



Company Report: Vietnam Technological Joint Stock Commercial Bank (TCB)

CVPT

Trần Thị Hồng Nhung

Mail: nhungth@gijas.com.vn – ext 703

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1H2022 Updates: CASA suffered from interest rate hike

1H Results

Techcombank followed their business plan by fulfilling 52% profit target in 2022. Credit increased by 7.1%ytd (8.5%ytd in bank separate). 6M PBT was recorded at VND 14.1trn, +22.3%yoy. TOI reached VND 21.1trn, + 16.6%yoy. The bank remains as one of the most effective banks in the system with ROA and ROE of 3.6% and 21.0%% respectively.

Improving asset quality. NPL ratio was reduced to only 0.4% while its exposure in restructured loan was down to VND 500 bn from VND1.6trn last quarter. Provision expenses decreased by over 50%yoy.

COMMENTS

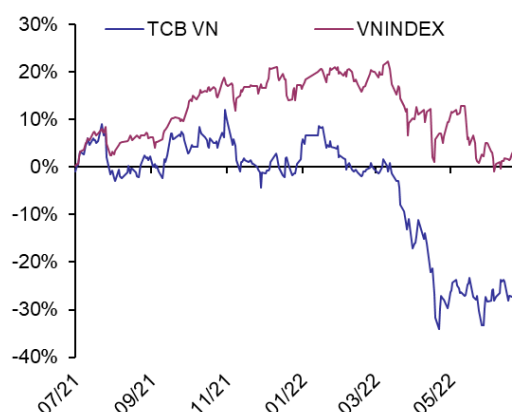
TCB's core lending business was affected by interest rate hike and the gloomy bond issuance market. Credit growth limit also posed the negative impact on bank's profit growth. With those movements, NIM of the bank may slightly decline to 5.4% for the full year. Despite that, positive activities in credit card, banca and the expected IB recovery in alien with lower provision expenses burden will support the bank to fulfill its business target in 2022.

Recommendation: -
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6-18m TP: -

Current price: VND37,100

Price performance



Price change	1 M	3 M	1Y
Abs. %	3.7	-11.3	-28.0
Relative to VN index	3.9	-22.7	-36.1
Avg price (VND)	36,543	36,822	46,909

Sources: 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	-	-	5.60	-30.14	21.52
2022F	45,388	23,063	6,486	23.39	32.83	-	-	5.40	-31.00	21.71
2023F	51,812	26,098	7,353	13.37	40.19	-	-	5.52	-31.00	19.93
2024F	62,578	32,505	9,184	24.89	49.37	-	-	5.45	-30.00	20.28

Shares in issue (m)	3,510.92	Major shareholders (%)	Masan	15%
Market cap (VND b)	130,254.94	Free float (%)		65%
3- month average vol. ('000)	5,817.64	LDR (%)		78.8
52w high/low (VND)	56000 / 32550	CAR (%)		15.7

Sources: the Company, Guotai Junan (VN).

Growth engine is idling

The bank's lending figure was likely stable in Q2 due to full credit growth limit. In Q2, the bank focused on reallocating portfolio from WB and corporate bond to individual lending. Accordingly, individual lending proportion in the lending book jumped from 38.8% in Q1 to 46.6% in Q2. Of which, mortgage accounted for 82% individual loan from the ratio of 78% in Q1. On the other side, corporate bond declined to VND 49trn from VND 71trn. This movement posed the negative impact on NIM as mortgage lending yield is lower than WB and corporate bond yield. NIM decreased from 8.9% in Q1 to 8.5% in Q2.

Interest rate hike affected CASA ratio. CASA of the bank decreased to 47.5% from the high record point. However, the bank still the most effective bank in controlling COF with COF ratio ranked 1 in the sector at 2.3% at the end of June. Compared to peers, the average deposit rate of bank increased by only 10-20 bps, much lower than the hike of peers 30-50 bps.

Syndicated loan plays the good funding source. At the end of June, TCB successfully mobilized USD 1bn syndicated loan from international investors, tenor from 3-5 years (following USD 500mn in 2020 and USD 800mn in 2021). This cheap funding source will ensure the bank low COF ratio. Especially, the new long-term funding will positively support the bank in terms of maintaining the low ratio of short-term capital for medium and long-term loans. With that, allocating fund in long-term lending sector like real estate will pose fewer concern.

Moreover, the current shifting to retail lending which has lower risk factor will improve the bank's CAR and so as continuing support the international funding activities.

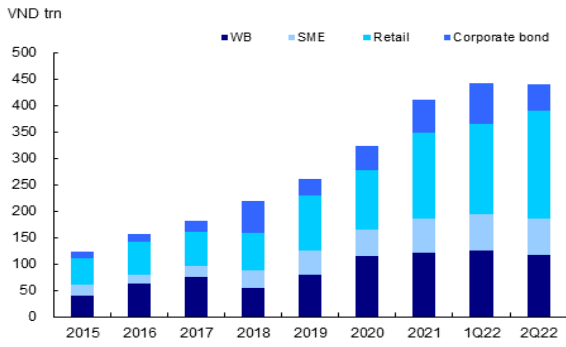
Services income increased by 29.47%yoy while the bank got loss in securities investment

IB fee and investment income was affected by negative stock market and slowing down bond issuance activities under new regulations. On the other hands, fee from credit card and banca (+87%qoq) is the key growing driver in the 1H and expected to support the future earnings performance. In addition, IB fee is still the good earnings sources in the medium and long term given bright prospect in the bond market.

NPL ratio was down to 0.4%, the lowest level in the sector

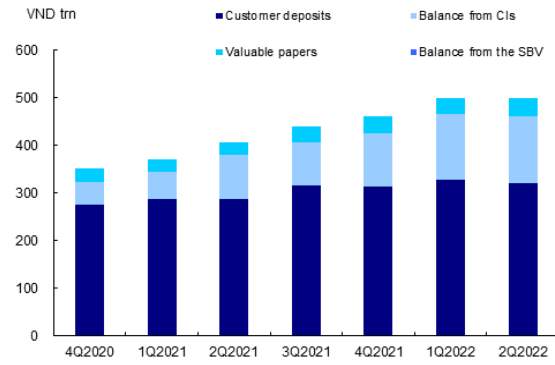
In Q2, TCB reduced their restructured loan portfolio to only VND500 bn. Meanwhile, provision expenses declined by 56% as the bank made fewer provision and reported provision reversals. Additionally, a provision reversal for government bond would be recorded in Q3 and support the bank's profit.

Figure-1: Credit breakdown by segment



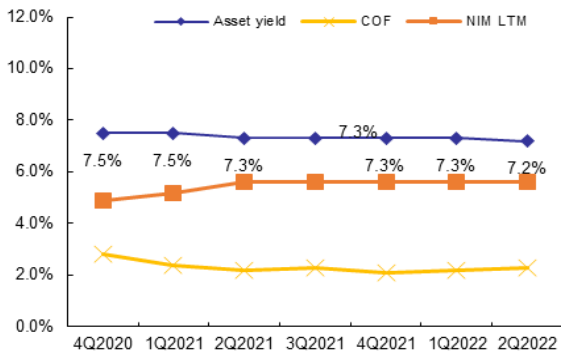
Source: TCB, Guotai Junan (VN).

Figure-2: Funding mix



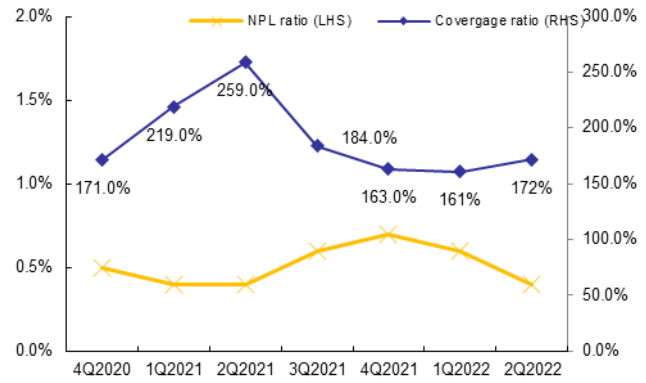
Source: TCB, Guotai Junan (VN).

Figure-3: Profitability



Source: TCB, Guotai Junan (VN).

Figure-4: Asset quality



Source: TCB, 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

Trần Thị Hồng Nhung

Equity Analyst- Banking sector

nhungth@gtjas.com.vn

(024) 35.730.073 – ext:703

Võ Thế Vinh

Head of Research

vinhvt@gtjas.com.vn - ext:701

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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

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