

December 12, 2022

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3Q22 PBT climbed 149.6% YoY to VND6,673 billion

Bank for Investment & Development (BID) posted positive results for 3Q22 with net interest income (NII) of VND14,098 billion (-3.5% QoQ, +15.5% YoY) and non-interest income (NOII) of VND3,456 billion (-1.9% QoQ, +13.6% YoY), taking total operating income (TOI) to VND17,555 billion (-3.2% QoQ, +15.1% YoY). PBT reached VND6,673 billion (+2.8% QoQ, +149.6% YoY) in the period. The figure for 9M22 was VND17,677 billion (+64.7% YoY), with credit growth of 10.1% YTD.

3Q22 NIM fell 3bps QoQ to 2.93%, and CASA ratio dropped 100bps QoQ

3Q22 NIM reached 2.93% (-3bps QoQ, -11bps YoY), with the average earnings yield up 6bps QoQ thanks to increases in retail and corporate loans and a decrease in loans to financial institutions. Meanwhile, the average cost of funds picked up 10bps QoQ due to rising interbank rates and CASA ratio of 18.8% (-100bps QoQ).

BID was given extra credit room of about 2%

KBSV expects BID to enjoy higher credit growth in December 2022 for: (1) The State Bank of Vietnam (SBV) decided to raise credit growth targets for the entire system by 1.5%-2%, and BID was given another 2%; (2) Cooling USD/VND exchange rate would ease pressure on deposit and lending rates, enabling businesses to access bank loans at reasonable interest expenses.

We recommend HOLD for BID with a target price of VND44,800/share

Based on valuation results, business outlook and possible risks, we recommend HOLD for BID stocks. The target price for 2023F is VND44,800/share, 14.9% higher than the closing price on December 9, 2022.

Hold update

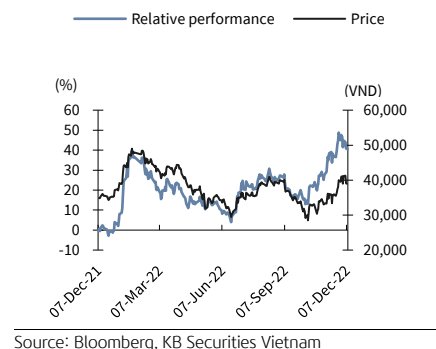
Target price	VND 44,800
Upside/Downside	14.9%
Current price (Dec 9, 2022)	VND 39,200
Consensus target price	VND 35,768
Market cap (VNDbn)	197,282

Trading data	
Free float	
3M avg trading value (VNDbn/USDmn)	
Foreign ownership	
Major shareholder	State Bank (SBV) (80.99%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	8	11	32	13
Relative	-2	25	43	40

Forecast earnings & valuation

FY-end	2020A	2021F	2022F	2023F
Net interest income (VNDbn)	35,797	46,823	55,138	59,483
Pre-provision operating profit (VNDbn)	32,344	43,028	47,781	52,165
NPAT of the parent bank (VNDbn)	6,997	10,540	17,138	19,603
EPS (VND)	1,740	2,084	3,388	3,875
EPS growth (%)	-16%	20%	63%	14%
PER (x)	22.4	18.7	11.5	10.1
Book value per share (VND)	19,805	17,066	19,654	22,729
PBR (x)	1.97	2.29	1.98	1.72
ROE (%)	9.2%	13.1%	19.0%	18.9%
Dividend yield (%)	2.05%	2.05%	2.05%	2.05%



Business performance

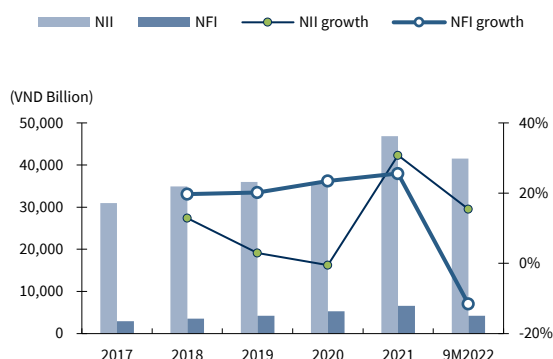
3Q22 PBT climbed 149.6% YoY to VND6,673 billion

BID posted positive results for 3Q22 with NII of VND14,098 billion (-3.5% QoQ, +15.5% YoY) and NOI of VND3,456 billion (-1.9% QoQ, +13.6% YoY), taking TOI to VND17,555 billion (-3.2% QoQ, +15.1% YoY). CIR was 31.1% (-220bps YoY) and provision expense was VND5,429 billion (-15.8% QoQ, -27.6% YoY), helping 3Q22 PBT touch VND6,673 billion (+2.8% QoQ, +149.6%) YoY). 9M22 PBT was VND17,677 billion (+64.7% YoY), with credit growth of 10.1% YTD.

3Q22 NIM fell 3bps QoQ to 2.93%, and CASA ratio dropped 100bps QoQ

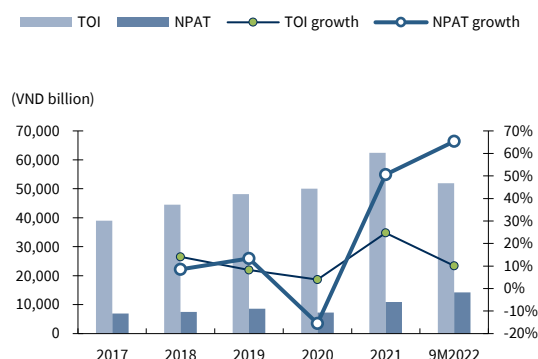
3Q22 NIM reached 2.93% (-3bps QoQ, -11bps YoY), with the average earnings yield up 6bps QoQ thanks to rising retail and corporate loans and decreasing loans to financial institutions. Meanwhile, the average cost of funds picked up 10bps QoQ due to higher interbank rates and CASA ratio of 18.8% (-100bps QoQ). CASA ratio declined for two consecutive quarters due to: (1) Businesses switched from demand deposits to term deposits on rising deposit rates and (2) Enterprises withdrew money to buy back bonds or support production and business activities. In our view, the effect of rising deposit rates on NIM could be potentially stronger in 4Q22 and 2023.

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



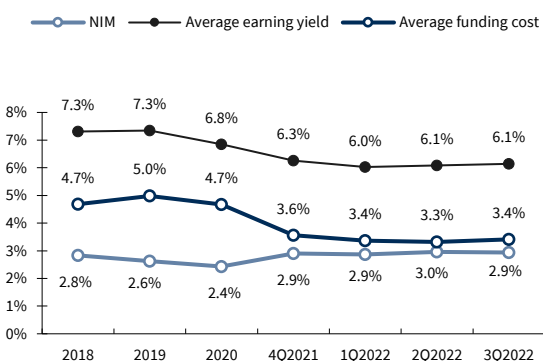
Source: BIDV, KB Securities Vietnam

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



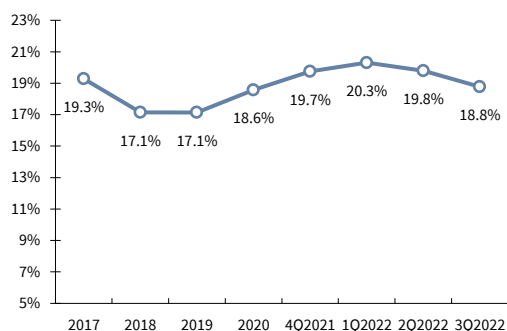
Source: BIDV, KB Securities Vietnam

Fig 3. BID - NIM (%)



Source: BIDV, KB Securities Vietnam

Fig 4. BID - CASA ratio (%)

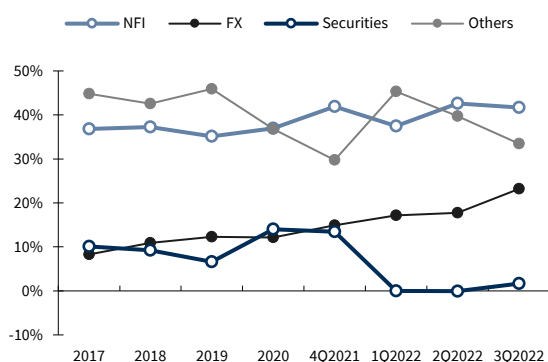


Source: BIDV, KB Securities Vietnam

3Q22 NOII reached VND3,456 billion, up 13.6% YoY

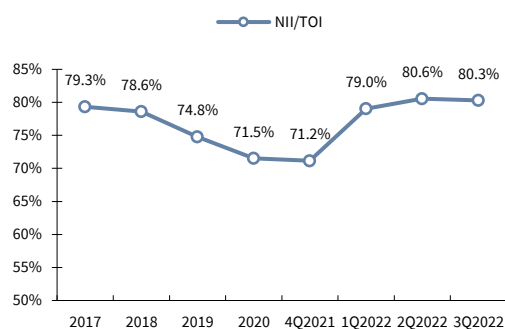
In the third quarter of 2022, net fee income posted VND1,441 billion (-4.0% QoQ, -9.6% YoY). Foreign exchange brought in VND801 billion (+28.2% QoQ, +75.4% YoY), while trading securities recorded only VND57 billion. Net other income was VND1,057 billion (-20.9% QoQ, +33.1% YoY). As a result, 3Q22 NOII expanded by 13.6% YoY to VND3,456 billion. NII/TOI remained high at 80.3%.

Fig 5. BID - NOII breakdown (%)



Source: BIDV, KB Securities Vietnam

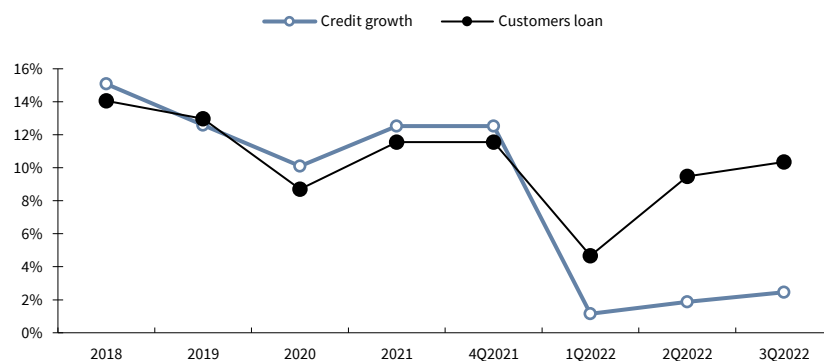
Fig 6. BID - NII/TOI (%)



Source: BIDV, KB Securities Vietnam

9M22 deposit grew by 16.2% YTD mainly thanks to deposits and loans from the government & SBV and loans to other credit institutions. Whereas, customer deposit only increased slightly by 2.5% YTD, far below customer loan growth of 10.4% YTD.

Fig 7. BID - Loan and deposit growth (%)



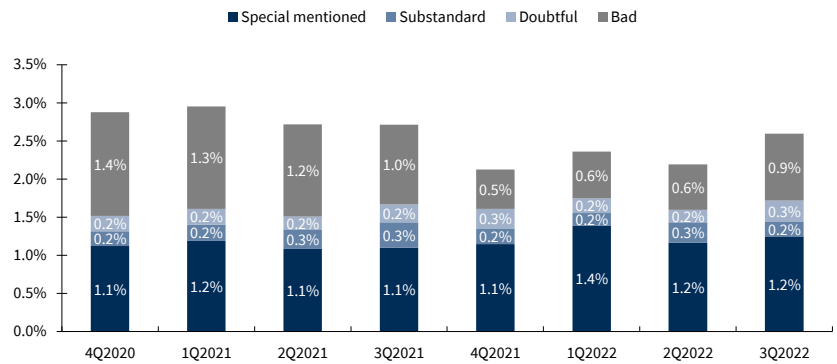
Source: BIDV, KB Securities Vietnam

NPL ratio hit 1.35%, up 32bps QoQ due to the reclassification of restructured debts

3Q22 NPL ratio rose 32bps QoQ to 1.35%, with doubtful and bad debt up 12bps QoQ and 28bps QoQ respectively and subprime debt down 9bps QoQ following the reclassification of restructured debts under Circular No. 14/2021-NHNN. During the period, BID's provision expense decreased by 15.8% QoQ and 27.6% YoY to VND5,429 billion, and loan loss coverage ratio (LLCR) was 213.8%, the third highest in the banking system, only after Vietcombank (VCB) and Vietinbank (CTG).

The NPL ratio remained low against an average of 1.8% of previous years. Provisioning pressure will likely increase in 2023 as business activities may be affected by negative macroeconomic factors.

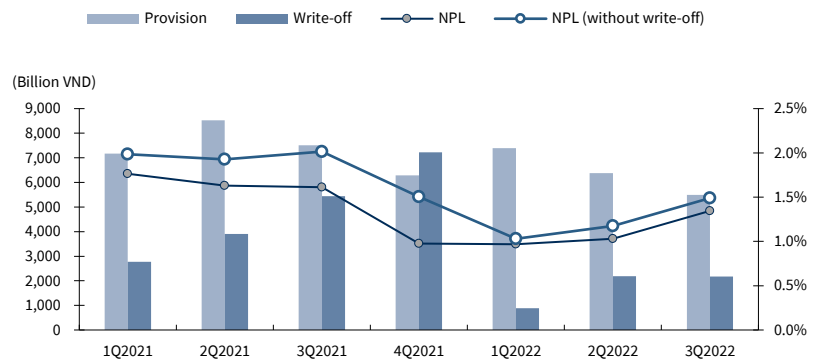
Fig 10. BID – Groups of debt (%)



Source: BIDV, KB Securities Vietnam

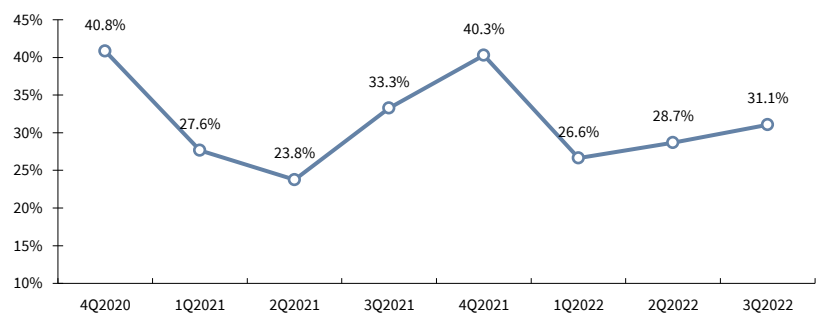
Provision expense slowly decreased over the last two quarters as BID made full provisions for restructured debts in 2021 and LLCR was also high at 213.8%.

Fig 11. BID – Provision, provision expense, NPL ratio (VNDbn, %)



Source: BIDV, KB Securities Vietnam

Fig 12. BID – CIR (%)



Source: BIDV, KB Securities Vietnam

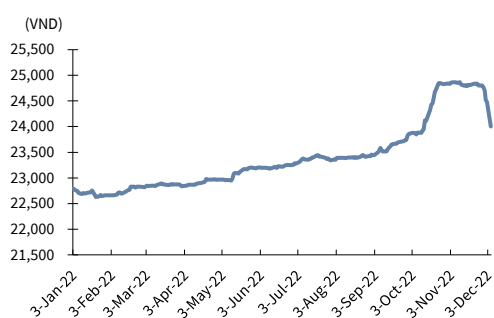
BID was given extra credit room of about 2%

KBSV expects BID to enjoy higher credit growth in December 2022 for: (1) The SBV decided to raise credit growth targets for the entire system by 1.5%–2%, and BID was given another 2% and (2) The USD/VND exchange rate showed signs of cooling, with interbank exchange rate down 3.5% from its peak to VND24,001, thus easing pressure on deposit and lending rates and enabling businesses to access bank loans at reasonable interest expenses.

Liquidity is the key factor to accelerate disbursement

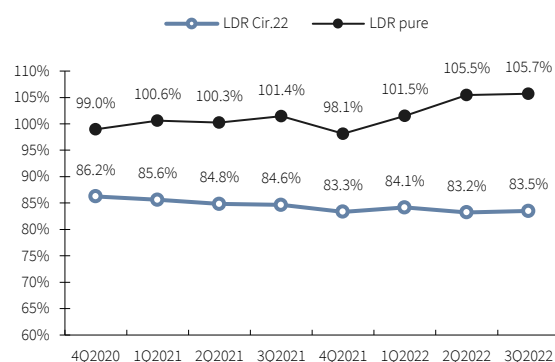
The balance between credit and deposit growth would play an important role in achieving the expected credit growth for the banking system in general and BID in particular. In our view, the market may not expect key factors supporting liquidity in the near term, such as speeding up public investment disbursement or the SBV’s purchase of foreign currency following the decrease of the US dollar. Therefore, BID will have difficulty mobilizing capital to boost lending and use up the allocated credit room.

Fig 13. Vietnam – Interbank USD/VND exchange rate



Source: Bloomberg

Fig 14. BID – LDR under Circular 22 and LDR in the deposit market (%)



Source: BIDV, KB Securities Vietnam

Forecast & Valuation

2022F business results

We make our forecast for BID's 2022F business results as follows:

- Credit growth should reach 11.9% for the whole year of 2022 on the expectation that BID will accelerate disbursement after being given extra room to lend.
- We estimate NIM to inch down 2bps YoY to 2.88%, unchanged from the previous projection when the negative impacts of rising deposit rates have not fully reflected in the cost of funds.
- NPL ratio is expected at 1.40%, up 40bps QoQ as BID recognized restructured debts under Circular No. 14/2021/TT-NHNN as doubtful and bad debt.
- Provision expense may reach VND25,696 billion, down 12.8% YoY since BID made full provisions for restructured debts in 2021.
- NPAT of the parent bank should jump by 62.6% YoY to VND17,138 billion.

2023F business results

For 2023F, we forecast credit growth of 11.2%, NIM of 2.72% (-16bps YoY due to higher cost of funds). Provision expense would stay high, up 4.7% YoY, given growing concerns over the economic health in 2023. NPAT of the parent bank should be VND19,603 billion, up 14.4% YoY.

Table 15. BID – 2022–23F business results

	2021A	2022F	2023F	% YoY 2022	%YoY 2023
Net interest income	46,823	55,138	59,483	17.8%	7.9%
Net fee and commission income	6,614	5,538	5,797	-16.3%	4.7%
Total operating income	62,494	69,247	75,602	10.8%	9.2%
Provision expense	(29,481)	(25,696)	(26,905)	-12.8%	4.7%
NPAT of the parent bank	10,540	17,138	19,603	62.6%	14.4%
NIM	2.90%	2.88%	2.72%	-2bps	-16bps
Average earnings yield	6.26%	6.18%	6.41%	-8bps	23bps
Average cost of funds	3.56%	3.51%	3.90%	-5bps	39bps
CIR	31.1%	31.0%	31.0%	-15bps	0bps
NPL	1.00%	1.40%	1.70%	40bps	30bps
Total assets	1,761,696	2,111,278	2,322,888	19.8%	10.0%
Equity	86,329	99,421	114,976	15.2%	15.6%

Source: KB Securities Vietnam

We recommend HOLD for BID with a target price of VND44,800/share

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

(1) P/B valuation

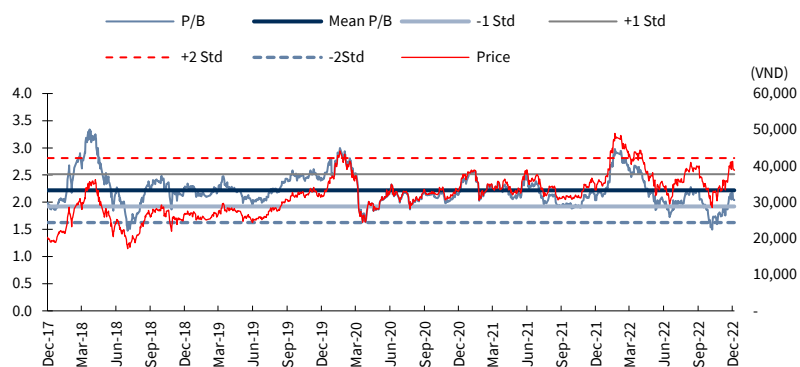
We keep BID's target P/B at 2.2x, equivalent to BID's 5-year average P/B (Figure 16).

(2) Residual income valuation (Table 17)

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

With an equal combination of the above two valuation methods, we recommend HOLD for BID with a target price of VND44,800/share, 14.9% higher than the closing price on December 9, 2022.

Fig 16. BID – P/B (x)



Source: Fiinpro, KB Securities Vietnam

Table 17. BID – Residual income valuation

VND bn	2022F	2023F	2024F
Profit after tax	17,668	20,209	22,319
Excessed return	5,780	6,487	6,475
Required rate of return (r)	12.80%		
Growth (g)	5.0%		
End-2023F value	198,023		
Share price	39,146		

Source: KB Securities Vietnam

Table 18. BID – P/B and residual income valuation

Valuation method	Forecast price	Weight	Weighted price
P/B	50,459	50%	25,229
Residual income	39,146	50%	19,573
Target price			44,800

Source: KB Securities Vietnam

BID – 2019A–2023F 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	55,138	59,483	Loans	1,102,366	1,195,240	1,325,529	1,481,664	1,647,885
Interest income	100,747	100,688	101,008	118,346	140,466	Marketable securities	6,346	10,170	6,069	1,155	1,322
Interest expense	(64,769)	(64,891)	(54,185)	(63,208)	(80,983)	Cash (ex. Reserves)	14,117	12,294	12,661	14,149	16,191
Fees & commissions	4,266	5,266	6,614	5,538	5,797	Interest earning assets	1,458,152	1,485,093	1,743,024	2,086,219	2,293,978
Other non-interest income	5,361	5,093	6,179	5,524	6,741	Fixed assets & other assets	39,206	38,919	35,365	48,244	52,441
Total operating income	48,121	50,037	62,494	69,247	75,602	Total assets	1,489,957	1,516,686	1,761,696	2,111,278	2,322,888
SG&A expenses	(17,257)	(17,693)	(19,465)	(21,467)	(23,437)	Customer deposits	1,114,163	1,226,674	1,380,398	1,474,314	1,687,101
Pre-provisioning OP	30,864	32,344	43,028	47,781	52,165	Borrowings & call money/repos	75,159	76,090	138,032	168,520	186,885
Provision for credit losses	(20,132)	(23,318)	(29,481)	(25,696)	(26,905)	Interest bearing liabilities	1,374,765	1,402,248	1,641,777	1,958,569	2,196,978
Other income	6,518	7,993	8,957	8,011	9,776	Other liabilities	37,540	34,792	33,590	53,289	10,934
Other expense	(1,157)	(2,900)	(2,779)	(2,487)	(3,035)	Total liabilities	1,412,304	1,437,039	1,675,367	2,011,857	2,207,912
Pre-tax income	10,732	9,026	13,548	22,085	25,261	Charter capital	40,220	40,220	50,585	50,585	50,585
Income tax expense	(2,184)	(1,803)	(2,706)	(4,417)	(5,052)	Capital surplus	14,292	14,292	14,292	14,292	14,292
NP	8,548	7,224	10,841	17,668	20,209	Retained earnings	13,857	13,517	8,673	21,764	37,320
Minority interest profit	(179)	(227)	(301)	(530)	(606)	Capital adjustments	-	-	-	-	-
Parent NP	8,368	6,997	10,540	17,138	19,603	Total shareholders' equity	77,653	79,647	86,329	99,421	114,976

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%	19.0%	18.9%	EPS	2,081	1,740	2,084	3,388	3,875
ROA	0.6%	0.5%	0.7%	0.9%	0.9%	BVPS	19,307	19,803	17,066	19,654	22,729
Pre-provision ROE	37.3%	32.9%	41.5%	41.2%	38.9%	Tangible BVPS	18,235	18,744	16,196	18,772	21,857
Pre-provision ROA	1.8%	1.7%	2.1%	2.0%	1.9%	Valuations					
Net interest margin (NIM)	2.6%	2.4%	2.9%	2.9%	2.7%	PER	18.5	22.1	18.4	11.3	9.9
Efficiency						PBR	2.0	1.9	2.3	2.0	1.7
Pure Loan to deposit ratio	100.3%	99.0%	98.1%	103.0%	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%	19.0%	18.9%
Growth						Capital Adequacy					
Asset growth	13.5%	1.8%	16.2%	19.8%	10.0%	CAR	10.0%	9.3%	8.9%	>8%	>8%
Loan growth	12.9%	8.4%	10.9%	11.8%	11.2%	Asset Quality					
PPOP growth	8.8%	4.8%	33.0%	11.0%	9.2%	NPL ratio (substandard)	17%	18%	10%	14%	17%
Parent NP growth	13.7%	-16.4%	50.6%	62.6%	14.4%	Coverage ratio (substandard)	75.0%	89.2%	24.8%	173.5%	136.7%
EPS growth	-3.3%	-16.4%	19.8%	62.6%	14.4%	NPL ratio (precautionary)	4.0%	2.9%	2.1%	2.5%	2.8%
BVPS growth	21.0%	2.6%	-13.8%	15.2%	15.6%	Coverage ratio (precautionary)	32.9%	54.4%	101.1%	97.1%	83.0%

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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