BANK FOR INVESTMENT AND DEVELOPMENT OF VIETNAM (BID)

ADD (Maintain)

FINANCIALS

Current Price	VND48,700
52Wk High/Low	VND54,400/35,496
Target Price	VND57,600
Previous TP	VND51,600
TP vs Consensus	9.3%
Upside	18.3%
Dividend Yield	0.0%
Total stock return	18.3%

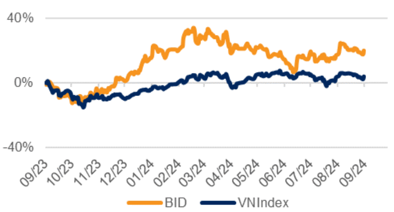
Growth rating	Positive
Value rating	Neutral
ST Technical Analysis	Positive

Market Cap	USD11,419mn
3m Avg daily value	USD4.5mn
Avail Foreign Room	USD1,449mn
Outstanding Shares	5,700.4mn
Fully diluted O/S	5,700.4mn

	BID	Peers	VNI
P/E TTM	12.2x	9.0x	13.9x
P/B Current	2.1x	1.6x	1.7x
ROA	0.9%	1.8%	2.1%
ROE	17.0%	19.6%	12.3%

**as of 9/19/2024*

Share Price performance



Share price (%)	1M	3M	12M
Ordinary share	2.5%	4.7%	17.3%
Relative to index	0.5%	-1.2%	2.6%

Ownership

State Bank of Vietnam	81.0%
KEB Hana Bank	15.0%
Others	4.0%

Business Description

BID was founded in 1957 under the name Bank for Construction of Vietnam, with the mission of allocating the state's capital for building infrastructure, industrial facilities and construction projects to serve the national welfare. It was equitized in Dececember 2011 through an IPO and officially became a joint stock commercial bank in April 2012.

Analyst(s):

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Prioritizing credit growth over NIM stabilization

- We maintain our ADD rating with 18.3% upside. We change our TP by +11.6% while the share price has increased by 10.4% since our last report.
- We adjust our TP to VND57,600 as we lower our cost of equity assumptions and roll our valuation to FY25.
- Current P/B of 2.1x is a 74% premium to the banking sector (1.2x) and close to its 5Y average of 2.17x. Our target P/B for BID is 2.1x (~54% premium to forward P/B of the sector), thus we think its current P/B is fair.

Financial Highlights

- 6M24 total operating income (TOI) rose 8.3% YoY driven by mild NII growth (+3.3% YoY) and robust non-II growth (+28% YoY).
- 2Q24 asset quality outperformed the sector as BID's NPL held firm (-7bps YoY, +2bps QoQ) and group 2 ratio declined (-59bps YoY, -46bps QoQ).
- We forecast FY24 ROE of 18.8%, lower than in FY23, due to a YoY increase in NPL ratio and higher COF than in FY23.

Investment Thesis

BID has the motivation to accelerate credit growth in 2H24

BID recorded 5.9% credit growth YTD in 1H24 and has a 14% quota from the SBV for FY24. The Prime Minister has requested the SBV to reallocate unused credit quotas to institutions needing more, motivating BID - an SOCB, to achieve its credit target. We also expect retail demand recovery toward year-end to further boost BID's credit growth, as retail clients make up 45% of its loan book.

Increasing mobilization to support credit growth hurts NIM

BID's LDR is near the regulated cap of 85%. To support its capacity for credit growth, BID was approved to raise funds via a third private placement of bonds. We expect that this will slow the decline of BID's cost of funds and cause its NIM to inch down to 2.31% by year-end vs 2.50% for 2Q24.

Rising import-export activity will be main factor improving Non-II

We expect FY24 Non-II to increase by 25% YoY thanks to a rise in net fee income (NFI) and net other income. Trade finance, accounting for the largest share in NFI, is expected to drive FY24 NFI up 15% YoY as export-import activity will accelerate toward year-end. Additionally, net other income will rise due to a rebound in bad debt collection as the real estate market recovers.

Conservatively provisioning to boost ROE

We expect the YE24 NPL ratio to decline to 1.36% from 1.52% in 2Q24 after rising from 1.25% at YE23 and the write-off ratio to stay intact at 1.33% based on our forecast recovery in the retail sector. BID mildly raised its credit costs in 2Q24, in order to protect its ROE, primarily with the implementation of a private placement of shares in FY24 (~2.9%). We project FY24 credit costs to remain low at 1.1%, just slightly above the 1.07% in 2Q24, as the bank aims to maintain a high ROE to attract investors, and the retail segment will recover in 2H24.

Financial summary (VND)	12-23A	12-24E	12-25F	12-26F
Net interest income (YoY)	0.3%	-0.3%	16.2%	15.3%
Non-interest income (YoY)	24.8%	24.6%	18.5%	19.1%
Provision expenses (YoY)	-14.7%	3.8%	17.5%	15.5%
Pre-tax profit (YoY)	20.4%	12.3%	19.3%	19.7%
Loan growth (YoY)	16.8%	14.0%	10.0%	10.0%
NIM	2.6%	2.3%	2.4%	2.5%
CASA ratio	20.0%	20.0%	20.5%	21.0%
NPLs / Gross loans	1.3%	1.4%	1.0%	0.9%
Group 2 loans / Gross loans	1.6%	1.7%	1.7%	1.7%
ROAE	19.8%	18.8%	18.6%	18.5%

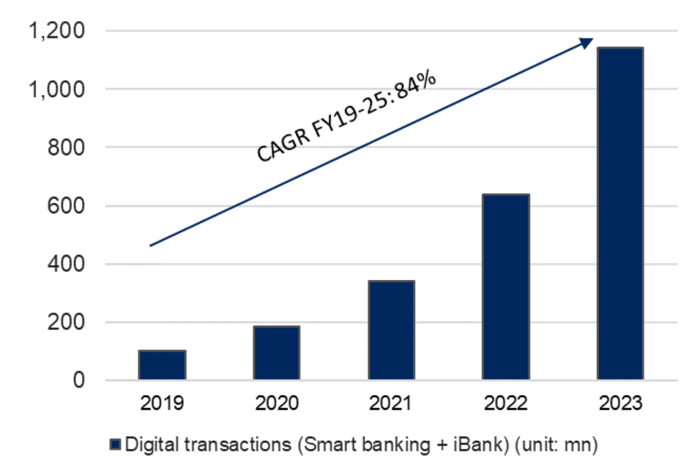
Source: VNDIRECT RESEARCH

Company Profile

BIDV was established in 1957 under the name Bank for Construction of Vietnam with a mission of allocating the state's capital to build infrastructure, industrial facilities and construction projects to serve the national welfare. Despite its status as a joint stock commercial bank, BID has a concentrated ownership structure, with the State Bank of Vietnam (SBV) holding 81% of the bank.

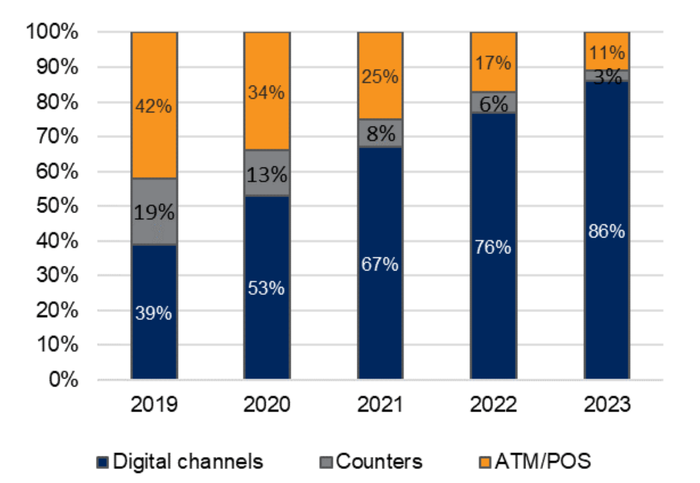
BID has a clear strategy to focus on a retail banking model with its acceleration in banking digitalization in order to improve its thin interest margin and diversify its revenue source. BID has renovated its digital platform and products, marketing comprehensively to promote its services, such as updating to an easy-to-use app and web interfaces, launching its Digital Banking Center and developing a strategy to digitalize BIDV in 2019-25 with Ernst & Young. During 2019-23, the number of e-banking transactions of BID (including two channels: smart banking and iBank) posted impressive 84% CAGR. BID expects its advanced digital banking will attract more low funding sources (CASA) and create greater opportunities for the bank to cross-sell financial products.

Figure 1: Volume of transactions (million transaction) via key e-banking platforms



Sources: BID, VNDIRECT RESEARCH

Figure 2: Transaction proportion by channel



Sources: BID, VNDIRECT RESEARCH

Results Recap: Asset quality outperformed its peers

Figure 3: Results comparison (VNDbn unless otherwise noted)

Profit & Loss statement	2Q24	2Q23	% yoy	1Q24	% qoq	6M24	6M23	% yoy	VND FY24F forecasts	% of VND forecasts	Comments
Net interest income	14,838	13,547	9.5%	13,541	9.6%	28,379	27,483	3.3%	62,739	45%	Lower than our forecast as NIM shrank more than expected. COF fell less than AY due to BID's higher mobilization need to reduce its LDR ratio to below 85%. Meanwhile, credit growth was in line with our forecast
Non-interest income	5,387	3,710	45.2%	3,630	48.4%	9,017	7,052	27.9%	19,286	47%	In line with our forecast
Operating revenue	20,225	17,257	17.2%	17,171	17.8%	37,396	34,536	8.3%	82,025	46%	
Operating expenses	(6,708)	(6,374)	5.2%	(5,393)	24.4%	(12,101)	(11,205)	8.0%	(28,176)	43%	Lower than our forecast as CIR fell to 33.2% in 2Q24, lower than 34.4% in our previous forecast
Pre-provision profit	13,517	10,884	24.2%	11,779	14.8%	25,295	23,330	8.4%	53,848	47%	
Provision expenses	(5,358)	(3,933)	36.2%	(4,389)	22.1%	(9,746)	(9,460)	3.0%	(23,554)	41%	Much lower than our forecast as asset quality remained better than its peers as NPL ratio declined by -7bps YoY (+2bps QoQ)
Pre-tax profit	8,159	6,951	17.4%	7,390	10.4%	15,549	13,870	12.1%	30,294	51%	
Net profit (ex-MI)	6,369	5,426	17.4%	5,813	9.6%	12,182	10,895	11.8%	24,265	50%	In line with our forecast

Source: BID, VNDIRECT RESEARCH

Figure 4: BID's key ratios by quarter

Key ratios	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24
NII/Total Operating Income (TOI)	80.6%	80.3%	82.1%	80.7%	78.5%	77.1%	72.2%	78.9%	73.4%
Non-II/TOI	19.4%	19.7%	17.9%	19.3%	21.5%	22.9%	27.8%	21.1%	26.6%
NIM (quarterly)	3.08%	2.82%	2.80%	2.67%	2.59%	2.62%	2.72%	2.37%	2.50%
Loan-to-deposit ratio	82.2%	81.3%	80.3%	84.7%	84.5%	84.8%	84.8%	85.0%	83.6%
NPL	1.02%	1.35%	1.16%	1.55%	1.59%	1.60%	1.25%	1.51%	1.52%
Loan-Loss-Reserves (LLR)	262.5%	213.8%	216.8%	171.3%	151.5%	158.4%	181.8%	152.8%	132.2%
Cost-to-income ration (CIR)	28.6%	31.1%	44.1%	28.0%	36.9%	33.8%	38.0%	31.4%	33.2%
Credit cost	1.9%	1.8%	1.6%	1.4%	1.2%	1.3%	1.2%	1.0%	1.1%
Provision/Pre-provisioning operating profit (PPOP)	49.3%	44.9%	46.6%	44.4%	36.1%	50.2%	38.2%	37.3%	39.6%
ROAA (quarterly)	1.1%	1.0%	0.8%	1.0%	1.0%	0.9%	1.1%	1.0%	1.1%
ROAE (quarterly)	22.7%	21.7%	15.9%	20.4%	19.4%	15.7%	20.1%	18.5%	19.3%

Source: BID, VNDIRECT RESEARCH

TOI spiked up thanks to accelerating credit growth and soaring Non-II

In 2Q24, TOI increased by 17.2% YoY (+9.6% QoQ), driven by a 9.5% YoY rise in NII and 45.2% YoY in Non-II. NII, accounting for 73.4% of TOI, grew on the back of BID's stronger credit growth (+5.9% YTD) in 2Q24, compared to 1Q24 (+0.9% YTD). However, NIM moderately contracted by 20 bps YoY since asset yields declined more than COF in a low-interest-rate environment with declines in lending yields (-206 bps YoY), deposit yields (-102 bps YoY), and investment yields (-52 bps YoY).

Under a NIM contraction, BID increased the contribution of Non-II to 26.6% of TOI in 2Q24 (+45.2% YoY), from 21.1% in 1Q24, to support TOI growth. Non-II grew thanks to a 15.8% rise in net fee income, a 120% increase in FX gains, and a 219% surge in income from its investment portfolio.

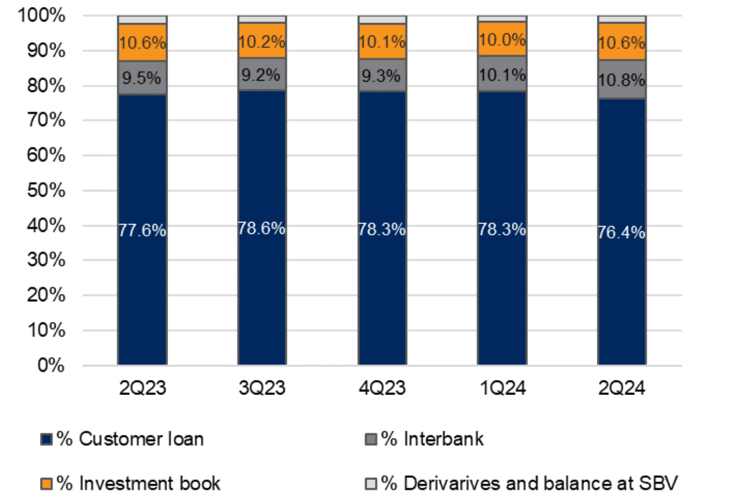
Lower-than-expected provision expense as asset quality stayed resilient

2Q24 provision expenses surged by 36% YoY (+22.1% QoQ), but much lower than our projection; whereas, 2Q24 CIR dropped to 33.2% (-377 bps YoY), keeping 6M24 net profit in line with our forecast. The bank likely raised provisions as it increased its write-off rate to 1.89% (+22bps YoY, +108bps QoQ) to manage rising bad debt since NPL formation increased by 30.2% YoY (+63.7% QoQ) as the retail segment remained weak. Hence, BID's NPL ratio lingered at 1.52% (-7bps YoY, +2bps QoQ) while the NPL ratio of the whole banking sector rose (+29.6% YoY and +4.5% QoQ). In addition, the group 2 ratio decreased by 59bps YoY (-46bps QoQ), indicating better asset quality for BID compared to its peers. Rising write-offs reduced BID's LLR ratio to 132% in 2Q24 (-21% point QoQ and -19% point YoY), but it still ranks as the second strongest provision buffer in the baking system.

Figure 5: BID's key balance sheet KPI analysis

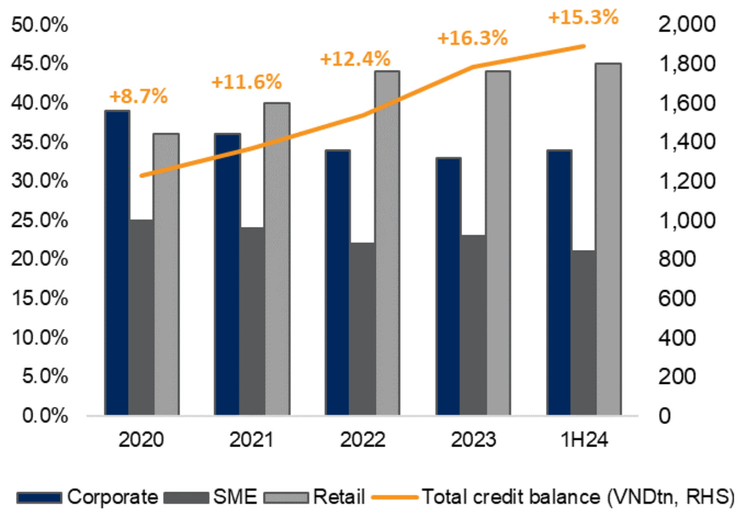
Earning asset (IEA) mix: Taking advantage of high interbank rates

- In 2Q24, total IEA grew by 17.3% YoY (+7.5% QoQ). Customer loan, accounting for the largest share in IEA, rose by 5.9% YTD (+15.6% YoY and +5% QoQ), however customer loan's contribution to IEA declined to 76.4%. BID's customer loan growth was lower than the 6.0% YTD growth of the banking sector. We believe that as BID had the largest loan balance in the sector, it was harder for this large-scale bank to rapidly grow its loan book.
- Therefore, BID increased the proportion of interbank loans, investment book and balance at SBV in IEA to reinforced its revenue. BID raised its interbank loans the most, by 33.6% YoY (15.2% QoQ), as interbank rates stayed high in 1H24.



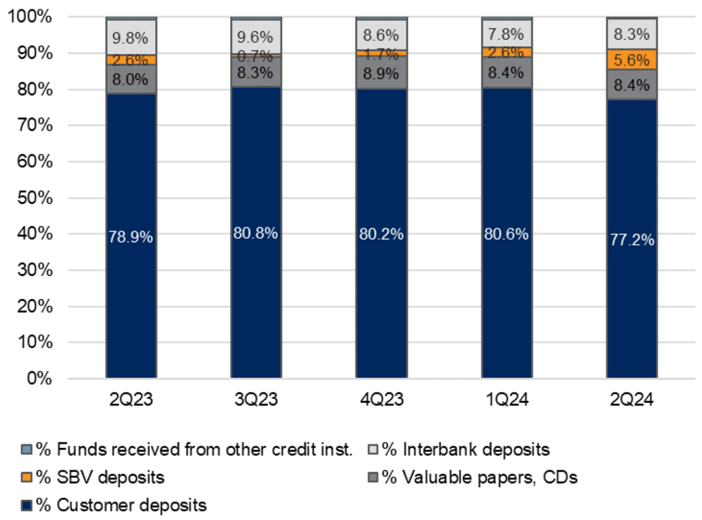
Credit mix vs growth: Slower credit growth than its peers

- BID recorded credit growth of 5.9% YTD (+15.3% YoY) in 2Q24, lower than other SOCBs (VCB: + 7.7% YTD; CTG +6.6% YTD). We think BID's sluggish credit growth came from its large-scale loan book and its high proportion of individual clients. BID strategically transformed to a retail banking model, with its widening proportion of individual loans in its loan book since 2020. As of the end of 2023, BID had the largest individual loan book within the banking system. This posed a challenge for BID to increase its credit growth when retail demand remained weak in 1H24.
- C-bond balance declined by 25.6% YoY, continuing its downward trend since 2Q21. 2Q24 C-bond contribution to credit book stayed at 0.4% (-0.2% pts YoY, +0% pts QoQ).



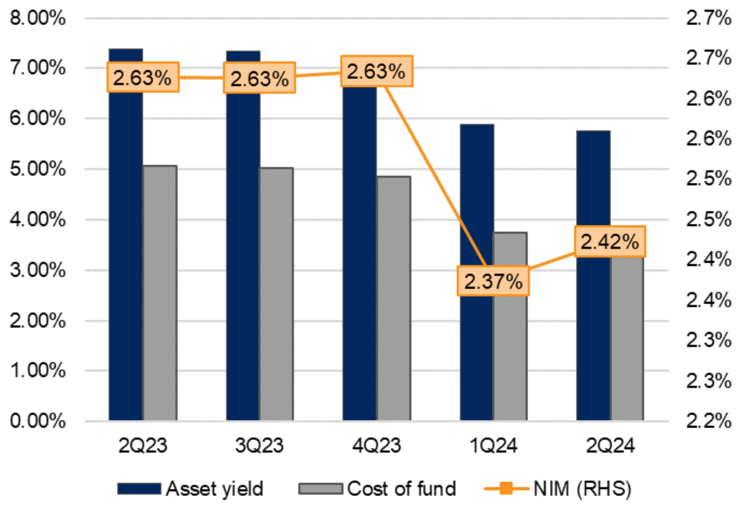
Funding mix: Mobilizing from various sources to ensure credit growth

- In 2Q24, the IBL balance grew by 19.6% YoY (+8.8% QoQ) driven by the growth of customer deposits (+16.9% YoY), valuable papers (+26.5% YoY) and SBV deposits (+154.4% YoY). BID recorded 6% YTD growth in customer deposits, higher than its customer loan growth. However, its LDR ratio hit 84%, close to the regulated cap of 85% (Circular 26), which made BID increase raising via other channels, such as valuable papers, SBV deposits and interbank deposits, in order to ensure its credit growth. Thus, customer deposit's contribution to IBL declined to 77.2% in 2Q24, while that of interbank deposit, SBV deposit and valuable papers widened.
- Among these three alternative funding sources, BID's due to Government and loans from SBV grew the most (+154.4% YoY, +130% QoQ). We think that BID being one of main channels for the Government to fund public projects was the main reason this growth.



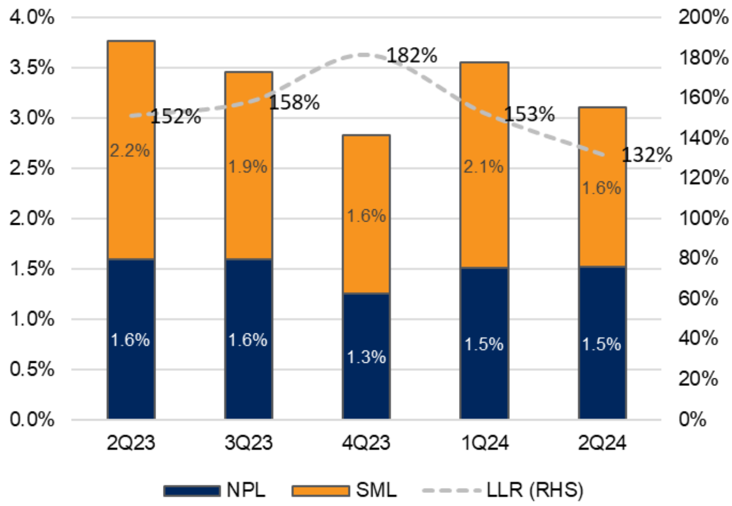
NIM performance: NIM contracted as BID implemented incentives packages to stimulate the economy

- 2Q24 NIM declined to 2.42% (-20bps YoY, +5bps QoQ) as asset yield (-161bps YoY) fell more than COF (-152bps YoY). Asset yield fell as BID kept low lending rates to support borrowing demand, which aligned with the directive of the Government.
- On the other hand, COF fell less slowly as BID's need for mobilization stayed high to ensure its LDR stayed below 85%. The CASA ratio in 2Q24 remained at 18.6% (+165bps YoY, +9bps QoQ), however, this could not help BID's COF from falling amid its rising need to push credit.



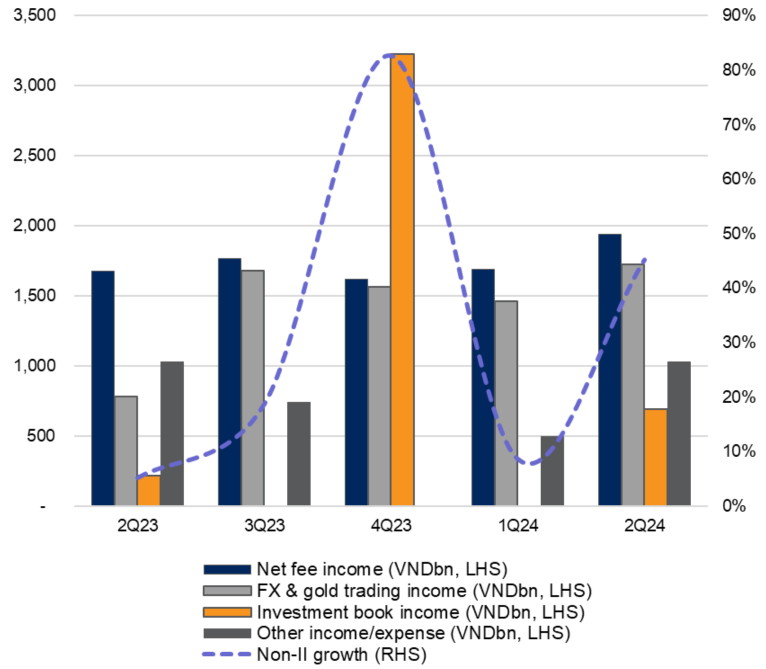
Asset quality: Outperforming asset quality due to BID's low risk appetite and rising write-offs

- In the context of rising bad debt in the banking system, BID's NPL ratio declined by 7bps to 1.52% (+2bps QoQ). Along with that, the group 2 loan ratio declined to 1.6% (-59bps YoY, -46bps QoQ). We think the low NPL ratio was thanks to: 1) BID's higher lending toward high-growth sectors (such as services, wholesale, and retail) and its reduction in loans to higher-risk industries (such as construction); and 2) rising write-offs.
- The write-off rate rose to 1.89% in 2Q24, from 1.66% in 2Q23 and 0.8% in 1Q24 Thus, BID's LLR ratio declined to 132% in 2Q24, from 152% in 2Q23 and 153% in 1Q24.



Non-II structure: Boosting non-II to ensure revenue scale

- The NIM contraction and sluggish credit growth prompted BID to increase its non-interest income. 2Q24 non-II rose by 45.2% YoY driven mainly by net fee income (+15.8% YoY), FX and gold trading income (+120% YoY) and investment book income (+219.2% YoY).
- 2Q24 net fee income, taking the largest share in Non-II, grew thanks to 13.8% YoY growth in insurance and 18.3% YoY growth in card services. We believe the recovery in insurance fees mainly came from the non-life sector as life insurance was still in recession. Trade finance, which accounted for the largest share in net fee income (31% - figure 12), fell by 18% YoY due to the business slowdown of BID's export - import customers in 1H24 and a new accounting regulation for recognizing Upas L/C, which required the transfer of Upas LC from the fee income account to the credit balance.
- BID's FX income, accounting for the second largest share in the non-II structure, surpassed VCB, which has the highest FX volume transaction, and CTG, which has the highest FX market share, to reach VND1.73tn (USD71.7mn) (+120% YoY) thanks to: 1) BID's wide transaction network both domestically and internationally; and 2) a favorable environment for FX swaps in 1H24 as the USD/VND exchange rate fluctuated.



Sources: BID, VNDIRECT RESEARCH

FY24-25F outlook: Flexible provisioning to support earnings

Figure 6: Earnings revision (VNDbn, unless otherwise noted)

	Old forecasts		New forecasts				Change		Comments
	FY24F	FY25F	FY24F	%yoy	FY25F	%yoy	FY24F	FY25F	
Net Interest Income	62,739	71,515	55,969	-0.3%	65,051	16.2%	-10.8%	-9.0%	We lift up our forecast of loan growth from 12% to 14.0% as we expect 1) BID to accelerate credit growth to meet the Vietnamese Government's directives and 2) Vietnamese borrowing demand to increase towards year-end. However, we lower our NIM forecast to 2.3%, from 2.6% in our previous forecast as we think BID will prioritize credit growth over widening NIM this year due to SBV's push to ensure the credit target of 15%.
Non-Interest Income	19,286	22,095	21,026	24.6%	24,906	18.5%	9.0%	12.7%	We raise our growth forecast of service income and trading gold and currency to 15%/50%, from 10%/20% in our previous forecast as they grew by 15.8%/120% YoY, respectively, in 2Q24.
Operating revenue	82,025	93,609	76,995	5.5%	89,957	16.8%	-6.1%	-3.9%	
Operating expenses	(28,176)	(31,220)	(24,909)	-0.7%	(28,202)	13.2%	-11.6%	-9.7%	We lower our CIR projection to 32.4% from 34.4% as we think BID will cut cost to optimize its profit.
Pre-provision profit	53,848	62,390	52,087	8.7%	61,755	18.6%	-3.3%	-1.0%	
Provision expenses	(23,554)	(25,714)	(21,107)	3.8%	(24,793)	17.5%	-10.4%	-3.6%	We decrease our credit cost to 1.11% and 1.17% in FY24/25F from 1.3%/1.3% in our previous forecasts as we expect BID to cut cost to maintain its ROE high as the bank plans to implement its private placement (2.89%,~165 million shares) this year.
Pre-tax profit	30,294	36,676	30,979	12.3%	36,961	19.3%	2.3%	0.8%	
Net profit	24,265	29,377	24,412	13.5%	29,126	19.3%	0.6%	-0.9%	Change in net profit forecast results from a provision expense's adjustment.
No. of shares outstanding (m)	5,700	5,700	5,700	0.0%	5,700	0.0%	0.0%	0.0%	
EPS (VND/share)	2,815	3,409	3,762	13.5%	4,488	19.3%	33.6%	31.7%	

Source: BID, VNDIRECT RESEARCH

Robust credit growth follows retail demand recovery …

We expect credit growth of 14% YoY, which would equal BID's initial credit quota, with a NIM contraction and thus a lower NII (-0.3% YoY) as we project BID to maintain low lending rates to: 1) align with the Government's directive to support the economy after Yagi Typhoon and; 2) achieve its full quota credit growth. The Prime Minister requested SBV to reallocate credit quotas from credit institutions which fail to fulfill their credit targets to those who need higher credit quotas, boosting the motivation for BID, an SOCB, to fulfill its credit quota. In addition, we also expect retail demand to recover toward year-end, thus pushing BID's credit further as retail clients account for 45% of loan book (see figure 4 - credit mix).

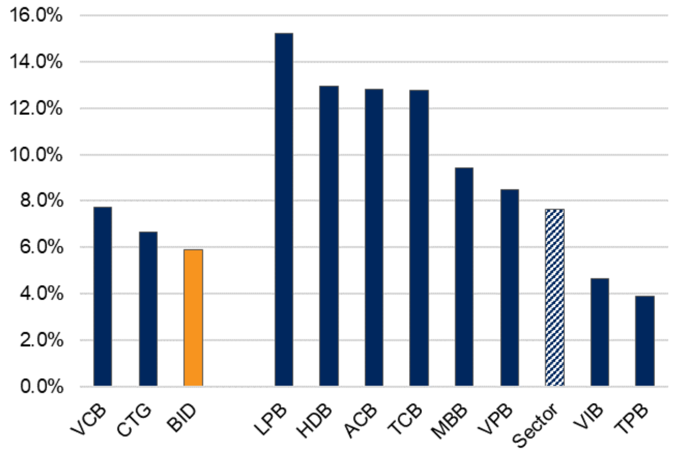
… with a tighter interest margin due to growing mobilization scale

However, we expect NIM to slightly shrink to 2.31% by end-2024 as we project: 1) lending rates to remain low in 2H24 to promote economic recovery; and 2) BID to mobilize further, even at a high cost, to control its LDR ratio while pushing credit to align with SBV's quota directive.

We project funding via valuable papers, due to Government borrowing from SBV and borrowing from other credit institutions, to grow by 11.6% YoY, 250% YoY and 20% YoY, respectively, in FY24. In August, BID's plan for a third private placement of capital-raising bonds in 2024 was approved, with a maximum value of VND4tn (USD163mn), bolstering its valuable paper growth to 11.6% YoY and we assume there will be no further issued subordinate debt to raise tier 2 capital for BID toward year-end. This will help control its LDR ratio below 85%.

Along with that, we expect BID's due to Government and SBV deposits and borrowings from other credit institution to increase with a surge in BID's due to Government and SBV deposit as: 1) the Government usually pushes fiscal policy toward year-end which will benefit BID as it plays a key role in supporting SBV's funding of public projects; and 2) from January 1, 2024, to December 31, 2024, a 60% SBV deposit balance was deducted from the LDR ratio (Circular 26), from 50% in 2023. Increasing the funding book will lead to BID's COF to fall less slowly than AY, thus dampening its NIM.

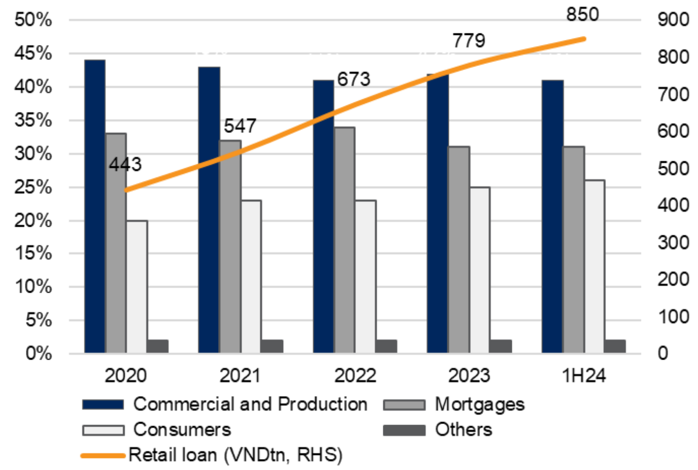
Figure 7: BID's credit growth compared to its peers in 2Q24.



average of top 25 listed banks in terms of total assets by end-FY24

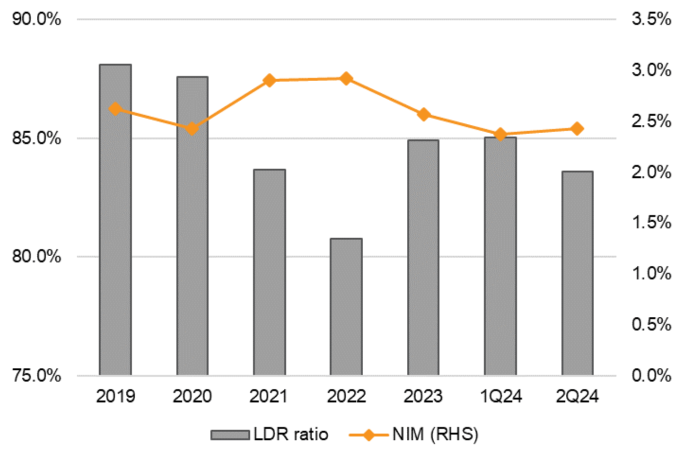
Sources: BID, VNDIRECT RESEARCH

Figure 8: Mortgages accounted for the second largest part of BID's retail loan book



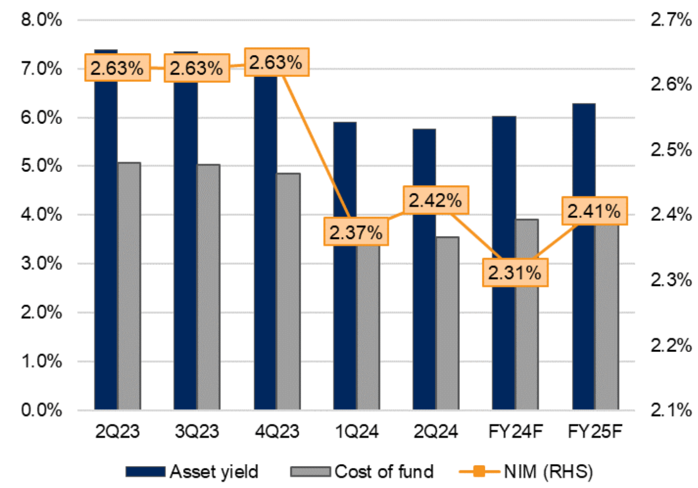
Sources: BID, VNDIRECT RESEARCH

Figure 9: BID's NIM fell as its LDR rose



Sources: BID, VNDIRECT RESEARCH

Figure 10: NIM forecast for FY24 and FY25

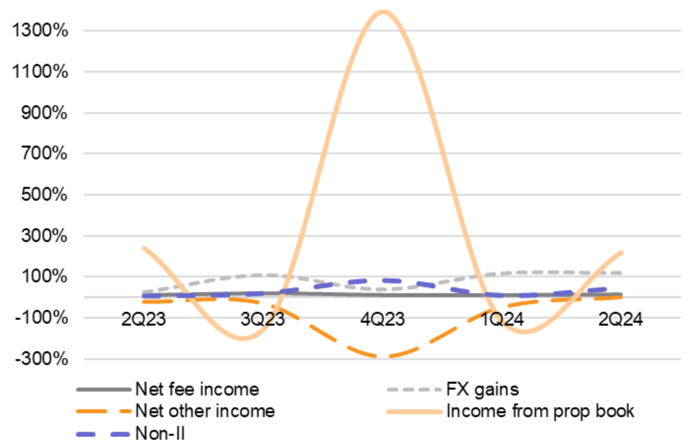


Sources: BID, VNDIRECT RESEARCH

Expansion of Non-II will fuel TOI growth

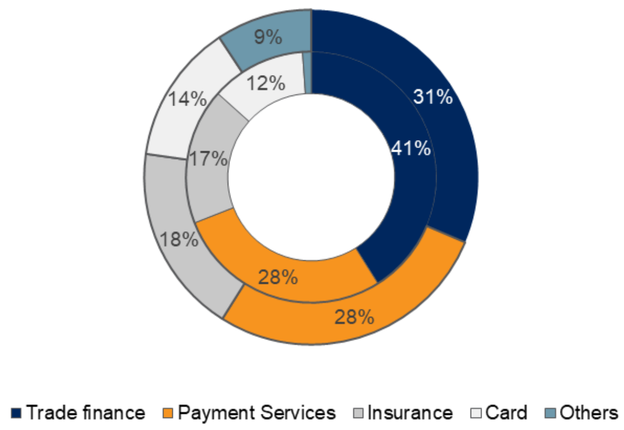
We expect FY24F TOI to grow by 5.5% YoY driven mainly by non-II. We project ~25% YoY growth in non-II driven by a 15% YoY increase in NFI which took the largest share in the non-II structure and a 5% YoY increase in net other income as we expect BID to diversify its revenue source due to its tightening NII. We expect growth in trade finance to fuel NFI growth as export-import activity will become more dynamic toward year-end. In addition, we expect a 5% YoY increase in net other income as we expect bad debt collecting to rebound when the real estate market warms up.

Figure 11: We expect higher NFI growth and net other income growth to boost non-II further (Unit: %YoY)



Sources: BID, VNDIRECT RESEARCH

Figure 12: NFI structure breakdown in 1H23 (inner ring) and 1H24 (outer ring)



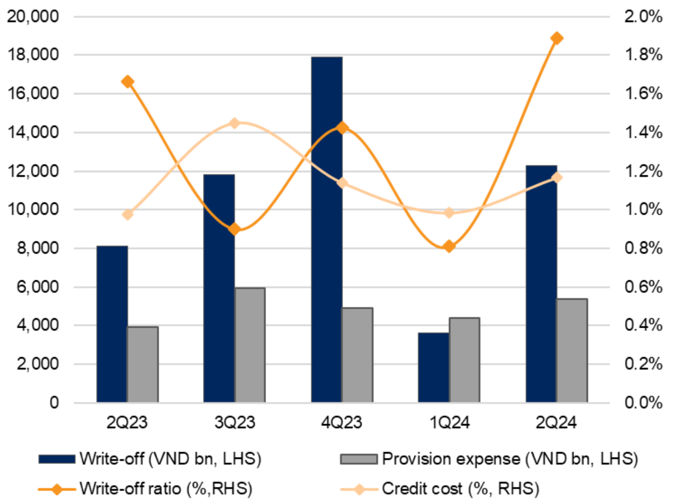
Sources: BID, VNDIRECT RESEARCH

Conservatively provisioning to support ROE

We project FY24 net profit to rise 13.5% YoY as we expect the bank to conservatively provision for bad debt. In 2Q24, BID rose its write-off rate to manage its bad debt, prompting its LLR to fall to 132%, but it still ranked second highest in the banking system. Thus, BID did not ramp up its credit cost in 2Q24, as opposed to rising its provision expense in the banking system in order to protect its ROE, as BID had its private placement plan of 165 million shares implemented in FY24 (~2.98% of total shares outstanding).

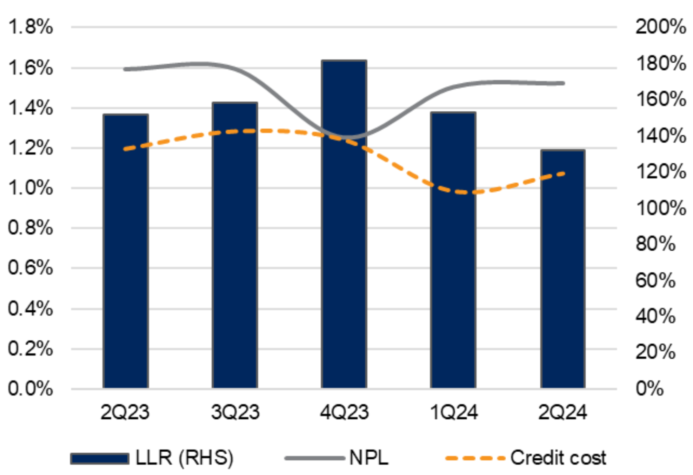
We expect FY24 credit cost to stay low, at 1.1%, slightly higher than 1.07% in 2Q24 as the bank wants a high ROE to attract more investors. In addition, we forecast the NPL ratio to fall to 1.36% from 1.52% in 2Q24 following the recovery of the retail sector, thus FY24 LLR will remain at 132%.

Figure 13: Write-off rate surged while credit cost rose mildly



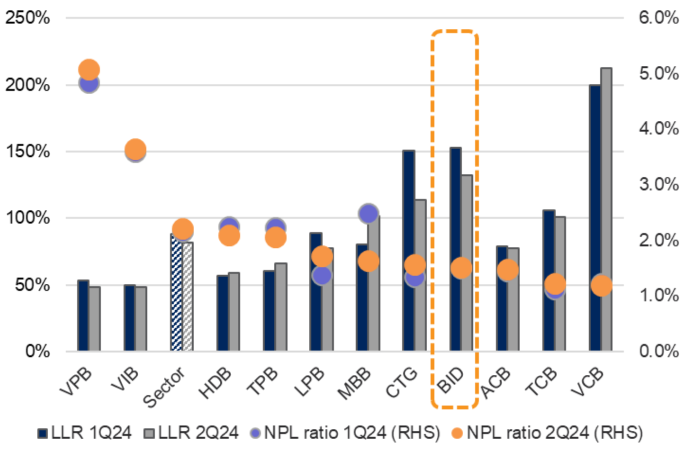
Sources: BID, VNDIRECT RESEARCH

Figure 14: 2Q24 NPL was little changed from that of 1Q24



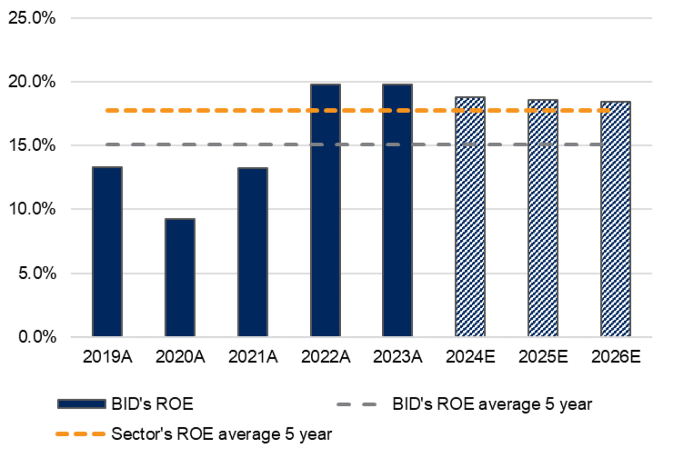
Sources: BID, VNDIRECT RESEARCH

Figure 15: BID's LLR ranked the second highest in the banking system



Sources: BID, VNDIRECT RESEARCH

Figure 16: We expect ROE to remain attractive to support BID's private placement plan this year



Sources: BID, VNDIRECT RESEARCH

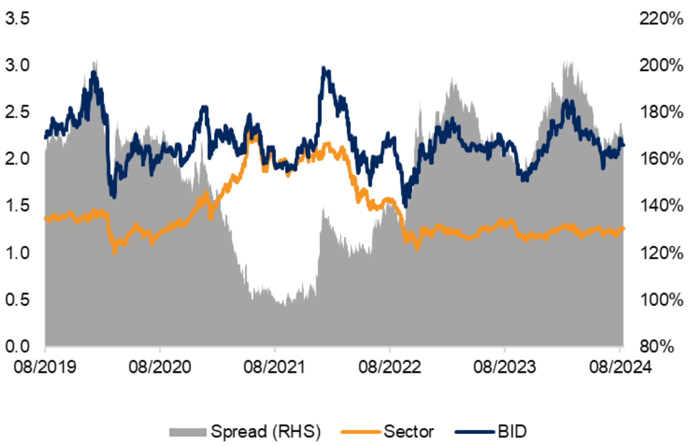
Valuation: Reiterate ADD with higher target price of VND57,600

We combine a P/B valuation and residual income approach with an equal weight of 50% to deliver a target price of VND57,600 for BID. We revise the cost of equity with a higher risk-free rate of 2.79% (vs a previous 2.24%) and a lower equity risk premium of 7.78% vs 9.0% previously (following NYU). The projected BVPS is the average year-end FY24-25 BVPS.

For the relative value method, we apply a target price-to-book (P/B) ratio of 2.1x, equaling the 1.54x multiple forward P/B of the banking sector (1.4x) as BID has traded at an average premium of 54.4% to the banking sector's multiples. As we project FY24 ROE to decline to 18.8% from 19.3% in 2Q24, we think BID's current price (2.12x) with a premium of 74% to the banking sector reflects its current higher ROE than the sector.

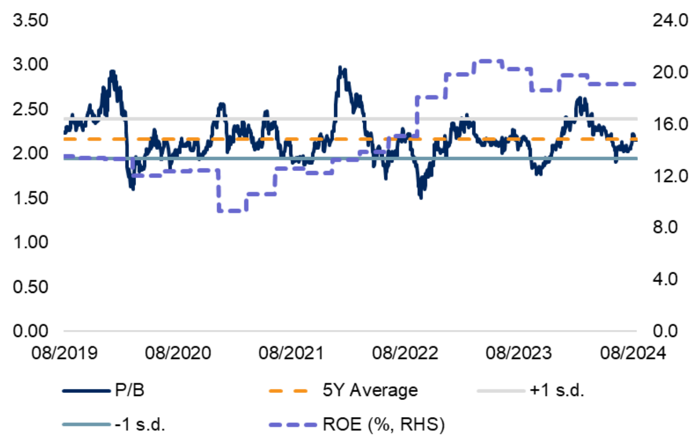
Downside risk: NPL grows higher than forecast and the economy recovers more slowly than expected.

Figure 17: Comparison between P/B ratios of BID and sector



Source: BID, VNDIRECT RESEARCH

Figure 18: BID's P/B and ROE movement



Source: BID, VNDIRECT RESEARCH

Figure 19: Residual income valuation, based on our estimates

Approach	Weight	Fair value (VND/share)	Contribution (VND/share)
Residual income	50%	57,311	28,655
P/BV multiple (at 2.1x FY24-25F BVPS)	50%	57,792	28,896
Target price (VND/share)			57,551
Target price (VND/share, rounded)			**57,600**

Source: VNDIRECT RESEARCH

Figure 20: Target price calculation, based on our estimates

GENERAL ASSUMPTIONS	2024F	2025F	2026F	2027F	2028F	Terminal
Risk free rate (10-year VGB yield)	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
Equity risk premium	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%
Beta	1.0	1.0	1.0	1.0	1.0	1.0
Cost of equity	10.6%	10.6%	10.6%	10.6%	10.6%	10.6%
% ROE	18.8%	18.6%	18.5%	17.8%	17.2%	17.0%
Long-term growth rate						3.0%
Residual Income Model						
RI	11,950	14,083	16,746	18,390	20,433	246,933
Discount factor	0.90	0.82	0.74	0.67	0.61	0.61
PV of RI	10,807	11,519	12,388	12,304	12,364	149,414
Opening shareholder's equity	117,901					
PV of RI (5 years)	59,382					
PV of Terminal value	149,414					
Implied EV	326,697					
No.of o/s shares (m shares)	5,700					
Implied value per share (VND/share)	**57,311**					

Source: VNDIRECT RESEARCH

Figure 21: Sensitivity analysis of target price with terminal ROE and Cost of equity.

		ROE				
Cost of equity	57,311	15.0%	16.0%	17.0%	18.0%	19.0%
	8.6%	49,510	53,619	57,727	61,835	65,943
	9.6%	49,300	53,409	57,517	61,625	65,734
	10.6%	49,094	53,203	57,311	61,419	65,528
	11.6%	48,892	53,000	57,109	61,217	65,325
	12.6%	48,693	52,801	56,910	61,018	65,126

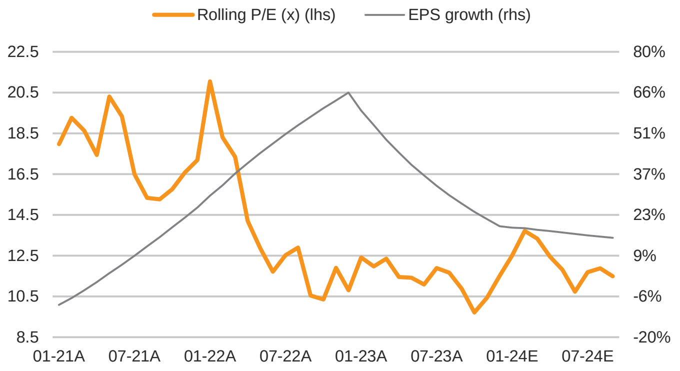
Source: VNDIRECT RESEARCH

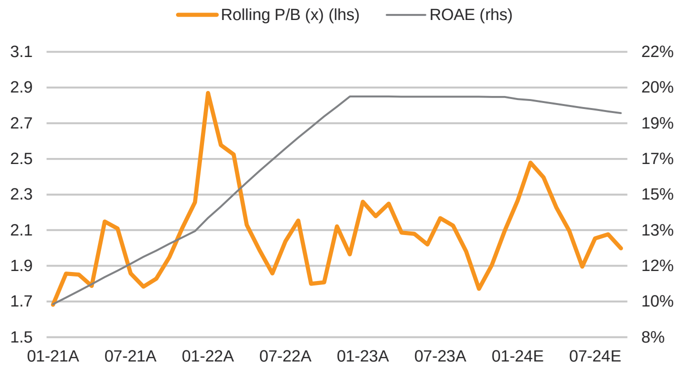
Figure 22: Vietnamese bank comparison (price as of 9/17/2024)

Bloomberg Code	Upside (%)	Market cap	NIM (%)		NPL (%)		P/B (x)		P/E (x)		Three-year Forward EPS CAGR	ROA (%)		ROE (%)	
		(USDmn)	TTM	FY24F	TTM	FY24F	TTM	FY24F	TTM	FY24F	%	TTM	FY24F	TTM	FY24F
VCB VN	24.0%	20,630.6	3.1%	3.0%	1.2%	0.9%	2.8	2.5	15.3	14.5	13.8%	1.8%	1.8%	20.0%	18.9%
CTG VN	11.8%	7,776.3	3.0%	2.9%	1.3%	1.4%	1.4	1.3	9.5	10.0	20.5%	1.0%	1.0%	16.0%	16.2%
VPB VN	28.2%	6,002.0	5.8%	5.7%	4.8%	4.9%	1.1	1.1	12.3	10.0	39.6%	1.4%	1.7%	9.8%	11.1%
TCB VN	17.0%	6,572.6	3.9%	4.1%	1.1%	0.9%	1.2	1.1	7.5	7.1	25.0%	2.6%	2.5%	16.6%	16.0%
MBB VN	16.4%	5,251.9	4.6%	4.7%	2.5%	1.6%	1.3	1.1	6.0	6.6	9.0%	2.4%	2.1%	23.4%	20.1%
ACB VN	19.3%	4,466.1	3.9%	3.9%	1.5%	1.2%	1.5	1.3	6.7	6.6	12.2%	2.3%	2.2%	23.9%	21.8%
HDB VN	9.4%	3,154.4	5.6%	5.1%	2.2%	1.8%	1.5	1.4	6.4	6.3	16.4%	2.2%	1.9%	27.0%	24.6%
VIB VN	62.2%	2,205.4	4.2%	4.2%	3.6%	3.3%	1.4	1.0	7.1	4.8	19.9%	1.9%	2.2%	21.4%	23.4%
TPB VN	29.3%	1,629.8	4.3%	4.1%	2.2%	2.3%	1.1	1.1	8.5	6.7	11.4%	1.3%	1.6%	14.2%	17.0%
LPB VN	*-17.0%*	3,174.6	3.1%	3.3%	1.4%	1.1%	2.0	1.8	9.2	9.4	7.8%	2.1%	2.0%	26.1%	21.8%
Average			*4.0%*	*4.0%*	*2.1%*	*2.0%*	*1.6*	*1.4*	*9.0*	*8.3*	*19.4%*	*1.8%*	*1.8%*	*19.6%*	*19.3%*
BID VN	**17.4%**	**11,341.7**	**2.6%**	**2.3%**	**1.5%**	**1.5%**	**2.2**	**2.0**	**12.3**	**13.0**	**29.1%**	**1.0%**	**1.0%**	**19.1%**	**18.8%**

Source: VNDIRECT RESEARCH

Valuation





Income statement

(VNDbn)	12-23A	12-24E	12-25E
Net interest income	**56,136**	**55,969**	**65,051**
Non interest income	**16,877**	**21,026**	**24,906**
Total operating income	**73,013**	**76,995**	**89,957**
Total operating costs	(25,081)	(24,909)	(28,202)
Pre-provision operating profit	**47,932**	**52,087**	**61,755**
Total provision charges	**(20,344)**	**(21,107)**	**(24,793)**
Income from associates & JVs			
Net other income			
Pre-tax profit	**27,589**	**30,979**	**36,961**
Tax expense	(5,612)	(6,196)	(7,392)
Profit after tax	**21,977**	**24,784**	**29,569**
Minority interest	(472)	(372)	(444)
Net profit	**21,505**	**24,412**	**29,126**

	12-23A	12-24E	12-25E
Growth rate (yoy)			
Cust deposit growth	15.7%	12.0%	12.0%
Gross cust loan growth	16.8%	14.0%	10.0%
Net interest income growth	0.3%	(0.3%)	16.2%
Pre provision operating profit growth	2.5%	8.7%	18.6%
Net profit growth	18.9%	13.5%	19.3%
Growth in IEAs	8.5%	13.6%	10.5%
Share value			
Basic EPS (VND)	3,773	4,282	5,109
BVPS (VND)	20,683	24,965	30,075
DPS (VND)	0	0	0
EPS growth	18.9%	13.5%	19.3%

Balance sheet

(VNDbn)	12-23A	12-24E	12-25E
Gross loans to customers	1,777,665	2,026,538	2,229,192
Loans to banks	211,812	232,993	267,942
Total gross loans	**1,989,477**	**2,259,531**	**2,497,134**
Securities - total	230,267	253,294	278,623
Other interest earning assets	51,616	57,777	60,666
Total gross IEAs	**2,271,360**	**2,570,603**	**2,836,424**
Total provisions	**(41,371)**	**(37,318)**	**(38,219)**
Net loans to customers	**1,737,196**	**1,990,212**	**2,192,064**
Total net IEAs	**2,229,989**	**2,533,284**	**2,798,204**
Cash and deposits	11,029	12,529	13,840
Total investments	3,113	3,536	3,906
Other assets	56,737	64,454	71,194
Total non-IEAs	**70,879**	**80,520**	**88,940**
Total assets	**2,300,869**	**2,613,804**	**2,887,144**
Customer deposits	1,704,690	1,909,253	2,138,363
Cds outstanding	189,487	211,487	236,041
Customer interest-bearing liabilities	1,894,177	2,120,740	2,374,404
Bank deposits	217,727	343,835	450,293
Broad deposits	2,111,904	2,464,575	2,824,698
Other interest-bearing liabilities	12,536	12,787	13,042
Total IBLs	**2,124,440**	**2,477,361**	**2,837,740**
Deferred tax liability			
Other non-interest bearing liabilities	53,562	(11,208)	(127,815)
Total non-IBLs	**53,562**	**(11,208)**	**(127,815)**
Total liabilities	**2,178,002**	**2,466,154**	**2,709,925**
Share capital	57,004	57,004	57,004
Additional paid-in capital	15,707	15,707	15,707
Treasury shares	0	0	0
Retained earnings reserve	30,331	46,477	65,741
Other reserves	14,859	23,124	32,986
Shareholders' equity	**117,901**	**142,313**	**171,438**
Minority interest	4,966	5,338	5,781
Total equity	**122,867**	**147,650**	**177,220**
Total liabilities & equity	**2,300,869**	**2,613,804**	**2,887,144**

Key ratios

	12-23A	12-24E	12-25E
Net interest margin	2.6%	2.3%	2.4%
Cost-income ratio	(34.4%)	(32.4%)	(31.4%)
Reported NPLs / gross cust loans	1.3%	1.4%	1.0%
Reported NPLs / net cust loans	1.3%	1.4%	1.1%
GP charge / average cust loans	1.2%	1.1%	1.2%
Total CAR	9.3%	9.2%	9.5%
Loan deposit ratio	84.9%	84.8%	83.4%
Margins and spreads			
Return on IEAs	7.0%	6.0%	6.3%
Cost of funds	4.7%	3.9%	3.9%
Interest return on average assets	2.5%	2.3%	2.4%
ROAE	19.8%	18.8%	18.6%

Source: VND RESEARCH

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Stock Ratings	Definition:
Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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