

Vietnam: Banks
27 August 2024
Action
BUY
TP upside (downside) +18%
Close 27 Aug 2024

Price	VND 22,650
12M Target	VND 26,470

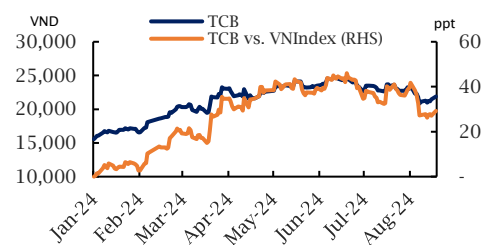
What's new?

- ▶ **Credit up +12.9% YTD** in 1H24. We expect an increased FY quota.
- ▶ **NPL ratio of 1.28%** is among the lowest in the sector.
- ▶ **1H24 earnings fulfilled 58%** of TCB's target & 53% of our forecast.
- ▶ **TCB plans to continue paying a cash dividend** going forward.

Our view

- ▶ **Resilient bank with enticing valuation.**
- ▶ **Under-leveraged.** 2Q24 assets/equity was just 6.6x vs. the sector median of 11.6x.
- ▶ **Highest ROA in the sector** at 2.78% in 2024–28E.
- ▶ **Solid solvency capital position** to sustain growth and cash dividends (see p.7).
- ▶ **Initiate with BUY.** TCB trades at 1.1x '24E PB but it merits a premium vs. peers.

Company profile: TCB regularly achieves among the highest rankings in our quarterly [CAMEL analysis](#) due to strong solvency capital, stable asset quality, and leading CASA franchise. Corporates account for 61% of credit assets, most of which are real estate-related borrowers (41% of total credit), while mortgages represent another 29% of credit. As such, TCB's real estate exposure is the highest among major commercial banks. This is well-understood, but bank's 94% stake in TCB Securities (which is not listed, yet) is an often-overlooked asset that could be worth one-third of TCB's current market capitalization.

Share price performance relative to VNIndex


Market cap	US\$6.3 bn
6M avg. daily turnover	US\$21 mn
Free float	65%
FINI ownership	20.8%
Major shareholders	23%
2024E Asset/equity (x)	6.9x
2024E P/E (x)	5.1x
2024E P/B (x)	1.1x
Remaining foreign room (%)	1.7%
2025E Dividend yield (%)	4.4%

Source: Bloomberg

Financial outlook (VND bn)

Year	2023A	2024E	2025E	2026E
NIM (%)	4.04%	4.44%	4.40%	4.38%
Fee growth (%)	2%	25%	19%	18%
Adjusted CIR	35%	33%	32%	32%
PPOP growth (%)	-4%	36%	16%	17%
PATMI (VND bn)	18,004	23,272	28,147	33,178
ROAA (%)	2.35%	2.58%	2.73%	2.80%
ROAE (%)	14.8%	17.2%	18.8%	19.1%
PE (x)	4.3x	5.1x	5.6x	4.8x
PB (x)	0.6x	1.1x	1.0x	0.9x
Div. yield (%)	0.0%	6.7%	4.4%	4.4%

Source: FiinPro-X, Yuanta Vietnam

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Techcombank [TCB VN]

Quality bank at a bargain price

Strong deposit franchise. TCB's 2Q24 CASA ratio of 37.4% was the second highest in the sector. CASA CAGR of 28% in 2017–2023 exhibits the bank's focus on its individual and SME deposit franchise.

NIM is among the highest in the sector despite its lack of unsecured consumer finance exposure. This is due to the CASA deposit franchise.

Solid asset quality, with strong risk management demonstrated by its low 2Q24 NPL ratio of 1.28% and high LLR ratio of 101%.

Strong profitability: We forecast ROE of 17.2% in 2024 / 18.8% in 2025, vs. 2018–23 avg ROE of 18.4%. But the bank's low leverage means that ROA is a superior metric for comps. We forecast ROA of 2.58% in 2024 (vs. 1.67% for the sector median) and 2.73% in 2025 (vs. 1.66% for peers).

TCB is under-leveraged, in our view, with assets/equity at 6.6x vs. the sector median of 11.6x. Vietnamese banks as a group are frequently criticized for their low solvency capital, but TCB is an exception with a healthy capital Tier 1 ratio of 14.2% at 2Q24.

Cash dividend is sustainable. The bank paid out a cash dividend for the first time in 2024. In light of cash requirements of certain shareholders, this could continue going forward, and we believe it to be sustainable given the bank's high solvency capital / low leverage and strong ROA.

Valuation is attractive – Initiate with BUY. TCB trades at just 1.1x 2024E P/B, lower than the sector median 1.2x. We believe that TCB deserves a premium. Our target price of VND26,470 implies +23% 12M TSR.

Risk: Sector-high exposure to real estate. However, real estate exposure declined from 75% of total credit in 2Q23 to 69% in 2Q24. (see p.11)

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

Yuanta does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

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Investment thesis: Quality bank at a bargain price

Corporate finance decision: Under-leveraged; healthy CAR for sustainable growth

Our 12-month target price: VND26,470, implying 12M TSR of +23%

What is the value of TCBS?

Investment risks: High expose to corporate bonds to real estate developers

Business overview: A corporate-oriented financial institution that consistently ranks among the Top 3 quality banks based on our CAMEL framework.

Basic stock statistics: Top 3 bank for risk-adjusted stock performance (based on Sharpe ratio comparisons) YTD through Aug 2024

Investment thesis – Solid bank with enticing valuation

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Table 1: Valuations

Valuation Ratios	2021A	2022A	2023A	2024E	2025E	2026E
Adjusted PER (x)	4.3	3.8	4.3	5.1	5.6	4.8
PEG	0.1	0.3	(0.4)	(0.4)	(0.6)	0.3
ROA (%)	3.65%	3.22%	2.35%	2.58%	2.73%	2.80%
ROE (%)	21.7%	19.7%	14.8%	17.2%	18.8%	19.1%
PBR (x)	0.8	0.7	0.6	1.1	1.0	0.9
Dividend Yield (%)	0.0%	0.1%	0.0%	6.7%	4.4%	4.4%

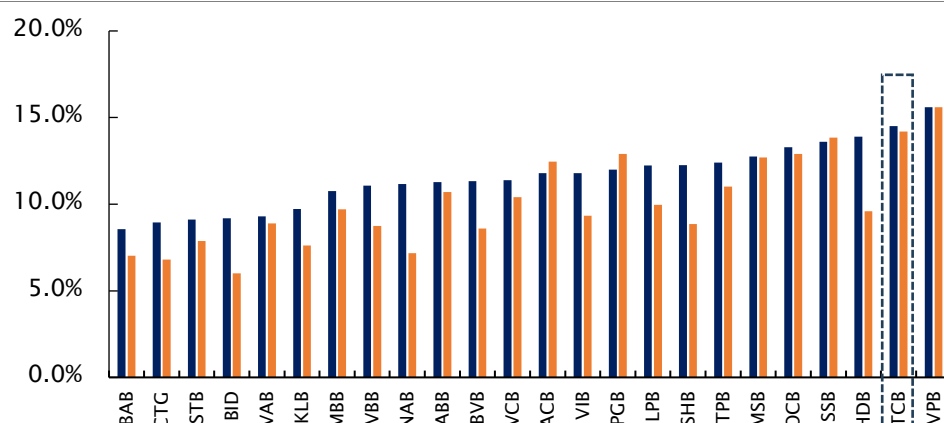
Source: Company data, Yuanta Vietnam

Healthy capital level

TCB's CAR of 14.5% is the second highest in the sector, with the majority being Tier 1 capital at 14.2%.

Strong solvency capital. TCB's 2Q24 CAR ratio was 14.5%, the second highest in the sector, and almost all of this is Tier 1 capital (Tier 1 ratio: 14.2%). The bank's strong capital level provides for downside protection in boosting its ability to absorb unexpected losses going forward, and it also suggests that the recently adopted cash dividend payout is sustainable in the future.

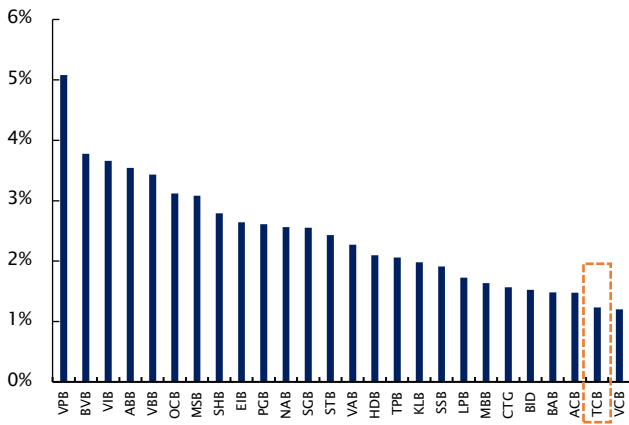
Figure 1: TCB has the second highest CAR and Tier 1 ratio among banks



Source: Company Data (based on the most recent released data)

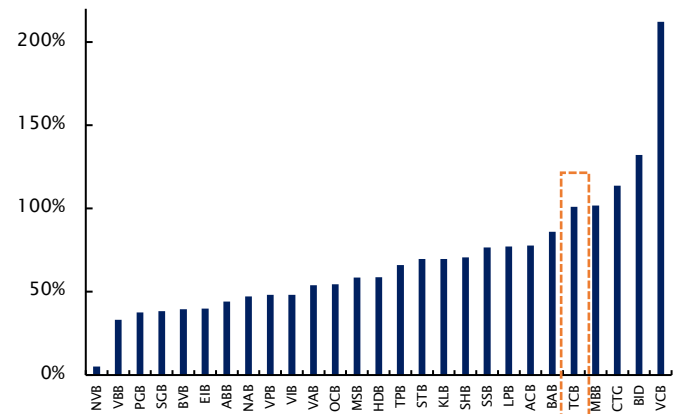
Solid asset quality. TCB consistently ranks among the top 3 in our CAMEL framework. Among the primary drivers of its high CAMEL score is its strong solvency capital, but its consistently low NPL ratio and high loan loss reserve (LLR) ratio are also key factors. TCB has maintained its NPL ratio within a low range of 0.47%–1.28% since 2020, and its 2Q24 NPL ratio was the second lowest in the sector.

Figure 2: NPL ratios among banks at 2Q24



Source: FiinPro-X, Yuanta Vietnam

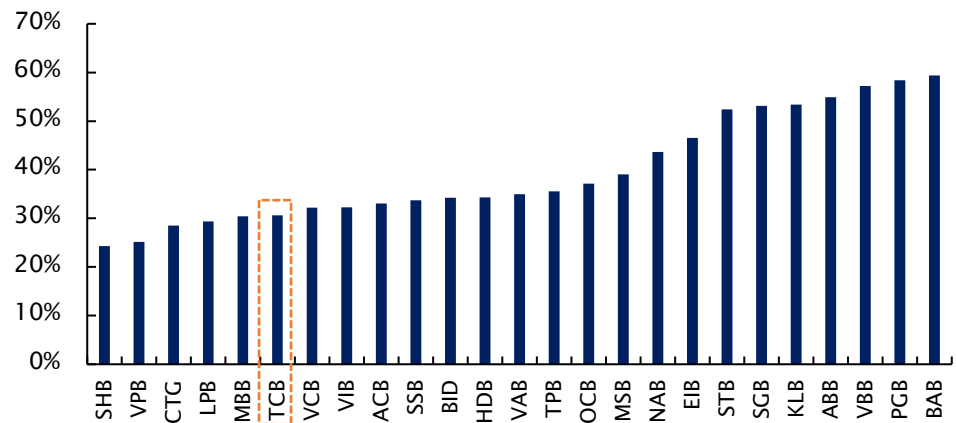
Figure 3: LLR among banks at 2Q24



Source: FiinPro-X, Yuanta Vietnam

Efficient management. Cost management is among the best in the sector, with an adjusted CIR (excluding net other incomes) of 31% as at 2Q24, on our calculation. Operating efficiency provides a crucial boost to PPOP and the bottom line.

Figure 4: TCB's adjusted CIR is among the lowest in the sector in 2Q24



Source: FiinPro-X, Yuanta Vietnam

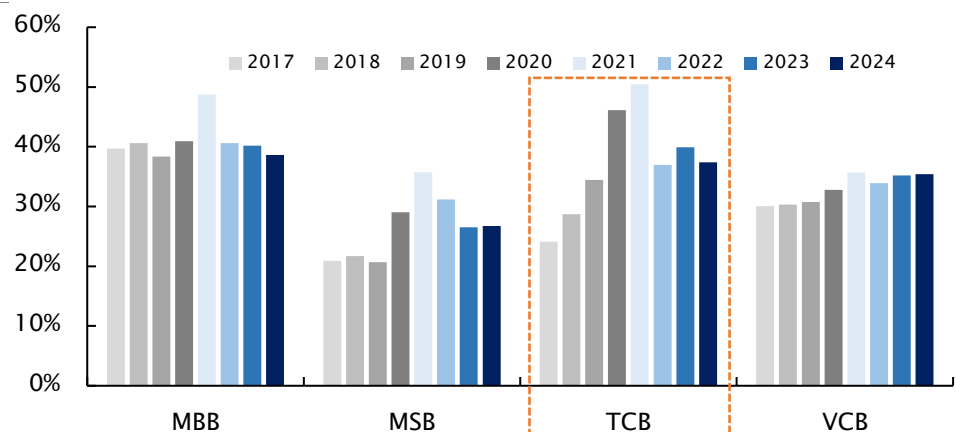
Strong CASA

TCB's CASA of 37.4% is the second highest in the sector.

Strong deposit franchise. TCB has the advantage of high CASA deposits, which results in a reduced average interest expense on deposits. TCB's CASA ratio was the second highest in the sector at 37.4% as at 2Q24.

In contrast to the corporate-focused loan book, TCB gathers most (60% as at 2Q24) of its CASA deposits from retail / SME customers. CASA CAGR of 28% in 2017-2023 exhibits the bank's focus on its consumer and business banking deposit franchise.

Figure 5: CASA ratios from 2017 to 2Q24



Source: FiinPro-X, Yuanta Vietnam

CASA from related parties is low, which might contradict some readers' perceptions. Related parties accounted for just 0.8% of TCB's total CASA deposits in 2023. Retail clients accounted for 60% of the total CASA deposits in 2Q24.

We perceive retail depositors to be a more sustainable funding source than corporates are, so this high level of retail deposits is a critical advantage, in our view.

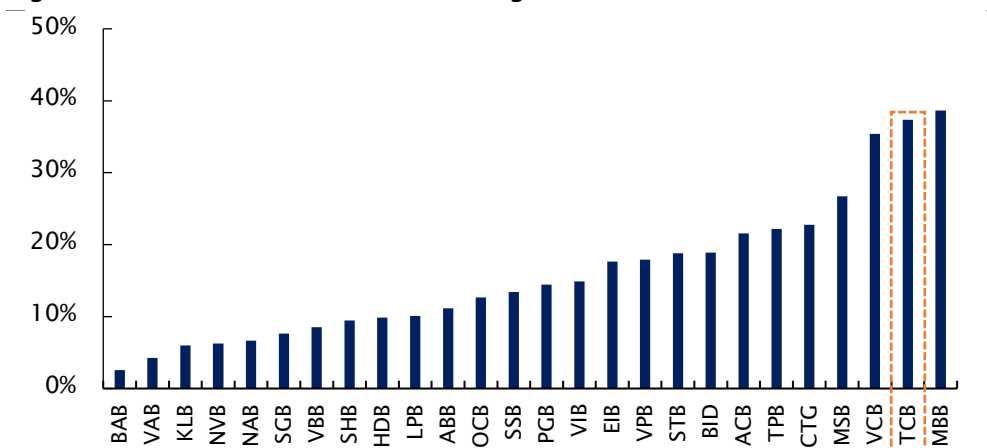
High CASA ratio supports TCB's NIM. We forecast NIM to reach 4.44% in 2024E and 4.40% in 2025E. TCB's NIMs are among the highest in the sector despite having no exposure to unsecured consumer finance. This is largely due to the high CASA ratio.

The deposit franchise is also an offset to the NIM pressure from ongoing regulatory changes. Notably, the SBV has capped the amount of short-term funding used for medium- and long-term loans at 30% since Oct 2023, and this cap may reduce further going forward.

Banks (including TCB) may thus need to raise more medium to long-term funding (i.e., bonds), thus boosting their gross interest expenses and tightening NIMs. We assume a differential of about 1–2ppt between bank bond rates and deposit rates.

However, TCB's high CASA ratio puts it in an advantageous position vs. peers in managing its blended cost of funds.

Figure 6: TCB's CASA ratio is the second highest in the sector



Source: FiinPro-X, Yuanta Vietnam

Corporate finance decisions – Very solid solvency capital supports sustained growth and cash dividends.

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Analyzing a company through examining its corporate finance decisions will give investors a big picture of how a company operates, and what should they do to maximize the firm's value and share price as a result.

In this report, we will assess TCB's investment, financing, and dividend policy decisions. We then value the bank using three methodologies including residual income, FCFE, and relative valuation.

Investment decisions

	5Y Avg.	LTM	2024E	2025E
PATMI	15,718	21,466	23,272	28,147
Average Equity	94,553	133,740	134,683	149,567
Return on Equity	18.4%	16.1%	17.2%	18.8%
Cost of Equity	13.8%	13.8%	13.8%	13.8%
ROE – COE	4.6%	2.2%	3.4%	5.0%

Investment decisions

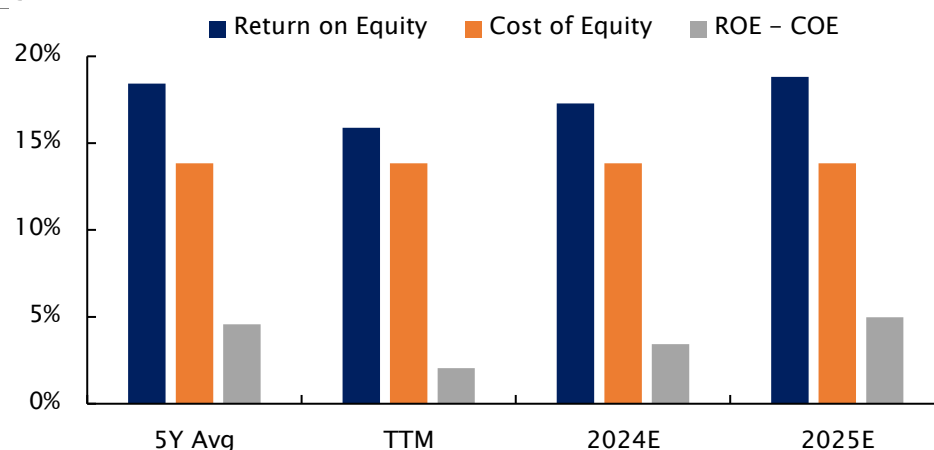
TCB's ROE is higher than its COE.

TCB's ROE is lower than its peers, **but** its LTM ROA of 2.47% is the highest in the sector.

TCB generated LTM ROE of 16.1%, but its average ROE in the last 5 years was 18.4%. We assume that TCB's ROE will return to an average of 18.0% in the period 2024–25E. Our estimate of TCB's cost of equity is 13.8%. TCB's ROE is consistently well above its COE hurdle rate, indicating that the bank is a value creator.

While TCB's LTM ROE of 16.1% lags behind high-quality peers such as ACB (22.5%), HDB (25.3%), MBB (22.1%), and VCB (19.0%), its low leverage – second only to VPB – suggests that ROA is a more appropriate metric for comparison. As of 2Q24, TCB's LTM ROA stood at 2.47%, which is the highest in the sector. We forecast TCB's ROA to reach 2.58% in 2024E and 2.73% in 2025E.

Figure 7: TCB's investment decision: ROE vs. COE



Source: FiinPro-X, Yuanta Vietnam

Financing decisions

TCB is under leverage, with assets/equity of only 6.6x vs. the sector's median of 11.6x.

Its CAR of 14.5% is well above the Basel II's minimum requirement of 8.0% and even Basel III of 10.5%.

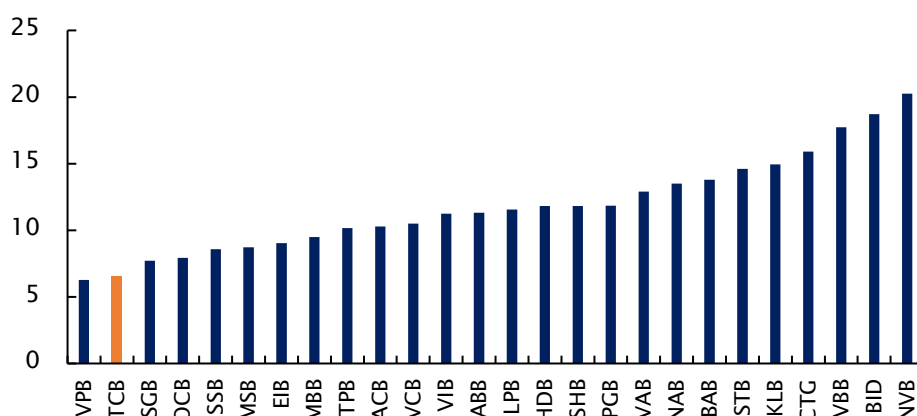
Financing decisions

In our view, TCB is under-leveraged, with a total assets/equity ratio of only 6.6x – well below the sector median of 11.6x.

TCB has the second highest CAR in the sector at 14.5% as at 2Q24, which is well above the Basel II minimum requirement of 8.0% and even Basel III's minimum of 10.5%. Almost all TCB's CAR is based on Tier 1 capital, with a Tier 1 ratio of 14.2% as at 2Q24.

Strong capital is necessary to help the bank sustain its business growth as well as absorb any unexpected losses. Banks with a high CAR like TCB should be perceived as having a lower level of risk compared to low-CAR banks. This suggests a lower-than-average discount rate and theoretical cost of equity, which underscores our view that the bank merits a premium valuation.

Figure 8: Asset/Equity leverage among banks



Source: FiinPro-X, Yuanta Vietnam

TCB's LDR of 79.6% is below the SBV's cap of 85.0%. Its SMLT ratio of 24.2% is far below the SBV's maximum requirement of 30.0%, despite the bank's high CASA ratio. However, with 61% of the total loans being long-term, TCB might face pressure to increase its net stable funding in the future, especially if the regulatory tightening on ST funding for SMLT credit continues going forward.

Going forward, TCB and many other banks have limited room to expand their long-term loans due to the new constraint on SMLT ratio. Thus, they may need to either scale back their approach to extending long-term loans or increase their long-term funding by issuing bonds.

Bond yields are typically 1–2 ppt higher than customer deposit rates, which adds to funding costs and pressures NIMs for the issuing bank.

Thus, lower SMLT ratio requirements are a constraint on bank NIMs across the sector. However, banks with strong CASA ratios are in a better position to manage their cost of funds compared to low-CASA ratio banks. In Vietnam, the banks with the highest CASA ratios as of 2Q24 are MBB (38.6%), TCB (37.4%), and VCB (35.4%) are in a better position to manage their cost of funds compared to low-CASA ratio banks.

Dividend decisions

Framework for dividend policies assessment of banks:

Current cash flow	Excess Return	Jensen Alpha	Tier 1	Conclusion: Pressure to return cash
FCFE > Dividends	ROE < COE	Stock return < COE	Tier 1 > 8%	Highest
FCFE > Dividends	ROE >= COE	Stock return >= COE	Tier 1 = 8%	Consider paying more dividends
FCFE > Dividends	ROE > COE	Stock return > COE	Tier 1 = 8%	Allow cash accumulation
FCFE < Dividends	ROE < COE	Stock return < COE	Tier 1 = 8%	Reduce dividends over time
FCFE < Dividends	ROE >= COE	Stock return >= COE	Tier 1 = 8%	Cut dividends now
FCFE < Dividends	ROE > COE	Stock return > COE	Tier 1 < 8%	Stop paying dividends

Notes:

- Free Cash Flow to Equity (FCFE) is the difference between net income and the change in regulatory capital during the measured period.
- Cash paid includes cash dividends and share buybacks.
- We use our 2024E forecasts for TCB's data
- We calculate cost of equity (COE) using the CAPM.
- Excess return: $ROE - COE$
- Jensen's alpha is the difference between the stock return and cost of equity.

Bank	FCFE vs. Cash Paid (VND bn)	ROE, COE, and Jensen Alpha	Conclusion																																				
TCB	<table border="1"> <thead> <tr> <th>Year</th> <th>2024E</th> <th>2025E</th> </tr> </thead> <tbody> <tr> <td>FCFE</td> <td>6,599</td> <td>8,960</td> </tr> <tr> <td>Dividend paid</td> <td>5,284</td> <td>7,045</td> </tr> <tr> <td>Share buyback</td> <td>-</td> <td>-</td> </tr> <tr> <td>Total cash paid</td> <td>5,284</td> <td>7,045</td> </tr> <tr> <td>FCFE - Cash paid</td> <td>1,315</td> <td>1,915</td> </tr> </tbody> </table>	Year	2024E	2025E	FCFE	6,599	8,960	Dividend paid	5,284	7,045	Share buyback	-	-	Total cash paid	5,284	7,045	FCFE - Cash paid	1,315	1,915	<table border="1"> <thead> <tr> <th>Performance Ratios</th> <th>LTM</th> </tr> </thead> <tbody> <tr> <td colspan="2">1. Accounting Measure</td> </tr> <tr> <td>ROE</td> <td>16.1%</td> </tr> <tr> <td>Required rate of return</td> <td>13.8%</td> </tr> <tr> <td>ROE - Cost of Equity</td> <td>2.2%</td> </tr> <tr> <td colspan="2">2. Stock Performance Measure</td> </tr> <tr> <td>Returns on stock</td> <td>32.8%</td> </tr> <tr> <td>Required rate of return</td> <td>13.8%</td> </tr> <tr> <td>Jensen's alpha</td> <td>19.0%</td> </tr> </tbody> </table>	Performance Ratios	LTM	1. Accounting Measure		ROE	16.1%	Required rate of return	13.8%	ROE - Cost of Equity	2.2%	2. Stock Performance Measure		Returns on stock	32.8%	Required rate of return	13.8%	Jensen's alpha	19.0%	<ul style="list-style-type: none"> • FCFE > 0 • ROE > COE (but slightly) • Stock return > COE • Tier 1 (14.2%) > 8.0% <p>ROE was just slightly higher than COE.</p> <p>Historically, TCB did not pay dividends despite positive FCFE, while most of its peers paid cash dividends.</p> <p>TCB generated positive alpha of about 8% in 2023 and 19% based on LTM data.</p> <p>TCB has the second highest Tier 1 capital ratio in the sector.</p> <p>Thus, TCB have strong capital to sustain its cash dividend policy, and we think it should continue to return cash to shareholders.</p>
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Valuation - Our 12-month price target is VND26,470 per share

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We apply three valuation methodologies to generate our VND26,470 target price for TCB, indicating a 12-m TSR of 23%, with P/B multiples of 1.3x for 2024E and 1.2x for 2025E.

We employ the following key assumptions in our residual income and FCFE models to value Techcombank [TCB]:

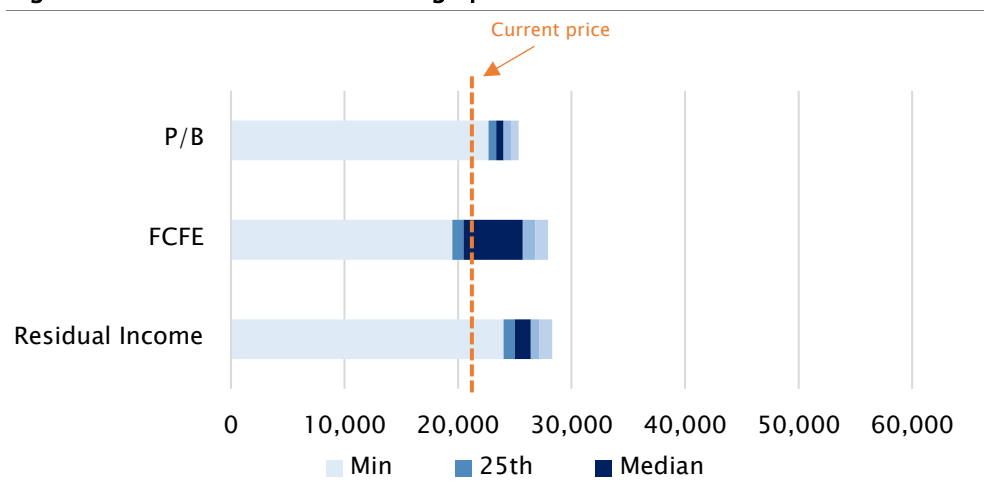
- **The cost of equity** starts at 13.8% and falls to 13.3% in year 10, followed by a steady state that reflects reduced risk and reduced potential returns as the bank grows.
- **ROE is based on our model forecasts**, which start at 17.2% in 2024E and increases to 19.1% in Year 5 (2028E). It then gradually decreases to 14.0% in year-10 (2033E), and it remains at that level subsequently.
- **Tier 1 capital ratio** begins at 14% and gradually decreases to 12% in year 10, remaining at that level subsequently (steady state).

Table 2: TCB's estimated fair value

Valuation Methods	Average Fair Value (VND/share)		
	Estimated Price	Weight (%)	Price
Residual Income	26,406	40.0%	10,562
FCFE	27,780	40.0%	11,112
P/B Comparable	24,005	20.0%	4,801
Estimated Fair Value			26,470

Source: Yuanta Vietnam

Figure 9: TCB's estimated fair value graph



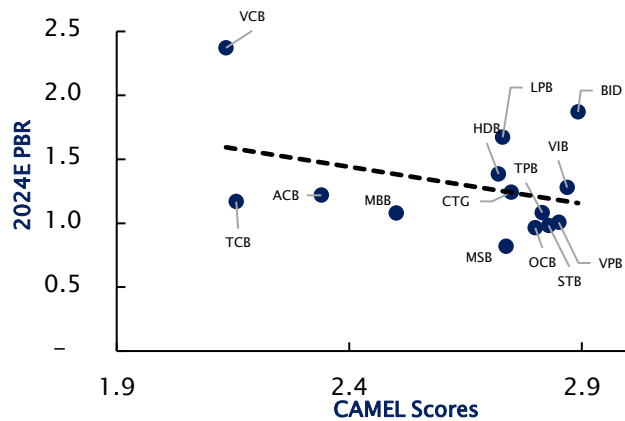
Source: Yuanta Vietnam

Sensitivity analysis: Residual Income approach

Return on Equity	Cost of equity						
	12.5%	13.0%	13.5%	13.8%	14.3%	14.8%	15.3%
14%	26,939	26,208	25,500	25,027	24,358	23,711	23,085
15%	27,303	26,560	25,841	25,360	24,680	24,023	23,386
16%	27,675	26,920	26,189	25,700	25,010	24,341	23,695
18%	28,446	27,666	26,911	26,406	25,692	25,002	24,334
19%	28,685	27,896	27,134	26,624	25,903	25,206	24,531
20%	29,090	28,288	27,513	26,994	26,261	25,553	24,867
21%	29,505	28,689	27,901	27,373	26,628	25,908	25,211

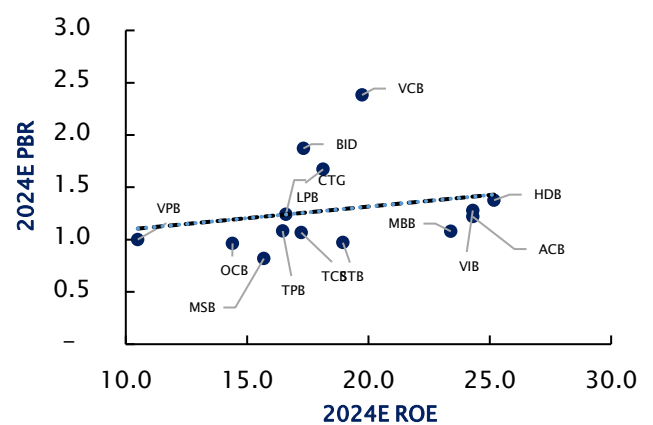
Source: Yuanta Vietnam

Figure 10: 2024E P/BV vs. CAMEL



Source: FiinPro-X, Yuanta Vietnam

Figure 11: 2024E P/BV vs. ROE



Source: Bloomberg, Yuanta Vietnam

What is the value of TCBS?

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TCB directly holds 94.17% of Techcom Securities (TCBS), which is not listed. TCBS is among Vietnam’s largest brokers by equity capital and it is also the nation’s No.1 margin lender as of 2Q24.

We believe that a consideration of the value of this subsidiary is largely absent from published analysis of TCB, the commercial bank.

This is a mistake, in our view, for two reasons:

- 1) We believe that a potential IPO of TCBS (at some unknown point in the future, but presumably well-timed amid a bull market) could be a strong upside stock price catalyst for TCB itself; and
- 2) We think that TCBS might command a market cap of higher than US\$2.2bn (or almost 1/3 of TCB’s market cap) if it were listed today -- and potentially far higher in a stock market boom.

Brokers are highly volatile stocks that we consider to be a warrant on the market. Brokerage stocks often trade well above fair value in a market boom. For example, the four brokers in the Yuanta Vietnam coverage universe were trading at 4x P/BV or greater at the peak in 4Q21. By contrast, brokers often undershoot their fair values in bear markets: Our Fab-4 traded down to around 1x P/BV or lower at the stock market bottom in 4Q22.

Currently, the median trailing P/B of the Vietnam brokerage sector is 2.2x (source: Bloomberg).

We could argue that TCBS merits a valuation premium to the sector given its superior returns compared to its brokerage peers. We do not forecast numbers for TCBS, but for example its 3Q23–2Q24 ROE was 15.9%, exceeding the sector’s median of 10.6% and higher than that of SSI (10.1%), HCM (10.6%), and VCI (9.6%).

However, one could also make the argument that TCBS benefits from its status as a TCB subsidiary, and its profitability would thus be lower if it were a standalone entity.

We don’t have a conviction view on this subject, but we think it fair to assume that TCBS at least should trade at the sector’s P/B median level of 2.2x. With a BVPS of VND113,081 and 218 million shares outstanding, TCBS’s estimated market value would be around VND56 trillion (USD2.2 billion).

This would imply that TCB's 94% stake is worth VND53 trillion (USD2.1 billion), representing around 1/3 of TCB's market capitalization.

Of course, we have no visibility on when or whether an IPO of TCBS might finally occur – indeed, maybe it won't happen. Nevertheless, we believe this exercise serves to illustrate our main point, which is that TCB is substantially undervalued.

Table 3: Peers valuation comparison table

Company	Ticker	Rating	Current Price	Mkt Cap (US\$ bn)	ROE			PER (x)			PBR(x)		
					2023A	2024E	2025E	2023A	2024E	2025E	2023A	2024E	2025E
Techcombank	TCB VN	BUY	21,850	6.0	15%	17%	19%	4.3	5.1	5.6	0.6	1.1	1.0
Peers													
Asia Commercial Bank	ACB VN	BUY	24,100	4.2	24%	24%	23%	6.2	5.5	5.0	1.4	1.3	1.1
BIDV Bank	BID VN	HOLD-UPF	49,150	10.7	17%	17%	17%	13.5	11.4	9.6	2.3	1.9	1.6
Vietinbank	CTG VN	Not Rated	33,200	6.9	16%	17%	19%	10.0	8.5	6.3	1.4	1.2	1.0
HDBank	HDB VN	BUY	26,800	3.1	24%	25%	25%	7.3	5.6	4.6	1.6	1.3	1.1
Military Bank	MBB VN	BUY	24,250	5.0	23%	23%	22%	6.3	5.1	4.3	1.3	1.1	0.9
Maritime Bank	MSB VN	Not Rated	14,800	1.2	17%	16%	15%	5.8	5.4	5.1	0.9	0.8	0.7
Orient Commercial Bank	OCB VN	Not Rated	14,450	1.2	16%	13%	14%	7.0	7.8	6.4	1.0	0.9	0.8
Sacombank	STB VN	HOLD-OPF	29,650	2.2	16%	19%	21%	8.0	5.7	4.2	1.2	1.0	0.8
Tienphong Bank	TPB VN	Not Rated	17,550	1.5	16%	16%	17%	5.5	6.9	3.9	1.1	1.0	0.9
Vietcombank	VCB VN	BUY	90,800	19.5	20%	20%	19%	16.1	13.2	11.2	2.9	2.4	2.0
Vietnam International Bank	VIB VN	Not Rated	21,400	2.1	25%	21%	23%	6.2	6.7	5.1	1.4	1.3	1.1
Vietnam Prosperity Bank	VPB VN	BUY	18,600	5.8	8%	10%	13%	13.2	10.0	7.7	1.1	1.1	1.0

Source: Company data, Bloomberg Consensus for CTG, MSB, OCB, TPB, and VIB, Yuanta Vietnam estimates for ACB, BID, HDB, MBB, STB, TCB, VCB, and VPB

Yuanta versus consensus

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Table 4: Yuanta vs. Consensus

Net income (VND bn)	2024E	2025E	2026E
Consensus mean	22,726	28,323	34,244
Yuanta forecast	23,210	28,072	33,089
%ge difference	2.1%	-0.9%	-3.4%
Consensus high	24,544	34,033	39,639
Consensus low	21,513	25,625	30,648
EPS (VND)			
Consensus mean	3,352	4,022	5,372
Yuanta forecast (adj.)	4,393	3,985	4,697
%ge difference	31.0%	-0.9%	-12.6%
Consensus high	4,576	4,829	9,102
Consensus low	3,047	3,630	4,341

Source: Bloomberg, Yuanta Vietnam

*We think that BBG consensus does not factor in employee welfare fund contributions.

Related party: Unlike many other banks, TCB has no foreign strategic investor, and Masan Group is the largest shareholder controlling 15% of TCB's outstanding shares. Mr. Nguyen Dang Quang, who is the Chairman of Masan Group, is also the Vice Chairman of TCB.

We think it would be better to have a strategic investor that is a financial institution, rather than a consumer / metals conglomerate. Foreign financial institutions in particular can provide strategic guidance, innovation, and technology support.

On the other hand, Masan's influence may be a factor behind the board's decision to pay out a cash dividend in 2023, which is a positive for TCB's minority shareholders

Dividend policy: We assume that TCB will maintain its dividend policy given its strong FCFE and healthy Tier 1 capital. Additionally, TCB should follow its peers, given many other banks – such as ACB, HDB, MBB, and VPB – have consistently maintained cash dividend payments.

However, if TCB decides to revert to its historical no-cash-dividend policy going forward, it would probably cause negative sentiment among investors.

High expose to real estate crisis? If the real estate market persists for a prolonged period, it will negatively impact banks' asset quality including TCB. Corporate credits to real estate and related sectors accounted for nearly 41% of the total credits, which is the highest in the sector. While mortgage loans to retail clients represented 29% of the total credits as at 2Q24.

However, we observe a downtrend in TCB's exposure to real estate (including corporate real estate and mortgage loans), which declined from 75% of the total credits in 2Q23 to 69% in 2Q24. Meanwhile, loan disbursements to FMCG, retail, and logistics sectors rose from 6% in 2Q23 to 8% in 2Q24.

In our comparison of the banks' real estate exposure, we calculate the corporate loans exposure to real estate and construction sectors (we exclude construction materials because not all banks provide detailed breakdown for that sector) to total credits of some large banks in Vietnam.

On that calculation, TCB had the highest exposure to real estate and construction sectors with 34% of the total credits, followed by SHB (31%), VPB (26%), HDB (24%), and MSB (18%) as at 2Q24. (*see figure 24*)

If including corporate bonds, the total credit exposure to real estate, construction sectors, and corporate bonds of TCB was 41% of total credit, followed by SHB (34%), VPB (30%), HDB (27%), TPB (21%), and OCB (19%) as at 2Q24. (*see figure 25*)

Corporate bonds exposure. TCB's corporate bonds/total assets ratio was 4.6% (-10bps QoQ) at June 30, the banking sector's highest exposure to corporate bonds. This was followed by MBB (3.7%, -40bps QoQ), TPB (3.4%, +80bps QoQ), and VPB (2.7%, -1.1ppt QoQ). (*see figure 26*)

More specifically, TCB's credit exposure (loans + corporate bonds) to Vingroup (VIC) totaled VND53.8 tn, representing 5.9% of TCB's assets (+40bps YTD). We sourced this data from VIC's publicly available 2Q24 financial disclosures.

TCB's credit exposure (ST loans + corporate bonds) to Vinhomes ([VHM](#)) was 3.2% of the bank's total assets (+1.3ppt YTD) as at 2Q24. Corporate bond exposure to Vinhomes amounted to VND27.8 tn, with 51% of that being unsecured credit. Again, this is sourced from VHM's financial disclosures.

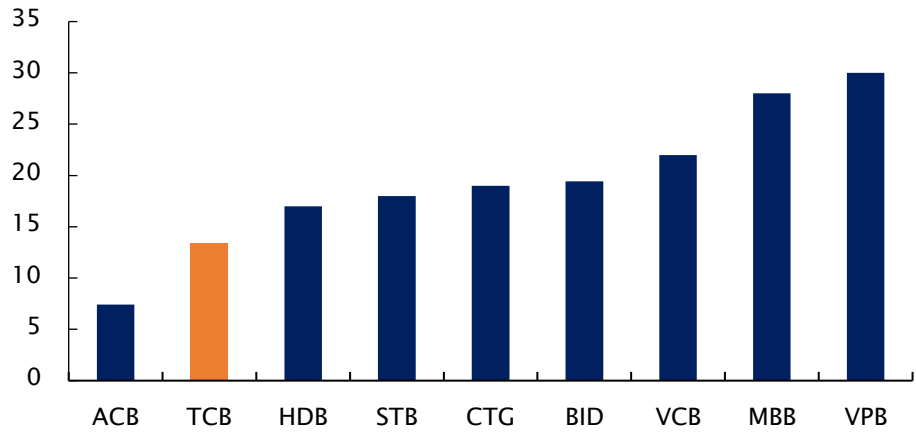
We believe that the VHM borrowings are consolidated into VIC's balance sheet, so investors should avoid double counting when tallying up TCB's exposure to Vingroup.

Notably, Techcom Securities (TCBS) served as the bond issuance advisor for the aforementioned corporate bonds.

TCB's customer base is narrower than most commercial banks in Vietnam, which may be due to its corporate focus (at least, on the lending side).

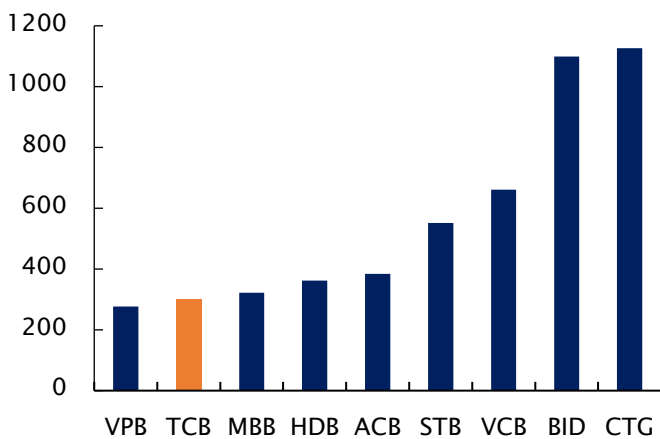
With fewer branches and employees, TCB manages its costs more efficiently than most of its competitors. TCB's adjusted CIR of 31% is among the best in the sector.

Figure 12: TCB has lower customer base compared to some of its peers (unit: mn)



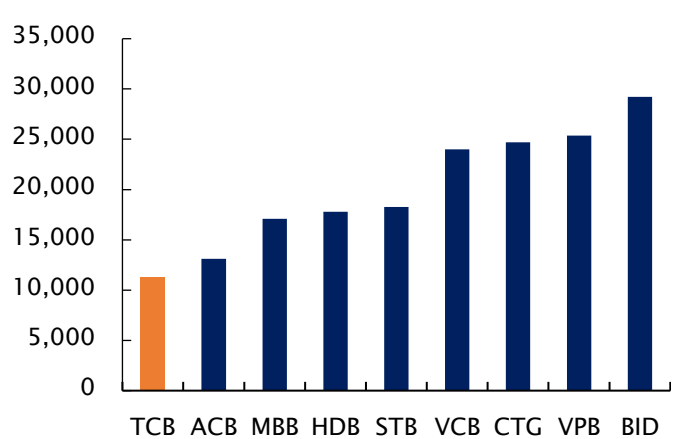
Source: Company data (based on the latest released data)

Figure 13: Number of branches among banks



Source: Company data (based on the latest released data)

Figure 14: Number of employees among banks

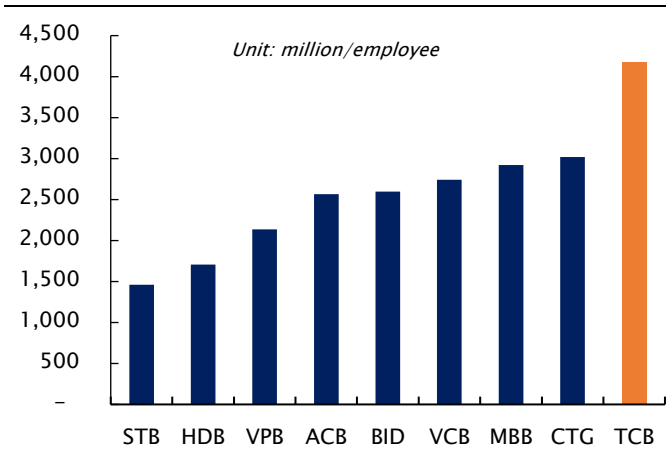


Source: Company data (based on the latest released data)

Revenue and staff cost per employee among banks

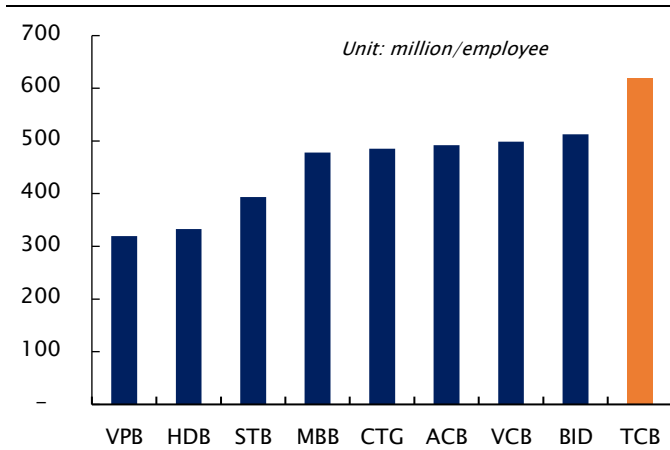
TCB has the highest staff cost per employee among its peers, at 620 million per employee, yet its workforce also delivers the highest revenue per employee compared to other banks. (please see figure 15 and 16 below)

Figure 15: Revenue per employee among banks (LTM)



Source: Company data (based on the latest released data)

Figure 16: Expense per employee among banks (LTM)



Source: Company data (based on the latest released data)

BOD and Shareholders:

BOD	Age & Tenure (years)	Background
Ho Hung Anh	54 & 20	Chairman. Served as a BOD since 2004
Nguyen Dang Quang	61 & 29	Vice Chairman. Join TCB since 1995 & Chairman of Masan
Nguyen Thieu Quang	65 & 24	Vice Chairman. Join TCB since 2000
Nguyen Canh Son	57 & 16	Vice Chairman. Chairman of Eurowindow. He is a brother of Madam Thao, who is a board member of Vietjet and HDBank.
Ho Anh Ngoc	42 & 17	Vice Chairman. Brother of the Chairman Ho Hung Anh
Lee Boon Huat	67 & 12	Non-Executive Director
Saurabh Narayan Agarwal	43 & 5	Non-Executive Director
Nguyen Nhan Nghia	55 & 5	Independent Director
Nguyen Tuan Minh	57 & 11	Chief of BOD Office

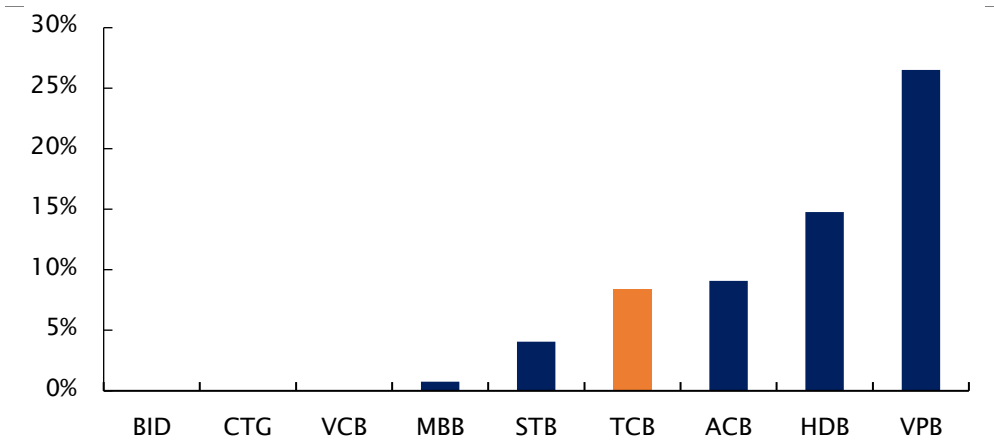
Source: Company Data

Shareholders:

Masan Group is the largest institutional shareholder of TCB, with a 14.88% stake. Mr. Nguyen Dang Quang, who is the Chairman of Masan Group, is also the Vice Chairman of TCB.

CEO Jens Lotter owns 0.01% of TCB, but all insiders (management and their related persons) own a total stake of 8.42%.

Figure 17: Shareholders – holding by managers and related persons

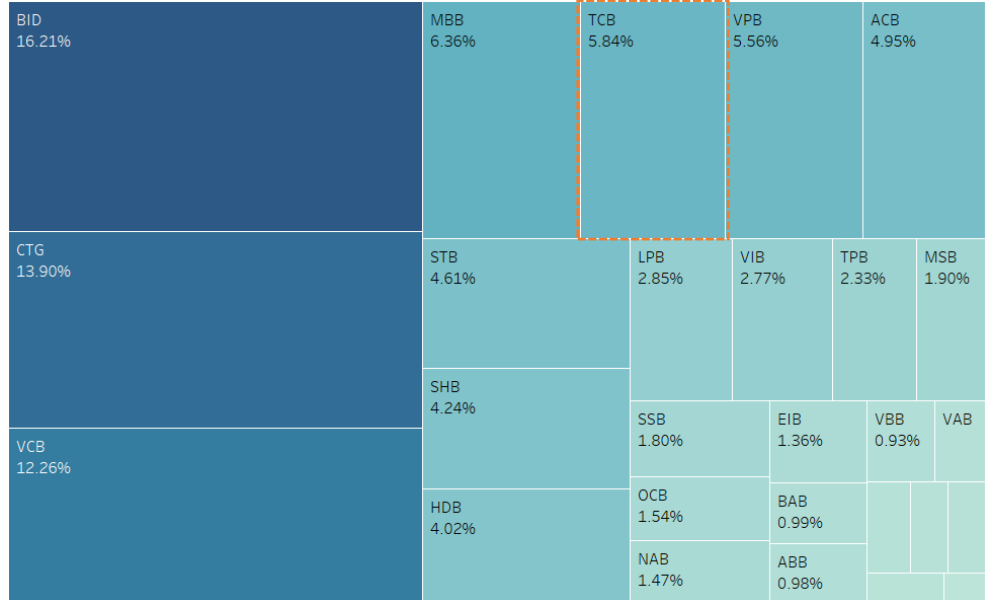


Source: FiinPro-X

Market shares:

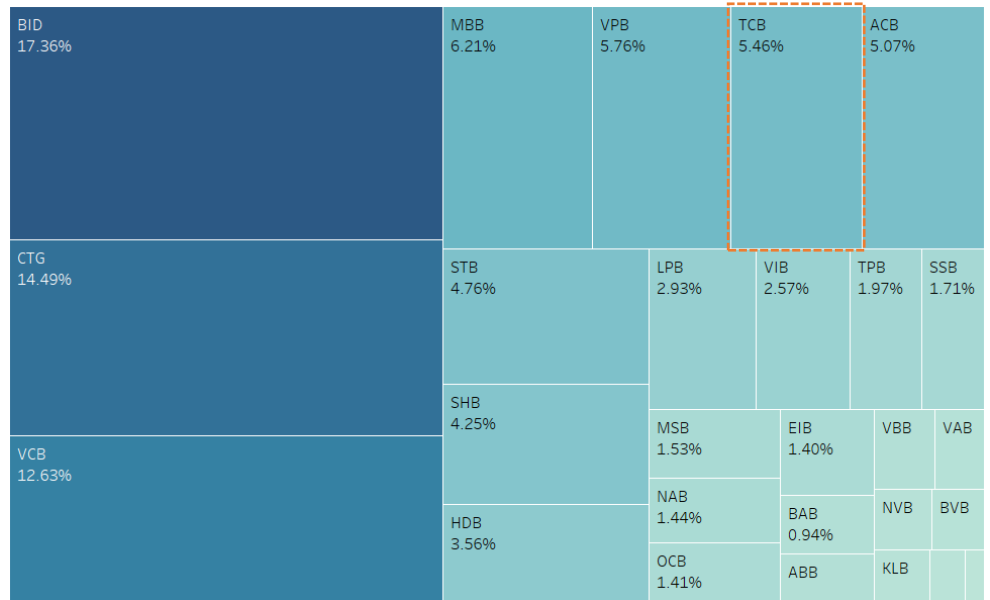
Asset market share: TCB’s assets accounted for 5.84% of total assets among the 27 listed banks and 1 OTC bank. TCB ranked No. 2 among private banks and No. 5 among listed banks in terms of assets.

Note that these figures exclude two large-scale banks (Agribank and Saigon Commercial bank) that are not listed.



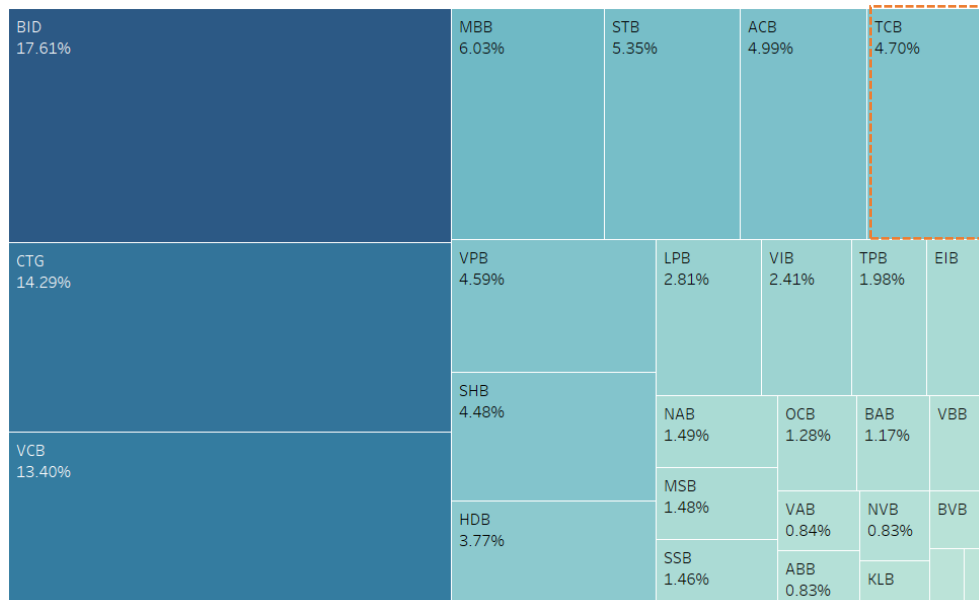
Source: FiinPro-X, Yuanta Vietnam

Loan market share: TCB’s loans represented 5.46% of the listed sector’s loans (27 listed banks and 1 OTC bank). TCB ranked No. 3 among private banks and No. 6 among listed banks in terms of loans to customers.



Source: FiinPro-X, Yuanta Vietnam

Deposits market share: TCB’s deposits from customers account for 4.7% of the sector’s deposits (27 listed banks and 1 OTC bank). TCB ranked No. 4 among private banks and No. 7 among listed banks in terms of deposits.

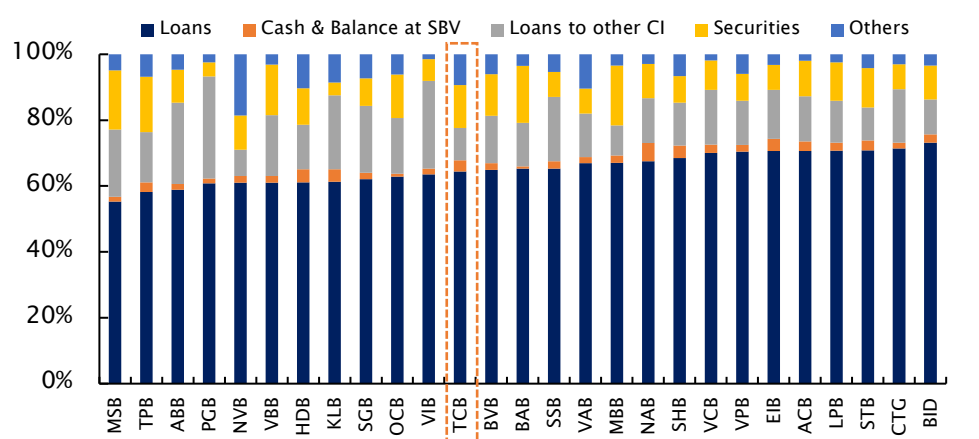


Source: FiinPro-X, Yuanta Vietnam

Asset allocation:

Loans to customers represented 64% of TCB's total assets at 2Q24, slightly below the sector median of 65%. Trading/investment securities accounted for 13% of its total assets, which is above the sector median of 10%.

Figure 18: Assets allocation among banks as at 2Q24



Source: FiinPro-X, Yuanta Vietnam

Medium and long-term loans comprise 60% of total loans in 2Q24. The maximum ST fundings used for MLT loans is reduced by the SBV to 30% from 34%, which requires banks to mobilize more medium to long-term capitals either by stake selling or bond issuance. Most high-quality JSC banks, are at full- or nearly full-FOL. This limits their options to raise equity capital if required to boost L-T (in this case, permanent) capital.

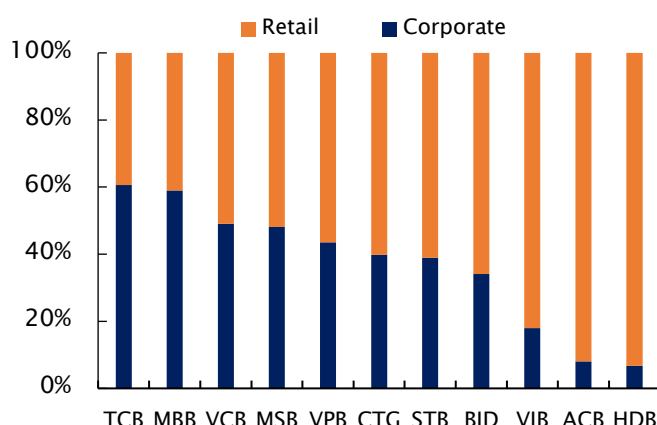
Thus, banks might seek to raise their medium to long-term capitals through bond issuance, which will also help improve their Tier 2 capitals.

However, that might come with a cost because bond yield tends to be higher than deposit rates. We estimate a differential of about 1-2ppt between bond yields and customer deposit rates.

TCB's valuable papers issuance surged by +149% YoY to account for 12% of total liabilities as at Dec 31 (versus 6% of total liabilities at end-2022). In 2Q24, TCB issued another VND112 tn (32% YTD) worth of valuable papers, which now total 15% of its

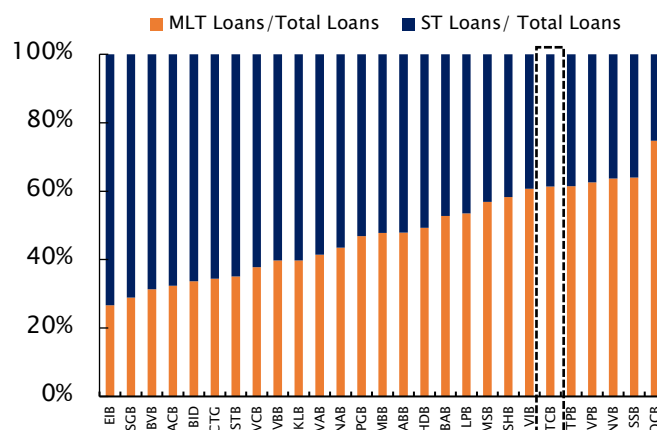
overall liabilities. TCB's cost of funds is thus sensitive to short-term interest rate fluctuations; however, this is partly offset by the bank's high CASA ratio.

Figure 19: Loans breakdown by banks



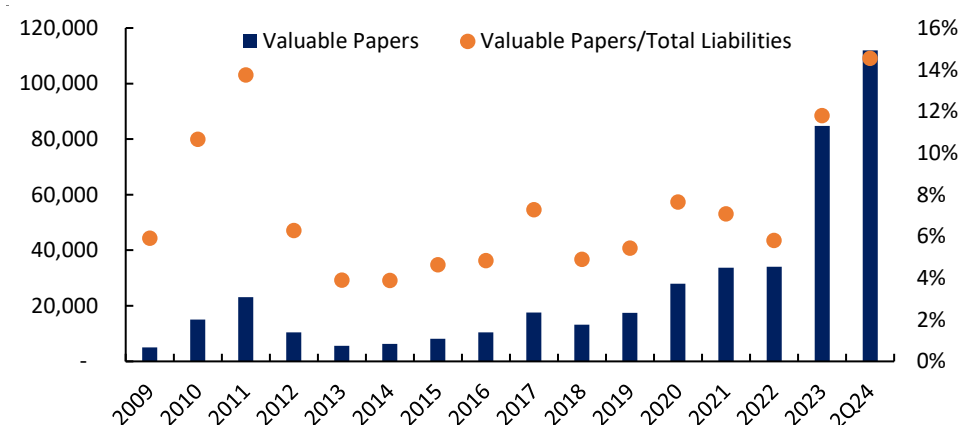
Source: Company data, Yuanta Vietnam

Figure 20: Loans breakdown by terms among banks



Source: FiinPro-X, Yuanta Vietnam

Figure 21: TCB's valuable papers/total liabilities



Source: FiinPro-X, Yuanta Vietnam

Loan breakdown – Concentrated in real estate businesses

TCB is a corporate-oriented bank with 61% corporate loans and 39% retail loans.

TCB's corporate loans portfolio is comprised as follows: 59% to real estate, 13% to the FMCG sector, retail, and logistics; 6% to utilities and telecommunication; 5% to construction materials; 3% to construction; and 13% others.

TCB's corporate credit (including corporate bonds) to real estate and real estate-related segments (construction and materials) account for 67% of TCB's **corporate credit** and 41% of TCB's **total credit** as at 2Q24.

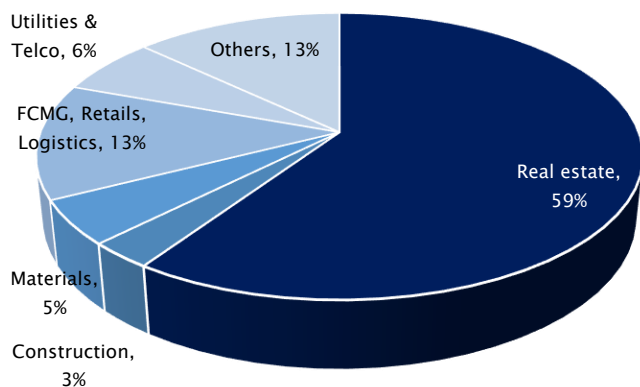
Mortgage loans to retail clients constituted 73% of retail credit and 29% of total credit.

To engage in a comparison of real estate exposures among banks, we compare the banks' exposures to corporate borrowers in the real estate and construction sectors. However, we exclude construction materials because not all banks provide a detailed breakdown (for that sector).

TCB had the highest exposure to real estate and construction with 34% of the total credits, followed by SHB (31%), VPB (26%), HDB (24%), and MSB (18%) as at 2Q24. *Please see figures 24.*

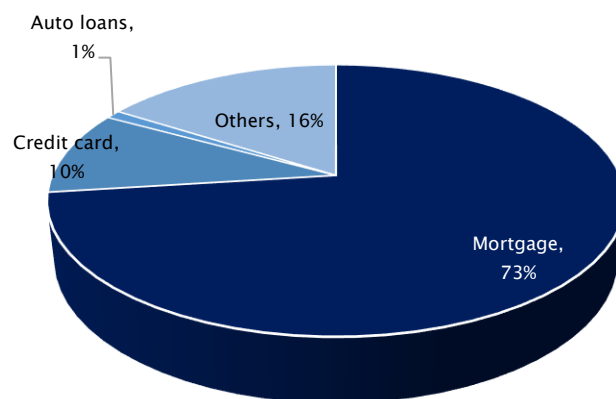
If including corporate bonds, the total credit exposure to real estate, construction sectors, and corporate bonds of TCB is 41%, followed by SHB (34%), VPB (30%), HDB (27%), TPB (21%), and OCB (19%). Please see figures 25.

Figure 22: TCB's corporate loans breakdown in 2Q24



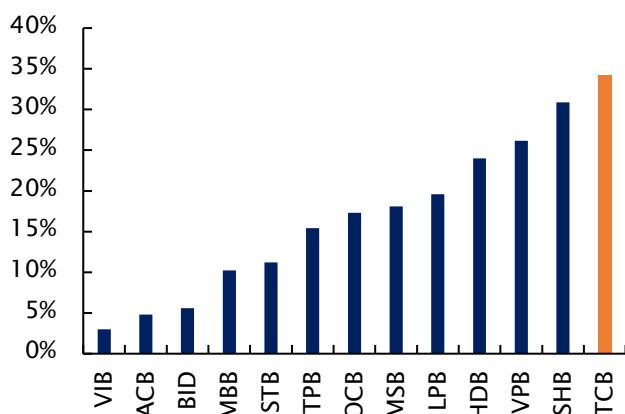
Source: Company data

Figure 23: TCB's retail loans breakdown in 2Q24



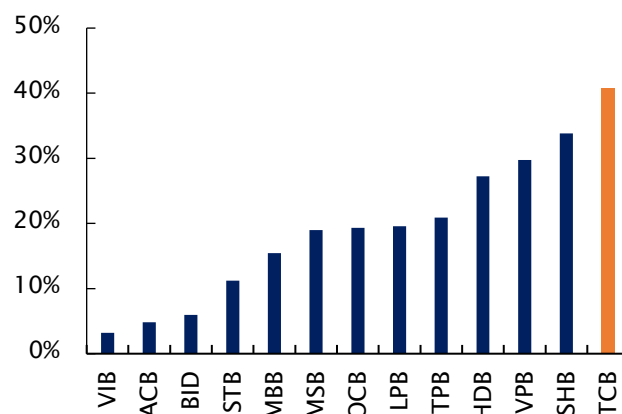
Source: Company data

Figure 24: (Real estate + construction)/credits in 2Q24



Source: Company data, Yuanta Vietnam

Figure 25: (Real estate + construction + corp. bonds)/credits



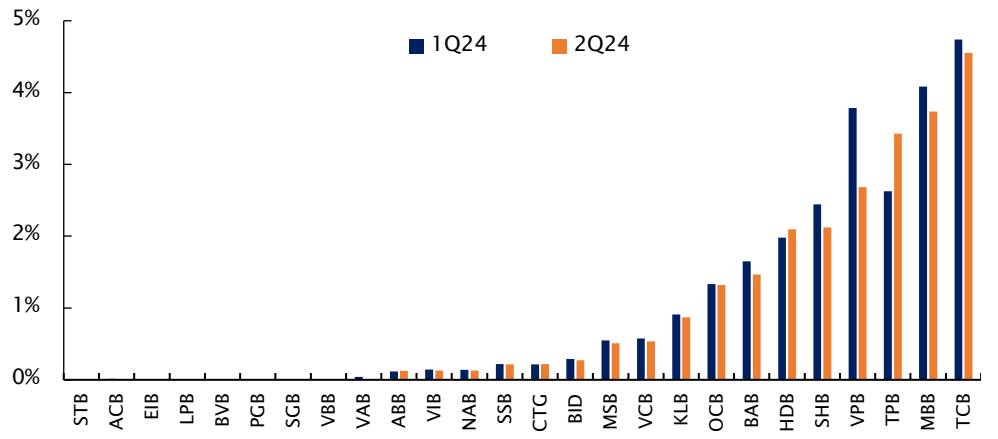
Source: Company data, Yuanta Vietnam

Corporate bond exposure

TCB had the highest exposure to corporate bonds as at 2Q24. Total corporate bonds/total assets of TCB was 4.6% of 2Q24 assets (-10bps QoQ), followed by MBB (3.7%, -40bps QoQ), TPB (3.4%, +80bps QoQ), and VPB (2.7%, -1.1ppt QoQ).

TCB's credit exposure (loans + corporate bonds) per TCB's total assets was 3.2% (+1.3ppt YTD) to Vinhomes (VHM) and 5.9% (+40bps YTD) to Vingroup (VIC).

Figure 26: Corporate bonds/Total assets



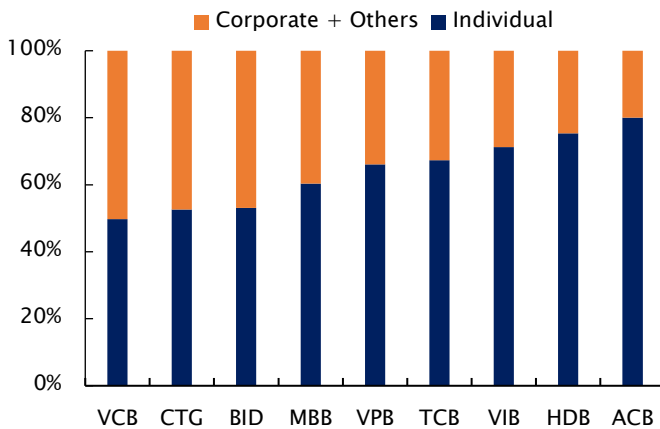
Source: FiinPro-X, Yuanta Vietnam

Deposit breakdown and funding mix

Funding sources from the interbank market accounted for 17% of TCB’s total funding (liabilities and equity) compared to the sector median of 14%. High reliance on the interbank market will negatively impact on TCB’s cost of funds, particularly with rising interbank rates.

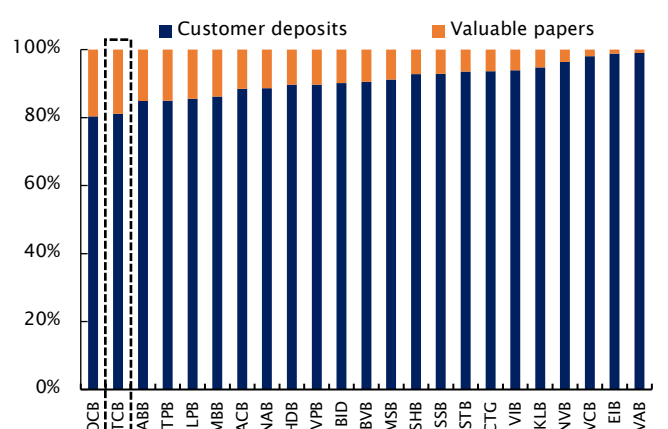
However, funding from its own shareholders’ equity account for c.15% of total funding, the second highest in the sector. This is “free” capital from an accounting perspective, which further helps to ensure higher-than-average NIMs.

Figure 27: Deposits breakdown by customers



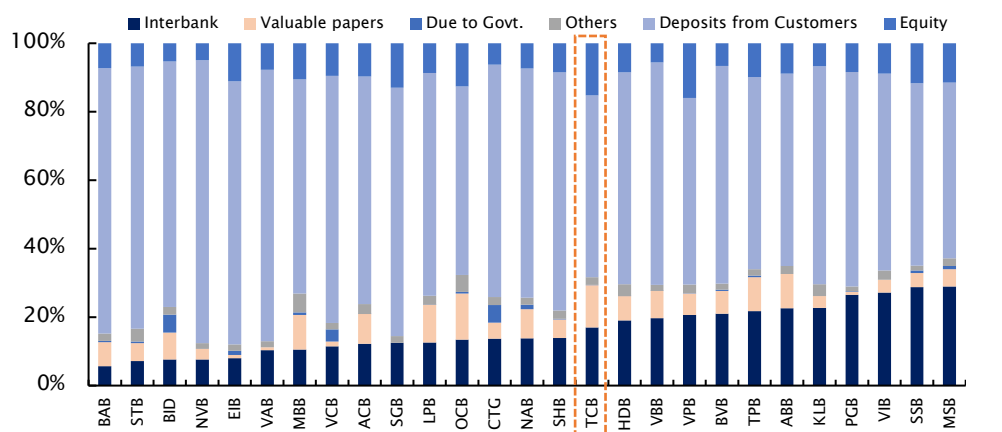
Source: Company data

Figure 28: Customer deposits and Valuable papers



Source: FiinPro-X, Yuanta Vietnam

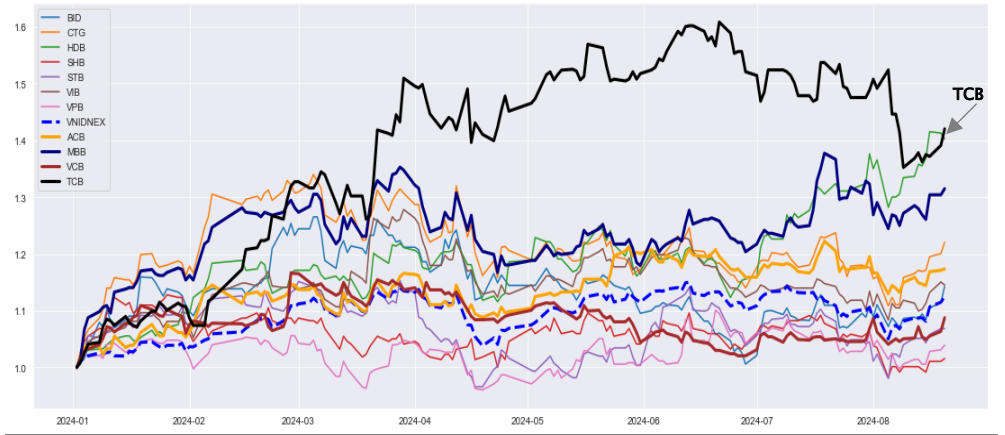
Figure 29: Funding mix among banks



Source: FiinPro-X, Yuanta Vietnam

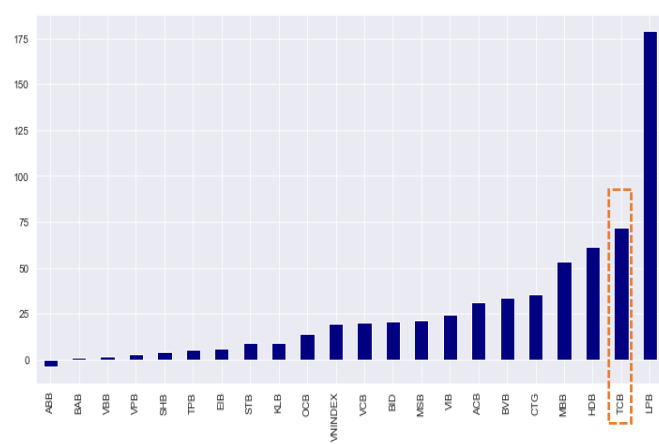
* Denominator: total fundings = liabilities + equity

Figure 30: Stock prices performance since 2024-01



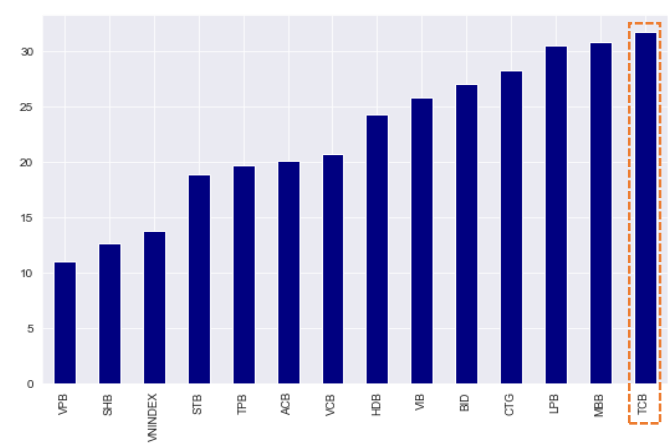
Source: Bloomberg, Yuanta Vietnam

Figure 31: Annualized return since Jan 2024



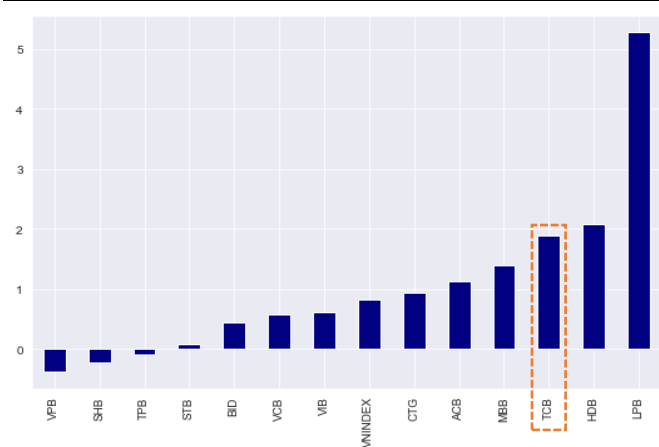
Source: Bloomberg, Yuanta Vietnam

Figure 32: Annualized volatility since Jan 2024



Source: Bloomberg, Yuanta Vietnam

Figure 33: Sharpe ratio since Jan 2024



Source: Bloomberg, Yuanta Vietnam

Figure 34: Drawdown since Jan 2024



Source: Bloomberg, Yuanta Vietnam

Figure 35: Correlation between banks and VNINDEX

	VNINDEX	BID	CTG	VCB	ACB	HDB	LPB	MBB	SHB	STB	TCB	TPB	VIB	VPB
VNINDEX	1.000000	0.563841	0.679313	0.546803	0.867602	0.255271	-0.425325	0.687360	0.107914	0.721742	0.753698	0.654043	0.780999	0.618933
BID	0.563841	1.000000	0.862031	0.927633	0.571709	0.800871	-0.583001	0.762245	0.494120	0.568627	0.410945	0.748474	0.471255	0.247717
CTG	0.679313	0.862031	1.000000	0.951180	0.644622	0.508427	-0.496412	0.870894	0.589484	0.811437	0.617681	0.697984	0.630868	0.395750
VCB	0.546803	0.927633	0.951180	1.000000	0.531054	0.638587	-0.568821	0.809027	0.638510	0.703988	0.501914	0.794130	0.428480	0.337931
ACB	0.867602	0.571709	0.644622	0.531054	1.000000	0.345489	-0.104205	0.697033	0.447857	0.552731	0.691526	0.630762	0.687731	0.592102
HDB	0.255271	0.800871	0.508427	0.638587	0.345489	1.000000	-0.565481	0.670645	0.403918	0.368247	0.120438	0.635045	0.326142	0.321706
LPB	-0.425325	-0.583001	-0.496412	-0.568821	-0.104205	-0.565481	1.000000	-0.552465	0.078634	-0.542066	-0.448763	-0.607360	-0.444450	-0.300409
MBB	0.687360	0.762245	0.870894	0.809027	0.697033	0.670645	-0.552465	1.000000	0.570171	0.871749	0.627125	0.742575	0.762095	0.682634
SHB	0.107914	0.494120	0.589484	0.638510	0.447857	0.403918	0.078634	0.570171	1.000000	0.323772	0.301023	0.507747	0.095649	0.290798
STB	0.721742	0.568627	0.811437	0.703988	0.552731	0.368247	-0.542066	0.871749	0.323772	1.000000	0.527041	0.652246	0.681166	0.752079
TCB	0.753698	0.410945	0.617681	0.501914	0.691526	0.120438	-0.448763	0.627125	0.301023	0.527041	1.000000	0.545939	0.742242	0.399696
TPB	0.654043	0.748474	0.697984	0.794130	0.630762	0.635045	-0.607360	0.742575	0.507747	0.652246	0.545939	1.000000	0.335927	0.681199
VIB	0.780999	0.471255	0.630868	0.428480	0.687731	0.326142	-0.444450	0.762095	0.095649	0.681166	0.742242	0.335927	1.000000	0.451086
VPB	0.618933	0.247717	0.395750	0.337931	0.592102	0.321706	-0.300409	0.682634	0.290798	0.752079	0.399696	0.681199	0.451086	1.000000

Source: Bloomberg, Yuanta Vietnam

Figure 36: Statistics Summary

	Annualized Return	Annualized Volatility	Skewness	Kurtosis	Cornish-Fisher Var (5%)	Conditional Var (5%)	Annual Sharpe Ratio	Max Drawdown
VPB	0.030573	0.109803	-1.027126	2.992815	0.053884	0.060759	-0.169387	-0.067839
SHB	0.044654	0.126182	0.549076	2.952271	0.046348	0.044843	-0.040733	-0.057698
TPB	0.055338	0.197103	0.705162	2.515918	0.071025	0.062827	0.025565	-0.110831
STB	0.092608	0.188593	-1.172208	3.761299	0.089888	0.107595	0.215683	-0.118671
BID	0.205177	0.270093	0.068337	1.361240	0.102671	0.081741	0.549015	-0.183962
VCB	0.202418	0.207465	0.474112	1.631719	0.068910	0.043860	0.702320	-0.124358
VIB	0.243987	0.257684	-0.496722	2.675268	0.103614	0.116819	0.719564	-0.121004
VNINDEX	0.195185	0.137753	-0.441209	2.877630	0.050147	0.058072	1.007821	-0.058072
CTG	0.355900	0.282917	0.543495	2.169702	0.086239	0.077356	1.034145	-0.127989
ACB	0.315283	0.201282	-0.100584	1.532624	0.068006	0.057895	1.260439	-0.057895
MBB	0.531943	0.308701	-0.422320	2.637248	0.107825	0.124016	1.493248	-0.124839
TCB	0.716759	0.317382	0.460612	1.741300	0.082092	0.045752	2.010113	-0.066098
HDB	0.611498	0.242604	1.193356	3.505449	0.040581	0.020747	2.214559	-0.045643
LPB	1.788117	0.304941	0.330667	2.085164	0.036784	0.031161	5.460664	-0.031161

Source: Bloomberg, Yuanta Vietnam

Appendix: Consolidated Financial Statements

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Balance Sheet

(VND bn)	FY23A	FY24E	FY25E	FY26E
Cash & Balances at SBV	30,761	34,711	40,572	47,277
Loans to banks	104,072	112,817	131,869	153,660
Investment securities	109,427	123,477	144,328	168,178
Invest. Associates	3,272	3,692	4,315	5,029
Gross Loans:	518,642	611,798	709,310	819,308
(-) Specific Provisions:	(2,372)	(3,249)	(4,038)	(4,529)
(-) General Provisions:	(3,756)	(4,579)	(5,308)	(6,131)
Total provisions:	(6,128)	(7,827)	(9,346)	(10,661)
Net Loans:	512,514	603,970	699,964	808,647
Fixed Tangible asset:	3,528	3,704	3,889	4,084
Intangible Assets:	5,365	5,902	5,902	5,902
Real estate investment	0	0	0	0
Accrued interests:	9,681	12,585	12,585	12,585
Deferred tax:	70	70	70	70
Other Assets:	70,792	70,792	70,792	70,792
Total Assets:	849,482	971,721	1,114,287	1,276,224
Deposits:	454,661	513,038	599,672	698,770
Due to SBV:	0	306	0	0
Due to Banks:	153,173	180,685	209,484	241,970
Subordinated notes & others	84,703	110,114	110,114	110,114
Other Liabilities:	25,317	26,822	32,877	36,818
Total Liabilities:	717,854	830,965	952,148	1,087,673
Capital & Premium:	36,257	71,482	71,482	71,482
Reserves:	45,029	20,845	20,845	20,845
Treasury Shares	-	-	-	-
Retained Earnings:	49,025	46,726	67,753	93,797
Minorities Interest:	1,317	1,702	2,059	2,427
Total Equity:	131,628	140,756	162,139	188,551
Total Liabilities & Equity:	849,482	971,721	1,114,287	1,276,224

Profit and Loss

(VND bn)	FY23A	FY24E	FY25E	FY26E
Total Net Interest Income:	27,691	36,365	41,948	48,422
Total Net Fee Income:	8,715	10,885	12,986	15,331
Other Non-II:	1,221	2,018	1,757	2,013
Total Net Non-II:	9,936	12,904	14,743	17,344
Total Adj. Revenue:	37,627	49,269	56,691	65,765
Operating Expenses:	(13,252)	(16,190)	(18,392)	(21,094)
PPOP:	24,375	33,079	38,299	44,672
Gross Provisions:	(3,921)	(4,798)	(5,139)	(5,505)
NPL Recoveries:	2,434	1,111	2,389	2,736
Net Provisions:	(1,487)	(3,687)	(2,750)	(2,769)
Pre-Tax Income:	22,888	29,392	35,549	41,903
(-) Income Tax:	(4,697)	(5,878)	(7,110)	(8,381)
Net Income:	18,191	23,514	28,439	33,523
(-) Minority Interest	(187)	(242)	(292)	(345)
(-) Bonus & Welfare:	(48)	(62)	(75)	(88)
Net Attributable Income:	17,956	23,210	28,072	33,089
Adjusted EPS:	5,104	4,393	3,985	4,697

Source: Company data, Yuanta Vietnam

SELECTED FINANCIAL RATIOS	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
GROWTH PROJECTIONS						
Net interest income	42%	13%	-9%	31%	15%	15%
Fee Income	41%	34%	2%	25%	19%	18%
Other NII	20%	-104%	-1579%	65%	-13%	15%
Operating costs	25%	20%	-1%	22%	14%	15%
Gross Provision	2%	-27%	103%	22%	7%	7%
Preprovision profit	49%	5%	-4%	36%	16%	17%
Adjusted Net profit	46%	12%	-11%	29%	21%	18%
Assets	29%	23%	22%	14%	15%	15%
ASSET ANALYSIS						
Earning assets to total assets	92%	88%	89%	91%	92%	93%
Average Returns on Earnings Assets	3.88%	3.54%	2.62%	2.83%	2.94%	2.99%
LOAN ANALYSIS						
Loan growth (% YoY)	25%	21%	23%	18%	16%	16%
Net Loans to Interest Earnings Assets	66%	68%	68%	68%	68%	68%
DEPOSIT ANALYSIS						
Deposit growth (YoY %)	13%	14%	27%	13%	17%	17%
Deposits to Interest Bearing Liabilities	68%	64%	66%	64%	65%	66%
LIQUIDITY						
LDR	75%	74%	74%	75%	76%	77%
ASSET QUALITY						
NPL ratio	0.66%	0.72%	1.16%	1.25%	1.29%	1.27%
General Provisions to Gross loans	0.75%	0.73%	0.72%	0.75%	0.75%	0.75%
Loan loss coverage ratio	163%	157%	102%	102%	102%	102%
SPREAD ANALYSIS						
Int. rate received on Average IEA	7.64%	7.87%	8.27%	7.90%	8.04%	8.14%
Int. rate paid on Average IBL	2.16%	2.83%	4.63%	3.79%	4.03%	4.23%
Interest rate spread	5.48%	5.04%	3.64%	4.11%	4.01%	3.91%
NIM	5.74%	5.33%	4.04%	4.44%	4.40%	4.38%
OTHER INCOME						
Fee income to total income	18%	22%	23%	22%	22.9%	23.3%
Other Non-Il to total Income	6%	0%	3%	4%	3.1%	3.1%
OPERATING EFFICIENCY						
Adj. Cost to income ratio	32%	35%	35%	33%	32%	32%
CREDIT COSTS						
Provisioning/avg. loans	0.85%	0.50%	0.84%	0.85%	0.78%	0.72%
PROFITABILITY						
Pre provision ROA	4.78%	4.00%	3.15%	3.63%	3.67%	3.74%
Pre provision ROE	28.7%	24.5%	19.9%	24.3%	25.3%	25.5%
ROAA	3.65%	3.22%	2.35%	2.58%	2.73%	2.80%
Adj. ROAE	21.7%	19.7%	14.8%	17.2%	18.8%	19.1%
Dividend Yield	0.0%	0.1%	0.0%	6.7%	4.4%	4.4%
VALUATIONS						
PER (x)	4.2x	3.8x	4.3x	5.1x	5.6x	4.8x
PBR (x)	0.8x	0.7x	0.6x	1.1x	1.0x	0.9x

Source: Company data, Yuanta Vietnam

Appendix A: Important Disclosures

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