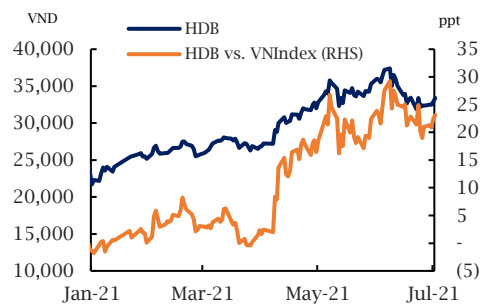


HD Bank [HDB VN]
30 July 2021
BUY
TP upside (downside) -6%
Close 30 Jul 2021
Price VND 33,700
12M Target VND 31,656
Share price performance relative to VNI


Market cap	US\$2.3 bn
6M avg. daily turnover	US\$7.0 mn
Outstanding shares	1,594 mn
Free float	70%
FINI ownership	17.9%
Major shareholders	18.9%
2021E Asset/Equity (*)	12.8x
2021E P/E (*)	10.2x
2021E P/B (*)	1.9x
FOL Remaining Room	3.6%
2021E Dividend yield (*)	0.0%

Source: FiinPro, (*) Bloomberg

HDB'S 2Q21 Results	2Q21	% QoQ	% YoY
NII (VND bn)	3,469	+3%	+25%
Annualized NIM (%)	4.59%	+8bps	-42bps
Fee income (VND bn)	544	+74%	+283%
Opex (VND bn)	1,683	+3%	+49%
Provision (VND bn)	478	+9%	+17%
PATMI (VND bn)	1,552	-1%	+28%
NPL (%)	1.21%	-30bps	-34bps
LLR (%)	88%	+19ppt	+16ppt
CASA (%)	10.5%	-60bps	-1.8ppt

Source: Company Data, Yuanta Vietnam
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Bloomberg code: YUTA
HD Bank (HDB VN)
Strong fee income drives earnings
Event

HDB reported 2Q21 PATMI of VND1.6 tn (-1% QoQ/+28% YoY). The YoY increase was driven by high interest income and robust fee income growth. In 1H21, HDB's PATMI was VND3.1 tn (+48% YoY), fulfilling 59% of our 2021E forecast.

Details

Loan growth increased by 7.6% YTD to reach VND192 tn.

2Q21 net interest income was VND3.5 tn (+3% QoQ/+25% YoY).

Annualized NIM was 4.6% in 2Q21 (+8bps QoQ/ -42bps YoY). 1H21 net interest income was VND6.8 tn (+21% YoY).

2Q21 net fee income was VND544 bn (+74% QoQ/ +283% YoY). 1H21 net fee income was VND857 bn (+186% YoY). The details are unclear, but we believe that banca sales were the key driver.

2Q21 Opex was VND1.7 tn (+3% QoQ/+49% YoY), and 1H21 Opex was VND3.3 tn (+21% YoY).

2Q21 provisioning increased by +9% QoQ/+17% YoY to reach VND478 bn. In 1H21, total provisioning was up +31% YoY to reach VND914 bn.

LLR ratio was 88% (+19ppt QoQ/+16ppt YoY) in 2Q21. **The bank's reported 2Q21 NPL ratio was 1.21%** (-30bps QoQ/-34bps YoY).

CASA was only 10.5% as at 2Q21 (-60bps QoQ/-1.8ppt YoY).

Our view

We expect fee income, especially bancassurance fees, to be the key driver for HDB's earnings in 2H21. Also, a potentially renegotiated bancassurance exclusivity deal could help boost HDB's earnings further in 2021E and beyond.

Increased LLR is a positive. HDB's asset quality remains solid with a relatively low NPL ratio, and the increased provisioning is a prudent approach that has resulted in significantly higher loan loss coverage. This is positive, but we expect the bank to further increase its LLR ratio to prepare for the realization of asset quality deterioration in the context of the pandemic.

[HDB's](#) shares trade at 1.9x 2021E P/B, which is in line with the sector median, given its better operating results than the sector median. However, the current price is 6% above our target price, and we would recommend to wait for a pullback.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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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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