

Sacombank [STB VN]

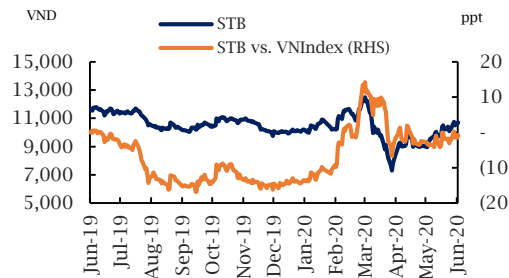
5 June 2020

BUY

TP upside/(downside) +22%

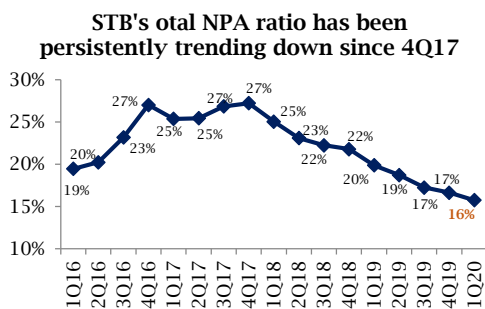
Close 4 June 2020

Price VND 10,600
12M Target VND 12,950



Market cap	US\$0.8 bn
6M avg. daily turnover	US\$3.9 mn
Outstanding shares	1,804mn
Free float	96%
FINI ownership	9.1%
Major shareholders	20.4%
2020E Asset/equity (x)	16.8
2020E P/E (x)	8.4
2020E P/B (x)	0.7
FOL remaining room	14.6%
Dividend yield (%)	0.0%

Source: Bloomberg



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Annual General Meeting Takeaways

STB held its annual general meeting (AGM) on June 5.

Key Takeaways

2020 guidance for earnings to decline due to Covid-19. STB targets 2020E PBT of VND2.6 tn (-20% YoY) vs. our forecast of VND3.0 tn (-8% YoY). STB achieved PBT of VND1.3 tn in 5M20, fulfilling 51% of the bank's full-year target 44% of our forecast.

STB is targeting loan growth at 11% YoY in 2020E (vs our forecast of 12%), asset growth of 10% YoY (vs our forecast of 6%), deposit/subordinated note growth of 10% YoY (vs our forecast of 6%), and an NPL ratio of below 3.00% (vs. our forecast of 1.94%).

STB plans to restructure VND11.0 tn of nonperforming assets (NPAs) in 2020E. In Jan-May 2020, STB successfully auctioned off VND9.7 tn in face value of NPAs (from which it collected VND1.8 tn). As a reminder, STB resolved VND18.4 tn of NPAs in 2019, well ahead of last year's guidance of VND10tn-15tn.

Dividends are still off the table. Shareholders expressed eagerness to receive a dividend in 2020, and the bank has asked for SBV approval to pay a stock dividend. However, that request is still under review.

Our view

Credit growth throughout the sector is likely to weaken due to the impact of Covid-19, and we believe that STB will be more focused on maintaining its asset quality rather than expanding loan growth. Nevertheless, we retain our forecast loan growth of 12% YoY in 2020E.

We expect NIM to decrease to 2.32% in 2020E (-14bps YoY) as STB has cut loan rates to support certain borrowers in line with SBV policy.

Credit costs should rise as we expect STB to prudently provision for newly restructured loans, some of which might not recover despite not being classified as NPLs (this is in line with SBV policy). We thus expect its LLR ratio to increase by 5ppt YoY to reach 74% in 2020E.

Our 2020E PBT forecast of VND3.0 tn (-8% YoY) is 15% above the bank's target and could face downside risk, largely depending on recoveries. Still, our forecast is -11% below the consensus.

Total NPAs (including VAMC bonds, accrued interest, receivable, and categories 3-5 NPLs) **were 15.8% as at 1Q20 (-90bps QoQ/-4.1ppt YoY),** which is obviously high. However, the trend has been persistently favorable since 2017A, when NPAs peaked at 27.2% of the total assets (see the figure in the left-side margin).

We reiterate BUY. STB trades at 0.7x 2020E P/BV vs the sector median of 1.1x. A discount to peers is justified by the legacy NPA issue, but our target price still implies 22% TSR. We continue to view STB as [a turnaround story for the long haul](#), as outlined in our initiation.

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