January 26, 2024

Shinhan Securities



Vietnam Technological and Commercial Joint Stock Bank

[Vietnam / Banking]

Bloomberg Code (TCB VN) | Reuters Code (TCB.HM)

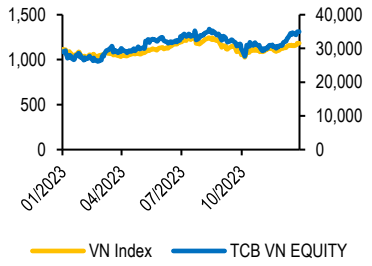
BUY

Update report

Target price (2024)	**VND 50,340**
Current price (25/01/24)	VND 35,000
Upside/downside	43.8%

VNINDEX	1,170
P/E thị trường (23F, x)	12.9
Market Cap (bn VND)	123,288
Outstanding shares (mn)	3,523
Free-Floating (mn)	2,402
Free floating (%)	68.2
52-Wk High/Low (VND)	25,850/36,150
90-day avg. trading volume (mn)	3.88
90-day avg. turnover (bn VND)	130
Foreign ownership (%)	1.3
Major shareholders (%)	Masan 14.91

Performance	3T	6T	12T
Absolute (%)	12.2	4.5	20.3
Relative to VN-Index (%)	5.9	6.6	14.7



Source: Bloomberg

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Get back on track

Updated with BUY recommendation, target price VND 50,340

Techcombank is one of the largest joint stock banks in Vietnam with remarkable successes. TCB always focuses on developing technology to lead the digitalization journey of the financial industry. TCB focuses on developing the real estate development and home loan segments. We assess that in the future this is a segment with a lot of development potential. In the second half of 2023, with positive signals from net interest income, non-interest income and bad debt, we expect TCB to return to positive growth in 2024. With the residual income (RI) method and comparison method based on the P/B index, we update the target price for TCB for the whole year 2024 at 50,340 VND, with potential upside at 43.8%.

Business results in Q4/2023

TCB's credit balance in 2023 increased by 21.58% compared to the end of 2022, customer deposit balance increased by 26.9% yoy. TCB's CASA in the fourth quarter of 2023 increased sharply by 32% qoq (accounting for 39.9% of total customer deposits), mostly from the corporate customer segment. TCB's NIM continued to maintain stability and stayed around at 4.02% in Q4/2023. TCB's net interest income in Q4/2023 increased nearly 4.5% compared to Q3/2023, reaching VND 27,791 billion (-9% yoy) for the whole year. Non-interest income in 2023 with strong increases from LC, payment, cash and card segments helps TCB maintain double-digit growth.

TCB's non-performing loan (NPL) at the end of Q4/2023 decreased by about 14.9% compared to Q3/2023, after increasing continuously in 3 consecutive quarters in 2023. The NPL ratio at the end of 2023 dropped to around 1.19%, down from 1.4% at Q3/2023. TCB has increased provision expenses significantly in Q4/2023, recording VND 1,634 billion in this quarter (+136% yoy). TCB's pre-tax profit for the whole year 2023 reached 22,888 billion VND (-10.5% yoy), exceeding the yearly profit plan of 22,000 billion VND. TCB expects to extract 20% of net profit for cash dividend policy for the upcoming years.

Outlook for 2024

With TCB's CASA recovery, we expect the bank's NIM to improve in 2024. TCB's outstanding loans to retail customers with a high proportion of home loans are expected to grow again in 2024 (Previously shrunk at rate 2% in 2023). We expect TCB's 2024 credit growth to reach over 20%. Regarding bad debt ratio, we assume TCB can maintain around 1-1.5%. In addition, according to information from TCB's board of directors, the bank has set aside 100% of provision costs for restructured debts according to Circular 02/2023/TT-NHNN (instead of 50% in 2023 as the circular allows), in case Circular 02 is not extended, TCB would not be affected in 2024. We forecast that TCB's EBT in 2024 reaches 29,641 billion VND (+29.5% yoy).

Risk: (1) The real estate market recovered slower than expected; (2) Interest rates are under pressure to increase again in H2/2024.

Year	**2020**	**2021**	**2022**	**2023F**	**2024F**
Interest income (VNDbn)	18,751	26,699	30,290	27,691	38,076
Non-interest income (VNDbn)	8,627	10,378	10,612	12,370	14,598
Total operating income (VNDbn)	**27,379**	**37,076**	**40,902**	**40,061**	**52,674**
Provision and other expenses (VNDbn)	(11,578)	(13,838)	(15,334)	(17,173)	(23,033)
Profit before tax (VNDbn)	**15,800**	**23,238**	**25,568**	**22,888**	**29,641**
Credit growth (%)	24.04%	26.49%	12.53%	21.58%	22.02%
NIM (%)	4.89%	5.71%	5.29%	4.02%	4.59%
ROE (%)	**18.03%**	**21.53%**	**19.52%**	**14.85%**	**16.80%**

Source: Fiinpro, Company data, Shinhan Securities Vietnam

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Outlook for 2024

Year	Old forecast from SSV	2023 Actual	%yoy	2024F	%yoy	Notes
Net Interest Income (VNDbn)	28,614	27,691	*-8.58%*	38,076	37.50%	We forecast credit growth in 2024 to reach more than 20% with NIM returning to 4.59%, helping net interest income grow by 37.5%. Non-interest income growth momentum is driven by fee revenue from cards & LCs, payments, cash and cards. Meanwhile, investment banking and insurance services have shown a certain recovery from the bottom of Q2/2023. Overall, non-interest income is forecast to increase by about 18% for 2024.
Non-interest Income (VNDbn)	11,454	12,370	*16.56%*	14,598	18.01%	
Total Operating Income (VNDbn)	40,069	40,061	*-7.4%*	52,674	31.48%	
Profit Before Tax (VNDbn)	22,524	22,888	*-10.5%*	29,641	29.50%	The pressure from NPL in 2024 is reduced, however we recognized the trend that TCB often increased provisioning expenses during periods of good income growth to improve the loan loss coverage ratio (LLR). In addition, we forecast operating costs to increase again after a year of cost reduction, increasing by more than 20%.
Net Income (VNDbn)	18,019	18,191	*-11.0%*	23,211	30.35%	
Tỷ Lệ Nợ Xấu-NPL (%)	1.5%	1.19%		1.30%		We assume TCB's NPL ratio will fluctuate around 1-1.5%.
Loan Loss Coverage Ratio – LLR (%)	94%	102%		128%		We assume the Loan loss coverage ratio will improve to 128%, close to the period of 2020-2022.
Total Credit Growth – Ytd (%)	*15.5%*	*21.58%*		*22.0%*		
Customer Deposit Growth – Ytd (%)	*16.0%*	*26.9%*		*14.0%*		
Net Interest Margin – NIM (TTM %)	*4.27%*	*4.02%*		*4.59%*		

Valuations and recommendations

Valuation

We use the residual income (RI) method and the P/B valuation method with the proportions at 60%-40%, respectively.

The target price for the stock for 2024 is 50,340 VND. We update the risk-free interest rate at 2.5% and the equity risk premium at 9% for this report.

1) In the short term, we cautiously use the P/B index at 1.0x (below the 5-year trading average) to value TCB shares due to cautious investor sentiment. With BVPS forecast for 2024 at 42,753 VND, the target price for 2024 of TCB is expected to be 42,753 VND.

2) For the residual income method, the stock price for the next 12 months falls at 55,392 VND. We apply a 20% discount to valuation to reflect the risk coming from high exposure of real estate and construction loans. The exposure of real estate business and construction business continues to increase in TCB's total outstanding loans, from 29.4% at the end of 2022 to 37.59% at the end of 2023.

Cost of Equity (%)

Cost of Equity (%)	**14.2**
Risk-free rate (%)	2.5
Equity risk premium (%)	9.00
Beta	1.3

RI Method

(Unit: VNDbn)	2024F	2025F	2026F	2027F	2028F
Cost of equity	14.2%	14.2%	14.2%	14.2%	14.2%
Cost of equity after 2028					14.2%
Net income	23,713	31,339	38,084	45,194	53,882
Residual income (RI)	3,674	8,174	10,976	13,355	16,416
PV of RI	**3,218**	**6,268**	**7,370**	**7,852**	**8,451**

Terminal value of RI (VNDbn)	**153,662**
Terminal growth (%)	2.00%

PV of terminal value (VNDbn	79,111
PV of RI (bn VND))	33,159
Beginning equity (bn VND)	131,628
Discount (%)	20%
Total value (bn VND)	195,118
Total outstanding shares (bn)	3.52
Target price (VND)	**55,392**

Valuation Summary

Method	Weight	Price target (VND)
Residual income	60%	55,392
P/B target (1.0x)	40%	42,753
Target price (VND)	**50,336**	

Source: Shinhan Securities Vietnam

Sensitivity analysis of RI method

g/re	14.0%	15.0%	16.0%	17.0%	18.0%
1%	55,289	49,372	44,283	39,869	36,010
2%	56,750	50,393	44,980	40,325	36,285
3%	58,476	51,583	45,784	40,846	36,597

Business overview

Business history

1993 – Established with charter capital of 20 VNDbn

2005 – HSBC bought 10% of equity
– HSBC increased the ownership to 15%
– Launched the Techcombank Visa credit card

2007-2008 – Signed a cooperation agreement with Vietnam Airlines
– Acquired Vietnam Chemical Finance JSC and changed its name to TechcomFinance

2009 – Increase the charter capital to VND 5,400 billion
– Partner with leading global strategic consultant McKinsey

2014-2015 – Listed on Ho Chi Minh City Stock Exchange – ticker TCB, with capitalisation of USD 6.5 billion
– Tripled charter capital to VND 34,966 billion
– TCB divested from TechcomFinance

2017 – TCB ranked first in credit rating equivalent to "national credit rating ceiling" announced by S&P
– Led in Bancassurance products, strategic cooperated with Manulife
– Repurchased shares from HSBC

2018 – Officially complied with Basel II

2019 – Strengthened capacity in digitization and data
– Implemented Agile working method
– Established Data & Analytics Department

2020 – Focused on building a banking platform on three core pillars of Talent, Digital, and Data

2021 – Raised $1 billion worth of syndicated loans
- Leader in new card issuance and payment volume

2022

Organizational structure

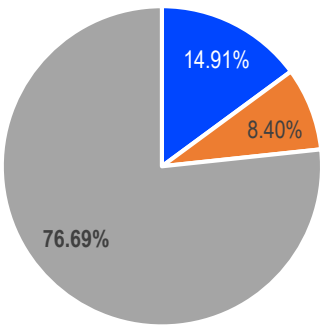
TECHCOMBANK

Techcom Securites Joint Stock Company
(Techcom Securities- TCBS)
Charter capital: 2,177 VNDbn
% owned by TCB: 94.17%

Techcom Capital Joint Stock Company (Techcom Capital – TCC)
Charter capital: 670 VNDbn
% owned by TCB: 90%

Vietnam Technological and Commercial Joint Stock Bank – Asset Management Company Limited (AMC)
Charter capital: 410 VNDbn
% owned by TCB: 100%

Shareholder ownership structure (end of Q4/2023)

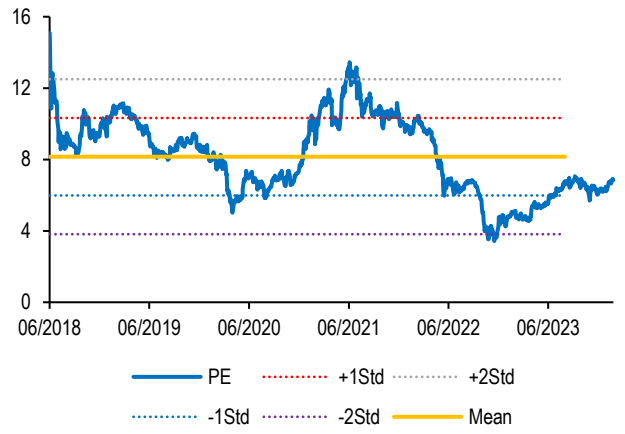


Strategy for the period 2021-2025

1. **CASA ratio** 55%
2. **ROE** 20%
3. **Market cap** 20 USDbn
4. **Net Fee Income/TOI** >30%

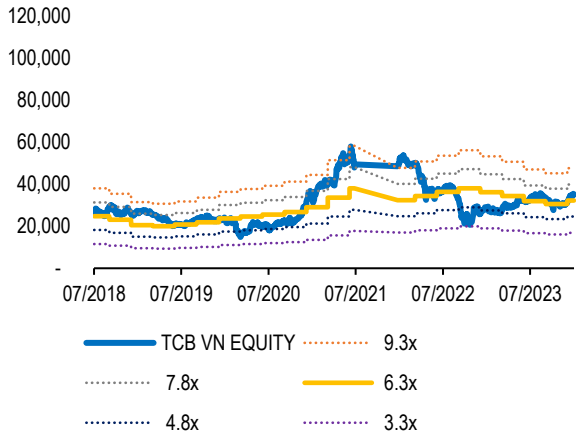
Source: Company data, Shinhan Securities Vietnam

PER of TCB



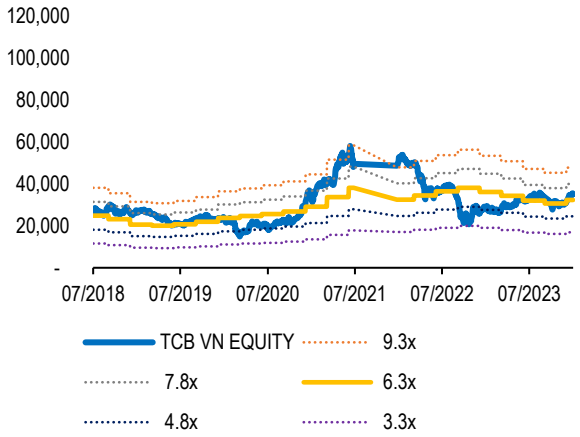
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PER band of TCB



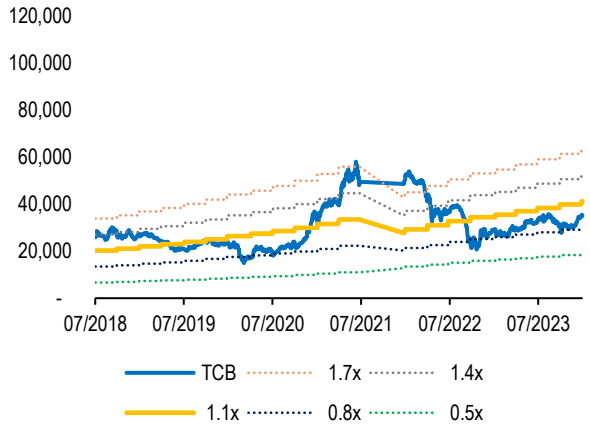
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PBR of TCB



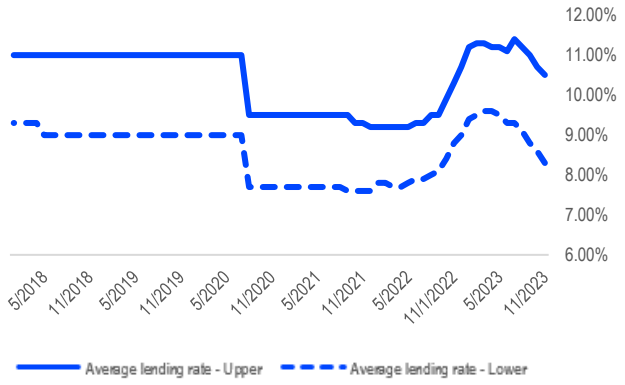
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PBR band of TCB



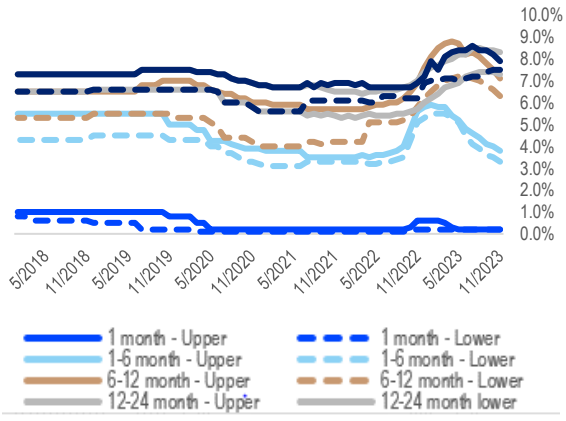
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Average loan interest rate in Vietnam



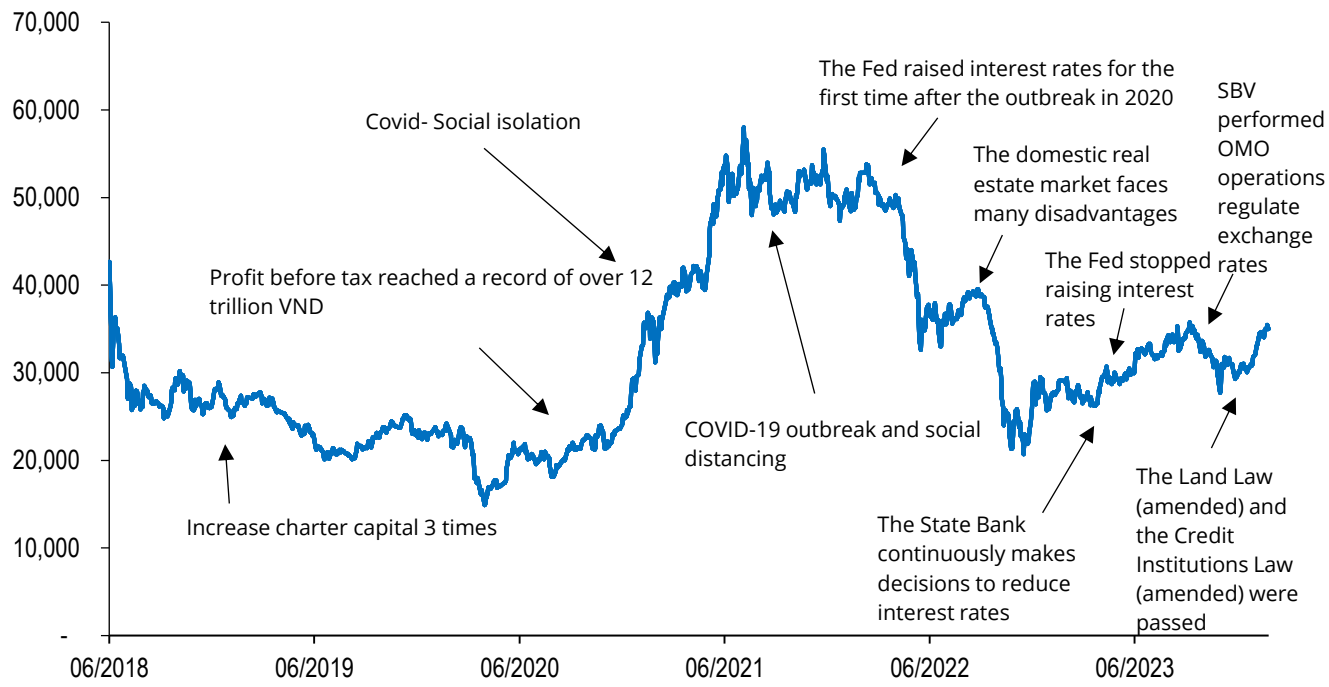
Source: SBV, Company Data, Shinhan Securities Vietnam

Average deposit interest rate in Vietnam



Source: SBV, Company Data, Shinhan Securities Vietnam

TCB important events



Source: Bloomberg, Company Data, Shinhan Securities Vietnam

Appendix: Financial statements

Balance sheet

Year (bn VND)	2020	2021	2022	2023	2024F
Total assets	**439,603**	**568,729**	**699,033**	**849,482**	**1,004,446**
Cash and precious metals	3,664	3,579	4,216	3,621	4,147
Balances with the SBV	10,253	4,909	11,476	27,141	20,733
Placements with and loans to other credit institutions	28,995	70,515	82,874	104,072	124,639
Trading securities	8,348	5,071	961	4,433	4,433
Derivatives and other financial assets	-	294	-	144	144
Loans and advances to	275,310	343,606	415,752	512,514	629,107
Debts purchase	-	133	108	82	82
Investment securities	84,447	97,586	103,652	104,994	110,561
Long-term investments	12	13	13	3,046	3,046
Fixed assets	4,613	7,224	8,411	8,893	10,904
Investment properties	1,125	1,089	1,053	-	-
Other assets	22,836	34,711	70,517	80,543	96,652
Total liabilities	**364,988**	**475,687**	**585,608**	**717,854**	**853,848**
Due to Gov and Loans from SBV	-	1	8	0	0
Deposits and Loans from other credit institutions	47,485	112,459	167,563	153,173	195,800
Deposits from customers	277,459	314,753	358,404	454,661	518,313
Derivatives and other financial liabilities	267	-	1,851	-	-
Funds received from Gov, international and other	-	-	-	84,703	110,114
Convertible bonds/CDs and	27,900	33,680	34,007	25,317	29,621
Other liabilities	11,878	14,796	23,775	717,854	853,848
Shareholder's equity	**74,615**	**93,041**	**113,425**	**131,628**	**150,598**
Capital	35,526	35,586	36,205	36,257	36,257
Reserves	6,790	9,156	11,609	45,726	45,726
Retained earnings	31,816	47,453	64,483	48,328	63,394
Minority interest	484	847	1,129	1,317	1,726
Total liabilities and equity	**439,603**	**568,729**	**699,033**	**849,482**	**1,004,446**

Income statement

Year (bn)	2020	2021	2022	2023	2024F
Interest and Similar Income	29,002	35,503	44,753	56,708	64,516
Interest and Similar Expenses	(10,251)	(8,805)	(14,463)	(29,017)	(26,440)
Net Interest Income	**18,751**	**26,699**	**30,290**	27,691	38,076
Net Fee and Commission Income	4,525	6,382	8,527	8,715	11,566
From foreign currency and gold	1	231	(275)		
From trading of trading securities	321	152	(242)	196	231
From disposal of investment	1,497	1,804	426	65	-
Net Fee and Commission Income	2,279	1,803	2,167	926	539
Dividends income	4	4	9	35	30
Total non-interest income	**8,627**	**10,378**	**10,612**	**12,370**	**14,598**
Total operating income	**27,379**	**37,076**	**40,902**	**40,069**	**48,707**
General and Admin expenses	(8,967)	(11,173)	(13,398)	(13,252)	(16,565)
Operating Profit Before Provision (PPOP)	18,411	25,903	27,504	26,809	36,109
Provision for credit losses	(2,611)	(2,665)	(1,936)	(3,921)	(6,468)
Profit before tax	**15,800**	**23,238**	**25,568**	**22,888**	**29,641**
Corporate income tax	(3,218)	(4,823)	(5,131)	(4,697)	(5,928)
Net profit after tax	**12,582**	**18,415**	**20,436**	**18,191**	**23,713**
Attributable to parent company	12,325	18,052	20,150	18,004	23,304

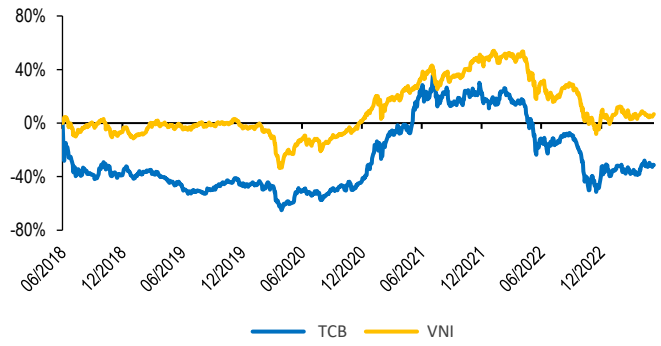
Financial indicators

Year	2020	2021	2022	2023	2024F
Growth (% YoY)					
Loans to customers	24.04	26.49	12.53	23.33	23.00
Deposits from customers	19.96	13.44	13.87	26.86	14.00
Shareholders' equity	20.21	24.70	21.91	16.05	14.41
Total assets	14.57	29.37	22.91	21.52	18.24
Net interest income	31.52	42.38	13.45	-8.58	37.50
Net non-interest income	26.68	20.29	2.26	16.56	18.01
PPOP	33.85	40.69	6.18	-2.53	34.69
Net profit before tax	23.07	47.08	10.02	-10.48	29.50
Net profit after tax	23.04	46.36	10.97	-11.00	30.35
Profitability (%)					
NIM	4.89	5.71	5.29	4.02	4.59
ROA	2.99	3.58	3.18	2.35	2.56
ROE	18.03	21.53	19.52	14.85	16.80
Liquidity (%)					
Pure LDR	100.0	110.4	117.3	114.1	123.1
Asset quality					
Leverage (x)	5.89	6.11	6.16	6.45	6.67
NPL ratio (%)	0.47	0.66	0.91	1.19	1.30
LLR ratio (%)	171.0	162.9	125.0	102.5	128.46
Reverse/total credit (%)	0.80	1.08	1.13	1.09	1.29
Credit costs/total loans (%)	0.94	0.77	0.46	0.60	0.62
Credit costs/total credit (%)	0.81	0.65	0.42	0.80	1.08
Per share items (VND)					
EPS	3,590	5,245	5,810	5,164	6,731
BPS	21,151	26,259	31,927	37,367	42,753
PPOP/Share	5,253	7,378	7,820	7,610	10,250

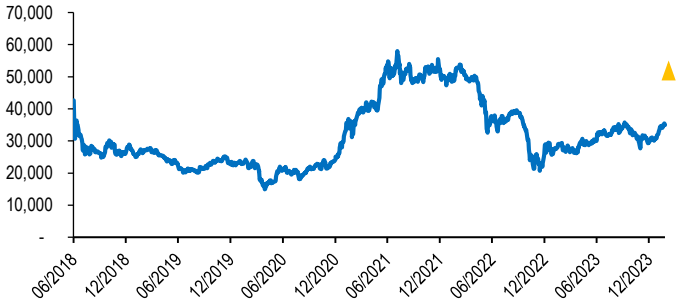
Source: Company data, Shinhan Securities Vietnam

Vietnam Technological and Commercial Joint Stock Bank (TCB VN)

Price performance



arget price (VND)



Date	Recommendation	Target price (VND)	Range of price (%)	
			Average	Max/Min
09/09/2022 (Initial)	BUY	58,700	127.5	47/208
07/03/2023 (Update)	BUY	43,700	67.9	9/164
07/08/2023 (Update)	BUY	43,700	53.6	0.1/107.3
23/10/2023 (Update)	BUY	50,050	82.0	38/159
24/01/2024 (Update)	BUY	50,340	62.0	39/95

Note: Calculation of target price gap based on the past 12 months

Shinhan Securities Vietnam

Stock	Industry
◆ **BUY:** Upside potential in 12 months more than 15% ◆ **HOLD:** Upside potential in 12 months from -15% to 15% ◆ **SELL:** Upside potential in 12 months more than -15%	◆ **POSITIVE:** Based on market cap, largest share of sector stocks under coverage is rated BUY ◆ **NEUTRAL:** Based on market cap, largest share of sector stocks under coverage is rated HOLD ◆ **NEGATIVE:** Based on market cap, largest share of sector stocks under coverage is rated SELL

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