

Vietnam Banking Sector

House in order, eyes outward



Key points

Credit growth

Steering the ship

3

War chest advantage

4

Funding growth

Lopsided expansion

5

Shifting sands

6

Liquidity

Tension dips, but holds

7

Asset quality

Strength in numbers

8

The fog has lifted

9

Profitability

Necessary sacrifice

10

Optimism with measured steps

12

Key figures

13

Valuation and investment highlights

Tide keeps turning

14

Figures

P/B band chart

17

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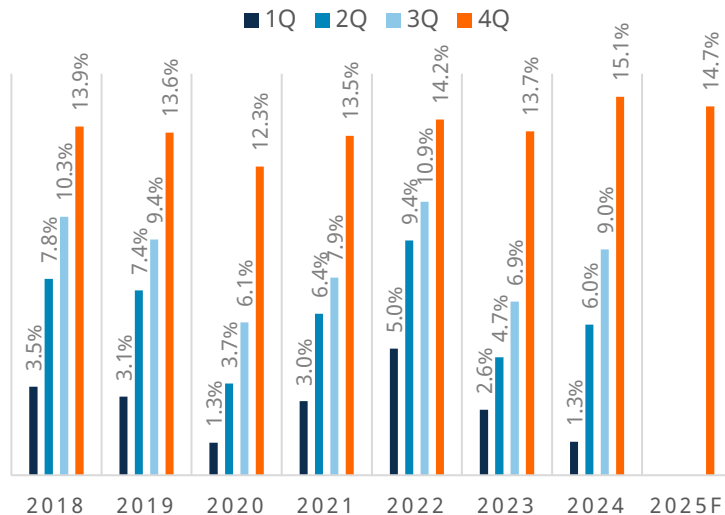


Credit growth

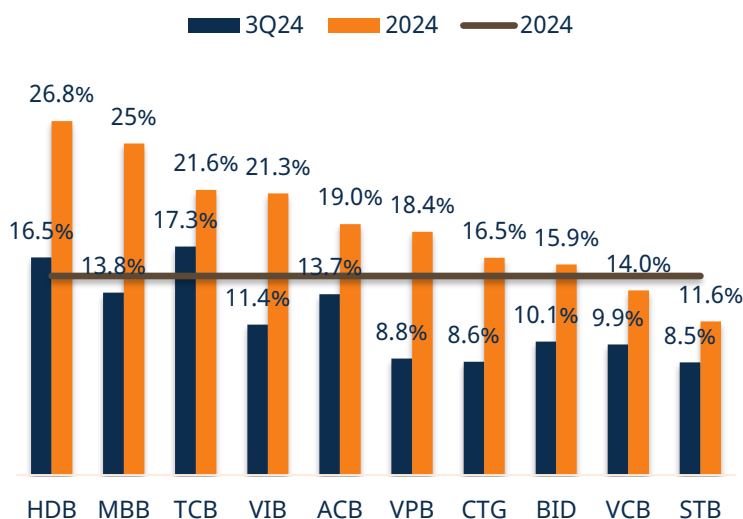
Steering the ship

- Robust credit growth, but no surprises:** In detail, credit growth in 2024 accelerated to 15.08% YoY, the highest level since 2018. On a quarterly basis, credit expansion exceeded 6%p in 4Q24, with more than 3%p recorded solely in December (11M24: +11.9% YTD) and approximately 1.2%p in the final week of the year. The recurring surge in year-end credit growth, now an established pattern, suggests that underlying credit demand may be softer than the headline figures indicate. Nevertheless, financial institutions successfully met their assigned credit growth targets for 2024.
- Accommodative interest rate environment supports economic stability:** As of year-end 2024, the average lending rate across banks had increased by only 40bps from its trough late 1Q24, while remaining more than 150bps below its early 2023 peak. Despite economic headwinds, the banking sector has maintained stable credit growth, largely facilitated by implicit policy measures through the "Big Four" state-owned banks. Interest rates are expected to remain low, supported by retained earnings and additional capital injections into these banks to sustain broader economic stability. As a result, lending rates are projected to edge up modestly by 40–50bps, predominantly in 2H25, given subdued credit demand in 1H25.
- SBV sets higher credit growth expectations for 2025:** Building on the positive momentum of 2024, the SBV has set an ambitious credit growth target of 16% for 2025. In line with this, we have revised our forecast to 14.7%. Credit expansion will remain a key policy priority, as the National Assembly has approved an adjustment to the GDP growth target for 2025, setting it at a minimum of 8%. Accordingly, the SBV has preemptively allocated credit growth quotas of 16% to commercial banks for 2025, a 1%p increase from 2024's target. However, we believe the key uncertainty in maintaining a fully accommodative monetary stance lies in persistent exchange rate pressures, which we will closely monitor.

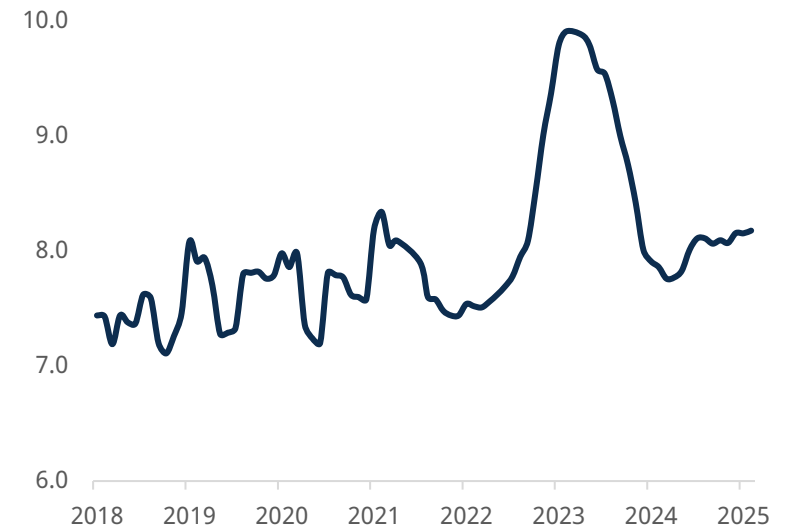
YTD credit growth



Credit growth of our coverage banks



Lending rates (%)



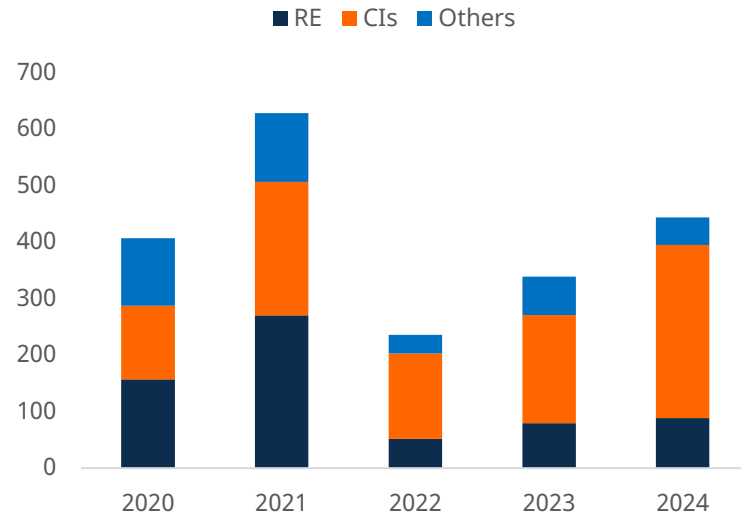
Sources: SBV, Company data, Bloomberg, Mirae Asset Vietnam

Credit growth (cont'd.)

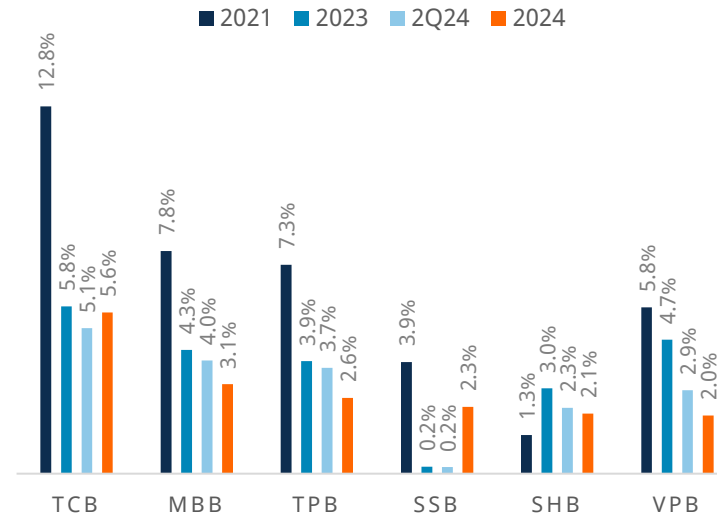
War chest advantage

- Corporate banking to maintain slight edge over retail banking in 2025, with divergence expected to persist:** While full-year data on banking segment growth for 2024 is not yet fully available, preliminary results from top-tier banks indicate that corporate banking has outperformed retail banking. This trend is largely driven by banks accelerating short-term lending to meet year-end targets, primarily benefiting business clients. Despite clear signs of economic recovery, personal income growth remains sluggish. Data suggests that retail consumption rebounded at a slower pace, rising 9% YoY in 2024 — slightly below the 9.4% recorded in 2023 — indicating continued consumer caution. Although the real estate sector is expected to gain further traction in 2025, supported by a wave of new projects entering the market, retail lending is unlikely to experience substantial short-term growth. In contrast, corporate credit demand is expected to remain strong, particularly in sectors such as public investment and manufacturing, which are set to be key growth drivers in 2025.
- Investment banking outlook improves amid stronger market activity:** In 2024, a total of 429 private placements worth VND411tr and 22 public issuances amounting to VND33tr were recorded, reaffirming the dominant role of private placements. According to VBMA, secondary bond market activity also saw a notable surge, with total government bond (G-bond) transactions rising by 81.6% YoY. Moreover, corporate bond (C-bond) trading value expanded even more significantly, nearly quadrupling compared with 2023. On the issuance front, credit institutions (CIs) remained the primary issuers in 2024, posting a 59.8% YoY increase, while the real estate sector also showed a strong recovery, with issuance volumes rising by 11.4% YoY. With systemic risks easing to some extent, certain banks have begun increasing their exposure to corporate bonds. However, the allocation remains relatively modest, as new issuances have been largely concentrated in real estate and a select group of key corporate clients tied to major banks, limiting broader investment opportunities. Looking ahead, investment banking is expected to gain further momentum in 2025, driven by rising capital demand across a wider range of industries.

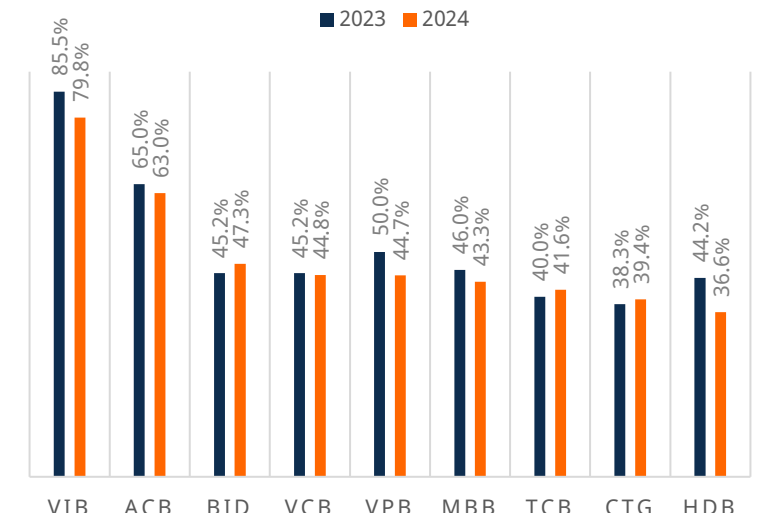
Corporate bond issuance (VNDtr)



Corporate bonds/interest-earning assets (>2% only)



Retail proportion of banks



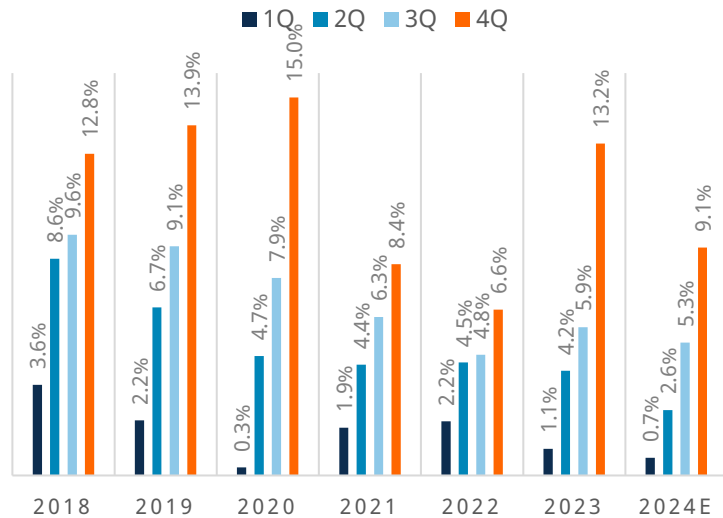
Sources: SBV, VBMA, Company data, Mirae Asset Vietnam

Funding growth

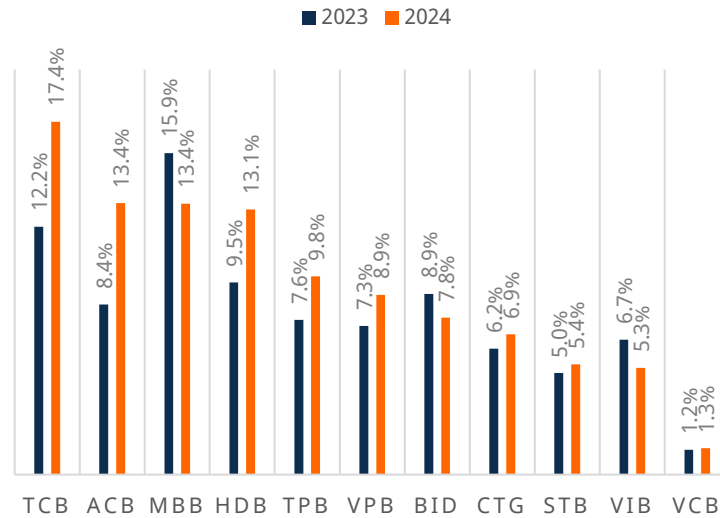
Lopsided expansion

- Deposit-credit growth imbalance widened again in 4Q24:** According to the GSO, as of December 25, 2024, total deposits in the banking system grew by 9.06% YTD to nearly VND14.7qa. Meanwhile, credit growth reached 13.82% over the same period. As a result, the deposit-credit growth gap widened from 3.7%p in 9M24 to 4.8%p by year-end, putting banks between a rock and a hard place as they navigate liquidity constraints, while ensuring credit expansion. This divergence is par for the course, given the lackluster appeal of deposit yields, which remained subdued throughout the year. In contrast, domestic gold prices surged by 28.6% YoY by end-2024, while the US\$ appreciated by approximately 5% at various points during the year. Although interest rates remained accommodative, it would be misleading to characterize the recent phase as entirely expansionary. The net withdrawal of VND liquidity from the system has been significant, as evidenced by the FX reserves declining from US\$110bn in early-2022 to around US\$82bn by end-3Q24. Meanwhile, liquidity management remained flexible, with net OMO injections for the year amounting to only VND21tr, signaling that the SBV is keeping liquidity on a tight leash to counter FX pressure. Additionally, banks were required to comply with policy directives to maintain low lending rates, which are typically referenced against deposit rates. Consequently, the proportion of funding via debentures increased throughout 2024, particularly among private banks, as they left no stone unturned in seeking alternative funding sources.
- Muted deposit growth expected in 1Q25–2Q25, with recovery in 2H25 remaining somewhat uncertain:** Deposit growth is expected to remain sluggish in 1Q25 and could extend into 2Q25, while a clearer recovery in 2H25 remains difficult to predict. We assume the surge in credit growth in late-2024 will require an absorption period, and 1Q typically sees weaker credit demand. Interest rates have largely held steady, with only a few banks making marginal adjustments — both upward and downward — depending on which way the wind blows regarding their funding needs. However, persistently draining system liquidity will be a tough nut to crack in 2H25, if the SBV continues to pursue its ambitious 16% credit growth target. This suggests that deposit rates are likely to rise during this period, as banks brace for impact. Furthermore, under Cir. 26/2022, only 20% (down from 40% in 2024) of the Treasury's deposits are now included in banks' LDRs, meaning the scramble for funding will not be confined to private banks, but will also extend to SOCBs. This should contribute to a broader increase in interest rates, providing some support for deposit growth. We currently anticipate an increase of approximately 20–30bps in 2025.

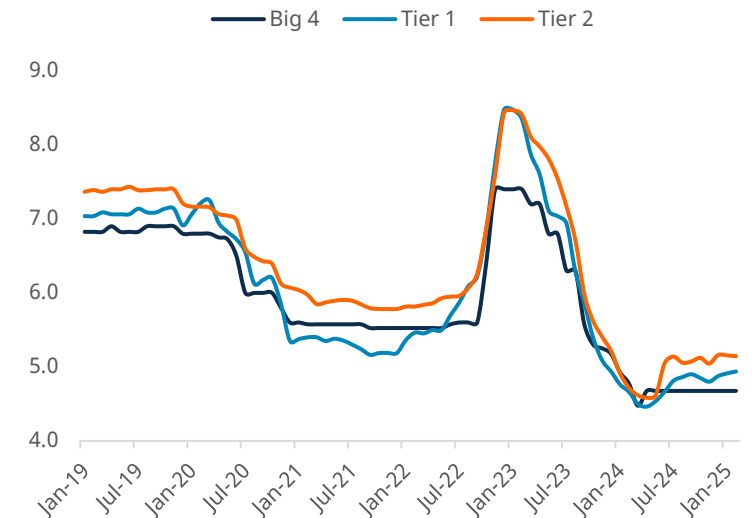
YTD deposit growth (2024 data as of 25 Dec.)



Debentures to IBLs



Deposit rates (12M)



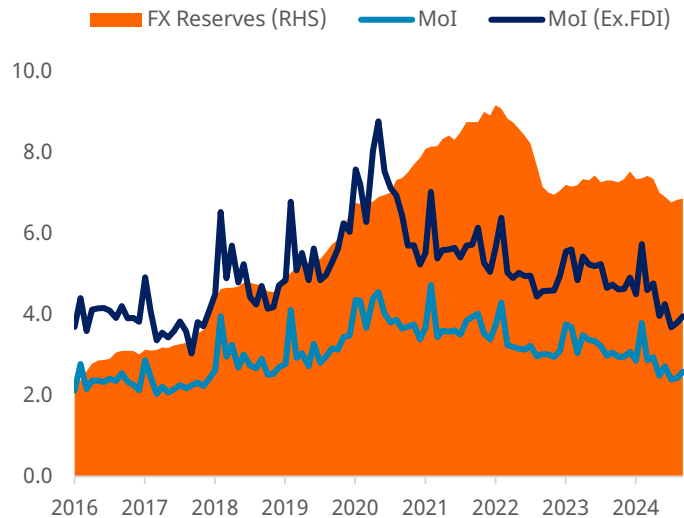
Sources: SBV, Bloomberg, Mirae Asset Vietnam

Funding growth (cont'd.)

Shifting sands

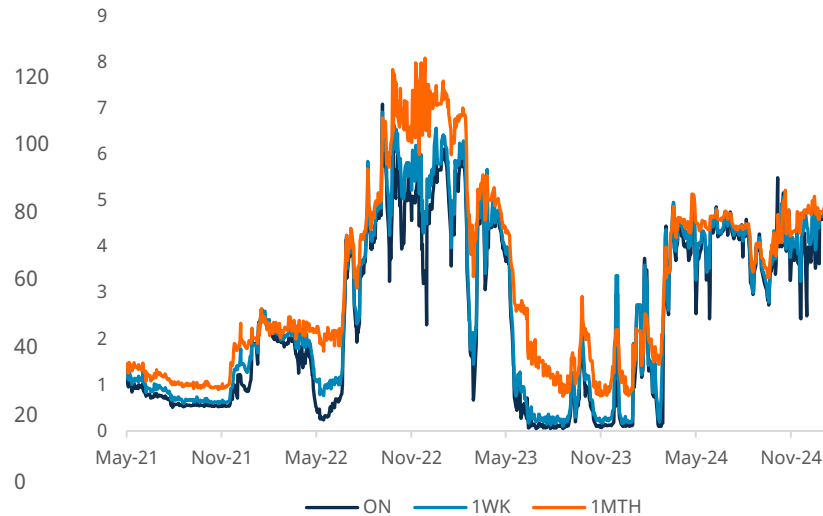
- **Elevated funding costs:** Interbank rates stayed high throughout FY24, reinforcing a tight liquidity stance. Average interbank funding costs rose by up to 100bps YoY, significantly outpacing the primary market. Liquidity tightening and US dollar sales helped stabilize VND depreciation, with US\$/VND appreciating slightly over 5% YoY, aligning with policy targets.
- **Key considerations for 2025:**
 1. **Limited room for further FX intervention:** Following a year of active FX interventions, the room for further policy actions has narrowed. In 2025, the VND's permissible depreciation band is expected to be reset at 5%, easing short-term pressure. Tighter monetary conditions, with rising interest rates and constrained liquidity, should support the currency, but may weigh on economic activity, especially banking. Future interventions depend on VND depreciation, as further depletion of FX reserves appears less viable, given the FX reserve-to-import coverage ratio has dropped to around 2.6x months in September 2024. Although this figure falls below the commonly recommended threshold of 3x, it remains neutral when excluding import demand from FDI firms, which are the key drivers of Vietnam's international trade. Meanwhile, the FX reserve-to-short-term external debt ratio remains above critical risk thresholds, providing a buffer against external shocks.
 2. **External uncertainty reaches a new level:** Global uncertainty has escalated, particularly with the policy shifts under the new US administration. Compared with previous cycles, the Trump presidency — and even the electoral race itself — has garnered heightened attention from traders, often outweighing the focus on monetary policy alone. In the near term, we do not foresee broad-based tariff pressure from the new administration directly targeting Vietnam. Instead, trade policies are likely to focus on specific industries and be leveraged to secure strategic agreements. That said, campaign rhetoric and policy commitments may lead the Fed to deviate from its data-driven approach, prolonging the tightening cycle, due to speculative projections and uncertainty, rather than actual economic necessity. In response, Vietnam is shifting its policy focus toward stimulating domestic demand, accelerating public investment, and diversifying industrial development beyond heavy manufacturing to reduce export dependence. These structural adjustments will be crucial in navigating external risks, while maintaining economic stability.

FX reserves and months of import

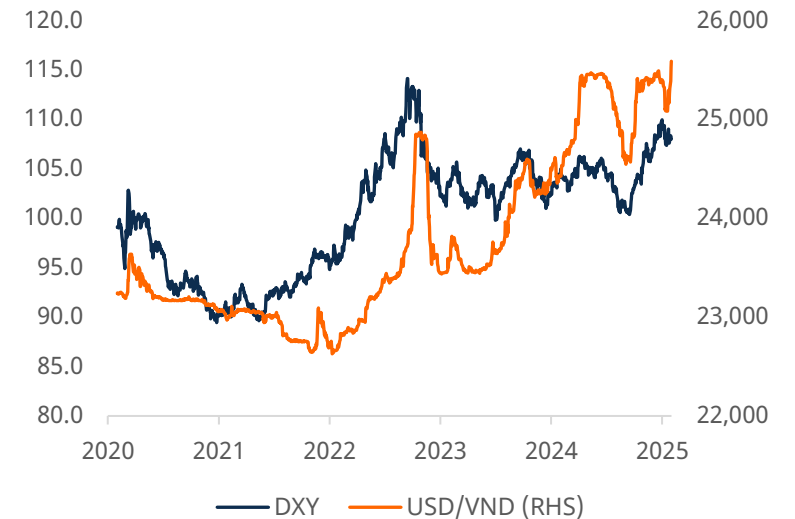


Sources: Bloomberg, FiinPro, Mirae Asset Vietnam

Interbank rates



VND/US\$ exchange rate

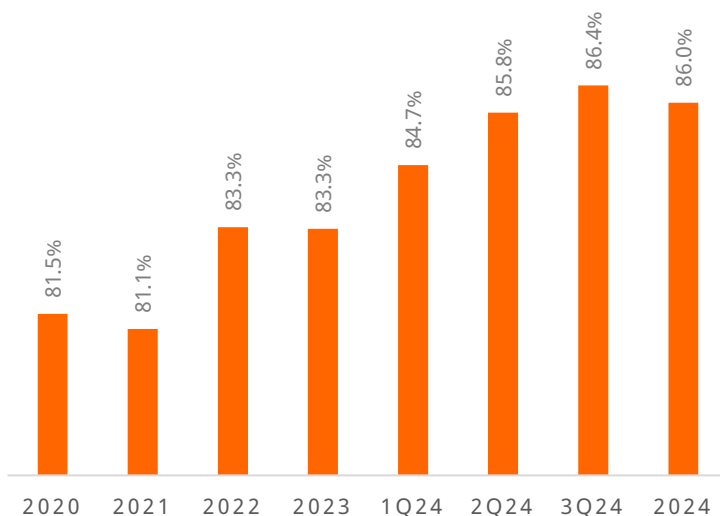


Liquidity

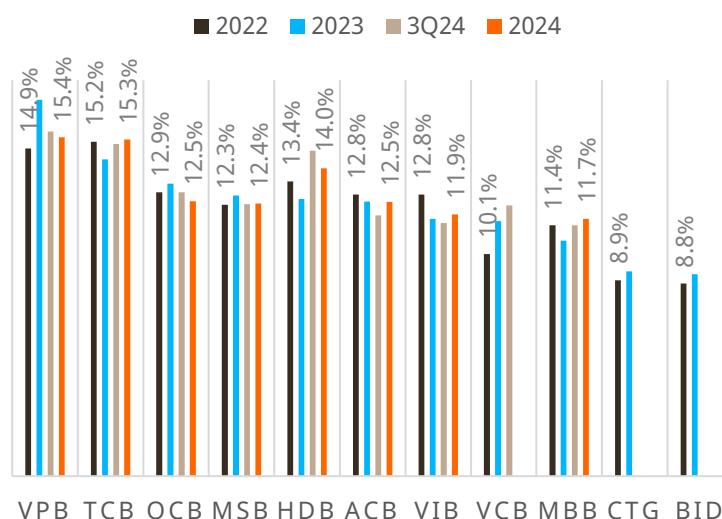
Tension dips, but holds

- Loan-to-deposit ratio (LDR) pressure remains a concern:** Liquidity stress, as reflected in the LDR, remains elevated, despite a slight improvement from 3Q24 (calculated figures are based on consolidated data from listed banks, excluding deposits from the SBV and certificates of deposit). However, the gap between deposit growth and credit expansion widened in 4Q24, implying that listed banks have outperformed the broader sector in mobilizing deposits. Deposit growth at major state-owned banks such as CTG (+13.8% YoY) and BID (+14.6% YoY) was particularly strong, underscoring the role of not just interest rates, but also institutional safety and long-term relationships in attracting deposits. According to surveys from large banks, LDR currently hovers around 77%–83% — below the regulatory cap of 85%, but uncomfortably close at some banks — suggesting that asset-liability management will remain a balancing act in the coming quarters.
- Other liquidity metrics remain stable:** Meanwhile, capital adequacy ratios (CAR) improved across most banks in 4Q24 and for FY24, even as several private banks resumed cash dividend payouts after years of suspension. This reflects a shift towards more diversified loan portfolios with lower risk weights, particularly as proportion of real estate exposure declines, offsetting faster credit expansion. Few banks saw a temporary CAR decline in 4Q24, likely due to a surge in loan disbursements toward year-end that had yet to be fully reflected in earnings. While detailed data is pending, state-owned banks are expected to comply with threshold, yet capital raising remains a priority, as seen in BID’s upcoming private issuance of 30% of its planned 6% increase for 2025, underscoring the sector’s urgency in strengthening capital buffers. Despite leading in total assets and credit market share, their slower growth trajectory has become increasingly apparent, making capital reinforcement urgent — not only to meet regulatory thresholds, but also to stay competitive and avoid a destabilizing rate war within the banking sector. In the near term, several private banks are seeking approval to transition from the standardized approach to the Internal Ratings-Based (IRB) framework, which — if granted — could artificially improve CAR without requiring further capital injections, potentially serving as a catalyst for investor sentiment. Looking further ahead, the SBV is drafting a new circular to replace Cir.41/2016 (Vietnam’s Basel-equivalent framework), introducing higher capital requirements. While compliance is unlikely to pose a fundamental challenge for either state-owned or private banks, adjustments in valuation benchmarks could have debasing implications.

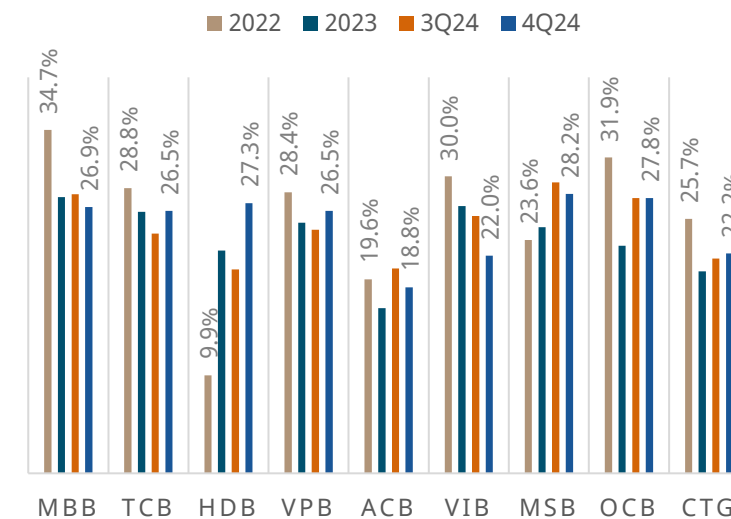
LDR



CAR



SFTMLL



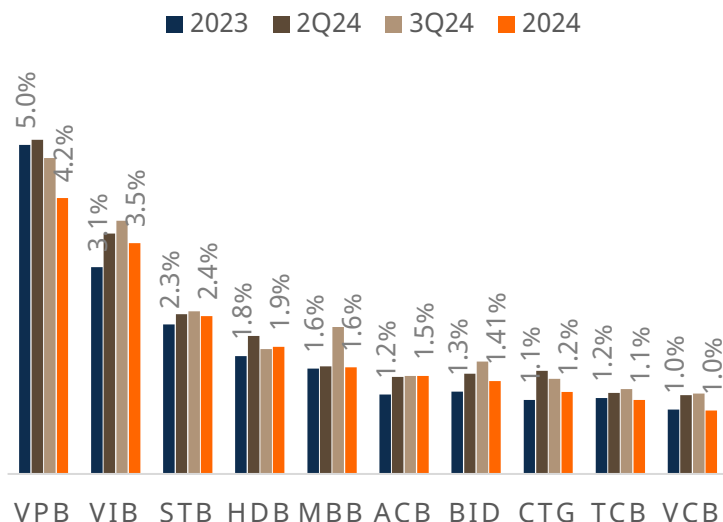
Sources: Company data, Mirae Asset Vietnam

Asset quality

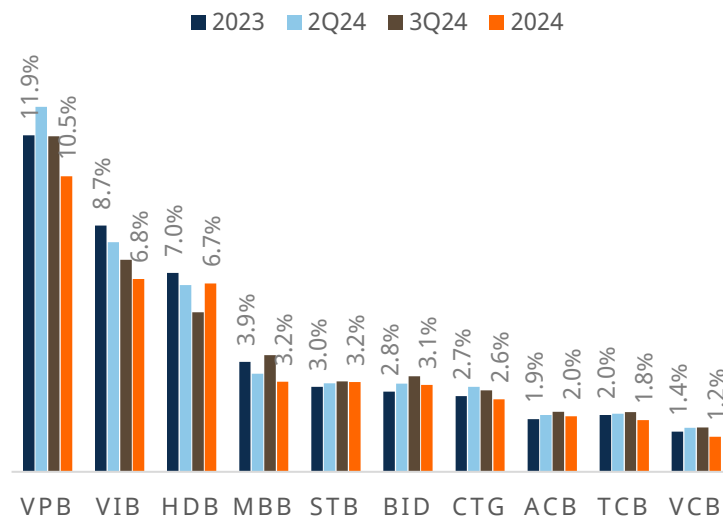
Strength in numbers

- Asset quality sees broad-based improvement despite minor divergences:** Asset divergence persists, but the swings appear less skewed, as asset quality stabilizes at smaller banks, while few mid-sized lenders have seen some deterioration in loan quality. While there are some minor divergences among smaller banks, the overall trend reflects a consensus on asset quality improvement. The NPL ratio for listed banks declined by 1bps YoY or 31bps QoQ to 1.92%, while non-current loan ratios dropped by 32bps YoY, or 42bps QoQ. Notably, asset quality improvements were not merely statistical, but also reflected in absolute figures, with total NPLs at listed banks contracting by 10% QoQ. This dispels concerns that the improvement was solely the result of aggressive credit expansion in late-2024. Additionally, new NPL formation reached multi-quarter lows in 4Q24. At the sector level, according to the SBV, as of year-end 2024, total special mention loans at commercial banks stood at VND211.7tn, accounting for 1.25% of total outstanding credit and marking a 7% YoY decline. On-balance-sheet NPLs of commercial banks reached VND733.9tn, rising by a modest 3.4% YoY and accounting for 4.35% (-54bps YoY) of total loans. Excluding the five banks under special control, the sector's NPL ratio stood at just 1.69%. In all, the improvement was largely driven by the SBV's flexible approach to interest rate management — keeping lending rates relatively low to support asset quality, while balancing profitability constraints at certain banks for the sector's long-term stability.
- Measured increase in NPLs before stabilization:** NPLs are expected to edge up slightly in 1H25, before stabilizing in the medium term. Compared with pre-COVID levels, only a handful of top-tier banks have managed to restore their asset quality metrics, while the listed banks remain approximately 42bps above pre-pandemic levels. In the near term, high loan disbursement in late-2024 could lead to some fluctuations in outstanding credit, requiring time for the system to absorb. For 2025, we do not anticipate significant improvement in NPL ratios, due to several key factors: 1) Higher interest rates may exert some upward pressure on NPL formation; and 2) as observed, banks have shown a reluctance to expand aggressively into the business banking segment, particularly following the strong 4Q24 credit growth, which may have been influenced by short-term growth targets. Instead, a shift back toward retail lending is likely, once demand improves. This segment, however, is inherently riskier, often carrying a higher NPL formation rate.

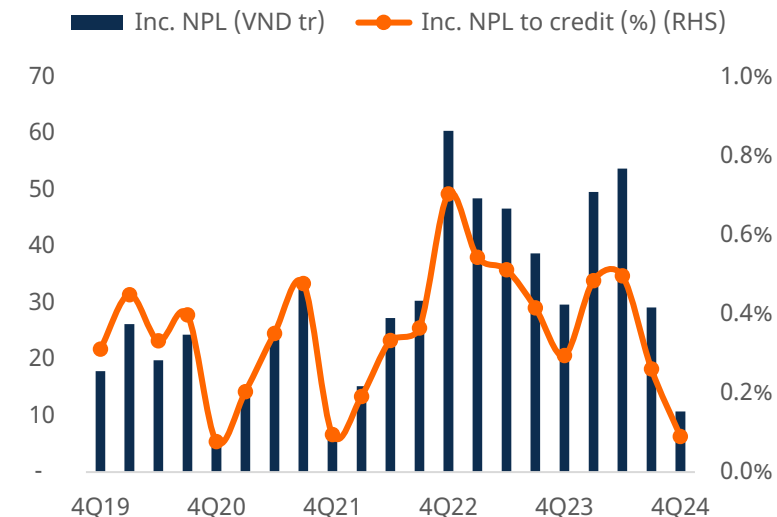
NPL



Gross NPL



Quarterly incremental NPL (listed banks)



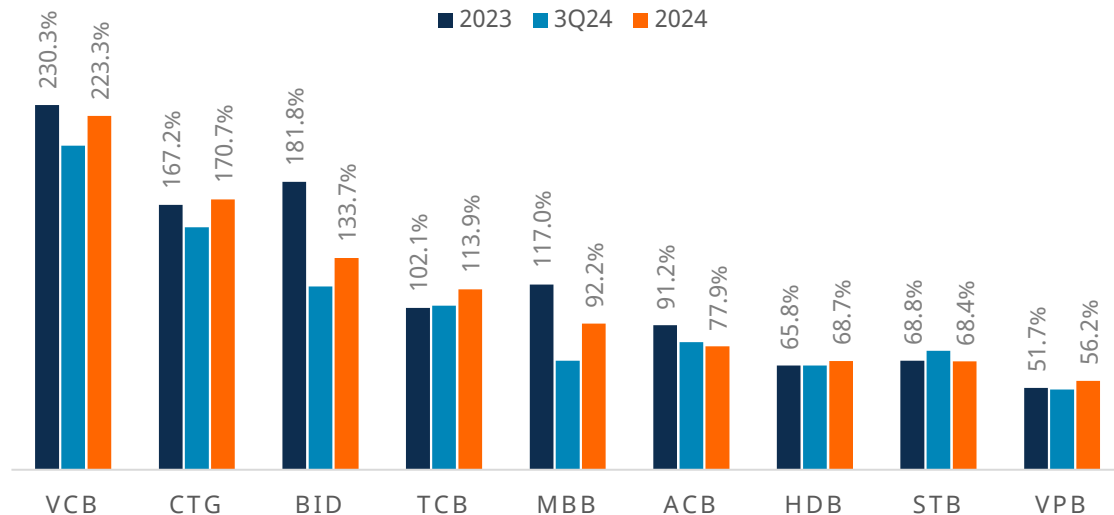
Sources: Company Data, Mirae Asset Vietnam

Asset quality (cont'd.)

The fog has lifted

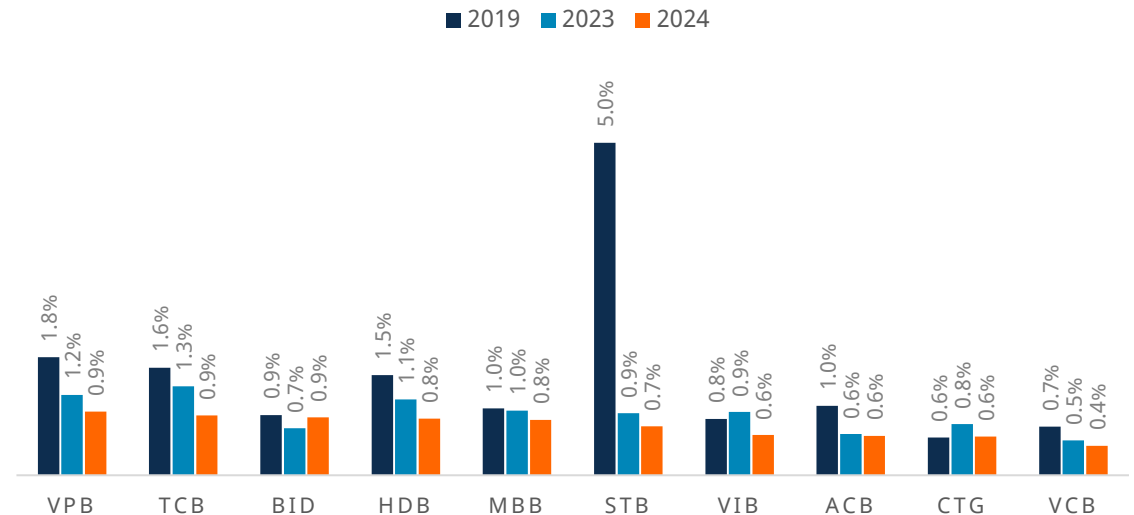
- The loan loss reserve (LLR) ratio continues to improve:** Most banks have seen enhancements in their LLR, with improvements being more widespread and recovery stronger than anticipated. The total provisions for NPL at listed banks have risen to 91.4%, showing a 3.6%p YoY decrease but improving by 10.6%p from the trough in 2Q24. The median LLR increased by 4.7%p YoY to 68.4%. By group, SOCBs continue to lead with the best LLR ratios, with all three of the major banks reporting strong recovery in this metric during the quarter. Notably, another bank that experienced a strong improvement in its LLR is MBB, as its NPLs decreased significantly, bringing its ratio closer to its 100% target. Among our coverage banks, ACB and STB are still facing some challenges with provisioning in the upcoming quarters, as their ratios deviate somewhat from their typical comfort zone. Additionally, VPB may also face some hurdles, with nearly VND1tr of its loan portfolio having been sold to VAMC during 4Q24.
- Off-balance sheet NPL risks have seen significant reduction:** First, by end-3Q24, restructured loans under Cir. 02 and Cir. 06 totaled VND126.4tr, or 0.87% of total credit outstanding, and this ratio has been gradually declining, with the ratios of most banks below 0.5%. For the private commercial banks under our coverage, this ratio is lower by more than half in 4Q24, ranging from 0–0.2%, according to the latest earnings calls. Furthermore, the recovery rate for these loans is relatively high, and their proportion of total credit is insignificant, so we expect them to have little impact on provisioning (negative) or interest income (positive) for the banking sector. Moving forward, with 2024 — the year considered the peak for bond maturities of non-financial issuers — now behind us, it is important to note that, fortunately, no significant defaults have occurred. The cases often cited, such as NVL and Trung Nam group, have managed to meet their obligations, with their projects expected to soon finalize legal procedures, generating cash flow and significantly easing concerns for creditors. Lastly, the reduction in accrued interest to IEA also puts to rest doubts about unrecorded NPLs on the balance sheet. Overall, we assess that the asset quality of the banking sector has improved both in terms of quantity and quality, with systemic risk notably eased.

Loan loss reserve ratio (LLR)



Sources: Company data, Mirae Asset Vietnam

Accrued interest to IEA

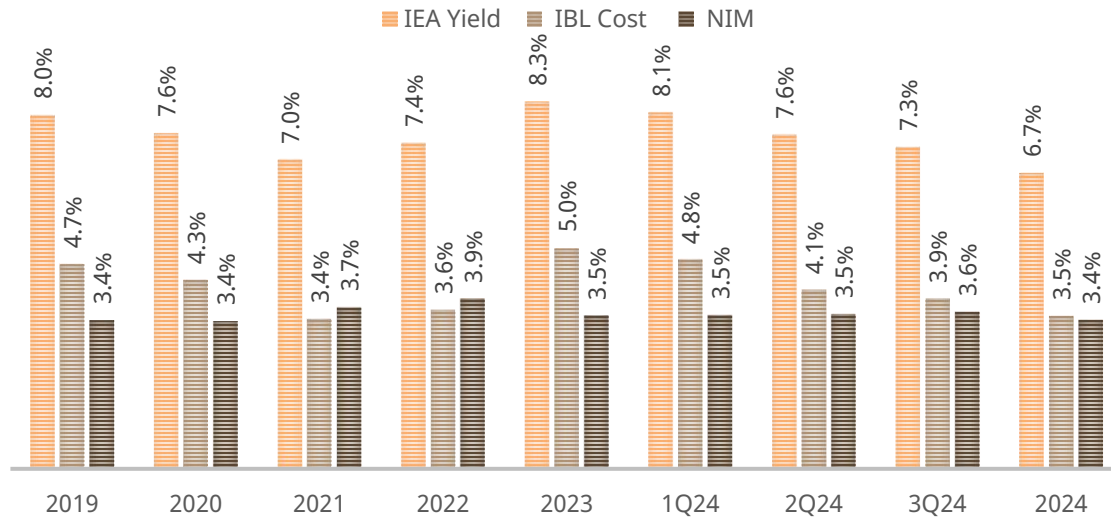


Profitability

Necessary sacrifice

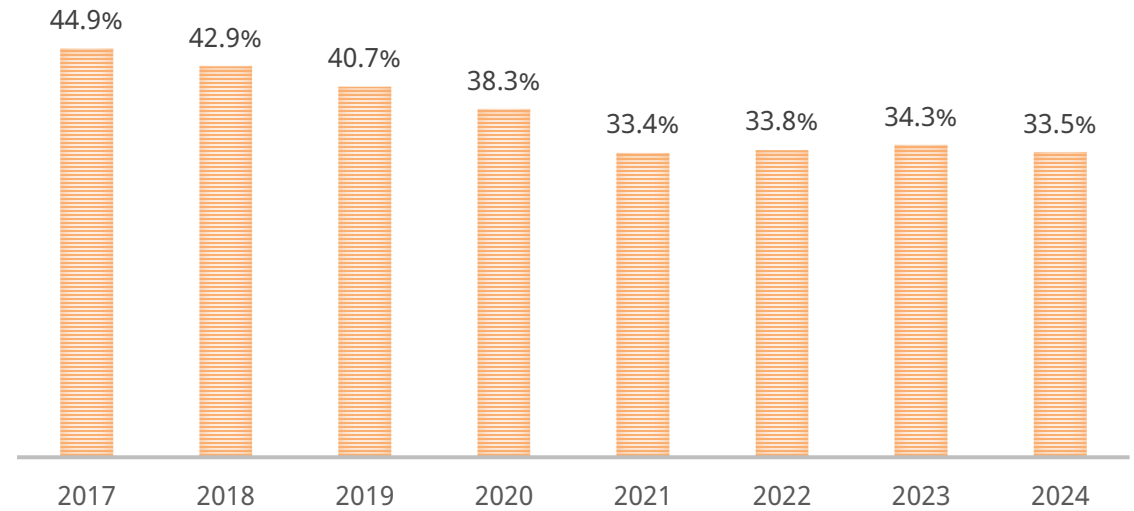
- Net interest margin (NIM) faces significant downward pressure in 4Q24:** Unlike the divergence observed in 2Q and 3Q24, NIM contraction was broad-based across listed banks in 4Q24. By year-end, the average NIM of 27 listed banks had declined by 10bps QoQ and 19bps YoY to 3.38%. In addition to previously discussed factors — such as intense competition distorting the synchronization between lending and funding rates, and the outsized growth of business banking — aggressive late-year disbursements further weighed on margins, particularly in 4Q24. While this compression deviated slightly from our initial projections, it ultimately served as a trade-off for improving asset quality across the board and mitigating systemic risks. On a quarterly basis, BID and VPB were the only banks in our coverage to record NIM expansion. Looking ahead, we expect a slight improvement in NIM in the near term, with SOCBs (notably CTG and BID) and select private banks, like TCB and VPB, to further recover, supported by a rising share of retail banking. Meanwhile, for other banks, the rebound may be more modest, primarily driven by the normalization of asset yields following the strong disbursement phase in 4Q24.
- Cost discipline enhances operational efficiency:** With economic recovery still in progress and banks continuing to shoulder the burden of supporting growth through accommodative interest rates, cost optimization has remained a key focus. The cost-to-income ratio (CIR) declined by approximately 8%p to 33.5%, marking a multi-year low. Beyond increased automation streamlining various operational processes, the surge in digital transactions in recent years has also reduced the need for physical branches and workforce expansion — creating further room for efficiency gains in the medium term. This trend is particularly relevant not only for private commercial banks, but also for SOCBs — aligning with the government's broader initiative to streamline operational networks.

Yield vs. cost



Sources: Company data, Mirae Asset Vietnam

CIR



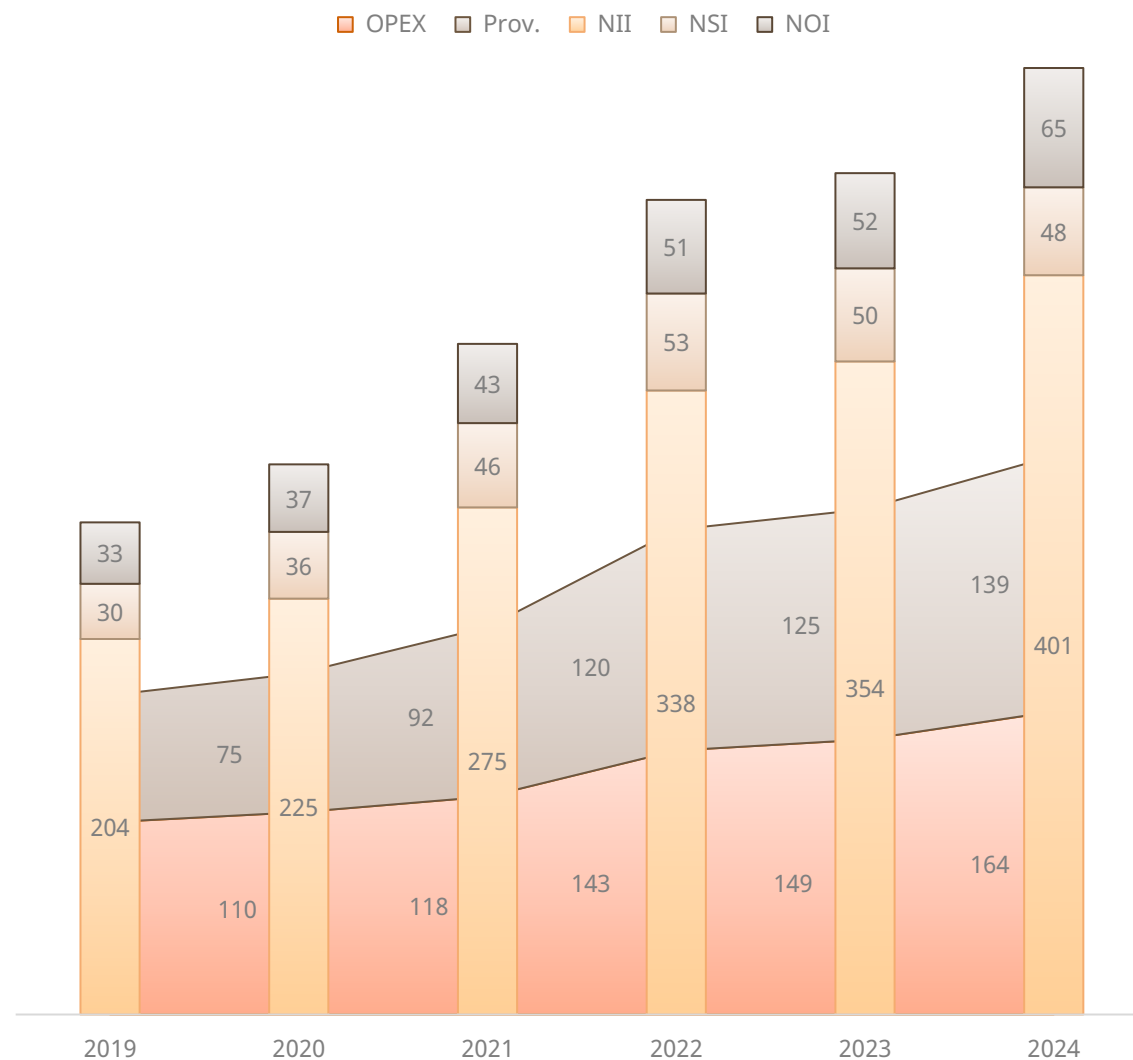
Profitability (cont'd.)

PBT performance (VNDbn)

Tickers	2023	2024 (P)	YoY	2024 (A)	YoY	Completion
ABB	584	1,000	71.2%	795	36.1%	79.5%
ACB	20,068	22,000	9.6%	21,006	4.7%	95.5%
BAB	1,061	1,100	3.7%	1,260	18.8%	114.6%
BID	27,589			31,383	13.8%	
BVB	72	200	179.3%	391	445.5%	195.3%
CTG*	24,194	26,300	8.7%	30,361	25.5%	115.4%
EIB	2,720	5,180	90.5%	4,188	54.0%	80.9%
HDB	13,017	15,852	21.8%	16,731	28.5%	105.5%
KLB	719	800	11.3%	1,112	54.7%	139.0%
LPB	7,039	10,500	49.2%	12,168	72.9%	115.9%
MBB	26,306	28,410	8.0%	28,829	9.6%	101.5%
MSB	5,830	6,800	16.6%	6,904	18.4%	101.5%
NAB	3,304	4,000	21.1%	4,545	37.6%	113.6%
NVB	-667			-5,128	-669.4%	
OCB	4,139	6,885	66.3%	4,006	-3.2%	58.2%
PGB	351	554	57.7%	421	19.8%	76.0%
SGB	332	368	10.8%	99	-70.1%	27.0%
SHB	9,239	11,286	22.2%	11,543	24.9%	102.3%
SSB	4,617	5,888	27.5%	6,039	30.8%	102.6%
STB	9,595	10,600	10.5%	12,720	32.6%	120.0%
TCB	22,888	27,100	18.4%	27,538	20.3%	101.6%
TPB	5,589	7,500	34.2%	7,600	36.0%	101.3%
VAB	917	1,058	15.4%	1,085	18.3%	102.5%
VBB	812	950	17.0%	1,131	39.3%	119.1%
VCB	41,244	42,000	1.8%	42,236	2.4%	100.6%
VIB	10,704	12,045	12.5%	9,004	-15.9%	74.8%
VPB	10,804	23,165	114.4%	20,013	85.2%	86.4%

Sources: Company data, Mirae Asset Vietnam
Note: CTG's parent figures

Income vs. expenses of our coverage banks (VNDtr)



Profitability (cont'd.)

Optimism with measured steps

- **Profit growth in the banking sector showed some signs of deceleration relative to credit expansion:** Specifically, the aggregate net profit of 27 listed banks grew by 17.9% YoY, slightly outpacing their collective credit growth of 17.7%. However, among the top 10 banks under our coverage — which account for over 77% of total credit in this group — profit growth reached only 15.7% YoY, or 13.5%, if excluding VIB and VPB to adjust for the low-base effect. On the income side, net interest income (NII) and net other income (NOI) were the primary drivers, with NOI benefiting from non-recurring gains in trading activities and bad debt write-offs. Meanwhile, net service income (NSI) faced headwinds, due to regulatory changes, particularly Cir. 21/2024 (effective 2H24), which reclassifies certain trade finance services — such as L/C operations — as credit activities, and Cir. 67/2023 (effective Nov. 23), which tightened bancassurance regulations, limiting the practice of bundling loans with insurance products. On the expense side, operating expenses (OPEX) and provisioning grew at a controlled pace of approximately 10%, remaining within a manageable range.
- **Cautious outlook likely to dominate AGM guidance:** Current baseline projections suggest that profit growth will range between 15–17%, primarily driven by sustained NII expansion and effective cost control. **Keys to watch include the following:**
 1. Despite banks under our coverage being positioned as the key contributors to system-wide credit growth in 2025 — given their larger scale and superior operational metrics — NII is expected to rise only marginally above credit growth, constrained by a lackluster NIM outlook. Most covered private-sector banks are projected to achieve credit growth of 20–25%, while SOCBs (excluding VCB) are expected to hover above 16%;
 2. NSI prospects remain mixed. Banks with strong disbursed credit in their core retail banking segments may see weaker settlement fee streams, whereas those that cater to non-core segments could achieve steadier growth. Overall, this resource is likely to expand at a modest single-digit pace, as global trade uncertainty under a potential Trump 2.0 scenario casts a shadow over fee-based revenue. Additionally, interest generated from service-related activities will be classified under interest income, which is likely to lead to a decline in NSI in 2025, establishing a new normal baseline;
 3. Life insurance may continue to struggle, despite the structural tailwind of low market penetration. Instead, IB and asset management are expected to emerge as stronger growth drivers, benefiting from the bond market recovery and rising demand for alternative assets beyond equities and debt — classes that have inherently higher entry barriers locally. Banks have foreseen this shift and have already increased investments in brokerage subsidiaries during 2023–2024;
 4. For NOI, trading gains remain challenging to forecast, due to the variability in banks' trading portfolios. However, recovery income presents a more optimistic outlook. Notably, 2024 saw a surprisingly strong surge in this segment, as reflected in the unaudited FS of banks, including VPB (+123.4%), VIB (+80%), and VCB (+79.5%), while MBB and TCB also posted gains of around 40%. This was partly driven by banks' proactive bad debt resolution efforts and regulatory easing — not just in real estate, but also in energy and infrastructure — despite the absence of legislative changes, such as legalization of Res.42/2017. Given that Vietnam's debt resolution process is already largely aligned with international standards, and that the most time-consuming aspect remains litigation, the government's ongoing efforts to streamline administrative processes could provide further tailwinds. Unfortunately, the strong expansion in 2024 should have set a high base effect, which could make achieving another year of robust growth more challenging;
 5. Meanwhile, OPEX is expected to remain flexible, with adjustments in line with actual revenue performance. Provisioning should not pose significant pressure on the sector as a whole, although some banks may take a more aggressive stance to bring their safety buffers back to comfortable levels. This is particularly relevant in 2025, as business banking continues to gain prominence as a key growth driver.

Key figures

Stock code	Mkt. cap.	EPS LTM	LLR (%)	NPL	NIM	ROE	ROA	Equity multiplier	P/B	P/E
SOCBs										
VCB	494,635	5,449	230.3	1.0	3.1	20.0	1.8	12.2	2.7	14.8
BID	276,186	3,314	180.9	1.3	2.6	19.1	1.0	20.3	2.1	12.1
CTG	187,413	3,706	167.2	1.1	3.0	16.0	1.0	16.5	1.4	9.3
Avg.		4,156	192.8	1.1	2.9	18.4	1.3	16.3	2.1	12.2
Our coverage										
ACB	107,870	3,558	91.2	1.2	3.9	23.9	2.3	10.3	1.4	6.6
HDB	76,746	3,482	65.8	1.8	5.6	27.0	2.2	12.5	1.5	6.3
MBB	126,821	3,966	117.0	1.6	4.6	23.4	2.4	9.9	1.3	5.9
STB	55,802	4,094	68.8	2.3	3.6	18.0	1.2	15.0	1.1	6.8
TCB	155,695	2,552	102.1	1.2	3.9	16.6	2.6	6.4	1.1	7.2
VIB	53,475	2,848	50.7	3.2	4.2	21.4	1.9	10.7	1.4	7.0
VPB	144,397	1,433	52.1	5.0	5.8	9.8	1.4	6.3	1.1	12.0
Avg.		3,133	78.3	2.3	4.5	20.0	2.0	10.1	1.3	7.5
Others										
ABB	7,866	438	46.4	2.9	2.1	3.4	0.3	11.0	0.6	17.4
BAB	10,572	959	131.0	0.9	2.0	8.4	0.6	13.6	0.9	11.6
BVB	6,181	109	41.8	3.3	1.9	1.0	0.1	15.4	1.1	102.7
EIB	31,945	1,244	41.2	2.7	2.7	9.9	1.1	9.0	1.4	14.4
KLB	4,663	1,588	62.2	1.9	2.7	10.5	0.7	15.8	0.8	8.1
LPB	78,902	2,705	93.8	1.3	3.1	26.1	2.1	12.2	2.1	9.3
MSB	29,250	1,786	55.2	2.9	3.3	14.9	1.8	8.3	0.9	6.2
NAB	21,624	1,982	51.6	2.1	3.8	20.7	1.5	13.9	1.3	3.6
NVB	4,956	-1,202	6.5	29.8	0.6	-12.4	-0.7	17.1	1.0	
OCB	27,987	1,328	64.1	2.7	2.8	10.2	1.3	8.1	0.9	9.6
PGB	7,548	588	34.9	2.9	2.7	5.9	0.5	11.1	1.6	27.6
SGB	4,438	787	44.1	2.0	3.6	6.7	0.9	7.4	1.1	16.6
SHB	37,723	2,024	68.7	3.0	3.4	15.4	1.3	12.6	0.7	4.7
SSB	46,211	1,279	85.5	1.9	3.5	15.2	1.8	8.8	1.4	10.0
TPB	39,189	2,027	63.7	2.0	4.3	14.2	1.3	10.5	1.1	8.3
VAB	4,968	1,378	67.9	1.6	1.8	9.8	0.7	14.2	0.6	6.7
VBB	5,607	1,337	37.6	2.6	1.8	9.8	0.5	19.0	0.7	7.3
Avg.		1,348	61.9	2.3	2.8	11.4	1.0	11.9	1.1	16.5

Sources: Bloomberg, Mirae Asset Vietnam

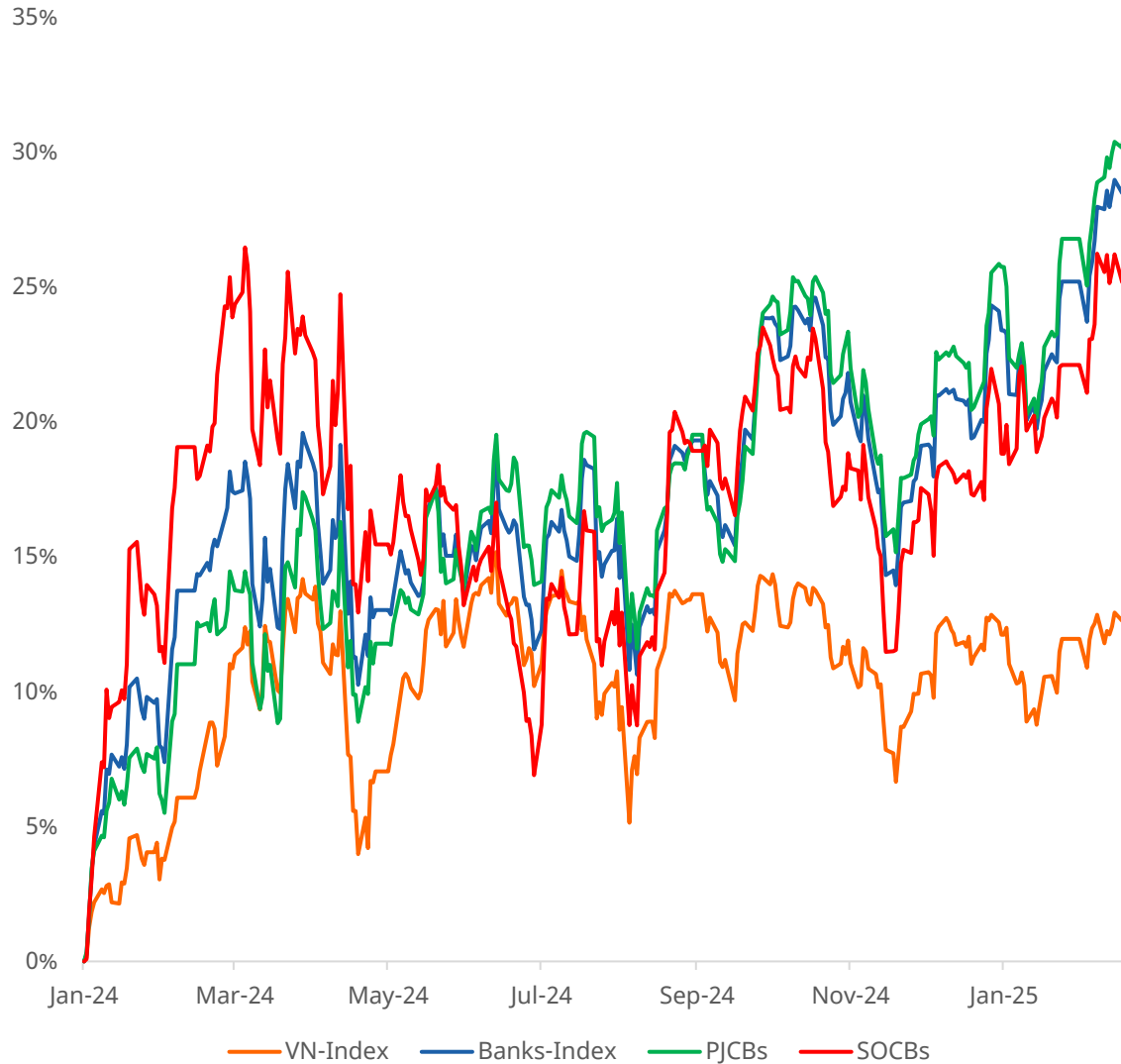
Valuation and investment highlights

Tide keeps turning

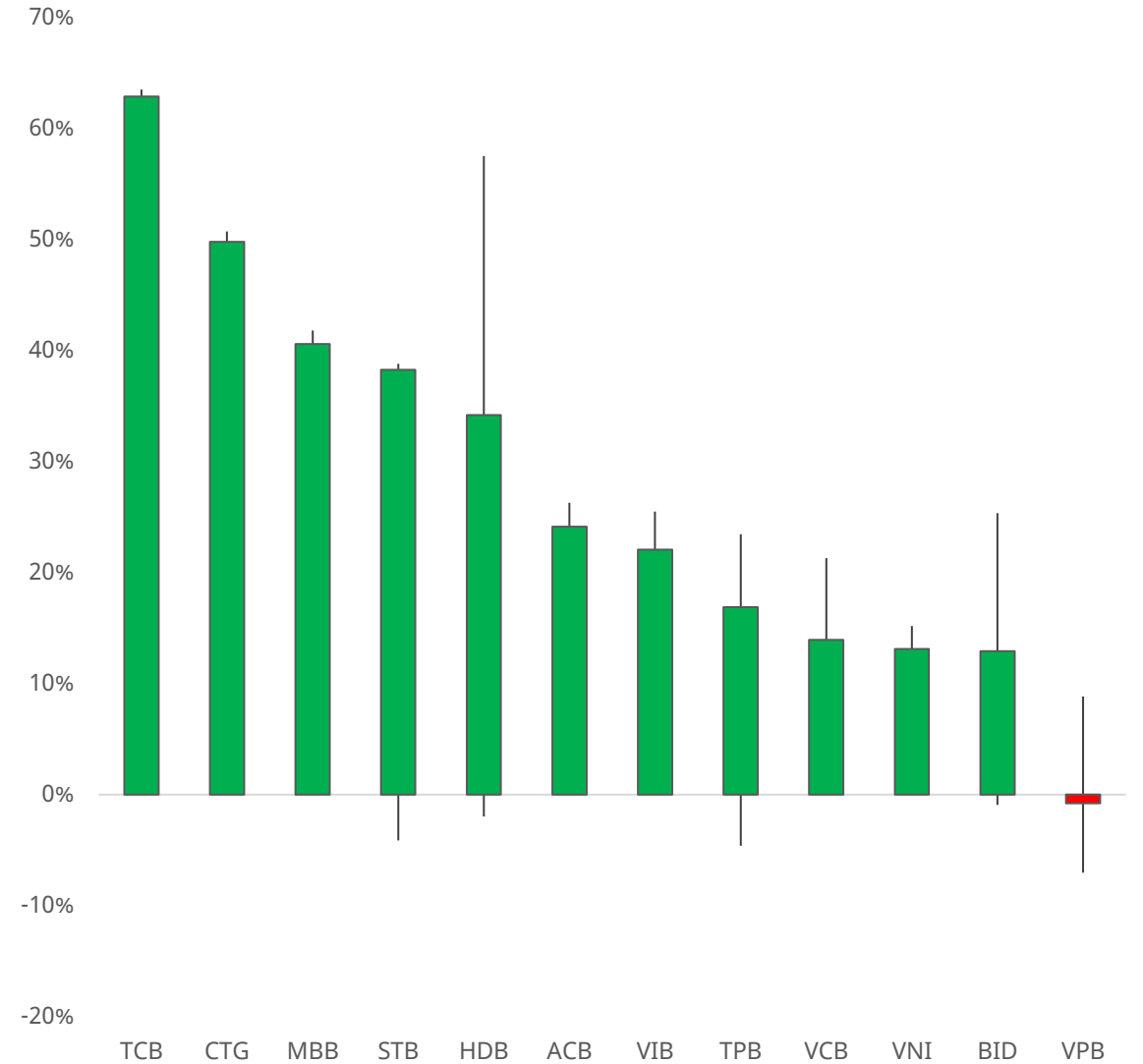
- **Lack of momentum without fundamental growth:** In 2024, listed banks saw average PBT growth of approximately 20%, rising to 27% for our coverage banks. As expected, banking stocks continued to outperform the broader market, with the VN-Index gaining only 12%, reflecting investors' preference for growth opportunities with relative safety. However, despite solid 4Q24 earnings growth of 19% YoY, both the broader market and bank stocks saw mild corrections (~2%), indicating that most fundamental upside had already been priced in. Additionally, external uncertainties—such as rate policy fluctuations and heightened global risks following Trump's re-election—contributed to a more cautious market stance.
- **Key factors to consider for both fundamentals and valuations:** Most structural risks that weighed on the sector in 2023–2024 have largely faded, including political uncertainties, regulatory bottlenecks, and asset quality concerns. While interest rate hike could temporarily dampen sentiment, it is not inherently negative as long as the increases remain controlled and not abrupt. Despite the solid long-term growth outlook for VN's banks, the proposed CAR modification (currently in draft form) — which is likely to be formalized — could lower sector-wide valuation benchmarks by 8–15%, based on peer comparisons. Externally, Trump's trade policies remain a wildcard. As one of the top countries with a trade surplus with the US, Vietnam is vulnerable to potential tariff adjustments. However, we do not expect these measures to severely impact Vietnam's trade flow. Instead, they may lead to a moderate slowdown in exports, while the psychological impact on market sentiment could be more pronounced. Additionally, a prolonged "higher-for-longer" Fed policy could weigh on domestic FX stability, adding another layer of complexity to the macro backdrop.
- **Key catalysts and our preferred list:** For 2025, we favor SOCBs, particularly BID and CTG, which stand to benefit significantly from accelerated public investment disbursement. These banks also enjoy low-cost funding advantages, supporting retail banking expansion, and gradual NIM improvement, while asset quality stabilizes amid more predictable policies and a supportive political environment. On the private bank side, TCB remains a standout given its strong ecosystem and retail banking recovery prospects. The public investment and domestic consumption revival theme extends beyond SOCBs, benefiting HDB and VPB, which exhibit high earnings correlation with consumer credit growth. From a macro and liquidity perspective, Vietnam's FX reserves remain relatively low, and domestic liquidity remains constrained. However, US dollar demand will likely pick up once the DXY weakens, provided the Fed's path toward a neutral long-term rate (~3%) becomes clearer and Trump's economic stance solidifies. This would unlock additional liquidity inflows into the economy. A secondary factor is the timing of foreign investment flows returning to emerging markets, including Vietnam. Throughout 2024, capital continued to exit Vietnam, as U.S. investors favored AI and semiconductor plays, while key investors from Europe, China, Japan, and South Korea faced their own challenges, including sluggish domestic growth, high discount rates, and tariff concerns. These catalysts, however, present potential upside risks for trading activities, particularly if sentiment shifts in favor of higher-yielding emerging market assets.
- **Rationales for maintaining a neutral banking outlook:** Throughout this report, most key indicators point to a resilient banking sector. While short-term uncertainties — such as Fed policy adjustments and potential shifts in market sentiment, driven by geopolitical risks — could introduce volatility, these fluctuations are viewed as tactical opportunities to strengthen positions. There is currently no material downside risk to the broader domestic economy or the banking sector in particular. However, long-term prospects warrant a more measured stance, preventing an overly aggressive bullish outlook.
- First, valuation pressures remain a concern over the longer term, particularly for banks with CAR hovering around 10–12%, due to the typically inverse relationship between CAR and the P/B target. Given that IRB models are expected to undergo increased scrutiny before practical implementation, banks may face a more stringent capital environment. Currently, local bank balance sheets remain concentrated in lending and government bonds, with limited exposure to complex financial instruments. Moreover, existing accounting standards do not yet mandate mark-to-market adjustments for financial assets, which has shielded banks from valuation swings. That said, the adoption of higher capital standards is unlikely to cause immediate disruption to fundamentals, as the SBV is expected to roll out changes gradually, with selected CIs pioneering the transition before industry-wide implementation.
- A second risk factor lies in potential overvalued asset classes. In the US, strong economic growth, coupled with persistently high inflation, suggests that overvalued asset classes are shifting toward the medium term. Locally, however, RE is the dominant investment asset class, making it a more immediate focus. Market surveys indicate that average condominium prices in HCMC and Hanoi posted double-digit growth in both 2023 and 2024. While some data skew is attributable to the higher proportion of new launches being in the premium segment, absorption rates remain strong, and there has yet to be any significant price correction — even in periods of market strain. Relative to regional peers, Vietnam's housing affordability — measured as the ratio of average income to home prices — remains stretched. This raises the likelihood of government intervention to prevent speculative excesses, which in turn could weigh on banking sector growth and earnings potential.
- Finally, sector valuations have approached historical averages, with limited fresh inflows into the market. Absent compelling investment catalysts, paying up for exposure appears unjustified. While certain stocks — such as STB — offer distinctive growth narratives, broad-based outperformance remains challenging. In all, while near-term banking sector performance is expected to remain stable, the outlook has yet to turn decisively positive.

Valuation and investment highlights

Banks' share performances



Banks' share performances (from start of 2024)

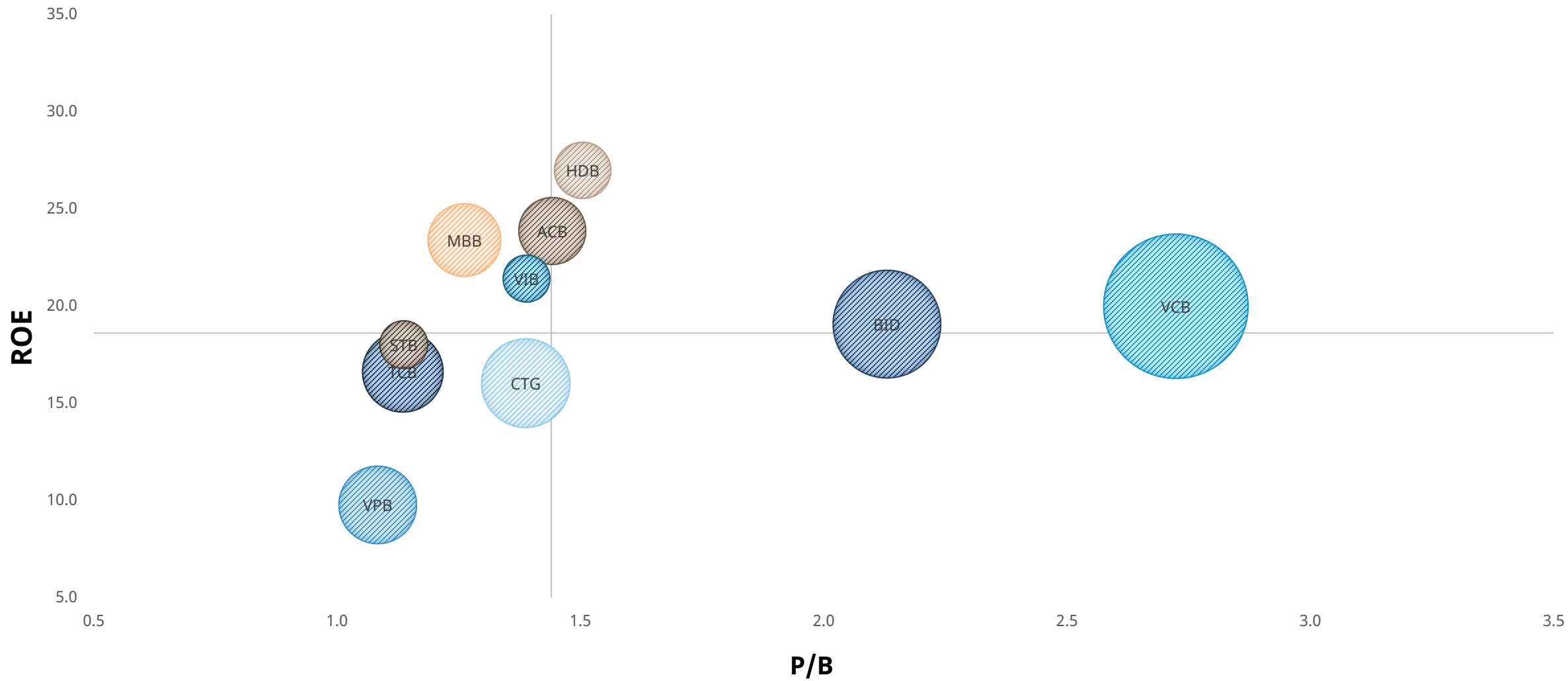


Sources: Bloomberg, Mirae Asset Vietnam

Valuation and investment highlights (cont'd.)

Relative valuation

Current market cap, ROE, and trailing P/B (avg. P/B of 12 top banks: 1.44)



Sources: Bloomberg, Mirae Asset Vietnam

P/B band chart

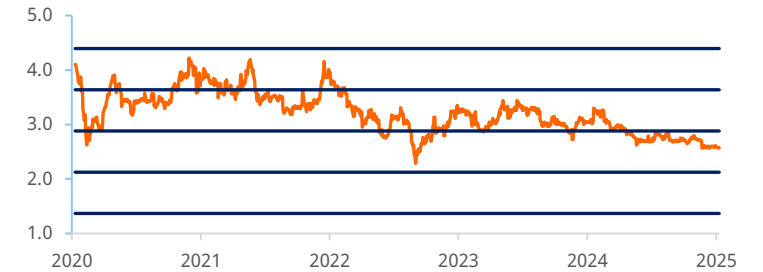
BID



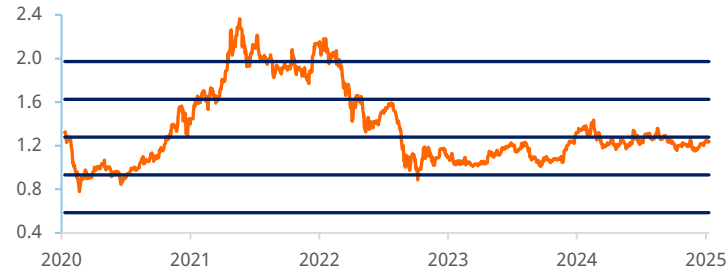
CTG



VCB



MBB



VPB



TCB



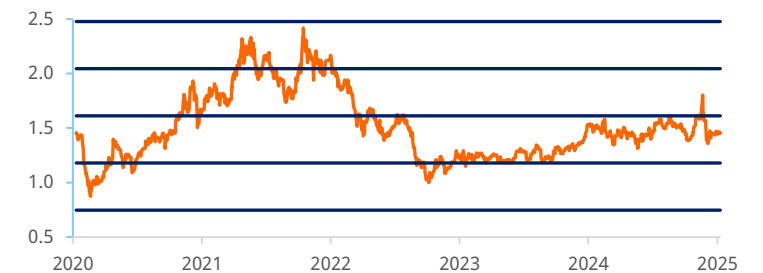
ACB



STB



HDB



Sources: Bloomberg, Mirae Asset Vietnam

APPENDIX

Stock Ratings		Industry Ratings	
Buy	: Relative performance of 20% or greater	Overweight	: Fundamentals are favorable or improving
Trading Buy	: Relative performance of 10% or greater, but with volatility	Neutral	: Fundamentals are steady without any material changes
Hold	: Relative performance of -10% and 10%	Underweight	: Fundamentals are unfavorable or worsening
Sell	: Relative performance of -10%		

Ratings and Target Price History (Share price (—), Target price (—), Not covered (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆))

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