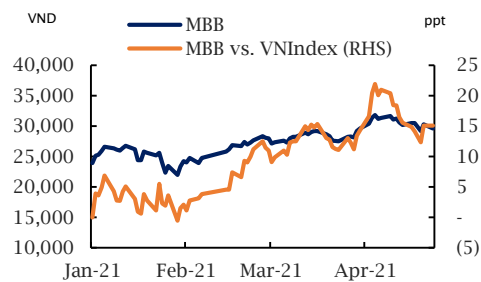


BUY
TP upside (downside) +13%
Close 28 Apr 2021

 Price VND 30,250
 12M Target VND 34,230

Share price performance relative to VNI


Source: Bloomberg

Market cap	US\$3.6 bn
6M avg. daily turnover	US\$21 mn
Outstanding shares	2,799 mn
Free float	60%
FINI ownership	23.0%
Major shareholders	61.8%
2021E Asset/Equity (*)	10.1x
2021E P/E (*)	7.7x
2021E P/B (*)	1.5x
FOL Remaining Room	0.3%
2021E Dividend yield (*)	1.9%

Source: FiinPro, (*) Yuanta Vietnam

Military Bank (MBB VN)
High NPL recoveries in 1Q21
Event

MBB reported 1Q21 PATMI of VND3.6 tn (+84% QoQ/+107% YoY) largely caused by significant increases in fee income and NPL recoveries. 1Q21 PBT results fulfilled 35% of the bank's full-year target and 32% of our forecast for 2020E.

Details

Loans increased by 8.6% YTD, completing 55% of our 2021E forecast.

1Q21 net interest income was VND6.0 tn (+3% QoQ/+27% YoY).

Annualized NIM on total average assets was 4.73% in 1Q21 (-29bps QoQ/+14bps YoY).

1Q21 net fee income was VND1.1 tn (-2% QoQ/+43% YoY), of which bancassurance fees increased by 44% YoY and brokerage income surged by 196% YoY.

Other non-interest income jumped by +170% QoQ/+45% YoY to reach VND960 bn. This after stripping out loan loss recoveries of VND1.1 tn (+494% YoY), which is reported above the PPOP line under VAS but which we consider to be credit cost-related in our bank models.

Provisioning decreased by -6% QoQ/-14% YoY to reach VND1.8 tn in 1Q21. The bank's reported NPL ratio reached 1.29% (+20bps QoQ/ but -32bps YoY).

MBB's LLR ratio was 127% (-7ppt QoQ/+30ppt YoY) in 1Q21. This is among the highest reserve coverage ratios in the sector.

CASA deposits decreased. Total CASA deposits were VND121 tn (-5% QoQ/+52% YoY). CASA ratio was 36.9% as at 1Q21 (-4.0ppt QoQ/+3.8ppt YoY), which is lower than the 44.2% reported by TCB (not rated), which has taken over the "King of CASA" title for now.

Our view

As outlined in yesterday's note on [MBB's AGM](#), we believe that our 2021E profit target for MBB is achievable given the potential for higher-than-guidance credit growth.

Asset quality remains strong, but keep an eye on rising NPLs.

The impact of the Circular 03/2021/TT-NHNN is insignificant to MBB. Please the [note](#) here for more details.

MBB trades at 1.5x 2021E P/B vs. the sector median of 1.6x despite its superior operational quality vs the sector. We believe that MBB deserves a premium over its peers. Our target price of VND34,230 implies 15% total shareholder return, and we maintain our BUY rating.

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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.

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.

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