

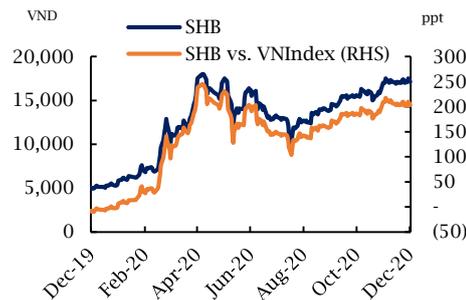
Not Rated

TP upside (downside): N/A

Close 10 Dec 2020

Price VND 17,100
12M Target N/A

Share price performance relative to VNI



Source: Bloomberg

Market cap	US\$1.3 bn
6M avg. daily turnover	US\$3.3 mn
Outstanding shares	1,755 mn
Free float	80%
FINI ownership	4.4%
Major shareholders	15.2%
2020E Asset/Equity	19.7x
2020E P/E	13.4x
2020E P/B	1.3x
FOL Remaining Room	25.6%
2020E Dividend yield (*)	0.0%

Source: Bloomberg, FiinPro

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Bloomberg code: YUTA

Saigon-Hanoi Bank (SHB VN)

Company Visit: Focus on asset quality

Event

We met with SHB in Hanoi on Dec 9 to discuss its business operations and strategy.

Details

Credit growth was 16% YTD, and the bank targets credit growth of 17% for 2021E (subject to SBV quota). SHB's long-term strategy comprises a focus on retail and SMEs, which together account for about 70% of the total loan book as at 3Q20.

The bank has a relatively large customer base, with about 5mn clients.

NPL ratio increased from 1.83% at 2019 to 2.47% at 3Q20 (+64 bps YTD). SHB said that most of the bad debt is from retail clients. Management is confident that NPLs will not rise significantly after Circular 01 expires because most Covid19-impacted customers have been making payments on schedule. They also stated that most of their loan restructurings occurred in 2Q20 and they do not expect a significant amount of loans to be restructured going forward.

SHB's LLR ratio was 57% (-8ppt YTD) in 3Q20, among the lowest in the industry. However, management indicated confidence in their reserve levels due to collateral coverage.

CASA deposits are relatively low. SHB's CASA ratio was only 7.1% (-60bps YTD) as at 3Q20.

The bank's CAR is 10.3% and its Tier 1 capital ratio is about 7.0%. SHB plans to raise VND3 tn (equivalent to 17% of the current charter capital) via new shares to maintain its CAR at about 10%.

Our view

Asset quality could be a concern. Although management believes that the asset quality is under control, a rising NPL ratio and low LLR ratio raise our concern. We think that the real impact of the pandemic on borrowers will become transparent in a delayed manner. Thus, SHB should perhaps increase its LLR ratio to strengthen this buffer against possible future asset quality deterioration.

We don't cover SHB and have no recommendation on the stock. SHB trades at 1.2x 2021E P/B, which is in line with the sector median. SHB plans to move its listing to the HSX, which is a catalyst that has driven up the share price by 218% YTD. Along with [ACB \(BUY\)](#), SHB has been a key driver of the VH Index's outstanding +55% performance YTD.

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