BIDV Bank (BID VN)

Keep an eye on the NPL numbers

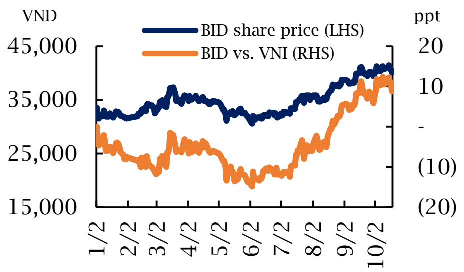
HOLD-Outperform

TP upside (downside) -4%

Close 24 Oct 2019

Price	VND 40,300
12M Target	VND 38,713

Share price performance relative to VNI



Source: Bloomberg

Market cap	US$6 bn
6M avg. daily turnover	US$1.7 mn
Outstanding shares	3,419 mn
Free float	4%
FINI ownership	3.4%
Major shareholders	95.3%
2019E Asset/Equity (*)	19.4x
2019E P/E (*)	14.9x
2019E P/B (*)	2.1x
FOL Room	26.6%

Source: Bloomberg, (*) Yuanta Vietnam

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Event

- 3Q19 PBT was VND2.3 tn (+6% QoQ and +2% YoY).
- 3Q19 NPL ratio of 2.09% was up 19bps vs. 2018A

Our Take

Low credit growth YTD, but expect acceleration in 4Q19. Credit growth was relatively tepid at 8.6% YTD. But management expects the new capital from KEB Hana in Oct 2019, which should move BID toward Basel II compliance. Thus, we expect the SBV to grant BID an increased credit quota (i.e.15%) for the full year. 3Q19 net interest income was VND8.8 tn (-4% QoQ / +7% YoY) and 9M19 NII was VND26.4 tn (+3.1% YoY). 9M19 NIM was 2.05% (-11bps YoY).

3Q19 fee income was VND1.1 tn (-4% QoQ / but +28% YoY), and 9M19 was VND3.0 tn (+19% YoY). Other non-interest income declined -32% YoY in 9M19, mainly due to stock trading gains (-62% YoY) and stock investment losses of -VND266 bn YTD (vs a gain of +VND221 bn in 9M18). This year's stock investment losses have occurred during each quarter YTD.

Cost efficiency improved. 3Q19 operating expenses were VND3.5 tn (-16.7% QoQ / - 17.2% YoY) and 9M19 OPEX was down 5% YoY. The efficiency improvement was mainly due to a reduction in staff cost (-12.4% YoY) in 9M19. YTD CIR was 38% (-2ppt vs. 2018A).

3Q19 PBT was VND2.3 tn (+6% QoQ / +2% YoY) and 9M19 PBT was VND7.0 tn (+3% YoY). BID has fulfilled 67% of its full-year target, 58% of our 2019E forecast, and 64% of Bloomberg consensus PBT.

Asset quality trends are a mix. BID's 3Q19 NPL ratio was 2.09%, 19bps higher than that of 2018A. Category 5 NPLs jumped 70% YTD, while Categories 2-5 NPLs (which includes special mention loans) was 4.62% YTD (+39 bps). By contrast, BID has actively reduced its VAMC exposure, which is a positive signal. The bank has not reported full details, but we estimate net VAMC bonds of VND2.2 tn in 3Q19 (-65% YTD).

Mixed results with negative NPL trends but positive trends in in cost efficiency and VAMC exposure. We are positive on the KEB-Hana Bank deal in the long term given BID's thirst for capital to fund growth. We have a HOLD-Outperform rating but acknowledge that the strong price performance since the deal's announcement means that BID currently exceeds our target price. For more details on our view, please see our March initiation note titled "Time to make a BID".

Appendix A: Important Disclosures

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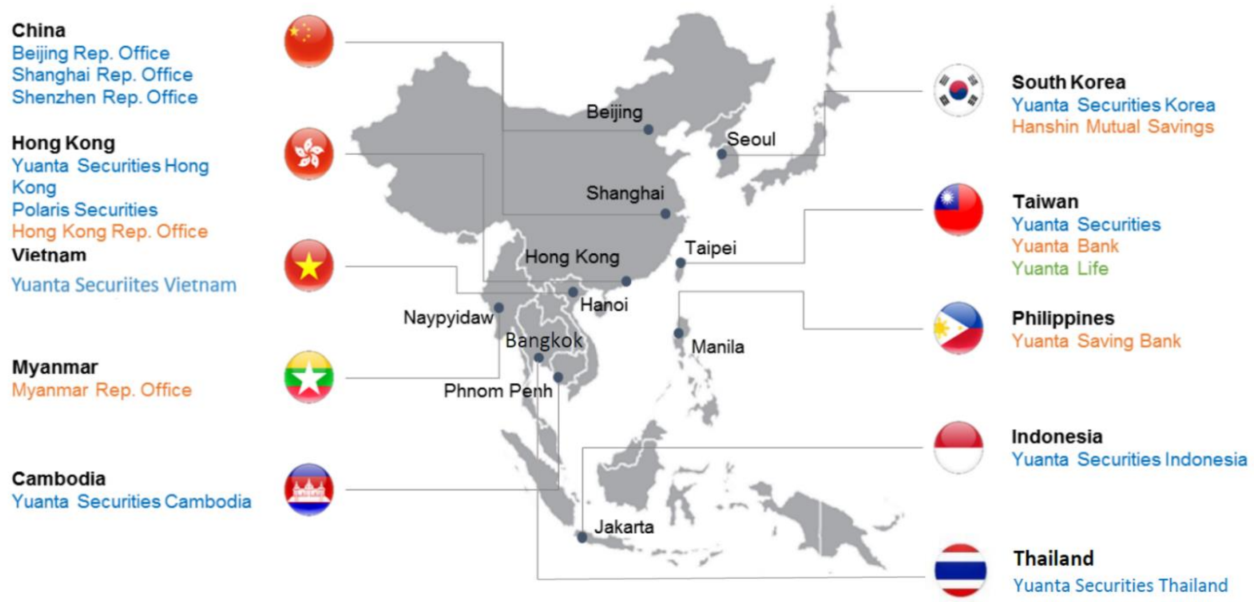

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