

VIETNAM JSCB FOR INDUSTRY AND TRADE (HSX: CTG)

Solid Growth Outlook as Provisioning Pressures Subside

We have updated our valuation for the shares of Vietnam Joint Stock Commercial Bank for Industry and Trade (HSX: CTG) with a 12-month target price of **VND 46,200**, equivalent to a projected 2025 P/B ratio of 1.4x.

- Easing Credit Cost Pressures in the Medium Term.** Since 2018, CTG has been addressing legacy non-performing loans (NPLs) from prior cycles and those arising from the Covid-19 pandemic, amidst fluctuating interest rates. Measures include settling debts with the Vietnam Asset Management Company (VAMC), restructuring loans, offering interest rate reductions to high-potential clients, bolstering provisions, and liquidating collateral assets. From 2018 to 2024, CTG allocated an average of 50% of its pre-provision profit to NPL resolution (versus an industry average of 36%), resulting in an average credit cost of 1.6% (industry: 1.4%). By 2024, the NPL ratio had declined to 1.22% from 1.60% in 2018, with an NPL coverage ratio of 175%, second only to Vietcombank (VCB) in the banking system. We expect the average credit costs to decline to 1.1% over the 2025F–27F period, given the improved asset quality. Our estimates suggest that pre-tax profit in 2025 is sensitive to a $\pm 5\%$ change for every ± 10 bps shift in credit costs.
- Strong Potential for Asset Growth and Profitability.** As a state-owned bank with significant market share in both lending and deposit mobilization, CTG benefits from low-cost funding. Coupled with comprehensive financial solution packages and digital transformation initiatives, the bank has increased its current and savings account (CASA) ratio. Leveraging these advantages, we believe CTG is well-positioned to expand its market share in target segments, such as retail banking, and attract higher-quality clients compared to the industry average. We forecast a 14.6% compound annual growth rate (CAGR) for credit growth over 2025F–28F. Combined with cost control and digitalization efforts, this is expected to drive a pre-tax profit CAGR of 19%, with return on equity (ROE) projected to exceed 19% by 2027F, up from 18.6% in 2024.
- Valuation.** At a 2025F P/B of 1.2x, CTG's relative valuation is notably lower than Vietcombank (2.1x) and BIDV (1.5x), despite comparable ROE, mid-tier asset quality, and the most optimised operating costs among peers. This discount partly reflects concerns over constrained credit growth due to a low capital adequacy ratio (CAR) of 9.6% in 2024, compounded by challenges in raising Tier 1 capital given the state's 65% minimum ownership requirement. However, we expect CTG to bolster its capital base by retaining profits, optimising risk-weighted assets, and issuing Tier 2 bonds, thereby improving its CAR. These efforts, alongside ROE improvements, should support a re-rating of the bank's valuation.
- Risks. (1) Macroeconomic Uncertainty:** Global economic downturns, escalating trade wars, or sharp interest rate fluctuations could trigger a new NPL cycle, **(2) Credit Growth Shortfalls:** Tighter credit policies or cautious regulatory shifts may hinder credit expansion.

Key Financial Ratios

Y/E Dec (VND Bn)	FY2022	FY2023	FY2024	FY2025F	FY2026F	FY2027F
TOI	64,117	70,548	81,909	88,288	94,669	106,627
Growth (%)	21%	10%	16%	8%	7%	13%
LNST	16,924	19,904	25,348	29,426	34,630	42,109
Growth (%)	20%	18%	27%	16%	18%	22%
NIM (%)	2.97	2.85	2.88	2.67	2.68	2.69
ROAA (%)	1.0	1.0	1.1	1.1	1.2	1.3
ROAE (%)	16.9	17.1	18.6	18.4	18.5	19.1
EPS (VND)	3,522	3,329	4,139	4,804	5,654	6,875
BVPS (VND)	22,385	23,279	27,474	32,068	37,688	44,522
Cash Dividend (VND)	0	0	0	0	0	0
P/E (x)	6.9	8.1	9.1	7.8	6.7	5.5
P/B (x)	1.1	1.2	1.4	1.2	1.0	0.8

Source: CTG, RongViet Securities. Data as of May 06th 2025

BUY

+20%

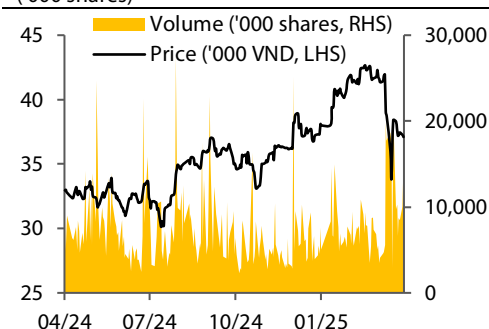
Market Price (VND)	37,600
Target Price (VND)	45,200

Cash dividend (VND)* 0

*Expected in the next 12M

Stock Information

Sector	Banks
Market Cap (VND Bn)	200,300.7
No of Outstanding Shares (mn)	5,370.0
Beta	1.14
Free Float (%)	18
52-week High	42,650
52-week Low	30,150
20 Session Avg. Volume ('000 shares)	9,461.1



Performance (%)

	3M	1Y	2Y
CTG	-2.1	14.4	69.8
VN30 Index	-0.8	2.9	8.8
VN-Index	-1.0	-0.3	6.4

Major Shareholders (%)

SBV	64.46
MUFG	19.73
Other	18.81
Remaining foreign room	3.24

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VALUATION

LONG-TERM VALUATION BY RESIDUAL INCOME APPROACH

Residual Income Assumptions	Value	Valuation Summary	Unit: VND Bn
Cost of Equity	14.5%	Forecasted Period	5 Year
Effective CIT Rate	20%	Opening Shareholders' Funds	148,505
5Y Risk-free Rate	2.5%	+ PV 5Y Residual Income	36,571
Equity Risk Premium	12.0%	+ PV Terminal Value	42,436
Long-term ROE	19.1%	Value of Shareholders' Funds	227,512
Beta	1.0	Number of Shares Outstanding (mn)	5,370
Terminal Growth	1.0%	Value Per Share (VND)	42,367

Table 1: Share Price Sensitivity (VND)

		Terminal growth				
		0.6%	0.8%	1.0%	1.2%	1.4%
Cost of Equity	12.5%	45,720	45,910	46,106	46,308	46,516
	13.5%	43,793	43,984	44,180	44,382	44,590
	14.5%	41,981	42,171	42,367	42,569	42,777
	15.5%	40,275	40,465	40,661	40,863	41,071
	16.5%	38,668	38,858	39,055	39,257	39,465

SHORT-TERM VALUATION BY P/B MULTIPLE

Bank	Country	Market Cap (USD Mn)	3Y CAGR		Profitability			Asset Quality		Operational Metrics		P/B	
			PBT	Loans to customers	NIM %	ROE %	ROA %	NPL %	LLR %	NII/TOI %	CIR %	Curr. (x)	5Y Av (x)
CTG	VN	7,706	18%	11%	2.9	18.6	1.1	1.2	174.7	71.7	25.9	1.3	1.4
BID	VN	9,373	28%	11%	2.4	19.2	1.0	1.4	133.7	66.7	31.9	1.6	2.1
VCB	VN	18,349	12%	11%	2.9	18.6	1.7	1.0	223.3	72.7	30.1	2.3	3.1
BOC	CH	211,447	-2%	6%	1.5	9.6	0.7	1.2	200.5	70.5	33.7	0.5	0.4
PNB	IN	12,989	125%	8%	N/A	16.7	1.2	3.0	N/A	67.4	47.8	0.9	0.7
KTB	TB	9,563	21%	0%	3.0	10.4	1.2	3.5	182.9	71.9	41.4	0.7	0.6
MAYB	MK	28,444	5%	4%	1.4	10.7	1.0	1.2	122.4	44.3	44.3	1.3	1.2
RAKYAT	IJ	35,677	20%	4%	6.7	19.1	3.0	2.7	215.0	81.5	45.6	1.9	2.4
MANDIRI	IJ	28,127	22%	11%	4.3	20.5	2.4	1.1	270.8	74.7	41.0	1.8	1.8

Source: Bloomberg, RongViet Securities, data as of May 06th 2025

Table 2: Share Price Sensitivity (VND)

		P/B						
		1,2	1,3	1,4	1,5	1,6	1,7	1,8
BVPS 2025	32.068	41.689	44.896	48.103	51.310	54.516	57.723	55,411
BVPS 2026	37.688	48.995	52.764	56.533	60.301	64.070	67.839	66,023

Source: RongViet Securities

We employ the Price-to-Book (P/B) methodology to better reflect the intrinsic value of net assets, as the majority of assets (primarily loans and investment securities) and liabilities (deposits and valuable papers) are recorded at historical cost (or adjusted for risk provisions). This measure provides a superior assessment of the loan portfolio's risk profile, asset quality, and return on equity (ROE) profitability compared to the Price-to-Earnings (P/E) approach, which is less stable than P/B and more sensitive to macroeconomic factors such as interest rates and economic cycles.

CTG is currently trading at a forward 2025 P/B ratio of 1.2x, well below the valuations of the other two listed state-owned banks, VCB (2.1x) and BID (1.5x), despite comparable profitability, intermediate asset quality and more efficient operational cost management. We attribute this discount to concerns about sustained high growth, given CTG's relatively low capital adequacy ratio (CAR) of 9.6% compared to the regulatory minimum of 8%, coupled with challenges in issuing Tier 1 capital as the state ownership ratio is already at the minimum threshold of 65%. Nevertheless, we believe that concerns about growth

potential will be mitigated by retained earnings to bolster regulatory capital, optimization of the risk-weighted asset portfolio, and the issuance of bonds to enhance Tier 2 capital.

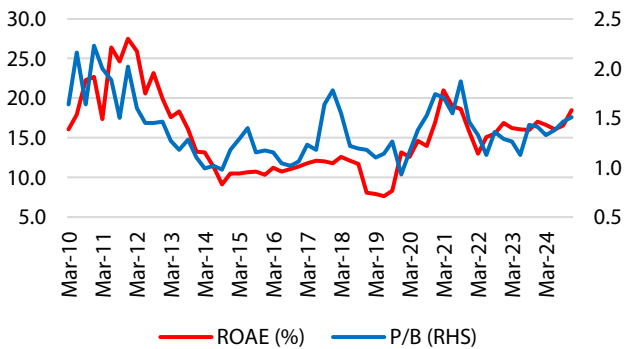
Analyzing CTG's historical P/B valuation and intrinsic business fundamentals since its equitization in 2009, we observe a positive correlation between P/B and both Return on Average Equity (ROAE) and the Loan Loss Reserve (LLR) coverage ratio (see Figures 2 and 3). Notably, ROAE fluctuations are better at explaining P/B movements, while the LLR coverage ratio shows a lagged but discernible correlation. With a projected a long-term ROE of above 19% (2019–2024 average: 16.4%) and an LLR coverage ratio strengthening to over 250% by the end of the forecast period (2019–2024 average: 160%), driven by prudent credit risk management policies, we target a P/B multiple of 1.5x, slightly higher than 5Y average of 1.4x.

Figure 1: CTG's P/B and ROAE (RHS)



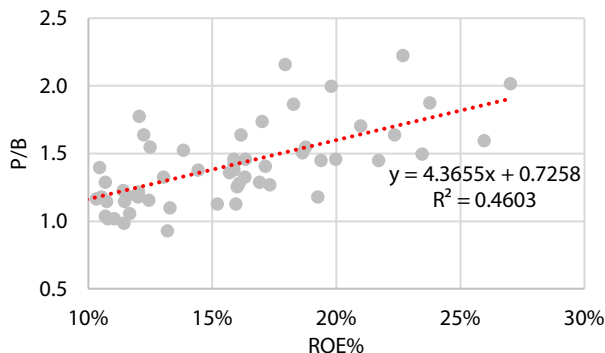
Source: Bloomberg, RongViet Securities

Figure 2: Quarterly P/B and ROAE



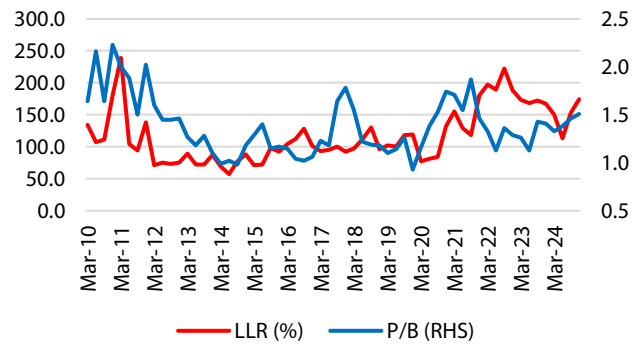
Source: Fiinpro, RongViet Securities

Figure 4: The correlation between P/B and ROAE (TTM)



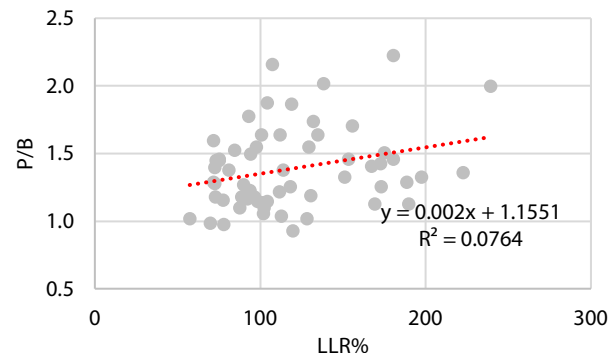
Source: Fiinpro, RongViet Securities

Figure 3: Quarterly P/B and LLR



Source: Fiinpro, RongViet Securities

Figure 5: The correlation between P/B and LLR (TTM)



Source: Fiinpro, RongViet Securities

By integrating a long-term valuation approach (utilizing the residual income method) and a short-term valuation approach (employing the P/B comparative method), each with an equal weighting of 50%, we derive a target price for CTG stock of **VND 45,200**. This target price corresponds to **forward P/B ratios for 2025F/2026F of 1.4x/1.2x**. Investors may refer to the sensitivity analysis provided above to make investment decisions aligned with their risk tolerance for this stock. Based on the closing price as of May 06th 2025, we recommend a **BUY** rating for CTG.

Table 3: Valuation Summary

Valuation Methodology	TP	Weight	Average
Residual Income (g: 1.0%, Ke: 14.5%)	42,367	50%	21,184
P/B (1.5x BVPS 2025F)	48,103	50%	24,051
Total		100%	45,200
Implied P/B 2025F			1.4
Implied P/B 2026F			1.2
Current price (Apr 21 st 2025)			37,600
Cash dividend in the next 12M			0
Total expected return			20%

Source: RongViet Securities

FINANCIAL ANALYSIS

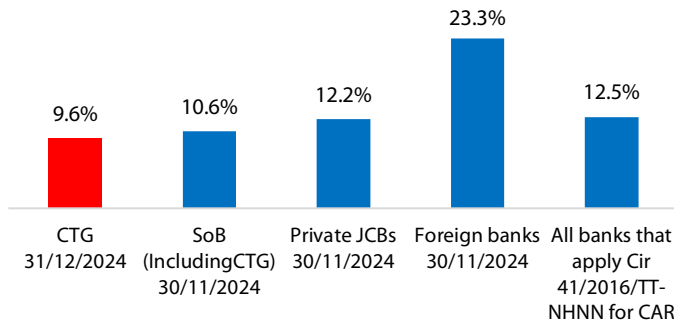
Capital Adequacy

Efforts to Strengthen Capital Adequacy Ratio

CTG commenced compliance with Circular 41/2016/TT-NHNN, which sets capital adequacy requirements for banks and foreign bank branches (Circular 41), alongside Basel II standards (covering governance structure, regulations, internal control processes, IT systems, databases, and human resources) effective from January 1, 2021.

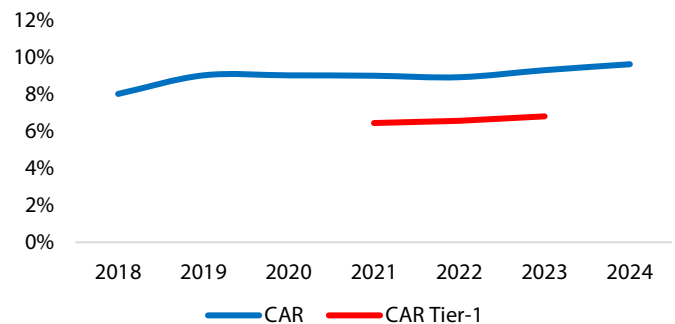
As of December 31, 2024, CTG's Capital Adequacy Ratio (CAR) stood at approximately 9.6%, meeting the regulatory minimum of 8%, but remaining relatively low compared to the average CAR of banks adhering to Circular 41 (12.5% as of November 30, 2024). Historically, CTG's CAR was notably higher at 13.2% in 2013, following two private placements and three offerings to existing shareholders to increase charter capital between 2010 and 2013 (refer to the Overview section). However, continuous cash dividend payouts from 2013 to 2017, coupled with a significant decline in profitability in 2018 (due to the implementation of the Restructuring Plan linked to bad debt resolution for 2016–2020), caused the CAR to fall close to the minimum threshold of 8% in 2018. The ratio began to recover from 2023, driven by the retention of 2020 profits to bolster charter capital and a substantial improvement in profitability in 2024. Given the relatively thin capital buffer above the 8% minimum requirement, enhancing the CAR remains a pressing priority for CTG. While raising additional capital through new issuances poses significant challenges, implementing a comprehensive set of measures—such as optimizing the risk-weighted asset portfolio, increasing Tier 2 capital, and augmenting core capital (as executed in 2023–2024)—is critical to improving the CAR. In the near term, CTG is likely to secure approval from the Annual General Meeting of Shareholders to retain the remaining profits after mandatory reserve allocations for the years 2009–2016, 2021, 2022, 2023, and 2024 (to be proposed at the 2025 AGM). Consequently, we are confident that CTG's CAR will continue to strengthen in the coming years, positioning the bank to meet Basel III standards.

Figure 6: CTG's CAR ratio remains low relative to peers under Circular 41/2016/TT-NHNN.



Source: CTG, SBV, RongViet Securities

Figure 7: CTG's CAR ratio has improved over the past three years, supported by retained earnings and enhanced profitability



Source: CTG, RongViet Securities

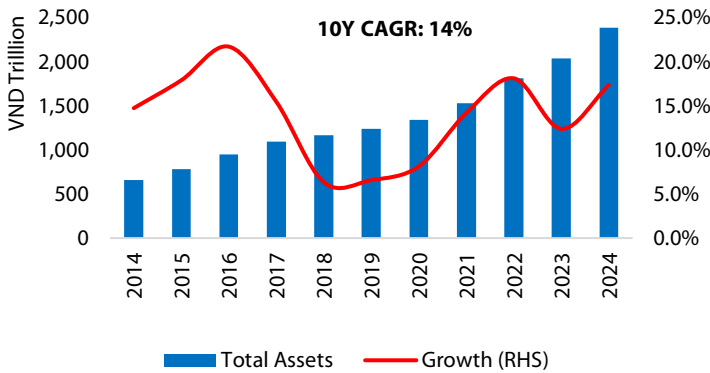
Asset Quality

Over the 10-year period from 2014 to 2024, CTG recorded a compound annual growth rate (CAGR) in total assets of 14%, underperforming the industry average of 16%. This slower growth was influenced by CTG's large asset base within the banking system and the subdued expansion during 2018–2020, a period marked by the resolution of non-performing loans.

CTG's interest-earning assets are predominantly concentrated in customer loans, which account for an average of 74% of total interest-earning assets over the past three years. This proportion is higher than that of most other joint-stock commercial banks in the system (typically ranging from 67% to 71%), reflecting CTG's limited investment in corporate bonds since 2018. This asset structure underscores a prudent approach, prioritizing safety and enabling better risk management compared to corporate bond

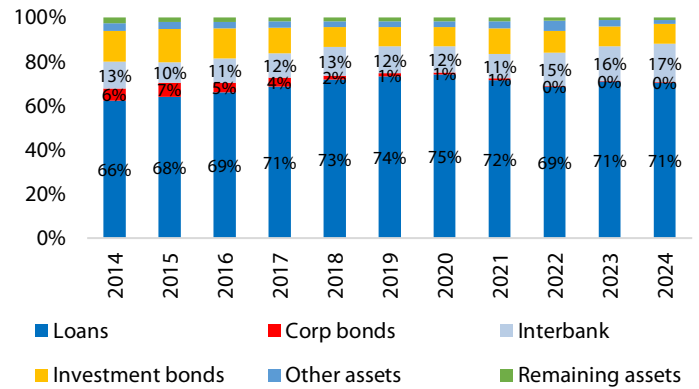
investments, facilitated by proactive loan restructuring and collateral requirements. This conservative stance is further evidenced by CTG's ratio of interest and fee receivable to interest-earning assets, which averaged approximately 0.7% over the past three years, notably lower than the 1.1% average for the joint-stock commercial bank peer group. The second largest component of CTG's interest-earning assets is deposits and loans to other credit institutions, averaging 15% over the past three years, followed by approximately 9% in highly liquid assets, including government bonds and bonds issued by other credit institutions.

Figure 8: Slower asset growth during 2018–2020 reflects NPL resolution and CAR constraints



Source: CTG, RongViet Securities

Figure 9: Loan-heavy asset structure, with customer loans dominating total assets



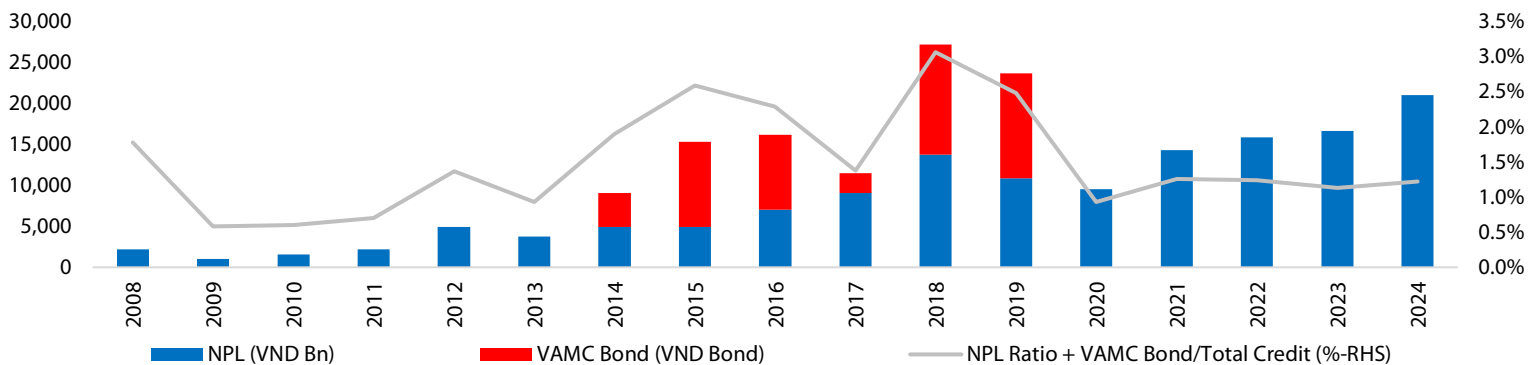
Source: CTG, RongViet Securities

Non-Performing Loan Ratio

Since its equitization, CTG's non-performing loan (NPL) ratio has undergone three significant phases of fluctuation: (1) 2012–2015, when NPLs surged due to the economic crisis and the weakened financial health of state-owned enterprises; (2) 2018–2019, marked by a latent increase as a substantial volume of bad debts (VND 13.4 trillion, equivalent to approximately 1.5% of average total credit) was sold to the Vietnam Asset Management Company (VAMC); and (3) 2021–2024, characterized by an increase in absolute NPL volume (though the NPL ratio remained under control through higher provisioning and bad debt write-offs) due to the Covid-19 pandemic, the collapse of the corporate bond market, and rapidly rising interest rates.

Over the past five years, the NPL ratio has been consistently managed within a stable range of 1.0%–1.3%. This reflects a more prudent credit policy and indicates that CTG's asset quality has generally improved and stabilized compared to the period immediately following equitization.

Figure 10: CTG's NPL trajectory across periods



2012-2015

NPLs began to rise due to the economic crisis and a decline in credit quality (particularly in sectors such as real estate, VINALINES, and underperforming state-owned enterprises). Despite CTG's proactive efforts in debt restructuring and resolution, which reduced the NPL ratio to 0.9% by the end of 2013, latent bad debts remained unresolved, predominantly tied to loans and bonds associated with SOEs, construction companies, and real estate firms.

2016-2017

CTG aimed at resolving its VAMC-related debts ahead of schedule by repurchasing approximately VND 1.6 trillion of VAMC bonds, contributing to a reduction in the overall problem debt ratio.

Nevertheless, latent bad debt risks persist, as the scale of accrued interest receivables remains elevated relative to total interest-earning assets.

2018-2019

In November 2018, CTG received approval for the **"Restructuring Plan Associated with Bad Debt Resolution for the 2016-2020 Period,"** which led to the abrupt sale of over VND 13.4 trillion in bad debts (approximately 1.5% of average credit) to the Vietnam Asset Management Company (VAMC) in December 2018. This action not only pushed the non-performing loan ratio (including debts sold to VAMC) to a peak of approximately 3.1% but also caused a sharp decline in net interest income due to the reversal of accrued interest receivables.

2019-2020

Enhanced efforts in provisioning and bad debt resolution have yielded positive results. CTG gradually reduced its non-performing loan ratio (including VAMC bonds) to 2.5% by the end of 2019 and further to 0.9% by the end of 2020, marking the lowest level in five years.

In 2020, CTG also fully settled its VAMC bonds, totalling nearly VND 12.8 trillion, about three years ahead of schedule.

2021-2024

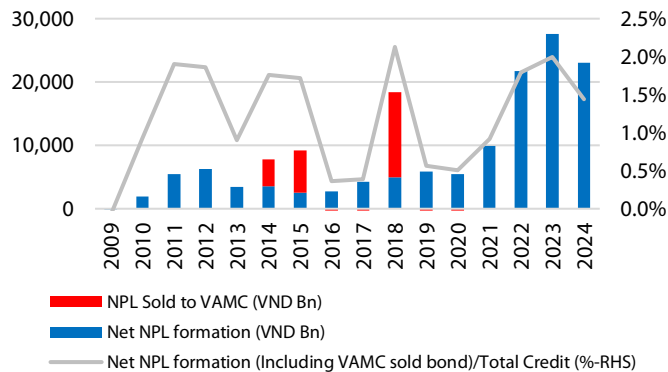
NPLs rose due to several factors, including the Covid-19 pandemic, a stagnant corporate bond market, and rapidly increasing interest rates during 2022-2023. Nevertheless, CTG maintained a well-controlled NPL ratio, driven by:

- (1) The ability to restructure loans while preserving their classification under Circulars 01, 02, and 06.
- (2) Enhanced provisioning and accelerated bad debt write-offs.

The volume of Group 2 (substandard) loans peaked during this period but show an improvement in 2024. With a provisioning allocation of approximately VND 25 trillion for 2025, we believe CTG is strongly positioned to effectively manage its NPL ratio, even in scenarios where Group 2 loans deteriorate further.

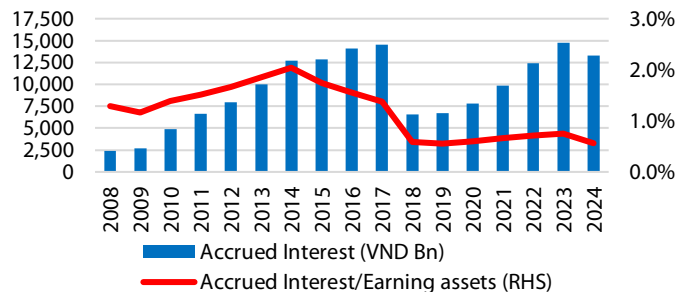
Source: CTG, RongViet Securities

Figure 11: Gross NPLs (pre-writeoff and including VAMC-sold debt) highlight asset quality trends



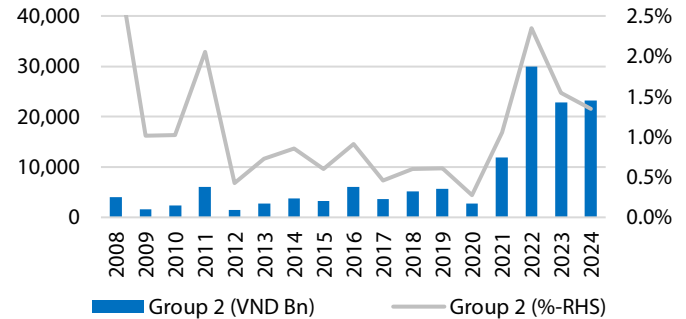
Source: CTG, RongViet Securities

Figure 13: Accrued interest/earning assets ratio fell sharply post-2018, stabilizing at ~0.5%



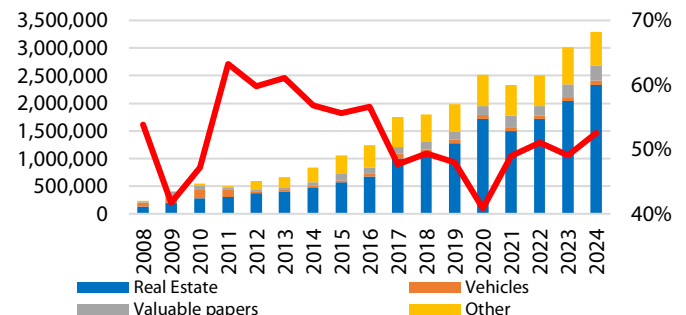
Source: CTG, RongViet Securities

Figure 12: Bucket 2 loan volume and ratio peaked in 2022-2024 but remain manageable given elevated provisioning buffers in 2025



Source: CTG, RongViet Securities

Figure 14: Collateral structure and estimated LTV ratios



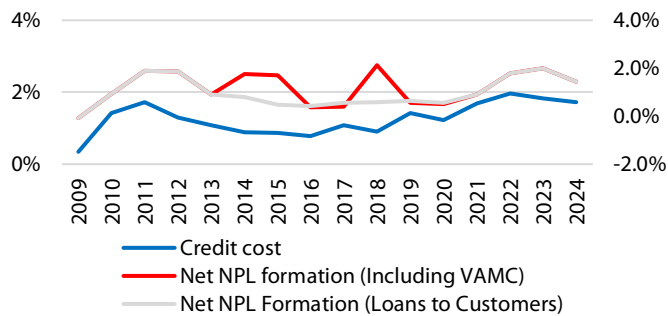
Source: CTG, RongViet Securities

Credit Risk Provisioning

During the 2011–2015 period, the credit cost ratio exhibited a downward trend and consistently remained below the NPL formation rate (specifically for customer loans). This was likely complemented by the sale of bad debts to the VAMC, which served as a mechanism to defer provisioning requirements. These measures were likely implemented to mitigate significant adverse impacts on profitability metrics such as Return on Equity (ROE) and pre-tax profit growth following the strategic partnership with MUFG. Despite tightly controlled credit costs, pre-tax profit recorded negative growth throughout the 2011–2015 period. Consequently, the loan loss reserve (LLR) coverage ratio eroded to approximately 90% in 2014–2015, down from 137% at the end of 2011.

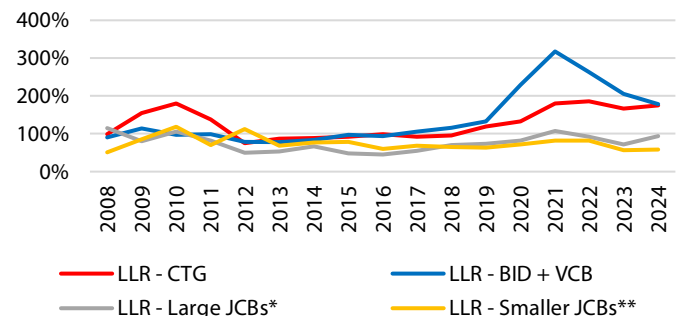
From 2016 onward, CTG adopted a more proactive approach to bad debt resolution, supported by strengthened pre-provision operating profits. This included the early repurchase of VAMC bonds in 2017 and 2020, alongside a sustained increase in provisioning budgets from 2020 to the present. As a result, the LLR coverage ratio surpassed 100% in 2020 and continued to rise, reaching 175% by the end of 2024. Currently, CTG maintains a credit cost ratio slightly above the industry average (2024: 1.2%), reflecting its prudent risk management policies. This approach establishes a solid foundation for asset quality, enabling flexible bad debt resolution, particularly amidst economic volatility in the coming years.

Figure 15: Rapid NPL growth outpaced credit provisions in 2012–2015; reversed post-2019



Source: CTG, RongViet Securities

Figure 16: CTG's NPL coverage now aligns with state-owned peers and exceeds private banks



Source: CTG, RongViet Securities

*MBB, TCB, VPB, ACB, STB, HDB

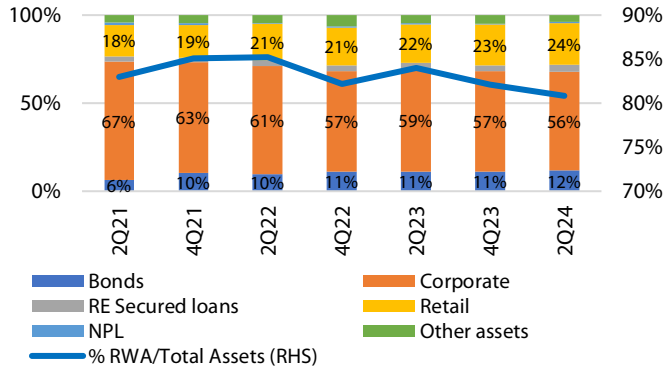
**VIB, LPB, TPB, MSB, SSB, OCB, NAB, EIB

Risk-Weighted Asset Portfolio Structure

As part of its efforts to enhance the Capital Adequacy Ratio (CAR), CTG has restructured its risk-weighted assets (RWA) portfolio by increasing the proportion of retail lending while reducing exposure to the construction sector. The concentration of credit risk (large exposures to a limited number of clients or industries) has also been significantly mitigated. By gradually decreasing the share of loans to state-owned enterprises (SOEs) and large corporates, while expanding retail and small-to-medium enterprise (SME) lending (which accounted for 63% of the portfolio by 2024), CTG has effectively diversified credit risk, thereby avoiding concentrated “shocks” experienced in prior periods.

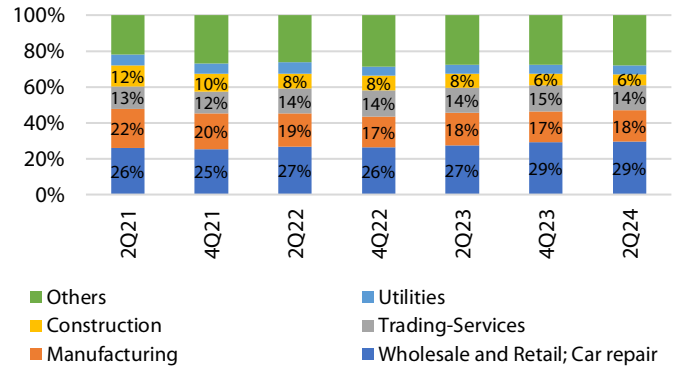
The ratio of credit risk-weighted assets to total assets has been on a downward trend, declining from 83% in 2021 to 81% as of June 30, 2024, reflecting CTG's increasingly prudent credit strategy. However, CTG remains within the mid-tier range among banks in terms of risk-weighted asset intensity. Based on data as of June 30, 2024, CTG's credit risk exposure is notably higher than that of banks such as **BID (73%)**, **VCB (77%)**, **ACB (68%)**, and **HDB (71%)**, but lower than most other major private commercial banks, including **MBB (88%)**, **TCB (93%)**, and **VPB (100%)**.

Figure 17: Credit risk-weighted assets by counterparty



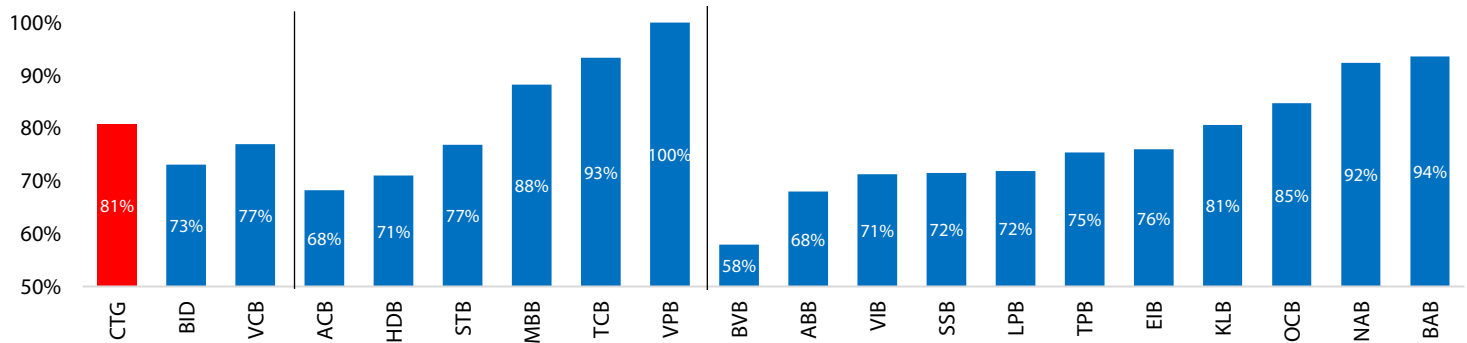
Source: CTG, RongViet Securities

Figure 18: Credit risk-weighted assets by sector



Source: CTG, RongViet Securities

Figure 19: Risk-weighted assets/total assets for select listed banks



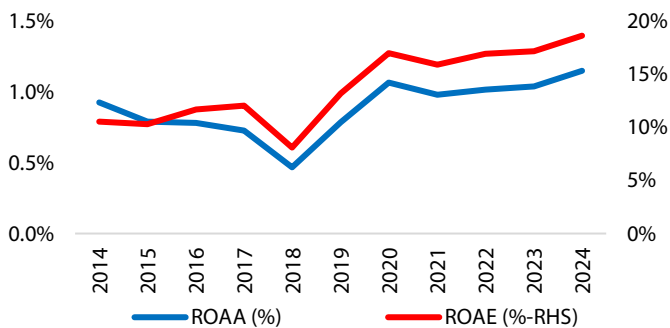
Source: Banks' CAR reports, RongViet Securities

Management and Governance

The operational efficiency of CTG's leadership is evidenced by robust financial performance metrics and the optimization of resource utilization.

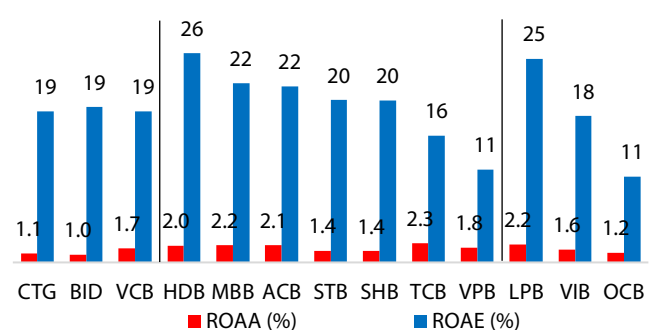
Capital and asset utilization efficiency has significantly improved, as reflected in the substantial enhancement of profitability metrics since 2018. By 2024, CTG achieved a Return on Average Equity (ROAE) of 18.6% and a Return on Average Assets (ROAA) of 1.1%. However, these figures remain at the industry average.

Figure 20: Steady operational improvement since 2018



Source: CTG, RongViet Securities

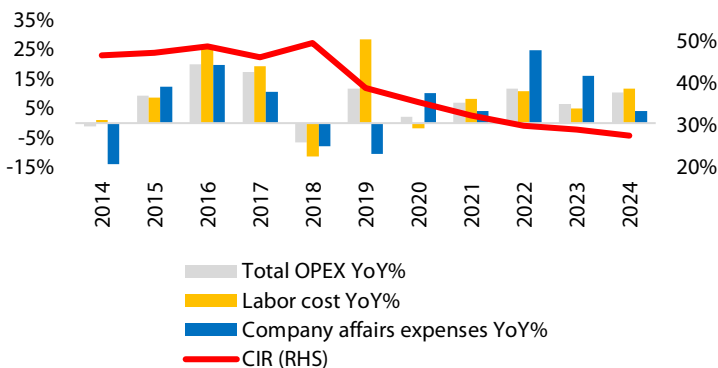
Figure 21: CTG's 2024 efficiency metrics are industry-median



Source: Banks' Financial Statement, RongViet Securities

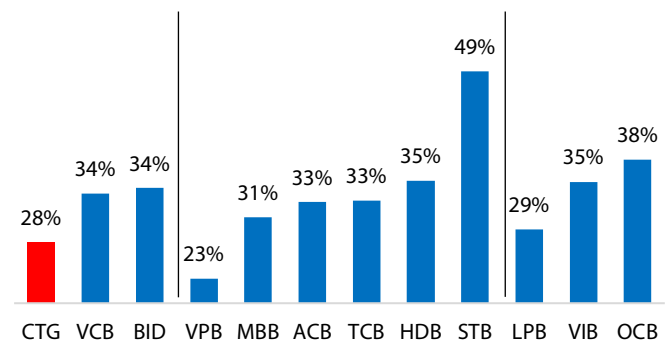
The bank has effectively managed operating expenses, with the **Cost-to-Income Ratio (CIR)** trending downwards over the years and ranking among the lowest in the banking system. Over the past five years, CTG has allocated resources to digital transformation initiatives that directly support business operations, as evidenced by a compound annual growth rate (CAGR) of 11% in administrative and management expenses, outpacing the 6% CAGR in personnel costs. CTG has pursued digital transformation in two key phases: 2015–2017, with the upgrade of the core banking system (Sunshine), and from 2020 onwards, with a focus on the development of digital banking applications. By the end of 2024, 93% of retail customer transactions were conducted via the CTG iPay application, while 84% of corporate customer transactions were processed through the CTG eFAST platform. Through its digital transformation, the bank has been able to sustain growth in scale without expanding its workforce. Notably, the headcount at the parent bank has remained relatively stable since 2017, totaling approximately 22,500 employees as of the end of 2024.

Figure 22: Consistently optimized CIR



Source: CTG, RongViet Securities

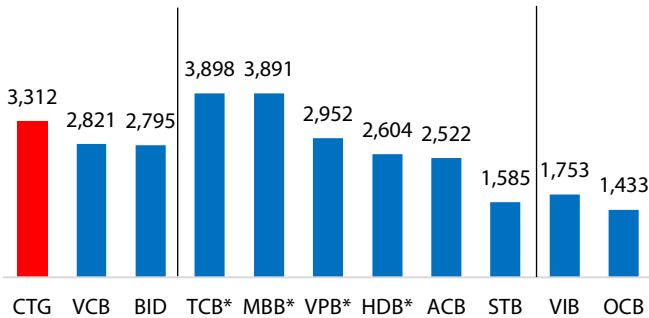
Figure 23: CTG's 2024 CIR is below peer average



Source: Banks's Financial statement, RongViet Securities

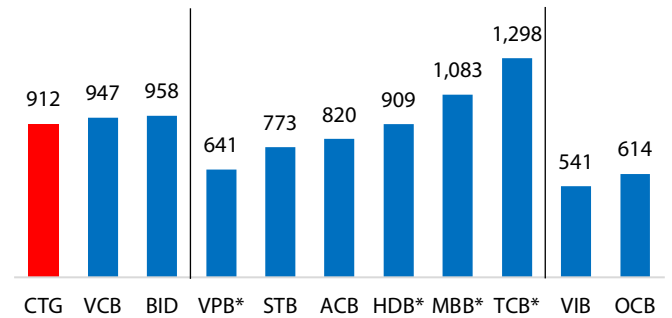
Figure 24 và 25: CTG outperforms in revenue/employee and OPEX/employee vs. state-owned and private peers

TOI per Employee (VND Mn)



Source: Banks's Financial statement, RongViet Securities *Parent Bank Only

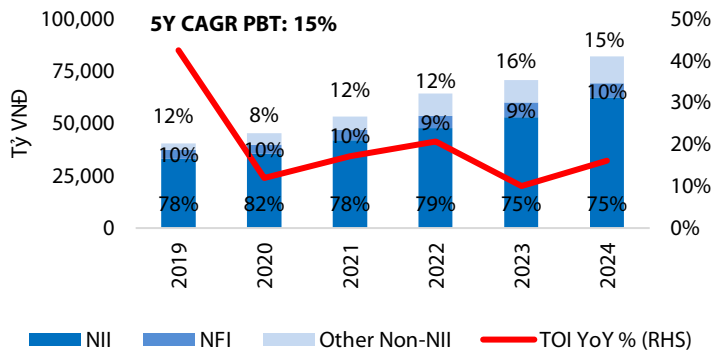
OPEX per Employee (VND Mn)



Profitability

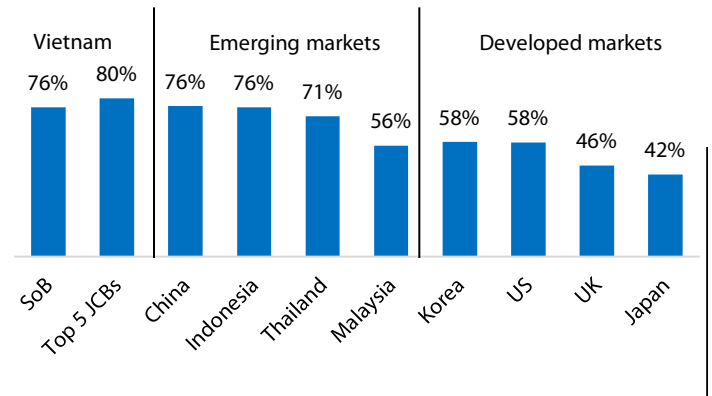
The composition of CTG's total operating income reflects the characteristics of a traditional commercial bank, with a heavy reliance on net interest income. Net interest income accounts for approximately 75%–80% of CTG's total operating income, broadly in line with the industry average. This is driven by the operational model of most credit institutions in Vietnam, which predominantly depend on lending activities to generate profits. This ratio is significantly higher than that of commercial banks in developed markets (see Figure 27), where banks have diversified revenue streams through non-interest income sources such as investment banking fees, wealth management, insurance, credit cards, and more complex financial products like derivatives and securitization.

Figure 26: NII dominates and drives CTG's operating income growth



Source: CTG, RongViet Securities

Figure 27: 2024 NII/operating income vs. global EM/DM banks highlights revenue diversification gaps



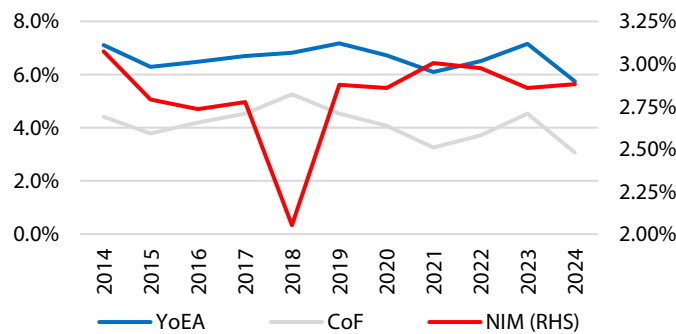
Source: Bloomberg, RongViet Securities

Net Interest Margin (NIM) Reflects the Unique Role of a State-Owned Bank

Over the past decade, CTG's NIM has remained stable within a range of 2.8%–3.0%, with annual fluctuations limited to approximately 10 basis points, except in 2018, when it was significantly impacted by the reversal of accrued interest following the sale of bad debts to VAMC. CTG's NIM, along with that of other state-owned banks, is relatively low compared to the broader banking system. This reflects: (1) The unique role of a state-owned bank in supporting the economy and stabilizing market interest rates, bolstered by liquidity support from the State Bank of Vietnam (SBV), (2) **A controlled credit growth strategy** prioritizing lower-risk customer segments.

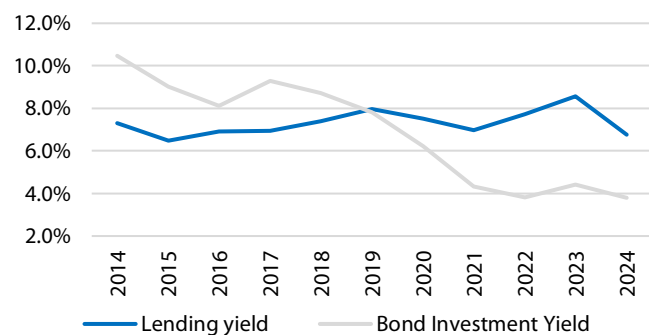
- **Role in Interest Rate Stabilization and Economic Support:** CTG, alongside other state-owned banks such as VCB, BID, and Agribank, often leads market interest rate dynamics, particularly during periods when the SBV implements expansionary or contractionary monetary policies. When market interest rates trend upward, state-owned banks, unlike private commercial banks, typically refrain from raising lending rates as much as possible to support businesses and the economy in general. They may also benefit from liquidity support from the SBV, such as treasury deposits at preferential rates, which lowers their cost of funds. This dynamic also applies during government-led initiatives to reduce lending rates in challenging times (e.g., the Covid-19 pandemic or financial crises). However, state-owned banks may face constraints in maximizing NIM due to **obligations to provide preferential credit policies for state-owned enterprises and priority sectors** (e.g., agriculture, exports, and supporting industries).
- **Customer Composition with Limited Impact on NIM:** Despite an increasing share of retail lending, CTG tends to prioritize lower-risk customer segments and business-oriented lending rather than focusing heavily on consumer loans. As a result, CTG's NIM expansion is less pronounced compared to certain private commercial banks.

Figure 28: Stable NIM at 2.8–3% (except 2018 due to accrued interest reversal)



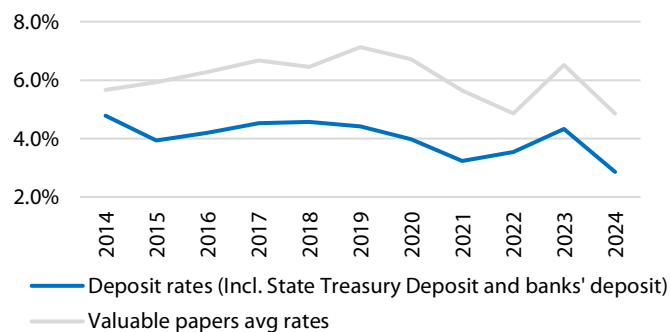
Source: CTG, RongViet Securities

Figure 30: Short-term loan focus limits lending rate volatility (~50bps annual moves, except 2024's -180bps)



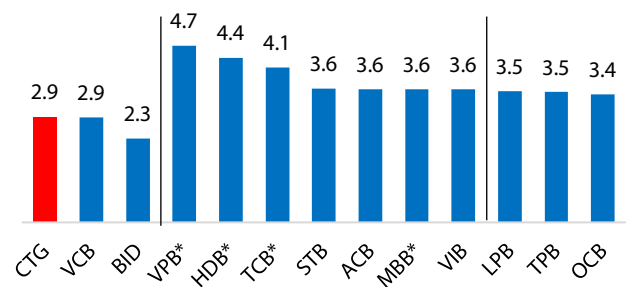
Source: CTG, RongViet Securities

Figure 32: Sharp declines in funding costs during SBV's monetary easing cycles (2020–2021, 2024)



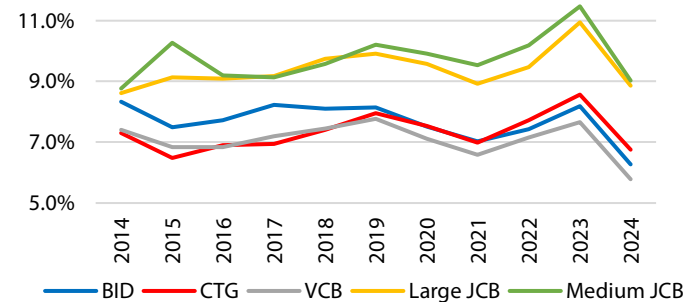
Source: CTG, RongViet Securities

Figure 29: 2024 SoBs' NIM underperformed private banks



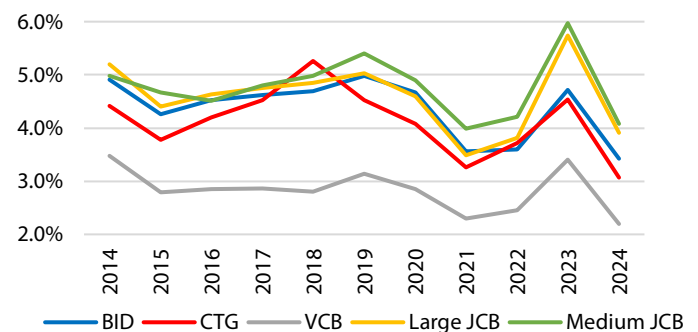
Source: Banks' Financial Statement, RongViet Securities *Parent Banks' figure

Figure 31: State-owned banks lead market lending rates (peer comparison)



Source: Banks' financial statements, RongViet Securities

Figure 33 CTG/BID lack absolute funding cost advantages vs. VCB due to Tier 2 issuance for CAR



Source: Banks' financial statements, RongViet Securities

Liquidity

Liquidity Ratios in Compliance with Regulatory Requirements

Regarding the Loan-to-Deposit Ratio (LDR), following the issuance of Circular 26/2022/TT-NHNN (amending Circular 22/2019/TT-NHNN) at the end of 2022, the State Bank of Vietnam (SBV) permitted the inclusion of State Treasury deposits in the deposit component for LDR calculation, subject to the following phased reduction:

- From December 31, 2022, to December 31, 2023: 50% of State Treasury deposit balances;
- From January 1, 2024, to December 31, 2024: 40% of State Treasury deposit balances;
- From January 1, 2025, to December 31, 2025: 20% of State Treasury deposit balances;

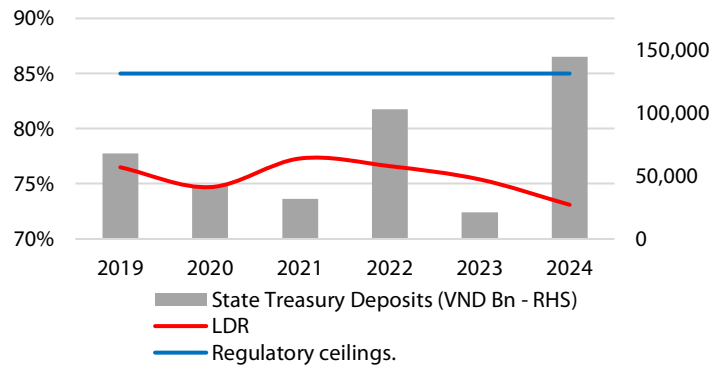
- From January 1, 2026: 0% of State Treasury deposit balances.

Thanks to this regulatory adjustment, CTG's LDR has declined since 2022. Although the inclusion ratio of State Treasury deposits in LDR calculations began decreasing in 2024, a sharp increase in State Treasury deposit mobilization at the end of 2024—reflecting SBV's policy of stabilizing interest rates through low-cost systemic liquidity support—helped sustain the downward trend in LDR through year-end 2024.

CTG's short-term funding for medium- and long-term loans (STL ratio) has exhibited a declining trend since 2019, aligning with SBV's directive to progressively tighten this ratio. Specifically, the maximum STL ratio has been systematically reduced from 45% in 2018 (per Circular 19/2017/TT-NHNN) to 30% effective October 1, 2023 (per Circular 08/2020/TT-NHNN).

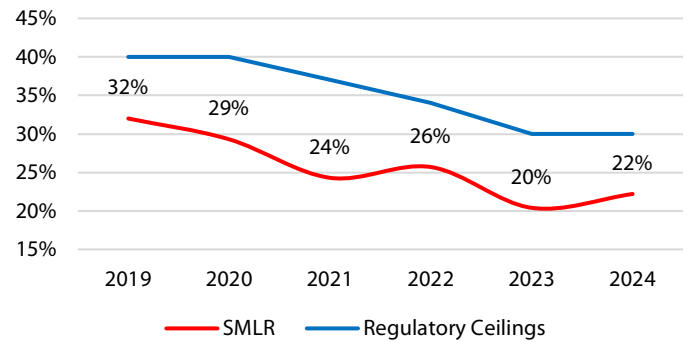
CTG has effectively leveraged cost-efficient funding sources (e.g., State Treasury deposits) while maintaining liquidity ratios well above regulatory minimums, with a comfortable compliance buffer. Given its strong liquidity position as of end-2024 and a strategic focus on short-term lending, we believe CTG faces limited pressure to restructure its funding and loan portfolios by maturity. Consequently, core profitability is unlikely to be materially impacted by liquidity constraints.

Figure 34: CTG's LDR maintains a safe buffer against regulatory ceilings



Source: CTG, RongViet Securities

Figure 35: Short-term funding for medium/long-term loans



Source: CTG, RongViet Securities

2024 FINANCIAL RESULTS: STRONG PROFIT GROWTH THANKS TO ACCELERATED CREDIT GROWTH ALONG WITH EFFECTIVE CONTROL OF OPERATING COSTS AND CREDIT COSTS

2024 PBT reached VND 31.7 trillion, growing +27% YoY, with main growth drivers including: (1) Total operating income grew 16% YoY, in line with net interest income growth (18%) and credit growth (16.9%); (2) Operating costs were well controlled, increasing only 10% YoY with CIR decreasing to 27.5% (2023: 29.0%); (3) Full-year credit costs increased just 10% YoY while asset quality maintained its improving trend in the second half of the year. Other notable highlights include: ROE improved significantly to its highest level in 10 years, bad debt recovery and resolution worked effectively, and retail credit market share increased with competitive interest rates.

Table 4: 2024 Financial Results

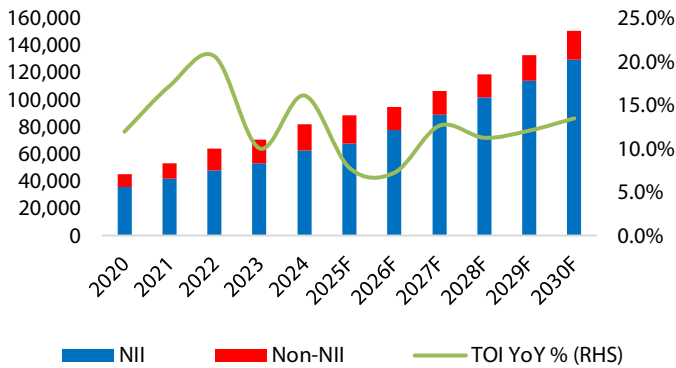
Unit: VND Bn	2024	YoY	Commentaries
NII	62,403	18%	Fee income growth continues to face challenges as the bancassurance market shows no signs of recovery.
NFI	6,706	-6%	
Gain/losses from FX	4,190	-1%	
Gain/losses from bond trading	-240	-273%	
Other incomes	8,459	46%	Profit from bad debt recovery was a bright spot, recording VND 2.5 trillion in 4Q24 (up 71% YoY) and VND 8.5 trillion for the full year (up 82% YoY)
TOI	81,909	16%	
OPEX	-22,552	10%	
PPOP	59,357	18%	
Provisioning expenses	-27,599	10%	Thanks to improved asset quality in 4Q24 and prudent provisioning in 9M24, credit cost pressure in 4Q24 was significantly reduced to 0.1%
PBT	31,758	27%	
Credit growth (%)*	16.9	136 bps	Credit growth at CTG accelerated sharply in 4Q24, increasing to 7.2% QoQ, bringing full-year credit growth to 16.9% (vs. 9.0% in 3Q24). The credit supply in 4Q24 alone nearly doubled compared to 9M24. By segment: - Retail loans/corporate loans grew 22%/14% YoY (vs. 12%/7% in 3Q24). - Retail loans: Growth in 4Q24 was driven by the two largest products: (1) business operations loans (62% of retail loans), up 7% QoQ (20% YTD), and (2) real estate purchase/investment loans (27.3% of retail loans), up 10% QoQ (17% YTD). Year-end seasonal demand boosted working capital needs, while the recovery in real estate credit was supported by market improvements and strong sales from major developers. - Corporate loans: SME/large corporate/FDI loan growth in 4Q24 reached 10%/14%/25% (vs. 6%/7%/18% in 3Q24), with respective shares of 36%/51%/13%.
Mobilization growth (%)*	15.1	119 bps	
NIM (%)	2.92	1 bps	- NIM in 4Q24 and full-year 2024 remained stable. - Deposit average rates (TTM) decreased ~100 bps YoY, coupled with a 160 bps decline in funding costs from debt securities (due to portfolio restructuring) and CASA ratio increasing 230 bps to 24.8% resulted in the full-year CoFs decreasing 150 bps YoY. - Asset yield declined in line with the average lending rate (-180 bps YoY to 7.8%). In 4Q24 alone, the average lending rate fell another 10 bps QoQ to 6.5% (a 3-year low), despite stable funding costs—partly due to rapid credit expansion at quarter-end.
YoEA (%)	5.92	-145 bps	
CoF (%)	3.11	-151 bps	
CIR (%)	27.5	-145 bps	
NPL (%)	1.2	12 bps	CTG recorded a second consecutive quarter of very low new NPL formation (-0.02%). Combined with a bad debt write-off of VND 1.3 trillion in 4Q24, NPLs decreased by VND 1.7 trillion QoQ. NPL ratio fell to 1.25% (-20 bps vs. 3Q24). Restructured debt under Circular 02/06 stood at VND 9 trillion (0.5% of loans), fully provisioned. No new restructured debt under Circular 53 (Yagi storm) at the end of 2024.
Credit Cost (%)	1.7	-10 bps	
ROAE (%)	18.6	138 bps	

Source: CTG, RongViet Securities

2025-2030 FORECASTS

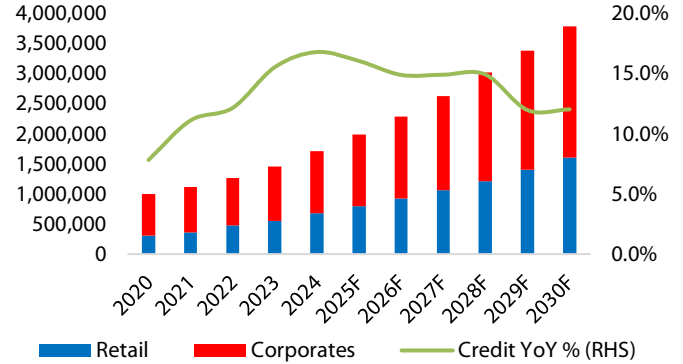
Total Operating Income: Total operating income for the 2025-2030 period is projected to achieve a compound annual growth rate (CAGR) of 11.1%, with net interest income (NII) expected to be the primary growth driver at a 13.8% CAGR.

Figure 36: Projected (TOI), including Net Interest Income and Non-Interest Income components (in trillion VND)



Source: CTG, RongViet Securities estimates

Figure 37: Projected credit portfolio by customer segment of CTG (in trillion VND)



Source: CTG, RongViet Securities estimates

Note: We have also visualized this data in table format. More detailed information can be found in the Appendix ([refer to page 19](#)).

Net Interest Income (NII): For the 2025-2030 forecast period, we project NII to achieve a 14.0% CAGR, primarily driven by a 13.6% CAGR in credit growth and an average NIM of 2.86% (2019-2024: 2.91%).

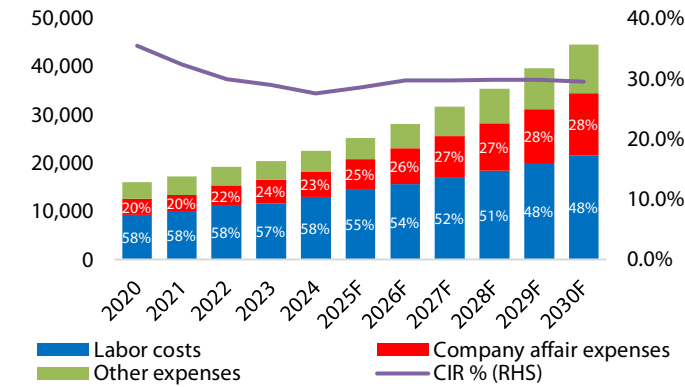
- **Credit Growth:** As the leading state-owned commercial bank in Vietnam's banking system, CTG is expected to leverage its reputation and competitive advantage in accessing low-cost funding to expand its credit market share over the next five years. This implies that CTG's credit growth will outpace the system-wide average during the forecast period. Historically, Vietnam's credit growth has maintained a multiple of over 2x GDP growth (except during 2020-2021 due to COVID-19), reflecting the economy's heavy reliance on bank financing amid underdeveloped capital markets. We anticipate system-wide credit growth to sustain at 12-13% annually in the long term. For CTG, we forecast a 13.6% CAGR in credit volume for 2025-2030, lifting its market share from 11% in 2024 to 12% by 2030. Retail/corporate loan CAGRs are projected at 15%/13%, with retail loans rising to 43% of total loans by 2030 (2024: 40%).
- **NIM:** State-owned banks tend to have lower but more stable NIMs than private peers, and CTG is no exception. Its NIM fluctuated between 2.88%-3.01% during 2019-2024 (avg: 2.91%). For 2025-2030, we expect a decline to 2.70% despite shift in retail loan mix and improvements in CASA ratio, as CTG will likely continue prioritizing economic support through lending rate cuts – particularly amid global trade uncertainties from 2025 – while tightening risk-weighted asset controls to bolster capital adequacy.

Non-Interest Income: We project CAGRs of 5%/10%/15% for three key fee segments: payment services, non-life insurance (VietinBank Insurance, VBI), and life insurance bancassurance commissions (Manulife partnership).

Payment fees are under pressure from industry-wide fee reductions to attract CASA deposits. Meanwhile, life insurance retains long-term growth potential, with Vietnam's insurance penetration rate at just 1.2% of GDP (2023). VBI should benefit from rising demand for health and motor insurance amid economic development. Regarding other income, bad debt recovery income is expected to taper post-2025 as the sector moves past the NPL cycle peak that began in 2022.

Net Profit: Declining credit costs post-2022 NPL cycle and balance sheet cleanup since 2021 underpin our 17.5% CAGR forecast for CTG's 2025-2030 net profit.

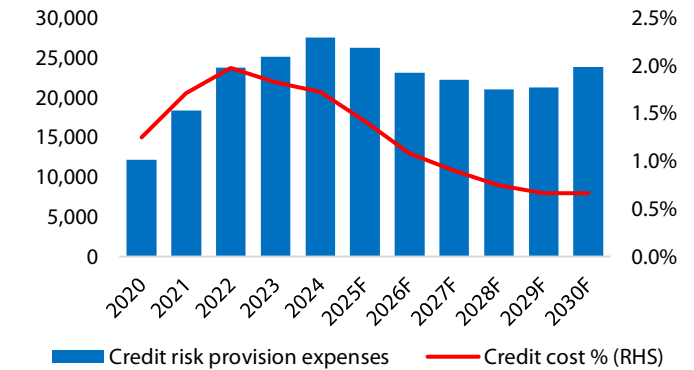
Figure 38: Projected operating expenses of CTG, including personnel costs, administrative expenses, and other costs (in trillion VND)



Source: CTG, RongViet Securities estimates

Note: We have also visualized this data in table format. More detailed information can be found in the Appendix ([refer to page 19](#)).

Figure 39: Projected loan loss provision expenses of CTG (in trillion VND)

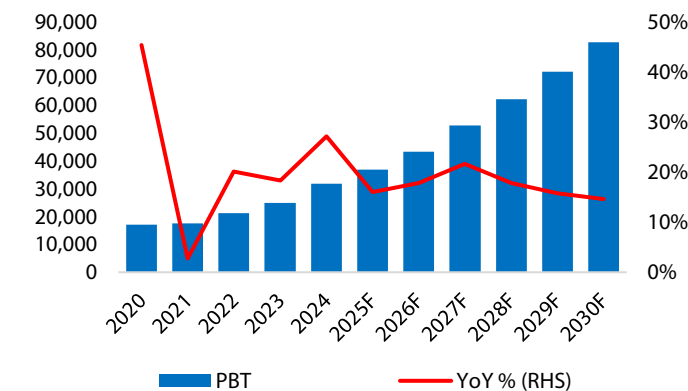


Source: CTG, RongViet Securities estimates

Operating Expenses: We assume CTG will maintain its current branch network while achieving modest annual headcount growth of 2%. Notably, CTG's headcount has remained nearly unchanged since 2018 despite 12% annual growth in total assets during this period, reflecting operational efficiency gains from digital transformation. As technology investments will continue to intensify, we project 2025-2030 annual growth rates of 15% for administrative expenses (higher than the 8% growth in personnel costs) and 12% for total operating expenses. The average cost-to-income ratio during the forecast period is expected to reach 29.5%.

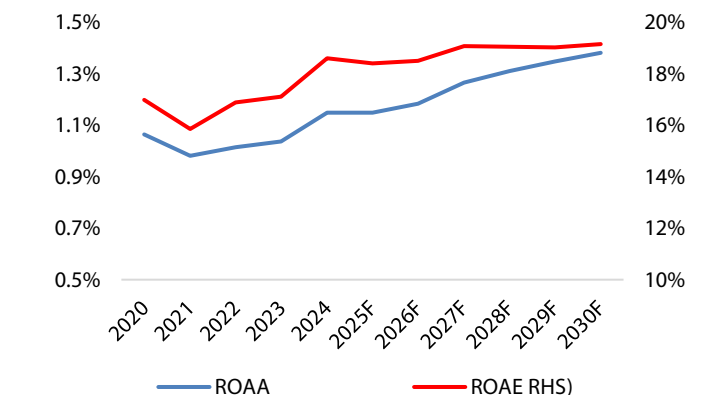
Credit Risk Provisioning Costs: Net non-performing loan formation amounted to 21.7 trillion VND in 2022 (1.8% ratio), 27.5 trillion VND in 2023 (2.0%), and 23.0 trillion VND in 2024 (1.5%). After years of conservative provisioning, we believe credit cost pressures have passed their peak, giving CTG greater flexibility in managing non-performing loans. For 2025-2030, we forecast an average net NPL formation ratio of 0.55%, leading to a projected average credit cost ratio decline to 0.91% from 1.66% during 2019-2024.

Figure 40: Pre-tax profit of CTG (in trillion VND)



Source: CTG, RongViet Securities estimates

Figure 41: Projected ROAE and ROAA of CTG



Source: CTG, RongViet Securities estimates

Table 5: Projected annual financial statements of CTG

INCOME STATEMENT	2022	2023	2024	2025F	2026F	2027F	2028F	2029F	2030F
Interest Income	104,665	132,672	124,461	140,258	163,146	188,660	217,738	248,506	281,050
Interest Expenses	-56,873	-79,714	-62,058	-72,664	-85,468	-99,573	-116,142	-134,336	-151,797
Net Interest Income	47,792	52,957	62,403	67,594	77,678	89,088	101,596	114,170	129,254
Net Fee Income	5,862	7,114	6,696	7,053	7,937	8,763	9,704	10,763	11,961
Net gain/(loss) from FX and gold dealings	3,556	4,248	4,197	3,085	2,361	3,313	3,141	4,239	4,688
Net gain/(loss) from trading/investment bonds	-142	139	-196	212	167	190	178	184	181
Net other income	6,538	5,803	8,419	9,836	5,916	4,542	3,122	2,523	3,503
TOI	64,117	70,548	81,909	88,288	94,669	106,627	118,619	132,932	150,851
OPEX	-19,195	-20,443	-22,546	-25,193	-28,125	-31,609	-35,387	-39,649	-44,494
PPOP	44,922	50,105	59,363	63,095	66,544	75,018	83,232	93,283	106,356
Provision for credit losses	-23,791	-25,115	-27,599	-26,241	-23,154	-22,264	-21,062	-21,318	-23,880
PBT	21,132	24,990	31,764	36,854	43,390	52,754	62,170	71,965	82,476
Corporate income tax	-4,148	-4,945	-6,281	-7,272	-8,576	-10,423	-12,279	-14,219	-16,293
Minority interest	-60	-141	-134	-156	-184	-223	-263	-304	-349
NPAT-MI	16,924	19,904	25,348	29,426	34,630	42,109	49,628	57,443	65,834
EPS (VND)	3,522	3,706	4,720	4,804	5,654	6,875	8,103	9,379	10,749

Table 6: Projected annual balance sheet of CTG

BALANCE SHEET	2022	2023	2024	2025F	2026F	2027F	2028F	2029F	2030F
ASSETS									
Cash and precious metals	11,067	9,760	11,148	12,632	11,402	12,276	10,164	12,077	15,660
Balances with the SBV	29,727	40,597	34,432	39,590	45,671	52,599	60,470	68,494	77,614
Placements with and loans to other credit institutions	242,432	279,842	378,483	416,331	457,964	503,761	554,137	609,550	670,506
Trading securities, net	1,406	2,488	2,799	3,206	3,453	3,724	3,991	4,291	4,629
Loans and advances to customers, net	1,245,430	1,445,572	1,685,291	1,951,471	2,235,801	2,560,967	2,939,442	3,292,508	3,689,803
Investment securities	180,313	181,211	214,607	246,283	282,710	321,263	359,421	402,351	450,674
Investment in other entities and long-term investments	3,519	3,426	3,934	4,442	5,051	5,782	6,660	7,713	8,977
Fixed assets	10,203	10,126	10,002	12,560	13,675	15,909	17,893	20,102	22,414
Other assets	81,654	59,593	44,693	51,397	59,107	67,973	78,168	85,985	94,584
TOTAL ASSETS	1,808,811	2,032,614	2,385,388	2,737,911	3,114,833	3,544,254	4,030,346	4,503,072	5,034,860
LIABILITIES									
Due to Gov and borrowings from SBV	104,779	21,814	154,284	185,141	203,655	219,947	237,543	256,547	277,070
Deposits and borrowings from other credit institutions	209,430	304,322	276,141	292,710	321,981	350,959	384,300	409,280	435,883
Deposits from customers	1,249,176	1,410,899	1,606,317	1,855,296	2,135,445	2,462,169	2,829,032	3,205,293	3,631,597
Funds received from Gov, international and other institutions	2,392	2,238	2,180	2,398	2,638	2,902	3,192	3,511	3,862
Valuable papers issued	91,370	115,376	151,678	182,014	200,215	220,237	244,463	256,686	269,520
Other liabilities	43,347	51,537	45,892	45,892	45,892	45,892	45,892	45,892	45,892
Total liabilities	1,700,495	1,906,742	2,236,883	2,563,450	2,909,826	3,302,105	3,744,421	4,177,208	4,663,824
MINORITY INTEREST	739	861	971	1,127	1,310	1,533	1,796	2,101	2,449
SHAREHOLDER'S EQUITY									
Capital	57,868	63,511	63,584	63,584	63,584	63,584	63,584	63,584	63,584
Reserves	16,075	19,044	25,317	32,599	41,170	51,591	63,873	67,360	70,756
Retained Earnings	33,513	42,369	58,390	76,908	98,700	125,198	156,428	192,576	234,004
Shareholder's equity	107,577	125,011	147,534	172,207	202,386	239,083	282,332	321,662	366,137

TOTAL LIABILITIES	1,808,81	2,032,61	2,385,38	2,737,91	3,114,83	3,544,25	4,030,34	4,503,07	5,034,86
	1	4	8	1	3	4	6	2	0

Source: CTG, RongViet Securities

Table 7: Profitability metrics

PROFITABILITY	2022	2023	2024	2025F	2026F	2027F	2028F	2029F	2030F
Avg lending yield	7.7%	8.6%	6.8%	6.6%	6.6%	6.7%	6.7%	6.7%	6.8%
Avg deposit rate	4.0%	5.2%	3.5%	3.5%	3.6%	3.6%	3.7%	3.8%	3.8%
Avg yield of earning assets	6.6%	7.3%	5.8%	5.6%	5.7%	5.8%	5.9%	6.0%	6.1%
CoF	3.7%	4.5%	3.1%	3.1%	3.2%	3.3%	3.3%	3.4%	3.5%
NIM	3.0%	2.9%	2.9%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
ROAE	16.9%	17.1%	18.6%	18.4%	18.5%	19.1%	19.0%	19.0%	19.1%
ROAA	1.0%	1.0%	1.1%	1.1%	1.2%	1.3%	1.3%	1.3%	1.4%

Source: CTG, Bloomberg, RongViet Securities estimates

Table 8: Asset quality indicators

ASSET QUALITY	2022	2023	2024	2025F	2026F	2027F	2028F	2029F	2030F
NPL ratio	1.2%	1.1%	1.2%	1.1%	1.1%	1.1%	1.1%	1.0%	0.9%
Net NPL formation (VND bn)	21,718	27,540	23,089	18,598	13,949	9,860	11,328	12,836	14,372
Net NPL formation rate	1.8%	2.0%	1.4%	1.0%	0.7%	0.4%	0.4%	0.4%	0.4%
Credit cost	2.0%	1.8%	1.7%	1.4%	1.1%	0.9%	0.7%	0.7%	0.7%
LLR	186%	167%	175%	202%	225%	251%	261%	286%	314%

Source: CTG, RongViet Securities estimates

Table 9: Operational efficiency ratios

OPERATING METRICS	2022	2023	2024	2025F	2026F	2027F	2028F	2029F	2030F
NII/TOI	75%	75%	76%	77%	82%	84%	86%	86%	86%
NFI/TOI	9%	10%	8%	8%	8%	8%	8%	8%	8%
Other Non-NII/TOI	16%	15%	16%	15%	10%	8%	6%	6%	6%
CIR	30%	29%	28%	29%	30%	30%	30%	30%	29%
Total assets/Equity	16.8	16.3	16.2	15.9	15.4	14.8	14.3	14.0	13.8

Source: CTG, RongViet Securities estimates

Table 10: Growth indicators

GROWTH METRICS	2022	2023	2024	2025F	2026F	2027F	2028F	2029F	2030F
NII	14%	11%	18%	8%	15%	15%	14%	12%	13%
NFI	18%	21%	-6%	5%	13%	10%	11%	11%	11%
Other Non-NII	63%	0%	22%	6%	-34%	-3%	-17%	9%	20%
TOI	21%	10%	16%	8%	7%	13%	11%	12%	13%
OPEX	12%	7%	10%	12%	12%	12%	12%	12%	12%
Provisioning expenses	29%	6%	10%	-5%	-12%	-4%	-5%	1%	12%
PBT	20%	18%	27%	16%	18%	22%	18%	16%	15%
NPAT-MI	20%	18%	27%	16%	18%	22%	18%	16%	15%

Source: CTG, RongViet Securities estimates

Table 11: Projected annual cash dividends of CTG

	2022	2023	2024	2025F	2026F	2027F	2028F	2029F	2030F
Cash dividend per share (VND)	0	0	0	0	0	0	0	0	0
Dividend payout ratio	0%	0%	0%	0%	0%	0%	0%	0%	0%
Dividend yield	0%	0%	0%	0%	0%	0%	0%	0%	0%

Source: CTG, RongViet Securities estimates

OVERVIEW OF THE BANK

Vietnam Joint Stock Commercial Bank for Industry and Trade (VietinBank, stock code: CTG) was established on March 26, 1988, as a spin-off from the State Bank of Vietnam under Decree No. 53/HDBT of the Council of Ministers. Initially named IncomBank with a charter capital of VND 12 billion, the bank rebranded as VietinBank in 2008 and completed its equitization in 2009, listing on the Ho Chi Minh City Stock Exchange (HOSE) under the ticker CTG. Today, CTG ranks among Vietnam's top four state-owned commercial banks, pursuing its 2021–2030 development strategy with a vision toward 2045 focused on digital transformation, sustainable growth, and international expansion to become a leading modern, efficient, and multipurpose regional bank.

The past five years (2019–2024) marked significant positive strides compared to earlier periods. CTG achieved compound annual growth rates (CAGRs) of 14% in total assets, 13% in credit outstanding, and 22% in pre-tax profit. By end-2024, its retail/corporate loan mix reached 39%/61%, up from 31%/69% in 2019 and 21%/79% in 2014, reflecting a strategic shift toward retail lending. This portfolio optimization contributed to a decade-high ROE of 18.5% at end-2024.

Capital and Total Assets

Since equitization in 2008, CTG has raised capital nine times, with its charter capital reaching VND 53.699 trillion and equity surpassing VND 148 trillion by end-2024, placing it among Vietnam's top five banks. Notable capital increases include: Two private placements: for IFC (10% stake) in 2011 and for strategic shareholder MUFG Bank (19.73%, formerly BTMU) in 2013; Three rights issues for existing shareholders in 2010, 2011, and 2013.

CTG's total assets exceeded VND 2 quadrillion by end-2023, ranking third nationally and cementing its position as a systemically important bank.

Operational Scale

By the end of 2024, CTG employed nearly 25,000 staff, operating across 157 branches and approximately 1,000 transaction offices in 63 provinces and cities. This includes two branches in Germany (Berlin and Frankfurt) and a representative office in Myanmar. CTG owns a wholly-owned subsidiary, Vietnam Industrial and Commercial Bank in Laos, and a joint venture, Indovina Bank (50% ownership). Additionally, CTG's ecosystem comprises seven member companies providing a comprehensive range of financial and banking services, including a financial leasing company, a debt management and asset exploitation company, a securities company (75.6% ownership), an insurance company (73.4% ownership), a gold and jewelry company, a fund management company, and a global money transfer company. While these subsidiaries make a modest contribution to consolidated pre-tax profit (approximately 4% on average), they enable CTG to deliver integrated financial solutions, meeting diverse client needs and enhancing operational efficiency through shared resources.

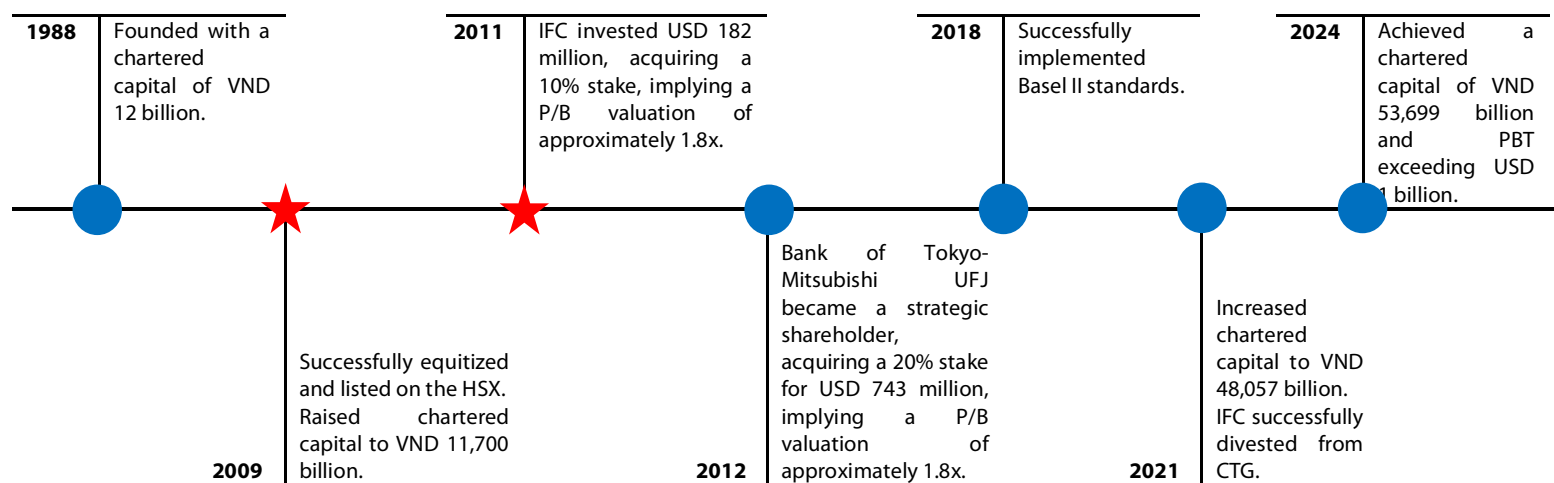
Figure 42: CTG's Subsidiaries and Associates



Source: CTG, RongViet Securities

Development History and Key Milestones

Figure 43: Key milestones of CTG from its establishment to 2024

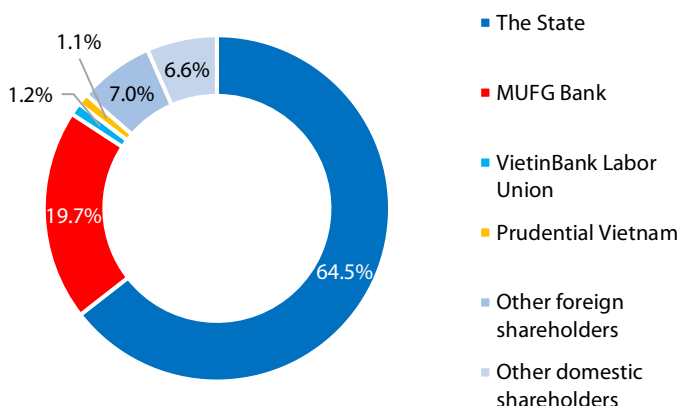


Source: CTG, RongViet Securities

Ownership Structure

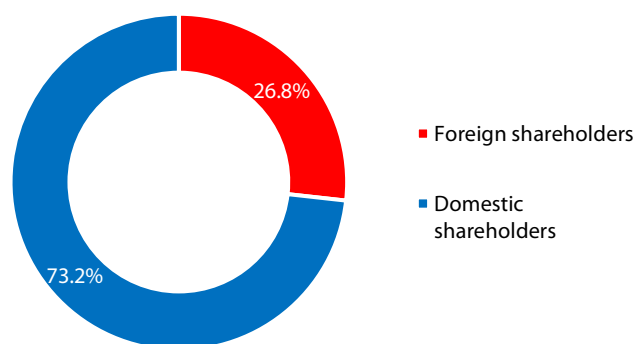
The State is the largest shareholder of CTG, holding approximately 64.46% of shares through its representative, the State Bank of Vietnam. CTG's strategic foreign shareholder, Bank of Tokyo-Mitsubishi UFG (MUFG Bank), has owned 19.73% of chartered capital since 2013. As of March 5, 2025, other foreign investors collectively hold around 7%, resulting in a total foreign ownership of 26.76%, approaching the maximum foreign ownership limit of 30%. Previously, the International Finance Corporation (IFC) held 10% of CTG's chartered capital but fully divested in 2021. CTG currently maintains the highest foreign ownership ratio among listed state-owned commercial banks, ahead of VCB (22.75%) and BID (16.77%).

Figure 44: Estimated Ownership of Major Shareholders



Source: CTG, RongViet Securities

Figure 45: Foreign Investor Ownership Structure



Source: HSX, RongViet Securities, data as of March 5th 2025

Business Operations Overview

1. Credit Activities

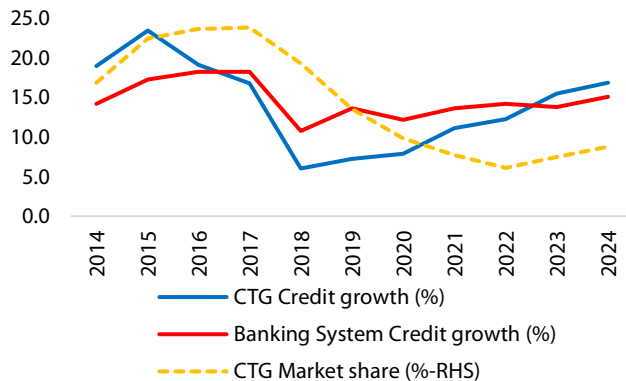
Growth Rate and Market Share Over the Past Decade

Over the 10-year period from 2015 to 2024, CTG's parent bank recorded a compound annual credit growth rate of 11%, notably lower than the banking system's overall 13% CAGR. This was primarily influenced by subdued growth during 2018–2021, resulting in CTG's credit market share declining from a peak of 12.9% in 2017 to 10.7% in 2022. Key contributing factors include:

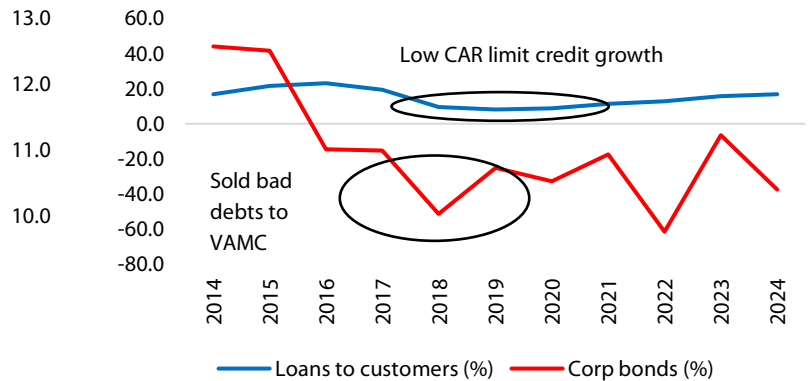
- **Low Capital Adequacy Ratio (CAR):** Constrained credit growth due to limited credit quotas from 2018 to 2020.
- **Restructuring and Bad Debt Resolution (2016–2020):** In 2018, the State Bank of Vietnam approved CTG's restructuring plan, which involved selling loan and corporate bond portfolios to the Vietnam Asset Management Company (VAMC) from 2017 to 2019, reducing corporate bond exposure (see Figure 47). These special bonds were fully provisioned and resolved by 2019.
- **COVID-19 Impact:** Reduced credit demand in 2020–2021.

Consequently, enhancing CAR through profit retention after provisioning and improving asset quality (by reducing exposure to high-risk sectors) is critical for CTG's credit growth.

Figures 46 and 47: Credit Growth Comparison (2017–2022). CTG's credit growth lagging the industry average due to a low capital adequacy ratio (near the 8% minimum), limiting customer loan expansion, and a reduced corporate bond portfolio following sales to VAMC during 2017–2019



Source: CTG, SBV, BID, VCB, RongViet Securities *Parent bank figure



Source: CTG, RongViet Securities

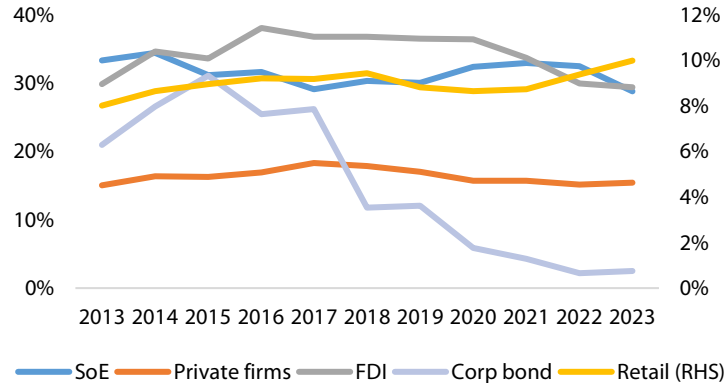
Lending Orientation Across Periods

As a key state-owned commercial bank, CTG plays a pivotal role in implementing government and State Bank of Vietnam (SBV) directives, directing capital to priority sectors as defined by policy over time.

- **Pre-2013:** CTG focused on lending to state-owned enterprises (SOEs), financing major national projects in critical industries such as oil and gas, electricity, seaports, steel, and cement. From its 2009 equitization to 2013, SOE lending averaged 35% of CTG's customer loan portfolio.
- **2014–2018:** CTG diversified its lending to the private sector, reducing SOE exposure to 13%. Credit growth was directed toward government-prioritized sectors (e.g., rural agriculture, exports, supporting industries, and high-tech). Retail lending (SMEs, individual clients, and micro-clients) gained focus to mitigate concentration risks in sectors like real estate post the 2012 crisis.
- **2018–Present:** CTG has prioritized profitability by targeting high-potential customer segments and industries while tightly controlling credit to high-risk sectors to improve CAR. By end-2024, retail lending (individual clients and SMEs) accounted for approximately 61% of total credit, with wholesale lending (large corporates and FDI) comprising 39%. CTG continues to support government and SBV-priority sectors, including manufacturing, green credit, and sustainable growth. Additionally, CTG

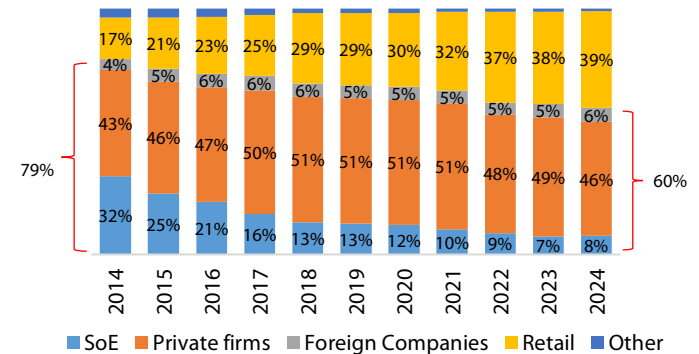
implemented loan interest rate reductions during and post-COVID to facilitate access to low-cost credit for affected clients, in line with government's economic support policies.

Figure 48: Customer Loan Market Share by Segment* demonstrates CTG's growing retail lending market share over the past three years while maintaining stable corporate lending



Source: CTG, RongViet Securities * 27 listed banks' audited financial statement

Figure 49: Shift in Core Customer Focus



Source: CTG, RongViet Securities

Lending to Individual Clients

CTG offers three main product categories for individual clients: production and business loans, real estate loans, and consumer loans. While these products are broadly similar to those of other commercial banks, CTG's lending rates are highly competitive, though loan conditions (e.g., collateral requirements) are typically stricter than those of private banks.

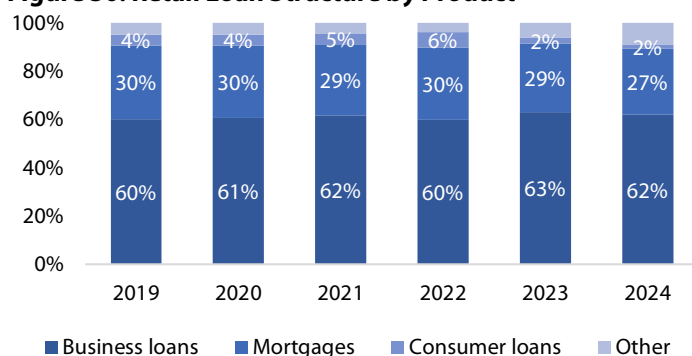
- **Production and Business Loans:** CTG emphasizes these through products like working capital loans (credit lines, one-off loans, overdrafts) and fixed-asset purchases. A distinctive offering is the "Prosperous Investment" product, supporting real estate investment for business purposes (e.g., purchase, construction, or renovation).
- **Mortgages:** The second-largest category, including loans for social housing (1.5%–2% below the average medium- to long-term rates of four state-owned banks), project-based real estate (up to 80% of collateral value, including assets formed from loans), and home construction/renovation.
- **Consumer Loans:** These, including auto loans, refinancing, credit cards, and overdrafts, represent a modest share (around 10%).

Lending to Corporate Clients

CTG primarily disburses credit to manufacturing, commerce, and services, offering a diverse product suite comparable to other major banks, enhanced by its eFast digital platform and extensive branch network. Key products include:

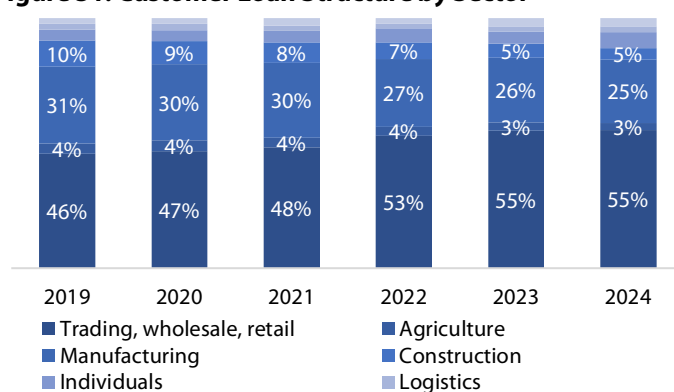
- **Credit Lines and Overdrafts:** Flexible borrowing for working capital and cash flow management.
- **Medium- and Long-Term Loans (Including Financial Leasing):** Supporting investment projects, fixed-asset purchases, and production expansion.
- **Trade Finance:** Letters of credit (L/C), domestic and export-import trade finance, and factoring.
- **Corporate Bond Investments:** Significantly reduced, from 10.5% of total credit in 2015 to 0.2% in 2024.
- **Project Finance:** For large-scale projects, including commercial real estate, often involving multiple stakeholders and long-term funding.
- **Guarantees:** Including bid bonds, loan guarantees, performance bonds, payment guarantees, and advance payment guarantees,

Figure 50: Retail Loan Structure by Product



Source: CTG, RongViet Securities

Figure 51: Customer Loan Structure by Sector



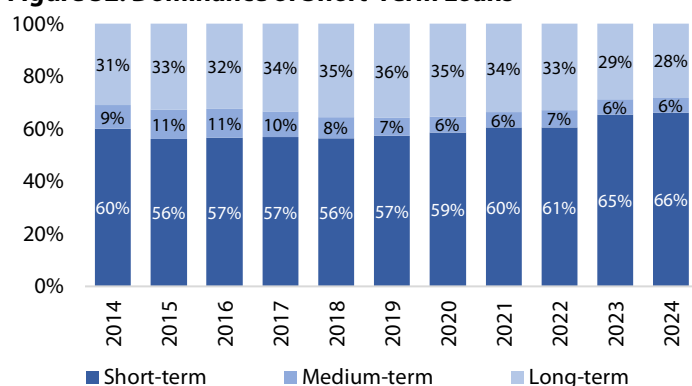
Source: CTG, RongViet Securities

Loan Term Structure

CTG's loan portfolio is heavily weighted toward short-term loans, driven by its focus on financing production, business, and trade through products like working capital loans, credit lines, and overdrafts. In 2024, short-term loans comprised 66% of the portfolio, followed by long-term loans (over 5 years) at 28%, and medium-term loans (1–5 years) at 6%.

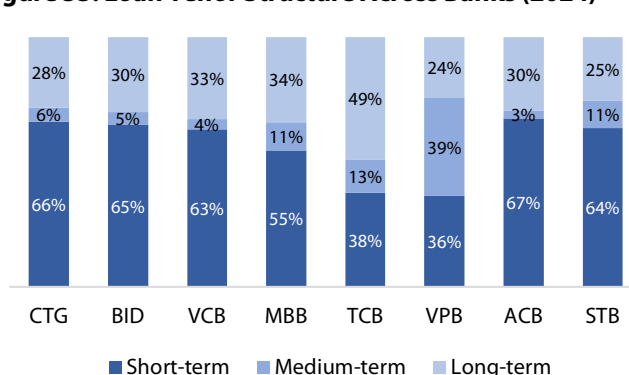
This structure aligns closely with other state-owned banks (BID, VCB) and large private banks (ACB, STB), which similarly prioritize production and business financing. In contrast, private banks like TCB and VPB exhibit higher medium- and long-term loan ratios due to their focus on consumer lending and real estate project financing.

Figure 52: Dominance of Short-Term Loans



Source: CTG, RongViet Securities

Figure 53: Loan Tenor Structure Across Banks (2024)



Source: Banks' financial statement, RongViet Securities

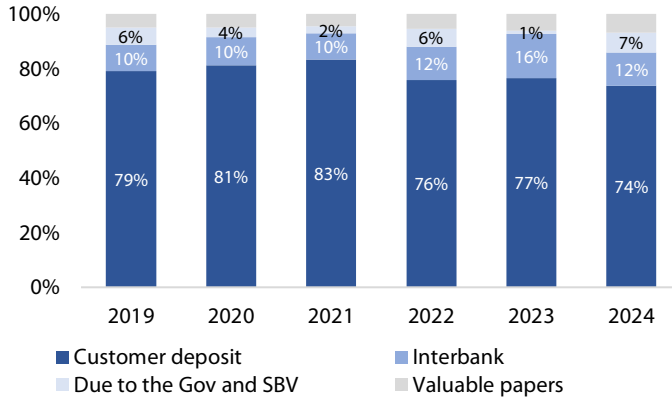
2. Mobilization

As one of the four state-owned commercial banks, CTG benefits from the ability to mobilize deposits from the State Treasury, in addition to traditional sources such as retail deposits and issuance of valuable papers. This, combined with CTG's strong brand reputation and extensive branch network, provides a competitive advantage in maintaining low funding costs compared to private commercial banks.

In the customer deposit structure, retail deposits account for over 50% of the total, despite CTG offering lower deposit rates than private banks. This is driven by the trust in CTG's state-owned bank status, its widespread branch and transaction office network, and established relationships with large state-owned corporations for payroll services. Deposits from large enterprises (including SOEs) rank second, followed by SMEs and foreign enterprises.

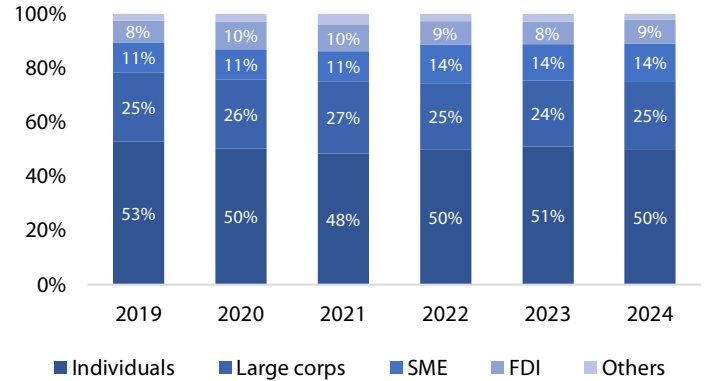
Notably, CTG's deposit market share has consistently grown over the past five years, accompanied by an improved CASA (Current Account Savings Account) ratio (see Figure 56). This trend is attributed to the introduction of free domestic transfers since 2022, robust growth in digital platforms such as VietinBank iPay Mobile (over 9 million users, up 16.2% from 2023) and eFAST (266,000 corporate users, up 17.5% from 2023), and effective targeting of payroll and priority clients (segments with high CASA ratios). Strong performance in transactional banking products (e.g., working capital loans, cash management, and payment services) has also supported CASA growth, aligning closely with credit expansion.

Figure 54: Deposit Structure by Source



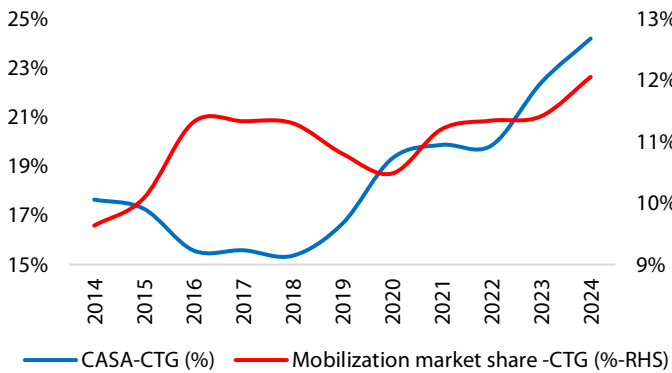
Source: CTG, RongViet Securities

Figure 55: Customer Deposit Structure by Client Type



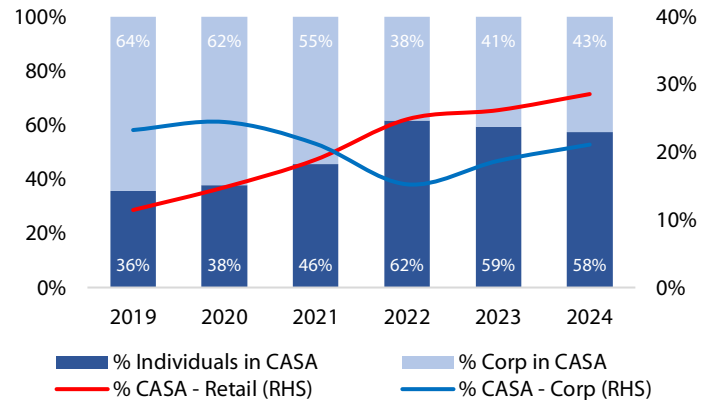
Source: CTG, RongViet Securities

Figure 56: Rising CASA Ratio and Deposit Market Share



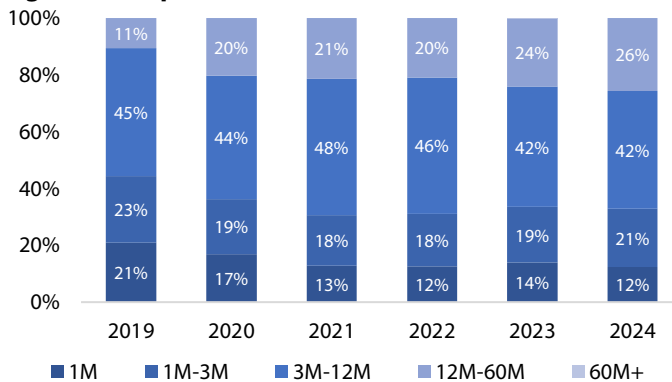
Source: CTG, SBV, RongViet Securities

Figure 57: CASA Growth in Retail Segment



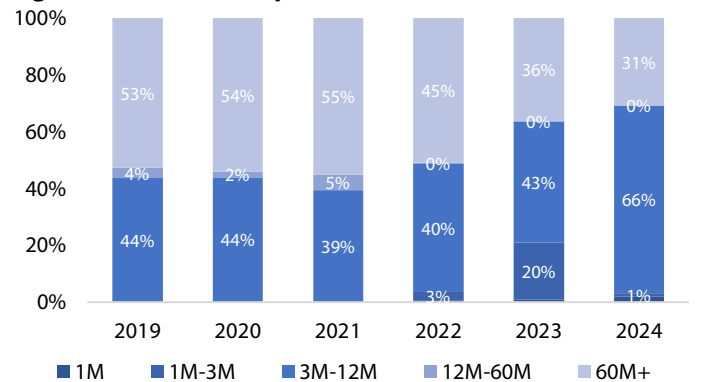
Source: CTG, RongViet Securities

Figure 58: Deposit Term Structure



Source: CTG, RongViet Securities

Figure 59: Valuable Papers Term Structure



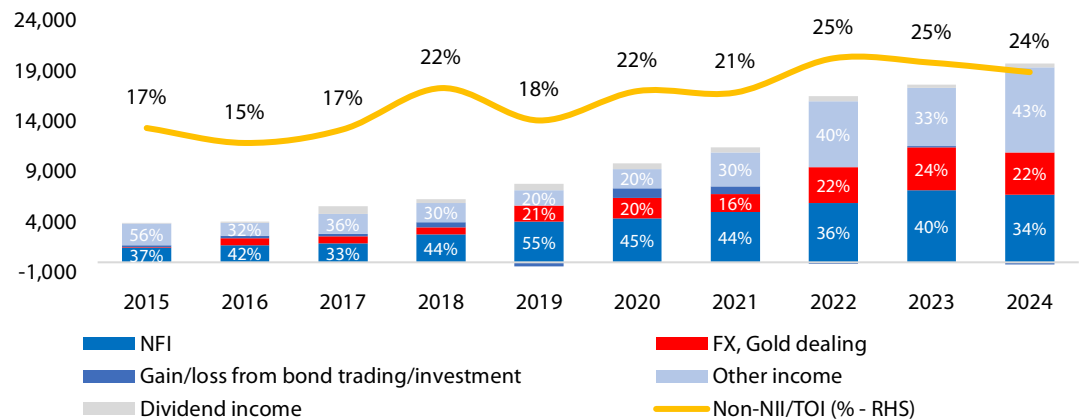
Source: CTG, RongViet Securities

3. Non-Interest Income

Non-interest income's share of CTG's total operating income has trended upward over the past decade, reaching 24% in 2024. This reflects both an industry-wide shift, as well as CTG's strategic focus on

diversifying revenue streams, expanding non-credit services, and leveraging digital technology. Key sources of non-interest income include service activities, foreign exchange trading, gold trading, and other activities (primarily bad debt recovery).

Figure 60: Non-Interest Income Structure Over the Past Decade

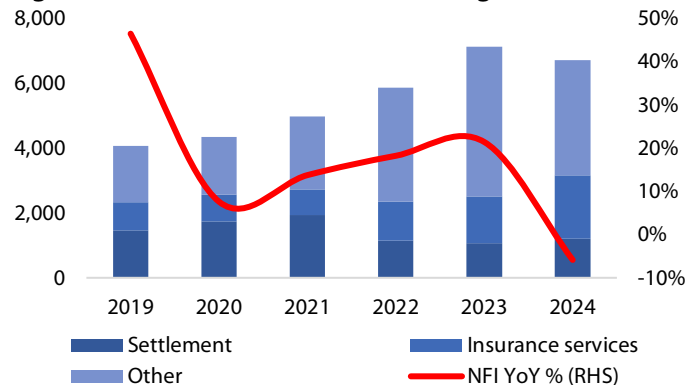


Source: CTG, RongViet Securities

Service-related income stems from three main sources: payment services, non-life insurance, and other services (including life insurance distribution, advisory services, and agency fees). Fees from non-life insurance and other services have driven a 5-year CAGR (2019–2024) of 11% for service income.

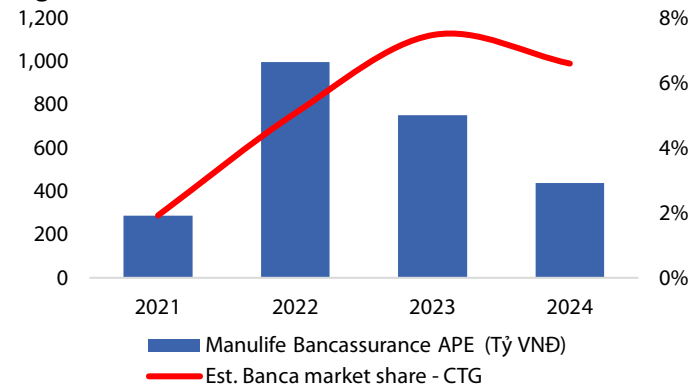
- **Payment Services:** CTG generates fees from transfers, bill payments, card transactions, ATM withdrawals, foreign exchange, and less common services like checks and safe deposit boxes. Payment service fees contributed up to 40% of net fee income in 2019. However, the introduction of free domestic transfers and bill payments in 2022 led to a 41% drop in payment fee income, reducing its share of net fee income to 18% by 2024.
- **Non-Life Insurance:** Fee income primarily comes from non-life insurance products offered by CTG's wholly-owned subsidiary, VietinBank Insurance (VBI), established in 2008. VBI provides products such as health, motor vehicle, and property insurance (e.g., private home insurance). CTG leverages its customer base for cross-selling and mandates insurance for collateralized loans, driving a 5-year CAGR of 17% for this segment (2019–2024).
- **Life Insurance:** Recorded under other income, this segment was previously driven by an exclusive distribution agreement with Aviva until its strategic withdrawal from select Southeast Asian markets pre-2019. Since late 2020, CTG has partnered with **Manulife** under a 15-year exclusive agreement. By 2023, CTG achieved a 7% market share (based on annualized premium equivalent, APE), leveraging its scale as a state-owned bank. However, mis-selling controversies in 2023–2024 eroded trust in life insurance products, leading to a 23% year-on-year decline in other net fee income in 2024.

Figure 61: Net Service Income (Excluding Guarantees)



Source: CTG, RongViet Securities

Figure 62: Bancassurance APE Fee Revenue

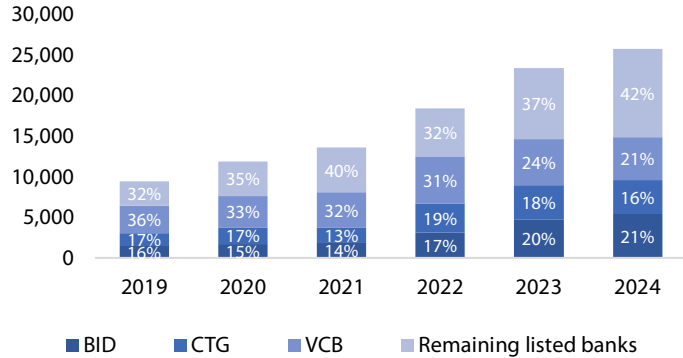


Source: CTG, RongViet Securities

FX and gold dealing

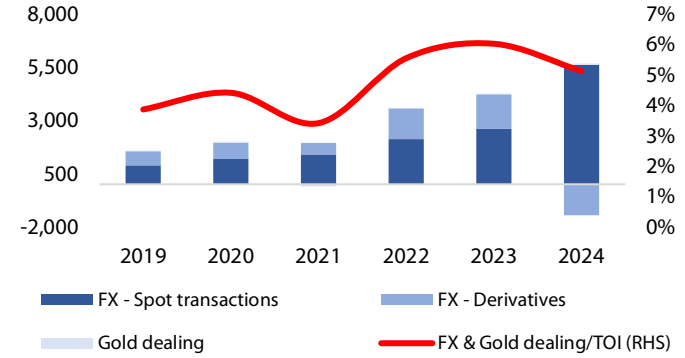
CTG, alongside the “Big 4” banks, dominates foreign exchange transactions in Vietnam, driven by its extensive client base of export-import enterprises, including FDI firms (CTG, BID, and VCB account for nearly 90% of local banks’ foreign enterprise lending market share). Low liquidity risk, supported by state ownership and a credit rating aligned with Vietnam’s sovereign rating, further strengthens CTG’s position. Products include spot transactions, forwards, FX swaps, and options, with profits primarily from spot USD buy-sell spreads.

Figure 63: “Big 4” banks’ dominance in forex income, with CTG leveraging its export-import client base



Source: CTG, RongViet Securities

Figure 64: Spot transactions (from buy-sell spreads) are the primary source of CTG’s forex profits



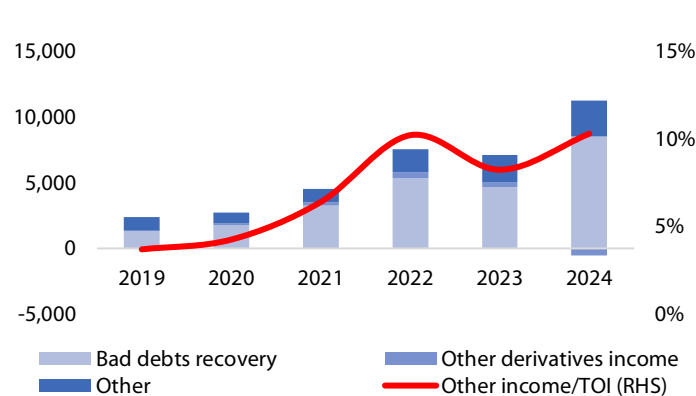
Source: CTG, RongViet Securities

Other Income is largely driven by bad debt recovery.

- This activity closely tied to real estate market dynamics, as over 70% of CTG’s collateral value is real estate. This explains the upward trend in recovered bad debts (via collateral liquidation) in recent years, except in 2023. However, the annual bad debt recovery rate remains low relative to CTG’s off-balance sheet debt (principal and interest) (see Figure 66).

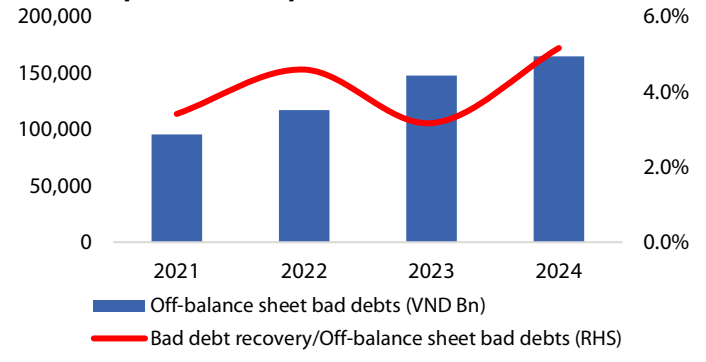
Bad debt resolution, depending on the debt’s nature, is handled by VietinBank AMC for large or complex cases requiring collateral auctions, or by CTG branches for localized or less complex debts. VietinBank AMC plays the primary role in managing, resolving, and exploiting collateral related to bad debts.

Figure 65: Bad debt recovery is the main source of other income



Source: CTG, RongViet Securities

Figure 66: Bad Debt Recovery Rate reveals a low annual bad debt recovery rate relative to CTG’s off-balance sheet debt, despite recent improvements



Source: CTG, RongViet Securities

4. Business Strategy

As one of Vietnam’s largest banks and a cornerstone of the nation’s credit institution system, CTG’s long-term vision extends beyond being the “leading versatile, modern, and efficient bank in Vietnam” to achieving a regional ambition of ranking among the “top 20 banks in the Asia-Pacific by 2030.” CTG formulates medium-term business plans every three years, commencing in 2015. Based on these medium-term strategies, we believe CTG’s long-term strategic focus will center on the following key pillars:

- **Sustainable and Efficient Growth:** Prioritizing diversified revenue streams and product offerings (increasing non-interest income) while ensuring safe credit expansion.
- **Effective Resource Management:** Driving comprehensive digital transformation to enhance labor productivity and optimize operational efficiency.
- **Enhanced Service Quality:** Improving customer experience, developing modern products, and boosting fee-based and non-interest income.
- **Strengthened Financial Capacity:** Aiming to bolster financial resilience, improve the operational efficiency of the bank and its subsidiaries, and manage costs effectively.

Table 12: Medium-Term Strategies Across Periods

Period	Key points	Actions
2015-2017	Transformation of Growth Model	• Shift income structure to increase non-interest income. • Develop transaction banking activities, enhance CASA ratio.
	Technology Application	• Upgrade Core Banking system. • Develop comprehensive financial solutions.
	Transformation of Business and Competitive Model	• Foster interconnected value chains to serve customer ecosystems holistically.
2018-2020		• Prioritize growth in individual and SME customer segments. • Increase the proportion of non-interest income.
	Technology Application	• Enhance features on digital banking channels. • Accelerate transition to digital banking channels.
	Enhance Governance Capability	• Digitize operational governance. • Target compliance with Basel II standards from 2021.
	Effective Asset Quality Management	• Optimize resource allocation and utilization. • Strengthen risk analysis, early risk identification, and risk management capabilities.
2021-2023	Transformation of Growth Model and Competitive Approach	• Provide comprehensive solutions for customers. • Develop retail customer base leveraging large corporate customer ecosystems.
	Comprehensive Banking Digitization	• Increase the share of non-interest income. • Prioritize key industries and regions. • Drive digital transformation, emphasizing digitized distribution channels.

Source: CTG, RongViet Securities

APPENDIX - INDUSTRY OUTLOOK

CREDIT TO MAINTAIN DOUBLE-DIGIT GROWTH OVER THE NEXT FIVE YEARS

Vietnam's credit growth over the next five years is projected to sustain an annual rate of approximately 11%-12%, driven by economic growth and reliance on bank credit channels. However, growth may fluctuate based on the State Bank of Vietnam's (SBV) monetary policy adjustments in response to significant changes in global and domestic macroeconomic factors, such as trade tensions or fluctuations in exchange rates and interest rates.

Economic Growth: In the short term, credit expansion is often a key driver of economic growth, enabling businesses and individuals to access capital for investment, production, and consumption. However, the bidirectional relationship between economic growth and credit demand requires sustainable economic growth to support long-term credit expansion. Major global institutions like the World Bank, IMF, and ADB forecast Vietnam's short-term growth (2025–2026) at 6–7%. Achieving higher growth will heavily depend on institutional reforms and leveraging technology opportunities. The government is actively promoting public investment, digital transformation, green economy initiatives, and, crucially, institutional reforms to foster sustainable growth. These reforms, including streamlining central and local administrative structures and simplifying procedures, have begun to create a more favorable, stable, and transparent business environment. This supports private sector development, attracts foreign investment, and lays the foundation for an 8–10% GDP growth target over the next five years, aiming for a breakthrough to achieve high-income status by 2045.

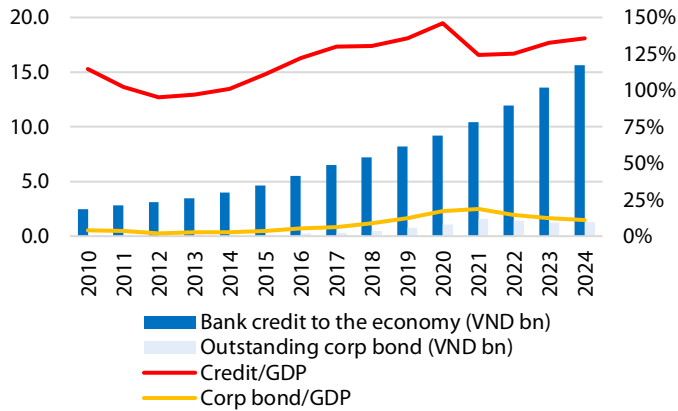
Bank Credit Remains the Primary Funding Channel. The debt capital market requires significant time to mature. Vietnam's corporate bond market has contracted since 2022 due to a crisis of confidence, regulatory changes, and macroeconomic pressures.

- The cancellation of nine bond issuances worth VND 10,000 billion by Tna Hoang Minh for fraudulent practices in private bond placements, alongside concerns over the transparency and repayment capacity of bonds linked to the Vạn Thịnh Phát ecosystem, heightened market unease. This, combined with multiple corporate bond defaults in 2022–2023, triggered capital withdrawals from bond investment funds and reduced demand for corporate bonds.
- The government's Decree 65/2022/ND-CP tightened regulations on private bond issuances, mandating credit ratings and raising standards for professional securities investors. While aimed at enhancing transparency and protecting investors, these stringent rules have made it challenging for many firms to issue new bonds and reduced demand from individual investors, a significant market segment.

Since 2011, when the SBV began controlling credit growth through credit quotas, Vietnam's credit-to-GDP growth ratio has averaged 2.3 times, except during major shocks like COVID-19, which caused abnormally low GDP growth. This has driven the credit-to-GDP ratio from 102% in 2011 to 135% in 2024, while outstanding non-bank corporate bonds-to-GDP reached nearly 5% by end-2024, down from a peak of 10% in 2021. **Bank credit accounted for 96% of total private sector debt funding in 2024.**

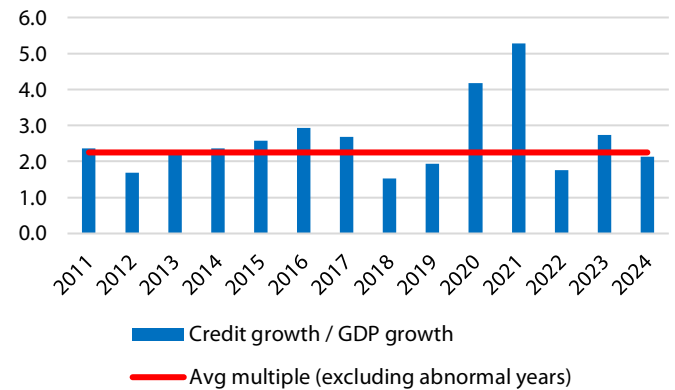
With expected GDP growth of 6% or higher and credit growth of 11%-12% (1.8–2 times GDP growth) over the next five years, the credit-to-GDP ratio may rise to 170%-180%. High credit levels support infrastructure investment, production, and exports, aligning with Vietnam's growth model. This ratio is feasible and comparable to countries with upper-middle to high income and heavy reliance on bank credit, such as China (186%) and South Korea (176%), though it could be lower if GDP growth exceeds 6%.

Figure 67: Credit will remain the primary capital mobilization channel for enterprises in the long term, as the debt capital market requires significant time to restore confidence and enhance transparency



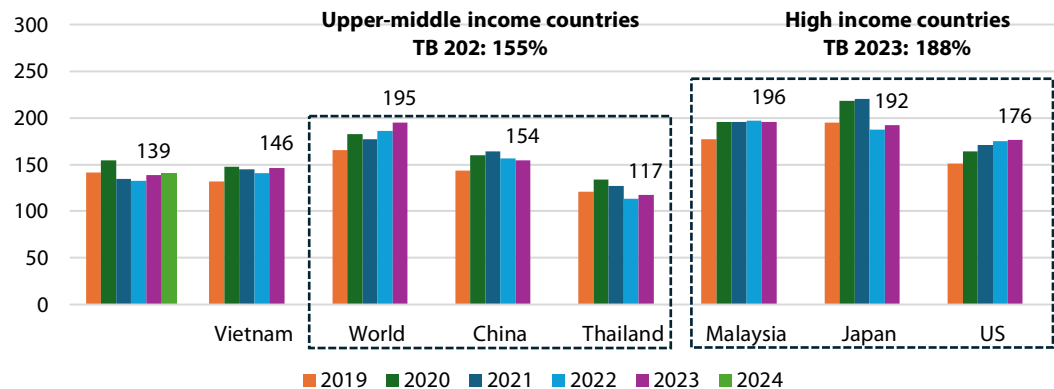
Source: SBV, GSO, VBMA, Fiinpro, RongViet Securities

Figure 68: Credit growth typically exceeds GDP growth by twofold, except in years with major shocks



Source: SBV, GSO, RongViet Securities

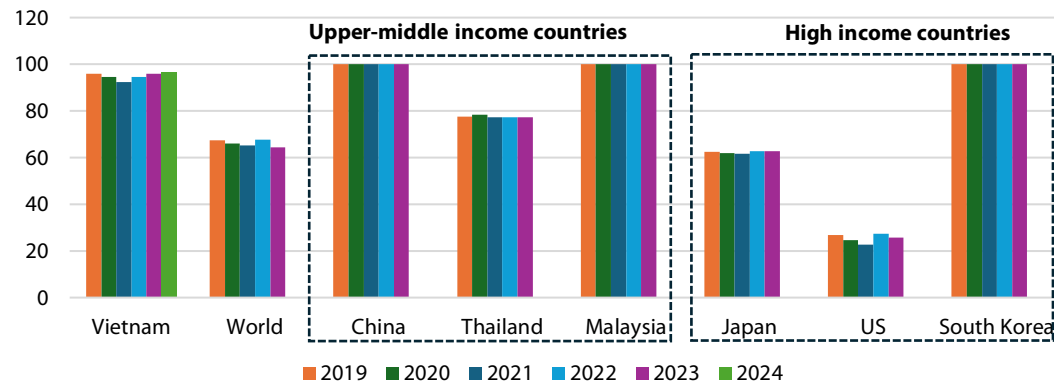
Figure 69: When compared to global, upper-middle and high-income countries, Vietnam's total private sector debt-to-GDP ratio appears non-excessive, with room for long-term growth



Source: SBV, GSO, Worldbank, RongViet Securities

*Total private sector debt includes all economic credit and outstanding non-bank corporate bonds.

Figure 70: Vietnam's contribution of bank credit to private sector debt (%) is comparable to China, Malaysia, and South Korea

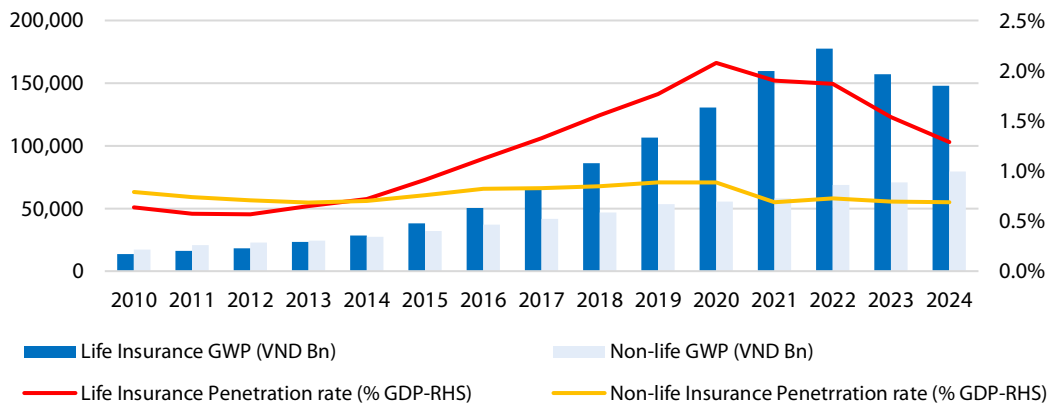


Source: SBV, GSO, Worldbank, RongViet Securities

FEE INCOME FROM INSURANCE BUSINESS: A POTENTIAL REVENUE SOURCE AWAITING A “REVIVAL”

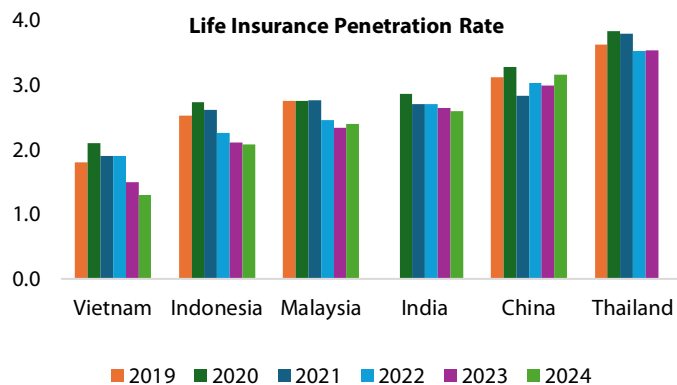
Vietnam’s insurance penetration rate remains among the lowest in emerging economies. In 2024, life insurance penetration in Vietnam is estimated at 1.3% of GDP, lower than most emerging economies (average 3% of GDP) and significantly below developed markets in Asia (average 6% of GDP). Similarly, non-life insurance penetration is approximately 0.7% of GDP in 2024, compared to 1.5%–2% in other emerging economies. However, given the positive correlation between insurance demand, economic growth cycles, and per capita income, we believe the long-term growth potential for insurance demand remains substantial.

Figure 71: While the life insurance market has declined since 2023, non-life insurance continues to grow

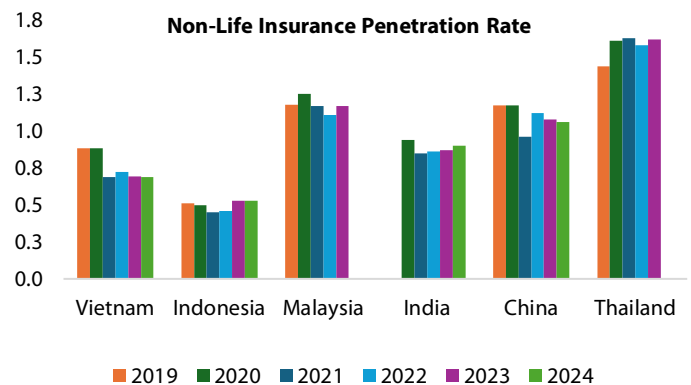


Source: IAV, RongViet Securities

Figures 72 and 73: Vietnam’s life and non-life insurance penetration rates (% of GDP) are the lowest among emerging Asian economies



Source: IAV, OJK, NHTW Malaysia, CBIRC, TLAA, RongViet Securities



Source: IAV, OJK, NHTW Malaysia, CBIRC, TLAA, RongViet Securities

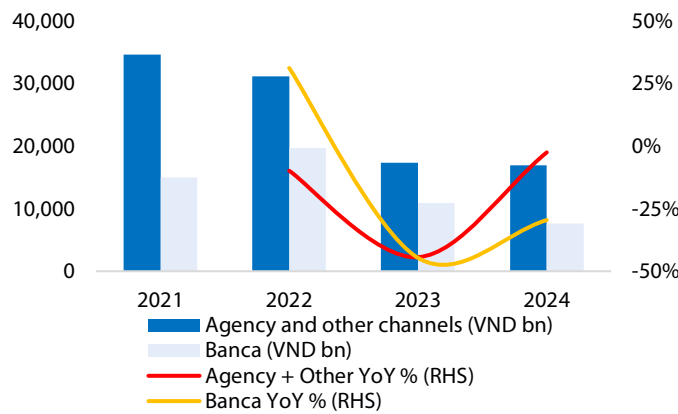
Restoring trust and standardizing sales advisory capabilities are essential for bancassurance to regain its role as a significant fee income source for banks

Bancassurance activities gained momentum from 2014 when the Ministry of Finance issued Circular 86/2014/BTC-NHNN, removing barriers for Vietnamese banks to participate in insurance agency activities. Subsequently, an increasing number of banks signed long-term exclusive distribution agreements (up to 20 years) with life insurance companies, recognizing the potential for commission revenue (first-year new business commissions can reach up to 40%, depending on scale). A few state-owned commercial banks also established joint ventures. To date, of the 31 domestic commercial banks, 19 have exclusive distribution agreements, two have established joint ventures (MBB and BID), and one has set up a life insurance subsidiary (TCI under TCB).

From 2014 to 2022, bancassurance was a “golden goose” for commercial banks, with insurance fee revenue from 27 banks achieving a 50% compound annual growth rate, and its contribution to service fee revenue rising from 7% to 29%. However, since 2022, the channel has faced challenges due to a crisis of confidence following mis-selling controversies and new regulations (the 2023 Insurance Business Law and amended Law on Credit Institutions, effective July 1, 2024), which restrict cross-selling non-mandatory insurance products with banking services and investment-linked products before and after loan disbursements. As a result, contract cancellations surged, and new business fee revenue from bancassurance plummeted by approximately 60% over the two years following 2022.

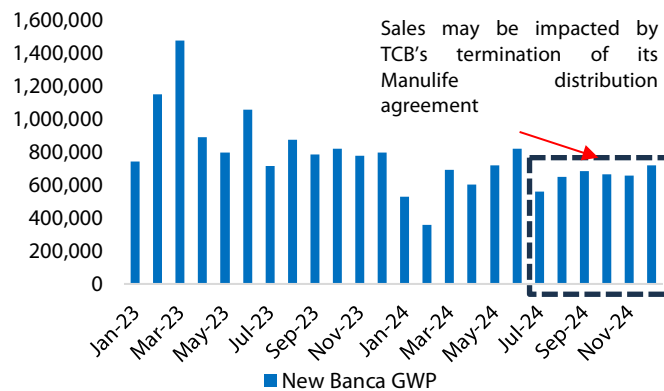
Nevertheless, we believe this period offers banks an opportunity to refine their approach to insurance product sales by enhancing staff training, tightening oversight of advisory activities, and increasing product transparency. The ultimate goal is to restore customer trust and elevate market quality. Consequently, we anticipate the market is moving past its challenging phase and poised for more sustainable growth from 2025 onward, driven by greater public awareness of insurance value, demographic shifts, economic growth, and Vietnam’s currently modest insurance penetration rate.

Figure 74: The agency distribution channel for insurance recovered better than bancassurance in the second half of 2024, resulting in less contraction in new sales compared to 2023



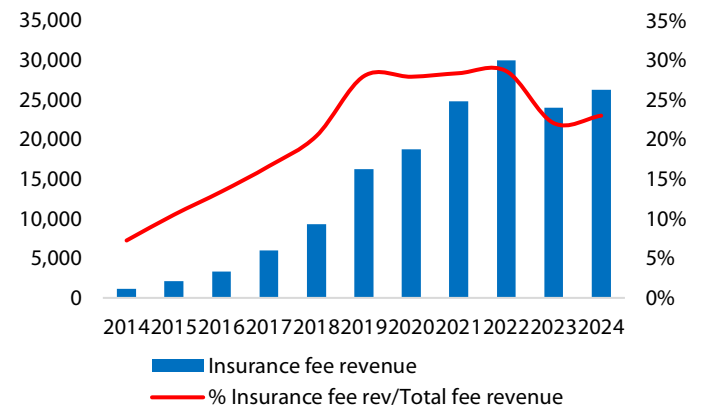
Source: RongViet Securities estimates

Figure 76: New business revenue from bancassurance stabilized and began recovering in the second half of 2024, despite the absence of TCB-Manulife contributions



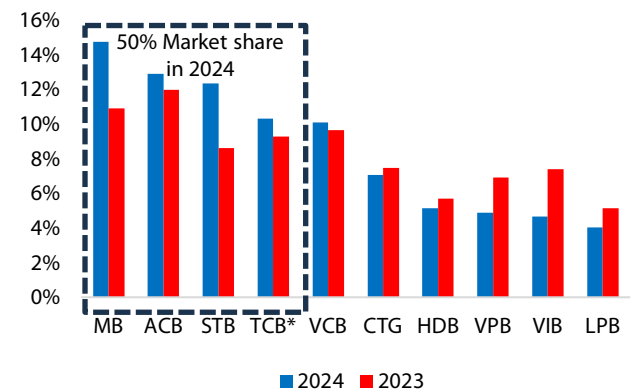
Source: RongViet Securities estimates

Figure 75: Insurance fee revenue (including non-life insurance) contributed approximately 30% of total fee income for commercial banks during 2019–2022



Source: Listed banks's financial statements, RongViet Securities

Figure 77: Top banks with the highest bancassurance market share (based on APE)



Source: RongViet Securities estimates

*TCB terminated its exclusive partnership with Manulife in October 2024 and announced plans to establish a life insurance subsidiary, TCI, in March 2025

The Vietnamese government has set ambitious targets for the insurance industry's growth by 2030.

In early 2023, the Deputy Prime Minister signed Decision 07/QĐ-TTg, approving the insurance market development strategy to 2030. This decision emphasizes specific targets: (1) gross written premium (GWP) reaching 3.3%–3.5% of GDP by 2030, and (2) 18% of the population participating in life insurance by 2025 (2024: approximately 12%). These targets are highly ambitious given the market's conditions in 2024.

Table 13: Government Targets for Life Insurance GWP Growth

	2024	Target by 2030*
Nominal GDP (VND quadrillion)	11.5	15.4
Life Insurance GWP/GDP (%)	1.3%	3.3%-3.5%
Life Insurance GWP (VND billion)	148,050	540,000-570,000
CAGR (2024-2030)		24%-25%

Source: RongViet Securities estimates * giả định tăng trưởng 6% mỗi năm

ASSET QUALITY - THE SECOND BAD DEBT CYCLE IS GRADUALLY SUBSIDING

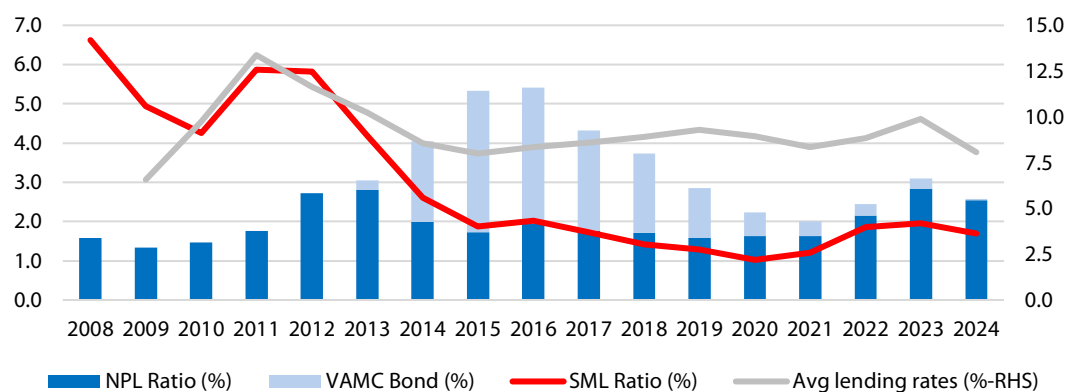
The bad debt cycle from 2008–2013 stemmed from multiple factors: the global financial crisis, overheated credit growth in the preceding period, weak risk management in the banking system, inefficiencies in state-owned enterprises (SOEs), and a frozen real estate market following excessively high interest rates. Although the bad debt ratio and VAMC bonds (Figure 78) peaked in 2016 (based on banks' financial statements), most high VAMC debts in 2014–2016 were legacy bad debts from the earlier period, including those from the consolidation of weak banks during the sector's bad debt resolution. The industry's bad debt ratio trended downward from 2014, driven by credit restructuring, a favorable macroeconomic environment, and a shift in credit allocation from inefficient SOEs to the private sector. The SOE lending ratio of listed commercial banks fell from 26% in 2008 to 7% in 2019.

The banking system is currently in a second bad debt cycle from 2020 to present, triggered by the economic fallout from the COVID-19 pandemic, followed by adverse macroeconomic conditions such as the U.S. Federal Reserve's rapid interest rate hikes to curb inflation, which drove up Vietnam's exchange rates and interest rates. Additional factors include the SCB bank incident and the corporate bond market crisis.

Compared to the previous cycle, this bad debt cycle also arises from economic downturns, particularly tied to interest rate hikes and tightened capital flows (2011: SBV introduced credit quotas to control inflation and ensure banking system safety; 2022: the corporate bond market froze, and SBV did not expand system-wide credit quotas despite many banks exhausting their limits by mid-year). Rapidly rising interest rates increased borrowers' repayment pressures, contributing to higher bad debts, while tightened capital flows made it difficult to restructure existing loans, further elevating bad debt ratios.

Regulatory responses, while similar to the previous cycle in terms of lowering policy rates (from March 2023) and allowing debt repayment rescheduling (from 2020 to 2024), have been more assertive. The government has strongly directed interest rate reductions and promoted credit growth to address the root causes of bad debt formation. As a result, the on-balance-sheet bad debt of listed banks by the end of 2024 decreased by 10% from its peak in Q3/2024, with the bad debt ratio dropping to 1.92% from 2.26%. The net bad debt formation rate in Q4/2024 also fell to its lowest level in three years. We expect the government's growth-oriented policies will continue to enhance borrowers' repayment capacity, enabling the banking system to move past this bad debt cycle.

Figure 78: Trends in bad debt ratio, Group 2 loan ratio, and average lending rates in Vietnam (2008–2024)



Source: Banks' financial statements, RongViet Securities

We note that the bad debt ratio is indicative of trends and likely lower than actual figures due to policies allowing debt deferrals and maintaining debt classifications, such as Decision 780/QĐ-NHNN in 2012, Circular 01/2020/TT-NHNN, and Circular 02/2023/TT-NHNN.

APPENDIX - PEERS

In this report, we use two listed state-owned banks in Vietnam, BID and VCB, along with six other commercial banks from emerging Asian economies with comparable positions, as references for valuation. These regional banks are leading financial institutions in their respective countries, with large scale, extensive networks, and state ownership (direct or indirect), similar to CTG.

BIDV (BID VN): Established in 1957, BIDV is Vietnam's largest state-owned commercial bank, with total assets exceeding USD 100 billion in 2024. BIDV plays a key role in financing infrastructure projects and large enterprises, holding a credit market share of approximately 13% in Vietnam in 2024.

Vietcombank (VCB VN): Founded in 1963, Vietcombank is Vietnam's state-owned commercial bank with the highest profit scale, recording a pre-tax profit of USD 1.7 billion in 2024 and total assets surpassing USD 80 billion. VCB leads the system in international transactions, retail and wholesale banking services, and significantly influences the domestic economy, with a 2024 market share of around 9%.

Bank of China (3988 HK): Established in 1912, Bank of China (BOC) is one of China's oldest banks and the fourth-largest state-owned bank in China, with total assets of approximately USD 4.8 trillion in 2024. Headquartered in Beijing, BOC operates in over 55 countries and excels in international finance, particularly in foreign exchange management and global trade.

Punjab National Bank (PNB IN): Initially India's first private bank when founded in 1894, PNB was nationalized in 1969. In 2020, PNB merged with United Bank of India and Oriental Bank of Commerce, significantly expanding its scale and reach, with over 11,000 branches nationwide, making it India's second-largest public bank. PNB focuses on serving key economic segments such as agricultural finance, retail, and SMEs. The bad debt ratio of PNB, and Indian banks generally, is relatively high, at around 5%–6% in 2024.

Krung Thai Bank (KTB TB): A major state-owned commercial bank in Thailand, established in 1966, headquartered in Bangkok. It is a state-owned bank with the Financial Institutions Development Fund (FIDF), representing the Ministry of Finance, holding approximately 55% of shares. As of 2024, KTB's total assets reached nearly USD 110 billion, ranking fourth in Thailand. Its close ties with the government provide advantages in accessing large projects and stable funding but occasionally burden KTB with high-risk loans, resulting in a historically higher-than-average industry bad debt ratio.

Malayan Banking Bhd (MAY MK): Malaysia's largest bank by total assets (USD 240 billion in 2024), established in 1960, headquartered in Kuala Lumpur. MayBank offers diverse financial services and has a strong presence in Southeast Asia, including Singapore and Indonesia.

Bank Mandiri Persero Tbk PT (BMRI IJ): Indonesia's largest state-owned bank by assets (nearly USD 150 billion in 2024), established in 1998, headquartered in Jakarta. It leads in commercial and retail banking.

Bank Rakyat Indonesia Persero Tbk PT (BBRI IJ): Indonesia's second-largest state-owned bank, with total assets exceeding USD 120 billion in 2024, established in 1895, headquartered in Jakarta. It focuses on microfinance, small, and medium enterprises.

Table 14: Average ratios from 8 banks mentioned above

Year	2019	2020	2021	2022	2023	2024	Weighted Avg 5Y
Weight by Year	10%	10%	10%	20%	20%	30%	
Valuation							
P/B (x)							
CTG	1.0	1.5	1.8	1.2	1.2	1.4	1.3
Mean	1.5	1.4	1.4	1.4	1.5	1.4	1.4
Median	1.0	1.3	1.4	1.2	1.2	1.4	1.3
Profitability							
NIM (%)							
CTG	3.0	3.0	3.1	3.0	2.9	2.9	3.0
Mean	3.2	3.2	3.4	3.5	3.3	3.1	3.3
Median	3.0	2.8	3.1	3.0	2.9	2.9	2.8
ROE (%)							
CTG	10.6	14.7	15.8	14.5	14.8	18.6	15.5
Mean	12.0	9.3	11.5	13.6	14.2	15.0	13.3
Median	11.4	8.5	11.2	14.5	14.8	18.6	15.5
ROA (%)							
CTG	0.8	1.1	1.0	1.0	1.0	1.1	1.0
Mean	1.2	0.8	1.1	1.3	1.4	1.4	1.3
Median	1.0	0.8	0.9	0.9	1.0	1.1	1.0
Asset quality							
NPL (%)							
CTG	1.2	0.9	1.3	1.2	1.1	1.2	1.2
Mean	1.8	3.5	3.3	2.0	2.6	2.1	2.4
Median	1.4	1.8	1.7	1.4	1.3	1.2	1.6
LLR (%)							
CTG	120	131	180	186	167	175	166
Mean	139	200	223	191	182	172	178
Median	132	140	187	187	181	183	168
Operational metrics							
NII/TOI (%)							
CTG	75	73	73	69	70	72	71
Mean	69	68	68	71	71	70	69
Median	69	70	70	72	73	72	71
CIR (%)							
CTG	37	33	30	28	27	26	29
Mean	40	41	40	39	38	39	39
Median	41	42	43	41	40	41	42
Retail lending/Total loans (%)							
CTG	29	30	32	37	38	39	36
Mean	31	31	32	36	34	33	30
Median	32	30	32	37	35	32	31
Growth							
Loans to customers (%)							CAGR 5Y
CTG	8%	9%	13%	9%	13%	11%	11%
Mean	11%	7%	14%	4%	9%	8%	8%
Median	12%	9%	13%	3%	10%	9%	9%
PBT (%)							CAGR 5Y
CTG	78%	45%	4%	18%	16%	21%	20%
Mean	18%	-24%	81%	36%	8%	23%	8%
Median	8%	-22%	27%	38%	9%	8%	9%

Source: Bloomberg, RongViet Securities

COMPANY REPORT

This report is created for the purpose of providing investors with an insight into the discussed company that may assist them in the decision-making process. The report comprises analyses and projections that are based on the most up-to-date information with the objective that is to determine the reasonable value of the stock at the time such analyses are performed. Through this report, we strive to convey the complete assessment and opinions of the analyst relevant to the discussed company. To send us feedbacks and/or receive more information, investors may contact the assigned analyst or our client support department.

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Ratings	BUY	ACCUMULATE	REDUCE	SELL
Total Return including Dividends in 12-month horizon	>20%	5% to 20%	-20% to -5%	<-20%

In some cases, we do not provide specific buy/sell recommendations but only offer some reference valuations to give investors additional information, classified under the **OBSERVE** recommendation

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