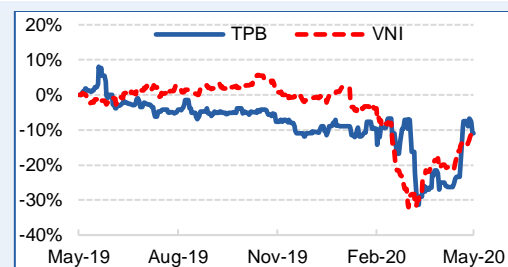


TP Bank (TPB)

AGM Note

Industry:	Banking		2019A	2020F	2021F	2022F
Report Date:	May 28, 2020					
Current Price:	VND20,900	PPOP y/y	85.8%	9.2%	5.9%	12.1%
Current Target Price:	VND25,000	NPAT y/y	71.4%	25.2%	5.9%	10.2%
Upside	19.6%	EPS y/y	74.2%	29.9%	36.4%	10.2%
Dividend Yield:	0.0%	NIM	4.08%	4.21%	4.29%	4.24%
TSR	19.6%	NPL	1.29%	1.48%	1.60%	1.75%
Rating:	OUPERFORM	CIR	39.9%	42.1%	44.2%	46.3%
		P/E	5.6x	4.5x	4.2x	3.8x
		P/B	1.3x	1.0x	0.8x	0.7x



Market Cap:	USD741mn		TPB	Peers	VNI
Foreign Room:	USD0	P/E (ttm)	5.4x	7.2x	14.1x
ADTV30D:	USD213,000	P/B (curr)	1.3x	1.2x	1.9x
State Ownership:	0.0%	ROE	26.1%	20.8%	13.7%
Outstanding Shares:	827mn	ROA	2.1%	1.7%	2.4%
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 listed on HOSE in April 19, 2018.

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COVID-19 weighs heavily on 2020 profit outlook

- We attended TPB's AGM on May 27, 2020. The main agenda focused on the bank's 2020 business plans and impact of COVID-19 on TPB's current business operations.
- Management set 2020 targets for standalone PBT of VND4tn (USD174mn; +5% YoY), credit growth of 15%, total asset growth of 9%, total deposit growth of 7%, charter capital of VND10.2tn (USD438mn; +19%), and NPL ratio to be kept below 2.5%.
- TPB posted 4M 2020 PBT of VND1.2tn/USD52mn, which is in line with its full-year target. Credit exposure witnessed 11% YTD growth. Meanwhile, total deposits expanded by 6% YTD.
- FY2019 distribution will be in the form of stock dividends in a ratio of two for 10.
- We currently have an OUPERFORM rating on TPB with a target price of VND25,000/share.

BOM anticipates 3.5% extra credit top-up from the SBV in late 2020 as credit demand remains intact. The initial credit growth quota for TPB is 11.5%, of which TPB utilized 11% in 4M 2020. TPB's current quota is expected to increase soon given sector credit growth of 1.2% in 4M 2020, which suggests that peers are struggling to use their quota. Management anticipates a top-up by the SBV to result in a 15% total credit quota for 2020.

The bank expects VND1tn/USD43mn of foregone interest income due to COVID-19. Per TPB management's assessment, approximately VND50tn/USD2bn of current outstanding loans (or 50% of the Q1 2020 loan book) are affected by COVID-19. Since March 2020, TPB has reduced lending rates by 50-300 bps for VND30tn/USD1.3bn of outstanding loans — or 28% of Q1's gross loan book. (We note this should not be confused with the term 'restructured loans', which implies that accrued interest has been rolled over into the loan principal). In addition, approximately VND19.5tn/USD837mn of preferential credit packages has been distributed to borrowers.

Focus to reduce operating expenses. From now to the end of 2020, TPB will stop recruiting new staff; however, it will maintain current salary levels for all staff to minimize full-year operating costs.

BOM is confident on the achievability of PBT guidance — despite its concerns about rising NPLs. According to the CEO, although the majority of non-performing loans still arrived from auto-loans, COVID-19 has increased the risks of bad debt from other lending segments at TPB. Moreover, during this difficult economic backdrop, TPB proposes a flexible, less aggressive approach on debt collection, which makes containing NPL ratio below 2% in 2020 difficult.

Approval of consumer finance company acquisition still pending due to several changes in SBV regulations. The takeover target is a consumer finance company that is under the special control of the SBV. TPB is still in the process of completing documents and procedures with the SBV and negotiating a restructuring plan and to operate this company as a subsidiary of TPB.



VCSC Rating System

Stock ratings are set based on projected total shareholder return (TSR), defined as (target price – current price)/current price + 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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