July 29, 2024

Shinhan Securities



Vietnam Technological and Commercial Joint Stock Bank

[Vietnam / Banking]

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

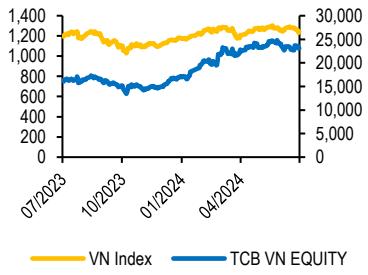
BUY

Update report

Target price (2024)	**VND 26,200**
Current price (29/07/24)	VND 22,750
Upside/downside	15.1%

VNINDEX		1,246
P/E thị trường (23F, x)		11.6
Market Cap (bn VND)		162,388
Outstanding shares (mn)		7,045
Free-Floating (mn)		4,804
Free floating (%)		68.2
52-Wk High/Low (VND)		25,250/13,600
90-day avg. trading volume (mn)		18.55
90-day avg. turnover (bn VND)		409
Foreign ownership (%)		21.5
Major shareholders (%)	Masan	14.88

Performance	3T	6T	12T
Absolute (%)	-1.9	30.8	42.1
Relative to VN-Index (%)	-4.8	25.0	37.9



Source: Bloomberg

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Updated with BUY recommendation, target price VND 26,200

Techcombank is one of the largest joint stock banks in Vietnam with remarkable successes. TCB always focuses on developing technology to lead the financial industry's digitalization journey, helping to enhance the experience and attract new customers.. TCB loan book concentrates on real estate developers and mortgage products. We assess that real estate in the future would still be potential. With the residual income (RI) method and comparison method based on the P/B index, we update the target price for TCB for 2024 at VND26,200, with potential upside at 15.1%.

Business results in 6M2024

TCB has a consolidated credit growth rate of 12.9% Ytd (parent bank at 11.6% Ytd). Unlike the period of 2023, TCB's credit has shown more balance growth in the two loan book – corporate and retail. Regarding the real estate market, management believes that the market in the North will recover sooner than in the South. The market in the South is currently facing problem with new supply to meet people's needs and is expected to recover about a year later than the North market.

Net interest income in 6M/2024 grew (+40.2% YoY) supported by positive credit growth and improved NIM (reaching 4.3% at the end of Q2/2024). The recovery of bond issuance helped the non-interest income segment grow by 32.8% YoY.

The parent bank's non-performing ratio inched up to 1.28%, this increase came from the retail loan portfolio, specifically the mortgage segment. Credit expense in 6M/2024 increased sharply +112.79% YoY, closely following our 2024 forecast. Interest and fees receivable at the end of Q2/2024 increased by more than 38.4% compared to the end of 2023.

TCB's profit before tax in 6M/2024 reached VND 15,628 billion (+38.6% YoY), completing more than 57% of the 2024 profit plan.

Outlook for 2024

Key assumptions for 2024 include consolidated credit growth of over 20%, NIM recovering to 4.38%, NPL ratio controlled around 1.3%, Credit expense/total credit around 1.1%, CIR at 31.5 %. TCB's EBT in 2024 is forecast to reach VND 27,793 billion (+21.40% YoY), adjusted downward compared to our latest report due to pressure that may appear on NIM in the second half of 2024.

Risk: (1) The real estate market recovered slower than expected; (2) Lending rates under pressure to decrease, putting pressure on NIM (3) Interest and fees receivable continue to increase even though TCB has been applying Flexible Pricing policy for businesses

Year	2020	2021	2022	2023	2024F
Interest income (VNDbn)	18,751	26,699	30,290	27,691	36,228
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**	**50,826**
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**	**27,793**
Credit growth (%)	24.04%	26.49%	12.53%	21.58%	22.02%
NIM (%)	4.9%	5.5%	5.2%	3.9%	4.4%
ROE (%)	**18.03%**	**21.53%**	**19.52%**	**14.85%**	**15.82%**

Source: Fiinpro, Company data, Shinhan Securities Vietnam

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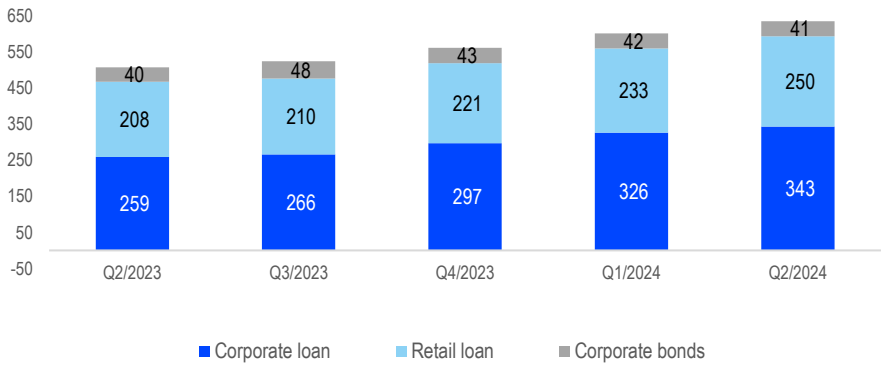
Updated Q2/2024 business results

Credit growth was driven by corporates but showed improvement from retail loan book

TCB consolidated credit growth reached 12.9% Ytd (parent bank reached 11.6% Ytd) for the first half of 2024, the corporate loan book is still the group with a better growth than the retail group but has shown more balance growth rate than in the year of 2023. Considering only for Q2/2024, outstanding loans of retail book shown improvement and growth at +7% QoQ; Corporate customer group increased by 4.3% QoQ. The management shared that the warming of the real estate market in the North with more products suitable to market needs could recover sooner than in the South. TCB expects the market in the South to recover well from the second half of 2025.

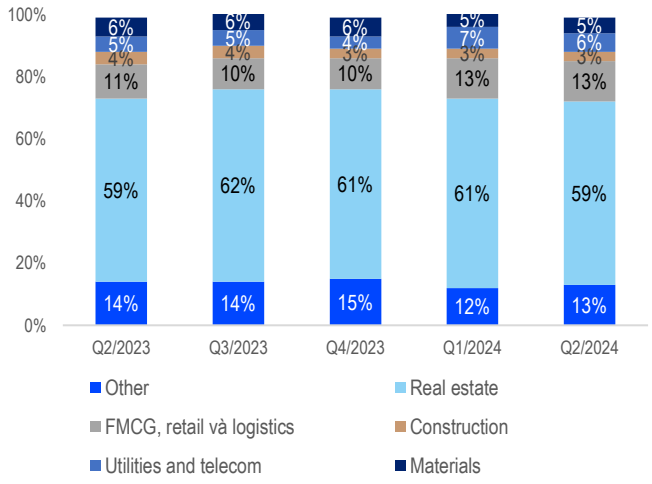
Regarding forecasts, we maintain TCB's consolidated credit growth forecast at over 20% for 2024.

TCB's credit portfolio (individually) for the period Q2/2023-Q2/2024 (VND trillion)

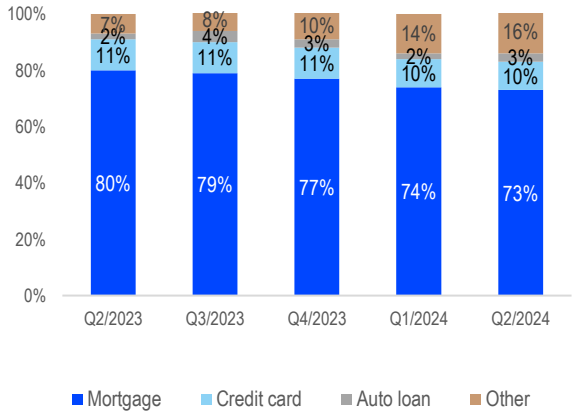


Source: TCB, Company data, Shinhan Securities Vietnam

Outstanding debt of corporate customers by industry (%)



Outstanding loans to retail customers by product (%)



Source: TCB, Company data, Shinhan Securities Vietnam

NIM continues to improve but may not be as we expected for the whole year 2024

Cost of capital (COF) and updating on "Auto-earning" program

TCB's CASA deposit ratio at the end of Q2/2024 decreased slightly compared to the previous quarter from 40.5% to 37.4%. We believe that this slight decrease comes from TCB's application of the Auto-earning program for customers. . This program will help customers to earn better interest rates than demand interest rates but will be significantly lower than term deposit interest rates. If including the

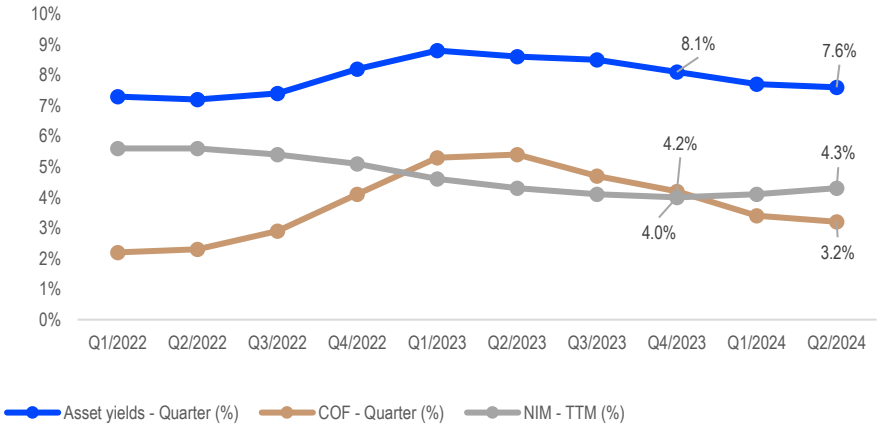
amount of money in this program, the CASA rate remains stable at 40.3%. The application of this program will help attract more demand deposits from customers but will also slightly increase capital costs for CASA category.

We expect TCB's COF (TTM) to average 3.5% in 2024.

Asset yields are likely to continue their downward trend and put pressure on NIM

With many banks launching many preferential loan packages with attractive interest rates to the market, TCB's management believes that this trend will continue to reflect on TCB's yield assets. Therefore, asset yield will likely decrease slightly in the remainder of 2024. Thereby, putting pressure on TCB's NIM recovery in 2024.
As of the end of Q2/2024, TCB's NIM (TTM) improved to 4.3%, with interest rate movements as mentioned above, we assume TCB's NIM for the whole year 2024 could reach 4.38%.

Asset yields, COF và NIM



Source: TCB, Company data, Shinhan Securities Vietnam

Non-performing loan increased, mostly from retail mortgage segment

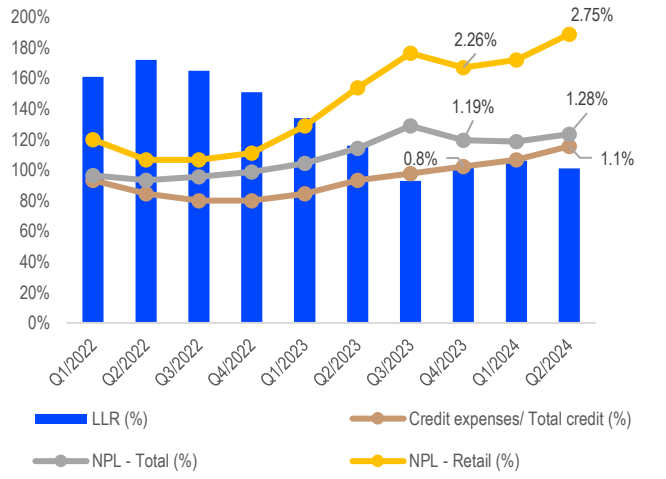
TCB's non-performing loan ratio (NPL) inched up slightly to 1.28% at the end of Q2/2024, from 1.17% at the end of Q1/2024. The major increase in momentum comes from the retail customer group. The NPL of retail group increased from 2.37% at the end of Q1/2024 to 2.75% at the end of Q2/2024.

TCB's restructuring loan balance was currently at 7.5-8 trillion as of the end of Q2/2024. This is the outstanding loan that has been fully provisioned for provisions according to Circular 02/2023/TT-NHNN.

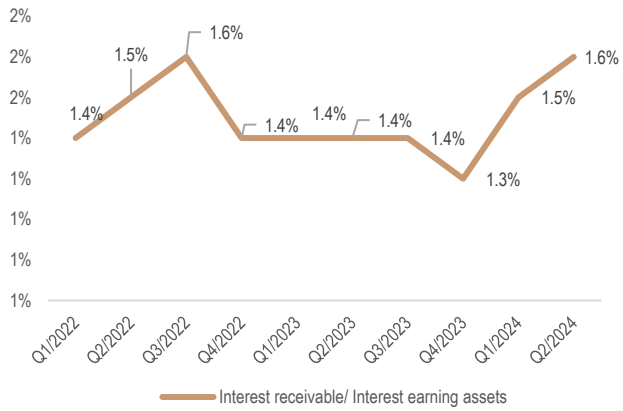
TCB's interest receivable increased in the past 2 quarters from 1.3% at the end of 2023 to 1.6% at the end of Q2/2024 (returning to the peak at the end of Q3/2022). However, data still shows that this rate historically fluctuated around 1.4-1.6% over the past 2 years. If interest rates and fees receivable increase sharply in the coming quarters, the quality of TCB's interest income may need to be reevaluated. Especially in the context that TCB has been applying Flexible Pricing policy to support real estate businesses.

Liquidity ratios at the end of Q2/2024 such as LDR (79.6%), short-term capital for medium and long-term loans (24.2%) are still being controlled accordingly to SBV regulations. Although the bank paid cash dividends early this year, thanks to good organic growth, TCB's capital adequacy ratio (CAR) at the end of Q2/2024 improved slightly to 14.5%. With a target profit growth of over 20%/year, the board of directors is confident that TCB will continue to maintain the current dividend policy in the near future.

NPL ratio, retail NPL and Loan loss coverage ratio (LLR) (%)



Interest and fees receivable / earning assets (%)

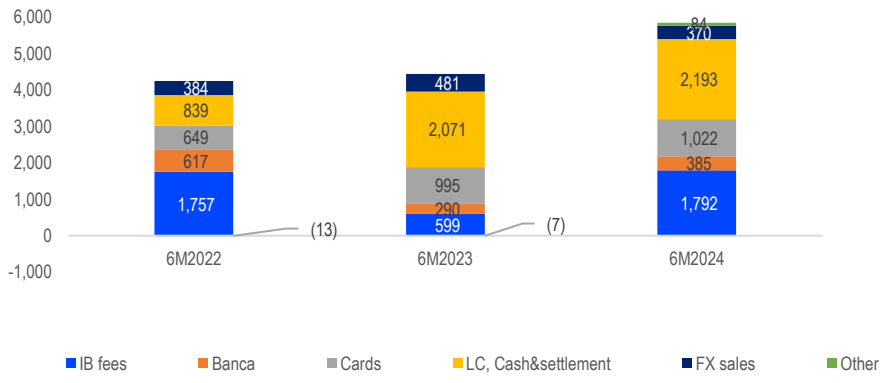


Source: TCB, Company data, Shinhan Securities Vietnam

Fee income recovered as expected thanks to the IB segment

Thanks to the warming of the corporate bond market, the investment operations segment (IB fees) in the first 6 months of 2024 brought TCB nearly 1,800 billion VND, an increase of 199% YoY. Meanwhile, the remaining fee segments of TCB did not have noticeable changes in the first half of 2024. Although the Bancasurance segment was growing positively, it was still far behind the level of 6M/2022, this trend was also seen in many other Vietnam banks.

TCB's fee income (VND billion)



Source: TCB, Company data, Shinhan Securities Vietnam

Update TCBS's business results

TCBS in 6M/2024 recorded pre-tax profit at VND 2,772 billion (+177.3% YoY). Regarding brokerage market share, TCBS is currently in the top 5 on both HOSE and HNX exchanges. This is marked the second year TCBS has implemented the zero-fee policy. In 6M2024, TCBS guaranteed issuance of more than VND 25 trillion (+14% YoY). TCBS's loan balance at the end of Q2/2024 reached nearly 25 trillion VND (+48% Ytd). TCBS's total assets at the end of Q2/2024 were at VND 52 trillion (accounting for about 5.7% of TCB's total consolidated assets).

Projected business results in 2024

Year (Consolidated)	6M2024	% yoy	2024F (old)	% yoy	2024F (new)	% yoy	Note
Net interest income (billion VND)	17,977	40.2%	38,076	37.5%	36,228	30.8%	Although NIM showed a significant recovery in the first half of the year, we believe that TCB's NIM will likely move sideways in the second half of 2024. Therefore, we lower our NIM forecast to 4.38%.
Non-interest income (billion VND)	7,704	32.8%	14,598	18.0%	14,598	18.0%	We keep the forecast unchanged from the most recent report
Total operating income	25,681	37.9%	52,674	31.5%	50,826	26.8%	
Profit before tax (VND billions)	11,272	38.6%	29,641	29.5%	27,793	21.4%	Due to a downward adjustment in NIM while keeping the remaining assumptions unchanged. TCB's profit before tax growth is assumed to increase by 21.4%. Higher than the target profit level of TCB at VND 27,100 billion.
Profit after tax (VND billions)	9,041	38.8%	23,211	30.4%	22,235	22.2%	
NPL ratio (%)	1.25%		1.3%		1.3%		The NPL ratio was still close to our forecast at the beginning of the year. We maintain the same assumptions in this report
Credit cost/Total credit (%)	1.1%		1.1%		1.1%		
Loan loss coverage ratio (%)	101%		128%		128%		Thanks to the good recovery in operating income, we forecast that the loan loss coverage ratio would remain above 100% for the rest of the year.
Credit growth – Ytd (%)	*12.9%*		*22.0%*		22.0%		With some positive signs of recovery (especially retail loan book), we assess that TCB can fully use the credit limit assigned by SBV.
Customer deposit growth – Ytd (%)	*5.98%*		*14.0%*		14.0%		Deposit interest rates have decreased significantly compared to 2023, so customer deposit growth may slow down and reach an increase of 14% for the whole year.

Net profit margin-NIM TTM (%)	*4.26%*	*4.59%*	4.38%	We assume the CASA ratio is at 40%. Deposit interest rates increased slightly from the bottom level recently along with many preferential interest rate loan packages from TCB, we decide to lower TCB's NIM forecast compared to the most recent report.

Valuations and recommendations

Valuation

We use the residual income (RI) method and the P/B valuation method with a proportion of 60%-40% respectively.

The target price for the stock for 2024 is 26,200 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 1.3x - (below the 5-year trading average) to value TCB shares. With BVPS forecast for 2024 at 21,207 VND, the target price for 2024 of TCB is expected to be 27,569 VND.

2) For the residual income method, the stock price for 2024 is at 25,263 VND. We apply a 20% discount to valuation using this method to reflect the risk coming from real estate and construction loans. The proportion of loans to the real estate and construction business segment is still high in TCB's total loan balance, from 29.4% at the end of 2022 to 38.17% at the end of Q2/2024.

Cost of Equity (%)	
Cost of Equity (%)	**14.4**
Risk-free rate (%)	2.9
Equity risk premium (%)	9.00
Beta	1.28

RI Method

(Unit: VNDbn)	**2024F**	**2025F**	**2026F**	**2027F**	**2028F**
Cost of equity	14.4%	14.4%	14.4%	14.4%	14.4%
Cost of equity after 2028					14.4%
Net income	22,235	30,240	34,526	40,664	48,198
Residual income (RI)	1,973	6,952	7,502	9,303	11,711
PV of RI	**1,845**	**5,680**	**5,357**	**5,806**	**6,388**

Terminal value of RI (VNDbn)	**107,891**
Terminal growth (%)	2.00%
PV of terminal value (VNDbn	58,848
PV of RI (bn VND))	25,075
Beginning equity (bn VND)	138,552
Discount (%)	20%
Total value (bn VND)	177,979
Total outstanding shares (bn)	7.05
Target price (VND)	**25,263**

Valuation Summary

Method	**Weight**	**Price target (VND)**
Residual income	60%	25,263
P/B target (1.3x)	40%	27,569
Target price (VND)	**26,186**	

Source: Shinhan Securities Vietnam

Business overview

Business history

1993 – Established with charter capital of 20 VNDbn

2005 – HSBC bought 10% of equity

2007-2008 – HSBC increased the ownership to 15%
– Launched the Techcombank Visa credit card

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

2014-2015 – Signed a cooperation agreement with Vietnam Airlines
– Acquired Vietnam Chemical Finance JSC and changed its name to 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 – 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

2019 – Officially complied with Basel II

2020 – Strengthened capacity in digitization and data
– Implemented Agile working method
– Established Data & Analytics Department

2021 – Focused on building a banking platform on three core pillars of Talent, Digital, and Data

2022 – Raised $1 billion worth of syndicated loans
- Leader in new card issuance and payment volume

2023 – Credit rating A+, stable outlook by FiinRating

Organizational structure

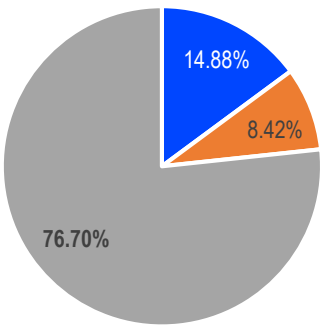
TECHCOMBANK

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 Q2/2024)

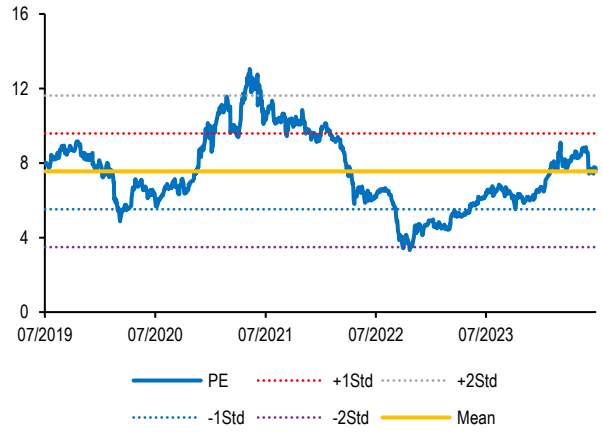


Strategy for the period 2021-2025

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

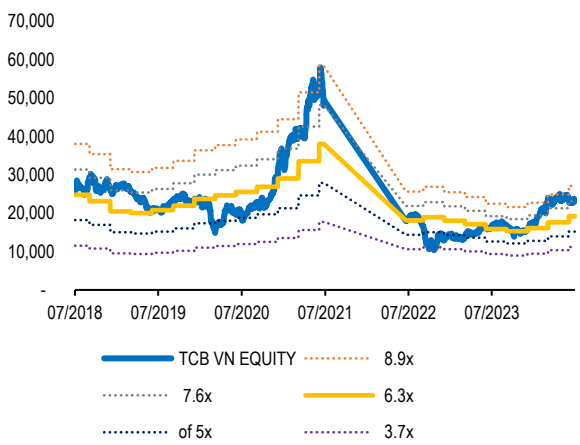
Source: Company data, Shinhan Securities Vietnam

PER of TCB



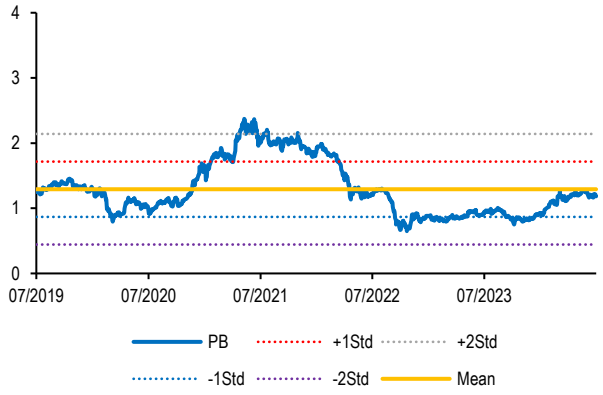
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PER band of TCB



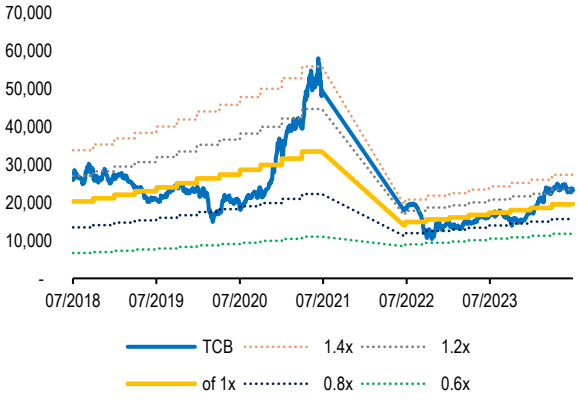
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PBR of TCB



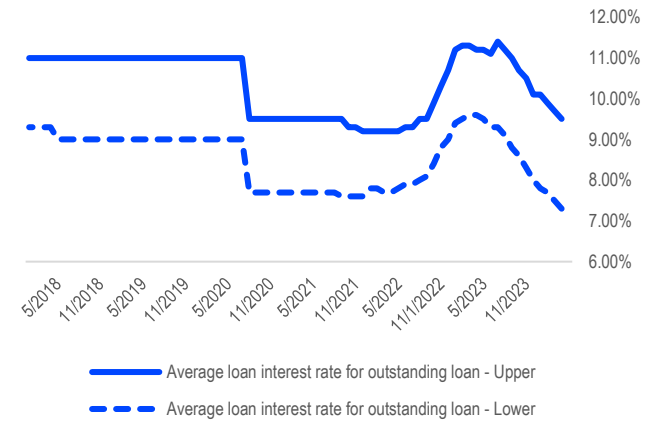
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PBR band of TCB



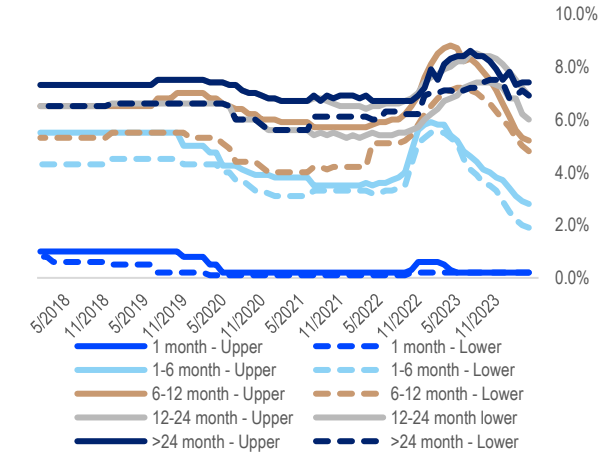
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Average loan interest rate in Vietnam



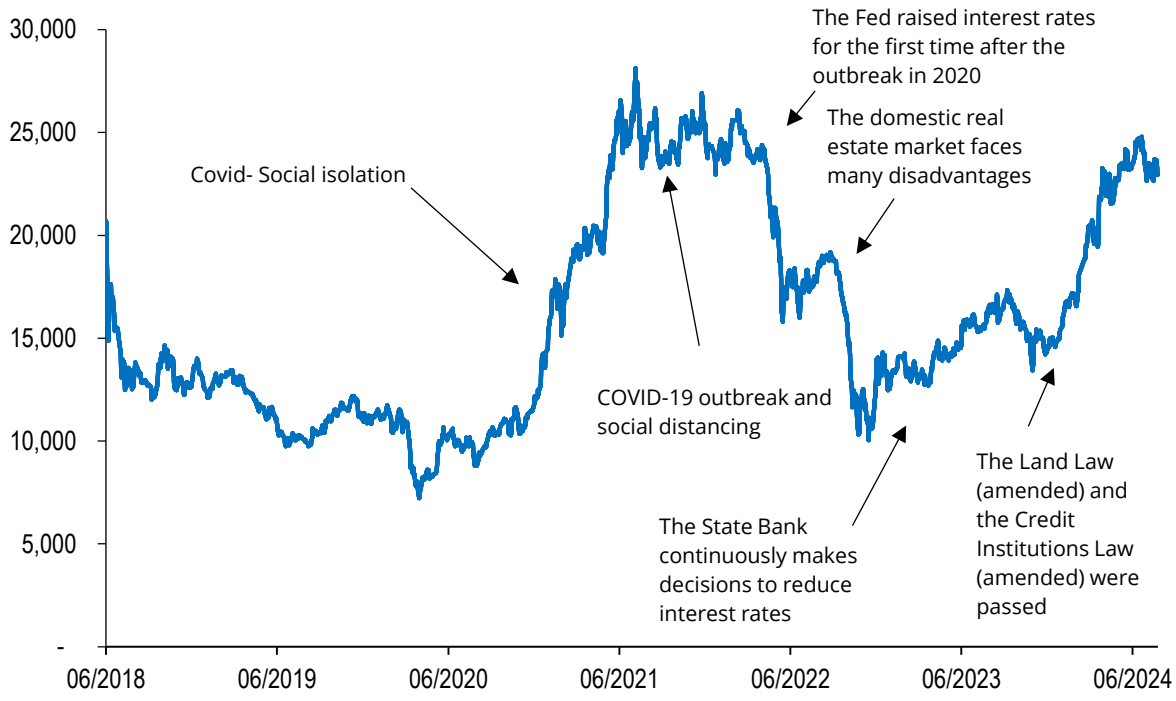
Source: SBV, Company Data, Shinhan Securities Vietnam

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**	**1,003,266**
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	122,888
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	11,475
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**	**717,866**	**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	267	-	1,851	-	-
Convertible bonds/CDs and	27,900	33,680	34,007	84,703	110,114
Other liabilities	11,878	14,796	23,775	25,329	29,635
Shareholder's equity	**74,615**	**93,041**	**113,425**	**131,616**	**149,404**
Capital	35,526	35,586	36,205	36,257	70,450
Reserves	6,790	9,156	11,609	45,029	49,003
Retained earnings	31,816	47,453	64,483	49,013	28,250
Minority interest	484	847	1,129	1,317	1,700
Total liabilities and equity	**439,603**	**568,729**	**699,033**	**849,482**	**1,003,266**

Income statement

Year (bn)	2020	2021	2022	2023	2024F
Interest and Similar Income	29,002	35,503	44,753	56,708	63,135
Interest and Similar Expenses	(10,251)	(8,805)	(14,463)	(29,017)	(26,907)
Net Interest Income	**18,751**	**26,699**	**30,290**	**27,691**	**36,228**
Net Fee and Commission Income	4,525	6,382	8,527	8,715	11,566
From foreign currency and gold	1	231	(275)	196	231
From trading of trading securities	321	152	(242)	65	-
From disposal of investment	1,497	1,804	426	926	539
Net Fee and Commission Income	2,279	1,803	2,167	2,434	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**	**40,061**	**50,826**
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	34,261
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**	**27,793**
Corporate income tax	(3,218)	(4,823)	(5,131)	(4,697)	(5,559)
Net profit after tax	**12,582**	**18,415**	**20,436**	**18,191**	**22,235**
Attributable to parent company	12,325	18,052	20,150	18,004	21,851

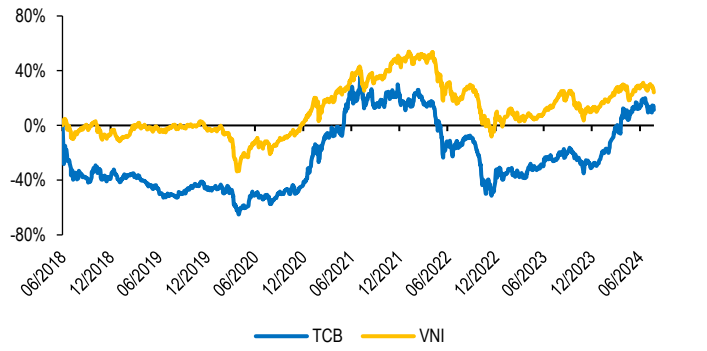
Financial indicators

Year	2020	2021	2022	2023	2024F
Growth (% YoY)					
Loans to customers	20.24	25.16	21.07	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	16.04	13.51
Total assets	14.57	29.37	22.91	21.52	18.10
Net interest income	31.52	42.38	13.45	(8.58)	30.83
Net non-interest income	26.68	20.29	2.26	16.56	18.01
PPOP	33.85	40.69	6.18	(2.53)	27.80
Net profit before tax	23.07	47.08	10.02	(10.48)	21.43
Net profit after tax	23.04	46.36	10.97	(10.99)	22.23
Profitability (%)					
NIM	4.89	5.71	5.29	4.02	4.38
ROA	3.1	3.7	3.2	2.3	2.4
ROE	18.4	22.0	19.8	14.8	15.8
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	6.72
NPL ratio (%)	0.47	0.66	0.72	1.16	1.30
LLR ratio (%)	170.96	162.85	157.34	102.15	128.46
Reverse/total credit (%)	0.68	0.91	1.03	1.09	1.29
Credit costs/total loans (%)	1.03	0.85	0.50	0.84	1.12
Credit costs/total credit (%)	0.89	0.73	0.44	0.77	1.04
Per share items (VND)					
EPS	3,590	5,245	5,810	5,164	3,156
BPS	21,289	26,501	32,248	37,364	21,207
PPOP/Share	5,253	7,378	7,820	7,611	4,863

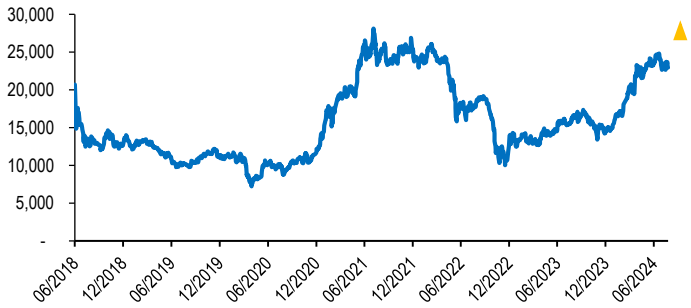
Source: Company data, Shinhan Securities Vietnam

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	29,350	127.5	47/208
07/03/2023 (Update)	BUY	21,850	67.9	9/164
07/08/2023 (Update)	BUY	22,000	53.6	0.1/107.3
23/10/2023 (Update)	BUY	25,025	82.0	38/159
24/01/2024 (Update)	BUY	25,170	62.0	39/95
24/04/2024 (Update)	HOLD	25,050	33.24	4.4/84.2
29/07/2024 (Update)	BUY	26,200	34.8	3.7/92.6

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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