



## Company Report:

### Vietnam Technological And Commercial Joint Stock Bank (TCB)

Research Department  
25/04/2025

## BUSINESS RESULTS UPDATE FOR THE FIRST THREE MONTHS OF 2025

### BUSINESS PERFORMANCE UPDATE

In Q1/2025, Techcombank recorded TOI of VND 11,611 billion (-5.3% YoY) and PBT of VND 7,236 billion (-7.2% YoY), affected by declining net interest margin and weaker non-interest income. Operating expenses increased slightly, pushing CIR up to 28.3%, while ROA and ROE dropped to 2.3% and 14.9%, respectively.

Asset quality remained under control, with NPL rising slightly to 1.23% and NPL coverage ratio reaching 111.4%. Provision expense declined 10% YoY.

Credit grew 3.8% YTD, driven by strong growth in retail lending (+26.6% YoY), focusing on margin lending and industrial real estate. Retail CASA continued to improve, while capital position strengthened with CAR at 15.3%.

Although Q1 results declined, solid financial foundation and digital transformation direction provide a basis for profit recovery in coming quarters.

### OUTLOOK

We maintain a **BUY** recommendation on TCB stock with a medium-to-long-term view, based on its solid financial foundation, ability to sustain superior profitability, and leading position in digital transformation.

Applying the P/B method (1.25x) and residual income model with more conservative assumptions, our 12-month target price is **VND 31,475/share**, implying a potential upside of **~19%** from the current market price.

Recommendation:

**BUY**

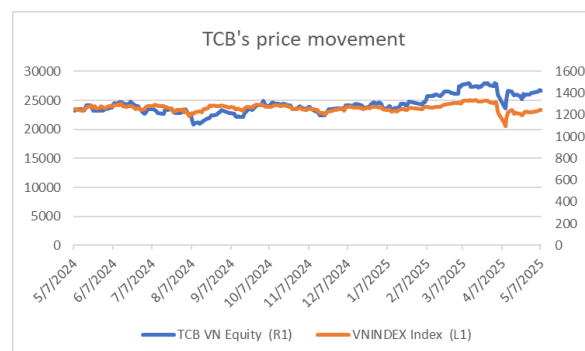
6-18m TP:

**31,475  
(+19%)**

Current stock price:

VND26,000

### Price movement



Price change	1 M	3 M	1Y
Stock price change %	-7.71%	4%	15%
Compared with VN index	0%	7%	14%
Average price (VND)	26,282	26,414	24,177

Source: Bloomberg, Guotai Junan (VN)

Outstanding shares (bn)	7,065	Major shareholder (%)	Masan corp.
Market capital (VND b)	181,919	Free float (%)	14.88%
3-Month Average Trading Volume('000)	13,753	LDR (%)	65%
Highest/Lowest 52w price (VND)	28,500 / 20,750	CAR (%)	80.1%
			15.3%

Sources: the Company, Guotai Junan (VN).

## BUSINESS RESULTS UPDATE FOR THE FIRST THREE MONTHS OF 2025

### 1. Total operating income and PBT: Short-term pressure amidst strategic shift

In Q1/2025, Techcombank recorded **net interest income (NII)** of VND 8,305 billion, down 2.3% YoY. This decrease was mainly due to the **net interest margin (NIM)** falling to 3.7%, compared to 3.9% in Q4/2024 and 4.0% in Q1/2024. Although cost of funds (CoF) was well-controlled at 3.4%, **yield on earning assets declined to 6.9%**, reflecting pressure to lower lending rates amidst competition.

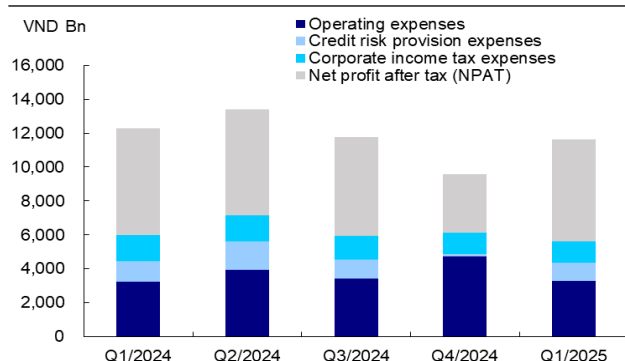
On the **non-interest income (NFI)** side, **Q1/2025 reached VND 3,306 billion**, down 12.1% YoY. The decline was due to simultaneous decreases across segments:

- **Income from LCs, cash, and payments** dropped 62.5% to VND 436 billion, due to changes in UPAS LC accounting regulations from 2024.
- **Card fee income** dropped 22.9% to VND 384 billion, affected by accounting changes and the shift in payment methods.
- **Other operating income** dropped 55.6% to VND 370 billion, as there was no extraordinary gain like in Q1/2024.

Nevertheless, some bright spots in NFI remained:

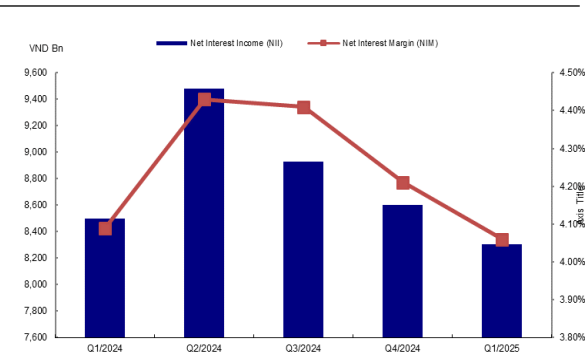
- **Investment banking (IB) services** reached VND 1,084 billion, up 44.4% YoY, thanks to rising demand for bond issuance advisory and fund management.
- **Insurance fees** rose 26.7% to VND 211 billion, indicating a recovery in bancassurance after the restructuring phase.

Figure-1: TOI breakdown



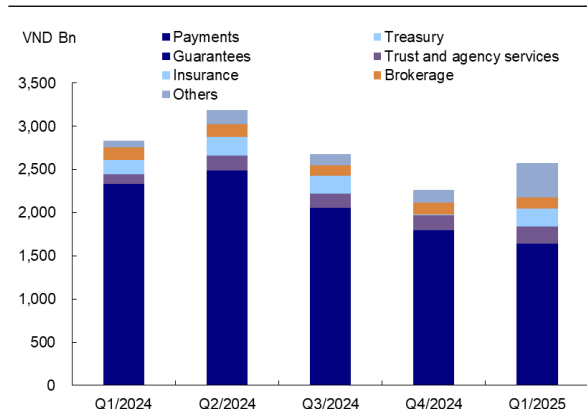
Source: TCB, Guotai Junan (VN).

Figure-2: NII and NIM



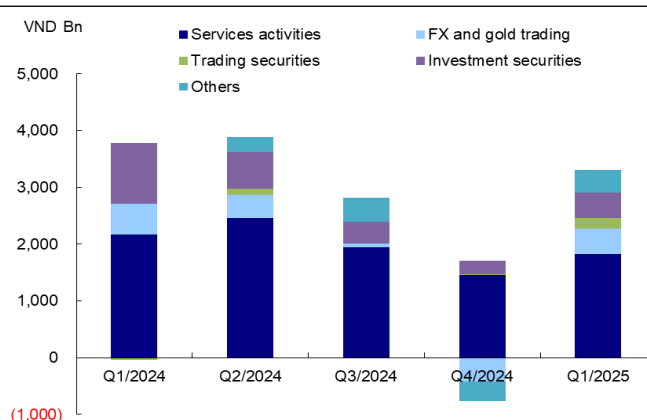
Source: TCB, Guotai Junan (VN).

Figure-3: NFI breakdown



Source: TCB, Guotai Junan (VN).

Figure-4: Income from service activities



Source: TCB, Guotai Junan (VN).

Total operating income (TOI) thus recorded **VND 11,611 billion**, down 5.3% YoY. This was a direct result of the drop in both NII and NFI, with NFI contribution to TOI slightly decreasing from 23.0% to 22.9%. The final impact was clearly reflected in **pre-tax profit (PBT)**, which declined to **VND 7,236 billion**, down

7.2% YoY (Q1/2024: VND 7,802 billion). Though credit risk provision expenses fell 10% YoY, operating expenses remained unchanged at VND 3,285 billion, **pushing CIR up to 28.3%** and weakening profitability. ROA and ROE on a trailing 12-month basis dropped to 2.3% and 14.9%, respectively (vs. 2.5% and 15.6% in Q1/2024).

## 2. NIM continues downward trend, limited room for improvement in short term

### Stable funding structure, but CASA expansion shows signs of slowdown

As of the end of Q1/2025, customer deposits at TCB reached VND 569.9 trillion (+21.9% YoY, +0.9% QoQ). CASA ratio was 39.4%, still among the highest in the system, but slightly adjusted down from 40.8% at year-end 2024. Corporate CASA declined due to seasonal factors, while retail CASA increased mainly thanks to products like Auto Savings 2.0.

Loan-to-deposit ratio (LDR) stood at 80.1%, remaining in the safe zone, but the ratio of short-term funds used for medium- and long-term lending continued to increase to 27.1% (+60 bps QoQ), reflecting growing pressure in funding tenor management.

### Slower credit growth, asset yield faces multiple challenges

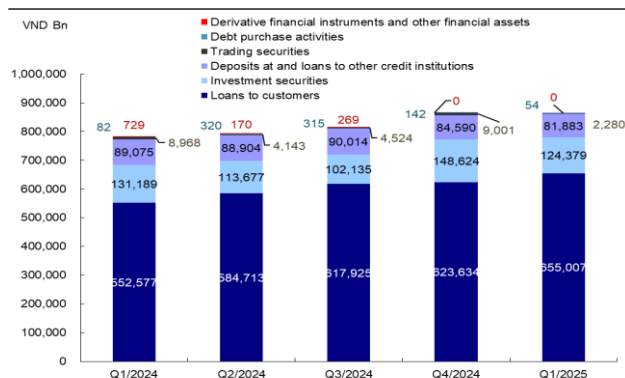
Credit growth in Q1 reached 3.84% YTD, relatively low compared to the same period last year. Retail loan balance grew 3.8%, mainly from margin lending via TCBS (+17.6%) – a segment with high volatility linked to the stock market. Mortgage lending showed signs of slowdown in Q1/2025.

**Corporate loans** increased 4.3%, focusing on sectors like Telecommunications and Industrial Real Estate – which still carry risks if the economic recovery is not sustained.

**Yield on earning assets** was 6.9%, on par with recent quarters, but facing pressure as lending rates trend downward to stay competitive and support customers.

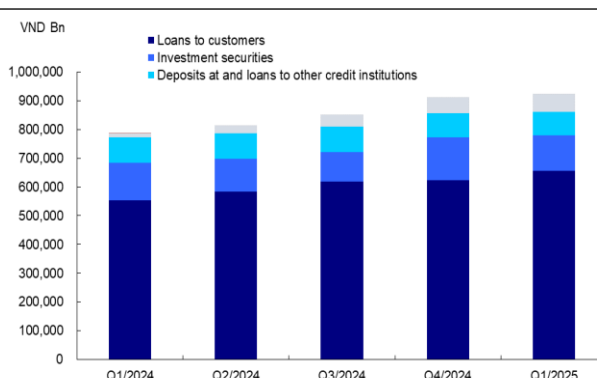
**12-month trailing NIM** declined slightly to 4.0% (-9 bps YoY), while quarterly NIM continued to adjust down to 3.7% (vs. 3.9% in Q4/2024). This trend reflects a lack of improvement in asset yields, while funding cost is nearing its bottom in the latest 5 quarter, with CoF staying at 3.27%.

Figure-5: Funding breakdown



Source: TCB, Guotai Junan (VN).

Figure-6: Earning assets



Source: TCB, Guotai Junan (VN).

Figure-7: Loan portfolio by maturity

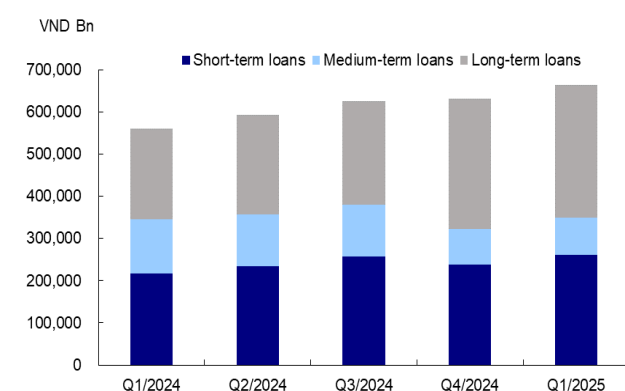
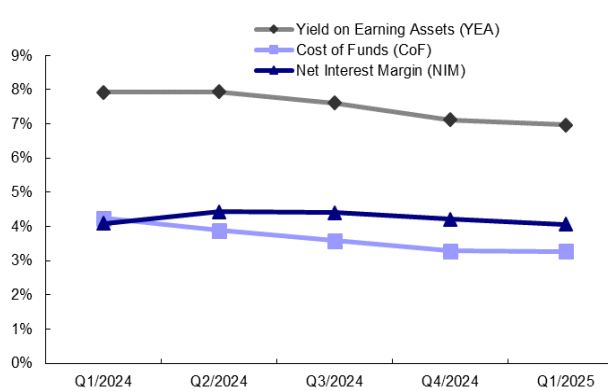


Figure-8: NIM



Source: TCB, Guotai Junan (VN)

Figure-9: Corporate credit portfolio

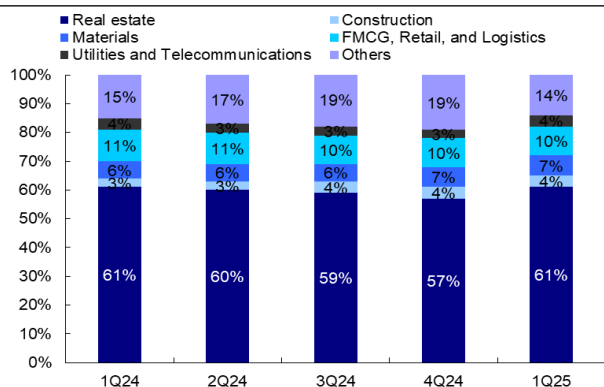
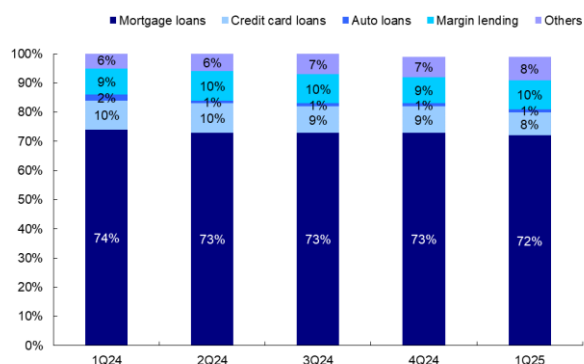


Figure-10: Retail credit portfolio



Source: TCB, Guotai Junan (VN)

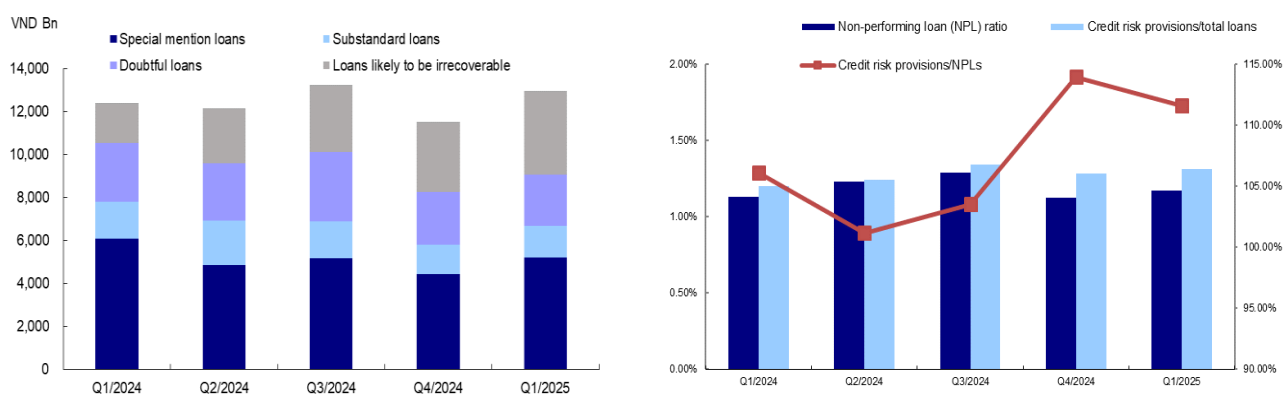
### 3. Asset quality: Relatively stable, but close monitoring of emerging NPL trends is required

In Q1/2025, Techcombank's asset quality remained relatively stable, although some indicators showed mixed trends compared to the previous quarter. Specifically, the consolidated **non-performing loan (NPL)** ratio slightly increased to 1.23%, from 1.17% at the end of 2024, up by 6 basis points (bps). Although the increase was not significant, this marked the second consecutive quarter of rising NPLs following a trough in Q4/2023, suggesting an emerging trend of new bad debt formation that warrants close monitoring.

**The loan loss reserves ratio (LLR)** declined to 111.4% from 113.8% in the previous quarter (-240 bps), mainly reflecting a more stable and less conservative provisioning strategy. Despite the decrease, the coverage ratio remains high compared to the industry average, providing a solid buffer against potential credit risks. Notably, the NPL ratio under the CIC (Credit Information Center) definition was at 1.06%, still at a reasonably low level and within the range of acceptable variation for financial reporting, reinforcing the bank's prudent risk classification.

**Credit cost in Q1/2025** reached VND 1,090 billion, down 10% year-over-year. The 12-month trailing credit cost (LTM) was 0.7%, compared to 0.8% at the end of 2024, and remained below the banking sector average of around 1%. The bank's relatively low credit cost reflects effective credit risk management in the context of a volatile macroeconomic environment.

Figure-11: Asset quality ratios



Source: TCB, Guotai Junan (VN)

## VALUATION & RECOMMENDATION

### Valuation – Recommendation: Maintain BUY with a prudent medium- to long-term view

We maintain our **BUY** recommendation on TCB shares with a medium- to long-term investment horizon, based on positive expectations of foreign capital inflows, stable asset quality, and the bank's ability to sustain above-industry-average profitability. Based on projected credit growth of 16–17% and a NIM of approximately 4.0%, along with credit cost below 0.8%, we estimate **Techcombank's 2025 net profit after tax (NPAT) at around VND 31,500 billion**, up 14.4% from 2024 – aligned with the targets approved at the AGM.

We apply a blended valuation approach using the following methods:

- **Target P/B ratio for 2025 is 1.25x** (5-year average of listed joint stock commercial banks), applied to an estimated 2025 BVPS of VND 25,000 → implied price of **VND 31,750/share**
- **Residual income model**, assuming a sustainable ROE of 15%, cost of equity ( $K_e$ ) at 13%, and long-term growth ( $g$ ) of 3% → implied fair value of **VND 31,200/share**

Using the weighted average of these two methods, we arrive at a **12-month target price for TCB of VND 31,475/share**, implying an upside of about **19%** from the current market price of approximately **VND 26,000/share**.

### Investment outlook: Moderate short-term recovery, operational risks warrant close monitoring

In the short term, TCB's Q1/2025 results reflect the broader banking sector's transition phase following a strong growth period from 2021–2023. Despite TOI and NPAT declining 5.3% and 7.2% YoY, several key positives support the bank's outlook:

- (i) NFI recovery, particularly in IB and bancassurance,
- (ii) CASA maintained at a stable growth trajectory,
- (iii) asset quality remains solid, with consolidated NPL at 1.23% and LLR > 100%, marking a positive signal amid gradually stabilizing conditions.

In the long term, Techcombank continues to benefit from multiple competitive advantages:

- Strong digital transformation and investment capacity
- Low cost-to-income ratio (CIR ~28–30%)
- High profitability (ROE >14%, ROA >2%)

**Risks to monitor** include: rising interest rate competition, limited room for further NIM improvement, and the risk of credit quality deterioration in the event of a sluggish credit recovery. That said, with a **strong capital adequacy ratio (CAR) of 15.3%** and a healthy balance sheet, Techcombank remains one of the most fundamentally robust private banks in the sector.

### COMPANY RATING DEFINITION

Benchmark: VN – Index.

Time Horizon: 6 to 18 months

Rating	Definition
<b>Buy</b>	Relative Performance is greater than 15% Or the Fundamental outlook of the company or sector is favorable
<b>Accumulate</b>	Relative Performance is 5% to 15% Or the Fundamental outlook of the company or sector is favorable
<b>Neutral</b>	Relative Performance is -5% to 5% Or the Fundamental outlook of the company or sector is neutral
<b>Reduce</b>	Relative Performance is -15% to -5% Or the Fundamental outlook of the company or sector is unfavorable
<b>Sell</b>	Relative Performance is lower than - 15% Or the Fundamental outlook of the company or sector is unfavorable

### SECTOR RATING DEFINITION

Benchmark: VN – Index

Time Horizon: 6 to 18 months

Rating	Definition
<b>Outperform</b>	Relative Performance is greater than 5% Or the Fundamental outlook of the sector is favorable
<b>Neutral</b>	Relative Performance is -5% to 5% Or the Fundamental outlook of the sector is neutral
<b>Underperform</b>	Relative Performance is lower than -5% Or The Fundamental outlook of the sector is unfavorable

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