

# BIDV (BID)

## FY22 PBT should grow by 51% YoY

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**1Q22 PBT reached VND4,514 billion, up 32.9% YoY**

In 1Q22, BIDV (BID) achieved positive business results with net interest income (NII) of VND12,826 billion (+18.2% YoY, +18.4% QoQ); PBT of VND4,514 billion (+32.9% YoY); and total operating income (TOI) of VND16.227 billion (+6.4% QoQ, +11.1% YoY). Credit growth in 1Q22 reached 4.6% YTD.

**The NPL ratio was 0.97%, down 1bps QoQ and the LLCR hit 259.2%**

The NPL ratio in 1Q22 was 0.97% (-1bps QoQ). During the period, BID made provisions of VND7,391 billion (+18.5% QoQ, +3.0% YoY), helping the loan loss coverage ratio (LLCR) reach 259.2%, the second-highest in the banking system.

**BID aims towards PBT up 51% YoY**

BID targets PBT to grow by 51%, with NII up 6% YoY, NOII up 22% YoY, debt recovery of VND8,000–9,000 billion, CIR below 37%, and NPL ratio under 1.5%. We believe BID can fulfill this plan, supported by: (1) the economic recovery; (2) lots of room left for CASA to improve; and (3) reduced provisioning pressures in 2022.

**BID plans to lift the charter capital by 21% in 2022–2023**

At the FY22 AGM, the BOD approved the plan to increase the charter capital by 21% by paying stock dividends in 2021 (12%) and issuing shares to the public or making a private placement (equivalent to 9% of the charter capital) in 2022–2023.

**We recommend BUY for BID shares with a target price of VND45,000**

We recommend BUY for BID shares based on valuation results, business outlook, and possible risks. The target price is VND45,000, 30.5% higher than the closing price on May 20, 2022.

**Buy** maintain

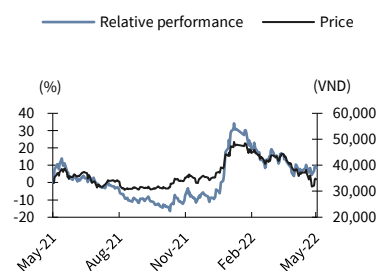
<b>Target price</b>	<b>VND45,000</b>
Upside/Downside	30.5 %
Current price (May 20, 2022)	VND34,500
Consensus target price	VND42,032
Market cap (VNDbn)	174,519

<b>Trading data</b>	
Free float	4.01%
3M avg trading value (VNDbn/USDmn)	138.6/6.1
Foreign ownership	16.85%
Major shareholder	State Bank (80.99%)

<b>Share price performance</b>				
(%)	<b>1M</b>	<b>3M</b>	<b>6M</b>	<b>12M</b>
<b>Absolute</b>	-10	-23	-2	7
<b>Relative</b>	-1	-5	13	8

### Forecast earnings & valuation

FY-end	2020A	2021F	2022F	2023F
Net interest income (VNDbn)	35,797	46,823	48,585	50,548
Pre-provision operating income (VNDbn)	32,344	43,028	45,433	46,869
NPAT of the parent bank (VNDbn)	6,997	10,540	15,395	18,700
EPS (VND)	1,740	2,084	2,776	3,176
EPS growth (%)	-16%	20%	33%	14%
PER (x)	24.9	20.8	15.6	13.6
Book value per share (VND)	19,805	17,066	17,540	19,480
PBR (x)	2.19	2.54	2.47	2.22
ROE (%)	9.2%	13.1%	17.3%	18.2%
Dividend yield (%)	1.85%	1.85%	1.85%	1.85%



Source: Bloomberg, KB Securities Vietnam

## Business performance

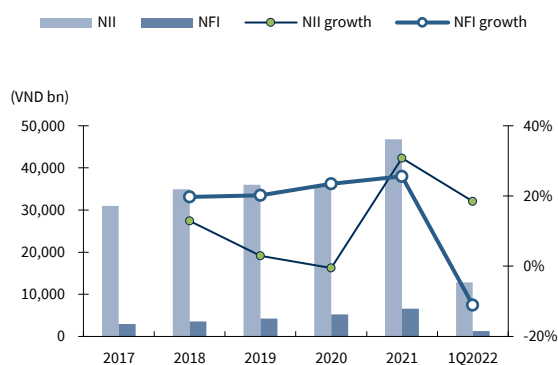
### 1Q22 PBT reached VND4,514 billion, up 32.9% YoY

In 1Q22, BID recorded positive business results, with NII of VND12,826 billion (+18.2% YoY, +18.4% QoQ); NOII of VND 3,401 billion (-22.7% QoQ, -9.9% YoY), TOI of VND16,227 billion (+6.4% QoQ, +11.1% YoY). CIR was 26.6% (-100bps YoY) while provision expense was VND7,391 billion (+18.5% QoQ, +3.0% YoY), making 1Q22 PBT hit VND4,514 billion (+32.9 % YoY). Credit growth expanded by 4.6% YTD in the first quarter of 2022.

### 1Q22 NIM hit 2.87%, down 3bps QoQ

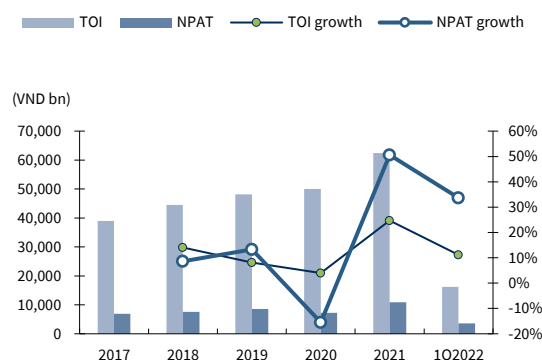
1Q22 NIM was down slightly to 2.87% (-3 bps QoQ, +0 bps YoY). The average cost of funds went down 20bps QoQ with improved CASA ratio and higher proportion of deposits from the SBV and credit institutions. Meanwhile, the average earnings yield fell by 23bps QoQ to 6.03% resulting from BID's policies to cut interest rates to support the economy.

Fig 1. BID - NII, service fees (VNDbn, %YoY)



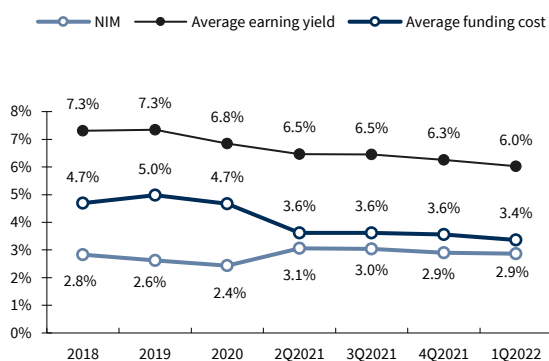
Source: Bank for Investment and Development, KB Securities Vietnam

Fig 2. BID - TOI, NPAT (VNDbn, %YoY)



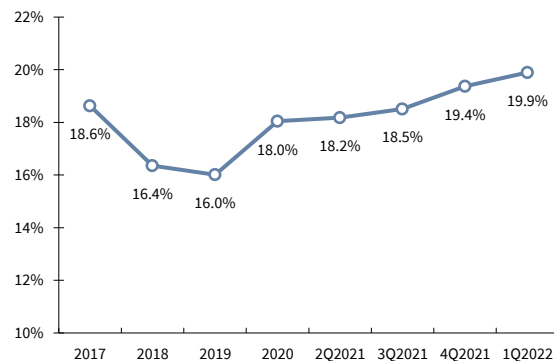
Source: Bank for Investment and Development, KB Securities Vietnam

Fig 3. BID - NIM, interest rates (%)



Source: Bank for Investment and Development, KB Securities Vietnam

Fig 4. BID - CASA ratio (%)

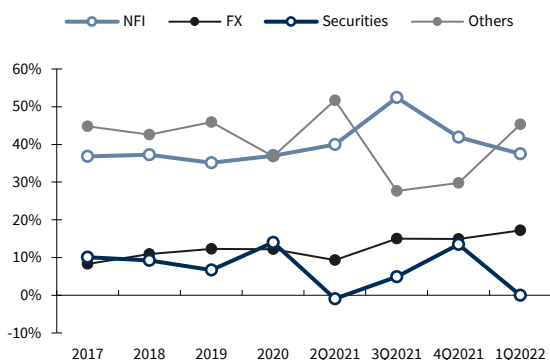


Source: Bank for Investment and Development, KB Securities Vietnam

1Q22 NOII was VND3,401 billion, down 9.9% YoY

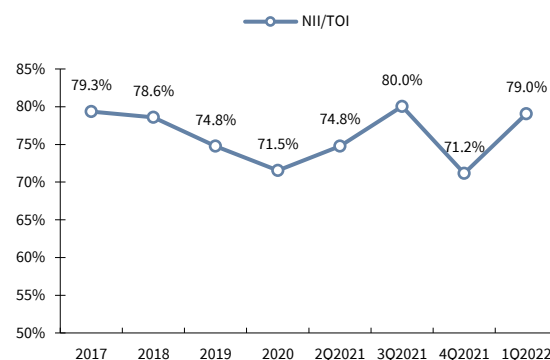
During the first quarter, service fees shrank by -30.9% QoQ, -11.1% YoY. Net gains from foreign currency trading remained high, up 54.2% YoY. Meanwhile, investment securities were unprofitable, and net other income was VND1,458 billion, down 19.2% YoY. Therefore, NOII reached only VND3,401 billion, down 9.9% YoY. NII/TOI rose to 79.0%.

Fig 5. BID – NOII breakdown (%)



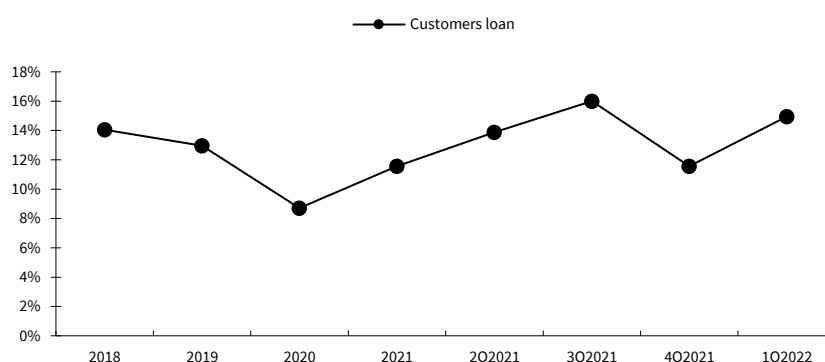
Source: Bank for Investment and Development, KB Securities Vietnam

Fig 6. BID – NII/TOI (%)



Source: Bank for Investment and Development, KB Securities Vietnam

Fig 7. BID – Customer loans (%)

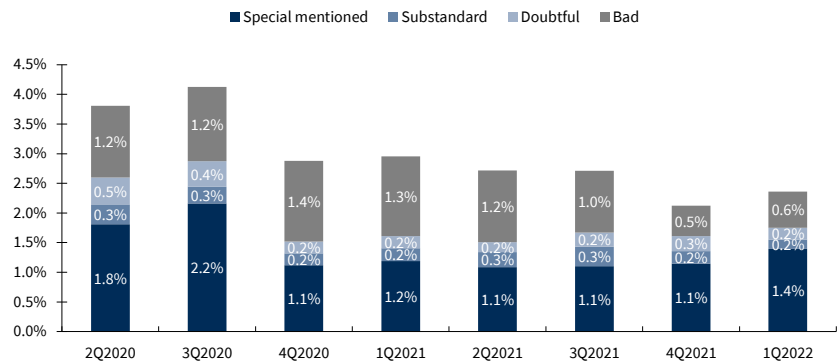


Source: Bank for Investment and Development, KB Securities Vietnam

NPL ratio reached 0.97%, down 1bps QoQ and restructured loans were VND25,262 billion

Over the last quarter, the NPL ratio was 0.97% (-1bps QoQ), with bad debts up 9bps QoQ and special mention loans up 25bps QoQ (the highest in the last six quarters). During the period, BID made provisions of VND7,391 billion (+18.5% QoQ, +3.0% YoY), making the LLCR reach 259.2%, the second-highest in the banking system. The management shared that restructured debts were about VND25,262 billion or 1.8% of total outstanding loans by the end of April. BID has made all required provisions for restructured debts in 2021 and can recover 95% of those debts, thereby dramatically easing provisioning pressures in 2022. As a result, BID may record earnings from the provision reversal in the future

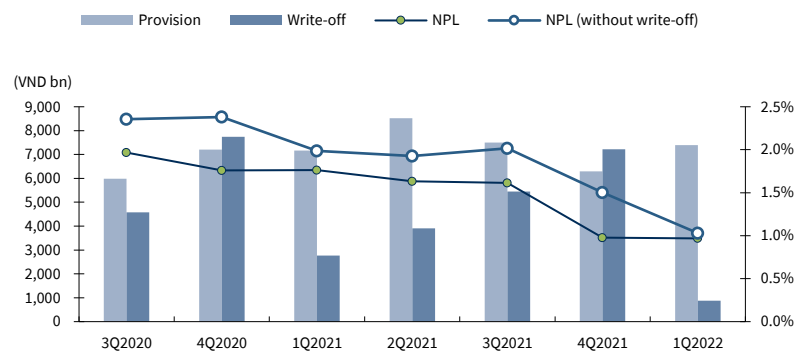
Fig 10. BID – Groups of debt (%)



Source: Bank for Investment and Development, KB Securities Vietnam

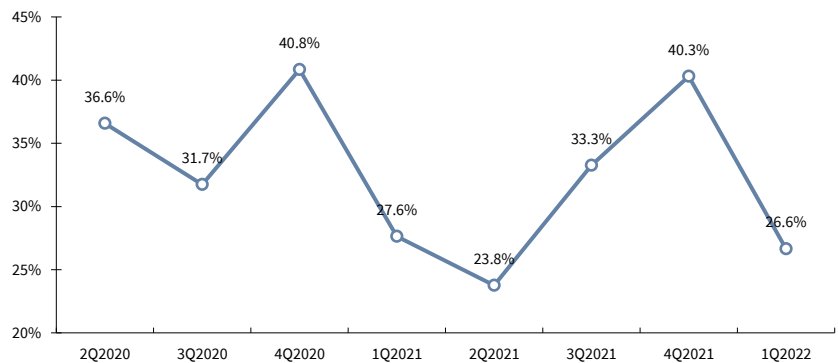
In 1Q22, the asset quality improved remarkably since the NPL ratio remained low even though BID hardly used provisions for handling bad debts

Fig 11. BID – NPL, provisions (VNDbn, %)



Source: Bank for Investment and Development, KB Securities Vietnam

Fig 12. BID – CIR (%)



Source: Bank for Investment and Development, KB Securities Vietnam

**BID aims towards PBT up 51% YoY**

At the FY22 AGM, the BOD set a target for PBT to jump by 51%, with NII up 6% YoY, NOII up 22% YoY, debt recovery of VND8,000–9,000 billion, CIR below 37%, and NPL ratio under 1.5%. We believe BID can fulfill this plan, supported by the following reasons: (1) Businesses and individuals would speed up borrowing to recover from the pandemic; (2) there is a lot of room left to improve CASA with the zero-fee policy for transactions, thus reducing the pressure to increase the cost of funds; (3) provisioning pressures would ease in 2022. BID has cleared all bad debts it sold to Vietnam Asset Management Company (VAMC) and made all required provisions for restructuring debts in 2021, thereby reducing provisioning pressures in 2022. BID, therefore, may record earnings from the provision reversal in the future.

**BID plans to lift the charter capital by 21% in 2022–2023**

At the FY22 AGM, the BOD approved the plan to raise the charter capital through two issuances. BID would use undistributed profit after tax to issue 607,022,900 shares (equivalent to 12% of the charter capital) to pay dividends in 2021. It may proceed in the second half of 2022. Besides, BID plans to issue shares to the public or make a private placement of 455,267,143 shares, equivalent to 9% of the charter capital, expected in 2022–2023. We hope the proceeds from these two issuances will help improve BID's CAR, pushing the credit growth in the coming years.

## Forecast & Valuation

### 2022F business results

We make our forecast for BID in 2022 as follows:

- Credit growth should reach 12.3% as businesses step up borrowing to recover from the COVID-19 pandemic.
- We estimate NIM at 2.73% (-17bps YoY, +9bps compared to the previous forecast) as we are more upbeat about the efficiency of cost control of the bank.
- The NPL ratio is 1.45%, up 47bps YoY, due to debt rescheduling as per Circular 14/2021/TT-NHNN.
- Provision expense may decrease to VND25,595 billion, down 13.2% YoY, since BID has made all required provisions for restructuring debts in 2021.
- We forecast PBT to hit VND19,838 billion, up 46.4% YoY.

**Table 12. BID – 2021A–2022E business results**

VND bn	2021A	2022F	2023F	% YoY 2022	%YoY 2023
Net interest income	46,823	48,585	50,548	3.8%	4.0%
Net fee income	6,614	6,941	7,592	4.9%	9.4%
Total operating income	62,494	65,845	67,927	5.4%	3.2%
Provision for credit losses	(29,481)	(25,595)	(22,772)	-13.2%	-11.0%
Net profit after tax of Parent bank	10,540	15,395	18,700	46.1%	21.5%
NIM	2.90%	2.73%	2.65%	-17bps	-8bps
Average interest rate	6.26%	6.59%	7.04%	34bps	45bps
Average deposit rate	3.56%	3.95%	4.29%	39bps	34bps
CIR	31.1%	31.0%	31.0%	-15bps	0bps
NPL	1.00%	1.45%	1.50%	45bps	5bps
Total asset	1,761,696	1,842,325	2,021,247	4.6%	9.7%
Owner Equity	86,329	97,286	114,686	12.7%	17.9%

Source: KB Securities Vietnam

**We recommend BUY for BID shares with a target price of VND45,000 apiece**

We combine two valuation methods, P/B and residual income, to find a fair price for BID shares.

(1) P/B method

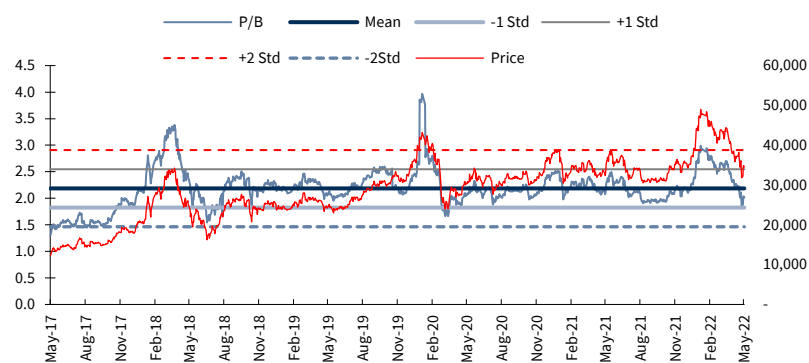
With the positive outlook in 2022, we give BID a target P/B of 2.2x, equivalent to BID's five-year average P/B (Figure 13), lower than our previous forecast of 2.5x, reflecting concerns over elevated inflation and potential economic recession.

(2) Residual income method (Table 14)

In addition, we use the residual income method to reflect systematic risk and long-term expectations.

Based on the above two valuation methods with a weight of 50-50, we recommend BUY for BID shares with a target price of VND45,000 per share, 30.5% higher than the closing price on May 20, 2022.

Fig 13. BID – P/B, share price performance (x, VND/share)



Source: Fiiipro, KB Securities Vietnam

Table 14. BID – Share price according to residual income method (VND/share)

VNDbn	2022F	2023F	2024F
NPAT	15,870	19,278	21,738
Excessed return	5,496	7,301	7,853
Required rate of return (r)	11.30%		
Growth (g)	5.0%		
Terminal value	105,660		
End-2022 value	204,181		
<b>Share price</b>	<b>40,364</b>		

Source: KB Securities Vietnam

Table 15. BID – Share price according to valuation methods (VND/share)

Valuation method	Forecast price	Weight	Weighted price
P/B	49,651	50%	24,826
Residual income	40,364	50%	20,182
<b>Target price</b>			<b>45,000</b>

Source: KB Securities Vietnam

## BID – 2019A–2023E financials

Income Statement (VNDbn)						Balance Sheet (VNDbn)					
	2019	2020	2021	2022F	2023F		2019	2020	2021	2022F	2023F
Net interest income	35,978	35,797	46,823	48,585	50,548	Loans	1,102,366	1,195,240	1,325,529	1,495,744	1,662,837
Interest income	100,747	100,688	101,008	117,428	134,160	Marketable securities	6,346	10,170	6,069	3,574	3,967
Interest expense	(64,769)	(64,891)	(54,185)	(68,843)	(83,611)	Cash (ex. Reserves)	11,117	12,294	12,661	14,626	16,234
Fees & commissions	4,266	5,266	6,614	6,941	7,592	Interest earning assets	1,458,152	1,485,093	1,743,024	1,818,569	1,993,010
Other non-interest income	5,361	5,093	6,179	7,733	6,714	Fixed assets & other assets	39,206	38,919	35,365	39,557	43,021
Total operating income	48,121	50,037	62,494	65,845	67,927	Total assets	1,489,957	1,516,686	1,761,696	1,842,325	2,021,247
SG&A expenses	(17,257)	(17,693)	(19,465)	(20,412)	(21,057)	Customer deposits	114,163	122,674	1,380,398	1,523,962	1,691,598
Pre-provisioning OP	30,864	32,344	43,028	45,433	46,869	Borrowings & call money/repos	75,159	76,090	138,032	159,357	176,575
Provision for credit losses	(20,132)	(23,318)	(29,481)	(25,595)	(22,772)	Interest bearing liabilities	1,374,765	1,402,248	1,641,777	1,848,141	2,051,159
Other income	6,518	7,993	8,957	11,216	9,737	Other liabilities	37,540	34,792	33,590	(102,286)	(143,782)
Other expense	(1,157)	(2,900)	(2,779)	(3,482)	(3,023)	Total liabilities	1,412,304	1,437,039	1,675,367	1,745,855	1,907,378
Pre-tax income	10,732	9,026	13,548	19,838	24,097	Charter capital	40,220	40,220	50,585	55,465	58,875
Income tax expense	(2,184)	(1,803)	(2,706)	(3,968)	(4,819)	Capital surplus	14,292	14,292	14,292	14,292	14,292
NP	8,548	7,224	10,841	15,870	19,278	Retained earnings	13,857	13,517	8,673	14,750	28,740
Minority interest profit	(179)	(227)	(301)	(476)	(578)	Capital adjustments	-	-	-	-	-
Parent NP	8,368	6,997	10,540	15,395	18,700	Total shareholders' equity	77,653	79,647	86,329	97,286	114,686

Financial Indicators (%)						Valuation (VND, X, %)					
	2019	2020	2021	2022F	2023F		2019	2020	2021	2022F	2023F
<b>Profitability</b>						<b>Share Price Indicators</b>					
ROE	12.9%	9.2%	13.1%	17.3%	18.2%	EPS	2,081	1,740	2,084	2,776	3,176
ROA	0.6%	0.5%	0.7%	0.9%	1.0%	BVPS	19,307	19,803	17,066	17,540	19,480
Pre-provision ROE	37.3%	32.9%	41.5%	39.6%	35.4%	Tangible BVPS	18,235	18,744	16,196	16,720	18,715
Pre-provision ROA	1.8%	1.7%	2.1%	2.0%	1.9%	<b>Valuations</b>					
Net interest margin (NIM)	2.6%	2.4%	2.9%	2.7%	2.7%	PER	16.6	19.8	16.6	12.4	10.9
<b>Efficiency</b>						PBR	18	17	2.0	2.0	18
Pure Loan to deposit ratio	100.3%	99.0%	98.1%	100.0%	100.0%	Dividend yield	0.0%	2.3%	2.3%	2.3%	2.3%
Cost-income ratio	35.9%	35.4%	31.1%	31.0%	31.0%	ROE	12.9%	9.2%	13.1%	17.3%	18.2%
<b>Growth</b>						<b>Capital Adequacy</b>					
Asset growth	13.5%	18%	16.2%	4.6%	9.7%	CAR	10.0%	9.3%	8.9%	>8%	>8%
Loan growth	12.9%	8.4%	10.9%	12.8%	11.2%	<b>Asset Quality</b>					
PPOP growth	8.8%	4.8%	33.0%	5.6%	3.2%	NPL ratio (substandard)	17%	18%	10%	15%	15%
Parent NP growth	13.7%	-16.4%	50.6%	46.1%	21.5%	Coverage ratio (substandard)	75.0%	89.2%	214.8%	127.7%	113.3%
EPS growth	-3.3%	-16.4%	19.8%	33.2%	14.4%	NPL ratio (precautionary)	4.0%	2.9%	2.1%	2.6%	2.6%
BVPS growth	21.0%	2.6%	-13.8%	2.8%	11.1%	Coverage ratio (precautionary)	32.9%	54.4%	101.1%	72.6%	65.4%

Source: Bank for Investment and Development, KB Securities Vietnam



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### Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

### Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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