



Company Report: Technological Commercial Joint Stock Bank (TCB)

Research & Investment Strategy Dep.

Research@gtjas.com.vn

27 Jan 2022

Reinforcing the leading position in private bank group

INVESTMENT THESIS

The strong position in the real estate lending and digitalization makes TCB outperform in the sector. (i) Credit growth was intact at 25.4%, driven by individual customers (mortgage, credit cards) and SMEs loan. (ii) Benefiting from low interest rates and cheap syndicated loans helps the bank achieve a PBT growth rate of 47% in 2021, of which NII increased by 42% and NFI increased by 42%yoy, supported by IB-TCBS (+33%) and banca (+88%). (iii) NIM and CASA reached a record high and sector top 1 position, at 5.6% and 50.5%, respectively.

Still promising outlook. (1) The ecosystem will maintain an average credit growth of 23% in the 2022-2024 period. Profit increases 20%/yr thanks to low COF that contributes to keep NIM above 5%. **(2) Reinforcing CASA improvement expectation.** We believe that TCB has built a very strong position in digital banking, loyal high-middle income customer base those help maintain a sustainable CASA balance in the past and going forward, **(3) healthy asset quality** with NPL < 1% and reduced provision pressure in the upcoming time thanks to a sharply decrease in restructured loan to 1,900VND bn. **(4) the cooperation with Masan** remains promising in the long term.

INVESTMENT RISKS

Raised deposit rates will put pressure on NIM shrinking in the short term. In addition, the concentration risk (70% of outstanding loans related to the real estate sector) and deteriorated asset quality due to Covid remain the visible risks.

RECOMMENDATION

Revising the over forecasted 2021 results and raising NIM expectation, we raised TCB target price to 64,500VND/share, +17.2% compared to the recommendation made on October 29, 2021. We recommend **"BUY"** TCB with a one-year target price of **64,500VND/share**, equivalent to 23% expected return calculated from the closing price on January 26, 2022.

Recommendation:

Buy
 (Updated)

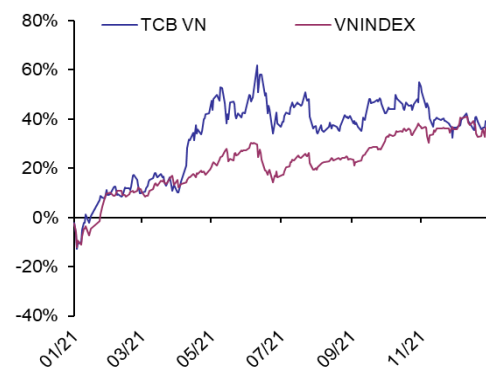
6-18m TP:

VND 64,500

Current price:

VND 52,400

Price performance



Price change	1 M	3 M	1Y
Abs. %	6.2%	0.6%	45.0%
Relative to VN index	5.0%	2.4%	71.1%
Avg price (VND)	49,917	50,826	48,145

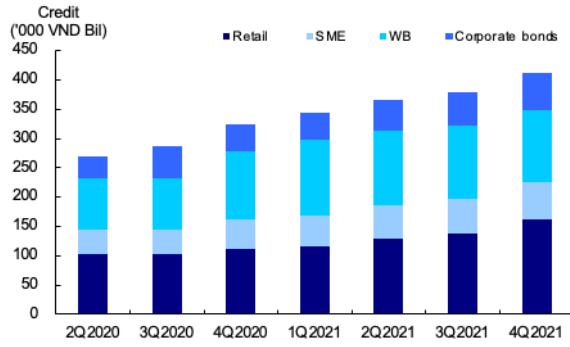
Source: Bloomberg, Guotai Junan (VN)

12/31	TOI (VND b)	Net Profit (VND b)	EPS (VND)	EPS (Δ%)	BPS (VND)	DPS (VND)	Yield (%)	NIM (%)	CIR (%)	ROE (%)
2020A	27,043	12,582	3,515	22.43	21.18	-	-	4.97	-31.92	18.03
2021A	37,076	18,399	5,257	49.55	26.35	-	-	5.80	-30.14	21.52
2022F	46,219	23,218	6,531	24.23	32.88	-	-	5.78	-31.00	21.84
2023F	55,257	27,725	7,818	19.72	40.70	-	-	5.54	-31.00	21.03
2024F	67,274	34,941	9,880	26.37	50.57	-	-	5.47	-30.00	21.42

Shares in issue (m)	3,500	Major shareholders (%)	Masan 15
Market cap (VND b)	174,843.6	Free float (%)	77.1
3- month average vol. ('000)	13,899.58	LDR (%)	75
52w high/low (VND)	58,600 / 29,600	CAR (%)	15

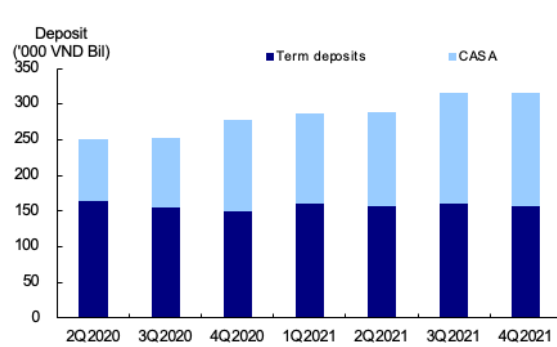
Source: the Company, Guotai Junan (VN).

Figure-1: Credit breakdown



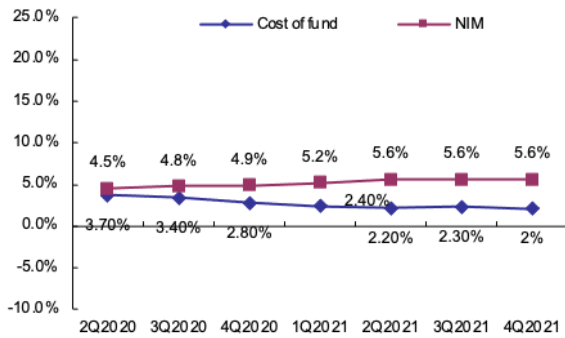
Source: TCB, Guotai Junan (VN).

Figure-2: Deposit breakdown



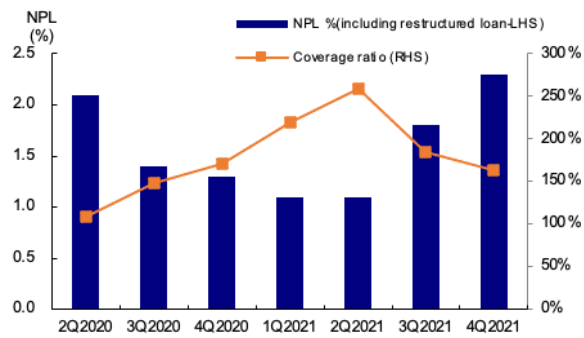
Source: TCB, Guotai Junan (VN).

Figure-3: COF and NIM



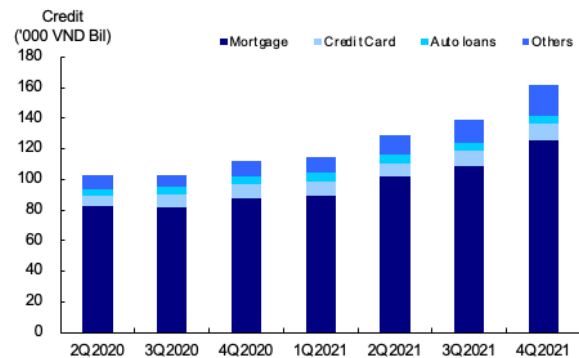
Source: TCB, Guotai Junan (VN).

Figure-4: Asset quality



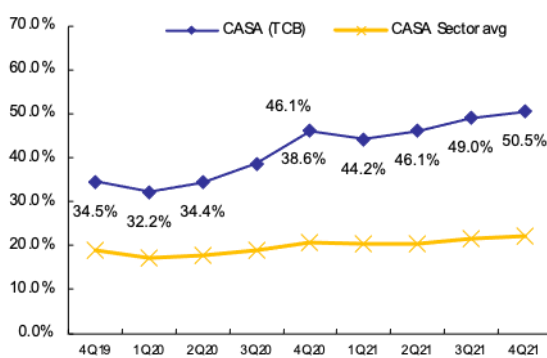
Source: TCB, Guotai Junan (VN).

Figure-5: Retail lending breakdown



Source: TCB, Guotai Junan (VN).

Figure-6: CASA



Source: TCB, Guotai Junan (VN).

BUSINESS PROSPECT AND VALUATION

2022 results projection:

1. Expected credit growth of 24%yoy as all segments keep the growing pace of which, we assume the corporate lending might be better, underpinned by the robust economic recovery and stronger investment and manufacturing activities.
2. Slower NII growth at 28% assuming a raised deposit rate, but CASA might be staying above 50% caused the COF still cheap but to rise to just 2.3%. Meanwhile, corporate bond investment will support NIM which would be slightly lower to 5.5%. We expect non-interest income to maintain momentum, however somewhat slowed as (i) slowdown IB services and stock brokerages earnings in less buoyant stock market liquidity, (ii) banca activity (in partnership with Manulife) triggered a strong comeback in the second half of 2021 bringing APE growth to nearly double, help maintaining APE fee growth momentum in 2022 at over 30%, (iii) while gains from trading and securities investment are expected to move sideways as portfolio constituents mainly are corporate and credit institutions bonds.
3. In terms of costs, we expect CIR to increase slightly to 31% due to higher marketing and personnel expenses. Meanwhile, provision expenses increased by only 10%yoy, maintaining provision buffer with the loan loss coverage ratio of around 150%.
4. With those above assumptions, PBT might increase by 25% in 2022.

VALUATION

Our target price is based on the Residual Income model. Key assumptions include a risk-free rate of 3.79%, cost of capital 13,64%.

<i>Unit: VND Bn</i>	2021A	2022F	2023F	2024F
Beginning Owners' equity	74,615	93,056	116,274	144,000
PAT	12,582	23,218	27,725	34,941
Residual income		10,524	11,863	15,296
Total PV of residual income				133,157
Outstanding shares (mn)				3,500
12-month targeted price				64,500
Current price				52,400
Expected return				23.0%

RECOMMENDATION

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Financial Statements and Ratios

BS					P&L				
Year end Dec (VND ' bn)	2019	2020	2021	2022F	Year end Dec (VND ' bn)	2019	2020	2021	2022F
TOTALASSETS					Interest and Similar Income				
Cash and precious metal	4,821	3,664	3,579	5,126		25,016	29,002	35,503	45,464
Loans and advances to customers, net	227,885	275,310	343,606	431,813	Interest and Similar Expenses				
Investment securities	66,055	84,447	97,586	130,334		(10,758)	(10,251)	(8,805)	(11,793)
Fixed assets	3,208	4,613	7,224	6,511	Net Interest Income				
Investment property	1,238	1,196	1,196	-		14,258	18,751	26,699	33,672
Other assets	19,334	22,836	34,724	43,606	TOI				
						21,068	27,043	37,076	46,219
					Total operating expenses				
LIABILITIES & SHAREHOLDERS'EQUITY						(7,313)	(8,631)	(11,173)	(14,328)
TOTAL LIABILITIES	321,627	364,988	475,756	583,215	Operating Profit Before Provision for Credit Losses				
Due to Gov and Loans from SBV	-	-	1	1		13,756	18,411	25,903	31,891
Deposits & Loans from other credit institutions	61,267	47,485	112,459	129,270	Provision for credit losses				
Deposits from customers	231,297	277,459	314,753	401,279		(917)	(2,611)	(2,665)	(2,868)
Funds received from Gov, international and other institutions	-	-	-	-	PBT				
Valuable papers	17,461	27,900	33,680	34,000		12,838	15,800	23,238	29,023
Other liabilities	11,169	11,878	14,864	18,665	PAT				
SHAREHOLDERS'EQUITY	62,073	74,615	93,056	116,274		10,226	12,582	18,399	23,218
Capital and fund	61,782	74,131	92,211	115,068	Minority interest				
Retained earnings	21,131	31,816	47,469	67,328		(151)	(257)	(361)	(361)
Minority interest	291	484	845	1,206	Attributable to parent company				
LIABILITIES & SHAREHOLDERS'EQUITY	383,699	439,603	568,811	699,489		10,075	12,325	18,038	22,857
					EPS				
						2,871	3,515	5,257	6,531
					Financial ratio				
						2019	2020	2021	2022F
						4.42%	4.97%	5.80%	5.78%
					NIM (Net Interest Margin)	7.75%	7.68%	7.71%	7.80%
					Output average interest rate	-3.79%	-3.09%	-2.16%	-2.30%
					Input average interest rate	3.96%	4.59%	5.54%	5.50%
					Earnings Spread	-43.01%	-35.34%	-24.80%	-25.94%
					Interest expense/Interest income	1.01%	1.11%	1.39%	1.25%
					Net Serving Fee Margin (NSFM)	-33.39%	-30.75%	-22.54%	-26.64%
					Servicing fee expense/Servicing fee income	2.11%	2.20%	2.25%	2.15%
					NNIM (Net Non-Interest Margin)	51.32%	54.48%	65.45%	63.84%
					EBT to Interest Income ratio	-34.71%	-31.92%	-30.14%	-31.00%
					CIR (Cost-to-Income) ratio	Asset Management			
					LDR (Loan-to-Deposit) ratio Market 1	99.79%	100.02%	110.35%	108.70%
					LDR (Loan-to-Deposit) ratio Market 2	78.95%	77.52%	66.71%	57.63%
					ROA	2.86%	2.99%	3.58%	3.60%
					ROE	17.70%	18.03%	21.52%	21.84%

Source: the Company, Guotai Junan (VN).

COMPANY RATING DEFINITION

Benchmark: VN – Index.

Time Horizon: 6 to 18 months

Rating	Definition
Buy	Relative Performance is greater than 15% Or the Fundamental outlook of the company or sector is favorable
Accumulate	Relative Performance is 5% to 15% Or the Fundamental outlook of the company or sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the company or sector is neutral
Reduce	Relative Performance is -15% to -5% Or the Fundamental outlook of the company or sector is unfavorable
Sell	Relative Performance is lower than - 15% Or the Fundamental outlook of the company or sector is unfavorable

SECTOR RATING DEFINITION

Benchmark: VN – Index

Time Horizon: 6 to 18 months

Rating	Definition
Outperform	Relative Performance is greater than 5% Or the Fundamental outlook of the sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the sector is neutral
Underperform	Relative Performance is lower than -5% OrThe Fundamental outlook of the sector is unfavorable

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GUOTAI JUNAN VIETNAM RESEARCH & INVESTMENT STRATEGY

Member	Position	In charge of	Email	Ext.
Võ Thế Vinh	Head of the Department	Research and investment strategy	vinhvt@gtjas.com.vn	704
Đỗ Trung Nguyên	Deputy head of the Department	Investment strategy	nguyendt@gtjas.com.vn	703
Trần Thị Hồng Nhung	Equity Analyst	Banking	nhungtth@gtjas.com.vn	706
Đình Quang Đạt	Senior Equity Analyst	Consumer	datdq@gtjas.com.vn	
Phí Công Linh	Senior Equity Analyst	Real Estate	linhpc@gtjas.com.vn	709



CONTACT	Hanoi Head Office	HCMC Branch
Advising: (024) 35.730.073	R9-10, 1 st Floor, Charmvit Tower, 117 Trần Duy Hưng, Hà Nội	4 th Floor, No. 2 BIS, Công Trường Quốc Tế, P. 6, Q.3, Tp.HCM
Stock ordering: (024) 35.779.999	Tel: (024) 35.730.073	Tel: (028) 38.239.966
Email: ivs@gtjas.com.vn Website: www.gtjai.com.vn	Fax: (024) 35.730.088	Fax: (028) 38.239.696