

21 AUG 2024

RECOMMENDED	BUY
Fair price	28,200
Current price	22,000
Potential upside	28%

STOCK INFORMATION

Outstanding shares (million)	7,045
Free float (million)	4,579
Capitalization (billion VND)	151,115
3-month trading volume (shares)	15,421,018
Foreign ownership (%)	21.05%
First listing date	04/06/2018

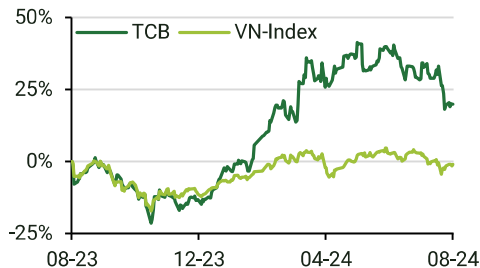
SHAREHOLDERS STRUCTURE

Masan Group Corporation	14.88%
Mapleleaf Company Limited	4.96%
Nguyen Thi Thanh Thuy	4.94%
Ho Anh Minh	4.89%
Ho Thuy Anh	4.89%

CRITICAL ASPECTS

TTM EPS (VND)	3,048
BVPS (VND)	19,470
Debt/Equity (%)	5.6
ROA (%)	2.5%
ROE (%)	16.2%
P/E	7x
P/B	1.1x
Dividend yield (%)	15%

MOVEMENTS OF STOCK PRICE



COMPANY PROFILE

Vietnam Technological and Commercial Joint Stock Bank (TCB) was established in 1993. The bank operates mainly in the field of capital mobilization and credit lending. TCB aims to become a top 10 bank in the ASEAN region by 2025 based on a strong digital transformation journey with three pillars: Data - Digitalization - Talent. The Bank's ecosystem approach and partnership in many key economic sectors help differentiate TCB.

ANALYST

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THE RISING DAWN

- Although the slow recovery of real estate market would exert impact on TCB's portfolio, we believe that the advantage in the optimization of funding structure, digitalization and asset management would allow TCB to maintain growth rates.
- We expect 2024 to be more positive thanks to the economic recovery, recovery in investor sentiment and the Government's economic support policies.
- TCB is a bank that benefits from good fundamentals and is currently at attractive valuations. PHS projects TCB's fair value at VND 28,200/share, equivalent to 2024F and 2025F forward P/B of 1.3x and 1.1x, respectively. We recommend BUY with a potential upside of 28%.

Investment highlights

Low cost of capital allows TCB to provide competitive lending rates while maintaining high NIM levels, which creates competitive advantage for TCB. TCB's Cost of Funds (COF) decreased by 75 bps compared to the end of 2023 to 3.8% in the context of the upward trend of deposit rates, which is one of the lowest figures in the industry, thanks to maintaining a high CASA ratio and optimizing capital mobilization structure. If we include the auto earning account, the CASA ratio was steady at 40%, which is the second highest position in the industry. NIM of TCB improved 43 bps compared to the end of 2023 to 4.49%, mainly thanks to the funding cost advantage. This level of NIM was among the four highest banks in the industry.

Diversification strategy in terms of lending orientations would bolster the future profitability, and simultaneously alleviates the risk of credit-concentrated portfolio. TCB's credit growth at the end of H1 2024 was 12.5% YTD, among the banks with the highest credit growth. Provision expense for Credit risk doubled to VND 2.9 trillion. However, loan portfolio of TCB is focused on high-value collateral assets. TCB is also one of the banks with the highest Loan Losses Coverage ratio in the industry - 101%. In addition, despite paying a 15% cash dividend (equivalent to VND5 trillion), TCB's CAR remained above 14% at the end of Q2 2024.

The asset base is underpinned by a strong capital cushion with a high CAR ratio, abundant capital resources and thick provisions. At the end of H1 2024, NPL ratio of TCB rose 7 bps to 1.23%. Despite the increase, this figure ranked the second lowest one in the industry. In H1 2024, Provision expense for Credit Losses of TCB soared 113%YoY to VND 2.9 Trn. Hence, Loan Losses Coverage ratio only declined 1% compared to 2023 to 101%, being one of the highest numbers in the industry. TCB's CAR remains high, above 14%, despite a cash dividend payment of VND 5 trillion in 2024.

Projection of business result in 2024F and 2025F.

Economic activity is expected to continue its growth momentum in H2 2024F and 2025F, we expect TCB's credit growth to be 21.5% in 2024F and 21.8% in 2025F. We expect TCB to maintain its advantage in COF, while applying a flexible pricing policy in H2 of 2024F and 2025F. We forecast NIM 2024F and 2025F to be 4.41% (+35 bps) and 4.48% (+7 bps), respectively.