

June 22, 2020

Financials Analyst Nguyen Thi Thu Huyen
huyennntt@kbsec.com.vn
Head of Equity Research (Ho Chi Minh)
Harrison Kim
harrison.kim@kbf.com

Techcombank (TCB)

Flat 2020E guidance; higher credit costs

Shareholders approve flat 2020E guidance; higher credit costs implied by guidance

— Shareholders approved flat pretax earnings guidance of VND13,000 billion (up 1% YoY) and annual credit growth target of at least 13% or VND291,586 billion for 2020E. Management explained that flat earnings despite 13% credit growth would come from lower lending rates on coronavirus relief loans and investment costs from the bank's strong focus on the digital transformation. Management's indications that the net interest margin should be only be down modestly – coupled with stable guidance for most operating metrics, especially the non-performing loan ratio – implies that flat earnings growth may also come from the continuation of higher credit costs/charge offs already seen in 1Q results to keep the non-performing loan ratio below 3%. The bank will maintain its strategy of focusing on customer services to increase its ratio of low-cost current account and savings account (CASA) deposits. Management also expects to expand its ecosystem approach to the fast-moving consumer goods (FMCG) value chain and reduce its reliance on residential and commercial real estate (ReCoM). Moreover, TCB will concentrate more on low-risk segments such as residential buyers and the sales phase of projects as part of its real estate, construction and construction materials operations.

No dividends for 2019 and only ESOP announced

— Management will not pay any dividends this year and will dedicate all of 2019 performance to enhance free funds contribution and the capital adequacy ratio. Shareholders, however, did approve the ESOP for 4.76 million shares or 0.14% of current shares outstanding that will be issued to employees at VND10,000 per share sometime in 3Q or 4Q. This should increase the bank's charter capital to VND35,049 billion from VND35,001 billion.

Q&A session: real estate remains a priority area

— The Chairman responded to questions about the bank's concentrated exposure to large corporate clients like Vingroup and the Sun Group by saying these companies are leaders in their respective areas of tourism and entertainment, with market shares of 70%. The bank has no plans to change its current strategy with large corporates and the Chairman told attendees that TCB designated the real estate sector as a priority area five years ago because "this field brings many advantages and has rapidly developed in recent years".

KB SECURITIES VIETNAM RESEARCH

Head of Research – Nguyen Xuan Binh

binhnx@kbsec.com.vn

Macro/Strategy

Head of Macro & Strategy – Tran Duc Anh

anhtd@kbsec.com.vn

Macro Analyst – Thai Thi Viet Trinh

trinhhtt@kbsec.com.vn

Market Strategist – Le Anh Tung

tungla@kbsec.com.vn

Equity (Hanoi)

Head of Equity Research (Hanoi) – Duong Duc Hieu

hieudd@kbsec.com.vn

Information Technology & Logistics Analyst – Nguyen Anh Tung

tungna@kbsec.com.vn

Property Analyst – Pham Hoang Bao Nga

ngaphb@kbsec.com.vn

Power & Construction Material Analyst – Le Thanh Cong

conglt@kbsec.com.vn

Financials Analyst – Nguyen Thi Thu Huyen

huyenntt@kbsec.com.vn

Equity (Ho Chi Minh)

Head of Equity Research (Ho Chi Minh) – Harrison Kim

harrison.kim@kbf.com

Consumer & Retailing Analyst – Dao Phuc Phuong Dung

dungdpp@kbsec.com.vn

Fisheries & Pharmaceuticals Analyst – Nguyen Thanh Danh

danhnt@kbsec.com.vn

Oil & Gas & Chemicals Analyst – Nguyen Vinh

vinhn@kbsec.com.vn

Research Marketing

Korea Marketing Analyst – Seon Yeong Shin

shin.sy@kbsec.com.vn

KB SECURITIES VIETNAM (KBSV)

Head Office:

Levels G, 2 & 7, Sky City Tower, 88 Lang Ha Street, Dong Da District, Hanoi, Vietnam
Tel: (+84) 24 7303 5333 – Fax: (+84) 24 3776 5928

Hanoi Branch:

Level 1, VP Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam
Tel: (+84) 24 7305 3335 – Fax: (+84) 24 3822 3131

Ho Chi Minh Branch:

Level 2, TNR Tower Nguyen Cong Tru, 180-192 Nguyen Cong Tru Street, District 1, HCMC, Vietnam
Tel: (+84) 28 7303 5333 – Fax: (+84) 28 3914 1969

Saigon Branch:

Level 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCMC, Vietnam
Tel: (+84) 28 7306 3338 – Fax: (+84) 28 3910 1611

CONTACT INFORMATION

Institutional Client Center: (+84) 28 7303 5333 – Ext: 2656
Private Customer Care Center: (+84) 24 7303 5333 – Ext: 2276
Email: ccc@kbsec.com.vn
Website: www.kbsec.com.vn

Investment ratings & definitions

Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

Opinions in this report reflect the professional judgment of the research analyst(s) as of the date hereof and are based on information and data obtained from sources that KBSV considers reliable. KBSV makes no representation that the information and data are accurate or complete and the views presented in this report are subject to change without prior notification. Clients should independently consider their own particular circumstances and objectives and are solely responsible for their investment decisions and we shall not have liability for investments or results thereof. These materials are the copyright of KBSV and may not be reproduced, redistributed or modified without the prior written consent of KBSV. Comments and views in this report are of a general nature and intended for reference only and not authorized for use for any other purpose.