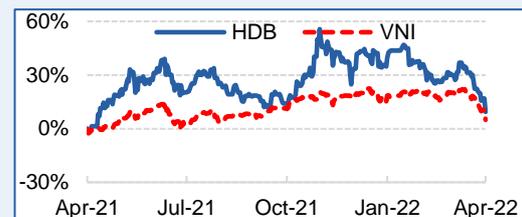


Industry:	Banking		2021	2022F	2023F	2024F
Report Date:	April 26, 2022	PPOP y/y	36.4%	18.6%	18.4%	16.0%
Current Price:	VND24,500	NPAT y/y	38.9%	20.2%	18.8%	16.6%
Target Price*:	VND32,200	EPS y/y	42.5%	15.3%	18.8%	16.6%
Upside to TP:	+31.4%	NIM	4.28%	4.44%	4.59%	4.67%
Dividend Yield:	0.0%	NPL ratio	1.65%	1.57%	1.51%	1.45%
TSR:	+31.4%	CIR	38.1%	39.0%	38.5%	38.0%
Rating*:	OUTPERFORM	P/B	1.6x	1.3x	1.1x	0.9x
		P/E	7.6x	7.0x	5.9x	5.1x



			HDB	Peers	VNI
Market Cap:	USD2.1bn		8.1x	9.4x	15.1x
Foreign Room:	USD120mn	P/E (ttm)	1.7x	1.9x	2.3x
ADTV30D:	USD4.4mn	P/B (curr)	23.3%	21.7%	15.7%
State Ownership:	0%	ROE (ttm)	1.7%	1.9%	2.6%
Outstanding Shares:	1.992 bn	ROA (ttm)	* TP and rating last updated February 24, 2022		
Fully Diluted Shares:	2.012 bn				

**Company Overview**

Founded in 1989, HDBank was one of the first joint stock commercial banks in Vietnam. The bank was affirmed with a b2 BCA rating by Moody's in 2018. HDBank also has 51% of voting rights in Vietnam's third largest consumer finance company, HD Saison (HDS).

**Positive preliminary Q1 results thanks to robust NOII**

- We attended HDB's online AGM on April 26. The meeting's main agenda was to propose (1) a stock dividend plan (503.1 million shares — 25% of current outstanding shares), (2) ESOP issuing 20 million shares (equivalent to 1% of current outstanding shares) with a three-year lock-up period from the date of issue and (3) personnel changes for the BOD and BOS.
- 2022 guidance includes credit growth of 20% YoY, funding (including customer deposits, interbank deposits & borrowings, valuable papers, and borrowed & entrusted funds) growth of 17% YoY, the NPL ratio to be kept below 2%, and profit before tax (PBT) of VND9.8tn (USD426mn; +21% YoY). 2022G ROE and ROA are 22.2% and 1.92%, respectively.
- The Q&A session focused on HDB's business outlook — especially for bancassurance.
- No cash dividend was proposed for FY2021.
- We currently have an OUTPERFORM rating for HDB with a target price of VND32,200/share.

**2022 guidance is slightly higher than our current forecast.** Our 2022F consolidated PBT forecast is VND9.7tn (+20% YoY) vs management's guidance of VND9.8tn (+21% YoY). In addition, our 2022F credit growth forecast is 19.5% vs management's guidance of 20%.

**Management disclosed positive preliminary results for Q1 2022.** HDB's Q1 2022 credit growth was 9.7% QoQ while its Q1 2022 deposit growth was 8.1% QoQ. The initial credit quota for 2022 provided by State Bank of Vietnam (SBV) was 15%. As of Q1 2022, the parent bank's NPL ratio was 0.8% (vs 1.26% in Q4 2021) while its consolidated NPL ratio was 1.17% (vs 1.65% in Q4 2021). CAR was controlled at 14.2% and ROE was above 25%. NOII in Q1 2022 was nearly double vs Q1 2021 thanks to strong bancassurance fee income.

**Management shared further details on HDB's bancassurance strategy in response to shareholder questions.** Management claimed that HDB ranked fifth in terms of bancassurance sales in March 2022 and that it targets to be in the top four this year. HDB currently does not have any intentions to sign an exclusive bancassurance deal with a life insurer. HD Insurance Company (HDI) remains the strategic partner of HDB in non-life bancassurance.

**Shareholders approved personnel changes for the BOD and BOS for the 2022-2027 term.** Shareholders approved Mr. Kim Byoung-ho — senior advisor of the International Finance Corporation (IFC) and Mr. Le Manh Dung — chief representative of the German Investment Corporation (DEG) — as new independent BOD members. We note that HDB has issued USD325mn of convertible bonds to the IFC, DEG and LeapFrog Investments in 2020-2021. The participation of IFC and DEG in HDB's BOD for the 2022-2027 term indicates the strong partnership between HDB and these international financial institutions, in our view. In addition, Mr. Nguyen Le Hieu, who previously worked in the internal control and internal audit departments of Sovico Group and HDB, was elected as a new BOS member.

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**Ms. Le Thi Bang Tam will not join the BOD for the 2022-2027 term.** She had been the chairwoman of HDB for 12 years and will be an advisor of HDB in the future. A new chairperson has not yet been elected.

**FOL was reduced from 21.5% to 18.5%.** According to the bank, an FOL of 21.5% was no longer appropriate with HDB's business strategy as well as the investment demand of foreign investors. Therefore, management proposed to change the FOL to 18.5%. As of end-2021, the largest shareholder was Sovico Group with 14.48% ownership. Currently, HDB does not have a strategic foreign investor. We believe the new lower FOL provides more favorable conditions if the bank is interested in securing a place for a foreign strategic investor.

## VCSC Rating System

**Stock ratings** are set based on projected total shareholder return (TSR), defined as (target price – current price)/current price + dividend yield, and are not related to market performance.

Equity rating key	Definition
BUY	If the projected TSR is 20% or higher
OUTPERFORM	If the projected TSR is between 10% and 20%
MARKET PERFORM	If the projected TSR is between -10% and 10%
UNDERPERFORM	If the projected TSR is between -10% and -20%
SELL	If the projected TSR is -20% or lower
NOT RATED	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulation and/or firm policies in certain circumstances, including when VCSC is acting in an advisory capacity in a merger or strategic transaction involving the company.
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Unless otherwise specified, these performance parameters are set with a 12-month horizon. Movement in share prices may cause a temporary mismatch between the latest published rating and projected TSR for a stock based on its market price and the latest published target price.

**Target prices** are generally based on the analyst's assessment of the stock's fair value over a 12-month horizon. However, the target price may differ from the analyst's fair value if the analyst believes that the market will not price the stock in line with assessed fair value over the specified time horizon.

**Risks:** Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative.

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