

13, March, 2018

### Recommendation

**BUY**

Tuoi Tran (Fundamental)

[tuoith@bsc.com.vn](mailto:tuoith@bsc.com.vn)

Target price	17,300
Closed price	15,000
Upside	15%

Hung Tran (Technical)

[hwngett@bsc.com.vn](mailto:hwngett@bsc.com.vn)

Target price
Cut loss

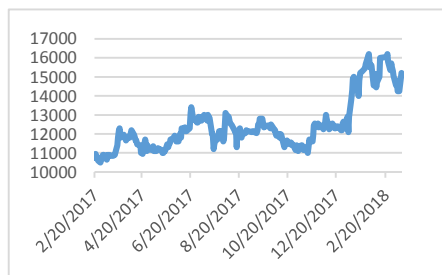
### Market data

Outstanding shares (mil)	1.2
Market cap (VND. bil)	17,519
Highest of 52 weeks	16,660
Avg Vol 10 days (shares)	664,191
Foreign ownership	

### Major shareholders (%)

SMBC	15%
VCB	8.19%
VOF	4.93%
ACBS	3.93%
SJC	2.07%

### Chart (1 year)



**Overviews:** EIB's chartered capital was VND 12 trillion. The bank is under restructuring since 2014. At the end of 2017, EIB deleted accumulate loss and focus on handling NPLs and other backlogs.

### Valuation

At March 13, 2018, EIB was traded at VND 15,000 per share, equivalent to P/B of 1.32x, which is lower than the median P/B of listed banks (1.88x). We recommend to **BUY** EIB with the target price of VND 17,300 per share, equivalent to P/B of 1.5x. We had a meeting with EIB's representatives and had the following notes:

### Business Plan:

In short term, EIB focuses on boosting asset growth, credit growth and NPL solution. In long term, the bank sets target of CAGR of loans of 20% annual, NIM of 2.8% and NPL ratio including debts sold to VAMC decreasing to 2.8% from 6.41% at present.

### Catalysts:

- Writing off accumulate losses; EIB is permitted for margin trading.
- Handling NPLs and other backlogs quickly.
- Divesting STB records VND 500bn of EBT
- Recovering in core business activities and credit growth.

### Investment risks

- Fail to meet the restructuring targets
- Worsen in core business activities

### Company update (more details in page 2)

- Core business has recovered since the third quarter, 2017. Lending grew by 16.61% yoy, the strongest increase from 2014. PAT reached VND 823bn, the highest level from 2013. By the end of 2017, EIB officially wrote off accumulate loss.
- EIB targets to make strong provision for the NPLs in 3 years starting from 2018. We estimate total bad debts of the bank is VND 8.7tn, equivalent to 62% of shareholders' capital. The bank expects to record provision reversal in 2018.
- Business plan

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## Company Update

**Core business has recovered since the third quarter, 2017.** PAT was VND 823bn. EIB deleted accumulative loss. Profit grew mainly due to deep decrease in provision expenses.

- **Credit jumped by 16.61% ytd in 2017**, to VND 101 trillion. After a long time of barely no growth in credit loan (2014 – 1H.2017), 3Q.2017, loans increase slightly. Retail loans, which accounted for 48% of total loans, are main driver of EIB profit.
- **Asset surged by 15.66% ytd.** This is the highest growth since 2013, after a period of contraction in 2013 - 2015 and slight growth by 3.17% in 2016. Deposits from customers increased by 14.84% ytd.
- **Profit before provision reached VND 1,622 bn, up by 9.59%.** (1) Other income from recovery of off-balance sheet NPLs, which increases sharply from VND 58 billion in 2016 to VND 441 billion in 2017, contributes large proportion to operating profits. (2) On the contrary, the average deposit rate stepped up to 5.27% from 4.78% while lending rate remained at 8.27%. Therefore, NIM shrank from 2.64% in 2016 to 2.06% in 2017, NII down by 13% yoy. Compared to other commercial joint stock banks, deposit interest rate of EIB is high, the bank should control its costs.
- **EIB wrote off accumulates losses.** Profits after tax recorded VND 823 bn, up by 166%, mainly due to 44% yoy decrease in provision expenses. (1) NPLs decrease by 10% to VND 2,298 bn in 2017, EIB is good at control new loans. (2) Most of the loans are secured by real estate, which is improving in value. (3) EIB repurchase and recover some of VAMC bonds. (4) Some VAMC bonds is provision in 5 years, other in 10 years. According to bank representatives, EIB continues make a provision of 0.6-0.9% of total debts.
- **However, profitability is still low.** NIM is 2.06%, much lower than the industry average of 3.36%, while CIR is high at 57.63%. ROA, ROE are low, 0.59% and 5.94% respectively, lower than the average of listed banks (0.83% and 13.46% respectively).

**Asset quality is likely to improve but the NPLs coverage ratio is still too low.**

- **NPLs decreased** at both absolute and relative value. At the end of 2017, bad debts reduced by 10% yoy, to VND 2,298 bn. NPLs rate is 2.71% vs 2.95% at the end of 2016. The bank representatives reveal that most of new loans in 2017 were short term and were well controlled in term of bad debts.
- **VAMC bond value dropped.** Net value of VAMC bonds was VND 5,992 billion, decreased by VND 1,038 billion compared to 2016.
- **However, loan loss provision coverage ratio is maintained at low levels**, at 46% by the end of 2017, We think that EIB shall make a higher coverage ratio for healthier financial position.

**Nonperforming loans solution plan in the next 3 years.** According to our estimate, doubtful asset totaled VND 9,751bn, equivalent to 68% equity. Of which, bad assets was VND 8,785 bn, including VND 2,298 bn nonperforming loans, VND 4,487 bn net value of VAMC bonds, and VND 2,000 bn of foreclosed assets. EIB was inspected and controlled from 2014, therefore, the worst assets were revealed, resulting a low possibility of a new high value nonperforming loans. Moreover, EIB expects to record provision reversal if they meet NPL solution plan. NPLs is handled through (1) Off balance sheet for 5-year or longer term NPLs;

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(2) restructuring AMC and transfer ½ amount of NPLs to AMC; (3) repurchasing loans sold to VAMC, making provision account for more than 30% amount of loans, recovering more than 50% of debts sold to VAMC.

**Business plan.** EIB set target of 20% of annual asset growth mainly. In which, retail lending aim to grow 20% per year in the 3 years. NIM is targeted to improve to 2.8% due to (1) lower funding raising cost, assign expected NIM to single operating department; (2) lending rate of house loans go up thanks to ending preferential interest rate period; (3) EIB boost unsecured loans which lending rate is higher than secured one. EIB target of 2.8% of NPL ratio in 2020.

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### Technical Highlights:

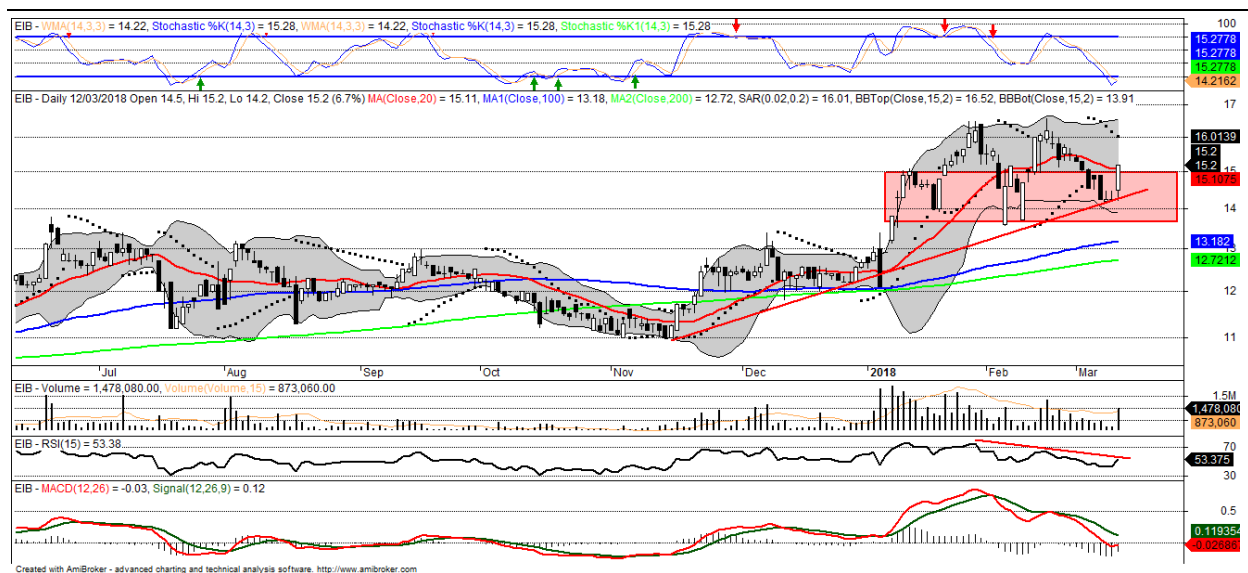
- Current trend: short - term accumulation
- MACD: converging in the down trend
- RSI: down trend

**Comment:** Today, EIB has a strong break the short – term resistance at 15, however, the possibility to remain at that price band is low due to strong selling pressure at 16 – 16.5 in the past. This results the inability to surpass the peak at 16.5. Moreover, liquidity when stock price is decreasing is much lower than that at 2 peak, showing the desire of not cutting loss of investors who bought EIB at the high price.

**Recommendation:** Follow up the EIB in the following time..

Chart 2

### Technical Chart EIB



Source: Amibroker, BSC

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## Phụ lục 01: Tổng quan các ngân hàng niêm yết

BSC

	EIB	VCB	CTG	BID	MBB	STB	ACB	SHB	VIB	TCB	VPB	HDB
<b>Scale</b>												
Charter capital (bill. VND)	<b>12,355</b>	35,978	37,234	34,187	18,155	18,852	10,273	11,197	5,644	11,655	15,706	9,810
Equity (bill. VND)	<b>14,251</b>	54,067	63,685	48,986	29,601	23,228	16,031	14,868	8,792	26,931	29,693	11,287
Total asset ((bill. VND)	<b>148,966</b>	1,035,335	1,095,022	1,201,662	313,878	368,680	284,316	277,994	123,281	269,392	277,750	174,594
Equity/Total asset	<b>9.57%</b>	5.22%	5.82%	4.08%	9.43%	6.30%	5.64%	5.35%	7.13%	10.00%	10.69%	6.46%
<b>Growth (ytd)</b>												
Asset Growth	<b>15.66%</b>	31.40%	15.44%	19.40%	22.48%	11.04%	21.67%	18.83%	17.95%	14.46%	21.41%	25.98%
Lending Growth	<b>16.61%</b>	17.93%	19.44%	19.66%	22.19%	12.11%	21.46%	20.79%	32.71%	12.78%	26.26%	27.09%
Deposit Growth	<b>14.84%</b>	19.99%	14.86%	18.42%	13.02%	9.67%	16.59%	17.70%	15.42%	-1.43%	7.89%	16.69%
Demand Deposit	<b>13.77%</b>	28.37%	15.34%	18.63%	30.11%	13.85%	15.82%	9.04%	16.29%	22.36%	14.73%	12.09%
Lending/Deposit	<b>86.20%</b>	76.70%	105.09%	100.72%	83.65%	69.70%	82.22%	100.04%	116.76%	94.08%	136.78%	86.69%
<b>Asset quality</b>												
NPL ratio	<b>2.27%</b>	1.14%	1.13%	1.61%	1.19%	3.75%	0.70%	1.90%	2.49%	1.61%	3.39%	1.52%
NPL ratio including debt sold to VAMC	<b>6.41%</b>	1.14%	1.49%	3.15%	1.19%	17.48%	0.70%	4.75%	3.49%	1.61%	5.07%	2.63%
Provision for bad debt/Total debt debt	<b>1.04%</b>	1.49%	1.05%	1.28%	1.15%	1.25%	0.93%	1.38%	1.14%	1.17%	1.72%	1.11%
NPL coverage ratio	<b>46%</b>	131%	93%	79%	97%	33%	133%	73%	46%	73%	51%	73%
Interest receivable/Lending	<b>0.96%</b>	1.11%	1.84%	1.11%	4.87%	11.09%	1.80%	4.22%	1.40%	2.41%	2.09%	3.27%
Doubtful assets	<b>9,751</b>	16,089	38,543	69,082	15,636	93,829	10,052	30,084	4,761	15,574	34,204	11,681
% Total asset	<b>6.55%</b>	1.55%	3.52%	5.75%	4.98%	25.45%	3.54%	10.82%	3.86%	5.78%	12.31%	6.17%
% Equity	<b>68.42%</b>	29.76%	60.52%	141.02%	52.82%	403.95%	62.71%	202.34%	54.15%	57.83%	115.19%	79.15%
<b>Business performance (ytd)</b>												
% Interest income	<b>69.70%</b>	74.61%	83.00%	79.37%	80.90%	61.05%	73.94%	75.05%	84.46%	54.64%	82.42%	84.70%
Operating income before risk provision (bill. VND)	<b>1,622</b>	17,536	17,550	23,716	7,868	2,335	5,222	3,974	1,767	11,646	16,128	3,434
% yoy	<b>9.59%</b>	17.46%	29.12%	40.27%	38.50%	174.06%	81.01%	61.68%	35.09%	52.08%	57.47%	60.39%
Provision expense (bill. VND)	<b>(605)</b>	(6,198)	(8,344)	(14,915)	(3,252)	(846)	(2,565)	(2,035)	(361)	(3,609)	(8,002)	(1,017)
% vs operating income before risk provision	<b>37.30%</b>	35.34%	47.54%	62.89%	41.33%	36.23%	49.12%	51.21%	20.43%	30.99%	49.62%	29.62%
EAT (bill. VND)	<b>823</b>	9,087	7,432	6,902	3,490	1,173	2,118	1,550	1,125	6,446	6,438	1,746
% yoy	<b>166.34%</b>	33.01%	8.69%	12.45%	19.85%	1217.98%	59.85%	69.77%	100.18%	104.70%	63.61%	136.59%
NIM (TTM)	<b>2.06%</b>	2.49%	2.77%	2.92%	4.19%	1.81%	3.47%	2.12%	3.12%	3.89%	8.73%	4.09%
CIR (TTM)	<b>57.63%</b>	40.36%	46.20%	39.32%	43.26%	73.00%	54.35%	39.92%	56.82%	28.74%	35.55%	54.38%
ROA (TTM)	<b>0.59%</b>	1.00%	0.73%	0.63%	1.22%	0.33%	0.82%	0.61%	0.99%	2.55%	2.54%	1.03%
ROE (TTM)	<b>5.94%</b>	17.79%	11.99%	14.82%	12.42%	5.16%	14.08%	11.03%	12.83%	27.71%	27.47%	14.51%
EPS (VND/share) (TTM)	<b>669</b>	2,531	1,996	2,019	1,936	650	2,098	1,188	2,003	7,504	4,424	1,966
Book value (VND/share)	<b>11,535</b>	15,028	17,025	13,489	15,516	12,321	16,260	13,278	15,577	23,107	18,906	14,348

Nguồn: BSC research

## Vietnam Export Import Bank (EIB)



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### BSC Headquarters

BIDV Tower, 10th & 11th Floor  
35 Hang Voi, Hoan Kiem, Hanoi  
Tel: +84 4 3935 2722  
Fax: +84 4 2220 0669

### Ho Chi Minh City Office

146 Nguyen Cong Tru St, 9th Floor  
District 1, HCMC  
Tel: +84 8 3821 8885  
Fax: +84 8 3821 8510

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