

11 Aug 2023

Vietinbank (CTG)

Reaffirmed fundamental

AM briefing

- We tuned in to CTG's analyst meeting on Aug 11 which shed some light on its 2Q23 operational updates.

Resilient profit growth

- 2Q23 PBT edged up VND6,550bn (+13.2%yoy) thanks to positive growth of NII (+6%yoy) and NFI (21.5%yoy), manageable OPEX (+11%yoy) and provision expense (10%yoy).
- Accumulated results, 1H23 PBT rose by 8.0%yoy to VND12,530bn, completing 60% of the 2023 PBT target.

Faster credit growth than industry

- 2Q23 credit growth was up 6.6%YTD, higher than 1Q23's 4.5% and the industry's 4.7%. In 1H2023, Retail (+6.3%YTD, +3.3%qoq), large corporation (+6.0%YTD, +0.23%qoq), FDI (+25.2%YTD, +7.1%qoq) were drivers of credit growth. Meanwhile, SME in 2Q23 still had a slower growth (+3.3%YTD, +2.1%qoq).
- In 2H2023, CTG focuses on industries of utilities, FMCG, electronics. CTG also maintains healthy credits by controlling the slowdown fields of Real estate, steels, and materials.
- Funding mobilization rose by 6.1% YTD with customer deposit of 4.9%YTD and valuable paper of 23.3%YTD. LDR improved from 82.6% in 1Q23 to 80.7% in 2Q23
- Current credit room is equivalent to the sector's rate (about 14%).

12M rating **NON-RATED**

12M TP

Up/Downside

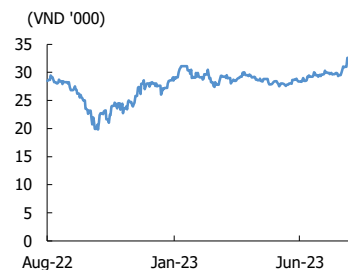
Stock Data

VNIndex (11 Aug, pt)	1,232
Stock price (11 Aug, VND)	32,100
Market cap (USD mn)	6,495
Shares outstanding (mn)	4,806
52-Week high/low (VND)	32,600/19,800
6M avg. daily turnover (USD mn)	5.15
Free float / Foreign ownership (%)	35.5/27.1
Major shareholders (%)	
SBV	64.46
Mitsubishi	19.73

Performance

	1M	6M	12M
Absolute (%)	5.9	10.3	12.6
Relative to VNIndex (%p)	(1.2)	(7.4)	12.7

Stock price trend



Source: Bloomberg

	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)	1.8	1.6	1.4	1.7	1.5
PE (x)	31.5	16.6	11.1	12.9	10.8
P/PPE (x)	8.5	4.9	4.2	4.4	3.5
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

Research Dep

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NIM stability

- 1H2023 NIM was 2.9% (vs 1Q23's 2.94% and 1H22's 2.83%) with the higher COF amid the remained high deposit rates for longer terms.
- Amid the deposit rate decline, 2023 NIM could be equivalent 2022 NIM (2.93%) for base case scenario and could improve 0.2%-0.3% from 2022 NIM for the best case, as CTG's the management.

Strong NFI growth momentum

- 2Q23 NFI rose sharply by 21.5% to VND3,164bn, driven by FX (+45%yoy) and fee incomes (+14%yoy). Meanwhile, 2Q23 investment and trading securities was down by 12%yoy.
- 2Q23 Guarantee activities (+67%yoy) and settlement (+17%yoy) were contributing factors of fee income. However, 2Q23 insurance services fell by 35%yoy as the sector trend.

Manageable OPEX

- 2Q23 OPEX and 1H2023 climbed 11%yoy and 12%yoy, respectively, with higher staff cost (+8.4%yoy in 1H23), asset cost (+15.6%yoy in 1H23), and general costs (20.2%yoy in 1H23) and other expense (13.9%yoy in 1H23). 2Q23 CIR and 1H2023 remained at 27% (vs 2Q22's 27%) and 26.0% (vs 1H2022's 27%).

Well-controlled NPL with expected lower 2H2023 provision

- 2Q23 NPL (2-5 group) and NPL (3-5 group) maintained at 3.86% (1Q23's 3.95% and 2Q22's 2.59%) and 1.27% (1Q23's 1.28% and 2Q22's 1.35%) respectively. LLR sustained at 169% in 2Q23 (vs 1Q23's 173%).
- The management eyes NPL to be below 1.8% as of end-2023. According to the management, 2023 Provision expenses could be VND16,000-18,000bn and 2H2023 expenses estimate at VND3,000bn-VND5,000bn (-65%yoy).

Recommendation and Ratings

- CTG is trading at PB of 1.3x, lower than private peers' average of 1.6x (23% premium) and the five-year average of 1.34x.

Table 1: Snapshot of income statement

Units: VNDbn, %

	2Q22	1Q23	2Q23	q/q	n/n	6T22	6T23	n/n
Net interest income	12,013	12,666	12,757	0.7	6.2	22,159	25,424	14.7
Total operating income	15,941	17,018	17,772	4.4	11.5	30,011	34,790	15.9
Profit before provision expense	11,668	12,704	13,029	2.6	11.7	21,918	25,733	17.4
PBT	5,785	5,980	6,550	9.5	13.2	11,608	12,531	8.0

Source: Fiinpro, company data

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