Corporate finance decisions_framework **22 October 2024**

Stock code	Yuanta Rating	Current price (VND)	Target price (VND)	12-m TSR*
ACB VN	BUY	25,800	31,360	25%
BID VN	HOLD-UPF	49,650	48,140	-3%
HDB VN	BUY	26,950	31,150	19%
MBB VN	BUY	25,550	32,920	31%
STB VN	HOLD-OPF	35,250	37,040	5%
TCB VN	BUY	24,150	27,830	19%
VCB VN	BUY	92,000	115,410	25%
VPB VN	BUY	20,650	23,610	19%

Source: Bloomberg (pricing date: Oct 21), Yuanta Vietnam

Please note that all target prices are now updated.

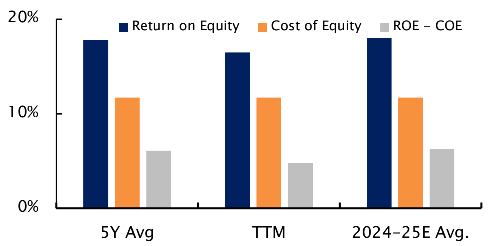
What's new?

- Presenting our assessment of the 8 banks under coverage from a corporate finance perspective.
- This framework assesses the banks' investment decisions, financing decisions, and dividend decisions.
- We have updated the target prices for banks under our coverage after revising discount rates and rolling forward the valuation basis to 2025.

Our view

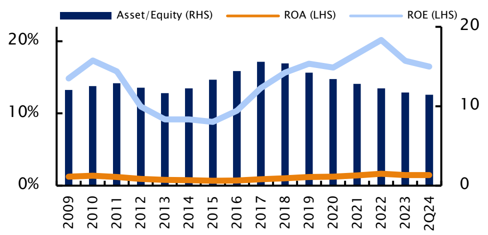
- Analyzing the banks from a corporate finance perspective supports our main thesis, which is "Stick with Quality".
- Valuations have been persistently cheap, but a re-rating is likely ahead of the 2H25 property market upcycle
- Overweight the sector. Our top picks are ACB, MBB, and VCB. We also have BUY calls on HDB, VPB, and TCB.

Bank's sector exccess return

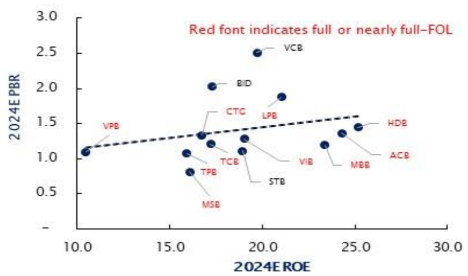


Source: FiinPro-X, Bloomberg, Yuanta Vietnam

ROE vs. Leverage



Source: FiinPro-X, Yuanta Vietnam



Source: Bloomberg, Yuanta Vietnam

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Framework to assess corporate finance decision

This report introduces our corporate finance framework for analyzing the 8 banks in our coverage. We evaluate the banks from three different perspectives: 1) investment decisions, 2) financing decisions, and 3) dividend decisions.

We assess the investment decision based on whether a bank is creating or destroying value by comparing its return on equity with its cost of equity.

Evaluating financial health to see whether a bank needs to raise more external capital for sustainable development. As a general statement, a bank with low CAR, rapid credit growth, low earnings growth, and/or high cash dividend payout ratio may require more capital.

We assess dividend policies by analyzing whether a bank *should* pay cash dividends and whether it *has* paid appropriate dividends, considering its CAR and the free cash flow to equity (FCFE).

From an investment standpoint, ACB, HDB, MBB, and VCB are value creators, as their ROEs significantly exceed their COEs.

In terms of financing, ACB, HDB, MBB, TCB, and VPB are all well capitalized. TCB and VPB stand out with superior CARs of 14.5% for TCB and 15.6% for VPB. HDB's CAR is solid at 13.9%, but its Tier 1 ratio is relatively low at 9.6%. We would prefer to see a higher Tier 1 ratio for HDB, especially given its rapid credit growth of about 24% on average over the past three years.

Regarding dividend decisions, ACB, HDB, MBB, and VPB have been returning cash to their shareholders consistently since 2023, and they are able to maintain that dividend policies given their strong capital levels and FCFEs. TCB paid a cash dividend in 2024 for the first time, and we believe it is well-positioned to sustain cash dividend payouts going forward given its solid CAR.

We have updated our target prices to account for revised discount rates and after rolling forward the valuation basis to 2025. Our top picks are ACB, MBB, and VCB. We also have BUY recommendations on HDB, VPB, and TCB.

Framework to assess corporate finance decisions of banks

Analyzing a company through examining its corporate finance decisions helps investors understand the big picture of how a company operates, and what its managers should do to enhance the firm's value and share price.

In this report, we analyze the bank sector and each of the eight banks under our coverage by examining their investment, financing, and dividend decisions.

Investment decisions: We compare the return on equity (ROE) with the cost of equity (COE) to see whether a bank is creating or destroying value. An ROE that is higher than COE indicates value creation, while an ROE that is lower than COE implies value destruction.

Financing decisions: We look at the capital adequacy ratio (CAR), Tier 1 ratio, asset-to-equity leverage, short-term funding used for medium to long-term loans ratio (SMLR), and loan-to-deposit ratio (LDR).

As a highly regulated sector, banks must follow certain requirements such as maintaining CAR of at least 8% under Basel II. In addition, the State Bank of Vietnam caps the SMLR at 30% and LDR at 85%.

Dividend decisions: We evaluate whether a bank *should* pay a cash dividend. First, we check its capital sufficiency, particularly Tier 1 ratio. Assuming the bank has adequate capital, we then assess whether the dividend that it *actually* pays is appropriate based on its available cash flow (FCFE).

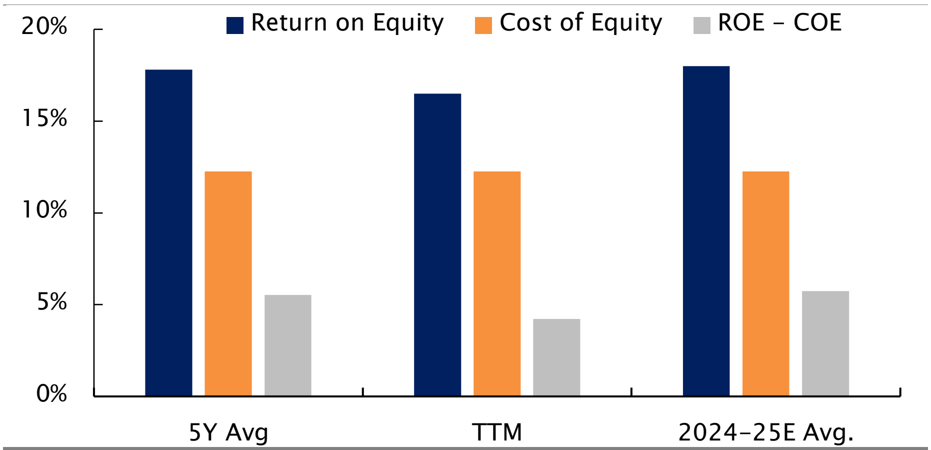
Applying the corporate finance framework to Vietnam banks

Investment decisions – The bank sector (27 listed banks)

	5Y Average	LTM	2024-25E average (estimate)
PATMI	149,858	218,680	
Average Equity	920,139	1,326,181	
Return on Equity	17.8%	16.5%	18.0%
Cost of Equity	12.3%	12.3%	12.3%
ROE - COE	5.5%	4.2%	5.7%

The bank sector generated LTM ROE of 16.5% up to 2Q24, but its average ROE in the last 5 years was slightly higher at 17.8%. We assume that the sector's ROE will generate an average of 18.0% in 2024-25E. Our estimate for the sector's cost of equity is 12.3%. Thus, the sector's ROE is consistently above its COE hurdle rate, indicating that there is a value creation in the Vietnam banking sector as a whole.

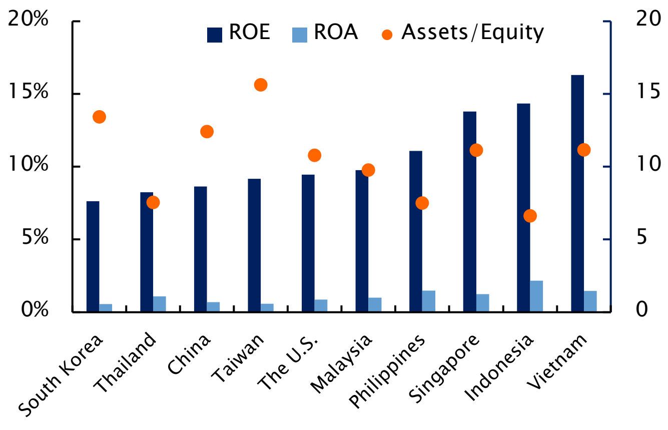
Figure 1: Vietnam bank sector's investment decision: ROE vs. COE



Source: FiinPro-X, Bloomberg, Yuanta Vietnam

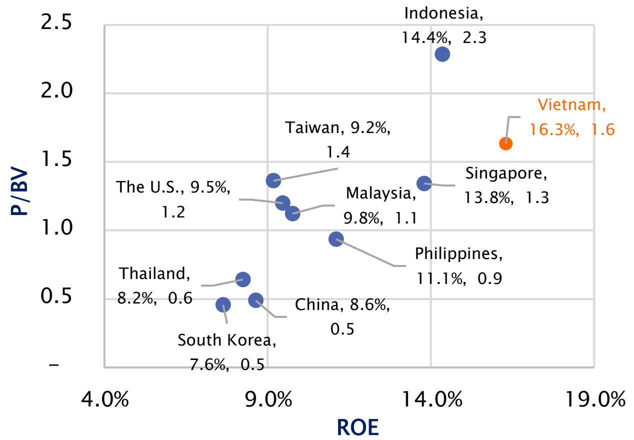
Vietnamese banks' ROE mostly outperform their peers in the region (please see figure 2 below). Admittedly, this superior ROE is partly attributable to their high assets/equity leverage. The median assets-to-equity ratio of Vietnamese banks is 11.6x, compared to 7.5x for Thailand and 6.6x for Indonesia.

Figure 2: TTM ROE, ROA between VN banks and other countries



Source: Bloomberg, Yuanta Vietnam

Figure 3: TTM ROE versus curent P/BV among countries



Source: Bloomberg, Yuanta Vietnam

Financing decisions

The banking sector operates under various regulations which impact on their financial decisions. For example, banks must ensure a capital adequacy ratio (CAR) of at least 8.0% to meet the minimum Basel II accords. Moreover, loan to deposit ratio (LDR) must not exceed 85%, and short-term funding used for medium and long-term loans is capped at 30%. Those regulations will significantly affect how banks make their financial decisions.

In addition, banks with rapid credit growth, low earnings growth, and/or high cash dividend payout ratios may also need more capital.

The tables below illustrate different scenarios in which banks might need to raise external capital to ensure their sustainable growth.

Criteria	Conclusion
Under capitalized (CAR < 8%)	Need more external capital
High credit growth	Need more external capital
Low earnings growth	Need more external capital
High cash dividend payout	Need more external capital
High LDR (>=85%)	Need more external capital
High SMLR (>=30%)	Need more external capital

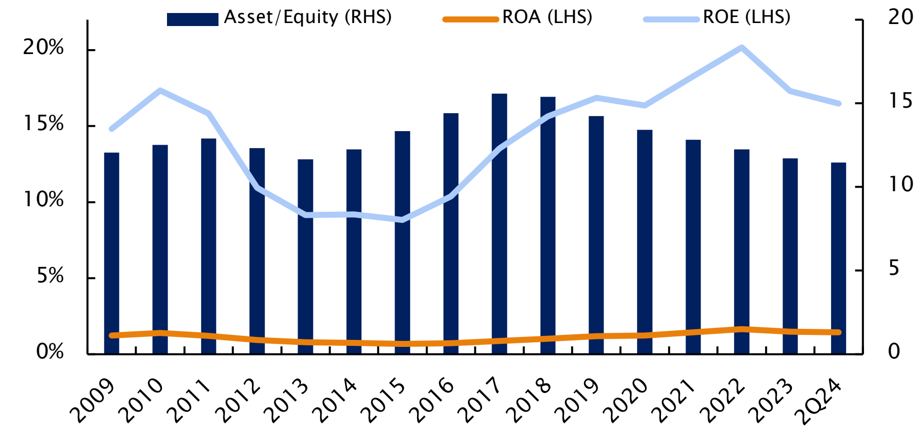
Apply for Vietnam banking sector

Criteria	Data & comments	Conclusion
Over leveraged, especially for State-owned banks (SOBs)	Over leverage with an assets/equity of 11.3x. CAR was 12% as at 2Q24, but most came from foreign banks and Vietnamese large private banks such as TCB and VPB. Vietnam banks' CAR is lower than that of Thailand banks (20%) and Indonesia banks (26%).	Need more capital
High credit growth	15% on average (2.3x of GDP growth compared to ~1.8x of Thailand)	Need more capital
Low earnings growth	24% on average over the last 3 years and 15% YoY in 1H24	
Low cash dividend payout	Dividend payout was 11% in 2023 and 17% in 1H24	
Low LDR	LDR: 78.3% vs SBV's cap of 85.0%	
High SMLR	SMLR: 28.1% vs. SBV's cap of 30.0%. But given that SBV reduced SMLR to 30.0% and if it continues to reduce further, banks will need to raise medium to long-term capitals.	Need more capital
Overall		**Vietnam banking sector is under pressure to raise more capital.**

In our view, the Vietnam banking sector is over-leveraged, with an assets/equity ratio of 11.6x. However, a few banks are actually under-leveraged, with significantly lower assets/equity ratios than the average, such as TCB (7.0x) or VPB (6.8x).

However, leverage has been on downtrend since 2018, with the assets/equity ratio dropping from a high of 15.6x in 2017 to 11.6x in 2Q24. The positive sign is that profitability as measured by ROE (and more so, ROA) has generally been on an upward trend despite the deleveraging.

Figure 4: Leverage decreasing since 2018 but ROA still on general uptrend



Source: FiinPro-X, Yuanta Vietnam

The sector's CAR was 11.9% as at 2Q24, which is well above the Basel II minimum requirement of 8.0% and even Basel III's minimum of 10.5%. But if we exclude CAR of foreign banks, the CAR of Vietnamese banks was 10.9%, and even this figure is skewed higher by the private banks.

State-owned banks, especially BID and CTG, need to raise more capital to enhance their solvency, in our view.

However, CTG faces limited room to attract capital from foreign investors. The maximum ownership stake that foreign investors can hold in a Vietnam bank is capped at 30%. Currently, foreign investors own 26.6% of CTG, leaving only 3.4% of available room.

Banks can also issue bonds as an alternative option both to raise long-term stable financing and to improve their Tier 2 capital. Issuing long-term bonds can help banks meet the SBV's SMLR cap of 30%, especially for banks that focus on long-term lending or those that have SMLRs close to the limit.

Issuing bonds would also signal that banks are preparing for an increased credit growth, particularly in the light of slow deposit growth, helping to control loans-to-deposit ratio (LDR) below the SBV's cap – which is currently at 85.0%.

The average LDR of State-owned Banks and Joint Stock Commercial Banks (JCBs) (we exclude other financial institutions) was 81.7% as at 2Q24 (source: SBV), which is moderately lower than the SBV's cap of 85.0%. However, the average SMLR (SOE banks and JCBs) of 31.8% exceeded the SBV's maximum requirement of 30.0%, and that was mostly due to JCBs which had an SMLR of 40.0% as at 2Q24. Though not all banks publicly disclosed the SMLR, we think high SMLR came mostly from small and weak banks that skew the aggregate numbers, whereas most large banks remain compliant with the SBV's requirements.

Given the limited room to raise external capital via issuing shares to foreign investors, we anticipate that banks will need to issue long-term bonds to meet the SBV's requirements for the SMLR and LDR, as well as to strengthen their capital solvency ratios, resulting in higher funding costs.

Bond yields are typically 1-2 ppt higher than customer deposit rates, which adds to funding cost and compresses NIMs for issuing banks. Banks with strong

CASA ratios are in a better position to manage their cost of funds compared to low-CASA ratio banks. In Vietnam, the banks with the highest CASA ratios as of 2Q24 are MBB (38.6%), TCB (37.4%), and VCB (35.4%).

Dividend decisions

Framework for dividend policies assessment of banks:

Current cash flow	Excess Return	Jensen Alpha	Tier 1	Conclusion: Pressure to return cash
FCFE > Dividends	ROE < COE	Stock return < COE	Tier 1 > 8%	Highest
FCFE > Dividends	ROE >= COE	Stock return >= COE	Tier 1 >= 8%	Consider paying more dividends
FCFE > Dividends	ROE > COE	Stock return > COE	Tier 1 = 8%	Allow cash accumulation
FCFE < Dividends	ROE < COE	Stock return < COE	Tier 1 = 8%	Reduce dividends over time
FCFE < Dividends	ROE >= COE	Stock return >= COE	Tier 1 <= 8%	Cut dividends now
FCFE < Dividends	ROE > COE	Stock return > COE	Tier 1 < 8%	Stop paying dividends

Notes:

- *Free Cash Flow to Equity (FCFE) is the difference between net income and the changes in regulatory capital during the measured period.*

  Note that: *we think that banks should maintain a Tier 1 ratio of at least 8% to ensure financial stability; thus, for banks with a Tier 1 ratio below this threshold level, we apply an 8% ratio as the starting point when calculating changes in regulatory capital.*

- *Cash paid includes cash dividends and share buybacks.*
- *We use our 2024E forecasts data*
- *We calculate cost of equity (COE) using the CAPM.*
- *Excess return = ROE – COE*
- *Jensen's alpha is the difference between the stock return and cost of equity.*

Bank	Net Income vs. Cash Paid (VND bn)	ROE, COE, and Jensen Alpha	Conclusion

Sector

Year	2023	TTM
Net Income	203,763	218,680
Dividend paid	23,344	37,699
Share buyback	–	–
Total cash paid	23,344	37,699
Net Income – Cash paid	180,418	180,981

Performance Ratios	
1. Accounting Measure	TTM
ROE	16.5%
Required rate of return	12.3%
ROE – Cost of Equity	4.2%
2. Stock Performance Measure	YTD
Returns on stock	25.6%
Required rate of return	12.3%
Jensen's alpha	13.3%

- ROE > COE (but slightly)
- Stock return > COE (but slightly)
- CAR (10.9%) > 8.0%

ROE was just slightly higher than COE.

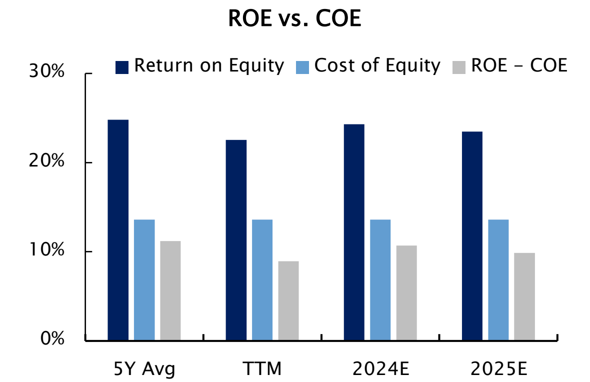
The sector generated positive alpha of about 13%. *(Stock return is calculated as at Oct 9, 2024)*

Thus, sector's CAR is sufficient to sustain its cash dividend policy; however, most CAR came from large private banks such as ACB (12.3%), TCB (14.5%), and VPB (15.6%). Hence, SOBs (e.g., BID and VCB) and other under-capitalized banks should not pay cash dividends unless they can secure additional capitals.

Corporate Finance: Apply to Yuanta Vietnam Banks Coverage Universe

Banks	Investment decision	Financing decision	Dividend decision

ACB VN



Source: FiinPro-X, Yuanta Vietnam

Conclusion:

ACB's LTM return on equity (ROE) is about 9% above its cost of equity (COE), indicating ACB is a value creator.

ACB's LTM ROE of 22.5% is the third highest in the sector depsite its lack of exposure to unsecured consumer finance business.

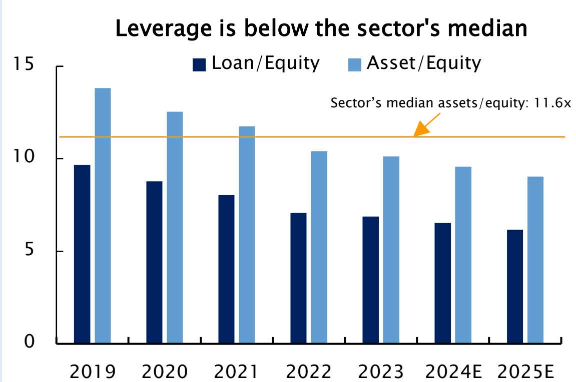
The high ROE was mainly driven by:

- Retail focus: with 93% of the total loans being retail oriented as at 2Q24, which drives its NIM.

ACB's LTM NIM (net interest incomes/average assets) was 3.65%, which is 43bps above the sector's median. We forecast ACB's NIM to reach 4.03% in 2024E.

Additionally, ACB's cost of funds (calculated by dividing interest expenses by total liabilities) is the 5th lowest in the sector, further supporting its NIM.

- Effective asset quality control: demonstrated by its low credit cost (provisioning/average assets) of just 0.26%, the second lowest among medium to large banks.



Source: FiinPro-X, Yuanta Vietnam.

Framework to assess whether ACB is under pressure to raise capital.

Criteria	Data & conclusion
Capital adequacy	**Healthy capital**. with a CAR of 11.8%. ACB's assets/equity was 10.1x in 2023 and 10.2x as at 2Q24, which is below the sector median of 11.6x. → Not under pressure to raise capital
Credit growth	ACB's average credit growth over the past 3 years was 16%, which is just slightly higher than the sector's average of 14%.
Earnings growth	**High earnings growth**, with PATMI increasing by +17% YoY in 2023. We forecast PATMI growth of 21% YoY for 2024E. → Not under pressure to raise capital
Cash dividend payout	ACB's cash dividend payout was 21% in 2023 and about 20% in 2024 (based on our 2024E net income forecast), which is slightly higher than the sector's average of 17%. However, this is still not considered a high payout ratio, in our view. → Not under pressure to raise capital
LDR	ACB's LDR of 82.2% is close to the SBV's cap of 85.0%.
Low SMLR	ACB's SMLR is only 17.6%, well below the SBV's cap of 30.0%, indicating no immediate need to raise medium- to long-term capital. → Not under pressure to raise capital
Overall	ACB is not under pressure to raise external capital, given its high CAR and strong earnings growth.

FCFE vs. Cash Paid (VND bn):

Year	2024E	2025E
FCFE	**10,306**	**9,018**
Dividend paid	3,884	3,884
Share buyback	-	-
Cash paid to shareholders	**3,884**	**3,884**
FCFE - Cash paid to shareholders	6,422	4,551

Source: FiinPro-X, Yuanta Vietnam

Performance ratios:

Performance Ratios	
1. Accounting Measure	**TTM**
ROE	22.5%
Required rate of return	13.6%
ROE - Cost of Equity	**8.9%**
2. Stock Performance Measure	**YTD**
Returns on stock	28.5%
Required rate of return	13.6%
Jensen's alpha	**14.9%**

Source: FiinPro-X, Yuanta Vietnam.

** Return on stock is calculated YTD as at Oct 21, 2024*

Conclusion:

- FCFE > 0
- ROE > COE
- Stock return > COE
- Tier 1: 12.4% > 8.0%

ACB's capital level is adequate to sustain its cash dividend.

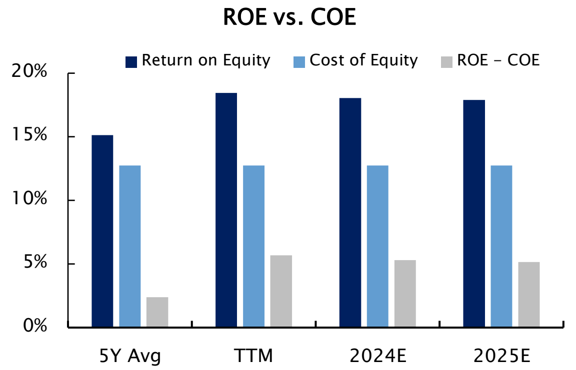
ACB generated positive alpha of about 15%, and its ROE is 9% higher than its COE. Thus, ACB has made good investment decisions.

We think ACB can continue to return cash to shareholders. It can also retain cash for its business expasion, given its track record of making efficient investment decisions.

However, it is preferable for ACB to maintain a cash dividend policy, if possible, to please their shareholders. Failing to do so could cause negative sentiment among investors, potentially affecting stock prices.

Banks	Investment decision	Financing decision	Dividend decision

BID VN

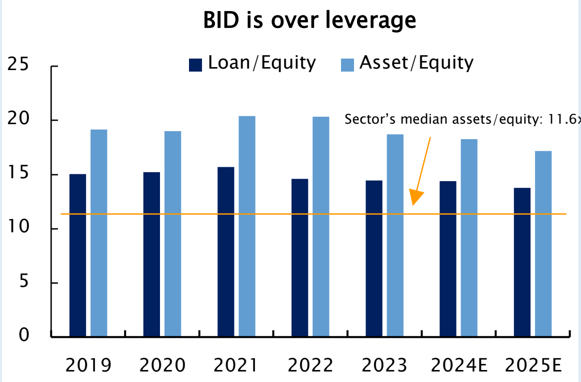


Source: FiinPro-X, Yuanta Vietnam

Conclusion:

BID's ROE is above its COE, signifying BID is generating value.

However, the differential between ROE and COE of BID is only about 6% (TTM data), which is lower than that of other banks, such as ACB.



Source: FiinPro-X, Yuanta Vietnam

Framework to assess whether BID is under pressure to raise capital.

Criteria	Data & conclusion
Capital adequacy	**Under capitalized.** BID's CAR was only 9.5%, and its Tier 1 ratio was oly 6.4% as at 2Q24. BID's assets/equity (excluding minorities interest) leverage is among the highest in the sector, with 19.5x. → Under pressure to raise capital
Credit growth	**Average.** BID's 3-year average credit growth is 14%, in line with the sector's growth.
Earnings growth	**High earnings growth**. BID's PATMI growth was 19% YoY in 2023. We forecast PATMI growth of 25% for 2024E → Not under pressure to raise capital based on this criterion
Cash dividend payout	BID made no cash dividend payments in 2023 and 2024.
LDR	LDR of 83.3% is close to the SBV's cap of 85.0%.
Low SMLR	We don't have SMLR data of BID, but we think that BID's SMLR follow the SBV's requirement.
Overall	BID needs to raise external capital, given its low CAR and Tier 1 ratio. As the largest listed bank by assets, it is crucial for BID to enhance its capital solvency to ensure sustainable development and stability not only for the bank but also for the entire sector. BID's remaining FOL is 12.8%, and it plans to sell 9.0% of its stake (2.9% in 2024 and 6.1% in 2025) to foreign investors to raise capital.

FCFE vs. Cash Paid (VND bn):

Year	2024E	2025E
FCFE	(2,046)	(329)
Dividend paid	-	-
Share buyback	-	-
Cash paid to shareholders	-	-
FCFE – Cash paid to shareholders	(2,046)	(329)

Source: FiinPro-X, Yuanta Vietnam

Performance ratios:

Performance Ratios	
1. Accounting Measure	**TTM**
ROE	18.4%
Required rate of return	12.8%
ROE – Cost of Equity	**5.7%**
2. Stock Performance Measure	**YTD**
Returns on stock	14.4%
Required rate of return	12.8%
Jensen's alpha	**1.6%**

Source: FiinPro-X, Yuanta Vietnam

** Return on stock is calculated YTD as at Oct 21, 2024*

Conclusion:

- FCFE < 0. *Please note that FCFE = Net income - change in regulatory capital. BID's Tier 1 ratio is 6.4%, and we assume 8.0% for banks with a Tier 1 ratio below as a starting point when calculating FCFE, resulting in a negative FCFE for BID.*
- ROE > COE (but slightly)
- Stock return > COE (but slightly)
- Tier 1: 6.4% < 8.0%

BID didn't pay any cash dividend in 2023. It generated an excess return of 6% (TTM data) and delivered positive alpha for its shareholders of just 2% (YTD return as at Oct 9, 2024); which is much lower compared to other banks such as ACB (15%), HDB (24%), or MBB (26%).

BID's FCFE is negative based on our assumptions, and most importantly, BID's Tier 1 is less than 8.0%.

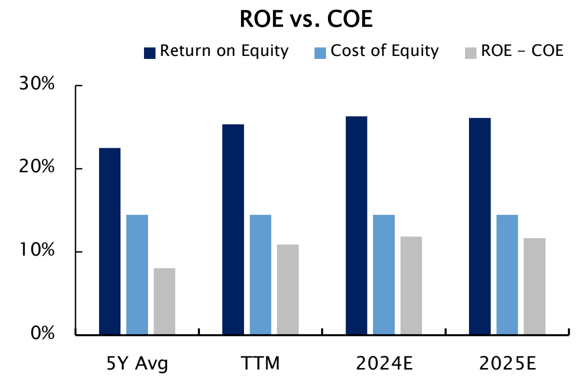
Thus, BID should not pay cash dividends.

Banks	Investment decision	Financing decision	Dividend decision

HDB

HDBank
Cùng kết lợi ích cao nhất

Investment decision



Conclusion:

HDB generated the sector-high ROE (LTM) of 25%, which is 11% above its hurdle rate (cost of equity).

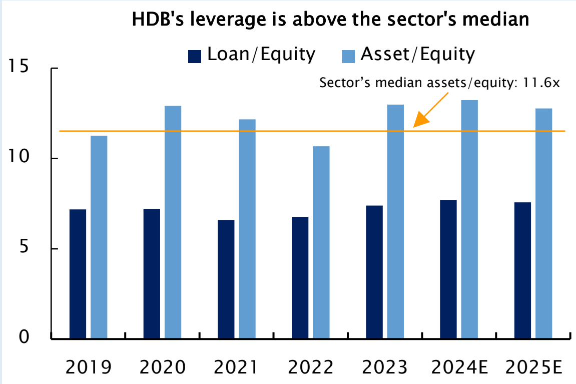
HDB's high ROE is supported by:

- **Strong loan growth**: An average loan growth over the past 3 years (2021-2023) was 24%, outpacing the sector's average of about 14%.

- **Exposure to unsecured consumer finance business**: Funding cost is not an advantage of HDB, given its low CASA ratio of only 9.9% as at 2Q24. **However**, HDB has a high exposure to unsecured consumer finance business compared to other banks. HDB owns 50% (equivalent to VND1,175 bn or 2.2% of HDB's consolidated equity) of HDSaison - an unsecured consumer finance company, which drives its NIM.

HDB's NIM is the second highest in the sector, with 4.97%. We predict its NIM to reach 5.18% in 2024E (+6bps YoY).

Financing decision



Framework to assess whether HDB is under pressure to raise capital.

Criteria	Data & conclusion
Capital adequacy	**Healthy capital**. with CAR of 13.9%; however, HDB's Tier 1 ratio is just 9.6%. HDB's assets/equity was 12.9x as at 2Q24, which is higher than the sector median of 11.6x. → Not under pressure to raise capital given its high CAR. However, HDB's Tier 1 ratio is not high, and it might need to further increase its Tier 1 capital. HDB plans to reduce its FOL room to 17.5% from 20.0%. This might be HDB's plan to reserve FOL room for a strategic foreign investor.
Credit growth	**High**. HDB's average credit growth over the past 3 years was 24%, outpacing the sector's average of 14%. → Might need more capital to fund its high growth.
Earnings growth	**High earnings growth**, with PATMI increasing by +30% YoY in 2023. We predict PATMI growth of 29% YoY for 2024E. → Not under pressure to raise capital
Cash dividend payout	HDB's cash dividend payout was 25% in 2023 and 22% in 2024, which is slightly higher than the sector's average of 17% but not a substantial high dividend payout. → Not under pressure to raise capital
LDR	HDB's LDR of 72.6% is well below the SBV's cap of 85.0%. → Not under pressure to raise capital
Low SMLR	HDB's SMLR is only 24.2%, below the SBV's cap of 30.0%, indicating no immediate need to raise medium- to long-term capital. → Not under pressure to raise capital
Overall	HDB is not highly under pressure to raise external capital.

Dividend decision

FCFE vs. Cash Paid (VND bn):

Year	2024E	2025E
FCFE	**6,619**	**4,068**
Dividend paid	2,893	2,893
Share buyback	-	-
Cash paid to shareholders	2,893	2,893
FCFE - Cash paid to shareholders	3,725	1,175

Performance ratios:

Performance Ratios	
1. Accounting Measure	**TTM**
ROE	25.3%
Required rate of return	14.5%
ROE - Cost of Equity	**10.9%**
2. Stock Performance Measure	**YTD**
Returns on stock	38.2%
Required rate of return	14.5%
Jensen's alpha	**23.7%**

** Return on stock is calculated YTD as at Oct 21, 2024*

Conclusion:

- FCFE > 0
- ROE > COE
- Stock return > COE
- Tier 1: 9.6% > 8.0%

HDB generated a positive alpha of about 24%, and its ROE is 11% greater than its COE, indicating a good investment decision from HDB.

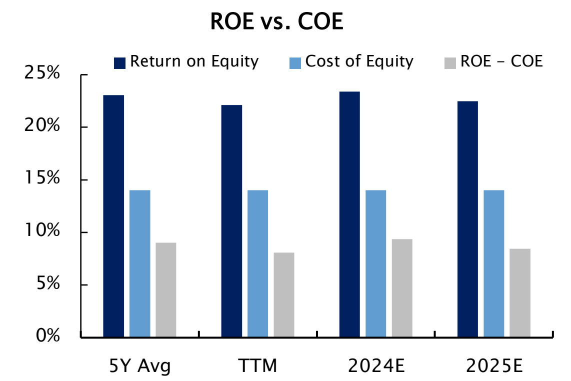
Thus, we think HDB can either choose to retain cash for its business development given its good investment decision or continue to return cash to shareholders.

However, it would be a better decision for banks, including HDB, to maintain a cash dividend, if possible, to please their shareholders. Failing to do so could cause negative sentiment among investors, potentially affecting stock prices.

Banks	Investment decision	Financing decision	Dividend decision

MBB

Investment decision



Conclusion:

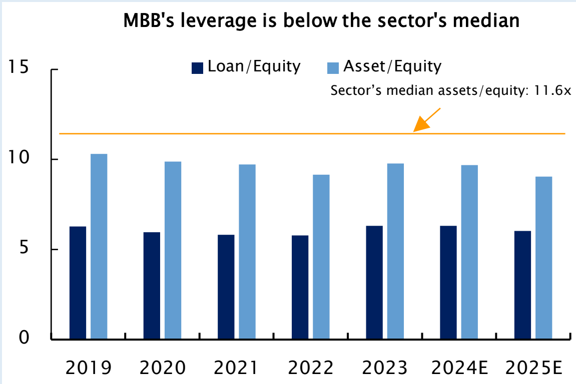
MBB's ROE (LTM) of 22% is 8% above its hurdle rate (cost of equity), implying a value creation.

MBB's high ROE is driven by:

- **Cheap funding cost** given its strong deposit franchise, with the sector-high CASA ratio of 38.6%.

- **Exposure to unsecured consumer finance business**. MBB owns 50% at Mcredit (equivalent to VND800 bn or 0.8% of MBB's consolidated equity), supporting its NIM. MBB's LTM NIM of 4.15%, in our calculation, is the 4th largest among banks. We forecast NIM to reach 4.86% in 2024E and 4.90% in 2025E.

Financing decision



Framework to assess whether MBB is under pressure to raise capital.

Criteria	Data & conclusion
Capital adequacy	**Healthy capital**. with CAR of 11.1% and Tier 1 ratio of 10.2%. MBB's assets/equity was 9.8x in 2023 and 10.0x as at 2Q24, which is below the sector median of 11.6x. → Not under pressure to raise capital
Credit growth	**High**. MBB's average loan growth over the past 3 years was 26%, significantly higher than the sector's average of 14%. → Under pressure to raise capital based on this criterion.
Earnings growth	**High earnings growth**, with PATMI increasing by +18% YoY in 2023. We forecast PATMI growth of 24% YoY for 2024E. → Not under pressure to raise capital
Cash dividend payout	MBB's cash dividend payout was 12% in 2023 and 11% in 2024, which is lower than the sector's average of 17%. → Not under pressure to raise capital
LDR	MBB's LDR of 81.9% is close to the SBV's cap of 85.0%.
Low SMLR	MBB's SMLR is 27.6%, slightly below the SBV's cap of 30.0%.
Overall	MBB is not under pressure to raise external capital.

Dividend decision

FCFE vs. Cash Paid (VND bn):

Year	2024E	2025E
FCFE	**3,221**	**5,804**
Dividend paid	2,607	2,607
Share buyback	-	-
Cash paid to shareholders	**2,607**	**2,607**
FCFE - Cash paid to shareholders	**614**	**3,197**

Performance ratios:

Performance Ratios	
1. Accounting Measure	**TTM**
ROE	22.1%
Required rate of return	14.0%
ROE - Cost of Equity	**8.1%**
2. Stock Performance Measure	**YTD**
Returns on stock	40.0%
Required rate of return	14.0%
Jensen's alpha	**26.0%**

** Return on stock is calculated YTD as at Oct 21, 2024*

Conclusion:

- FCFE > 0
- ROE > COE
- Stock return > COE
- Tier 1: 10.2% > 8.0%

MBB made good investment decisions and generated positive FCFE.

MBB's high capital level and strong earning growth would be sufficient to sustain its cash payment.

Thus, we think MBB can continue to return cash to shareholders. It can also retain cash for its business expasion, given its track record of making efficient investment decisions.

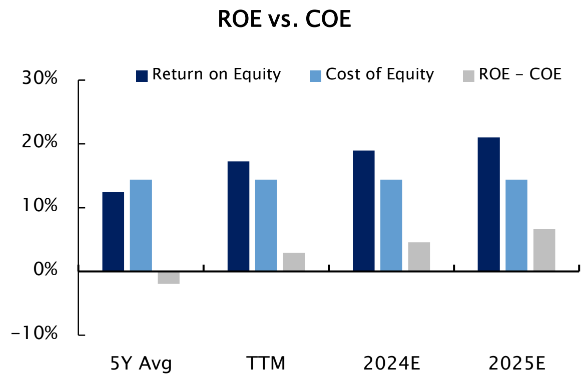
However, as we mentioned that it would be preferable for a bank that has historically paid cash dividends to maintain that policy. This would help avoid negative sentiment among investors, potentially impacting stock prices.

Banks	Investment decision	Financing decision	Dividend decision

STB

Sacombank

Investment decision



Conclusion:

STB's LTM ROE of 17.3%, higher than its COE of 14.4%.

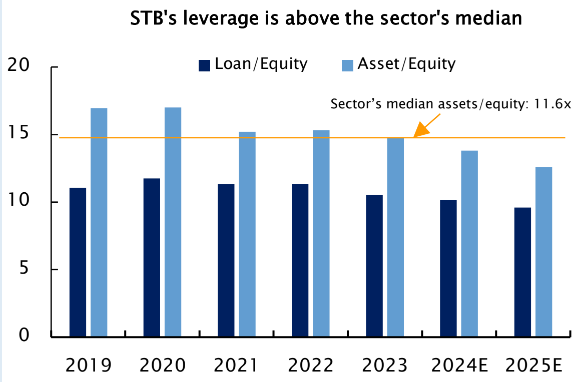
STB could further improve its ROE once it completes the restructuring plan.

STB has nearly completed the restructuring plan. STB will conclude its restructuring once it is able to sell the 32.5% of its stake held by VAMC, which we believe to be done in 2025.

Successful legacy assets handling will support STB's NIM as capital allocated to legacy assets will be freed up and shifted into interest earnings assets.

Loan growth should outperform the sector average thereafter.

Financing decision



Framework to assess whether STB is under pressure to raise capital.

Criteria	Data & conclusion
Capital adequacy	**Low capital**. with a CAR of 9.0% and Tier 1 ratio of 8.0%. STB's assets/equity was 14.7x as at 2Q24, which is higher than the sector median of 11.6x. → Under pressure to raise capital
Credit growth	**Relatively low**. STB's average credit growth over the past 3 years was 12%, which is below the sector's average of 14%. However, once STB completes the restructuring, its credit growth should outperform the sector average.
Earnings growth	**High earnings growth**, with PATMI increasing by +35% YoY in 2023. We forecast PATMI growth of 41% YoY for 2024E. → Not under pressure to raise capital
Cash dividend payout	STB has not been allowed by the SBV to pay a cash dividend during the restructuring period.
LDR	N/A
Low SMLR	N/A
Overall	**STB needs to secure more capital to improve its CAR.**

Dividend decision

FCFE vs. Cash Paid (VND bn):

Year	2024E	2025E
FCFE	**(319)**	**2,508**
Dividend paid	-	-
Share buyback	-	-
Cash paid to shareholders	-	-
FCFE - Cash paid to shareholders	(319)	2,508

Performance ratios:

Performance Ratios	
1. Accounting Measure	**TTM**
ROE	17.3%
Required rate of return	14.4%
ROE - Cost of Equity	**2.9%**
2. Stock Performance Measure	**YTD**
Returns on stock	26.1%
Required rate of return	14.4%
Jensen's alpha	**11.7%**

** Return on stock is calculated YTD as at Oct 21, 2024*

Conclusion:

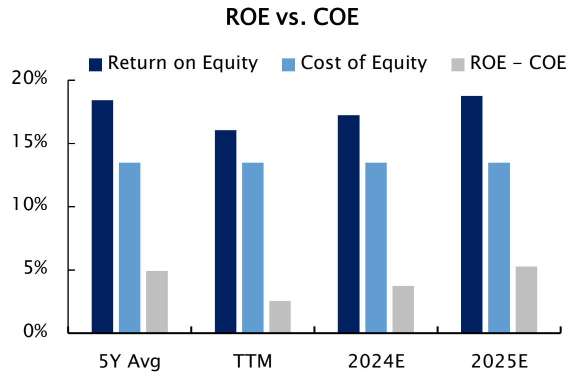
- FCFE < 0
- ROE > COE
- Stock return > COE
- Tier 1: 8.0%

STB has not paid cash dividend since 2015 as it has been under restructuring period. We think that STB should not pay cash dividend, unless it can secure additional funds.

Banks	Investment decision	Financing decision	Dividend decision

TCB

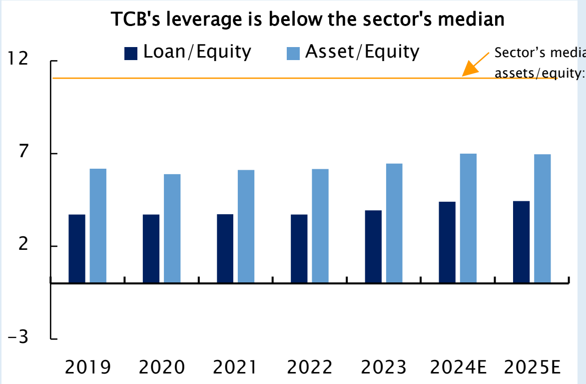
TECHCOMBANK



Conclusion:

TCB generated an LTM ROE of 16.1%, but its average ROE in the last 5 years was 18.4%. We assume that TCB's ROE will return to an average of 18.0% in the period 2024-25E. Our estimate of TCB's cost of equity is 13.5%. TCB's ROE is consistently well above its COE hurdle rate, indicating that the bank is a value creator.

While TCB's LTM ROE of 16.1% lags behind high-quality peers such as ACB (22.5%), HDB (25.3%), MBB (22.1%), and VCB (19.0%), its low leverage - second only to VPB - suggests that ROA is a more appropriate metric for comparison. As of 2Q24, TCB's LTM ROA stood at 2.47%, which is the highest in the sector. We forecast TCB's ROA to reach 2.58% in 2024E and 2.73% in 2025E.



Framework to assess whether TCB is under pressure to raise capital.

Criteria	Data & conclusion
Capital adequacy	**Strong capital**. with a CAR of 14.5% and almost all TCB's CAR is based on Tier 1 capital, with a Tier 1 ratio of 14.2% as at 2Q24. TCB is under leverage with a total assets/equity ratio of only 6.6x, well below the sector median of 11.6x. → Not under pressure to raise capital
Credit growth	**Relatively high**. TCB's average credit growth over the past 3 years was 20%, which is higher than the sector's average of 14%. We forecast TCB's credit growth to reach 18% in 2024E. → Not under pressure to raise capital given its strong CAR
Earnings growth	**PATMI growth was +39% YoY in 1H24**, and we forecast PATMI to grow by +29% YoY in 2024E. → Not under pressure to raise capital
Cash dividend payout	TCB has not paid dividend until 2024. TCB's payout ratio is 23% (based on 2024E PATMI forecast), which is just slightly above the sector's average of 17%.
LDR	TCB's LDR of 79.6% is below the SBV's cap of 85.0%.
Low SMLR	SMLT ratio of 24.2% is below the SBV's maximum requirement of 30.0%.
Overall	TCB is not under pressure to raise external capital.

FCFE vs. Cash Paid (VND bn):

Year	2024E	2025E
FCFE	14,612	6,830
Dividend paid	5,284	7,045
Share buyback	-	-
Cash paid to shareholders	5,284	7,045
FCFE - Cash paid to shareholders	9,328	(215)

Performance ratios:

Performance Ratios	
1. Accounting Measure	**TTM**
ROE	16.1%
Required rate of return	13.5%
ROE - Cost of Equity	**2.6%**
2. Stock Performance Measure	**YTD**
Returns on stock	60.0%
Required rate of return	13.5%
Jensen's alpha	**46.5%**

** Return on stock is calculated YTD as at Oct 21, 2024*

Conclusion:

- FCFE > 0
- ROE > COE (but slightly)
- Stock return > COE
- Tier 1: 14.2% > 8.0%

TCB's ROE was just slightly higher than its COE.

Historically, TCB did not pay dividends despite positive FCFE, while most of its peers paid cash dividends.

TCB generated a positive alpha of about 47% based on YTD data.

TCB has the second highest Tier 1 capital ratio in the sector.

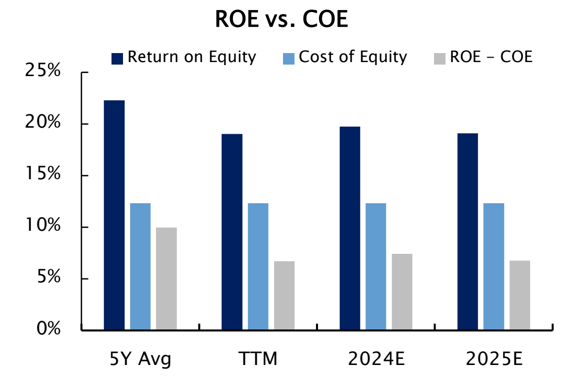
Thus, TCB have strong capital to sustain its cash dividend policy, and we think it should continue to return cash to shareholders.

Banks	Investment decision	Financing decision	Dividend decision

VCB

Vietcombank

Investment decision



Conclusion:

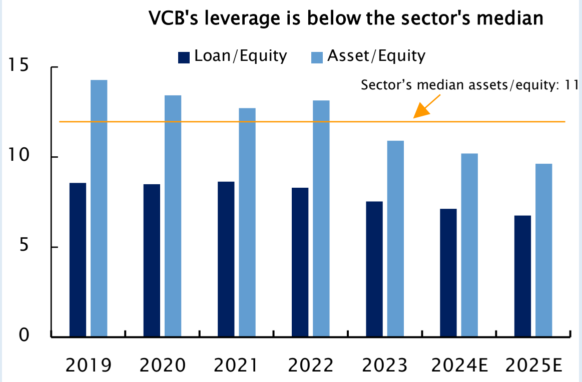
VCB's LTM return on equity (ROE) is about 7% above its cost of equity (COE), indicating VCB is a value creator.

VCB's high ROE is driven by:

- **Its sector-low cost of funds (COF)** given its strong deposit franchise. VCB's CASA ratio is the 3rd highest in the sector, with 35.4% as at 2Q24. In terms of aggregate CASA, VCB has the largest CASA deposits, accounting for 21.8% of the total CASA among 27 listed banks.

- Efficient asset quality control. VCB's credit cost (provisioning/assets) is the lowest in the sector, with only 0.16% as at 2Q24.

Financing decision



Framework to assess whether VCB is under pressure to raise capital.

Criteria	Data & conclusion
Capital adequacy	**Healthy capital level,** with CAR of 12.0%, and Tier 1 ratio of 11.1%. VCB's assets/equity was 10.7x as at 2Q24, which is slightly below the sector median of 11.6x. → Not under pressure to raise capital
Credit growth	**In line with the sector's average**. VCB's average credit growth over the past 3 years was 15%. → Not under pressure to raise capital
Earnings growth	PATMI increasing by only +10% YoY in 2023, mostly due to higher COF, a trend seen across banks in 2023, not just VCB. We forecast PATMI growth of 22% YoY for 2024E.
Cash dividend payout	VCB has not paid cash dividend since 2023. → Not under pressure to raise capital
LDR	VCB did not disclose LDR (under Circular 22), but it said its LDR remained below 85% threshold. We estimate that VCB's LDR is about 80%.
Low SMLR	Again, no information on SMLR, but we believe that its SMLR is below the SBV's cap of 30.0%
Overall	VCB is not under pressure to raise external capital. However, as Vietnam's proxy bank, VCB should further enhance its capital base to ensure its sustainable development and contribute to the long-term stability of Vietnam financial system. VCB plans to sell 6.5% of its stake via private placement. Though this has been delayed, we believe it will happen eventually to boost the capital level.

Dividend decision

FCFE vs. Cash Paid (VND bn):

Year	2024E	2025E
FCFE	**22,991**	**11,066**
Dividend paid	-	-
Share buyback	-	-
Cash paid to shareholders	**-**	**-**
FCFE - Cash paid to shareholders	**22,991**	**11,066**

Performance ratios:

Performance Ratios	
1. Accounting Measure	**TTM**
ROE	19.0%
Required rate of return	12.3%
ROE - Cost of Equity	**6.7%**
2. Stock Performance Measure	**YTD**
Returns on stock	14.6%
Required rate of return	12.3%
Jensen's alpha	**2.3%**

** Return on stock is calculated YTD as at Oct 21, 2024*

Conclusion:

- FCFE > 0
- ROE > COE
- Stock return > COE
- Tier 1: 11.1% > 8.0%

VCB's FCFE is significantly higher than almost any other Vietnam banks. But VCB did not pay any cash dividend in 2023, and it continues to do so in 2024 and probably 2025 unless it can secure additional funds.

Though VCB's Tier 1 ratio of 11% is not low, but as the proxy bank for Vietnam, VCB should further strengthen its capital level to ensure sustainable growth for VCB and the entire bank sector.

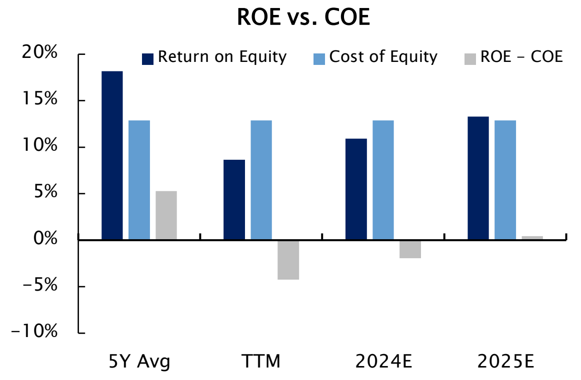
Once it can secure additional capital, then it can start paying cash dividends to shareholders.

Banks	Investment decision	Financing decision	Dividend decision

VPB

VPBank

Investment decision

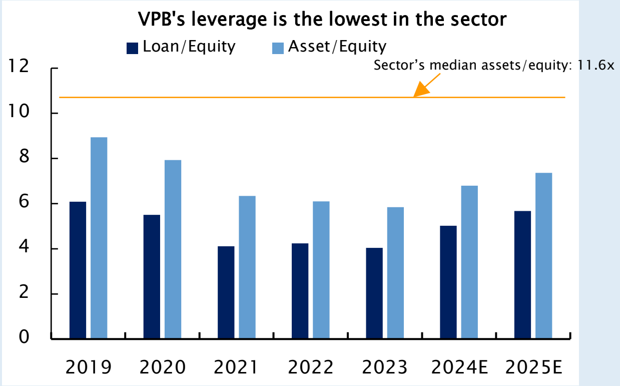


Conclusion:

VPB's LTM return on equity (ROE) is about 9%, which is below its cost of equity (COE).

Low ROE was due to: 1) increased funding costs especially in 2023, **2) weakening in FE Credit business** - where VPB owns 50%. However, FE Credit has shown signs of recovery, posting positive earnings in 2Q24, **3) sector-low leverage**, with assets/equity of only 6.3x as at 2Q24, well below the sector's median of 11.6x. Thus, we think ROA would be a better metric to compare with other banks. VPB's LTM ROA was 1.35%, which is higher than the sector's median of 1.22%.

Financing decision



Framework to assess whether VPB is under pressure to raise capital.

Criteria	Data & conclusion
Capital adequacy	**Strong capital**. VPB has the highest capital ratio among Vietnam banks, with CAR of 15.6% and Tier 1 ratio of 14.9%. VPB's assets/equity of 6.3x was the lowest among banks as at 2Q24. → Not under pressure to raise capital
Credit growth	**High**. VPB's average credit growth over the past 3 years was 23%, which is well above the sector's average of 14-15%. However, credit growth was only 7.7% YTD as at 2Q24. → Not under pressure to raise capital, given its strong capital ratio.
Earnings growth	**High earnings growth**, with PATMI declining by 45-% YoY in 2023 due to increased funding costs, and weaking in FE Credit business. However, VPB posted a +27% YoY in 1H24, and we forecast PATMI growth of 50% YoY for 2024E. → Not under pressure to raise capital
Cash dividend payout	VPB's cash dividend payout was 79% in 2023 and 53% in 2024, which is well above the sector's average of 17%.
LDR	VPB's LDR of 81.1% is close to the SBV's cap of 85.0%.
Low SMLR	VPB's SMLR is only 23.5%, well below the SBV's cap of 30.0%, indicating no immediate need to raise medium- to long-term capital. → Not under pressure to raise capital
Overall	VPB is not under pressure to raise external capital given its strong capital base.

Dividend decision

FCFE vs. Cash Paid (VND bn):

Year	2024E	2025E
FCFE	**11,594**	**8,279**
Dividend paid	7,934	7,934
Share buyback	-	-
Cash paid to shareholders	**7,934**	**7,934**
FCFE - Cash paid to shareholders	**3,660**	**345**

Performance ratios:

Performance Ratios	
1. Accounting Measure	**TTM**
ROE	8.6%
Required rate of return	13.6%
ROE - Cost of Equity	**-5.0%**
2. Stock Performance Measure	**YTD**
Returns on stock	13.2%
Required rate of return	13.6%
Jensen's alpha	**-0.4%**

** Return on stock is calculated YTD as at Oct 21, 2024*

Conclusion:

- FCFE > 0
- ROE < COE
- Stock return < COE
- Tier 1 (14.9%) > 8.0%

We think that VPB should continue to maintain its cash dividend payment. Its strong capital allows it to sustain its cash dividend policy going forward.

Valuation update

Valuation is still attractive: The listed banks trade at a median of 1.3x 2024E PB. We think that bank valuations are still enticing on average given the sector's 2024-25E ROE of 18% *(Source: Bloomberg Consensus)*.

We have revised our discount rates and rolled forward our valuation to 2025E with publication of this report.

Also, we have added another valuation method – free cash flow to equity (FCFE), which is the difference between net income and changes in regulatory capital. We have not made any changes to our financial forecasts.

Our top picks are ACB (BUY), MBB (BUY), and VCB (BUY). We also have BUY ratings on HDB (BUY), VPB (BUY), and TCB (BUY). *Please note that we updated the target prices for those banks in this report.*

The sector's current PB ratio is -1std below the 10-year historical mean, which suggests an attractive opportunity for long-term investors. The reasons for the low PB valuation are primarily due to concerns about the domestic property market, including high NPLs, tepid credit growth, and constrained NIMs.

However, several positive factors may help to boost bank valuations going forward. We believe that credit growth and asset quality will improve heading into the end of 2024 given the continuation of the easing monetary policy, along with a bottoming out in the property market.

We think the property market will enter an upcycle in 2H25, which would be a key catalyst for the banks to rerate along with a recovery in market confidence in the sector's asset quality.

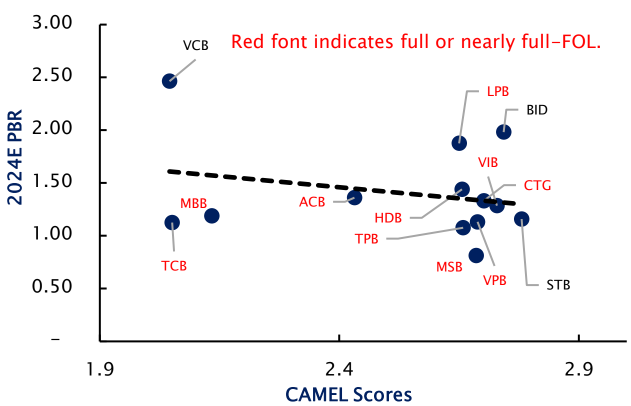
Figure 5: Bank Sector Historical P/BV

Source: FiinPro-X, Yuanta Vietnam

Figure 6: Bank Sector Historical P/E

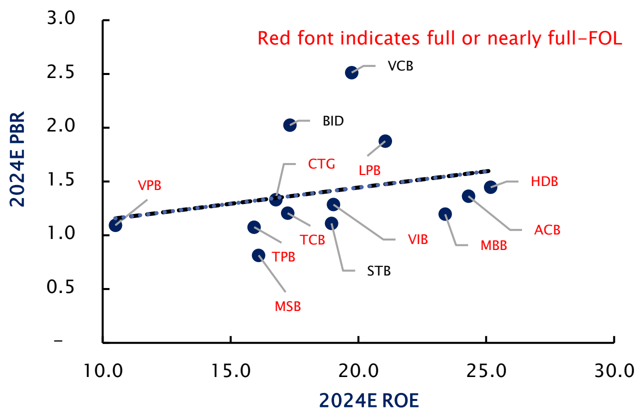
Source: FiinPro-X, Yuanta Vietnam

Figure 7: 2024E PB vs CAMEL Scores



Source: Bloomberg, Yuanta Vietnam

Figure 8: 2024E PB vs. 2024E ROE



Source: Bloomberg, Yuanta Vietnam

ACB VN: BUY

Target Price: VND31,360

Upside: +22%

% change vs. previous target: +10%

Oct 2024

Market Cap / Price: VND117 tn (US$4.7 bn) / VND25,800
52 Wk Low / High: VND17,700 / 26,300
6M Beta / 2025E Div. Yield: 0.9/ 3.8%
Sector: Bank

FY24 PBT Guidance: VND22 tn (+10% YoY)
Our 2024E PBT forecast: VND24 tn (+21% YoY)
Our 2025E PBT forecast: VND28 tn (+17% YoY)

Fundamentals

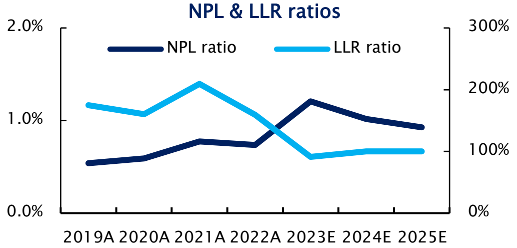
Investment Thesis:

- High ranking (Top 4) in our CAMEL framework.
- Solid asset quality, with no exposure to corporate bonds. Its credit cost (provisioning/assets) is the second lowest in the sector with only 0.26%.
- High NIM given its retail focus (93% of its loan book attribute to retail clients).
- Strong operational results with our 2024E ROE forecast of 24% vs. sector median of 18% (source: Bloomberg consensus).
- Room to improve NIM as its ST fundings for MLT loans is low at 17.6%, below the SBV's cap of 30.0%.
- Strong capital, with CAR of 11.8%.
- Stable cash dividend payment, with dividend yield of about 4%.

Outlook:

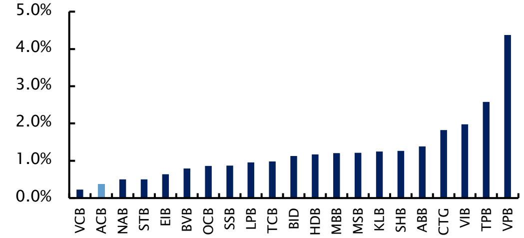
- Given improving economy and easing monetary policy, retail-focused banks like ACB will outperform in 4Q24 and 2025

NPL & LLR ratios



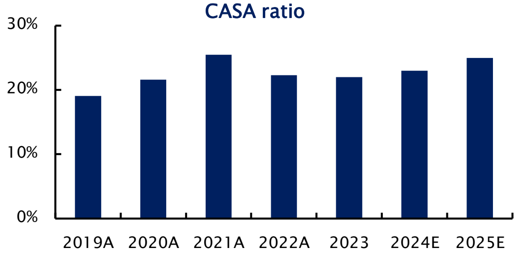
Source: FiinPro-X, Yuanta Vietnam

ACB's credit cost is the 2nd lowest



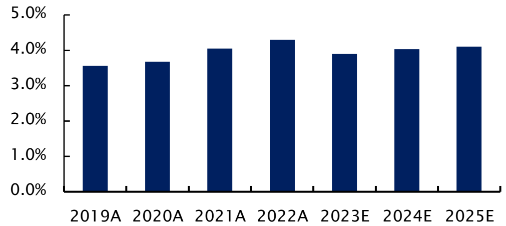
Source: FiinPro-X, Yuanta Vietnam

CASA ratio



Source: FiinPro-X, Yuanta Vietnam

NIM



Source: FiinPro-X, Yuanta Vietnam

Valuation update

- We have updated the discount rate and roll forward our valuation basis to 2025.
- Our new discount rate is 13.6% (-60bps versus our previous number).
- Our new target price is VND31,360/share, implying a 2025E P/BV of 1.3x.

Valuation Methods	Estimated Price	Weight (%)	Price
Residual Income	31,861	40%	12,744
FCFE	33,027	40%	13,211
Comparable PB	27,062	20%	5,412
Estimated Fair Value			**31,368**

Source: Yuanta Vietnam

Sensitivity analysis: FCFE Approach

	Tier 1					
		11.0%	12.0%	12.4%	12.9%	13.9%
ROE	11%	22,956	22,348	22,098	21,793	21,185
	11%	24,555	23,920	23,659	23,342	22,707
	12%	26,153	25,492	25,221	24,890	24,229
	14%	34,145	33,352	**33,027**	32,631	31,839
	15%	35,743	34,925	34,589	34,180	33,361
	15%	37,341	36,497	36,150	35,728	34,883
	16%	38,940	38,069	37,712	37,276	36,406

Source: Yuanta Vietnam

ACB's PB is still below its 10Y historical mean

Source: Bloomberg, Yuanta Vietnam

BID VN: HOLD_Underperform

Target Price: VND48,140

Downside: -3%

% change vs. previous target: +1%

Oct 2024

Market Cap / Price: VND284 tn (US$11.4 bn) / VND49,650
52 Wk Low / High: VND35,500 / 54,400
6M Beta / 2025E Div. Yield: 1.1 / 0.0%
Sector: Bank

Our 2024E PBT forecast: VND33 tn (+21% YoY)
Our 2025E PBT forecast: VND39 tn (+19% YoY)

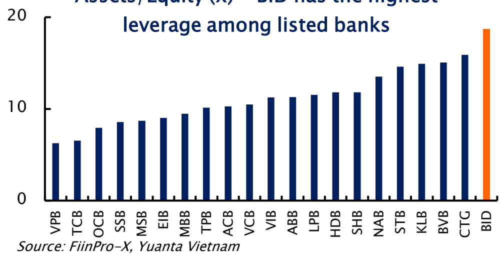
Fundamentals

- Low CAMEL ranking.
- Capital level is relatively low, which constraint its growth potential and requires for a higher capital buffer.
- Some investors try to justify BID or even CTG's valuation premium by their admittedly vast scale and funding advantages as major SOE banks. However, we don't think they deserve a VCB-like premium given its weaker quality and CASA franchise.
- State-own banks like BID might follow the SBV's direction (i.e restructuring loans and reducing interest rates) to support borrowers that have been impacted by Yagi typhoon, which will negatively impact BID's earnings in 4Q24.

Valuation: BID's stock price currently trades above its 10-year average (please see the chart in the bottom right corner)

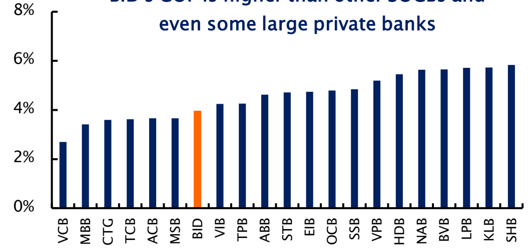
Catalyst: BID plans to sell a 9% stake (pre-money) to foreign investors, which we think to happen in end-2024 or early 2025. We estimate CAR (post deal) to improve by 1.5ppt to reach 11%.

Assets/Equity (x) – BID has the highest leverage among listed banks



Source: FiinPro-X, Yuanta Vietnam

BID's COF is higher than other SOCBs and even some large private banks



Source: FiinPro-X, Yuanta Vietnam

CAR estimate based on different prices scenarios

Issuing price Scenarios	Unit	52,400	54,895	57,391	59,886	62,381
P/BV	x	2.1x	2.2x	2.3x	2.4x	2.5x
Premium to the current price	%	**7%**	**12%**	**17%**	**22%**	**27%**
Current Shareholder Capital	VND bn	57,004	57,004	57,004	57,004	57,004
New issuing shares	mn shares	513	513	513	513	513
Additional Shareholder Capital	VND bn	5,130	5,130	5,130	5,130	5,130
Total Shareholder Capital	VND bn	**62,134**	**62,134**	**62,134**	**62,134**	**62,134**
Share Premium	VND bn	**21,753**	**23,033**	**24,313**	**25,593**	**26,873**
Total Shareholder Capital + share premium	VND bn	83,887	85,167	86,447	87,728	89,008
Current Tier 1 capital	***VND bn***	***128,851***	***128,851***	***128,851***	***128,851***	***128,851***
Tier 1 capital after raising capital	**VND bn**	**155,734**	**157,014**	**158,294**	**159,575**	**160,855**
Tier 2 capital	VND bn	62,139	62,139	62,139	62,139	62,139
RWA (06/30/2024)	VND bn	2,012,593	2,012,593	2,012,593	2,012,593	2,012,593
CET 1 ratio before raising capital	%	6.4%	6.4%	6.4%	6.4%	6.4%
CET 1 ratio after raising capital	**%**	**7.7%**	**7.8%**	**7.9%**	**7.9%**	**8.0%**
CAR before raising capital	%	9.5%	9.5%	9.5%	9.5%	9.5%
CAR after raising capital	**%**	**10.8%**	**10.9%**	**11.0%**	**11.0%**	**11.1%**

Source: Company Data, Yuanta Vietnam

Valuation update

- We have updated the discount rate and roll forward our valuation basis to 2025.
- We reduced the discount rate to 12.8% (-40bps versus our previous assumption).
- Our new target price is VND48,140/share, implying a 2025E P/BV of 1.6x.

Valuation Methods	Estimated Price	Weight (%)	Price
Residual Income	48,588	40.0%	19,435
FCFE	48,152	40.0%	19,261
Comparable PB	47,252	20.0%	9,450
Estimated Fair Value			**48,146**

Source: Yuanta Vietnam

Sensitivity analysis: FCFE Approach

		Tier 1				
		6.0%	7.0%	8.0%	9.0%	10.0%
ROE	11%	20,111	23,004	25,898	28,791	31,684
	11%	22,893	25,786	28,679	31,573	34,466
	12%	25,675	28,568	31,461	34,354	37,248
	15%	42,365	45,258	**48,152**	51,045	53,938
	15%	45,147	48,040	50,933	53,827	56,720
	16%	47,929	50,822	53,715	56,608	59,502
	16%	50,710	53,604	56,497	59,390	62,283

Source: Yuanta Vietnam

BID's PB is above its 10Y historical mean

Source: Bloomberg, Yuanta Vietnam

HDBank
Cam kết lợi ích cao nhất

HDB VN: BUY

Target Price: VND31,150

Upside: +16%

% change vs. previous target: +10%

Oct 2024

Market Cap / Price: VND78 tn (US$3.1 bn) / VND26,950
52 Wk Low / High: VND16,300 / 28,300
6M Beta / 2025E Div. Yield: 1.2/ 3.7%
Sector: Bank

FY24 PBT Guidance: VND16 tn (+22% YoY)
Our 2024E PBT forecast: VND17 tn (+30% YoY)
Our 2025E PBT forecast: VND21 tn (+23% YoY)

Fundamentals

Investment Thesis:

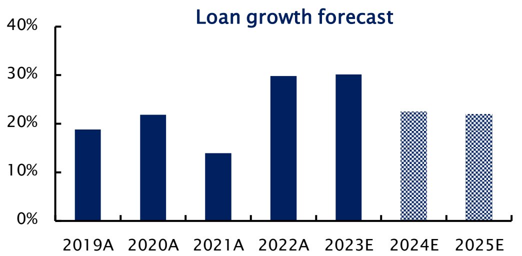
- Ample room for credit growth and business expansion to compensate for HDB's participation in restructuring a weak bank.
- Strong operational results. We forecast 2024E ROE of 25% vs. sector median of 18% (source: Bloomberg consensus).
- Strong capital level, with CAR of 13.9%.

Outlook:

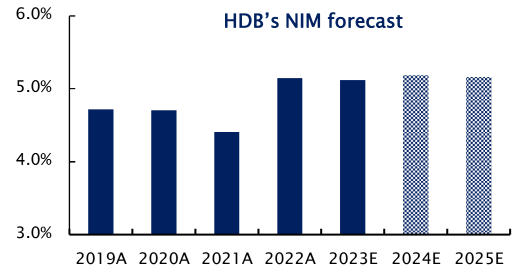
- HDB's 1H24 PATMI fulfilled 48% of our 2024E forecast. We believe that HDB will complete our earnings growth forecast of 30% YoY in 2024E, which is driven by our expectation of higher credit growth quota in 2H24.
- HDB is one of the few banks that completed 80% of the credit quota granted by the SBV as at end-Aug 24, positioning it well to receive a higher credit quota in 2H24. We forecast HDB's credit growth to reach 23% YoY in 2024E.

Catalysts:

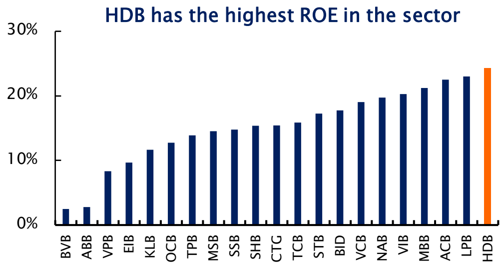
- A potential new exclusivity bancassurance deal.
- Potential stake selling. HDB will reduce its FOL room to 17.5% from 20.0%.



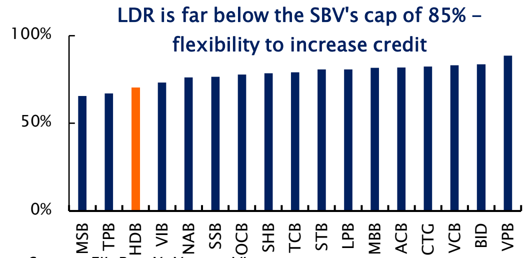
Source: FiinPro-X, Yuanta Vietnam



Source: FiinPro-X, Yuanta Vietnam



Source: FiinPro-X, Yuanta Vietnam



Source: FiinPro-X, Yuanta Vietnam

Valuation update

- We have updated the discount rate and roll forward our valuation basis to 2025.
- We reduced our discount rate for HDB by -60bps to 14.5%.
- Our new target price is VND31,150/share, implying a 2025E P/BV of 1.3x.

Valuation Methods	Estimated Price	Weight (%)	Price
Residual Income	32,447	40.0%	12,979
FCFE	31,941	40.0%	12,776
Comparable PB	27,006	20.0%	5,401
Estimated Fair Value			**31,156**

Source: Yuanta Vietnam

Sensitivity analysis: FCFE Approach

		Tier 1				
		10.0%	11.0%	11.3%	11.5%	12.5%
ROE	11%	22,483	22,483	22,483	22,483	22,483
	11%	23,834	23,834	23,834	23,834	23,834
	12%	25,185	25,185	25,185	25,185	25,185
	14%	31,941	31,941	**31,941**	31,941	31,941
	15%	33,292	33,292	33,292	33,292	33,292
	15%	34,643	34,643	34,643	34,643	34,643
	16%	35,994	35,994	35,994	35,994	35,994

Source: Yuanta Vietnam

HDB's PB is still below its 10Y historical mean

Source: Bloomberg, Yuanta Vietnam

MBB VN: BUY

Target Price: VND32,920

Upside: +29%

% change vs. previous target: +3%

Oct 2024

Market Cap / Price: VND134 tn (US$5.4 bn) / VND25,5500
52 Wk Low / High: VND16,600 / 25,800
6M Beta / 2025E Div. Yield: 1.1 / 2.0%
Sector: Bank

Our 2024E PBT forecast: VND33 tn (+24% YoY)
Our 2025E PBT forecast: VND39 tn (+18% YoY)

Fundamentals

Investment Thesis:

- Strong deposit franchise with the highest CASA ratio (38.6%).
- High ranking (top 3) in our CAMEL framework.
- Strong operational results with our 2024E ROE forecast of 23% vs. sector median of 18% (source: Bloomberg consensus).
- More room for credit growth and network expansion given its involving in restructuring a trouble bank.
- Attractive valuation: MBB trades at 1.2x 2024E P/B, slightly lower than the sector median despite its stronger operational results.
- Stable cash dividend, with a yield of about 2%.

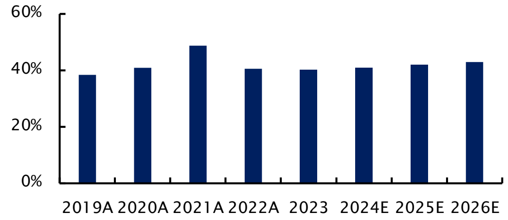
Catalyst:

- Potential foreign room from unlocking the remaining 6.8% FOL that is currently locked. However, we think this might not happen soon.

Risks:

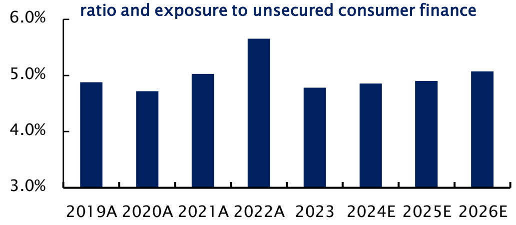
- High exposure to corporate bonds, representing 3.7% of assets (-30bps QoQ).
- A prolonged real estate crisis would negatively impact MBB's asset quality.

MBB's CASA ratio is the highest in the sector



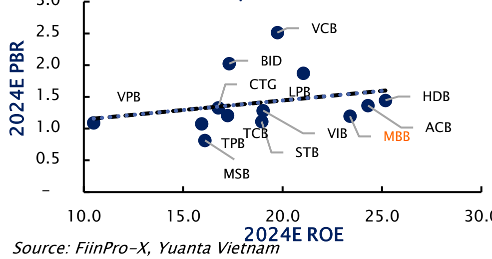
Source: FiinPro-X, Yuanta Vietnam

NIM is among the highest, given its high CASA ratio and exposure to unsecured consumer finance



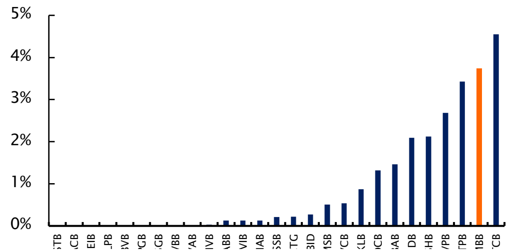
Source: FiinPro-X, Yuanta Vietnam

Cheap valuation



Source: FiinPro-X, Yuanta Vietnam

Corporate bonds/Assets



Valuation update

- We have updated the discount rate and roll forward our valuation basis to 2025.
- We reduced our discount rate for MBB by -60bps to 14.0%.
- Our new target price is VND32,920/share, implying a 2025E P/BV of 1.2x.

Valuation Methods	Estimated Price	Weight (%)	Price
Residual Income	33,671	40.0%	13,468
FCFE	34,526	40.0%	13,811
Comparable PB	30,734	20.0%	6,147
Estimated Fair Value			**32,926**

Source: Yuanta Vietnam

Sensitivity analysis: FCFE Approach

		Tier 1				
		8.0%	9.0%	9.7%	10.5%	11.5%
ROE	11%	22,971	22,971	22,971	22,971	22,971
	11%	24,621	24,621	24,621	24,621	24,621
	12%	26,272	26,272	26,272	26,272	26,272
	14%	34,526	34,526	**34,526**	34,526	34,526
	15%	36,177	36,177	36,177	36,177	36,177
	15%	37,828	37,828	37,828	37,828	37,828
	16%	39,479	39,479	39,479	39,479	39,479

Source: Yuanta Vietnam

MBB's current PB is at its 10Y historical mean

Source: Bloomberg, Yuanta Vietnam

Sacombank

STB VN: HOLD_Outperform
Target Price: VND37,040
Upside: +5%
% change vs. previous target: +6%

Oct 2024

Market Cap / Price: VND64 tn (US$2.6 bn) / VND35,250
52 Wk Low / High: VND26,300 / 35,250
6M Beta / 2025E Div. Yield: 1.1 / 0.0%
Sector: Bank

Our 2024E PBT forecast: VND14 tn (+42% YoY)
Our 2025E PBT forecast: VND18 tn (+36% YoY)

Fundamentals

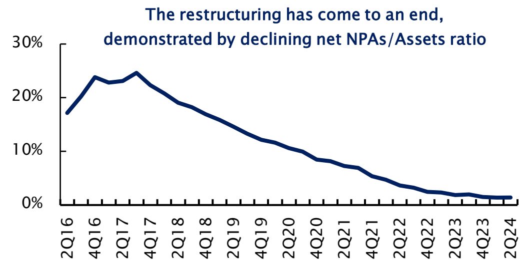
- The restructuring has come to an end, and STB's credit growth should outperform the sector average thereafter.
- The resolution of legacy assets should support NIM as capital is freed up and shifted into interest earnings assets. We forecast NIM to reach 4.13% in 2025E and 4.32% in 2026E.
- However, keep an eye on the new NPLs formation (i.e. NPL ratios), which is high compared to its peers and increasing.
- We believe STB's ROE to remain below its peers, even after finishing the restructuring. Thus, we think STB should warrant a lower valuation compared to peers, such as ACB, HDB, and MBB.

Catalyst:

- The potential successful of the 32.5% stake sale held by VAMC.

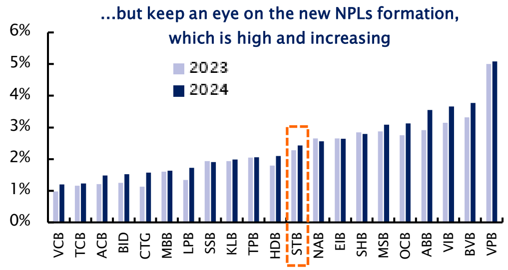
Risks:

- If the stake sale continues to be delayed, it will negatively affect STB's price.
- Rising of new NPLs formation is a concern.

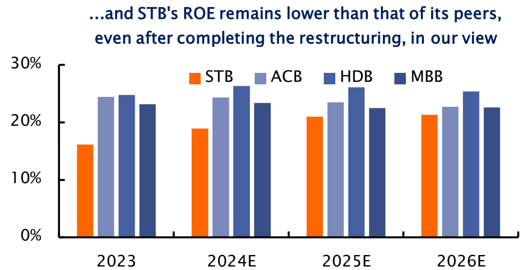


Source: Company Data, Yuanta Vietnam

Source: FiinPro-X, Yuanta Vietnam



Source: FiinPro-X, Yuanta Vietnam



Source: FiinPro-X, Yuanta Vietnam

Valuation update

- We have updated the discount rate and roll forward our valuation basis to 2025.
- We reduced our discount rate for MBB by -90bps to 14.4%.
- Our new target price is VND37,040/share, implying a 2025E P/BV of 1.0x.

Valuation Methods	Estimated Price	Weight (%)	Price
Residual Income	38,734	40.0%	15,494
FCFE	34,650	40.0%	13,860
Comparable PB	38,468	20.0%	7,694
Estimated Fair Value			**37,047**

Source: Yuanta Vietnam

Sensitivity analysis: FCFE Approach

		Tier 1				
		7.0%	7.5%	8.0%	8.5%	9.5%
ROE	11%	15,632	15,632	15,632	15,632	15,632
	11%	18,349	18,349	18,349	18,349	18,349
	12%	21,065	21,065	21,065	21,065	21,065
	14%	34,650	34,650	**34,650**	34,650	34,650
	15%	37,366	37,366	37,366	37,366	37,366
	15%	40,083	40,083	40,083	40,083	40,083
	16%	42,800	42,800	42,800	42,800	42,800

Source: Yuanta Vietnam

STB's current PB is above its 10Y historical mean

Source: Bloomberg, Yuanta Vietnam

TCB VN: BUY

Target Price: VND27,830

Upside: +15%

% change vs. previous target: +5%

Oct 2024

Market Cap / Price: VND172 tn (US$6.9 bn) / VND24,150
52 Wk Low / High: VND13,400 / 24,900
6M Beta / 2025E Div. Yield: 1.0/ 4.0%
Sector: Bank

Our 2024E PBT forecast: VND29 tn (+28% YoY)
Our 2025E PBT forecast: VND36 tn (+21% YoY)

Fundamentals

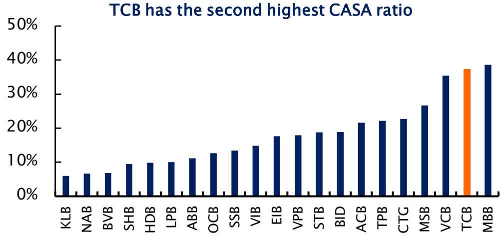
Investment Thesis:

- **Quality bank at a bargain price.** TCB trades at 1.2x 2024E P/BV, which is slightly lower than the sector median.
- Always rank in the top 3 in our CAMEL framework
- Strong deposit franchise, with the second highest CASA ratio (37.4%) among banks.
- NIM is among the highest in the sector (LTM NIM of 4.16%) despite its lack of unsecured consumer finance exposure. We forecast NIM to reach 4.44% in 2024E and 4.40% in 2025E.
- Solid asset quality with the second lowest NPL ratio of 1.28%.
- TCB is under leveraged, and its CAR is the second highest in the sector with 14.5%, just behind that of VPB (15.6%).

Risks:

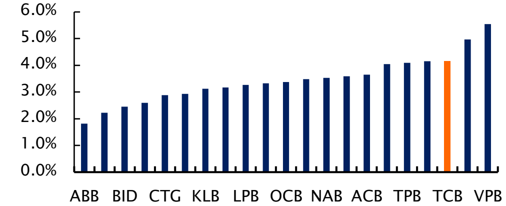
- Sector-high exposure to real estate, with 69% (-6ppt YoY) of its total credit
- Sector-high exposure to corporate bonds, with 4.6% (-10bps QoQ) of total assets
- Upside risk: potential IPO of TCBS

TCB has the second highest CASA ratio



Source: FiinPro-X, Yuanta Vietnam

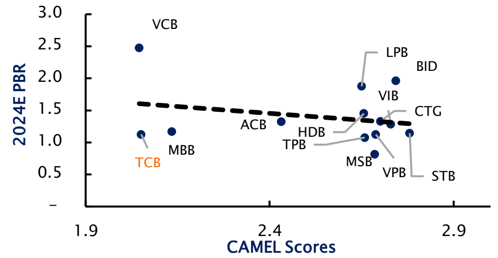
NIM is the 3rd highest in the sector despite lack of unsecured consumer finance



Source: FiinPro-X, Yuanta Vietnam

TCB's assets/equity leverage is the 2nd lowest in the sector

Source: FiinPro-X, Yuanta Vietnam



Valuation update

- We have updated the discount rate and roll forward our valuation basis to 2025.
- We reduced our discount rate for TCB by -30bps to 13.5%.
- Our new target price is VND27,830/share, implying a 2025E P/BV of 1.2x.

Valuation Methods	Estimated Price	Weight (%)	Price
Residual Income	28,588	40.0%	11,435
FCFE	27,971	40.0%	11,117
Comparable PB	26,408	20.0%	5,282
Estimated Fair Value			**27,834**

Source: Yuanta Vietnam

Sensitivity analysis: FCFE Approach

		Tier 1				
		12.5%	13.5%	13.9%	14.4%	15.4%
ROE	11%	19,400	18,766	18,491	18,174	17,540
	11%	20,792	20,131	19,846	19,515	18,854
	12%	22,184	21,497	21,200	20,856	20,169
	14%	29,145	28,326	**27,971**	27,562	26,743
	15%	30,537	29,691	29,326	28,903	28,058
	15%	31,929	31,057	30,680	30,244	29,373
	16%	33,321	32,423	32,034	31,585	30,688

Source: Yuanta Vietnam

TCB's current PB is below its 10Y historical mean

Source: Bloomberg, Yuanta Vietnam

VCB VN: BUY
Target Price: VND115,410
Upside: +25%
% change vs. previous target: +8%

Oct 2024

Vietcombank

Market Cap / Price: VND511 tn (US$20 bn) / VND92,000
52 Wk Low / High: VND80,300 / 97,400
6M Beta / 2025E Div. Yield: 0.9/ 0.0%
Sector: Bank

Our 2024E PBT forecast: VND50 tn (+22% YoY)
Our 2025E PBT forecast: VND59 tn (+18% YoY)

Fundamentals

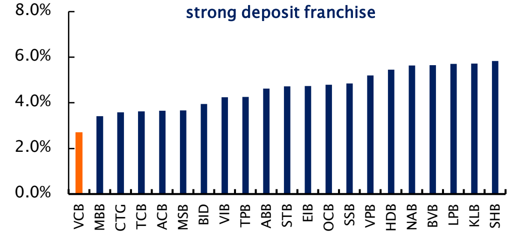
Investment Thesis:

- Rank no. 1 in our CAMEL framework given its strong asset quality with low NPL ratio (1.20%) and sector-high LLR ratio (212%)
- Lowest COF among banks given its strong deposit franchise.
- Strong operational results with 2024E ROE of 20% vs. sector median of 18%.
- More room for credit growth and business expansion given its participation in restructuring a weak bank.
- However, VCB might stricly follow the SBV's direction by retructuring loans and/or reducing interest rates to support borrowers that have impacted by Yagi typhoon, which will negatively impact VCB's profits.

Catalyst:

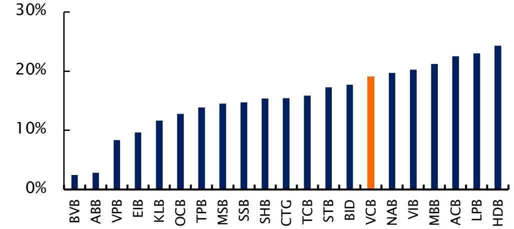
- VCB plans to sell 6.5% of its stake via private placement. Though this has been delayed, we believe it will happen eventually to boost capital level and ensure the sustainable development of Vietcombank - one of the largest banks in Vietnam. We estimate CAR (post deal) to reach about 14%.

VCB's funding costs is the sector-low, given its strong deposit franchise



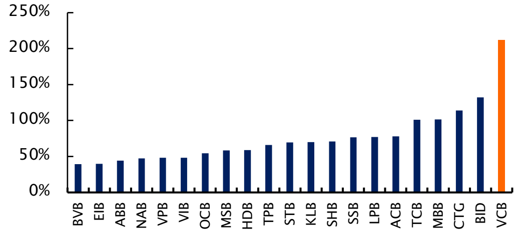
Source: FiinPro-X, Yuanta Vietnam

High ROE



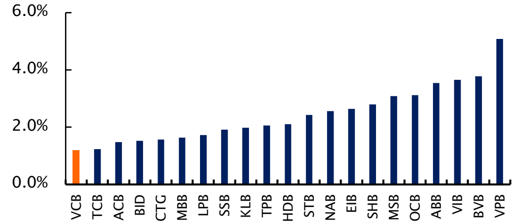
Source: FiinPro-X, Yuanta Vietnam

Highest LLR ratio



Source: FiinPro-X, Yuanta Vietnam

Lowest NPL ratios among banks



Source: FiinPro-X, Yuanta Vietnam

Valuation update

- We have updated the discount rate and roll forward our valuation basis to 2025.
- Our discount rate for VCB is reduced by -1ppt to 12.3%.
- We have valued VCB using residual income approach, resulting in a new target price of VND115,410/share, implying a 2025E P/BV of 2.6x.

Sensitivity analysis: Residual Income Approach

		COE				
		12.0%	13.0%	12.3%	12.8%	13.8%
ROE	15.5%	144,863	107,923	130,875	113,163	86,695
	15.0%	139,078	103,739	125,699	108,753	83,414
	14.5%	133,317	99,573	120,546	104,363	80,148
	14.0%	127,582	95,425	**115,415**	99,991	76,896
	13.5%	121,871	91,294	110,306	95,639	73,658
	13.0%	116,185	87,182	105,219	91,305	70,434
	12.5%	110,525	83,087	100,154	86,990	67,223

Source: Yuanta Vietnam

VCB's current PB is far below its 10Y historical mean

Source: Bloomberg, Yuanta Vietnam

VPB VN: BUY

Target Price: VND23,610

Upside: +14%

% change vs. previous target: +5%

Oct 2024

Market Cap / Price: VND160 tn (US$6.4 bn) / VND20,650
52 Wk Low / High: VND17,200 / 20,500
6M Beta / 2025E Div. Yield: 1.1 / 5.0%
Sector: Bank

Our 2024E PBT forecast: VND19 tn (+80% YoY)
Our 2025E PBT forecast: VND26 tn (+31% YoY)

Fundamentals

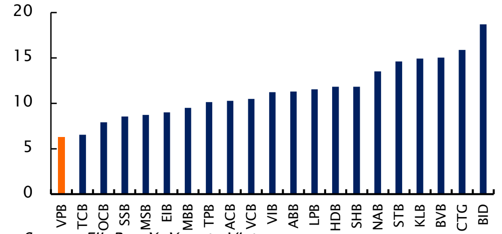
Investment Thesis:

- Ample room to grow (credit quota, networks) given its participation in restructuring a weak bank.
- Capital level is the strongest among VN banks, with CAR ~15.6%.
- Effective cost management, with the lowest CIR among banks. Our 2024E forecast for adjusted CIR is 29%.
- Catalyst: FE Credit shows sign of recovery.

Risks:

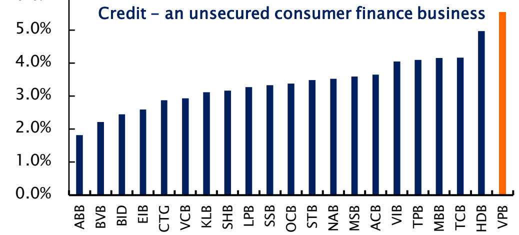
- High exposure to corporate bonds among banks. However, the trend has been declining, with a -1.1ppt QoQ and now representing 2.7% of its assets.
- A prolonged real estate crisis would negatively impact VPB's asset quality.
- If FE Credit continues to experience loss, it will continue to drag VPB's earnings.

VPB's assets/equity is the lowest in the sector



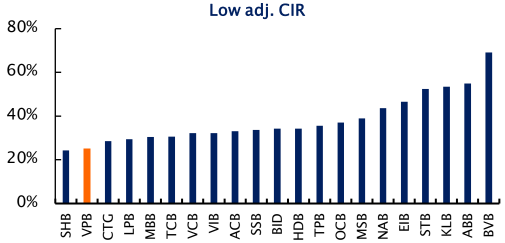
Source: FiinPro-X, Yuanta Vietnam

VPB's NIM is the sector-high, given it owns 50% of FE Credit – an unsecured consumer finance business



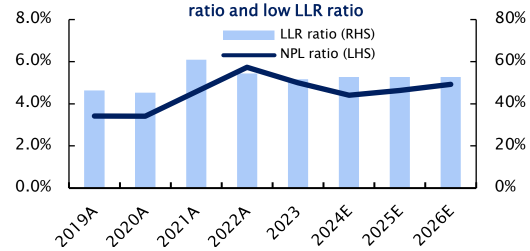
Source: FiinPro-X, Yuanta Vietnam

Low adj. CIR



Source: FiinPro-X, Yuanta Vietnam

But pay attention to asset quality with high NPL ratio and low LLR ratio



Valuation update

- We have updated the discount rate and roll forward our valuation basis to 2025.
- We reduced our discount rate for VPB by -1ppt to 13.6%.
- Our new target price is VND23,610/share, implying a 2025E P/BV of 1.2x.

Valuation Methods	Estimated Price	Weight (%)	Price
Residual Income	23,055	40%	9,222
FCFE	24,723	40%	9,889
Comparable PB	22,496	20%	4,499
Estimated Fair Value			23,610

Source: Yuanta Vietnam

Sensitivity analysis: FCFE Approach

	Tier 1	13.0%	14.0%	14.9%	15.0%	16.0%
ROE	12%	19,702	18,801	17,953	17,863	16,961
	13%	22,044	21,099	20,210	20,115	19,170
	14%	24,385	23,396	22,466	22,367	21,379
	15%	26,726	25,694	**24,723**	24,620	23,588
	16%	29,067	27,992	26,980	26,872	25,797
	17%	31,408	30,289	29,236	29,124	28,006
	18%	33,749	32,587	31,493	31,377	30,214

Source: Yuanta Vietnam

VPB's current PB is far below its 10Y historical mean

Source: Bloomberg, Yuanta Vietnam

Appendix A: Important Disclosures

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