

August 16, 2022

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In 2Q22, PBT reached VND6,570 billion, up 40.9% YoY

In 2Q22, BIDV (BID) enjoyed positive business results with net interest income (NII) of VND14,619 billion (+14.0% QoQ, +13.1% YoY), PBT of VND6,570 billion (+40.9% YoY), and TOI of VND18,145 billion (+11.8% QoQ, +4.9% YoY). In 6M22, PBT was VND11,084 billion (+37.5% YoY) with credit growth reaching 9.3% YTD.

BID expects 2022F PBT to be VND20,600 billion, fulfilling the whole year plan

For the whole year of 2022, BID expects PBT to be at least VND20,600 billion, fulfilling the 2022F plan, of which credit growth should reach 12–14% depending on the credit growth ceiling granted by the State Bank of Vietnam (SBV). The bank expects NIM to sit at the same level reached in 1H22 and improve by 0.1–0.2% in the coming years. Additionally, provision expenses will be flat or decrease in 2H22 thanks to improved asset quality and a high loan loss coverage ratio (LLCR).

It is likely that BID would not successfully make a private placement by the end-2022

BID has been looking for a strategic partner and negotiating the issue price to make a private placement of 455,267,143 shares or 9% of the charter capital for the time being. In our view, considering the movements of the Vietnamese stock market, BID would not get the deal done by the end of this year.

We recommend HOLD for BID stocks with a target price of VND43,900/share

Based on valuation results, business outlook, and possible risks, we recommend HOLD for BID stocks. The target price is VND43,900/share, 14.3% higher than the closing price on August 10, 2022.

Hold update

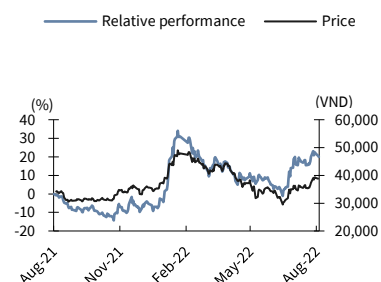
Target price	VND43,900
Upside/Downside	14.3 %
Current price (Aug 10, 2022)	VND38,400
Consensus target price	VND42,032
Market cap	194,247

Trading data	
Free float	4.01%
3M avg trading value, VNDbn/USDmn)	54/2.3
Foreign ownership	16.94%
Major shareholder	State Bank (80.99%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	7	12	-14	14
Relative	0	11	1	20

Forecast earnings & valuation

FY-end	2020A	2021F	2022F	2023F
Net interest income (VNDbn)	35,797	46,823	53,102	56,346
Pre-provision operating profit (VNDbn)	32,344	43,028	46,946	50,505
NPAT of the parent bank (VNDbn)	6,997	10,540	17,182	22,235
EPS (VND)	1,740	2,084	3,098	3,777
EPS growth (%)	-16%	20%	49%	22%
PER (x)	22.1	18.4	11.1	9.1
Book value per share (VND)	19,805	17,066	17,862	20,383
PBR (x)	1.94	2.25	1.93	1.69
ROE (%)	9.2%	13.1%	19.1%	20.9%
Dividend yield (%)	2.08%	2.08%	2.08%	2.08%



Source: Bloomberg, KB Securities Vietnam

Business performance

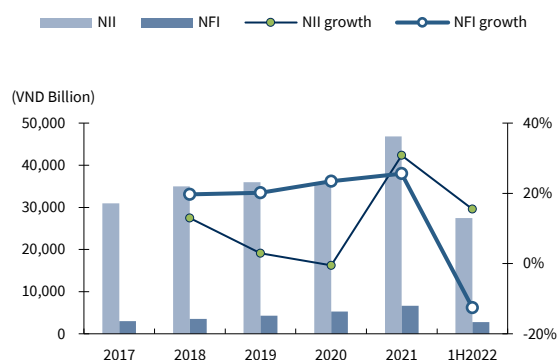
In 2Q22, PBT reached VND6,570 billion, up 40.9% YoY

Over the second quarter of 2022, BID saw positive growth with NII of VND14,619 billion (+14.0% QoQ, +13.1% YoY) and NOI of VND3,527 billion (+3.7% QoQ, -19.2% YoY), helping TOI hit VND18,145 billion (+11.8% QoQ, +4.9% YoY). CIR was up 487bps YoY to 28.6% while provision expenses shrank to VND6,381 billion (-13.7% QoQ, -25.1% YoY), making PBT touch VND6,570 billion, up 40.9% YoY. In the first six months, PBT reached VND11,084 billion, up 37.5% YoY, with credit growth in the second quarter reaching 9.3% YTD.

2Q22 NIM was 2.96%, up 9bps QoQ

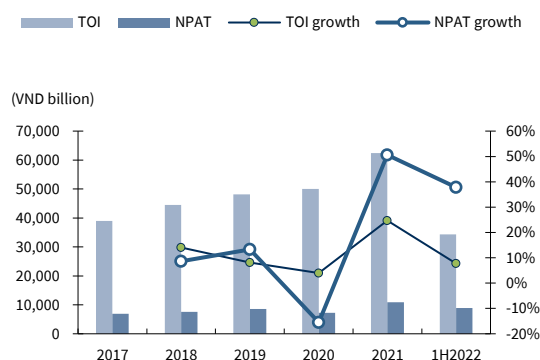
2Q22 NIM was 2.96% (+9bps QoQ, -10bps YoY), of which the average earnings yield increased by 5bps QoQ while the average cost of funds decreased by 4bps QoQ. CASA ratio stood at 19.4%, down 48bps QoQ after four consecutive quarters of improvement.

Fig 1. BID - NII, TOI growth (VNDbn, %YoY)



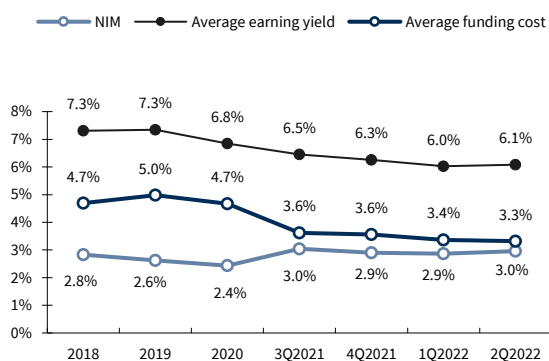
Source: BIDV, KB Securities Vietnam

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



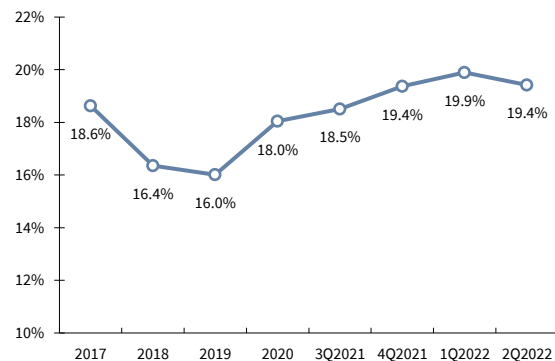
Source: BIDV, KB Securities Vietnam

Fig 3. BID - NIM, average earnings yield & cost of funds (%)



Source: BIDV, KB Securities Vietnam

Fig 4. BID - CASA ratio (%)

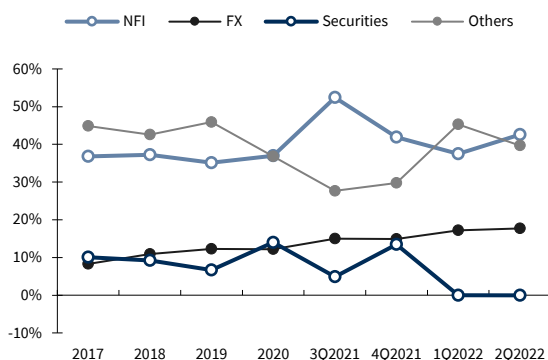


Source: BIDV, KB Securities Vietnam

NOII was VND3,527 billion, down 19.2% YoY in 2Q22

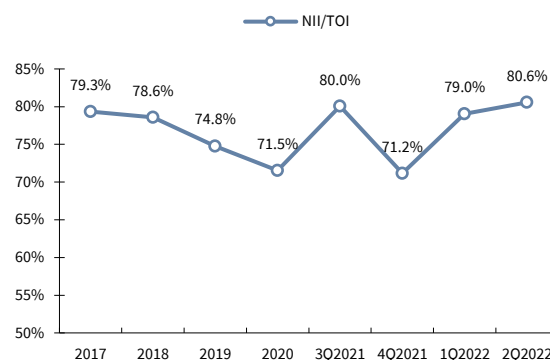
Net fee income (NFI) reached VND1,503 billion (+17.9% QoQ, -13.7% YoY); foreign currency exchange continued to bring in a high profit of approximately VND624 billion (+6.8% QoQ, +54.0% YoY). Meanwhile, securities investment and trading were unprofitable, and net other income was just VND1,336 billion (-8.4% QoQ, -38.9% YoY). Thus, NOII was down 19.2% YoY to VND3,527 billion. NII/TOI stayed high at 80.6%.

Fig 5. BID - NOII breakdown (%)



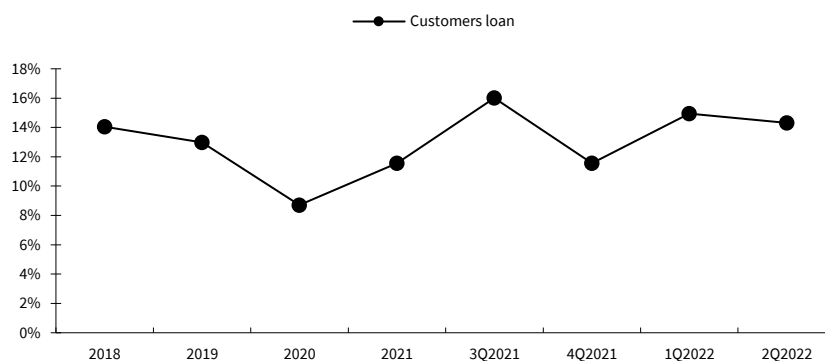
Source: BIDV, KB Securities Vietnam

Fig 6. BID - NII/TOI (%)



Source: BIDV, KB Securities Vietnam

Fig 7. BID - Loan growth (%)



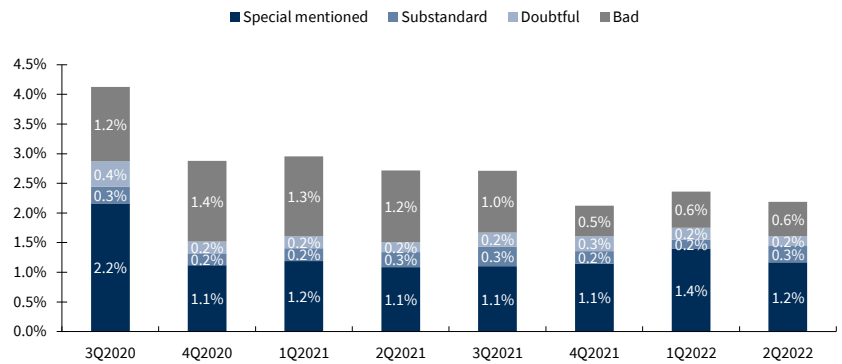
Source: BIDV, KB Securities Vietnam

NPL ratio hit 1.02% (+5bps QoQ), restructured debts were about VND16,000 billion

NPL ratio in the second quarter increased marginally compared to the previous quarter to 1.02% (+5bps QoQ), with bad debts up 9bps QoQ and substandard debts up 11bps QoQ. Meanwhile, special mention loans contracted to the 2020–2021 average of 1.17% after surging in 1Q22. During the period, provision expenses were only VND6,381 billion (-13.7% QoQ, -25.1% YoY) while LLCR was 262.5%, the second highest in the banking system, only after Vietcombank (VCB). As shared by BID, restructured debts by the end of June were about VND16,000 billion, equivalent to 1.1% of the outstanding loans. The bank has made all provisions required for restructured debts in 2021, thus significantly easing the provisioning pressure and helping the bank recognize the reversal in 2022 or the following year.

NPL ratio is sitting at a low level compared to previous years (~1.8% on average). Given a high LLCR and that BID made all provisions required for restructured debts, it would reduce the provisioning pressure in the second half of this year.

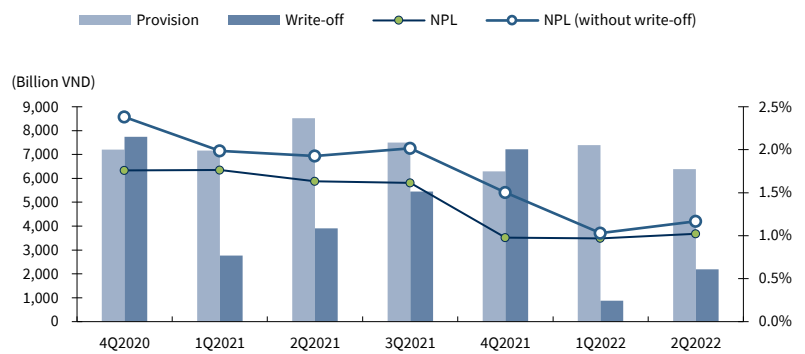
Fig 10. BID – Groups of debt (%)



Source: BIDV, KB Securities Vietnam

NPLs showed signs of increasing marginally after Circular 14/2021 ended due to customers' difficulties in rescheduled debt repayment.

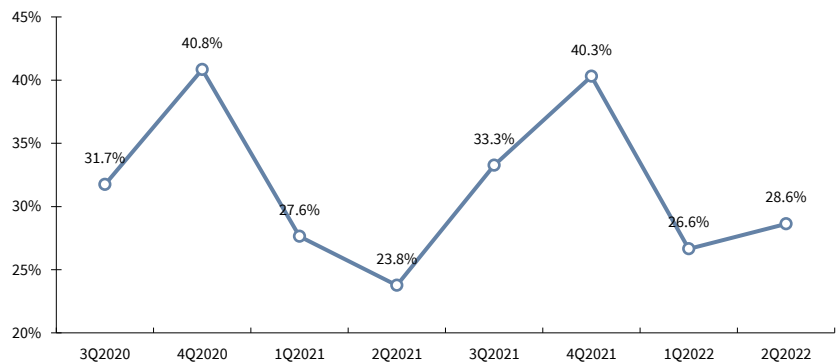
Fig 11. BID – NPL, provision, provision expenses (% , VNDbn)



Source: BIDV, KB Securities Vietnam

2Q22 CIR was higher YoY mainly since staff costs were rising higher than TOI growth.

Fig 12. BID – CIR (%)

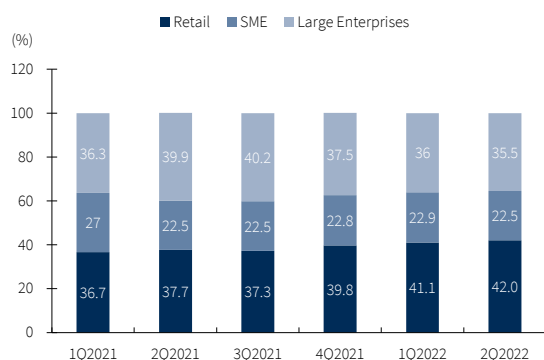


Source: BIDV, KB Securities Vietnam

BID is gradually shifting its focus to retail customers, thus boosting future NIM

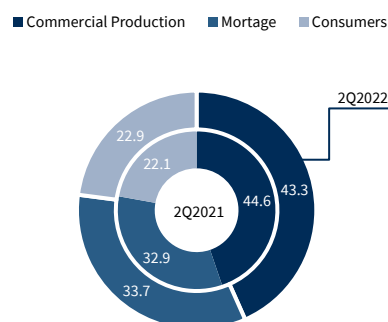
Over the past time, BID has been shifting its focus to retail customers. This group of customers was the main driver for BID's credit growth to reach VND614,080 billion (+15.8% YTD and +34.1% YoY) in 2Q22. Loans to retail customers represented 42.0% of the outstanding loans (up 430 bps QoQ). The move to boost lending to retail customers with better earnings yield than that of the corporate group would play a pivotal role in improving BID's future NIM.

Fig 13. BID – Outstanding loan breakdown (%)



Source: BIDV, KB Securities Vietnam

Fig 14. BID – Retail loan breakdown (%)



Source: BIDV, KB Securities Vietnam

BID expects 2022 PBT to reach VND20,600 billion, fulfilling the whole year plan

With impressive business performance achieved in 1H22 and the positive prospect in the second half of this year, BID expects PBT to be no less than VND20,600 billion, fulfilling the whole-year plan. In particular, credit growth should reach 12–14%, depending on the credit growth ceiling granted by the SBV. Entering the second quarter, BID expects NIM to sit at the same level reached in 1H22 and improve by 0.1–0.2% in the coming years. Additionally, provision expenses will be flat or decrease in 2H22 thanks to improved asset quality and high LLCR.

It is likely that BID would not successfully make a private placement by the end-2022

BID has been looking for a strategic partner and negotiating the issue price to make a private placement of 455,267,143 shares or 9% of the charter capital for the time being. However, it has been facing some challenges: (1) negative BID share performance after suffering corrections in line with the movements of the Vietnamese stock market over the past few months and (2) unreasonable price determination mechanism, causing certain difficulties in the buying process for its partner. From our observations, BID would not get the deal done by the end of this year, considering the movements of the Vietnamese stock market.

Forecast & Valuation

2022F business results

We make our forecast for BID in 2022F as follows:

- Credit growth should reach 13.0% with the expectation that BID will be granted an additional 3% credit room in the last four months of the year.
- We estimate NIM to be down 2bps YoY to 2.88%, 15bps higher than the previous projection, given the bank's better control over the cost of funds.
- NPL ratio is 1.05%, up 5bps QoQ, down 40bps compared to the previous forecast with high LLCR and the improved financial health of businesses and customers eligible for rescheduling debts.
- Provision expenses are expected at VND24,806 billion, down 15.9% YoY because BID made all provisions required for restructured debts in 2021.
- The parent bank's NPAT in 2022 may reach VND17,182 billion, up 63% YoY.

Table 15. BID – 2022F–2023F business results

VND bn	2021A	2022F	2023F	%YoY 2022	%YoY 2023
Net interest income	46,823	53,102	56,346	13.4%	6.1%
Net fee income	6,614	6,826	7,270	3.2%	6.5%
Total operating income	62,494	68,038	73,195	8.9%	7.6%
Provision expenses	(29,481)	(24,806)	(21,852)	-15.9%	-11.9%
NPAT of the parent bank	10,540	17,182	22,235	63.0%	29.4%
NIM	2.90%	2.88%	2.77%	-2bps	-11bps
Average earnings yield	6.26%	6.45%	6.92%	20bps	46bps
Average cost of funds	3.56%	3.74%	4.25%	18bps	50bps
CIR	31.1%	31.0%	31.0%	-15bps	0bps
NPL	1.00%	1.05%	1.30%	5bps	25bps
Total assets	1,761,696	1,966,369	2,140,746	11.6%	8.9%
Equity	86,329	99,073	120,008	14.8%	21.1%

Source: KB Securities Vietnam

We recommend HOLD for BID stocks with a target price of VND43,900/share

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

(1) P/B method

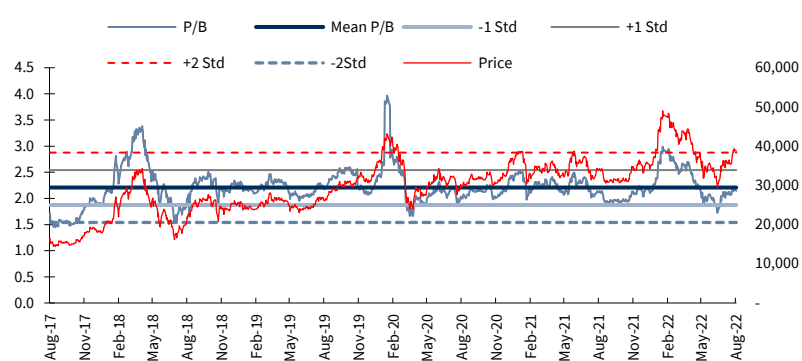
With a positive outlook in 2022, we give BID a target P/B of 2.2x, equivalent to BID's 5-year average P/B (Figure 16).

(2) Residual income method (Table 14)

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

Combining the above two valuation methods with a ratio of 50-50, we recommend HOLD BID stocks with a target price of VND43,900/share, 14.3% higher than the price on August 10, 2022.

Fig 16. BID – Share performance & P/B (VND/share, x)



Source: Fiiipro, KB Securities Vietnam

Table 17. BID – Target price according to residual income method (VND/share)

VND bn	2022F	2023F	2024F
NPAT	15,870	19,278	21,738
Excessed return	5,496	7,301	7,853
Required rate of return (r)	12.08%		
Growth (g)	5.0%		
Terminal value	126,761		
End-2022 fair price	227,642		
Target price	45,000		

Source: KB Securities Vietnam

Table 18. BID – Target price according to valuation methods (VND/share)

Valuation methods	Forecast price	Weight	Weighted price
P/B	42,892	50%	21,446
Residual income	45,000	50%	22,500
Target price			43,900

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	53,102	56,346	Loans	1,102,366	1,195,240	1,325,529	1,489,880	1,651,816
Interest income	100,747	100,688	101,008	118,988	140,483	Marketable securities	6,346	10,170	6,069	2,035	2,259
Interest expense	(64,769)	(64,891)	(54,185)	(65,886)	(84,137)	Cash (ex. Reserves)	14,117	12,294	12,661	14,626	16,234
Fees & commissions	4,266	5,266	6,614	6,826	7,270	Interest bearing assets	1,458,152	1,485,093	1,743,024	1,943,890	2,118,165
Other non-interest income	5,361	5,093	6,179	5,524	6,507	Fixed assets & other assets	39,206	38,919	35,365	44,306	48,550
Total operating income	48,121	50,037	62,494	68,038	73,195	Total assets	1,489,957	1,516,686	1,761,696	1,966,369	2,140,746
SG&A expenses	(17,257)	(17,693)	(19,465)	(21,092)	(22,690)	Customer deposits	1,114,163	1,226,674	1,380,398	1,523,962	1,691,598
Pre-provisioning OP	30,864	32,344	43,028	46,946	50,505	Borrowings & call money/repos	75,159	76,090	138,032	160,295	177,617
Provision for credit losses	(20,132)	(23,318)	(29,481)	(24,806)	(21,852)	Interest bearing liabilities	1,374,765	1,402,248	1,641,777	1,878,747	2,085,151
Other income	6,518	7,993	8,957	8,011	9,437	Other liabilities	37,540	34,792	33,590	(11,451)	(64,412)
Other expense	(1,157)	(2,900)	(2,779)	(2,487)	(2,930)	Total liabilities	1,412,304	1,437,039	1,675,367	1,867,296	2,020,738
Pre-tax income	10,732	9,026	13,548	22,140	28,653	Charter capital	40,220	40,220	50,585	55,465	58,875
Income tax expense	(2,184)	(1,803)	(2,706)	(4,428)	(5,731)	Capital surplus	14,292	14,292	14,292	14,292	14,292
NP	8,548	7,224	10,841	17,712	22,922	Retained earnings	13,857	13,517	8,673	16,537	34,062
Minority interest profit	(179)	(227)	(301)	(531)	(688)	Capital adjustments	-	-	-	-	-
Parent NP	8,368	6,997	10,540	17,182	22,235	Total shareholders' equity	77,653	79,647	86,329	99,073	120,008

Financial Indicators (%)						Valuation (VND, X, %)					
	2019	2020	2021	2022F	2023F		2019	2020	2021	2022F	2023F
Profitability						Share Price Indicators					
ROE	12.9%	9.2%	13.1%	19.1%	20.9%	EPS	2,081	1,740	2,084	3,098	3,777
ROA	0.6%	0.5%	0.7%	1.0%	1.1%	BVPS	19,307	19,803	17,066	17,862	20,383
Pre-provision ROE	37.3%	32.9%	41.5%	40.5%	36.9%	Tangible BVPS	18,235	18,744	16,196	17,047	19,624
Pre-provision ROA	1.8%	1.7%	2.1%	2.0%	2.0%	Valuations					
Net interest margin (NIM)	2.6%	2.4%	2.9%	2.9%	2.8%	PER	18.5	22.1	18.4	12.4	10.2
Efficiency						PBR	2.0	1.9	2.3	2.1	1.9
Pure Loan to deposit ratio	100.3%	99.0%	98.1%	100.0%	100.0%	Dividend yield	0.0%	2.1%	2.1%	2.1%	2.1%
Cost-income ratio	35.9%	35.4%	31.1%	31.0%	31.0%	ROE	12.9%	9.2%	13.1%	19.1%	20.9%
Growth						Capital Adequacy					
Asset growth	13.5%	18%	16.2%	11.6%	8.9%	CAR	10.0%	9.3%	8.9%	>8%	>8%
Loan growth	12.9%	8.4%	10.9%	12.4%	10.9%	Asset Quality					
PPOP growth	8.8%	4.8%	33.0%	9.1%	7.6%	NPL ratio (substandard)	17%	18%	10%	11%	13%
Parent NP growth	13.7%	-16.4%	50.6%	63.0%	29.4%	Coverage ratio (substandard)	75.0%	89.2%	214.8%	213.0%	180.9%
EPS growth	-3.3%	-16.4%	19.8%	48.7%	21.9%	NPL ratio (precautionary)	4.0%	2.9%	2.1%	2.2%	2.4%
BVPS growth	21.0%	2.6%	-13.8%	4.7%	14.1%	Coverage ratio (precautionary)	32.9%	54.4%	101.1%	104.0%	98.0%

Source: BIDV, KB Securities Vietnam

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Investment ratings & definitions

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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