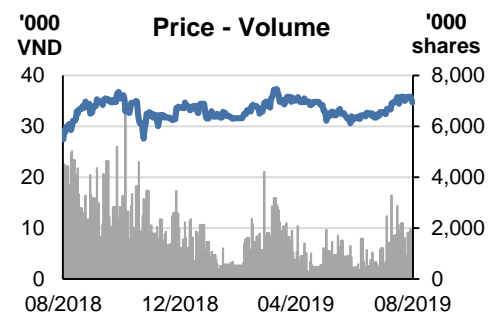


BID (HOSE) Becoming Airborne

Rating NEUTRAL

Banking

Market price (VND)	34,700
1-Y target price (VND)	33,000
1-Y price return (%)	-5.1%
1-Y dividend yield (%)	0%
1-Y total return (%)	-5.1%



Stock performance (%)

	YTD	1M	3M	12M
Absolute	1%	6%	5%	26%
Relative	-8%	7%	3%	24%

Source: Bloomberg, compare to VNI

Stock Statistics 08-Aug-19

52-week range (VND)	27.6k-37.3k
Shares o/s (m)	3,419
Mkt cap (VNDbn)	118,629
Mkt cap (\$m)	5,110
% Foreign owned	3.3%
Est. free float (ml. shares)	151.6
3m avg. daily vol. (shares)	1,094,136
VND/USD	23,216
Index: VN-Index/HNX	969/102

Source: Bloomberg, KIS

Ownership 08-Aug-19

State bank of Vietnam	95.28%
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Source: Fiinpro, KIS

No.1 is still intact but growth is lagging behind

- In 2Q2019, PBT reached about VND2,251bn, decreasing 8% YoY. In fact, this is the third quarter BIDV has saw its profit declining because of both (1) limitations in capital adequacy constrain credit activities, and (2) jumping provision for credit losses.
- Total Assets reached around VND1,400,186bn at the end of June 2019 (+6.6% YTD), maintaining the no.1 position in local banking system. Credit activities grew 7.7% YTD, reaching VND1,065,030bn. Deposits from customers reached roughly VND1,059,790bn, rose 7.1% YTD. Valuable papers rose 22.5%, reaching VND48,978bn due to a rise in CD with medium-term maturity. LDR was about 92.4% as of 30 June 2019.
- Increasing credit activities came along with stricter credit policies. NPL ratio was remained around 2%.

Marriage with KEB Hana Bank to release the growth constraint of BIDV

- USD874mn injection, 603 million shares or 15% stake after issuance, will help BIDV improve capital adequacy to comply with Basel II standards before the deadline 01 Jan 2020. However, we expect the real money will be transferred by the year-end at the soonest. Therefore, we will see accounting ratios improve first in late 2019, then business results in 2020.
- Thanks to the experience of KEB Hana Bank in managing risk in line with Basel II and even Basel III, BIDV plans to restructure its loan book by focusing on retail clients and SME based on risk adjusted returns.

About KEB Hana Bank: In September 2015, Hana Financial Group finalized the merging process with Korea Exchange Bank to form a new company unit KEB Hana Bank, the largest bank of South Korea with a balance sheet of USD254bn.

Recommendation

We estimate PBT at VND10,647bn (+12.4% YoY) in 2019, and VND15,759bn (+48% YoY) in 2020. Corresponding EPS would be VND1,900 and VND2,700 while BVPS would be VND17.5k and VND21.7k for 2019 and 2020 respectively.

We estimate the price for BID share will reach **VND33k** per share by the end of 2019 and **VND43k** per share by the end of 2020. We expect the capital injection from KEB Hana Bank will start working in 2020, improving business performance of BIDV. Therefore, we recommend **NEUTRAL** to BID share.

Ms. Ngoc Nguyen

(+84 28) 3914 8585 - Ext: 1461
ngoc.nd@kisvn.vn
www.kisvn.vn

Earnings projection

VNDbn	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19F	4Q19F	2018	2019F	2020F
Interest and Similar Income	22,163	22,167	22,180	23,563	23,492	25,214	28,947	30,752	90,074	108,405	125,169
Interest and Similar Expenses	12,998	13,868	14,029	14,224	14,947	16,076	17,236	18,311	55,118	66,570	76,908
Net Interest Income	9,166	8,299	8,151	9,340	8,545	9,138	11,711	12,441	34,956	41,836	48,261
<i>As % of Interest and Similar Income</i>	41%	37%	37%	40%	36%	36%	40%	40%	39%	39%	39%
Non Interest Income	2,113	2,423	2,715	2,284	2,160	2,856	2,849	3,385	9,527	11,251	13,521
<i>% in TOI</i>	19%	23%	25%	20%	20%	24%	20%	21%	21%	21%	22%
Total operating income	11,278	10,722	10,866	11,624	10,705	11,995	14,560	15,827	44,483	53,086	61,782
General and Admin expenses	2,780	4,225	4,242	4,878	2,998	4,219	5,731	6,589	16,117	19,537	22,384
<i>CIR (%)</i>	25%	39%	39%	42%	28%	35%	39%	42%	36%	37%	36%
Operating Profit Before Provision for Credit Losses	8,499	6,497	6,624	6,747	7,707	7,775	8,829	9,238	28,366	33,549	39,397
Provision for credit losses	6,013	4,013	4,340	4,528	5,187	5,524	5,967	6,226	18,894	22,903	23,638
<i>Provision/Profit before Provision</i>	71%	62%	66%	67%	67%	71%	68%	67%	67%	68%	60%
Profit before tax	2,486	2,485	2,284	2,218	2,521	2,251	2,862	3,012	9,473	10,646	15,759
Attributable to parent company	1,978	1,913	1,753	1,714	1,969	1,768	2,124	2,261	7,358	8,342	12,423
<i>Growth (%)</i>	8%	114%	16%	-36%	0%	-8%	21%	31.9%	8%	13%	49%

Source: KIS forecasts

Valuation

VNDbn	2019F	2020F	Remarks
EPS (VND)	1,900	2,700	
P/E	30,869	42,476	Fair multiple is 16x. Average of 3 previous years is 16x
BVPS (VND)	17,500	21,700	
P/B	35,016	43,433	Fair multiple its 2x. Average of 3 previous years is 1.8x
Target Price (VND)	33,000	43,000	
<i>Price return</i>	-5.1%	23.8%	
<i>Dividend Yield</i>	0.0%	3.7%	
Total return	-5.1%	27.5%	

Income Statement (VNDbn)	2016	2017	2018	2019F	2020F
Net Interest Income	23,435	30,955	34,956	41,836	48,261
<i>% growth</i>	21%	32%	13%	20%	15%
<i>NIM (%)</i>	2.8%	3.0%	3.0%	3.2%	3.2%
Non-Interest Income	6,999	8,061	9,527	11,251	13,521
<i>As % of TOI</i>	23%	21%	21%	21%	22%
Total Operating Income	30,434	39,017	44,483	53,086	61,782
<i>% growth</i>	23%	28%	14%	19%	16%
Operating Expenses	13,527	15,504	16,117	19,537	22,384
<i>CIR (%)</i>	44%	40%	36%	37%	36%
Pre-Provision operating profit	16,907	23,512	28,366	33,549	39,397
Provision Expenses	9,199	14,847	18,894	22,903	23,638
Profit Before Tax	7,709	8,665	9,473	10,646	15,759
<i>% growth</i>	-3%	12%	9%	12%	48%
Corporate Income Tax	1,480	1,720	1,931	2,121	3,152
Profit After Tax	6,229	6,946	7,542	8,526	12,607
<i>% growth</i>	-2%	12%	9%	13%	48%
Net profit attributable to the minority interest	91	159	184	184	184
Net profit	6,138	6,787	7,358	8,342	12,423
Outstanding shares (mn)	3,419	3,419	3,419	4,022	4,022
Bonus-adjusted EPS (VND)	1,354	1,463	1,642	1,900	2,700
<i>% growth</i>	3.9%	8.1%	12.2%	17.5%	37.6%
Cash dividend (VND)	700	700	-	-	1,300
<i>Payout ratio (%)</i>	52%	48%	-	-	49%

Return and Valuation	2016	2017	2018	2019F	2020F
ROAA (%)	0.7%	0.6%	0.6%	0.6%	0.8%
ROEA (%)	14.7%	15.3%	15.1%	15.0%	16.9%
PER (x)	25.6	23.7	21.1	18.0	13.1
PBR (x)	2.8	2.6	2.3	2.0	1.6
Dividend yield (%)	2.0%	2.0%	0.0%	0.0%	3.7%

Balance Sheet (VNDbn)	2016	2017	2018	2019F	2020F
Requirement reserve	36,711	29,419	50,185	56,207	65,763
FI lending activities	61,925	118,415	104,223	116,730	136,574
Loan to customers	723,697	866,885	988,739	1,107,387	1,295,643
<i>% growth</i>	21%	20%	14%	12%	17%
<i>NPL (%)</i>	1.99%	1.62%	1.90%	1.70%	1.50%
<i>LLC ratio (%)</i>	69.7%	80.7%	66.0%	72.0%	72.0%
Corporate bonds	28,452	29,936	24,221	27,128	31,740
Bonds of other FI	12,500	12,372	9,092	10,183	11,914
T-bill and G-bond	98,010	103,264	92,580	103,690	121,317
Total Assets	1,006,404	1,202,284	1,313,038	1,472,866	1,723,253
<i>% growth</i>	18%	19%	9%	12%	17%
Deposits from customers	726,022	859,985	989,671	1,108,432	1,296,865
<i>% growth</i>	29%	18%	15%	12%	17%
<i>LDR (%)</i>	88%	89%	94%	93%	93%
Valuable papers issued	66,642	83,738	39,991	44,790	52,405
FI borrowing activities	92,499	91,979	79,198	96,154	112,500
Deposit, borrowing from SBV and Government	54,754	89,258	117,594	124,253	145,376
Other liabilities	22,240	28,489	32,032	36,160	25,357
Total Liabilities	962,260	1,153,450	1,258,486	1,409,789	1,632,503
Total Equity	44,144	48,834	54,551	63,077	90,751
<i>Equity/TA (%)</i>	4%	4%	4%	4%	5%
Minority	1,604	2,873	3,039	3,223	3,407
Shareholders' Equity	42,540	45,961	51,513	59,854	87,344
<i>% growth</i>	4%	8%	12%	16%	46%
<i>CAR (%)</i>	9.0%	9.0%	10.3%	-	-

Contacts

HCM City Head Office

Level 3, TNR Tower
180-192 Nguyen Cong Tru St., District 1, HCM City
Tel: (+84 28) 3914 8585
Fax: (+84 28) 3821 6898

Institutional Sales

Ms. Uyen Lam

Head of Institutional Sales
(+84 28) 3914 8585 (x1444)
uyen.lh@kisvn.vn

Recommendation System

OVERWEIGHT: where we believe prospective 12 months VND total return (including dividends) will be 15% or more.

NEUTRAL: where we believe it will be -5% to 15%.

UNDERWEIGHT: where we believe it will be -5% or less.

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