

VietinBank (CTG)

HOLD (Reduced)

FINANCIALS

Current Price	VND40,300
52Wk High/Low	VND40,850/30,150
Target Price	VND43,500
Previous TP	VND39,900
TP vs Consensus	9.0%
Upside	7.9%
Dividend Yield	0.0%
Total stock return	7.9%

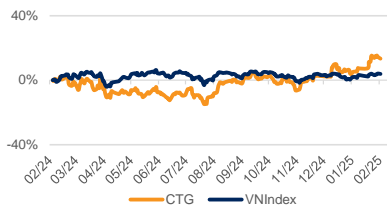
Growth rating	Neutral
Value rating	Neutral
ST Technical Analysis	Positive

Market Cap	USD8,573.3mn
3m Avg daily value	USD9.0mn
Avail Foreign Room	USD268.9mn
Outstanding Shares	5,370.0mn
Fully diluted O/S	5,370.0mn

	<u>CTG</u>	<u>Peers</u>	<u>VNI</u>
P/E TTM	8.5x	9.5x	12.6x
P/B Current	1.5x	1.5x	1.6x
ROA	1.2%	1.5%	2.1%
ROE	18.5%	16.9%	13.0%

*as of 2/18/2024

Share Price performance



Share price (%)	1M	3M	12M
Ordinary share	7.9%	21.3%	13.9%
Relative to index	1.9%	4.4%	5.2%

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 fields of capital mobilization, trading, and providing related financial services. The bank is one of the leading joint stock commercial banks in terms of total assets and equity.

Analyst(s):



Linh Nguyen Thao

linh.nguyenthao3@vndirect.com.vn

Strong growth, but priced for high expectations

- We reduce our ADD rating to HOLD with 7.9% upside. We raise our TP to VND43,500 as the share price has increased by 19% since our last report.
- Our TP reflects our higher credit growth and lower NPL assumption combined with a higher risk-free rate and equity risk premium assumption.
- CTG's 1.5x current P/B is above the sector P/B of 1.3x. We think the price has reflected its strong FY24 financial results and expectations of higher credit growth supported by rising public investment.

Financial Highlights

- 4Q24 consolidated PBT surged by 61.4% YoY, driven by steady NII growth and a significant rebound in Non-II.
- FY24 net profit grew by 27.3% YoY, achieving 111% of our forecast and supported by robust loan growth, effective cost control and improved asset quality.
- We forecast ROE to grow to 19.7% for FY25 thanks to robust credit growth and lower credit cost.

Investment Thesis

Economic tailwinds to propel FY25 credit growth

We forecast CTG's credit growth at 14% YoY in FY25, supported by a retail lending recovery, strong public investment and rising FDI inflows. Vietnam's ambitious 8% GDP growth target and 12% retail sales growth will support CTG's retail lending while a VND790tn (USD30.8bn) public investment plan will drive loan demand, particularly in the construction segment, where CTG has significant exposure. Additionally, booming FDI will boost demand for CTG's FDI lending.

High CASA, changing loan mix will offset pressure on NIM

We forecast CTG's NIM to remain unchanged at 2.9% for FY25. We expect deposit rates to rise faster than lending rates as CTG seeks to fund its strong credit growth while the Government pushes for lower lending rates to support economic recovery. However, we forecast a high CASA of 24.1%, which will help reduce funding costs, while expansion of retail lending - driven by Vietnam's 7.0-7.5% real growth in retail sales - should boost asset yield.

Stronger economy and real estate rebound to support lower bad debt ratio

We expect CTG's NPL ratio to decline to 1.16% in FY25 and 1.05% in FY26 from 1.25% in FY24, supported by stronger economic recovery, a real estate rebound, and CTG's ample provision buffer. We expect the Government's 8% GDP growth target and New Land Laws will enhance debt repayment capacity and loan restructuring. Additionally, CTG's proactive provisioning, with an FY24 LLR of 171%, will help maintain its write-off rate at 1.2%, thus supporting a lower NPL ratio.

Current valuation is no longer attractive

We apply a target P/B ratio of 1.26x for CTG, based on its five-year average spread (96%) to the sector's current P/B of 1.3x. With CTG currently trading at 1.5x, we believe the price has already reflected positive expectations.

Financial summary (VND)	12-24A	12-25F	12-26F	12-27F
Net interest income YoY	17.8%	17.0%	14.8%	11.0%
Non-interest income YoY	10.9%	11.3%	7.4%	12.9%
Provision expenses YoY	9.9%	-1.4%	-6.2%	-11.7%
Pre-tax profit YoY	27.1%	28.3%	28.7%	21.5%
Loan growth	16.9%	14.0%	12.0%	10.0%
NIM	2.9%	2.9%	2.9%	2.9%
CASA ratio (excl. margin deposits)	24.5%	24.1%	24.4%	24.6%
NPLs / Gross loans	1.25%	1.16%	1.05%	1.10%
Group 2 loans / Gross loans	1.3%	1.3%	1.3%	1.6%
ROAE	18.5%	19.7%	20.7%	20.4%

Source: VNDIRECT RESEARCH

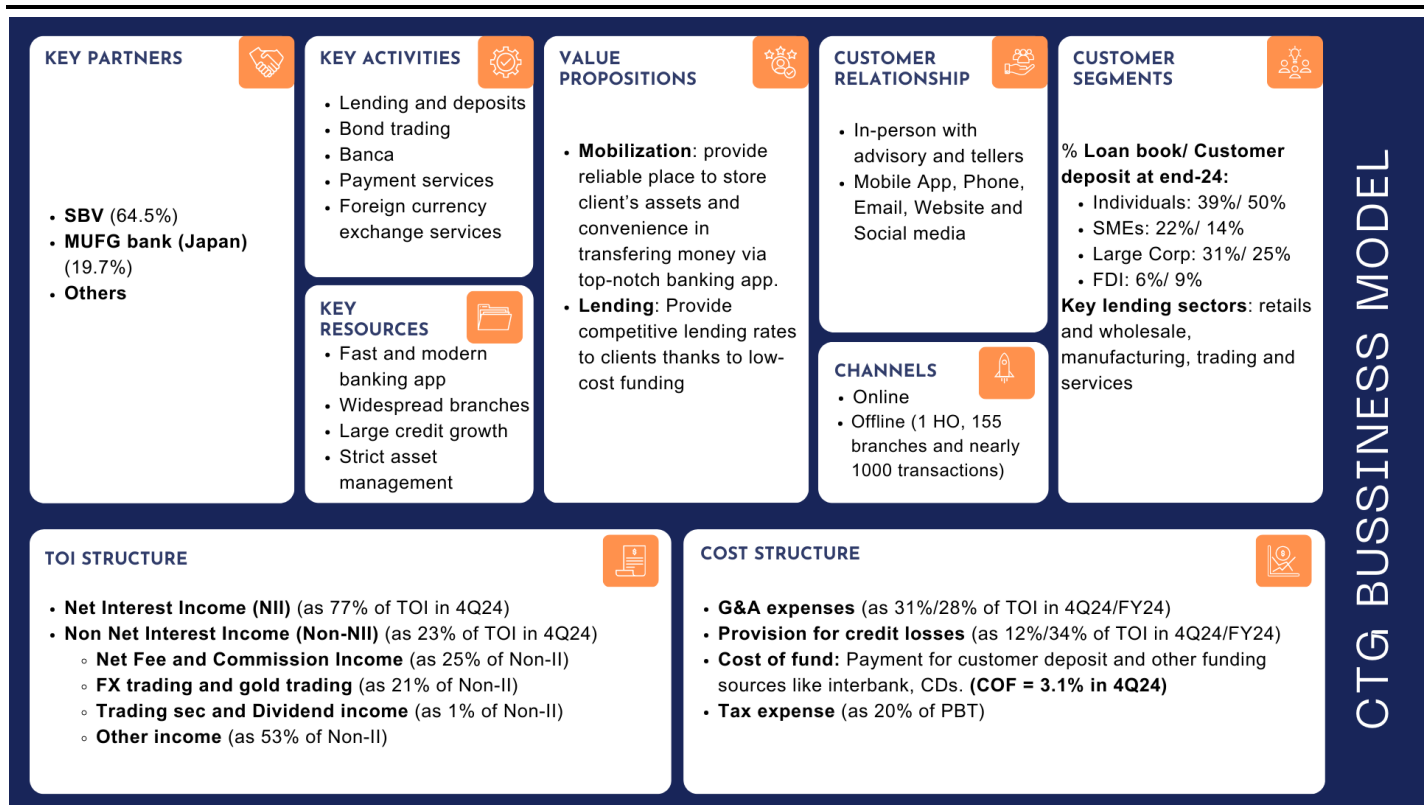
Company Profile

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 benefits from its strong shareholders, including State-Bank of Vietnam (SBV) and MUFG Bank (Japan), to access qualified customers and FDI clients.

CTG acts as a main channel for the Vietnamese Government to fund public projects. SBV's deposits at CTG can support the available capital for the commercial bank. In addition, with MUFG bank as a strategic investor, CTG can take advantage of lending to FDI projects. FDI lending in CTG's loan mix has gradually widened as FDI inflows have 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's business model



Source: CTG, VNDIRECT RESEARCH

Results Recap: Surpassing expectations with robust growth

Figure 2: Results comparison (VNDbn unless otherwise noted)

Profit & Loss statement	4Q24	4Q23	% yoy	3Q24	% qoq	FY24	FY23	% yoy	VND FY24F forecasts	% of VND forecasts	Comments
Net interest income	16,312	14,446	12.9%	15,578	4.7%	62,403	52,957	17.8%	61,389	102%	In line with our forecast, as FY24 loan growth (16.9%) exceeded our forecast (12%), but FY24 NIM (2.88%) remained slightly below our expectation (2.90%).
Non-interest income	4,973	3,919	26.9%	6,339	-21.5%	19,506	17,591	10.9%	20,673	94%	Lower than our forecast, as net income from service fees (-5.7% YoY), income from trading gold and currency (-1.4% YoY), and income from investment book (-64.6% YoY) recovered weaker than expected (5.0%/10%/0%, respectively). Meanwhile, other income accounting for 53% of Non-Il soared due to rising bad debt recovery in FY24.
Operating revenue	21,285	18,365	15.9%	21,916	-2.9%	81,909	70,548	16.1%	82,062	100%	
Operating expenses	(6,576)	(6,304)	4.3%	(6,095)	7.9%	(22,552)	(20,443)	10.3%	(23,134)	97%	In line with our forecast
Pre-provision profit	14,710	12,061	22.0%	15,821	-7.0%	59,357	50,105	18.5%	58,928	101%	
Provision expenses	(2,464)	(4,473)	-44.9%	(9,269)	-73.4%	(27,599)	(25,115)	9.9%	(30,300)	91%	Significantly lower than our forecast. CTG's initial provision expense for FY24 was estimated at VND16tn-18tn (~USD630mn-708mn); however, by year-end, the actual provision expense ended up 53%-72% higher than the initial plan.
Pre-tax profit	12,245	7,588	61.4%	6,553	86.9%	31,758	24,990	27.1%	28,629	111%	
Net profit (ex-MI)	9,792	6,031	62.4%	5,226	87.4%	25,342	19,904	27.3%	22,884	111%	Higher than our forecast

Source: CTG, VNDIRECT RESEARCH

Figure 3: CTG's key ratios by quarter

Key ratios	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	
NII/Total Operating Income (TOI)	75.7%	74.4%	71.8%	75.2%	78.7%	79.6%	78.1%	71.1%	76.6%	
Non-Il/TOI	24.3%	25.6%	28.2%	24.8%	21.3%	20.4%	21.9%	28.9%	23.4%	
NIM (quarterly)	2.97%	2.90%	2.85%	2.87%	3.03%	3.03%	2.96%	2.89%	2.87%	
Loan-to-deposit ratio (Circular 36)	82.4%	82.9%	80.6%	81.8%	80.2%	81.1%	82.6%	81.2%	82.7%	
NPL	1.24%	1.28%	1.27%	1.37%	1.13%	1.35%	1.57%	1.45%	1.25%	
Loan-Loss-Reserves (LLR)	186.2%	173.0%	168.9%	172.4%	167.2%	150.8%	113.8%	153.0%	170.7%	
Cost-to-income ration (CIR)	37.3%	25.3%	26.7%	29.2%	34.3%	25.2%	25.8%	27.8%	30.9%	
Credit cost	1.9%	2.1%	2.0%	2.1%	1.8%	2.2%	2.1%	2.2%	1.7%	
Provision/Pre-provisioning operating profit (PPOP)	49.0%	52.9%	49.7%	60.4%	37.1%	56.4%	53.7%	58.6%	16.8%	
ROAA (quarterly)	1.0%	1.1%	1.1%	0.8%	1.2%	1.0%	1.0%	1.0%	1.7%	
ROAE (quarterly)	16.0%	17.4%	18.0%	12.9%	19.5%	15.5%	16.1%	15.1%	26.9%	
CAR	9.0%	9.2%	8.9%	9.1%	9.3%	9.4%	9.5%	9.5%	9.6%	

Source: CTG, VNDIRECT RESEARCH

Continued growth in core revenue sources supported performance

In 4Q24, CTG's TOI (total operating income) maintained robust growth, with NII increasing by 12.9% YoY and Non-Il jumping 26.9% YoY. The strong NII performance resulted from outstanding loan growth (16.9% vs the sector's 15.1%). On the other hand, Non-Il was boosted by a continued recovery in net other income (+64.9% YoY) and rebounds in FX gains (4Q24: +37.7% YoY vs 3Q24: -46.4% YoY) and investment book income (4Q24: +11.3% YoY vs 3Q24: -36.8% YoY).

Prioritizing loan growth over NIM maintenance

4Q24 NIM inched down to 2.87% (-2bps QoQ, -16bps YoY) as AY decreased by 4bps QoQ while COF stayed intact (-1bps QoQ). 4Q24 AY only slightly decreased as CTG increased its proportion of long-term loans to 28.2% (+0.2%

pts QoQ). Meanwhile, despite higher deposit rates in the banking system, CTG's COF remained at 3.05% thanks to the 4Q24 CASA ratio soaring to 24.5%, the highest CASA ratio on record.

Efficient cost management aided profitability

Cost discipline remained strong as OPEX rose modestly by 4.3% YoY in 4Q24, contributing to a CIR of 30.9% (-344bps YoY). This allowed CTG to enhance its PPOP, which grew by 22.0% YoY and fulfilled 101% of our FY24 forecast.

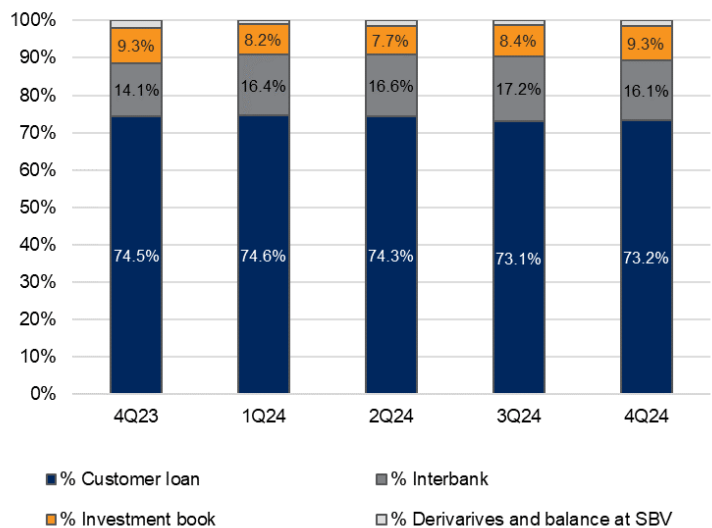
Improving asset quality bolstered earnings growth

CTG's asset quality stood out as both the NPL ratio and the group 2 loan ratio decreased to 1.25% (-20bps QoQ, +12bps YoY) and 1.32% (-12bps QoQ, -23bps YoY), respectively, in 4Q24. In addition, the write-off rate declined to 1.17% at end-4Q24, highlighting better asset quality. Improving asset quality supported CTG to lower its provisioning (provision expenses: -44.9% YoY, fulfilling only 91% of our FY24 forecast), thus sustaining its profitability with its 4Q24 ROE soaring to 26.9%.

Figure 4: CTG's key balance sheet KPI analysis

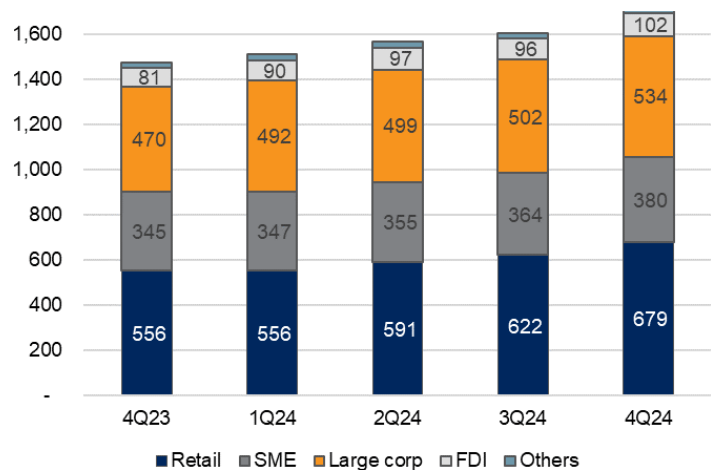
Earnings asset (IEA) mix: continued leveraging of high interbank rates

- 4Q24 IEA grew by 19.0% YoY (+7.2% QoQ) driven by growth of customer loans (+16.9% YoY), interbank loans (+35.2% YoY) and investment book (+18.4% YoY).
- Despite strong loan growth (16.9% - the highest rate among listed SOCBs), the proportion of customer loans in IEA edged down to 73.2% (-0.1% pts QoQ, -1.3% pts YoY) due to a temporary rebalancing toward interbank loans and investment holdings.
- Specifically, the interbank loan share increased to 16.1% (-1.1% pts QoQ, +1.9% pts YoY), indicating the bank's preference for short-term, higher-yielding loans as interbank rates stayed high throughout 2024. Meanwhile, 4Q24 investment book grew by 18.5% YoY, prompting its contribution to IEA to 9.3% (+0.8% QoQ, +0% YoY).



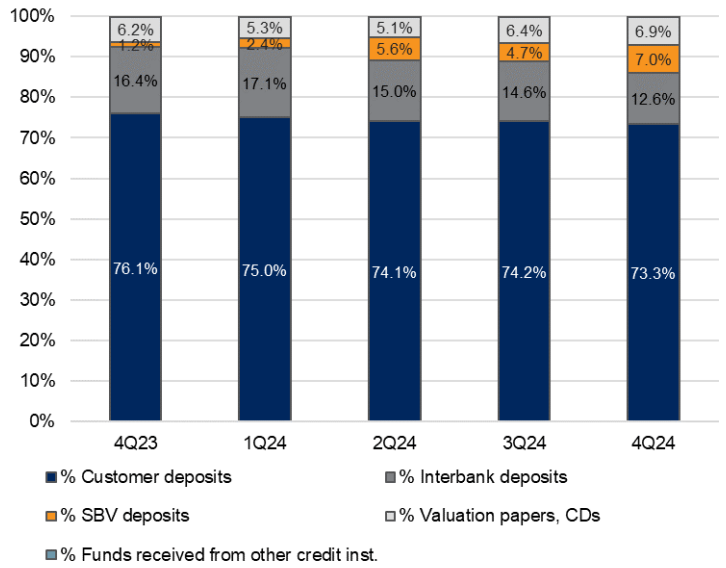
Loan mix: impressive growth fueled by sustained large corporate lending and retail recovery (Unit: VNDtn)

- CTG's customer loans expanded +16.9% YoY, the highest growth among SOCBs, driven mostly by large corporate lending (+13.8% YoY) and retail loans (+22.1% YoY). Retail loans, the largest component in CTG's customer loans mix (39%), increased by 9.2% QoQ (+22.1% YoY) in 4Q24, highlighting a stronger recovery of retail demand in 4Q24. Meanwhile, large corporate lending grew by 6.4% QoQ in 4Q24 and +13.8% YoY in FY24. In addition, FDI-related lending surged +25.1% YoY (4Q24: +6.3% QoQ), capturing rising foreign capital inflows into Vietnam.
- Lending to SME segment recorded the weakest growth (+10.2% YoY) in FY24.



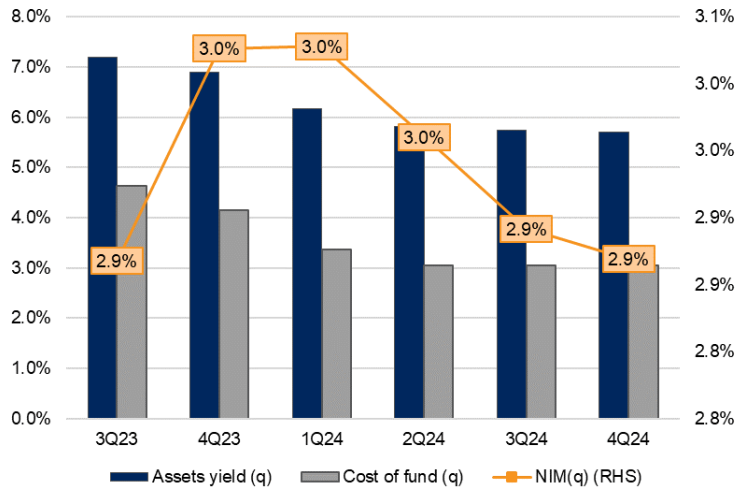
Funding mix: Rising valuable paper issuance to support longer-term loans

- 4Q24 IBL expanded 7.1% QoQ, (18.1% YoY) driven by growth in customer deposits (5.9% QoQ, +13.8% YoY), valuable paper (+15.1% QoQ, +31.5% YoY) and SBV deposits (+ 61.6% QoQ, +607.3% YoY).
- Although 4Q24 customer deposits grew by only 13.8% (vs customer loan's growth: 16.9% YoY), its proportion to IBL declined by 0.9% pts QoQ (-2.7% pts YoY). In addition, CTG raised its valuable paper issuance by 31.5% YoY to support its longer-term lending; thus, the proportion of valuable papers inched up by 0.5% pts QoQ (+0.7% pts YoY). 4Q24 borrowings from the SBV jumped sixfold YoY, pushing its share in IBL to 7.0% (+2.4% pts QoQ, +5.9% pts YoY) reflecting CTG's advantage as one of the Government's channels to fund public projects.
- On the other hand, CTG reduced its interbank deposits by 7.5% QoQ (-9.3% YoY), thus lowering its contribution to IBL by 2.0% pts QoQ, reflecting CTG's effort to keep its funding cost low as interbank rates rose sharply in 4Q24, with ON rate peaking at around 6% in November 2024.



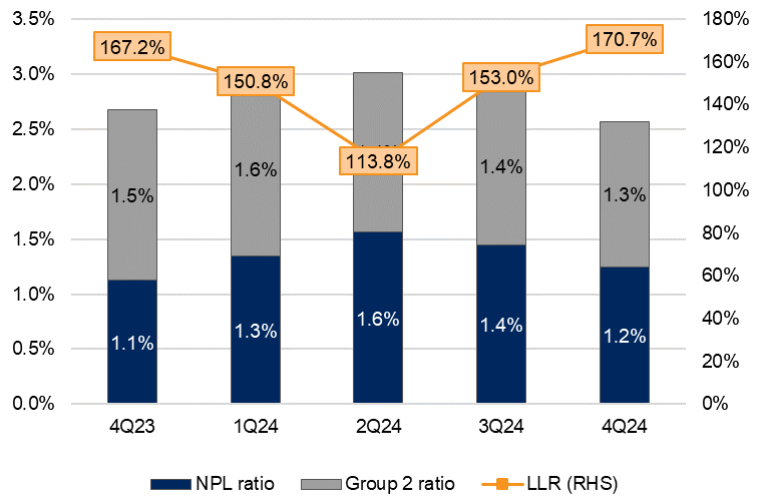
NIM performance: pressure persists, but a turning point may be near

- 4Q24 NIM inched down to 2.87% (-2bps QoQ, -16bps YoY) as asset yield fell more than COF, but the pace of compression slowed, suggesting that margins could soon stabilize.
- Asset yields eased to 5.70% (-4ps QoQ, -120bps YoY) under the impact of a soft rate environment and CTG's rising short-term lending in its loan mix to 66.0% (+0.8% pts YoY). Meanwhile, COF fell less than AY, by only 1bps QoQ (-111bps YoY), supported by a higher CASA ratio to 24.5%, the highest rate recorded.



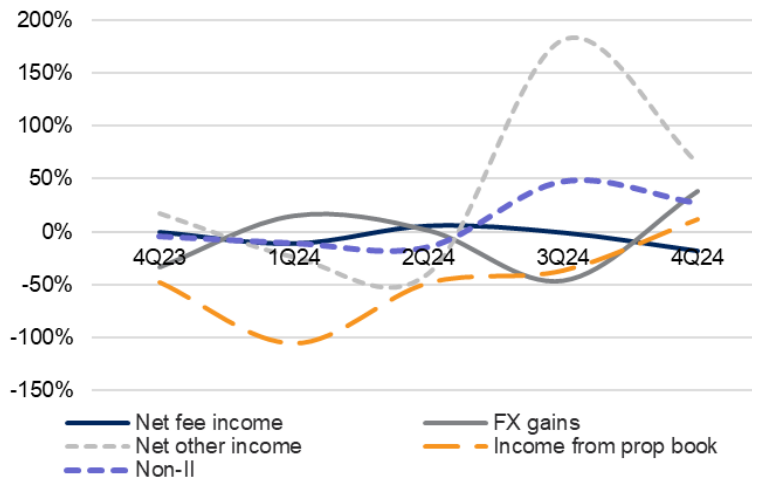
Asset quality: a fortress-like defense against uncertainty

- 4Q24 NPL ratio remained well-contained at 1.25% (-20bps QoQ, +12bps YoY) and ranked the third lowest bad debt ratio among top 25 banks. In addition, group 2 loans declined to 1.32% (-12bps QoQ, -23bps YoY).
- Moreover, 4Q24 LLR surged to 171% while write-offs dropped to 1.17% from 1.55% in 3Q24 and 1.95% in 4Q23, showcasing resilient asset quality even as macroeconomic challenges persisted.



Non-II structure: Revenue from bad debt collection was key driver of non-II's growth

- 4Q24 Non-II grew by 26.9% YoY, driving FY24 Non-II up by 10.9% YoY thanks to the growth in 4Q24 net other income (+64.9% YoY), FX gains (+37.7% YoY) and income from investment book (+11.3% YoY).
- FY24 net other income surged by 45.8%, driven mainly by growth in income from bad debt recovery to VND8.5tn/USD333mn (+82% YoY). Meanwhile, FX & gold trading rebounded (4Q24: +37.7% YoY) after a weak 3Q24, contributing 21.1% of total Non-II (+1.7% pts YoY, +11.5% pts QoQ), as last quarter normally is peak season of export-import activities and repatriation of profits by business. In addition, 4Q24 investment income improved by 11.5% YoY from a low base, thanks to a provision reversal of investment securities (VND9bn/USD350,000) in 4Q24.
- On the other hand, 4Q24 net fee income dropped by 18.1% YoY following the downward trend of the banking system (-3% YoY), contributing to a decrease in FY24 net fee income of 5.7% YoY.



Sources: CTG, VNDIRECT RESEARCH

FY25-26 outlook: The bright outlook has been priced in

Figure 5: Earnings revision (VNDbn, unless otherwise noted)

	Old forecasts			New forecasts				Change		Comments
	FY25F	FY26F	FY24A	FY25F	%yoy	FY26F	%yoy	FY25F	FY26F	
Net Interest Income	67,539	74,398	62,403	72,995	17.0%	83,833	14.8%	8.1%	12.7%	We raise our forecast of credit growth to 14% for FY25F from 10%. We expect NIM to maintain at 2.88% in FY25F as we forecast deposit rates to rise more than lending rates.
Non-Interest Income	21,646	23,061	19,506	21,720	11.3%	23,318	7.4%	0.3%	1.1%	We increase our growth projection for net other income to 23% for FY25F, from 5% in our previous forecast, as we expect CTG to continue promoting bad debt recovery in FY25. Meanwhile, we maintain our growth projection of net service fees (5%), FX gains (5%) and income from investment book (5%).
Operating revenue	89,186	97,458	81,909	94,715	15.6%	107,151	13.1%	6.2%	9.9%	
Operating expenses	(25,493)	(26,883)	(22,552)	(26,762)	18.7%	(29,204)	9.1%	5.0%	8.6%	We lower our CIR projection to 28.3% for FY25F from 28.6% in our previous forecast; thus, FY25F operating expenses will grow by 18% YoY as we anticipate high credit growth will require higher labor expenses.
Pre-provision profit	63,693	70,575	59,357	67,953	14.5%	77,947	14.7%	6.7%	10.4%	
Provision expenses	(29,284)	(27,447)	(27,599)	(27,222)	-1.4%	(25,541)	-6.2%	-7.0%	-6.9%	We decrease our credit cost forecast for FY25/26F to 1.5%/1.2% from 1.7%/1.4% in our previous forecasts. CTG's asset quality stood out, with its bad debt ratio dropping to 1.25%, in contrast to rising bad debt across the banking system in FY24. We expect an improving economic outlook in FY25F, leading to lower bad debt in the banking system, which will allow CTG to reduce its provision expenses and boost its earnings in FY25.
Pre-tax profit	34,409	43,128	31,758	40,731	28.3%	52,405	28.7%	18.4%	21.5%	
Net profit	27,504	34,474	25,342	32,501	28.3%	41,817	28.7%	18.2%	21.3%	

Source: CTG, VNDIRECT RESEARCH

Strong economic tailwinds will drive FY25 credit growth

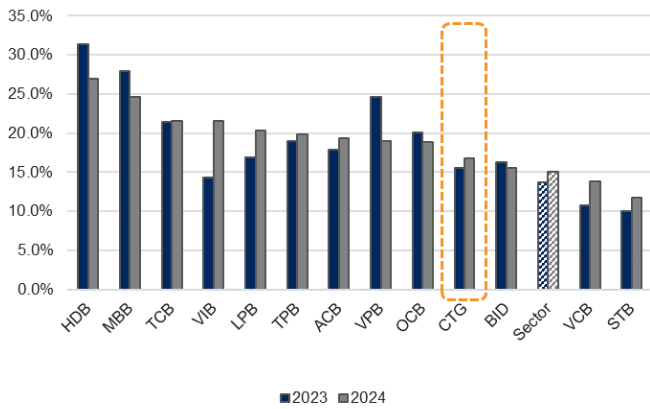
We project 14% YoY credit growth for CTG in FY25, equal to the FY24 initial credit quota, driven by a retail lending demand recovery, ample public investment and an FDI boom.

We expect Vietnam's ambitious GDP target of over 8% for FY25 to facilitate CTG's credit expansion as: 1) robust economic activity typically fuels higher loan demand; and 2) the Government's push for public investment, particularly in infrastructure, transportation, and energy projects, will require significant financing. For 2025, we forecast total retail sales of goods and consumer services at current prices will grow by 10.0-10.5% in FY25 (vs +9.0% YoY in 2024), with real growth excluding price factors at ~7.0-7.5% (Figure 13). The Government has submitted to the National Assembly a target of 12% growth in retail sales, exceeding our expectation. Rising retail sales will contribute to higher consumer loan demand (home purchases, car purchases, credit card loans), thus facilitate CTG's retail lending.

In addition, the Government has set a public investment plan of VND790tn (USD30.8bn, +2% vs the initial 2024 plan and +18% vs the adjusted 2024 plan). Given CTG's large loan balance to listed builders, the bank is well-positioned to push its credit for FY25.

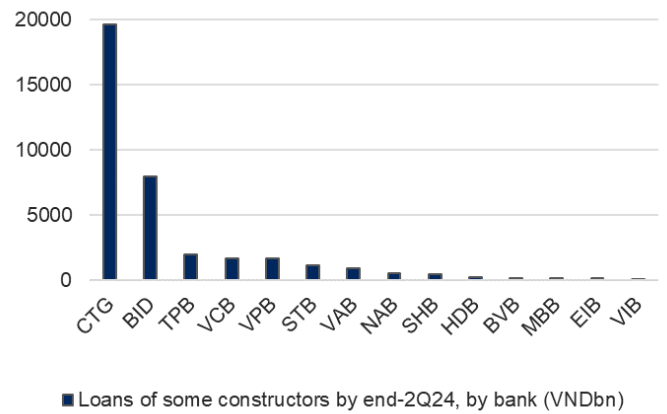
Coupled with that, Vietnam's booming FDI inflows, driven by supply chain shifts and Government incentives, will further bolster CTG's FDI lending as foreign firm's need for working capital and project financing to expand operations rises.

Figure 6: CTG's credit growth was the highest among SOCBs in FY24



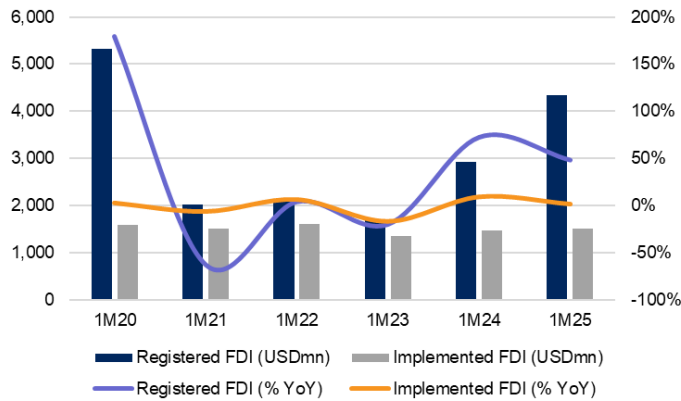
*average of top 25 listed banks in terms of total assets by end-FY24
Sources: Commercial banks, CTG, VNDIRECT RESEARCH

Figure 7: CTG had the most lending exposure to listed builders



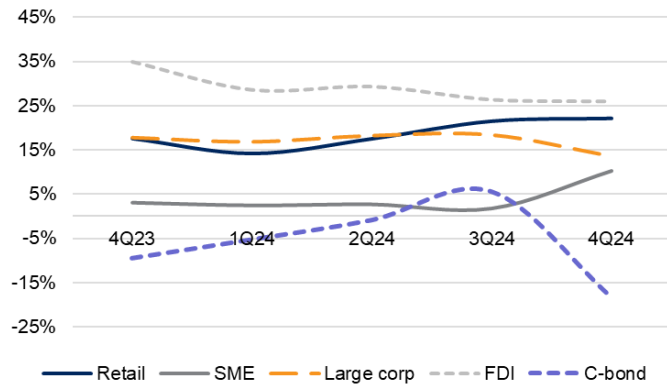
* Construction companies include: VCG, LCG, C4G, HHV, CC1, RCC, TTL, G36
Sources: Company reports, VNDIRECT RESEARCH

Figure 8: Registered FDI reached its highest level since 2021, while implemented FDI has continued to expand since 2023



Sources: Fiipro, VNDIRECT RESEARCH

Figure 9: FDI lending recorded the highest growth in CTG's loan book by client segment in FY24



Sources: CTG, VNDIRECT RESEARCH

NIM will still be under pressure in FY25

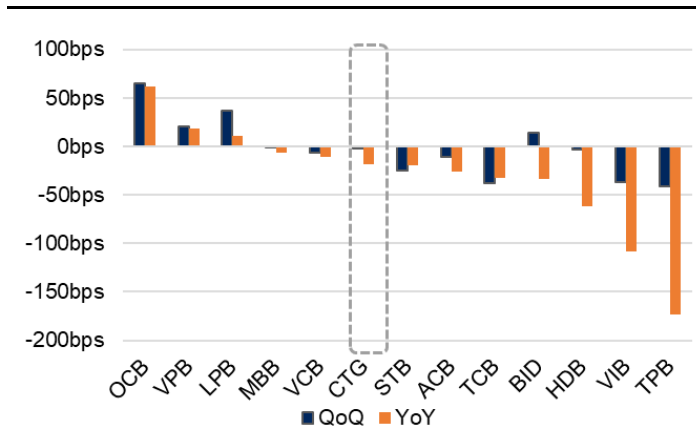
Despite our projection that deposit rates will increase faster than lending rates, we forecast NIM to remain relatively unchanged in FY25 at 2.88%, thanks to a high CASA ratio and a retail lending recovery.

We expect deposit rates to rise at a higher pace than lending rates as: 1) an ambitious credit target requires high funding demand; 2) LDR has been rising (CTG: 82.7% at end-24 vs ceiling threshold of 85%); and 3) the Government wants low lending rates in FY25 to support the economy.

However, we expect CTG to maintain its NIM in FY25 thanks to a high CASA ratio following a credit push and a rebound in retail lending, which offers higher interest rates. We project the CASA ratio of 24.1% in FY25 supported by rising loan disbursement with our credit growth forecast of 14% for FY25.

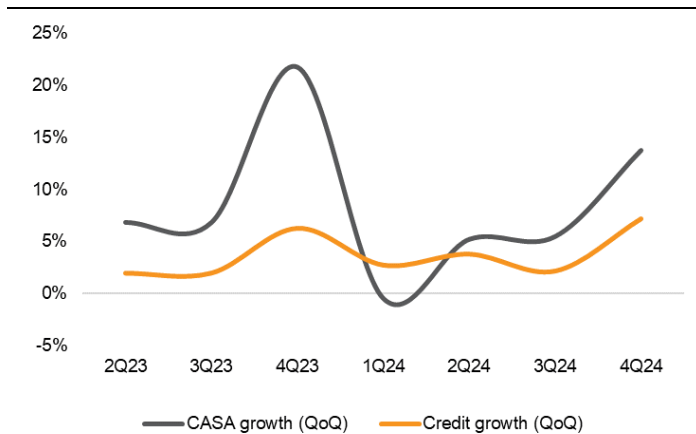
On the other hand, we expect the inflation-adjusted growth rate of total retail sales to increase by 7-7.5% YoY in FY25, supporting CTG to widen its retail lending and maintain its NIM following a rebound in retail demand in FY25.

Figure 10: 4Q24 NIM expansion of CTG and its peers



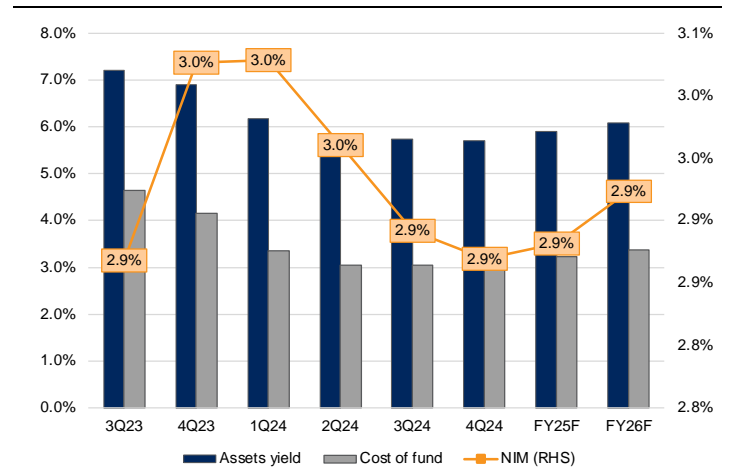
*average of top 25 listed banks in terms of total assets by end-FY24
Sources: Commercial banks, CTG, VNDIRECT RESEARCH

Figure 12: Loan disbursement increased non-term deposits (CASA)



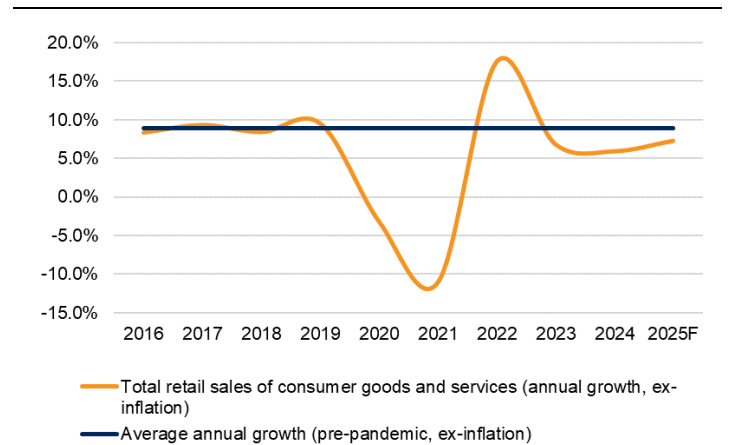
Sources: CTG, VNDIRECT RESEARCH

Figure 11: We project CTG's NIM to almost stay unchanged in FY25 supported by a high CASA ratio and a retail lending rebound



Sources: CTG, VNDIRECT RESEARCH

Figure 13: We expect the inflation-adjusted growth rate of total retail sales to increase by 7-7.5% YoY in FY25



Sources: GSO, VNDIRECT RESEARCH

Economic recovery, strong provisioning support better bad debt control

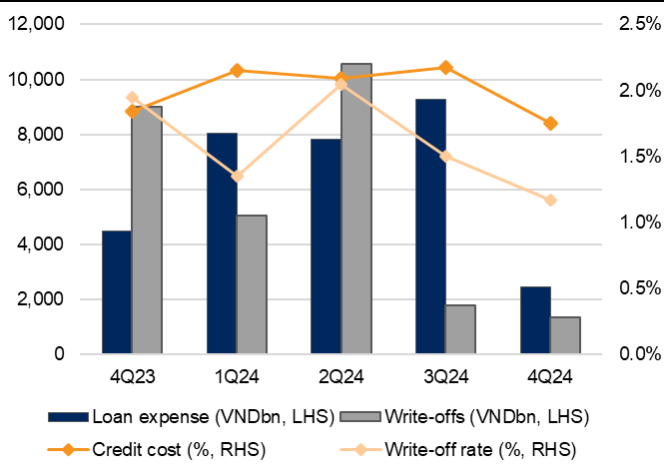
We expect CTG's NPL ratio to decline to 1.16% in FY25 and 1.05% in FY26 from 1.25% in FY24, supported by a stronger economic recovery, a real estate rebound and CTG's ample provision buffer.

The Government projects 8% growth in GDP and 12% growth in retail sales, reflecting better economic expectations, which support the ability of CTG's borrowers to pay debt. In addition, we expect New Land Laws to stimulate property development and transactions and simplify procedures for land use rights transfers and asset liquidation, thus supporting CTG's loan repayment and restructuring.

CTG has been proactive in provisioning, with its FY24 loan loss reserve (LLR) increasing to 171%, the second-highest provision buffer in the banking system. We project that this ample provision buffer will support CTG in maintaining its write-off rate at 1.2%, in line with its FY24 rate, helping CTG achieve a better NPL ratio of 1.16% in FY25. Along with that, we expect the group 2 debt ratio to inch down to 1.31% in FY25, from 1.32% in FY24, following this brighter outlook.

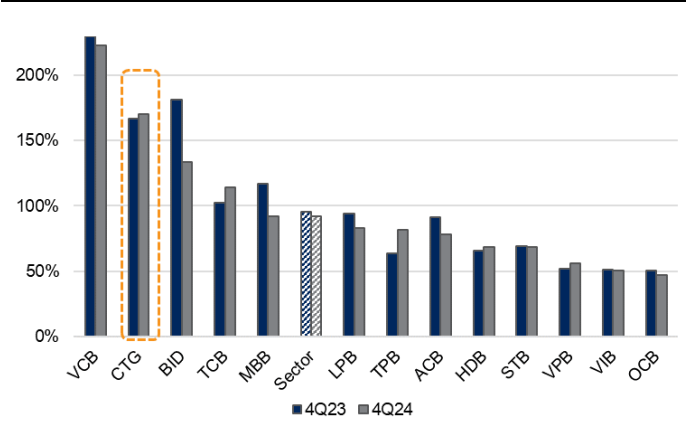
In this case, we project credit cost to decline to 1.5% in FY25, from 1.7% in FY24.

Figure 14: NPL ratio declined to 1.25% in 4Q24 despite declining write-off rates



Sources: CTG, VNDIRECT RESEARCH

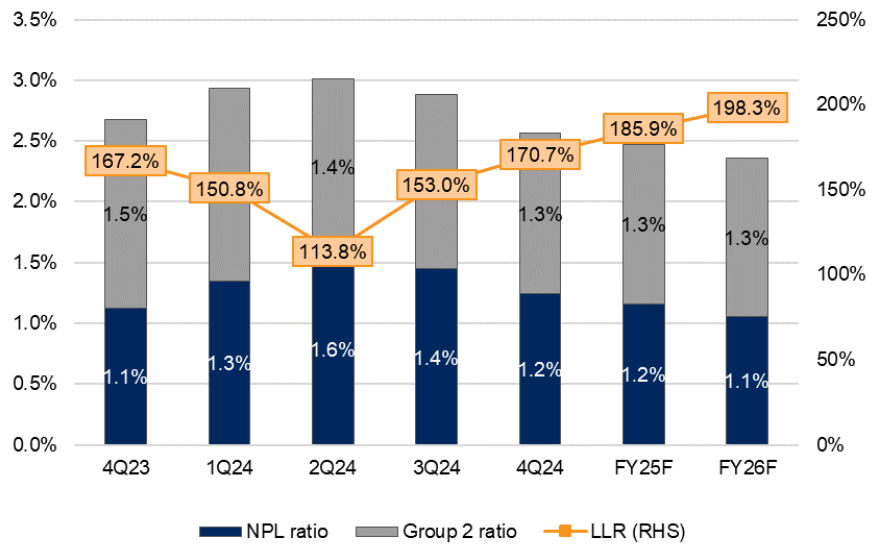
Figure 15: CTG was one of few banks having LLR's increase in FY24



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

Sources: Commercial banks, CTG, VNDIRECT RESEARCH

Figure 16: We expect lower NPL (1.16%) and group 2 debt (1.31%) ratios in FY25. We expect LLR to increase to 186% with credit cost declining to 1.5% in FY25, from 1.7% in FY24



Source: CTG, VNDIRECT RESEARCH

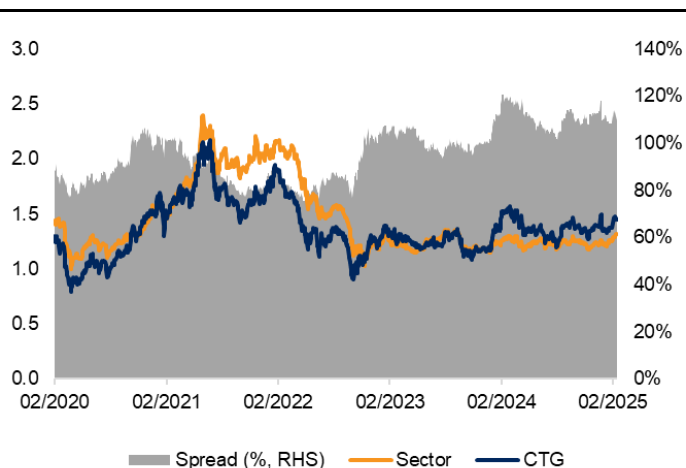
Valuation: Reduce to HOLD from ADD with higher target price of VND43,500

We combine P/B valuation and a residual income approach with equal weights of 50% to deliver a target price of VND43,500 for CTG. We revise the cost of equity with a higher risk-free rate of 3.0% (vs previous 2.66%) according to the VBMA 10-year yield as of end 2024 and a higher equity risk premium of 8.35% (vs previous of 7.78%, following [NYU](#)).

For the relative value method, we apply a target price-to-book (P/B) ratio of 1.26x, equal to the average five-year spread of P/B between CTG and the sector (96%) multiple the current P/B of the banking sector (1.3x). CTG currently trades at 1.5x, and we think the price has reflected positive expectations of CTG's performance.

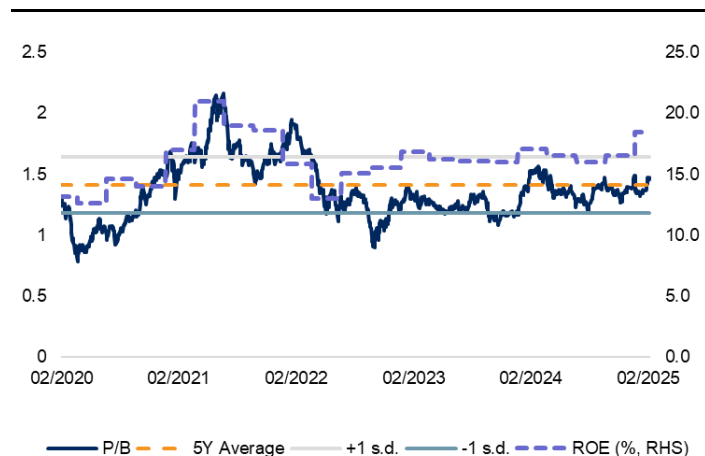
Our blended TP implies a FY25 P/B of 1.4x, equal to the historical five-year average of CTG (1.4x) and lower than that of the sector (1.5x).

Figure 17: Comparison between P/B ratio of CTG and the sector



Source: BLOOMBERG, VNDIRECT RESEARCH

Figure 18: CTG's P/B and ROE movement



Source: BLOOMBERG, VNDIRECT RESEARCH

Figure 19: Residual income valuation, based on our estimates

GENERAL ASSUMPTIONS	2025F	2026F	2027F	2028F	2029F	Terminal
Risk free rate (10-year VGB yield)	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Equity risk premium	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%
Beta	1.3	1.3	1.3	1.3	1.3	1.3
Cost of equity	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%
% ROE	19.7%	20.7%	20.4%	18.9%	18.1%	15.9%
Long-term growth rate						3.0%
<i>(in VND vn, otherwise noted)</i>						
RI	11,500	16,234	19,321	18,483	19,074	64,494
Discount factor	0.88	0.77	0.67	0.59	0.52	0.52
PV of RI	10,079	12,470	13,008	10,906	9,864	33,354
Opening shareholder's equity	148,974					
PV of RI (5 years)	56,328					
PV of Terminal value	33,354					
Implied EV	238,656					
No. of o/s shares (m shares)	5,370					
Implied value per share (VND/share)	44,443					

Source: VNDIRECT RESEARCH

Figure 20: Target price calculation, based on our estimates

Approach	Weight	Fair value (VND/share)	Contribution (VND/share)
Residual income	50%	44,443	22,221
P/BV multiple (at 1.26x FY25)	50%	42,581	21,290
Target price (VND/share)			43,512
Target price (VND/share, rounded)			43,500

Source: VNDIRECT RESEARCH

Figure 21: Sensitivity analysis of target price with terminal ROE and cost of equity

Cost of equity	ROE					
	44,443	14%	15%	16%	17%	18%
12%	45,808		50,011	54,213	58,416	62,618
13%	41,271		45,058	48,844	52,630	56,417
14%	37,552		40,997	44,443	47,888	51,333
15%	34,448		37,608	40,769	43,929	47,089
16%	31,818		34,737	37,656	40,575	43,494

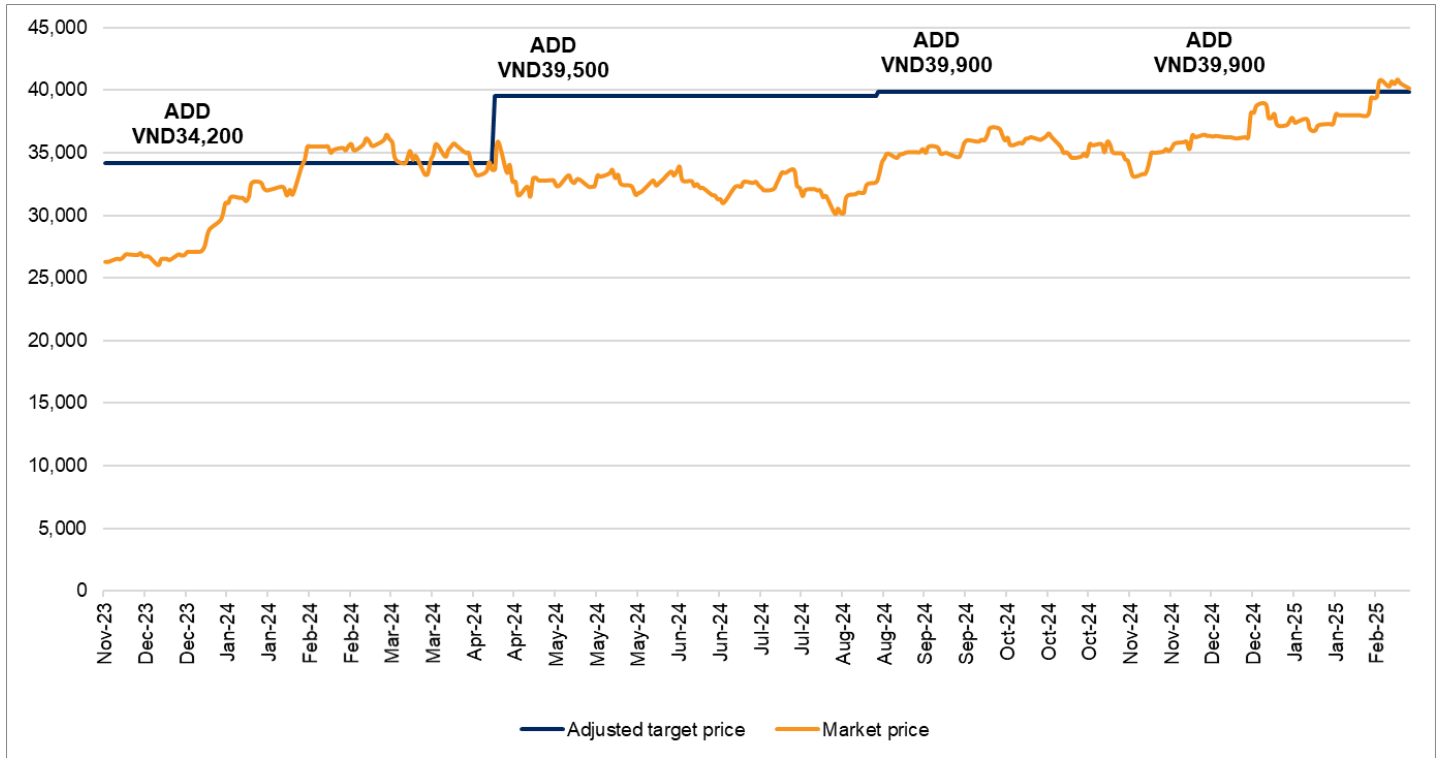
Source: VNDIRECT RESEARCH

Figure 22: Vietnamese bank comparison (13 tickers) (prices as of 2/19/2025)

Bloomberg Code	Upside	Market cap (USDmn)	NIM (%)		NPL (%)		P/B (x)		P/E (x)		Three-year forward EPS CAGR %	ROA (%)		ROE (%)	
			TTM	FY25F	TTM	FY25F	Current	FY25F	TTM	FY25F		TTM	FY25F	TTM	FY25F
VCB VN	19.8%	20,031.4	2.9%	3.1%	1.2%	1.0%	2.6	2.2	15.1	13.9	13.0%	1.7%	1.9%	18.6%	18.5%
BID VN	26.2%	10,942.0	2.4%	2.3%	1.5%	1.4%	2.0	1.6	11.3	13.0	16.1%	1.0%	0.9%	19.2%	14.9%
VPB VN	23.7%	5,904.6	5.9%	5.8%	4.8%	4.5%	1.1	0.9	9.6	7.9	26.3%	1.8%	1.9%	11.4%	12.4%
TCB VN	20.3%	7,153.4	4.1%	4.5%	1.1%	1.1%	1.3	1.0	8.5	6.5	21.4%	2.4%	2.7%	15.6%	17.6%
MBB VN	31.9%	5,437.8	4.3%	4.4%	2.5%	1.8%	1.2	0.9	6.1	5.7	15.3%	2.2%	2.0%	22.1%	18.8%
ACB VN	32.4%	4,505.1	3.7%	3.7%	1.5%	1.4%	1.4	1.1	6.9	6.0	17.6%	2.1%	2.2%	21.7%	20.6%
HDB VN	27.5%	3,114.5	5.5%	5.6%	2.2%	1.4%	1.5	1.2	6.2	7.7	21.4%	2.0%	2.2%	25.8%	25.6%
VIB VN	24.7%	2,386.3	3.6%	4.1%	3.6%	3.6%	1.5	1.2	8.6	7.0	22.5%	1.6%	2.0%	18.1%	21.0%
TPB VN	23.9%	1,754.1	3.7%	4.0%	2.2%	1.9%	1.2	1.0	7.4	6.7	17.1%	1.6%	1.6%	17.3%	16.5%
LPB VN	-18.6%	4,282.6	3.3%	3.4%	1.4%	1.5%	2.5	1.8	11.3	13.7	-3.9%	2.2%	1.8%	25.1%	18.5%
STB VN	10.6%	2,857.7	3.7%	3.9%	2.3%	2.4%	1.3	1.0	7.2	3.6	22.2%	1.4%	1.9%	20.0%	24.7%
OCB VN	15.0%	1,125.2	3.0%	3.3%	2.9%	2.4%	0.9	0.8	9.1	7.1	25.6%	1.2%	1.5%	10.5%	13.5%
<i>Average</i>			3.8%	3.9%	2.2%	2.0%	1.5	1.2	8.9	8.2	18.9%	1.7%	1.8%	18.8%	18.6%
CTG VN	7.1%	8,539.8	2.9%	2.9%	1.3%	1.2%	1.5	1.2	8.6	7.7	30.4%	1.1%	1.3%	18.5%	19.7%

Source: BLOOMBERG, VNDIRECT RESEARCH

Ratings History



Income statement

(VNDbn)	2020A	2021A	2022A	2023A	2024A	2025F	2026F
Net Interest Income	35,581	41,788	47,792	52,957	62,403	72,995	83,833
Non-Interest Income	9,737	11,368	16,325	17,591	19,506	21,720	23,318
Net Operating Income	45,317	53,157	64,117	70,548	81,909	94,715	107,151
Operating Expenses	16,085	17,186	19,195	20,443	22,552	26,762	29,204
Pre-Provision Profit	29,232	35,971	44,922	50,105	59,357	67,953	77,947
Provision expense	12,147	18,382	23,791	25,115	27,599	27,222	25,541
Profit Before Tax	11,781	17,085	17,589	21,132	24,990	31,758	40,731
Net Profit After Tax	9,461	13,694	14,089	16,924	19,904	25,342	32,501

Balance sheet

(VNDbn)	12-20A	12-21A	12-22A	12-23A	12-24A	12-25F	12-26F
Cash & Deposits with SBV	57,617	23,383	29,727	40,597	34,432	34,432	36,153
Interbank Loans	102,533	149,317	242,432	279,842	378,483	454,179	499,597
Securities	120,681	181,475	184,778	183,698	217,406	260,887	286,976
Loans to Customers	1,002,772	1,104,873	1,245,430	1,445,572	1,685,291	1,920,716	2,152,667
Gross Loans	1,015,333	1,130,668	1,274,844	1,473,345	1,721,955	1,963,028	2,198,592
Provision	(12,561)	(25,795)	(29,413)	(27,773)	(36,664)	(42,312)	(45,925)
Net Fixed Assets	24,077	25,117	24,790	23,312	25,084	28,925	32,231
Other Assets	33,757	47,423	81,654	59,593	44,689	51,532	57,422
Total Assets	1,341,437	1,531,587	1,808,811	2,032,614	2,385,384	2,750,672	3,065,046
Payables to the Government and SBV	47,330	35,822	107,172	24,608	156,862	234,004	234,004
Interbank Deposits	128,519	138,834	209,430	304,322	276,135	289,941	318,936
Customer Deposits	990,331	1,161,848	1,249,176	1,410,899	1,606,145	1,814,944	2,050,886
Valuable Papers	59,876	64,497	91,370	115,376	151,678	197,182	236,618
Other Liabilities	29,969	36,937	43,347	51,537	44,620	31,985	(52)
Total Liabilities	1,256,025	1,437,938	1,700,495	1,906,742	2,235,439	2,568,055	2,840,392
Equity	47,207	57,793	57,989	63,598	63,827	63,827	63,827
Reserves	11,605	13,673	16,075	19,044	22,742	26,902	32,256
Retained Earnings	26,001	21,488	33,513	42,369	62,406	90,746	127,209
Non-Controlling Interests	599	695	739	861	970	1,141	1,361
Total Owners' Equity	84,813	92,955	107,577	125,011	148,974	181,475	223,292
Total Liabilities and Owners' Equity	1,341,437	1,531,587	1,808,811	2,032,614	2,385,384	2,750,672	3,065,046

Key ratios

	2020A	2021A	2022A	2023A	2024A	2025F	2026F
Valuation ratios							
Price to book	1.55	1.83	1.31	1.25	1.48	1.30	1.07
Dividend yield	0%	0%	0%	0%	0%	0%	0%
Dividend Payout Ratio	0%	0%	0%	0%	0%	0%	0%
EPS (VND)	2,550	2,624	3,152	3,706	4,719	6,052	7,787
Growth Rates							
Credit YoY	7.8%	11.1%	12.1%	15.5%	16.7%	14.0%	12.0%
Deposits YoY	10.9%	17.3%	7.5%	12.9%	13.8%	13.0%	13.0%
Net Interest Income YoY	7.2%	17.4%	14.4%	10.8%	17.8%	17.0%	14.8%
Non Interest Income YoY	33.0%	16.8%	43.6%	7.8%	10.9%	11.3%	7.4%
TOI YoY	11.8%	17.3%	20.6%	10.0%	16.1%	15.6%	13.1%
Net Profit YoY	44.7%	2.9%	20.1%	17.6%	27.3%	28.3%	28.7%
Profitability Ratios							
NIM	2.84%	3.00%	2.97%	2.86%	2.88%	2.88%	2.92%
Cost to Income ratio (CIR) (%)	35.5%	32.3%	29.9%	29.0%	27.5%	28.3%	27.3%
Operating Profit Margin (PPOP Margin)	64.5%	67.7%	70.1%	71.0%	72.5%	71.7%	72.7%
Net Profit Margin	30.2%	26.5%	26.4%	28.2%	30.9%	34.3%	39.0%
ROAA	1.1%	1.0%	1.0%	1.0%	1.1%	1.3%	1.4%
ROEA	16.9%	15.9%	16.9%	17.1%	18.5%	19.7%	20.7%
Asset Quality							
Group 2 Ratio	0.28%	1.05%	2.35%	1.55%	1.32%	1.31%	1.31%
Group 2 Formation YoY	-695.5%	-416.3%	98.4%	-139.5%	-98.7%	-3328.7%	3.8%
NPL Ratio	0.94%	1.26%	1.24%	1.13%	1.25%	1.16%	1.05%
NPL Formation YoY	-7.6%	83.8%	118.1%	26.8%	-14.4%	-3.0%	-2.3%
Write-off Ratio (Including Loans Sold to VAMC)	0.69%	0.48%	1.68%	1.95%	1.17%	1.17%	1.05%
Loan Loss Reserves (LLR) (%)	132%	180%	186%	167%	171%	186%	198%
Accrued Interest YoY	16.8%	26.4%	25.8%	19.1%	-9.9%		
Loan Recovery YoY	31%	85%	65%	-13%	82%		
Liquidity and Solvency Ratios							
LDR (Loans to Deposits Ratio)	86.5%	83.1%	79.7%	80.2%	82.7%	84.1%	84.4%
Leverage Ratios							
Equity/Assets	6.3%	6.1%	5.9%	6.2%	6.2%	6.6%	7.3%
CAR	9.0%	9.1%	9.0%	9.3%	9.6%		

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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.

Barry Weisblatt – Head of Research

Email: barry.weisblatt@vndirect.com.vn

Chien Vo Minh – Manager

Email: chien.vominh@vndirect.com.vn

Linh Nguyen Thao – Analyst

Email: linh.thaonguyen3@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

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