

**HDBank [HDB VN]**
**18 November 2020**
**Action**
**BUY**
**TP upside +17%**
**Close 17 Nov 2020**

Price	VND 25,700
12M Target	VND 30,095
Previous Target	VND 23,820
% change	+26%

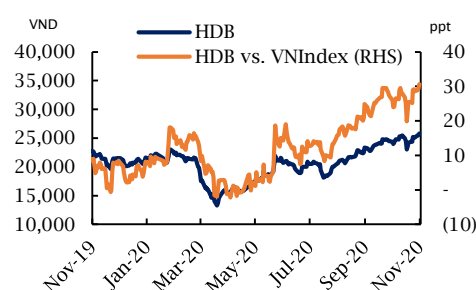
**What's new?**

- ▶ The deal with PG Bank now appears to be off the table.
- ▶ Asset quality at HD Saison is holding up surprisingly well.
- ▶ We now forecast loan growth to reach 16% for 2020E-21E.
- ▶ We reckon the maximum EPS dilution from the CB is c.8.5%.

**Our view**

- ▶ **Upgrade to BUY.** The stock trades at 1.1x 2021E P/B with 2021E ROE of 18%.
- ▶ Management's statement that the PG Bank acquisition is likely off the table removes what we have seen as a key investment risk.
- ▶ Credit growth should continue to outperform peers given HDB's low LDR, SBV easing, and high capital demand at yearend.
- ▶ Bancassurance is another positive driver.

**Company profile:** HDB is a retail & SME bank that also operates HD Saison, a top-three consumer finance business. SME loans accounted for 49% of total consolidated loans as at 3Q20, with retail loans at 39%. Asset quality at the bank and the consumer finance subsidiary remain strong despite the impact of Covid-19.

**Share price performance relative to VNIndex**


<b>Market cap</b>	<b>US\$1.4 bn</b>
<b>6M avg. daily turnover</b>	<b>US\$1.8 mn</b>
<b>Outstanding shares</b>	<b>1,256 mn</b>
<b>Free float</b>	<b>70%</b>
<b>FINI ownership</b>	<b>19.6%</b>
<b>Major shareholders</b>	<b>18.5%</b>
<b>2021E Asset/equity (x)</b>	<b>11.3x</b>
<b>2021E P/E (x)</b>	<b>6.9x</b>
<b>2021E P/B (x)</b>	<b>1.1x</b>
<b>FOL Room</b>	<b>1.9%</b>

**Financial outlook (VND bn)**

Year to Dec	2019A	2020E	2021E	2022E
NIM (%)	4.72%	4.81%	4.75%	4.80%
Fee growth (%)	43%	50%	45%	31%
Adj. CIR	46%	45%	43%	43%
PPOP growth	30%	23%	21%	14%
Net profit	3,605	4,166	5,088	5,945
ROAA	1.62%	1.59%	1.67%	1.77%
ROAE	19.4%	18.2%	18.3%	17.9%
PE	7.0	6.9	6.4	5.4
PB	1.3	1.4	1.1	1.0
Div. yield (%)	0.6%	0.0%	0.0%	1.8%

\*Net profit attributable to shareholders (PATMI minus employee welfare contribution).

Source: FiinPro, Yuanta Vietnam

**Research Analyst:**
**Tanh Tran**

+84 28 3622 6868 ext 3874

[tanh.tran@yuanta.com.vn](mailto:tanh.tran@yuanta.com.vn)
**Bloomberg code: YUTA**

## HDBANK (HDB VN)

### A brighter outlook

The PG Bank acquisition is likely to be off the table. As outlined in our [initiation](#), our core investment concern for HDB has been the risks related to the prospective PG Bank acquisition. But based on recent developments highlighted in the [3Q20 results meeting](#), we now believe the PG Bank acquisition is unlikely to occur. The removal of this overhang leaves us with a positive outlook on HDB.

We expect higher-than-sector loan growth in 4Q20 and 2021E given the bank's relatively low LDR. Eased rates and high seasonal capital demand should help to boost loan growth in 4Q20, and overall conditions for credit growth should recover substantially in 2021. Thus, we forecast loan growth to reach 16.3% in 2020E and 15.6% in 2021E.

Asset quality is holding up surprisingly well at HD Saison, where NPL ratio was 6.77% in 3Q20. In any event, HDB's loan exposure to its unsecured consumer subsidiary represents just 29% of shareholders' equity, well below VPB's exposure to FE Credit (130% of VPB's shareholders' equity).

**Bullish on banca.** We forecast net fee income to reach VND941 bn in 2020E (+50% YoY) and VND1.4 tn in 2021E (+45% YoY), largely driven by bancassurance, which could also provide a substantial up-front fee.

**Yuanta vs consensus.** Our earnings forecasts are in line with Bloomberg consensus, but we believe that our loan growth and fee income forecasts are higher than those of the Street.

**Upgrade to BUY.** After extracting the PG Bank consolidation from our model, we increase our forecasts for 2020E forecast by 4% and 2021E EPS by 10%. The combination of higher profitability and lower risk than in our previous model results in a 26% increase in our target price, which implies a reasonable 1.3x FY2021E P/B vs. forecast ROE of 18%.

**ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.**

Yuanta does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

# HDB: A brighter outlook

**Table 1: Valuations**

Valuation Ratios	2017A	2018A	2019A	2020E	2021E	2022E
Adjusted PER (x)	12.3	8.3	6.9	6.8	6.2	5.3
PEG	0.1	0.2	0.3	4.9	0.7	0.3
Adj. ROA (%)	1.03%	1.40%	1.62%	1.59%	1.67%	1.77%
Adj. ROE (%)	14.1%	18.0%	19.4%	18.2%	18.3%	17.9%
PBR (x)	1.6	1.6	1.3	1.4	1.1	0.9
Dividend Yield (%)	0.7%	5.4%	0.6%	0.0%	0.0%	1.9%

Source: Company data, Yuanta Vietnam

## Acquisition deal with PG Bank is now off the table

Based on recent statements by the various players involved in the prospective deal, we believe that the PG Bank acquisition is now off the table and not likely to occur in the future. In our view, the deal was moderately value destructive on the surface based on pricing alone. But more importantly, we were also concerned about the potential for increased NPLs from the acquired institution, and we expected cost efficiency to decline post-merger.

However, based on the statements of various players involved in that deal, we now believe that it is unlikely to happen. As such, we have eliminated these risks from our model and we are now more positive on HDBank.

This is a reversal of our previous assumption that the acquisition would take place, which drove us to consolidate PG Bank into our old model for HDB. However, as the deal is not likely to happen, we have been revised our model to include only HDB and to exclude PG Bank. Our new forecasts also factor in the impact of the pandemic to HDB's business.

**Table 2 – Balance sheet (New vs. Old)**

Balance sheet (VND bn)	Old (including PG Bank)			New (Excluding PG Bank)			% diff. (New vs. Old)		
	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E
Gross loan	196,922	225,324	255,136	170,248	196,748	227,084	-14%	-13%	-11%
<b>Total Assets</b>	<b>300,218</b>	<b>328,910</b>	<b>356,980</b>	<b>293,144</b>	<b>315,798</b>	<b>357,057</b>	<b>-2%</b>	<b>-4%</b>	<b>0%</b>
Deposits	200,737	227,251	254,753	176,950	200,080	228,831	-12%	-12%	-10%
Total liabilities	278,884	304,399	328,509	267,823	285,378	320,976	-4%	-6%	-2%
Total equity	21,334	24,511	28,471	25,322	30,420	36,081	19%	24%	27%

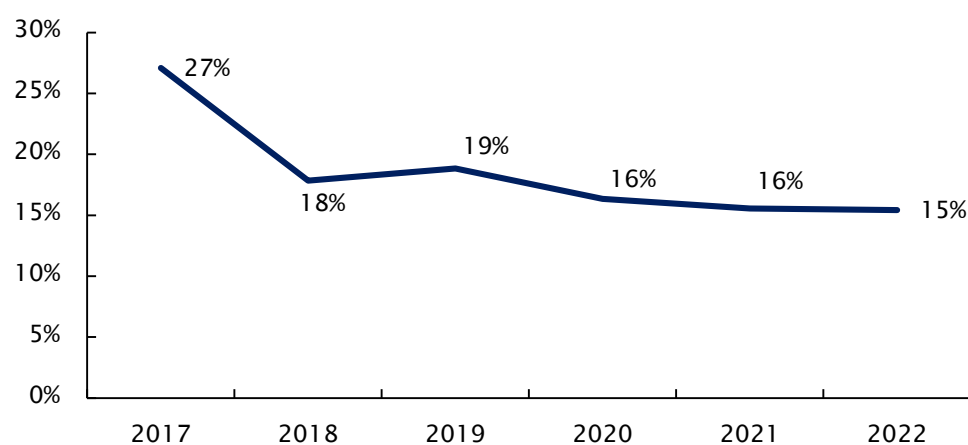
**Table 3- Income Statement (New vs. Old)**

Income Statement (VND bn)	Old (including PG Bank)			New (Excluding PG Bank)			% diff. (New vs. Old)		
	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E
Net interest income	12,007	14,721	16,846	11,674	13,514	15,165	-3%	-8%	-10%
Net fee income	1,003	1,267	1,561	941	1,366	1,790	-6%	8%	15%
Other non-interest income	1,211	1,284	1,348	485	490	555	-60%	-62%	-59%
<b>Adj. TOI</b>	<b>14,221</b>	<b>17,271</b>	<b>19,755</b>	<b>13,100</b>	<b>15,371</b>	<b>17,509</b>	<b>-8%</b>	<b>-11%</b>	<b>-11%</b>
Total expenses	(6,777)	(8,313)	(9,003)	(5,865)	(6,633)	(7,517)	-13%	-20%	-17%
PPOP	7,444	8,958	10,752	7,235	8,738	9,992	-3%	-2%	-7%
Net provisions	(1,343)	(1,478)	(1,591)	(1,427)	(1,644)	(1,704)	6%	11%	7%
<b>Pre-tax Income</b>	<b>6,101</b>	<b>7,480</b>	<b>9,161</b>	<b>5,808</b>	<b>7,094</b>	<b>8,288</b>	<b>-5%</b>	<b>-5%</b>	<b>-10%</b>
Tax	(1,220)	(1,496)	(1,832)	(1,162)	(1,419)	(1,658)	-5%	-5%	-10%
Profit after tax	4,881	5,984	7,329	4,646	5,675	6,630	-5%	-5%	-10%
Minorities interest	(548)	(672)	(823)	(480)	(587)	(685)	-12%	-13%	-17%
<b>PATMI</b>	<b>4,333</b>	<b>5,312</b>	<b>6,506</b>	<b>4,166</b>	<b>5,088</b>	<b>5,945</b>	<b>-4%</b>	<b>-4%</b>	<b>-9%</b>
<b>EPS (VND)</b>	<b>3,576</b>	<b>3,684</b>	<b>4,512</b>	<b>3,725</b>	<b>4,052</b>	<b>4,734</b>	<b>4%</b>	<b>10%</b>	<b>5%</b>

Source: Yuanta Vietnam

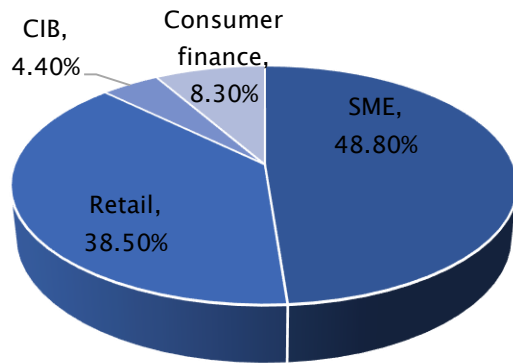
**Loan growth to drive earnings in 4Q20 and next year**

We expect HDB's loan growth to reach about 16% for the period 2020E-2021E supported by the following key items. 1) The current LDR (under Circular 36) of HDB was only 68% as of Sep 30, 2020 (source: HDBank), which is well below the regulatory cap of 85%. This means that HDB has substantial room to grow loans. 2) Financial system liquidity is strongly backed by SBV easing policy, which will allow banks more room to cut short-term loan rates and thus boost credit growth. 3) Capital demand is usually high at yearend. In 9M20, HDB's credit growth was 14%, well above the sector's credit growth of about 6.1%. Management said that the credit growth was 20% in 10M20, and the bank has asked for a credit quota of 27-28% for 2020E.

**Figure 1: HDB's loan to customer growth from 2017 - 2022**

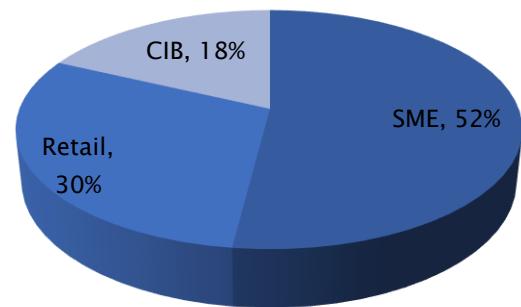
Source: Company Data, Yuanta Vietnam

**Figure 2: HDB's loan breakdown as at 3Q20**



Source: Company Data, Yuanta Vietnam

**Figure 3: HDB's deposit breakdown**



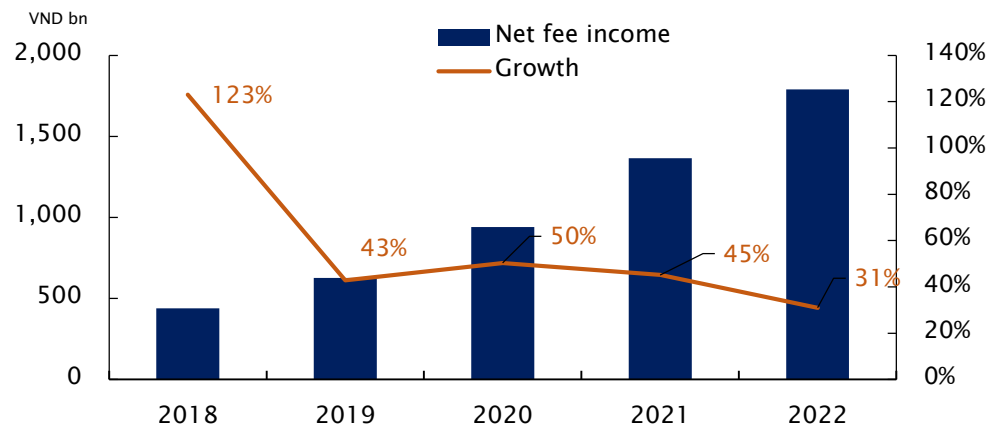
Source: Company Data, Yuanta Vietnam

**Fee income boost from bancassurance sales**

HDB currently partners with Dai-ichi Life on bancassurance, and the bank has set up a division to focus directly on selling insurance products. This should result in substantial growth in bancassurance. We forecast fee income to reach VND941 bn in 2020E (+50% YoY) and VND1.4tn (+45% YoY).

HDB tied up with Dai-ichi Life in July 2015 in a 10-year agreement, but management has indicated the potential to renegotiate this deal. A successful renegotiation of the bancassurance partnership, if it occurs, should be a key driver of fee income growth.

**Figure 4: HDB's net fee income from 2018A – 2022E**



Source: Company Data, Yuanta Vietnam

The existing partnership with Dai-ichi Life clouds the picture, but if HDB is able to sign a new bancassurance exclusivity deal, will receive about VND2-3 tn in upfront fee if it decides to sign an exclusive bancassurance deal.

**Table 4: Estimated upfront fees from bancassurance exclusivity deals\***

Banks	No. of clients at the time of signing the deal (mn)	No. of branches/offices	Network (cities)	Year (signed the deal)	Term (years)	Partner	Estimated upfront fee (VND bn)
VCB	10	552	53	Nov-19	15	FWD	9,000
TCB	5	315	45	Sep-17	15	Manulife	1,500
VPB	5	216	51	Oct-17	15	AIA	1,800
ACB*	5	369	47	2021?	15	???	2,000
HDB*	10	303		2021?	15	???	2000

Source: Company data, tapchitaichinh.vn, Yuanta Vietnam

\* Note: All data for VCB, TCB, and VPB are estimated numbers at the time of signing the contract. Yuanta Vietnam estimate for ACB, and HDB.

## The bank has cleared 100% of its VAMC exposure

As of 3Q20, HDB has resolved 100% of its VAMC exposure, which will no longer affect the income statement. We expect HDB to recognize potential income from loan loss recoveries in 4Q20 and next year. The bank said it expects to receive about VND159 bn from loan loss recoveries in 4Q20.

## HD Saison – Cautious optimism on the consumer finance subsidiary

Covid-19 has clearly had a substantial impact on unsecured consumer finance companies such as HD Saison because consumer finance borrowers mostly have relatively low incomes and are under heavy financial pressure.

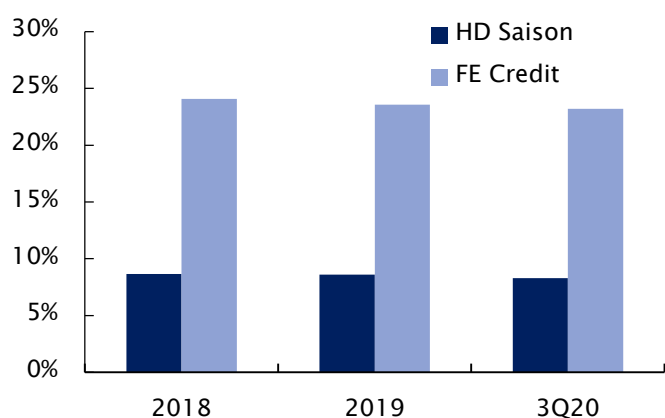
As of 3Q20, HD Saison's NPL ratio increased to 6.77% (+1.4ppt YTD); however, management states that most borrowers are making payments and will continue to be able to do so. HD Saison targets maintaining its NPL ratio at below 7% this year.

### HD Saison vs. FE Credit

Though the pandemic impact has been a hit to unsecured consumer finance, not all companies have been affected to the same degree.

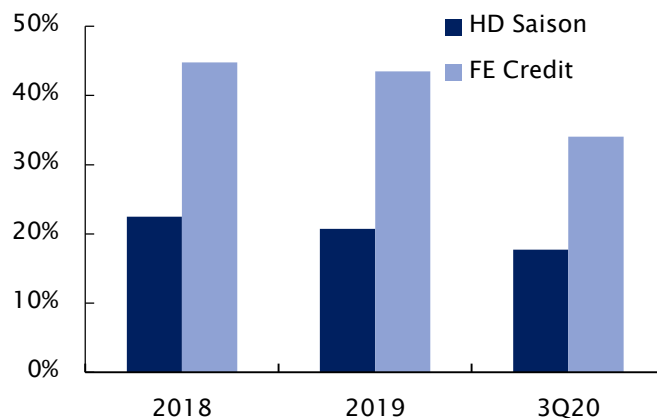
HD Saison represents 8% of HDB's consolidated loans and 18% of HDB's consolidated PBT as at 3Q20. By comparison, FE Credit, which is Vietnam's largest consumer finance lender and a subsidiary of VPB, accounted for 23% of VPB's consolidated loans and 34% of VPB's consolidated PBT.

Figure 5: % Contribution to consolidated loans



Source: FiinPro, Yuanta Vietnam

Figure 6: % contribution to consolidated PBT



Source: FiinPro, Yuanta Vietnam

For a more accurate idea of the respective consumer finance businesses impact on the parent, investors should also consider the relative percentage ownership of the subsidiaries by the respective bank groups. Because HDB only owns 50% of HD Saison, the latter's total loans attributable to HDB are 29% of HDB's equity. By contrast, VPB owns 100% of FE Credit, the total loans of which represent 130% of VPB's equity.

### Regulation on cash loan

HD Saison's cash loans represent 29.5% of total loans as at 3Q20, well below that of its competitors and the regulatory cap of 70%. The strict regulation on cash loans might cause consumer finance companies to shift focus to other segments, such as motorbike loans.

Currently, HD Saison is the market leader in motorbike lending, accounting for 34% market share. However, management sees the competitive threat as limited given that HD Saison (a JV between HD Bank with Credit Saison of Japan) has partnered with Honda and Yamaha, which account for nearly 90% of motorbike market share in Vietnam. Thus, it may be difficult for other consumer lenders to penetrate this

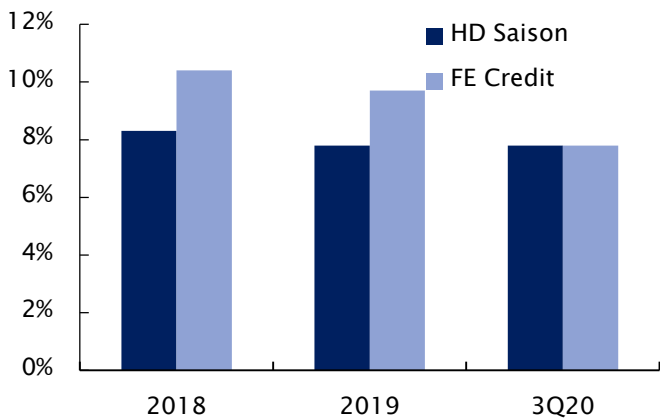
segment, which may be the reason why many late entrants were aggressively targeting cash loans (a relatively easy product to sell) until the SBV stepped in to curtail this product in 2019.

Another difference between the two is the maximum loan amount, which is much smaller at HD Saison than that of FE Credit. According to the banks, the loan size at HD Saison is capped at VND20 mn (~USD1,000), while FE Credit loans can be up to VND100 mn (~USD5,000).

**Overall, we believe that unsecured consumer finance companies will all be impacted by the pandemic, and HD Saison is no exception.** However, we believe that HDB's consumer finance business is safer than VPB's is, even despite the current dismal economic outlook.

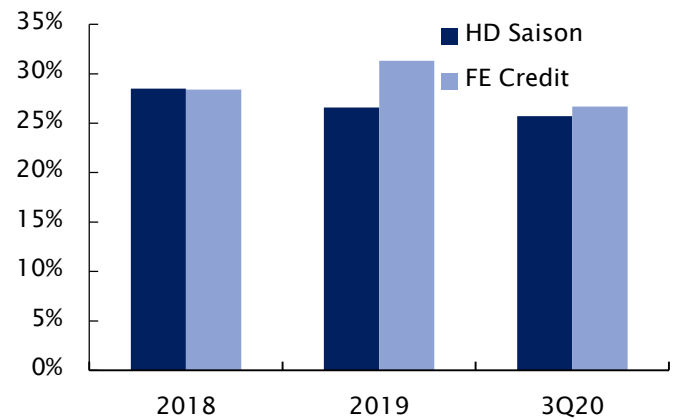
**Key comparison ratios between HD Saison and FE Credit:**

**Figure 7: Funding cost**



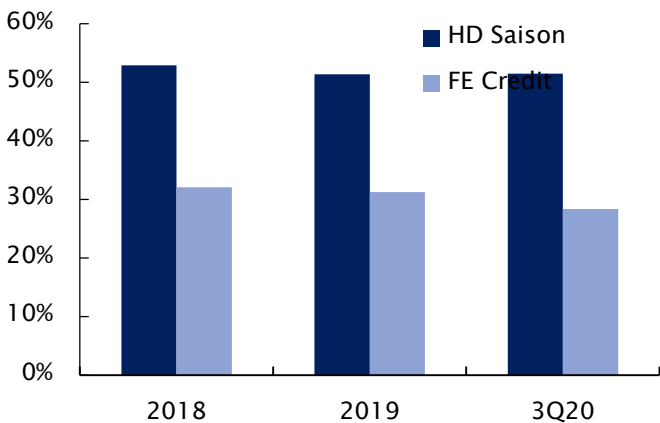
Source: Company Data, Yuanta Vietnam

**Figure 8: NIM**



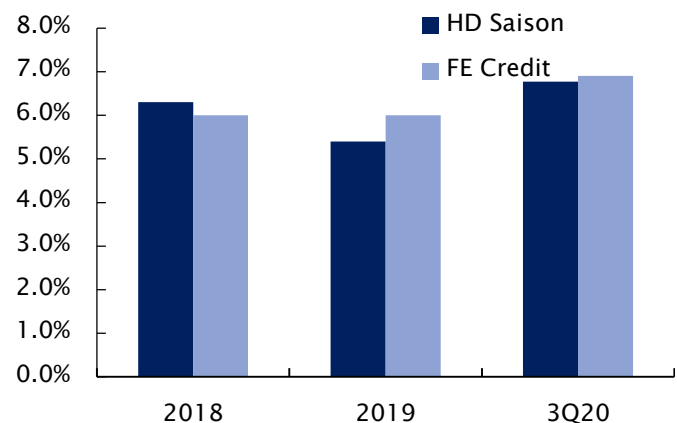
Source: Company Data, Yuanta Vietnam

**Figure 9: CIR**



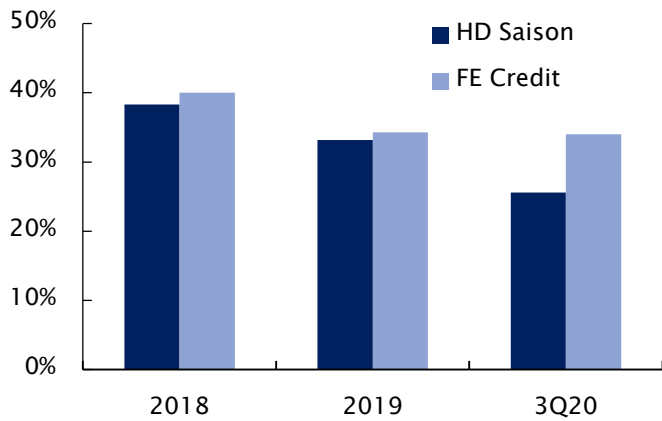
Source: Company Data, Yuanta Vietnam

**Figure 10: NPL ratios**



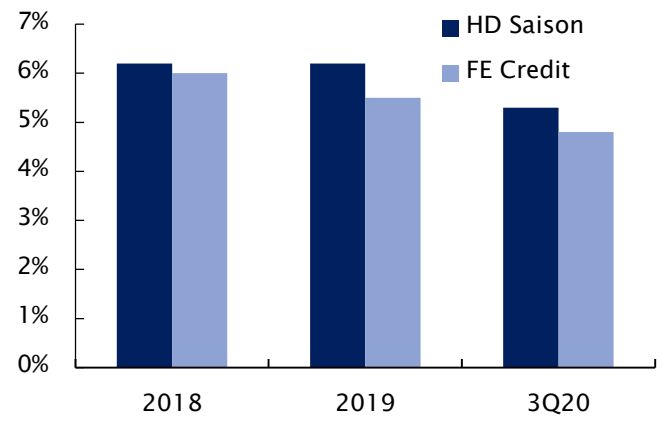
Source: Company Data, Yuanta Vietnam

Figure 11: ROE



Source: Company Data, Yuanta Vietnam

Figure 12: ROA



Source: Company Data, Yuanta Vietnam

### HDB's capital and liquidity are strong

The bank's 3Q20 total CAR (Basel II) was 10.9% vs the minimum requirement of 8.0%, and its Tier 1 ratio was 9.6%. The bank expects CAR to increase to 12.0% after counting additional Tier 2 capital from bond issuance. Liquidity is solid, as demonstrated by its short-term capital for medium to long-term loans ratio of only 23.7%, well below the regulatory cap of 40.0%.

### Asset quality remains under control

The bank's LLR ratio was 64% (-8ppt QoQ/-17ppt YoY) in 3Q20. Management stated that the low LLR ratio was due to increased Category 3 NPLs (+66% QoQ/+151% YoY) in 3Q20; they confirmed that about VND460 bn out of VND1,2 tn of Cat.3 NPLs to revert to performing status again, which should boost the 4Q20 LLR ratio. HDB has cleared all of its VAMC exposure as at 3Q20. Overall, its reported 3Q20 NPL ratio was 1.83% (+28bps QoQ/+33bps YoY). Despite management's assurances, we think that HDB should increase its LLR ratio by additional provisioning given the likely asset quality deterioration that we believe has resulted - but remains unreported, by regulatory rule - during the pandemic.

HDB's total restructured loans under Circular 01/2020/TT-NHNN are VND7.9 tn (\$340 mn), equivalent to 4.8% of the total loan book as at 3Q20). *Please our [2Q20\\_CAMEL report](#) to see the impact on each bank's (including HDB) book value from the potential losses from restructured loans.*

### Valuation

Table 5 - Valuation

Valuation Methods	Average Fair Value (VND/share)		
	Estimated Price	Weight (%)	Price
Residual Income	28,006	50.0%	14,003
DDM Perpetuity	33,530	12.5%	4,191
DDM Multiple	35,010	12.5%	4,376
Regression	31,851	12.5%	3,981
Public Comps	28,344	12.5%	3,543
<b>Estimated Fair Value</b>			<b>30,095</b>

Source: Yuanta Vietnam

Table 6- Residual Income Valuation

Terminal Net Income Growth Rate:	4.0%
Projected Net Income 1 Year After Period:	12,518
Residual Income Terminal Value:	6,954
(+) Current Common Shareholders' Equity:	23,885
(+) PV of Residual Income Terminal Value:	1,435
(+) Sum of PV of Residual Income:	9,847
Implied Equity Value:	35,167
% of Implied Value from PV of TV:	4.1%
<b>Implied Share Price:</b>	<b>28,006</b>
Current Share Price:	25,200
Implied P/BV	1.2x
<b>Premium / (Discount) to Current:</b>	<b>11%</b>

Source: Yuanta Vietnam

Terminal Return on Common Equity	Initial Cost of Equity							
	13.0%	13.5%	14.0%	14.5%	15.0%	15.5%	16.0%	
14.0%	47,443	42,071	37,547	33,696	30,386	27,518	25,014	
13.5%	45,276	40,188	35,900	32,247	29,106	26,382	24,003	
13.0%	43,136	38,327	34,272	30,816	27,841	25,260	23,003	
12.5%	41,022	36,490	32,665	29,402	26,592	24,151	22,016	
12.0%	38,934	34,675	31,077	<b>28,006</b>	25,358	23,056	21,041	
11.5%	36,872	32,882	29,509	26,626	24,139	21,975	20,077	
11.0%	34,836	31,112	27,960	25,264	22,935	20,906	19,126	
10.5%	32,826	29,364	26,431	23,919	21,746	19,851	18,186	
10.0%	30,841	27,638	24,921	22,591	20,572	18,809	17,257	

Source: Yuanta Vietnam

## Yuanta vs. Consensus

Table 7 - Yuanta vs. Consensus

Net income (VND bn)	2020E	2021E	2022E
Consensus mean	4,093	4,848	5,631
<b>Yuanta forecast</b>	<b>4,166</b>	<b>5,088</b>	<b>5,945</b>
%ge difference	1.8%	5.0%	5.6%
Consensus high	4,450	5,300	6,630
Consensus low	3,698	4,291	4,959
<b>EPS (VND)</b>			
Consensus mean	3,470	4,075	4,287
<b>Yuanta forecast (adjusted) (*)</b>	<b>3,725</b>	<b>4,052</b>	<b>4,734</b>
%ge difference	7.4%	-0.6%	10.4%
Consensus high	4,239	5,066	4,752
Consensus low	3,099	3,418	3,949

(\*) EPS was calculated based on average shares outstanding.

Source: Bloomberg, Yuanta Vietnam

## Investment Risk

Dilution risk might emerge from convertible bonds. HDB plans to issue a total of USD160 mn (VND3,728 bn) 5-year convertible bonds (par value: US\$100,000 or VND2.3 bn) to foreign investors. Some USD30 mn of these bonds have already been issued to Deutsche Investitions - Und Entwicklungsgesellschaft (DEG) (coupon rate: 4.5%) and HDB intends to issue another USD130 mn to a Singaporean investor.

The bond can be converted after 12 months and 1 day from the issuance day, and the bank estimated the conversion price at VND41,800 per share in its announcement. However, this price was set before the 30% stock dividend paid in Oct 2020, and we thus estimate the conversion price should be adjusted to about VND32,154 per share.

We do not factor related dilution into our model. However, if 1) the market price after 12 months 1 day from the date of the bond issuance is higher than the conversion price and 2) the bond holders convert all 1,600 convertible bonds into shares, then



total outstanding shares would increase by 116 mn shares to reach 1,372 mn shares. This would obviously result in EPS dilution.

**Case 1:** If we assume that 300 convertible bonds are converted at end-2021E and no additional shares are issued in the meantime, then the EPS would be diluted by 1.7% as illustrated per below:

**Table 8– Possible EPS dilution estimate with 30 mn convertible bonds**

	Value	Unit
Total bond issuance amount	30	USD mn
Par value	100,000	USD
# convertible bonds	300	bonds
<b>Conversion price (*)</b>	<b>32,154</b>	<b>VND/share</b>
Conversion ratio	72,464	1 bond to shares
<b>Dilution</b>	<b>22</b>	<b>Mn shares</b>
Shares outstanding	1,256	Mn shares
<b>Diluted Shares Outstanding</b>	<b>1,277</b>	<b>Mn shares</b>
2021E PATMI	5,088	VND bn
2021E basic EPS	4,052	VND
<b>2021E diluted EPS</b>	<b>3,983</b>	<b>VND</b>
<b>% decrease</b>	<b>-1.7%</b>	

**Case 2:** Assume that HDB will issue another 1,300 convertible bonds successfully, and the total number of convertible bonds will be 1,600. The price for the additional 1,300 convertible bonds might be different; but for the sake of simplicity, we assume that the conversion price is the same. We also assume that the bonds are converted at end-2021E and no additional shares are issued in the meantime. The result in this case is EPS dilution of 8.5%, as illustrated below:

**Table 9 – Possible EPS dilution estimate with 160 mn convertible bonds**

	Value	Unit
Total bond issuance amount	160	USD mn
Par value	100,000	USD
# convertible bonds	1,600	bonds
<b>Conversion price (*)</b>	<b>32,154</b>	<b>VND/share</b>
Conversion ratio	72,464	1 bond to shares
<b>Dilution</b>	<b>116</b>	<b>Mn shares</b>
Shares outstanding	1,256	Mn shares
<b>Diluted Shares Outstanding</b>	<b>1,372</b>	<b>Mn shares</b>
2021E PATMI	5,088	VND bn
2021E basic EPS	4,052	VND
<b>2021E diluted EPS</b>	<b>3,710</b>	<b>VND</b>
<b>% decrease</b>	<b>-8.5%</b>	

Source: Company Data, Yuanta Vietnam

(\*): Original price was VND41,800, but adjusted for 30% stock dividend paid in October 2020.

## APPENDIX

### Balance Sheet

(VND bn)	FY19A	FY20E	FY21E	FY22E
Cash and Balances at SBV	6,508	8,254	9,333	10,674
Loans & Advances to Banks:	24,665	39,942	39,160	44,788
Investment Securities:	38,781	56,302	54,571	58,555
Others:	167	234	265	303
<b>Gross Loans:</b>	<b>146,324</b>	<b>170,248</b>	<b>196,748</b>	<b>227,084</b>
(-) Specific Provisions:	(1,076)	(1,506)	(1,932)	(1,978)
(-) General Provisions:	(549)	(639)	(738)	(852)
Total provisions:	<b>(1,625)</b>	<b>(2,145)</b>	<b>(2,671)</b>	<b>(2,830)</b>
<b>Net Loans:</b>	<b>144,700</b>	<b>168,103</b>	<b>194,077</b>	<b>224,254</b>
Fixed Tangible asset:	532	604	685	778
Intangible Assets:	371	427	427	427
Real estate investment	44	44	44	44
Accrued interests:	3,198	3,198	3,198	3,198
Deferred tax:	2	2	2	2
Other Assets:	8,605	9,035	9,035	9,035
<b>Total Assets:</b>	<b>229,477</b>	<b>293,144</b>	<b>315,798</b>	<b>357,057</b>
Deposits:	126,019	176,950	200,080	228,831
Liabilities to Gov. & SBV	209	243	281	325
Due to Banks:	49,794	54,530	53,180	61,380
Valuable papers:	25,013	31,266	31,266	31,266
Other Liabilities:	8,062	4,833	571	(825)
<b>Total Liabilities:</b>	<b>209,096</b>	<b>267,823</b>	<b>285,378</b>	<b>320,976</b>
Share Capital & Share Premium:	11,852	13,301	13,301	13,301
Reserves:	1,248	1,748	1,748	1,748
Treasury Shares	(159)	(413)	(413)	(413)
Retained Earnings:	6,131	8,848	13,936	19,287
Minorities Interest:	1,309	1,837	1,847	2,158
<b>Total Equity:</b>	<b>20,381</b>	<b>25,322</b>	<b>30,420</b>	<b>36,081</b>
<b>Total Liabilities &amp; Equity:</b>	<b>229,477</b>	<b>293,144</b>	<b>315,798</b>	<b>357,057</b>

Source: Company Data, Yuanta Vietnam

### Profit and Loss

(VND bn)	FY19A	FY20E	FY21E	FY22E
Net Interest Income:	9,747	11,674	13,514	15,165
Net Fee Income:	<b>626</b>	<b>941</b>	<b>1,366</b>	<b>1,790</b>
Other Non-II:	577	485	490	555
Total Non-II:	1,203	1,426	1,857	2,344
<b>Total Adj. TOI:</b>	<b>10,950</b>	<b>13,100</b>	<b>15,371</b>	<b>17,509</b>
Total Expenses:	(5,080)	(5,865)	(6,633)	(7,517)
<b>PPOP:</b>	<b>5,869</b>	<b>7,235</b>	<b>8,738</b>	<b>9,992</b>
Gross Provisions:	(1,289)	(1,857)	(2,107)	(2,228)
NPL Recoveries:	438	430	463	524
Net Provisions:	(851)	(1,427)	(1,644)	(1,704)
<b>Pre-Tax Income:</b>	<b>5,018</b>	<b>5,808</b>	<b>7,094</b>	<b>8,288</b>
(-) Income Tax:	(998)	(1,162)	(1,419)	(1,658)
<b>Net Income after tax:</b>	<b>4,020</b>	<b>4,646</b>	<b>5,675</b>	<b>6,630</b>
(-) Minority Interest	(416)	(480)	(587)	(685)
(-) Bonus & Welfare:	-	-	-	-
<b>PATMI:</b>	<b>3,605</b>	<b>4,166</b>	<b>5,088</b>	<b>5,945</b>

## Key financial ratios

Selected Calculated Ratios	FY17	FY18	FY19	FY20	FY21	FY22	FY23
<b>GROWTH PROJECTIONS</b>							
Net interest income	36%	20%	27%	20%	16%	12%	17%
Fee Income	66%	123%	43%	50%	45%	31%	28%
Other NII	52%	26%	-34%	-16%	1%	13%	14%
Operating costs	24%	9%	14%	15%	13%	13%	14%
Gross Provision	2%	-2%	30%	44%	13%	6%	9%
Pre-provision profit	60%	43%	30%	23%	21%	14%	21%
Adjusted Net profit	137%	63%	27%	16%	22%	17%	24%
Assets	26%	14%	6%	28%	8%	13%	14%
<b>ASSET ANALYSIS</b>							
Earning assets to total assets	94%	93%	92%	93%	94%	94%	94%
Average Returns on Earnings Assets	1.11%	1.50%	1.75%	1.72%	1.79%	1.88%	2.05%
<b>LOAN ANALYSIS</b>							
Net Loan growth (% YoY)	27.1%	17.8%	18.8%	16.3%	15.6%	15.4%	15.3%
<b>DEPOSIT ANALYSIS</b>							
Deposit growth (YoY %)	16.7%	6.2%	-1.6%	40.4%	13.1%	14.4%	14.2%
<b>LIQUIDITY</b>							
Pure LDR	86%	95%	115%	95%	97%	98%	99%
<b>ASSET QUALITY</b>							
NPL ratio	1.52%	1.53%	1.36%	1.57%	1.71%	1.59%	1.49%
Loan loss coverage ratio	73%	71%	81%	80%	79%	78%	77%
<b>SPREAD ANALYSIS</b>							
Int. rate received on Average IEA	9.56%	8.88%	9.50%	9.42%	9.38%	9.61%	9.80%
Int. rate paid on Average IBL	5.47%	4.90%	4.84%	4.70%	4.77%	5.01%	5.12%
Interest rate spread	4.09%	3.98%	4.66%	4.72%	4.61%	4.60%	4.69%
NIM	4.05%	4.04%	4.72%	4.81%	4.75%	4.80%	4.93%
<b>OTHER INCOME</b>							
Fee income to total income	2.7%	4.9%	5.7%	7.2%	8.9%	10.2%	11.0%
Other Non-II to total Income	9.6%	9.8%	5.3%	3.7%	3.2%	3.2%	3.1%
<b>OPERATING EFFICIENCY</b>							
Cost to income ratio	56%	50%	46%	45%	43%	43%	41%
<b>CREDIT COSTS</b>							
Provision/avg. assets	0.60%	0.49%	0.58%	0.71%	0.69%	0.66%	0.64%
<b>PROFITABILITY</b>							
Pre provision ROA	1.86%	2.23%	2.63%	2.77%	2.87%	2.97%	3.17%
Pre provision ROE	25.6%	28.6%	31.5%	31.7%	31.4%	30.0%	30.9%
Adj. ROAA	1.03%	1.40%	1.62%	1.59%	1.67%	1.77%	1.93%
Adj. ROAE	14.1%	18.0%	19.4%	18.2%	18.3%	17.9%	18.8%
Dividend Yield	0.7%	5.4%	0.6%	0.0%	0.0%	1.9%	4.7%
<b>VALUATIONS</b>							
PER (x)	12.3x	8.3x	6.9x	6.8x	6.2x	5.3x	4.3x
PBR (x)	1.6x	1.6x	1.3x	1.3x	1.1x	0.9x	0.8x

Source: FiinPro, Yuanta Vietnam

# Appendix A: Important Disclosures

## Analyst Certification

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

## 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.

**Restricted:** The rating and target price have been suspended temporarily to comply with applicable regulations and/or Yuanta policies.

Note: Yuanta research coverage with a Target Price is based on an investment period of 12 months. Greater China Discovery Series coverage does not have a formal 12 month Target Price and the recommendation is based on an investment period specified by the analyst in the report.

## Global Disclaimer

© 2020 Yuanta. All rights reserved. The information in this report has been compiled from sources we believe to be reliable, but we do not hold ourselves responsible for its completeness or accuracy. It is not an offer to sell or solicitation of an offer to buy any securities. All opinions and estimates included in this report constitute our judgment as of this date and are subject to change without notice.

This report provides general information only. Neither the information nor any opinion expressed herein constitutes an offer or invitation to make an offer to buy or sell securities or other investments. This material is prepared for general circulation to clients and is not intended to provide tailored investment advice and does not take into account the individual financial situation and objectives of any specific person who may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities, investments or investment strategies discussed or recommended in this report. The information contained in this report has been compiled from sources believed to be reliable but no representation or warranty, express or implied, is made as to its accuracy, completeness or correctness. This report is not (and should not be construed as) a solicitation to act as securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on such business in that jurisdiction.

Yuanta research is distributed in the United States only to Major U.S. Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended and SEC staff interpretations thereof). All transactions by a US person in the securities mentioned in this report must be effected through a registered broker-dealer under Section 15 of the Securities Exchange Act of 1934, as amended. Yuanta research is distributed in Taiwan by Yuanta Securities Investment Consulting. Yuanta research is distributed in Hong Kong by Yuanta Securities (Hong Kong) Co. Limited, which is licensed in Hong Kong by the Securities and Futures Commission for regulated activities, including Type 4 regulated activity (advising on securities). In Hong Kong, this research report may not be redistributed, retransmitted or disclosed, in whole or in part or and any form or manner, without the express written consent of Yuanta Securities (Hong Kong) Co. Limited.

Taiwan persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research  
Yuanta Securities Investment Consulting  
4F, 225,  
Section 3 Nanking East Road, Taipei 104  
Taiwan

Hong Kong persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research  
Yuanta Securities (Hong Kong) Co. Ltd  
23/F, Tower 1, Admiralty Centre  
18 Harcourt Road,  
Hong Kong

Korean persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Head Office

Yuanta Securities Building  
Euljiro 76 Jung-gu  
Seoul, Korea 100-845  
Tel: +822 3770 3454

Indonesia persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research  
PT YUANTA SECURITIES INDONESIA  
(A member of the Yuanta Group)  
Equity Tower, 10th Floor Unit EFGH  
SCBD Lot 9  
Jl. Jend. Sudirman Kav. 52-53  
Tel: (6221) – 5153608 (General)

Thailand persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department  
Yuanta Securities (Thailand)  
127 Gaysorn Tower, 16th floor  
Ratchadamri Road, Pathumwan  
Bangkok 10330

Vietnam persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department  
Yuanta Securities (Vietnam)  
4th Floor, Saigon Centre  
Tower 1, 65 Le Loi Boulevard,  
Ben Nghe Ward, District 1,  
HCMC, Vietnam

# YUANTA SECURITIES NETWORK



## YUANTA SECURITIES VIETNAM OFFICE

**Head office:** 4<sup>th</sup> Floor, Saigon Centre, Tower 1, 65 Le Loi Boulevard, Ben Nghe Ward, District 1, HCMC, Vietnam

### Institutional Research

**Matthew Smith, CFA**

Head of Research

Tel: +84 28 3622 6868 (ext. 3815)

[matthew.smith@yuanta.com.vn](mailto:matthew.smith@yuanta.com.vn)

**Binh Truong**

Deputy Head of Research (O&G, Energy)

Tel: +84 28 3622 6868 (3845)

[binh.truong@yuanta.com.vn](mailto:binh.truong@yuanta.com.vn)

**Tam Nguyen**

Analyst (Property)

Tel: +84 28 3622 6868 (ext. 3874)

[tam.nguyen@yuanta.com.vn](mailto:tam.nguyen@yuanta.com.vn)

**Tanh Tran**

Analyst (Banks)

Tel: +84 28 3622 6868 (3874)

[tanh.tran@yuanta.com.vn](mailto:tanh.tran@yuanta.com.vn)

**Tram Nguyen**

Assistant Analyst

Tel: +84 28 3622 6868 (3845)

[tram.nguyen@yuanta.com.vn](mailto:tram.nguyen@yuanta.com.vn)

### Institutional Sales

**Huy Nguyen**

Head of Institutional sales

Tel: +84 28 3622 6868 (3808)

[huy.nguyen@yuanta.com.vn](mailto:huy.nguyen@yuanta.com.vn)

**Duyen Nguyen**

Sales Trader

Tel: +84 28 3622 6868 (ext. 3890)

[duyen.nguyen@yuanta.com.vn](mailto:duyen.nguyen@yuanta.com.vn)