

## BUY

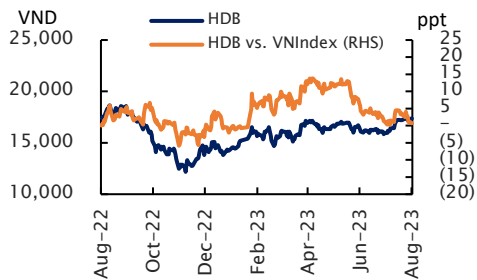
TP upside: +18%

Close 7 Aug 2023

Price VND 17,350  
12M Target (\*) VND 20,440

(\*) TP adjusted for stock dividend

Share price performance relative to VNI



Market cap	US\$2.1 bn
6M avg. daily turnover	US\$4.4 mn
Outstanding shares	2,893 mn
Free float	70%
FINI ownership	20%
Major shareholders	14.5%
2024E Asset/equity (x)	11x
2024E P/E (x)	4.1x
2024E P/B (x)	0.9x
FOL room	0.0%
2024E Dividend yield (%)	3%

Source: FiinPro, Yuanta Vietnam

HDB's 2Q23 Results	2Q23	% QoQ	% YoY
NII (VND bn)	4,955	+2%	+9%
Net Fee Inc. (VND bn)	601	-11%	-28%
Adj. TOI (VND bn)	6,292	+14%	+15%
Opex (VND bn)	2,239	+14%	+10%
Provision (VND bn)	1,433	+50%	+86%
PATMI (VND bn)	2,159	+3%	+4%
NPL (%)	2.15%	+30bps	+82bps
LLR (%)	61%	flat	-32ppt
CASA (%)	7.4%	-30bps	-4.9ppt
CAR (%)	12.3%		

Source: Company Data, Yuanta Vietnam

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## HDBank [HDB VN]–Analyst Meeting

### Trading/investment gains help earnings.

HDB posted 2Q23 PATMI of VND2.2 tn (+3% QoQ/+4% YoY). 1H23 PATMI was VND4.2 tn (+6% YoY), fulfilling 42% of the bank's full-year target and our forecast. Income from trading/investment securities jumped by +11x QoQ/+91x YoY, which was the key earnings driver. But Provisioning jumped by +50% QoQ/+86% YoY in 2Q23.

### Details

**Loans to customers increased by +8.9% YTD.** Commercial loans jumped by +16.9% YTD and retail loans were up +2.7% YTD. By contrast, consumer finance loans decreased by -7.4% YTD, representing 5.4% of total loans. Retail and SMEs accounted for 91.8% of total loans (versus 91.6% in 1Q23). HDB's current credit quota is 15%, and it expects to receive another 10% in 3Q23.

**Deposits surged by +43.5%** in 2Q23. Management plans to use this funding for the expected increase in its full-year credit quota and guided for slower deposit growth in 2H23.

**2Q23 net interest income** was VND4.9 tn (+2% QoQ/+9% YoY). The bank reported NIM of 4.97% in 2Q23 (-10bps both QoQ and YoY).

**Net fee income** in 2Q23 was VND601 bn (-11% QoQ/-28% YoY).

**Opex** was VND2.2 tn (+14% QoQ/+10% YoY) in 2Q23. HDB reports CIR of 34.9% (-30bps QoQ/-1.5ppt YoY), attributable to improved productivity. We estimate adj. CIR (ex. other income) of 35.6%.

**HDB increased its provisioning cost** by +50% QoQ/+86% YoY to VND1.4 tn in 2Q23. But HDB's LLR ratio remained low at 61% (-1ppt QoQ/-32ppt YoY) in 2Q23 due to the increased NPLs.

**The consolidated NPL ratio increased to 2.15% (+30bps QoQ/ +82bps YoY)**, largely due to the retail segment. The parent bank NPL ratio was 1.82% (+29bps QoQ/+89bps YoY), and HD Saison's NPL ratio increased to 7.92% (+44bps QoQ/+94bps YoY).

**CASA ratio** declined to 7.4% (-30bps QoQ/-4.9ppt YoY) as at 2Q23.

**CAR was 12.3%**, among the highest in the sector.

### Our view

**HDB's low LDR of 67.8% (versus the SBV's cap of 85.0%) and its participation in restructuring a weak bank** should allow the bank the flexibility to expand loans higher than the sector average.

**We expect NIM** to improve in 2H23 largely on reduced funding costs.

**Focus on asset quality.** Despite higher provisioning costs in 2Q23, HDB's LLR ratio still decreased and remains low at 61% due to a significant surge in NPLs. We observe that this trend is consistent among banks with high exposure to the retail segment.

**We maintain BUY.** HDB trades at 0.9x 2024E P/B, in line with the sector median. Our target price implies a 12-month TSR of 21%, and we maintain our BUY rating.

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