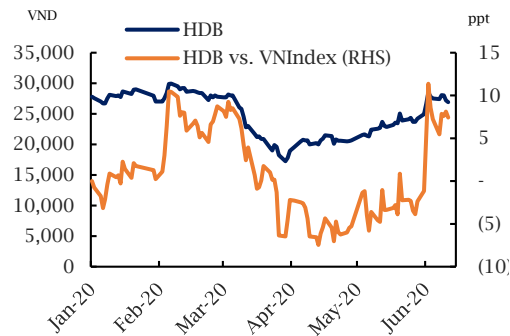


HOLD-UPF

TP upside/(downside) +15%

Close 12 June 2020

Price VND 26,900
12M Target VND 30,970



Market cap	US\$1.1 bn
6M avg. daily turnover	US\$2.0 mn
Outstanding shares	966 mn
Free float	70%
FINI ownership	21.1%
Major shareholders	30%
2020E Asset/equity (x)	14
2020E P/E (x)	6.7
2020E P/B (x)	1.3
FOL room	8.9%
2020E Dividend yield (%)	0.0%

Source: FiinPro, Yuanta Vietnam

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Annual General Meeting Takeaways

HDB held its annual general meeting (AGM) on June 13.

Key Takeaways

HDB targets 2020E PBT of VND5.7 tn (+13% YoY), with credit growth (including corporate bonds) at +16% YoY. To achieve the target, the bank plans to expand its network, increase fees through cross-selling to group partners (i.e., Vietjet Aviation (VJC), Saigon Coop (SID), Petrolimex (PLX)), and investment in corporate bonds and government bonds.

Stock dividend set at 50% of par value plus another 15% share bonus, which we estimate as resulting in a total of 628m new shares.

HDB plans to issue VND10 tn (USD500 mn) in 5-year convertible bonds in 2020 or 2021. In addition, HDB plans to issue an international non-convertible bond (term: 3- to 10-years) of up to USD1 billion sometime in 2020-2024.

The merger with PGBank is still in progress but management offered no other details.

IPO of HD Saison? HDB plans to convert HD Saison to a Joint Stock Company this year to prepare for an IPO at an appropriate time.

Our view

Our 2020E PBT forecast of VND6.1 tn (+22% YoY) now appears stretched relative to guidance and the macro realities of 2020. Our forecasts are under review.

Capital strengthening: The share dividend (and lack of cash dividend) is no surprise given the SBV's prudential policy on all the banks. In addition, the bond issuance will strengthen HDB's medium- to long-term funding. The funds raised from the VND10 tn convertible bond will be counted as Tier 2 capital. HDB's CAR ratio was 11.2% as at 1Q20. *Ceteris paribus*, we estimate the additional Tier 2 capital would boost HDB's total CAR by 3.2ppt to 14.4%.

We maintain HOLD-Underperform. HDB was up 3% this morning, outperforming the market on a down day, perhaps due to excitement over the share dividend. The stock trades at 1.3x 2020E P/BV which is slightly higher than the peer median of 1.2x but is not particularly stretched given its higher-than-average ROEs. Although our forecasts are now under review, we are not overly bearish on HDB's operational outlook. However, we would await clarity on the acquisition of PG Bank before revisiting our short-term cautious view.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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Ratings Definitions

BUY: We have a positive 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 add to their position.

HOLD–Outperform: In our view, the stock's fundamentals are relatively more 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.

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.

Under Review: We actively follow the company, although our estimates, rating and target price are under review.

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