

SAIGON HANOI JOINT STOCK COMMERCIAL BANK (HNX - SHB)

February 18, 2016

COMPANY UPDATE BRIEFS



SHB: PBT of VND1,027 billion (USD46.0 million) for 2015, accomplishing 92 percent of the full-year target

Key indicators	2015 Results	% Target	VPBS forecast
Total assets (VND bn)	204,764	102.4%	199,885
% ytd growth	21.1%		18.3%
Customer loans (VND bn)	131,427	113.7%	128,038
% ytd growth	26.3% (vs industry 17.3%)		23%
Customer deposits (VND bn)	148,816	98%	152,802
% ytd growth	20.8%		23%
NPLs (VND bn)	1,718		3,970
2015 NPL ratio (%)	1.72%		3.1%
2014 NPL ratio (%)	2.02%		
2015 PBT (VND bn)	1,027	92%	1,003
% y-o-y growth	0.4%		

Saigon Hanoi JSCB recently has released its 2015 business results. Credit and mobilization growth were over 20 percent, and SHB consequently surpassed all of its growth targets. SHB continued to focus on lending to priority sectors – such as agriculture, forestry & fisheries – which accounted for 20.5 percent of total loans; real estate lending accounted for 21.8 percent of total lending.

Net interest income reached VND3,372 billion (USD151 million), up 19.7 percent y-o-y. Non-interest income reached VND531 billion (USD23.8 million), up nearly 15 percent y-o-y as all segments recorded good growth, with the exception of fees and commissions income which recorded negative growth of 4.5 percent. Operating income increased by 19 percent, reaching VND3,903 billion (USD175 million). However, operating expenses rose by 26 percent to VND2,035 billion (USD91.1 million), accounting for 52 percent of operating income, and together with 32 percent higher provision expenses, eroded SHB's pretax profit which reached VND1,027 billion (USD46.0 million), equivalent to the 2014 figure.

Bad debts reached VND1,718 billion (USD76.9 million), up 7.4 percent, though the NPL ratio was technically reduced to 1.71 percent due to high credit growth. In the update report in September, we noted that SHB had restructured over VND5,000 billion (USD228 million) of NPLs in 2013 following Decision 780, equivalent to 6.5 percent of its total loans at the time. Sixty percent of those restructured loans were likely NPLs, hence we are concerned about the underlying risks of SHB's restructured loans. However, as of the end of 2015, total bad debts value had not increased significantly, and there has been no detailed explanation of how SHB has handled its non-performing assets.

VPBS projected that the bank was unlikely to fulfill its 2015 profit target, and 2015 business results were in line with those projections. Therefore we maintain our HOLD recommendation for SHB at a target price of VND6,800.

Today, SHB share price closed at VND7,000, inching up slightly by 1.4 percent, trading at P/E of 11.6x and a P/B of 0.6x.

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