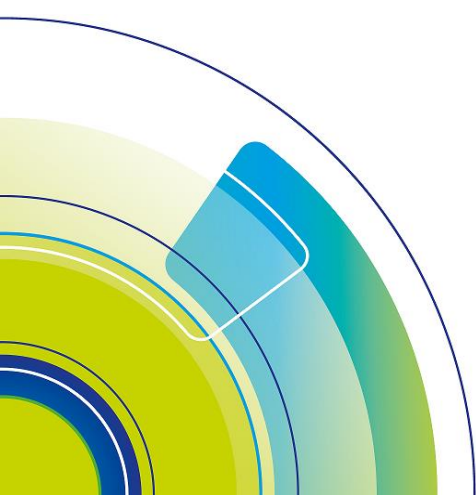




Update CTG – BUY

March 8, 2022



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Recommendation

BUY

HOSE: CTG

Banking

Current price (VND) **32,050**

Target price (VND) **40,700**

Expected share price return +27.0%

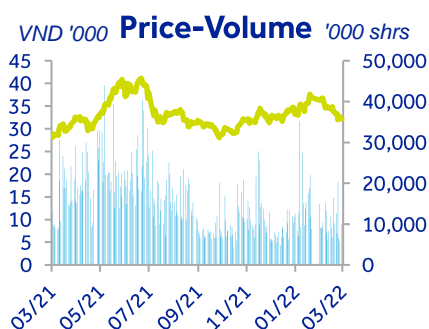
Expected dividend yield 2.5%

Expected total return **+29.5%**

Stock performance (%)

	YTD	1M	3M	12M
Absolute	-5.2	-11.2	1.7	13.1
Relative	-5.3	-13.1	-3.0	-17.2

Source: Bloomberg



Major Shareholders

State Bank of Vietnam	64.5%
Tokyo-Mitsubishi UFJ	19.7%

Stock Statistics 07-Mar-22

Bloomberg code **CTG VN**

52-week range (VND) 28,700-42,535

No. of shares (m) 4,806

Mkt cap (VND bn) 154,505

Mkt cap (USD m) 6,721

Foreign room left (%) 4.2

Est. free float (%) 35.5

3m avg daily vol (shs) 11,041,700

VND/USD 22,990

VN-Index/HNX-Index 1499.05/452.86

VIETNAM BANK FOR INDUSTRY AND TRADE (CTG)

We reiterate our **BUY** recommendation with a target price of VND40,700 per share. Reduced provisioning pressure will support profit growth in 2022.

Strong growth in PPOP but high provisioning dragged 2021 profits

CTG's profit before provisioning and tax reached VND35,970 billion in 2021, +23.1% YoY thanks to:

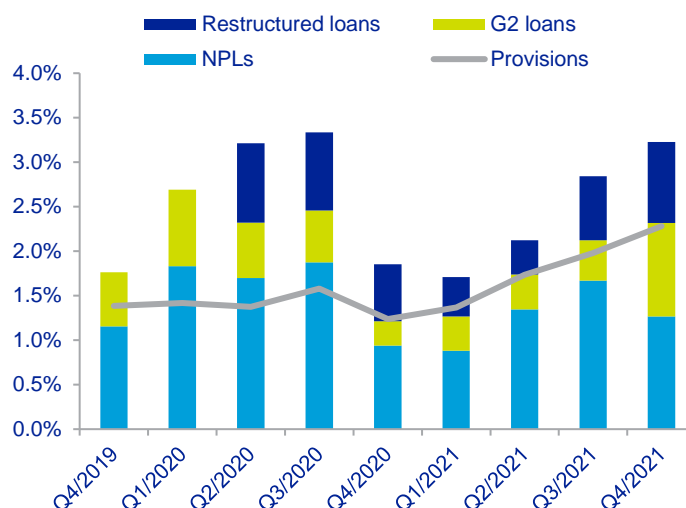
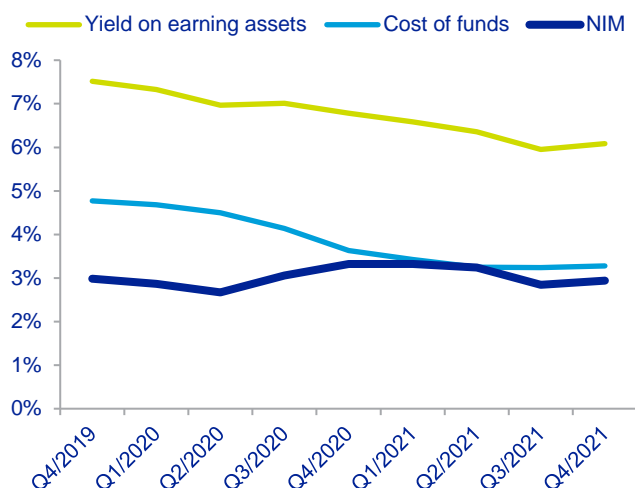
- (1) NIM increased by 16 bps as deposit rates remained low and CASA improved by 0.5 percentage points to 20.1%;
- (2) Good growth in all business segments, in which net interest income and non-interest income grew by 17.6% YoY and 16.7% YoY respectively; and
- (3) Operating expenses had been well-controlled, CIR decreased to 32.3% compared to 35.5% of the previous year.

However, profit before tax in 2021 only increased by 3%, reaching VND17,589 billion. This result is 42.6% lower than our previous forecast due to:

- (1) The economy was strictly locked down in Q3/21 due to the 4th wave of COVID-19 causing CTG's asset quality to deteriorate. NPLs, Group 2 loans and COVID-19 restructured loans have all increased since the end of Q2/21, causing CTG to make high provisions, up 51.3% YoY and 184% higher than our previous forecast;
- (2) CTG cut interest rates by up to 1% on COVID-19 affected loans until the end of 2021, resulting in a reduction in interest income by VND2,259 billion (approx. 13% of CTG's profit before tax) to support customers affected by the 4th wave of COVID-19 in 2H2021; and
- (3) Upfront fee income from the exclusive bancassurance contract with Manulife has not been recorded in 2021.

(continued on the next page)

(VND bn)	2019	2020	2021	2022F	2023F	2024F
Credit growth	7.3%	7.8%	11.1%	11.0%	10.0%	10.0%
NIM	2.93%	2.89%	3.05%	2.85%	2.86%	2.88%
NFI proportion	18.1%	21.5%	21.4%	21.7%	21.8%	21.8%
TOI growth	42.4%	11.8%	17.3%	5.7%	11.0%	11.0%
CIR	38.8%	35.5%	32.3%	33.6%	33.3%	33.0%
Net credit costs	-1.29%	-1.06%	-1.43%	-0.84%	-0.79%	-0.76%
Profit before tax	11,781	17,085	17,589	25,257	28,280	31,711
growth	79.6%	45.0%	3.0%	43.6%	12.0%	12.1%
Profit attributable	7,612	10,907	11,292	16,980	18,954	21,189
Adjusted EPS (VND)	2,044	2,929	2,350	3,533	3,944	4,409
BVPS (VND)	20,625	22,778	19,343	22,076	25,220	28,829
Equity on assets	6.2%	6.4%	6.1%	6.3%	6.5%	6.8%
Adjusted ROA	0.6%	0.8%	0.8%	1.0%	1.1%	1.1%
Adjusted ROE	10.6%	13.5%	12.7%	17.1%	16.7%	16.3%
P/E (x)	20.2	14.1	13.6	9.1	8.1	7.3
P/B (x)	2.0	1.8	1.7	1.5	1.3	1.1
DPS (VND)	-	500	800	800	800	800
Dividend yield	0.0%	1.6%	2.5%	2.5%	2.5%	2.5%



Source: CTG, ACBS

There are many factors supporting profit growth in 2022

We expect CTG's profit before tax in 2022 to reach VND 25,257 billion, +43.6% YoY with growth drivers coming from:

- (1) Economic recovery since Q4/21 will help improve CTG's asset quality and reduce provisioning pressure. COVID-19 restructured loans by the end of 2021 were VND10,300 billion, accounting for 0.9% of total outstanding loans. However, CTG has made provision for more than 90% of these restructured loans, higher than the minimum requirement of 30% in Circular 03 and Circular 14/2021. Therefore, the pressure of provisioning for COVID-19 restructured loans is not significant.
- (2) Deposit rates may increase slightly due to the fact that system's liquidity is no longer abundant. However, CTG's net interest income will not be under pressure because of the reduction in the size of lending interest support packages, strong credit demand and improvement of CASA.
- (3) Income from upfront fees from the exclusive bancassurance contract with Manulife is likely to be booked in Q1/22.

Reiterate BUY recommendation with an 1-year target price of VND40,700 per share using a discounted residual income method. Our target price is equivalent to a forward 2022 P/E and P/B of **11.5x** and **1.84x** respectively, lower than the banking sector's P/E and P/B of 14.3x. and 2.43x because CTG has a lower growth rate and lower ROE than industry average.

(Unit: VND billion, unless otherwise stated)	Market price (VND):	32,050	Target price (VND):	40.700	Market cap (VND bn):	154,024	
INCOME ITEMS	2018	2019	2020	2021	2022F	2023F	2024F
Net interest income	22,212	33,199	35,581	41,788	43,975	48,783	54,121
Net fee & commission income	2,771	4,055	4,341	4,952	6,933	7,280	7,644
Other non-interest income	3,463	3,265	5,396	6,408	5,287	6,306	7,444
Total operating income	28,446	40,519	45,317	53,149	56,196	62,369	69,209
Growth (%)	-12.8%	42.4%	11.8%	17.3%	5.7%	11.0%	11.0%
Operating expenses	(14,084)	(15,735)	(16,085)	(17,178)	(18,896)	(20,785)	(22,864)
Profit before provision & tax	14,361	24,785	29,232	35,970	37,300	41,584	46,345
Provision expenses	(7,803)	(13,004)	(12,147)	(18,382)	(12,042)	(13,304)	(14,634)
Profit before tax	6,559	11,781	17,085	17,589	25,257	28,280	31,711
Profit attributable to shareholders	3,857	7,612	10,907	11,292	16,980	18,954	21,189
Growth (%)	-33.0%	97.4%	43.3%	3.5%	50.4%	11.6%	11.8%
Adjusted EPS (VND)	1,036	2,044	2,929	2,350	3,533	3,944	4,409
Core earnings (before tax)	18,156	23,454	26,031	31,656	34,352	37,850	41,731
Growth (%)	23.7%	29.2%	11.0%	21.6%	8.5%	10.2%	10.3%
BALANCE SHEET ITEMS	2018	2019	2020	2021	2022F	2023F	2024F
Outstanding loans & corporate bonds	888,216	953,178	1,027,542	1,141,454	1,267,014	1,393,715	1,533,087
Growth (%)	6.1%	7.3%	7.8%	11.1%	11.0%	10.0%	10.0%
Customer deposit	825,816	892,785	990,331	1,161,797	1,301,212	1,431,334	1,574,467
Growth (%)	9.7%	8.1%	10.9%	17.3%	12.0%	10.0%	10.0%
Total assets	1,164,290	1,240,711	1,341,436	1,531,468	1,709,015	1,880,209	2,069,021
Shareholder's equity	67,020	76,793	84,813	92,958	106,093	121,203	138,547
BVPS (VND)	18,000	20,625	22,778	19,343	22,076	25,220	28,829
KEY RATIOS	2018	2019	2020	2021	2022F	2023F	2024F
NPL	1.6%	1.2%	0.9%	1.3%	1.0%	1.0%	1.0%
NPL coverage	95%	120%	132%	180%	151%	151%	151%
NIM	2.1%	2.9%	2.9%	3.1%	2.9%	2.9%	2.9%
CIR	50%	39%	35%	32%	34%	33%	33%
Equity on Assets	5.8%	6.2%	6.4%	6.1%	6.3%	6.5%	6.8%
Adjusted ROA	0.3%	0.6%	0.8%	0.8%	1.0%	1.1%	1.1%
Adjusted ROE	5.9%	10.6%	13.5%	12.7%	17.1%	16.7%	16.3%
P/E (x)	39.9	20.2	14.1	13.6	9.1	8.1	7.3
P/B (x)	2.3	2.0	1.8	1.7	1.5	1.3	1.1
Dividend yield	0.0%	0.0%	1.6%	2.5%	2.5%	2.5%	2.5%

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DISCLAIMER

Our Recommendation System

BUY: where we believe prospective 12 month VND total return (including dividends) will be 15% or more.

HOLD: where we believe it will be -15% to 15%.

SELL: where we believe it will be lower than -15%.

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