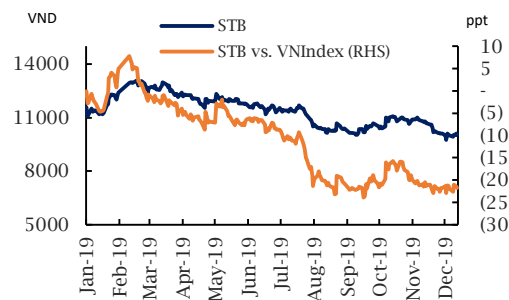


SACOMBANK [STB VN]
19 December 2019
Buy
TP upside (downside) 41%
Close 18 Dec 2019
Price VND 9,940
12M Target VND 14,049


Market cap	US\$0.8 bn
6M avg. daily turnover	US\$1.5 mn
Outstanding shares	1,804 mn
Free float	96%
FINI ownership	12.2%
Major shareholders	20.36%
2019E Asset/equity (x)	16.0
2019E P/E (x)	8.7
2019E P/B (x)	0.7
FOL Room	11.4%

Event

- STB's preliminary 4Q19 PBT is reported to be down -33% QoQ and -26% YoY (source: [Cafef](#)).
- However, the reported 2019 PBT (+42% YoY) is 102% of our full-year forecast and 120% of full-year guidance.
- These reported preliminary results are reported by a domestic website and do not include the full financial statements.
- The report does not include sufficient information to enable us to calculate 4Q19 total NPAs. However, the bank's reported 4Q19 NPL of 2.00% was flat QoQ but declined 20bps YoY.

Our Take

Credit growth reached 15.3% YoY, higher than the initial quota of 7% disclosed at the beginning of the year. We believe that the higher level of credit growth helped boost STB's full-year net interest income by 18% YoY.

4Q19 bottom line declined. PBT reached VND689 bn in 4Q19, down -33% QoQ and -26% YoY.

However, full-year PBT was up sharply. Preliminary 2019 PBT reached VND3.2 tn (+42% YoY), completing 120% of the bank's full-year target and 102% of our forecast.

Asset quality has continued to improve. We have yet to see the breakdown of NPAs, but the bank reported that its preliminary category 3-5 NPL ratio was below 2.00% (flat QoQ but down -20bps YoY).

We reiterate BUY on STB, which we view as a turnaround story given its strong core business performance and improving asset quality. Total non-performing assets have fallen steadily in recent quarters, declining 27% of total assets at the peak in 4Q17 to 17% of total assets in 3Q19. We believe that this trend continued in 4Q19 given write-offs of legacy NPAs and growth of new (performing) assets.

Key Financial data

	4Q19	QoQ chg	YoY chg	2019P	YoY change	Full-year vs guidance	Full-year vs Yuanta forecast
PBT (VND bn)	689	-33%	-26%	3,180	+42%	120%	102%
Loans (VND tn)	296	+2%	15%	296	+15%	99%	101%
Deposits (VND tn)	413	+3%	18%	413	+18%	99%	105%
Assets (VND tn)	457	+2%	13%	457	+13%	100%	103%

Source: www.cafef.vn, Yuanta Vietnam

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HOLD–Underperform: In our view, the stock's fundamentals are relatively less attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

SELL: We have a negative outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors reduce their position.

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