

**VietinBank (CTG)**
**ADD (Maintained)**
**FINANCIALS**

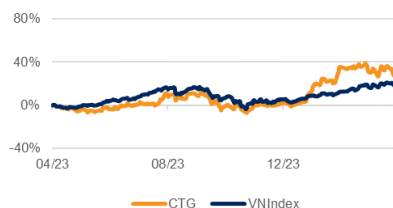
Current Price	VND33,200
52Wk High/Low	VND36,450/24,520
Target Price	VND39,500
Previous TP	30/11/2023
TP vs Consensus	10.7%
Upside	19.0%
Dividend Yield	0.0%
Total stock return	19.0%

Growth rating	Positive
Value rating	Neutral
ST Technical Analysis	<a href="#">Positive</a>

Market Cap	US\$7,259.4m
3m Avg daily value	US\$12.2m
Avail Foreign Room	US\$185.9m
Outstanding Shares	5,370.0m
Fully diluted O/S	5,370.0m

	CTG	Peers	VNI
P/E TTM	17.7	10.2x	14.7x
P/B Current	1.5	1.5x	1.8x
ROA	1.4%	1.5%	2.0%
ROE	8.4%	17.2%	12.1%

\*as of 10/04/2024

**Share Price performance**


Share price (%)	1M	3M	12M
Ordinary share	-4.4%	23.4%	27.0%
Relative to index	1.0%	11.1%	17.8%

**Ownership**

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

**Business Description**

VietinBank was established in 1988 after separating from the State Bank of Vietnam. The bank operates in the field of capital mobilization, trading, and provides related financial services. Until now, the bank still maintains its position as one of the leading joint stock commercial banks in terms of total assets and equity

**Analyst(s):**

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**Asset quality management maximizes profit.**

- We adjust our rating to ADD with 19.0% upside. We change our TP by 16% while the share price has increased 28% since our last report.
- We adjust our TP to VND39,500 thanks to higher ROE, at 18.3% in FY24 and lower cost of equity (-3.7% point) assumptions.
- CTG's 1.46x P/B is slightly below the sector average of 1.5x but higher than CTG's average of 1.3x. We expect the share price to rise even though the P/B will contract slightly to 1.4x as strong ROE boosts BVPS.

**Financial Highlights**

- Total operating income (TOI) rose +10.0% yoy in 2023 driven by net interest income (NII) (+10.8% yoy) and Non-II (+7.8% yoy).
- We expect FY24 TOI to grow by +11.1% yoy driven by 11.9% growth in NII and 8.7% in Non-II.
- 2023 net profit grew by 17.6% yoy, mainly supported by lower-than-expected provision cost.
- We forecast CTG's ROE will reach 18.3% in FY24, higher than 17.1% of 2023 driven by the increase of + 26.5% yoy in net profit (NP).

**Investment Thesis**
**Economic recovery with strong FDI will drive credit growth**

CTG is one of the largest lenders to FDI companies, leveraging off its strong relationships with foreign banks, such as its strategic investor, MUFG. We forecast 12% FY24 loan growth as the economy recovers and FDI flows increase. We project stagnant NIM though at 2.87% as both AY and COF should decline rapidly in FY24.

**Rising credit growth creates opportunities to cross-sell bancassurance**

Bancassurance income (included in other fee income which accounted for 40.5% of fee income) declined by around 18% yoy due to the 2023 downturn. We expect CTG's bancassurance income to rebound in 2024 due to cross-selling on the back of improving credit activities and recovering Vietnamese incomes.

**Recovering trade flows will boost L/C income**

Increased export-import L/C income will also contribute strongly to increased fee income. CTG accounted for 16.4% of the total trade finance market in 2023. We therefore expect other fee income, 40.5% of 2023 fee income, to be boosted by a rise in L/C income as Vietnam's export-import activities increase in 2024.

**Strong asset quality gives CTG flexibility to boost ROE to meet Basel III**

We project NP to rise 25.4% as provision expense is cut by 6.7% yoy as we believe CTG made full provision for all risky loans in 2023 when its LLR reached 167%. As the hardest time of banking industry has passed and CTG's asset quality stood out in recession since 2023 NPL ratio ranked the 2nd lowest figure in the system, we forecast CTG to cut provision cost to boost its bottom line. In this scenario, FY24 NPL is projected to be 1.16%. The surge in FY24 NP will lift ROE to 18.0% - the bank's highest ROE since 2013 and bring its CAR closer to Basel III requirements.

Financial summary (VND)	12-23A	12-24E	12-25E	12-26E
Net interest income (yoy)	10.8%	11.9%	10.2%	10.7%
Non-interest income (yoy)	7.8%	8.7%	8.2%	8.3%
Provision expenses YoY	5.6%	-6.7%	-3.8%	1.5%
Pre-tax profit YoY	18.3%	25.8%	19.9%	17.8%
Loan growth	15.6%	12.0%	10.0%	10.0%
NIM	2.9%	2.9%	2.9%	2.9%
CASA ratio	22.0%	20.0%	20.5%	21.0%
NPLs / Gross loans	1.1%	1.2%	1.0%	0.9%
Group 2 loans / Gross loans	1.5%	1.5%	1.5%	1.5%
ROAE	17.1%	18.3%	18.4%	18.4%

Source: VNDIRECT RESEARCH

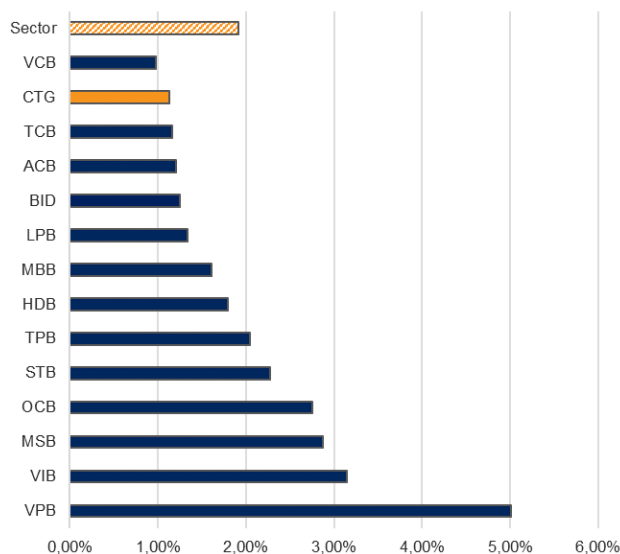
## Company Profile

VietinBank (CTG), officially known as Vietnam Joint Stock Commercial Bank for Industry and Trade, is a prominent financial institution deeply rooted in the economic landscape of Vietnam. With a comprehensive range of banking products and services tailored to meet the diverse needs of individuals, businesses, and government entities, CTG stands as a trusted partner for financial solutions. CTG is benefited from its strong shareholders including State-Bank of Vietnam (SBV) and MUFG Bank (Japan) to access qualified customers and FDI clients.

As SBV is the largest shareholder, CTG can gain edge in access to large enterprises with many potential projects funded by Vietnamese government and its subsidiaries. This high-profile client group remains bad debt ratio of CTG low. CTG recorded NPL ratio at 1.13%, the 2<sup>nd</sup> lowest NPL and significantly lower than that of banking sector. Besides, with MUFG bank as strategic investor, CTG can take advantage in lending to FDI projects. The FDI lending in CTG's loan mix gradually widened as FDI inflow into recently blossomed.

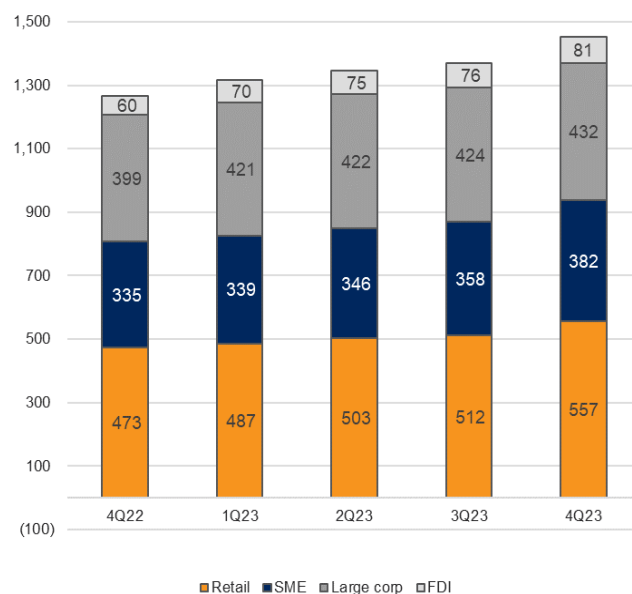
As one of the leading banks in Vietnam, CTG remains steadfast in its mission to contribute to the prosperity and sustainable development of the country's economy.

**Figure 1: CTG' NPL ratio in 2023**



Sources: CTG, VNDIRECT RESEARCH

**Figure 2: CTG's loan by client in 2023 (VNDbn)**



Sources: CTG, VNDIRECT RESEARCH

## Results Recap: Bottom line sped up as asset quality was actively controlled.

Figure 3: Results comparison (VNDbn unless otherwise noted)

Profit & Loss statement	4Q23	4Q22	% yoy	3Q23	% qoq	2023	2022	% yoy	VND FY23F forecasts	% of VND forecasts	Comments
Net interest income	14,572	12,710	14.7%	13,087	11.3%	52,957	47,792	10.8%	52,366	101%	In line with our forecast
Non-interest income	3,903	4,073	-4.2%	4,306	-9.3%	17,591	16,325	7.8%	17,498	101%	In line with our forecast
Operating revenue	18,475	16,782	10.1%	17,393	6.2%	70,548	64,117	10.0%	69,864	101%	
Operating expenses	(6,304)	(6,254)	0.8%	(5,082)	24.1%	(20,443)	(19,195)	6.5%	(22,007)	93%	Lower than our forecast as CTG was able to remain its CIR at 28.9% instead of 31.5% from our base forecast.
Pre-provision profit	12,171	10,528	15.6%	12,311	-1.1%	50,105	44,922	11.5%	47,857	105%	
Provision expenses	(4,473)	(5,160)	-13.3%	(7,440)	-39.9%	(25,115)	(23,791)	5.6%	(24,209)	104%	Slightly higher than our forecast as CTG aggressively booked its provision during 9M23 as bad debts rose, prompting 2023's credit cost to 1.84% versus 1.8% in our previous forecast. It is also noteworthy that 2023 write-off rate rose sharply to 1.95%, much higher than our previous forecast of 0.8%.
Pre-tax profit	7,699	5,368	43.4%	4,871	58.1%	24,990	21,132	18.3%	23,648	106%	
Net profit	6,119	4,276	43.1%	3,863	58.4%	19,904	16,924	17.6%	18,942	105%	Higher of our projections

Source: CTG, VNDIRECT RESEARCH

Figure 4: CTG's key ratios by quarters

Key ratios	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	
NII/Total Operating Income (TOI)	74.9%	72.1%	75.4%	74.6%	75.7%	74.4%	71.8%	75.2%	78.9%	
Non-II/TOI	25.1%	27.9%	24.6%	25.4%	24.3%	25.6%	28.2%	24.8%	21.1%	
NIM (quarterly)	2.88%	2.62%	2.95%	3.10%	2.97%	2.90%	2.85%	2.87%	3.05%	
Loan-to-deposit ratio (Circular 36)	83.1%	83.6%	83.5%	83.1%	82.4%	82.9%	80.6%	82.4%	80.7%	
NPL	1.26%	1.25%	1.35%	1.42%	1.24%	1.28%	1.27%	1.37%	1.13%	
Loan-Loss-Reserves (LLR)	180.4%	197.2%	189.6%	222.4%	186.2%	173.0%	168.9%	172.4%	167.2%	
Cost-to-income ration (CIR)	42.0%	27.2%	26.8%	28.0%	37.3%	25.3%	26.7%	29.2%	34.1%	
Credit cost	1.7%	1.5%	1.7%	2.1%	1.9%	2.1%	2.0%	2.1%	1.8%	
Provision/Pre-provisioning operating profit (PPOP)	54.3%	43.2%	50.4%	66.7%	49.0%	52.9%	49.7%	60.4%	36.7%	
ROAA (quarterly)	0.8%	1.2%	1.1%	0.8%	1.0%	1.1%	1.1%	0.8%	1.2%	
ROAE (quarterly)	12.3%	19.4%	18.5%	12.8%	16.0%	17.4%	18.0%	12.9%	19.6%	

Source: CTG, VNDIRECT RESEARCH

### TOI rose thanks to stronger loan growth and NIM expansion.

4Q23 TOI grew by 10.1% yoy to VND18,475bn (US\$755m), driven mainly by the increase in net interest income (NII) of 14.7% yoy, making up 78.9% of total operating income. NII growth was driven by +15.5% growth in credit balance and NIM expansion at end-2023.

CTG's NIM expanded to 3.05% in 4Q23 from 2.87% in 3Q23 as COF fell to 4.05% (-59bps qoq) thanks to growth of CASA, from 19.7% in 3Q23 to 22.2% in 4Q23.

### Lower CIR and provision cost boosted 4Q23 bottom line

CTG's reported CIR ratio fell to 34.1% in 4Q23, from 37.3% in 4Q22, helping PPOP climb up 15.6% yoy to VND12,171bn (US\$497m).

CTG was one of a few banks cutting its provision cost amid the economic headwinds as CTG had aggressively booked its provision for all risky loans. This led to CTG's strong provision buffer as 4Q23 LLR was 167.2% - ranking the 3<sup>rd</sup> highest LLR in banking system. CTG's provision cost was therefore reduced by 13.3% yoy in 4Q23, which supported pre-tax profit increase of 43.4% yoy.

FY23's PBT rose 18.3% yoy to VND24,990bn (US\$1,001m), fulfilling 106% of our forecast. We believe CTG cut its provision expense to support its bottom line as the bank had made full provision for its risky loans and its asset quality improved.

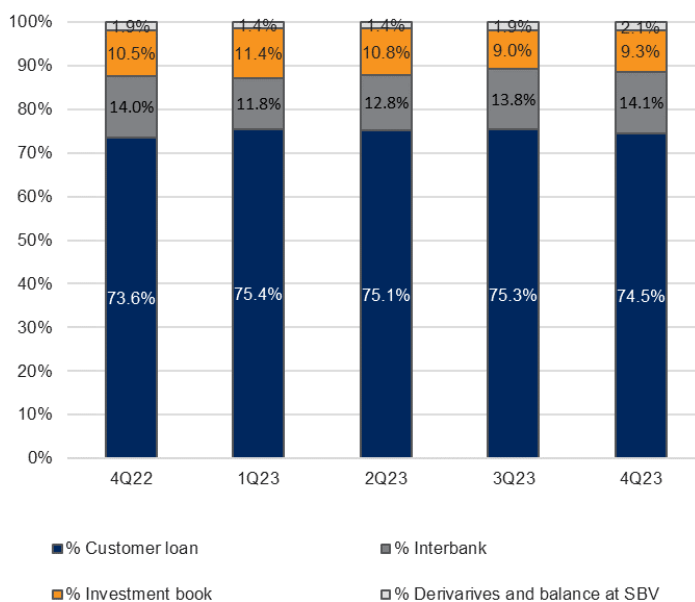
#### 4Q23 asset quality strengthened and NPLs tumbled.

The NPL ratio decreased to 1.1% in 4Q23, from 1.4% in 3Q23, breaking the upward trend of NPLs since 4Q22. Coupled with that, group 2 loans significantly declined from 2.37% in 3Q23 to 1.55% in 4Q23, implying that CTG's asset quality strengthened despite the economic slowdown.

**Figure 5: CTG's key balance sheet KPIs analysis**

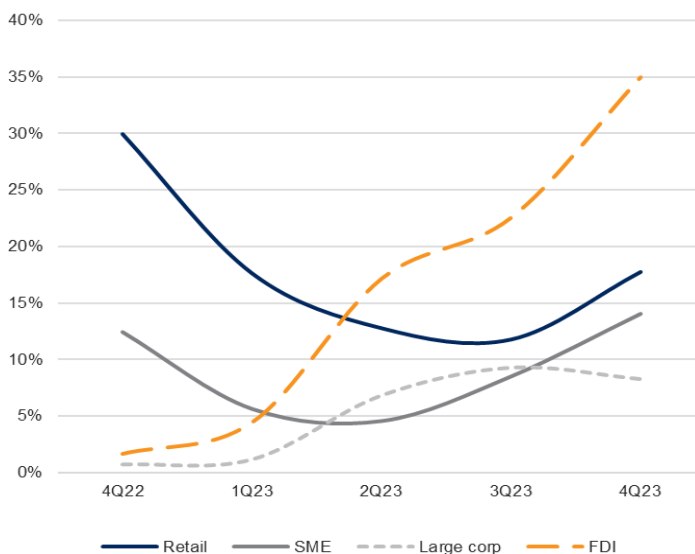
#### Earning asset (IEA) mix: Customer loan's expansion was the key driver of IEA growth.

- The IEA balance increases by 14.2% yoy in 2023. Compared with end-2022, the proportion of customer loan rose to 74.5% (+15.6% yoy) which offset the fall in the proportion of investment book. Particularly, investment book's share in IEA was tamped down to 9.3% (-1.2% point) at end-2023.
- Along with that, CTG inched up its allocation to deposit at SBV and interbank loan, to 2.1% and 14.2% respectively. On quarterly basis, the share of interbank balance increased as the borrowing demand via interbank market rose under the mixed effect of lower customer's borrowing demand and low interbank rates. The proportion of CTG's balance at SBV in IEA mix also gradually expanded qoq as the bank raised its reserves at SBV amid the economic uncertainty.



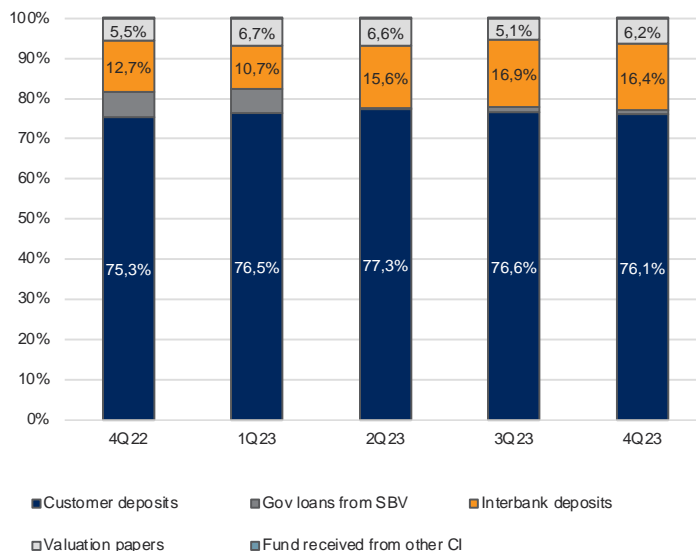
#### Credit mix vs. growth: increased on the back of FDI inflow.

- In 4Q23, CTG recorded credit growth of 15.5% yoy – higher than the sector average of 13.7% yoy. This growth was mainly driven by retail loan (+17.8% yoy) - which accounted for the largest share (38%) in total loan mix. FY23 CTG's loan growth also was bolstered by increasingly lending to FDI clients (+35% yoy) and SMEs (+14% yoy). Lending to FDI grew thank to the recovery of Vietnam's FDI inflow in 2H23. On the other hand, corporate bonds slightly declined by 1.7%yoy as the bond market still was in difficulty.
- In retail lending: the combined proportion of manufacturing and business loans expanded from 58% to 63%. Otherwise, the proportion of real estate and consumer sector was narrowed down to 28.6% and 2.3% respectively as these sectors were heavily impacted by economic slowdown.



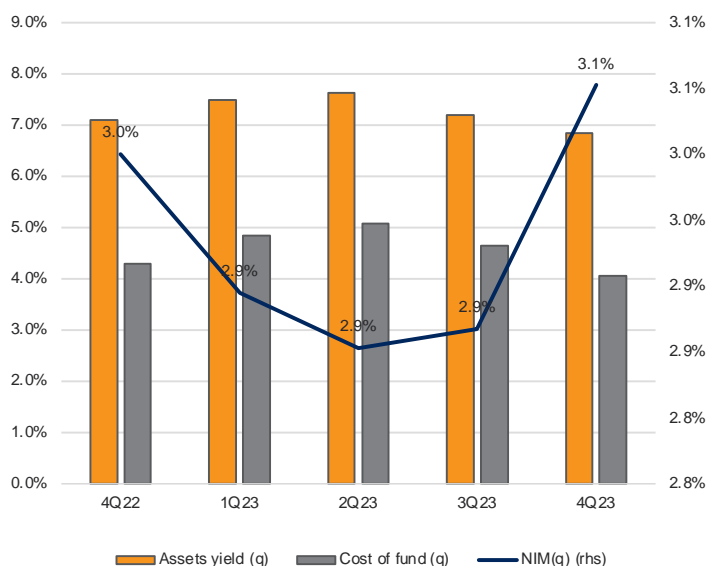
### Funding mix: Interbank deposit expanded throughout 2023.

- In 4Q23, CTG's IBL balance grew by 14.9% yoy thanks to the significant rise in customer deposits of 12.9% yoy, which accounted for 76.1% of total IBL balance. CTG accelerated raising its funds via interbank deposits (+44.9% yoy) while swiftly reduced the proportion of borrowing from SBV by -5.1% point to reduce its funding cost as interbank interest rates were significantly low.
- The rise of deposit balances helped keep 2023's LDR ratio mildly inch up to 79.9%, still lower than the ceiling threshold of 85%, despite CTG's significant loan growth.
- In customer deposit mix: compared with 2022, CTG's CASA ratio increased from 19.7% to 22.2% in 2023, slightly higher than sector's CASA (21.4%). On quarterly basis, CASA balance soared by +21.7% qoq (~CASA ratio: +256bps) as more clients switched from term deposits to current deposits to take advantage of short-term investing opportunities given low deposit rates. CTG's CASA has sustainably developed thanks to the large shares of corporate clients in CASA structure (expanded to 40.6% in 2023), which offer stable source of working capital.



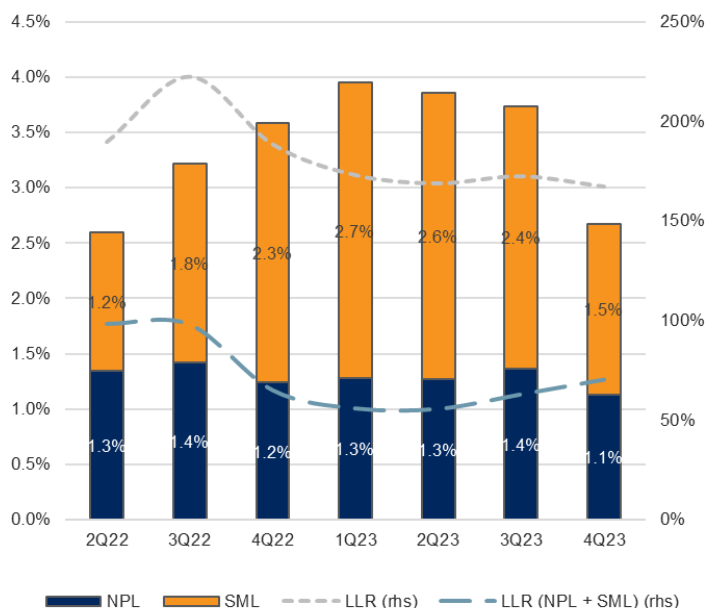
### NIM performance: NIM improved despite low interest rates environment

- 2023's NIM(q) slightly improved to 3.05% (+5bps yoy) compared to 2022. On quarterly basis, NIM(q) of CTG had improved by 18bps qoq in 4Q23 as COF(q) fell more rapidly than AY(q) thanks to decreasing interest rate trend in 2H23.
- 4Q23 asset yield declined by 25bps yoy. Coupled with that, AY(q) fell to 6.84% (-43bps qoq) at end-2023, continuing its downward trend since the 2Q23 as CTG raised its short-term lending and FDI lending in 2023, which offers lower interest rate. Specifically, CTG's short-term loans increased to 65.3% in 2023, from 60.6% in 2022 while FDI's shares increased from 4.7% in 2022 to 5.6% in 2023.
- Like AY, COF(q) also fell to 4.05% (-24bps yoy, -45bps qoq) in 4Q23 supporting NIM of CTG. This was thanks to increasing CASA rate and low interest rate environment.



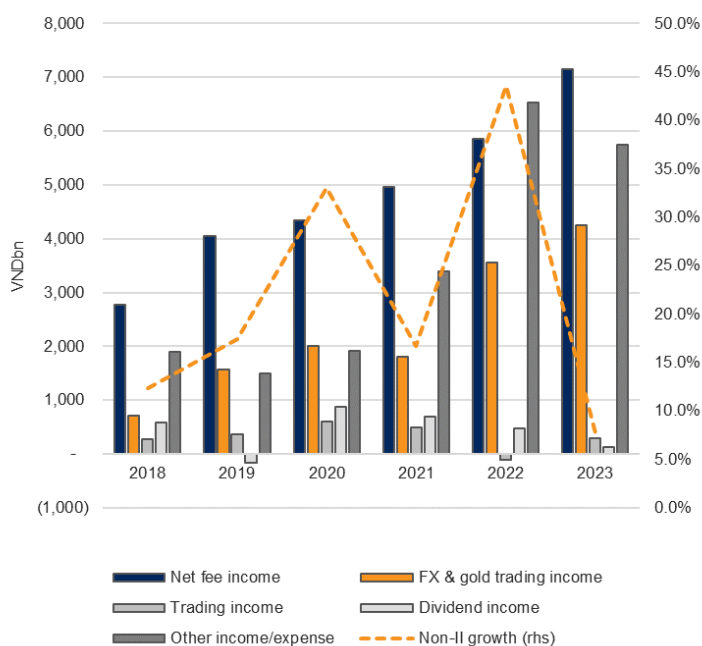
### Asset quality stood out in the gloomy economy.

- Combination of bad debts and group 2 debts sharply declined to 2.68% in 2023 from 3.59% in 2022 despite economic headwinds. On quarterly basis, the combination of SML and NPL consecutively fell since the beginning of the year driven by the decline in Group 2 loans ratio (SML ratio).
- SML ratio decreased to 1.55% (-80 bps yoy and -82bps qoq) in 4Q23, much lower than the sector's figure (1.9%). Couple with that, NPL ratio fell to 1.13% (- 11bps yoy and -24% qoq) in 4Q23, ranking the 2<sup>nd</sup> lowest bad debt ratio in the whole system.
- On annual basis, LLR shrunk to 167% in 4Q23, from 188% in 4Q22 but still ranked the 3<sup>rd</sup> strongest provision buffer in the banking system. On quarterly basis, LLR stayed flat; whereas, NPL ratio decreased qoq, as CTG increased its bad debt write-off ratio to 1.95%.



### Non-II structure: Non-II's growth dove deep due to the slowdown of other income.

- Non-II grew by +7.66% yoy at end-2023 driven by the growth in NFI. NFI was boosted +21.4% yoy by the rise of export-import LC segment. Particularly, the proportion of other fee incomes (in fee income mix) rose to 40.5% in 4Q23, from 36.2% in 4Q22 thanks to the recovery of export-import activities in 2H23. On the other hand, the share of insurance income was tamped down to 20.4% (-5.5% point) by the recession in insurance market.
- However, 2023 Non-II's growth was much lower than its 2022 growth (+43.6% yoy) due to the fall in other income/expense, which accounted for 33% of total non-II. Particularly other income fell by -12% yoy due to the decrease in CTG's income from loan disbursed by risk reverse fund as the bank slowed down its pace in collecting debts in 2023.



Source: CTG, VNDIRECT RESEARCH



## FY24-25F outlook: Dynamic asset quality management boosts earnings growth.

Figure 6: Earnings revision (VNDbn, unless otherwise noted)

	Old forecasts		New forecasts				Change		Comments
	FY24F	FY25F	FY24F	%yoy	FY25F	%yoy	FY24F	FY25F	
Net Interest Income	54,973	61,108	59,253	11.9%	65,321	10.2%	7.8%	6.9%	We lift up our forecast of loan growth from 10% to 12.0% as we think Vietnamese borrowing demand will increase given the economic recovery in FY24.
Non-Interest Income	19,128	20,920	19,125	8.7%	20,687	8.2%	0.0%	-1.1%	
Operating revenue	74,101	82,028	78,378	11.1%	86,009	9.7%	5.8%	4.9%	
Operating expenses	(22,971)	(25,019)	(23,513)	15.0%	(25,803)	9.7%	2.4%	3.1%	
Pre-provision profit	51,129	57,010	54,865	9.5%	60,206	9.7%	7.3%	5.6%	
Provision expenses	(22,287)	(24,516)	(23,426)	-6.7%	(22,524)	-3.8%	5.1%	-8.1%	We decrease our credit cost to 1.3%/1.3% in FY24/25F from 1.85%/1.65% in our previous forecasts as CTG had made extensive provision for its risky loans (LLR: 167%) and its asset quality was well controlled despite economic headwinds (NPL ratio decreased sharply to 1.13% in 4Q23).
Pre-tax profit	28,842	32,494	31,438	25.8%	37,682	19.9%	9.0%	16.0%	
Net profit	23,102	26,027	25,181	26.5%	30,182	19.9%	9.0%	16.0%	Change in net profit forecast results from the provision expense's adjustment.
No. of shares outstanding (m)	4,806	4,806	5,370	0.0%	5,370	0.0%	11.7%	11.7%	
EPS (VND/share)	3,589	4,044	3,501	26.5%	4,197	19.9%	-2.5%	3.8%	

Source: CTG, VNDIRECT RESEARCH

### TOI spike up driven by positive loan growth and the recovery of insurance fee.

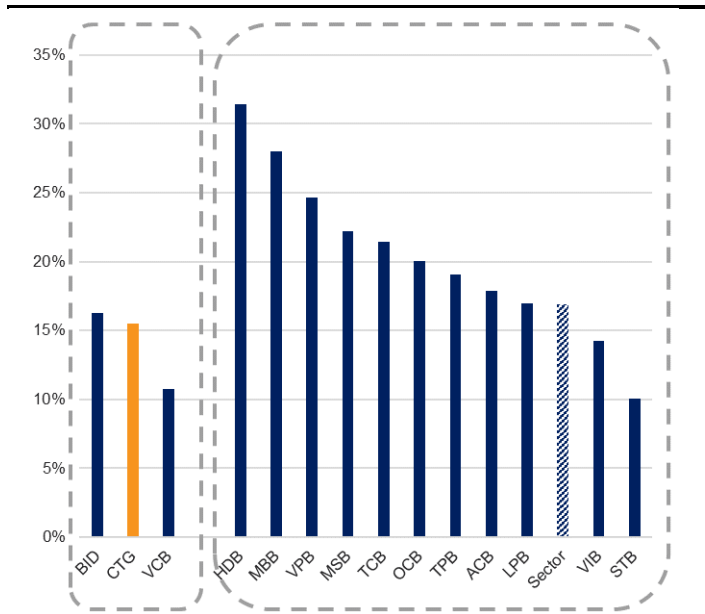
We expect CTG's FY24 TOI to grow by +11.1% yoy driven by the growth of 11.9% in NII and 8.7% in Non-II.

We forecast the loan growth of 12% yoy and unchanged NIM will contribute to the NII's growth in FY24. CTG is expected to earn its credit growth of 12% yoy in FY24 as: 1) the economy recovers; and 2) FDI flow's increase. Vietnam economy is expected to recover in 2024 leading to the increasing borrowing demand from both individuals and corporate clients in CTG's credit mix. Couple with that, CTG is expected to increase lending to FDI clients as FDI inflow is believed to blossom in FY24 as: 1) expanded diplomatic relationships, 2) geographic advantages; and 3) sustainably economic development.

Altogether, we project NIM of CTG will stay intact with 2023, at 2.87% (+1bps yoy) as both AY and COF are expected to decline rapidly in FY24. We expect a lower FY24 AY and COF as deposit rates have been following the downward trajectory.

On the other hand, we expect Non-II to rise by 8.7% driven by the increase in NFI. NFI income, which usually accounts for the major share in Non-II structure, is expected to grow 15% in FY24 thanks to: 1) insurance income recovery; and 2) strengthened export-import activities. We project that income from bancassurance will rebound and increase the insurance income of CTG in FY24 as cross-selling in banking is expected to rebound on the back of improving credit activities and Vietnamese income is projected to recover. Coupled with that, other fee income will be boosted by increasing export-import activities in FY24 given brighter economic outlook.

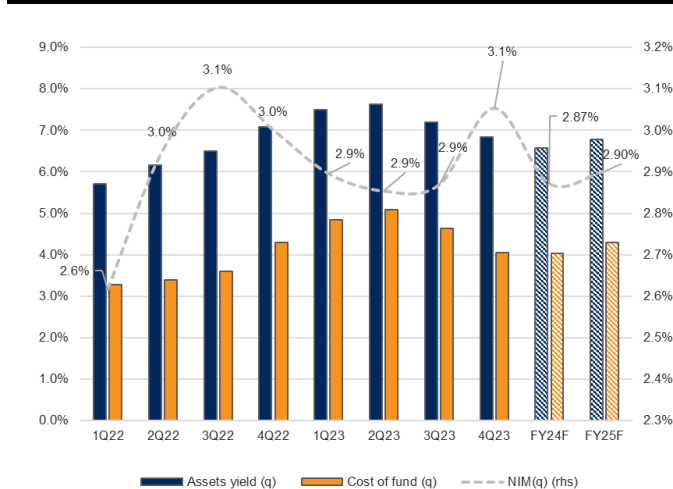
**Figure 7: CTG's credit growth compared to its peers in 4Q23.**



\*average of top 25 listed banks in terms of total asset by end-FY24

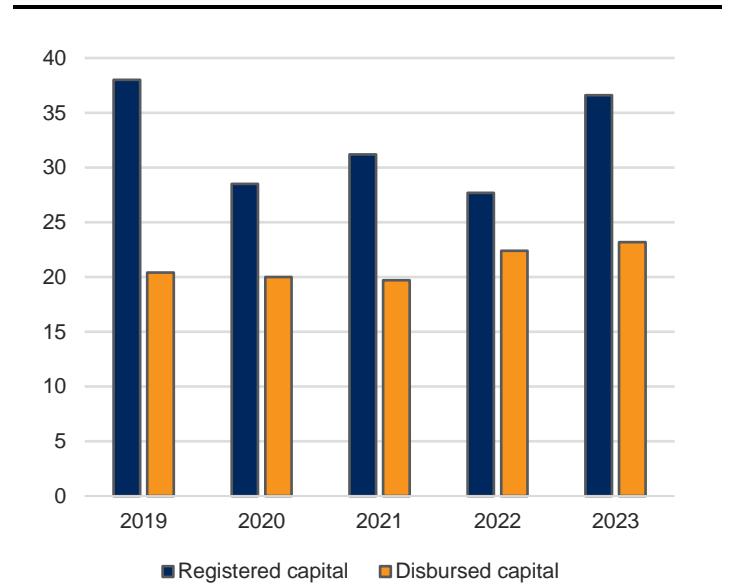
Sources: CTG, VNDIRECT RESEARCH

**Figure 9: NIM forecast in FY24 and FY25.**



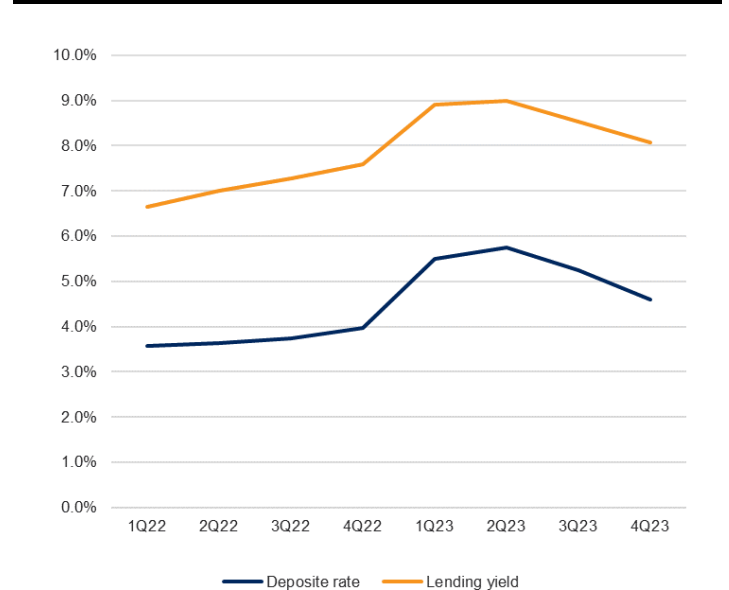
Sources: CTG, VNDIRECT RESEARCH

**Figure 8: FDI capital invested in Vietnam in the period of 2019-2023 (Unit: USbn).**



Sources: GSO, VNDIRECT RESEARCH

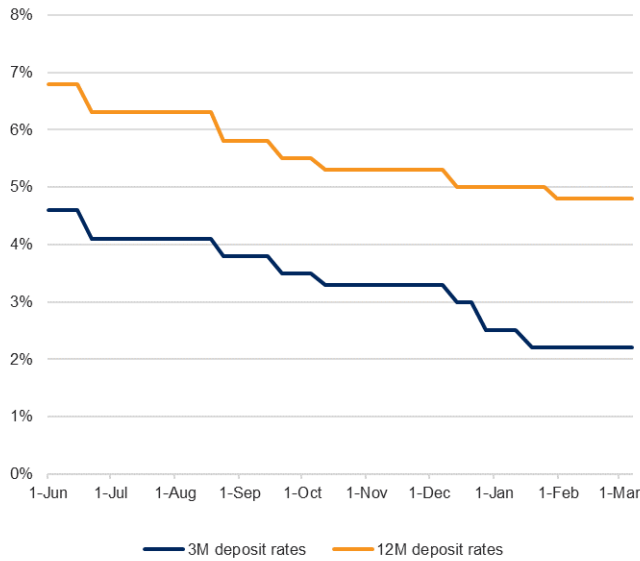
**Figure 10: Both lending yield and deposit rates followed their downward trajectory in FY23...**



Sources: CTG, VNDIRECT RESEARCH

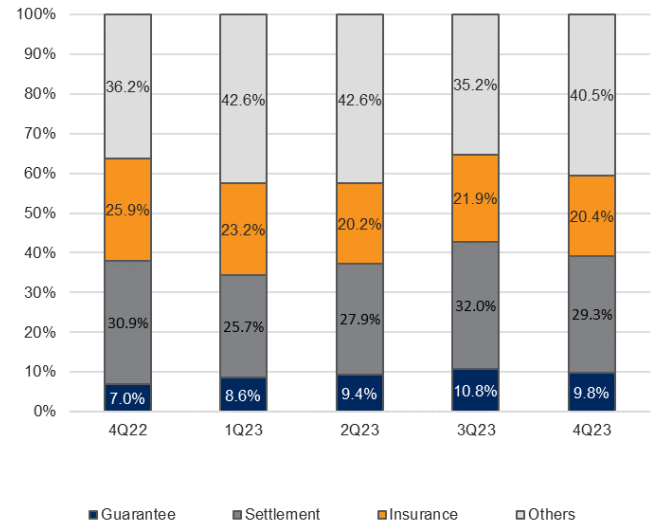


**Figure 11: ...and are expected to remain low in FY24 as deposit rates has been falling since the beginning of FY24.**



Sources: CTG, VNDIRECT RESEARCH

**Figure 12: Fee income structure of CTG in FY23.**



Sources: CTG, VNDIRECT RESEARCH

### Bottom line will soar thanks to active asset quality control.

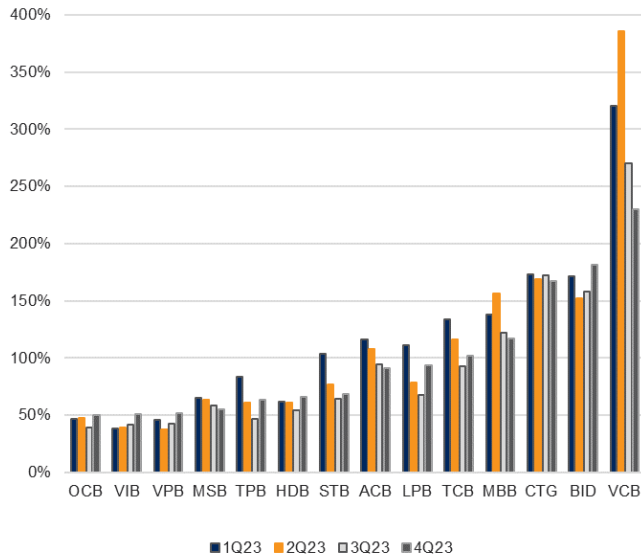
We project that Net profit (NP) of CTG will rise by 26.5% as provision expense was cut by 6.7% given CTG's aggressively provision booking in the past and FY24 brighter economic outlook.

We expect provision expense to stay at merely VND23,000bn (US\$921m) (-6.7% yoy), lower than that of 2023 as we believed CTG had made full provision for all risky loan when its LLR reached 167% in 2023, ranking the 3<sup>rd</sup> strongest provision buffer in the system. Couple with that, compared to 4Q22, NPL ratio of CTG decreased to 1.13% in 4Q23 - the 2<sup>nd</sup> lowest bad debt ratio in the industry, implying CTG's outstanding asset quality despite recession. We think the hardest time of banking industry has passed, therefore, we project CTG can keep its provision cost low to support its bottom line. In this scenario, FY24 NPL is projected to be 1.16%.

Nevertheless, we assume CIR to be 30% in FY24, higher than 29.0% in FY23 as we think labor market is warming up and CTG needs more labor to expand its business activities when the economy recovers.

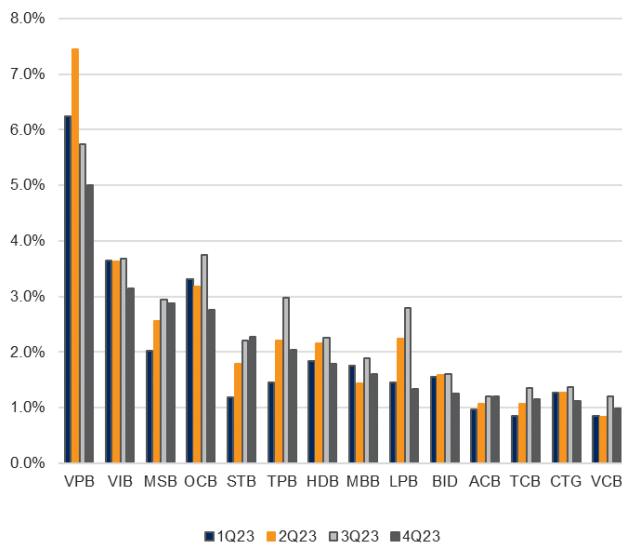
With the growth of 26.5% in NP, we forecast CTG's ROE will reach 18.3% in FY24, the highest ROE of CTG since 2013. Besides, the surge in FY24 NP will build up CTG's CAR to 9.5% and is expected to approach 10.5% in FY26 - the CAR requirement of Basel 3.

**Figure 13: CTG's LLR stayed stable throughout 2023 while LLR of its peers deteriorated.**



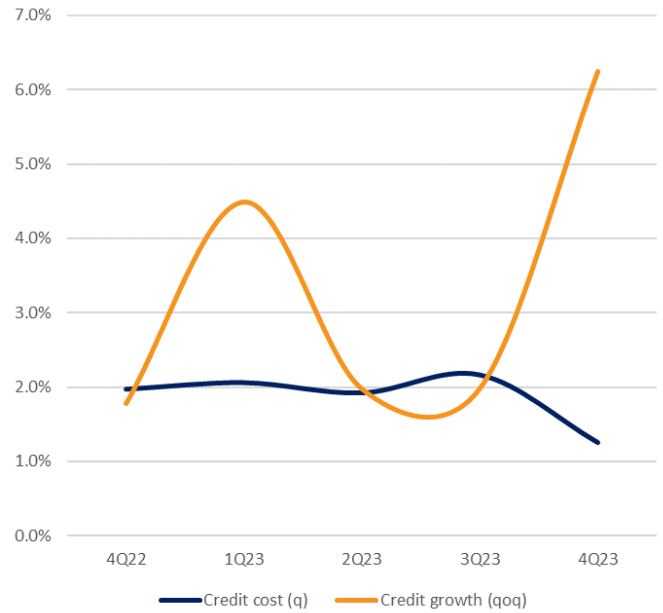
Sources: CTG, VNDIRECT RESEARCH

**Figure 15: CTG's NPL ratio remained low and was likely to decline during 2023.**



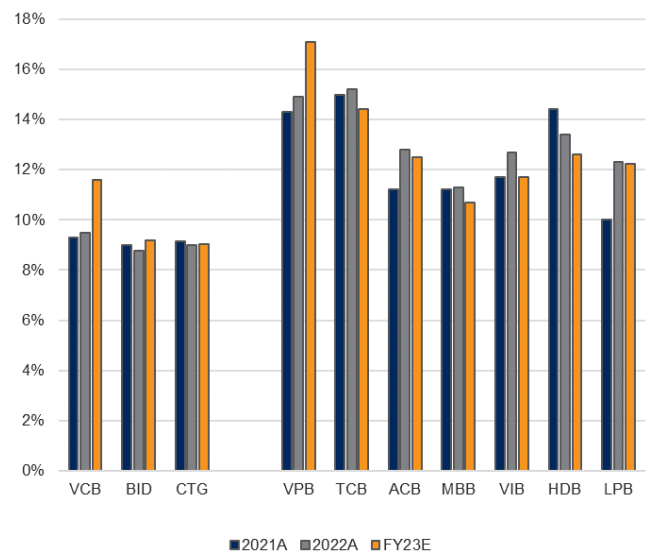
Sources: CTG, VNDIRECT RESEARCH

**Figure 14: CTG could save its credit cost despite the acceleration in credit growth in FY23 thanks to its good asset quality management.**



Sources: CTG, VNDIRECT RESEARCH

**Figure 16: SOCBs (excluding Agribank) has slowed down in meeting Basel III's CAR requirement compared to private banks.**



Sources: CTG, VNDIRECT RESEARCH

## Valuation: Reiterate to ADD with higher target price of VND39,500

We combine P/B valuation and residual income approach with the equal weight of 50% to deliver a target price of VND39,500 for CTG. We revise the cost of equity with lower risk-free rate of 2.24% (versus previous of 2.7%) and lower equity risk premium of 9.0% (following [NYU](#)), given the decline in bond yields. The projected BVPS was the FY24 BVPS forecast.

For relative value method, we apply a target price-to-book (P/B) ratio of 1.3x, equal to 5-year average ratio of CTG. CTG is currently traded at 1.46x and we think the current P/B is fair as the expectation has been reflected on price given the price has increase 28% since our last report. Our blended TP implies a P/B of 1.4x FY24 BVPS, lower than sector's historical 5-year average (1.5x).

Potential upside catalysts to our TP is economic recovery.

Downside risks are: 1) higher NPLs than expected; and 2) stagnant recovery of the Vietnamese income.

**Figure 17: CTG's current P/B is 1.46x, higher than its historical average (1.3x).**



Source: VNDIRECT RESEARCH

**Figure 18: Residual income valuation, based on our estimates**

GENERAL ASSUMPTIONS	2024F	2025F	2026F	2027F	2028F	Terminal
Risk free rate (10-year VGB yield)	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
Equity risk premium	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Beta	1.2	1.2	1.2	1.2	1.2	1.2
Cost of equity	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%
% ROE	18.3%	18.4%	18.4%	18.3%	18.3%	17.0%
Long-term growth rate						3.0%
Residual Income Model						
RI	8,880	10,597	12,415	14,327	16,732	112,401
Discount factor	0.88	0.78	0.69	0.61	0.54	0.54
PV of RI	7,856	8,293	8,595	8,774	9,065	60,899
Opening shareholder's equity	125,011					
PV of RI (5 years)	42,584					
PV of Terminal value	60,899					
Implied EV	228,494					
No. of o/s shares (m shares)	5,370					
<b>Implied value per share (VND/share)</b>	<b>42,550</b>					

Source: VNDIRECT RESEARCH

**Figure 19: Target price calculation, based on our estimates**

Approach	Weight	Fair value (VND/share)	Contribution (VND/share)
Residual income	50%	42,550	21,275
P/BV multiple (at 1.3x FY24F BVPS)	50%	36,359	18,180
Target price (VND/share)			39,455
<b>Target price (VND/share, rounded)</b>			<b>39,500</b>

Source: VNDIRECT RESEARCH

**Figure 20: Sensitivity analysis of target price with terminal ROE and Cost of equity.**

Cost of equity	ROE					
	42,550	15.0%	16.0%	17.0%	18.0%	19.0%
		45,371	48,993	52,615	56,237	59,859
		40,583	43,805	47,026	50,247	53,468
	<b>13.0%</b>	<b>36,749</b>	<b>39,650</b>	<b>42,550</b>	<b>45,451</b>	<b>48,351</b>
	14.0%	33,610	36,247	38,885	41,523	44,161
	15.0%	30,992	33,410	35,829	38,248	40,666

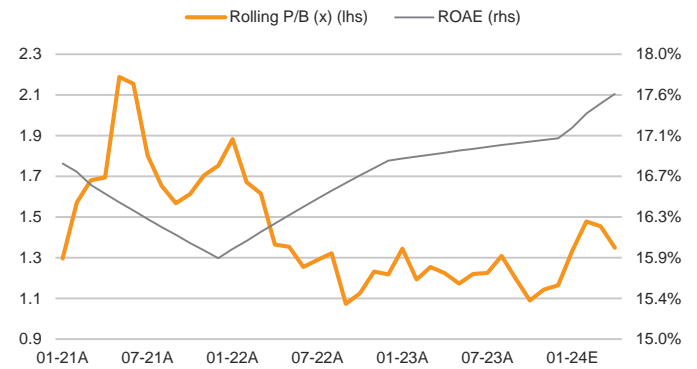
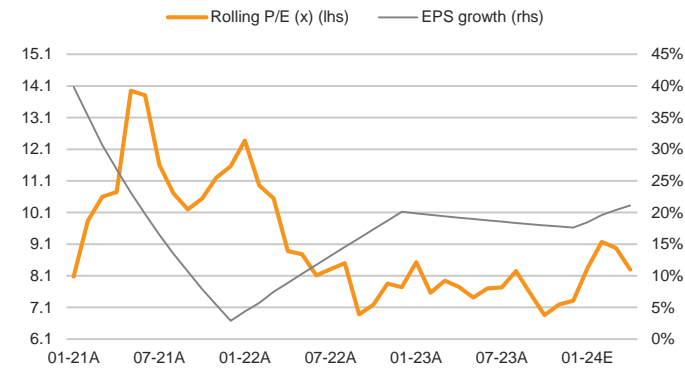
Source: VNDIRECT RESEARCH

**Figure 21: Vietnam bank comparison (price as of 10/04/2024)**

Banks	Bloomberg Code	Recom	NIM (%)		NPL (%)		P/B (x)		P/E (x)		3-yr Forward EPS CAGR	ROA (%)		ROE (%)	
			FY24F	FY25F	FY24F		FY24F	FY25F	FY24F	FY25F	%	FY24F	FY25F	FY24F	FY25F
Vietcombank	VCB VN	ADD	2.9%	2.9%	1.4%	1.2%	2.6	2.2	14.5	11.8	18.1%	1.9%	2.0%	19.5%	20.0%
Vietnam Prosperity JSC Bank	VPB VN	ADD	5.8%	5.8%	4.2%	3.3%	0.9	0.8	7.9	6.2	20.5%	2.2%	2.4%	13.3%	15.4%
Techcombank	TCB VN	ADD	4.1%	4.3%	0.9%	0.7%	1.1	0.9	7.2	5.9	24.9%	2.5%	2.6%	16.0%	16.6%
Military Commercial Joint Stock Bank	MBB VN	ADD	4.8%	4.7%	1.4%	1.2%	1.1	0.9	5.8	5.2	12.0%	2.3%	2.2%	22.6%	20.7%
Asia Commercial Joint Stock Bank	ACB VN	ADD	4.0%	4.3%	0.9%	0.9%	1.0	0.8	5.2	4.5	10.1%	2.4%	2.4%	22.5%	20.9%
HD Bank	HDB VN	ADD	5.1%	5.1%	1.6%	1.2%	1.2	0.9	5.2	4.5	17.3%	2.1%	2.1%	26.2%	24.5%
Vietnam International Bank	VIB VN	ADD	4.4%	4.6%	3.0%	2.5%	1.2	0.9	5.9	4.3	22.3%	2.3%	2.7%	23.4%	25.0%
Tien Phong Commercial JSB	TPB VN	ADD	4.1%	4.2%	1.8%	1.4%	1.0	0.9	6.1	5.6	6.3%	1.8%	1.7%	18.7%	16.9%
LPBank	LPB VN	HOLD	3.6%	3.7%	2.7%	2.3%	1.1	0.9	6.9	6.2	10.4%	1.4%	1.4%	17.7%	16.5%
<i>Average</i>			4.3%	4.4%	2.0%	1.6%	1.2	1.0	7.2	6.0	15.8%	2.1%	2.2%	20.0%	19.6%
<b>VietinBank</b>	<b>CTG VN</b>	<b>ADD</b>	<b>2.9%</b>	<b>2.9%</b>	<b>1.4%</b>	<b>1.2%</b>	<b>1.2</b>	<b>1.0</b>	<b>8.9</b>	<b>8.2</b>	<b>21.1%</b>	<b>1.3%</b>	<b>1.3%</b>	<b>19.7%</b>	<b>18.0%</b>

Source: VNDIRECT RESEARCH

## Valuation



### Income statement

(VNDbn)	12-23A	12-24E	12-25E
Net interest income	52,957	59,253	65,321
Non interest income	17,591	19,125	20,687
Total operating income	70,548	78,378	86,009
Total operating costs	(20,443)	(23,513)	(25,803)
Pre-provision operating profit	50,105	54,865	60,206
Total provision charges	(25,115)	(23,426)	(22,524)
Income from associates & JVs			
Net other income			
Pre-tax profit	24,990	31,438	37,682
Tax expense	(4,945)	(6,130)	(7,348)
Profit after tax	20,045	25,308	30,334
Minority interest	(141)	(127)	(152)
Net profit	19,904	25,181	30,182

### Balance sheet

(VNDbn)	12-23A	12-24E	12-25E
Gross loans to customers	1,473,345	1,650,146	1,815,161
Loans to banks	279,842	279,842	307,826
Total gross loans	1,753,186	1,929,988	2,122,986
Securities - total	183,948	186,134	195,441
Other interest earning assets	40,597	40,597	42,627
Total gross IEAs	1,977,732	2,156,719	2,361,054
Total provisions	(28,023)	(32,711)	(37,922)
Net loans to customers	1,445,572	1,617,688	1,777,504
Total net IEAs	1,949,709	2,124,008	2,323,133
Cash and deposits	9,760	10,632	11,629
Total investments	3,426	3,733	4,083
Other assets	69,719	75,951	83,072
Total non-IEAs	82,905	90,316	98,783
Total assets	2,032,614	2,214,324	2,421,916
Customer deposits	1,410,899	1,551,989	1,707,188
Cds outstanding	115,376	126,913	139,605
Customer interest-bearing liabilities	1,526,275	1,678,902	1,846,792
Bank deposits	326,136	356,568	391,134
Broad deposits	1,852,411	2,035,470	2,237,927
Other interest-bearing liabilities	2,794	2,933	3,227
Total IBLs	1,855,204	2,038,404	2,241,153
Deferred tax liability			
Other non-interest bearing liabilities	51,537	24,741	2,203
Total non-IBLs	51,537	24,741	2,203
Total liabilities	1,906,742	2,063,145	2,243,356
Share capital	53,700	53,700	53,700
Additional paid-in capital	9,811	9,811	9,811
Treasury shares	0	0	0
Retained earnings reserve	42,369	61,172	80,755
Other reserves	19,131	25,509	33,155
Shareholders' equity	125,011	150,192	177,421
Minority interest	861	988	1,139
Total equity	125,872	151,180	178,560
Total liabilities & equity	2,032,614	2,214,324	2,421,916

	12-23A	12-24E	12-25E
Growth rate (yoy)			
Cust deposit growth	12.9%	10.0%	10.0%
Gross cust loan growth	15.6%	12.0%	10.0%
Net interest income growth	10.8%	11.9%	10.2%
Pre provision operating profit growth	11.5%	9.5%	9.7%
Net profit growth	17.6%	26.5%	19.9%
Growth in IEAs	14.5%	8.9%	9.4%
Share value			
Basic EPS (VND)	3,706	4,689	5,621
BVPS (VND)	23,279	27,969	33,039
DPS (VND)	0	0	550
EPS growth	17.6%	26.5%	19.9%

### Key ratios

	12-23A	12-24E	12-25E
Net interest margin	2.9%	2.9%	2.9%
Cost-income ratio	(29.0%)	(30.0%)	(30.0%)
Reported NPLs / gross cust loans	1.1%	1.2%	1.0%
Reported NPLs / net cust loans	1.1%	1.2%	1.0%
GP charge / average cust loans	1.8%	1.5%	1.3%
Total CAR	9.2%	0.0%	0.0%
Loan deposit ratio	96.5%	98.3%	98.3%
Margins and spreads			
Return on IEAs	7.2%	6.6%	6.8%
Cost of funds	4.5%	3.9%	4.1%
Interest return on average assets	2.8%	2.8%	2.8%
ROAE	17.1%	18.3%	18.4%

Source: VND RESEARCH



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## 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.

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