

30 Oct 2020

Viet Nam Technological and Commercial JSB (TCB)

Big jumps in banking and non-banking income

Strong 3Q20 results

- TCB posted strong 3Q20 TOI growth of 39.9% yoy and 30.3% qoq to VND7.5tn. The result was driven by both robust net interest income, up 42.1% yoy and 30.8% qoq, and outstanding non-interest income, up 35.3% yoy and 29.2% qoq.
- In term of customer segment, TCB said that NII improvement was thank to FPS and WB while strong non-NII growth was attributable to WB and BB.
- In term of operation, resilient 3Q20 NII growth stemmed from lowering funding cost with a peak in CASA ratio at 39%. In the meantime, the non-interest income was driven by bond fee (+203% yoy; +33% qoq) and card fee (+18% yoy; +24% qoq).
- This help TCB to offset skyrocketed OPEX (+38.7% yoy; +46.6% qoq) and credit provision (+182.6% yoy and 135.5% qoq). TCB 3Q20 NP was up 21.3% yoy (+10% qoq) to VND3.1tn.
- TCB achieved 9M20 PBT of VND10.7tn (+20.9% yoy) and NP of VND8.4tn (+19% yoy), fulfilling 82% of the bank's 2020 guidance and 81% of our forecast.

Investment banking business is glorious

- TCB revealed to win a great bond fee of VND894bn (+165% yoy) in 9M20 since the issuers ran before the effective date of Decree 81/2020.
- Total corporate bond volume advised by TCB grew by 114% yoy to VND52.2tn and total distribution volume to retail increased by 42.8% yoy in 9M20.
- With high bases in 9M20 and 4Q19, it is difficult for TCB to retain strong bond fee growth in 4Q20.

12M rating **BUY (Maintain)**

12M TP **24,400**

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

Stock Data

VNIndex (Oct 29, pt)	919
Stock price (Oct 29, VND)	21,800
Market cap (USD mn)	3,292
Shares outstanding (mn)	3,500
52-Week high/low (VND)	25,150/14,900
6M avg. daily turnover (USD mn)	5.12
Free float / Foreign ownership (%)	70.0/22.5
Major shareholders (%)	
Masan & affiliates	20.0
Mr Ho Hung Anh (Chairman) & family	17.0

Performance

	1M	6M	12M
Absolute (%)	(3.3)	26.7	(8.0)
Relative to VNIndex (%p)	(5.1)	5.9	(2.1)

Stock price trend



Source: Bloomberg

Yen Tran

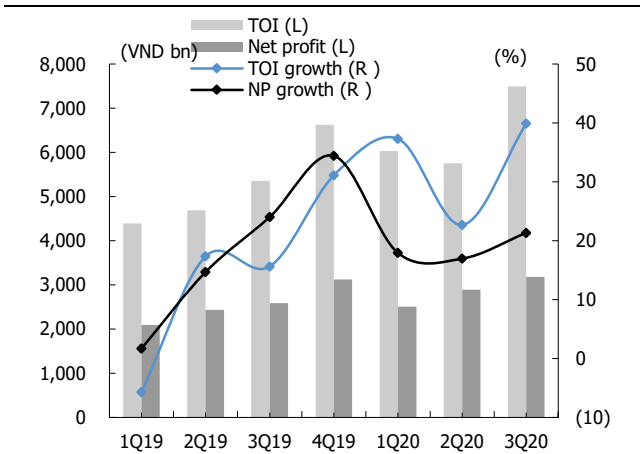
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	2017A	2018A	2019A	2020F	2021F
TOI (VND bn)	16,344	18,351	21,068	23,922	26,849
chg. (% YoY)	38.1	12.3	14.8	13.5	12.2
PPE (VND bn)	11,646	12,508	13,756	16,112	17,915
Net profit (VND bn)	6446	8464	10075	10366	10803
EPS (VND, adj.)	2,157	2,409	2,872	2,944	3,069
chg. (% YoY)	83.3	11.7	19.2	2.5	4.2
PB (x)	2.4	1.5	1.2	1.1	0.9
PE (x)	10.1	9.0	7.6	7.4	7.1
P/PPE (x)	5.6	6.1	5.5	4.7	4.3
NIM (%)	3.86	4.09	4.40	4.45	4.70
ROE (%)	27.7	21.5	17.8	15.6	14.0
ROA (%)	2.6	2.9	2.9	2.6	2.4
Dividend yield (%)	-	-	-	-	-
CAR (%)	9.4	14.6	15.5	15.7	15.8

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

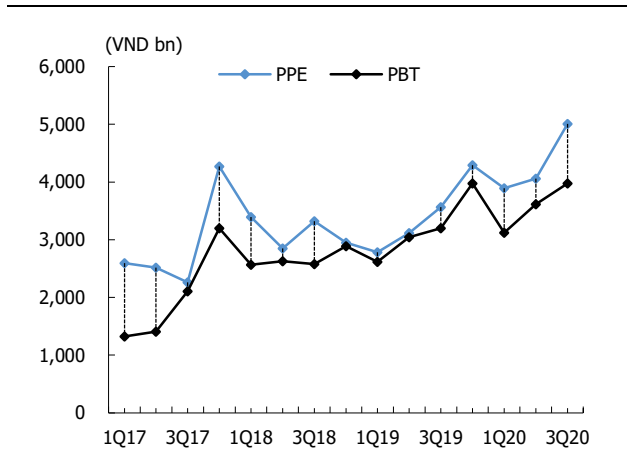
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Figure 1. Quarterly results



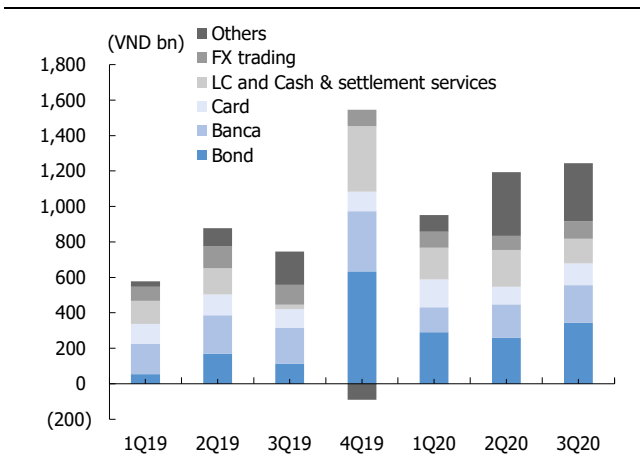
Source: Company data, KIS Vietnam

Figure 2. PPE and PBT



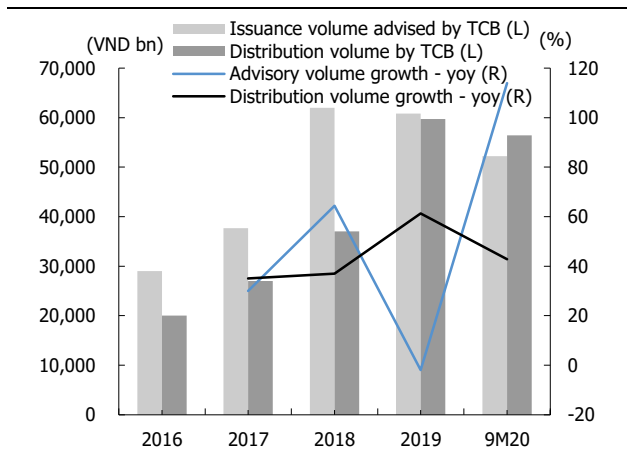
Source: Company data, KIS Vietnam

Figure 3. Fee income breakdown



Source: Company data, KIS Vietnam

Figure 4. Bond advisory and distribution volume by TCB

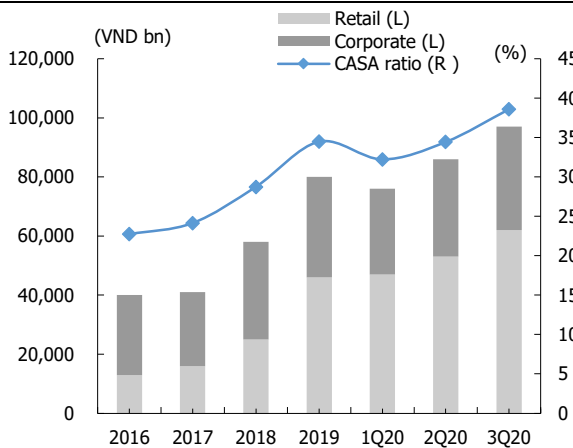


Source: Company data, KIS Vietnam

CASA ratio keeps upward

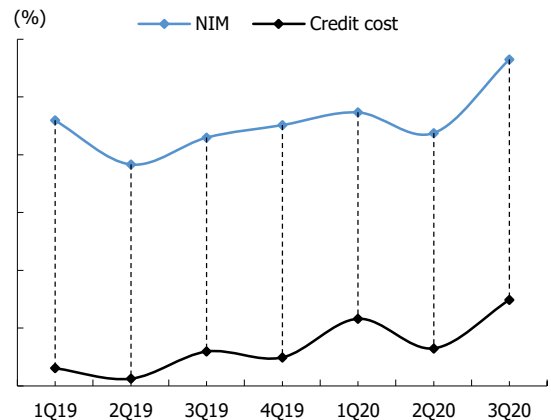
- TCB has overcome peers in CASA attraction. Its CASA ratio peaked at 38.6% in 3Q20, an increase of 4.2 %p from 2Q20 thanks to retail.
- E-banking saw a robust growth in number of retail customers, retail transaction volume and retail transaction value.
- According to TCB, resilient CASA growth has led to admirable NIM in 3Q20 amid COVID-19 situation.

Figure 5. CASA by customer segments



Source: Company data, KIS Vietnam

Figure 6. Annualized NIM & credit cost

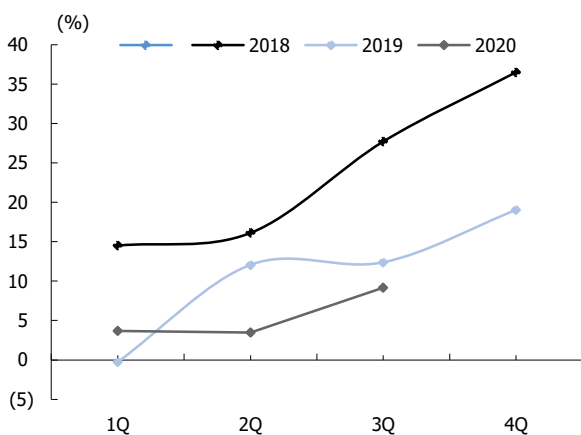


Source: Company data, KIS Vietnam

Lending standstill, corporate bond elevates credit growth

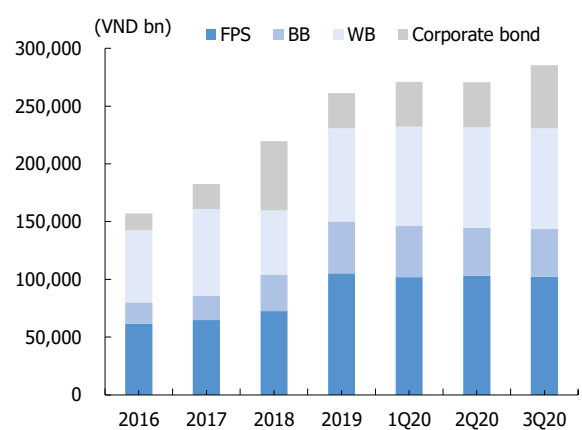
- Credit growth was 9.2% ytd in 9M20, outpacing the industry average of 6.09%.
- The bank's corporate bond portfolio increased by 41% qoq to VND54.6tn, weighting ~14% of total assets, an increase of 4 %p from 2Q20.
- Loan book was standstill at VND231tn.
- TCB's BOM expect to achieve 100% of credit limit of ~20% yoy in 4Q20, which is 3.5 %p above our forecast.
- It also expects a rapid credit growth for 2021.
- TCB reveals that the BB segment will emphasize on FMCG and retail industry while PFS keeps on mortgage.

Figure 7. Quarterly YTD credit growth



Source: Company data, KIS Vietnam

Figure 8. Credit by customer segments

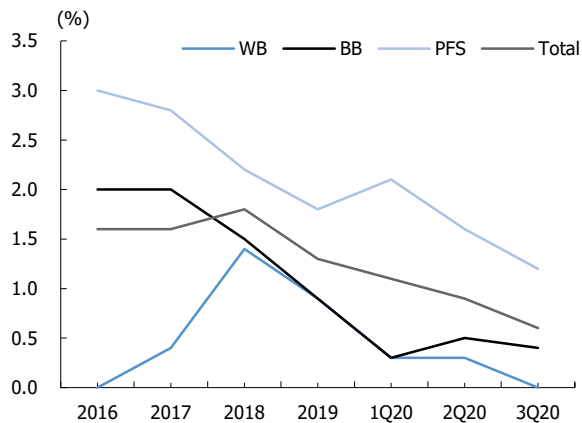


Note: PFS is retail customer segment, BB is SME and WB is wholesale banking.
Source: Company data, KIS Vietnam

Reported NPL ratio dips down

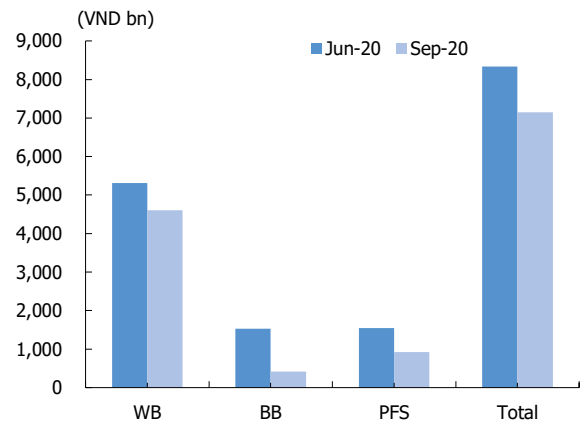
- TCB reported NPL ratio of all customer segments to plummet in 3Q20. Overall NPL ratio dipped to 0.6% given a significant write-off of VND1.4tn in 3Q20.
- Restructured COVID-19 loan book was down 14% from 2Q20 to VND7.2tn in 3Q20 (3.1% of total loan book).
- The bank's BOM said that the assets quality is staying healthy.

Figure 9. NPL ratios by customer segments



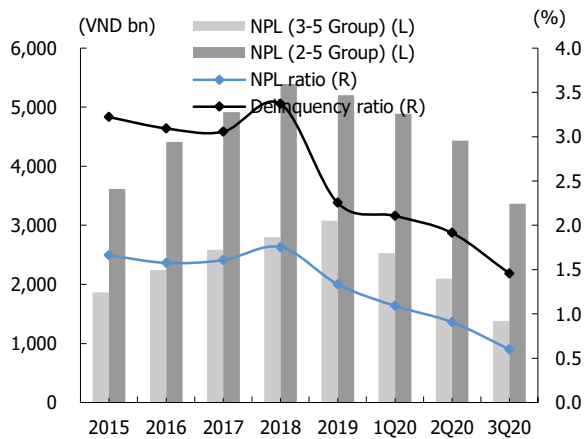
Source: Company data, KIS Vietnam

Figure 10. Loan book reschedules under Circular 01



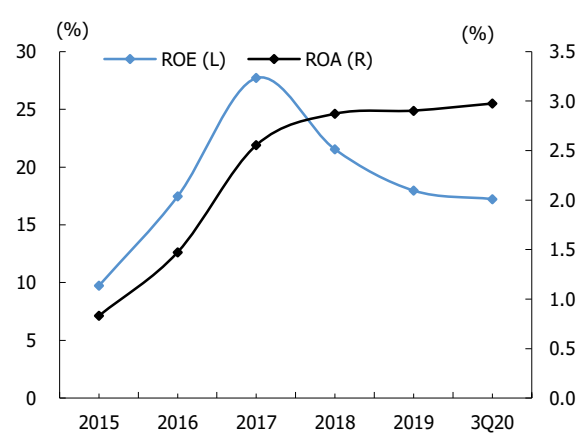
Source: Company data, KIS Vietnam

Figure 11. NPL ratios



Source: Company data, KIS Vietnam

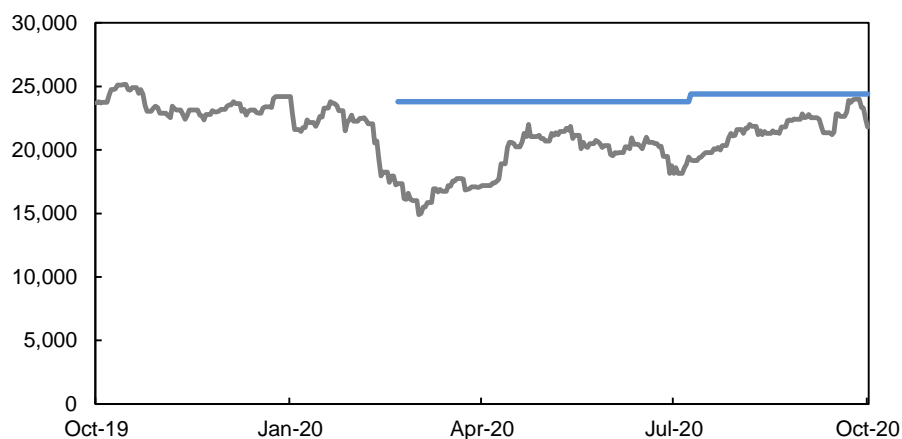
Figure 12. T12M profitability



Source: Company data, KIS Vietnam

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)	06 Aug 20	BUY	VND24,400		
	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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- Sell: Expected total return will be -5% or less

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- Neutral: Recommend maintaining the sector's weighting in the portfolio in line with its respective weighting in the VNIndex based on market capitalization.
- Underweight: Recommend reducing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.

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