

## Investment and Development of Vietnam (BID)

### Solid earnings growth

- Acceleration in 2Q24 credit disbursement.
- Strong non-interest incomes from FX activities and financial assets.
- Keep recovery momentums from retail and corporate loans

### Facts: 2Q24 Strong non-interest incomes and credit improvement

BID posted positive business results with 2Q24 profit before tax of VND8,159bn, up 17%yoy thanks to 1) Higher operating incomes (+17%yoy) based on improvements in Net interest income (+10%yoy) and non-interest incomes (+45%yoy) 2) controlled operating expenses (2Q24 CIR's 33% vs 2Q23 CIR's 37%). Meanwhile, BID boosted risk provision expenses in 2Q24, up +36%yoy, restraining 2Q24 profit growth. Non-performing loans were still under control with 2Q24 NPL (3-5)/NPL (2-5): 1.5%/3.1% (vs 1Q24: 1.5%/3.6%). Accumulated 1H2024 profit before tax rose by +12%yoy to VND15,549bn, completing 48% of KIS's estimation.

Notably, 2Q24 Non-interest incomes were mainly driven by gains from investment securities (from 2Q23's VND29bn to 2Q24's VND513bn) related to realized valuable papers, FX activities (+120%yoy), and service incomes (+16%yoy). Per our calculation, total credit growth accelerated from 1Q24's 0.9%YTD to 2Q24's 5.9%YTD, resulting from Corporate loans (+4.0% YTD) and Retail loans (+8.3%YTD). In retail segment, Mortgage, Consumer, and household business loans rose sharply from 1Q24 to 2Q24: 1.4%YTD to 9.4%YTD/2.9%YTD to 12.7%YTD/-1.7%YTD to 5.7%YTD.

### Pros & Cos: Keep recovery momentums for both retail and corporate loans

We expect 3Q24 credit growth to keep recovery momentum for retail and corporate loans. This trend has started to recover since 2Q24 thanks to better business conditions. Besides, BID plans to provide syndicated loans for Long Thanh International Airport with USD350mn in the coming times. (1) Higher credit growth from retail loans and long & medium-term loans and (2) reasonable cost of funds could lead to 3Q24 NIM improvement.

We estimate 2H2024 credit costs to remain equivalent to or lower than 2H2023 (1.3%) thanks to controlled non performing loans for better business conditions and BID's planned credit cost of around 1% in the next years after restructuring period.

12M rating **HOLD**

12M TP **55,600** from 46,800

Up/Downside +19%

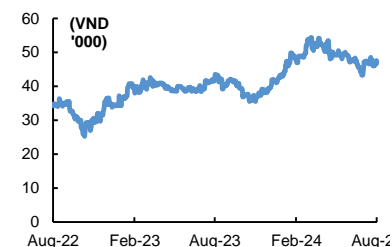
#### Stock Data

VNIndex (Aug 01, pt)	1,227
Stock price (Aug 01, VND)	46,800
Market cap (USD mn)	10,576
Shares outstanding (mn)	5,700
52-Week high/low (VND)	54,400/35,496
6M avg. daily turnover (USD mn)	3.95
Free float / Foreign ownership (%)	100./17.2
Major shareholders (%)	
SBV	81.0
KEB Hana Bank	15.0

#### Performance

	1M	6M	12M
Absolute (%)	0.1	0.0	0.1
Relative to VNIndex (%p)	0.1	-0.1	0.1

#### Stock price trend



Source: Bloomberg

### Research Dep

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## Recommendation

We maintain a target price of VND55,600, implying a 19% upside. In 2024F, we estimate that BIDV could maintain double-digit growth, benefiting from improved operating incomes and maintaining asset quality amid the gradual economic recovery.

Table1. Earnings trend and outlook

	2023				2024				2023	2024F	2Q24	
	1Q	2Q	3Q	4Q	1Q	2Q	3QF	4QF			QoQ	YoY
<b>Loans to customers and corporate bonds</b>	1,610,100	1,638,320	1,662,120	1,785,020	1,800,661	1,889,677	1,963,522	2,052,038	1,785,020	2,052,038	4.9	15.3
% growth (ytd)	4.9	6.7	8.3	16.3	0.9	5.9	10.0	15.0	16.3	15.0	5.0	(12.8)
<b>Loans to customers</b>	1,597,152	1,629,067	1,653,452	1,777,665	1,793,930	1,882,815	1,955,431	2,044,315	1,777,665	2,044,315	5.0	15.6
NPL (3-5 group)	24,730	25,975	26,394	22,229	27,000	28,687	29,794	25,075	22,229	25,075	6.3	10.4
NPL ratio (% p)	1.5	1.6	1.6	1.3	1.51	1.52	1.52	1.23	1.25	1.23	0.0	(0.1)
NPL (2-5 group)	61,718	61,478	57,129	50,337	63,832	58,620	60,881	57,398	50,337	57,398	(8.2)	(4.6)
NPL ratio (% p)	4	3.8	3.5	2.8	3.6	3.1	3.1	2.8	2.8	2.8	(0.4)	(0.7)
Loan loss coverage (% p)	171.3	151.5	158.4	181.8	152.8	132.2	-	-	181.8	171.2	(29.1)	(19.3)
VAMC	-	-	-	-	-	-	-	-	-	-	-	-
<b>Deposit from customers and bond</b>	1,667,375	1,701,819	1,745,561	1,893,756	1,915,344	2,004,575	2,074,320	2,166,141	1,893,756	2,166,141	4.7	17.8
Deposit from customers	1,497,395	1,545,569	1,583,544	1,704,269	1,734,779	1,806,926	1,866,766	1,949,400	1,704,269	1,949,400	4.2	16.9
% growth (ytd)	1.6	4.9	7.5	15.7	1.8	6.0	9.5	14.4	15.7	14.4	4.2	23.3
CASA (%)	15.8	16.6	18.0	19.6	18.2	18.2	20.0	20.0	20.0	20.9	0.0	1.6
<b>Total assets</b>	2,106,865	2,124,768	2,132,855	2,300,814	2,328,731	2,521,053	2,608,768	2,579,974	2,300,814	2,579,974	8.3	18.7
<b>Total equity</b>	105,022	109,397	114,247	117,951	129,018	134,700	140,400	143,461	122,917	143,461	4.4	23.1
<b>Total operating income</b>	17,278	17,257	17,887	20,602	17,171	20,225	20,588	24,437	73,024	82,421	17.8	17.2
Net interest income	13,936	13,547	13,783	14,869	13,541	14,838	16,788	18,039	56,136	63,205	9.6	9.5
NIM (% p)	2.74	2.67	2.70	2.79	2.44	2.56	2.71	2.87	2.63	2.68	0.13	0.15
Non-interest income	3,342	3,710	4,104	5,733	3,630	5,387	3,800	6,398	16,888	19,215	48.4	45.2
Net commission income	2,190	2,458	3,447	3,184	3,158	3,665	3,200	3,182	11,280	13,205	16.0	49.1
Gains on investment securities	175	216	-84	3,225	-29	691	0	0	3,532	3,337		219.2
Other non-interest income	977	1,035	741	-676	500	1,031	600	542	2,076	2,674	106.2	(0.4)
Provision for credit losses	5,527	3,933	5,950	4,885	4,389	5,358	5,445	7,241	20,295	22,433	22.1	36.2
Net operating revenue	11,751	13,324	11,937	15,717	12,783	14,867	15,143	17,196	52,729	59,988	16.3	11.6
SG&A	4,832	6,374	6,044	7,830	5,393	6,708	7,206	8,717	25,080	28,023	24.4	5.2
CIR (%)	28.0	36.9	33.8	38.0	31.4	33.2	35.0	35.7	34.3	34.0	1.76	1.83
<b>Pre-provision earnings</b>	12,447	10,884	11,842	12,772	11,779	13,517	13,382	15,720	47,944	54,398	14.8	24.2
EBT	6,920	6,951	5,893	7,887	7,390	8,159	7,937	8,479	27,650	31,965	10.4	17.4
Net profit	5,559	5,550	4,728	6,191	5,916	6,534	6,350	6,661	22,027	25,460	10.5	17.7
Controlling-int. NP	5,468	5,426	4,583	6,074	5,813	6,369	6,184	6,544	21,552	24,910	9.6	17.4

Nguồn: Finpro, bank, KISVN

### ■ Company overview

BIDV is the oldest bank established in 1957 with the largest asset scale in the industry and has been listed on Hochiminh Stock Exchange (HOSE) since 2014. Currently, the State Bank owns about 81% of the capital at BIDV and plans to reduce the ratio to 51% by 2030. Currently, the operating network is about 189 domestic branches, 01 foreign branch and 185 transaction offices, belonging to one of four commercial banks with a wide transaction network across 63 provinces and cities. BIDV's core business target is to promote personal customers, and SMEs and diversify a lending portfolio with various sectors

**Balance sheet**

(VND tn)

	2022A	2023A	2024F	2025F
Total assets	2,121	2,301	2,580	2,940
Gross IEAs	2,092	2,271	2,546	2,895
Loans and corp bonds	1,535	1,785	2,052	2,339
Household	674	788	903	1,102
Corporate	861	998	1,149	1,237
Dep't and loans to FIs	332	305	293	333
Dep't to SBV and G-bond	225	181	201	224
VAMC bond	-	-	-	-
NIEAs	68	72	79	92
Others	43	54	51	66
Total liabilities	2,016	2,178	2,437	2,774
Deposits	1,474	1,704	1,949	2,231
Debentures	157	189	217	248
Dep't and loans from FIs	190	194	204	213
Loans from Gov't and SBV	153	36	16	16
Other liabilities	43	54	51	66
Total equities	109	123	143	166
Controlling interests	104	118	138	161
Capital stock	51	57	57	57
Capital surplus	15	15	15	15
Other reserves	12	12	16	20
Retained earnings	22	34	51	70
OCI	4.23	(0.46)	(0.80)	(0.80)
Minority interest	5	5	5	5

**Key financial data**

	2022A	2023A	2024F	2025F
<b>Profitability and efficiency (%)</b>				
ROE	19.1	19.4	19.5	18.6
ROA	0.9	1.0	1.0	1.0
NIM	2.98	2.63	2.69	2.69
Asset yield	6.44	7.16	5.87	6.53
Cost of fund	3.60	4.72	3.33	4.01
Cost-income ratio	32.4	34.3	34.0	34.0
Credit cost	1.65	1.22	1.17	1.16
<b>Growth (%)</b>				
Net profit of controlling interest	72.3	18.7	15.6	10.8
Pre-provision earnings	9.3	2.0	13.5	11.8
Credit growth	12.1	16.3	15.0	14.0
Total assets	20.4	8.5	12.1	13.9
<b>Asset quality (%)</b>				
NPL ratio	1.2	1.3	1.2	1.2
NPL coverage ratio	216.9	181.8	171.2	159.7
Loan to deposit	86.8	87.6	88.6	88.7
<b>Capital adequacy (%)</b>				
CAR ratio	9.3	9.2	8.2	7.1
CET1 ratio				
Tier 1 ratio				

**Income statement**

(VND tn)

	2022A	2023A	2024F	2025F
Total operating income	70	73	82	92
Net interest income	56	56	63	71
Interest income	121	153	138	174
Interest cost	65	97	75	102
Non-interest income	14	17	19	21
Net commission income	9	11	13	15
Gains on investment securities	1	4	3	2
Other non-interest income	4	2	3	3
Provision for credit losses	24	20	22	25
Net operating revenue	46	53	60	67
SG&A	23	25	28	31
Employee benefits	-	-	-	-
Pre-provision earnings	47	48	54	61
Earnings before tax	23	28	32	35
Tax	5	6	7	7
Tax rate (%)	0.0	0.0	0.0	0.0
Continuing operations profit	13	17	18	20
Reversals of written-off loans	6	5	8	9
Net profit	18	22	25	28
Net profit of controlling interest	18	22	25	28

**Valuation**

	2022A	2023A	2024F	2025F
<b>Per share (VND, adj.)</b>				
BPS	18,278	18,361	24,102	27,948
EPS	2,771	2,893	3,472	3,845
DPS	-	-	-	-
<b>Valuation (x)</b>				
PB	2.6	2.5	1.9	1.7
PE	16.9	16.2	13.5	12.2
P/PPE	5.7	6.3	4.9	4.4
Dividend yield (%)	-	-	-	-
Dividend payout ratio (%)	-	-	-	-
<b>ROE analysis (%)</b>				
ROE	19.1	19.4	19.5	18.6
Leverage(x)	19.5	18.7	18.1	17.9
IEAs to total assets	96.7	96.4	96.8	96.3
Net income to IEAs	0.9	0.9	1.0	1.0
Net interest income to IEAs	2.7	2.5	2.5	2.5
Non-interest income to IEAs	0.6	0.7	0.8	0.7
Credit cost to IEAs	1.1	0.9	0.9	0.9
SG&A to IEAs	1.1	1.1	1.1	1.1

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