

Vietnam

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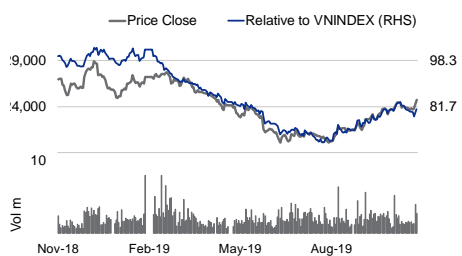
Consensus ratings*: Buy 10 Hold 2 Sell 0

Current price:	VND24,750
Target price:	VND27,400
Previous target:	VND27,400
Up/downside:	10.7%
CGS-CIMB / Consensus:	-14.6%
Reuters:	TCB.HM
Bloomberg:	TCB VN
Market cap:	US\$3,734m
	VND86,628,464m
Average daily turnover:	US\$1.98m
	VND45,973m
Current shares o/s	3,497m
Free float:	34.8%

*Source: Bloomberg

Key financial forecasts

	Dec-19F	Dec-20F	Dec-21F
Net Profit (VNDb)	9,348	10,756	12,736
Core EPS (VND)	2,664	3,065	3,629
Core EPS Growth	10.5%	15.1%	18.4%
FD Core P/E (x)	9.29	8.07	6.82
Recurring ROE	16.5%	16.1%	16.2%
P/BV (x)	1.42	1.21	1.02
DPS (VND)	-	-	-
Dividend Yield	0%	0%	0%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	4.9	21.3	-7.8
Relative (%)	1.2	16	-18.5

Major shareholders	% held
Masan Group	15.0
Chairman and related parties	15.9
Others	69.1

Analyst(s)

Khanh Hien TRAN

T (84) 90 364 3900
E hien.trankhanh@vndirect.com.vn

Ngoc NGUYEN

T (84) 90 918 2135
E ngoc.nguyendang@vndirect.com.vn

Techcombank

Lower-than-expected provision expenses

- 3Q19 net profit rose 24% yoy to VND2,554bn, driven by a 16.2% yoy rise in NII and 626.7% yoy jump in investment income.
- 9M19 net profit rose 13.5% yoy to VND7,046bn, in line at 75.4% of our full-year forecast.
- We maintain our Add rating with a TP of VND27,400.

3Q19 strong net profit thanks to lower credit cost

- Net interest income (NII) rose 16.2% yoy to VND3,622bn in 3Q19 on the back of 23.0% yoy loan growth and stable net interest margin (NIM) of 4.1%.
- Non-interest income grew 14.4% yoy in 3Q19, thanks to 626.7% yoy spike in income from investment activities.
- PPOP grew at a modest 7.3% yoy due to higher CIR (33.5% in 3Q19 vs. 28.4% in 3Q18).
- Net profit rose 24.0% yoy to VND2,554bn due to lighter credit costs (0.19% in 3Q19 vs. 0.45% in 3Q18).

9M19 NIM widened thanks to cost of fund amelioration

- A 19bp yoy decrease in 9M19 asset yields was more than offset by a 23bp yoy decline in cost of funds. Consequently, 9M19 NIM increased by 15bp yoy to 4.2%.
- Lower asset yields were mainly due to a 129bp dip in 9M19 loan yields as 7.75%.
- Cost of fund improved on better current account and saving account (CASA) (28.7% at end-3Q19; vs. 22.6% at 3Q18). This year, the bank has adopted several attractive policies to lift up CASA ratio such as zero fee for e-Banking transactions or 1% cash back debit cards.

9M19 bottomline on track with lower provision expenses

- 9M19 NII rose 23.7% yoy to c.VND10,106bn, accounting for 70% of total operating income (TOI).
- Loan book rose a robust 28.4% YTD, boosted by surging mortgages from the newly-launched residential projects developed by Vingroup (VIC VN, Not rated).
- However, credit growth reached 12.4% YTD in 9M19 as corporate bond balance declined by 30.5% YTD. As the bank quota for credit growth in 2019 is 17%, we believe that the bank still has room to expand its lending activities in 4Q19.
- Net services income grew +1.2% yoy to VND2,138bn in 9M19, accounting for 14.8% of TOI. Meanwhile, net other income grew +13.3% yoy to VND1,194bn thanks to increase in proceeds from other derivative financial instruments.
- CIR was 34.5% in 9M19, surging from the 28.1% level seen in 9M18, due to a significant 42% yoy bounce in headcount budget.
- 9M19 PPOP contracted slightly by 1.0% yoy to VND9,465bn, forming only 66.1% of our full-year forecast.
- NPL ratio stayed at 1.8% at end-3Q19, relatively unchanged over the past four quarters. But we saw a sharp 66% yoy drop in 9M19 provision expenses which dragged the loan coverage from 85.1% at end-FY18 to 77.1% as of end-3Q19.
- 9M19 provision expenses formed only 23.6% our full-year forecast.
- 9M19 net profit rose 13.5% yoy to VND7,046bn, forming 75.4% of our FY19F forecast.

Maintain Add with an unchanged TP

- Maintain Add. Our TP of VND27,400 is based on residual income (COE: 13.3%; LTG: 4.0%; 70% weighting) and 1.5x FY19F P/BV (30% weighting).
- Re-rating catalysts include higher than expected credit growth.
- Downside risk is increase in bad debts as TCB expands its SME lending.

Figure 1: Results comparison (in VND bn unless otherwise noted)

Profit & Loss statement	3Q19	3Q18	% yoy	2Q19	% qoq	9M19	9M18	% yoy	% of VNDIRECT forecasts	Comments
Net interest income	3,622	3,117	16.2%	3,124	15.9%	10,106	8,168	23.7%	77.4%	In line with our forecast
Non-interest income	1,737	1,518	14.4%	1,564	11.1%	4,335	915	373.9%	56.2%	Below our forecast due to lower income from FX and proprietary book activities
Operating revenue	5,359	4,635	15.6%	4,688	14.3%	14,441	9,082	59.0%	69.5%	Below our forecast.
Operation expenses	(1,794)	(1,315)	36.5%	(1,571)	14.2%	(4,976)	(3,734)	33.3%	77.2%	In line with our forecast.
Pre-provision profit	3,564	3,320	7.3%	3,117	14.4%	9,465	9,561	-1.0%	66.0%	
Provision expenses	(366)	(743)	-50.8%	(72)	408.1%	(605)	(1,787)	-66.1%	23.6%	significant below our forecast
Pre-tax profit	3,199	2,578	24.1%	3,045	5.0%	8,860	7,774	14.0%	75.2%	
Net profit	2,554	2,060	24.0%	2,409	6.0%	7,046	6,210	13.5%	75.4%	In line with our forecast.

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 2: Regional sector comparison

Banks	Bloomberg Ticker	Recommendation	Closing Price	Target Price	Market cap	P/B (x)		P/E (x)		3-yr Forward EPS CAGR	ROE (%)	
			(local curr.)	(local curr.)		(US\$m)	FY19F	FY20F	FY19F	FY20F	%	FY19F
China Merchants Bank	3968 HK	ADD	39	45	150,920	1.4	1.2	7.5	6.3	16.7%	16.7%	17.1%
Bank Rakyat Indonesia	BBRI IJ	HOLD	4,300	4,400	38,171	2.5	2.2	12.8	11.3	12.0%	17.6%	18.4%
Bank Mandiri	BMRI IJ	ADD	7,200	8,800	23,931	1.6	1.5	10.3	8.7	14.4%	14.7%	15.1%
Indusind Bank	IIB IN	ADD	1,320	1,800	12,930	2.9	2.5	14.3	11.8	37.2%	13.2%	18.7%
BDO Unibank	BDO PM	HOLD	160	150	13,724	2.0	1.8	15.3	12.0	20.4%	12.5%	12.2%
Vietcombank	VCB VN	HOLD	90,800	83,200	14,534	4.0	3.3	15.4	13.0	19.1%	20.4%	19.4%
Yes Bank	YES IN	ADD	68	100	2,462	0.6	0.6	8.7	5.0	40.6%	6.5%	6.6%
Military Commercial Joint Stock Bank	MBB VN	ADD	23,250	34,000	2,334	1.3	1.1	5.6	4.8	19.2%	20.0%	19.7%
Vietnam Prosperity JSC Bank	VPB VN	ADD	22,250	21,200	2,311	1.3	1.0	5.7	5.1	12.1%	19.7%	19.9%
Asia Commercial Joint Stock Bank	ACB VN	ADD	24,600	30,400	1,721	1.4	1.2	5.7	4.9	15.7%	24.3%	22.9%
Average						1.9	1.6	10.1	8.3	20.7%	16.6%	17.0%
Techcombank	TCB VN	ADD	24,750	27,400	3,734	1.4	1.2	7.8	6.6	14.6%	16.5%	16.1%

SOURCES: CGS-CIMB RESEARCH, VNDIRECT RESEARCH, COMPANY REPORTS (DATA AS AT NOV 05)

BY THE NUMBERS

Profit & Loss

(VNDb)	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Net Interest Income	11,127	13,065	15,717	19,032
Total Non-Interest Income	7,223	7,717	8,327	9,380
Operating Revenue	18,350	20,781	24,044	28,413
Total Non-Interest Expenses	(5,843)	(6,442)	(7,454)	(8,524)
Pre-provision Operating Profit	12,507	14,339	16,590	19,889
Total Provision Charges	(1,846)	(2,563)	(3,040)	(3,845)
Operating Profit After Provisions	10,661	11,776	13,550	16,044
Pretax Income/(Loss) from Assoc.	0	0	0	0
Operating EBIT (incl Associates)	10,661	11,776	13,550	16,044
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	10,661	11,776	13,550	16,044
Exceptional Items				
Pre-tax Profit	10,661	11,776	13,550	16,044
Taxation	(2,187)	(2,416)	(2,780)	(3,291)
Consolidation Adjustments & Others				
Exceptional Income - post-tax				
Profit After Tax	8,474	9,361	10,770	12,753
Minority Interests	(11)	(12)	(14)	(17)
Prof. & Special Div	0	0	0	0
FX And Other Adj.	0	0	0	0
Net Profit	8,463	9,348	10,756	12,736
Recurring Net Profit	8,433	9,315	10,718	12,691

Balance Sheet

(VNDb)	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Gross Loans	195,499	239,105	277,032	320,791
Liquid Assets & Invst. (Current)	94,434	81,604	86,651	92,104
Other Int. Earning Assets	10,555	12,244	14,203	16,476
Total Gross Int. Earning Assets	300,488	332,954	377,886	429,371
Total Provisions/Loan Loss Reserve	(2,734)	(3,098)	(3,466)	(3,873)
Total Net Interest Earning Assets	297,754	329,855	374,420	425,499
Intangible Assets	931	1,014	1,106	1,205
Other Non-Interest Earning Assets	19,698	21,471	23,404	25,510
Total Non-Interest Earning Assets	20,629	22,486	24,509	26,715
Cash And Marketable Securities	2,606	2,841	3,097	3,375
Long-term Investments	0	0	0	0
Total Assets	320,989	355,182	402,026	455,589
Customer Interest-Bearing Liabilities	214,592	250,810	291,629	339,296
Bank Deposits	36,426	29,140	23,312	16,319
Interest Bearing Liabilities: Others	6,335	6,351	6,367	6,384
Total Interest-Bearing Liabilities	257,353	286,301	321,308	361,999
Bank's Liabilities Under Acceptances				
Total Non-Interest Bearing Liabilities	11,853	7,738	8,804	8,924
Total Liabilities	269,206	294,039	330,112	370,923
Shareholders' Equity	51,713	61,062	71,818	84,554
Minority Interests	69	82	96	113
Total Equity	51,783	61,143	71,914	84,666

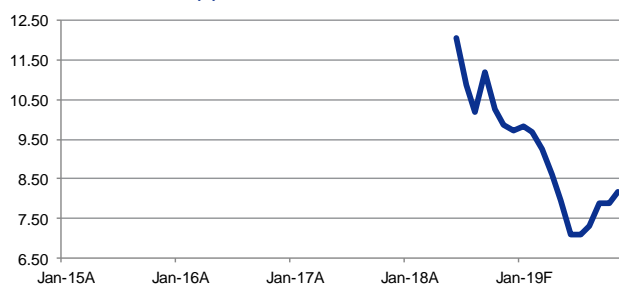
Balance Sheet Employment

	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Gross Loans/Cust Deposits	79.4%	84.9%	84.3%	83.5%
Avg Loans/Avg Deposits	86.1%	82.4%	84.6%	83.9%
Avg Liquid Assets/Avg Assets	40.4%	41.3%	37.6%	36.4%
Avg Liquid Assets/Avg IEAs	43.0%	44.0%	40.0%	38.6%
Net Cust Loans/Assets	49.0%	55.4%	57.0%	58.3%
Net Cust Loans/Broad Deposits	62.6%	70.3%	72.7%	74.7%
Equity & Provsns/Gross Cust Loans	33.8%	31.9%	32.2%	32.6%
Asset Risk Weighting	124%	120%	121%	122%
Provision Charge/Avg Cust Loans	1.15%	1.42%	1.41%	1.53%
Provision Charge/Avg Assets	0.63%	0.76%	0.80%	0.90%
Total Write Offs/Average Assets	0.40%	0.65%	0.71%	0.80%

Key Ratios

	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Income Growth	12.3%	13.3%	15.7%	18.2%
Operating Profit Growth	7.4%	14.6%	15.7%	19.9%
Pretax Profit Growth	33%	10%	15%	18%
Net Interest To Total Income	60.6%	62.9%	65.4%	67.0%
Cost Of Funds	4.06%	3.82%	3.78%	3.70%
Return On Interest Earning Assets	7.63%	7.41%	7.65%	7.85%
Net Interest Spread	3.57%	3.58%	3.87%	4.15%
Net Interest Margin (Avg Deposits)	5.98%	5.98%	6.15%	6.36%
Net Interest Margin (Avg RWA)	3.43%	3.17%	3.44%	3.65%
Provisions to Pre Prov. Operating Profit	14.8%	17.9%	18.3%	19.3%
Interest Return On Average Assets	3.77%	3.86%	4.15%	4.44%
Effective Tax Rate	20.5%	20.5%	20.5%	20.5%
Net Dividend Payout Ratio	NA	NA	NA	NA
Return On Average Assets	2.87%	2.77%	2.84%	2.97%

12-mth Fwd FD P/E (x) - Techcombank



Key Drivers

	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Loan Growth (%)	-0.6%	25.0%	16.2%	15.9%
Net Interest Margin (%)	4.0%	4.1%	4.4%	4.7%
Non Interest Income Growth (%)	-2.6%	6.8%	7.9%	12.7%
Cost-income Ratio (%)	31.8%	31.0%	31.0%	30.0%
Net NPL Ratio (%)	1.0%	1.2%	1.1%	1.0%
Loan Loss Reserve (%)	85.1%	72.9%	77.7%	83.3%
GP Ratio (%)	0.8%	0.8%	0.8%	0.8%
Tier 1 Ratio (%)	12.2%	13.6%	14.1%	14.7%
Total CAR (%)	14.3%	15.6%	15.9%	16.3%
Deposit Growth (%)	17.8%	17.0%	17.0%	17.0%
Loan-deposit Ratio (%)	78.1%	83.6%	83.0%	82.3%
Gross NPL Ratio (%)	1.8%	1.8%	1.7%	1.5%
Fee Income Growth (%)	-7.2%	10.0%	15.0%	18.0%

SOURCES: VND RESEARCH, COMPANY REPORTS

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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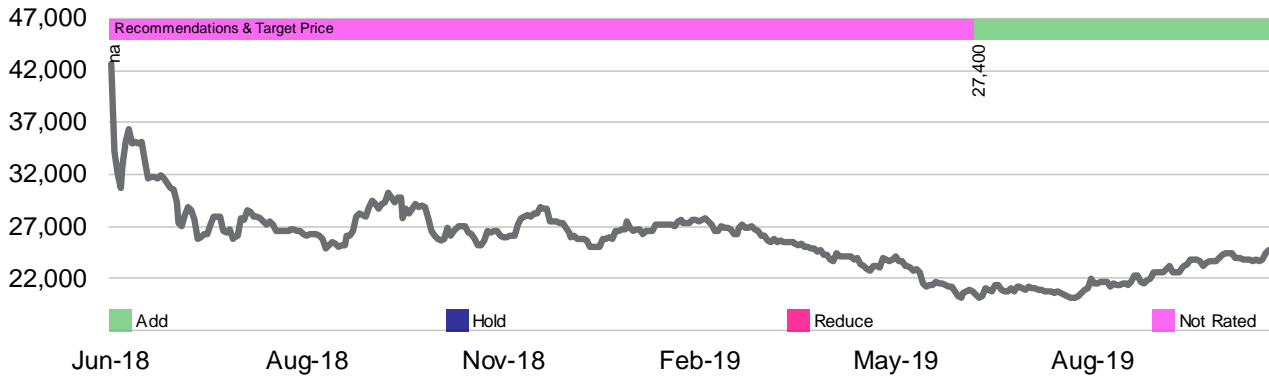
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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2019		
777 companies under coverage for quarter ended on 30 September 2019		
	Rating Distribution (%)	Investment Banking clients (%)
Add	58.8%	0.9%
Hold	26.3%	0.0%
Reduce	14.9%	0.1%

Spitzer Chart for stock being researched (2 year data)

Techcombank (TCB VN)

— Price Close



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2018, Anti-Corruption 2018

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, Declared, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** – Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** – Good, Declared, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Very Good, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **DELTA** – Excellent, n/a, **DEMCO** – Excellent, Certified, **DDD** – Very Good, Declared, **DIF** – not available, n/a, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** – Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HREIT** – Excellent, Certified, **ICHI** – Excellent, Declared, **HUMAN** – not available, n/a, **III** – Good, n/a, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD*** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – not available, n/a, **JWD** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Declared, **MALEE** – Very Good, Certified, **MC** – Very Good, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Declared, **NETBAY** – Good, n/a, **OSP** – not available, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PR9** – not available, n/a, **PSH** – Excellent, Certified, **PSTC** – Good, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **RSP** – not available, n/a, **S** – Very Good, n/a, **SAMART** – Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Very Good, Certified, **SF** – Good, n/a, **SIRI** – Very Good, Certified, **SPA** – Good, n/a, **SPALI** – Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Declared, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, Declared, **TMB** – Excellent, Certified, **TNR** – Very Good, Declared, **TOP** – Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Very Good, Declared, **UNIQ** – Good, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Very Good, Certified, **WORK** – Good, n/a.

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Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

Hien Tran Khanh – Deputy Head of Research

Email: hien.trankhanh@vndirect.com.vn

Ngoc NGUYEN – AnalystEmail: ngoc.nguyendang@vndirect.com.vn**VNDIRECT Securities Corporation**

1 Nguyen Thuong Hien Str – Hai Ba Trung Dist – Ha Noi | Tel: +84 2439724568

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