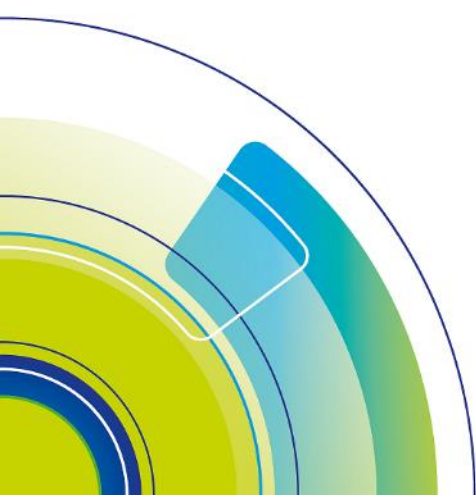




Update TCB – BUY

May 24, 2022



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Recommendation

BUY

HOSE: TCB

Banking

Current price (VND) 35,250

Target price (VND) 63,100

Expected share price return +79.0%

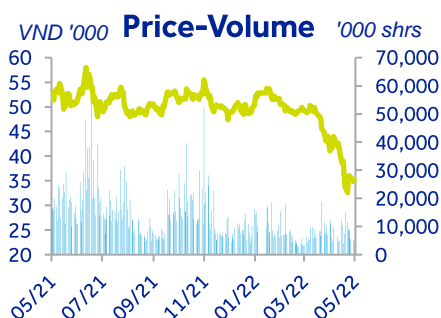
Expected dividend yield 0.0%

Expected total return +79.0%

Stock performance (%)

	YTD	1M	3M	12M
Absolute	-29.5	-21.0	-32.6	-31.4
Relative	-12.0	-9.4	-13.3	-27.4

Source: Bloomberg



Ownership

Masan Group	15.0%
Chairman & relatives	13.9%
Others	71.1%

Stock Statistics

24-May-22

Bloomberg code

TCB VN

52-week range (VND) 32,550-58,600

No. of shares (m) 3,511

Mkt cap (VND bn) 123,760

Mkt cap (USD m) 5,306

Foreign room left (%) 0.0

Est. free float (%) 77.1

3m avg daily vol (shs) 7,517,710

VND/USD 23,325

Index: VNIndex / HNX 1233.38/305.96

VIETNAM TECHNOLOGICAL AND COMMERCIAL BANK (TCB)

We reiterate our **BUY** recommendation with a target price of VND63,100 per share. TCB's long-term outlook remains positive, although the Government's actions to tighten corporate bond issuances, which could negatively impact TCB's fee income in 2022.

Q1/22's PBT grew 23% YoY thanks to a sharp drop in provision expenses

Outstanding credit (including corporate bonds) at the end of Q1/22 grew by 7.9% compared to the beginning of the year and increased by 28.5% YoY. In which, outstanding corporate bonds increased by 22.2% YTD and by 59.3% YoY. By the end of April, TCB had used up the credit growth limit granted by the SBV (9-10%).

Total income in Q1/22 reached VND10,112 billion, grew 13.2% YoY. Total income growth slowed down due to a loss of VND314 billion in securities trading, compared to a net profit of VND746 billion in the same period of last year. Government bond yields increased at all maturities, forcing TCB to make provisions for the government bond investments.

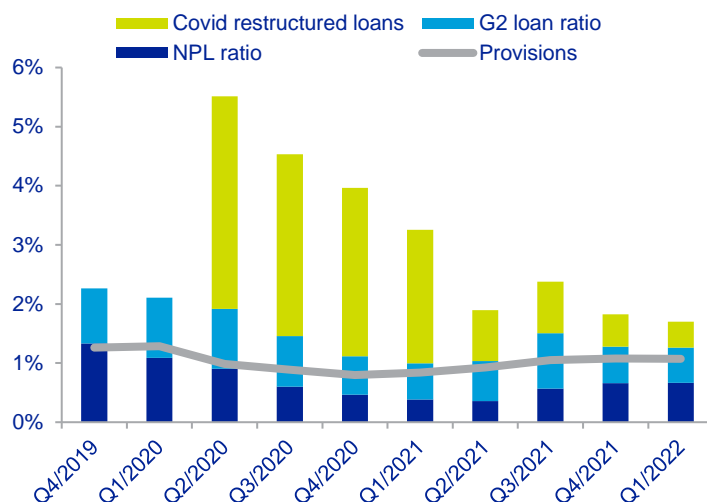
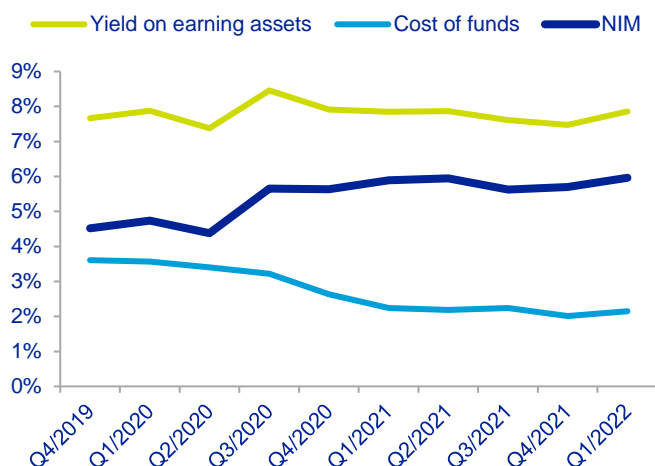
Main business activities maintained high growth rates. Net interest income and net fee income increased by 32.5% YoY and 35.3% YoY respectively. NIM were back to pre-COVID 4th wave levels thanks to a recovery in loan yields and high CASA ratio of 50.4%.

Operating expenses increased by 21.3% YoY as TCB continued to invest in staff, marketing, IT systems and digital transformation. CIR remained at 30.7%, similar to previous quarters.

Provision expenses dropped sharply by 74.3% YoY, at only VND218 billion, this is the lowest level in the last 11 quarters. Provisioning pressure in Q1/22 was insignificant thanks to TCB's good asset quality. NPL ratio at the end of Q1/22 was at 0.67%, equivalent to the beginning of the year. COVID-19 restructured loans continued to decrease to VND1,600 billion, accounting for 0.44% of total outstanding loans and were fully provisioned. NPL coverage ratio stood at 161%, equivalent to the previous quarter.

(continued on the next page)

(VND bn)	2019	2020	2021	2022F	2023F	2024F
Credit growth	19.0%	24.0%	26.5%	20.4%	20.0%	20.0%
NIM	4.40%	4.94%	5.76%	5.71%	5.76%	5.83%
NFI proportion	32.3%	30.7%	28.0%	19.1%	19.3%	18.0%
TOI growth	14.8%	28.4%	37.1%	9.5%	21.4%	19.2%
CIR	34.7%	31.9%	30.1%	33.3%	33.2%	33.7%
Net credit costs	0.07%	-0.46%	-0.42%	-0.07%	-0.22%	-0.25%
Profit before tax	12,838	15,800	23,238	25,717	30,731	36,300
Growth	20.4%	23.1%	47.1%	10.7%	19.5%	18.1%
Profit attributable	10,075	12,325	18,052	20,102	24,018	28,388
Adjusted EPS (VND)	2,878	3,516	5,142	5,725	6,841	8,086
BVPS (VND)	17,651	21,151	26,259	31,985	38,826	46,912
ROA	2.9%	3.0%	3.6%	3.2%	3.2%	3.1%
ROE	17.8%	18.1%	21.7%	19.7%	19.3%	18.9%
P/E (x)	12.3	10.0	6.9	6.2	5.2	4.4
P/B (x)	2.0	1.7	1.3	1.1	0.9	0.8
DPS (VND)	-	-	-	-	-	-



Source: TCB, ACBS

System liquidity is no longer abundant but NIM in 2022 will only decrease slightly

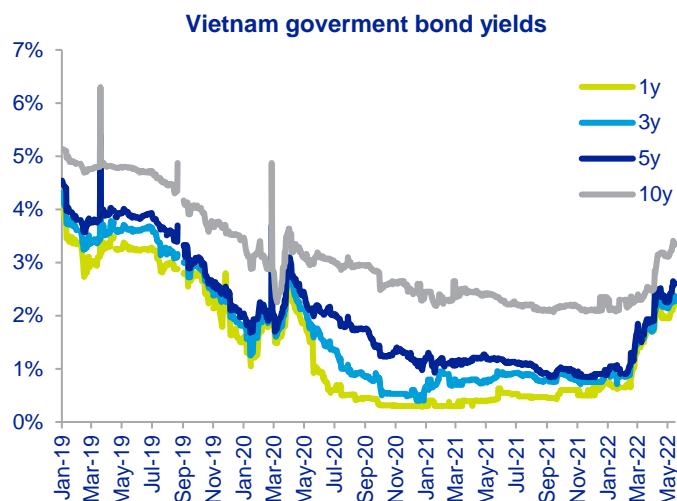
Although deposit rates in both customer market and interbank market are under upward pressure in 2022, we expect TCB to keep its NIM at the same level as in 2021 thanks to:

- (1) CASA continued to grow thanks to the trend of transactions through digital banking channels and TCB's ability to attract new customers. We expect TCB's CASA ratio to improve from 50.5% at the end of 2021 to 52.7% at the end of 2022.
- (2) TCB can increase mobilization from foreign loans with lower interest rates than domestic.
- (3) Credit demand is still high thanks to low lending interest rate. We expect the SBV to extend the credit limit for TCB in June and TCB's full year credit growth to reach 20.4%, lower than AGM's plan of 25%.

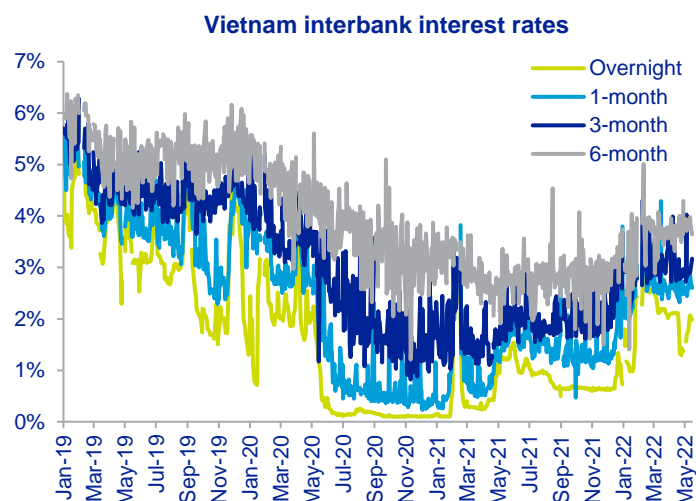
Non-interest income faces difficulties from the bond market

For non-interest activities, we expect TCB will face many difficulties in maintaining income from these activities in 2022 due to:

- (1) Income from IB fees may be negatively affected by the Government's actions to tighten real estate corporate bond issuance. IB fees accounted for about 50% of total fee income and 9% of PBT in 2021, indicating that TCB's profit growth may slow down due to the impact of this business.
- (2) System liquidity is not as abundant as in 2021, causing government bond yields to increase. Therefore, TCB's securities trading (mainly government bonds) will face difficulties in 2022.
- (3) Non-interest income can be offset from the additional upfront fee received from the exclusive bancassurance enhancement contract with Manulife, which we can see in the case of VPB and AIA. However, we have not included this expectation in our model as there has not been any information related to the deal released publicly.



Source: VBMA



Source: SBV

We expect provision costs in 2022 to decrease despite the Government's actions to tighten the real estate market

We see that the provisioning pressure of TCB in Q1/22 is no longer significant. We expect provision expenses to increase only slightly in the last 9M2022 thanks to:

- (1) TCB's real estate customers are large scale with good financial background, therefore, the Government's recent actions to tighten credit in the real estate sector will not have a significant impact on TCB's asset quality. In addition, we also expect that the tightening of credit into the real estate market will only be temporary to ease the surging in real estate prices. Therefore, we believe that TCB's NPLs in 2022 will remain low and will continue to come from individual loans as in previous years. Outstanding credit in the real estate sector is estimated to account for about 40% of TCB's total credit balance (including corporate bonds) and currently has a NPL ratio close to 0%.
- (2) We expect TCB's COVID-19 restructured loans to continue its downward trend thanks to the recovery of economic activities after the epidemic. Since TCB has made provision for all of these restructured loans, TCB can reverse the provision when restructured customers resume payment as normal.

Reiterate BUY recommendation with target price of VND63,100 per share

We forecast TCB's PBT in 2022 to reach VND25,717 billion, +10.7% YoY. Our 1-year target price for TCB is **VND63,100** per share using a discounted residual income method. Our target price is equivalent to 1-year forward P/E and forward P/B of **10.3x** and **1.84x** respectively.

TCB's share price has dropped 30% from the price range of VND50,000 per share to VND35,000 per share range since the beginning of April. TCB is currently trading at a forward P/E and forward P/B of 2022 of 6.2x and 1.1x respectively. This sharp drop in price makes TCB's share attractive to long-term investors, although the government's actions and macro volatility may put pressure on stock price in the short-term.

(Unit: VND billion, unless otherwise stated)	Market price (VND):	34,850	Target price (VND):	63,100	Market cap (VND bn):	123,760	
INCOME ITEMS	2018	2019	2020	2021	2022F	2023F	2024F
Net interest income	11,390	14,258	18,751	26,699	32,855	39,780	48,118
Net fee & commission income	3,273	3,253	4,189	6,382	5,425	6,239	7,174
Other non-interest income	3,687	3,557	4,103	3,995	2,313	3,245	3,409
Total operating income	18,350	21,068	27,043	37,076	40,593	49,263	58,702
Growth (%)	11.5%	14.8%	28.4%	37.1%	9.5%	21.4%	19.2%
Operating expenses	(5,843)	(7,313)	(8,631)	(11,173)	(13,520)	(16,359)	(19,794)
Profit before provision & tax	12,507	13,756	18,411	25,903	27,073	32,904	38,907
Provision for credit losses	(1,846)	(917)	(2,611)	(2,665)	(1,356)	(2,173)	(2,608)
Profit before tax	10,661	12,838	15,800	23,238	25,717	30,731	36,300
Profit attributable to shareholders	8,463	10,075	12,325	18,052	20,102	24,018	28,388
Growth (%)	31.3%	19.1%	22.3%	46.5%	11.4%	19.5%	18.2%
Adjusted EPS (VND)	2,420	2,878	3,516	5,142	5,725	6,841	8,086
Core earnings (before tax)	9,054	10,303	14,346	22,223	25,093	30,042	35,938
Growth (%)	8.8%	13.8%	39.2%	54.9%	12.9%	19.7%	19.6%
BALANCE SHEET ITEMS	2018	2019	2020	2021	2022F	2023F	2024F
Outstanding loans & corporate bonds	219,595	261,400	324,253	410,150	493,845	592,614	711,137
Growth (%)	20.3%	19.0%	24.0%	26.5%	20.4%	20.0%	20.0%
Customer deposit	201,415	231,297	277,459	314,753	361,965	416,260	478,699
Growth (%)	17.8%	14.8%	20.0%	13.4%	15.0%	15.0%	15.0%
Total assets	320,989	383,700	439,603	568,729	688,204	822,725	984,897
Shareholder's equity	51,713	61,782	74,131	92,195	112,296	136,315	164,703
BVPS (VND)	14,790	17,651	21,151	26,259	31,985	38,826	46,912
KEY RATIOS	2018	2019	2020	2021	2022F	2023F	2024F
NPL (%)	1.8%	1.3%	0.5%	0.7%	0.7%	0.7%	0.7%
NPL coverage (%)	85%	95%	171%	163%	163%	163%	163%
NIM (%)	4.2%	4.4%	4.9%	5.8%	5.7%	5.8%	5.8%
CIR (%)	32%	35%	32%	30%	33%	33%	34%
ROA (%)	2.9%	2.9%	3.0%	3.6%	3.2%	3.2%	3.1%
ROE (%)	21.5%	17.8%	18.1%	21.7%	19.7%	19.3%	18.9%
P/E (x)	14.6	12.3	10.0	6.9	6.2	5.2	4.4
P/B (x)	2.4	2.0	1.7	1.3	1.1	0.9	0.8
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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DISCLAIMER

Our Recommendation System

BUY: where we believe prospective 12 month VND total return (including dividends) will be 15% or more.

HOLD: where we believe it will be -15% to 15%.

SELL: where we believe it will be lower than -15%.

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