

24 Oct 2023

## Techcombank (TCB)

### Business results on the right track

#### 3Q23 NPT was down -13%yoy and up +3.4% qoq

3Q23 net profit grew +3.4%qoq and -13%yoy to VND5,843bn mainly due to higher operating expenses (+20.5%yoy, CIR: from 29% in 3Q22 to 35% in 3Q23) and a sharp increase in credit provision expense (+55.1%yoy). Meanwhile, total operating income stayed flat (+0.8%yoy), resulting from better than non-interest income (+13%yoy)

9M2023 PBT slumped -17.8%yoy to VND17,115bn, equaling to 78% of the 2023 target and 83% of our forecasts

#### Strong credit growth

3Q23 credit growth rose +13.5%YTD driven by the wholesale segment (+54%YTD), higher than industry's 6.92% and 3Q22's 10.7%. Meanwhile, Retail/SME/corporate bonds grew -7%YTD/+7%YTD/+17%YTD. Retail loan slumped due to a decrease in mortgage loan amid the real estate slowdown.

3Q23 NIM was +4.39% (vs 2Q23 of 3.95% and 3Q22 of 5.27%) thanks to lower than cost of funds amid the deposit rates downward and maintained asset yields (qoq).

#### Non-net interest incomes

3Q23 Non - NII rose by +13%yoy (to VND3,146bn) thanks to Cards (+17%yoy), LC (+64%yoy), FX (+8%yoy), and IB fees (+7%yoy). Meanwhile, Bancassurance fee dropped sharply -63%yoy due to the market slowdown and the government's investigations. 3Q23 investment fees significantly improved +92.7%qoq from bond and equity services although accumulated 9M2023 results was down -48%yoy

#### Remained high bad debt level

Amid the economic difficulties and real estate slowdown, the bad debts maintained at the high rates, especially for retail and SME segment. 3Q23 NPL (2-5 group)/NPL (3-5 group) was 1.4%/2.6% (vs 2Q23 of 1.1%/3.0%) mainly due to retail segment (3Q23 NPL: 2.47% vs 2Q23:1.96%) and SME segment (3Q23 NPL: 2.16% vs 2Q23: 1.51%). We expect that the bad debt ratio could control with a low interest rate and the government's supporting policies

#### Action: Confirmed BUY with target price of VND43,700

We maintain BUY with a TP of 43,700, implying a +39% upside buy as the initial report (25 Aug 2023). We believe that TCB's profit could improve amid the economic and real estate recovery, leading TCB to potential investment with low stock valuation

12M rating **BUY (maintain)**

12M TP **43,700** from 31,350

Up/Downside +39%

#### Stock Data

VNIndex (Oct 24, pt)	1,106
Stock price (Oct 24, VND)	31,350
Market cap (USD mn)	4,490
Shares outstanding (mn)	3,517
52-Week high/low (VND)	35,750/20,700
6M avg. daily turnover (USD mn)	6.50
Free float / Foreign ownership (%)	74.8/22.5
Major shareholders (%)	
Masan	14.9
Ho Hung Anh and his family	13.55

#### Performance

	1M	6M	12M
Absolute (%)	-0.1	0.1	0.5
Relative to VNIndex (%p)	0.0	0.0	0.3

#### Stock price trend



Source: Bloomberg

#### Research Dep

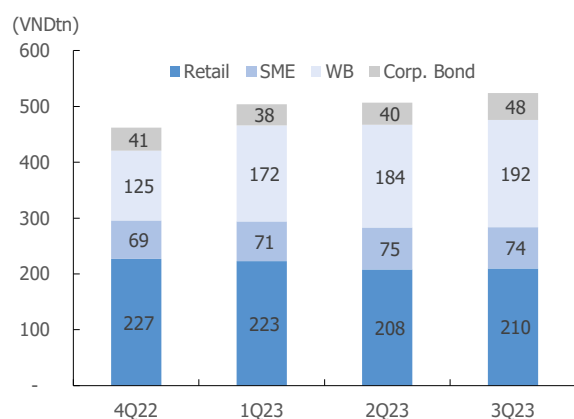
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Table 1. Earnings trend and outlook

	4Q22	1Q23	2Q23	3Q23	qoq (%)	yoy (%)	9M23	yoy	Vs. KIS forecast (%)
TOI	9,427	9,300	9,325	10,418	11.7	0.8	29,044	(7.4)	80
PPE	5,437	6,158	6,456	6,788	5.1	(7.3)	19,402	(12.1)	82
PBT	4,746	5,623	5,649	5,843	3.4	(13.0)	17,115	(17.8)	83
NP	3,544	4,497	4,455	4,613	3.5	(12.9)	13,565	(18.3)	84

Nguồn: Fiinpro, TCB, KIS VN

Figure 1. Credit structure



Source: TCB, KIS VN

Figure 2. NPL by segment



Source: VCB, KIS VN

## ■ Company overview

TCB is the leading private bank in Vietnam, operating 300 branches and transaction offices. TCB holds top 1 real estate credit and top 1 bond brokerage market share in the sector. It has three subsidiaries including Techcom securities, Techcom Capital, and Techcombank Asset Management. Along with focused sectors (Real estate, Construction, Materials, FMCG, Utilities, and financial services), TCB targets to expand the customer base beyond the existing four targeted economic sectors, focusing on the tourism and resort industry, the automotive industry, and large-scale foreign direct investment (FDI) enterprises. Besides, TCB enhances their scale through the powerful digital experience within the "all-in-one" WINLife ecosystem.

## Income statement

(VND bn)

## Balance sheet

(VND bn)

	2021A	2022A	2023F	2024F	2025F
Total assets	569,576	700,161	793,078	901,114	1,043,695
Gross IEAs	525,475	618,882	713,645	803,734	941,021
Loans and corp bonds	410,150	461,539	526,834	619,915	736,913
Household	161,693	226,743	228,622	263,841	353,087
Corporate	248,457	234,795	298,211	356,074	383,827
Dep't and loans to FIs	88,554	103,156	137,134	132,889	147,378
Dep't to SBV and G-bond	26,771	54,187	49,677	50,930	56,730
VAMC bond	-	-	-	-	-
NIEAs	49,228	87,332	88,141	108,697	115,809
Others	5,127	6,052	8,708	11,317	13,135
Total liabilities	475,687	585,608	664,074	750,471	863,186
Deposits	314,753	358,404	409,745	483,490	573,404
Debentures	33,680	34,007	69,657	72,524	86,011
Dep't and loans from FIs	112,459	167,563	159,185	167,144	175,501
Loans from Gov't and SBV	1	8	-	-	-
Other liabilities	14,796	25,626	25,487	27,314	28,269
Total equities	93,888	114,554	129,004	150,643	180,509
Controlling interests	93,041	113,425	127,875	149,514	179,380
Capital stock	35,109	35,172	35,172	35,172	35,172
Capital surplus	476	476	476	476	476
Other reserves	9,156	11,609	14,631	17,066	20,324
Retained earnings	48,300	66,168	77,595	96,799	123,407
OCI	-	-	-	-	-
Minority interest	847	1,129	1,129	1,129	1,129

	2021A	2022A	2023F	2024F	2025F
Total operating income	37,076	40,902	36,188	46,549	58,617
Net interest income	26,699	30,290	25,783	33,535	42,173
Interest income	35,503	44,753	49,341	54,691	62,978
Interest cost	8,805	14,463	23,559	21,156	20,805
Non-interest income	10,378	10,612	10,406	13,015	16,444
Net commission income	6,614	8,252	7,739	9,898	12,822
Gains on investment securities	1,961	192	374	355	328
Other non-interest income	1,803	2,167	2,292	2,763	3,294
Provision for credit losses	2,665	1,936	2,923	3,630	2,999
Net operating revenue	34,412	38,966	33,266	42,920	55,618
SG&A	11,173	13,398	12,666	15,361	17,585
Employee benefits	n.a	n.a	n.a	n.a	n.a
Pre-provision earnings	25,903	27,504	23,522	31,188	41,032
Earnings before tax	23,238	25,568	20,600	27,558	38,033
Tax	4,823	5,131	4,134	5,531	7,633
Tax rate (%)	20.8	20.1	20.1	20.1	20.1
Continuing operations profit	18,209	20,317	16,318	21,815	30,154
Reversals of written-off loans	206	119	148	212	246
Net profit	18,415	20,436	16,466	22,027	30,400
Net profit of controlling interest	18,052	20,150	16,696	22,336	30,826

## Key financial data

	2021A	2022A	2023F	2024F	2025F
<b>Profitability and efficiency (%)</b>					
ROE	21.5	19.5	13.8	16.1	18.7
ROA	3.6	3.2	2.2	2.6	3.1
NIM	5.8	5.4	3.9	4.5	4.9
Asset yield	7.7	7.9	7.6	7.3	7.3
Cost of fund	2.2	2.8	3.9	3.1	2.7
Cost-income ratio	30.1	32.8	35.0	33.0	30.0
Credit cost	0.7	0.4	0.6	0.6	0.4
<b>Growth (%)</b>					
Net profit of controlling interest	46.5	11.6	(17.1)	33.8	38.0
Pre-provision earnings	40.7	6.2	(14.5)	32.6	31.6
Credit growth	26.5	12.5	14.1	17.7	18.9
Total assets	29.4	22.9	13.3	13.6	15.8
<b>Asset quality (%)</b>					
NPL ratio	0.7	0.7	1.1	1.1	0.9
NPL coverage ratio	162.9	157.3	131.2	145.4	167.3
Loan to deposit	90.7	94.6	92.8	97.3	100.1
<b>Capital adequacy (%)</b>					
CAR ratio	15.0	15.2	15.5	16.1	16.8
CET1 ratio	19.7	19.3	19.7	20.6	21.5
Tier 1 ratio	21.5	19.5	13.8	16.1	18.7

## Valuation

	2021A	2022A	2023F	2024F	2025F
<b>Per share (VND, adj.)</b>					
BPS	26,548	32,305	36,357	42,509	51,000
EPS	5,122	5,711	4,718	6,327	8,733
DPS	-	-	-	-	-
<b>Valuation (x)</b>					
PB	1.3	1.0	0.9	0.8	0.7
PE	6.6	5.9	7.1	5.3	3.9
P/PPE	4.6	4.3	5.0	3.8	2.9
Dividend yield (%)	-	-	-	-	-
Dividend payout ratio (%)	-	-	-	-	-
<b>ROE analysis (%)</b>					
ROE	21.5	19.5	13.8	16.1	18.7
Leverage(x)	6.1	6.1	6.1	6.0	5.8
IEAs to total assets	91.4	87.6	89.0	88.1	89.0
Net income to IEAs	3.4	3.3	2.3	2.8	3.3
Net interest income to IEAs	5.1	4.9	3.6	4.2	4.5
Non-interest income to IEAs	2.0	1.7	1.5	1.6	1.7
Credit cost to IEAs	0.5	0.3	0.4	0.5	0.3
SG&A to IEAs	2.1	2.2	1.8	1.9	1.9

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