

# Company Update Report

## TPB - Tien Phong Bank

# BSC

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### Recommendation

### TRACKING

### Update 2018 business results

**Vuong Chi Tam (FA)**

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Target price

Closing price

Upside

**Le Quoc Trung (TA)**

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Target price

Cut loss price

### Market data

Number of shares (stock)	851
Capitalization (billion VND)	17,692
Highest price 52 weeks	35,000
The average trading volume of 10 sessions (shares)	340,557
Foreign ownership	30%

### Major shareholders (%)

CTCP FPT	5.92%
CTCP Doji	5.18%
PYN Elite Fund	3.91%
SBI Ven Holdings	3.62%
Vinarae JSC.	3.5%

### Price movements



**Company overview:** TPB is the pioneer bank in applying high technology to banks in Vietnam with 24/7 live banking system.

### Valuation

21,567 **We recommend Tracking with TPB shares** with a target price of VND 21,567/share, upside of 2.5% according to P/B valuation method = 1.55x.

### Forecast of business results 2019.

In 2019, we forecast TPB will record TOI and PBT at VND 6,355 billion respectively (+ 12.9% yoy) and VND 2,649 billion (+ 17.3% yoy) assuming (1) credit growth in 2019 = 14%, (2) lending rate + 0.3% due to the shift to retail lending, mobilizing interest rate + 0.2%, (3) NPL = 1.04%, NPL coverage ratio = 100%, LDR = 65%. Currently, TPB shares are traded with P/E = 8x, P/B = 1.7x, higher than the current industry average P/B = 1.5x.

### Investment Risk

Reduce credit growth to 14%.

**Business update** (Refer to page 2 for details)

**2018 business results.** In 2018, TPB recorded TOI and PBT at VND 5,627 billion (+ 55.9% yoy) and VND 2,258 billion (+ 87.3% yoy).

**Net interest income increased sharply + 38% yoy, reaching VND 4,378 billion (accounting for 78% TOI).** Credit growth in 2018 of TPB reached 19.06%. NIM in 2018 reached 3.99%, up 36 bps due to (1) focusing on retail lending with higher interest rates. In 2018, the lending interest rate reached 8.96% (up 167 bps), (2) increasing the long-term lending rate (higher interest rate) to 45.7%. However, we note that in 2019, the ratio of medium and long-term bank loans to 40% could affect the current lending structure of TPB.

**Non-interest income increased sharply, reaching VND 1,249 billion (accounting for 22% of TOI), + 186% yoy** due to (1) profit from service activities increased sharply, + 310% yoy due to insurance growth.

**Operating expenses + 12.9% yoy,** CIR reached 50.6%.

**Bad debt + 24% yoy,** in which group 2 debt increased to 2.06% (2017 = 1.74%). NPL = 1.04%, but if including VAMC, the NPL ratio = 1.5%. The rate of bad debt is 110%, according to our assessment, it is quite safe.

## Business update

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**2018 business results.** In 2018, TPB recorded TOI and PBT at VND 5.627 billion (+ 55.9% yoy) and VND 2,258 billion (+ 87.3% yoy) respectively.

**Net interest income increased sharply + 38% yoy, reaching VND 4,378 billion (accounting for 78% TOI).**

Net interest income still contributes a large proportion in the bank's income, however non-interest income gradually accounts for a higher proportion (from 15% in 2014 to 22% in 2018). Credit growth in 2018 of TPB reached 19.06%. NIM in 2018 reached 3.99%, up 36 bps due to (1) focusing on retail lending with higher interest rates. In 2018, the lending interest rate reached 8.96% (up 167 bps), (2) increasing the long-term lending rate (higher interest rate) to 45.7%. However, we note that in 2019, the ratio of medium and long-term bank loans to 40% could affect the current lending structure of TPB.

**Non-interest income increased sharply, reaching VND 1,249 billion (accounting for 22% of TOI), + 186% yoy** due to (1) profit from service activities increased strongly, + 310% yoy due to insurance growth. In 2019, TPB continued to promote cross-selling of insurance products and increase service fees, expected to increase fee income + 70% yoy, bancassurance + 70% -100%, (2) TPB is expected to continue recording 400 billion VND interest received from investment securities in 2019.

**Operating expenses + 12.9% yoy**, CIR reached 50.6% lower than 2017 level = 53.8% due to staff cost + 57% yoy because TPB increased 13% of employees in 2018, average income + 29% yoy.

**Bad debt + 24% yoy**, in which group 2 debt increased to 2.06% (2017 = 1.74%). NPL = 1.04%, but if including VAMC, the NPL ratio = 1.5%. The ratio of bad debt coverage reached 110%, which we think is quite safe.

**Forecast 2019.** In 2019, we forecast TPB will record TOI and PBT at VND 6,355 billion respectively (+ 12.9% yoy) and VND 2,649 billion (+ 17.3% yoy) assuming (1) credit growth in 2019 = 14%, (2) lending rate + 0.3% due to the shift to retail lending, mobilizing interest rate + 0.2%, (3) NPL = 1.04%, NPL coverage ratio = 100%, LDR = 65% . Currently, TPB shares are traded with P/E = 8x, P/B = 1.7x, higher than the current industry average P/B = 1.5x.

Technical analysis

TPB\_Sideway

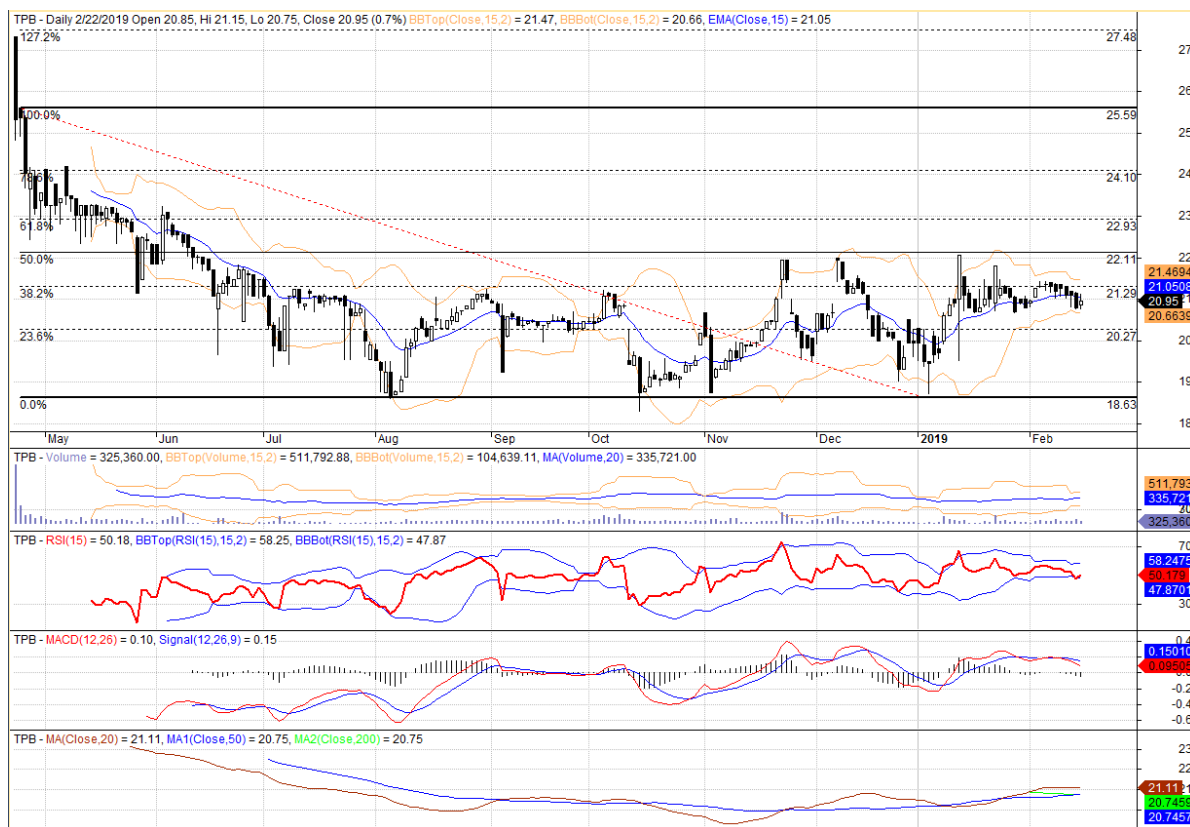
Technical highlights:

- Current trend: Accumulation.
- MACD trend indicator: Divergent, MACD line is pointing down to the center line.
- RSI indicator: Neutral zone, touch the lower Bollinger channel
- MA lines: MA20 cut MA50 and is above MA 200..

**Outlook:** TPB is in the short-term cumulative price channel from 20-21.5 Liquidity maintained at an average level of over 20 sessions. The RSI indicator is showing that the stock is in an accumulation trend while the MACD indicator supports the correcting trend. The movement of 3 MA lines also showed that stocks are accumulating in this price range when 3 MA lines are gradually converging to a narrow price range. Therefore, TPB will continue to maintain the accumulation trend before forming a new trend.

**Recommendations:** short-term accumulation. High risk traders could buy at the price of 20.5 and take profit at the resistance level 22. Take a loss if the stock returns to the threshold of 20.

Technical chart TPB



Source: Amibroker, BSC

## Tien Phong Bank (TPB)



## Appendix 01: Overview of TPB

	2014	2015	2016	2017	2018F	2019F
<b>SCALE</b>						
Charter capital (billion VND)	5,550	5,550	5,842	5,842	8,566	8,566
Equity (billion VND)	4,237	4,799	5,681	6,677	10,642	11,919
Total assets (billion VND)	51,478	76,221	106,311	124,119	136,179	157,147
Equity/Total assets	8.23%	6.30%	5.34%	5.38%	7.81%	7.58%
<b>GROWTH (YOY)</b>						
Asset growth	60.43%	48.07%	39.48%	16.75%	9.72%	15.40%
Lending growth	66.35%	42.35%	65.16%	35.97%	21.70%	15.06%
Deposit growth	50.88%	82.70%	39.43%	27.63%	8.31%	20.57%
CASA/mobilization	14.24%	12.61%	13.54%	16.23%	18.16%	15.81%
Loans/deposits	91.75%	71.48%	84.68%	90.22%	101.38%	96.75%
<b>ASSET QUALITY</b>						
NPL ratio	1.22%	0.81%	0.75%	1.10%	1.12%	1.04%
NPL ratio includes debt sold to VAMC	2.87%	2.45%	2.42%	2.05%	1.62%	1.31%
Provision for bad debts/Total outstanding loans	1.00%	0.93%	0.88%	1.06%	1.23%	1.14%
Bad debt coverage ratio/Total bad debt	82.50%	115.31%	117.00%	97.13%	110.00%	110.00%
Interest and fees receivable/loan	4.61%	3.06%	2.81%	2.01%	1.73%	1.66%
<b>BUSINESS EFFICIENCY (YOY)</b>						
% Net interest income	85.04%	90.21%	91.86%	87.89%	77.80%	72.94%
Net profit before credit risk provision (VND billion)	486	760	978	1,668	2,780	3,139
% yoy	4.31%	56.39%	28.65%	70.51%	66.66%	12.92%
Provision expenses for credit risk (VND billion)	(50)	135	272	462	522	529
% to pre-provision profit	-10.21%	17.72%	27.78%	27.72%	18.79%	16.84%
Profit after tax (billion VND)	536	562	565	964	1,805	2,087
% yoy	40.51%	4.90%	0.54%	70.49%	87.29%	15.63%
NIM (TTM)	3.49%	3.44%	3.59%	3.63%	3.99%	3.71%
CIR (TTM)	57.77%	51.10%	57.63%	53.79%	50.59%	50.59%
ROA (TTM)	1.28%	0.88%	0.62%	0.84%	1.39%	1.42%
ROE (TTM)	13.50%	12.44%	10.79%	15.59%	20.84%	18.50%
EPS (VND/share) (TTM)	966	1,013	1,004	1,717	2,087	2,413
Diluted EPS (TTM)	966	1,013	1,004	1,717	2,087	2,413
Book value (VND/share)	7,633	8,646	9,725	11,429	12,424	13,914

Source: BSC research

## Appendix 02: Overview of listed banks 2018

	MBB	CTG	VCB	BID	STB	TCB	VPB	ACB	HDB	LPB	TPB	VIB
<b>Scale</b>												
Charter capital (billion VND)	21,605	37,234	35,978	34,187	18,852	34,966	25,300	12,886	9,810	7,500	8,566	7,835
Equity (billion VND)	34,173	67,469	63,889	54,693	24,632	51,783	34,750	21,018	16,828	10,201	10,642	10,667
Total assets (billion VND)	362,361	1,164,318	1,072,983	1,313,038	406,041	321,049	323,308	329,333	216,107	175,095	136,179	139,000
Equity/Total assets	9.43%	5.79%	5.95%	4.17%	6.07%	16.13%	10.75%	6.38%	7.79%	5.83%	7.81%	7.67%
<b>Growth (ytd)</b>												
Asset growth	15.45%	6.32%	3.64%	9.21%	10.20%	19.18%	16.40%	15.83%	14.14%	7.13%	9.72%	12.86%
Lending growth	16.16%	8.89%	16.26%	14.12%	14.94%	-0.89%	21.38%	15.92%	17.86%	18.43%	21.59%	20.71%
Deposit growth	8.99%	9.68%	13.23%	15.08%	9.17%	17.84%	27.93%	11.85%	6.24%	-2.59%	8.31%	24.11%
CASA	33.48%	15.02%	28.27%	16.35%	14.85%	27.14%	13.25%	16.67%	8.35%	18.18%	18.16%	14.29%
Loans/deposits	88.13%	103.16%	77.58%	98.65%	72.48%	78.20%	127.53%	84.44%	95.11%	94.21%	100.21%	112.25%
<b>Asset quality</b>												
NPL ratio	1.34%	1.59%	1.00%	1.71%	2.14%	1.78%	3.56%	0.73%	1.55%	1.43%	1.13%	2.54%
NPL ratio includes debt sold to VAMC	1.34%	1.59%	1.00%	1.71%	2.14%	1.78%	3.56%	0.73%	1.55%	1.43%	1.13%	2.54%
Provision for bad debts/Total outstanding	1.52%	1.53%	1.65%	1.27%	1.39%	1.51%	1.64%	1.12%	1.10%	1.26%	1.17%	0.92%
Bad debt coverage ratio/Total bad debt	113%	96%	165%	74%	65%	85%	46%	152%	71%	88.25%	103%	36%
Interest and fees receivable/loan	1.33%	1.86%	1.40%	2.12%	2.35%	2.17%	2.42%	1.50%	2.58%	3.46%	1.76%	1.53%
<b>Business efficiency (ytd)</b>												
% Net interest income	74.64%	78.34%	72.31%	78.57%	65.37%	60.64%	79.46%	73.85%	80.99%	102.89%	77.80%	79.78%
Net profit before credit risk provision (VND billion)	10,805	14,490	25,679	28,366	3,839	12,507	20,452	7,321	4,999	1,831	2,780	3,362
% yoy	37.33%	-17.44%	46.40%	20.64%	66.31%	7.40%	26.78%	40.21%	45.59%	-20.02%	66.66%	91.57%
Provision expenses for credit risk (VND billion)	(3,038)	(7,748)	(7,379)	(18,894)	(1,592)	(1,846)	(11,253)	(932)	(994)	(618)	(522)	(620)
% to pre-provision profit	28.11%	53.47%	28.73%	66.61%	41.47%	14.76%	55.02%	12.74%	19.89%	33.77%	18.79%	18.46%
Profit after tax (billion VND)	6,190	5,428	14,658	7,542	1,790	8,474	7,356	5,137	3,202	960	1,805	2,193
% yoy	77.34%	-27.23%	60.89%	8.58%	51.51%	31.47%	14.20%	142.53%	63.81%	-29.83%	87.29%	95.09%
NIM (TTM)	4.56%	2.08%	2.78%	2.98%	2.34%	4.13%	8.81%	3.56%	4.05%	3.50%	3.69%	3.79%
CIR (TTM)	44.70%	49.59%	34.64%	36.24%	67.12%	31.84%	34.21%	47.83%	47.05%	62.47%	50.59%	44.45%
ROA (TTM)	1.83%	0.48%	1.39%	0.61%	0.46%	2.87%	2.45%	1.67%	1.58%	0.93%	1.39%	1.67%
ROE (TTM)	19.41%	8.27%	25.18%	14.52%	7.48%	21.53%	22.83%	27.73%	20.27%	15.92%	20.84%	22.55%
Diluted EPS (TTM)	2,865	1,456	4,070	2,152	950	2,420	2,907	3,987	2,897	1,280	2,107	2,800
Book value (VND/share)	15,109	18,040	17,739	15,109	13,066	14,790	13,735	16,311	15,938	13,601	12,424	13,615
<b>Valuation</b>												
P/E	7.71	14.49	14.69	15.10	13.69	11.38	7.45	7.63	10.77	7.03	10.11	6.32
P/B	1.46	1.17	3.37	2.15	0.99	1.86	1.58	1.86	1.96	0.66	1.71	1.30

Source: BSC research

## Disclosure

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