



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

Analyst  
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### Headwind still presents

#### BUSINESS RESULT UPDATE

Credit increased by 11.4% in the first 9 months of 2023. Cost of funding still weighs on NII in Q3 which had not been able to recover strongly compared to same period last year.

The NIM continued to narrow from 4.3% Q2 to only 4% at the end of Q3.

Income from cards and payment settlement continued to support the bank's service fee revenue growth reaching 8%yoy in the first 9 months of the year.

PBT in Q3 slightly improved compared to Q2. PBT in the first 9 months of the year reached 17.1 trillion VND, down nearly 18%yoy.

The bad debt ratio continued to increase rapidly to 1.4%. Accordingly, the bank's credit risk provision expenses hiked compared to the same period last year.

#### COMMENTS

Signs of recovery are not yet clear in the bank's business picture in the third quarter of 2023. Accordingly, the negative points are the narrowed NIM while the NPL ratio climbed. On the other hand, we can see that the bright spot is the recovery in net interest income compared to the previous 3 quarters to above VND7,000 billion. Accordingly, the bank's pre-tax income increased slightly by 3%qoq.

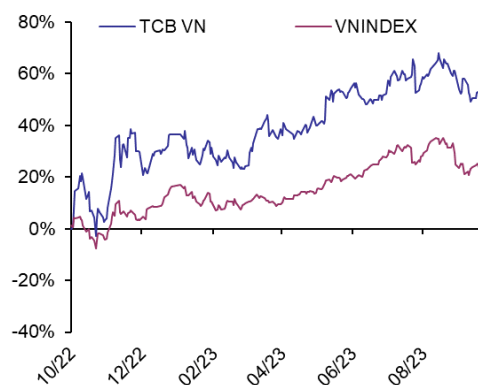
We maintain the expectation that TCB will achieve credit growth around 14.1% (assigned by the State Bank) for the year 2023. PBT reached VND 23,000 billion, down 10% yoy.

Recommendation: -

6-18m TP: -

Current price: VND31,350

#### Price performance



Price change	1 M	3 M	1Y
Abs. %	-4.4%	-6.3%	36.9%
Relative to VN index	-8.5%	-14.2%	45.3%
Avg price (VND)	32,161	33,437	29,651

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 (%)
2021A	37,076	18,415	5,137	46.15	26.34	-	-	5.80	-30.14	21.53
2022A	40,902	20,436	5,725	11.45	32.08	-	-	5.36	-32.76	19.52
2023F	37,774	18,263	5,136	-10.28	37.22	-	-	4.30	-33.00	14.67
2024F	53,220	27,776	7,854	52.92	45.08	-	-	4.70	-31.00	18.88
2025F	67,812	36,100	10,233	30.28	55.31	-	-	4.90	-30.00	20.18

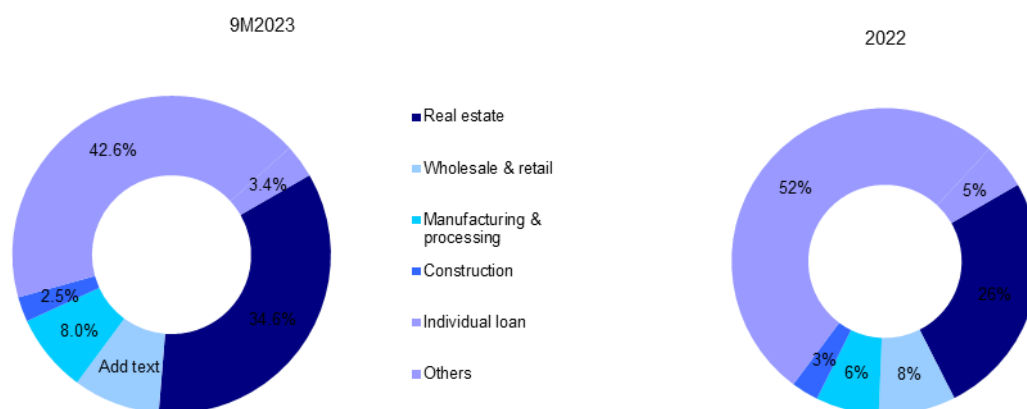
Shares in issue (m)	3,517.24	Major shareholder (%)	Masan	15%
Market cap (VND b)	110,265.43	Free float (%)		55%
3- month average vol. ('000)	5,251.20	LDR (%)		76.7
52w high/low (VND)	36150 / 19300	CAR (%)		15

Sources: the Company, Guotai Junan (VN).

## CREDIT CONTINUES TO BE STRONGLY ALLOCATED TO LARGE CORPORATE AND RECOM CUSTOMERS

As mentioned in the Q2 business results update report, the proportion of real estate lending increased sharply and accounted for 34.63% of TCB's total outstanding loans at the end of Q3 (up from 32% at the end of the second quarter).

**Figure-1: Credit breakdown by sectors**



Source: TCB, Guotai Junan (VN).

Compared to the previous quarter, WB outstanding loan recorded an increase of 5%qoq (ReCoM increased by 7%qoq) while retail lending increased slightly by 1%qoq, mainly contributed by a 5% increase from credit card outstanding balance (otherwise, mortgage loan decreased slightly by 1%qoq). In the first 9 months of the year, TCB achieved credit growth of 11.4% ytd.

The bank's net interest income recovered in the third quarter, reaching VND 7,272 billion, an increase of 15.5%qoq after 5 consecutive quarters of decline since the peak set in the first quarter of 2022. However, the pressure on lending yield and high COF caused NIM to continue to decrease from 4.3% recorded at the end of Q2 to 4% at the end of Q3.

Accumulated in 9 months, the bank's NII reached more than 20 trillion VND, down 14.1% over the same period last year.

### Asset quality continues to be under pressure due to a sharp increase in bad debt balance of individual and SME segments

The bank's non-performing loan climbed to a high of 1.4% at the end of the third quarter. Along with that, the third quarter's provision costs were 945 billion VND, an increase of 55% yoy. Accumulated provision expenses in 9M is 2,286 billion VND, an increase of 83%yoy.

### Term deposits continued to increase sharply, pulling the CASA ratio down to 33.6% compared to 34.9% at the end of the second quarter.

The bank's total customer deposits in the third quarter reached VND409 trillion, an increase of 14.2% ytd. Of which, non-term deposits recorded an improvement compared to the previous 2 quarters (+3%qoq and +4.5%ytd) while term deposits increased by 9%qoq and 20%ytd despite the lower deposit rates environment. We believe that there are certain efforts from the bank to control the liquidity ratios according to SBV's requirements, typically maintaining the ratio of short-term deposit for medium and long-term loans below 30% from 1/10/2023. This ratio at TCB is 30.5% at the end of the third quarter.

## COMMENTS

Signs of recovery are not yet clear in the bank's business picture in the third quarter of 2023. Accordingly, the negative points are the narrowed NIM while the NPL ratio climbed. On the other hand, we can see that the bright spot is the recovery in net interest income compared to the previous 3 quarters to above VND7,000 billion. Accordingly, the bank's pre-tax income increased slightly by 3%qoq.

The bank's third quarter NIM fell below our previous forecast (at 4.3%). However, based on the current macro environment, policy rates and the high funding costs deposit is steadily absorbed, it can be expected that TCB's NIM would be over the bottom zone.

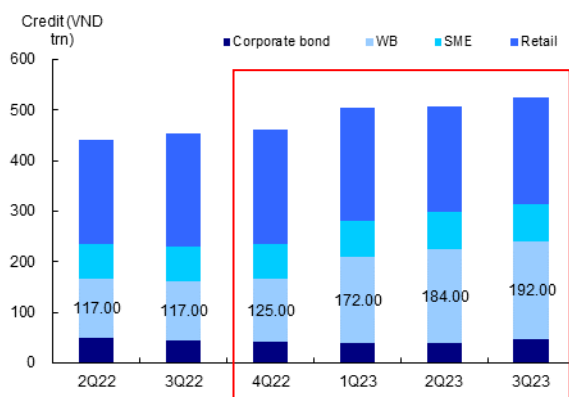
The movement of non-interest income is relatively close to our previous forecast. Accordingly, fee

collection from card and payment services continues to be the main driver of growth while income from the bank's IB and banca segments did not have many mutations in Q3 and will not improve significantly in the last quarter of the year.

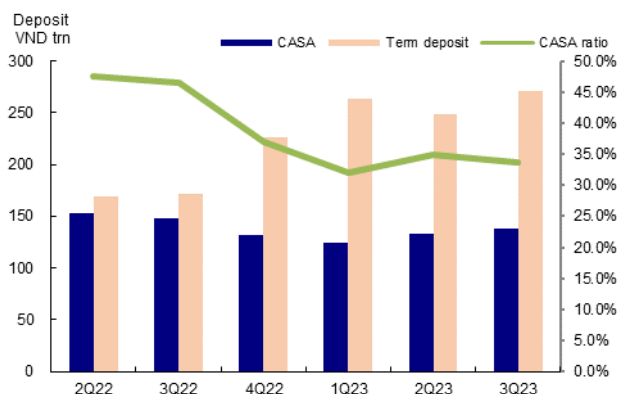
Asset quality still needs to be closely monitored as the bank's NPL ratio is close to the target threshold of 1.5%.

We maintain the expectation that TCB will achieve credit growth around 14.1% (assigned by the State Bank) for the year 2023. PBT reached VND 23,000 billion, down 10% yoy.

**Figure-2: Credit breakdown by segment**



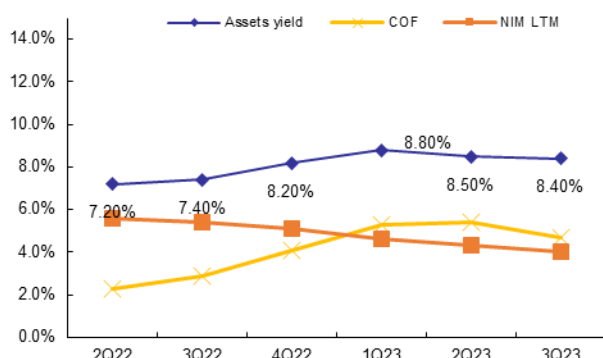
**Figure-3: Deposit breakdown**



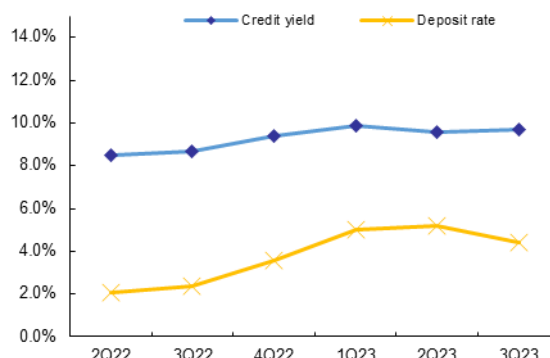
Source: TCB, Guotai Junan (VN).

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**Figure-4: Yield and NIM**



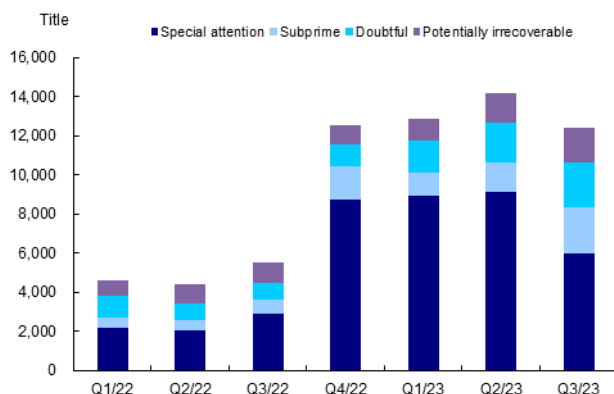
**Figure-5: Credit yield and deposit rate**



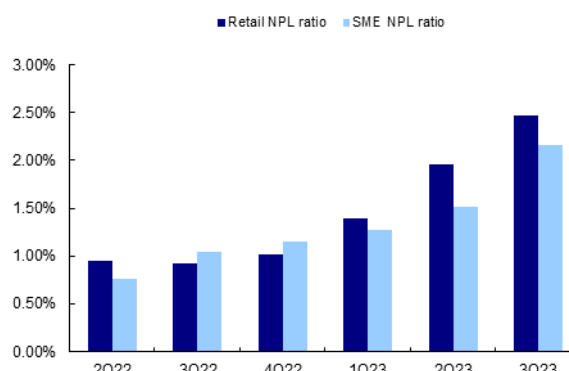
Source: TCB, Guotai Junan (VN).

Source: TCB, Guotai Junan (VN)

**Figure-6: Debt group 2-5**



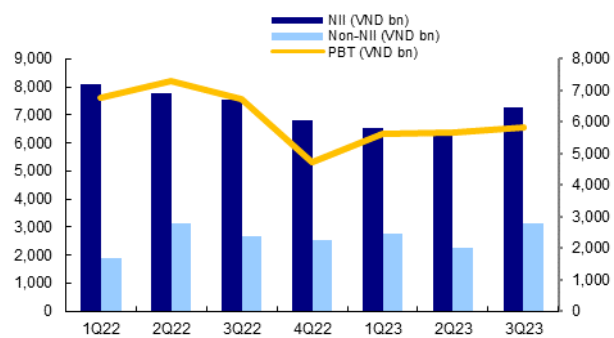
**Figure-7: NPL of retail and SME segments**



Source: TCB, Guotai Junan (VN).

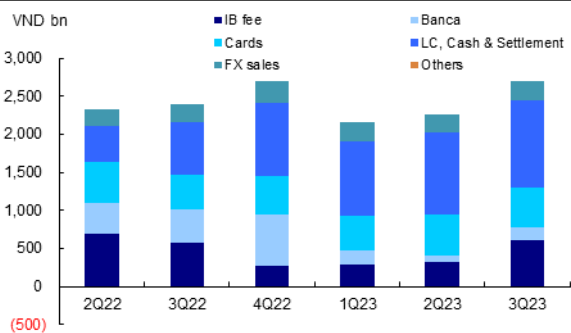
Source: TCB, Guotai Junan (VN)

Figure-8: Income and Profit



Source: TCB, Guotai Junan (VN).

Figure-9: Service income breakdown



Source: TCB, Guotai Junan (VN)

## COMPANY RATING DEFINITION

Benchmark: VN – Index.

Time Horizon: 6 to 18 months

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