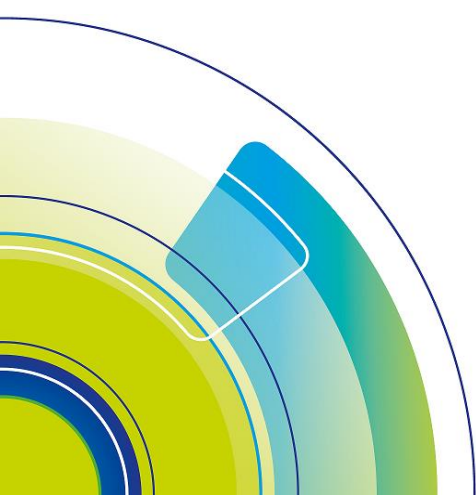




Update BID – OUTPERFORM

July 25, 2024



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Recommendation **OUTPERFORM**

HOSE: BID

Banking

Current price (VND) **46,000**

Target price (VND) **54,000**

Expected share price return +17.4%

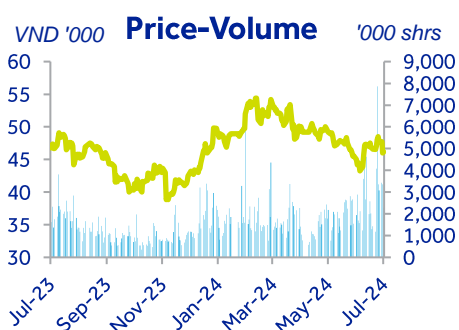
Expected dividend yield 0.0%

Expected total return **+17.4%**

Stock performance (%)

	YTD	1M	3M	12M
Absolute	6.3	0.9	-6.9	10.9
Relative	-4.3	4.6	-12.3	4.9

Source: Bloomberg



Ownership

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

Stock Statistics

24-July-24

Bloomberg code	BID VN
52-week range (VND)	34,608-56,700
No. of shares (m)	5,700
Mkt cap (VND bn)	263,075
Mkt cap (USD m)	10,326
Foreign room left (%)	12.8
Est. free float (%)	100.0
3m avg daily vol (shs)	2,092,514
VND/USD	25,477
Index: VNIndex / HNX	1237.50/235.49

BANK FOR FOREIGN TRADE OF VIETNAM (BID)

We recommend **OUTPERFORM** for BID with a 1-year target price of VND54,000/share based on a target P/B of 2.0 times. Business results in the coming quarters are supported by NIM with plenty of room to recover and asset quality to be stable thanks to solid provision buffers.

BID's Q1/24 business results have not shown a clear recovery with PBT reaching VND7,390 billion, +6.8% y/y and -6.3% q/q, mainly due to a sharp decrease in NIM. Specifically, NIM in Q1/24 decreased by 30 bps y/y and decreased by 35 bps q/q, reaching only 2.44%, among the lowest in the industry.

However, we see that BID's NIM has a lot of room to improve thanks to (1) cost of funds can further decrease when high-interest deposit mobilized in the last year matures and (2) lending rates of BID is currently among the lowest in the industry (about 6.86%) and is under little pressure to reduce further. We forecast BID's full year 2024 NIM to reach 2.8%, an increase of 16 bps.

BID's credit balance only increased by 0.9% in Q1/24 but recovered quite well in Q2/24 with the credit growth as of June 28 reaching 5.83% ytd, equivalent to the whole sector's credit growth. We forecast BID's credit growth for the whole year 2024 to reach 14%.

For Q2/24, we expect BID can record PBT of VND7,800 billion, +12.2% y/y and +5.5% q/q. Cumulatively 6M2024, PBT is expected to complete 49% of our full year forecast.

We forecast that PBT in 2024 will reach VND31,188 billion, an increase of **13.0%** y/y, driven by theses following assumptions:

- (1) Incomes from bancassurance, government bond trading and off-balance sheet debt collection segments are forecast to still face difficulties, while forex income can benefit from exchange rate fluctuations. We forecast that NFI for the whole year 2024 will decrease by 9.5% y/y and account for 18.8% of TOI.
- (2) Operating expenses in 2024 are forecast to increase by 10.0% y/y, CIR ratio (not deducting bonus and welfare funds) is expected to decrease to 33.8% from 34.4% as in the last year.
- (3) We forecast credit costs in 2024 will be at the same level as last year at 1.2% and provision expenses will increase 12.6% y/y. NPL coverage ratio in 1Q24 decreased from 181% to 153% due to NPL ratio increasing by 26 bps to 1.51%, however this is still a good provision buffer level in the industry.

(VND bn)	2021	2022	2023	2024F	2025F	2026F
Credit growth	11.2%	12.1%	16.3%	13.9%	14.0%	14.0%
NIM	2.96%	2.98%	2.63%	2.80%	2.87%	2.9%
NFI proportion	25.1%	19.5%	23.1%	18.7%	18.4%	18.5%
TOI growth	24.9%	11.2%	5.1%	11.9%	16.3%	13.3%
CIR	31.1%	32.7%	34.4%	33.8%	31.9%	31.0%
Credit costs	2.3%	1.7%	1.2%	1.2%	1.3%	1.3%
Profit before tax	13,548	22,923	27,589	31,188	36,382	42,038
growth	50.1%	69.2%	20.4%	13.0%	16.7%	15.5%
Profit attributable	8,654	16,013	18,736	21,623	25,332	29,239
Adjusted EPS (VND)	1,711	3,166	3,287	3,793	4,319	4,705
BVPS (VND)	16,435	19,649	20,683	24,476	29,483	35,842
Adjusted ROA	0.5%	0.8%	0.8%	0.9%	0.9%	0.9%
Adjusted ROE	10.8%	17.5%	17.2%	16.8%	16.2%	14.8%
CAR (Basel 2)	9.0%	9.3%	9.2%	9.6%	10.4%	11.7%
P/E	26.9	14.5	12.4	10.8	9.2	8.0
P/B	2.8	2.3	2.0	1.7	1.3	1.0
DPS (VND)	200	-	-	-	-	-

Estimation of issuance price and impact of private placement deal of 9% of pre-outstanding shares

According to the 2023 AGM Resolution, BID plans to issue a private placement at a ratio of 9% to investors. In 2024, BID plans to privately issue 2.89% of its charter capital. For the remaining 6.11%, BID will search for potential domestic and foreign investors and execute the issuance depending on the market favorability as well as BID's business prospects.

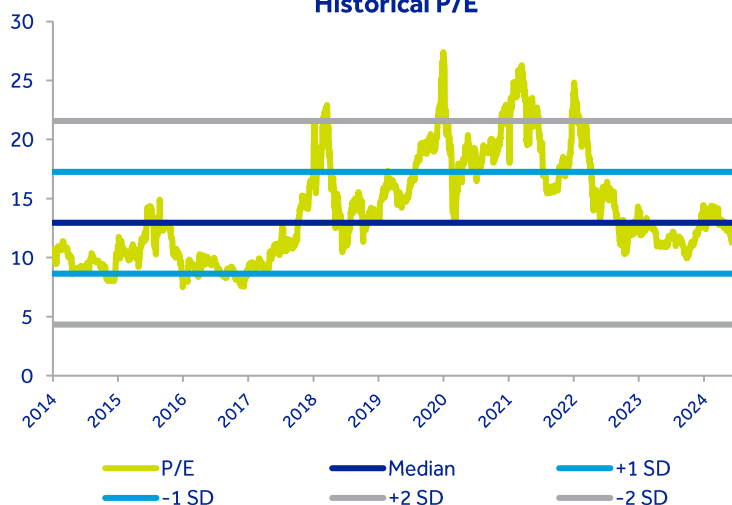
In 2019, BID privately issued 15% of charter capital to KEB Hana Bank at the issuance price at that time equivalent to a 12-month trailing P/E (pre-money) of 22.2x and P/B after issuance (post money) was 2.0x. We note that at that time, BID was in the process of restructuring legacy NPLs and profits were only low, therefore, P/E valuation multiple of the deal at that time was not reliable and P/B would be a more reasonable measure.

Based on the assumption that the valuation of subsequent issuances is usually not lower than that of previous issuances within 3-5 years, we estimate that the issuance price this time will also fall around **P/B of 2.0x**, corresponding to a price of **VND48,000-59,000/share** depending on the time of issuance.

After completing the above private placements, we estimate that BID's capital adequacy ratio (CAR) will improve by about 1.6 percentage points. Improving CAR for BID plays a more important role than for other banks when BID's CAR by the end of 2023 is only 9.18%, quite close to the minimum requirement of 8% and lower than the whole industry (at the end of May 2024: 12%). The issuance proceeds will help improve BID's credit growth capability as well as prepare for more stringent capital standards of Basel 3 in the future.

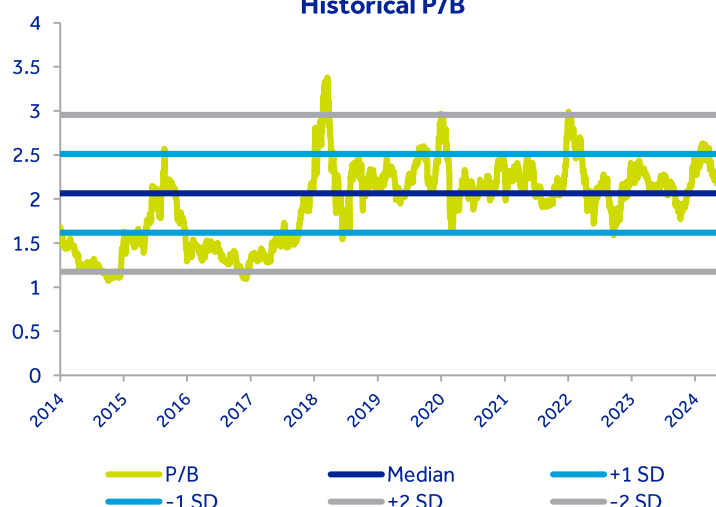
However, with an increase of more than 20% in equity capital, BID's ROE will face downward pressure, forecast from the current level of over 17% to 15% after issuance – equivalent to the industry average.

Historical P/E



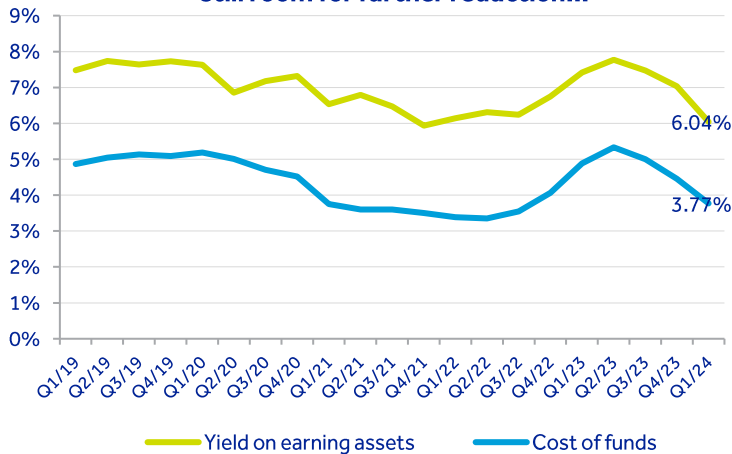
Source: FiinPro-X, ACBS

Historical P/B



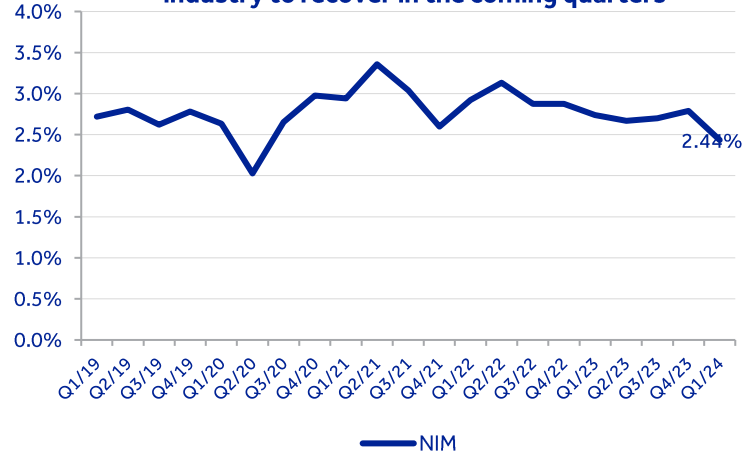
Source: FiinPro-X, ACBS

Cost of funds are decreasing rapidly but there is still room for further reduction...



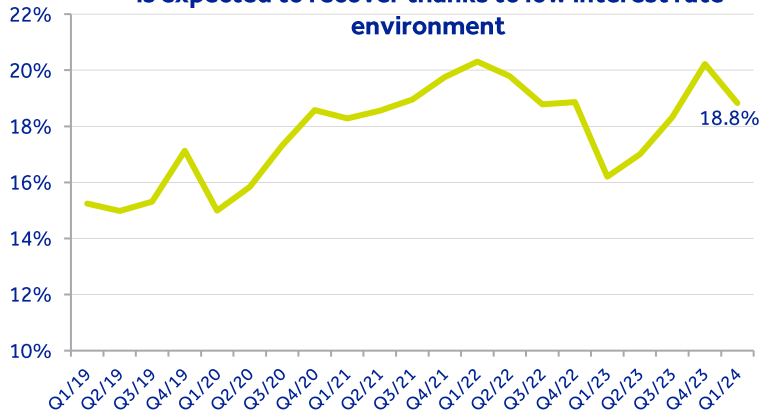
Source: BID, ACBS

...supports NIM is among the lowest in the industry to recover in the coming quarters



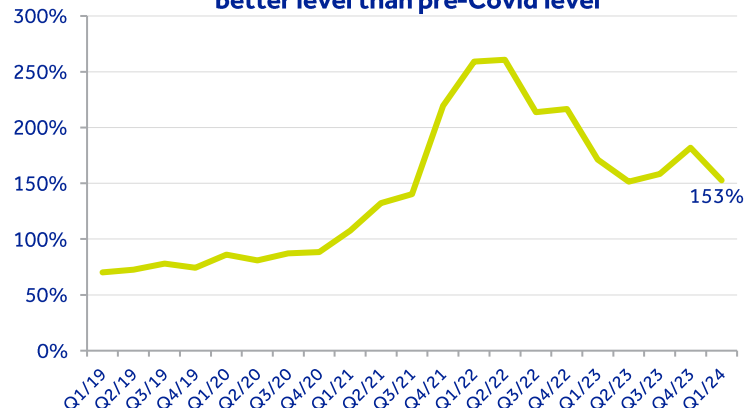
Source: BID, ACBS

CASA ratio decreased due to seasonal factors but is expected to recover thanks to low interest rate environment



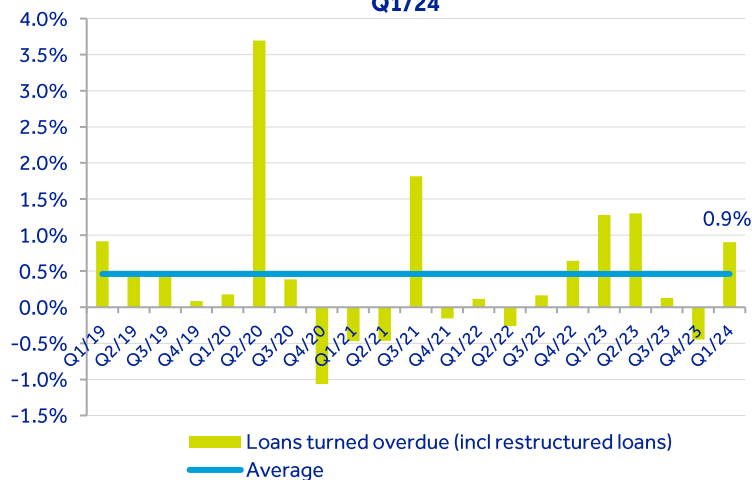
Source: BID, ACBS

NPL coverage ratio decreased but is still at a better level than pre-Covid level



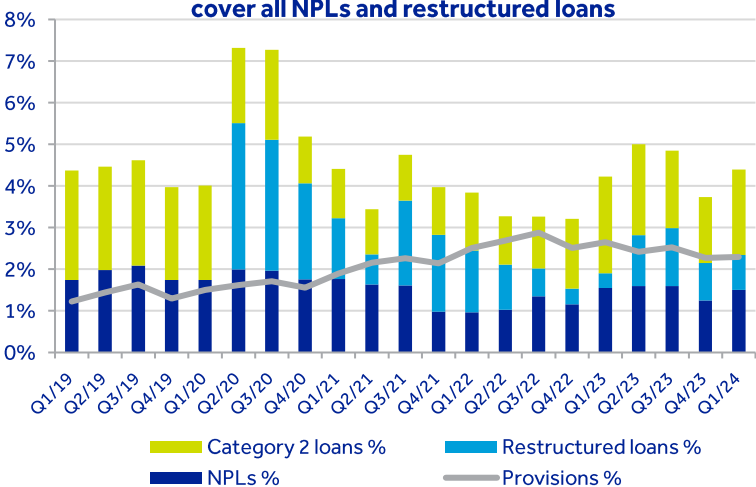
Source: BID, ACBS

Loans turned overdue (incl restructured loans) risen in Q1/24



Source: BID, ACBS

Provision buffer maintained at a sufficient level to cover all NPLs and restructured loans



Source: BID, ACBS

(Unit: VND billion, unless otherwise stated)	Market price (VND):	46,000	Target price (VND):	54,000	Market cap (VND bn):	232,692	
INCOME ITEMS	2020	2021	2022	2023	2024F	2025F	2026F
Net interest income	35,797	46,823	55,960	56,136	66,406	77,513	87,746
Net fee & commission income	5,266	6,614	5,651	6,570	6,964	7,939	9,050
Other non-interest income	8,974	9,056	7,868	10,308	8,315	9,559	10,864
Total operating income	50,037	62,494	69,480	73,013	81,685	95,011	107,661
Growth (%)	4.0%	24.9%	11.2%	5.1%	11.9%	16.3%	13.3%
Operating expenses	(17,693)	(19,465)	(22,715)	(25,081)	(27,589)	(30,348)	(33,382)
Profit before provision & tax	32,344	43,028	46,765	47,932	54,097	64,663	74,279
Provision for credit losses	(23,318)	(29,481)	(23,842)	(20,344)	(22,909)	(28,281)	(32,241)
Profit before tax	9,026	13,548	22,923	27,589	31,188	36,382	42,038
Growth (%)	-15.9%	50.1%	69.2%	20.4%	13.0%	16.7%	15.5%
Profit after tax after minority interests	6,997	10,540	18,086	21,505	24,301	28,357	32,769
Profit attributable to shareholders	4,971	8,654	16,013	18,736	21,623	25,332	29,239
Adjusted EPS (VND)	1,236	1,711	3,166	3,287	3,793	4,319	4,705
BALANCE SHEET ITEMS	2020	2021	2022	2023	2024F	2025F	2026F
Outstanding loans & corporate bonds	1,230,569	1,368,891	1,535,139	1,785,020	2,033,158	2,317,800	2,642,292
Growth (%)	8.2%	11.2%	12.1%	16.3%	13.9%	14.0%	14.0%
Customer deposits	1,226,674	1,380,398	1,473,598	1,704,690	1,909,253	2,157,456	2,437,925
Growth (%)	10.1%	12.5%	6.8%	15.7%	12.0%	13.0%	13.0%
Total assets	1,516,686	1,761,696	2,120,677	2,300,869	2,607,485	2,961,638	3,372,127
Shareholder's equity	76,412	83,135	99,395	117,901	139,524	172,933	222,710
BVPS (VND)	18,998	16,435	19,649	20,683	24,476	29,483	35,842
KEY RATIOS	2020	2021	2022	2023	2024F	2025F	2026F
NPL	1.8%	1.0%	1.2%	1.3%	1.3%	1.0%	0.9%
NPL coverage	89.2%	214.8%	210.4%	180.9%	144.1%	149.9%	154.9%
NIM	2.5%	3.0%	3.0%	2.6%	2.8%	2.9%	2.9%
CIR	35.4%	31.1%	32.7%	34.4%	33.8%	31.9%	31.0%
Adjusted ROA	0.3%	0.5%	0.8%	0.8%	0.9%	0.9%	0.9%
Adjusted ROE	6.6%	10.8%	17.5%	17.2%	16.8%	16.2%	14.8%
CAR (Basel 2)	8.6%	9.0%	9.3%	9.2%	9.6%	10.4%	11.7%
P/E (x)	46.8	26.9	14.5	12.4	10.8	9.2	8.0
P/B (x)	3.0	2.8	2.3	2.0	1.7	1.3	1.0
Dividend yield	1.7%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%

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BUY	: total stock returns (including dividend yield) over the next 12 months are forecast to be 20% or higher.
OUTPERFORM	: total stock returns (including dividend yield) over the next 12 months are forecast to be from 10 to 20%.
NEUTRAL	: total stock returns (including dividend yield) over the next 12 months are forecast to be between -10 and 10%.
UNDERPERFORM	: total stock returns (including dividend yield) over the next 12 months are forecast to be from -10 to -20%.
SELL	: total stock returns (including dividend yield) over the next 12 months are forecast to be -20% or lower.

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