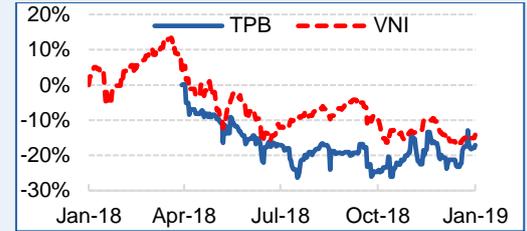




Industry:	Banking		2017	2018
Report Date:	January 21, 2019	PPOP y/y	70.5%	66.7%
Current Price:	VND21,000	NPAT y/y	70.5%	87.3%
Current Target Price:	VND24,200	NIM	2.94%	3.68%
Upside	15.2%	NPL	1.10%	1.12%
Dividend Yield:	0.0%	CIR	53.8%	50.6%
TSR	15.2%	Div/Sh (VND)	-	-
Rating:	OP-F	P/B	2.7x	1.7x



Market Cap:	\$777mn		TPB	Peers	VNI
Foreign Room*:	\$0.5mn	P/E (ttm)	9.9x	10.2x	15.9x
ADTV30D:	\$0.3mn	P/B (curr)	1.7x	1.7x	2.4x
State Ownership:	0.0%	ROE	20.8%	16.4%	14.8%
Outstanding Shares:	851mn	ROA	1.4%	1.2%	2.4%
Fully Diluted Shares:	851mn				

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, 2017. TPB's strategy focuses on digital banking. The bank listed on HOSE in April 19, 2018.

## Outstanding core growth with good credit quality metrics

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TPB released strong results for FY2018 with a PBT of VND2.3tn (USD100mn, +87.3% YoY), completing 101.8% of our full-year forecast. In particular, Q4 2018 achieved a PBT of VND515bn (USD22.4mn; +104.3% YoY). As such, we do not anticipate material changes to our current forecasts and target price for TPB. We currently have an OUTPERFORM rating on TPB.

**Credit growth reached 18%; NIM of 3.68% exceeded our expectation.** TPB received a 4% credit top-up from the SBV in late Q4 2018, bringing up its total credit allowance to 19%. However, by the end of 2018, the bank only utilized 95% of this quota. Specifically, loan growth surged by 21.7% YoY while corporate bonds dropped by 19.5% YoY. NIM rose by 73 bps from 2.94% in 2017, driven by a 101-bp YoY surge in interest-earning asset yields and only a 31-bp increase in funding costs. We suspect this high interest-earning asset yield mainly arose from the restructuring of lending segments to more a retail focus. Meanwhile, deposit growth of 8.3% that significantly trailed loan growth and a 230-bp hike in the CASA ratio partly helped to contain growth in funding cost despite a 150.4% jump in valuable papers.

**Bancassurance fee and commission achieved a five-fold increase YoY to VND372bn (USD16.2mn), hitting 112.7% of our forecast.** In detail, TPB earned VND138bn (USD6mn) from the new bancassurance business in Q4 2018 alone, 24% higher than Q3 2018 and 105.9% YoY. Moreover, settlement services also recorded significant gains of 113.4% YoY to VND268bn (USD11.7mn).

**CIR remained high due to a noticeable escalation of expenses.** While TOI jumped sharply by 55.9% to VND5.7tn (USD247.8mn), total operating expenses (TOE) expanded at roughly the same pace by 46.6% YoY to VND2.8tn (USD121.7mn), of which employee expenses hiked 57.0% YoY, accounting for 53% of TOE.

**The NPL ratio inched higher by 2 bps to 1.12%, accompanied by significant write-offs in Q4 2018.** Group 2 over gross loans increased from 1.74% in 2017 to 2.06% in 2018. Provisions booked/gross loans trended up from 1.06% in 2017 to 1.15% in 2018. Full-year provision expenses increased by 13.0%, of which VND363bn (USD15.8mn) was exclusively booked for VAMC. Full-year write-offs over gross loans was 0.11% compared with a FY17 figure of 0.06%. External receivables rose by 22.7% YoY to VND7.8tn (USD339mn). Accrued interest and fees, however, showed subdued growth of 4.4%.

**Figure 1: TPB's FY2018 results**

VND bn	2017	2018	Growth	Q4 2017	Q4 2018	Growth
NIM	2.94%	3.68%	73 bps	3.47%	4.22%	74 bps
Asset yield	6.79%	7.87%	101 bps	7.16%	8.56%	140 bps
Cost of funds	3.87%	4.18%	31 bps	3.71%	4.37%	67 bps
CASA ratio	16.83%	19.13%	2.3 ppts	16.8%	19.13%	2.3 ppts
NII	3,172	4,378	37.9%	969	1,263	30.4%
Non-II	437	1,249	185.6%	147	329	123.4%
Provision expenses	(462)	(522)	12.9%	(20)	(80)	303.0%
PPOP	1,668	2,780	66.7%	419	724	73.0%
Net profit	964	1,805	87.3%	252	515	104.3%
CIR	-53.8%	-50.6%	-3.2 ppts	62.48%	54.50%	-8 ppts
NPL	1.10%	1.12%	2 bps	1.10%	1.12%	2 bps
Loan growth	36.0%	21.7%	-14.3 ppts	11.84%*	4.58%*	-7.3 ppts
Deposit growth	27.6%	8.3%	-19.3 ppts	19.35%*	8.52%*	-10.8 ppts

Source: TPB, VCSC; (\*) QoQ growth

## VCSC Rating and Valuation Methodology

**Absolute, long term (fundamental) rating:** The recommendation is based on implied total return for the stock defined as (target price – current price)/current price + dividend yield, and is not related to market performance.

RATING	DEFINITION
BUY	Total stock return including dividends over next 12 months expected to exceed 20%
OUTPERFORM (O-PF)	Total stock return including dividends over next 12 months expected to be positive 10%-20%
MARKET PERFORM (M-PF)	Total stock return including dividends over next 12 months expected to be between negative 10% and positive 10%
UNDERPERFORM (U-PF)	Total stock return including dividends over next 12 months expected to be negative 10%-20%
SELL	Total stock return including dividends over next 12 months expected to be below negative 20%
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	A rating that happens when fundamental information is insufficient to determine an investment rating or target. The previous investment rating and target price, if any, are no longer in effect for this stock.

Unless otherwise specified, these performance parameters only reflect capital appreciation and are set with a 12-month horizon. Future price volatility may cause temporary mismatch between upside/downside for a stock based on market price and the formal recommendation, thus these performance parameters should be interpreted flexibly.

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