

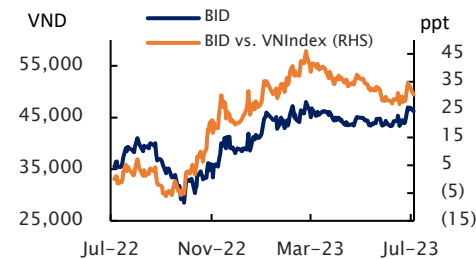
HOLD-Underperform

TP upside/(downside): -17%

Close 31 Jul 2023

Price VND 47,000
12M Target VND 38,860

Share price performance relative to VNI



Source: Bloomberg

Market cap	US\$10.1 bn
6M avg. daily turnover	US\$2.2 mn
Outstanding shares	5,059 mn
Free float	4%
FINI ownership	17.1%
Major shareholders	96.3%
2024 Asset/Equity	17x
2024E P/E (*)	8.6x
2024E P/B (*)	1.7x
FOL Remaining Room	12.9%
Dividend yield (*)	0.0%

Source: FiinPro, (*) Yuanta

BID's 2Q23 Results	2Q23	% QoQ	% YoY
NII (VND bn)	13,807	-1%	-5%
Net Fee Inc. (VND bn)	1,671	+10%	+11%
Adj. TOI (VND bn)	16,470	+1%	-2%
Opex (VND bn)	6,370	+32%	+23%
Provision (VND bn)	4,192	-24%	-35%
PATMI (VND bn)	5,426	-1%	+5%
NPL (%)	1.59%	+5bps	+57bps
LLR (%)	153%	-19ppt	-110ppt
CASA (%)	17.0%	+80bps	-2.8ppt

Source: Company Data, Yuanta Vietnam

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BIDV (BID VN)

Lowered provisioning

BID reported 2Q23 PATMI of VND5.4 tn (-1% QoQ/+5% YoY). 1H23 PATMI was VND10.9 tn, fulfilling 56% of our forecast.

Details

Loans to customers increased by 7.0% YTD, while customers deposits increased by only 4.9% YTD as at 2Q23.

2Q23 net interest income (net-II) was VND13.8 tn (-1% QoQ/-5% YoY). We estimate 2Q23 annualized NIM on average assets was 2.61% (-3bps QoQ/-44bps YoY).

2Q23 net fee income was VND1.7 tn (+10% QoQ/+11% YoY) – a solid results in the current operating environment, but details are unclear.

2Q23 net gains from FX was VND784 bn (+17% QoQ/+25% YoY).

Opex increased by +32% QoQ/+23% YoY to reach VND6.4 tn in 2Q23. We estimate that adjusted CIR (excluding net other incomes) increased to 38.7% (+9.0ppt QoQ/+7.7ppt YoY).

Provisioning declined by -24% QoQ/-35% YoY to VND4.2 tn in 2Q23, which helped earnings in 2Q23.

NPL ratio increased slightly to 1.59% (+5bps QoQ/+57bps YoY) in 2Q23. Notably, category 4 NPLs jumped by +23% QoQ/+114% YoY. LLR ratio declined to 153% (-19ppt QoQ/-110ppt YoY) in 2Q23.

CASA deposits were VND263 tn (+8% QoQ/-6% YoY). CASA ratio was 17% as at 2Q23 (+80bps QoQ/-2.8ppt YoY).

Substantial decline in government deposits at the 3 listed SOE banks. BID's government deposit/total liabilities decreased from 6.2% in 1Q23 to 2.6% in 2Q23. VCB's govt. deposits/total liabilities declined from 3.7% in 1Q23 to only 0.1% in 2Q23. CTG's govt. deposits/total liabilities dropped from 5.8% to only 0.3% in the same period.

This might be an indicator of public investment disbursement, which we see as a key positive driver of overall economic growth in 2H23.

Our view

Reduced provisioning confirms our [previously discussed](#) view that BID might use provisioning to support the bottom line. BID could continue to do so in upcoming quarters. However, we view this as a low-quality earnings driver that would not persist in an environment of rising NPLs.

BID's deposit franchise is not strong compared to peers (i.e. [VCB](#), [MBB](#)).

Asset quality is still under control, but its NPL ratio is high compared to the leading SOE bank (i.e. VCB, with an NPL ratio of 0.83%).

Valuation is expensive. BID trades at 1.7x 2024E P/B vs. the sector median of 0.9x despite our 2024E ROE of forecast of 18% vs. the sector median 20%. We fail to see this as an attractive valuation.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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