

22 Jan 2025

Techcombank (TCB)

Unattractive earnings growth in 4Q24

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- Improvement in non-performing loans
- Moderate growth in 1Q25F

Facts: Unattractive earnings growth in 4Q24

- 4Q24 PBT was down -18.7%yoy to VND4,696bn due to (1) lower non-interest incomes (-72.1% yoy) and (2) significantly higher operating expenses (+31%yoy). Meanwhile, stronger net interest incomes (+13.2%yoy) and lower provision risk expenses (-92.8%yoy) were unable to salvage profit growth.
- Accumulated 2024 PBT grew by +20.3% yoy to VND27,538bn, fulfilling 102% of the 2024 guidance and 90% of KIS's 2024 estimation. Actual 2024 PBT was lower than KIS's estimation due to recorded expenses related to the unexpected termination event between Manulife and Techcombank and lower NFI fees.
- The strong credit growth kept its momentum with 4Q24's +21.7%YTD, higher than the industry's 15.08%YTD and equivalent to 4Q23's +21.6%YTD. 4Q24 Retail loans (+28%YTD) drove the total credit growth, following corporate bonds (+21%YTD) and corporate loans (+17%YTD). Retail growth resulted from mortgages, margin lending, and retail business loans.
- 4Q24 net interest incomes (NIM) fell to 3.9% (vs 3Q24's 4.29% and 4Q23's 4.24%) due to lower asset yields. 4Q24 CASA remained at 37.4% (excluding balances swept to Auto-earning), compared to 3Q24's 36.5%. TCB maintained a flexible pricing policy to support customers during unfavorable market conditions. Overall, NIM rose from 4.09% in 2023 to 4.27% in 2024 thanks to lower cost of funds.
- 4Q24 Net fee incomes (NFI) breakdown by TCB dropped -25%yoy to VND2,297bn due to a decrease in (1) LC, cash, & settlement (-56%yoy) from regulatory changes for LC business and weak market demand, (2) Banca (-94%yoy) after termination of insurance distribution contract with Manulife, and (3) cards (-25%yoy). 4Q24 IB fees were up +45%yoy thanks to improvements in enhanced margin lending and asset management. Accumulated 2024 NFI inched up +4%yoy, mainly contributed by IB fee recovery (+88%yoy). Moreover, TCB also recorded other one-off expenses in 4Q24 of VND1,800bn related to the contract termination between Techcombank and Manulife.
- 4Q24 Operating expenses abnormally jumped +31%yoy due to the seasonal event and enhanced marketing activities. CIR accelerated from 32.8% in 4Q23 to 49.6% in 4Q24. Overall, 2024 CIR still maintained at 33% as in 2023.

12M rating **HOLD**

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

Up/Downside +13.2%

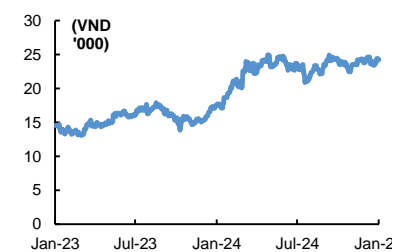
Stock Data

VNIndex (Jan 22, pt)	1,246
Stock price (Jan 22, VND)	24,200
Market cap (USD mn)	6,768
Shares outstanding (mn)	7,065
52-Week high/low (VND)	24,950/17,075
6M avg. daily turnover (USD mn)	11.82
Free float / Foreign ownership (%)	68/23
Major shareholders (%)	
Masan	14.9
Ho Hung Anh and his family	19.9

Performance

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

Stock price trend



Source: Bloomberg

Research Dep

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- Improvement in non-performing loans: NPL (2-5 group)/ NPL (3-5 group) were down from 3Q24's 2.1% to 4Q24's 1.8%/ from 3Q24's 1.29% to 4Q24's 1.12% thanks to a decrease in NPLs from corporate loans (from 3Q24's 0.15% to 4Q24's 0.05%) and retail loans (from 3Q24's 1.99% to 4Q24's 1.89%). 4Q24 LLCR kept a high rate at 114% (vs 3Q24's 103%).

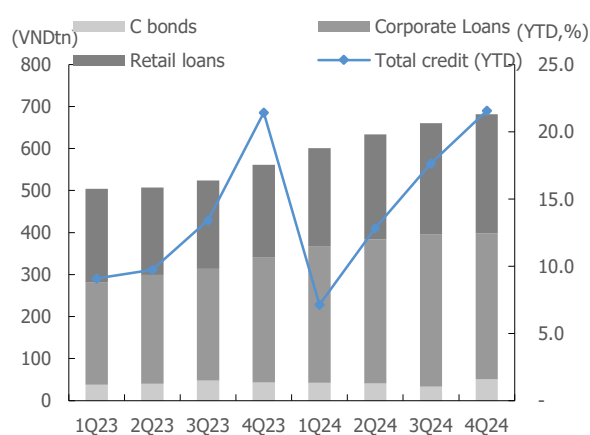
Pros and Cons: Moderate growth in 1Q25F

- Credit growth in 1Q25 could remain robust as the same period, fueled by rebounding retail loans, especially mortgages, as the real estate market improves. Aligned with industry expectations, TCB projects higher credit growth in 2025
- 1Q25 NIM could be lower than the same period due to the higher cost of funds while waiting for asset yield recovery from flexible pricing policies. 2025 NIM could maintain at the same level as 2024, per the management.
- Non-interest incomes: The management expects double-digit NFI growth thanks to sustained momentum in investment banking, banca recovery, cards for innovative features, and FX sales. TCB plans to enter life and non-life insurance businesses to exploit the promising Vietnamese insurance market.
- Operating expenses in 1Q25 could be lower due to the lack of seasonal effect as in 4Q24. 2025 CIR could remain in the 30-35% range.
- Non-performance loans: TCB's manageable NPL control, demonstrated by a maintained rate in 2024, positions it to maintain NPL in 2025 below 1.5% and credit costs below 1% in improving market conditions, per the management.

Action: Maintain HOLD rating

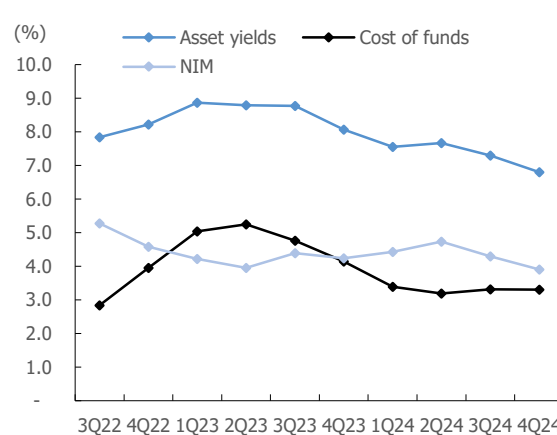
We maintain a HOLD rating and a target price of VND27,400 for 2025 (+13% upside), considering its remaining high-profit growth potential and fair valuation. TCB's 2025 PBT could keep the double-digit growth momentum. We believe that TCB's business could benefit from better market conditions, especially the brighter real estate market and corporate bond market.

Figure 1. Credit growth



Source: TCB, KIS Research

Figure 2. NIM and COF



Source: TCB, KIS Research

Table 5. Earnings trend and outlook

	2023				2024				2023	2024	2025F	4Q24	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				QoQ	YoY
Loans to customers and corporate bonds	503,219	506,334	523,897	561,150	601,231	633,445	659,503	682,948	561,150	682,948	827,050	3.6	21.7
% growth (ytd)	9.0	9.7	13.5	21.6	7.1	12.9	17.5	13.6	21.6	21.7	21.1	-	-
Loans to customers	465,425	466,546	475,606	518,642	559,277	592,083	626,291	631,725	518,642	631,725	770,704	0.9	21.8
NPL (3-5 group)	3,946	5,002	6,467	5,999	6,317	7,287	8,084	7,101	5,999	7,101	8,613	(12.2)	18.4
NPL ratio (% , %p)	0.8	1.1	1.4	1.2	1.1	1.2	1.3	1.1	1.2	1.12	1.12	(12.9)	10.6
NPL (2-5 group)	12,901	14,156	12,443	10,438	12,405	12,142	13,246	11,542	10,438	11,542	14,031	(12.9)	10.6
NPL ratio (% , %p)	2.8	3.0	2.6	2.0	2.2	2.1	2.1	1.8	2.0	1.8	1.8		
Loan loss coverage (% , %p)	134	116	93	102	106	101	103	114	102	114	128		
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	673,815	539,364	673,815	749,516	8.5	24.9
Deposit from customers	387,298	381,947	409,045	454,661	458,041	481,860	494,954	533,392	454,661	533,392	651,753	7.8	17.3
% growth (ytd)	-	(1.4)	5.6	17.4	-	5.2	8.9	17.3	17.4	17.3	17.4	-	(0.1)
CASA (%)	32.0	34.9	33.6	39.9	40.5	37.4	36.5	37.4	39.9	37.4	37.5		
Total assets	723,518	732,470	781,279	849,482	885,653	908,307	927,053	972,727	849,482	978,799	1,081,504	4.9	14.5
Total equity	119,135	123,683	128,404	132,945	139,246	139,934	145,805	155,170	132,945	150,460	165,552	6.4	16.7
Total operating income	9,300	9,325	10,418	11,017	12,262	13,420	11,754	9,555	40,061	46,990	56,402	(18.7)	(13.3)
Net interest income	6,527	6,295	7,272	7,597	8,500	9,478	8,929	8,602	27,691	35,508	43,626	(3.7)	13.2
NIM (% , %p)	4.21	3.95	4.39	4.24	4.42	4.73	4.29	3.90	4.1	4.27	4.53	(0.4)	(0.3)
Non-interest income	2,773	3,030	3,146	3,420	3,762	3,942	2,826	953	12,370	11,482	12,776	(66.3)	(72.1)
Net commission income	1,715	2,008	2,379	2,808	2,716	2,873	2,008	1,039	8,911	8,635	9,303	(48.3)	(63.0)
Gains on investment securities	1	83	638	303	1,050	808	395	252	1,025	2,505	3,157	(36.2)	(17.0)
Other non-interest income	1,057	939	129	309	-3	261	423	(338)	2,434	343	317	-	-
Provision for credit losses	535	807	945	1,634	1,211	1,644	1,109	118	3,921	4,082	6,320	(89.4)	(92.8)
Net operating revenue	8,765	8,518	9,474	9,383	11,051	11,775	10,645	9,437	36,140	42,908	50,082	(11.4)	0.6
SG&A	3,142	2,869	3,631	3,610	3,249	3,949	3,431	4,741	13,252	15,370	17,485	38.2	31.3
CIR (%)	33.8	30.8	34.8	32.8	26.5	29.4	29.2	49.6	33	32.7	31.0	20.4	16.9
Pre-provision earnings	6,158	6,456	6,788	7,407	9,013	9,471	8,323	4,814	26,809	31,621	38,917	(42.2)	(35.0)
EBT	5,623	5,649	5,843	5,773	7,802	7,827	7,214	4,696	22,888	27,538	32,597	(34.9)	(18.7)
Net profit	4,537	4,503	4,669	4,482	6,277	6,270	5,793	3,420	18,191	21,760	25,757	(41.0)	(23.7)
Controlling-int. NP	4,497	4,455	4,613	4,439	6,221	6,193	5,738	3,371	18,004	21,523	25,477	(41.2)	(24.1)

Nguồn: FiiProX, TCB, KIS Research

■ 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	2024A	2025F
Total assets	569,576	700,161	850,799	981,319	1,081,504
Gross IEAs	525,475	618,882	758,611	927,805	1,025,512
Loans and corp bonds	410,150	461,539	561,150	682,948	827,050
Household	161,693	226,743	226,743	226,743	353,087
Corporate	248,457	234,795	334,407	456,205	473,963
Dep't and loans to FIs	88,554	103,156	141,194	142,040	78,738
Dep't to SBV and G-bond	26,771	54,187	56,267	102,817	119,724
VAMC bond	-	-	-	-	-
NIEAs	49,228	87,332	99,473	62,332	68,493
Others	5,127	6,052	7,285	8,817	12,501
Total liabilities	475,687	585,608	717,854	830,859	915,951
Deposits	314,753	358,404	454,661	533,392	651,753
Debentures	33,680	34,007	84,703	140,422	97,763
Dep't and loans from FIs	112,459	167,563	153,173	132,239	138,851
Loans from Gov't and SBV	1	8	0	12	-
Other liabilities	14,796	25,626	25,317	24,794	27,584
Total equities	93,888	114,554	132,945	150,460	165,552
Controlling interests	93,041	113,425	131,628	147,940	163,032
Capital stock	35,109	35,172	35,225	70,649	70,649
Capital surplus	476	476	476	(0)	(0)
Other reserves	9,156	11,609	45,726	24,785	28,013
Retained earnings	48,300	66,168	50,201	52,507	64,370
OCI	-	-	-	-	-
Minority interest	847	1,129	1,317	2,520	2,520

Key financial data

	2021A	2022A	2023A	2024A	2025F
Profitability and efficiency (%)					
ROE	21.5	19.5	14.7	15.4	16.4
ROA	3.6	3.2	2.3	2.4	2.5
NIM	5.8	5.4	4.1	4.3	4.5
Asset yield	7.7	7.9	8.4	7.2	7.9
Cost of fund	2.2	2.8	4.6	3.3	3.8
Cost-income ratio	30.1	32.8	33.1	32.7	31.0
Credit cost	0.7	0.4	0.8	0.7	0.8
Growth (%)					
Net profit of controlling interest	46.5	11.6	(10.7)	19.5	18.4
Pre-provision earnings	40.7	6.2	(2.5)	17.9	23.1
Credit growth	26.5	12.5	21.6	21.7	21.1
Total assets	29.4	22.9	21.5	15.3	10.2
Asset quality (%)					
NPL ratio	0.7	0.7	1.2	1.1	1.1
NPL coverage ratio	162.9	157.3	102.1	113.9	127.9
Loan to deposit	90.7	94.6	89.2	85.5	94.3
Capital adequacy (%)					
CAR ratio	15.0	15.2	14.4	15.3	15.3
CET1 ratio	19.7	19.3	14.3	14.6	14.6
Tier 1 ratio					

Income statement

(VND bn)

	2021A	2022A	2023A	2024F	2025F
Total operating income	37,076	40,902	40,061	46,990	56,402
Net interest income	26,699	30,290	27,691	35,508	43,626
Interest income	35,503	44,753	56,708	60,089	75,804
Interest cost	8,805	14,463	29,017	24,581	32,178
Non-interest income	10,378	10,612	12,370	11,482	12,776
Net commission income	6,614	8,252	8,911	8,635	9,303
Gains on investment securities	1,961	192	1,025	2,505	3,157
Other non-interest income	1,803	2,167	2,434	343	317
Provision for credit losses	2,665	1,936	3,921	4,082	6,320
Net operating revenue	34,412	38,966	36,140	42,908	50,082
SG&A	11,173	13,398	13,252	15,370	17,485
Employee benefits	n.a	n.a	n.a	n.a	n.a
Pre-provision earnings	25,903	27,504	26,809	31,621	38,917
Earnings before tax	23,238	25,568	22,888	27,538	32,597
Tax	4,823	5,131	4,697	5,778	6,840
Tax rate (%)	20.8	20.1	20.5	21.0	21.0
Continuing operations profit	17,294	19,125	17,359	20,622	24,473
Reversals of written-off loans	1,121	1,311	832	1,138	1,284
Net profit	18,415	20,436	18,191	21,760	25,757
Net profit of controlling interest	18,052	20,150	18,004	21,523	25,477

Valuation

	2021A	2022A	2023A	2024A	2025F
Per share (VND, adj.)					
BPS	13,250	16,124	18,684	20,940	23,076
EPS	2,557	2,850	2,541	3,032	3,592
DPS	-	-	-	1,500	-
Valuation (x)					
PB	1.8	1.5	1.3	1.2	1.0
PE	9.5	8.5	9.5	8.0	6.7
P/PPE	6.6	6.2	6.4	5.4	4.4
Dividend yield (%)	-	-	-	6.2	-
Dividend payout ratio (%)	-	-	-	24.7	-
ROE analysis (%)					
ROE	21.5	19.5	14.7	15.4	16.4
Leverage(x)	6.1	6.1	6.4	6.5	6.5
IEAs to total assets	91.4	87.6	88.4	93.7	93.7
Net income to IEAs	3.4	3.3	2.4	2.3	2.5
Net interest income to IEAs	5.1	4.9	3.7	3.8	4.3
Non-interest income to IEAs	2.0	1.7	1.6	1.2	1.2
Credit cost to IEAs	0.5	0.3	0.5	0.4	0.6
SG&A to IEAs	2.1	2.2	1.7	1.7	1.7

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