Hold

Share price: VND18,500
Target price: VND18,800

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Stock Information

Description: the ninth-biggest private-sector bank in Vietnam.

Ticker:	STB VN
Shares Issued (m):	1,074.0
Market Cap (USD m):	983.0
3-mth Avg Daily Vol. (USD m):	0.8
VN Index:	387.7
Free float (%):	42.9

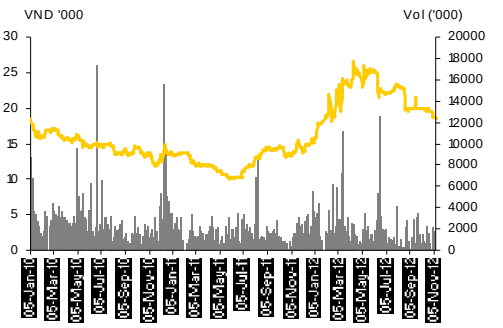
Major Shareholders:

Eximbank	10.6

Key Indicators

ROE – annualised (%)	14.5

Historical Chart



Performance:

52-week High/Low VND26,900 / VND13,400

	1-mth	3-mth	6-mth	1-yr	YTD
Absolute (%)	-6.6	-19.3	-24.0	32.4	21.9
Relative (%)	-5.4	-10.6	-7.9	33.8	10.5

Sacombank (STB)

Still growing, post-takeover

9M profit up 9% YoY. STB's 9M12 profits grew 9% YoY to VND1,585b. The recent takeover of the bank by a group of investors led by Eximbank does not seem to have significantly impacted STB's operations, despite several key line-management changes. Even the arrest (and subsequent release) of STB's Chairman, Mr. Dang Van Thanh, did not spark anything near the run-on-the-bank seen at ACB three months ago when that bank's founder was arrested. Thanh's arrest did prompt him to resign from his post as Chairman of the Board, a post that was largely ceremonial following the EIB led takeover of STB earlier this year.

Net interest income rises 13% YoY. STB's 9M12 NII grew 13% YoY bolstered by (1) a 42bps NIM expansion to 516bps and (2) 8% loan growth to end customers. Interbank lending, which accounted for less than 15% of STB's total loan book, shrank by 15% YoY. This suggests that the plunge in lending volume and interest rates in the interbank market since the beginning of this year did not have a considerable effect on the bank's bottomline.

Non-interest income up 14% YoY. Non-interest income grew 14% in 9M12 with a sixfold increase in FX and gold trading profits offsetting a writedown in the value of Sacombank's SBS securities subsidiary and an 18% YoY drop in fee income. The fee income and FX numbers are somewhat distorted though because banks often use ancillary fees as a way to trade outside the official FX bands. Also, note that STB cut its stake in its loss making SBS subsidiary from 100% to 10% since 2010.

Quest for strategic partner. STB has set aside 15% of its outstanding shares to sell to a foreign strategic partner as the bank has been without a foreign partner since ANZ sold its 10% stake to Eximbank as part of the above mentioned takeover. STB's new chairman recently said that the bank plans to sell a 15% stake to one of seven shortlisted foreign strategic partners. The most likely candidate is Japanese.

Maintain HOLD. Although STB's 9M12 net profit was up 9% YoY, we expect FY12F earnings to increase 3% because of increased provisioning. Reported bad debt doubled over last year and is still rising. The stock currently trades at FY13F PER of 8.6x and P/BV of 1.1x.

STB

FYE Dec (VND b)	2010	2011	2012F	2013F	2014F
Operating Income	5,056	6,755	7,200	7,763	8,431
Pre-provision Profit	2,878	3,166	3,386	3,638	3,888
Profit before Tax	2,560	2,771	2,808	3,010	3,229
Net Profit	1,872	2,066	2,134	2,288	2,454
EPS (VND)	2,434	2,102	1,987	2,130	2,285
EPS growth (%)	-7.1	-13.6	-5.5	7.2	7.3
Net DPS (VND)	1,500	0	0	0	0
PER (x)	7.6	8.8	9.3	8.6	8.1
Div Yield (%)	8.2	0.0	0.0	0.0	0.0
P/BV (x)	1.3	1.4	1.2	1.1	1.0
Book Value (VND)	14,684	13,545	15,178	17,071	19,102
ROAE (%)	15.2	14.5	13.8	13.2	12.6
ROAA (%)	1.5	1.4	1.4	1.3	1.3

Source: Company, Maybank KE estimates

More about STB's ex- and incumbent chairman. STB's chairman Mr. Dang Van Thanh was arrested on Nov 1 on unspecified corruption charges. He was released the next day after several hours of questioning but resigned his position as chairman of the bank on Nov 2, 2012.

Mr. Thanh founded STB in 1991 and assumed the Chairman of Board position in 1995. He presided over a period of tremendous growth until the hostile takeover of STB in Feb 2012 by a group of Eximbank-led investors forced him to hand over his effective power to the new CEO's team of executives from Eximbank and unlisted Southern Bank.

The hostile takeover of STB led to a government investigation to uncover the details of the "behind-the-scenes" investors who participated in the STB takeover, and other topics. This investigation ran from July to October 2012, but the results have not been announced yet so it is not clear what Mr. Thanh was actually arrested for.

The new-elected chairman of STB, Mr. Pham Huu Phu was previously the vice chairman of STB's Board of Directors and acted as Eximbank's representative since May 2012 when EIB bought its 10% stake in STB. He has over 20 year experience in the banking and financial industry and was a standing vice-chairman of the BOD at Eximbank before joining STB.

INCOME STATEMENT (VND b)

FYE Dec	2011	2012E	2013E	2014E
Interest income	17,864	17,501	19,391	21,407
Interest expense	-12,022	-11,283	-12,746	-14,179
Net interest income	5,842	6,218	6,645	7,228
Non-interest income	913	982	1,118	1,203
Total operating income	6,755	7,200	7,763	8,431
Operating expenses	-3,589	-3,814	-4,125	-4,543
Operating profit	3,166	3,386	3,638	3,888
Loan loss provisions	-395	-578	-628	-659
Other provisions				
Pretax profit	**2,771**	**2,808**	**3,010**	**3,229**
Taxation	-775	-674	-722	-775
Minority interest	71	0	0	0
Net profit	**2,066**	**2,134**	**2,288**	**2,454**
Basic EPS (VND)	2,102	1,987	2,130	2,285
Net DPS (VND)	0	0	0	0
BVPS (VND)	13,545	15,178	17,071	19,102

BALANCE SHEET (VND b)

FYE Dec	2011	2012E	2013E	2014E
Cash & short-term funds	11,857	12,094	13,304	15,965
Central Bank deposits	2,807	3,953	4,379	4,857
Deposits & placements with	9,621	11,065	12,724	14,633
Dealing securities	349	485	557	641
Loans and advances	79,727	86,733	96,974	108,420
Investment securities	24,368	27,789	30,568	33,625
Other long-term investment	666	905	996	1,195
Property & equipment	2,106	2,127	2,148	2,169
Intangible assets	1,600	2,096	2,746	3,598
Other assets	8,367	16,483	16,508	14,900
Total assets	**141,469**	**163,731**	**180,904**	**200,001**
Amount due to central bank	2,130	2,151	2,172	2,194
Deposits from banks & FI's	12,824	7,694	8,079	8,564
Deposits from customers	75,092	101,375	113,539	127,164
Certificate of Deposits	17,617	15,794	17,373	19,111
Other liabilities	19,260	20,417	21,407	22,454
Total liabilities	**126,922**	**147,430**	**162,571**	**179,486**
Share capital	10,740	10,740	10,740	10,740
Reserves	1,849	2,015	2,347	2,703
Returned earnings	1,958	3,546	5,247	7,073
Total equity	**14,547**	**16,301**	**18,334**	**20,515**
Minority interest	-	-	-	-
Total equity & liabilities	**141,469**	**163,731**	**180,904**	**200,001**

FINANCIAL RATIOS

FYE Dec	2011	2012E	2013E	2014E
Profitability ratios				
Net int. inc./total op. inc	86%	86%	86%	86%
Non-interest inc./total op. inc	14%	14%	14%	14%
Net interest margin	4.8%	5.1%	4.8%	4.7%
Cost-to-income	53%	53%	53%	54%
Liquidity ratios				
Net loans/customer deposits	106%	86%	85%	85%
Net loans/total deposit	91%	80%	80%	80%
Capital adequacy ratios				
Tier-1 Capital Ratio	11.2%	10.5%	10.6%	10.7%
Risk Weighted Capital Ratio	11.7%	11.2%	11.3%	11.6%
Asset quality ratios				
NPL ratio	0.6%	1.3%	1.3%	1.3%
Loan loss coverage	175%	92%	103%	115%
Returns ratios				
ROAE	14.5%	13.8%	13.2%	12.6%
ROAA	1.4%	1.4%	1.3%	1.3%

GROWTH RATES

FYE Dec	2011	2012E	2013E	2014E
Total assets	-7%	16%	10%	11%
Shareholders' funds	3%	1%	3%	3%
Loans and advances	-2%	9%	12%	12%
Deposits from customers	-4%	35%	12%	12%
Interest income	51%	-2%	11%	10%
Interest expense	52%	-6%	13%	11%
Net interest income	50%	6%	7%	9%
Non-interest income	-22%	8%	14%	8%
Operating income	34%	7%	8%	9%
Operating expense	65%	6%	8%	10%
Operating profit	10%	7%	7%	7%
Pre-tax profit	8%	1%	7%	7%
Net profit	10%	3%	7%	7%

source: Company, Maybank KE estimates

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Some common terms abbreviated in this report (where they appear):

Adex = Advertising Expenditure
BV = Book Value
CAGR = Compounded Annual Growth Rate
Capex = Capital Expenditure
CY = Calendar Year
DCF = Discounted Cashflow
DPS = Dividend Per Share
EBIT = Earnings Before Interest And Tax
EBITDA = EBIT, Depreciation And Amortisation
EPS = Earnings Per Share
EV = Enterprise Value
FCF = Free Cashflow
FV = Fair Value
FY = Financial Year
FYE = Financial Year End
MoM = Month-On-Month
NAV = Net Asset Value
NTA = Net Tangible Asset
P = Price
P.A. = Per Annum
PAT = Profit After Tax
PBT = Profit Before Tax
PE = Price Earnings
PEG = PE Ratio To Growth
PER = PE Ratio
QoQ = Quarter-On-Quarter
ROA = Return On Asset
ROE = Return On Equity
ROSF = Return On Shareholders' Funds
WACC = Weighted Average Cost Of Capital
YoY = Year-On-Year
YTD = Year-To-Date

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