

March 15, 2023

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4Q22 EBT reached VND5,381 billion, up 87.6% YoY

In 4Q22, Bank for Investment & Development of Vietnam (BID) maintained good performance with NII of VND14,532 billion (+3.1% QoQ, +33.9% YoY); TOI VND17,680 billion (+0.7% QoQ, +15.9% YoY), and EBT VND5,381 billion (-19.4% QoQ, +87.6% YoY). For the whole year of 2022, EBT surged 70.2% YoY to VND23,058 billion with a credit growth of 12.1%.

4Q NIM was down 1bps QoQ to 2.92%

4Q NIM hit 2.92% (-1bps QoQ, +2bps YoY), and the average cost of fund (COF) rose 18bps QoQ due to the increase in deposit rates for both customers and interbank channels. Meanwhile, the average earnings yield gained 17bps QoQ thanks to the bank's promotion of lending to retail and SME groups which has higher profit margins.

NPL ratio decline 19bps QoQ to 1.16% thanks to accelerated bad debt handling

4Q NPL ratio dropped 19bps QoQ to 1.16% thanks to the promotion of bad debt handling with provision value reaching VND9,581 billion, equivalent to 47.6% of NPL value in 3Q. Meanwhile, substandard debt rose 43bps QoQ, reflecting initial impacts from adverse macro developments on BID's asset quality. NPL pressure will increase in 2023 as the real estate market shows more signs of weakness in both price and liquidity, affecting the asset quality of banks.

HOLD recommendation, target price VND44,300/share

Based on BID's valuation results, business outlook and possible risks, we recommend HOLD for BID stocks. The target price for 2023 is VND44,300/share, 5.3% lower than the price on March 15, 2023.

Hold maintain

Target price	VND44,300
Downside	5.3%
Current price (Mar 15, 2023)	VND46,800
Consensus target price	VND46,000
Market cap (VNDbn)	236,739

Forecast earnings & valuation

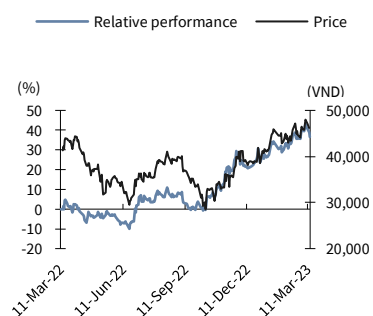
FY-end	2021A	2022A	2023F	2024F
Net interest income (VNDbn)	46,823	56,064	62,957	69,186
Pre-provision operating profit (VNDbn)	43,028	47,045	53,708	59,122
NPAT (VNDbn)	10,841	18,453	21,033	23,752
EPS (VND)	2,084	3,597	4,101	4,633
EPS growth (%)	20%	73%	14%	13%
PER (x)	22.2	12.9	11.3	10.0
Book value per share (VND)	17,066	20,600	23,901	27,735
PBR (x)	2.71	2.25	1.94	1.67
ROE (%)	13.1%	19.4%	18.7%	18.2%

Trading data

Free float	3.74%
3M avg trading value (VNDbn/USDmn)	64/2.7
Foreign ownership	17.28%
Major shareholder	State Bank (80.99%)

Share price performance

(%)	1M	3M	6M	12M
Absolute	2	16	27	8
Relative	3	17	43	37



Source: Bloomberg, KB Securities Vietnam

Business operation

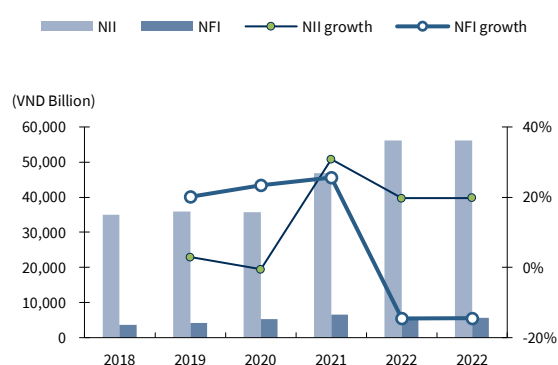
4Q EBT reached VND5,381 billion, up 87.6% YoY

In 4Q22, BID maintained good performance with NII of VND14,532 billion (+3.1% QoQ, +33.9% YoY). Non-interest income (NOII) was VND3,148 billion (-8.9% QoQ, -28.4% YoY), making TOI reach VND17,680 billion (+0.7% QoQ, +15.9% YoY). CIR climbed 2.56pp YoY to 42.9% while provision expense was high at VND4,262 billion (-20.4% QoQ, +85.6% YoY), resulting in 4Q EBT of VND5,381 billion (-19.4% QoQ, +87.6% YoY). For the whole year of 2022, EBT surged 70.2% YoY to VND23,058 billion with a credit growth of 12.1%.

4Q NIM decreased 1bps QoQ to 2.92%

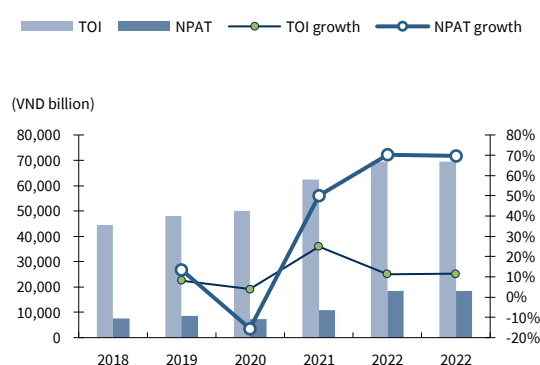
4Q NIM hit 2.92% (-1bps QoQ, +2bps YoY), and the average COF rose 18bps QoQ due to the increase in deposit rates for both customers and interbank channels. Meanwhile, the average earnings yield gained 17bps QoQ thanks to the bank's promotion of lending to retail and SME groups which has higher profit margins. In KBSV's view, the pressure on NIM should remain high in 1H23 due to the impact of the deposit rate hike in 4Q22 and may gradually decrease in 2H23.

Fig 1. BID - NII & NFI growth (%YoY)



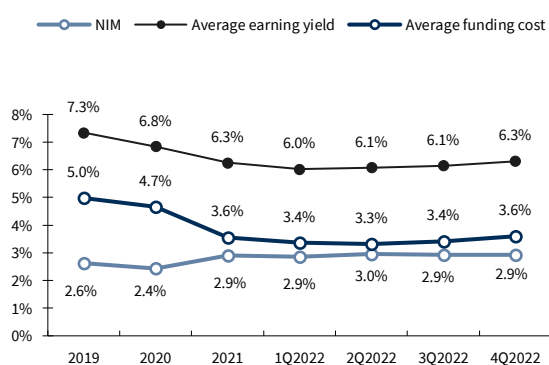
Source: Bank for Investment & Development, KB Securities Vietnam

Fig 2. BID - TOI & NPAT (%YoY)



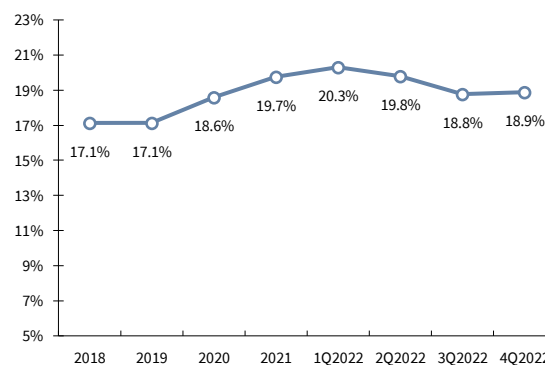
Source: Bank for Investment & Development, KB Securities Vietnam

Fig 3. BID - Interest rates & NIM (%)



Source: Bank for Investment & Development, KB Securities Vietnam

Fig 4. BID - CASA ratio (%)

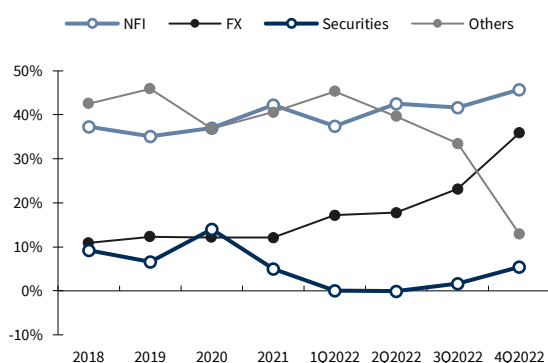


Source: Bank for Investment & Development, KB Securities Vietnam

4Q NOII reached VNDm3,148 billion, down 28.4% YoY

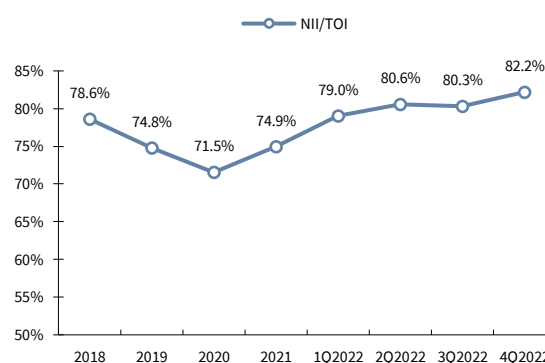
Net fee income (NFI) reached VND1,441 billion (+0.0% QoQ, -21.9% YoY). Income from FX activities remained high at VND1,129 billion (+40.9% QoQ, +72.5% YoY) while securities investment and trading earned a negligible amount of VND172 billion. Income from other activities decreased to VND362 billion (-65.8% QoQ, -71.6% YoY), causing 4Q NOII to drop 28.4% YoY to VND3,148 billion. In the whole year of 2022, NOII reached VND13,529 billion, falling 13.7% YoY due to the decreases in NFI and other incomes.

Fig 5. BID – NOII structure



Source: Bank for Investment & Development, KB Securities Vietnam

Fig 6. BID – NII to TOI ratio (%)

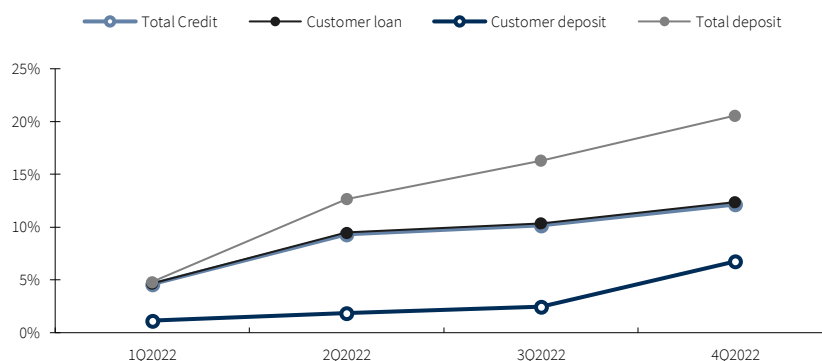


Source: Bank for Investment & Development, KB Securities Vietnam

Thanks to the bank's increasing deposit rates in 4Q22, customer deposit growth increased by 6.8% YTD in 2022, helping LDR of this channel reach 103.3%, down 2.4ppts QoQ.

Loans to customers are the main contributor to credit growth in 2022 while deposit growth of 20.6% YoY was attributable to government & state bank loans and interbank deposits.

Fig 7. BID – Credit & deposit growth (% YTD)

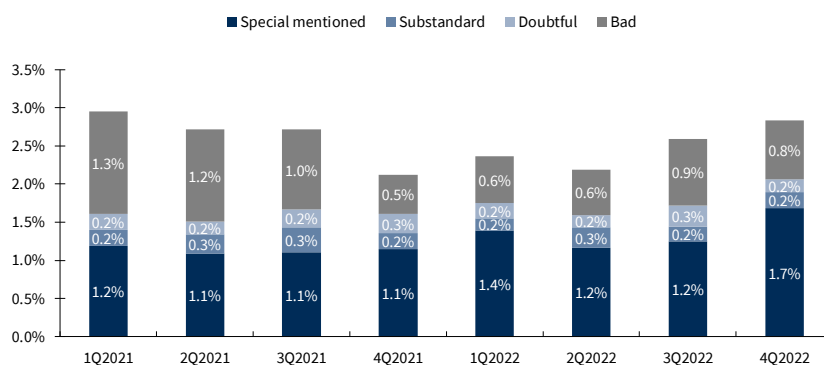


Source: Bank for Investment & Development, KB Securities Vietnam

NPL ratio decline 19bps QoQ to 1.16% thanks to accelerated bad debt handling

4Q NPL ratio dropped 19bps QoQ to 1.16% thanks to the promotion of bad debt handling with provision value reaching VND9,581 billion, equivalent to 47.6% of NPL value in 3Q. Meanwhile, substandard debt rose 43bps QoQ, reflecting initial impacts from adverse macro developments on BID's asset quality. NPL pressure will increase in 2023 as the real estate market shows more signs of weakness in both price and liquidity, affecting the asset quality of banks. During the period, BID made a provision of VND4,721 billion (-13.0% QoQ, -24.3% YoY) and the loan loss coverage ratio (LLCR) reached 216.8%, the third highest in the industry, only after VCB and MBB. The large backup buffer helps BID to keep profit growth under control in the context of looming macro difficulties.

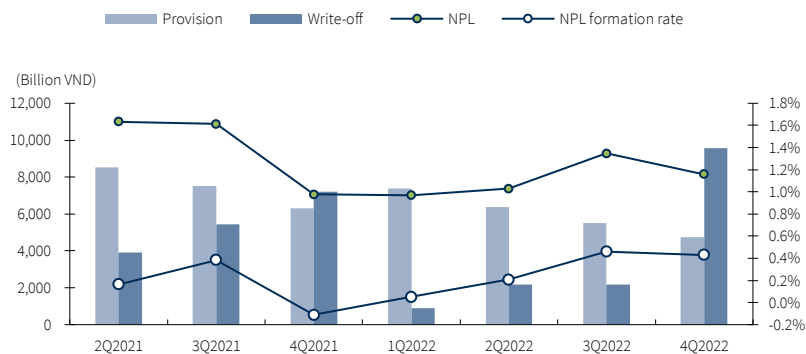
Fig 8. BID – NPL structure in 2021 – 2022



Source: Bank for Investment & Development, KB Securities Vietnam

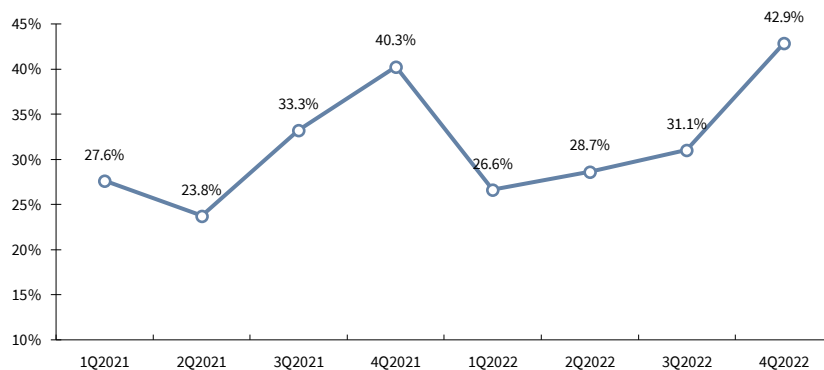
Fig 9. BID – Provision in 2021 – 2022 (VNDbn)

Provisions decreased in the last three quarters of 2022 because BID has made provision for all restructured debts in 2021, and the LLCR is also high at 216.8%



Source: Bank for Investment & Development, KB Securities Vietnam

Fig 10. BID – CIR in 2021 – 2022 (%)



Source: Bank for Investment & Development, KB Securities Vietnam

Forecast & valuation

2023F performance

We give the forecast for BID in 2023 as follows:

- Credit growth is forecast to reach 11.4% in 2023, assuming credit growth of the whole industry is about 13.5-14%.
- We expect 2023 NIM to decrease by 7bps YoY to 2.85% due to (1) the impact of high COF in 2H22 and (2) declining asset quality.
- NPL is prudently estimated at 1.50%, up 34bps YoY.
- Provision expense is expected to reach VND27,418 billion, up 14.3% YoY to prepare for additional bad debts. LLCR is at 184%.
- NPAT should reach VND21,033 billion, up 14.0% YoY.

Table 11. BID – 2023–2024F business results

	2022	2023F	2024F	%YoY2023	%YoY 2024
Net interest income	56,064	62,957	69,186	12.3%	9.9%
Net fee income	5,659	6,305	6,747	11.4%	7.0%
Total operating income	69,593	78,982	86,817	13.5%	9.9%
Provision for credit losses	(23,988)	(27,418)	(29,433)	14.3%	7.4%
Net profit after tax	18,453	21,033	23,752	14.0%	12.9%
NIM	2.92%	2.85%	2.81%	-8bps	-3bps
Average interest rate	6.32%	6.37%	6.37%	6bps	0bps
Average deposit rate	3.60%	3.74%	3.78%	15bps	4bps
CIR	32.4%	32.0%	31.9%	-40bps	-10bps
NPL	1.16%	1.50%	1.50%	34bps	0bps
Total asset	2,120,528	2,357,291	2,617,838	11.2%	11.1%
Owner Equity	104,206	120,906	140,296	16.0%	16.0%

Source: KB Securities Vietnam

Valuation: HOLD recommendation with the target price of VND44,300

We combine two pricing methods P/B and residual income to find a fair price for BID stock.

(1) P/B valuation method:

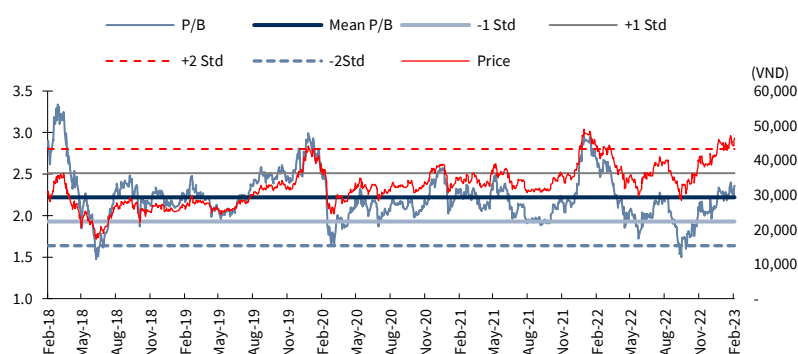
We keep BID's target P/B at 2.2x, equivalent to BID's five-year average P/B (Figure 13).

(2) Residual income method (Table 13)

In addition, we incorporate a residual method of discounting to reflect systematic risks and long-term expectations.

Combining the above two valuation methods with a ratio of 50–50, we find the final fair price of BID shares for 2023 is VND44,300/share, 5.3% lower than the price on March 15, 2023.

Fig 22. BID – Share price and P/B in 2016 – 2022 (VND, x)



Source: Fiinpro, KB Securities Vietnam

Table 23. BID – Valuation according to residual income method

	2023F	2024F	2025F
PAT (VNDbn)	21,033	23,752	30,018
Excessed return (VNDbn)	4,241	4,267	6,975
Required rate of return (%)	13.89%		
Growth (%)	5.0%		
Present value (VNDbn)	182,690		
Price (VND)	36,115		

Source: KB Securities Vietnam

Table 34. BID – Final valuation and target price

Method	Price (VND)	Weight	Price per weight (VND)
P/B	52,583	50%	26,291
Residual Income	36,115	50%	18,058
Target price (VND)			44,300

Source: KB Securities Vietnam

BID – 2019A–2023E financials

Income Statement (VNDbn)						Balance Sheet (VNDbn)					
	2020	2021	2022	2023F	2024F		2020	2021	2022	2023F	2024F
Net interest income	35,797	46,823	56,064	62,957	69,186	Loans	1,195,240	1,325,529	1,484,031	1,650,441	1,844,229
Interest income	100,688	101,008	121,121	140,953	156,612	Marketable securities	10,170	6,069	1,701	1,973	2,200
Interest expense	(64,891)	(54,185)	(65,057)	(77,997)	(87,426)	Cash (ex. Reserves)	12,294	12,661	13,745	15,544	17,331
Fees & commissions	5,266	6,614	5,659	6,305	6,747	Interest earning assets	1,485,093	1,743,024	2,092,645	2,331,792	2,587,254
Other non-interest income	5,093	6,179	4,212	5,664	6,474	Fixed assets & other assets	38,919	35,365	5,180	56,215	60,951
Total operating income	50,037	62,494	69,593	78,982	86,817	Total assets	15,16,686	1,761,696	2,120,528	2,357,291	2,617,838
SG&A expenses	(17,693)	(19,465)	(22,548)	(25,274)	(27,695)	Customer deposits	1,226,674	1,380,398	1,473,605	1,680,480	1,873,735
Pre-provisioning OP	32,344	43,028	47,045	53,708	59,122	Borrowings & call money/repos	76,090	138,032	170,289	193,654	215,499
Provision for credit losses	(23,318)	(29,481)	(23,988)	(27,418)	(29,433)	Interest bearing liabilities	1,402,248	1,641,777	1,975,444	2,191,984	2,428,601
Other income	7,993	8,957	6,524	6,663	7,616	Other liabilities	34,792	33,590	40,878	44,899	50,050
Other expense	(2,900)	(2,779)	(2,312)	(999)	(1,142)	Total liabilities	1,437,039	1,675,367	2,016,322	2,236,883	2,478,652
Pre-tax income	9,026	13,548	23,058	26,291	29,690	Charter capital	40,220	50,585	50,585	50,585	50,585
Income tax expense	(1,803)	(2,706)	(4,604)	(5,258)	(5,938)	Capital surplus	14,292	14,292	15,351	15,351	15,351
NP	7,224	10,841	18,453	21,033	23,752	Retained earnings	13,517	8,673	24,322	41,022	60,412
Minority interest profit	(227)	(301)	(260)	(286)	(315)	Capital adjustments	-	-	-	-	-
Parent NP	6,997	10,540	18,193	20,747	23,437	Total shareholders' equity	79,647	86,329	104,206	120,906	140,296

Financial Indicators (%)						Valuation (VND, X, %)					
	2020	2021	2022	2023F	2024F		2020	2021	2022	2023F	2024F
Profitability						Share Price Indicators					
ROE	9.2%	13.1%	19.4%	18.7%	18.2%	EPS	1,740	2,084	3,597	4,101	4,633
ROA	0.5%	0.7%	1.0%	0.9%	1.0%	BVPS	19,803	17,066	20,600	23,901	27,735
Pre-provision ROE	32.9%	41.5%	39.5%	38.2%	36.2%	Tangible BVPS	18,744	16,196	19,723	23,020	26,863
Pre-provision ROA	1.7%	2.1%	1.9%	1.9%	1.9%	Valuations					
Net interest margin (NIM)	2.4%	2.9%	2.9%	2.8%	2.8%	PER	26.6	22.2	12.9	11.3	10.0
Efficiency						PBR	2.3	2.7	2.2	1.9	1.7
Pure Loan to deposit ratio	99.0%	98.1%	103.3%	101.0%	101.0%	Dividend yield	0.0%	1.7%	1.7%	1.7%	1.7%
Cost-income ratio	35.4%	31.1%	32.4%	32.0%	31.9%	ROE	9.2%	13.1%	19.4%	18.7%	18.2%
Growth						Capital Adequacy					
Asset growth	18%	16.2%	20.4%	11.2%	11.1%	CAR	8.6%	9.0%	8.9%	>8%	>8%
Loan growth	8.4%	10.9%	12.0%	11.2%	11.7%	Asset Quality					
PPOP growth	4.8%	33.0%	9.3%	14.2%	10.1%	NPL ratio (substandard)	18%	10%	12%	15%	15%
Parent NP growth	-16.4%	50.6%	72.6%	14.0%	13.0%	Coverage ratio (substandard)	89.2%	214.8%	216.8%	184.0%	169.9%
EPS growth	-16.4%	19.8%	72.6%	14.0%	13.0%	NPL ratio (precautionary)	2.9%	2.1%	2.8%	3.5%	3.5%
BVPS growth	2.6%	-13.8%	20.7%	16.0%	16.0%	Coverage ratio (precautionary)	54.4%	101.1%	88.4%	78.9%	72.8%

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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