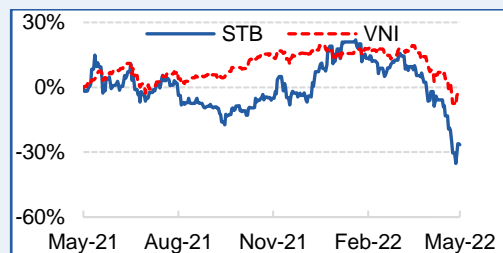


Sacombank (STB) [BUY +88.7%]

Update Report

Industry:	Banking		2021A	2022F	2023F	2024F
Report Date:	May 23, 2022					
Current Price:	VND20,350	PPOP y/y	24.8%	59.7%	24.6%	24.6%
Target Price:	VND38,400	NPAT y/y	27.2%	40.8%	108.3%	25.2%
Last Target Price:	VND40,100	EPS y/y	27.5%	35.8%	108.3%	23.6%
Upside to TP:	88.7%	NIM	2.75%	3.18%	3.68%	3.72%
Dividend Yield:	0.0%	NPL	1.50%	1.40%	1.50%	1.60%
TSR:	88.7%	CIR	55.1%	48.0%	48.0%	46.7%
		P/B	1.1x	1.0x	0.8x	0.7x
		P/E	12.6x	9.3x	4.5x	3.6x



Market Cap:	USD1.7bn		STB	Peers	VNI	Company overview
Foreign Room:	USD154mn	P/E (ttm)	11.5x	7.5x	13.2x	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.
ADTV30D:	USD17.1mn	P/B (curr)	1.1x	1.6x	2.1x	
State Ownership:	0.0%	ROE	11.9%	21.9%	15.8%	
Outstanding Shares:	1.885 bn	ROA	0.7%	1.9%	2.6%	
Fully Diluted Shares:	1.885 bn					

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We model for “kitchen sink” legacy clearance in 2022

- We cut our target price (TP) for STB by 4.2% to VND38,400/share and maintain our BUY rating.
- Our lower TP is mainly derived from (1) a 3.4% aggregate decrease in our projection for 2022-2026F NPAT following our assumption for an increase in the provisioning buffer and (2) downward revision in our target P/B from 1.71x to 1.50x, which are partly offset by the positive effect of rolling over our TP to mid-2023.
- We decrease our 2022F NPAT by 25.2% mainly due to (1) a 12.1% decrease in 2022F NII following an adjustment in our assumption for STB's approach to clear legacy accrued interest and (2) 52.0% increase in provision expenses following an upward revision in our assumption for VAMC provision expenses, which are partly offset by a 14.3% increase in 2022F NFI (including FX trading) as we assume a higher upfront fee booked in 2022.
- We maintain our assumptions that (1) all legacy accrued interest will be cleared in 2022, (2) the Phong Phu land bank and 32.5% stake in STB pledged as collateral in favor of VAMC will be sold in 2022, (3) all VAMC net balance will be cleared and provisioned by 2022 and (4) the outstanding principal from the sale of Duc Hoa III Industrial Park will be received in 2023.
- Upside: Higher-than-expected additional upfront fee from Dai-ichi Life.
- Downside risk: Higher-than-expected NPLs; slower-than-expected legacy asset clearance; lower-than-expected additional upfront fee from Dai-ichi Life.

We change our assumption for STB to reverse all remaining legacy accrued interest in 2022 but model for the bank to recognize part of this in 2023-2024 as recovery classified in other income. Previously, we assumed that STB would reverse VND1.4tn of legacy accrued interest in 2022 with the remaining being settled through the sale of collateral assets. However, at STB's recent AGM, management shared its approach to reverse all legacy accrued interest in 2022. We therefore change our assumption for STB to reverse all remaining legacy accrued interest as of YE2021 (VND5.7tn) in 2022, but we expect the bank could receive a portion of the accrued interest reversed in following years based on our expectation for successful clearance of collateral assets (e.g., the sale of debt related to Phong Phu and 32.5% stake pledged as a collateral for VND10tn of VAMC debt). Our assumption for a recovery rate for accrued interest reversed is 20%, which will be recorded in net other income in 2023 and 2024.

As accrued interest is expected to be entirely reversed in 2022, NIM is expected to rebound in 2023 and support 2023F earnings growth. Our estimate suggests that Q1 2022 NIM could have reached 4.44% had it not been for reversals (vs the reported number of 2.32% and peer median of 4.13%). We forecast for NIM to rebound from 3.18% in 2022F to 3.68% in 2023F.

Two major collateral assets in HCMC were listed for sale. Since February 2022, the bank has listed two major properties for sale: (1) a 1,774-sqm property in District 5 listed at VND531bn and (2) a 59,938-sqm property in Hiep Phuoc Industrial Park – Nha Be District listed at VND500bn.

Q1 2022 Recap: Accelerated accrued interest reversals sends NIM 55 bps lower YoY

Figure 1: STB's Q1 2022 results

VND bn	Q1 2021	Q1 2022	YoY	% VCSC's 2022F (Old)	VCSC comments
Net interest income (NII)	3,008	2,739	-8.9%	14.9%	* An 8.9% YoY decrease in Q1 2022 NII mainly came from a 55-bp YoY decrease in NIM, which was partly offset by a higher regulated LDR of 83.2% in Q1 2022 vs 78.5% in Q1 2021, according to our estimation.
Net fee income (NFI) (includes FX)	1,045	1,834	75.5%	28.1%	* Q1 2022 pure NFI soared 83.4% YoY to VND1.5tn, which we suspect was partly due to the additional upfront fee from the elevated bancassurance contract with Dai-ichi Life on December 2021. STB refused to share the amount of the upfront fee booked in Q1 2022. * Q1 2022 gains from FX trading also delivered impressive growth — up 43.9% YoY to VND298bn.
Total Non-interest income (Noli)	1,137	2,386	109.8%	31.6%	* STB reported VND546bn of net other income in Q1 2022 vs VND58bn in Q1 2021 — ~VND300bn of which came from recovery from written off bad debts.
TOI	4,145	5,125	23.6%	19.8%	
OPEX	(2,669)	(2,832)	6.1%	21.0%	* The decision to reverse legacy accrued interest made STB's CIR sitting at 55.3% in Q1 2022, which was the highest level reported in our coverage universe although CIR drop of 9.1 ppts YoY at STB was the second highest YoY CIR drop in our coverage universe after VPB.
Pre-provision operating profits (PPOP)	1,476	2,293	55.4%	18.4%	
Provision expenses	(476)	(705)	48.1%	16.0%	* STB focused on clearing VAMC through provisioning in Q1 2022. Our estimation suggests that STB booked VND673bn of provision expenses for VAMC in Q1 2022 vs VND211bn in Q1 2021.
NPAT	801	1,274	59.0%	19.8%	
Net-interest margin (NIM)*	2.87%	2.32%	-55 bps		* Q1 2022 NIM could have reached 4.44% if the bank did not have to reverse legacy accrued interest vs the peer median of 4.13%, per our estimation.
Interest-earning asset (IEA) yields*	7.29%	6.36%	-93 bps		* We attribute the 93-bp YoY decrease in the 2021 IEA yield mainly to legacy accrued interest reversal and the concessionary lending rate. At STB's April 2022 AGM, the CEO stated that the bank cleared VND2.5tn of legacy accrued interest in Q1 2022 and expects to clear all legacy accrued interest by Q3 2022.
Cost of funds (COF)*	4.13%	3.96%	-17 bps		* We believe a 17-bp YoY decrease in Q1 2022 COF was mainly due to (1) a 108% YoY increase in interbank funding and (2) 3.2-ppt YoY improvement in CASA ratio. * Q1 2022 CASA ratio was the highest that the bank has ever reported (based on our data).
CASA ratio**	19.7%	22.9%	3.2 ppts		
Cost to income ratio (CIR)	64.4%	55.3%	-9.1 ppts		
Non-performing loans (NPL ratio)	1.48%	1.28%	-20 bps		* The Q1 2022 NPL ratio dropped 22 bps QoQ and 20 bps YoY to 1.28% with no write-off.
Loan growth (3M)	4.9%	6.5%	1.6 ppts		* STB had no exposure to corporate bonds as of Q1 2022.
Deposit growth (3M)	0.7%	7.1%	6.4 ppts		* We have seen STB take action to increase its deposit rate since October 2021, and it appears these actions supported Q1 2022 deposit growth after slow deposit growth in 2021.

Source: STB; VCSC; (*) NIM, IEA, COF are calculated with Q1 2020 / Q1 2021 – Q1 2021 / Q1 2022 average denominators; (**) CASA consists of demand, specific purposes and margin deposits.



2022 Outlook: Cut to NII, higher provisions cause NPAT growth to tumble

Figure 2: VCSC's 2022 forecast

VND bn	2021	2022F New	2022F Old	2022F New vs 2021	VCSC comments
NII	11,964	16,131	18,356	34.8%	* We cut our forecast for 2022F NII by 12.1% following a 43-bp downward revision in our NIM projection.
NFI (include FX)	5,080	7,461	6,525	46.9%	* We raise our 2022F pure NFI by 16.4% mainly due to an adjustment in our assumption for the recognition timeline of the additional upfront fee. Previously, we assumed a total additional upfront fee of USD 200mn to be received by STB and booked equally in five years from 2022. We maintain our assumption for the value to the upfront fee but now assume that STB will book half of the upfront fee in 2022 with remaining to be spread in over following four years. * Meanwhile, we maintain our projection for gains from FX trading at VND811bn.
Total Noll	5,740	8,268	7,543	44.0%	
TOI	17,704	24,399	25,899	37.8%	
OPEX	(9,750)	(11,700)	(13,468)	20.0%	
PPOP	7,954	12,700	12,432	59.7%	
Provision expenses	(3,554)	(6,694)	(4,405)	88.3%	* We raise our projection for 2022F provision expenses by 52% to VND6.7tn mainly due to an upward revision in provision expenses for VAMC from VND1.8tn to VND4.2tn. STB recently shared that it expects to book VND3tn-6tn of provision expenses for VAMC in 2022. * We maintain our assumption that STB could sell a 32.5% stake pledged as collateral and appearing on STB's financials as VND10tn of VAMC debt and also successfully sell debt related to Phong Phu land bank in 2022, thereby settling ~VND14tn of VAMC without provisioning and finishing its VAMC clearance in 2022.
NPAT	3,411	4,805	6,422	40.8%	
NIM	2.75%	3.18%	3.61%	42.8 bps	
IEA yield	6.82%	7.23%	7.75%	41.6 bps	* Previously, we assumed that STB would reverse VND1.4tn of legacy accrued interest in 2022 with the remaining being cleared through the sale of collateral assets. However, we now assume that STB will reverse all remaining legacy accrued interest as of YE2021 (VND5.7tn) in 2022 following the plan shared at its recent AGM. This is the main reason for a 52-bp decrease in our 2022F IEA yield.
COF	3.89%	4.08%	4.18%	19.7 bps	* We maintain our view that deposit rates will increase in 2022 as the economy recovers, but we cut 2022F COF by 10 bps mainly due to a 3-ppt upward revision in our CASA ratio assumption to 23.7% following STB's success in maintaining a high CASA ratio in Q1 2022. STB targets for a 2022F CASA ratio of 25%.
CASA*	22.8%	23.7%	20.7%	83.9 bps	
CIR	55.1%	48.0%	52.0%	-7.1 ppts	
NPL ratio	1.50%	1.40%	1.50%	-10.3 bps	
Gross loans	387,930	446,119	446,119	15.0%	
Customer deposits	427,387	500,043	500,043	17.0%	* With LDR of 83.2% in 2021, we believe that STB is facing pressure to increase its funding through customer deposits in 2022, thus we assume for higher deposit growth vs loan growth in 2022.
Valuable papers	21,104	24,269	24,269	15.0%	
Total assets	521,117	607,853	609,111	16.6%	
ROAE	10.8%	13.2%	17.4%	2.4 ppts	
ROAA	0.67%	0.85%	1.14%	17.8 bps	
Regulated LDR	83.2%	81.8%	83.3%	-1.4 ppts	

Source: STB; VCSC; (*) CASA consists of demand, specific purposes and margin deposits.

Figure 3: NIM and NII (VND tn) (2019-2024F)

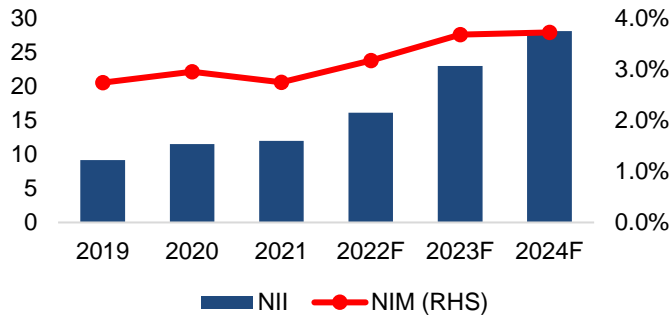
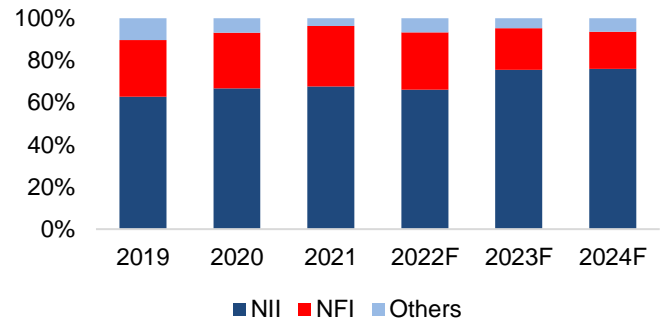


Figure 4: TOI components (2019-2024F)



Source: STB, VCSC

Figure 5: OPEX, provision expenses and PBT as % of TOI (2019-2024F)

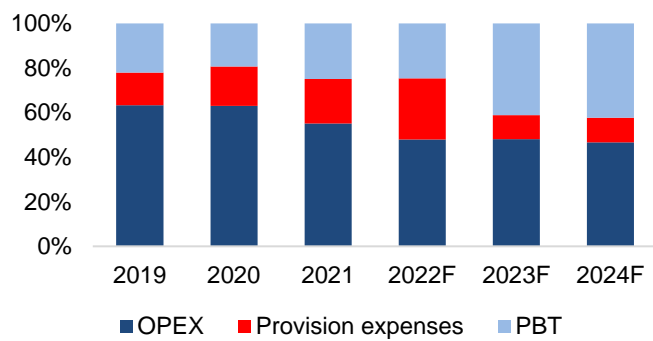
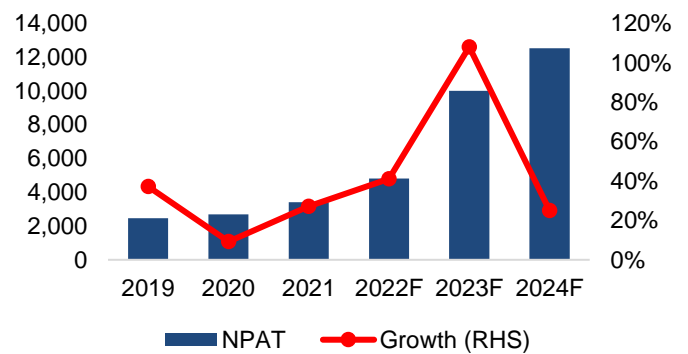


Figure 6: NPAT (VND bn) and growth (2019-2024F)



Source: STB, VCSC

Figure 7: Lending market share (2019-2024F)

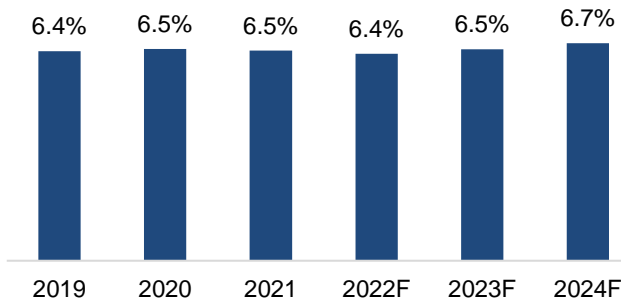
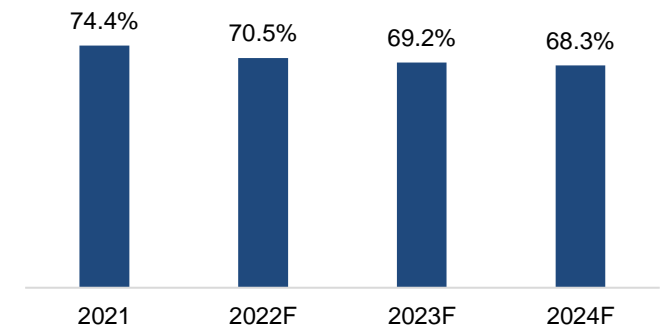


Figure 8: RWA as % of total assets (2021-2024F)



Source: Company data, VCSC

Figure 9: NPL ratio, annualized write-offs over gross loans and LLR of banks under coverage (Q1 2022)**

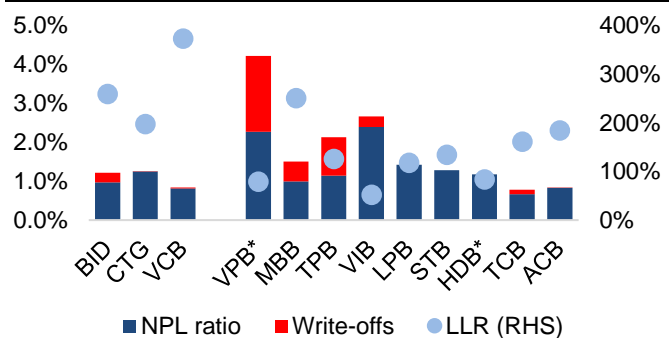
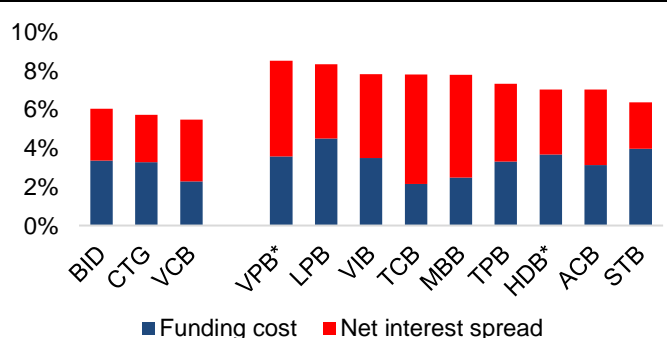


Figure 10: Annualized interest-earning asset yields of banks under coverage (Q1 2022)



Source: Company data; (*) parent bank only; (**) LLR is percentage of total provisions over group 3-5 loans.

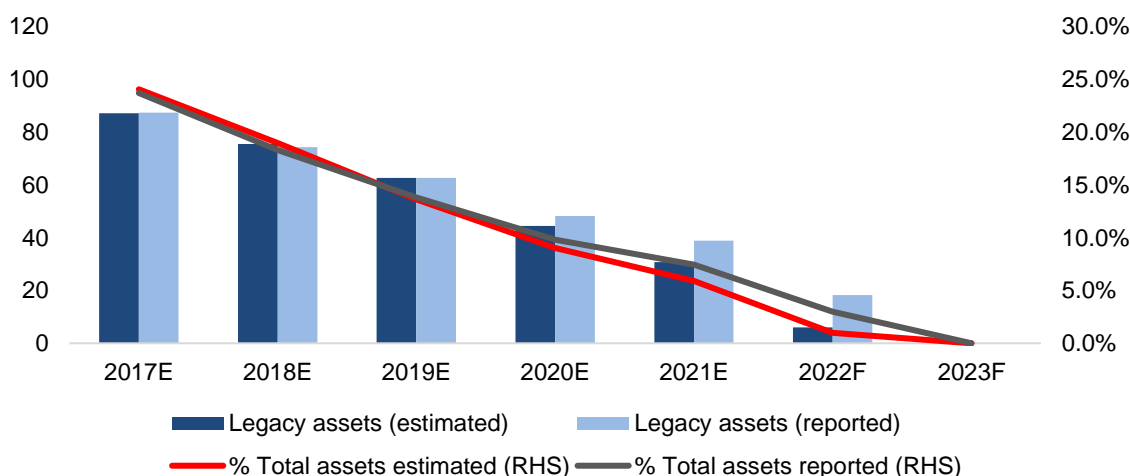
We change our assumption for STB to reverse all remaining legacy accrued interest in 2022 but model for the bank to recognize part of this in 2023-2024 as recovery classified in other income. Previously, we assumed that STB would reverse VND1.4tn of legacy accrued interest in 2022 with the remaining being cleared through the sale of collateral assets. However, we now assume for STB to reverse all remaining legacy accrued interest as of YE2021 (VND5.7tn) in 2022 following the bank's plan shared at its recent AGM; however, we expect the bank could receive a portion of the accrued interest reversed in the following years based on our expectation for successful clearance of collateral assets (e.g., the sale of debt related to Phong Phu and 32.5% stake pledged as a collateral for VND10tn of VAMC debt). The bank shared that it cleared VND2.5tn of legacy accrued interest in Q1 2022. We believe the bank could clear all of the remaining legacy accrued interest by Q2 2022. We are assuming a recovery rate for accrued interest reversed of 20%, which will be recorded in net other income in 2023 and 2024.

STB targets to decrease the ratio of legacy assets over total assets to 3% in 2022 and expects to complete its restructuring plan no later than 2023. STB reported its YE2021 ratio of legacy assets over total assets at 8% vs our estimation from the audited financial statements of 6%. Since 2020, our estimation on legacy assets vs STB's report has diverged, and we have been unable to determine why. We suspect that part of the divergence could be because we include provision expenses for credit losses in the other assets category in our calculations, whereas STB does not as it made significant provision of more than VND2tn for this category in 2020. Assuming our suspicion is correct, our estimation on legacy assets vs STB's reported number still diverged by VND5tn for 2021.

Our estimation suggests that STB cleared VND13.7tn of legacy assets in 2021 vs its reported number of VND14tn. We currently forecast that STB will clear VND24.7tn of legacy assets in 2022 following our assumption that (1) STB will clear debt related to Phong Phu, (2) its 32.5% stake pledged as a collateral for VND10tn of VAMC debt will be sold and (3) STB will fully reverse legacy accrued interest and book all provision for VAMC. Our forecast suggests the ratio of legacy assets over total assets will be 1% by YE2022. Meanwhile, STB's target to decrease legacy assets over total assets to 3% implies that the bank is expecting to clear ~VND21tn of legacy assets in 2022.

Under our assumption, STB will continue to have ~VND6tn of legacy assets by the end of 2022. We believe STB could clear all remaining legacy assets by 2023, thus completing its restructuring plan eight years after merging with Phuong Nam Southern Bank.

Figure 11: Estimates and projections of legacy asset balance (VND tn)



Source: VCSC

Two major collateral assets in HCMC were listed for sale. Since our last review of STB's collateral assets listed for sale on its website in February 2022, the bank has listed two major properties for sale: (1) a 1,774-sqm property in District 5 listed at VND531bn and (2) 59,938-sqm property in Hiep Phuoc Industrial Park – Nha Be District listed at VND500bn. Three other large properties listed on the website include: (1) the Xi Grand Court project in District 10, HCMC listed at VND537bn, (2) 9,165-sqm property in Hai Phong listed at VND400bn and (3) 614-sqm property in District 11, HCMC listed at VND122bn.

Figure 12: List of land/properties that STB is offering across Vietnam

Province/City	Total estimated price (VND bn / USD mn)
HCMC	1,874 / 80.8
Hai Phong	400 / 17.4
Hanoi	59 / 2.6
Gia Lai	55 / 2.4
Khanh Hoa	44 / 1.9
Hue	20 / 0.9
An Giang	10 / 0.4
Tay Ninh	9.4 / 0.4
Quang Ngai	7.4 / 0.3
Binh Phuoc	6.1 / 0.3
Phu Yen	4.9 / 0.2
Thanh Hoa	1.4 / 0.1
Total	2,492 / 107

Source: Company data, VCSC (last updated May 22, 2022)

Debt related to Phong Phu has attracted many potential buyers and is currently awaiting the approval of authorities. Information on the debt related to Phong Phu for sale is available on STB's website. STB is planning to auction without segregation all 18 debts secured by property rights at Phong Phu Industrial Park. The total value of the debts that has been sold to VAMC and has received VAMC's authority to sell these debts is VND16.196tn, in which the principal of the debts is VND5.134tn and accrued interest is VND11.062tn. The reserve price of these debts is VND13.120tn. At STB's AGM, the chairman shared that the auction of debt 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. At a recent meeting with STB, a bank representative shared that the debt related to Phong Phu has attracted many potential buyers.



Valuation

We utilize two valuation methodologies to reach our estimated target price for mid-2023 — (1) a residual income method and (2) target P/B valuation — with a 50% weighting assigned for each method.

In this Update Report, we cut our TP by 4.2% to VND38,400/share due to the following reasons:

- The target P/B produces a lower valuation as (1) we decrease 2022F-2023F aggregate NPAT by 7.1% mainly due to changes in our assumption on legacy accrued interest reversal as well as a lower assumption for VAMC cleared through settlement in 2022 and (2) increase the discount that we apply to the ACB benchmark P/B used to derive our target P/B for STB from 10% to 20% as recently upheavals in the corporate bond market, its association with the real estate sector and the relative resilience of ACB's share price during this time has shined a light on how the market perceives a safe haven stock like ACB. Also adding to the overhang of issues surrounding STB is news of the arrest of FLC's former chairman on charges of stock market manipulation and hiding transaction information, which was announced by the Ministry of Public Security on March 29. At STB's AGM, the CEO shared that the bank's total loan exposure to FLC Group and its related parties (including Bamboo Airways) was VND5tn (equivalent to 1.29% of the 2021 gross loans).
- Meanwhile, the residual income method produces a lower valuation due to a 3.4% aggregate decrease in our forecast for 2022-2026F NPAT and an increase in the discount that we apply to STB's valuation from 5% to 10%. The former is mainly derived from (1) a 3.0% decrease in our projection for NII following our adjustment on STB's approach to its legacy accrued interest and (2) 20.9% aggregate increase in provision expenses following our conservativeness amid STB's loans to FLC Group, which are partly offset by a 57.4% aggregate increase in net other income. Meanwhile, the latter is mostly because we are unable to clarify the difference between our calculation on legacy assets vs STB's numbers — although STB's legacy assets cleared in 2021 beat our forecast.

Figure 13: Valuation summary

(VND/share)	Fair value	Weighting	Contribution
Number of outstanding shares (billion)			1.885
Residual income	42,775	50%	21,400
Target P/B @1.5x average 2022/23F	33,952	50%	17,000
Target Price (TP)			38,400
Current Price			20,350
Upside to TP (%)			88.7
Dividend yield (%)			0.0
TSR (%)			88.7
2022F P/B at TP			1.89
Rating			BUY

Source: VCSC



Residual income model

Below, we list our major assumptions for the residual income model:

- STB will clear the sale of the Phong Phu land bank in 2022.
- STB will clear the VAMC balance that has collateral backing of a 32.5% stake in STB in 2022.
- STB will account for collateral sales by directly deducting from its VAMC balance, thus lowering its VAMC provisioning burden.
- Overall, STB will clear all of its VAMC net balance by the end of 2022.
- STB will receive full principal related to the Long An disposal sold in 2017 by the end of 2023.
- STB will issue 283 million new shares (equivalent to a 15% stake) at VND30,000/share in 2024 after clearing all of its legacy assets.
- STB will be able to maintain higher credit growth (~17%-18% p.a.) in 2023-2025 after clearing all of its legacy asset balance in 2023.
- STB will reverse all legacy accrued interest by the end of 2022 and receive part of which in 2023-2024 under net other income after successfully clearing major collateral assets. Recovery rate assumption for legacy accrued interests stands at 20%.
- Overall, we project the bank will clear all of its legacy assets by YE2023 vs the chairman's objective of (1) 2023 set out at the 2019 AGM and (2) end-2022 or beginning-2023 as set out at the 2020 AGM.

Figure 14: Cost of equity

Cost of equity	
Risk free rate* (%)	5.5
Beta	1.0
Market risk premium (%)	7.0
COE (%)	12.5

Source: VCSC; (*) Average 12-month deposit rate at SOE banks.

Figure 15: Residual income model

(VND bn)	2022F	2023F	2024F	2025F	2026F
ROE (Beginning period)	14.0%	26.1%	26.7%	22.1%	20.1%
COE	12.5%	12.5%	12.5%	12.5%	12.5%
Economic margin	1.5%	13.6%	14.2%	9.6%	7.6%
Equity value (Beginning period)	34,261	38,381	46,962	66,186	78,723
Residual income (RI)	261	5,209	6,656	6,346	6,011
PV of RI	246	4,365	4,958	4,202	3,538
Sum PV of RI					17,310
PV of Terminal value (4% intermediate growth rate for 10 years and 3% perpetual growth)					35,968
Beginning EV (average book value 2021/22F)					36,321
PV of RI					89,600
Discount (%)					10%
Fair equity value					80,640
Current outstanding shares (billion)					1.885
Fair value per share (VND)					42,775

Source: VCSC; values in VND bn unless otherwise stated

Target P/B

We use our target P/B for ACB as a benchmark to derive an appropriate target P/B for STB due to similar characteristics between the two that are evidenced through the similarities in (1) retail lending portions of around 60% (ACB at 63.7% and STB at 58.7% as of YE2021) and (2) in size (total assets of ACB and STB were VND527.8tn and VND521.2tn, respectively, as of YE2021).

Our observation suggests that STB has consistently traded at an average discount of ~50% to ACB's trailing P/B from beginning-2019 to mid-2020 and posted positive signs of narrowing the valuation gap since July 2020 to end-March 2022. However, since April 2022, the gap has widened, which we believe could be partly driven by concerns on STB's loans to FLC Group and its related parties following the arrest of FLC's former chairman on charges of stock market manipulation and hiding transaction information, which was announced by the Ministry of Public Security on March 29 (**Figure 17**). STB was trading at a 30% discount to ACB's trailing P/B as of May 20, 2022. We apply a ~20% discount (vs a 10% discount as previously) to our target P/B for ACB of 1.9x to reach our target P/B for STB of ~1.5x. Our reasons behind this are:

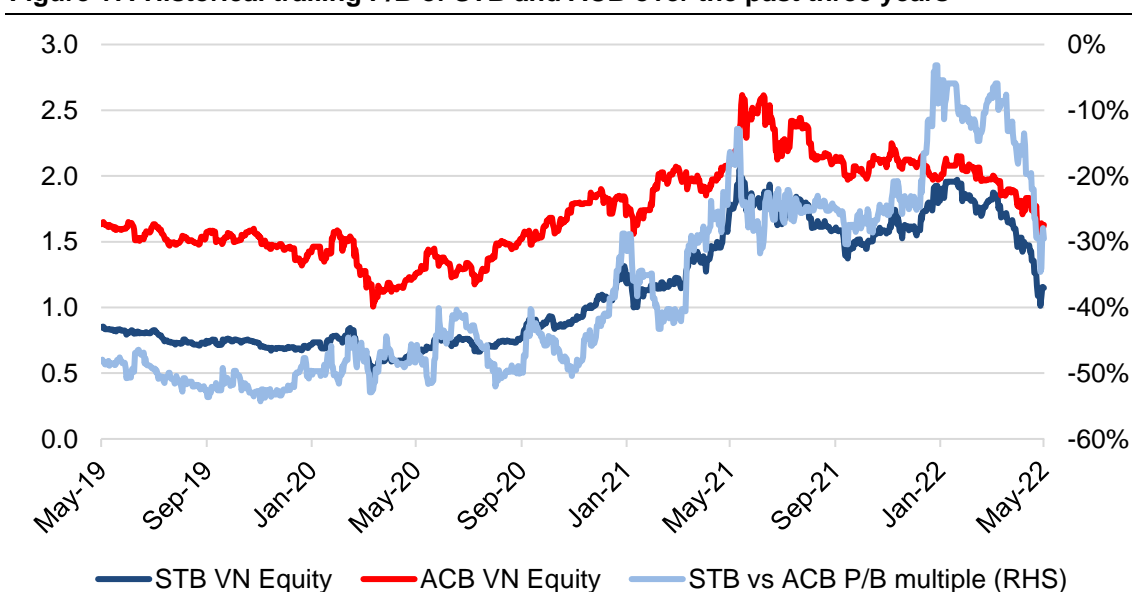
1. If STB had no legacy assets on its balance sheet, we believe ACB would still deserve to trade at a premium of 10% compared to STB given its best-in-class asset quality in our coverage universe among private banks as well as its conservative approach to loan origination.
2. STB had VND31tn of legacy assets as of Q4 2021 to be cleared from its balance sheet, per our estimation. Although we already factor the expected loss from legacy assets into our equity value, a degree of uncertainty around the legacy asset clearance progress remains.

Figure 16: Target P/B approach

	Fair value
Target P/B	1.50
Average 2022F/23F equity value (VND bn)	42,672
Target market value of equity	64,007
Number of outstanding shares (billion)	1.885
Average 2022F/23F BVPS (VND)	22,635
Fair value per share (VND)	33,952

Source: VCSC

Figure 17: Historical trailing P/B of STB and ACB over the past three years



Source: Bloomberg, VCSC



Comparable peers

STB is currently trading at a discount of 22.1% to a peer median 2022 P/B of 1.36x (see **Figure 18**). Our observation also suggests that STB has on average traded at a discount of 18.4% to the peer median trailing P/B over the past 12 months.

Figure 18: Consensus data of Vietnamese banks from Bloomberg

Bloomberg Ticker	Market Cap. (USD bn)	P/E			P/B			ROE			ROA	Equity Multiplier	NPL ratio
		2021	2022F	2023F	2021	2022F	2023F	2021	2022F	2023F	TTM	2021	2021
ACB VN	4.06	7.5	6.3	5.2	1.63	1.36	1.10	24.2%	25.1%	23.1%	2.1%	11.75	0.77%
BID VN	10.03	15.2	13.3	9.2	2.01	1.83	1.47	13.8%	16.5%	19.2%	0.7%	20.41	1.00%
CTG VN	7.32	10.1	6.3	5.3	1.28	1.13	0.98	13.0%	20.3%	20.9%	0.8%	16.35	1.26%
MBB VN	5.42	7.5	6.8	5.4	1.59	1.35	1.10	23.7%	24.1%	23.4%	2.4%	9.72	0.90%
VCB VN	18.09	15.5	14.0	11.3	3.05	2.64	2.17	21.1%	20.9%	21.5%	1.7%	12.96	0.64%
VPB VN	6.96	7.9	8.5	7.2	1.56	1.40	1.16	24.0%	18.4%	17.2%	3.4%	6.34	4.57%
HDB VN	2.59	7.6	6.6	5.6	1.57	1.34	1.11	23.1%	22.7%	21.8%	1.8%	12.17	1.65%
TCB VN	7.96	6.5	5.8	4.8	1.28	1.11	0.90	21.7%	21.0%	20.3%	3.6%	6.11	0.66%
TPB VN	2.81	9.5	7.4	6.0	1.81	1.54	1.25	22.0%	23.0%	22.6%	1.9%	11.27	0.82%
VIB VN	3.11	8.1	7.3	5.7	2.08	1.84	1.41	29.5%	28.2%	26.8%	2.3%	12.74	2.32%
LPB VN	1.80	6.6	5.2	4.8	1.16	0.91	0.77	18.5%	21.5%	19.0%	1.1%	17.21	1.37%
Median	3.90	7.7	6.7	5.5	1.58	1.36	1.10	21.9%	21.3%	21.2%	1.9%	11.96	0.95%
STB VN	1.76	10.3	9.4	5.5	1.15	1.06	0.90	11.9%	13.9%	17.8%	0.7%	15.21	1.50%

Source: VCSC, Bloomberg (data as of May 20, 2022)

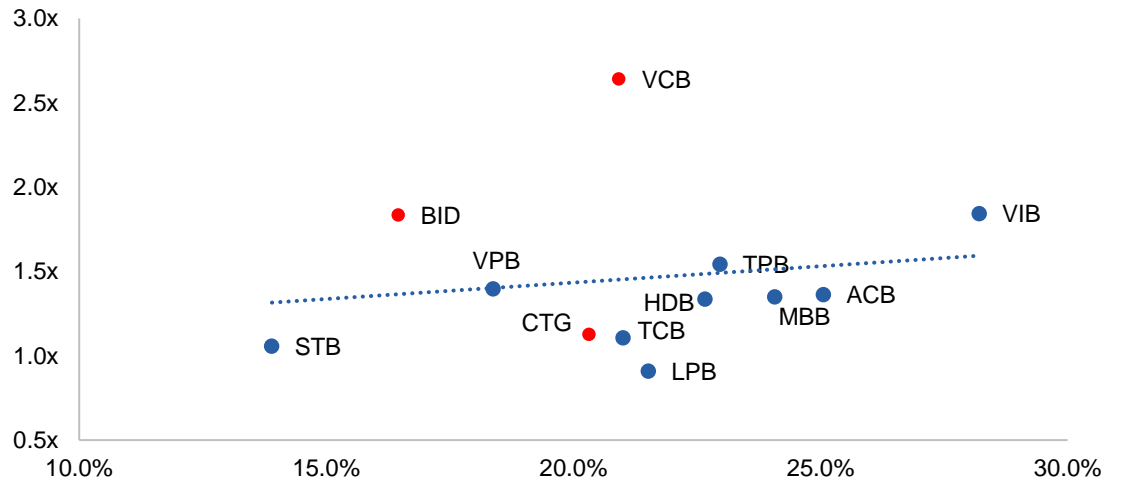
Figure 19: Sensitivity analysis of our 2022F P/B for STB in relation to ROE derived from the Gordon Growth Model and terminal growth rate, ceteris paribus

Terminal growth (g)	Average ROE in 2021-2026F					
		16.1%	17.1%	18.1%	19.1%	20.1%
	1.50%	1.32	1.41	1.50	1.60	1.69
	2.00%	1.34	1.43	1.53	1.62	1.72
	2.50%	1.36	1.46	1.56	1.66	1.76
	3.00%	1.37	1.48	1.58	1.69	1.80
	3.50%	1.39	1.51	1.62	1.73	1.84
	4.00%	1.42	1.54	1.65	1.77	1.89

Source: Company data, VCSC

The sensitivity analysis using the Gordon Growth Model (GGM) illustrates a 'fair value' P/B multiple for STB at 1.58x with our average ROE in 2021-2026F of 18.7%, cost of equity at 12.5% and terminal growth of 3.0%. However, we set our target P/B at 1.5x, which is at 5% discount to "fair value" P/B multiple following the uncertainty in STB's legacy asset clearance progress.

Figure 20: Vietnam banks P/B (y-axis) and ROE (x-axis) (2022F)

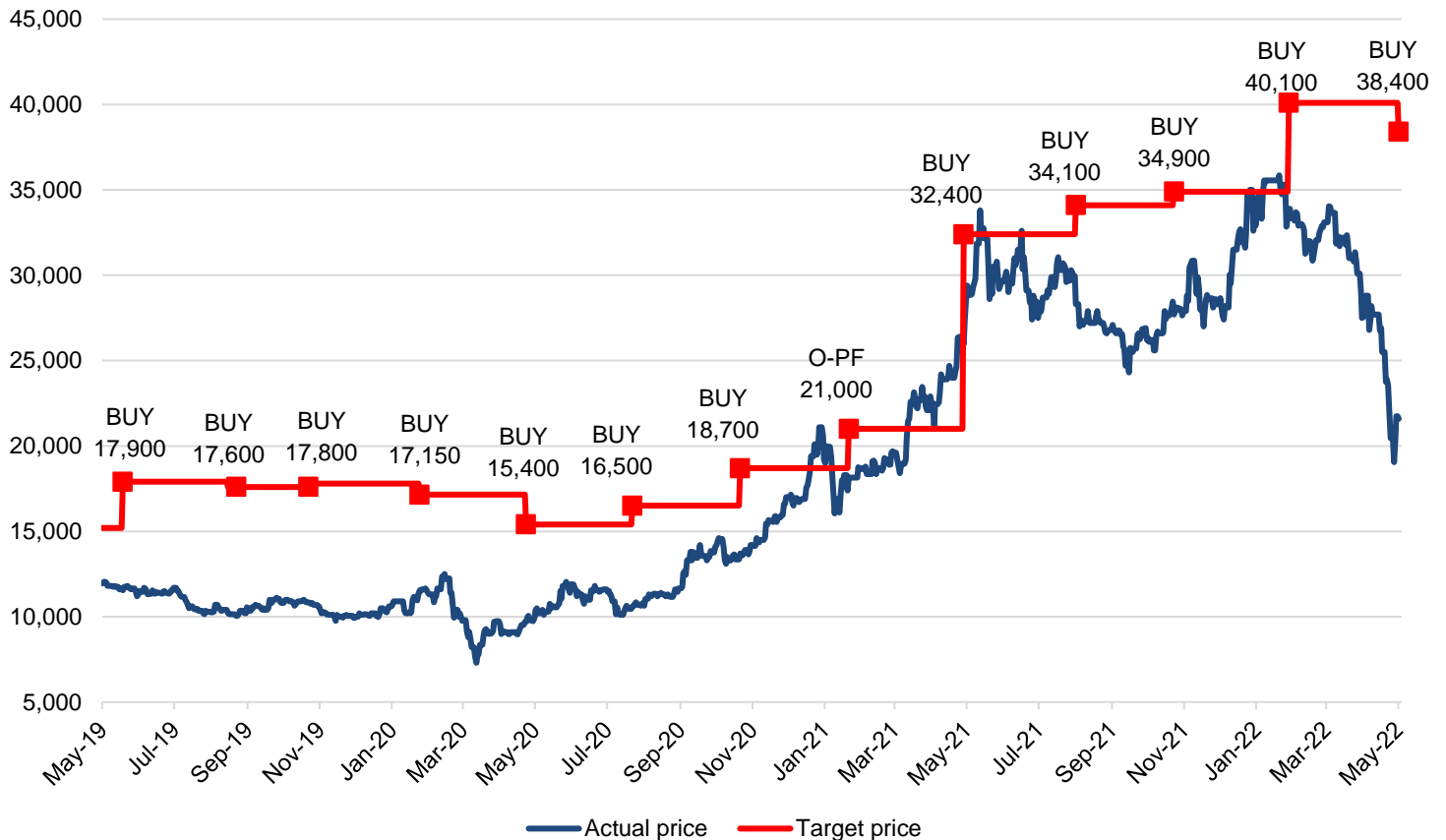


Source: Bloomberg, VCSC; red dots signify SOCBs, price on May 20, 2022.

Potential downside risks to our positive view: (1) Legacy asset clearance progress falls short of expectation; (2) STB fails to clear sizeable repossessed collateral (e.g., the Phong Phu land bank and/or STB's shares pledged as a collateral in favor of VAMC); (3) the uncertainty in the expected loss from legacy assets; (4) the banca upfront fee is lower than our expectation; (5) higher-than-expected NPL formation.

Historical Recommendations

Figure 21: Historical target prices (VND/share)



Source: Bloomberg, VCSC



Financial Statements

P&L (VND bn)	2021A	2022F	2023F	2024F
Interest inc.	29,691	36,748	48,946	59,997
Interest exp.	(17,726)	(20,617)	(25,943)	(31,879)
Net interest inc.	11,964	16,131	23,003	28,118
Net fee income	4,343	6,650	6,025	6,481
Other Noll	1,397	1,618	1,423	2,380
Total Noll	5,740	8,268	7,448	8,861
Total operating inc.	17,704	24,399	30,451	36,979
Non-interest exp.	(9,750)	(11,700)	(14,625)	(17,257)
Other G&A exp.	0	0	0	0
Total OPEX	(9,750)	(11,700)	(14,625)	(17,257)
PPOP	7,954	12,700	15,826	19,722
Provision exp.	(3,554)	(6,694)	(3,318)	(4,064)
Other inc./exp.	0	0	0	0
Pre-tax profit	4,400	6,006	12,508	15,658
Taxes	(989)	(1,201)	(2,502)	(3,132)
Net profit	3,411	4,805	10,006	12,526
Minorities/pref divs	0	0	0	0
Attributable profit	3,411	4,805	10,006	12,526
Share outstanding (mn)	1,885	1,885	1,885	2,168
EPS* (VND)	1,610	2,185	4,551	5,627
DPS (VND)	0	0	0	0

RATIOS (%)	2021A	2022F	2023F	2024F
Growth				
Loan growth	14.0	15.0	18.0	18.0
Deposit growth	-0.1	17.0	19.0	18.0
TOI growth	2.5	37.8	24.8	21.4
PPOP growth	24.8	59.7	24.6	24.6
NPAT growth	27.2	40.8	108.3	25.2

Asset quality				
Group 2 ratio	0.38	0.25	0.40	0.40
NPL ratio	1.50	1.40	1.50	1.60
LLR/NPLs	118.6	143.9	114.6	92.8
Prov exp./ loans	0.92	1.50	0.63	0.65

Liquidity				
CAR Basel II	9.9	10.3	10.7	12.2
Regulated LDR	83.2	81.8	81.2	81.4

B/S (VND bn)	2021A	2022F	2023F	2024F
Cash & equiv.	8,222	10,240	12,188	14,359
Bal. with SBV	12,170	13,824	15,730	17,930
Due from FIs	8,354	36,847	57,469	76,720
ST investments	28,017	39,145	46,191	55,429
Net cust. loans	381,012	437,131	517,372	611,951
HTM	41,650	35,845	43,014	51,616
LT investments	89	87	85	84
Prop. & Equip.	8,195	7,832	7,485	7,154
Other assets	33,408	26,902	22,065	22,065
Total assets	521,117	607,853	721,598	857,308
Bal. from SBV	523	512	609	718
Bal. from FIs	15,229	19,798	23,757	26,133
Other funds	279	293	308	323
Cust. deposits	427,387	500,043	595,051	702,160
Other fin. inst	108	108	108	108
Valuable papers	21,104	24,269	27,910	32,096
Other liabilities	22,226	24,449	26,894	29,583
Total equity*	34,261	38,381	46,962	66,186
MI	0	0	0	0
Liabilities & SE	521,117	607,853	721,598	857,308

RATIOS (%)	2021A	2022F	2023F	2024F
Profitability				
NIM	2.75	3.18	3.68	3.72
IEA yield	6.82	7.23	7.83	7.94
Funding costs	3.89	4.08	4.35	4.52
CIR	55.1	48.0	48.0	46.7

ROE decomposition				
Pre-prov. NIM	2.36	2.86	3.46	3.56
Provisions	-0.70	-1.19	-0.50	-0.51
Post-prov. NIM	1.66	1.67	2.96	3.05
Non-interest inc.	1.13	1.46	1.12	1.12
Operating exp.	-1.92	-2.07	-2.20	-2.19
Taxes	-0.20	-0.21	-0.38	-0.40
ROAA	0.67	0.85	1.51	1.59
Equity Mult. (x)*	16.0	15.5	15.6	14.0
ROAE	10.8	13.2	23.4	22.1

Source: STB, VCSC; (*) STB sold 81.56 million treasury shares at an average price of VND29,899/share from July 1 - 27, 2021; we assume STB will issue 283 million shares (equivalent to a 15% stake) at VND30,000/share in 2024 after clearing all of its legacy assets.



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