

18 May 2023

Vietinbank (CTG)

Provision slump drives the net profit growth in 2023

AM briefing

- We tuned in to CTG's analyst meeting on May 18 which featured the strategical visibility on the group and shed some light on its 1Q23 operational updates.

1Q23 Net profit stayed flat

- HDB's 1Q23 consolidate net profit edged up VND4,831bn (+2.8%yoy).
- The booming credit risk provision expense (51%yoy) offset the positive growth of net interest income (25%yoy), service fees (57%yoy), and FX (50%yoy).
- 1Q23 bancassurance fee climbed 58%yoy, pushing CTG's net APE to 5th rank (VND260bn). Nonetheless, the management views conservatively about the next nine months in insurance market with many headwinds and aims the fee growth could ease at 10-20%yoy in 2023.
- The solid growths of fees from trade finance and FX services could persist in 2023, pending the target numbers. Meanwhile, fees from cards and income from debt collection face challenges.
- Total credit risk provision cost could fall by 34.5-50% yoy (VND12,000-15,000bn) in 2023, per management. However, CTG has yet provide the PBT guidance since they must obtain approval from SVB based on 2023 AGM.

Large corporate loan led the loan growth in 1Q23

- 1Q23 loan growth rose 4.6%YTD, half of the 1Q22's 8.7%YTD. Loan growth was fueled by the Large corporate customers (+16.7%YTD, accounting for 32% of total loan). Meanwhile, retail and SME lagged behind at 3.0/1.2%YTD.
- CTG favors loan growth from retail, SME segments especially coming from defensive industries (electricity, telecommunication, electrical equipment...)
- While seeking further information, we see deposit growth (+1.9%YTD) was slower than loan growth in 1Q23.
- Loan growth took a breath to come in at 5-5.5% YTD as of end-Apr and could expand 10-12% yoy in 2023 (seeking the SVB's approval)

	2018A	2019A	2020A	2021A	2022A
TOI (VND bn)	28,446	40,519	45,317	53,157	64,117
chg. (% YoY)	(12.8)	42.4	11.8	17.3	20.6
PPE (VND bn)	14,361	24,785	29,232	35,971	45,109
Net profit (VND bn)	5,275	9,461	13,694	14,089	16,775
EPS (VND, adj.)	1,417	2,044	3,678	2,510	3,491
chg. (% YoY)	-8.3	44.2	79.9	-31.8	39.1
PB (x)	1.53	1.33	1.21	1.42	1.23
PE (x)	26.5	14.0	9.4	10.9	9.1
P/PPE (x)	19.6	10.9	7.5	9.5	7.9
NIM (%)	2.0	2.9	2.9	3.0	3.0
ROE (%)	8.1	13.1	16.9	15.9	16.7
ROA (%)	0.5	0.8	1.1	1.0	1.0
Dividend yield (%)	0.0	1.8	2.9	0.0	0.0
CAR (%)	N/A	9.0	N/A	9.14	9.0

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

12M rating **Non-rated**

12M TP

Up/Downside

Stock Data

VNIndex (May 18, pt)	1,068
Stock price (May 18, VND)	19,400
Market cap (USD mn)	2,081
Shares outstanding (mn)	2,515
52-Week high/low (VND)	21,440/14,000
6M avg. daily turnover (USD mn)	1.75
Free float / Foreign ownership (%)	70.2/19.6
Major shareholders (%)	
SBV	64.46
Mitsubishi	19.73

Performance

	1M	6M	12M
Absolute (%)	0.0	0.1	0.0
Relative to VNIndex (%p)	-0.1	0.0	0.2

Stock price trend



Source: Bloomberg

Research Dep

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NPL loan was well-controlled

- 1Q23 NPL inched to 1.28% (1Q22: 1.25% and 4Q22: 1.24%). LLR sustained at 173% in 1Q23 (vs 4Q22's 188% and 1Q21's 197%).
- The management eyes NPL to be below 1.8% as of end-2023

NIM widened in 1Q23

- 1Q23 NIM was 2.94%, above 2022's 2.87% and 1Q22's 2.62% thanks to stable customer deposit structure and controlled asset quality.
- 1Q23 COF was 4.92%, higher than 2022's 3.59% and 1Q22's 3.28% due to the hiking deposit rate.

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