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# BIDV (BID)

## Weak 1Q dragged down by provisions

### 1Q net profit down 29% as management slows credit growth & takes on more provisions

— Weak 1Q earnings of VND1,444 billion (down 29% YoY/52% QoQ) as management slows credit growth and spends more on credit provisions to prepare for the deterioration in credit quality. The tougher credit conditions slowed overall credit growth to 7.9% YoY vs 4Q's 13.0% YoY growth, same with loan growth slowed to 7.9% YoY from 4Q's 13.0% YoY.

### Higher provisions to protect against the deterioration in credit quality

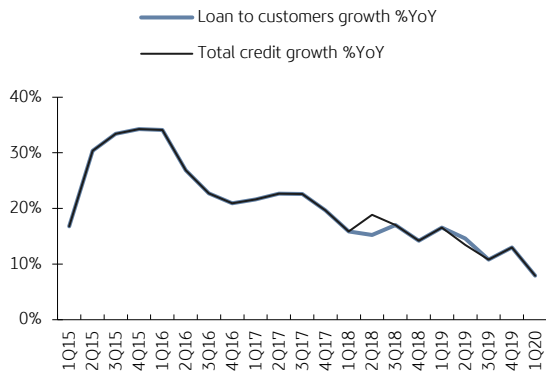
— Substandard & below non-performing loans were largely flat at 1.74% compared to previous quarter and the same period last year. The broader asset quality measure saw 1Q's precautionary & below ratio witness some slippage to 4.01% from 4Q's 3.97%. Despite comparatively better asset quality performance, management opted to boost credit provisioning numbers to defend against the worsening lending environment. Credit costs rose sharply to VND6,041 billion (+16% YoY/+72% QoQ) or 0.55% of loans vs 4Q's 0.31% of loans and 0.51% in the first quarter last year. Management's proactive provisioning raised coverage for substandard & below loans to 86.1% from 4Q's 74.2% and precautionary & below loans to 37.5% from 4Q's 32.5%.

### Tight cost controls offset some of the negative impact to earnings

— Fees were down 14% QoQ to VND1,084 billion due to cuts to transaction fees to support customers during the coronavirus lockdown. Overall non-interest income was down from the previous quarter but helped by a 30% gain from foreign-exchange and gold trading to VND419 billion and quadrupling in gains from trading securities to VND180 billion. Tighter costs provided the largest offset to higher credit provisions, with the cost-to-income ratio broadly kept in check at 30.7% from the 28.0% seen during the same period last year despite the addition of 960 new employee hires since the end of 2019.

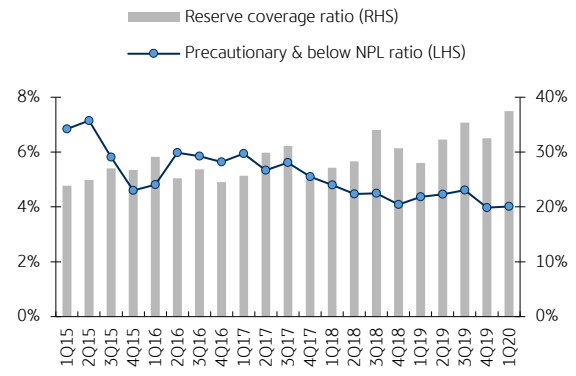


**Fig 1. BID – Loan to customers & total credit growth, 1Q15-1Q20 (% YoY)**



Source: Company reports & KB Securities Vietnam

**Fig 2. BID – Precautionary & below non-performing loan ratio & reserve coverage ratio, 1Q15-1Q20 (%)**



Source: Company reports & KB Securities Vietnam

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## Investment ratings & definitions

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### 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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