Vietnam: Banking **23 October 2024**

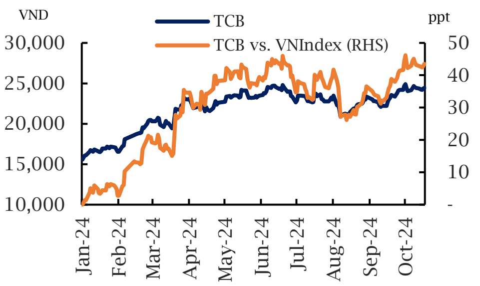
BUY

TP upside/(downside): +15%

Close 22 Oct 2024

Price	VND 24,200
12M Target	VND 27,830

Share price performance relative to VNI



Source: Bloomberg

Market cap	US$6.9 bn
6M avg. daily turnover	US$19 mn
Outstanding shares	7,045 mn
Free float	65%
FINI ownership	21.9%
Major shareholders	23%
2024E Asset/equity (x)	6.4x
2024E P/E (x) (*)	5.5x
2024E P/B (x) (*)	1.2x
FOL remaining room	0.6%
2025E Dividend yield	4.0%

Source: FiinPro, (*) Bloomberg

TCB's 3Q24 Results	3Q24	% QoQ	% YoY
NII (VND bn)	8,929	-6%	23%
Net Fee Inc.(VND bn)	1,947	-21%	-14%
Opex (VND bn)	3,431	-13%	-6%
Provision (VND bn)	1,109	-33%	17%
PATMI (VND bn)	5,738	-7%	24%
NPL (%)	1.35%	7bps	-5bps
LLR (%)	103%	2ppt	10ppt
CASA (%)	36.5%	-80bps	2.9ppt
CAR	15.1%	vs. Basel II min.	of 8.0%
LDR	82.2%	vs. SBV's cap of 85.0%	
SMLR	24.2%	vs. SBV's cap of 30.0%	

** Note: CASA ratio would be 40.5%, if including "auto earnings" balances*

Source: Company Data, Yuanta Vietnam

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Techcombank (TCB VN)
Retail-driven growth

3Q24 PATMI reached VND5.7 tn (-7% QoQ/but +24% YoY). The YoY increase was driven by higher net interest income and lower opex.

Details

Credit jumped by +17.5% YTD in 9M24. Retail loans increased by +6.1% QoQ, which drove earnings in 3Q24, while corporate loans were up by only +2.9% QoQ. Corporate bonds-to-total assets decreased to 3.6% (-1.0ppt QoQ/-2.6ppt YoY).

3Q24 net interest income was down by -6% QoQ but surged by 23% YoY to VND8.9 tn. The cost of funds was 3.4% (+20bps QoQ/but -1.3ppt YoY), and asset yields decreased by -30bps QoQ / -1.2ppt YoY to 7.3% in 3Q24. As a result, TCB's NIM was down by -50bps QoQ and -20bps YoY to 4.30% in 3Q24.

Net fee income dropped by -21% QoQ/-14% YoY to VND1.9 tn in 3Q24. Lower QoQ net fee income was attributable to the high base from one-off fees in 2Q24, and changes in the reporting of the L/C business, which is now accounted for under credit growth. TCB concluded its exclusive partnership with Manulife on Oct 8, 2024, and TCB will pay VND1.8 tn in compensation to Manulife in 4Q24.

3Q24 opex decreased by -13% QoQ/ -6% YoY to reach VND3.4tn. TCB reported 3Q24 CIR of 29.2% (-20bps QoQ / -5.6ppt YoY).

3Q24 provisioning (-33% QoQ/but +17% YoY) reached VND1.1 tn. TCB's NPL ratio was 1.35% (+7bps QoQ/-5bps YoY) as at 3Q24, and its LLR ratio was 103% (+2ppt QoQ/+10ppt YoY).

CASA ratio was 36.5% (-80bps QoQ/but +2.9ppt YoY) in 3Q24. TCB's CASA ratio would be 40.5% (+20bps QoQ/+6.9ppt YoY) if auto-earning deposits were included. Auto-earning deposits, introduced in 1Q24, offer rates that are similar to those of CASA deposits.

Our view

Opex to increase in 4Q24 on the VND1.8tn compensation for the termination of the Manulife exclusivity deal.

Strong deposit franchise. TCB's CASA ratio is still among the highest in the sector, helping its COF and NIM over the long run.

Solid asset quality with low NPL ratio. TCB's 100%+ LLR ratio is among the few banks (especially non-SOE banks) in this category.

Strong capital with CAR of 15.1% -- the 2nd highest CAR in the sector.

Enticing valuation. TCB trades at 1.2x 2024E PB vs. the sector median of 1.3x, despite consistently delivering the highest ROA of any domestic bank.

We reiterate our BUY recommendation on TCB, as detailed in our Aug 27 initiation. Our target price of VND27,830 implies 12m TSR of 19% and a 2025E PB ratio of a very undemanding 1.2x.

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