



Update STB – BUY

June 7, 2024



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Recommendation

BUY

HOSE: STB

Banking

Current price (VND) 29,600

Target price (VND) 36,200

Expected share price return +22.3%

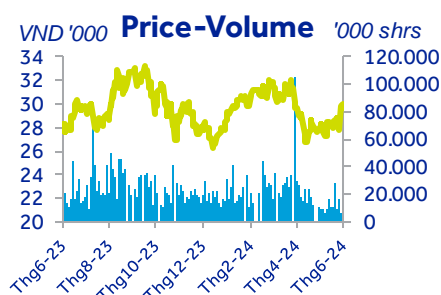
Expected dividend yield 0.0%

Expected total return +22.3%

Stock performance (%)

| | YTD | 1M | 3M | 12M |
|----------|------|-----|------|-------|
| Absolute | 9.8 | 7.4 | -7.2 | 5.5 |
| Relative | -5.0 | 1.8 | -8.9 | -13.7 |

Source: Bloomberg



Ownership

| | |
|----------------|-------|
| VAMC | 32.5% |
| Dragon Capital | 6.1% |
| PYN Elite Fund | 5.2% |
| Board Chairman | 3.3% |
| Others | 52.9% |

Stock Statistics

06-Jun-24

| | |
|------------------------|----------------|
| Bloomberg code | STB VN |
| 52-week range (VND) | 25,850-33,700 |
| No. of shares (m) | 1,885 |
| Mkt cap (VND bn) | 57,876 |
| Mkt cap (USD m) | 2,274 |
| Foreign room left (%) | 6.7 |
| Est. free float (%) | 94.5 |
| 3m avg daily vol (shs) | 17,872,700 |
| VND/USD | 25,453 |
| VN-Index/HNX-Index | 1288.80/244.78 |

SAI GON THUONG TIN COMMERCIAL JS BANK

We lower our target price to VND36,200/share due to STB's core operating profit being lower than expected but maintain our **BUY** recommendation. Our target price is equivalent to 12-month forward P/E and P/B of 5.6x and 1.1x, respectively. However, the above target price does not include potential profits from liquidating the collateral of 32.5% of STB shares. In case the bank auctions successfully, the value of STB may increase by VND11,000/share, assuming the bank fully recovers the principals and interests of the loan secured by the above STB shares.

Q1/24 business results recovered slowly due to high interest rate deposits not yet fully matured. Specifically, NIM Q1/24 reached 3.85%, +8 bps q/q but -50 bps y/y. Although the listed deposit rate is about 1% lower than the low level during Covid-19 period, STB's mobilization cost in Q1/24 is 1% higher than that period's level, implying that many deposits have not yet fully matured and the room to reduce cost of funds is still quite significant.

However, we forecast that NIM for the whole year 2024 is only equivalent to Q1/24 because lending rates are also falling sharply and credit demand has not recovered strongly. We forecast credit growth for the whole year of 2024 to reach 14% and net interest income for the whole year 2024 to grow 12.1% y/y.

Income from services is forecast to recover slowly of 5% y/y because the banca segment will continue to face difficulties, while income from payments is expected to improve, along with forex income forecast to grow 14% y/y.

Provision costs are forecast to decrease by 16% in 2024 to VND3,100 billion with the assumption that provision costs for normal NPLs increases by 36% y/y due to risk of potential NPL is still high, however, STB no longer has to make provisions for VAMC bonds as in last year.

STB is expected to receive 40% payment of Phong Phu Industrial Park loan in 2024 and the remaining 40% in 2025, equivalent to VND3,174 billion each year, plus deferred payment interest income. As STB has made 100% provision for VAMC bonds, we expect STB to record reversed provisions or off-balance sheet loan recoveries in case STB has written off this loan, thereby positively impacting 2024's business results.

PBT in 2024 is forecast to reach VND15,716 billion, an increase of 63.8% y/y.

| (VND bn) | 2021 | 2022 | 2023 | 2024F | 2025F | 2026F |
|---------------------|--------|--------|--------|--------|--------|--------|
| Credit growth | 14.0% | 13.1% | 10.1% | 14.0% | 14.0% | 14.0% |
| NIM | 2.8% | 3.5% | 3.9% | 3.8% | 3.9% | 4.0% |
| NFI proportion | 32.4% | 34.4% | 15.7% | 23.2% | 21.7% | 13.7% |
| TOI growth | 2.5% | 47.7% | 0.1% | 23.1% | 12.9% | 4.6% |
| CIR | 55.1% | 41.8% | 49.2% | 41.6% | 39.4% | 41.4% |
| Credit costs | 0.9% | 2.1% | 0.8% | 0.0% | 0.1% | 0.5% |
| Profit before tax | 4,400 | 6,339 | 9,595 | 15,716 | 18,512 | 18,732 |
| growth | 31.8% | 44.1% | 51.4% | 63.8% | 17.8% | 1.2% |
| PAT after minority | 3,411 | 5,041 | 7,719 | 12,573 | 14,810 | 14,986 |
| Profit attributable | 3,007 | 4,487 | 7,082 | 11,683 | 13,102 | 13,258 |
| Adjusted EPS (VND) | 1,595 | 2,380 | 3,756 | 6,197 | 6,950 | 7,033 |
| BVPS (VND) | 18,174 | 20,489 | 24,259 | 30,456 | 37,406 | 44,439 |
| ROA | 0.6% | 0.8% | 1.1% | 1.6% | 1.6% | 1.5% |
| ROE | 9.5% | 12.3% | 16.8% | 22.7% | 20.5% | 17.2% |
| CAR (Basel 2) | 9.9% | 9.5% | 9.1% | 10.1% | 11.1% | 11.6% |
| P/E (x) | 18.6 | 12.4 | 7.9 | 4.8 | 4.3 | 4.2 |
| P/B (x) | 1.6 | 1.4 | 1.2 | 1.0 | 0.8 | 0.7 |

Estimated selling price of 32.5% of STB shares

For the bad loans (in the form of VAMC bonds) secured by 32.5% of STB shares, the bank has made 100% provisions for the principal amount as of 2023, as well as completely written off the accrued interests as of Q2/22. Therefore, STB will have its reversed-provisions and its off-balance sheet interest collection when liquidating the collateral STB shares to recover debt.

At the AGM taking place in April 2021, VAMC's Chairman mentioned that the outstanding VAMC bonds for these bad loans are approximately VND10,000 billion. In addition, the bank's management at that time also mentioned that the liquidation price to fully recover principals, interest and penalty interests at that time was about VND33,000 - 34,000 /STB share. Therefore, we estimate the accrued interests at that time to be about VND10,200 - 10,800 billion. By mid-2024, we estimate the accrued interest of these loans to be about VND15,000 billion, corresponding to the liquidation price of STB shares for the bank to fully recover principals and interests must be over **VND40,000/share**.

Based on the valuation of large deals in Vietnam in recent years at about **1.6x - 3.1x** BVPS, STB will likely fully recover the principals and interests of these bad loans, assuming a minimum liquidation value equal to **1.6x** BVPS (estimated to increase from VND26,100/share to VND37,000/share after record income from recoveries), corresponding to a liquidation price of **VND60,000/share**.

| Ticker | Deal form | Time | Transaction Ratio | P/E (*) | P/B (**) | Total Assets Q1/24 | Equity Q1/24 | ROA Q1/24 | ROE Q1/24 |
|------------|------------------------------|-----------------|-------------------|-------------|-----------|--------------------|---------------|-------------|--------------|
| VCB | Private issuance | Q1/19 | 2.5% | 17.3 | 2.8 | 1,773,714 | 173,614 | 1.9% | 20.0% |
| | | 2025F | 6.5% | 16.0 | 2.2 | | | | |
| BID | Private issuance | Q4/19 | 15.0% | 21.3 | 1.7 | 2,328,731 | 129,018 | 1.0% | 18.8% |
| VPB | Private issuance | Q1/23 | 15.0% | 24.4 | 1.8 | 822,367 | 142,937 | 1.4% | 9.2% |
| TCB | IPO | Q2/18 | 14.8% | 20.1 | 3.1 | 885,653 | 137,873 | 2.4% | 15.4% |
| STB | Secondary transaction | 2024-25F | 32.5% | ? | ? | 693,535 | 47,909 | 1.2% | 17.7% |
| OCB | Secondary transaction | Q2/20 | 10.0% | 28.2 | 1.6 | 236,980 | 29,496 | 1.9% | 15.2% |
| EIB | Secondary transaction | Q4/22 | n/a | 12.0 - 22.0 | 1.7 - 2.5 | 203,585 | 22,968 | 1.0% | 9.0% |
| NVB | Secondary transaction | Q2/21 | n/a | n/a | 1.6 - 3.8 | 96,400 | 5,053 | -0.8% | -13.4% |
| PGB | Secondary transaction | Q2/23 | 40.0% | 15.9 | 1.6 | 58,764 | 4,957 | 0.5% | 4.9% |

(*): Pre-money P/E calculated from deal value.

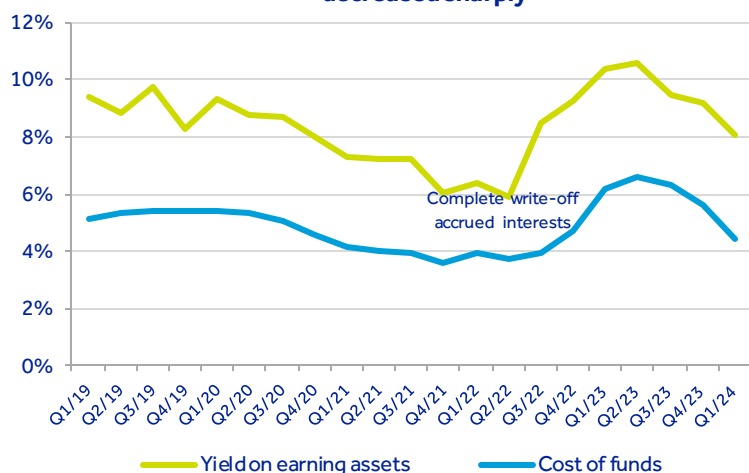
(**): Post-money P/B calculated from deal value.

Source: ACBS estimated

The bank's management said that they have submitted to the SBV an auction plan for 32.5% of STB shares in December 2023 and expect it to be approved in 2024. However, we believe that due to the importance of this large share transaction, the auction may extend into 2025 - the final year of the bank's restructuring plan.

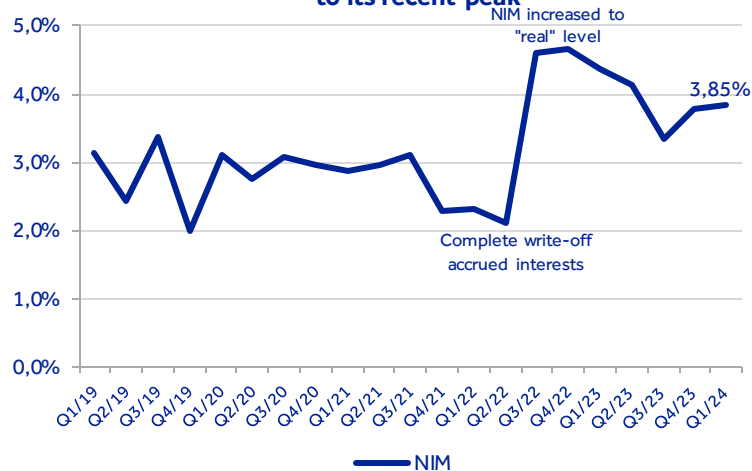
New information and developments related to the dissolving the above STB shares, as well as the recognition of abnormal profits from recovery of Phong Phu Industrial Park loan will be the positive catalysts for STB stock price in the coming time.

Cost of funds as well as yields on earning assets decreased sharply



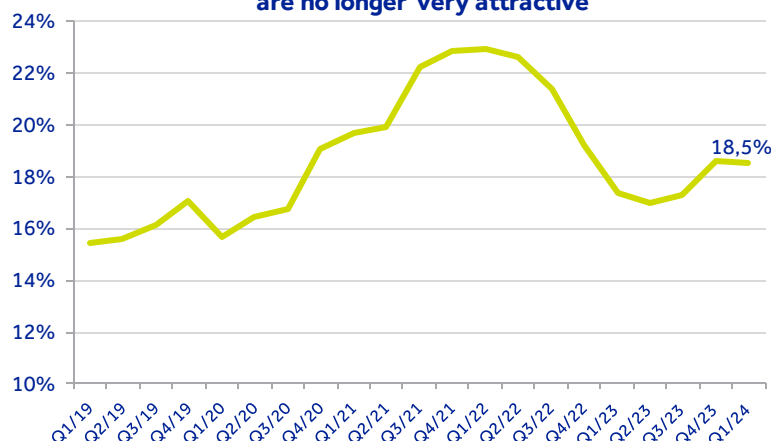
Source: STB, ACBS estimated

NIM recovered slightly but has not yet returned to its recent peak



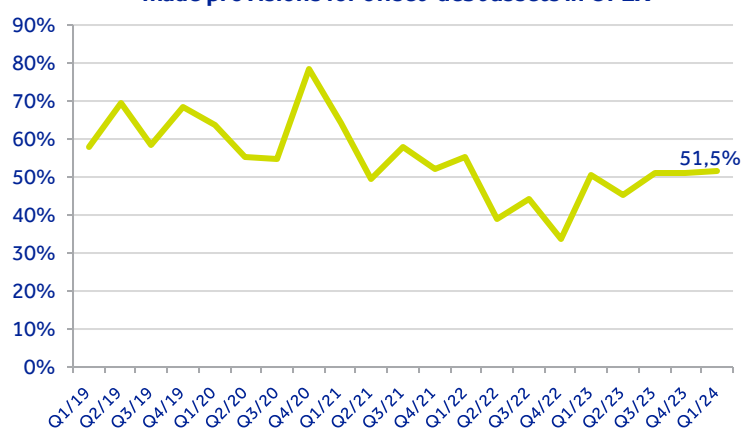
Source: STB, ACBS estimated

CASA ratio recovered thanks to deposit rates that are no longer very attractive



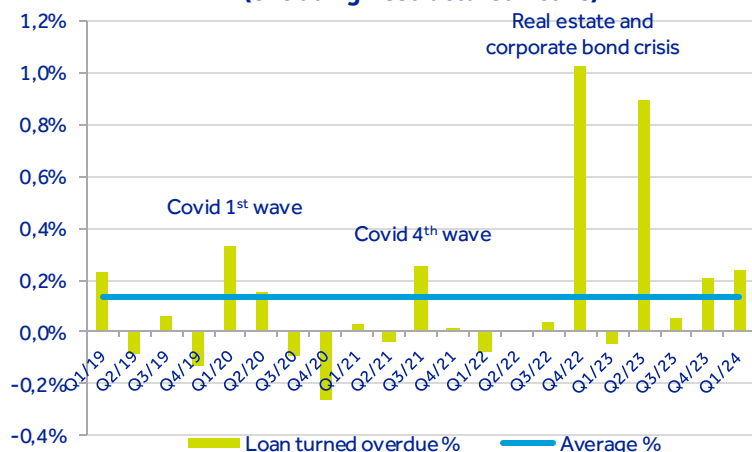
Source: STB, ACBS estimated

CIR increased due to weakening TOI as well as STB made provisions for offset-debt assets in OPEX



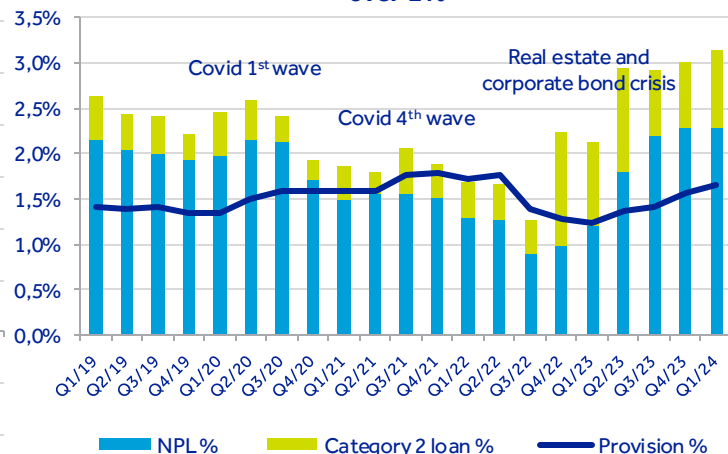
Source: STB, ACBS estimated

Percentage of loans turned overdue each quarter (excluding restructured loans)



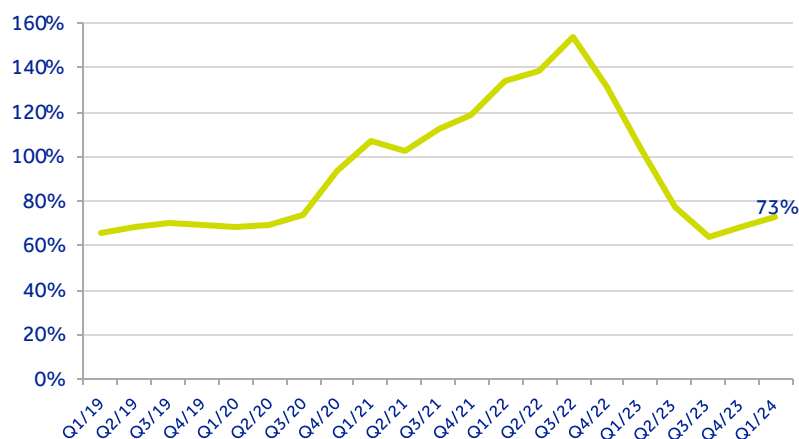
Source: STB, ACBS estimated

NPL ratio still remained at a fairly high level of over 2%



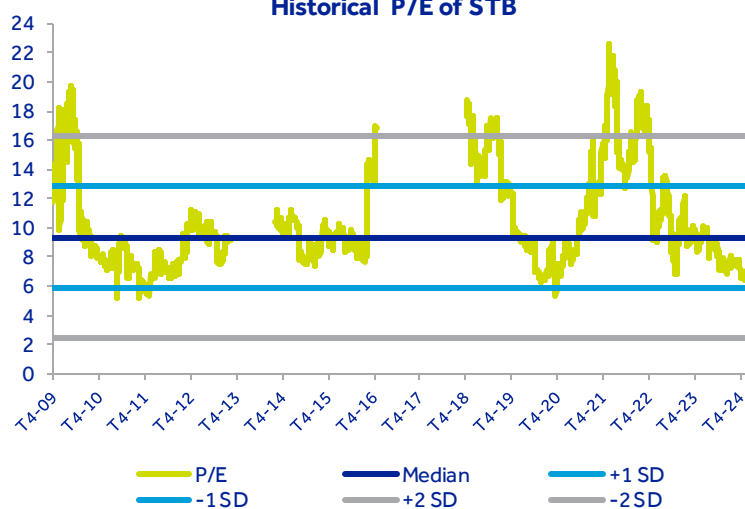
Source: STB, ACBS estimated

NPL coverage ratio improved slightly



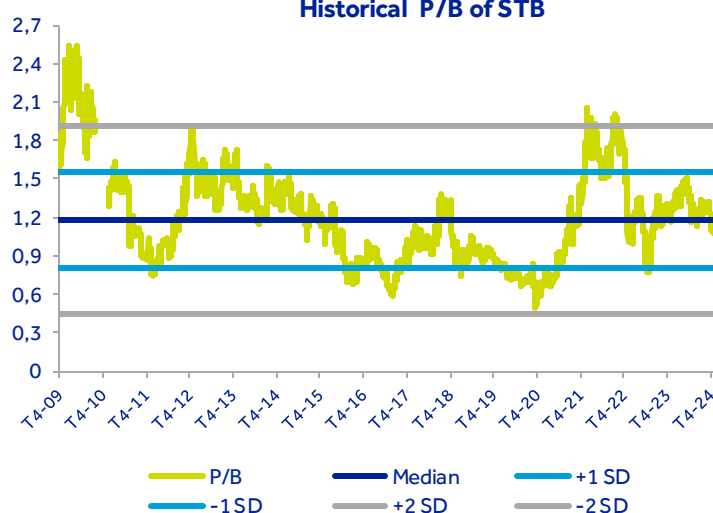
Source: STB, ACBS estimated

Historical P/E of STB



Source: FiinPro-X, ACBS

Historical P/B of STB



Source: FiinPro-X, ACBS

| | | | | | | | |
|--|---------------------|----------------|---------------------|----------------|----------------------|----------------|----------------|
| (Unit: VND billion, unless otherwise stated) | Market price (VND): | 29,600 | Target price (VND): | 36,200 | Market cap (VND bn): | 55,802 | |
| INCOME ITEMS | 2020 | 2021 | 2022 | 2023 | 2024F | 2025F | 2026F |
| Net interest income | 11,527 | 11,964 | 17,147 | 22,072 | 24,733 | 28,472 | 32,834 |
| Net fee & commission income | 3,744 | 4,343 | 5,194 | 2,618 | 2,749 | 3,134 | 3,572 |
| Other non-interest income | 2,000 | 1,397 | 3,800 | 1,483 | 4,742 | 4,775 | 1,652 |
| Total operating income | 17,271 | 17,704 | 26,141 | 26,173 | 32,224 | 36,380 | 38,059 |
| Growth (%) | 18.0% | 2.5% | 47.7% | 0.1% | 23.1% | 12.9% | 4.6% |
| Operating expenses | (10,895) | (9,750) | (10,921) | (12,890) | (13,409) | (14,335) | (15,768) |
| Profit before provision & tax | 6,376 | 7,954 | 15,221 | 13,283 | 18,815 | 22,045 | 22,290 |
| Provision expenses | (3,037) | (3,554) | (8,882) | (3,688) | (3,099) | (3,533) | (3,558) |
| Profit before tax | 3,339 | 4,400 | 6,339 | 9,595 | 15,716 | 18,512 | 18,732 |
| Growth (%) | 3.8% | 31.8% | 44.1% | 51.4% | 63.8% | 17.8% | 1.2% |
| PAT after minority interests | 2,682 | 3,411 | 5,041 | 7,719 | 12,573 | 14,810 | 14,986 |
| Profit attributable to shareholders | 2,274 | 3,007 | 4,487 | 7,082 | 11,683 | 13,102 | 13,258 |
| Adjusted EPS (VND) | 1,206 | 1,595 | 2,380 | 3,756 | 6,197 | 6,950 | 7,033 |
| BALANCE SHEET ITEMS | 2020 | 2021 | 2022 | 2023 | 2024F | 2025F | 2026F |
| Outstanding loans & corporate bonds | 340,268 | 387,930 | 438,628 | 482,731 | 550,313 | 627,357 | 715,187 |
| Growth (%) | 14.9% | 14.0% | 13.1% | 10.1% | 14.0% | 14.0% | 14.0% |
| Customer deposit | 427,972 | 427,387 | 454,740 | 510,744 | 572,034 | 634,957 | 723,851 |
| Growth (%) | 6.8% | -0.1% | 6.4% | 12.3% | 12.0% | 11.0% | 14.0% |
| Total assets | 492,516 | 521,117 | 591,908 | 674,390 | 761,128 | 851,638 | 974,253 |
| Shareholder's equity | 28,956 | 34,261 | 38,627 | 45,734 | 57,417 | 70,519 | 83,777 |
| BVPS (VND) | 15,360 | 18,174 | 20,489 | 24,259 | 30,456 | 37,406 | 44,439 |
| KEY RATIOS | 2020 | 2021 | 2022 | 2023 | 2024F | 2025F | 2026F |
| NPL | 1.7% | 1.5% | 1.0% | 2.3% | 1.8% | 1.6% | 1.4% |
| NPL coverage | 93.7% | 118.6% | 131.0% | 68.8% | 78.3% | 92.6% | 101.2% |
| NIM | 3.0% | 2.8% | 3.5% | 3.9% | 3.8% | 3.9% | 4.0% |
| CIR | 63.1% | 55.1% | 41.8% | 49.2% | 41.6% | 39.4% | 41.4% |
| ROA | 0.5% | 0.6% | 0.8% | 1.1% | 1.6% | 1.6% | 1.5% |
| ROE | 8.2% | 9.5% | 12.3% | 16.8% | 22.7% | 20.5% | 17.2% |
| CAR (Basel 2) | 9.5% | 9.9% | 9.5% | 9.1% | 10.1% | 11.1% | 11.6% |
| P/E (x) | 24.5 | 18.6 | 12.4 | 7.9 | 4.8 | 4.3 | 4.2 |
| P/B (x) | 1.9 | 1.6 | 1.4 | 1.2 | 1.0 | 0.8 | 0.7 |
| Dividend yield | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

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DISCLAIMER

Our Recommendation System

| | |
|---------------------|--|
| BUY | : total stock returns (including dividend yield) over the next 12 months are forecast to be 20% or higher. |
| OUTPERFORM | : total stock returns (including dividend yield) over the next 12 months are forecast to be from 10 to 20%. |
| NEUTRAL | : total stock returns (including dividend yield) over the next 12 months are forecast to be between -10 and 10%. |
| UNDERPERFORM | : total stock returns (including dividend yield) over the next 12 months are forecast to be from -10 to -20%. |
| SELL | : total stock returns (including dividend yield) over the next 12 months are forecast to be -20% or lower. |

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