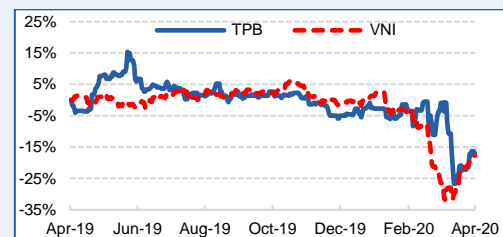


TP Bank (TPB)

Earnings Flash

Industry:	Banking		2019	Q1'20	2020F
Report Date:	April 21, 2020				
Current Price:	VND17,200	PPOP y/y	85.8%	32.3%	9.2%
Current Target Price:	VND25,000	NPAT y/y	71.4%	18.6%	25.2%
Upside	49.3%	NIM	4.08%	4.34%	4.21%
Dividend Yield:	0.0%	NPL ratio	1.29%	1.87%	1.48%
TSR	49.3%	CIR	39.9%	45.1%	42.1%
Rating:	OUTPERFORM	P/E	4.6x	4.4x	3.6x
		P/B	1.1x	1.0x	0.8x



Market Cap:	USD610mn		TPB	Peers	VNI
Foreign Room:	USD0	P/E (ttm)	4.4x	5.7x	12.0x
ADTV30D:	USD101,000	P/B (curr)	1.0x	1.1x	1.7x
State Ownership:	0.0%	ROE (ttm)	24.0%	21.3%	14.8%
Outstanding Shares:	827mn	ROA (ttm)	1.9%	1.7%	2.5%
Fully Diluted Shares:	827mn				

Company overview

Founded in 2008, TPB is the smallest bank in our coverage universe in terms of total assets and network as of December 31, 2019. TPB's strategy focuses on digital banking. The bank was listed on HOSE in April 19, 2018.

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Solid NIM and banca access fees support earnings

TPB released strong results for Q1 2020 with NPAT-MI of VND809bn (USD34.7mn; +18.6% YoY), completing 20.9% of our 2020 full-year forecast. Annualized ROA and ROE from Q1 2020 numbers were 1.9% and 24.0%, respectively.

Net interest income (NII) surged by 34.6% YoY — the highest rise reported so far in our covered banks. TPB achieved credit growth of 9.35% YTD for 3M 2020 — with loan growth of 5.09% YTD for the same period. This credit growth was the highest among our covered banks that have reported so far. NIM rose by 31 bps YoY to 4.34% (+21 bps QoQ), driven by a 26-bp YoY surge in interest-earning asset yields (IEA) to 8.76% (+1 bp QoQ) vs a 1-bp YoY decrease in cost of funds to 4.56% (-9 bps QoQ). Although CASA ratio plus term deposits in foreign currencies shrank by 306 bps YoY to 23.9% of total customer deposits, a 2.98% YoY drop in customer deposits was the main driver for a decline in funding costs in Q1 2020.

Surge in fee related expenses resulted in a 27.6% YoY drop in net fee income (excluding FX) to VND157bn/USD6.7mn. Settlement fees and bancassurance commissions expanded at 16.9% YoY and 16.4% YoY to VND114bn/USD4.9mn and VND100bn/USD4.3mn, respectively, which together contributed to 73.2% of total fee income. However, we observed a surge of 130.3% in total fee expenses, which subsequently consumed 46.2% of total fee income.

One-off access fees from exclusive bancassurance deal with Sun Life strengthened non-interest income. In Q1 2020, we suspect that TPB recognized approximately VND400bn/USD17.1mn of the second tranche of exclusive bancassurance "access fees" recognized under other income. This item accounted for 43.6% of Q1 2020 Noll. Overall, Noll contributed 28.9% of total operating income in Q1 2020 (vs 32.6% in Q1 2019).

OPEX grew by 22.2% YoY in which staff expenses expanded by 20.5%, accounting for 61% of OPEX.

NPL ratio increased by 49 bps YoY to 1.87% (+58 bps QoQ) with a negligible write-off at 0.1% of gross loans in Q1 2020. Provision expenses climbed by 109.2% YoY in alignment with the growing pace of NPLs. Meanwhile, loan loss reserve stood at 97.8% of NPLs in Q1 2020 compared to 103.3% in Q1 2019. Meanwhile, a relative rise in the weight of the bond book (including Government bonds, bank bonds and corporate bonds from 15.7% of interest earning assets (IEAs) in Q1 2019 to 22.6% at the end of Q1 2020) probably explains the 11-bp YoY escalation in accrued interest relative to IEAs to 1.0% in Q1 2020.

Figure 1: TPB's Q1 2020 results

VND bn	Q1 2020	Q1 2019	Y-o-Y	Q4 2019	Q-o-Q
NIM	4.34%	4.03%	31 bps	4.13%	21 bps
Asset yield	8.76%	8.50%	26 bps	8.74%	1 bps
Cost of funds	4.56%	4.57%	-1 bps	4.66%	-9 bps
CASA ratio	13.9%	16.8%	-293 bps	16.5%	-261 bps
CASA ratio plus term deposits in FX*	23.9%	27.0%	-306 bps	25.6%	-168 bps
NII	1,728	1,284	34.6%	1,503	14.9%
Non-II	702	622	12.8%	1,301	-46.0%
OPEX	(1,096)	(898)	22.0%	(1,000)	9.5%
PPOP	1,334	1,008	32.3%	1,803	-26.0%
Provision expenses	(324)	(155)	109.2%	(339)	-4.4%
NPAT-MI	809	682	18.6%	1,171	-30.9%
CIR	45.1%	47.1%	-202 bps	35.7%	943 bps
NPL ratio	1.87%	1.39%	49 bps	1.29%	58 bps
Group 2 loans/ gross loans	2.65%	2.35%	30 bps	2.02%	64 bps
Accrued interest/ IEAs	1.00%	0.89%	11 bps	0.86%	14 bps
Loan growth QoQ	5.09%	9.77%	-468 bps	5.18%	-9 bps
Deposit growth QoQ	-2.98%	2.33%	-531 bps	6.20%	-918 bps

Source: TPB, VCSC; (*) CASA calculation consists of demand, margin and specific purposes deposits.



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Stock ratings are set based on projected total shareholder return (TSR), defined as $(\text{target price} - \text{current price}) / \text{current price} + \text{dividend yield}$, and are not related to market performance.

Equity rating key	Definition
BUY	If the projected TSR is 20% or higher
OUTPERFORM	If the projected TSR is between 10% and 20%
MARKET PERFORM	If the projected TSR is between -10% and 10%
UNDERPERFORM	If the projected TSR is between -10% and -20%
SELL	If the projected TSR is -20% or lower
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Target prices are generally based on the analyst's assessment of the stock's fair value over a 12-month horizon. However, the target price may differ from the analyst's fair value if the analyst believes that the market will not price the stock in line with assessed fair value over the specified time horizon.

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