



Company Report: Vietnam Technological Joint Stock Commercial Bank (TCB)

CVPT

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Update Q3/2022 Result: Weakening CASA

BUSINESS PERFORMANCE

In Q3/2022, TCB recorded 22% growth in PBT. Accumulated 9 months profit increased by 21%yoy.

CASA decreased to 46.5% and the interest rate hike put pressure on the COF of the bank which was up 60bps in Q3. Credit portfolio expanded 10.5%ytd, mostly driven by rapid growth in individual loans (+37%ytd). Meanwhile, WB and corporate bond portfolio were reduced.

Non-interest income activities stayed intact (exempt for IB).

NPL ratio remained low at 0.6% while restructured loans declined to VND400bn.

COMMENTS

The core business of TCB was affected by the recent interest rate hike. As per our comment in the July report, NIM of the bank declined to 5.4% in Q3 and is likely to be 5.3% on average for the full year 2022.

We believe that the bank's profit will likely stable in the next 3 quarters due to the adverse movement in macro (interest rate hike) and bond market.

Despite owning an advantage over other banks and low P/B, the recent challenges in the key business will continue.

We recommend **"Neutral"** with TCB.

Recommendation:

-
(Maintained)

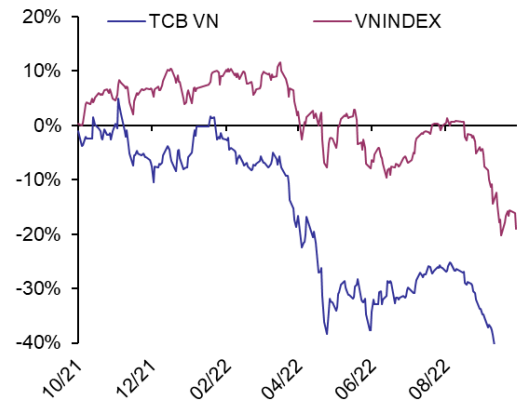
6-18m TP:

-

Current price:

VND21,300

Price performance



Price change	1 M	3 M	1Y
Abs. %	-37.7	-41.8	-59.7
Relative to VN index	-56.0	-58.8	-88.7
Avg price (VND)	27,767	34,491	42,882

Sources: Bloomberg, Guotai Junan (VN)

12/31	TOI (VND b)	Net Profit (VND b)	EPS (VND)	EPS (Δ%)	BPS (VND)	DPS (VND)	Yield (%)	NIM (%)	CIR (%)	ROE (%)
2020A	27,043	12,582	3,515	22.43	21,180.26	-	0.00	4.97	-31.92	18.03
2021A	37,076	18,399	5,257	49.55	26,346.00	-	0.00	5.80	-30.14	21.52
2022F	42,026	21,510	6,043	14.95	32,388.58	-	0.00	5.27	-30.14	21.71
2023F	47,880	24,362	6,857	13.48	39,245.92	-	0.00	5.12	-30.14	19.93
2024F	57,357	29,690	8,380	22.20	47,625.49	-	0.00	5.07	-30.00	20.28

Shares in issue (m)	3,517.24	Major shareholder (%)	Masan	15%
Market cap (VND b)	74,917.18	Free float (%)		65%
3- month average vol. ('000)	4,881.55	LDR (%)		78.8
52w high/low (VND)	56000 / 21300	CAR (%)		15.7

Nguồn: the Company, Guotai Junan (VN).

Weakened profitability

Despite low base income in the same period last year, PBT of TCB only grew by 22%yoy, reaching VND6,715 bn and was lower than Q1 and Q2 result. That reflects the adverse situation the bank faces in recent times.

Total credit increased by 10.5%ytd which was limited by SBV's credit limits. Compared to 2021YE, WB and corporate bond have gone backward. Meanwhile, SME lending slightly increased and the retail loan was the key driver for total credit growth with a growth of 37%ytd and 8.3%qoq.

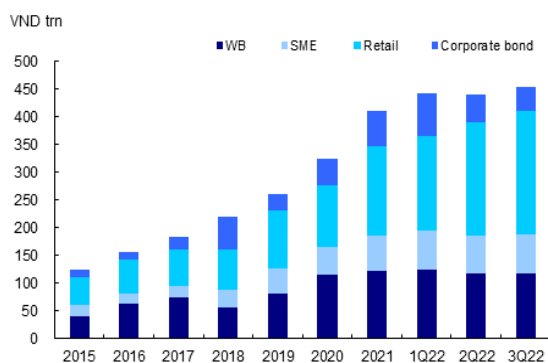
CASA ratio continued to decline to 46.5% (47.5% in Q2). COF increased to 2.9%, up 60bps mostly due to interest rate hikes. The syndicated loans and interbank loan constituents increased proportion in the funding mix while customer deposits were likely stable. Due to higher COF, the net interest income of the bank only increased by 12%yoy in Q3, NIM was lower the 5.4%.

Non-interest income climbed 38%. Banca, card and settlement fees stayed intact and kept the growing momentum for the bank's non-interest income. On the other hand, IB income was weakened due to the recent negative impact of the corporate bond market. IB income in Q3 was the lowest in the latest 10 consecutive quarters.

Still low NPL ratio

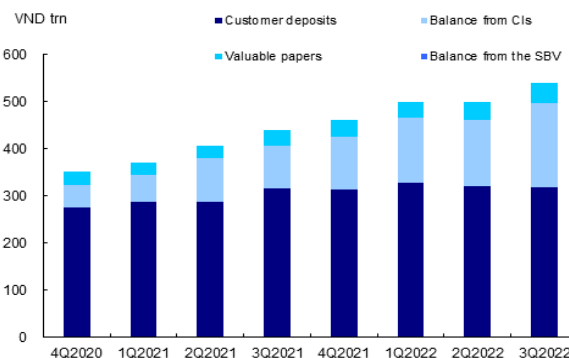
NPL ratio was among the top lowest at 0.6% at the end of Q3. The restructured loan was reduced to VND400 bn from VND500 bn. Meanwhile, the corporate bond portfolio was narrowed compared to Q2 and 2021YE figures, reducing the worries about recent challenges and risks in the bond market.

Figure-1: Credit Breakdown by segment



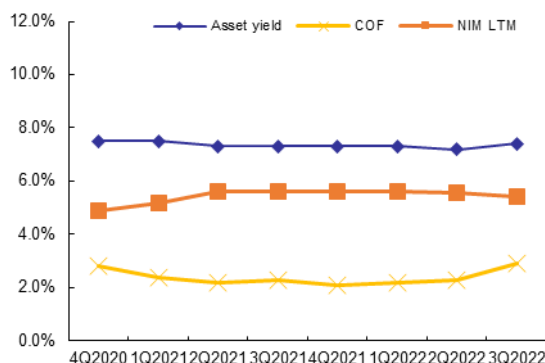
Source: TCB, Guotai Junan (VN).

Figure-2: Funding mix



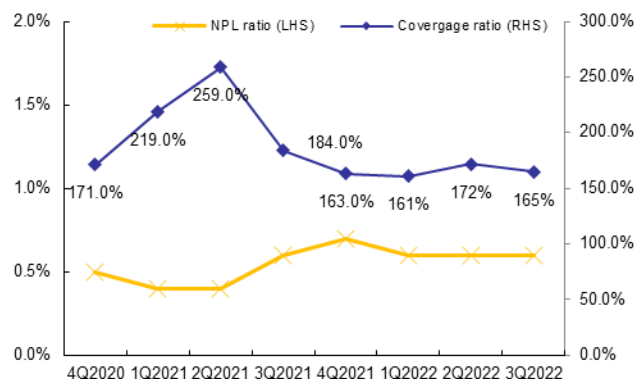
Source: TCB, Guotai Junan (VN).

Figure-3: Profitability



Source: TCB, Guotai Junan (VN).

Figure-4: Asset quality



Source: TCB, Guotai Junan (VN)

COMPANY RATING DEFINITION

Benchmark: VN – Index.

Time Horizon: 6 to 18 months

Rating	Definition
Buy	Relative Performance is greater than 15% Or the Fundamental outlook of the company or sector is favorable
Accumulate	Relative Performance is 5% to 15% Or the Fundamental outlook of the company or sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the company or sector is neutral
Reduce	Relative Performance is -15% to -5% Or the Fundamental outlook of the company or sector is unfavorable
Sell	Relative Performance is lower than - 15% Or the Fundamental outlook of the company or sector is unfavorable

SECTOR RATING DEFINITION

Benchmark: VN – Index

Time Horizon: 6 to 18 months

Rating	Definition
Outperform	Relative Performance is greater than 5% Or the Fundamental outlook of the sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the sector is neutral
Underperform	Relative Performance is lower than -5% Or The Fundamental outlook of the sector is unfavorable

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Techcombank (TCB)

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