

Sacombank (STB VN)

Reaching turnaround point

A potential big jump in profit post clean-up; Initiate BUY

We initiate coverage of STB with a BUY and TP of VND43,700, based on 1.4x FY24E P/BV (equal to local listed banks' average). Recovering from a painful clean-up (2015-2022), STB maintains a solid banking platform and is among the top-5 private-sector banks in Vietnam. Normalized NIM and lower provisions starting from FY23 should underpin a big jump in STB's profit in FY23-25E. We forecast STB's profit can triple during FY22-25, with ROE recovering from 13.8% (FY22) to c.21% by FY25E. This should drive a strong re-rating of STB. The potential for earnings surprise from the sale of collateral assets and auction of 33% stake held by the State Bank of Vietnam (SBV) should see more re-rating catalysts for STB in FY24-25E.

Still a top-tier bank in Vietnam

Prior to 2010, STB figured as a champion among private-sector banks in Vietnam in terms of size, market share and strength in retail and SME banking. After 7 years of restructuring and clean-up (post a lopsided merger with a weak bank in 2015), STB remains one of the top 5 private-sector banks in Vietnam, ranked by client base (15.2m), deposit franchise (4.4% market share), loan book (3.8% market share), and fee income (USD220m, 0.9% Fees/TA). By end-FY22, STB had resolved most of the legacy assets (with only VND7.3t remaining). It is on track to fully complete the clean-up by 2023, 2 years ahead of SBV's plan.

Earnings and profitability set to surge in FY23-25E

During FY15-22, STB's profit dropped way below its potential because its NIM was seriously depressed due to write-off of legacy interest income. But since 1Q23, its NIM has normalized, while provisioning is about to ease starting from 4Q23 when the final trunk of the legacy assets has been provisioned for. Taking into account its own earnings drivers and comparing STB's banking asset size to that of listed peers, we project STB's core profit can grow 53% and 54% YoY in FY23-24E, respectively, and by 22% YoY in FY25. Henceforth, its ROE should improve significantly to about 18-22%.

Strong re-rating catalysts in the pipeline

STB is trading at 1.3x P/BV (as of 2Q23 and only 0.9x FY24E P/BV. We believe STB, with its robust earnings and profitability outlook, can command a 1.4x P/BV valuation during FY24-25E (which is equal to local peers' currently average valuation). Moreover, there are other strong re-rating catalysts in the pipeline for STB, particularly: big earnings surprise from the sale of collateral assets (i.e. Phong Phu Industrial Park that has a book value of VND5t) and auction of 33% stake held by SBV, which could potentially command a higher valuation, in our view.

FYE Dec (VND b)	FY21A	FY22A	FY23E	FY24E	FY25E
Operating income	17,704	26,141	30,223	34,456	38,672
Pre-provision profit	7,954	15,221	18,837	22,176	25,044
Core net profit	3,007	4,587	7,717	11,847	14,406
Core EPS (VND)	1,632	2,674	4,093	6,284	7,642
Core EPS growth (%)	30.8	63.8	53.1	53.5	21.6
Net DPS (VND)	0	0	0	0	0
Core P/E (x)	19.3	8.4	7.1	4.6	3.8
P/BV (x)	1.7	1.1	1.2	0.9	0.7
Net dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Book value (VND)	18,174	20,489	24,583	31,223	39,338
ROAE (%)	9.5	12.6	18.2	22.5	21.7
ROAA (%)	0.6	0.8	1.2	1.7	1.8
Consensus net profit	-	-	7,775	12,814	17,689
MIBG vs. Consensus (%)	-	-	7.9	(0.6)	(13.4)

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BUY

Share Price VND 28,950
 12m Price Target VND 43,700 (+51%)

Company Description

Vietnam's 9th largest bank by banking assets, and top-5 best bank for SME and retail banking in Vietnam.

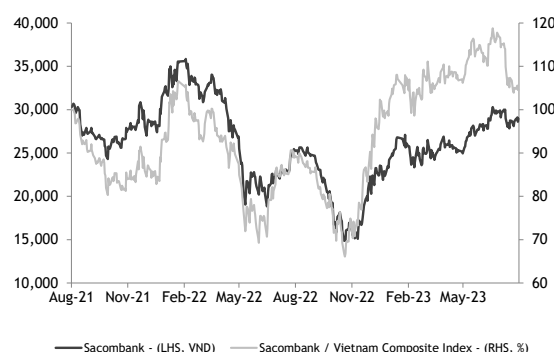
Statistics

52w high/low (VND)	30,300/14,850
3m avg turnover (USDm)	22.2
Free float (%)	67.0
Issued shares (m)	1,885
Market capitalisation	VND54.6T
	USD2.3B

Major shareholders:

SBV (represented the stake of Mr. Tram B)	33.0%
Dragon Capital	6.0%
Chairman Duong Cong Minh	3.3%

Price Performance



	-1M	-3M	-12M
Absolute (%)	(3)	15	15
Relative to index (%)	(10)	(2)	18

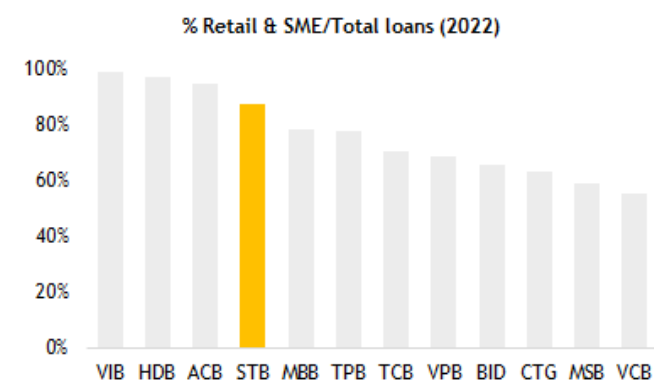
Source: FactSet

ESG@MAYBANK IBG
 Tear Sheet Insert

Value Proposition

- STB is one of Vietnam's top five largest private-sector banks in terms of banking assets size, deposit franchise, and strength in retail and SME banking.
- STB has the largest network among private-sector banks in Vietnam, with 566 branches and transaction offices (552 in Vietnam, 9 in Cambodia, 5 in Laos), serving 250,000 corporate/SME clients and over 15m individuals.
- STB maintains nearly 90% of its loan portfolio focused on the SME and retail segments.
- STB has strong fee-generation capacity, ranked behind Techcombank (TCB VN, BUY, TP: VND37,800) and MBBank (MBB VN, BUY, TP: VND28,300) in terms of fee income size.

STB is one of the most retail & SME-focused banks in VN

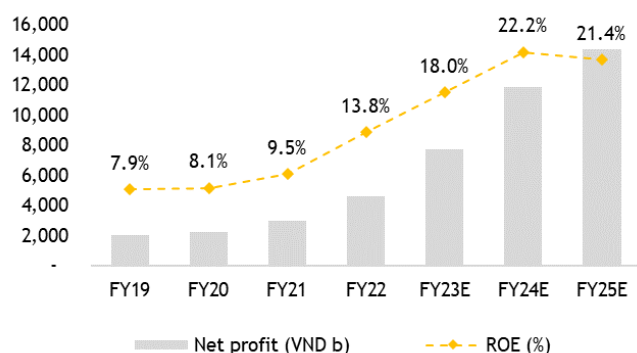


Source: Company

Financial Metrics

- With strong focus on retail and SME, STB can enjoy robust NIM, equal to peers of 4-5%. Its NIM was depressed during 2015-22 due to write-off of interest income from legacy trouble assets. From 1Q23, NIM has recovered to normal levels of above 4%.
- Strong fee income, ranked among top-4 in terms of fees-total-asset ratio (i.e. 0.9% in FY22), is another factor that will keep STB's ROA among the top banks in Vietnam.
- With robust NIM, fee income and easing provisions post clean-up period, we forecast STB is about to see strong earnings growth and ROE improvement during FY23-25E.

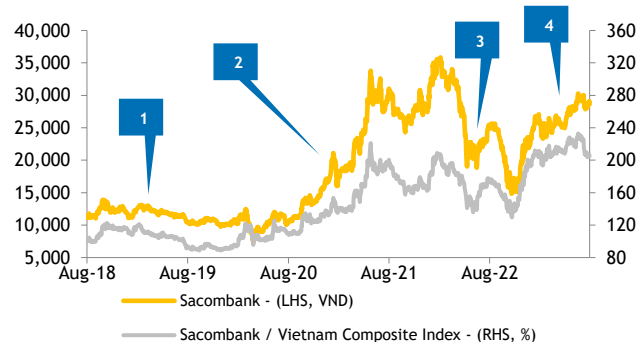
We forecast STB's net profit and ROE are about to see strong improvement from FY23E



Source: Company, Maybank IBG Research

Price Drivers

Historical share price trend



Source: Company, Maybank IBG Research

1. STB stock moved sideways as the bank remained in the middle of clean-up phase. ROE stayed below 10% due to depressed NIM.
2. Strong rally along with the overall stock market uptrend and due to speculation about the central bank selling its 33% stake in STB.
3. STB stock corrected along with overall market crash. It had nothing to do with the bank itself as the earnings actually started a strong recovery in 2022 (+53% YoY).
4. Rising expectation about the bank's strong recovery post clean-up phase.

Swing Factors

Upside

- Better NIM expansion.
- Earnings surprise from successful sale of collateral assets for the legacy loans (i.e. the Phong Phu Industrial Park).
- Auction of 33% stake being held by the State Bank of Vietnam at premium valuation.

Downside

- Potential reputational risks related to Bamboo or Him Lam Group.
- Leadership - the question of "who will lead the bank in the next phase post SBV's auction of 33% stake" will define STB's long-term outlook. An unsmooth leadership change could weigh on STB.

Risk Rating & Score ¹	na
Score Momentum ²	na
Last Updated	na
Controversy Score ³	na

Business Model & Industry Issues

- STB has a strong focus on SME and retail banking (loan mix: 58% retail, 30% SME and 12% large corporates). This creates a fairly diversified loan book. STB is a leader in promoting SME banking in Vietnam, which essentially contributes to boost financial inclusion and job creation.
- By far, we observed no E & S issues from the bank itself nor from its customers. STB is one of the first banks in Vietnam to set up an E&S management system (ESMS).
- Key G issues centre on leadership, shareholders' interest alignment, and information disclosure. Regarding the information disclosure, we think it is gradually improving, especially when it nearly completes cleaning up and restructuring.
- Several questions (i.e. the capacity of new leadership, or whether Mr. Duong Cong Minh continues to lead STB, or how the leadership transition will be...) are of critical importance defining STB's growth outlook beyond FY25.

Material E issues

- Since 2012, STB has become one of the first banks in Vietnam to set up an E&S management system (ESMS). This is thanks to early participation of international lenders like IFC, who initiated and pushed for incorporation of E&S risk management at the bank.
- STB is one of the first Vietnam banks (that we observed) to prepare a "Sustainability Development" section in its annual report. Yet, disclosure remains limited. As several other Vietnamese banks have caught up and are doing even better, STB's E&S disclosure appears below par now.
- There are no detailed disclosures on sustainable financing (i.e. current exposure and targets).

Material S issues

- So far, STB has not encountered any S issues.
- STB helps promote financial inclusion given its strong focus on SMEs and retail banking.
- STB maintains fairly balanced gender equality, with women representing c.48% of its overall workforce. But compared to other Vietnam-listed banks, STB appears to have more males (52%) in its labour force, which we think fits its SME banking model. Women presence on the BoD and BoM is rather low (18%) compared to peers (VPB: 36%, MBB: 35% and ACB: 28%).
- The bank boasts about maintaining a strong in-house training programme, which helps to retain staff and prepare home-grown future managers and leaders for the bank.
- Along with state-owned banks, STB is among the top-5 most active Vietnam banks in CSR/social and charitable activities. In 2022, it donated around USD3m, equal to 1.4% of NPAT, towards CSR activities, including development of educational support, social security and healthcare for the community.

Key G metrics and issues

- STB went through an enormous leadership change during 2015-17. But future leadership remains a question as the central bank plans to auction its 33% stake to strategic investors. This will define the future growth path of STB.
- We think the presence of the central bank at STB from 2015 until now helps STB to implement restructuring successfully and reduce G-related risks.
- STB's operations are now overseen by a board of directors (BOD) composed of 7 members, who are supervised by a supervisory board of 4 members. The BOD structure is still male-dominated (5 male:2 female) and all are Vietnamese and have experience in economics, banking and law. Along with HDB (HDB VN, Non-rated) and OCB (OCB VN, Non-rated), STB has the most independent directors (2 directors) of all listed banks.
- Despite going through enormous turbulence, STB maintains a good banking platform. The management team remains focused and makes strategic investments in IT and risk management to remain competitive. For example, STB continues building up its digital banking capacity and preparing for IFRS 9 implementation.
- Total remuneration of the BOD was equal to c.0.7% of FY22 NPAT, a bit high compared to peers, but it is due to STB's depressed earnings base. We observed no dispute about the remuneration/ ESOP (employee stock ownership plan) for the bank's BoD and management team so far.
- Although the bank claims that related-party transactions in terms of loans/bonds extended to BoD/BoM members have been minimized and controlled with the bank's risk management framework and central bank's limit, the market remains concerned about this risk (i.e. loans made to Bamboo Airways, which is now related to Chairman Minh).
- Compared to listed peers, STB's IR is not on par, due to lack of quarterly analyst meetings. Access to senior directors remains limited. But the head of IR is fairly accessible and experienced to handle most of investors' questions.

¹**Risk Rating & Score** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. ²**Score Momentum** - indicates changes to the company's score since the last update - a **negative** integer indicates a company's improving risk score; a **positive** integer indicates a deterioration. ³**Controversy Score** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

Quantitative Parameters (Score: 22)						
	Particulars	Unit	2020	2021	2022	HSBC (2021)
E	Scope 1 GHG emissions	tCO2e	N/A	N/A	N/A	22,000
	Scope 2 GHG emissions	tCO2e	N/A	N/A	N/A	307,000
	Total	tCO2e	N/A	N/A	N/A	329,000
	Scope 3 GHG emissions	tCO2e	N/A	N/A	N/A	12,000
	Total	tCO2e	N/A	N/A	N/A	341,000
	GHG intensity (Scope 1 and 2)	kgCO2e/emp	N/A	N/A	N/A	1,470
	Energy consumption	MWh	N/A	N/A	N/A	833,000
	Water consumption	m3	N/A	N/A	N/A	1,594,000
	Printing paper from eco-friendly sources	%	N/A	N/A	N/A	N/A
	Total waste generated	ton	N/A	N/A	N/A	13,000
S	Cases of environmental non-compliance	number	0	0	0	N/A
	% of women in workforce	%	47.3%	48.3%	47.8%	52.0%
	% of women in management roles	%	19.0%	18.2%	18.2%	32.0%
	Policy, data & framework breaches	number	0	0	0	0
	Average training hours per employee	hours	N/A	32.3	N/A	26.3
G	Non-compliance concerning fair dealing outcomes	number	0	0	0	N/A
	MD/CEO salary as % of reported net profit	%	N/A	N/A	N/A	0.04%
	Board salary as % of reported net profit	%	1.1%	1.1%	0.7%	0.05%
	Independent directors on the Board	%	29%	29%	29%	85%
	Female directors on the Board	%	29%	29%	29%	38%

Qualitative Parameters (Score: 33)	
a) Is there an ESG policy in place and is there is a standalone ESG committee or is it part of a risk committee?	<i>Yes. Since 2005 when STB received funding from international agencies like IFC and FMO, the bank was the first Vietnamese bank to set up an E&S management system. In 2009, STB put into operation E&S policies and an E&S committee. It started incorporating E&S risks into its overall risk management framework since then.</i>
b) Is the senior management salary linked to fulfilling ESG targets?	<i>No indication or guidance from the bank yet.</i>
c) Does the Bank follow the task force of climate related disclosure (TCFD) framework for ESG reporting?	<i>Not yet. No guidance on the next steps. Like other Vietnamese banks, STB is following GRI standards in ESG reporting. Still the statistical disclosure remains limited.</i>
d) Does the bank have a mechanism to capture Scope-3 emissions - which parameters are captured?	<i>Not yet. No guidance on the next steps.</i>
e) What are the 2-3 key carbon mitigation/water/waste management strategies adopted by the bank?	<i>STB prepares an annual plan on energy/water/gasoline/printing consumption. Any abnormal jump in those criteria will be examined and fixed by the bank. The bank also launches "Green Office" campaigns to uphold and raise awareness of ESG issues among staff.</i>
f) Does carbon offset form part of the net zero/carbon neutrality target of the Bank?	<i>Not yet. Since 2021, the bank has participated in a project by the central bank analyzing awareness-capacity gaps in an attempt to build up net-zero carbon action programmes.</i>

Target (Score: 0)		
Particulars	Target	Achieved
Sustainable financing target by 2024	N/A	N/A
Raising funds for green financing (at least USD1b by 2030)	N/A	N/A
Zero thermal coal exposure by 2039	N/A	N/A
Carbon neutral operations by 2022 (tons)	N/A	N/A
Net-zero carbon emissions by 2050	N/A	N/A
Impact		
NA		
Overall Score: 19		
As per our ESG matrix, Sacombank (STB VN) has an overall score of 19.		

ESG Score	Weights	Scores	Final Score
Quantitative	50%	22	11
Qualitative	25%	33	8
Target	25%	0	0
Total			19

We are largely comfortable with the bank's E&S status. For the G area, we think the leadership issue remains debatable and warrants monitoring. Under MIBG's more detailed approach, STB's ESG score remains low due to limited statistical/quantitative disclosures and guidance from the bank on its E&S targets. We haven't received the data required to score the bank.

1. Investment thesis

Vietnamese banks currently are in their best growth and profitability cycle, with robust ROE of 18-20% on average, driven by double-digit credit growth, strong NIM and fee income, and easing provisioning after restructuring and the clean-up period (2012-2018). We have held this view since 2019. *Refer to our latest update on [Vietnam Banking Sector here](#)*. Among 36 domestic banks and 17 major listed banks, we recommend investors focus on banks with a strong leadership, strong market position and are dynamic enough to catch up with digital banking trends in order to remain competitive over the next 7-10 years.

STB is one of the top-5 private-sector banks in Vietnam, which we decided to add to our coverage with a BUY and a target price of VND43,700. Although there remains questions about leadership succession at STB (as the central bank will auction 33% stake of the bank to strategic investors - *refer to Section 5.1 for more detailed discussion on the matter*), we see this issue as being something that is beyond 2024. In the more immediate term, we see its financial turnaround is so strong that it will drive a big re-rating of STB during FY23-25. Hence, we think the time to BUY STB is now.

STB is about to complete the clean-up plan by 2023, ahead of the 10-year plan set by the central bank (2015-2025). By end-FY22, the bank had already fully cleaned up interest receivables related to the legacy troubled assets (stemming from a lopsided merger with a weak bank in 2015); hence, its NIM has started to recover, which underpinned 48% YoY net profit growth in FY22. The remaining amount of net legacy assets (that the bank needs to clean up) is only VND7.3t/USD307m (vs USD2.8b in 2017). In view of the progress made in 1H23, we believe STB is on track to fully clean up all legacy assets by 2023. (*Refer to Section 2.1*)

STB remains one of the top-5 private sector banks in Vietnam, with a good banking platform targeted at retail and SME clients (nearly 90% of its total loan portfolio), which should help it generate robust NIM of between 4% and 5% (as compared to peers). It also has strong fee-generating capacity, with net fees of USD220m in FY22, ranking it No.5 among all listed banks. These strengths, along with easing of provisions post the clean-up, should underpin a strong financial turnaround during FY23-25E. (*Refer to Section 2.2.*)

We forecast STB's profit can almost triple during FY22-25E; particularly, its net profit could grow from a depressed base of VND5t/USD214m (FY22) to a more normal level of VND15.3t/USD649m (FY25E), driven by the normalization of NIM and provisioning rate. As such, its ROE should recover from 13.9% (FY22) to a range of 18-21% during FY23-25E. Our FY23-25 profit forecasts for STB have taken into consideration potential credit risks related to FLC/Bamboo Airways; And based on the loan book size of STB (as compared to listed peers), we believe there is potential upside to our profit forecasts (*Refer to Section 3.*)

Such robust earnings growth and ROE recovery outlook should drive a strong re-rating for STB, which is trading at 1.3x P/BV (as of 2Q23), 1.2x FY23E P/BV and only 0.9x FY24E P/BV. We believe Vietnam's stock market will remain on an uptrend, driven by economic recovery and the upgrading of Vietnam stock market to "Emerging Market" status during 2024-26, which should support good valuation/re-rating of the entire market as well as the banking sector. As such, we believe STB can command at least 1.4x P/BV (equal to the current average valuation of Vietnam-listed banks) during the FY24-25 period. Moreover, big earnings surprise from the sale of collateral

We believe Vietnamese banks are in a robust growth and profitability cycle through 2025, thanks to improving ROA and reasonable capital regulations that sustain 18-20% ROEs for top banks.

We initiate coverage of STB, a top-5 private-sector bank in Vietnam, with a BUY and a TP of VND43,700 (+53% upside).

STB has almost completed its clean-up plan, which should underpin a strong financial turnaround.

The bank maintains a good banking platform, which generates robust NIM and fee income.

With NIM normalization, easing provisions, and based on the loan book size of STB (as compared to listed peers), we believe its profit can almost triple during FY22A-25E, lifting ROE from 13.9% to c.21% during this period.

Strong catalysts to support further re-rating of STB post clean-up.

assets and auction of 33% stake being held by SBV may present more re-rating catalysts for the bank during this period.

2. Investment focus

2.1 Fully recovering in 4Q23 from clean-up period

To recap, in 2015, STB underwent a lopsided merger with a much smaller and very weak bank, named Phuong Nam Bank (PNB). This was not the will of STB's founders and management team at that time. But rather, it was engineered by a group of financial tycoons, led by Mr. Tram Be, who managed to accumulate over 50% of STB shares and ousted STB's founders. Mr. Tram Be was the owner of PNB. The merger left STB with a large amount of non-performing assets (aka. legacy assets).

In 2017, Mr. Tram Be and his associates were arrested and jailed. The State Bank of Vietnam (SBV), i.e. the central bank, placed STB under close supervision and set out a restructuring and clean-up plan of the bank over 10 years (2015-2025). (Refer to Section 5.1 for more details on the turbulence that STB went through in 2012-2017).

Under the clean-up plan, STB will attempt to collect the debts, sell collateral assets, and make annual provisions for the legacy assets (spreading over 10 years). On the other hand, it had to write off all interest income from the legacy assets (which had been recorded on an accounting basis in previous years). This action materially depressed STB's NIMs for several years.

By 2022, STB had cleared a large part of the legacy assets, as summarized in the table below. In short, there was only VND7.3t left by end-2022 that STB aims to fully provision for within 2023, or 2 years ahead of the plan.

For interest receivables (which had seriously weighed on NIM), STB had fully written everything off by end-2022. As such, its NIM started normalizing from c.2.5% during FY17-21 to 4.2% (annualized) in 1H23.

Fig 1: STB - progress of cleaning up the legacy assets; on track to complete the plan by 2023

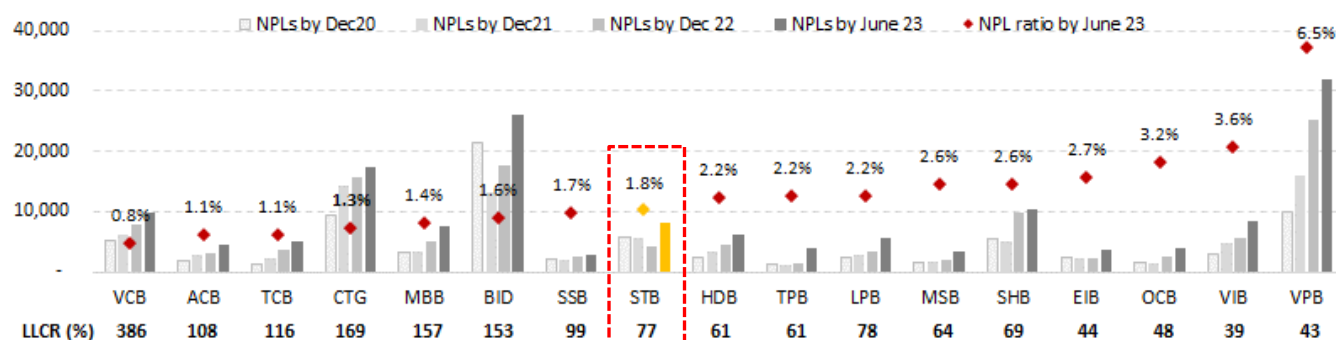
	2017	2018	2019	2020	2021	2022
Gross legacy trouble assets (VND b)	72,196	54,567	44,419	35,200	28,518	24,094
% total loans	32.3%	21.2%	15.0%	10.3%	7.3%	5.5%
Legacy assets recorded in:						
Loan book (in group 1 loans)	7,613	-	-	-	-	-
Loan book (in group 3-5 loans)	10,405	5,427	3,174	2,297	1,690	47
VAMC bonds	43,267	40,233	33,647	27,322	23,728	21,515
Others	10,911	8,907	7,598	5,581	3,101	2,533
Provisions made (VND b, accumulative)	5,211	6,564	7,869	7,897	9,278	16,842
Net of legacy assets to clean up (VND b)	66,985	48,003	36,550	27,303	19,241	7,252
Accrued interest receivables (STB has to resolve this via writing off interest incomes each year)	20,990	18,908	14,878	12,891	5,678	Done

Source: Company

*) Note on VAMC bonds: VAMC stands for Vietnam Asset Management Company, which was set up in late 2013 to help Vietnam banks deal with their NPL crisis stemming from property sector burst and SOE lending. Basically, local banks transferred their bad debts to VAMC and got back so-called VAMC bonds. Each year, local banks had to make provisions equal to at least 20% of the VAMC bond balance, so that by the end of year 5, they would fully provision for the bad debts. In the meantime, VAMC also helped

to collect the bad debts and/or sold collateral assets and returned the proceeds to the bank. To put it simply, VAMC provided a mechanism for Vietnam banks to buy time, i.e. gradually making provisions and resolving the NPLs over 5 years. In the case of STB, the central bank allowed it to resolve the legacy assets (i.e. making provisions for VAMC bonds and collecting the underlying assets) over a 10-year period (2015-2025).

Fig 2: For normal banking, STB maintains decent asset quality with low NPL ratio and relatively good loan-loss coverage



Source: Company

For normal banking, we observe that STB has maintained decent asset quality by far. Its NPL ratio went up in 1H23, not due to bank-specific issues but rather this is a sector-wide situation when economic slowdown and high lending rates adversely affected local borrowers. In fact, compared to many other private sector banks, STB appears to have performed better as its retail and SME base is relatively stronger. Hence, its NPL ratio remained at a reasonable level and it ranked among the top-10 banks on this metric with the lowest NPL ratio of all Vietnam listed banks.

On the other hand, some observers are also concerned about potential credit risk due to STB's exposure to businesses related to Chairman Duong Cong Minh (who owns Him Lam Group, which has a major focus on property development, and has recently participated in restructuring Bamboo Airways, a young airline). Below are our takes (based on our best research up until now).

- I. Like most banks, STB also has related-party transactions (RPT, i.e. loans made to major shareholders, founders, companies owned more than 10% by the BoD, BoM members...). This is not prohibited or totally banned by law in Vietnam. Under current law, local banks can make secured loans only (NOT unsecured loans nor preferential loans) to those related parties, with aggregate RPT value at a maximum of 5% of the bank's total equity. Based on its total equity of nearly VND42t by 2Q23, STB by law has a headroom of VND2.100b for RPT.
- II. The RPT value at STB stood at VND260b at end-1H23 (vs. VND719b by end-2022) as disclosed in its financial statements. But due to recent participation of the chairman in restructuring Bamboo Airways, the effective RPT could be higher. Based on different public sources and linkages around Bamboo Airways/FLC...), we estimated the number could be as high as VND5 trillion. Yet, we know that there is a perception in the market that actual RPT value for the chairman could be much higher. No-one can confirm a specific figure.
- III. We are of the view that: 1) the central bank (representing a 33% stake) is still supervising STB closely, 2) businesses belonging to the chairman are still in good shape and we believe that over next two years, there is low political risk against the chairman. Hence, we

think the credit risk from the perceived RPT, albeit existing, will be manageable and not disrupt our investment thesis on STB, i.e. strong financial turn-around in FY23-25E.

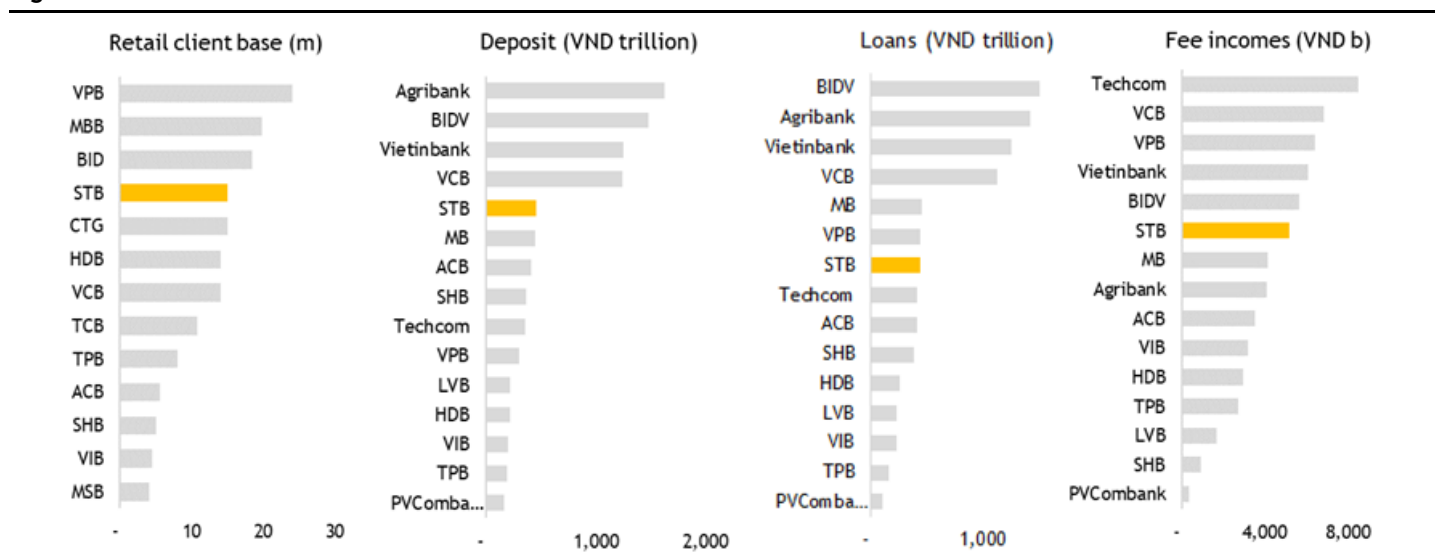
- IV. Instead, we see higher potential risk from the exposure to Bamboo Airways, which is faced with strong operating headwinds. But given cashflow of Bamboo Airway via its accounts at STB (i.e. VND1-1.5 trillion inflow per month, according to STB's CEO), and based on the exposure as discussed above plus our conservative provisioning projections (which do take into account such credit risk), we believe that the risk is fully manageable and STB's recovery outlook remains very solid.

2.2 STB is still a top-tier bank in Vietnam

Despite going through such turbulence, STB maintains a good banking platform targeted at retail and SME clients (accounting for nearly 90% of total loan book), which should help it earn robust NIMs. Note that prior to 2014, STB used to generate the highest NIM (i.e. 5%) among local banks.

STB today remains a top bank among private-sector banks in Vietnam, serving over 15.2m customers (retail and corporate). STB is ranked No.9 among all 36 domestic banks (including the four largest state-owned banks) in terms of banking assets (USD25b), No. 7 in loan portfolio (USD18.6b, 3.8% market share), and No.5 in deposit taking (USD19.3b, 4.4% market share), and among top-5 banks in fee-income generation (i.e. USD220m net fees in FY22, equal to a fees-to-total assets ratio of 0.9x, ranked behind only Techcombank and MBBank).

Fig 3: Peer STB versus other listed banks

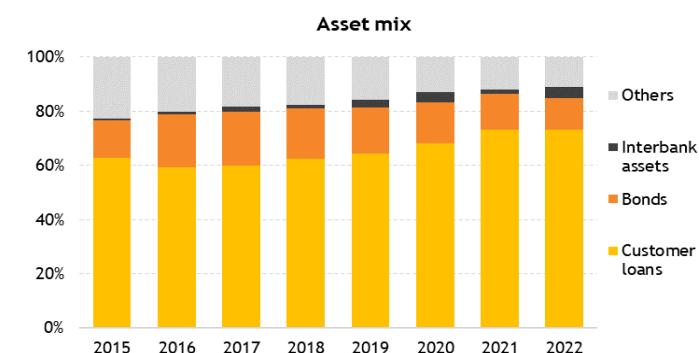


Source: Company

A high-yield banking model ➤

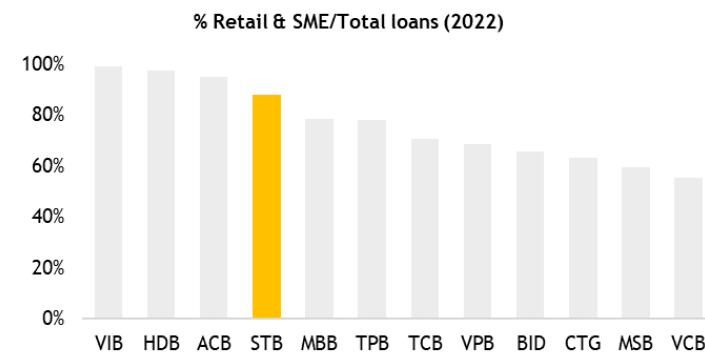
Although STB doesn't have cost-advantage like leading banks with high CASA (i.e. MBB, TCB and VCB), STB generated robust NIM (of 4-4.5%, for normal banking) thanks to its strong focus on commercial lending (i.e. maintaining a high percentage of customer loans in total assets), as well as retail and SME banking.

Fig 4: Interest-earning assets represent c.90% of STB's TA; Customer loans alone make up for over 70% of the TA



Source: Company

Fig 5: STB: nearly 90% loans extended to SMEs and retail, which earn higher NIMs



Source: Company

It was one of the first Vietnamese banks that expanded into SME banking, and it has established a strong foothold and competitive operating platform, ie, a wide branch network (actually the largest among Vietnam's private-sector banks), well-connected and skillful bankers, and decentralized model delegating authority to regional business directors.

- As STB has been in the SME banking business for a relatively longer time than other local banks (it is a first mover, and also fortunately the bank made its start in an economic hub of Vietnam, the southern region), it gives it extensive experience to design and fine-tune policies and procedures to work with SME clients.
- STB has been using a decentralized banking model, where its branch directors are given more autonomy (i.e. they can make relatively bigger-size-loan decisions). In its management structure, STB also assigns deputy CEOs to take charge of eight major operating regions. In the case of large loans, branch managers will invite deputy CEOs in charge of relevant regions to also meet with the client and make immediate lending decisions. This mechanism indeed gives STB flexibility to work with SMEs, and also keeps risk management centralized.
- To win SME customers in developing markets like Vietnam, where the operating environment and accounting practices are not standardized yet, it requires considerable customer-relationship engagement (to verify "soft information") and flexibility. A decentralized banking model appears to fit such a context - it is more responsive to retail and SME clients' credit needs, which often can be urgent.

Strong fee-generating capacity ➤

Another good indicator of a strong bank is its fee-generating capacity, which also materially underpins better-than-peer ROA.

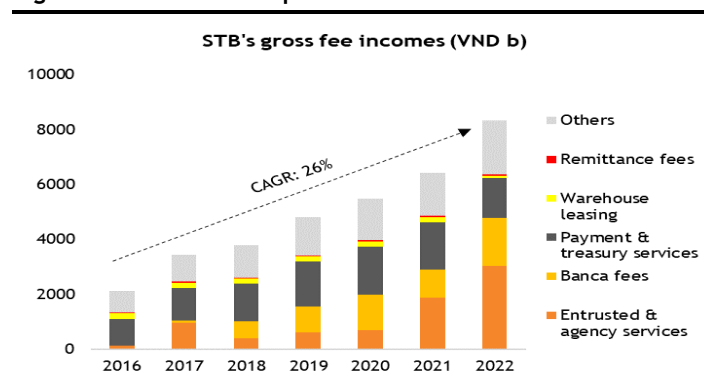
STB has been maintaining very good fee income, ranked among the top-5 Vietnamese banks in terms of net fees and fees-to-total assets ratio. The bank is active offering various banking services to customers, but the two key fee drivers are payment settlement and bancassurance (which together account for 60% of net fees). STB is the No.5 player in bancassurance with c.6-7% market share. Given its large retail customer base, STB appears to have substantial room to grow its bancassurance business (and overall fee incomes) over the next 5 years.

Fig 6: STB's fee income strength vs Vietnam peers

	Net fee income (VND b)			Fees/Total assets
	2022	2015	CAGR	
TCB	8,527	1,139	33.3%	1.3%
VCB	6,839	1,873	20.3%	0.4%
VPB	6,438	885	32.8%	1.1%
CTG	6,089	1,460	22.6%	0.4%
BID	5,659	2,337	13.5%	0.3%
STB	5,194	1,171	23.7%	0.9%
MBB	4,136	544	33.6%	0.6%
ACB	3,526	745	24.9%	0.6%
VIB	3,188	166	52.5%	1.0%
HDB	2,957	188	48.2%	0.7%
TPB	2,692	68	69.0%	0.9%
LPB	1,662	6	123.3%	0.5%
MSB	1,112	39	61.6%	0.5%
OCB	1,014	15	83.5%	0.5%
SHB	882	97	37.0%	0.2%
EIB	514	292	8.4%	0.3%

Source: Company

Fig 7: STB's fee income profile



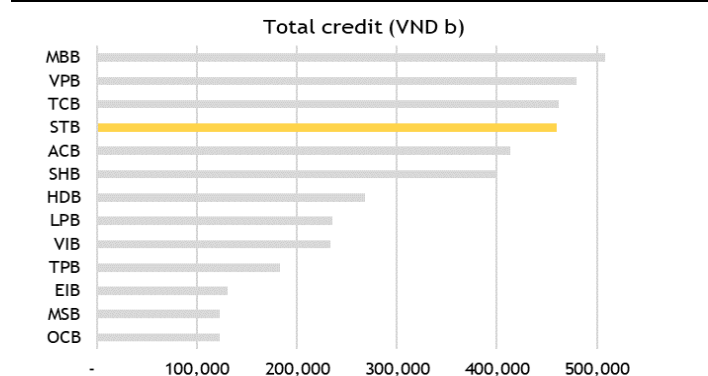
Source: Company

2.3 Expecting a big jump in earnings during FY23-25E

Compared to Vietnam-listed peers, STB has the largest loan book among listed private-sector banks; but its current net interest income (NII) and thus profit is even lower (i.e. only half) than mid-sized banks. The main reason is the temporarily depressed NIM and elevated provisioning, which was due to it writing off the interest income from legacy troubled assets and making provisions for them.

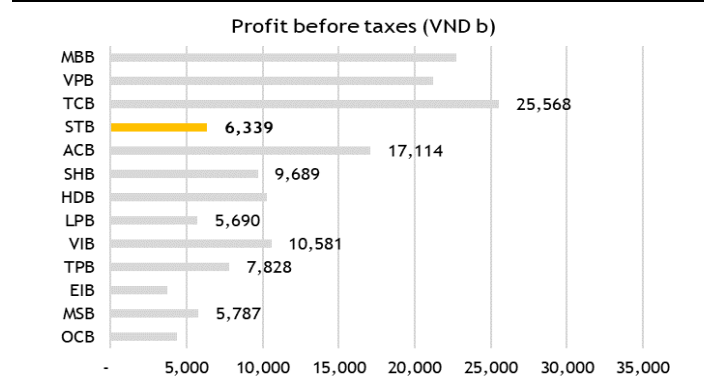
We believe that once this clean-up process is completed (i.e. by 4Q23 under our base-case projection), its operating metrics will normalize and its profit can thus see a strong turnaround.

Fig 8: Though STB's total credit portfolio is among the largest...



Source: Company

Fig 9: ... its profit (as of 2022) remained among the lowest, which is largely attributed to temporarily depressed NIM

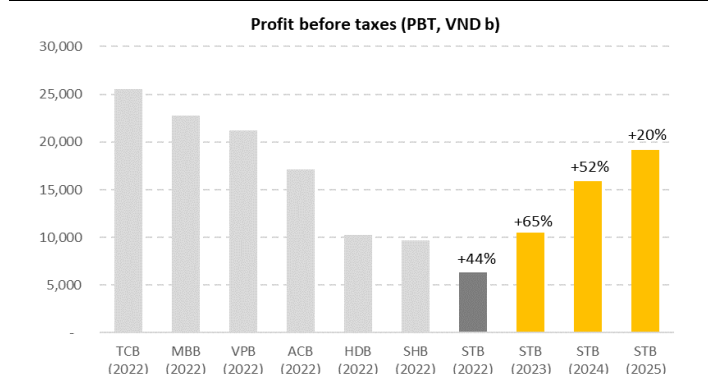


Source: Company

Taking into account its own earnings drivers and comparing STB's banking asset size to that of listed peers, we project STB's profit can grow 65% and 52% YoY in FY23-24E, respectively, and 20% YoY growth in FY25E. Henceforth, its ROE should improve significantly to 18-21%.

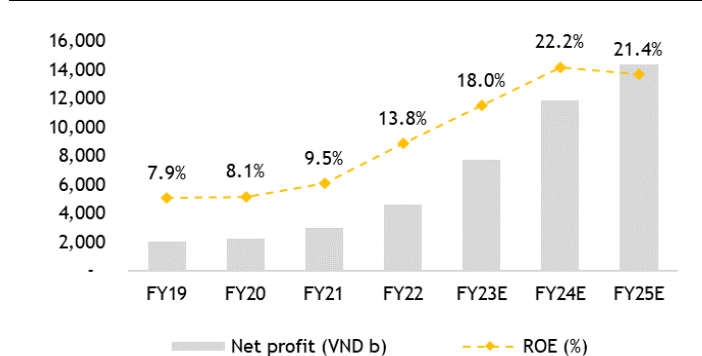
Our FY23-25 profit forecasts for STB have taken into consideration potential credit risks related to FLC/Bamboo Airways, and they are just equal to profit levels of HDB (Non-Rated), ACB (ACB VN, BUY, TP: VND33,600) made in FY22, while STB's loan portfolio is bigger than its peers. Hence, we believe there's potentially more upside to our forecast. (Refer to detailed projections in Section 3 below).

Fig 10: NIM recovery + easing provisions post clean-up will drive strong profit growth for STB during FY23-25E



Source: Company

Fig 11: ... Hence, its ROE will also rise to 18-21% range



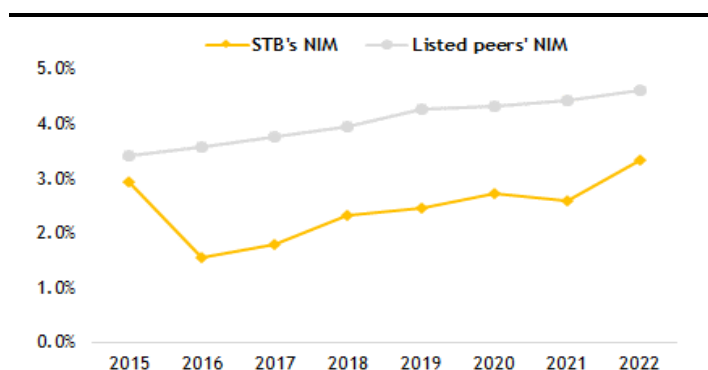
Source: Company, Maybank IBG Research

3. Financial forecasts

STB's profit base was seriously depressed during 2015-21, because it had to write off interest income from the legacy trouble assets (which materially depressed its NIM). Therefore, its ROE crawled to below 10% during FY15-21.

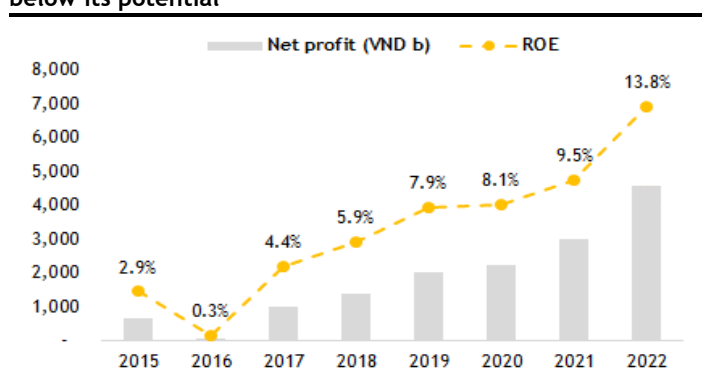
The profitability picture started improving notably from FY22, when the burden to clean up legacy assets eased. Its NIM recovered from depressed levels (i.e. below 2.5% during FY15-21) to 3.4% in FY22, which helped the top-line (i.e. total operating income) rise 48% YoY in FY22. The remaining burden is provisioning. In FY22, STB decided to accelerate the clean-up by front-loading provisions in an attempt to complete the clean-up in FY23, ahead of the plan (2015-2025). Still, STB ended FY22 with 44% YoY growth in PBT and 48% YoY increase in net profit, lifting ROE to 13.8%.

Fig 12: STB's NIM was depressed due to legacy assets...



Source: Company

Fig 13: ... Hence, STB's profit and ROE also dropped to way below its potential



Source: Company

In view of its NIM and provisioning normalizing thanks to almost completion of legacy assets resolution, we believe STB's earnings are about to see a big jump during FY23-25E.

Based on 1H22 results (particularly the momentum and trend in NIM, fee income and operating costs) and fairly conservative forecasts about credit growth and provisioning, we project STB will achieve 68% and 54% YoY net profit growth in FY23-24E, respectively, and 22% YoY growth in FY25E. Henceforth, its ROE will see notable improvement to 18-22% during this period.

Key driver forecasts include:

- I. Credit growth of 11.5%-13% during 2023-25. These are moderate projections as compared to other peers, because we take into account STB's rather modest CAR (c.9.5% as of end-FY22).
- II. NIM normalising to 4.2-4.3% during the period. Given STB's focus on retail and SME loans (nearly 90%) and comparison to Vietnam peers, we believe STB can sustain this NIM level over the next three years. In 1H23, its NIM recovered to over 4.3%.
- III. Non-interest income to decline in FY23 (-31% YoY) due to weaker banca fees and drop in 'Other income' as we don't forecast any asset sales as in FY22.
- IV. We then forecast non-NII could enjoy c.12-15% YoY growth in FY24-25E thanks to recovery in fees income from banca, and forex-trading income. There are potential upside to our non-NII forecasts, especially from 'Other income' item because there are on-going sales of collateral assets related to the legacy bad debts. Most notably, the sale of Phong Phu Industrial Park (starting price for auction: VND7,900b) will represent a big earnings surprise during FY24-25E.
- V. Opex to slow down a bit in FY23E as the bank (like other Vietnamese banks) try to control costs (i.e. G&A expenses) in a challenging year like 2023. Then we forecast its opex to speed up in the following years, factoring in the investments in technology upgrade.
- VI. Provisioning rate to ease from 2.1% in FY22 to about 1.8% in FY23E when STB elevates provisioning aggressively to clean up the final trunk of legacy bad debts. Then, from FY24E onwards, we forecast its provisioning rate to ease to a normal level of around 0.8-1%. Note that our provision forecasts for FY24-25E have also factored in potential credit risks related to STB's exposure to Bamboo Airways.

Fig 14: Earnings forecasts for STB (FY23-25E)

(Unit: VND b)	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
Net interest income	6,575	4,021	5,278	7,634	9,181	11,527	11,964	17,147	24,049	27,535	30,697
Growth (%)	2.3%	-38.8%	31.3%	44.6%	20.3%	25.6%	3.8%	43.3%	40.2%	14.5%	11.5%
NIM (%)	2.94%	1.57%	1.81%	2.33%	2.46%	2.74%	2.59%	3.35%	4.20%	4.30%	4.20%
Loan growth (%)	45.2%	7.4%	12.0%	15.0%	15.3%	14.9%	14.0%	13.0%	11.5%	13.0%	13.0%
Non-interest income	1,714	2,509	3,367	4,043	5,455	5,744	5,740	8,994	6,174	6,921	7,975
Growth (%)		46.4%	34.2%	20.1%	34.9%	5.3%	-0.1%	56.7%	-31.4%	12.1%	15.2%
TOTAL OPERATING INCOME	8,289	6,530	8,645	11,677	14,635	17,271	17,704	26,141	30,223	34,456	38,672
Growth (%)	-10.0%	-21.2%	32.4%	35.1%	25.3%	18.0%	2.5%	47.7%	15.6%	14.0%	12.2%
Operating expenses	5,155	5,678	6,337	7,838	9,266	10,895	9,750	10,921	11,386	12,281	13,627
Growth (%)	1.3%	10.2%	11.6%	23.7%	18.2%	17.6%	-10.5%	12.0%	4.3%	7.9%	11.0%
Cost-to-income ratio (%)	62.2%	87.0%	73.3%	67.1%	63.3%	63.1%	55.1%	41.8%	37.7%	35.6%	35.2%
PRE-PROVISION OPERATING PROFIT	3,134	852	2,308	3,839	5,370	6,376	7,954	15,221	18,837	22,176	25,044
Growth (%)	-24.0%	-72.8%	171.0%	66.3%	39.9%	18.7%	24.8%	91.3%	23.8%	17.7%	12.9%
Provision charges	2,256	696	817	1,592	2,153	3,037	3,554	8,882	8,352	6,252	5,887
Provisioning rate (%)	1.2%	0.4%	0.4%	0.7%	0.8%	1.0%	1.0%	2.1%	1.8%	1.2%	1.0%
PRE-TAX PROFIT	878	156	1,492	2,247	3,217	3,339	4,400	6,339	10,485	15,924	19,157
Growth (%)	-69.1%	-82.3%	858.8%	50.6%	43.2%	3.8%	31.8%	44.1%	65.4%	51.9%	20.3%
Tax rate (%)	26.2%	43.1%	20.8%	20.3%	23.7%	19.7%	22.5%	20.5%	20.0%	20.0%	20.0%
Profit after tax	648	89	1,182	1,790	2,455	2,682	3,411	5,041	8,388	12,739	15,326
Growth (%)	-70.9%	-86.3%	1233.5%	51.5%	37.1%	9.3%	27.2%	47.8%	66.4%	51.9%	20.3%
Minority interest	-	-	-	-	-	-	-	-	-	-	-
Contribution to Bonus fund	-	25	181	383	419	431	405	454	671	892	920
Contribution to Bonus fund (%)	0.0%	28.7%	15.3%	21.4%	17.1%	16.1%	11.9%	9.0%	8.0%	7.0%	6.0%
NET PROFIT TO SHAREHOLDERS	648	63	1,000	1,407	2,036	2,251	3,007	4,587	7,717	11,847	14,406
Growth (%)		-90.2%	1482.3%	72.4%	44.7%	10.6%	33.6%	52.6%	68.2%	53.5%	21.6%
Key profitability and per-share ratios											
ROAA-adjusted (%)	0.23%	0.02%	0.29%	0.36%	0.47%	0.48%	0.59%	0.91%	1.24%	1.71%	1.83%
ROAE-adjusted (%)	2.9%	0.3%	4.4%	5.9%	7.9%	8.1%	9.5%	13.8%	18.0%	22.2%	21.4%
EPS (VND)	443	35	555	780	1,129	1,248	1,632	2,674	4,093	6,284	7,642
BVPS (VND)	12,242	12,304	12,883	13,657	14,826	16,054	18,174	20,489	24,583	31,223	39,338

Source: Company, Maybank IBG Research

4. Valuation

4.1 Target price of VND43,700, based on undemanding multiple, implies 53% upside

Based on FY24E BVPS of VND31,223 and a target P/BV ratio of 1.4x, which equals to the average of Vietnam's listed banks, we derive the 12-month target price for STB of VND43,700, representing 53% upside from the last closing price (VND28,600).

Fig 15: TP based on P/BV multiples

BVPS (FY24E: VND31,223)		Target price (VND)		Expected return
Target P/BV (x)	1SD below the average	0.8	25,000	-13%
	10-Y average	1.1	34,400	20%
	Peer average	1.4	43,700	53%
	1SD above the average	1.4	43,700	53%
	2SD above the average	1.7	51,500	80%

Source: Maybank IBG Research

STB is trading at 1.3x P/BV (as of 2Q23) and only 0.9x FY24E P/BV. We believe that surging earnings and profitability outlook during FY23-25E will enable STB to be rerated further to 1.4x P/BV valuation, at least, during 2024-25, which is 1SD above its 5-Y average valuation and equal to local listed peers' average P/BV.

Moreover, there are other strong re-rating catalysts in the pipeline for STB, particularly: big earnings surprise from the sale of large collateral assets (i.e. Phong Phu Industrial Park) and auction of 33% stake being held by SBV,

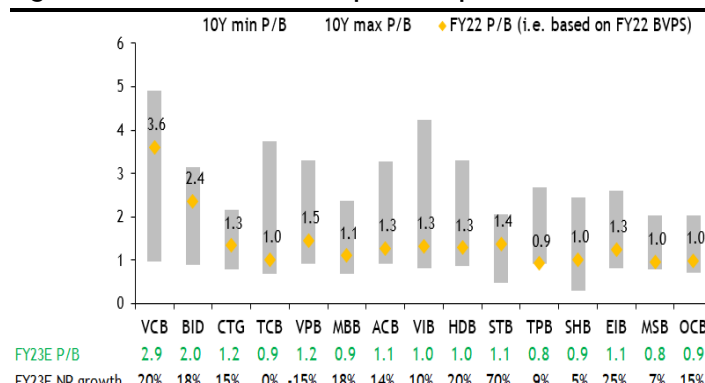
which could potentially command higher valuation, in our view with reference to other Vietnam bank deals in recent years.

Fig 16: STB's P/BV valuation history



Source: Bloomberg

Fig 17: Vietnam-listed banks - peer comparison



Source: Bloomberg, Maybank IBG Research

Fig 18: Valuations of Vietnam banks in selected deals

Date	Seller	Buyer	Stake	Entry P/BV (x)
Apr.23	VPBank (VPB)	SMBC	15%	2.1
Apr.20	OCB	Aozora	11%	1.8
Jul.19	BIDV (BID)	KEB Hana	15%	2.1
Jan.19	Vietcombank (VCB)	Mizuho/GIC	3%	3.3
Apr.18	Techcombank (TCB)	Various investors	22%	3.4-3.8
Dec.17	HDBank (HDB)	Various investors	22%	2.1
Dec.17	VPBank (VPB)	Various investors	22%	2.2
Dec.12	Vietinbank (CTG)	BTMU	20%	1.9

Source: Maybank IBG Research

4.2 Residual income valuation: VND50,400

We used relative valuation to derive a 12-month target price for STB (just like for other Vietnamese banks under our coverage), as this approach can capture the market sentiment, which is an important factor to be considered in markets like Vietnam where retail investors/traders dominate (accounting for over 85% of average daily trading value now).

As a reference for longer-term/value investors, we also present our residual-income valuation for STB as below, which estimates the fair value of STB at VND50,400 per share.

In short, both relative and residual-income valuations indicate that there remains significant upside for STB from the current price.

Fig 19: Residual-income-based valuation of STB

Risk free rate	4.0%	~ 5-year G-bond									
Market risk premium	8.0%	~ in-house survey and reference to Domodaran's research									
Beta	1.1	adjusted beta, source: Bloomberg									
Cost of equity	12.5%										
Long-term COE	7.0%										
Long-term ROE	10.0%	Long-term ROE is based on assumption of c. 1.6% ROA and 6x balance-sheet leverage (TA/TE)									
Long-term growth rate	4.0%	equal to overall economic growth in the long-run									
	2022	2023E	2024E	2025E	2026E	2027E	...	...	2035E	Terminal value	
Equity value (Book value) (VND m)	38,627	47,015	59,754	75,080	92,556	109,216	...	...	303,024	10.0%	
ROE (%)	13.8%	18.0%	22.2%	21.4%	19.6%	ROEs to gradual decline from 18% to 11% during 2027-2035 to get close to L-T ROE of 10%.					
COE (%)		12.5%	12.5%	12.5%	12.5%	11.0%	...	...	10.0%		7.0%
Residual income (RI) [= (ROE-COE)*TE(t-1)]		2,116	4,536	5,273	5,297	5,050	...	...	2,730	94,638	
Present value (RI)		1,880	3,581	3,699	3,302	2,797	...	...	791	27,413	
Sum of PV (RIs)	56,349										
Sum of (PV_RIs + Total equity_FY22)	94,976										
# Shares outstanding (m)	1,885										
Value per share (VND)	50,379										

Source: Maybank IBG Research

5. Key risks

There remain questions about leadership succession of the bank (as the central bank will auction 33% stake of the bank to strategic investors - Refer to Section 5.1 for more detailed discussion on the matter).

Several questions (i.e. the capacity of the new leadership, or whether Mr. Duong Cong Minh continues to lead STB, or how the leadership transition will be...) are of critical importance defining STB's growth outlook beyond 2025. Whether STB may catch up and compete head-on with leading banks like Techcombank (TCB VN, BUY, TP: VND37,800) and MBBank (MBB VN, BUY, TP: VND28,300) or it may become just an average bank, will depend greatly on the new leadership.

6. Corporate information

6.1 Company overview - still a top-tier bank

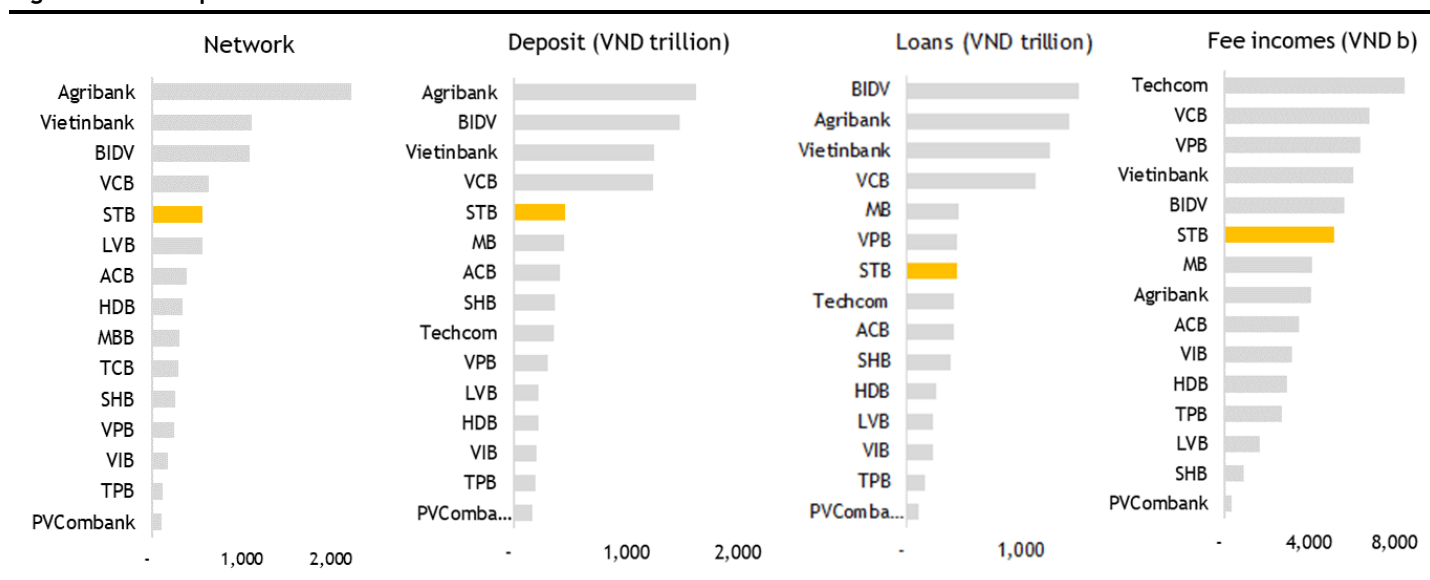
Founded in 1991, Sacombank (STB VN) was one of the first three private-sector banks set up in Vietnam. In July 2006, STB became the first Vietnamese bank listed on the stock exchange (HOSE). It was also the first Vietnamese banks with a foreign strategic investor, i.e. ANZ (ANZ AU, Non-rated) acquired 9.9% of STB in March 2005 for 2x entry P/BV.

(*) Note: Vietnam's private-sector banks are those that are not owned (or partially owned) by the SBV, the central bank. Currently, there are 7 state-owned banks and 29 private-sector banks in Vietnam.

STB grew to be a top-2 champion bank among the private-sector banks in Vietnam during 2005-08, then went through huge turbulence with a dramatic change in ownership and leadership during 2012-15. The lopsided merger with an ailing bank (i.e. Phuong Nam Bank, engineered by a group of tycoons who ousted the founders of STB in 2015) left a huge scar on STB. STB was put under close supervision of the central bank and undertook a 10-year restructuring plan (2015-2025).

By end-2022, STB has almost completed restructuring and clean-up. Unlike other Vietnamese banks having gone through such turbulence and restructuring, STB maintains its key banking strengths. The bank is ranked No.9 among all 36 domestic banks in terms of banking assets, No. 7 in loan portfolio and No.6 in deposit taking, and among top-5 banks in fee-income generation (i.e. USD220m net fees in FY22, equal to a fees-to-total assets ratio of 0.9x, ranking it behind only Techcombank and MBBank).

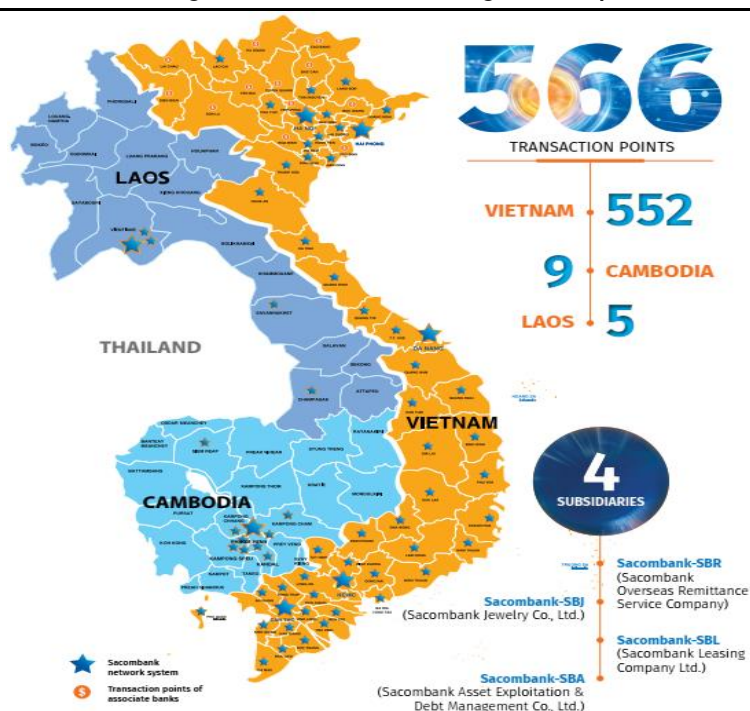
Fig 20: Peer comparison of STB versus other listed banks



Source: Company

STB has the largest network among private-sector banks in Vietnam, with 566 branches and transaction offices (552 in Vietnam, 9 in Cambodia and 5 in Laos), serving 250,000 corporate/SME clients and over 15m individuals. It remains focused on retail and SME banking, with a strong presence in southern economic regions of Vietnam.

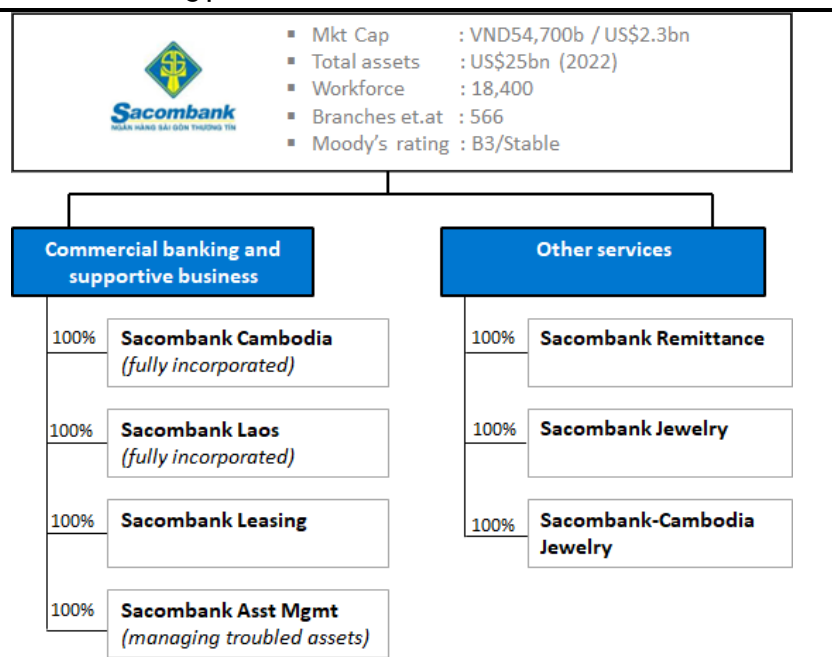
Fig 21: STB has the largest branch network among Vietnam private-sector banks



Source: Company

STB was the first Vietnam bank that aimed to build a full financial services model spanning from commercial banking to stock brokerage, asset management (i.e. STB and Dragon Capital coordinated to set up Viet Fund Management-VFM in 2003), jewellery sales to real estate development. After restructuring, STB today is more focused, with commercial banking at the core, and other businesses (except for the jewellery) being in one way or another related to and supportive of the commercial banking operations.

Fig 22: STB's banking platform



Source: Company

6.2 Ownership structure - there will potentially be another big change in ownership and leadership

STB's ownership structure is a bit complicated for the general market to understand, especially offshore investors. To put it short, the central bank (via its arm, Vietnam Asset Management Company) is holding the 33% stake that belongs to a financial tycoon (Mr. Tram Be, who was charged with wrongdoings in his acquisition of STB in 2012 and merging his weak bank, the Phuong Nam Bank, into STB. He was jailed and was forced to leave the Vietnam banking sector). The central bank plans to find a strategic investor to sell this major stake to, the proceeds from which will be used to cover for the loss that Mr. Tram Be caused to STB.

For better understanding about the change in ownership and leadership at STB, we summarize the entire story in a chronography as below:

Fig 23: STB's ownership and leadership change since establishment in 1991

1991	STB was founded by Mr. Dang Van Thanh, a well-known businessman in Vietnam, who also founded TTC Group (operating in several sectors, with dominance in sugar manufacturing in VN)		Paid-in capital: VND3b; 100% by Mr. Dang Van Thanh
2001 | 2010	Foreign investors bought up to 30% of STB. STB was the first VN bank having foreign strategic investor (ANZ) which helped the bank improve operational platform		Dragon Capital (acquired 10% STB in 2001) IFC (acquired 10% STB, started from 2002) ANZ (acquired 9.9% STB in 2005) Mr. Dang Van Thanh: 7.3% (directly) REE: 5.7%
2012 | 2015	Hostile takeover: A group of financial tycoons, led by Mr. Tram Be who owned Phuong Nam Bank (PNB) and leaders of Eximbank, managed to accumulated over 50% stake of STB. STB founder, Mr. Dang Van Thanh, was ousted at 2012 AGM. Lopsided merger: With majority voting right of Mr. Tram Be, PNB was merged into STB, leaving the latter with a huge trouble assets		All foreign strategic investors divested (IFC in 2008, Dragon Capital and ANZ in 2011) Mr. Tram Be and related: 37% (directly)
2017 | To date	Under central bank's supervision - Cleaning up period: Mr. Tram Be and his associates were arrested and jailed in 2017 for his wrongdoings in running PNB and merging it into STB. All of the STB stake owned by Mr. Tram Be (32.5%) was handed over to the State Bank of Vietnam (SBV). Mr. Duong Cong Minh, who is considered having both experience in banking (given his ownership of Lien Viet Bank) and property business (i.e. his ownership of Him Lam Group) was approved by SBV to become chairman of STB from 2017. SBV also assigned VAMC to represent the 33% stake and supervise STB's restructuring and clean-up process.		VAMC: 32.5% Dragon Capital: 6% Mr. Duong Cong Minh: 3.3%
 SBV plans to sell the 32.5% stake to potential strategic investors			

Source: Company, Maybank IBG Research

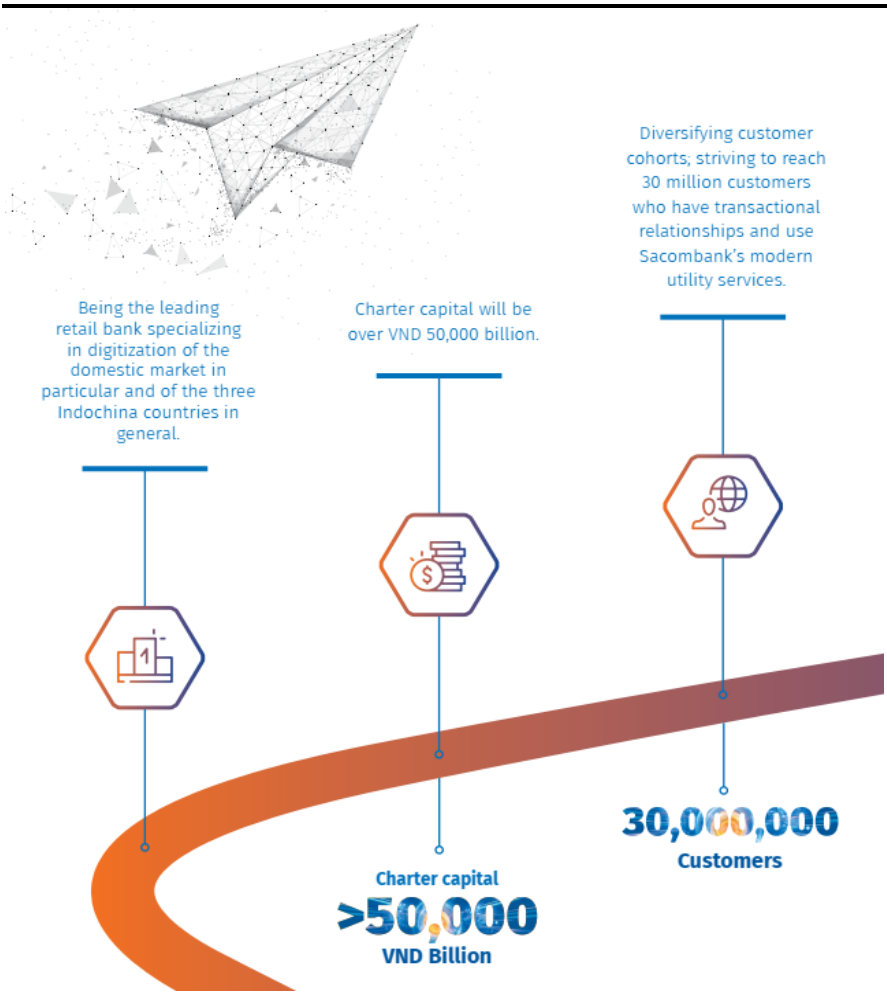
6.3 Development plan

While cleaning up the legacy assets, STB continued growing its core business and the bank has also been making strategic investments in digital transformation to catch up with other peers.

In consideration of its client base (15m as of end-2022) and its ambition set out in its development plan till 2026, we see STB as the bank that is the closest to compete head on with leading private-sector banks (Techcombank and MBBank) in the next 10-year cycle.

Along with MBB, STB has also set out an ambitious goal of reaching 30m client base by 2026. Digital banking push and expansion of its presence in Cambodia and Laos will be among STB's key strategic focus.

Fig 24: STB’s development plan up to 2026



Source: Company (Annual report 2022).

FYE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
Key Metrics					
Core P/E (x)	19.3	8.4	7.1	4.6	3.8
Core FD P/E (x)	19.3	8.4	7.1	4.6	3.8
P/BV (x)	1.7	1.1	1.2	0.9	0.7
P/NTA (x)	1.9	1.2	1.3	1.0	0.8
Net dividend yield (%)	0.0	0.0	0.0	0.0	0.0

INCOME STATEMENT (VND b)

Interest income	29,690.7	37,390.8	53,251.0	59,553.0	67,970.9
Interest expense	(17,726.2)	(20,243.7)	(29,202.2)	(32,017.7)	(37,274.4)
Net interest income	11,964.5	17,147.1	24,048.8	27,535.2	30,696.6
Net insurance income	0.0	0.0	0.0	0.0	0.0
Net fees and commission	4,342.5	5,194.1	4,415.0	5,077.2	5,991.1
Other income	1,397.3	3,800.1	1,758.8	1,843.7	1,983.9
Total non-interest income	5,739.8	8,994.2	6,173.8	6,920.9	7,975.1
Operating income	17,704.3	26,141.3	30,222.6	34,456.1	38,671.6
Staff costs	(6,025.5)	(6,882.9)	(7,295.9)	(7,958.4)	(8,841.7)
Other operating expenses	(3,724.4)	(4,037.8)	(4,090.0)	(4,322.1)	(4,785.4)
Operating expenses	(9,749.9)	(10,920.7)	(11,385.9)	(12,280.5)	(13,627.1)
Pre-provision profit	7,954.4	15,220.6	18,836.7	22,175.6	25,044.5
Loan impairment allowances	(3,554.4)	(8,881.5)	(8,351.7)	(6,252.1)	(5,887.4)
Other allowances	0.0	0.0	0.0	0.0	0.0
Associates & JV income	0.0	0.0	0.0	0.0	0.0
Pretax profit	4,400.0	6,339.1	10,485.1	15,923.5	19,157.1
Income tax	(988.5)	(1,298.4)	(2,097.0)	(3,184.7)	(3,831.4)
Minorities	0.0	0.0	0.0	0.0	0.0
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	3,411.5	5,040.7	8,388.1	12,738.8	15,325.7
Core net profit	3,006.8	4,587.0	7,717.0	11,847.1	14,406.1

BALANCE SHEET (VND b)

Cash & deposits with banks	16,575.9	33,143.5	35,315.2	41,579.0	48,480.8
Sec. under resale agreements	0.0	0.0	0.0	0.0	0.0
Derivatives financial assets	0.0	109.9	0.0	0.0	0.0
Dealing securities	0.0	0.0	0.0	0.0	0.0
Available-for-sale securities	0.0	0.0	0.0	0.0	0.0
Investment securities	69,666.9	68,800.7	68,800.7	79,808.8	99,761.0
Loans & advances	381,201.1	433,100.2	483,092.8	546,690.0	617,377.3
Central bank deposits	12,169.9	12,286.1	14,217.3	16,065.5	18,314.7
Investment in associates/ JVs	89.0	88.8	88.8	88.8	88.8
Insurance assets	0.0	0.0	0.0	0.0	0.0
Fixed assets	4,518.7	4,489.8	4,572.9	5,064.8	6,050.8
Intangible assets	3,676.6	3,057.9	3,320.2	3,852.5	4,744.9
Other assets	33,219.1	36,830.8	39,409.0	42,167.6	45,119.3
Total assets	521,117.1	591,907.7	648,816.9	735,316.9	839,937.7
Deposits from customers	427,386.8	454,740.5	507,759.8	573,768.6	654,096.2
Deposits from banks & FIs	15,229.1	28,430.4	29,852.0	31,344.6	32,911.8
Derivatives financial instruments	108.0	0.0	0.0	0.0	0.0
Subordinated debt	0.0	0.0	0.0	0.0	0.0
Other securities in issue	21,382.7	26,060.1	26,060.1	27,363.2	28,731.3
Other borrowings	0.0	0.0	0.0	0.0	0.0
Insurance liabilities	0.0	0.0	0.0	0.0	0.0
Other liabilities	22,749.2	44,049.6	38,800.9	43,978.4	50,038.4
Total liabilities	486,855.8	553,280.7	602,472.9	676,454.8	765,777.8
Share capital	18,852.2	18,852.2	18,852.2	18,852.2	18,852.2
Reserves	15,409.2	19,774.8	27,491.9	40,010.0	55,307.8
Shareholders' funds	34,261.3	38,627.0	46,344.0	58,862.2	74,160.0
Preference shares	0.0	0.0	0.0	0.0	0.0
Minority interest	0.0	0.0	0.0	0.0	0.0
Total equity	34,261.3	38,627.0	46,344.0	58,862.2	74,160.0
Total liabilities & equity	521,117.1	591,907.7	648,816.9	735,316.9	839,937.7

FYE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
Key Ratios					
Growth (%)					
Net interest income	3.8	43.3	40.2	14.5	11.5
Non-interest income	(0.1)	56.7	(31.4)	12.1	15.2
Operating expenses	(10.5)	12.0	4.3	7.9	11.0
Pre-provision profit	24.8	91.3	23.8	17.7	12.9
Core net profit	33.6	52.6	68.2	53.5	21.6
Gross loans	14.0	13.0	11.5	13.0	13.0
Customer deposits	(0.1)	6.4	11.7	13.0	14.0
Total assets	5.8	13.6	9.6	13.3	14.2
Profitability (%)					
Non-int. income/Total income	32.4	34.4	20.4	20.1	20.6
Average lending yields	6.21	6.86	9.30	9.30	9.30
Average cost of funds	3.82	3.90	5.50	5.50	5.50
Net interest margin	2.59	3.35	4.20	4.30	4.20
Cost/income	55.1	41.8	37.7	35.6	35.2
Liquidity (%)					
Loans/customer deposits	89.2	95.2	95.1	95.3	94.4
Asset quality (%)					
Net NPL	(0.3)	(0.3)	0.0	0.1	0.0
Gross NPL	1.5	1.0	1.3	1.2	1.2
Loan loss coverage	120.3	131.5	96.2	92.2	97.3
Capital adequacy (%)					
CET1	na	na	na	na	na
Tier 1 capital	9.3	8.9	9.9	11.1	12.2
Risk-weighted capital	9.9	9.5	10.5	11.7	12.8
Returns (%)					
ROAE	9.5	12.6	18.2	22.5	21.7
ROAA	0.6	0.8	1.2	1.7	1.8
Shareholders equity/assets	6.6	6.5	7.1	8.0	8.8

Source: Company; Maybank IBG Research

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