

Strong ability to improve NIM after restructuring

BUY [+27.5%]

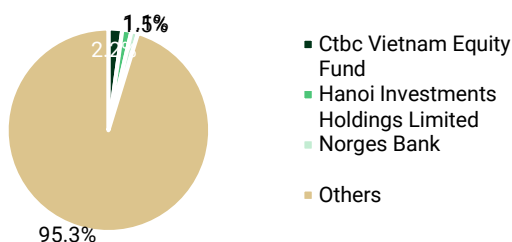
Updated: 12/07/2023

Fair price 38,000 VND
Current price 29,800 VND

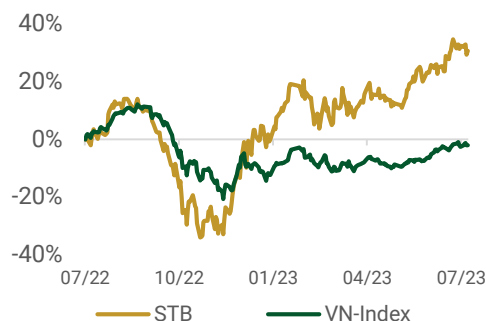
STOCK INFORMATION

Outstanding shares (mil) 1,885
Free float (mil) 1,885
Market cap. (billion VND) 56,273
3m avg. volume (shares) 16,446,529
Foreign ownership (%) 26%
First listing date 12/07/2006

MAJOR SHAREHOLDERS



PRICE MOVEMENT COMPARED TO THE INDEX



HISTORICAL VALUATION



Overview of the bank: Saigon Thuong Tin Commercial Joint Stock Bank (STB) was established in 1991. The Bank operates in capital mobilization and provision of related financial services. The bank focuses on retail banking. In 2006, STB was the first joint stock commercial bank in Vietnam to be listed on HOSE.

Investment highlights:

Strong ability to improve NIM after settling all accrued interest under the Plan. After completing the Plan, we expect that there would be positive changes to STB's business results, including: (1) Stopping handling accrued interest would create momentum for NIM of STB in 2023; (2) Making full provision expense for VAMC in 2023 would raise STB's business efficiency in the future; (3) Disposing of outstanding assets could provide STB with future earnings or reversals of provision expense.

Adjusted NIM excels. STB has high CASA ratio. Moreover, savings accounts for a large proportion in the capital mobilization structure with low interest rates, which contributing to NIM advantage of the bank. However, the heavy dependence on savings deposits raised liquidity risk.

Evaluation & Recommendations:

We expect the domestic economy to be more positive in H2 2023. Hence, we project credit growth in 2023 to be 11.2%YoY.

We project NIM of STB in 2023 to be 3.55%, an increase of 16 bps compared to the end of 2022 thanks to the removal of accrual interest, which contributes to the improvement of NIM more than the pressure from the reduction of lending rates.

The State Bank of Vietnam issued Circular 02/2023/TT-NHNN allowing the bank to maintain loan category to support customers in difficulty, effective until the end of June 30, 2024. We project the NPL ratio in 2023 to be 1.21%.

We forecast the provision expense in 2023 to be VND 8,594 billion (-3.2%YoY) due to (1) VND 6,876 billion provisioning for VAMC bonds; (2) Provision expense for restructuring debt to reduce risks.

Using the valuation method of Discounted Residual Income and P/B, we determine the fair value for each STB is 38,000 VND/share. Hence, we recommend Buy for this stock.

Investment risks:

(1) Interest rate risk; (2) Risk from rising NPLs; (3) Competitive risk; (4) Inflation risk; (5) Risk from economic downturn; (6) Liquidity risk.

Financial Indicators	2018A	2019A	2020A	2021A	2022A	2023F
Net Interest Income (VND billion)	7,634	9,181	11,527	11,964	17,147	20,328
Net Profit (VND billion)	1,790	2,455	2,682	3,411	5,041	7,259
EPS (VND)	950	1,302	1,423	1,809	2,674	3,851
EPS Growth (%)	52%	37%	9%	27%	48%	44%
Book Value (VND)	13,066	14,185	15,360	18,174	20,490	24,341
P/E	13.32	8.72	8.24	14.93	8.62	9.87
P/B	0.97	0.80	0.76	1.49	1.12	1.6
Cash dividend (VND)	0%	0%	0%	0%	0%	NA