

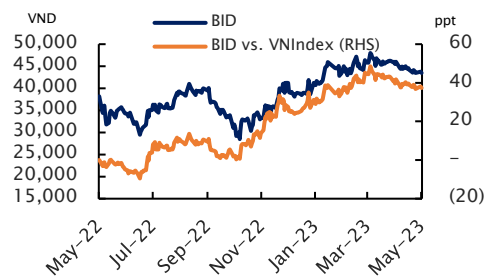
HOLD-Underperform

TP upside (downside): **-11%**

Close 5 May 2023

Price **VND 43,450**
12M Target **VND 38,860**

Share price performance relative to VNI



Source: Bloomberg

| | |
|--------------------------|------------|
| Market cap | US\$9.4 bn |
| 6M avg. daily turnover | US\$2.3 mn |
| Outstanding shares | 5,059 mn |
| Free float | 4% |
| FINI ownership | 17.2% |
| Major shareholders | 96.3% |
| 20223 Asset/Equity | 20x |
| 2023E P/E (*) | 14.6x |
| 2023E P/B (*) | 1.8x |
| FOL Remaining Room | 12.8% |
| 2023E Dividend yield (*) | 0.0% |

Source: FiinPro, (*) Yuanta

| BID's 1Q23 Results | 1Q23 | % QoQ | % YoY |
|-----------------------|--------|---------|---------|
| NII (VND bn) | 13,936 | -4% | 9% |
| Net Fee Inc. (VND bn) | 1,517 | 5% | 19% |
| Adj. TOI (VND bn) | 16,302 | -6% | 10% |
| Opex (VND bn) | 4,832 | -36% | 12% |
| Provision (VND bn) | 5,527 | 17% | -25% |
| PATMI (VND bn) | 5,468 | 31% | 53% |
| NPL (%) | 1.55% | +39bps | +58bps |
| LLR (%) | 171% | -46ppt | -88ppt |
| CASA (%) | 16.2% | -2.7ppt | -4.1ppt |

Source: Company Data, Yuanta Vietnam

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BIDV (BID VN)

Lower provisioning boost earnings

BID reported 1Q23 PATMI of VND5.5 tn (+31% QoQ/+53% YoY), fulfilling 28% of our forecast. The QoQ earnings increase was largely due to lower opex, while the YoY increase was driven by higher net interest income and lower provisioning.

Details

Loans increased by **4.9% QoQ** to reach VND1,597 tn, while customers deposits increased by only 1.6% QoQ to reach VND1,497 tn as at 1Q23.

1Q23 net interest income (net-II) was VND13.9 tn (-4% QoQ/ but +9% YoY). We estimate 1Q23 annualized NIM on average assets was 2.64% (-15bps QoQ/-21bps YoY).

1Q23 net fee income was VND1.5 tn (+5% QoQ/+19% YoY), but the details are unclear. This came as a surprise especially when most other banks posted a decline in fee income in 1Q23.

1Q23 net gains from FX was VND673 bn (-40% QoQ/ but +15% YoY).

Opex was VND4.8 tn in 1Q23 (-36% QoQ/+12% YoY), which was the key QoQ earnings boost in 1Q23. We estimate that adjusted CIR was 29.6% (-14ppt QoQ/ but +37bps YoY).

Provisioning was VND5.5 tn (+17% QoQ/ but -25% YoY) in 1Q23, which was a key YoY earnings driver.

Net other income (mainly NPL recoveries) was VND977 bn (+170% QoQ/-33% YoY) in 1Q23.

NPL ratio jumped to **1.55% (+39bps QoQ/+58bps YoY)** in 1Q23. Category 3 NPLs jumped by +127% QoQ/+214% YoY, and category 4 NPLs surged by +59% QoQ/+55% YoY. Additionally, category 2 loans increased by +45% QoQ/+87% YoY. **LLR ratio decreased to 171%** (-46ppt QoQ/-88ppt YoY) in 1Q23.

CASA deposits were VND243 tn (-13% QoQ/-14% YoY). CASA ratio decreased to 16.2% as at 1Q23 (-2.7ppt QoQ/-4.1ppt YoY).

Our view

Lower provisioning has been the key earnings driver for BID in 2022 and 1Q23. While we think that this trend might continue in the upcoming quarters of 2023; we also acknowledge that there will be less room to lower provisioning given rising NPLs.

Assets quality has shown sign of deteriorating, although the implementation of [Circular 02/2023/TT-NHNN](#) is expected to ease reported NPL ratios and provisioning pressure for banks including BID.

Deposit franchise is not strong compared to peers (i.e. [VCB](#), [MBB](#)).

[BID](#) trades at 1.9x 2023E P/B vs. the sector median 1.1x despite our 2023E ROE of forecast of 16% vs. the sector median 19%.

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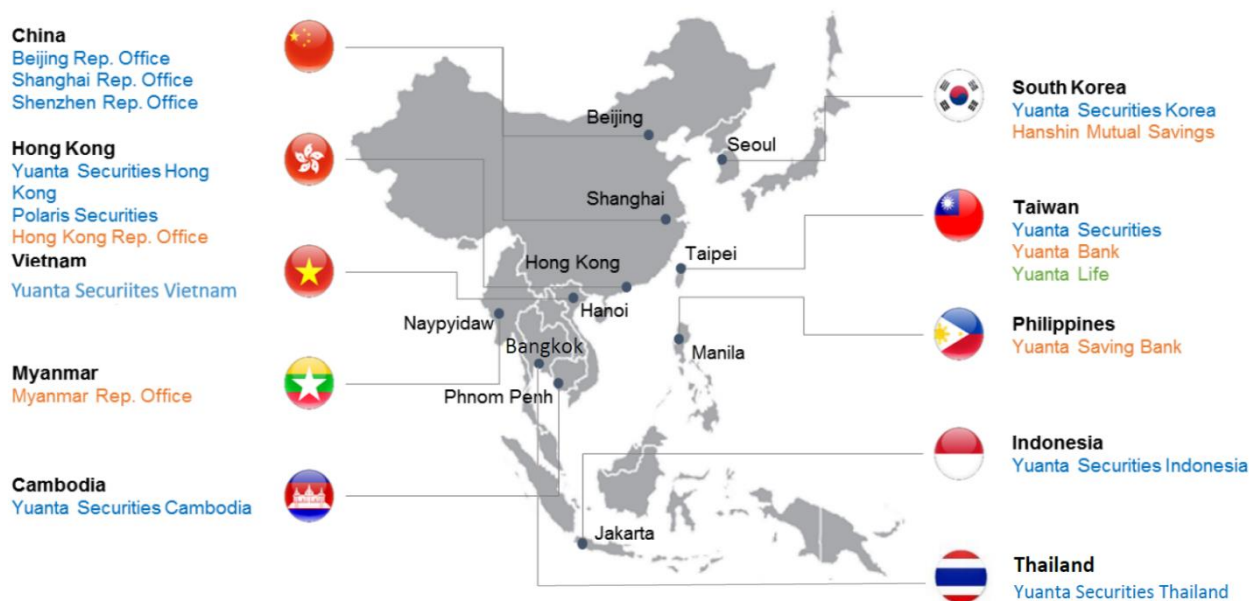
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