

**TCB – OUTPERFORM**

**STOCK INFORMATION**

(February 21<sup>st</sup> 2019)

Stock exchange	HSX
Market price (VND)	27 550
10-day average trading volume	3 103 424
Market capital (VND bn)	95 282
Outstanding shares	3 496 592 160

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**UPDATE REPORT**

**Business results:** TCB's pre-tax profit in 2018 was recorded at VND 10,661 billion (+ 32.66% yoy, exceeding 6.6% of the yearly target). In which, the bank's profit mainly comes from interest income, capital arrangement services through corporate bonds and reducing provision for credit risks. NPL ratio increased to 1.75% compared to 1.61% at the end of 2017.

**Outlook:** We estimate TCB can achieve VND 11,890 billion pre-tax profit in 2019 (+ 11.5% yoy). Growth expectations based on: (1) TCB continues to strongly grow corporate bonds and focuses on value chains, thereby boosting credit growth; (2) Deposit has a lot of growth when LDR of TCB is at 65%; (3) Fee income is expected to increase; and (4) TCB's asset quality is under control.

**Risks:** (1) Corporate bonds that TCB advises on belongs to a number of large important customers, therefore, TCB may lose their issuing bonds conditions for these enterprises and reduce their revenue from issuance consultancy fees when demand for issuing bonds of this declined; (2) In case TCB cannot distribute bonds to customers, the bank will become the last bond holder and bear the risk if the enterprise is unable to pay the debt when the bond matures.

**Recommendation:** TCB is trading with P/B forward 2019 of 1.58 times at the reference price of VND 27,550. With the above mentioned prospects and risks, we recommend OUTPERFORM and estimate the fair value of TCB stock at VND 30,462/share.

Unit: VND bn	2015	2016	2017	2018	2019F
Loans to customers	112 180	142 616	160 849	159 942	183 933
Deposits from customers and valuable papers	150 373	183 864	188 611	214 649	253 712
Net interest and similar income	7 214	8 142	8 930	11 127	13 485
Non-interest income	2 130	3 777	7 413	7 223	7 945
Total operating income	9 344	11 919	16 344	18 350	21 430
Profit before tax	2 037	3 997	8 036	10 661	11 890
Profit after tax	1 529	3 149	6 446	8 463	9 512
NPL ratio	1.7%	1.6%	1.6%	1.8%	1.9%
LDR	71.0%	72.0%	77.0%	65.0%	-
CIR	39.4%	35.8%	28.7%	31.8%	33%
NIM	4.3%	4.1%	3.8%	3.9%	4.12%
ROE	16.8%	26.0%	27.7%	18.2%	16.9%
LLR	63%	67%	73%	85%	75%
CASA	21%	23%	24%	29%	-

Source: TCB, VCBS

**APPENDIX**

<b>INCOME STATEMENT</b>					
<b>As of 31/12</b>					
Unit: VND billion	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019F</b>
Interest income	13 379	15 736	17 595	21 151	24 948
Interest expense	(6 166)	(7 594)	(8 664)	(10 024)	(11 463)
<b>Net interest income</b>	<b>7 214</b>	<b>8 142</b>	<b>8 930</b>	<b>11 127</b>	<b>13 485</b>
Non-interest income (expense)	2 130	3 777	7 413	7 223	7 945
<b>Total operating income</b>	<b>9 344</b>	<b>11 919</b>	<b>16 344</b>	<b>18 350</b>	<b>21 430</b>
Operating expenses	(3 679)	(4 261)	(4 698)	(5 842)	(7 081)
Operating profit (pre-provision)	5 665	7 658	11 646	12 507	14 350
Provisions (net of reversals)	(3 628)	(3 661)	(3 609)	(1 846)	(2 460)
<b>Profit before taxation</b>	<b>2 037</b>	<b>3 997</b>	<b>8 036</b>	<b>10 661</b>	<b>11 890</b>
Taxation	(453)	(848)	(1 591)	(2 187)	(2 378)
<b>Profit after taxation</b>	<b>1 584</b>	<b>3 149</b>	<b>6 446</b>	<b>8 474</b>	<b>9 512</b>
Minority interest	0	0	0	(11)	(11)

<b>BALANCE SHEET</b>					
<b>As of 31/12</b>					
Unit: VND billion	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019F</b>
Gross loans to customers	112 180	142 616	160 849	159 942	183 933
Net loans to customers	111 013	141 121	158 964	157 557	181 317
Balances with SBV	2 677	2 534	4 279	10 555	9 679
Current accounts, deposits and placements with banks	14 763	21 599	30 156	35 616	46 541
Cash and equivalent	2 754	2 957	2 344	2 606	3 037
Marketable securities	46 933	53 700	58 301	94 085	114 629
Non-interest earning assets	13 894	13 386	15 348	20 630	19 513
<b>Total assets</b>	<b>192 033</b>	<b>235 295</b>	<b>269 392</b>	<b>321 049</b>	<b>374 716</b>
Deposits from customers	142 240	173 449	170 971	201 471	237 680
Current accounts of banks and payables to SBV	228	449	2 032	11 063	9 721
Borrowings from SBV and term deposits from banks	20 518	25 885	45 292	31 388	36 537
Debt securities and other borrowed funds	8 470	11 002	17 640	13 488	16 032
Non-interest generating liabilities	4 080	4 924	6 527	11 857	13 802
<b>Total liabilities</b>	<b>175 536</b>	<b>215 709</b>	<b>242 462</b>	<b>269 267</b>	<b>313 771</b>
Chartered capital	8 878	8 878	11 655	34 966	34 966
Surplus capital	0	0	2 165	477	477
Treasury stock	0	0	(4 043)	0	0
Other capital	0	0	0	0	0
Reserve funds	4 745	5 219	6 157	3 868	5 293
Exchange rate differences&asset valuation differences	0	0	0	0	0
Distributable retained profits	670	5 489	10 997	12 403	20 129
Shareholders' equity	14 293	19 586	26 931	51 713	60 865
Minority interest	0	0	0	69	81
<b>Total liabilities and equity</b>	<b>189 829</b>	<b>235 295</b>	<b>269 392</b>	<b>321 049</b>	<b>374 716</b>

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