

BANKING

2025 OUTLOOK

THE BUMPY ROAD TO RECOVERY



Contents

I. Executive summary	2
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II. The bumpy road to recovery	4
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1. 2025F credit growth: Higher credit growth	4
2. 2025F net interest margin: Some pressures on NIM	6
3. 2025F non-interest incomes: gradual improvement	7
4. 2025F non-performing loans: Cool down and higher provision expenses	9
5. 2025F: Earnings forecast, valuation, and risks	10

Company Analysis

BIDV	(HSX: BID)	13
Vietcombank	(HSX: VCB)	15
Vietinbank	(HSX: CTG)	19
Techcombank	(HSX: TCB)	21
Military Commercial Bank	(HSX: MBB)	24
Vietnam Prosperity Bank	(HSX: VPB)	26

What is the report about?

- Higher 2025 credit disbursement and some pressures on 2025 NIM for higher cost of funds and slower asset yield recovery.
- Keep 2025 improvement in non-interest incomes and controlled non-performing loans despite existing bad debt pressures.
- SOCBs as our favorable stocks.

I. Executive summary

Higher credit growth in 2025F

Credit disbursement grew +15.08%YTD in 2024, higher than +13.7%YTD in 2023, driven by both corporate and retail loans but differences across banks. 2025F credit demands could be higher amid the higher economic growth, supported by corporate and retail loans. The State Bank of Viet Nam (SBV) plans to accelerate total and sets an ambitious credit growth target of 16% for the banking system in 2025, the highest level in the last 5 years. SBV could proactively adjust commercial banks' credit quotas without requiring written requests, creating favorable conditions to provide capital sufficiently and promptly. Banks with strong fundamentals and support for government programs could have higher credit quotas than others.

Some pressures on 2025F NIM

We expect 2025F NIM to remain stable in a base case and slightly decline in the worst case due to (1) higher cost of funds amid a slight increase in deposit rates and (2) slower corresponding adjustment of asset yields. The banking group could maintain net interest margins for cases (1) well-controlled cost of funds (such as SOCBs), (2) lending segment recovery with higher asset yields, and (3) less supports for reducing interest rates.

Non interest incomes to recover with a moderate growth in 2025

Aggregated 9M24 non-interest incomes (27 listed banks) stayed flat, only up +2% thanks to double-digit FX growth, and maintained service incomes, compensated by investment activities. We expect non-interest incomes to recover at moderate growth in 2025. Other integrated banking services could also warm up, but activities from bancassurance and investment could remain less active.

Provision expenses could be higher

Non-performing loans climbed again in 9M2024 with pending business and consumption recovery. 3Q24 bad debts remained at the same level as 2Q24, higher than end-2023. We estimate that non-performing loans could peak in 2024 and cool down in 2025 thanks to business condition recovery. However, risk provision expenses could suffer pressure after expiring the circular 02 at end-2024. Banks with high NPLs and low loan loss coverage ratios could bear pressures on provision risk expenses, eroding bank profits. SOCBs and large private bank, pursuing their prudent credit quality control and low non-performing loan ratios, could have less pressure than other groups.

Some pressures in 2025F and 2025F Single-digit growth.

In 2025F, improving business conditions and consumption could continue and drive the credit demand. 2025F credit growth could be higher than the 2024 rate. Other integrated banking services could also warm up, but activities from bancassurance, and investment could remain less active. Whereas some pressures on 2025F NIM could stem from 1) slower recovery of asset yields for supporting lending packages and price competitions among banks while witnessing slower

recoveries of mid- and long-term loans and 2) higher cost of funds amid a slight increase in deposit rates. Non-performing ratios remained high in 2024 and could cool down in 2025. We forecast that the banking industry's profits could grow at a single-digit rate in 2025, resulting from (1) a moderate growth of operating incomes and (2) higher provision expenses for thinner loan loss reserves and expired circular 02. Small banks with weak risk management, high bad debts, and low provision buffers could suffer in profit growth.

We prefer stocks with growth potentials in 2025, which include benefits from better business conditions and remaining healthy asset quality. SOCBs are our favorite stocks in the industry.

Downside risks: Slower-than-expected revival of the economy, uncontrolled increasing bad debts, defaults of corporate bonds, and changes in monetary policy are hidden risks and impact the industry's growth in unexpected ways.

Table 1: Coverage valuation

Recommendation & TP			Earnings & Valuation										
Company			TOI (VND bn)	PPE (VND bn)	NP (VND bn)	EPS (VND)	BPS (VND)	PE (x)	PB (x)	ROA (%)	ROE (x)	DY (%)	
BIDV (HSX: BID)	Recommendation	BUY	2022A	69,582	47,025	18,159	2,290	15,105	17.1	2.6	0.9	19.1	-
	TP (VND)	48,800	2023A	73,024	47,944	21,552	2,391	15,175	16.4	2.6	1.0	19.4	-
	Price (10 Jan, VND)	39,100	2024E	74,445	48,913	24,433	2,314	16,377	16.9	2.4	1.0	19.2	-
	Upside (%)	25	2025F	88,467	58,388	26,971	3,112	22,928	12.6	1.7	1.0	18.3	-
	Mkt cap. (VND bn)	269,692	2026F	102,760	67,822	32,145	3,771	26,699	10.4	1.5	1.0	18.8	-
Vietcombank (HSX: VCB)	Recommendation	BUY	2022A	68,083	46,832	29,899	4,896	24,254	18.6	3.8	1.9	24.4	0.4
	TP (VND)	112,000	2023A	67,723	45,809	33,033	4,471	25,520	20.4	3.6	1.8	21.7	0.0
	Price (10 Jan, VND)	91,400	2024E	68,145	46,338	34,139	5,479	34,760	16.6	2.6	1.7	18.8	0.0
	Upside (%)	23	2025F	84,455	59,119	38,295	6,310	41,069	14.4	2.2	1.7	18.1	0.0
	Mkt cap. (VND bn)	510,843	2026F	97,662	68,363	44,322	7,200	48,269	12.6	1.9	1.7	17.8	0.0
Vietinbank (HSX: CTG)	Recommendation	Non-rated	2020A	45,317	29,232	13,694	3,678	22,617	10.2	1.7	1.1	17.1	1.3
	TP (VND)	N.A	2021A	53,157	35,971	14,089	2,932	19,198	12.8	2.0	1.0	16.0	2.1
	Price (10 Jan, VND)	37,500	2022A	64,117	44,922	16,924	3,522	22,231	10.6	1.7	1.0	17.0	0
	Upside	N.A	2023A	70,548	50,105	19,904	3,706	23,119	10.1	1.6	1.0	17.2	0
	Mkt cap. (VND bn)	201,375	9M24A	60,624	44,647	15,550	5,370	26,098	10.0	1.43	1.0	16.31	0
Techcombank (TCB)	Recommendation	HOLD	2021A	40,902	27,504	20,150	2,850	16,124	8.5	1.5	3.2	19.5	-
	TP (VND)	27,100	2022A	40,061	26,809	18,004	2,541	18,684	9.5	1.3	2.3	14.7	-
	Price (10 Jan, VND)	23,400	2023A	49,870	33,711	22,659	3,202	21,149	7.5	1.1	2.5	16.1	3.1
	Upside (%)	15	2024F	58,574	41,002	26,679	3,769	24,673	6.4	1.0	2.6	16.5	-
	Mkt cap. (VND bn)	165,317	2025F	73,681	51,577	33,761	4,771	29,444	5.1	0.8	2.7	17.7	-
Military bank (MBB)	Recommendation	Non-rated	2020A	27,362	16,807	8,263	4,409	9,614	13.6	2.2	1.9	19.2	-
	TP (VND)	N.A	2021A	36,934	24,557	12,697	3,230	6,412	16.1	3.3	2.4	23.6	-
	Price (10 Jan, VND)	21,150	2022A	45,593	30,777	17,483	3,659	9,259	10.5	2.3	2.7	25.8	-
	Upside	N.A	2023A	47,306	32,393	20,677	3,691	11,797	8.6	1.8	2.5	24.5	2.4
	Mkt cap. (VND bn)	129,063	9M24A	38,850	27,089	16,350	4,031	20,027	5	1	3	22	2
Vietnam Prosperity Bank (VPB)	Recommendation	Non-rated	2020A	39,033	27,641	10,414	4,508	22,855	11.1	0.8	2.6	21.9	-
	TP (VND)	N.A	2021A	44,301	33,583	11,233	2,594	18,101	19.3	1.0	2.4	17.1	-
Bank (VPB)	Price (10 Jan, VND)	18,500	2022A	57,797	43,681	15,650	2,383	14,745	11.6	1.3	2.9	17.9	-
	Upside (%)	NA	2023A	49,739	35,798	7,014	884	16,969	20.9	1.1	1.2	6.1	5.4
	Mkt cap. (VND bn)	146,777	9M24A	44,611	34,062	11,161	1,537	17,304	12.0	1.1	1.6	9.7	5.4

II. The bumpy to recovery

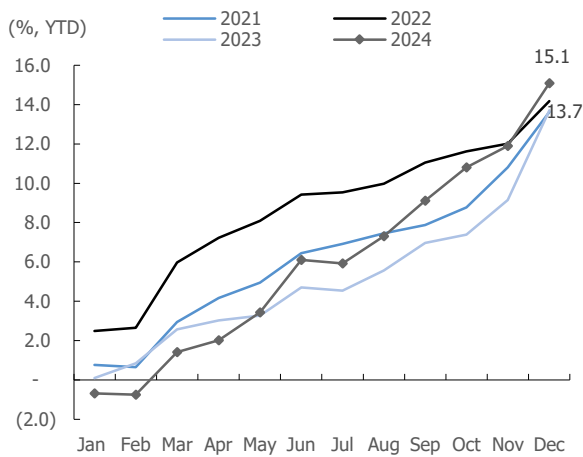
1. Higher credit growth in 2025F

Higher 2024 credit growth. However, the growth recovery was not uniform across segments.

Balances from corporate bonds shrank across most banks in 2024

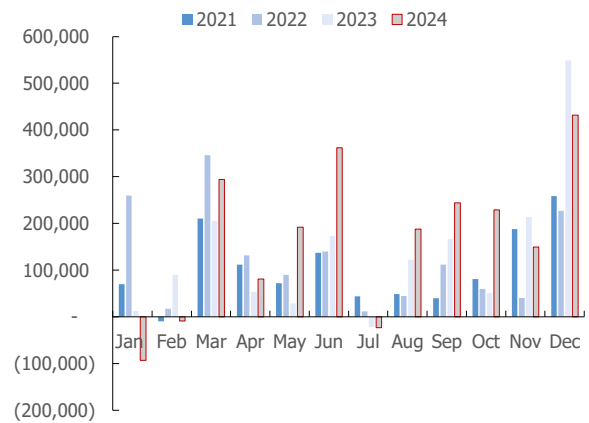
Credit disbursement grew +15.08%YTD in 2024, higher than +13.7%YTD in 2023. Corporate demand Demands were stronger for agriculture, industry, and real estate businesses, while others remained weak (Sep 2024). Household business and consumer loans in the retail segment have rebounded, while retail mortgage loans await recovery. Balances from corporate bonds consistently shrank across most banks (Aggregated 27 banks in 9M24: -14%YTD), except for HDB, CTG, OCB, and NVB, amid the gloomy corporate bond market).

Figure 1. Banking system's credit growth



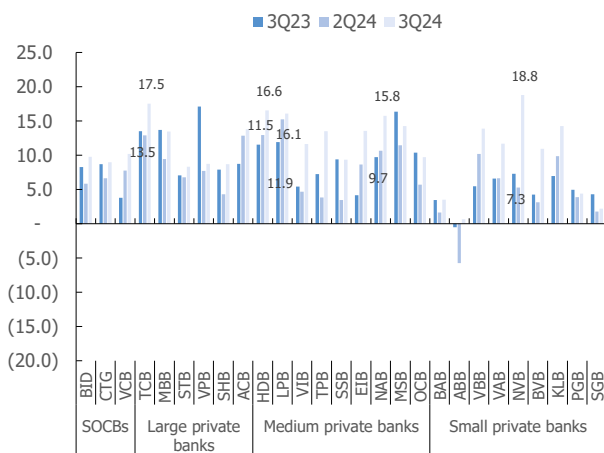
Source: SBV, KIS Research

Figure 2. Monthly credit disbursement



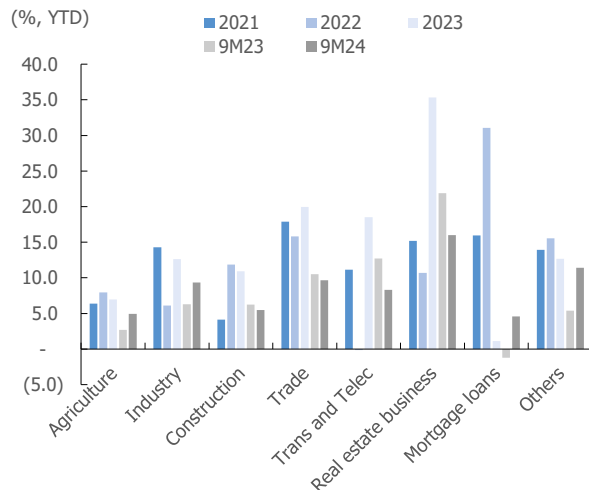
Source: SBV, KIS Research

Figure 3. Higher credit growth with 20/27 Banks



Source: FiiiproX, KIS Research

Figure 4. Credit growth by sectors

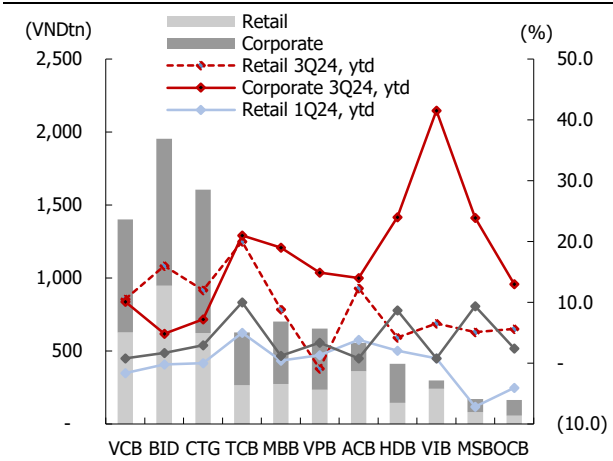


Note: VPB: parent's data (retail incl. sme)
Source: Banks, KIS Research

Some led the industry credit growth (YTD) in 9M24, belonging to the wholesales banking group, including NVB (3Q24's 18.8% vs 3Q23's 7.3%), TCB (3Q24's 17.5% vs 3Q23's 13.5%), HDB (3Q24's 16.6% vs

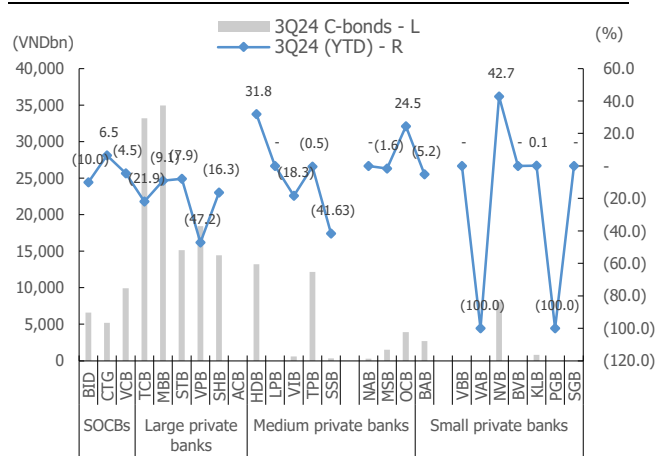
3Q23's 11.5%), LPB (3Q24's 16.1% vs 3Q23's 11.9%), NAB (3Q24's 15.8% vs 3Q23's 9.7%). Meanwhile, lower credit growth for the retail banking group includes ACB (3Q24's 13.8% vs 3Q23's 8.7%), TPB (3Q24's 13.5% vs 3Q23's 7.2%), VIB (3Q24's 11.6% vs 3Q23's 5.4%), VPB (3Q24's 8.7% vs 3Q23's 17.1%).

Figure 5. Credit growth by banks



Source: Banks, KIS research

Figure 6. Corporate bond balance



Source: Banks, KIS research

Higher credit growth in 2025 for the higher demand and target

Proactively credit quota allocations to commercial banks.

2025F credit demands could be higher amid the higher economic growth, supported by corporate and retail loans. Manufacturing and trading, construction for public investment, and real estate could drive corporate loans. Meanwhile, the Government is promoting public investment projects to promote credit for construction and construction materials groups. FDI inflows and the ongoing recovery of business activity are boosting credit demands. Household business and consumer loans maintain their growth trajectory, whereas mortgage loans could recover gradually in 2025F.

The State Bank of Viet Nam (SBV) plans to accelerate credit to the economy and sets an ambitious credit growth target of 16% for the banking system in 2025, the highest level in the last 5 years. SBV could proactively adjust commercial banks' credit quotas without requiring written requests, creating favorable conditions to provide capital sufficiently and promptly. Banks with strong fundamentals and support for government programs could have higher credit quotas than others.

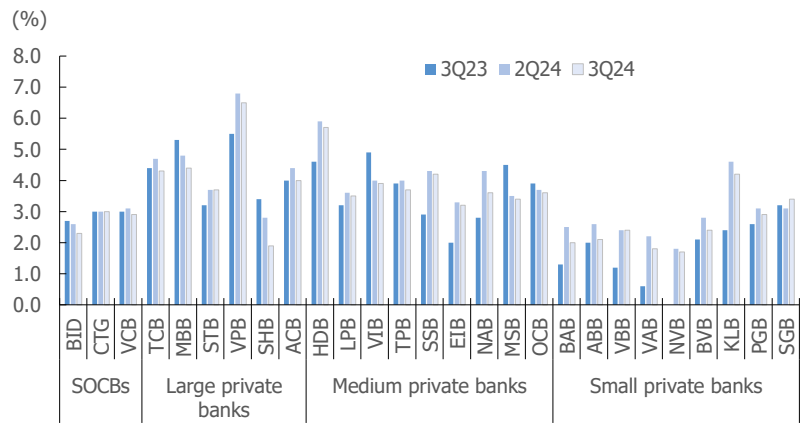
We expect that the banking industry's credit growth could improve from 2024 and grow at 15%-16% in 2025F. Banks with strong fundamentals and support for the government's programs could have higher credit quotas than others, including VCB, TCB, MBB, VPB, ACB, HDB, and TPB. Credit could not allocate more for corporate bonds

Net profit margin pressure gradually became obvious in 3Q24 across the banking groups

2. Some pressures on 2025F NIM

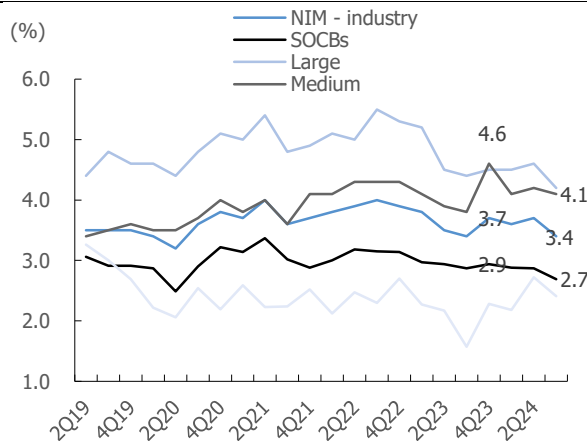
Net profit margin pressure gradually became obvious in 3Q24. 3Q24 NIM (Aggregated 27 banks) slightly fell -30bps qoq and remained similar to the same period, mainly resulting from lower asset yields. Average lending rates were still down, but the deposit rates slightly increased. NIM remained divergent between banks, in the SOCB group, CTG's NIM maintained while BID and VCB's NIM declined due to lower asset yield. In the large private commercial banks (except STB and VPB), 3Q24 NIM decreased qoq and yoy due to higher cost of funds with lower asset yields. NIMs for medium and small banks declined in 3Q24, but remained higher yoy.

Figure 7. 3Q24 NIM slightly fell in qoq



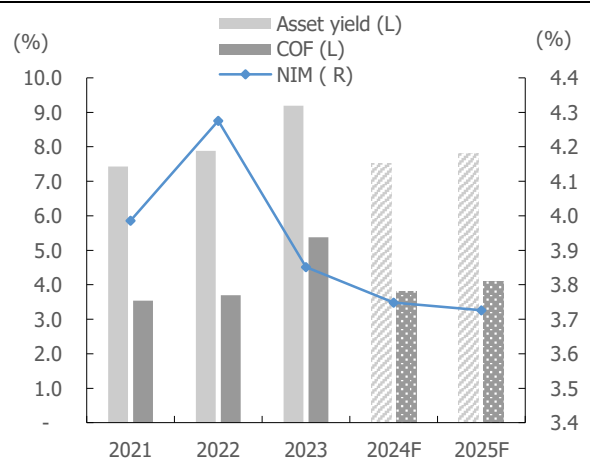
Source: FiinproX X, KIS Research

Figure 8. NIM by banking group



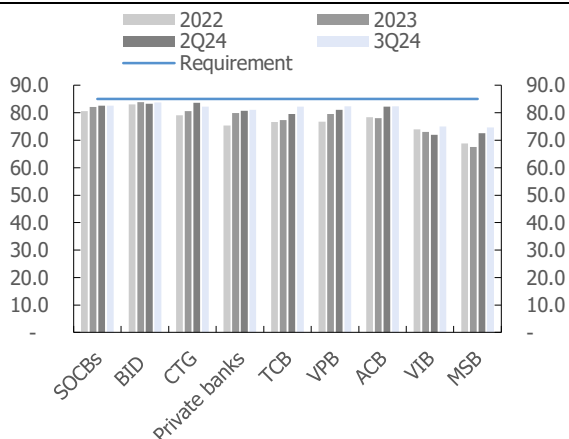
Note: SOCBs (BID, CTG, VCB); Large commercial bank (ACB, MBB, TCB, VPB, STB, SHB); Medium commercial bank (HDB, LPB, VIB, TPB, SSB, EIB, NAB, MSB, OCB)
Source: FiinproX, Banks, KIS Research

Figure 9. Average net interest margin



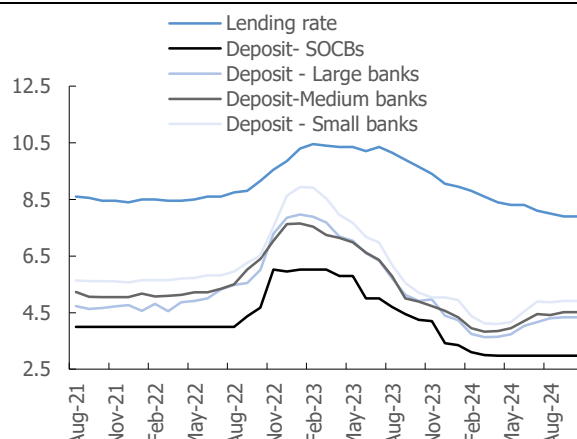
Note: 13 banks with large and medium scale include BID, CTG, VCB, TCB, MBB, VPB, ACB, HDB, LPB, VIB, TPB, MSB, and OCB
Source: Banks, KIS research

Figure 10. Loan to deposit ratios across banks



Note: regulated rate below 85%
Source: Banks, KIS Research

Figure 11. 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: FiinproX, Banks, KIS Research

2025F NIM to remain stable in a base case and slightly decline in the worst case

We expect 2025F NIM to remain stable in a base case and slightly decline in the worst case due to (1) higher cost of funds amid a slight increase in deposit rates (2) slower corresponding adjustment of asset yields.

- Deposit interest rates were disparate among banking groups. SOCBs maintained low interest rates while private group’s deposit rates rose slightly from the bottom. Thereby, SOCBs could control cost of funds more effectively.
- Earning asset yields with higher rates could face challenges from (1) slow recovery of mid and long-term capital demand and (2) reducing interest rates for lending support packages and competition.

The banking group could maintain net interest margins for cases (1) well-controlled cost of funds (such as SOCBs), (2) lending segment recovery with higher asset yields, and (3) less support for reducing interest rates

3. Gradual improvement

Aggregated 9M24 non-interest incomes (27 listed banks) stayed flat, only up +1.7%yoy thanks to FX growth and maintained service incomes, compensated by investment activities. Some specific outperformers including TCB (+18%yoy), MBB (+46%yoy), LPB (+173%yoy), NAB (+25%yoy), NVB (+13%yoy), and SGB (+41%yoy).

- 9M24 net service incomes only rose by +3.2%yoy, resulting from a slight improvement in other incomes, compensating for weakness in insurance and settlement. Some banks had better results such as MBB (+21%yoy) thanks to payment, brokerage, consultant services, and debt settlements; LPB (+322%yoy) from other incomes (including capital arrangement activities); ACB (+8%yoy) thanks to payment, cards, and securities services.

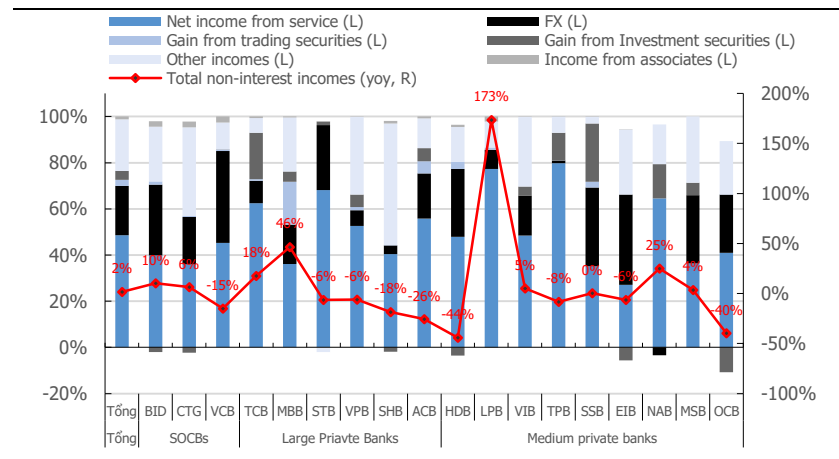
Aggregated 9M24 non-interest incomes (27 listed banks) stayed flat.

- 9M24 FX and other investments: FX activities benefited from strong exchange rate fluctuation in 9M24 and grew at a moderate average rate and also mainly contributed from BID (+24.9%yoy), MBB (+64.7%yoy), HDB (+116.5%yoy), VIB (+48.7%yoy), and SSB (+57%yoy). SOCBs still held the largest market shares. Inversely, trading and investment securities from large and medium banks were superior. There was also a sharp decline in these activities for SOCBs

Non interest incomes to recover with a moderate growth in 2025

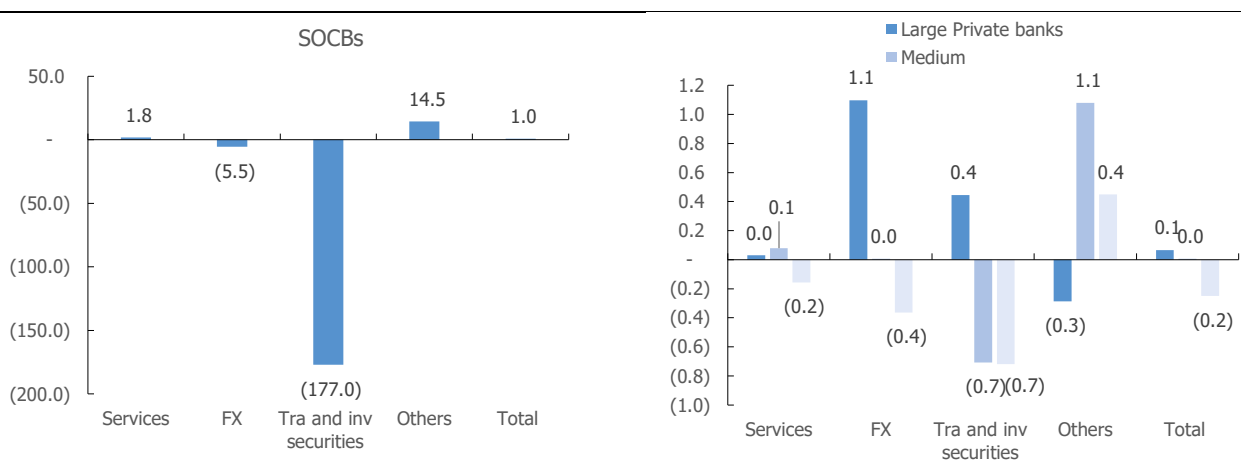
We expect non-interest incomes to recover with moderate growth in 2025. Other integrated banking services could also warm up, but activities from bancassurance, and investment could remain less active. Moreover, private banks are increasing their non-interest incomes thanks to banking digitalization and non-cash payment as the government's orientation.

Figure 12. 9M24 Non interest incomes (NII) proportion by banks



Note: Aggregated number of 27 listed banks
Source: FiinproX, KIS Research

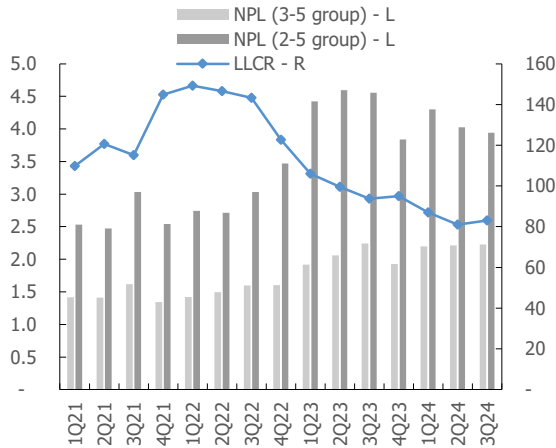
Figure 13. 9M24 NII growth by banking group



Note: SOCBs: State-owned commercial banks
Source: FiinproX, banks, KIS Research

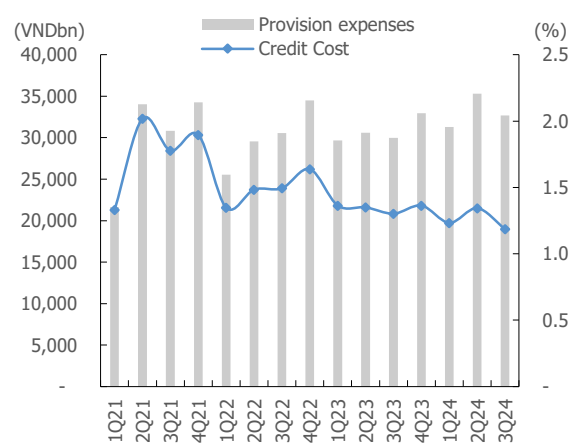
4. Expected to cool down in non-performing loans

Figure 14. NPL (group 2-5, 3-5)



Note: Aggregated number of 27 listed banks
Source: FiinproX, KIS Research

Figure 15. Provision expenses and credit costs

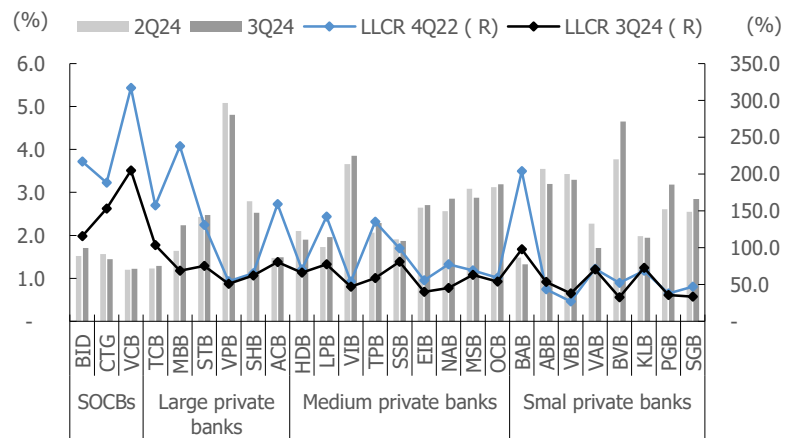


Note: Aggregated number of 27 listed banks
Source: FiinproX, KIS Research

Non-performing loans climbed again in 9M2024 with pending business and consumption recovery

Non-performing loans climbed again in 9M2024 with pending business and consumption recovery. 3Q24 bad debts remained at the same level as 2Q24, higher than end-2023. 3Q24 NPL (3-5 group)/ (2-5 group) (Aggregated 27 banks) maintained at 2.2%/3.9% (vs 2Q24: 2.2%/4.1% and 2023: 1.9% /3.8%). Increasing bad debts appeared from corporate and retail loans. SOCBs experienced a rise in non-performing loans (NPLs), with NPLs from corporate loans exceeding those from retail loans. Compared to the previous quarter, Retail banking groups such as STB, VIB, TPB rose NPLs, while others in the retail banking group such as VPB/ACB fell/maintained their NPLs ratio. Wholesale banking groups, such as TCB, MBB, LPB, and OCB mostly raised their NPLs.

Figure 16. Non-performing loans and loan loss coverage ratios



Source: FiinproX, KIS Research

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-

NPLs could peak in 2024 and cool down in 2025

performing loans, credit costs (27 listed banks) were down from 1.3% in 9M23 to 1.2% in 9M24, leading to a lower loan loss coverage ratio (from 3Q23's 94% to 3Q24's 83%). Against the odds, the SOCB banks and TCB sustained their LLCRs beyond 100%.

We anticipate that NPLs will reach their highest point in 2024 and gradually decrease in 2025 due to the improving business environment. However, risk provision expenses could suffer pressure after expiring circular 02 at end-2024 because (1) the total restructured principles and interests largely account for 0.9% of the total credit balance (May 2024) (2) provision buffer degradation (4Q23's 95% vs 3Q24's 83%).

Banks with high NPLs and low loan loss coverage ratios could bear pressures on provision risk expenses, eroding bank profits. SOCBs and large private bank, pursuing their prudent credit quality control and low non-performing loan ratios, could have less pressure than other groups. Some included VCB, CTG, TCB, and ACB with low NPLs and low restructured loans/total loans.

Some pressures in 2025F and 2024F Single-digit growth

5. Banking Earnings forecast, valuation, and risks

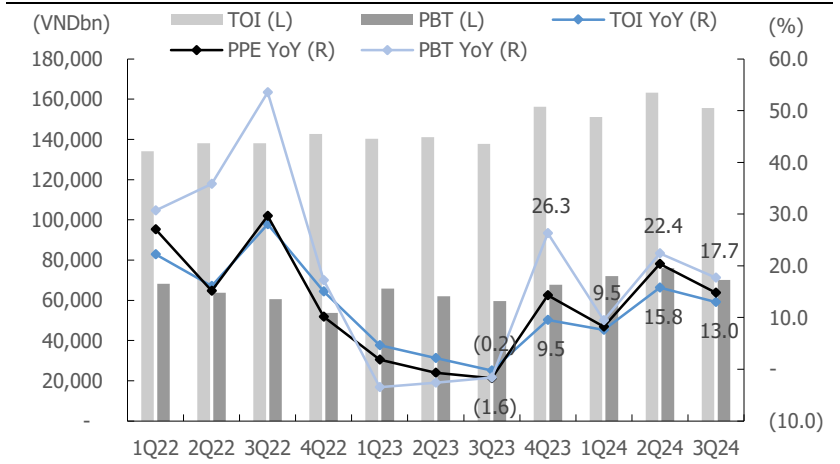
The bumps on the path to recovery: In 2025F, improving business conditions and consumption could continue and drive the credit demand. 2025F credit growth could be the same as the 2024 rate. Other integrated banking services could also warm up, but growth from FX activities, bancassurance, and investment could remain less active. Whereas, some pressures on 2025F NIM could stem from 1) slower recovery of asset yields for supporting lending packages and price competitions among banks while witnessing slower recoveries of mid- and long-term loans and 2) higher cost of funds amid a slight increase in deposit rates. Non-performing ratios remained high in 2024 and could cool down in 2025. However, the risk provisions across banks in 2024 were not commensurate with the increasing bad debts.

We forecast that the banking industry's profits could grow at a single-digit rate in 2025, resulting from (1) a moderate growth of operating incomes and (2) higher provision expenses for thinner loan loss reserves and expired circular 02. Small banks with weak risk management, high bad debts, and low provision buffers could suffer in profit growth.

We prefer stocks with growth potentials in 2025, which include benefits from better business conditions and remaining healthy asset quality. VCB and CTG are our favorite stocks in the industry.

Downside risks: Slower-than-expected business conditions and consumptions, uncontrolled increasing bad debts, and defaults of corporate bonds are hidden risks, resulting in the industry's growth in unexpected ways

Figure 17. Aggregated 9M24 performance (27 banks)



Source: FiinproX X, KIS Research

Figure 18. Banking industry's P/B valuation: low valuation for long-term investment



Source: FiinproX , KIS Research

Company Analysis

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

Bank for Investment and Development of Vietnam (BID)

BUY (Rerating), TP VND48,800

VNIndex (12 Jan, pt)	1,230
Stock price (12 Jan, VND)	39,100
Market cap (USD mn)	10,630
Shares outstanding (mn)	6,898
52-Week high/low (VND)	44,959/35,744
6M avg. daily turnover (USD mn)	4.44
Free float / Foreign ownership (%)	19.0/13.9
Major shareholders (%)	
SBV	81.0
KEB Hana Bank	15.0

Yr to	TOI	PPE	NP	EPS	BPS	PE	PB	ROA	ROE	DY
Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(VND)	(x)	(x)	(%)	(%)	(%)
2022A	69,582	47,025	18,159	2,290	15,105	17.1	2.6	0.9	19.1	-
2023A	73,024	47,944	21,552	2,391	15,175	16.4	2.6	1.0	19.4	-
2024E	74,445	48,913	24,433	2,314	16,377	16.9	2.4	1.0	19.2	-
2025F	88,467	58,388	26,971	3,112	22,928	12.6	1.7	1.0	18.3	-
2026F	102,760	67,822	32,145	3,771	26,699	10.4	1.5	1.0	18.8	-

Source: Company data, KIS Research

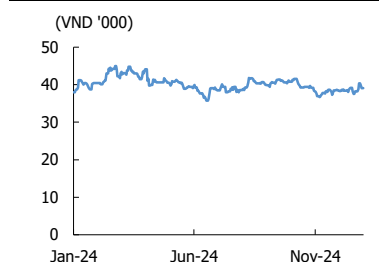
Note: NP and EPS attributed to controlling interest

Moderate growth

Performance

	1M	6M	12M
Absolute (%)	1.5	1.5	2.9
Rel. to VNI (%p)	4.3	4.5	(5.7)

Stock price



Source: Bloomberg

Maintain profit growth thanks to low provision expenses. Accumulated 9M24 profit before tax rose by +11.6%yoy to VND22,047bn, mainly thanks to maintained operating incomes (+4.3%yoy) and lower provision expenses (-7.9%yoy). 9M24 net interest incomes rose by +2.7%yoy thanks to higher credit demand (9M24: + 9.8%YTD vs 9M23: +8.27%YTD), compensating for a slight decrease in NIM from 2.6% in 9M23 to 2.4% in 9M24. Non-interest incomes jumped +10.1%yoy thanks to FX and other incomes.

According to the management, estimated 4Q24 PBT/2024 PBT surged +14%yoy/+12%yoy to VND9tn/VND31tn.

Low credit costs maintained profit growth. 3Q24 NPLs (3-5 group)/ (2-5 group) rose slightly again from 4Q23's 1.3% to 3Q24's 1.7%/ 4Q23's 2.8% to 3Q24's 3.4% amid the challenging market conditions. Loan loss coverage ratio (LLCR) fell from 182% in 4Q23 to 116% in 3Q24, still being one of the banks with a high LLCR. Credit costs fell from 1.3% in 9M23 to 1.0% in 9M24, decelerating provision expenses in 9M24 (-7.9%yoy) and contributing to the profit growth

BID's preview

(VNDbn, %)

	4Q24F	qoq	yoy	2024F	2025F	yoy	Consensus	
							2024F	2025F
Total income	19,790	14.7	(3.9)	74,445	88,467	18.8	77,939	88,947
Interest income	15,286	9.3	2.8	57,654	69,428	20.4		
NIM	2.4							
Non-interest income	4,505	37.8	(21.4)	16,791	19,039	13.4		
Operating expenses	7,125	13.0	(9.0)	25,533	30,079	17.8		
CIR	36.0			34.3	34.0			
PPE	12,666	15.7	(0.8)	48,913	58,388	19.4		
Provision	3,666	(17.7)	(24.9)	17,866	23,779	33.1		
EBT	9,000	38.5	14.1	31,047	34,609	11.5	30,434	35,411
Net profit	6,074	5,151	7,100	37.8	16.9	24,433		

Source: Banks, Bloomberg, KIS Research estimates

We estimate that 4Q24F net profit could maintain profit growth based on our main assumptions (1) credit growth of 15.5%YTD with lower net interest margin (2) well-controlled operating expenses and lower credit cost. According to the management, the 4Q24 NPL ratio had a lower rate of 1.3%, compared to 3Q24's 1.7% and 4Q23's 1.3%.

2025 recovery to keep a moderate growth. BID could grow at 10% yoy in 2025 thanks to (1) maintained credit growth and a slight improvement in NIM amid the economic recovery and (2) remained good asset quality & reasonable credit costs amid the economic recovery. According to the management, BIDV set the 2025F plan with PBT target of 6%-10% and NPL below 1.4%.

Rerating BUY rating: We re-evaluate from **HOLD** to **BUY** rating and a target price of VND48,800 (a 25% upside) for 2025 by using a residual approach (50%) and P/B method (50%), considering its remaining high-profit growth potential and attractive valuation after the stock price adjustment. BIDV plans to have a private placement of 9% of the total outstanding shares (initial plans). BIDV issued 123mn shares in advance - equivalent to 2.2% of its charter capital (before stock dividend) for five investors. BID showcases a solid largest scale in the industry and high potential growth in the retail segment. Stable and low-cost capital mobilizations are a solid foundation for increasing credit market share while exploiting the existing advantage of large and long-standing customers.

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

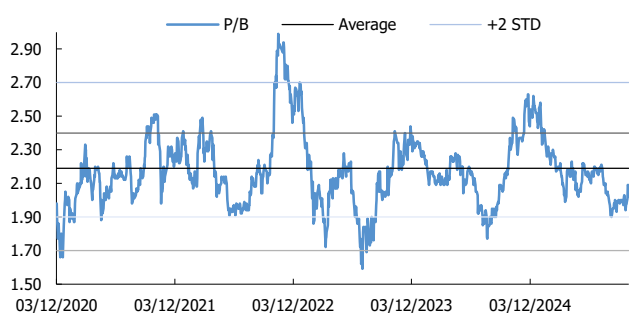
Cost of equity	
Items	%
Beta (x)	1.0
Risk free rate (%)	2.0
Equity risk premium (%)	9.0
Cost of equity (%)	11.0

Bended valuation			
Metrics	Implied price	Weight	Weight
PB	48,148	50%	24,074
Residual approach	49,538	50%	24,769
BID's target share price			48,843

Justified P/B ratio	
Items	%
ROE	20.0
r (cost of equity)	11
g (sustainable growth)	3.0
Target P/B ratio	2.1

Valuation approach					
1. Residual approach	2025F	2026F	2027F	2028F	2029F
Net attrib profit	26,971	32,145	34,982	39,843	39,602
Equity	158,145	184,154	211,822	243,706	274,243
ROE	18.1	18.7	17.6	17.5	15.3
Cost of equity (%)	11.0	11.0	11.0	11.0	11.0
Residual income	11,936	14,749	14,725	16,543	12,794
Discount factor	1.0	0.9	0.8	0.7	0.7
PV of FCF	11,936	13,287	11,951	12,096	8,428
Terminal growth (%)		3.0			
Terminal value	155,736				
Total value	341,686				
Outstanding shares	6,898				
Price (VND/shr) (A)	49,538				
FY 25 TP	49,538				

Valuation in the historical trading



2. P/B multiple approach

BVPS (VND)	22,928
Fair PB (x)	2.1x
2Q-FY 25TP	48,148

Balance sheet

	(VNDtn)			
	2023A	2024A	2025F	2026F
Total assets	2,301	2,641	3,008	3,425
Gross IEAs	2,271	2,628	2,962	3,368
Loans and corp bonds	1,785	2,058	2,372	2,696
Household				
Corporate				
Dep't and loans to Fls	305	370	368	423
Dep't to SBV and G-bond	181	200	223	248
VAMC bond	-	-	-	-
NIEAs	72	55	91	106
Others	54	46	64	77
Total liabilities	2,178	2,499	2,845	3,236
Deposits	1,704	1,928	2,209	2,535
Debentures	189	214	246	282
Dep't and loans from Fls	194	204	213	223
Loans from Gov't and SBV	36	108	113	119
Other liabilities	54	46	64	77
Total equities	123	142	163	189
Controlling interests	118	137	158	184
Capital stock	57	57	57	57
Capital surplus	15	15	15	15
Other reserves	12	16	19	24
Retained earnings	34	49	67	89
OCI	(0)	(1)	(1)	(1)
Minority interest	5	5	5	5

Income statement

	(VNDtn)			
	2023A	2024A	2025F	2026F
Total operating income	73	74	88	103
Net interest income	56	58	69	82
Interest income	153	138	168	200
Interest cost	97	80	98	118
Non-interest income	17	17	19	20
Net commission income	11	12	13	14
Gains on investment securities	4	0	1	1
Other non-interest income	2	5	4	5
Provision for credit losses	20	18	24	27
Net operating revenue	53	57	65	76
SG&A	25	26	30	35
Employee benefits	-	-	-	-
Pre-provision earnings	48	49	58	68
Earnings before tax	28	31	35	41
Tax	6	6	7	8
Tax rate (%)	0.0	0.0	0.0	0.0
Continuing operations profit	17	17	19	24
Reversals of written-off loans	5	8	8	9
Net profit	22	25	28	33
Net profit of controlling interest	22	24	27	32

Key financial data

	2023A	2024A	2025F	2026F
Profitability and efficiency (%)				
ROE	19.4	19.2	18.3	18.8
ROA	1.0	1.0	1.0	1.0
NIM	2.63	2.41	2.55	2.66
Asset yield	7.16	5.76	6.16	6.48
Cost of fund	4.72	3.49	3.76	3.98
Cost-income ratio	34.3	34.3	34.0	34.0
Credit cost	1.22	0.93	1.07	1.05
Growth (%)				
Net profit of controlling interest	18.7	13.4	10.4	19.2
Pre-provision earnings	2.0	2.0	19.4	16.2
Credit growth	16.3	15.3	15.2	13.7
Total assets	8.5	14.8	13.9	13.9
Asset quality (%)				
NPL ratio	1.3	1.3	1.2	1.2
NPL coverage ratio	181.8	153.2	147.1	138.4
Loan to deposit	87.6	89.8	90.7	90.4
Capital adequacy (%)				
CAR ratio	9.2	8.0	6.9	6.9
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	15,105	15,175	16,377	22,928
EPS	2,290	2,391	2,314	3,112
DPS	-	-	-	-
Valuation (x)				
PB	2.6	2.6	2.4	1.7
PE	17.1	16.4	16.9	12.6
P/PPE	5.7	6.3	6.7	4.6
Dividend yield (%)	-	-	-	-
Dividend payout ratio (%)	-	-	-	-
ROE analysis (%)				
ROE	19.1	19.4	19.2	18.3
Leverage(x)	19.5	18.7	18.6	18.4
IEAs to total assets	96.7	96.4	97.8	96.4
Net income to IEAs	0.9	0.9	0.9	0.9
Net interest income to IEAs	2.7	2.5	2.2	2.3
Non-interest income to IEAs	0.6	0.7	0.6	0.6
Credit cost to IEAs	1.1	0.9	0.7	0.8
SG&A to IEAs	1.1	1.1	1.0	1.0

Vietcombank (VCB)

BUY(Maintain), TP VND112,000

VNIIndex (12 Jan, pt)	1,230
Stock price (12 Jan, VND)	91,400
Market cap (USD mn)	20,135
Shares outstanding (mn)	5,589
52-Week high/low (VND)	97,400/85,200
6M avg. daily turnover (USD mn)	5.22
Free float / Foreign ownership (%)	25.2/22.9
Major shareholders (%)	
SBV	74.8
Mizuho	15.0

Yr to	TOI	PPE	NP	EPS	BPS	PE	PB	ROA	ROE	DY
Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(VND)	(x)	(x)	(%)	(%)	(%)
2022A	68,083	46,832	29,899	4,896	24,254	18.6	3.8	1.9	24.4	0.4
2023A	67,723	45,809	33,033	4,471	25,520	20.4	3.6	1.8	21.7	0.0
2024E	68,145	46,338	34,139	5,479	34,760	16.6	2.6	1.7	18.8	0.0
2025F	84,455	59,119	38,295	6,310	41,069	14.4	2.2	1.7	18.1	0.0
2026F	97,662	68,363	44,322	7,200	48,269	12.6	1.9	1.7	17.8	0.0

Source: Company data, KIS Research

Note: NP and EPS attributed to controlling interest

Solid profitability prospects

Performance

	1M	6M	12M
Absolute (%)	(2.2)	4.3	3.0
Rel. to VNI (%p)	0.5	7.3	(5.5)

Stock price



Source: Bloomberg

Maintained 9M24 profit. 9M24 PBT rose slightly by +6.7%yoy to VND31.5tn (fulfilling 73% of the 2024 target) thanks to lower provision expenses (-45%yoy), compensated by non-interest incomes (-15%yoy). Non-interest incomes were not bright for key income sources such as bancassurance, FX, etc. 9M24 interest incomes stayed flat (+1.8%yoy). Credit growth surged from 2Q24's +7.7% YTD to 3Q24's +10.2% YTD, higher than 3Q23's 3.8%YTD. Lower NIM (9M23's 3.2% vs 9M24's 3.0%) resulted from reducing interest rates to support customers and (2) lending more short-term loans.

Higher non-performing loans with controlled expectations: VCB kept its best-in-class asset quality. NPL (3-5 group)/NPL (2-5 group) slightly rose from 1.0%/1.4% in 4Q23 to 1.2%/1.6% in 3Q24, still belonging to the lowest ratio in the industry. 3Q24 Restructured loans under circular 02/2023-NHNN were low, accounting for 0.01% of total loans. 3Q24 loan loss coverage ratio (LLCR) was still high at 205% (vs VCB's 4Q23: 230%), still maintaining high operational safety and optimized business performance. VCB still has best-in-class asset quality and prudent risk management and controls NPLs well even in challenging market conditions.

VCB's preview

(VNDbn, %)

	4Q24F	qoq	yoy	2024F	2025F	yoy	Consensus	
							2024F	2025F
Total income	17,277	2.6	8.3	68,145	84,455	23.9	69,971	81,830
Interest income	14,072	3.6	9.9	55,635	68,965	24.0		
NIM	2.9			2.9	3.1			
Non-interest income	3,205	(1.6)	1.5	12,509	15,490	23.8		
Operating expenses	5,819	0.1	1.2	21,806	25,337	16.2		
CIR	34			32	30	(6.2)		
PPE	11,458	3.9	12.3	46,338	59,119	27.6		
Provision	359	10.2	(124.1)	3,706	11,219	202.7		
EBT	11,099	3.7	(5.1)	42,632	47,900	12.4	43,401	50,925
Net profit	8,873	3.6	(5.2)	34,139	38,295	12.2		

Source: Banks, Bloomberg, KIS Research estimates

We estimate a slight decrease in net profit in 4Q24 due to lack of provision expense revival in 4Q24 as the 4Q23. According to the management, VCB could complete the 2024 target.

Earnings could keep momentum growth in 2025F. We expect that the improving economic prospects in 2025F and enhancing public investment could lift the higher credit demand and a recovery in fee incomes from domestic and export activities. VCB could improve its net interest margin thanks to better business conditions with lower lending rate reduction supports and not suffer pressure on risk provision expenses like other banks.

Maintaining BUY rating. We maintain a **BUY** rating and a target price of VND112,000 for 2025 (a 23% upside) 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.

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

Balance sheet

	(VNDtn)			
	2023A	2024E	2025F	2026F
Total assets	1,839	2,100	2,382	2,697
Gross IEAs	1,818	2,086	2,368	2,683
Loans and corp bonds	1,281	1,460	1,703	1,971
Household	562	625	727	727
Corporate	714	1,460	1,703	1,971
Dep't and loans to FIs	396	474	500	532
Dep't to SBV and G-bond	141	152	165	180
VAMC bond	-	-	-	-
NIEAs	56	57	63	69
Others	35	43	49	54
Total liabilities	1,671	1,906	2,152	2,428
Deposits	1,396	1,551	1,766	2,015
Debentures	20	23	35	40
Dep't and loans from FIs	214	225	236	248
Loans from Gov't and SBV	2	71	74	78
Other liabilities	40	37	41	47
Total equities	168	194	230	270
Controlling interests	168	194	230	270
Capital stock	56	56	56	56
Capital surplus	5	5	5	5
Other reserves	23	28	32	38
Retained earnings	85	105	136	171
OCI	(0)	1	1	1
Minority interest	0	0	0	0

Income statement

	(VNDtn)			
	2023A	2024E	2025F	2026F
Total operating income	68	68	84	98
Net interest income	54	56	69	80
Interest income	108	94	119	145
Interest cost	55	39	50	65
Non-interest income	14	13	15	17
Net commission income	11	11	13	14
Gains on investment securities	0	0	0	0
Other non-interest income	2	2	2	3
Provision for credit losses	5	4	11	13
Net operating revenue	63	64	73	85
SG&A	22	22	25	29
Employee benefits	12	-	-	-
Pre-provision earnings	46	46	59	68
Earnings before tax	41	43	48	55
Tax	8	8	10	11
Tax rate (%)	0	0	0	0
Continuing operations profit	31	33	36	42
Reversals of written-off loans	2	1	2	2
Net profit	33	34	38	44
Net profit of controlling interest	33	34	38	44

Key financial data

	2023A	2024E	2025F	2026F
Profitability and efficiency (%)				
ROE	21.7	18.8	18.1	17.8
ROA	1.8	1.7	1.7	1.75
NIM	3.0	2.9	3.1	3.20
Asset yield	6.1	4.9	5.4	5.79
Cost of fund	3.4	2.2	2.5	2.88
Cost-income ratio	32.4	32.0	30.0	30.0
Credit cost	0.4	0.3	0.7	0.70
Growth (%)				
Net profit of controlling interest	10.5	3.3	12.2	15.7
Pre-provision earnings	-2.2	1.2	27.6	15.6
Credit growth	10.7	14.0	16.6	15.7
Total assets	1.4	14.2	13.4	13.2
Asset quality (%)				
NPL ratio	1.0	1.2	0.8	0.8
NPL coverage ratio	230.3	200.0	328.0	317.7
Loan to deposit	79.6	82.1	84.5	86.4
Capital adequacy (%)				
CAR ratio	12.2	12.2	12.9	13.3
CET1 ratio	N/A	N/A	N/A	N/A
Tier 1 ratio	11.1	11.2	11.7	12.2

Valuation

	2023A	2024E	2025F	2026F
Per share (VND, adj.)				
BPS	25,520	34,760	41,069	48,269
EPS	4,471	5,479	6,310	7,200
DPS				
Valuation (x)				
PB	3.6	2.6	2.2	1.9
PE	20.4	16.6	14.4	12.6
P/PPE	13.1	11.0	8.6	7.4
Dividend yield (%)	0.0	0.0	0.0	0.0
Dividend payout ratio (%)	0.0	0.0	0.0	0.0
ROE analysis (%)				
ROE	21.7	18.8	18.1	17.8
Leverage(x)	10.9	10.8	10.4	10.0
IEAs to total assets	97.0	97.4	97.4	97.5
Net income to IEAs	1.8	1.6	1.6	1.7
Net interest income to IEAs	2.9	2.7	2.9	3.0
Non-interest income to IEAs	0.8	0.6	0.7	0.6
Credit cost to IEAs	0.3	0.2	0.5	0.5
SG&A to IEAs	1.2	1.0	1.1	1.1

Vietinbank (CTG)

		NON-RATED										
		Yr to	TOI	PPE	NP	EPS	BPS	PE	PB	ROA	ROE	DY
		Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(VND)	(x)	(x)	(%)	(%)	(%)
VNIndex (12 Jan, pt)	1,230	2020A	45,317	29,232	13,694	3,678	22,617	10.2	1.7	1.1	17.1	1.3
Stock price (12 Jan, VND)	37,500	2021A	53,157	35,971	14,089	2,932	19,198	12.8	2.0	1.0	16.0	2.1
Market cap (USD mn)	7,937	2022A	64,117	44,922	16,924	3,522	22,231	10.6	1.7	1.0	17.0	0
Shares outstanding (mn)	5,370	2023A	70,548	50,105	19,904	3,706	23,119	10.1	1.6	1.0	17.2	0
52-Week high/low (VND)	38,900/30,150	9M24A	60,624	44,647	15,550	5,370	26,098	10.0	1.43	1.0	16.31	0
6M avg. daily turnover (USD mn)	9.88											
Free float / Foreign ownership (%)	35.5/27.0											
Major shareholders (%)												
SBV	64.5											
MUFG Bank	19.7											

Source: Company data, KIS Research

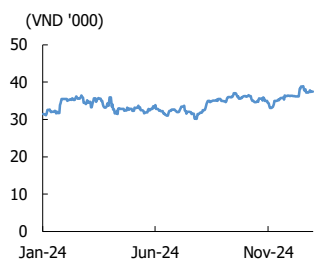
Note: NP and EPS attributed to controlling interest

Solid profitability prospects

Performance

	1M	6M	12M
Absolute (%)	3.3	17.2	19.0
Rel. to VNI (%p)	6.1	20.2	10.5

Stock price



Source: Bloomberg

Strong 9M24 profit growth. 9M24 PBT rose slightly by +12.1%yoy to VND19.5tn (fulfilling 68% of the 2024 target) thanks to higher net interest incomes (+19.7%yoy) and controlled operating expenses (9M24 CIR: 26% vs 9M23 CIR: 27%). CTG accelerated in the bad debt processing and provisioning, leading to an increase in provision risk expenses (+21.8%yoy). Non-performing loans were manageable (NPLs (3-5 group)/(2-5 group): 3Q24's 1.4%/2.9% vs 2Q24's 1.6%/3.0% vs 4Q23's 1.1%/2.7%).

4Q24F: Double-digit growth thanks to (1) higher credit growth and maintaining NIM (2) higher other incomes from bad-debt recovery (3) lower provision expenses. According to the management, the 2024 credit growth rose by 14.8% as of 12 Oct 2024, controlled NPL below 1.1%, and kept high LLCR.

Higher retail credit growth: 3Q24 Credit growth gradually rose by +9.0%YTD, equivalent to the industry's 9%YTD and 3Q23's 8.7%YTD. FDI/Retail loans led the credit growth by +17.8%/+11.8%YTD, followed by large corporate (+6.8%YTD) and SME (+5.5%YTD). Manufacturing and business loans were the main contributors to the retail growth, while the mortgage loans stayed flat. NIM maintained from 9M23's 2.96% to 9M24's 3.01% thanks to lower cost of funds.

Keep momentum growth in 2025F. We expect that the improving economic prospects in 2025F, enhancing public investment, and continuous FDI flow could lift the higher credit demand. 2025F NIM could maintain or decline slightly thanks to the manageable cost of funds, corresponding to asset yields. Operating expenses could be managed with a maintained CIR. Provision expenses do not suffer pressure on risk provision expenses with high LLCR. Thereby, 2025F profit could continue to grow at double-digit growth.

Attractive valuation. CTG is trading at a forward P/B of 1.15x, lower than the 5-year historical average of 1.33x (16% upside). Stable and low-cost capital mobilizations are a solid foundation for increasing credit market share while exploiting the existing advantage of large and long-standing customers. Besides, CTG could strengthen bad debt processing to improve operational efficiency.

Risks: Slower-than-expected revival of economic growth, a significant decrease in net interest margin, and slower-than-expected bad debt processing.

Balance sheet

	(VNDtn)			
	2021A	2022A	2023A	9M24
Total assets	1,532	1,809	2,033	2,230
Gross IEAs	1,483	1,728	1,976	2,194
Loans and corp bonds	1,141	1,280	1,478	1,611
Household	363	471	554	-
Corporate	-	0	0	0
Dep't and loans to FIs	236	339	381	483
Dep't to SBV and G-bond	105	109	117	100
VAMC bond	-	-	-	-
NIEAs	75	111	85	73
Others	26	30	28	36
Total liabilities	1,439	1,701	1,908	2,089
Deposits	1,162	1,249	1,411	1,517
Debentures	64	91	115	132
Dep't and loans from FIs	141	212	307	301
Loans from Gov't and SBV	33	105	22	95
Other liabilities	38	44	53	44
Total equities	93	108	125	141
Controlling interests	92	107	124	140
Capital stock	58	58	64	64
Capital surplus	-	-	-	-
Other reserves	49	49	55	55
Retained earnings	(28)	(16)	(13)	3
OCI	14	16	19	19
Minority interest	1	1	1	1

Income statement

	(VNDtn)			
	2021A	2022A	2023A	9M24A
Total operating income	53	64	71	61
Net interest income	42	48	53	46
Interest income	85	105	133	92
Interest cost	43	57	80	46
Non-interest income	11	16	18	15
Net commission income	7	9	11	9
Gains on investment securities	1	0	0	0
Other non-interest income	3	7	6	6
Provision for credit losses	18	24	25	25
Net operating revenue	35	40	45	35
SG&A	17	19	20	16
Employee benefits	10	11	12	-
Pre-provision earnings	36	45	50	45
Earnings before tax	18	21	25	20
Tax	3	4	5	4
Tax rate (%)	0.0	0.0	0.0	0.0
Continuing operations profit	11	14	17	n.a
Reversals of written-off loans	3	3	3	n.a
Net profit	14	17	20	16
Net profit of controlling interest	14	17	20	16

Key financial data

	2021A	2022A	2023A	9M24
Profitability and efficiency (%)				
ROE	16.0	17.0	17.2	16.3
ROA	1.0	1.0	1.0	1.0
NIM	3.05	3.05	2.93	3.01
Asset yield	6.18	6.67	7.33	6.01
Cost of fund	3.26	3.72	4.54	3.14
Cost-income ratio	32.3	29.9	29.0	26.4
Credit cost	1.69	1.97	1.82	1.63
Growth (%)				
Net profit of controlling interest	2.9	20.1	17.6	12.1
Pre-provision earnings	23.1	24.9	11.5	17.4
Credit growth	11.1	12.1	15.5	9.0
Total assets	14.2	18.1	12.4	9.7
Asset quality (%)				
NPL ratio	1.3	1.2	1.1	1.4
NPL coverage ratio	180.4	185.9	167.2	153.0
Loan to deposit	90.6	86.4	82.8	83.7
Capital adequacy (%)				
CAR ratio	-	-	-	-
CET1 ratio	n.a	n.a	n.a	n.a
Tier 1 ratio	n.a	n.a	n.a	n.a

Valuation

	2021A	2022A	2023A	9M24A
Per share (VND, adj.)				
BPS	19,198	22,231	23,119	26,098
EPS	2,139	2,139	2,139	3,638
DPS	800			-
Valuation (x)				
PB	2.0	1.7	1.6	1.4
PE	18.4	18.4	18.4	11.1
P/PPE	5.0	4.0	4.0	1.4
Dividend yield (%)	2.1	-	-	-
Dividend payout ratio (%)	8.0			-
ROE analysis (%)				
ROE	16.0	17.0	17.2	16.3
Leverage(x)	16.5	16.8	16.3	15.8
IEAs to total assets	95.2	94.0	95.9	96.8
Net income to IEAs	1.0	1.0	1.0	0.7
Net interest income to IEAs	2.8	2.8	2.7	2.1
Non-interest income to IEAs	0.8	0.9	0.9	0.7
Credit cost to IEAs	1.2	1.4	1.3	1.1
SG&A to IEAs	1.2	1.1	1.0	0.7

Techcombank (TCB)

HOLD(Maintain), TP VND27,100

VNIndex (12 Jan, pt)	1,230
Stock price (12 Jan, VND)	23,400
Market cap (USD mn)	6,516
Shares outstanding (mn)	7,065
52-Week high/low (VND)	24,900/16,512
6M avg. daily turnover (USD mn)	12.08
Free float / Foreign ownership (%)	68.3/22.5
Major shareholders (%)	
Masan	14.9
Ho Hung Anh and his family	13.55

Yr to	TOI	PPE	NP	EPS	BPS	PE	P/B	ROA	ROE	DY
Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(VND bn)	(x)	(x)	(x)	(%)	(%)
2021A	40,902	27,504	20,150	2,850	16,124	8.5	1.5	3.2	19.5	-
2022A	40,061	26,809	18,004	2,541	18,684	9.5	1.3	2.3	14.7	-
2023A	49,870	33,711	22,659	3,202	21,149	7.5	1.1	2.5	16.1	3.1
2024F	58,574	41,002	26,679	3,769	24,673	6.4	1.0	2.6	16.5	-
2025F	73,681	51,577	33,761	4,771	29,444	5.1	0.8	2.7	17.7	-

Source: Company data, KIS Research

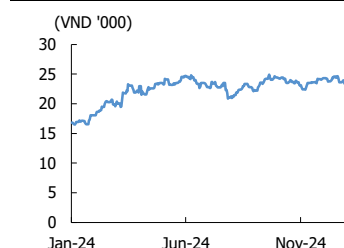
Note: NP and EPS attributed to controlling interest

Strong recovery as expected

Performance

	1M	6M	12M
Absolute (%)	(3.5)	2.6	39.4
Rel. to VNI (%p)	(0.7)	5.6	30.8

Stock price



Source: Bloomberg

Strong recovery. 9MQ24 PBT grew +33%yoy to VND22,842bn (fulfilling 84% of the 2024 target) thanks to (1) improvements in operating incomes for both net interest income (+34%yoy) and non-interest incomes (+18%yoy) (2) controlled operating income with lower CIR (9M24's 28% vs 9M23's 33%). However, 9M24 provision expenses rose significantly by +73%yoy for a higher loan loss coverage ratio (from 4Q23's 102% to 1Q24's 103%), restraining profit growth.

Higher credit growth and NIM improvement. The strong credit growth kept its momentum with 3Q24's +17.5%YTD, higher than the industry's 9%YTD and TCB's 3Q23's +13.5%YTD. TCB allocated credit distributions to corporates and retail loans. With the low-interest rate environment, NIM improved from 9M23's 4.15% to 9M24's 4.49% thanks to lower cost of funds and maintained high CASA (TOP 1) amid the better business market conditions.

We estimate that 4Q24F net profit could stay flat based on our main assumptions (1) high credit growth of 22%YTD and a slight decrease in NIM due to higher cost of funds (2) a marked increase in operating expenses due to one-off expenses from Manulife and TCB termination and (3) well-controlled NPLs and credit cost. TCB's CASA ratio could continue to maintain a high ratio.

TCB's preview

(VNDbn, %)

	4Q24F	qoq	yoy	2024F	2025F	yoy	Consensus	
							2024F	2025F
Total income	12,434	5.8	12.9	49,870	58,574	17.5	50,060	57,349
Interest income	8,994	0.7	18.4	35,900	43,550	21.3		
NIM	4.2							
Non-interest income	3,440	21.7	0.6	13,970	15,024	7.5		
Operating expenses	5,530	61.2	53.2	16,159	17,572	8.7		
CIR	44.5			32.4	30.0			
PPE	6,904	(17.1)	(6.8)	33,711	41,002	21.6		
Provision	1,200	8.2	(26.6)	5,164	7,084	37.2		
EBT	5,704	(20.9)	(1.2)	28,546	33,917	18.8	28,536	34,476
Net profit	4,563	(21.2)	1.8	22,903	26,956	17.7		

Source: Banks, Bloomberg, KIS Research estimates

2025 keeps momentum growth. With the expected market recovery, we forecast that TCB could grow double-digit growth thanks to (1) high credit growth (2) improvement in NIM for maintaining a high CASA ratio and better market conditions (3) keeping recovery in non-interest incomes from IB activities and settlement services, and (4) expected controllable bad debts under better market conditions.

Maintaining HOLD rating. We maintain a **HOLD** rating and a target price of VND27,100 for 2025 (+15% upside) by using a residual approach (50%) and P/B method (50%), considering its remaining high-profit growth potential and fair valuation at present.

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

Balance sheet

(VNDbn)

	2023A	2024F	2025F	2026F
Total assets	850,799	957,400	1,140,270	1,353,020
Gross IEAs	758,611	891,337	1,034,813	1,242,300
Loans and corp bonds	561,150	684,604	823,382	998,354
Household				
Corporate				
Dep't and loans to FIs	141,194	112,329	136,315	156,635
Dep't to SBV and G-bond	56,267	94,404	75,116	87,311
VAMC bond	-	-	-	-
NIEAs	99,473	75,738	116,799	124,764
Others	7,285	9,675	11,342	14,044
Total liabilities	717,854	807,087	965,133	1,144,271
Deposits	454,661	509,220	667,959	813,218
Debentures	84,703	132,124	100,194	121,983
Dep't and loans from FIs	153,173	142,995	168,873	177,317
Loans from Gov't and SBV	0	-	-	-
Other liabilities	25,317	22,748	28,107	31,753
Total equities	132,945	150,313	175,137	208,749
Controlling interests	131,628	148,996	173,820	207,432
Capital stock	35,225	35,225	35,225	35,225
Capital surplus	476	476	476	476
Other reserves	45,726	48,426	51,861	55,863
Retained earnings	50,201	64,869	86,258	115,868
OCI	-	-	-	-
Minority interest	1,317	1,317	1,317	1,317

Key financial data

	2023A	2024E	2025F	2026F
Profitability and efficiency (%)				
ROE	14.7	16.1	16.5	17.7
ROA	2.3	2.5	2.6	2.7
NIM	4.1	4.4	4.6	4.9
Asset yield	8.4	7.4	8.0	8.6
Cost of fund	4.6	3.3	3.7	4.0
Cost-income ratio	33.1	32.4	30.0	30.0
Credit cost	0.8	0.8	0.9	1.0
Growth (%)				
Net profit of controlling interest	(10.7)	25.9	17.7	26.5
Pre-provision earnings	(2.5)	25.7	21.6	25.8
Credit growth	21.6	22.0	20.3	21.3
Total assets	21.5	12.5	19.1	18.7
Asset quality (%)				
NPL ratio	1.2	1.2	0.9	0.9
NPL coverage ratio	102.1	122.7	132.9	140.4
Loan to deposit	89.2	92.6	95.3	96.5
Capital adequacy (%)				
CAR ratio	14.4	12.4	12.5	13.0
CET1 ratio	14.3	15.6	15.8	16.5
Tier 1 ratio	14.7	16.1	16.5	17.7

Income statement

(VNDbn)

	2023A	2024A	2025F	2026F
Total operating income	40,061	49,870	58,574	73,681
Net interest income	27,691	35,900	43,550	55,460
Interest income	56,708	60,580	75,604	96,118
Interest cost	29,017	24,680	32,054	40,657
Non-interest income	12,370	13,970	15,024	18,221
Net commission income	8,911	10,286	10,553	12,473
Gains on investment securities	1,025	2,503	1,262	1,388
Other non-interest income	2,434	1,180	3,209	4,360
Provision for credit losses	3,921	5,164	7,084	8,657
Net operating revenue	36,140	44,706	51,489	65,024
SG&A	13,252	16,159	17,572	22,104
Employee benefits	n.a	n.a	n.a	n.a
Pre-provision earnings	26,809	33,711	41,002	51,577
Earnings before tax	22,888	28,546	33,917	42,920
Tax	4,697	5,643	6,961	8,808
Tax rate (%)	20.5	19.8	20.5	20.5
Continuing operations profit	17,359	21,717	25,302	31,628
Reversals of written-off loans	832	1,186	1,655	2,483
Net profit	18,191	22,903	26,956	34,111
Net profit of controlling interest	18,004	22,659	26,679	33,761

Valuation

	2023A	2024E	2025F	2026F
Per share (VND, adj.)				
BPS	18,684	21,149	24,673	29,444
EPS	2,541	3,202	3,769	4,771
DPS	-	750	-	-
Valuation (x)				
PB	1.3	1.1	0.9	0.8
PE	9.2	7.3	6.2	4.9
P/PPE	6.1	4.9	4.0	3.2
Dividend yield (%)	-	3.2	-	-
Dividend payout ratio (%)	-	11.7	-	-
ROE analysis (%)				
ROE	6.4	6.4	6.5	6.5
Leverage(x)	88.4	92.2	89.9	90.9
IEAs to total assets	2.4	2.5	2.6	2.7
Net income to IEAs	3.7	4.0	4.2	4.5
Net interest income to IEAs	1.6	1.6	1.5	1.5
Non-interest income to IEAs	0.5	0.6	0.7	0.7
Credit cost to IEAs	1.7	1.8	1.7	1.8
SG&A to IEAs	6.4	6.4	6.5	6.5

Military Commercial JSC (MBB)

NON-RATED

VNIndex (12 Jan, pt)	1,230
Stock price (12 Jan, VND)	21,150
Market cap (USD mn)	5,087
Shares outstanding (mn)	6,102
52-Week high/low (VND)	22,522/18,251
6M avg. daily turnover (USD mn)	12.73
Free float / Foreign ownership (%)	69.0/20.2
Major shareholders (%)	
Viettel	12.1
SCIC	8.1

Yr to	TOI	PPE	NP	EPS	BPS	PE	P/B	ROA	ROE	DY
Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(VND bn)	(x)	(x)	(x)	(%)	(%)
2020A	27,362	16,807	8,263	4,409	9,614	13.6	2.2	1.9	19.2	-
2021A	36,934	24,557	12,697	3,230	6,412	16.1	3.3	2.4	23.6	-
2022A	45,593	30,777	17,483	3,659	9,259	10.5	2.3	2.7	25.8	-
2023A	47,306	32,393	20,677	3,691	11,797	8.6	1.8	2.5	24.5	2.4
9M24A	38,850	27,089	16,350	4,031	20,027	5	1	3	22	2

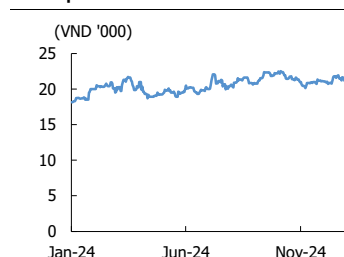
Source: Company data, KIS Research

Note: NP and EPS attributed to controlling interest

Performance

	1M	6M	12M
Absolute (%)	0.1	5.8	16.4
Rel. to VNI (%p)	2.9	8.8	7.9

Stock price



Source: Bloomberg

Expected recovery

Stayed flat in the 9M24 profit. 9M24 PBT rose by 3.6%yoy to VND20,736bn (fulfilling 73% of the 2024 target) thanks to higher non-interest incomes (+46%yoy) and controlled operating expenses, compensated by higher provision risk expenses (+41.2%yoy). Non-interest incomes were driven by settlement, brokerage, consultant services, bad debt processing, FX activities, and others. As per our estimation, 9M24 M-credit's losses mainly caused a decrease in the consolidated profit.

Consolidated NPL (3-5 group) performed irregularly: 4Q24's 1.6%/ 1Q24's 2.5%/ 2Q24's 1.6%/ 3Q24's 2.2%, resulted from parent banks. M-credit's NPL slightly rose from 4Q24's 7.0% to 3Q24's 7.1%, per our estimation. According to the management, the estimated 4Q24/ 2024F PBT rose by +9%/+5%yoy to VND6,800bn/VND27,600bn.

9M24 deteriorating NIM and maintained credit growth. Net interest incomes grew by 2%yoy with maintained 9M24 credit growth (9M24's +13.5%YTD vs 9M23's +13.7%YTD). Corporate loans (+19.4%YTD) drove total credit growth rather than retail (+9.4%YTD) and Corporate bonds (-9.1%YTD). NIM declined from 9M23's 5.5% to 9M24's 4.3% due to lowering asset yields.

Expected recovery in 2025F. Amid the better business conditions, we estimate that 2025F profit could recover thanks to higher credit demand and improvement in net interest incomes, a strong growth momentum from non-net interest incomes, and control of bad debts amid better business environments. NIM revivals could result from the remaining CASA ratio and better credit demand. In 2025F, MBB plans the 2025F target PBT of VND32tn, up +10%yoy.

Valuation is quite attractive. MBB is trading at a P/B of 1.04x, lower than the 5-year historical average (1.3x). MBB is attractive thanks to its low valuation and high operating efficiency with ROE of 21.5% (top 5 in the industry, 3Q24) and ROA of 2.21% (TOP 3, 3Q24). 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, increasing bad debts, and M-credit's worsening operations could hinder our projections.

Balance sheet

(VNDbn)

	2021A	2022A	2023A	9M24A
Total assets	607,140	728,532	944,954	1,028,819
Gross IEAs	543,868	647,212	887,754	988,103
Loans and corp bonds	397,553	493,470	693,526	736,978
Household	-	-	-	-
Corporate	-	-	-	-
Dep't and loans to FIs	62,124	68,542	85,336	170,234
Dep't to SBV and G-bond	84,192	85,199	108,891	80,891
VAMC bond	-	-	-	-
NIEAs	72,724	93,890	69,361	52,657
Others	9,452	12,569	12,161	11,940
Total liabilities	544,654	648,919	848,242	918,796
Deposits	384,692	443,606	567,533	627,567
Debentures	66,887	96,578	126,463	119,551
Dep't and loans from FIs	61,559	67,120	102,610	121,912
Loans from Gov't and SBV	262	32	9	5,047
Other liabilities	31,254	41,584	51,628	44,719
Total equities	62,486	79,613	96,711	110,023
Controlling interests	59,575	75,949	92,738	105,802
Capital stock	37,783	45,340	52,141	52,871
Capital surplus	869	869	869	1,304
Other reserves	8,007	10,676	14,122	17,077
Retained earnings	12,915	19,064	25,560	34,477
OCI	-	-	46	73
Minority interest	2,911	3,664	3,973	4,221

Key financial data

	2021A	2022A	2023A	9M24A
Profitability and efficiency (%)				
ROE	23.6	25.8	24.5	21.6
ROA	2.4	2.7	2.5	2.2
NIM	5.25	6.15	5.16	4.3
Asset yield	7.7	9.0	9.2	7.3
Cost of fund	2.6	2.9	4.3	3.3
Cost-income ratio	33.5	32.5	31.5	30.3
Credit cost	2.2	1.8	1.0	1.2
Growth (%)				
Net profit of controlling interest	53.7	37.7	18.3	4.2
Pre-provision earnings	46.1	25.3	5.3	10.5
Credit growth	21.6	24.1	40.5	0.1
Total assets	22.7	20.0	29.7	26.1
Asset quality (%)				
NPL ratio	0.9	1.1	1.6	2.2
NPL coverage ratio	268.0	238.0	117.0	68.8
Loan to deposit	85.4	86.1	90.9	111.9
Capital adequacy (%)				
CAR ratio	10.8	11.3	10.6	n.a
CET1 ratio	n.a	n.a	n.a	n.a
Tier 1 ratio	9.8	10.4	9.9	n.a

Income statement

(VNDbn)

	2021A	2022A	2023A	9M24A
Total operating income	36,934	45,593	47,306	38,850
Net interest income	26,200	36,023	38,684	30,010
Interest income	38,465	52,486	69,143	50,610
Interest cost	12,265	16,463	30,459	20,600
Non-interest income	10,735	9,570	8,622	8,840
Net commission income	5,699	5,840	5,295	4,703
Gains on investment securities	1,782	1,588	899	2,059
Other non-interest income	3,254	2,142	2,428	2,078
Provision for credit losses	8,030	8,048	6,087	6,353
Net operating revenue	28,904	37,545	41,219	32,497
SG&A	12,377	14,816	14,913	11,761
Employee benefits	n.a	n.a	n.a	n.a
Pre-provision earnings	24,557	30,777	32,393	27,089
Earnings before tax	16,527	22,729	26,306	20,736
Tax	3,306	4,574	5,252	4,167
Tax rate (%)	20.0	20.1	20.0	20.1
Continuing operations profit	10,532	16,507	19,343	14,811
Reversals of written-off loans	2,689	1,648	1,711	1,759
Net profit	13,221	18,155	21,054	16,570
Net profit of controlling interest	12,697	17,483	20,677	16,350

Valuation

	2021A	2022A	2023A	2024A
Per share (VND, adj.)				
BPS	6,412	9,259	11,797	20,027
EPS	1,313	2,023	2,448	4,031
DPS	-	-	500	0
Valuation (x)				
PB	3.3	2.3	1.8	1.1
PE	16.1	10.5	8.6	5.2
P/PPE	8.0	5.6	5.1	1.1
Dividend yield (%)	-	-	2.4	-
Dividend payout ratio (%)	-	-	-	-
ROE analysis (%)				
ROE	23.6	25.8	24.5	21.6
Leverage(x)	9.7	9.2	9.8	9.4
IEAs to total assets	88.2	87.3	92.8	94.9
Net income to IEAs	2.3	2.7	2.3	1.7
Net interest income to IEAs	4.8	5.6	4.4	3.0
Non-interest income to IEAs	2.0	1.5	1.0	0.9
Credit cost to IEAs	1.5	1.2	0.7	0.6
SG&A to IEAs	2.3	2.3	1.7	1.2

Vietnam Prosperity Bank (VPB)

NON-RATED

VNIndex (12 Jan, pt)	1,230
Stock price (12 Jan, VND)	18,500
Market cap (USD mn)	5,785
Shares outstanding (mn)	7,934
52-Week high/low (VND)	20,900/17,186
6M avg. daily turnover (USD mn)	14.36
Free float / Foreign ownership (%)	89.4/25.1
Major shareholders (%)	
Sumitomo Mitsui Banking	15.01
Ngo Chi Dung	12.4

Yr to	TOI	PPE	NP	EPS	BPS	PE	P/B	ROA	ROE	DY
Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(VND bn)	(x)	(x)	(x)	(%)	(%)
2020A	39,033	27,641	10,414	4,508	22,855	11.1	0.8	2.6	21.9	-
2021A	44,301	33,583	11,233	2,594	18,101	19.3	1.0	2.4	17.1	-
2022A	57,797	43,681	15,650	2,383	14,745	11.6	1.3	2.9	17.9	-
2023A	49,739	35,798	7,014	884	16,969	20.9	1.1	1.2	6.1	5.4
9M24A	44,611	34,062	11,161	1,537	17,304	12.0	1.1	1.6	9.7	5.4

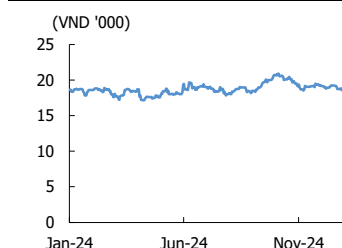
Source: Company data, KIS Research

Note: NP and EPS attributed to controlling interest

Performance

	1M	6M	12M
Absolute (%)	(4.1)	(2.6)	(0.7)
Rel. to VNI (%p)	(1.4)	0.4	(9.3)

Stock price



Source: Bloomberg

FE-Credit recovery and concerns on restructured loans

Strong profit growth from the bottom. Consolidated 9M24 PBT rallied +67%yoy to VND13,861bn (fulling 60% of the 2024 target) mainly thanks to higher net interest incomes (+32%yoy), manageable operating expenses (9M23's 28% vs 9M24's 24%), and mellow risks provision expenses (+13%yoy), compensated by non-interest incomes (-6%yoy). A decrease in non-interest incomes was caused by settlement and bancassurance from parent activities.

Recovery from parent bank and Fe-credit. Parent's profit (9M24 PBT: VND13,052bn, up +19%yoy) contributed to consolidated profit growth. Parent's 9M24 Net interest incomes were up +42%yoy from credit growth (+10.6%YTD) and NIM improvement with lower cost of funds. 9M24 Provision risk expenses rose sharply by +47%yoy in line with higher non-performing loans (NPL (2-5 group)/(3-5 group): 3Q24's 10.0%/3.6% vs 4Q23's 9.4%/3.2%). Fe-credit's earnings returned to a gain in two consecutive quarters of 2Q24 and 3Q24 after a loss in 1Q24. Accumulated 9M24 profit rose from -VND3,737bn to -VND437bn. Fe-credit's NPL (2-5 group)/(3-5 group) declined from 35.6%/21.4% in 4Q23 to 32.8%/17.4% in 3Q24, per our estimation.

Keep recovery in 2025F. 2025 could recover the retail segment and control non-performing loans thanks to market revivals, enhancing purchasing powers and customers' financial capacity. 2025F profit could continue to grow at a double-digit rate thanks to the FE credit recovery and maintained profit growth for the parent ban. Fe-credit could return profitable performance after changes in structure with better-quality loans. However, circular 02, expiring in end-2024, could affect VPB's non-performance loans and pressure on risk provision expenses, if customers do not recover enough because restructured loans/ total loans were high about 2.5% (3Q24).

Valuation is quite attractive. VPB is trading at 1.07x TTM PB, lower than the 5-year historical average (1.4x). 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 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

(VNDbn)

	2021A	2022A	2023A	9M24A
Total assets	547,409	631,013	817,567	858,885
Gross IEAs	500,622	573,531	746,080	840,959
Loans and corp bonds	387,086	470,143	598,076	653,786
Household				
Corporate				
Dep't and loans to Fls	67,757	58,534	104,663	133,877
Dep't to SBV and G-bond	45,779	44,853	43,341	53,296
VAMC bond	0	0	0	0
NIEAs	51,655	67,788	85,559	33,885
Others	4,868	10,306	14,072	15,960
Total liabilities	461,131	527,511	677,771	716,645
Deposits	241,837	303,151	442,368	475,782
Debentures	81,296	63,700	47,787	50,942
Dep't and loans from Fls	114,723	140,296	156,379	167,429
Loans from Gov't and SBV	8,454	1,929	4,118	26
Other liabilities	14,821	18,434	27,119	22,466
Total equities	86,278	103,502	139,796	142,240
Controlling interests	78,372	96,838	134,631	137,292
Capital stock	45,057	67,434	79,339	79,339
Capital surplus	77	0	23,993	23,993
Other reserves	10,798	12,652	12,233	11,675
Retained earnings	22,439	16,752	19,066	22,285
OCI	0	0	0	0
Minority interest	7,906	6,664	5,164	4,948

Key financial data

	2021A	2022A	2023A	9M24
Profitability and efficiency (%)				
ROE	17.1	17.9	6.1	9.7
ROA	2.4	2.9	1.2	1.6
NIM	8.2	8.3	6.3	6.5
Asset yield	12.5	12.7	12.5	10.6
Cost of fund	4.1	4.4	6.6	4.5
Cost-income ratio	24.2	24.4	28.0	23.6
Credit cost	5.4	5.2	4.7	3.2
Growth (%)				
Net profit of controlling interest	7.9	39.3	-55.2	39.1
Pre-provision earnings	21.5	30.1	-18.0	30.5
Credit growth	20.0	0.0	0.0	8.7
Total assets	30.6	15.3	29.6	5.0
Asset quality (%)				
NPL ratio	4.6	5.7	5.0	4.8
NPL coverage ratio	60.9	54.4	52.1	50.7
Loan to deposit	104.6	112.4	104.3	107.7
Capital adequacy (%)				
CAR ratio	16.5	16.5	16.5	n.a
CET1 ratio	n.a	n.a	n.a	n.a
Tier 1 ratio	14.8	14.8	14.8	n.a

Income statement

(VNDbn)

	2021A	2022A	2023A	9M24
Total operating income	44,301	57,797	49,739	44,611
Net interest income	34,349	41,021	38,175	35,887
Interest income	50,827	62,200	76,557	58,710
Interest cost	16,478	21,179	38,383	22,823
Non-interest income	9,953	16,776	11,565	8,723
Net commission income	3,983	5,820	6,406	5,179
Gains on investment securities	3,162	372	633	594
Other non-interest income	2,808	10,584	4,526	2,951
Provision for credit losses	19,219	22,461	24,994	20,201
Net operating revenue	25,083	35,336	24,745	24,410
SG&A	10,719	14,116	13,941	10,549
Employee benefits	0	0	0	0
Pre-provision earnings	33,583	43,681	35,798	34,062
Earnings before tax	14,364	21,220	10,804	13,861
Tax	2,887	4,311	2,310	2,914
Tax rate (%)	20.1	20.3	21.4	0.0
Continuing operations profit	8,917	13,163	5,999	7,696
Reversals of written-off loans	2,560	3,746	2,495	3,252
Net profit	11,477	16,909	8,494	10,947
Net profit of controlling interest	11,233	15,650	7,014	11,161

Valuation

	2021A	2022A	2023A	9M24A
Per share (VND, adj.)				
BPS	18,101	14,745	16,969	17,304
EPS	961	1,589	884	1,663
DPS	0	0	0	0
Valuation (x)				
PB	1.0	1.3	1.1	1.1
PE	19.3	11.6	20.9	11.1
P/PPE	6.4	4.2	4.1	3.2
Dividend yield (%)	0.0	0.0	0.0	0.0
Dividend payout ratio (%)	0.0	0.0	0.0	0.0
ROE analysis (%)				
ROE	17.1	17.9	6.1	6.1
Leverage(x)	6.3	6.1	5.8	6.0
IEAs to total assets	90.6	89.4	89.7	96.1
Net income to IEAs	2.2	2.7	0.9	1.3
Net interest income to IEAs	6.9	7.2	5.1	4.3
Non-interest income to IEAs	2.0	2.9	1.6	1.0
Credit cost to IEAs	3.8	3.9	3.4	2.4
SG&A to IEAs	2.1	2.5	1.9	1.3

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