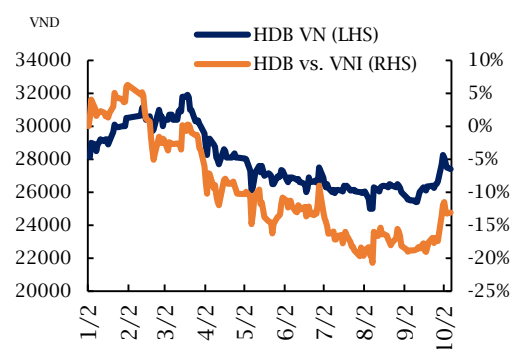


HDB VN: Credit growth powering ahead
18 October 2019
TP upside (downside) +11%
Close 18 Oct 2019
Price 27,950
12M Target 30,970

Share price performance relative to VNI


Market cap	US\$1.2 bn
6M avg. daily turnover	US\$1.7 mn
Outstanding shares	981 mn
Free float	73%
FINI ownership	23.8%
Major shareholders	13.3%
2019E Asset/Equity	15.5x
2019E P/E	19.9x
2019E P/B	3.8x
FOL Room	6.2%

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Event

- ▶ Prelim 3Q19 PBT was VND1.2 tn (+7% QoQ/ +45% YoY)
- ▶ 9M19 PBT (+18% YoY) was 73% of our full-year forecast
- ▶ 3Q19 NPL (parent bank) ratio of 1.10% was up 2bps vs. 2018A

Our Take

Strong credit growth. Based on local media reports, we estimate that HDB's credit growth has increased 16.5% YoY or 14.4% YTD. The bank has not disclosed detailed 3Q19 financial statements, but we continue to believe that high credit growth drove the strong 3Q19 and 9M19 YTD profit.

Prelim 3Q19 PBT was VND1.2 tn (+7% QoQ / +45% YoY), and 9M19 PBT of VND3.4 tn was up 18% YoY. This completed 67% of the bank's full-year target, 73% of our 2019E forecast, and 76% of Bloomberg consensus PBT.

Higher credit growth quota. We expect the SBV to grant HDB a higher credit quota (i.e. 20%) in 2019 given that it achieved early Basel II compliance in October 2019.

Asset quality remains solid. The bank's reported NPL ratio was 1.10% as at 3Q19, which is only 2bps higher than that of 2018A.

We reiterate our HOLD–Underperform recommendation. As highlighted in our initiation note titled "[Wait for clarity on the PG Bank deal](#)", we think that investors may get a better entry price after the PG Bank acquisition is complete. This is largely a technical concern, as we believe that many of PG Bank's current shareholders are likely to monetize their investments once their PGB shares are converted into HDB's liquid shares. Thus, we would wait for clarity on the acquisition with PGBank before revisiting our cautious short-term view on HDB.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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HOLD-Underperform: In our view, the stock's fundamentals are relatively less attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

SELL: We have a negative outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors reduce their position.

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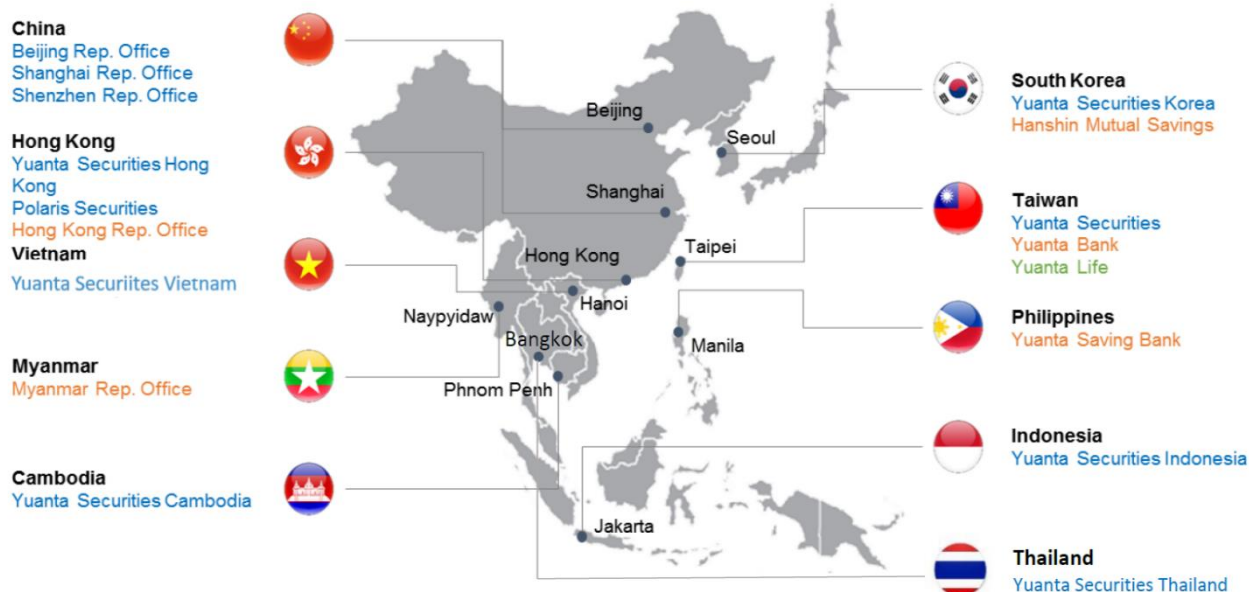
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