Banking Sector

Strong EPS outlook underpinned by accelerating credit growth

February 2025

Nam Hoang
Head of Research
nam.hoang@vietcap.com.vn
+8428 3914 3588 ext.123

Ngoc Huynh
Manager
ngoc.huynh@vietcap.com.vn
+8428 3914 3588 ext.138

Quan Vu
Deputy Manager
quan.vu@vietcap.com.vn
+8428 3914 3588 ext.364

Nga Ho
Analyst
nga.ho@vietcap.com.vn
+8428 3914 3588 ext.516

Contents

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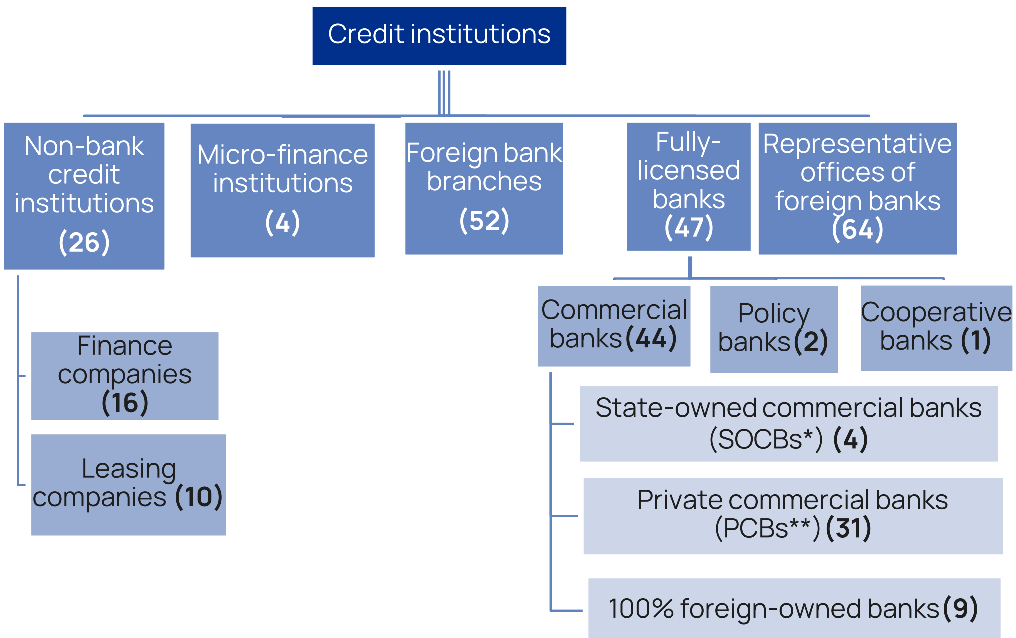
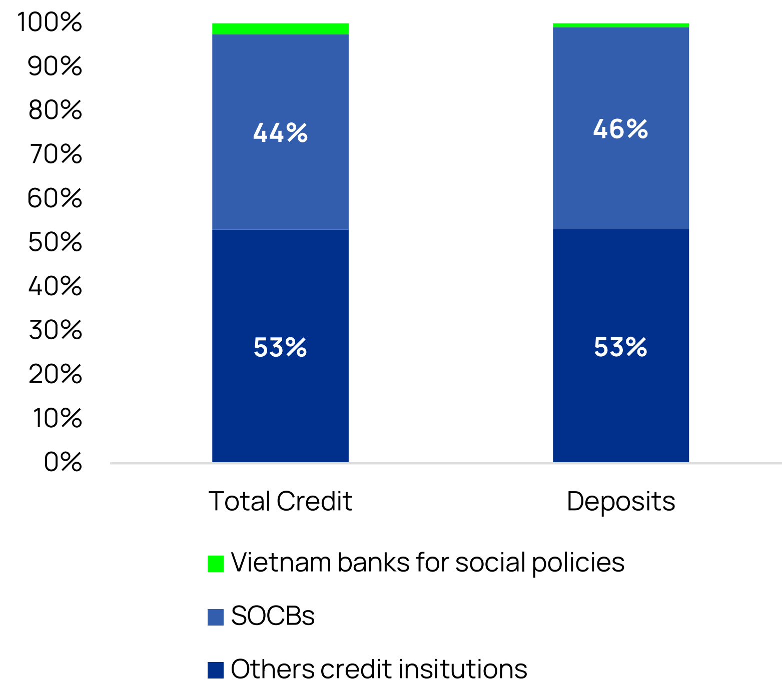
Banking Overview

Snapshot of Vietnamese banking sector (1)

Credit institutions in Vietnam (FY2024)



Market share of loans and deposits by type of credit institutions (FY 2023)

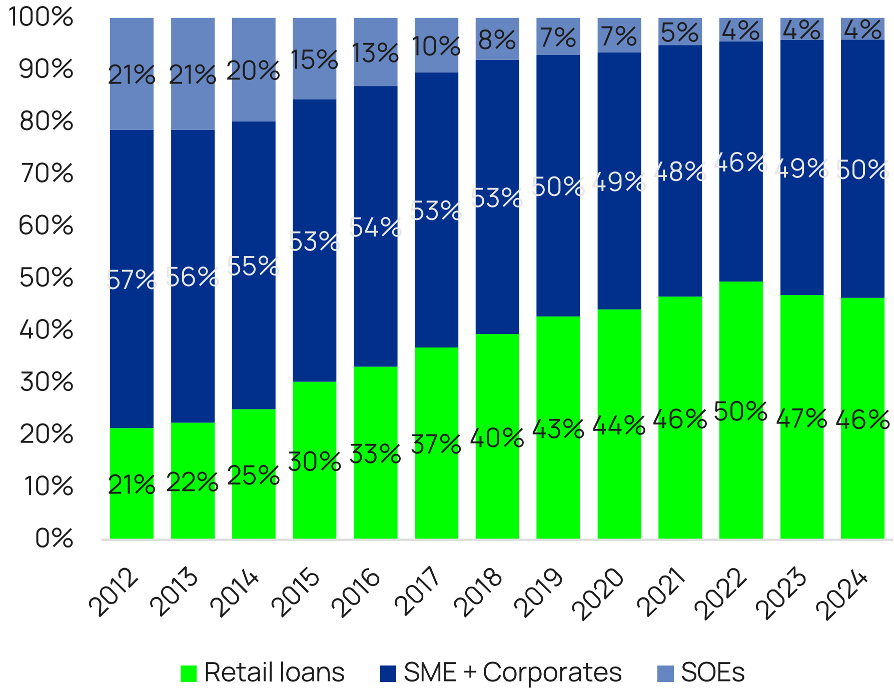


- The State Bank of Vietnam (SBV) classifies Vietnam's credit institutions into five main types: non-bank credit institutions, micro-finance institutions, foreign bank branches, representative offices of foreign banks, and fully-licensed deposit taking banks.
- Of these, bank-related categories account for 85% by number of registrations.
- The four biggest State-owned commercial banks (SOCBs) occupy around 44%-45% of the market's deposits and loans.

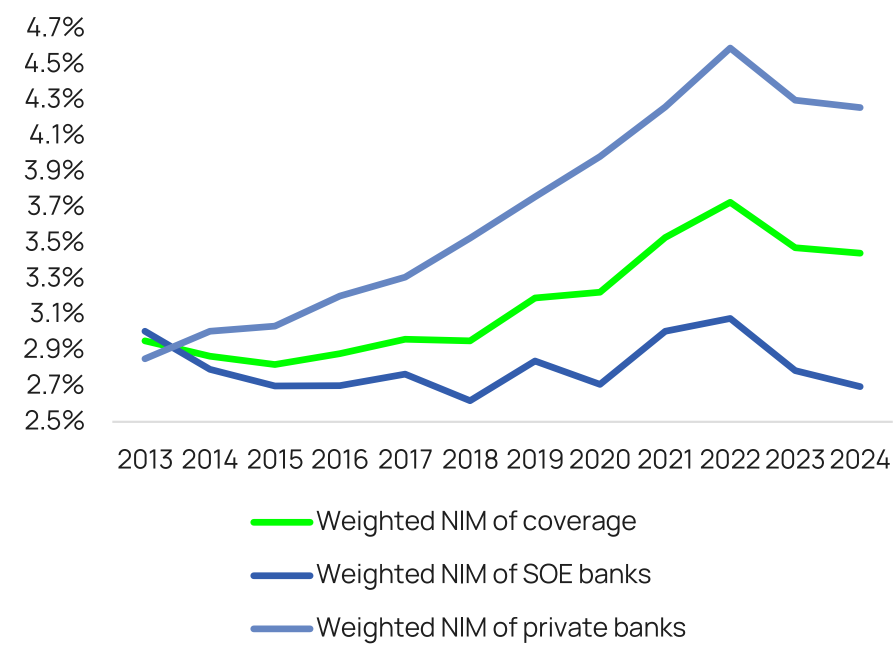
Source: SBV, Vietcap. (*) SOCBs include CTG, VCB, BID, Agribank, (**) JSCBs above are joint-stock commercial banks not included in the SOCB list; numbers in brackets represent the number of constituents.

Snapshot of Vietnamese banking sector (2)

Breakdown of gross loans by customer groups for banks under our coverage



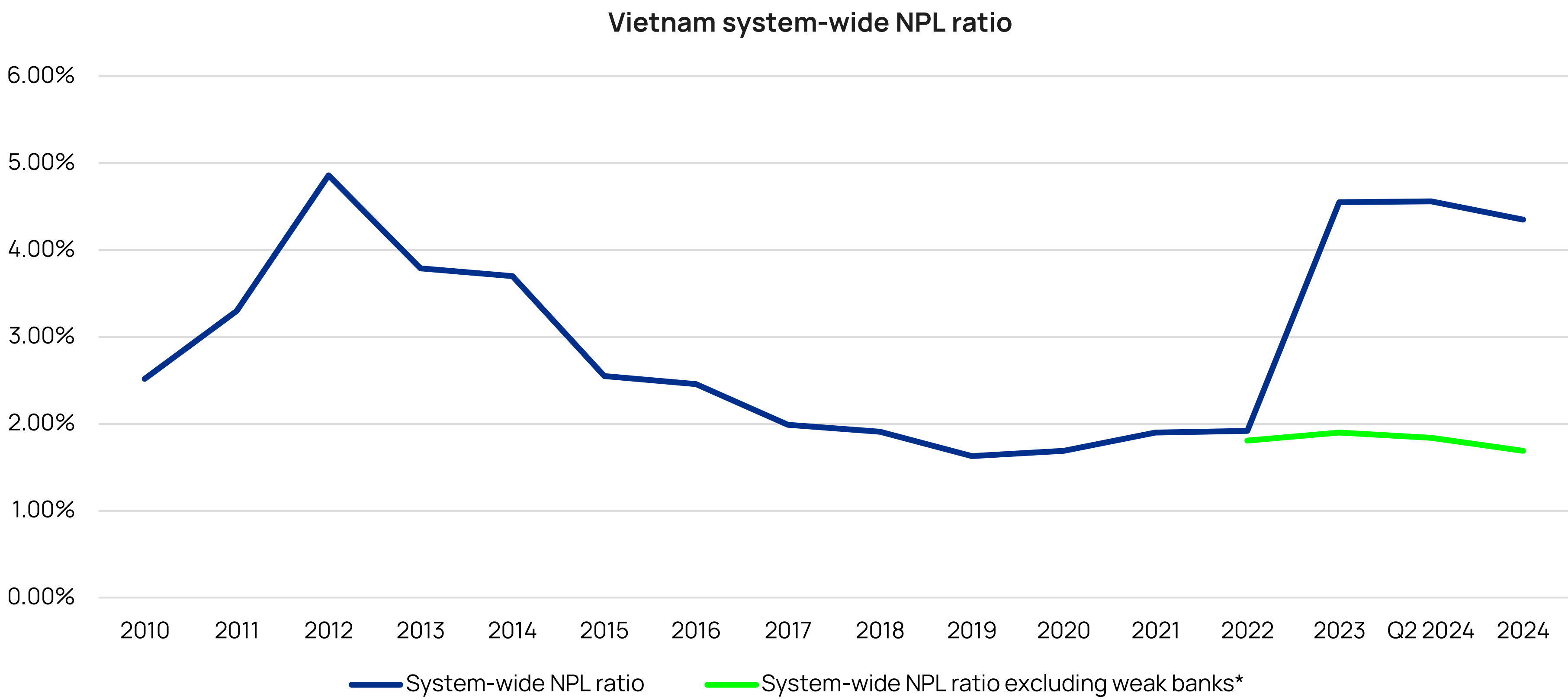
Aggregate NIM of banks in our coverage universe



- Since 2012, banks in our coverage have shifted the structure of their loan portfolios to the retail lending segment, which is evidenced by their retail lending portions rising from 21% in 2012 to 50% in 2022. However, the contribution of retail loans decreased moderately in the last two years due to slowed retail credit demand amid the credit downturn.
- The shift to retail lending with higher yields partly explains the improvement in NIM during 2015-2022. The aggregate NIM of banks in our coverage universe expanded by 83 bps from 2013 to 2022. However, NIM was under pressure in 2023-2024 due to (1) asset quality deterioration, (2) a lower retail loan contribution, and (3) increasing loan pricing competition.

Source: Company data, Vietcap estimate

Snapshot of Vietnamese banking sector (3)



- The systemwide NPL ratio spiked in 2023, primarily driven by Saigon Commercial Bank (SCB), the fifth-largest bank by assets at the time, which was implicated in major banking fraud involving its Chairwoman in late 2022.
- The banking sector faced continued asset quality pressure in 2023-2024 due to high interest rates in H1 2023, the real estate and corporate bond market crackdown, and unfavorable economic conditions. However, asset quality began improving in H2 2024, a trend we expect to persist into 2025 and beyond.

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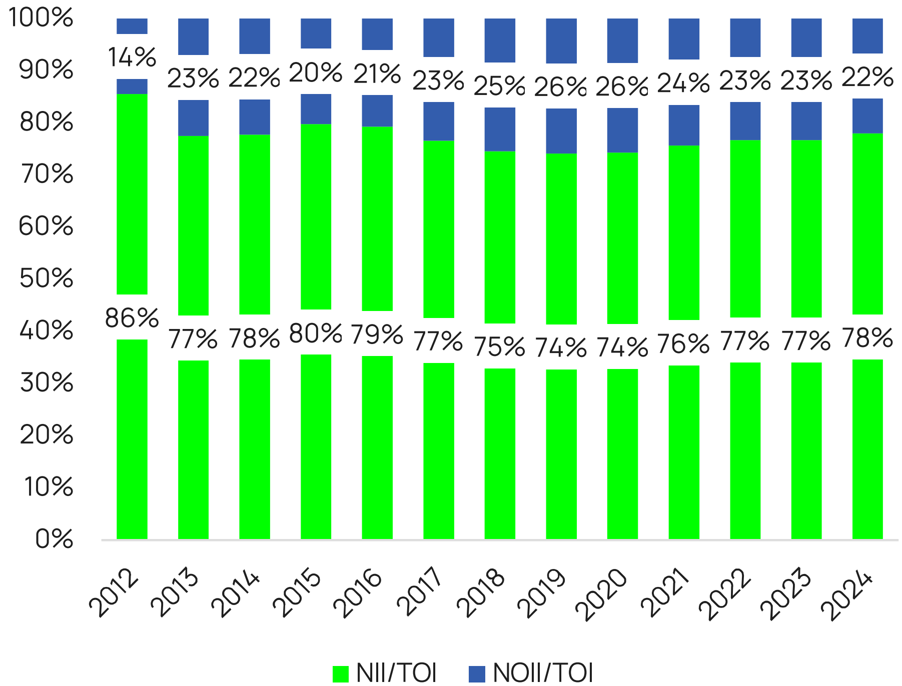
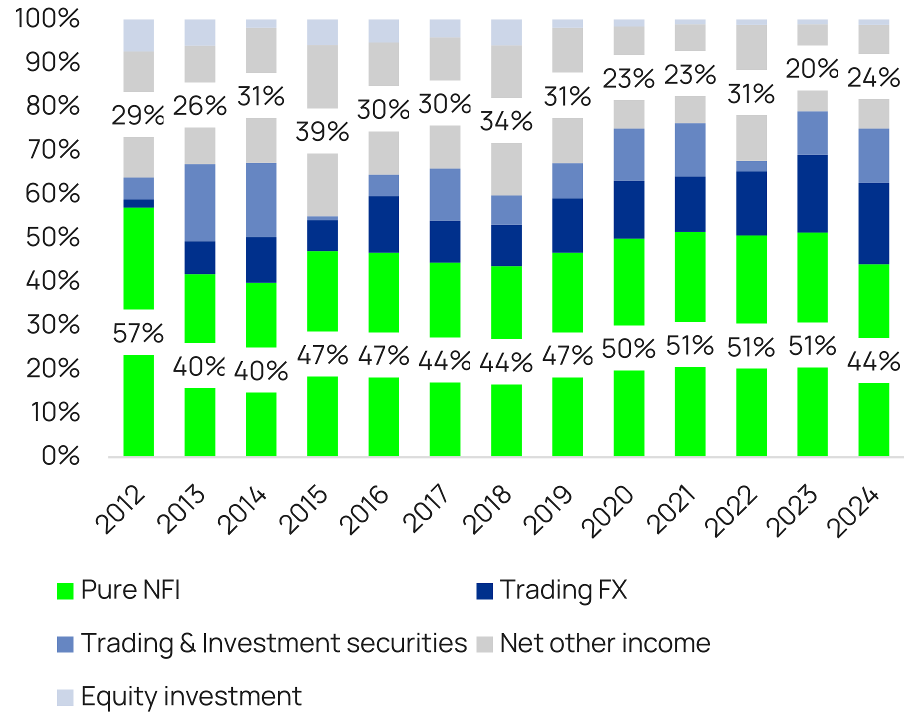
*Source: The State Bank of Vietnam (SBV); Vietnam Financial Times; Vietcap compilation. *Weak banks include Vikki (formerly known as Dong A Bank; supported by HDB), VCBNeo (formerly known as CBBank; supported by VCB), MBV Bank (formerly known as Ocean Bank; supported by MBB), GPBank (supported by VPB), and SCB.*

Snapshot of Vietnamese banking sector (4)

Constituents of TOI of banks in our coverage universe



Constituents of NOII of banks in our coverage universe

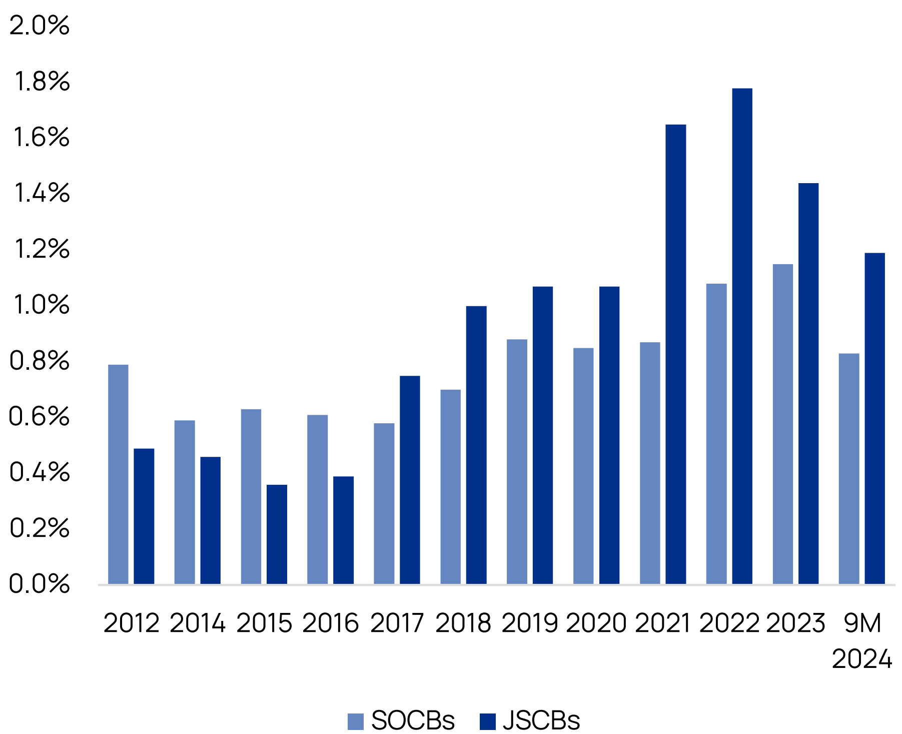


- Profits of Vietnamese banks mainly come from lending activities. However, income from non-credit services has increased its overall contribution since 2017, which we believe is partly due to the success of the bancassurance segment that started in 2017.
- The main contribution to Vietnamese banks' NOII has been pure NFI, and this contribution has increased over the years. Additionally, the portion of net other income in NOII has edged down in the last four years compared to the average of 32.5% in the period from 2014 to 2017, as this latter period encompassed high recovery income from written-off debt during the aftermath of the credit cycle downturn between 2012 to 2014.

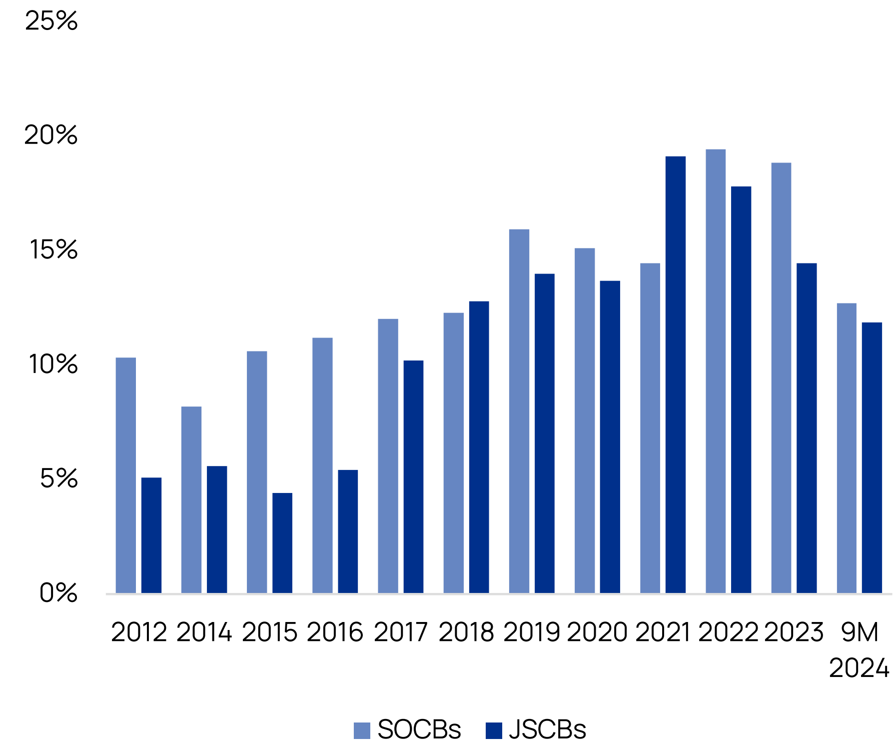
Source: Company data, Vietcap

Snapshot of Vietnamese banking sector (5)

ROA of banks, 2012 – 9M 2024



ROE of banks, 2012 – 9M 2024

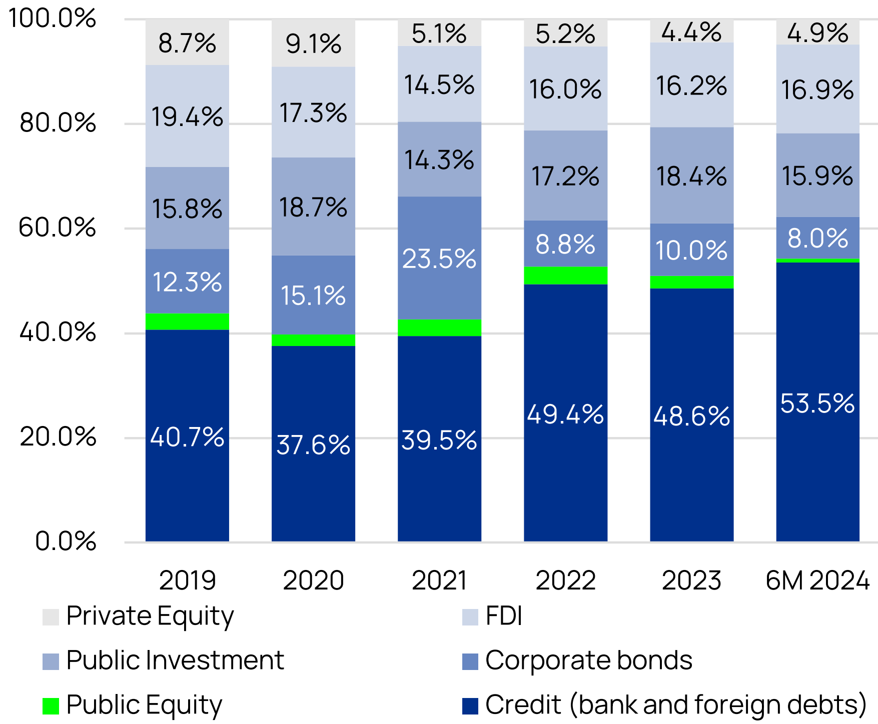


- ROEs of SOCBs and JSCBs gradually increased in 2012-2022 due to their ability to improve NIM and their improvement in fee income from a low base.
- ROAs of SOCBs were stagnant vs an increasing trend for JSCBs, which we believe was partly due to relatively lower risk exposure in the balance sheets of SOCBs.

Source: SBV, Vietcap

Snapshot of Vietnamese banking sector (6)

Capital structure of Vietnam's economy



Source: BID, Vietcap

Comparison of Vietnam's banks with other Asian countries

	Average 5Y trailing P/B	2025F P/B	2025F ROE (%)	Current Tier 1 capital (%)
Vietnam	1.45	1.16	18.5	11.7
SOE bank	*2.14*	*1.72*	*17.8*	*9.9*
Private bank	*1.40*	*1.11*	*19.7*	*12.5*
Median of Asian banks	**1.13**	**1.28**	**13.9**	**16.3**
Thailand	0.65	0.65	8.8	17.8
Malaysia	1.18	1.16	10.8	15.1
Indonesia	3.50	2.55	19.4	26.8
Philippine	1.08	1.09	13.9	16.1
Singapore	1.07	1.40	13.9	16.5
India	2.58	2.57	15.9	15.4

Source: Bloomberg, Vietcap. Note: For Vietnam, the sample includes 12 banks under our coverage. For other countries, we selected the top 5 banks in terms of assets.

Sector Recap and Outlook

Summary

- We forecast **2025F system-wide credit growth of 15.4%,** driven by strong economic growth momentum, a persisting low-interest rate environment, and system-wide deposit growth of 14.1% in 2025, aligning with expected credit growth. We anticipate continued **strong credit demand from corporate sectors**, while expecting **retail lending, including mortgages, to continue recovering**.
- We forecast aggregate **NIM for banks under our coverage at 3.42% in 2025F (-3 bps YoY)** due to upward pressure on funding costs amid rising deposit rates and ongoing stiff lending rates competition. However, we believe the IEA yield improvement should help to support NIM, driven by (1) a stronger retail credit demand vs 2024, (2) reduced support packages for customers as the economy recovers, and (3) improving asset quality and debt collection activities.
- We expect **improvement in asset quality in 2025F** and forecast an aggregate NPL ratio grossed up for write-offs plus Group 2 loans of 2.47% (-11 bps YoY). We forecast for banks under our coverage to strengthen their provisioning buffers in 2025.
- **For 2025, we forecast an 18% YoY increase in aggregate NPAT (14% YoY excluding STB's one-off income)**, primarily supported by strong TOI growth amid strong credit growth and further CIR optimization.
- Our coverage universe is trading at a 0.5 standard deviation below its seven-year average trailing P/B and we believe **valuations are attractive**.
- Our top picks for 2025 are **VCB, MBB, TCB, VPB,** and **STB**. We believe **VCB, MBB,** and **TCB** are banks possessing sustainable competitive advantages in terms of funding cost and can pursue a broad set of growth opportunities given their large operating scale. Additionally, STB and VPB are projected to improve their profitability significantly over the next 2-3 years. These stocks offer some of the highest projected returns based on our end-2025 target prices as of February 21.

Key data and summary valuations

Banking sector: Key data

Code	Rating	Market Cap USD mn	State O'ship %	For. Limit %	For. Avail USD mn	ADTV 30D USD mn	Share Price VND ps	Target Price VND ps	Target price updated	Upside %	Div. Yield %	TSR %
VCB	BUY	20,390	74.8%	30.0%	1,145	5	93,100	114,500	02/24/25	23.0%	0.0%	23.0%
CTG	BUY	8,733	64.5%	30.0%	267	12	41,500	50,000	02/24/25	20.9%	0.0%	20.9%
BID	BUY	11,054	81.0%	30.0%	431	6	40,900	47,300	12/02/24	15.7%	0.0%	15.7%
VPB	BUY	6,047	0.0%	30.0%	297	13	19,450	25,000	12/02/24	28.5%	5.1%	33.7%
ACB	BUY	4,586	0.0%	30.0%	0	7	26,200	33,400	12/02/24	27.5%	3.8%	31.3%
TPB	BUY	1,760	0.0%	30.0%	0	8	17,000	22,200	12/02/24	30.6%	0.0%	30.6%
STB	BUY	2,870	0.0%	30.0%	208	14	38,850	50,000	02/20/25	28.7%	0.0%	28.7%
TCB	BUY	7,336	0.0%	22.5%	0	18	26,500	32,500	02/20/25	22.6%	2.8%	25.5%
MBB	BUY	5,476	9.4%	23.2%	0	11	22,900	28,000	02/20/25	22.3%	2.2%	24.5%
HDB	BUY	3,157	0.0%	17.5%	0	12	23,050	25,000	12/02/24	8.5%	3.5%	11.9%
VIB	O-PF	2,405	0.0%	5.0%	0	6	20,600	21,000	12/02/24	1.9%	4.9%	6.8%
LPB	SELL	4,261	0.0%	5.0%	175	7	36,400	20,000	12/02/24	-45.1%	0.0%	-45.1%

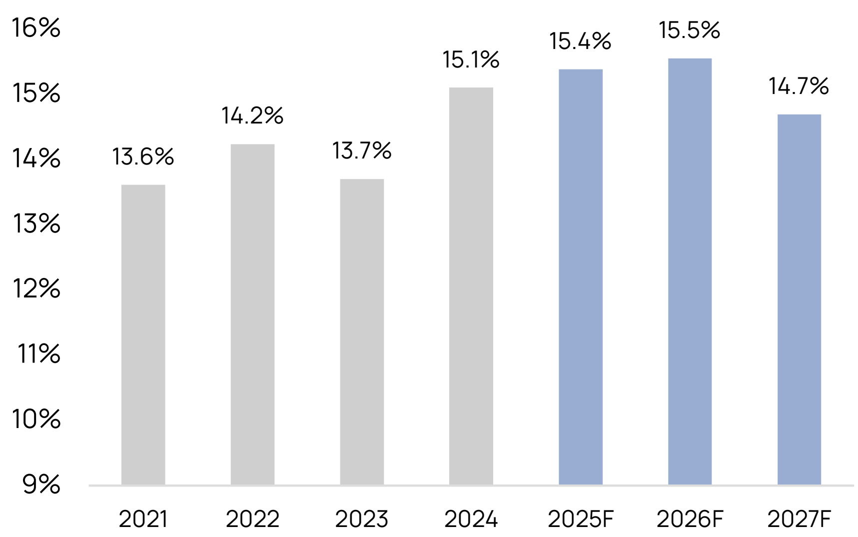
Banking sector: Summary valuations

Code	Share Price VND ps	EPS g 2024%	EPS g 2025F%	EPS g 2026F%	P/B current x	P/B 2025F X	P/B 2026F X	P/E TTM x	P/E 2025F x	P/E 2026F x	ROE 2025F%	Assets/equity LQ x
VCB	93,100	2.3%	12.3%	12.8%	2.62	2.05	1.82	16.7	14.8	13.2	16.6%	10.5
CTG	41,500	27.4%	20.3%	18.2%	1.50	1.27	1.08	10.4	8.6	7.3	18.8%	15.9
BID	40,900	9.0%	15.6%	7.2%	2.03	1.69	1.51	13.8	12.0	11.2	17.3%	19.1
VPB	19,450	51.6%	15.3%	25.8%	1.09	1.04	0.94	9.4	8.2	6.8	11.3%	6.3
ACB	26,200	3.1%	25.7%	14.3%	1.40	1.17	0.98	7.1	5.7	5.0	22.8%	10.4
TPB	17,000	36.5%	25.0%	20.0%	1.19	0.97	0.81	7.4	5.9	4.9	19.0%	11.1
STB	38,850	26.7%	39.3%	26.7%	1.33	1.09	0.89	8.0	5.8	4.5	23.0%	13.6
TCB	26,500	19.1%	21.1%	21.8%	1.29	1.13	0.98	8.7	7.2	5.9	16.7%	6.6
MBB	22,900	8.5%	10.3%	18.6%	1.23	1.03	0.86	6.2	5.5	4.7	20.4%	9.6
HDB	23,050	23.2%	14.5%	13.7%	1.47	1.02	0.85	6.4	5.6	4.9	23.8%	12.3
VIB	20,600	-28.7%	16.9%	21.7%	1.47	1.31	1.14	8.6	7.4	6.1	19.0%	11.8
LPB	36,400	91.5%	-15.8%	1.2%	2.15	1.87	1.59	9.3	11.1	10.9	20.2%	11.7

Source: Vietcap (Share prices as of February 21, 2025)

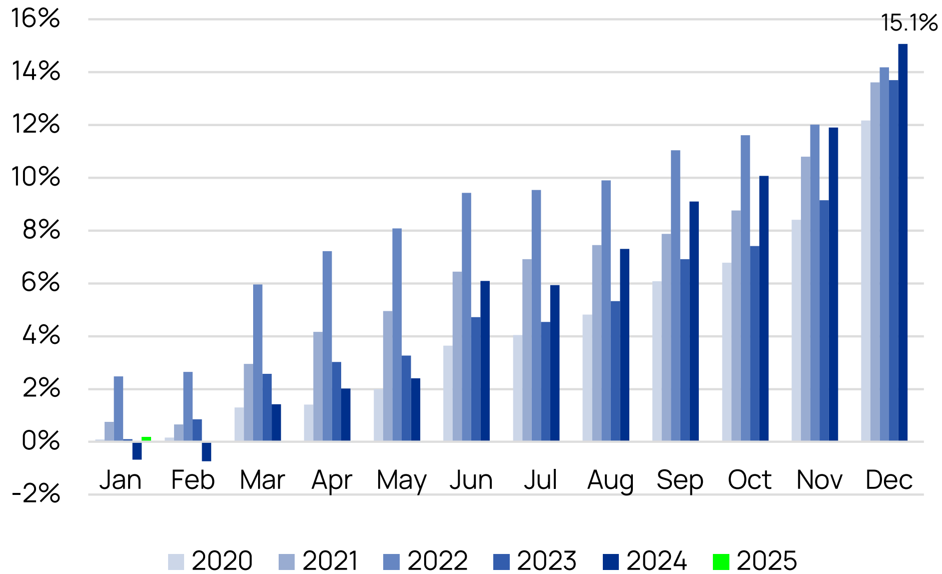
System-wide credit growth

Annual system credit growth



*Source: SBV, Vietcap estimates. * 2025F-2027F represent implied system-wide credit growth, which is calculated based on our forecast for credit growth of banks in our coverage universe minus the average difference in the past few years of 1.4 ppts.*

Monthly system-wide credit growth

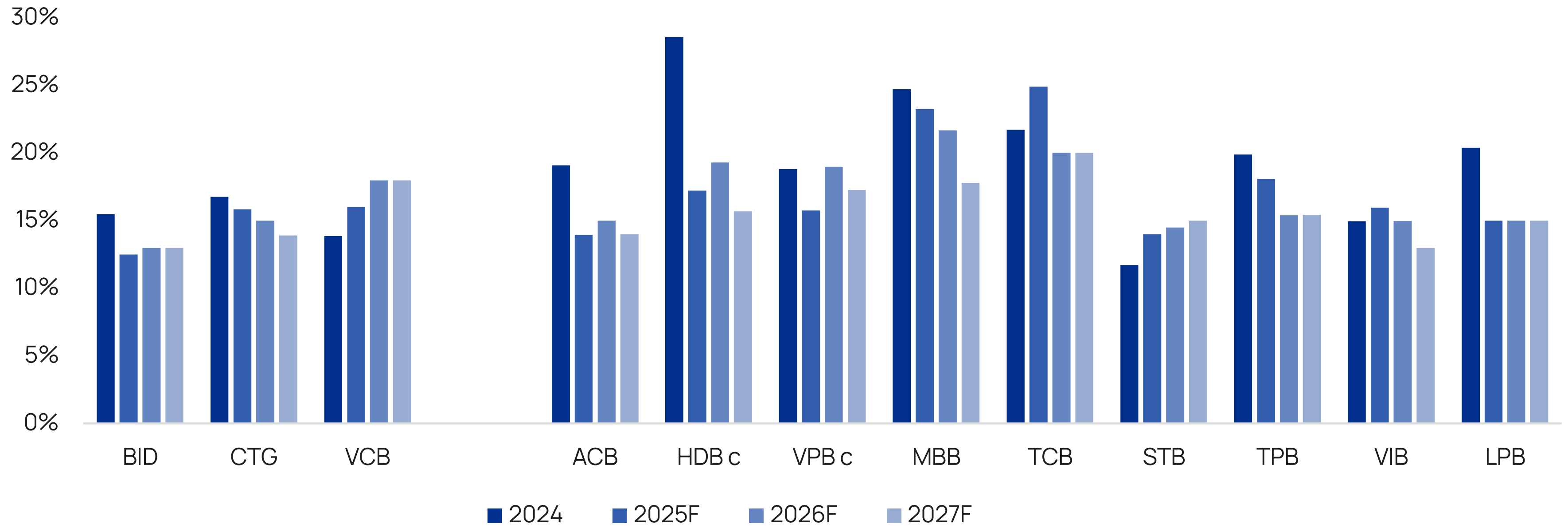


Source: State Bank of Vietnam (SBV), General Statistics Office of Vietnam (GSO), Vietcap

- We increase our forecast for 2025F system-wide credit growth to 15.4% vs 13.8% previously, driven by (1) strong momentum in economic growth following the Government's 2025F GDP growth target of 8% and (2) a steady low-interest rate environment. Despite higher credit growth at the end of 2024, January 2025 saw positive credit growth of 0.19%, compared to negative growth in January last year, signaling stronger credit demand than the previous year.
- We believe 2025F growth will be more balanced between corporate and retail customers. On the corporate side, major infrastructure projects will be a notable driver. In addition, on the retail side, mortgage growth has started to rebound as the real estate market continues its recovery.

Credit growth of banks under our coverage

Credit growth of banks under our coverage

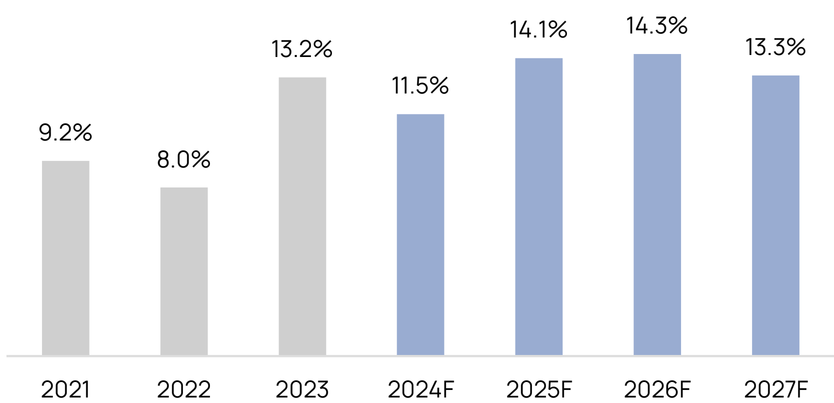


Source: Company data, Vietcap; ('c' denotes consolidated)

- In 2024, banks under our coverage reported higher credit growth for 12M 2024 compared to the industry average (17.6% vs 15.1%), with strong performances from private banks such as HDB (+27.3%), MBB (+24.7%), TCB (+21.7%), and ACB (+19.1%).
- In an environment of intensifying competition among banks, we expect large banks under our coverage to maintain strong credit growth in 2025F, supported by their low funding costs, solid capital base, and advanced technology. Among them, TCB, MBB, and VCB will stand out due to their cost-efficient funding structures and strong customer bases. We forecast credit growth in 2025F at 25% for TCB, 23% for MBB, and 16% for VCB.

System-wide deposit growth

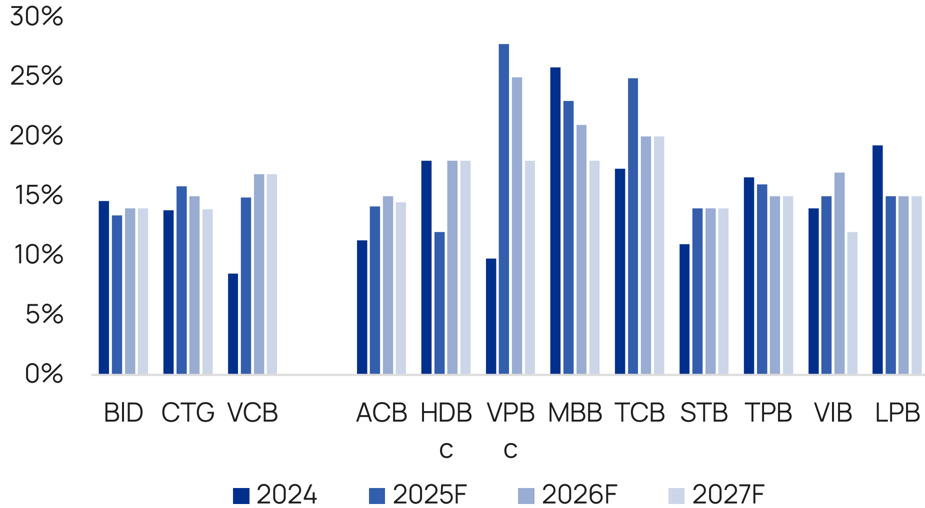
Annual system-wide deposit growth



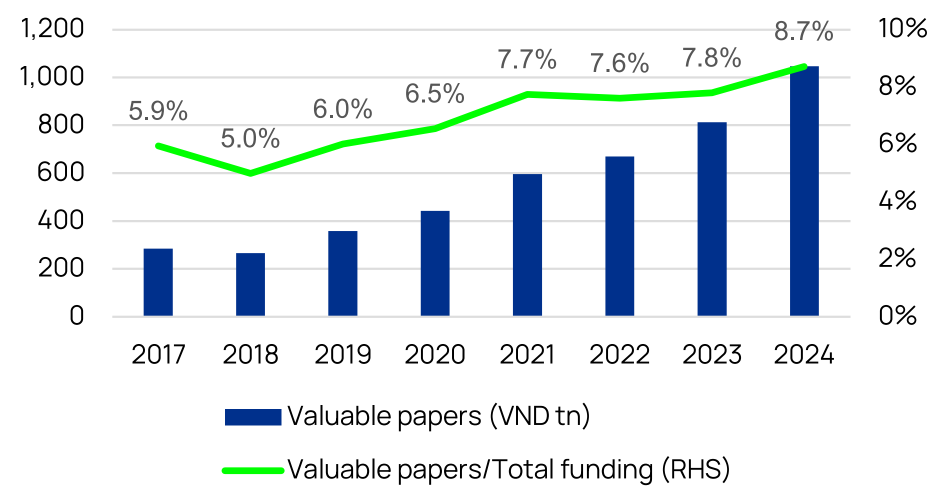
*Source: SBV, Vietcap estimates. * 2024-2027F represent implied systemwide deposit growth, which is calculated based on our forecast for deposit growth of banks in our coverage universe less 2.4 ppts (the average difference in the last three years).*

- We estimate 2024F system-wide deposit growth at a modest 11.5%, while banks increased funding via valuable papers (+28.8% YoY) to meet rising medium-to-long-term credit demand and lock in low costs amid the current low-interest-rate environment.
- We forecast a stronger system-wide deposit growth in 2025F at 14.1% aligning with expected higher credit growth.

Deposit growth by banks



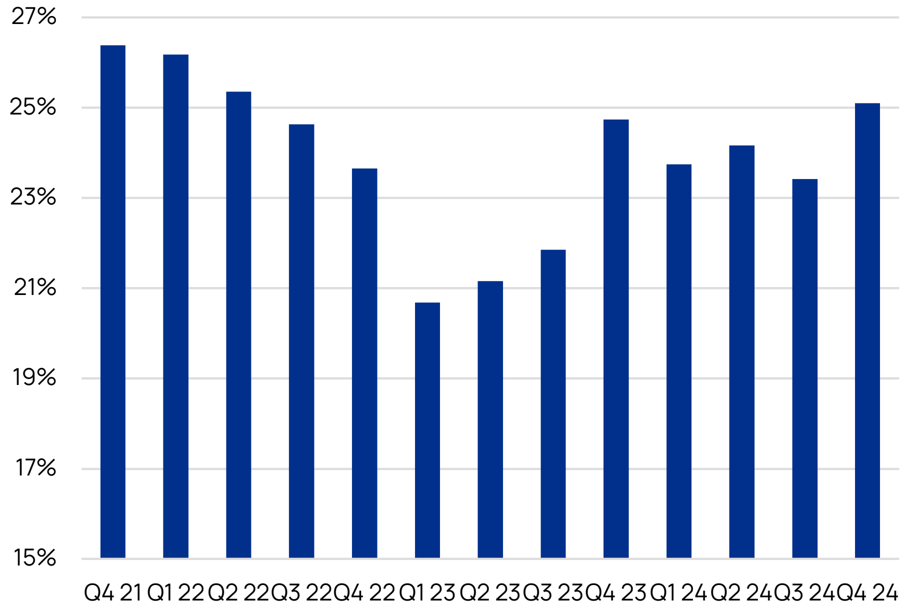
Valuable papers of banks under our coverage



Source: Company data. Vietcap ('c' denotes consolidated). Note: Total funding includes interbank funding, deposits, and valuable papers

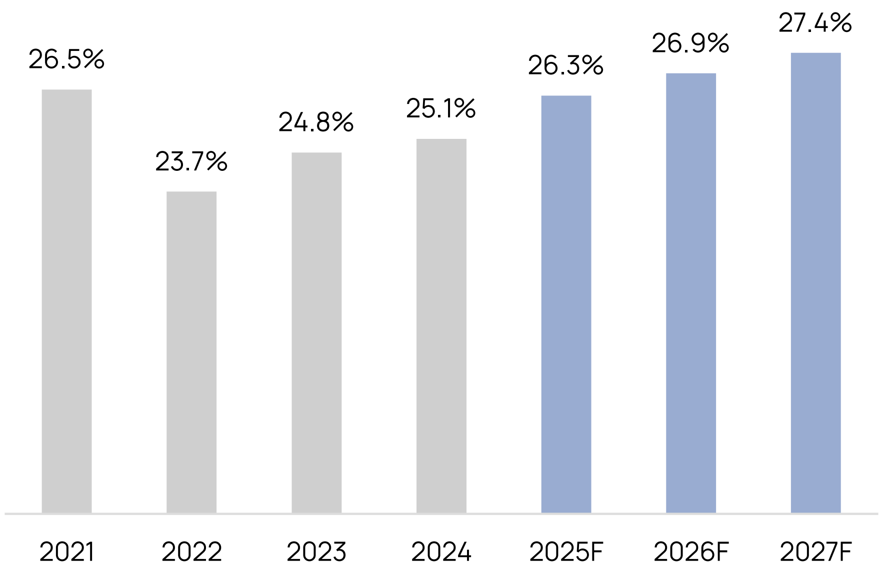
CASA ratio

Aggregate CASA ratio of banks under our coverage, quarterly



Source: Company data, Vietcap

Aggregate CASA ratio of banks under our coverage, yearly

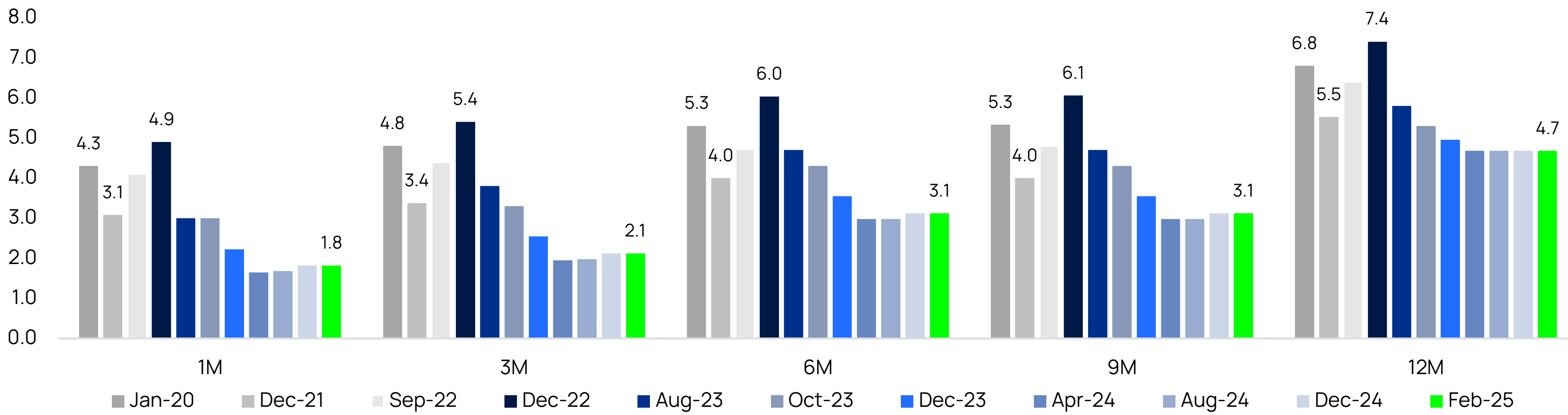


Source: Company data, Vietcap

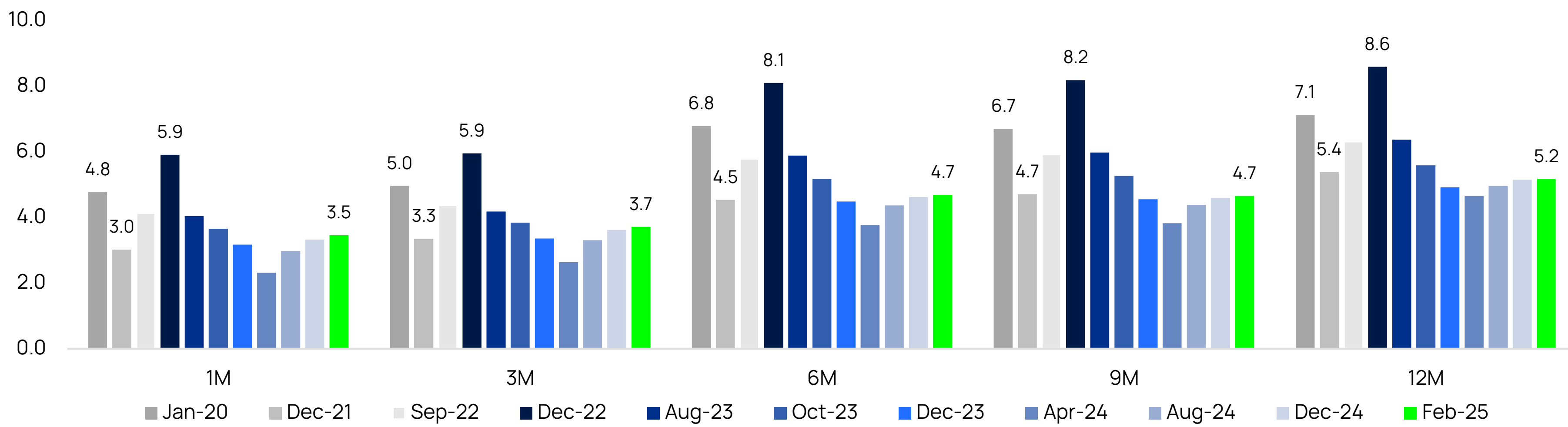
- The aggregate CASA ratio for banks under our coverage remained stable YoY but increased slightly QoQ (+1.7 ppts) to 25.1% in Q4 2024. We attribute this partly due to the higher settlement demand during the year-end season.
- We expect a modest improvement in the CASA ratio in 2025, supported by (1) a low-interest rate environment combined with stronger economic activity, (2) stronger retail consumption, and (3) ongoing advancements in digital innovation.

Deposit rates

Weighted average deposit rates of SOE banks (%)



Weighted average deposit rates of private banks (%)



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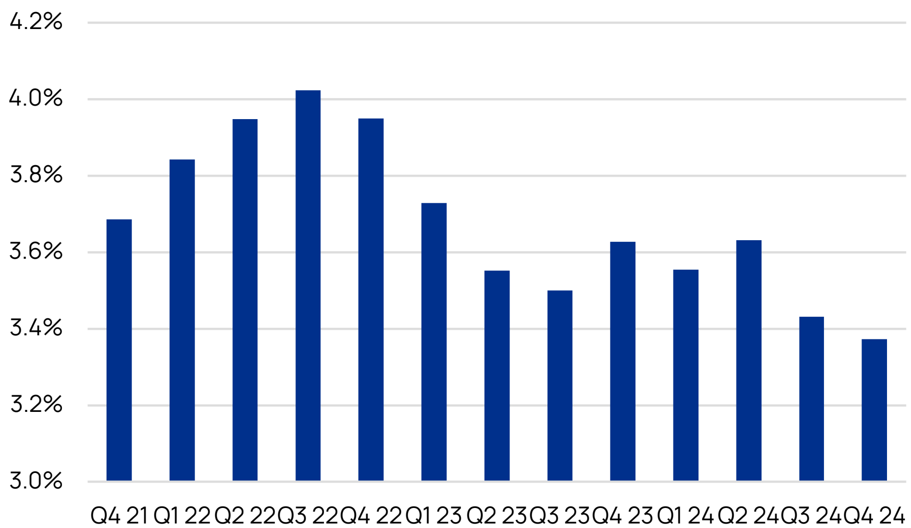
Source: Company data, Vietcap. Weighted average rates of private banks under Vietcap coverage.

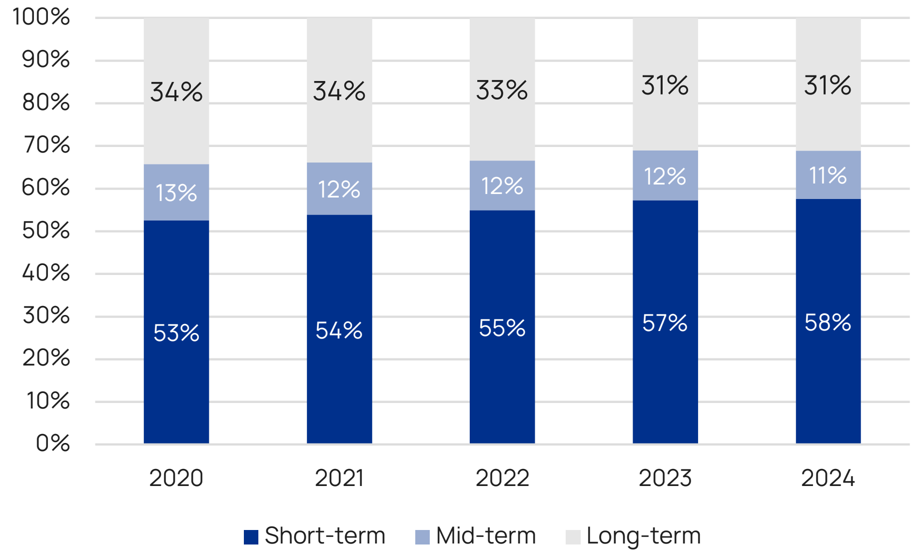
Aggregate 2024 NIM declined YoY

Aggregate NIM, quarterly



Source: Company data, Vietcap

Breakdown term structure of banks under our coverage

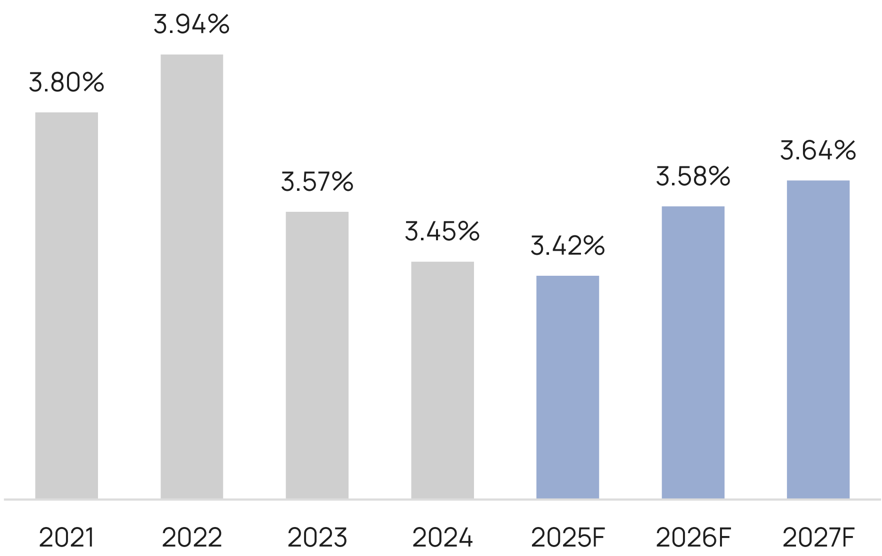


Source: Company data, Vietcap. ('c' denotes consolidated, 'p' denotes parent bank)

- Aggregate Q4 2024 NIM declined YoY to 3.5% (-6 bps QoQ, -25 bps YoY), driven by (1) a sharp drop in IEA yields compared to COF due to Circular 06/2023, which allows banks to refinance consumer loans with more attractive lending rates, along with the modest recovery in consumer lending and (2) an increase in funding costs due to picking up deposit rates in H2 2024 (mostly at private banks) and ramping up mid-and-long term funding. We observe a consistent NIM contraction across the banks in our coverage except for LPB (+37 bps), VPB (+20 bps), and BID (+14 bps).

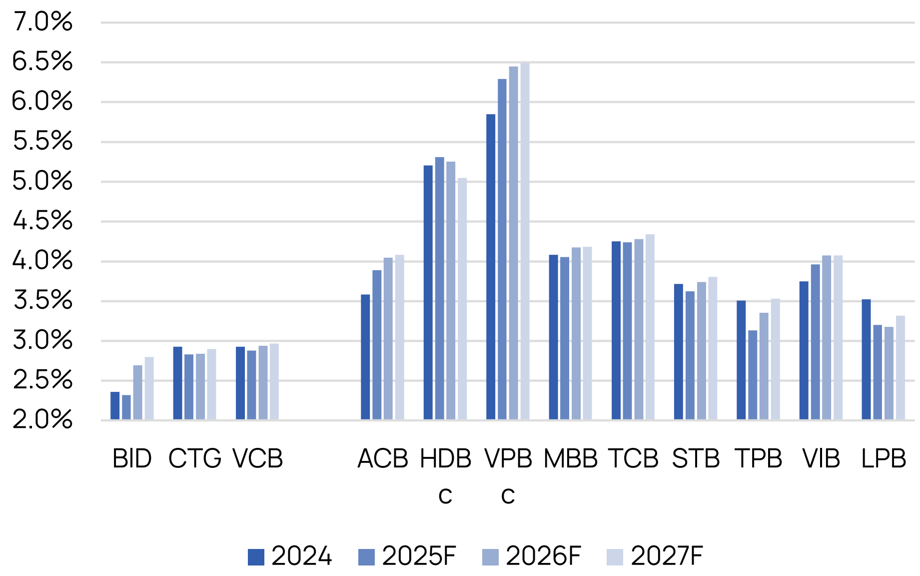
2025F NIM expected to slightly decline

Aggregate NIM, yearly



Source: Company data, Vietcap

NIM by banks, yearly

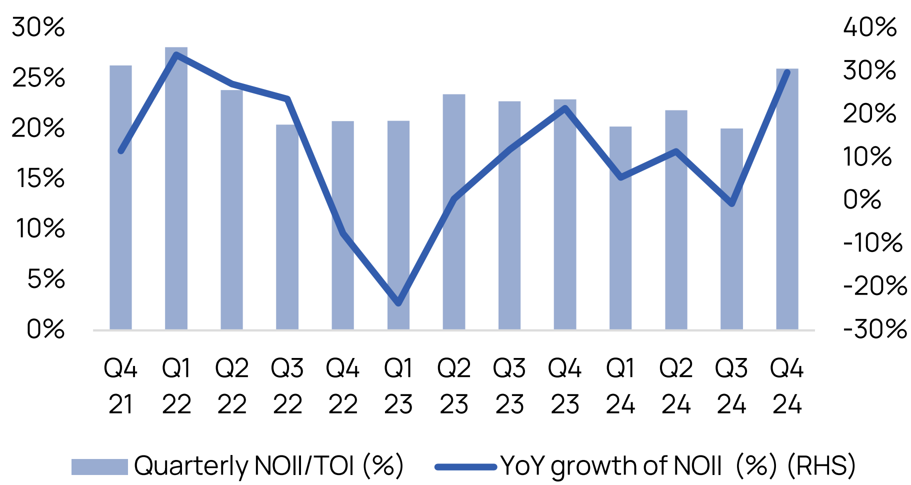


Source: Company data, Vietcap

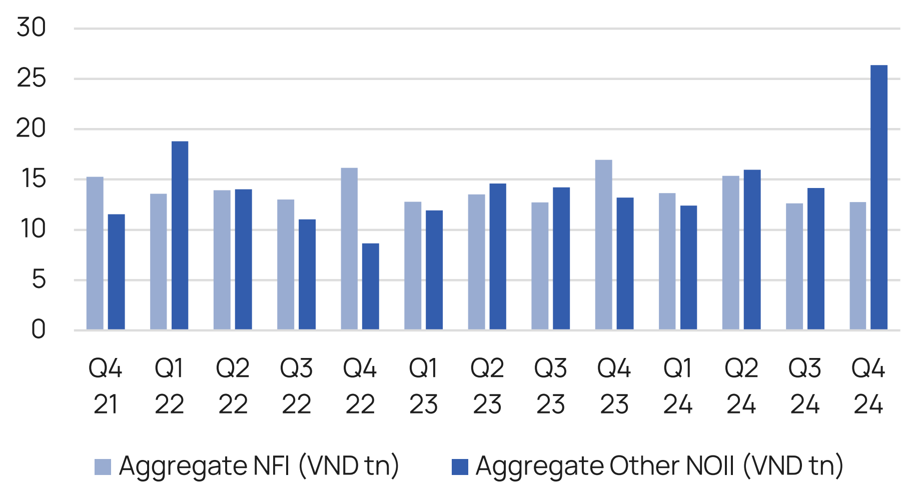
- In 2025, we anticipate (1) a high credit growth target, which will intensify lending competition among banks, and (2) rising funding costs, driven by gradually increasing deposit rates and a higher proportion of medium-to-long-term funding. These factors are expected to outweigh the positive effect of (3) stronger credit demand from retail borrowers and (4) improvements in asset quality. Therefore, we forecast for a 3 bps YoY decrease in NIM in 2025F to 3.42%.
- We project aggregate NIM for SOE banks to decrease by 6 bps YoY, and for private banks to increase by 5 bps YoY in 2025F.

Non-interest income (NOII)

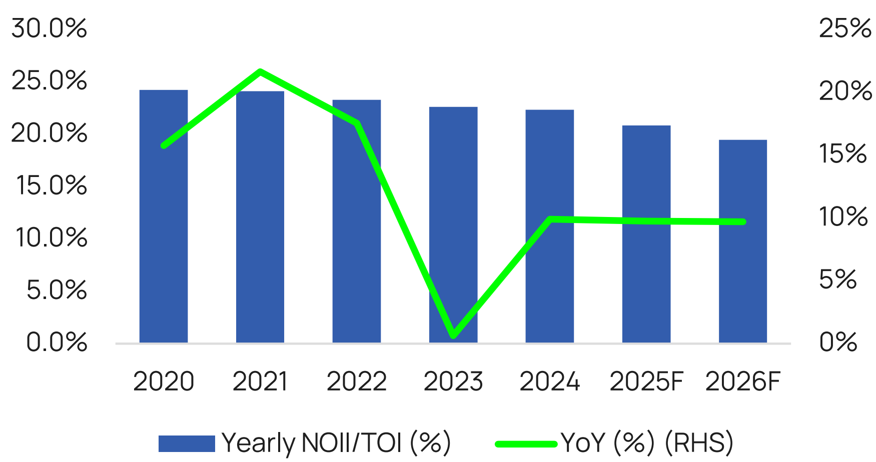
Quarterly aggregate NOII/TOI and NOII growth



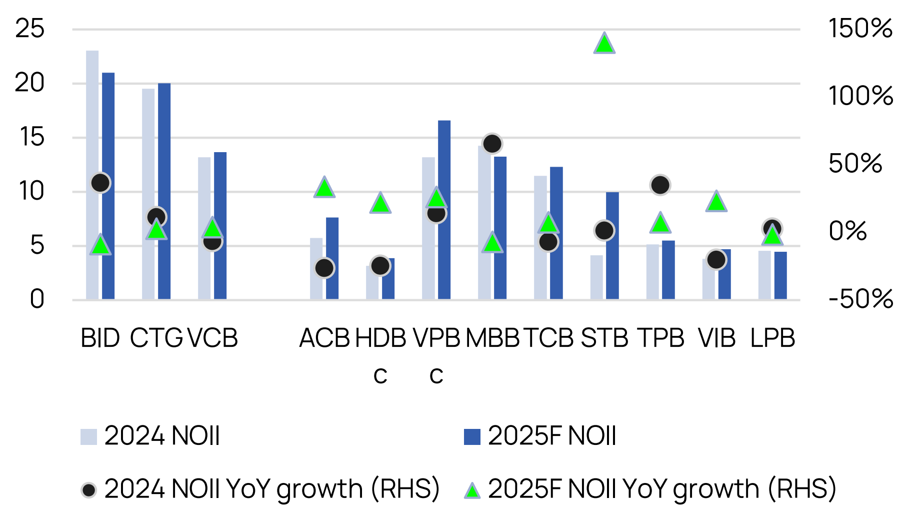
Quarterly NOII breakdown



Aggregate NOII/TOI and NOII growth, yearly



NOII by banks (VND tn)



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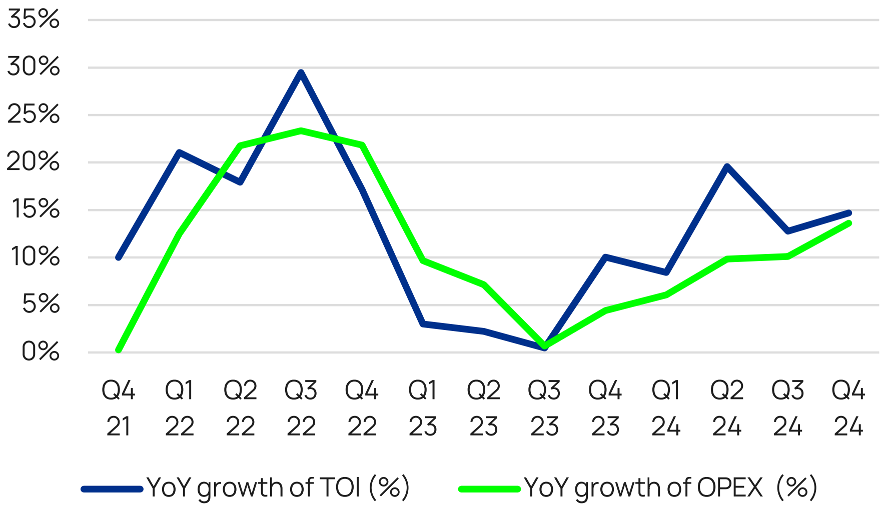
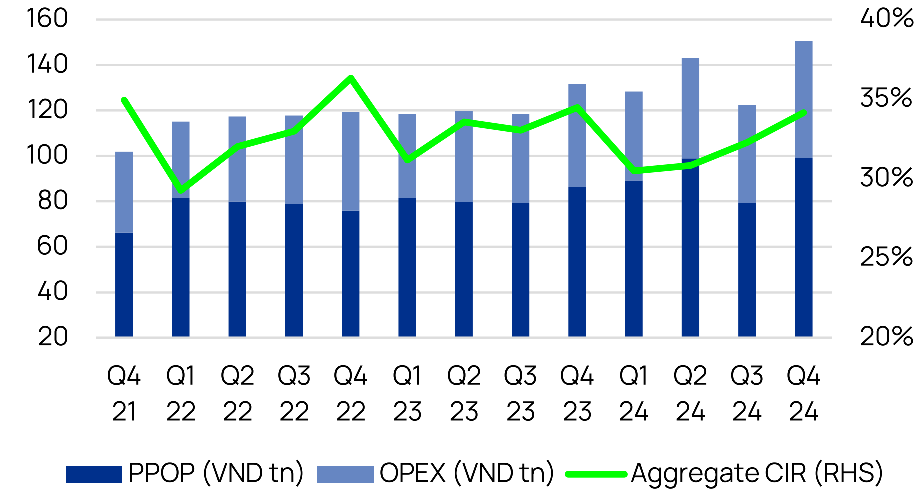
Source: Company data, Vietcap ('c' denotes consolidated)

Operating costs

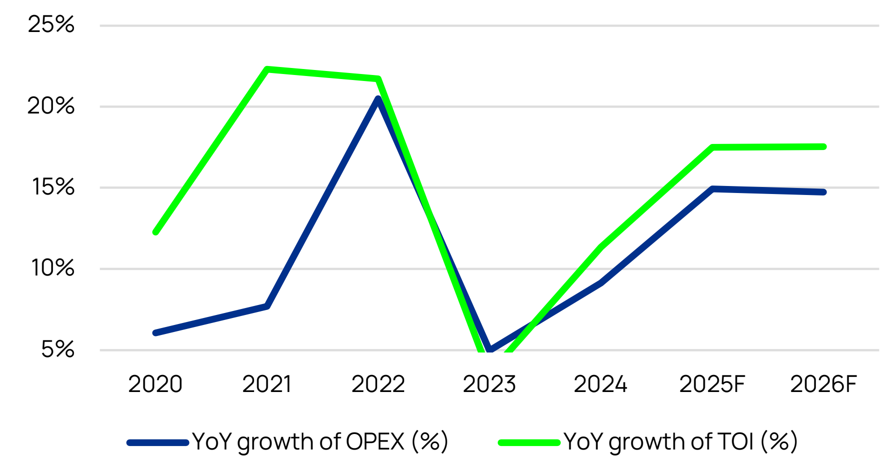
Aggregate TOI and OPEX growth, quarterly



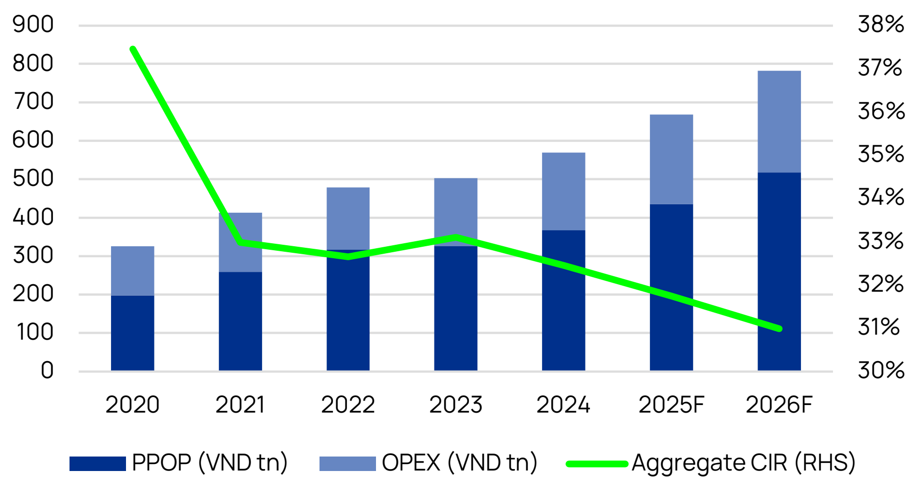
Aggregate CIR, PPOP & OPEX, quarterly



Aggregate TOI and OPEX growth, yearly



Aggregate CIR, PPOP & OPEX, yearly

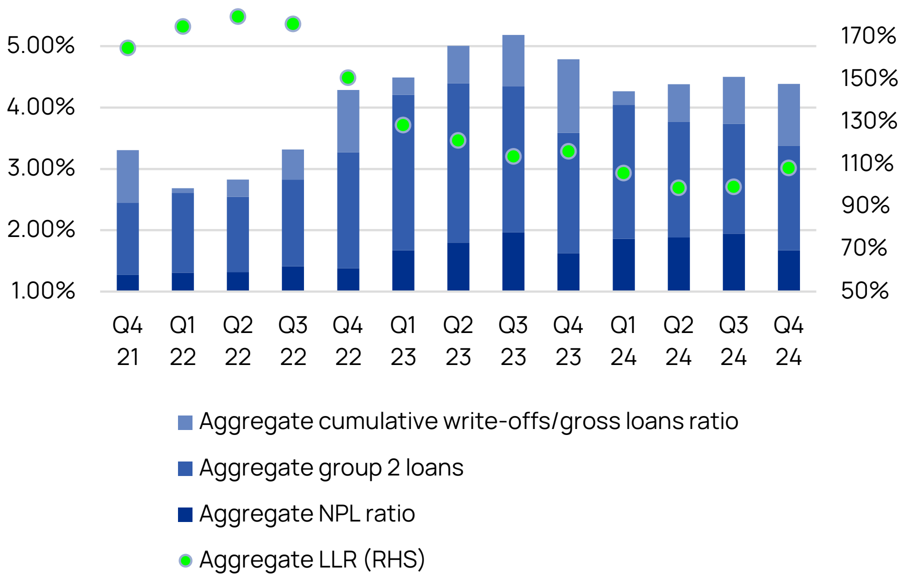


Vietcap

Source: Company data, Vietcap ('c' denotes consolidated)

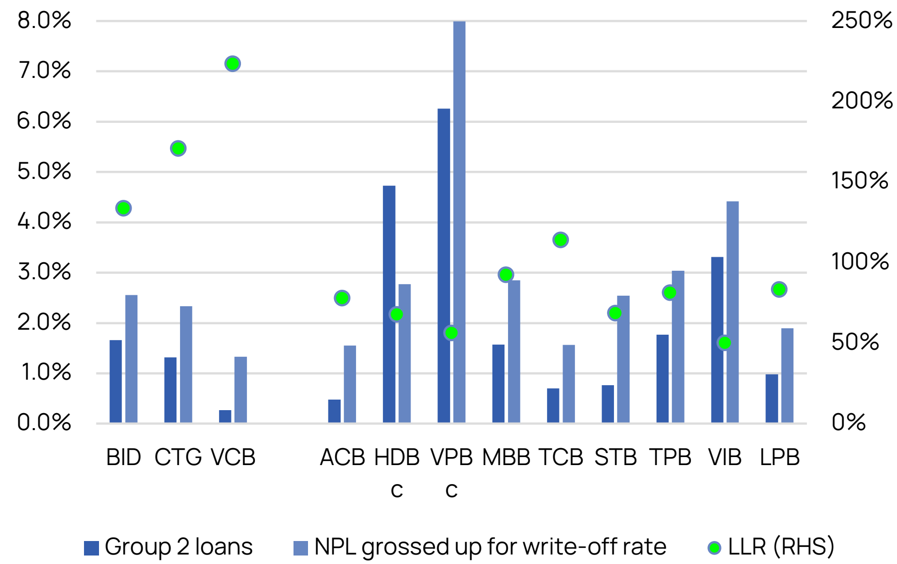
Asset quality (1)

Asset quality of Vietcap's banking coverage



Source: Company data, Vietcap

Asset quality of banks as of Q4 2024

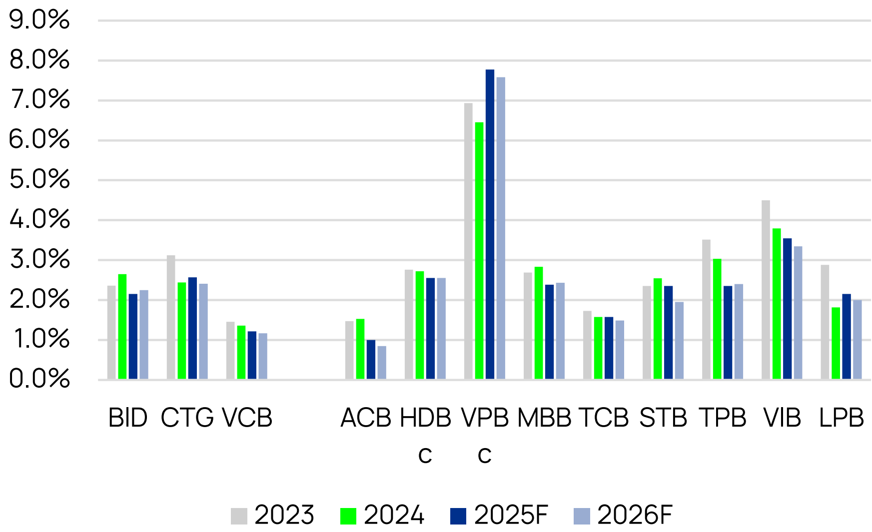


Source: Company data, Vietcap ('c' denotes consolidated)

- **The bad debt metrics of banks delivered encouraging signs of improvement.** The Q4 2024 aggregate NPL ratio was 1.68% (-27 bps QoQ; +5 bps YoY). The Group 2 loans ratio has decreased in three consecutive quarters to 1.71% (-9 bps QoQ; -25 bps YoY). Additionally, the total NPLs of banks under our coverage decreased 9% QoQ.
- While most banks under our coverage witnessed QoQ declines in Q4 2024 bad debt metrics, ACB and HDB showed QoQ upticks in the NPL ratio (2 bps and 9 bps, respectively).
- The aggregate LLR ticked up by 8.9 ppts QoQ from a low base to 108.1% in Q4 2024.

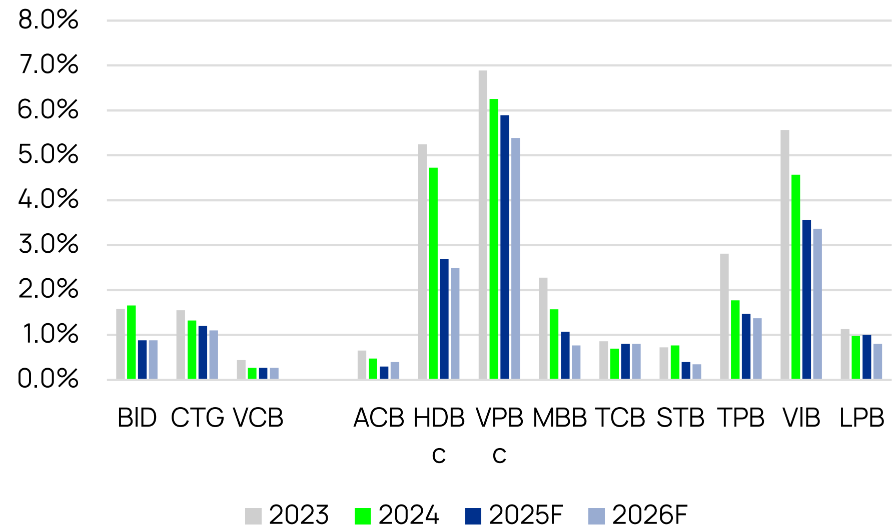
Asset quality (2)

NPL ratio grossed up for write-offs



Source: Company data, Vietcap ('c' denotes consolidated)

Group 2 loans

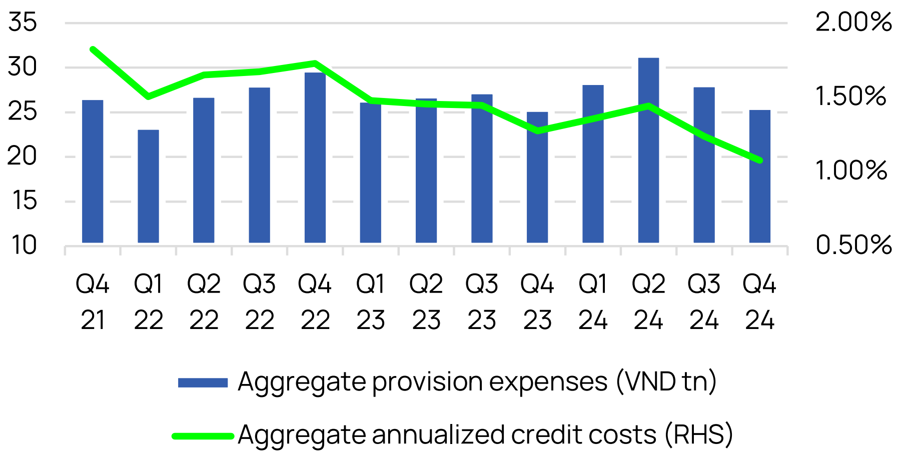


Source: Company data, Vietcap ('c' denotes consolidated)

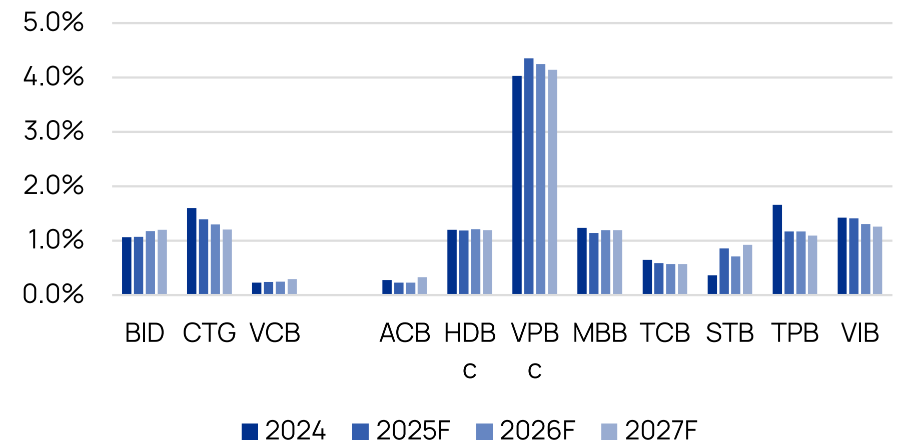
- The aggregate Group 2 ratio among these banks has decreased QoQ for three consecutive quarters, indicating a slowdown in NPL formation.
- We expect asset quality to improve in 2025, supported by (1) a relatively low-interest rate environment, (2) improving economic activities, (3) stronger credit demand, and (4) continuing recovery of the real estate market. For 2025, we forecast an aggregate NPL ratio grossed up for write-offs plus Group 2 loans of 2.47% (-11 bps YoY). We anticipate elevated write-off rates as banks continue to clean up their balance sheets.

Asset quality (3)

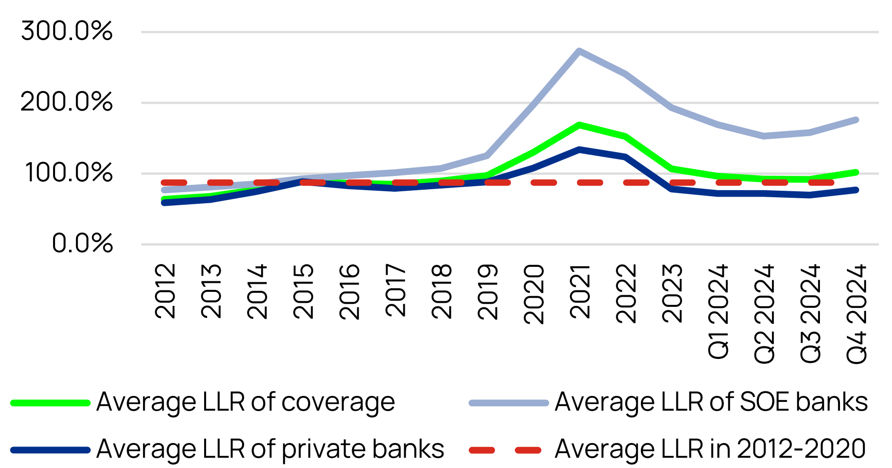
Aggregate provision expenses (VND tn) and credit costs (%) quarterly



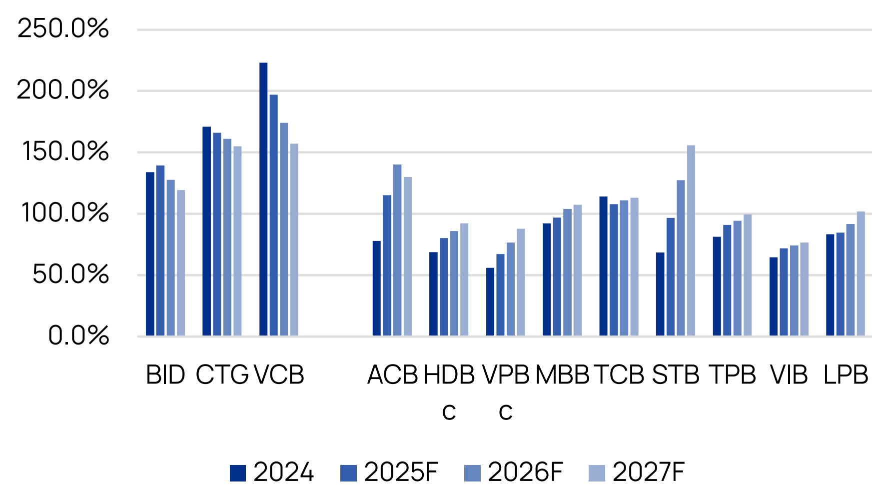
Credit costs of banks under coverage



Average LLR



LLR by bank

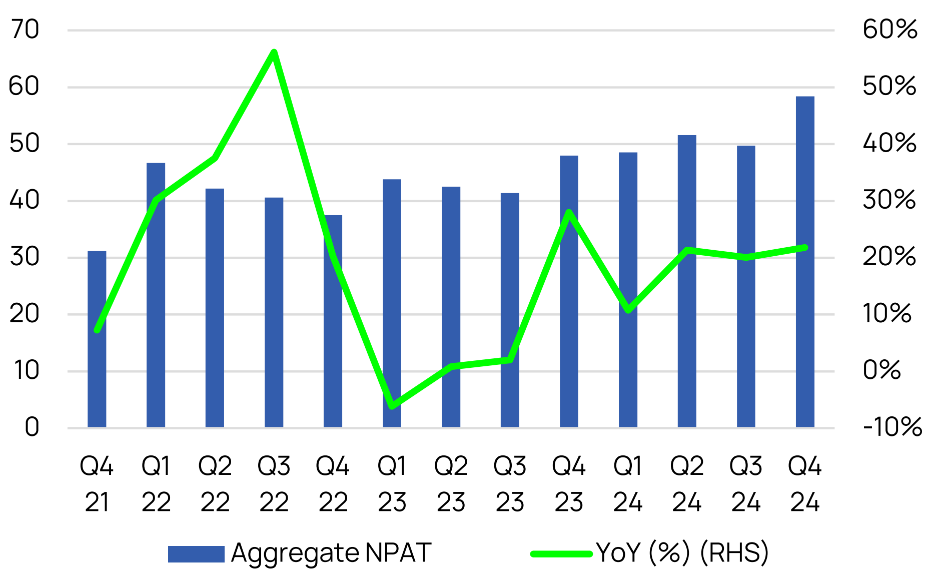


Vietcap

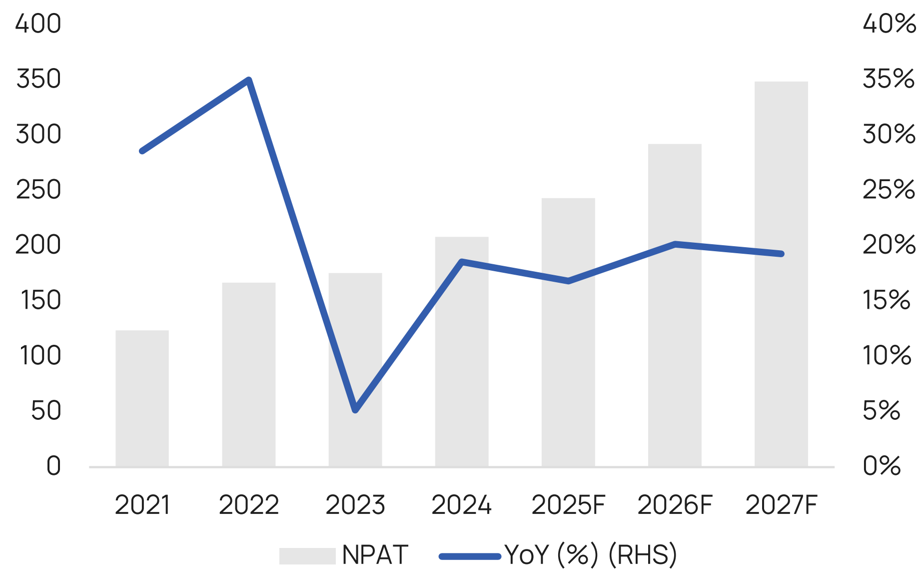
Source: Company data, Vietcap ('c' denotes consolidated)

Net profits

NPAT quarterly (VND tn)



NPAT, yearly (VND tn)



- Overall, 2024 NPAT growth of 19% YoY was broadly in line with our forecast, implying a resilient performance of the banking sector despite heightening lending competition with stronger-than-expected credit growth and on-track asset quality improvement. Q4 2024 aggregate NPAT increased 18% QoQ and 22% YoY driven by strong NII amid robust credit growth and strong NOII due to significant improvement in recovery from written-off bad debts, FX gains, and investment income.
- For 2025, we forecast an 17% YoY increase in aggregate NPAT (14% YoY excluding STB's one-off income), supported by (1) a 19% YoY rise in aggregate NII, driven by strong credit growth, and (2) a 10% YoY increase in aggregate NOII, led by a modest recovery in bancassurance fees from a low base in 2024, higher recovery income from written-off bad debts as the real estate market recovers, and income from the sale of debt related to Phong Phu Industrial Park by STB. These gains will be partially offset by a 15% YoY increase in provision expenses given our expectation for (1) continuing loan delinquency requiring more extensive provisions and (2) banks to further strengthening their provisioning buffers.

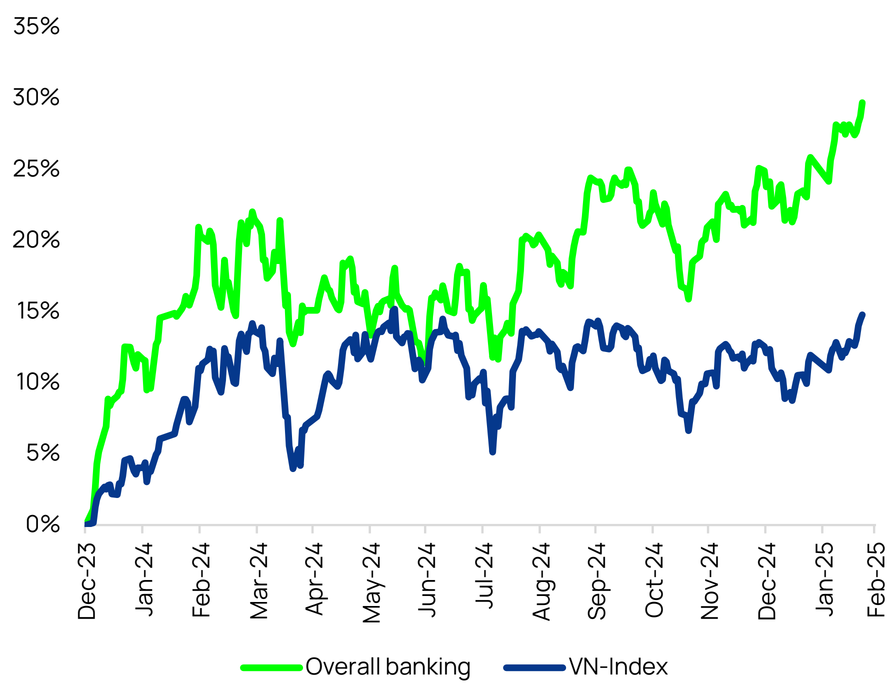
Vietcap

Source: Company data, Vietcap

Recent performance and top picks

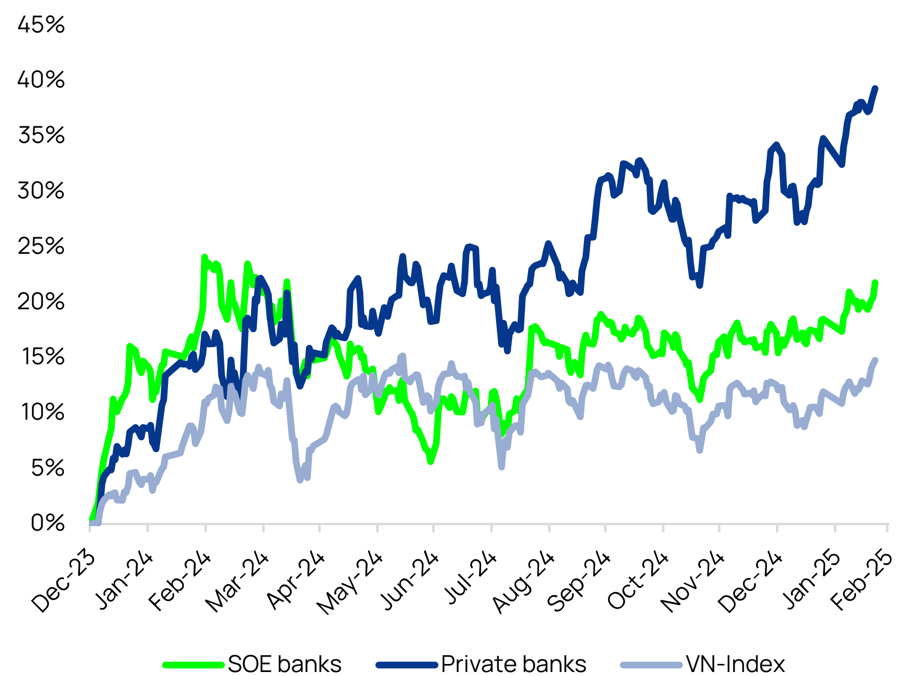
Banking sector share price performance YTD

Share price performance, YTD (1)



Source: Vietcap, FiinPro as of February 21, 2025 (Note: Overall banking represents all banking stocks under Vietcap's coverage and is weighted by market capitalization)

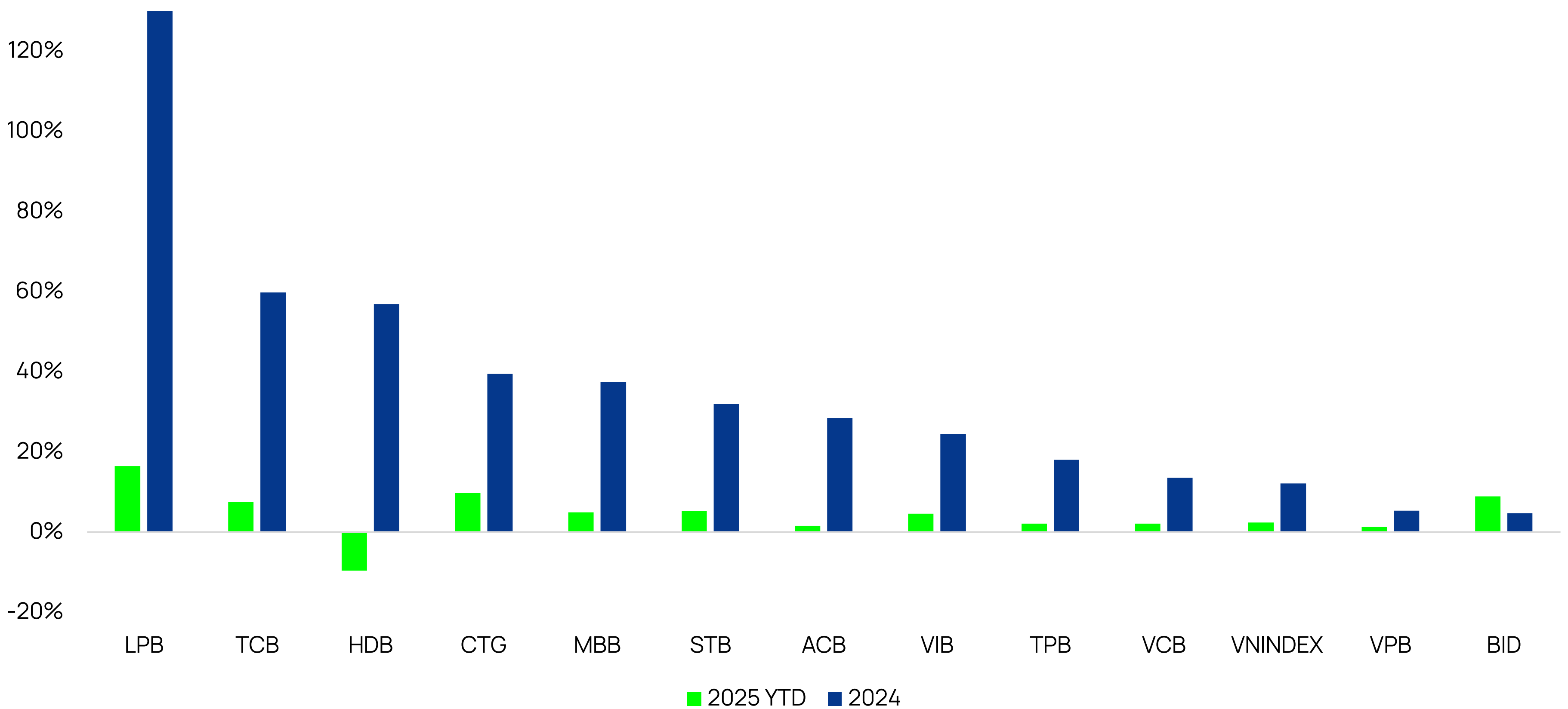
Share price performance, YTD (2)



Source: Vietcap, FiinPro as of February 21, 2025 (Note: Overall banking represents all banking stocks under Vietcap's coverage and is weighted by market capitalization)

Banks' share price performance

Banks' share price performance YTD

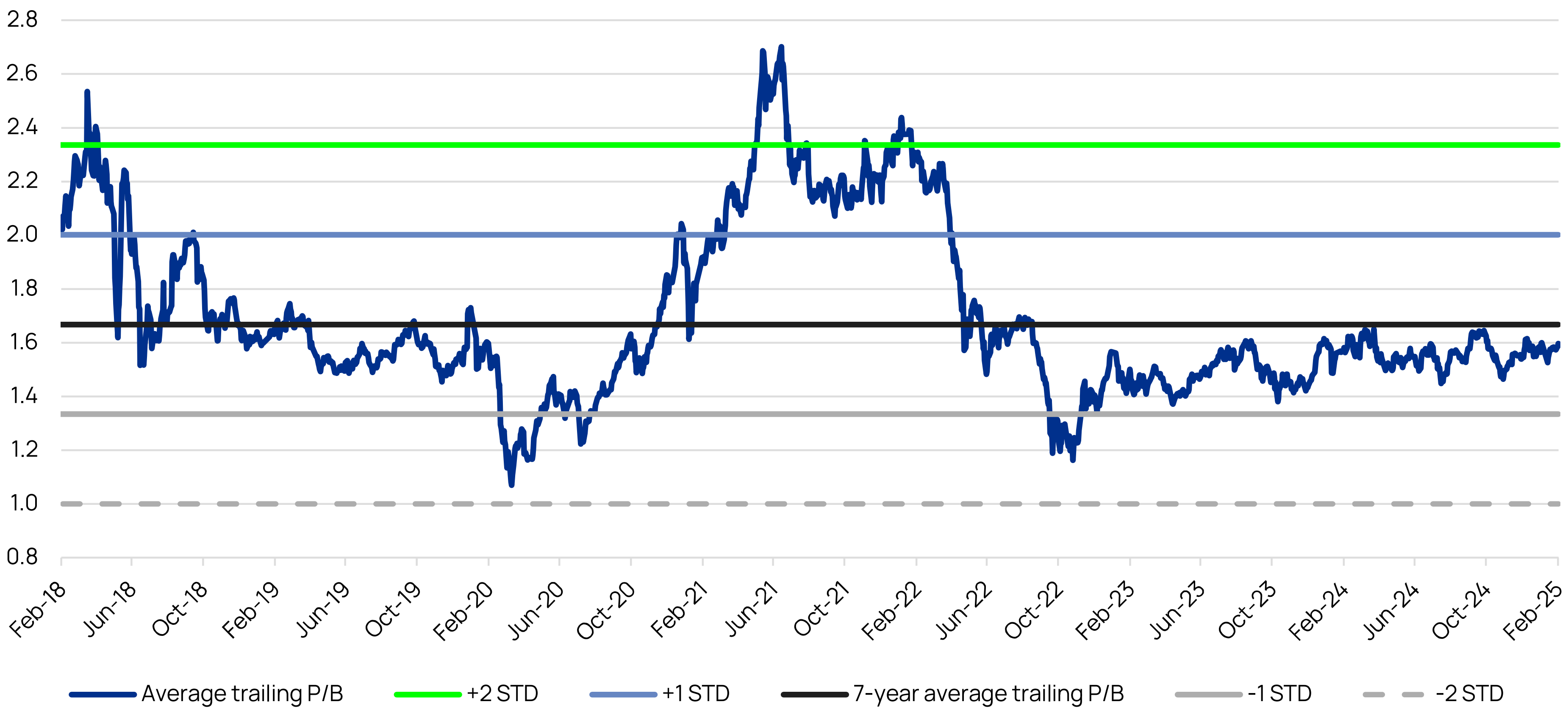


Source: Vietcap, FiinPro as of February 21, 2025

Vietcap

Trailing P/B of banks under our coverage

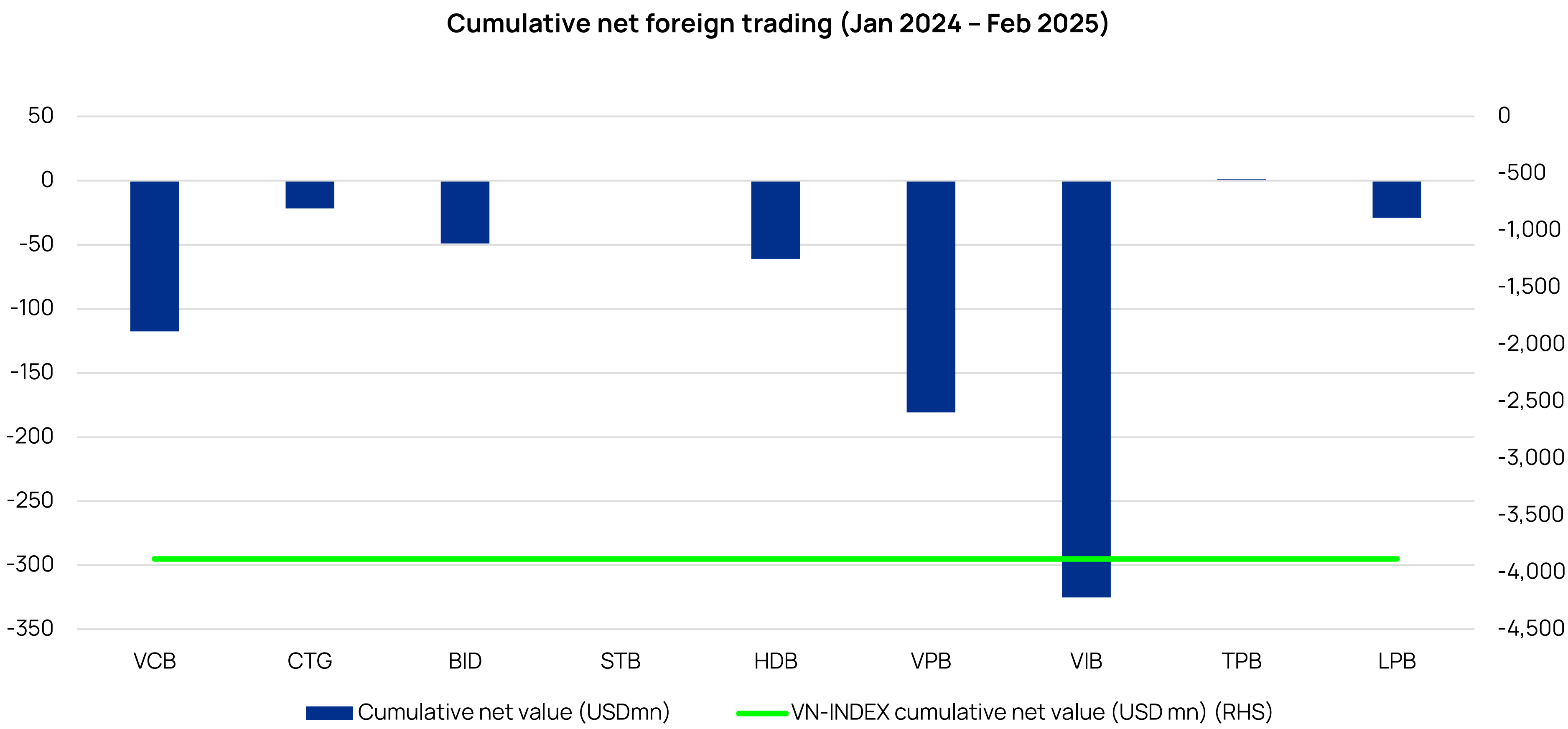
Average trailing P/B of banks under our coverage (Feb 2018 – Feb 2025)



Source: Vietcap, FiinPro as of February 21, 2025

Vietcap

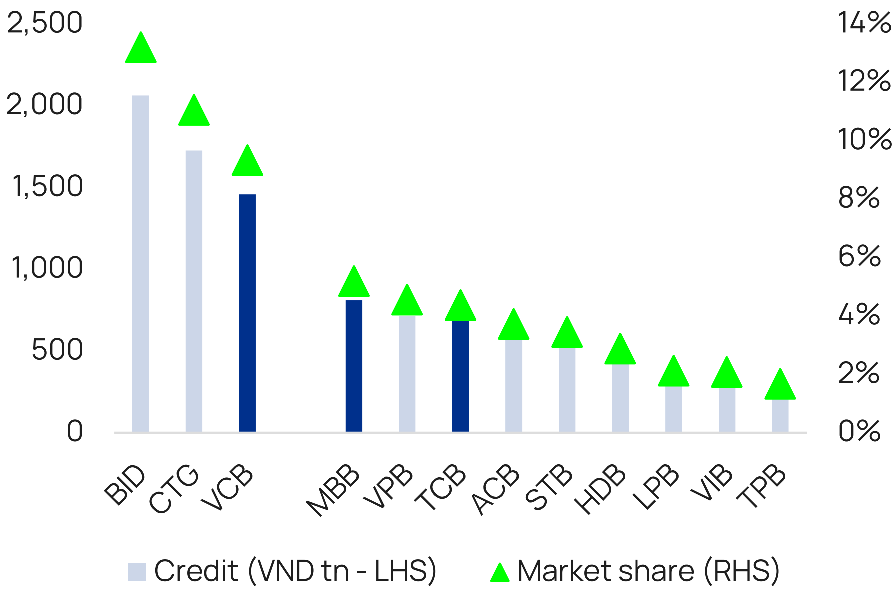
Cumulative net foreign trading



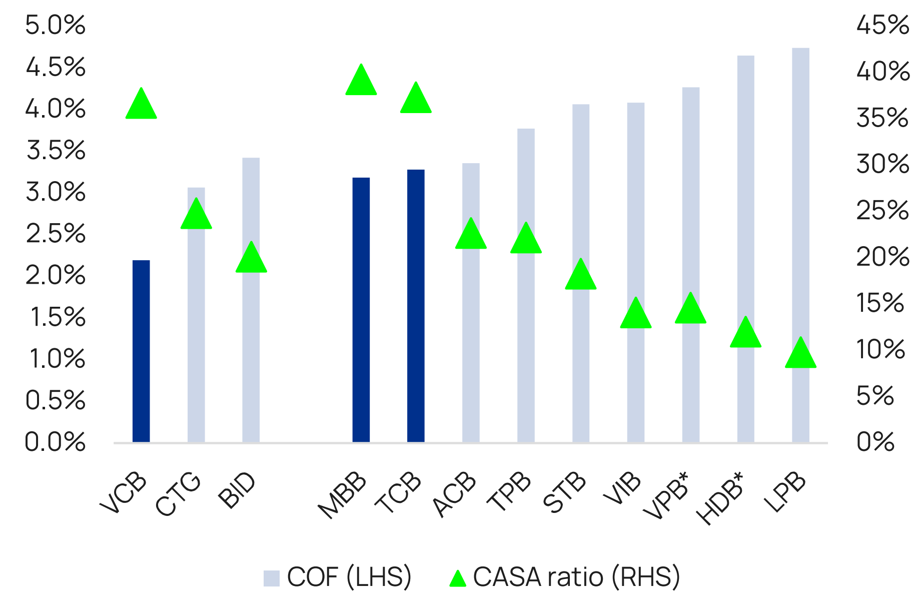
Source: Vietcap, FiinPro as of February 21, 2025

Top picks – Sustainable competitive advantages - VCB, MBB, TCB

2024 total credit (VND tn) and market share



2024 CASA ratio and funding costs

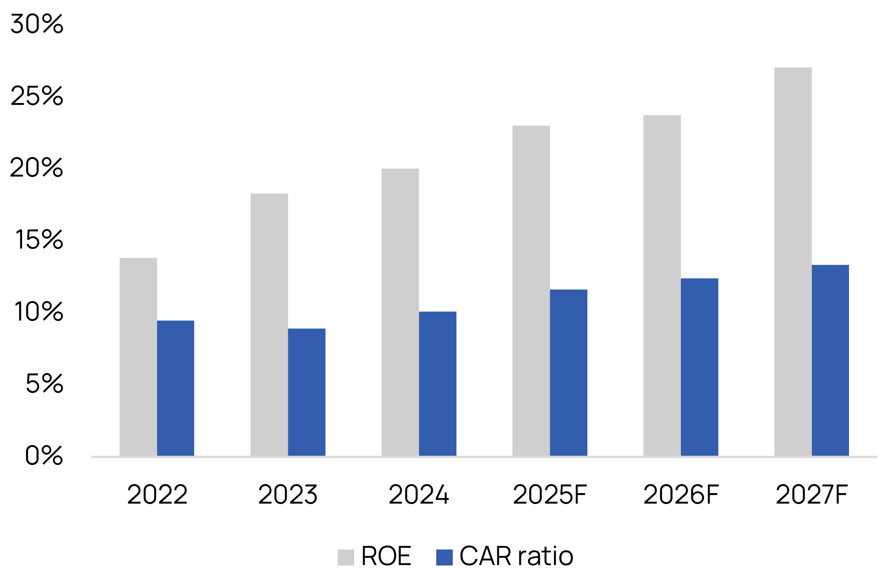


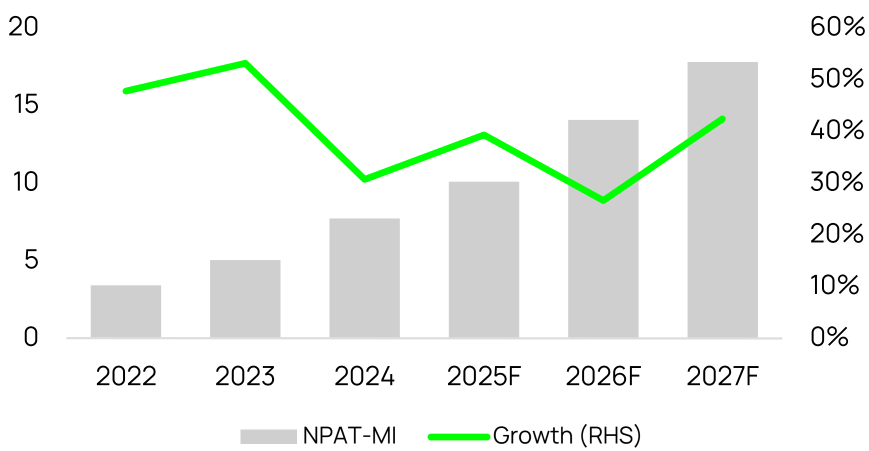
- Pro-growth monetary and fiscal policies and a supportive regulatory environment should bode well for the banks in terms of credit growth. However, as the SBV started to grant more generous credit quotas, the supply of credit has outweighed demand in recent quarters, leading to price competition and NIM pressure.
- Under this macro backdrop, sector winners will be the banks possessing sustainable competitive advantages in terms of (1) funding costs and (2) scale. First, low funding costs allow banks to offer competitive lending rates so that they can secure the highest-quality customers while earning reasonable NIM. Second, larger banks benefit from economy of scale and can pursue a broader set of growth opportunities while smaller banks may be limited to certain customer segments/geographies.
- VCB, MBB, and TCB fit these criteria and are well-positioned to outperform their peers over the medium-to-long term.

Source: Company data, Vietcap

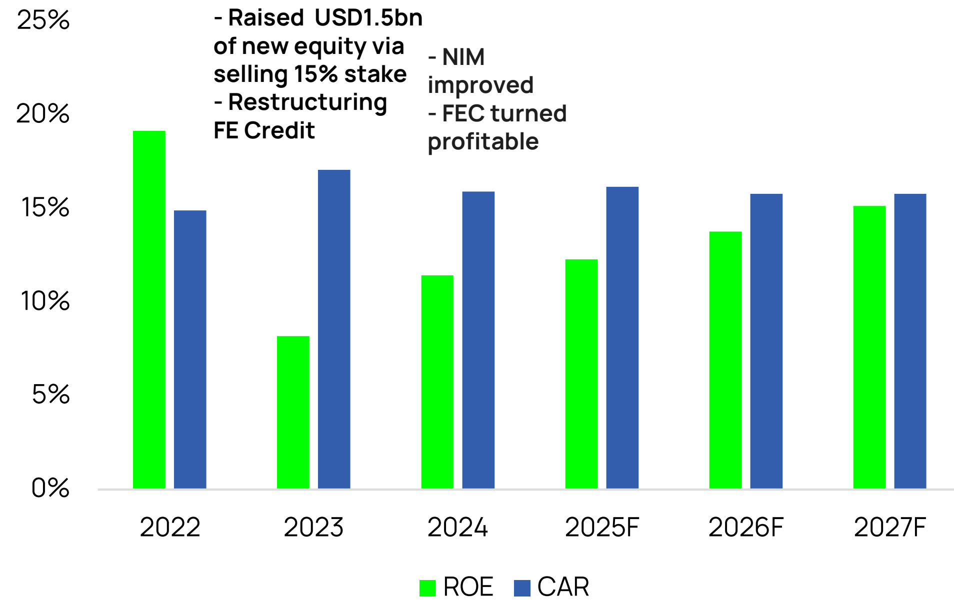
Top picks – Profitability to rebound from a low base - STB, VPB

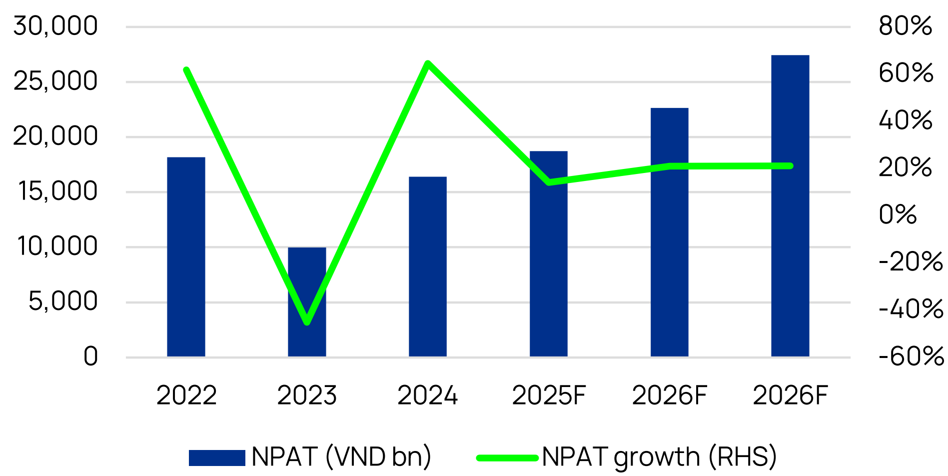
STB





VPB



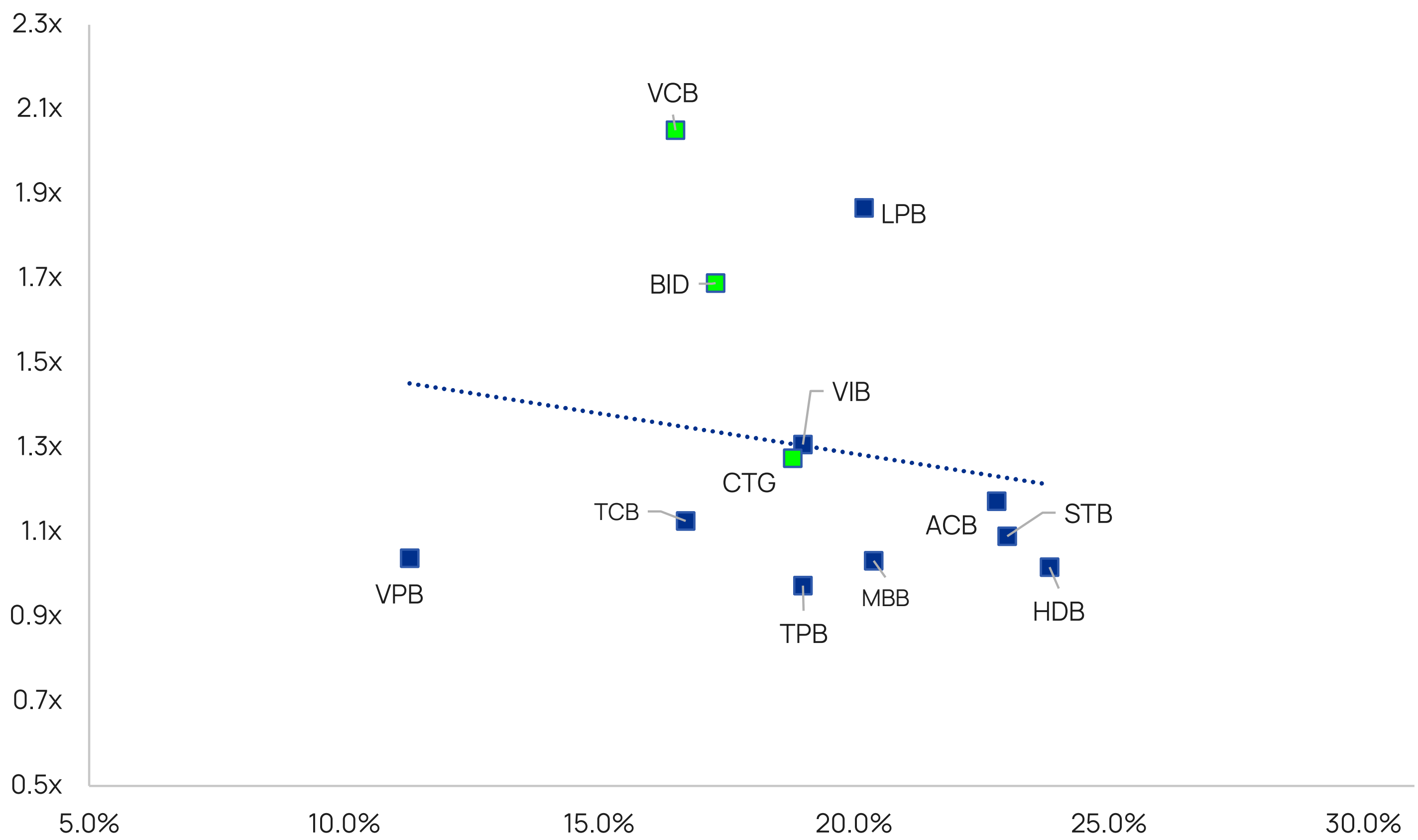


Vietcap

Source: Company data, Vietcap forecasts

Comparable peers valuation

Vietnam banks P/B (y-axis) and ROE (x-axis) (2025F)



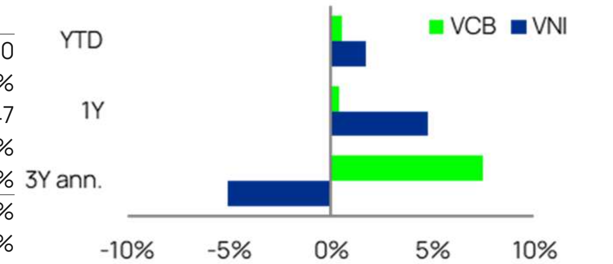
Source: Vietcap, FiinPro as of February 21, 2025. Green dots indicate State-owned banks.

VCB - BUY, TP of VND114,500

Rating*	**BUY**
Share Price (21 Feb)	VND93,100
Target Price (TP)*	**VND114,500**
Upside to TP	+23.0%
Dividend Yield	0.0%
TSR	**+23.0%**
Industry	Banking
Market Cap	USD20.4n
Foreign Room	USD1.5bn
ADTV30D	USD5.3mn
State Ownership	74.8%
Outstanding Shares	5.589 bn
Fully Diluted Shares	5.589 bn

		2024	2025F	2026F	2027F
PPOP (VND bn)		45,551	52,670	63,532	79,080
	% YoY	-0.7%	15.6%	20.6%	24.5%
NPAT-MI (VND bn)		33,831	38,849	46,671	57,447
	% YoY	2.2%	14.8%	20.1%	23.1%
EPS	% YoY	2.3%	12.3%	12.8%	23.1%
NIM		2.86%	2.83%	2.91%	3.00%
CASA ratio		36.7%	37.7%	38.7%	39.7%
NPLs/gross loans		0.96%	0.92%	0.87%	0.83%
Credit costs		0.23%	0.24%	0.26%	0.31%
CIR		33.6%	31.9%	30.4%	28.2%
P/B		2.6x	2.1x	1.8x	1.6x
P/E		16.7x	14.8x	13.2x	10.7x
ROE		18.6%	16.6%	16.2%	17.6%
ROA		1.7%	1.7%	1.7%	1.8%

* TP and rating last updated Feb 24, 2025



Company Overview

Founded in 1963, VCB is the second largest bank in our coverage universe as calculated by total assets as of December 31, 2024, and most profitable in terms of total net profit. The bank had its IPO in 2008 and has listed shares since June 30, 2009.

Vietcombank is the most profitable bank in Vietnam. The bank has been able to achieve and maintain the #1 position for years due to its multiple competitive advantages, including (1) low funding costs driven by a high-quality deposit franchise, (2) superior asset quality across customer segments with limited exposure to real estate lending, and (3) its leadership position in trade finance and international settlement.

VCB often takes the leading role in arranging financing for large-scale investment projects. As the Government pushes for more significant investments to fuel higher economic growth, credit demand to fund large projects of national importance is rising and VCB should be well-positioned to capture this growth opportunity. As an example, VCB, along with State-owned BID and CTG, signed a credit agreement with ACV to provide a syndicated loan of USD1.8bn for the Long Thanh International Airport project, in which VCB will contribute USD1.0bn. In the past, VCB has signed comprehensive strategic partnerships with several major State-owned groups such as EVN, PVN, and ACV.

The upcoming 6.5% private placement could bring about significant upside to VCB's long-term growth outlook. We currently assume a 363.3 million share issuance to occur at end-2025 at a price of VND100,000, implying expected proceeds of VND36.3tn (USD1.4bn). Under these assumptions, the deal could help VCB improve its capital adequacy ratio by 150 bps to the 13-14% range.

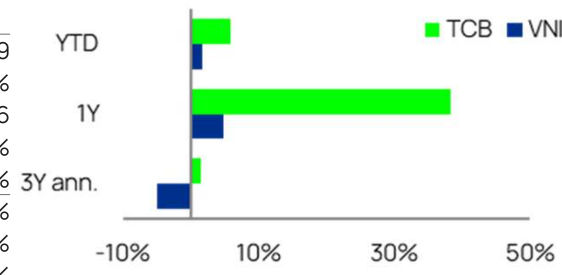
We forecast a 17% credit CAGR and a 18% EPS CAGR for VCB over the next five years (2025-2029F period). We note by participating in the rehabilitation of a distressed credit institution, VCB may receive a higher credit quota from the SBV, which would be a potential source of upside to our forecasts.

TCB - BUY, TP of VND32,500

Rating*	**BUY**
Share Price (21 Feb)	VND26,500
Target Price (TP)*	**VND32,500**
Upside to TP	+22.6%
Dividend Yield	2.8%
TSR	**+25.5%**
Industry	Banking
Market Cap	USD7.3bn
Foreign Room	USD0.0bn
ADTV30D	USD17.7mn
State Ownership	0.0%
Outstanding Shares	7.065 bn
Fully Diluted Shares	7.065 bn

		2024	2025F	2026F	2027F
PPOP (VND bn)		31,621	37,681	45,531	54,799
	% YoY	17.9%	19.2%	20.8%	20.4%
NPAT-MI (VND bn)		21,523	26,073	31,749	38,256
	% YoY	19.5%	21.1%	21.8%	20.5%
EPS	% YoY	19.1%	21.1%	21.8%	20.5%
NIM		4.21%	4.21%	4.25%	4.34%
CASA ratio		37.4%	37.9%	38.4%	38.9%
NPLs/gross loans		1.17%	1.12%	1.03%	0.95%
Credit costs		0.65%	0.60%	0.58%	0.58%
CIR		32.7%	32.2%	30.8%	29.8%
P/B		1.3x	1.1x	1.0x	0.9x
P/E		8.7x	7.2x	5.9x	4.9x
ROE		15.6%	16.7%	17.8%	18.6%
ROA		2.4%	2.4%	2.5%	2.5%

* TP and rating last updated Feb 20, 2025



Company Overview

Established in 1993, Techcombank is the fifth largest bank in our coverage universe as calculated by total assets; The bank's mortgages/gross loans are among the highest in the sector. The bank listed shares in June 2018.

TCB is one of the biggest beneficiaries from the ongoing recovery of the real estate market. The bank has significant credit exposure to this sector with 33% of its book allocated to real estate developers and 30% to mortgages. TCB possesses a unique competitive advantage in real estate lending as its two key partners, VinGroup and Masterise, are among the leading real estate developers in Vietnam. The projects TCB finances have clear legal documentation and most of them are residential projects primarily located in Hanoi and Ho Chi Minh City.

TCB commands one of the highest CASA ratios in the sector, which is driven by (1) its portfolio of high-income customers coming from strategic partnerships with major corporates in Vietnam including VinGroup/Masan, and (2) the bank's ability to constantly innovate to bring about unique and high-value product offerings to attract customers (e.g. auto-earning). In 2024, TCB held the #1 market share in both outbound transactions (15.4%) and inbound transactions (13.5%) through NAPAS, which indicates the bank's superior brand equity.

Potential corporate actions over the next few years, including an IPO of TCBS and a private placement of TCB, could unlock significant value for shareholders. TCBS is the most profitable securities broker in Vietnam with leading positions in corporate bond underwriting & advisory and in stock brokerage. 2025 would be a favorable time for TCBS to initiate its IPO as Vietnam may get upgraded to emerging market status by FTSE soon. Regarding a potential private placement, CEO Jens Lottner indicated in an interview with Bloomberg late last year that Techcombank was open to selling to a 15% stake to the right strategic investor, which would likely involve a divestment by PE fund Warburg Pincus (owning a 7.9% stake).

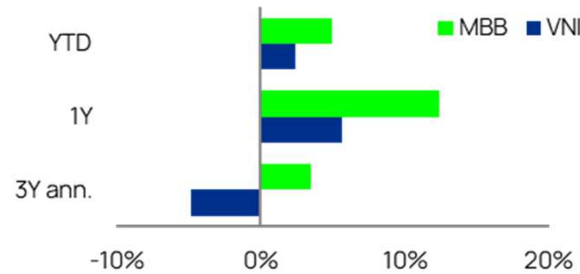
We forecast a 20% credit and EPS CAGR for TCB over the next five years (2025-2029F period). Our current valuation and forecasts have yet to include the positive impact from the aforementioned potential corporate actions, which represent upside catalysts.

MBB - BUY, TP of VND28,000

Rating*	**BUY**
Share Price (21 Feb)	VND22,900
Target Price (TP)*	**VND28,000**
Upside to TP	+22.3%
Dividend Yield	+2.2%
TSR	**+24.5%**
Industry	Banking
Market Cap	USD5.5bn
Foreign Room	USD0mn
ADTV30D	USD11mn
State Ownership	9.4%
Outstanding Shares	6.102 bn
Fully Diluted Shares	6.102 bn

		2024	**2025F**	**2026F**	**2027F**
PPOP (VND bn)		38,406	43,140	52,181	61,132
	% YoY	18.6%	12.3%	21.0%	17.2%
NPAT-MI (VND bn)		22,634	25,182	29,872	34,965
	% YoY	9.5%	11.3%	18.6%	17.1%
EPS	% YoY	8.5%	10.3%	18.6%	17.1%
NIM		4.08%	4.05%	4.18%	4.18%
CASA ratio		39.3%	38.5%	37.7%	37.2%
NPLs/gross loans		1.62%	1.64%	1.54%	1.54%
Credit costs		1.23%	1.14%	1.20%	1.19%
CIR		30.7%	30.7%	30.2%	30.2%
P/B		1.2x	1.0x	0.9x	0.7x
P/E		6.2x	5.5x	4.7x	4.0x
ROE		22.1%	20.4%	20.1%	19.6%
ROA		2.2%	2.0%	2.0%	2.0%

* TP and rating last updated February 20, 2025



Company Overview

Founded in 1994, MBB is the fourth largest bank in our coverage universe as calculated by total assets as of December 31, 2024. The bank had its IPO in 2004 and has listed shares since November 2011.

MBB has the most diversified ecosystem among our coverage. MBB has six subsidiaries, including life and non-life insurers, a consumer finance company, a securities company, and fund & asset management companies, which we believe create cross-selling opportunities. In addition, MBB has demonstrated success in innovating its banking apps and attracting new customers. As of 2024, MBB served around 30mn customers, which indicates a large pool for MBB to further exploit credit services.

We believe that MBB has a solid competitive advantage in terms of (1) funding costs, with a top-tier CASA ratio, and (2) a dynamic growth outlook from its network of subsidiaries and strategic partners. In addition, we assume MBB will receive a higher-than-average credit quota in our explicit forecast period due to its participation in the scheme to support a weak credit institution.

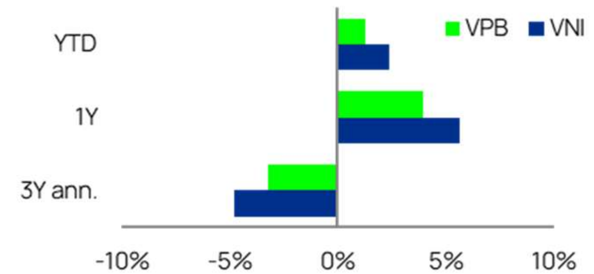
We expect robust credit growth and a strong CASA contribution in 2025 to counteract the pressure of increasing deposit rates and lending rates competition. We forecast 2025F loan growth of 25% as we expect (1) MBB to be one of the primary beneficiaries of accelerating fiscal spending via participating in private funding to public projects given its low funding cost advantage and large operating scale to serve different types of corporate customers and (2) a gradual improvement in micro-SME and retail credit demand.

Asset quality to be contained despite strong growth momentum. We forecast an average NPL ratio of 1.56% in 2025-2029F vs 1.48% in our previous Update Report. We believe such strong credit growth targets by MBB indicates a potential increase in the risk profile of its lending; however, the credit risks are still manageable. Despite forecasting credit costs to remain as high as around 1.2% in 2026-2029F, we believe strong top line growth will help to deliver an average ROE of 19.4% in the same period. **MBB is currently trading at an 11% discount to the peer median 2025F P/B at 1.2x with a 2025F ROE 20.4% vs the peer median of 18.6%, based on our forecasts.**

VPB - BUY, TP of VND25,000

				2024	2025F	2026F	2027F
Rating*	**BUY**						
Share Price (21 Feb)	VND19,450	PPOP (VND bn)		47,915	56,972	68,737	80,875
Target Price (TP)*	**VND25,000**		% YoY	33.8%	21.0%	20.7%	17.7%
		NPAT-MI (VND bn)		16,412	16,960	21,333	26,204
			% YoY	64.5%	15.3%	25.8%	22.8%
Upside to TP	+28.5%	EPS	% YoY	51.6%	15.3%	25.8%	22.8%
Dividend Yield	5.2%	NIM		5.85%	6.29%	6.45%	6.49%
TSR	**+33.7%**	CASA ratio		14.1%	17.4%	18.4%	19.4%
		NPLs/gross loans		4.20%	4.24%	4.04%	3.84%
Industry	Banking	Credit costs		4.0%	4.4%	4.2%	4.1%
Market Cap	USD6.1bn	CIR		23.0%	25.0%	26.0%	26.5%
Foreign Room	USD308mn	P/B		1.1x	1.0x	0.9x	0.9x
ADTV30D	USD13mn	P/E		9.4x	8.2x	6.8x	9.4x
State Ownership	0%	ROE		11.4%	11.3%	13.2%	14.8%
Outstanding Shares	7.934 bn	ROA		1.9%	1.7%	1.8%	1.9%
Fully Diluted Shares	7.934 bn						

* TP and rating last updated Dec 2, 2024



Company Overview

Vietnam Prosperity Joint Stock Commercial Bank is a Vietnam-based commercial bank with one fully-owned subsidiary – asset management company VPBank AMC – and 50% ownership of consumer finance company FE Credit (FEC). FEC contributed around 10% to the consolidated loan book in 2024.

VPB has the strongest capital buffer in our coverage. As of Q4 2024, VPB currently has the highest CAR in the banking industry at 15.4% after selling capital to strategic shareholder Sumitomo Mitsui Banking Corporation (SMBC) in 2023.

VPB has been expanding its business to diversify its financial products offerings. VPB owns the largest consumer finance company (FE Credit - FEC), a securities brokerage company (VPBankS), and OPES Insurance Company (a non-life insurer). The bank also has an exclusive bancassurance partnership with AIA Life Insurance in Vietnam. FEC turned profitable in 2024 with better-than-expected growth. We expect FEC to start to deliver a major earnings contribution to the group starting in 2025F, given active support from SMBC in its restructuring process.

Profit growth to be strong in 2025F-2027F, driven by (1) NIM improvement and strong credit growth, (2) a rebound in NOII and especially recovery income from written-off bad debts, and (3) a stronger contribution from FEC. FEC recorded a bottom-line of VND500bn in 2024 (beating our forecasts) after making losses in 2022-2023 due to resuming disbursements, improving funding costs, credits costs, and improving debt collection. Management targets 15% credit growth in 2025 (vs 10% in 2024) and FEC's funding costs to ease YoY.

Robust TOI to outweigh provisioning pressure: Both the parent bank and FEC witness a reduction in their bad debt metrics in Q4 2024. Additionally, retail credit and debt collections activities have gradually rebounded in H2 2024. We believe VPB's strong capital base, its top-tier NIM and good synergies within the group (i.e., FEC and VPBank Securities) and its partners, will help it to cope with challenges in risk management. Additionally, with SMBC's support for VPB's funding mobilization, developing new customers (i.e., FDI customers) and improving risk management, VPB can seize good growth opportunities.

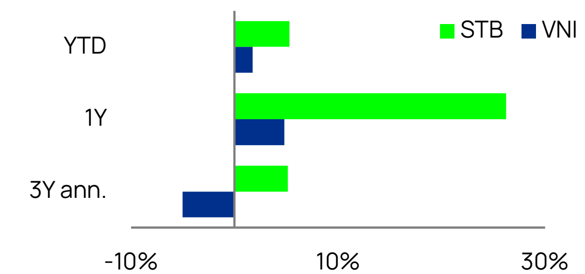
Downside risks: Lower-than-expected NIM; failure to contain credit costs.

STB - BUY, TP of VND50,000

Rating*	**BUY**
Share Price (Feb 21)	VND38,850
Target Price (TP)*	**VND50,000**
Upside to TP	+28.7%
Dividend Yield	0.0%
TSR	**+28.7%**
Industry	Banking
Market Cap	USD2.9bn
Foreign Room	USD207mn
ADTV30D	USD14mn
State Ownership	0.0%
Outstanding Shares	1.885 bn
Fully Diluted Shares	1.885 bn

		2024	**2025F**	**2026F**	**2027F**
PPOP (VND bn)		14,695	22,848	27,271	39,134
	% YoY	10.6%	55.5%	19.4%	43.5%
NPAT-MI (VND bn)		10,088	14,051	17,790	25,322
	% YoY	30.7%	39.3%	26.6%	42.3%
EPS	% YoY	28.1%	39.3%	26.6%	42.3%
NIM		3.72%	3.63%	3.74%	3.81%
CASA ratio		18.3%	19.2%	20.2%	19.7%
NPLs/gross loans		2.40%	2.00%	1.60%	1.40%
Credit costs		0.37%	0.86%	0.71%	0.92%
CIR		48.8%	40.2%	37.2%	31.2%
P/B		1.3x	1.1x	0.9x	0.7x
P/E		8.0x	5.8x	4.5x	3.2x
ROE		20.0%	23.0%	23.8%	27.1%
ROA		1.4%	1.7%	1.9%	2.4%

* TP and rating last updated February 20, 2025



Company Overview

STB was founded in 1991, IPO'ed in 1996 and listed in 2006. As of 2022, STB was the fifth largest among our coverage banks by gross loans. In October 2015, STB merged with Southern Bank and the SBV took control of 51% of voting rights from a group of shareholders deemed to have breached ownership caps.

STB owns one of the strongest private bank franchises in Vietnam. As of end-2023, STB possesses 552 branches and transaction offices and is the second largest private bank in terms of brick-and-mortar networks under our coverage. The bank focuses on southern Vietnam with large exposure to the retail and SME segments.

As STB moves closer to completing its restructuring program, we expect the bank to refocus on strengthening its core business from 2025. Over the past eight years, STB's primary objective has been to clear legacy assets stemming from its 2015 merger with Phuong Nam Southern Bank. This restructuring effort resulted in one of the highest employee counts and CIR ratios among private banks under our coverage. Looking ahead, we anticipate STB will leverage technology and process automation to enhance operational efficiency and drive sustainable growth.

We believe that the substantial earnings from legacy asset sales will bolster STB's CAR ratio, enabling higher credit growth. Currently, STB has successfully sold debts related to Phong Phu and we expect that the plans of selling a 32.5% stake pledge as collateral at VAMC will be finalized by the SBV in 2025F. After receiving the full payment from Phong Phu in 2025F, we estimate that STB's earnings can grow 81.4% YoY and STB's CAR can achieve ~11%. As a result, we expect that STB will be granted a higher credit quota and expand its lending market share.

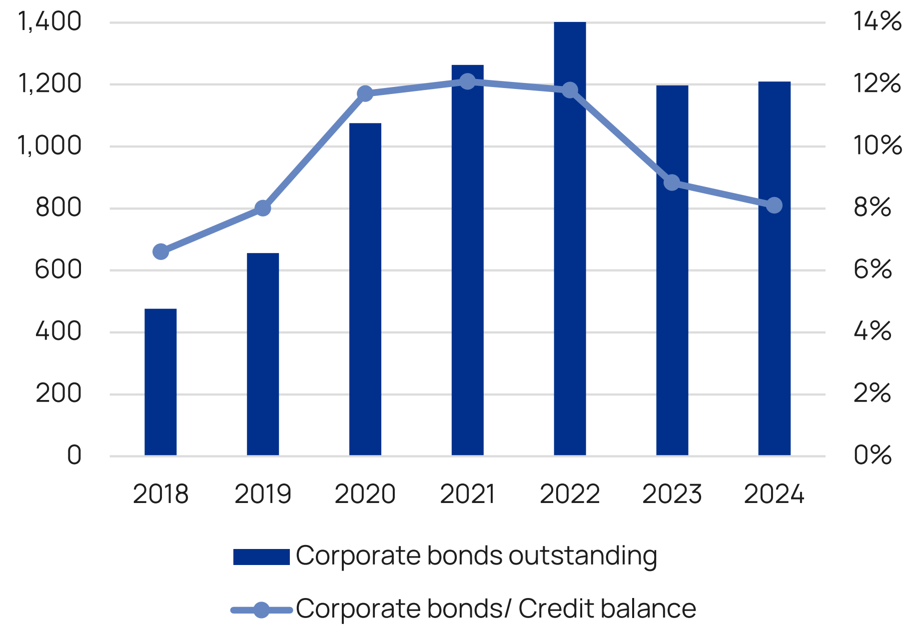
STB is currently trading at a 2025F P/B of 1.0x compared to the peer median 2025F P/B of 1.2x with a 2025F ROE higher than the median of its peers.

Downside risks to our positive view: Higher-than-expected NPLs; STB fails to sell large collateral assets.

Corporate Bond Market

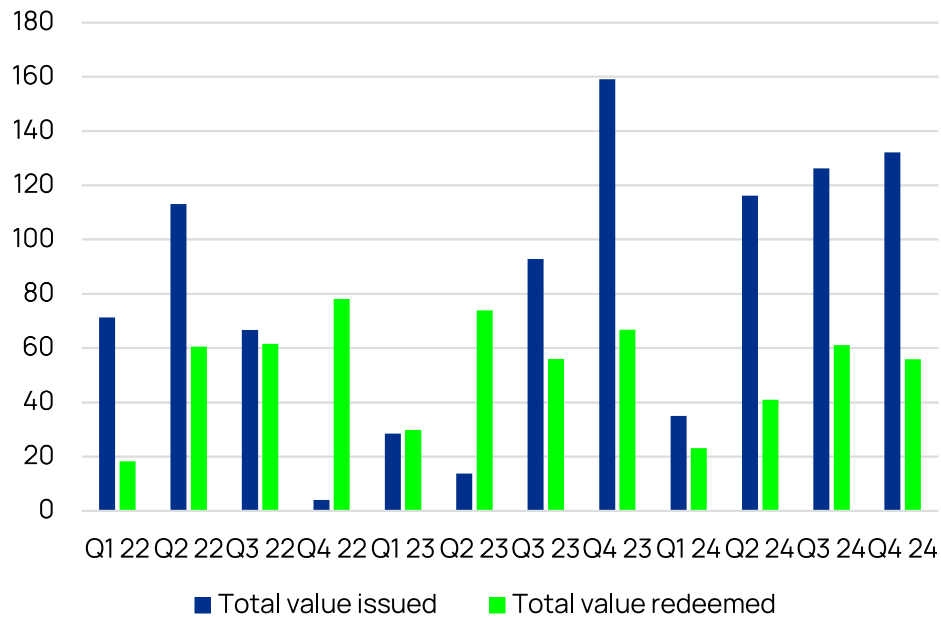
New issuances increasing in 2024

Corporate bonds outstanding (VND tn)



Source: VBMA, GSO, SBV, Vietcap estimates

Bonds issued and redeemed, quarterly (VND tn)



Source: VBMA, Vietcap compilation

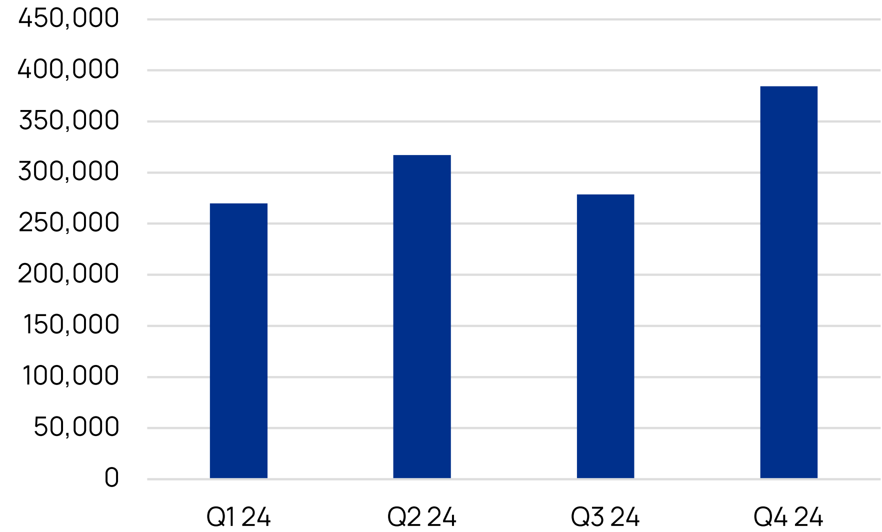
- In 2024, new issuances reached VND443tn (+39% YoY), slightly higher than the total value of bonds maturing and redeemed before maturity. As a result, the total corporate bond balance in 2024 edged up 0.6% compared to 2023.
- Bank bonds comprised 61% of total issuances and increased 57% compared to last year, as banks sought to strengthen long-term capital for medium to long-term lending amid low interest rates. In addition, real estate bonds made up about 19% of issuances, with major developers such as VHM contributing most of the issuances during this period.
- We expect bond issuance activity to continue improving in 2025, driven by the medium to long-term capital needs for business expansion and the acceleration of public investment in infrastructure projects.

Liquidity has improved QoQ in 2024 in the C-bond market

Bonds issued by sector (VND tn)

Source: VBMA, Vietcap compilation

Corporate bonds traded in the secondary market

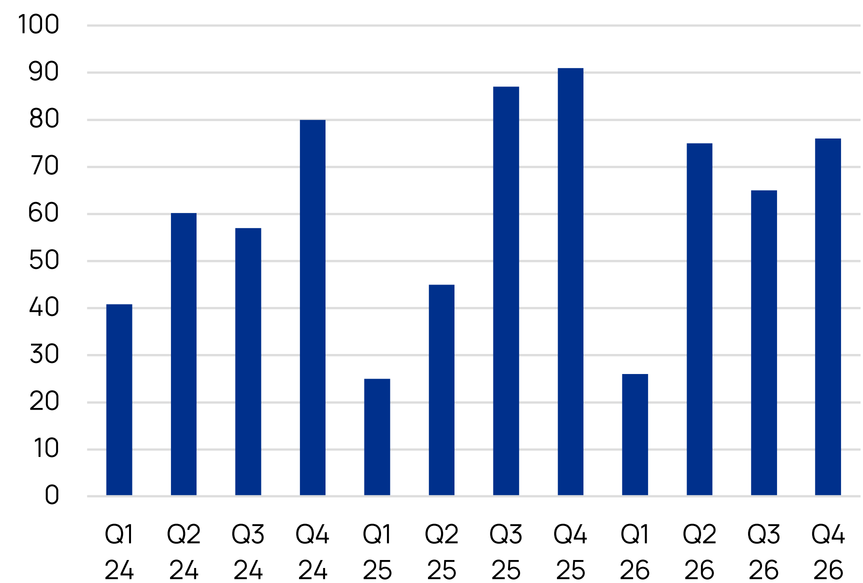


Source: VBMA, Vietcap compilation

- Trading value reached 31.8% of overall outstanding value in the secondary market in Q4 2024— the highest level in the past year. We expect this positive trend to continue, driven by (1) ongoing enhancements of the HNX bond trading platform, with more bonds being listed, (2) increased transparency from bond issuers, (3) a favorable economic growth outlook for 2025, (4) a low-interest-rate environment, and (5) greater foreign investor participation as we expect for the Amended Securities Law to be approved by the end of 2024, classifying foreign investors as professional investors, which will likely further boost their participation in the C- bond market.

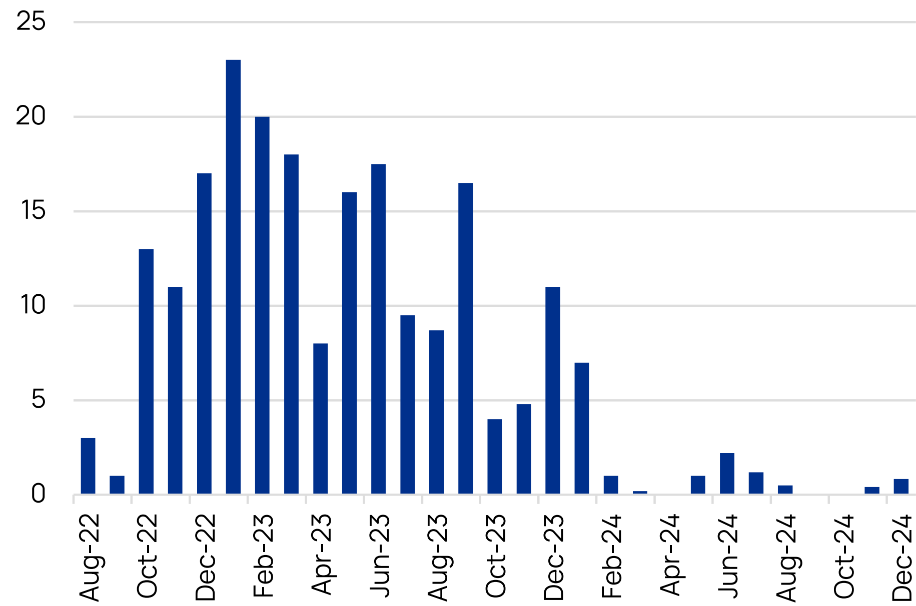
Bonds maturing in 2025-2026 will be a similar level as 2023-2024

Corporate bonds balance coming to maturity in 2024-2025F (VND tn)



Source: VBMA, Vietcap

Monthly value of bonds with new late payment of coupon/principal (VND tn)

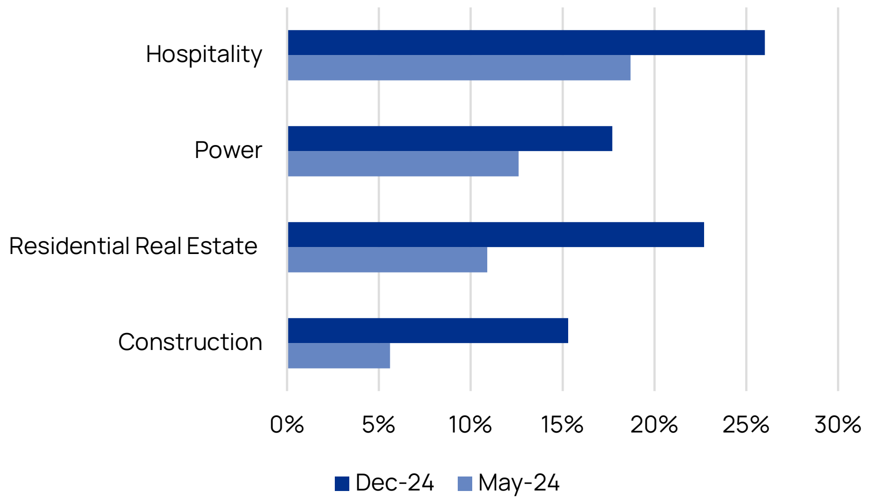


Source: VIS Rating, HNX, Vietcap compilation

- Our data shows that around VND250tn of C-bonds are set to mature in 2025, comparable to the value in 2023-2024, with nearly half of these bonds linked to the real estate sector. With the real estate market gradually recovering and homebuyer sentiment improving, we believe the financial health of real estate companies will improve accordingly.
- Additionally, the amount of late-payment bonds was minimal in 2024, and many late-payment issuers have begun repaying their principals to investors. As a result, we expect a reduced risk of bond defaults in 2025, with any defaults likely to present primarily idiosyncratic risk and minimal systemic impact.

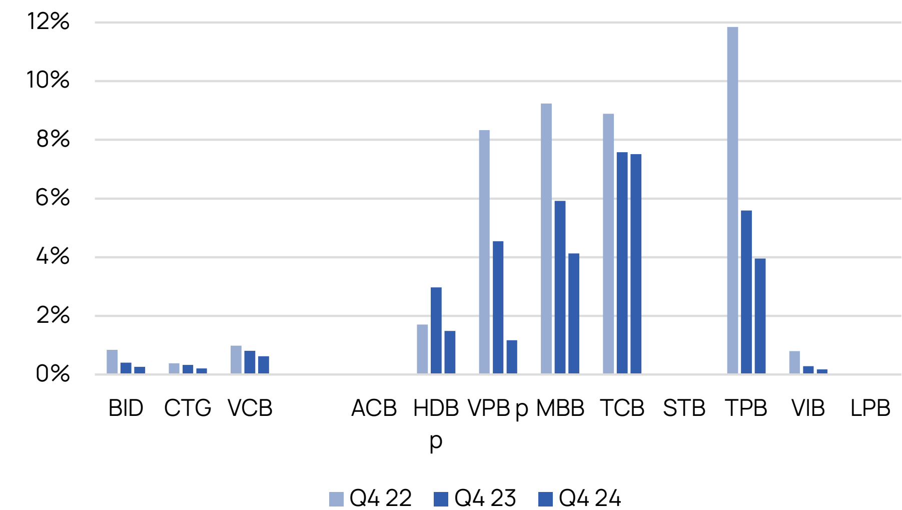
Banks' exposure to C-bonds continued to decline in 2024

Recovery rates of defaulting bonds by sector



Source: VIS Rating, Vietcap compilation

Corporate bonds over total credit of banks under our coverage

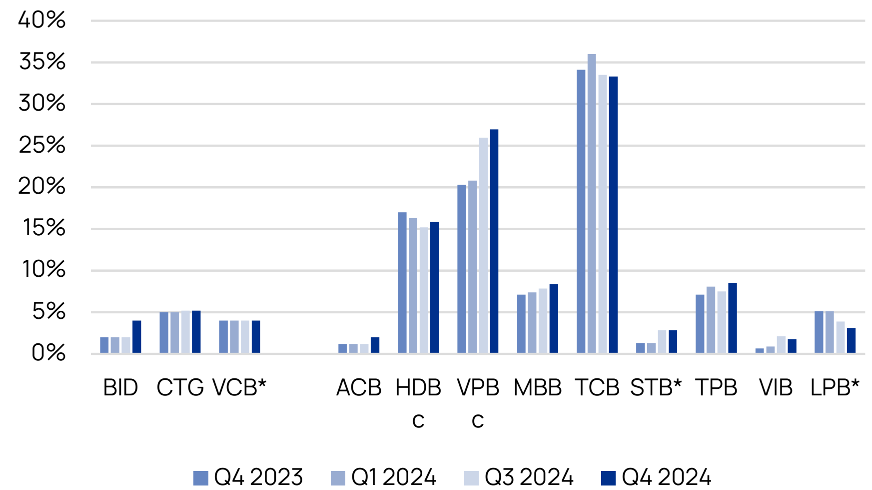


Source: Company data, Vietcap ('c' denotes consolidated)

- Most banks under our coverage also reported a drop in C-bonds balance as of Q4 2024 relative to Q4 2022. We note that the C-bond balance at banks does not include bank bonds. The reduced exposure to C-bonds can be attributed to a limited number of new, non-financial bond issuances.
- There is concern that the large volume of bonds maturing in 2025 could heighten the risk of defaults and adversely affect banks. However, we believe the risk of bond defaults will be lower compared to 2023 and 2024, due to (i) improving financial health of real estate developers amid the real estate market's recovery and stronger homebuyer sentiment, (ii) sufficient time for bond issuers to prepare, and (iii) a clearer macroeconomic growth outlook. Any defaults that may occur are likely to reflect idiosyncratic risk with minimal spillover impact on banks. Additionally, banks within our coverage maintain strong capital buffers to mitigate this risk.

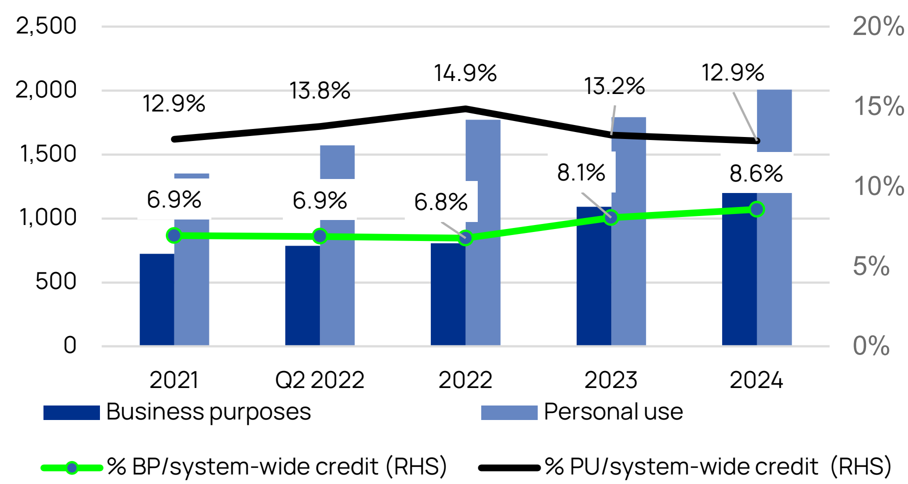
Banks increased lending to real estate developers

Loans to real estate developers over gross loans by bank (%)



Source: Company data, Vietcap; 'c' denotes consolidated; (*) latest data as of Q3 2024

Credit to real estate sector (VND tn) and % credit to real estate sector over system-wide balance



Source: SBV, Vietcap

Selected credit exposure for banks under our coverage

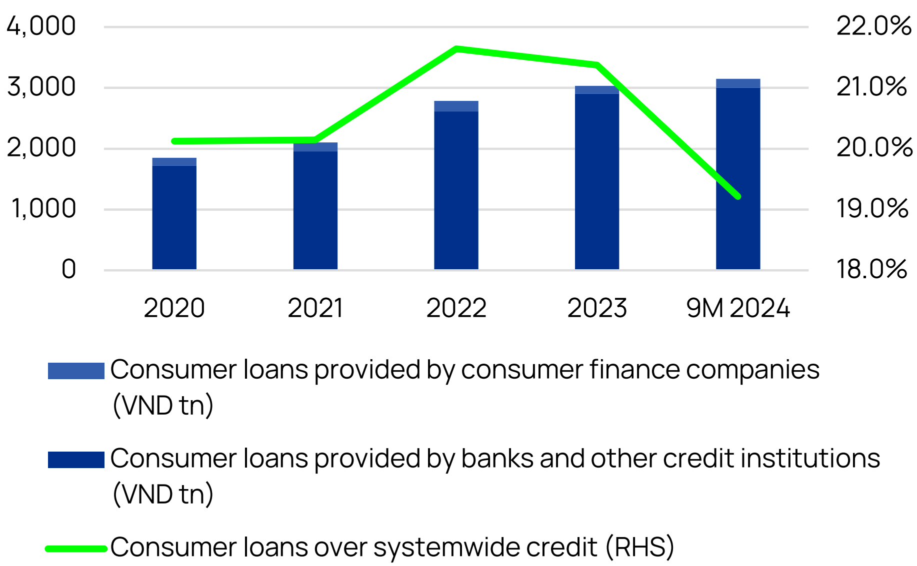
Q3 2024	BID	CTG*	VCB	MBB	TCB	VPB c	ACB	HDB c	VIB	TPB	STB*	LPB*
Mortgages/gross loans	14.0%	10.5%	18.0%	~19%	33.0%	13.6%	16.6%	7.6%	38.6%	22.0%	N/A	N/A
Loans to developers/gross loans	4.0%	5.2%	N/A	8.4%	33.3%	27.0%	2.0%	15.8%	1.8%	8.5%	2.8%	3.1%
Corporate bonds/total credit balance	0.3%	0.2%	0.6%	4.1%	7.5%	2.3%	0.0%	1.6%	0.2%	4.0%	0.0%	0.0%
LLR	134%	171%	223%	92%	114%	56%	78%	68%	50%	81%	68%	83%
CAR	9.5%	9.5%	12.0%	11.4%	15.3%	15.4%	11.8%	14.1%	11.9%	14.0%	9.6%	13.4%

Source: Company data, Vietcap; (*) Data for STB is Q2 2024 data except for LLR and corporate bonds/ total credit balance, CAR for CTG as of Q2 2024.

Consumer Finance

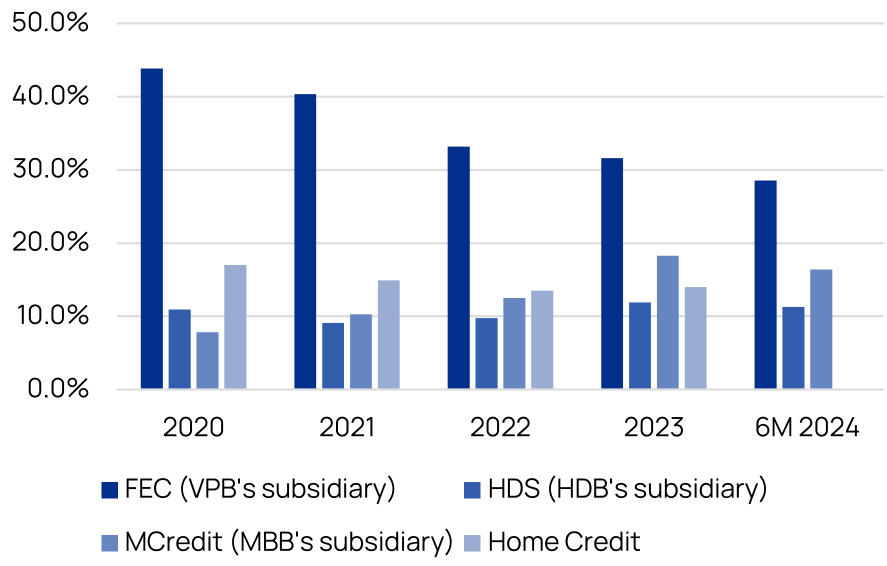
Slow consumer loan growth in the last 12 months

Consumer loans in Vietnam (2020 – 9M 2024)



Source: SBV, Vietcap compilation

Estimated market share (consumer finance Cos)

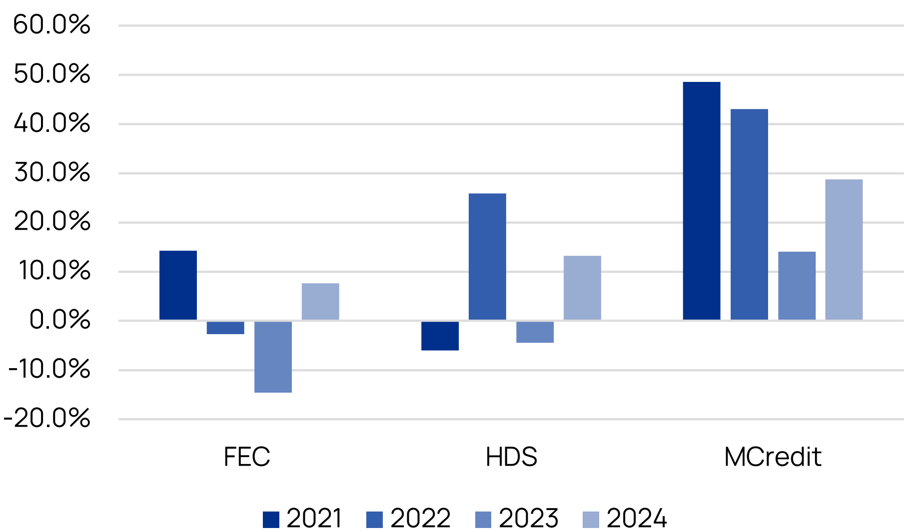


Source: Company data, Vietcap estimates

- According to our estimation, as of Q2 2024, FEC remained the biggest player in Vietnam's consumer finance sector in terms of loans with a market share of around 29% (vs around 44% in 2020). We believe FEC will lean toward a more conservative business model in the future after growing aggressively to gain market share in the past. Though FEC's loan growth was only 7% in 2024, its new disbursements increased 40% YoY in the same period.
- We also estimate that MCredit may have gained the top-two position in terms of loan market share from Home Credit. MCredit has been the only top player able to grow its loan book consistently from a low base since 2021 and 2024 loan growth was resilient at 28% in our estimation, which we believe could be due to (1) utilizing the nationwide networks of MB Group and Viettel Group, and (2) its strategy to focus on the card segment and partnerships with e-commerce platforms to promote consumer loans. Additionally, HDS's loan book grew 13% in 2024.

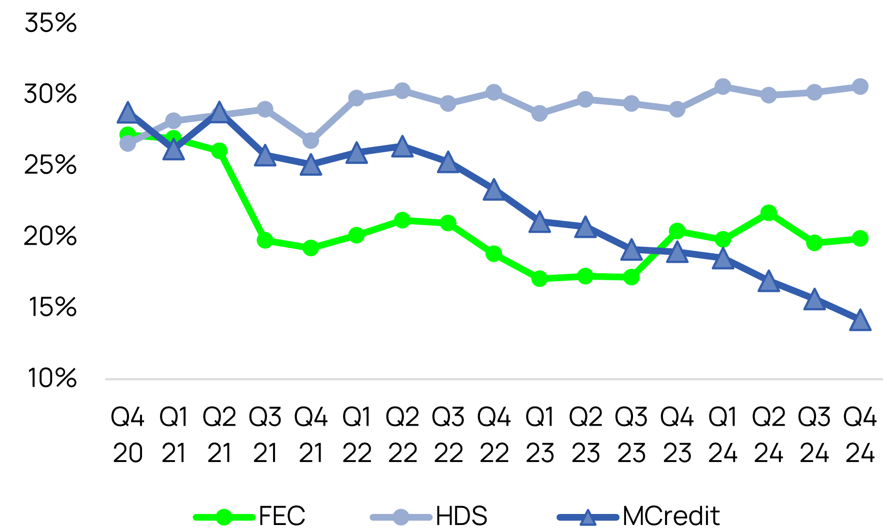
Consumer finance NIMs to recover in 2025F

Loan growth



Source: Company data, Vietcap estimates

NIMs



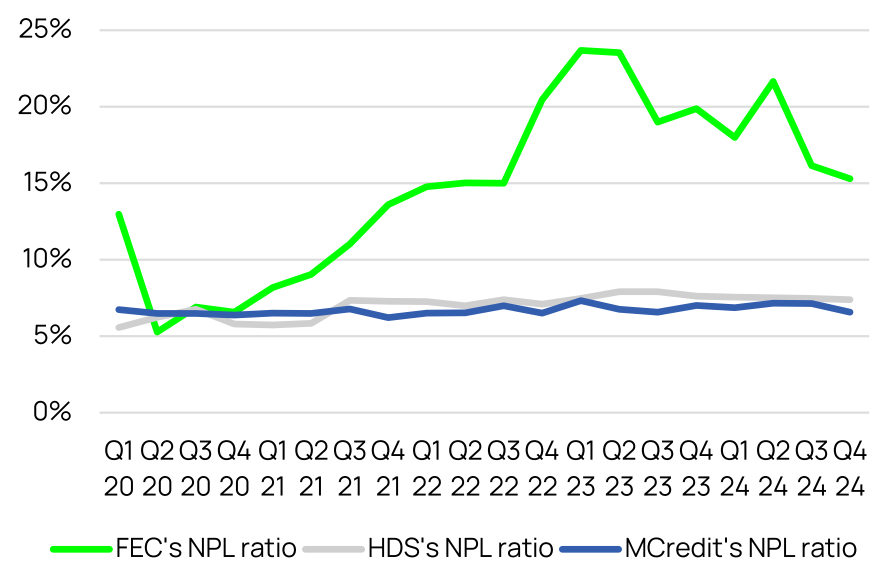
Source: Company data. HDS's NIM is reported number by HDB. FEC and MCredit's NIMs are our estimation from consolidated and parent bank financial statements.

- We believe that (1) limitations in diversifying funding sources in the high-rate environment in H1 2023, (2) high NPL formation, and (3) weak credit growth dragged on NIMs of consumer finance companies in 2023. FEC and HDS saw their NIMs slightly improve in the last four quarters, which we attribute to (1) HDS having a more conservative lending strategy and (2) FEC having its NIM recover from a trough due to a restructuring process. In addition, MCredit's NIM has been decreasing from a high base in the last two years, which could be due to the company offering more competitive loan pricing to gain market share.
- We believe that (1) lower interest rates and (2) a recovery in the economy should help to improve credit demand and the ability to service loans and therefore support NIM to increase in 2025F.

Vietcap

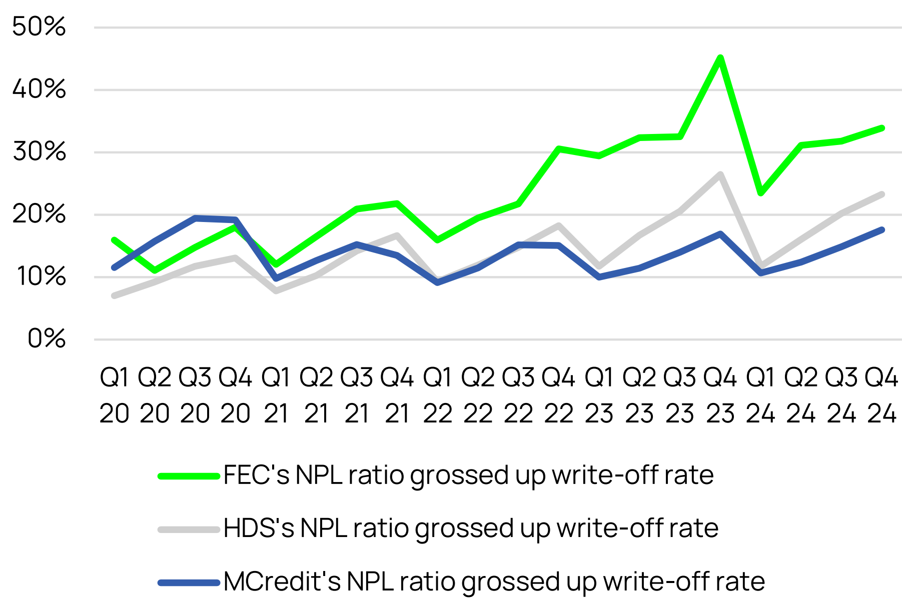
We expect consumer finance NPL ratios to decrease in 2025F

NPL ratios



Source: Company data, Vietcap estimates

NPL ratios grossed up for accumulative write-offs

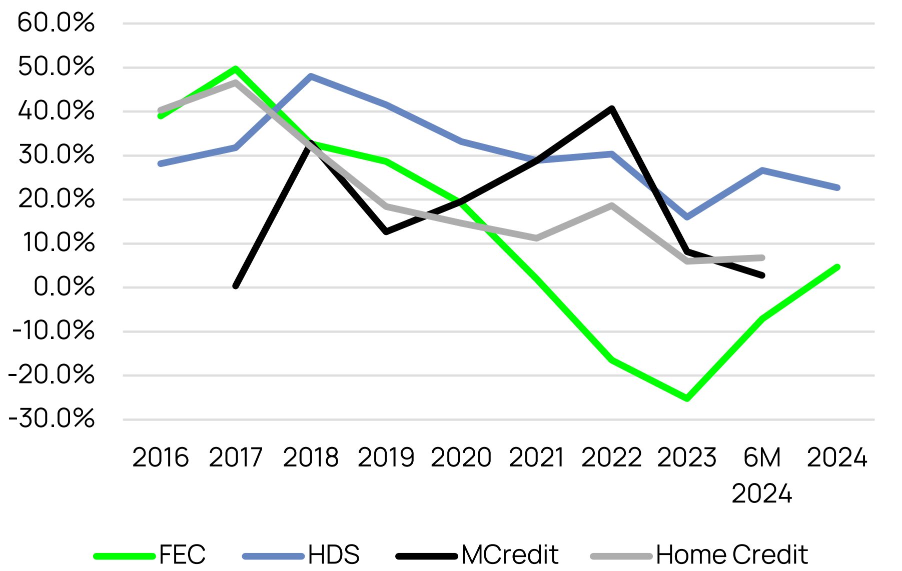


Source: Company data, Vietcap estimates

- From our estimation, HDS and MCredit have had their NPL ratios relatively contained at under 8% over the last two years despite the headwinds from the economy while FEC's NPL ratio, though at a high level, also decreased from its peak in Q1 2023. From our observation, NPL ratio grossed up for accumulative write-offs increased at a slower pace throughout 2024 vs last year, which indicates to us a lower NPL formation which should reduce the pressure on future bad debt metrics. Additionally, FEC's NPL has been decreased significantly from the peak in 2023, indicating the restructuring effectiveness.
- We expect an improvement in the NPL ratios of consumer finance companies in 2025F, driven by (1) stronger top-line growth, (2) an enhanced credit appraisal process, and (3) improving economic activities and a YoY-lower interest rate level supporting the repayment abilities of these companies' customers.

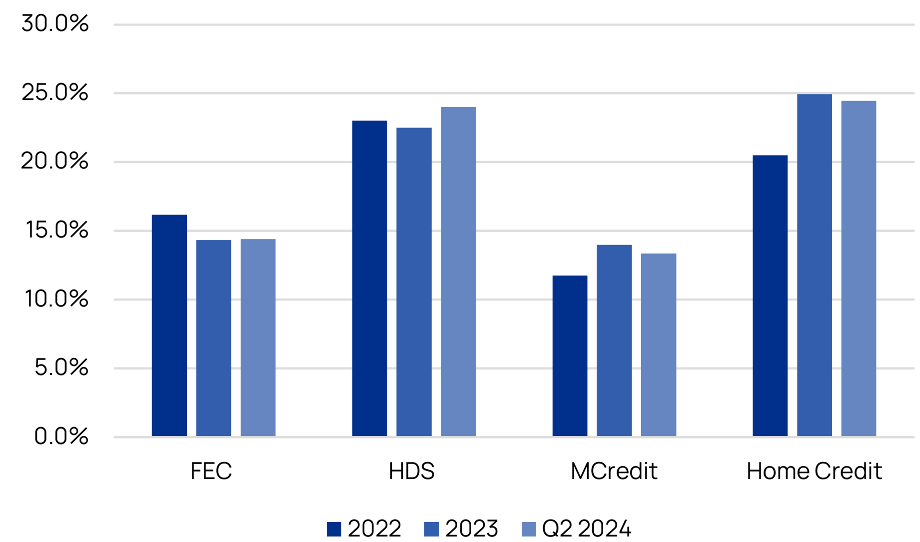
Top consumer finance companies have good capital positions to capture growth

ROEs



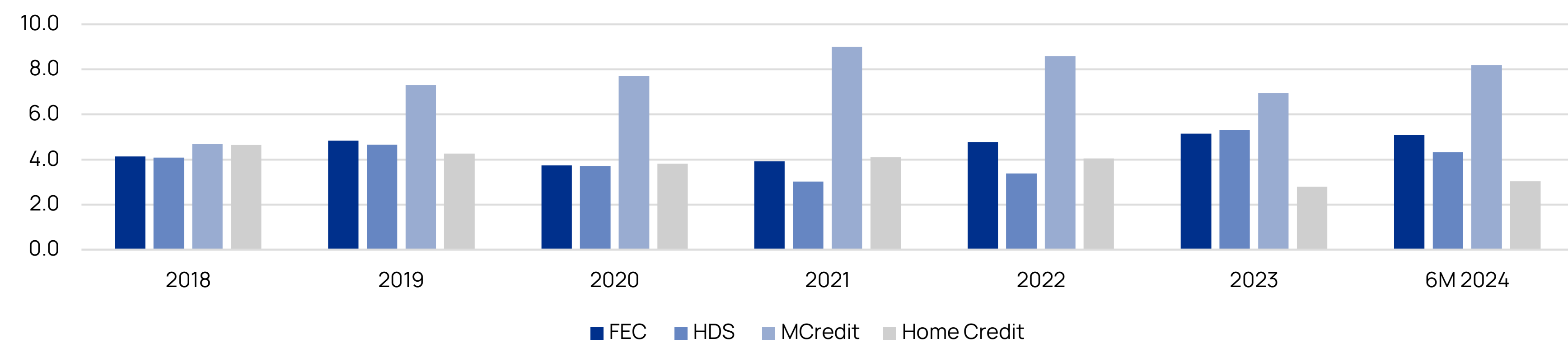
Source: Company data, Hanoi Stock Exchange (HNX), Vietcap estimates

CAR



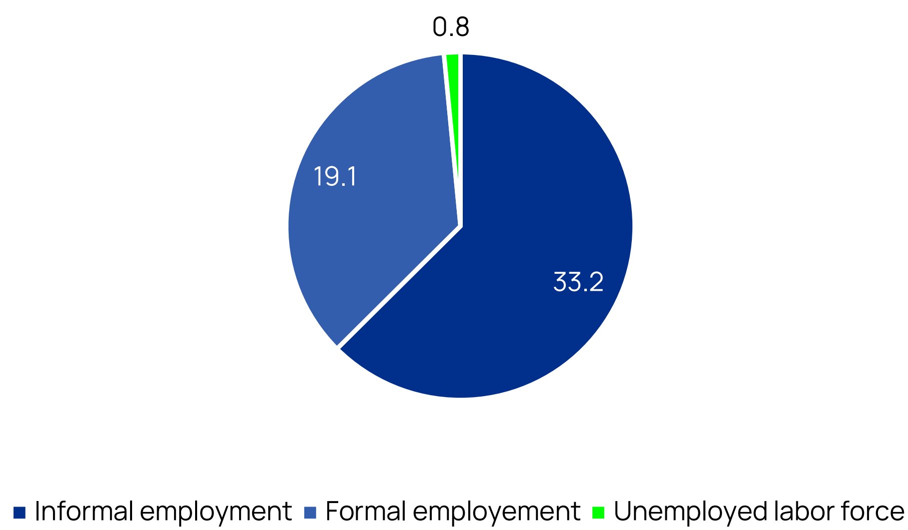
Source: Company data, HNX, Vietcap estimates

Total debt/Equity (x)



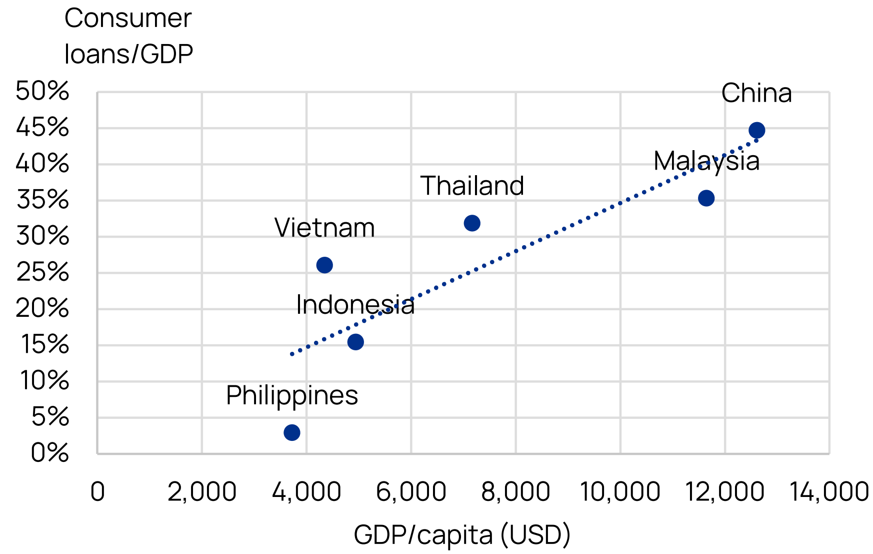
Consumer finance offers potential for high growth in the long term

Vietnam's labor force, Q4 2024 (mn people)



Source: General Statistics Office of Vietnam, Vietcap

Consumer loans/GDP and GDP/capita of Vietnam vs its peers (2023)



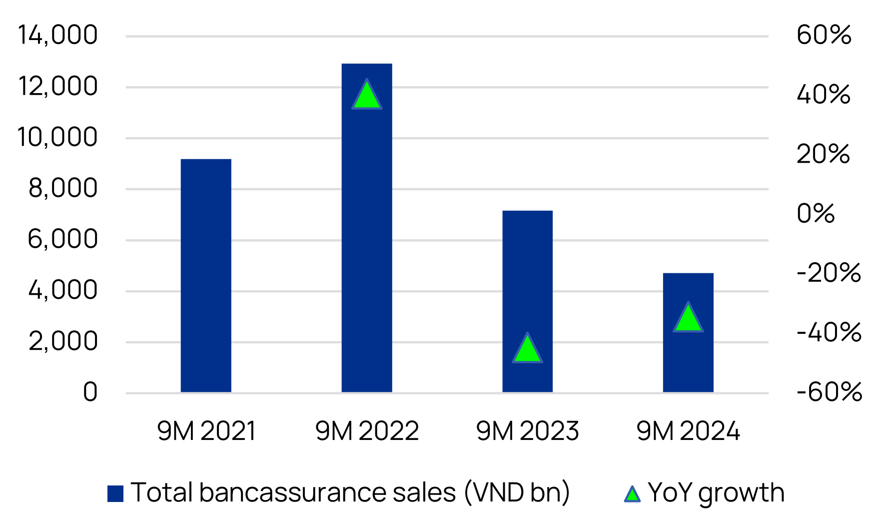
Source: World Bank, CEIC data, SBV, Vietcap estimates

- According to the SBV, the CAGR of consumer loans was nearly double the credit growth of the banking system in 2010-2020. We believe that consumer finance remains an attractive business in the long term based on Vietnam's labor force characteristics. According to the General Statistics Office of Vietnam, 33 million people (accounting for nearly 63% of Vietnam's labor force) were informally employed as of Q4 2024, which implies a large potential market of underbanked customers for consumer finance companies to exploit.

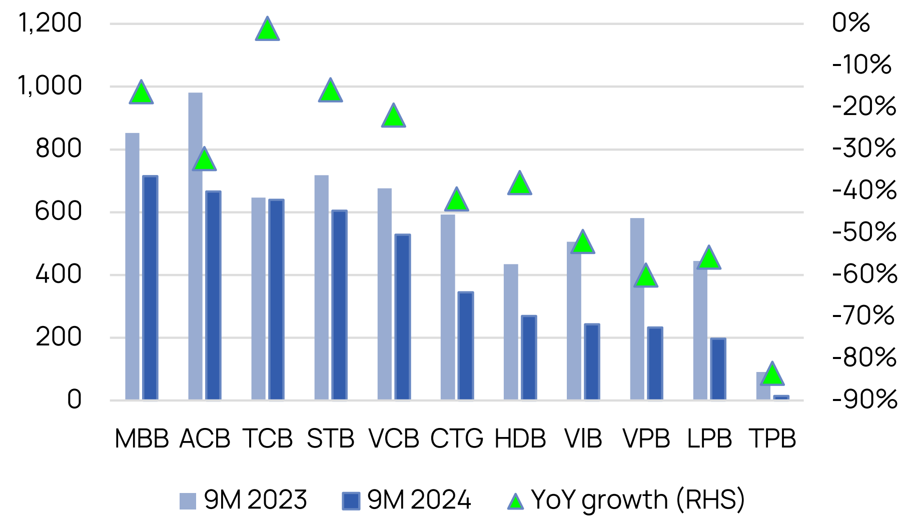
Bancassurance

We expect banca sales growth to resume at a modest level in 2025F

System-wide bancassurance sales (9M 2021–9M 2024)



Bancassurance sales per banks under our coverage (VND bn)



- We believe the persistently weak bancassurance sales in 9M 2024 were primarily due to (1) subdued retail credit demand, (2) a slow recovery in customer trust, and (3) potential disruptions from restructuring sales processes and organizations to align with the tightened regulatory framework for bancassurance activities.
- Our compilation of bancassurance sales across banks under our coverage shows that VIB, VPB, LPB, and TPB saw the highest YoY drops of more than 50% in 9M 2024. Additionally, total banca sales of MBB and ACB have been at the top of the market for many months, according to our data compilation.
- The SBV still allows investment-linked product distribution via credit institutions.
- We believe that banks have prepared and actively supervised these activities to avoid mis-selling insurance products since the investigations by authorities in late 2022. In addition, we observe that (1) current insurance penetration in Vietnam is low and (2) banks can still promote bancassurance via preferential lending or deposit rates for their customers who buy insurance products. As a result, we believe bancassurance can grow in the future but at a slower pace compared to the last ten years, while requiring higher standards of regulatory compliance.

Source: IAV, Vietcap

New regulations on bancassurance to protect policy holders

Circular No.67/2023/TT-BTC and Decree No.46/2023/NĐ-CP issued by the Ministry of Finance (effective from November 2, 2023) set guidelines for the implementation of the law on insurance business. Below are some key highlights.

1. Credit institutions **are not allowed to advise, introduce, offer, or arrange investment-linked insurance contracts** for their customers **within 60 days before and after the disbursement date** of the entire loan.

2. **Records of the consulting process** for investment-linked products are required. There must be evidence of customer acknowledgment of documents for long-term life insurance products.

3. **More detailed requirements for bancassurance agents** regarding human resources, technology capabilities, and organization structure.

4. Insurers are responsible for **periodically supervising and inspecting insurance product consulting activities** carried out by agents. They **must promptly address complaints** related to insurance product consultations and handle any violations that arise.

5. **Changes in the caps for commissions** on some life insurance products.

Overall, these regulations are in line with the MoF's guidance to enhance the legal framework for bancassurance activities starting from Q4 2023. We think there could be a negative impact on the insurance premium growth rates in the short term and operating expenses for both banks and insurers due to the more stringent regulatory requirements for bancassurance activities. However, we believe the banks have prepared and actively supervised these activities to avoid mis-selling insurance products since the investigation by authorities in late 2022. In addition, we observe that (1) current insurance penetration in Vietnam is still low and (2) banks can still promote bancassurance via preferential lending or deposit rates for their customers who buy insurance products. As a result, we believe bancassurance can still grow in the future but at a slower pace compared to the last ten years, while requiring higher standards of regulatory compliance.

Source: SBV, Vietcap

Summary of bancassurance partnerships

Banks	Life insurers	Exclusive partnership	Signing time	Estimate deal size	Profit recognition frequency
STB	Dai-ichi Life	Yes	Dec-21 (Resigning)	VND3.3tn (~USD140mn)	Two years
ACB	Sun Life	Yes	Nov-20	VND8.6tn (~USD366mn)	15 years
MBB	MB Ageas (MBB's subsidiary)	N/A	N/A	N/A	N/A
TCB	To establish a life insurance company	N/A	N/A	N/A	N/A
VPB	AIA	Yes	Mar-22 (Resigning)	VND5.5tn (~USD234mn)	One-off
VCB	FWD	Yes	Apr-20	VND9tn (~USD383mn)	Five years
CTG	Manulife	Yes	Dec-21	VND5tn (~USD213mn)	Five years
VIB	Prudential	Yes	Jun-2023 (Resigning)	N/A	N/A
LPB	Dai-ichi Life	Yes	Nov-22 (Resigning)	VND1.6tn (~USD70mn)	Two years
HDB	FWD	No	Dec-21	N/A	N/A
BID	BIDV MetLife (BID's joint-venture company)	Yes	N/A	N/A	N/A
TPB	Sun Life	Yes	Nov-19	N/A	N/A

Source: Company data, Vietcap. Note: TCB terminated Bancassurance's exclusive partnership with Manulife in October 2024.

Other issues

Vietcap

Capital raising plans

Capital raising plan	Yes/No	% of shares in issue, post money	Target investors	Transaction method	CAR Basel II December 31, 2024	Estimated issuing value (VND tn)
BID	Yes	8.3%	Under private placement: professional investors, domestic & international institutions	Private placement	9.0%	27.5
CTG*	No				9.5%	
VCB*	Yes	6.10%	Institutional investors	Private placement	12.0%	36.3
ACB	No				11.8%	
HDB	Plan to look for strategic shareholders with minimum stake sale of 10%				14.1%	
VPB	No				15.4%	
MBB	Yes	1.01%	Viettel Group and other professional investors	Private placement	11.7%	Not yet modeled
TCB	Open to selling a 15% stake to the right strategic investor, which would likely involve a divestment by PE fund Warburg Pincus (owning a 7.9% stake)				15.3%	
STB	Yes, in the form of recovery from sale of Mr. Tram Be's 32.5% stake				10.1%	35.0
TPB	No				14.0%	
VIB	Strategic shareholder CBA initiated divestment in 2024				11.9%	
LPB	No				13.4%	

Vietcap

Source: Company data, Vietcap compilation and estimation. Note: CAR data for VCB and CTG, is from Q2 2024.

Contacts

Research

Nam Hoang, Head of Research
+84 28 3914 3588, ext 124
nam.hoang@vietcap.com.vn

Research team
+84 28 3914 3588
research@vietcap.com.vn

Ngoc Huynh, Manager
+84 28 3914 3588, ext 138
ngoc.huynh@vietcap.com.vn

Quan Vu, Deputy Manager
+84 28 3914 3588, ext 364
quan.vu@vietcap.com.vn

Nga Ho, Analyst
+84 28 3914 3588, ext 516
nga.ho@vietcap.com.vn

Brokerage and Institutional Sales & Trading

Tuan Nhan
Managing Director, Brokerage & Institutional Sales & Trading
+84 28 3914 3588, ext 107
tuan.nhan@vietcap.com.vn

Quynh Chau
Managing Director
Brokerage
+84 28 3914 3588, ext 222
quynh.chau@vietcap.com.vn

Dung Nguyen
Director
Institutional Sales & Trading
+84 28 3914 3588, ext 136
dung.nguyen@vietcap.com.vn

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