

**TP Bank [TPB VN]**

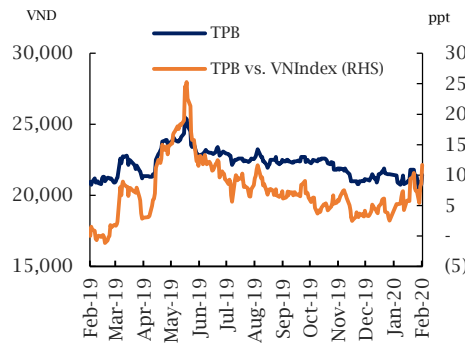
**28 February 2020**

**Not Rated**

**TP upside/(downside) N/A**

**Close 27 Feb 2020**

**Price VND 21,450**  
**12M Target N/A**



<b>Market cap</b>	<b>US\$0.8 bn</b>
<b>6M avg. daily turnover</b>	<b>US\$0.2 mn</b>
<b>Outstanding shares</b>	<b>827 mn</b>
<b>Free float</b>	<b>54%</b>
<b>FINI ownership</b>	<b>30%</b>
<b>Major shareholders</b>	<b>59%</b>
<b>Asset/equity (x)</b>	<b>12.6</b>
<b>2020E P/E (x)</b>	<b>4.9</b>
<b>2020E P/B (x)</b>	<b>1.1</b>
<b>FOL remaining room</b>	<b>0%</b>

Source: Bloomberg

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**Bloomberg code:**  
YUTA

**Event: Share buyback**

TPB announced on Feb 27 its intention to back up to 10 million outstanding shares, equivalent to 1.17% of charter capital. The funding source will be from retained earnings, and the expected transaction period is 1Q20 and 2Q20. Separately, TPB ranks No. 1 in our analysis of the liquidity impact of fund flows into the VN Diamond ETF, which was approved yesterday.

**Our view on TPB**

**Impressive 2019 business result with strong PBT quarter and annual growth.** 4Q19 PBT reached VND1.5 tn, up 87% QoQ and up 127% YoY. 2019 PBT was VND3.9 tn (+71% YoY), beating the bank’s full-year target by 21%.

**Meeting Basel II standards.** TPB is one of 15 banks in Vietnam that has approval from the SBV for adopting Basel II accords. Basel II CAR of TPB was reported at 9% (source: [cafef](#)) as at June 2019.

**Asset quality remains strong.** 2019 NPL ratio of 1.29% (+18bps YoY) was far lower than the SBV’s target of below 3.00%. TPB also cleared all of its previous VAMC exposure in 2019.

**Valuation is low despite high profitability.** Based on Bloomberg consensus for 2020E, TPB trades at 1.1x P/BV with ROAE of 24% compared to the sector median of 1.2x P/B and 20% ROAE.

**Our investment view.** We don’t cover TPB and have no recommendation on the stock. However, the stock ranks 7<sup>th</sup> out of 18 banks in terms of quality as measured by our [4Q19 CAMEL analysis](#).

**Share buyback announcements can indicate that corporate managers believe their stock to be undervalued.** Obviously, managers also engage in share buybacks for other reasons, but in this case, the undervaluation argument appears reasonable given TPB’s optically low valuation vs high ROE.

**VN Diamond ETF ([approved yesterday](#))—a near term upside catalyst.** TPB’s 3.5% index weighting is not the highest, but index weighting is only half the story. Assessing the liquidity impact also requires an examination of average daily trading for each stock. TPB’s trading liquidity is among the lowest of the index constituents.

**Based on our estimates, ETF inflows of an initial US\$100m would represent 20 trading days for TPB,** which is the highest such liquidity impact of any of the 14 VND Index constituents. Please see [FOLs & Money: The Diamond Edition](#) for more details.

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