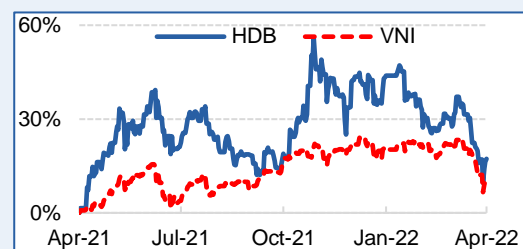


# HDBank (HDB)

# Earnings Flash

<b>Industry:</b>	<b>Banking</b>		<b>2021</b>	<b>Q1 22</b>	<b>2022F</b>
<b>Report Date:</b>	<b>April 29, 2022</b>				
Current Price:	VND25,200	PPOP y/y	36.4%	26.0%	18.6%
Target Price*:	VND32,200	NPAT y/y	38.9%	22.7%	20.2%
Upside:	+27.8%	EPS y/y	42.5%	22.7%	15.3%
Dividend Yield:	0.0%	NIM	4.28%	4.60%	4.44%
TSR:	+27.8%	NPLs/loans	1.65%	1.57%	1.57%
Rating*:	OUTPERFORM	CIR	38.1%	37.6%	39.0%
		P/E	7.8x	N/A	7.2x
		P/B	1.6x	1.7x	1.4x



Market Cap:	USD2.2bn	<b>HDB</b>	<b>Peers</b>	<b>VNI</b>
Foreign Room:	USD123.6mn	P/E (ttm)	7.9x	9.6x
ADTV30D:	USD5.8mn	P/B (curr)	1.6x	1.7x
State Ownership:	0%	ROE (ttm)	23.1%	21.7%
Outstanding Shares:	1.992 bn	ROA (ttm)	1.8%	1.9%
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).

\* TP and rating last updated February 24, 2022

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## Strong fee income, credit growth support bottom line

HDB released Q1 2022 consolidated results with NPAT-MI of VND1.9tn (USD83mn; +23% YoY), achieving 27.5% of our FY2022 forecast. The increase in Q1 2022 consolidated NPAT was mainly due to (1) a 20% YoY increase in NII, (2) nearly twofold YoY increase in pure NFI and (3) 18% YoY increase in OPEX that lagged TOI growth of 23% YoY. We see potential upside risk to our earnings forecast, pending a fuller review.

- Q1 2022 consolidated credit growth was 9.7% QoQ and derived from (1) 10.8% QoQ consolidated loan growth and (2) a 10.2% QoQ decrease in corporate bond balances. In addition, the parent bank's Q1 2022 loan growth was 10.8% QoQ.
- HDS's Q1 2022 loan growth was 11% QoQ, reaching VND14.9tn (USD646mn) with its loan book contributing ~6.6% to the consolidated loan book.
- Q1 2022 annualized consolidated write-offs to gross loans was 0.77% vs our forecast of 0.80% and primarily driven by HDS. In Q1 2022, the parent bank recorded a provisioning reversal of VND99bn.
- Q1 2022 CIR dropped 1.5 ppts YoY to 37.6% due to a surge in non-interest income (NOII).

### Strong credit growth at both the parent bank and HDS supported NIM expansion in Q1 2022.

HDB reported consolidated Q4 2021 NIM of 4.60% (+14 bps YoY) vs our 2022F NIM of 4.44% thanks to (1) a 12-bp QoQ increase in IEA yield, (2) 3-bp QoQ decrease in COF and (3) 5.5-ppt QoQ expansion in simple LDR to 69.2% in Q1 2022. Q1 2022 consolidated credit growth was 9.7% QoQ, which was driven by (1) credit growth of 9.7% QoQ at the parent bank and (2) loan growth of 11.0% at HDS. Q1 2022 funding cost was relatively flat vs Q4 2021 as (1) maintaining high interbank balances over the last two quarters outweighed (2) a 1-ppt QoQ decrease in CASA ratio.

**NOII maintained strong growth momentum in Q1 2022.** The 33.9% YoY increase in Q1 2022 NOII was mainly driven by a 94% YoY surge in pure NFI. While there was no breakdown of fee income in HDB's unaudited financial statements, we believe the strong NFI growth in Q1 2022 was driven by robust income from the non-exclusive bancassurance deal with Dai-ichi Life Vietnam and bancassurance partnership with FWD that was announced in early December 2021. At the recent AGM, management claimed that HDB ranked fifth in terms of bancassurance sales in March 2022 and targets to be in the top four this year. If the partnership between FWD and HDB evolves into an exclusive arrangement over future quarters, we believe this would then provide upside to our current forecast. However, HDB currently does not have any intentions to sign an exclusive bancassurance deal with a life insurer, according to management.

**Credit quality is under control, in our view.** The NPL ratios of the parent bank and HDS were 1.17% (+2 bps YoY and -9 bps QoQ) and 7.25% (+151 bps YoY and -4 bps QoQ), respectively. Q1 2022 consolidated LLR was 75.9% (+7.3 ppts YoY and +2.9 ppts QoQ), in which LLR of the parent bank was 83.2% (+6.1 ppts YoY and +1.5 ppts QoQ). In addition, consolidated Group 2 loans/gross loans surged 121 bps YoY (-9 bps QoQ). Consolidated provision expenses surged 53% YoY, which was mainly driven by HDS and completed 26% of our full-year forecast. Though we do not expect any burden from provisioning for restructured loans in 2022, we believe the high level of Group 2 loans over the last three quarters could create pressure on HDB's credit costs.

**Figure 1: HDB's consolidated Q1 2022 results**

VND bn	Q1 2021	Q1 2022	YoY
NII	3,363	4,043	20.2%
Non-interest income	806	1,079	33.9%
OPEX	(1,632)	(1,926)	18.0%
PPOP	2,537	3,197	26.0%
Provision expenses	(437)	(669)	53.3%
NPAT-MI	1,563	1,918	22.7%
Loan growth**	5.0%	10.8%	5.8 ppts
Deposit growth**	5.9%	9.9%	4.0 ppts
NIM	4.41%	4.60%	19 bps
Interest-earning asset yield	8.31%	8.17%	-14 bps
Cost of funds	4.11%	3.71%	-40 bps
CASA ratio*	11.0%	12.6%	1.6 ppts
CASA ratio plus term deposits in FX	12.2%	13.6%	1.4 ppts
CIR	39.1%	37.6%	-1.5 ppts
NPLs / Gross loans	1.51%	1.57%	6 bps
Group 2 loans / Gross loans	1.31%	2.52%	121 bps
Accrued interest / IEAs	1.10%	0.98%	-12 bps

Source: HDB, VCSC. \*CASA volume includes demand deposits and margin deposits; \*\* Q1 2021 and Q1 2022 loan and deposit growth is QoQ growth.

**Figure 2: HDB's Q1 2022 results**

VND bn	Q1 2021	Q1 2022	YoY
NII	2,292	2,958	29.1%
Non-interest income	614	862	40.5%
OPEX	(1,016)	(1,454)	43.0%
PPOP	1,889	2,367	25.3%
Provision expenses	(79)	(100)	25.4%
NPAT-MI	1,448	1,814	25.3%
Loan growth**	5.1%	10.8%	5.7 ppts
Deposit growth**	5.9%	9.9%	4.0 ppts
NIM	3.13%	3.47%	34 bps
Interest-earning asset yield	6.97%	7.03%	6 bps
Cost of funds	4.00%	3.67%	-33 bps
CASA ratio*	11.0%	13%	1.6 ppts
CASA ratio plus term deposits in FX	12.2%	14%	1.4 ppts
CIR	35.0%	38.0%	3.1 ppts
NPLs / Gross loans	1.15%	1.17%	2 bps
Group 2 loans / Gross loans	0.86%	1.86%	100 bps
Accrued interests / IEAs	1.08%	0.97%	-11 bps

Source: HDB, VCSC. \*CASA volume includes demand deposits and margin deposits; \*\* Q1 2021 and Q1 2022 loan and deposit growth is QoQ growth.

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Equity rating key	Definition
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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
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