

BUY

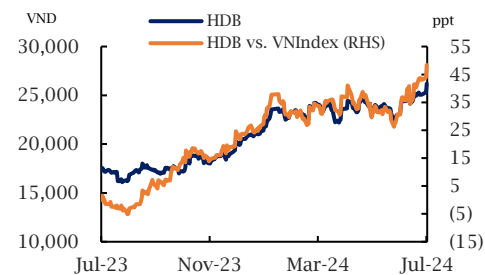
TP upside: +8%

Close 31 Jul 2024

Price VND 26,300
12M Target VND 28,450

* TP adjusted for dividends

Share price performance relative to VNI



Market cap	US\$2.9 bn
6M avg. daily turnover	US\$10.3 mn
Outstanding shares	2,913 mn
Free float	75%
FINI ownership	18.2%
Major shareholders	29%
2024E Asset/equity (x)	13x
2024E P/E (x)	5.6x
2024E P/B (x)	1.3x
FOL room	1.8%
2025E Dividend yield (%)	4.0%

Source: FiinPro, Yuanta Vietnam

HDB Results	2Q24	% QoQ	% YoY
NII (VND bn)	7,720	8%	56%
Net Fee Inc. (VND bn)	225	-37%	-63%
Adj. TOI (VND bn)	8,205	7%	30%
Opex (VND bn)	3,030	23%	35%
Provision (VND bn)	1,126	-11%	-21%
PATMI (VND bn)	3,115	0%	44%
NPL (%)	2.10%	-14bps	-5bps
LLR (%)	59%	2.2ppt	-2.5ppt
CASA (%)	9.9%	1.4ppt	2.5ppt

Source: Company Data, Yuanta Vietnam

Research Analyst:

Tanh Tran

+84 28 3622 6868 ext 3874

tanh.tran@yuanta.com.vn

Bloomberg code: YUTA

HDBank [HDB VN]

Net-II continued to drive earnings

HDB posted 2Q24 PATMI of VND3.1 tn (flat QoQ/+44% YoY), fulfilling 47% of our 2024E forecast. The strong YoY increase was attributable to strong net-interest income (net-II) and lowered provisioning.

Details

Loans to customers increased by +12.5% YTD, while deposits increased by only +4.3% YTD in 2Q24. HDSaison contributed about 4.2% to total credit in our estimation. HDB's initial credit growth target for 2024E is 20% YoY (vs. our forecast of 23% YoY).

2Q24 net interest income jumped by +8% QoQ/+56% YoY to VND7.7 tn, which boosted the YoY earnings growth. The bank reported NIM of 5.71% (+9bps QoQ/+70bps YoY) driven by lower funding costs (-10% QoQ/-15% YoY).

Net fees declined (-37% QoQ/-63% YoY) to VND225 bn, which was probably once again due to bancassurance.

Opex increased by +23% QoQ/ +35% YoY, and adjusted CIR jumped to 36.9% (+5.0ppt QoQ/+1.4ppt YoY) in 2Q24, in our calculation.

HDB cut provisioning by -11% QoQ/-21% YoY to VND1.1 tn in 2Q24.

NPL ratio decreased by -14bps QoQ/-5bps YoY to 2.10%, and LLR ratio improved to 59% (+2ppt QoQ/-3ppt YoY). We estimate HDSaison's NPL ratio of 7.50% (-10bps QoQ/-40bps YoY).

CASA ratio increased to 9.9% (+1.4ppt QoQ/+2.5ppt YoY) as at 2Q24.

Our view

Net interest income was the key income growth driver in 2Q24, and we expect this trend to continue in 2H24.

However, NIM may be constrained in 2H24 given rising funding costs. HDB's low CASA ratio puts it at a disadvantage compared to other banks (i.e. VCB, MBB, or TCB) as deposit rates increase going forward. That said, the improved CASA ratio in 2Q24 is a positive change.

Asset quality improved with lowered NPL ratio and improved LLR ratio.

However, HDB's LLR ratio is low, and we think it should increase this provisioning buffer.

Strong capital with CAR of 13.9% implies the ability to absorb unexpected losses and sustain its cash dividend policy going forward.

HDB trades at 1.3x 2024E P/B, higher than the sector median of 1.2x; however, HDB's operating efficiency is superior to that of its peers. We forecast 2024E ROE of 25% vs. the sector median of 18% (Bloomberg consensus), which justifies a higher valuation.

Catalysts: HDB plans to reduce FOL room to 17.5% from 20.0%. We believe this is in preparation to attract a foreign strategic partner. Also, HDB is one of the few banks that has not signed an exclusivity bancassurance deal, which could also be a catalyst for the stock.

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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

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YUANTA SECURITIES VIETNAM OFFICE

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

Matthew Smith, CFA

Head of Research

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

matthew.smith@yuanta.com.vn

Tanh Tran

Analyst (Banks)

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

tanh.tran@yuanta.com.vn

Di Luu

Analyst (Consumer)

Tel: +84 28 3622 6868 (ext. 3845)

di.luu@yuanta.com.vn

Giang Hoang

Assistant Analyst

Tel: +84 28 3622 6868 (ext. 3845)

giang.hoang@yuanta.com.vn

Institutional Sales

Lawrence Heavey

Head of Institutional Sales

Tel: +84 28 3622 6868 (ext. 3835)

lawrence.heavey@yuanta.com.vn

Dat Bui

Sales Trader

Tel: +84 28 3622 6868 (ext. 3941)

dat.bui@yuanta.com.vn

Binh Truong

Deputy Head of Research (O&G, Energy)

Tel: +84 28 3622 6868 (ext. 3845)

binh.truong@yuanta.com.vn

Tam Nguyen

Analyst (Property)

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

tam.nguyen@yuanta.com.vn

An Nguyen

Assistant Analyst

Tel: +84 28 3622 6868 (ext. 3845)

an.nguyen@yuanta.com.vn

Anh Nguyen

Sales Trader Supervisor

Tel: +84 28 3622 6868 (ext. 3909)

anh.nguyen2@yuanta.com.vn

Hien Le

Sales Trader

Tel: +84 28 3622 6868

hien.le@yuanta.com.vn

Vi Truong

Sales Trader

Tel: +84 28 3622 6868 (ext. 3940)

vi.truong@yuanta.com.vn
