

15 Aug 2024

Vietinbank (CTG)

Repeated constraint from higher provision expenses

Flat profit growth

- 2Q24 PBT only climbed by +3.0%yoy to VND6,750bn thanks to higher net interest incomes (+20%yoy) and controlled OPEX (2Q24 CIR: 26% vs 2Q23: 27%), compensating by a significant increase in provision expenses (+21%yoy) and non-interest incomes (-14%yoy).
- 1H24 PBT rallied by +3.4%yoy to VND12,960bn, fulfilling 45% of the 2024 target.

Retail loans signaled a recovery

- 2Q24 Credit growth was up +6.6%YTD to VND1,576tn, higher than the industry's +6.1%YTD and equivalent to 2Q23's 6.6%YTD. Credit growth focused on large corporations (+6.2%YTD) and FDI (+20%YTD). Retail was stronger from flat growth in 1Q24 to 6.3%YTD in 2Q24, and SME (+3.0%YTD) quietly fell behind. Manufacturing and business loans were the main contributors to the retail loan segment.
- CTG's 2024 credit growth target is 14-15%, which aligns with the industry's credit growth. CTG concentrates on individuals, SMEs, and FDI before balancing corporate loans. The management expects retail and SME to recover thanks to better conditions.
- NIM slightly improved from 2.9% in 2Q23 to 3.0% in 2Q24 but lower than 3.1% in 1Q24 on the lower cost of funds. 2Q24 CASA ratio improve to 22.5%, compared to 21.9% in 1Q24 and 18.6% in 2Q23. The management expects 2024 NIM to maintain the ratio as 2023 in a base case or to rise in a positive case.

12M rating **NON-RATED**

12M TP

Up/Downside

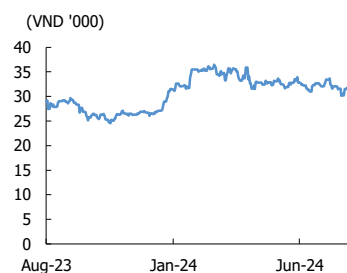
Stock Data

VNIndex (15 Aug, pt)	1,224
Stock price (15 Aug, VND)	31,850
Market cap (USD mn)	6,830
Shares outstanding (mn)	5,370
52-Week high/low (VND)	36,450/24,521
6M avg. daily turnover (USD mn)	11.50
Free float / Foreign ownership (%)	35.5/26.2
Major shareholders (%)	
SBV	64.46
Mitsubishi	19.73

Performance

	1M	6M	12M
Absolute (%)	17.5	(0.8)	(9.0)
Relative to VNIndex (%p)	8.1	3.6	(11.7)

Stock price trend



Source: Bloomberg

	2019A	2020A	2021A	2022A	2023A
TOI (VND bn)	40,519	45,357	53,157	64,117	70,659
chg. (% YoY)	42.4	11.9	17.2	20.6	10.2
PPE (VND bn)	24,785	29,288	35,971	45,109	50,215
Net profit (VND bn)	9,461	13,720	14,089	16,775	19,992
EPS (VND, adj.)	1,966	3,200	2,510	3,491	3,723
chg. (% YoY)	38.7	62.8	(21.6)	39.1	6.6
PB (x)	1.9	1.5	1.5	1.4	1.5
PE (x)	19.9	11.8	11.5	9.2	9.6
P/PPE (x)	5.3	4.5	4.7	3.8	3.8
NIM (%)	2.9	2.9	3.0	3.0	2.9
ROE (%)	13.2	17.0	15.9	16.7	17.1
ROA (%)	0.8	1.1	1.0	1.0	1.0
Dividend yield (%)	1.28	2.32	0	0	0
CAR (%)	9.0	N/A	9.1	8.9	9.4

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

Research Dep

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Higher non-performing loan ratios

- 2Q24 NPL (2-5 group)/NPL (3-5 group) jumped to 3.0%/1.6% (vs 1Q24's 2.9%/1.3%) mainly due to increasing bad debts in group 4 from one client. Also, the management reported that this client's loans moved from Group 4 to Group 1. NPLs focused on real estate, materials, and accommodation and services.
- 2Q24 Restructured loans accounted for less than 5% of the total loan balance and made the full provision.
- LLCR declined to 114% in 2Q24 (vs 1Q24's 151%), still belonging to the highest group in the industry. LLCR target of 120%-125%.

Recommendation and Ratings

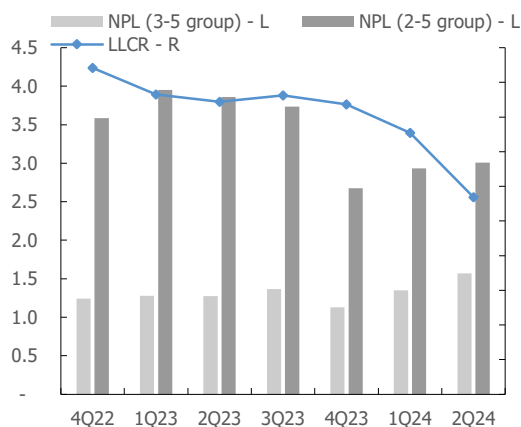
- CTG is trading at PB of 1.26x, compared to peers' average of 1.54x and the five-year average of 1.3x.

Table 1: Snapshot of income statement

	Units: VNDbn, %				
	2Q23	1Q24	2Q24	q/q	n/n
Net interest income	12,757	15,174	15,339	1.1	20.2
Total operating income	17,772	19,067	19,640	3.0	10.5
Profit before provision expense	13,029	14,259	14,567	2.2	11.8
PBT	6,550	6,210	6,750	8.7	3.0

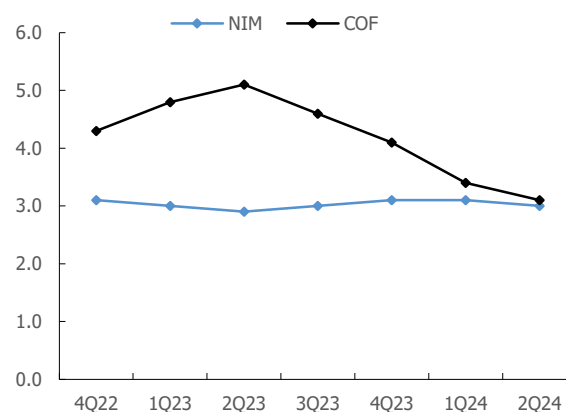
Source: Fiinpro, company data

Figure 1. NPL and LLCR



Source: Bank, KIS VN

Figure 2. NIM and COF



Source: Bank, KIS VN

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