

BIDV (BID)

Asset quality improved in 4Q2023

March 19, 2024

Equity Manager Nguyen Anh Tung
tungna@kbsec.com.vn

4Q2023 PBT jumped by 50.3% YoY to VND7,887 billion

In the fourth quarter of 2023, Bank for Investment & Development (BID) recorded net interest income (NII) of VND14,869 billion (+7.9% QoQ, +3.1% YoY) on total operating income (TOI) of VND20,602 billion (+15.2% QoQ, +17.3% YoY). Provisions for credit losses recorded VND4,885 billion (-17.9% QoQ, +6.8% YoY), resulting in NPAT of VND7,887 billion (+33.8% QoQ, +50.3% YoY). For the full year of 2023, NPAT reached VND27,650 billion, up 20.2% YoY.

NIM decreased slightly in 4Q2023 and should recover in 2024

KBSV expects BID's NIM to improve in 2024 based on: (1) high interest-bearing customer deposits recorded in 4Q2022-1Q2023 maturing in the first half of 2024; (2) low deposit interest rates; and (3) recovery of CASA as businesses go back to normal operations.

Asset quality improved in 4Q2023, relieving provisioning pressure in 2024

BID's NPL ratio hit 1.25% (-35bps QoQ) in 4Q2023, placing it among banks with the lowest NPL ratios, only higher than Vietcombank (VCB), Techcombank (TCB), Vietinbank (CTG), and ACB Bank (ACB). Improved asset quality in the fourth quarter (reduction in the NPL formation rate as well as restructured loans) along with a loan loss coverage ratio (LLCR) of 181.8% (the second highest in the industry) will significantly reduce BID's provisioning pressure in 2024.

We recommend HOLD for BID with a target price of VND51,700/share

BID stocks have shown good growth recently, partly reflecting positive business prospects for 2024. Based on valuation results, business prospects, and possible risks, we recommend HOLD for BID. The target price for 2024F is VND51,700 apiece, 0.6% lower than the closing price on March 18, 2023.

Hold change

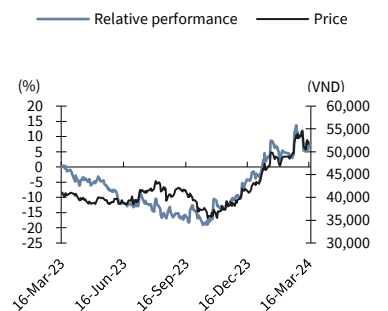
Target price	VND51,700
Downside	-0.6%
Current price (Mar 18, 2024)	VND52,000
Consensus target price	VND48,000
Market cap	296,422/11.9

Trading data	
Free float	4.01%
3M avg trading value (VNDbn/USDmn)	90.4/3.6
Foreign ownership	17.3%
Major shareholder	State Bank (SBV, 80.99%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	5	26	30	27
Relative	4	13	27	8

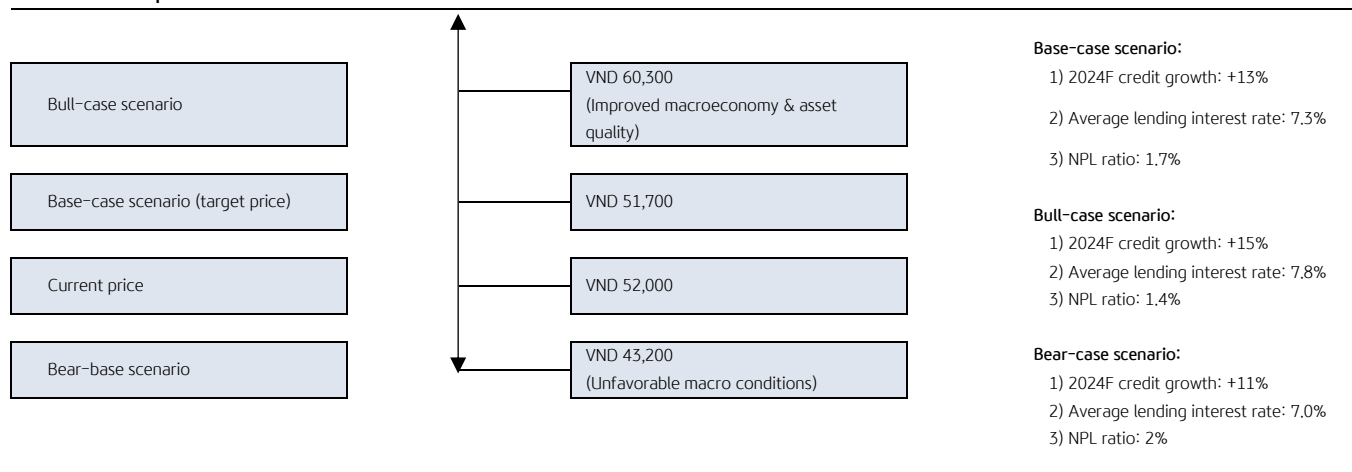
Forecast earnings & valuation

TY-end	2022A	2023A	2024F	2025F
Net interest income (VNDbn)	56,070	56,136	69,075	80,075
PPOP (VNDbn)	47,025	47,944	57,106	65,909
NPAT-MI (VNDbn)	18,159	21,552	24,416	29,269
EPS (VND)	3,590	3,781	4,283	5,134
EPS growth (%)	72%	5%	13%	20%
PER (x)	14.5	13.8	12.1	10.1
Book value per share (VND)	20,597	21,563	25,846	30,980
PBR (x)	2.52	2.41	2.01	1.68
ROE (%)	19.3	19.4	18.5	18.4
Dividend yield (%)	0.0	0.0	0.0	0.0



Source: Bloomberg, KB Securities Vietnam

Investment opinion & risks



Source: KB Securities Vietnam

Business performance

4Q2023 PBT jumped by 50.3% YoY to VND7,887 billion

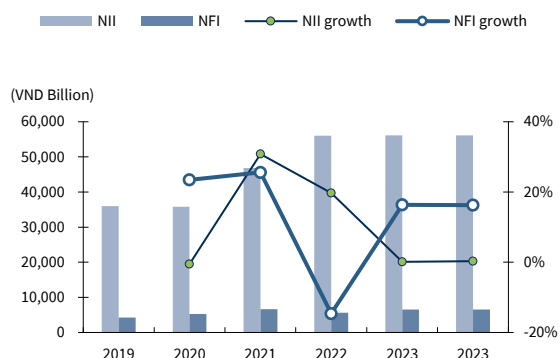
In the fourth quarter of 2023, Bank for Investment & Development (BID) recorded net interest income (NII) of VND14,869 billion (+7.9% QoQ, +3.1% YoY) on total operating income (TOI) of VND20,602 billion (+15.2% QoQ, +17.3% YoY). Provisions for credit losses recorded VND4,885 billion (-17.9% QoQ, +6.8% YoY), resulting in NPAT of VND7,887 billion (+33.8% QoQ, +50.3% YoY). For the full year of 2023, NPAT reached VND27,650 billion, up 20.2% YoY.

Table 1. BID – 4Q2022–4Q2023 business results

(VNDbn)	4Q2022	3Q2023	4Q2023	%QoQ	%YoY	KBSV's comments
Net interest income (NII)	14,428	13,783	14,869	7.9%	3.1%	Net interest income increased slightly in the context of good credit growth while NIM further declined.
Net fee income (NFI)	1,433	1,764	1,617	-8.4%	12.8%	The growth driver for the whole year came from a 50% YoY increase in upfront fees from bancassurance, primarily driven by BIC's non-life segment. Trade finance still made up the largest proportion of NFI (~50%).
Other income	1,705	2,340	4,116	75.9%	141.4%	Net gains from foreign exchange activities increased sharply by 39.3% YoY while securities investment & trading saw an abrupt rise in profits, reaching VND3,150 billion. Other services recorded a loss of VND741 billion.
Total operating income (TOI)	17,567	17,887	20,602	15.2%	17.3%	
Operating expenses	(7,745)	(6,044)	(7,830)	29.5%	1.1%	
Pre-provision operating profit (PPOP)	9,822	11,842	12,772	7.8%	30.0%	
Provision expenses	(4,576)	(5,950)	(4,885)	-17.9%	6.8%	2023 provision expenses dropped by 15.5% YoY in the context of improved asset quality, low NPL formation rate, and a loan loss coverage ratio (LLCR) of 181.8% (the second-highest in the industry). Restructured debt under Circular 02 by the end of 4Q 2023 reached about VND16,000 billion (equivalent to 0.9% of total outstanding loans)
PBT	5,246	5,893	7,887	33.8%	50.3%	
NPAT-MI	4,157	4,728	6,191	30.9%	48.9%	
Credit growth	12.1%	8.3%	16.3%	8 ppts	4.1 ppts	
Deposit growth	20.3%	-0.8%	7.5%	8.3 ppts	-12.7 ppts	Deposit growth motivation came from customer deposit growth (+7.6ppts QoQ, +15.7ppts YoY). The CASA ratio hit 20.2%, up 189bps QoQ, the third consecutive quarter of increase and the highest CASA level in recent years.
NIM	2.92%	2.62%	2.57%	-4 bps	-34 bps	NIM fell slightly compared to the previous quarter as the average earnings yield decreased more steeply than the average cost of capital when BID promoted cutting lending interest rates and implemented many preferential interest rate loan packages to support the economy during this period.
Average earnings yield	6.31%	7.32%	7.00%	-32 bps	69 bps	
Average cost of funds	3.60%	5.01%	4.71%	-30 bps	111 bps	
CIR	44.1%	33.8%	38.0%	4.2 ppts	-6 ppts	
NPL ratio	1.16%	1.60%	1.25%	-34 bps	9 bps	The NPL ratio narrowed down. In particular, substandard debt decreased by 23bps QoQ and special mentioned loan was down 28bps QoQ to 1.58%.

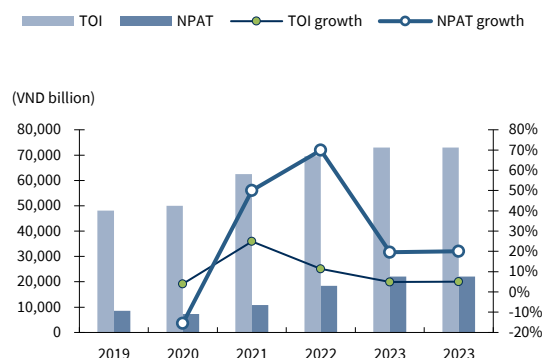
Source: Bank for Investment & Development, KB Securities Vietnam

Fig 2. BID - NII, NFI growth (VNDbn, %YoY)



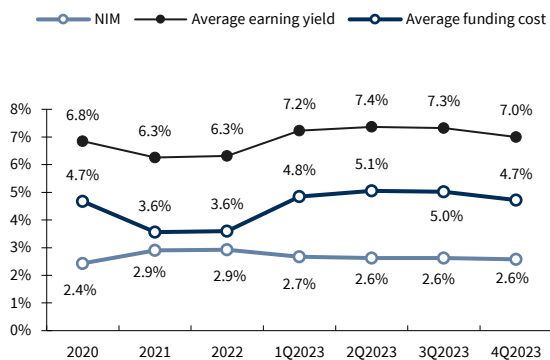
Source: Bank for Investment & Development, KB Securities Vietnam

Fig 3. BID - TOI, NPAT growth (VNDbn, %YoY)



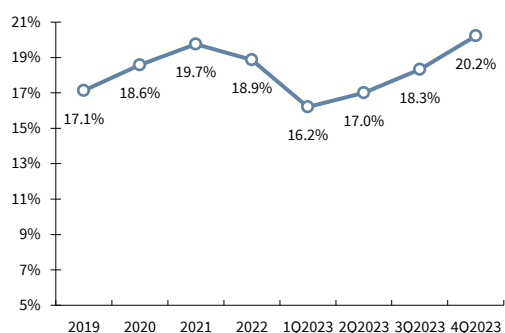
Source: Bank for Investment & Development, KB Securities Vietnam

Fig 4. BID - NIM, average earnings yield & cost of funds (%)



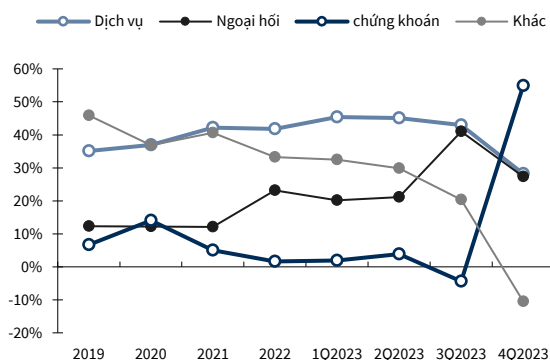
Source: Bank for Investment & Development, KB Securities Vietnam

Fig 5. BID - CASA ratio in 2018-2023 (%)



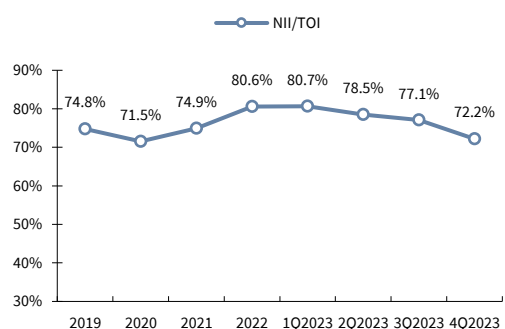
Source: Bank for Investment & Development, KB Securities Vietnam

Fig 6. BID - NOII breakdown (%)



Source: Bank for Investment & Development, KB Securities Vietnam

Fig 7. BID - NII/TOI (%)



Source: Bank for Investment & Development, KB Securities Vietnam

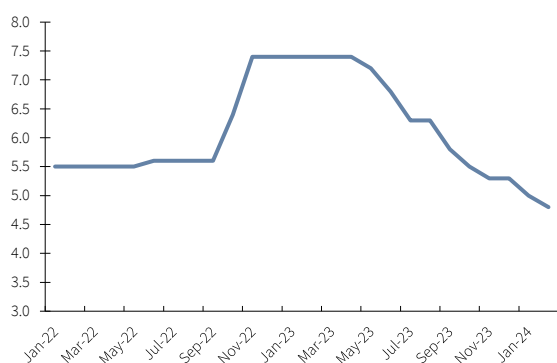
NIM decreased slightly in 4Q2023 and should recover in 2024

In 4Q2023, BID's NIM was down 4bps QoQ to 2.57%, primarily due to: (1) 7.4% QoQ credit growth in 4Q2023, which led to an increase in interest income not proportionate to the outstanding balance; (2) BID aggressively lowering lending rates to support economic recovery. As a leading bank, BID consistently offered preferential loan packages to stimulate borrowing demand and aid businesses and individuals, including a VND200,000 billion credit package with preferential interest rates starting from 4.5% per year for individual customers for production, business, and consumption purposes and a preferential credit package for mortgage loans with preferential interest rates starting from 6.5% per year, among the lowest in the market.

KBSV expects BID's NIM to improve in 2024 based on:

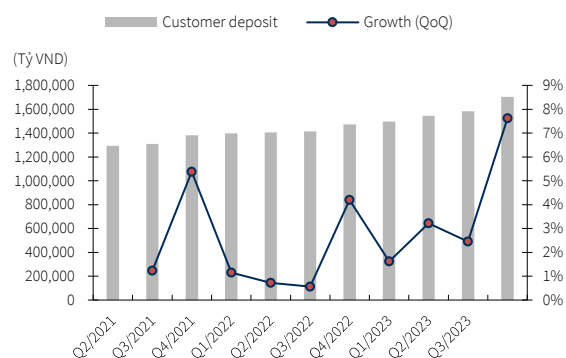
- (1) High interest-bearing customer deposits recorded in 4Q2022–1Q2023 maturing in the first half of 2024. These deposits have interest rates above 7%, significantly higher than the previous period's average of ~5.5%.
- (2) Low deposit interest rates. Currently, BID's 12-month customer deposit interest rate stands at 4.8%, lower than the average deposit interest rate of ~5.5% in 2022 (2022 recorded the lowest cost of capital in recent years). KBSV assesses that BID will likely maintain low deposit interest rates at ~5.5% in light of a slow recovery in credit demand.
- (3) Recovery of CASA as businesses go back to normal operations. In 4Q2023, BID's CASA ratio reached the highest level in recent years, at 20.2%. It was the third consecutive quarter of improvement since hitting a low of 16.2% in 1Q2023.

Fig 8. BID – 12M term deposit interest rate (%)



Source: Bank for Investment & Development, KB Securities Vietnam

Fig 9. BID – Customer deposit growth (VNDbn, %QoQ)

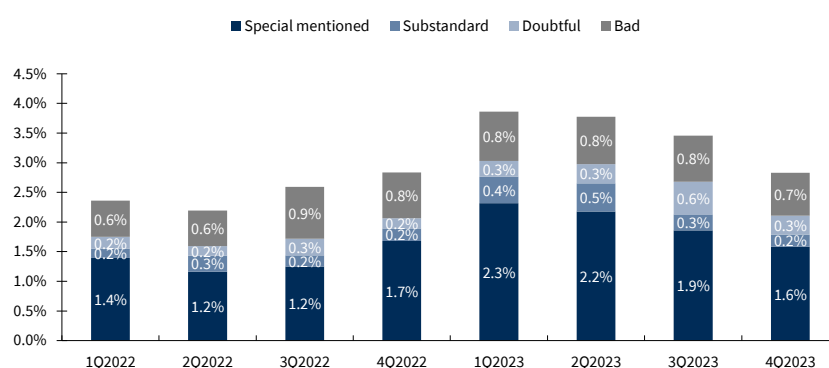


Source: Bank for Investment & Development, KB Securities Vietnam

Asset quality further improved in 4Q2023

In 4Q2023, BID's NPL ratio stood at 1.25% (-35bps QoQ), placing it among banks with the lowest NPL ratios, only higher than VCB, TCB, CTG, and ACB. Additionally, the ratio of special mentioned loans was down 28bps QoQ to 1.58%, marking the third consecutive quarter of decline after a surge in 1Q2023. According to our estimates, the NPL formation rate was 0.0%, indicating that the NPL ratio might have peaked in 1H2023 and is showing signs of improvement. Furthermore, as shared by BID, restructured loans under Circular 02/NHNN as of the end of 4Q2023 amounted to ~VND16,000 billion, equivalent to 0.8% of the total outstanding loans, of which 62% has been set aside. Outstanding loans to real estate projects now account for only about 2% of the total outstanding loans, while mortgage loans represent approximately 15% and improve by 16% YoY. Improved asset quality in the fourth quarter along with a LLCR of 181.8%, the second highest in the industry, will significantly reduce BID's provisioning pressure in 2024.

Fig 10. BID – Debt groups (%)



Source: Bank for Investment & Development, KB Securities Vietnam

Fig 11. Vietnam – Special mentioned loan and NPL ratios across banks (%)

	% NPL	QoQ	% group 2	QoQ	Provision (Billion VND)	LLCR
VPB	5.01%	-0.73%	6.89%	-1.14%	-14,649	51.7%
VIB	3.14%	-0.54%	5.57%	-0.88%	-4,271	51.0%
MSB	2.87%	-0.07%	1.77%	-1.47%	-2,363	55.2%
SHB	2.85%	-0.36%	1.27%	-0.67%	-9,700	77.7%
STB	2.28%	0.07%	0.73%	0.01%	-7,562	68.8%
EIB	2.12%	-0.21%	1.46%	-0.26%	-319	74.0%
TPB	2.05%	-0.93%	2.81%	-0.96%	-2,676	63.7%
HDB	1.79%	-0.47%	5.24%	0.20%	-4,054	65.8%
MBB	1.60%	-0.28%	2.28%	-0.69%	-11,470	117.0%
LPB	1.34%	-1.46%	1.13%	-0.11%	-3,458	93.8%
BID	1.25%	-0.35%	1.58%	-0.28%	-40,420	181.8%
ACB	1.21%	0.14%	0.65%	-0.22%	-5,367	91.2%
TCB	1.16%	-0.20%	0.86%	-0.40%	-6,128	102.1%
CTG	1.13%	-0.24%	1.55%	-0.82%	-27,773	167.2%
VCB	0.98%	-0.23%	0.44%	-0.21%	-28,684	230.3%

Source: Vietnamese banks, KB Securities Vietnam

Forecast & Valuation

Table 12. BID – 2022A–2025F business results

(VNDbn)	2023A	2024F	%YoY 2023	2025F	%YoY 2024	KBSV's comments
Net interest income (NII)	56,136	69,075	23.0%	80,075	15.9%	We adjust up our forecast for 2024F credit growth by 1.5% compared to the previous assumption to 13%.
Net fee income (NFI)	6,572	7,253	10.4%	7,761	7.0%	
Total operating income (TOI)	73,024	84,475	15.7%	97,354	15.2%	
Provision expenses	(20,295)	(25,931)	27.8%	(28,604)	10.3%	We raise our forecast for 2024F provision expenses by 6.5% against the old projection, corresponding to the change in our forecast for BID's total assets.
NPAT	22,027	24,939	13.2%	29,844	19.7%	
NIM	2.57%	2.84%	26bps	2.92%	8bps	2024F NIM is expected to increase by 26bps YoY thanks to low funding costs, backed by: (1) the maturity of high interest-bearing term deposits and (2) currently low deposit interest rates; and (3) improved CASA.
Average earnings yield	7.00%	6.41%	-59bps	6.34%	-6bps	
Average cost of funds	4.72%	3.82%	-90bps	3.67%	-15bps	
CIR	34.3%	32.4%	-194bps	32.3%	-10bps	
NPL	1.25%	1.70%	45bps	1.20%	-50bps	We assume that the NPL ratio will increase in 2024 after Circular 02/NHNN expires and BID will not use provisions to handle these restructured debts.
Total assets	2,300,814	2,635,494	14.5%	2,944,567	11.7%	
Owner's equity	122,917	147,333	19.9%	176,602	19.9%	

Source: KB Securities Vietnam

We recommend HOLD for BID with a target price of VND51,700/share

We combine two valuation methods, P/B and discounted cash flow (DCF), to determine a fair price for BID.

(1) P/B method:

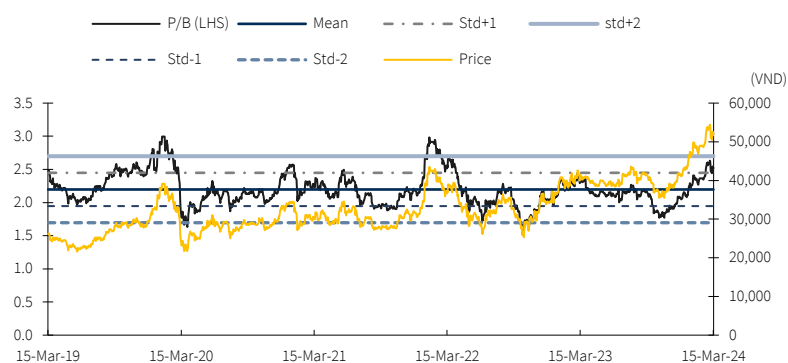
We project the 2023 forward P/B to be 2.45x, equivalent to +1 standard deviation of BID's 5-year average P/B. This adjustment accounts for positive signals like improved asset quality and impressive credit growth in 4Q2023.

(2) DCF method (Table 14):

In addition, we incorporate the DCF method to reflect systemic risk and long-term expectations.

BID stocks have shown good growth recently, partly reflecting positive business prospects for 2024. Combining these two valuation methods with a 50–50 ratio, we recommend HOLD for BID with a target price of VND51,700 per share, 0.6% lower than the closing price on March 18, 2024.

Fig 13. BID – Historical P/B in 2018–2024 (x)



Source: Fiiipro, KB Securities Vietnam

Table 14. BID – Residual income method

(VNDbn)	2024F	2025F	2026F
NPAT	24,939	29,844	33,785
Excessed return	8,518	10,160	10,191
Required rate of return (r)	13.36%		
Growth (g)	3.0%		
Terminal value	41,094		
2023-end fair value	228,228		
Value per share	40,037		

Source: KB Securities Vietnam

Table 15. BID – Valuation results

Valuation method	Forecast price	Weighting	Weighted price
P/B	63,323	50%	31,661
Residual income	40,037	50%	20,018
Target price			51,700

Source: KB Securities Vietnam

BID – 2021A–2025F financials

Income Statement (VNDbn)						Balance Sheet (VNDbn)					
	2021	2022	2023	2024F	2025F		2021	2022	2023	2024F	2025F
Net interest income	46,823	56,070	56,136	69,075	80,075	Loans	1,325,529	1,483,996	1,737,245	1,968,580	2,216,661
Interest income	101,008	121,111	152,761	156,017	174,143	Marketable securities	6,069	1,701	6,972	7,902	8,893
Interest expense	(54,185)	(65,041)	(96,626)	(86,943)	(94,067)	Cash (ex. Reserves)	12,661	13,745	11,029	12,500	14,067
Fees & commissions	6,614	5,648	6,572	7,253	7,761	Interest earning assets	1,743,024	2,092,669	2,271,473	2,598,808	2,890,945
Other non-interest income	6,179	4,210	2,076	2,931	3,818	Fixed assets & other assets	35,365	51,896	59,751	64,728	71,086
Total operating income	62,494	69,582	73,024	84,475	97,354	Total assets	1,761,696	2,120,609	2,300,814	2,635,494	2,944,567
SG&A expenses	(19,465)	(22,557)	(25,080)	(27,370)	(31,445)	Customer deposits	1,380,398	1,473,598	1,704,269	1,931,501	2,173,732
Pre-provisioning OP	43,028	47,025	47,944	57,106	65,909	Borrowings & call money/repos	138,032	170,289	202,023	231,950	221,971
Provision for credit losses	(29,481)	(24,015)	(20,295)	(25,931)	(28,604)	Interest bearing liabilities	1,641,777	1,973,861	2,124,440	2,427,576	2,700,121
Other income	8,957	6,526	6,542	4,510	5,875	Other liabilities	33,590	42,558	53,457	60,585	67,844
Other expense	(2,779)	(2,316)	(4,466)	(1,578)	(2,056)	Total liabilities	1,675,367	2,016,419	2,177,897	2,488,161	2,767,965
Pre-tax income	13,548	23,009	27,650	31,174	37,305	Charter capital	50,585	50,585	57,004	57,004	57,004
Income tax expense	(2,706)	(4,589)	(5,622)	(6,235)	(7,461)	Capital surplus	14,292	15,351	15,361	15,361	15,361
NP	10,841	18,420	22,027	24,939	29,844	Retained earnings	8,673	21,576	33,589	58,005	87,273
Minority interest profit	(301)	(262)	(476)	(523)	(576)	Capital adjustments	-	-	-	-	-
Parent NP	10,540	18,159	21,552	24,416	29,269	Total shareholders' equity	86,329	104,190	122,917	147,333	176,602

Financial Indicators (%)						Valuation (VND, X, %)					
	2021	2022	2023	2024F	2025F		2021	2022	2023	2024F	2025F
Profitability						Share Price Indicators					
ROE	13.1%	19.3%	19.4%	18.5%	18.4%	EPS	2,084	3,590	3,781	4,283	5,134
ROA	0.7%	0.9%	1.0%	1.0%	1.1%	BVPS	17,066	20,597	21,563	25,846	30,980
Pre-provision ROE	41.5%	39.5%	33.7%	33.8%	32.6%	Tangible BVPS	16,196	19,720	20,739	25,032	30,176
Pre-provision ROA	2.1%	1.9%	1.7%	1.9%	1.9%	Valuations					
Net interest margin (NIM)	2.9%	2.9%	2.6%	2.8%	2.9%	PER	25.0	14.5	13.8	12.1	10.1
Efficiency						PBR	3.0	2.5	2.4	2.0	1.7
Pure Loan to deposit ratio	98.1%	103.3%	104.3%	104.0%	103.5%	Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
Cost-income ratio	31.1%	32.4%	34.3%	32.4%	32.3%	ROE	13.1%	19.3%	19.4%	18.5%	18.4%
Growth						Capital Adequacy					
Asset growth	16.2%	20.4%	8.5%	14.5%	11.7%	CAR	9.5%	9.9%	9.5%	>9%	>9%
Loan growth	10.9%	12.0%	17.1%	13.3%	12.7%	Asset Quality					
PPOP growth	33.0%	9.3%	2.0%	19.1%	15.4%	NPL ratio (substandard)	10%	12%	13%	17%	12%
Parent NP growth	50.6%	72.3%	18.7%	13.3%	19.9%	Coverage ratio (substandard)	214.8%	216.8%	181.8%	117.7%	115.4%
EPS growth	19.8%	72.3%	5.3%	13.3%	19.9%	NPL ratio (precautionary)	2.1%	2.8%	2.8%	3.3%	2.9%
BVPS growth	-13.8%	20.7%	4.7%	19.9%	19.9%	Coverage ratio (precautionary)	101.1%	88.4%	80.3%	60.6%	47.7%

Source: Bank for Investment & Development, KB Securities Vietnam

Nguyen Xuan Binh – Head of Research
binhnx@kbsec.com.vn

Equity

Banks, Insurance & Securities

Nguyen Anh Tung – Manager
tungna@kbsec.com.vn

Pham Phuong Linh – Analyst
linhpp@kbsec.com.vn

Real Estate, Construction & Materials

Pham Hoang Bao Nga – Senior Analyst
ngaphb@kbsec.com.vn

Nguyen Duong Nguyen – Analyst
nguyennd1@kbsec.com.vn

Retails & Consumers

Nguyen Truong Giang – Analyst
giangnt1@kbsec.com.vn

Industrial Real Estate, Logistics

Nguyen Thi Ngoc Anh – Analyst
anhntn@kbsec.com.vn

Oil & Gas, Chemicals

Pham Minh Hieu – Analyst
hieupm@kbsec.com.vn

Research Division
research@kbsec.com.vn

Macro/Strategy

Tran Duc Anh – Head of Macro & Strategy
anhtd@kbsec.com.vn

Macroeconomics & Banks

Ho Duc Thanh – Analyst
thanhdh@kbsec.com.vn

Vu Thu Uyen – Analyst
uyenvt@kbsec.com.vn

Strategy, Investment Themes

Nghiem Sy Tien – Analyst
tiens@kbsec.com.vn

Nguyen Dinh Thuan – Analyst
thuannd@kbsec.com.vn

Support team

Nguyen Cam Tho – Assistant
thonc@kbsec.com.vn

Nguyen Thi Huong – Assistant
huongnt3@kbsec.com.vn

KB SECURITIES VIETNAM (KBSV)

Head Office:

Levels 16&17, Tower 2, Capital Place, 29 Lieu Giai Street, Ba Dinh District, Hanoi, Vietnam
Tel: (+84) 24 7303 5333 – Fax: (+84) 24 3776 5928

Hanoi Branch:

Level 1, VP Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam
Tel: (+84) 24 7305 3335 – Fax: (+84) 24 3822 3131

Ho Chi Minh Branch:

Level 2, TNR Tower Nguyen Cong Tru, 180–192 Nguyen Cong Tru Street, District 1, HCMC, Vietnam
Tel: (+84) 28 7303 5333 – Fax: (+84) 28 3914 1969

Saigon Branch:

Level 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCMC, Vietnam
Tel: (+84) 28 7306 3338 – Fax: (+84) 28 3910 1611

CONTACT INFORMATION

Institutional Client Center: (+84) 28 7303 5333 – Ext: 2656
Private Customer Care Center: (+84) 24 7303 5333 – Ext: 2276
Email: ccc@kbsec.com.vn
Website: www.kbsec.com.vn

Investment ratings & definitions

Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

Opinions in this report reflect the professional judgment of the research analyst(s) as of the date hereof and are based on information and data obtained from sources that KBSV considers reliable. KBSV makes no representation that the information and data are accurate or complete and the views presented in this report are subject to change without prior notification. Clients should independently consider their own particular circumstances and objectives and are solely responsible for their investment decisions and we shall not have liability for investments or results thereof. These materials are the copyright of KBSV and may not be reproduced, redistributed or modified without the prior written consent of KBSV. Comments and views in this report are of a general nature and intended for reference only and not authorized for use for any other purpose.