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Recommendation TRACKING

Tam Chi Vuong (FA)

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Target price	31,180
Closing price	26,750
Upside	16.6%

Trung Quoc Le (TA)

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Target price	29,000
Cut loss price	25,000

Market data

Number of shares (stock)	3,497
Capitalization (bil. VND)	93,709
Highest price 52 weeks	36,300
The average trading volume of 10 sessions (shares)	3,443,813
Foreign ownership	30%

Major shareholders (%)

Masan Group Corporation	15.00%
Nguyen Thi Thanh Tam	4.98%
Nguyen Thi Thanh Thuy	4.98%
Ho Anh Minh	3.95%
Nguyen Thi Phuong Hoa	2.17%

Price movements



Company overview : TCB is a pioneer bank in the field of corporate bond issuance consultancy, accounting for more than 80% market share in Vietnam..

FIRST LEADING

Valuation

We recommend TRACKING with TCB stock with a target price of VND 31,180/share, upside 16.6% with P/B method = 1.8x (current industry average = 1.6x). We apply P/B = 1.8x because TCB is a pioneer bank in many fields and always promotes sustainable growth, suitable for long-term investors.

Forecast of business results 2019.

BSC forecasts that in 2019, TCB will record TOI and PBT at VND 21,145 billion (+ 15.2% yoy) and VND 11,198 billion (+ 5.03% yoy). This forecast is based on the assumption (1) credit growth of + 14%, equivalent to the SBV set in 2019, (2) lending + 6.2% yoy, mobilization + 5.4% yoy, (3) NIM = 4.4% from increasing the rate of loans and restructuring loans with higher interest rates, (4) NPL = 1.36%, bad debt ratio = 94%, (5) there are no abnormal incomes, (6) off-balance debt recovery = 1,500 bil. VND.

Catalyst

(1) Expectations from sales schedule of Vin city, (2) leading in the field of corporate bonds in Vietnam with high market share.

Investment risk

(1) Growth pressure increases NPL, (2) growth depends on a large customer group.

Business update (Refer to page 2 for details)

2018 business results. In 2018, TCB recorded TOI and PBT at VND 18,350 billion (+ 12.3% yoy) and VND 10,661 billion (+ 32.7% yoy).

Net interest income + 24.6% yoy, reaching VND 11,127 billion (accounting for 60.6% TOI). Credit growth + 20.3%, NIM = 4.02% thanks to increasing casa structure and restructuring loans.

Non-interest income (39.4% TOI) continued to grow thanks to insurance, bonds and cards. Income from payment services and cash + 20.3% yoy, CK issuance underwriting operation + 210% yoy, bancassurance + 52% yoy.

Improved asset quality. Bad debt + 8.5% yoy, NPL = 1.28% (industry average = 1.65%). Bad debt coverage ratio = 85%, equivalent to the industry average (79.68%).

Business update

2018 business results. In 2018, TCB recorded TOI and PBT at VND 18,350 billion (+ 12.3% yoy) and VND 10,661 billion (+ 32.7% yoy). The strong growth of PBT is due to (1) net interest income + 24.6% yoy, (2) income from Techcombank Finance divestment (VND 895 billion), (3) reversal of about VND 1,220 billion from debt selling contracts. Lending decreased 0.56% yoy, corporate bond growth + 175%, mobilization + 17.8% yoy. LDR = 65%, loans / deposits = 79.39% ensure liquidity and help banks continue to grow in the future.

Net interest income + 24.6% yoy, reaching VND 11,127 billion (accounting for 60.6% TOI). In 2018, TCB's total credit growth reached 20.3% (in the fourth quarter of 2018, TCB applied for additional credit lines). TCB's NIM was also improved to 4.02% (up 24 bps) thanks to the casa ratio increased to 27.1% of total customer deposits (2017: 22.4%) to help banks take advantage of the source of cheap capital. In addition, the structure of loans from increasing the proportion of long-term loans to 39.25% (in 2017 = 33.91%) also helps to improve part of NIM. We expect that in 2019, credit growth will reach 14% as instructed by SBV and continue to take advantage of the increase in the proportion of mobilization structure to help TCB improve its NIM by 4.40% (+38 bps).

Non-interest income (39.4% TOI) continued to grow thanks to insurance, bonds and cards. Income from payment services and cash + 20.3% yoy, securities underwriting operation + 210% yoy, bancassurance + 52% yoy. TCB in 2019 will continue to focus on the value chain of customers in 6 key economic sectors, while increasing income from the service fee.

CIR in 2018 was at 31.84%, low compared to the industry average (47.3%) thanks to utilizing technology into the banking system. Human expenses + 25% yoy due to the expansion of growth. In the future, TCB will continue to invest in technology and people to help keep CIR levels low compared to the industry in the future.

Improved asset quality. Bad debt + 8.5% yoy, NPL = 1.28% (industry average = 1.65%). Group 2 debt increased by 0.17%, group 3 debt fell sharply to 0.15% of total outstanding loans. Rate of bad debt = 85%, equivalent to the industry average (79.68%).

Forecast of business results 2019. BSC forecasts that in 2019, TCB will record TOI and PBT at VND 21,145 billion (+ 15.2% yoy) and VND 11,198 billion (+ 5.03% yoy). This forecast is based on the assumption (1) credit growth of + 14%, equivalent to the SBV sets in 2019, (2) lending + 6.2% yoy, mobilization + 5.4% yoy, (3) NIM = 4.4% from increasing the rate of loans and restructuring loans with higher interest rates, (4) NPL = 1.36%, bad debt ratio = 94%, (5) there are no abnormal incomes from divestment and reversal of provision, (6) off-balance debt recovery = 1,500 bil. VND. Currently, TCB is being traded with P/E = 7.08x and P/B = 1.5x, equivalent to the current industry average.

Technical analysis

TCB_Short-term correction

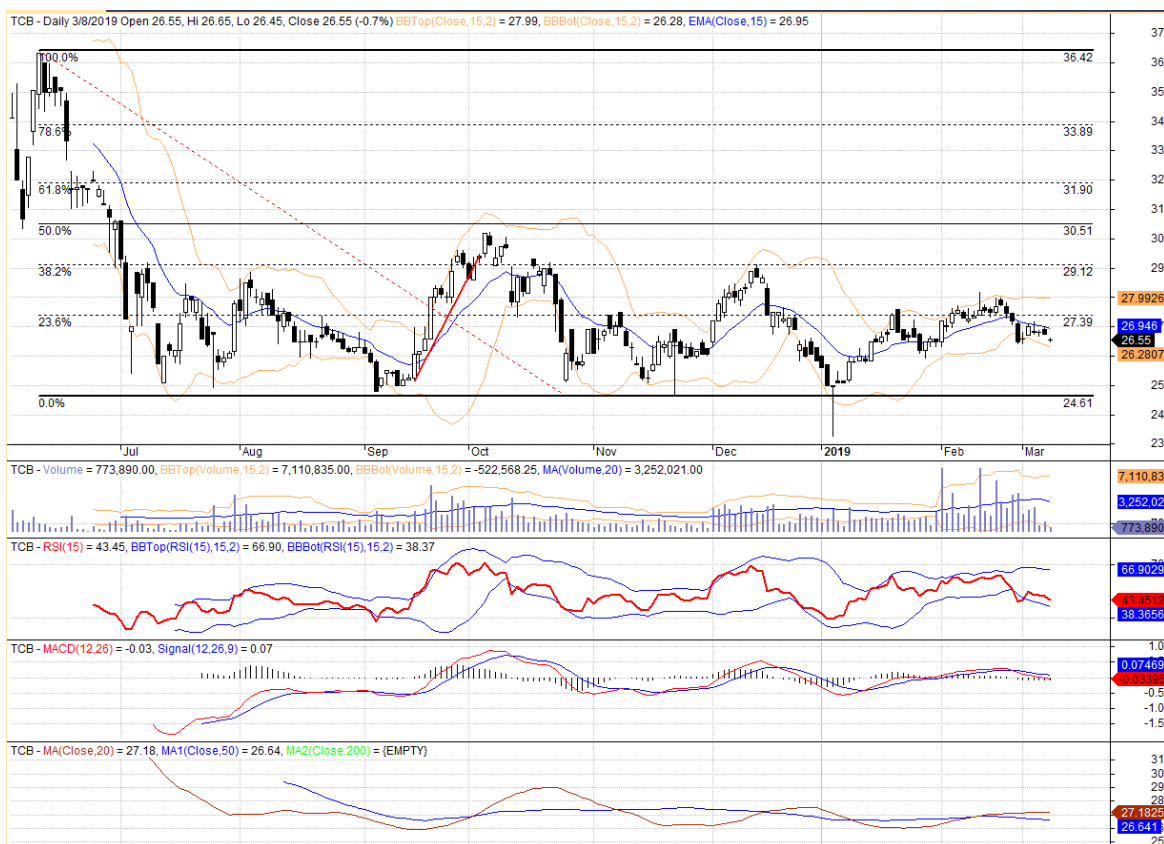
Technical highlights:

- Current trend: Short-term correction.
- MACD trend indicator: Positive divergence, MACD is pointing down below the signal line.
- RSI indicator: Neutral area, slightly adjusted trend
- MA lines: MA20 is above and parallel to the MA50.

Outlook: TCB is in the medium-term trading channel of 26-29. Liquidity in recent sessions has plummeted and far away from the average of 20 sessions. RSI indicator and MACD indicator support the slight correction. Mobilizing 2 MA lines are maintaining the cumulative trend and there has not been any breakthrough signal. TCB will still adjust slightly to the price threshold 26.

Recommendations: The buying position of the stock is still unclear when there is still a correction signal. For high risk traders, it is possible to open positions when stocks return to the 26 threshold and take profit at the price level 29. Cut loss if the stock loses the threshold of 25.

TCB technical chart



Source: Amibroker, BSC

Techcombank (TCB)



Appendix 01: Overview of TCB

	2015	2016	2017	2018	2019
SCALE					
Charter capital (bil. VND)	8,878	8,878	11,655	34,966	34,966
Equity (bil. VND)	16,458	19,586	26,931	51,783	60,567
Total assets (bil. VND)	191,994	235,363	269,392	321,049	345,004
Equity/Total assets	8.57%	8.32%	10.00%	16.13%	17.56%
GROWTH (YOY)					
Asset growth	9.15%	22.59%	14.46%	19.18%	7.46%
Lending growth	39.69%	27.13%	12.78%	-0.56%	6.17%
Deposit growth	8.01%	21.94%	-1.43%	17.84%	5.35%
CASA/mobilization	18.83%	20.66%	22.36%	27.14%	30.91%
Loans/deposits	78.87%	82.22%	94.08%	79.39%	80.00%
ASSET QUALITY					
NPL ratio	1.66%	1.58%	1.61%	1.75%	2.00%
NPL ratio includes debt sold to VAMC	3.99%	2.64%	1.61%	1.75%	2.00%
Provision for bad debts/Total outstanding loans	1.04%	1.05%	1.17%	1.49%	1.88%
Bad debt ratio/Total bad debt	62.63%	66.57%	72.93%	85.08%	94.06%
Real interest income/Interest income (ytd)	102.20%	93.99%	100.66%	91.20%	91.20%
Interest and fees receivable/loan	2.72%	2.80%	2.41%	3.59%	3.87%
Doubtful property	17,408	15,963	17,459	23,094	25,571
% Total asset	9.07%	6.78%	6.48%	7.19%	7.41%
% Equity	110.72%	88.57%	75.07%	58.68%	45.52%
BUSINESS EFFICIENCY (YOY)					
% Net interest income	77.20%	68.31%	54.64%	60.64%	65.05%
Net profit before credit risk provision (Bil. VND)	5,665	7,658	11,646	12,507	14,802
% yoy	53.18%	35.17%	52.08%	7.40%	18.34%
Provision expenses for credit risk (Bil. VND)	3,628	3,661	3,609	1,846	3,604
% to pre-provision profit	64%	48%	31%	15%	24%
Profit after tax (bil. VND)	1,529	3,149	6,446	8,474	8,900
% yoy	41.35%	105.92%	104.70%	31.47%	5.03%
NIM (TTM)	4.39%	4.15%	3.78%	4.02%	4.40%
CIR (TTM)	39.37%	35.75%	28.75%	31.84%	30.00%
ROA (TTM)	0.83%	1.47%	2.55%	2.87%	2.67%
ROE (TTM)	9.73%	17.47%	27.71%	21.53%	15.84%
EPS (VND/share) (TTM)	1,694	3,525	7,719	2,424	2,545
Diluted EPS (TTM)	1,694	3,525	7,719	2,424	2,545
Book value (VND/share)	18,537	22,062	23,106	14,809	17,322

Source: BSC research

Appendix 02: Overview of listed banks 2018

	MBB	CTG	VCB	BID	STB	TCB	VPB	ACB	HDB	LPB	TPB	VIB
Scale												
Charter capital (bil. VND)	21,605	37,234	35,978	34,187	18,852	34,966	25,300	12,886	9,810	7,500	8,566	7,835
Equity (bil. VND)	34,173	67,469	63,889	54,693	24,632	51,783	34,750	21,018	16,828	10,201	10,642	10,667
Total assets (bil. VND)	362,361	1,164,318	1,072,983	1,313,038	406,041	321,049	323,308	329,333	216,107	175,095	136,179	139,000
Equity/Total assets	9.43%	5.79%	5.95%	4.17%	6.07%	16.13%	10.75%	6.38%	7.79%	5.83%	7.81%	7.67%
Growth (ytd)												
Asset growth	15.45%	6.32%	3.64%	9.21%	10.20%	19.18%	16.40%	15.83%	14.14%	7.13%	9.72%	12.86%
Lending growth	16.16%	8.89%	16.26%	14.12%	14.94%	-0.89%	21.38%	15.92%	17.86%	18.43%	21.59%	20.71%
Deposit growth	8.99%	9.68%	13.23%	15.08%	9.17%	17.84%	27.93%	11.85%	6.24%	-2.59%	8.31%	24.11%
CASA	33.48%	15.02%	28.27%	16.35%	14.85%	27.14%	13.25%	16.67%	8.35%	18.18%	18.16%	14.29%
Loans/deposits	88.13%	103.16%	77.58%	98.65%	72.48%	78.20%	127.53%	84.44%	95.11%	94.21%	100.21%	112.25%
Asset quality												
NPL ratio	1.34%	1.59%	1.00%	1.71%	2.14%	1.78%	3.56%	0.73%	1.55%	1.43%	1.13%	2.54%
NPL ratio includes debt sold to VAMC	1.34%	1.59%	1.00%	1.71%	2.14%	1.78%	3.56%	0.73%	1.55%	1.43%	1.13%	2.54%
Provision for bad debts/Total outstanding	1.52%	1.53%	1.65%	1.27%	1.39%	1.51%	1.64%	1.12%	1.10%	1.26%	1.17%	0.92%
Bad debt ratio/Total bad debt	113%	96%	165%	74%	65%	85%	46%	152%	71%	88.25%	103%	36%
Interest and fees receivable/loan	1.33%	1.86%	1.40%	2.12%	2.35%	2.17%	2.42%	1.50%	2.58%	3.46%	1.76%	1.53%
Business efficiency (ytd)												
% Net interest income	74.64%	78.34%	72.31%	78.57%	65.37%	60.64%	79.46%	73.85%	80.99%	102.89%	77.80%	79.78%
Net profit before credit risk provision (Bil. VND)	10,805	14,490	25,679	28,366	3,839	12,507	20,452	7,321	4,999	1,831	2,780	3,362
% yoy	37.33%	-17.44%	46.40%	20.64%	66.31%	7.40%	26.78%	40.21%	45.59%	-20.02%	66.66%	91.57%
Provision expenses for credit risk (Bil. VND)	(3,038)	(7,748)	(7,379)	(18,894)	(1,592)	(1,846)	(11,253)	(932)	(994)	(618)	(522)	(620)
% to pre-provision profit	28.11%	53.47%	28.73%	66.61%	41.47%	14.76%	55.02%	12.74%	19.89%	33.77%	18.79%	18.46%
Profit after tax (bil. VND)	6,190	5,428	14,658	7,542	1,790	8,474	7,356	5,137	3,202	960	1,805	2,193
% yoy	77.34%	-27.23%	60.89%	8.58%	51.51%	31.47%	14.20%	142.53%	63.81%	-29.83%	87.29%	95.09%
NIM (TTM)	4.56%	2.08%	2.78%	2.98%	2.34%	4.13%	8.81%	3.56%	4.05%	3.50%	3.69%	3.79%
CIR (TTM)	44.70%	49.59%	34.64%	36.24%	67.12%	31.84%	34.21%	47.83%	47.05%	62.47%	50.59%	44.45%
ROA (TTM)	1.83%	0.48%	1.39%	0.61%	0.46%	2.87%	2.45%	1.67%	1.58%	0.93%	1.39%	1.67%
ROE (TTM)	19.41%	8.27%	25.18%	14.52%	7.48%	21.53%	22.83%	27.73%	20.27%	15.92%	20.84%	22.55%
Diluted EPS (TTM)	2,865	1,456	4,070	2,152	950	2,420	2,907	3,987	2,897	1,280	2,107	2,800
Book value (VND/share)	15,109	18,040	17,739	15,109	13,066	14,790	13,735	16,311	15,938	13,601	12,424	13,615
Valuation												
P/E	7.71	14.49	14.69	15.10	13.69	11.38	7.45	7.63	10.77	7.03	10.11	6.32
P/B	1.46	1.17	3.37	2.15	0.99	1.86	1.58	1.86	1.96	0.66	1.71	1.30

Disclosure

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