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# Vietinbank (CTG)

## Increasing capital buffer; withholding 2020E guidance

### Withholding 2020E earnings guidance

— Management withheld 2020E earnings guidance going into the annual general shareholders' meeting scheduled for May 23 but instead will closely monitor the impact of COVID-19 and provide a profit plan later in the year after receiving approval from authorities. Management did release the outlook for credit growth at 4.0%–8.5%; deposit growth in line with capital usage and credit growth at 5.0%–10.0%; and non-performing loans kept under 2%. The bank will also try to reach these goals without any meaningful deterioration in the State Bank of Vietnam's prudential ratios.

### Only paying stock dividends to reallocate retained earnings to charter capital

— The bank will try to preserve capital by only offering a stock dividend this year and will reinvest all profits back into operations after paying taxes and setting aside obligatory reserves for capital supplement (5%); financial reserve (10%) and bonus & welfare funds. Management also announced that it had agreed with the government and relevant ministries to reallocate 2017–2018 retained earnings to charter capital and are awaiting amendments to *Decree 91* and *Decree 32* to clear any legal hurdles before increasing paid-in capital.

### Looking for flat quarterly earnings performance in 2Q and better non-performing loans

— Management expects 1H pretax earnings of VND6,000 billion, which implies flat QoQ earnings at VND3,026 billion (up 2% QoQ and 39% YoY). Collection activities are expected to improve from 1Q's coronavirus-related difficulties and lower the non-performing loan ratio to below 1.5% in 2Q from 1.8% in the previous quarter. Non-performing loans booked under the Vietnam Asset Management Company (VAMC) facility also fell to VND9,000 billion or 1% of total loans from VND13,000 billion, with provisioning of over 50% and well above regulatory minimums for the remaining balance. Capital adequacy according to *Circular 22* is about 10% (above the 9% minimum) and 8.6% under Basell II (higher than the 8% minimum) but management warns these ratios will likely be impacted by higher credit growth expected for the rest of the year. The bank does not plan any employee reductions this year in order to maintain staff levels to support overall growth but will restructure and transfer personnel to improve efficiencies at relevant departments.

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## Investment ratings & definitions

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### Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

### Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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