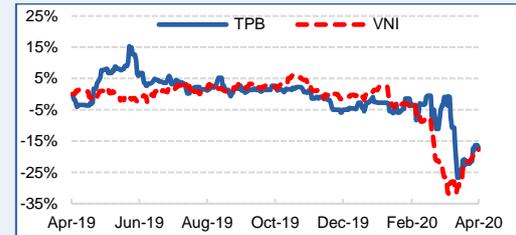


Industry:	Banking		<u>2019</u>	<u>Q1'20</u>	<u>2020F</u>
Report Date:	April 21, 2020	PPOP y/y	85.8%	32.3%	9.2%
Current Price:	VND17,200	NPAT y/y	71.4%	18.6%	25.2%
Current Target Price:	VND25,000	NIM	4.08%	4.34%	4.21%
Upside	49.3%	NPL ratio	1.29%	1.87%	1.48%
Dividend Yield:	<u>0.0%</u>	CIR	39.9%	45.1%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



Market Cap:	USD610mn		<u>TPB</u>	<u>Peers</u>	<u>VNI</u>
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.

Anh Dinh
Analyst
anh.dinh@vcsc.com.vn
+84 28 3914 3588 ext. 139

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.

Long Ngo
Associate Director
long.ngo@vcsc.com.vn
+84 28 3914 3588 ext. 123

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.

VCSC Rating System

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
NOT RATED	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulation and/or firm policies in certain circumstances, including when VCSC is acting in an advisory capacity in a merger or strategic transaction involving the company.
RATING SUSPENDED, COVERAGE TERMINATED	A rating may be suspended, or coverage terminated, if fundamental information is deemed insufficient to determine a target price or investment rating or due to a reallocation of research resources. Any previous investment rating and target price are no longer in effect.

Unless otherwise specified, these performance parameters are set with a 12-month horizon. Movement in share prices may cause a temporary mismatch between the latest published rating and projected TSR for a stock based on its market price and the latest published target price.

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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Contacts

Corporate

www.vcsc.com.vn

Head Office

Bitexco Financial Tower, 2 Hai Trieu Street
District 1, HCMC
+84 28 3914 3588

Transaction Office

10 Nguyen Hue Street
District 1, HCMC
+84 28 3914 3588

Research

Research Team: +84 28 3914 3588
research@vcsc.com.vn

Banks, Securities and Insurance

Long Ngo, Associate Director, ext 123

- Nghia Dien, Senior Analyst, ext 138
- Anh Dinh, Analyst, ext 139
- Truc Ngo, Analyst, ext 116

Consumer and Pharma

Phap Dang, Associate Director, ext 143

- Dao Nguyen, Manager, ext 185
- Ha Dao, Analyst, ext 194
- Vinh Bui, Analyst, ext 191

Real Estate, Construction and Materials

Hong Luu, Senior Manager, ext 120

- Vy Nguyen, Senior Analyst, ext 147
- Duc Pham, Analyst, ext 174

Retail Client Research

Duc Vu, Senior Manager, ext 363

- Huy Nguyen, Analyst, ext 173
- Trung Nguyen, Analyst, ext 129

Institutional Sales and Brokerage

& Foreign Individuals

Dung Nguyen

+84 28 3914 3588, ext 136
dung.nguyen@vcsc.com.vn

Hanoi Branch

109 Tran Hung Dao
Hoan Kiem District, Hanoi
+84 24 6262 6999

Transaction Office

236-238 Nguyen Cong Tru Street
District 1, HCMC
+84 28 3914 3588

Alastair Macdonald, Head of Research, ext 105

alastair.macdonald@vcsc.com.vn

Macro

- Luong Hoang, Senior Analyst, ext 364
- Nguyen Truong, Analyst, ext 132

Oil & Gas and Power

Duong Dinh, Senior Manager, ext 140

- Tram Ngo, Senior Analyst, ext 135
- Nghia Le, Analyst, ext 181
- Duc Le, Analyst, ext 196

Industrials and Transportation

- Nam Hoang, Senior Analyst, ext 124
- Dang Thai, Analyst, ext 149

Retail & Corporate Brokerage

Ho Chi Minh & Hanoi

Quynh Chau

+84 28 3914 3588, ext 222
quynh.chau@vcsc.com.vn