

## BIDV (BID VN)

### Time to make a BID

# BUY

Current price (03-04-2019): VND 33,600

**Target price: VND 38,713**
**Upside: 15%**

**Our view:** The pending share issuance to KEB Hana Bank should allow BID to meet Basel 2 requirements and grow its business at a time when many competitors face capital constraints. We also expect the stronger balance sheet to result in lower funding costs and improved NIM. BID's leadership in retail and SME banking is attractive and in our view puts it in a strong position to weather increasing competition in this segment. Also, BID's ongoing provisioning for its VAMC exposure should be 100% complete in 2019E, providing another earnings boost for 2020E. We initiate coverage with a Buy rating.

52-week Price Range

**VND 20,850 – 46,800**

Market Capitalization

**VND 115 tn**

FY19E Dividend Yield

**2.6%**

Remaining Foreign Room

**26.9%**

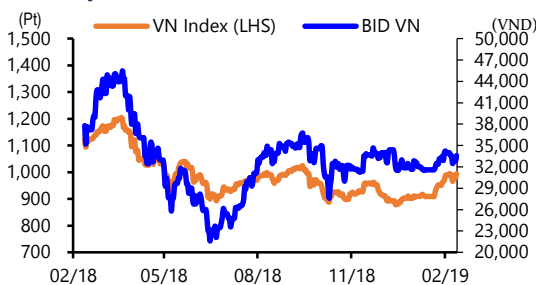
Free-float

**4.4%**

ATDV 3-month

**VND41.9 bn**

### Price performance vs. VNIndex



### Event catalysts

- Issuance of new shares to KEB Hana to provide additional capital for growth.
- Funding costs should fall due to reduced balance sheet leverage.
- Clearing 100% of VAMC exposure in 2019E will result in reduced provisioning in subsequent years.
- Leading SME & retail bank franchise.

### Risks to our call

- The stake sale to KEB-Hana could be delayed or cancelled.
- Competition in retail and SME banking is rising as other banks target these segments.
- Potential technology upgrade could result in higher-than-expected operating costs.

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**Company profile:** BID is Vietnam's largest bank by assets with 12.2% market share as at 4Q18. Its leading retail & SME banking franchise is supported by a broad network of 190 branches & 854 transaction offices. The strategic investment by KEB-Hana Bank should boost BID's CAR to well above Basel II standards and also drive credit growth and NIM expansion.

Key Financials	2017A	2018P	2019E
Adj. PPOP	19,906	24,216	29,571
PBT	8,665	9,473	12,204
NIM (%)	2.97%	2.95%	3.19%
ROE (%)	14.9%	14.6%	14.7%
ROA (%)	0.63%	0.60%	0.69%
CIR (%)	43.8%	40.0%	39.6%
Payout ratio (%)	49.7%	45.0%*	45.0%
Dividend yield (%)	2.2%	2.2%	2.6%
Adj. EPS (VND)	1,498	1,623	1,934

(\*) Yuanta estimate.

Source: Company Data, Yuanta Vietnam

**CAR is the driver.** Many Vietnamese banks require additional capital, in our view. BID's 26.9% FOL room simplifies this process relative to peers that are close to or already at full FOL. We assume that the pending 15% strategic stake sale to KEB-Hana Bank will occur in mid-2019, resulting in a c. 2.5ppt increase in its Tier 1 capital to 8.4% (total CAR: 12.5%). This supports our assumptions of strong future credit growth, and lower balance sheet leverage should also lead to reduced funding costs.

**Growth engine torquing up.** Based on the stronger capital base, we forecast loan growth of 15.4% in 2019E and 16.6% for 2020E. Also, funding costs should decline due to the reduced leverage, while asset yields should be stable given the retail and SME customer base. Overall profitability is likely to remain constrained this year given ongoing VAMC asset provisioning. But this exposure should be fully provisioned by 2019E, and we thus expect ROE to improve to 18.3% in 2020E.

**Reasonable valuations.** BID is trading at 1.73x 2019E P/BV with expected normalized ROEs of 18-20%. We think BID is a solid business trading at a reasonable price and see 15% upside to our target of VND38,713, implying a reasonable 2.0x 2019E P/BV.

**The stake sale is also the key risk to our view,** as the KEB Hana deal has not yet been approved. We think the risk of cancellation is low, as the bank needs the capital and KEB Hana, according to our Korea banks team, is very keen to invest. But a delayed approval would put our asset and earnings growth forecasts at risk.

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**Table 1- Market Valuations**

	2016A	2017A	2018P	2019E	2020E	2021E
Reported PER (x)	18.5	16.5	15.2	12.8	9.2	7.8
Adjusted PER (x)	24.9	22.4	20.7	17.4	12.4	10.6
PEG	(4.4)	1.97	2.49	0.91	0.31	0.60
ROA (%)	0.67%	0.63%	0.60%	0.69%	0.91%	0.92%
ROE (%)	14.3%	14.9%	14.6%	14.7%	18.3%	20.0%
PBR (x)	2.60	2.35	2.10	1.73	1.62	1.50
Tangible PBR (x)	2.89	2.59	2.28	1.84	1.70	1.58
Dividend Yield (%)	2.6%	2.2%	2.2%	2.6%	3.9%	4.8%

Source: Company Data, Bloomberg, Yuanta Vietnam

## INVESTMENT THESIS

Our positive view on BID rests largely on the planned 15% stake sale to KEB Hana Bank, which will boost the bank's CAR to fund RWA growth and also lead to lower funding costs and improved NIM. Of course, issuing capital causes share dilution and reduced ROE, but lower leverage should also reduce the risk of the shares, thus justifying a lower discount rate. From a practical perspective, the reduced balance sheet leverage post issuance implies lower funding costs, which should somewhat offset the ROE impact.

Vietnam's overly leveraged banks are under pressure to raise capital to comply with Vietnam's implementation of Basel 2 standards. Although the judicious application of regulatory forbearance means that deadlines may be somewhat flexible, the pressure is clearly increasing for banks to strengthen their capital positions. This is an unmitigated positive for the sustainability of Vietnam's financial system and economy.

Most of Vietnam's banks require more capital, and BID is among this group. Raising capital can be difficult for banks due to the 30% foreign ownership limit (FOL). However, this is not a problem for BID, which (unlike its major peers) does not already have a foreign strategic investor on board.

As a result, BID's FOL room is currently 26.9%, which is more than sufficient for the planned 15% (603.3 mn share) sale to KEB Hana Bank. By contrast, Vietcombank (VCB VN, Not Covered by Yuanta) has just 6.8% FOL room with strategic investor Mizuho holding a 15% stake, and Vietinbank (CTG VN, Not Covered by Yuanta) has just 0.5% FOL room with Mitsubishi UFJ owning a maxed-out 20% stake. For these latter banks, substantial capital injections from their strategic partners – or from any other foreign investors – would require special regulatory approvals to allow for higher FOLs. We suspect such approvals might not be issued with lightning-like speed.

As noted above, BID's current capital is weak and this limits its ability to expand credit sustainably, especially in light of Basel 2 implementation. The stake sale will address this regulatory capital deficiency, strengthening the balance sheet for continued asset growth. We also think that the capital issuance will result in moderate NIM expansion, partly due to the accounting treatment for equity funding (which is interest-free, after

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**15% stake sale to KEB Hana Bank will help boost regulatory capital, reducing funding costs and improving NIM**

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**Dude, where's my CAR?**

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**BID has more room to attract foreign investors than VCB and CTG. BID's FOL room is 26.9% vs. VCB (6.8%) and CTG (0.5%).**

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all) – but primarily due to the effect on funding costs, which should fall after the balance sheet has been shored up.

NIM's should also be supported by BID's dominance in retail and SME lending. BID's customers include about 250,000 SMEs (40% of Vietnamese SMEs) and 9 million individual clients (10% of Vietnam's population and about one-third of its banked population). Although most other commercial banks are likewise targeting retail and SME banking, BID clearly has strong advantages in its franchise and scale.

Our net income forecasts are substantially (14%-18%) higher than the consensus mean estimate for 2019E -20E. We believe that the Street is not factoring in the capital issuance, because our EPS forecasts for 2020E (which factors in full dilution for the additional 600 million shares) is 7% below the mean for 2020E and 21% below the mean for 2021E. Arguably, factoring in a share issuance that has not yet been approved could put our forecasts at risk, but it is also the key support of our investment view that a successful raising capital will help BID expand its business and improve NIMs. Another differentiating factor could be our view that BID will clear 100% of its VAMC exposure in 2019E, which will help boost net income in 2020E.

**Table 2- Yuanta vs. Consensus**

<b>Net income (VND bn)</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
Consensus mean	8,591	12,513	16,485
<b>Yuanta forecast</b>	<b>9,763</b>	<b>14,757</b>	<b>17,362</b>
<i>%ge difference</i>	<i>13.6%</i>	<i>17.9%</i>	<i>5.3%</i>
Consensus high	9,280	14,803	16,961
Consensus low	8,293	10,502	16,008
<b>EPS (VND)</b>			
Consensus mean	1,753	2,920	4,008
<b>Yuanta forecast (adjusted)</b>	<b>1,934</b>	<b>2,704</b>	<b>3,181</b>
<i>%ge difference</i>	<i>10.3%</i>	<i>-7.4%</i>	<i>-20.6%</i>
Consensus high	1,930	4,330	4,961
Consensus low	1,514	2,116	3,055

Source: Bloomberg, Yuanta Research Estimate

**Why is KEB Hana bidding for BID? The view from Yuanta Korea.** We think that BID's scale and client base are clearly attractive features for its planned strategic investor. According to Yuanta Korea banking sector analyst Jin-hyoeng Park ([jinhoeng.park@yuantakorea.com](mailto:jinhoeng.park@yuantakorea.com)), the main objective of KEB Hana's investment in BID is to increase its portfolio in Vietnam's financial market in accordance with Hana Financial Group's global strategy. The double-digit growth of Vietnamese banking assets in recent years, favorable demographics, and supportive government policies are attractive – especially to developed markets such as Korea.

Jin-hyeong adds that BID's scarcity value among the major banks as the only listed SOE bank that does not already have a foreign strategic investor is another draw. By establishing a partnership with BID, KEB Hana hopes to expand its business opportunities in Vietnam (it currently has three branches here). We would add that minority equity investments in banks are highly inefficient under Basel 3, the global standards that Hana must meet. Their decision to undertake this strategic investment

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**Yuanta vs the consensus: we think the Street has not factored in the share issuance, which we see as the key catalyst for operations.**

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**Yuanta's Korean banking analyst Jin-hyoeng Park reckons that the BID investment is in line with Hana's global strategy.**

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**Scarcity value: BID is the only major listed state bank that does not already have a foreign strategic investor.**

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**Strategic stake is as far as this relationship will likely go, but the additional capital and business opportunities that will result are positive for BID.**

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**BID plans to raise VND6 trillion in capital by issuing 603 mn new shares to KEB Hana Bank.**

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thus highlights 1) the long-term attractiveness of Vietnam's business environment and 2) Hana's strong capital position (group Tier 1 Ratio of 13.5% and bank Tier 1 Ratio of 14.0% as at 4Q18).

We believe the strategic investment is as far as this tie-up is likely to go. But it is worth considering the fact that Hana has undertaken full bank acquisitions in other non-Korean markets. For example, KEB Hana Bank Indonesia is the result of the purchase of an Indonesian commercial bank in 2008, which was subsequently merged with KEB Hana's organic business there in 2013. Jin-hyeong notes that since the acquisition, that operation has continued to expand in the Indonesian market (which, like Vietnam, is also characterized by the substantial presence of Korea Inc). However, replicating this example with BID would appear to be impossible given foreign ownership restrictions, BID's large scale in the Vietnamese banking system, and its status as a state-owned bank.

Jin-hyeong has a Buy recommendation on Hana Financial Group (086790 KS, current price: KRW 38,850) with a target price of KRW 55,000. Hana Financial Group is the parent holding company of KEB Hana Bank, which is its largest subsidiary.

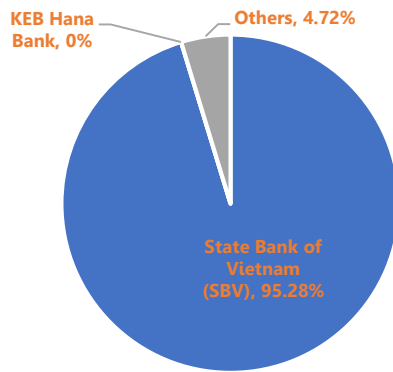
## CATALYSTS

### Improved capital will allow for business expansion

In our view, BID needs the additional capital to meet the Basel II regulatory requirement (i.e., minimum CAR of 8%). Currently, BID's CAR is about 10% under Basel I and we reckon that it is probably 2ppt lower (i.e., around 8%) under Basel II. BID's plan to raise VND6,033 bn in capital by issuing 603.3 mn shares to KEB Hana Bank remains subject to regulatory approval. In our model, we have assumed that the deal will go through, with BID issuing 603.3 mn shares at a price of VND32,000 per share. This would result in an injection of VND 19.3 tn of additional equity (and Tier 1 capital) and share dilution of 15%. In our model, we assume that it will occur at mid-year, with a resulting impact on our weighted average share count for 2019E.

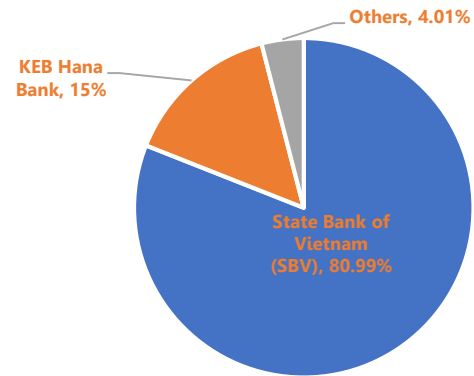
We estimate that the additional capital should increase BID's total CAR to 12.5%. In addition, BID could subsequently issue additional Tier 2 bonds once the KEB Hana deal is complete. Currently BID's Tier 2 capital is maxed out, but the addition of VND19.3 trillion in Tier 1 capital will give BID the flexibility to raise as much as VND 9 trillion in Tier 2 capital (i.e., 50% of the new Tier 1 capital). Of course, common equity Tier 1 capital has become the global standard since the GFC, with Tier 2 capital downplayed under Basel III. Also, we have not factored any subsequent Tier 2 issuance into our model.

Figure 1- Current Shareholder Structure



Source: Company Data

Figure 2- Post-Deal Shareholder Structure



Source: Company Data, Yuanta Vietnam

If it succeeds, BID’s capital issuance will improve its credit ratings, enhance its business operations, and build investor confidence – this is especially critical given that many other banks are struggling to raise capital to meet their Basel II requirements.

The table below presents the sensitivities of estimated CET 1 and total CAR ratios under different share price assumptions for the issuance, with our base case highlighted in blue. The balance sheet numbers are based on the bank’s 4Q18 financial statements.

Table 3- CET 1 & CAR Sensitivity Analysis

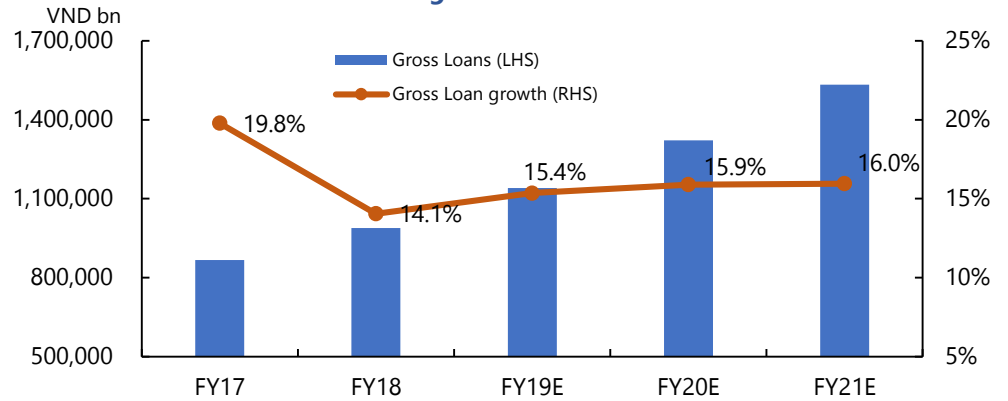
Issuing price Scenarios	VND	29,000	30,000	31,000	32,000	33,000	34,000	35,000
New Shareholder Capital	VND bn	6,033	6,033	6,033	6,033	6,033	6,033	6,033
Share Premium	VND bn	11,463	12,066	12,669	13,273	13,876	14,479	15,083
Total Tier 1 Capital after raising capital	VND bn	63,117	63,720	64,323	64,927	65,530	66,133	66,736
Tier 2 capital	VND bn	31,774	31,774	31,774	31,774	31,774	31,774	31,774
Risk weighted assets	VND bn	771,642	771,642	771,642	771,642	771,642	771,642	771,642
CET 1 ratio before raising capital	%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%
<b>CET 1 ratio after raising capital</b>	<b>%</b>	<b>8.2%</b>	<b>8.3%</b>	<b>8.3%</b>	<b>8.4%</b>	<b>8.5%</b>	<b>8.6%</b>	<b>8.6%</b>
CAR before raising capital	%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
<b>CAR after raising capital</b>	<b>%</b>	<b>12.3%</b>	<b>12.4%</b>	<b>12.5%</b>	<b>12.5%</b>	<b>12.6%</b>	<b>12.7%</b>	<b>12.8%</b>
<b>Basel II CAR (2ppt lower in our estimate)</b>	<b>%</b>	<b>10.3%</b>	<b>10.4%</b>	<b>10.5%</b>	<b>10.5%</b>	<b>10.6%</b>	<b>10.7%</b>	<b>10.8%</b>

Source: Yuanta Vietnam

**Capital issuance underscores our forecasts of stronger loans growth in 2019-21E.**

Once BID is no longer capital constrained, it should be able to expand its business operations as the funds support higher credit growth. We forecast loan growth of 15.4% in 2019E, up 1.3ppt YoY and slightly higher the SBV’s target of 14% for the entire banking system in 2019. We expect loan growth to remain elevated going forward and forecast c.16% YoY expansion in both 2020E and 2021E.

Figure 3- Loan Growth



Source: Company Data, Yuanta Vietnam

The table below illustrates the results of our sensitivity analysis of two 2019E credit growth rates (our base case of 15.4% YoY and the SBV's system target growth rate of 14% YoY).

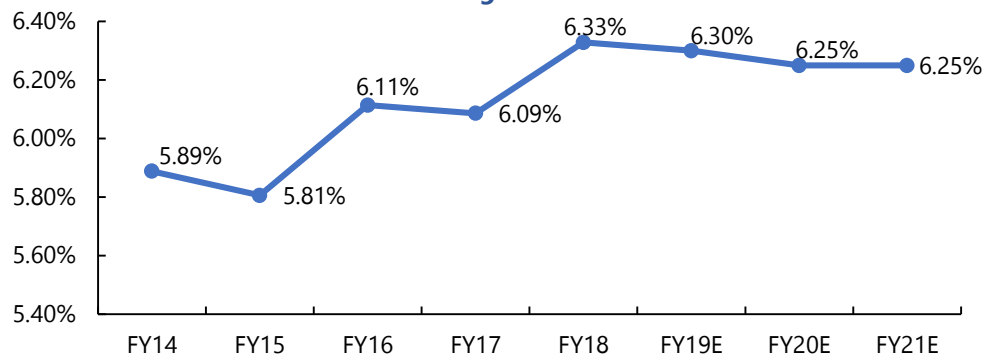
Table 4- Impact of higher credit growth on NIM and PBT

	SBV's target system credit growth: 14.0%	Our base case credit growth: 15.4%	Difference
NIM (%)	3.18%	3.19%	+1bps
PBT (VND bn)	12,014	12,204	+1.6%

**Reduced leverage should lead to lower funding costs & higher NIM**

The main reason for BID's issuance of new shares to KEB Hana is to meet regulatory capital requirements, in our view. However, we believe that an ancillary benefit of the reduced balance sheet leverage is the effect on long-term funding costs, which are likely to decline as a result. We forecast funding cost to decline slightly from 6.33% in 2018P to 6.30% in 2019E and 6.25% in 2020E.

Figure 4 - Funding costs to decline with lower leverage starting from 2019E



Source: Company Data, Yuanta Vietnam

Although deposit costs are not likely to change, BID should benefit from the SBV's reported plan to slash the required reserve ratio (RRR) by half for banks that have large deposits and are undergoing restructuring, a group that should include BID. The current RRR for VND deposits is 3% for term deposits of less than 12 months and 1% for those longer than 12 months and 8% and 6% respectively for foreign currency deposits. A reduction in the RRR would improve liquidity for the relevant banks. In addition, cutting the RRR for term deposits of 12 months or more should support the

SBV's policy to reduce the cap on short-term funding to medium- and long-term loans, which is decreasing from 45% to 40% in 2019.

The table below illustrates our estimates of reserves that would be freed up for BID when and if the RRR cut comes through. Our sense is that the policy is likely to be approved, with the timing of the cut probably in 3Q19.

**Table 5- Estimated SBV reserve requirement for BID**

(VND bn)	2017	2018	Term (*)	RRR (%)	Total Reserves
<b>Credit Institutions</b>	<b>27,076</b>	<b>22,064</b>			<b>1,355</b>
<b>Demand Deposit</b>	<b>10,863</b>	<b>12,043</b>			
VND	7,846	4,259		3%	128
Foreign Currency	3,016	7,784		8%	623
<b>Term deposit</b>	<b>16,214</b>	<b>10,021</b>			
VND	9,883	3,940	<12m	3%	118
Foreign Currency	6,330	6,081	<12m	8%	487
<b>Customer deposits</b>	<b>859,985</b>	<b>989,671</b>			<b>31,557</b>
<b>Demand Deposit</b>	<b>160,200</b>	<b>161,859</b>			
VND	143,845	144,114		3%	4,323
Foreign Currency	16,355	17,746		8%	1,420
<b>Term deposit</b>	<b>694,092</b>	<b>820,032</b>			
VND	660,706	787,379	<12m	3%	23,621
Foreign Currency	33,387	32,654	>12m	6%	1,959
<b>Other</b>	<b>5,692</b>	<b>7,779</b>		3%	233
<b>TOTAL</b>	<b>887,061</b>	<b>1,011,736</b>			<b>32,912</b>

Source: Company Data, Yuanta Vietnam

(\*) assumption based on the Company's 2018 financial disclosures.

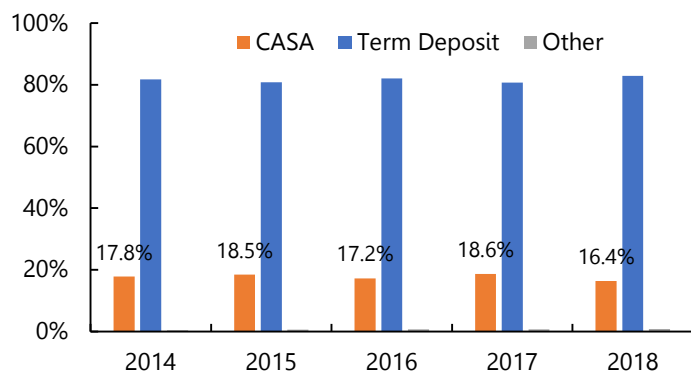
Under the current RRR, we estimate that BID is required to set aside VND32,912 bn in reserves at the SBV. Assuming that the SBV cuts the RRR by half for all types of deposits, the estimated required reserves for BID would be only VND16,456 bn, which is equivalent to 1.4% of 2019E gross loans. Transferring that amount into the loan book now would boost PBT by 2.4%. However, BID's 4Q18 SBV reserves totaled VND50,185 bn, implying VND17,990 bn in excess reserves if our estimated required reserves is accurate. Thus, cutting the RRR might not have a substantial effect on asset yields right away, but it would improve the bank's flexibility to engage in new lending, which is positive.

**Deposit growth & mix.** The bank's CASA (current account & savings account) deposit ratio was just 16.4% as at 4Q18, having slightly decreased during 2014-2018. This mediocre CASA ratio is only in line with the sector average, and is relatively weak for a retail- and SME-focused bank. Moreover, it is much lower than the CASA ratios of MBB (32%), VCB (28%), and TCB (27%).

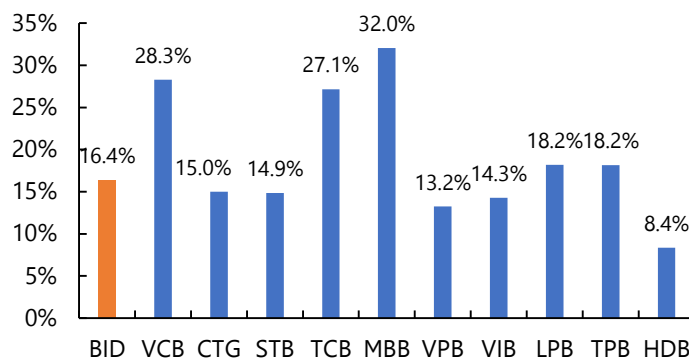
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**CASA is regrettably weak for a major state bank that focusses on SMEs.**

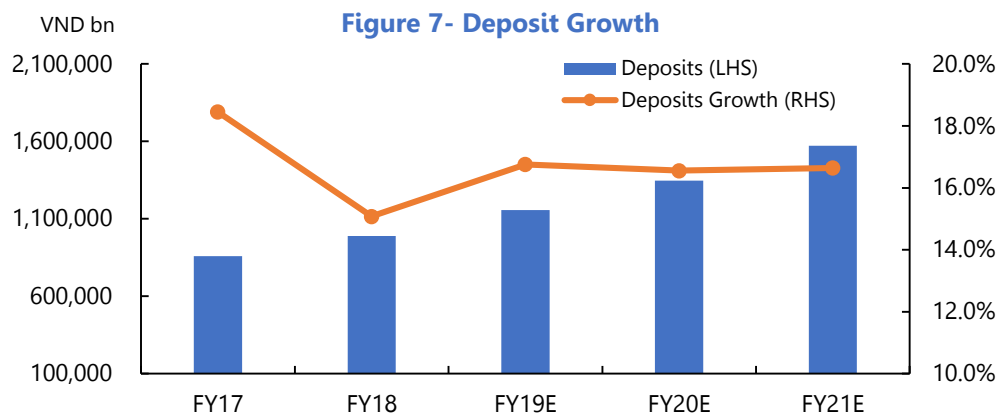
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**Figure 5- Deposit book by type**


Source: Fünpro, Yuanta Research Vietnam

**Figure 6- CASA ratio among banks**


We forecast deposit growth to increase 16.8% YoY in 2019E and maintain at that level for 2020E and 2021E. We do not anticipate any meaningful change in the deposit mix, as competition for longer-term deposits will likely take precedence over any putative efforts to grow CASA deposits.

**Figure 7- Deposit Growth**


Source: Company Data, Yuanta Vietnam

Individuals accounted for 54.6% of total deposits in 2017, followed by state-owned companies at 16%. We expect these ratios to increase slightly going forward, with individuals accounting for 55%-56% of deposits and state-owned companies accounting for 17%-18% in 2018-19E.

**Table 6- Deposit Mix**

Deposit Mix (%)	2016	2017	2018E	2019E
Individuals	54%	55%	55%	56%
State-owned Companies	17%	16%	17%	18%
FDI Enterprises	3%	3%	4%	4%
Others	26%	27%	25%	22%

Source: Company Data, Yuanta Vietnam

### Client base supports higher yields than state bank peers

Despite BID's weak CASA ratio, we think that its strong franchise with retail and SME customers is attractive from an asset yield perspective.

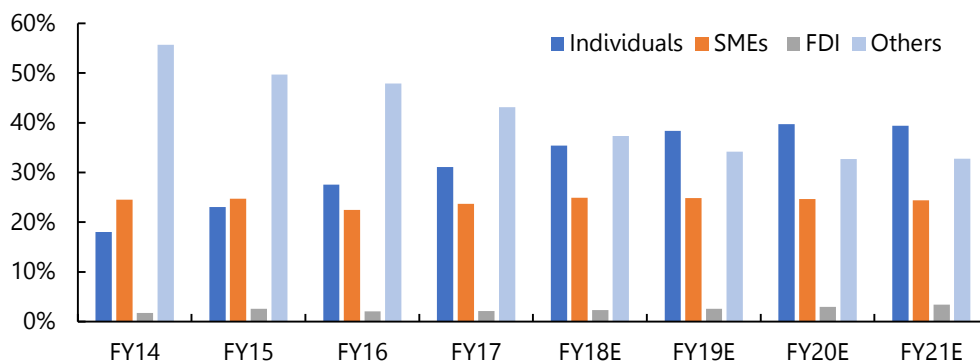
BID reports that its clients include more than 250,000 SMEs (accounting for 98% of BID's total enterprise clients) and approximately 9 million individuals as of June 2018,

**BID's clients include 40% of Vietnam's SMEs and c. one-third of the banked population.**

representing 40% of all SMEs in Vietnam and 10% of the total population (and perhaps a third of the banked population), respectively.

The customer base is a key reason why BID's NIM (2.95% in 2018P) is slightly higher than that of its closest peers including VCB's 2.92% and CTG's 2.12% for the same year (*data for the latter banks is from Bloomberg*). Mortgage loans usually carry fixed rates for the initial period (typically of 1 or 2 years) and then convert to floating rates thereafter. We believe that as the leading retail and SME bank, BID's NIM will continue to outperform its state-owned peers.

Figure 8- Loan Breakdown



Source: Company Data, Yuanta Research

Growth in recent years has been driven primarily by retail loans, which accounted for 23% of total loans in 2015A but expanded to 35% of total loans in 2018P. During that period, NIM increased from 2.77% to 2.95% (+18bps). We expect retail loans to continue to grow more rapidly than other assets to account for 38% of total loans in 2018-21E, which will also help to increase NIMs. We forecast NIMs of 3.19% on average during the same period).

### End stage for VAMC exposure: Provisioning to fall from 2020E

BID has steadily increased its provisioning coverage on its VAMC assets from 27% in 2016A to 72% in 2018E. With an estimated VND3 tn in net exposure to VAMC bonds as of 2018P (0.23% of assets), we expect BID to clear 100% of its remaining net VAMC exposure in 1Q19E, assuming no additional legacy NPL formation.

Table 7- Estimated exposures to VAMC assets

(VND bn)	2016	2017	2018P
Total VAMC bonds	21,131	19,347	10,809
Provisions	(5,655)	(9,581)	(7,735)
Provision against VAMC bond (%)	27%	50%	72%
<b>Net VAMC bond</b>	<b>15,477</b>	<b>9,767</b>	<b>3,074</b>

Source: Company Data, Yuanta Vietnam

Assuming that VAMC provisioning is complete in 2019E, this source of NPLs will no longer effect the income statement unless as a source of potential loan loss recoveries. As a result, we forecast asset provisioning to grow by just 5% in 2020E, well behind the 15% loan growth.

**We expect BID to resolve 100% of its remaining VAMC exposure in 1Q19E.**

**Our fair value estimate is VND38,713, implying 1.99x 2019E's PBR and 20.0x 2019E's adjusted PER.**

## VALUATION: Our 12-month price target is VND38,713

We apply five valuation methodologies to generate our VND38,713 target price for BID, which implies P/BV multiples of 1.99x for 2019E and 1.86x for 2020E and adjusted PERs of 20.0x for 2019E and 14.3x for 2020E.

Our target is calculated on a weighted average basis that comprises residual income (with a 50% weighting, the largest component), dividend discount model (DDM), relative valuation, regression, and multiples comparison with listed peers.

**Table 8- BID's estimate Fair Value**

Valuation Methodologies	Estimated Price (VND/share)	Weight (%)	Price	Upside (%)
Residual Income	38,735	50.0%	19,368	
DDM Perpetuity	45,594	12.5%	5,699	
DDM Multiple	42,861	12.5%	5,358	
Regression	32,392	12.5%	4,049	
Listed Comps	33,919	12.5%	4,240	
<b>Estimated Fair Value (VND/share)</b>			<b>38,713</b>	<b>15.2%</b>

Source: Yuanta Vietnam

### We employ the following assumptions for our residual income and DDM models:

- **Cost of equity** starts at 11.8% and falls to 9% Year 15 to reflect reduced risk (and reduced potential returns) as BID grows.
- **ROTCE** starts at 15% in Year 6 and gradually declines to 11.5% in Year 15.
- **Asset growth** starts at 14% in Year 6 and gradually declines to 7% in Year 15.

### Residual Income

We prefer the residual income approach over the other four valuation methodologies because it appropriately captures the ROTCE improvement over multiple years. We therefore apply a 50% weight on this methodology (vs 12.5% for each of the other four methodologies) in calculating our target price.

Based on the residual income approach, we estimate BID's fair value at VND38,735 per share, implying a 15.3% premium to the current share price (VND33,600 at Mar 04, 2019) and a 2019E P/BV multiple of 2.0x.

**Table 9- Implied fair value from residual income approach**

<b>Implied Value of Equity:</b>	
Terminal Net Income Growth Rate:	6.0%
Projected Net Income 1 Year After Period:	29,782
Residual Income Terminal Value:	215,812
(+) Current Common Shareholders' Equity:	54,693
(+) PV of Residual Income Terminal Value:	61,857
(+) Sum of PV of Residual Income:	27,558
<b>Implied Equity Value:</b>	<b>144,109</b>
% of Implied Value from PV of TV:	42.9%
Implied Share Price:	<b>38,735</b>
Current Share Price (Mar 04, 2019):	33,600
<b>Premium / (Discount) to Current:</b>	<b>15.3%</b>

**Residual value methodology is the largest component of our fair value estimate**

		Initial Cost of Equity (Declines by 0.30% Annually):										
		9.00%	9.50%	10.00%	10.50%	11.00%	11.79%	12.00%	12.50%	13.00%	13.50%	14.00%
Terminal Return on Common Equity:	14.0%	65,309	63,558	61,909	60,355	58,889	<b>56,748</b>	56,203	54,972	53,809	52,710	51,672
	13.5%	61,671	59,927	58,285	56,737	55,278	<b>53,146</b>	52,603	51,377	50,218	49,124	48,090
	13.0%	58,033	56,297	54,661	53,120	51,667	<b>49,543</b>	49,002	47,781	46,628	45,538	44,508
	12.5%	54,395	52,666	51,037	49,503	48,055	<b>45,940</b>	45,402	44,186	43,037	41,952	40,925
	11.5%	<b>47,119</b>	<b>45,405</b>	<b>43,790</b>	<b>42,268</b>	<b>40,833</b>	<b>38,735</b>	<b>38,201</b>	<b>36,995</b>	<b>35,856</b>	<b>34,779</b>	<b>33,761</b>
	11.0%	43,481	41,774	40,166	38,650	37,221	<b>35,132</b>	34,601	33,399	32,265	31,193	30,179
	10.5%	39,843	38,144	36,542	35,033	33,610	<b>31,530</b>	31,000	29,804	28,674	27,606	26,597
	10.0%	36,205	34,513	32,918	31,416	29,998	<b>27,927</b>	27,400	26,209	25,083	24,020	23,015
	9.5%	32,568	30,882	29,295	27,798	26,387	<b>24,324</b>	23,799	22,613	21,493	20,434	19,433

Source: Yuanta Vietnam

### Dividend Discount Model (DDM)

We assume that BID increases its dividend payout ratio slowly in the first five years in our forecast model and then stabilizes at 50% in subsequent years.

To calculate terminal value, we use both the perpetuity growth rate method and a multiples method (terminal P/TBV multiple sourced from Bloomberg consensus). We arrive at fair values of VND45,594 using the perpetual growth rate method and VND42,861 using the multiples method, implying 2019E P/BV of 2.35x and 2.21x, respectively.

**Table 10- Implied fair value from DDM model**

Terminal Value - Perpetuity Growth Rate Method:		Terminal Value - Multiples Method:	
Terminal P / TBV Multiple by ROTCE:	1.96 x	Baseline Terminal P / TBV Multiple:	1.80 x
Terminal Value:	482,561	Terminal Value:	443,956
(+) PV of Terminal Value:	127,131	(+) PV of Terminal Value:	116,960
(+) Sum of PV of Dividends:	42,497	(+) Sum of PV of Dividends:	42,497
<b>Implied Equity Value:</b>	<b>169,627</b>	<b>Implied Equity Value:</b>	<b>159,457</b>
% of Implied Value from PV of TV:	74.9%	% of Implied Value from PV of TV:	73.3%
Implied Share Price:	<b>45,594</b>	Implied Share Price:	<b>42,861</b>
Current Share Price (Feb 28, 2019):	32,500	Current Share Price (Feb 28, 2019):	32,500
<b>Premium / (Discount) to Current:</b>	<b>40.3%</b>	<b>Premium / (Discount) to Current:</b>	<b>31.9%</b>

Source: Bloomberg, Yuanta Vietnam

### Relative Valuation

BID currently trades at 1.73x 2019E P/BV, below the average of listed state bank peers (at 2.0x). This gap is probably driven by VCB's much higher 2019E PBR multiple of 2.9x, which is not unreasonable given our expectation for BID to post a much lower 2019E ROE (14.7%) vs that of VCB (21.7%, based on Bloomberg consensus). However, given our expectation for improved ROE from 2020E, we think the gap is too wide here. Additionally, its 2019E P/BV is slightly above the 10-bank peer average at 1.5x (using our estimate for STB and Bloomberg consensus for the other banks). We believe that BID deserves to trade at a premium against the group, given its greater potential to increase credit growth and improve NIMs post the capital issuance.

Average fair value using relative valuation works out to VND33,919 per share, implying 2019E **P/BV** at 1.75x.

Table 11- Implied fair value from listed comps approach

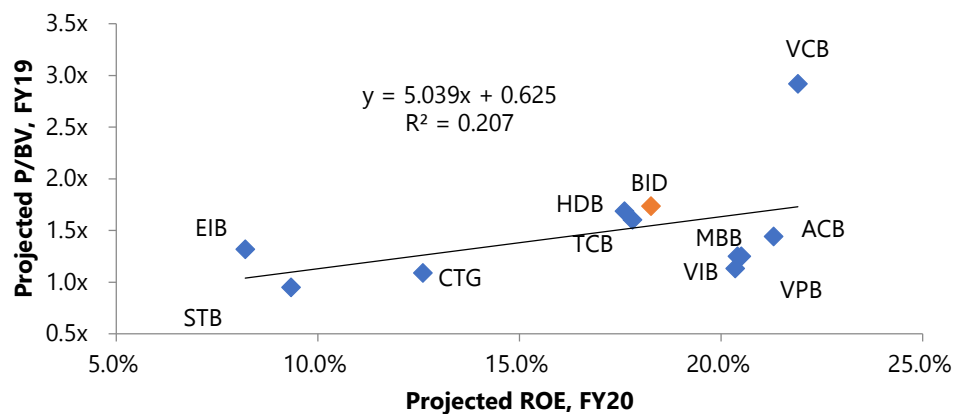
Company	Ticker	2019E PBR	Price target	% Upside
<b>State-owned Commercial Banks (SOCBs)</b>				
Vietcombank	VCB	2.9x		
Vietinbank	CTG	1.1x		
<b>Average</b>		<b>2.0x</b>		
<b>Vietnam Listed Banks</b>				
Median		1.3x		
<b>Average</b>		<b>1.5x</b>		
<b>BID</b>				
PBR implied by current price (03/04/2019: 33,600)		1.73x		
PBR implied by <b>VND38,713</b> PT		<b>1.99x</b>	<b>38,713</b>	15.2%
<b>Estimated Fair Value of BID</b>				
Using SOCBs Peer Multiple			38,765	
Using Listed Banks Multiple			29,074	
<b>Average Fair Value</b>			<b>33,919</b>	<b>1%</b>

Source: Bloomberg Consensus, Yuanta Vietnam for BID and STB

### Regression Analysis

When we plot BID against its 10-bank peer group, we arrive at a VND32,392 fair value for BID, implying 2019E **P/BV** at 1.55x.

Figure 9- Regression Analysis



Source: Bloomberg Consensus, Yuanta Vietnam for BID and STB

### INVESTMENT RISKS

The capital raising has not yet been approved, and we think that a substantial delay or cancellation is the biggest risk to our investment case.

**1) Capital raising** is the major event catalyst of our thesis, and it is also the biggest risk to our investment thesis. An extended delay or cancellation of the new share issuance to strategic investor KEB Hana Bank would leave BID facing capital constraints under Basel II and unable to expand its business in accordance with our forecasts. We think that the risk is low because 1) the authorities are aware that the bank needs capital and 2) the investor appears to be keen and unlikely to walk away. However, we can't rule it out.

Also, the pricing of the planned share issuance is a risk to our CAR assumptions. In our model, we assume an issuance price of VND32,000 per share and we highly doubt that

the issuance price will be far below that level. However, we can't rule it out. The table below exhibits the sensitivities of lower issuance price to BID's post-deal CAR.

**Table 12- Estimate Basel II CAR from different issuing prices**

Issuing price Scenarios	VND	10,000	12,000	14,000	16,000	18,000	20,000	22,000	24,000
New Shareholder Capital	VND bn	6,033	6,033	6,033	6,033	6,033	6,033	6,033	6,033
Share Premium	VND bn	-	1,207	2,413	3,620	4,826	6,033	7,240	8,446
Total Tier 1 Capital after raising capital	VND bn	51,654	52,860	54,067	55,274	56,480	57,687	58,893	60,100
Tier 2 capital	VND bn	31,774	31,774	31,774	31,774	31,774	31,774	31,774	31,774
Risk weighted assets	VND bn	771,642	771,642	771,642	771,642	771,642	771,642	771,642	771,642
CET 1 ratio before raising capital	%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%
<b>CET 1 ratio after raising capital</b>	%	<b>6.7%</b>	<b>6.9%</b>	<b>7.0%</b>	<b>7.2%</b>	<b>7.3%</b>	<b>7.5%</b>	<b>7.6%</b>	<b>7.8%</b>
CAR before raising capital	%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
<b>CAR after raising capital</b>	%	<b>10.8%</b>	<b>11.0%</b>	<b>11.1%</b>	<b>11.3%</b>	<b>11.4%</b>	<b>11.6%</b>	<b>11.7%</b>	<b>11.9%</b>
<b>Basel II CAR (2ppt lower in our estimate)</b>	%	<b>8.8%</b>	<b>9.0%</b>	<b>9.1%</b>	<b>9.3%</b>	<b>9.4%</b>	<b>9.6%</b>	<b>9.7%</b>	<b>9.9%</b>

As we can see, if the shares were issued at book value (VND10,000), CAR would be 10.8% - still higher than the regulatory requirement under Basel II (8%). However, under Basel II, operational and market risks are added to the denominator, which will reduce CAR by about 2ppt in our estimate. In that case, the actual CAR would be about 8.8% at the issuance price of VND10,000. This would clearly be a negative point for our view on BID. However, we don't view such an outcome as realistic.

Thus, we see the bigger risk to our forecast lies in the possible delay of the capital issuance, rather than the issuance price.

**2) Competition is heating up** in retail banking, as numerous other banks aggressively target this market. This is obviously a risk for BID as the segment's largest player. We think that BID's wide footprint and state-bank status are advantages for retail customers (especially in terms of deposits) and thus we think the bank is likely to maintain a strong position to retain a large piece of this rapidly growing pie.

**3) Operating costs could be a risk**

The SBV has required banks to replace all magnetic strip cards with chip-enabled cards (Circular 41/2018/TT-NHNN). By the end of 2019, 30% of current magnetic cards must be replaced with chip cards, 60% must be done by the end of 2020, and 100% by the end of 2021. With 12.9 mn magnetic cards in issuance as of 2017, we estimate that BID will need to spend about VND323 bn in 2019-2021 to comply with this rule.

**Table 13- Cost to replace from magnetic to chip cards**

Year	Number of cards need to replace (mn)	Estimated cost per magnetic card (VND)	Estimated cost per chip card (VND)	Cost increase (VND bn)
2019	3.87	1,500	25,000	97
2020	3.87	1,500	25,000	97
2021	5.16	1,500	25,000	129
				<b>323</b>

Source: Company Data, Agribank, Yuanta Research estimate

BID also has 1,825 ATM machines in its network. We estimate that replacing all these ATM machines will result in about VND840 bn in additional costs. Thus, the total costs

**Other banks are targeting BID's customer base.**

**Technology costs could rise in the next three years as ATM function is upgraded from magnetic strip to chip-enabled.**

of replacing both ATM cards and ATM machines would be about VND1,160 bn. There is also the potential for having to replace 41,000 POS machines.

**Table 14- Cost to replace ATM machines**

Year	No. of ATM Machines need to replace	Estimated cost per ATM machine (VND bn)	Cost increase (VND bn)
2019	913	0.46	420
2020	913	0.46	420
			<b>840</b>

Source: Company Data, Yuanta Research estimate

We have included these operating costs into our operating cost forecasts for 2019E, 2020E, and 2021E and compared the result with the case in which these costs are excluded from the model. CIR increases from 38.6% to 39.6% (+100bps) and PBT decreases by 4.1% in 2019E.

Of course, the impact on CIR is probably exaggerated given that at least some of these costs (i.e., ATMs) would be capitalized. However, we classify the expenses as operating expenses for the sake of simplicity.

Below is the detail calculation for the impact of cost increase to PBT and CIR from 2019-21E.

**Table 15- The impacts of cost increase to CIR and PBT**

	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
Pre-PBT	12,721	18,962	21,831
After-PBT	12,204	18,446	21,702
<b>% change</b>	<b>-4.1%</b>	<b>-2.7%</b>	<b>-0.6%</b>
Pre-CIR	38.6%	37.7%	37.0%
After-CIR	39.6%	38.6%	37.2%
<b>Increase (bps)</b>	<b>100bps</b>	<b>90bps</b>	<b>20bps</b>

## COMPANY OVERVIEW

BID is Vietnam’s largest bank by assets at VND1,313 bn at 2018P. It has a broad retail- and SME-focused footprint with 190 branches and 854 transaction offices.

**Table 16- Business networks: Major listed state banks**

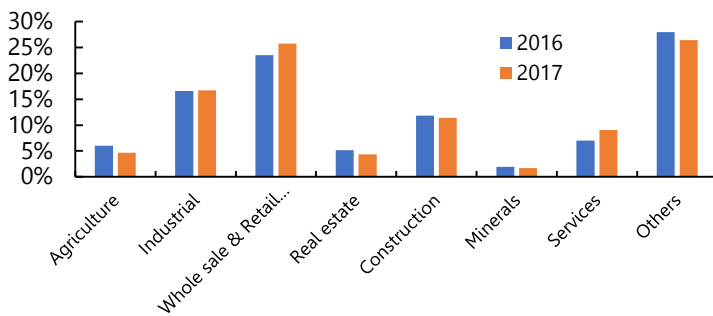
	BID	CTG	VCB
Branches	190	155	101
Transaction Offices	854	1,000	397

Source: Fiinpro

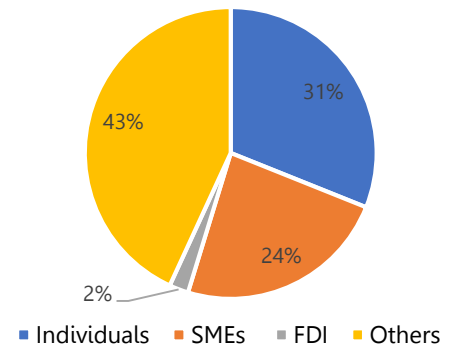
### Loan portfolio

BID’s loan book reflects its retail focused, with 31% of the total loan portfolio was retail and 24% was SME.

**Figure 10- Loan Breakdown by Subsector**



**Figure 11- Retail Dominates Loan Portfolio**

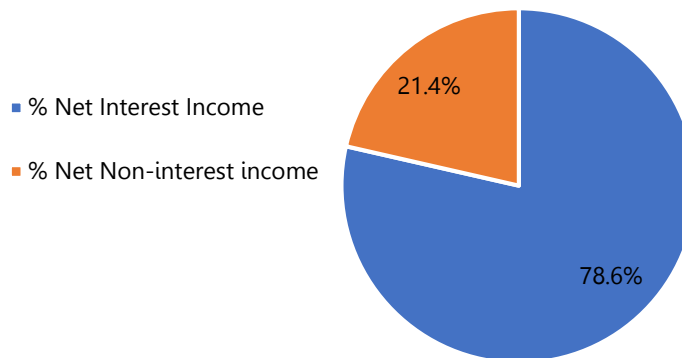


Source: Company Data

### Revenue mix

Net interest income makes up close to 80% of operating revenues. We expect fee income growth to be driven largely by cashless payments and bancassurance. BID partners with Metlife in bancassurance.

**Figure 12- Revenue Mix**



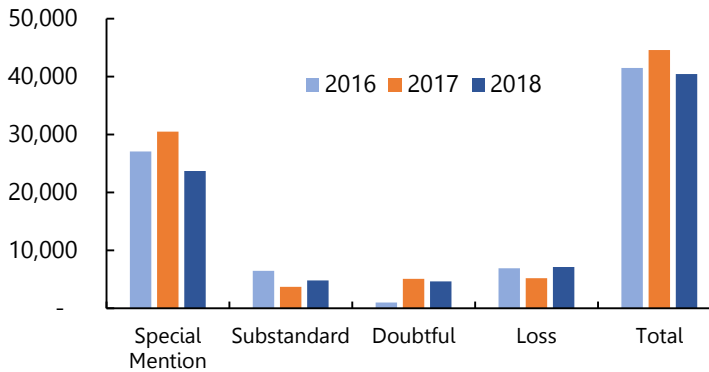
Source: Company Data (2017)

**Cashless payment drives fee income.** In Resolution 02/NQ-CP, the Government has required all schools, hospitals, and utility services companies (electricity, water, and

telecom) in urban areas to adopt cashless payments before December 2019. This will be a key fee income driver for BID given its large base of retail clients.

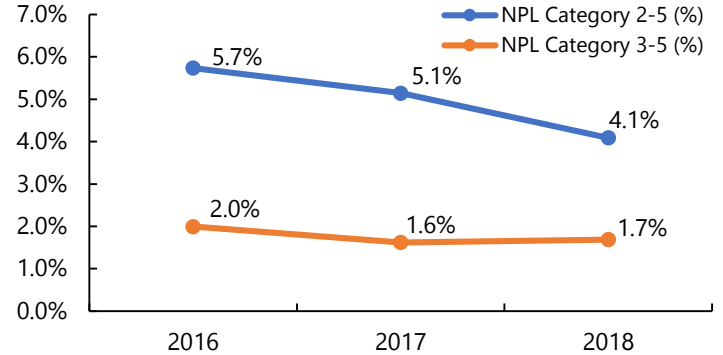
**Credit quality has been improving.** Non-performing loans (NPLs) including special mention loans (SMLs) decreased 10.3% YoY in 2018P. As a result, the NPL ratio has decreased from 2.0% in 2016 to 1.7% in 2018E. Adding SMLs to the numerator, the ratio fell from 5.7% to 4.1% in the same period.

Figure 13- NPL Category 2-5 (VND bn)



Source: Company Data

Figure 14- NPL Ratio Declining (%)



Source: Company Data

**Relative low cost to income ratio (CIR) compare to peers.** BID's CIR decreased from 43.8% in 2017 to 40.0% in 2018, slightly below the industry average CIR of about 41%. We expect cost to trend higher growth in 2019-21E due to the technology costs related to the SBV requirement for banks to replace magnetic cards with chip-enabled cards. Of course, all banks face this challenge, as well as costs related to core banking system upgrades to adopt Basel II.

**FINANCIAL STATEMENTS**

<b>Income Statement</b>							
<b>(Quarterly)</b>	<b>1Q.18</b>	<b>2Q.18</b>	<b>3Q.18</b>	<b>4Q.18P</b>	<b>1Q.19E</b>	<b>QoQ %</b>	<b>YoY %</b>
Net Interest Income	9,166	8,321	8,151	9,340	10,658	14.1%	16.3%
Interest Income	22,163	22,190	22,180	23,563	25,095	6.5%	13.2%
Interest Expense	12,998	13,869	14,029	14,224	14,437	1.5%	11.1%
Non-Interest Income (NII)	1,515	1,425	1,445	1,328	1,625	22.4%	7.3%
Fee Income	745	976	820	1,009	1,211	20.0%	62.5%
Other NII	769	449	624	318	414	30.0%	-46.2%
Other Income	598	998	1,270	957	1,196	25.0%	100.0%
Total Operating Income	11,278	10,744	10,866	11,624	13,479	16.0%	19.5%
Total Operating Costs	2,780	4,199	4,242	4,878	5,365	10.0%	93.0%
Pre-Provision Profit	8,499	6,545	6,624	6,747	8,114	20.3%	-4.5%
Provisions	6,013	3,994	4,340	4,528	5,434	20.0%	-9.6%
Profit Before Tax	2,486	2,551	2,284	2,218	2,680	20.8%	7.8%
Income Tax	465	510	473	493	536	8.6%	15.4%
Net Profit	2,021	2,041	1,810	1,725	2,144	24.3%	6.1%
Minorities	43	77	57	11	43	289.2%	-0.2%
Reported Profit	1,978	1,964	1,753	1,714	2,101	22.6%	6.2%
<b>Balance Sheet (Quarterly)</b>							
	<b>1Q.18</b>	<b>2Q.18</b>	<b>3Q.18</b>	<b>4Q.18P</b>	<b>1Q.19E</b>	<b>QoQ %</b>	<b>YoY %</b>
Cash and precious metals:	9,442	8,714	8,722	10,508	10,791	2.7%	14.3%
Balances at Central Banks:	33,804	20,931	34,107	50,185	51,537	2.7%	52.5%
Loans and Advances to Banks:	119,261	101,896	81,843	104,113	106,918	2.7%	-10.3%
ST & Long Term Investments:	162,944	184,643	154,249	136,430	140,106	2.7%	-14.0%
Gross Loans:	878,753	929,168	968,752	988,739	1,006,172	1.8%	14.5%
(-) Specific Provisions:	4,975	4,870	7,673	5,134	5,696	11.0%	14.5%
(-) General Provisions:	6,489	6,876	7,154	7,191	7,546	4.9%	16.3%
Total provisions:	11,463	11,745	14,827	12,325	13,242	7.4%	15.5%
<b>Net Loans:</b>	<b>867,290</b>	<b>917,423</b>	<b>953,925</b>	<b>976,414</b>	<b>992,930</b>	<b>1.7%</b>	<b>14.5%</b>
Property, Plant and Equipment:	5,801	5,862	5,801	6,352	6,956	9.5%	19.9%
Intangible Assets:	4,357	4,322	4,279	4,314	4,351	0.8%	-0.1%
Accrued interests:	11,203	11,551	11,889	11,897	11,897	0.0%	6.2%
Deferred tax:	36	33	33	34	34	0.0%	-4.7%
Other Assets:	12,805	13,175	13,564	12,789	12,789	0.0%	-0.1%
<b>Investment Properties:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Assets:</b>	<b>1,226,943</b>	<b>1,268,549</b>	<b>1,268,413</b>	<b>1,313,038</b>	<b>1,338,310</b>	<b>1.9%</b>	<b>9.1%</b>
Deposits:	910,053	964,543	953,513	989,671	1,016,336	2.7%	11.7%
Due to SBV:	81,335	72,982	84,628	105,297	107,154	1.8%	31.7%
Due to Banks:	78,920	78,010	74,094	79,198	80,595	1.8%	2.1%
Subordinated Notes:	64,809	57,504	56,208	39,991	39,991	0.0%	-38.3%
Investment Trust;							
Derivatives:	11,727	11,903	11,995	12,296	12,513	1.8%	6.7%
Other Liabilities:	29,295	30,509	34,255	31,890	24,928	-21.8%	-14.9%
<b>Total Liabilities:</b>	<b>1,176,139</b>	<b>1,215,451</b>	<b>1,214,693</b>	<b>1,258,345</b>	<b>1,281,516</b>	<b>1.8%</b>	<b>9.0%</b>
APIC & Share Premium:	34,370	34,370	34,397	34,397	34,397	0.0%	0.1%
Reserves:	4,455	4,596	4,599	4,618	4,618	0.0%	3.7%
Retained Earnings:	8,931	10,724	11,213	12,483	14,584	16.8%	63.3%
FX diff:	74	321	360	157	157	0.0%	112.1%
<b>Total Equity:</b>	<b>47,830</b>	<b>50,010</b>	<b>50,568</b>	<b>51,654</b>	<b>53,755</b>	<b>4.1%</b>	<b>12.4%</b>
Minority Interests:	2,974	3,087	3,152	3,039	3,039	0.0%	2.2%
<b>Total Liabilities &amp; Equity:</b>	<b>1,226,943</b>	<b>1,268,549</b>	<b>1,268,413</b>	<b>1,313,038</b>	<b>1,338,310</b>	<b>1.9%</b>	<b>9.1%</b>

Source: Company Data, Yuanta Vietnam;

Unit: VND bn

Income Statement (Annually):	Units:	Historical		Projected		
		FY17A	FY18P	FY19E	FY20E	FY21E
(+) Interest Income:	VND bn	78,629	90,074	103,224	120,943	141,218
(-) Interest Expense:	VND bn	(47,673)	(55,118)	(60,679)	(69,546)	(80,788)
Total Net Interest Income:	VND bn	30,955	34,956	42,545	51,397	60,430
Adj. Total Net Non-Interest Income:	VND bn	4,455	5,384	6,419	7,648	9,398
Adj. Revenue (Net Operating Income):	VND bn	35,410	40,340	48,965	59,045	69,828
Total Non-Interest Expenses:	VND bn	(15,504)	(16,124)	(19,349)	(22,777)	(25,964)
Adj. Pre-provisioning Operating Income:	VND bn	19,906	24,216	29,571	36,268	43,865
Adj. Total Provisions:	VND bn	(11,240)	(14,743)	(17,366)	(17,822)	(22,163)
Adj. Pre-Tax Income:	VND bn	8,665	9,473	12,204	18,446	21,702
(-) Income Tax Expense / (+) Tax Benefit:	VND bn	(1,720)	(1,931)	(2,441)	(3,689)	(4,340)
Reported Net Income after tax:	VND bn	6,946	7,542	9,763	14,757	17,362
(-) Minority Interest	VND bn	(159)	(184)	(225)	(339)	(399)
(-) Other Funds:	VND bn	(1,664)	(1,810)	(2,343)	(3,542)	(4,167)
Adj. Net Income to Common:	VND bn	5,122	5,548	7,196	10,876	12,795
Weighted Average Shares:	M Shares	3,419	3,419	3,720	4,022	4,022
Ending Common Shares:	M Shares	3,419	3,419	4,022	4,022	4,022
Reported Earnings Per Share (EPS):	VND / Share	2,032	2,206	2,624	3,669	4,317
Adjusted Diluted EPS	VND / Share	1,498	1,623	1,934	2,704	3,181
DPS	VND / Share	745	731	870	1,298	1,622

Balance Sheet (Annually)	Units:	Historical		Projected		
		FY17A	FY18P	FY19E	FY20E	FY21E
<b>ASSETS:</b>						
Cash and Balances at Central Banks:	VND bn	37,622	60,693	50,550	58,919	68,726
Loans and Advances to Banks:	VND bn	118,355	104,113	129,608	151,065	176,210
Investment Securities - Available for Sale:	VND bn	156,091	133,817	173,327	202,021	235,648
Investment in Associates:	VND bn	2,580	2,614	3,052	3,557	4,149
Derivative Financial Instruments:	VND bn	194	80	93	109	127
Gross Loans:	VND bn	866,885	988,739	1,140,597	1,321,918	1,532,840
(-) Specific Provisions:	VND bn	(5,077)	(5,134)	(11,193)	(19,068)	(28,905)
(-) General Provisions:	VND bn	(6,273)	(7,271)	(8,554)	(9,914)	(11,496)
Total provisions:	VND bn	(11,350)	(12,405)	(19,748)	(28,982)	(40,401)
Net Loans:	VND bn	855,536	976,334	1,120,849	1,292,936	1,492,439
Property, Plant and Equipment (PP&E):	VND bn	5,949	6,352	6,924	7,547	8,226
Intangible Assets:	VND bn	4,399	4,314	4,314	4,314	4,314
Accrued interests:	VND bn	9,480	11,897	11,897	11,897	11,897
Deferred tax:	VND bn	36	34	34	34	34
Other Assets:	VND bn	12,043	12,789	13,429	14,100	14,805
<b>Total Assets:</b>	<b>VND bn</b>	<b>1,202,284</b>	<b>1,313,038</b>	<b>1,514,079</b>	<b>1,746,500</b>	<b>2,016,577</b>
<b>LIABILITIES &amp; EQUITY:</b>						
Deposits:	VND bn	859,985	989,671	1,155,515	1,346,809	1,570,989
Due to Banks:	VND bn	169,514	184,496	171,090	198,288	229,926
Subordinated Notes:	VND bn	83,738	39,991	39,991	39,991	39,991
Investment Trust; Derivatives & others:	VND bn	11,723	12,296	14,185	16,440	19,063
Other Liabilities:	VND bn	28,489	31,890	55,342	61,361	66,726
Total Liabilities:	VND bn	1,153,450	1,258,345	1,436,122	1,662,888	1,926,695
Share Capital & Share Premium:	VND bn	34,370	34,397	53,702	53,702	53,702
Reserves:	VND bn	4,446	4,618	4,618	4,618	4,618
Retained Earnings:	VND bn	7,092	12,483	16,441	22,096	28,366
Minorities Interest:	VND bn	2,873	3,039	3,039	3,039	3,039
FX Effect:	VND bn	54	157	157	157	157
Total Equity:	VND bn	48,834	54,693	77,956	83,612	89,882
<b>Total Liabilities &amp; Equity:</b>	<b>VND bn</b>	<b>1,202,284</b>	<b>1,313,038</b>	<b>1,514,079</b>	<b>1,746,500</b>	<b>2,016,577</b>

<b>Selected Calculated Ratios</b>	<b>FY17A</b>	<b>FY18P</b>	<b>FY19E</b>	<b>FY20E</b>	<b>FY21E</b>
<b>GROWTH PROJECTIONS (YoY)</b>					
Net interest income	32.3%	12.9%	21.7%	20.8%	17.6%
Fee Income	18.0%	19.7%	18.1%	20.8%	26.4%
Other NII	-17.4%	23.1%	21.3%	15.9%	16.0%
Operating costs	14.6%	4.0%	20.3%	17.4%	14.0%
Provision	61.4%	27.3%	17.7%	5.2%	22.0%
Pre-provision profit	40.4%	21.7%	22.1%	22.6%	20.9%
Adjusted Net profit	11.4%	8.3%	29.7%	51.1%	17.7%
Assets	19.5%	9.2%	15.3%	15.4%	15.5%
<b>ASSET ANALYSIS</b>					
Earning assets to total assets	95%	93%	95%	96%	96%
Average Returns on Earnings Assets	0.49%	0.47%	0.54%	0.70%	0.71%
<b>LOAN ANALYSIS</b>					
Loan growth (% YoY)	20%	14%	15%	15%	15%
Loans to Interest Earnings Assets	75%	80%	78%	77%	77%
<b>DEPOSIT ANALYSIS</b>					
Deposit growth (YoY %)	18%	15%	17%	17%	17%
Deposits to Interest Bearing Liabilities	89%	95%	99%	99.7%	100.2%
<b>LIQUIDITY</b>					
LDR	99%	99%	97%	96%	95%
<b>ASSET QUALITY</b>					
NPL (Category 3-5) (VND bn)	14,064	16,698	21,722	30,431	40,401
NPL ratio	1.62%	1.69%	1.94%	2.35%	2.71%
General Provisions to Gross loans	0.72%	0.74%	0.75%	0.75%	0.75%
Total provisions to Gross loans	1.31%	1.25%	1.73%	2.19%	2.64%
<b>SPREAD ANALYSIS</b>					
Int. rate received on Average IEA	7.55%	7.61%	7.73%	7.76%	7.80%
Int. rate paid on ttl funds	5.36%	5.49%	5.50%	5.53%	5.54%
Interest rate spread	2.20%	2.11%	2.23%	2.23%	2.26%
Net interest income / average IEAs (NIM)	2.97%	2.95%	3.19%	3.30%	3.34%
<b>OTHER INCOME</b>					
Fee income to total income	8%	9%	9%	9%	9%
Other non-interest income to total Income	4%	5%	5%	4%	4%
<b>OPERATING EFFICIENCY</b>					
Cost to income ratio	43.8%	40.0%	39.6%	38.6%	37.2%
<b>CREDIT COSTS</b>					
Provision/avg. assets	0.94%	0.94%	1.30%	1.66%	2.00%
<b>PROFITABILITY</b>					
Pre provision ROA	1.66%	1.84%	1.95%	2.08%	2.18%
Pre provision ROE	40.8%	44.3%	37.9%	43.4%	48.8%
ROA	0.63%	0.60%	0.69%	0.91%	0.92%
ROE	14.9%	14.6%	14.7%	18.3%	20.0%
Dividend payout ratio	50%	45%	45%	48%	51%
Dividend yield	2.2%	2.2%	2.6%	3.9%	4.8%
<b>VALUATIONS</b>					
PER (x)	16.5x	15.2x	12.8x	9.2x	7.8x
PBR (x)	2.35x	2.10x	1.73x	1.62x	1.50x

Source: Company Data, Yuanta Vietnam

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<b>Ratings</b>	<b>Total expected return within the next 12 months</b>
<b>BUY</b>	Above 10%
<b>HOLD</b>	Between -10% to +10%
<b>SELL</b>	Below 10%

**BUY:** We have a positive outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors add to their position.

**HOLD-Outperform:** In our view, the stock's fundamentals are relatively more attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

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**SELL:** We have a negative outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors reduce their position.

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