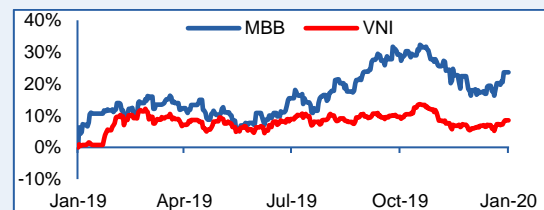


<b>Industry:</b>	<b>Banking</b>		<u>2018</u>	<u>2019</u>
<b>Report Date:</b>	<b>January 30, 2020</b>			
Current Price:	VND22,400	PPOP y/y	37.3%	38.2%
Current Target Price:	VND34,000	NPAT y/y	77.3%	30.4%
Upside:	51.8%	NIM	4.54%	4.89%
Dividend yield:	2.7%	NPLs/loans	1.32%	1.16%
TSR:	54.5%	CIR	44.7%	39.4%
Rating:	BUY	P/E	8.4x	6.5x
		P/B	1.6x	1.4x



Market Cap:	USD2.2bn	<u>MBB</u>	<u>Peers</u>	<u>VNI</u>
Foreign Room:	USD0	P/E (ttm)	6.5x	7.5x
ADTV30D:	USD3.4mn	P/B (curr)	1.4x	1.4x
State Ownership:	0%	ROE (ttm)	22.8%	21.0%
Outstanding Shares:	2.326 bn	ROA (ttm)	2.1%	1.7%
Fully Diluted Shares:	2.514 bn			2.4%

#### Company overview

Founded in 1994, MBB is the fifth largest bank among our ten coverage banks as calculated by total assets as of December 31, 2019. The bank had its IPO in 2004 and has listed shares since November 2011.

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## Earnings slightly beat on high NIM; NPLs contained

MBB released strong consolidated results for FY2019 with the bottom line totalling VND8.1tn (USD346mn, +30.4% YoY), which achieved 105% our forecast. The slight beat in net income was mainly due to (1) 3% higher-than-expected NII and (2) lower-than-expected CIR. MBB continued to record high return metrics with 2019 ROE and ROA standing at 22.8% and 2.1%, respectively. We do not anticipate any material changes to our earnings forecasts and/or target price, pending a fuller review.

- The consolidated loan book ended 2019 with 16.6% YoY growth. 2019 credit growth stood at 18.7% as the corporate bond balance surged 71.5% YoY. Our estimate of MCredit's (consumer finance arm) loan book as of YE2019 was VND8.6tn/USD367mn (+57.6% YoY), which contributed 3.4% to the consolidated loan book vs 2.5% as of YE2018 and was in line with our expectation.
- The consolidated retail lending portion stood at 40.5% as of YE2019, up from 37.7% as of YE2018, lifting MBB's loan yields by 75 bps YoY to 8.47% to drive NIM expansion. 2019 NII recorded 23.4% YoY growth, which contributed 73% to TOI.
- MBB's credit quality was contained with the 2019 consolidated NPL ratio standing at 1.16% (-16 bps YoY). 2019 consolidated write-offs to gross loans was relatively high at 1.96% vs 0.91% in 2018 due to MCredit's expansion. However, write-offs netted off by recovery was 1.19% of gross loans due to strong recovery income (+89% YoY).
- Although CIR surged toward the end of the year due to high staff costs as expected, 2019 CIR was well-managed at 39.4% (-5.3 ppts YoY) against our forecast of 41.0%.

**CASA ratio bounced in Q4 to the highest level since the drop in Q1 2019.** MBB recorded a 4.9-ppt rise QoQ in CASA ratio in Q4 to 38.4% after a sharp drop in CASA in Q1 2019. This CASA rise was mainly driven by a 30.6% QoQ increase in demand deposits. With a strong push in improving retail/mobile banking within the year, we think the increase in CASA was mainly driven by the retail segment. However, we still need clarification from the bank and will continue to monitor the coming quarter. 2019 cost of funds hovered at ~4% as the rise in CASA offset the increase in valuable papers.

**Overall credit quality is contained, in our view.** MBB's external receivables stood at 2.8% of total assets as of YE2019, which was relatively unchanged vs 2018. The cost of unfinished construction, escrow deposit at foreign banks and receivables payment/Bankplus service constituted 46.7% of external receivables; the remaining (1.5% of total assets) was related to 'draft buyback LC and Upas LC' and other receivables. The NPL ratio of the consolidated bank as of YE2019 was contained at 1.16% with the loan loss reserve ratio (LLR) remaining fully covered at

110%. With 0.98% NPL ratio at the parent bank, we estimate MCredit's NPL ratio at 6.52% as of YE2019. We believe MBB still can operate well under these levels of NPLs and credit costs.

**Net fee income (NFI) growth, including FX, remained sound at 27.5% YoY.** Pure NFI growth recorded 24.4% YoY growth in 2019. Net fees from banking services delivered 18.9% YoY growth, which contributed 25% to pure NFI. Net fees from insurance services remained the highest contributor in NFI with 56% in 2019 (+17.6% YoY).

#### MBB's consolidated 2019 results

VND bn	2019	2018	Growth	Q4 2019	Q3 2019	Growth
NIM	4.89%	4.54%	35 bps	5.09%	4.83%	26 bps
Interest-earning asset yields	8.47%	7.72%	75 bps	8.59%	8.49%	10 bps
Cost of funds	3.99%	3.48%	51 bps	3.92%	4.06%	-14 bps
CASA ratio*	38.4%	42.1%	-3.7 ppts	38.4%	33.5%	4.9 ppts
CASA ratio plus term deposits in FX	40.2%	44.0%	-3.8 ppts	40.2%	35.5%	4.7 ppts
NII	18,000	14,583	23.4%	4,889	4,582	6.7%
NOII	6,650	4,953	34.3%	1,804	1,764	2.3%
Provision expenses	-4,891	-3,035	61.1%	-1,214	-1,312	-7.5%
PPOP	14,927	10,803	38.2%	3,634	4,053	-10.3%
Net profit	8,069	6,190	30.4%	1,927	2,211	-12.9%
CIR	39.4%	44.7%	-5.3 ppts	45.7%	36.1%	-9.6 ppts
NPL	1.16%	1.32%	-16 bps	1.16%	1.54%	-38 bps
Loan growth	16.6%	16.6%	0 ppts	4.2%	0.5%	3.7 ppts
Deposit growth	13.6%	9.0%	4.6 ppts	7.3%	-1.9%	9.2 ppts

Source: MBB, VCSC – \*CASA volume included demand deposits and margin deposits.

## VCSC Rating System

**Stock ratings** are set based on projected total shareholder return (TSR), defined as (target price – current price)/current price + dividend yield, and are not related to market performance.

Equity rating key	Definition
BUY	If the projected TSR is 20% or higher
OUTPERFORM	If the projected TSR is between 10% and 20%
MARKET PERFORM	If the projected TSR is between -10% and 10%
UNDERPERFORM	If the projected TSR is between -10% and -20%
SELL	If the projected TSR is -20% or lower
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**Target prices** are generally based on the analyst's assessment of the stock's fair value over a 12-month horizon. However, the target price may differ from the analyst's fair value if the analyst believes that the market will not price the stock in line with assessed fair value over the specified time horizon.

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