

5 Jun 2020

Sai Gon Thuong Tin Commercial JSB (STB)

AGM: expect to clear legacy issues by 2023

Plan to solve VND11tn of legacy assets in 2020, to finish all by 2023

- Stating in the 2020 AGM on 05 June 2020, STB's chairman Nguyen Cong Minh expect to clear legacy issues by 2023, two years prior to the normal schedule set in the bank's restructuring plan.
- Legacy non-performing assets (NPAs) was ~VND63tn as of 2019 (announced by STB), equaling ~13.8% of assets and ~2.3x of the bank's equity; It plans to ease an amount of VND11tn of NPAs in 2020. Phong Phu industrial park (VND6.6tn) is not included in 2020's plan due to legal problems.
- In 5M2020, VND9.7tn of the legacy assets were solved by liquidating collaterals, fulfilling 88% of the plan.

Restructured COVID-19 loans estimated at VND25tn in 2020

- STB plans for restructuring VND25tn of COVID-19 distressed loans, equaling to 8.4% of total loan outstanding. Half of that (VND12.5tn) was carried in 5M2020.
- This may eliminate about VND800-1,000 bn of accrued interest out of STB's interest income line in 2020.
- STB achieve a PBT of VND1.3tn in 5M2020, completing ~50% of the target on loan growth of 4.8% ytd and deposit growth of 5% ytd.
- It announced to employ Basel II (Cir.41) since early this year. However, STB haven't disclosed Basel II CAR yet. CAR under Cir.36 regulation was 11.53% in 2019.
- STB plans to raise contribution of non-interest income to 38% of TOI in 2020 from 34% in 2019.

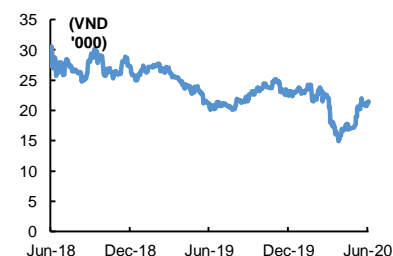
Stock Data

VNIndex (5 Jun, pt)	886
Stock price (5 Jun, VND)	21,450
Market cap (USD mn)	3,228
Shares outstanding (mn)	3,500
52-Week high/low (VND)	25,150/14,900
6M avg. daily turnover (USD mn)	2.13
Free float / Foreign ownership (%)	79.6/22.5
Major shareholders (%)	
Mr Tram Trong Ngan	4.7
Eximbank & affiliate	8.2
Mr Duong Cong Minh (Chairman)	3.3

Performance

	1M	6M	12M
Absolute (%)	23.3	(7.7)	0.7
Relative to VNIndex (%p)	7.2	(0.3)	6.1

Stock price trend



Source: Bloomberg

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	2017A	2018A	2019A	1Q20	2020P
TOI (VND bn)	8,645	11,677	14,635	12,802	17,641
chg. (% YoY)	32.4	35.1	25.3	-12.5	37.8
PPE (VND bn)	2,308	3,839	5,370	5,328	7,492
Net profit (VND bn)	1182	1790	2455	1273	1190
EPS (VND, adj.)	520	800	1,153	526	554
chg. (% YoY)	1199.0	54.0	44.1	-54.4	5.3
PB (x)	0.8	0.8	0.7	0.7	0.7
PE (x)	19.2	12.5	8.7	19.0	18.1
P/PPE (x)	8.2	4.9	3.5	3.5	2.5
NIM (%)	2.2	2.7	2.7	2.4	2.9
ROE (%)	5.2	7.5	9.6	4.7	4.2
ROA (%)	0.3	0.5	0.6	0.3	0.2
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
CAR (%)	n.a	n.a	n.a	n.a	n.a

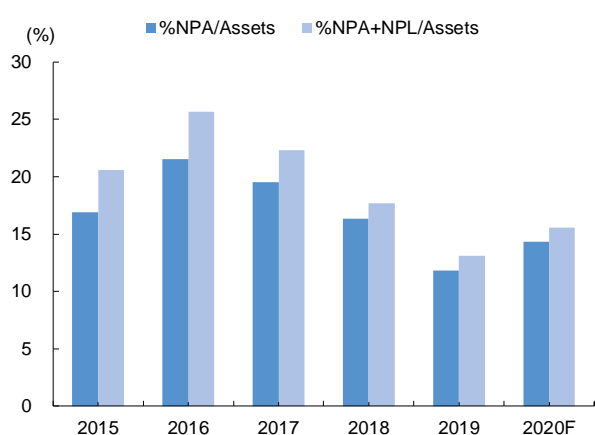
Note: Net profit, EPS and ROE are based on figures attributed to controlling interest; 2020P are the company's targets.

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2020 business plan

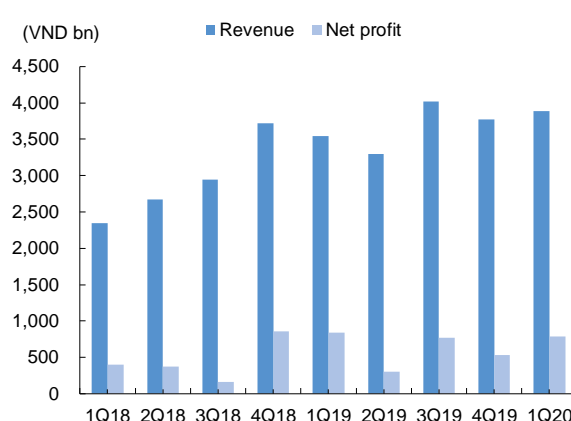
- It sets a PBT target of VND2,6tn for 2020, down 20% yoy. However, the bank's managers expect to maintain at 2019 level of VND3.2tn if negative impacts from COVID-19 are well-contained.
- A budget of VND735bn is set aside for technology investment in 2020 and another VND57bn for card business.
- STB plans to spend VND214bn of capital supplement for Sacombank Laos.

Figure 1. Percentage of non-performing assets to total assets, 2015-2020P



Source: Company data, KIS

Table 1. Quarterly revenue and profit



Source: Company data, KIS

Table 1. 2020 business plan STB

(VND bn, %, %p)

	2019 Plan	2019A	Actual (%)	2020 Plan	Growth (%)	Consensus
Total assets	455,500	453,581	99.6	498,400	10.0	N.A
Mobilization	423,500	414,185	97.8	457,200	10.0	N.A
Credit balance	298,100	296,030	99.3	392,400	11.0	N.A
EBT	2,650	3,037	114.6	2,573	(15.3)	N.A
NPL ratio	< 2.0%	1.9%	-	< 3.0%	-	N.A

Source: Company data, KIS

■ Company overview

STB is one among top ten largest banks in term of assets in Viet Nam. STB's strategy is focus on retail bank. It has 570 branches and 19,000 employees in Vietnam, Cambodia and Laos. STB rewarded the Best bank by Contactless at Mastercard Customer Forum 2019. However, STB is restructuring bank because problems about non-performing assets.

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