

# Company Update Report

## TPB - Tien Phong Bank

# BSC

28/02/2019

### Recommendation

### TRACKING

### Update 2018 business results

Vuong Chi Tam (FA)

[tamvc@bsc.com.vn](mailto:tamvc@bsc.com.vn)

Target price

21,567

Closing price

21,050

Upside

2.5%

Le Quoc Trung (TA)

[trunglq@bsc.com.vn](mailto:trunglq@bsc.com.vn)

Target price

22,000

Cut loss price

20,000

### 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%

### Valuation

**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%.

### Major shareholders (%)

CTCP FPT

5.92%

CTCP Doji

5.18%

PYN Elite Fund

3.91%

SBI Ven Holdings

3.62%

Vinarae JSC.

3.5%

**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.

### Price movements



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

## Business update

---

**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.

## Tien Phong Bank (TPB)

## Technical analysis

## TPB\_ Sideway

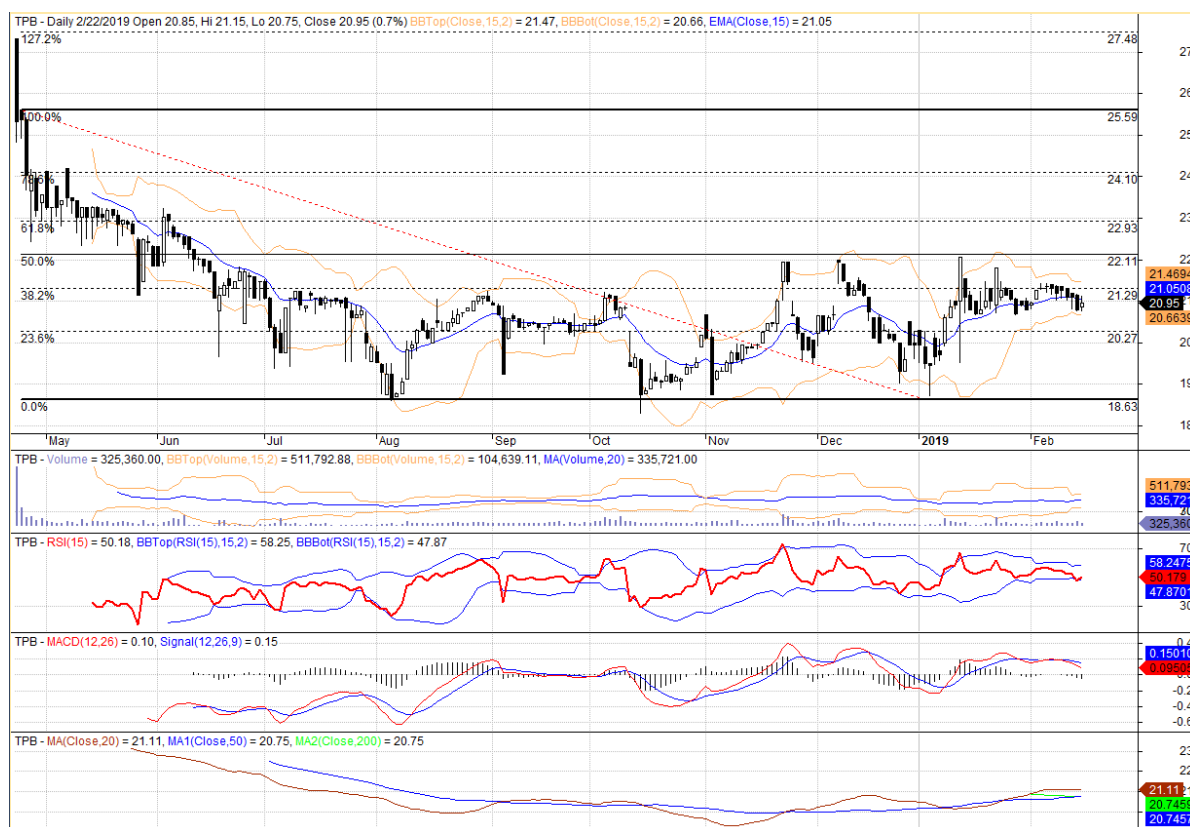
## Technical highlights:

- 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)

BSC

## 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

## Tien Phong Bank (TPB)

BSC

## 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

*The information, statements, forecasts and projections contained herein, including any expression of opinion, are based upon sources believed to be reliable but their accuracy completeness or correctness are not guaranteed. Expressions of opinion herein were arrived at after due and careful consideration and they were based upon the best information then known to us, and in our opinion are fair and reasonable in the circumstances prevailing at the time. Expressions of opinion contained herein are subject to change without notice. This document is not, and should not be construed as, an offer or the solicitation of an offer to buy or sell any securities. BSC and other companies in the BSC and/or their officers, directors and employees may have positions and may affect transactions in securities of companies mentioned herein and may also perform or seek to perform investment banking services for these companies. This document is for private circulation only and is not for publication in the press or elsewhere. BSC accepts no liability whatsoever for any direct or consequential loss arising from any use of this or its content. The use of any information, statements forecasts and projections contained herein shall be at the sole discretion and risk of the user. No part of this material may be (i) copied, photocopied or duplicated in any form by any mean or (ii) redistributed without the prior written consent of BIDV Securities Company (BSC).*

### BSC Headquarter

BIDV Tower, 10th & 11th Floor  
35 Hang Voi, Hoan Kiem, Ha Noi  
Tel: +84 4 3935 2722  
Fax: +84 4 2220 0669

### Ho Chi Minh City Office

146 Nguyen Cong Tru St, 9th Floor  
District 1, Ho Chi Minh City  
Tel: +84 8 3821 8885  
Fax: +84 8 3821 8510

<https://www.bsc.com.vn>  
<https://www.facebook.com/BIDVSecurities>

**Bloomberg: BSCV <GO>**

