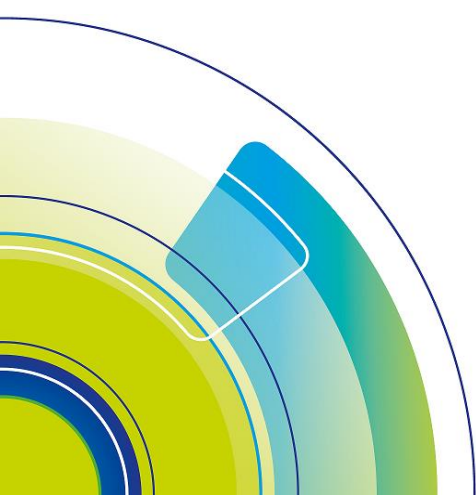




Update CTG – OUTPERFORM

November 12, 2024



Hung Cao, CFA

(+84 28) 7300 7000 (ext: 1049)

hungcv@acbs.com.vn

Recommendation **OUTPERFORM**

HOSE: CTG

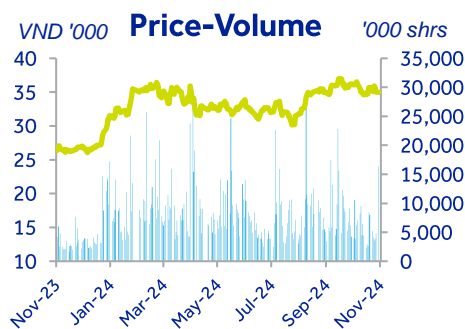
Banking

Current price (VND)	34,950
Target price (VND)	40,600
Expected share price return	+16.2%
Expected dividend yield	0.0%
Expected total return	+16.2%

Stock performance (%)

	YTD	1M	3M	12M
Absolute	29.0	-2.1	15.9	33.7
Relative	16.5	-0.6	13.7	21.1

Source: Bloomberg



Ownership

State Bank of Vietnam	64.5%
Tokyo-Mitsubishi UFJ	19.7%
Others	15.8%

Stock Statistics

12-Nov-24

Bloomberg code	CTG VN
52-week range (VND)	25,684-37,550
No. of shares (m)	5,370
Mkt cap (VND bn)	187,681
Mkt cap (USD m)	7,367
Foreign room left (%)	3.4
Est. free float (%)	35.5
3m avg daily vol (shs)	7,665,706
VND/USD	25,476
Index: VNIndex / HNX	1250.32/226.86

VIETNAM BANK FOR INDUSTRY AND TRADE (CTG)

We maintain an **OUTPERFORM** recommendation for CTG with a target price of VND40.600 per share, based on target P/E and P/B of 9.6x and 1.3x, respectively. Business results have significant room for improvement in the coming years, supported by a solid provision buffer.

CTG's 9M2024 results were relatively positive, with TOI and PPOP growth of 16.2% y/y and 17.4% y/y, respectively. However, provision expenses increased by 21.8% y/y, resulting in PBT growth of only 12.1% y/y. The NPL coverage ratio as of Q3/24 was strengthened to 153% from 114% at the end of Q2/24.

Credit growth reached 9% ytd by the end of Q3 2024, and 15.8% y/y, in line with the industry's overall growth rate. We forecast for the full year 2024 CTG's credit growth at 14%.

NIM for 9M2024 slightly increased by 7 bps y/y to 3.03%. However, CTG announced plans to reduce lending rates by up to 2% on loans totaling approximately VND100,000 billion (~6% of total loan book) for customers impacted by Typhoon Yagi, effective through December 31, 2024. We estimate that this will reduce CTG's Q4/24 PBT by VND1,000–1,500 billion. We forecast **full-year 2024 NIM at 2.94%, remaining flat compared to 2023.**

Service fee and forex income in 9M2024 declined by 2.4% and 9.9% y/y, respectively. However, **off-balance sheet debt recovery surged by 86.3% y/y**, particularly in Q3/24, helping non-interest income grow by 6.3% y/y in 9M2024.

Asset quality improved in 9M2024 following challenges in 2023. In Q3/24, a Category 4 loan of approximately VND8,000 billion from a corporate customer in the resort real estate sector was reclassified as a Category 1 loan. However, rising NPLs in other sectors led to a slight decrease in the NPL ratio in Q3 2024 to 1.45%, down 12 bps q/q but up 8 bps y/y. The category 2 loan ratio was stable at 1.44% q/q and significantly down by 93 bps y/y.

(VND bn)	2021	2022	2023	2024F	2025F	2026F
Credit growth	11.1%	12.1%	15.5%	14.0%	14.0%	14.0%
NIM	3.05%	3.05%	2.93%	2.94%	2.98%	2.97%
NFI proportion	21.4%	25.5%	24.9%	23.5%	21.8%	22.2%
TOI growth	17.3%	20.6%	10.0%	14.5%	12.8%	13.1%
CIR	32.3%	29.6%	29.0%	27.8%	27.9%	27.9%
Credit costs	-1.42%	-1.59%	-1.51%	-1.49%	-1.44%	-1.29%
Profit before tax	17,589	20,946	24,990	28,223	33,267	39,380
PBT growth	3.0%	19.1%	19.3%	12.9%	17.9%	18.4%
Profit after tax after MI	14,089	16,775	19,904	22,483	26,514	31,400
Profit attributable	11,302	14,820	17,589	19,697	23,366	27,688
Adjusted EPS (VND)	2,105	2,760	3,275	3,668	4,351	5,156
BVPS (VND)	17,310	20,005	23,279	26,947	31,299	36,455
Adjusted ROA	0.8%	0.9%	0.9%	0.9%	0.9%	1.0%
Adjusted ROE	12.7%	14.8%	15.1%	14.6%	14.9%	15.2%
CAR (Basel 2)	9.1%	8.9%	9.3%	9.3%	9.7%	9.9%
P/E	14.2	8.8	8.3	9.5	8.0	6.8
P/B	1.7	1.2	1.2	1.3	1.1	1.0
DPS (VND)	800	800	-	-	-	-
Dividend yield	2.3%	2.3%	0.0%	0.0%	0.0%	0.0%

Reclassified loans under Circular 02/2023 continued to decrease in Q3 2024, accounting for only 0.17% of total loan book. The average interest collection period has dropped for two consecutive quarters to 37 days, indicating that potential NPL is not significant.

CTG strengthened its provision buffer, setting aside VND25,135 billion in provisions in 9M2024, up 21.8% y/y, raising the NPL coverage ratio to 153%, the second highest in the industry (after VCB). For the full year 2024, we forecast **provisioning expenses at VND30,052 billion, up 19.7% y/y**.

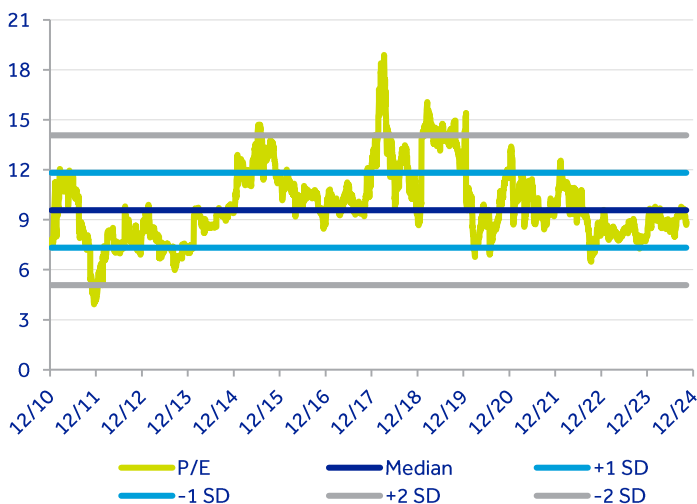
Overall, we forecast **CTG's full-year 2024 PBT at VND28,223 billion, up 12.9% y/y**. While this growth is not particularly impressive, **business results in the coming years will have ample room for growth** thanks to the economy's continued recovery in 2025, a solid provision buffer, and potential profits from off-balance sheet debt recovery.

Valuation is reasonable

CTG stock is trading at a 12-month trailing P/E of 9.7x and a P/B of 1.3x, in line with its historical median.

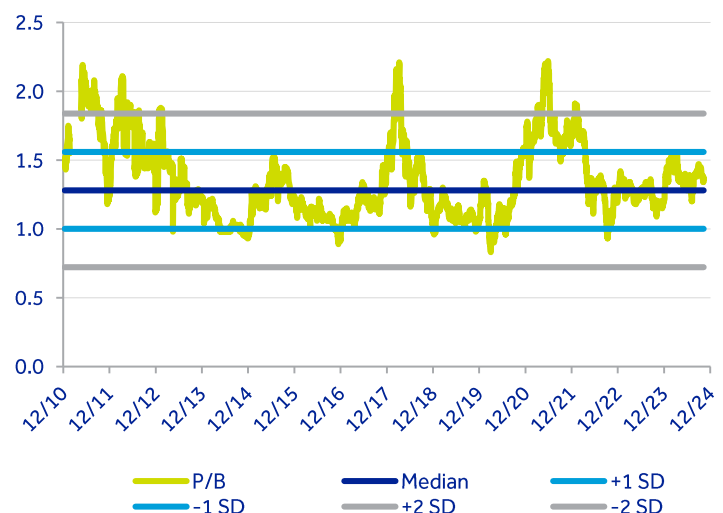
Given the earnings growth potential in the coming years on a fairly robust balance sheet, we maintain an **OUTPERFORM** recommendation for CTG, with a one-year target price of **VND40,600** per share, based on target P/E and P/B ratios of 9.6x and 1.3x, respectively.

Historical P/E



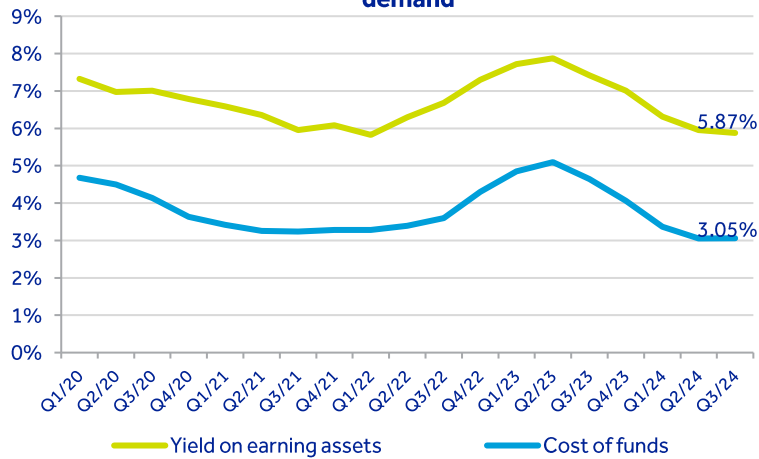
Source: FiinPro-X, ACBS

Historical P/B



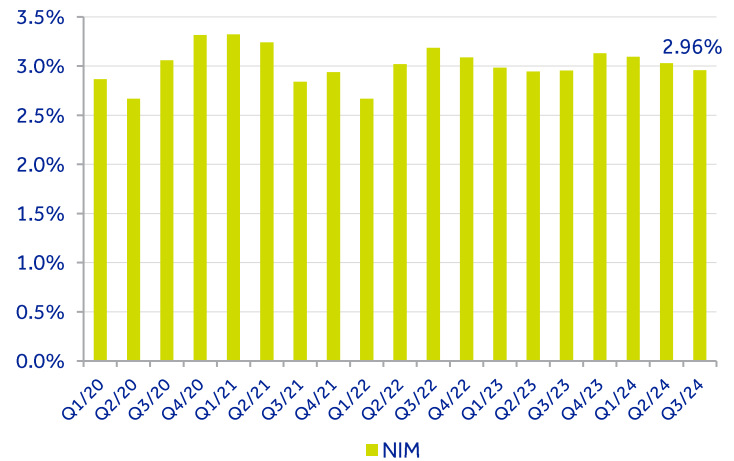
Source: FiinPro-X, ACBS

Lending yields slightly reduced to stimulate credit demand



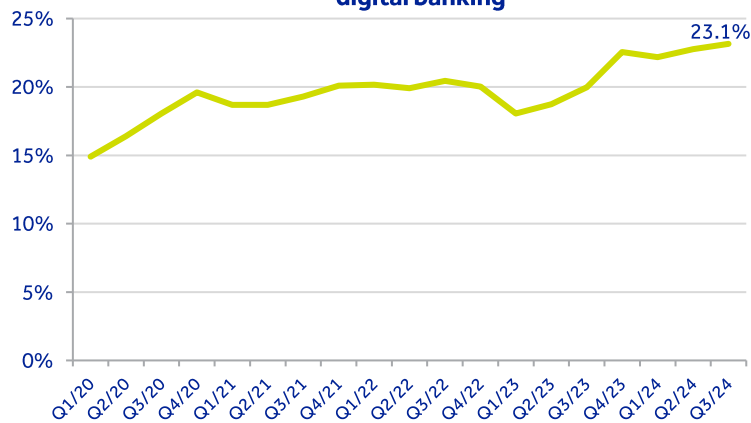
Source: CTG, ACBS

... causing NIM to shrink



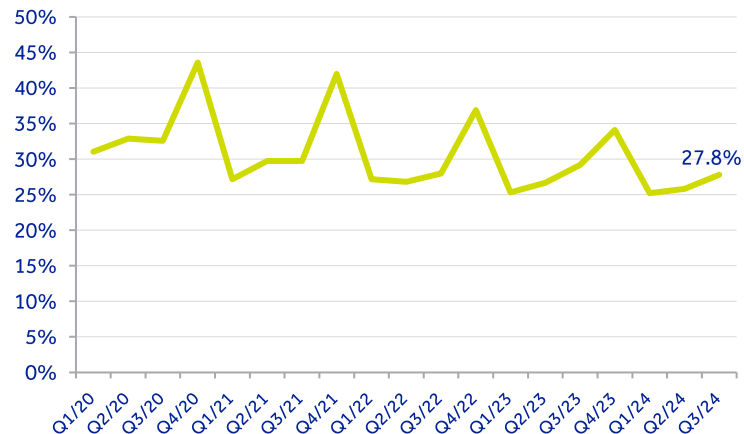
Source: CTG, ACBS

CASA ratio improved thanks to CTG's developing digital banking



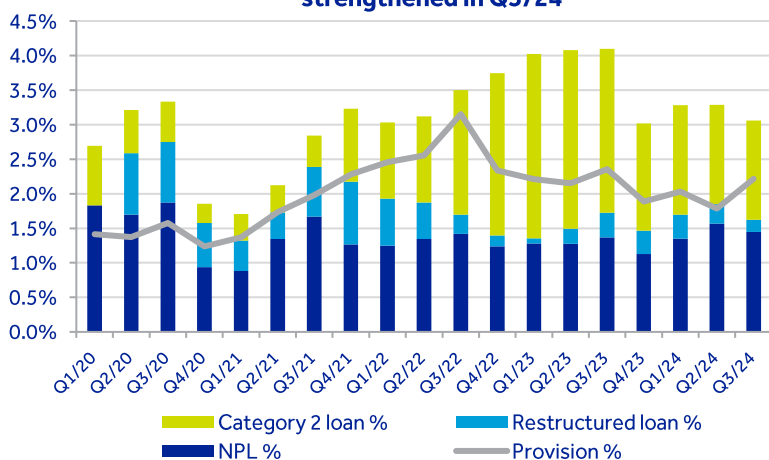
Source: CTG, ACBS

CIR continued its downward trend



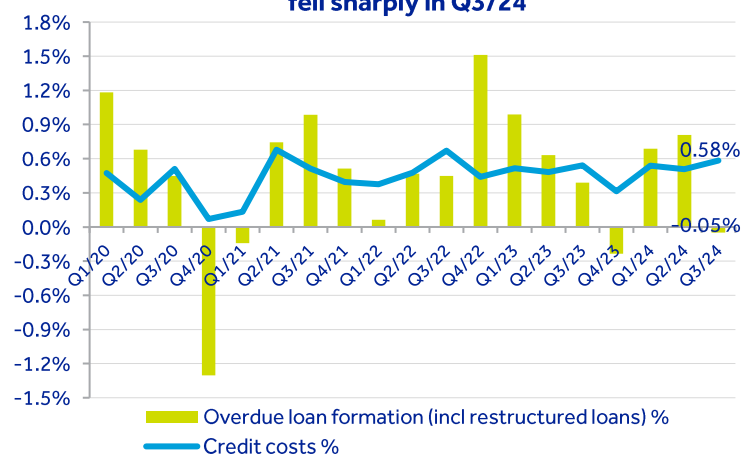
Source: CTG, ACBS

Asset quality improved and provision buffer strengthened in Q3/24



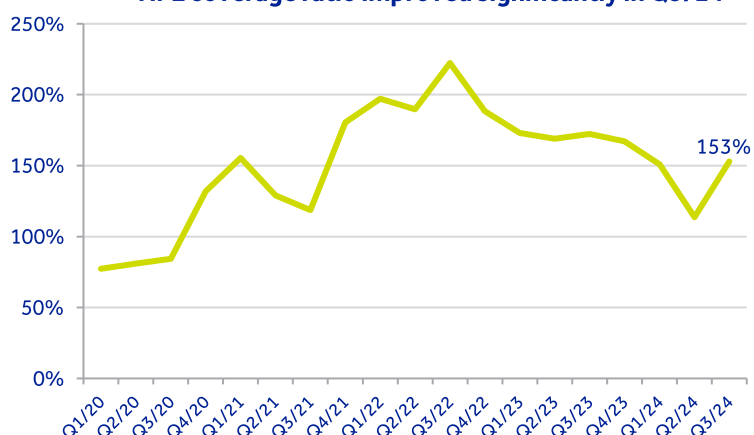
Source: CTG, ACBS

Overdue loan formation (incl restructured loans) fell sharply in Q3/24



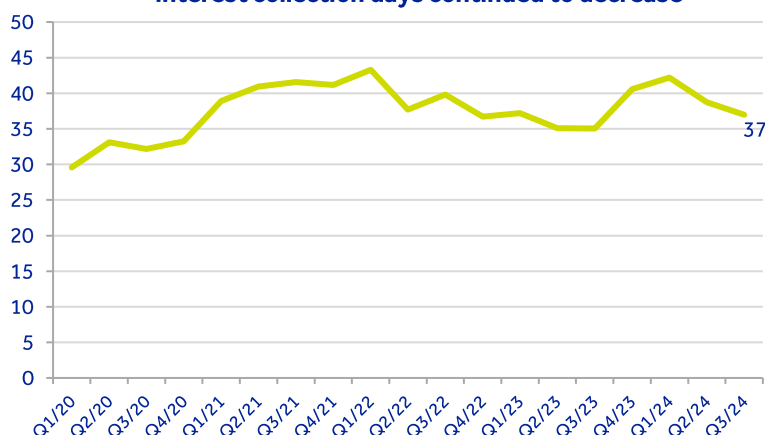
Source: CTG, ACBS

NPL coverage ratio improved significantly in Q3/24



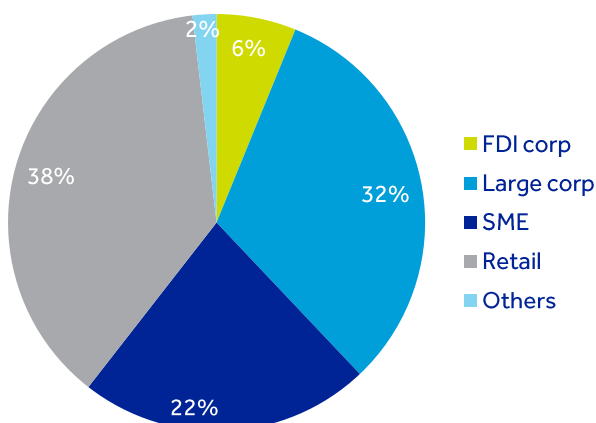
Source: CTG, ACBS

Interest collection days continued to decrease



Source: CTG, ACBS

Loans breakdown by customer



Source: CTG, as of 30/6/24

BANK'S FINANCIAL RATIOS

(Unit: VND billion)

Ticker	Exchange	Mkt cap 11-11-24	Total Assets Q3/24	Total Equity Q3/24	NPL ratio Q3/24	Category 2 loan Q3/24	NPL coverage Q3/24	CAR (Basel 2) 31-12-23	ROA (TTM)	ROE (TTM)	P/E	P/B
VCB	HOSE	514,196	1,932,362	190,297	1.2%	0.4%	210.5%	11.4%	1.9%	19.4%	14.9	2.7
BID	HOSE	265,070	2,575,981	138,440	1.7%	1.7%	116.0%	8.6%	1.0%	18.5%	11.3	2.0
CTG	HOSE	187,681	2,229,791	140,986	1.5%	1.5%	153.0%	9.3%	1.0%	16.3%	8.7	1.3
TCB	HOSE	163,445	927,053	144,368	1.3%	0.9%	105.7%	14.4%	2.5%	16.5%	7.2	1.1
VPB	HOSE	152,331	858,885	142,240	4.8%	7.4%	50.7%	17.1%	1.6%	9.7%	11.5	1.1
MBB	HOSE	128,944	1,028,819	110,023	2.2%	2.0%	68.8%	10.8%	2.2%	21.6%	6.0	1.2
ACB	HOSE	110,996	777,393	78,854	1.5%	0.7%	81.1%	12.5%	2.2%	21.7%	6.8	1.4
LPB	HOSE	81,204	455,805	40,668	2.0%	1.2%	78.4%	12.2%	2.3%	25.9%	8.3	2.0
HDB	HOSE	74,416	629,569	53,584	1.9%	3.8%	65.9%	12.6%	2.1%	26.8%	5.7	1.5
STB	HOSE	63,720	702,986	51,281	2.5%	0.8%	75.0%	9.1%	1.3%	18.0%	7.3	1.2
VIB	HOSE	54,220	445,378	39,942	3.9%	3.8%	47.2%	11.7%	1.7%	18.6%	7.5	1.4
SSB	HOSE	47,345	288,518	33,778	1.9%	0.6%	80.8%	13.6%	1.7%	14.8%	9.9	1.4
TPB	HOSE	42,800	385,352	36,311	2.3%	2.3%	58.9%	12.4%	1.3%	14.0%	8.8	1.2
SHB	HOSE	38,455	688,387	55,751	3.1%	1.9%	62.1%	12.2%	1.2%	14.5%	4.9	0.7
EIB	HOSE	34,833	223,684	24,176	2.7%	0.9%	40.0%	13.4%	1.3%	11.6%	12.9	1.4
MSB	HOSE	30,290	300,701	35,233	2.9%	2.0%	63.0%	12.8%	1.5%	13.2%	6.9	0.9
OCB	HOSE	26,014	265,502	30,494	3.2%	3.0%	53.9%	13.3%	1.3%	10.3%	8.5	0.9
NAB	HOSE	20,764	238,830	17,815	2.9%	1.6%	45.3%	11.2%	1.6%	22.0%	5.7	1.2
BAB	HNX	10,572	156,130	11,422	1.3%	0.5%	97.7%	0.0%	0.7%	9.3%	10.2	0.9
ABB	UPCoM	7,785	164,194	13,206	3.2%	1.2%	53.5%	11.0%	0.0%	0.2%	332.9	0.6
PGB	UPCoM	6,668	61,804	5,102	3.2%	1.6%	35.6%	12.0%	0.4%	4.5%	29.6	1.3
BVB	UPCoM	6,186	99,420	6,033	4.7%	1.1%	32.7%	11.3%	0.2%	2.6%	40.6	1.0
VBB	UPCoM	5,616	151,957	8,453	3.3%	1.6%	37.7%	10.4%	0.7%	12.7%	5.3	0.7
VAB	UPCoM	4,909	116,406	8,617	1.7%	0.0%	70.3%	9.3%	0.8%	11.0%	5.4	0.6
NVB	HNX	4,789	108,853	5,035	30.6%	1.4%	5.8%	9.2%	-0.5%	-9.8%	-9.7	1.0
KLB	UPCoM	4,395	91,827	6,332	1.9%	1.4%	72.5%	9.7%	0.8%	11.1%	6.6	0.7
SGB	UPCoM	4,199	31,766	4,184	2.9%	2.6%	33.5%	17.7%	0.8%	5.8%	17.6	1.0
Average		77,476	590,272	53,060	3.6%	1.8%	70.2%	11.5%	1.2%	13.4%	21.9	1.2
Median		38,455	300,701	35,233	2.5%	1.5%	63.0%	11.7%	1.3%	14.0%	8.3	1.2

Source: FiinPro-X, ACBS

(Unit: VND billion, unless otherwise stated)	Market price (VND):	34,950	Target price (VND):	40,600	Market cap (VND bn):	187,681	
INCOME ITEMS	2020	2021	2022	2023	2024F	2025F	2026F
Net interest income	35,581	41,788	47,792	52,957	61,755	71,283	80,175
Net fee & commission income	4,341	4,961	5,862	7,114	6,758	7,434	8,177
Other non-interest income	5,396	6,408	10,463	10,477	12,250	12,418	14,687
Total operating income	45,317	53,157	64,117	70,548	80,763	91,135	103,040
Growth (%)	11.8%	17.3%	20.6%	10.0%	14.5%	12.8%	13.1%
Operating expenses	(16,085)	(17,186)	(19,007)	(20,443)	(22,488)	(25,411)	(28,715)
Profit before provision & tax	29,232	35,971	45,109	50,105	58,275	65,724	74,325
Provision for credit losses	(12,147)	(18,382)	(24,163)	(25,115)	(30,052)	(32,457)	(34,945)
Profit before tax	17,085	17,589	20,946	24,990	28,223	33,267	39,380
Growth (%)	45.0%	3.0%	19.1%	19.3%	12.9%	17.9%	18.4%
Profit after tax after minority interests	13,694	14,089	16,775	19,904	22,483	26,514	31,400
Profit attributable to shareholders	11,845	11,302	14,820	17,589	19,697	23,366	27,688
Adjusted EPS (VND)	2,206	2,105	2,760	3,275	3,668	4,351	5,156
BALANCE SHEET ITEMS	2020	2021	2022	2023	2024F	2025F	2026F
Outstanding loans & corporate bonds	1,027,542	1,141,454	1,279,823	1,478,228	1,685,179	1,921,105	2,190,059
Growth (%)	7.8%	11.1%	12.1%	15.5%	14.0%	14.0%	14.0%
Customer deposits	990,331	1,161,848	1,249,176	1,410,899	1,580,207	1,801,436	2,053,637
Growth (%)	10.9%	17.3%	7.5%	12.9%	12.0%	14.0%	14.0%
Total assets	1,341,436	1,531,587	1,808,430	2,032,614	2,352,851	2,623,813	2,995,326
Shareholder's equity	84,813	92,955	107,428	125,011	144,707	168,073	195,761
BVPS (VND)	15,794	17,310	20,005	23,279	26,947	31,299	36,455
KEY RATIOS	2020	2021	2022	2023	2024F	2025F	2026F
NPL	0.9%	1.3%	1.2%	1.1%	1.2%	1.2%	1.3%
NPL coverage	132%	180%	188%	167%	161%	150%	140%
NIM	2.9%	3.1%	3.0%	2.9%	2.9%	3.0%	3.0%
CIR	35%	32%	30%	29%	28%	28%	28%
Adjusted ROA	0.9%	0.8%	0.9%	0.9%	0.9%	0.9%	1.0%
Adjusted ROE	14.7%	12.7%	14.8%	15.1%	14.6%	14.9%	15.2%
CAR (Basel 2)	0.0%	9.1%	8.9%	9.3%	9.3%	9.7%	9.9%
P/E (x)	10.6	14.2	8.8	8.3	9.5	8.0	6.8
P/B (x)	1.5	1.7	1.2	1.2	1.3	1.1	1.0
Dividend yield	1.4%	2.3%	2.3%	0.0%	0.0%	0.0%	0.0%

CONTACTS

Ho Chi Minh City Head Office

Leman Tower, 117 Nguyen Dinh Chieu, District 3,
Ho Chi Minh City, Vietnam
Tel: (+84 28) 7300 1000

Hanoi Office

10 Phan Chu Trinh, Hoan Kiem Dist., Ha Noi
Tel: (+84 24) 3942 9395
Fax: (+84 24) 3942 9407

RESEARCH DEPARTMENT

Acting Head of Research

Trang Do

(+84 28) 7300 7000 (x1041)
trangdm@acbs.com.vn

Manager – Properties

Truc Pham

(+84 28) 7300 7000 (x1043)
trucptt@acbs.com.vn

Manager – Financials

Hung Cao, CFA

(+84 28) 7300 7000 (x1049)
hungcv@acbs.com.vn

Manager – Consumer- related, Technology

Chi Luong

(+84 28) 7300 7000 (x1042)
chiltk@acbs.com.vn

Associate – Oil & Gas

Hung Phan

(+84 28) 7300 7000 (x1044)
hungpv@acbs.com.vn

Associate – Industrials

Trung Tran

(+84 28) 7300 7000 (x1045)
trungtn@acbs.com.vn

Analyst – Utilities

Toan Pham

(+84 28) 7300 7000 (x1051)
toanpd@acbs.com.vn

Associate – Macro & Money Market

Minh Trinh Viet

(+84 28) 7300 7000 (x1046)
minhtvh@acbs.com.vn

Associate – Logistic

Hung Nguyen

(+84 28) 7300 7000 (x1047)
hungnt@acbs.com.vn

Analyst – Technical

Huu Vo

(+84 28) 7300 7000 (x1052)
huvvp@acbs.com.vn

Analyst – Market data

Anh Mai

(+84 28) 7300 7000 (x1110)
anhmd@acbs.com.vn

INSTITUTIONAL CLIENT DIVISION

Director

Huong Chu

(+84 28) 7300 7000 (x1083)
huongctk@acbs.com.vn
groupis@acbs.com.vn

Associate

Huynh Nguyen

(+84 28) 7300 6879 (x1088)
huynhntn@acbs.com.vn

Associate

Thanh Tran

(+84 28) 7300 6879 (x1120)
thanhtt@acbs.com.vn

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Our Recommendation System

BUY	: total stock returns (including dividend yield) over the next 12 months are forecast to be 20% or higher.
OUTPERFORM	: total stock returns (including dividend yield) over the next 12 months are forecast to be from 10 to 20%.
NEUTRAL	: total stock returns (including dividend yield) over the next 12 months are forecast to be between -10 and 10%.
UNDERPERFORM	: total stock returns (including dividend yield) over the next 12 months are forecast to be from -10 to -20%.
SELL	: total stock returns (including dividend yield) over the next 12 months are forecast to be -20% or lower.

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