true friend KIS Viet Nam Securities Corporation

Investment and Development of Vietnam (BID)

The Giant's return to the track

The Giant's new journey after restructuring

With the advantage of being owned by a state-owned bank, the oldest brand name, and wide operating networks, BIDV has taken advantage of stable and low-cost capital mobilization to increase its credit market share, especially the retail loans (from 12.5% in 2019 to 14.1% in 2023). The profitability is not high despite its biggest asset scale, especially in the restructuring process of 2014-2021 (ROE/ROA: 9.5%-15%/0.5%-0.7% in 2014-2021). After all, the asset quality, asset structure, and profitability ratios were better (BID's ROE/ROA: 19%-20%/0.9-1.0% in 2022-2023). We believe BIDV could maintain its operating efficiency in the next period.

Consolidate growth momentum

Increases in disposable incomes, purchasing power, and digital transformation could continue to accelerate consumer spending, boosting household loan demands. The increasing Vietnam urbanization is also driving mortgage loan demand from homebuyers. With the stability and low cost in capital mobilization, BIDV could keep the increasing retail market share and maintain a more stable net interest margin in a new cycle of increasing interest rates in 2024F-2026F. We estimate earnings could grow 17%yoy/10%yoy/9%yoy in 2024F/2025F/2026F.

Initiate coverage with a HOLD recommendation

We initiate our coverage on BID with a HOLD rating and a target price of VND55,600, implying a 13% upside, using a residual approach (50%) and P/B method (50%). TTM PB is trading at 2.2x, equivalent to a 5-year historical PB average and we believe this valuation is justified by BID's sustained return on equity (ROE). Slower-than-expected revival of economic growth could hinder our projections.

	2022A	2023A	2024F	2025F	2026F
Total operating income (VND bn)	69,582	73,024	83,061	92,517	103,201
(chg, %)	11.3	4.9	13.7	11.4	11.5
PPE (VND bn)	47,025	47,944	54,820	61,061	68,113
NP of controlling interest (VND bn)	18,159	21,552	25,239	27,761	30,323
NIM (%)	2.98	2.63	2.71	2.70	2.64
Credit cost ratio (%)	1.65	1.22	1.17	1.16	1.16
Credit growth (%)	12.1	16.3	15.0	14.0	14.5
Cost-income ratio (%)	32.4	34.3	34.0	34.0	34.0
NPL ratio (%)	1.2	1.3	1.2	1.2	1.2
NPL coverage ratio (%)	217	182	171	160	149
CAR ratio (%)	9.3	9.2	8.2	7.1	7.3
BPS (VND, adj.)	18,278	18,361	24,356	28,389	32,786
EPS (VND, adj.)	2,855	3,061	3,529	3,818	4,162
(chg, %)	136.5	7.2	15.3	8.2	9.0
PB (x)	2.7	2.7	2.0	1.7	1.5
PE (x)	17.2	16.1	13.9	12.9	11.8
ROA (%)	0.9	1.0	1.1	1.0	1.0
ROE (%)	19.1	19.4	19.7	18.5	17.4
Dividend yield (%)	-	-	-	-	-

Note: Net profit, EPS and ROE attributed to controlling interest

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Company
In-depth

Banking

24 May 2024

12M rating **HOLD (Initiate)**
12M TP **55,600** *from 49,200*
Up/Downside **+13%**

Stock data

VNIndex (May 24, pt)	1,262
Stock price (May 24, VND)	49,200
Market cap (USD mn)	11,011
Shares outstanding (mn)	5,700
52-Week high/low (VND)	54,400/35,496
6M avg. daily turnover (USD mn)	3.22
Free float / Foreign ownership (%)	100./17.2
VNIndex (May 24, pt)	1,262
Stock price (May 24, VND)	49,200
Market cap (USD mn)	11,011
Major shareholders (%)	
SBV	81.0
KEB Hana Bank	15.0
Others	4.0

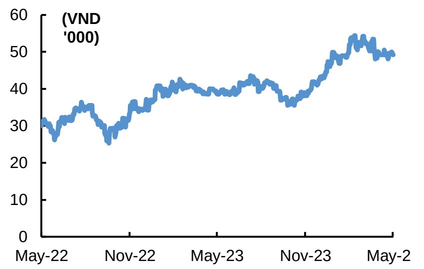
EPS revision (KIS estimates, VND)

	Previous	Revised	(%)
2024F	N/A	N/A	
2025F	N/A	N/A	

Performance

	1M	6M	12M
Absolute (%)	0.0	0.3	0.3
Relative to VNIndex (%p)	-0.1	0.1	0.1

Stock price



Source: Bloomberg

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researchdept@kisvn.vn

Contents

What is the report about?

- Bank for Investment and Development of Vietnam (BIDV or BID) showcases a solid largest scale in the industry and a high potential growth in the retail segment.
- With a stronger balance sheet, BID improved its asset quality and profitability.
- We maintain a HOLD rating for BID, considering its remaining high-profit growth potential and fair valuation at present.

I. The Giant's new journey after restructuring

1. Largest bank with the increasing retail market share

Largest bank with increasing retail loans

The largest bank in term of total asset, loan balance and deposits

BIDV was the largest bank in terms of total assets, loan balance, and deposits. BIDV owned its oldest brand name, loyal customer base, and wide branch networks.

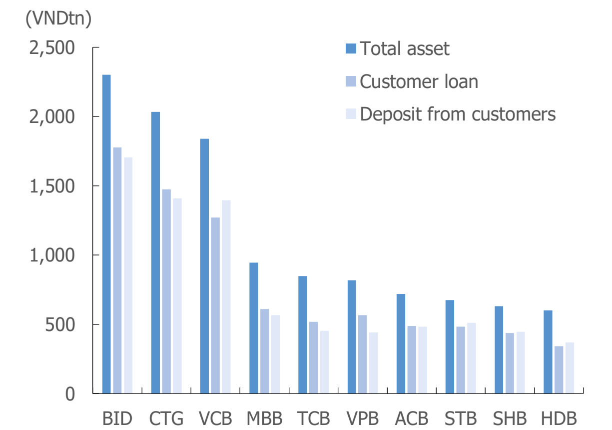
- Retail loans segment (The largest scale in the listed banks, 2023) gradually expanded its proportion in loan structure, rising from 32.5% in 2018 to 44.3% in 2023 and 43.8% in 1Q24. This segment mainly drove the total credit growth. The market share jumped from 12.5% in 2019 to 14.1% in 2023 (27 banks, Included agribank).

The increasing retail loan proportion and market share

  Key drivers for the retail segment included mortgages (2017-2023 CARG of 20%), household business (2017-2023 CARG of 19.5%) and consumer loans (2017-2023 CARG of 19.1%). BIDV plans to target a retail proportion of 50% in the next three years. We expect that BID could achieve its target thanks to its advantages of low lending rates and the great potential of the retail segment.

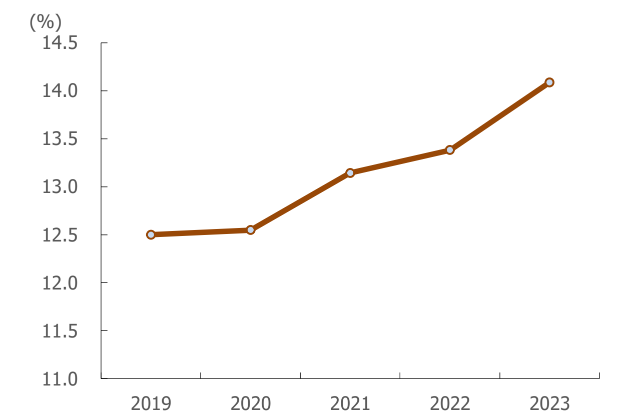
- Corporate Loans (the largest scale, 2023): BIDV had 3,594 large corporations and 316,800 SME customers as a broad portfolio in the industry (2020). Likes other SOCBs, BIDV has long-standing customers, including PVN, EVN, Viettel, VNPT, Vinacomin, Vietnam Airlines, Petrolimex, VRG, Hub, Becamex…. The ratio of corporate loans/total loans gradually fell from 68% in 2018 to 56% in 2023 due to BIDV's oriented retail strategy.

Figure 1. Top 10 largest banks in the industry (2023)



Source: Fiinpro, Banks, KIS VN
Note: Not include Agribank

Figure 2. Increasing market shares of retail loans

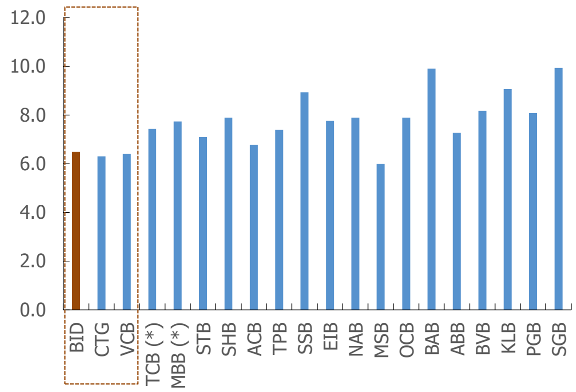


Source: Fiinpro, banks, KIS VN
Note: Agregated 27 banks

With improving fundamentals, we expect that BIDV could have credit growth in line with the industry

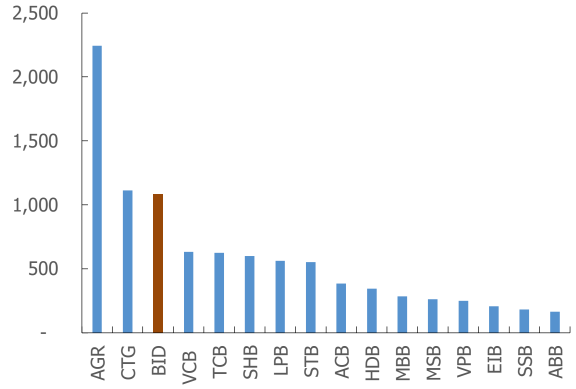
Overall, the credit market shares slightly declined from 14% in 2018 to 12.9% in 2022 before returning to 13.2% in 2023. The credit quotas in 2019-2022 were lower than the industry's targets, leading to a decreasing market share. With improving fundamentals, we expect that BIDV could have credit growth in line with the industry, maintain the market share in the next period, and specifically raise the market share in the retail segment thanks to a retail-focused strategy with its advantage competition.

Figure 3. Average lending rates in Mar 2024



Source: Banks, KIS VN
(*) Data in Feb 24

Figure 4. No of branch and transaction office (2022)



Source: Banks, KIS VN

Credit activities mainly contributed to total operating incomes

Credit activities mainly contributed to total operating incomes, accounting for 77% (2023), compared to CTG's 75% and VCB's 79%. BIDV plans to enhance non-interest income/Total operating incomes above 25%.

Deposits (the largest scale): Thanks to its reputable brand name and a wide operating network (ranked 3rd in the industry just behind Agribank and CTG), BIDV has mobilized abundant and low-cost deposits from individuals and corporations and a high proportion of customer deposits in the mobilization structure (like other SOCBs). BIDV also mobilizes from international sources (2nd rank just behind VCB in terms of foreign currency deposit) and collaborates with large international organizations such as WB, ADB, AFD, JICA, and NIB.

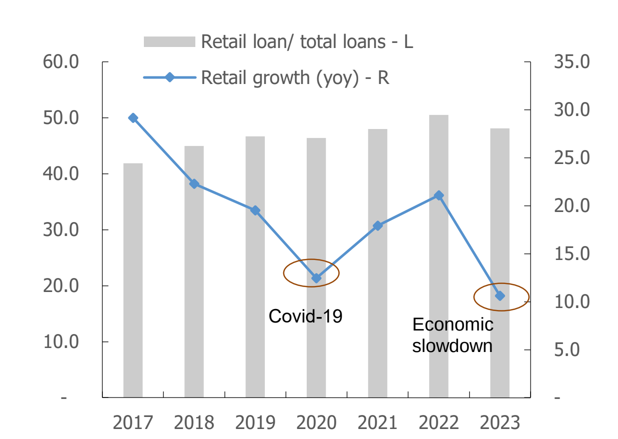
The industry's retail loans remain a potential

The industry's retail loans grew double-digital rates in 2017-2022.
It could maintain the momentum growth rates over the next few years

The industry's retail loans grew double-digital rates (2017-2022 CAGR of 19% for 29 listed banks and 10.6% in 2023). The ratio of retail/total loans jumped from 41.9% in 2017 to 50.5% in 2022 before falling to 48.1% in 2023 amid the economic slowdown. Mortgage, consumer, and household business loans were key drivers for total retail growth.

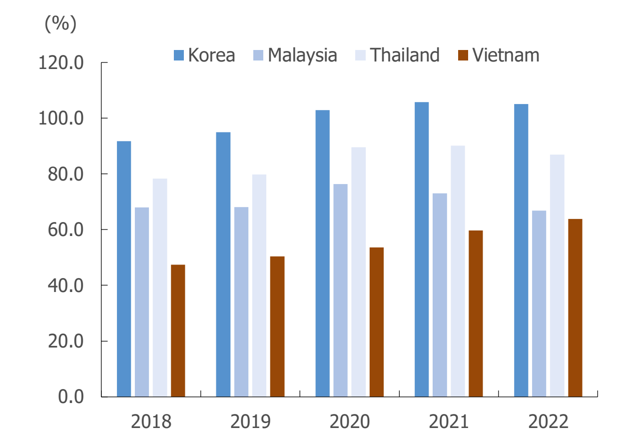
According to our estimation, Vietnam's retail loans/GDP ratio was around 64% (2022), lower than Thailand (87%), Malaysia (67%), Japan (68%), and Korea (105.1%). We expect retail loan demand to maintain the momentum growth rates over the next few years. The details for each segment are as below

Figure 5. Industry's increasing retail proportion



Source: FiinRatings, Banks, KIS VN
Note: Not include Agribank

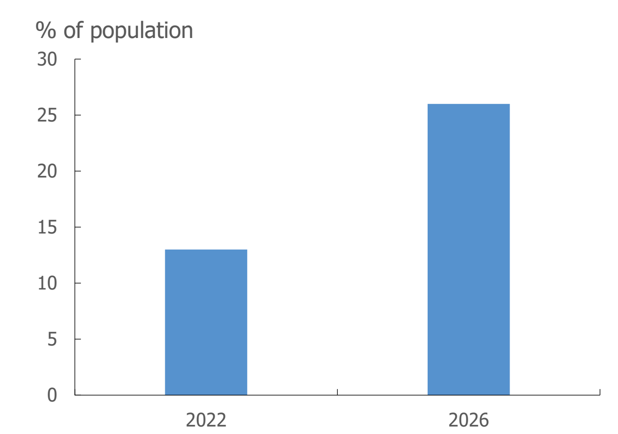
Figure 6. Retail loans/GDP



Source: IMF, KIS VN
Note: Retail market share compared to 27 banks

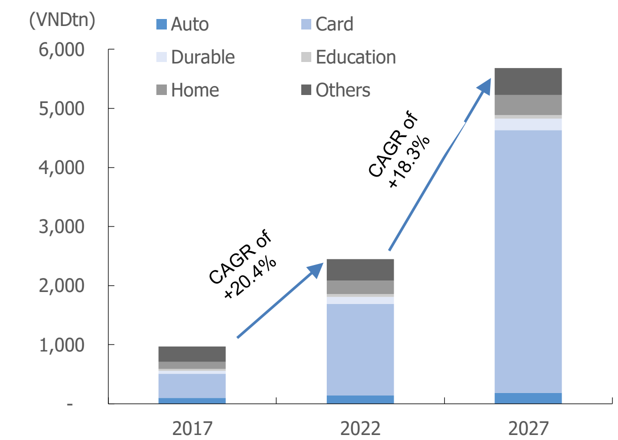
- **Consumer loans continue to keep their momentum growth rates:** According to Euromonitor International (2022), Consumer credit grew strongly with a 2017-2022 CARG of 20.4%. Of which, Card lending (63% of consumer loans) had a highest growth at a 2017-2022 CAGR of 30.3%; Auto loans (5.8% of consumer loans) grew at a 2017-2022 CAGR of 7.8%.

Figure 7. Vietnam's growing middle class



Source: EIU forecast, OOSGA Analytics
Note:

Figure 8. Consumer loans by segement



Source: Euromonitor (2022)
Note:

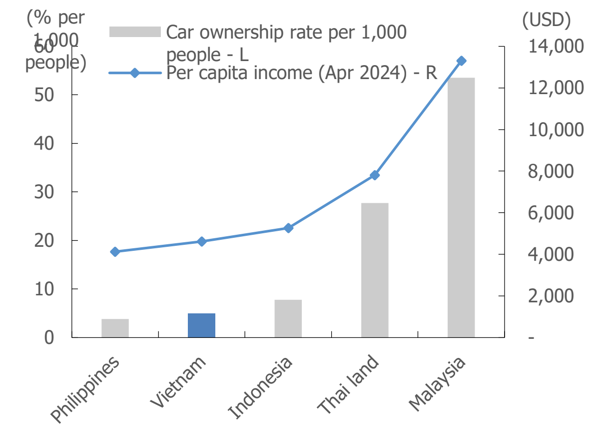
We expect that Consumer loans could keep potential growth thanks to (1) Increasingly prioritizing lending from banks and financial institutions rather than seeking out unregulated loans (2) increasing disposable incomes and consumer spending, (3) Digital transformation helps to make loan disbursement more easily.

Loans to domestic credit cards and auto loans could remain bright prospects

- Loans via domestic credit cards could still have huge growth potential. Ownership rates of domestic credit cards remained low, about 900,000 cards, compared to a population size of 100mn people or 62mn people aged 15-59. The number of domestic credit cards grew strongly at 29.6%/year in 2018-2022. the development of Domestic credit cards is one of the solutions to deal with unregulated loans.

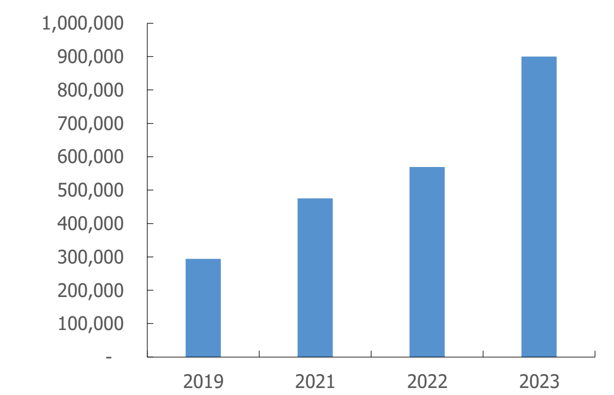
- Auto loans could have bright prospects in the long term: Auto consumption could climb, pushing credit demands as the car ownership ratio remains lower than in the ASEAN region. Currently, Vietnam's car ownership ratio is 5-6% per 1,000 people, lower than Indonesia (7.8%), Thailand (27.7%), and Malaysia (53.5%).

Figure 9. Auto mobile/ people



Source: OICA, Eurostat, the Guardian, Reuturs, IMF, KIS VN
Note:

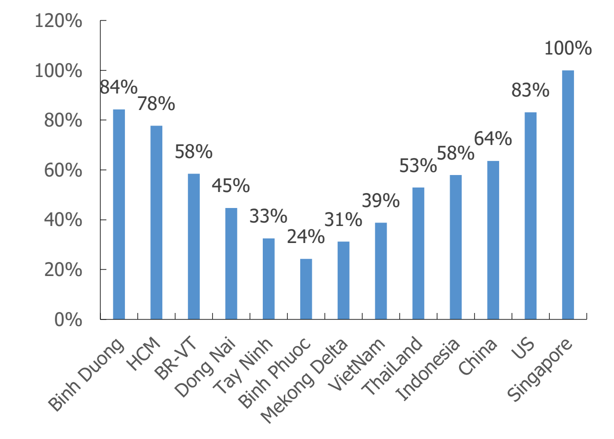
Figure 10. The number of domestic credit cards



Source: Vietnam Bank Card Association, KIS VN
Note:

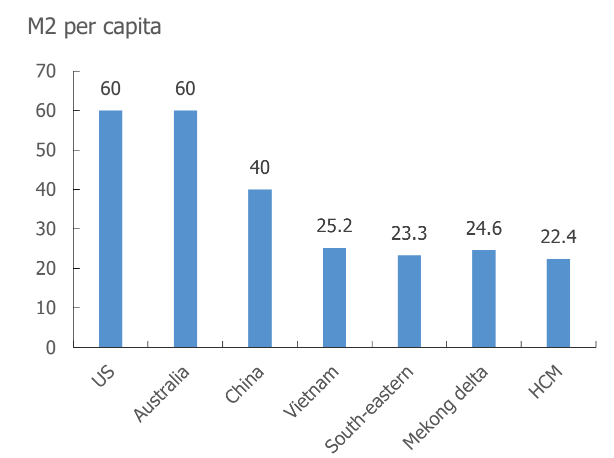
- **In the long term, the prospect of growth from housing demand is bullish**

Figure 11. Urbanization rate by country



Source: FiinRatings, Banks, KIS VN
Note:

Figure 12. Average floor area per capita



Source: Fiinpro, company data, KIS VN
Note:

The average floor area per capita in the Southeast and the Mekong Delta was 23.3/24.6m2/person, lower than the national average of 25.2m2/person. Despite having the greatest annual construction value, Ho Chi Minh only had 18.1m2/person in 2020. Vietnam's average floor area per capita remains low, compared to other Asia countries.

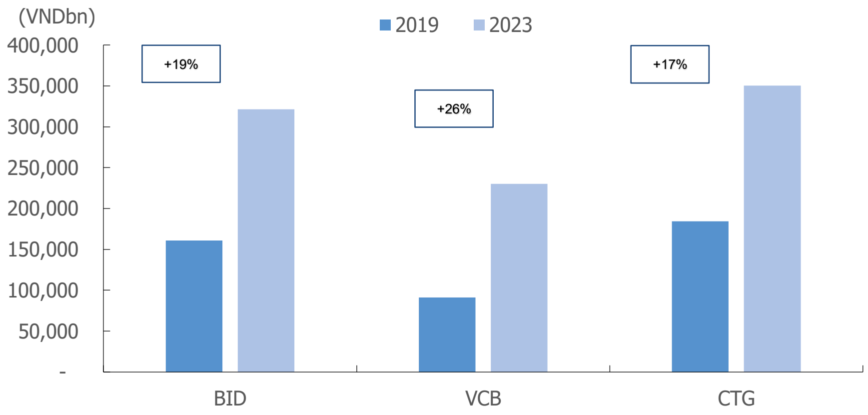
The long term positive prospect comes from high demand in housing and urbanization

Therefore, the demand for house building in our nation as a whole and the South could remain high in the long term. Compared to other Asia countries or developed countries, the urbanization rate of the other Southern provinces is still low except for Ho Chi Minh and Binh Duong, whose infrastructure is well completed. Thereby, there is significant potential for infrastructure projects and housing demand in the mid-to-long term.

Increasing household business loans from credit institutions

- **Household business:** Loans to household businesses grew strongly with a 2019-2023 CAGR of 19-26% (data from BID, CTG, and VCB). According to the Department of Business Registration management, the equity/total investment capital was around 89%-93% (2007-2014). Additionally, General Statistics Office (GSO) reported nearly 28% of households are eligible for loans from official credit institutions (2019). We estimate that access to loans for household businesses remains low, presenting significant credit demand potential for credit institutions. Notably, this segment contributes a high proportion of 29%-30% of Vietnam's GDP.

Figure 13. Household business loans



Source: Banks, KISVN

2. Stronger balance sheets

Asset structure is shifting towards reducing credit risks and increasing profitability

Asset structure is shifting towards reducing credit risks and increasing profitability: Higher retail proportion, more prudent approaches to industry group selections, lower C-bond proportion, improvement in asset quality

- **Retail loans:** As mentioned above, BIDV boosted higher retail proportion in the credit balance, aiming for higher profitability and lower risk appetite. Additionally, risk management was also quite cautious in terms of collateral and customer quality.

  Mortgage loans (32.8% of total retail loans, 2023) focused on landed properties/ condominiums. Loans condominiums require projects with clear legal status; Otherwise, customers must have other replacement assets as collaterals.

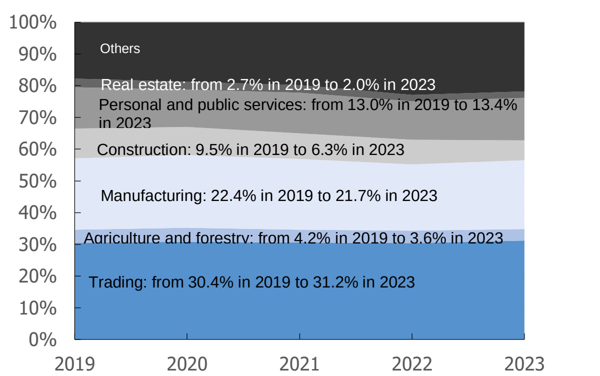
  Regarding consumer loans, BIDV concentrated on customers with guaranteed incomes. Loans with collaterals accounted for 85%-90% of consumer loans. BIDV monitored customer information via salary accounts opened at BIDV for unsecured loan, mitigating non-performing loans.

- **Corporate loans:** BIDV adopted more prudent approaches to industry group selection for credit disbursement. BIDV reduced the proportion of industry groups more sensitive to economic fluctuations, including real estate (2.7% in 2018 to 2% in 2023) and construction (from 10.6% in 2018 to 6.3% in 2023). Compared to other banks, BIDV belongs to bank groups with low-risk asset exposures (risk-weighted asset/total asset) thanks to its diversification in the lending industry.

- **Corporate bonds:** The C-bond proportion of credit balance was smaller and had less risk exposures than other banks, accounting for 0.4% of total credit in 2023 (vs 2.4% in 2018), compared to private banks such as TCB: 7.6%, MBB:5.9%, STB: 3.3%, VPB: 5.8%, SHB: 3.8%.

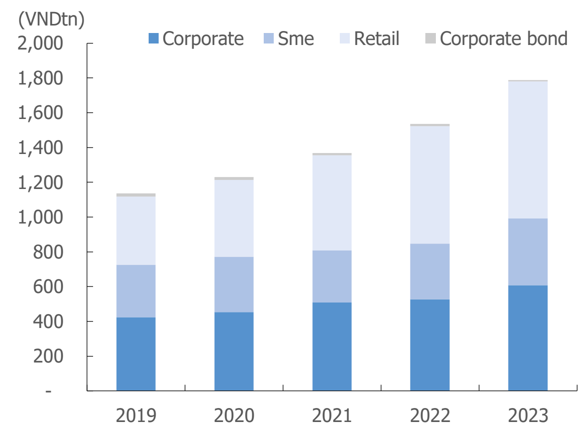
- **Asset quality greatly improved in the last years:** Non-performing loans significantly dropped in 2018-2023, with no outstanding loans from VAMC from 2020. NPL (3-5)/NPL (2-5) also fell from 1.9% in 2018 to 1.2% in 2022/ from 4.2% in 2018 to 2.8% in 2022. 2023 NPLs (3-5)/(2-5) maintained 1.3%/2.8%, belonging to bank groups with low NPLs and well-controls during the industry's headwinds.

Figure 14. Customer loans by industry



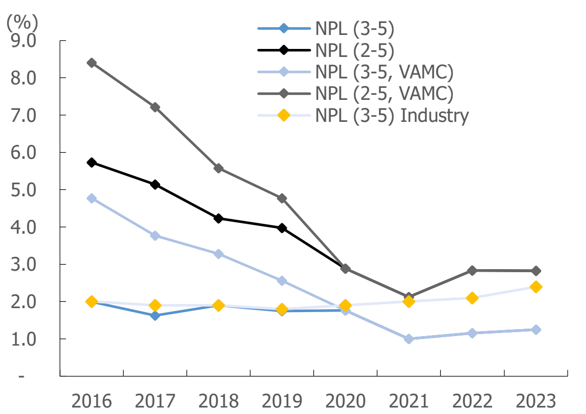
Source: Fiinpro X, Banks, KIS VN

Figure 15. Customer loans by type of customers



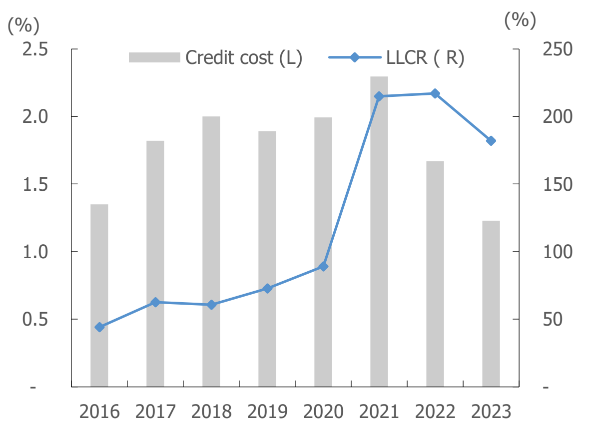
Source: Banks , KIS VN

Figure 16. Improvement in asset quality



Source: Fiinpro X, Banks, KIS VN

Figure 17. Credit cost and loan loss coverage ratio



Source: Fiinpro X, Banks, KIS VN

- **Lower credit cost and higher provision buffers:** Credit cost dropped from 1.7% in 2019 to 1.23% in 2023 after completely resolving VAMC; Loan loss coverage ratio (LLCR) jumped from 75% in 2019 to 182% in 2023, consistently exceeding 100% from 2021 (after the completion of

VAMC stage). With the higher asset qualities, credit cost provision expenses could decline and improve banks' earnings and profitability (from 2021).

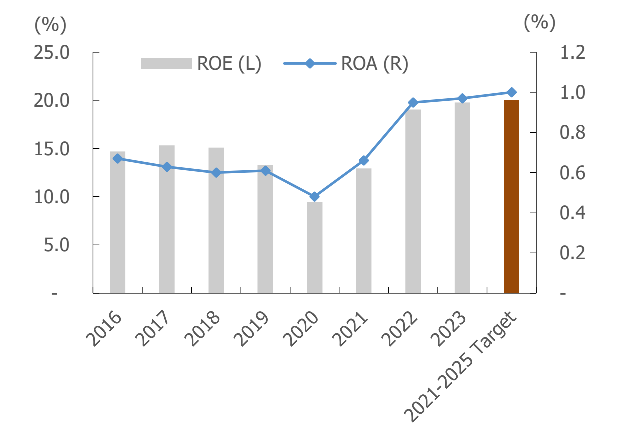
3. Improving profitability prospects

Higher ROE, ROA, and the ratio of PBT/ TOI

Profitability improved consistently and significantly after completely handling with VAMC. ROA and ROE rose from 0.5% in 2020 to 1.0% in 2023 (vs VCB's 1.81%, CTG's 1.0%, the large private bank group's 1.85%) and from 9.3% in 2020 to 20% in 2023 (vs, VCB's 21%, CTG's 17.11%, and the large private bank group of 20%), respectively. BIDV's higher profitability resulted from improvements in the net profit margin, particularly reducing burdens from risk provision expenses after the restructuring period.

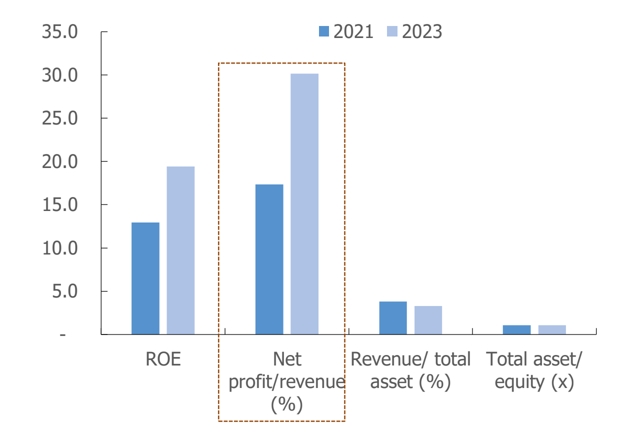
BIDV's pre-tax profit margin/Total income consistently widened from 18% in 2020 to 38% in 2023. However, this ratio was still lower than that of its peers (e.g. VCB's 61%) and the large private bank group (TCB's 57%, MBB's 55.6%, ACB's 61%). As mentioned above, the credit cost fell to a reasonable level; and credit disbursement became more prudent in the current stage.

Figure 18. Targeted ROE, ROA improvement



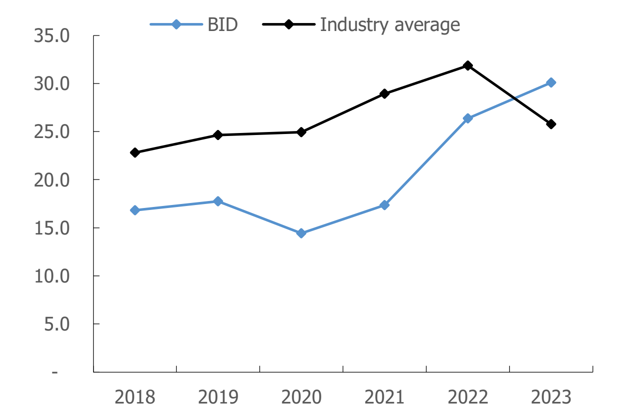
Source: FiinRatings, Bank, KIS VN

Figure 19. Higher ROE driving by higher profit margin



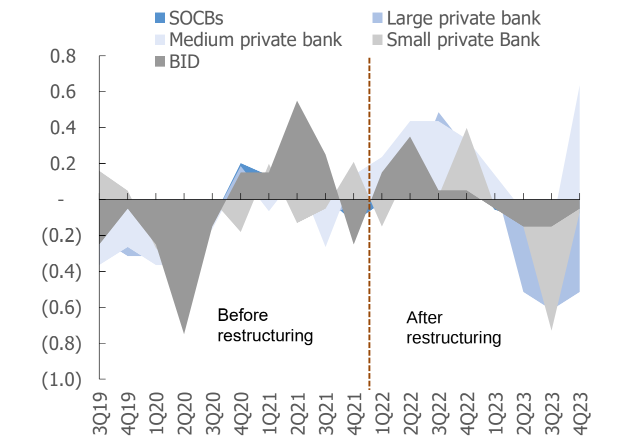
Source: FiinRatings, Bank, KIS VN

Figure 20. Net margin was improving



Source: FiinRatings, Banks, KIS VN

Figure 21. NIM Volatility



Source: FiinRatings, Banks, KIS VN

II. Consolidate growth momentum

1. Higher credit growth

Slow credit demand in 1Q24

1Q24 credit growth increased by only +0.9%ytd, lower than the industry's +1.34%ytd. Retail loans (-0.2%ytd) slowed down due to mortgage and commercial and production (household business) amid the unfavorable market conditions. Corporate loans grew only up +1.6%yoy, driven by SMEs (+3.3%ytd). Manufacturing, construction, and services experienced weak credit demand in 1Q24.

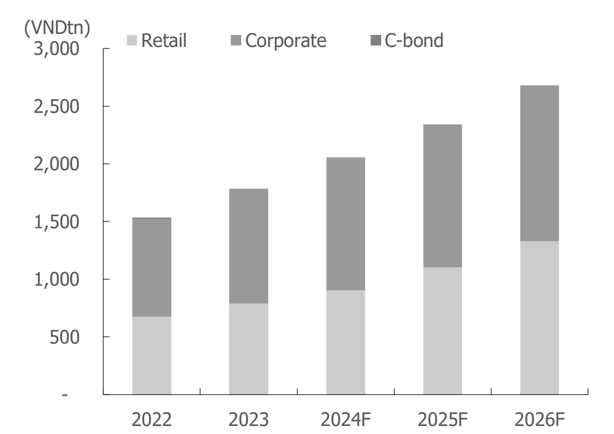
Credit growth could catch up with the industry's growth, in our view

Credit growth could catch up with the industry's growth, driven by retail segement

We estimate the credit growth 2024F/ 2025F/2026F to be 15%/14%/14.5%yoy, driven by both corporate and retail segments. Of which:

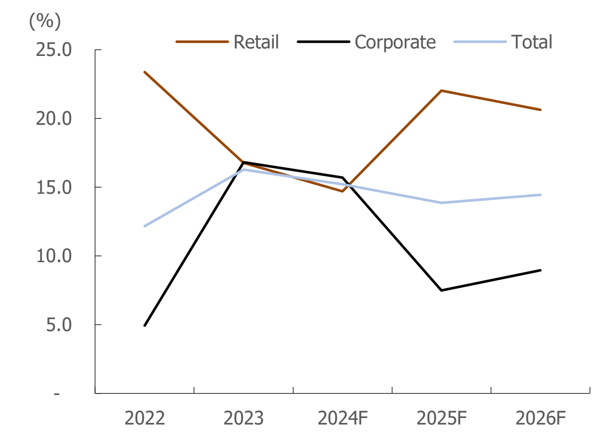
- Corporate loans for SME and large corporates (55.8% of total credit book as end-2023): We estimate the credit growth to rise 15.5% in 2024F, and return to an average rate of 7-9%yoy in 2025F/2026F with improvment in the manufacturing, construction, and services industries. As in 2023, we expect the credit disbursement in 2024 to balance between corporate and retail before focusing on retail lending as the market recovery in 2025-2026F
- Retail loans (44.2% of total credit book as end-23): Retail credit could grow 15% in 2024F amid better business conditions, and return to 21%-22% in 2025F/2026F. Mortgage, consumer, and household business segments could improve in 2024F and fully resume in 2025F and 2026F. With the economic recovery and gradually warming signals on the real estate market, credit demand for retail loans could rebound from 2024 gradually.
- Corporate bonds (0.4% of total credit as end-23): We estimate that BIDV could keep a low proportion in the credit balance around 0.3%-0.4% in 2024F-2026F as the same 2023.

Figure 22. Credit balance by segments



Source: Bank, KIS VN

Figure 23. Credit growth by segments



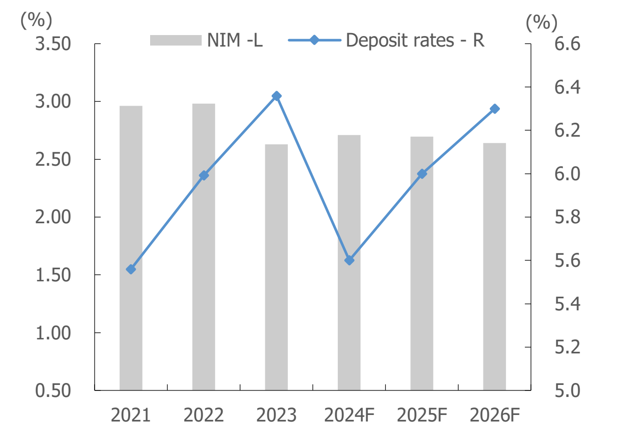
Source: Bank, KIS VN

2. A stability in NIM

A decline in 1Q24 NIM

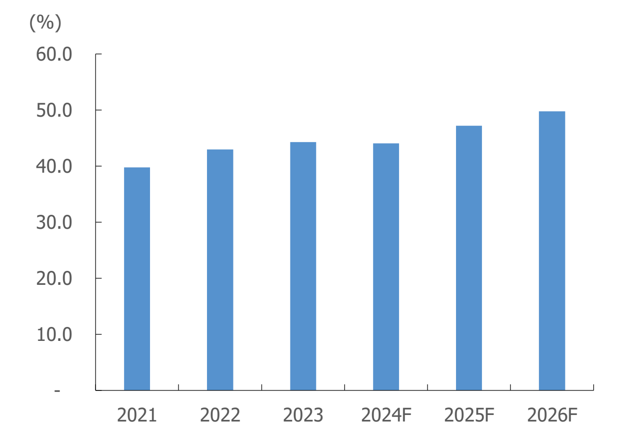
1Q24 NIM declined slightly by -35bps qoq and -30bps yoy to 2.44% due to (1) weak credit demand, especially in the retail segment, and (2) reducing interest incomes amid the economic slowdown. Additionally, the CASA ratio slightly plumped from 20% in 4Q23 to 18% in 1Q24.

Figure 24. NIM vs Deposit rates



Source: Banks, KIS VN

Figure 25. Retail/ total loans



Source: Banks, KIS VN

A NIM stability in the forecast period

2024F/2025F/2026F NIM could improve to 2.71%/2.70%/2.64%, compared to 2.63% in 2023. 2024F-2025F NIM could be higher thanks to the remaining low COF, the increasing retail proportion, and reduced pressure on the lending rate cuts amid the economic recovery from 2H2024. 2026F NIM could slightly fall due to an expected increase in COF as the higher deposit rates.

A NIM stability in the forecast period with the increasing retail segment and improvement in CASA

- BID quoted deposit rates remains low with 12-month term deposits at 4.7% as of Apr 2024, lower than 5.5% as of May 2022 - the bottom of the covid-19 period. We expect interest rates to jump from 2H2024 with moderate rates without aggressive speed.
- The CASA ratio could gradually rally from 20% in 2023 to 23% in 2026F amid better business conditions and more stability of interest rate environment in the forecast period.
- BID continues to focus on the retail/ SME segment, leveraging the higher asset yields. We estimate the retail segment could rise from 44.2% in 2023 to 50% in 2026.

3. Remaining asset quality

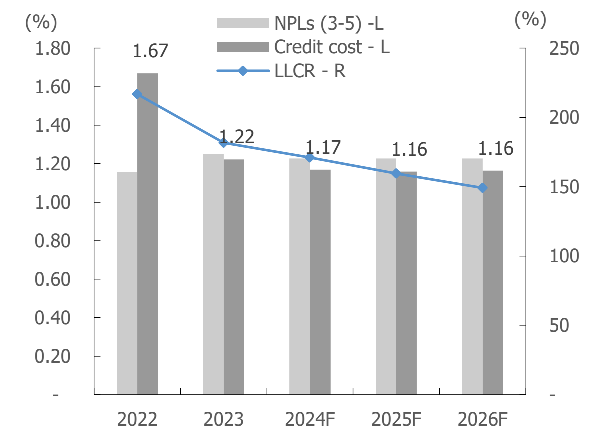
Remaining asset quality: NPL below 1.4% and LLCR at least 150%

1Q24 NPLs rose slightly again from 1.3% in 4Q23 to 1.5% in 1Q24 amid the challenging market conditions. Loan loss coverage ratios (LLCR) fell from 182% in 4Q23 to 153% in 1Q24, being one of the banks with a high LLCR.

We expect BID could manage NPLs in 2024F thanks to extended Circular 02/2023/TT-NHNN and the gradual economic recovery. 2025F-2026F NPL could maintain at 1-1.4% in line with BIDV's target of under 1.4%. BIDV aims to keep LLCR at least 150% - a high rate in the industry. We estimate the credit cost could maintain at a lower rate of 1.2% in 2024F-2026F (vs 2018-2022 average of 2%) after an aggressive period of bad-debt settlement. Besides, BIDV targets a credit cost below 1% for the next five years.

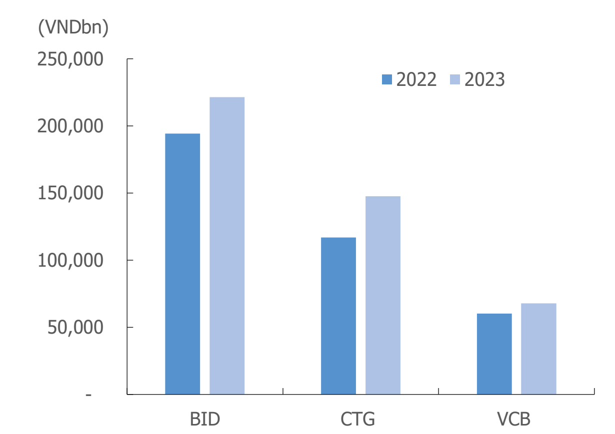
Additionally, the recovery of aggressive write-off bad debts in the previous years could contribute to higher PBT in the coming years. Compared to CTG and VCB, BIDV had the highest write-off bad debt balance, implying higher potential income from bad-debt recovery amid the recovering business operating environment. We assume that the ratio of recovery/write-off bad debt in the previous two years could remain at 20% in 2024F-2026F, equivalent to a 5-year historical average.

Figure 26. NPL and coverage ratio



Source: Bank, KIS

Figure 27. High write-off bad debt balance



Source: Bank, KIS VN

4. Keep profit growth in 2024F-2026F

BIDV has the largest scale in the industry with stable and low-cost mobilization, maintaining incomes during the economic turmoil. Moreover, BID completed the VAMC process and bad-debt restructuring and maintained better asset quality and strong provision buffers (top 6 in the industry in 2023, 27 listed banks), reducing the burden from risk provision expenses. In 2024F-2026F, we estimate that BIDV could maintain moderate growth, benefiting from improved operating incomes and maintaining asset quality amid the gradual economic recovery.

In 2024F-2026F, we estimate that BIDV could maintain moderate growth after completing VAMC process. 2024F/2025F/2026F PBT could grow +17%yoy/ +10%yoy/ +9%yoy.

We forecast that BIDV's 2024F TOI and PBT could rise by +14%yoy to VND83,061bn and by +17%yoy to VND32,388bn, based on the assumptions:

- Credit growth of 15%yoy thanks to both the retail and wholesale banking group and NIM of 2.71%yoy with the remaining low COF
- Non - NII could grow 14%yoy with contributions from trade finance, insurance, forex, and trading and investment securities.
- CIR, NPL, and credit cost are estimated at 34%yoy, 1.2%, and 1.17%, respectively.

We forecast that BID's 2025F TOI and PBT could rise by +11%yoy to VND92,517bn and by +10%yoy to VND35,623bn, based on assumptions:

- Credit growth of 14%yoy and NIM of 2.7%yoy with higher retail proportion and CASA improvement.
- Non - NII could grow moderately at 8%yoy, supported by fee incomes and forex.
- CIR, NPL, and credit cost are estimated at 34%, 1.2%, and 1.16%, respectively.

We forecast that BID's 2026F TOI and PBT could rise by +12%yoy to VND103,201bn and by +9%yoy to VND38,910bn, based on assumptions:

- Credit growth of 14.5% and NIM of 2.64% with a higher cost of funds
- Non-NII could recover with a strong growth rate of 13%yoy, driven by fee incomes and forex.
- CIR, NPL and credit cost are estimated at 34%, 1.2%, and 1.16%, respectively.

III. Recommendation and rating

Reiterate HOLD for BID

We reiterate HOLD on BID with TP after rolling forward to 2Q25 based our assumptions. The fair value is estimated as an average of the residual income (50%) and PB multiple valuation (50%). We have a HOLD Rating for BID given (1) higher growths in operating incomes thanks to the gradual economic recovery and (2) BID could maintain asset quality, earnings growth, and profitability.

We apply the cost of equity at 11%, assuming 1) a risk-free rate of 2.0% 2) a beta of 1.0, and 3) an equity risk premium of 9%. Our target price of VND55,600 (upside 13% from the current price share) is based on a weighting of 1) a forward PB of 2.2x on the 2024F-2025F BPVS and 2) a residual valuation method over a 5-year projection period. Our residual valuation–based target price is VND55,325 with cost of equity of 11.0% and sustainable growth of 3% to reflect growths for the banking industry in emerging countries. Our forward PB-based target price is VND55,800, based on a target PB multiple of 2.2x (average of a 5-year historical P/B) applied to the 2024F-2025F BVPS.

Table 1. Cost of equity

Items	**%**
Beta (x)	1.0
Risk free rate (%)	2.0
Equity risk premium (%)	9.0
Cost of equity (%)	11.0

Table 2. Bended valuation

Metrics	**Implied price**	**Weight**	**Weight**
PB	55,801	50%	27,900
Residual approach	55,325	50%	27,663
BID's target share price			55,563

Table 3. Justified P/B ratio

Items	**%**
ROE	20.0
r (cost of equity)	11
g (sustainable growth)	3.0
Target P/B ratio	**2.1**

Table 4. Valuation approach

1. Residual approach	**2024F**	**2025F**	**2026F**	**2027F**	**2028F**
Net attrib profit	25,239	27,761	30,323	34,428	39,755
Equity	138,838	161,828	186,894	215,638	248,969
ROE	19.3	18.3	17.3	17.1	17.1
Cost of equity (%)	11.0	11.0	11.0	11.0	11.0
Residual income	12,265	12,489	12,521	13,869	16,035
Discount factor	1.0	0.9	0.8	0.7	0.7
PV of FCF	12,265	11,251	10,163	10,141	10,563
Terminal growth (%)	3.0	3.0			
Terminal value	135,992	150,951			
Total value	308,325	336,540			
Outstanding shares	5,700	5,700			
Price (VND/shr) (A)	54,088	59,038			
2Q-FY 25 TP		55,325			
2. P/B multiple approach					
BVPS (VND)	24,356	28,389			
Fair PB (x)	2.2	2.2			
Price (VND/shr) (B)	**53,583**	**62,455**			
2Q-FY 25TP		**55,801**			

Figure 28: Valuation in the historical trading

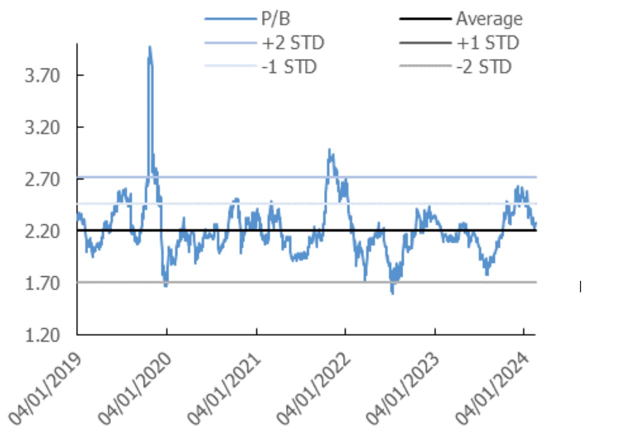
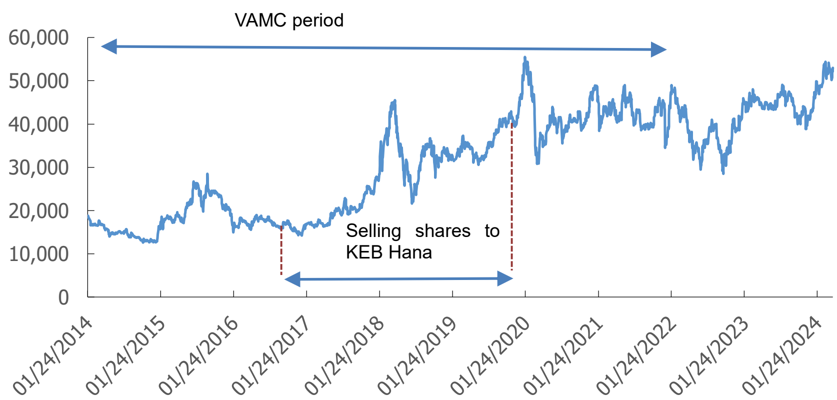


Table 5. Multiple valuation

	PE				PB			
	TTM	2024F	2025F	2026F	TTM	2024F	2025F	2026F
VCB	15.4	14.3	12.1	10.5	2.9	2.5	2.1	1.8
CTG	8.7	8.4	6.6	5.4	1.4	1.2	1.0	0.9
TCB	8.3	7.4	6.1	4.8	1.2	1.1	0.9	0.8
VPB	11.8	9.1	7.4	5.9	1.0	1.0	0.9	0.8
MBB	5.8	5.5	4.6	3.8	1.2	1.1	0.9	0.8
ACB	7.2	6.7	5.7	5.0	1.5	1.4	1.1	1.0
Average	**9.5**	**8.6**	**7.1**	**5.9**	**1.5**	**1.4**	**1.2**	**1.0**

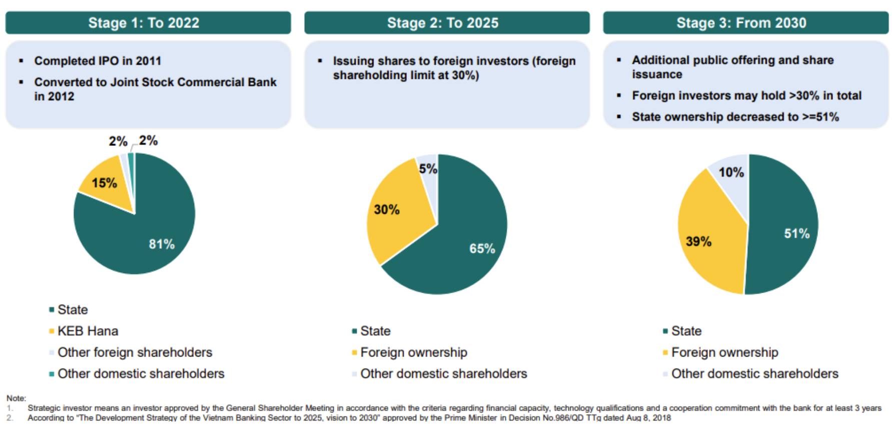
Source: Bloomberg, KISVN

Figure 29. BID's stock price and company's events



Source: Fiinpro, KISVN

Figure 30. Shareholding structure & Capital raising plan



Source: Fiinpro, KISVN

BIDV is seeking financial investors for a private placement of 9% of the total outstanding shares. BIDV planned to issue 165mn shares in 2024 - equivalent to 2.89% of its charter capital and is discussing with investors. The remaining share (6.11% of charter capital) could proceed later. The selling price of new share offerings must not fall below the market price on the offering date or the latest book value of shares. Selling shares to KEB Hana (Sep 2016 – Nov 2019): The process starts from sending offer letters to potential investors to completing the capital raising took approximately three years.

■ **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	2026F
Total assets	2,121	2,301	2,587	2,945	3,355
Gross IEAs	2,092	2,271	2,551	2,899	3,297
Loans and corp bonds	1,535	1,785	2,052	2,339	2,677
Household	674	788	903	1,102	1,329
Corporate	861	998	1,149	1,237	1,348
Dep't and loans to FIs	332	305	298	337	371
Dep't to SBV and G-bond	225	181	201	224	249
VAMC bond	-	-	-	-	-
NIEAs	68	72	80	93	108
Others	43	54	58	70	85
Total liabilities	2,016	2,178	2,443	2,778	3,163
Deposits	1,474	1,704	1,949	2,231	2,555
Debentures	157	189	217	248	284
Dep't and loans from FIs	190	194	204	213	223
Loans from Gov't and SBV	153	36	16	16	16
Other liabilities	43	54	58	70	85
Total equities	109	123	144	167	192
Controlling interests	104	118	139	162	187
Capital stock	51	57	57	57	57
Capital surplus	15	15	15	15	15
Other reserves	12	12	16	20	24
Retained earnings	22	34	51	70	91
OCI	4.23	(0.46)	(0.80)	(0.80)	(0.80)
Minority interest	5	5	5	5	5

Income statement VND tn)

	2022A	2023A	2024F	2025F	2026F
Total operating income	70	73	83	93	103
Net interest income	56	56	64	72	80
Interest income	121	153	159	187	219
Interest cost	65	97	95	115	139
Non-interest income	14	17	19	21	23
Net commission income	9	11	13	15	18
Gains on investment securities	1	4	3	2	2
Other non-interest income	4	2	3	3	3
Provision for credit losses	24	20	22	25	29
Net operating revenue	46	53	61	67	74
SG&A	23	25	28	31	35
Employee benefits	-	-	-	-	-
Pre-provision earnings	47	48	55	61	68
Earnings before tax	23	28	32	36	39
Tax	5	6	7	7	8
Tax rate (%)	0.0	0.0	0.0	0.0	0.0
Continuing operations profit	13	17	18	20	21
Reversals of written-off loans	6	5	8	9	10
Net profit	18	22	26	28	31
Net profit of controlling interest	18	22	25	28	30

Key financial data

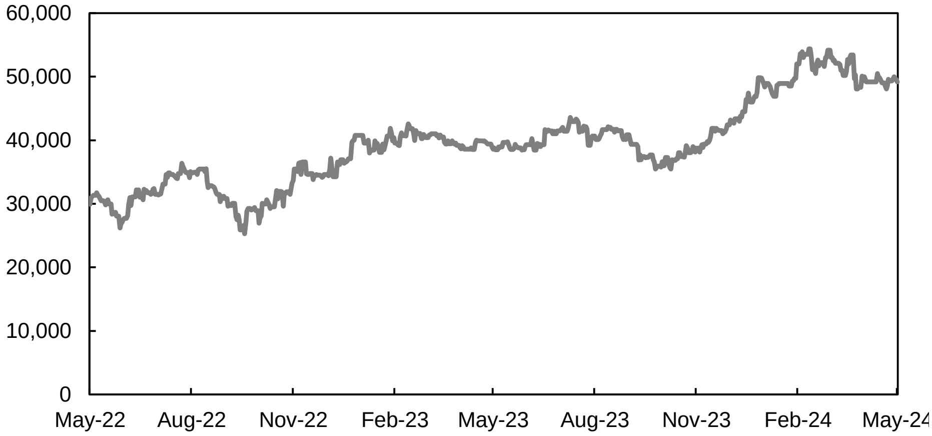
	2022A	2023A	2024F	2025F	2026F
Profitability and efficiency (%)					
ROE	19.1	19.4	19.7	18.5	17.4
ROA	0.9	1.0	1.1	1.0	1.0
NIM	2.98	2.63	2.71	2.70	2.64
Asset yield	6.44	7.16	6.73	7.01	7.24
Cost of fund	3.60	4.72	4.20	4.51	4.82
Cost-income ratio	32.4	34.3	34.0	34.0	34.0
Credit cost	1.65	1.22	1.17	1.16	1.16
Growth (%)					
Net profit of controlling interest	72.3	18.7	17.1	10.0	9.2
Pre-provision earnings	9.3	2.0	14.3	11.4	11.5
Credit growth	12.1	16.3	15.0	14.0	14.5
Total assets	20.4	8.5	12.4	13.8	13.9
Asset quality (%)					
NPL ratio	1.2	1.3	1.2	1.2	1.2
NPL coverage ratio	216.9	181.8	171.2	159.7	149.2
Loan to deposit	86.8	87.6	88.6	88.7	89.1
Capital adequacy (%)					
CAR ratio	9.3	9.2	8.2	7.1	7.3
CET1 ratio	n.a	n.a	n.a	n.a	n.a
	n.a	n.a	n.a	n.a	n.a

Valuation

	2022A	2023A	2024F	2025F	2026F
Per share (VND, adj.)					
BPS	18,278	18,361	24,356	28,389	32,786
EPS	2,855	3,061	3,529	3,818	4,162
DPS	-	-	-	-	-
Valuation (x)					
PB	2.7	2.7	2.0	1.7	1.5
PE	17.2	16.1	13.9	12.9	11.8
P/PPE	6.0	6.6	5.1	4.6	4.1
Dividend yield (%)	-	-	-	-	-
Dividend payout ratio (%)	-	-	-	-	-
ROE analysis (%)					
ROE	19.1	19.4	19.7	18.5	17.4
Leverage(x)	19.5	18.7	18.0	17.7	17.5
IEAs to total assets	96.7	96.4	96.5	96.2	95.9
Net income to IEAs	0.9	0.9	1.0	1.0	0.9
Net interest income to IEAs	2.7	2.5	2.5	2.5	2.4
Non-interest income to IEAs	0.6	0.7	0.8	0.7	0.7
Credit cost to IEAs	1.1	0.9	0.9	0.9	0.9
SG&A to IEAs	1.1	1.1	1.1	1.1	1.1

Changes to recommendation and target price

Company (code)	Date	Recommendation	Target price	% vs. avg. price	% vs. high (low)
Investment and Development of Vietnam (BID)	24 May 2024	HOLD	55,600		



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