April 26, 2024

Shinhan Securities



Vietnam Technological and Commercial Joint Stock Bank

[Vietnam / Banking]

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

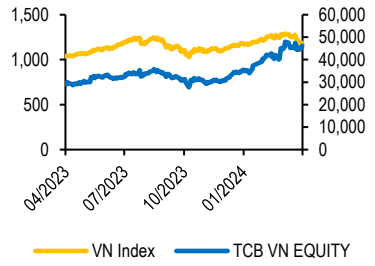
HOLD

Update report

Target price (2024)	**VND 50,100**
Current price (25/04/24)	VND 46,150
Upside/downside	8.6%

VNINDEX		1,205
P/E thị trường (23F, x)		10.9
Market Cap (bn VND)		162,740
Outstanding shares (mn)		3,523
Free-Floating (mn)		2,402
Free floating (%)		68.2
52-Wk High/Low (VND)		48,700/27,200
90-day avg. trading volume (mn)		7.69
90-day avg. turnover (bn VND)		399
Foreign ownership (%)		22.5
Major shareholders (%)	Masan	14.88

Performance	3T	6T	12T
Absolute (%)	30.3	49.5	61.0
Relative to VN-Index (%)	30.3	41.8	48.1



Source: Bloomberg

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Positive momentum in early 2024

Updated with HOLD recommendation, target price VND 50,100

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. 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 50,100 VND, with potential upside at 8.6%.

Business results in Q1/2024

Contrary to the stagnation of some competitor banks, TCB's consolidated credit growth in Q1/2024 reached 7.1% Ytd (customer lending growth offset the decline from the corporate bond portfolio). Corporate lending, specifically real estate lending, played a key role in TCB's growth in Q1/2024. Meanwhile, individual lending remained flat, showing only a slight increase (+0.24% Ytd), with the weight of individual lending decreasing from 40.81% at the end of 2023 to 38.06% at the end of Q1/2024. CASA returned to 40.5%, COF (TTM) decreased to 4.22%. TCB's NIM (TTM) improved well to 4.16% (from an average of 4.02% at the end of 2023), resulting in net interest income reaching VND 8,500 billion (+30.22% YoY). The NPL ratio remained stable at 1.13% and the Loan loss coverage ratio (LLR) was above 100% at the end of Q1/2024. Non-interest income grew well, largely due to the capital gain on the bond portfolio.

TCB's operating expenses were controlled and remained relatively unchanged compared to the same period in 2023, helping to reduce CIR decrease to 26.5%. Provision expenses in Q1/2024 increased +127% YoY due to an increase in outstanding of NPLs compared to Q1/2023 and TCB performed write-off of approximately VND 1,200 billion of NPLs in Q1/2024.

Subsidiary TCBS experienced an impressive profit recovery driven by strong growth in margin lending compared to the same period and slight improving from underwriting activities.In Q1/2024, TCBS achieved PBT of VND 1,160 billion (+32% YoY).

TCB's consolidated PBT in Q1/2024 reached VND 7,802 billion (+38.7% YoY), fulfilling 28.7% of the 2024 profit plan. For dividend policy, in 2024, TCB expects to pay cash and stock dividend at the rate of 15% and 100%, respectively.

Outlook for 2024

Key assumptions for 2024 include consolidated credit growth of over 20%, NIM recovering to 4.59%, NPL controlled around 1.3%, Credit risk cost/total credit around 1%, CIR at 31.5 %. TCB's PBT in 2024 is forecast to reach VND 29,641 billion (+29.50% YoY), unchanged from our most recent report.

Risk: (1) The real estate market recovered slower than expected; (2) Interest rates are under pressure to increase again in the near future, putting pressure on NIM.

Year	2020	2021	2022	2023	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 (%)	4.9%	5.5%	5.2%	3.9%	4.6%
ROE (%)	**18.03%**	**21.53%**	**19.52%**	**14.85%**	**16.80%**

Source: Fiinpro, Company data, Shinhan Securities Vietnam

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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 50,100 VND. We update the risk-free interest rate at 2.9% 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). 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 55,091 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 38.29% at the end of Q1/2024.

Cost of Equity (%)

Cost of Equity (%)	**14.6**
Risk-free rate (%)	2.9
Equity risk premium (%)	9.00
Beta	1.3

RI Method

(Unit: VNDbn)	2024F	2025F	2026F	2027F	2028F
Cost of equity	14.6%	14.6%	14.6%	14.6%	14.6%
Cost of equity after 2028					14.6%
Net income	23,713	31,410	38,168	45,266	53,941
Residual income (RI)	3,112	7,590	10,285	12,511	15,392
PV of RI	**2,809**	**5,980**	**7,070**	**7,505**	**8,057**

Terminal value of RI (VNDbn)	**139,991**
Terminal growth (%)	2.00%
PV of terminal value (VNDbn	73,278
PV of RI (bn VND))	31,421
Beginning equity (bn VND)	137,873
Discount (%)	20%
Total value (bn VND)	194,058
Total outstanding shares (bn)	3.52 *
Target price (VND)	**55,091**

Valuation Summary

Method	Weight	Price target (VND)
Residual income	60%	55,091
P/B target (1.0x)	40%	42,750
Target price (VND)	**50,154**	

Source: Shinhan Securities Vietnam

* Outstanding share after stock dividend would increase to 7.045 billion, cash dividend at 15% rate. After dividend, target price of TCB would be VND24,300.

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

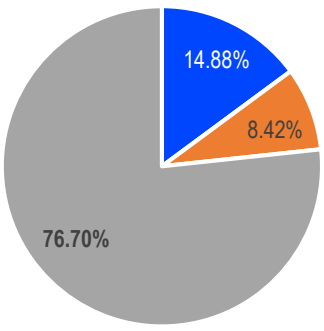
TECHCOMBANK

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 Q1/2024)



Strategy for the period 2021-2025

1 **CASA ratio** 55%

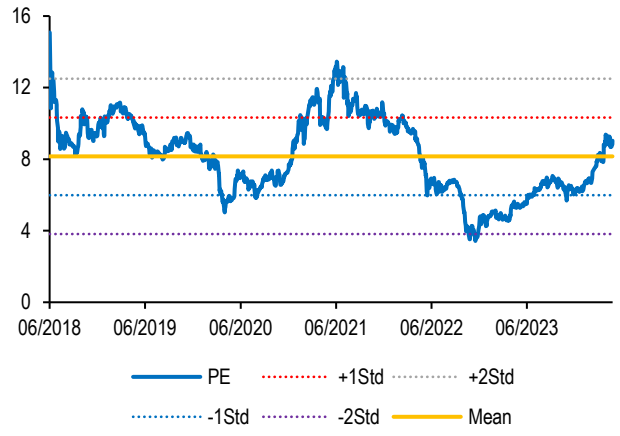
2 **ROE** 20%

3 **Market cap** 20 USDbn

4 **Net Fee Income/TOI** >30%

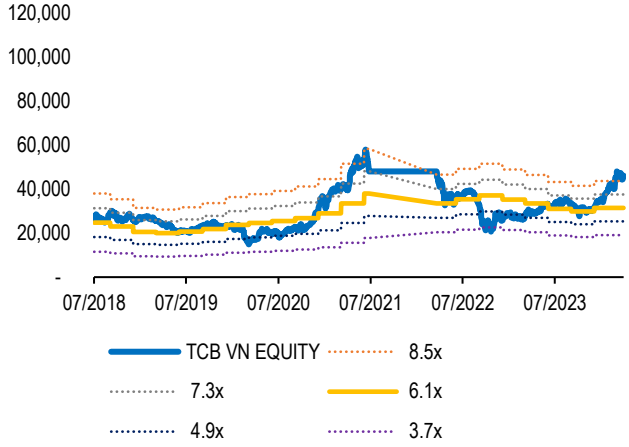
Source: Company data, Shinhan Securities Vietnam

PER of TCB



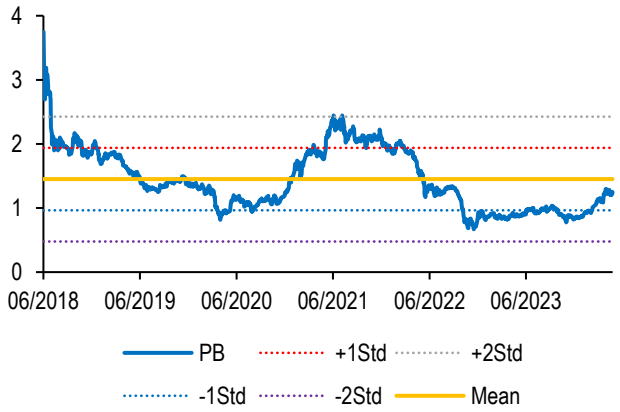
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PER band of TCB



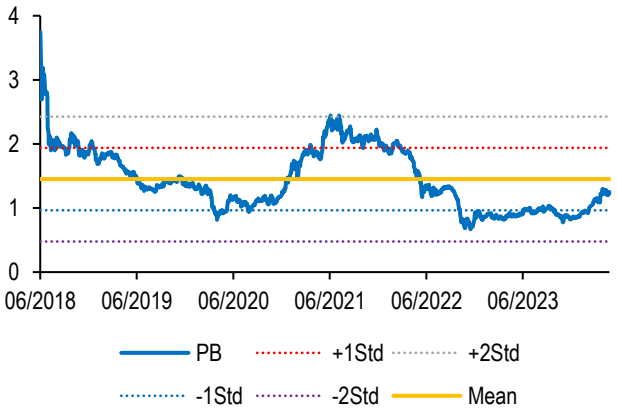
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PBR of TCB



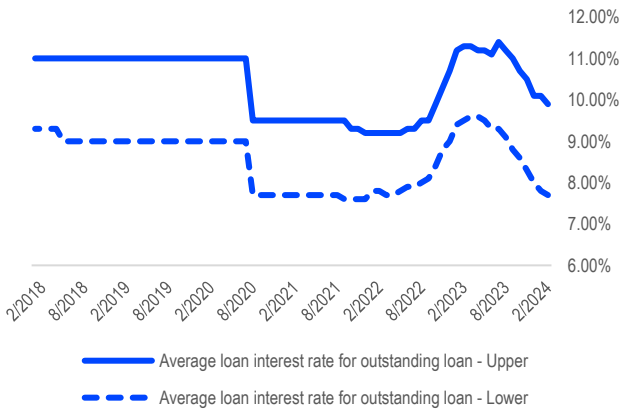
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PBR band of TCB



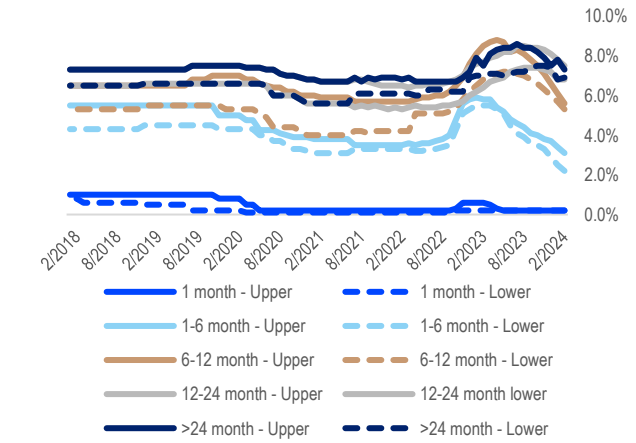
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Average loan interest rate in Vietnam



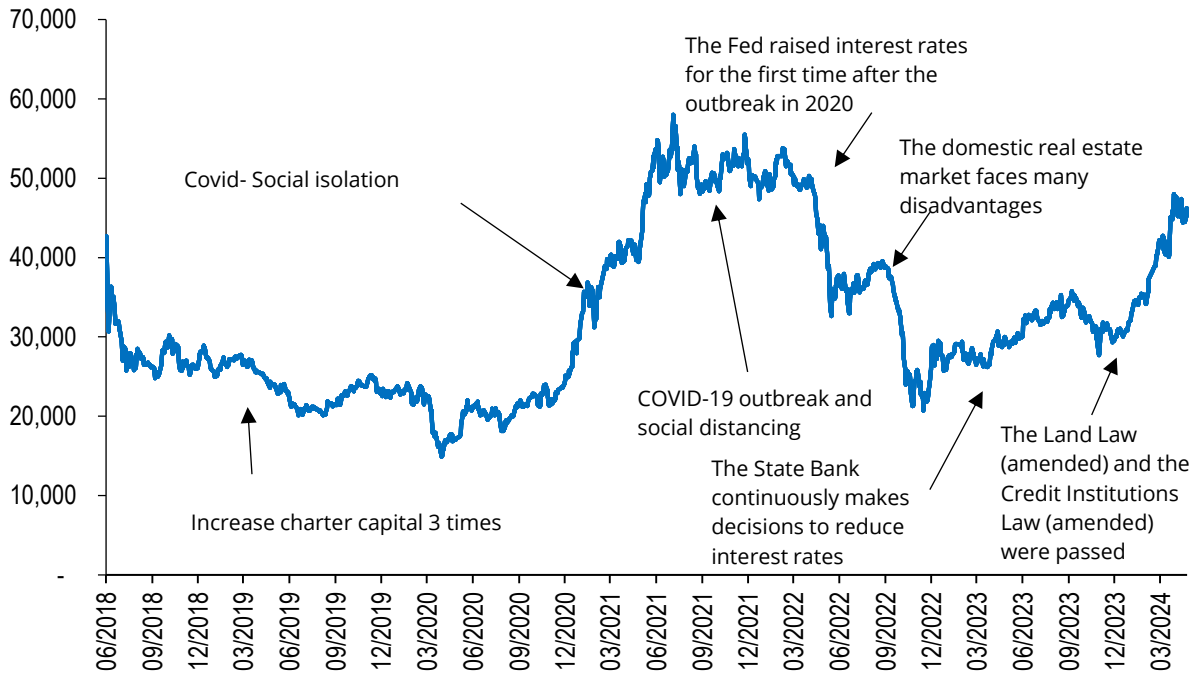
Source: SBV, Company Data, Shinhan Securities Vietnam

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**	**1,004,448**
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	28,995	70,515	82,874	104,072	124,641
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**	**853,862**
Due to Gov and Loans from	-	1	8	0	0
Deposits and Loans from other	47,485	112,459	167,563	153,173	195,800
Deposits from customers	277,459	314,753	358,404	454,661	518,313
Derivatives, Funds received from Gov, international and	27,900	33,680	34,007	84,703	-
Convertible bonds/CDs and	27,900	33,680	34,007	25,317	110,114
Other liabilities	11,878	14,796	23,775	717,854	29,635
Shareholder's equity	**74,615**	**93,041**	**113,425**	**131,628**	**150,586**
Capital	35,526	35,586	36,205	36,257	70,450
Reserves	6,790	9,156	11,609	45,726	49,221
Retained earnings	31,816	47,453	64,483	48,328	63,382
Minority interest	484	847	1,129	1,317	1,726
Total liabilities and equity	**439,603**	**568,729**	**699,033**	**849,482**	**1,004,448**

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)		231
From trading of trading securities	321	152	(242)	196	-
From disposal of investment	1,497	1,804	426	65	539
Net Fee and Commission Income	2,279	1,803	2,167	926	2,232
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**	**52,674**
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

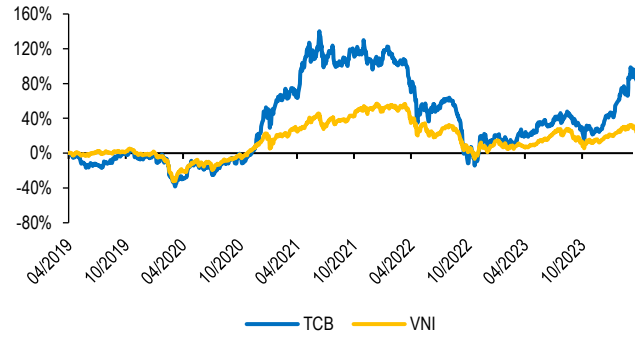
Financial indicators

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	2.6
ROE	18.03	21.53	19.52	14.85	16.8
Liquidity (%)					
Pure LDR	100.0	110.4	117.3	114.1	123.08
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	1.12
Credit costs/total credit (%)	0.81	0.65	0.42	0.80	1.04
Per share items (VND)					
EPS	3,590	5,245	5,810	5,164	6,732*
BPS	21,151	26,259	31,927	37,367	42,750*
PPOP/Share	5,253	7,378	7,820	7,610	10,251*

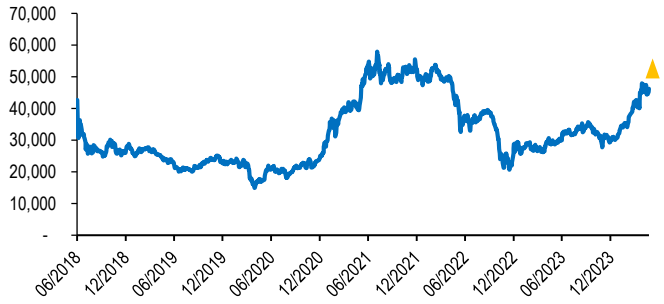
Source: Company data, Shinhan Securities Vietnam
* Calculated based on the number of outstanding shares at the time of reporting.

Vietnam Technological and Commercial Joint Stock Bank (TCB VN)

Price performance



Target 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
24/04/2024 (Update)	HOLD	50,100	33.24	4.4/84.2

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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