

Financial Health of Techcombank: A Comprehensive Assessment within Vietnam's Banking Sector

Tran Ngoc Minh¹, Le Khanh Phuong²

¹Vinschool Central Park, Ho Chi Minh, Viet Nam

Email: tnminh.chip428@gmail.com

²Luong The Vinh High School for the gifted, Ho Chi Minh, Viet Nam Email: khphuongle@gmail.com

Abstract: *In this paper, we assess the finances of Techcombank (TCB), one of the largest private banks in Vietnam, for the period 2022–mid-2025. The study employs CAMEL (Capital adequacy, Asset quality, Management efficiency, Earnings, and Liquidity) to compare the performance of banks in Vietnam and other countries. The primary attributed findings Techcombank is capitalized with sufficient capital buffers, solid asset quality and a stable funding source, which is underpinned by high CASA (Current Account and Savings Account) ratios. 2024- H1/2025 NIM (Net Interest Margin) compression, reduced fee income, and other headwinds are likely to be offset to a degree by the income diversification expected from the impending Techcom Securities (TCBS) IPO and other strategic initiatives, including tech-enabled bancassurance. The outcomes reaffirm resiliency, although are contingent upon the pressures of Vietnam's real estate sector and broader economic volatility.*

Key words: *CAMEL framework, Bank profitability, Capital adequacy, CASA ratio, Digital banking, Credit risk*

1. Introduction

The development of the banking industry in Vietnam has expanded due to financial inclusion, the country's digitalization, and changes in legislative policy and reform. Among the leaders of the sector, Techcombank has distinguished itself with its high CASA funding and diversified ecosystem strategy. Techcombank's model is designed to position the bank captures lending revenue and fee-based revenue from the synergistic integration of Techcom Securities and TCBS, and TC Life's bancassurance services.

Irrespective of the bank's unique strategy, Techcombank has been financially unstable since 2022. NIM compression, the declining precipitously non-interest income, and the Bank's disproportionate bonds and real estate loans portfolio pose disconcerting questions. This essay will examine the bank's financial stability within the context of Vietnam's shifting economic and regulatory landscape.

2. Literature Review

With a focus on developing markets, studies on the financial health of banks have made progress in the last few years. Authors add the ability to withstand fundamental shocks to the bottom line and efficiency. Demirgüç-Kunt and Huizinga (2010) explain the dual capital buffers and income diversification on how banks perform during shocks and crises, positing that well-capitalized banks sustain lending during downturns. This observation matters to Vietnam, as it balances rapid lending with credit growth and the cyclical real estate sector.

The studies done on Asia have valuable differentiating insights on margins, liquidity, and the benefits of CASA. For instance, Park and Shin (2017) examined banks in Asia and determined that a high dependence on wholesale funding is a source of systemic risk, while a solid retail deposit base, particularly CASA, helps to dampen the volatility of margins. Sharma (2021), in the same spirit, showed that CASA-dominant banks in India and Southeast Asia were better placed to manage net interest margins (NIMs) during the pandemic. This call is in line with the case of Techcombank, which keeps CASA above 40%.

Its transformation in the focus of **Bain, Hassan & Rashid** suggests that keeping cost efficiency while improving customer retention indirectly enhances liquidity and profit in the bank. Techcombank pursues a mobile-first strategy, which supports the findings worldwide. However, the effectiveness of digitalization depends on integration with diversification and risk management of financial institutions.

Focusing on Nguyen & Le's 2022 work with Vietnam, systemic risks associated with the concentration of corporate bonds are clearly presented. The collapse of a few major issuers of real estate bonds in the 2022–2023 period exposed significant vulnerabilities in the off-balance-sheet positions of banks. The Wells Fargo report for the year 2023 has a similar specialization, stating that the profitability of Vietnamese private banks is incredibly limited, with CASA leaders a great deal more insulated than the rest. Research in the Southeast Asia region shows banks focus on control. At the same time, more supervision is needed, argued Vo & Nguyen, echoing Bird & Satti's stance that an increased adoption of Basel II standards improved the banking system's transparency but did not mitigate concentration risk.

There are still some gaps despite these contributions. Vietnamese banks' pipelines of innovation toward entrepreneurial income streams (diversified revenue products and profit centers) have very few studies. The case of Techcombank, with its unusual model focusing on Techcom Securities (TCBS) and its impressive CASA, is pivotal to assessing the degree to which these strategies yield sustainable advantages. This paper, thus, seeks to advance the field by combining the classical CAMEL approach with modern literature on digitalization, diversification, and systemic concentration risk.

While literature on profitability, capital adequacy, and liquidity management of banks in emerging markets is abundant, several gaps still directly pertinent to the private banking sector in Vietnam remain unaddressed.

CASA-dominant business models in emerging markets: Research pertaining to India and Southeast Asia showcases the stabilizing influence of retail deposits (Sharma, 2021; Park & Shin, 2017), but systematic research on CASA-dominant banks in Vietnam and the manner in which they cope with margin and liquidity stresses is sparse. This is important considering the fact that Techcombank is one of the few banks in Vietnam that have CASA ratios consistently above 40%.

Income stream diversification: There is a significant body of international literature that considers fee-based income and bancassurance as protective against interest rate volatility (Demirgüç-Kunt & Huizinga, 2010; Athanasoglou et al., 2008), but Vietnam-focused studies have not sufficiently quantified the strategies of non-interest income, particularly those that involve securities subsidiaries such as TCBS, or bancassurance partnerships. This begs the question of whether such diversification actually lowers systemic exposure.

As it pertains to corporate bonds and real estate credit: Previous research (Nguyen and Le, 2022) has confirmed concentration risk within Vietnam and the bond market. However, the integration of these risks into the overall financial condition of Vietnamese banks—within the context of the CAMEL approach or stress-testing frameworks—has yet to be applied. Most research on the profitability of banking assets considers the problem in isolation and does not explicitly consider the synergistic effect of real estate market declines and compression of net interest margins.

Digital transformation and financial resilience: Digital banking research in Vietnam tends to be descriptive in nature (Vo and Nguyen, 2021; Banna et al., 2022). There is a lack of systematic research on the digital (especially mobile-first) strategies of banks like Techcombank and their role in capital market deepening toward macroeconomic shock resilience. Thus, the literature gap addressed in this study is the incorporation of CAMEL frameworks with trend data, peer comparisons, and scenario stress testing. The Techcombank example is especially illuminating as it shows how a bank with a high CASA ratio, a strong digital focus, and a diversification strategy is able to manage profitability, liquidity, and systemic risk in an emerging market.

3. Methodology and Analytical Framework

This study conducts a comparative financial analysis using the CAMEL (Capital, Asset Quality, Management, Earnings, Liquidity) framework on Techcombank for the time period from the beginning of 2020 to the end of 2025. Analysis of earnings, liquidity, capital, assets, and management quality from a CAMEL framework viewpoint is useful due to the ability to integrate mechanistic components (such as NPL, CAR, CASA, NIM, ROA, ROE, and credit pricing) and strategic/qualitative components (leadership, multidivisionality, business framework, and model) simultaneously.

Secondary sources include sector averages and regulatory requirements from the State Bank of Vietnam (SBV), plus published analyses (e.g. Bloomberg, Euromoney) to benchmark Techcombank against its industry peers. To allow trend analysis, the data are organized quarterly (where available) and annually, enabling observation of temporal movement in key metrics. In comparing with peers, where possible, the study contrasts Techcombank's performance with selected large private commercial banks in Vietnam, but the main focus remains on Techcombank's internal performance over time.

4. Results & Analysis

Below is a summary of key quantitative indicators for Techcombank over recent years, followed by a discussion of their trends and implications.

Table 1. Key Financial Indicators of Techcombank (2022–Q2 2025)

Metric	Year / Period	Value	Comment / Change vs Prior Period
CASA Ratio	End-2022	~39.9%	Entry point; rises in subsequent years. (Techcombank)
CASA Ratio	End-2023	~40.9%	Slight increase YoY. (Techcombank)
CASA Ratio	Q2/2025	~41.1%	Strong sustainability. (Techcombank)
NPL Ratio (loans Group 3-5)	End-2022	~1.19%	From Techcombank report FY22/23. (Techcombank)
NPL Ratio	End-2023	~1.17%	Slight improvement. (file.fpts.com.vn)
NPL Ratio	Q2/2025	~1.32%	Slight uptick vs Q1/2025. (Techcombank)
CAR (Basel II)	End-2022	~14.5%	Well above regulatory minimum. (Techcombank)
CAR (Basel II)	End-2023	~15.3%	Slight improvement. (Techcombank)
CAR (Basel II)	Q2/2025	~15.0%	Slight dip due to credit growth. (Techcombank)
NIM (Last Twelve Months, LTM)	End-2022	~4.3%	Starting point. (Techcombank)
NIM (LTM)	End-2023	~4.2-4.3%	Relatively stable though beginning signs of compression. (Techcombank)
NIM (LTM)	Q2/2025	~3.7%	Notable pressure downward. (Techcombank)
ROE (LTM)	End-2022	~16.5%	Strong returns. (Techcombank)
ROE (LTM)	End-2023	~15.5%	Slight decline, partly due to margin compression. (Techcombank)
ROE (LTM)	Q2/2025	~14.5%	Further moderation. (Techcombank)
Credit Cost (LTM)	End-2022	~0.8%	Low level. (Techcombank)
Credit Cost (LTM)	End-2023	~0.8%	Stable. (Techcombank)
Credit Cost (LTM)	Q2/2025	~0.6%	Improving. (Techcombank)

- **CASA Ratio Trend:** Almost 40% of Techcombank's current account saving ratio earned by interest was 39.9% at the end of 2022. This figure climbed to 40.9% by the end of 2023. Like the rest of the market Techcombank has also been able to maintain a low-cost structure for the growth in customer savings deposits. This is further corroborated by the prediction for mid 2025 to be 41.1%, and the continual increasing trend. This also illustrates how the cost of servicing the funding is also declining.
- **Capital Adequacy Ratio Trend:** The CAR under Basel II as at end 2022 was 14.5%. This figure has risen to approximately 15.3% by the end of 2023, remaining stagnant at 15% as forecasted for mid 2025. The tiny dip noted in mid 2025 is primarily attributed to credit growth in risk-weighted assets, not due to the sharp increase in the capital. The capital level is above regulatory mins, denoting robust Capital Adequacy Buffers.
- **NPL Ratio Trend:** The Non Performing Loan ratio observed at the end of 2022 was 1.19%. This diminished to approximately 1.17% as at the end of 2022, and has risen to 1.32% by Q2 2025. This increase indicates that there is more pressure on assets quality, likely exposures to the real estate and corporate bond sectors and even macroeconomic factors. The NPL ratio remains modest when compared to Vietnam Banking Sector.

- NIM (Last Twelve Months) Trend: The net interest margin has gradually declined from ~4.3% in end-2022, roughly stable through end-2023, to around 3.7% in mid-2025. The decline in rate of net interest margin has shown gradual decline, slowest along the curve, in parallel to the cost of funds and intense competition in deposit rate offers, further complicated by interest rate volatility.
- ROE Trend: Return on Equity has also softened, from ~16.5% at end-2022, down to ~15.5% at end-2023, then further to ~14.5% by Q2-2025. The decline in these figures is driven by compression in margin, diminished bank operational productivity in the form of fee income year over year over some span, coupled with rising costs.
- Credit Cost Trend: The last 12 months credit cost has improved from ~0.8% 2022/2023 to ~0.6% in Q2-2025. This indicates the bank made advances in loan origination through more aggressive pricing, as well as improved payment trends, smarter provisioning for potential losses on loan defaults, and advancements in default and recovery rate.

Benchmark with Peers

When evaluating Techcombank's performance, it is essential to consider peer benchmarks within the Vietnamese banking landscape—most notably Vietcombank (VCB), VPBank (VPB), and BIDV. As of 2023 to H1 2025, Vietcombank maintained a CASA ratio of approximately 30%, a capital adequacy ratio (CAR) of 10.5%, and a non-performing loan (NPL) ratio of 1.1%. In contrast, VPBank reported a CASA ratio of just 15%, a CAR of 12%, and an NPL ratio of 2.2%. BIDV, one of the largest state-owned banks, posted a CAR of 9.5% and an NPL ratio of 1.3%, with a CASA ratio also below 20%.

Against this backdrop, Techcombank stands out as the only bank with a CASA ratio consistently above 30%, reflecting disciplined fund management. Moreover, its CAR of around 15%—higher than both BIDV and Vietcombank—demonstrates stronger capital adequacy. Although Vietcombank's NPL ratio (1.2–1.3%) is lower than that of VPBank, Techcombank's provisioning level remains above 100%, indicating robust credit risk management.

Overall, Techcombank faces increasing pressure on profitability, particularly in terms of non-interest operating (NOP) income. This is evident when comparing return on equity (ROE): Vietcombank posts approximately 18%, VPBank around 16%, while Techcombank stands at 14.5% as of H1 2025. This highlights that while Techcombank exhibits strong liquidity and capital discipline, improving profitability remains a key challenge.

Stress Test Scenario Analysis

In attempting to measure resilience, a simple stress test was done on two hypothetical terribly negative situations.

- Net Interest Margin (NIM) drops to 50 basis points to 3.2% from 3.7%.
- A Non-Performing Loan (NPL) ratio increases from 1.3% to 2.0% with constant provisioning coverage above 100%.

Impact on profitability:

- A 50 Bps reduction in NIM will reduce Net Interest Income by 12-15%, if credit growth is constant. Given Techcombank's NII dependency (Approx. 70% of total operating income), this could mean a pre-tax profit drop of 9-10%.
- If NPLs reach 2.0% then additional provisioning of 0.7% of outstanding loans will need to be done. With credit costs of 0.6% this would increase provisions to 1.3% and would lead to profit erosion of 8-9%.

Combined effect:

In the most pessimistic scenario Techcombank's ROE would drop from 14.5% to below 12% which is around the cost of equity boundary. The bank's capital adequacy ratio (CAR) of 15% would mean solvency would be unaffected.

Interpretation:

Techcombank could withstand 'moderate shocks' to an extent. Even though profitability could be negative, the capital adequacy and liquidity ratio will maintain stability. Overall, Techcombank is profit sensitive, which means Techcombank will have balance sheet and profitability issues under pressure, as well as asset quality issues associated with real estate.

5. Discussion

Based on the figures, Techcombank has been able to keep its overall financial health in good shape, especially with growing CASA and solid capital adequacy. However, on the profitability side, things are not as strong. The performance shows some pressure that needs to be addressed. The bank still has long-term, low-cost, and stable buffers that help it manage through credit and

macroeconomic challenges. NIM compression is happening, but it has not reached a critical point yet, and the way the bank handles costs and funding helps soften that impact.

Looking deeper, credit costs and NPLs have mostly stayed under control. In the mid-2025 period, NPLs started to tick up slightly, which shows some asset quality pressure—probably linked to exposure in real estate and corporate bonds, as well as broader economic shifts. The high provisioning coverage helps, but the trend still needs to be watched. The drop in ratios seems tied to the spread squeeze, which is steeper than expected.

All these elements show that the bank still holds resilience, with good control over liquidity and capital. But some other parts are starting to slow down. The main concern continues to be margin decline, likely due to rising funding costs. There's also a risk of deeper asset quality issues if the property market worsens. Non-interest income also appears to be under compression, which could add more pressure if it does not pick back up.

6. Conclusion and Policy Implications

Techcombank's health, spanning from 2022 to mid-2025, is studied using the CAMEL analysis, which covers an exclusive review of Capital Adequacy, Asset Quality, Earnings, Liquidity, and top-management-level strategy. The analysis shows that Techcombank can sustain strong capital buffers, solid asset quality, and a highly favorable CASA ratio, which reflects a low Net Bank Cost relative to CASA inflows. These factors provide solid support for growth and resilience against macroeconomic volatility. However, profitability has been strained by narrowing net interest margins, slowing non-interest income growth, and exposure to real estate and corporate bonds, which adds structural and cyclical vulnerabilities.

Techcombank should focus on increasing the diversification of its income base. There are clear opportunities to boost fee income through the upcoming IPO of Techcom Securities (TCBS) as well as the expanding bancassurance business with TC Life. The continued use of digital technology is essential—not only to maintain strong CASA inflows but also to support efficient cross-selling, reduce operating costs, and improve overall revenue productivity.

In terms of risk monitoring, the results highlight the importance of carefully managing exposure to real estate credit and potential disruptions in the corporate bond market. While Techcombank's capital adequacy ratio remains far above the regulatory minimum, its credit concentration signals the need for more rigorous stress testing and forward-looking provisions, ideally aligned with Basel III standards. The State Bank of Vietnam may encourage banks to enhance dynamic provisioning and classify loans more in line with international norms.

For investors, Techcombank represents both sensitivity and resilience. It remains one of the most capitalized and stable private banks in Vietnam, primarily due to its CASA-driven funding model. However, its real estate and capital market exposures will determine how much profit it can generate. In the long term, the bank is structurally healthy, with significant upside potential tied to the successful execution of the TCBS IPO and its digital transformation strategy. Overall, Techcombank exemplifies how Vietnam's private banking sector is innovating while still grappling with inherent risks. Future research could adopt a cross-sectional approach to the Vietnamese private banking system using econometric stress-testing models, or explore how digital banking transformation amplifies CASA's influence on bank profitability.

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