

9M21: Financial performance remains resilient despite COVID-19 wave 4
Technological and Commercial Joint-Stock Bank
(Techcombank: TCB VN)

3Q21 Highlights

- **PBT VND at 17.1 trillion – up 59.6% YoY**
- **TOI rose 37.9% YoY to deliver VND 26.9 trillion**
- **Maintained sector-leading 49.0% CASA ratio and 3.8% ROA**
- **Basel II CAR robust at 15.2%**

Last quarter saw the first quarterly GDP decline in Vietnam in over 20 years. Against the backdrop of extended social distancing and economic disruptions, our primary focus was to keep our employees safe, to support our customers and affected communities, and rely on our digital and branchless solutions to provide our customer services in the safest possible way.

However, our nine month financial results demonstrate the ongoing resilience of our customer centric-strategy and ability to execute through the most severe wave of COVID-19 since the pandemic began. While net fee income was impacted by lower business activity and social distancing measures, net interest income continued to perform well, bolstered by ongoing secular demand for credit and our low-cost funding base. At the same time we have continued to increase our investments in digital technology, data and talent to accelerate growth post-COVID.

We believe the worst is behind us given the ramped up vaccination efforts in key economic and manufacturing centers, including Hanoi and Ho Chi Minh City. Our financial position remains strong, and we are well-placed to capitalize on the anticipated business and economic recovery in the final quarter of 2021.

– **Jens Lottner, CEO Techcombank**

Income statement

- TOI in 9M21 grew 37.9% YoY to VND 26.9 trillion as both NII and NFI experienced double digit growth.
- NII grew 46.5% YoY to VND 19.5 trillion, driven by NIM of 5.6% (versus 4.8% for the same period in 2020).
- NFI¹ grew 29.0% YoY to VND 5.2 trillion with contribution from all key fee segments.
- Investment banking (IB) service fees – NFI's largest component – grew 23.9% YoY. A decline of 3.1% YoY in bond underwriting and distribution (VND 1,275 billion) was offset by a 68.5% increase in other IB services (VND 1,345 billion for 9M21) as TCBS continued broadening its products and services to monetize a 30% larger customer base.
- Bancassurance grew of 14.4% YoY in 3Q21, lifting the 9M21 banca fee to VND 711 billion, up 31.4% YoY even with severe lockdown for most of quarter, particularly in Ho Chi Minh City and Ha Noi. APE grew 31.0% YoY and only experienced a 7.2% QoQ decline as digitally enabled solutions helped reduce the impact from lockdowns.
- Operating expenses rose 18.7% YoY to VND 7.8 trillion and CIR ended at 28.9%. Investments in IT and volume-driven marketing expenses started to pick up as lockdown measures eased, coupled with a surge in volume by TCBS and Techcombank accelerating its key 2021–25 plan strategic initiatives.
- At VND 2.0 trillion, provision expenses were 9.2% lower than for the same period last year.

Balance sheet

- Total assets rose 34.9% YoY to VND 542 trillion at 30 September 2021, up 23.2% YTD
- Customer credit rose 14.1% YTD to VND 362.8 trillion, from 11.2% at the end of 2Q21
- Retail loans, up 24.1% YTD, have driven overall growth in credit balances.
- Credit to large corporates and SMEs (loans and bonds) grew 13.3% from the end of 2020.
- Total deposits rose 25.3% YoY to VND 316.4 trillion, up 14.0% YTD.
- CASA balance grew 59.1% YoY to VND 155.0 trillion of which retail and corporate CASA grew 27.0% and 114.8% YoY respectively. CASA ratio increased to 49.0% driven by growth in corporate bundled services.
- Term deposits grew 4.0% YoY to VND 161.4 trillion reflecting balance sheet and funding optimization.

Liquidity and capital

- Techcombank maintained ample liquidity with a LDR of 76.7%. Short-term funding to medium to long-term loan ratio was 32.6% at the end of 3Q21, compared to 39.1% at the end of 2Q21.

- CAR was 15.2% for the quarter, well above the Basel II Pillar I minimum requirement of 8.0%, and provides significant headroom for further credit growth.

Asset quality

- NPL ratio was 0.6% for 3Q21, up from 0.4% for 2Q21, despite increased challenges to the economy during COVID's fourth wave. The NPL coverage ratio at the end of 3Q21 was 184%, compared to 259% at 2Q21 and 148% a year earlier.
- Restructured loans under COVID-19 customer support program remained stable at VND 2.8 trillion, or 0.9% of outstanding loans, despite negative GDP growth in 3Q.

Subsidiaries

- Robust TCBS performance drove consolidated results, with revenues for 9M21 up 48.6% YoY to VND 3.7 trillion, and PBT up 33.3% YoY to VND 2.8 trillion.
- In 3Q21 TCBS captured 34.9% of the corporate bond brokerage and 4.8% of stock brokerage market share on the Ho Chi Minh Stock Exchange.
- TCBF, an open-ended bond fund managed by TCBS, remained the largest bond with VND 24.9 trillion assets under management at 30 September 2021.

Customer and other business highlights

Customer relief and community support

Techcombank has rescheduled VND 11.5 trillion loans since the pandemic started, with further interest reductions of up to VND 600 billion expected in 2021. In support of the hardest hit individuals and communities during this latest COVID wave, the Bank has contributed VND 415 billion of aid in the form of vaccines, medical equipment, funds to construct a field hospital and other support to patients and their families.

New customers

Year-to-date Techcombank added approximately 870,000 new customers, bringing total customers to 9.2 million. Retail customer transactions during 9M21 via e-banking channels grew to 456 million, up 78.1% YoY. The value of transactions was VND 6.3 quadrillion – up 91.0% YoY.

Technology – AWS becomes preferred cloud provider

On 15 September 2021, Techcombank announced Amazon Web Services (AWS) as its preferred cloud provider. The multi-year collaboration will improve customer experience and establish a cloud skills program, giving employees access to the world's most comprehensive and widely adopted cloud offering in an environment of rapid, continuous innovation. AWS will deliver the reliability and scalability to offer new digital financial services faster, while remaining highly secure and compliant. AWS will also support the Bank to set up and accelerate innovation and digital

talent development programs, while building a workforce for the future. This includes AWS Skills Guild, a comprehensive skills enablement program to build cloud fluency, live instructor classes, foundational training, such as the AWS Certified Cloud Practitioner course for non-technical staff, and other technical training.

“Transforming our workforce with AWS cloud skills is key to achieving our vision of enabling individuals, businesses, and corporations to progress and thrive sustainably,” explains Jens Lottner, CEO. *“Building cloud capabilities and leveraging AWS strengthens our resilience, and lets us focus on innovating financial products and services faster, to solve customer challenges and lift communities.”*

International syndicated loan of USD 800 million

Techcombank concluded its largest ever offshore syndicated loan facility shortly after the end of the third quarter. The senior unsecured facility comprises a 3-year and a 5-year tranche, the first for a Vietnamese bank. This is the second consecutive year the Bank accessed the international syndicated loan markets to secure sizable funding at favorable costs to meet the increasing medium and long-term customer funding needs in foreign and local currencies.

About Techcombank

Techcombank is listed on the HoSE as TCB VN. It was established in 1993 as Vietnam was transitioning from a centrally planned to a more market-oriented economy.

Techcombank is now one of Vietnam's largest joint stock banks, and a leading Asian bank. The Bank pursues a proven customer centric strategy with a broad range of banking solutions and services to 9.2 million customers through an extensive network of over 300 transaction offices. The bank's ecosystem approach, which is implemented across multiple key economic sectors, further differentiates Techcombank in one of the world's fastest growing economies.

Moody's rates Techcombank the highest among Vietnamese banks with a Ba3, Positive Outlook and the only bank being constrained by the sovereign rating. S&P rates the Bank BB-, Stable Outlook.

The Bank was named 'Best Bank in Vietnam' by *Euromoney* in 2018 and 2021, and 'Best Bank in Vietnam' by *FinanceAsia* in 2020, 2021. In 3Q21 Techcombank was awarded 'Leading Partner Bank in Vietnam' by *Asia Development Bank (ADB)* and 'One of the best companies to work for in Asia' by *HR Asia* for two consecutive years. *The Asian Banker* has also recognized the bank as the 'Best Payments Bank' and 'Most Recommended Transaction Bank' in Vietnam.

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Acronyms:

- Annual premium equivalent (APE)
- Capital adequacy ratio (CAR)
- Cost-to-income ratio (CIR)
- Current account savings account (CASA)
- First nine months of 2021 (9M21)
- Ho Chi Minh Stock Exchange (HoSE)
- Investment banking (IB)
- Loan-to-deposit ratio (LDR)
- Letter of credit (LC)
- Net fee and commission income (NFI)
- Net interest income (NII)
- Non-performing loan (NPL)
- Profit before tax (PBT)
- Quarter 1, 2, 3 (1Q, 2Q, 3Q)
- Return on assets (ROA)
- Small and medium-sized enterprises (SMEs)
- Techcom Securities (TCBS)
- Total operating income (TOI)
- Vietnamese dong (VND)
- Year-on-year (YoY)
- Year-to-date (YTD)

Balance sheet (VND billion)	3Q20	4Q20	1Q21	2Q21	3Q21	QoQ	YoY
Total assets	401,462	439,603	462,823	504,304	541,635	7.4%	34.9%
Deposits from customers	252,572	277,459	287,446	289,335	316,376	9.3%	25.3%
Credit growth ² (YTD)	8.3%	23.3%	5.7%	11.2%	14.1%	n/a ⁵	n/a ⁵
CASA	38.6%	46.1%	44.2%	46.1%	49.0%	2.9%	10.4%
NPL	0.6%	0.5%	0.4%	0.4%	0.6%	21 bps	-3 bps
Credit cost (LTM)	1.0%	0.9%	0.8%	0.9%	0.7%	-22 bps	-32 bps
Coverage ratio	148.0%	171.0%	219.4%	258.9%	184.4%	-74.5%	36.4%
Capital and liquidity							
Basel II CAR	16.7%	16.1%	15.8%	15.2%	15.2%	-2 bps	-156 bps
Basel II Tier 1 ratio	16.3%	15.7%	15.4%	14.8%	14.7%	-5 bps	-159 bps
ST funding to MLT loans ³	31.1%	33.9%	34.4%	39.1%	32.6%	-659 bps	147 bps
SBV LDR ⁴	71.9%	78.1%	79.2%	76.6%	76.7%	15 bps	479 bps
Profitability (VND billion)	3Q20	3Q21	YoY		9M20	9M21	YoY
Net interest income	5,135	6,742	31.3%		13,282	19,454	46.5%
Non-interest income	2,452	2,037	-16.9%		6,230	7,463	19.8%
Total operating income	7,587	8,779	15.7%		19,513	26,917	37.9%
Operating expenses	(2,579)	(2,628)	1.9%		(6,556)	(7,781)	18.7%
Profit before tax	3,974	5,562	40.0%		10,711	17,098	59.6%
NFI/TOI ⁶	22.8%	20.8%	-208 bps		21.6%	20.0%	-164 bps
CIR	34.0%	29.9%	-406 bps		33.6%	28.9%	-469 bps
ROA (LTM)	3.0%	3.8%	73 bps		3.0%	3.8%	73 bps
ROE (LTM)	17.7%	22.1%	441 bps		17.7%	22.1%	441 bps
NIM (LTM)	4.8%	5.6%	86 bps		4.8%	5.6%	86 bps
Cost of funds	3.4%	2.3%	-107 bps		3.6%	2.3%	-130 bps

Notes:

1. NFI includes fee from bond distribution and FX sales
2. Credit growth under SBV regulations
3. Bank-only number; SBV limit: 40%
4. Bank-only number; SBV limit: 85%
5. n/a: not applicable
6. NFI includes fee from bond distribution and FX sales, TOI excludes recoveries