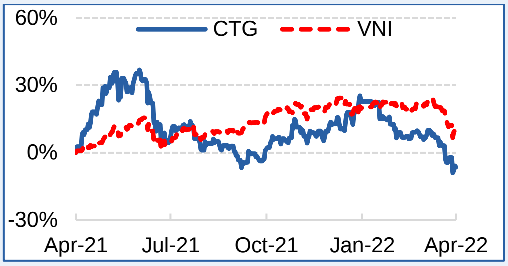
Vietinbank (CTG)

AGM Note

			2021A	2022F	2023F	2024F
Industry:	**Banking**					
Report Date:	**April 29, 2022**	PPOP y/y	22.8%	17.1%	13.9%	9.4%
Current Price:	VND27,750	NPAT y/y	3.1%	53.4%	31.5%	11.9%
Target Price*:	VND42,200	EPS y/y	3.9%	52.7%	31.5%	11.9%
Upside to TP:	52.1%	NIM	3.01%	3.09%	3.17%	3.25%
Dividend Yield:	1.8%	NPL	1.26%	1.40%	1.45%	1.50%
TSR:	53.9%	CIR	32.3%	33.0%	34.0%	34.5%
Rating*:	BUY	P/E	11.7x	7.7x	5.8x	5.2x
		P/B	1.4x	1.2x	1.0x	0.9x



			CTG	Peers	VNI
Market Cap:	USD5.8bn				
Foreign Room:	USD247mn	P/E (ttm)	13.6x	9.5x	15.2x
ADTV30D:	USD6.9mn	P/B (curr)	1.4x	1.8x	2.4x
State Ownership:	64.5%	ROE (ttm)	12.9%	22.0%	15.8%
Outstanding Shares:	4.806 bn	ROA (ttm)	0.8%	1.9%	2.6%
Fully Diluted Shares:	4.806 bn				

**TP and rating last updated March 4, 2022.*

Company overview

Founded in 1988, CTG is the second-largest bank in our coverage universe as calculated by total assets as of December 31, 2021. CTG has one of the largest franchise networks in Vietnam. The bank had its IPO in 2008 and has listed shares since July 16, 2009.

Nhan Nguyen
Analyst
nhan.nguyen@vcsc.com.vn
+84 28 3914 3588 ext. 139

Truc Ngo
Analyst
truc.ngo@vcsc.com.vn
+84 28 3914 3588 ext. 116

Long Ngo
Associate Director
long.ngo@vcsc.com.vn
+84 28 3914 3588 ext. 123

Expecting to record upfront banca fee in Q2 2022

- We attended CTG's online AGM on April 29. The main agenda was to (1) review 2021 results, (2) approve 2022 targets and (3) approve the listing of CTG's publicly offered bonds in 2022 after the completion of the offering.
- The Q&A section focused on (1) a plan to list publicly offered bonds, (2) stock dividend plan, (3) increased provision in Q1 2022 affecting PBT and (4) the banca upfront fee schedule.
- 2022 targets include (1) total asset growth of 5%-10% YoY vs our full-year forecast of 12.8% YoY, (2) guidance on credit growth was not disclosed but will be implemented following receipt of the credit quota from the State Bank of Vietnam (SBV) vs our current assumption of 11.8% YoY, (3) funding growth of 8%-10% YoY with adjustments in accordance with credit growth, (4) NPL ratio to be kept below 1.8% vs our full-year forecast of 1.4%, and (4) parent PBT growth of 15%, implying a consolidated PBT target of VND20.2tn (+14.8% YoY, based on the average difference of the last two years between parent and consolidated numbers) vs our full-year forecast for 2022 PBT at the consolidated level of VND27.2tn (+55.0% YoY; this includes our assumption on the upfront banca fee — without the upfront fee, our forecast is VND25.9tn (+47.3% YoY)).
- CTG updated its proposal to pay a stock dividend using all retained earnings from 2020 after booking required reserves for the 2020 financial year. The stock dividend will be implemented following the approval of authorities.
- We currently have a BUY rating for CTG with a target price of VND42,200/share.

Shareholders approved a plan to list publicly offered bonds. Decree 155 regulates that an application for a public bond offering of the issuer requires the approval of the company's AGM, BOD, council of members or the company's owner on the issuance plan, the plan for use and repayment of proceeds from the public bond offering, and the listing of bonds on a securities trading platform. In our view, these bonds are targeted to be structured in the form of subordinated debt; additionally, the listing of these bonds could help to support the tier-2 capital raising activities at CTG, thereby improving its CAR Basel II from the FY2021 level of 9.14%. Management has also determined a maximum issuance value of VND15tn for tier-2 bonds and VND5tn for valuable papers. There is no current plan for international bond issuance in 2022.

Shareholders also approved plan for CTG's stock dividend. A maximum of 569,423,778 shares — or 11.85% of current outstanding shares — will be paid out of 2020's retained earnings. The total volume, dividend structure (stock and/or cash), subscription ratio and time of execution are subject to the approval of authorities. After issuance, CTG's charter capital is expected to be VND53.8tn (+11.85%), again pending approval from authorities. The chairman stated that raising charter capital is a main objective for CTG; therefore, the bank's stock dividend ratio will come up as high as it can.

Hike in provision expenses in Q1 2022 was within management's expectation. In answering a question on the 3.3x YoY increase in provision expenses in Q1 2022, the chairman said that the recent uptrend in provision expenses is in accordance with the bank's aim to improve LLR (~180% as of Q1 2022) and that CTG will book even more in 2022. The main aim is to provide room for flexibility in 2023 as well as for the bank's growth period of 2021-2025.

CTG provides a more realistic NPL ratio goal of 1.2% instead of 1.8% in official proposals. CTG shared plans to have more weight in retail & SME loans in its loan book, which would provide a more manageable credit risk profile and thus could help to improve its NPL ratio. Regarding the impacts of COVID-19, CTG is looking forward to a more positive economic backdrop in future quarters in which provisions can be reversed and accrued interests can be recognized, which would reverse the downward trend in NIM.

CTG expects an upfront banca fee from Manulife in Q2 2022. After several delays, CTG specified Q2 2022 as when it will receive the first payment of the upfront fee from its insurance partner. While CTG did not disclose the total sum, the chairman stated that the fees will be distributed over five years. Expanding on this one-off income, management shared that CTG is still assessing multiple divestment opportunities in the form of its subsidiaries, including VietinBank Leasing, which was proposed at the 2021 AGM.

Management is optimistic on CTG's digital transformation. Regarding the current aggressiveness from JSC banks in the digitalization game, CTG recounted the success of its digitalized internal and external systems and talked about having received help from Mitsubishi UFJ Financial Group (MUFG), who is a pioneer in digital transformation. The bank also stated that having MUFG assistance will help to shorten its digitalization process to four to five years. In addition, management shared that July 2022 is the expected time for bidding to be completed between international organizations for its new digital transformation service packages — the investment in these is substantial and crucial to CTG's digital transformation plan.

VCSC Rating System

Stock ratings are set based on projected total shareholder return (TSR), defined as (target price – current price)/current price + dividend yield, and are not related to market performance.

Equity rating key	Definition
BUY	If the projected TSR is 20% or higher
OUTPERFORM	If the projected TSR is between 10% and 20%
MARKET PERFORM	If the projected TSR is between -10% and 10%
UNDERPERFORM	If the projected TSR is between -10% and -20%
SELL	If the projected TSR is -20% or lower
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Target prices are generally based on the analyst's assessment of the stock’s fair value over a 12-month horizon. However, the target price may differ from the analyst’s fair value if the analyst believes that the market will not price the stock in line with assessed fair value over the specified time horizon.

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Contacts

Corporate

www.vcsc.com.vn

Head Office
Bitexco Financial Tower, 15th Floor
2 Hai Trieu Street, District 1, HCMC
+84 28 3914 3588

Hanoi Branch
109 Tran Hung Dao
Hoan Kiem District, Hanoi
+84 24 6262 6999

Transaction Office Nguyen Hue
Vinatex Building, 1st & 3rd Floor
10 Nguyen Hue Street, District 1, HCMC
+84 28 3914 3588 (417)

Transaction Office Nguyen Cong Tru
Floor 6B, 236-238 Nguyen Cong Tru Street
District 1, HCMC
+84 28 3914 3588 (400)

Transaction Office Dong Da
9 Nguyen Ngoc Doan
Dong Da District, Hanoi
+84 24 6262 6999

Transaction Office ABS
Sailing Tower, 8th Floor
111A Pasteur Street, District 1, HCMC
+84 28 3914 3588 (403)

Research

Research Team: +84 28 3914 3588
research@vcsc.com.vn

Alastair Macdonald, Head of Research, ext 105
alastair.macdonald@vcsc.com.vn

Banks, Securities and Insurance
Long Ngo, Associate Director, ext 123
- Truc Ngo, Analyst, ext 116
- Ngoc Huynh, Analyst, ext 138
- Nhan Nguyen, Analyst, ext 139

Macro
Luong Hoang, Manager, ext 364
- Nguyen Truong, Senior Analyst, ext 132

Consumer
Nam Hoang, Manager, ext 124
- Ha Dao, Senior Analyst, ext 194
- Ha Huynh, Analyst, ext 185
- Huy Phan, Analyst, ext 173

Oil & Gas and Power
Duong Dinh, Senior Manager, ext 140
- Tram Ngo, Manager, ext 135
- Duc Le, Analyst, ext 196

Real Estate and Infrastructure
Hong Luu, Senior Manager, ext 120
- Dang Thai, Senior Analyst, ext 149
- Duc Pham, Analyst, ext 174

Materials and Industrials
Vy Nguyen, Manager, ext 147
- Vinh Bui, Analyst, ext 149

Retail Client Research
Duc Vu, Senior Manager, ext 363
- Trung Nguyen, Senior Analyst, ext 129
- Anh Tong, Analyst, ext 363
- Ha Bui, Analyst, ext 364

Brokerage and Institutional Sales & Trading

Tuan Nhan
Managing Director, Brokerage & Institutional Sales & Trading
+84 28 3914 3588, ext 107
tuan.nhan@vcsc.com.vn

Quynh Chau
Managing Director
Brokerage
+84 28 3914 3588, ext 222
quynh.chau@vcsc.com.vn

Dung Nguyen
Director
Institutional Sales & Trading
+84 28 3914 3588, ext 136
dung.nguyen@vcsc.com.vn