true friend KIS Viet Nam Securities Corporation

**Sector**
Note

**Financials**
08 May 2025

# Banking

## Uphold a moderate growth trajectory

**Neutral**

### Sustain earnings growth in 1Q25

- Aggregated 1Q25 PBT (27 listed banks) surged +14.5%yoy. If excluding the one-off incomes from SSB, the 100% stake sale of Post and Telecommunication Finance Company, 1Q25 PBT only rose by 10.9%yoy. The business results resulted from robust credit growth, higher other incomes, controllable operating expenses, and lower provision expenses - stronger performance for private commercial banks.
- Private banks with impressive in 1Q25: MBB (+44.7%yoy), STB (+38.4%yoy), VPB (+19.9%yoy) in large private banks; HDB (+33.0%yoy), SSB (+188.8%yoy), EIB (+25.8%yoy), and NAB (+22.5%yoy) in medium private banks; and some small private banks.

### Robust credit growth in 1Q25

- Total credit disbursement grew +3.93%YTD in 1Q25 (or 17.9%yoy), higher than +1.42%YTD in 1Q24, driven by corporate loans.
- Some led in the banking group in 1Q25: CTG (+4.5%YTD) in SOCBs; SHB (+7.8%YTD) and VPB (+5.0%YTD) in large private banks; EIB (+9.2%YTD), MSB (+8.9%YTD), LPB (+6.2%YTD), and NAB (+6.0%YTD) in medium private banks; NVB (+10.6%YTD), KLB (+10.6%YTD), and PGB (+10.0%YTD).
- 1Q25 NIM (Aggregated 27 banks) dropped 45bps yoy to 3.1%, mainly resulting from lower asset yield. The majority of banks experienced a decrease in 1Q25 NIM.
- CASA ratio declined from 22.2% in 4Q24 to 20.7% in 1Q25. Most banks reported a lower CASA ratio. Leaders: MBB (from 39.1% in 4Q24 to 35.7% in 1Q25), TCB (from 37.4% in 4Q24 to 35.1% in 1Q25), VCB (from 35.8% in 4Q24 to 34.3% in 1Q25), and MSB (from 25.9% in 4Q24 to 24.0% in 1Q25).

### Significant other income growth in 1Q25

- 1Q25 non-interest incomes recorded double-digit growth by +22%yoy (including one-off incomes from SSB) and +13%yoy (excluding one-off incomes from SSB), driven by higher income growth from bad-debt collections and other activities. Incomes from service fees, FX, and investment activities all experienced a decrease. Some have higher non-interest income growth in 1Q25: CTG (+28%yoy) in SOCBs; MBB (+23%yoy) in large private banks; HDB (+203.6%yoy), LPB (+39%yoy), SSB (+378%yoy), and EIB (+107%yoy) in medium banks; some small private banks.

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## A renewed increase in non-performing loans

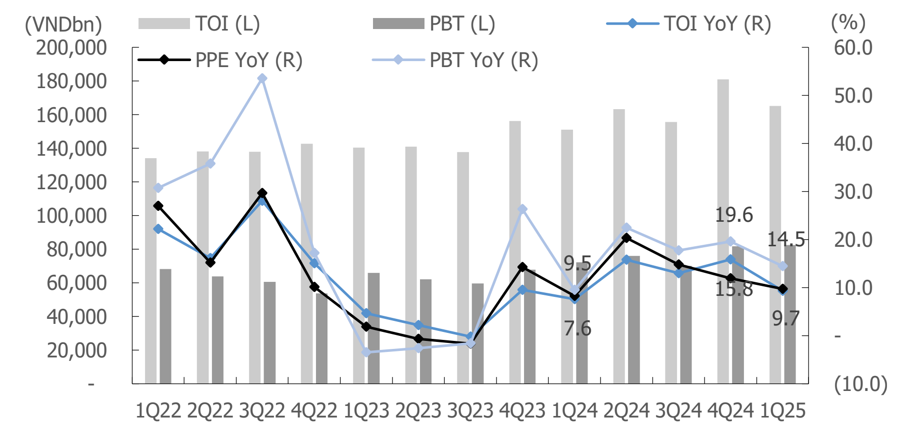
- 1Q25 NPLs climbed again. NPL (3-5 group)/ (2-5 group) (Aggregated 27 banks) rose from 1.9%/3.5% in 4Q24 to 2.1%/3.8% in 1Q25. Leaders with low ratios of NPL (3-5 group) differed from 4Q24 to 1Q25: VAB (1.3% to 0.6%), VCB (maintaining rate of 1.0%), TCB (1.1% to 1.2%), BAB (1.2% to 1.3%), and ACB (maintaining rate of 1.0%).
- The loan loss coverage ratio (LLCR) shrank from 91% in 4Q24 to 80% in 1Q25. Top banks with high LLCR: VCB (223% in 4Q24 to 216% in 1Q25), CTG (175% in 4Q24 to 137% in 1Q25), and TCB (from 114% in 4Q24 to 112% in 1Q25).

## 2Q25F: Keep earnings growth at a moderate level

2Q25 credit demands could continue to grow higher than in the same period. SBV sets an ambitious credit growth target of 16% for the banking system in 2025, the highest level in the last 5 years. Deteriorating asset yields could pause the 2Q25 NIM recovery. 2025F NIM could remain stable in a base case and slightly decline in the worst case. However, provisions risk expenses could be higher due to additional loan loss reserves and remaining high non-performing loans. The banking valuation is attractive for long-term investment with the current P/B of 1.37x, lower than the 5-year historical average of 1.73x.

***Moderate earnings growth in 1Q25 thanks to higher other incomes and manageable costs.***

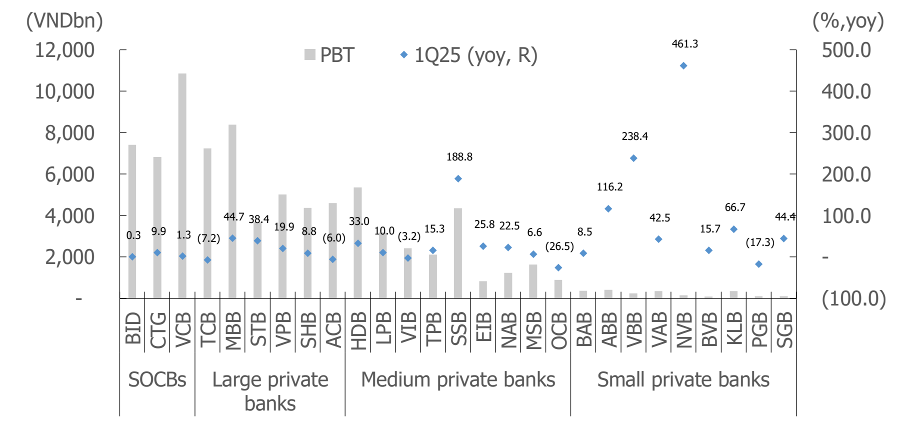
**Figure 1. Moderate growth in aggregated 1Q25 TOI and PBT**




Source: FiinproX, KIS Research

***Private commercial banks showed higher earnings growth. Some banks with impressive performance: MBB, STB, VPB, HDB, SSB, EIB, NAB, ABB, VBB, VAB, NVB, KLB, and SGB.***

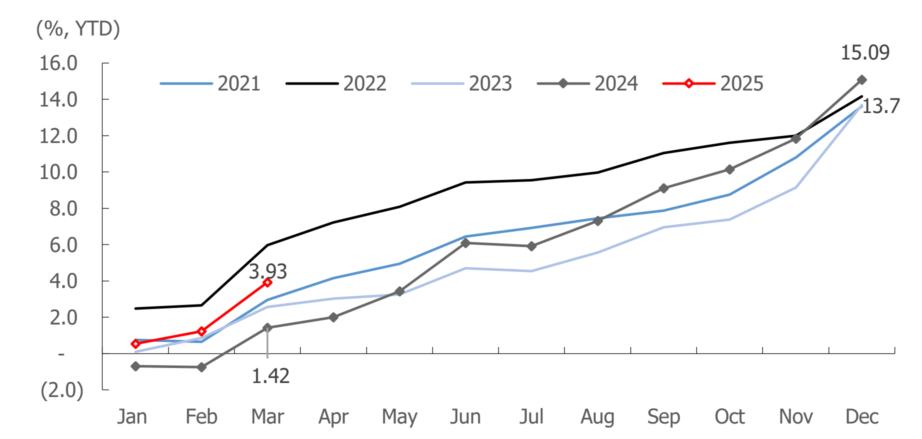
**Figure 2. 1Q25 earnings divergence: 21/27 banks with positive growth**




Source: FiinproX, KIS Research. Note:

*Stronger credit disbursement appeared in 1Q25.*

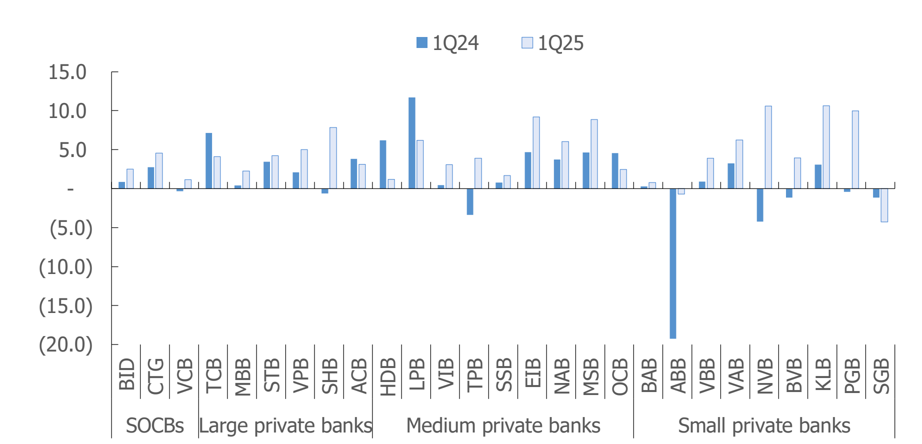
**Figure 3. Higher credit growth**




Source: SBV, KIS Research

*21/27 banks with higher credit growth.*

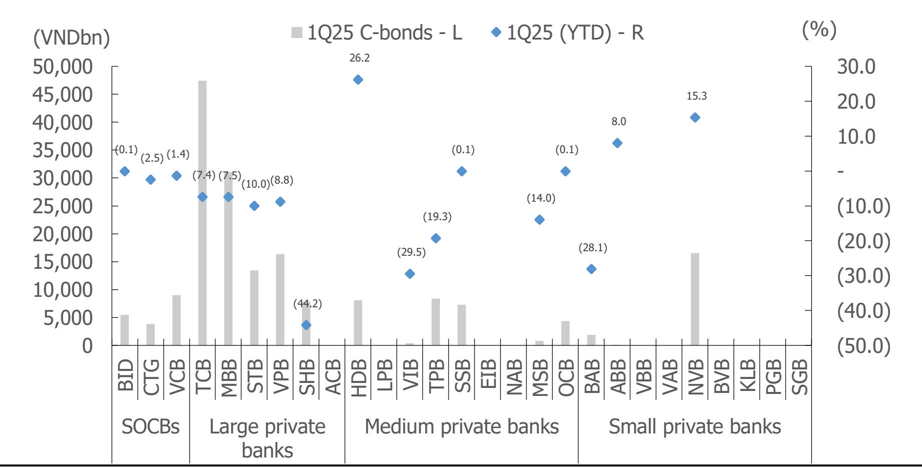
**Figure 4. Credit growth diverged among banks**




Source: FiinproX, KIS Research

*Almost all banks reduced their corporate bond book amid the bond market stagnation, except for HDB, ABB, and NVB.*

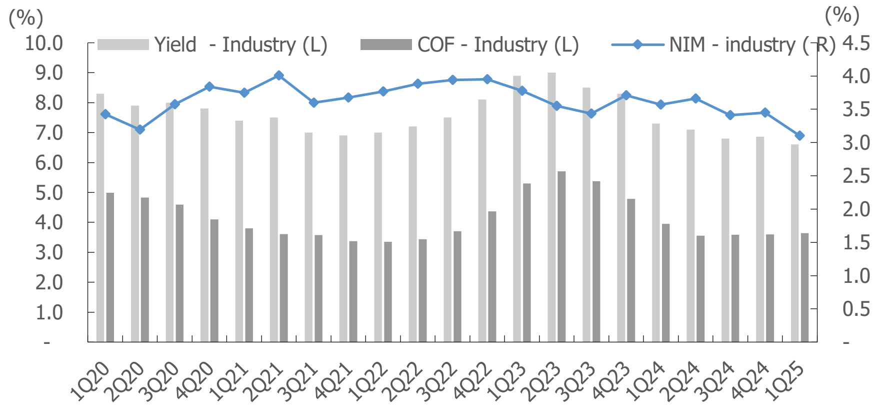
**Figure 5. Banks continues to reduce outstanding balance**




Source: FiinproX, KIS Research

*1Q25 NIM (Aggregated 27 banks) declined, resulted from lower asset yields.*

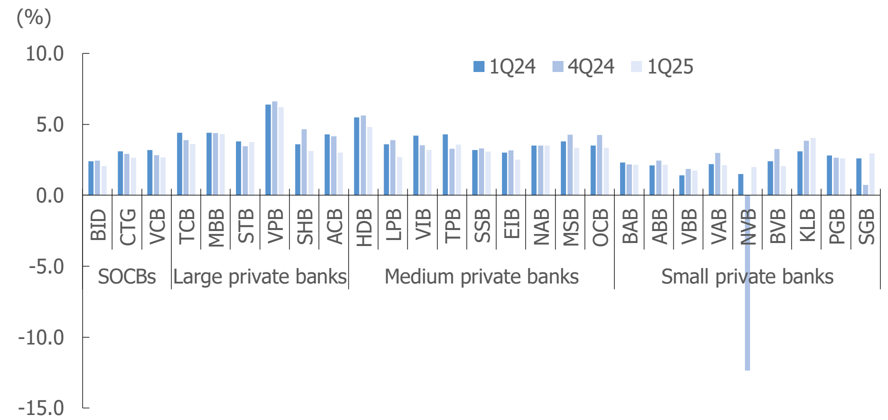
**Figure 6. Pressures on industry's 1Q25 NIM**




Source: FiinproX, KIS Research

*21/27 banks experienced a contraction in 1Q25 NIM*

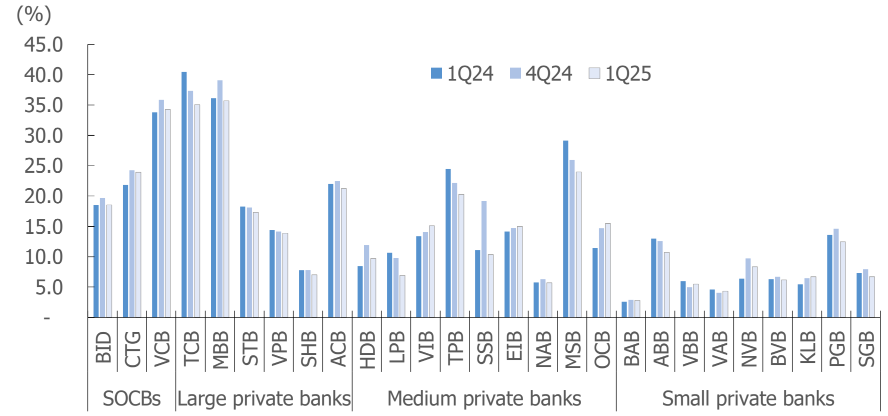
**Figure 7. A decrease in 1Q25 NIM**




Source: FiinproX, KIS Research

*A decrease in CASA ratio with 21/27 listed banks. Leaders reported lower rates, including MBB, TCB, VCB, and MSB.*

**Figure 8. Lower CASA ratios**

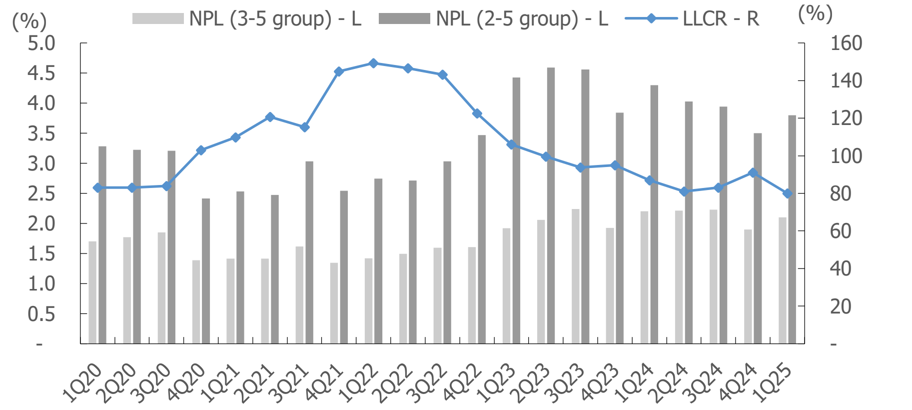



Source: FiinproX, KIS Research

***Higher NPL ratios and LLCR (from 4Q24's 91% to 1Q25's 80%)***

***Bank groups with a high LLCR include VCB, CTG, TCB.***

**Figure 9. Re-occurring higher non-performing loans (27 banks)**

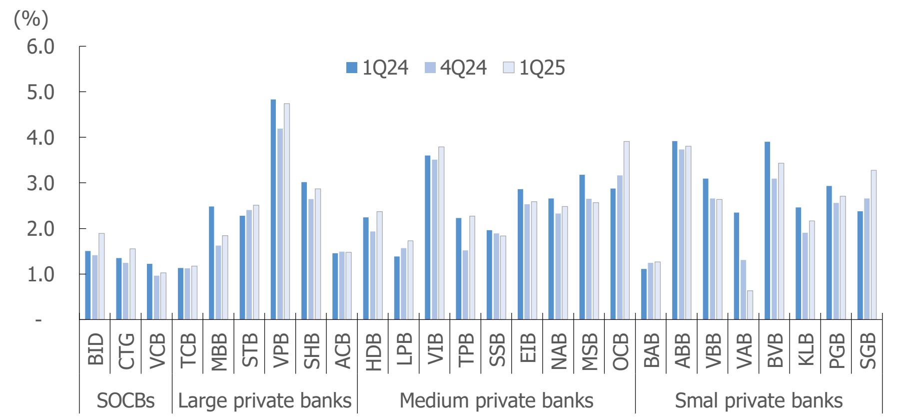



Source: FiinproX, KIS Research. Note: current loan: group 1, Special mentioned loan: group 2, Substandard loan: group 3, doubtful loan:; group 4, estimated loss loan: group 5.

***Leaders with low ratios included VAB, VCB, TCB, BAB, and ACB.***

***21/27 banks with increasing ratios.***

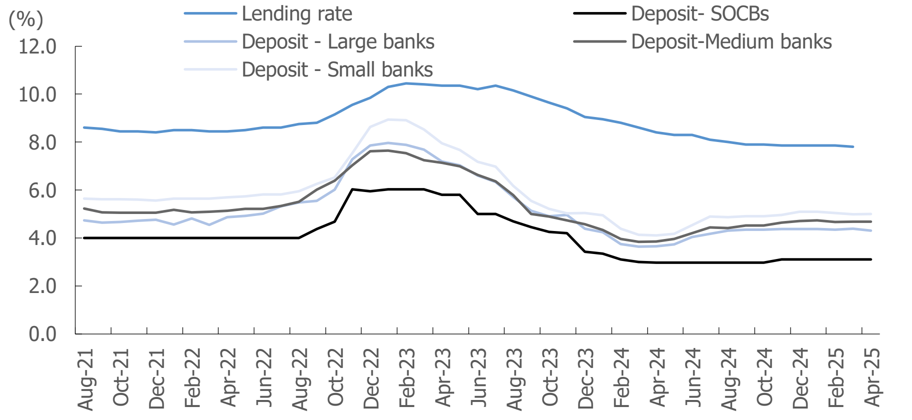
**Figure 10. NPL (3-5 group)/ total loans**




Source: FiinproX, 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.

***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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