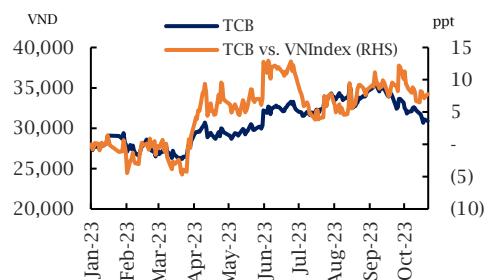


Vietnam: Banking
24 October 2023
Not Rated
TP upside/(downside): N/A
Close 24 Oct 2023
Price VND 31,350
12M Target N/A
Share price performance relative to VNI

Source: Bloomberg

| | |
|-------------------------------|-------------------|
| Market cap | US\$4.4 bn |
| 6M avg. daily turnover | US\$10 mn |
| Outstanding shares | 3,517 mn |
| Free float | 65% |
| FINI ownership | 22.5% |
| Major shareholders | 28.2% |
| Asset/equity (x) | 6.1x |
| 2024E P/E (x) (*) | 5.0x |
| 2024E P/B (x) (*) | 0.8x |
| FOL remaining room | 0.0% |
| Dividend yield | 0.0% |

Source: FiinPro, (*) Bloomberg

| TCB's 3Q23 Results | 3Q23 | % QoQ | % YoY |
|-----------------------|--------|---------|----------|
| NII (VND bn) | 7,272 | 16% | -4% |
| Net Fee Inc. (VND bn) | 2,256 | 12% | 6% |
| Adj. TOI (VND bn) | 10,289 | 23% | 4% |
| Opex (VND bn) | 3,631 | 27% | 25% |
| Provision (VND bn) | 945 | 17% | 55% |
| PATMI (VND bn) | 4,613 | 4% | -13% |
| NPL (%) | 1.36% | 29bp | 71bp |
| LLR (%) | 93% | -23ppt | -72ppt |
| CASA (%) | 33.6% | -1.3ppt | -12.8ppt |

Source: Company Data, Yuanta Vietnam
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Techcombank (TCB VN)
Analyst Meeting Takeaways

3Q23 PATMI reached VND4.6 tn (+4% QoQ/-13% YoY). The YoY decline was mainly due to lower net interest income and increased provisioning costs. 9M23 PATMI reached VND13.6 tn (-18% YoY).

Details

Credit increased by +13.5% in 9M23, far above the sector average of 6.9% YTD. Corporate bonds were 6.2% of total assets (+70bps QoQ but -30bps YoY) as at 3Q23.

3Q23 net interest income was VND7.3 tn (+16% QoQ / -4% YoY). The QoQ increase was due to lower COF at 4.7% (-70bps QoQ) in 3Q23. But 9M23 net-II reached VND20.1 tn (-14% YoY) due to high COF. TCB reported that 12m trailing NIM fell to 4.0% (-30bps QoQ/-1.4ppt YoY).

Net fee income increased by +12% QoQ/+6% YoY to VND2.3 tn in 3Q23, driven by LCs, cash & settlements (+6% QoQ/+64% YoY), along with the recovery in IB fees (+93% QoQ/+7% YoY). Banca fees improved by +74% QoQ but were down -63% YoY in 2Q23.

3Q23 opex rose +27% QoQ/+25% YoY to VND3.6tn, which TCB attributes largely to marketing expenses and increased depreciation. 9M23 opex was VND9.6tn (+3% YoY). TCB reported 9M23 CIR of 33.2% (+4.0ppt YoY). We estimate the bank's YTD adjusted CIR (excluding other income) reached 35.8% (+4.3ppt YoY).

Provisioning surged by +17% QoQ/+55% YoY to VND945 bn in 3Q23, bringing total provisioning to VND2.3 tn (+84% YoY) in 9M23.

NPL ratio jumped to 1.36% (+29bps QoQ/+71bps YoY) as at 3Q23. The NPL ratio for retail loans was 2.47% (+51bps QoQ/1.6ppt YoY) and for SME loans was 2.16% (+65bps QoQ/+1.1ppt YoY).

LLR ratio declined to 93% (-23ppt QoQ/-72ppt YoY) as the increased NPLs offset the higher provisioning figures.

CASA ratio was 33.6% (-1.3ppt QoQ/-12.8ppt YoY) as at 3Q23.

CAR was 15.0%, far above the Basel II minimum requirement of 8.0%.

ST funding used for MLT loans was 30.5% (vs. the cap of 30.0%).

Our view

TCB's NIM could decrease YoY in 2023, but NIM may recover in 4Q23 and 2024 given lower COF.

Decreased CASA. TCB's CASA ratio is among the highest in the sector. We expect CASA deposits to improve for the banks with strong deposit franchises given low term deposit rates across the banks.

Reduced LLR ratio. This marks the first time of TCB's LLR ratio dropping below 100% since 1Q20.

We don't cover TCB and have no investment view on the stock. But the valuation might look cheap to some investors at just 0.8x 2024E PB vs. the sector median of 0.9x.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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BUY: We have a positive outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors add to their position.

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HOLD–Underperform: In our view, the stock's fundamentals are relatively less attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

SELL: We have a negative outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors reduce their position.

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