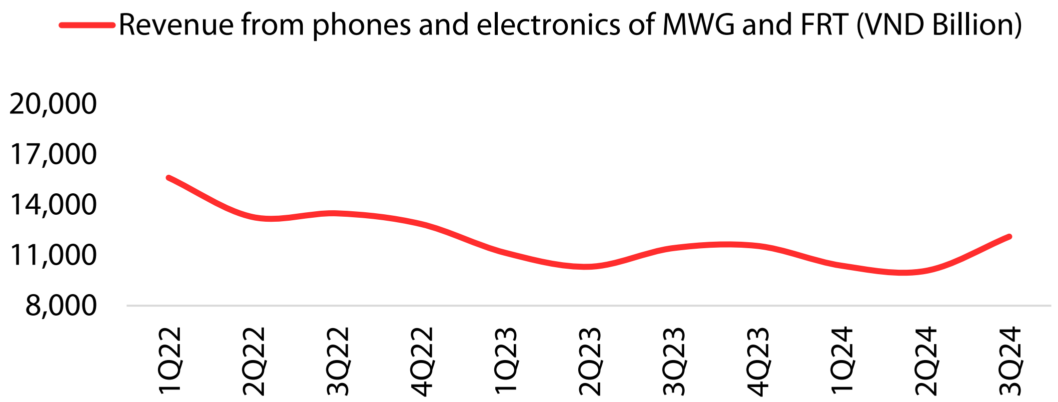
RETAIL LENDING: AWAITING DISCRETIONARY SPENDING TO PICK UP

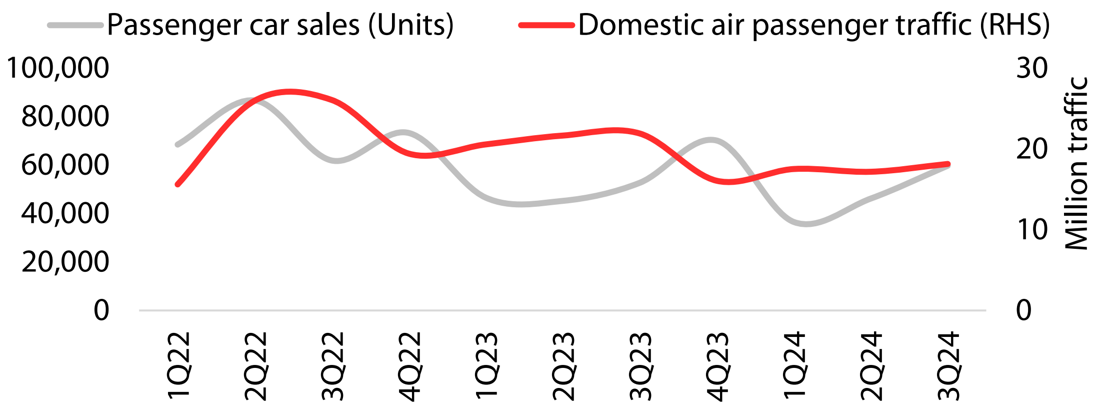
Retail lending shows improved growth compared to 2023, driven by business loans, while consumer loans and mortgage loans (with higher NIM) have not yet recovered clearly





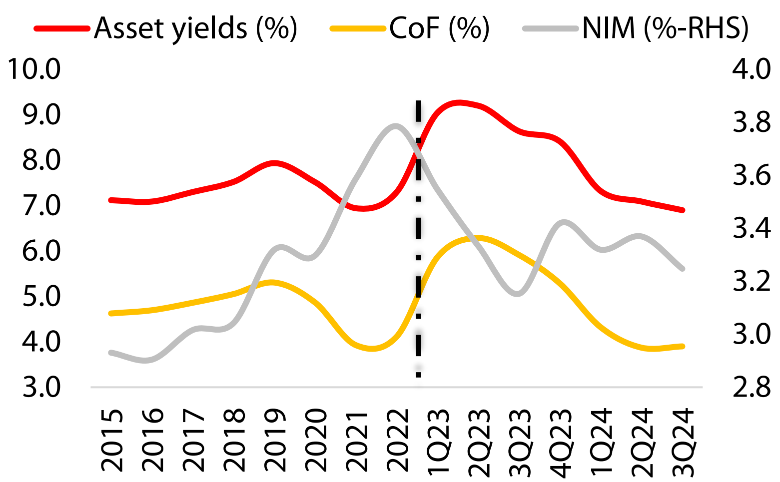
Non-essential spending has bottomed out and is improving slowly, partly supported by fiscal policies (VAT reduction, car registration fee reduction, etc.), reflecting limited growth in disposable income

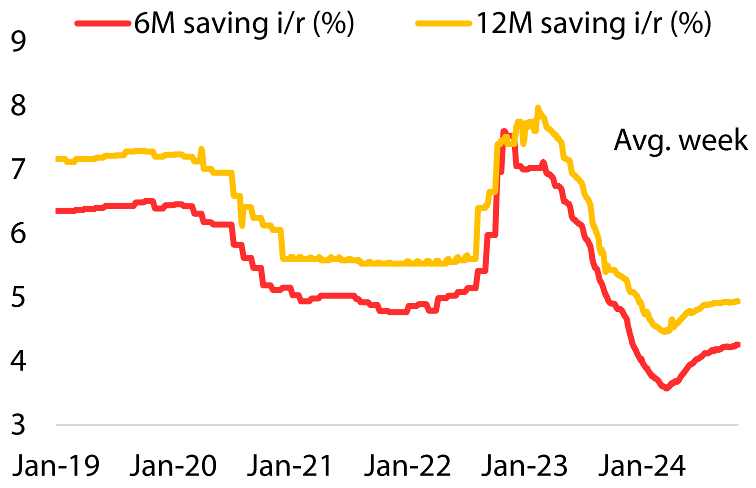




*Source: Banks reports, Ministry of Construction, VAMA, ACV, MWG, FRT, RongViet Securities *19 listed banks reports** Included BID, CTG, VCB, TCB, HDB, VIB*

Funding costs are likely to increase faster than asset yields in 2025



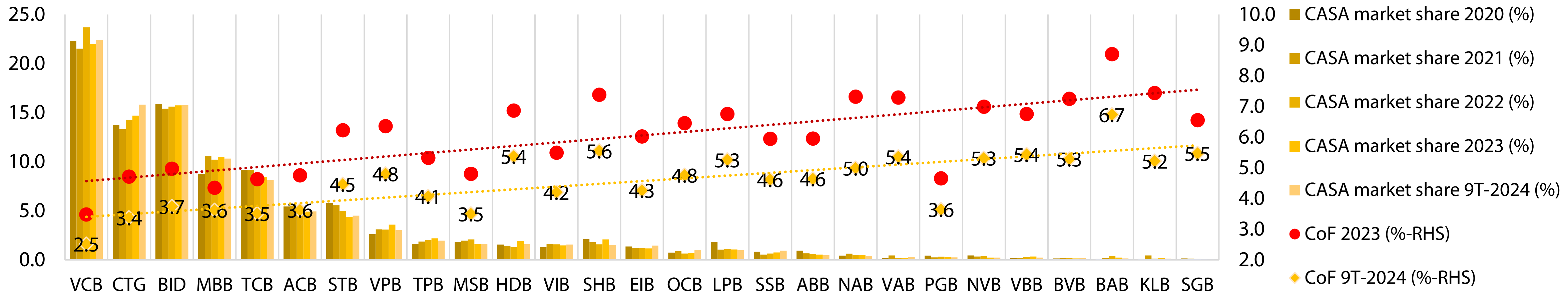


Funding costs rise faster than asset yields, putting pressure on NIM

- Funding costs are expected to increase by 50 bps due to the return of credit demand (interbank liquidity is tightening compared to 2023), and the need for medium-to-long-term mobilization to meet safety margin ratios, not to mention that the SBV may raise interest rates in the open market to manage exchange rate pressures in 2025.
- Lending interest rates will still be under pressure from competition, causing the margin between input and output interest rates to narrow. However, the trend of improving asset quality could be a surprising boost for NIM in some banks.

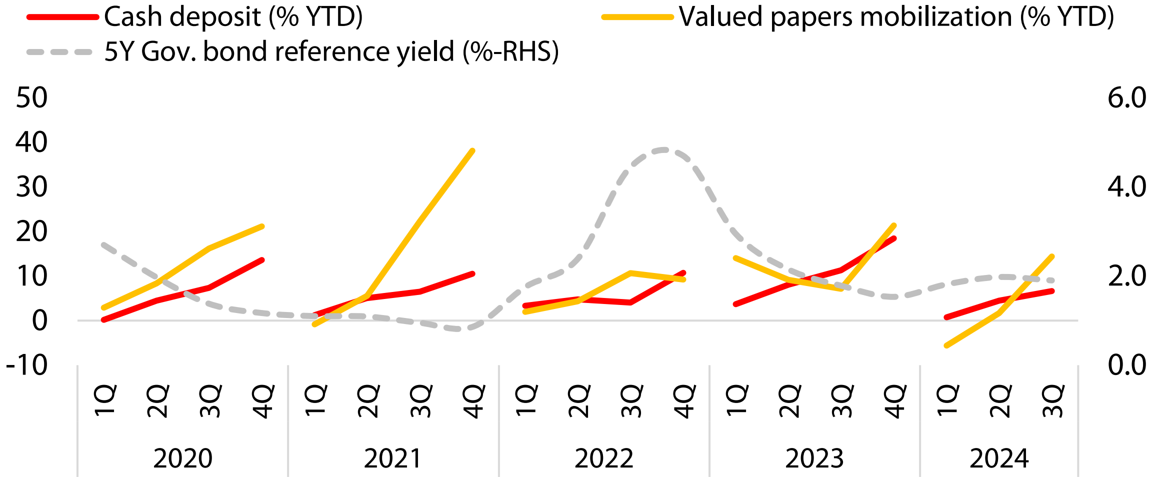
State-owned banks, with advantages in CoF, and banks with promising asset quality outlooks, will have NIM that are more resilient to interest rate fluctuations in the market

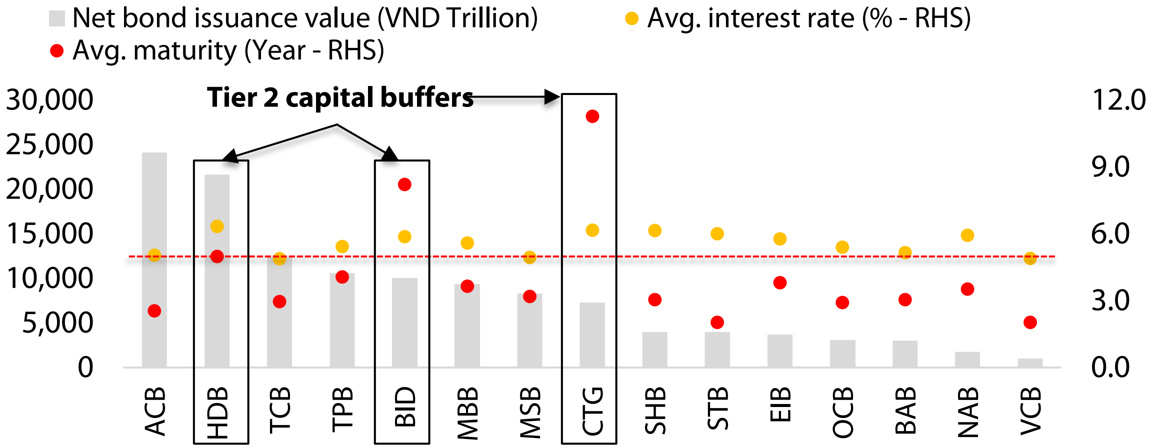
State-owned banks increase their CASA market share in 9M-2024, leading in low CoF



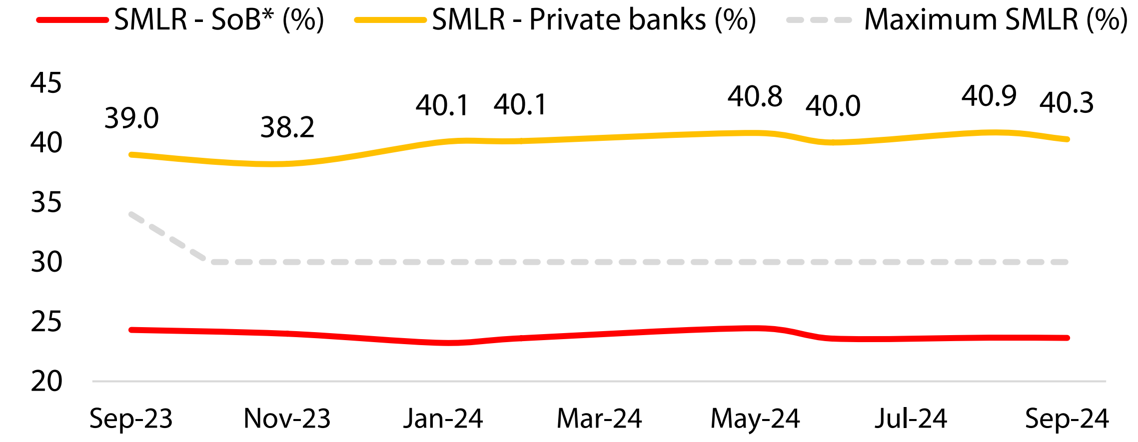
Source: Banks reports, RongViet Securities

Banks leverage the low interest rate environment to boost mobilization from valued papers in order to meet short-term capital requirements for medium-to-long-term lending (SMLR) and increase Tier 2 capital buffers (at HDB, BID, and CTG)

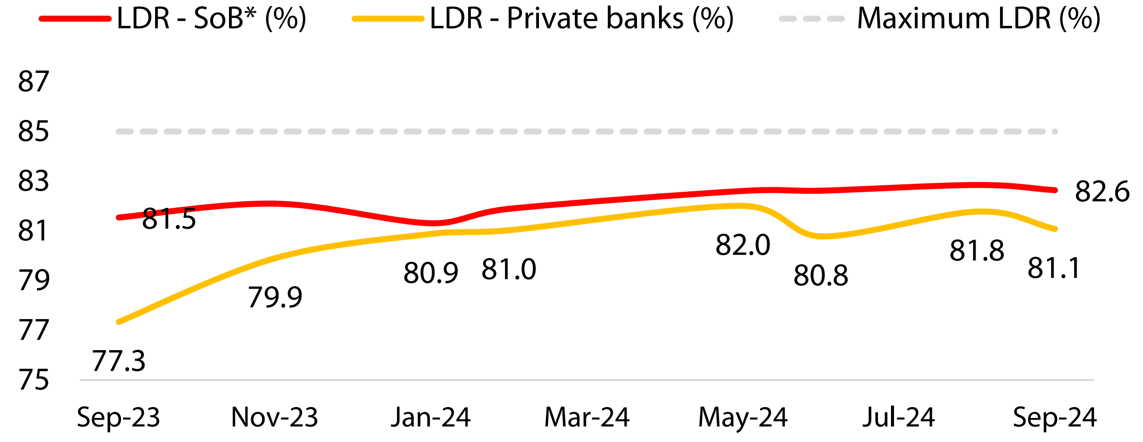




Private banks will continue to raise capital with longer maturities in 2025 to meet SMLR requirement



Liquidity pressure on private banks has increased since Sep-2023, although they still comply with LDR regulations



*Source: Banks reports, SBV, RongViet Securities *Big 4 and 3 zero-dong banks*

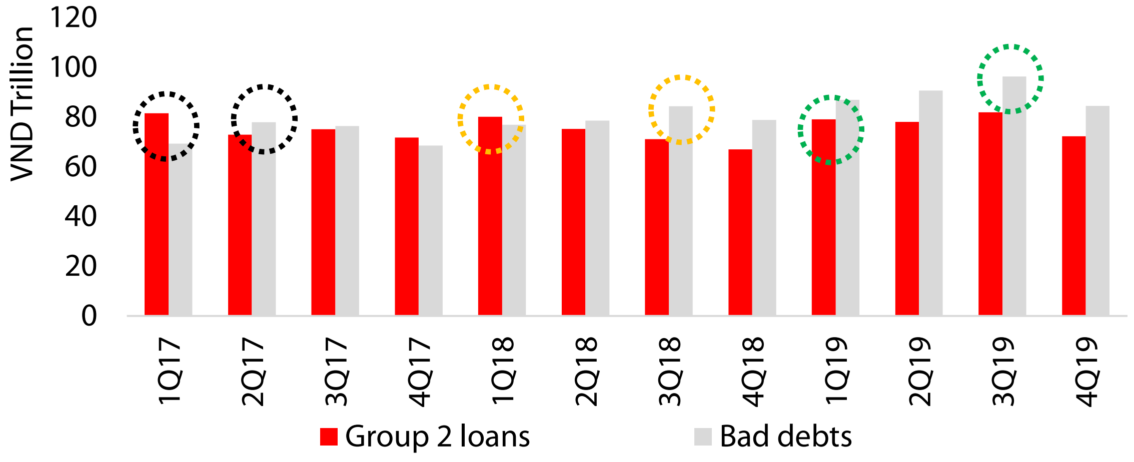
NPLs on the balance sheet have yet to peak, even though the upward trend in Group 2 loans ended in Q2-2023. This is due to potential bad debts stemming from loans that have been restructured with extended repayment terms and retained in their original debt group.

- Looking back at debt group trends before COVID-19, the rise in NPLs (Groups 3-5) typically ended 1 to 2 quarters after the increase in Group 2 loans. This reflects Group 2 loans' early indication of difficulties or improvements in customers' cash flow.
- However, since 2020, ***regulations on restructuring repayment terms and retaining debt group classifications have reduced the predictive value of Group 2 trends for NPLs. Many potential NPLs remain classified in Group 1 due to the retention of original debt group classifications***. Therefore, the peak in NPLs can only be fully assessed once all potential bad debts are revealed, no longer protected by their original classifications. This was evident during the period from Q3-2022 to Q1-2023.

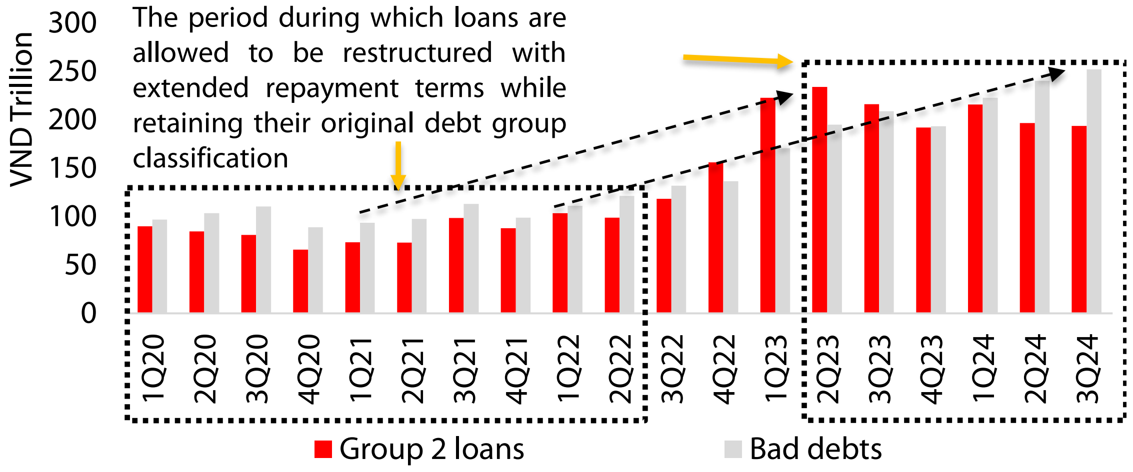
NPLs may continue to rise slightly in 2025 after Circular 02 expires on Dec 31, 2024

- As of the end of August 2024, restructured debt under Circular 02 totaled approximately VND 126 trillion. Based on SBV data, we estimate that potential NPLs (including restructured debt, unresolved VAMC debt, and corporate bonds with extended repayment periods) at the end of Q3-2024 (excluding the three zero-dong banks and two banks under special control) accounted for roughly 70% of the total on-balance-sheet NPLs across the system. There is concern that part of this outstanding debt could be reclassified as NPLs in 2025.

Bad debts typically decline from 1 to 2 quarters after Group 2 loans peaks during the period 2017 - 2019



Potential NPLs (restructured debts) caused on-balance-sheet NPLs to rise, even as Group 2 loans remain unchanged



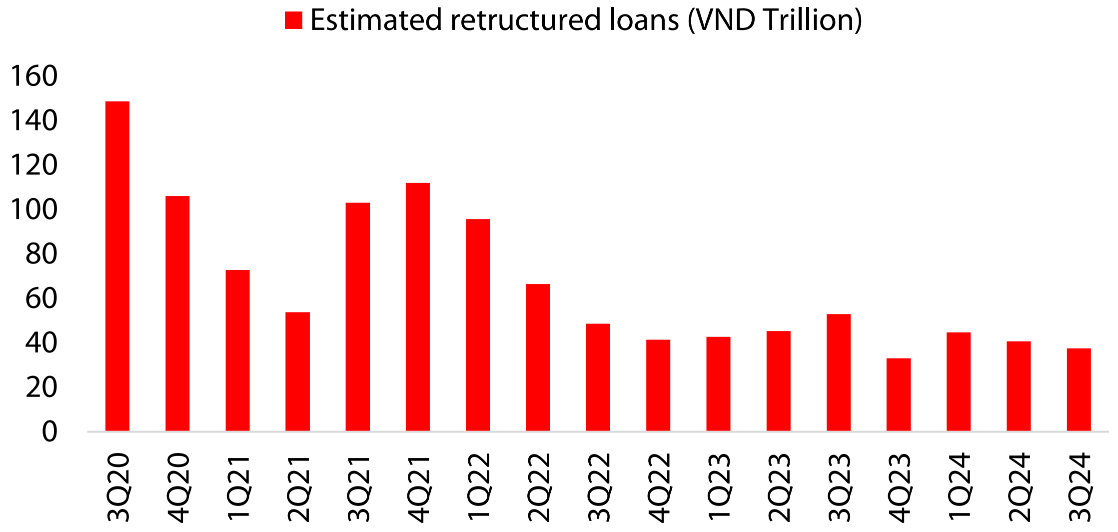
Source: 27 banks reports, RongViet Securities

The increase in bad debts after Circular 02 expires is unlikely to significantly impact the ability to control on-balance-sheet NPLs, as specific provisions have been adequately allocated.

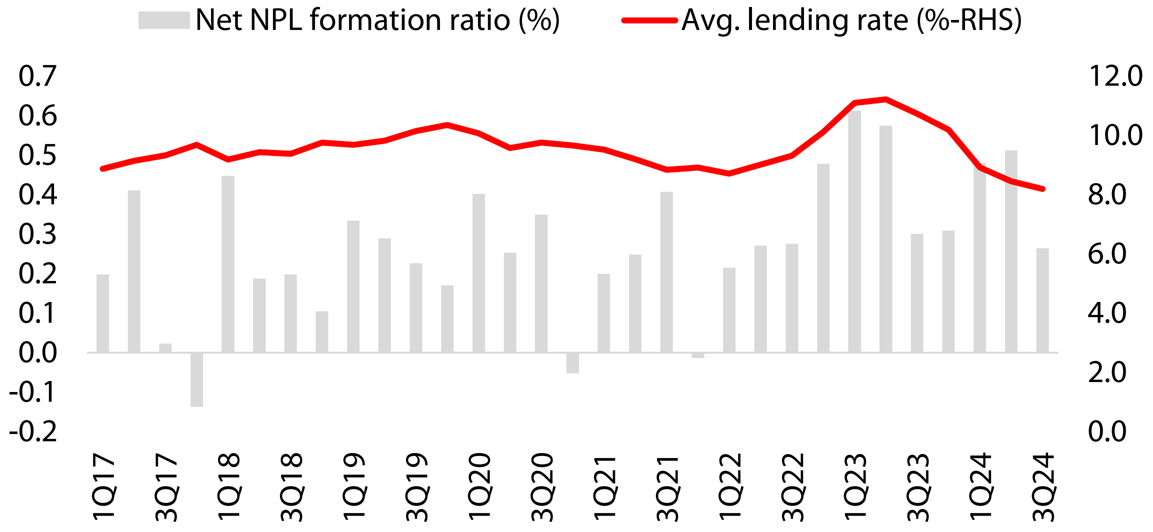
- In 10 banks under our coverage*, restructured loans have gradually declined and stabilized at around VND 40 trillion over the past four quarters. Excluding VPB, most banks in this list have prudently made additional provisions, particularly among state-owned banks. We estimate the provisioning ratio for restructured loans to be above 50%. Therefore, the expiration of Circular 02 will only impact the on-balance-sheet NPLs of a small number of private banks in 2025.

SBV issued Circular 53/2024/TT-NHNN, allowing loans affected by Typhoon No. 3 to be restructured and retained in their original debt group until the end of 2026. According to SBV, the outstanding debt impacted by Typhoon No. 3 was approximately VND 192 trillion as of November 2024. Therefore, the pressure to increase NPLs will be mitigated when Circular 02 expires.

Retructured loans of banks under our coverage*



The scale of newly formed NPL has shown signs of gradually shrinking following a reduction in lending interest rates

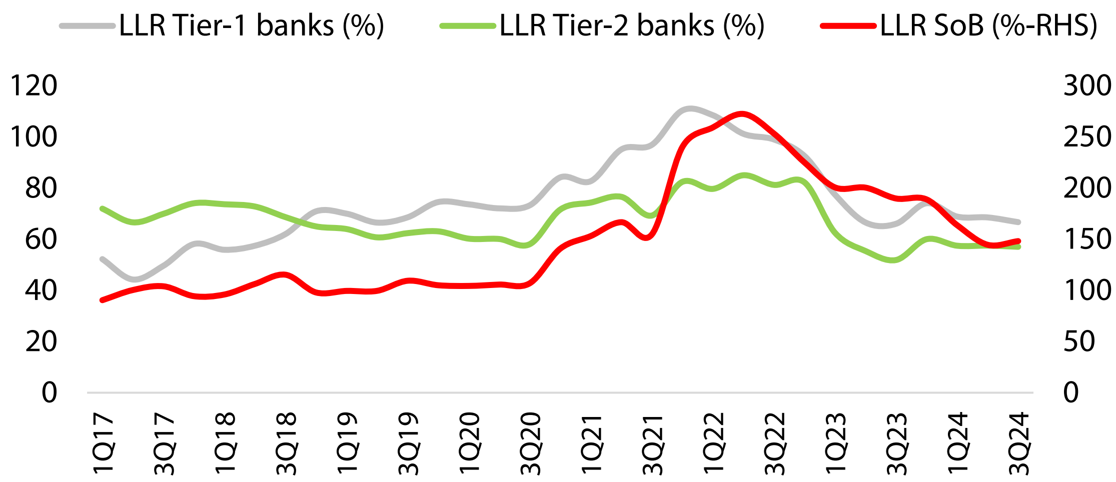


*Source: Banks reports, RongViet Securities * 10 banks: VCB, BID, CTG, MBB, TCB, ACB, VPB, HDB, OCB, VIB,*

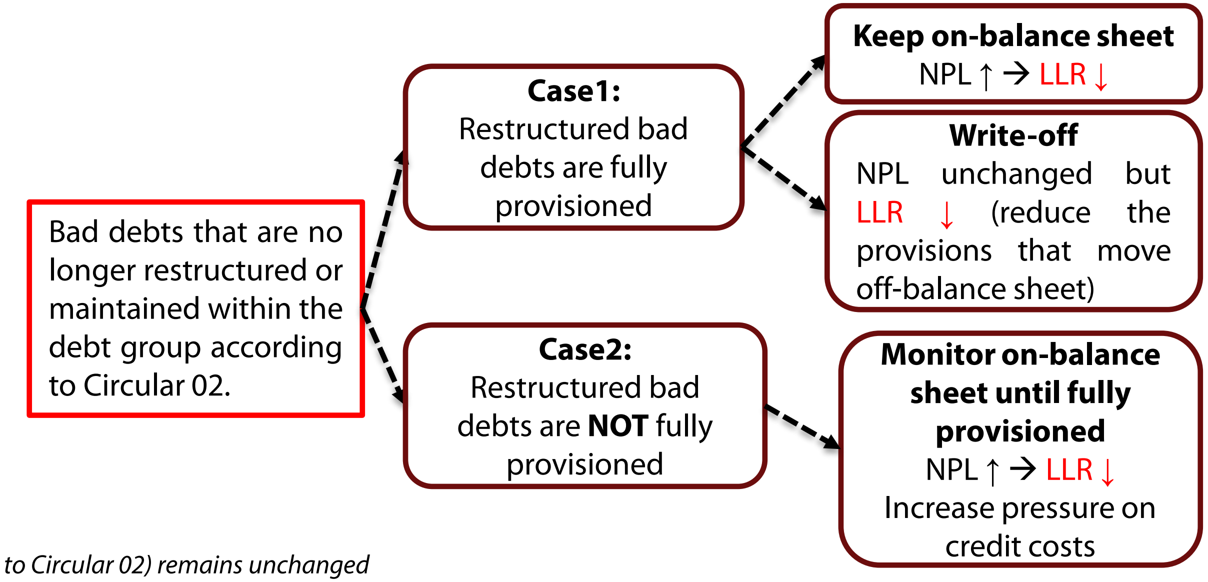
THE BAD DEBT COVERAGE RATIO MAY CONTINUE TO DECREASE

- The allowance to maintain the debt group classification since Q1-2020 (Circular 01 and Circular 02), combined with the additional provision for these restructured debts (a form of "potential bad debt" within groups 1 and 2 due to maintain the debt group classification), has caused the bad debt coverage ratio across the industry to continuously increase since 2020. It peaked in the first half of 2022 and began to decrease in the second half of 2022 when Circular 01 expired (due to bad debts being revealed, with a portion moved off-balance sheet after full provisions were made), alongside an increase in other bad debts due to the weakening macroeconomic conditions.
- When potential bad debts are no longer restructured or maintained debt group according to Circular 02 (by August 2024: 126 trillion VND), they will continue to erode the bad debt coverage ratio of banks, regardless of whether full additional provisions have been made.
- Additionally, since the scope of restructured debts and maintained debt groups will narrow (only around 190 trillion VND in outstanding loans are affected by typhoon number 3), state-owned banks will not need to maintain as high of a bad debt coverage ratio as they did during the 2020-2022 period.

Banks have tended to provision prudently for potential bad debts from 2020-2022, causing the bad debt coverage ratio to peak



Potential bad debts, once no longer maintained within the debt group, will erode the banks' provisioning buffers*



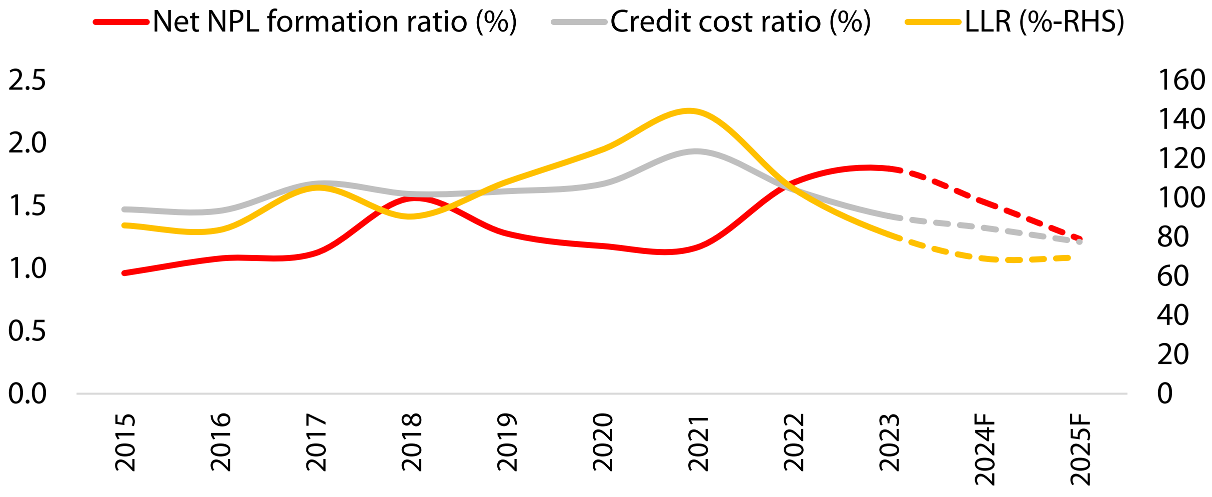
*Source: Banks reports, RongViet Securities * Assuming the debt group of other loans (not restructured according to Circular 02) remains unchanged*

REDUCTION IN CREDIT COSTS IS A POTENTIAL GROWTH FACTOR

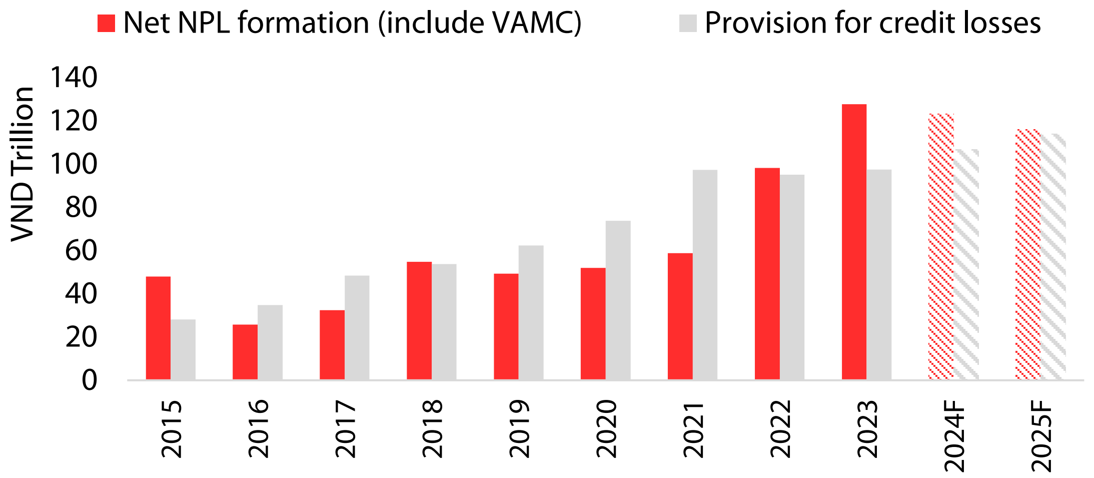
Net bad debt formation ratio and credit costs are forecasted to decline slightly in 2024 and 2025.

- In 9M-2024, net bad debt formation ratio began to decline compared to the same period in 2023, dropping by approximately 20 bps to 1.26%. It is likely that this ratio for the full year 2024 will be lower than in 2023 (1.80%) and continue its slight downward trend in 2025, driven by *improved debt repayment capability* among customers amidst a *projected positive macroeconomic growth outlook* and lending *interest rates that remain low*, but potentially increasing slightly. Other contributing factors include *Government efforts to resolve legal issues for real estate projects* and *most private banks adopting a more conservative credit risk appetite* compared to the period before 2022. **Net NPL formation ratio is projected to decrease by 27 bps/29 bps in 2024F/2025F, reaching 1.5% and 1.2%, respectively.**
- Projected credit costs for 2024 are expected to be lower than the net NPL formation rate, as additional provisions for restructured loans will decrease significantly. However, we maintain a cautious outlook, assuming that credit costs in 2025 will align with the net bad debt formation ratio, as banks are unlikely to allow their bad debt coverage ratios to fall too low.

The trends in credit costs and net NPL formation* are forecasted to align more closely compared to the period before 2023, as they will be less impacted by restructured loans



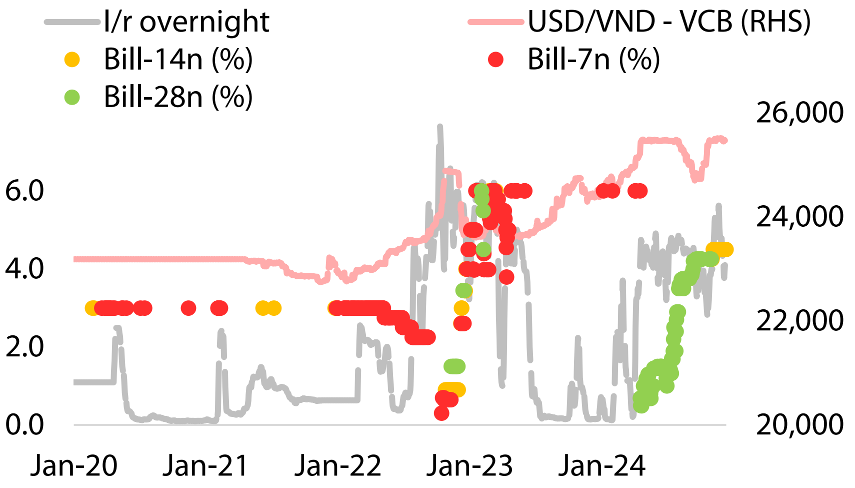
We expect that net NPL formation* (before write-off) may had peaked in 2023

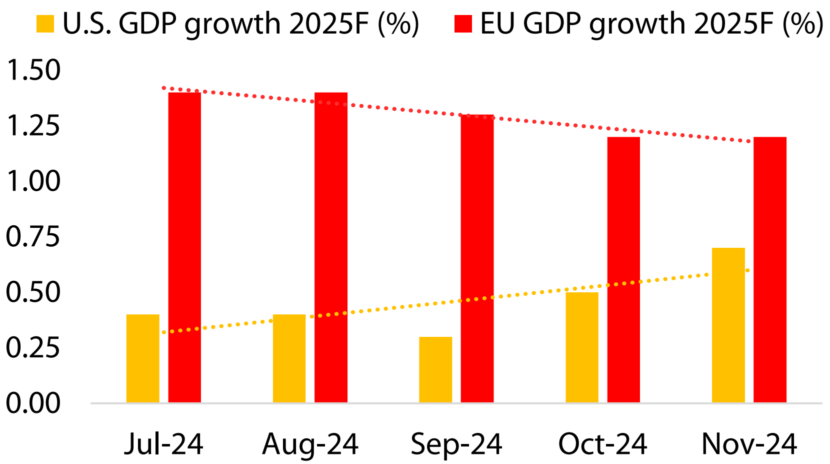


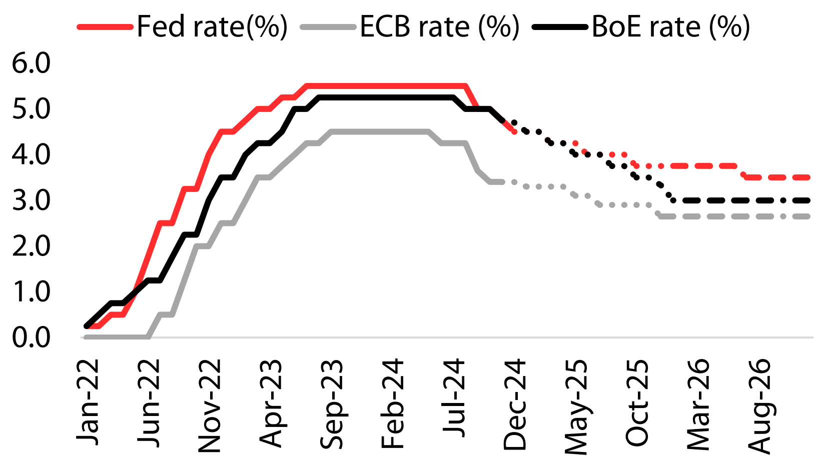
*Source: Banks reports, RongViet Securities * VCB, BID, CTG, MBB, TCB, ACB, VPB, HDB, VIB ,OCB*

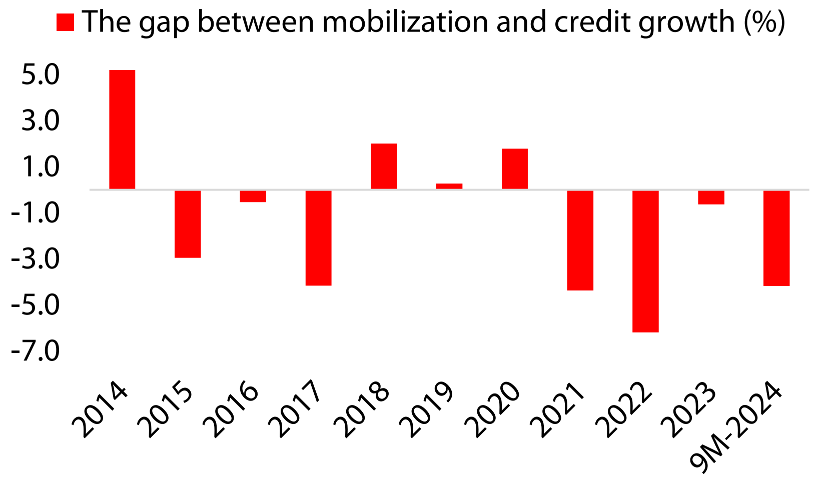
Trump's economic stimulus policy (tax cuts and job creation TCJA) and the increasing uncertainty due to the trade war both support the outlook for investment capital flowing into the U.S., leading to the strengthening of the DXY despite Fed continuing to cut rates. The risk of high exchange rate volatility in 2025 will require SBV's intervention in OMO interest rates, not to mention the possibility of continuing to wind down foreign exchange reserves

The interest rate rising faster than expected which impacts NIM, due to (1) sudden strong exchange rate fluctuations and (2) increased mobilization competition to meet liquidity as credit grows faster than expected.







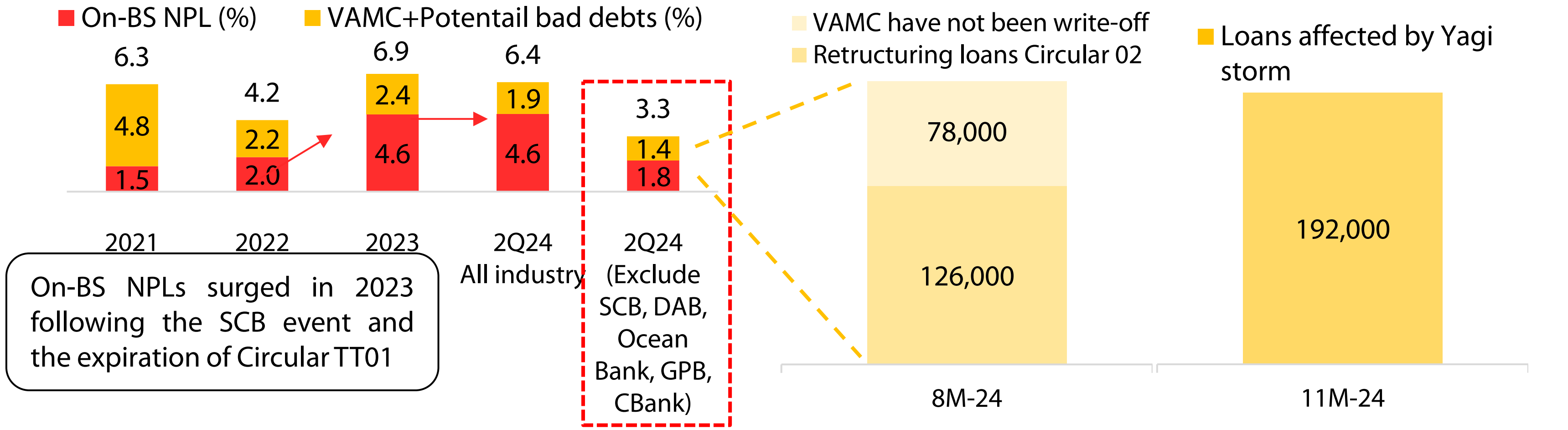


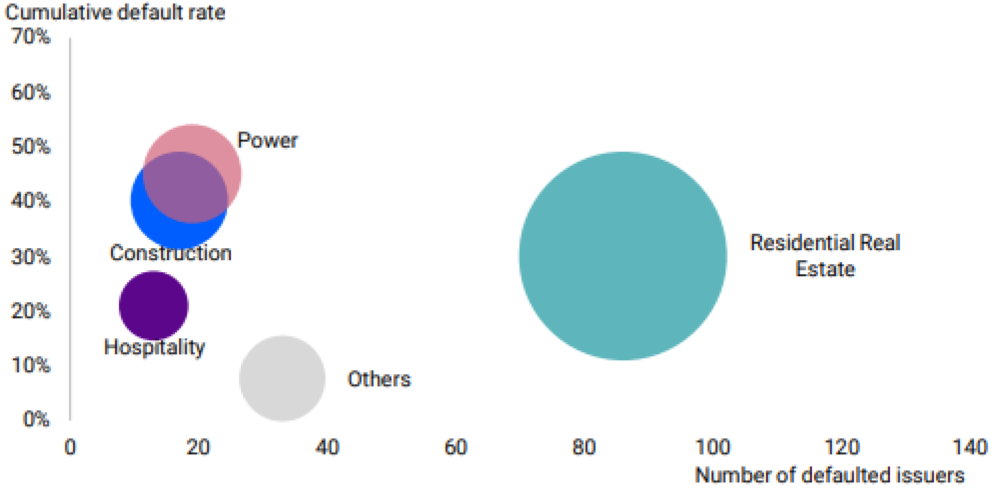
Source: Bloomberg, SBV, S&P Global, RongViet Securities

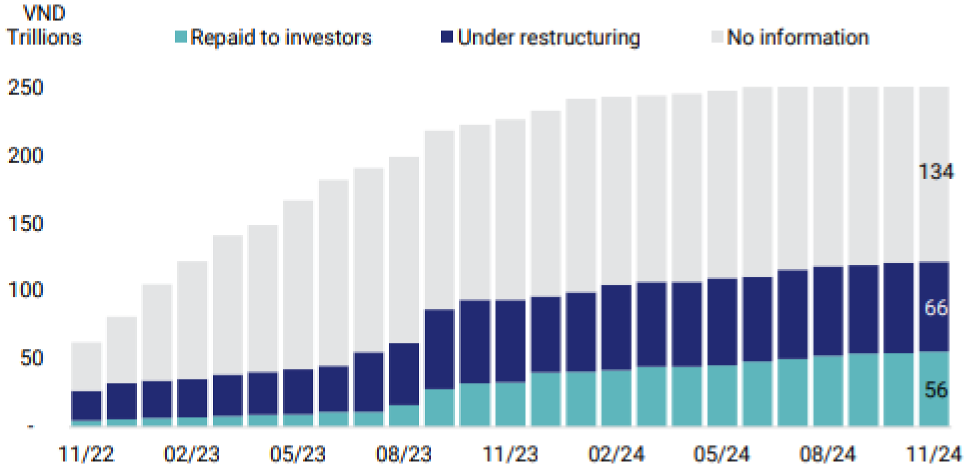
RISKS (2)

The economy may struggle to grow as quickly as expected due to the uncertainty about the scale of potential bad debts and its impact on slowing down the cash conversion cycle through restructured lending

Nearly 550 trillion VND is tied up in SCB bank's bad debts (350 trillion VND ~ 2.5% of the entire system's on-balance-sheet bad debts in Q2-2024) and corporate bonds (over 200 trillion VND), not to mention potential bad debts that have been reported by SBV (400 trillion VND of unresolved VAMC debts, debts under restructuring in Circular 02/2023 and Circular 53/2024), as well as debts under restructuring that have not yet been disclosed







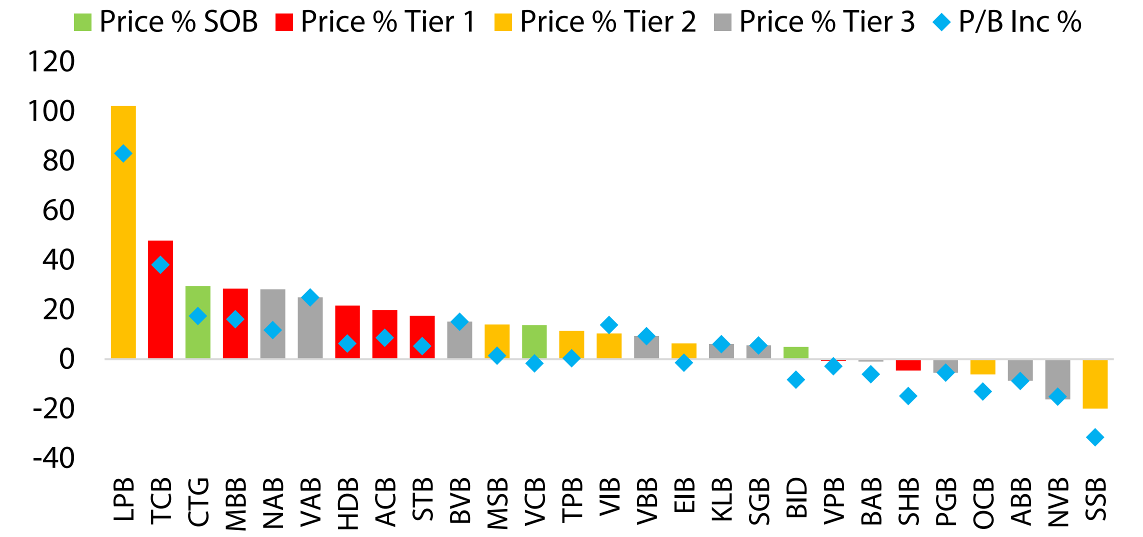
Source: SBV, VIS Rating, RongViet Securities

Income growth diverges clearly based on asset quality, credit policies, and risk management.

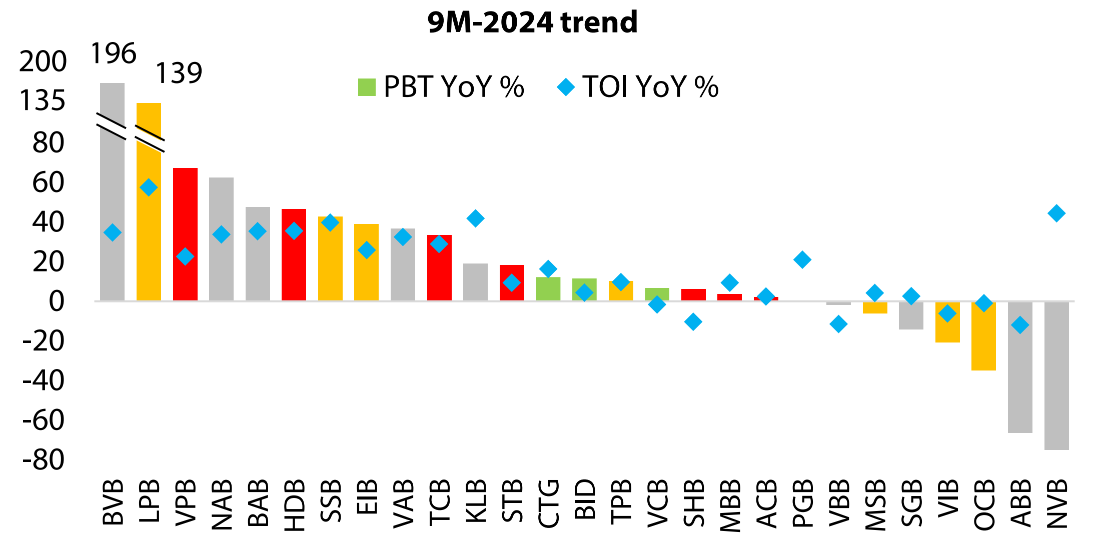
- Private banks show clear polarization in profit growth trends. The group with high PBT growth above 20% achieved robust TOI growth from a low base in the same period (both NIM and credit growth improved significantly), effective CIR control, and reduced credit costs. In contrast, the group with a PBT decline of over 10% faced challenges in TOI growth (mainly due to a significant contraction in NIM) and additional pressure from rising credit costs, as reflected in the gap between TOI and PBT growth.
- State-owned banks achieved moderate growth of 7%-12%, with variations in growth drivers (BID and VCB recorded declines in NIM and credit costs, while CTG experienced the opposite trend).

Although we observe a generally low correlation between income growth and stock performance of banks in 2024, some banks with a significant contribution from changes in the P/B valuation ratio to stock performance show a positive correlation with income growth.

Price trends and the contribution of valuation changes to stock performance of listed banks (%, YTD)



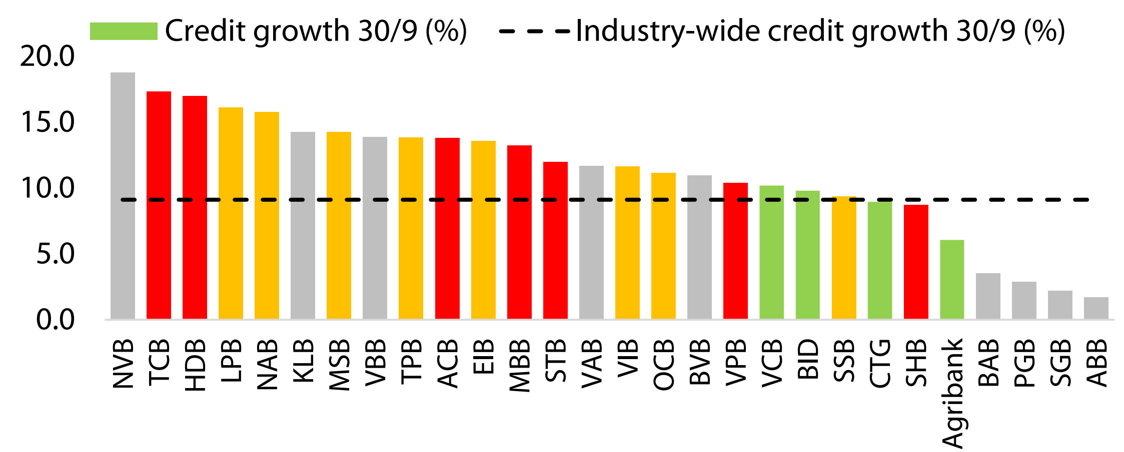
TOI of listed banks increased by 12%, but PBT grew by 16.2% due to a reduction in credit costs



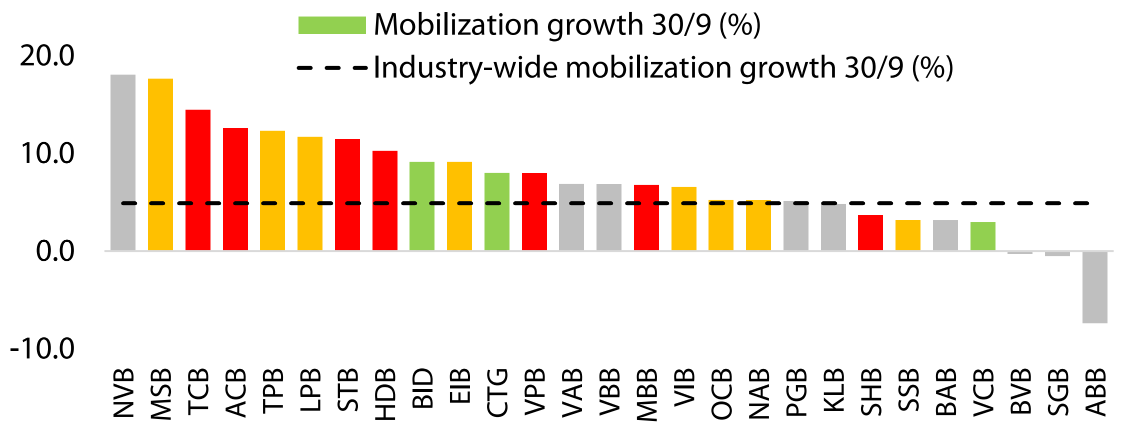
Source: Bloomberg, RongViet Securities . Data as at 25/11/2024. Bank groups classified by total asset size.

APPENDIX - CREDIT AND DEPOSIT GROWTH

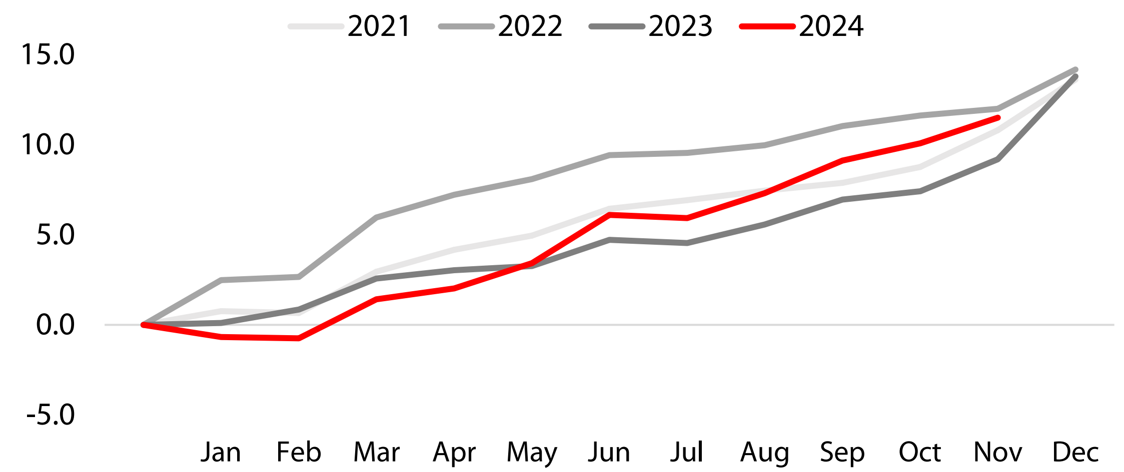
Most private banks achieve outstanding credit growth



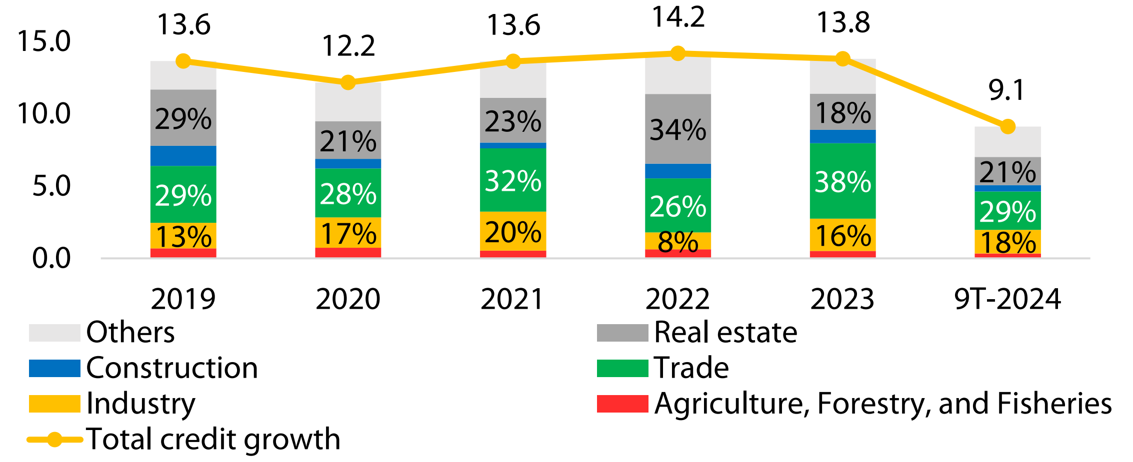
Industry-wide deposit growth is significantly slower than credit growth



Industry-wide credit accelerates from the second half of 2024



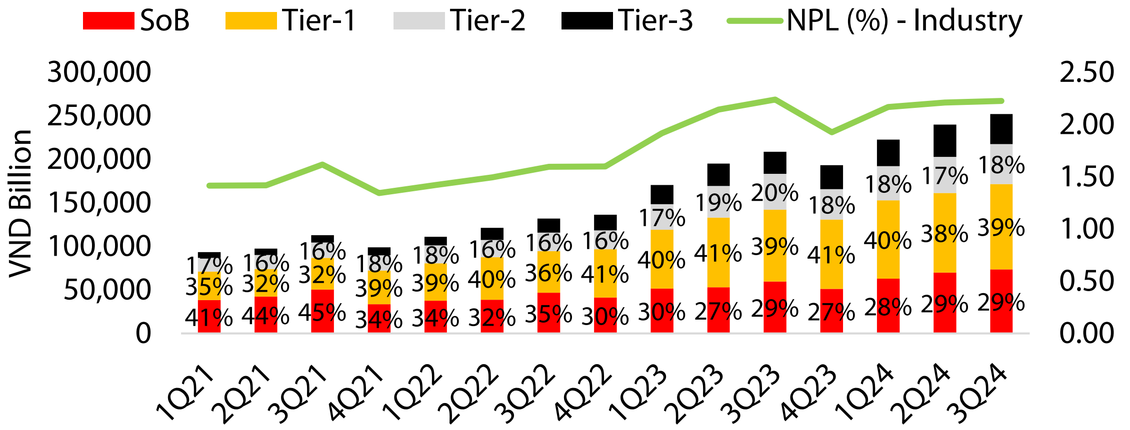
Trade, Real Estate, and Industry are the three main sectors driving credit growth



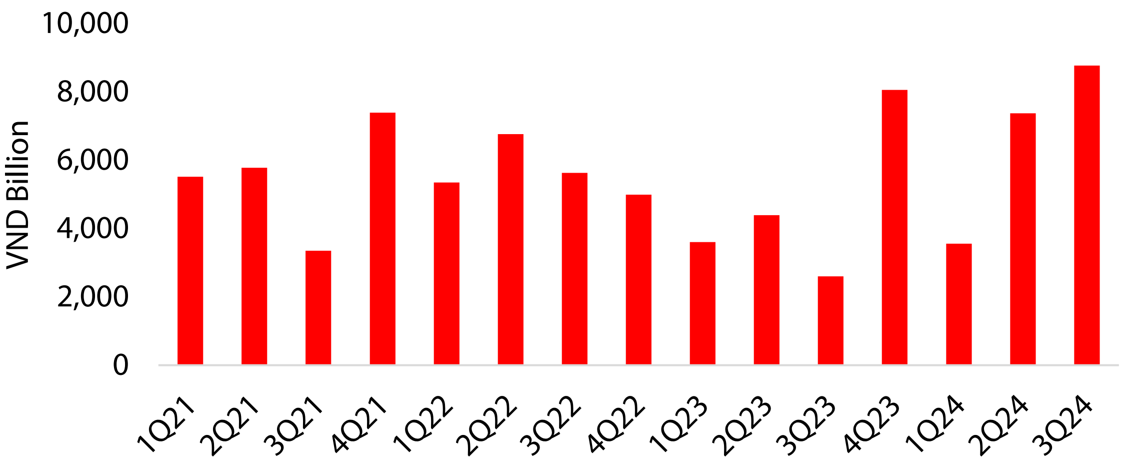
Source: SBV, Banks reports, RongViet Securities

APPENDIX - ASSET QUALITY 9M-2024

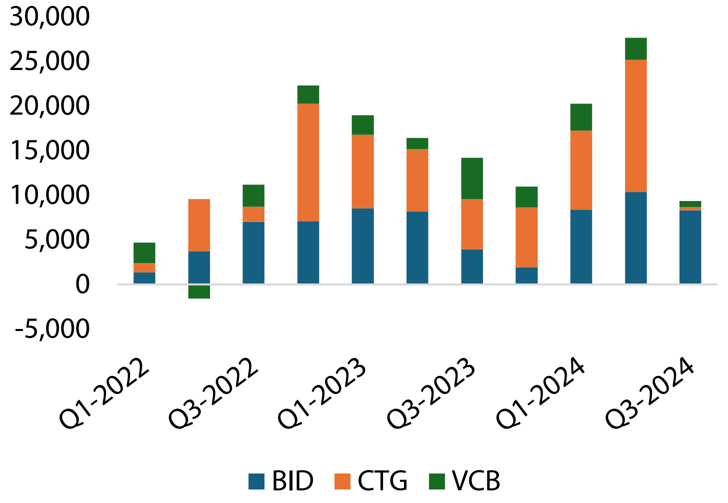
NPL by bank group and NPL ratio in Q3-2024 remained flat compared to the previous quarter at 2.2%

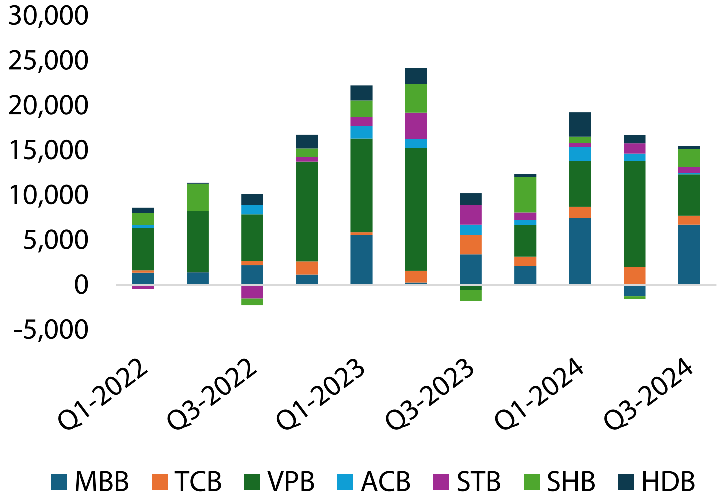


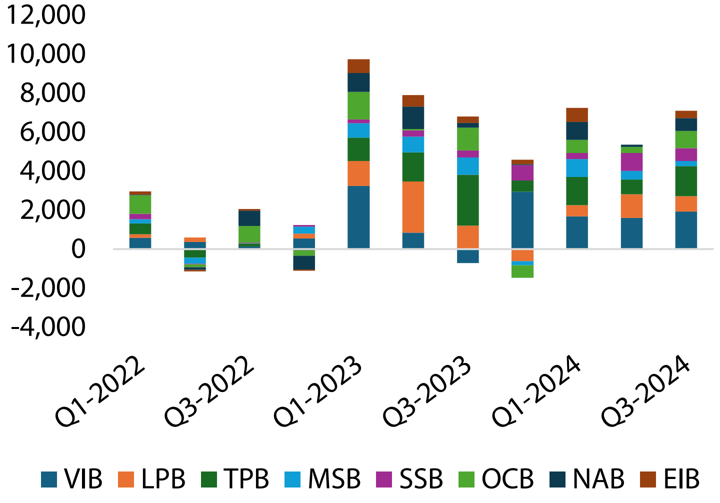
Recovery of bad debts that have been writen-off shows positive progress



Net NPL formation of commercial banks







Source: Banks reports, RongViet Securities

2024E/2025F KEY INDICATORS SUMMARY

	BID		CTG		VCB		MBB		TCB		VPB		ACB		HDB		VIB		OCB	
	2024E	2025F	2024E	2025F	2024E	2025F	2024E	2025F	2024E	2025F	2024E	2025F	2024E	2025F	2024E	2025F	2024E	2025F	2024E	2025F
Growth (%)																				
NII (YoY)	4	15	19	16	7	13	9	19	25	15	26	14	12	16	36	10	-7	20	16	14
TOI (YoY)	2	16	15	14	3	13	14	17	20	11	4	14	4	14	24	10	-7	19	1	18
PBT (YoY)	10	15	18	18	3	17	8	12	17	14	71	18	4	17	33	11	-17	22	-23	34
Credit growth	14.1	12.8	16,7	14,8	13.7	13.2	25.0	24.1	17.9	18.4	16.6	22.7	19.5	19.8	22.0	22.6	19.6	20.2	14.7	16.6
Indicators																				
NIM (%)	2.37	2.39	2,92	2,94	3.00	3.06	4.15	4.05	4.33	4.39	5.70	5.58	3.76	3.78	5.27	5.08	3.71	3.80	3.17	3.11
CIR (%)	34.0	33.3	29,3	28,3	33.4	31.9	29.8	30.2	32.0	32.7	24.3	23.2	32.4	31.8	33.2	34.6	34.6	34.9	34.6	34.9
NPL (%)	1.4	1.3	1,1	1,1	1.1	1.0	1.6	1.6	1.3	1.2	5.1	4.7	1.5	1.4	1.8	1.6	3.7	3.4	3.0	2.6
Credit cost (%)	1.0	1.1	1,7	1,7	0.3	0.2	1.3	1.3	1.0	0.8	3.9	3.6	0.4	0.3	1.1	0.9	1.5	1.4	1.4	1.2
LLR (%)	117	107	162	193	208	191	73	88	102	110	57	69	83	90	72	74	48	54	63	64
ROE (%)	18.1	18.1	16,4	16,8	19.6	19.2	21.2	19.5	15.1	15.6	9.9	10.7	21.7	21.3	27.0	24.6	17.9	19.3	8.5	10.4
Valuation																				
Market price (VND)*	38,200		37,200		92,000		21,500		23,600		18,800		25,100		24,400		19,100		10,800	
BVPS (VND)	24,336	28,535	27.225	31.854	35,294	41,908	18,437	21,763	20,513	22,390	19,731	20,817	18,729	22,073	15,746	19,013	14,090	15,735	12,589	13,781
P/B (times)	1.9	1.6	1,3	1,1	2.6	2.2	1.3	1.1	1.2	1.1	1.0	0.9	1.3	1.1	1.5	1.2	1.4	1.2	0.9	0.8

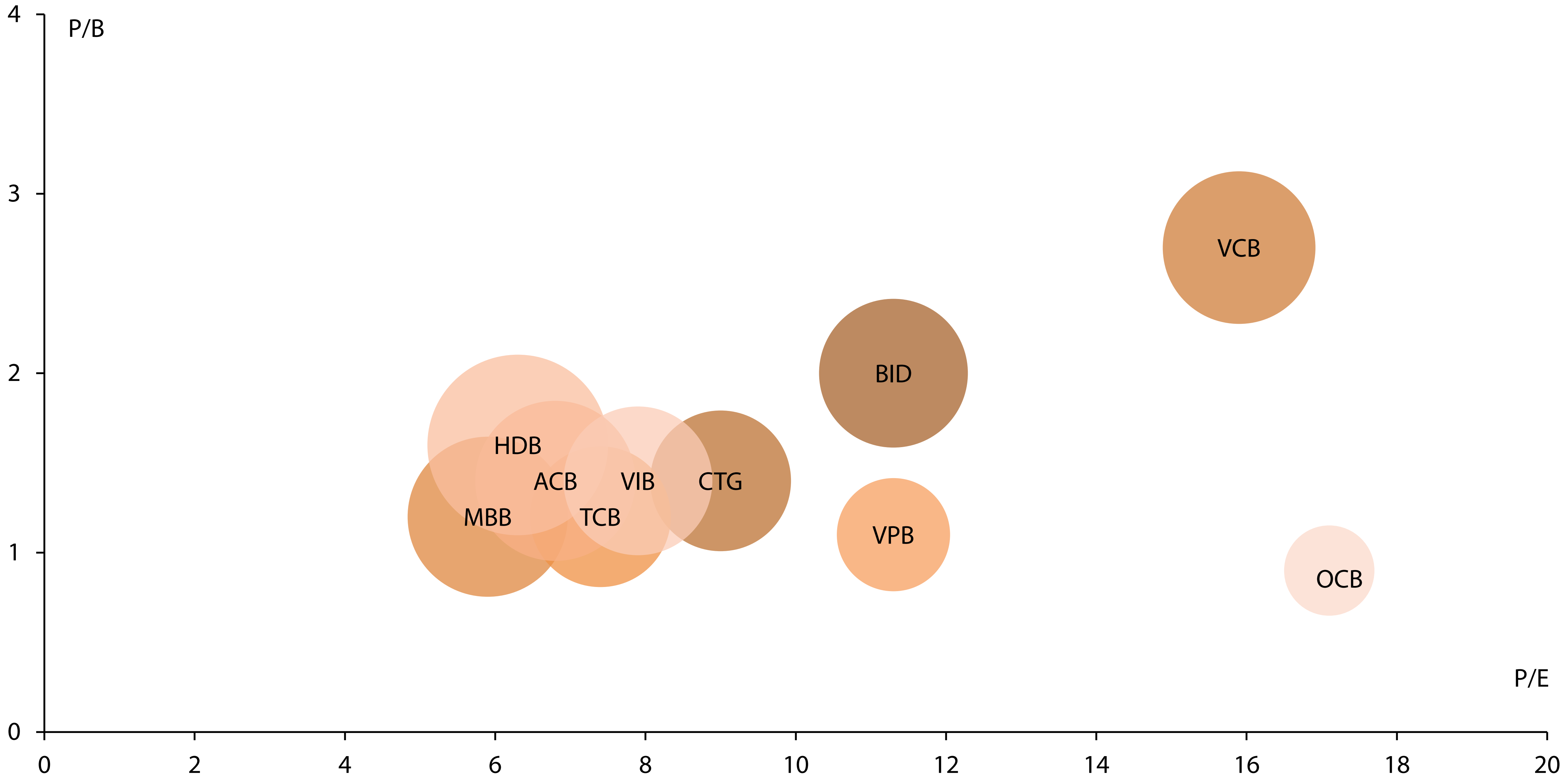
*Source: RongViet Securities; *As of Jan 3rd 2025*

FINANCIALS COMPARISON (TTM)

Stock	Market cap. (VND Bn)	Target price (VND)	Total expected return* (%)	NII (TTM, %YoY)	NFI (TTM, %YoY)	TOI (TTM, %YoY)	NPAT (TTM, %YoY)	NIM (TTM)	NPL ratio (%)	ROA (%)	ROE (%)	PB	Div. yield (TTM, %)
BID	275,556	41,600	8.9	2.8	5.2	7.5	19.7	2.5	1.7	1.0	18.2	1.9	0.0
CTG	200,838	45,100	21.2	18.1	-4.9	13.9	19.5	3.0	1.4	1.1	16.7	1.4	0.0
VCB	513,637	108,100	17.5	-2.3	-4.4	-5.1	3.0	3.0	1.2	1.9	20.2	2.7	0.0
MBB	131,199	24,150	14.7	0.1	20.5	7.0	11.6	4.3	2.2	2.3	21.8	1.2	2.1
TCB	169,203	26,500	18.6	28.2	3.7	25.9	32.0	4.4	1.3	2.7	16.9	1.2	6.2
VPB	148,364	22,300	21.7	25.4	-8.9	17.8	28.1	5.9	4.8	1.6	10.6	1.1	5.2
ACB	111,443	32,500	33.5	7.5	-0.8	3.2	9.0	3.8	1.5	2.3	22.9	1.4	4.0
HDB	82,134	24,300	3.7	53.4	-34.4	36.7	53.5	5.9	1.9	2.3	27.6	1.6	4.2
VIB	57,944	22,700	25.4	-5.3	-6.4	0.6	-19.1	4.0	3.9	1.7	19.5	1.4	6.5
OCB	26,384	12,400	14.8	0.3	-13.7	-7.3	-51.6	3.2	3.2	0.9	7.4	0.9	0.0

*Source: RongViet Securities; *As of Jan 3rd 2025*

PE, PB AND ROE (TTM)

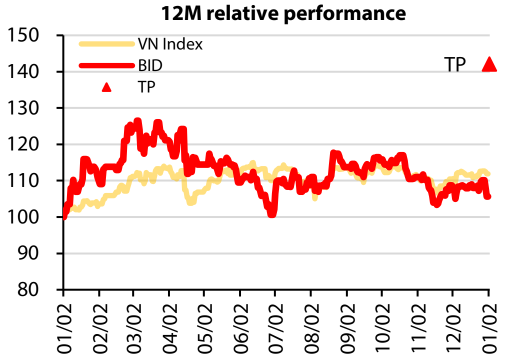


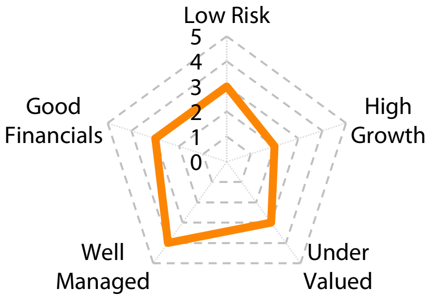
Source: Banks reports, Fiinpro, RongViet Securities , ROE = bubble size

STABLE GROWTH ALIGNED WITH TOTAL ASSET SIZE

HSX: BID

ACCUMULATE: 9% **MP: 38,200** **TP: 41,600**





STOCK INFO

Sector	Banks
Market Cap (USD Mn)	10,856
Current Shares O/S (Mn shares)	6,898
3M Avg. Volume (K)	2,760
3M Avg. Trading Value (VND bn)	108
Remaining foreign room (%)	10.8
52-week range ('000 VND)	35.54 - 46.86

FINANCIALS

FINANCIALS	2023A	2024F	2025F
TOI (VND bn)	73,013	74,835	87,405
NPATMI (VND bn)	21,505	23,732	27,386
ROA (%)	1.0	1.0	1.0
ROE (%)	18.9	18.1	18.2
EPS (VND)	2,739	3,019	3,470
Book Value (VND)	17,813	20,112	23,583
Cash dividend (VND)	0	0	0
P/E (x)	13.1	12.7	11.0
P/B (x)	2.0	1.9	1.6

INVESTMENT HIGHLIGHTS

Enhancing profitability and asset quality are keys for BID to achieve more attractive income growth given BID's largest size in the system.

- BID is the largest commercial bank in Vietnam by total assets (VND 2.6 trillion) and credit market share (September 2024: 13.2%). Therefore, maintaining high profit growth at an average of 20-25% in the long term, as in the 2021-2025 period, is highly challenging, given the CAGR of total assets at about 13% in the 2025F-2028F period.
- While we believe that BID can stay focused on its strategic priority in retail lending (with projected credit growth for individual customers in 2024F/25F/26F at 22%/18%/15%, higher than the industry credit growth at 14%/14%/12%, respectively), and help expand NIM by an additional 20 bps by 2028F, the goal of improving asset quality (recovering the bad debt coverage ratio that was impacted in 2024) could affect profit growth in the medium term. The projected CAGR of PBT for the 2025F-2028F period is 14%

Private placements are expected to further strengthen the valuation and CAR ratio.

- The first private placement (2.17% of outstanding shares at the end of 2023) will be completed in Q1-2025, and we believe that BID is likely to conduct further private placements in the coming years to match the previous plan of issuing a total of 9%.

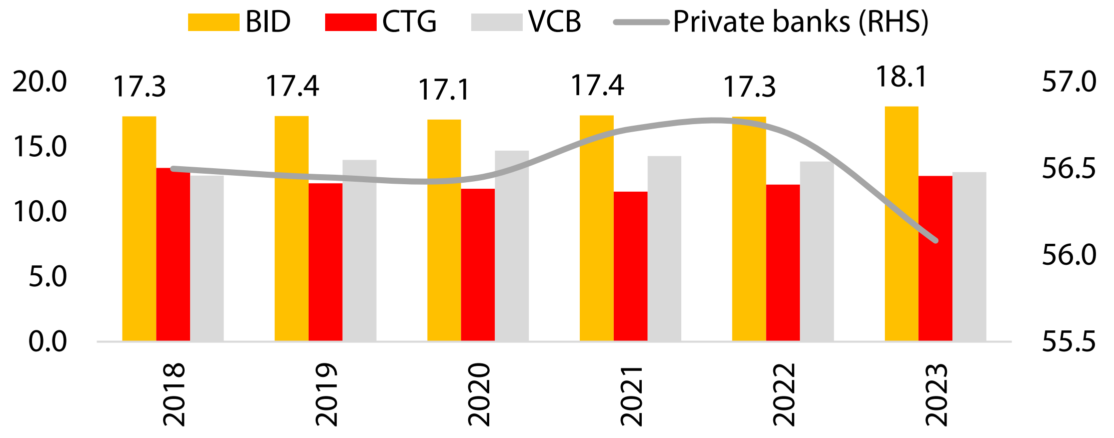
PBT growth for 2024F/25F is projected at 10%/15%, with credit cost pressure potentially increasing again in 2025.

- The absence of significant gains from buying/selling investment securities (2023: VND 2.6 trillion) will impact the TOI growth rate for 2024F (+2.5%) and may result in BID controlling credit cost at a low level (1.0%) despite the net NPL formation ratio in 9M-2024 being 1.5% in order to maintain favorable profit growth in 2024F. This may lead to an increase in credit costs in 2025 to restore the bad debt coverage buffer.

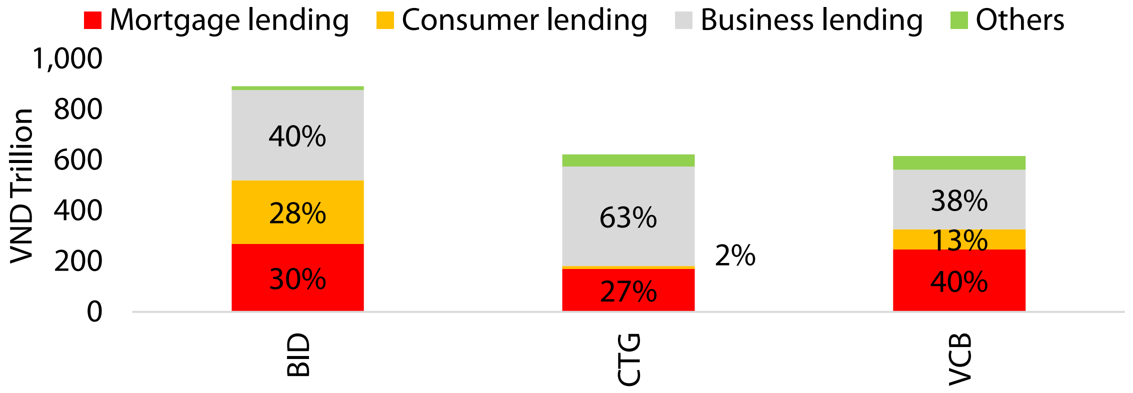
RISKS TO OUR CALL

- The bank's next private placement may be delayed or have little positive impact on valuation..

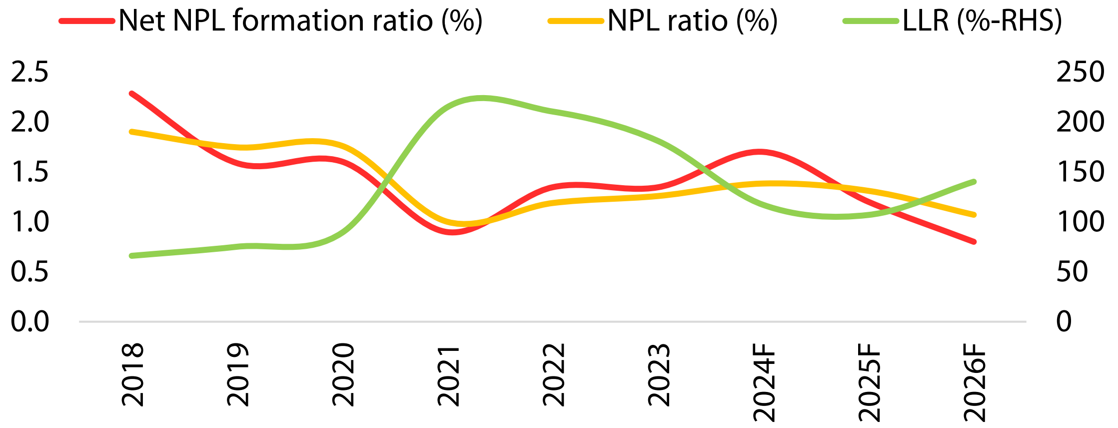
BID significantly increased its retail lending market share in recent years



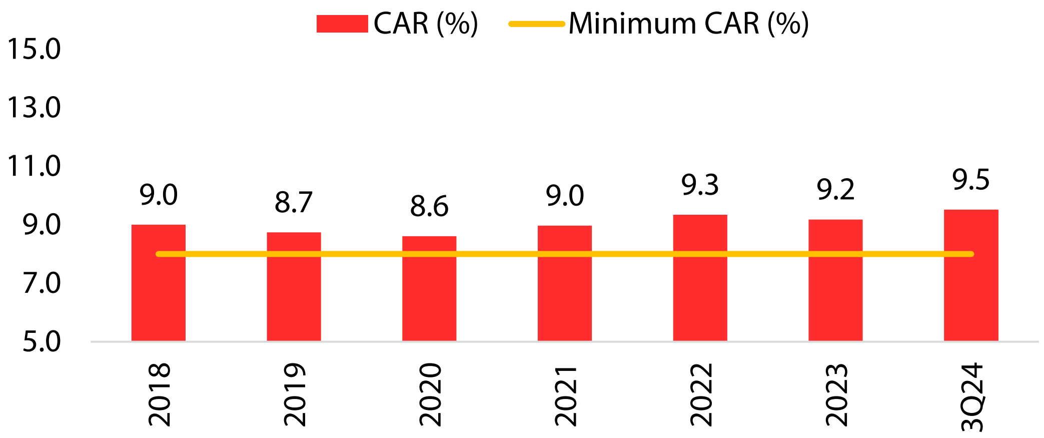
The structure of retail lending at BID is more focused on mortgage and consumer lending compared to CTG and VCB



The bad debt coverage buffer should be rebuilt from 2025 after continuously decreasing from 2021-2024



The private placement will increase BID's capital buffer, which is relatively close to the SBV's minimum requirement (8%)



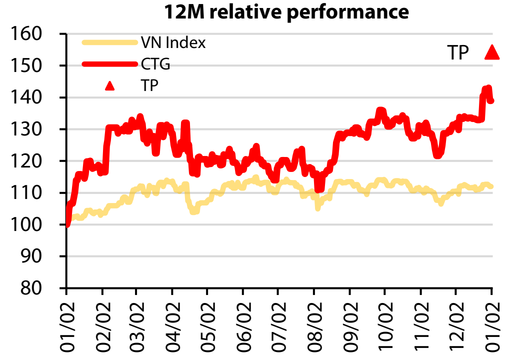
Source: BID, RongViet Securities

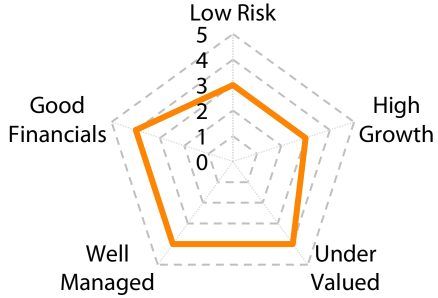
SOLID EARNINGS GROWTH POST RESTRUCTURING

HSX: CTG

BUY: 21% **MP: 37,200** **TP: 45,100**

12M relative performance





STOCK INFO

Sector	Banks
Market Cap (USD Mn)	7,912
Current Shares O/S (Mn shares)	5,370
3M Avg. Volume (K)	5,819
3M Avg. Trading Value (VND bn)	209
Remaining foreign room (%)	3.1
52-week range ('000 VND)	29.3 - 38.9

FINANCIALS

FINANCIALS	2023A	2024F	2025F
TOI (VND bn)	70.548	81.142	92.289
NPATMI (VND bn)	19.904	23.586	27.675
ROA (%)	1,0	1,1	1,1
ROE (%)	17,0	17,3	17,4
EPS (VND)	3.329	3.945	4.629
Book Value (VND)	23.440	27.225	31.854
Cash dividend (VND)	0	0	0
P/E (x)	8,1	9,6	8,2
P/B (x)	1,2	1,4	1,2

INVESTMENT HIGHLIGHTS

High and stable profit growth (PBT's CAGR 2025F–2028F: 21%) driven by the effective execution of a prudent financial strategy.

- Since appointing a new CEO in 2020, CTG has implemented robust measures to strengthen credit risk provisions, maintaining an average credit cost of 1.9% from 2021–2024—three times higher than the average credit cost under the previous CEO. These measures aim to safeguard the bank from latent risks associated with legacy loans that were not tightly managed in the past.
- State-owned banks typically undergo an extensive "clean-up" cycle of their balance sheets, with annual average credit costs ranging from 1.7%–2.0%, lasting approximately five years. As a result, we project CTG's average credit cost to decline to 1.4% during 2025F–2028F due to a lower NPL ratio, creating a positive outlook for income growth.

Positioned for higher valuation levels on the back of improved operational efficiency, its competitive edge asset quality trends, and market share and brand strength.

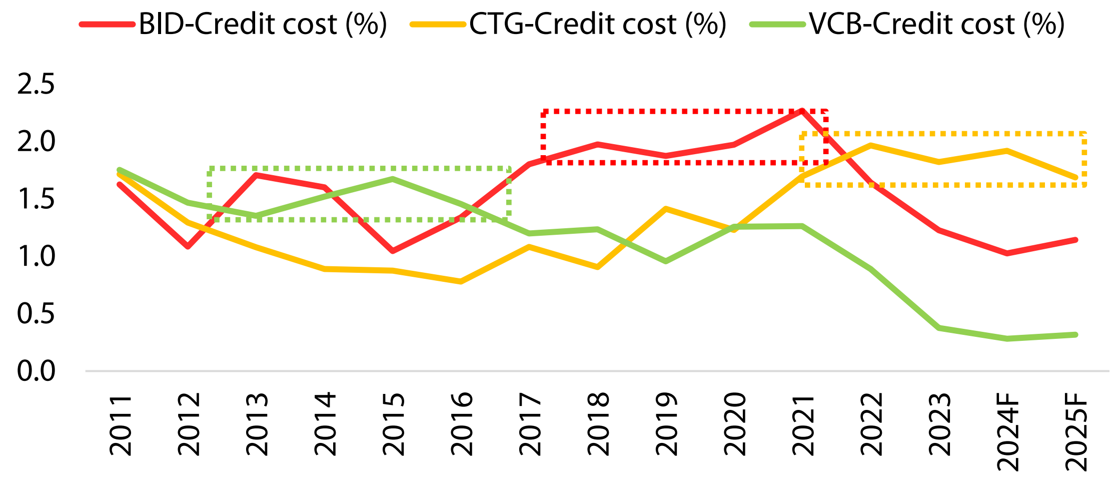
- We forecast that CTG will (1) continue enhancing asset quality, with its NPL ratio gradually declining to 1.1% and provision buffer exceeding 200%, and (2) boost operational efficiency, with ROE improving to 18% by the end of the projection period (2028F). These factors and favorable macroeconomic conditions will support CTG in achieving valuations above its 5-year average P/B ratio of 1.4x.

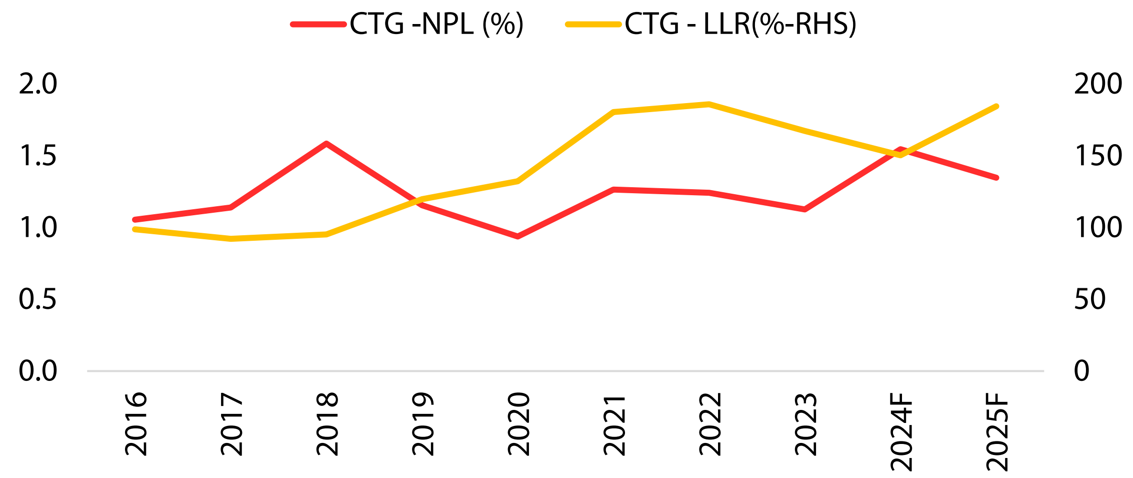
2024F PBT is forecast to reach VND29.5 trillion, up 18% YoY, based on robust credit growth of 16.8%, the highest since 2018, combined with an expected 7 bps YoY improvement in NIM to over 2.9% and good control of full-year credit costs at 1.7%. 2025F PBT is forecast to grow 17.5% to VND34.7 trillion, mainly driven by credit cost reduction on a healthier balance sheet.

RISKS TO OUR CALL

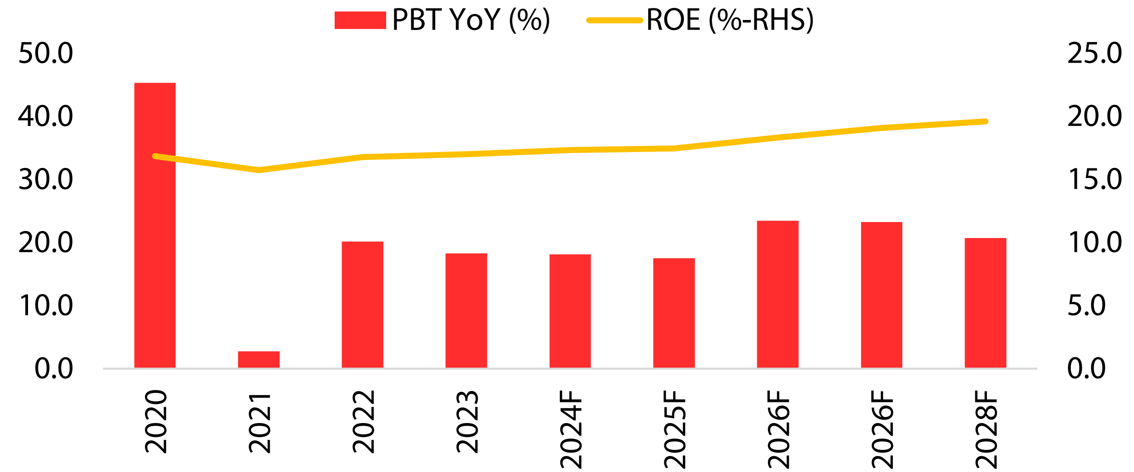
- The clean-up cycle may take longer than anticipated, delaying income growth expectations and revaluation opportunities.

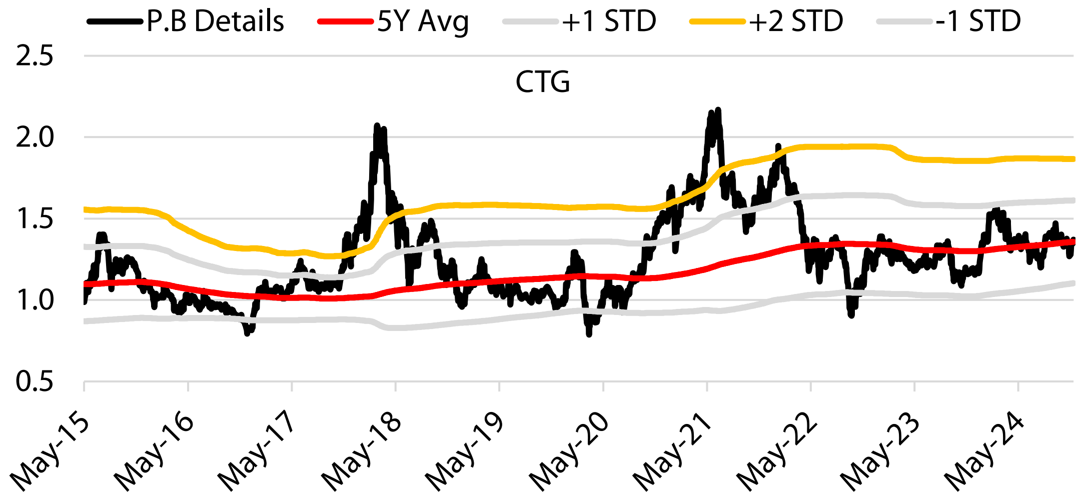
CTG's balance sheet "clean-up" cycle should end in 2025, and we expect the asset quality to improve more clearly afterward





Valuation level is likely to be rerated in line with the improvement in asset quality and operating efficiency



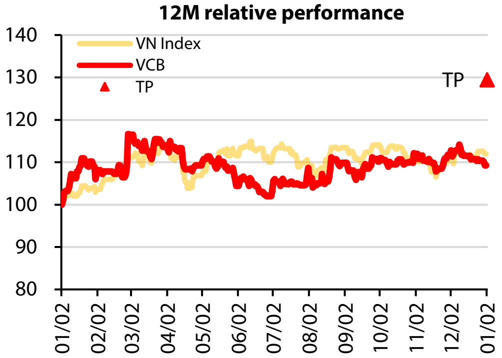


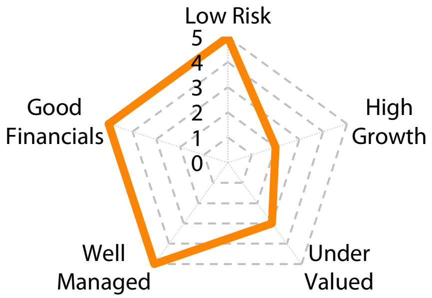
Source: CTG, VCB, BID, Bloomberg, RongViet Securities

DELIVERING SUSTAINABLE VALUE ON AN INDUSTRY-LEADING ASSET QUALITY

HSX: VCB

ACCUMULATE: 18% **MP: 92,000** **TP: 108,100**





STOCK INFO

Sector	Banks
Market Cap (USD Mn)	20,235
Current Shares O/S (Mn shares)	5,589
3M Avg. Volume (K)	1,439
3M Avg. Trading Value (VND bn)	133
Remaining foreign room (%)	6.9
52-week range ('000 VND)	85 - 100.5

FINANCIALS

FINANCIALS	2023A	2024F	2025F
TOI (VND bn)	67,723	69,587	78,446
NPATMI (VND bn)	33,033	34,128	40,075
ROA (%)	1.8	1.8	1.9
ROE (%)	22.0	18.8	18.6
EPS (VND)	5,452	5,632	6,614
Book Value (VND)	29,524	35,294	41,908
Cash dividend (VND)	0	0	0
P/E (x)	14.7	16.3	13.9
P/B (x)	2.7	2.6	2.2

INVESTMENT HIGHLIGHTS

Positive outlook for net interest income growth, supported by ample room for NIM expansion and credit growth.

- With a leading market share in CASA and access to low-cost funding through Treasury deposits, VCB's NIM is less prone to unfavorable interest rate fluctuations. This resilience will persist amid robust economic conditions over the next 1–2 years. We forecast NIM expansion of 5 bps in 2025F and 10 bps in 2026F.
- VCB's mandatory take-over of Construction Bank (CB) positions it to gain larger credit quotas from the SBV, alongside benefits such as an expanded branch network, particularly in regions where its presence is still limited.

Enhanced capital strength through stock dividend policies and private placements.

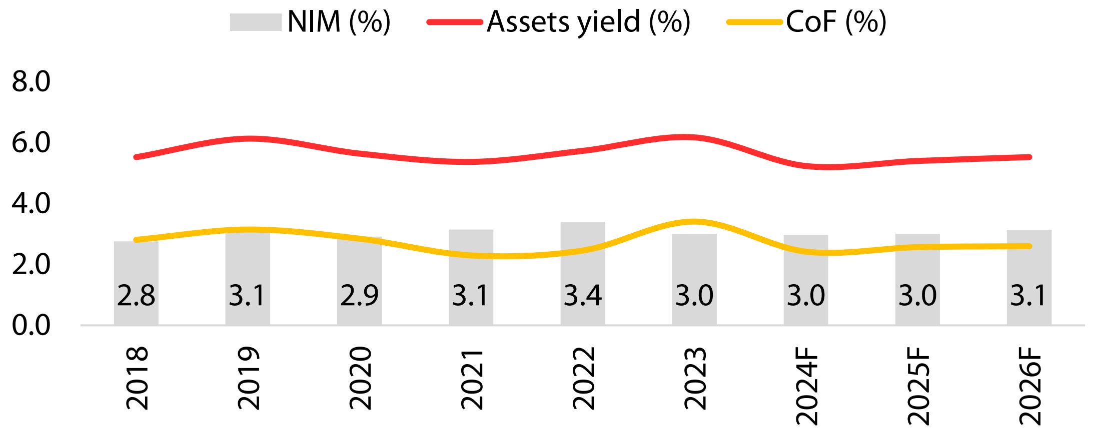
- To ensure effective restructuring of CB, VCB may receive policy support from the National Assembly, allowing it to issue stock dividends and strengthen its capital base. As of Q3-2024, VCB's retained earnings stood at VND 109 trillion, accounting for 54% of its equity.

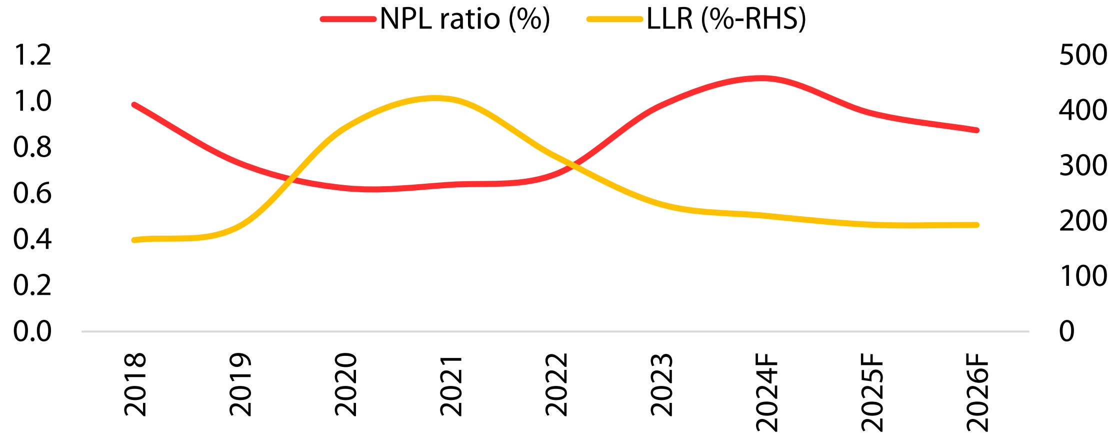
Strong pre-tax profit growth of 17% is projected for 2025F. This improvement will stem from a 5bps recovery in NIM from 3,0% in 2024F, after being temporarily pressured by preferential loan packages to assist customers affected by typhoon No. 3**.**

RISKS TO OUR CALL

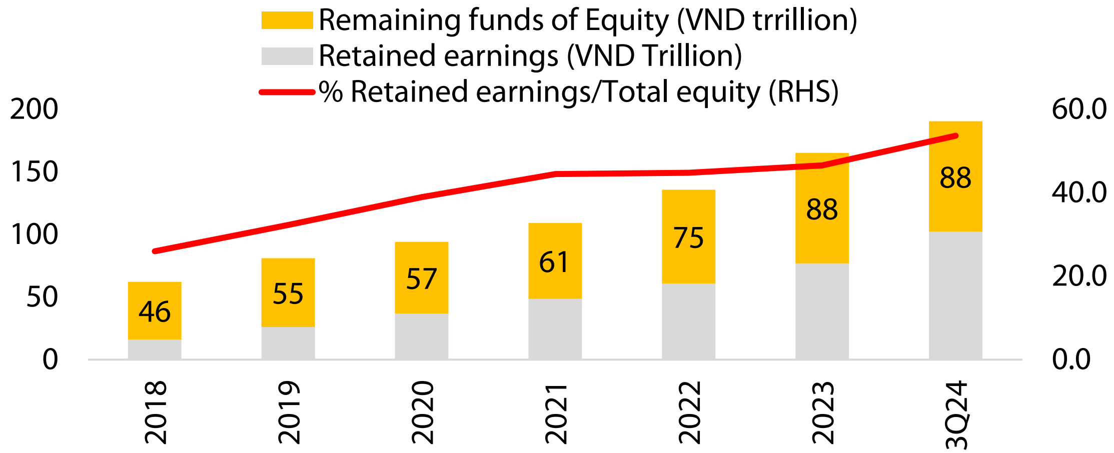
- Higher-than-expected operating expenses may arise from CB's restructuring process, while continued implementation of preferential loan packages could weigh on NIM's performance.

Low funding costs and robust asset quality (minimizing risk of accrued interest reversals) provide ample room for NIM recovery in 2025F/26F, following the challenges of 2024, which were impacted by a rapid increase in NPL and by the typhoon Yagi

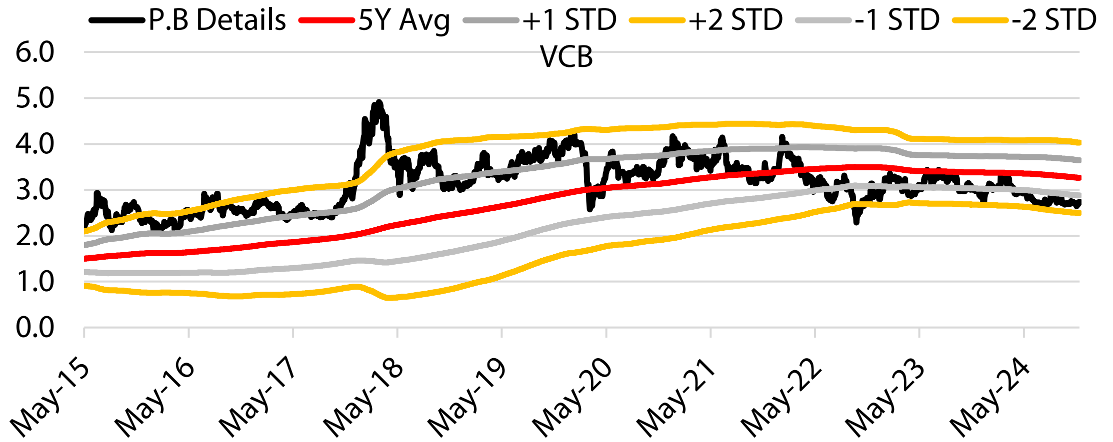




Retaining profits instead of paying cash dividends is crucial for strengthening VCB's capital profile



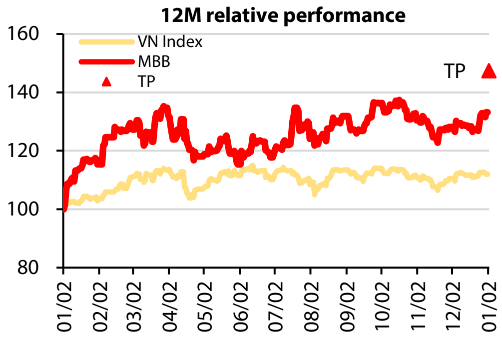
VCB's P/B is currently at the lower range of its 10-year valuation band, implying minimal downside risk



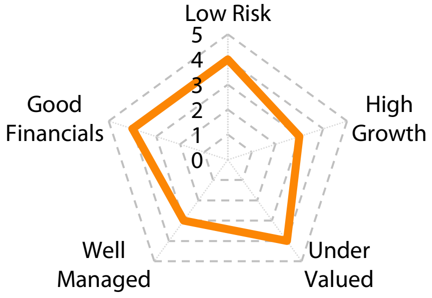
Source: VCB, Bloomberg, RongViet Securities

UNCERTAINTIES IN ASSET QUALITY REMAINS THE BIGGEST CONCERN

ACCUMULATE: 15%* **MP: 21,500** **TP: 24,150**



**included cash dividend VND 500*



STOCK INFO

Sector	Banks
Market Cap (USD Mn)	5,169
Current Shares O/S (Mn shares)	6,102
3M Avg. Volume (K)	10,525
3M Avg. Trading Value (VND bn)	226
Remaining foreign room (%)	0.0
52-week range ('000 VND)	17.74 - 22.78

FINANCIALS

FINANCIALS	2023A	2024F	2025F
TOI (VND bn)	47,306	53,821	63,128
NPATMI (VND bn)	20,677	22,267	24,976
ROA (%)	2.5	2.1	2.0
ROE (%)	23.5	21.3	20.4
EPS (VND)	3,167	3,411	3,825
Book Value (VND)	15,884	18,437	21,763
Cash dividend (VND)	500	500	500
P/E (x)	5.8	6.3	5.6
P/B (x)	1.1	1.2	1.0

INVESTMENT HIGHLIGHTS

In the short term, within 1-2 years, uncertainties regarding asset quality may lead to surprise credit costs surge and affect profit growth.

- While the net NPL formation remains quite complex in 9M-2024, the expiration of Circular 02 in 2025 could result in a ripple effect of increasing bad debts for MBB, especially as MBB is lending to companies facing difficulties in repaying bond debts, such as Novaland and Trung Nam Group. From a cautious perspective, we project that credit costs could peak at 1.6% in 2025F, then gradually decrease thereafter, assuming a positive legal resolution process for clients' projects in the real estate and energy sectors.

In the long run, MBB could achieve superior growth rates and operational efficiency compared to its peers when the economy enters a more favorable growth phase, based on its high profitability from the advantage of low funding costs combined with a medium-high risk appetite.

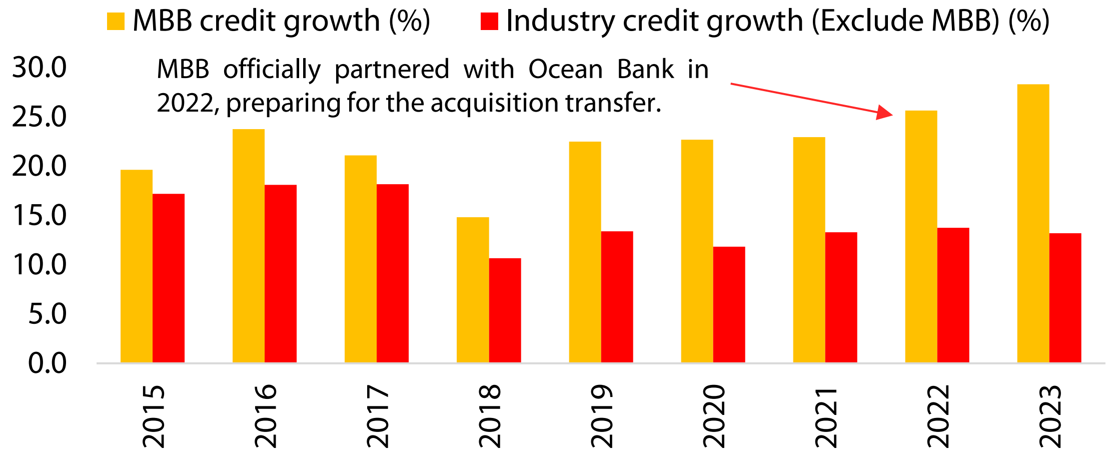
- MBB is one of the few banks that own a comprehensive financial ecosystem (consumer finance company, securities company, life and non-life insurance). This helps MBB leverage high credit growth limits after acquiring Ocean Bank, due to policies support. In addition to the advantage of a financial company ecosystem, the Ministry of Defense client ecosystem is also a sustainable advantage for MBB, contributing to benefits like low funding costs and maintaining MBB's CASA market share. The projected compound growth of NII is 24% during the 2025F-2028F period, mainly driven by credit growth, and that of PBT during the same period is 23%.
- MBB can maintain its cash dividend policy at 5% during the forecast period, keeping its projected long-term ROE above 22%, ranking at the top of the industry.

We estimate PBT growth of 8%/12% in 2024F/25F mainly due to a 60bps/10bps decrease in NIM and a 58%/43% increase in provision costs, as bad debts may continue to rise due to CIC impacts and there may be a need to improve the provisioning buffer with a target of 100% (Q3-2024: 69%).

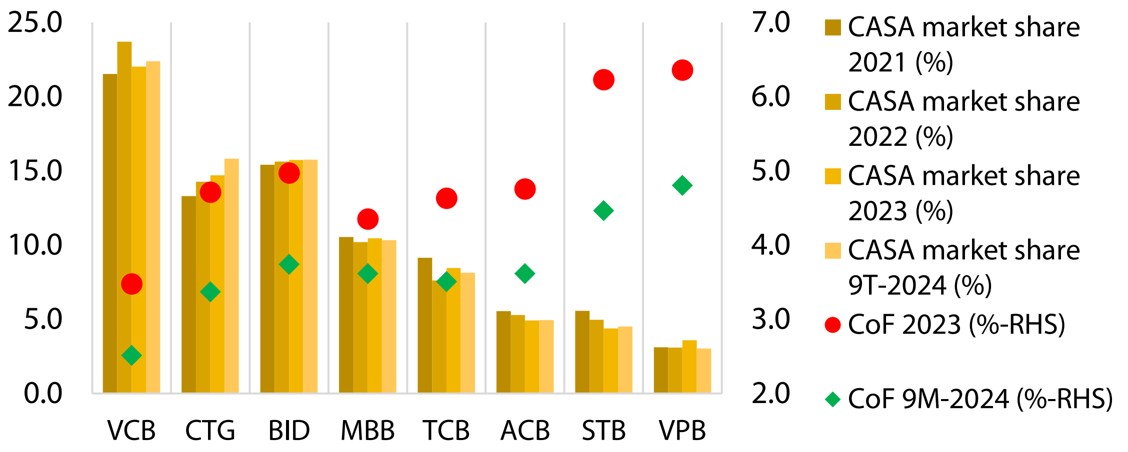
RISKS TO OUR CALL

- The legal resolution process for Novaland and Trung Nam's projects takes more time than expected, or the sluggish real estate market is affecting the liquidity of other large real estate developers.

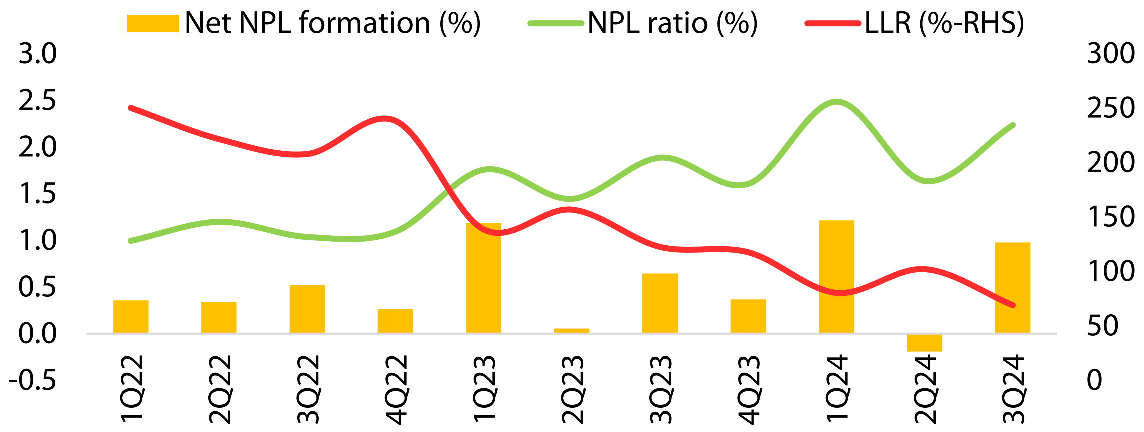
MBB's credit growth rate has always been nearly 90% higher than the industry from 2019 to 2023



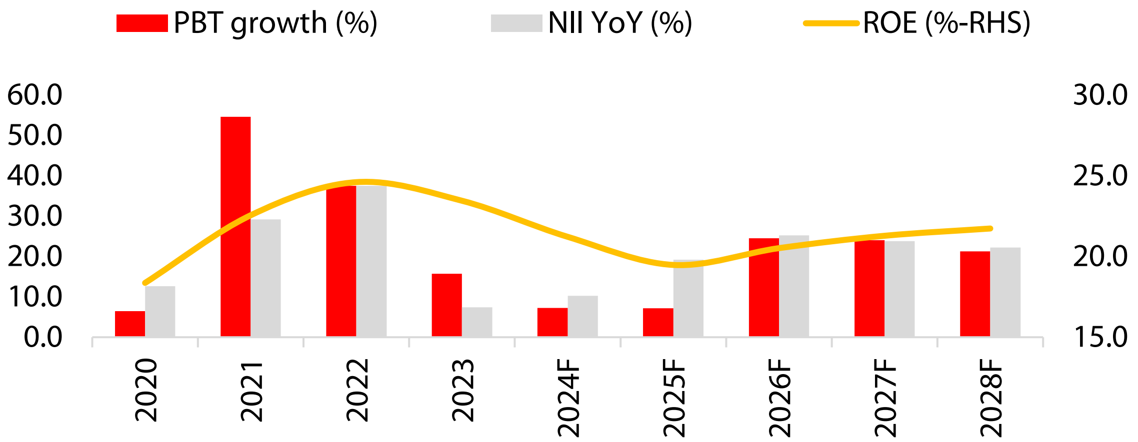
MBB has maintained a CASA market share of over 10% in recent years



The bad debt situation at MBB remains quite unstable in 9M-2024 due to CIC impacts



ROE could begin to recover to above 22% in the long term due to high profitability and a stable cash dividend policy



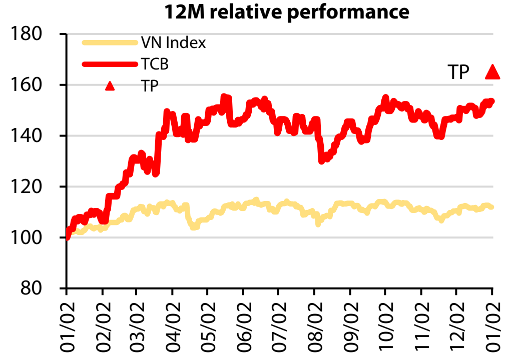
Source: MBB, SBV, RongViet Securities

OUTSTANDING CREDIT GROWTH, BUT NIM STILL FACES PRESSURE

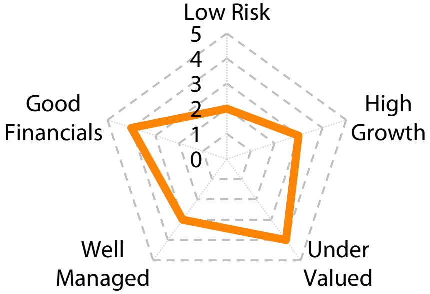
HSX: TCB

ACCUMULATE: 19%* **MP: 23,600** **TP: 26,500**

12M relative performance



*included cash dividend VND 1,500



STOCK INFO

Sector	Banks
Market Cap (USD Mn)	6,666
Current Shares O/S (Mn shares)	7,065
3M Avg. Volume (K)	10,995
3M Avg. Trading Value (VND bn)	263
Remaining foreign room (%)	0.0
52-week range ('000 VND)	16.78 - 25.25

FINANCIALS

FINANCIALS	2023A	2024F	2025F
TOI (VND bn)	40,061	48,074	53,452
NPATMI (VND bn)	18,004	21,077	24,077
ROA (%)	2.3	2.4	2.4
ROE (%)	14.7	15.1	15.6
EPS (VND)	5,111	2,990	3,415
Book Value (VND)	36,994	20,923	22,838
Cash dividend (VND)	0	1,500	1,500
P/E (x)	6.2	8.0	7.0
P/B (x)	0.9	1.1	1.1

INVESTMENT HIGHLIGHTS

The unique and comprehensive "wholesale banking" customer ecosystem in the real estate sector of TCB will help maintain superior credit growth. However, medium-term profitability may be impacted to continue supporting large corporate clients.

- We believe that TCB will not face significant challenges in growing its credit as the demand for capital to develop real estate projects and automobile manufacturing for key clients is substantial (CAGR for credit growth from 2025F-28F: 19%). However, to ensure competitiveness and provide financial support to its large clients, TCB has had to accept lower lending rates, extend loan repayment terms (the "flexible pricing" policy started in 2023), and combine service fee discounts for entities within the real estate ecosystem of developers, while sacrificing part of the CASA ratio to enhance competitiveness in deposit mobilization through the "auto-earning" feature in 2024.
- TCB's NIM in the next 1-2 years will depend more on optimizing funding costs through the restructuring of CDs (related to the "auto-earning" feature) than on the possibility of significantly increasing lending rates due to competition in the retail segment, while the real estate market still needs more time to absorb high-end properties from major developers. We do not expect a significant increase in NIM in the forecast period; therefore, the growth rate of NII will mainly come from credit growth.

NFI temporarily grows slowly while TCB opts for a new bancassurance development strategy (seeking new bancassurance partners or developing an insurance agency center). In the short term, TCB will enter the non-life insurance market via an associate namely TCI), which is more lucrative and less restricted by regulations compared to life insurance.

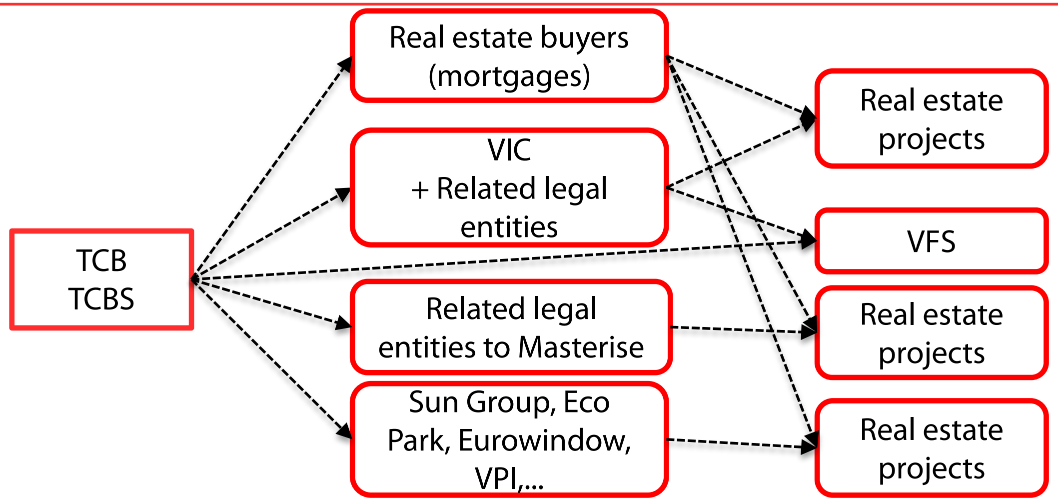
Potential catalysts in the medium-term include TCBS IPO, and private placement to foreign investors (foreign ownership limit is currently 22.5%).

We estimate that TCB's PBT will grow by 17%/14% in 2024F/25F, driven by a +40 bps/+2bps in NIM and projected credit risk provision expenses grow 51%/-8%.

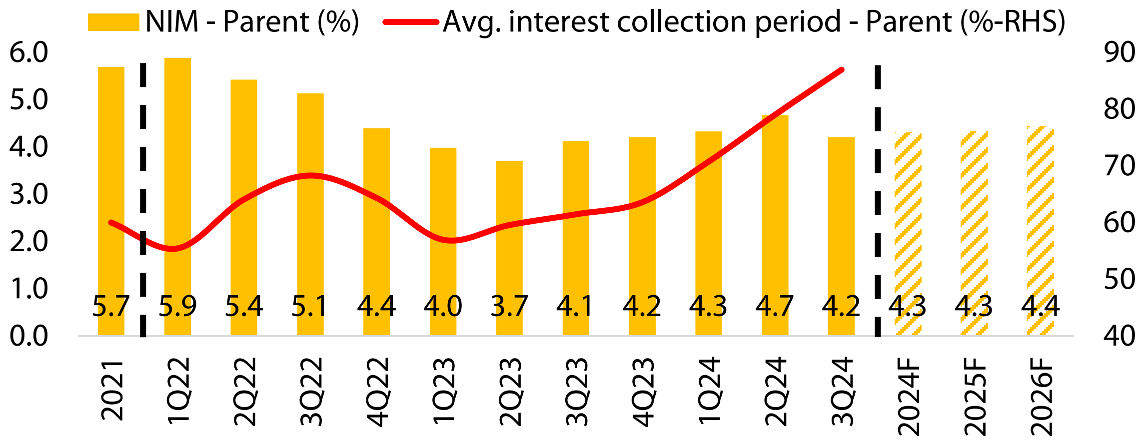
RISKS TO OUR CALL

- The real estate market recovers slower than expected, which leads to NIM continuing to face pressure for a longer period, or it could affect the credit risk of TCB's large corp clients.

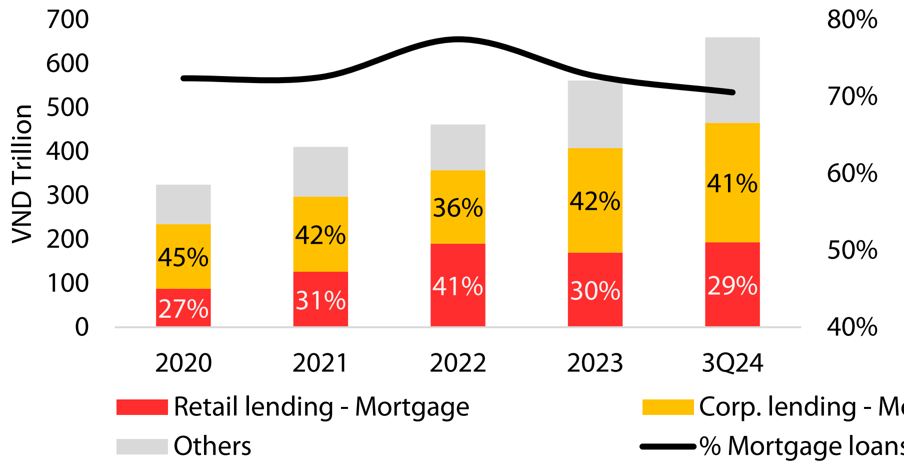
Credit growth is secured by the real estate sector ecosystem with a large demand for capital ...



...However, profitability may continue to be 'compromised' to support this group of large clients

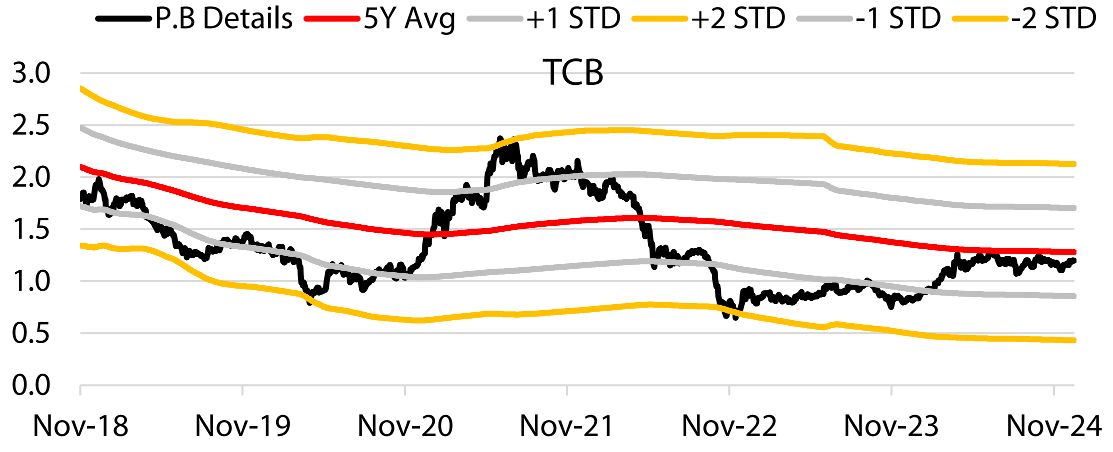


Real estate remains a key pillar in TCB's long-term growth strategy, despite diversifying efforts



YTD	YoY
+27%	44%
+14%	22%
+14%	17%

Valuation cannot improve significantly due to concerns about asset quality which is largely exposed to real estate

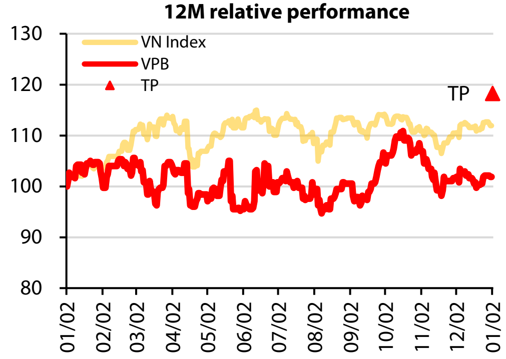


Source: TCB, RongViet Securities

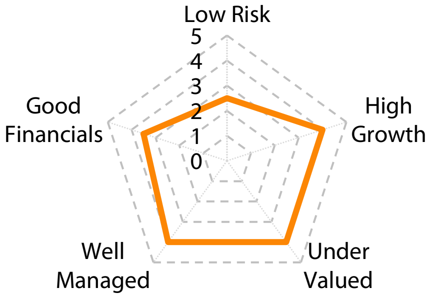
TOWARDS MORE SUSTAINABLE AND STABLE GROWTH

HSX: VPB

BUY: 22%* **MP: 18,900** **TP: 22,000**



*included cash dividend VND 1,000



STOCK INFO

Sector	Banks
Market Cap (USD Mn)	5,845
Current Shares O/S (Mn shares)	7,934
3M Avg. Volume (K)	16,186
3M Avg. Trading Value (VND bn)	319
Remaining foreign room (%)	4.9
52-week range ('000 VND)	17.5 - 21.05

FINANCIALS

FINANCIALS	2023A	2024F	2025F
TOI (VND bn)	49,743	58,747	65,911
NPATMI (VND bn)	10,053	14,673	17,146
ROA (%)	1.4	1.7	1.7
ROE (%)	8.3	9.9	10.7
EPS (VND)	1,267	1,849	2,161
Book Value (VND)	17,639	19,731	20,817
Cash dividend (VND)	1,000	1,000	1,000
P/E (x)	19.1	10.3	8.8
P/B (x)	1.2	1.0	0.9

INVESTMENT HIGHLIGHTS

We expect that enhancing risk management ability after the involvement of strategic shareholder SMBC will play a key role in VPB's prospects for sustainable profit growth through reducing credit costs in the long term.

- After two years of comprehensive restructuring of the loan portfolio and write-off bad debts in 2022-2023, we see FE Credit restarting sales activities in 2024 more proactively, targeting higher-quality customer segments (focused on workers in Industrial parks support from SMBC shareholders). Although this might lead to a lower NIM compared to the pre-2022 period, the new loan portfolio will also incur lower credit costs, helping FE Credit achieve stable PBT contributions during 2025F-2028F, following the recovery in profitability in 2024.
- The projected consolidated credit cost is expected to gradually decrease from 4.9% in 2023 to 3% by 2028F.
- Alongside robust credit growth (CAGR 2025F-2028F: 21%), driven by the mandatory acquisition of GP Bank (expected in Q1-2025) and continued focus on retail credit, we forecast the compound annual growth rate of consolidated PBT for 2025F-2028F to reach 28%.

Valuation is attractive with significant room for rerating.

- The long-term profit growth mentioned above, combined with a projected 10% dividend payout in 2025, is expected to gradually improve the projected ROE to 17% by the end of the forecast period. With the improvement in asset quality due to a lower risk appetite, VPB's valuation potential is quite appealing, as the implied P/B ratio for 2025F at the current price is 0.9x.

A turning point in PBT growth is anticipated in 2024F, with a 71% increase as FEC returns to slight profitability, while the parent bank's NIM improves by more than 30 bps from last year's low base. Projected PBT growth in 2025F is expected to slow to 18% as the profitability turnaround effect from FEC wanes, while the parent bank's PBT is estimated to grow 16%, primarily driven by credit growth.

RISKS TO OUR CALL

- Credit costs in 2025 are higher than expected due to insufficient provisioning for restructured loans under Circular 02, as well as potential cross-impact from bad debts at other banks.

THE CHANGE IN RISK APPETITE HAS BROUGHT SOME POSITIVE RESULTS

Figure: NPL ratio at FE Credit has been controlled to below 20%

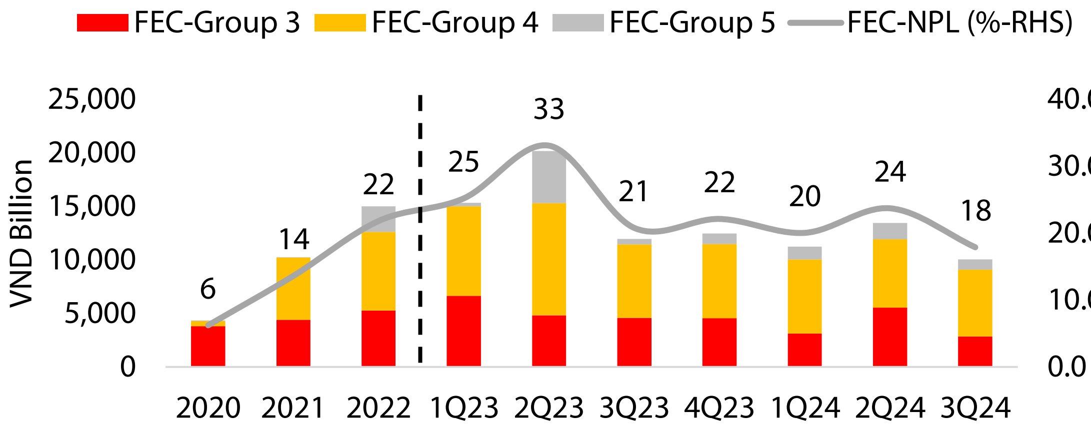


Figure: Potential bad debts at parent bank show signs of peaking, but credit cost pressure from restructured loans may remain high.

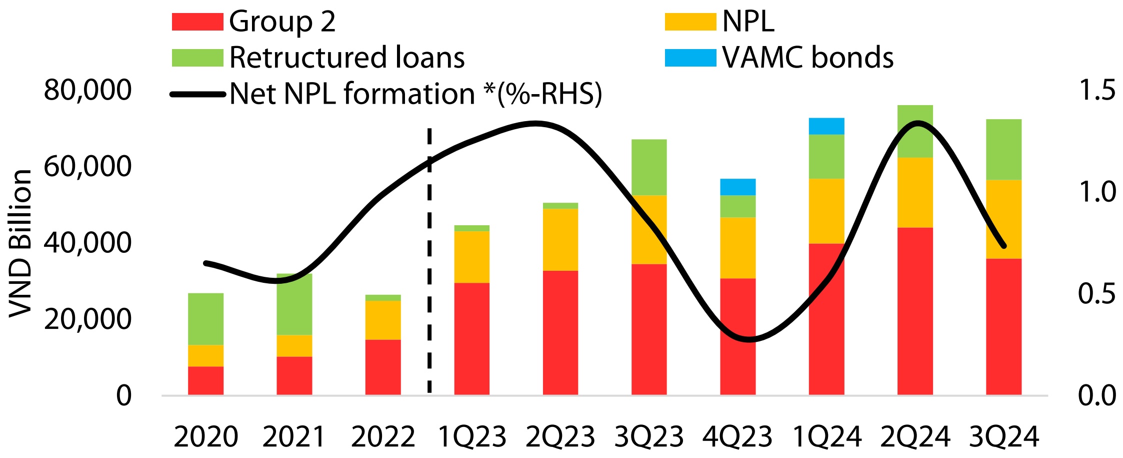
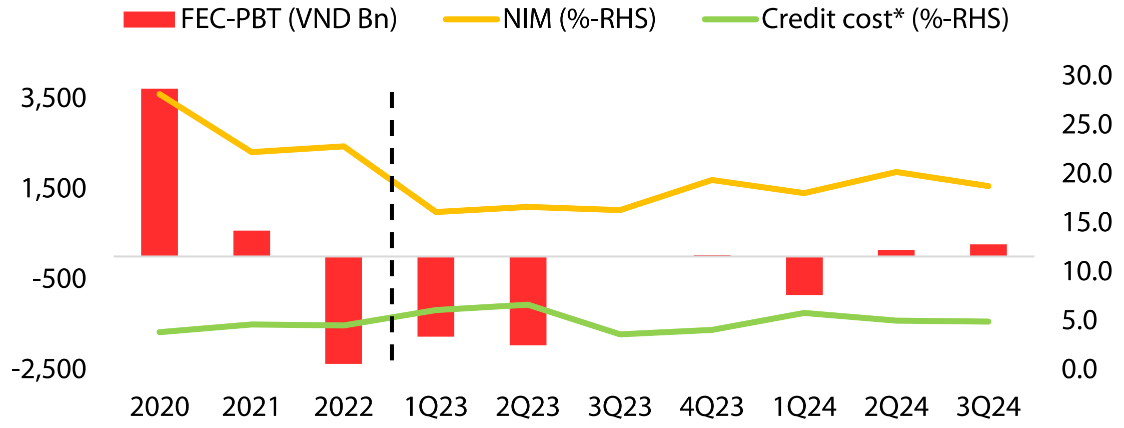
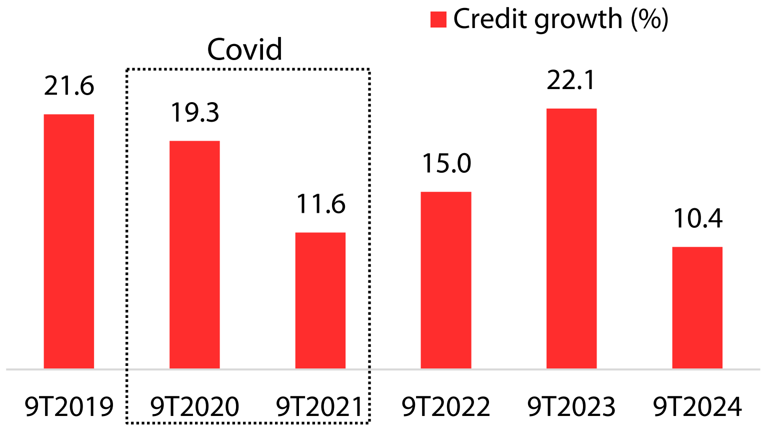


Figure: NIM and credit costs at FE Credit are relatively lower compared to the period before restructuring and risk appetite adjustment (2022-23)



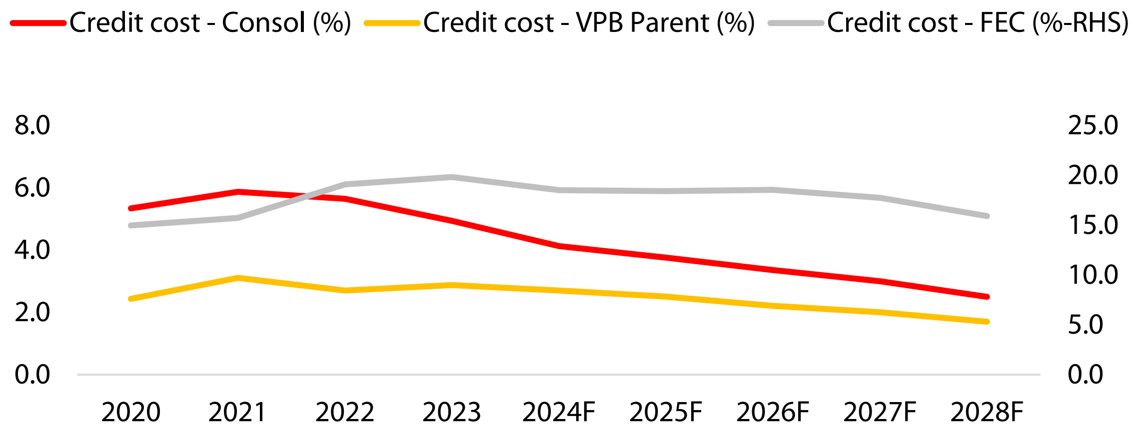
Hình: The adjustment in risk appetite at the parent bank has also partially impacted credit growth



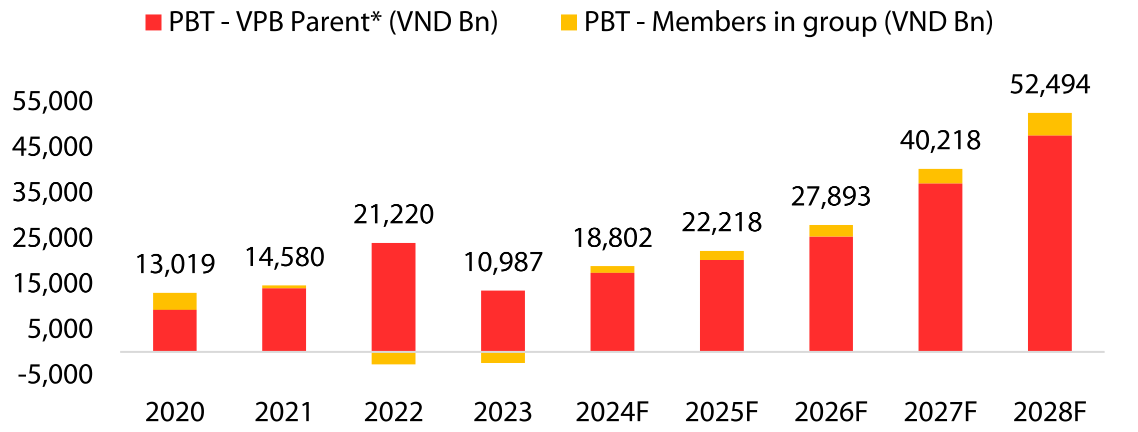
Customer	9T-2024 YTD
Retail	-1.4%
Corp.	29.5%
Corp. bond	-60%

*Source: VPB, RongViet Securities , *quarterly average for the year 2020, 2021, 2022*

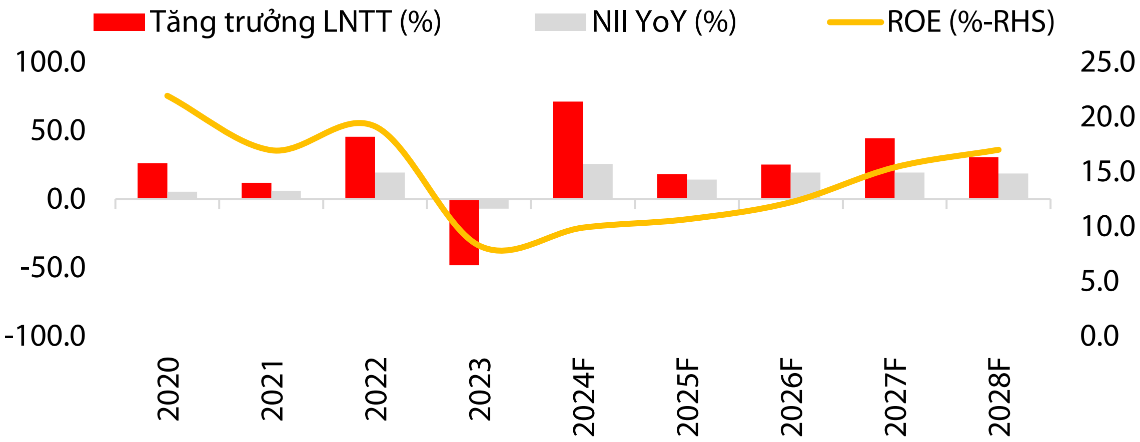
Projected credit costs are expected to gradually decline over the forecast period



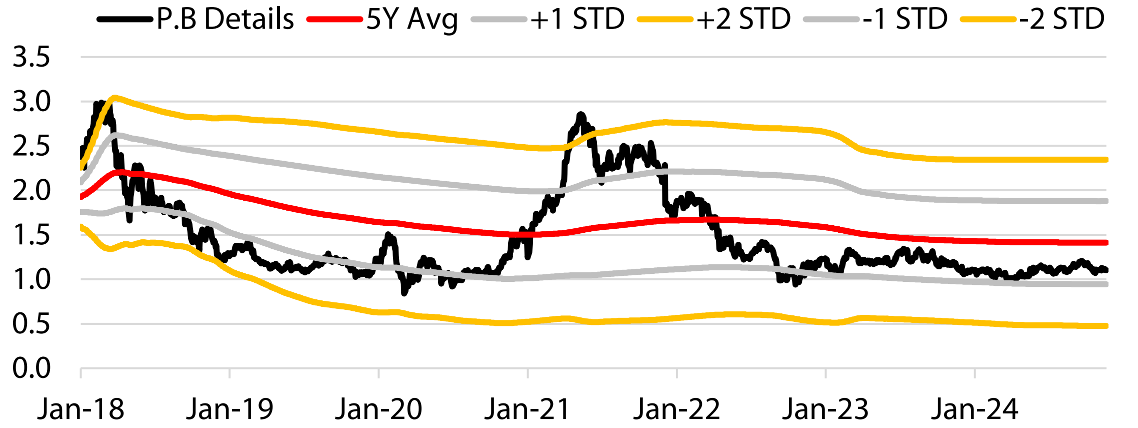
We anticipate that FEC, following its restructuring process, will contribute stable profits to the group in the coming years



Projected ROE is expected to improve 15% during forecast period, driven by strong profitability and a cash dividend policy



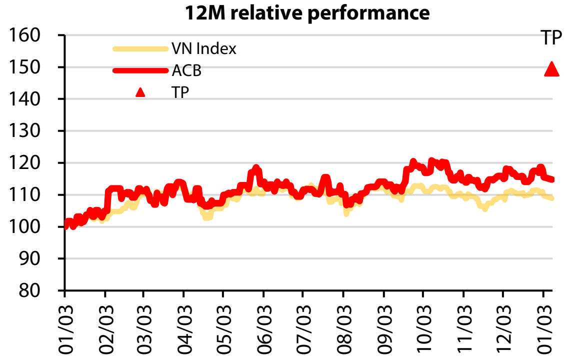
VPB is currently trading near BVPS, reflecting concerns about asset quality and its relatively low ROE

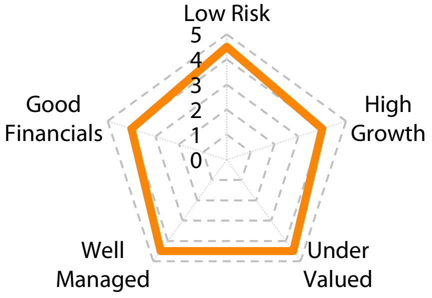


*Source: VPB, Bloomberg, RongViet Securities *Exclude dividends income*

MAINTAINING SUPERIOR OPERATING EFFICIENCY

BUY: 34%* **MP: 25,100** **TP: 32,300**





*included cash dividend VND 1,000

STOCK INFO

Sector	Banks
Market Cap (USD Mn)	4,390
Current Shares O/S (Mn shares)	4,467
3M Avg. Volume (K)	6,476
3M Avg. Trading Value (VND bn)	164
Remaining foreign room (%)	0.0
52-week range ('000 VND)	21.7 - 26.5

FINANCIALS	2023A	2024F	2025F
TOI (VND bn)	32,747	33,955	38,702
NPATMI (VND bn)	16,045	16,804	19,859
ROA (%)	2.4	2.2	2.3
ROE (%)	24.8	21.7	21.7
EPS (VND)	3,567	3,736	4,415
Book Value (VND)	15,886	18,752	22,168
Cash dividend (VND)	1,000	1,000	1,000
P/E (x)	5.3	6.7	5.7
P/B (x)	1.2	1.3	1.1

INVESTMENT HIGHLIGHTS

ACB's capital efficiency is among the top in the banking system, driven by attractive profitability, tight risk management, and a stable cash dividend payout policy.

- We project a CAGR of 22% in PBT for the 2025F–28F period, largely due to **(1)** a CAGR of 18% in credit growth by focusing on the individual segment and diversifying into corporate lending (industrial zones and supporting export sectors like textiles and footwear) and **(2)** Projected at a CAGR of 10%, reflecting expectations of declining NPL after peaking in 2024.
- ACB's prudent business strategy has led to earlier improvements in newly formed NPL ratios compared to the industry, peaking in Q1 2024 and currently trending downward. We forecast newly formed NPL ratios to stabilize at 0.1%–0.2% from 2025, down from 0.6% in 2024F, resulting in NPL ratios declining to below 1% during the 2025F–28F forecast period.
- ACB is likely to maintain a cash dividend payout ratio of 10% during the forecast period, with ROE projected to remain above 23%, placing it among the top banks in terms of capital efficiency.

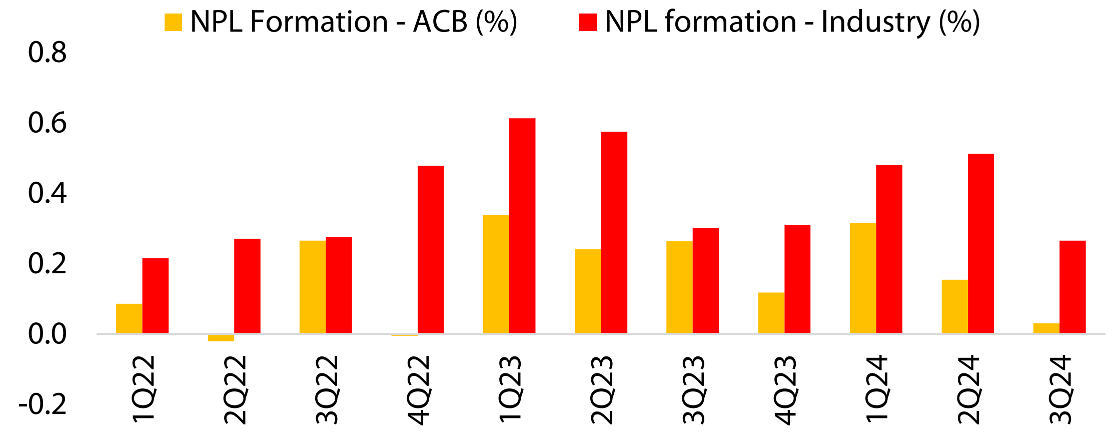
We estimate PBT growth of 5% in 2024F and 18% in 2025F.

- 2024F PBT is expected to reach VND 21.1 trillion (+5% YoY), primarily due to an 85% reduction in gains from investment securities trading compared to the high base of 2023 and a 10 bps NIM contraction to 3.75%, driven by increased fundraising through the issuance of valuable papers, intense competition, and loan portfolio diversification into corporate customers.
- 2025F PBT is projected at VND 24.8 trillion (+18% YoY), driven mainly by (1) a credit growth of 16%, (2) a slight NIM improvement of 5 bps to 3.8%, partly due to stable funding costs following enhanced bonds issuance in 2024, (3) a flat provisioning expenses.

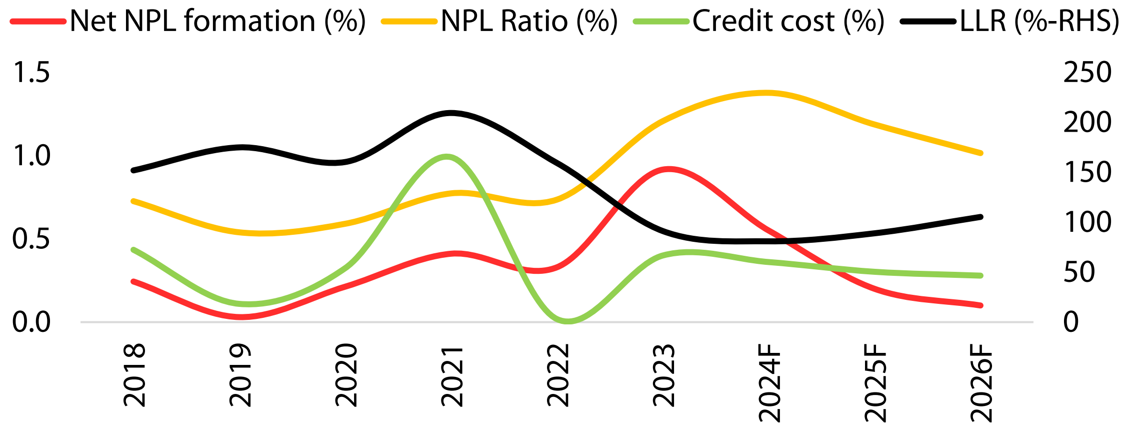
RISKS TO OUR CALL

- Asset yields remain under steepening pressure from competition, resulting in lower-than-expected NIMs.

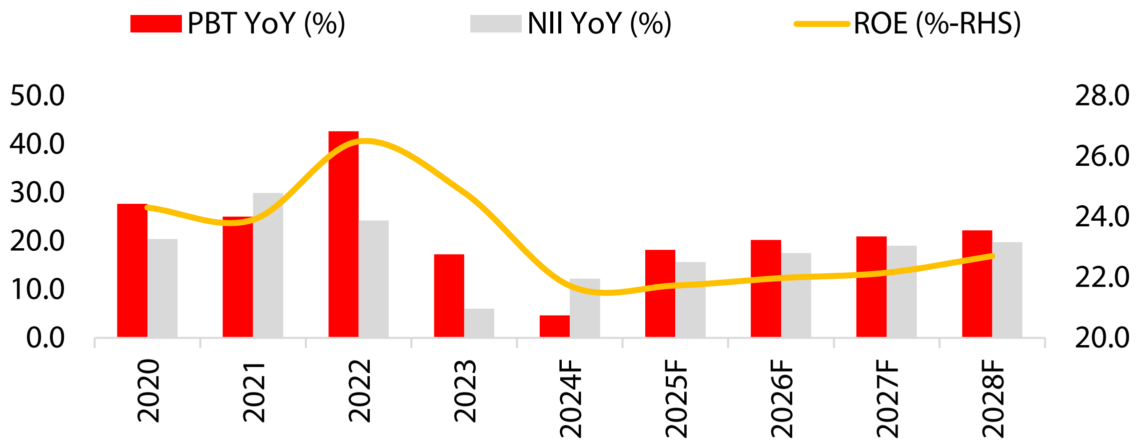
ACB has shown improvement in the net NPL formation ratio earlier than the industry average



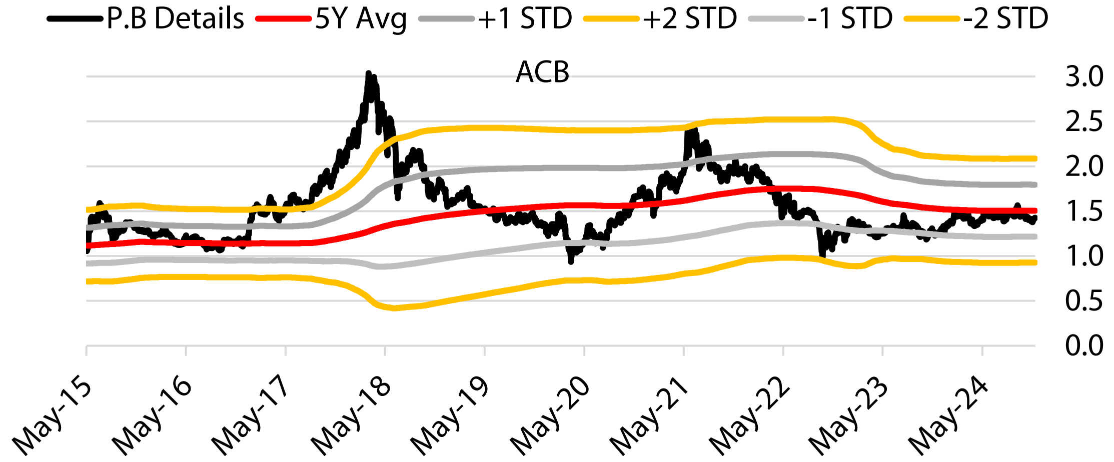
Credit provisions for 2025F-26F may exceed the new NPL formation rate to strengthen the provision buffer to over 100%



Net interest income contributes significantly to PBT) growth; ROE is forecasted to recover to above 23%



We expect ACB's P/B valuation to rise to 1.6x, higher than the 5-year average of 1.5x.

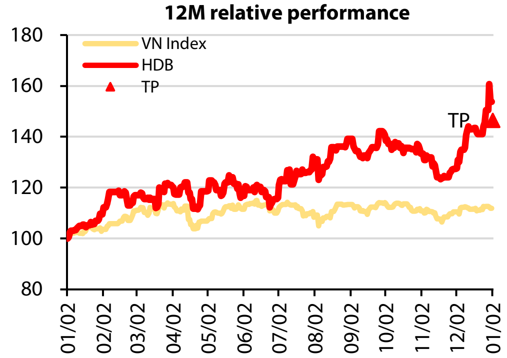


Source: ACB, banks' financial reports, RongViet Securities

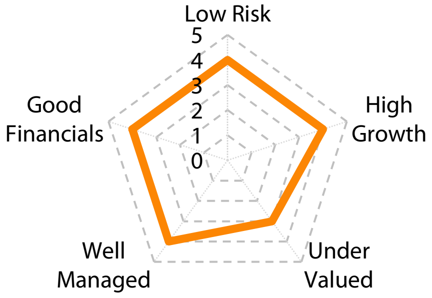
SUSTAINING POSITIVE GROWTH

HSX: HDB

NEUTRAL: 4%* **MP: 24,400** **TP: 24,300**



*included cash dividend VND 1,000



STOCK INFO

Sector	Banks
Market Cap (USD Mn)	3,077
Current Shares O/S (Mn shares)	3,495
3M Avg. Volume (K)	9,698
3M Avg. Trading Value (VND bn)	218
Remaining foreign room (%)	2.6
52-week range ('000 VND)	17 - 26.65

FINANCIALS

FINANCIALS	2023A	2024F	2025F
TOI (VND bn)	26,414	32,777	35,913
NPATMI (VND bn)	10,071	13,418	14,923
ROA (%)	2.0	2.1	2.1
ROE (%)	23.6	26.5	24.6
EPS (VND)	2,879	3,836	4,267
Book Value (VND)	13,276	15,746	19,013
Cash dividend (VND)	1,000	1,000	1,000
P/E (x)	6.6	6.8	6.1
P/B (x)	1.4	1.5	1.2

INVESTMENT HIGHLIGHTS

Positive outlook for profit growth driven by the potential for exceptional credit growth and an impressive NIM that ranks HDB among industry leaders. Meanwhile, the NPL ratio has increased slightly but remains under control. Projected CAGR of PBT reaches 23% for the period 2024F-2028F.

- We believe that HDB will continue to leverage its advantage in customers ecosystem which are companies operating in real estate, construction, and aviation to realize high credit room growth - a policy support from SBV related to the acquisition of DongA Bank. NIM is likely to remain superior to the industry average due to contributions from other income from credit activities (e.g., commitment withdrawal fees, commitment credit granting fees, etc.). The projected CAGR of credit growth and average NIM for the period 2024F-2028F are 23% and 5.1%, respectively.

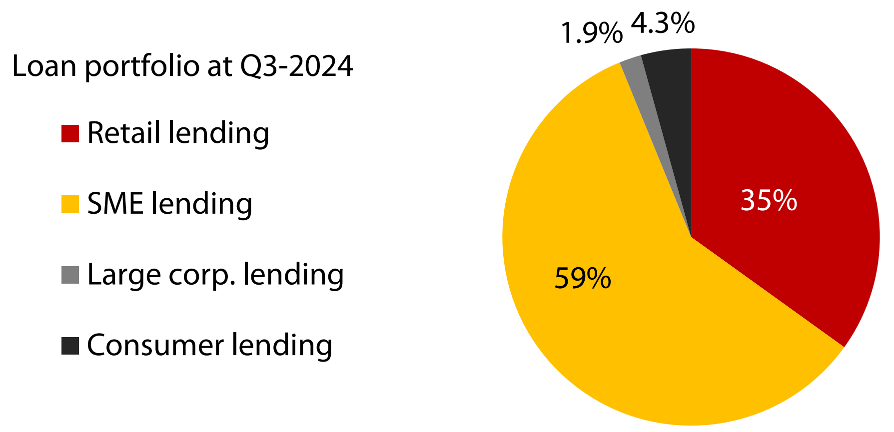
The private issuance for foreign shareholders is expected to determine a new valuation for HDB. Starting in early 2024, HDB plans to seek strategic foreign investors for around 10% of foreign ownership. We believe that HDB's stock could be revalued at a higher P/B ratio, based on recent transactions in banking sector (OCB in 2020 and VPB in 2023), which were at P/B ratios of approximately 2.2-2.5x, with ROE (from the year before the transaction) ranging from 21% to 25%.

Forecasted 2024F PBT +33% YoY, driven by NII +36% YoY, with credit growth 22% and NIM expand 400 bps, thanks to other income from credit activities (accounts for 17% of NII). For 2025F, PBT is expected to grow with slow rate of 10% YoY, with NIM decline by 20 bps YoY, while non-NII begins to improve increase 9% YoY, and provision expenses reduce by 9% YoY.

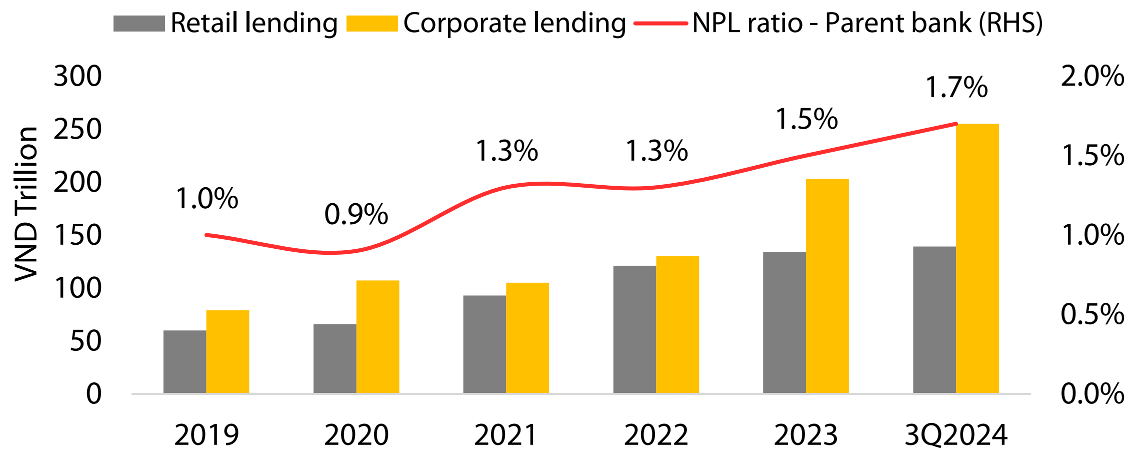
RISKS TO OUR CALL

- NIM narrowed more than expected and impacted profits if other interest income from credit activities declined sharply.

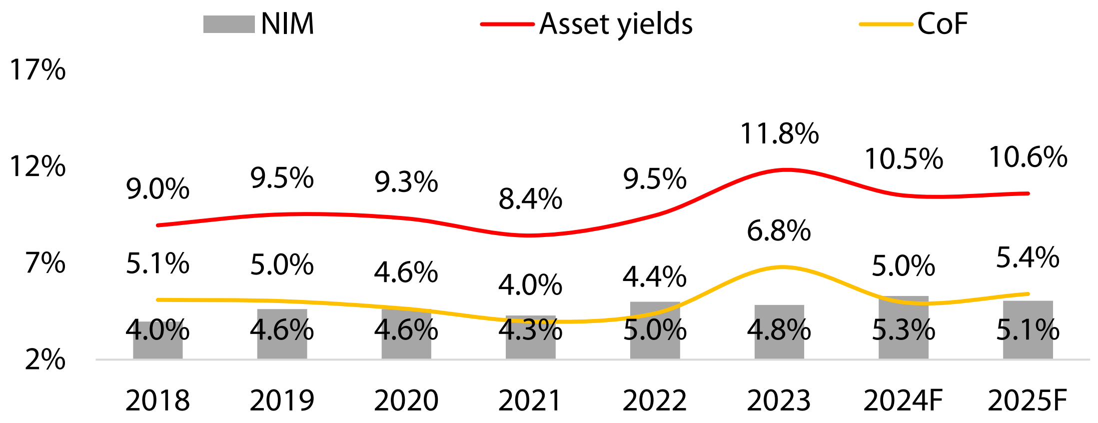
HDB focuses on strengthening the retail and SME lending



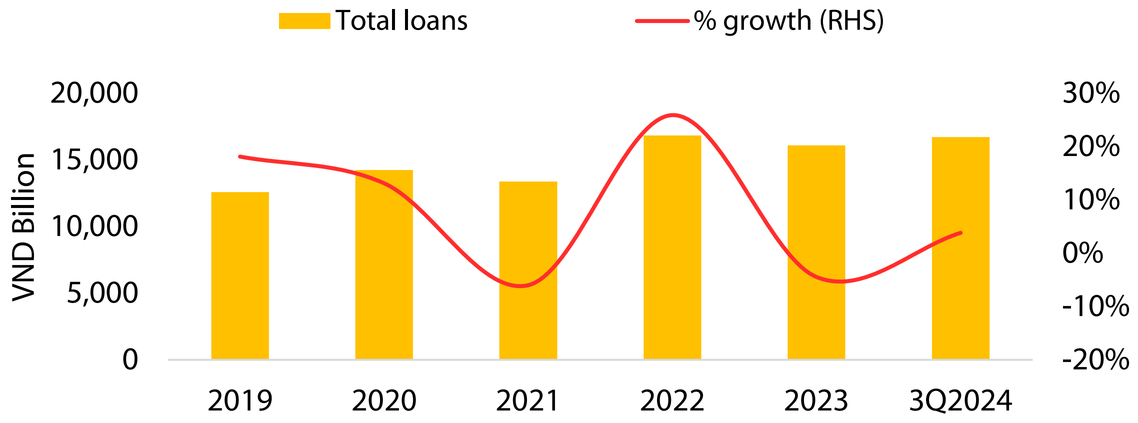
NPL ratio has increased slightly but remains under control



2025F NIM narrows by 20 bps due to expected reduction in the proportion of other interest income from credit activities



The expected recovery in consumer lending demand will support the credit growth outlook for HDSaison

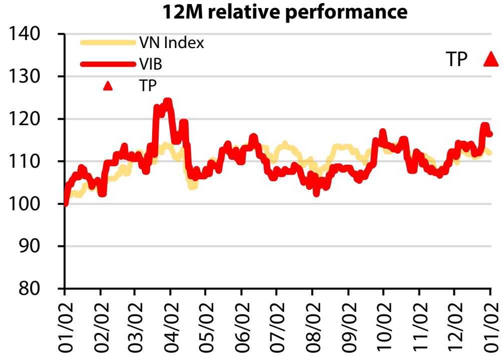


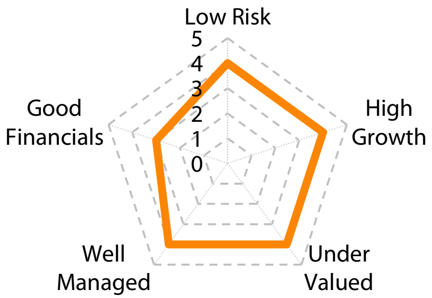
Source: HDB, RongViet Securities

WAITING FOR THE NEW GROWTH CYCLE OF RETAIL LENDING

HSX: VIB

BUY: 25%* **MP: 19,100** **TP: 22,700**





included cash dividend VND 1,250

STOCK INFO

Sector	Banks
Market Cap (USD Mn)	2,283
Current Shares O/S (Mn shares)	2,979
3M Avg. Volume (K)	9,958
3M Avg. Trading Value (VND bn)	189
Remaining foreign room (%)	0.0
52-week range ('000 VND)	17.26 - 21.37

FINANCIALS

FINANCIALS	2023A	2024E	2025F
TOI (VND bn)	22,160	20,556	24,534
NPATMI (VND bn)	8,563	7,146	8,705
ROA (%)	2.3	1.6	1.7
ROE (%)	24.3	17.9	19.7
EPS (VND)	3,376	2,376	2,895
Book Value (VND)	12,783	14,090	15,735
Cash dividend (VND)	1,500	1,250	1,250
P/E (x)	6.7	8.1	6.6
P/B (x)	1.5	1.4	1.2

INVESTMENT HIGHLIGHTS

Profit is expected to bottom out in 2024 and return to high growth in the long term by leveraging the potential of the retail lending market through its competitive advantages in flexibility and prudence in credit policies

- 2024F PBT is projected to decline by 17% YoY, primarily due to the weakening performance of its core product - mortgage loans (-13% YoY), coupled with a significant contraction in NIM (-100 bps) due to lower proportion of retail credit and fierce competition in lending rate, as well as rising credit cost. For 2025, we expect the economic landscape to improve, resolving the headwinds of 2024 with mortgages accelerating, accompanied by healthier asset quality. Consequently, 2025F PBT is projected to grow by 22% YoY.
- We believe that VIB, with its inherent competitiveness in loans processing speed and its flexibility in designing attractive retail products, can capitalize on the sector's potential. We forecast a compound annual growth rate (CAGR) of 24.5% for PBT during the 2025F–2028F period.

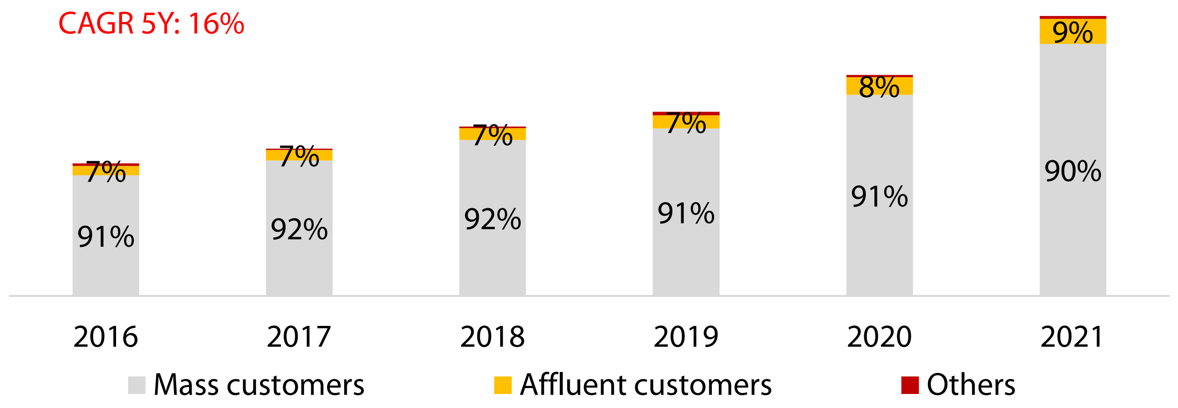
In addition to an attractive PBT growth outlook, **VIB's stable cash dividend policy will enable it to maintain its ROE among the leading banks in the system**. We expect VIB to sustain at least a 10% cash dividend during the forecast period, which will drive its ROE to recover from 18% in 2024 to 24% by 2028F.

The search for a new foreign strategic investor, following CBA's divestment, will serve as a catalyst for valuation. In the two most recent deals involving a 15% equity sale to foreign strategic investors at OCB (2020) and VPB (2023), the P/B valuation ranged from 2.3x to 2.5x, with ROE (in the year prior to the transaction) ranging from 21%-25%. As such, VIB is likely to be re-rated at a higher level, reflecting the potential of a strategic equity sale.

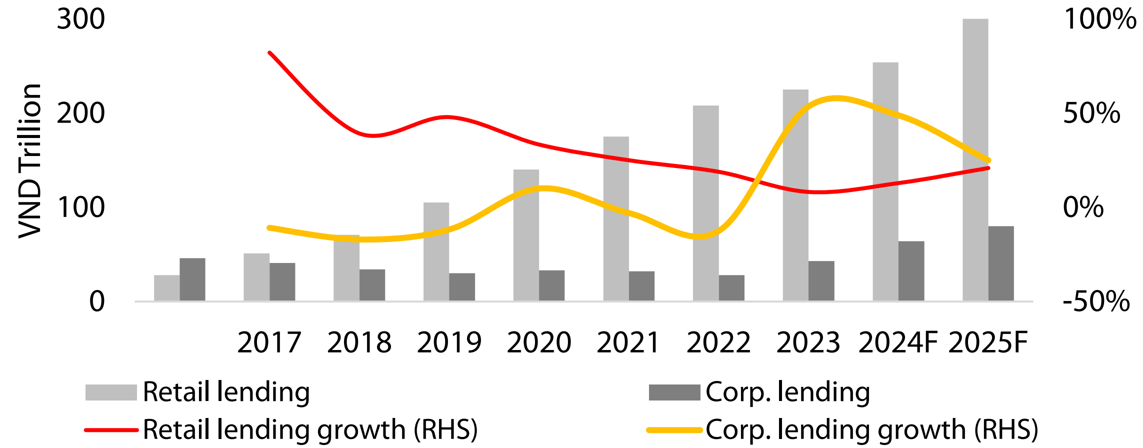
RISKS TO OUR CALL

- The slower-than-expected recovery of the real estate market affects VIB's ability to credit growth, NIM improvement, and bad debt recovery.

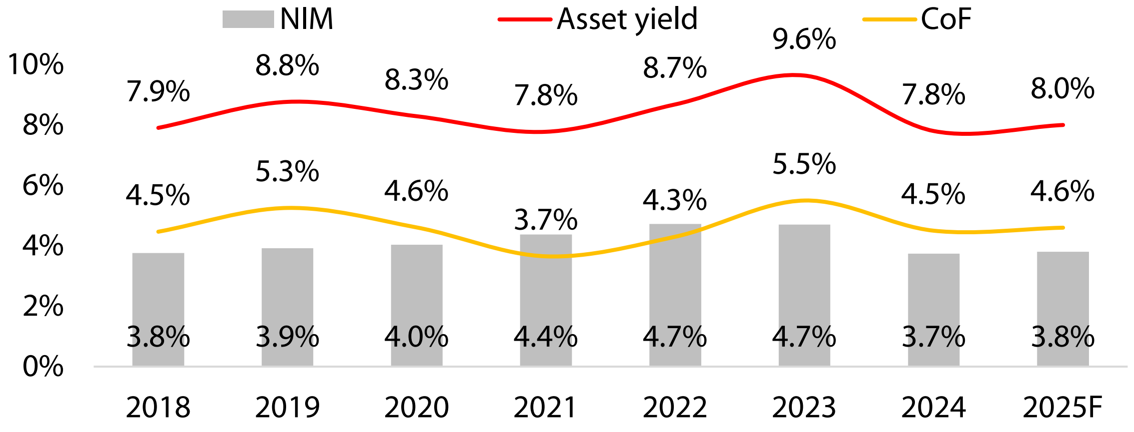
90% of VIB's customers in low-to-middle income segment



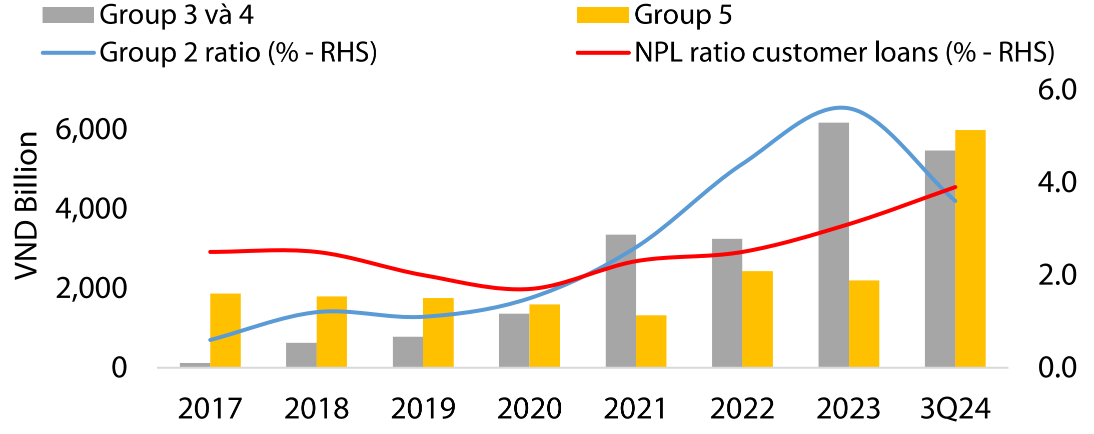
Retail lending returns to a strong growth period



2025F NIM expands by 10 bps, supporting the outlook for net interest income growth



Group 2 loans are on a declining trend, with expectations of improved net NPL formation and credit costs

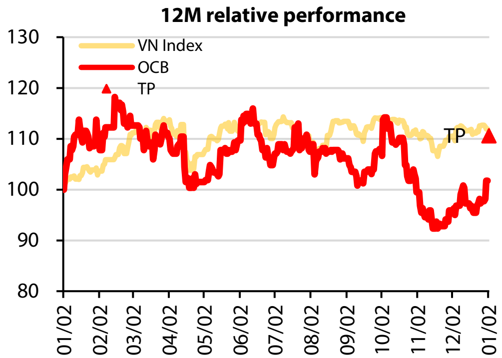


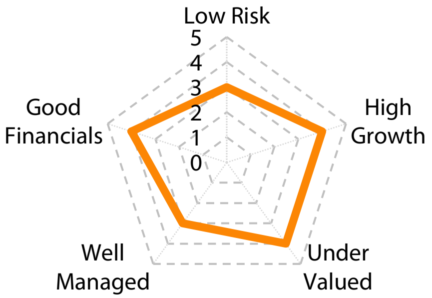
Source: VIB, RongViet Securities

CREDIT COST PRESSURE PERSISTS

HSX: OCB

ACCUMULATE: 15% **MP: 10,800** **TP: 12,400**





STOCK INFO

Sector	Banks
Market Cap (USD Mn)	1,039
Current Shares O/S (Mn shares)	2,466
3M Avg. Volume (K)	3,532
3M Avg. Trading Value (VND bn)	40
Remaining foreign room (%)	2.8
52-week range ('000 VND)	10.2 - 13.5

FINANCIALS

FINANCIALS	2023A	2024E	2025F
TOI (VND bn)	8,938	9,161	10,527
NPATMI (VND bn)	3,303	2,538	2,974
ROA (%)	1.5	1.0	1.0
ROE (%)	12.3	8.5	9.1
EPS (VND)	1,323	1,017	1,192
Book Value (VND)	11,573	12,589	13,781
Cash dividend (VND)	0	0	0
P/E (x)	7.0	10.7	9.1
P/B (x)	1.6	0.9	0.8

INVESTMENT HIGHLIGHTS

OCB's potential for rapid credit expansion, supported by its strategy of developing relationships with large corporate clients, is a positive aspect. However, we believe this portfolio requires more time to validate profitability and operational efficiency.

- As a bank specializing in corporate banking, OCB focuses on building credit relationships with medium-to-large corporations in real estate, energy, and SMEs within their value chains. This approach, coupled with its higher-than-industry-average credit limits from the SBV, due to its relatively high CAR of 13%., can swiftly grow its credit portfolio as target sectors recover and re-enter a growth cycle. Credit growth CAGR for 2025-2028F and NII CAGR are projected at 18%.
- However, this strategy has been prone to the real estate market downturn recently, reflected in a sharp decline in asset quality, which has significantly pressured credit costs and profit growth (2023-2024). As of Q3-2024, OCB has approximately VND 3 trillion in unresolved debts and potential NPLs (collateralized assets pending resolution) due to incomplete legal procedures for transferring the secured assets. Taking a cautious stance, we assume OCB will allocate additional provisions for these items in 2025-2026.

OCB's current valuation (P/B: 0.9x) likely reflects a discount due to the impact of NPLs, unresolved debts, and potential NPLs (from unprocessed collateral). The book value, adjusted for bad debt risks, is nearly equivalent to OCB's current market capitalization. This suggests market expectations remain low and need more further following.

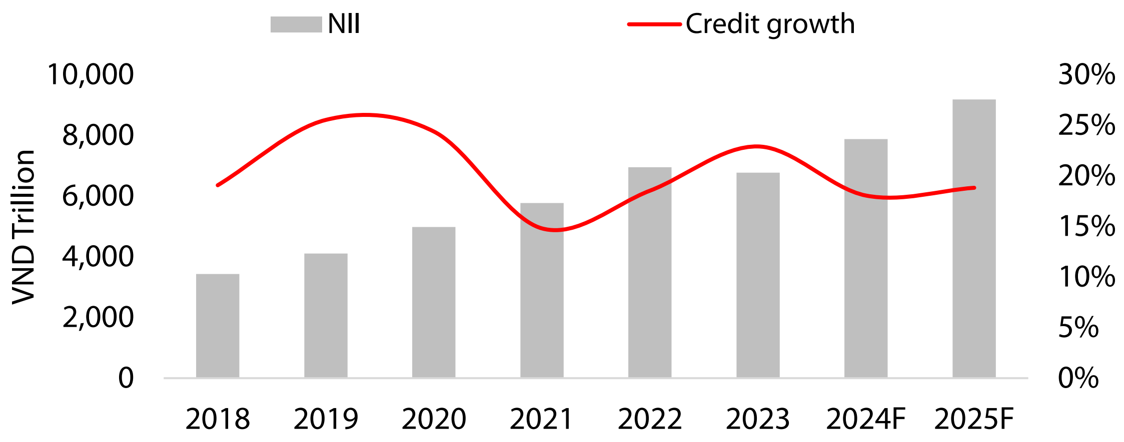
We project 2024F PBT to decline 24% YoY, primarily driven by a 43% YoY increase in provision expenses. For 2025F, PBT is expected to rise 18% YoY from a low base of 2024F, NII (+17% YoY) will mainly be driven by credit growth. However, income from investment securities is likely to remain weak due to rising government bond yields, and provision expenses will continue to increase, albeit at a slower pace than pre-provision profit growth (14% vs. 16%).

RISKS TO OUR CALL

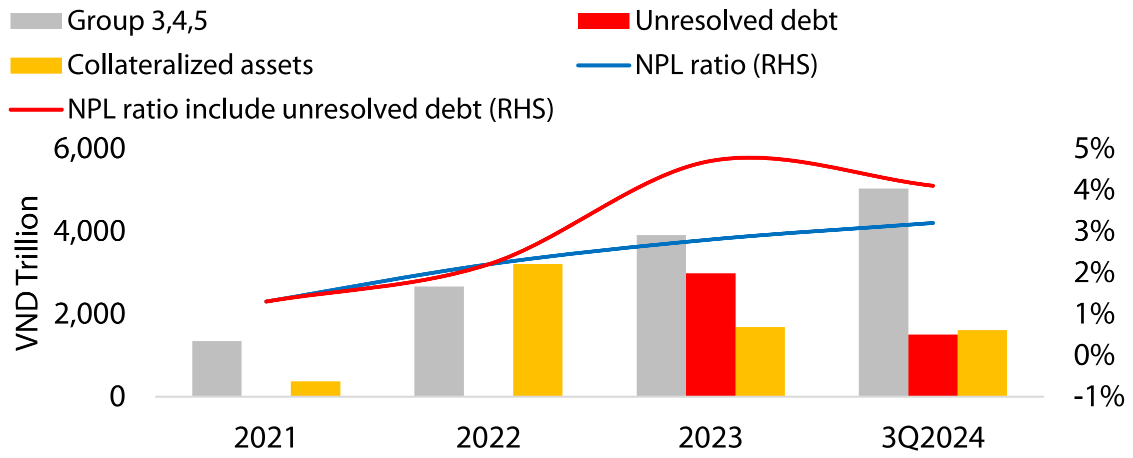
- Collateralized assets (under Other Assets) are likely to be liquidated once the legal procedures are completed, which will reduce the pressure from the NPL formation and credit costs.

ASSET QUALITY REMAINS AN UNCERTAINTY

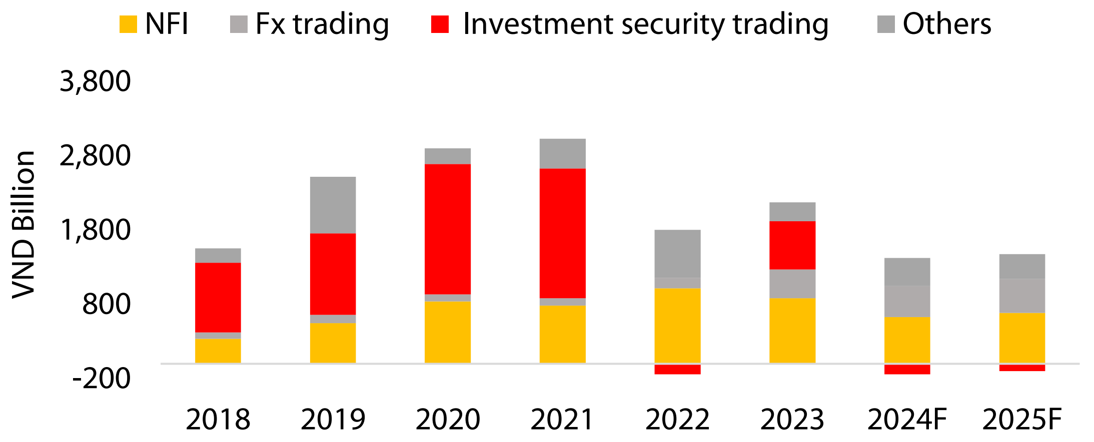
Net interest income shows positive results due to strong credit growth



Asset quality deteriorates as NPLs rise, leading to higher credit costs

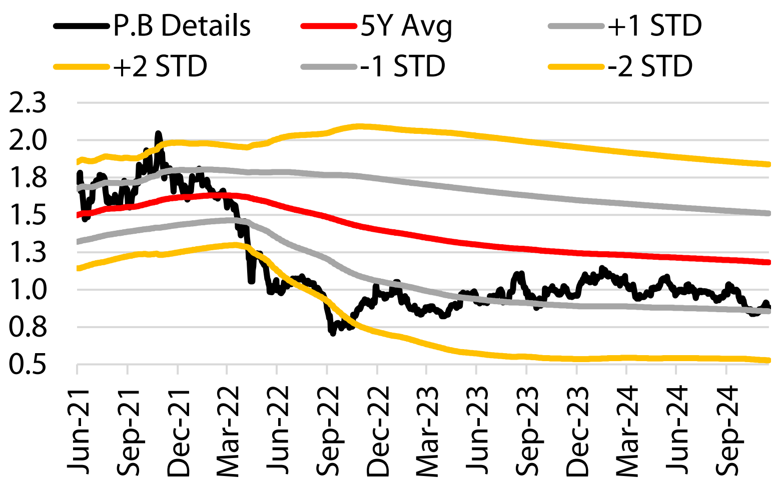


Income from investment securities will be less favorable compared to the period of declining asset yields 2018-2021



Source: OCB, RongViet Securities

OCB is trading at a P/B of 0.9x, reflecting the market's cautious sentiment over its lending book



BVPS adjusted for potential NPL (VND)	11,100
Actual unadjusted BVPS (VND)	12,600
Adjusted BVPS/Actual BVPS	0.88x

RONG VIET SECURITIES

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