

BUY

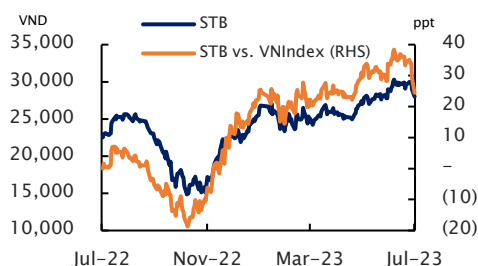
TP upside (downside): +0%

Close 28 Jul 2023

Price VND 28,750
12M Target VND 28,860

Our model is under review.

Share price performance relative to VNI



Source: Bloomberg

Market cap	US\$2.3 bn
6M avg. daily turnover	US\$21 mn
Outstanding shares	1,885mn
Free float	67.5%
FINI ownership	24%
Major shareholders	5.6%
2024E Asset/equity (x)	14x
2024E P/E (x)	4.6x
2024E P/B (x)	0.9x
FOL remaining room	6.0%
2024E Dividend yield (%)	0.0%

Source: FiinPro, Yuanta Vietnam

STB's 2023 Results	2Q23	% QoQ	% YoY
NII (VND bn)	5,751	-1%	+121%
Net Fee Inc. (VND bn)	654	-1%	-62%
Adj. TOI (VND bn)	6,671	-1%	+45%
Opex (VND bn)	3,049	-11%	+28%
Provision (VND bn)	1,316	+31%	-46%
PATMI (VND bn)	1,925	+1%	+139%
NPL (%)	1.79%	+60bps	+51bps
LLR (%)	77%	-27ppt	-61ppt
CASA (%)	17.0%	-40bps	-5.6ppt

Source: Company Data, Yuanta Vietnam

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Sacombank (STB VN)

Asset quality turns south

STB reported preliminary 2Q23 PATMI of VND1.9 tn (+1% QoQ/+139% YoY), fulfilling 50% of the bank's full-year target and 76% of our forecast. The YoY strong increase was driven primarily by high net interest income.

Details

Credit increased by +5% YTD, and deposits increased by +10% YTD as at 2Q23. 2Q23 net interest income was VND5.8 tn (-1% QoQ/+121% YoY). STB fully provisioned for total restructured accrued interest assets in 2022. We estimate 2Q23 annualized NIM on total assets of 3.77% (-15bps QoQ/+1.9ppt YoY).

2Q23 net fee income was VND654 bn (-1% QoQ/-62% YoY), which we think is due to lower banca sales, in line with the sector trend in 2Q23.

2Q23 opex was VND3.0 tn (-11% QoQ/+28% YoY). Adj. CIR (excluding net other incomes) was 46% in 2Q23 (-5ppt QoQ/-6ppt YoY), based on our calculations.

Provisioning increased by +31% QoQ but declined by -46% YoY to reach VND1.3 tn in 2Q23.

Net other income (mainly NPL recoveries) was only VND66 bn (+125% QoQ/ but -96% YoY) in 2Q23. NPL recoveries have been a major source of STB's earnings in recent years, but this trend is now shifting downward partly as the legacy restructuring approaches completion.

NPL ratio jumped to 1.79% (+60bps QoQ/+51bps YoY) in 2Q23. Aggregate NPLs surged by +54% QoQ/+56% YoY to reach VND8.2 tn. Notably, category 3 NPLs jumped by 76% QoQ/+473% YoY, and category 4 NPLs rose +153% QoQ/+204% YoY. LLR ratio fell to 77% (-27ppt QoQ/-61ppt YoY).

CASA ratio was 17.0% as at 2Q23 (-40bps QoQ/-5.6ppt YoY).

Our view

Restructuring is nearly done. We estimate STB's total net NPA/total assets decreased to 2.6% as at 2Q23 versus the peak of 24.6% in 3Q17.

We expect the resolution of legacy assets to support NIM in 2023-24E as capital is freed up and shifted into interest-earnings assets.

But increased NPLs in 2Q23, which are *not* legacy assets, are a concern.

Although [Circular 02/2023/TT-NHNN](#) may alleviate provisioning pressure and reduce reported NPLs, underlying asset quality still witnessed a significant deterioration in 2Q23.

STB trades at 0.9x 2024E P/B, in line with the sector median. The shares have solidly outperformed the market YTD and have reached our target price as of yesterday's close. Our model is under review.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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BUY: We have a positive outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors add to their position.

HOLD–Outperform: In our view, the stock's fundamentals are relatively more attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

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