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### STB is very close to the goal of settling all VAMC bonds

Sacombank (STB) recorded bad debts and outstanding value of VAMC bonds under the restructuring scheme down from VND45 trillion in 2015 to VND17 trillion by the end of 3Q22 and fulfilled its target of handling outstanding accrued interest. STB plans to auction 32.5% of the bank's shares to foreign partners and deal with debts secured by Phong Phu Industrial Park to settle all bad debts at VAMC.

### STB would enjoy strong earnings growth in the 2003–2025 period

We believe STB can achieve higher earnings growth during 2023–2025 thanks to: (1) higher NIM after recovering the principal balance; (2) lower provision expense after clearing all bad debts and VAMC bonds; and (3) future provision reversal following its successful auction.

### STB's valuation would be higher after bad debt handling

STB and ACB share the same total assets, equity, outstanding loans, and customer base, but there is a big gap in profits between them as STB is still having to handle VAMC bonds. ACB's valuation has improved markedly after bad debt settlement, so we expect the same to STB after settling bad debts under the scheme.

### STB can further expand demand deposit thanks to capitalizing on its advantages

STB can further expand CASA in the near term thanks to: (1) Its comprehensive international payment system is becoming import–export enterprises' priority; (2) Co-branded cards and promotional events would stimulate spending and payment.

### We initiate BUY for STB stocks with a target price of VND28,650/share

Based on P/B and residual income methods, we initiate BUY recommendation for STB stocks with a target price of VND28,650/share, 46.9% higher than the closing price on December 1, 2022.

## Buy initiate

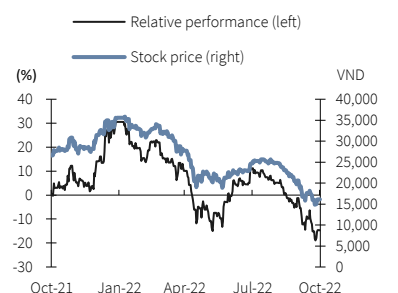
<b>Target price</b>	<b>VND 28,650</b>
Upside/Downside	46.9%
Current price (Dec 1, 2022)	VND 19,500
Consensus target price	VND 35,700
Market cap (VNDbn)	41,003

<b>Trading data</b>	
Shares outstanding	94.4%
3M avg trading value (VNDbn)	276.65
Foreign ownership	9.2%
Major shareholder	Dragon Capital (6.09%) Eximbank (4.73%)

<b>Share price performance</b>				
(%)	<b>1M</b>	<b>3M</b>	<b>6M</b>	<b>12M</b>
<b>Absolute</b>	-21.6	-34.6	-41.7	-39.3
<b>Relative</b>	-13.7	-23.3	-22.5	-15.0

### Forecast earnings & valuation

FY-end	2020A	2021A	2022F	2023F
Net interest income (VNDbn)	11,527	11,964	16,713	23,242
Pre-provision operating profit (VNDbn)	6,376	7,954	13,539	16,143
NPAT of the parent bank (VNDbn)	2,682	3,411	4,841	10,581
EPS (VND)	1,248	1,630	2,568	5,613
EPS growth (%)	11.5%	30.6%	57.5%	118.6%
PER (x)	8.95	9.71	11.16	5.11
Book value per share (VND)	13,329	16,223	18,994	24,028
PBR (x)	0.84	0.98	1.51	1.19
ROE (%)	9.6%	10.8%	13.2%	23.7%



Source: Bloomberg, KB Securities Vietnam

## Overview

Under the leadership of Mr. Dang Van Thanh, STB has become one of the leading banks in the industry and a pioneer in payment and foreign exchange activities.

Dragon Financial Holdings (UK), International Finance Corporation (IFC) and ANZ Bank invested in STB shares, reflecting the attractiveness of the bank back in 2006.

STB's leadership structure has been changing constantly. For the time being, Mr. Duong Cong Minh, former chairman of Him Lam Group and Lien Viet Commercial Bank, is the Chairman of STB's Board of Directors.

Under the leadership of Mr. Duong Cong Minh, STB has regained its leading position. Handling bad debts under the restructuring scheme has also made great strides.

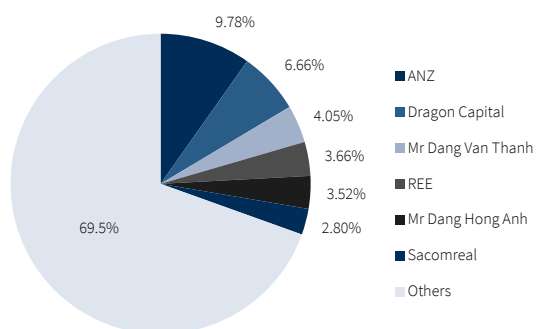
Up to now, STB has 566 transaction offices spreading 53/64 provinces and cities. The number is only below that of state-owned commercial banks.



### Shareholder structure

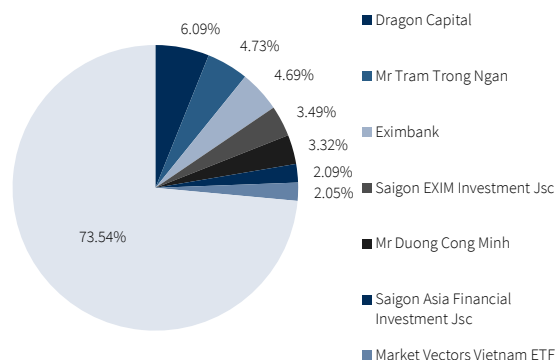
STB's shareholder structure has changed constantly throughout the bank's formation and development. For the time being, Dragon Capital is the largest shareholder, owning up to 6.09% stake through two member funds, CTBC Vietnam Equity Fund (2 million shares) and Norges Bank (300,000 shares). Mr. Tram Trong Ngan, although serving his sentence, still owns a 4.73% stake. Eximbank (EIB), which used to be a major shareholder holding up to 9.5% stake before 2018, reduced its ownership to 4.69% due to the regulations on cross-ownership in the banking system of the State Bank of Vietnam (SBV). Mr. Duong Cong Minh, Chairman of the STB's Board of Directors, holds about 2.09% of STB shares.

Fig 1. STB – Shareholder structure in 2011



Source: Sacombank, KB Securities Vietnam

Fig 2. STB – Shareholder structure in 2022

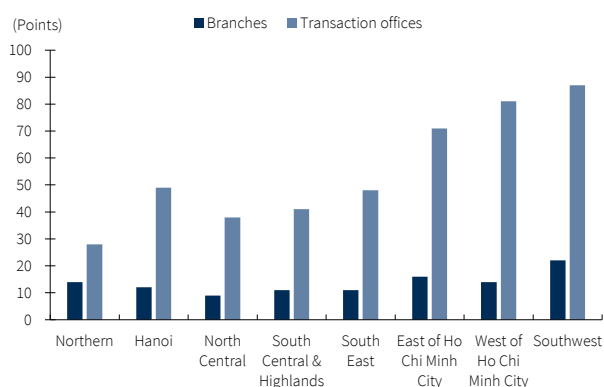


Source: Sacombank, KB Securities Vietnam

### Distribution network

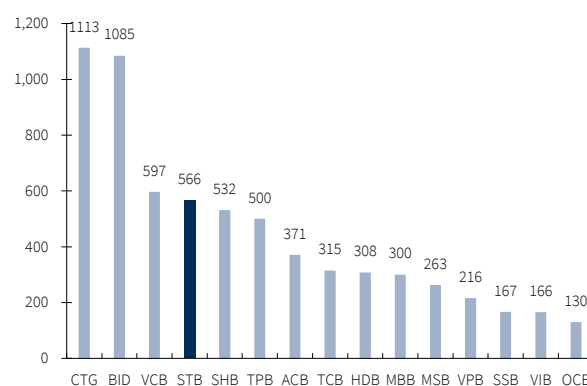
By the end of 2021, STB had 566 transaction offices spreading 51/64 provinces and cities. Its network coverage is only behind state-owned banks Vietinbank (CTG), Bank for Investment and Development (BID), and Vietcombank (VCB). Currently, STB's distribution network concentrates mainly in the South with about 350 branches (accounting for 62%), next in the Central region with about 99 points and in the North with 102 points. STB is a private bank with the widest network coverage in the South. Notably, STB's network of payment acceptance is Vietnam's largest one with nearly 122,000 POS/mPOS/QR transaction points and over 150 partners in online payment services.

Fig 3. STB – Distribution network



Source: Sacombank

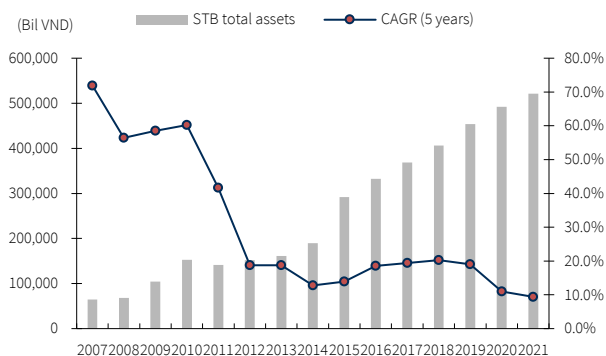
Fig 4. Vietnamese banks – Distribution network



Source: Vietnamese banks, KB Securities Vietnam

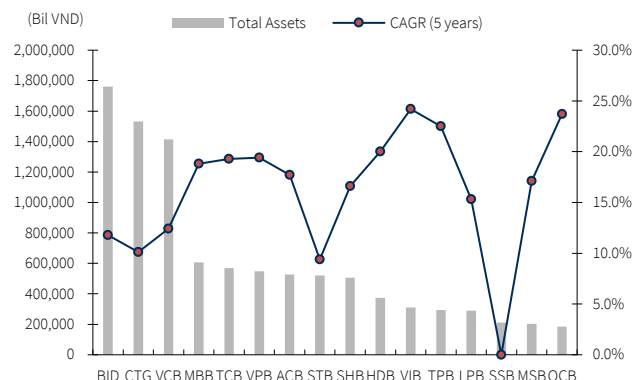
STB recorded impressive total asset growth with CAGR of 60–70% during 2006–2010. However, it showed signs of slowing down in the 2011–2015 period due to the economic crisis. STB's total assets jumped by 53.8% YoY to VND292 trillion in 2015 after merging with Southern Commercial Bank (PNB), reaching the top 5 largest banks, and remained stable growth of 20% per year beyond 2015. However, the growth rate leveled off in 2020 and 2021 due to the COVID-19 pandemic and was relatively low compared to other private commercial banks. Therefore, STB's total assets ranked 9th by the end of 2021.

Fig 5. STB – Total asset growth (VNDbn, %)



Source: Sacombank, KB Securities Vietnam

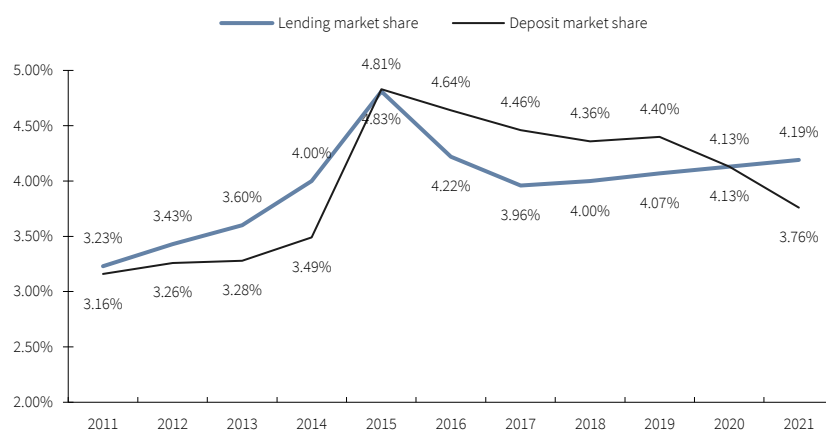
Fig 6. Vietnamese banks – Total asset growth (VNDbn, %)



Source: Vietnamese banks, KB Securities Vietnam

STB’s lending and deposit market shares surged to 4.81% and 4.83% in 2015 after the merger. Although the growth rate slowed in the following years, STB still maintained its market share thanks to its nationwide network and established reputation over the years. By the end of 2021, STB led private commercial banks regarding lending market share, reaching 4.19%. Meanwhile, STB slowly lost its deposit market share to others such as Military Bank (MBB), Asia Commercial Bank (ACB), and Techcombank (TCB) in 2020 and 2021.

Fig 7. STB – Lending and deposit market share (%)



Source: Sacombank, KB Securities Vietnam

**STB aims to become the leading retail bank with comprehensive digital transformation**

**Corporate governance and business strategy**

With the goal of becoming the leading retail bank with comprehensive digital transformation, STB consulted with the world’s leading technology and consulting services providers i.e. E&Y, IBM, Temenos... for digital business strategies. It will further review and streamline regulatory documentation and internal process, apply automation and digitization to reduce transaction time by 15 to 25% and well control errors. Furthermore, STB has been promoting technology applications, introducing modern features, and diversifying utilities to catch customers’ interest in digital products like online money transfer API; foreign currency transfer over eBanking, foreign exchange forward via

Sacombank Pay and business cards.

By the end of 2021, STB achieved significant achievements, with over 2.5 million users on Sacombank Pay (up 91% YoY), more than 3 million Internet Banking/Mobile Banking users (+20% YoY), and transaction value through digital channels up 43% YoY with volume representing 80% of total transactions. However, STB's digital transformation speed is still behind its competitors like TCB, MBB, TPBank (TPB), or VPBank (VPB). It can be explained by the bank's concentration on handling bad debts after the merger under the restructuring scheme. The process is coming to an end, which would promote STB's digital banking.

### **STB plans to speed up handling bad debts under the restructuring project before 2025**

As of the end of last year, STB had recovered VND58,306 billion in bad debts since implementing the scheme in 2017, reaching 67.9% of the overall plan until 2025 and exceeding 7.9% of the intended progress. Besides, the outstanding value of VAMC bonds contracted to VND17 trillion. As a result, outstanding loans under the scheme dropped by 57% compared to the end of 2016 to only about VND41,689 billion, accounting for 8% of total assets. STB aims to settle all VAMC bonds right in 2023 through two options: (1) auctioning 32.5% of the bank's shares managed by VAMC to foreign partners at VND32-34,000/share or (2) dealing with 18 accounts secured by Phong Phu Industrial Park to settle all bad debts at VAMC, equivalent to approximately VND16 trillion.

### **STB aims to become a standard of Vietnam Bancassurance**

Recognizing high growth potential of the bancassurance market in Vietnam, STB was one of the pioneers in this market. STB signed a cooperation agreement with Dai-ichi Life and recorded an average annual growth rate of nearly 60%/year in upfront fees vs. over 20%/year of the entire industry. As a result, STB ranked 5th in the industry in terms of upfront fees in 2021 and ascended to the 2nd position after the first eight months of this year. With outstanding results in the insurance distribution activity, STB and Dai-ichi Life signed an agreement to raise their exclusive bancassurance cooperation to a higher level that is commensurate with their potential and expectations in late 2021. STB and Dai-ichi reaffirmed bringing customers the best benefits when buying Dai-ichi Life Vietnam insurance distributed through STB.

In 2022, STB will capitalize on its nationwide network combined with information technology to bring insurance products to each customer's family. In addition, through online sale over Sacombank Pay, STB aims to increase accessibility and raise awareness of dynamic youngsters (Gen Y, Z) about the benefits of purchasing insurance.

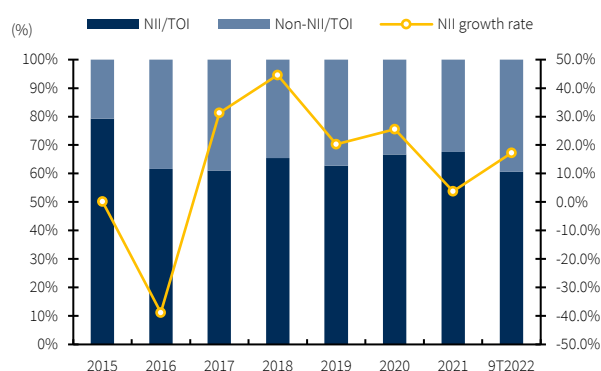
## Business performance

**NII still contributes significantly to TOI, but STB has been promoting NOII**

### Revenue breakdown

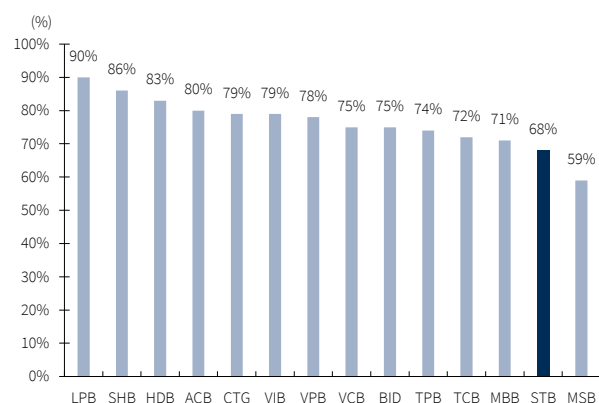
**Net interest income (NII)** is the main source of total operating income (TOI) among Vietnamese banks, normally accounting for 70–80%. STB is no exception, with NII making up 60%–68% of TOI in the 2016–2021 period. 3Q22 NII recorded positive results, taking 9M22 NII to VND11 trillion, up 17.3%YoY and accounting for 60.6% of TOI. Low NII/TOI ratio shows that the bank is diversifying its inflows well.

Fig 8. STB – NII/TOI, NOII/TOI, NII growth (%)



Source: Sacombank, KB Securities Vietnam

Fig 9. Vietnamese banks – NII growth (%)

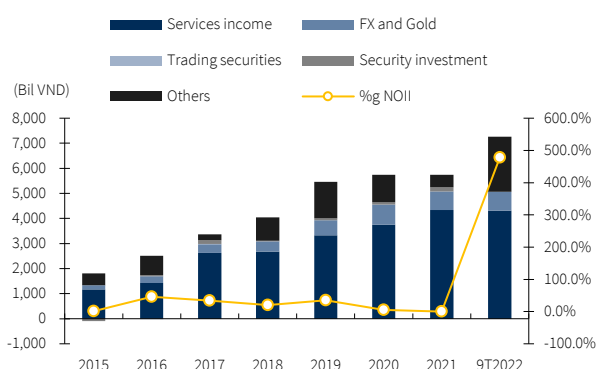


Source: Vietnamese banks

STB is still on the right track in diversifying its sources of income as non-interest income (NOII) usually contributes 32–40% of the bank's TOI.

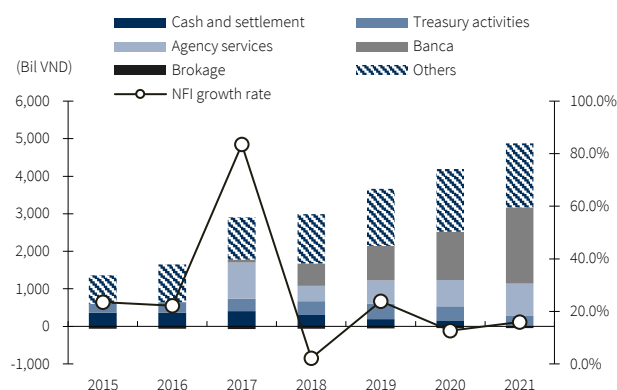
Regarding NOII components, net fee income (NFI) is still the main source, followed by foreign exchange and gold dealings, and net other income. Net other income rose substantially in the 2018–2020 period after the bank received part of the principal from the Duc Hoa Industrial Park sale. The outstanding principal was only about VND1,160 billion by the end of 2Q22, and STB is expected to receive this amount of money by the end of this year, so net other income will hardly see unexpected growth as before. Foreign exchange and gold dealings have gradually stabilized and contributed significantly to the bank's NOII, with CAGR of about 22.7%. 9M22 NOII reached VND7,259 billion, up 477.6% YoY thanks to the sudden increase in net other income after STB recovered bad debt related to Song Than Industrial Park and NFI up 87.8 YoY.

Fig 10. STB – NOII breakdown (VNDbn, %)



Source: Sacombank, KB Securities Vietnam

Fig11. STB – NFI breakdown (VNDbn, %)



Source: Sacombank, KB Securities Vietnam

**Net fee income (NFI):** (1) Bancassurance recorded impressive CAGR of 128% after the exclusive cooperation agreement between STB and Dai-ichi Life in 2017. Upfront fee contributed 41.9% by the end of 2021 from only about 20.4% in 2018; (2) Income from agency service contributed 10–12%; (3) Other income also accounted for a significant proportion; and (4) Notably, settlement services only contributed a small share in recent years derived primarily from STB deploying promotional events for customers using credit cards. In the coming years, bancassurance will be the main source of NOII for STB. The bank recorded VND3,276 billion (+84% YoY) in NFI in the first half of this year, driven by the unexpected fee STB received after signing the agreement to upgrade the level of exclusive insurance agency contract with Dai-ichi Life, recognized as income from agency service.

### Credit allocation structure

**By type of customer:** STB is one of the pioneers in retail lending, with CAGR of personal loans of about 30%/year in the 2011–2017 period. Personal loans increased impressively from 33.8% to 59% during the period. However, the growth rate has slowed ever since and stood around 14.8% per year due to the decline in asset quality as STB took over a weak credit institution, causing the assigned credit room to be lower. The proportion of retail lending between 2017 and 2022 did not improve and remained stable at around 59–62%. Household business loans accounted for nearly 50% of personal loans, followed by agriculture and rural development loans and home loans.

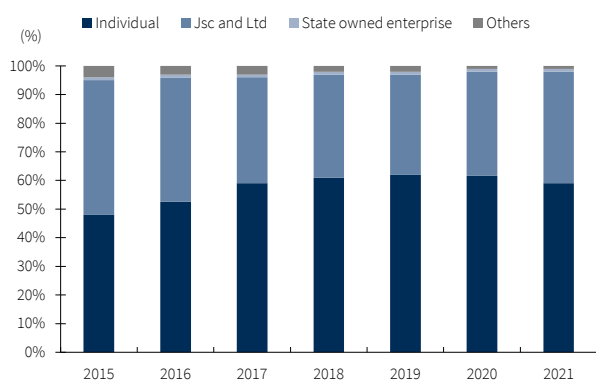
Corporate loans enjoy a higher CAGR, at 16.2%, and usually account for 35–40% of outstanding loans. By the end of 2021, STB lent about VND160 trillion to 200,000 corporate customers, contributing about 26% of TOI. STB intends to boost lending to corporate customers over the next five years.

STB now ranks 3rd in terms of retail lending, just behind Vietnam International Commercial Bank (VIB) and ACB (Figure 13). As for the scale of outstanding loans, STB ranks 2nd after ACB. By the end of 2021, the number of individual

**STB takes the second position in the industry in terms of personal loans**

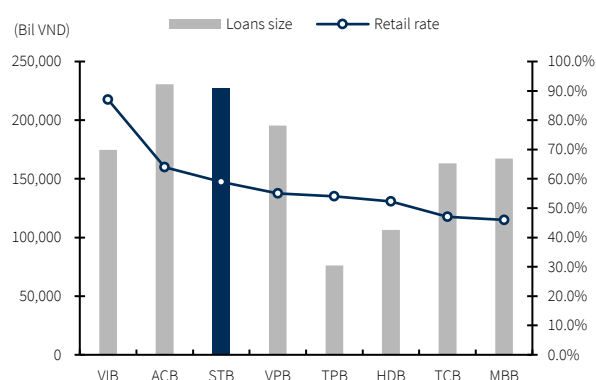
customers of STB reached 9.8 million, three times higher than that at the end of 2015. Income from personal loans normally contributes up to 74% of TOI. The general trend of the banking sector in the coming time is to promote retail lending, so STB has a great advantage over other peers thanks to its long experience and customer base built over many years. Accelerating digitalization and handling all outstanding loans will be the main driving force for the bank to achieve higher retail loan growth in the time to come.

Fig 12. STB - Loan structure by type of customer (%)



Source: Sacombank, KB Securities Vietnam

Fig 13. Vietnamese banks - Retail lending (VNDbn, %)



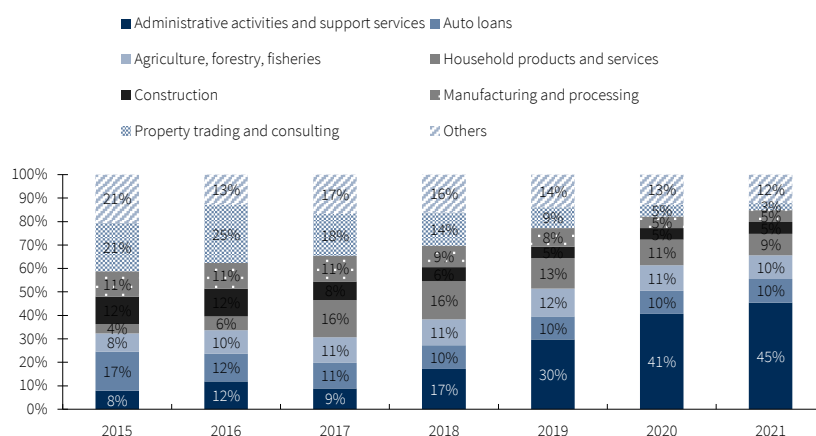
Source: Vietnamese banks, KB Securities Vietnam

**STB shifted its focus on production and business activities to support economic recovery, consistent with the orientation of the SBV**

**By sector:** Before 2016, STB consistently promoted lending to property business and consulting services (representing over 20% of total outstanding loans) and construction sector. This move is in line with the general trend of the industry following the issuance of Circular 36/2014TT-NHNN (lowering the risk weight of loans for real estate business from 250% to 150% and raising the ratio of short-term capital for medium and long-term loans from 30% to 60%). Along with that, new Law on Housing and Real Estate Business was enacted, thus creating conditions for banks to boost lending to these industries. By the end of 2016, the outstanding balance of these two segments accounted for 37% of total outstanding loans. However, when realizing the housing market was overheating, the SBV issued Circular 19/2017TT-NHNN, raising the risk weight of loans for real estate business to 200% and reducing the ratio of short-term capital for medium and long-term to 45%. Therefore, STB actively reduced the proportion of loans for the above two industries to downplay the risks for the portfolio and gradually shifted to personal loans for home purchase and renovation. Loans to the real estate and construction sectors by the end of 2021 made up about 8% of total outstanding loans. Since the beginning of this year, STB has stopped disbursing for real estate and focused on fields like production and business activities, supporting economic recovery. This is consistent with the orientation of the SBV.



Fig 14. STB – Loan structure by sector (%)



Source: Sacombank, KB Securities Vietnam

Car and motorcycle loans remained stable at 13% of total outstanding loans, touching 17% after the merger since this segment accounted for the largest share of total outstanding loans of Southern Commercial Bank. Since 2015, the proportion of this segment has been sitting around 10%, playing a pivotal role in the bank's retail lending. Loans to agriculture, forestry, and fishery have contributed 9–10% since 2013, with a 5-year CAGR of 21.9%. STB now dominates private commercial banks concerning agriculture, forestry, and fishery loans.

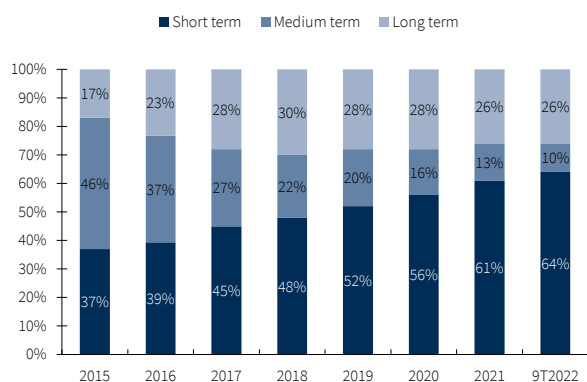
Notably, loans to administrative and support services (largely lending to individuals and business households) have surged ever since 2017 and gradually became the core business of STB. By the end of 2021, this segment accounted for 45% of total outstanding loans, with a 5-year CAGR of 48.4%.

**By term:** Long-term loans have stayed consistent in recent years, accounting for 25–30% of total outstanding loans. There has been a shift from medium-term to short-term loans since 2015, with the former down from 46% to only about 10% by the end of 2Q22. It is alongside the general trend of expanding retail lending and promoting working capital financing for businesses. In addition, STB maintains a low long-term debt ratio in the context that the SBV aims to reduce the ratio of short-term capital for medium and long-term loans to 30% after October 2023 (Figure 15).

**Changes in interest-earning assets:** STB's interest-earning asset structure hasn't changed much over the years, with customer loans accounting for about 87%. Lending growth has sat at 15% in recent years, equivalent to the industry average. The value of corporate bonds usually makes up 13% of total interest-earning assets. STB is very cautious about investing in corporate bonds, as evidenced by its investment securities portfolio, which includes only government bonds and almost no corporate bonds. As a result, STB's interest income will be less affected by the SBV's move to restrain credit institutions from investing in corporate bonds. However, continuously increasing

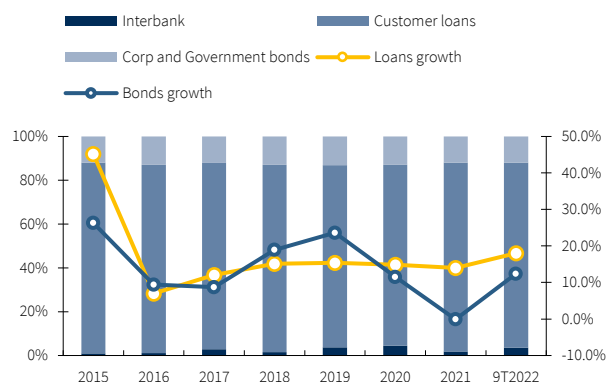
government bond interest rates would lower the value of these bonds and the portfolio. This is a latent risk as the actual figure will only be reported internally. Handling the bond portfolio with a decrease in value will trigger a loss in securities trading. Most of the mobilized capital is for credit activities, so STB's interest income from loans to other institutions normally makes up about 2–4% (Figure 16).

Fig 15. STB – Loan structure by term (%)



Source: Sacombank, KB Securities Vietnam

Fig 16. STB – Interest-earning assets (%)



Source: Sacombank, KB Securities Vietnam

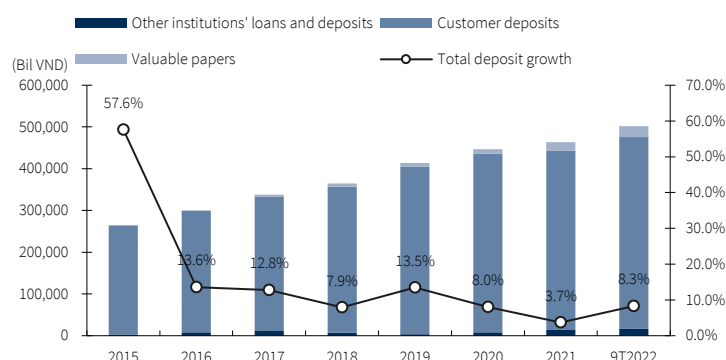
**Capital mobilized from the deposit market still represents the highest proportion. STB should promote deposits from the interbank market and the issuance of valuable papers**

#### Sources of mobilized capital

Figure 18 shows that STB's mobilized capital comes mainly from customer deposits, which usually accounts for 96%. Deposits from the interbank market and the issuance of valuable papers, though improved, are still very modest, accounting for only about 7.8% of total mobilized capital by the end of 2021. Deposit growth was stable before 2019, with a 5-year CAGR of 19.8%, which supported credit growth. However, STB's heavy reliance on customer deposits caused its mobilized capital to be in short supply over the past two years due to the COVID-19 pandemic.

The slow growth of customer deposits prompted the bank to expand capital mobilization from the interbank market and valuable papers, reaching 93.3% YoY and 89.4% YoY in 2021, respectively. As a result, total mobilized capital increased slightly by 3.7% YoY. Total deposits in 9M22 grew more positively at 8.3% YTD to VND502 trillion. Despite positive growth, it is still much lower than the annual credit growth of about 15%. STB should make the most of its nationwide distribution network and effective marketing strategies to increase capital mobilization.

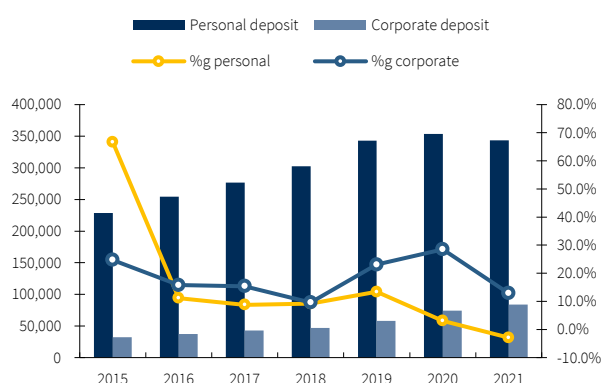
Fig 17. STB – Sources of mobilized capital (VNDbn, %)



Source: Sacombank, KB Securities Vietnam

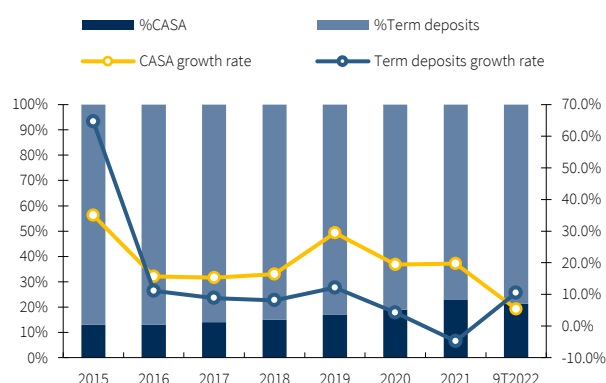
As a retail bank, STB's individual customer deposits usually accounted for about 85% of total customer deposits (**Figure 18**), reaching VND343 trillion with a 5-year CAGR of 6.2% during 2015–2021. Corporate customer deposits recorded a higher CAGR of 17.7% in the same period. We find STB's customer deposits easily affected as the southern market was the epicenter of the COVID-19 pandemic in 2021. Besides, a low interest rate environment discouraged people from raising personal savings, causing term deposits to drop by 4.2% YoY. Meanwhile, payment activities directly benefited from social distancing measures along with people turning to other investment channels such as securities, real estate, and gold. Businesses also tended to use their dormant money for investment due to the stagnation of production, and the need for payment services will return following the economic recovery. In addition, promotions attached to the bank account and credit card opening also helped increase demand deposits. As a result, STB's CASA ratio in 2020 and 2021 still maintained positive growth as in previous years at 19% (**Figure 19**). The figure reached 22.6% by the end of 2021, the 5th highest in the industry. 9M22 CASA slowed at 21.4% due to high interest rates, making customers prioritize term deposits and businesses use available deposits in case they have difficulty accessing bank loans.

Fig 18. STB – Deposit structure by lender (VNDbn, %)



Source: Sacombank, KB Securities Vietnam

Fig 19. STB – CASA growth (%)



Source: Sacombank, KB Securities Vietnam

## Financial status

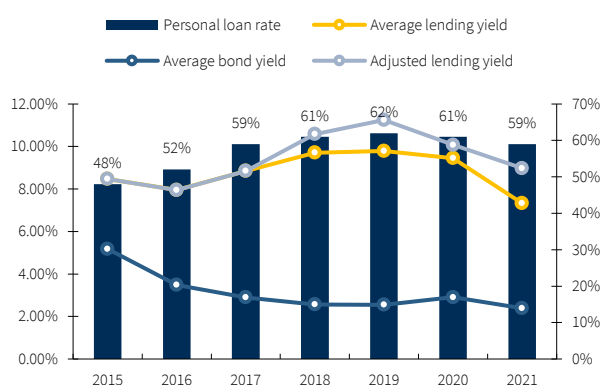
### Interest-earning asset yield fell sharply on interest rate support packages and accelerating the allocation of accrued interest

#### Profitability

As mentioned earlier, STB's interest-earning assets are largely customer loans and government bonds. Lending yields are always at high levels compared to others thanks to the proportion of retail loans continuously rising over the years. However, lending yields recorded a strong downward trend in 2021, down 2.12 percentage points (ppts) to 7.33%. Some of the main reasons are: (1) STB's customers are those relatively vulnerable to lockdown measures, namely business households, merchants, and those in agriculture, forestry and fishery; (2) STB persistently offered interest rate support packages to aide pandemic-hit customers. The bank is also applying for extra room to lend in terms of the 2% interest rate support package to support its customers; (3) STB accelerated the allocation of accrued interest to interest income (~VND6 trillion) in 2021. Similarly, it allocated up to VND5 trillion in accrued interest, causing interest income to narrow. Otherwise, the average earnings yield could touch 8.98% last year.

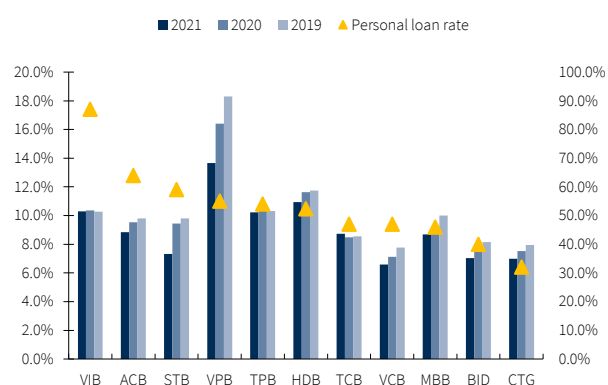
The increase in the provision for receivables made the average earnings yield stay relatively low among private commercial banks. Otherwise, the figure could be up to 9–11%, which is more reasonable as STB is the third largest retail bank in the industry.

Fig 20. STB – Interest-earning asset yield (%)



Source: Sacombank, KB Securities Vietnam

Fig 21. Vietnamese banks – Interest-earning asset yield (%)



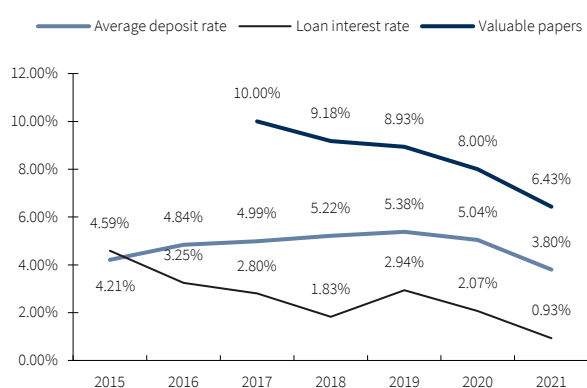
Source: Vietnamese banks, KB Securities Vietnam

### Bank promotes CASA deposits to reduce capital costs currently at high levels in the industry

Interest expense on deposits sharply fell 1.6ppts in 2020–2021 as the SBV cut the policy rate by 1.5ppts to reduce the pressure on costs of fund for banks. Interbank interest expense and interest from valuable papers of STB also witnessed continuous corrections during the period (Figure 22). However, we noted that STB's cost of fund is always higher than most of other banks (0.5ppts higher than the industry average). STB also has high deposit rates and high proportion of term deposits, which mainly leads to high cost of fund.

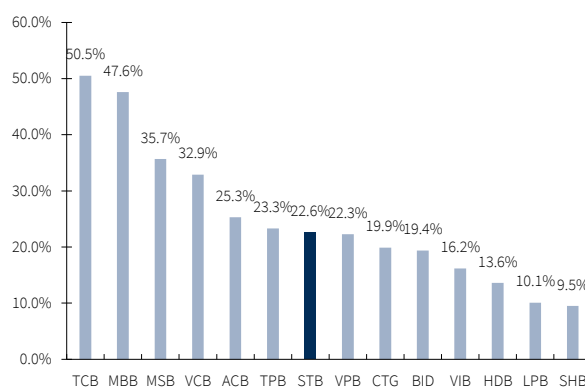
STB's CASA ratio stably grew from 13% in 2015 to 22.8% in 2021. The average growth rate of CASA is 19.2% a year, equivalent to the growth rate of the whole industry. We believe that STB is fully capable of competing with other banks in exploiting CASA thanks to the fourth largest "coverage" in the industry, a completely built payment system and foreign exchange services, and promoted exploitation of credit cards and payment cards. However, the growth rate of CASA may slow down due to increasing deposit rates.

Fig 22. STB – Costs of fund



Source: Sacombank, KB Securities Vietnam

Fig 23. Vietnamese banks – CASA ratio in 2021 (%)



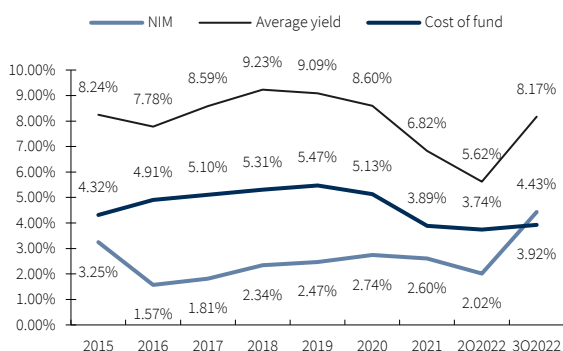
Source: Banks' financial statements, KB Securities Vietnam

### Despite pressure from costs of fund, NIM may still increase

Despite the pressure from the provision of interest expense receivables, the bank's NIM recorded a positive upward trend from 1.57% in 2016 to 2.47% in 2019. NIM has continuously been plunging from 2020 to 6M2022 due to the decline in profitability of the credit portfolio and the bank's acceleration in provisioning VND5-6 trillion of accrued interest. Therefore, NIM at the end of 2Q22 decreased 0.58ppts YTD to 2.02%. STB's NIM is much lower than the industry average of 3.8% (Figure 24).

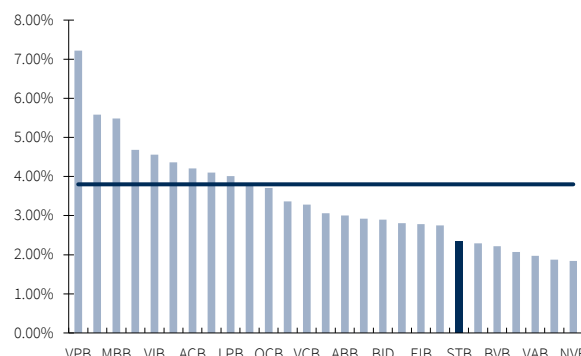
STB's earnings yield in the coming time should significantly improve as (1) the bank do not have to make provision for accrued interest under the restructuring scheme; and (2) interest rates are about to be changed to offset for high deposit rates. The implementation of the 2% Interest Rate Package may have mixed but insignificant impacts. Meanwhile, the costs of fund should rise further because (1) the SBV will raise interest rates after the Fed's potential rate hikes to stabilize the exchange rate; and (2) capital mobilized from the interbank market should become more expensive as interbank interest rates are higher than pre-COVID levels. The most beneficial factor is still not having to deduct accrued interest while interest rate will gradually catch up with deposit interest as most STB's loans have short terms. Therefore, we assume that STB's NIM should improve in the near future. Indeed, we see that NIM improved markedly to 4.43% in 3Q, 2.2 times higher than that of 2Q (Figure 25).

Fig 24. STB – NIM in 2015 – 9M22 (%)



Source: Sacombank, KB Securities Vietnam

Fig 25. Vietnamese banks – 2Q22 NIM (%)

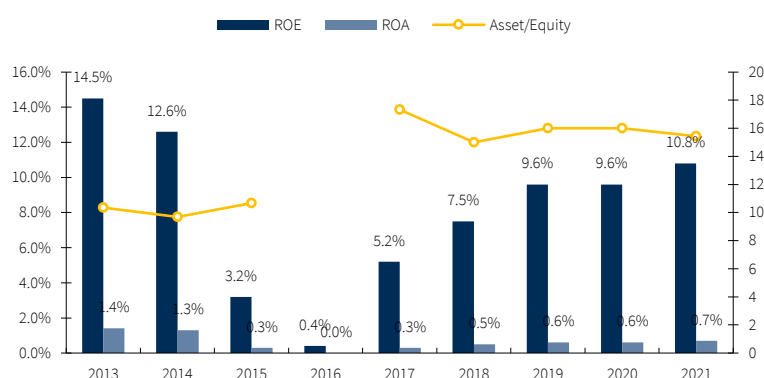


Source: Banks' financial statements, KB Securities Vietnam

**ROA and ROE have improved but they are still low compared to other banks**

Before the merger (before 2015), STB's operation was very effective as its ROA and ROE were always at the top of the industry. After the merger, these two ratios of STB decreased so much that the ROA in 2016 was 0% and ROE was only 0.4%. The merger with Southern Bank brought more consequences to STB because the profit is not commensurate with the increase in assets and equity due to bad debt. ROE has improved from 2017 but is still low compared to the industry. 2021 ROA is only about 0.7% while the industry average is 1.3%. Leverage (assets to equity ratio) has always remained high at over 15x in recent years. ROE and ROA in the coming years are expected to improve when STB finishes handling NPLs and VAMC under the restructuring scheme.

Fig 26. STB – ROA & ROE



Source: Sacombank, KB Securities Vietnam

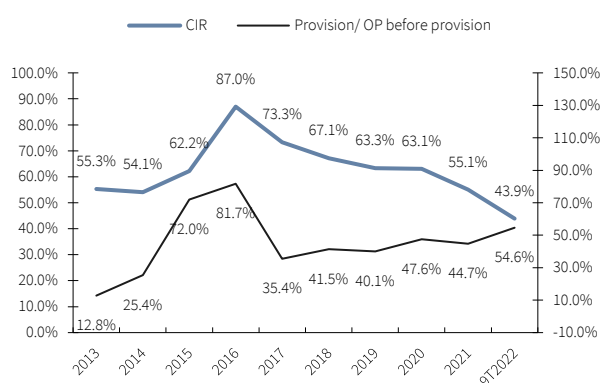
**STB needs to have better measures to control operating costs as its CIR is the highest in the industry**

**Operating efficiency**

The ratio of provision expense to pre-provision profit peaked in 2015 and 2016, corresponding to the post-merger period when STB had to accelerate provisioning for bad debts and VAMC bonds associated with the merger. Interest payable to deposit customers in Southern Bank also increased, causing TOI to shrink. Since 2017, STB has started restructuring, the sale of debt to VAMC eased provision pressure, so the ratio of provision expenses to pre-provision profit is lowered to 35.4%. This ratio still increases in recent years, showing STB's determination in dealing with NPLs and VAMC bonds (Figure 27).

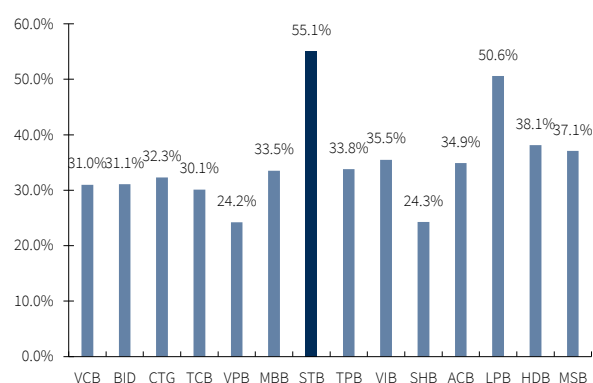
STB's CIR jumped and peaked at 87% in 2016 due to the rapid increase in staff size and low operational efficiency of the merged branches. The ratio is on a downward trend to the pre-merger level and reached 55.1% in 2021. However, STB's CIR is among the highest in the industry (Figure 28). The bank is making efforts to control operating costs by continuing to review and streamline the system of regulatory documents and internal processes, use automation/digitization to shorten the trading time by 15–25%, and keep the number of errors below target. At the same time, STB enhances technology exploitation of customer relationship management (CRM), loan origination system (LOS), and debt management & collection system (DMC). 3Q22 CIR significantly improved to 43.9%.

Fig 27. STB – CIR & provision expense to pre-provision profit (%)



Source: Sacombank, KB Securities Vietnam

Fig 28. Vietnamese banks – CIR (%)



Source: Banks' financial statements, KB Securities Vietnam

## High LDR limits credit growth

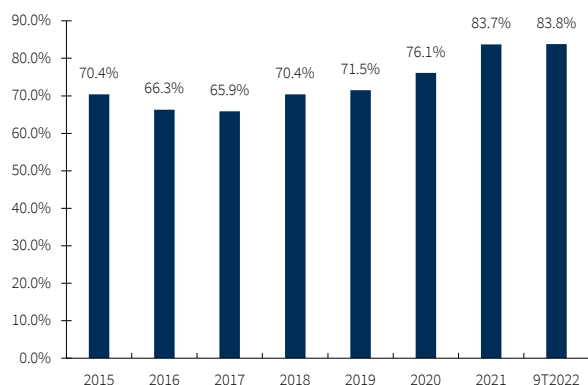
### CAR & liquidity

Deposit slowed down during the two years of COVID-19 pandemic, causing STB's LDR (according to Circular 36) to climb to 83.8% by the end of 3Q22, which is very close to the limit of 85% set by the SBV. STB's loans to individual customers and efficient capital turnover also partly ease the liquidity pressure on the bank. However, the current high LDR will reduce the room for credit growth, so the bank may lose its advantage when the economy grows. STB still has room to mobilize from interbank channel and valuable papers which currently account for only 7.8% of total capital.

## The CAR is safe and gradually improves

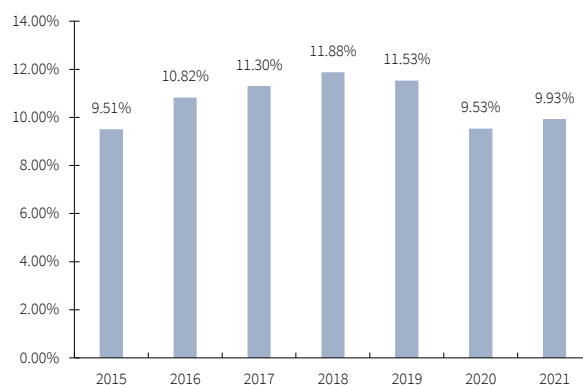
STB officially applied Basel II to banking operations in accordance with the roadmap oriented by the SBV in Circular 41 in 2020. Heavier weight of risk assets is accompanied by a highly sensitive customer base. Due to the pandemic, STB's CAR decreased from 11.53% to 9.53% by the end of 2020. CAR at the end of 2021 improved to 9.93%, gradually approaching the target of at least 10 – 11% that the SBV set for commercial banks in 2023.

Fig 29. STB – LDR in 2015 – 2022 (%)



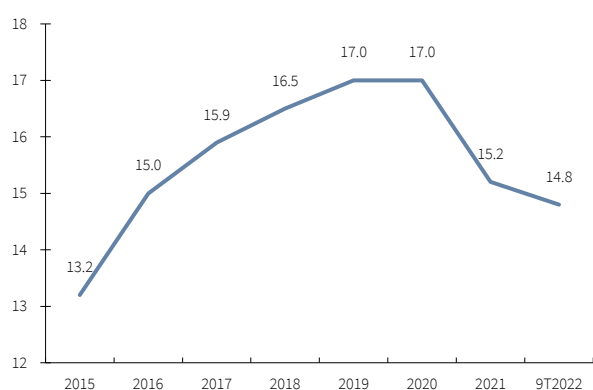
Source: Sacombank, KB Securities Vietnam

Fig 30. STB – CAR in 2015 – 2021 (%)



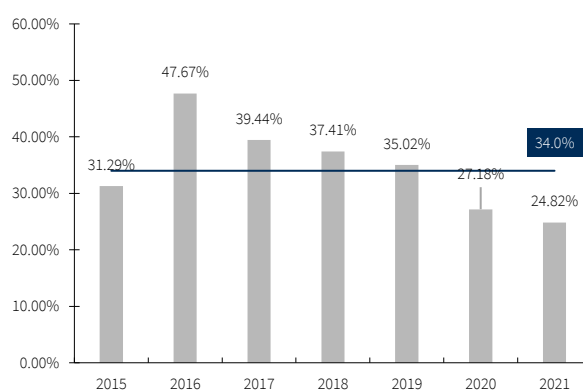
Source: Sacombank, KB Securities Vietnam

Fig 31. STB – Leverage ratio in 2015 – 2022 (%)



Source: Sacombank, KB Securities Vietnam

Fig 32. Vietnam – Short-term capital used for medium and long-term loans (%)



Source: Sacombank, KB Securities Vietnam

### Leverage ratio is shrinking but still high

STB's assets to equity ratio has been rising since 2015 to 17x and is slowing down to 15.2x by the end of 2021 (Figure 34). Meanwhile, Moody's reference safety ratio is 10x, and the current average of the bank industry is only 12.6x. The higher this ratio, the lesser room for credit to grow. Therefore, STB needs a more effective strategy to mobilize fund.

### The structure of short-term retail loans helps to keep the ratio of short-term capital for medium and long-term loans under the limit

The bank's increasing the proportion of loans to individuals and small businesses with shorter loan terms has helped the ratio of short-term capital for medium and long-term loans improve. The rate is only 24.82% at the end of 2021, much lower than the limit of 37% for this period. According to Circular 08/2020, this rate should fall to 34% from October 1, 2022 to September 30, 2023 and to 30% from October 1, 2023. With the current situation, STB should keep this ratio under the limit.

### On-balance sheet NPL ratio is still at a safe level. STB has completed important targets in debt restructuring and planned to

#### Asset quality

We highly appreciate STB's efforts in handling bad debts from mergers and VAMC bonds. The bank's NPL ratio (excluding loans under the restructuring scheme) is only 1.07% in 2021. If including debt under the scheme, it is still safe at 1.5%. The restructuring debt balance for customers affected by the COVID-

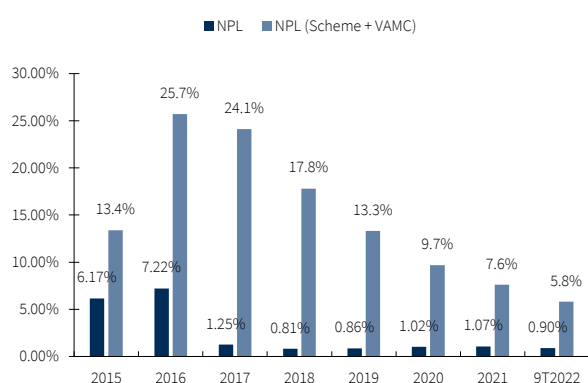


## completely settle VAMC bonds

19 is VND2,978 billion after the first six months of the year, down 45.4% YTD. By the end of 2021, the debt under the restructuring scheme was only VND1,689 billion, down sharply from VND 11,252 billion at the end of 2015. The Resolution 42/2017/QH14 of the National Assembly facilitated STB's debt handling. The main purpose of selling debt to VAMC is to reduce the cost of provision (the provision value to be made for VAMC is lower than bad debt group), so that banks still have profit for business expansion. In the period from 2015 to 2021, STB sold nearly VND51 trillion in bad debt to VAMC, the total outstanding bond reached VND30 trillion. The size of VAMC bonds is only VND23.7 trillion by the end of 2021, of which VND17 trillion is under the restructuring scheme. The coverage ratio between provision and special bonds is about 25.4%. STB continued to make new strides, especially when it handled all bad debts according to the scheme in 9M22, and the NPL ratio was reduced to 0.9%. Bad debt + VAMC only accounts for 5.8% of total credit.

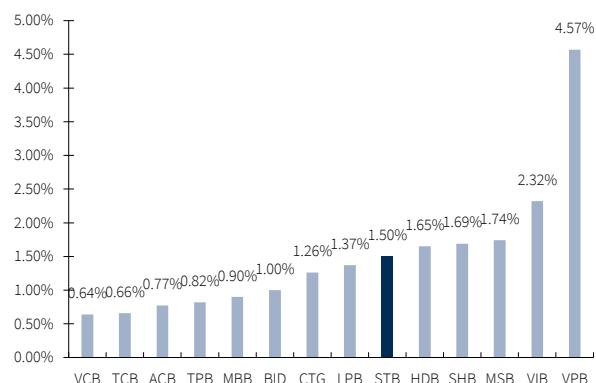
STB is planning to put 32.5% stake pledged as collateral for VAMC bonds for auction. STB also proactively put 18 debts secured by assets at the Phong Phu Industrial Park project for auction for the value of both principal and interest up to VND16,196 billion. STB sold the arising debt to VAMC, and then VAMC authorized the sale of these debts. Although the bank has reduced the value of the debt by 10% to only VND14,577 billion, it has not yet found a partner willing to buy back this debt. At the AGM at the beginning of this year, Mr. Duong Cong Minh, Chairman of STB's Board of Directors, stated his determination to completely settle the debt related to Phong Phu Industrial Park right in 2022.

Fig 33. STB – NPL ratio in 2015 – 2021 (%)



Source: Sacombank, KB Securities Vietnam

Fig 34. Vietnamese banks – NPL ratio in 2021 (%)

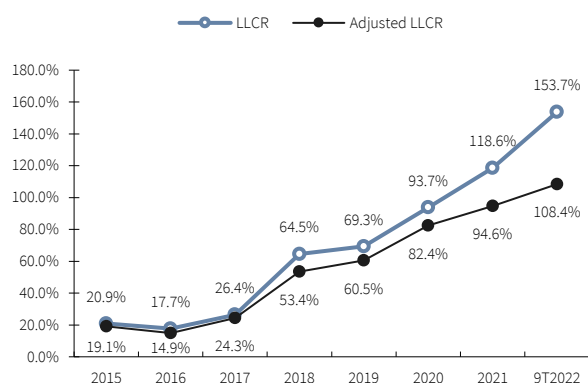


Source: Banks' financial statements, KB Securities Vietnam

## The highest LLCR in the industry shows STB's confidence in credit quality

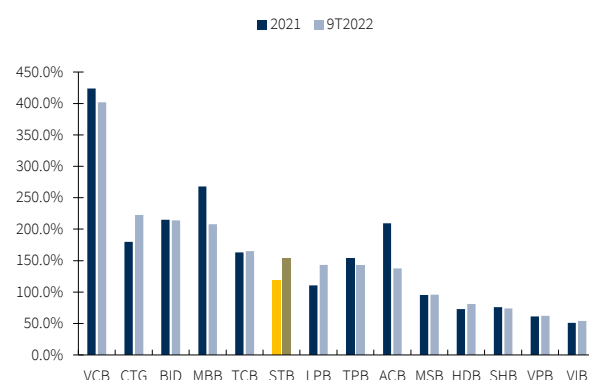
The loan loss coverage ratio (LLCR) was 118.6% in 2021, ranked eighth in the industry. However, in order to more accurately reflect the bank's exposure to credit risk, we use the adjusted LLCR, which separately calculates the coverage ratio for overdue debt, including special mentioned loans – an item particularly risky for retail-oriented banks. The ratio at STB is 94.8% in 2021, which showed the bank's buffer is solid enough to cope with the risk of bad debt and overdue debt.

Fig 35. STB – LLCR &amp; adjusted LLCR (%)



Source: Sacombank, KB Securities Vietnam

Fig 36. Vietnamese banks – LLCR (%)



Source: Banks' financial statement, KB Securities Vietnam

### STB has made provision for most of the receivables

After five years of carrying out the restructuring scheme, the progress of dealing with receivables is still going as planned. The VND217 billion amount advanced for Fico building construction is a key in this item. The legal procedures to transfer the building are ongoing. Positive moves in the auction and settlement of assets pledged as collaterals caused the value of this item to decrease by 60.5% from 2017 to only VND2,238 billion by the end of 2Q22; The partner to buy Duc Hoa III Industrial Park owed STB VND1,160 billion. With the same progress as in previous years, it is expected that this deal will be completed in early 2023 and earn a large amount of non-interest for STB. STB also expects to record receivables from securities trading contracts and receivables from Phuong Nam Jewelry Commercial in the future.

Table 1. STB – Receivables according to the restructuring scheme (VNDbn)

Receivables	2017	2018	2019	2020	2021	6M22	Progress
Advance construction of Fico building	217	217	217	217	217	217	In progress of legal procedures to transfer
Assets to receive offsetting debts	5,679	5,448	4,813	3,754	3,754	2,238	The transfer of ownership is in progress or in the process of being disposed of
Receivables from assets received offsetting debts (scheme)	8,280	8,280	7,091	3,766	2,126	1,160	Transfer of special assets at Duc Hoa III Industrial Park (90% deferred payment in 7 years from 2017), late payment interest is 7.5%/year
Receivables from securities trading contracts (scheme)	1,106	1,106	1,645	1,106	1,106	968	Reserved
Receivables from Phuong Nam Gold and Silver Company (scheme)	504	504	504	504	504	504	Reserved
Deferred pmt from selling securities (scheme)	467	451	381	381	0	0	Paid in full
Receivables from selling part of Fico building	158	158	158	158	158	158	Completing the procedure for transferring ownership

Source: Sacombank

## STB has completed an important target in the scheme

In 1H22, despite facing many difficulties like the general market, SBV still maintained good operating results and stable growth momentum. The bank has completed the target of handling VND21,576 billion of accrued interest under the restructuring project. As a result, it has completed the settlement of receivables under the scheme, thereby creating more resources to boost its business operation.

**Table 2. STB – interest and fee receivables according to the restructuring scheme (VNDbn)**

Items	2017	2018	2019	2020	2021	6M22	Progress
Interest from lending to customers (restructuring scheme)	19,801	17,720	13,689	11,702	5,678	0	Accounted for expense
Profit from investment activities (restructuring scheme)	225	225	225	225	0	0	Accounted for expense
Profit from securities trading contract	913	913	913	913	0	0	Accounted for expense
Profits from investment trust activities	52	52	52	52	0	0	Accounted for expense

Source: Sacombank

## Investment catalysts

### STB has many advantages to expand demand deposit (CASA)

Some of the ways that banks use to raise demand deposits can be mentioned as: (1) Accelerating digital banking, making it easier for customers to access banking services and enhancing customer experience; (2) launching free programs for online transactions; and (3) increasing payment deposits via e-banking services, especially non-cash payment services and promoting credit card products.

STB's CASA ratio improved markedly to 22.8% by the end of 2021, ranked fifth in the industry. The bank has many advantages to expand CASA in the near future:

- 1) STB has built a comprehensive international payment system. STB is the first bank to receive remittances via ATM and STB is the first bank in Vietnam to deploy a fast money transfer service to Visa cards abroad or allow to look up international payment transactions via SWIFT GPI. This helps the bank affirm its position as the first choice of import and export enterprises.
- 2) The bank has also achieved remarkable achievements in the payment card segment such as leading the Vietnamese market in terms of international card payment with 22% market share, international debit card with 32% market share, and domestic credit card with 34% market share. STB continuously offers incentive programs for affiliated credit cardholders such as Sacombank FLC Infinite, Sacombank FLC Platinum, Sacombank Vietnam Airlines, and Sacombank Bamboo Airways Platinum. In addition, the bank gives incentives for cardholders on holidays such as Black Friday, Tet, March 8<sup>th</sup>, and October 20<sup>th</sup> and enhances card conveniences associated with Tiki e-commerce platform to stimulate consumption.

### The bank is very close to the goal of handling all VAMC bonds

In 2015, there was a large bad debt on STB's balance sheet after the merger of Southern Bank. NPL increased seven times YoY to VND10,778 billion. In addition, there was about VND34 trillion in debt to be handled (classified as current loans). The bank sold about VND43 trillion in debt to VAMC and retained a part of NPLs to handle. The bank has made great efforts in dealing with bad debts under the restructuring scheme. By the end of 2021, NPLs under the scheme dropped sharply to only VND1,689 billion (classified as bad debts) and outstanding balance of VAMC bonds was VND17 trillion (**Figure 40**). The bank has completed the provisioning and eliminated all NPLs under the scheme from the balance sheet in 9M22. These debts will continue to be handled as off-balance-sheet items and are expected to have reversals from provisions. Besides, about VND5 trillion of provision for VAMC bonds has also been made, raising the LLCR for VAMC from 26% in 2021 to 50% in 3Q22. STB aims to completely handle VAMC through auction of 18 debts secured by Phong Phu Industrial Park and 32.5% of STB stake being mortgaged at VAMC in 2023.

## STB may record extra profit after completing the scheme

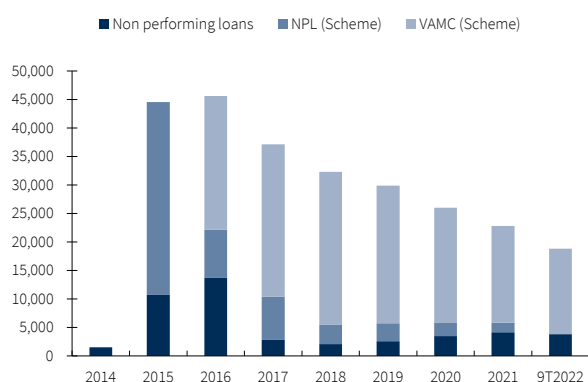
We believe that STB will record outstanding profit growth for the period of 2023–2025 thanks to the following reasons:

**Improved interest income:** STB has completed the allocation of accrued interest in 1H22, so the bank's NPM started to improve from 3Q. Indeed, 3Q22 NIM surged to 4.43%, doubling 2Q NIM. We expect STB's NIM to remain above 4% in the coming years (nearly doubling that of the previous period).

**Expectation about successful handling of VAMC to reduce provision expenses:** After many unsuccessful auctions of 18 loans secured by Phong Phu Industrial Park, STB had to lower the starting price of the auction debt to VND8,640 billion, equivalent to 53% of the total outstanding loan. We expect the bank to be able to reverse at least VND5,134 billion of the principal balance by the end of this year. Besides, STB also plans to put 32.5% stake for auction (currently being used as collateral for debts at VAMC) to domestic and foreign partners. The value of this debt is VND10,000 billion, equivalent to an ask price of VND18–19,000/share and a P/B forward of about 0.7x, which is quite attractive. The settlement of all special bonds will significantly reduce provision costs. Provision expense usually accounts for 35–47% of pre-provision profit, and provision for VAMC bonds usually accounts for over 50% of total risk provision expense (**Figure 42**). We estimate that STB could save VND1–2 trillion in provision expenses in the coming period.

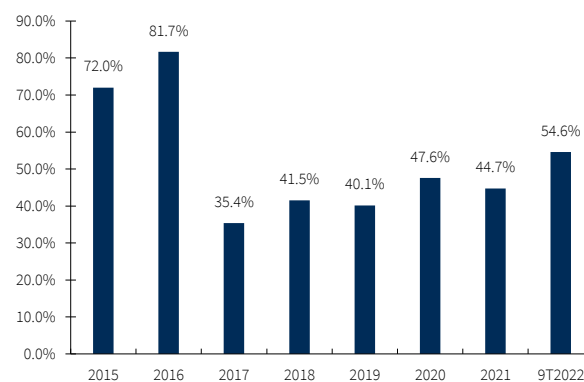
We do not exclude the possibility that the auction of assets is not successful, leading to STB continuing to accelerate provisioning for VAMC in 2023 from improved interest income. Then 2024 profit growth will outperform (**Figure 43**).

Fig 37. STB – NPL, bad debts under the scheme & VAMC bonds (VNDbn)



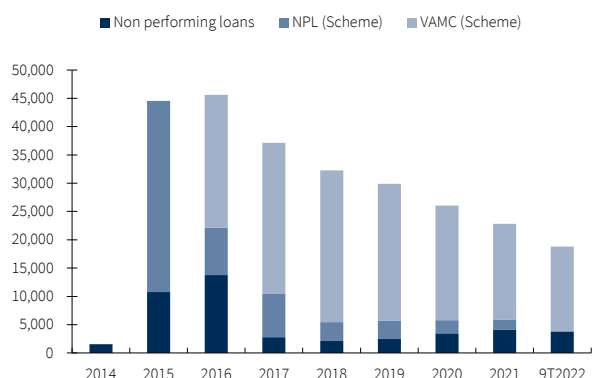
Source: Sacombank, KB Securities Vietnam

Fig 38. STB – The ratio of provision expense to pre-provision profit (%)



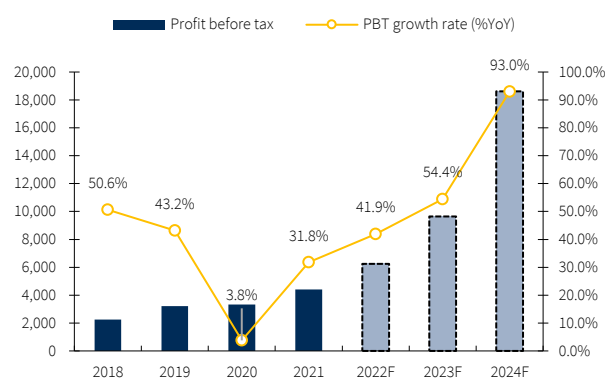
Source: Sacombank, KB Securities Vietnam

Fig 39. STB – Provision expense structure (VNDbn)



Source: Sacombank, KB Securities Vietnam

Fig 40. STB – Forecast NPAT & NPAT growth (VNDbn, %)



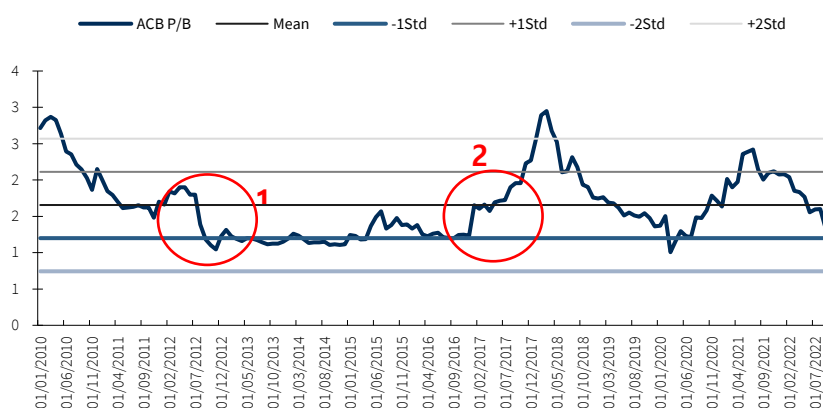
Source: Sacombank, KB Securities Vietnam

### STB’s value would change after NPL settlement

To see the impact of the completion of NPL settlement on STB’s valuation, we compare STB with the typical case of Asia Commercial Joint Stock Bank (ACB). STB and ACB have similar asset sizes of about VND520 trillion at the end of 2021. Loan balance is VND388 trillion and VND362 trillion respectively. In addition, the loan structure is similar as the two banks focus on retail customers (individuals and SMEs). ACB’s equity size is VND48 trillion while STB’s is about VND35 trillion. It can be seen that the scale of assets and loan portfolio are similar, but the business results are clearly different. Specifically, ACB’s 2021 pre-tax profit is VND12 trillion while STB only recorded VND4.4 thousand billion. ACB has completed the settlement of bad debts (VND8.7 trillion) related to Nguyen Duc Kien since 2017, which, when combined with the boom in the market, significantly improved ACB’s value (Figure 41). Therefore, we believe that STB can soon achieve the same profit scale as ACB once it has finished dealing with bad debts. The potential of STB is huge as it has large branch coverage, deposit size and the rightful strategy of retail customer development.

- (1) ACB’s P/B valuation plummeted in mid-2012, corresponding to the time when its former chairman Nguyen Kien was arrested. Since then, ACB has incurred a bad debt of about VND8.7 trillion from a consortium of six companies related to Kien.
- (2) At the end of 2017-2018, ACB’s valuation was more attractive thanks to the successful handling of bad debt and VAMC bonds. The general trend of the market also favorable to the bank’s development in this period.

Fig 41. ACB – P/B history (x)



Source: Bloomberg, KB Securities Vietnam

## Valuation

We use two methods of discounting residual income and comparing P/B with a weight of 50 – 50 to value STB stocks.

### 2022–2023F performance

STB's credit room was expanded to 11%, of which 8.5% was occupied in 9M22. The SBV's top priority is inflation control, so we make a cautious assumption about STB's credit growth at 11.8% in 2022 and 14.5% in 2023.

As analyzed above, the bank's LDR is very close to the SBV's limit of 85%, so we expect 2022 deposit growth to reach 9.8% as the bank's deposits after 9M22 still recorded good growth. By 2023, the bank should promote capital mobilization from interbank channel and valuable papers, thereby raising capital for the whole year to 14%.

We believe that STB's average interest rate would improve significantly compared to previous quarters as the bank does not have to provision accrued interest, and the short-term lending structure “absorbs” the increase in deposit rates more quickly. We forecast that the average lending rate in 2022 will increase by 37bps YoY to 7.19%. The average lending interest rate is expected to recover better in 2023, reaching 8.85%.

After two SBV's policy rate hikes, STB's deposit rate also recorded an increase of about 1.3–1.6% depending on the term. We forecast that the average deposit rate for the whole year 2022 will gain 16bps to 4.05% as the current interest rate increase pressure is mainly in 2H22 while the bank kept the interest expense on deposits at low level in 1H22. The average deposit rate should surge 75bps to 4.8% in 2023.

Thanks to the completion of accrual interest provision in the first half of the year, STB's NIM will be significantly improved, specifically, NIM in Q3 will be doubled compared to Q2 to 4.4%. NIM for the whole year 2022 is forecast to reach 3.3% (+0.7 points %YoY). NIM 2023 will continue to increase by about 0.74 percentage points to 4.04%.

2022 NIM gained 39.8%YoY to VND16,713 billion. It is forecasted that net profit in 2023 will reach VND 23,242 billion, up 39.1%YoY.

2022 income from services strongly climbed by 42.6%YoY to VND9,172 billion since the bank recorded a fee of VND1,500 billion from the agreement to raise the level of cooperation with Dai-ichi Life in 1H22. This fee is one-time recorded, so 2023F income from services is VND8,635 billion (-5.9%YoY).

**Credit growth slows down in 2022 and should recover in 2023**

**Deposit growth needs to be commensurate with credit growth**

**Average lending interest rate is projected to recover for the next year**

**The average deposit rate tends to go up in the following years**

**NIM will continue to expand**

**2022 NIM increased sharply YoY**

**2022 income from services surged**

### Other NOII items was supported by extraordinary income from Duc Hoa Industrial Park in 2022

Other NOII sources reached VND3,457 billion (2.5 times higher than the same period last year) because in the first half of the year the bank recorded a sudden income from the sale of fixed asset in Phong Phu Industrial Park. We also expect customers to be able to fulfill their debt repayment obligations at Duc Hoa Industrial Park (VND1,160 billion), thereby boosting 2023 NOII.

### CIR will decrease to 49.6% in 2022

Currently, STB is one of the banks with the highest CIR in the industry. We STB's expect operating costs to continue to be reduced in the coming years thanks to its efforts in digitization. Assumed CIR for 2023 drops to 49%.

### Provision expense should surge in 2022 and gradually decrease in the following years

2022F provision expense reaches VND7,295 billion (+105.2%YoY) as the bank accelerates the provision of VAMC. Provision expenses are expected to halve in 2023 to VND2,495 billion. In case STB can handle all VAMC debt in 2023, the provision expense will only be about VND1.5–2 trillion (-140% YoY).

**Table 3. STB – Forecast business results**

VNDbn	2021	2022F	2023F	2024F	2025F
<b>Net interest income</b>	11,964	16,713	23,242	28,454	34,113
<b>Non-NII income</b>	5,740	10,171	8,599	9,446	10,380
<b>Total operating income</b>	17,704	26,884	31,841	37,900	44,493
<b>Operating expense</b>	-9,750	-13,345	-15,698	-17,434	-19,132
<b>Operating Profit Before Provision</b>	7,954	13,539	16,143	20,466	25,361
<b>Provision for credit losses</b>	-3,554	-7,295	-2,495	-1,851	-1,885
<b>Profit before tax</b>	4,400	6,244	13,648	18,615	23,476
<b>Net profit</b>	3,411	4,841	10,581	14,432	18,201

Source: Sacombank, KB Securities Vietnam

The forward book value for 2022/2023 is VND18,994/24,028/share, corresponding to a P/B forward for 2022/2023 of 1.04/0.82x. For the P/B method, we select 10 domestic banks for comparison. Accordingly, the latest industry average P/B is 1.34, which, when combined with historical P/B data (**Figure 40**), helped us come up with an expected P/B valuation of 1.32x, corresponding to a target price of VND31,717/share.

**Table 4. Vietnamese banks – Data comparison**

	NIM	ROE	ROA	P/E	P/B
VCB	3.3%	21.7%	1.7%	17.52	2.71
BID	2.9%	14.6%	0.7%	19.98	1.73
CTG	2.8%	15.1%	0.9%	7.35	1.11
HDB	4.7%	21.6%	1.9%	5.4	1.11
MBB	5.5%	24.2%	2.5%	5.26	1.06
TCB	5.6%	21.1%	3.4%	4.79	0.79
VPB	7.2%	19.6%	3.1%	6.18	1.07
TPB	4.4%	20.4%	1.9%	6.4	1.07
VIB	4.6%	28.9%	2.3%	4.82	1.36
ACB	4.2%	25.1%	2.3%	6.4	1.36
<b>Average</b>	<b>4.5%</b>	<b>21.2%</b>	<b>2.1%</b>	<b>8.41</b>	<b>1.34</b>

Source: KB Securities Vietnam



STB is trading below the five-year P/B average of about 0.82x. We put STB's one-year target P/B at 1.3x, asymptotically +1 standard position of the 5-year average P/B.

Fig 42. STB – P/B history (x)



Source: Bloomberg, KB Securities Vietnam

### Assumptions according to the residual income method (RIM)

For the RIM, the assumptions are selected according to the table below:

Table 5. STB – RIM assumptions

Risk free rate	5.0%
Equity risk premium	7.8%
Beta	1.6
Cost of equity	17.5%
Forecast term	5 years

Source: Bloomberg, KB Securities Vietnam estimates

Table 6. STB – Valuation according to the RIM

	2022F	2023F	2024F	2025F	2026F
Net profit	4,841	10,581	14,432	18,201	21,611
Residual income	-2,038	1,838	3,163	3,747	3,375
Cost of equity (re)	17.5%				
Growth (g)	5%				
Terminal value	12,659				
Total present value (PV)	17,678				
<b>Target price</b>	<b>25,600</b>				

Source: Bloomberg, KB Securities Vietnam estimates

### BUY recommendation with a target price of VND28,650/share

Accordingly, the reasonable valuation for STB according to the method of residual income is VND25,600 /share.

Combining the two valuation methods with a weight of 50–50, we give the fair value of STB's stock at VND28,650 /share, with a potential upside of 46.9% compared to the time of valuation (Table 7). Based on the analyzed arguments and the calculated price, we recommend **BUY** for STB stocks in the short to medium term with the expectation that business results will be better when all VAMC debt is cleared. In the long term, we will need to monitor more strategies to increase competition in retail and insurance distribution to accurately assess the bank's growth.

**Table 7. STB – The final valuation results**

Method	Forecast price	Weight	Weight adjusted Price
Residual Income	25,600	50%	12,800
P/B	31,717	50%	15,859
<b>Target price (VND/share)</b>			<b>28,650</b>

Source: KB Securities Vietnam estimates

## STB – 2020A–2023F financials

Income Statement					Balance Sheet				
(Bn VND)	2020	2021	2022F	2023F	(Bn VND)	2020	2021	2022F	2023F
Interest and Similar Income	33,588	29,691	36,423	49,449	TOTAL ASSETS	492,516	521,117	574,280	656,766
Interest and Similar Expenses	-22,061	-17,726	-19,710	-26,207	Cash and precious metals	7,679	8,222	11,042	12,279
Net Interest Income	11,527	11,964	16,713	23,242	Balances with the SBV	10,053	12,170	12,961	16,875
Fees and Commission income	5,477	6,431	9,172	8,635	Placements with and loans to other credit institutions	18,397	8,354	19,557	26,793
Fees and Commission expenses	-1,733	-2,088	-2,458	-2,707	Trading securities, net	0	0	0	0
Net Fee and Commission Income	3,744	4,343	6,714	5,928	Derivatives and other financial assets	20	0	0	33
Net gain/(loss) from foreign currency and gold dealings	810	737	1,036	974	Loans and advances to customers, net	334,855	381,012	427,477	489,482
Net gain/(loss) from trading of trading securities	0	0	0	0	Debts purchase	302	189	170	175
Net gain/(loss) from disposal of investment securities	94	164	28	24	Investment securities	75,156	69,667	69,089	75,412
Net Other income/(expenses)	1,124	457	2,393	1,675	Investment in other entities and LT investments	125	89	89	0
Dividends income	-27	39	0	-2	Fixed assets	8,575	8,195	8,212	9,589
Total operating income	17,271	17,704	26,884	31,841	Investment properties.	0	0	0	0
General and Admin expenses	-10,895	-9,750	-13,345	-15,698	Other assets	37,356	33,219	25,843	26,271
Operating Profit Before Provision for Credit Losses	6,376	7,954	13,539	16,143	LIABILITIES AND SHAREHOLDER'S EQUITY	492,516	521,117	574,280	656,766
Provision for credit losses	-3,037	-3,554	-7,295	-2,495	Total liabilities	463,560	486,856	534,971	606,805
Profit before tax	3,339	4,400	6,244	13,648	Due to Gov and Loans from SBV	144	523	52	0
Corporate income tax	-657	-989	-1,403	-3,067	Deposits and Loans from other credit institutions	7,880	15,229	16,173	26,378
Net profit for the year	2,682	3,411	4,841	10,581	Deposits from customers	427,972	427,387	466,279	516,171
Minority interest	0	0	0	0	CBs/CDs and other valuable papers issued	11,144	21,104	27,773	39,299
Attributable to parent company	2,682	3,411	4,841	10,581	Other liabilities	16,191	22,226	24,694	24,957
					Shareholder's equity	28,956	34,261	39,310	49,960
					Charter capital	18,852	18,852	18,852	18,852
					Share premium	64	1,748	1,748	1,748
					Reserves	3,337	3,715	4,234	5,398
					Retained Earnings	7,304	9,907	14,476	23,962
					Valuation				
					(VND, x, %)	2020	2021	2022F	2023F
					Pricing ratio				
					Basic EPS	1,248	1,630	2,568	5,613
					Book value per share	13,329	16,223	18,994	24,028
					Valuation ratio				
					PER	6.91	7.39	7.67	3.51
					PBR	0.65	0.74	1.04	0.82
					Dividend yield	0.0%	0.0%	0%	0%

Source: Sacombank, KB Securities Vietnam

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## Investment ratings & definitions

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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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