

Sacombank (STB)

Slower NIM recovery pace in 2025

November 15, 2024

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3Q24 PBT gained 32.0% YoY to VND2,752 billion

In 3Q24, Sacombank (STB) recorded VND6,365 billion in NII (+4.1% QoQ, +31.2% YoY) and VND7,238 billion in TOI (+1.2% QoQ, +22.1% YoY). Provisions jumped 45.0% YoY to VND1,199 billion, causing PBT to reach VND2,752 billion (+2.4% QoQ, 32.0% YoY). 9M24 PBT of the bank gained 18.3% YoY to VND8,094 billion.

The decline in CoF may slow down in 4Q24

STB's cost of funds (CoF) could improve further thanks to low deposit interest rates and high deposit growth, which, when combined with a net LDR of 93%, lower than the industry average, helps to reduce liquidity pressure for the rest of the year. However, The CASA ratio dropped (-1.1ppts QoQ), and potential exchange rate risks will restrain the decline in CoF.

IEA is unlikely to improve in the coming period

On the contrary, the yield on earning assets (IEA) may hardly improve due to (1) the slow economic recovery and (2) unimpressive growth in fixed asset investment of listed enterprises and high ratio of short-term debt, showing that enterprises are tending to borrow short-term to finance working capital instead of borrowing long-term to expand production and business. The above factors are motivations for banks to continue to maintain low lending rates to ensure credit growth, promote economic development, and limit the ability of banks to increase IEAs.

Valuation: BUY rating – Price target VND40,000

Based on the valuation results, business prospects, and possible risks, we recommend BUY for STB shares. The target price for 2024 is VND40,000/share, 23.1% higher than the price on November 14, 2024.

Buy maintain

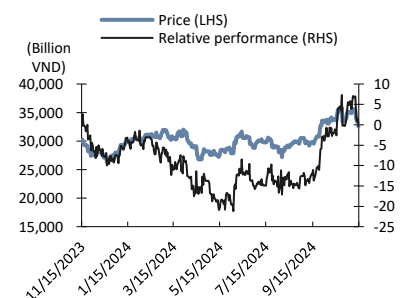
Target price	VND40,000
Upside	23%
Current price (Nov 14, 2024)	VND32,500
Consensus target price	VND36,600
Market cap (VNDtn/USDbn)	61.2/2.4

Trading data	
Free float	94.5%
3M avg trading value (VNDbn/USDmn)	434.7/17.4
Foreign ownership	23.4%
Major shareholder	Chairman Duong Cong Minh (3.32%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	-3.6	12.3	16.9	8.3
Relative	0.7	12.0	19.1	-0.7

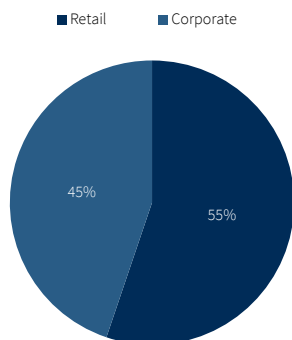
Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net interest income (VNDbn)	17,147	22,072	24,888	26,221
PPOP (VNDbn)	15,221	13,283	14,575	16,227
NPAT-MI (VNDbn)	5,041	7,719	8,949	11,910
EPS (VND)	2,674	4,094	4,747	6,317
EPS growth (%)	48%	53%	16%	33%
PER (x)	10.5	6.9	5.9	4.5
Book value per share (VND)	20,489	24,259	29,006	35,323
PBR (x)	1.38	1.16	0.97	0.80
ROE (%)	13.8	18.3	17.8	19.6
Dividend yield (%)	0.0	0.0	0.0	0.0



Source: Bloomberg, KB Securities Vietnam

Revenue composition (2023)



Source: Sacombank, KB Securities Vietnam

Business operation

Saigon Thuong Tin Commercial Joint Stock Bank (STB) is one of the largest private commercial joint stock banks in Vietnam with asset scale by the end of 2023 reaching VND674.39 trillion, ranked eighth in the industry.

STB is in the final stage of the restructuring project after merging with Phuong Nam Commercial Joint Stock Bank. It has basically resolved most of the existing problems.

STB has high proportion of retail credit balance, reaching 55.2% in 2023.

Investment Catalysts

NIM improvement is likely to slow down. Unfavorable global and domestic macroeconomic developments may negatively affect the bank's NIM improvement strategies.

STB successfully sold debt related to Phong Phu Industrial Park. This deal helps accelerate the process of paying off VAMC bonds and support STB's profits in 2025-2026.

The bank plans to divest 32.5% of capital related to Mr. Tram Be. Information related to this deal may have a positive impact on the stock price.

Notes

Please find more details [here](#)

Please see more details below

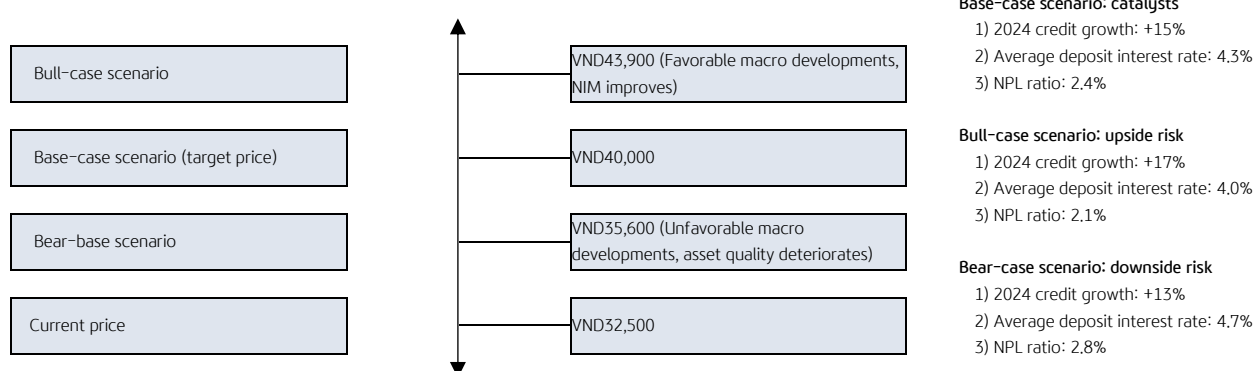
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Revised earnings estimates

(VNDbn)	KBSV estimates		Change vs previous estimates		Consensus*		Difference	
	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E
Revenue	24,888	26,221	-2%	-6%	-	-	-	-
EBIT	14,575	16,227	-10%	-18%	-	-	-	-
NP after MI	8,949	11,910	-13%	-4%	9,191	14,135	-3%	-16%

Source: Bloomberg, KB Securities Vietnam

Investment opinion & risks



3Q24 performance updates

3Q24 PBT gained 32.0% YoY to VND2,752 billion

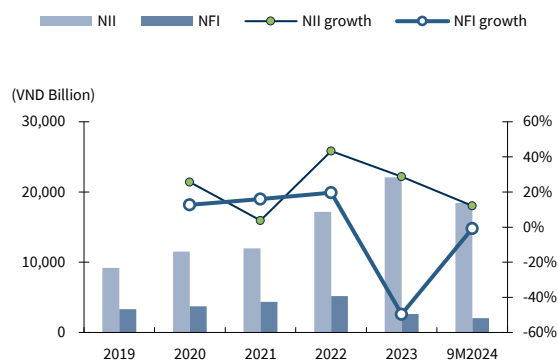
In 3Q24, STB recorded VND6,365 billion in NII (+4.1% QoQ, +31.2% YoY) and VND873 billion in NOII (-15.9% QoQ, -18.9% YoY), making TOI reach VND7,238 billion (+1.2% QoQ, +22.1% YoY). Provisions jumped 45.0% YoY to VND1,199 billion, causing PBT to reach VND2,752 billion (+2.4% QoQ, 32.0% YoY). 9M24 PBT of the bank gained 18.3% YoY to VND8,094 billion.

Table 1. STB – 3Q24 updated results

(VNDbn, %)	3Q23	2Q24	3Q24	+/-%QoQ	+/-%YoY	Notes
NII	4,851	6,117	6,365	4.1%	31.2%	Net interest income improved slightly compared to the previous quarter. NIM improved while credit growth slowed down.
NFI	720	681	756	11.1%	5.1%	
NOII	356	357	117	-67.3%	-67.2%	The FX segment recorded a profit of VND218 billion, decreasing 27.4% YoY. Meanwhile, income from securities trading and investment failed to make a considerable contribution. In 3Q24, other activities lost VND111 billion mainly due to VAT payment costs for L/C activities.
TOI	5,927	7,154	7,238	1.2%	22.1%	
OPEX	(3,015)	(4,001)	(3,287)	-17.8%	9.0%	
POPP	2,912	3,153	3,950	25.3%	35.7%	
Provisions	(827)	(465)	(1,199)	157.6%	45.0%	STB raised provisioning to the highest level in the last five quarters due to high NPL in 2Q24, which were exacerbated in 3Q24.
PBT	2,085	2,688	2,752	2.4%	32.0%	
NPAT-MI	1,635	2,177	2,201	1.1%	34.7%	
Credit growth	7.6%	7.0%	8.9%	1.8 ppts	1.2 ppts	Credit growth in 9M24 reached 8.9% YTD, higher than the industry-wide growth rate of 7.38%. Of that, short-term customer loans increased by 9.6% YoY and long-term loans increased by 7.6% YoY.
Deposit growth	8.9%	11.0%	9.7%	-1.2 ppts	0.8 ppts	Deposit growth was at a similar level to the average of the observed group of banks, reaching 9.5% YTD.
NIM	3.88%	3.46%	3.64%	18 bps	-23 bps	NIM has improved strongly thanks to maintaining a low deposit rate in the last four quarters, causing average CoF plunge.
Average IEA	9.35%	8.00%	7.73%	-27 bps	-162 bps	
Average CoF	5.95%	4.98%	4.51%	-47 bps	-144 bps	
CIR	50.9%	55.9%	45.4%	-10.5 ppts	-5.4 ppts	
NPL	2.20%	2.43%	2.47%	4 bps	27 bps	The growth rate of NPLs has slowed down after a sharp increase in 2Q. Bad debts climbed 9bps QoQ while substandard fell 4bps QoQ.

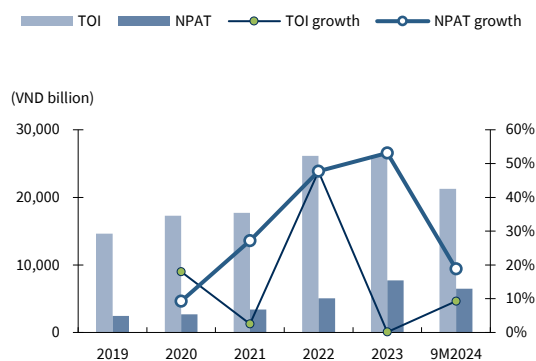
Source: Sacombank, KB Securities Vietnam

Fig 2. STB – NII & NFI growth (VNDbn, %YoY)



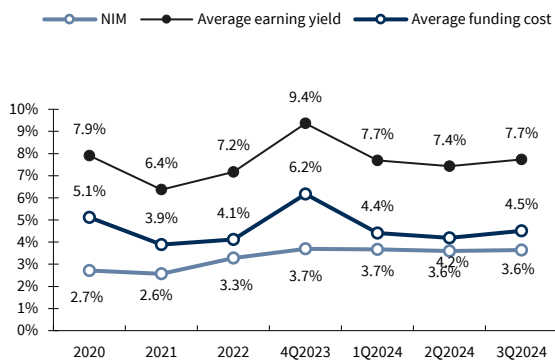
Source: Sacombank, KB Securities Vietnam

Fig 3. STB – TOI & NPAT growth (VNDbn, %YoY)



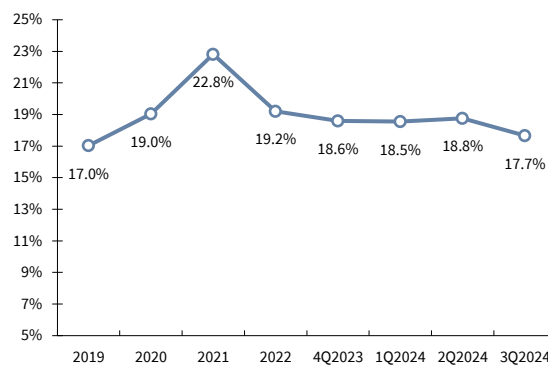
Source: Sacombank, KB Securities Vietnam

Fig 4. STB – NIM, average IEA & CoF (%)



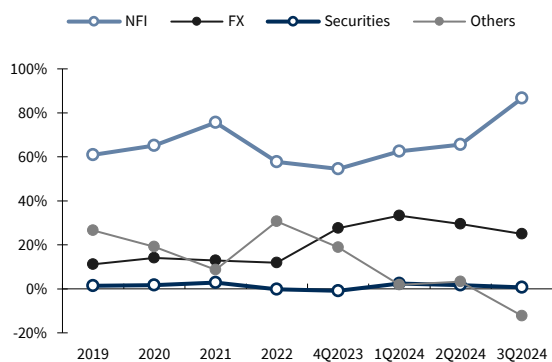
Source: Sacombank, KB Securities Vietnam

Fig 5. STB – CASA ratio in 2019–2023 (%)



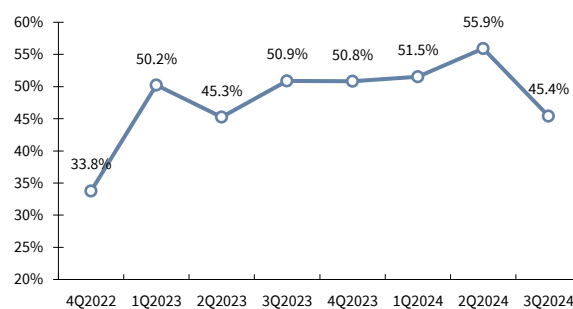
Source: Sacombank, KB Securities Vietnam

Fig 6. STB – NOI breakdown (%)



Source: Sacombank, KB Securities Vietnam

Fig 7. STB – CIR (%)



Source: Sacombank, KB Securities Vietnam

The decline in CoF may slow down in 4Q24

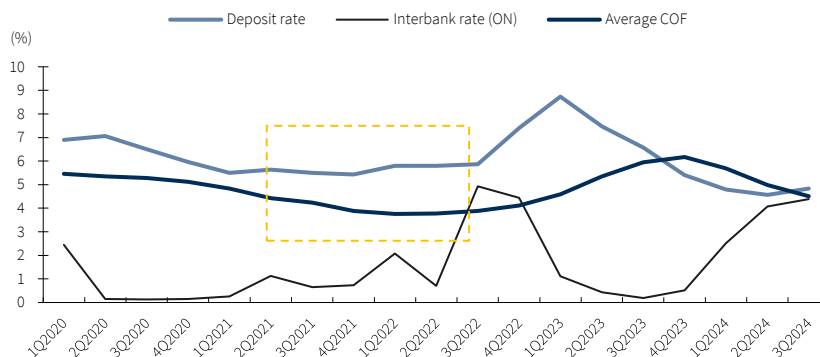
KBSV believes that STB's CoF could improve further, based on: (1) Deposit interest rates are maintained at a low level. STB's 12M individual deposit rate is at 4.9%, lower than the deposit interest rate in 2022 (~5.5%), when the bank has the best CoF in recent years (Figure 8). (2) Deposit growth remains high with a net LDR of 93%, lower than the average of 108%, helping to reduce liquidity pressure in the rest of the year. However, the CASA ratio decreased (-1.1ppts QoQ), combined with the potential exchange rate risk due to President Trump's policy, could lead to a strong USD and restrain the decline in CoF.

IEA is unlikely to improve in the coming period

On the contrary, the IEA may hardly improve as: (1) The economy is recovering slowly with the PMI and total retail sales of consumer goods and services both at lower levels compared to the period of 2021 (the period of low interest rates). (2) Fixed asset investment growth of listed enterprises only reached 10.1% on the low base of 2023, and the short-term debt ratio continues to remain high, showing that enterprises are tending to borrow short-term to finance working capital instead of long-term borrowing to expand production and business. The above factors are reasonable motivations for the banking system to maintain low lending rates to ensure credit growth, promote economic development, and limit the ability of banks to increase IEAs.

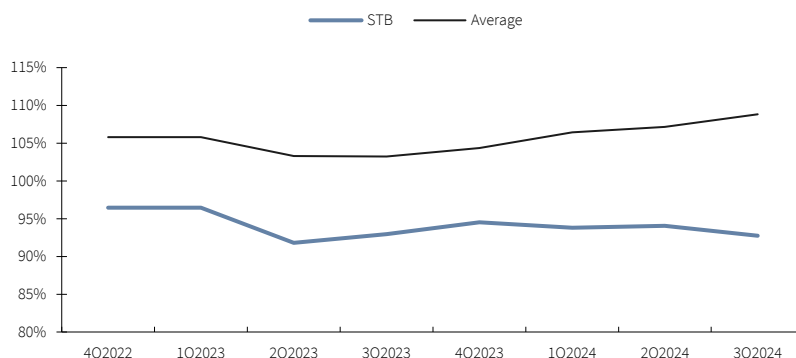
The average CoF should decrease similarly to the 2021–2022 period when deposit interest rates increase again but remain at a low base level compared to the past.

Fig 8. STB – CoF vs deposit & interbank interest rates (%)



Source: Sacombank, KB Securities Vietnam

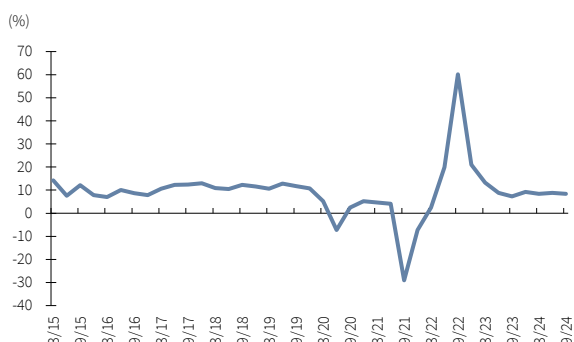
Fig 9. Vietnam banks – Net LDR (%)



Source: Vietnam banks, KB Securities Vietnam

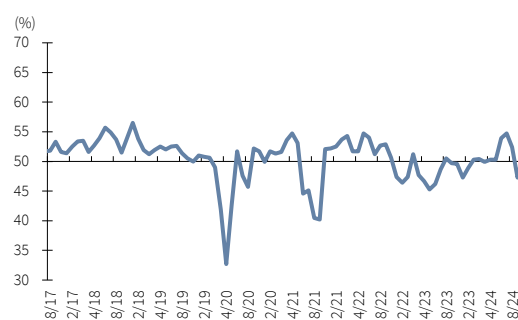
Good deposit growth helps STB maintain a low net LDR ratio, thereby reducing liquidity pressure and dependence on the interbank market.

Fig 10. Vietnam – Retail sales of good & services (%)



Source: Sacombank, KB Securities Vietnam

Fig 11. Vietnam – PMI (%)

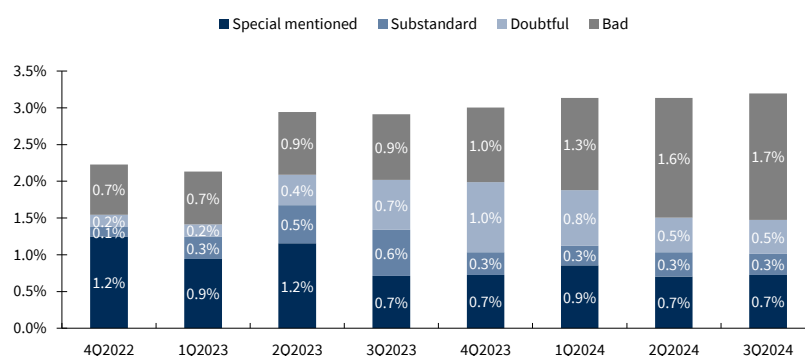


Source: Sacombank, KB Securities Vietnam

Asset quality is still gradually improving

STB's 3Q24 NPL ratio increased slightly by 4bps QoQ to 2.47%. Of that, bad debt increased by 9bps QoQ while substandard and doubtful debt lowered by 4bps QoQ and 1bps QoQ, respectively. The newly increased NPL ratio is estimated at 0.1%, making STB one of the banks with the lowest NPL formation in the system. This implies that asset quality is gradually improving, reducing provisioning pressure in 4Q24. During the period, STB made provisions for customer loan risks of VND1,205 billion (+154.7% QoQ). KBSV expects that NPL formation will decrease, and STB's NPL will reach ~2.4% (-10bps YoY) in 2025 thanks to the recovery of the economy in a low interest rate environment.

Fig 12. STB – NPL structure in 2022–2024



Source: Sacombank, KB Securities Vietnam

STB's buffer has improved with LLCR reaching 75% (+5.3ppts QoQ), making the bank one of private commercial banks with the largest buffer, after ACB, TCB and LPB.

Fig 13. Vietnam banks – NPL & special mention (%)

	% NPL	QoQ	% group 2	QoQ	Provision (Billion VND)	LLCR
VPB	4.81%	-0.27%	7.06%	-0.77%	-15,479	50.7%
VIB	3.85%	0.19%	3.65%	-0.81%	-5,404	47.1%
OCB	3.19%	0.07%	2.87%	0.45%	-2,715	53.9%
MSB	2.88%	-0.21%	1.92%	-0.19%	-3,093	62.9%
EIB	2.71%	0.06%	0.90%	-0.14%	-1,725	39.9%
STB	2.47%	0.04%	0.72%	0.02%	-9,755	75.0%
HDB	1.90%	-0.20%	3.75%	-0.75%	-4,985	65.9%
TPB	2.29%	0.23%	2.22%	-0.40%	-3,160	58.8%
LPB	1.96%	0.23%	1.16%	0.02%	-4,860	77.5%
MBB	2.23%	0.60%	1.89%	0.05%	-10,787	68.8%
CTG	1.45%	-0.12%	1.44%	0.00%	-35,537	153.0%
BID	1.71%	0.19%	1.67%	0.08%	-38,638	115.7%
ACB	1.49%	0.04%	0.63%	-0.15%	-6,661	80.5%
TCB	1.29%	0.06%	0.82%	0.00%	-8,366	103.5%
VCB	1.22%	0.02%	0.35%	-0.01%	-35,063	204.6%

Source: Financial statements of the banks, KB Securities Vietnam

Forecast & valuation

Table 11. STB – 2024–2025F business results

(VNDbn, %)	2023	2024F	+/-%YoY	2025F	+/-%YoY	Assumptions
NII	22,072	24,888	12.8%	26,221	5.4%	We maintained the previous forecast. NII growth is mainly supported by credit growth of 15% YoY.
NFI	2,618	3,039	16.1%	3,966	30.5%	2025 NFI mainly depends on the recovery in the bancassurance and payment services segments.
TOI	26,173	29,150	11.4%	32,132	10.2%	
Provisions	(3,688)	(3,390)	-8.1%	(1,340)	-60.5%	Provisions will decrease sharply in 2025 thanks to the bad debt reversal from Phong Phu Industrial Park.
NPAT-MI	7,719	8,949	15.9%	11,910	33.1%	
NIM	3.69%	3.79%	9bps	3.61%	-18bps	We lowered forecast for NIM in 2025, reflecting a cautious view on exchange rate pressure and the context of weak credit demand affecting the improvement of IEAs.
Average IEA	9.36%	7.63%	-173bps	7.71%	8bps	
Average CoF	6.17%	4.14%	-203bps	4.35%	21bps	
CIR	49.2%	50.0%	75bps	49.5%	-50bps	
NPL	2.28%	2.50%	22bps	2.40%	-10bps	
Total assets	674,390	716,954	6.3%	819,400	14.3%	
Owner's equity	45,734	54,683	19.6%	66,592	21.8%	

Source: Sacombank, KB Securities Vietnam

Valuation: BUY rating – Price target VND40,000

We combine two valuation methods, P/B and residual income to find a reasonable price for STB shares.

(1) P/B valuation method:

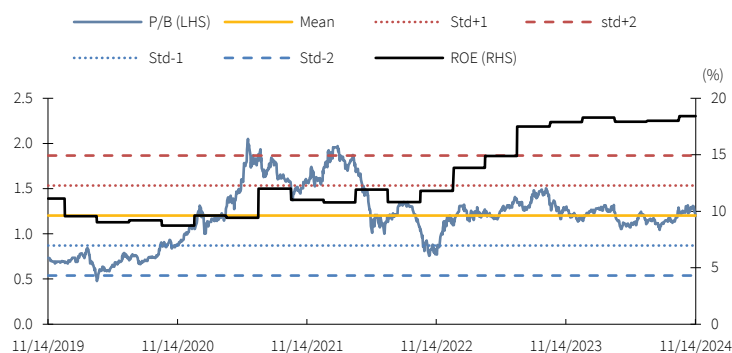
We lower the 2025F P/B to 1.20x, equivalent to STB's five-year average P/B, reflecting our cautious view on NIM, slow pace of asset quality improvement, and lack of information on the 32.5% capital sale involving Mr. Tram Be.

(2) Residual income method (Table 14):

In addition, we combine the use of the residual income method to reflect systematic risks and long-term expectations.

Combining the two valuation methods above at a 50–50 ratio, we found the final price target for STB shares for 2025 was VND40,000/share, 23.1% higher than the price on November 15, 2024.

Fig 22. STB – P/B in 2019–2024 (x)



Source: Bloomberg, KB Securities Vietnam

Table 13. STB – Valuation according to residual income model

(VNDbn)	2024F	2025F	2026F
NPAT	11,894	12,717	13,086
Excessed return	3,451	2,440	849
Required rate of return	15.42%		
Growth	3.0%		
Terminal value	831		
2024-end fair value	70,803		
Value per share	37,557		

Source: KB Securities Vietnam

Table 14. STB – Final valuation & price target (VND)

Valuation method	Forecast price	Weighting	Price per weight
P/B	42,388	50%	21,194
Residual income	37,557	50%	18,779
Target price			40,000

Source: KB Securities Vietnam

STB – 2022A–2025F financials

Income Statement (VNDbn)						Balance Sheet (VNDbn)					
	2021	2022	2023	2024F	2025F		2021	2022	2023	2024F	2025F
Net interest income	11,964	17,147	22,072	24,888	26,221	Loans	381,012	432,998	475,169	535,252	616,706
Interest income	29,691	37,391	55,927	50,132	56,007	Marketable securities	-	-	-	-	-
Interest expense	(17,726)	(20,244)	(33,855)	(25,244)	(29,786)	Cash (ex. Reserves)	8,222	7,850	7,545	9,197	10,577
Fees & commissions	4,343	5,194	2,613	3,039	3,966	Interest earning assets	484,151	559,656	635,164	678,388	774,026
Other non-interest income	457	2,745	327	(27)	591	Fixed assets & other assets	41,503	44,467	53,858	54,739	60,536
Total operating income	17,704	26,141	26,173	29,150	32,132	Total assets	521,117	591,908	674,390	716,954	819,400
SG&A expenses	(9,750)	(10,921)	(12,890)	(14,575)	(15,905)	Customer deposits	427,387	454,740	510,744	574,196	660,325
Pre-provisioning OP	7,954	15,221	13,283	14,575	16,227	Borrowings & call money/repos	21,491	26,060	29,407	40,151	45,609
Provision for credit losses	(3,554)	(8,882)	(3,688)	(3,390)	(1,340)	Interest bearing liabilities	464,629	519,132	578,121	641,277	728,664
Other income	865	2,874	445	266	738	Other liabilities	22,226	34,148	50,535	20,995	24,144
Other expense	(408)	(129)	(119)	(293)	(148)	Total liabilities	486,856	553,281	628,656	662,271	752,808
Pre-tax income	4,400	6,339	9,595	11,186	14,887	Charter capital	18,852	18,852	18,852	18,852	18,852
Income tax expense	(989)	(1,298)	(1,876)	(2,237)	(2,977)	Capital surplus	1,748	1,748	1,748	1,748	1,748
NP	3,411	5,041	7,719	8,949	11,909	Retained earnings	9,907	13,972	20,387	29,335	41,245
Minority interest profit	-	-	-	-	-	Capital adjustments	-	-	-	-	-
Parent NP	3,411	5,041	7,719	8,949	11,910	Total shareholders' equity	34,261	38,627	45,734	54,683	66,592

Financial Indicators (%)						Valuation (VND, X, %)					
	2021	2022	2023	2024F	2025F		2021	2022	2023	2024F	2025F
Profitability						Share Price Indicators					
ROE	10.8%	13.8%	13.3%	17.8%	19.6%	EPS	1810	2,674	4,094	4,747	6,317
ROA	0.7%	0.9%	1.2%	1.3%	1.6%	BVPS	18,174	20,489	24,259	29,006	35,323
Pre-provision ROE	19.8%	33.3%	25.3%	23.2%	21.4%	Tangible BVPS	16,223	18,867	22,675	27,389	33,728
Pre-provision ROA	1.2%	2.2%	1.7%	1.7%	1.7%	Valuations					
Net interest margin (NIM)	2.6%	3.3%	3.7%	3.8%	3.6%	PER	15.6	10.5	6.9	5.9	4.5
Efficiency						PBR	16	14	12	10	0.8
Pure Loan to deposit ratio	90.8%	96.5%	94.5%	95.0%	95.0%	Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
Cost-income ratio	55.1%	41.8%	49.2%	50.0%	49.5%	ROE	10.8%	13.8%	13.3%	17.8%	19.6%
Growth						Capital Adequacy					
Asset growth	5.8%	13.6%	13.9%	6.3%	14.3%	CAR	9.9%	9.5%	>9%	>9%	>9%
Loan growth	13.8%	13.6%	9.7%	12.6%	15.2%	Asset Quality					
PPOP growth	24.8%	91.3%	-12.7%	9.7%	11.3%	NPL ratio (substandard)	15%	10%	2.3%	2.5%	2.4%
Parent NP growth	27.2%	47.8%	53.1%	15.9%	33.1%	Coverage ratio (substandard)	118.6%	131.0%	68.8%	75.0%	70.4%
EPS growth	27.2%	47.8%	53.1%	15.9%	33.1%	NPL ratio (precautionary)	1.9%	2.2%	3.0%	3.3%	3.2%
BVPS growth	18.3%	12.7%	18.4%	19.6%	21.8%	Coverage ratio (precautionary)	94.7%	57.6%	52.2%	56.9%	52.8%

Source: Sacombank, KB Securities Vietnam

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Investment ratings & definitions

Investment Ratings for Stocks

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

Buy:	Neutral:	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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