

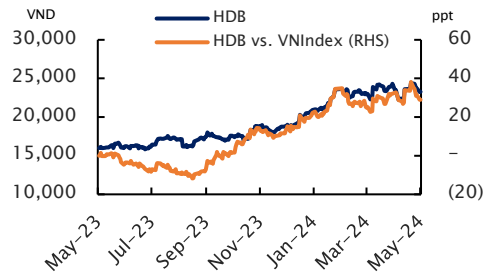
BUY

TP upside: +26%

Close 14 May 2024

Price VND 23,300
12M Target VND 29,450

Share price performance relative to VNI



Market cap	US\$2.7 bn
6M avg. daily turnover	US\$8.7 mn
Outstanding shares	2,913 mn
Free float	75%
FINI ownership	18.6%
Major shareholders	29%
2024E Asset/equity (x)	13x
2024E P/E (x)	5.2x
2024E P/B (x)	1.2x
FOL room	1.4%
2024E Dividend yield (%)	4.3%

Source: FiinPro, Yuanta Vietnam

HDB Results	1Q24	% QoQ	% YoY
NII (VND bn)	7,160	-4%	48%
Net Fee Inc.(VND bn)	357	-40%	-47%
Adj. TOI (VND bn)	7,679	-8%	39%
Opex (VND bn)	2,455	-7%	25%
Provision (VND bn)	1,270	2%	33%
PATMI (VND bn)	3,110	-7%	49%
NPL (%)	2.24%	45bps	40bps
LLR (%)	57%	-9.2ppt	-5.2ppt
CASA (%)	8.5%	-2.6ppt	70bps
CAR	13.8%		
ST funds for MLT loans	24.1% (vs. a cap of 30.0%)		
LDR	70.9% (vs. a cap of 85.0%)		

Source: Company Data, Yuanta Vietnam

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HDBank [HDB VN]

Net-II continued the key earnings driver

HDB posted 1Q24 PATMI of VND3.1 tn (-7% QoQ/+49% YoY), fulfilling 24% of our 2024E forecast. The strong YoY increase was attributable to higher net-interest income (net-II).

Details

Credit increased by +6.2% YTD, while **deposits** increased by only +0.8% YTD in 1Q24. SMEs accounted for 55.5% of the total loans (+1.8ppt QoQ), followed by retails with 37.6% (-1.4ppt QoQ), HDSaison with 4.6% (-1ppt QoQ), and large corporates 2.3% (-30bps QoQ). HDB's initial credit growth target for 2024E is 20% YoY subject to SBV's approval (vs. our forecast of 23% YoY).

1Q24 net interest income was VND7.2 tn (-4% QoQ/ but +48% YoY), which drove the YoY earnings growth. HDB reported NIM of 5.6% (+50ps vs. 2023) supported by lowered cost of funds (COF). HDB's COF declined by -1.4ppt vs. 2023.

Net fee income declined by -40% QoQ/-47% YoY to VND357 bn, which was largely attributable to bancassurance.

Opex was VND2.5 tn (-7% QoQ/ but +25% YoY) in 1Q24, and cost efficiency improved with CIR declined to 31.7% (-2.9ppt YoY).

Provisioning buffer jumped by +2% QoQ/+33% YoY to VND1.3 tn in 1Q24. However, the LLR ratio decreased to 57% (-9ppt QoQ/-5ppt YoY) in 1Q24 due to rising NPLs.

NPLs jumped by +32% QoQ/+53% YoY to VND8.2 tn, and consolidated NPL ratio increased to 2.24% (+45bps QoQ/+40bps YoY) as at 1Q24. **NPL ratio at HDSaison** was quite stable at 7.6% (flat QoQ/+10bps YoY).

CASA ratio declined to 8.5% (-2.6ppt QoQ/+70bps YoY) as at 1Q24.

Our view

HDB posted solid earnings, mostly driven by strong net-II, and we believe this trend to continue in the following quarters.

However, NIM may be constrained in 2H24 given the potential of SBV's rising rates to support the currency. **Also**, HDB's low CASA ratio puts it at a disadvantage compared to other banks (i.e. VCB, MBB, or TCB) in reducing its COF. **However**, HDB still has room to improve NIM by increasing its LDR, which is currently at 70.9% (vs. the cap of 85%) and ST funds used for MLT loans, currently at 24% (vs. the cap of 30%).

HDB's asset quality deteriorated in line with the sector's trend in 1Q24, given the rising NPL ratio and decreasing LLR ratio.

Capital level is strong with CAR of 13.8%, which helps HDB absorb unexpected credit losses and sustain its cash dividend policy.

HDB trades at 1.2x 2024E P/B, higher than the sector median of 1.1x; **however**, HDB's operating efficiency is superior to that of its peers. We forecast a 2024E ROE of 25% vs. the sector median of 18% (Bloomberg consensus), which justifies a higher valuation.

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