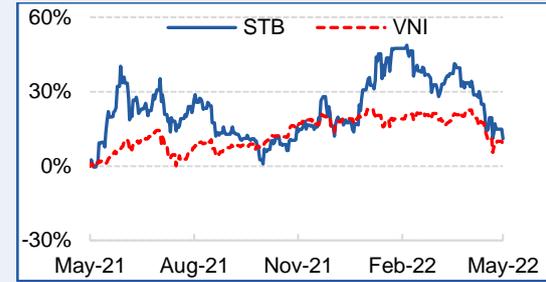


Industry:	Banking		2021	Q1 22	2022F
Report Date:	May 4, 2022	PPOP y/y	23.5%	55.4%	57.9%
Current Price:	VND26,750	NPAT y/y	27.2%	59.0%	88.2%
Target Price*:	VND40,100	EPS y/y	24.8%	52.2%	83.5%
Upside:	49.9%	NIM	2.75%	2.32%	3.61%
Dividend Yield:	0.0%	NPLs/loans	1.47%	1.28%	1.50%
TSR:	49.9%	CIR	55.5%	55.3%	52.0%
Rating*:	BUY	P/B	1.5x	1.4x	1.3x
		P/E	17.5x	N.M.	9.4x

\* TP and rating last updated February 21, 2022

			STB	Peers	VNI
Market Cap:	USD2.2bn				
Foreign Room:	USD199mn	P/E (ttm)	15.8x	8.7x	14.7x
ADTV30D:	USD17.0mn	P/B (curr)	1.4x	1.7x	2.3x
State Ownership:	0.0%	ROE (ttm)	11.9%	21.9%	15.8%
Outstanding Shares:	1.885 bn	ROA (ttm)	0.7%	1.9%	2.6%
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 ramps up accrued interest reversals in early 2022

STB released consolidated results for Q1 2022 with PPOP of VND2.3tn (USD100mn; +55.4% YoY) and bottom-line net profit of VND1.3tn (USD55mn; +59.0% YoY), achieving 18.4% and 19.8% of our FY2022 forecasts, respectively. The increase in NPAT was mainly driven by (1) an 83.4% YoY increase in pure NFI, (2) 43.9% YoY increase in gains from FX trading and (3) 9.4x YoY increase in net other income, which were partly offset by (1) an 8.9% YoY decrease in NII and (2) 48.1% YoY increase in provision expenses. Q1 2022 earnings trailed our expectations, which we believe is mainly because we currently assume that STB will reverse VND1.3tn of legacy accrued interest in 2022 while the remaining accrued interest will be cleared through the sale of collateral assets; however, STB could take action to reverse all legacy accrued interest by Q3 2022, as stated by the CEO at STB's recent AGM. We therefore see potential downside risk to our earnings forecast for 2022 and upside to our earnings forecast post 2022, pending a fuller review.

**The increase in deposit rates since October 2021 supported deposit growth in Q1 2022, in our view.** STB reported a 0.1% YoY decrease in 2021 deposits to customers vs a 14% YoY increase in 2021 loans to customers, which thereby increased regulated LDR from 77.0% in 2020 to 85% in 2021, per our estimation. We have seen STB take actions to increase its deposit rate since October 2021, and it appears these actions supported deposit growth and loan growth in Q1 2022. Accordingly, STB reported Q1 2022 loan growth of 6.5% vs Q1 2022 deposit growth of 7.1%.

**STB continued to make major reversals of legacy accrued interests in Q1 2022, which negatively impacted NIM.** STB reported Q1 2022 NIM of only 2.32% (-55 bps YoY), which was mainly due to a 93-bp YoY decrease in IEA yield that outweighed a 17-bp YoY decrease in COF. We attribute the sharp decline in NIM mostly to the reversal of accrued interest as the bank's accrued interest balance dropped by VND2.0tn QoQ in Q1 2022 vs a VND1.3tn QoQ drop in Q1 2021. Q1 2022 NIM was much lower than our 2022F forecast of 3.61%, which we attribute to our assumption that STB will make fewer reversals for accrued interest in 2022 and instead resolve legacy accrued interest mainly through the sale of collateral. However, STB has made efforts to clean its balance sheet as soon as possible through the reversal of accrued interest. We therefore see potential downside risk to our 2022F NIM forecast but see upside to our forecast for net other income post 2022, assuming STB will successfully clear its large collateral on sale from beginning in 2022.

**Strong Q1 2022 NOII offset weak NII.** STB reported Q1 2022 NOII of VND2.4tn (+110% YoY), which was mainly driven by (1) an 83.4% YoY increase in pure NFI, (2) 43.9% YoY increase in gains from FX trading and (3) 9.4x YoY increase in net other income from VND58bn in Q1 2021 to VND546bn. We attribute the increase in pure NFI partly to the additional upfront fee from the elevated bancassurance contract with Dai-ichi Life in Q1 2022, while the increase in net other income could have come from recovery from written off bad debts; we are awaiting interim financial statements for further information.

**Q1 2022 provision expenses increased 48.1% YoY due to higher YoY provisioning for VAMC.** Our estimation suggests that STB booked VND673bn of provision expenses for VAMC in Q1 2022 vs VND211bn in Q1 2021 and our 2022F forecast of VND1.7tn.

**Asset quality looks benign.** In Q1 2022, STB's receivables balance was VND22.9tn (-7.8% QoQ and +11.8% YoY) while its accrued interest decreased to VND7.9tn (-20.2% QoQ and -50.9% YoY). The Q1 2022 NPL ratio dropped 22 bps QoQ and 20 bps YoY to 1.28%. Group 2 loans over gross loans inched up by 3 bps YoY and 3 bps QoQ to 0.41%. STB settled VND490bn of VAMC in Q1 2022.

**Figure 1: STB's consolidated Q1 2022 results**

VND bn	Q1 2021	Q1 2022	YoY
NII	3,008	2,739	-8.9%
Non-interest income	1,137	2,386	109.8%
OPEX	(2,669)	(2,832)	6.1%
PPOP	1,476	2,293	55.4%
Provision expenses	(476)	(705)	48.1%
NPAT	801	1,274	59.0%
Loan growth**	4.9%	6.5%	1.6 ppts
Deposit growth**	0.7%	7.1%	6.4 ppts
NIM	2.87%	2.32%	-55.0 bps
IEA yield	7.29%	6.36%	-93.0 bps
Cost of funds	4.13%	3.96%	-17.0 bps
CASA ratio*	19.7%	22.9%	3.2 ppts
CASA ratio plus term deposits in FX	22.0%	25.0%	3.0 ppts
CIR	64.4%	55.3%	-9.1 ppts
NPLs/gross loans	1.48%	1.28%	-20.0 bps
Group 2 loans/gross loans	0.38%	0.41%	3.0 bps
Accrued interest/ IEAs	3.83%	1.63%	-2.2 ppts

Source: STB, VCSC – \*CASA volume included demand deposits and margin deposits; \*\* Q1 2021 and Q1 2022 loan and deposit growth is QoQ growth.

**Figure 2: STB's total estimated non-performing assets**

VND bn	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
<b>Total non-performing assets</b>	<b>74,160</b>	<b>74,526</b>	<b>73,575</b>	<b>67,510</b>	<b>64,547</b>	<b>59,984</b>	<b>57,561</b>	<b>58,364</b>	<b>52,727</b>
Receivables	20,580	21,261	21,633	21,277	20,510	19,901	19,342	24,875	22,940
Accrued int & recs	18,826	18,612	18,377	17,500	16,183	14,051	13,226	9,951	7,945
NPLs	6,047	6,682	6,837	5,780	5,292	5,609	5,568	5,832	5,299
VAMC	32,682	32,130	30,986	27,322	27,142	25,767	25,193	23,728	23,238
Provisions	(3,975)	(4,158)	(4,258)	(4,369)	(4,580)	(5,345)	(5,768)	(6,022)	(6,695)
Net VAMC	28,708	27,972	26,728	22,953	22,562	20,422	19,425	17,706	16,543
<b>Total Assets</b>	<b>459,076</b>	<b>481,898</b>	<b>485,213</b>	<b>492,516</b>	<b>497,428</b>	<b>504,534</b>	<b>494,295</b>	<b>521,117</b>	<b>552,539</b>
Non-performing assets as % of total assets	16.2%	15.5%	15.2%	13.7%	13.0%	11.9%	11.6%	11.2%	9.5%

Source: STB, VCSC

## 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
NOT RATED	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulation and/or firm policies in certain circumstances, including when VCSC is acting in an advisory capacity in a merger or strategic transaction involving the company.
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Unless otherwise specified, these performance parameters are set with a 12-month horizon. Movement in share prices may cause a temporary mismatch between the latest published rating and projected TSR for a stock based on its market price and the latest published target price.

**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.

**Risks:** Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative.

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