

BIDV (BID)

2022F PBT should grow by 36.2% YoY

March 14, 2022

Senior Analyst Nguyen Anh Tung
tungna@kbsec.com.vn

4Q21 PBT achieved VND2,868 billion, up 33.3% YoY

In the fourth quarter of 2021, Bank for Investment and Development (BID) posted exceptional business results with net interest income of VND10,583 billion (-11.1% QoQ, +2.7% YoY) and PBT of VND2,868 billion (+7.3% QoQ, +33.3% YoY).

NIM in 4Q21 reached 2.90%, down 14bps QoQ

4Q21 NIM decreased to 2.90% (-14 bps QoQ, +49 bps YoY) with low average cost of funds at 3.56% (-8 bps QoQ) and average earnings yield dropping by 19bps QoQ to 6.26% since BID lowered loan interest rates to support businesses hurt by the COVID-19 pandemic.

NPL ratio was 0.98%, down 64bps QoQ.

NPL ratio was 0.98% (-64bps QoQ) in 4Q21. During the quarter, BID made a provision of VND6,238 billion (-16.9% QoQ, -11.0% YoY), making the loan loss coverage ratio (LLCR) reach 219.4%, the highest of BID in recent years.

BID set 2022F business plan with credit growth of 12.5% and PBT of VND18.6 trillion (+36.1% YoY)

BID targets credit growth of 12.5% and PBT of VND18.6 trillion (+36.1% YoY) in 2022F. We believe BID can fulfill the plan, supported by: (1) Economic recovery from the pandemic; (2) a lot of room left to improve CASA with free and reduced banking fees for all transactions; and (3) decreased provisioning pressure in 2022.

We recommended BUYING BID shares with a target price of VND48,000/share

Based on valuation results, business outlook, and possible risks, we recommend BUYING BID shares with a target price of VND48,000/share, 18.5% higher than the closing price on March 9, 2022.

Buy update

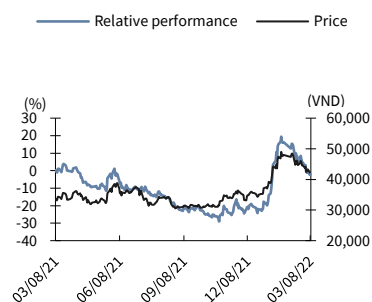
Target price	VND48,000
Upside/Downside	18.5%
Current price (Mar 9, 2022)	VND40,500
Consensus target price	VND35,184
Market cap (VNDbn)	210,434

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

Share price performance				
(%)	1M	3M	6M	12M
Absolute	-14	19	33	24
Relative	-12	19	23	-2

Forecast earnings & valuation

FY-end	2020A	2021F	2022F	2023F
Net revenue (VNDbn)	35,797	46,818	47,207	51,295
Pre-provision net operating income (VNDbn)	32,344	43,034	43,622	47,611
NPAT of the parent bank (VNDbn)	6,997	10,573	14,376	19,297
EPS (VND)	1,740	2,090	2,592	3,278
EPS growth (%)	-16%	20%	24%	26%
PER (x)	24.9	20.7	16.7	13.2
Book value per share (VND)	19,805	17,073	17,363	19,414
PBR (x)	2.19	2.54	2.49	2.23
ROE (%)	9.2%	13.1%	16.2%	18.9%
Dividend yield (%)	1.85%	1.85%	1.85%	1.85%



Source: Bloomberg, KB Securities Vietnam

Updated business performance

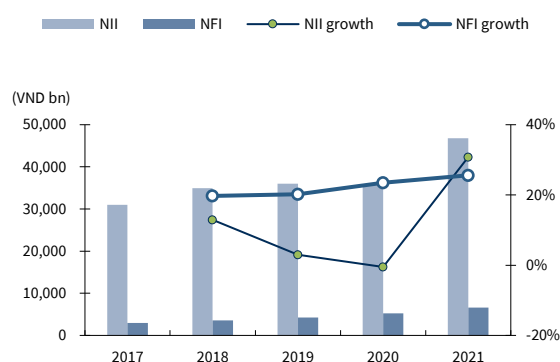
4Q21 PBT hit VND 2,868 billion, up 33.3% YoY

During the last three months of 2021, BID posted exceptional business performance with NII of VND10,583 billion (-11.1% QoQ, +2.7% YoY), non-interest income (NOII) of VND4,398 billion (+44.6% QoQ, -10.5% YoY), making TOI reach VND15,252 billion (flat QoQ, -1.5% YoY). CIR surged QoQ to 40.3% (+704 bps QoQ, -55 bps YoY) while provision expenses declined (-16.9% QoQ, -11.0% YoY), helping 4Q21 PBT record VND2,868 billion (+7.3% QoQ, +33.3% YoY). For the whole year of 2021, PBT was VND13,602 billion (+50.7% YoY) and credit growth expanded by 11.2% YoY.

NIM was 2.90%, down 14bps QoQ in 4Q21

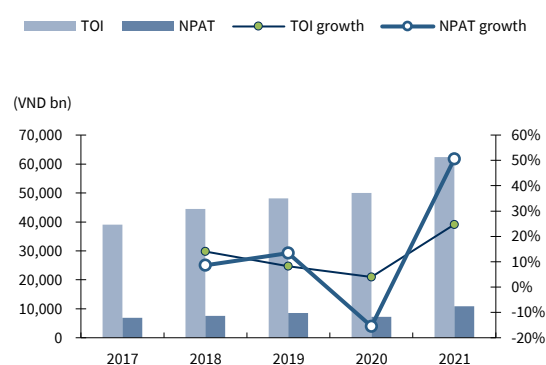
In 4Q21, NIM decreased to 2.90% (-14 bps QoQ, +49 bps YoY) with low average cost of funds at 3.56% (-8 bps QoQ) and average earnings yield falling by 19bps QoQ to 6.26%, after BID cut lending interest rates to support pandemic-hit customers.

Fig 1. BID – NII and TOI (VNDbn, %)



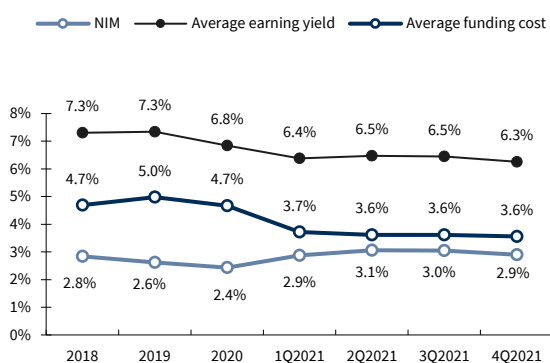
Source: Bank for Investment and Development, KB Securities Vietnam

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



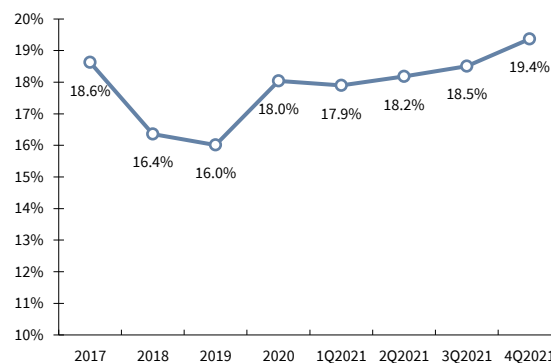
Source: Bank for Investment and Development, KB Securities Vietnam

Fig 3. BID – NIM, cost of funds, earnings yield



Source: Bank for Investment and Development, KB Securities Vietnam

Fig 4. BID – CASA (%)

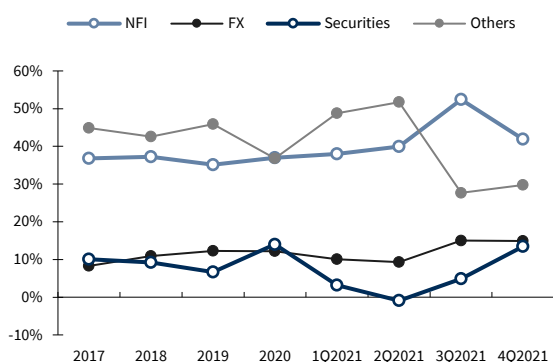


Source: Bank for Investment and Development, KB Securities Vietnam

NOII in 4Q21 reached VND4,398 billion, down 10.5% YoY

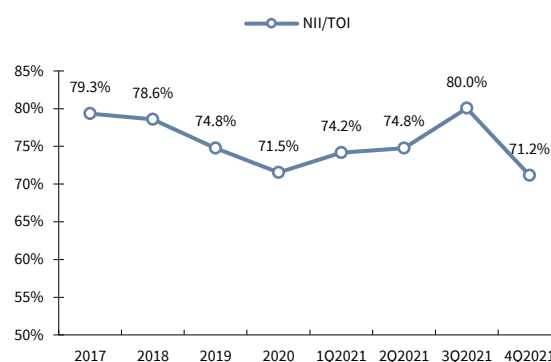
Service fees decreased from previous quarters (-11.1% QoQ, +2.7% YoY). Net gains from foreign currency trading increased by 34.7% YoY, while profit from securities trading and investment reached VND591 billion (up 16.6% YoY). Net other income was VND1,274 billion (-44.0% YoY). NOII, as a result, hit VND4,398 billion (-10.5% YoY), the highest in 2021. NII/TOI dropped sharply to 71.2% vs. 80.0% in 3Q21.

Fig 5. BID - Non-interest income (%)



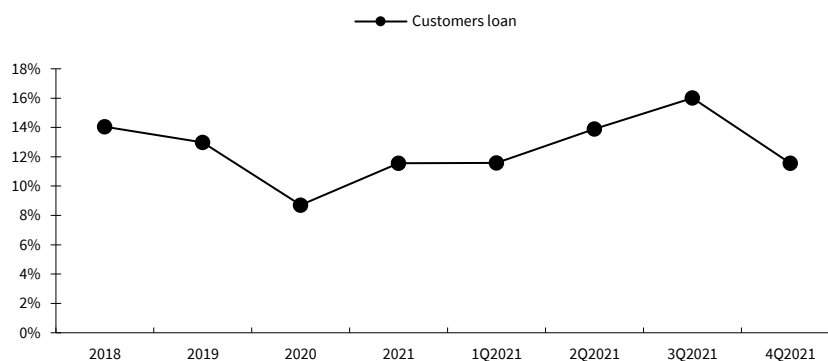
Source: Bank for Investment and Development, KB Securities Vietnam

Fig 6. BID - NII/TOI (%)



Source: Bank for Investment and Development, KB Securities Vietnam

Fig 7, BID - Customer loan growth (%YoY)



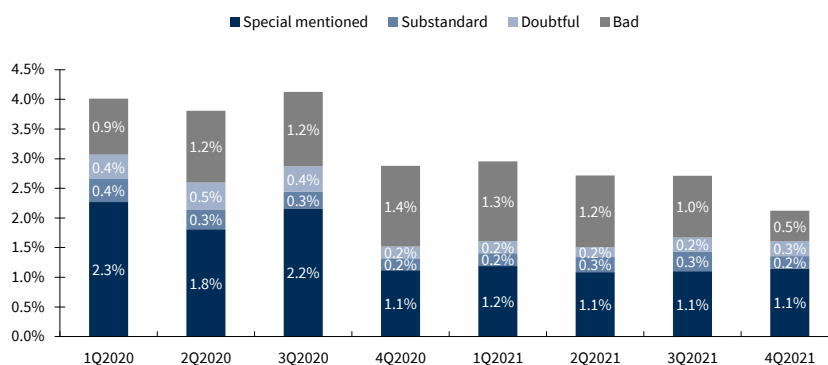
Source: Bank for Investment and Development, KB Securities Vietnam

NPL ratio was 0.98% (-64bps QoQ), restructured debts were down VND2.2 trillion QoQ

NPL ratio in 4Q21 dropped sharply to 0.98% (-64bps QoQ) with substandard and bad debts declining by 12bps QoQ and 53bps QoQ, respectively. During the quarter, BID made a provision of VND 6,238 billion (-16.9% QoQ, -11.0% YoY) and at the same time accelerated writing off bad debts, making the LLCR reach 219.4%, which is the highest level of BID in recent years.

BID's restructured debts by the end of 4Q21 were VND25 trillion, equivalent to 1.82% of the total credit, down VND2.2 trillion compared to 3Q21. BID has made full provision for restructured debts in 2021 instead of spreading them over three years, thereby reducing the provisioning pressure in the coming years.

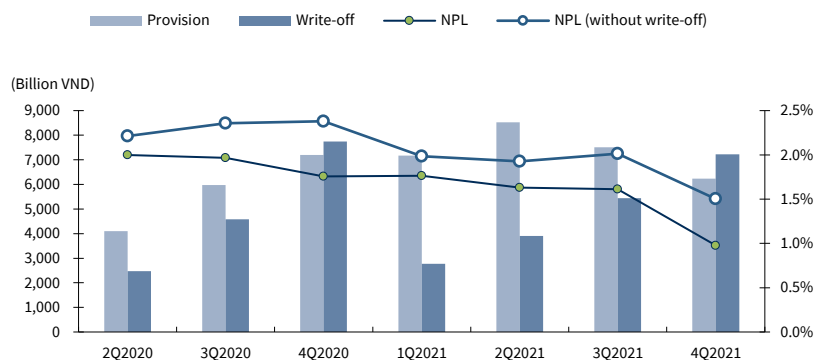
Fig 10. BID – Special mention, substandard, doubtful, bad debts (%)



Source: Bank for Investment and Development, KB Securities Vietnam

In 4Q21, BID accelerated writing off bad debts, helping the NPL ratio sharply decrease to the lowest level in recent years.

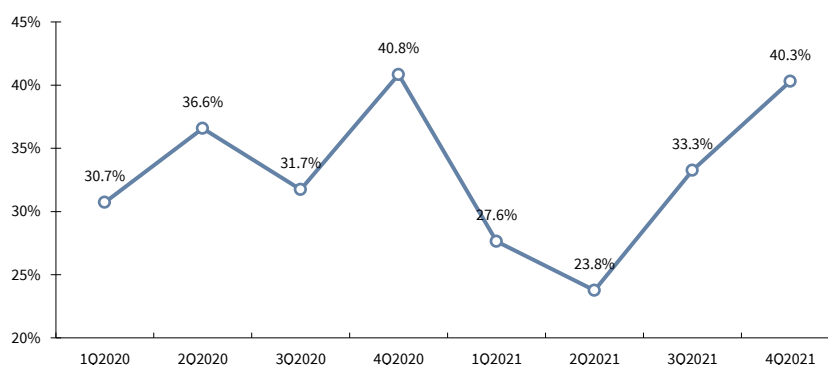
Fig 11. BID – Provision, written-off debts, NPL (VNDbn, %)



Source: Bank for Investment and Development, KB Securities Vietnam

4Q21 CIR was 40.3%, up 7% QoQ since BID tends to spend more in the last months of the year. For the whole year of 2021, CIR reached 31.0% compared to 35% in the previous years.

Fig 12. BID – CIR (%)



Source: Bank for Investment and Development, KB Securities Vietnam

Customers are exempted from all fees for transactions on BIDV SmartBanking from January 1, 2022

From January 1, 2022, all customers using BIDV SmartBanking will be exempted from all fees, including money transfer, service maintenance, one-account management, and OTT notification, without any requirements. BID management said the policy would cause revenue to decrease by about VND1.8 trillion but would help BID gain more competitive advantage, attracting new customers and retaining old ones, thereby improving CASA.

BID set 2022F credit growth of 12.5%, PBT of VND18.6 trillion (+36.1% YoY)

At a meeting with its investors, BID presented its business plan for 2022 with credit growth of 12.5% and PBT of VND18.6 trillion (up 36.1% YoY). KBSV believes that BID is capable of fulfilling the plan for the following reasons: (1) The economic recovery from the pandemic will boost money borrowing of businesses and individuals; (2) there is still a lot of room left to improve CASA with the free and reduced banking fees for all transactions, which will reduce the pressure of the increased cost of funds of the banking system; and (3) BID has cleared all bad debts that it had previously sold to the Vietnam Asset Management Company (VAMC) while restructured debts were fully provisioned in 2021, thereby significantly reducing provisioning pressure in 2022.

BID expects to issue 8.5% of its shares to the strategic partner in 2022–2023

BID has been looking for a strategic partner to issue 8.5% of its shares. It is still in the process of getting approval from the State Bank. BID hopes to get it done in the 2022–2023 period.

Forecast business performance

2022F business results

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

- Credit growth should be 12.3% as businesses step up borrowing to recover from the COVID-19 pandemic.
- We estimate NIM to decrease by 26bps YoY to 2.64% with the expectation that deposit interest rates in the banking system will increase in 2022.
- NPL may rise to 1.45%, up 47bps YoY due to debt rescheduling for customers affected by the pandemic as per Circular 14/2021/TT-NHNN.
- Provision expenses may reach VND24,097 billion, down 14.7% YoY since BID made provision for restructured debts in 2021.
- We forecast the PBT in 2022F at VND 18,526 billion, up 36.2% YoY.

Table 12. BID – 2022E–2023E business results

	2021A	2022F	2023F	%YoY 2022	%YoY 2023
Net interest income	-2.6%	9.4%	-2.6%	9.4%	-2.6%
Fees and commission income	1.3%	9.1%	1.3%	9.1%	1.3%
TOI	-14.7%	-9.4%	-14.7%	-9.4%	-14.7%
Provision expenses	36.2%	34.2%	36.2%	34.2%	36.2%
NPAT	-26bps	3bps	-26bps	3bps	-26bps
NIM	35bps	38bps	35bps	38bps	35bps
Average earnings yield	55bps	23bps	55bps	23bps	55bps
Average cost of funds	-3bps	0bps	-3bps	0bps	-3bps
CIR	47bps	5bps	47bps	5bps	47bps
NPL	5.6%	9.6%	5.6%	9.6%	5.6%
Total assets	11.5%	18.7%	11.5%	18.7%	11.5%
Equity	-2.6%	9.4%	-2.6%	9.4%	-2.6%

Source: Bank for Investment and Development, KB Securities Vietnam

**We recommend BUYING BID shares
with a target price of
VND48,000/share**

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

(1) P/B valuation

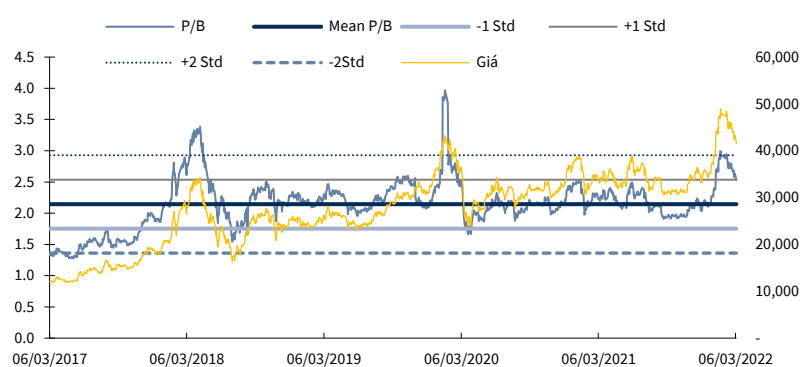
On expectations for a positive outlook in 2022, we give BID shares a target P/B of 2.5x, equivalent to +1Std of BID's five-year average P/B (Figure 13).

(2) Residual income valuation (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 find the final fair price for BID shares in 2022F at VND48,000/share, 18.5% higher than the closing price on March 9, 2022.

Fig 13. BID – P/B (x)



Source: Fiiipro, KB Securities Vietnam

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

VNDbn	2022F	2023F	2024F
NPAT	14,820	19,893	21,349
Excessed return	4,479	7,924	7,400
Required rate of return (r)	11.30%		
Growth (g)	5.0%		
Terminal value	101,293		
Terminal value for 2022	200,332		
Share price	39,603		

Source: KB Securities Vietnam

Table 15. BID – Target price according to valuation methods

Valuation method	Forecast price (VND)	Weight	Weighted price (VND)
P/B	56,490	50%	28,245
Residual income	39,603	50%	19,801
Target price			48,000

Source: KB Securities Vietnam

BID – 2019A–2023E financials

Income Statement (VNDbn)						Balance Sheet (VNDbn)					
	2018	2019	2020E	2021F	2022F		2018	2019	2020E	2021F	2022F
Net interest income	35,978	35,797	46,818	47,207	51,295	Loans	1,102,366	1,195,240	1,325,578	1,495,744	1,662,837
Interest income	100,747	100,688	101,007	118,303	134,572	Marketable securities	6,346	10,170	6,067	6,698	7,434
Interest expense	(64,769)	(64,891)	(54,190)	(71,096)	(83,277)	Cash (ex. Reserves)	14,117	12,294	12,661	14,625	16,234
Fees & commissions	4,266	5,266	6,614	6,440	7,047	Interest earning assets	1,458,152	1,485,093	1,743,023	1,837,685	2,012,272
Other non-interest income	5,361	5,093	6,060	6,576	7,562	Fixed assets & other assets	39,206	38,919	35,561	38,744	41,583
Total operating income	48,121	50,037	62,395	63,221	69,002	Total assets	1,489,957	1,516,686	1,761,939	1,860,613	2,039,067
SG&A expenses	(17,257)	(17,693)	(19,361)	(19,598)	(21,391)	Customer deposits	1,114,163	1,226,674	1,380,402	1,523,962	1,691,598
Pre-provisioning OP	30,864	32,344	43,034	43,622	47,611	Borrowings & call money/repos	75,159	76,090	138,032	161,104	178,522
Provision for credit losses	(20,132)	(23,318)	(29,432)	(25,097)	(22,745)	Interest bearing liabilities	1,374,765	1,402,248	1,641,777	1,820,646	2,020,632
Other income	6,518	7,993	8,935	10,275	11,816	Other liabilities	37,540	34,792	33,795	(56,339)	(95,867)
Other expense	(1,157)	(2,900)	(2,875)	(3,699)	(4,254)	Total liabilities	1,412,304	1,437,039	1,675,572	1,764,307	1,924,765
Pre-tax income	10,732	9,026	13,602	15,526	24,866	Charter capital	40,220	40,220	50,585	55,465	58,875
Income tax expense	(2,184)	(1,803)	(2,723)	(3,705)	(4,973)	Capital surplus	14,292	14,292	14,292	14,292	14,292
NP	8,548	7,224	10,879	14,820	19,893	Retained earnings	13,857	13,517	10,269	15,328	29,915
Minority interest profit	(179)	(227)	(306)	(445)	(597)	Capital adjustments	-	-	-	-	-
Parent NP	8,368	6,997	10,573	14,376	19,297	Total shareholders' equity	77,653	79,647	86,367	96,305	114,302

Financial Indicators (%)						Valuation (VND, X, %)					
	2018	2019	2020E	2021F	2022F		2018	2019	2020E	2021F	2022F
Profitability						Share Price Indicators					
ROE	12.9%	9.2%	13.1%	16.2%	18.9%	EPS	2,081	1,740	2,090	2,592	3,278
ROA	0.6%	0.5%	0.7%	0.8%	1.0%	BVPS	19,307	19,803	17,073	17,363	19,414
Pre-provision ROE	37.3%	32.9%	41.5%	38.2%	36.2%	Tangible BVPS	18,235	18,744	16,203	16,541	18,648
Pre-provision ROA	1.8%	1.7%	2.1%	1.9%	2.0%	Valuations					
Net interest margin (NIM)	2.6%	2.4%	2.9%	2.6%	2.7%	PER	20.8	24.9	20.7	16.7	13.2
Efficiency						PBR	2.2	2.2	2.5	2.5	2.2
Pure Loan to deposit ratio	100.3%	99.0%	98.1%	100.0%	100.0%	Dividend yield	0.0%	1.8%	1.8%	1.8%	1.8%
Cost-income ratio	35.9%	35.4%	31.0%	31.0%	31.0%	ROE	12.9%	9.2%	13.1%	16.2%	18.9%
Growth						Capital Adequacy					
Asset growth	13.5%	18%	16.2%	5.6%	9.6%	CAR	10.0%	9.3%	10.0%	>8%	>8%
Loan growth	12.9%	8.4%	10.9%	12.8%	11.2%	Asset Quality					
PPOP growth	8.8%	4.8%	33.0%	14%	9.1%	NPL ratio (substandard)	17%	18%	10%	15%	15%
Parent NP growth	13.7%	-16.4%	51.1%	36.0%	34.2%	Coverage ratio (substandard)	75.0%	89.2%	219.4%	127.7%	113.3%
EPS growth	-3.3%	-16.4%	20.1%	24.0%	26.5%	NPL ratio (precautionary)	4.0%	2.9%	2.1%	2.6%	2.6%
BVPS growth	21.0%	2.6%	-13.8%	1.7%	11.8%	Coverage ratio (precautionary)	32.9%	54.4%	101.0%	72.6%	65.4%

Source: Bank for Investment and Development, KB Securities Vietnam

KB SECURITIES VIETNAM RESEARCH

Nguyen Xuan Binh
Head of Research
binhnx@kbsec.com.vn

Equity

Duong Duc Hieu
Head of Equity Research
hieudd@kbsec.com.vn

Nguyen Anh Tung
Senior Analyst – Financials & Information technology
tungna@kbsec.com.vn

Pham Hoang Bao Nga
Senior Analyst – Property
ngaphb@kbsec.com.vn

Le Anh Tung
Senior Analyst – Oil & Gas & Banks
tungla@kbsec.com.vn

Nguyen Ngoc Hieu
Analyst – Power & Construction Materials
hieunn@kbsec.com.vn

Tieu Phan Thanh Quang
Analyst – Industrial Real Estate & Logistics
quangtpt@kbsec.com.vn

Luong Ngoc Tuan Dung
Analyst – Consumers & Retailing
dunglnt@kbsec.com.vn

Research Division
research@kbsec.com.vn

Macro/Strategy

Tran Duc Anh
Head of Macro & Strategy
anhtd@kbsec.com.vn

Le Hanh Quyen
Analyst – Macroeconomics & Banks
quyenlh@kbsec.com.vn

Thai Huu Cong
Analyst – Strategy & Mid cap Stocks
congth@kbsec.com.vn

Tran Thi Phuong Anh
Analyst – Strategy & Mid cap Stocks
anhttp@kbsec.com.vn

Support team

Nguyen Cam Tho
Assistant
thonc@kbsec.com.vn

Nguyen Thi Huong
Assistant
huongnt3@kbsec.com.vn

KB SECURITIES VIETNAM (KBSV)

Head Office:

Levels G, M, 2 & 7, Sky City Tower, 88 Lang Ha Street, Dong Da District, Hanoi, Vietnam

Tel: (+84) 24 7303 5333 – Fax: (+84) 24 3776 5928

Hanoi Branch:

Level 1, VP Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam

Tel: (+84) 24 7305 3335 – Fax: (+84) 24 3822 3131

Ho Chi Minh Branch:

Level 2, TNR Tower Nguyen Cong Tru, 180-192 Nguyen Cong Tru Street, District 1, HCMC, Vietnam

Tel: (+84) 28 7303 5333 – Fax: (+84) 28 3914 1969

Saigon Branch:

Level 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCMC, Vietnam

Tel: (+84) 28 7306 3338 – Fax: (+84) 28 3910 1611

CONTACT INFORMATION

Institutional Client Center: (+84) 28 7303 5333 – Ext: 2656

Private Customer Care Center: (+84) 24 7303 5333 – Ext: 2276

Email: ccc@kbsec.com.vn

Website: www.kbsec.com.vn

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

Opinions in this report reflect the professional judgment of the research analyst(s) as of the date hereof and are based on information and data obtained from sources that KBSV considers reliable. KBSV makes no representation that the information and data are accurate or complete and the views presented in this report are subject to change without prior notification. Clients should independently consider their own particular circumstances and objectives and are solely responsible for their investment decisions and we shall not have liability for investments or results thereof. These materials are the copyright of KBSV and may not be reproduced, redistributed or modified without the prior written consent of KBSV. Comments and views in this report are of a general nature and intended for reference only and not authorized for use for any other purpose.