

The Koi fish leaps over the dragon gate

BUY [+47%]

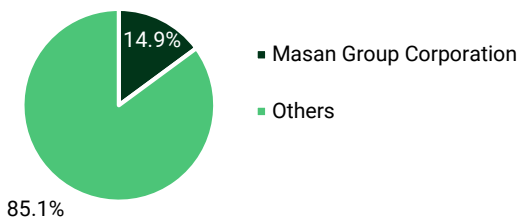
Fair price 45,100 VND
Current price 30,600 VND

Updated: 07/11/2023

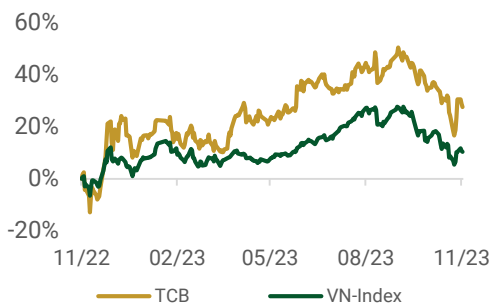
THÔNG TIN CỔ PHIẾU

Outstanding shares (mil) 3.5
Free float (mil) 2.3
Market cap. (VND billion) 114,310
3m avg. volume (shares) 9,548,205
Foreign ownership (%) 22.5%
First listing date 06/04/2018

MAJOR SHAREHOLDERS



PRICE MOVEMENT COMPARED TO THE INDEX



HISTORICAL VALUATION



Overview of the bank: Vietnam Technological and Commercial Joint Stock Bank (TCB) was established in 1993. The bank operates mainly in the fields of capital funding and credit lending. TCB aims to be in the top 10 bank in the ASEAN region by 2025 based on a strong digital transformation journey with three pillars of Data - Digitization - Talent. The Bank's ecosystem and partner cooperation in many key economic areas differentiates TCB from peers.

Investment highlights:

Low-cost fundings from taking advantage of capital markets. LTM Cost of Funds of was 4.71%, top 25% banks with lowest Cost of funds. (1) CASA ratio is superior to peers. (2) Benefit from low-cost capital from international financial institutions, accounting for a large proportion of Interest-bearing Liabilities. (3) The average rate on savings and the average rate on valuable papers lower than peers bring advantage to Cost of Funds.

Leading digital transformation supports long-term potential business prospects. More than 36% of the bank's credit is concentrated in the real estate, construction, and building materials sector (referred to as RECOM). Individual loans account for over 42% of the loan portfolio, equivalent to nearly VND 200 trillion. Among these, Mortgage accounts the largest share (80%), approximately VND 158 trillion. Despite facing difficulties in 2023, we believe that TCB's NIM will improve in H2 2024 when the real estate market begins to recover. Furthermore, in the long-term, TCB's leading position in digital transformation through the "Data - Digitization - Human" strategy would drive the development and expansion of its core business segments.

Evaluation & Recommendations:

Although we expect improvement in the real estate and corporate bond markets, we are cautious about the recovery of these two markets by the end of 2024. So, we expect that the credit growth of TCB in 2024 would be 21.4%. By 2024, we expect TCB's NIM will improve compared to the end of 2023, to 4.65% thanks to benefiting from low-cost capital sources from international organizations and the recovery of CASA. Moreover, we expect the NPL pressure to increase due to Circular 02/2023/TT-NHNN expiring. So we project the NPL ratio in 2024 to be 1.23%. Using valuation method of Discounted Residual Income and P/B, we determine the fair price for TCB at VND 45,100/share. Hence, we make our recommendation: Buy.

Investment risks: (1) Interest rate risk; (2) Risk from rising NPLs; (3) Competitive risk; (4) Inflation risk; (5) Risk from economic downturn; (6) Risks of recovery of real estate and bond markets.

Financial Indicators	2019A	2020A	2021A	2022A	2023F	2024F
Net Interest Income (VND billion)	14,258	18,751	26,699	30,290	28,213	36,268
Net Profit (VND billion)	6,811	8,627	10,376	10,612	11,402	12,735
EPS (VND)	21,068	27,379	37,076	40,902	39,615	49,003
EPS Growth (%)	(7,313)	(8,967)	(11,173)	(13,398)	(13,567)	(16,047)
Book Value (VND)	(917)	(2,611)	(2,665)	(1,936)	(3,102)	(4,576)
P/E	12,838	15,800	23,238	25,568	22,946	28,380
P/B	10,226	12,582	18,415	20,436	18,401	22,748
Cash dividend (VND)	1.33%	0.47%	0.66%	0.72%	0.93%	1.23%
	32.9%	44.3%	47.0%	34.3%	34.4%	35.3%