

Banking Industry

On the path to recovery



Research Department
Researchdept@kisvn.vn

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What is the report about?

- Acceleration in 2H2024 credit disbursement and 2H2024 NIM improvement with smooth rhythms thanks to the gradual economic revivals and remaining low COFs.
- Keep 2H2024 improvement in non-interest income and controlled non-performing loans despite existing bad debt pressures.
- VCB and VPB as our stock picks with high potentials

I. Executive Summary

Slow credit growth in 1H2024 but acceleration in 2H2024

Credit disbursement in 1H2024 was quite sluggish with negative growth in the first two months of this year and 2.41%YTD in 5M2024 (vs 3.3%YTD in 5M2023) before accelerating to 6%YTD as of 30 Jun 2025, mainly driven by corporate loans. Causes for the industry's credit growth resulted from weak credit demand despite the government's supportive policies. 2H2024 credit demands could accelerate and have higher growth than 2023 on expectations in the gradual economic revivals and the more favorable business conditions, supported by both corporate loans and retail loans. The banking groups with promoted corporate lending from the beginning of this year could have better credit growth than others who have the main advantages of individual loans.

2H2024F and 2024F: NIM improvement with smooth rhythms

NIM could regain improvement from 2Q24 and 2H2024 after slightly falling in 1Q24 thanks to (1) enhanced credit growth after negative growth in the first two months this year, especially from the recovery of the retail segment and mid & long-term capital demands (2) remaining reasonable cost of funds and the increasing interest rate at leisurely paces that could impact on cost of funds from 2025. Banks, having strong credit recovery and controlled-well cost of funds with a remaining high CASA ratio, could have more prospects for improvement.

Enhancement in 2H2024 Non interest income

1H2024 non interest incomes grew at a moderate growth. 1Q24 Aggregated non-net interest incomes (27 listed banks) were only up +6% thanks to FX and investment activities, compensated by other incomes. 2H2024 non-interest incomes could have higher growth than 1H2024 thanks to domestic payments and trade finance with expected better import/export, and maintained performance from investment and trading activities while FX activities in 2H2024 could have lower growth rates than 1H2024.

1H2024 Non-performing loans climbed again, but expected to control in 2H2024

Non-performing loans climbed again in 1H2024 with pending business and consumption recovery. 1Q24 bad debts rose again to the peak of 3Q23. 1Q24 NPL (3-5 group)/ (2-5 group) (Aggregated 27 banks) were up to 2.2%/4.3% (vs 4Q23: 1.9%/3.8%). Increasing bad debts appeared from both corporations and retails. 2H2024 non-performing loans could be under control thanks to (1) the economic recovery for both corporations and individuals (2) Supplement/extend implementation time for Circular No. 02/2023 (extending 6 months to end-2024). Banks with high NPLs and low loan loss coverage ratios could bear pressures on provision risk expenses, eroding bank profits.

With the economic recovery, 2H2024 credit demands could accelerate and grow higher than in 2023. NIM could regain improvement from 2Q24 and 2H2024 after slightly falling in 1Q24. Other integrated banking services could

On the path to recovery for 2H2024F and 2024F double-digit growth

also warm up. Despite an increase in non-performing loans again in 1H2024, we expect this situation to improve amid better business conditions in 2H2024. We forecast that the banking industry's profits could grow double-digit in 2024, resulting from higher credit demand, NIM retrieval, improvements in fee incomes, and controllable operating expenses.

The banking industry increased from the beginning of the year despite recent adjustments: +17%YTD. Along with recovery prospects, the industry valuation is still attractive. When some large banks surged significantly YTD, investment opportunities could choose the remaining ones. Some stocks in our watchlist, including TCB (+52%YTD) and MBB (+25%YTD), surged sharply with fewer upside potentials. For TCB, we demote our rating from BUY to HOLD, with an upside of 15%. Some banks with high-potentials in our watchlist could consider VCB and VPB.

Downside risks: Uncontrolled increasing bad debts, defaults of corporate bonds, and changes in monetary policy are hidden risks and impact on the industry's growth as unexpected ways.

Table 1: Watchlist valuation

Recommendation & TP			Earnings & Valuation										
Company				TOI	PPE	NP	EPS	BPS	PE	PB	ROA	ROE	DY
				(VND bn)	(VND bn)	(VND bn)	(VND)	(VND)	(x)	(x)	(%)	(x)	(%)
BIDV (BID)	Recommendation	HOLD	2021A	62,494	43,028	10,841	1,117	12,041	42.4	3.9	0.7	13.0	1.7
	TP (VND)	55,300	2022A	69,582	47,025	18,420	2,771	18,278	17.1	2.6	0.9	19.1	0.4
	Price (5 July, VND)	47,300	2023A	73,024	47,944	22,027	2,893	18,361	16.4	2.6	1.0	19.4	-
	Mkt cap. (VND bn)	269,610	2024F	83,061	54,820	25,797	3,908	24,734	12.1	1.9	1.1	19.5	-
			2025F	92,517	61,061	28,374	4,234	29,183	11.2	1.6	1.0	18.1	-
Vietcombank (VCB)	Recommendation	BUY	2021A	56,724	39,149	21,939	3,491	19,508	66.3	4.5	1.6	21.6	1.4
	TP (VND)	109,000	2022A	68,083	46,832	29,919	4,896	24,254	39.8	3.6	1.9	24.4	0.0
	Price (5 July, VND)	88,000	2023A	67,723	45,809	33,054	4,471	25,520	31.4	3.4	1.8	21.7	0.0
	Mkt cap. (VND bn)	491,840	2024F	77,923	54,546	36,093	5,824	36,122	30.3	2.4	1.8	19.5	0.0
			2025F	92,060	64,442	42,816	6,968	43,091	25.2	2.0	1.9	19.3	0.0
Techcombank (TCB)	Recommendation	HOLD	2021A	37,076	25,903	18,052	2,565	13,250	9.2	1.8	3.6	21.5	-
	TP (VND)	27,000	2022A	40,902	27,504	20,150	2,859	16,124	8.2	1.5	3.2	19.5	-
	Price (5 July, VND)	23,500	2023A	40,061	26,809	18,004	2,549	18,684	9.2	1.3	2.3	14.7	-
	Mkt cap. (VND bn)	165,558	2024F	52,055	34,877	24,701	3,499	21,839	6.7	1.1	2.7	17.3	3.2
			2025F	64,812	45,368	32,726	4,636	25,620	5.1	0.9	3.1	19.6	-
Military bank (MBB)	Recommendation	NON-RATED	2019A	24,650	14,927	7,823	1,608	7,556	5.7	1.2	22.1	2.0	2.8
	TP (VND)	N.A	2020A	27,362	16,807	8,263	1,592	9,188	7.3	1.3	19.2	1.8	0
	Price (5 July, VND)	22,800	2021A	36,934	24,557	12,697	2,437	11,426	8.2	1.7	23.6	2.3	0
	Mkt cap. (VND bn)	120,984	2022A	45,593	30,777	17,483	3,353	14,566	4.2	1.0	25.8	2.6	0
			2023A	47,306	32,393	20,677	3,966	17,786	4.6	1.0	24.5	2.5	2.4
Vietnam Prosperity Bank (VPB)	Recommendation	NON-RATED	2019A	36,356	24,022	8,260	1,247	6,413	5.4	1.0	21.5	2.4	0
	TP (VND)	N.A	2020A	39,033	27,641	10,414	1,578	7,965	6.9	1.4	21.9	2.6	0
Bank (VPB)	Price (5 July, VND)	19,150	2021A	44,301	33,583	11,721	1,768	11,753	12.2	1.8	17.9	2.4	0
	Mkt cap. (VND bn)	151,934	2022A	57,797	43,681	18,168	2,711	14,425	6.0	1.1	20.7	3.1	0
			2023A	49,739	35,798	9,974	1,433	16,969	12.6	1.1	8.6	1.4	5

Source: Company data, Bloomberg, KIS Research

II. On the path to recovery

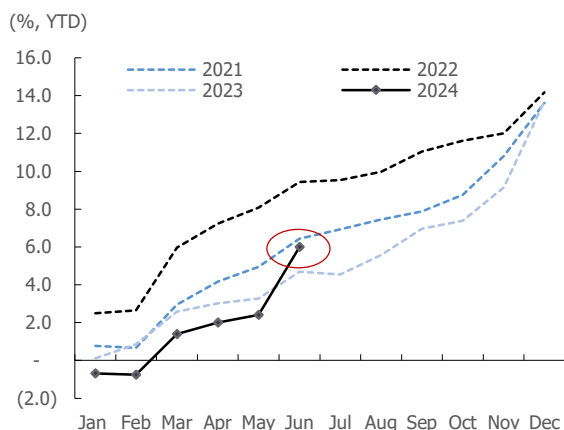
1. Slow credit growth in 1H2024 but acceleration in 2H2024

Key drivers for 1H2024 resulted from corporate loans rather than retail loans.

Balances from corporate bonds shrank across most banks

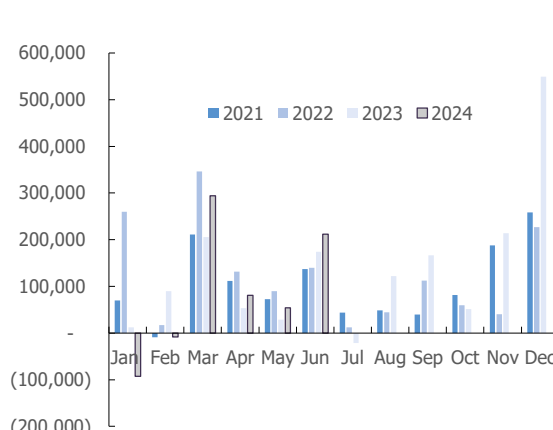
Credit disbursement in 1H2024 was quite sluggish with negative growth in the first two months of this year and 2.41%YTD in 5M2024 (vs 3.3%YTD in 5M2023) before accelerating to 6%YTD as of 30 Jun 2024. Causes for the industry's slow credit growth resulted from 1H2024 weak credit demand of both corporate loans rather than retail loans, despite the government's supportive policies that have gradually seeped into the economy. Credit demands from corporations were not brighter across industries in the economy, except for the industry sector (Apr, 2024). A slowdown in the real estate market led to lower retail mortgage loans. Balances from corporate bonds shrank across most banks (Aggregated 27 banks in 1Q24: -8%YTD), except for HDB, amid the gloomy corporate bond market.

Figure 1. Credit growth of the banking system



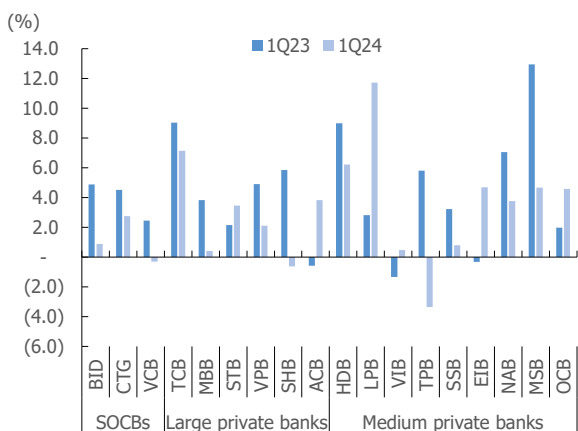
Source: SBV, KIS

Figure 2. Monthly credit disbursement



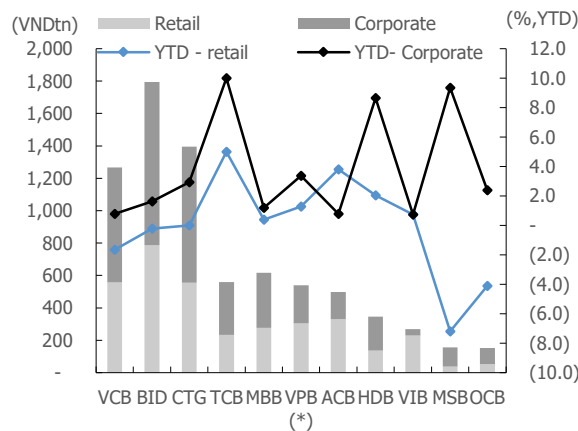
Source: SBV, KIS

Figure 3. Slow credit growth in 1Q24



Source: Fiinpro X, KIS

Figure 4. Higher growth for corporate loans



Note: VPB: parent's data (retail incl. sme)
Source: Banks, KIS

Some led the industry credit growth (YTD), belonging the wholesales banking group, including LPB (1Q24's 11.7% vs 1Q23's 2.8%), TCB (1Q24's 7.1% vs 1Q23's 9%), HDB (1Q24's 6.2% vs 1Q23's 9.0%), MSB (1Q24's 4.7% vs

2H2024 credit demands could accelerate amid the gradual economic revivals and the more favorable business conditions, supported by both corporate loans and retail loans

Banks with higher credit demand could have higher credit quota from reallocating other banks' quota

1Q24 NIM (Aggregated 27 banks) slightly fell, waiting for credit improvement

1Q23's 12.9%), OCB (1Q24's 4.6% vs 1Q23's 2%). Meanwhile, the retail banking group including: STB (1Q24's 3.4% vs 1Q23's 2.1%), VPB (1Q24's 2.1% vs 1Q23's 4.9%), ACB (1Q24's 3.8% vs 1Q23's -0.6%), VIB (1Q24's 0.5% vs 1Q23's -1.3%), TPB (1Q24's -3.3% vs TPB's 5.8%) recorded slower credit growth.

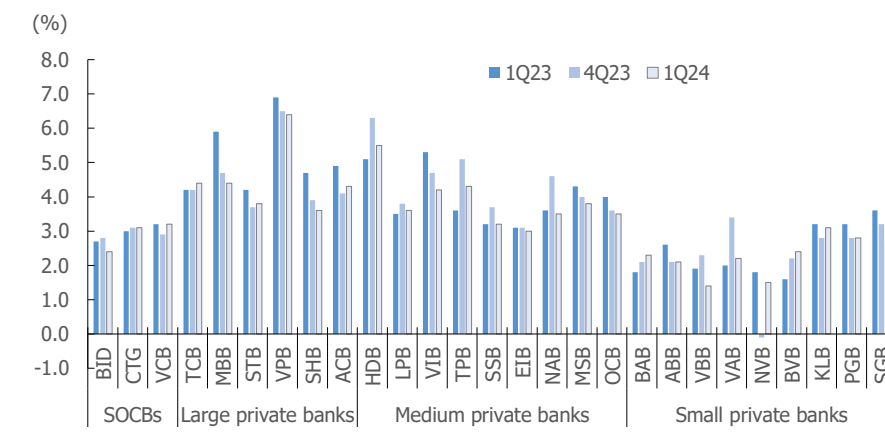
2H2024 credit demands could accelerate amid the gradual economic revivals and the more favorable business conditions, supported by both corporate loans and retail loans. Along with Government support activities, external recovery forces could reactivate credit demands again. The Government is promoting public investment projects to promote credit for construction and construction materials groups. FDI is still flowing strongly and business activities are gradually recovering, boosting credit demands. Consumer credit has accelerated since 2Q24 and expected to recover in 2H2024. The real estate market could gradually improve, supporting mortgage loans in 2H2024.

The 2024 credit growth target is 15%, fully allocating to commercial banks at the beginning of this year. We expect that the banking industry's credit growth could improve from 2H2024 and grow at 14-15%, higher than the 2023 credit growth (13.7%). Banks with higher credit demand could have higher credit quota from reallocating other banks' quota. The banking groups with promoting corporate lending from the beginning of this year could have better credit growth than others who have the main advantages of individual loans.

2. 2H2024F and 2024F: NIM improvement with smooth rhythms before being affected by higher COF from 2025F

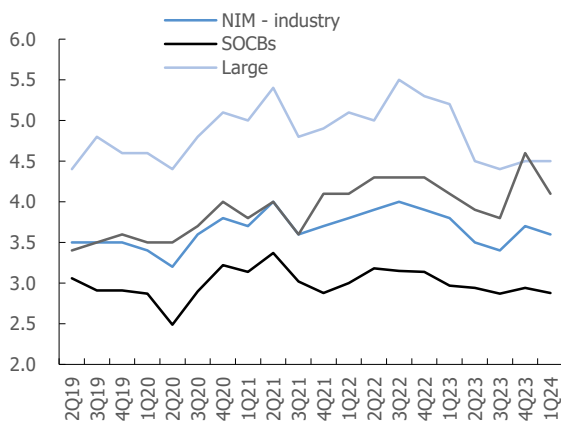
1Q24 NIM (Aggregated 27 banks) slightly fell -0.1%qoq and -0.2%yoy amid the decreasing COF. Per our observation, an increase in net interest incomes (+0.2%qoq, +8.1%yoy) did not correspond to an increase in earning assets (+0.3%qoq, +14%yoy) amid the low credit demand. NIM remained divergent between banks, in the SOCB group, VCB and CTG's NIM improved while BID's NIM declined due to negative credit growth but cost of funds did not decrease correspondingly. In the group of large private commercial banks (except MBB), NIM increased thanks to low cost of funds with remaining high CASA and asset yields remaining at a stable level. 2Q24 could improve thanks to the remaining low cost of funds, and enhanced credit growth after negative growth in the first two months this year.

Figure 5. NIM slightly fell



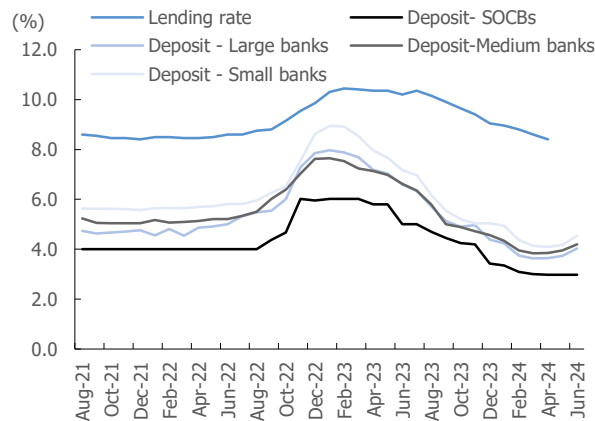
Source: Fiinpro X, KISVN

Figure 6. NIM by banking group



Note: SOCBs (BID, CTG, VCB); Large commercial bank (ACB, MBB, TCB, VPB, STB, SHB); Medium commercial bank (HDB, LPB, VIB, TPB, SSB, EIB, NAB, MSB, OCB)
Source: Fiinpro X, Banks, KIS

Figure 7. Deposit rates by banking group



Note: SOCBs (BID, CTG, VCB); Large commercial bank (ACB, MBB, TCB, VPB, STB, SHB); Medium commercial bank (HDB, LPB, VIB, TPB, SSB, EIB, NAB, MSB, OCB)
Source: Fiinpro X, Banks, KIS

2H2024 NIM could still keep improving thanks to expected credit demand recovery and remaining reasonable COF levels

We expect 2H2024 NIM could still keep improving thanks to (1) expected credit demand recovery in 2H2024 of the retail segment and mid & long-term capital demand from manufacturing and business and (2) remaining reasonable COF levels.

- We expect interest rates could rise with smooth rhythms (an average increase of +0.5%-1.5% in 2H2024 vs 1H2024) from the bottoming rates in 1H2024, resulting from gradual credit demand recovery. SBV also continues to direct policy management: Flexible monetary policy to support the economic recovery and maintain macro stability, despite the potential risks of inflationary pressures and rising exchange rates causing policy changes. Deposit rates could slightly rally in the last months of this year. A slight increase in deposit rate in the 2H2024 could affect from 2025 for higher COF and slightly shrinking NIM as our estimation.

- 2H2024 CASA could improve and maintain a higher level compared to 2H2024 thanks to further improvement in market conditions.
- Enhancement in earning asset yields could result from higher credit demand for mid & long-term capital and the retail segment. And non-performing could be controlled under better market conditions.

Along with the credit demand recovery in 2H2024, some banks with NIM improvement include VCB, CTG, TCB, STB, VPB, and ACB thanks to the remaining low cost of funds and high CASA ratios.

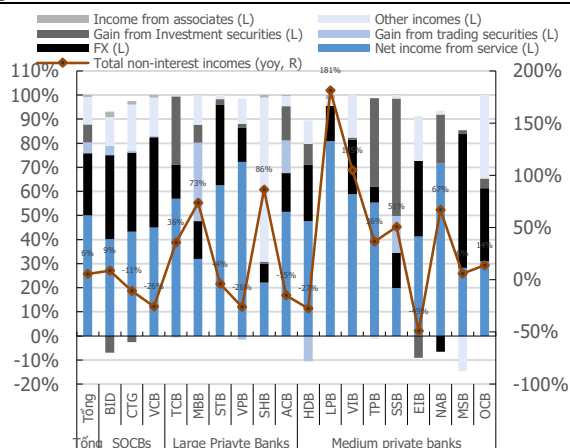
3. Enhancement in 2H2024 non interest incomes

1Q24 Aggregated non-net interest incomes (27 listed banks) were only up +6% thanks to FX and investment activities, compensated by other incomes (-53%yoy)

Aggregated 1Q24 non-interest incomes (27 listed banks) were only up +6% thanks to FX and investment activities, compensated by other incomes (-53%yoy). Large and medium banking group was outperformance with specific outperformers including: TCB (+36%yoy), MBB (+73%yoy), SHB (+86%yoy), LPB (+181%yoy), VIB (+105%yoy), TPB (+36%yoy), SSB (+51%yoy), NAB (+67%yoy), VAB (+92%yoy), NVB (+82%yoy).

- 1Q24 net fee incomes only rose by +5.3%yoy, resulting from a slight improvement in domestic payments and brokerage services but weakness in insurance and trade finance activities. SOCBs looked dark results with VCB (-1%yoy) and CTG (-11%yoy) while large and medium private banks had better results such as TCB (+12%yoy) thanks to payment and Investment banking; MBB (+37%yoy) thanks to payment, brokerage and debt settlements; ACB (+19%yoy) thanks to card, international payment, and brokerage services.
- 1Q24 FX and other investments: FX activities benefited from strong exchange rate fluctuation in 1H2024 and also mainly contributed to SOCBs, including BID (1Q24 FX: +117.8%yoy), and CTG (1Q24 FX: +14.6%yoy) except for VCB (1Q24 FX: -29.8%). SOCBs still held the largest market shares and had better results than others. Inversely, trading and investment securities from large and medium banks were superior.

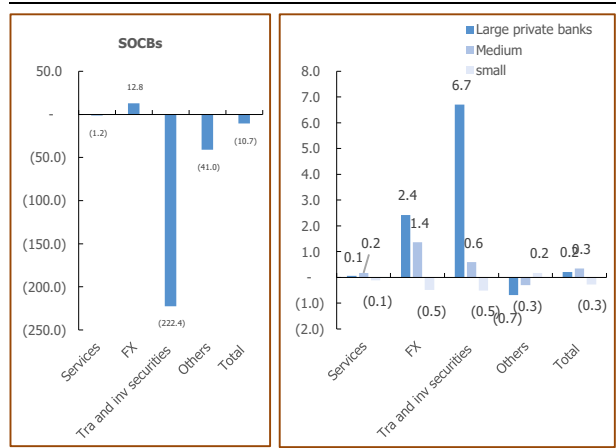
Figure 8. 1Q24 Non interest incomes (NII) proportion by banks



Note: Aggregated number of 27 listed banks

Source: Fiiipro, KIS

Figure 9. 1Q24 NII growth by banking group



Note: SOCBs: State-owned commercial banks

Source: Fiiipro, banks, KIS

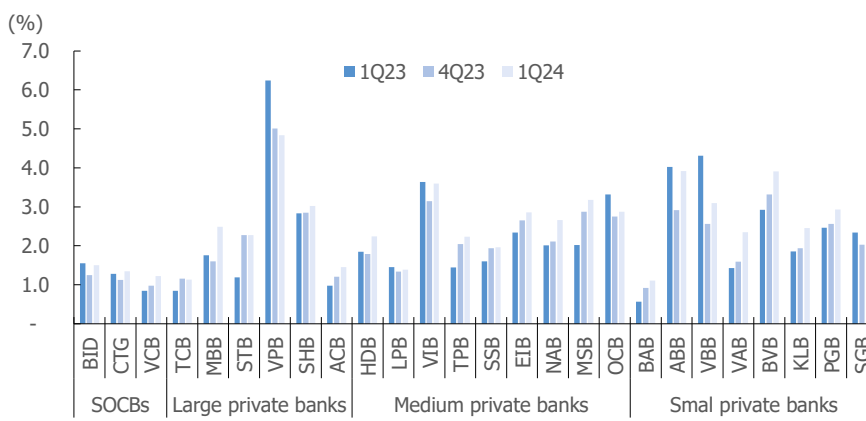
We expect 2H2024 non-interest incomes could have higher growth than 1H2024

We expect 2H2024 non-interest incomes could have higher growth than 1H2024 thanks to domestic payments and trade finance with expected better import/export, and maintained performance from investment and trading activities while FX activities in 2H2024 could have lower growth rates than 1H2024. Moreover, private banks are increasing their payment market share thanks to banking digitalization and non-cash payment as the government's orientation.

4. Controlled non-performing loans and credit cost

Figure 10. NPL (3-5 group rose again)

1H2024 Non-performing loans climbed again, appearing from both corporations and retails



Source: Fiinpro X, KISVN

Non-performing loans climbed again in 1H2024 with pending business and consumption recovery. 1Q24 bad debts rose again to the peak of 3Q23. 1Q24 NPL (3-5 group)/ (2-5 group) (Aggregated 27 banks) were up to 2.2%/4.3% (vs 4Q23: 1.9%/3.8%). Increasing bad debts appeared from both corporations and retails. SOCBs rose their NPLs, with VCB and BID having NPLs from corporate loans higher than retail. Retail banking groups such as ACB, VIB, and TPB rose NPLs, while others in the retail banking group such as STB and VPB maintain their NPLs ratio. Wholesale banking group such as HDB, MSB, OCB, SSB, LPB, and SHB raised their NPLs while others in wholesale banking group such as TCB controlled their NPLs effectively.

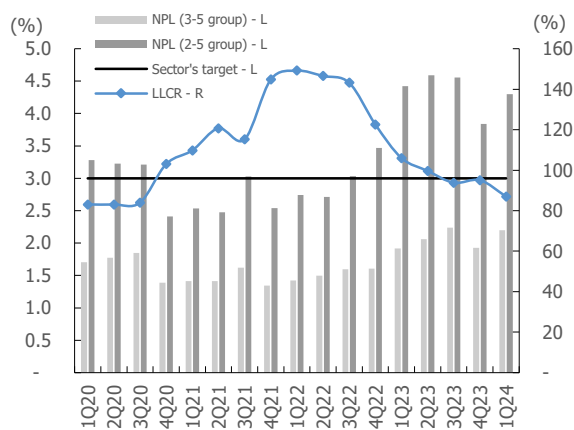
SOCBs, TCB, ACB, LPB, and BAB belonged to the top lowest non-performing loans thanks to their strong customer bases and prudent credit disbursements. Although there was an increase in non-performing loans, credit costs (27 listed banks) were down from 1.3% in 1Q23 and 4Q23 to 1.2% in 1Q24, leading to lower loan loss coverage ratio (from 4Q23's 95% to 1Q24's 87%). Against the odds, the SOCB banks, TCB, and BAB sustained their LLCRs beyond 100%.

2H2024 Non-performing loans could be under control with higher credit cost thanks to (1) the economic recovery for both corporations and individuals (2) Supplement/extend implementation time for Circular No. 02/2023 (extending 6 months to end-2024). Banks with high NPLs and low loan loss coverage ratios could bear pressures on provision risk expenses, eroding bank profits. Despite high pressure from bond maturity pressure in 2H2024-2026, especially for real estate sectors, we expect that gradual improvement in business conditions, supporting policies from the government, and issuers'

Non-performing loans could be under control

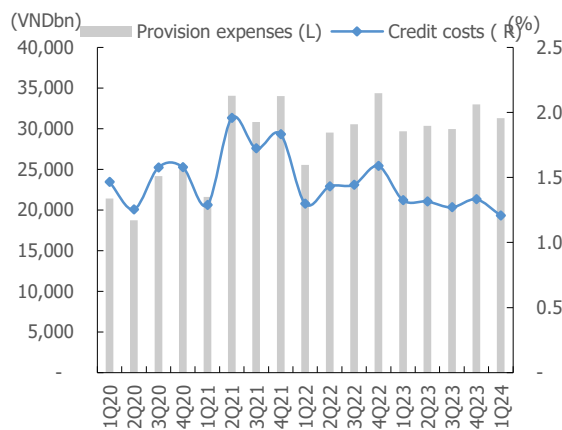
alternative agreements could help to resolve smoothly until the enterprises' strong recovery.

Figure 11. NPL (group 2-5, 3-5)



Note: Aggregated number of 27 listed banks
Source: Fiipro, KIS

Figure 12. Provision expenses and credit costs



Note: Aggregated number of 27 listed banks
Source: FiiproX, KISVN

On the path to recovery for 2H2024F and 2024F double-digit growth

5. Banking Earnings forecast, valuation, and risks

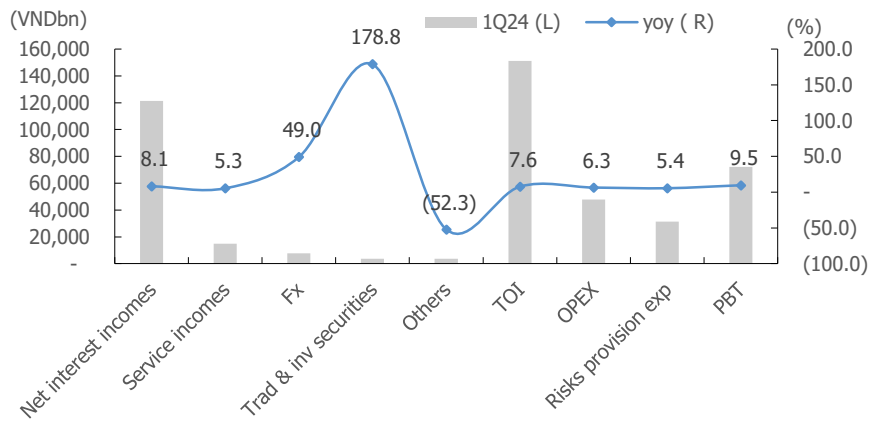
On the path to recovery for 2H2024F: With the economy recovery, 2H2024 credit demands could accelerate and have higher growth than 2023 on the expectation of gradual economic revivals and more favorable business conditions, supported by both corporate loans and retail loans; NIM could regain improvement from 2Q24 and 2H2024 after slightly falling in 1Q24 thanks to remaining low cost of fund and higher asset yields with higher credit demand. Other integrated banking services could also warm up. Despite an increase in non-performing loans again in 1H2024, we expect this situation could improve amid better business conditions in 2H2024.

2024F double-digit growth: We forecast that the banking industry's profits could grow at double-digit rate in 2024, resulting from higher credit demand, NIM retrieval, improvements in fee incomes, and controllable operating expenses. However, higher risk provision expenses could restrain the profit growth. Especially, small banks with weak risk management, high bad debts, and low provision buffers could suffer in profit growth.

The banking industry increased from the beginning of the year despite recent adjustments: +17%YTD. Along with recovery prospects, the industry valuation is still attractive. When some large banks surged significantly YTD, investment opportunities could choose the remaining ones. Some stocks in our watchlist, including TCB (+52%YTD) and MBB (+25%YTD), surged sharply with fewer upside potentials. For TCB, we demote our rating from BUY to HOLD, with an upside of 15%. Some banks with high-potentials in our watchlist could consider VCB and VPB.

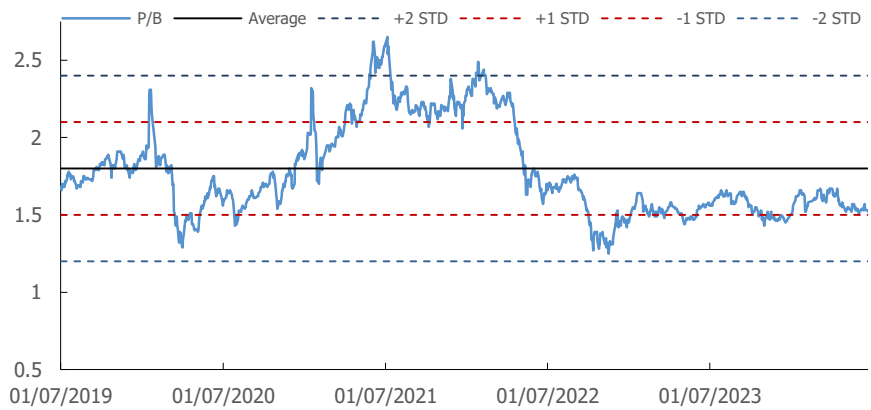
Downside risks: Uncontrolled increasing bad debts, defaults of corporate bonds, and changes in monetary policy are hidden risks and impact on the industry's growth as unexpected ways.

Figure 13. Aggregated 1Q24 performance (27 banks)



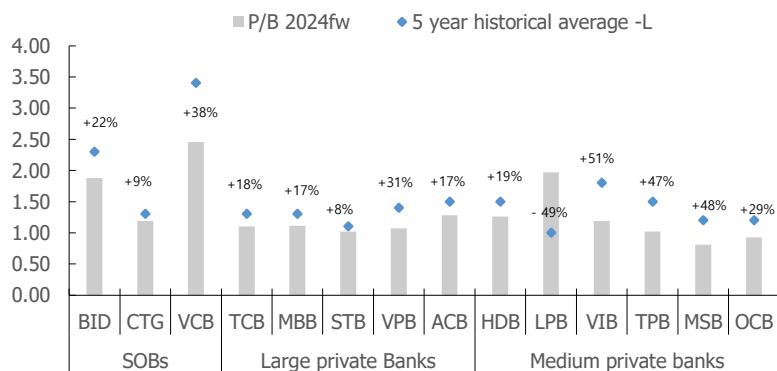
Source: Fiinpro X, KISVN

Figure 14. Banking industry's P/B valuation



Source: Fiinpro X, KISVN

Figure 15. Valuations by banks



Source: Bloomberg, KISVN



III. Company Analysis

BIDV	BID
Vietcombank	VCB
Techcombank	TCB
Military Commercial Bank	MBB
Vietnam Prosperity Bank	VPB

Bank for Investment and Development of Vietnam (BID)

HOLD

VNIndex (08 Jul, pt)	1,284
Stock price (08 Jul, VND)	47,000
Market cap (USD mn)	10,539
Shares outstanding (mn)	5,700
52-Week high/low (VND)	54,400/35,496
6M avg. daily turnover (USD mn)	3.73
Free float / Foreign ownership (%)	100.0/17.1
Major shareholders (%)	
SBV	81.0
KEB Hana Bank	15.0

Yr to	TOI	PPE	NP	EPS	% chg	BPS	PE	PB	ROA	ROE	DY
Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(yoy)	(VND)	(x)	(x)	(%)	(%)	(%)
2021A	62,494	43,028	10,841	1,117	24.5	12,041	42.4	3.9	0.7	13.0	1.7
2022A	69,582	47,025	18,420	2,771	148.1	18,278	17.1	2.6	0.9	19.1	0.4
2023A	73,024	47,944	22,027	2,893	4.4	18,361	16.4	2.6	1.0	19.4	-
2024F	83,061	54,820	25,797	3,908	35.0	24,734	12.1	1.9	1.1	19.5	-
2025F	92,517	61,061	28,374	4,234	8.4	29,183	11.2	1.6	1.0	18.1	-

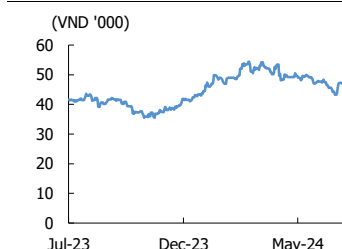
Source: Company data, KIS Research

Note: NP and EPS attributed to controlling interest

Performance

	1M	6M	12M
Absolute (%)	(1.6)	1.3	19.6
Rel. to VNI (%p)	(1.4)	(10.3)	4.6

Stock price



Source: Bloomberg

Momentums from lowering provision expenses

Maintain profit growth thanks to low provision expenses. 1Q24 TOI and PBT grew from -1%yoy (to VND17,171bn) and +6.8%yoy (to VND7,390bn), respectively mainly thanks to lower provision expenses (-20.6%yoy). 1Q24 net interest incomes shrank by -3%yoy due to low credit demand (+0.9%YTD) and a slight decrease in NIM (from 2.7% in 1Q23 and 2.8% in 4Q23 to 2.4%) in 1Q24. Non interest incomes jumped +8.6%yoy thanks to FX and service activities.

Low credit costs maintained profit growth. 1Q24 NPLs (3-5 group)/ (2-5 group) rose slightly again from 4Q23's 1.3% to 1Q24's 1.5%/ 4Q23's 2.8% to 1Q24's 3.6% amid the challenging market conditions. Loan loss coverage ratio (LLCR) fell from 182% in 4Q23 to 153% in 1Q24, still being one of the banks with a high LLCR. Credit costs fell from 1.4% in 1Q23 to 1.0% in 1Q24, decelerating provision expenses (-20.6%yoy) and contributing to the profit growth.

We estimate that 2Q24F net profit could grow at 5.2%yoy based on our main assumptions (1) high credit growth of 3.5%YTD with remaining NIM qoq (2) well-controlled operating expenses and credit cost.

Table 2: BID's 2Q24 preview

	2Q23	1Q24	2Q24F	qoq	yoy	2024F	Consensus	
							2Q24F	2024F
Total income	17,257	17,171	18,478	7.6	7.1	83,061	N/A	82,089
Interest income	13,547	13,541	14,678	8.4	8.4	63,846		
NIM	2.7	2.4	2.6					
Non-interest income	3,710	3,630	3,800	4.7	2.4	19,215		
Operating expenses	6,374	5,393	6,467	19.9	1.5	28,241		
CIR	36.9	31.4	35.0			34.0		
PPE	10,884	11,779	12,011	2.0	10.4	54,820		
Provision	3,933	4,389	4,710	7.3	19.7	22,433		
EBT	6,951	7,390	7,301	(1.2)	5.0	32,388	N/A	32,650
Net profit	5,550	5,916	5,841	(1.3)	5.2	25,797		

Source: Bloomberg, KISVN

2H2024 recovery to keep profit momentum growth in 2024F. BID could recover in 2H2024 and grow at 17% yoy in 2024 thanks to (1) higher credit growth and NIM improvement and (2) remained good asset quality & low credit costs amid the economic recovery.

HOLD rating: We maintain a HOLD rating and a target price of VND55,300 by using a residual approach (50%) and P/B method (50%), considering its remaining high-profit growth potential and fair valuation at present. BIDV is seeking financial investors for a private placement of 9% of the total outstanding shares. BIDV planned to issue 165mn shares in 2024 - equivalent to 2.89% of its charter capital and is discussing with investors. The remaining share (6.11% of charter capital) could proceed later. The selling price of new share offerings must not fall below the market price on the offering date or the latest book value of shares.

Risks: Slower-than-expected revival of the economy and increasing bad debts could hinder our projections.

Balance sheet

(VND tn)

	2022A	2023A	2024F	2025F
Total assets	2,121	2,301	2,587	2,945
Gross IEAs	2,092	2,271	2,551	2,899
Loans and corp bonds	1,535	1,785	2,052	2,339
Household				
Corporate				
Dep't and loans to FIs	332	305	298	337
Dep't to SBV and G-bond	225	181	201	224
VAMC bond	-	-	-	-
NIEAs	68	72	80	93
Others	43	54	58	70
Total liabilities	2,016	2,178	2,443	2,778
Deposits	1,474	1,704	1,949	2,231
Debentures	157	189	217	248
Dep't and loans from FIs	190	194	204	213
Loans from Gov't and SBV	153	36	16	16
Other liabilities	43	54	58	70
Total equities	109	123	144	167
Controlling interests	104	118	139	162
Capital stock	51	57	57	57
Capital surplus	15	15	15	15
Other reserves	12	12	16	20
Retained earnings	22	34	51	70
OCI	4.23	(0.46)	(0.80)	(0.80)
Minority interest	5	5	5	5

Income statement

(VND tn)

	2022A	2023A	2024F	2025F
Total operating income	70	73	83	93
Net interest income	56	56	64	72
Interest income	121	153	159	187
Interest cost	65	97	95	115
Non-interest income	14	17	19	21
Net commission income	9	11	13	15
Gains on investment securities	1	4	3	2
Other non-interest income	4	2	3	3
Provision for credit losses	24	20	22	25
Net operating revenue	46	53	61	67
SG&A	23	25	28	31
Employee benefits	-	-	-	-
Pre-provision earnings	47	48	55	61
Earnings before tax	23	28	32	36
Tax	5	6	7	7
Tax rate (%)	0.0	0.0	0.0	0.0
Continuing operations profit	13	17	18	20
Reversals of written-off loans	6	5	8	9
Net profit	18	22	26	28
Net profit of controlling interest	18	22	25	28

Key financial data

	2022A	2023A	2024F	2025F
Profitability and efficiency (%)				
ROE	19.1	19.4	19.7	18.5
ROA	0.9	1.0	1.1	1.0
NIM	2.98	2.63	2.71	2.70
Asset yield	6.44	7.16	6.73	7.01
Cost of fund	3.60	4.72	4.20	4.51
Cost-income ratio	32.4	34.3	34.0	34.0
Credit cost	1.65	1.22	1.17	1.16
Growth (%)				
Net profit of controlling interest	72.3	18.7	17.1	10.0
Pre-provision earnings	9.3	2.0	14.3	11.4
Credit growth	12.1	16.3	15.0	14.0
Total assets	20.4	8.5	12.4	13.8
Asset quality (%)				
NPL ratio	1.2	1.3	1.2	1.2
NPL coverage ratio	216.9	181.8	171.2	159.7
Loan to deposit	86.8	87.6	88.6	88.7
Capital adequacy (%)				
CAR ratio	9.3	9.2	8.2	7.1
CET1 ratio	n.a	n.a	n.a	n.a
Tier 1 ratio	n.a	n.a	n.a	n.a

Valuation

	2022A	2023A	2024F	2025F
Per share (VND, adj.)				
BPS	18,278	18,361	24,356	28,389
EPS	2,771	2,893	3,529	3,818
DPS	-	-	-	-
Valuation (x)				
PB	2.5	2.5	1.9	1.6
PE	16.5	15.8	13.0	12.0
P/PPE	5.5	6.1	4.8	4.3
Dividend yield (%)	-	-	-	-
Dividend payout ratio (%)	-	-	-	-
ROE analysis (%)				
ROE	19.1	19.4	19.7	18.5
Leverage(x)	19.5	18.7	18.0	17.7
IEAs to total assets	96.7	96.4	96.5	96.2
Net income to IEAs	0.9	0.9	1.0	1.0
Net interest income to IEAs	2.7	2.5	2.5	2.5
Non-interest income to IEAs	0.6	0.7	0.8	0.7
Credit cost to IEAs	1.1	0.9	0.9	0.9
SG&A to IEAs	1.1	1.1	1.1	1.1

Vietcombank (VCB)

BUY

		Yr to	TOI	PPE	NP	EPS	% chg	BPS	PE	PB	ROA	ROE	DY
		Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(yoy)	(VND)	(x)	(x)	(%)	(%)	(%)
VNIndex (08 Jul, pt)	1,284	2021A	56,724	39,149	21,939	3,491	20.2	19,508	66.3	4.5	1.6	21.6	1.4
Stock price (08 Jul, VND)	87,200	2022A	68,083	46,832	29,919	4,896	40.2	24,254	39.8	3.6	1.9	24.4	0.0
Market cap (USD mn)	19,172	2023A	67,723	45,809	33,054	4,471	-8.7	25,520	31.4	3.4	1.8	21.7	0.0
Shares outstanding (mn)	5,589	2024F	77,923	54,546	36,093	5,824	30.2	36,122	30.3	2.4	1.8	19.5	0.0
52-Week high/low (VND)	97,400/80,300	2025F	92,060	64,442	42,816	6,968	19.6	43,091	25.2	2.0	1.9	19.3	0.0
6M avg. daily turnover (USD mn)	5.55												
Free float / Foreign ownership (%)	25.2/23.3												
Major shareholders (%)													
SBV	63.3												
Mizuho	12.7												

Source: Company data, KIS Research

Note: NP and EPS attributed to controlling interest

Solid profitability prospects

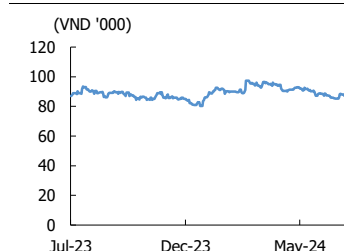
A slight decline in 1Q24 profit. 1Q24 PBT slumped -4.5%yoy to VND10.7tn due to a decrease in both NII (-0.9%yoy) and Non-NII (-25.8%yoy), compensated by operating expenses (-4.2%yoy) and risk provision expenses (-25.4%yoy). Non-interest income fell from FX incomes, service incomes, and other activities.

Higher non-performing loans with controlled expectation: NPL (3-5 group) rose again to its peak from 4Q23's 0.98% to 1Q24's 1.22% as the peak of 3Q23, resulting from both wholesale and retail. The reversal in the NPL trend occurred across banks in the industry. 1Q24 loan loss coverage ratio (LLCR) was still high at 200% (vs VCB's 4Q23: 230%), still maintaining high operational safety and optimized business performance. VCB sets the target of 2024 bad debt below 1.5%. VCB still has best-in-class asset quality and prudent risk management and controls NPLs well even in challenging market conditions. We believe that VCB could complete the 2024 plans for better market conditions.

Performance

	1M	6M	12M
Absolute (%)	(1.5)	0.5	(1.9)
Rel. to VNI (%p)	(1.3)	(11.1)	(16.8)

Stock price



Source: Bloomberg

Table 3: VCB's 2Q24 preview

	2Q23	1Q24	2Q24F	qoq	yoy	2024F	Consensus	
							2Q24F	2024F
Total income	17,470	17,280	18,177	5.2	4.0	77,923	18,226	75,582
Interest income	14,021	14,078	14,727	4.6	5.0	62,267		
NIM	3.3	3.2	3.3					
Non-interest income	3,450	3,202	3,450	7.7	0.0	15,656		
Operating expenses	5,656	5,054	5,635	11.5	(0.4)	23,377		
CIR	32	29	31			30		
PPE	11,814	12,226	12,542	2.6	6.2	54,546		
Provision	2,536	1,508	2,396	58.8	(5.5)	9,430		
EBT	9,278	10,718	10,146	(5.3)	9.4	45,116	10,543	44,523
Net profit	7,428	8,586	8,117	(5.5)	9.3	36,093		

Sources: Bloomberg, KIS VN

We estimate that 2Q24F net profit could grow at +9.3%yoy based on our assumptions (1) remaining net interest income with credit growth of 4.0%YTD and NIM recovery (2) reasonable control in operating expenses and (3) remained good asset quality and prudent risk appetite with high provision buffers.

Earnings could keep momentum growth in 2024F. We expect that the economic prospects in 2024F could improve, lifting the credit demand and a recovery in fee incomes from domestic and export activities. With the low rate environment, VCB could improve its net interest margin and not suffer pressure on risk provision expenses like other banks. 2024 PBT guided by SBV is to target VND42tn, up 4.8%yoy while we forecast that 2024F Profit could grow at 9%yoy.

Maintaining BUY rating. We maintain a BUY rating and a target price of VND109,000 for mid-2025 by using a residual approach (50%) and P/B method (50%). We believe it is worth trading at 3.45x (same as the 5-year historical valuation and higher than its peers) for low-risk operational and market exposures and high-quality earnings. Additionally, VCB could implement private placement with a deal size of 6.5% of charter capital in 2024-2025 (expectation) to enhance the capital adequacy ratio and add resources for operations.

Risks: Slower-than-expected revival of economic growth and competitive pressure related to non-interest incomes could hinder our projections.

Balance sheet

(VND tn)

	2022A	2023F	2024F	2025F
Total assets	1,814	1,839	2,108	2,394
Gross IEAs	1,760	1,818	2,086	2,370
Loans and corp bonds	1,156	1,281	1,455	1,672
Household	540	562	625	727
Corporate	616	714	1,455	1,672
Dep't and loans to FIs	409	396	479	532
Dep't to SBV and G-bond	195	141	152	165
VAMC bond	-	-	-	-
NIEAs	90	56	58	64
Others	36	35	37	39
Total liabilities	1,678	1,671	1,906	2,153
Deposits	1,243	1,396	1,551	1,766
Debentures	25	20	23	35
Dep't and loans from FIs	233	214	225	236
Loans from Gov't and SBV	67	2	71	74
Other liabilities	110	40	37	42
Total equities	136	168	202	241
Controlling interests	136	168	202	241
Capital stock	47	56	56	56
Capital surplus	5	5	5	5
Other reserves	23	23	28	33
Retained earnings	61	85	113	146
OCI	(0)	(0)	1	1
Minority interest	0	0	0	0

Income statement

(VND tn)

	2022A	2023F	2024F	2025F
Total operating income	68	68	78	92
Net interest income	53	54	62	74
Interest income	88	108	103	127
Interest cost	35	55	41	53
Non-interest income	15	14	16	18
Net commission income	13	11	13	14
Gains on investment securities	0	0	0	0
Other non-interest income	2	2	3	3
Provision for credit losses	9	5	9	11
Net operating revenue	59	63	68	81
SG&A	21	22	23	28
Employee benefits	11	12	-	-
Pre-provision earnings	47	46	55	64
Earnings before tax	37	41	45	54
Tax	7	8	9	11
Tax rate (%)	0	0	0	0
Continuing operations profit	28	31	33	40
Reversals of written-off loans	2	2	3	3
Net profit	30	33	36	43
Net profit of controlling interest	30	33	36	43

Key financial data

	2022A	2023F	2024F	2025F
Profitability and efficiency (%)				
ROE	24.4	21.7	19.5	19.3
ROA	1.9	1.8	1.8	1.9
NIM	3.4	3.0	3.2	3.3
Asset yield	5.6	6.1	5.3	5.7
Cost of fund	2.5	3.4	2.3	2.6
Cost-income ratio	31.2	32.4	30.0	30.0
Credit cost	0.9	0.4	0.7	0.7
Growth (%)				
Net profit of controlling interest	36.4	10.5	9.2	18.6
Pre-provision earnings	19.6	-2.2	19.1	18.1
Credit growth	18.8	10.7	13.6	14.9
Total assets	28.2	1.4	14.6	13.6
Asset quality (%)				
NPL ratio	0.7	1.0	1.0	0.7
NPL coverage ratio	316.9	230.3	217.4	293.7
Loan to deposit	77.6	79.6	81.9	83.0
Capital adequacy (%)				
CAR ratio	10.2	12.2	12.5	13.3
CET1 ratio	N/A	N/A	N/A	N/A
Tier 1 ratio	9.1	11.1	11.6	12.2

Valuation

	2022A	2023F	2024F	2025F
Per share (VND, adj.)				
BPS	24,254	25,520	36,122	43,091
EPS	4,896	4,471	5,824	6,968
DPS	0	0	0	0
Valuation (x)				
PB	3.6	3.4	2.4	2.0
PE	18.0	19.7	15.1	12.6
P/PPE	10.5	12.7	9.0	7.6
Dividend yield (%)	0.0	0.0	0.0	0.0
Dividend payout ratio (%)	0.0	0.0	0.0	0.0
ROE analysis (%)				
ROE	24.4	21.7	19.5	19.3
Leverage(x)	13.4	10.9	10.4	9.9
IEAs to total assets	95.1	97.0	97.3	97.4
Net income to IEAs	1.7	1.8	1.7	1.8
Net interest income to IEAs	3.0	2.9	3.0	3.1
Non-interest income to IEAs	0.8	0.8	0.8	0.8
Credit cost to IEAs	0.5	0.3	0.5	0.5
SG&A to IEAs	1.2	1.2	1.1	1.2

Techcombank (TCB)

HOLD

VNIndex (08 Jul, pt)	1,284
Stock price (08 Jul, VND)	23,450
Market cap (USD mn)	6,499
Shares outstanding (mn)	7,045
52-Week high/low (VND)	24,800/13,432
6M avg. daily turnover (USD mn)	15.89
Free float / Foreign ownership (%)	68.2/10.8
Major shareholders (%)	
Masan	14.9
Ho Hung Anh and his family	13.55

Yr to	TOI	PPE	NP	EPS	% chg	BPS	PE	P/B	ROA	ROE	DY
Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(yoy)	(VND bn)	(x)	(x)	(x)	(%)	(%)
2021A	37,076	25,903	18,052	2,565	46.2	13,250	9.2	1.8	3.6	21.5	-
2022A	40,902	27,504	20,150	2,859	11.4	16,124	8.2	1.5	3.2	19.5	-
2023A	40,061	26,809	18,004	2,549	(10.9)	18,684	9.2	1.3	2.3	14.7	-
2024F	52,055	34,877	24,198	3,428	34.5	21,839	6.7	1.1	2.7	17.3	3.2
2025F	64,812	45,368	32,060	4,542	32.5	25,620	5.1	0.9	3.1	19.6	-

Source: Company data, KIS Research

Note: NP and EPS attributed to controlling interest

Strong recovery as expected

Strong recovery from a low base. 1Q24 PBT grew +38.7%yoy to VND7,802bn from a low-based 1Q23 thanks to (1) improvements in operating incomes for both net interest income (+30%yoy) and non-interest incomes (+36%yoy) (2) controlled operating income with lower CIR (1Q24's 26% vs 1Q23's 34%). However, 1Q24 provision expenses for credit losses rose significantly by +126%yoy for a higher loan loss coverage ratio (from 4Q23's 102% to 1Q24's 106%), restraining profit growth.

Higher credit growth and NIM improvement. 1Q24 credit growth rose significantly +7.1%YTD (vs 1Q23's 9%YTD), higher than industry's 1.4%YTD, resulting from corporate loans. With the low-interest rate environment, NIM improved from 1Q23's 4.2% to 1Q24's 4.4% thanks to lower cost of funds and maintained high CASA (TOP 1: 1Q24's 40.5% vs 1Q23's 32% and 4Q23's 40%) amid the better business market conditions.

We estimate that 2Q24F net profit could grow at 28.5%yoy based on our main assumptions (1) high credit growth of 11%YTD with NIM improvement (2) high non-interest income growth from low-based 2Q23 and (3) well-controlled NPLs. TCB's CASA ratio could continue to maintain a high ratio.

Table 4: TCB's 2Q24 preview

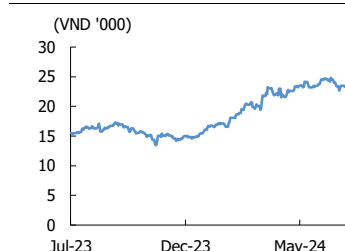
	2Q23	1Q24	2Q24F	qoq	yoy	2024F	Consensus	
							2Q24F	2024F
Total income	9,325	12,262	12,644	3.1	35.6	52,055	11,982	49,229
Interest income	6,295	8,500	9,094	7.0	44.5	36,583		
NIM	4.0	4.4	4.5					
Non-interest income	3,030	3,762	3,550	(5.6)	17.2	15,472		
Operating expenses	2,869	3,249	4,425	36.2	54.2	17,178		
CIR	30.8	26.5	35.0			33.0		
PPE	6,456	9,013	8,218	(8.8)	27.3	34,877		
Provision	807	1,211	958	(20.9)	18.7	4,114		
EBT	5,649	7,802	7,260	(6.9)	28.5	30,763	7,174	29,031
Net profit	4,503	6,277	5,808	(7.5)	29.0	24,449		

Source: Bloomberg, KISVN

Performance

	1M	6M	12M
Absolute (%)	(4.5)	41.9	53.4
Rel. to VNI (%p)	(4.4)	30.3	38.5

Stock price



Source: Bloomberg

2024F recovery outlook. We see that TCB has a large number of loans related to the real estate market (both the real estate developers and mortgage retail loans) and follows the cycle of real estate and the economy. With the expected market recovery, we forecast that TCB could grow +34%yoy in 2024 thanks to improvement in NIM with high CASA and net fee incomes, and expected controllable bad debts under better market conditions.

Rerating HOLD rating. We increased the target price by +24% after the stock dividend to VND27,000 (+15% upside) for mid-2025 and demote our rating from BUY to HOLD rating as the stock price has surged +69% since the initial report. We forecast that the 2024F-2025F profitability could recover and drive a higher valuation.

Risks: Slower-than-expected revival of real estate and economic growth coupled with intensified corporate bond default crisis could hinder our projections.

Balance sheet

(VND bn)

	2022A	2023	2024F	2025F
Total assets	700,161	850,799	972,727	1,144,856
Gross IEAs	618,882	758,611	874,115	1,041,887
Loans and corp bonds	461,539	561,150	669,648	802,016
Household	226,743	226,743	263,841	353,087
Corporate	234,795	334,407	405,807	448,930
Dep't and loans to FIs	103,156	141,194	139,612	164,806
Dep't to SBV and G-bond	54,187	56,267	64,854	75,064
VAMC bond	-	-	-	-
NIEAs	87,332	99,473	109,535	116,571
Others	6,052	7,285	10,923	13,602
Total liabilities	585,608	717,854	817,557	963,044
Deposits	358,404	454,661	549,732	667,088
Debentures	34,007	84,703	82,460	100,063
Dep't and loans from FIs	167,563	153,173	160,832	168,873
Loans from Gov't and SBV	8	0	-	-
Other liabilities	25,626	25,317	24,534	27,020
Total equities	114,554	132,945	155,170	181,811
Controlling interests	113,425	131,628	153,853	180,495
Capital stock	35,172	35,225	35,225	35,225
Capital surplus	476	476	476	476
Other reserves	11,609	45,726	48,426	52,056
Retained earnings	66,168	50,201	69,725	92,737
OCI	-	-	-	-
Minority interest	1,129	1,317	1,317	1,317

Key financial data

	2021A	2022A	2023	2024F	2025F
Profitability and efficiency (%)					
ROE	21.5	19.5	14.7	17.3	19.6
ROA	3.6	3.2	2.3	2.7	3.1
NIM	5.8	5.4	4.1	4.5	4.9
Asset yield	7.7	7.9	8.4	7.4	7.8
Cost of fund	2.2	2.8	4.6	3.1	3.3
Cost-income ratio	30.1	32.8	33.1	33.0	30.0
Credit cost	0.7	0.4	0.8	0.7	0.6
Growth (%)					
Net profit of controlling interest	46.5	11.6	(10.7)	37.2	32.5
Pre-provision earnings	40.7	6.2	(2.5)	30.1	30.1
Credit growth	26.5	12.5	21.6	19.3	19.8
Total assets	29.4	22.9	21.5	14.3	17.7
Asset quality (%)					
NPL ratio	0.7	0.7	1.2	1.0	0.9
NPL coverage ratio	162.9	157.3	102.1	135.8	171.5
Loan to deposit	90.7	94.6	89.2	92.4	92.8
Capital adequacy (%)					
CAR ratio	15.0	15.2	14.4	15.5	15.6
CET1 ratio	19.7	19.3	18.8	19.7	19.8
Tier 1 ratio	21.5	19.5	14.7	17.3	19.6

Income statement

(VND bn)

	2022A	2023	2024F	2025F
Total operating income	40,902	40,061	52,055	64,812
Net interest income	30,290	27,691	36,583	45,941
Interest income	44,753	56,708	59,803	74,142
Interest cost	14,463	29,017	23,220	28,200
Non-interest income	10,612	12,370	15,472	18,870
Net commission income	8,252	8,911	11,349	13,927
Gains on investment securities	192	1,025	1,166	1,262
Other non-interest income	2,167	2,434	2,957	3,681
Provision for credit losses	1,936	3,921	4,114	4,611
Net operating revenue	38,966	36,140	47,941	60,201
SG&A	13,398	13,252	17,178	19,444
Employee benefits	n.a	n.a	n.a	n.a
Pre-provision earnings	27,504	26,809	34,877	45,368
Earnings before tax	25,568	22,888	30,763	40,758
Tax	5,131	4,697	6,313	8,365
Tax rate (%)	20.1	20.5	20.5	20.5
Continuing operations profit	20,317	17,998	24,166	31,915
Reversals of written-off loans	119	193	283	478
Net profit	20,436	18,191	24,449	32,393
Net profit of controlling interest	20,150	18,004	24,701	32,726

Valuation

	2021A	2022A	2023	2024F	2025F
Per share (VND, adj.)					
BPS	13,250	16,124	18,684	21,846	25,637
EPS	2,565	2,859	2,549	3,499	4,636
DPS	-	-	-	750	-
Valuation (x)					
PB	1.8	1.5	1.3	1.1	0.9
PE	9.2	8.2	9.2	6.7	5.1
P/PPE	6.4	6.0	6.2	4.7	3.6
Dividend yield (%)	-	-	-	3.2	-
Dividend payout ratio (%)	-	-	-	21.4	-
ROE analysis (%)					
ROE	21.5	19.5	14.7	17.3	19.6
Leverage(x)	6.1	6.1	6.4	6.3	6.3
IEAs to total assets	91.4	87.6	88.4	88.9	89.9
Net income to IEAs	3.4	3.3	2.4	2.8	3.1
Net interest income to IEAs	5.1	4.9	3.7	4.2	4.4
Non-interest income to IEAs	2.0	1.7	1.6	1.8	1.8
Credit cost to IEAs	0.5	0.3	0.5	0.5	0.4
SG&A to IEAs	2.1	2.2	1.7	2.0	1.9

Military Commercial JSC (MBB)

NON-RATED

VNIndex (08 Jul, pt)	1,284
Stock price (08 Jul, VND)	22,700
Market cap (USD mn)	4,738
Shares outstanding (mn)	5,306
52-Week high/low (VND)	24,951/16,634
6M avg. daily turnover (USD mn)	18.42
Free float / Foreign ownership (%)	67.6/23.2
Major shareholders (%)	
Viettel	12.1
SCIC	8.1

Yr to	TOI	PPE	NP	EPS	% chg	BPS	PE	P/B	ROA	ROE	DY
Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(yoy)	(VND bn)	(x)	(x)	(x)	(%)	(%)
2019A	24,650	14,927	7,823	1,608	33%	7,556	5.7	1.2	22.1	2.0	2.8
2020A	27,362	16,807	8,263	1,592	-1%	9,188	7.3	1.3	19.2	1.8	0
2021A	36,934	24,557	12,697	2,437	53%	11,426	8.2	1.7	23.6	2.3	0
2022A	45,593	30,777	17,483	3,353	38%	14,566	4.2	1.0	25.8	2.6	0
2023A	47,306	32,393	20,677	3,966	18%	17,786	4.6	1.0	24.5	2.5	2.4

Source: Bloomberg

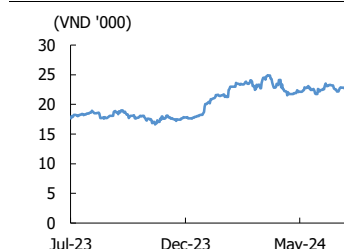
Note: NP and EPS attributed to controlling interest

Expected escape from the bottom

Performance

	1M	6M	12M
Absolute (%)	1.1	12.1	30.5
Rel. to VNI (%p)	1.2	0.5	15.5

Stock price



Source: Bloomberg

Flat profit in 1Q24. 1Q24 PBT fell by -11%yoy to VND5,795bn due to a decrease in net interest incomes (-11%) and higher risk provision expenses (+46%yoy), compensated by (1) higher non-interest incomes (+73.5%yoy) from service incomes, FX, investment and trading securities, and other incomes (2) lower operating expenses (-1.5%yoy). NPL (3-5 group) surged from 1.6% in 4Q23 to 2.5% in 1Q24 due to CIC reclassification (0.8% of total loan balance), retail (0.7-0.8% of total loan balance), and corporate loans (0.9% of total loan balance). According to the management, non-performing loans from CIC reclassification could resolve 2Q24.

As our estimation, 1Q24 profit from the parent company (1Q24 PBT: VND5,258bn, down -10%yoy) and M-credit (1Q24 PBT: VND22bn, down -92%yoy) mainly caused a decrease in the consolidated profit growth.

Accelerating credit disbursement and the bottoming NIM. 1Q24 witnessed slow credit growth (MBB: +0.4%YTD vs the industry: +1.4%YTD) and a decrease in NIM due to lowering asset yields. Expected credit demand could improve in 2H2024 and NIM could not slump any further thanks to the remaining low cost of funds with a high CASA ratio and minimal effect from CIC on asset yields.

Keep profit momentum growth in 2024F. We estimate that MBB's 2H2024F and 2024F profit could grow at a moderate rate in 2024 with improvement in net interest income, a strong growth momentum from non-net interest incomes, and controlled bad debts amid better business environments. MBB could have high credit growth amid a positive economic outlook and NIM revivals with the remaining CASA improvement and better retail credit demand.

Valuation is quite attractive. MBB is currently trading at P/B of 1.2x, lower than the 5-year historical average (1.4x). MBB is attractive thanks to its low valuation and high operating efficiency with ROE of 24.5% (top 3 in the industry, 2023) and ROA of 2.47% (TOP 1, 2023). By leveraging the Viettel ecosystem and effective digital transformation, MBB takes advantage of attracting customers and CASA with low cost (top in the industry) and keeps high NIM.

Risks: Slow recovery from credit demand, intensified corporate bond defaults, and increasing bad debts could hinder our projections.

Balance sheet

(VND bn)

	2020A	2021A	2022A	2023A
Total assets	494,982	607,140	728,532	944,954
Gross IEAs	466,219	543,868	647,212	887,754
Loans and corp bonds	326,830	397,553	493,470	693,526
Household	-	-	-	-
Corporate	-	-	-	-
Dep't and loans to FIs	68,826	62,124	68,542	85,336
Dep't to SBV and G-bond	70,564	84,192	85,199	108,891
VAMC bond	-	-	-	-
NIEAs	33,757	72,724	93,890	69,361
Others	4,994	9,452	12,569	12,161
Total liabilities	444,883	544,654	648,919	848,242
Deposits	310,960	384,692	443,606	567,533
Debentures	50,924	66,887	96,578	126,463
Dep't and loans from FIs	51,084	61,559	67,120	102,610
Loans from Gov't and SBV	15	262	32	9
Other liabilities	31,900	31,254	41,584	51,628
Total equities	50,099	62,486	79,613	96,711
Controlling interests	47,907	59,575	75,949	92,738
Capital stock	27,988	37,783	45,340	52,141
Capital surplus	1,178	869	869	869
Other reserves	6,350	8,007	10,676	14,122
Retained earnings	12,392	12,915	19,064	25,560
OCI	-	-	-	46
Minority interest	2,193	2,911	3,664	3,973

Key financial data

	2020A	2021A	2022A	2023F
Profitability and efficiency (%)				
ROE	19.2	23.6	25.8	24.5
ROA	1.9	2.4	2.7	2.5
NIM	4.79	5.25	6.11	5.08
Asset yield	7.7	7.7	8.9	9.1
Cost of fund	3.3	2.6	2.9	4.3
Cost-income ratio	38.6	33.5	32.5	31.5
Credit cost	2.1	2.2	1.8	1.0
Growth (%)				
Net profit of controlling interest	5.6	53.7	37.7	18.3
Pre-provision earnings	12.6	46.1	25.3	5.3
Credit growth	23.1	21.6	24.1	40.5
Total assets	20.3	22.7	20.0	29.7
Asset quality (%)				
NPL ratio	1.1	1.2	0.5	0.5
NPL coverage ratio	134.1	209.3	473.1	359.9
Loan to deposit	84.5	85.4	86.1	90.9
Capital adequacy (%)				
CAR ratio	10.4	10.8	11.3	10.6
CET1 ratio	n.a	n.a	n.a	n.a
Tier 1 ratio	9.5	9.8	10.4	9.9

Income statement

(VND bn)

	2020A	2021A	2022A	2023A
Total operating income	27,362	36,934	45,593	47,306
Net interest income	20,278	26,200	36,023	38,684
Interest income	32,767	38,465	52,486	69,143
Interest cost	12,490	12,265	16,463	30,459
Non-interest income	7,084	10,735	9,570	8,622
Net commission income	4,361	5,699	5,840	5,295
Gains on investment securities	1,043	1,782	1,588	899
Other non-interest income	1,680	3,254	2,142	2,428
Provision for credit losses	6,118	8,030	8,048	6,087
Net operating revenue	21,244	28,904	37,545	41,219
SG&A	10,555	12,377	14,816	14,913
Employee benefits	n.a	n.a	n.a	n.a
Pre-provision earnings	16,807	24,557	30,777	32,393
Earnings before tax	10,688	16,527	22,729	26,306
Tax	2,082	3,306	4,574	5,252
Tax rate (%)	19.5	20.0	20.1	20.0
Continuing operations profit	7,584	12,200	17,133	20,032
Reversals of written-off loans	1,022	1,022	1,022	1,022
Net profit	8,606	13,221	18,155	21,054
Net profit of controlling interest	8,263	12,697	17,483	20,677

Valuation

	2020A	2021A	2022A	2023A
Per share (VND, adj.)				
BPS	11,056	7,374	10,648	13,567
EPS	1,793	1,510	2,326	2,815
DPS	-	-	-	500
Valuation (x)				
PB	2.1	3.1	2.1	1.7
PE	12.7	15.1	9.8	8.1
P/PPE	5.9	7.5	5.3	4.8
Dividend yield (%)	-	-	-	2.2
Dividend payout ratio (%)	-	-	-	-
ROE analysis (%)				
ROE	19.2	23.6	25.8	24.5
Leverage(x)	9.9	9.7	9.2	9.8
IEAs to total assets	93.2	88.2	87.3	92.8
Net income to IEAs	1.8	2.3	2.7	2.3
Net interest income to IEAs	4.3	4.8	5.6	4.4
Non-interest income to IEAs	1.5	2.0	1.5	1.0
Credit cost to IEAs	1.3	1.5	1.2	0.7
SG&A to IEAs	2.3	2.3	2.3	1.7

Vietnam Prosperity Bank (VPB)

NON-RATED

		Yr to	TOI	PPE	NP	EPS	% chg	BPS	PE	P/B	ROA	ROE	DY
		Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(yoy)	(VND bn)	(x)	(x)	(x)	(%)	(%)
VNIndex (08 Jul, pt)	1,284	2019A	36,356	24,022	8,260	1,247		6,413	5.4	1.0	21.5	2.4	0
Stock price (08 Jul, VND)	19,050	2020A	39,033	27,641	10,414	1,578	27%	7,965	6.9	1.4	21.9	2.6	0
Market cap (USD mn)	5,946	2021A	44,301	33,583	11,721	1,768	12%	11,753	12.2	1.8	17.9	2.4	0
Shares outstanding (mn)	7,934	2022A	57,797	43,681	18,168	2,711	53%	14,425	6.0	1.1	20.7	3.1	0
52-Week high/low (VND)	20,545/17,186	2023A	49,739	35,798	9,974	1,433	-47%	16,969	12.6	1.1	8.6	1.4	5
6M avg. daily turnover (USD mn)	13.31												
Free float / Foreign ownership (%)	89.4/26.7												
Major shareholders (%)													
SMBC	15.0												
Ngo Chi Dung	4.1												

Source: Bloomberg

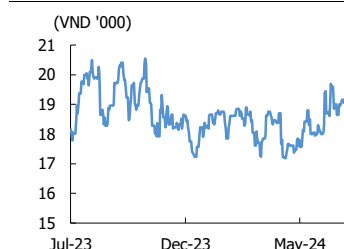
Note: NP and EPS attributed to controlling interest

Wait on FE-Credit

Performance

	1M	6M	12M
Absolute (%)	5.8	4.4	6.3
Rel. to VNI (%p)	6.0	(7.2)	(8.6)

Stock price



Source: Bloomberg

Strong profit growth. Consolidated 1Q24 PBT rallied +64%yoy (to VND4,182bn) mainly thanks to lower risk provision expenses (-10%yoy) and higher net interest incomes (+19%yoy), compensated by non interest incomes (-26%yoy). Consolidated NPLs (2-5 group)/(3-5 group) fell from 14.7%/6.5% in 2Q24 to 13.1%/4.8% in 1Q24.

Recovery from parent bank and pending for Fe-credit. Parent's profit (1Q24 PBT: VND4,920bn, up +20%yoy) mainly contributed to 1Q24 Consolidated profit growth. Parent's 1Q24 Net interest incomes were up +25%yoy from credit growth (+2.2%YTD) and maintained NIM with higher loan proportion of earnings asset. 1Q24 Provision risk expenses stayed flat, +2%yoy. However, Parent's NPLs (2-5 group)/(3-5 group) inched up from 9.4%/3.2% in 4Q23 to 11.1%/3.3% in 1Q24.

Fe-credit's earnings returned to a loss in 1Q24 after gaining profits in two previous quarters in 3Q24 and 4Q24. On the other side, Fe-credit's NPL (2-5 group)/(3-5 group) consistently declined from 39.4%/25.3% in 1Q23 to 33.2%/18.9% in 1Q24, as our estimation. According to the management, over 70% of the portfolio was replaced by better-quality loans.

Rehabilitation in 2024F. 2H2024 is expected to recover the retail segment and controlled non-performing loans thanks to the market revivals, enhancing purchasing powers and customer's financial capacity. We forecast that VPB's 2024F profit could grow at a double-digit thanks to the parent bank's recovery. VPBs' management set a high 2024 target of VND23,165bn, up +114%yoy. Fe-credit could return profitable performance after changes in structure with better-quality loans.

Valuation is quite attractive. VPB is currently trading at 1.09x TTM PB, lower than the 5-year historical average (1.69x). VPB is attractive thanks to its low valuation and business recovery. VPB has the highest profit margin in the industry thanks to the exploitation of the mass customer credit segment and Fe-credit's consumer finance loans. VPB has experienced increased bad debt pressure amid the economic slowdown and could gradually improve amid the better business environment.

Risks: Slower-than-expected revival of the economy, increasing bad debts, and intensified corporate bond default crisis could hinder our projections

Balance sheet

(VND bn)

	2020A	2021A	2022A	2023A
Total assets	419,027	547,409	631,013	817,567
Gross IEAs	393,443	500,622	573,531	746,080
Loans and corp bonds	322,621	387,086	470,143	598,076
Household				
Corporate				
Dep't and loans to Fls	30,124	67,757	58,534	104,663
Dep't to SBV and G-bond	40,698	45,779	44,853	43,341
VAMC bond	0	0	0	0
NIEAs	29,918	51,655	67,788	85,559
Others	4,334	4,868	10,306	14,072
Total liabilities	366,233	453,225	520,847	672,607
Deposits	233,428	241,837	303,151	442,368
Debentures	62,845	81,296	63,700	47,787
Dep't and loans from Fls	56,698	114,723	140,296	156,379
Loans from Gov't and SBV	14	8,454	1,929	4,118
Other liabilities	13,247	6,915	11,770	21,954
Total equities	52,794	94,185	110,166	144,960
Controlling interests	52,794	86,278	103,502	139,796
Capital stock	25,300	45,057	67,434	79,339
Capital surplus	366	77	0	23,993
Other reserves	9,713	18,705	19,316	17,398
Retained earnings	17,415	22,439	16,752	19,066
OCI	0	0	0	0
Minority interest	0	7,906	6,664	5,164

Key financial data

	2020A	2021A	2022A	2023A
Profitability and efficiency (%)				
ROE	21.9	16.2	16.5	5.8
ROA	2.6	2.4	2.9	1.2
NIM	9.3	8.2	0.0	0.0
Asset yield	12.2	12.5	12.7	12.5
Cost of fund	5.9	4.1	4.4	6.6
Cost-income ratio	29.2	24.2	0.0	0.0
Credit cost	4.9	5.4	0.0	0.0
Growth (%)				
Net profit of controlling interest	26.0	7.9	39.3	-55.2
Pre-provision earnings	15.1	21.5	30.1	-18.0
Credit growth	18.9	20.0	0.0	0.0
Total assets	11.1	30.6	15.3	29.6
Asset quality (%)				
NPL ratio	3.4	4.6	5.7	5.0
NPL coverage ratio	45.3	60.9	54.4	52.1
Loan to deposit	105.6	104.6	112.4	104.3
Capital adequacy (%)				
CAR ratio	11.0	16.5	16.5	16.5
CET1 ratio	n.a	n.a	n.a	n.a
Tier 1 ratio	10.7	14.8	14.8	14.8

Income statement

(VND bn)

	2020A	2021A	2022A	2023A
Total operating income	39,033	44,301	57,797	49,739
Net interest income	32,346	34,349	41,021	38,175
Interest income	52,362	50,827	62,200	76,557
Interest cost	20,016	16,478	21,179	38,383
Non-interest income	6,687	9,953	16,776	11,565
Net commission income	3,049	3,983	5,820	6,406
Gains on investment securities	1,402	3,162	372	633
Other non-interest income	2,236	2,808	10,584	4,526
Provision for credit losses	14,622	19,219	22,461	24,994
Net operating revenue	24,411	25,083	35,336	24,745
SG&A	11,392	10,719	14,116	13,941
Employee benefits	0	0	0	0
Pre-provision earnings	27,641	33,583	43,681	35,798
Earnings before tax	13,019	14,364	21,220	10,804
Tax	2,606	2,887	4,311	2,310
Tax rate (%)	20.0	20.1	20.3	21.4
Continuing operations profit	10,414	11,477	16,909	8,494
Reversals of written-off loans	0	0	0	0
Net profit	10,414	11,477	16,909	8,494
Net profit of controlling interest	10,414	11,233	15,650	7,014

Valuation

	2020A	2021A	2022A	2023A
Per share (VND, adj.)				
BPS	22,855	19,927	15,760	17,620
EPS	1,670	961	1,589	884
DPS	0	0	0	0
Valuation (x)				
PB	0.8	1.0	1.2	1.1
PE	11.5	19.9	12.1	21.7
P/PPE	4.3	6.7	4.3	4.2
Dividend yield (%)	0.0	0.0	0.0	0.0
Dividend payout ratio (%)	0.0	0.0	0.0	0.0
ROE analysis (%)				
ROE	21.9	16.2	16.5	5.8
Leverage(x)	7.9	5.8	5.7	5.6
IEAs to total assets	92.9	90.6	89.4	89.7
Net income to IEAs	2.6	2.2	2.7	0.9
Net interest income to IEAs	8.2	6.9	7.2	5.1
Non-interest income to IEAs	1.7	2.0	2.9	1.6
Credit cost to IEAs	3.7	3.8	3.9	3.4
SG&A to IEAs	2.9	2.1	2.5	1.9

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