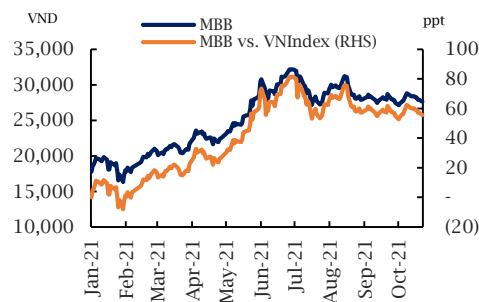


Vietnam: Banks
26 October 2021
BUY
TP upside (downside) -8%
Close 25 Oct 2021
Price VND 27,600
12M Target VND 25,358
Share price performance relative to VNI

Source: Bloomberg

| | |
|---------------------------------|-------------------|
| Market cap | US\$4.5 bn |
| 6M avg. daily turnover | US\$27 mn |
| Outstanding shares | 3,778 mn |
| Free float | 55% |
| FINI ownership | 23.2% |
| Major shareholders | 62.2% |
| 2021E Asset/Equity (*) | 8.2x |
| 2021E P/E (*) | 8.1x |
| 2021E P/B (*) | 1.6x |
| FOL Remaining Room | 0.0% |
| 2021E Dividend yield (*) | 0.0% |

Source: FiinPro, (*) Yuanta Vietnam

| MBB's 3Q21 Results | 3Q21 | % QoQ | % YoY |
|---------------------------|-------------|--------------|--------------|
| NII (VND bn) | 6,515 | -1% | +26% |
| Net Fee Inc.(VND bn) | 926 | -10% | +16.4% |
| Other non-II (VND bn) | 1,259 | -6% | +62% |
| TOI (VND bn) | 8,700 | -3% | +29% |
| Opex (VND bn) | 3,024 | -2% | +7% |
| Provision (VND bn) | 1,778 | -27% | +101% |
| PATMI (VND bn) | 3,022 | +16% | +28% |
| NPL (%) | 0.95% | +19bps | -55bps |
| LLR (%) | 233% | -4ppt | +114ppt |
| CASA (%) | 42% | +2ppt | +4ppt |

Source: FiinPro, (*) Yuanta Vietnam
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Bloomberg code: YUTA
Military Bank (MBB VN)
Earnings boost on lower provisions
Event

MBB reported 3Q21 PATMI of VND3.0 tn (+16% QoQ/+28% YoY) largely caused by significant decline in provisioning. 9M21 PATMI was VND9.2 tn (+45% YoY), fulfilling 90% of the bank's full-year target and 92% of our 2021E forecast.

Details

Loans increased by 12.7% YTD to reach VND336 tn.

3Q21 net interest income was VND6.5 tn (-1% QoQ/+26% YoY).

Annualized NIM on total average assets was 4.83% in 3Q21 (-25bps QoQ/-4bps YoY).

3Q21 net fee income was VND926 bn (-10% QoQ/+16% YoY), of which gross settlement income (-13% QoQ/+18% YoY) and banca sales (-20% QoQ/+24% YoY) were the main reasons for the sequential decline. 9M21 net fee income was VND3.0 tn (+22% YoY).

Other non-interest income jumped by +12% QoQ/+121% YoY to reach VND772 bn in 3Q21. This is after stripping out loan loss recoveries of VND486 bn (-24% QoQ/+14% YoY), which is reported above the PPOP line under VAS but we consider to be credit cost-related in our models.

Provisioning fell -27% QoQ but rose +101% YoY to reach VND1.8 tn in 3Q21, which was the primary driver of the QoQ earnings increase in 3Q21. The reported NPL ratio was 0.95% (+19bps QoQ/-55bps YoY).

MBB's LLR ratio was 233% (-4ppt QoQ/+114ppt YoY) in 3Q21. This is among the highest reserve coverage ratios in the sector.

CASA deposits increased. Total CASA deposits were VND143 tn (+5% QoQ/+41% YoY). CASA ratio was 42% as at 3Q21 (+2ppt QoQ/+4ppt YoY), which is only lower than the 49% reported by TCB (not rated).

Our view

MBB stands out as posting a sequential increase in earnings in 3Q21. Reduced provisioning was the main driver; as stated previously, the bank's high LLR ratio allows MBB the flexibility to lower provisioning to boost earnings. The same is true of other high-LLR banks like [VCB \(BUY\)](#), [ACB \(BUY\)](#), and TCB (Not Rated), albeit perhaps not in 3Q21 results.

Asset quality remains strong, but keep an eye on rising NPLs. Specifically, aggregate Category 2 loans (i.e., special mention loans) have increased by +53% YTD, and Category 3 NPLs have increased by +37% YTD.

Relative valuation is attractive. MBB offers superior operational quality but trades at 1.6x 2021E P/B vs. the sector median of 1.8x.

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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.

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.

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