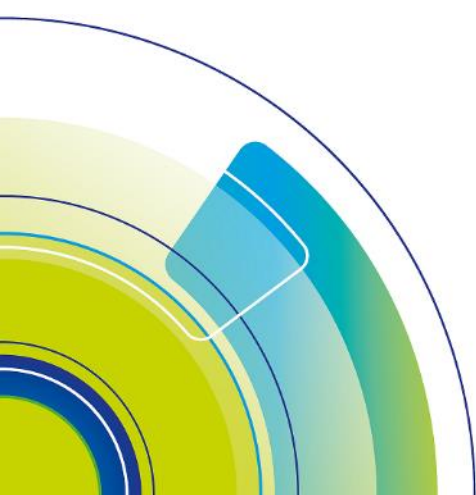




Update TCB – NEUTRAL

May 27, 2024



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Recommendation **NEUTRAL**

HOSE: TCB

Banking

Current price (VND) 41,200

Target price (VND) 42,300

Expected share price return +2.7%

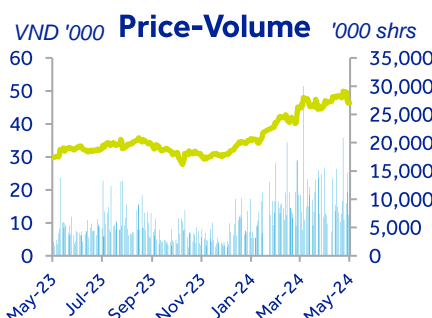
Expected dividend yield 3.6%

Expected total return +6.3%

Stock performance (%)

	YTD	1M	3M	12M
Absolute	49.9	1.9	19.4	60.7
Relative	37.1	-3.2	14.8	39.5

Source: Bloomberg



Ownership

Masan Group	15.0%
Chairman & relatives	13.9%
Others	71.1%

Stock Statistics 24-May-24

Bloomberg code TCBVN

52-week range (VND) 27,200-50,500

No. of shares (m) 3,523

Mkt cap (VND bn) 162,740

Mkt cap (USD m) 6,387

Foreign room left (%) 0.2

Est. free float (%) 68.2

3m avg daily vol (shs) 10,147,500

VND/USD 25,481

Index: VNIndex / HNX 1266.39/242.27

VIETNAM TECHNOLOGICAL AND COMMERCIAL JOINT STOCK BANK (TCB)

We raise target price to VND49,000/share due to Q1/24 business results being more positive than expected but maintain our NEUTRAL recommendation because TCB stock price has increased 18.9% since our last report. Our target price is based on 12-month forward P/E and P/B of 6.7x and 1.1x, respectively.

In case TCBS Securities is IPO and listed in 2025, our target price of TCB may increase by VND11,000/share with the assumption that TCBS's valuation is 2.5x of P/B, equivalent to the average P/B of leading securities companies.

Positive Q1/24 business results signal a promising year for TCB. Specifically, credit grew by 7.1% ytd and 19.5% y/y. NIM Q1/24 reached 4.42%, +18 bps q/q and +21 bps y/y thanks to cost of funds falling faster than earning asset yields. Although the interest rate environment is showing signs of increasing, we expect full-year 2024 NIM to reach 4.5% thanks to the thorough maturity of past high-interest-rate deposits and improved CASA ratio. In addition, credit is forecast to grow by 19% in 2024, helping net interest income grow by 31.8% y/y.

Non-interest income is forecast to continue to recover slowly because the banca and off-balance sheet debt collection segments are expected to continue to face difficulties, while the payment and investment banking segments begin to grow again. We expect non-interest income for the whole year 2024 to grow by 9% y/y.

Provision costs are forecast to increase sharply by 44.8% in 2024 as overdue debt shows signs of increasing in Q1/24 after two consecutive quarters of decline. Accrued interests also increased sharply by 20.4% q/q and 39.3% y/y, signaling that potential NPL risks are increasing. Restructured loans at the end of Q1/24 increased by 44.4% q/q and accounted for 0.46% outstanding loans. NPL coverage ratio continued to recover slightly to 106% by the end of Q1/24.

We forecast PBT in 2024 will reach VND30,380 billion, an increase of 32.7% y/y.

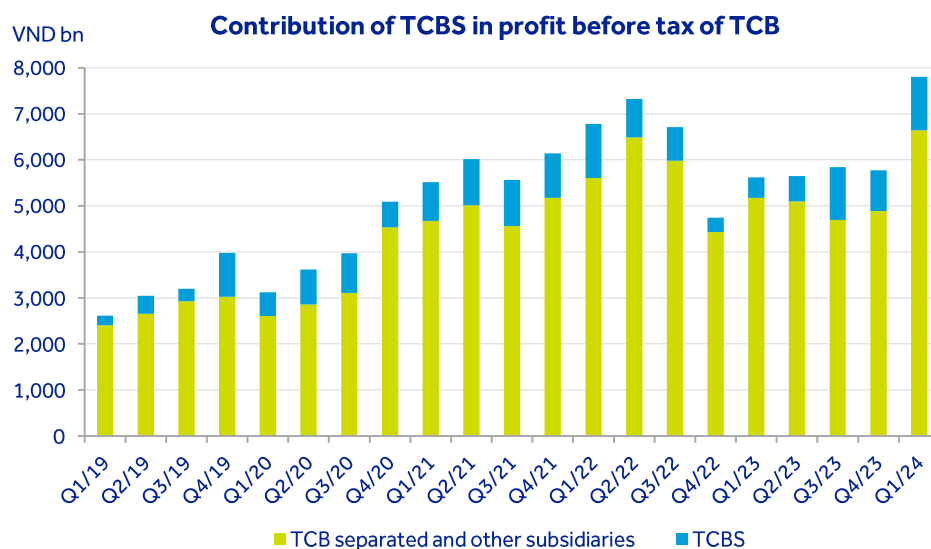
(VND bn)	2021	2022	2023	2024F	2025F	2026F
Credit growth	26.5%	12.5%	21.6%	19.0%	18.0%	18.0%
NIM	5.8%	5.4%	4.1%	4.5%	4.5%	4.5%
NFI proportion	28.0%	25.9%	30.9%	27.0%	25.6%	24.9%
TOI growth	37.1%	10.3%	-2.1%	24.7%	15.2%	16.6%
CIR	30.1%	32.8%	33.1%	27.8%	27.8%	27.4%
Net credit costs	-0.42%	-0.14%	-0.60%	-0.76%	-0.66%	-0.65%
Profit before tax	23,238	25,568	22,888	30,380	35,532	41,617
Growth	47.1%	10.0%	-10.5%	32.7%	17.0%	17.1%
Profit attributable	18,052	20,150	18,004	24,080	28,167	32,997
Adjusted EPS (VND)	5,142	5,729	5,111	6,836	7,996	9,367
BVPS (VND)	26,259	31,927	36,994	42,330	48,826	56,694
CAR (Basel 2)	15.0%	15.2%	14.0%	13.7%	13.5%	13.3%
ROA	3.6%	3.2%	2.3%	2.6%	2.6%	2.6%
ROE	21.7%	19.7%	14.8%	17.2%	17.5%	17.8%
P/E (x)	9.1	8.1	9.1	6.8	5.8	5.0
P/B (x)	1.8	1.5	1.3	1.1	1.0	0.8
DPS (VND)	-	-	-	1,500	1,500	1,500
Dividend yield	0.0%	0.0%	0.0%	3.2%	3.2%	3.2%

Valuation of TCBS Securities Company

In case TCBS Securities – a subsidiary of TCB, which holds 94,2% TCBS, is IPO and listed in 2025, we assume TCBS can be valued at **2.5x** book value (equal to the average of the four leading securities companies in the market: SSI, HCM, VCI and MBS) by the end of 2024 (forecasted to reach VND27,322 billion), equivalent to the estimated TCBS's market value of VND68,305 billion, thereby increasing the target price of TCB by **VND11,000/share**.

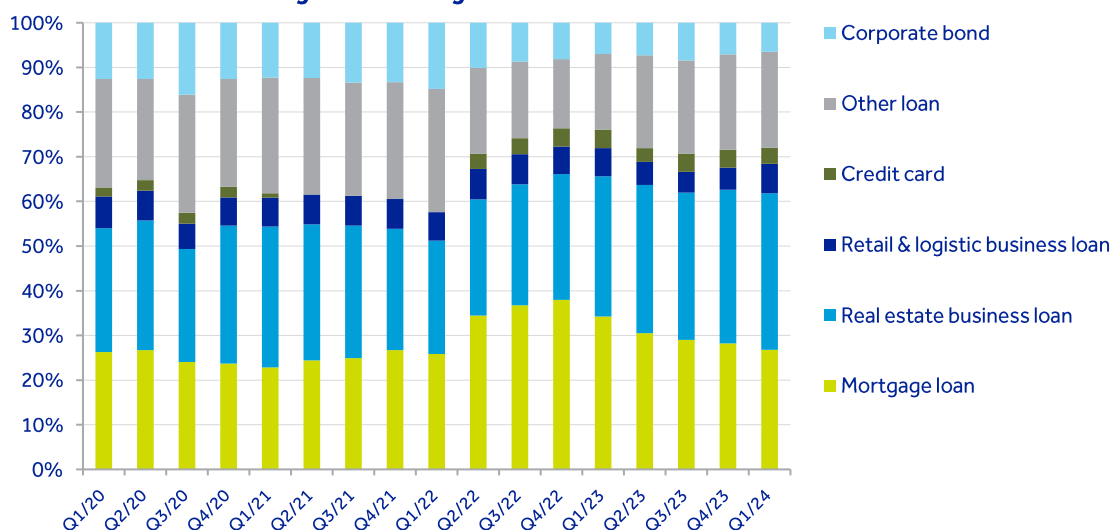
Ticker	Exchange	Mkt cap Q1/24	Equity Q1/24	Total assets Q1/24	ROA	ROE	P/E	P/B
SSI	HOSE	53,197	24,021	65,488	4.3%	11.2%	20.7	2.2
VND	HOSE	24,418	17,125	41,347	6.0%	15.6%	9.8	1.4
VCI	HOSE	20,978	8,177	19,545	3.6%	8.2%	34.0	2.6
HCM	HOSE	20,486	8,589	20,409	4.8%	10.0%	19.4	2.4
SHS	HNX	15,125	10,661	11,925	7.8%	8.6%	17.3	1.4
MBS	HNX	14,004	5,221	16,480	4.7%	13.0%	21.7	2.7
FTS	HOSE	13,638	3,769	8,137	7.1%	14.8%	25.6	3.6
VIX	HOSE	11,849	8,991	10,281	12.2%	12.8%	10.6	1.3
BSI	HOSE	11,579	4,822	10,564	5.1%	9.6%	25.8	2.4
CTS	HOSE	6,245	2,146	6,922	3.6%	13.6%	22.6	2.9
DSC	UPCoM	5,336	2,284	4,511	3.9%	8.6%	27.7	2.3
VDS	HOSE	4,620	2,560	5,634	7.6%	16.6%	11.8	1.8
ORS	HOSE	4,530	3,616	10,340	2.9%	8.8%	12.6	1.3
AGR	HOSE	4,232	2,531	3,551	4.3%	5.6%	30.7	1.7
TVS	HOSE	3,492	2,160	14,731	2.5%	15.2%	11.2	1.6
BVS	HNX	3,191	2,391	6,721	4.0%	9.6%	14.3	1.3
Average		13,558	6,816	16,037	5.3%	11.3%	19.7	2.1
Median		11,714	4,295	10,452	4.5%	10.6%	20.0	2.0
TCBS	OTC	n/a	24,553	47,185	7.3%	12.8%	n/a	n/a

Source: FiinPro-X, ACBS



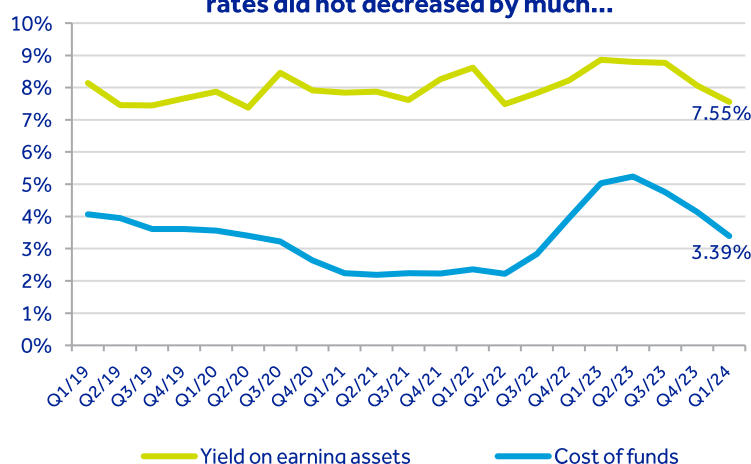
Source: TCB, ACBS estimated

The structure of outstanding credit continued to shift towards corporate lending and focusing on real estate business



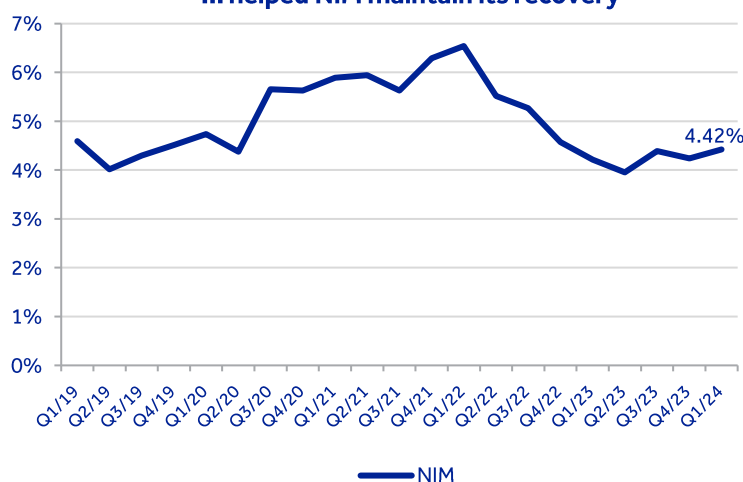
Source: TCB, ACBS estimated

Cost of funds dropped sharply, while lending rates did not decreased by much...



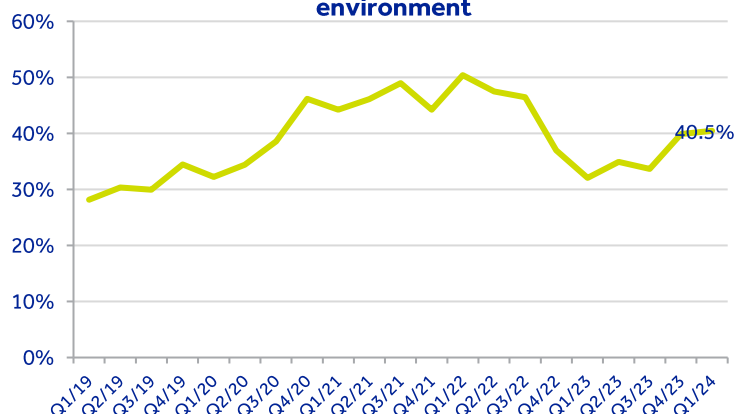
Source: TCB, ACBS estimated

... helped NIM maintain its recovery



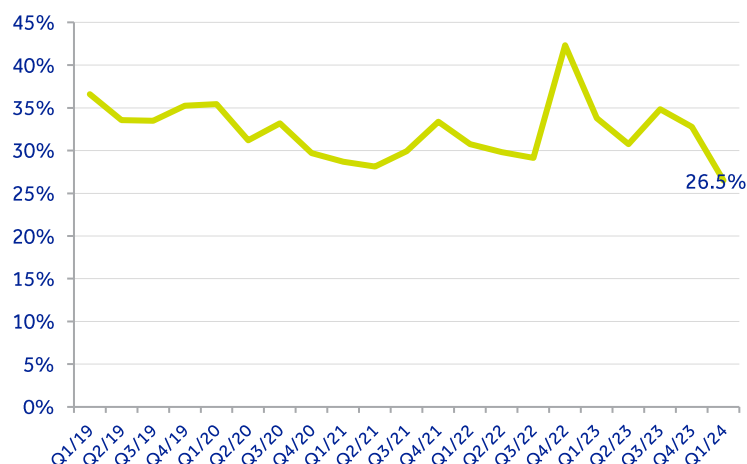
Source: TCB, ACBS estimated

CASA ratio continued to recover thanks to the low interest rate and warming investment environment



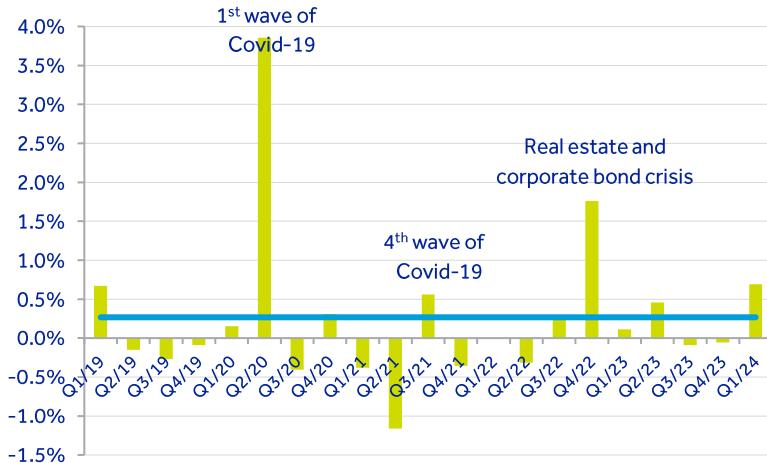
Source: TCB, ACBS estimated

CIR ratio continued its downward trend



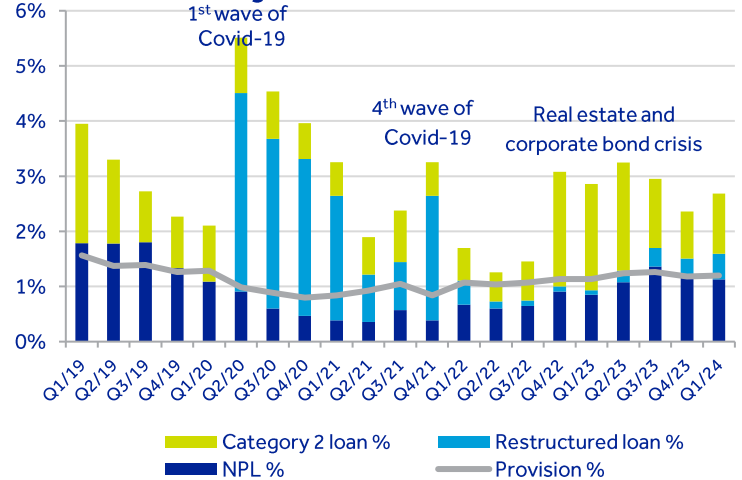
Source: TCB, ACBS estimated

Newly formed overdue loan (including restructured loan) rose again in Q1/24



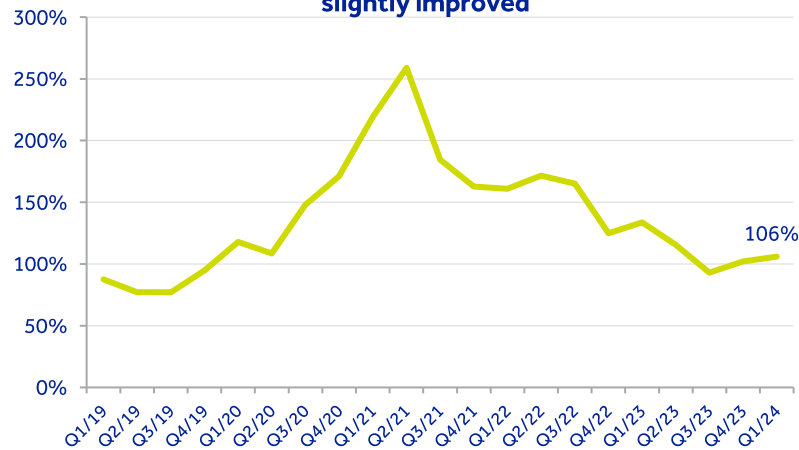
Source: TCB, ACBS estimated

Asset quality was still at a good level but showed signs of deterioration in Q1/24



Source: TCB, ACBS estimated

NPL coverage ratio was no longer thick but has slightly improved



Source: TCB, ACBS estimated

Historical P/E of TCB



Source: FiinPro-X, ACBS

Historical P/B of TCB



Source: FiinPro-X, ACBS

(Unit: VND billion, unless otherwise stated)	Market price (VND):	46,400	Target price (VND):	49,000	Market cap (VND bn):	163,445	
INCOME ITEMS	2020	2021	2022	2023	2024F	2025F	2026F
Net interest income	18,751	26,699	30,290	27,691	36,500	42,822	50,420
Net fee & commission income	4,189	6,382	8,527	8,715	9,674	10,834	12,134
Other non-interest income	4,103	3,995	2,085	3,655	3,800	3,931	4,609
Total operating income	27,043	37,076	40,902	40,061	49,974	57,588	67,163
Growth (%)	28.4%	37.1%	10.3%	-2.1%	24.7%	15.2%	16.6%
Operating expenses	(8,631)	(11,173)	(13,398)	(13,252)	(13,914)	(16,002)	(18,402)
Profit before provision & tax	18,411	25,903	27,504	26,809	36,059	41,586	48,761
Provision for credit losses	(2,611)	(2,665)	(1,936)	(3,921)	(5,679)	(6,055)	(7,144)
Profit before tax	15,800	23,238	25,568	22,888	30,380	35,532	41,617
Profit after tax after minority interests	12,582	18,415	20,436	18,191	24,304	28,425	33,294
Profit attributable to shareholders	12,325	18,052	20,150	18,004	24,080	28,167	32,997
Growth (%)	22.3%	46.5%	11.6%	-10.7%	33.7%	17.0%	17.1%
Adjusted EPS (VND)	3,516	5,142	5,729	5,111	6,836	7,996	9,367
BALANCE SHEET ITEMS	2020	2021	2022	2023	2024F	2025F	2026F
Outstanding loans & corporate bonds	324,253	410,150	461,539	561,150	667,769	787,967	929,802
Growth (%)	24.0%	26.5%	12.5%	21.6%	19.0%	18.0%	18.0%
Customer deposit	277,459	314,753	358,404	454,661	531,953	627,705	740,692
Growth (%)	20.0%	13.4%	13.9%	26.9%	17.0%	18.0%	18.0%
Total assets	439,603	568,729	699,033	849,482	990,538	1,164,859	1,371,261
Shareholder's equity	74,131	92,195	112,296	130,311	149,107	171,991	199,704
BVPS (VND)	21,151	26,259	31,927	36,994	42,330	48,826	56,694
KEY RATIOS	2020	2021	2022	2023	2024F	2025F	2026F
NPL (%)	0.5%	0.7%	0.7%	1.2%	1.1%	1.1%	1.1%
NPL coverage (%)	171%	163%	157%	102%	110%	107%	117%
NIM (%)	4.9%	5.8%	5.4%	4.1%	4.5%	4.5%	4.5%
CIR (%)	32%	30%	33%	33%	28%	28%	27%
ROA (%)	3.0%	3.6%	3.2%	2.3%	2.6%	2.6%	2.6%
ROE (%)	18.1%	21.7%	19.7%	14.8%	17.2%	17.5%	17.8%
CAR Basel 2 (%)	16.0%	15.0%	15.2%	14.0%	13.7%	13.5%	13.3%
P/E (x)	13.3	9.1	8.1	9.1	6.8	5.8	5.0
P/B (x)	2.2	1.8	1.5	1.3	1.1	1.0	0.8
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	3.2%	3.2%	3.2%

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DISCLAIMER

Our Recommendation System

BUY	: total stock returns (including dividend yield) over the next 12 months are forecast to be 20% or higher.
OUTPERFORM	: total stock returns (including dividend yield) over the next 12 months are forecast to be from 10 to 20%.
NEUTRAL	: total stock returns (including dividend yield) over the next 12 months are forecast to be between -10 and 10%.
UNDERPERFORM	: total stock returns (including dividend yield) over the next 12 months are forecast to be from -10 to -20%.
SELL	: total stock returns (including dividend yield) over the next 12 months are forecast to be -20% or lower.

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