

23 Oct 2024

Techcombank (TCB)

Stronger retail loan disbursement

- Acceleration in 3Q24 retail credit disbursement
- There was a slight increase in non-performing loans but under control
- Unattractive profit growth in 4Q24 due to one-off expenses

Facts: Accelerated retail loan disbursement

- 3Q24 PBT was up +23.5%yoy to VND7,214bn from a low base 3Q23, driven by (1) strong credit growth, (2) manageable operating expenses (-5.5%yoy, 3Q24 CIR's 29% vs 3Q23 CIR's 35%), and (3) moderate risk provision expenses. 9M24 PBT grew by +33.5% yoy to VND22,842bn, fulfilling 84% of the 2024 guidance and 74% of KIS's 2024 estimation.
- The strong credit growth kept its momentum with 3Q24's +17.5%YTD, higher than the industry's 9%YTD and TCB's 3Q23's +13.5%YTD. TCB allocated credit distributions to both corporates and retails. Retail loan growth accelerated from 2Q24's +13.1%YTD to 3Q24's +20%YTD. The mortgage retail segment rose from 2Q24's +7.2%YTD to 3Q24's +14%YTD. Additionally, Corporate loan growth also jumped from 2Q24's 15.5%YTD to 3Q24's 21.9%YTD. Corporate bonds, meanwhile, dropped sharply -22%YTD.
- 3Q24 NIM (net interest incomes) decreased to 4.29% (vs 2Q24's 4.73% and 3Q23's 4.39%) due to higher COF amid a slight increase in deposit rates and lower asset yields. 3Q24 CASA remained at 36.5% (excluding balances swept to Auto-earning), nearly equivalent to 2Q24's 37.4%. TCB maintained a flexible pricing policy to support customers during unfavorable market conditions.
- 3Q24 Net fee incomes breakdown by TCB were down -7.3%yoy due to a decrease in (1) LC, cash, & settlement (-33%yoy) from regulatory changes for LC business, (2) FX (-4%yoy), and (3) cards (-9%yoy). Corporate bond issuance and distribution consulting activities have gradually improved but not significantly, 3Q24 IB fees were up +23%yoy despite being down -28%qoq.
- NPL (2-5 group)/ NPL (3-5 group) slightly rose from 2Q24's 2.05% to 3Q24's 2.12%/ from 2Q24's 1.23% to 3Q24's 1.29% due to an increase in corporate loans' NPL from 2Q24's 0.32% to 3Q24's 0.48%. LLCR continue to keep its high at 103% (vs 2Q24's 101%).

Pros and Cons: Unattractive profit growth in 4Q24 due to one-off expenses from termination of insurance distribution partnership

- 4Q24 credit growth could maintain its strong growth momentum with the retail segment recovery, specifically the mortgage segment given the brighter real estate market. CASA could remain its high ratio to support NIM maintenance.

12M rating **HOLD**

12M TP **27,400** from 24,200

Up/Downside +13.2%

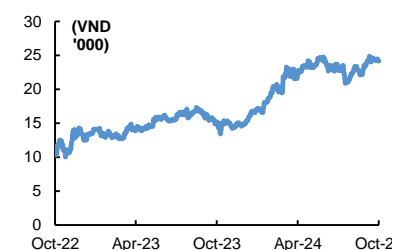
Stock Data

VNIndex (Oct 23, pt)	1,271
Stock price (Oct 23, VND)	24,200
Market cap (USD mn)	6,707
Shares outstanding (mn)	7,045
52-Week high/low (VND)	24,900/13,432
6M avg. daily turnover (USD mn)	15.28
Free float / Foreign ownership (%)	68.2/21.9
Major shareholders (%)	
Masan	14.9
Ho Hung Anh and his family	19.9

Performance

	1M	6M	12M
Absolute (%)	0.0	0.1	0.6
Relative to VNIndex (%p)	0.0	0.0	0.4

Stock price trend



Source: Bloomberg

Research Dep

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- Non-interest incomes: we expect the IB activities related to bond issuances and distributions could continue to recover in the better market conditions. Bancassurance activities could decrease after Manulife and Techcombank terminate their exclusive insurance distribution partnership, and TCB could record the termination expenses in 4Q24 about VND1.8tn.
- However, we assess that this termination event could only have a short-term impact on TCB's business results. As a large bank in the industry, TCB could have optimal alternative options to exploit the huge potential of the insurance market.
- Non-performance loans: We believe that TCB could control its non-performing loans as its target is below 1.4% amid better market conditions. TCB also belongs to the bank group with high LLCRs (loan loss coverage ratio) and has good buffers for handling bad debts.

Recommendation

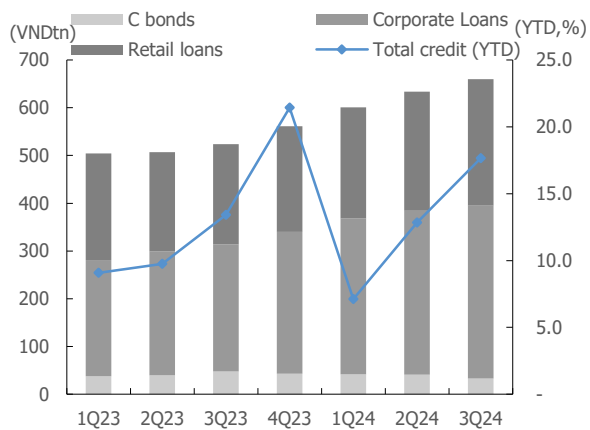
Based on a new insurance termination event, we estimate that the 2024F PBT could impact. Disregarding this event, we believe that TCB's core business has recovered amid better market conditions, especially the brighter real estate market and corporate bond market. We maintain a target price of VND27,400 (mid-2025), implying a +13% upside.

Table 5. Earnings trend and outlook

	2023				2024			2023	2024F	2Q24	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q			QoQ	YoY
Loans to customers and corporate bonds	503,219	506,334	523,897	561,150	601,231	633,445	659,503	561,150	669,648	4.1	25.9
% growth (ytd)	9.0	9.7	13.5	21.6	7.1	12.9	17.5	21.6	19.3	-	-
Loans to customers	465,425	466,546	475,606	518,642	559,277	592,083	626,291	518,642	622,889	5.8	31.7
NPL (3-5 group)	3,946	5,002	6,467	5,999	6,317	7,287	8,084	5,999	6,329	10.9	25.0
NPL ratio (% , %p)	0.8	1.1	1.4	1.2	1.1	1.2	1.3	1.2	1.0	0.1	(0.1)
NPL (2-5 group)	12,901	14,156	12,443	10,438	12,405	12,142	13,246	10,438	11,624	9.1	6.5
NPL ratio (% , %p)	2.8	3.0	2.6	2.0	2.2	2.1	2.1	2.0	1.9	0.1	(0.5)
Loan loss coverage (% , %p)	134	116	93	102	106	101	103	102	136	2.4	10.5
VAMC	0	0	0	0	0	-	-	-	-	-	-
Deposit from customers and bond	434,027	436,904	470,870	539,364	551,817	593,846	621,015	539,364	632,192	4.6	31.9
Deposit from customers	387,298	381,947	409,045	454,661	458,041	481,860	494,954	454,661	549,732	2.7	21.0
% growth (ytd)	-	(1.4)	5.6	17.4	-	5.2	8.9	17.4	9.2	-	3.2
CASA (%)	32.0	34.9	33.6	39.9	40.5	37.4	36.5	39.9	42.9	(0.8)	2.9
Total assets	723,518	732,470	781,279	849,482	885,653	908,307	927,053	849,482	972,727	2.1	18.7
Total equity	119,135	123,683	128,404	132,945	139,246	139,934	145,805	132,945	155,170	4.2	13.6
Total operating income	9,300	9,325	10,418	11,017	12,262	13,420	11,754	40,061	52,055	(12.4)	12.8
Net interest income	6,527	6,295	7,272	7,597	8,500	9,478	8,929	27,691	36,583	(5.8)	22.8
NIM (% , %p)	4.21	3.95	4.39	4.24	4.42	4.73	4.29	4.1	4.5	(0.4)	(0.1)
Non-interest income	2,773	3,030	3,146	3,420	3,762	3,942	2,826	12,370	15,472	(28.3)	(10.2)
Net commission income	1,715	2,008	2,379	2,808	2,716	2,873	2,008	8,911	11,349	(30.1)	(15.6)
Gains on investment securities	1	83	638	303	1,050	808	395	1,025	1,166	(51.1)	(38.0)
Other non-interest income	1,057	939	129	309	-3	261	423	2,434	2,957	62.1	227.0
Provision for credit losses	535	807	945	1,634	1,211	1,644	1,109	3,921	4,114	(32.5)	17.4
Net operating revenue	8,765	8,518	9,474	9,383	11,051	11,775	10,645	36,140	47,941	(9.6)	12.4
SG&A	3,142	2,869	3,631	3,610	3,249	3,949	3,431	13,252	17,178	(13.1)	(5.5)
CIR (%)	33.8	30.8	34.8	32.8	26.5	29.4	29.2	33	33	(0.2)	(5.7)
Pre-provision earnings	6,158	6,456	6,788	7,407	9,013	9,471	8,323	26,809	34,877	(12.1)	22.6
EBT	5,623	5,649	5,843	5,773	7,802	7,827	7,214	22,888	30,763	(7.8)	23.5
Net profit	4,537	4,503	4,669	4,482	6,277	6,270	5,793	18,191	24,449	(7.6)	24.1
Controlling-int. NP	4,497	4,455	4,613	4,439	6,221	6,193	5,738	18,004	24,198	(7.4)	24.4

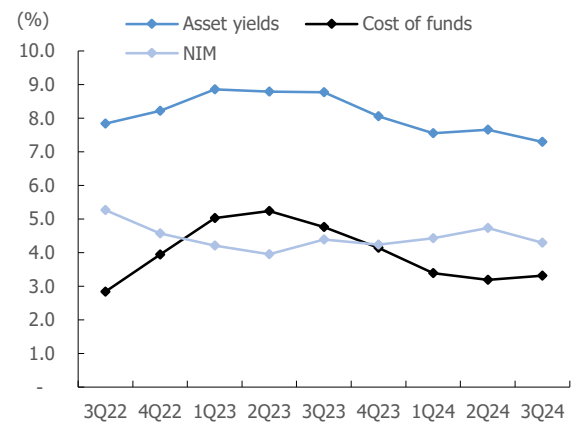
Nguồn: Fiinpro, TCB, KISVN

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				263,841	353,087
Corporate				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	17.0	19.3
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)	34.4	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	21.5	19.5	14.7	17.0	19.3

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	24,198	32,307

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	3,421	4,567
DPS	-	-	-	750	-
Valuation (x)					
PB	1.8	1.5	1.3	1.1	0.9
PE	9.5	8.5	9.5	7.1	5.3
P/PPE	6.6	6.2	6.4	4.9	3.7
Dividend yield (%)	-	-	-	3.1	-
Dividend payout ratio (%)	-	-	-	21.9	-
ROE analysis (%)					
ROE	21.5	19.5	14.7	17.0	19.3
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	3.1
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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