

Techcombank (TCB)

Consistent recovery

Strong 2Q24 Profit growth

- 2Q24 PBT grew +38.5%yoy to VND7,827bn from a low-based 2Q23 thanks to (1) improvements in operating incomes for both net interest income (+50.6%yoy) and non interest incomes (+30%yoy) (2) controlled operating income with lower CIR (2Q24's 29% vs 2Q23's 31%). However, 2Q24 risk provision expenses for credit losses rose significantly by +104%yoy, partly restraining profit growth.
- 1H2024 was up +38.6%yoy to VND15,628bn, completing 58% of 2024 targets and 51% of KIS's estimation. We forecast that TCB could grow +34%yoy in 2024 under better market conditions.

Strong credit growth and NIM improvement

- 2Q24 credit growth rose significantly +12.9%YTD (vs 2Q23's +9.7%YTD), double industry's +6%YTD. High credit growth appeared from both corporate loans and retail loans.
- 2Q24 Large corporate loans (+15.5%YTD), contributed by real estate (+9.2%YTD), FMCG, retail & logistics (+46.8%YTD), and Utilities & Techo (+69.4%YTD). Corporate bonds consistently declined in 1H2024 with -2.7%YTD.
- The retail segment was warm up, increasing from 1Q24's +5.4%YTD to 2Q24's +13.1%YTD mainly thanks to emerging SME and micro SME (from 1Q24's 47.6% YTD and 2Q24's +81.0%YTD) and mortgage (from 1Q24's 1.3% YTD to 2Q24's 7.2% YTD). Vinhomes - one of the large strategic partners – released positive contracted sales in 1H2024 with VND51.7tn (+27%yoy) and a retail proportion of 68%. We expect the real estate market to recover gradually in 2024F-2026F.
- With the low-interest rate environment, NIM improved from 2Q23's 3.95% to 2Q24's 4.73% thanks to lower cost of funds and maintained high CASA (2Q24's 37.4% vs 1Q24's 40.5% and 2Q23's 35%). In 2Q24, deposit growth was lower than credit growth, leading to higher LDR from 4Q23's 77.4% to 2Q24's 79.6%.

Strong net fee income recovery from a low-based 2Q23

- Net fee incomes in 2Q24 rose +35%yoy (to VND3,060bn) thanks to IB fees (+231%yoy) and bancassurance (+127%yoy). IB continues to recover thanks to demand recovery from bond products and increasing stock market shares. We expect that 2024 net fee incomes could maintain a double-digit growth thanks to improved IB activities from a low-based 2024.

12M rating **HOLD**

12M TP **27,400** from 23,000

Up/Downside +19%

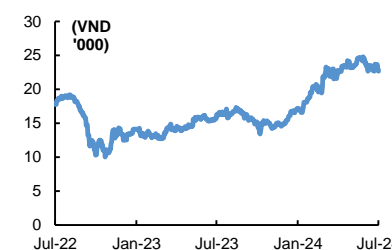
Stock Data

VNIndex (Jul 25, pt)	1,228
Stock price (Jul 25, VND)	22,650
Market cap (USD mn)	6,298
Shares outstanding (mn)	7,045
52-Week high/low (VND)	24,800/13,432
6M avg. daily turnover (USD mn)	16.13
Free float / Foreign ownership (%)	68.2/21.5
Major shareholders (%)	
Masan	14.9
Ho Hung Anh and his family	13.55

Performance

	1M	6M	12M
Absolute (%)	-0.1	0.3	0.4
Relative to VNIndex (p)	0.0	0.3	0.3

Stock price trend



Source: Bloomberg

Research Dep

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Bad debts were still under control

- Bad debts were still controlled: 2Q24 NPL (2-5 group)/NPL (3-5 group) were 2.1%/1.23% (vs 1Q24 of 2.2%/1.13%). Of which, 2Q24 NPLs (3-5 group) of the retail segment/ corporate segment were 2.75%/0.32% (vs 1Q24: 2.37%/0.39%). We believe that 2024 bad debts could be well-managed in line with the current market trends and the economic recovery.

Recommendation and valuation

- We increased the target price by +24% after the stock dividend to VND27,400 for mid-2025, and we also demoted our rating from BUY to HOLD rating in the 2H2024 outlook report as the stock price has surged +69% since the initial report.
- The target price is estimated as an average of residual incomes (50%) and PB multiple valuations (50%). For PB multiple valuation with a target price of VND28,270, we increase a target PB multiple from 1.1x to 1.2x for higher 2024F-2025F profitability, applied to average BVPS over 2024F-2025F.

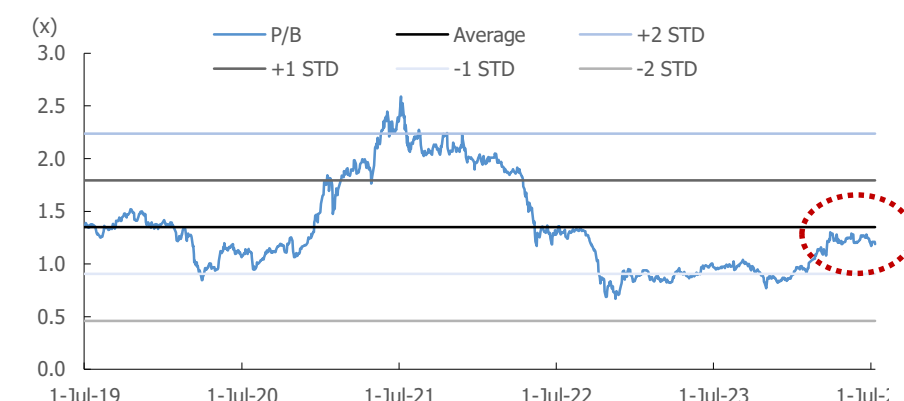
Items	%
Beta (x)	1.4
Risk free rate (%)	3.0
Equity risk premium (%)	9.0
Cost of equity (%)	15.6

Metrics	Implied price	Weight	Weight
PB	28,270	50%	14,135
Residual approach	26,628	50%	13,314
TCB's target share price			27,449

Items	%
ROE (average 2023F-2024F)	18.0
r (cost of equity)	15.6
g (sustainable growth)	3.0
Target P/B ratio	1.2

1. Residual approach	2024F	2025F	2025F	2026F	2027F
Net attrib profit	24,701	32,979	37,033	43,921	52,201
Equity	155,170	182,059	218,158	260,984	311,883
ROE	17.3	19.7	18.6	18.4	18.3
Cost of equity	15.6	15.6	15.6	15.6	15.6
Residual income	4,167	8,978	8,837	10,094	11,693
Discount factor	1.00	0.87	0.75	0.65	0.56
PV of FCF 2023-2027	31,627	31,744			
Persistence factor	0.62	0.62			
Terminal value	12,216	14,121			
Total value	43,843	45,866			
Outstanding shares	3,523	3,523			
Price (VND/shr) (A)	24,907	28,349			
Mid-FY 25 TP	26,628				
2. P/B multiple approach					
BVPS (average of 2024F-2025F, VND)		23,747			
Fair PB (x)		1.2			
Price (VND/shr) (B)		28,270			

Figure 1. Lowest P/B valuation in the historical trading



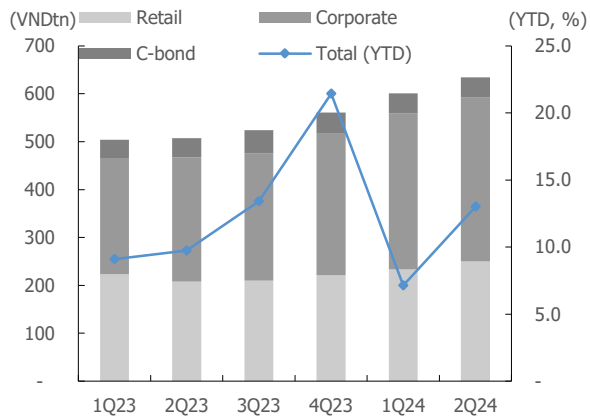
Source: Fiiipro, KISVN

Table 5. Earnings trend and outlook

	2023				2024				2023	2024F	2Q24	
	1Q	2Q	3Q	4Q	1Q	2QF	3QF	4QF			QoQ	YoY
Loans to customers and corporate bonds	503,219	506,334	523,897	561,150	601,231	633,445	645,323	669,648	561,150	669,648	5.4	25.1
% growth (ytd)	9.0	9.7	13.5	21.6	7.1	12.9	15.0	19.3	21.6	19.3	-	-
Loans to customers	465,425	466,546	475,606	518,642	559,277	592,083	596,438	622,889	518,642	622,889	5.9	26.9
NPL (3-5 group)	3,946	5,002	6,467	5,999	6,317	7,287	6,060	6,329	5,999	6,329	15.4	45.7
NPL ratio (% , %p)	0.8	1.1	1.4	1.2	1.1	1.2	1.0	1.0	1.2	1.0		
NPL (2-5 group)	12,901	14,156	12,443	10,438	12,405	12,142	9,043	9,444	10,438	11,624	(2.1)	(14.2)
NPL ratio (% , %p)	2.8	3.0	2.6	2.0	2.2	2.1	1.5	1.5	2.0	1.9	(0.2)	(1.0)
Loan loss coverage (% , %p)	134	116	93	102	106	101	140	136	102	136	(4.9)	(14.7)
VAMC	0	0	0	0	0	-	-	-	-	-	-	-
Deposit from customers and bond	434,027	436,904	470,870	539,364	551,817	593,846	602,879	632,192	539,364	632,192	7.6	35.9
Deposit from customers	387,298	381,947	409,045	454,661	458,041	481,860	485,404	549,732	454,661	549,732	5.2	26.2
% growth (ytd)	-	(1.4)	5.6	17.4	-	5.2	6.0	20.0	17.4	20.0	-	6.6
CASA (%)	32.0	34.9	33.6	39.9	40.5	37.4	37.4	42.9	39.9	42.9	(3.1)	2.5
Total assets	723,518	732,470	781,279	849,482	885,653	908,307	922,124	972,727	849,482	972,727	2.6	24.0
Total equity	119,135	123,683	128,404	132,945	139,246	139,934	146,504	155,170	132,945	155,170	0.5	13.1
Total operating income	9,300	9,325	10,418	11,017	12,262	13,420	12,977	13,397	40,061	52,055	9.4	43.9
Net interest income	6,527	6,295	7,272	7,597	8,500	9,478	9,327	9,278	27,691	36,583	11.5	50.6
NIM (% , %p)	4.21	3.95	4.39	4.24	4.42	4.73	4.54	4.38	4.1	4.5	0.3	0.8
Non-interest income	2,773	3,030	3,146	3,420	3,762	3,942	3,650	4,118	12,370	15,472	4.8	30.1
Net commission income	1,715	2,008	2,379	2,808	2,716	2,873	2,900	2,861	8,911	11,349	5.8	43.1
Gains on investment securities	1	83	638	303	1,050	808	250	(942)	1,025	1,166	(23.0)	874.5
Other non-interest income	1,057	939	129	309	-3	261	500	2,199	2,434	2,957	-	(72.2)
Provision for credit losses	535	807	945	1,634	1,211	1,644	850	409	3,921	4,114	35.8	103.7
Net operating revenue	8,765	8,518	9,474	9,383	11,051	11,775	12,127	12,988	36,140	47,941	6.6	38.2
SG&A	3,142	2,869	3,631	3,610	3,249	3,949	3,819	6,161	13,252	17,178	21.5	37.6
CIR (%)	33.8	30.8	34.8	32.8	26.5	29.4	29.4	46.0	33	33	2.9	(1.3)
Pre-provision earnings	6,158	6,456	6,788	7,407	9,013	9,471	9,158	7,235	26,809	34,877	5.1	46.7
EBT	5,623	5,649	5,843	5,773	7,802	7,827	8,308	6,826	22,888	30,763	0.3	38.5
Net profit	4,537	4,503	4,669	4,482	6,277	6,270	6,647	5,256	18,191	24,449	(0.1)	39.2
Controlling-int. NP	4,497	4,455	4,613	4,439	6,221	6,193	6,570	5,179	18,004	24,198	(0.4)	34.4

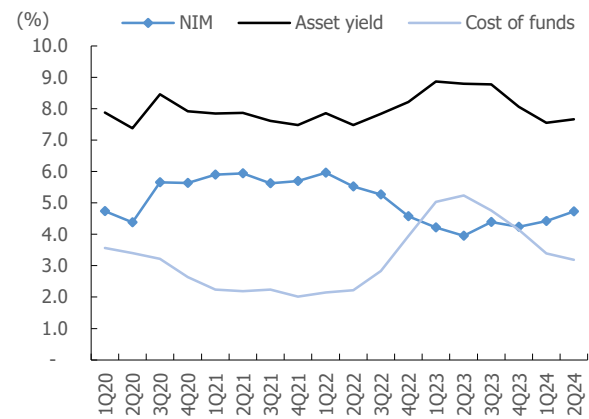
Nguồn: Fiiipro, TCB, KISVN

Figure 2. Credit growth



Source: TCB, KISVN

Figure 3. NIM and COF



Source: TCB, KISVN

■ Company overview

TCB is the leading private bank in Vietnam, operating 300 branches and transaction offices. TCB holds top 1 real estate credit and top 1 bond brokerage market share in the sector. It has three subsidiaries including Techcom securities, Techcom Capital, and Techcombank Asset Management. TCB focuses sectors (Real estate, Construction, Materials, FMCG, Utilities, and financial services). Besides, TCB enhances their scale through the powerful digital experience within the "all-in-one" WINLife ecosystem.

Balance sheet

(VND bn)

	2021A	2022A	2023A	2024F	2025F
Total assets	569,576	700,161	850,799	972,727	1,147,196
Gross IEAs	525,475	618,882	758,611	874,115	1,044,220
Loans and corp bonds	410,150	461,539	561,150	669,648	802,016
Household	161,693	226,743	226,743	263,841	353,087
Corporate	248,457	234,795	334,407	405,807	448,930
Dep't and loans to FIs	88,554	103,156	141,194	139,612	167,088
Dep't to SBV and G-bond	26,771	54,187	56,267	64,854	75,116
VAMC bond	-	-	-	-	-
NIEAs	49,228	87,332	99,473	109,535	116,578
Others	5,127	6,052	7,285	10,923	13,602
Total liabilities	475,687	585,608	717,854	817,557	965,137
Deposits	314,753	358,404	454,661	549,732	667,959
Debentures	33,680	34,007	84,703	82,460	100,194
Dep't and loans from FIs	112,459	167,563	153,173	160,832	168,873
Loans from Gov't and SBV	1	8	0	-	-
Other liabilities	14,796	25,626	25,317	24,534	28,111
Total equities	93,888	114,554	132,945	155,170	182,059
Controlling interests	93,041	113,425	131,628	153,853	180,742
Capital stock	35,109	35,172	35,225	35,225	35,225
Capital surplus	476	476	476	476	476
Other reserves	9,156	11,609	45,726	48,426	52,056
Retained earnings	48,300	66,168	50,201	69,725	92,985
OCI	-	-	-	-	-
Minority interest	847	1,129	1,317	1,317	1,317

Key financial data

	2021A	2022A	2023A	2024F	2025F
Profitability and efficiency (%)					
ROE	21.5	19.5	14.7	17.3	19.7
ROA	3.6	3.2	2.3	2.7	3.1
NIM	5.8	5.4	4.1	4.5	4.9
Asset yield	7.7	7.9	8.4	7.4	8.3
Cost of fund	2.2	2.8	4.6	3.1	3.7
Cost-income ratio	30.1	32.8	33.1	33.0	30.0
Credit cost	0.7	0.4	0.8	0.7	0.6
Growth (%)					
Net profit of controlling interest	46.5	11.6	(10.7)	37.2	33.5
Pre-provision earnings	40.7	6.2	(2.5)	30.1	31.0
Credit growth	26.5	12.5	21.6	19.3	19.8
Total assets	29.4	22.9	21.5	14.3	17.9
Asset quality (%)					
NPL ratio	0.7	0.7	1.2	1.0	0.9
NPL coverage ratio	162.9	157.3	102.1	135.8	171.5
Loan to deposit	90.7	94.6	89.2	92.4	92.7
Capital adequacy (%)					
CAR ratio	15.0	15.2	14.4	12.5	13.0
CET1 ratio	19.7	19.3	14.3	15.8	16.4
Tier 1 ratio					

Income statement

(VND bn)

	2021A	2022A	2023A	2024F	2025F
Total operating income	37,076	40,902	40,061	52,055	65,262
Net interest income	26,699	30,290	27,691	36,583	46,391
Interest income	35,503	44,753	56,708	59,803	78,262
Interest cost	8,805	14,463	29,017	23,220	31,871
Non-interest income	10,378	10,612	12,370	15,472	18,870
Net commission income	6,614	8,252	8,911	11,349	13,927
Gains on investment securities	1,961	192	1,025	1,166	1,262
Other non-interest income	1,803	2,167	2,434	2,957	3,681
Provision for credit losses	2,665	1,936	3,921	4,114	4,611
Net operating revenue	34,412	38,966	36,140	47,941	60,651
SG&A	11,173	13,398	13,252	17,178	19,578
Employee benefits	n.a	n.a	n.a	n.a	n.a
Pre-provision earnings	25,903	27,504	26,809	34,877	45,683
Earnings before tax	23,238	25,568	22,888	30,763	41,072
Tax	4,823	5,131	4,697	6,313	8,429
Tax rate (%)	20.8	20.1	20.5	20.5	20.5
Continuing operations profit	18,209	20,317	17,998	24,166	32,165
Reversals of written-off loans	206	119	193	283	478
Net profit	18,415	20,436	18,191	24,449	32,643
Net profit of controlling interest	18,052	20,150	18,004	24,701	32,979

Valuation

	2021A	2022A	2023A	2024F	2025F
Per share (VND, adj.)					
BPS	13,250	16,124	18,684	21,839	25,655
EPS	2,557	2,850	2,541	3,492	4,662
DPS	-	-	-	750	-
Valuation (x)					
PB	1.7	1.4	1.2	1.1	0.9
PE	9.0	8.1	9.1	6.6	4.9
P/PPE	6.2	5.9	6.0	4.6	3.5
Dividend yield (%)	-	-	-	3.3	-
Dividend payout ratio (%)	-	-	-	21.5	-
ROE analysis (%)					
ROE	21.5	19.5	14.7	17.3	19.7
Leverage(x)	6.1	6.1	6.4	6.3	6.3
IEAs to total assets	91.4	87.6	88.4	88.9	90.0
Net income to IEAs	3.4	3.3	2.4	2.8	3.2
Net interest income to IEAs	5.1	4.9	3.7	4.2	4.4
Non-interest income to IEAs	2.0	1.7	1.6	1.8	1.8
Credit cost to IEAs	0.5	0.3	0.5	0.5	0.4
SG&A to IEAs	2.1	2.2	1.7	2.0	1.9

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Prepared by: Research Dep

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