CHỨNG KHOÁN GUOTAI JUNAN (VIỆT NAM)
GUOTAI JUNAN SECURITIES (VIETNAM)

BANKING SECTOR

ACCELERATED MOMENTUM WITH POLICY HIGHLIGHTS AND STRATEGIC SHIFTS

May 2025

Guotai Junan (VN) Research
23/5/2025

KEY HIGHLIGHTS

The performance of banking stocks remained relatively positive in the face of supportive information including: a high economic growth plan to boost credit demand with **a credit growth target of 16%** this year; supportive policy adjustments such as Decree 69/2025 regarding the expansion of **foreign room to 49%** for banks participating in the restructuring of weak credit institutions (**HDB, VPB, MBB, VCB**) or recent policy proposals including the Draft Amendment to Circular 15/2022/TT-NHNN - On recapitalization or the proposal to legalize the seizure of collateral assets of credit institutions.

However, it can be seen that the strong growth momentum is tilted toward banks with their own stories such as **STB or TCB**, helping these stocks continuously set new peaks.

Most of the remaining bank stocks have not been able to break through before the business results, especially net interest income is under pressure due to the narrowing of NIM and the pressure of rising provision costs given the Circular 02/2023/NHNN on Covid debt extension officially expired on January 1, 2025 and the trend of bad debt increased in Q1.

Faced uncertain information about tariffs, banking stocks are attracting more cash flow than other sectors because they are not directly affected by this information.

On the other hand, the uncertain macro environment will make it more difficult for banks to balance and select clients for credit disbursement in the coming short term. NIM barriers and bad debts also make the business picture less bright. However, we believe that credit growth in the banking sector will gradually accelerate from Q3 and reach the target milestone similar to previous years.

Recommended stocks: VCB, CTG, BID, TCB, VPB, MBB.

Sources: FiinproX, GTJASVN Research

PART I: KEY HIGHLIGHTS AND PROSPECTS

Sources: FiinproX, GTJASVN Research

Sources: FiinproX, GTJASVN Research

POLICY HIGHLIGHTS AFFECTING THE BANKING INDUSTRY

1. Legalization of the right to seize secured assets
Submission date: May 20, 2025 – SBV submits to the National Assembly.
Content: Legalize the provisions previously included in Resolution 42, giving legal rights to credit institutions to seize secured assets when customers violate debt obligations.
Impact: Increase the efficiency of bad debt handling, shorten the collection time; Reduce credit costs and legal risks for banks. Support to improve asset quality and capital adequacy ratio (CAR).

2. Decree 69/2025/NĐ-CP, effective from May 19, 2025, adjusting the ownership ratio of foreign investors in commercial banks receiving compulsory transfer of weak banks. Specifically, the total ownership level of foreign investors can exceed 30% but not exceed 49% charter capital of these banks, except for commercial banks in which the State holds more than 50% of charter capital.
Impact: Create opportunities for banks to seek foreign partners and improve capital sources, serving growth goals.**(HDB, MBB, VPB, VCB)**

3. Circular 02/2025/TT-NHNN – Issuance of certificates of deposit
Issued: April 29, 2025 – Effective from June 16, 2025.
Content: Specific instructions on issuance process, interest rates, and subjects purchasing deposit certificates.
Impact: Expand medium and long-term capital mobilization channels for credit institutions; Create room for more effective liquidity regulation.

4. Draft amendment to Circular 15/2022/TT-NHNN – On recapitalization
Content: Adjusting the credit granting mechanism from the State Bank to credit institutions.
Clearly defining the roles between inspection, supervision and management units.
Impact: Commercial banks will have more favorable access to refinancing sources to serve bad debt handling.

5. Draft Circular on debt purchase and settlement
Content: Allowing debt management companies to represent credit institutions to handle secured assets under authorization. **Impact:** Mechanizing the debt trading market; Increasing the ability to recover bad debts, reducing pressure on credit institutions.

6. Terminating the validity of Circular 02/2023/TT-NHNN (COVID debt extension)
Expires: From January 1, 2025.
Impact: Credit institutions no longer have the basis to restructure debt repayment terms for customers; Increase in short-term bad debt ratio in 2025.

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CURRENT BANKING TRENDS - TRANSITION TO UNIVERSAL BANK

The trend of shifting to Universal Banking in Vietnam by 2025 is clear, with banks expanding their financial ecosystems..

Bank	Fund management company	Insurance	Consumer Finance	Securities company	Note
ACB				X	Continuously increasing capital at ACBS
BID		X		X	
CTG	X	X		X	
HDB			X	X	
LPB				X	
MBB	X	X	X	X	Complete ecosystem
MSB			X		In 2025, MSB announced plans to return to the securities sector through capital contribution or acquisition of a securities company and a fund management company, with expected charter capital of VND300-500 billion for each company.
OCB				X	OCB has a vision to own a securities company, but is currently in strategic cooperation with OCBS. The acquisition of OCBS will be considered when market conditions are favorable.
SHB		X	X	X	Early completion of SHBFinance sale
SSB				X	SeABank plans to buy ASEAN Securities Company, owning up to 100% of capital
STB				X	
TCB	X	X	X	X	Complete ecosystem
TPB	X			X	
VCB	X			X	
VIB				X	
VPB		X	X	X	VPB's 2025 shareholders' meeting approved the establishment of a life insurance company with a capital of VND 2,000 billion. In the past 2 years, VPB has continuously expanded its ecosystem, from the acquisition and strong capital increase for VPBankS Securities Company to recent moves related to the insurance sector.

Sources: FiinproX, GTJASVN Research

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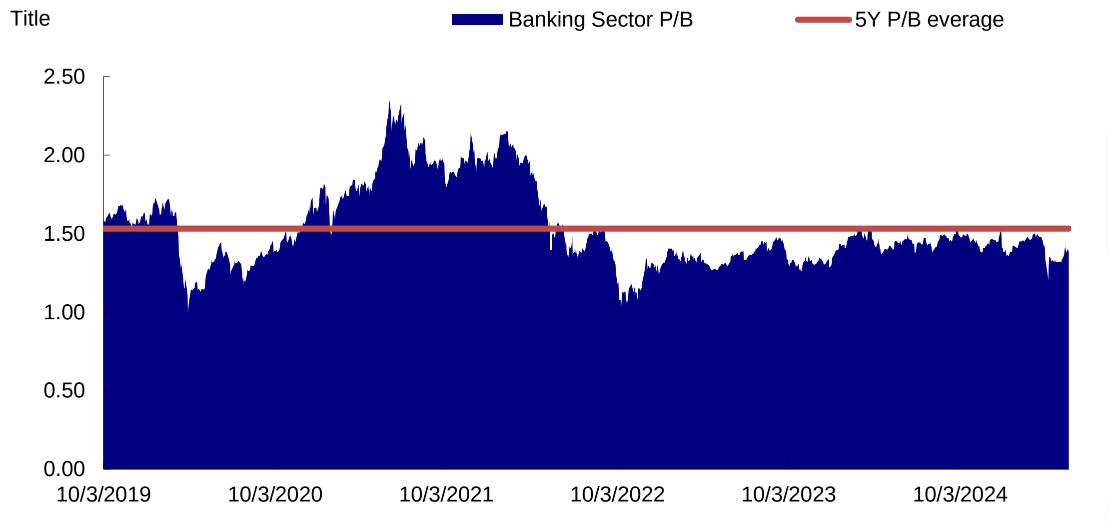
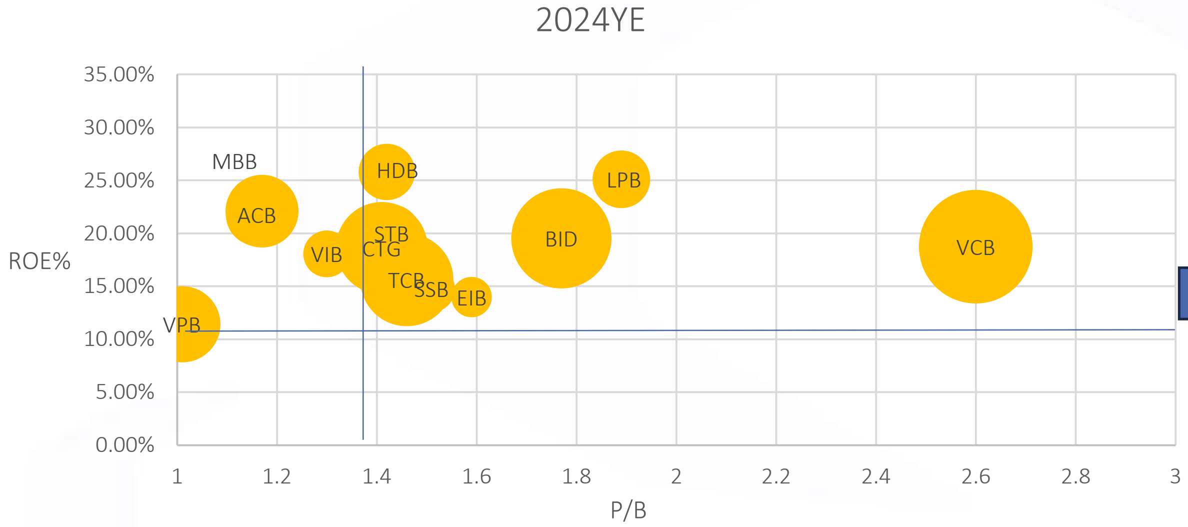
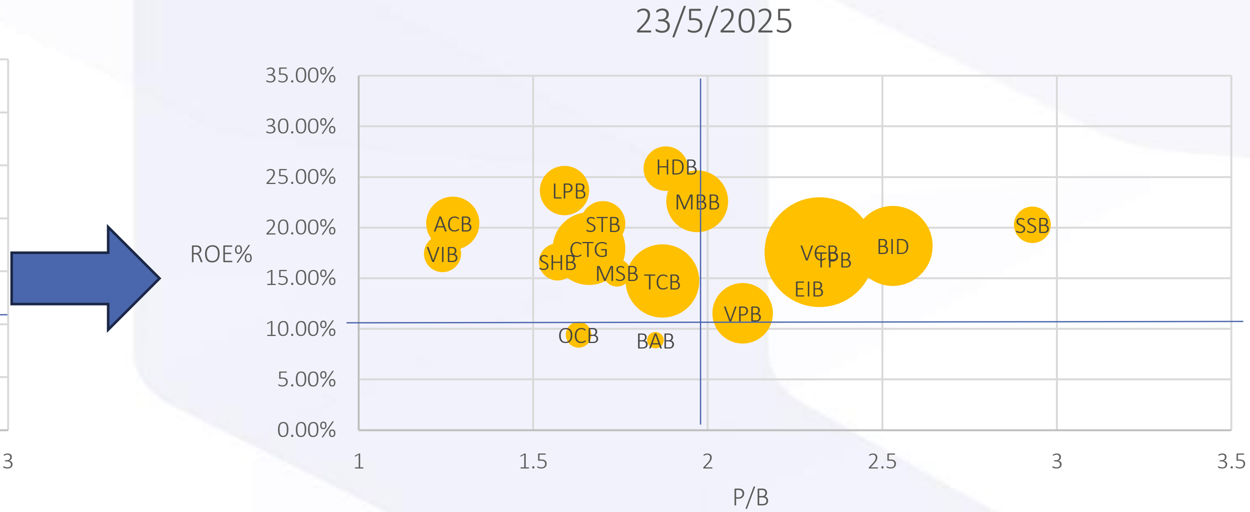
BANK STOCKS SET NEW HIGHS

The average P/B valuation of listed banks has increased sharply since the beginning of the year. However, the increase is only concentrated in a few stocks including STB, TCB, MBB, LPB... while most other large stocks are maintaining prices nearly equivalent to the beginning of the year after the correction in late Q3 and early Q4. Some notable peak stocks include STB, TCB, along with stories such as STB is gradually coming to the end of the bad debt restructuring process while TCBS (under TCB) plans to IPO this year..







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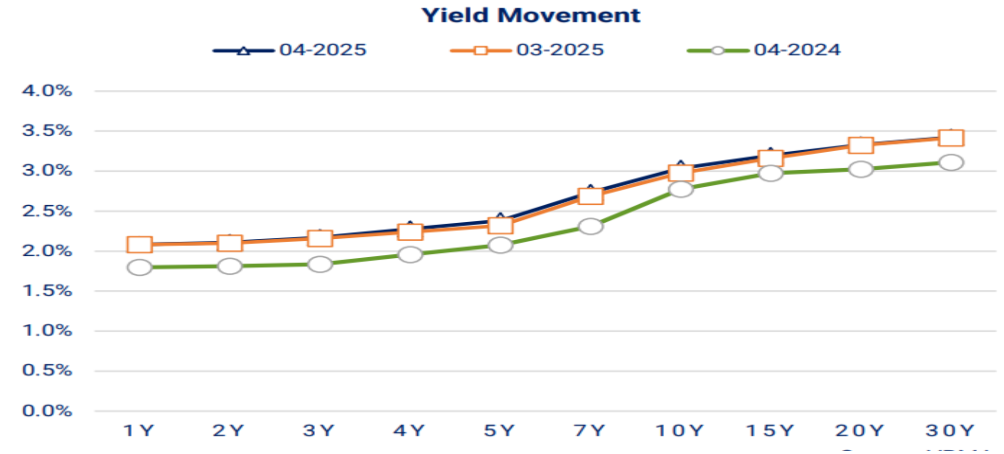
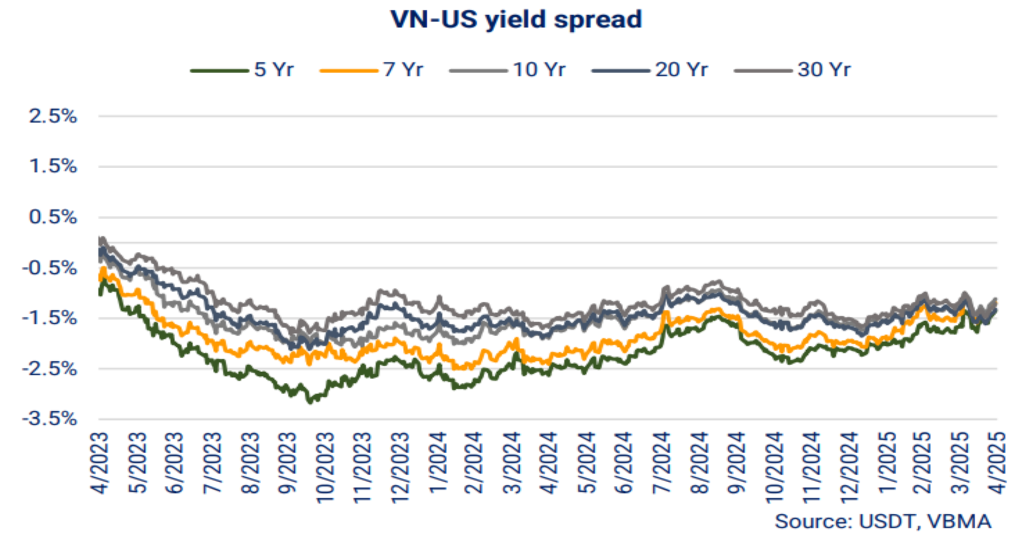
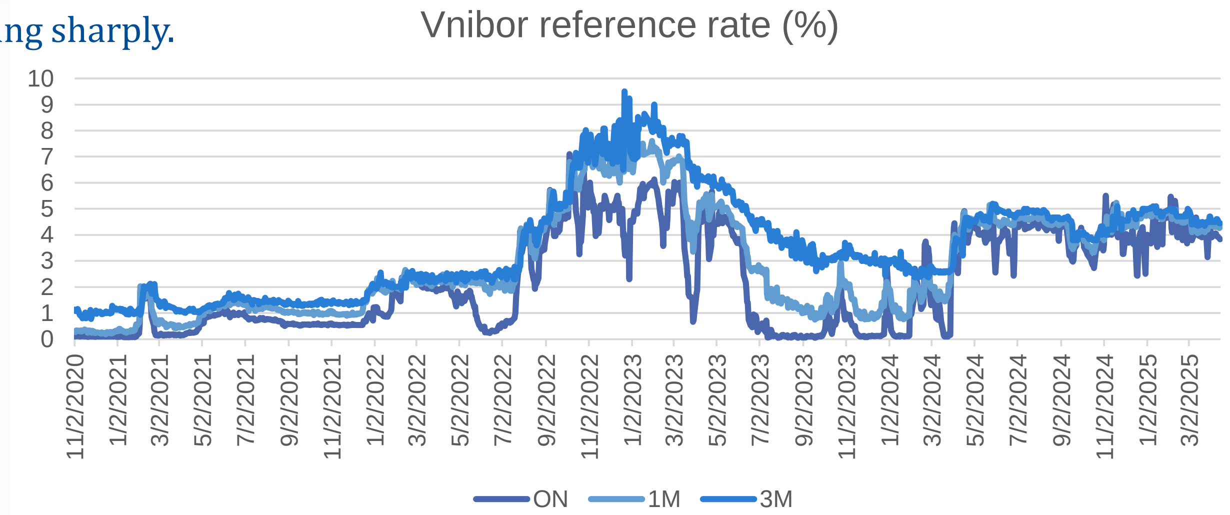
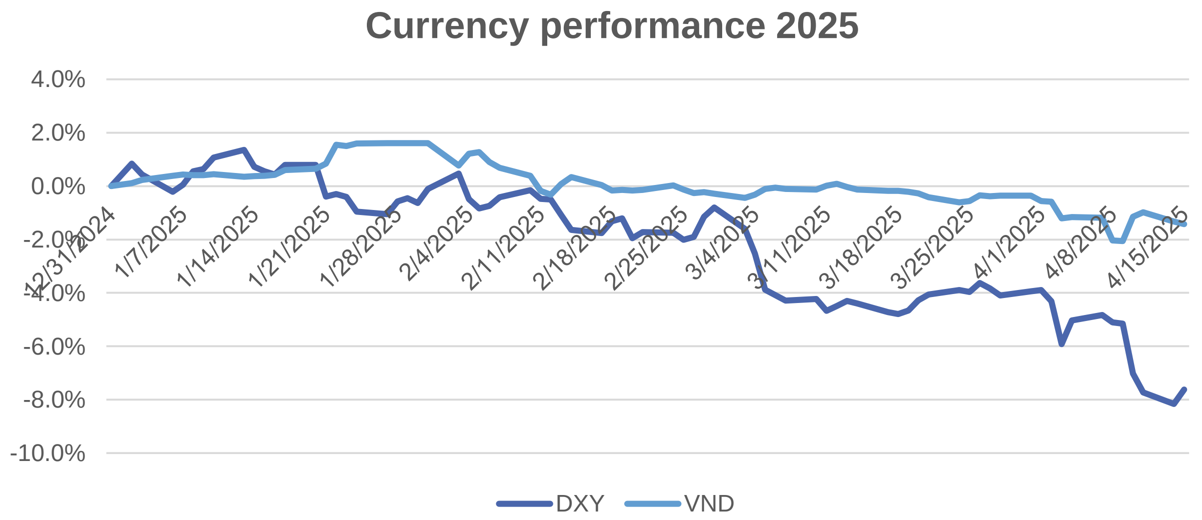
IN THE CONTEXT OF THE ENTIRE INDUSTRY, THERE ARE BOTH ADVANTAGES AND CHALLENGES.

Interbank system liquidity is relatively stable with ON interest rates falling sharply.







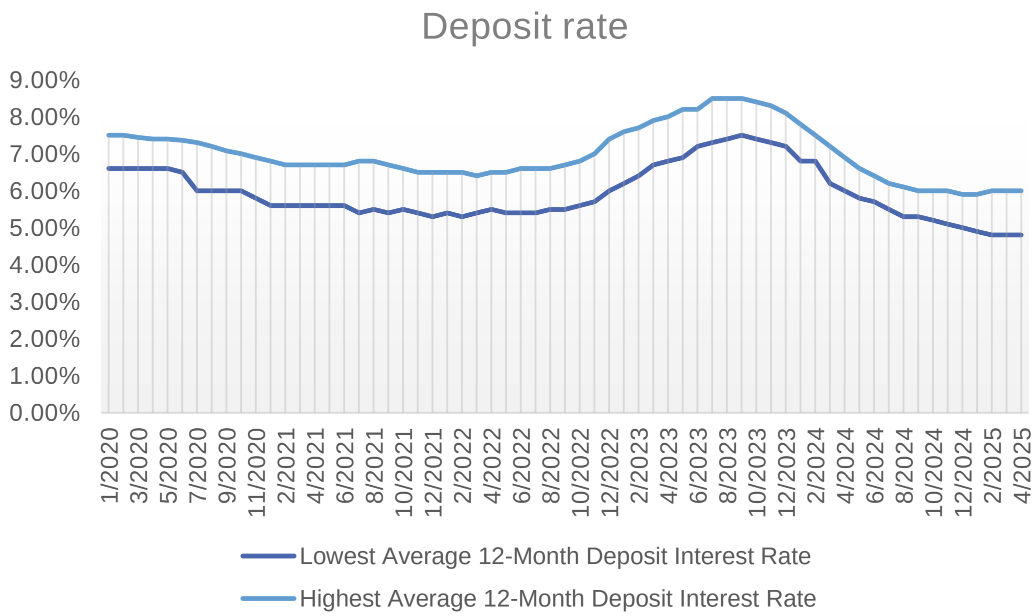


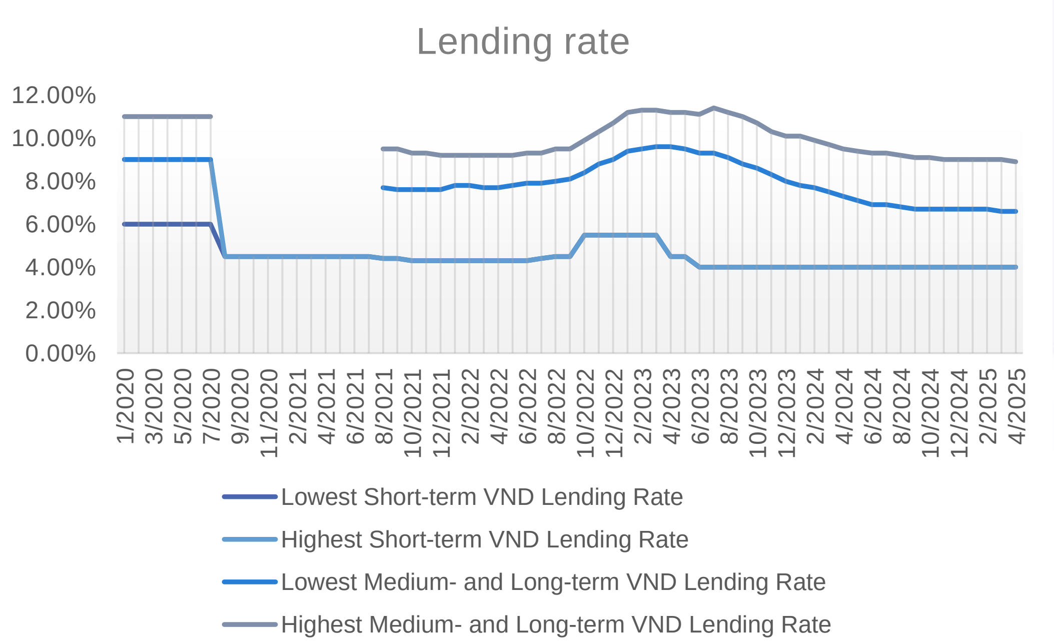
Sources: VBMA, FiinproX, GTJASVN Research

IN AN EFFORT TO BOOST THE ECONOMY, THE STATE BANK ADJUSTS INTEREST RATES TOWARD A LITTLE DECREASE.

The SBV has issued instructions to maintain low and stable interest rates to support businesses and people. In particular, the Prime Minister's Official Dispatch No. 19/CD-TTg dated February 24, 2025 emphasized the need to strengthen solutions to reduce interest rates, requiring the SBV and commercial banks to continue to loosen monetary policies. The SBV also stipulated the housing support loan interest rate at 4.7%/year from January 1, 2025, to support people to buy social housing.

Mobilization interest rates have decreased by about 0.2% since the beginning of the year. However, the average lending interest rate in the market has decreased at a lower rate, about 0.1%.

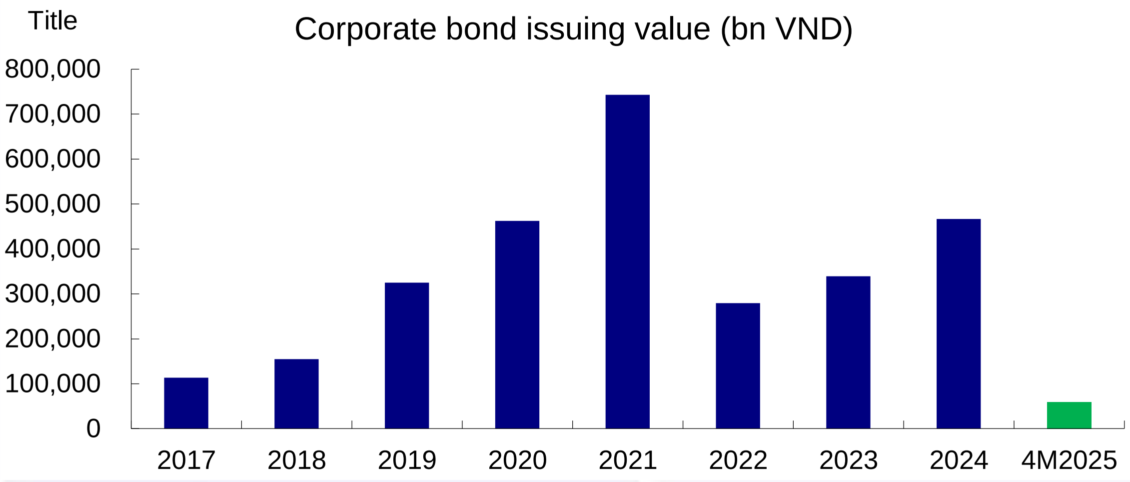


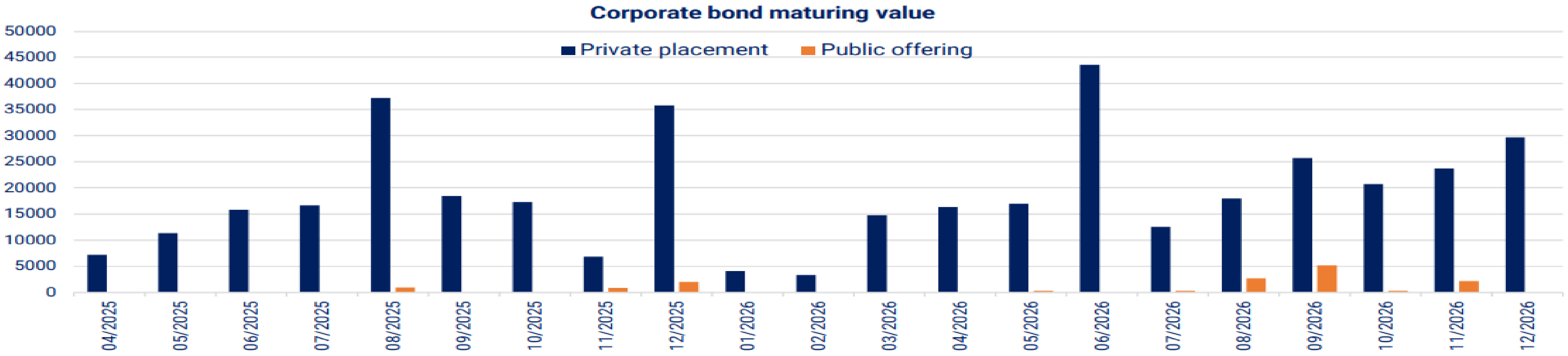


Sources: FiinproX, GTJASVN Research

THE BANK CREDIT CHANNEL REMAINS THE PREFERRED OPTION.

- In the context of the corporate bond market still facing difficulties and high maturity pressure.
- Public investment policies and the recovery of the real estate market support the expansion of the banking sector's loan portfolio..





Sources: VBMA, FiinproX, GTJASVN Research

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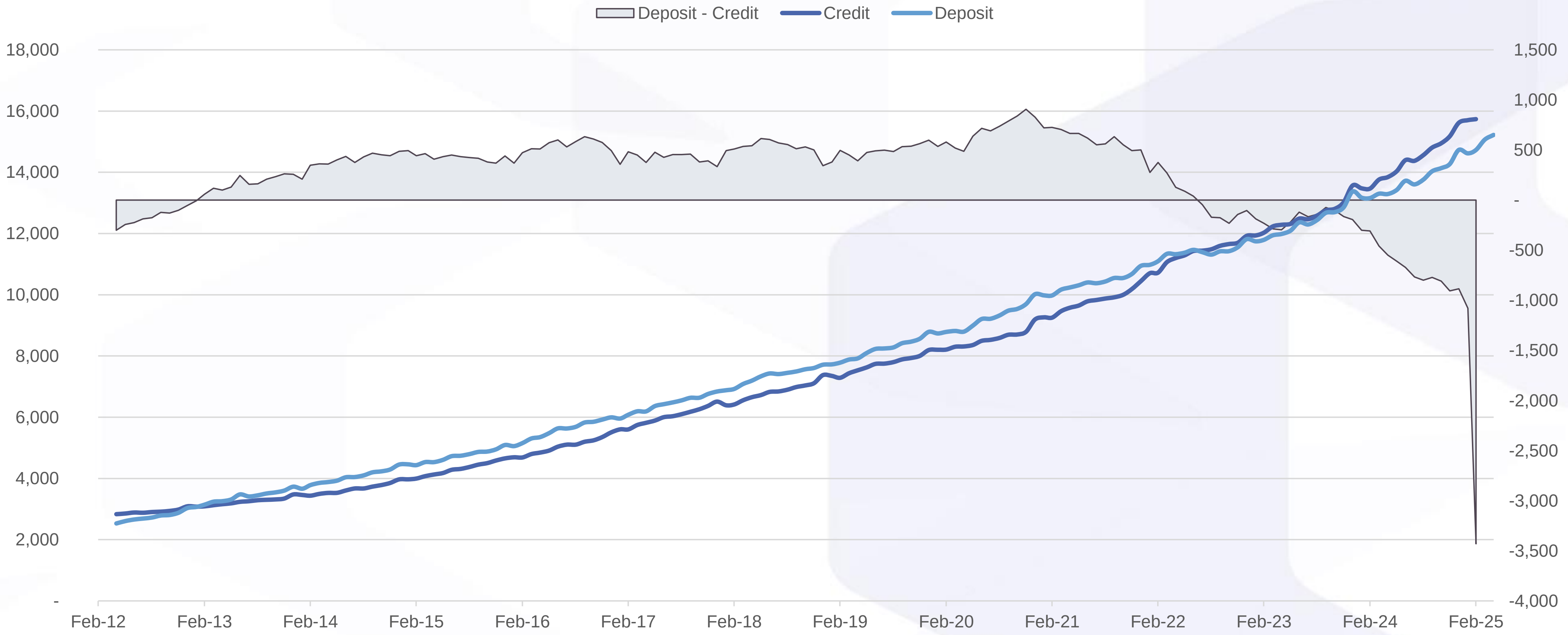
THE GAP BETWEEN DEPOSITS AND CREDIT GROWTH IS WIDENING.

The widening gap between credit and deposits shows current systematic risks.



Sources: FiinproX, GTJASVN Research

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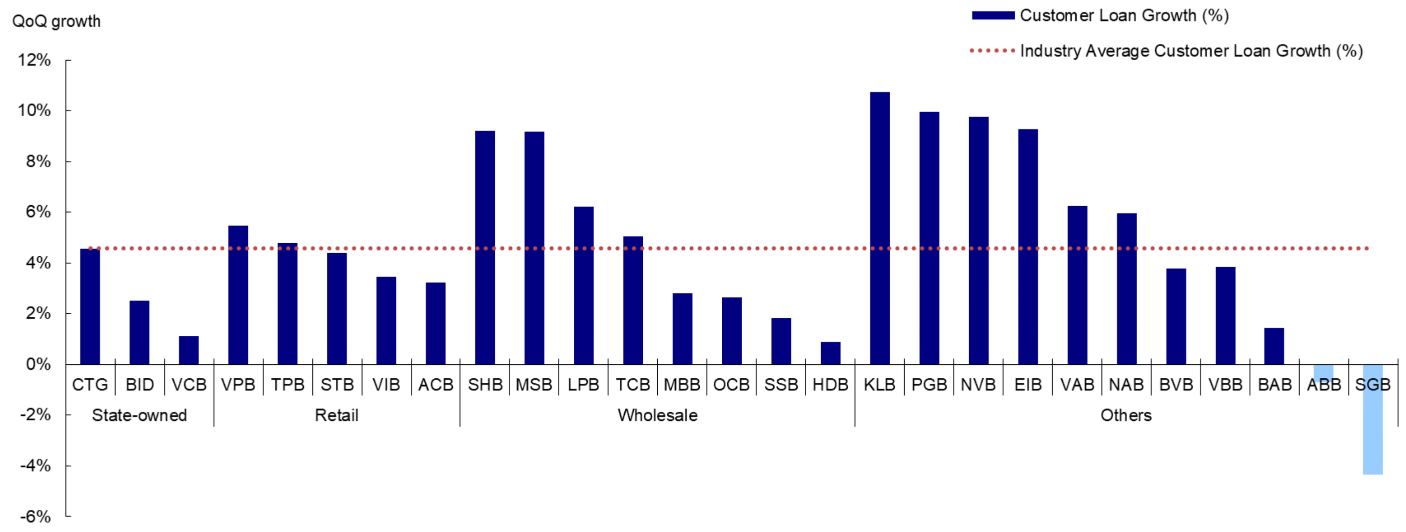
PART II: UPDATE ON BANK STOCKS' BUSINESS RESULTS IN THE 1ST QUARTER OF 2025

Sources: FiinproX, GTJASVN Research

CREDIT DEVELOPMENTS Q1/2025: DIFFERENTIATION BY BANK GROUP

By the end of the first quarter of 2025, the industry's credit growth reached about 3.95% ytd, but was clearly differentiated by group.

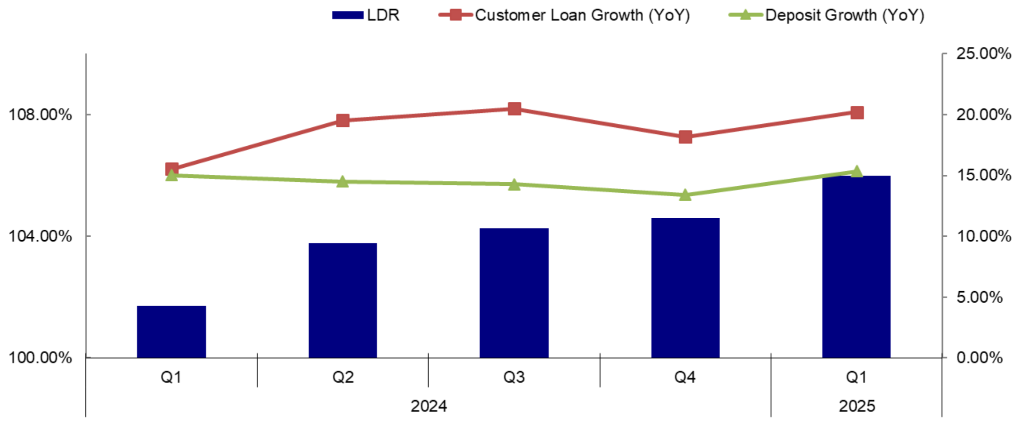
- Large-scale state-owned group: BIDV achieved outstanding loans of more than VND 2.1 million billion (+2.5%), VietinBank increased the most in the group (+4.6%). VCB increased slower than the industry average.
- Retail joint stock commercial banks recorded even growth. VPBank and TPBank increased around 5%, SHB and MSB stood out with an increase of over 8%, while ACB, STB, VIB increased more slowly due to credit risk control.
- The wholesale banking sector grew lower than average. TCB, MBB, OCB increased by less than 5%, SSB, HDB by less than 2% - showing caution due to NIM and liquidity pressure, and reflecting difficulties in credit disbursement in the first quarter of the year. The remaining group recorded large amplitudes: KLB, PGB, NVB increased sharply by over 9% thanks to new shifts in business strategy; while ABBank (-0.7%) and SGB (-4.3%) were the only two banks to see a decrease in outstanding loans.

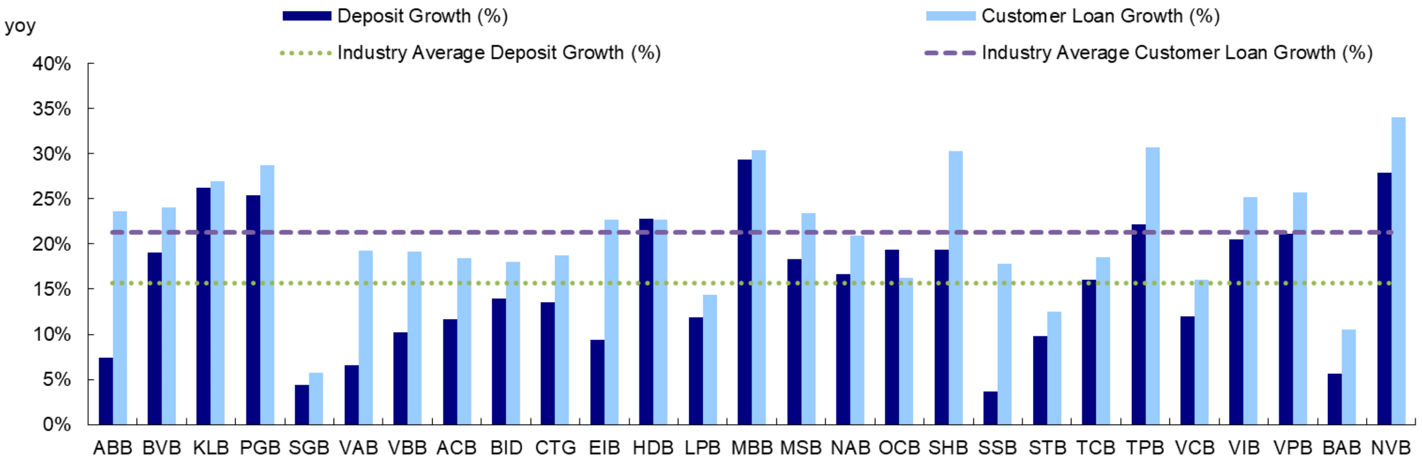


Sources: FiinproX, GTJASVN Research

CREDIT DEVELOPMENT Q1/2025: GROWTH 20%YOY

Compared to the same period last year, outstanding loans for the entire industry recorded a growth rate of 20%. The driving force for credit growth came from both corporate and individual customer segments.



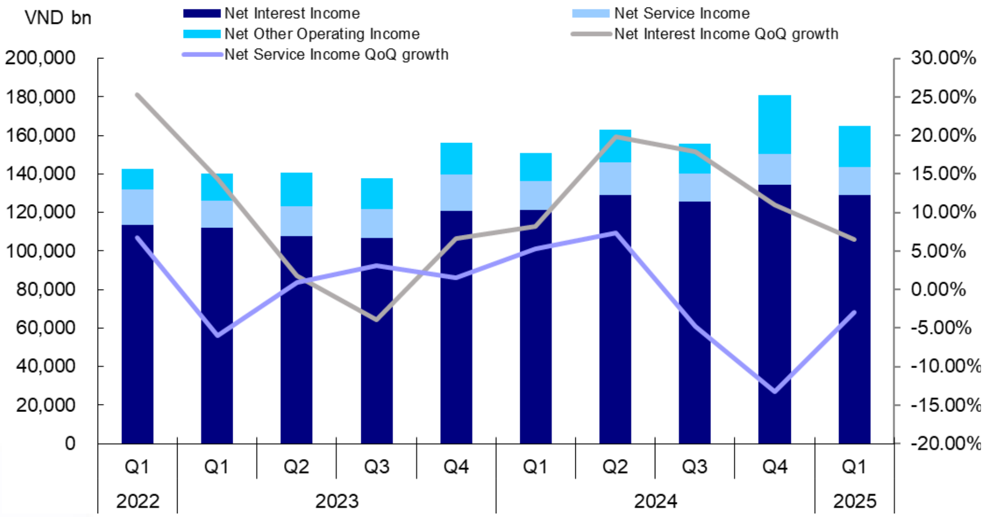


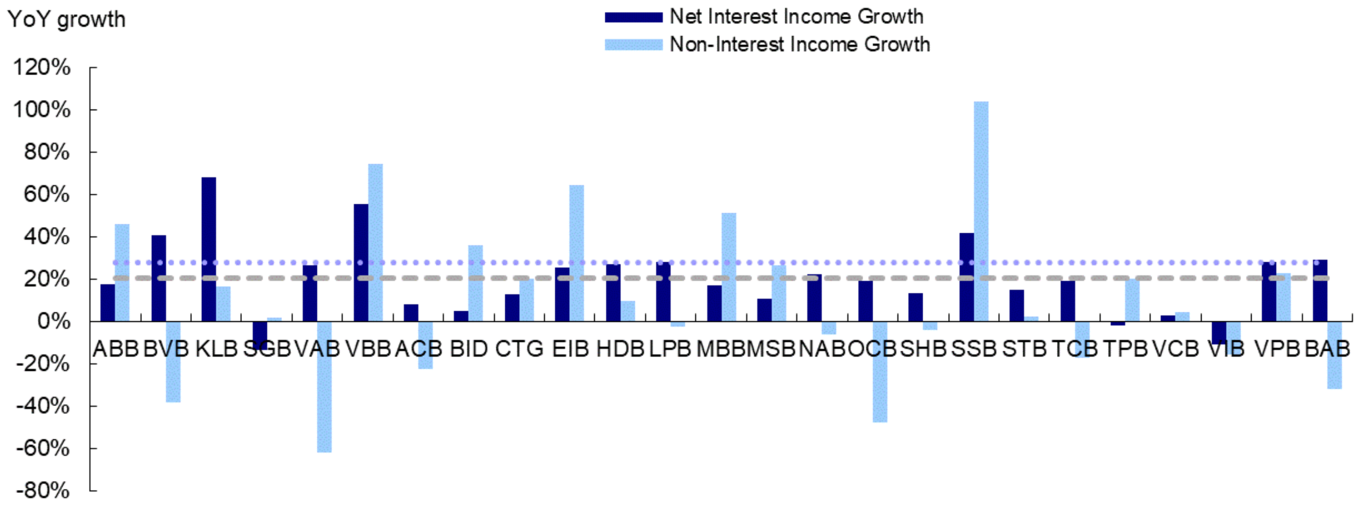
Sources: FiinproX, GTJASVN Research

PROFIT DEVELOPMENT Q1/2025: NII SLOWLY RECOVERS, NOI DIFFERENTIATE

Despite the increase in credit, total net interest income recorded a decrease compared to the previous quarter due to the pressure of narrowing NIM at most banks.
Non-interest income (NOI) is clearly differentiated. Some banks improved thanks to increased service revenue, while most still declined due to the lack of clear recovery in bancassurance and financial investment.

Going into details, some small-scale banks such as SSB, KLB, BVB, ABB recorded a sharp increase in net interest income (NII), while VIB, VPB, SSB recorded a decrease in NII compared to the same period last year, showing great pressure from capital costs and NIM.
Regarding non-interest income, SSB, KLB, BID stood out with a higher increase than the industry average. Specifically, SSB was positive in most sub-components, BID and KLB increased with the main driving force from bad debt settlement income. While the remaining banks recorded slower or negative NOI growth.



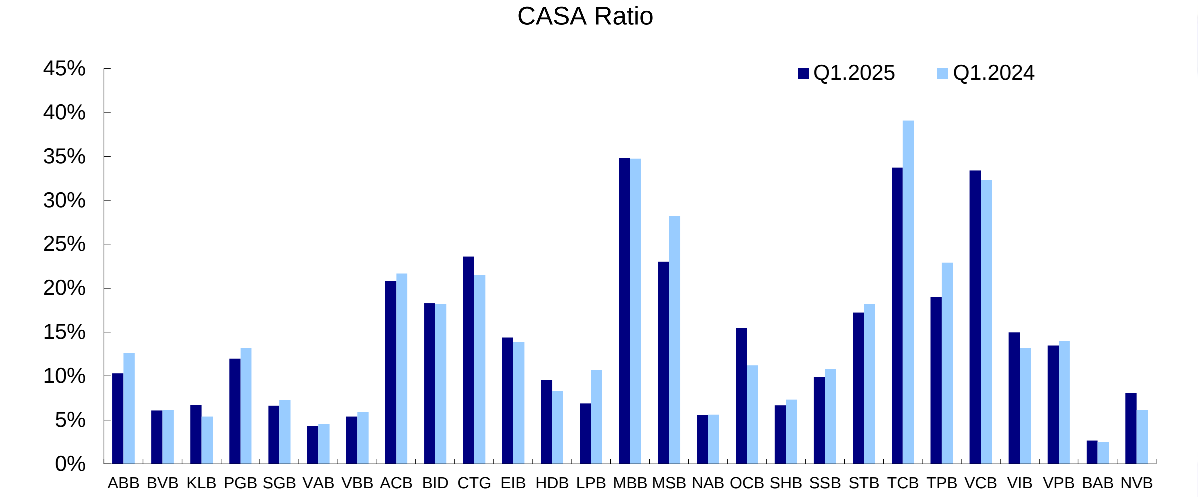


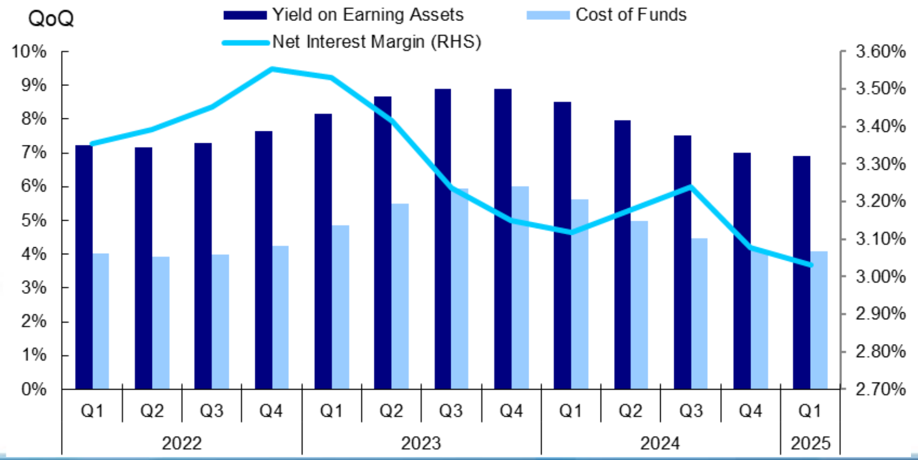
Sources: FiinproX, GTJASVN Research

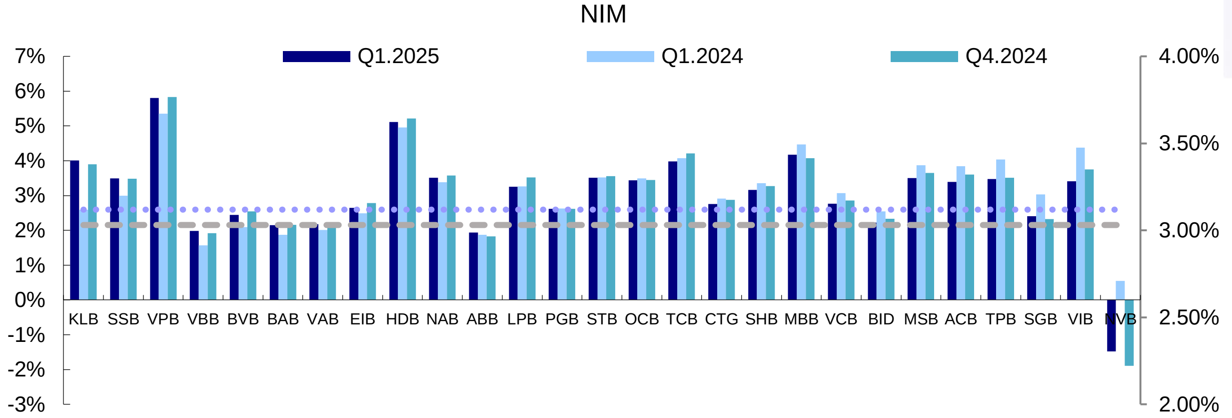
Q1 PROFIT - NARROWING NET INTEREST MARGIN

In Q1/2025, the average TTM NIM of listed banks decreased to 3.03% from 3.08% in the previous quarter as banks continued to reduce lending rates under fierce competition pressure and towards the new planned credit growth target (16% for the whole industry). State-owned banks (VCB, CTG, BID) sharply reduced NIM despite stable CASA, as these banks focused on large loans with preferential interest rates to support the economy. The wholesale group with TCB also slightly reduced NIM, reflecting the difficulty of these banks in improving asset yields in the context of high competition, while capital mobilization costs continued to increase.

In contrast, the retail group (VPB, SSB, VBB, BVB) increased NIM thanks to adjusting the credit structure towards increasing consumer and small business loans, segments with higher asset yields, helping to effectively offset the increased cost of capital.

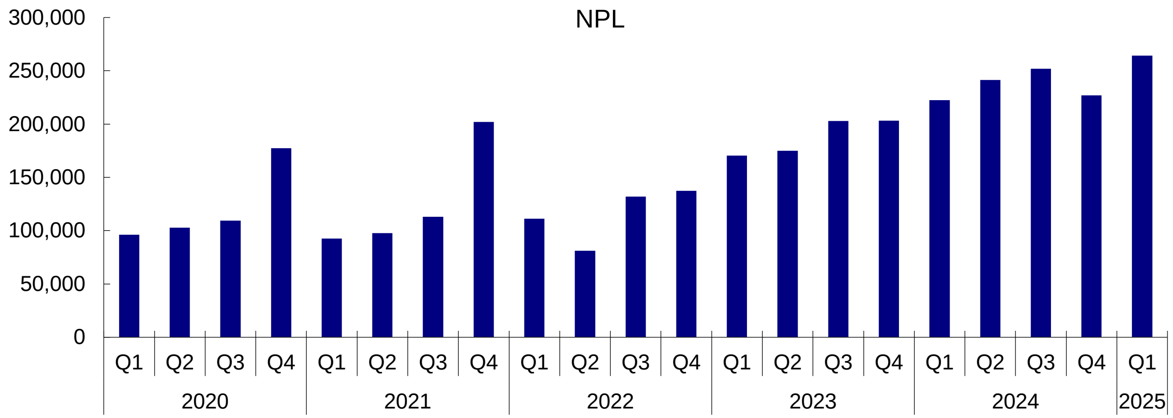


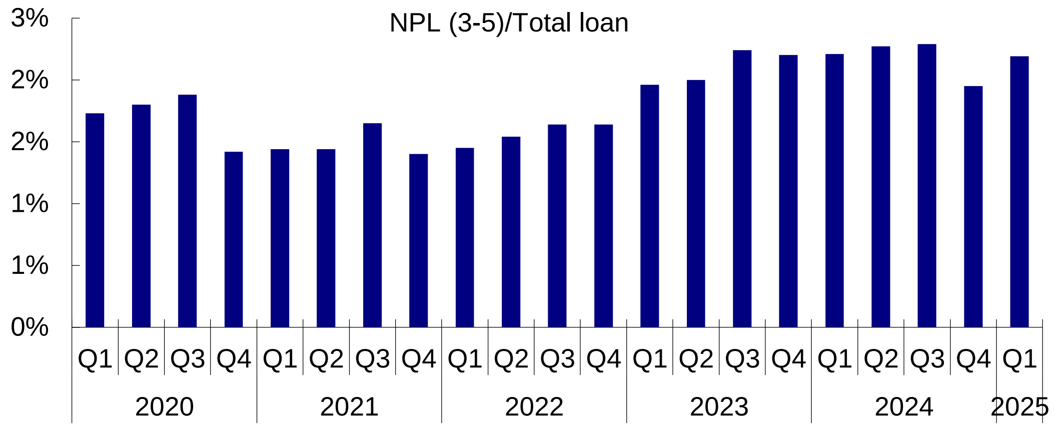


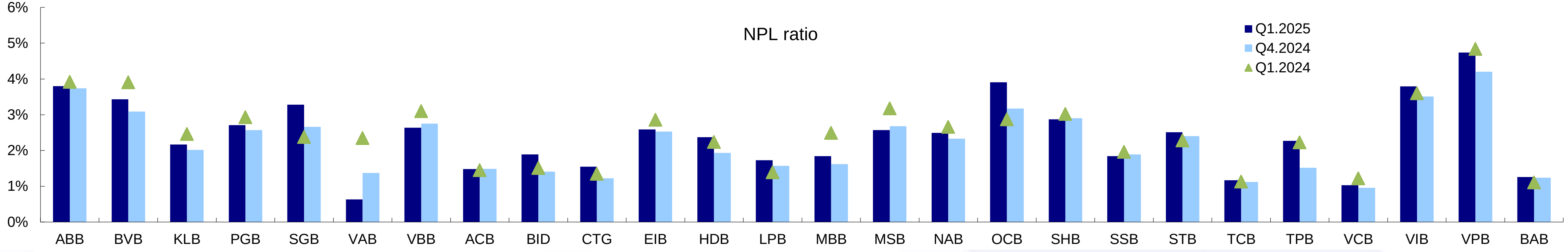


NON – PERFORMING LOANS SHOWS SIGNS OF INCREASING

NPL tends to increase again in the first quarter, mostly concentrated in debt group (3-5). The ratio of NPL on the balance sheet of the whole industry is at 4.3%, mostly concentrated in weak banks and those under special control. This is the combined result of many factors such as the prolonged aftermath of the COVID-19 pandemic, damage caused by Typhoon Yagi, the end of the debt extension policy according to Circular 02, the decline in exports due to the trade tax policy from the US... and the lack of synchronization in the secured debt handling system.



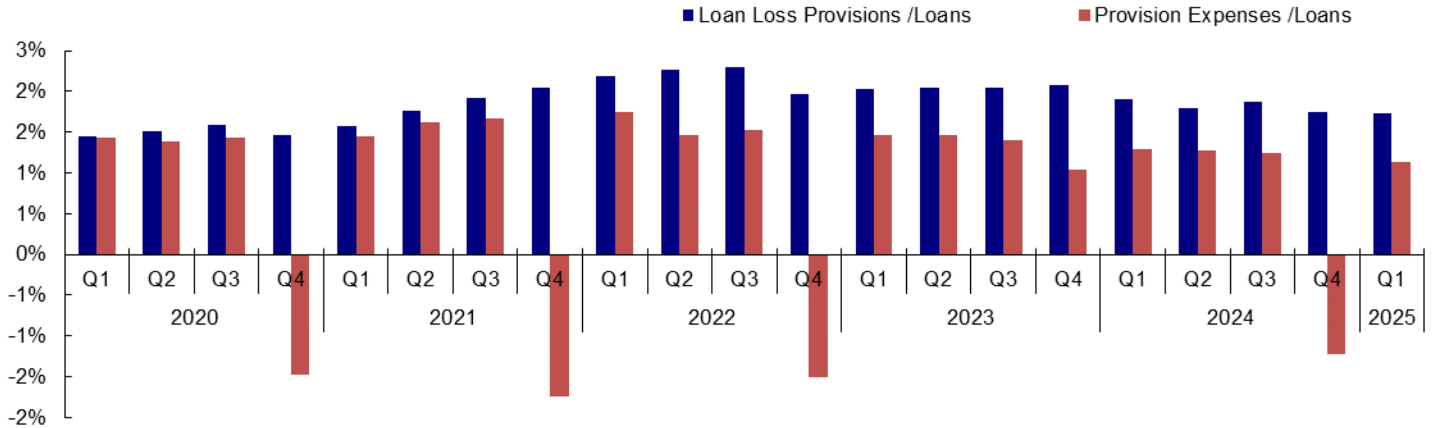


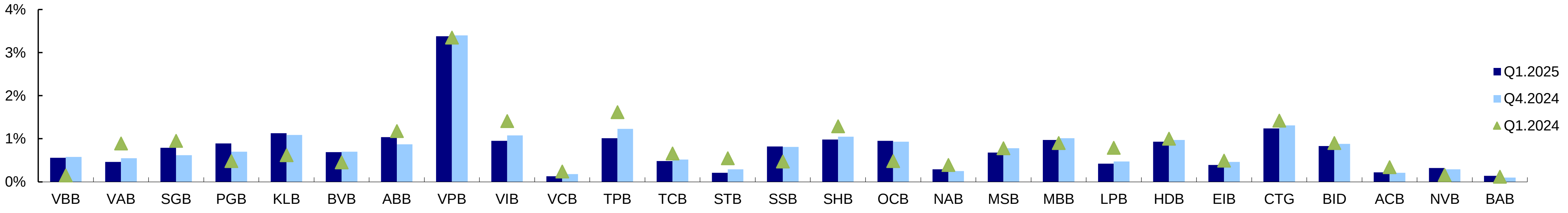


Sources: FiinproX, GTJASVN Research

CREDIT RISK PROVISION EXPENSES REDUCED

In the first quarter of 2025, both loan loss reserve and provision expenses on outstanding loans of the entire banking sector recorded a decrease compared to the same period and the previous quarter. However, this trend occurred in the context of an increasing bad debt ratio, especially concentrated in the substandard debt group (group 3), doubtful debt (group 4) and debt with the possibility of losing capital (group 5). This development reflects banks' expectations on debt recovery in the coming quarters, in the context of Resolution 42 continuing to be implemented to promote bad debt handling and improve the efficiency of collateral collection.

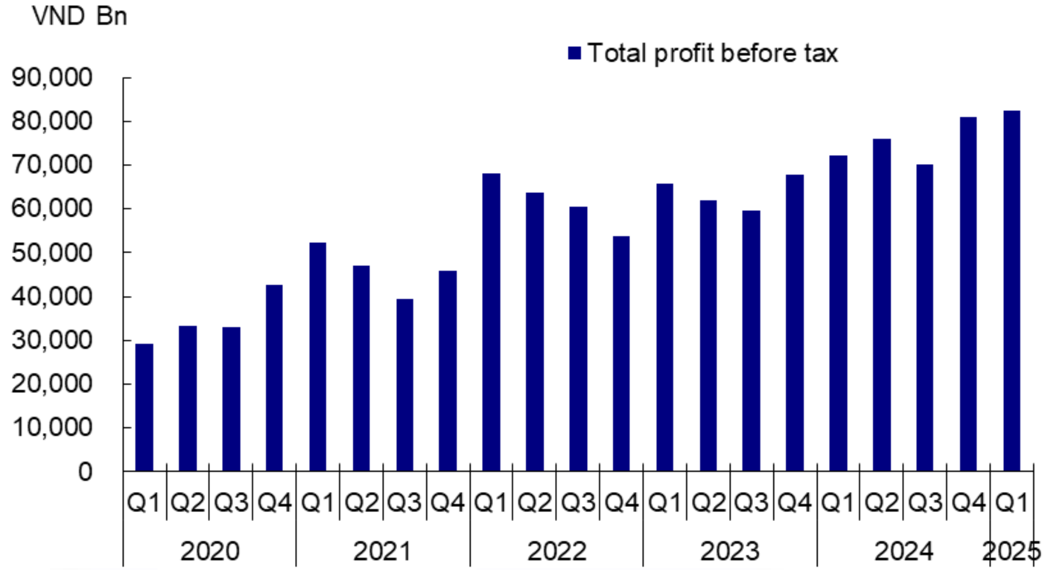


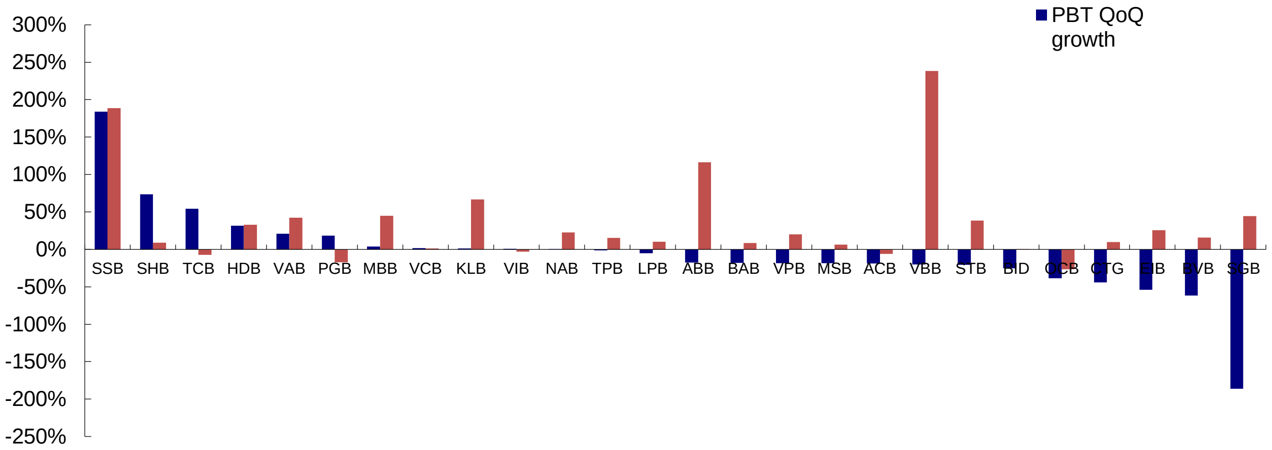


Sources: FiinproX, GTJASVN Research

PRE-TAX PROFIT: INCREASED SLIGHTLY 1.8% QoQ

Total pre-tax profit of listed banks increased slightly by 1.8% compared to the previous quarter, continuing to maintain a growth rate of 14% over the same period. However, the differentiation was still clear when up to 15 banks recorded a decrease in pre-tax profit compared to the previous quarter, especially in the state-owned group such as CTG (-44%) and BID (-25%). VCB maintained its leading position in terms of profit scale, while the retail banking group such as VPB (+18% YoY), TPB (+15%), SHB (+62%) and MSB (+17%) recorded good growth year-on-year. In the wholesale group, LPB and TCB increased by 10% and 17% YoY, respectively, showing a positive recovery momentum. Notably, the small banking group recorded a breakthrough such as SSB (+183% YoY), KLB (+67%), VAB (+42%), NAB (+61%) and ABB (+116%).





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