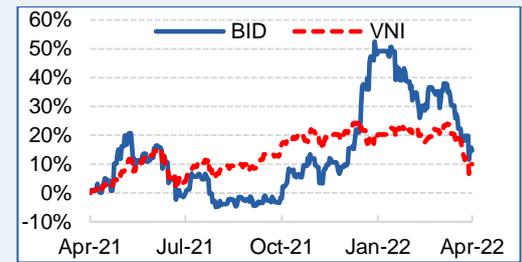


| Industry: | Banking | | 2021 | 2022F | 2023F | 2024F |
|-----------------|----------------|----------|-------|-------|-------|-------|
| Report Date: | April 29, 2022 | PPOP y/y | 33.0% | 10.7% | 13.8% | 11.2% |
| Current Price: | VND37,250 | NPAT y/y | 50.6% | 46.1% | 34.3% | 24.0% |
| Target Price: | VND42,300 | EPS y/y | 57.9% | 46.7% | 34.3% | 24.0% |
| Upside to TP: | 13.6% | NIM | 2.90% | 2.92% | 3.08% | 3.16% |
| Dividend Yield: | 2.1% | NPL | 0.98% | 1.10% | 1.25% | 1.40% |
| TSR: | 15.7% | CIR | 31.0% | 31.8% | 33.0% | 33.6% |
| Rating: | MARKET PERFORM | P/E | 23.3x | 15.9x | 11.9x | 9.6x |
| | | P/B | 2.3x | 2.06x | 1.8x | 1.6x |



| | | | BID | Peers | VNI | Company Overview |
|-----------------------|----------|------------|--|-------|-------|---|
| Market Cap: | USD8.2bn | | 23.3x | 9.5x | 15.2x | Founded in 1957, BID is the largest bank among our coverage banks as calculated by total assets as of December 31, 2021. BID has one of the top three largest bank networks in Vietnam. The bank had its IPO in 2011 and listed shares on January 24, 2014. |
| Foreign Room: | USD179mn | P/E (ttm) | 2.3x | 1.8x | 2.4x | |
| ADTV30D: | USD4.1mn | P/B (curr) | 12.7% | 22.0% | 15.8% | |
| State Ownership: | 81.0% | ROE (ttm) | 0.6% | 1.9% | 2.6% | |
| Outstanding Shares: | 5.058 bn | ROA (ttm) | <i>*TP and rating last updated March 4, 2022</i> | | | |
| Fully Diluted Shares: | 5.058 bn | | | | | |

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Management expects provisioning to ease in 2022

- We attended BID's AGM in Hanoi on April 29. The main agenda included the bank's 2022 business plan, its equity raising plan and the proposal for new members on the board of directors (BOD) and board of supervisors (BOS).
- The Q&A session mainly focused on (1) the key growth drivers behind BID's strong 2022 earnings guidance, (2) Q1 2022 preliminary results, (3) the CAR outlook and (4) the bank's exposure to real estate as well as its assessment on corporate bond exposure.
- (1) 2022 credit growth guidance was not disclosed but will be implemented following receipt of the credit quota from the State Bank of Vietnam (SBV) vs our current assumption of 11.9% YoY, (2) funding growth is to be managed in line with credit growth to maximize funding sources, and (3) the NPL ratio is to be kept below 1.6% (note that BID calculates its NPL ratio as NPLs over credit exposure following Circular 11/2021/TT-NHNN, which is ~20 bps lower than our approach to NPL ratio calculation). Consolidated profit before tax is expected to reach VND20.6tn (USD896mn; +52.1% YoY), accounting for 104% of our current forecast.
- BID proposed to pay a maximum 12% stock dividend on par value for FY2021.
- We currently have a MARKET PERFORM rating for BID with a target price of VND42,300/share.

CAGR guidance for 2022-2025 is in line with our current projection. BID provided guidance several key ratios for 2022-2025, including the following:

- Total asset CAGR of 8%-12% vs our current forecast of 9.5%.
- Credit balance CAGR of 8%-12.5% vs our current forecast of 10%.
- Deposit balance CAGR of 8%-13% vs our current forecast of 9.3%.
- PBT CAGR of 19%-26% vs our current forecast of 25.2%.
- ROE to be above 12.5%.
- CAR set to be in accordance with SBV rules.

BID's proposal to raise capital through public offerings/private placement has increased in size from last year's proposal. Last year, BID proposed a plan to shareholders to issue 341 million shares (equivalent to a 6.7% stake post private placement) through public offerings or private placement in 2021-2022. This year, BID has proposed a plan to shareholders to issue 455 million shares (equivalent to 9.0% of current outstanding shares and an 8.0% stake post private placement — assuming the private placement takes place after the stock dividend for FY2021 at an assumed ratio of 12%) to be implemented in 2022-2023. As of FY2021, BID's CAR of 8.97% was the lowest among the three SOE banks. The bank expects CAR to improve to above 9% after the private placement and expects CAR will be at 12%-13% by 2027.

Strong 2022 earnings guidance with expectation for an ease in provision expenses. In answering a question regarding the key growth drivers for BID's 2022 earnings guidance (+52.1% YoY), the chairman shared that in the last few years, the bank used its earnings to increase its provisioning buffer and improve its credit ratios. By end-2021, the NPL ratio (under Circular 11) was brought to a very low level of 0.82% with LLR of 235%. Therefore, the chairman expects lower provisioning of VND23tn for 2022 (-22% YoY) vs our current forecast of VND27.8tn — and in turn high earnings growth for 2022. NOII growth is also expected to contribute to 2022 earnings growth, in which (1) the 2022 recovery from written-off bad debts is expected at VND8tn (but BID will make efforts to collect VND9tn) and (2) NFI growth (excluding the impact of the “zero-fee program” that the bank implemented at the beginning of the year) is expected at 23%. 2022 CIR is expected to be below 37% and CIR for the following years is expected to be controlled at 40%-42%.

Q1 2022 earnings were disclosed and said to be on track with guidance because of an expected Q3-Q4 2022 bounce. The chairman shared that BID's Q1 2022 credit growth was 4.7% with funding growth of 1.3%, NPL ratio (we believe he mentioned the NPL ratio under Circular 11) of 0.8% and PBT of VND4.513tn (+32.9% YoY; completing 22.7% our 2022 full-year forecast), which completed 22% of 2022 PBT guidance. The chairman stated that the bank is still on track to achieve its earnings guidance because recovery from written-off bad debts could be recorded in Q3-Q4 2022.

Minimal real estate exposure; corporate bond balance focuses on operating activities and industrial real estate. The bank shared that its loans to developers amount to around 2%-3% of gross loans and expects a minimal NPL ratio for this segment. BID does not have a focus on corporate bonds, but its corporate bonds are focused on operating activities and industrial real estate with high-quality collateral.

Shareholders approved a plan to list publicly offered bonds. Decree 155 regulates that an application for a public bond offering of the issuer should include the approval of the company's AGM, BOD, council of members or the company's owner on the issuance plan, the plan for use and repayment of proceeds from the public bond offering, and the listing of bonds on a securities trading platform. In our view, if these bonds are structured in the form of subordinated debt, then it will support BID's tier-2 capital raising activities to improve its CAR Basel II.

Shareholders approved the list of BOD members and BOS members for 2022-2027. The list for BOD members for 2022-2027 included 10 members with only one change from the previous period: Mr. Nguyen Van Thanh was proposed to replace Mr. Nguyen Quang Huy as BID's independent BOD member. Meanwhile, the list for BOS members for 2022-2027 remained unchanged.

VCSC Rating System

Stock ratings are set based on projected total shareholder return (TSR), defined as (target price – current price)/current price + dividend yield, and are not related to market performance.

| Equity rating key | Definition |
|--|---|
| BUY | If the projected TSR is 20% or higher |
| OUTPERFORM | If the projected TSR is between 10% and 20% |
| MARKET PERFORM | If the projected TSR is between -10% and 10% |
| UNDERPERFORM | If the projected TSR is between -10% and -20% |
| SELL | If the projected TSR is -20% or lower |
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Unless otherwise specified, these performance parameters are set with a 12-month horizon. Movement in share prices may cause a temporary mismatch between the latest published rating and projected TSR for a stock based on its market price and the latest published target price.

Target prices are generally based on the analyst's assessment of the stock's fair value over a 12-month horizon. However, the target price may differ from the analyst's fair value if the analyst believes that the market will not price the stock in line with assessed fair value over the specified time horizon.

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