

MB Bank [MBB VN]

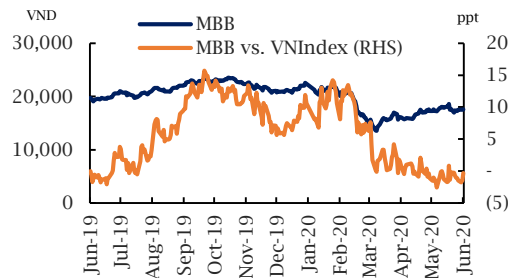
24 June 2020

BUY

TP upside/(downside) +48%

Close 24 June 2020

Price VND 17,550
12M Target VND 25,900



Market cap	US\$1.8 bn
6M avg. daily turnover	US\$5.3 mn
Outstanding shares	2,411 mn
Free float	75%
FINI ownership	23.0%
Major shareholders	25%
2020E Asset/equity (x)	10.0
2020E P/E (x)	4.8
2020E P/B (x)	0.9
FOL remaining room	0.0%
2020E Dividend yield (%)	0.0%

Source: Bloomberg

Research Analyst:

Tanh Tran

+84 28 3622 6868 ext 3874

tanh.tran@yuanta.com.vn

Bloomberg code: YUTA

Annual General Meeting Takeaways

[MBB](#) held its annual general meeting (AGM) on June 24.

Key Takeaways

MBB targets 2020E PBT of VND9.0 tn (-10% YoY). The bank estimates 1H20 PBT to reach VND4.5 tn, representing 50% of the bank's full-year target and 41% of our estimate.

The bank targets credit growth at 12.0% YoY (vs our forecast of 13.5%). In the first 5M, credit growth reached about 4.5%, largely attributable to SME loans.

Stock dividend at 15% of par value is to be paid in 3Q20 or 4Q20, resulting in an additional 361 mn new shares. MBB also plans to distribute its remaining treasury shares of 25.6 million in 4Q20 or 1Q21, although the specifics of the latter plan are not entirely clear.

NPL ratio target is below 1.90% vs. our forecast of 1.38%. 1Q20 NPL was 1.61% (+45bps YTD), mostly from SMEs.

MBB plans to list its P&C insurance subsidiary, Military Insurance Corporation (MIC) on HSX in 2020.

Our view

Our 2020E PBT forecast of VND11.1 tn (+11% YoY) as outlined in [our most recent update in April 14](#) appears high vs. guidance. For example, our 2020E PBT forecast is 23% above the bank's target and 12% above the consensus.

Capital adequacy. MBB's CAR (under Basel II) was 10.1% as at 4Q19 (most of it is Tier 1 capital with 9.0%), which is above the 8% minimum requirement for CAR. Thus, we believe that MBB's decision not to pay a cash dividend is entirely due to the SBV's prudential guidance for all the banks rather than a pressing need for capital retention.

King of CASA. MBB has the highest CASA ratio in the sector at 33% in 1Q20 vs. the sector median of 12%. This is a competitive advantage vs. its peers in cushioning the NIM downside risk as banks to cut lending rates to support Covid-impacted borrowers.

Reiterate BUY. We may have overshot our earnings projections for 2020E, but we still like MBB. At market price, the stock trades at 0.9x 2020E P/BV or close to 1.0x P/BV after the 7-9% prevailing FOL premium. Both valuations are attractive vs. our expected 2021E ROE of 18.5%. Our fair value-based target price of VND25,900 implies 48% upside, and we maintain our BUY rating.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

Yuanta does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Appendix A: Important Disclosures

Analyst Certification

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

Ratings Definitions

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.

HOLD–Underperform: In our view, the stock's fundamentals are relatively less 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.

SELL: We have a negative 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 reduce their position.

Under Review: We actively follow the company, although our estimates, rating and target price are under review.

Restricted: The rating and target price have been suspended temporarily to comply with applicable regulations and/or Yuanta policies.

Note: Yuanta research coverage with a Target Price is based on an investment period of 12 months. Greater China Discovery Series coverage does not have a formal 12 month Target Price and the recommendation is based on an investment period specified by the analyst in the report.

Global Disclaimer

© 2020 Yuanta. All rights reserved. The information in this report has been compiled from sources we believe to be reliable, but we do not hold ourselves responsible for its completeness or accuracy. It is not an offer to sell or solicitation of an offer to buy any securities. All opinions and estimates included in this report constitute our judgment as of this date and are subject to change without notice.

This report provides general information only. Neither the information nor any opinion expressed herein constitutes an offer or invitation to make an offer to buy or sell securities or other investments. This material is prepared for general circulation to clients and is not intended to provide tailored investment advice and does not take into account the individual financial situation and objectives of any specific person who may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities, investments or investment strategies discussed or recommended in this report. The information contained in this report has been compiled from sources believed to be reliable but no representation or warranty, express or implied, is made as to its accuracy, completeness or correctness. This report is not (and should not be construed as) a solicitation to act as securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on such business in that jurisdiction.

Yuanta research is distributed in the United States only to Major U.S. Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended and SEC staff interpretations thereof). All transactions by a US person in the securities mentioned in this report must be effected through a registered broker-dealer under Section 15 of the Securities Exchange Act of 1934, as amended. Yuanta research is distributed in Taiwan by Yuanta Securities Investment Consulting. Yuanta research is distributed in Hong Kong by Yuanta Securities (Hong Kong) Co. Limited, which is licensed in Hong Kong by the Securities and Futures Commission for regulated activities, including Type 4 regulated activity (advising on securities). In Hong Kong, this research report may not be redistributed, retransmitted or disclosed, in whole or in part or and any form or manner, without the express written consent of Yuanta Securities (Hong Kong) Co. Limited.

Taiwan persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities Investment Consulting
4F, 225,
Section 3 Nanking East Road, Taipei 104
Taiwan

Hong Kong persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities (Hong Kong) Co. Ltd
23/F, Tower 1, Admiralty Centre
18 Harcourt Road,
Hong Kong

Korean persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Head Office
Yuanta Securities Building
Euljiro 76 Jung-gu
Seoul, Korea 100-845
Tel: +822 3770 3454

Indonesia persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
PT YUANTA SECURITIES INDONESIA
(A member of the Yuanta Group)
Equity Tower, 10th Floor Unit EFGH
SCBD Lot 9
Jl. Jend. Sudirman Kav. 52-53
Tel: (6221) - 5153608 (General)

Thailand persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Thailand)
127 Gaysorn Tower, 16th floor
Ratchadamri Road, Pathumwan
Bangkok 10330

Vietnam persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Vietnam)
4th Floor, Saigon Centre
Tower 1, 65 Le Loi Boulevard,
Ben Nghe Ward, District 1,
HCMC, Vietnam
