

22 January, 2025

## EARNINGS FLASH



# Vietnam Technological and Commercial Joint Stock Bank (HOSE: TCB)

## Vietnam Banks

### Guidance successfully achieved

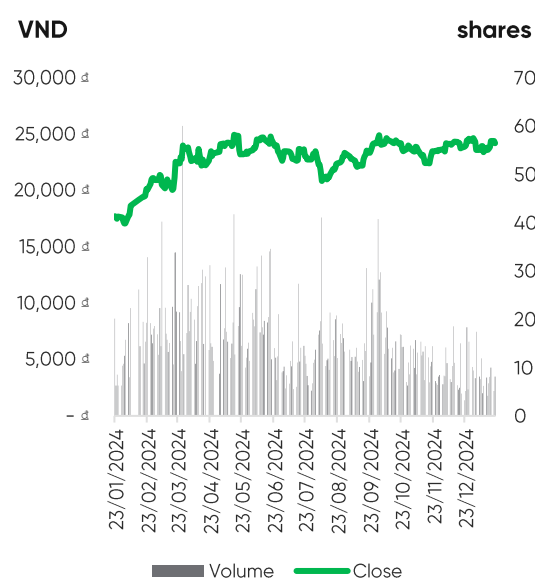
#### Q4/2024 and 2024's earnings update:

- TCB's Q4 PBT declined by 18.7% yoy, primarily due to a contract compensation payment to Manulife amounting to approximately VND 1,800 billion. However, this result remains 8% higher than our forecast. For the full year 2024, PBT reached VND 27,538 billion, achieving 102% of the guidance and 101% of our forecast. This performance is largely attributed to lower-than-anticipated provisioning expenses in Q4, as TCB effectively managed bad debts and reversed VND 580 billion in provisions related to debt trading contracts and other credit risk assets. Additionally, full-year 2024 TOI is set to grow by 17.3% yoy. Excluding the Q4 payment to Manulife, TOI would reflect a stronger increase of 22% yoy.
- In terms of credit, we observed a steady growth trend throughout the quarters, with no periods of rapid expansion, while diversifying their portfolio. The contribution of real estate corporate loans decreased from 35.21% at the end of 2023 to 30.88% by the end of 2024. In Q4/2024, retail loans for home purchases and corporate bonds were key contributors to overall growth. Notably, the disbursement of home loans in Q4 reached VND 35,470 billion, the highest level in the past three years. The corporate bond portfolio grew by 20.7% qoq, with a significant increase of 54% in Q4 alone, indicating strategic preparation for expected challenges in the market in 2025 due to amendments in the new Securities Law.
- The decline in NIM is an unavoidable trend driven by intense price competition. TCB's NIM dropped to 3.9% in Q4 2024; however, the full-year NIM remained stable at 4.2% (+20 bps yoy), aligning with our forecast at the beginning of the year. With 66% of loans carrying an average interest rate of 5.4% per year (up from 60% in the previous quarter) while the COF remains at 3.4%, NIM continues to face downward pressure. Nonetheless, we anticipate that increased service fees and credit growth in 2025 will help mitigate the impact of this NIM contraction.
- As anticipated in the previous quarter, we expected TCB's deposit growth to show a more positive trend to support the high credit demand starting from Q4, and TCB delivered accordingly. This is evidenced by deposit growth of 24.9% yoy (+8.5% qoq), outpacing credit growth of 21.7% yoy (+3.5% qoq). Consequently, the LDR declined from 82% in Q3 to 77% by the end of 2024.

#### TRADING INFO

Market cap (VNDb)	172,382 đ
Outstanding shares	7,064,852,000
52W Average volume	7,261,750
52W High	36,150 đ
52W Low	19,300 đ
Beta	1.38

#### STOCK PRICE MOVEMENT



Unit: VNDb	2023	2024	% yoy
NII	27,691	35,508	28.23%
TOI	40,061	46,990	17.30%
PBT	22,888	27,538	20.32%
EPS	2,582	3,080	19.28%
BVPS	18,495	20,583	11.29%
PE	6.16	8.00	29.97%
PB	0.86	1.20	39.30%
NIM	4.0%	4.2%	20 bps
CIR	33.08%	32.71%	-37 bps
ROA	2.40%	2.40%	-
ROE	14.80%	15.50%	70 bps

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- CASA rose to 40.9% by end of 2024 (+100 bps yoy), driven by the “Anh trai vuot ngan chong gai” ticket-hunting program and the Auto Earnings product. Despite a sharp increase in costs for these programs (with marketing expenses rising by 53.8% yoy), the CIR declined slightly to 32.7%, reflecting the bank's effective cost control efforts.
- Asset quality improved in 2024, with the NPL ratio decreasing to 1.17% (down 18 bps qoq), while the LLR ratio rose to 113.8% (from 103.5% in Q3). Thanks to net debt recovery of 494 billion and effective NPL management, Q4 provision expenses dropped significantly to VND 118 billion (down 93% yoy and 89% qoq). For the full year, provision expenses totaled VND 4.1 trillion (+4% yoy).
- The ratio of interest and fees receivable to total assets decreased from 1.11% at the end of 2023 to 0.74% by the end of 2024. However, TCB's average days to collect interest and fees remain relatively high compared to the industry average, standing at 60.49 days versus 52.19 days. The CAR is projected to increase to 15.3%, up by 2 bps qoq.

**2025 Outlook:**

- CASA is expected to continue its growth, driven by the launch of the Auto Earnings product version 2.0, which features no minimum or maximum limit. This product is designed to help TCB capture market share from small businesses and incentivise retail customers to use more TCB products in exchange for higher interest rates.
- Risks stem from the potential rise in the COF due to possible increases in deposit rates. NIM is expected to remain under pressure due to ongoing price competition. While NII growth is projected to exceed 20%, it would still fall short of the levels seen in 2024. Strategic initiatives to mitigate this include establishing a life insurance company, and/or increasing its stake in TCGIns – its non-life insurance company, as well as cross-selling products with ecosystem companies to boost service operating fees, thereby compensating for the decline in NIM.
- However, in terms of fees, TCBS's bond underwriting segment is expected to be impacted by the more restrictive provisions of the new Securities Law, which include requirements such as issuers having a credit rating, a guarantee, a capital usage plan, and the stipulation that corporate bond investors must be professional investors. As a result, both supply and demand may decrease if these requirements are not met. Consequently, TCB does not anticipate a significant rebound in the bond market, with expectations for a modest recovery of approximately 10% in 2025.

HOSE: TCB

## EARNINGS UPDATE

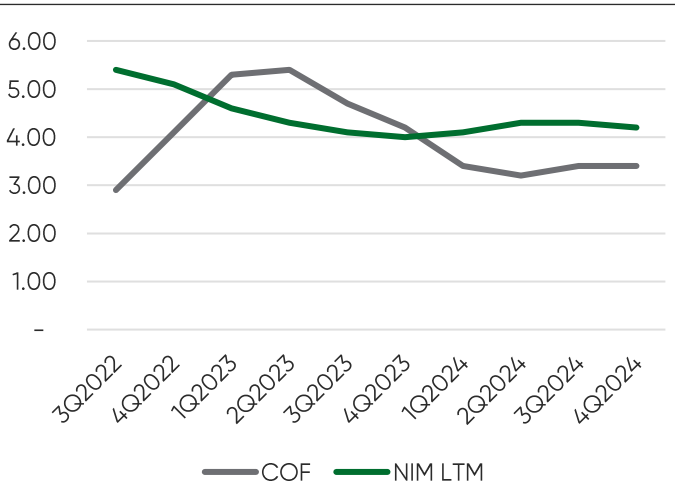


- CIR is expected to reach 30–35%.
- The bank projects credit growth of 25%, significantly outpacing the system's expected growth of 16%. Despite this, the NPL ratio is anticipated to remain at 1.5%, with credit costs staying below 1%.

**We will update our 2025 target price for TCB.**

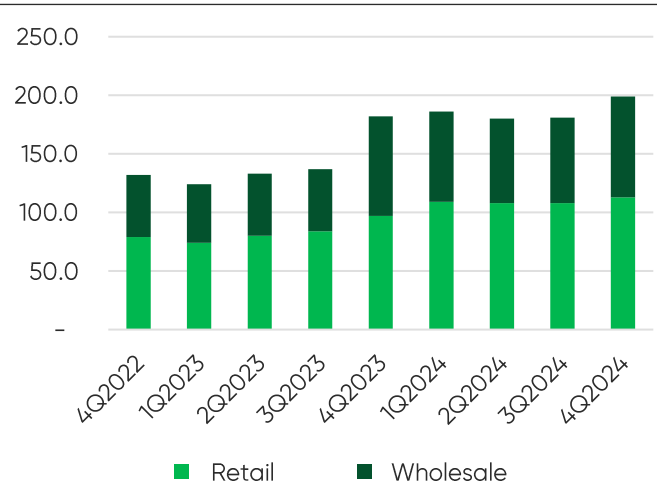
**Figure 1. COF & NIM**

Unit: %



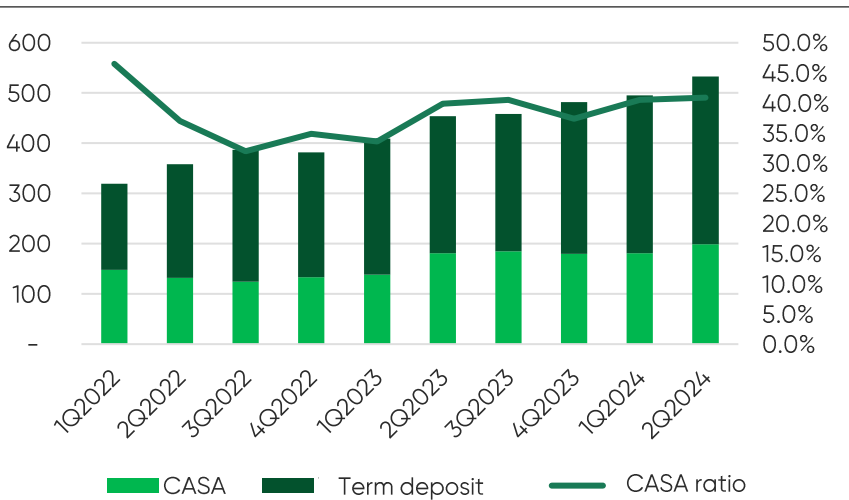
**Figure 2. CASA structure**

Unit: trillion VND



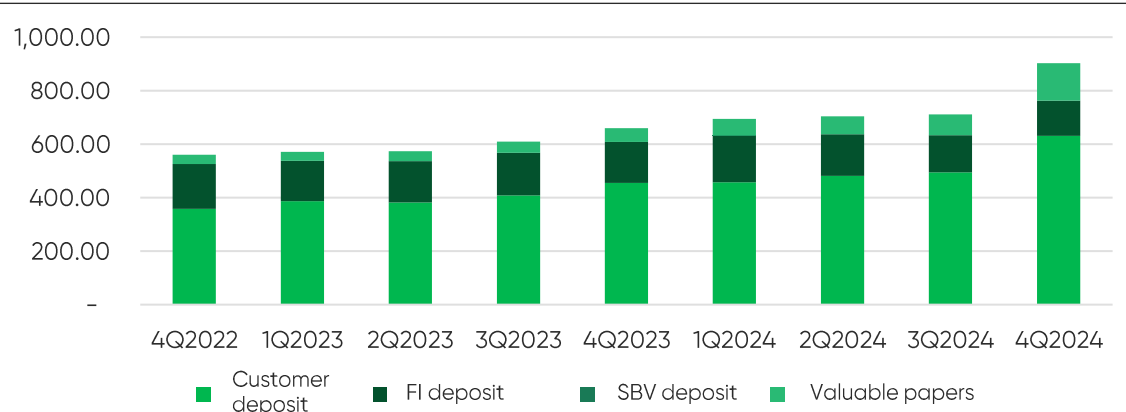
**Figure 3. Customer deposits structure**

Unit: trillion VND; %



**Figure 4. Capital mobilization structure**

Unit: trillion VND



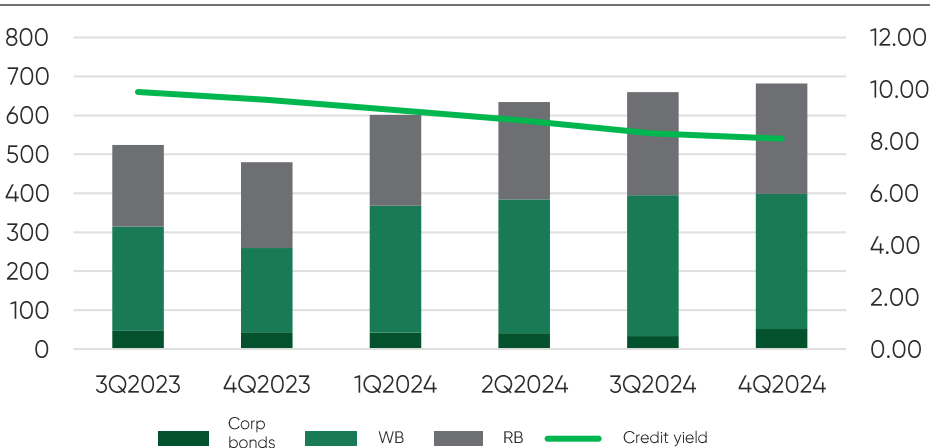
**Figure 5. Income-generating assets structure**

Unit: trillion VND



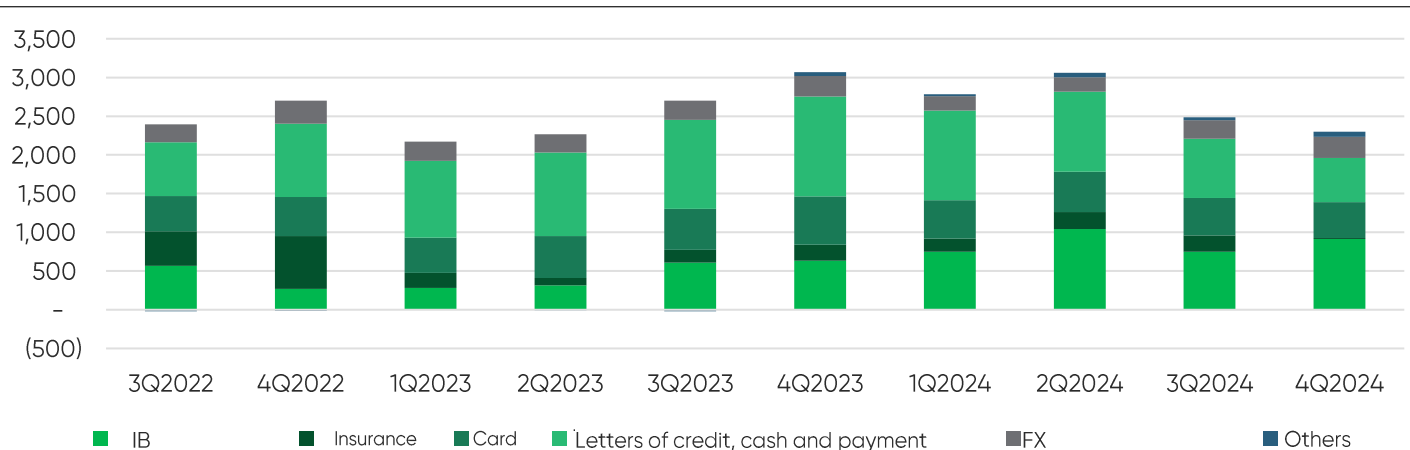
**Figure 6. Credit by customers**

Unit: trillion VND



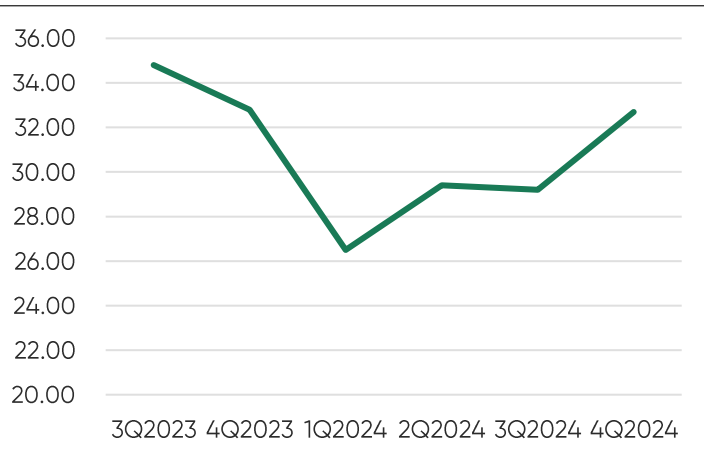
**Figure 7. Revenue from services by product**

Unit: billion VND



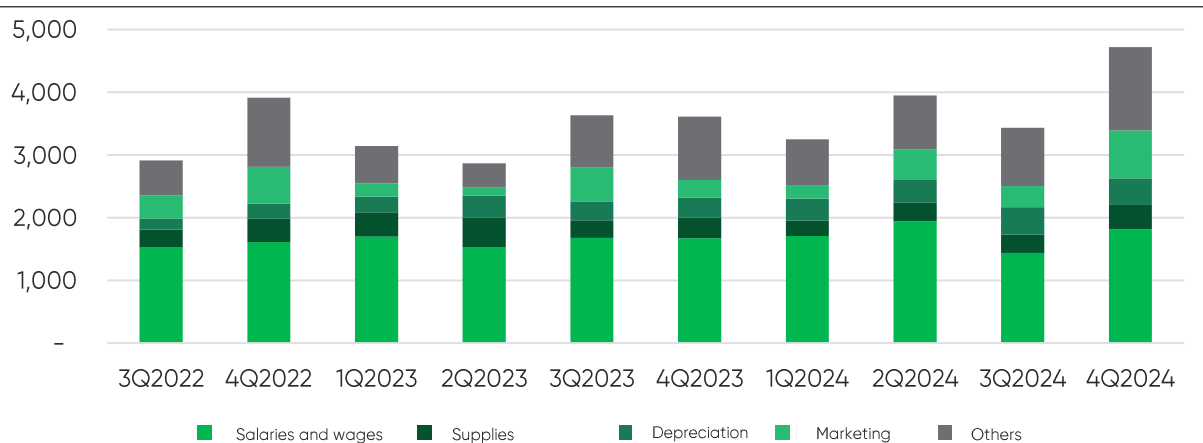
**Figure 8. CIR**

Unit: %



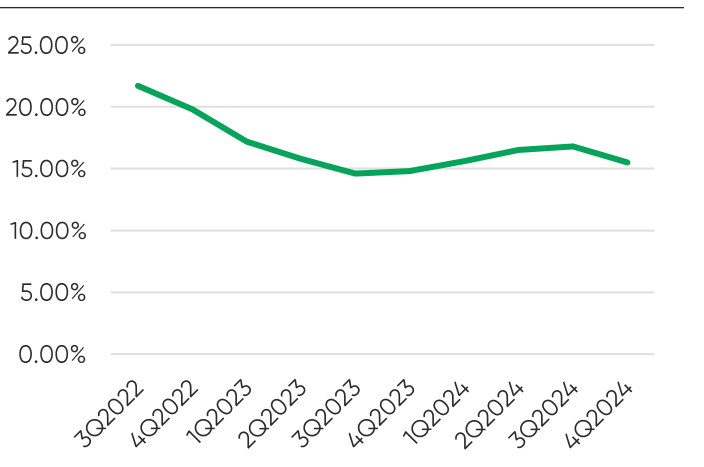
**Figure 9. OPEX structure**

Unit: trillion VND



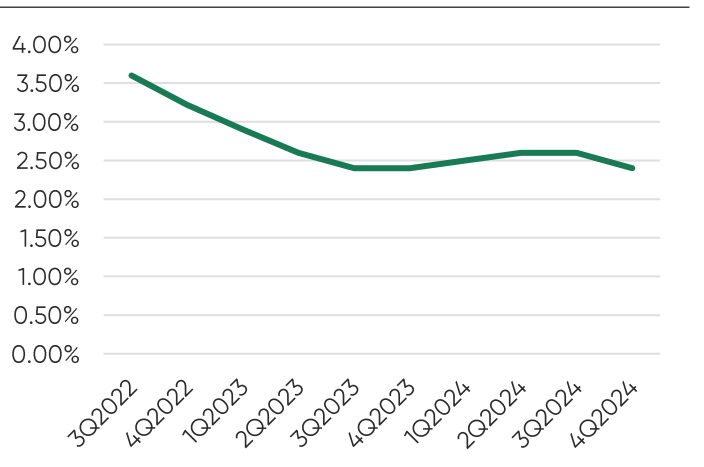
**Figure 10. ROE**

Unit: %



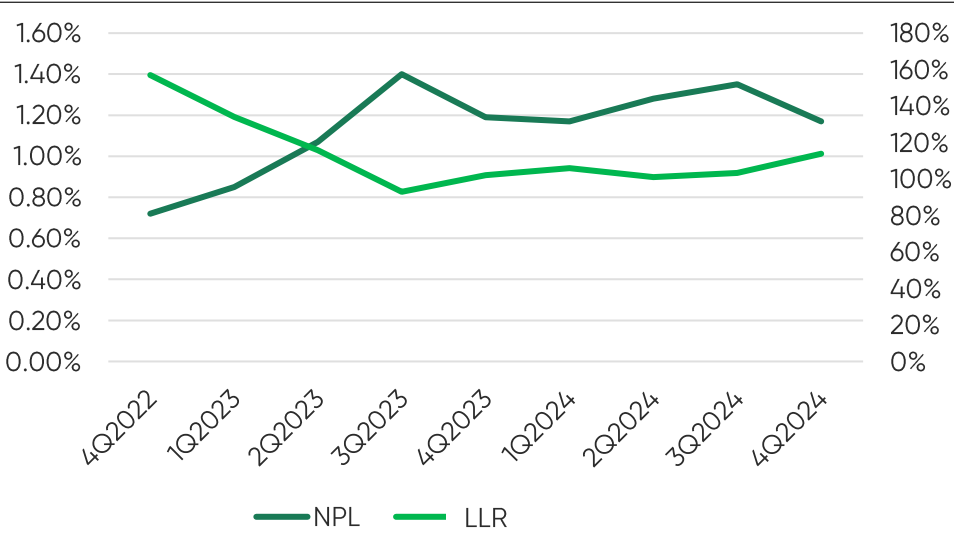
**Figure 11. ROA**

Unit: %



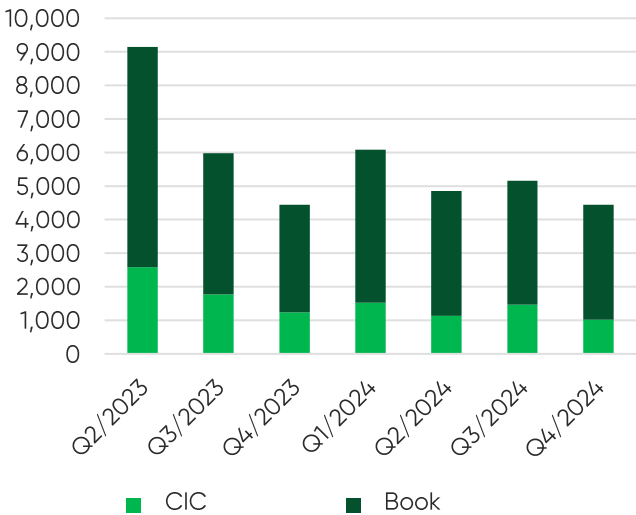
**Figure 12. NPL & LLR**

Unit: %



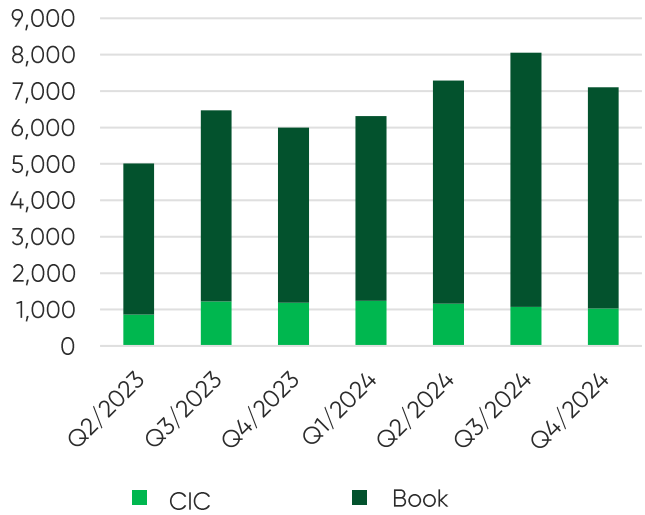
**Figure 13. Impact of CIC group 2 debt**

Unit: billion VND



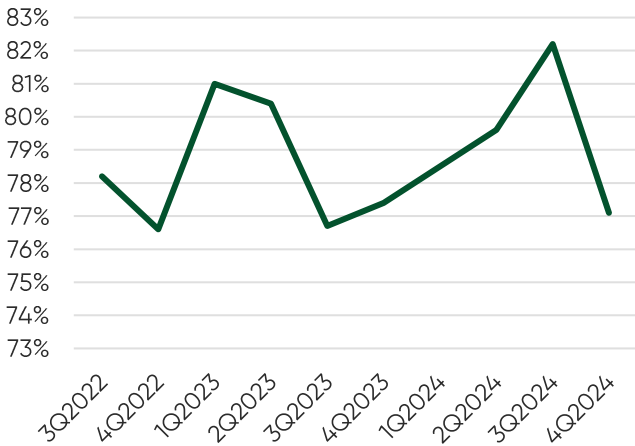
**Figure 14. Impact of CIC group 3-5 debt**

Unit: billion VND



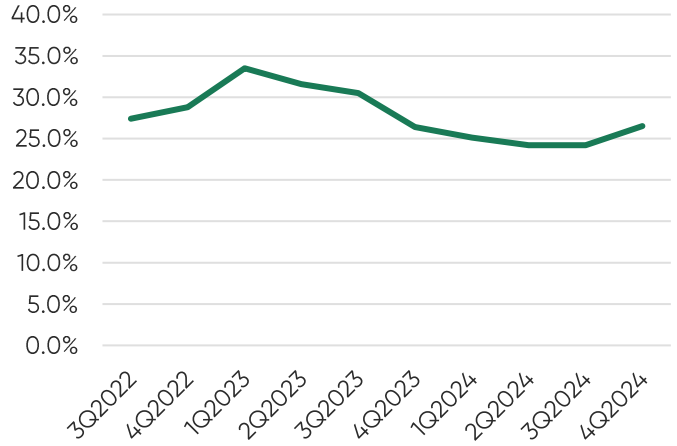
**Figure 15. LDR**

Unit: %



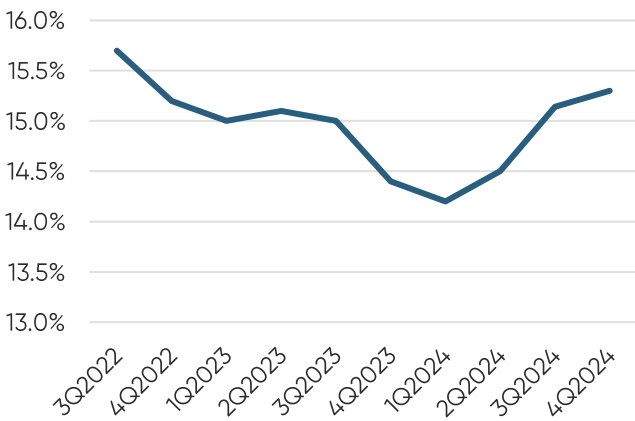
**Figure 16. SMLR**

Unit: %



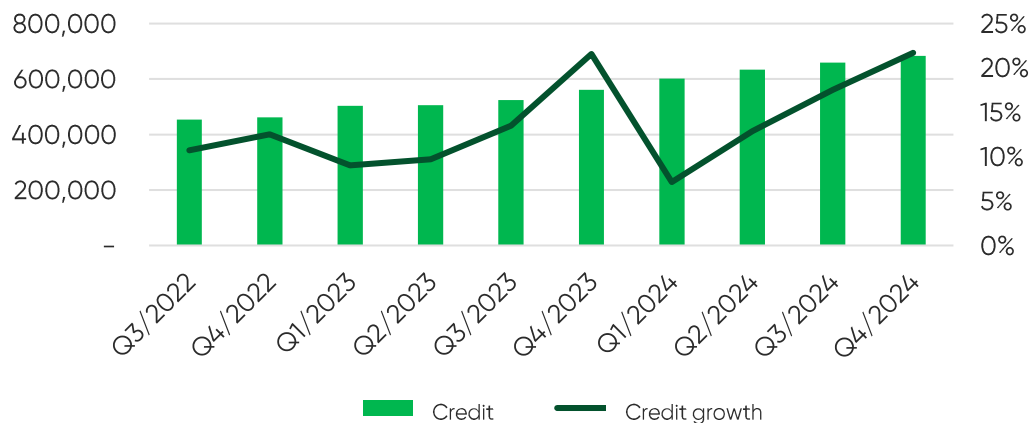
**Figure 17. CAR**

Unit: %



**Figure 18. Consolidated credit growth and outstanding loans**

Unit: % ytd, billion VND





## APPENDIX – CONSOLIDATED FINANCIAL STATEMENTS

VND	2022	2023	2024	VND	2022	2023	2024
<b>Balance sheet</b>				<b>Profit and Loss Statement</b>			
Cash and gold	4,216	3,621	3,385	Interest and similar income	44,753	56,708	60,089
Balances with the SBV	11,476	27,141	54,353	Interest and similar expense	(14,463)	(29,017)	(24,582)
Balances with and credit granting to other CIs	82,874	104,072	84,590	<b>Net interest income</b>	<b>30,290</b>	<b>27,691</b>	<b>35,508</b>
Held-for-Trading Securities	961	4,433	9,001	Fee and commission income	10,840	11,378	10,962
Derivatives and other financial assets	0	144	0	Fee and commission expense	(2,313)	(2,663)	(2,919)
Loans to customers	415,752	512,514	623,634	Net fee and commission income	8,527	8,715	8,042
Investment Securities	103,652	104,994	148,624	Net profit/(loss) from trading of foreign currencies	(275)	196	593
Long-term investments	13	3,046	3,103	Net profit/(loss) from Held-for-Trading securities	(242)	65	81
Fixed Assets	8,411	8,893	12,467	Net profit/(loss) from investment securities	426	926	2,359
Other assets	71,678	80,625	39,642	Net profit/(loss) from other operating activities	2,167	2,434	343
<b>TOTAL ASSETS</b>	<b>699,033</b>	<b>849,482</b>	<b>978,799</b>	Income from investments in other entities	9	35	65
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>				<b>TOTAL OPERATING INCOME</b>	<b>40,902</b>	<b>40,061</b>	<b>46,990</b>
Due to the Government and the SBV	8	0	12	<b>TOTAL OPERATING EXPENSE</b>	<b>(13,398)</b>	<b>(13,252)</b>	<b>(15,370)</b>
Deposits and borrowings from other financial institutions and other CIs	167,563	153,173	132,239	<b>Net profit before provision for credit losses</b>	<b>27,504</b>	<b>26,809</b>	<b>31,621</b>
Deposits from customers	358,404	454,661	533,392	Provision expenses for credit losses	(1,936)	(3,921)	(4,082)
Derivatives and other financial liabilities	1,851	0	931	<b>PROFIT BEFORE TAX</b>	<b>25,568</b>	<b>22,888</b>	<b>27,538</b>
Other borrowed and entrusted funds	0	0	0	Corporate income tax expense	(5,131)	(4,697)	(5,778)
Valuable papers issued	34,007	84,703	140,422	<b>PROFIT AFTER TAX</b>	<b>20,436</b>	<b>18,191</b>	<b>21,760</b>
Other liabilities	23,775	25,317	23,862	Non-controlling interests	(286)	(187)	(237)
<b>TOTAL LIABILITIES</b>	<b>585,608</b>	<b>717,854</b>	<b>830,859</b>	<b>Net profit of the Bank's Shareholders</b>	<b>20,150</b>	<b>18,004</b>	<b>21,523</b>
Capital	36,205	36,257	78,413	<b>Growth</b>			
Charter capital	35,172	35,225	70,649	Deposits	13.9%	26.9%	17.3%
Capital surplus	476	476	(0)	Credit	21.1%	23.3%	21.8%
Other capital	556	556	7,764	Total Assets	22.9%	21.5%	15.2%
Reserves	11,609	45,726	24,785	Total Equity	21.9%	16.0%	12.4%
Foreign exchange differences	0	0	0	Nil	13.5%	-8.6%	28.2%
Asset revaluation differences	0	0	0	OPEX	19.9%	-1.1%	16.0%
Retained earnings/Accumulated losses	64,483	48,328	42,222	PBT	10.0%	-10.5%	20.3%
Non-controlling interests	1,129	1,317	2,520	Net Profit	11.0%	-11.0%	19.6%
<b>TOTAL OWNERS' EQUITY</b>	<b>113,425</b>	<b>131,628</b>	<b>147,940</b>				
<b>Capital</b>				<b>Profitability</b>			
CAR	15.2%	14.4%	15.3%	NIM	5.3%	4.0%	4.2%
Asset/Equity	6.1	6.3	6.5	Non-Il/TOI	25.9%	30.8%	24.3%
<b>Asset quality</b>				ROAA	3.2%	2.3%	2.4%
NPL	0.7%	1.2%	1.1%	ROEA	19.5%	14.7%	15.4%
LLR (group 2-5)	157%	102%	114%	<b>Valuation Multiples</b>			
<b>Liquidity</b>				P/E	4.45	6.16	8.00
LDR	89.9%	89.9%	88.9%	P/B	0.81	0.86	1.20
				BVPS	31,927	36,990	20,583

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