Shinhan Securities



Vietnam Technological and Commercial Joint Stock Bank

[Vietnam / Banking]

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

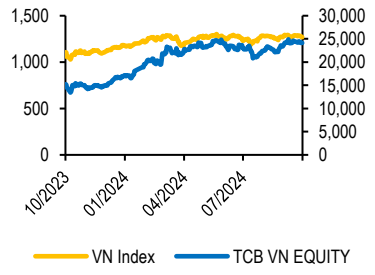
HOLD

Update report

Target price (2025)	**VND 29,600**
Current price (02/13/25)	VND 25,950
Upside/downside	14.1%

VNINDEX		1,270
P/E thị trường (23F, x)		12.0
Market Cap (bn VND)		169,785
Outstanding shares (mn)		7,045
Free-Floating (mn)		4,806
Free floating (%)		68.2
52-Wk High/Low (VND)		25,250/13,600
90-day avg. trading volume (mn)		15.05
90-day avg. turnover (bn VND)		358
Foreign ownership (%)		21.9
Major shareholders (%)	Masan	14.88

Performance	3T	6T	12T
Absolute (%)	4.6	4.3	56.0
Relative to VN-Index (%)	1.5	-3.5	39.8



Source: Bloomberg

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Maintain double-digit growth

Updated with HOLD recommendation, target price VND 29,600

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. Using the residual income (RI) method and the P/B ratio method, we update our target price for TCB at VND29,600.

Business results in 2024

TCB's full-year 2024 credit growth reached 20.8%. Customer lending growth strongly recovered in the retail segment, with mortgages growing 22% YoY (+8% QoQ). Corporate segment credit showed balanced growth instead of focusing on real estate. Credit for construction, building materials, FMCG, logistics, utilities, and telecommunications all grew strongly, from 25% or more.

NIM (TTM) for 2024 slightly improved to 4.25%, from 4.0% in 2023. The bank's net interest income in 2024 reached VND 35,508 billion (+28.2% YoY). TCB's Q4/2024 non-interest income recorded expenses related to the termination of the exclusive distribution agreement with ManuLife. 2024 non-interest income reached VND 11,482 billion (-7.17% YoY).

The cost-to-income ratio (CIR) in 2024 slightly improved to below 33%.

The consolidated NPL ratio in 2024 remained at 1.12%, slightly down from 1.16% at the end of 2023. Credit cost was at 0.8%, the loan loss coverage (LLR) ratio was at a good level of 114%.

In 2024, TCB established a non-life insurance company. In addition, TCB is also seeking shareholder approval to establish a life insurance company in the near future.

TCB's 2024 pre-tax profit reached VND 27,538 billion (+20.3% YoY), exceeding our forecast of VND 26,940 billion.

Outlook for 2025

With a system-wide target growth of 16%, we project that TCB could achieve credit growth of 20% for 2025. NIM is expected to remain stable at 4.3% for 2025. The NPL ratio is forecasted to be below 1.5%. After recording one-time expenses related to ManuLife (VND 1,800 billion) at the end of Q4 2024, we expect non-interest income to achieve growth of more than 23% for 2025. The CIR is expected to stabilize around 30%. 2025 pre-tax profit could reach VND 34,054 billion (+23.7% YoY).

Risk: (1) Real estate market recovers slower than expected; (2) Bancasurance sector takes a long time to find new partners; (3) Bad debt continues to face increasing pressure

Year	2021	2022	2023	2024	2025F
Interest income (VNDbn)	26,699	30,290	27,691	35,508	44,331
Non-interest income (VNDbn)	10,378	10,612	12,370	11,482	14,165
Total operating income (VNDbn)	**37,076**	**40,902**	**40,061**	**46,990**	**58,496**
Provision and other expenses (VNDbn)	(13,838)	(15,334)	(17,173)	(19,452)	(24,442)
Profit before tax (VNDbn)	**23,238**	**25,568**	**22,888**	**27,538**	**34,054**
Credit growth (%)	26.49%	12.53%	21.58%	20.8%	20.3%
NIM (%)	5.5%	5.2%	3.9%	4.3%	4.3%
ROE	**21.53%**	**19.52%**	**14.85%**	**15.57%**	**17.15%**

Source: Fiinpro, Company data, Shinhan Securities Vietnam

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Forecast for 2025

Year (consolidated)	2024	% yoy	2025F	% yoy	Note
Net interest income (VNDbn)	35,508	28.3%	44,331	24.9%	The management board is relatively cautious in forecasting the bank's NIM in 2025. The ability to control capital costs will continue to be a key factor in maintaining and improving NIM this year. Regarding credit growth, we assume TCB will achieve growth of more than 20%. With the strong improvement in disbursement for home loans in Q4/2024, we believe that TCB's loan structure in 2025 will shift more towards long-term loans. TCB will also promote lending to MSME businesses and households in the near future.
Non-interest income (VNDbn)	11,482	-7.2%	14,165	23.4%	Excluding the one-off expense due to the termination of the insurance distribution agreement with ManuLife and the change in the accounting method for fee income in the insurance segment, TCB's non-interest income in 2024 could have grown positively by about 10%. The bond segment could grow at a double-digit rate. However, the draft amendment to Decree 155/2020/ND-CP, which will be stricter regarding ratings, collateral, bank guarantees, and the participation of professional investors, may affect growth in 2025 (expected to grow slower than in 2024).
Total operating income (VNDbn)	47,291	17.3%	58,063	24.5%	
Operating expenses (VND bn)	15,370	16.0%	17,675	15.0%	With a CIR of 30%, this corresponds to a 15% increase in operating costs.
Profit before tax (VND bn)	26,940	20.3%	34,734	23.7%	
Profit after tax (VND bn)	21,552	19.6%	27,787	25.2%	
NPL ratio (%)	1.12%		1.2%		The retail NPL ratio in Q4 2024 decreased from a high of 2.75% (end of Q2 2024) to 2.3%. NPLs related to mortgages also showed improvement to 1.89%.

			With the positive trend in NPL formation, we maintain the 2025 NPL target ratio around 1.2%.
Credit cost/Total credit (%)	0.8%	0.9%	
Loan loss coverage ratio (%)	114%	119%	We maintain the target loan loss coverage ratio above 100% for TCB for the 2024-2025 period.
Credit growth – Ytd (%)	20.8%	20.3%	TCB typically has higher credit growth than the overall system growth. With a banking system target growth of 16%, we believe that TCB can achieve 20% growth for 2025.
Customer deposit growth – Ytd (%)	17.0%	15.0%	With the interest rate floor remaining low, deposit growth is expected to not have good growth in 2025.
Net profit margin- NIM TTM (%)	4.38%	4.37%	Promoting retail lending may pose risks to the loan portfolio but may help TCB improve NIM in the future. The proportion of customer loans with interest rates lower than 8% at the end of 2024 accounted for 66% of TCB's total loan portfolio (this figure in 2023 was 38%). This demonstrates the pressure to reduce lending rates to boost TCB's credit in the past year.

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 2025 is 29,600 VND. We update the risk-free interest rate at 3.1% and the equity risk premium at 8.35% for this report.

1) In the short term, we cautiously use the P/B index at 1.3x - (5-year trading average) to value TCB shares. With BVPS forecast for 2025 at 24,019 VND, the target price for 2025 of TCB is expected to be 31,224 VND.

2) For the residual income method, the stock price is estimated at 28,504 VND. We apply a 20% discount to valuation using this method to reflect the risk coming from real estate and construction loans.

Cost of Equity (%)	
Cost of Equity (%)	**14.0**
Risk-free rate (%)	3.1
Equity risk premium (%)	8.35
Beta	1.3

RI Method

(Unit: VNDbn)	**2024F**	**2025F**	**2026F**	**2027F**	**2028F**
Cost of equity	14.0%	14.0%	14.0%	14.0%	14.0%
Cost of equity after 2028					14.0%
Net income	21,760	27,243	34,832	41,069	48,385
Residual income (RI)		5,081	9,212	11,221	13,553
PV of RI		4,459	7,094	7,583	8,037

Terminal value of RI (VNDbn)	**129,191**
Terminal growth (%)	2.00%
PV of terminal value (VNDbn	76,613
PV of RI (bn VND))	27,173
Beginning equity (bn VND)	147,940
Discount (%)	20%
Total value (bn VND)	201,380
Total outstanding shares (bn)	7.05
Target price (VND)	**28,504**

Valuation Summary

Method	**Weight**	**Price target (VND)**
Residual income	60%	28,504
P/B target (1.3x)	40%	31,224
Target price (VND)	**29,592**	

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

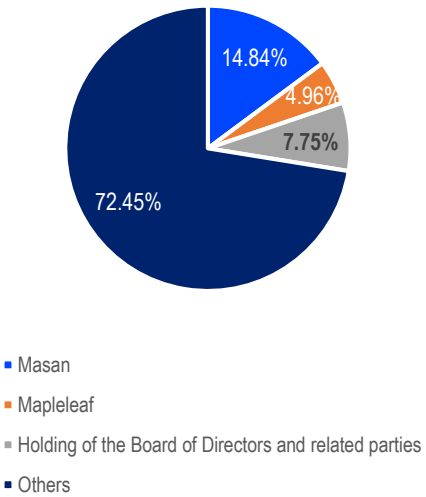
TECHCOMBANK

Techcom Securites Joint Stock Company
(Techcom Securities- TCBS)
Charter capital: 19.613 VNDbn
% owned by TCB: 94.17%

Techcom Capital Joint Stock Company (Techcom Capital – TCC)
Charter capital: 670 VNDbn
% owned by TCB: 89%

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 Q4/2024)

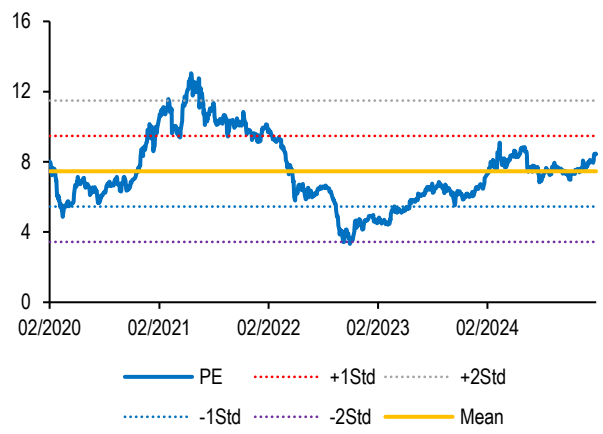


Strategy for the period 2021-2025

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

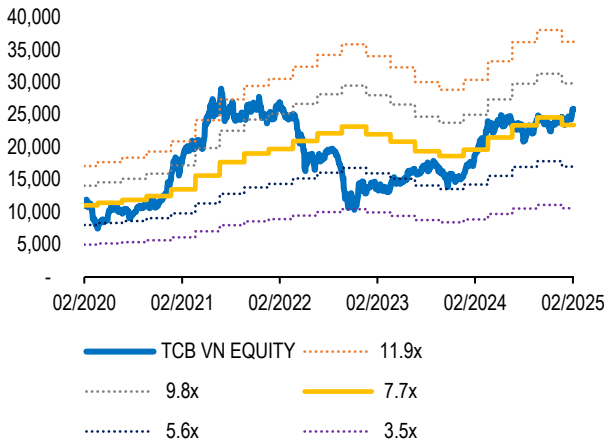
Source: Company data, Shinhan Securities Vietnam

PER of TCB



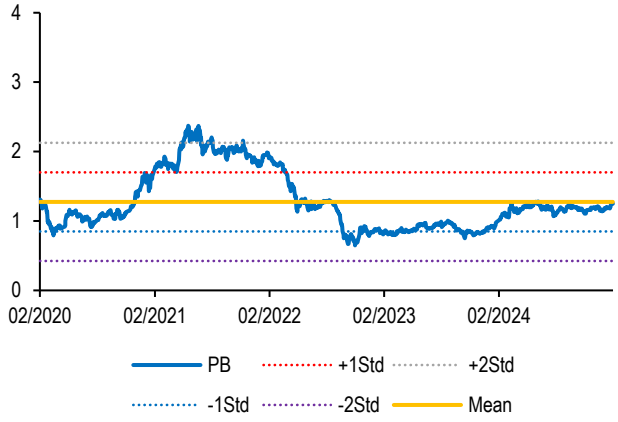
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PER band of TCB



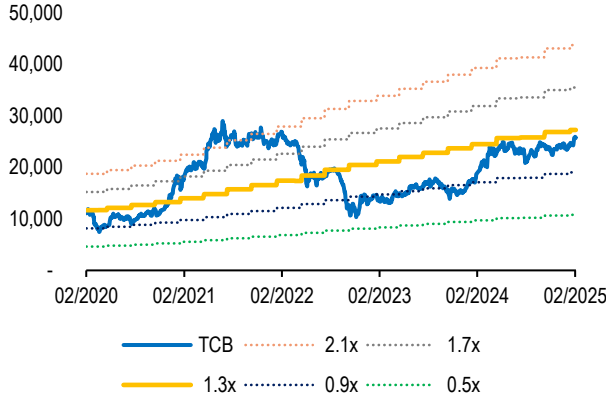
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PBR of TCB



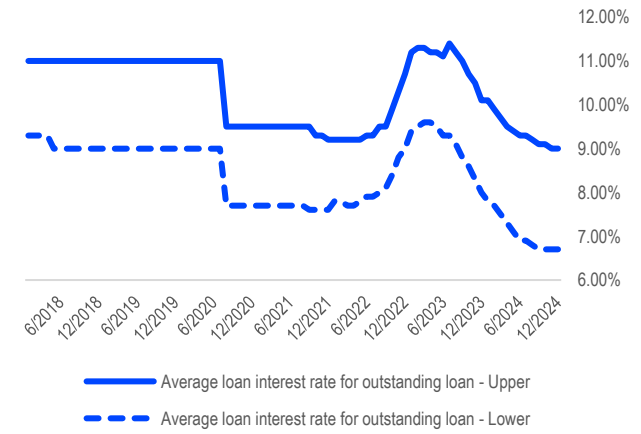
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PBR band of TCB



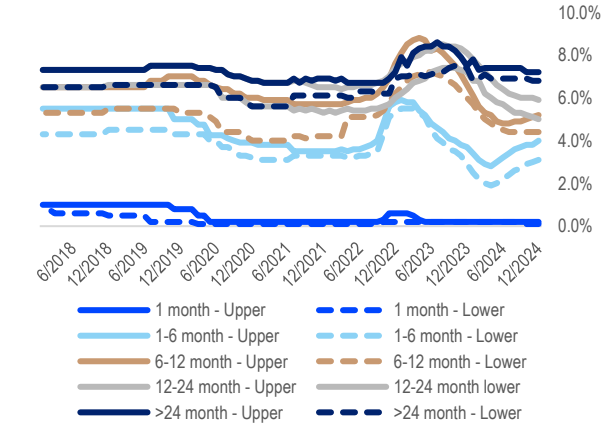
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Average loan interest rate in Vietnam



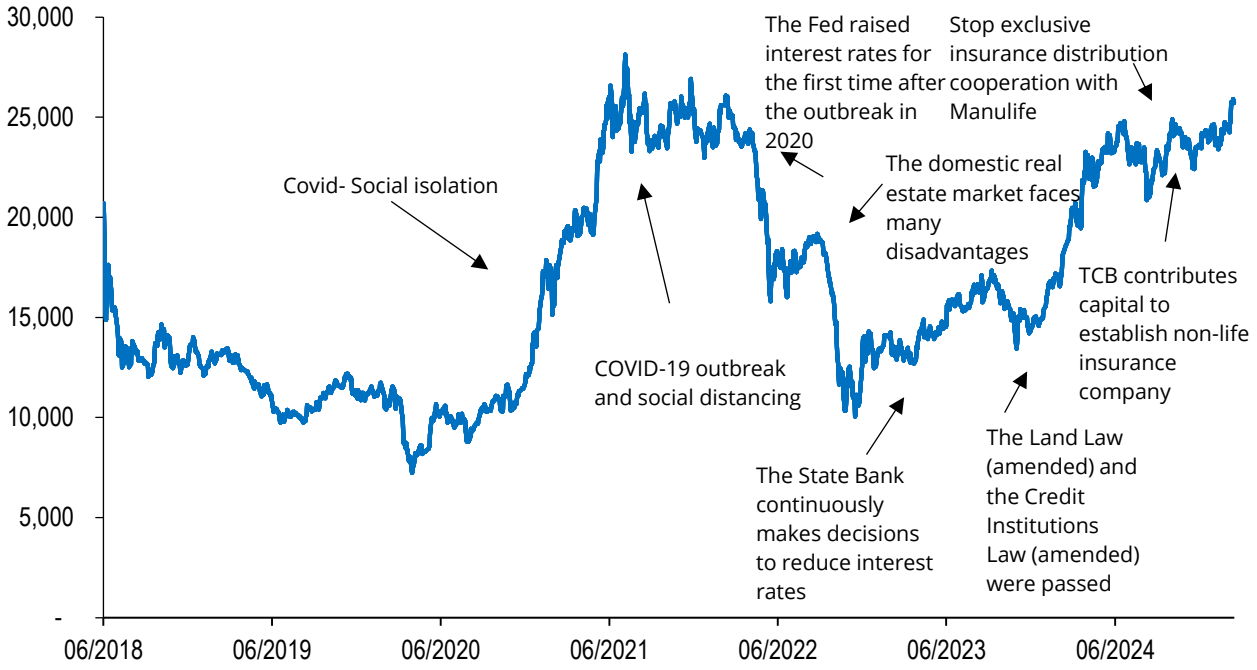
Source: SBV, Company Data, Shinhan Securities Vietnam

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)	2021	2022	2023	2024	2025F
Total assets	**568,729**	**699,033**	**849,482**	**978,799**	**1,204,923**
Cash and precious metals	3,579	4,216	3,621	3,385	4,907
Balances with the SBV	4,909	11,476	27,141	54,353	24,536
Placements with and loans to	70,515	82,874	104,072	84,590	130,684
Trading securities	5,071	961	4,433	9,001	9,001
Derivatives and other financial assets	294	-	144	-	-
Loans and advances to	343,606	415,752	512,514	623,634	755,349
Debts purchase	133	108	82	142	142
Investment securities	97,586	103,652	104,994	148,624	213,817
Long-term investments	13	13	3,046	3,103	3,103
Fixed assets	7,224	8,411	8,893	12,467	15,984
Investment properties	1,089	1,053	-	-	-
Other assets	34,711	70,517	80,543	39,501	47,401
Total liabilities	**475,687**	**585,608**	**717,866**	**829,928**	**1,035,234**
Due to Gov and Loans from	1	8	0	12	12
Deposits and Loans from other	112,459	167,563	153,173	132,239	211,353
Deposits from customers	314,753	358,404	454,661	533,392	613,401
Derivatives, Funds received from Gov, international and	-	1,851	-	-	-
Convertible bonds/CDs and	33,680	34,007	84,703	140,422	182,549
Other liabilities	14,796	23,775	25,329	23,862	27,919
Shareholder's equity	**93,041**	**113,425**	**131,616**	**147,940**	**169,689**
Capital	35,586	36,205	36,257	78,413	78,413
Reserves	9,156	11,609	45,029	24,785	4,042
Retained earnings	47,453	64,483	49,013	42,222	84,417
Minority interest	847	1,129	1,317	2,520	2,817
Total liabilities and equity	**568,729**	**699,033**	**849,482**	**978,799**	**1,204,923**

Income statement

Year (bn)	2021	2022	2023	2024	2025F
Interest and Similar Income	35,503	44,753	56,708	60,089	78,289
Interest and Similar Expenses	(8,805)	(14,463)	(29,017)	(24,581)	(33,958)
Net Interest Income	**26,699**	**30,290**	**27,691**	**35,508**	**44,331**
Net Fee and Commission Income	6,382	8,527	8,715	8,042	10,471
From foreign currency and gold	231	(275)	196	593	279
From trading of trading securities	152	(242)	65	81	-
From disposal of investment	1,804	426	926	2,359	906
Net Fee and Commission Income	1,803	2,167	2,434	343	2,415
Dividends income	4	9	35	65	93
Total non-interest income	**10,378**	**10,612**	**12,370**	**11,482**	**14,165**
Total operating income	**37,076**	**40,902**	**40,061**	**46,990**	**58,496**
General and Admin expenses	(11,173)	(13,398)	(13,252)	(15,370)	(17,675)
Operating Profit Before Provision (PPOP)	25,903	27,504	26,809	31,621	40,821
Provision for credit losses	(2,665)	(1,936)	(3,921)	(4,082)	(6,767)
Profit before tax	**23,238**	**25,568**	**22,888**	**27,538**	**34,054**
Corporate income tax	(4,823)	(5,131)	(4,697)	(5,778)	(6,811)
Net profit after tax	**18,415**	**20,436**	**18,191**	**21,760**	**27,243**
Attributable to parent company	18,052	20,150	18,004	21,523	26,946

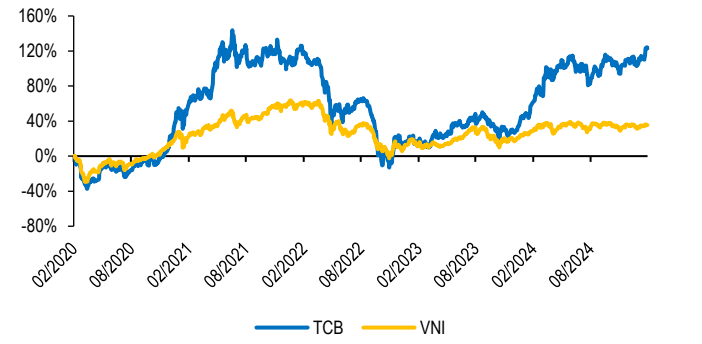
Financial indicators

Year	2021	2022	2023	2024	2025F
Growth (% YoY)					
Loans to customers	25.16	21.07	23.33	21.80	21.00
Deposits from customers	13.44	13.87	26.86	17.32	15.00
Shareholders' equity	24.70	21.91	16.04	12.40	14.70
Total assets	29.37	22.91	21.52	15.22	23.10
Net interest income	42.38	13.45	(8.58)	28.23	24.85
Net non-interest income	20.29	2.26	16.56	(7.17)	23.36
PPOP	40.69	6.18	(2.53)	17.95	29.09
Net profit before tax	47.08	10.02	(10.48)	20.32	23.66
Net profit after tax	46.36	10.97	(10.99)	19.62	25.20
Profitability (%)					
NIM	5.71	5.29	4.02	4.25	4.28
ROA	3.7	3.2	2.3	2.4	2.5
ROE	22.0	19.8	14.8	15.6	17.2
Liquidity (%)					
Pure LDR	110.35	117.33	114.07	118.44	124.61
Asset quality					
Leverage (x)	6.11	6.16	6.45	6.62	7.10
NPL ratio (%)	0.66	0.72	1.16	1.12	1.20
LLR ratio (%)	162.85	157.34	102.15	113.94	118.54
Reverse/total credit (%)	0.91	1.03	1.09	1.19	1.11
Credit costs/total loans (%)	0.85	0.50	0.84	0.71	0.97
Credit costs/total credit (%)	0.73	0.44	0.77	0.8	0.91
Per share items (VND)					
EPS	5,245	5,810	5,164	3,080	3,856
BPS	26,501	32,248	37,364	20,940	24,019
PPOP/Share	7,378	7,820	7,611	4,476	5,778

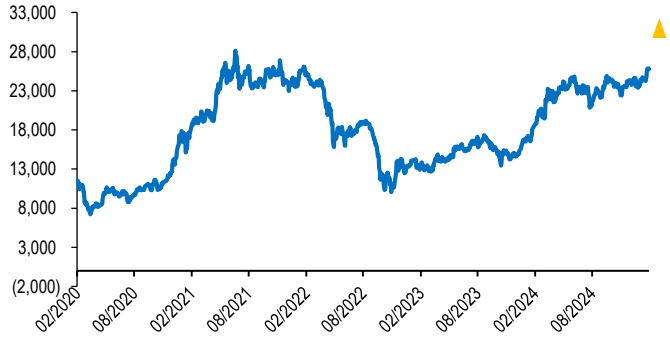
Source: Company data, Shinhan Securities Vietnam

Vietnam Technological and Commercial Joint Stock Bank (TCB VN)

Price performance



Target price (VND)



Date (dd/mm/yyyy)	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
04/08/2023 (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
23/10/2024 (Update)	BUY	29,500	51.9	16.8/116.9
23/02/2025 (Update)	HOLD	29,600	31.6	12.8/58.1

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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