

Banking

Magnificent earnings growth

Neutral

Strong earnings growth in 4Q24

- Aggregated 4Q24 PBT (27 banks) surged +19.6%yoy, supported by all elements: Net interest incomes with a moderate growth (+11.0%yoy), a significant growth in non-interest incomes (+32%yoy), controllable OPEX (remained CIR of 36%) and risk provision expenses (+3%yoy). Except for the outlier - NVB, the majority of banks performed well.
- The aggregated 2024 PBT rallied by +18%yoy, fulfilling 99% of the 2024 target.
- Private banks with impressive in 4Q24: BID (+18.4%yoy) and CTG (+59.1%yoy) in SOCBs; MBB (+28.7%yoy), STB (+67.9%yoy), VPB (+127.2%yoy) and SHB (+239.5%yoy) in large private banks; TPB (+239.3%yoy), EIB (+79.7%yoy), and MSB (+229.9%yoy) in medium private banks.

Higher credit growth in 4Q24

- Credit disbursement grew +15.08%YTD in 2024, higher than +13.7%YTD in 2023, driven by corporate and retail loans but differences across banks.
- Some led the industry credit growth, including NVB (4Q24's +40.2%YTD /4Q23's +13.6%YTD), HDB (4Q24's +27.0%YTD/4Q23's +31.8%YTD), MBB (4Q24's +24.8%YTD/ 4Q23's +28.0%YTD), TCB (4Q24's +21.7%YTD/4Q23's +21.6%YTD), VIB (4Q24's +21.5%YTD/4Q23's +14.2%YTD).
- 4Q24 NIM (Aggregated 27 banks) slightly improved +4.2bps qoq, but was lower than 25bps yoy, mainly resulting from improving asset yield and controllable cost of funds. Compared to 4Q23, improvements in 4Q24 included VPB, SHB, ACB, LPB, EIB, MSB, OCB, and some small banks.
- CASA rose from 20.7% in 3Q24 to 22.2% in 4Q24. MBB (39.1%) and TCB (37.1%) took the leading position, followed by VCB (35.8%) and MSB (25.9%).

Robust non-interest income growth in 4Q24

- 4Q24 non-interest incomes recorded a significant growth by +32%yoy, driven by FX activities, investment activities, and other incomes. Service incomes remained relatively stagnant in comparison. Some banks with impressive results in 4Q24: BID (+87.8%yoy), MBB(+109.6%yoy), VPB (+93.6%yoy), SHB (+147.7%yoy), HDB (58.6%yoy), TPB (+359.1%yoy), EIB (97.0%yoy), MSB (228.4%yoy) and some small banks.

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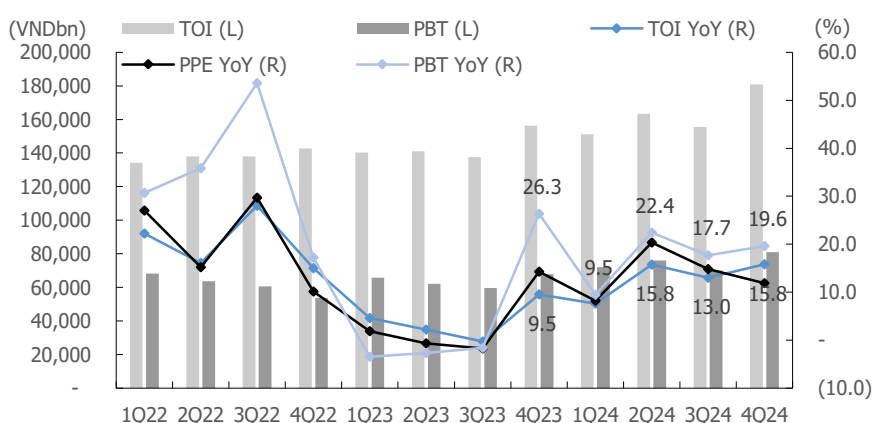
Improving non-performing loans

- As the same trend last year, 4Q24 NPLs cooled down. 4Q24 NPL (3-5 group)/ (2-5 group) (Aggregated 27 banks) fell from 2.2%/3.9% in 3Q24 to 1.9%/3.5% in 4Q24. Leaders with low ratios in 4Q24 NPL (3-5 group)/ (2-5 group): VCB (1.0%/1.2%), TCB (1.1%/1.8%), BAB (1.2%/1.6%), CTG (1.2%/2.6%), VAB (1.3%/1.8%).
- The loan loss coverage ratio improved from 83% in 3Q24 to 91% in 4Q24. Against the odds, the SOCB banks and TCB sustained their LLCRs beyond 100%.

2025F: Higher credit disbursement

1Q25 credit demands could grow higher than in the same period amid favorable market conditions. The State Bank of Viet Nam (SBV) sets an ambitious credit growth target of 16% for the banking system in 2025, the highest level in the last 5 years. Improved asset yields and controlled funding costs sustained 1Q25NIM. 2025F NIM could remain stable in a base case and slightly decline in the worst case. Better business conditions could help control NPLs. However, provisions risk expenses could be higher due to additional loan loss reserves and expired circular 02 at the end of 2024. The banking valuation is attractive for long-term investment with the current P/B of 1.5x, lower than the 5-year historical average of 1.7x.

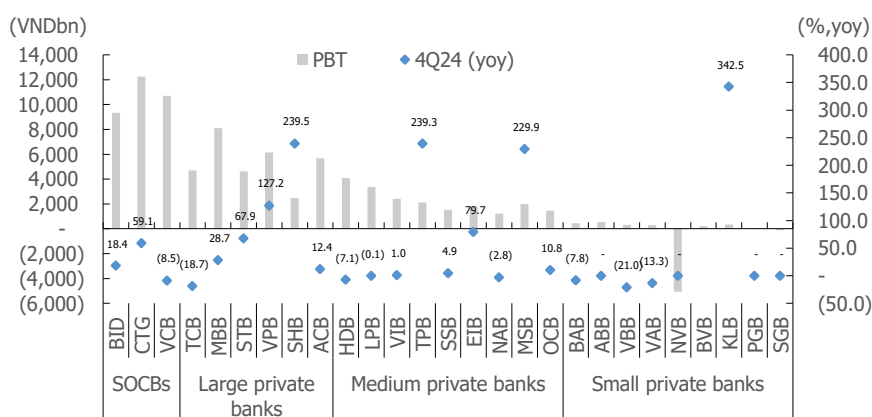
Figure 1. Double-digit growth in aggregated 4Q24 TOI and PBT



Double-digit PBT growth in 4Q24 thanks to improving total operating incomes, manageable costs.

Source: FiiiproX, KIS Research

Figure 2. 4Q24 earnings divergence: 17/27 banks with positive growth

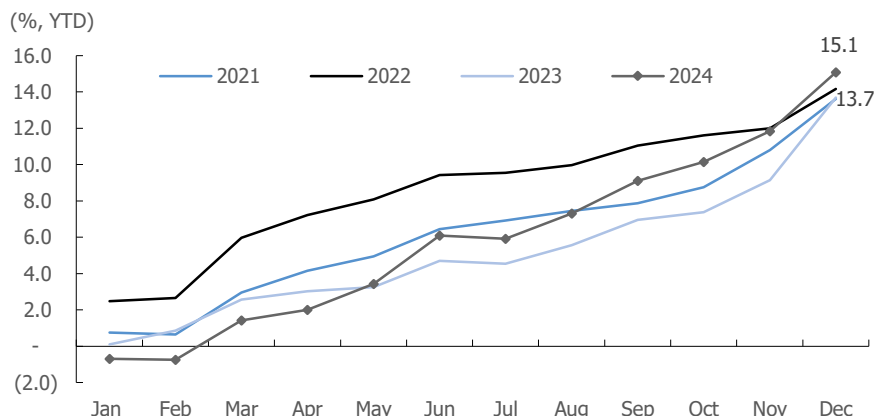


Most banks showed growth in earnings, except for VCB, TCB, HDB, LPB, NAB, BAB, ABB, VBB, VAB, PGB, and SGB. Strong business results occurred in most large and medium banks

Source: FiiiproX, KIS Research. Note:

Credit disbursement accelerated in 4Q24, higher than in 2023

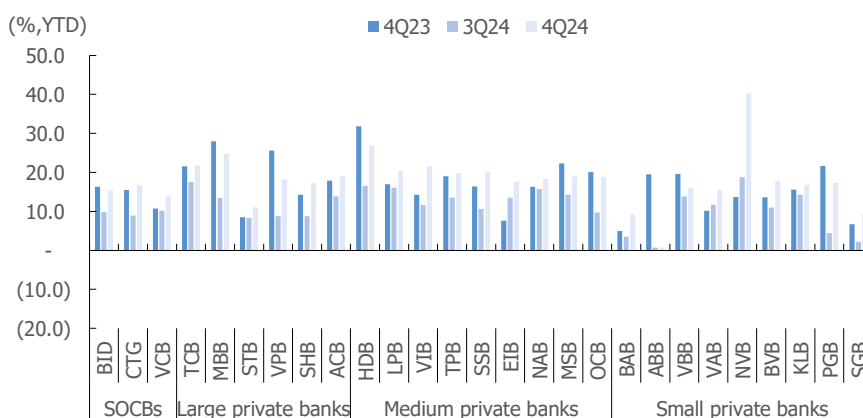
Figure 3. Higher credit growth



Source: SBV, KIS Research

Some led the industry credit growth: NVB, HDB, MBB, TCB, and VIB.

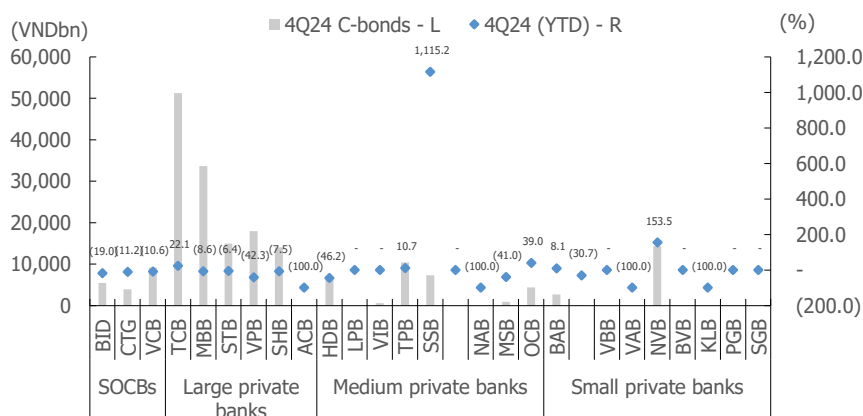
Figure 4. Credit growth diverged among banks



Source: FiinproX, KIS Research

Almost all banks reduced their corporate bond book amid the bond market stagnation, except for TCB, TPB, SSB, OCB, BAB, NVB.

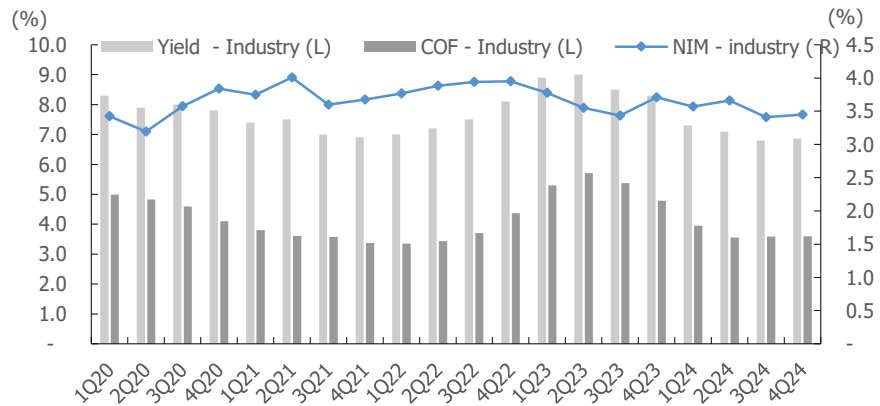
Figure 5. Banks continues to reduce outstanding balance



Source: FiinproX, KIS Research

Figure 6. slight pressure on industry's 4Q24 NIM

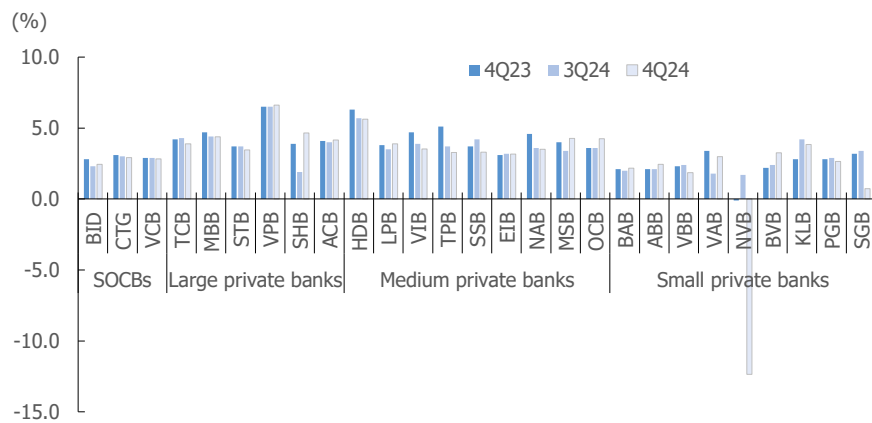
4Q24 NIM (Aggregated 27 banks) maintained qoq and fell slightly, resulted from improving asset yield and controllable cost of funds.



Source: FiinproX, KIS Research

Figure 7. NIM divergence: 11/27 banks with improvement

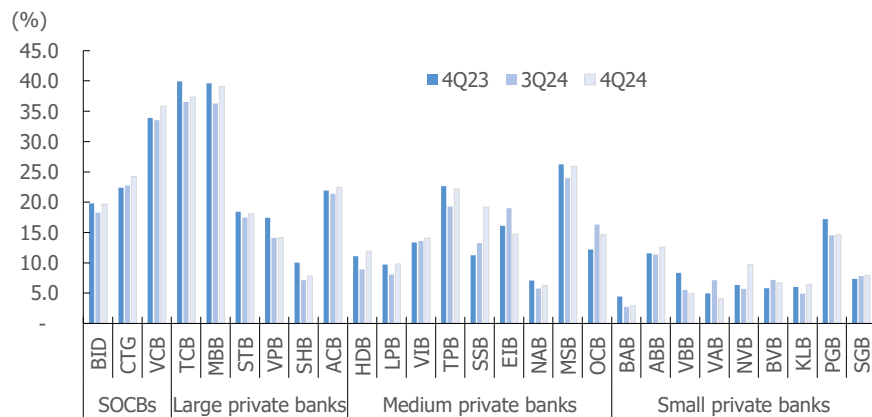
Industry's 4Q24 NIM maintained qoq and fell yoy. Compared to 4Q23, improvements included VPB, SHB, ACB, LPB, EIB, MSB, OCB, and some small banks



Source: FiinproX, KIS Research

Figure 8. Higher CASA ratios: 22/27 banks with improvement

MBB (39.1%) and TCB (37.4%) took the leading position, followed by VCB (35.8%) and MSB (25.9%)

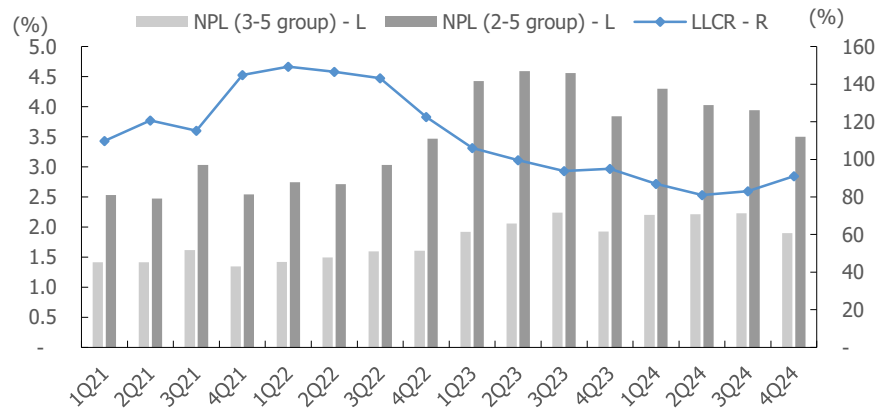


Source: FiinproX, KIS Research

Improving NPL ratios and LLCR (from 3Q24's 83% to 4Q24's 91%)

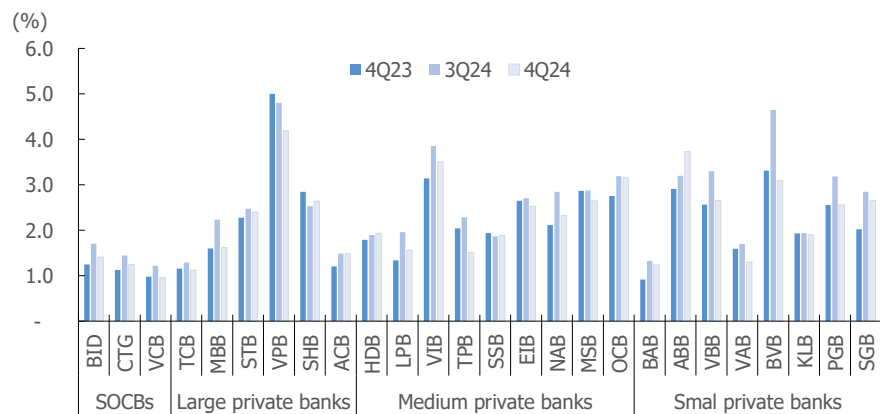
Bank groups with a high LLCR include BID, CTG, VCB, and TCB

Figure 9. Improving non-performing loans (27 banks)



Source: FiiproX, KIS Research. Note: current loan: group 1, Special mentioned loan: group 2, Substandard loan: group 3, doubtful loan: group 4, estimated loss loan: group 5.

Figure 10. NPL (3-5 group) divergence: 22/27 banks with decreasing ratio

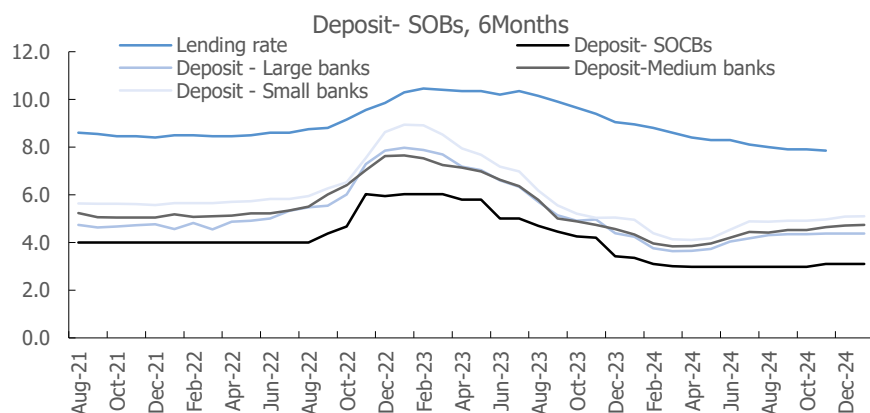


Source: FiiproX, KIS Research. Note: current loan: group 1, Special mentioned loan: group 2, Substandard loan: group 3, doubtful loan: group 4, estimated loss loan: group 5.

Leaders with low ratios include VCB, TCB, BAB, CTG, VAB.

Deposit interest rates remain low despite starting to rise from May 2024

Figure 11. Deposit rates (6 months) inched up from May 2024



Source: Banks, SBV, KIS Research

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