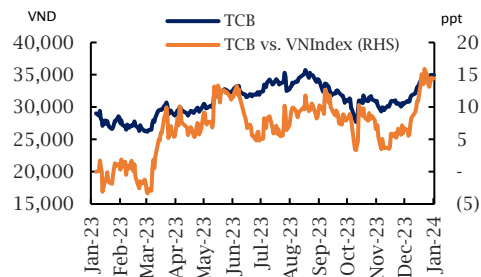


Vietnam: Banking
23 January 2024
Not Rated
TP upside/(downside): N/A
Close 23 Jan 2024
Price VND 35,450
12M Target N/A
Share price performance relative to VNI

Source: Bloomberg

Market cap	US\$5.0 bn
6M avg. daily turnover	US\$12 mn
Outstanding shares	3,523 mn
Free float	65%
FINI ownership	22.5%
Major shareholders	37%
Asset/equity (x)	6.5x
2024E P/E (x) (*)	5.5x
2024E P/B (x) (*)	0.9x
FOL remaining room	0.0%

Source: FiinPro, (*) Bloomberg

TCB's 4Q23 Results	4Q23	% QoQ	% YoY
NII (VND bn)	7,597	4%	11%
Net Fee Inc. (VND bn)	2,496	11%	2%
Adj. TOI (VND bn)	10,709	4%	21%
Opex (VND bn)	3,610	-1%	-8%
Provision (VND bn)	1,634	73%	136%
PATMI (VND bn)	4,439	-4%	25%
NPL (%)	1.19%	-20bps	44bps
LLR (%)	102%	9ppt	-55ppt
CASA (%)	39.9%	6.3ppt	3.0ppt
CAR	14.4%		

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

4Q23 PATMI reached VND4.4 tn (-4% QoQ/+25% YoY). The YoY increase was mainly due to higher net interest income and lower opex in 4Q23. For 2023, PATMI was VND18.0 tn (-11% YoY), which was due to lower net interest income and higher provisioning.

Details

Credit (bank standalone) increased by +19.2% YoY in 2023, which was largely driven by corporate clients (+8.2% QoQ/+44.7% YoY).

Corporate bonds were down by -12% QoQ, and corporate bonds per total assets decreased to 5.0% (-1.2ppt QoQ/-90bps YoY) in 4Q23.

4Q23 net interest income was VND7.6 tn (+4% QoQ/+11% YoY). The bank reported a lower cost of funds at 4.2% in 4Q23 (-50bps vs. 3Q23, and -1.2ppt vs. 2Q23). NIM declined to 3.9% (-1.2ppt YoY), but the calculation was skewed down by a sudden jump in loans at yearend.

Net fee income increased by +11% QoQ/+2% YoY to VND2.5tn in 4Q23, driven by LCs, cash management & settlements. Banca fees increased by +26% QoQ but declined by -69% YoY in 4Q23.

4Q23 opex decreased by -1% QoQ/-8% YoY to VND3.6tn. TCB reported 2023 CIR of 33.1% (+90bps YoY). We estimate the bank's adjusted CIR (excluding other income) reached 35.2% (+1.3ppt YoY).

Provisioning surged to VND1.6 tn (+73% QoQ/+136% YoY) in 4Q23, bringing total provisioning to VND3.9 tn (+103% YoY) in 2023.

NPL ratio decreased to 1.19% (-20bps QoQ/+44bps YoY) as at 4Q23. The NPL ratio for retail loans was 2.26% (-21bps QoQ/but +1.2ppt YoY) and for SME loans was 1.69% (-47bps QoQ/but +54ppt YoY). Group 2 loan ratio was only 0.88% (-40bps QoQ/-1.2ppt YoY). **LLR ratio increased slightly to 102%** (+9ppt QoQ/ but -55ppt YoY).

CASA ratio jumped to 39.9% (+6.3ppt QoQ/+3.0ppt YoY) as at 4Q23.

Stable liquidity: ST funding used for MLT loans was 26.4% (vs. the cap of 30.0%), and **LDR was 77.4%** (vs. the cap of 85.0%).

TCB plans to pay out a cash dividend in 2024 -- this is a first for TCB.

Our view

We think banks' net-interest income and NIM to improve in 1Q24 on declining funding costs (& our negatively skewed 4Q23 NIM estimate). **TCB regained the 'King of CASA' position**. We think banks' CASA deposits to further improve given low term deposit rates.

Improved asset quality. NPL ratio fell, LLR increased, and corporate bond exposure decreased.

We have no investment view on TCB. But at a valuation of 0.9x 2024E PB vs. the sector median of 1.0x, TCB might look cheap to some investors given its effort to reduce exposure to corporate bonds and its plan to pay cash dividends for the first time since the IPO.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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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.

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