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Recommendation

Tuoi Tran

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Target price N/A

Starting price 32,000

Upside N/A

Trần Thành Hưng (TA)

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Target price

Cut loss

Market data

Outstanding shares (mil)	555
Market cap (VND. bil)	17,760
Highest of 52 weeks	N/A
Avg Vol 10 days (shares)	N/A
Foreign ownership	19.9%

Major shareholders (%)

SBI Ven Holdings	19.9%
FPT	8.68%
Doji	7.6%
Vinare	5.14%
IFC	4.99%

Company overviews: TPB's charter capital was VND 5,842 billion at the end of 2017, which is planned to be VND 8,550 billion in 2018. The bank owns 30 branches and 34 offices nationwide. TPB is the pioneer in digital banking in Vietnam.

New kid on the block

Valuation

TPB is going to list 555 million shares on HOSE on 19, April, 2018 at starting price of VND 32,000 /share, equivalent to P/B of 2.66x, relatively high compared to other listed banks (2.54x), 2018's P/B of 1.63x.

2018 business plan.

TPB sets target of 18% loan growth and 66% EAT growth in 2018 and then 22% loans CAGR and 32% EBT CAGR during 2018-2022. 2018's EAT will be VND 1,600 billion equivalent EPS of VND 2,883/share and the BV of VND 19,690/share.

Business updates (pg 2 for more details)

- **2017's EAT is up by 70.49%yoy** to VND 964 billion, yoy as a result of loans grew by 35.97% yoy, NIM improves from 2.79% to 2.94%, non-interest income rose by 133%yoy.
- **1Q2018 updates.** EBT was VND 513 billion, up by 149% yoy. NPL ratio was 0.95%
- **TPB has not realized VND 2,400 billion profit** from appreciation in price of G-bonds as March 2018.
- **Impressive improvement in efficiency.** NIM up to 2.94%, ROA, ROE increased from 0.62% to 0.84% and from 10.79% to 15.59%.
- **NPL ratio was at 1.1%**, if including NPLs sold to VAMC, the ratio up to 2.05%. NPL coverage ratio was 97%, relatively high compared to other listed banks (mean of 79.49%).
- **TPB is the pioneer in digital banking in Vietnam.** Digital products will attract new customers and satisfy young customer demand following by increasing CASA, deposit and income.
- **Raising charter capital to VND 8,550 billion** from current charter capital of VND 5,842 billion.

Investment risks

- Doubtful assets accelerated to VND 10,863 billion (+125% yoy).
- Liquidity risks.
- Interest increase risk.

Banking updates

Positive results. CAGR of EBT was 52% during 2012-2017 period. It was the result of TPB's successful self-restructuring. 2017's EAT was VND 964 billion, up by 70.49% yoy.

- Gross loans grew by 35.97% yoy to VND 63,427 billion in 2017. Total assets was up by 17.33% to VND 124,119 billion. Deposit hiked by 27.63% to VND 70,299 billion. Borrowing from other CIs was VND 38,261 billion, accounting for 32.57% of total mobilizing. Pure LDR was high at 90.22%.
- Net interest income expanded by 50% to VND 3,172 billion. Fee income increased by 92% to VND 165 billion. Income from security trading hiked by 381% to VND 223 billion. Therefore, total operating income was VND 3,609 billion, up 56% yoy. However, CIR was still high at 53.79%, equal to VND 1,942 billion. The bank expects to reduce this ratio to 45-48% in upcoming years.
- Impressive improvement in efficiency . NIM up to 2.94%, ROA, ROE increased from 0.62% to 0.84% and from 10.79% to 15.59%.

1Q2018 updates. EBT was VND 513 billion, up by 149% yoy. NPL ratio was 0.95%.

Business plan. TPB expects to maintain its rapid growth in next 5 years. The bank sets target of 20% annual credit growth, 20 bps increase per year of NIM and 32% CAGR of EBT, 10.5% of CAR following Basel II and 10-15% dividend during 2018-2022. In detail, TPB plans to get 18% loan growth, lower 2% of NPL ratio, 82.42% increase in EBT to VND 2,200 billion. Then, EAT 2018 will be VND 1,600 billion, EPS will VND 2,883/share, BV will be VND 19,690/share.

TPB has not realized approximately VND 2,400 billion profit from price increase in G-bonds till March, 2018. Total par value of investment security (excluding VAMC bonds) was VND 24,983 billion at the end of the year 2017. In which, 69% of the portfolio has maturity more than 5 years with high yield. Current G-bonds rate is low, which brings about VND 2,400 billion profit for TPB. TPB will realize this profit when necessary. TPB was ranked in top 10 in Government bonds auction, trading and repo transaction by HNX. In 2017, money market contributes about 1/3 of TOI of the bank.

TPB is the pioneer in digital banking in Vietnam. The bank digitalizes from front to back-end, including Livebank 24/7, Ebanking & App- ecosystem, customer's evaluation, and processing standardization. Some outstanding products and application are Ebanking, QuickPay, MPOS, Savy and ChatBot. These products will attract new customers, meet young customer demand, and increase CASA and deposit and income for the bank. As TPB's statistic, one Livebank executes an average of 1,200-1,500 transaction per month that is higher than the number of 1,000 transaction per bank's office. Average loan per transaction through Livebank was VND 2-3 million while average deposit was VND 14-15 million per person. Livebank can offer almost full banking services with service cost is only 30% of traditional banks. TPB plans to expand to 100 Livebank units in 2020 from current of 48 units.

NPL ratio was at 1.1% at the end of the year 2017. If including NPLs sold to VAMC, the ratio up to 2.05%. NPL coverage ratio was 97%, relatively high compared to other listed banks (mean of 79.49%). Total doubtful assets by our calculation was VND 10,683 billion, accounting for about 160% of equity, higher than other listed banks (mean of 122.92%). We note that the total doubtful assets rose sharply by 125%

Tien Phong Commercial Jsc Bank

in 2017 due to rapid increase of other assets. In which, VND 3,896 billion of receivable account from bond trading, VND 1,038 billion receivable account from L/C and VND 1,000 billion deposit at SSI.

Raising charter capital to VND 8,550 billion from current charter capital of VND 5,842 billion. (1) TPB's private placement plan was approved by SBV, in which TPB will issue 15% of charter capital. (2) Then, TPB make about 20% bonus shares from surplus capital which equal to placement price was VND 25,000/share. (3) 2017 dividend is 8.37% by shares. If possible, the bank expects to raise capital to VND 10,000 billion at the end of 2018.

Risks:

- Liquidity risks. 32.57% of total deposit comes from interbank loans. TPB will struggle if interbank rate or repo interest increases. On contrary, IFC and ADB offer TPB a credit limit of USD 130 million, (equal to VND 2,860 billion) and TPB often borrows other banks a 3 month-term loans. These will somehow relieve liquidity pressure for TPB.
- Interest rate risk. TPB owns approximately VND 25 trillion of corporate and G-bonds, and actively takes part in repo market. If interest rate hikes, profit from bonds and repo market may be negatively affected.

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Appendix 01. TPB and other listed banks

	TPB	MBB	ACB	STB	SHB	EIB	NVB	VIB	TCB	VPB	HDB	LPB
Scale												
Charter capital (bill. VND)	5,842	18,155	10,273	18,852	11,197	12,355	3,010	5,644	11,655	15,706	9,810	6,460
Equity (bill. VND)	6,677	29,601	16,031	23,236	14,868	14,251	3,218	8,788	26,931	29,696	11,287	9,383
Total asset ((bill. VND)	124,119	313,878	284,316	368,680	277,994	149,370	71,842	123,159	269,392	277,752	174,594	163,434
Equity/Total asset	5.38%	9.43%	5.64%	6.30%	5.35%	9.54%	4.48%	7.14%	10.00%	10.69%	6.46%	5.74%
Growth (ytd)												
Asset Growth	17.33%	22.48%	21.67%	11.04%	18.83%	15.97%	4.10%	17.84%	14.46%	21.41%	25.98%	15.20%
Lending Growth	35.97%	22.19%	21.49%	12.11%	20.79%	16.61%	26.66%	32.71%	12.78%	26.26%	-85.91%	26.29%
Deposit Growth	27.63%	13.02%	16.59%	9.67%	17.70%	14.84%	9.40%	15.38%	-1.43%	7.89%	-21.31%	15.58%
Demand Deposit	16.23%	30.11%	15.82%	13.87%	9.04%	13.30%	8.01%	16.30%	22.36%	14.73%	146.60%	28.39%
Lending/Deposit	90.22%	83.65%	82.24%	69.70%	100.04%	86.20%	70.23%	116.80%	94.08%	136.78%	17.70%	78.44%
Asset quality												
NPL ratio	1.10%	1.20%	1.79%	4.67%	1.90%	2.27%	1.53%	2.49%	1.61%	3.39%	1.52%	1.07%
NPL ratio including debt sold to VAMC	2.05%	1.20%	1.79%	18.26%	4.75%	6.41%	1.53%	3.49%	1.61%	5.07%	2.41%	2.01%
Provision for bad debt/ Total debt debt	1.06%	1.15%	0.93%	1.25%	1.38%	1.04%	1.12%	1.18%	1.17%	1.72%	1.11%	1.22%
NPL coverage ratio	97%	96%	52%	27%	73%	46%	73%	48%	73%	51%	73%	114%
Interest receivable/ Lending	2.01%	1.54%	1.80%	11.09%	4.22%	0.96%	8.50%	1.41%	2.41%	1.54%	3.27%	2.92%
Doubtful assets	10,683	15,974	12,157	95,352	30,084	9,832	11,436	4,634	15,575	15,974	11,073	8,911
% Total asset	8.61%	5.09%	4.28%	25.86%	10.82%	6.58%	15.92%	3.76%	5.78%	5.09%	5.85%	5.45%
% Equity	160.00%	53.97%	75.84%	410.36%	202.34%	68.99%	355.37%	52.74%	57.83%	53.97%	75.02%	94.97%
Business performance (ytd)												
% Interest income	87.89%	80.90%	73.94%	61.04%	75.06%	69.69%	88.78%	84.45%	54.64%	80.90%	84.69%	102.58%
Operating income before risk provision (bill. VND)	1,668	7,868	5,222	2,335	3,974	1,622	266	1,767	11,646	7,868	3,434	2,282
% yoy	70.51%	38.50%	81.01%	174.06%	61.65%	9.63%	25.81%	35.05%	52.08%	38.50%	60.35%	24.01%
Provision expense (bill. VND)	(462)	(3,252)	(2,565)	(846)	(2,035)	(605)	(235)	(361)	(3,609)	(3,252)	(1,017)	(514)
% vs operating income before risk provision	27.72%	41.33%	49.13%	36.23%	51.22%	37.27%	88.43%	20.46%	30.99%	41.33%	29.61%	22.52%
EAT (bill. VND)	964	3,520	2,118	1,182	1,550	823	22	1,124	6,446	3,520	1,746	1,368
% yoy	70.49%	20.87%	59.84%	1233.45%	69.69%	166.35%	102.56%	100.15%	104.70%	20.87%	136.61%	28.73%
NIM (TTM)	2.94%	4.19%	3.47%	1.81%	2.12%	2.06%	1.91%	3.12%	3.89%	4.19%	4.07%	3.60%
CIR (TTM)	53.79%	43.26%	54.35%	73.00%	39.91%	57.63%	78.90%	56.82%	28.75%	43.26%	54.39%	55.21%
ROA (TTM)	0.84%	1.22%	0.82%	0.34%	0.61%	0.59%	0.03%	0.99%	2.55%	1.22%	1.15%	0.90%
ROE (TTM)	15.59%	12.42%	14.08%	5.20%	11.03%	5.94%	0.68%	12.83%	27.71%	12.42%	16.24%	15.45%
EPS (VND/share) (TTM)	1,649	1,797	2,062	627	1,384	666	73	1,992	7,504	1,797	1,780	1,979
Book value (VND/share)	12,030	15,516	15,604	12,326	13,278	11,535	10,691	15,568	23,106	15,516	14,348	14,525

Source: BSC research

Disclosure

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