

## BIDV (BID VN)

*Hana deal remains the key catalyst*

### BUY

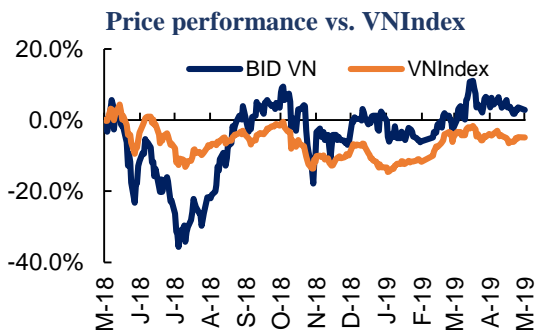
Current price (05-02-2019): VND 34,500

**Target price: VND 38,713**

**Upside: 12.2%**

**Summary:** Capital raising was the key topic of BID's April 26 AGM. The deal with KEB Hana Bank remains on the card, but its exact timing remains unclear. We believe that the deal will go through this year given the urgency to comply with the Basel II protocols. 1Q19 PAT of VND2trn (+17.4% QoQ / +0.2% YoY) achieved 21% of our full year earnings forecast. We reiterate our Buy rating, which is based on the assumption that the deal will go through in 2019.

52-week Price Range	Market Capitalization	FY19E Dividend Yield	Remaining Foreign Room	Free-float	ATDV 3-month
VND 21,600 – 37,300	USD 5.1 bn	2.6%	26.9%	4.4%	USD 2.1 mn



#### 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.

#### Tanh Tran

Bank Analyst

Tel: +84 28 3622 6868 (3874)

[tanh.tran@yuanta.com.vn](mailto:tanh.tran@yuanta.com.vn)

**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.

#### BID's 1Q19A results at a glance

	VND bn	QoQ chg	YoY chg
Net II	8,545	-8.5%	-6.8%
Fees	876	-13.2%	17.6%
Investment inc	20	-93.9%	-97.5%
Adj. Rev	9,441	-11.5%	-11.6%
Opex	2,998	-38.5%	7.9%
<b>Adj PPOp</b>	<b>6,443</b>	<b>11.3%</b>	<b>-18.4%</b>
Provisioning	5,187	14.5%	-13.7%
"Other inc"	1,264	32.2%	111.4%
Adj. credit costs	3,922	9.8%	-27.6%
PBT	2,521	13.6%	1.4%
PAT	2,025	17.4%	0.2%

**Net interest income (-8.5% QoQ / -6.8% YoY) in 1Q19.** Loan growth jumped by 16.6% YoY while deposits increased by only 11.5% YoY. Deposit interest expense increased (+0.03ppt QoQ/+0.19 ppt YoY) while asset yields fell sequentially (-0.06 ppt QoQ/+0.08ppt YoY), which pushed down NIM. We believe that wholesale funding cost will decline after the capital issuance given the lower balance sheet risk.

**Fee income (-13.2% QoQ but +17.6% YoY).** The details are unclear but the YoY number was certainly impressive.

**Cost to adjusted revenues** declined by 13.9ppt QoQ but increased by 5.7ppt YoY to reach 31.8% in 1Q19A. Our adjusted revenue number does not include "other income" given the distorting influence of loan loss recoveries, which are not stable revenues.

**Provision cost (+14.5% QoQ / -13.7% YoY)** resulted in a slight PBT increase of 1.4% YoY despite the YoY declines in net interest income (-6.8%) and non-interest income (-40.8% YoY). However, provisioning costs should rise later in the year as BID cleans up its remaining VAMC exposure of VND 6,462 bn in 2019E. However, that should clear the decks for reduced provisioning starting in 2020E.

**KEB-Hana deal is still on the card.** Regulatory procedures and price considerations may have put the deal on hold temporarily. However, we believe that the deal will go through this year given that it is crucial to increasing BID's CAR to meet the Basel II standards.

**We reiterate our BUY rating** as outlined in our initiation report "[Time to make a BID](#)".

#### BID's 2019E guidance

	VND bn	YoY chg	Vs. our estimate
Gross loan	1,107	+12%	-3%
Deposit	1,098	+11%	-5%
PBT	12,204	+26%	-16%
NPL ratio	< 2%		

<b>Income Statement (Quarterly)</b>	<b>1Q.18</b>	<b>2Q.18</b>	<b>3Q.18</b>	<b>4Q.18</b>	<b>1Q.19</b>	<b>% QoQ</b>	<b>%YoY</b>
<b>Net Interest Income</b>	<b>9,166</b>	<b>8,321</b>	<b>8,151</b>	<b>9,340</b>	<b>8,545</b>	<b>-8.5%</b>	<b>-6.8%</b>
Interest Income	22,163	22,190	22,180	23,563	23,492	-0.3%	6.0%
Interest Expense	12,998	13,869	14,029	14,224	14,947	5.1%	15.0%
<b>Non-Interest Income (NII)</b>	<b>1,515</b>	<b>1,425</b>	<b>1,445</b>	<b>1,328</b>	<b>896</b>	<b>-32.5%</b>	<b>-40.8%</b>
Fee Income	745	976	820	1,009	876	-13.2%	17.6%
Other NII	769	449	624	318	20	-93.9%	-97.5%
<b>Total Operating Income</b>	<b>10,680</b>	<b>9,746</b>	<b>9,596</b>	<b>10,668</b>	<b>9,441</b>	<b>-11.5%</b>	<b>-11.6%</b>
Total Operating Costs	2,780	4,199	4,242	4,878	2,998	-38.5%	7.9%
<b>Pre-Provision Profit</b>	<b>7,901</b>	<b>5,547</b>	<b>5,353</b>	<b>5,790</b>	<b>6,443</b>	<b>11.3%</b>	<b>-18.4%</b>
Provisions	6,013	3,994	4,340	4,528	5,187	14.5%	-13.7%
Other Income	598	998	1,270	957	1,264	32.2%	111.4%
<b>Profit Before Tax</b>	<b>2,486</b>	<b>2,551</b>	<b>2,284</b>	<b>2,218</b>	<b>2,521</b>	<b>13.6%</b>	<b>1.4%</b>
Income Tax	465	510	473	493	496	0.5%	6.8%
<b>Net Profit</b>	<b>2,021</b>	<b>2,041</b>	<b>1,810</b>	<b>1,725</b>	<b>2,025</b>	<b>17.4%</b>	<b>0.2%</b>
Minorities	43	77	57	11	55	402.6%	28.9%
Reported Profit	<b>1,978</b>	<b>1,964</b>	<b>1,753</b>	<b>1,714</b>	<b>1,969</b>	<b>14.9%</b>	<b>-0.4%</b>

<b>OROA Analysis (Annualized)</b>	<b>4Q.16</b>	<b>1Q.17</b>	<b>2Q.17</b>	<b>3Q.17</b>	<b>4Q.17</b>	<b>1Q.18</b>	<b>2Q.18</b>	<b>3Q.18</b>	<b>4Q.18P</b>	<b>1Q19A</b>
NIM	2.67%	2.68%	2.70%	3.24%	2.73%	3.02%	2.67%	2.57%	2.89%	2.57%
Fees / adjusted revenues	9.6%	7.5%	10.1%	7.1%	8.7%	7.0%	10.0%	8.5%	9.5%	9.3%
Trading / adjusted revenues	8.7%	3.9%	3.2%	5.5%	7.3%	7.2%	4.6%	6.5%	3.0%	0.2%
Total adj non-int inc / adj revenues	18.3%	11.3%	13.3%	12.6%	16.0%	14.2%	14.6%	15.1%	12.4%	9.5%
Cost / adjusted revenues	56.6%	42.5%	43.7%	33.6%	54.6%	26.0%	43.1%	44.2%	45.7%	31.8%
Adjusted PPOP / Assets	1.4%	1.7%	1.8%	2.5%	1.5%	2.6%	1.8%	1.7%	1.8%	1.9%
Reported provisioning / Assets	0.9%	0.9%	1.5%	2.0%	1.0%	2.0%	1.3%	1.4%	1.4%	1.6%
"Other income" / Assets	0.2%	0.1%	0.3%	0.2%	0.6%	0.2%	0.3%	0.4%	0.3%	0.4%
Net adjusted credit costs / assets	0.6%	0.8%	1.2%	1.8%	0.4%	1.8%	1.0%	1.0%	1.1%	1.2%
<b>OROA</b>	<b>0.78%</b>	<b>0.90%</b>	<b>0.53%</b>	<b>0.67%</b>	<b>1.07%</b>	<b>0.82%</b>	<b>0.82%</b>	<b>0.72%</b>	<b>0.69%</b>	<b>0.76%</b>
Leverage (x)	24	23	24	25	26	26	26	25	25	25
ROE	18%	21%	13%	17%	28%	21%	21%	18%	17%	19%

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>

Source: Yuanta Vietnam

# APPENDIX I: TERMS FOR PROVISION OF REPORT, DISCLAIMERS AND DISCLOSURES

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

Ratings	Total expected return within the next 12 months
<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.

**HOLD-Underperform:** In our view, the stock’s fundamentals are relatively less 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.

**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.

**Under Review:** We actively follow the company, although our estimates, rating and target price are under review.

**Restricted:** The rating and target price have been suspended temporarily to comply with applicable regulations and/or Yuanta policies.

*Note: Yuanta research coverage with a Target Price is based on an investment period of 12 months. Greater China Discovery Series coverage does not have a formal 12 month Target Price and the recommendation is based on an investment period specified by the analyst in the report.*

**Global Disclaimer**

© 2018 Yuanta. All rights reserved. The information in this report has been compiled from sources we believe to be reliable, but we do not hold ourselves responsible for its completeness or accuracy. It is not an offer to sell or solicitation of an offer to buy any securities. All opinions and estimates included in this report constitute our judgment as of this date and are subject to change without notice.

This report provides general information only. Neither the information nor any opinion expressed herein constitutes an offer or invitation to make an offer to buy or sell securities or other investments. This material is prepared for general circulation to clients and is not intended to provide tailored investment advice and does not take into account the individual financial situation and objectives of any specific person who may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities, investments or investment strategies discussed or recommended in this report. The information contained in this report has been compiled from sources believed to be reliable but no representation or warranty, express or implied, is made as to its accuracy, completeness or correctness. This report is not (and should not be construed as) a solicitation to act as securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on such business in that jurisdiction.

Yuanta research is distributed in the United States only to Major U.S. Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended and SEC staff interpretations thereof). All transactions by a US person in the securities mentioned in this report must be effected through a registered broker-dealer under Section 15 of the Securities Exchange Act of 1934, as amended. Yuanta research is distributed in Taiwan by Yuanta Securities Investment Consulting. Yuanta research is distributed in Hong Kong by Yuanta Securities (Hong Kong) Co. Limited, which is licensed in Hong Kong by the Securities and Futures Commission for regulated activities, including Type 4 regulated activity (advising on securities). In Hong Kong, this research report may not be redistributed, retransmitted or disclosed, in whole or in part or and any form or manner, without the express written consent of Yuanta Securities (Hong Kong) Co. Limited.

## YUANTA SECURITIES NETWORK



## YUANTA SECURITIES VIETNAM OFFICE

**Head office:** 4<sup>th</sup> Floor, Saigon Centre, Tower 1, 65 Le Loi Boulevard, Ben Nghe Ward, District 1, HCMC, Vietnam

### Institutional Research

**Matthew Smith, CFA**  
 Head of Research  
 Tel: +84 28 3622 6868 (ext. 3815)  
[matthew.smith@yuanta.com.vn](mailto:matthew.smith@yuanta.com.vn)

**Quang Vo**  
 Analyst (Consumer)  
 Tel: +84 28 3622 6868 (ext. 3872)  
[quang.vo@yuanta.com.vn](mailto:quang.vo@yuanta.com.vn)

**Tanh Tran (Banks)**  
 Senior Analyst  
 Tel: +84 28 3622 6868 (3874)  
[tanh.tran@yuanta.com.vn](mailto:tanh.tran@yuanta.com.vn)

**Tam Nguyen**  
 Analyst (Property)  
 Tel: +84 28 3622 6868 (ext. 3874)  
[tam.nguyen@yuanta.com.vn](mailto:tam.nguyen@yuanta.com.vn)

### Institutional Sales

**Huy Nguyen**  
 Head of Institutional sales  
 Tel: +84 28 3622 6868 (3808)  
[Huy.nguyen@yuanta.com.vn](mailto:Huy.nguyen@yuanta.com.vn)

**Duyen Nguyen**  
 Sales Trader  
 Tel: +84 28 3622 6868 (ext. 3890)  
[duyen.nguyen@yuanta.com.vn](mailto:duyen.nguyen@yuanta.com.vn)