

Industry:	Banking		2021	2022F	2023F	2024F
Report Date:	April 22, 2022	PPOP y/y	23.5%	57.9%	22.1%	23.0%
Current Price:	VND28,800	NPAT y/y	27.2%	88.2%	48.4%	29.0%
Target Price*:	VND40,100	EPS y/y	24.8%	83.5%	48.4%	27.4%
Upside:	39.2%	NIM	2.75%	3.61%	3.65%	3.69%
Dividend Yield:	0.0%	NPL	1.47%	1.50%	1.60%	1.60%
TSR:	39.2%	CIR	55.5%	52.0%	51.0%	50.0%
Rating*:	BUY	P/B	1.6x	1.4x	1.1x	0.9x
		P/E	18.8x	10.3x	6.9x	5.4x



	USD2.4bn		STB	Peers	VNI
Market Cap:	USD2.4bn		18.8x	9.5x	15.6x
Foreign Room:	USD216mn	P/E (ttm)	1.6x	1.9x	2.4x
ADTV30D:	USD19.4mn	P/B (curr)	10.8%	22.0%	15.6%
State Ownership:	0.0%	ROE (ttm)	0.7%	1.9%	2.6%
Outstanding Shares:	1.885 bn	ROA (ttm)	* TP and rating last updated February 21, 2022		
Fully Diluted Shares:	1.885 bn				

Company Overview

STB was founded in 1991, IPO'ed in 1996 and listed in 2006. As of YE2021, STB was the fourth largest among our 12 coverage banks by gross loans. In October 2015, STB merged with Southern Bank and the SBV took control of 51% of voting rights from a group of shareholders deemed to have breached ownership caps.

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STB affirms 2022 timeline to clear legacy accrued interest

- We attended STB's AGM on April 22. The main agenda was to review 2021 business results, approve 2022 targets, and elect the new board of directors (BOD) and board of supervisors (BOS).
- The Q&A session focused on the clearance progress of (1) debts related to Phong Phu, (2) the 32.5% stake pledged as a collateral in favor of VAMC and (3) legacy accrued interest clearance. Shareholders also raise questions regarding loan exposure to the real estate segment, FLC and its related parties, as well as the potential upfront fee (if any) received from the elevation of the exclusive bancassurance contract between STB and Dai-ichi Life.
- 2022 targets include (1) total asset growth of 10% YoY vs our full-year forecast of 16.9% YoY, (2) credit growth of 12% YoY vs our current assumption of 15% YoY — however, the bank notes that it may increase its 2022G credit growth following receipt of the updated credit quota from the State Bank of Vietnam (SBV) — (3) funding growth of 10% vs our full-year forecast of 17.3%, (4) the NPL ratio to be kept below 2.0%, and (5) PBT of VND5.28tn (+20% YoY) vs our full-year forecast of VND8.0tn (+82.4% YoY) including the upfront fee and VND7.1tn (+61.5% YoY) excluding the upfront fee. STB beat its earnings guidance by 21%-30% in 2018-2020 and 10% in 2021.
- STB targets to finish its restructuring plan by no later than 2023.
- No dividend payment plan is proposed for 2021. The dividend payment plan for 2022 is expected to be implemented following the restructuring plan approved by the SBV.
- We currently have a BUY rating for STB with a target price of VND40,100/share.

Strong numbers for 4M 2022 credit growth and funding growth. The CEO shared that 4M 2022 funding growth was 7% while credit growth was 6.7% vs the initial 7% credit quota granted by the SBV. STB resolved VND11.5tn of nonperforming assets in 4M 2022, which exceeded its initial target for 2022 of VND10tn. Therefore, the bank will submit a proposal to the BOD to increase the target for resolving nonperforming assets in 2022 to VND15tn. Excluding provision expenses and accrued interest reversal for legacy assets, 2021 PBT could reach VND13tn (vs VND4.4tn of actual PBT recorded in 2021), said the CEO.

STB will clear all legacy accrued interest in 2022. In response to a shareholder's question regarding legacy accrued interest, the CEO stated that STB had ~VND6tn of legacy accrued interest at end-2021. The bank cleared VND2.5tn of legacy accrued interest in Q1 2022 and expects to clear the remaining by Q3 2022. We currently assume that STB will reverse VND1.3tn of legacy

accrued interest in 2022, while the remaining will be settled through the sale of collateral. We see potential downside risk to our earnings forecast for 2022 and upside to our earnings forecast post-2022, pending a fuller review.

Update on the two large collateral recovery transactions. The chairman shared that the auction of debts related to Phong Phu has been postponed to clarify certain legal issues, and the bank will actively work with the HCMC People's Committee to set a time to settle the debt auction. STB expects this situation will be resolved in 2022. Regarding the 32.5% stake pledged as a collateral in favor of VAMC, the bank has submitted documents to the SBV as is awaiting approval and directives.

Awaiting Q1 and Q2 2022 financial statements for further information on the potential upfront banca fee from the elevation of the exclusive bancassurance contract with Dai-ichi Life in December 2021. Regarding the question of whether STB will receive additional income from the elevation of the exclusive bancassurance contract with Dai-ichi Life, the CEO shared that the value of the elevated contract is large; however, she could not share further information due to a confidentiality policy. As a result, shareholders can examine the Q1 2022 and Q2 2022 financial statements for further information upon their release.

FLC loans have partially been recovered. Shareholders expressed concern regarding STB's loans to FLC Group following the arrest of FLC's chairman on charges of stock market manipulation and hiding transaction information, which was announced by the Ministry of Public Security on March 29. The CEO shared that the total loan exposure to FLC Group and its related parties (including Bamboo Airways) was VND5tn (equivalent to 1.29% of the 2021 gross loans), in which credit exposure to FLC was VND3.2tn. STB has already collected VND2.6tn and expects to collect the remaining VND600bn within one month. The chairman commented that these loans were actually good loans; however, due to public pressure, STB has decided to collect them early. The CEO also shared that the bank's total loan exposure to the real estate segment was 22%, in which 60% was loans to retail customers.

The new BOD for the 2022-2026 term was elected:

1. Mr. Duong Cong Minh was reelected as chairman.
2. Mrs. Nguyen Duc Thach Diem, who was CEO cum BOD member of STB for the previous term, was elected as vice chairwomen.
3. Mr. Pham Van Phong, who was vice chairman of STB for the previous term, was elected as a BOD member.
4. Mr. Nguyen Xuan Vu was reelected as a BOD member.
5. Mr. Phan Dinh Tue, who is deputy CEO of STB, was elected as a BOD member.
6. Mrs. Pham Thi Thu Hang was elected as an independent BOD member.
7. Mr. Vuong Cong Duc, who was a former BOD member of Viet Capital Bank (BVB), was elected as an independent BOD member.

The new BOS for the 2022-2026 term was elected:

1. Mr. Tran Minh Triet
2. Mr. Nguyen Van Thanh
3. Mrs. Ha Quynh Anh
4. Mr. Lam Van Kiet

VCSC Rating System

Stock ratings are set based on projected total shareholder return (TSR), defined as $(\text{target price} - \text{current price}) / \text{current price} + \text{dividend yield}$, and are not related to market performance.

Equity rating key	Definition
BUY	If the projected TSR is 20% or higher
OUTPERFORM	If the projected TSR is between 10% and 20%
MARKET PERFORM	If the projected TSR is between -10% and 10%
UNDERPERFORM	If the projected TSR is between -10% and -20%
SELL	If the projected TSR is -20% or lower
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Target prices are generally based on the analyst's assessment of the stock's fair value over a 12-month horizon. However, the target price may differ from the analyst's fair value if the analyst believes that the market will not price the stock in line with assessed fair value over the specified time horizon.

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