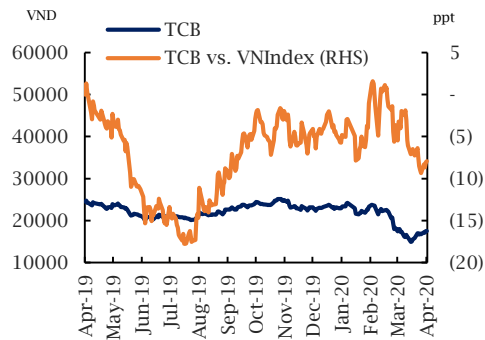


Not Rated

TP upside/(downside) N/A

Close 16 Apr 2020

Price VND 17,550
12M Target N/A



Market cap	US\$2.6 bn
6M avg. daily turnover	US\$2.0 mn
Outstanding shares	3,500 mn
Free float	80%
FINI ownership	22.5%
Major shareholders	33%
Asset/equity (x)	6.2
2020E P/E (x)	5.5
2020E P/B (x)	0.8
FOL remaining room	0.5%
Dividend yield	0%

Source: Bloomberg

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Management dicusses Covid-19 impact

TCB held a meeting on Apr 16 to discuss the business impact of Covid-19. Management emphasized the bank’s strong balance sheet and liquidity position. However, TCB provided few new details beyond a discussion of what we already knew from their 4Q19 results.

Key Takeaways

TCB’ emphasized its strong balance sheet and liquidity position, which will allow it to weather the impact of the pandemic vs. peers.

Strongest capital level and lowest leverage. TCB is well-capitalized with CAR (Basel II) of 15.5% in 2019 (+90bps YoY). Management emphasized that this is the highest capital level among banks in Vietnam (but we knew this already, as discussed in the [4Q19 analyst meeting](#)). TCB also has the lowest leverage ratio (6.2x in 2019) among banks in Vietnam.

Manageable exposure to hard-hit sectors. TCB stated that its loan exposure to highly-affected sectors (i.e., hospitality, travel, and construction) was only 10% of the total loan book at 2019, and lending to SMEs accounted for 19% of the total loan book in 2019.

Our view

We believe that impact of the pandemic and recent SBV’s policies will hit hard across the bank sector. Credit growth, NIM, and fee income are all under pressure, while provisioning and NPLs are likely to jump.

Thus, we suggest that investors focus on quality in terms of balance sheet and liquidity strength. TCB persistently ranks highly in our CAMEL rating (see [4Q19 CAMEL note](#) for details).

Strong funding franchise. TCB’s CASA deposit ratio was 34.5% (+5.8ppt YoY) vs. peers’ median of 14.1% at end-2019, which was just behind [MBB \(BUY\)](#) and the 2nd highest in the sector. A high level of CASA deposits may help to cushion profitability.

Robust liquidity. Short-term funding used for medium-to long-term loans was 38.4%, complying with the 2019 required minimum of 40.0%. LDR ratio was 76.3%, well below the SBV’s requirement of 85%.

Valuation is low despite low leverage and high profitability. Based on Bloomberg consensus for 2020E, TCB trades at 0.8x P/BV vs the sector median of 0.9x. Its 2019 ROAE of 17% was below the sector’s 18%, but ROE is constrained by low balance sheet leverage and therefore ROA may be a better indicator of its profitability relative to peers. TCB’s 2019 ROA was 2.86%, well above the sector’s 1.23%.

We don’t cover TCB and have no recommendation on the stock. However, we believe this is the time for investors to focus on quality. Our top pick in the sector remains [VCB \(BUY\)](#).

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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