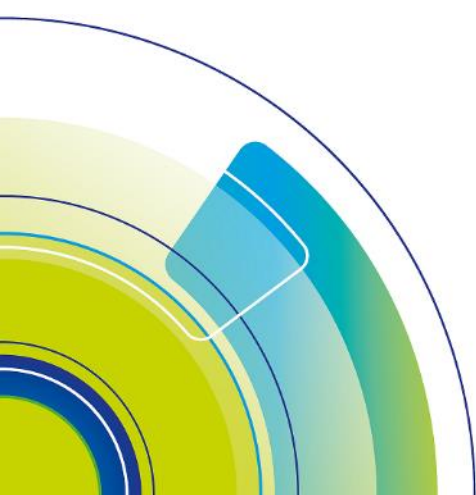




# Update STB – BUY

September 15, 2022

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### Recommendation

**BUY**

HOSE:STB

Banking

Current price (VND) **23,050**

Target price (VND) **45,200**

Expected share price return +96.1%

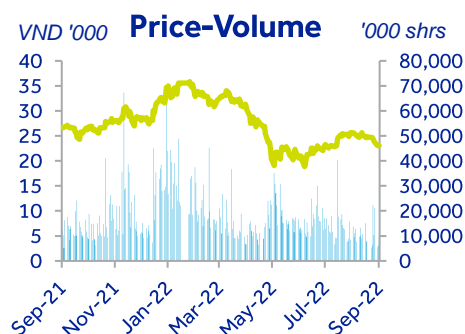
Expected dividend yield 0.0%

Expected total return +96.1%

### Stock performance (%)

	YTD	1M	3M	12M
Absolute	-26.8	-10.1	11.9	-14.3
Relative	-10.5	-9.1	9.6	-8.7

Source: Bloomberg

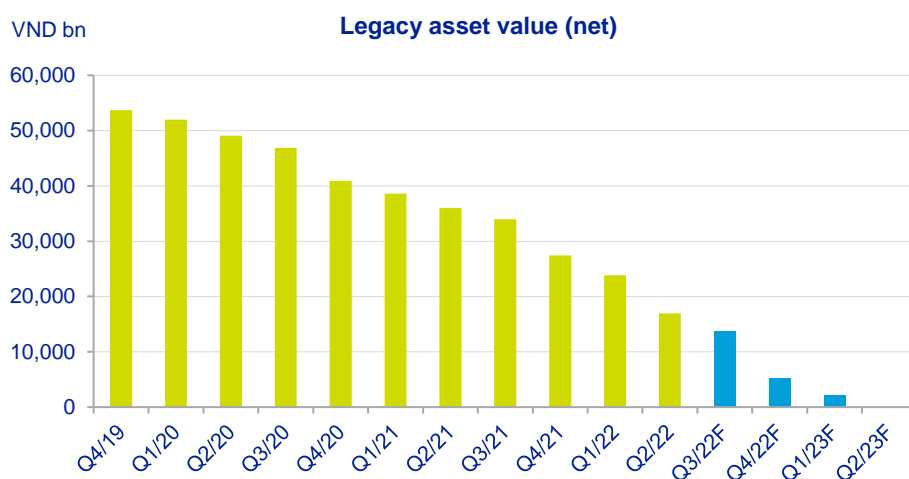


## SAIGON THUONG TIN JOINT STOCK BANK (STB)

We reiterate our **BUY** recommendation for STB with a 1-year target price of **VND45,200/share**. Strong growth in operating profit in 1H2022 helped STB speed up dissolving their legacy assets. STB has the potential to realize large profits when liquidating the collateral assets.

1H2022 business results were very positive with the profit before provisioning for legacy assets reaching VND10,600 billion. High profits facilitated STB's ability to speed up the process of dissolving legacy assets. In which, STB has made a total provision of VND7,700 billion for accrued interests, loans and VAMC bonds. Therefore, PBT in 1H2022 only reached VND2,908 billion (+19.9% y/y).

We estimate that STB's legacy asset value (net) at the end of Q2/22 was VND17,000 billion (~3% of total assets). We expect STB to complete cleaning all of their legacy assets in Q2/23.



Source: STB, ACBS

### Ownership

Duong Cong Minh 3.32%  
(Chairman)

### Stock Statistics

14-Sep-22

Bloomberg code **STB VN**

52-week range (VND) 18,600-36,700

No. of shares (m) 1,885

Mkt cap (VND bn) 43,454

Mkt cap (USD m) 1,853

Foreign room left (%) 7.3

Est. free float (%) 92.4

3m avg daily vol (shs) 13,644,600

VND/USD 23,450

Index: VNIndex / HNX 1240.77/279.42

We reiterate our **BUY** recommendation with a 1-year target price of **VND45,200/share** using a discounted residual income method. Our target price is equivalent to 1-year forward P/B of **1.58x**.

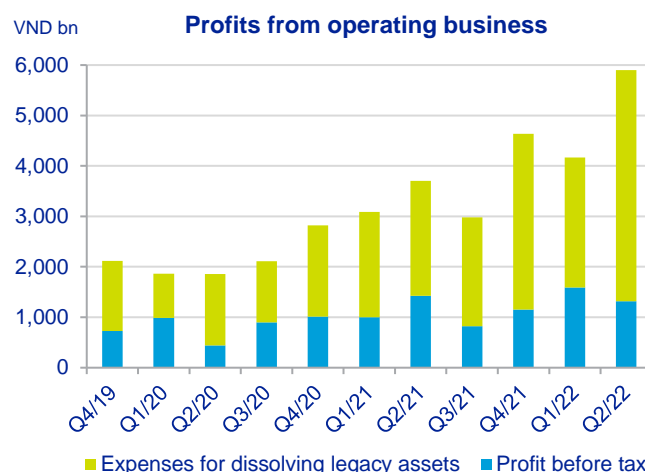
(VND bn)	2019	2020	2021	2022F	2023F	2024F
Credit growth	15.3%	14.9%	14.0%	13.0%	13.0%	13.0%
NIM	2.8%	3.0%	2.8%	3.2%	4.8%	4.0%
NFI proportion	37.3%	33.3%	32.4%	38.7%	23.5%	26.7%
TOI growth	25.3%	18.0%	2.5%	46.0%	37.7%	-2.8%
CIR	63.3%	63.1%	55.1%	40.6%	33.5%	37.8%
Net credit costs	-0.7%	-0.9%	-0.9%	-2.1%	1.2%	-0.4%
Profit before tax	3,217	3,339	4,400	6,223	29,368	19,383
Growth	43.2%	3.8%	31.8%	41.4%	372.0%	-34.0%
Profit attributable	2,050	2,274	3,007	4,265	22,959	14,891
Adjusted EPS (VND)	1,088	1,206	1,595	2,262	12,179	7,899
BVPS (VND)	14,185	15,360	18,174	20,436	32,615	40,513
ROA	0.5%	0.5%	0.6%	0.8%	3.8%	2.2%
ROE	8.0%	8.2%	9.5%	11.7%	45.9%	21.6%
P/E (x)	21.2	19.1	14.5	10.2	1.9	2.9
P/B (x)	1.6	1.5	1.3	1.1	0.7	0.6

### High profits facilitated STB to accelerate provisioning for legacy assets

STB's outstanding loans grew by 6.9% YTD and 14.8% YoY. The SBV has just extended STB's credit growth quota from 7% to 11%, slightly lower than the industry's average of 12%, according to our estimate. We expect STB to prudently allocate its new credit quota to various sectors. With STB's low risk appetite, we expect its loan portfolio will maintain a good credit quality in the context of global economic uncertainties which could affect the domestic macro picture.

(Unit: VND bn)	1H2021	1H2022	+/- YoY
Net interest income	6,157	5,342	-13.2%
Non-interest income	2,735	5,913	116.2%
<b>Total income</b>	<b>8,891</b>	<b>11,254</b>	<b>26.6%</b>
Operating expenses	(5,005)	(5,221)	4.3%
<b>Profit before provisioning</b>	<b>3,886</b>	<b>6,033</b>	<b>55.2%</b>
Provision expenses	(1,462)	(3,125)	113.8%
<b>Profit before tax</b>	<b>2,424</b>	<b>2,908</b>	<b>19.9%</b>

Source: STB



Source: STB, ACBS

We estimate that STB has written off VND4,600 billion of legacy accrued interest in 1H2022, leaving its NIM as low as 2.2%. However, Q2/22 was the last quarter that STB had to clean its legacy accrued interests. We expect NIM from Q3/22 to increase to the "real" level of 4%.

We expect lending rates to increase in 2H2022 as the COVID-19 support interest rates have ended. In addition, the tight credit growth quota combined with high demand for loans puts lending interest rates under upward pressure in final third of the year. Therefore, STB's NIM will have plenty of room to expand. Moreover, we project that STB's NIM will peak in 2023 at 4.8% as we are expecting a boost from settling the 32.5% STB collateral shares before normalizing at a NIM of ~4% in 2024.

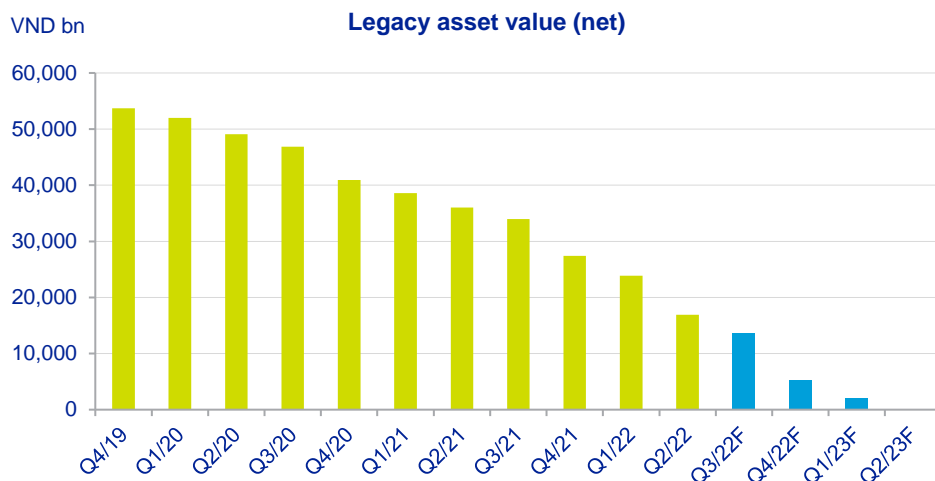
Non-interest income in 1H2022 surged 116.2% YoY thanks to upfront fees received from the expansion exclusive banca agreement with Dai-ichi Life and profits from the liquidation of Song Than Industrial Park.

High profits from business activities in 1H2022 helped STB to accelerate provisioning for VAMC bonds and legacy loans. Provision expenses in 1H2022 therefore increased sharply by 113.8% YoY to VND3,125 billion.

In total, we estimate that STB has booked VND7,700 billion in expenses to write off accrued interests and make provision for legacy loans and VAMC bonds. Therefore, although the profit before the provision for legacy assets reached VND10,600 billion, PBT in 1H2022 was only VND2,908 billion (+19.9% YoY).

### The process of dissolving legacy assets was faster than expected

Good business results helped STB to speed up the process of dissolving legacy assets by profits. By the end of Q2/22, the remaining legacy asset value (net) were about **VND17,000 billion**, accounting for 3% of total assets.



Source: STB, ACBS

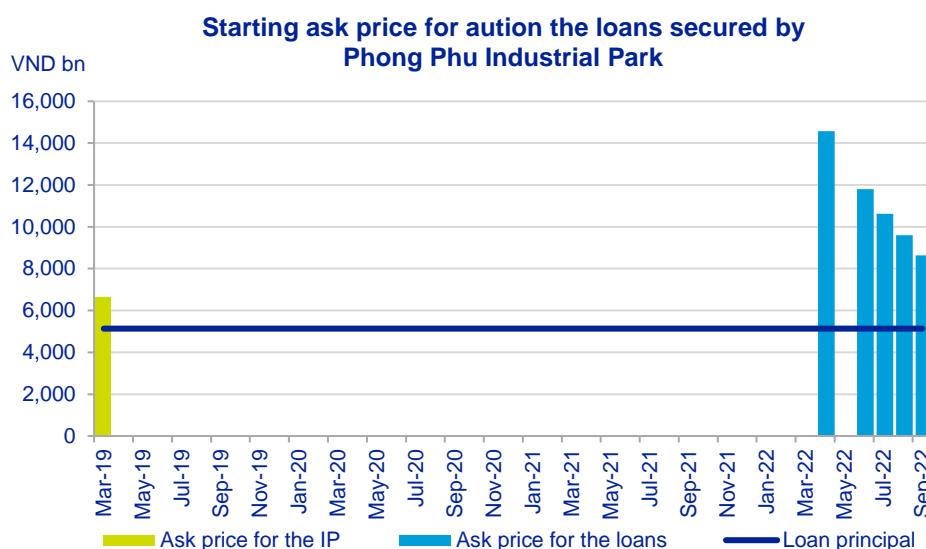
We estimate the value of the collateral at around **VND20,000 – 30,000 billion**, which is higher than the value of the outstanding assets. Therefore, the potential profit from the liquidation of these collaterals is estimated at **VND3,000 – 13,000 billion**.

Collateral assets	Value (VND bn)
Phong Phu Industrial Park (134 ha)	5,000 – 8,000
32,5% STB stake (612 million shares)	15,000 – 22,000
Others	n/a
<b>Total value</b>	<b>20,000 – 30,000</b>
Legacy assets	17,000
Potential profits	3,000 – 13,000

Source: STB, ACBS

For the loans secured by Phong Phu IP, STB has changed from the auction of the collateral IP to the auction of the loans. The reason is that STB has not been able to put Phong Phu IP up for auction in the past 3 years due to legal issues related to this IP.

The starting asking price through each unsuccessful auction is rapidly decreasing and getting closer to the loan principal amount of VND5,134 billion. We expect STB can complete liquidate this loan by the end of this year.



Source: STB

As for collateral of 32.5% of STB shares (~612 million STB shares), we expect the liquidation to be completed in 2023. This will generate an abnormal profit from the reversal accrued interests for STB because the value of this collateral is significantly higher than the principal amount of the loan (VND10,000 billion).

In the worst case scenario that the liquidation process of these two collaterals is stalled, STB can still able to clean up the legacy assets by the end of 2023 with its strong profit.

### Reiterate **BUY** recommendation with a 1-year target price of VND45,200/share

The successful liquidation of the above two large collateral assets will be the strong catalysts for STB's stock price. However, in the meantime, STB will still have to make provisions for the remaining legacy assets (about VND17,000 billion). Therefore, STB's reported profits for that period will remain low despite strong underlying operational performance.

We reiterate our **BUY** recommendation for STB with a 1-year target price of VND45,200/share using the discounted residual income method. Our target price is equivalent to 1-year forward P/B of **1.58x**.

(Unit: VND billion, unless otherwise stated)	<b>Market price (VND):</b>	<b>23,050</b>	<b>Target price (VND):</b>	<b>45,200</b>	<b>Market cap (VND bn):</b>	<b>43,454</b>	
<b>INCOME ITEMS</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022F</b>	<b>2023F</b>	<b>2024F</b>
Net interest income	7,634	9,181	11,527	11,964	15,855	27,210	25,342
Net fee & commission income	2,682	3,323	3,744	4,343	6,757	7,095	7,305
Other non-interest income	1,361	2,132	2,000	1,397	3,231	1,270	1,929
<b>Total operating income</b>	<b>11,677</b>	<b>14,635</b>	<b>17,271</b>	<b>17,704</b>	<b>25,843</b>	<b>35,574</b>	<b>34,575</b>
Growth (%)	35.1%	25.3%	18.0%	2.5%	46.0%	37.7%	-2.8%
Operating expenses	(7,838)	(9,266)	(10,895)	(9,750)	(10,496)	(11,909)	(13,082)
<b>Profit before provision &amp; tax</b>	<b>3,839</b>	<b>5,370</b>	<b>6,376</b>	<b>7,954</b>	<b>15,348</b>	<b>23,666</b>	<b>21,493</b>
Provision for credit losses	(1,592)	(2,153)	(3,037)	(3,554)	(9,125)	5,703	(2,110)
<b>Profit before tax</b>	<b>2,247</b>	<b>3,217</b>	<b>3,339</b>	<b>4,400</b>	<b>6,223</b>	<b>29,368</b>	<b>19,383</b>
<b>Profit attributable to shareholders</b>	<b>1,426</b>	<b>2,050</b>	<b>2,274</b>	<b>3,007</b>	<b>4,265</b>	<b>22,959</b>	<b>14,891</b>
Growth (%)	78.7%	43.7%	10.9%	32.2%	41.8%	438.4%	-35.1%
<b>Adjusted EPS (VND)</b>	<b>757</b>	<b>1,088</b>	<b>1,206</b>	<b>1,595</b>	<b>2,262</b>	<b>12,179</b>	<b>7,899</b>
Core earnings (before tax)	3,860	7,318	9,125	12,945	17,508	18,248	20,993
Growth (%)	104.4%	89.6%	24.7%	41.9%	35.3%	4.2%	15.0%
<b>BALANCE SHEET ITEMS</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022F</b>	<b>2023F</b>	<b>2024F</b>
Outstanding loans & corporate bonds	256,675	296,030	340,268	387,947	438,378	495,365	559,760
Growth (%)	14.1%	15.3%	14.9%	14.0%	13.0%	13.0%	13.0%
Customer deposit	349,389	400,844	427,972	427,387	469,387	515,587	566,407
Growth (%)	9.2%	14.7%	6.8%	-0.1%	9.8%	9.8%	9.9%
<b>Total assets</b>	<b>406,041</b>	<b>453,581</b>	<b>492,516</b>	<b>521,117</b>	<b>573,226</b>	<b>648,814</b>	<b>721,596</b>
<b>Shareholder's equity</b>	<b>24,632</b>	<b>26,742</b>	<b>28,956</b>	<b>34,261</b>	<b>38,526</b>	<b>61,486</b>	<b>76,376</b>
BVPS (VND)	13,066	14,185	15,360	18,174	20,436	32,615	40,513
<b>KEY RATIOS</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022F</b>	<b>2023F</b>	<b>2024F</b>
NPL (%)	2.1%	1.9%	1.7%	1.5%	1.3%	1.1%	0.9%
NPL coverage (%)	64.5%	69.3%	93.7%	118.6%	141.6%	149.3%	160.3%
NIM (%)	2.7%	2.8%	3.0%	2.8%	3.2%	4.8%	4.0%
CIR (%)	67.1%	63.3%	63.1%	55.1%	40.6%	33.5%	37.8%
Equity on assets (%)	6.1%	5.9%	5.9%	6.6%	6.7%	9.5%	10.6%
ROA (%)	0.4%	0.5%	0.5%	0.6%	0.8%	3.8%	2.2%
ROE (%)	6.0%	8.0%	8.2%	9.5%	11.7%	45.9%	21.6%
P/E (x)	30.5	21.2	19.1	14.5	10.2	1.9	2.9
P/B (x)	1.8	1.6	1.5	1.3	1.1	0.7	0.6
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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**HOLD:** where we believe it will be -15% to 15%.

**SELL:** where we believe it will be lower than -15%.

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