

## VIETINBANK (CTG) – UPDATE

<b>Market Price</b>	<b>Target Price</b>	<b>Dividend Yield</b>	<b>Rating</b>	<b>Sector</b>
VND24,700	VND34,400	0.00%	Add	FINANCIALS

24 November 2022

**Outlook – Short term:** **Neutral**  
**Outlook – Long term:** **Positive**  
**Valuation:** **Positive**

Consensus\*: Add:8 Hold:1 Reduce:0

Target price / Consensus: 3.5%

### Key changes in the report

- Lower target price by 5%

### Price performance



Source: VNDIRECT RESEARCH

### Key statistics

52w high (VND)	37,650
52w low (VND)	19,800
3m Avg daily value (VNDmn)	127,009
Market cap (VND bn)	114,857
Free float (%)	5
TTM P/E (x)	7.4
Current P/B (x)	1.1

### Ownership

State Bank of Vietnam	64.5%
Bank of Tokyo-Mitsubishi UFJ	19.7%
Others	15.8%

Source: VNDIRECT RESEARCH

### Analyst(s):



### Quan Vu

quan.vuthe@vndirect.com.vn

www.vndirect.com.vn

## Another solid quarter

- 3Q22 earnings after minority interest grew strongly by 35.7% yoy, taking 9M22 growth to 13.7% yoy and fulfilling 77% of our full-year forecast.
- We expect earnings growth to decelerate into FY23-24F following softer NIM and increasing credit cost.
- Reiterate ADD with a lower TP of VND34,400.

### 3Q22 recap: widening NIM and strong bad debt recovery

CTG's 3Q22 net profit rose by 35.7% yoy to VND3.3tr, driven by NIM expansion and strong bad debt recovery. For 9M22, loan balance grew by 10.1% ytd (+14.8% yoy) with robust retail and SME lending. 3Q22 NIM improved to 3.10% (+15bps qoq and +31bps yoy), bringing 9M22 NIM to 2.92% (-17bps yoy). Notably, income from bad debt recovery through 9M22 jumped by 123% yoy to VND4.3tr and was a key contributor to earnings growth. On the expenses side, CTG booked heavy provision in 3Q22 with VND8.3tr (+50% yoy), boosting loan loss reserve (LLR) to 222% at end-3Q22. Overall, 9M22 earnings grew by 13.7% yoy to VND12.6tr, fulfilling 77% of full-year our forecasts.

### Gaining more CASA, a highlight in this quarter

Amid tightening liquidity in the system, CTG managed to grow its CASA balance by 1.4% qoq, and thus, pushed CASA ratio up by 55bps qoq to 20.5%. This is better than most peers who experienced weakening CASA sequentially. As of 3Q22, corporates account for the majority of CTG's CASA balance at 50.0%, followed by retail customers (34.5%) and financial institutions (15.5%).

### Earnings growth are likely to slow down in FY23-FY24F

We expect loan growth will continue to be in the 10% range over FY23-24F, which is slightly below our expectation for the system in the 11-12% range. We forecast CTG's NIM will shrink to 2.80% over FY23-24F from 2.95% in FY22F as COF is set to rise meaningfully due to sharply higher deposit rates. Regarding asset quality, we expect provision expenses will cool down by 1.9%/3.5% yoy over FY23-24F but remain elevated considering high base in FY22F. All in all, under our assumptions CTG's net profit will grow by 14.1% on average during FY23-24F, down from 17.5% in FY22F.

### Reiterate ADD rating with a lower TP of VND34,400

We lower the target P/B multiple to 1.2x from previous 1.6x to reflect heightening sectoral risks related to lower credit growth, shrinking NIM, and rising credit cost. Together with 50% contribution from the residual income approach, we derive a TP of VND34,400, 5% lower than previous TP. Downside risks include (i) lower-than-expected NIM and (ii) higher-than-expected bad debts due to the stagnant property market.

Financial summary (VND)	12-21A	12-22E	12-23E	12-24E
Net interest income (bn)	41,788	47,439	48,853	51,728
Net interest margin	3.1%	3.0%	2.8%	2.8%
Total operating income (bn)	53,157	62,774	64,785	69,153
Total provision charges (bn)	(18,382)	(22,016)	(21,594)	(20,829)
Net profit (bn)	14,089	16,557	18,249	21,535
Net profit growth	2.7%	17.5%	10.2%	18.0%
Adjusted EPS	2,189	2,572	2,835	3,346
BVPS	19,343	22,788	26,086	29,967
ROAE	15.9%	16.4%	15.5%	16.0%

Source: VNDIRECT RESEARCH

## ANOTHER SOLID QUARTER

### Reiterate ADD with lower 1-year target price of VND34,400

We like CTG for its strong branding as a state-owned commercial bank (SOCB) and improving fundamentals regarding loan mix (higher retail & SME weights), non-interest income (FX, banca), and funding (CASA). Over the past month, CTG's share price has increased by 10.4%, significantly outperforming VN-INDEX down 6.6%. Year-to-date, CTG is down 29.5% vs. VN-INDEX down 37.5%. At the current share price, CTG is trading at 1.11x current P/B, below its 3-year average of 1.39x.

Our TP is based on equal weights of residual income valuation and target P/B of 1.2x on FY23F book value. Downside risks to our call include (i) lower-than-expected NIM and (ii) higher-than-expected spike in bad debt.

**Figure 1: Residual income valuation, based on our estimates**

Key assumptions	2023F	2024F	2025F	2026F	2027F	Terminal
Risk free rate (5-year VGB yield)	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Equity risk premium	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Beta	1.0	1.0	1.0	1.0	1.0	1.0
Cost of equity	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%
Long-term growth rate						4.0%
Opening shareholder's equity	109,515					
PV of RI (5 years)	22,433					
PV of Terminal value	48,331					
Implied EV	180,279					
No. of o/s shares (m shares)	4,806					
<b>Implied value per share (VND/share)</b>	<b>37,513</b>					

Source: VNDIRECT Research

**Figure 2: Our target price calculation**

Approach	Weight	Fair value (VND/share)	Contribution (VND/share)
Residual income	50%	37,513	18,757
P/BV multiple (at 1.2x FY23F BVPS)	50%	31,303	15,651
Target price (VND/share)			34,408
<b>Target price (VND/share, rounded)</b>			<b>34,400</b>

Source: VNDIRECT Research

**Figure 3: Peer comparison (price as of 11/23/22)**

Banks	Bloomberg Code	Recom	Closing price (local curr.)	Target price (local curr.)	Market cap (US\$bn)	P/B (x)		P/E (x)		3-yr Forward EPS CAGR		ROE (%)		ROA (%)	
						FY22F	FY23F	FY22F	FY23F	%	FY22F	FY23F	FY22F	FY23F	
Vietcombank	VCB VN	Add	73,500	84,600	14.6	2.7	2.3	12.7	12.6	20.8%	20.5%	19.3%	1.6%	1.6%	
Techcombank	TCB VN	ADD	22,000	62,300	3.3	0.7	0.6	3.6	3.0	17.9%	22.0%	21.0%	3.7%	3.8%	
Vietnam Prosperity JSC Bank	VPB VN	ADD	15,050	26,300	4.2	1.1	0.9	4.2	5.2	24.5%	23.4%	18.7%	3.5%	2.9%	
Military Commercial Joint Stock Bank	MBB VN	ADD	15,700	30,600	2.9	0.9	0.7	4.0	3.8	21.7%	25.6%	23.1%	2.7%	2.6%	
Tien Phong Commercial JSB	TPB VN	ADD	20,000	38,500	1.3	1.0	0.8	5.6	4.5	22.3%	20.5%	20.7%	1.9%	2.1%	
Asia Commercial Joint Stock Bank	ACB VN	ADD	20,650	30,000	2.9	1.2	1.0	4.8	4.9	17.1%	26.0%	22.5%	2.4%	2.4%	
<b>Average</b>						<b>1.3</b>	<b>1.0</b>	<b>5.8</b>	<b>5.7</b>	<b>20.7%</b>	<b>23.0%</b>	<b>20.9%</b>	<b>2.6%</b>	<b>2.6%</b>	
<b>VietinBank</b>	<b>CTG VN</b>	<b>ADD</b>	<b>24,700</b>	<b>34,400</b>	<b>4.6</b>	<b>1.1</b>	<b>0.9</b>	<b>7.2</b>	<b>6.5</b>	<b>18.3%</b>	<b>16.4%</b>	<b>15.5%</b>	<b>1.0%</b>	<b>1.0%</b>	

Source: VNDIRECT Research, BLOOMBERG

### 3Q22 recap: better than our forecast

**Figure 4: 3Q22 results comparison (VNDbn, otherwise noted)**

Profit & Loss statement	3Q22	3Q21	% yoy	2Q22	% qoq	9M22	9M21	% yoy	Previous VND FY22F % of VND forecasts		Comments
									forecasts	forecasts	
Net interest income	12,924	9,872	30.9%	12,013	7.6%	35,082	31,393	11.8%	44,049	80%	Higher than our forecast given better NIM
Non-interest income	4,401	2,384	84.6%	3,928	12.0%	12,253	7,869	55.7%	15,098	81%	Higher than our forecast given better FX/ bad debt recovery partially offset by weaker fee income
Operating revenue	17,324	12,255	41.4%	15,941	8.7%	47,335	39,261	20.6%	59,147	80%	
Operating expenses	(4,847)	(3,647)	32.9%	(4,272)	13.5%	(12,940)	(11,346)	14.0%	(19,519)	66%	CIR better than our expectation
Pre-provision profit	12,477	8,609	44.9%	11,668	6.9%	34,395	27,915	23.2%	39,629	87%	
Provision expenses	(8,321)	(5,548)	50.0%	(5,883)	41.4%	(18,631)	(14,004)	33.0%	(18,545)	100%	Higher than our forecast as the bank took a prudent approach towards provisioning
Pre-tax profit	4,157	3,061	35.8%	5,785	-28.2%	15,764	13,911	13.3%	21,084	75%	
Net profit	3,338	2,460	35.7%	4,645	-28.1%	12,648	11,128	13.7%	16,361	77%	Overall better than our forecast

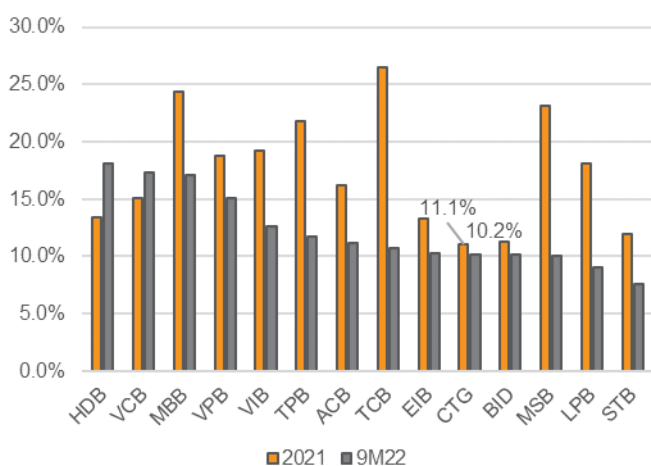
Source: VNDIRECT Research, CTG

**Figure 5: CTG's key ratios by quarter**

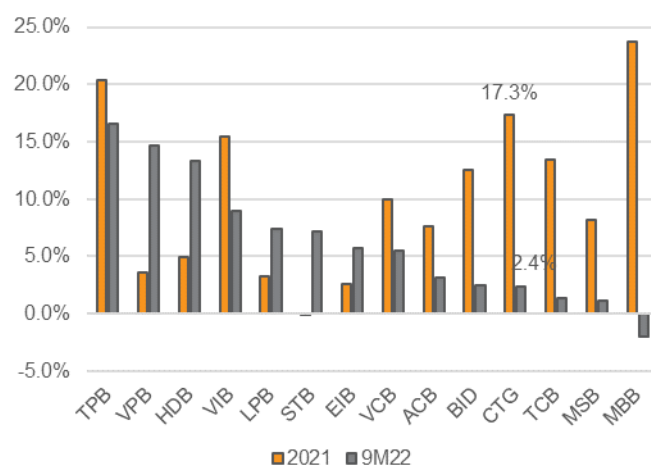
Key ratios	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22
NII/Total Operating Income (TOI)	78%	79%	78%	82%	77%	81%	75%	72%	75%	75%
Non-II/TOI	22%	21%	22%	18%	23%	19%	25%	28%	25%	25%
NIM (annualised)	2.61%	3.00%	3.27%	3.28%	3.20%	2.79%	2.88%	2.62%	2.95%	3.10%
Loan-to-deposit ratio (Circular 36)	87.3%	84.9%	86.5%	85.9%	85.2%	83.5%	83.1%	83.6%	83.5%	83.1%
NPL	1.70%	1.87%	0.94%	0.88%	1.34%	1.67%	1.27%	1.25%	1.35%	1.42%
Loan-Loss-Reserves (LLR)	81%	84%	132%	155%	129%	119%	180%	197%	190%	222%
Cost-to-income ration (CIR)	32.9%	32.6%	43.6%	27.2%	29.7%	29.8%	42.0%	27.2%	26.8%	28.0%
Credit cost (annualised)	0.95%	2.05%	0.28%	0.53%	2.72%	2.05%	1.58%	1.50%	1.91%	2.68%
Provision/Pre-provisioning operating profit (PPOP)	33.0%	62.6%	9.3%	14.3%	71.8%	64.4%	54.3%	43.2%	50.4%	66.7%
ROAA (trailing 12M)	0.92%	0.89%	1.09%	1.38%	1.23%	1.20%	0.99%	0.83%	0.95%	0.97%
ROAE (trailing 12M)	14.6%	14.0%	17.0%	21.2%	18.9%	18.5%	15.4%	13.1%	15.3%	15.8%

Source: VNDIRECT Research, CTG

### Strong loan growth driven by retail and SME clients

**Figure 6: CTG's credit growth reached 10.2% through 9M22 as the bank has largely used up credit limit granted by SBV**


Source: VNDIRECT Research, Company reports

**Figure 7: CTG's customer deposit was up 2.4% through 9M22 – near the bottom of the pack but understandable after strong increase in 2021 of 17.3%**


Source: VNDIRECT Research, Company reports

At end-3Q22, CTG's loans grew by 0.5% qoq and 10.1% ytd, which is better than 9M21 growth of 6.8%. Credit growth through 9M22 was 10.2%, which implies there remains 0.5% room for growth in 4Q22 given CTG's latest limit

granted by SBV of 10.7%. Retail and SME lending activity was robust as loan balances of these two segments increased by 25.6% and 10.9% through 9M22, respectively. On the other hand, ytd growth at FDI and large corps lagged behind at 4.1% and -2.1%, respectively. Overall, the bank experienced a positive shift in its loan portfolio structure towards Retail and SME, which now account for 36.8% and 26.5% of total loans, respectively. Large corporates, FDI, and other account for rest at 31.2%, 4.9%, and 0.6%, respectively.

On the funding side, CTG’s customer deposit declined modestly by 1.3% qoq but grew by 2.4% ytd, which is somewhat weaker than industry average but understandable after strong growth of 17.3% in 2021. We note the bank’s due to the Government and SBV as well as deposits & borrowings from other credit institutions are up meaningfully ytd at 196% and 68%, respectively, which helped finance strong credit growth.

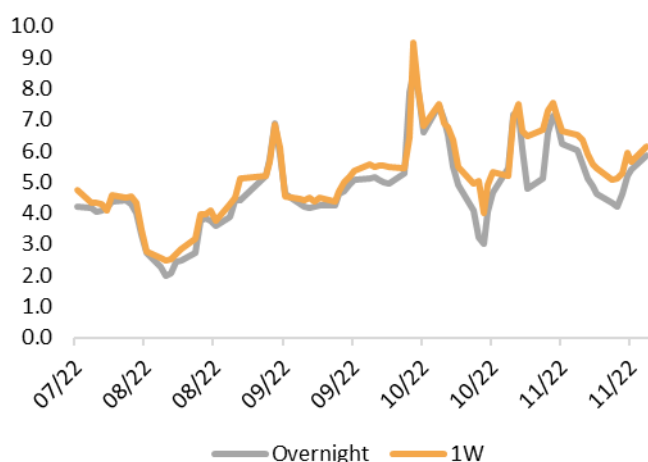
**NIM continued to improve on sequential basis**

The bank expanded its annualized NIM by 15bps qoq to 3.10% in 3Q22 (after 33bps qoq expansion in 2Q22 from 1Q22 low of 2.62%), which was driven by a couple of factors in our view: (i) less interest relief to customers affected by COVID, (ii) better lending yield given higher retail/SME mix, (iii) growing CASA ratio, and (iv) like other SOCBs, CTG did not raise its deposit rates until after the 2 rate hikes from the SBV in September/October. Overall, 9M22 NIM reached 2.92% (-17bps yoy).

As mentioned above, CTG’s CASA performance ytd was strong as the bank managed to deliver a 35bps increase in CASA ratio ytd vs. declines seen at most banks. Combined with slightly higher deposit rate and valuable paper weight, COF in 9M22 increased by 18bps yoy. Meanwhile, asset yield through 9M22 declined by 5ps yoy, which we would attribute to interest relief for customers continuing from 2H21 into 1Q22.

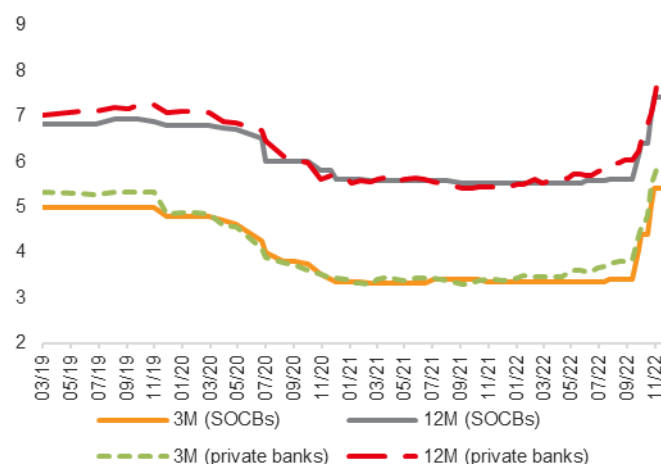
We believe next year will be tough for CTG (and the banking sector in general) from a NIM perspective. Sharply higher deposit rates will put significant upward pressure to COF and downward pressure to NIM as we doubt loan yields can pick up at the same pace to help offset. That said, if CTG can continue to shift its credit mix towards Retail/SME and simultaneously improve its CASA as it has this year, the bank should be well-positioned to offset some of the NIM headwind.

**Figure 8: Interbank interest rates have spiked higher to 5-6% range, reflecting tight liquidity in the system (Unit: %)**



Source: Bloomberg, VNDIRECT Research

**Figure 9: Deposit rates rose sharply after SBV raised its policy rates by 200bps in the past 2 months (Unit: %)**



Source: Commercial banks, VNDIRECT Research

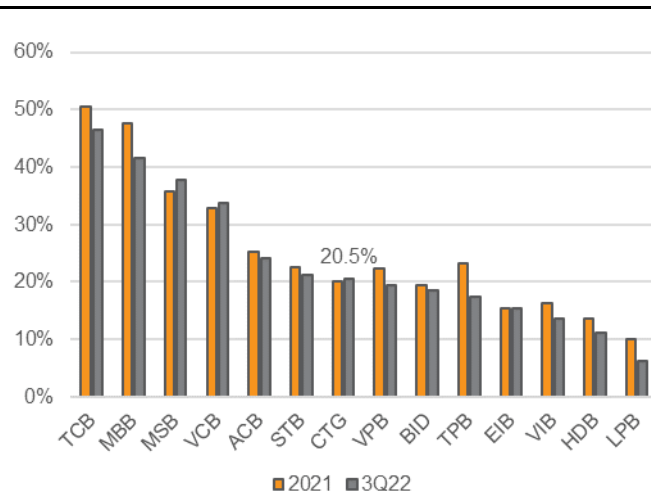


**Figure 10: CTG saw weaker NIM in 9M22 on yoy basis but it is noteworthy that the bank has delivered materially better NIM in 3Q22 than 1H22 (Unit: bps)**

	Asset yield	CoF	NIM
EIB	53	-64	113
MSB	64	-2	84
LPB	3	-62	72
HDB	52	-10	57
MBB	42	-16	57
VIB	28	4	24
VCB	14	-3	16
ACB	-23	-33	11
STB	-21	-16	10
BID	-32	-21	-12
CTG	-29	14	-18
TCB	0	19	-20
TPB	-47	-6	-39
VPB	-96	-22	-63

Source: VNDIRECT Research, Company reports

**Figure 11: CTG improved its CASA ratio slightly in 9M22**

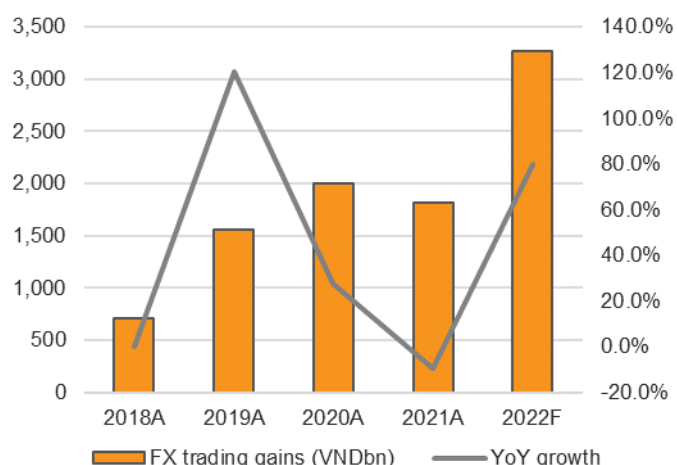


Source: VNDIRECT Research, Company reports

**Impressive bad debt recovery and FX gains drove strong non-II growth**

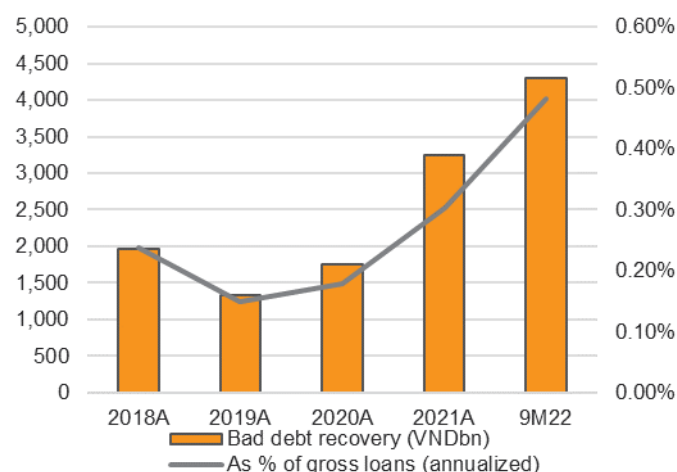
CTG delivered significant non-II growth of 84.6% yoy in 3Q22, which is driven by a 6x increase in net other income (primarily consisting of income from bad debt recovery) and 69.1% increase in FX trading gains. Service fee income grew solidly by 27% yoy in the quarter. On 9M22 basis, non-II increased by 55.7% with service income, FX gains, and net other income up 13.4%, 80.1%, and 169.8%, respectively. We believe 9M22 net other income includes roughly VND900bn of upfront banca fee from Manulife. Recall CTG has planned to book upfront fee equally over 5 years from 2022 to 2026. However, we note the bank has not disclosed the exact amount.

**Figure 12: FX trading activity has been a bright spot for CTG this year**



Source: VNDIRECT Research, CTG

**Figure 13: Recovery from bad debt grew meaningfully by 123% to VND4.3tr in 9M22**



Source: VNDIRECT Research, CTG

**Historically high LLR recorded although NPL increased slightly**

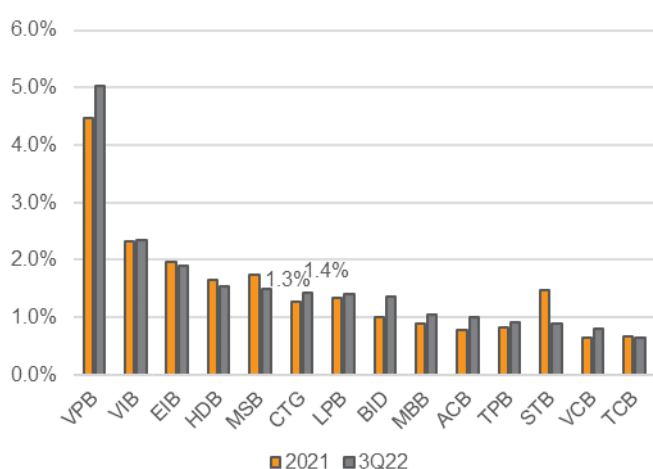
CTG's NPL ratio increased slightly to 1.42% at the end of 3Q22 (+7bps qoq and +15bps ytd). However, Group 2 loans as % of total loans deteriorated quite meaningfully qoq to 1.80% (+55bps qoq and +74bps ytd). Per CTG, the

increases in Group 2/NPL was primarily driven by the re-classification of rescheduled loans after their certain period of full repayments according to the reschedule.

3Q22 provision expenses were up significantly yoy at VND8.3tr (+50% yoy), bringing total 9M22 provision expenses to VND18.6tr (+33% yoy). This 9M22 number is already higher than 2021 provision expenses of VND18.4tr and represents credit cost over gross loans of 1.54% (up vs. 1.34% in 9M21). We note CTG indicated at analyst meeting that the full-year 2022 provision number would be 5-10% higher than the 9M22 amount.

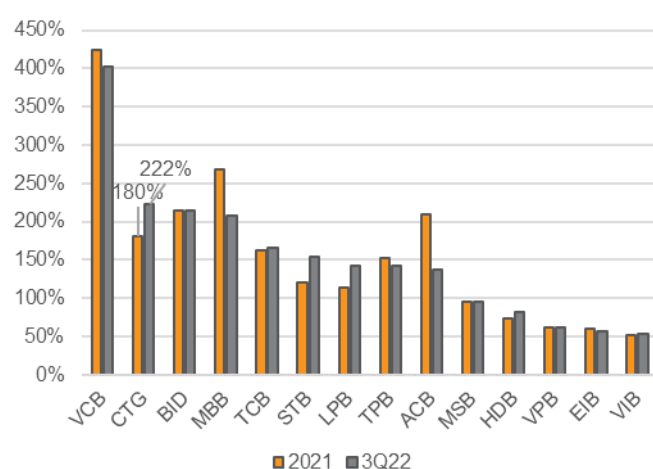
Given significant provision, LLR increased from 190% at 2Q22 to historically high level of 222% at 3Q22, which is the 2<sup>nd</sup> highest among commercial banks. Regarding 2023F, we believe the bank will continue to take a conservative approach towards provisioning given rising uncertainty around credit quality.

**Figure 14: CTG's NPL remains in the middle of the pack**



Source: VNDIRECT Research, Company reports

**Figure 15: ... but LLR is now 2<sup>nd</sup> highest in the system**



Source: VNDIRECT Research, Company reports

**FY23-24F outlook: Earnings growth will slow down following softer NIM and non-II growth moderating from high base**

We expect CTG to achieve solid credit growth in FY23-24F in the 10% range or 1-2% below what we are expecting for the entire system. We note high LDR (82.3% as of 3Q22) and CAR at relatively low level (8.96% as of 2Q22) will put constraints on CTG's capacity to deliver meaningfully higher credit growth.

We estimate CTG's NIM will decline from 2.95% in FY22F to 2.80% in FY23-24F as the bank has relatively limited room to fully offset the impact of higher deposit rates despite solid CASA performance and growing Retail/SME weight in its credit mix.

We expect non-II to increase 3.9%/9.4% yoy in FY23-24F, down from 34.9% in FY22F mainly due to our expectation that growth in bad debt recovery and FX gains will moderate from high base as well as recurrence of upfront banca fee (FY22 was the first year that CTG recorded upfront fee).

We expect CIR to improve slightly to 31.5%/31.0% in FY23-24F vs. 32.0% in FY22F as CTG continues to balance between investing in digital transformation / marketing and improving its operating leverage.

In terms of provisioning, we believe CTG, like most SOCBs, will remain extra prudent in this uncertain time. For FY23-24F, we expect the bank to maintain high level of provisioning as % of gross loans at 1.65%/1.45% in FY23-24F vs 1.85% in FY22F. This will drive provision expenses to decline by 1.9%/3.5% yoy to around VND21.6tr/VND20.8tr in FY23-FY24F from VND22.0tr in FY22F.

All in all, we estimate that CTG's net profit will grow 10.2%/18.0% yoy with ROE of 15.5%/16.0% in FY23-24F.

**Figure 16: Profit & loss statement key KPIs in FY22-24F, based on our forecasts**

(In VND bn, otherwise noted)	2019A	2020A	2021A	2022F	2023F	2024F	CAGR 2019-21	CAGR 2022-24F
Net interest income	33,199	35,580	41,788	47,439	48,853	51,728	12.2%	4.4%
Net fee income	4,055	4,362	4,961	5,556	6,111	6,722	10.6%	10.0%
FX & gold trading income	1,564	2,000	1,812	3,262	3,262	3,589	7.6%	4.9%
Income from trading and investment securities	203	1,486	1,197	419	461	507	142.7%	10.0%
Other income	1,497	1,929	3,398	6,097	6,097	6,607	50.6%	4.1%
Operating income	40,519	45,357	53,157	62,774	64,785	69,153	14.5%	5.0%
% growth	42.4%	11.9%	17.2%	18.1%	3.2%	6.7%		
Operating expense	15,735	16,069	17,186	20,088	20,407	21,437	4.5%	3.3%
% growth	11.7%	2.1%	6.9%	16.9%	1.6%	5.0%		
Pre-provision profit	24,785	29,288	35,971	42,686	44,377	47,715	20.5%	5.7%
% growth	72.6%	18.2%	22.8%	18.7%	4.0%	7.5%		
Provision expense	13,004	12,168	18,382	22,016	21,594	20,829	18.9%	-2.7%
% growth	66.7%	-6.4%	51.1%	19.8%	-1.9%	-3.5%		
Profit before tax	11,781	17,120	17,589	20,671	22,783	26,886	22.2%	14.0%
% growth	79.6%	45.3%	2.7%	17.5%	10.2%	18.0%		
Profit after tax and minority interest	9,461	13,720	14,089	16,557	18,249	21,535	22.0%	14.0%
% growth	79.4%	45.0%	2.7%	17.5%	10.2%	18.0%		

Source: VNDIRECT Research, CTG

**Figure 17: Balance sheet statement key KPIs in FY22-24F, based on our forecasts**

(In VND bn, otherwise noted)	2019A	2020A	2021A	2022F	2023F	2024F	CAGR 2019-21	CAGR 2022-24F
Interest-earning assets (excl. provisions) "IEAs"	1,206,328	1,296,516	1,484,917	1,726,395	1,762,180	1,938,398	10.9%	6.0%
% growth	7.1%	7.5%	14.5%	16.3%	2.1%	10.0%		
Gross loans to customers	935,271	1,015,333	1,130,668	1,249,388	1,368,080	1,504,888	10.0%	9.7%
% growth	8.1%	8.6%	11.4%	10.5%	9.5%	10.0%		
Interbank deposit and loans	129,389	102,533	149,265	261,214	156,729	172,401	7.4%	-18.8%
% growth	-0.9%	-20.8%	45.6%	75.0%	-40.0%	10.0%		
Securities	116,325	120,896	180,146	190,954	210,050	231,055	24.4%	10.0%
% growth	7.8%	3.9%	49.0%	6.0%	10.0%	10.0%		
Interest-bearing liabilities "IBLs"	1,135,713	1,226,057	1,400,950	1,618,572	1,628,748	1,786,503	11.1%	5.1%
% growth	8.0%	8.0%	14.3%	15.5%	0.6%	9.7%		
Customer deposit	892,785	990,331	1,161,797	1,205,945	1,326,540	1,459,194	14.1%	10.0%
% growth	8.1%	10.9%	17.3%	3.8%	10.0%	10.0%		
CDs and valuable papers	57,066	59,876	64,497	81,266	89,393	98,332	6.3%	10.0%
% growth	23.5%	4.9%	7.7%	26.0%	10.0%	10.0%		
Deposit and loan from other banks	109,483	128,519	138,834	229,076	160,353	176,388	12.6%	-12.3%
% growth	-1.7%	17.4%	8.0%	65.0%	-30.0%	10.0%		
Loan from SBV	70,603	44,597	33,294	99,883	49,942	49,942	-31.3%	-29.3%
Other funds from gov. and other org.	5,776	2,733	2,528	2,402	2,522	2,648	-33.8%	-5.0%

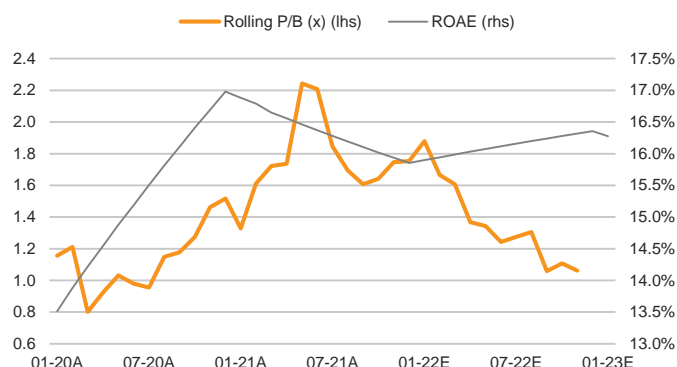
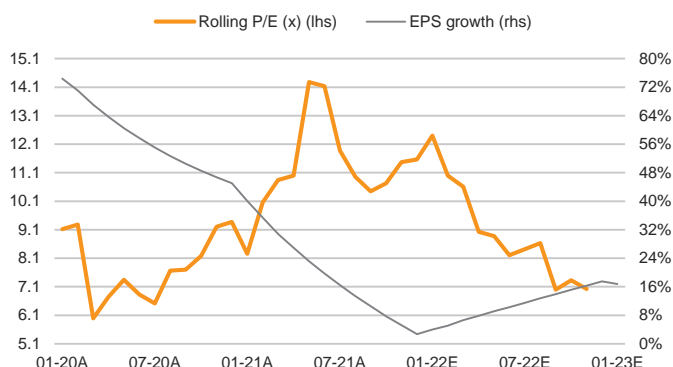
Source: VNDIRECT Research, CTG

**Figure 18: Key ratio forecasts**

	2019	2020	2021	2022F	2023F	2024F
Loan growth	8.1%	8.6%	11.4%	10.5%	9.5%	10.0%
Deposit growth	8.1%	10.9%	17.3%	3.8%	10.0%	10.0%
NIM	2.85%	2.84%	3.00%	2.95%	2.80%	2.80%
LDR	88%	86%	84%	82%	87%	87%
CAR	na	na	9.1%	8.9%	9.3%	9.4%
NPL	1.16%	0.94%	1.26%	1.33%	1.35%	1.32%
LLR	120%	132%	180%	216%	244%	269%

Source: VNDIRECT Research, CTG

\* LDR is based on VND's own calculation and may vary from numbers reported by CTG

**Valuation**

**Income statement**

(VNDbn)	12-22E	12-23E	12-24E
<b>Net interest income</b>	<b>47,439</b>	<b>48,853</b>	<b>51,728</b>
<b>Non interest income</b>	<b>15,334</b>	<b>15,932</b>	<b>17,425</b>
<b>Total operating income</b>	<b>62,774</b>	<b>64,785</b>	<b>69,153</b>
Total operating costs	(20,088)	(21,437)	(21,437)
<b>Pre-provision operating profit</b>	<b>42,686</b>	<b>44,377</b>	<b>47,715</b>
<b>Total provision charges</b>	<b>(22,016)</b>	<b>(21,594)</b>	<b>(20,829)</b>
Income from associates & JVs			
Net other income			
<b>Pre-tax profit</b>	<b>20,671</b>	<b>22,783</b>	<b>26,886</b>
Tax expense	(4,031)	(4,443)	(5,243)
<b>Profit after tax</b>	<b>16,640</b>	<b>18,341</b>	<b>21,643</b>
Minority interest	(83)	(92)	(108)
<b>Net profit</b>	<b>16,557</b>	<b>18,249</b>	<b>21,535</b>

**Balance sheet**

(VNDbn)	12-22E	12-23E	12-24E
Gross loans to customers	1,249,388	1,368,080	1,504,888
Loans to banks	261,214	156,729	172,401
<b>Total gross loans</b>	<b>1,510,602</b>	<b>1,524,808</b>	<b>1,677,289</b>
Securities - total	190,954	210,050	231,055
Other interest earning assets	24,838	27,322	30,054
<b>Total gross IEAs</b>	<b>1,726,395</b>	<b>1,762,180</b>	<b>1,938,398</b>
<b>Total provisions</b>	<b>(36,042)</b>	<b>(45,216)</b>	<b>(53,850)</b>
<b>Net loans to customers</b>	<b>1,213,478</b>	<b>1,323,008</b>	<b>1,451,197</b>
<b>Total net IEAs</b>	<b>1,690,353</b>	<b>1,716,964</b>	<b>1,884,548</b>
Cash and deposits	13,127	13,334	14,636
Total investments	3,812	3,872	4,250
Other assets	67,025	68,080	74,725
<b>Total non-IEAs</b>	<b>83,964</b>	<b>85,286</b>	<b>93,610</b>
<b>Total assets</b>	<b>1,774,317</b>	<b>1,802,250</b>	<b>1,978,159</b>
Customer deposits	1,205,945	1,326,540	1,459,194
Cds outstanding	81,266	89,393	98,332
Customer interest-bearing liabilities	1,287,211	1,415,932	1,557,525
Bank deposits	328,959	210,295	226,330
Broad deposits	1,616,170	1,626,227	1,783,855
Other interest-bearing liabilities	2,402	2,522	2,648
<b>Total IBLs</b>	<b>1,618,572</b>	<b>1,628,748</b>	<b>1,786,503</b>
Deferred tax liability			
Other non-interest bearing liabilities	45,452	47,271	46,665
<b>Total non-IBLs</b>	<b>45,452</b>	<b>47,271</b>	<b>46,665</b>
<b>Total liabilities</b>	<b>1,664,024</b>	<b>1,676,019</b>	<b>1,833,168</b>
Share capital	48,058	48,058	48,058
Additional paid-in capital	9,491	9,491	9,491
Treasury shares	0	0	0
Retained earnings reserve	33,857	45,080	58,277
Other reserves	18,110	22,733	28,188
<b>Shareholders' equity</b>	<b>109,515</b>	<b>125,361</b>	<b>144,012</b>
Minority interest	778	870	978
<b>Total equity</b>	<b>110,293</b>	<b>126,231</b>	<b>144,991</b>
<b>Total liabilities &amp; equity</b>	<b>1,774,317</b>	<b>1,802,250</b>	<b>1,978,159</b>

	12-22E	12-23E	12-24E
<b>Growth rate (yoy)</b>			
Cust deposit growth	3.8%	10.0%	10.0%
Gross cust loan growth	10.5%	9.5%	10.0%
Net interest income growth	13.5%	3.0%	5.9%
Pre provision operating profit growth	18.7%	4.0%	7.5%
Net profit growth	17.5%	10.2%	18.0%
Growth in IEAs	15.9%	1.6%	9.8%
<b>Share value</b>			
Basic EPS (VND)	3,445	3,797	4,481
BVPS (VND)	22,788	26,086	29,967
DPS (VND)	0	500	600
EPS growth	17.5%	10.2%	18.0%

**Key ratios**

	12-22E	12-23E	12-24E
Net interest margin	3.0%	2.8%	2.8%
Cost-income ratio	(32.0%)	(31.5%)	(31.0%)
Reported NPLs / gross cust loans	1.3%	1.3%	1.3%
Reported NPLs / net cust loans	1.4%	1.4%	1.4%
GP charge / average cust loans	1.9%	1.7%	1.5%
Total CAR			
Loan deposit ratio	97.1%	96.6%	96.6%
<b>Margins and spreads</b>			
Return on IEAs	6.2%	6.9%	7.1%
Cost of funds	3.5%	4.4%	4.7%
Interest return on average assets	2.9%	2.7%	2.7%
ROAE	16.4%	15.5%	16.0%

Source: VND RESEARCH



## DISCLAIMER

This report has been written and distributed by Research Department, VNDIRECT Securities Corporation. The information contained in this report is prepared from data believed to be correct and reliable at the time of issuance of this report. Unless otherwise stated, this report is based upon sources that VNDIRECT considers to be reliable. These sources may include but are not limited to data from the stock exchange or market where the subject security is listed, or, where appropriate, any other market. Information on the company(ies) are based on published statements, information disclosure and announcements of the company(ies), and information resulting from our research. VNDIRECT has no responsibility for the accuracy, adequacy or completeness of such information.

All estimates, projections, forecasts and expression of opinions contained in this report reflect the personal views and opinions of the analyst(s) responsible for the production of this report. These opinions may not represent the views and position of VNDIRECT and may change without notice.

This report has been prepared for information purposes only. The information and opinions in this report should not be considered as an offer, recommendation or solicitation to buy or sell the subject securities, related investments or other financial instruments. VNDIRECT takes no responsibility for any consequences arising from using the content of this report in any form.

This report and all of its content belongs to VNDIRECT. No part of this report may be copied or reproduced in any form or redistributed in whole or in part, for any purpose without the prior written consent of VNDIRECT.

### RECOMMENDATION FRAMEWORK

#### Stock Ratings

Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

#### Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

#### Hien Tran Khanh – Research Director

Email: [hien.trankhanh@vndirect.com.vn](mailto:hien.trankhanh@vndirect.com.vn)

#### Quan Vu – Senior Analyst

Email: [quan.vuthe@vndirect.com.vn](mailto:quan.vuthe@vndirect.com.vn)

#### VNDIRECT Securities Corporation

1 Nguyen Thuong Hien Str – Hai Ba Trung Dist – Ha Noi

Tel: +84 2439724568

Email: [research@vndirect.com.vn](mailto:research@vndirect.com.vn)

Website: <https://vndirect.com.vn>