



Company Report: Petrolimex Group Commercial Joint Stock Bank (PGB)

Analyst
Trần Thị Hồng Nhung
Mail: nhungth@gvias.com.vn – ext 703

22/03/2023

Petrolimex to disinvest in PG Bank

MAIN CONTENT

On April 7, 2023, Petrolimex will divest all 120 million PGB shares in the form of a public auction via HoSE. The starting price for the disinvestment will take the highest price of the following two prices: the price determined by the organization with the valuation function according to the asset method (VND21,300 or US\$0.91 per share) or the average reference price of 30 consecutive trading sessions of PGB shares before the approval date of the divestment plan.

We believe that the divestment of Petrolimex will affect PGBank in two aspects: (i) Business activities with Petrolimex's ecosystem including deposits, loans, and payment services may be negatively impacted over the long term. (ii) New shareholders could bring a new breeze to the bank. In addition, with a foreign ownership rate of approximately **0%** at the moment, PGB is one of the rare banks that still have "**foreign room**" left and is a name worth observing for foreign investors interesting in the Vietnam's banking sector.

RECOMMENDATION

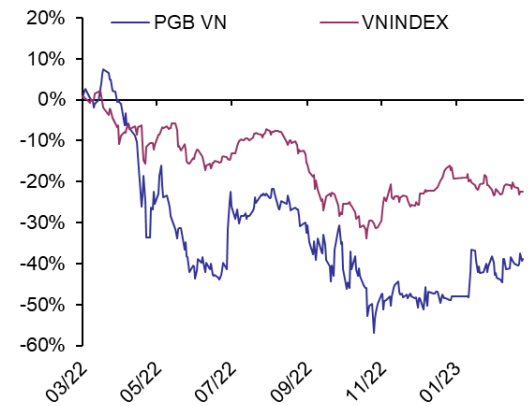
We recommend "**Neutral**" to PGB stock as (1) the bank's business activities have not yet had an outstanding advantage compared to the peers and (2) the new major shareholder has not been disclosed and the business expectations are still gloomy.

Recommendation: - (Initial)

6-18m TP: -

Current price: VND18.500

Price performance



Price change	1 M	3 M	1Y
Abs. %	-4.2%	20.5%	-41.1%
Relative to VN index	-9.2%	21.9%	-70.8%
Avg price (VND)	18,322	17,334	20,529

Sources: Bloomberg, Guotai Junan (VN)

Shares in issue (m)	300.00	Major shareholder (%)	Petrolimex 40%
Market cap (VND b)	5,610.00	Free float (%)	60%
3- month average vol. ('000)	41.61	LDR (%)	92
52w high/low (VND)	35700 / 11600	CAR (%)	12.35

Sources: the Company, Guotai Junan (VN).

BANK PROFILE

Petrolimex Group Commercial Joint Stock Bank (PG Bank), formerly known as Dong Thap Muoi Rural Commercial Joint Stock Bank, was established in 1993 with an initial charter capital of 700 million VND.

PGBank officially became a public company in 2009 and is currently trading on UPCOM.

The bank currently owns 69 transaction offices nationwide and has its head office in Hanoi.

Business results have not changed much, asset size is modest

Up to now, PG Bank is one of the banks with the lowest charter capital in the system and has remained unchanged for many years, at 3,000 VND billion. This is the 12th consecutive year that PG Bank has not increased its charter capital and the 10th consecutive year that it has not paid dividends in the context that the entire banking industry is rushing to increase capital to expand business activities and enhance capital buffers.

Currently, PGB's outstanding loan balance is approximately VND 30 trillion, with the structure of individual customers and corporate customers at 40% and 60%, respectively.

PGB's business performance

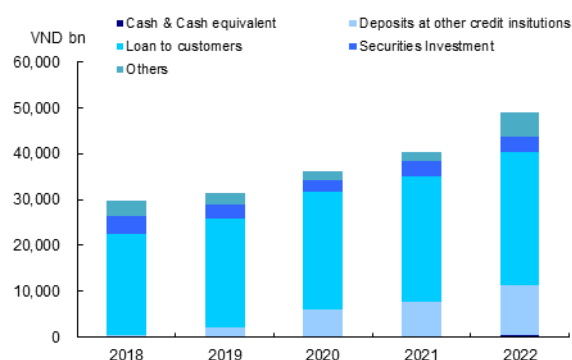
	2018	2019	2020	2021	2022
Loan to customers (VNDbn)	22,051.62	23,696.71	25,675.23	27,498.90	29,050.85
PAT (VND bn)	126.92	74.62	169.51	258.38	404.59
Net interest margin (NIM)	3.04%	2.95%	2.81%	2.00%	2.90%
ROE %	3.50%	2.00%	4.41%	6.37%	9.23%
Cost to income (CIR)	-43.40%	-46.91%	-57.05%	-56.99%	-48.95%
NPL ratio	3.06%	3.16%	2.44%	2.52%	2.56%
Loan to deposit ratio (LDR)	94.46%	93.34%	89.34%	97.95%	92.93%
EPS (VND)	423.00	249.00	565.00	861.00	1,349.00
BVPS	12,289.00	12,535.00	13,100.00	13,936.00	15,285.00
P/E	43.55	74.07	32.61	21.39	13.66
P/B	1.50	1.47	1.41	1.32	1.21

Sources: Fiiipro

Notably, in the context of the whole banking industry growing at a high rate in the past 5 years with an average credit growth of 14%/year, PGB only achieved an average loan growth rate of 7%/year. Profitability indicators such as ROE, NIM are still very low compared to the industry average.

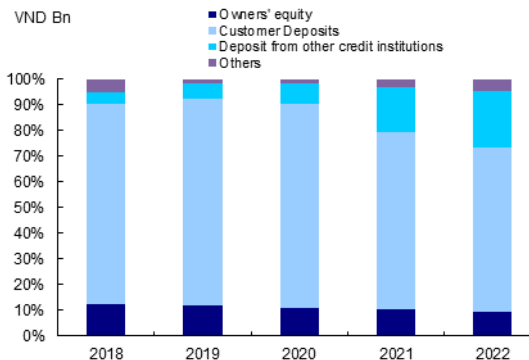
Regarding asset quality, PGB is currently still handling old restructuring debts with VAMC balance of more than 900 VND billion by the end of 2022. The bank is expected to make full provision and collection all loan in the next 3 years. Meanwhile, the bank's NPL ratio is also high compared to the general level.

Figure-1: Asset structure



Source: Fiiipro, Guotai Junan (VN).

Figure-2: Funding mix



Source: Fiiipro, Guotai Junan (VN).

PETROLIMEX DIVESTMENT UPDATE

The shareholder structure of PGB has not changed much in about 10 years. In which, Vietnam National Petroleum Group - Petrolimex holds 40% of shares, 30% belongs to domestic institutional shareholders and the remaining 30% belongs to retail shareholders.

There has many rumors/information about the transfer of PGB ownership or its merger with other banks such as the merger plan with VietinBank, but the deal "collapsed" in 2018. After that, HDBank had an agreement to merge with PGBank, but this plan was also canceled in 2021.

With this divestment plan of Petrolimex, will the new group of shareholders bring a new breeze to the bank?

Specifically, in the latest announcement, Petrolimex will divest all PGB shares. The starting price for the disinvestment will take the highest price of the following two prices: the price determined by the organization with the valuation function according to the asset method (VND21,300 or US\$0.91 per share) or the average reference price of 30 consecutive trading sessions of PGB shares before the approval date of the divestment plan.

The deal will be conducted in the form of a public auction at HOSE on April 7, 2023. The minimum number of subscriptions is 100 shares and investors must subscribe in multiples of 100 shares.

We believe that the divestment of Petrolimex will affect PGBank in two ways:

(i) Business activities with Petrolimex's ecosystem including deposits, loans, payment services would be negatively impacted in the long term. Specifically, on the issue of cooperation after divestment, Mr. Tran Ngoc Nam - Member of the Board of Directors cum Deputy General Director of Petrolimex, said that after the divestment at PGBank, there was no specific commitment between Petrolimex and PGBank regarding the balance of deposits of the Group at the Bank.

(ii) A new group of shareholders could bring a new breeze to the bank. As mentioned above, PGB's capital size has remained unchanged for many years, along with moderate operation in the period waiting for divestment/merger, making the bank's asset size and profit unable to break through. The successful divestment of Petrolimex will create opportunities for the bank to increase capital, expand the ecosystem and strongly develop in the long term.

In addition, as the problem of divestment is solved and the need to expand the business can be a premise for a private placement plan of the bank for foreign partners. **With a foreign ownership rate of approximately 0% at the moment, PGB is one of the rare banks that still have a "foreign room" for foreign investors to buy and is a name worth watching for foreign investors interested in Vietnam's banking sector.**

RECOMMENDATION

We recommend "**Neutral**" to PGB stock as (1) the bank's business activities have not yet had an outstanding advantage compared to the peers and (2) the new major shareholder has not been disclosed and the business expectations are still gloomy.

PGB and Vietnamese peers

	Exchange	PAT BND bn)	Total Asset (VND bn)	Loans to customers (VND bn)	Onwers' equity (VND bn)	Chartered capital (VND bn)	NIM	NPL ratio	ROE
ABB	UPCOM	1,357	130,162	82,011	13,054	9,410	3.19%	2.88%	10.95%
ACB	HOSE	13,688	607,875	413,706	58,439	33,774	4.31%	0.74%	26.49%
BAB	HNX	860	128,827	94,121	9,827	8,134	2.21%	0.53%	9.11%
BID	HOSE	18,453	2,120,528	1,522,229	104,206	50,585	2.93%	1.16%	19.10%
BVB	UPCOM	364	79,068	50,859	5,003	3,671	2.32%	2.79%	7.55%
CTG	HOSE	16,972	1,809,189	1,274,822	108,305	48,058	2.99%	1.24%	16.74%
EIB	HOSE	2,946	185,056	130,506	20,480	12,355	3.32%	1.80%	15.40%
HDB	HOSE	8,210	416,273	263,856	38,995	25,303	5.08%	1.67%	22.21%
KLB	UPCOM	545	85,760	44,703	5,184	3,653	2.66%	1.89%	11.04%
LPB	HOSE	4,510	327,746	235,507	24,055	17,291	3.97%	1.46%	22.08%
MBB	HOSE	18,155	728,532	460,575	79,613	45,340	5.72%	1.09%	24.61%
MSB	HOSE	4,616	212,776	120,644	26,654	19,858	4.36%	1.71%	18.96%
NAB	UPCOM	1,808	177,579	119,538	12,650	8,464	3.20%	1.35%	17.49%
NVB	HNX	-	89,847	47,722	5,764	5,602	1.42%	17.93%	0.00%
OCB	HOSE	3,510	193,994	119,803	25,272	13,699	3.96%	2.23%	14.91%
PGB	UPCOM	405	48,991	29,051	4,585	3,000	2.90%	2.56%	9.23%
SGB	UPCOM	190	27,698	18,714	3,899	3,080	3.58%	2.12%	4.99%
SHB	HOSE	7,706	551,351	385,633	42,756	30,674	3.64%	2.53%	19.69%
SSB	HOSE	4,053	231,423	153,956	26,232	20,403	3.42%	1.60%	18.05%
STB	HOSE	5,041	591,994	438,628	38,627	18,852	3.35%	0.98%	13.83%
TCB	HOSE	20,436	699,033	420,524	113,425	35,172	5.32%	0.91%	19.52%
TPB	HOSE	6,261	328,634	160,993	32,239	15,818	3.99%	0.84%	21.51%
VAB	UPCOM	935	105,204	62,508	7,306	5,400	1.63%	1.53%	13.66%
VBB	UPCOM	517	111,937	63,633	6,258	4,777	1.76%	3.65%	8.61%
VCB	HOSE	29,912	1,814,188	1,145,066	137,988	47,325	3.41%	0.68%	24.19%
VIB	HOSE	8,469	342,799	231,944	32,651	21,077	4.73%	2.45%	29.75%
VPB	HOSE	16,924	631,074	438,338	103,517	67,434	7.61%	5.73%	19.15%
Median		4,510	231,423	153,956	26,232	17,291	3.41%	1.67%	17.49%

Sources: GTJASVN, Fiinpro

COMPANY RATING DEFINITION

Benchmark: VN – Index.

Time Horizon: 6 to 18 months

Rating	Definition
Buy	Relative Performance is greater than 15% Or the Fundamental outlook of the company or sector is favorable
Accumulate	Relative Performance is 5% to 15% Or the Fundamental outlook of the company or sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the company or sector is neutral
Reduce	Relative Performance is -15% to -5% Or the Fundamental outlook of the company or sector is unfavorable
Sell	Relative Performance is lower than -15% Or the Fundamental outlook of the company or sector is unfavorable

SECTOR RATING DEFINITION

Benchmark: VN – Index

Time Horizon: 6 to 18 months

Rating	Definition
Outperform	Relative Performance is greater than 5% Or the Fundamental outlook of the sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the sector is neutral
Underperform	Relative Performance is lower than -5% Or The Fundamental outlook of the sector is unfavorable

DISCLAIMER

The views expressed in this report accurately reflect personal views on securities codes or the issuer of the analyst(s) in charge of the preparation of the report. Investors should consider this report as reference and should not consider this report as securities investment consulting content for making decisions on investments and Investors shall be responsible for the investments decisions. Guotai Junan Securities (Vietnam) Corp. may not be responsible for the whole or any damages, or an event(s) considered as damage(s) incurred from or in relation to the act of using all or part of the information or opinions stated in this report.

The analyst(s) responsible for the preparation of this report receive(s) remuneration based upon various factors, including the quality and accuracy of the research, clients' feedbacks, competitive factors and the revenue of the company. Guotai Junan Securities (Vietnam) Corp. and/or its members and/or its General Director and/or its staffs may have positions in any securities mentioned in this report (or in any related investments).

The analyst(s) responsible for the preparation of this report endeavours to prepare the report based on information believed to be reliable at the time of publication. Guotai Junan Securities (Vietnam) Corp. makes no representations, warranties and covenants on the completeness and accuracy of the information. Opinions and estimates expressed in this report represent views of the analyst responsible for the preparation of the report at the date of publication only and shall not be considered as Guotai Junan Securities (Vietnam) Corp.'s views and may be subject to change without notice.

This report is provided, for information providing purposes only, to Investor including institutional investors and individual clients of Guotai Junan Securities (Vietnam) Corp. in Vietnam and overseas in accordance with laws and regulations explicit and related in the country where this report is distributed, and may not constitute an offer or any specified recommendations to buy, sell or holding securities in any jurisdiction. Opinions and recommendations expressed in this report are made without taking differences regarding goals, needs, strategies and specified situations of each and every Investor(s) into consideration. Investors acknowledge that there may be conflicts of interests affecting the objectiveness of this report.

The content of this report, including but not limited to this recommendation shall not be the basis for Investors or any third party to refer to with the aim to requiring Guotai Junan Securities (Vietnam) Corp. and/or the analyst responsible for the preparation of this report to perform any obligations towards Investors or the third party in relation to the investment decisions of Investors and/or the content of this report.

This report may not be copied, reproduced, published or redistributed by any person(s) for any purposes unless upon a written acceptance by a competent representative of Guotai Junan Securities (Vietnam) Corp. Please cite sources when quoting.



GUOTAI JUNAN VIETNAM RESEARCH & INVESTMENT STRATEGY

Trần Thị Hồng Nhung

Equity Analyst- Banking sector

nhungth@gtjas.com.vn

(024) 35.730.073 – ext:703

Võ Thế Vinh

Head of Research

vinhvt@gtjas.com.vn - ext:701

22 Mar 2023



CHỨNG KHOÁN GUOTAI JUNAN (VIỆT NAM)
GUOTAI JUNAN SECURITIES (VIETNAM)

CONTACT	Hanoi Head Office	HCMC Branch
Advising: (024) 35.730.073	R9-10, 1 st Floor, Charmvit Tower, 117 Trần Duy Hưng, Hà Nội	3 rd Floor, No. 2 BIS, Công Trường Quốc Tế, P. 6, Q.3, Tp.HCM
Stock ordering: (024) 35.779.999	Tel: (024) 35.730.073	Tel: (028) 38.239.966
Email: gtja@gtjas.com.vn Website: www.gtjai.com.vn	Fax: (024) 35.730.088	Fax: (028) 38.239.696

PGBank (PGIB)

Company Report