

Techcombank (TCB)

Is TCB past its peak?

The model is not broken yet.

The growth model which was based on three trivets: ramping up CASA, skyrocketing mortgage loan growth, and leveraging the NFI income by largely exploiting the ecosystem circle around Vinhomes, Masterise, MIK, and Masan turned TCB into a giant. However, the 2022 PBT growth of 10%, lower than CAGR of 30% in 2018-2021 swirls the fear that TCB growth is taking a breath, made worse by the corporate bond crisis and real estate market stagnation. Against the odds, we believe it is just a temporary period of trouble.

The medium-term prospect remains solid

The Vietnam urbanization pace is not braking and that solidifies the mortgage loan demand from the homebuyers. In addition, the Vietnamese government accelerates to accommodate economic growth by easing bond issuance subscriptions and loan disbursement requirements. TCB is among the top beneficiaries thanks to its firm footprint as top mortgage loan provider and bond underwriter. We peg the earnings upturns could be material in 2024-25F with BVPS estimate growth at 17%/yoy/+20%/yoy.

Initiate coverage with a BUY recommendation

We initiate our coverage on TCB with a BUY rating and a target price of VND43,700, implying a 30% upside buy using a residual approach (50%) and P/B method (50%). TTM PB is at trough of 0.7x and we believe it is worth of trading at 1.1x PB driven by earnings turnaround in 2024-25F. Slower-than-expected revival of real estate and economic growth coupled with for intensified corporate bond default crisis could hinder our projections.

	2021A	2022A	2023F	2024F	2025F
Total operating income (VND bn)	37,076	40,902	36,188	46,549	58,617
(chg, %)	35.4	10.3	(11.5)	28.6	25.9
PPE (VND bn)	25,903	27,504	23,522	31,188	41,032
NP of controlling interest (VND bn)	18,052	20,150	16,696	22,336	30,826
NIM (%)	5.8	5.4	3.9	4.5	4.9
Credit cost ratio (%)	0.7	0.4	0.6	0.6	0.4
Credit growth (%)	26.5	12.5	14.1	17.7	18.9
Cost-income ratio (%)	30.1	32.8	35.0	33.0	30.0
NPL ratio (%)	0.7	0.7	1.1	1.1	0.9
NPL coverage ratio (%)	162.9	157.3	131.2	145.4	167.3
CAR ratio (%)	15.0	15.2	15.5	16.1	16.8
BPS (VND, adj.)	26,548	32,305	36,357	42,509	51,000
EPS (VND, adj.)	5,122	5,711	4,718	6,327	8,733
(chg, %)	46.6	11.5	(17.4)	34.1	38.0
PB (x)	1.3	1.0	0.9	0.8	0.7
PE (x)	6.6	5.9	7.1	5.3	3.9
ROA (%)	3.6	3.2	2.2	2.6	3.1
ROE (%)	21.5	19.5	13.8	16.1	18.7
Dividend yield (%)	-	-	-	-	-

Note: Net profit, EPS and ROE attributed to controlling interest

Company

In-depth

Banking

25 Aug 2023

12M rating **BUY (Maintain)**

12M TP **43,700** from 33,650

Up/Downside **+30%**

Stock data

VNIndex (Aug 25, pt)	1,183
Stock price (Aug 25, VND)	33,650
Market cap (USD mn)	4,932
Shares outstanding (mn)	3,517
52-Week high/low (VND)	39,500/20,700
6M avg. daily turnover (USD mn)	6.05
Free float / Foreign ownership (%)	77.2/22.5
VNIndex (Aug 25, pt)	1,183
Stock price (Aug 25, VND)	33,650
Market cap (USD mn)	4,932

EPS revision (KIS estimates, VND)

	Previous	Revised	(%)
2023F	N/A	N/A	
2024F	N/A	N/A	

Performance

	1M	6M	12M
Absolute (%)	0.0	0.2	-0.1
Relative to VNIndex (%p)	0.0	0.1	-0.1

Stock price



Source: Bloomberg

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What is the report about?

- Dominant mortgage lender
- Sticky short-term profitability but gradual recovery outlook
- BUY on the low stock valuation and more supportive business environment for the recovery period

II. Dominant mortgage lender

1. Leading mortgage credit provider to ride on the tailwinds of property revival

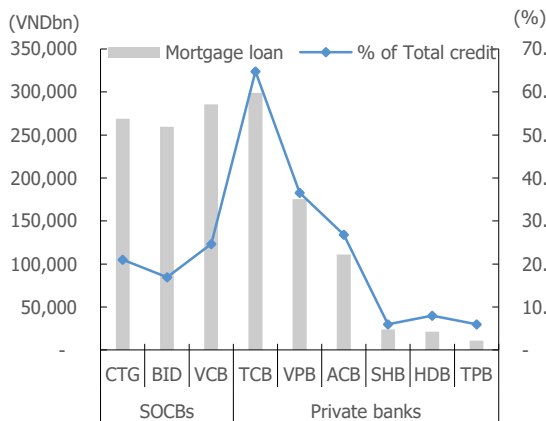
TCB held the leading mortgage credit provider with the huge real estate proportion of total credit. The most competitive edge lies on the cooperation with mega groups (Vinhome, Masteri, Sun Group, Ecopark, Mikgroup).

Retail mortgages are pumped via the ReCoM projects (Real estate, construction, and construction material).

- TCB currently focused on mortgage loans with a proportion of 74% of total credit (2Q23). Of which, corporation mortgage loans largely accounted for 41% of the total, in line with the projects of real estate strategic partners. Besides, other concentrated industries include Fast moving consumer goods (strategic partner – Masan), Utilities, and financial services.
- To scale – up TCB's retail mortgage (33% of total credit as of end-2Q23), TCB accelerated the retail loan in line with the progression of ReCoM projects. The CAGR of retail loans rose sharply by 33% in 2018-2022.

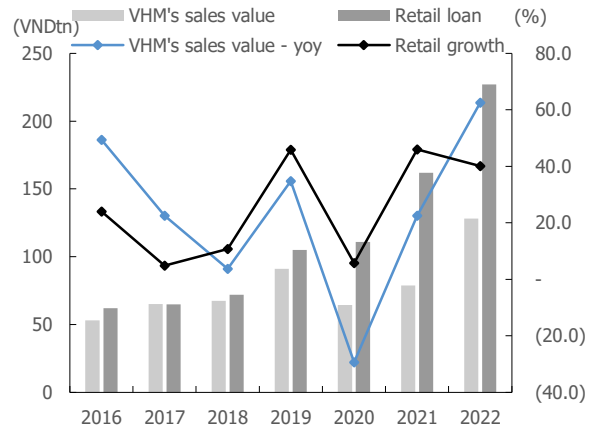
Leading real estate credit provider thanks to strategic real estate partners.

Figure 1. Top 1 mortgage loan, 31 Dec 2022



Source: FiinRatings, Banks, KIS VN

Figure 2. Correlation bw VHM and TCB credit growth



Source: TCB, VHM, KIS VN

With the leading mortgage loan, the housing market resumption could reward TCB:

A decrease in the interest rate supports the real estate demand recovery

- In 8M23 several regulatory policies were introduced to ignite the housing market. The deposit rates peaked in 1Q23 and downward until now (-0.9%-2.5%p YTD). The favorable mortgage rates could benefit homebuyers. Easing deposit rates could alleviate capital cost of developers for newly-extended loans and facilitate homebuyers' loans.
- In parallel, the supporting State policies aim to re vive the bond market and

tackle licensing hurdles exposed by developers

Critical policies to support the real estate and bond market recovery

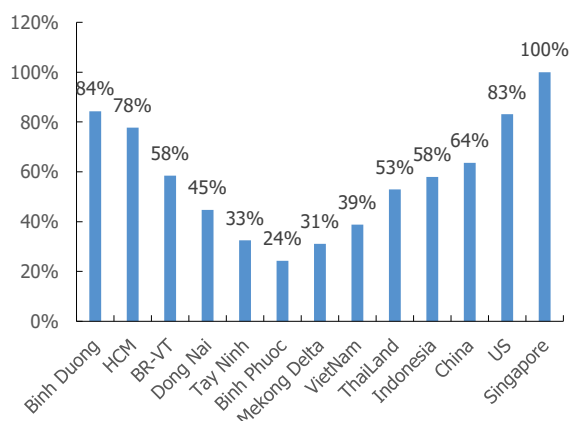
Table 1: Supporting polices for the bond and real estate markets

No.	Main contents	Affects
<p>Decree No. 08/2023/ND-CP (amending Decree 65) In effect from 05/03/2023</p>	<ul style="list-style-type: none"> - Bond issuers can negotiate with bondholders to pay by other non-cash asset instead - Bond tenor can extend max 2 years if above 65% bondholder agree. - Suspension requirements to 31/12/2023: Retail professional investors, time span of bond distribution and mandatory independent issuers credit ratings 	<ul style="list-style-type: none"> - Create favorable conditions and time for bond issuers to issue bonds and pay interest/ principal conveniently in line with their financial arrangements. - However, it depends on a large of bondholders' agreements
<p>Resolution No 33/2023/NQ-CP In effect from 11/03/2023</p>	<ul style="list-style-type: none"> - State that the real estate sector plays an important role in the economy - Urges SBV, ministers, local authorities to provide solutions, supporting healthy development of the Real estate market - Facilities credit access for developers, companies and individuals, considering measures to help real estate companies that face difficulties 	<ul style="list-style-type: none"> - Almost difficulties of the real estate market are mentioned to resolve - It takes time for the policies to take effects and help the market recover.
<p>Cir No. 03/2023/TT-NHNN (Amending Cir 16) In effect from 24/04/2023</p>	<ul style="list-style-type: none"> - Allow banks to buy bonds that have been sold within 12 months and are not listed on HNX and UPCoM 	<ul style="list-style-type: none"> - Temporarily resolve the bond market liquidity
<p>Circular No.02/2023/TT-NHNN In effect from 24/04/2023</p>	<ul style="list-style-type: none"> - Allow banks to restructure and maintain debt classification for loan and financial leases from 24.04.2023 to 30.06.2023 - Applicable to (i) productions and business needs (ii) consumption and other spending needs - Allow banks to negotiate with customers in terms of restructure timespan, but no more than 12 months from Original maturity date 	<ul style="list-style-type: none"> - Enterprises could reduce the financial burdens during the economic slowdown. - Enterprises could concentrate to restore the production and business.

Source: Government, SBV, KIS

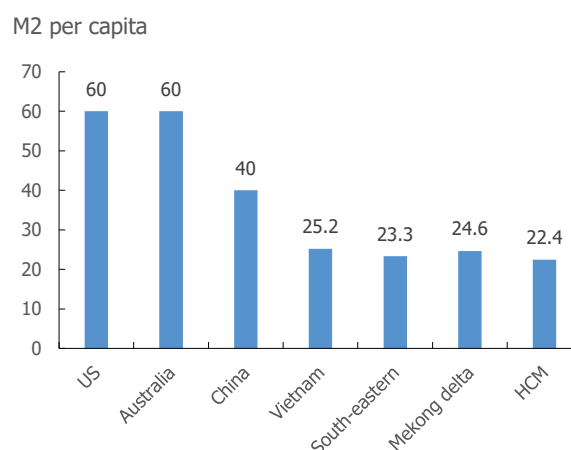
In the long term, the prospect of growth from housing demand is bullish

Figure 3. Urbanization rate by country



Note: Data 2022
Source: GSO, WTO, KISVN

Figure 4. Average floor area per capita



Note: Data 2020
Source: GSO, KISVN

The average floor area per capita in the Southeast and the Mekong Delta is 23.3/24.6m²/person, lower than the national average of 25.2m²/person. Despite having the greatest annual construction value, Ho Chi Minh only has 18.1m²/person in 2020. Vietnam's average floor area per capita was low compared to other countries in Asia.

The long term positive prospect comes from high demand in housing and urbanization

Therefore, it shows that the demand for house building in our nation as a whole and the South, is still high in the long term. Besides, if compared to other Asia countries or developed countries, except for Ho Chi Minh and Binh Duong, whose infrastructure is well completed, urbanization rate of the other Southern provinces is still low. Therefore, on this basis, we believe that the demand of crushed stone is still very high for the infrastructure projects in the mid-long term.

2. Top CASA facilitates the low cost of fund

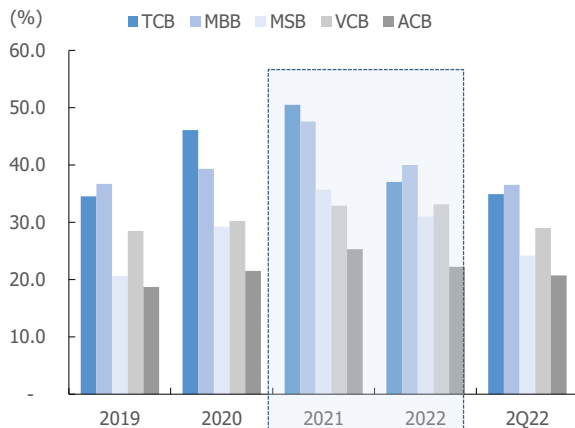
High CASA ratio thanks to leveraging the real estate and FMCG value chains

TCB's loft CASA rewarded the bank with lowest cost of fund (COF) which was range, 2.1%-3.2% lower than the SOCBs in 2020-2022 (the favorable interest rate times).

TCB could pick up CASA thanks to a combination of (1) rich customer base from the real estate and FMCG value-chains (2) affluent segment weight yields brisk CASA per active customer (3) continuous promotions campaigns with useful features to attract more customers, including zero-fee, card refunds, vouchers of Winmart, Winmart+, etc.

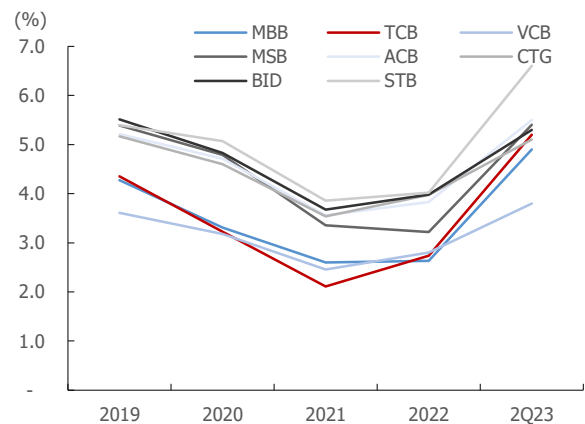
E-banking became a main channel and the share of retail e-banking rallied from 83.4% (773.5mn transactions) in 2021 to 89% (948mn transactions) in 2022. TCB's E-banking value topped at VND10,500tn in 2022 (+15.7%yoy)

Figure 5. Top high CASA in the sector 2018-2022



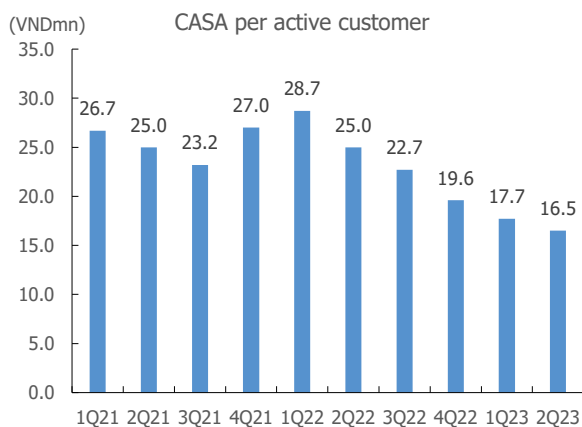
Source: Company data, KIS VN

Figure 6. Top low COF



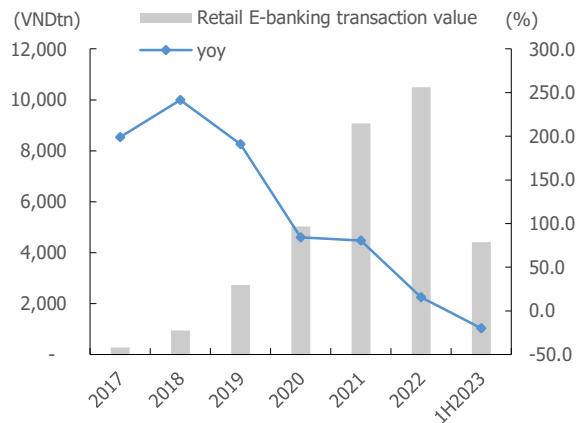
Source: Company data, KIS VN

Figure 7. High CASA per active customer



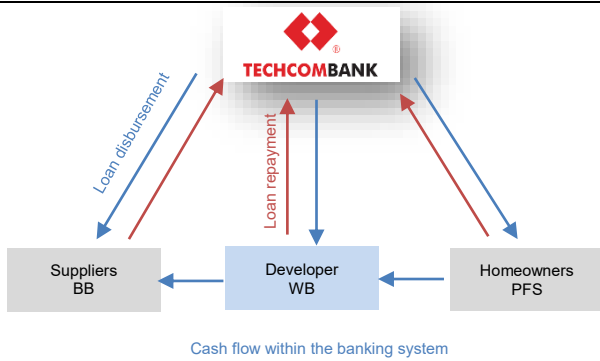
Source: TCB, KIS

Figure 8. Increasing retail E-banking transaction



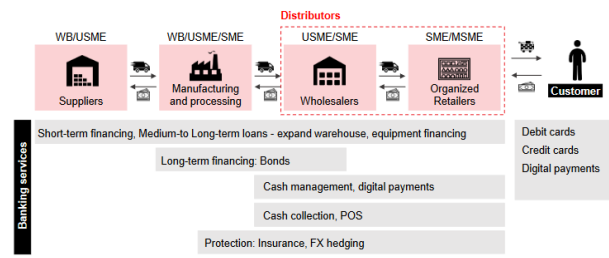
Source: TCB, KIS

Figure 9. Cash within the real estate value chain



Source: TCB, KIS VN

Figure 10. Food and beverage value chain



Source: TCB, KIS VN

3. The rosy commission attached to bond underwriting

A unique advantage of investment banking services related to the bond market

TCB reported highest non-interest income in the private commercial banks, lagging only SOB's owning the inherent competitive edges in forex exchange trading. TCB's outstanding advantage the investment banking service diversify and increase net fee income along with bancassurance as other banks.

Leading bond underwriter

CAGR of investment banking fees stayed solid at 20% in 2019-2022 thanks to its subsidiaries' strengths:

- TCBS (TCB owns 88.8%) was the leading bond underwriter with 17% marketshare in 2022. In addition, the company was in the top 8 players with highest brokerage market share in HSX (2022). TCBS invests in the technology and builds the different distribution networks of an online presence and non-reliant brokers as the critical competitive advantages.
- Techcom capital (TCB owns 89%): TCC manages the total AUM of VND9,714bn with VND9,294bn for bonds, VND376bn for equity, and VND43.8bn for mixed long-term assets (real estate, bonds, equity).

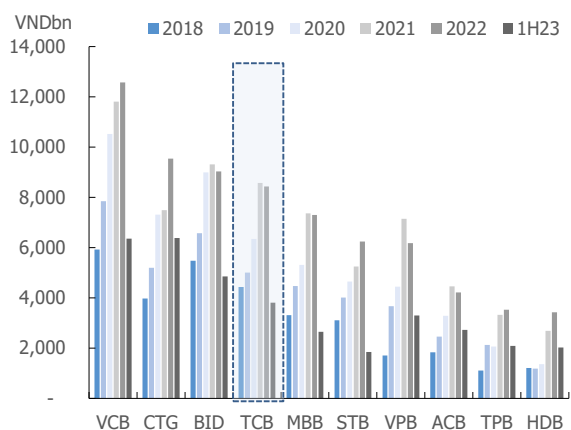
Top 1 card payment volume

TCB's other competition is the top 1 card payment volume in the country (2022). In addition to incentive programs such as Cashback, annual fee-free, etc, TCB's card advantages are associated with strategic partners: Vietnam Airline, and Masan (VinID) for frequent service demands and have attractive programs for members. Card fee was up at a strong CAGR of 65% over 2019-2022.

Top 6 Banca APE

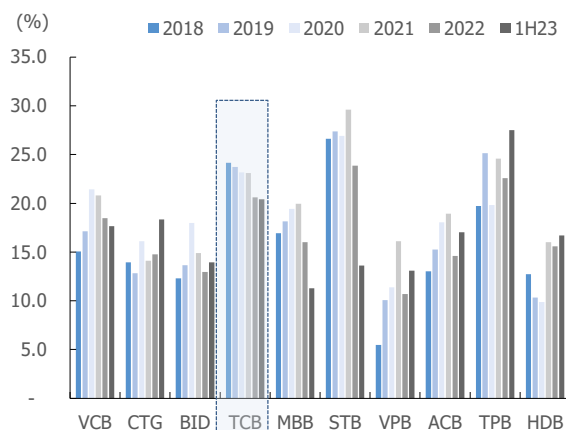
TCB ranks top 6 of Banca's annual premium equivalent in the sector (2022) and has the highest net worth customers who increase service demands for protection and investment. Banca rose with a CAGR of 23% over 2019-2022. Vietnam's insurance market is very potential. Vietnam's penetration rate (insurance premium/GDP) is 2.3%-2.8%, lower than the emerging market and 9.6% of the developed market. Vietnam's insurance spending per capita is 72-75 USD, lower than 175 USD for emerging markets and 4,664 USD for developed markets.

Figure 11. Top net fee income



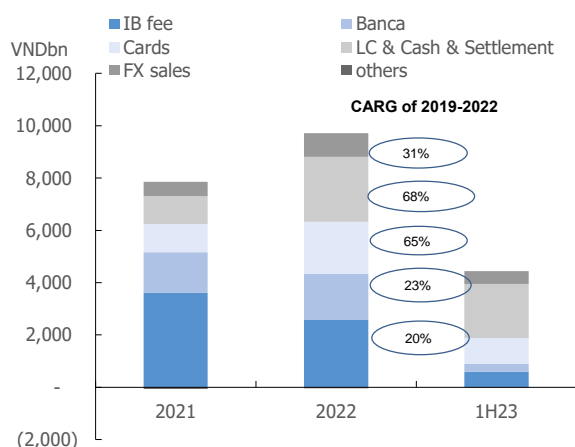
Source: Fiinpro, KIS VN

Figure 12. Top Net-fee income/ TOI



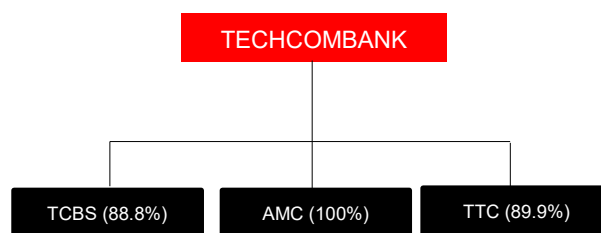
Source: Fiinpro, KIS VN

Figure 13. Net fee income structure



Source: TCB, KIS VN. note investment fee include bond underwriting, bond distribution, trustee and agency, consulting, brokerage, fund mgt

Figure 14. Subsidiaries



Source: TCB, KIS. Note: TCC (Techcom capital), AMC

IV. Sticky short-term profitability but gradual recovery

1. Moderate credit growth for 2023F and recovery from 2024F-2025F

2022 credit growth slow underperformed the industry

Due to the real estate market slowdown coupled with soon credit availability dry-up, and bond issuance crisis by Van Thinh Phat arrest, credit growth lowered to 12.4%yoy in 2022 against the CAGR of 23% in 2018-2021. Of which, the corporate bond balance dropped by 35%yoy to VND41tn as of end-2022.

The 2Q23 credit growth was 9.7%YTD: Total corporate loan of +34%YTD (of which, ReCoM of 52%YTD); Total retail loan: -8%YTD (of which, retail mortgage loan of -13%YTD); and Corp. bond with a growth rate of -2%YTD. First attempt of credit quota by SBV is 9.6%, as of End-June.

Slow 2022 credit growth due to the bond market correction

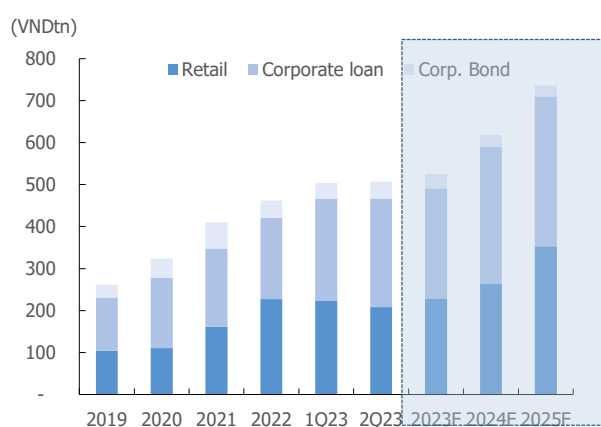
Soft credit growth is foreseen in 2023, in our view

We peg 2023F/ 2024F credit growth at 14.1%/18% yoy thanks to the descent wholesale banking group growth compensated by the tepid retail loan demand and the corporation bond issuance market slump. 2025F credit growth could swell to 19% yoy assisted by the resumption of retail loan growth. Of which:

High credit growth for corporate loans group thanks to a high demand amid the bond market correction

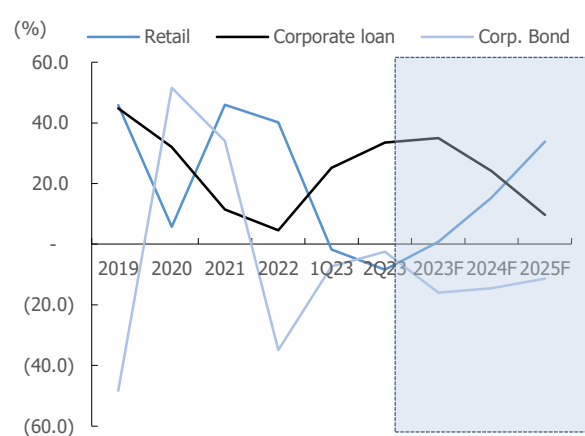
- Corporate loan (42% of total credit book as of end-22): We project the corporate loan bounce back (35%yoy) in 2023F and take a breath in 2024F (24%yoy) in light of surging loan demand growth. 2025F credit growth could come back to the moderate growth rate of 10%yoy. ReCoM is believed to lead the group-wide credit growth at 40%yoy/24%yoy/4%yoy in 2023-25F

Figure 15. High retail and Wholesale proportion



Source: TCB, KIS

Figure 16. A slower credit growth in 2022 and 2Q23



Source: TCB, KIS

Retail loan could recover gradually in line with the real estate market outlook

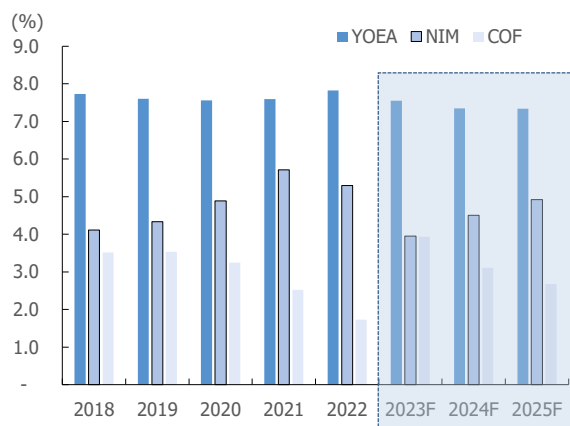
- Retail loan (49% of total credit book as of end-22): Retail credit could stay flat in 2023 and grow 15%yoy in 2024F and 34% in 2025F. Of which,
 - 2023F/2024F/2025F retail mortgage could grow by -1%yoy/15%yoy/34%. We expect low 2023 retail sales and a gradual recovery in 2024. VHM – the largest partner could push the bulk sales (Vinhome ocean park 2 and 3) rather than retail sales during the market difficulties. We assume that VHM’s three projects (Vinhome Vu Yen, Vinhome Golden, and Vinhome Cỗ Loa) could proceed sales activities in 2025 after the market recovery. Retail loans, thereby, could rise sharply.
- The corporate bond (9% of total credit as of end-22): With the bond market correction and a large number of the coming bond maturity, the 2023F/2024F/2025F could fall -16%yoy/-14.5%yoy/-11%yoy.

2. Short-term NIM decline and the gradual recovery

The newly-extended deposit rate hike in late 4Q22-1Q23 and the decreasing CASA ratio spurs the cost of funds, and decelerate NIM to 4.5% in 4Q22 and 4.1% in 1Q23 and 3.9% in 2Q23. CASA decrease lasted from 4Q22 (37%) to 1Q23 (32%) and recovered to 35% in 2Q23. We believe CASA slump is temporary since the depositors were absorbed by lucrative term-deposit rate hike in late 2022.

NIM decline due to a decrease in CASA and the deposit rate escalation. And CASA recovered in 2Q23

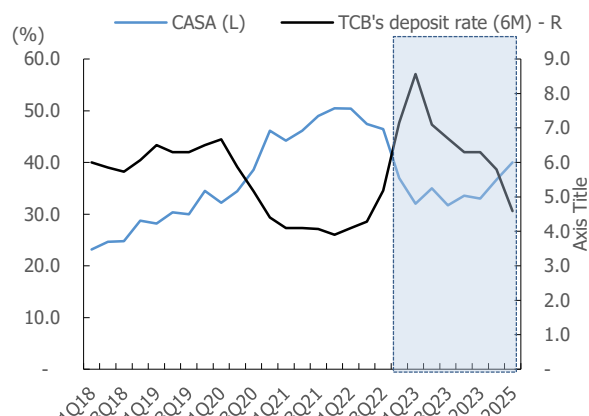
Figure 17. NIM could gradually improve



Source: World Bank, KIS

Expected to gradually recover NIM thanks to the interest rate decline and the CASA improvement

Figure 18. Negative correlation - CASA&deposit rate



Source: World bank, United Nation, KIS

2023F NIM could drop to 3.9% from 5.4% in 2022 since several headwinds are blowing: the CASA revival is slower than expect, the COF ease is lagging, attached by asset yield slump amid the severe competition from the cheap funded-cost SOBs. 2024F/2025F NIM gradually rebound 4.5%/5.0% thanks to the CASA improvement and deposit repricing effect from July 2023.

- TCB quoted deposit rates slid -0.9%-2.5% YTD as of July and we project the another slump in late 2H23 and retain in 2024, resulting in the lower COF
- 2024F/2025F CASA could hit to 37%/41% after plunging to 34% thanks to the narrow gap of non-term and term deposit rates and the economic growth resumption.

3. The long-term corporate bond issuance market prospect remains intact

It takes time for support policies and the new bond trading system to take effects and to regain investors' confidants

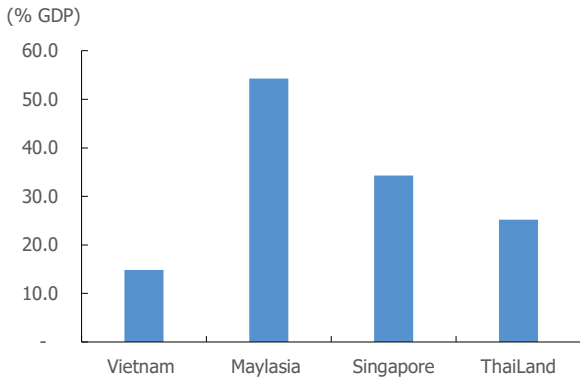
Investment banking fees grew at CAGR of 93% in 2016-2021 before going down in 2022 (-14.4%yoy) and 1H23 (-58%yoy) amid the bond market stagnation and the stock correction. We expect that 2023F slumped -46%yoy and recover +21.6%yoy in 2024 with more stable corporate bond transactions.

In the short-term, the supporting policies (Circular 03/2023 and Decree No. 08/2023/ND-CP 08/2023) aims to loosen the bond subscription/issuance requirements. However, we believe the inherent issues lie on the "trust" of bondholders which was eroded by the Van Think Phat case. It takes times for the governmental policies to yield the fruit and t, in our view.

However, An important mobilization channel for medium and long term capital to the economy as the government's orientation

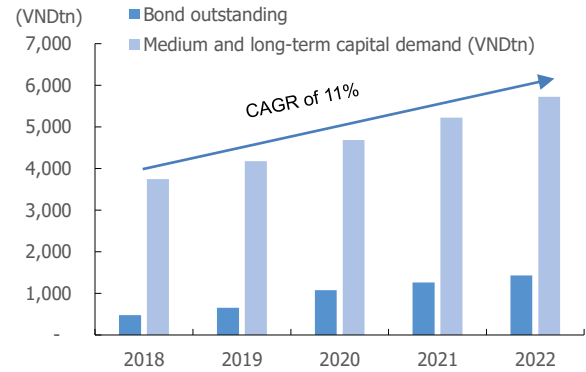
For the long-term, the corporate bond market (C-bond) is a critical mobilization for medium and long-term capital to the economy as the government orientation. Vietnam's bond market size is small and has potential development. Per our estimation, the C-bond market just meets 25% of the medium and long-term capital demand. The average growth rate of capital demand is about 11% over 2018-2022. Compared to other countries, Vietnam bond market (14.81% GDP) is much lower than regional countries such as Malaysia (54.3% GDP), Singapore (34.3% GDP), Thailand (25.5% GDP).

Figure 19. Vietnam bond market size



Source: VBMA, KIS

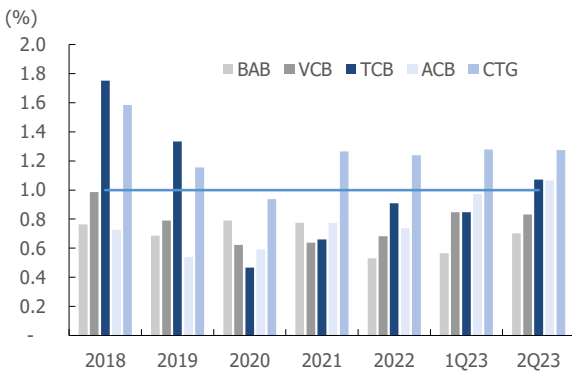
Figure 20. Medium and long-term capital demand



Source: SBV, VBMA, KIS

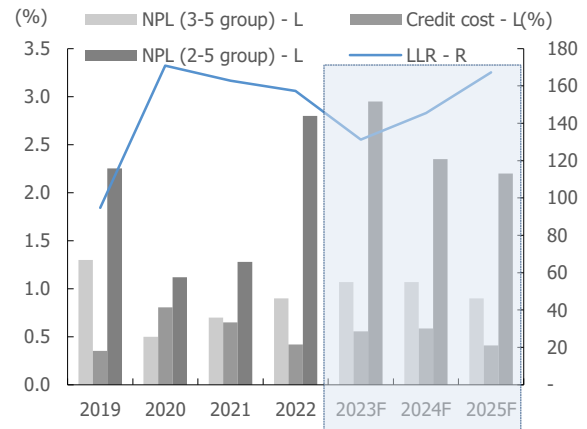
4. Controllable NPL amid the industry's increasing bad debts

Figure 21. Lowest NPL in the industry



Source: TCB, KIS

Figure 22. NPL and coverage ratio



Source: Company data, KIS VN

TCB managed credit risk effectively with NPL below 1% over 2020-2Q23 and TCB is among banks with the lowest NPL ratio. NPL (3-5 group) slightly rose from 0.9% in end-2022 to 1.1% in 2Q23, NPL (2-5 group) maintained at 3% in 2022 and 2Q23. If excluding the CIC reclassification, 2Q23 NPL (3-5 group) was 0.9%. The increasing bad debts mainly resulting from retail (2Q23NPL of 1.96% vs 1% at end 2022) and SME (% , 1.51% vs 1.2% at end 2022). Retail NPL surged mainly due to mortgage from CIC reclassification, per company.

We don't have information on the real house demand proportion in the mortgage balance for further evaluation despite most projects with mid- and high-end segments. With the expected market recovery, we expect that 2023F/2024F/2025F NPL could maintain at 1.1%, 1.1%, 0.9% respective.

2023 is the trough of net profit and 2024-2025 could be the recovery period.

5. Slow 2023F profit growth but expected recovery in 2024F-2025F

We see that TCB has a large number of loan related to the real estate market (both the real estate developers and mortgage retail loan) and follow the cycle of real estate and the economy. We estimate that 2023 is the trough of net profit, and 2024-2025 could be the recovery period.

We forecast that TCB's 2023F TOI and PBT could drop by -12%yoy to VND36,188bn and by -19%yoy to VND20,600bn, based on the assumptions:

- Credit growth of 14.1%yoy thanks to the wholesale banking group and NIM of 3.9%yoy with the higher COF
- NFI could be down 4%yoy with a sharp decrease in the investment banking fees and bancassurance fees
- CIR and NPL are estimated at 35%yoy and 1.1%yoy, respectively

We forecast that TCB's 2024F TOI and PBT could rise by +29%yoy to VND46,549bn and by +34%yoy to VND27,558bn, based on assumptions:

- Credit growth of 18%yoy and NIM of 4.5%yoy with the CASA ratio improvement and the deposit rate decline
- NFI grows at a moderate rate of 26%yoy with income recovery from bancassurance
- CIR and NPL are estimated at 33% and 1.1%, respectively

We forecast that TCB's 2025F TOI and PBT could rise by +26%yoy to VND58,617bn and by +38%yoy to VND38,083bn, based on assumptions:

- Credit growth of 19% thanks to the strong retail loan recovery and NIM of 4.9% with the CASA ratio improvement.
- NFI could recover with strong growth rate of 28%yoy
- CIR and NPL are estimated at 30% and 0.9%, respectively

III. Recommendation and rating

We reiterate BUY on TCB with TP at VND43,700 after rolling forward to mid-2024 with our assumptions. The fair value is estimated as an average of residual income (50%) and PB multiple valuation (50%). We have a BUY Rating for TCB given (1) TCB is trading at a lowest PB valuation in the historical trading and peers' valuation, reflecting the risks related to the bond and real estate market slowdown (2) supporting policies from the government's and the interest rate decline could help the market recovery in the next three years and TCB - the leading mortgage credit provider (3) expected NIM gradual improvement in the low interest rate environment and CASA improvement.

We apply the cost of equity at 15.7%, assuming 1) a risk-free rate of 4.5% 2) a beta of 1.4 and 3) an equity risk premium of 15.7%. Our target price of VND43,700 (upside 30% from the current price share) is based on weighting of 1) a forward PB of 1.1x on the average BPVS over 2023F-2024F and 2) a residual valuation method over a 5-year projection period. Our residual valuation – based target price is VND44,052 with cost of equity of 15.7% and terminal value of 3% to reflect growths for the banking industry in emerging countries. Our forward PB based target price is VND43,376, based on a target PB multiple of 1.1x applied to average BVPS over the period 2023F-2024F. We believe TCB should trading PB at a discount rate (15%) to the average peer's PB of 1.3x with lower ROE projection of 15% (vs Peers' average of 19%).

Reiterate BUY with TP VND43,700

Table 2. Cost of equity	
Items	%
Beta (x)	1.4
Risk free rate (%)	4.5
Equity risk premium (%)	8.0
Cost of equity (%)	15.7

Table 4. Justified P/B ratio	
Items	%
ROE (average 2023F-2024F)	17.0
r (cost of equity)	15.7
g (sustainable growth)	3.0
Target P/B ratio	1.1

Table 3. Bended valuation			
Metrics	Implied price	Weight	Weight
PB	43,376	50%	21,688
Residual approach	44,052	50%	22,026
TCB's target share price			43,714

Table 5. Valuation approach					
1. Residual approach	2023F	2024F	2025F	2026F	2027F
Net attrib profit	16,696	22,336	30,826	37,537	45,649
Equity	129,004	150,643	180,509	216,861	261,069
ROE	13.8	16.1	18.7	19.0	19.2
Cost of equity	15.7	15.7	15.7	15.7	15.7
Residual income	-1,112	2,259	7,352	9,374	11,779
Discount factor	1	0.86	0.75	0.65	0.56
PV of FCF 2023-2027	18,959	23,221			
Persistence factor	0.62	0.62			
Terminal value	12,241	14,163			
Total value	31,200	37,384			
Outstanding shares	3,517	3,517			
Price (VND/shr) (A)	41,119	46,986			
Mid-FY 24 TP		44,052			

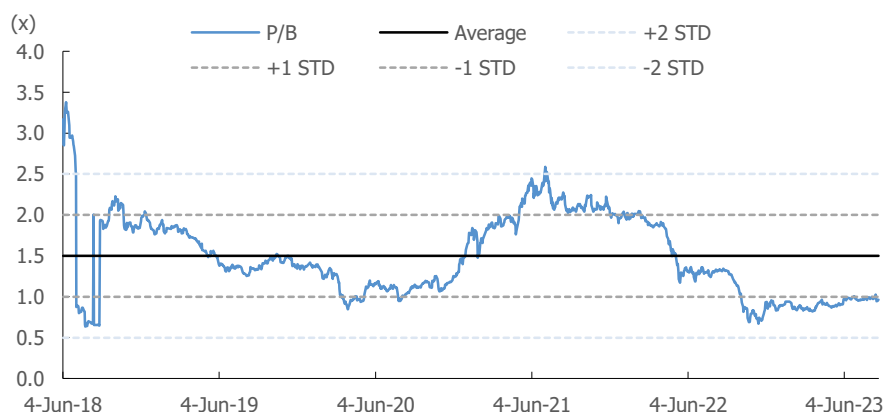
2. P/B multiple approach	
BVPS (average of 2023F-2024F, VND)	39,433
Fair PB (x)	1.1
Price (VND/shr) (B)	43,376

Table 6. Valuation matrix							
	PB						
	Min-last 3y	At book	Justified PB	Peer ratio	Avr Last 3 year	Max-last 3Y	
BPVS	0.67	1.0	1.1	1.3	1.45	2.58	
2023F	36,357	24,359	36,357	39,992	47,264	52,717	93,800
Average of 23-24	39,433	26,420	39,433	43,376	51,263	57,178	101,737
2024F	42,509	28,481	42,509	46,760	55,261	61,638	109,673
2025F	51,000	34,170	51,000	56,100	66,300	73,951	131,581

	PE				PB			
	TTM	2023F	2024F	2025F	TTM	2023F	2024F	2025F
TCB	6.6	6.6	5.2	4.4	1.0	0.9	0.8	0.7
MBB	5.2	5.2	4.4	3.8	1.1	1.1	0.9	0.7
STB	8.6	8.5	5.3	4.7	1.4	1.3	1.1	0.9
VPB	11.7	5.8	5.0	4.5	1.3	1.3	1.1	0.9
ACB	4.9	10.9	8.0	6.1	1.4	1.2	1.1	0.9
Average	7.6	7.4	5.6	4.7	1.3	1.2	1.0	0.8

Sources: Bloomberg, KIS

Figure 23. Lowest P/B valuation in the historical trading



Source: Fiinpro, KISVN

Figure 24. TCB's stock price



Source: Fiinpro, 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. Along with focused sectors (Real estate, Construction, Materials, FMCG, Utilities, and financial services), TCB targets to expand the customer base beyond the existing four targeted economic sectors, focusing on the tourism and resort industry, the automotive industry, and large-scale foreign direct investment (FDI) enterprises. Besides, TCB enhances their scale through the powerful digital experience within the "all-in-one" WINLife ecosystem.

Balance sheet

(VND bn)

	2021A	2022A	2023F	2024F	2025F
Total assets	569,576	700,161	793,078	901,114	1,043,695
Gross IEAs	525,475	618,882	713,645	803,734	941,021
Loans and corp bonds	410,150	461,539	526,834	619,915	736,913
Household	161,693	226,743	228,622	263,841	353,087
Corporate	248,457	234,795	298,211	356,074	383,827
Dep't and loans to FIs	88,554	103,156	137,134	132,889	147,378
Dep't to SBV and G-bond	26,771	54,187	49,677	50,930	56,730
VAMC bond	-	-	-	-	-
NIEAs	49,228	87,332	88,141	108,697	115,809
Others	5,127	6,052	8,708	11,317	13,135
Total liabilities	475,687	585,608	664,074	750,471	863,186
Deposits	314,753	358,404	409,745	483,490	573,404
Debentures	33,680	34,007	69,657	72,524	86,011
Dep't and loans from FIs	112,459	167,563	159,185	167,144	175,501
Loans from Gov't and SBV	1	8	-	-	-
Other liabilities	14,796	25,626	25,487	27,314	28,269
Total equities	93,888	114,554	129,004	150,643	180,509
Controlling interests	93,041	113,425	127,875	149,514	179,380
Capital stock	35,109	35,172	35,172	35,172	35,172
Capital surplus	476	476	476	476	476
Other reserves	9,156	11,609	14,631	17,066	20,324
Retained earnings	48,300	66,168	77,595	96,799	123,407
OCI	-	-	-	-	-
Minority interest	847	1,129	1,129	1,129	1,129

Key financial data

	2021A	2022A	2023F	2024F	2025F
Profitability and efficiency (%)					
ROE	21.5	19.5	13.8	16.1	18.7
ROA	3.6	3.2	2.2	2.6	3.1
NIM	5.8	5.4	3.9	4.5	4.9
Asset yield	7.7	7.9	7.6	7.3	7.3
Cost of fund	2.2	2.8	3.9	3.1	2.7
Cost-income ratio	30.1	32.8	35.0	33.0	30.0
Credit cost	0.7	0.4	0.6	0.6	0.4
Growth (%)					
Net profit of controlling interest	46.5	11.6	(17.1)	33.8	38.0
Pre-provision earnings	40.7	6.2	(14.5)	32.6	31.6
Credit growth	26.5	12.5	14.1	17.7	18.9
Total assets	29.4	22.9	13.3	13.6	15.8
Asset quality (%)					
NPL ratio	0.7	0.7	1.1	1.1	0.9
NPL coverage ratio	162.9	157.3	131.2	145.4	167.3
Loan to deposit	90.7	94.6	92.8	97.3	100.1
Capital adequacy (%)					
CAR ratio	15.0	15.2	15.5	16.1	16.8
CET1 ratio	19.7	19.3	19.7	20.6	21.5

Income statement

VND bn)

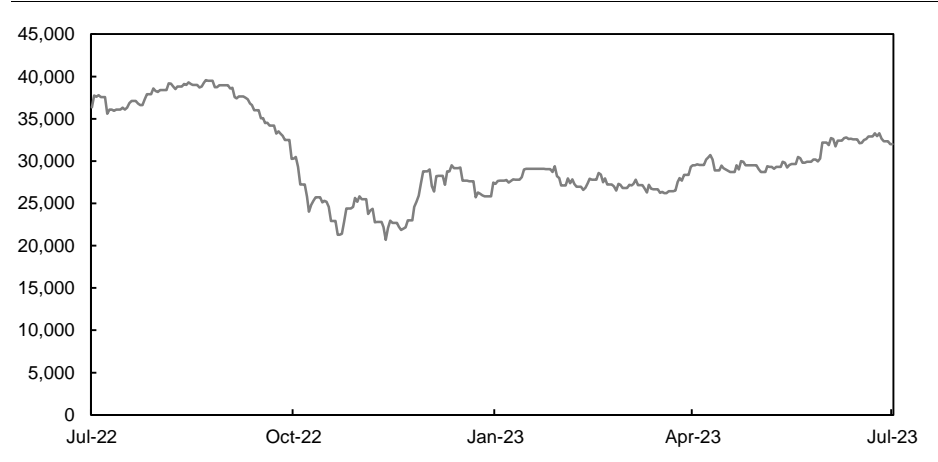
	2021A	2022A	2023F	2024F	2025F
Total operating income	37,076	40,902	36,188	46,549	58,617
Net interest income	26,699	30,290	25,783	33,535	42,173
Interest income	35,503	44,753	49,341	54,691	62,978
Interest cost	8,805	14,463	23,559	21,156	20,805
Non-interest income	10,378	10,612	10,406	13,015	16,444
Net commission income	6,614	8,252	7,739	9,898	12,822
Gains on investment securities	1,961	192	374	355	328
Other non-interest income	1,803	2,167	2,292	2,763	3,294
Provision for credit losses	2,665	1,936	2,923	3,630	2,999
Net operating revenue	34,412	38,966	33,266	42,920	55,618
SG&A	11,173	13,398	12,666	15,361	17,585
Employee benefits	n.a	n.a	n.a	n.a	n.a
Pre-provision earnings	25,903	27,504	23,522	31,188	41,032
Earnings before tax	23,238	25,568	20,600	27,558	38,033
Tax	4,823	5,131	4,134	5,531	7,633
Tax rate (%)	20.8	20.1	20.1	20.1	20.1
Continuing operations profit	18,209	20,317	16,318	21,815	30,154
Reversals of written-off loans	206	119	148	212	246
Net profit	18,415	20,436	16,466	22,027	30,400
Net profit of controlling interest	18,052	20,150	16,696	22,336	30,826

Valuation

	2021A	2022A	2023F	2024F	2025F
Per share (VND, adj.)					
BPS	26,548	32,305	36,357	42,509	51,000
EPS	5,122	5,711	4,718	6,327	8,733
DPS	-	-	-	-	-
Valuation (x)					
PB	1.3	1.0	0.9	0.8	0.7
PE	6.6	5.9	7.1	5.3	3.9
P/PPE	4.6	4.3	5.0	3.8	2.9
Dividend yield (%)	-	-	-	-	-
Dividend payout ratio (%)	-	-	-	-	-
ROE analysis (%)					
ROE	21.5	19.5	13.8	16.1	18.7
Leverage(x)	6.1	6.1	6.1	6.0	5.8
IEAs to total assets	91.4	87.6	89.0	88.1	89.0
Net income to IEAs	3.4	3.3	2.3	2.8	3.3
Net interest income to IEAs	5.1	4.9	3.6	4.2	4.5
Non-interest income to IEAs	2.0	1.7	1.5	1.6	1.7
Credit cost to IEAs	0.5	0.3	0.4	0.5	0.3
SG&A to IEAs	2.1	2.2	1.8	1.9	1.9

Changes to recommendation and target price

Company (code)	Date	Recommendation	Target price	% vs. avg. price	% vs. high (low)
Techcombank (TCB)					



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