

# Techcombank (TCB)

## Positive business results in 4Q21

April 8, 2022

Analyst Nguyen Duc Huy  
huynd1@kbsec.com.vn

**4Q21 PBT was up 20.7%YoY to VND6,140 billion**

Techcombank (TCB) posted 4Q21 NII of VND7,245 billion (+7.5% QoQ, +32.8% YoY), NOII of VND2,910 billion (+42.8% QoQ, +26.2% YoY). Provision expense was VND627 billion (+71.2% YoY) and PBT was VND6,140 billion (+20.7%YoY).

**We expect TCB and Manulife to negotiate higher upfront fees**

The 15-year cooperation agreement signed in 2017 between TCB and Manulife recorded upfront fees of VND1,466 billion. Others between CTG and Manulife (VND8,050 billion), VCB and FWD (VND9,200 billion), and VPB and AIA (VND6,000 billion) all have huge upfront costs. Thus, we expect higher upfront fees for TCB given: (1) TCB's exploiting the potential of well-paying customers; (2) the low life insurance penetration rate in Vietnam relative to emerging & developed markets.

**TCB has been actively promoting investment in Ebanking to maintain a high CASA ratio**

The implementation of cloud services provided by Amazon and the launch of a new mobile banking application to enhance customer experience may contribute to maintaining and increasing TCB's CASA ratio in 2022.

**TCB aims towards positive business results in 2022**

TCB targets the credit growth of the parent bank at VND446,554 billion (+15% YTD), consolidated PBT at VND27,000 billion (+16.2%YoY), and the NPL ratio under 1.5%. The IPO of Techcom Securities (TCBS) should be within the next 1-2 years.

**We recommended BUYING TCB shares with a target price of VND65,600**

Based on valuation results and business performance, we recommend BUYING TCB shares with a target price of VND65,600/share, 36.7% higher than the closing price on April 8, 2022.

**Buy** maintain

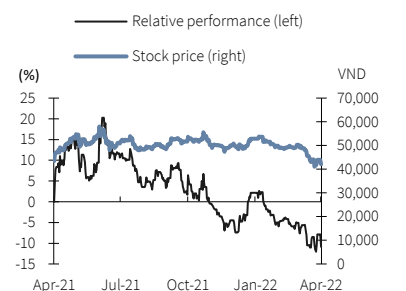
<b>Target price</b>	<b>VND65,600</b>
Upside/Downside	36.7%
Current price (Apr 8, 2022)	VND48,000
Consensus target price	VND67,800
Market cap (VNDbn)	171,508

<b>Trading data</b>	
Free float	84.54%
3M avg trading value (VNDbn/USDmn)	4,280/0.18
Foreign ownership	22.47%
Major shareholder	Masan Group (MSN) (14.96%)

<b>Share price performance</b>				
(%)	<b>1M</b>	<b>3M</b>	<b>6M</b>	<b>12M</b>
<b>Absolute</b>	-0.31	-1.21	-7.83	16.45
<b>Relative</b>	-400	-600	-4,150	6,900

### Forecast earnings & valuation

FY-end	2020A	2021A	2022F	2023F
Net interest income (VNDbn)	18,751	26,695	36,249	42,860
Pre-provision operating profit (VNDbn)	18,411	25,903	32,714	41,420
NPAT of the parent bank (VNDbn)	12,325	18,038	23,150	29,631
EPS (VND)	3,516	5,138	6,561	8,356
EPS growth (%)	22.2%	46.1%	27.7%	27.4%
PER (x)	8.96	9.73	9.9	9.6
Book value per share (VND)	20,392	25,481	31,872	40,356
PBR (x)	1.54	1.96	2.0	1.6
ROE (%)	18%	21.5%	22.4%	22.7%



Source: Bloomberg, KB Securities Vietnam

## Updated business performance

### 4Q21 PBT increased by 20.7%YoY to VND6,140 billion

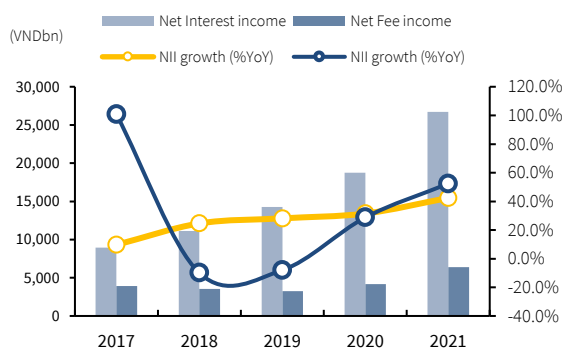
TCB recorded 4Q21 net interest income (NII) of VND7,245 billion (+7.5%QoQ, +32.8%YoY), non-interest income (NOII) of VND2,910 billion (+42.8%QoQ, +26.2%YoY). As a result, total operating income (TOI) reached VND10,159 billion (+15.7% QoQ, +30.9% YoY). Provision expense climbed 71.2%YoY to VND627 billion and PBT rose by 20.7%YoY to VND6,140 billion. In 2021, TCB posted PBT of VND23,238 billion (+47.1% YoY vs. +23.1% in 2020 and +20.4% in 2019) and credit growth of 22.9% YTD, the second highest in the industry.

### 4Q21 NIM reached 5.64%, +6bps QoQ

The average earnings yield was 7.65% (-20bps QoQ) in 4Q21. However, with a high CASA ratio at 50.5% driven by individual customers (+23.5% QoQ, +31.6% YoY) and low deposit rates, the average cost of funds plunged to 2%. Net profit margin was 5.64% (+6bps QoQ). NIM was 5.75% (+83bps YoY) in 2021.

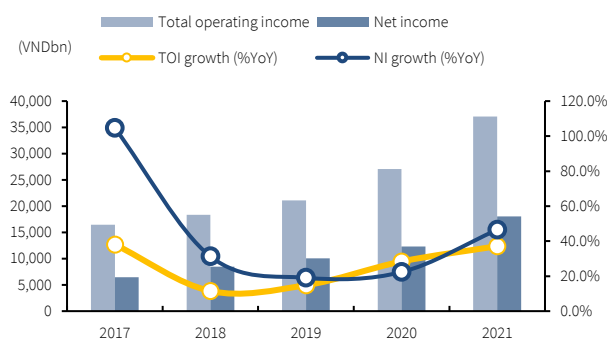
In 3Q21, TCB secured a 5-year offshore syndicated loan worth USD800 million, ensuring ample liquidity for credit growth. Also, the relatively low interest rate of offshore funding helps reduce capital costs and improve NIM for the bank.

Fig 1. TCB – NII, service fees (VNDbn, %)



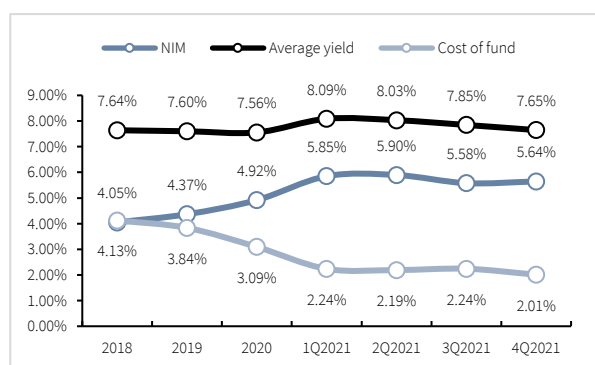
Source: Techcombank, KB Securities Vietnam

Fig 2. TCB – TOI, NPAT (VNDbn, %)



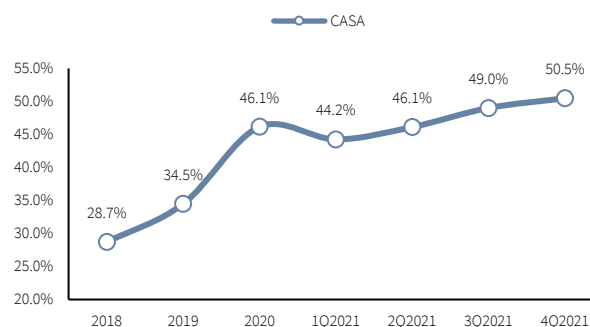
Source: Techcombank, KB Securities Vietnam

Fig 3. TCB – NIM (%)



Source: Techcombank, KB Securities Vietnam

Fig 4. TCB – CASA ratio (%)



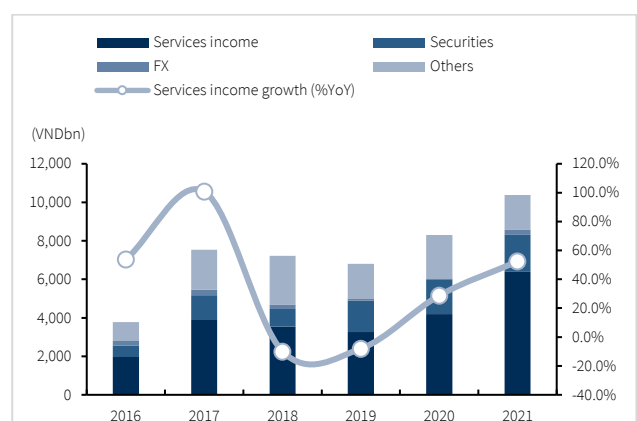
Source: Techcombank, KB Securities Vietnam

### NOII reached VND 2,914 billion, up 26.3% YoY in 4Q21

Service fees jumped by 96.7% YoY, with the main driving force coming from bancassurance (+195.9% YoY) and brokerage services (+320.5% YoY). Payment services brought in VND600 billion, up 77.5%YoY; investment securities brought in VND303 billion (-42.7% YoY). Meanwhile, foreign currency trading saw a loss of -VND28 billion; net other income was VND 532 billion, down 23% YoY due to a 45% YoY decrease in earnings from derivatives. Still, NOII increased by 26.4% to VND2,910 billion, given a sharp rise in service fees. NII/TOI ratio was 71.3%, down 5.5 ppts QoQ.

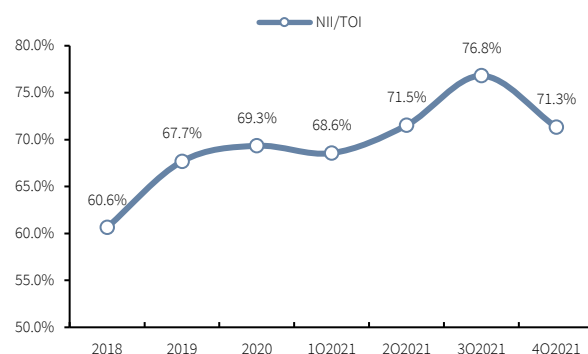
TCB's subsidiaries all recorded positive business results, contributing to NOII of the bank. TCBS brought in VND3.8 trillion (+41.5% YoY) and continued to lead the corporate bond market for the sixth consecutive year. Revenue from Techcom Capital Joint Stock Company (TCC) was VND276 billion (+17.6% YoY), with total assets under management for domestic open-ended funds of more than VND22 trillion or 53% of the market share.

Fig 5. TCB – NOII breakdown (VNDbn)



Source: Techcombank, KB Securities Vietnam

Fig 6. TCB – NOI/TOI (%)



Source: Techcombank, KB Securities Vietnam

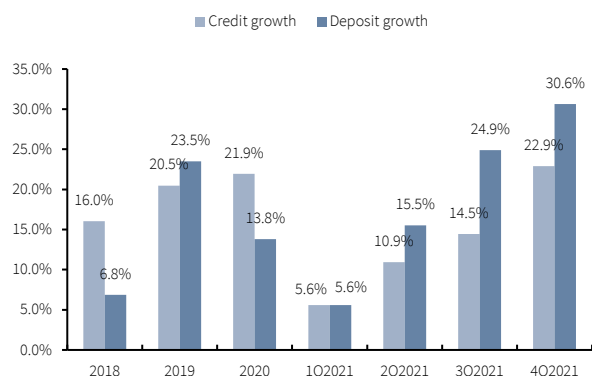
### Credit and deposit growth reached 22.9% YTD and 30.6% YTD, respectively

Credit growth of 22.9%YTD in 4Q21 was thanks to lending to retail customers (+17.4% QoQ and +45.9% YoY) and SMEs (+10.3% QoQ and +23.1% YoY). Meanwhile, loans to corporate customers were down -2.4% QoQ. Loans still focused on Real Estate, Construction (69%), and Fast-moving consumer goods (FMCG) (17%).

Deposits still recorded a positive growth against the same period last year, reaching 30.6%YoY, of which deposits and loans to other credit institutions and the issuance value of valuable papers increased by 136.8% YoY and 20.7% YoY, respectively, making up for deposit growth of about 13.4%.

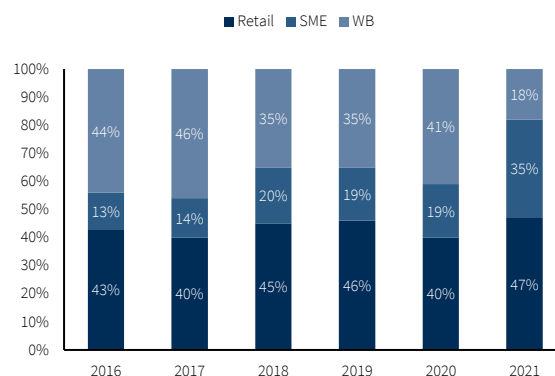
The loan-to-deposit ratio (LDR) dropped to 75% because deposits recorded a higher growth rate than credit growth. The ratio of short-term capital for medium and long-term loans of banks as reported by the SBV is 28.8% vs. 37% for 2021 as per Circular 22/2019.

Fig 7. TCB – Credit &amp; deposit growth (%)



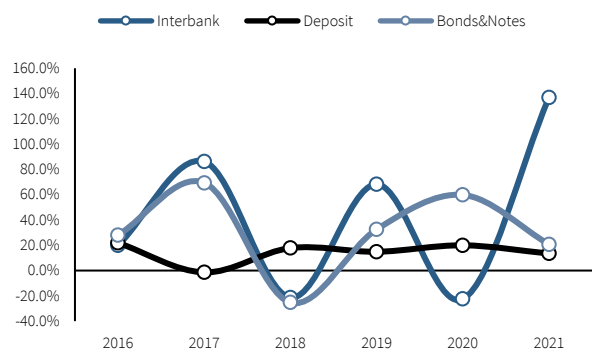
Source: Techcombank, KB Securities Vietnam

Fig 8. TCB – Lending to customers (%)



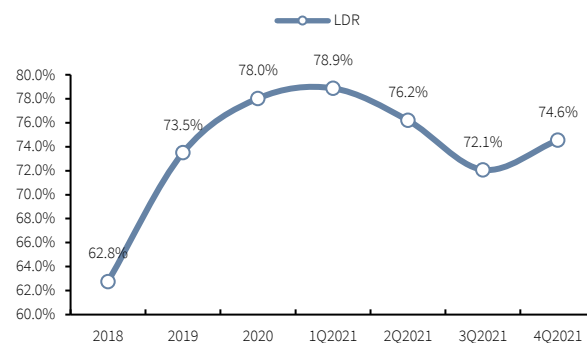
Source: Techcombank, KB Securities Vietnam

Fig 9. TCB – Mobilized capital (%YoY)



Source: Techcombank, KB Securities Vietnam

Fig 10. TCB – LDR (%)



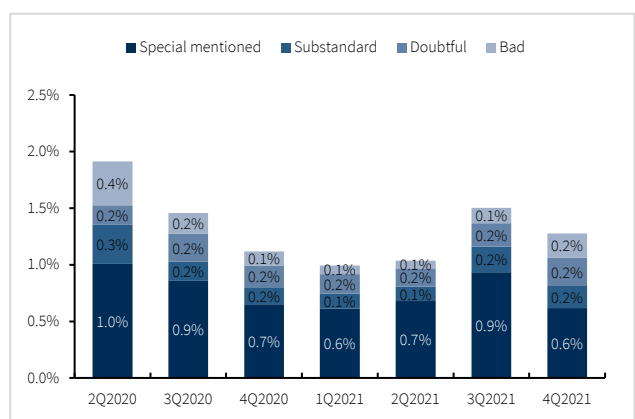
Source: Techcombank, KB Securities Vietnam

**NPL ratio in 4Q21 rose by 9bps, reaching 0.66%. TCB made additional provisions for restructured debts**

NPL ratio in 4Q21 was 0.66%, up 9bps QoQ, the lowest in the banking system. During the period, TCB continued to boost provisioning with a provision of VND627 billion (+6.5% QoQ and +71.2% YoY), the loan loss coverage ratio (LLCR) continued to decrease by 21.6 percentage points to 162.9%. However, TCB is still among the banks with the highest LLCR. By the end of 4Q21, TCB's restructured debts under Circular 14/2021 were VND1,900 billion, down 32.1% QoQ, equivalent to 0.5% of outstanding loans.

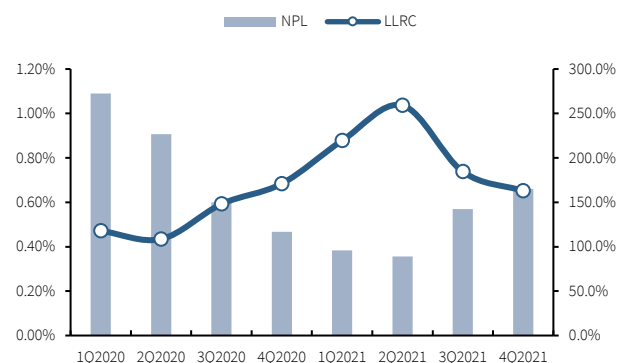
TCB has also made additional provisions for restructured debts per Circular 14/2021. Besides, with the high earnings growth of businesses, we believe that debt restructuring does not affect the bank much.

Fig 11. TCB – Groups of debt (%)



Source: Techcombank, KB Securities Vietnam

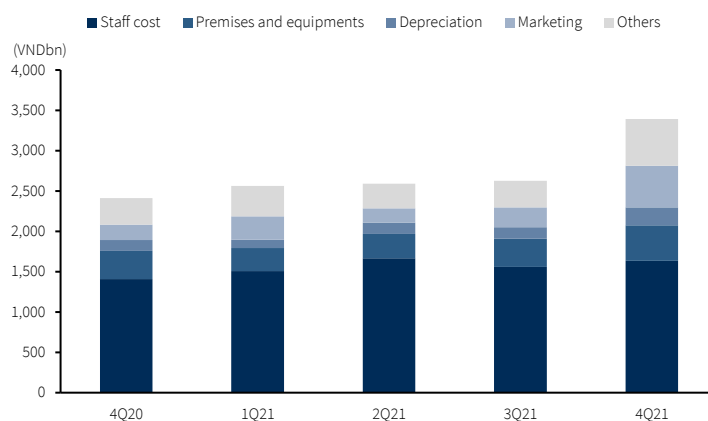
Fig 12. TCB – NPL & LLCR (%)



Source: Techcombank, KB Securities Vietnam

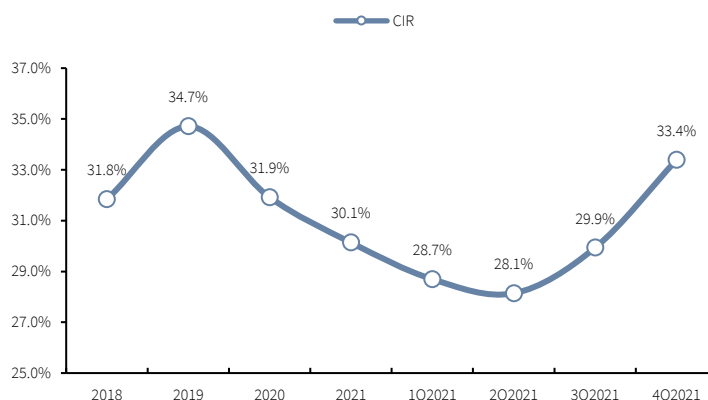
CIR ratio 4Q2021 increased by 3.5 ppts QoQ, reaching 33.4% due to: (1) Depreciation expense up 67%YoY as the bank increased strategic investments in technology platform; (2) Marketing expenses up 170%YoY mainly due to premium reimbursement. For the whole year of 2021, CIR reached 30.1%, down 180bps YoY.

Fig 13. TCB – Operating costs (VNDbn)



Source: Techcombank, KB Securities Vietnam

Fig 14. TCB – CIR (%)



Source: Techcombank, KB Securities Vietnam

**The cooperation agreement between TCB and Manulife should offer higher upfront fees**

In 2021, bancassurance sales achieved VND1,588 billion (+88% YoY) thanks to the bonus from Manulife as TCB exceeded the KPIs for bancassurance sales. TCB's Annual Premium Equivalent (APE) improved 34% YoY and ranked second in APE market share in 2021. Bancassurance income has become the second largest contributor to TCB's total revenue, with an average growth rate of 35.8%/year.

The 15-year deal between TCB and Manulife dates back to 2017, with upfront fees of only about VND1,446 billion. Insurance cooperation agreements in the period of 2020–2021 often have high upfront costs, such as the 16-year agreement between Vietinbank (CTG) and Manulife in 2021 (VND8,050 billion); 15-year agreement between ACB and Sun-life (VND8,400 billion) or agreement between Vietcombank (VCB) and FWD (VND9,200 billion). Besides, earlier this year, VPBank (VPB) extended its exclusive deal on insurance distribution from 15 years to 19 years with AIA, with new upfront fees estimated at VND6,000 billion vs. VND1,600 billion previously in 2017. Therefore, we expect higher upfront fees for TCB given: (1) TCB's exploiting the potential of well-paying customers; (2) the low life insurance penetration rate in Vietnam at only 2.3%–2.8% currently vs. 3%–4% of emerging markets and 9.6% of developed ones.

**TCB has been actively promoting investment in e-Banking to maintain a high CASA ratio**

TCB's CASA ratio at the end of 2021 was 50.5%, the highest ever recorded by the bank and across the banking system. This figure is usually above 60%, thanks to the contribution of individual customers.

The e-Banking segment maintained outstanding growth because: (1) Individual e-Banking customers reached 5.1 million (+32.3% YoY); (2) the number of transactions via the e-Banking channel represented 83.4% of total transactions, up from 77.5% in the same period a year ago; and (3) retail e-Banking channel in 2021 brought in revenue of VND9,076 trillion (+80.5% YoY). The implementation of cloud services provided by Amazon and the launch of a new mobile banking application to enhance customer experience may contribute to maintaining and increasing TCB's CASA ratio in 2022.

**TCB aims towards positive business results in 2022**

TCB aims towards VND446,554 billion (+15% YTD) in the credit growth of the parent bank. Consolidated PBT should increase by 16.2%YoY to VND27,000 billion, and the NPL ratio should remain under 1.5%.

During the investor meeting, the management set out TCBS's ambitious strategic goals for 2021–2025. The bank plans the IPO for TCBS within the next 1–2 years, with capitalization and NPAT by 2025 reaching USD5 billion and VND5,000 billion, respectively. By the end of 2021, TCBS ranked 5th in securities brokerage market share on the HoSE, ranked 3rd in margin lending, and held the leading position in the corporate bonds brokerage market.

## Forecast business performance

### 2022F business performance

We make a forecast for TCB's business performance in 2022F as follows:

- Credit growth is forecast to reach 23% as businesses step up borrowing to recover from the COVID-19 pandemic.
- We estimate NIM to increase by 66 bps YoY to 6.36% with the expectation that the CASA ratio will remain high at 52%, and the USD800 million offshore syndicated loan will help the bank maintain a low average earnings yield.
- NPL ratio should be 0.58%, down 8bps YoY, thanks to the improved financial health of businesses.
- Provision expense is VND2,900 billion, up 9% YoY due to accelerated provisioning for restructuring debts in 2021.
- We forecast NPAT of VND23,621 billion, up 28.2% YoY.

**Table 1. TCB – 2022F–2023F business performance**

VNDbn	2021	2022F	2023F	%YoY2022	%YoY2023
NII	26,699	36,249	42,860	35.7%	18.2%
Service fees	6,382	8,355	11,501	30.9%	37.6%
TOI	37,076	48,827	59,171	31.7%	21.1%
Provision expense	-2,665	-2,905	-3,265	9%	12.4%
NPAT	18,038	23,150	29,631	28.3%	28.0%
NIM	5.71%	6.30%	6.38%		
Average earnings yield	7.59%	8.32%	8.58%		
Average cost of funds	2.32%	2.56%	2.70%		
CIR	30.1%	33%	30%		
NPL	0.66%	0.58%	0.52%		
Total assets	33,680	45,468	55,016	18.8%	14.8%
Equity	93,041	117,494	148,177	26.3%	26.3%

Source: KB Securities Vietnam

### We recommend BUYING TCB shares with a target price of VND65,600/share

We combine two valuation methods, P/B and residual income, to find a fair price for TCB shares.

#### (1) P/B method

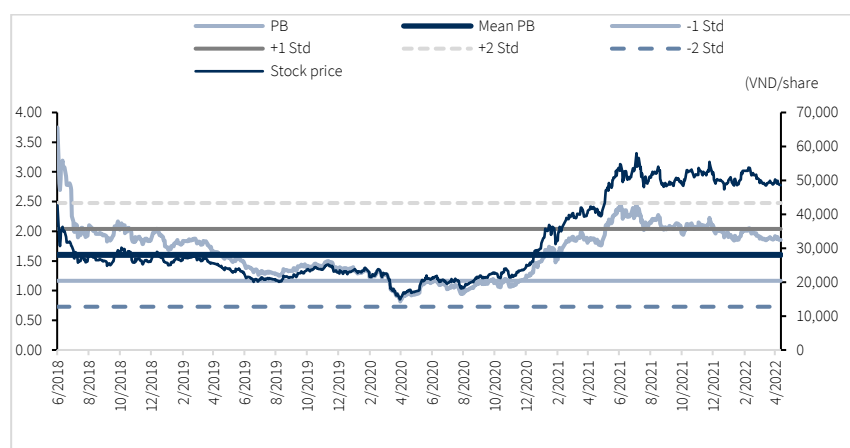
We like TCB because of the bank's asset quality and its positive earnings growth. We give TCB a target P/B in 2022 of 2.0x, equivalent to +1Std of TCB's 3-year average P/B.

#### (2) Residual income method

In addition, we incorporate the residual income method to reflect systematic risk and long-term expectations.

Combining the above two valuation methods with the ratio of 50-50, we recommend BUYING TCB shares with a target price of VND65,500/share, 36.7% higher than the price on April 8, 2022. Some downside risks include: (1) unpredictable development of the pandemic that may negatively affect asset quality; (2) increased competition in the banking industry, causing CASA to fall short of expectations.

Fig 15. TCB – Share performance and P/B (VND, x)



Source: Fiinpro, KB Securities Vietnam

Table 2. TCB – Target price according to residual income method (VND/share)

VNDbn	2021A	2022F	2023F	2024F
NPAT		23,622	30,236	35,553
Excessed return		16,234	22,681	27,857
Required rate of return (r)	19.6%			
Growth (g)	5%			
Terminal value	122,681			
Present value (PV)	236,701			
<b>Price</b>	<b>67,419</b>			

Source: KB Securities Vietnam

Table 3. TCB – Target price according to valuation methods (VND/share)

Valuation method	Forecast price (VND)	Weight	Weighted price (VND)
P/B	67,419	50%	33,709
Residual income	63,744	50%	31,812
<b>Target price</b>			<b>65,600</b>

Source: KB Securities Vietnam



## KB SECURITIES VIETNAM RESEARCH

---

**Nguyen Xuan Binh**  
Head of Research  
binhnx@kbsec.com.vn

### Equity

**Duong Duc Hieu**  
Head of Equity Research  
hieudd@kbsec.com.vn

**Nguyen Anh Tung**  
Senior Analyst – Banks, Insurance & Securities  
tungna@kbsec.com.vn

**Pham Hoang Bao Nga**  
Senior Analyst – Real Estate, Construction & Materials  
ngaphb@kbsec.com.vn

**Luong Ngoc Tuan Dung**  
Analyst – Retails & Consumers  
dunglnt@kbsec.com.vn

**Tieu Phan Thanh Quang**  
Analyst – Oil & Gas, Utilities  
quangtpt@kbsec.com.vn

**Nguyen Duc Huy**  
Analyst – Banks, Insurance & Securities  
huynd1@kbsec.com.vn

**Research Division**  
research@kbsec.com.vn

### Macro/Strategy

**Tran Duc Anh**  
Head of Macro & Strategy  
anhtd@kbsec.com.vn

**Le Hanh Quyen**  
Analyst – Macroeconomics & Banks  
quyenlh@kbsec.com.vn

**Thai Huu Cong**  
Analyst – Strategy, Chemicals  
congth@kbsec.com.vn

**Tran Thi Phuong Anh**  
Analyst – Strategy, Fishery & Textiles  
anhttp@kbsec.com.vn

### Support team

**Nguyen Cam Tho**  
Assistant  
thonc@kbsec.com.vn

**Nguyen Thi Huong**  
Assistant  
huongnt3@kbsec.com.vn

## KB SECURITIES VIETNAM (KBSV)

---

### Head Office:

Levels G, M, 2 & 7, Sky City Tower, 88 Lang Ha Street, Dong Da District, Hanoi, Vietnam  
Tel: (+84) 24 7303 5333 – Fax: (+84) 24 3776 5928

### Hanoi Branch:

Level 1, VP Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam  
Tel: (+84) 24 7305 3335 – Fax: (+84) 24 3822 3131

### Ho Chi Minh Branch:

Level 2, TNR Tower Nguyen Cong Tru, 180-192 Nguyen Cong Tru Street, District 1, HCMC, Vietnam  
Tel: (+84) 28 7303 5333 – Fax: (+84) 28 3914 1969

### Saigon Branch:

Level 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCMC, Vietnam  
Tel: (+84) 28 7306 3338 – Fax: (+84) 28 3910 1611

## CONTACT INFORMATION

Institutional Client Center: (+84) 28 7303 5333 – Ext: 2656  
Private Customer Care Center: (+84) 24 7303 5333 – Ext: 2276  
Email: [ccc@kbsec.com.vn](mailto:ccc@kbsec.com.vn)  
Website: [www.kbsec.com.vn](http://www.kbsec.com.vn)

## Investment ratings & definitions

---

### Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

### Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

Opinions in this report reflect the professional judgment of the research analyst(s) as of the date hereof and are based on information and data obtained from sources that KBSV considers reliable. KBSV makes no representation that the information and data are accurate or complete and the views presented in this report are subject to change without prior notification. Clients should independently consider their own particular circumstances and objectives and are solely responsible for their investment decisions and we shall not have liability for investments or results thereof. These materials are the copyright of KBSV and may not be reproduced, redistributed or modified without the prior written consent of KBSV. Comments and views in this report are of a general nature and intended for reference only and not authorized for use for any other purpose.