



Company Report:

Vietnam Technological And Commercial Joint Stock Bank (TCB)

Research Department
28/10/2024

09-Month Business Performance Update

BUSINESS ACTIVITIES UPDATE

Techcombank achieved impressive credit growth and profit in the first 9 months of 2024.

By the end of Q3/2024, TCB's credit growth reached 17.4% ytd, among the highest in the system. Meanwhile, the bank recorded pre-tax profit of VND22.8 trillion (up 33.5%) and total operating income (TOI) at VND 37.4 trillion (up 28.9%). Net interest income (NII) increased due to growth in personal loans, especially mortgages. However, non-interest income (NFI) in Q3 2024 dropped by 10.2% due to a decline in revenue from letters of credit and foreign exchange. Techcombank ended its insurance partnership with Manulife and expects to record a compensation cost of VND 1,808 billion in Q4. The net interest margin (NIM) remained flat due to high-interest rate competition and increased capital costs. The non-performing loan (NPL) ratio rose to 1.35%, but the bank increased its provision for bad debts. The strategy of expanding into non-life insurance through TCGIns helps Techcombank diversify income sources and reduce dependency on loan interest.

ASSESSMENT

Hold: For long-term investors, TCB remains a potential stock thanks to its strong financial foundation, high CASA ratio, and revenue diversification strategy. However, short-term credit risks, particularly the increase in NPL and provision costs, along with the lack of improvement in NIM, may temporarily weigh on profits.

Recommendation:

Hold

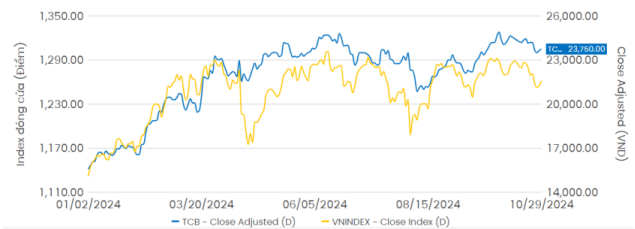
6-18m TP:

27,500

Current price:

VND23,600

Price movement



Price change	1 M	3 M	1Y
Stock price change %	-2.3%	3.96%	-20%
Compared with VN index	-2.8%	1.02%	18.3%
Average price (VND)	23,335	24,309	20,616

Source: FiiiproX, Bloomberg, Guotai Junan (VN)

Outstanding shares (billion)	7,045	Major shareholder (%)	Masan Group Corporation
Market capital. (VND b)	165,558	Free float (%)	14.88%
3-Month Average Trading Volume ('000)	22,875	LDR (%)	65%
Highest/Lowest 52w (VND)	25250 / 13600	CAR (%)	82.2
Source: the Company, Guotai Junan (VN).			

BUSINESS RESULTS UPDATE FOR THE FIRST 9 MONTHS OF 2024

Credit grew by 17.4% ytd

By the end of Q3, TCB's outstanding credit balance had increased by 6% compared to Q2, primarily driven by growth in the retail lending segment, especially home loans. Specifically, retail lending grew by 6% QoQ, led by mortgages accelerating by 14% in the past quarter.

For the first nine months of 2024, TCB's retail lending balance increased by 20% YTD, while the corporate lending balance rose by 16% YTD.

Profit Growth despite decline in Non-Interest Income

In the first nine months of 2024, Techcombank achieved significant growth in revenue and profit. Specifically, pre-tax profit reached VND 22.8 trillion, up by 33.5% year-over-year, while total operating income (TOI) amounted to VND 37.4 trillion, an increase of 28.9%.

Net Interest Income (NII): In Q3 2024, NII reached VND 8,929 billion, up 22.8% year-over-year, accounting for 71.9% of total operating income (TOI). For the cumulative 9-month period, NII amounted to VND 26,906 billion, up 33.9% compared to the first 9 months of 2023. This growth was largely driven by personal lending, particularly in the home loan sector, with personal loan balances growing by 6% quarter-over-quarter.

Non-Interest Income (NFI): While NFI showed a positive growth of 17.7% over the first 9 months, Q3 2024 NFI reached VND 2,826 billion, down 10.2% year-over-year. This decline was primarily due to a drop in revenue from the letter of credit (LC) and foreign exchange segments, affected by regulatory changes and fluctuations in market interest rates.

The bank also announced the termination of its exclusive bancassurance partnership with Manulife, effective from October 2024. To finalize this exit, Techcombank is required to pay a compensation fee of approximately VND 1,808 billion to Manulife. This expense is expected to be recorded in Q4 2024 financial statements and may temporarily impact the bank's short-term profitability in Q4 2024.

Nim remains unimproved despite strong credit growth

Techcombank's net interest margin (NIM) has remained flat recently, primarily due to the structure of its funding sources and intense interest rate competition. Although the bank benefits from a high CASA (current account and savings account) ratio of 40.5%, which reduces funding costs, optimizing the use of these funds has been challenging amid competitive lending rates. The bank has had to maintain low lending rates to attract customers and support mortgage lending, resulting in a spread insufficient to boost NIM. Additionally, rising costs from term deposits have also prevented NIM from improving, even with positive credit growth.

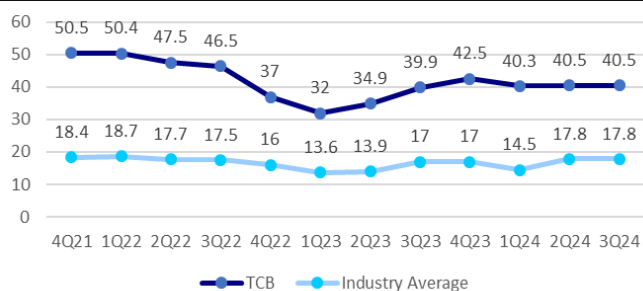
Rising non-performing loan (npl) risks

The non-performing loan (NPL) ratio has risen to 1.35%, indicating an increase in credit risk within the bank's loan portfolio. Another noteworthy factor is the 73.4% year-over-year increase in loan loss provisions, suggesting the bank is proactively addressing potential credit risks. This creates a solid defensive buffer against non-recoverable loans but may also put short-term pressure on profitability.

Strategic Expansion into Insurance

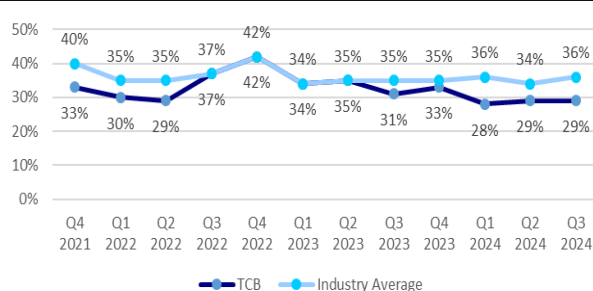
Following the end of its partnership with Manulife, Techcombank's establishment of TCGIns opens new revenue streams in non-life insurance. By diversifying into non-life insurance, Techcombank not only broadens its income sources but also enhances cross-selling opportunities within its financial ecosystem. This strategy strengthens the bank's growth, reduces dependency on interest income, and creates a more stable revenue foundation for the future.

Figure-1: CASA ratio (%)



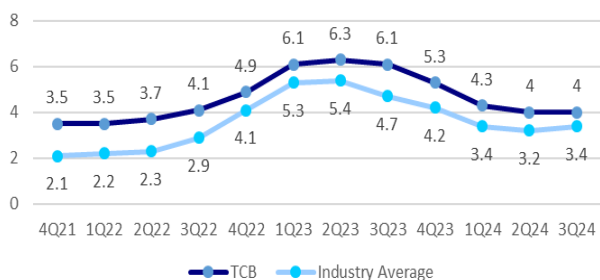
Source: TCB, Guotai Junan (VN).

Figure-2: CIR ratio (%)



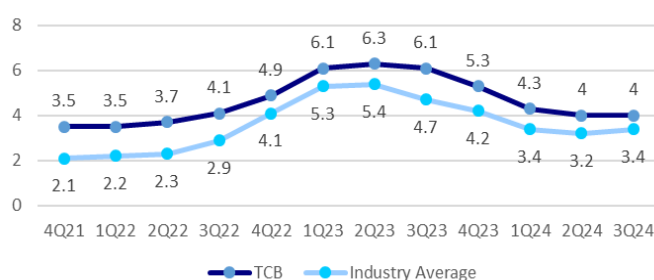
Source: TCB, Guotai Junan (VN).

Figure-3: Cost of fund



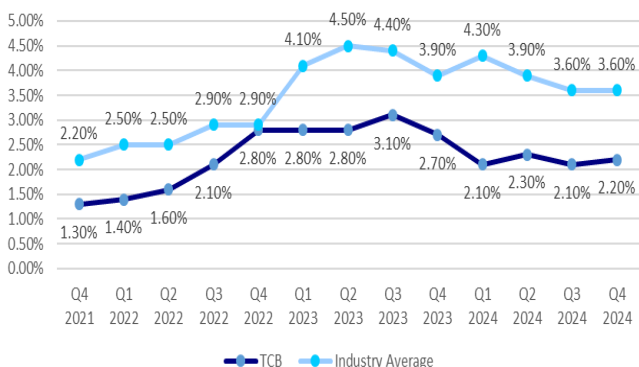
Source: TCB, Guotai Junan (VN).

Figure-4: NIM (trailing 12 months)



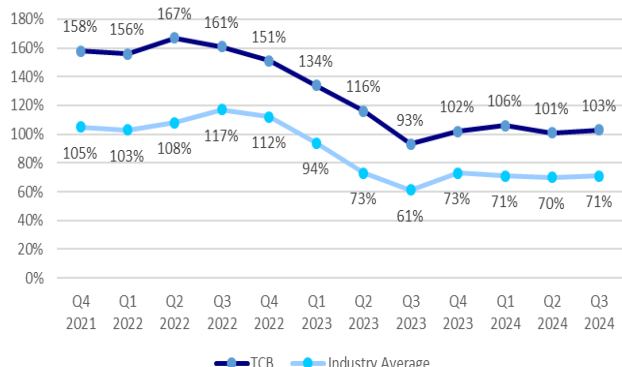
Source: TCB, Guotai Junan (VN).

Figure-5: Group 2 debt + NPL



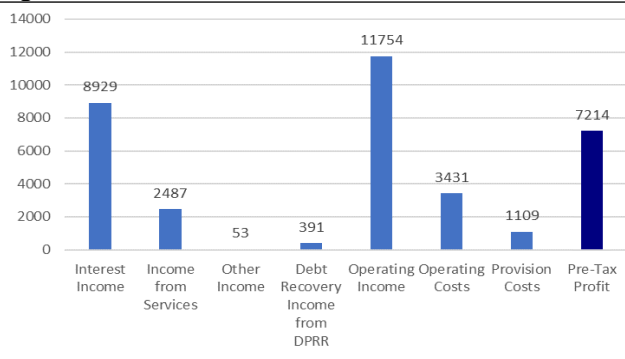
Source: TCB, Guotai Junan (VN).

Figure-6: Non-performing loan (NPL) coverage ratio



Source: TCB, Guotai Junan (VN)

Figure-7: Profit at Quarter 3/2024



Source: TCB, Guotai Junan (VN)

Figure-8: Cumulative profit for the first 9 months of 2024

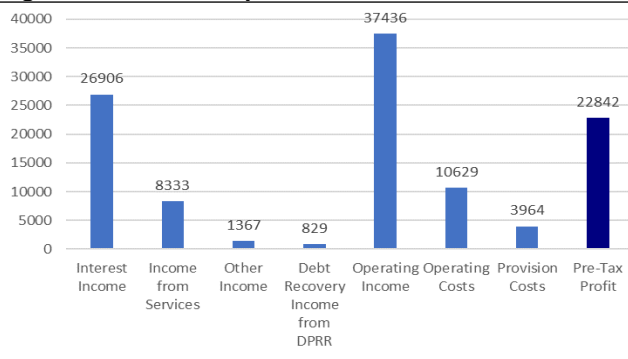


Figure-9: Enterprise credit

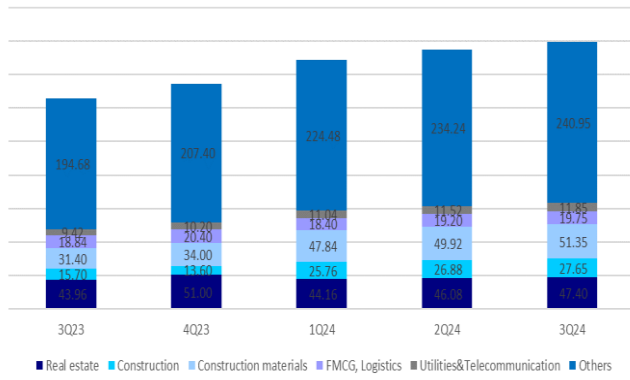
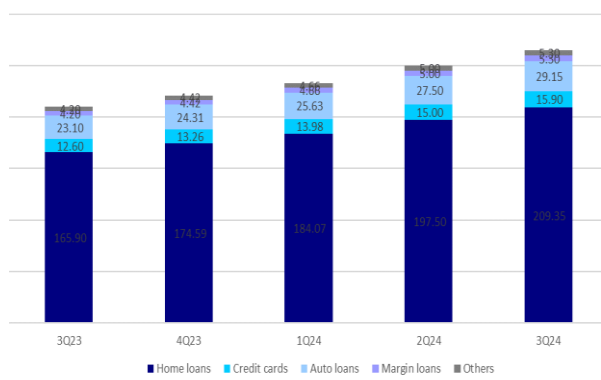


Figure-10: Retail credit



Source: TCB, Guotai Junan (VN)

Figure-11: Yield asset structure

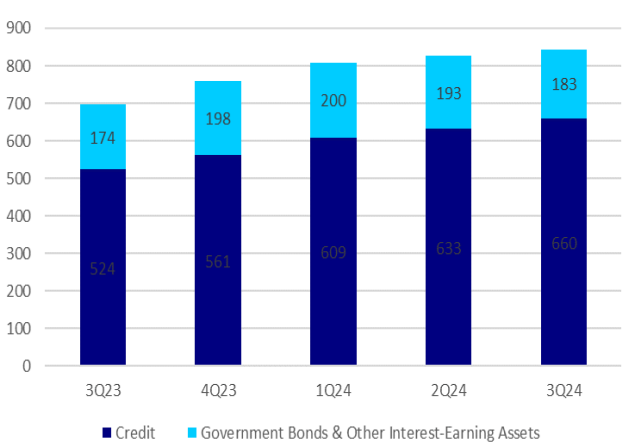
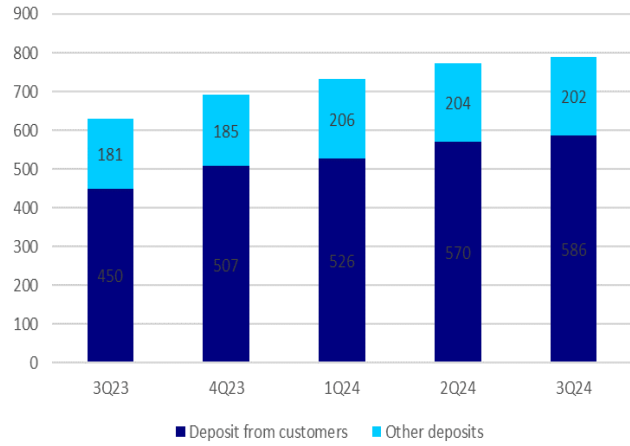
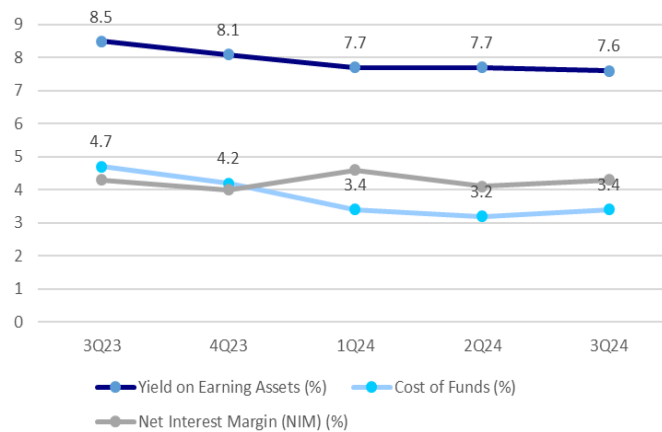


Figure-12: Deposit structure



Source: TCB, Guotai Junan (VN)

Figure-13: NIM



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% OrThe Fundamental outlook of the sector is unfavorable

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GUOTAI JUNAN VIETNAM RESEARCH DEPARTMENT

Trinh Khanh Linh

Equity Research Analyst

linhtk@gtjas.com.vn

(024) 35.730.073 – ext:707

Tran Thi Hong Nhung

Deputy Director

nhungth@gtjas.com.vn

(024) 35.730.073 – ext:703

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CONTACT

Hanoi Head Office

HCMC Branch

Advising:
(024) 35.730.073

Stock ordering:
(024) 35.779.999

Email: gtja@gtjas.com.vn
Website: www.gtjai.com.vn

R9-10, 1st Floor, Charmvit Tower,
117 Trần Duy Hưng, Hà Nội

Tel:
(024) 35.730.073
Fax: (024) 35.730.088

3rd Floor, No. 2 BIS, Công Trường
Quốc Tế, P. 6, Q.3, Tp.HCM

Tel:
(028) 38.239.966
Fax: (028) 38.239.696

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