

# Techcombank (TCB)

## Sound 2Q results due to under-controlled costs

### 2Q pretax earnings increased 19% YoY due to cost management

- 2Q pretax earnings of VND3,617 billion (+16% QoQ, +19% YoY), making 1H20 pretax earnings of VND6,738 billion or 52% of 2020 plan. Credit decelerated when loans to customer leveled out and total credit decreased by 0.2% QoQ (vs +12.6% QoQ in 2Q19) due to the impact of the COVID-19 epidemic on the credit activity. Up to 2Q, total credit increased by 10.3% YoY vs to 1Q's 24.4% YoY and customer loan growth reached 24.9% YoY vs 1Q's 41.6% YoY. Deposits of customer deposits reached VND249,857 billion (+6% QoQ, +13% YoY), Techcombank continued to maintain its strength of cheap capital sources when current account & saving account ratio (CASA) was stable at 32.6% vs 1Q's 30.7% and 2Q19's 32.9%.
- 2Q's total bond portfolio of VND 78,587 billion (-18% QoQ, +4% YTD) accounting for 25% of total credit (vs 1Q's 29%) of which corporate bonds occupied 49% (vs 1Q's 41%) and Government bonds held 27% (vs 1Q's 36%). Available-for-sale investment bonds decreased to VND 69,556 billion (-19% QoQ, -9% YoY) in which bonds issued by economic institutions decreased by 16% YoY whilst up 26% YTD from to the beginning of 2020. Held to maturity bonds are in the similar trend, comparable to 1Q20 but increase of more than three times compared to the beginning of 2020.

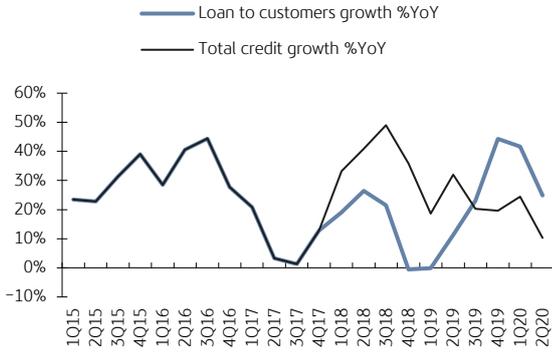
### Improving asset quality in difficult credit conditions

- Substandard & below non-performing loan ratio has cooled down to 0.91% from 1Q20's 1.09%, besides, precautionary & below non-performing loan ratio reduced to 1.91% from 1Q20's 2.11%. The fifth group (bad loans) was cut more than half versus 1Q's, however, the third (substandard loans) and fourth group (doubtful loans) increased sharply, up 97% YoY and 35% YoY, respectively. Lessen pressure on asset quality, credit costs in 2Q20 accounted for 0.19% of total loans vs 1Q20's 0.33%, also the lower in both reserve coverage for substandard & below non-performing loan ratio to 108.6% from 1Q20's 117.9% and precautionary & below non-performing loan ratio to 51.4% from 1Q20's 61.0%.

### Dynamic increase from non-interest income

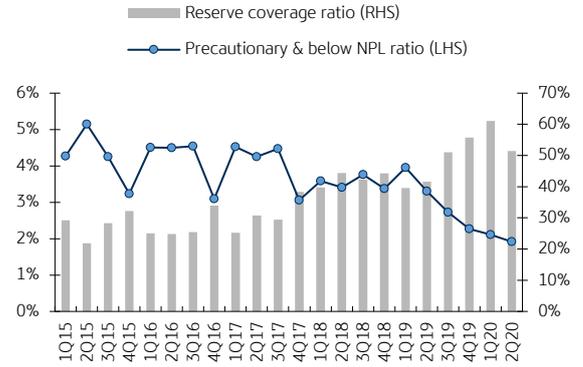
- Net interest income was VND 3,935 billion (-7% QoQ, + 26% YoY) and estimated net profit margin (NIM) was at 4.3% vs 4Q19's 4.2% and 2Q19's 3.85%. Fee and commission income also reached VND1,113 billion (+29% QoQ, +34% YoY) together with other activities such as gain from trading securities, VND92 billion (+34 % YoY); gain from trading investment securities, VND235 billion (-172% YoY). Meanwhile, the forex business recorded a loss of VND30 billion. Lowering credit costs to only VND439 billion (-43% QoQ), but six times higher than 2Q19. Cost-to-income ratio (CIR) improved to 29.5% vs 1Q's 35.5% and 2Q19's 33.5%.

**Fig 1. TCB – Loan to customers & total credit growth, 1Q15-2Q20 (% YoY)**



Source: Company reports & KB Securities Vietnam

**Fig 2. TCB – Precautionary & below non-performing loan ratio & reserve coverage ratio, 1Q15-2Q20 (%)**



Source: Company reports & KB Securities Vietnam

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## Investment ratings & definitions

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### 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

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