

Vietnam Export Import Commercial Joint Stock Bank (EIB)

January 29, 2015

COMPANY UPDATE BRIEF



Speculative activity may push EIB to VND15,000 in the short-term, but our target price remains at VND11,400.

For the past few weeks, banking stocks have rallied and outperformed the VN-Index. Going with the momentum, EIB stock has also extended a strong gain of 10%, increasing from VND13,000 on January 16, 2014, the day we published our initiating report on the stock, to VND14,300 in January 29, 2014. At this price, EIB stock is 20.4% higher than our target price of VND11,400 and the total expected return will be -16.3% (including an expected dividend yield of 4.2%).

We believe that EIB might continue to rise to VND15,000 in the short term. However, the fundamentals do not support the current trend. We therefore think that it will correct soon.

There are several fundamental reasons that support the recent rising trend of banking stocks:

- Positive signals towards year end from banking sector (good credit growth, improving assets quality, high profit reported from big banks, stable macro-economic condition)
- Improvement in real-estate sector also facilitate conditions for banks and VAMC to deal with NPLs
- Expected M&A activities in banking sector

There are also market rumors moving the share price upward:

- There is a recent rumor indicating that EIB may merge with a smaller bank.
- There were rumors that implementation of Circular 36 would be delayed. But the February 1 effective date is fast approaching and there has been no announcement to this effect. If the rumors prove to be untrue, this will put negative pressure on bank stocks.

Risk loving investors may choose to ride the speculative wave for the next few days, but be ready for the correction.

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