

06/12/2023

RECOMMENDATION **BUY**

Fair price	55,800 VND
Current price	40,000 VND
Potential up/downside	40%

SHARE INFORMATION

Outstanding shares (mil)	5,058
Free float (mil)	202.3
Market cap. (VND billion)	217,516
3m avg. volume (shares)	1.0 triệu
Foreign ownership (%)	17.21%
First listing date	24/01/2024

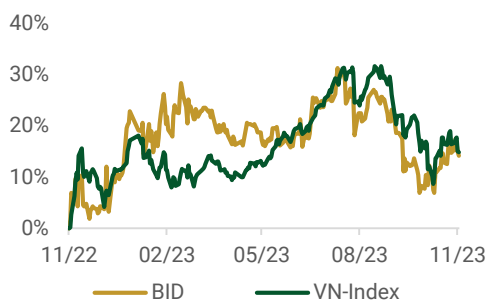
SHAREHOLDERS STRUCTURE

The State Bank of Vietnam	81.0%
KEB Hana Bank, Co., Ltd.	15.0%
Others	4.0%

CRUCIAL INDICATORS

TTM EPS (VND)	3,967
BVPS (VND)	23,542
Liabilities/Equity (%)	16.9x
ROA (%)	0.96%
ROE (%)	18.3%
P/E	11.2x
P/B	1.9x
Dividend yield (%)	12.7%

PRICE MOVEMENT COMPARED TO THE INDEX



OVERVIEW OF THE BANK

Joint Stock Commercial Bank for Investment and Development of Vietnam (BIDV) under the Ministry of Finance was established in 1957. The bank operates in the field of capital mobilization and trading, and provides financial services relate to. BIDV has been listed on the Ho Chi Minh City Stock Exchange (HOSE) since 2014. By the end of 2022, BIDV continues to maintain its position as the largest joint stock commercial bank in Vietnam.

ANALYST

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The white whale of the banking industry

- In 9M2023, Total Operating Income grew by 1% YoY, but Net Profit increased by 12% YoY due to reduced provisions expense.
- Net interest income decreased slightly by 1% due to a 22 bps narrowing of NIM compared to the beginning of the year.
- However, we expect a more optimistic outlook for 2024 thanks to the economic recovery, improved investor sentiment, and a slight increase in interest rates. We recommend a BUY with a potential upside of 40%.

Having the largest asset in the industry. As of the end of 9M 2023, BID's total assets was VND 2,132 trillion (+1% YTD), making it the bank with the highest total assets in the industry. The advantage of scale helps BID easily access customers, optimize costs, thereby facilitating the expansion of its business network and raising the credit and deposits.

BID has a diverse loan portfolio and better credit growth than peers. By the end of 9M 2023, BID's credit growth was 8.3% YTD. Market share of loan was 12.5%. The credit portfolio is concentrated in retail loans (44% of the Gross Loans, equivalent to VND 709 trillion) and corporate loans (34% of the Gross Loans, equivalent to VND 547.9 trillion).

The asset quality is excellent. By the end of 9M 2023, BID's Non-performing loan ratio was 1.6%, ranking among the lowest 25% in the industry. Loan Losses Coverage ratio was 158.4%, ranking the third highest in the industry, indicating that BID has a better credit risk resilience than peers.

The private placement is still being pursued into 2024. Currently, BID plans to privately issue 9% of its Charter Capital to investors. In the past period, BIDV has negotiated with 38 investors. However, the unfavorable economic conditions have reduced the demand. Currently, there are some potential investors; BID would work with State Bank of Vietnam and partners to find investors.

Projection for 2024F: We project that credit growth in 2024 would be 13.4% thanks to the expected economic recovery in Vietnam during the year. With strong credit expansion, we expect a slight increase in lending interest rates while deposit interest rates rise at a slower pace. Moreover, thanks to an improved CASA ratio and the advantage of low-cost funding sources, we project that NIM in 2024 would be 2.93%, representing an 11 bps increase compared to the end of 2023. Although we expect an increase in NPLs due to the expiration of Circular 02/2023/TT-NHNN, the economic recovery is anticipated to partially alleviate the burden of NPLs. Consequently, we project NPL ratio in 2024 to be 1.59%, and the provision expenses for 2024 to amount to VND 29,752 billion (+20% YoY). Based on these projections, we project Net Profit in 2024 to be VND 25,522 billion (+18% YoY).

Evaluation: By using P/B and Residual Income, we recommend BUY for BID at a price of 55,800 Vietnamese dong per share, indicating a potential price increase of 40% compared to the current price.

Financial indicators	2019A	2020A	2021A	2022A	2023F	2024F
Net Interest Income	35,978	35,797	46,823	56,070	59,951	68,900
Non-interest Income	12,143	14,240	15,670	13,512	15,780	20,015
Total Operating Income	48,121	50,037	62,494	69,582	75,731	88,915
Operating expense	(17,257)	(17,693)	(19,465)	(22,557)	(23,909)	(27,279)
Provision expenses for credit losses	(20,132)	(23,318)	(29,481)	(24,015)	(24,835)	(29,752)
Before-tax Profit	10,732	9,026	13,548	23,009	26,987	31,884
Net Profit	8,548	7,224	10,841	18,420	21,605	25,522
NPL ratio	1.75%	1.76%	1.00%	1.16%	1.51%	1.59%
CASA ratio	16.0%	18.0%	19.4%	18.4%	19.1%	20.0%