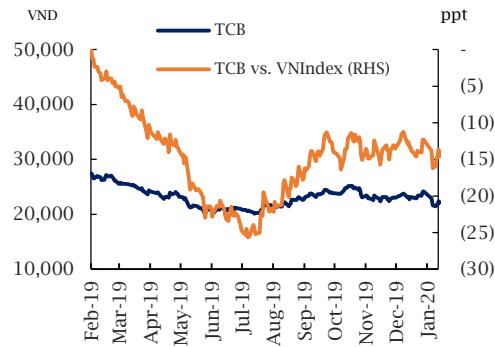


Techcombank [TCB VN]
27 February 2020
Not Rated
TP upside/(downside) N/A
Close 26 Feb 2020
Price VND 22,350
12M Target N/A


Market cap	US\$3.4 bn
6M avg. daily turnover	US\$2.1 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)	7.1
2020E P/B (x)	1.1
FOL remaining room	0%

Source: Bloomberg

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Event: 4Q19 Analyst Meeting

TCB held an analyst meeting on Feb 26, 2020 to discuss their business results for 2019. The bank also announced the appointment of a new CEO this September.

Key Takeaways

4Q19 PBT reached VND3.9 tn, up 24.4% QoQ and up 37.8% YoY.

2019 PBT was VND12.8 tn (+20.4% YoY), beating the bank's full-year target by 9%. Management clarified that there was no one-off income contributing to 2019 PBT, unlike in the 2015–18 period.

Net interest income (NII) reached VND3.9 tn in 4Q19 (+7.8% QoQ/+29.3% YoY). 2019 NII of VND14.3 tn was up 25.2% YoY. Retail banking accounted for 49% of total NII in 2019 (+9ppt YoY). The bank reported 2019 NIM of 4.20% (+50 bps YoY), as its improved CASA deposit franchise drove reduced funding costs.

Provisioning was VND0.9 tn in 2019 (–50% YoY). Provisioning fell to 0.4% of loans in 2019 (–40bps YoY).

Strong capital adequacy. TCB's Basel II CAR ratio reached 15.5% in 2019 (+90bps YoY), the highest in the sector and far above the 8.0% minimum. In addition, the bank's yearend asset/equity leverage ratio was just 6.2x, the lowest in the sector.

TCB's CASA ratio was 34.5% (+5.8ppt YoY) at end-2019, which was just behind [MBB \(BUY\)](#) and the second highest in the sector. Short-term funding used for medium-to long-term loans was 38.4%, complying with the 2019 required minimum of 40.0%.

Room for further growth. 2019 LDR ratio of 76% was below the SBV's requirement of 85%. Given its strong capital adequacy, the bank could receive a higher SBV credit growth quota than the sector average.

Our view. We don't cover TCB and have no recommendation on the stock. However, TCB persistently ranks highly in our proprietary CAMEL analytical framework (see our [4Q19 CAMEL note](#) for details).

Valuation is low despite high profitability. Based on Bloomberg consensus for 2020E, TCB trades at 1.1x P/BV with ROAE of 17% (recalling that ROE is constrained by low balance sheet leverage) compared to the sector average 1.2x P/B and 20% ROAE.

Of course, the FOL premium alters the valuation consideration for FINIs, but on-exchange opportunities have emerged amid the recent market rout with blocks crossing at limit-up and without the settlement woes of off-exchange FOL deals. Short-term upside catalysts might include the VNFIN LEAD ETF (TCB is 12.6% of the index) and the VNDiamond ETF (if it is passed).

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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HOLD–Underperform: In our view, the stock's fundamentals are relatively less attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

SELL: We have a negative outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors reduce their position.

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