

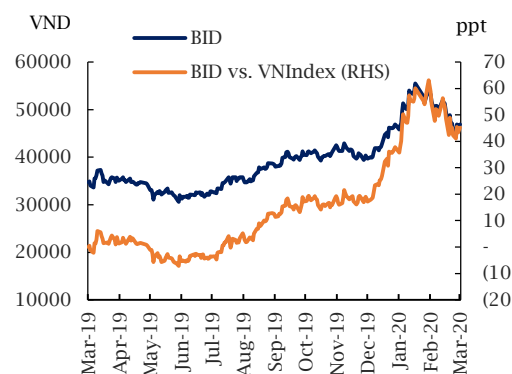
BIDV [BID VN]: AGM Takeaways

9 March 2020

SELL

TP upside/(downside) -20%

Close 06 Mar 2020

Price VND 46,850
12M Target VND 37,300


Market cap	US\$8.1 bn
6M avg. daily turnover	US\$1.8 mn
Outstanding shares	4,022 mn
Free float	19%
FINI ownership	18%
Major shareholders	96%
Asset/equity (x)	21.0
2020E P/E (x)	22.6
2020E P/B (x)	2.3
FOL remaining room	12%
2020E Dividend yield	2.0%

Source: Bloomberg

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Event: Annual General Meeting

[BID](#) held its annual general meeting (AGM) on Mar 07, 2020 to discuss their business results for 2019 and set targets for 2020. The bank set 2020E PBT growth of 15% YoY despite a low credit growth quota of 9%. Capital raising was also a key focus of the AGM.

Key Takeaways

Management targets to grow PBT by 16% to reach VND12.5 tn in 2020E. BID originally targetted credit growth of 13% YoY, but its initial credit growth quota from the SBV is only 9%. **2019 PBT was VND10.7 tn (+14% YoY)**, beating the bank's full-year target by 4%.

BID has cleared all of its VAMC exposure. We think the last of VAMC provisions will be reflected in 1Q20. 2019 NPL ratio was 1.75%, and the bank targets an NPL ratio of below 1.70% in 2020E.

Further capital strengthening. BID plans to pay a 7% stock dividend in 3Q20 or 4Q20, equivalent to 281.5 million shares. In addition, the bank plans to issue an additional of 341.5 million new shares in 2020-2021 via public or private placement, equivalent to 8.5% of outstanding shares at end-2019. As a reminder, BID successfully issued 603.3 million shares (or 15% of the BID's post-deal capital) via private placement to KEB Hana Bank in 2019.

Our view - Reiterate SELL

We believe that BID's earnings should accelerate from 2Q20 given the lack of VAMC exposure, which should result in reduced provisioning and could be a potential source of loan loss recoveries.

BID's strengthened balance sheet should allow it to grow in 2020E. The KEB Hana Bank deal has enhanced BID's previously weak capital adequacy. The reduced leverage should also lower its funding cost and thus improve NIM. We forecast credit growth of 14% for BID this year, which would require an increase from the SBV.

However, further capital raising could prove to be difficult given BID's high valuation. BID is trading at an unattractive 2.3x 2020E P/B against our 2020E adjusted ROAE forecast of only 11%. This is expensive relative to the sector median P/B of 1.2x and ROAE of 20%.

Reiterate SELL. Our Feb 14 downgrade turns out to have been well timed, but the call was primarily driven by BID's high valuation relative to its low ROE rather than the cononavirus. Please see our note titled [Enough is enough](#) for details. The outbreak obviously presents downside risk for BID and all the banks in terms of NIM (as lending rates are eased), loan growth, and credit quality.

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