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Analyst Nguyen Duc Huy  
huynd1@kbsec.com.vn

# Sacombank (STB)

## Bright spots emerged in 3Q2022

### Net interest margin bounced back better than expected

- In the third quarter of 2022, the average earnings yield rose substantially after Sacombank (STB) boosted the allocation of accrued interest (2021 and 6M22). Specifically, the average lending rate rose by 3.16 percentage points QoQ to 9.44%, which is equivalent to the pre-pandemic level. Besides, the increase in interbank deposits (+115.8% YTD) also helped improve the earnings yield amid surging interbank rates.
- The average cost of funds was up 0.18 percentage points QoQ and flat YoY. STB's customer deposits were primarily short-term ones with maturities ranging from one to six months (~80%) and interest rates up 0.5 percentage points during the first nine months of the year.
- 3Q22 net interest margin (NIM) touched 4.43%, the highest quarterly NIM since 2015.

### Profits grew well despite large provision expense

- Thanks to a sharp rise in NIM, 3Q22 net interest income (NII) doubled QoQ and was up by 73% YoY to VND5,762 billion.
- Net fee and commission income reached VND1,032 billion (-40.7%QoQ and +74.9% YoY). Foreign exchange and gold dealings brought in VND220 billion, and net other income was VND41 billion (flat YoY).
- Total operating income (TOI) climbed to VND7,056 billion (+15.1%QoQ and +68.1%YoY). CIR (cost income ratio) dropped to 43.9%, much below the average of 55% previously.
- The provision expense was VND2,425 billion in 3Q22 (+10%QoQ and +155%YoY), with approximately VND2,200 billion for VAMC (Vietnam Asset Management Company) bonds.
- Profit before tax in the third quarter picked up 85.7% YoY to VND1,532 billion. After the first nine months of the year, the figure was VND4,440 billion (+36.6%YoY), completing 84% of the year plan.

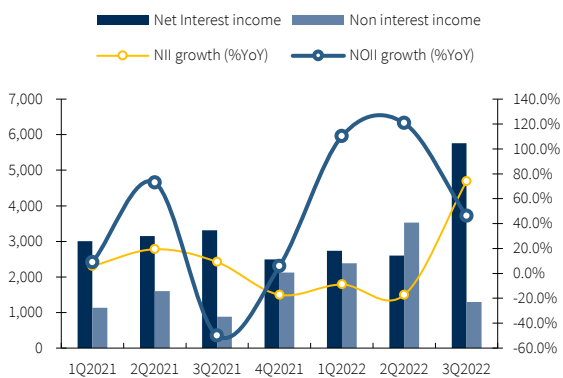
### Credit and deposit growth saw positive improvement

- 9M22 credit growth reached 8.5% YTD, still within the limit of 11% assigned by the State Bank of Vietnam (SBV). Although the bank's strategy is consistent with the orientation of the SBV, which is to focus on lending to production and household businesses, we do not expect the SBV to expand credit room for STB.
- Deposits hit VND456 trillion, up 7.1% YTD, which is above the industry standard of 4%. Capital mobilization from the interbank market and the issuance of valuable papers increased by 16.2% and 26.4% YTD, respectively.
- However, 3Q22 LDR (loan-to-deposit ratio) was still at 83.8%, nearing the prescribed limit of 85%.

### Asset quality improved markedly

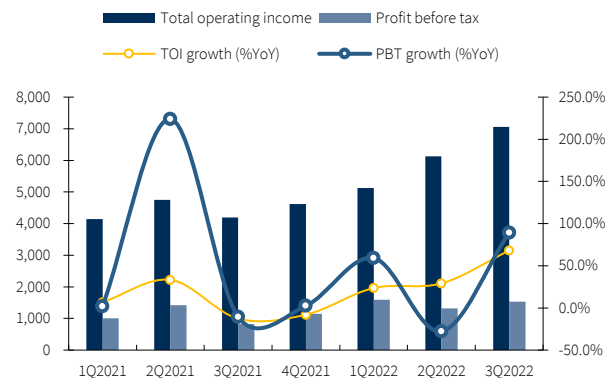
- Bad debts shank to VND1,480 billion in the third quarter thanks to boosted debt settlement. As a result, the NPL ratio of STB narrowed to 0.9% (vs. 1.27% in 2Q22). It was below 1% for the first time since the execution of the project on restructuring credit institutions in 2017.
- LLCR (the loan loss coverage ratio) increased sharply to 153.7%.
- In 9M22, the bank settled about VND13 trillion in non-performing assets out of VND23.6 trillion (4.09% of total assets) under the restructuring project. The process can be promoted if STB successfully auctions 18 debts related to Phong Phu Industrial Park within this year.

Fig 1. STB – NII, NOII (VNDbn)



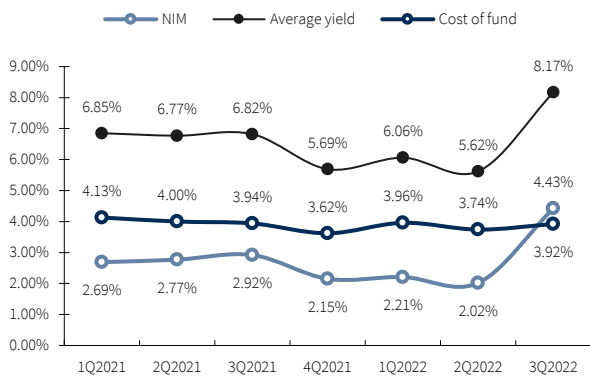
Source: Sacombank, KB Securities Vietnam

Fig 2. STB – TOI, NPAT (VNDbn)



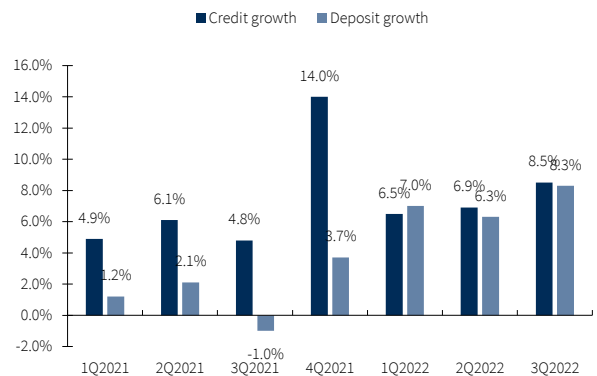
Source: Sacombank, KB Securities Vietnam

Fig 3. STB – NIM (%)



Source: Sacombank, KB Securities Vietnam

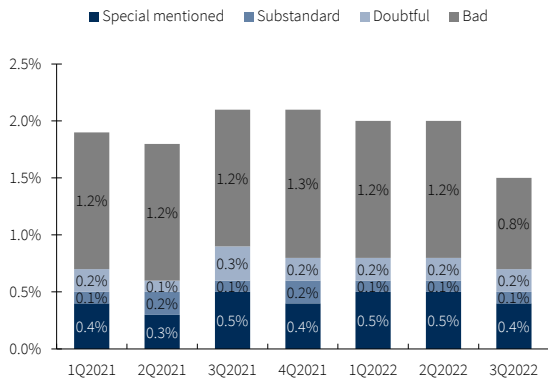
Fig 4. STB – Credit & deposit growth (%YTD)



Source: Sacombank, KB Securities Vietnam

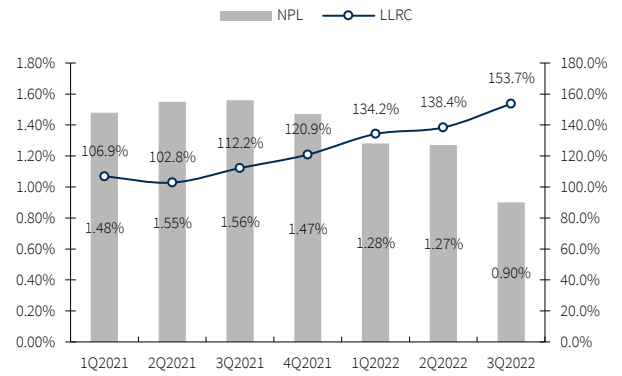


Fig 5. STB – Groups of debt (%)



Source: Sacombank, KB Securities Vietnam

Fig 6. STB – NPL ratio, LLCR (%YTD)



Source: Sacombank, KB Securities Vietnam

**Nguyen Xuan Binh – Head of Research**  
binhnx@kbsec.com.vn

## Equity

**Duong Duc Hieu – Head of Equity Research**  
hieudd@kbsec.com.vn

## Banks, Insurance & Securities

**Nguyen Anh Tung – Senior Analyst**  
tungna@kbsec.com.vn

**Nguyen Duc Huy – Analyst**  
huynd1@kbsec.com.vn

## Real Estate, Construction & Materials

**Pham Hoang Bao Nga – Senior Analyst**  
ngaphb@kbsec.com.vn

**Nguyen Dinh Thuan – Analyst**  
thuannd@kbsec.com.vn

## Oil & Gas, Utilities

**Tieu Phan Thanh Quang – Analyst**  
quangtpt@kbsec.com.vn

## Industrial Real Estate, Logistics

**Nguyen Thi Ngoc Anh – Analyst**  
anhntn@kbsec.com.vn

## Retails & Consumers

**Pham Phuong Linh – Analyst**  
linhpp@kbsec.com.vn

**Research Division**  
research@kbsec.com.vn

## Macro/Strategy

**Tran Duc Anh – Head of Macro & Strategy**  
anhtd@kbsec.com.vn

## Macroeconomics & Banks

**Le Hanh Quyen – Analyst**  
quyenlh@kbsec.com.vn

## Strategy, Chemicals

**Thai Huu Cong – Analyst**  
congth@kbsec.com.vn

## Strategy, Fishery & Textiles

**Tran Thi Phuong Anh – Analyst**  
anhhttp@kbsec.com.vn

## Support team

**Nguyen Cam Tho – Assistant**  
thonc@kbsec.com.vn

**Nguyen Thi Huong – Assistant**  
huongnt3@kbsec.com.vn

## KB SECURITIES VIETNAM (KBSV)

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### Head Office:

Levels G, M, 2 & 7, Sky City Tower, 88 Lang Ha Street, Dong Da District, Hanoi, Vietnam  
Tel: (+84) 24 7303 5333 – Fax: (+84) 24 3776 5928

### Hanoi Branch:

Level 1, VP Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam  
Tel: (+84) 24 7305 3335 – Fax: (+84) 24 3822 3131

### Ho Chi Minh Branch:

Level 2, TNR Tower Nguyen Cong Tru, 180-192 Nguyen Cong Tru Street, District 1, HCMC, Vietnam  
Tel: (+84) 28 7303 5333 – Fax: (+84) 28 3914 1969

### Saigon Branch:

Level 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCMC, Vietnam  
Tel: (+84) 28 7306 3338 – Fax: (+84) 28 3910 1611

## CONTACT INFORMATION

Institutional Client Center: (+84) 28 7303 5333 – Ext: 2656  
Private Customer Care Center: (+84) 24 7303 5333 – Ext: 2276  
Email: [ccc@kbsec.com.vn](mailto:ccc@kbsec.com.vn)  
Website: [www.kbsec.com.vn](http://www.kbsec.com.vn)

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### Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

### Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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