October 28th, 2022



Vietnam Technological and Commercial Joint Stock Bank

[Vietnam / Banking]

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

BUY

Company Update

Target price (12 months)	**VND 43,700**
Current price (28/10/22)	VND 24,400
Return	79.1%



[Analyst]

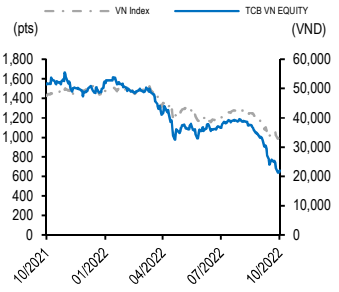
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VNINDEX	1,027
HNXINDEX	214
Market Cap. (bn VND)	85,821
Outstanding Shares (mn)	3,517
Free Floating Shares (mn)	2,714
52-Wk High/Low (VND)	56,000/20,000
90-day avg. trading volume (1mn)	4.9
90-day avg. turnover(bn VND)	159
Global ownership (%)	22.5

Major shareholders (%)	Masan Group Corporation	15.41
	Directors and relevants	0.42

Performance	3T	6T	12T
Absolute (%)	-34.6	-42.3	-52.9
Relative to VN-Index (%)	-19.6	-18.4	-24.3



Source: Bloomberg

Shinhan Securities

Overcome obstacles

Maintain BUY rating and target price at VND 43,700

Vietnam Technological and Commercial Joint Stock Bank (HoSE: TCB) maintains its prominent position in the industry in terms of asset quality as well as profitability. The Bank is constantly improving its digitalization and expanding the ecosystem to attract customers. We update TCB's target price at VND 43,700 based on expectations of continued revenue growth and TCB's asset health. However, we adjust the forecast based on fluctuations in the macroeconomic situation and discount downside risks related to the corporate bond portfolio.

Update business results in 9M022 and prospects

Profit before tax continued to increase to 77.1% of the full-year plan in 2022. In 9M2022, net interest income reached VND 23,470 billion (+21.8% YoY). Notably, service income increased sharply to VND 5,992 billion (+40% YoY), contributing to non-interest income, reaching VND 8,004 billion (+7.3% YoY). As a result, TCB's 9M2022 total operating income reached VND 31,475 billion (+16.9% YoY). TCB well-controlled operating expenses as well as provision expenses when the CIR ratio of 9M2022 remained around 29.9% and provision expenses decreased by 38.9% YoY. TCB also reversed a part of the provision for restructuring debts, helping to realize a pre-tax profit of VND 20,822 billion (+21.8% YoY) and achieving 77.1% of the full-year plan. ROE and ROA at the end of Q3 reached 21.7% and 3.6%, respectively, and the ROA is still leading the industry.

Asset quality remains at a good level. NPL ratio in 9M2022 reached 0.65%, while outstanding loans continued to increase to VND 410,546 billion (+27.9% YoY, +4.8% QoQ) with bad debt coverage ratio (LLR) reaching 165%. CAR ratio remains high at 15.7% as TCB continues to implement its plan to shift its credit portfolio from mainly focusing on corporate customers to individual customers with lower credit risk. Total value of corporate bonds of the Bank also decreased in Q3 to VND 43,501 billion (-25.3% YoY, -11.8% QoQ).

NIM slightly decreased in 2022 due to increased deposit rates in volatile macroeconomics. CASA showed a slight decrease compared to Q2, reaching 46.5% due to low liquidity, high-interest rates on term deposits, and customers switching to other investment sources. Therefore, it led to a slight decrease in NIM to 5.4%, but we expect NIM to widen in the future when lending rates are adjusted accordingly and CASA increases from TCB's new customer base.

The highlight of the Bank's recent activities is **the cooperation with Masan (MSN) to create the WINLife (multi-convenience store) ecosystem,** which was launched at the end of September with 27 stores and is expected to open 80-100 stores nationwide in 2022. The cooperation with MSN will help TCB attract many customers, helping to improve capital mobilization and the potential for revenue growth from fees and services.

Risks: (1) Economic growth slowdown/recession risk; (2) Increase in bad debt; (3) Unstable real estate market.

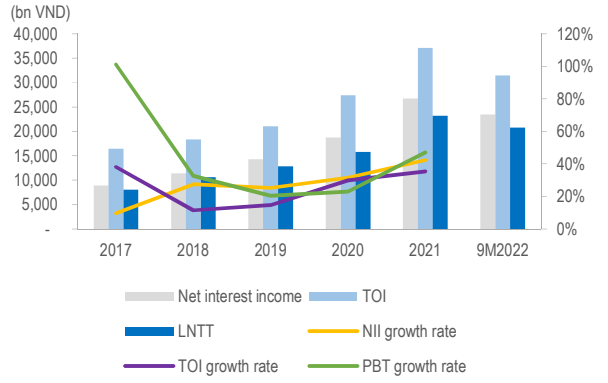
Year	2021	2022F	2023F	2024F	2025F
Net interest income (bn VND)	26,699	31,260	36,842	43,927	51,898
Net non-interest income (bn VND)	10,378	10,216	11,898	13,816	16,133
TOI (bn VND)	37,076	41,476	48,741	57,743	68,031
TOI before provision (bn VND)	25,903	28,047	32,500	37,973	43,802
NPAT (bn VND)	18,415	21,113	24,280	28,508	32,896
EPS (VND)	5,245	6,003	6,904	8,106	9,353
EPS growth rate (%)	46.1	14.5	15.0	17.4	15.4
P/E (x)	7.4	3.5	3.1	2.6	2.3
P/B (x)	1.5	0.7	0.5	0.4	0.4
ROA (%)	3.6	3.3	3.2	3.2	3.1
ROE (%)	21.5	20.0	18.8	18.3	17.6

Source: Company data, Shinhan Securities Vietnam

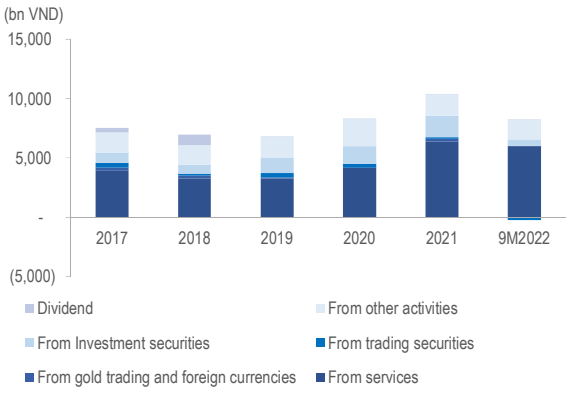
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Update business results 9M2022

Net interest income- TOI- Profit before tax

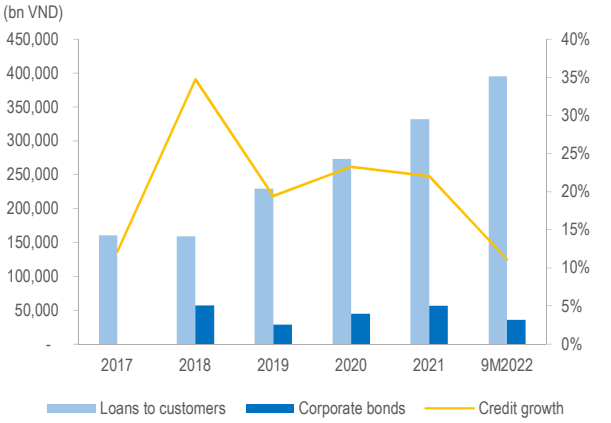


Net non-interest incomes

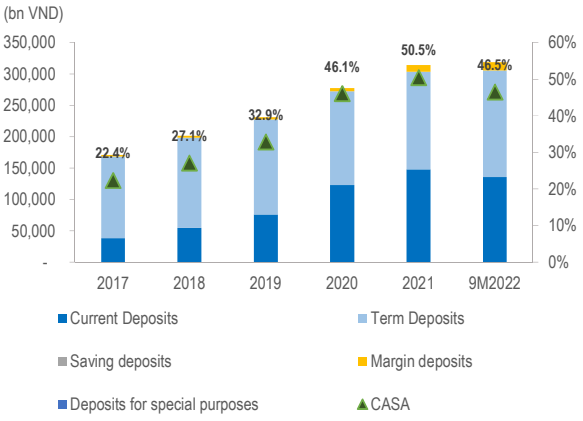


Source: Company data, Shinhan Securities Vietnam

Separated total credit balance



Components of customer deposits



Source: Company data, Shinhan Securities Vietnam

Non-performing loan (NPL) ratio – Loan-loss reserve (LLR) ratio



Source: Company data, Shinhan Securities Vietnam

Valuation and recommendation

We apply a combination of Residual income (RI) method and P/B with 60%/40% weights to value TCB.

RI valuation method					
(bn VND)	**Q4/2022F**	**2023F**	**2024F**	**2025F**	**2026F**
Cost of equity	13.42%	13.42%	13.42%	13.42%	13.42%
Cost of equity after 2026					13.42%
Net income	4,249	24,280	28,508	32,896	37,745
Residual income (RI)	1,126	8,948	9,916	10,477	10,910
Present value (PV) of RI	**1,092**	**7,606**	**7,437**	**6,915**	**6,437**

Terminal value of RI (bn VND)	**88,721**
Terminal growth (%)	1.0%

PV of RI (bn VND)	29,487
PV of terminal value (bn VND)	52,346
Beginning equity (bn VND)	109,899
Value of equity (bn VND)	191,732
Discounted downside risk	10%
Total outstanding shares (mn)	3,517
Target price (VND)	**49,064**

Cost of Equity	**13.42%**
Beta (x)	1.12
Adjusted beta (x)	1.08
Risk-free rate	5%
Equity risk premium	7.8%

Source: Shinhan Securities Vietnam

Regarding P/B method, we apply P/B average of banking industry including commercial joint stock banks which have equivalent asset size as of 25/10/2022.

Ticker	P/B
ACB	1.18
EIB	2.35
HDB	1.21
LPB	0.60
MBB	1.05
MSB	0.84
OCB	0.78
STB	0.78
TPB	1.04
VIB	1.41
VPB	1.09
P/B average	**1.12**

Source: Fiinpro, Shinhan Securities Vietnam

Valuation		
Method	Contribution	Target price
Residual income (RI)	60%	49,064
P/B average (1.1x)	40%	35,724
Target price	**43,728**	

Source: Shinhan Securities Vietnam

TCB's PER chart



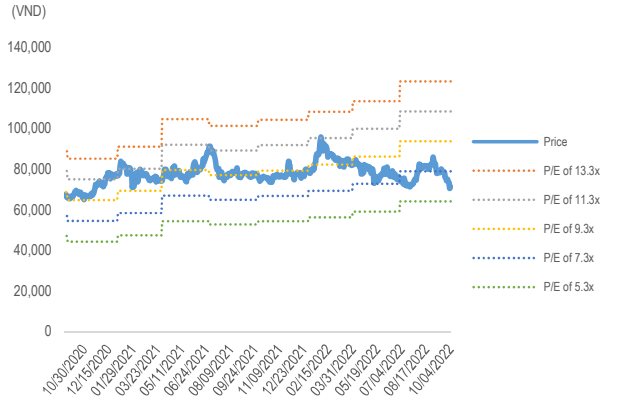
Source: Bloomberg, Company data, Shinhan Securities Vietnam

TCB's PBR chart



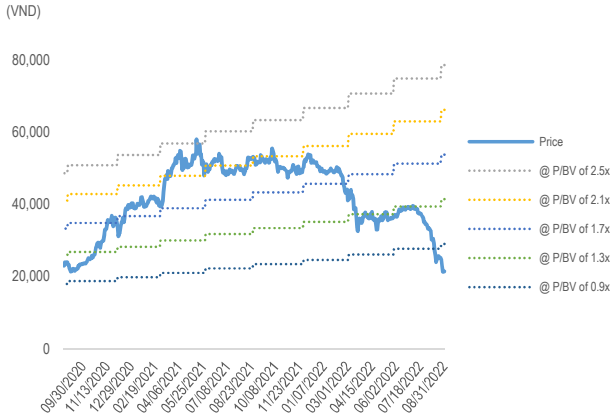
Source: Bloomberg, Company data, Shinhan Securities Vietnam

TCB's PER band chart



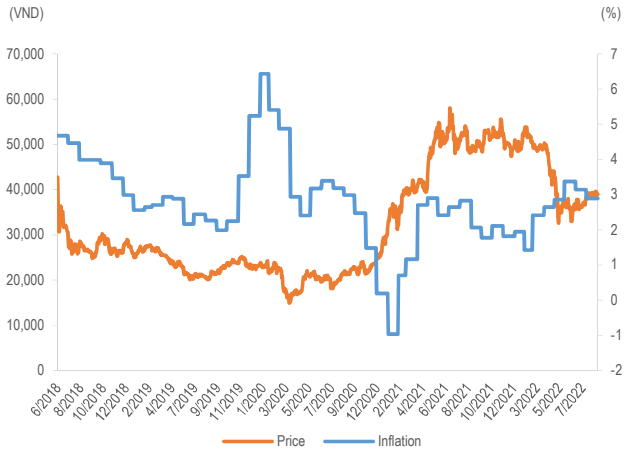
Source: Bloomberg, Company data, Shinhan Securities Vietnam

TCB's PBR band chart



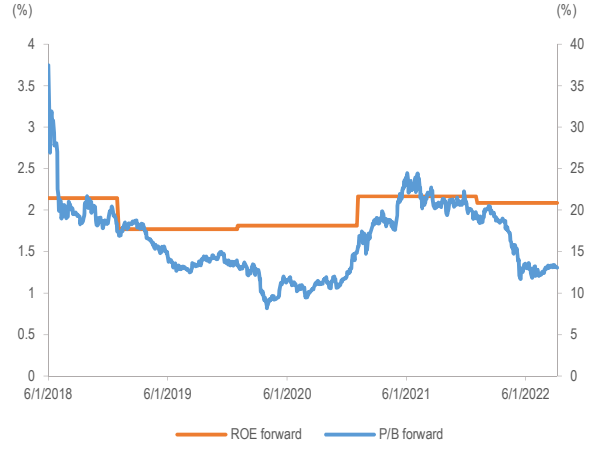
Source: Bloomberg, Company data, Shinhan Securities Vietnam

TCB's share price vs. inflation rate



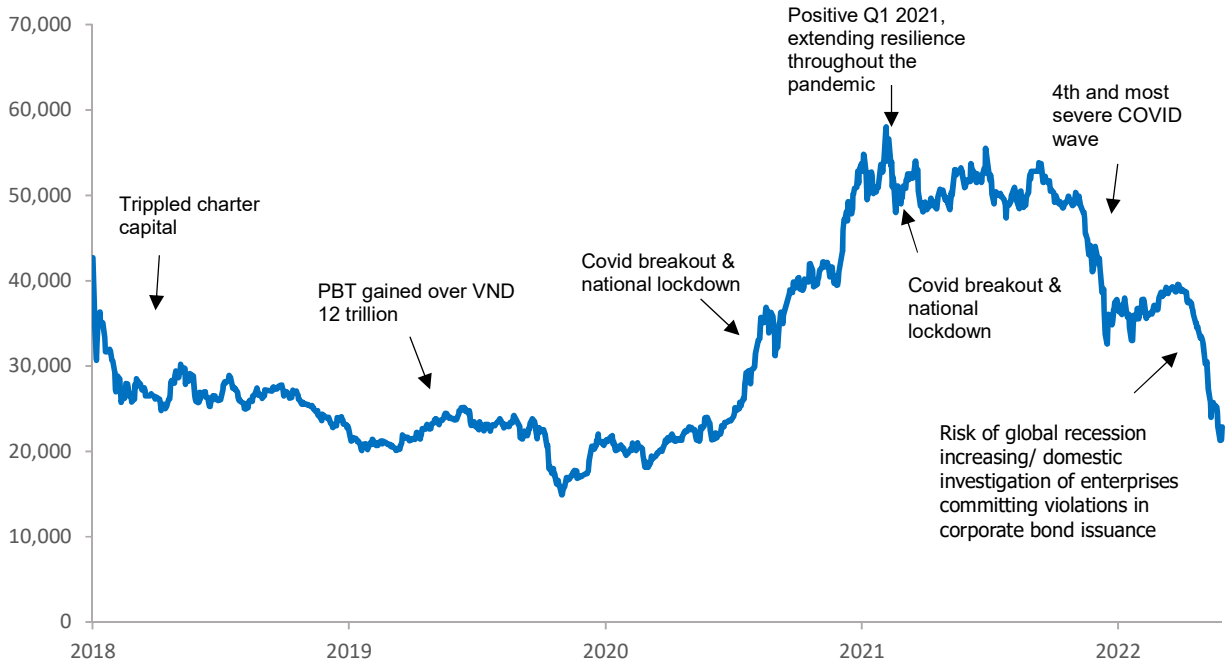
Source: Bloomberg, Company data, Shinhan Securities Vietnam

TCB's PBR vs. ROE forward



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Key event chart of Techcombank



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Appendix: Financial statements

Balance sheet

Year (bn VND)	2020	2021	2022F	2023F	2024F
Total assets	**439,603**	**568,729**	**679,990**	**801,707**	**954,146**
Cash and precious metals	3,664	3,579	3,946	5,566	9,463
Balances with the SBV	10,253	4,909	5,922	6,876	7,992
Placements with and loans to other credit institutions	28,995	70,515	90,804	106,846	125,286
Trading securities	8,348	5,071	4,816	5,298	6,092
Derivatives and other financial assets	-	294	294	294	294
Loans and advances to	275,310	343,606	401,835	472,070	556,918
Debts purchase	2	136	143	150	158
Investment securities	84,447	97,586	108,540	123,299	143,756
Long-term investments	12	13	13	14	14
Fixed assets	4,613	7,224	11,133	16,530	24,257
Investment properties	1,125	1,089	1,126	1,167	1,209
Other assets	22,836	34,711	51,420	63,601	78,712
Total liabilities	**364,988**	**475,687**	**565,772**	**663,210**	**787,140**
Due to Gov and Loans from SBV	0	1	1	1	1
Deposits and Loans from other credit institutions	47,485	112,459	139,511	173,342	215,718
Deposits from customers	277,459	314,753	372,834	426,346	494,262
Derivatives and other financial liabilities	267	-	-	-	-
Funds received from Gov, international and other	-	-	-	-	-
Convertible bonds/CDs and other valuable papers issued	27,900	33,680	35,619	41,969	50,948
Other liabilities	11,878	14,796	17,808	21,552	26,212
Shareholder's equity	**74,615**	**93,041**	**114,217**	**138,497**	**167,006**
Capital	35,526	35,586	35,649	35,649	35,649
Reserves	6,790	9,156	19,712	31,852	46,106
Retained earnings	31,816	47,453	57,593	69,255	82,946
Minority interest	484	847	1,263	1,742	2,304
Total liabilities and equity	**439,603**	**568,729**	**679,990**	**801,707**	**954,146**

Income statement

Year (bn)	2020	2021	2022F	2023F	2024F
Interest and Similar Income	29,002	35,503	45,031	54,896	67,234
Interest and Similar Expenses	(10,251)	(8,805)	(13,771)	(18,053)	(23,307)
Net Interest Income	**18,751**	**26,699**	**31,260**	**36,842**	**43,927**
Net Fee and Commission Income	4,525	6,382	5,566	6,836	8,302
From foreign currency and gold	1	231	220	242	266
From trading of trading securities	321	152	160	176	194
From disposal of investment securities	1,497	1,804	1,985	2,183	2,402
Net Fee and Commission Income	2,279	1,803	2,282	2,457	2,648
Dividends income	4	4	4	4	4
Total non-interest income	**8,627**	**10,378**	**10,216**	**11,898**	**13,816**
Total operating income	**27,379**	**37,076**	**41,476**	**48,741**	**57,743**
General and Admin expenses	(8,967)	(11,173)	(13,429)	(16,241)	(19,770)
Operating Profit Before Provision (PPOP)	18,411	25,903	28,047	32,500	37,973
Provision for credit losses	(2,611)	(2,665)	(1,656)	(2,149)	(2,338)
Profit before tax	**15,800**	**23,238**	**26,391**	**30,350**	**35,635**
Corporate income tax	(3,218)	(4,823)	(5,278)	(6,070)	(7,127)
Net profit after tax	**12,582**	**18,415**	**21,113**	**24,280**	**28,508**
Attributable to parent company	12,325	18,052	20,697	23,802	27,946

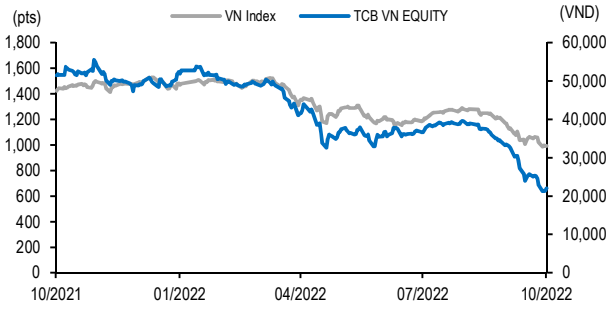
Financial indicators

Year	2020	2021	2022F	2023F	2024F
Growth (% YoY)					
Loans to customers	20.2	25.2	17.0	17.5	18.0
Deposits from customers	20.0	13.4	18.5	14.4	15.9
Shareholders' equity	20.2	24.7	22.8	21.3	20.6
Total assets	14.6	29.4	19.6	17.9	19.0
Net interest income	31.5	42.4	17.1	17.9	19.2
Net non-interest income	26.7	20.3	-1.6	16.5	16.1
PPOP	33.8	40.7	8.3	15.9	16.8
Net profit before tax	23.1	47.1	13.6	15.0	17.4
Net profit after tax	23.0	46.4	14.6	15.0	17.4
Profitability (%)					
NIM	4.9	5.7	5.5	5.5	5.6
ROAA	3.0	3.6	3.3	3.2	3.2
ROAE	18.0	21.5	20.0	18.8	18.3
Liquidity (%)					
LDR	78.2	74.7	83.9	83.1	82.1
Asset quality					
Leverage (x)	5.9	6.1	6.0	5.8	5.7
NPL ratio (%)	0.5	0.7	0.7	0.8	0.8
LLR ratio (%)	171.0	162.9	160.1	151.8	145.1
Reverse/total credit (%)	0.8	1.1	1.1	1.1	1.2
Credit costs/total loans (%)	0.9	0.8	0.4	0.4	0.4
Credit costs/total credit (%)	0.8	0.6	0.4	0.4	0.4
Per share items (VND)					
EPS	3,590	5,245	6,003	6,904	8,106
BPS	21,151	26,259	32,114	38,882	46,827
PPOP/share	5,235	7,365	7,974	9,240	10,796

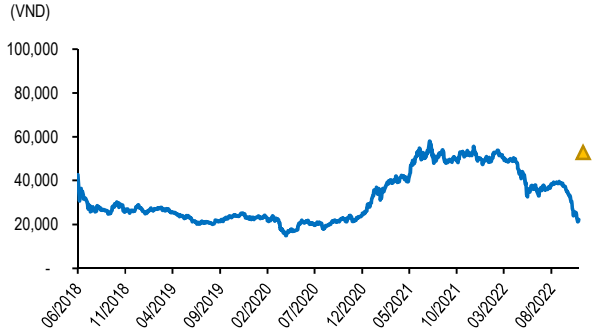
Source: Company data, Shinhan Securities Vietnam

Vietnam Technological and Commercial Joint Stock Bank (TCB VN)

Share price



Target price



Date	Rating	Target price (VND)	Target price gap TB	Target price gap Max/Min
September 9th, 2022 (Initiation)	BUY	58,700	13.2	3.2/26.1
October 27th, 2022 (Update)	BUY	43,700	1.1	-11.8/22.4

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

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Stock	Sector
◆ **BUY:** Expected 12-month gain of 15% or more ◆ **HOLD:** Expected 12-month loss of 15% to gain of 15% ◆ **SELL:** Expected 12-month loss of 15% or more	◆ **OVERWEIGHT:** 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 ◆ **UNDERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated SELL

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