

Investment and Development of Vietnam (BID)

Cost mitigation

- Flat operating incomes
- Higher non-performing loans
- Keep recovery momentum from the retail segment

Facts: Lower provision expenses sustained profit growth

- BID posted 3Q24 profit before tax of VND6,498bn, up +10% yoy (from a low base 3Q23)/ -20% qoq. Overall, 3Q24 earnings resulted from (1) lower provision expenses (-25% yoy, -17% qoq) and remaining operating expenses (+4% yoy, -6% qoq). Meanwhile, operating incomes were not bright (1) net interest incomes (+1.5% yoy, -6% qoq) with NIM decline (2) non-interest incomes (-20% yoy, -40% qoq) from a decrease in services (-16% yoy, -24% qoq), FX activities (-56% yoy, -58% qoq) and recorded losses on investments.
- Accumulated 9M24 profit before tax rose by +11.6%yoy to VND22,047bn, equalling to 69% of KIS's 2024 estimation. KIS's higher estimation resulted from higher operating incomes than actual number.
- Total credit growth accelerated from 2Q24's 5.9%YTD to 3Q24's 9.8%YTD, in line with the industry's +9%YTD. Key drivers for total credit growth were the retail segment (from 2Q24's +8.3%YTD to 3Q24's +21%YTD). Specifically, mortgage loans accelerated to support the retail segment. Lower asset yields lead to lower NIM: 3Q24's 2.3%, compared to 3Q23's 2.7% and 2Q24's 2.56%.
- A slight increase in non-performing loans: NPL (3-5 group)/ NPL (2-5 group) rallied from 2Q24's 1.5% to 3Q24's 1.7%/ from 2Q24's 3.1% to 3Q24's 3.4%. Meanwhile, the industry's non-performing loan ratios (27 banks) in 3Q24 remained the same in 2Q24 NPL. Loan loss coverage ratio (LLCR) was down from 2Q24's 132% to 3Q24's 116%, maintaining one of the highest LLCR in the industry.

Pros & Cos: Keep recovery momentums for retail loans

- We expect credit growth to accelerate seasonally in 4Q24 and utilize the credit quota of 14%, driven by the retail segment. However, we remain cautious about 4Q24 NIM improvement, with expectations as the prior quarter.

12M rating **HOLD**

12M TP **55,600** from 47,700

Up/Downside +16.6%

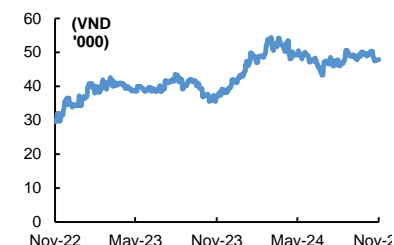
Stock Data

VNIndex (Nov 04, pt)	1,245
Stock price (Nov 04, VND)	47,700
Market cap (USD mn)	10,738
Shares outstanding (mn)	5,700
52-Week high/low (VND)	54,400/37,093
6M avg. daily turnover (USD mn)	4.23
Free float / Foreign ownership (%)	100./17.1
Major shareholders (%)	
SBV	81.0
KEB Hana Bank	15.0

Performance

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

Stock price trend



Source: Bloomberg

Research Dep

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- We estimate 4Q24 credit costs to remain equivalent to 3Q24 (0.9%-1%) as BID's planned credit cost of around 1% in the upcoming years after the restructuring period. According to the management, non-performing loans could be controlled within the target of below 1.4% in 4Q24. We keep following increasing NPLs and expect BID to manage these ratios amid the brighter business results.

Recommendation

We maintain a target price of VND55,600, implying a 16.6% upside. We estimate that BIDV could maintain moderate growth in 2024F, benefiting from maintained operating incomes and lower provision expenses after the restructuring period.

Table1. Earnings trend and outlook

	2023				2024				2023	2024F	3Q24	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QF			QoQ	YoY
Loans to customers and corporate bonds	1,610,100	1,638,320	1,662,120	1,785,020	1,800,661	1,889,677	1,959,684		1,785,020	2,052,038	3.7	17.9
% growth (ytd)	4.9	6.7	8.3	16.3	0.9	5.9	9.8		16.3	15.0	66.9	18.3
Loans to customers	1,597,152	1,629,067	1,653,452	1,777,665	1,793,930	1,882,815	1,953,065		1,777,665	2,044,315	3.7	18.1
NPL (3-5 group)	24,730	25,975	26,394	22,229	27,000	28,687	33,386		22,229	25,075	16.4	26.5
NPL ratio (%)	1.5	1.6	1.6	1.3	1.51	1.52	1.71		1.25	1.23	12.2	7.1
NPL (2-5 group)	61,718	61,478	57,129	50,337	63,832	58,620	65,954		50,337	57,398	12.5	15.4
NPL ratio (%)	4	3.8	3.5	2.8	3.6	3.1	3.4		2.8	2.8	8.5	(2.3)
Loan loss coverage (%)	171.3	151.5	158.4	181.8	152.8	132.2	115.7		181.8	171.2	(12.5)	(26.9)
VAMC	-	-	-	-	-	-	-		-	-		
Deposit from customers and bond	1,667,375	1,701,819	1,745,561	1,893,756	1,915,344	2,004,575	2,067,042		1,893,756	2,166,141	3.1	18.4
Deposit from customers	1,497,395	1,545,569	1,583,544	1,704,269	1,734,779	1,806,926	1,873,725		1,704,269	1,949,400	3.7	18.3
% growth (ytd)	1.6	4.9	7.5	15.7	1.8	6.0	9.9		15.7	14.4	65.1	33.3
CASA (%)	15.8	16.6	18.0	19.6	18.2	18.2	18.1		20.0	20.9	(0.7)	0.5
Total assets	2,106,865	2,124,768	2,132,855	2,300,814	2,328,731	2,521,053	2,575,981		2,300,814	2,579,974	2.2	20.8
Total equity	105,022	109,397	114,247	117,951	129,018	134,700	138,440		122,917	143,461	2.8	21.2
Total operating income	17,278	17,257	17,887	20,602	17,171	20,225	17,259		73,024	82,421	(14.7)	(3.5)
Net interest income	13,936	13,547	13,783	14,869	13,541	14,838	13,990		56,136	63,205	(5.7)	1.5
NIM (%)	2.74	2.67	2.70	2.79	2.44	2.56	2.30		2.63	2.68	(10.21)	(14.75)
Non-interest income	3,342	3,710	4,104	5,733	3,630	5,387	3,269		16,888	19,215	(39.3)	(20.3)
Net commission income	2,190	2,458	3,447	3,184	3,158	3,665	2,207		11,280	13,205	(39.8)	(36.0)
Gains on investment securities	175	216	-84	3,225	-29	691	-443		3,532	3,337		427.0
Other non-interest income	977	1,035	741	-676	500	1,031	1,505		2,076	2,674	45.9	103.1
Provision for credit losses	5,527	3,933	5,950	4,885	4,389	5,358	4,453		20,295	22,433	(16.9)	(25.2)
Net operating revenue	11,751	13,324	11,937	15,717	12,783	14,867	12,805		52,729	59,988	(13.9)	7.3
SG&A	4,832	6,374	6,044	7,830	5,393	6,708	6,307		25,080	28,023	(6.0)	4.3
CIR (%)	28.0	36.9	33.8	38.0	31.4	33.2	36.5		34.3	34.0	10.18	8.15
Pre-provision earnings	12,447	10,884	11,842	12,772	11,779	13,517	10,951		47,944	54,398	(19)	(7.5)
EBT	6,920	6,951	5,893	7,887	7,390	8,159	6,498		27,650	31,965	(20.4)	10.3
Net profit	5,559	5,550	4,728	6,191	5,916	6,534	5,214		22,027	25,460	(20.2)	10.3
Controlling-int. NP	5,468	5,426	4,583	6,074	5,813	6,369	5,151		21,552	24,910	(19.1)	12.4

Nguồn: Fiinpro, 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
Profitability and efficiency (%)				
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
Growth (%)				
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
Asset quality (%)				
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
Capital adequacy (%)				
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
Per share (VND, adj.)				
BPS	18,278	18,361	24,102	27,948
EPS	2,771	2,893	3,472	3,845
DPS	-	-	-	-
Valuation (x)				
PB	2.6	2.6	2.0	1.7
PE	17.2	16.5	13.7	12.4
P/PPE	5.8	6.4	5.0	4.5
Dividend yield (%)	-	-	-	-
Dividend payout ratio (%)	-	-	-	-
ROE analysis (%)				
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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