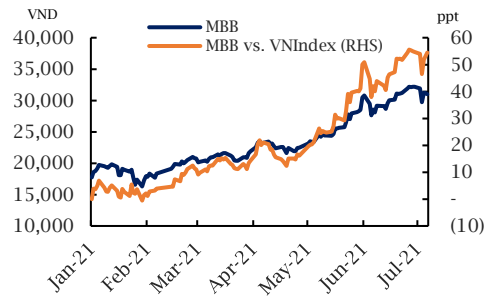


Close 09 Jul 2021

 Price VND 31,000
 12M Target VND 25,358

Share price performance relative to VNI



Source: Bloomberg

Market cap	US\$5.1 bn
6M avg. daily turnover	US\$32 mn
Outstanding shares	3,778 mn
Free float	60%
FINI ownership	21.4%
Major shareholders	62.2%
2021E Asset/Equity (*)	10.0x
2021E P/E (*)	10.7x
2021E P/B (*)	2.0x
FOL Remaining Room	1.8%
2021E Dividend yield (*)	0.0%

Source: FiinPro, (*) Yuanta Vietnam

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Military Bank (MBB VN)

High provisioning drags earnings

Event

MBB's 2Q21 preliminary PBT was about VND3.4 tn (-25% QoQ/+17% YoY). High credit growth and efficient cost management were positives, but high provisioning costs were a drag on earnings. 1H21 PBT was about VND8.0 tn, fulfilling 61% of MBB's full-year target and 56% of our 2021E forecast.

Details

Credit growth was 10.5% YTD (including corporate bonds) to reach VND340 tn. The bank reported that its loan market share was 4.9% (+20bps YTD) as at 2Q21.

Cost to income ratio (CIR) decreased to 28.6% (-1.9ppt QoQ/-8.4ppt YoY).

The bank's NPL ratio declined significantly to 0.76% (-33bps YTD).

MBB's LLR ratio jumped to 311% (+177ppt YTD) in 2Q21. This exceeds VCB's 1Q21 LLR ratio of 279%, and it is probably the highest reserve coverage ratio in the sector in 2Q21.

As a result, 2Q21 PBT was about VND3.4 tn (-25% QoQ/+17% YoY), which was dragged down by the high provisioning cost.

MBB's 2Q21 results	2Q21	% QoQ	% YoY	%YTD
PBT (VND tn)	3.4	-25%	+17%	
Loan (VND tn)	340			+10.5%
Asset (VND tn)	524			+5.9%
NPL ratio (%)	0.76%	-53bps	-61bps	-33bps
LLR (%)	311%	+184ppt	+190ppt	+177ppt

Our view

We believe that our 2021E profit forecast for MBB is achievable given the higher-than-guidance credit growth and high cost efficiency.

Asset quality remains solid. We strongly believe that the bank's increased provisions and LLR reflect a prudent approach to preparing for an unpredictable future. We think that MBB is taking the right approach by building up its loan loss reserve buffer to weather the probable asset quality deterioration in the medium term.

MBB trades at 2.0x 2021E P/B, which is in line with the sector median despite its superior operational quality vs the sector. We believe that MBB deserves a premium over its peers, and we maintain our BUY rating. However, MBB' stock price has increased 71% YTD and 52% since our recent [company update in March](#), and we would recommend to wait for a pullback before accumulating the shares.

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.

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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.

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

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