

25 Jul 2023

Techcombank (TCB)

Stop falling profit

AM briefing

- We tuned in to TCB's analyst meeting on July 25 which shed some light on its 2Q23 operational updates.

2Q23 profit confirmed to stop falling qoq

- TCB released its results with 2Q23 PBT down 22.8%yoy (to VND5,649bn) due to (1) NIM LTM decline from 5.6% in 2Q22 to 4.3% in 2Q23 (2) a high provision expense (+93.4%yoy). However, 2Q23 PBT is equivalent to 1Q23, +0.5%qoq.
- Accumulated results, 1H23 PBT fell 20.1%yoy to VND11,272bn, completing 51% of 2023 target.

Credit growth stayed high thanks to wholesale customers

- 2Q23 total credit was up 9.7% YTD, higher than 1Q22 (7.6%YTD) and the sector (4.6%YTD) and almost equivalent to 1Q23 (9.0%YTD)
- 2Q23 credit for Wholesale (36% of total credit) strongly grew by 47%YTD, offsetting a slow retail credit growth of -8.4%YTD (41% of total credit) amid the real estate market slowdown. Meanwhile, the corporate bond balance (8% of total credit) slightly fell by -2.4%YTD
- 2Q23 Deposit growth climbed 11.3% YTD, higher than 1Q23 (10.6%YTD). 2nd credit approval is granted with 14.1% by SBV, per company.

Unrecovered NIM but improved CASA ratio

- 2Q23 Net interest margin (NIM LTM) inched down to 4.3% (vs 5.6% in 2Q22 and 4.6% in 1Q23) due to higher COF and lower asset yield. Although 2Q23 CASA ratio was 35%, lower than 2Q22 (47%) but a significant improvement compared to 1Q23 (32%).
- According to the management, despite the current deposit rate decline trend, 2023 NIM could be around 4-4.5% (vs 2022 NIM of 5.1%).

12M rating **NON-RATED**

12M TP

Up/Downside

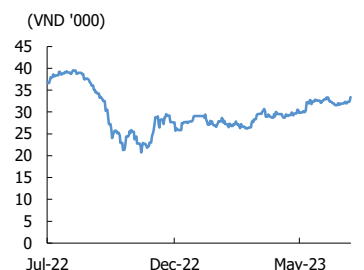
Stock Data

VNIndex (July 25, pt)	1,195
Stock price (July 25, VND)	33,400
Market cap (USD mn)	4,955
Shares outstanding (mn)	3,517
52-Week high/low (VND)	39,550/20,700
6M avg. daily turnover (USD mn)	5.11
Free float / Foreign ownership (%)	77.2/22.5
Major shareholders (%)	
Masan	14.9
Ho Hung Anh and his family	13.55

Performance

	1M	6M	12M
Absolute (%)	1.5	14.8	(9.2)
Relative to VNIndex (%p)	(4.3)	6.2	(11.1)

Stock price trend



Source: Bloomberg

	2018A	2019A	2020A	2021A	2022A
TOI (VND bn)	18,350	21,068	27,379	37,076	40,902
chg. (% YoY)	11.5	14.8	30.0	35.4	10.3
PPE (VND bn)	12,507	13,756	18,411	25,903	27,504
Net profit (VND bn)	8,463	10,075	12,325	18,052	20,150
EPS (VND, adj.)	2,420	2,855	3,494	5,122	5,711
chg. (% YoY)	-57.5	18.0	22.4	46.6	11.5
PB (x)	2.2	1.8	1.5	1.2	1.0
PE (x)	13.4	11.4	9.3	6.3	5.7
P/PPE (x)	9.0	8.2	6.2	4.4	4.1
NIM (%)	4.2	4.4	4.9	5.8	5.4
ROE (%)	21.5	17.7	18.0	21.5	19.5
ROA (%)	2.9	2.9	3.1	3.6	3.2
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
CAR (%)	10.1	10.9	11.1	10.4	10.2

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

Research Dep

researchdept@kisvn.vn

Flat NFI growth

2Q23 NFI and 1H23 went down 3%yoy (to VND2,259bn) and up 5%yoy (to VND4,430bn). In 1H23, Cards (+53%yoy), trade (+147%yoy), and FX services (+25%yoy) were key drivers of NFI. Meanwhile, 1H23 IB fee (-66%yoy) and Banca (-53%yoy) were dampening factors of NFI growth.

OPEX decline

2Q23 OPEX and 1H23 were down -10.2%yoy and -3%yoy respectively due to tight control of staff costs and optimization of marketing expenses. The CIR ratio rose from 30% in 1H22 to 32% in 1H23. The management views that the 2023 CIR could control at 35% (vs 2022 CIR of 33%).

Manageable asset quality

- In 2Q23, the loan type 2 (special mention loans) rose by 2.2%qoq. Bad debts (from type 3 to type 5) rose by 26.8%qoq, hit by the retail segment, credit card, and SME.
- 2Q23 NPL ascended to 1.07%, compared to 1Q23 of 0.85% and end-22 of 0.72%. 2Q23 LLR was sufficient at 116%.

Recommendation and Ratings

TCB is trading at PB of 0.98x, lower than peers' average of 1.63x (66% premium) and lower than the five-year average of 1.46x (49% premium).

Table 1: Snapshot of income statement

Units: VNDbn, %

	2Q22	3Q22	4Q22	1Q23	2Q23	qoq	yoy	1H22	1H23	yoy
Net interest income	7,794	7,565	6,819	6,527	6,295	(3.6)	(19.2)	15,905	12,822	(19.4)
Total operating income	10,934	10,338	9,427	9,300	9,325	0.3	(14.7)	20,940	18,625	(11.1)
Profit before provision expense	7,739	7,324	5,437	6,158	6,456	4.8	(16.6)	14,742	12,614	(14.4)
PBT	7,321	6,715	4,746	5,623	5,649	0.5	(22.8)	14,106	11,272	(20.1)

Source: Company data, KIS

■ **Guide to KIS Vietnam Securities Corp. stock ratings based on 12-month forward performance**

- BUY: Expected total return will be 15% or more
- Hold: Expected total return will be between -5% and 15%
- Sell: Expected total return will be -5% or less
- KIS Vietnam Securities Corp. does not offer target prices for stocks with Hold or Sell ratings.

■ **Guide to KIS Vietnam Securities Corp. sector ratings for the next 12 months**

- Overweight: Recommend increasing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.
- Neutral: Recommend maintaining the sector's weighting in the portfolio in line with its respective weighting in the VNIndex based on market capitalization.
- Underweight: Recommend reducing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.

■ **Analyst Certification**

I/We, as the research analyst/analysts who prepared this report, do hereby certify that the views expressed in this research report accurately reflect my/our personal views about the subject securities and issuers discussed in this report. I/We do hereby also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report.

■ **Important compliance notice**

As of the end of the month immediately preceding the date of publication of the research report or the public appearance (or the end of the second most recent month if the publication date is less than 10 calendar days after the end of the most recent month), KIS Vietnam Securities Corp. or its affiliates does not own 1% or more of any class of common equity securities of the companies mentioned in this report.

There is no actual, material conflict of interest of the research analyst or KIS Vietnam Securities Corp. or its affiliates known at the time of publication of the research report or at the time of the public appearance.

KIS Vietnam Securities Corp. or its affiliates has not managed or co-managed a public offering of securities for the companies mentioned in this report in the past 12 months;

KIS Vietnam Securities Corp. or its affiliates has not received compensation for investment banking services from the companies mentioned in this report in the past 12 months; KIS Vietnam Securities Corp. or its affiliates does not expect to receive or intend to seek compensation for investment banking services from the companies mentioned in this report in the next 3 months.

KIS Vietnam Securities Corp. or its affiliates was not making a market in securities of the companies mentioned in this report at the time that the research report was published.

KIS Vietnam Securities Corp. does not own over 1% of shares of the companies mentioned in this report as of 25 Jul 2023.

KIS Vietnam Securities Corp. has not provided this report to various third parties.

Neither the analyst/analysts who prepared this report nor their associates own any shares of the company/companies mentioned in this report as of 25 Jul 2023.

KIS Vietnam Securities Corp. has not issued CW with underlying stocks of Techcombank (TCB) and is not the liquidity provider.

Prepared by: Research Dep

Global Disclaimer

■ General

This research report and marketing materials for Vietnamese securities are originally prepared and issued by the Research Center of KIS Vietnam Securities Corp., an organization licensed with the State Securities Commission of Vietnam. The analyst(s) who participated in preparing and issuing this research report and marketing materials is/are licensed and regulated by the State Securities Commission of Vietnam in Vietnam only. This report and marketing materials are copyrighted and may not be copied, redistributed, forwarded or altered in any way without the consent of KIS Vietnam Securities Corp..

This research report and marketing materials are for information purposes only. They are not and should not be construed as an offer or solicitation of an offer to purchase or sell any securities or other financial instruments or to participate in any trading strategy. This research report and marketing materials do not provide individually tailored investment advice. This research report and marketing materials do not take into account individual investor circumstances, objectives or needs, and are not intended as recommendations of particular securities, financial instruments or strategies to any particular investor. The securities and other financial instruments discussed in this research report and marketing materials may not be suitable for all investors. The recipient of this research report and marketing materials must make their own independent decisions regarding any securities or financial instruments mentioned herein and investors should seek the advice of a financial adviser. KIS Vietnam Securities Corp. does not undertake that investors will obtain any profits, nor will it share with investors any investment profits. KIS Vietnam Securities Corp., its affiliates, or their affiliates and directors, officers, employees or agents of each of them disclaim any and all responsibility or liability whatsoever for any loss (director consequential) or damage arising out of the use of all or any part of this report or its contents or otherwise arising in connection therewith. Information and opinions contained herein are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or KIS Vietnam Securities Corp. The final investment decision is based on the client's judgment, and this research report and marketing materials cannot be used as evidence in any legal dispute related to investment decisions.

■ Country-specific disclaimer

United States: This report is distributed in the U.S. by Korea Investment & Securities America, Inc., a member of FINRA/SIPC, and is only intended for major U.S. institutional investors as defined in Rule 15a-6(a)(2) under the U.S. Securities Exchange Act of 1934. All U.S. persons that receive this document by their acceptance thereof represent and warrant that they are a major U.S. institutional investor and have not received this report under any express or implied understanding that they will direct commission income to Korea Investment & Securities, Co., Ltd. or its affiliates. Pursuant to Rule 15a-6(a)(3), any U.S. recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with Korea Investment & Securities America, Inc., which accepts responsibility for the contents of this report in the U.S. The securities described in this report may not have been registered under the U.S. Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the U.S. or to U.S. person absent registration or an applicable exemption from the registration requirement.

United Kingdom: This report is not an invitation nor is it intended to be an inducement to engage in investment activity for the purpose of section 21 of the Financial Services and Markets Act 2000 of the United Kingdom ("FSMA"). To the extent that this report does constitute such an invitation or inducement, it is directed only at (i) persons who are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) of the United Kingdom (the "Financial Promotion Order"); (ii) persons who fall within Articles 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order; and (iii) any other persons to whom this report can, for the purposes of section 21 of FSMA, otherwise lawfully be made (all such persons together being referred to as "relevant persons"). Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons. Persons who are not relevant persons must not act or rely on this report.

Hong Kong: This research report and marketing materials may be distributed in Hong Kong to institutional clients by Korea Investment & Securities Asia Limited (KISA), a Hong Kong representative subsidiary of Korea Investment & Securities Co., Ltd., and may not otherwise be distributed to any other party. KISA provides equity sales service to institutional clients in Hong Kong for Korean securities under its sole discretion, and is thus solely responsible for provision of the aforementioned equity selling activities in Hong Kong. All requests by and correspondence with Hong Kong investors involving securities discussed in this report and marketing materials must be effected through KISA, which is registered with The Securities & Futures Commission (SFC) of Hong Kong. Korea Investment & Securities Co., Ltd. is not a registered financial institution under Hong Kong's SFC.

Singapore: This report is provided pursuant to the financial advisory licensing exemption under Regulation 27(1)(e) of the Financial Advisers Regulation of Singapore and accordingly may only be provided to persons in Singapore who are "institutional investors" as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore. This report is intended only for the person to whom Korea Investment & Securities Co., Ltd. has provided this report and such person may not send, forward or transmit in any way this report or any copy of this report to any other person. Please contact Korea Investment & Securities Singapore Pte Ltd in respect of any matters arising from, or in connection with, the analysis or report (Contact Number: 65 6501 5600).

Copyright © 2023 KIS Vietnam Securities Corp.. All rights reserved. No part of this report may be reproduced or distributed in any manner without permission of KIS Vietnam Securities Corp..