

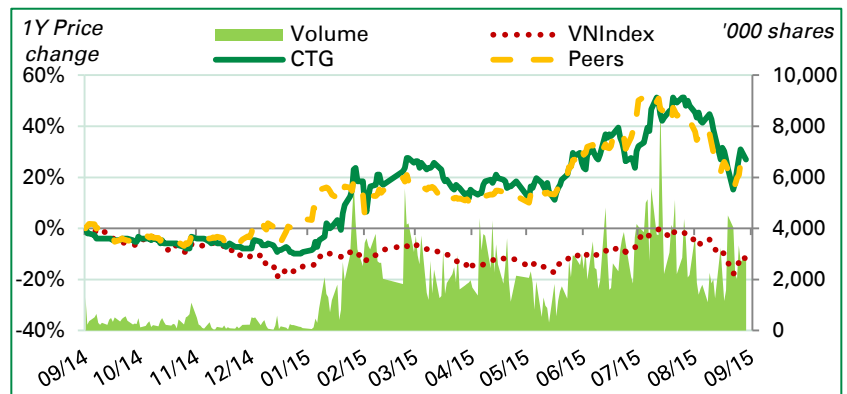
## COMPANY UPDATE: **HOLD**

Current Price (08/31/2015):	VND	19,300		
Long-term value	Fully-valued			
Target Price:	VND	18,300		
Short-term trend:	Neutral			
Resistance level:	VND	20,500		
Support level:	VND	17,000		
Bloomberg ticker: <b>CTG VN</b>	Exchange: HSX			
Industry: Banking				
Beta	1.03			
52w High / Low (VND)	23,000/13,700			
Outstanding Shares (mn)	3,723			
Market Cap (VNDbn/USDmn)	71,862 / 3,196			
Free Float (mn)	6.0			
LTM Avg Trading Vol	1,771,362			
Foreign-owned Ratio (%)	29.5%			
<b>Year</b>	<b>Div.rate</b>	<b>NIM</b>	<b>EPS</b>	<b>NPL</b>
2016F	10%	3.00%	1,281	1.8%
2015E	10%	2.98%	1,196	1.6%
2014A	10%	3.07%	1,266	1.1%
2013A	16%	3.67%	1,504	1.0%
<b>Ratio</b>	<b>CTG</b>	<b>Peers</b>	<b>VNI</b>	
LTM P/E (x)	12.6	10.7	11.0	
LTM P/B (x)	1.3	1.2	1.7	
LTM ROE (%)	10.6	11.3	15.8	
LTM ROA (%)	0.9	0.9	2.9	

### Company description:

CTG was established in 1988 after its separation from the State Bank of Vietnam. The bank is a universal financial group with seven subsidiaries and two joint-venture companies in the Financial leasing, Brokerage, Fund management, Asset management, Gold & Jewelry, Insurance and Money transfer fields.

By the end of 1H2015, CTG has total assets of VND685,747 billion (USD32 billion), total customer loan of VND480,573 billion (USD22 billion) and total customer deposit of VND449,205 billion (USD21 billion).



Our recommendation for CTG is **HOLD** with a revised 2015 target price of **VND18,300**. The current price offers limited potential for long-term profits over both the long and short-term trends, but there does not seem to be significant risk of decline.

### Investment considerations:

- ❖ **Strong operating results for 1H2015:** CTG recorded nearly 15% y-o-y growth in profit before provisions for 1H2015. Improved NIM and more than 40% growth in non-interest income, which we believe included large amounts of bad debt recoveries, were the drivers.
- ❖ **However, we forecast negative profit growth for 2015:** While we predict CTG's total operating income to grow by 11.5% in 2015 thanks to solid expansion of customer loan book, we believe that CTG's net profit will be eroded by high provision expenses due to the application of Circular 09, Circular 02 and to the pending merger with PGBank.
- ❖ **Risk of selling pressure post-merger:** While we do not expect Petrolimex (40% shareholder in PGB) to immediately divest their holdings post-merger, there is a visible risk that other shareholders would want to realize their gains given the generous share-swap ratio and the high trading liquidity of CTG shares in the market.

### Short term trend - Neutral:

- ❖ Following the trend of the general market, CTG's price fell from the peak of 23,500 earlier this month to the support level of the MA200 at 17,000. This MA helped it rebound recently, trending towards the MA50 at 20,500. It is now moving around the MA100 at 19,200 and between the MA5 and MA10, generating a neutral signal for the short-term trend.

Please see important disclosure information at the end of this report.

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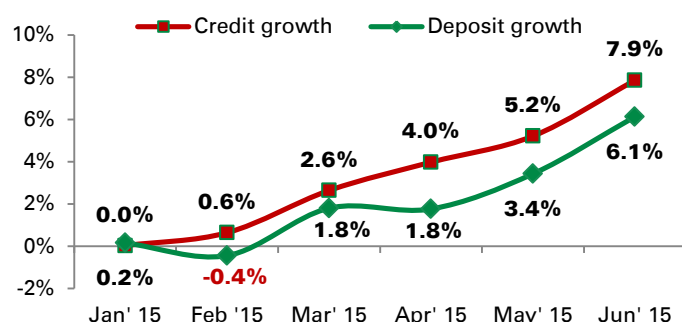
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## 1H2015 Industry update

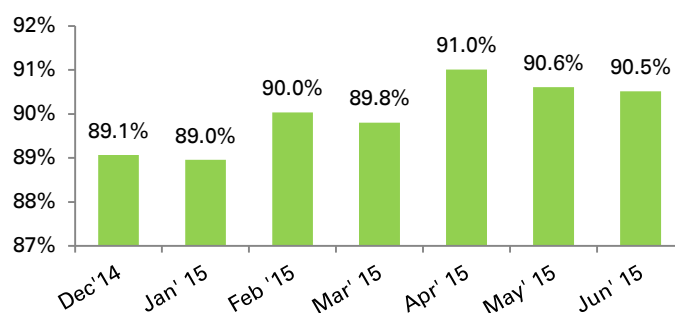
**Credit outpaced deposit in growth in 1H2015:** According to SBVs data, total outstanding credit grew 7.9% by June 2015 (vs. December 2014) while deposit only grew 6.1%. After lagging in April, deposit growth appears to have regained considerable momentum during May and June. We're seeing this as a downward pressure on NIM and predicted that NIM system-wide will stay flat in 2015.

**Divergence in NPL trend:** The top three listed commercial banks in Vietnam – Vietcombank, BIDV and CTG – saw higher NPL ratios in June 2015 (versus December 2014). Management cited the application of Circular 02 (regarding consistent loan classification across all banks for the same customers) and Circular 09 (regarding the reclassifying of restructured loans) as the main causes behind the rises in NPL. Meanwhile, however, Military Bank, Asia Commercial Bank and Eximbank demonstrated significant improvement in NPL ratio in 1H2015.

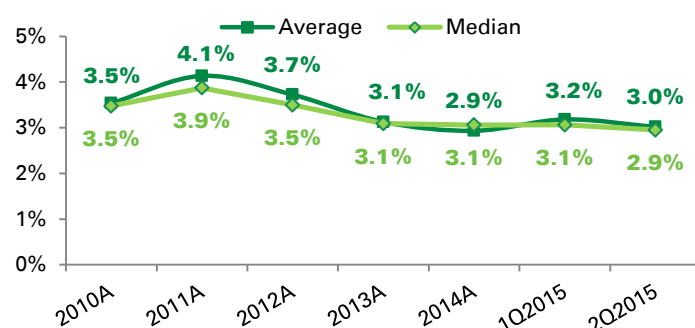
Credit & deposit activities in 1H2015 (vs. Dec'14)



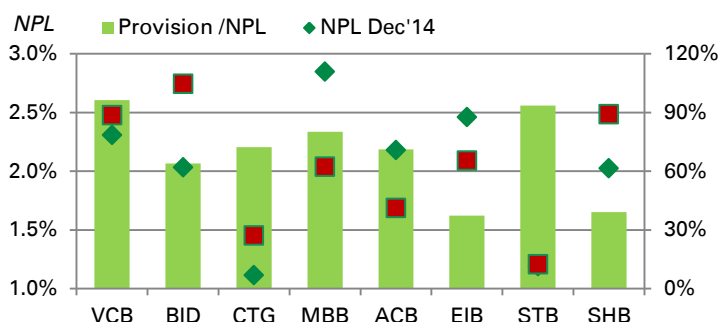
Banking system's credit-to-deposit ratio



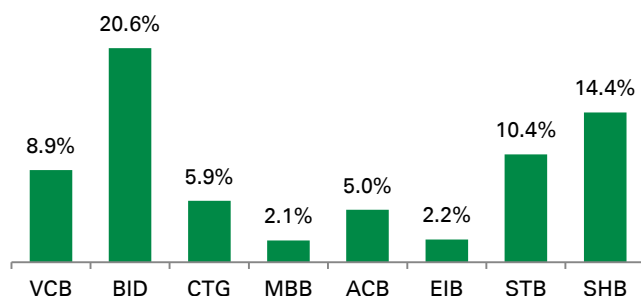
Net interest margin (eight listed banks)



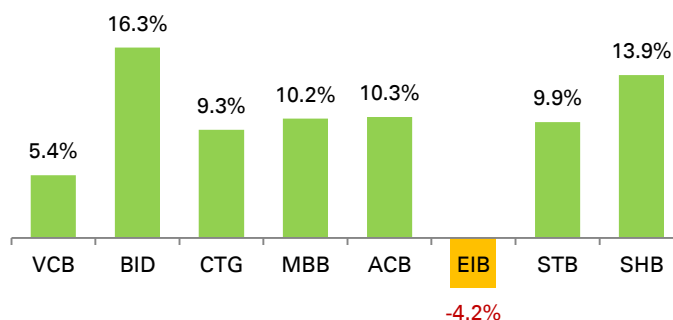
NPL ratios – eight listed banks



Customer deposit growths in 1H2015



Customer loan growths in 1H2015



Source: State Bank of Vietnam, 2Q2015 financial statements of listed banks, VPBS's analysis

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## **Decree 34 will accelerate VAMC's purchases of banks' bad debts**

*(Decree 34/2015/ND-CP dated March 31, 2015 amending Decree 53/2013/ND-CP dated May 18, 2013)*

This decree affects VAMC, and demonstrates the determination of SBV to take strong measures in cleaning up nonperforming loans. We believe this decree will accelerate both the purchase, and the sale or resolution, of bad debts by VAMC. Decree 53 originally stipulated that VAMC could use two methods to purchase bad debts: (1) by issuing VAMC's special bonds, at par equal to the book value of the outstanding loan, deducting the subsequent unused provision made for that specific loan; or (2) purchasing the bad debts for cash at market prices, following a process of negotiation and revaluation of the bad debts. VAMC is to conduct the revaluation of collaterals of bad debts or outsource to a third party for revaluation when necessary. VAMC's charter capital was initially quite small at only VND500 billion (USD23.1 million) and there were no specific regulations on the vehicle other than special bonds, meaning VAMC's ability to purchase bad debts at market prices was limited. Most of VAMC's bad debt purchases so far have been conducted by issuing special bonds based on their book value. In many cases, the book value of bad debts was significantly different from their market prices, and VAMC has had to deal with obstacles in recovering and selling these debts.

The new Decree has increased VAMC's charter capital to VND2,000 billion (USD92.6 million) and given VAMC the ability to issue its bonds to banks for the purpose of purchasing the debt at market prices. These bonds can be used for deposit at SBV for borrowing via re-financing or open market operations. VAMC is also not subject to the limitations on financial management of regular SOEs. We believe that VAMC should be able to issue as many bonds as it wishes for its purchase of bad debts at market prices.

The scope of bad debts that VAMC can buy at market prices is now broader than before. When bad debts are bought at market prices, the subsequent sale at market prices is now supported by more detailed regulations.

Buyers of VAMC bad debts and their underlying collaterals may include non-residential institutions and individuals, which was unclear before. This is in line with the amendment of the Real Estate Law and Housing Law, which allows foreigners to buy houses and properties, and was effective on July 1, 2015. As a consequence, VAMC will be able to sell debts and/or the related collaterals to foreign customers once the SBV has given guidance.

The Decree also grants VAMC more power to settle collaterals as VAMC can sell at a negotiated price to a buyer after one unsuccessful auction, and subsequently notify the lender bank, where previously sales could be concluded by auction only. The new decree also defines an unsuccessful auction: no participants, no bids, or other cases defined by the law on asset auctions. Through the end of 2014, VAMC had only resolved VND4,800billion (USD218 million) of NPLs compared to over VND123,000 billion (USD5.6 billion) of loans purchased, but by the end of July 2015 the amount of resolutions had increased to VND6,513 billion (USD296 million) compared to over VND51,000 billion (USD2.3 million) of loans purchased.

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## **Banking M&A activities**

Aside from CTG's upcoming merger with PGB, which we discuss in detail below, there are several others worth noting.

### *Rumor of CTG's mergers with Ocean Bank and GP Bank*

There are rumors in the market that in addition to the merger with PG Bank, CTG will also merge with two banks for which it is currently providing support for their restructuring processes: Ocean Bank and GP Bank. Although management did not rule out the possibility of additional M&A activities in the future, CTG clarified that at the moment it is supporting the two troubled banks with human resources.

### *Southern bank is to be merged with Sacombank in Q4/2015*

Sacombank's Extraordinary AGM took place on July 10, 2015. STB will issue 400 million shares to complete the deal with PNB. With 93 percent approval, Sacombank's shareholders have accepted this merger.

- ❖ Swap ratio: 1:0.75; for each PNB share, PNB's shareholders will receive 0.75 STB shares; 400m shares of PNB will be swapped for 300m shares of STB.
- ❖ For each STB share, existing shareholders will receive 0.0875 additional shares of STB, equivalent to 100m shares of Sacombank.
- ❖ Expected issuance date: within 90 days (or more if necessary) after SSC's approval.

STB has stated that, by merging with PNB, STB will expand its network by 143 branches and POS, and 4,000 trained employees, more than a capital raising of VND5,000 billion to VND10,000 billion (USD231 million to USD462 million) could achieve. However, the BOD cannot provide detailed answers on how shareholders' interests will be protected with this controversial merger and swap ratio.

### *VCB and SaigonBank: no details provided regarding M&A activities*

VCB provided no details regarding its M&A activities despite a merger of Saigon Bank into VCB being approved in principle by SBV earlier this year. Instead, VCB mentioned key criteria for M&A activities. Specifically:

- ❖ To increase the bank's total assets and equity size
- ❖ To maintain its operational safety
- ❖ To expand complementary networks for VCB

At the moment, VCB is still searching for and negotiating with potential candidates for a merger. We will provide detailed updates when more information is available.

## CTG Q2 Results – Profit before provision up 14.7% y-o-y

VND in billion	1H2015	1H2014	(+ / -) %
Interest income	20,742	20,747	0.0%
Interest expense	-11,121	-11,876	-6.4%
<b>Net interest incomes</b>	<b>9,621</b>	<b>8,871</b>	<b>8.5%</b>
% Total Operating Incomes	87.5%	90.1%	
Net commission income	677	669	1.2%
Net gains / losses from FX	65	194	-66.5%
Net gains/ losses from investments	7	-75	n/a
Net other income	576	95	506.3%
Incomes from investments	53	95	-44.2%
<b>Non-interest incomes</b>	<b>1,378</b>	<b>978</b>	<b>40.9%</b>
% Total Operating Income	12.5%	9.9%	
<b>Total Operating income</b>	<b>10,999</b>	<b>9,849</b>	<b>11.7%</b>
Operating expense	-4,585	-4,259	7.7%
Op expenses, % Total income	41.7%	43.2%	
<b>Profit before provision</b>	<b>6,414</b>	<b>5,590</b>	<b>14.7%</b>
Provision expense	-2,536	-1,717	47.7%
<b>Profit before taxes</b>	<b>3,878</b>	<b>3,873</b>	<b>0.1%</b>
Tax expense	843	848	
Minority interest	9	7	
<b>Net income</b>	<b>3,026</b>	<b>3,018</b>	<b>0.3%</b>

VND in billion	Jun-15	Dec-14	(+ / -) %
Placement at CIs	45,685	67,162	-32.0%
Loans to CIs	2,201	8,272	-73.4%
Loans to Customers	480,573	439,869	9.3%
<b>Loan Provision</b>	<b>-5,044</b>	<b>-4,346</b>	<b>16.1%</b>
Debt investments	106,353	97,599	9.0%
<b>Total IEA</b>	<b>634,812</b>	<b>612,902</b>	<b>3.6%</b>
Borrowing from State Bank	1,925	4,731	-59.3%
Deposits from CIs	47,618	42,040	13.3%
Borrowings from CIs	56,190	61,730	-9.0%
Customer Deposits	449,205	424,181	5.9%
Funds received from Govt.	40,696	32,022	27.1%
<b>Total IBL</b>	<b>595,634</b>	<b>564,704</b>	<b>5.5%</b>
CAR	10.92%	10.40%	
LDR (Circular 36)	97.5%	96.1%	
NPL / Total Loan	1.45%	1.12%	
Loan provision / NPL	72.3%	88.6%	
NIM (6M2015 vs 2014)	3.1%	3.1%	
TTM ROE*	10.6%	10.5%	
TTM ROA*	0.9%	0.9%	

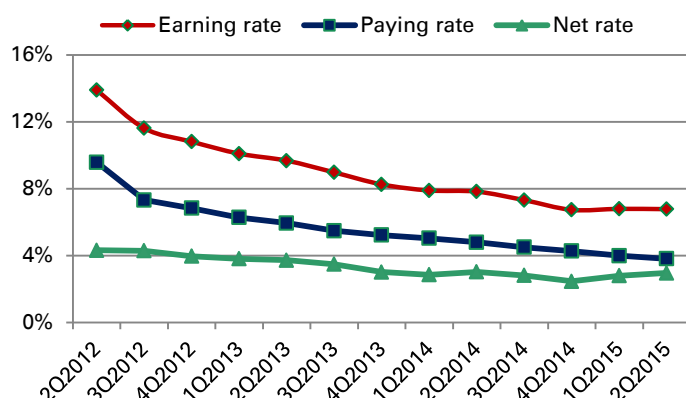
Source: CTG's financial statements, VPBS's analysis, LDR (Circular 36) was re-calculated by VPBS

\* Calculated using profit after taxes and minority interests

### Net interest margin (NIM) improved in 1H2015 but might lower in 2H2015:

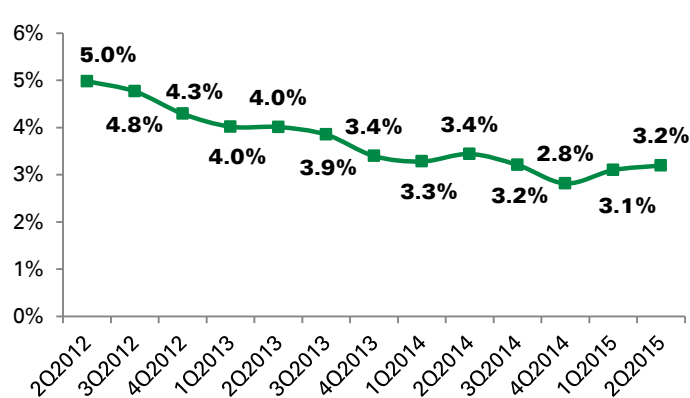
CTG's NIM had been on the downward trend since 2011 (4.13%) and reached 3.07% in 2014. In 2015, however, NIM had been on the rise in the first two quarters. This is most likely because CTG had been keeping mobilizing rates low in order to protect NIM. Given CTG's high LDR ratio (more on it below) and higher credit growth versus deposit, we believe that NIM will be lowered in 2H2015, leading to full-year NIM in 2015 of 3.00% (1H2015: 3.07%).

CTG's average interest earning and paying rate



Source: CTG's financial statements, VPBS's analysis

CTG's NIM – sign of improvement in 1H2015



Source: CTG's financial statements, VPBS's analysis

**Non-interest income up 41% y-o-y in 1H2015:** Increases in non-interest incomes primarily came from net other incomes – which were recorded at VND576 billion (USD26 million) in 1H2015. We believe that this balance represents recovery of previously written-off loans.

**Provision expenses eroded profit growth in 1H2015:** While profit before provision recorded solid y-o-y growth of 14.7% in 1H2015, net profit only up 0.3% y-o-y due to significantly higher provision expenses, which in turn was caused by stricter loan classification as required by Circular 09 and Circular 02. This is also the main reason why CTG's non-performing ratio (NPL) increased from 1.12% by the end of December 2014 to 1.45% by the end of June 2015.

**Loan-to-deposit ratio remained tight at 98% in 1H2015:** In a recent investor meeting, CTG's management stated that the bank's current LDR ratio is within the 80% to 90% range (below the 90% limit imposed by State Bank Vietnam for state-owned commercial banks). However, our own calculation of CTG's LDR according to Circular 36's guidance – which might not reflect actual calculation carried out by CTG – pointed to a result of 97.5% by the end of June 2015.

Based on our personal view, the State Bank of Vietnam will give local banks another year or two to reduce the LDR ratio to the requirement level as immediate enforcement would hurt credit (and thereby profit) growth and keep NPL at the high level.

**Customer loans outgrew customer deposits in 1H2015:** Customer loan grew 9.3% in 1H2015 (vs. December 2014) while customer deposit only grew 5.9% over the same period. Fortunately, deposits from other credit institutions increased 13.3% to VND47,618 billion (USD2.2 billion) in 1H2015 which helped to partially relieve the burden on CTG's LDR ratio.

## Merger with PGBank – Unclear impact, visible dilution

### Unclear impact:

VND in billion	CTG	PGB	PBG, % of CTG
Total assets (Jun'15)	685,747	24,434	3.6%
Total loan book (Jun'15)	480,573	15,187	3.2%
Total deposits (Jun'15)	449,205	15,999	3.6%
Total equity (Jun'15)	54,363	3,388	6.2%
BVPS (Jun'15)	14,600	11,293	77.3%
Net interest income - LTM	18,330	686	3.7%
Operating income - LTM	18,703	729	3.9%
Net income - LTM	4,812	148	3.1%
NPL - Jun'15	1.45%	3.53%	
NIM - 1H2015	3.07%	3.09%	
ROA - LTM	0.89%	0.59%	
ROE - LTM	10.62%	4.40%	
CIR - LTM	45.77%	69.39%	
Branch network (Dec'14)	1,092	79	

Source: PGBank's and CTG's 2Q2015 financial statements

In our initiating coverage report published in April 2015, we noted that PGB's asset sizes and P&L are very small compared to CTG's and as such this merger would not have a significant impact on latter's operation. We maintain the same view in this report and would like to add that the proposed share-swap (0.9 CTG shares for 1 PGB share) appears quite expensive. Here's why:

- PGB's book value per share only equals 77% of CTG's



- PGB's fundamentals do not look encouraging with LTM ROE at 4.40% (CTG: 10.62%) and LTM cost-to-income ratio of 69.39% (CTG: 45.77%)
- We do not fully buy into the "synergy" story given by management. PGB's 79 branches at the end of 2014 appear too "few" to give a meaningful boost to CTG's operation. In addition, additional net income from PGB (LTM: VND148 billion ~ USD7 million) might not be enough to cover the post-merger integration cost in 2015 and 2016.

#### **Visible dilution:**

CTG's book value per share (BVPS) by the end of Q2/2015 is VND14,600. Post-merger, we estimated CTG's consolidated book value per share to be VND14,355 (using June 2015 numbers for both banks) – a 2% dilution. That is, if we assume that PGB's book value needs no further adjustments (e.g. sufficient provisions are set aside for PGB's loan book) – a rather wishful assumption given the fact that PGB's loan provision balance only covers 33% of the bank's non-performing loans as of June 30, 2015.

#### **Selling pressure post-merger:**

PGB is owned 40% by Petrolimex, 4.6% by Mr. Le Minh Quoc (member of BOD) and 55.4% by other shareholders. While we do not expect Petrolimex to immediately divest their holdings post-merger (~ 108 million CTG shares, or 2.7% outstanding shares post-merger), there is a visible risk that other shareholders would likely want to realize their gains given the generous share-swap ratio and the high trading liquidity of CTG shares in the market.

#### **2015 Outlook: we expect net profit to decrease 3% in 2015**

**We forecast operating income to increase 11.5% in 2015:** Operating income growth will be driven by 12.2% growth in net interest income. While we predict NIM to decrease to 2.98% in 2015 from 3.07% in 2014, we forecast that CTG's loan book will grow by 18% in 2015 thanks to strong credit growth system-wide and to the consolidation of PGB's book (~3.2% of CTG's book as of June 30, 2015).

**Operating expenses will be up 12.4% in 2015:** We forecast that the additional operation costs from PGB and the post-merger integration cost will push CTG's CIR to 47.1% in 2015 from 46.7% in 2014.

**We expect provision expenses to be up 35% in 2015:** We predict that the application of Circular 02, Circular 09 and the merger with PGB will drive CTG's NPL ratio from 1.1% in 2014 to 1.6% in 2015 (1H2015: 1.45%).

**Therefore, despite solid growth in operating income,** we forecast that CTG's net income will reach VND5,542 billion (USD254 million) in 2015, down 3% y-o-y.



## Key assumption forecast – 2015 to 2019

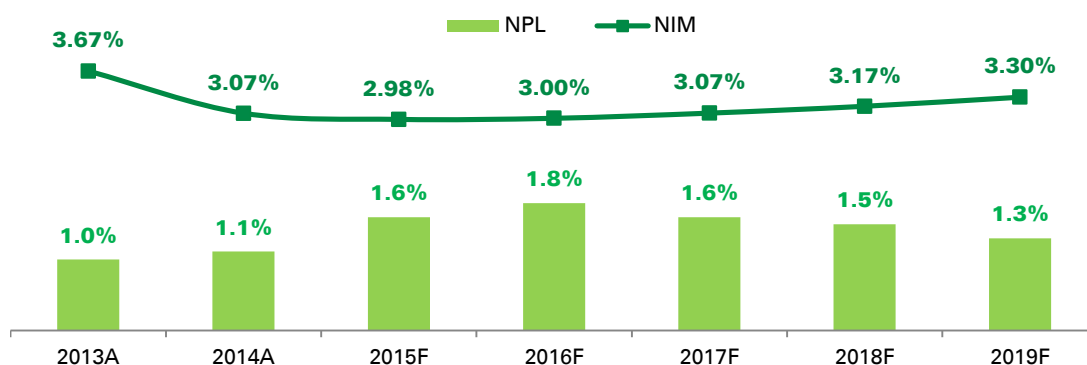
VND in billion	2013A	2014A	2015F	2016F	2017F	2018F	2019F
Customer loans	376,289	439,869	519,847	593,210	653,843	720,338	776,036
Growth	12.9%	16.9%	18.2%	14.1%	10.2%	10.2%	7.7%
Customer deposits	364,497	424,181	494,023	576,034	655,386	745,794	848,815
Growth	26.1%	16.4%	16.5%	16.6%	13.8%	13.8%	13.8%
LDR (Circular 36)	93.4%	96.1%	99.0%	98.0%	96.0%	94.0%	90.0%

Source: CTG's financial statements, VPBS's calculation

**CTG's customer loans to achieve CAGR of 12% between 2014 and 2019:** We believe that CTG's credit growth will be limited by CTG's already-high LDR ratio (97.5% by the end of Q2/2015 according to our calculation). Although Circular 36 requires that state-owned commercial banks must keep LDR ratio at 90% or lower, we believe that actual enforcement might not be carried out in full force in the next few years as banks need to maintain loan growths in order to keep NPL ratio in check. We believe that the 90% LDR requirement required by Circular 36 will not be strictly enforced and that local banks will be given some leeway to gradually bring down their LDR ratios down to the satisfactory level

**CTG's customer deposit to achieve CAGR of 15% between 2014 and 2019:** We believe that deposit growths will primarily come from the retailing segment. We note that not only CTG but also VCB, BIDV and other banks are currently gunning for retailing deposit growths in the upcoming years. Being the top three reputable banks in the industry, we predict that these three banks will attract significantly higher flow of deposits from the customers compared to smaller banks.

### Our forecast of NIM and NPL:



We expect CTG's NPL to increase in 2015 and 2016 due to the application of Circular 02, Circular 09 and the merger with PGB. NPL then will gradually decline to 1.3% by the end of 2019.

We also predict that CTG's NIM will begin improving starting 2016 thanks to higher credit demand as Vietnam's economy picks up growth paces in the upcoming years.

## Stock valuation: we target CTG at VND18,300 per share

Methods	Valuation	Weight
Residual income	17,400	40%
2015 BVPS x 1.2x PB	18,900	60%
<b>Target price (VND/share)</b>	<b>18,300</b>	<b>100%</b>

### Residual income – CTG is valued at VND17,400 per share

- The *risk-free rate* is the 5-year local currency Government bond yield, which is currently equivalent to 6.4%
- The *Vietnamese market premium* is determined to be 8.7%.
- Cost of equity is estimated to be 15.1% by using the capital asset pricing model with beta at 1.03.
- CTG's *terminal growth rate* is determined to be 5% to better reflect VPBS's expectation of banking system's long-term growth rate.

VND in million	2015F	2016F	2017F	2018F	2019F
<b>Net Income for shareholders</b>	<b>5,542,492</b>	<b>6,154,078</b>	<b>7,460,583</b>	<b>10,139,341</b>	<b>13,202,423</b>
Shareholders Equity (t-1)	55,012,807	59,666,890	61,780,902	65,197,883	71,286,369
Capital Charge	8,306,934	9,009,700	9,328,916	9,844,880	10,764,242
<b>Residual Net Income</b>	<b>(2,764,442)</b>	<b>(2,855,622)</b>	<b>(1,868,333)</b>	<b>294,461</b>	<b>2,438,181</b>
Terminal value					37,417,633
Present Value Factor	0.95	0.83	0.72	0.63	0.54
<b>PV Residual Net Income</b>	<b>(2,637,844)</b>	<b>(2,367,374)</b>	<b>(1,345,691)</b>	<b>184,265</b>	<b>1,325,581</b>
<b>PV Terminal value</b>					<b>20,343,074</b>
<b>Total Projected EVA</b>	<b>15,502,011</b>				
Current Book Value Equity	54,363,322				
<b>Value of Equity</b>	<b>69,865,333</b>				
Number of Shares (million)	4,023				
<b>Value per share (VND)</b>	<b>17,365</b>				

### Sensitivity Analyses:

		Cost of Equity				
		11.1%	13.1%	15.1%	17.1%	19.1%
Terminal growth rate	3.0%	30,986	22,286	16,611	12,653	9,756
	4.0%	33,099	23,161	16,954	12,747	9,730
	5.0%	35,904	24,253	17,365	12,857	9,700
	6.0%	39,810	25,652	17,866	12,986	9,665
	7.0%	45,622	27,510	18,491	13,141	9,624

		Change in deposit growth rate				
		-4.0%	-2.0%	0.0%	2.0%	4.0%
Change in interest rates	-0.2%	21,097	23,315	25,800	28,927	31,175
	-0.1%	17,523	19,439	21,603	24,303	26,110
	0.0%	13,915	15,527	17,365	19,639	21,033
	0.1%	10,271	11,578	13,084	14,933	15,965
	0.2%	6,593	7,592	8,760	10,186	10,889

## Peer analysis

	Market Capital	Sale growth (% y-o-y)	Profit growth (% y-o-y)	ROA (%)	ROE (%)	P/E		P/B	
	USDmn	1H2015	1H2015	LTM	LTM	Current	2015E	Current	2015E
<b>Vietnam</b>									
Bank for Foreign Trade (VCB)	5,038	25.6	10.3	0.9	10.7	22.5	25.4	2.5	2.4
Bank for Investment & Development (BID)	3,528	11.2	28.7	0.9	16.1	12.4	15.9	1.9	2.0
Saigon Thuong Tin Bank (STB)	844	10.8	-7.1	1.1	11.8	8.9	21.4	1.0	1.1
Military Bank (MBB)	754	11.2	8.0	1.4	16.7	6.8	7.2	1.0	1.0
Asia Commercial Bank (ACB)	730	7.1	-0.5	0.5	7.7	17.4	15.2	1.3	1.3
Eximbank (EIB)	634	1.8	-14.2	N/A	N/A	N/A	20.1	1.0	1.0
Saigon - Hanoi Bank (SHB)	287	16.3	-5.6	0.4	7.1	8.1	N/A	0.6	N/A
Average	1,688	12.0	2.8	0.9	11.7	12.7	17.5	1.3	1.5
Median	754	11.2	-0.5	0.9	11.3	10.7	18.0	1.0	1.2
VietinBank (CTG)	3,196	11.7	0.3	0.9	10.6	12.6	13.0	1.3	1.2

Source: VPBS, Bloomberg, data as of August 31, 2015

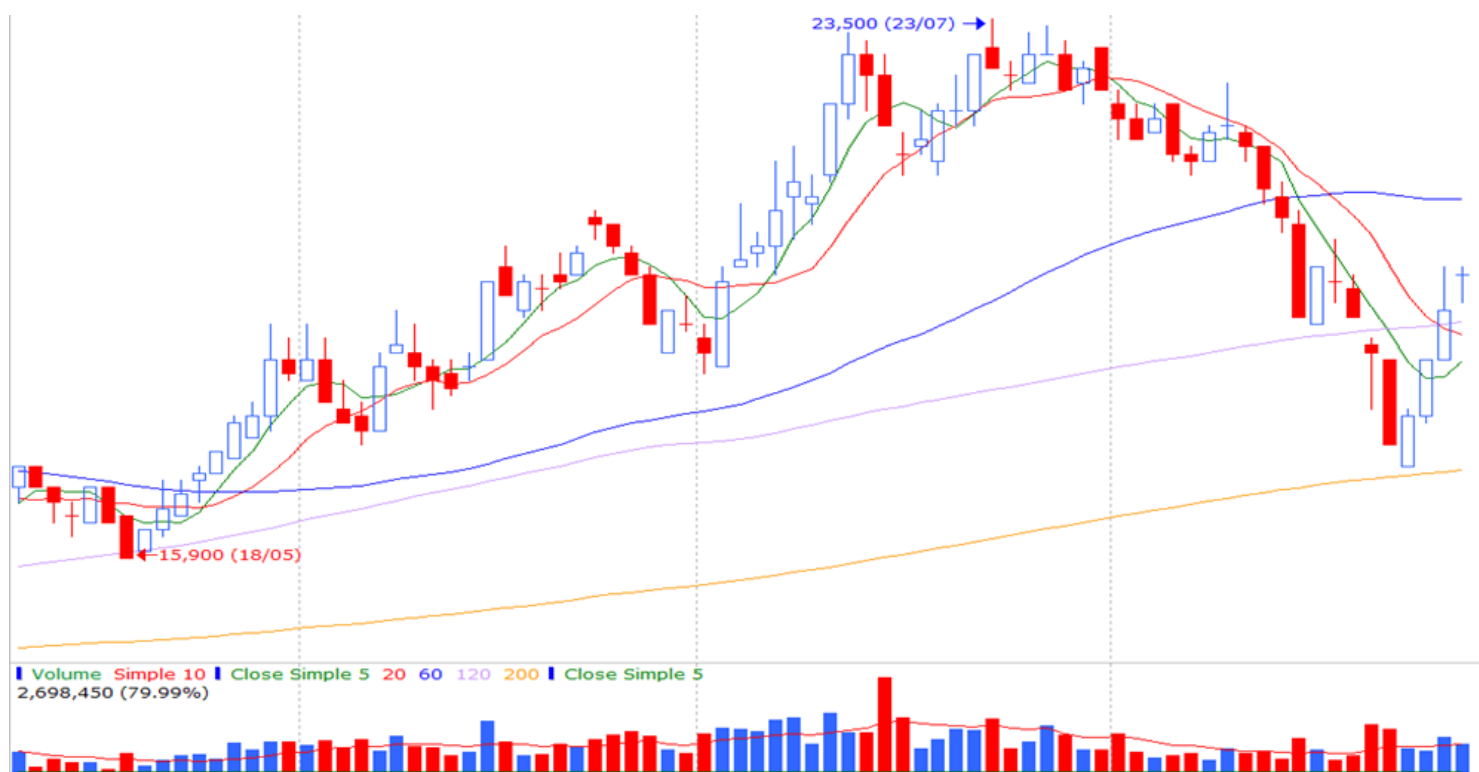
We predict that over the next 12 month, CTG's P/B will remain at 1.2x, which is equivalent to the peer group's median.

## Technical analysis

CTG witnessed a sharp decline from the beginning of August. Its price fell from the peak of 23,500 to the support level of the MA200 at 17,000. This MA helped it rebound recently, trending towards the MA50 at 20,500.

It is now moving around the MA100 at 19,200 and between the MA5 and MA10, generating a neutral signal for the short-term trend. Meanwhile, the mid-term trend is also neutral as CTG is fluctuating between the MA50 and MA200.

As of August 28, 2015	CTG (VND/share)
Horizon analytic	3 to 6 months
3-month highest price	23,500
3-month lowest price	17,200
Current 50-day MA	20,500
Current 100-day MA	19,200
Mid-term resistance level	20,500
Mid-term support level	17,000
<b>Trend</b>	<b>NEUTRAL</b>



## Appendix 1 – VPBS projection

<b>INCOME STATEMENT (VND bn)</b>	<b>2013A</b>	<b>2014A</b>	<b>2015E</b>	<b>2016F</b>	<b>2017F</b>	<b>2018F</b>	<b>2019F</b>
Interest Income	44,281	41,076	44,423	51,543	58,640	66,528	75,885
Interest expense	-26,004	-23,495	-24,702	-29,002	-32,998	-37,236	-41,996
<b>Net Interest Income</b>	<b>18,277</b>	<b>17,581</b>	<b>19,721</b>	<b>22,541</b>	<b>25,642</b>	<b>29,292</b>	<b>33,889</b>
Fee income	1,520	1,468	1,690	2,030	2,379	2,748	3,153
Net gains from gold and FX dealing	291	387	488	490	493	490	478
Income from trading equity investment	27	39	31	35	41	50	63
Other operating income	1,495	1,391	1,357	1,415	1,388	1,387	1,396
Incomes from other entities	173	166	168	186	172	173	173
<b>Non-Interest Income</b>	<b>3,506</b>	<b>3,451</b>	<b>3,734</b>	<b>4,156</b>	<b>4,473</b>	<b>4,848</b>	<b>5,263</b>
<b>Total Operating Income</b>	<b>21,783</b>	<b>21,032</b>	<b>23,455</b>	<b>26,697</b>	<b>30,115</b>	<b>34,140</b>	<b>39,152</b>
Operating expenses	-9,910	-9,827	-11,048	-12,573	-14,246	-16,227	-18,346
<b>Operating profit pre provision</b>	<b>11,873</b>	<b>11,205</b>	<b>12,407</b>	<b>14,124</b>	<b>15,869</b>	<b>17,913</b>	<b>20,806</b>
Provisions for loan losses	-4,123	-3,902	-5,284	-6,410	-6,517	-5,204	-4,258
<b>Profit Before Tax</b>	<b>7,750</b>	<b>7,303</b>	<b>7,123</b>	<b>7,714</b>	<b>9,352</b>	<b>12,709</b>	<b>16,548</b>
Taxation	-1,943	-1,575	-1,567	-1,543	-1,870	-2,542	-3,310
Minority interest	-16	-15	-15	-17	-20	-27	-36
<b>Net Profit</b>	<b>5,792</b>	<b>5,712</b>	<b>5,542</b>	<b>6,154</b>	<b>7,461</b>	<b>10,139</b>	<b>13,202</b>
<i>Growth</i>	<i>-5.8%</i>	<i>-1.4%</i>	<i>-3.0%</i>	<i>11.0%</i>	<i>21.2%</i>	<i>35.9%</i>	<i>30.2%</i>
<b>EPS (VND)</b>	<b>1,504</b>	<b>1,266</b>	<b>1,196</b>	<b>1,281</b>	<b>1,606</b>	<b>2,272</b>	<b>3,033</b>

<b>BALANCE SHEET (VND bn)</b>	<b>2013A</b>	<b>2014A</b>	<b>2015E</b>	<b>2016F</b>	<b>2017F</b>	<b>2018F</b>	<b>2019F</b>
Cash and equivalents	2,833	4,631	5,138	5,760	6,554	7,458	8,488
Balance with the SBV	10,160	9,876	11,610	13,249	14,418	14,916	12,732
Interbank lending	73,182	75,434	82,375	77,396	73,810	67,935	75,184
Loans and advances to customers	376,289	439,869	519,847	593,210	653,843	720,338	776,036
Debt securities investment	83,085	97,599	107,359	123,463	148,155	185,194	231,493
<b>Interest-Earning Assets</b>	<b>532,556</b>	<b>612,902</b>	<b>709,581</b>	<b>794,069</b>	<b>875,808</b>	<b>973,467</b>	<b>1,082,713</b>
Equities investment	3,904	3,977	3,982	3,988	3,993	3,999	4,006
Provision	-3,634	-5,087	-6,628	-8,233	-10,566	-12,528	-14,769
Fixed assets	7,080	8,872	9,538	9,919	10,217	10,523	10,839
Other assets	23,470	25,960	27,257	28,349	29,201	30,077	30,977
<b>Total Assets</b>	<b>576,369</b>	<b>661,131</b>	<b>760,478</b>	<b>847,101</b>	<b>929,625</b>	<b>1,027,912</b>	<b>1,134,986</b>
Borrowing from the SBV	147	4,731	2,599	2,966	3,269	3,602	3,880
Interbank borrowing	80,465	103,770	126,285	128,940	129,225	131,624	127,257
Customer deposits	364,497	424,181	494,023	576,034	655,386	745,794	848,815
Funds received from Govt. & others	32,425	32,022	32,022	32,022	32,022	32,022	32,022
Valuable papers issued	16,565	5,294	11,647	12,579	13,333	14,000	14,700
<b>Interest-Bearing Liabilities</b>	<b>494,099</b>	<b>569,998</b>	<b>666,576</b>	<b>752,541</b>	<b>833,235</b>	<b>927,042</b>	<b>1,026,674</b>
Other non-interest bearing liabilities	27,982	35,895	33,995	32,522	30,915	29,279	27,542
<b>Total liabilities</b>	<b>522,081</b>	<b>605,893</b>	<b>700,571</b>	<b>785,063</b>	<b>864,150</b>	<b>956,321</b>	<b>1,054,216</b>
Shareholders equity	54,075	55,013	59,667	61,781	65,198	71,286	80,430
Minority interest	213	225	240	257	277	305	340
<b>Total Liabilities and Equity</b>	<b>576,369</b>	<b>661,131</b>	<b>760,478</b>	<b>847,101</b>	<b>929,625</b>	<b>1,027,912</b>	<b>1,134,986</b>
<i>Growth</i>	<i>14.5%</i>	<i>14.7%</i>	<i>15.1%</i>	<i>14.4%</i>	<i>17.6%</i>	<i>14.4%</i>	<i>15.7%</i>
<b>Book value per share</b>	<b>17,332</b>	<b>14,775</b>	<b>15,708</b>	<b>15,355</b>	<b>16,205</b>	<b>17,718</b>	<b>19,990</b>

<b>CAMELS</b>	<b>2013A</b>	<b>2014A</b>	<b>2015F</b>	<b>2016F</b>	<b>2017F</b>	<b>2018F</b>	<b>2019F</b>
<b>CAPITAL</b>							
Owners' equity/ Total deposits	14.8%	13.0%	12.1%	10.7%	9.9%	9.6%	9.5%
Owners' equity/ Total assets	9.4%	8.3%	7.8%	7.3%	7.0%	6.9%	7.1%
<b>ASSET QUALITY</b>							
Asset growth	14.5%	14.7%	15.0%	11.4%	9.7%	10.6%	10.4%
Credit growth	6.8%	15.4%	16.4%	14.1%	11.8%	12.8%	12.9%
Interest earning assets to total assets	92.4%	92.7%	93.3%	93.7%	94.2%	94.7%	95.4%
NPLs to total loans after write off	1.0%	1.1%	1.6%	1.8%	1.6%	1.5%	1.3%
NPLs to total equity	7.0%	8.9%	13.9%	17.3%	16.0%	15.2%	12.5%
Provisions for loan loss to total loans	0.9%	1.0%	1.1%	1.2%	1.5%	1.6%	1.7%
Provisions for loan loss to NPLs	87.5%	88.6%	70.0%	68.7%	91.0%	104.3%	131.0%
Provision expense to total loans	1.1%	0.9%	1.0%	1.1%	1.0%	0.7%	0.5%
<b>MANAGEMENT ABILITY</b>							
Loan- to- customer growth	12.9%	16.9%	18.2%	14.1%	10.2%	10.2%	7.7%
Deposit- to- customer growth	26.1%	16.4%	16.5%	16.6%	13.8%	13.8%	13.8%
Cost to income (CIR)	45.5%	46.7%	47.1%	47.1%	47.3%	47.5%	46.9%
Cost to average asset	1.8%	1.6%	1.6%	1.6%	1.6%	1.7%	1.7%
Operating income to average asset	4.0%	3.4%	3.3%	3.3%	3.4%	3.5%	3.6%
<b>EARNINGS</b>							
<b>% of non-interest income</b>	<b>16.1%</b>	<b>16.4%</b>	<b>15.9%</b>	<b>15.6%</b>	<b>14.9%</b>	<b>14.2%</b>	<b>13.4%</b>
<b>Net interest margin (NIM)</b>	<b>3.67%</b>	<b>3.07%</b>	<b>2.98%</b>	<b>3.00%</b>	<b>3.07%</b>	<b>3.17%</b>	<b>3.30%</b>
Return on average asset (ROAA)	1.1%	0.9%	0.8%	0.8%	0.8%	1.0%	1.2%
Return on average equity (ROAE)	13.2%	10.5%	9.7%	10.1%	11.8%	14.9%	17.4%
Return on earning assets (ROEA)	1.2%	1.0%	0.8%	0.8%	0.9%	1.1%	1.3%
Effective tax rate	25.1%	21.6%	22.0%	20.0%	20.0%	20.0%	20.0%
Provision expense to operating income	34.7%	34.8%	42.6%	45.4%	41.1%	29.1%	20.5%
<b>Earning rate</b>	<b>8.9%</b>	<b>7.2%</b>	<b>6.7%</b>	<b>6.9%</b>	<b>7.0%</b>	<b>7.2%</b>	<b>7.4%</b>
Interbank lending rate	2.3%	3.3%	3.3%	3.4%	3.5%	3.6%	3.7%
Loan rate	9.1%	7.1%	6.8%	6.9%	7.0%	7.1%	7.2%
Debt instrument rate	11.1%	9.7%	8.5%	8.6%	8.7%	8.8%	8.9%
<b>Paying rate</b>	<b>5.5%</b>	<b>4.4%</b>	<b>4.0%</b>	<b>4.1%</b>	<b>4.2%</b>	<b>4.2%</b>	<b>4.3%</b>
Interbank borrowing rate	5.7%	3.9%	3.9%	4.0%	4.1%	4.2%	4.3%
Deposit rate	5.7%	4.8%	4.2%	4.3%	4.3%	4.4%	4.4%
Bond rate	9.0%	5.7%	7.5%	7.6%	7.7%	7.8%	7.9%
<b>Yield spread</b>	<b>3.4%</b>	<b>2.8%</b>	<b>2.7%</b>	<b>2.8%</b>	<b>2.9%</b>	<b>3.0%</b>	<b>3.1%</b>
<b>LIQUIDITY</b>							
Loan/ Deposit	119.3%	117.1%	120.2%	118.7%	117.7%	117.8%	118.0%
Loan / Deposit (TT36)	93.4%	96.1%	99.0%	98.0%	96.0%	94.0%	90.0%
Liquid assets/ Total assets	12.6%	12.4%	11.9%	10.4%	9.3%	8.0%	6.4%

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VPBank Securities (VPBS) ratings are based on a combination of short-term and long-term analysis.

We use the following long-term ratings system:

**Undervalued:** Expected return, including dividends, over the next 12 months is greater than 10 percent.

**Fully-valued:** Expected return, including dividends, over the next 12 months is from zero to 10 percent.

**Overvalued:** Expected return, including dividends, over the next 12 months is below zero.

We then form a short-term outlook by combining macroeconomic factors with our technical analysis scoring system. This system generates bullish, neutral or bearish signals based on analysis of trending indicators, such as moving average, PSAR, and MACD, and momentum indicators, such as RSI and MFI.

Our overall recommendation is based on the following combinations of short-term and long-term views:

Recommendation	Long-Term Value	Short-Term Trend
<b>BUY</b>	Undervalued	Bullish or Neutral
	Fully-valued	Bullish
<b>HOLD</b>	Undervalued	Bearish
	Fully-valued	Neutral
	Overvalued	Bullish
<b>SELL</b>	Fully-valued	Bearish
	Overvalued	Neutral or Bearish

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