

BIDBank (BID)

2H24 growth driven by NIM

August 20, 2024

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2Q24 PBT gained 17.4% YoY to VND8,159 billion

In 2Q24, Bank for Investment & Development of Vietnam (BID) posted VND14,838 billion in NII (+9.6% QoQ, +9.5% YoY), VND5,387 billion in NOI (+48.4% QoQ, +45.2% YoY), and VND20,225 billion in TOI (+17.8% QoQ, +17.2% YoY). Provisions hit VND5,358 billion (+22.1% QoQ, +36.2% YoY), leading to VND8,159 billion in PBT (+10.4% QoQ, +17.4% YoY).

NIM should continue its recovery for the rest of 2024

KBSV expects NIM of the bank to recover in the last months of 2024 thanks to both deposit and credit channels. CoF should improve with (1) the maturity of high-interest rate deposits and (2) low deposit interest rates (below 5.5%/year). The trend of lowering average yield on earning assets (IEA) will gradually slow down due to higher credit demand in the second half of the year.

Asset quality has not much improved

Asset quality has not improved much as the newly estimated increase in NPL ratio remains high at 0.5%. During the period, BID accelerated debt settlement to maintain the NPL ratio at 1.52%, equivalent to the NPL level in 1Q24. The positive point is the 46bps QoQ fall in special mention, which will partly alleviate provisioning pressure in 2H24.

Valuation; NEUTRAL rating – target price VND52,600/share

Considering valuation results, business prospects, and possible risks, we gave a NEUTRAL rating to BID with a price target for 2024 at VND52,600, 7.1% higher than the price on August 20, 2024.

Neutral maintain

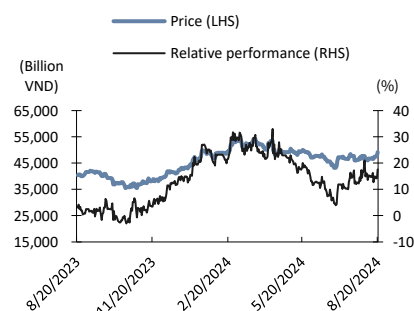
Target price	VND52,600
Upside	7.1%
Current price (Aug 20, 2024)	VND49,150
Consensus target price	VND52,100
Market cap (VNDtn/USDtn)	282.2/11.3

Trading data	
Free float	100.0%
3M avg trading value (VNDbn/USDmn)	106.9/4.2
Foreign ownership	17.2%
Major shareholder	State Bank of Vietnam (80.99%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	3.0	-1.7	-1.2	21.5
Relative	2.4	-1.3	-4.7	13.6

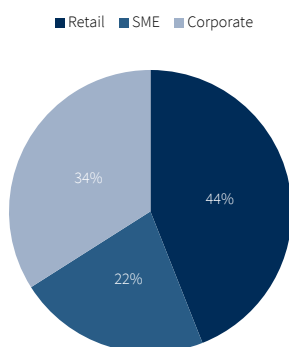
Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net interest income (VNDbn)	56,070	56,136	67,226	79,566
PPOP (VNDbn)	47,025	47,932	56,875	66,760
NPAT-MI (VNDbn)	18,159	21,505	23,461	29,404
EPS (VND)	3,590	3,773	3,322	4,164
EPS growth (%)	72	5	-12	25
PER (x)	13.7	13.0	14.8	11.8
BVPS	20,597	21,554	22,120	26,283
PBR (x)	2.39	2.28	2.22	1.87
ROE (%)	19.3	19.4	17.2	17.5
Dividend yield (%)	0.0	0.0	0.0	0.0



Source: Bloomberg, KB Securities Vietnam

Revenue composition (2023)



Source: Bank for Investment & Development, KB Securities Vietnam

Business operation

Bank for Investment and Development of Vietnam (BID) is a state-owned commercial joint stock bank with the largest asset size in the banking industry by the end of 2023, reaching VND2,300,814 billion. The retail segment contributes the largest proportion to BID's credit structure, reaching 44%.

Investment Catalysts

NIM should continue its recovery for the rest of 2024 and 2025. The driving force comes from low comparative interest rates last year and recovering credit demand.

Asset quality has not much improved.

Private issuance plan: 2.89% of charter capital on December 31, 2023. Information related to this private placement is likely to have a positive impact on the stock price in the short term.

Notes

Please find more details [here](#)

Please see more details below

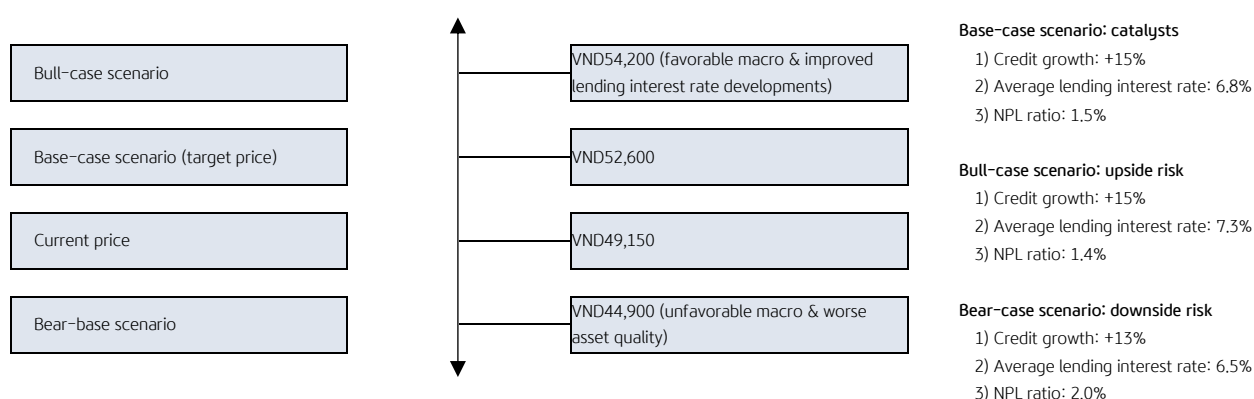
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Revised earnings estimates

(VNDbn)	KBSV estimates		Change vs previous estimates		Consensus*		Difference	
	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E
Revenue	67,219	79,561	-3%	-1%	-	-	-	-
EBIT	55,852	65,512	-2%	-1%	-	-	-	-
NP after MI	23,810	29,038	-2%	-1%	25,582	31,686	-7%	-8%

Source: Bloomberg, KB Securities Vietnam

Investment opinion & risks



2Q24 performance updates

2Q24 PBT gained 17.4% YoY to VND8,159 billion

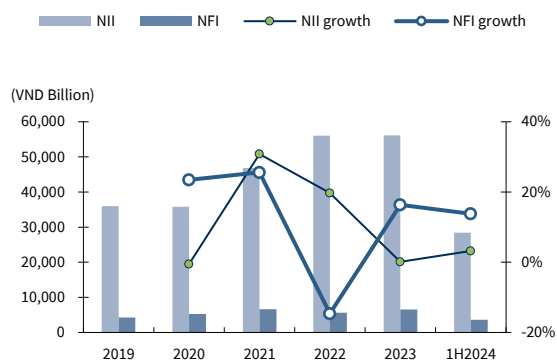
In 2Q24, BID posted VND14,838 billion in NII (+9.6% QoQ, +9.5% YoY), VND5,387 billion in NOII (+48.4% QoQ, +45.2% YoY), and VND20,225 billion in TOI (+17.8% QoQ, +17.2% YoY). Provisions hit VND5,358 billion (+22.1% QoQ, +36.2% YoY), leading to VND8,159 billion in PBT (+10.4% QoQ, +17.4% YoY).

Table 1. BID – 2Q24 business results

(VNDbn, %)	2Q23	1Q21	2Q24	+/-%QoQ	+/-%YoY	Notes
Net interest income (NII)	13,547	13,541	14,838	9.6%	9.5%	Growth momentum recovered in 2Q after the bank started to boost credit activities again while interest expenses decreased by 5.0% QoQ.
Net fee income (NFI)	1,674	1,693	1,939	14.5%	15.8%	1H24 the card and insurance segments both showed good growth, reaching 27.0% YoY and 20.4% YoY, respectively. The payment services segment increased by 13.8% YoY while the segment with the largest income proportion, the trade finance, (contributing 31.4%) lost 11.8% YoY.
Other non-interest income (NOII)	2,036	1,937	3,448	78.0%	69.4%	The FX segment continued to record strong profit growth, reaching VND1,726 billion (+120.0% YoY) while income from securities trading & investment activities hit VND591 billion, a strong improvement compared to the same period of only VND142 billion. Net income from other activities was VND1,031 billion (-0.4% YoY).
Total operating income (TOI)	17,257	17,171	20,225	17.8%	17.2%	
Operating expenses	(6,374)	(5,393)	(6,708)	24.4%	5.2%	
Pre-provision operating profit (PPOP)	10,884	11,779	13,517	14.8%	24.2%	
Provisions	(3,933)	(4,389)	(5,358)	22.1%	36.2%	BID maintains a large provisioning level in the context of new bad debt remaining high, and the loan loss coverage ratio (LLCR) fell to 132.2%.
Profit before taxes (PBT)	6,951	7,390	8,159	10.4%	17.4%	
Net profit after minority interest (NPAT-MI)	5,426	5,813	6,369	9.6%	17.4%	
Credit growth	6.7%	0.9%	5.9%	4.9 ppts	-0.8 ppts	Credit was boosted in 2Q24 after a rather quiet 1Q, underpinned by retail segment (+7.8% QoQ) and SMEs (+4.6% QoQ) while the large enterprise lending segment decreased 0.3% QoQ.
Deposit growth	-0.9%	1.3%	10.2%	8.8 ppts	11.1 ppts	Deposit growth was high compared to the average of the observed banking group, reaching 7.1% YTD. The main driving force came from the retail customer group (+18.7% QoQ).
NIM	2.76%	2.55%	2.50%	-4 bps	-25 bps	Although the 12M cumulative NIM showed a slight contraction by 5bps QoQ, in 2Q alone, interest expenses declined 5.0% QoQ while interest income increased by 0.9% QoQ.
Average earnings yield (IEA)	6.98%	6.79%	6.27%	-52 bps	-70 bps	
Average costs of fund (CoF)	4.51%	4.53%	4.00%	-52 bps	-50 bps	
CIR	36.9%	31.4%	33.2%	1.7 ppts	-3.7 ppts	
NPL	1.59%	1.51%	1.52%	1 bps	-7 bps	BID accelerated the handling of VND8,672 billion in bad debt in 2Q24 to maintain NPL at 1.5%. Special mention was lowered by 46bps QoQ to 1.59%, thereby significantly reducing BID's provisioning pressure for the rest of the year.

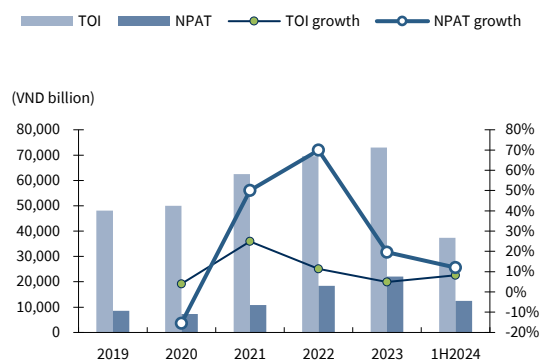
Source: Bank for Investment & Development, KB Securities Vietnam

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



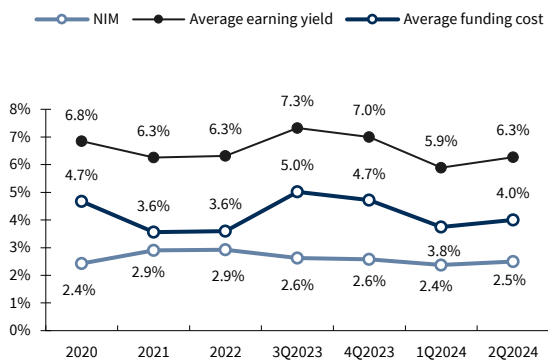
Source: Bank for Investment & Development, KB Securities Vietnam

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



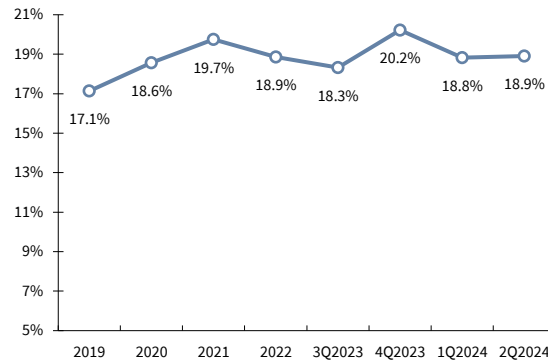
Source: Bank for Investment & Development, KB Securities Vietnam

Fig 4. BID – NIM, average IEA & CoF (%)



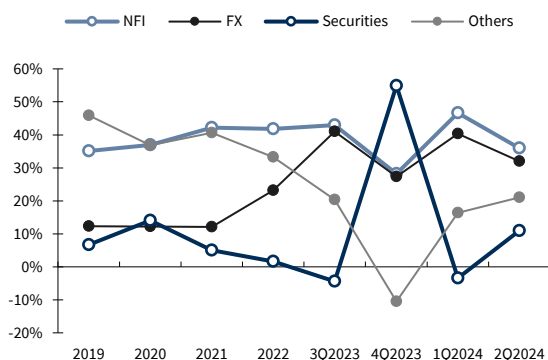
Source: Bank for Investment & Development, KB Securities Vietnam

Fig 5. BID – CASA ratio (%)



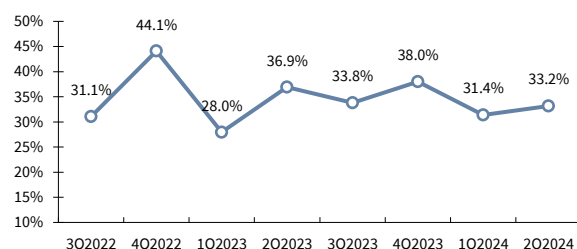
Source: Bank for Investment & Development, KB Securities Vietnam

Fig 6. BID – NOII breakdown (%)



Source: Bank for Investment & Development, KB Securities Vietnam

Fig 7. BID – CIR (%)



Source: Bank for Investment & Development, KB Securities Vietnam

2Q24 NIM slightly declined by 5bps QoQ

2Q NIM dropped 5bps QoQ to 2.50%, mostly resulting from BID's lowering lending interest rates to support the economy. However, we see more positive signs in 2Q24 with interest expenses decreasing by 5.0% QoQ and interest income increasing 0.9% QoQ.

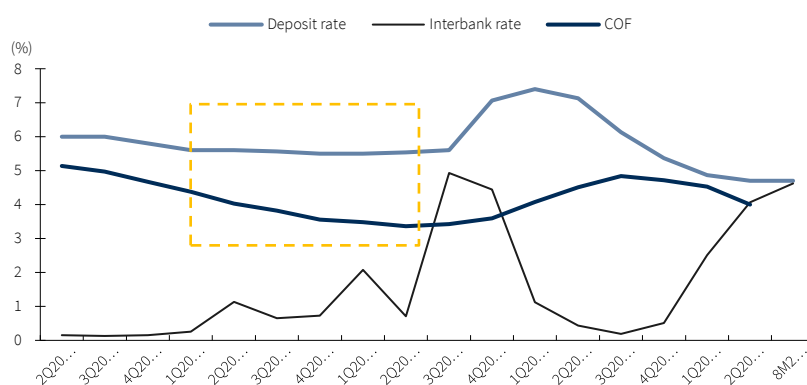
NIM is expected to improve in the last months of the year

KBSV expects NIM of the bank to rebound in the remaining months of 2024 thanks to deposit and credit growth. CoF of BID would continue to improve, based on (1) the maturity of high-interest rate deposits and (2) stably low deposit interest rates. BID's current 12M personal deposit interest rate is at 4.7%, lower than the 2022 deposit interest rate (~5.5%), which is the period when BID has the most favorable CoF in recent years (Figure 8). On the contrary, the downward trend in output interest rates will gradually slow down since (1) credit demand increases in the second half of the year; and (2) BID will put more focus on individual customers, which are the group with higher loan interest rates. As of the end of 1H24, outstanding loans from retail customers reached VND847 trillion, up 21.0% YoY. The contribution to total outstanding loans reached 45%, rising 2ppts YoY.

Assuming that deposit interest rates are less than 5.5% for the rest of the year, we expect BID's CoF in 2024 to be at ~4%, equivalent to the 2021–2022 period. Meanwhile, lending interest rates will be lower than this period because the bank plays a leading role in supporting economic recovery, so the improvement in NIM will not be too strong.

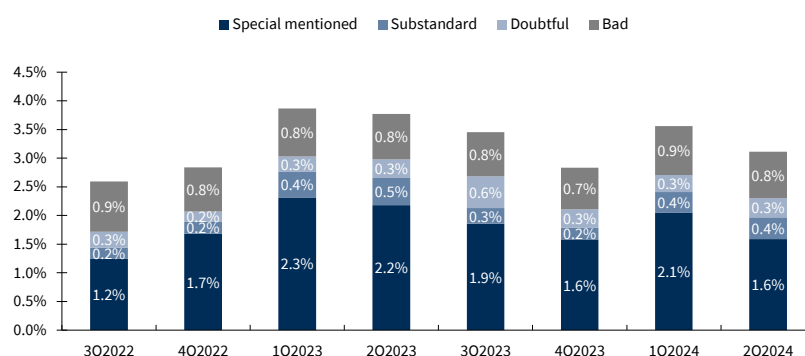
Average CoF is expected to decrease as in the 2021–2022 period when deposit interest rates rebounded but remained low compared to the past.

Fig 8. BID – CoF vs deposit & interbank interest rates (%)



Source: Bank for Investment & Development, KB Securities Vietnam

Fig 9. BID – NPL breakdown (%)



Source: Bank for Investment & Development, KB Securities Vietnam

Fig 10. Vietnam banks – NPLs & special mention (%)

	% NPL	QoQ	% Group 2	QoQ	Provision (Billion VND)	LLCR
VPB	5.08%	0.24%	7.83%	-0.48%	-15,247	48.1%
VIB	3.66%	0.06%	4.46%	-1.39%	-4,910	48.1%
OCB	3.12%	0.25%	2.42%	-0.30%	-2,601	54.6%
MSB	3.08%	-0.09%	2.11%	0.36%	-3,007	58.6%
EIB	2.64%	-0.21%	1.04%	-0.36%	-1,599	40.0%
STB	2.43%	0.15%	0.70%	-0.35%	-8,752	69.7%
HDB	2.10%	-0.14%	4.50%	-0.22%	-4,767	58.8%
TPB	2.06%	-0.17%	2.61%	-0.07%	-2,902	66.0%
LPB	1.73%	0.34%	1.14%	0.34%	-4,228	77.1%
MBB	1.64%	-0.85%	1.84%	-0.46%	-11,215	101.7%
CTG	1.57%	0.22%	1.44%	-0.35%	-28,040	113.8%
BID	1.52%	0.02%	1.59%	-0.46%	-37,929	132.2%
ACB	1.48%	0.27%	0.53%	-0.12%	-6,319	77.8%
TCB	1.23%	0.10%	0.82%	-0.27%	-7,370	101.1%
VCB	1.20%	-0.02%	0.36%	-0.20%	-34,884	212.1%

Source: Vietnam Banks, KB Securities Vietnam

Asset quality has not shown signs of improvement with a high NPL increase at 0.5%. During the period, BID accelerated debt settlement to maintain the NPL ratio at 1.52%, equivalent to the NPL level in 1Q24. The positive point came from special mention debt which decreased by 46bps QoQ and will partly reduce the provisioning pressure in 2H24.

BID's provision buffer remains high with LLCCR reaching 132.2%, the second highest among the monitored banks, thereby ensuring flexibility in provisioning in 2H24. Total debt restructured under Circular 02 by the end of 2Q is about VND14 trillion. Currently, BID has provisioned 85% for this debt group under Circular 02.

Forecast & valuation

Table 11. BID – 2024–2025F business results

(VNDbn, %)	2023	2024F	+/-%YoY	2025F	+/-%YoY	Notes
NII	56,136	67,226	19.8%	79,566	18.4%	The forecast is unchanged compared to the 1Q24 update report. NII growth is attributable to improved NIM and expected credit growth of 15% YoY.
NFI	6,570	7,254	10.4%	7,762	7.0%	
TOI	73,013	84,134	15.2%	98,611	17.2%	
Provisions	(20,344)	(26,900)	32.2%	(29,291)	8.9%	The 5.7% increase in provisioning reflects slower-than-expected improvement in asset quality, maintaining the LLCR at 134%.
NP after MI	21,505	23,461	9.1%	29,404	25.3%	
NIM	2.57%	2.74%	17bps	2.84%	10bps	We maintained 2024 NIM forecast, reflecting expectations of a 10-60 bps increase in deposit rate for the rest of the year.
Average IEA	7.00%	6.01%	-99bps	6.12%	11bps	
Average CoF	4.72%	3.51%	-121bps	3.53%	2bps	
CIR	34.4%	32.4%	-195bps	32.3%	-10bps	
NPL	1.26%	1.50%	24bps	1.20%	-30bps	
Total assets	2,300,869	2,673,481	16.2%	3,026,914	13.2%	
Owner's equity	122,867	156,216	27.1%	185,620	18.8%	

Source: Bank for Investment & Development, KB Securities Vietnam

**Valuation: NEUTRAL rating –
target price VND52,600**

We combine two valuation methods, P/B and residual income, to find a reasonable price for BID shares.

(1) P/B valuation method:

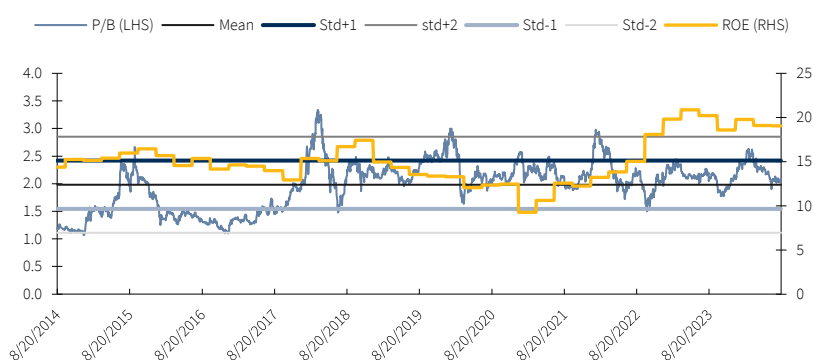
We maintained the 2024 forecast P/B at 2.45x, equivalent to +1 standard deviation of BID's five-year P/B average, based on the prospect of improved NIM, the second highest provision buffer in the industry despite the deterioration in debt quality in 1H24.

(2) Residual income method (Table 14):

In addition, we combine the use of a residual income model to reflect systemic risks and long-term expectations.

Combining the two valuation methods above at a 50–50 ratio, we conclude that the final fair price for BID shares for 2024 is VND52,600 apiece, 7.1% higher than the price on August 20, 2024.

Fig 12. BID – P/B in 2019–2024 (x)



Source: Bloomberg, KB Securities Vietnam

Table 13. BID – Valuation according to residual income method

(VNDbn)	2024F	2025F	2026F
NPAT	23,980	29,975	36,326
Excessed return	7,565	9,105	11,527
Required rate of return (r)	13.36%		
Growth (g)	3.0%		
Terminal value	39,021		
2023–end fair value	231,841		
Value per share	39,722		

Source: KB Securities Vietnam

Table 13. BID – Valuation according to residual income method

Valuation method	Forecast price	Weighting	Weighted price
P/B	65,574	50%	32,787
Residual income	39,722	50%	19,861
Target price			52,600

Source: KB Securities Vietnam

BID – 2022A–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	67,226	79,566	Loans	1,325,529	1,483,996	1,737,196	2,003,344	2,294,069
Interest income	101,008	121,111	152,761	147,561	171,810	Marketable securities	6,069	1,701	6,972	8,040	9,210
Interest expense	(54,185)	(65,041)	(96,626)	(80,335)	(92,245)	Cash (ex. Reserves)	12,661	13,745	11,029	12,718	14,568
Fees & commissions	6,614	5,648	6,570	7,254	7,762	Interest earning assets	1,743,024	2,092,669	2,271,476	2,636,215	2,975,874
Other non-interest income	6,179	4,210	2,068	2,931	3,957	Fixed assets & other assets	35,365	51,896	59,850	65,880	73,302
Total operating income	62,494	69,582	73,013	84,134	98,611	Total assets	1,761,696	2,120,609	2,300,869	2,673,481	3,026,914
SG&A expenses	(19,465)	(22,557)	(25,081)	(27,260)	(31,851)	Customer deposits	1,380,398	1,473,598	1,704,690	1,965,687	2,251,709
Pre-provisioning OP	43,028	47,025	47,932	56,875	66,760	Borrowings & call money/repos	138,032	170,289	202,023	235,984	229,789
Provision for credit losses	(29,481)	(24,015)	(20,344)	(26,900)	(29,291)	Interest bearing liabilities	1,641,777	1,973,861	2,124,440	2,455,491	2,770,885
Other income	8,957	6,526	6,543	4,510	6,087	Other liabilities	33,590	42,558	53,562	61,775	70,409
Other expense	(2,779)	(2,316)	(4,475)	(1,578)	(2,130)	Total liabilities	1,675,367	2,016,419	2,178,002	2,517,266	2,841,294
Pre-tax income	13,548	23,009	27,589	29,975	37,469	Charter capital	50,585	50,585	57,004	70,622	70,622
Income tax expense	(2,706)	(4,589)	(5,612)	(5,995)	(7,494)	Capital surplus	14,292	15,351	15,361	23,601	23,601
NP	10,841	18,420	21,977	23,980	29,975	Retained earnings	8,673	21,576	30,331	41,821	71,226
Minority interest profit	(301)	(262)	(472)	(519)	(571)	Capital adjustments	-	-	-	-	-
Parent NP	10,540	18,159	21,505	23,461	29,404	Total shareholders' equity	86,329	104,190	122,867	156,216	185,620

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%	17.2%	17.5%	EPS	2,084	3,590	3,773	3,322	4,164
ROA	0.7%	0.9%	1.0%	1.0%	1.1%	BVPS	17,066	20,597	21,554	22,120	26,283
Pre-provision ROE	415%	39.5%	33.7%	32.6%	31.2%	Tangible BVPS	16,196	19,720	20,730	21,462	25,634
Pre-provision ROA	2.1%	1.9%	1.7%	1.8%	1.9%	Valuations					
Net interest margin (NIM)	2.9%	2.9%	2.6%	2.7%	2.8%	PER	23.6	13.7	13.0	14.8	11.8
Efficiency						PBR	2.9	2.4	2.3	2.2	1.9
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%	34.4%	32.4%	32.3%	ROE	13.1%	19.3%	19.4%	17.2%	17.5%
Growth						Capital Adequacy					
Asset growth	16.2%	20.4%	8.5%	16.2%	13.2%	CAR	9.5%	9.9%	9.5%	>9%	>9%
Loan growth	10.9%	12.0%	17.1%	15.3%	14.5%	Asset Quality					
PPOP growth	33.0%	9.3%	1.9%	18.7%	17.4%	NPL ratio (substandard)	10%	12%	13%	15%	12%
Parent NP growth	50.6%	72.3%	18.4%	9.1%	25.3%	Coverage ratio (substandard)	214.8%	216.8%	180.7%	133.6%	130.3%
EPS growth	19.8%	72.3%	5.1%	-11.9%	25.3%	NPL ratio (precautionary)	2.1%	2.8%	2.8%	3.1%	2.9%
BVPS growth	-13.8%	20.7%	4.6%	2.6%	18.8%	Coverage ratio (precautionary)	101.1%	88.4%	80.2%	64.6%	53.9%

Source: Bank for Investment & Development, KB Securities Vietnam

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Investment ratings & definitions

Investment Ratings for Stocks

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

Buy:	Neutral:	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

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