

BID Bank (BID)

Expecting a successful private placement in 1Q25

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3Q24 PBT gained 10.3% YoY to VND6,498 billion

In 3Q24, Bank for Investment & Development (BID) posted VND13,990 billion in NII (-5.7% QoQ, +1.5% YoY) and VND17,259 billion (-14.7% QoQ, -3.5% YoY) in TOI. Provisions were VND4,453 billion (-16.9% QoQ, -25.2% YoY), making PBT reach VND6,498 billion (-20.4% QoQ, +10.3% YoY) in 3Q and VND22,047 billion (+11.6% YoY) in 9M24.

NIM is expected to recover slowly in 2025

KBSV believe that NIM of BID will improve in 2025 but not make a strong increase, based on: (1) The pressure on CoF may increase in 2025 with exchange rate risks while CASA has not shown signs of improvement. In addition, (2) IEA will improve thanks to the recovery of the retail group and the end of support packages, but lending rates will remain low.

The charter capital increase plan should be approved in early 2025

BID's plan to pay dividends in shares at a rate of 21% is awaiting approval from the Ministry of Finance, expected to be approved in early 2025. Meanwhile, the private placement of 2.89% should be completed in 1Q25 with no information on the price yet.

Valuation: BUY rating – Price target VND53,900

Based on the valuation results, business prospects and possible risks, we recommend BUY for BID shares. The target price for 2024 is VND53,900/share, 15.3% higher than the price on November 29, 2024.

Buy change

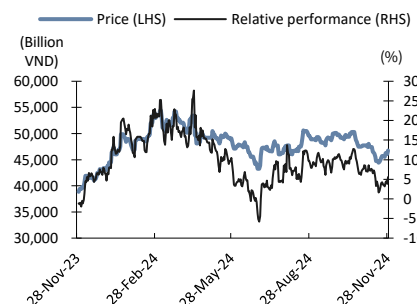
Target price	VND53,900
Upside	15.3%
Current price (Nov 29, 2024)	VND46,750
Consensus target price	VND55,000
Market cap (VNDtn/USDtn)	265.4/10.5

Trading data	
Free float	19.0%
3M avg trading value (VNDbn/USDmn)	98.3/3.9
Foreign ownership	17.0%
Major shareholder	State Bank of Vietnam (80.99%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	-2.1	-4.4	-0.7	18.7
Relative	-1.7	-1.8	0.1	5.2

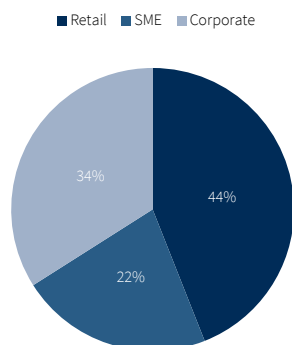
Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net interest income (VNDbn)	56,070	56,136	59,960	74,646
PPOP (VNDbn)	47,025	47,932	50,699	61,847
NPAT-MI (VNDbn)	18,159	21,505	22,589	25,628
EPS (VND)	3,590	3,773	3,963	3,629
EPS growth (%)	72%	5%	5%	-8%
PER (x)	13.0	12.4	11.8	12.9
BVPS	20,597	21,554	23,417	25,625
PBR (x)	2.27	2.17	2.00	1.82
ROE (%)	19.3	19.4	18.0	16.7
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 increase from a low base in 2024 but not fluctuate much. The driving force comes from improved IEA thanks to the recovery of the retail and real estate sectors.

Asset quality has not improved much.

The private placement plan is expected to be 2.89% and completed in 1Q25. Information related to this private placement may support the stock price in the short term.

Notes

Please find more details [here](#)

Please see more details below

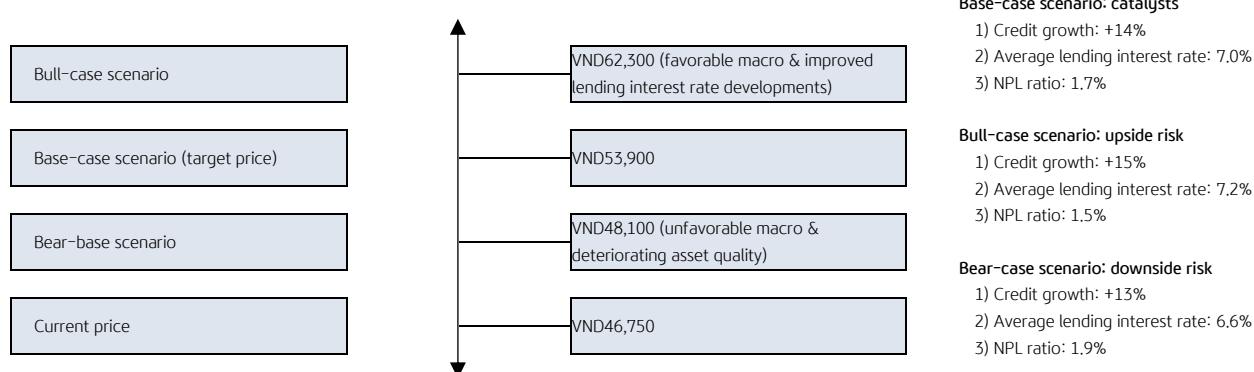
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Revised earnings estimates

(VNDbn)	KBSV estimates		Change vs previous estimates		Consensus*		Difference	
	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E
Revenue	59,960	74,646	-11%	-6%	-	-	-	-
EBIT	50,699	61,847	-9%	-6%	-	-	-	-
NP after MI	22,589	25,628	-5%	-12%	23,742	27,123	-5%	-6%

Source: Bloomberg, KB Securities Vietnam

Investment opinion & risks



3Q24 performance updates

3Q24 PBT gained 10.3% YoY to VND6,498 billion

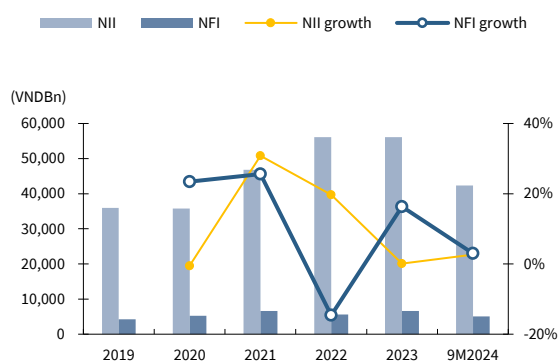
In 3Q24, BID posted VND13,990 billion in NII (-5.7% QoQ, +1.5% YoY) and VND3,269 billion in NOI (-39.3% QoQ, -20.3% YoY), making TOI reach VND17,259 billion (-14.7% QoQ, -3.5% YoY). Provisions were VND4,453 billion (-16.9% QoQ, -25.2% YoY), making PBT reach VND6,498 billion (-20.4% QoQ, +10.3% YoY) in 3Q and VND22,047 billion (+11.6% YoY) in 9M24.

Table 1. BID – 2Q24 business results

(VNDbn, %)	3Q23	2Q24	3Q24	+/-%QoQ	+/-%YoY	Notes
Net interest income (NII)	13,783	14,838	13,990	-5.7%	1.5%	Net interest income decreased in the context of NIM and asset quality showing no clear signs of improvement.
Net fee income (NFI)	1,764	1,939	1,475	-23.9%	-16.4%	
Other non-interest income (NOII)	2,340	3,448	1,794	-48.0%	-23.3%	The FX segment recorded an income of VND732 billion (-56.5% YoY) due to the exchange rate movement no longer being as favorable as in 1H24. Meanwhile, securities trading & investment activities recorded a loss of VND549 billion. Net income from other activities reached VND1,505 billion (104% YoY).
Total operating income (TOI)	17,887	20,225	17,259	-14.7%	-3.5%	
Operating expenses	(6,044)	(6,708)	(6,307)	-6.0%	4.3%	
Pre-provision operating profit (PPOP)	11,842	13,517	10,951	-19.0%	-7.5%	
Provisions	(5,950)	(5,358)	(4,453)	-16.9%	-25.2%	The decrease in provisioning and the increase in NPL caused BID's LLCR to fall to 115.7%, the lowest level among the SOBs.
Profit before taxes (PBT)	5,893	8,159	6,498	-20.4%	10.3%	
Net profit after minority interest (NPAT-MI)	4,583	6,369	5,151	-19.1%	12.4%	
Credit growth	8.3%	5.9%	9.8%	3.9 ppts	1.5 ppts	Credit continued to be boosted in 3Q24 with the retail group increasing 7.4% QoQ and the SME group gaining 15.6% QoQ. Meanwhile, the large enterprise group dropped 8.5% QoQ.
Deposit growth	-0.8%	10.2%	12.5%	2.3 ppts	13.3 ppts	Deposit growth was higher than the average of the observed banking group, reaching 9.5% YTD, driven by corporate customers (+2.5% QoQ) and financial institutions (+27.9% QoQ).
NIM	2.69%	2.50%	2.47%	-2 bps	-21 bps	NIM was affected by declining asset quality and preferential loan interest rate packages to support customers affected by typhoon Yagi and Covid-19.
Average earnings yield (IEA)	7.22%	6.27%	6.02%	-25 bps	-119 bps	
Average costs of fund (CoF)	4.84%	4.00%	3.77%	-23 bps	-106 bps	
CIR	33.8%	33.2%	36.5%	3.3 ppts	2.7 ppts	
NPL	1.60%	1.52%	1.71%	18 bps	11 bps	NPL ratio climbed 18bps QoQ, of which doubtful and bad debt groups both increased by 12bps QoQ. NPL of large corporate customers reached 2%, while the ratios of SMEs and retail customer groups were over 3% and 1.2% respectively.

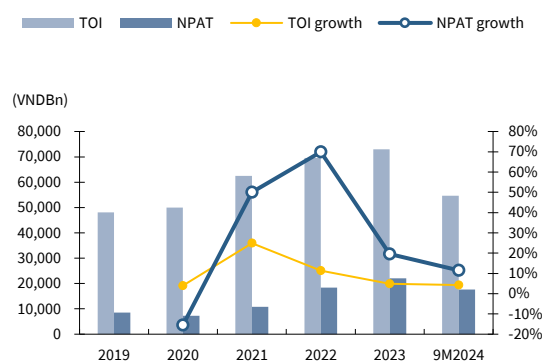
Source: Bank for Investment & Development, KB Securities Vietnam

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



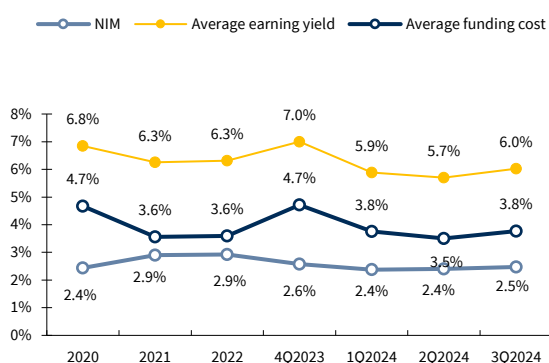
Source: Bank for Investment & Development, KB Securities Vietnam

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



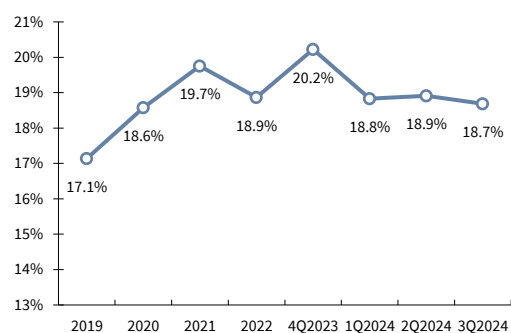
Source: Bank for Investment & Development, KB Securities Vietnam

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



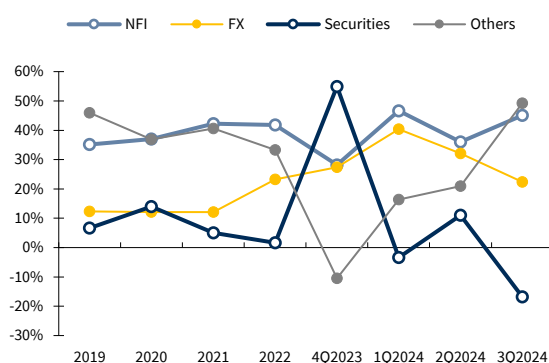
Source: Bank for Investment & Development, KB Securities Vietnam

Fig 5. BID – CASA ratio (%)



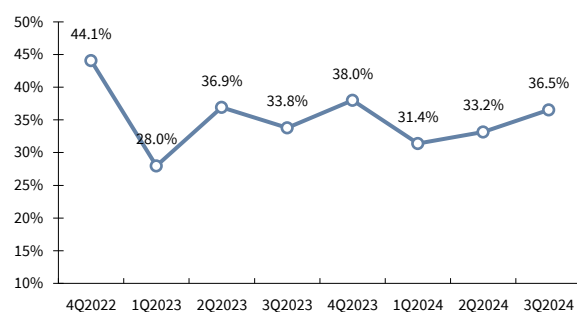
Source: Bank for Investment & Development, KB Securities Vietnam

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

Exchange rate risks put more pressure on CoF

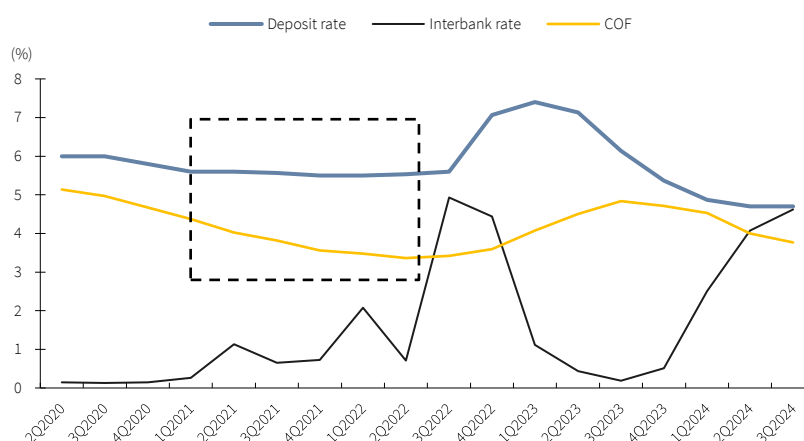
Lending rates should be maintained at low level to support the economy

3Q NIM of BID fell 5bps QoQ to 2.47% mainly due to BID's accelerating the reduction of lending rates to support economic recovery. In KBSV's view, NIM will improve in 2025, but there will not be a strong increase based on:

- (1) Deposit interest rates remain at a low base level, which is the driving force for BID's CoF in 4Q. BID's 12M deposit interest rate for individual customers is currently at 4.7%, lower than the rate of ~5.5% in 2022 when the bank has the best CoF (Figure 8). However, the pressure on COF in 2025 may increase when (i) the President Trump's policies may lead to a strong USD, making Vietnam raise deposit interest rates and increasing exchange rate risks; and (ii) CASA has not recovered significantly, reaching only 18.7%, lower than the period 2021–2023. The positive point is that deposit growth is still high (+12.5% YTD), undermining the pressure on liquidity.
- (2) On the other hand, KBSV expects the growth of retail lending and the recovery of the real estate industry to be the main drivers for IEA. Preferential interest rate loans to support Covid and typhoon Yagi are coming to an end, which will also contribute to strengthening the IEA. However, the low lending interest rate average will still be maintained in 2025 to promote economic development, ensuring credit growth when (i) the economy recovers slowly with the PMI and total retail sales of consumer goods and services are both lower than in 2021 (low interest rate base). (ii) Fixed asset investment of listed enterprises grew by a mere of 10.1% from 2023's lows, and the short-term debt ratio continues to remain high, showing that businesses are tending to borrow short-term to finance working capital instead of long-term borrowing to expand production and business.

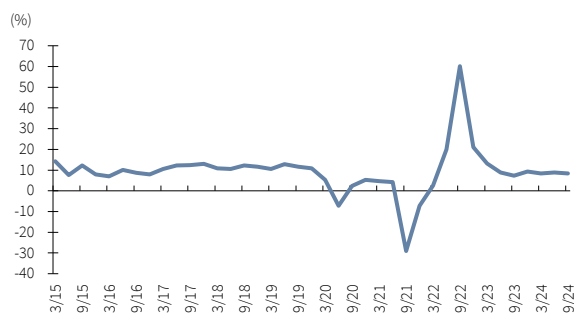
Average CoF is expected to decrease as in the 2021–2022 period when deposit interest rates rebounded but remained low compared to the past.

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



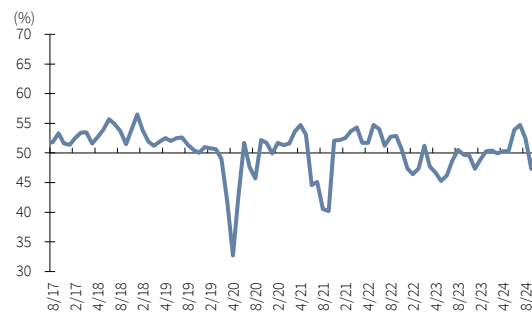
Source: Bank for Investment & Development, KB Securities Vietnam

Fig 9. Vietnam – Retail sales growth of goods & services in 2015 – 2024 (%)



Source: General Statistics Office of Vietnam

Fig 10. Vietnam – PMI in 2017–2024 (%)

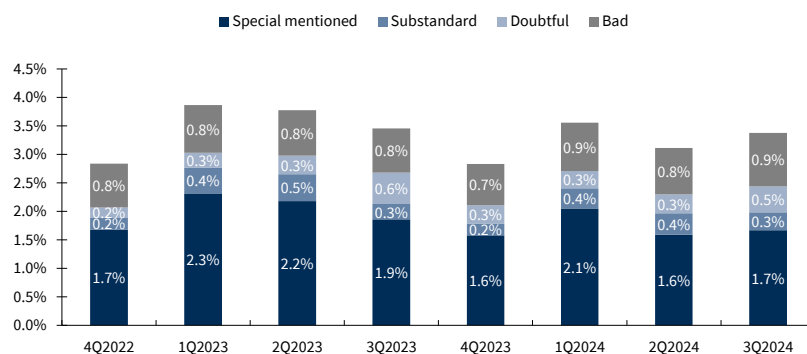


Source: General Statistics Office of Vietnam

Provisioning pressure will remain high in 4Q24

Asset quality has not shown signs of improvement as the NPL ratio reached 1.71%, the highest level since 2021. The estimated new NPL ratio remains high, touching 0.37%. Restructured debt under Circular 02 as of the end of 3Q24 was valued at VND12 trillion, equivalent to 0.6% of total customer loans. BID has currently provisioned about VND9 trillion and will provision the remaining amount in 4Q24 after Circular 02 expires at the end of the year. We believe that BID's provisioning pressure will remain high at the end of 2024 and early 2025 when asset quality has not shown clear signs of improvement and the LLCR is dropping low to only 115.7% as of 3Q24.

Fig 11. BID – NPL breakdown (%)



Source: Bank for Investment & Development, KB Securities Vietnam

Fig 12. Vietnam banks – NPLs & special mention (%)

	% NPL	QoQ	% group 2	QoQ	Provision (Billion VND)	LLCR
VPB	4.81%	-0.27%	7.06%	-0.77%	-15,479	50.7%
VIB	3.85%	0.19%	3.65%	-0.81%	-5,404	47.1%
OCB	3.19%	0.07%	2.87%	0.45%	-2,715	53.9%
MSB	2.88%	-0.21%	1.92%	-0.19%	-3,093	62.9%
EIB	2.71%	0.06%	0.90%	-0.14%	-1,725	39.9%
STB	2.47%	0.04%	0.72%	0.02%	-9,755	75.0%
HDB	1.90%	-0.20%	3.75%	-0.75%	-4,985	65.9%
TPB	2.29%	0.23%	2.22%	-0.40%	-3,160	58.8%
LPB	1.96%	0.23%	1.16%	0.02%	-4,860	77.5%
MBB	2.23%	0.60%	1.89%	0.05%	-10,787	68.8%
CTG	1.45%	-0.12%	1.44%	0.00%	-35,537	153.0%
BID	1.71%	0.19%	1.67%	0.08%	-38,638	115.7%
ACB	1.49%	0.04%	0.63%	-0.15%	-6,661	80.5%
TCB	1.29%	0.06%	0.82%	0.00%	-8,366	103.5%
VCB	1.22%	0.02%	0.35%	-0.01%	-35,063	204.6%

Source: Vietnam Banks, KB Securities Vietnam

The charter capital increase plan should be approved in early 2025

BID's plan to pay dividends in shares at a rate of 21% is awaiting approval from the Ministry of Finance, expected to be approved in early 2025. Meanwhile, the private placement of 2.89% should be completed in 1Q25 with no information on the price yet. After the private placement deal, the CAR of the bank will be improved compared to the current level of 9.2%.

Forecast & valuation

Table 13. BID – 2024–2025F business results

(VNDbn, %)	2023	2024F	+/-%YoY	2025F	+/-%YoY	Assumptions
NII	56,136	59,960	6.8%	74,646	24.5%	NII forecasts for 2024 and 2025 are lowered by 10.8% and 6.2%, respectively due to a more cautious view on NIM in the coming time.
NFI	6,570	7,065	7.5%	7,559	7.0%	
TOI	73,013	77,285	5.9%	93,425	20.9%	
Provisions	(20,344)	(21,814)	7.2%	(29,099)	33.4%	2024–2025F NIM expectations fell 29bps and 16bps, respectively compared to the previous forecast mainly due to lower-than-expected average IEA due to the impact of preferential interest rate packages and unimproved asset quality.
NP after MI	21,505	22,589	5.0%	25,628	13.5%	
NIM	2.57%	2.45%	-12bps	2.68%	23bps	
Average IEA	7.00%	5.73%	-127bps	6.12%	39bps	
Average CoF	4.72%	3.49%	-122bps	3.67%	18bps	
CIR	34.4%	34.4%	5bps	33.8%	-60bps	NPL ratio may increase 0.4%, reflecting the recognition of structured debt under Circular 02.
NPL	1.26%	1.90%	64bps	1.70%	-20bps	
Total assets	2,300,869	2,659,082	15.6%	3,006,978	13.1%	
Owner's equity	122,867	133,486	8.6%	180,971	35.6%	

Source: Bank for Investment & Development, KB Securities Vietnam

Valuation: BUY rating – Price target VND53,900

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

(1) P/B valuation method:

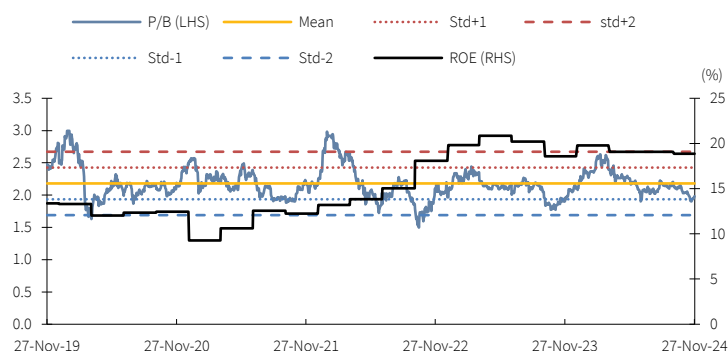
We reduce the 2024 forecast P/B to 2.18x, equivalent to BID's five-year average P/B to reflect a more cautious view on NIM in 2025 and high pressure on provisioning.

(2) Residual income method (Table 14):

In addition, we combine the use of the residual income method to reflect systematic risks and long-term expectations.

Combining the two valuation methods above at a 50–50 ratio, we conclude that the final reasonable price for BID shares for 2025 is VND53,900/share, 15.3% higher than the price on November 29, 2024.

Fig 14. BID – P/B in 2019–2024 (x)



Source: Bloomberg, KB Securities Vietnam

Table 15. BID – Valuation according to residual income method

(VNDbn)	2024F	2025F	2026F
NPAT	23,108	26,199	29,657
Excessed return	6,693	8,365	5,479
Required rate of return (r)	13.36%		
Growth (g)	3.0%		
Terminal value	33,936		
2023-end fair value	242,498		
Value per share	41,022		

Source: KB Securities Vietnam

Table 16. BID – Valuation according to residual income method

Valuation method	Forecast price	Weighting	Price per weight
P/B	66,739	50%	20,511
Residual income	41,022	50%	33,369
Target price			53,900

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	59,960	74,646	Loans	1,325,529	1,483,996	1,737,196	1,990,647	2,276,146
Interest income	101,008	121,111	152,761	140,103	170,429	Marketable securities	6,069	1,701	6,972	7,970	9,130
Interest expense	(54,185)	(65,041)	(96,626)	(80,142)	(95,783)	Cash (ex. Reserves)	12,661	13,745	11,029	12,607	14,442
Fees & commissions	6,614	5,648	6,570	7,065	7,559	Interest earning assets	1,743,024	2,092,669	2,271,476	2,617,514	2,954,550
Other non-interest income	6,179	4,210	2,068	4,059	4,462	Fixed assets & other assets	35,365	51,896	59,850	65,213	72,476
Total operating income	62,494	69,582	73,013	77,285	93,425	Total assets	1,761,696	2,120,609	2,300,869	2,659,082	3,006,978
SG&A expenses	(19,465)	(22,557)	(25,081)	(26,586)	(31,578)	Customer deposits	1,380,398	1,473,598	1,704,690	1,948,594	2,232,129
Pre-provisioning OP	43,028	47,025	47,932	50,699	61,847	Borrowings & call money/repos	138,032	170,289	202,023	233,967	227,826
Provision for credit losses	(29,481)	(24,015)	(20,344)	(21,814)	(29,099)	Interest bearing liabilities	1,641,777	1,973,861	2,124,440	2,464,357	2,756,209
Other income	8,957	6,526	6,543	6,765	7,437	Other liabilities	33,590	42,558	53,562	61,239	69,798
Other expense	(2,779)	(2,316)	(4,475)	(2,706)	(2,975)	Total liabilities	1,675,367	2,016,419	2,178,002	2,525,596	2,826,007
Pre-tax income	13,548	23,009	27,589	28,885	32,749	Charter capital	50,585	50,585	57,004	57,004	70,622
Income tax expense	(2,706)	(4,589)	(5,612)	(5,777)	(6,550)	Capital surplus	14,292	15,351	15,361	15,361	23,601
NP	10,841	18,420	21,977	23,108	26,199	Retained earnings	8,673	21,576	30,331	40,949	66,577
Minority interest profit	(301)	(262)	(472)	(519)	(571)	Capital adjustments	-	-	-	-	-
Parent NP	10,540	18,159	21,505	22,589	25,628	Total shareholders' equity	86,329	104,190	122,867	133,486	180,971

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%	18.0%	16.7%	EPS	2,084	3,590	3,773	3,963	3,629
ROA	0.7%	0.9%	1.0%	0.9%	0.9%	BVPS	17,066	20,597	21,554	23,417	25,625
Pre-provision ROE	41.5%	39.5%	33.7%	31.6%	31.5%	Tangible BVPS	16,196	19,720	20,730	22,602	24,976
Pre-provision ROA	2.1%	1.9%	1.7%	1.6%	1.7%	Valuations					
Net interest margin (NIM)	2.9%	2.9%	2.6%	2.5%	2.7%	PER	22.4	13.0	12.4	11.8	12.9
Efficiency						PBR	2.7	2.3	2.2	2.0	1.8
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%	34.4%	33.8%	ROE	13.1%	19.3%	19.4%	18.0%	16.7%
Growth						Capital Adequacy					
Asset growth	16.2%	20.4%	8.5%	15.6%	13.1%	CAR	9.5%	9.9%	9.5%	>9%	>9%
Loan growth	10.9%	12.0%	17.1%	14.6%	14.3%	Asset Quality					
PPOP growth	33.0%	9.3%	1.9%	5.8%	22.0%	NPL ratio (substandard)	1.0%	1.2%	1.3%	1.9%	1.7%
Parent NP growth	50.6%	72.3%	18.4%	5.0%	13.5%	Coverage ratio (substandard)	214.8%	216.8%	180.7%	93.2%	86.8%
EPS growth	19.8%	72.3%	5.1%	5.0%	-8.4%	NPL ratio (precautionary)	2.1%	2.8%	2.8%	3.5%	3.4%
BVPS growth	-13.8%	20.7%	4.6%	8.6%	9.4%	Coverage ratio (precautionary)	101.1%	88.4%	80.2%	50.6%	43.4%

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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