RATING ANNOUNCEMENT
21 May 2025

VIETNAM INVESTORS SERVICE

VIS Rating affirms TPBank's AA- issuer rating, stable outlook

Hanoi, 21 May 2025 - VIS Rating has today affirmed Tien Phong Commercial Joint Stock Bank (TPBank) AA- long-term issuer rating. The rating outlook remains stable.

RATING RATIONALE

The rating affirmation with a stable outlook reflects VIS Rating's view that TPBank's asset risk will continue to stabilize, improving core profits, maintaining strong core deposit funding base from its digital capabilities, and stable capital level.

TPBank's AA- long-term issuer rating reflects its above-average standalone assessment and our expectation of a moderate likelihood of government support for the bank in times of need. The bank's standalone assessment incorporates its strong funding structure, strong profitability, above-average capital, coupled with its average asset risk and liquid resources compared to its peers.

VIS Rating views TBank's credit strengths are driven by the bank's well-developed digital capabilities that have supported the growth of its core deposit franchise and robust profitability.

In 2024, the bank expanded its low-cost current and savings accounts (CASA) deposits from both large corporate and retail customers. CASA deposits as a percentage of gross loans were 20% in 2024, higher than peers' average of 17%. According to management, new services such as payroll, cash management, and improved online banking features allowed the bank to acquire new customers and grow its CASA deposits. The bank's total funding costs fell to 3.7% in 2024 from 5.2% a year ago.

The improvement in the bank's return on average tangible assets (ROAA) to 1.6% in 2024 from its five-year trough level of 1.3% in 2023 was supported by higher bond trading gains and fee income, as well as lower credit costs.

In 2024, TPBank's fee income increased by 47% from prior year, mainly from payment services, lending through e-commerce platforms and credit cards. In addition, credit costs declined to 1.8% in 2024 from 2.1% of average gross loans in 2023, following the bank's efforts to de-risk its consumer finance business and tighter credit underwriting.

As credit costs stabilized, credit growth and NIM remain steady, we expect TPBank's profit to improve marginally over the next 12–18 months.

As of 2024, the bank's non-performing loans (NPLs) decreased by 50 bps year-over-year to 1.5% following the bank's tightening of credit underwriting standards to new retail and SME loans, and de-risking of its consumer finance business.

The bank's NPL formation rate declined significantly from 3.3% in 2023 to 1.5% in 2024. We note that TPBank increased write-offs of its delinquent unsecured cash loans over the last two years. Loan write-offs rose from 1.2% in 2022 to nearly 1.7% on average during 2023-2024.

According to management, TPBank has taken steps to tighten its credit underwriting standards over the last two years to lower problem loans and limit credit losses. Other than limiting the disbursement of new unsecured cash loans, the bank expanded consumer lending through e-commerce platforms such as Shopee and MoMo. These loans are generally small in loan size and are linked to the purchase of various consumer products such as home appliances. The bank is able to assess the borrowers' credit profile using its big data models and limit lending to borrowers that meet its criteria.

The bank will also focus on mortgages for landed houses located mainly in big cities while limiting mortgages for residential projects under development and/or hospitality segments. According to management, these segments are more likely to face either impending legal issues or slow market recovery.

In addition, TPBank will increase loans to large corporates in steel, infrastructure sectors. These corporate borrowers will likely benefit from higher public investment in 2025.

We note that the bank has sizable credit exposure to large corporate borrowers in real estate and renewable energy sectors, some of which have related companies that are embroiled in projects' legal issues and/or recent defaults in their corporate bond repayments. As of end-2024, TPBank's credit exposure to real estate-related sectors - including retail mortgages (23% of its total credit balance), SME and corporate loans (15%) – was at 38% of its total credit balance, higher than industry average of 29% based on data from State Bank of Vietnam and the Ministry of Construction.

According to the management, TPBank expects its asset risks linked to large corporates will gradually improve, as improving real estate market conditions and government policies to address bottlenecks in real estate and renewable energy sectors will help corporate borrowers resolve legal issues, restart their projects and improve cash flows.

Over the next 12-18 months, we expect the bank's asset risks will stabilize. The bank's retail mortgage portfolio will remain a key source of asset risk, particularly those linked to hospitality projects in provincial areas and/or distressed developers. According to management, the increase in the bank's NPL ratio to 2.2% in 3M2025 from 1.5% in 2024 was partly driven by such issues.

We view any further increase in credit concentration will increase the banks' vulnerability to large single-name credit events and sizeable credit losses.

TPBank's capital is characterized by the bank's higher-than-industry average capitalization and internal capital generation, supported by its strong profitability over the last 5 years.

The bank's tangible common equity (TCE) to risk-weighted assets (RWA) ratio rose to 11.1% in 2024 from 10.7% in 2023, higher than industry average. The bank's reported capital adequacy ratio (CAR) of 13.2% was similarly higher than the industry average of 11.5%.

The bank plans to pay 2.6 trillion VND cash dividend in 2025. We expect the bank's capital level to remain stable over the next 12-18 months, as improving internal capital generation will offset cash dividend payout.

We view the bank's liquidity to be robust, underpinned by the bank's adequate stock of liquid assets including cash, government securities, and interbank placements as a buffer to cover its market funds obligations.

in 3M2025, the bank's liquid assets made up 20% of its total assets, similar to the industry average. Market funds accounted for around 30% of its total assets, mostly in the form of short-term interbank borrowings. We note that the bank managed to retain its existing deposits as well as attract new deposits during liquidity tightening in Q4/2022, in contrast to numerous banks that suffered sizable deposit outflows. We expect the bank's liquidity to remain stable over the next 12-18 months, given the bank's track record of growing its core deposits to keep pace with its loan growth and maintaining sizable liquid assets.

TPBank's AA- rating incorporates our assumption of a moderate likelihood of support from the government during extraordinary circumstances. This assumption takes into account the bank's fast-growing nationwide business coverage, sizable share of domestic customer deposits and interconnectedness with the financial sector.

TPBank is one of the 14 banks identified as systematically important banks under Decision 538/QD-NHNN issued by State Bank of Vietnam (SBV).

As of December 2024, TPBank held a deposit market share of 1.9% through 140 physical outlets across Vietnam, including branches, transaction offices, head office, and 402 automated 'LiveBank 24/7' transaction points.

Factors that could lead to an upgrade of the rating

TPBank's AA- rating could be upgraded if the bank exhibits a significant improvement in its asset quality and loss absorption buffer, for example by establishing a track record of maintaining (1) its problem loan ratio at below 1.4% on a sustained basis, and (2) its TCE as percentage of RWA above 13%.

Factors that could lead to a downgrade of the rating

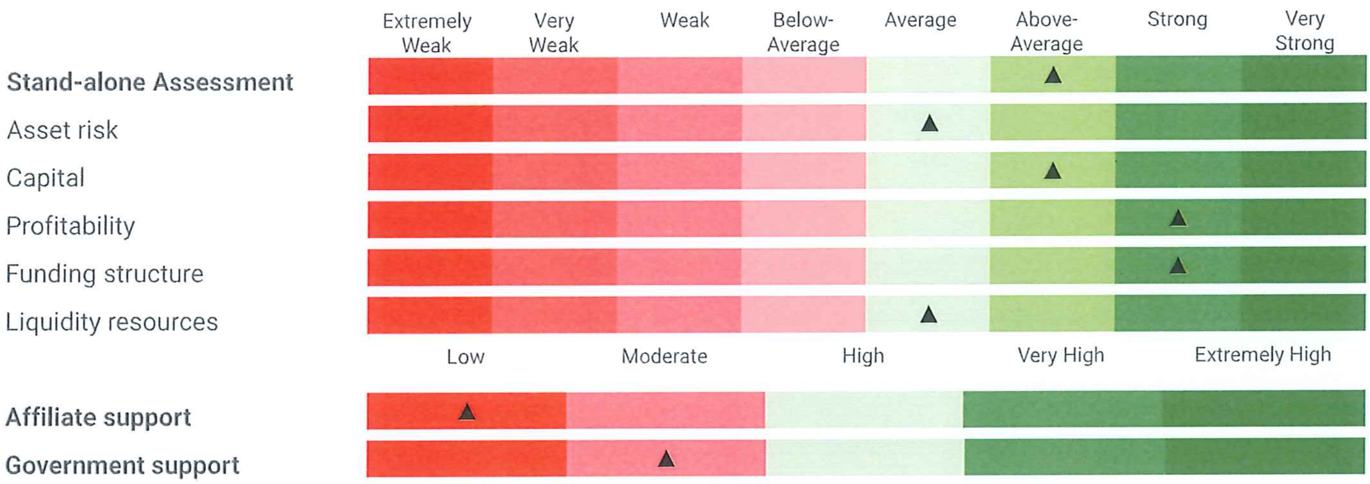
TPBank's AA- rating could be downgraded if (1) there is material deterioration in its asset quality through continued increases in either the formation rate of new problem loans or credit concentration in high-risk segments and/or large borrowers; or (2) the bank's loss absorption capacity weakens substantially, for example its TCE/ RWA falls below 9% or its ROAA falls below 0.7%; or (3) we view the bank's vulnerability to liquidity risks increases through further increases in reliance on short-term market funds and insufficient liquid assets to serve as a liquidity buffer.

RATING METHODOLOGY

Rating Methodology: Financial Institutions.

For detailed information, please see our full methodologies at: https://visrating.com/how-to-get-rated/view/financial-institutions-rating-methodology.2

SUMMARY OF KEY FACTORS



Source: VIS Rating

CREDIT RATING HISTORY

Date	Rating type	Rating	Outlook	Action
21 May 2024	Long-term Issuer Credit Rating	AA-	Stable	First-time assignment
21 May 2025	Long-term Issuer Credit Rating	AA-	Stable	Affirm

RATING SCALE

Long-Term Rating

AAA	Issuers or debt instruments demonstrate the **strongest** creditworthiness relative to other domestic entities and transactions.
AA	Issuers or debt instruments demonstrate **very strong** creditworthiness relative to other domestic entities and transactions.
A	Issuers or debt instruments demonstrate **above-average** creditworthiness relative to other domestic entities and transactions.
BBB	Issuers or debt instruments demonstrate **average** creditworthiness relative to other domestic entities and transactions.
BB	Issuers or debt instruments demonstrate **below-average** creditworthiness relative to other domestic entities and transactions.
B	Issuers or debt instruments demonstrate **weak** creditworthiness relative to other domestic entities and transactions and may be approaching default, with strong recovery prospects.
CCC	Issuers or debt instruments demonstrate **very weak** creditworthiness relative to other domestic entities and transactions and are likely in or near default, typically with moderate recovery prospects.
CC	Issuers or debt instruments demonstrate **extremely weak** creditworthiness relative to other domestic entities and transactions and are typically in default, typically with poor recovery prospects.
C	Issuers or debt instruments demonstrate the **weakest** creditworthiness relative to other domestic entities and transactions and are typically in default, with very poor recovery prospects.

Note: VIS Rating appends the modifiers + and – to each generic rating classification from AA through CCC. The modifier + indicates that the obligation ranks in the higher end of its generic rating category; no modifier indicates a mid-range ranking; and the modifier – indicates a ranking in the lower end of that generic rating category

REGULATORY DISCLOSURES

For further specification of VIS Rating's Rating Symbols and Definitions, please see https://visrating.com/how-to-get-rated/.

TPBank's ownership stake in VIS rating: 0%

The ownership ratio of TPBank held by VIS Rating's staff: 0%

Cases in which analysts and credit rating council members cease their participation in the credit rating contract before the contract expires and the reason for the cessation: 0

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The rating action has been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

This rating is solicited.

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Simon Chen, CFA
Head of Ratings and Research
21 May 2025

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