

BID Bank (BID)

Charter capital up 25.8% via stock dividends

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3Q21 EBT saw a contraction of 1.1% YoY, reaching VND2,674 billion

3Q21 business growth of Bank for Investment & Development of Vietnam (BID) slowed down due to the impact of the pandemic. To be more specific, net interest income (NII) was VND12,205 billion (-5.6% QoQ, +33.5% YoY) and earnings before taxes (EBT) were VND2,674 billion (-42.7% QoQ, -1.1% YoY).

3Q NIM decreased 1bps QoQ to 3.05%

3Q net interest margin (NIM) was flat QoQ at 3.05% (-1bps QoQ, +72 bps YoY), average cost of funds remained low at 3.62% (+0bps QoQ), and average earnings yield dipped 2bps QoQ to 6.45%. The subdued performance is partly attributable to BID's cutting interest rates to support Coronavirus-exposed businesses.

NPL ratio reached 1.61%, and LLPCR rose to a high of 140.2%

Non-performing loan (NPL) ratio in 3Q was flat QoQ at 1.61% (-2bps QoQ). BID continued to accelerate provisioning of VND7,502 billion (+30.3% YoY), thereby raising the loan loss provision coverage ratio (LLPCR) to 140.2% (+792bps QoQ).

BID issues 1,037 billion shares to pay dividends 2019–2020, raising charter capital to VND50,585 billion

BIDV submitted to shareholders a plan to issue nearly 1,037 billion shares to pay dividends for 2019 and 2020, raising charter capital to VND50,585 billion. The number of shares issued in this tranche account for 25.77% of the total outstanding, 12.2% higher than the plan set out at the beginning of the year.

HOLD recommendation & target price at VND51,600 per share

Basing on valuation results, we recommend HOLDING BID shares. The target price is VND51,600 apiece, 13.4% higher than the price on December 13, 2021.

Hold update

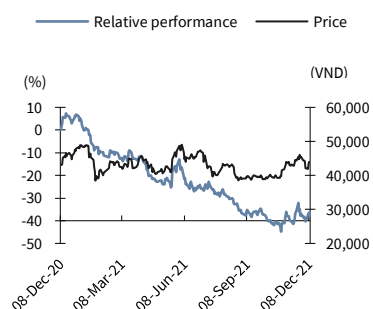
Target price	VND51,600
Upside/downside (%)	14.9
Current price (Dec 13, 2021)	VND45,500
Consensus target price	VND45,600
Market cap (VNDbn)	183,002

Trading data	
Free float (%)	4.01
3M avg trading value (VNDbn/USDmn)	83.2/3.7
Foreign ownership (%)	17.15
Major shareholder	State Bank (80.98%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	2	11	-2	5
Relative	2	1	-9	-38

Forecast earnings & valuation

FY-end	2019A	2020A	2021F	2022F
Net interest income (VNDbn)	35,978	35,797	46,551	48,683
Pre-provision operating profit (VNDbn)	30,864	32,344	42,247	44,771
Profit attributable to parent (VNDbn)	8,368	6,997	10,711	14,143
EPS (VND)	2,081	1,740	2,375	2,915
EPS growth (%)	-3%	-16%	37%	23%
Book value per share	20.8	24.9	18.2	14.9
P/E (x)	19,307	19,803	19,235	20,701
P/B (x)	2.24	2.19	2.25	2.09
ROE (%)	12.9%	9.2%	12.9%	15.2%
Dividend yield (%)	1.85%	1.85%	1.85%	1.85%



Source: Bloomberg, KB Securities Vietnam

Business performance

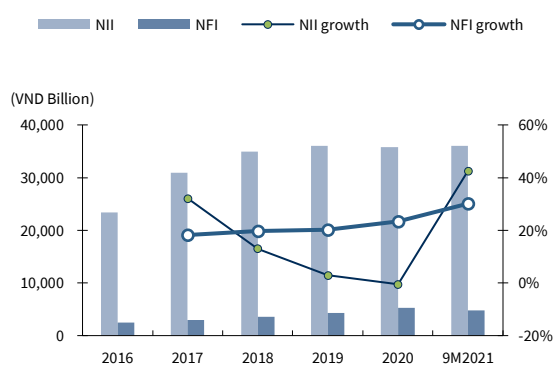
3Q21 EBT declined 1.1% YoY to VND2,674 billion

3Q21 business growth of Bank for Investment & Development of Vietnam (BID) somewhat slowed amid COVID-19 impacts. NII was VND12,205 billion (-5.6% QoQ, +33.5% YoY), and non-interest income was down to VND3,042 billion (-30.3% QoQ, -6.3% YoY), making total operating income (TOI) down to VND15,247 billion (-11.8% QoQ, +23% YoY). Cost to income ratio (CIR) rose to 33.3% (+950 bps QoQ, +153 bps YoY) while provision expense was high compared to the same period last year (+30.3% YoY), making EBT reach VND2,674 billion (-42.7% QoQ, -1.1% YoY). Credit growth as of November 30, 2021 was 9.8% Ytd, and credit room left was about 2.2% given the newly raised credit ceiling of 12%.

3Q NIM was down 1bps QoQ to 3.05%

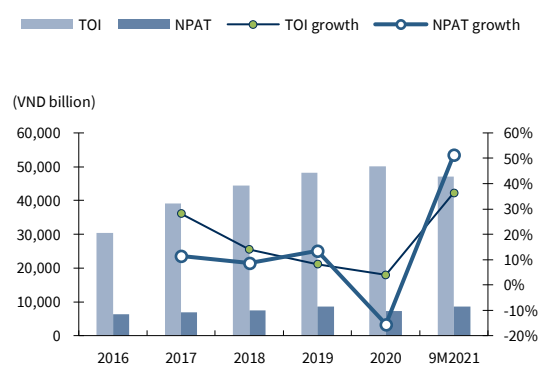
3Q net interest margin (NIM) was flat at 3.05% (-1bps QoQ, +72 bps YoY), average cost of funds remained low at 3.62% (+0bps QoQ), and average earnings yield dipped 2bps QoQ to 6.45%. The subdued performance is partly attributable to BID's policies on cutting interest rates to support Coronavirus-exposed businesses.

Fig 1. BID – NII & NOI (% YoY)



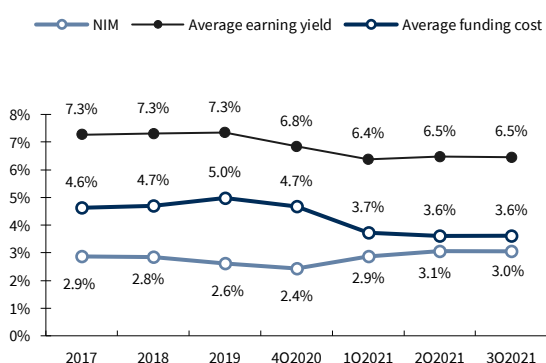
Source: Bank for Investment & Development, KB Securities Vietnam

Fig 2. BID – TOI & post-tax income (% YoY)



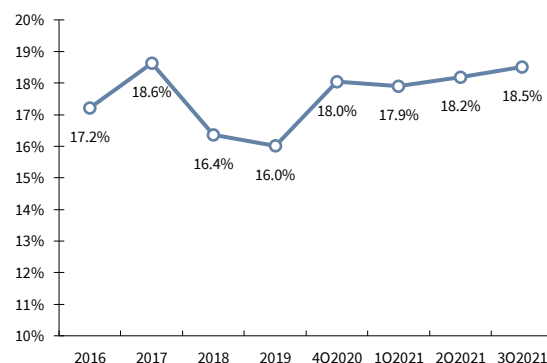
Source: Bank for Investment & Development, KB Securities Vietnam

Fig 3. BID – Interest rate & NIM (% YoY)



Source: Bank for Investment & Development, KB Securities Vietnam

Fig 4. BID – CASA (% YoY)

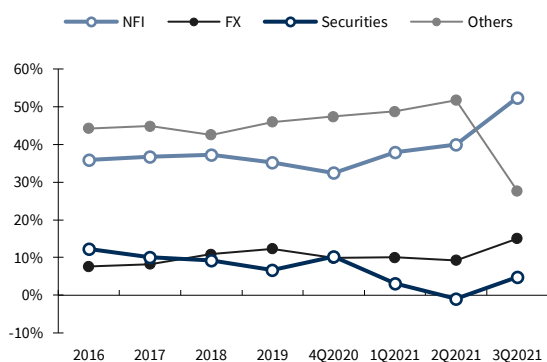


Source: Bank for Investment & Development, KB Securities Vietnam

3Q21 NOII reached VND3,042 billion, down 6.3% YoY

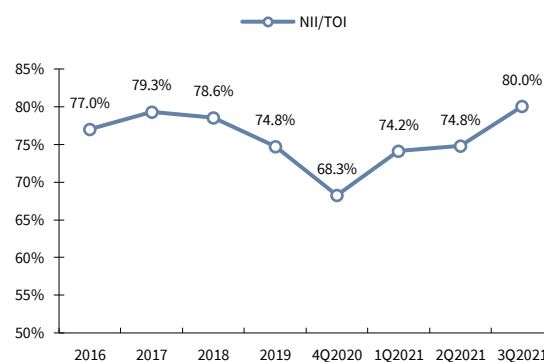
Service fees continued to improve 16.6% YoY; profit from Forex activities increased slightly 4.4% YoY while net gain from securities trading and investment reached VND149 billion (-62.6% YoY) and net other income was VND794 billion (-20.8% YoY), making 3Q21 non-interest income (NOII) hit VND3,042 billion (-6.3% YoY. NII/TOI was 80%, the highest level in recent years.

Fig 5. BID – NOII structure (%)



Source: Bank for Investment & Development, KB Securities Vietnam

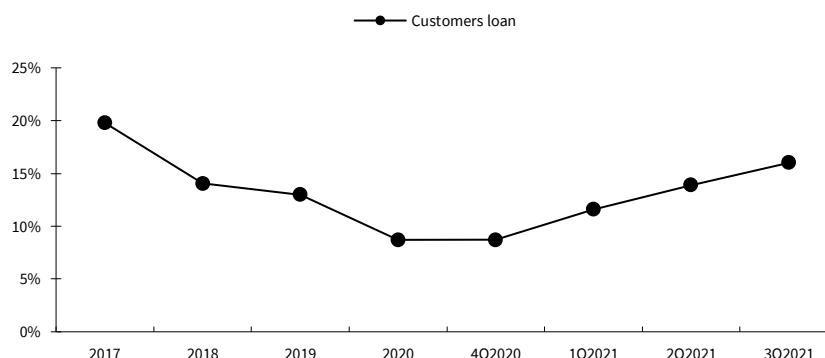
Fig 6. BID – NII/TOI (%)



Source: Bank for Investment & Development, KB Securities Vietnam

Credit growth was driven by loans to large corporate customers (+17.9% Ytd) and individual customers (+14.3% Ytd); loans to SME declined 8.8% Ytd.

Fig 7. BID – Credit growth (% YoY)

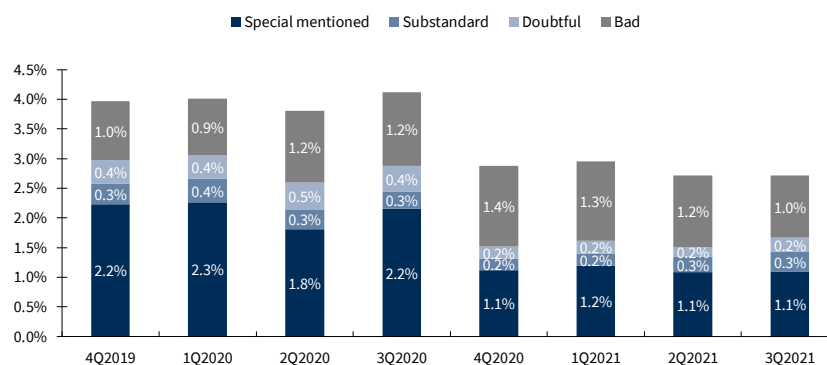


Source: Bank for Investment & Development, KB Securities Vietnam

NPL ratio was 1.61%, down 2bps QoQ, restructured loan balance was up 86% as compared to August 2021

NPL ratio in 3Q21 was 1.61% (-2bps QoQ), of which special mention loans were unchanged, both substandard and doubtful debts increased 7bps QoQ while bad debts decreased 17bps QoQ. During the period, BID continued to accelerate provisioning to VND7,502 billion (+30.3% YoY), thereby raising loan loss coverage ratio to 140.2% (+792bps QoQ), ranking 5th among banks in our coverage. However, the restructured loan balance was inclined to increase to VND25,000 billion or 1.9% of total outstanding loans, up 86% as compared to early August 2021.

Fig 10. BID – Special mention, substandard, doubtful, bad debt (%)

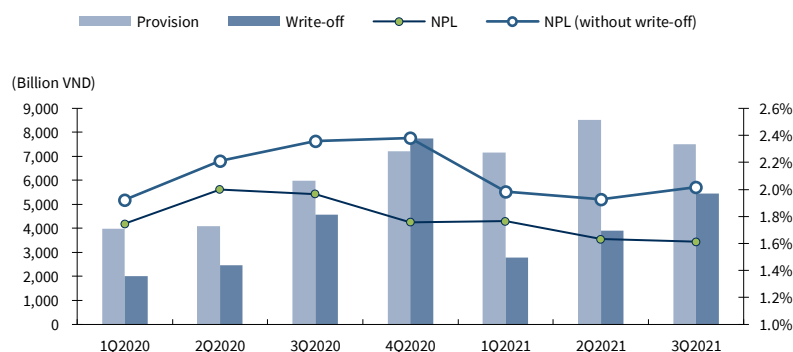


Source: Bank for Investment & Development, KB Securities Vietnam

Fig 21. BID – Provisions and allocation (VNDbn, %)

BID made provision at a high level as compared to recent quarters.

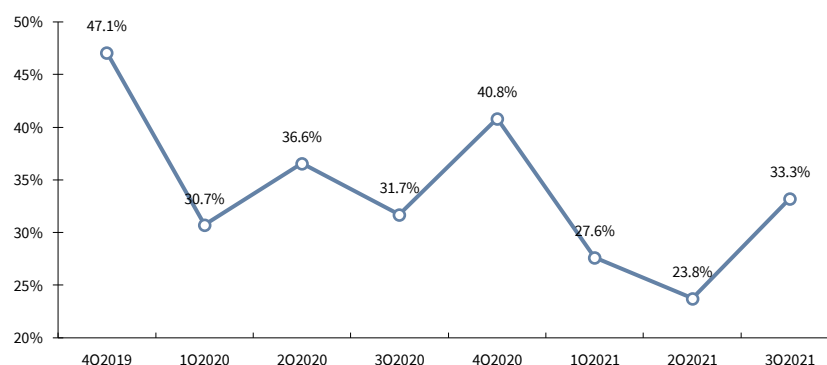
In 3Q21, BID promoted the use of provisions for debt settlement, which was the main reason why the NPL ratio remained low even though asset quality was hard hit by the pandemic.



Source: Bank for Investment & Development, KB Securities Vietnam

Fig 32. BID – CIR (%)

3Q21 CIR reached 33.3%, up 9.5% QoQ. CIR will likely remain high in 4Q21 as BID tends to spend more in 4Q.



Source: Bank for Investment & Development, KB Securities Vietnam

BID plans to issue 1,037 billion shares to pay 2019–2020 dividends, raising charter capital to more than VND50,585 billion

BID management plans to issue nearly 1,037 billion shares to pay 2019–2020 dividends with the record date on December 24, 2021, expected in 2021–2022, thereby lifting the charter capital of the bank to more than VND50,585 billion. The number of shares issued in this tranche is equivalent to 25.77% of outstanding shares (12.2% higher than that of initial plan early this year, of which 5.2% is for 2019 and 7% is for 2020).

Forecast business performance

We make a forecast for business performance of BID in 2021 as follows:

- Credit growth should be 11.4% since businesses may boost borrowing to recover from the pandemic and BID was approved to raise credit cap.
- We estimate NIM to increase 53bps YoY to 2.96%.
- NPL ratio is supposed to be 1.65% (-150bps QoQ), lower than the previous forecast as BID still promotes debt settlement from provision.
- Provision expenses should reach VND28,790 billion, up 10.1% compared to the previous forecast, reflecting the deteriorating asset quality due to the impact of the pandemic in 3Q21.
- We forecast FY21 NPAT to hit VND10,765 billion (+49% YoY), up 10.5% from previous forecast, reflecting higher NIM and credit growth.
- We expect NPAT in 2022 to reach VND14,213 billion (+32% YoY) with strong post-pandemic demand for loans and improved asset quality.

Fig 42. BID – 2021F–2022F business performance

	2020	2021F	2022F	%YoY 2021	%YoY 2022
Net profit	35,797	46,551	48,683	30%	5%
Fees and commission income	5,266	5,886	6,440	12%	9%
Total operating income	50,037	61,227	64,885	22%	6%
Provision expense	(23,318)	(28,790)	(27,004)	23%	-6%
NPAT	7,224	10,765	14,213	49.0%	32.0%
NIM	2.43%	2.96%	2.80%	53bps	-16bps
Earnings yield	6.84%	6.43%	6.58%	-41bps	16bps
Cost of funds	4.67%	3.63%	3.90%	-104bps	27bps
CIR	35.4%	31.0%	31.0%	-436bps	0bps
NPL	1.76%	1.65%	1.75%	-11bps	10bps
Total assets	1,516,686	1,695,204	1,851,923	12%	9%
Equity	79,647	86,750	100,422	9%	16%

Source: KB Securities Vietnam

We recommend HOLDING BID shares with a target price of VND51,600 apiece

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

(1) P/B method

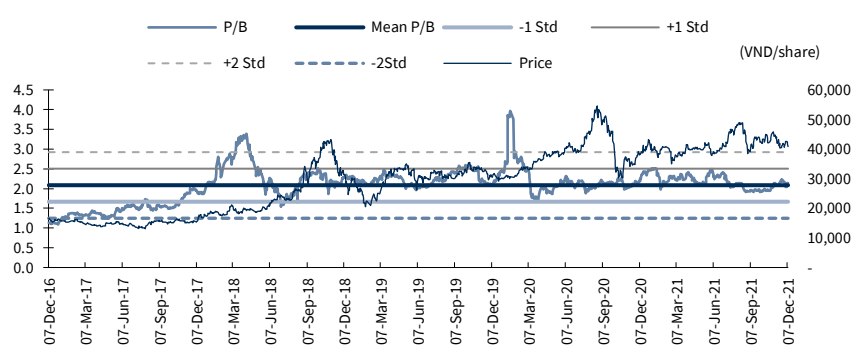
With a positive outlook in 2022, we set a target P/B for BID of 2.5x, equivalent to +1Std of BID's 5-year average P/B (Figure 13).

(2) Residual income method (Table 14)

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

By combining the aforementioned two valuation methods with the ratio of 50-50, we find the final fair price of BID shares for 2022 is 51,600 VND/share, 13.4% higher than the closing price on December 13, 2021.

Fig 53. BID – Share price performance and P/B (VND, x)



Source: Fiiipro, KB Securities Vietnam

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

VNDbn	2021F	2022F	2023F
NPAT	10,765.13	14,213.28	17,909.69
Excessed return	1,363.72	3,638.08	5,774.47
Required rate of return (r)	11.30%		
Growth (g)	5.0%		
Terminal value	77,691.02		
Present value (PV)	164,232.24		
Share price	40,833.3		

Source: KB Securities Vietnam

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

Method of valuation	Estimated price (VND)	Weight	Weighted price (VND)
P/B	62,420	50%	31,210
Residual income method	40,833	50%	20,417
Target price			51,600

Source: KB Securities Vietnam

BID – 2018A–2022E financials

Income Statement (VNDbn)						Balance Sheet (VNDbn)					
	2018	2019	2020E	2021F	2022F		2018	2019	2020E	2021F	2022F
Net interest income	34,956	35,978	35,797	46,551	48,683	Loans	976,334	1,102,366	1,195,240	1,331,891	1,475,169
Interest income	90,074	100,747	100,688	101,158	114,636	Marketable securities	674	6,346	10,170	6,564	7,286
Interest expense	(55,118)	(64,769)	(64,891)	(54,607)	(65,954)	Cash (ex. Reserves)	10,508	14,117	12,294	15,362	17,052
Fees & commissions	3,551	4,266	5,266	5,886	6,440	Interest earning assets	1,285,204	1,458,152	1,485,093	1,662,295	1,819,835
Other non-interest income	3,815	5,361	5,093	5,883	6,765	Fixed assets & other assets	38,001	39,206	38,919	41,280	44,472
Total operating income	44,483	48,121	50,037	61,227	64,885	Total assets	1,313,038	1,489,957	1,516,686	1,695,204	1,851,923
SG&A expenses	(16,117)	(17,257)	(17,693)	(18,980)	(20,114)	Customer deposits	989,671	1,114,163	1,226,674	1,353,940	1,502,873
Pre-provisioning OP	28,366	30,864	32,344	42,247	44,771	Borrowings & call money/repos	52,288	75,159	76,090	137,713	152,583
Provision for credit losses	(18,894)	(20,132)	(23,318)	(28,790)	(27,004)	Interest bearing liabilities	1,226,454	1,374,765	1,402,248	1,603,044	1,779,116
Other income	5,337	6,518	7,993	9,192	10,570	Other liabilities	32,032	37,540	34,792	5,411	(27,615)
Other expense	(1,522)	(1,157)	(2,900)	(3,309)	(3,805)	Total liabilities	1,258,486	1,412,304	1,437,039	1,608,455	1,751,501
Pre-tax income	9,473	10,732	9,026	13,456	17,767	Charter capital	34,187	40,220	40,220	45,100	48,510
Income tax expense	(1,931)	(2,184)	(1,803)	(2,691)	(3,553)	Capital surplus	30	14,292	14,292	14,292	14,292
NP	7,542	8,548	7,224	10,765	14,213	Retained earnings	12,341	13,857	13,517	15,741	26,002
Minority interest profit	(184)	(179)	(227)	(54)	(71)	Capital adjustments	-	-	-	-	-
Parent NP	7,358	8,368	6,997	10,711	14,143	Total shareholders' equity	54,551	77,653	79,647	86,750	100,422

Financial Indicators (%)						Valuation (VND, X, %)					
	2018	2019	2020E	2021F	2022F		2018	2019	2020E	2021F	2022F
Profitability						Share Price Indicators					
ROE	14.6%	12.9%	9.2%	12.9%	15.2%	EPS	2,152	2,081	1,740	2,375	2,915
ROA	0.6%	0.6%	0.5%	0.7%	0.8%	BVPS	15,957	19,307	19,803	19,235	20,701
Pre-provision ROE	43.8%	37.3%	32.9%	40.6%	38.3%	Tangible BVPS	14,695	18,235	18,744	18,267	19,810
Pre-provision ROA	1.8%	1.8%	1.7%	2.1%	2.0%	Valuations					
Net interest margin (NIM)	2.8%	2.6%	2.4%	3.0%	2.8%	PER	20.1	20.8	24.9	18.2	14.9
Efficiency						PBR	2.7	2.2	2.2	2.3	2.1
Pure Loan to deposit ratio	99.9%	100.3%	99.0%	100.0%	100.0%	Dividend yield	0.0%	1.8%	1.8%	1.8%	1.8%
Cost-income ratio	36.2%	35.9%	35.4%	31.0%	31.0%	ROE	14.6%	12.9%	9.2%	12.9%	15.2%
Growth						Capital Adequacy					
Asset growth	9.2%	13.5%	18%	11.8%	9.2%	CAR	10.0%	9.3%	10.0%	>8%	>8%
Loan growth	14.1%	12.9%	8.4%	11.4%	10.8%	Asset Quality					
PPOP growth	20.6%	8.8%	4.8%	30.6%	6.0%	NPL ratio (substandard)	1.9%	1.7%	1.8%	1.7%	1.8%
Parent NP growth	8.4%	13.7%	-16.4%	53.1%	32.0%	Coverage ratio (substandard)	66.2%	75.0%	89.2%	98.7%	105.3%
EPS growth	8.4%	-3.3%	-16.4%	36.5%	22.8%	NPL ratio (precautionary)	4.2%	4.0%	2.9%	2.8%	2.9%
BVPS growth	11.7%	21.0%	2.6%	-2.9%	7.6%	Coverage ratio (precautionary)	29.8%	32.9%	54.4%	59.2%	64.7%

Source: Bank for Investment & Development, 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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