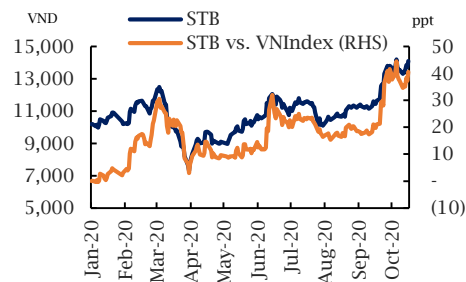


**BUY**
**TP upside (downside) -8%**
**Close 19 Oct 2020**

 Price VND 14,100  
 12M Target VND 12,950

**Share price performance relative to VNI**


Source: Bloomberg

Market cap	US\$1.1 bn
6M avg. daily turnover	US\$6.4 mn
Outstanding shares	1,804 mn
Free float	95%
FINI ownership	9.2%
Major shareholders	15%
2020E Asset/Equity (*)	16.8x
2020E P/E (*)	10.7x
2020E P/B (*)	0.9x
FOL Remaining Room	14.4%
2020E Dividend yield (*)	0.0%

Source: FiinPro, (\*) Yuanta Vietnam

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**SACOMBANK (STB VN)**
**Higher provision hurt earnings**
**Event**

STB reported 3Q20 PATMI of VND716 tn (+109% QoQ but -7% YoY). Higher net interest income and net fee income helped boost PPOP, while increased provisions dented earnings. In 9M20, STB's PATMI was VND1.8 tn (-4% YoY), fulfilling 91% of our forecast for 2020E.

**Details**

Loans increased by 8% YTD, completing 66% of our 2020E forecast.

3Q20 net interest income was VND3.0 tn (+15% QoQ/+4% YoY).

NIM on total average assets was 2.51% in 3Q20 (+27bps QoQ/-12bps YoY), which we attribute to slightly lower funding costs due to [SBV easing](#).

3Q20 net fee income jumped by +79% QoQ/ +67% YoY to reach VND1.2 tn. Other income (mostly loan loss recoveries) soared by 225% QoQ/+213% YoY to reach VND358 bn.

Provisioning was VND1.3 tn in 3Q20 (+12% QoQ/ +102% YoY), which dragged down earnings. In 9M20, total provisioning was up +69% YoY to reach VND2.9 tn.

The bank's LLR ratio reached 74% (+5ppt QoQ/+4ppt YoY) in 3Q20.

The reported NPL ratio was 2.14% (-2bps QoQ/+14bps YoY). Total legacy non-performing assets were VND71 tn (-1.8% QoQ/ -8.7% YoY). We estimate that STB's total NPAs ratio decreased to 14.6% of the total assets as at 3Q20 (-40bps QoQ/ -2.6ppt YoY).

**Our view**

We continue to view STB as a turnaround story. We expect the bank to continue resolve legacy NPAs over the long run although macro headwinds may be delaying this process. As a reminder, STB's NPA ratio peaked at 27.2% in 4Q17 and has declined consistently since.

Increased provisioning is prudent. STB continued to increase provisioning substantially in 3Q20, which we believe is the right approach to prepare for underlying asset quality deterioration due to the pandemic. In our view, reported NPLs do not fully reflect the underlying asset quality trends at any of the banks amid the SBV's forbearance policies.

STB trades at 0.9x 2020E P/B vs. the sector median of 1.3x. The stock price has soared by 21% in the past month, which we attribute to M&A chatter. As such, we would wait for a pullback before revisiting STB.

**ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.**

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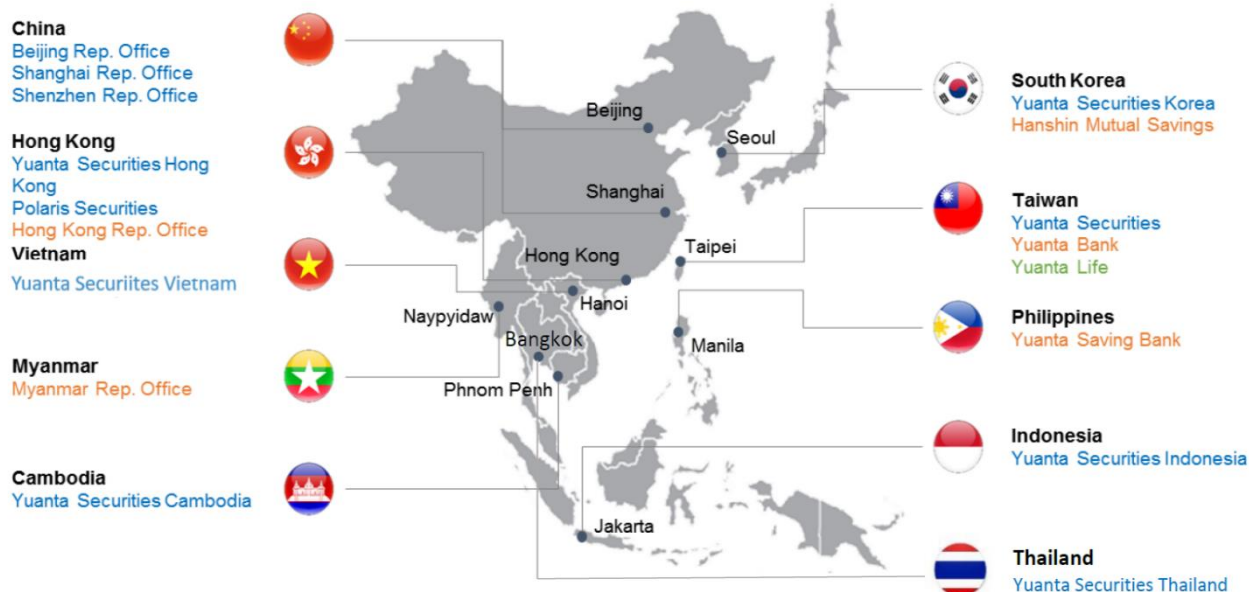
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