

4 Feb 2025

## Investment and Development of Vietnam (BID)

### Improving earnings quality

- Strong earnings growth in 4Q24
- Improving non-performing loans
- Credit growth momentums and controlled NPLs in 2025F

### Facts: Strong earnings growth

- 4Q24 profit before tax was up +18.4% yoy to VND9,336bn thanks to (1) resilient net interest incomes (+5.2%yoy) (2) non-interest incomes with substantial growth (+88%yoy), and (3) manageable operating expenses (CIR: from 38% in 4Q23 to 36% in 4Q24), compensating for higher provision risks expenses (+57.4%yoy). Recovering non-interest incomes resulted from higher service incomes (+21.6%yoy), investment activities (+68%yoy), and a significant turnaround in other incomes from a loss of VND676bn in 4Q23 to VND1,949bn in 4Q24.
- Accumulated 2024 profit before tax rose by +14%yoy to VND31,383bn. Despite higher estimated net interest income offsetting lower estimated non-interest income, KIS's estimated 2024 PBT equaled 102% of the actual figure.
- Total credit growth accelerated from 3Q24's 9.8%YTD to 4Q24's 15.5%, in line with the industry's +15.08%YTD. Retail loans, SMEs, and FDI mainly drove total credit growth. Higher asset yields and controlled cost of funds helped to improve NIM from 3Q24's 2.3% to 4Q24's 2.45%. However, the NIM remained below 2.8% in 4Q23. Total deposits (+15.7%yoy) from customer deposits, valuable paper, and deposits from other credit institutions were in line with credit growth, maintaining LDR.
- Improving non-performing loans: NPL (3-5 group)/ NPL (2-5 group) rallied from 3Q24's 1.7% to 4Q24's 1.4%/ from 3Q24's 3.4% to 4Q24's 3.1%, belonging one of the top lowest NPL ratios in the industry. The loan loss coverage ratio (LLCR) rose from 3Q24's 116% to 4Q24's 134%, maintaining one of the highest LLCRs in the industry.

### Pros & Cons: Credit growth momentums and controlled NPLs

- We estimate that 1Q25 credit growth could be higher than in the same period amid favorable market conditions. 2025 credit growth could keep the high rate as the last years in line with the industry target. According to the plan, credit growth could fulfill the credit quota in 2025 with at least a rate of 14%. 1Q25 and 2025 NIM could continue to rebound thanks to better credit demand and higher economic growth.

12M rating **BUY**

12M TP **48,800** from 39,650

Up/Downside +23%

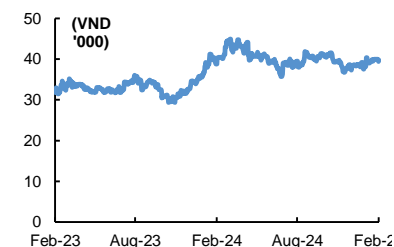
### Stock Data

VNIndex (Feb 04, pt)	1,262
Stock price (Feb 04, VND)	39,650
Market cap (USD mn)	10,871
Shares outstanding (mn)	6,898
52-Week high/low (VND)	44,959/35,744
6M avg. daily turnover (USD mn)	4.24
Free float / Foreign ownership (%)	19./16.8
Major shareholders (%)	
SBV	81.0
KEB Hana Bank	15.0

### Performance

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

### Stock price trend



Source: Bloomberg

### Research Dep

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- Restructured loans were VND8,500bn, equivalent to 0.4% of the total credit balance. Given the robust provision buffers and the ongoing improvement in non-performing loans, we believe BID is well-positioned to maintain good asset quality in 2025. BID aims to keep Non-performing loans below 1.4% in 2025.
- 2025F: BID could grow at a moderate rate in 2025 thanks to (1) maintained high credit growth and a slight improvement in NIM amid the economic recovery and (2) remained good asset quality & reasonable credit costs amid the economic recovery. According to the management, BIDV set the 2025F plan with a PBT target of 6%-10%.

### Action: BUY rating for BID

We maintain a target price of VND48,800, implying a 23% upside, considering its remaining profit growth potential and attractive valuation after the stock price adjustment. BIDV issued 123mn shares in advance - equivalent to 2.2% of its charter capital (2023). Additional capital from private placement could help to enhance financial capacity for business development and meet the regulated ratios.

Table1. Earnings trend and outlook

	2023				2024				2023	2024	2025F	4Q24	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				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	2,061,532	1,785,020	2,061,532	2,402,579	5.2	15.5
% growth (ytd)	4.9	6.7	8.3	16.3	0.9	5.9	9.8	15.5	16.3	15.5	16.5	58.3	(4.8)
Loans to customers NPL (3-5 group)	1,597,152	1,629,067	1,653,452	1,777,665	1,793,930	1,882,815	1,953,065	2,056,082	1,777,665	2,056,082	2,396,228	5.3	15.7
NPL ratio (% , %p)	24,730	25,975	26,394	22,229	27,000	28,687	33,386	29,036	22,229	29,036	29,199	(13.0)	30.6
NPL (2-5 group)	61,718	61,478	57,129	50,337	63,832	58,620	65,954	63,191	50,337	63,191	69,005	(4.2)	25.5
NPL ratio (% , %p)	4	3.8	3.5	2.8	3.6	3.1	3.4	3.1	2.8	3.1	2.9		
Loan loss coverage (% , %p)	171.3	151.5	158.4	181.8	152.8	132.2	115.7	133.7	181.8	133.7	157.2		
VAMC	-	-	-	-	-	-	-	-	-	-	-		
<b>Deposit from customers and bond</b>	<b>1,667,375</b>	<b>1,701,819</b>	<b>1,745,561</b>	<b>1,893,756</b>	<b>1,915,344</b>	<b>2,004,575</b>	<b>2,067,042</b>	<b>2,152,071</b>	<b>1,893,756</b>	<b>2,152,071</b>	<b>2,494,794</b>	<b>4.1</b>	<b>13.6</b>
Deposit from customers	1,497,395	1,545,569	1,583,544	1,704,269	1,734,779	1,806,926	1,873,725	1,953,170	1,704,269	1,953,170	2,264,218	4.2	14.6
% growth (ytd)	1.6	4.9	7.5	15.7	1.8	6.0	9.9	14.6	15.7	14.6	15.9		
CASA (%)	15.8	16.6	18.0	19.6	18.2	18.2	18.1	19.5	20.0	19.9	19.9		
<b>Total assets</b>	<b>2,106,865</b>	<b>2,124,768</b>	<b>2,132,855</b>	<b>2,300,814</b>	<b>2,328,731</b>	<b>2,521,053</b>	<b>2,575,981</b>	<b>2,760,693</b>	<b>2,300,814</b>	<b>2,760,693</b>	<b>3,150,966</b>	<b>7.2</b>	<b>20.0</b>
<b>Total equity</b>	<b>105,022</b>	<b>109,397</b>	<b>114,247</b>	<b>117,951</b>	<b>129,018</b>	<b>134,700</b>	<b>138,440</b>	<b>139,278</b>	<b>122,917</b>	<b>144,512</b>	<b>165,329</b>	<b>0.6</b>	<b>18.1</b>
<b>Total operating income</b>	<b>17,278</b>	<b>17,257</b>	<b>17,887</b>	<b>20,602</b>	<b>17,171</b>	<b>20,225</b>	<b>17,259</b>	<b>26,405</b>	<b>73,024</b>	<b>81,060</b>	<b>90,686</b>	<b>53.0</b>	<b>28.2</b>
Net interest income	13,936	13,547	13,783	14,869	13,541	14,838	13,990	15,639	56,136	58,008	71,072	11.8	5.2
NIM (% , %p)	2.74	2.67	2.70	2.79	2.44	2.56	2.30	2.45	2.63	2.38	2.50		
Non-interest income	3,342	3,710	4,104	5,733	3,630	5,387	3,269	10,767	16,888	23,052	19,614	229.4	87.8
Net commission income	2,190	2,458	3,447	3,184	3,158	3,665	2,207	3,404	11,280	12,434	13,324	54.2	6.9
Gains on investment securities	175	216	-84	3,225	-29	691	-443	5,413	3,532	5,632	1,610		67.9
Other non-interest income	977	1,035	741	-676	500	1,031	1,505	1,949	2,076	4,987	4,681	29.5	
Provision for credit losses	5,527	3,933	5,950	4,885	4,389	5,358	4,453	7,687	20,295	21,887	25,318	72.6	57.4
Net operating revenue	11,751	13,324	11,937	15,717	12,783	14,867	12,805	18,718	52,729	59,173	65,369	46.2	19.1
SG&A	4,832	6,374	6,044	7,830	5,393	6,708	6,307	9,382	25,080	27,790	30,833	48.8	19.8
CIR (%)	28.0	36.9	33.8	38.0	31.4	33.2	36.5	35.5	34.3	34.3	34.0		
<b>Pre-provision earnings</b>	<b>12,447</b>	<b>10,884</b>	<b>11,842</b>	<b>12,772</b>	<b>11,779</b>	<b>13,517</b>	<b>10,951</b>	<b>17,023</b>	<b>47,944</b>	<b>53,270</b>	<b>59,853</b>	<b>55</b>	<b>33.3</b>
<b>EBT</b>	<b>6,920</b>	<b>6,951</b>	<b>5,893</b>	<b>7,887</b>	<b>7,390</b>	<b>8,159</b>	<b>6,498</b>	<b>9,336</b>	<b>27,650</b>	<b>31,383</b>	<b>34,535</b>	<b>43.7</b>	<b>18.4</b>
Net profit	5,559	5,550	4,728	6,191	5,916	6,534	5,214	7,464	22,027	25,122	27,641	43.2	20.6
Controlling-int. NP	5,468	5,426	4,583	6,074	5,813	6,369	5,151	7,328	21,552	24,658	27,131	42.3	20.6

Sources: FiinproX, bank, KIS Research

**Balance sheet**

(VND tn)

	2022A	2023A	2024A	2025F
Total assets	2,121	2,301	2,761	3,151
Gross IEAs	2,092	2,271	2,719	3,109
Loans and corp bonds	1,535	1,785	2,062	2,403
Household				
Corporate				
Dep't and loans to FIs	332	305	434	466
Dep't to SBV and G-bond	225	181	224	241
VAMC bond	-	-	-	-
NIEAs	68	72	82	90
Others	43	54	51	57
Total liabilities	2,016	2,178	2,616	2,986
Deposits	1,474	1,704	1,953	2,264
Debentures	157	189	199	231
Dep't and loans from FIs	190	194	245	257
Loans from Gov't and SBV	153	36	168	177
Other liabilities	43	54	51	57
Total equities	109	123	145	165
Controlling interests	104	118	139	160
Capital stock	51	57	69	69
Capital surplus	15	15	15	15
Other reserves	12	12	16	20
Retained earnings	22	34	39	57
OCI	4	(0)	(0)	(1)
Minority interest	5	5	5	5

**Key financial data**

	2022A	2023A	2024A	2025F
<b>Profitability and efficiency (%)</b>				
ROE	19.1	19.4	19.2	18.1
ROA	0.9	1.0	1.0	0.9
NIM	2.98	2.63	2.38	2.50
Asset yield	6.44	7.16	5.67	5.97
Cost of fund	3.60	4.72	3.42	3.60
Cost-income ratio	32.4	34.3	34.3	34.0
Credit cost	1.65	1.22	1.14	1.13
<b>Growth (%)</b>				
Net profit of controlling interest	72.3	18.7	14.4	10.0
Pre-provision earnings	9.3	2.0	11.1	12.4
Credit growth	12.1	16.3	15.5	16.5
Total assets	20.4	8.5	20.0	14.1
<b>Asset quality (%)</b>				
NPL ratio	1.2	1.3	1.4	1.2
NPL coverage ratio	211.3	180.7	133.7	157.2
Loan to deposit	86.8	87.6	87.4	88.6
<b>Capital adequacy (%)</b>				
CAR ratio	9.3	9.2	9.2	9.4
CET1 ratio	n.a	n.a	n.a	n.a
Tier 1 ratio	n.a	n.a	n.a	n.a

**Income statement**

(VND tn)

	2022A	2023A	2024A	2025F
Total operating income	70	73	81	91
Net interest income	56	56	58	71
Interest income	121	153	138	170
Interest cost	65	97	80	99
Non-interest income	14	17	23	20
Net commission income	9	11	12	13
Gains on investment securities	1	4	6	2
Other non-interest income	4	2	5	5
Provision for credit losses	24	20	22	25
Net operating revenue	46	53	59	65
SG&A	23	25	28	31
Employee benefits	-	-	-	-
Pre-provision earnings	47	48	53	60
Earnings before tax	23	28	31	35
Tax	5	6	6	7
Tax rate (%)	0.0	0.0	0.0	0.0
Continuing operations profit	13	17	20	20
Reversals of written-off loans	6	5	5	8
Net profit	18	22	25	28
Net profit of controlling interest	18	22	25	27

**Valuation**

	2022A	2023A	2024A	2025F
<b>Per share (VND, adj.)</b>				
BPS	18,278	18,361	17,919	23,211
EPS	2,771	2,893	2,791	3,084
DPS	-	-	-	-
<b>Valuation (x)</b>				
PB	2.1	2.1	2.2	1.7
PE	14.2	13.6	14.1	12.7
P/PPE	4.8	5.3	5.7	4.5
Dividend yield (%)	-	-	-	-
Dividend payout ratio (%)	-	-	-	-
<b>ROE analysis (%)</b>				
ROE	19.1	19.4	19.2	18.1
Leverage(x)	19.5	18.7	19.1	19.1
IEAs to total assets	96.7	96.4	96.7	96.9
Net income to IEAs	0.9	0.9	0.9	0.9
Net interest income to IEAs	2.7	2.5	2.1	2.3
Non-interest income to IEAs	0.6	0.7	0.8	0.6
Credit cost to IEAs	1.1	0.9	0.8	0.8
SG&A to IEAs	1.1	1.1	1.0	1.0

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