

23 Apr 2025

Techcombank (TCB)

Underwhelming earnings growth

- Lower-than-expected earnings growth in 1Q25
- Moderate earnings growth in 2Q25
- Target for double-digit profit growth for 2025

Facts: Lower operating incomes led unattractive earnings growth

- 1Q25 PBT was down -7.2%yoy to VND7,236bn due to (1) lower net interest incomes (-2.3%yoy) and (2) lower non-interest incomes (-12.1%yoy). Meanwhile, operating expenses (+1.1%yoy) and provision risk expenses (-10%yoy) were manageable.
- 1Q25 PBT completed 23% of the 2025 guidance and 22% of KIS's 2025 estimation. Actual 1Q25 PBT was lower than KIS's estimation due to lower total operating incomes.
- A decrease in net interest incomes in 1Q25 resulted from lower net interest margin (NIM) from 4.4% in 1Q24, 3.9% in 4Q24 to 3.6% in 1Q25. The decreasing asset yields led to lower NIM 1Q25, while cost of funds remained stable. CASA ratio slightly declined from 40.5% in 1Q24 and 37.4% in 4Q24 to 35.1% in 1Q25.
- Credit balance in 1Q25 grew +4.1%YTD or 18.3%yoy, higher than the industry's 3.93%YTD, driven by retail loans (+4%YTD) and corporate loans (5.9%YTD). Retail growth resulted from mortgages, margin lending, and retail business loans. Corporate lending was primarily driven by real estate, FMCG, and utilities. Corporate bonds declined by -7%YTD.
- 1Q25 Net fee incomes (NFI) breakdown by TCB improved quarterly but dropped -5%yoy to VND2,649bn due to a decrease in (1) LC, cash, & settlement (-39%yoy) from regulatory changes for LC business and weak market demand (2) cards (-23%yoy). 1Q25 IB fees (+44%yoy) kept positive momentum thanks to robust bond issuance in the precedent quarters and higher fund management fees. Banca fee (+27%yoy) recovered thanks to the new Banca distribution agreement (bank's APE ranking #3 in the industry) after termination with Manulife.
- 1Q25 Operating expenses experienced a modest increase by 1.1%yoy, corresponding with a decrease in total operating incomes. Thereby, CIR declined from 26.5% in 1Q24 to 28.3% in 1Q25.
- A slight increase in non-performing loans: NPLs (3-5 group)/ NPLs (2-5 group) were up from 1.1%/1.8% in 4Q24 to 1.2%/2.0% in 1Q25 due to an increase in NPLs from retail loans (from 1.89% in 4Q24 to 2.29% in 1Q25). LLCR kept a high rate at 112% in 1Q25 (vs 114% in 4Q24).

12M rating **HOLD**

12M TP **27,400** from 26,100

Up/Downside +5%

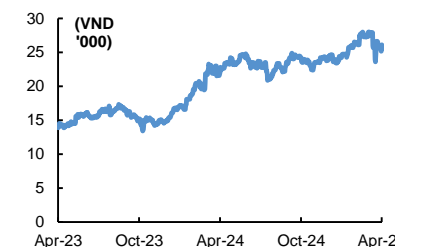
Stock Data

VNIndex (Apr 23, pt)	1,211
Stock price (Apr 23, VND)	26,100
Market cap (USD mn)	7,098
Shares outstanding (mn)	7,065
52-Week high/low (VND)	28,000/20,850
6M avg. daily turnover (USD mn)	13.29
Free float / Foreign ownership (%)	68.3/22.5
Major shareholders (%)	
Masan	14.9
Ho Hung Anh and his family	19.9

Performance

	1M	6M	12M
Absolute (%)	0.0	0.1	0.2
Relative to VNIndex (%p)	0.0	0.1	0.1

Stock price trend



Source: Bloomberg

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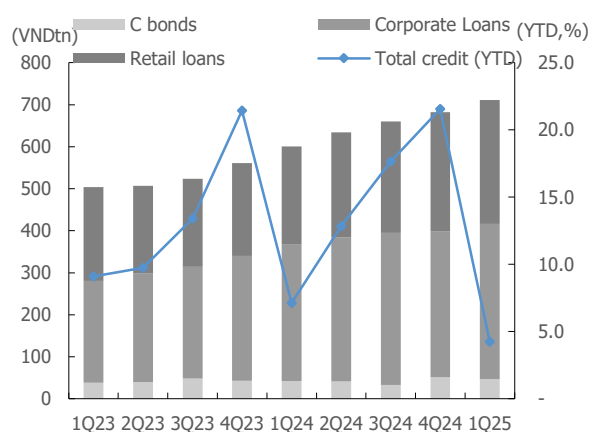
Pros and Cons: Moderate growth in 2Q25F

- Credit growth in 2Q25 could remain robust, supported by corporate lending and a recovery in retail loans – particularly mortgages – as the expected real estate market recovery.
- 2Q25 NIM could remain flat quarterly and below the elevated level in 2Q24 as the recovery in asset yields continues to lag. NIM could gradually improve in 2H25 for better asset yields amid the recovering real estate market while maintaining low cost of funds and high CASA ratio.
- Non-interest incomes in 2Q25 could remain the same period last year, driven by investment banking, recovering banca fees, and FX sales.
- Operating expenses in 2Q25 could be the same as 2Q24. 2025 CIR could remain in the 30-35% range as the management's plan.
- Non-performance loans: TCB's manageable NPL control, demonstrated by a maintained rate in 2024, positions it to maintain NPL in 2025 below 1.5% and credit costs below 1%, per the management.

Recommendation

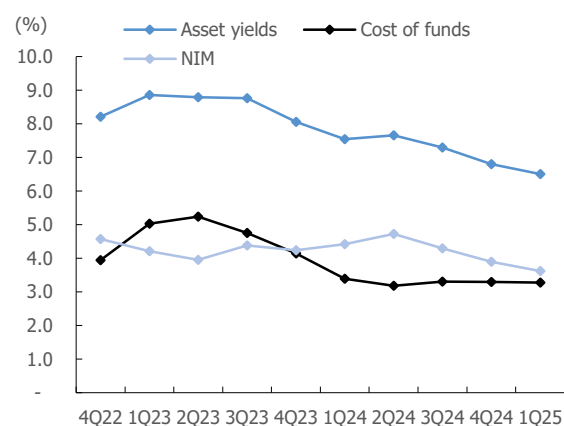
We believe that TCB's business could benefit from better market conditions, especially the brighter real estate market and corporate bond market. TCB's 2025 PBT could keep the double-digit growth momentum. TCB has set a 2025 PBT of VND31.5tn, up +14.4%yoy, reflecting continued confidence in its earnings momentum.

Figure 1. Credit growth



Source: TCB, KIS Research

Figure 2. NIM and COF



Source: TCB, KIS Research

Table 1. Earnings trend and outlook

	2024				2025				2024	2025F	1Q25	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			QoQ	YoY
Loans to customers and corporate bonds	601,231	633,445	659,503	682,948	711,110				682,948	827,050	4.1	18.3
% growth (ytd)	7.1	12.9	17.5	13.6	4.1				21.7	21.1	-	-
Loans to customers	559,277	592,083	626,291	631,725	663,693				631,725	770,704	5.1	18.7
NPL (3-5 group)	6,317	7,287	8,084	7,101	7,784				7,101	8,613	9.6	23.2
NPL ratio (% , %p)	1.1	1.2	1.3	1.1	1.2				1.12	1.12	4.3	0.0
NPL (2-5 group)	12,405	12,142	13,246	11,542	12,976				11,542	14,031	12.4	4.6
NPL ratio (% , %p)	2.2	2.1	2.1	1.8	2.0				1.8	1.8	7.0	(0.3)
Loan loss coverage (% , %p)	106	101	103	114	112				114	128	(2.1)	5.5
VAMC	0	-	-	-	0				-	-	-	-
Deposit from customers and bond	551,817	593,846	621,015	673,815	679,516				673,815	749,516	0.8	23.1
Deposit from customers	458,041	481,860	494,954	533,392	531,583				533,392	651,753	(0.3)	16.1
% growth (ytd)	-	5.2	8.9	17.3	(0.3)				17.3	17.4	-	-
CASA (%)	40.5	37.4	36.5	37.4	35.1				37.4	37.5	(2.3)	(5.4)
Total assets	885,653	908,307	927,053	978,799	989,216				978,799	1,081,504	4.3	22.4
Total equity	139,246	139,934	145,805	132,945	139,246				150,460	165,552	4.7	16.9
Total operating income	12,262	13,420	11,754	9,555	11,611				46,990	56,402	21.5	(5.3)
Net interest income	8,500	9,478	8,929	8,602	8,305				35,508	43,626	(3.4)	(2.3)
NIM (% , %p)	4.42	4.73	4.29	3.90	3.62				4.27	4.53	(0.3)	(0.8)
Non-interest income	3,762	3,942	2,826	953	3,306				11,482	12,776	247.0	(12.1)
Net commission income	2,716	2,873	2,008	1,039	2,283				8,635	9,303	119.8	(15.9)
Gains on investment securities	1,050	808	395	252	629				2,505	3,157	149.7	(40.1)
Other non-interest income	-3	261	423	(338)	394				343	317	-	-
Provision for credit losses	1,211	1,644	1,109	118	1,090				4,082	6,320	825.0	(10.0)
Net operating revenue	11,051	11,775	10,645	9,437	10,521				42,908	50,082	11.5	(4.8)
SG&A	3,249	3,949	3,431	4,741	3,285				15,370	17,485	(30.7)	1.1
CIR (%)	26.5	29.4	29.2	49.6	28.3				32.7	31.0	(21.3)	1.8
Pre-provision earnings	9,013	9,471	8,323	4,814	8,326				31,621	38,917	73.0	(7.6)
EBT	7,802	7,827	7,214	4,696	7,236				27,538	32,597	54.1	(7.2)
Net profit	6,277	6,270	5,793	3,420	6,014				21,760	25,757	75.8	(4.2)
Controlling-int. NP	6,221	6,193	5,738	3,371	5,948				21,523	25,477	76.4	(4.4)

Nguồn: FiinproX, TCB, KIS Research

■ Company overview

TCB is the leading private bank in Vietnam, operating 300 branches and transaction offices. TCB holds top 1 real estate credit and top 1 bond brokerage market share in the sector. It has three subsidiaries including Techcom securities, Techcom Capital, and Techcombank Asset Management. TCB focuses sectors (Real estate, Construction, Materials, FMCG, Utilities, and financial services). Besides, TCB enhances their scale through the powerful digital experience within the "all-in-one" WINLife ecosystem.

Balance sheet

(VND bn)

	2021A	2022A	2023A	2024A	2025F
Total assets	569,576	700,161	850,799	981,319	1,081,504
Gross IEAs	525,475	618,882	758,611	927,805	1,025,512
Loans and corp bonds	410,150	461,539	561,150	682,948	827,050
Household	161,693	226,743	226,743	226,743	353,087
Corporate	248,457	234,795	334,407	456,205	473,963
Dep't and loans to FIs	88,554	103,156	141,194	142,040	78,738
Dep't to SBV and G-bond	26,771	54,187	56,267	102,817	119,724
VAMC bond	-	-	-	-	-
NIEAs	49,228	87,332	99,473	62,332	68,493
Others	5,127	6,052	7,285	8,817	12,501
Total liabilities	475,687	585,608	717,854	830,859	915,951
Deposits	314,753	358,404	454,661	533,392	651,753
Debentures	33,680	34,007	84,703	140,422	97,763
Dep't and loans from FIs	112,459	167,563	153,173	132,239	138,851
Loans from Gov't and SBV	1	8	0	12	-
Other liabilities	14,796	25,626	25,317	24,794	27,584
Total equities	93,888	114,554	132,945	150,460	165,552
Controlling interests	93,041	113,425	131,628	147,940	163,032
Capital stock	35,109	35,172	35,225	70,649	70,649
Capital surplus	476	476	476	(0)	(0)
Other reserves	9,156	11,609	45,726	24,785	28,013
Retained earnings	48,300	66,168	50,201	52,507	64,370
OCI	-	-	-	-	-
Minority interest	847	1,129	1,317	2,520	2,520

Key financial data

	2021A	2022A	2023A	2024A	2025F
Profitability and efficiency (%)					
ROE	21.5	19.5	14.7	15.4	16.4
ROA	3.6	3.2	2.3	2.4	2.5
NIM	5.8	5.4	4.1	4.3	4.5
Asset yield	7.7	7.9	8.4	7.2	7.9
Cost of fund	2.2	2.8	4.6	3.3	3.8
Cost-income ratio	30.1	32.8	33.1	32.7	31.0
Credit cost	0.7	0.4	0.8	0.7	0.8
Growth (%)					
Net profit of controlling interest	46.5	11.6	(10.7)	19.5	18.4
Pre-provision earnings	40.7	6.2	(2.5)	17.9	23.1
Credit growth	26.5	12.5	21.6	21.7	21.1
Total assets	29.4	22.9	21.5	15.3	10.2
Asset quality (%)					
NPL ratio	0.7	0.7	1.2	1.1	1.1
NPL coverage ratio	162.9	157.3	102.1	113.9	127.9
Loan to deposit	90.7	94.6	89.2	85.5	94.3
Capital adequacy (%)					
CAR ratio	15.0	15.2	14.4	15.3	15.3
CET1 ratio	19.7	19.3	14.3	14.6	14.6
Tier 1 ratio					

Income statement

(VND bn)

	2021A	2022A	2023A	2024F	2025F
Total operating income	37,076	40,902	40,061	46,990	56,402
Net interest income	26,699	30,290	27,691	35,508	43,626
Interest income	35,503	44,753	56,708	60,089	75,804
Interest cost	8,805	14,463	29,017	24,581	32,178
Non-interest income	10,378	10,612	12,370	11,482	12,776
Net commission income	6,614	8,252	8,911	8,635	9,303
Gains on investment securities	1,961	192	1,025	2,505	3,157
Other non-interest income	1,803	2,167	2,434	343	317
Provision for credit losses	2,665	1,936	3,921	4,082	6,320
Net operating revenue	34,412	38,966	36,140	42,908	50,082
SG&A	11,173	13,398	13,252	15,370	17,485
Employee benefits	n.a	n.a	n.a	n.a	n.a
Pre-provision earnings	25,903	27,504	26,809	31,621	38,917
Earnings before tax	23,238	25,568	22,888	27,538	32,597
Tax	4,823	5,131	4,697	5,778	6,840
Tax rate (%)	20.8	20.1	20.5	21.0	21.0
Continuing operations profit	17,294	19,125	17,359	20,622	24,473
Reversals of written-off loans	1,121	1,311	832	1,138	1,284
Net profit	18,415	20,436	18,191	21,760	25,757
Net profit of controlling interest	18,052	20,150	18,004	21,523	25,477

Valuation

	2021A	2022A	2023A	2024A	2025F
Per share (VND, adj.)					
BPS	13,250	16,124	18,684	20,940	23,076
EPS	2,557	2,850	2,541	3,032	3,592
DPS	-	-	-	1,500	-
Valuation (x)					
PB	1.9	1.6	1.3	1.2	1.1
PE	9.8	8.8	9.9	8.3	7.0
P/PPE	6.8	6.4	6.6	5.6	4.6
Dividend yield (%)	-	-	-	6.0	-
Dividend payout ratio (%)	-	-	-	24.7	-
ROE analysis (%)					
ROE	21.5	19.5	14.7	15.4	16.4
Leverage(x)	6.1	6.1	6.4	6.5	6.5
IEAs to total assets	91.4	87.6	88.4	93.7	93.7
Net income to IEAs	3.4	3.3	2.4	2.3	2.5
Net interest income to IEAs	5.1	4.9	3.7	3.8	4.3
Non-interest income to IEAs	2.0	1.7	1.6	1.2	1.2
Credit cost to IEAs	0.5	0.3	0.5	0.4	0.6
SG&A to IEAs	2.1	2.2	1.7	1.7	1.7

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