

19 May 2020

Viet Nam Technological and Commercial JSB (TCB)

1Q20 highlights by the bank's managers

2020F NIM expected at 4.5%-4.7%

- TCB's representatives expect a 2020F NIM at around 4.5%-4.7% as a drop in assets yield following restructuring loans under Circular 01 may be offset by lower funding cost.
- Restructured loans accounted for 0.2% of total loan book (VND232tn) in 1Q20 and mainly from WB and BB segment. The size of COVID-19 restructured loans is expected to enlarge to 7% of loan book by the end 2020.
- CASA of retail customer was up 52% yoy and that of corporate customer was up 7% yoy, driving the bank's CASA ratio to 32% as of 1Q20 (up 4%p yoy but down 2%p qoq).
- USD500mn of 3-year syndicated loan at LIBOR + 1.50% per annum is meaningful for lowering the funding cost.
- CAR peaked at 16.6% as of March 2020 from 15.5% at the end of 2019.

Impressive outcome from digitalization

- E-banking accounted for 70% of volume transaction in 1Q20 vs.60% in 2019.
- Digital transaction of retail customers increased by 124% yoy in value to VND967tn (~35.4% of the total of 2019) and 154% yoy in volume to 73 mn (~39.7% of 2019).
- Digital payment transaction of corporate customers increased by 72% yoy in value and 37% yoy in numbers of transaction in 1Q20.
- 43% of term deposit value was made via digital channel vs. 36% in 2019; 34% of new issued credit card was opened online vs.11% in 2019.
- Spending for technology upgrade may lift the bank's CIR above current level of 35.4% in 1Q20.

12M rating **BUY (Maintain)**

12M TP **23,800**

Up/Downside **+12% (incl 0% cash dividend)**

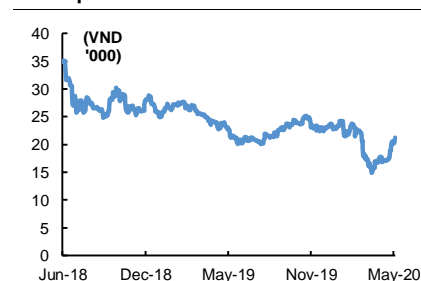
Stock Data

VNIndex (19 May, pt)	846
Stock price (19 May, VND)	21,300
Market cap (USD mn)	3,199
Shares outstanding (mn)	3,500
52-Week high/low (VND)	25,150/14,900
6M avg. daily turnover (USD mn)	2.07
Free float / Foreign ownership (%)	79.6/22.5
Major shareholders (%)	
Masan & affiliates	20.0
Mr Ho Hung Anh (Chairman) & family	17.0

Performance

	1M	6M	12M
Absolute (%)	20.0 (13.9)	(9.7)	
Relative to VNIndex (%p)	12.8	1.6	2.0

Stock price trend



Source: Bloomberg

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	2017A	2018A	2019A	2020F	2021F
TOI (VND bn)	16,344	18,351	21,068	23,842	26,337
chg. (% YoY)	38.1	12.3	14.8	13.2	10.5
PPE (VND bn)	11,646	12,508	13,756	15,546	17,251
Net profit (VND bn)	6,446	8,464	10,075	9,921	10,253
EPS (VND, adj.)	2,157	2,409	2,864	2,817	2,913
chg. (% YoY)	83.3	11.7	18.9	-1.6	3.4
PB (x)	2.2	1.4	1.1	1.0	0.9
PE (x)	9.4	8.4	7.1	7.2	6.9
P/PPE (x)	5.2	5.6	5.1	4.5	4.1
NIM (%)	3.86	4.09	4.40	4.52	4.46
ROE (%)	27.7	21.5	17.8	15.0	13.4
ROA (%)	2.6	2.9	2.9	2.5	2.2
Dividend yield (%)	-	-	-	-	-
CAR (%)	12.7	14.3	15.6	n.a	n.a

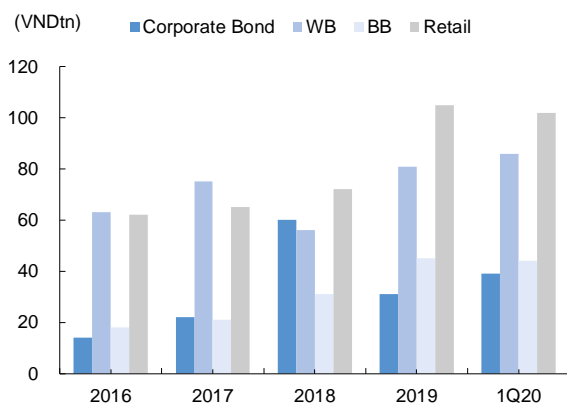
Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

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Mortgage NPL moves up to 0.8%

- Slight increase of the bank's loan book (from VND231tn in 2019 to VND232tn in 1Q20) came from WB segment while that of BB was flat at VND44tn and that of retail was down 2.9% qoq to VND102tn given weaker mortgage balance.
- NPL ratio of BB and WB were down from 0.9% in 2019 to 0.3% in 1Q20. In the meantime, that of retail segment increased from 1.8% to 2.1%. Of which mortgage NPL ratio was up from 0.6% to 0.8%.
- The bank's managers expect to control overall NPL ratio at below 2% and 2020 credit growth target is 13%.

Figure 1. Credit balance



Source: Company data, KIS

Table 1. NPL ratio by segment

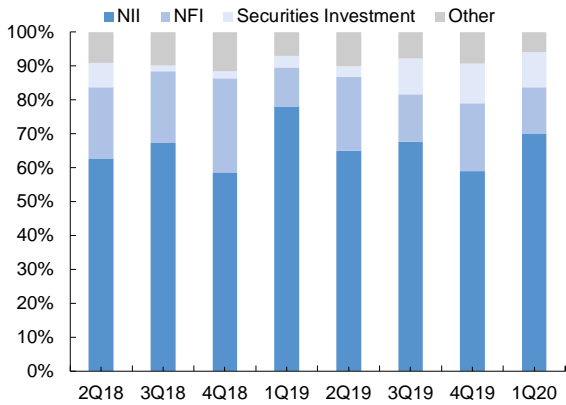
NPL ratio (%)	2016	2017	2018	2019	1Q20
Retail	3.0	2.8	2.2	1.8	2.1
BB	2.0	2.0	1.5	0.9	0.3
WB	0.0	0.4	1.3	0.9	0.3
Total	1.6	1.6	1.8	1.3	1.1

Source: Company data, KIS

NFI grows outstandingly in 1Q20 but may slow down for whole 2020

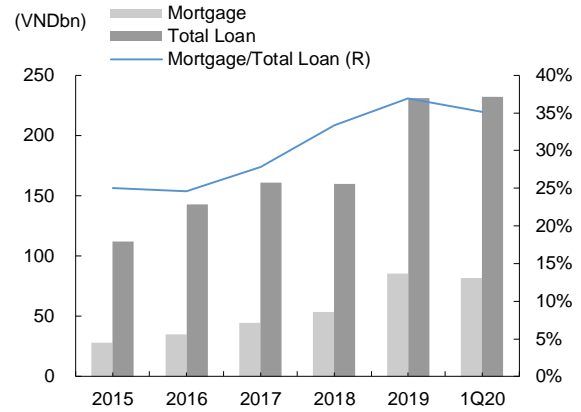
- 89% yoy growth in non-interest income in 1Q20 was mainly contributed by bond advisory fee (VND290bn on issuance volume of VND9.9tn, doubling that in 1Q19). Meanwhile, value of bond distribution to retail customers reached VND15tn in 1Q20, up 24% yoy (~25% that of 2019).
- For the rest the year, it is hard to keep that NFI growth.

Figure 2. Revenue structure



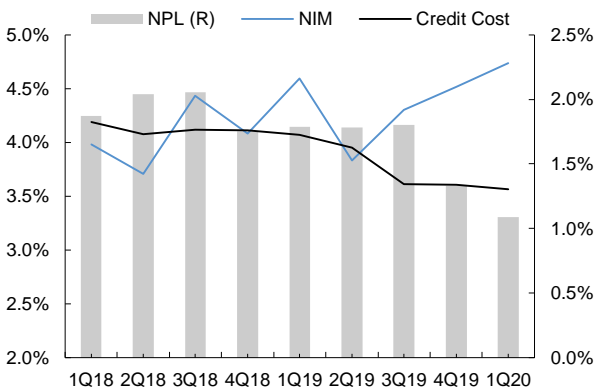
Source: Company data, KIS

Figure 3. Mortgage



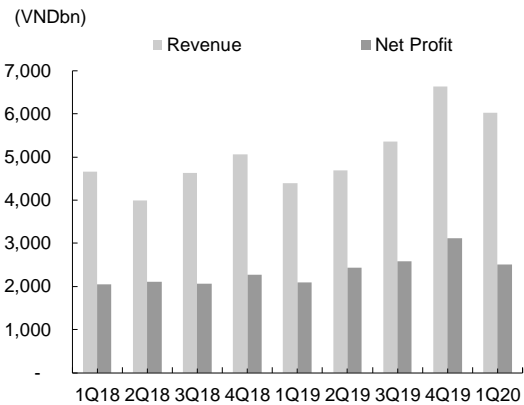
Source: Company data, KIS

Figure 3. NIM and credit cost



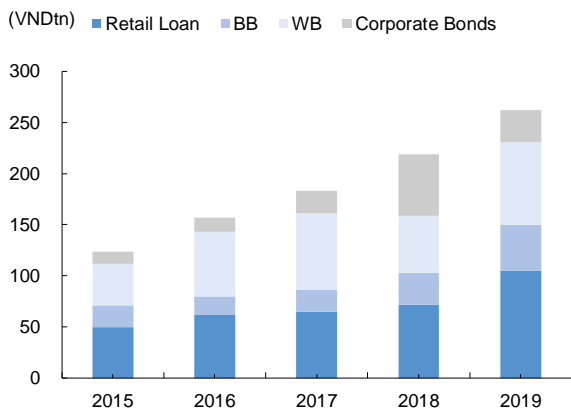
Source: Company data, KIS

Figure 4. Revenue, net profit and bond fee



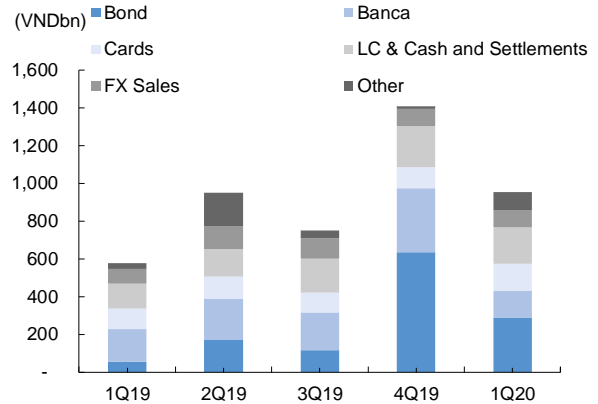
Source: Company data, KIS

Figure 5. Loan by customer



Source: Company data, KIS

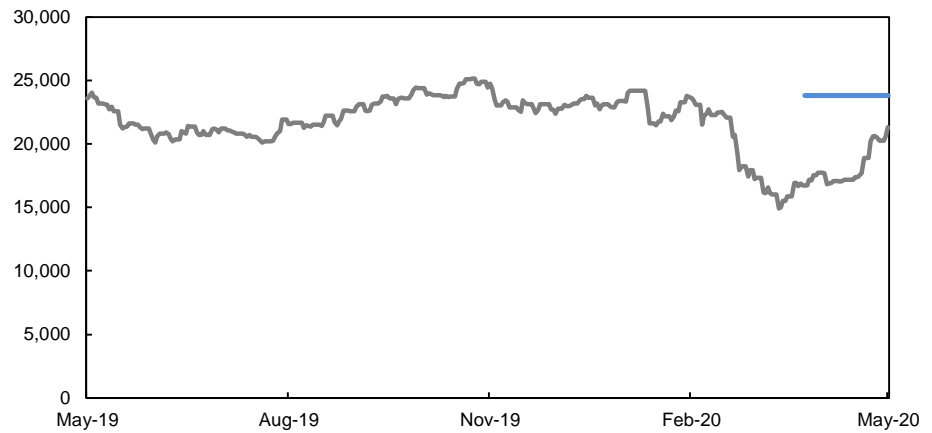
Figure 6. Breakdown fee income



Source: Company data, KIS

Changes to recommendation and price target

Company (Code)	Date	Recommendation	Price target	% vs. avg. price	% vs. high (low)
Viet Nam Technological and Commercial JSB (TCB)	12 May 20	BUY	VND23,800		
	20 Mar 20	BUY	VND23.800		

**■ Company overview**

TCB is one of top largest commercial banks in Vietnam in term of total assets. The bank employs a unique strategy, leveraging through value chains of its wholesale banking clients, which helps TCB save time and cost for acquiring new customers and maximize revenue per customer given better KYC process and customized products. TCB's prominent subsidiaries/businesses include Techcom Securities, the leading domestic corporate bond house in Vietnam for both primary and secondary market; Techcom Capital, who an AUM of VND15.5tn in 2019 thanks to an outstanding domestic bond open-ended fund.

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