

Banking Sector

Positive long-term outlook from the private sector

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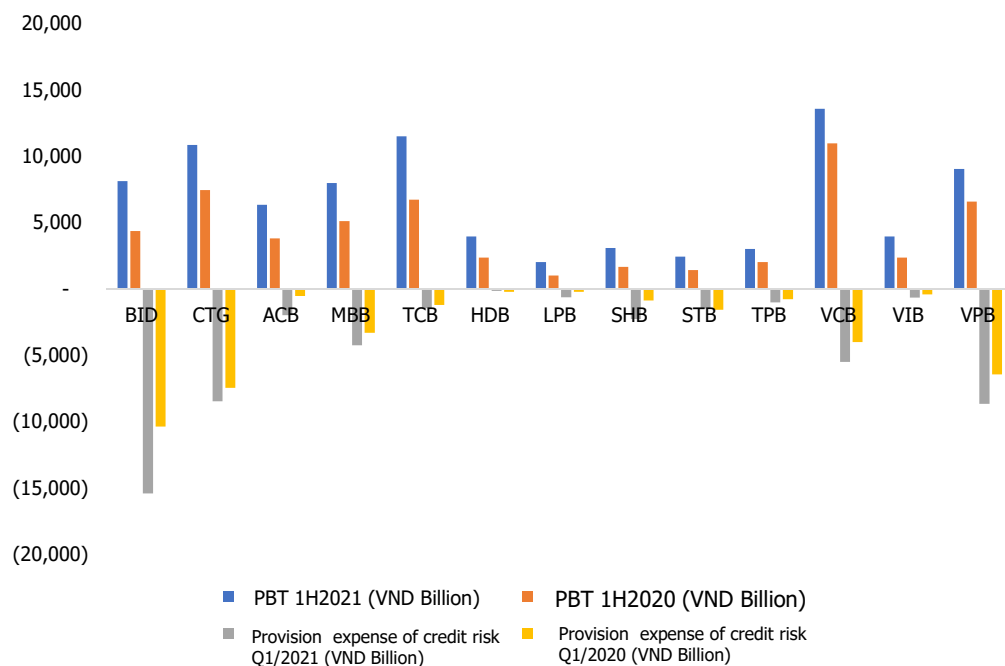
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Circular 03 helps reduce pressure on bad debt classification and provisioning

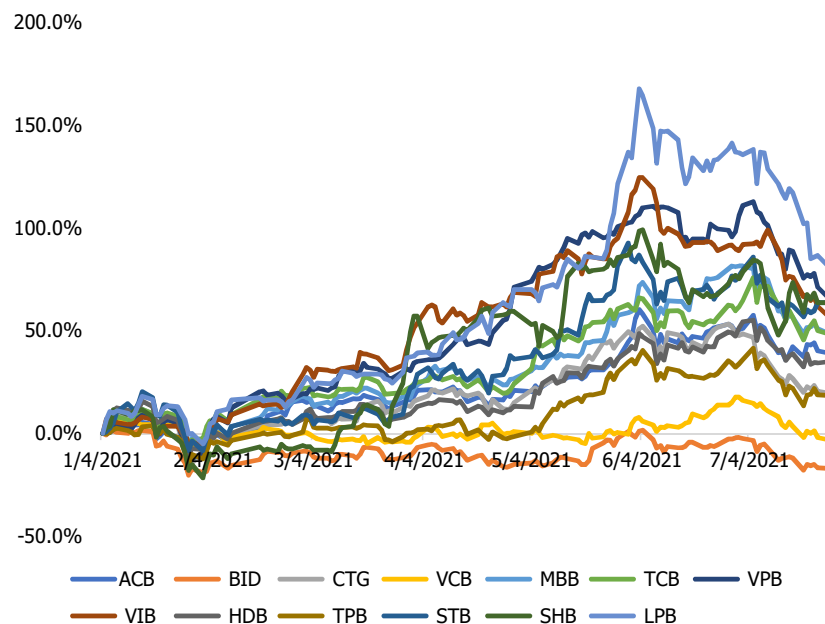
	Circular 01/2020	Circular 03/2021	Circular 14/2021
Regulations on rescheduled debts	<p>Applicable object:</p> <p>a) Arising from lending and financial leasing activities;</p> <p>b) Arising obligation to repay principal and/or interest between January 23, 2020 and the next day after three months from the date the Prime Minister declared the Covid-19 outbreak to be over;</p> <p>c) The credit institution re-evaluates customers who are unable to pay due to the impact of the Covid-19 epidemic;</p> <p>Restructuring cases:</p> <p>1) Outstanding balance or overdue up to 10 (ten) days from the payment date, debt repayment term according to the signed contract, loan agreement or financial leasing;</p> <p>2) Overdue balance (excluding the case specified at term of this clause) from January 23, 2020 to the following day after 15 (fifteen) days from the date of this Circular's effective date.</p> <p>Restructuring period: not exceeding 12 months from the last day of the loan or financial leasing term.</p>	<p>Applicable object:</p> <p>a) Arising before June 10, 2020 from lending and financial leasing activities;</p> <p>b) Arising obligation to repay principal and/or interest from January 23, 2020 to December 31, 2021;</p> <p>c) The credit institution re-evaluates customers who are unable to pay due to the impact of the Covid-19 epidemic;</p> <p>d) The customer has an application for debt restructuring.</p> <p>Restructuring cases:</p> <p>1) Outstanding balance or overdue up to 10 (ten) days from the payment date, debt repayment term according to the signed contract, loan agreement or financial leasing;</p> <p>2) Outstanding balance of debts arising before January 23, 2020 and overdue from January 23, 2020 to March 23, 2020;</p> <p>3) Outstanding balance of debts arising before January 23, 2020 and overdue before May 17, 2020;</p> <p>Restructuring period: not exceeding 12 months from the date the credit institution, foreign bank's branch restructures the repayment term</p> <p>Implementation duration: until December 31, 2021.</p>	<p>Applicable object:</p> <p>a) Arising before August 8, 2021 from lending and financial leasing activities;</p> <p>b) Arising obligation to repay principal and/or interest from January 23, 2020 to June 30, 2022;</p> <p>c) The credit institution re-evaluates customers who are unable to pay due to the impact of the Covid-19 epidemic;</p> <p>d) The customer has an application for debt restructuring.</p> <p>Restructuring cases:</p> <p>1) Outstanding balance or overdue up to 10 (ten) days from the payment date, debt repayment term according to the signed contract, loan agreement or financial leasing;</p> <p>2) Outstanding balance of debts arising before January 23, 2020 and overdue from January 23, 2020 to March 23, 2020;</p> <p>3) Outstanding balance of debts arising before January 23, 2020 and overdue before May 17, 2020;</p> <p>4) Outstanding balance of debts arising from June 10, 2020 to before August 1, 2021 and overdue from July 17, 2021 to before September 7, 2020;</p> <p>Restructuring period: not exceeding 12 months from the date the credit institution, foreign bank's branch restructures the repayment term or from the due date of each debt balance to be restructured.</p> <p>Implementation duration: until June 30, 2022.</p>
Regulations on reduction of loan interests and charges	<p>The exemption and reduction of interest and fees are decided in accordance with the internal regulations on the debit balance arising from the activities of credit extension (except for the activities of purchase and investment of corporate bonds) for which the obligations of payment of principal debts and/or interest are due within the period from January 23, 2020 to the next day after 03 months from the date on which the Prime Minister announces the Covid-19 epidemic's termination; and consumers are unable to repay the principal and/or interest on time as per the written contract or agreement due to a decrease in revenue and income as a result of the Covid-19 epidemic.</p>	<p>The internal regulations decide the exemption and reduction of interest and fees on the debit balance arising before June 10, 2020 from the activities of credit extension (except for the activities of purchase and investment of corporate bonds) for which the obligations of payment of principal debts and/or interest are due within the period from January 23, 2020 to December 31, 2021 and consumers are unable to repay the principal and/or interest on time as per the written contract or agreement due to a decrease in revenue and income as a result of the Covid-19 epidemic. The exemption and reduction of interest and fees will be implemented until December 31, 2021.</p>	<p>The internal regulations decide the exemption and reduction of interest and fees on the debit balance arising before August 01, 2021 from the activities of credit extension (except for the activities of purchase and investment of corporate bonds) for which the obligations of payment of principal debts and/or interest are due within the period from January 23, 2020 to June 30, 2022 and consumers are unable to repay the principal and/or interest on time as per the written contract or agreement due to a decrease in revenue and income as a result of the Covid-19 epidemic. The exemption and reduction of interest and fees will be implemented until June 30, 2022.</p>
Regulations on maintaining classified loan groups	<p>Credit institutions are allowed to preserve the same debt group with balances restructured from January 23, January 23, 2020 to the next day after 15 (fifteen) days from the effective date of this Circular. Putting accrued interest and restructuring debt balance off the balance sheet.</p>	<p>Credit institutions are allowed to preserve the same debt group with balances restructured from January 23, 2020 to before June 10, 2020. Putting accumulated interest and restructuring debt balance off the balance sheet and must be reinstated to the balance sheet after January 1, 2024.</p>	<p>Credit institutions are allowed to preserve the same debt group with balances restructured from January 23, 2020 to before August 01, 2020. Putting accumulated interest and restructuring debt balance off the balance sheet and must be reinstated to the balance sheet on January 1, 2024.</p>

Long-term investment opportunity when the market adjusts

- Banking stocks have increased strongly from the end of 2020 to Q1/2021, due to outstanding business results. The correction sessions from the beginning of Q2/2021 reflected investors' sentiment toward the 3rd Covid-19 outbreak, although the business results of banks in Q2/2021 were very positive (MBB, ACB, TCB,...).
- In 2H2021, as banks continue to reduce interest rates to support customers affected by the pandemic, NIM is expected to decrease slightly. Simultaneously, by proactively making provisions for most restructuring debts, we expect that bank business results will not expand as quickly as they did in the same period in 2020, but will remain positive. With the market's sharp fall at the end of Q2 and the start of Q3, there are still investment opportunities in the banking industry.



Source: financial report

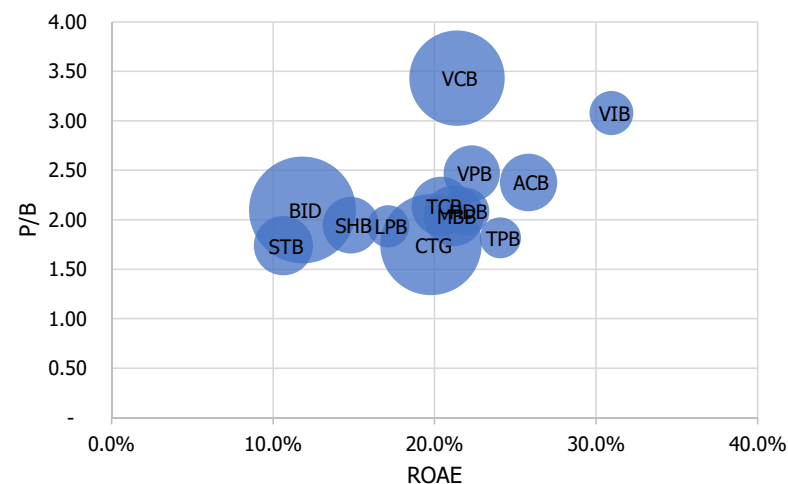


Source: Fiiipro

BANKING

Evaluation and recommendation

- **Credit Ratings:** According to Moody's assessment, Vietnamese banks' credit rating is mainly in range of Ba3-B1. We appreciate banks at Ba3, including SOCBs (BID, CTG, and VCB), MBB, ACB and TCB.
- **Financial evaluation:** Average P/B reached 2.2x. VIB is valued the highest among joint stock commercial banks, owing to strong business results in 2020 and outstanding ROE. Meanwhile, VCB is regarded as the most valuable among state-owned commercial banks, due to its outstanding risk management capabilities and the finest returns in the system in many years.
- **Recommendation:** Although the current Banking Sector valuation is higher than the 2020 low, we expect the banking industry to have a positive long-term outlook due to favorable macroeconomic factors (high economic growth, complete legal system, low NPL, larger role of joint stock commercial banks, SBV's opening to foreign investors, etc...) We recommend MBB, TCB and ACB based on their diversified customer base, great competitive advantage and good risk management.



	Total assets (VND bn)	Credit growth 1H2021	Moody's Rating	PAT growth (%)	NIM (%)	LDR (%)	CIR (%)	NPL (%)	LLR (%)	ROAA (%)	ROAE (%)	P/E	P/B	CAR (%)	CASA (%)
ACB	471,275	4.0%	Ba3	65.8%	4.15%	95.31%	30.1%	0.68%	207.7%	2.10%	25.81%	9.91	2.38	10.91%	21.48%
BID	1,642,337	1.2%	Ba3	87.4%	2.86%	100.27%	25.8%			0.61%	11.81%	16.94	2.10	N/A	18.18%
CTG	1,473,014	0.0%	Ba3	44.8%	3.13%	103.57%	28.5%	1.34%	129.0%	1.29%	19.76%	9.91	1.75	N/A	17.85%
HDB	330,970	5.1%	B1	48.4%	4.59%	96.63%	39.4%	1.21%	87.9%	1.69%	21.89%	10.35	2.09	12.10%	9.94%
LPB	255,497	3.4%	B1	100.6%	3.54%	102.72%	44.4%	1.34%	96.5%	1.05%	17.12%	11.26	1.94	11.00%	10.58%
MBB	523,334	8.4%	Ba3	54.7%	5.14%	96.41%	32.5%	0.76%	236.5%	2.16%	21.18%	10.39	2.04	10.42%	34.65%
SHB	458,877	1.7%	B2	86.5%	3.25%	106.61%	30.1%	2.02%	58.2%	0.88%	14.80%	13.60	1.95	10.10%	8.83%
STB	504,534	4.9%	B3	69.5%	2.74%	83.22%	56.8%	1.55%	102.8%	0.63%	10.63%	15.24	1.74	9.53%	19.52%
TCB	504,304	6.7%	Ba3	72.7%	5.67%	108.36%	28.4%	0.36%	258.9%	3.47%	20.40%	11.01	2.14	16.00%	42.74%
TPB	242,247	3.7%	B1	47.9%	4.33%	100.10%	35.6%	1.15%	144.8%	1.96%	24.06%	8.28	1.82	13.00%	17.62%
VCB	1,304,179	3.7%	Ba3	23.6%	3.23%	87.70%	33.6%			1.65%	21.38%	17.54	3.43	9.56%	30.15%
VIB	277,200	4.7%	B1	67.8%	4.37%	108.83%	37.1%	1.69%	63.8%	2.33%	30.94%	10.95	3.08	10.12%	12.04%
VPB	451,767	3.6%	B1+	37.1%	8.73%	133.08%	23.4%	3.47%	44.7%	2.79%	22.29%	11.95	2.47	11.70%	18.13%

Sources: Fiinpro, Bloomberg, Financial Reports

MILITARY COMMERCIAL JOINT STOCK BANK (HSX: MBB)

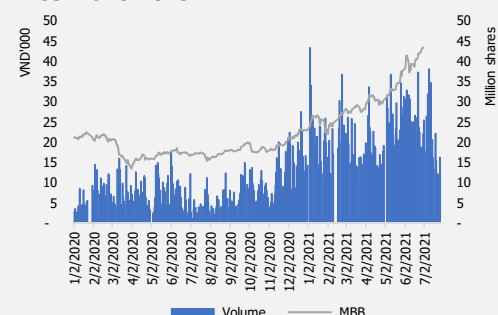


BUY; Target price: 38,600 VND/share

Key investment points

- Strong and sustainable growth in income.** In Q2/2021, MBB recorded total operating income of VND 8,925 billion (+35.8% YoY), of which net interest income was VND 6,562 billion (+41.9% YoY) and non-interest income reached VND 2,362 billion (+ 21.2% YoY). In 1H2021, MBB recorded total operating income of VND 18,117 billion (+34.9% YoY), with interest income accounting for 69.1% of total operating income. EBT reached 7,986 billion (+56% YoY). Credit provision expense increased by 99.8% YoY in Q2/2021, compared to -13.65% YoY in Q1, demonstrating that MBB is actively controlling profit in compliance with the SBV's instructions to assist firms affected by Covid-19. CIR reached 34.6% (-4% compared to 38,6% in 2020), thanks to the commissioning of the new headquarters building at 63 Le Van Luong and further investment in digital technology to boost efficient working capacity. Due to exceptional profit growth from both interest income (NII) and non-interest income (NFI), ROE and ROA were 24.4% and 2.5%, respectively (compared to only 19.1% and 1.9% in 2020).
- NIM increased due to low capital cost.** Credit growth reached +10.8% compared to the end of 2020. In July 2021, the SBV decided to raise the credit growth limit for MBB from 10.5% to 15% and consider raising it again in 2H2021. We expect MBB's credit growth to reach 20% in 2021 if the pandemic is under control at the end of Q3. The lending interest rate and cost of capital were unchanged from the previous quarter. NIM reached 5.3% and is expected to maintain in 2H2020.
- CASA's expansion creates capital cost advantages.** Total assets reached 523.334 billion VND (+5.6% YoY), customer deposits increased by 10.2%. CASA reached 38.9% (up 5% compared to 33.8% in 2020), with CASA from individual customers increasing 1.8 times to more than VND 43 trillion. MBB also expects to maintain a CASA level of 37-38% in 2021 and gradually approach 40% in the long term, ensuring a capital cost advantage for sustainable income growth.

Price movement



	1M	3M	12M
MBB (%)	-12.8%	33.5%	175.1%
VNIndex (%)	-8.4%	9.5%	62.1%

Report date	06/08/2021
Current price	29,650 VND
Target price	38,600 VND
Upside	+30.2%
Market capitalization	VND 102,770 billion USD ~4.4 billion
52-week price movement	VND 15,350-43,600
Average transaction value	VND 453 billion USD 19.28 million
FOL ratio	30%
Current FOL ratio	22.75%

	Unit	2019A	2020A	2021F	2022F
Operating income	VND bn	24,650	27,362	37,010	44,147
Profit before provision & tax	VND bn	14,927	16,807	24,242	28,696
Growth (%)	%	38.2%	12.6%	44.2%	18.4%
Credit provision expenses	VND bn	4,891	6,118	9,057	10,604
Growth (%)	%	61.1%	25.1%	48.0%	17.1%
PBT	VND bn	10,036	10,688	15,184	18,092
Growth (%)	%	29.2%	6.5%	42.1%	19.1%
PAT	VND bn	8,069	8,606	12,148	14,473
Growth (%)	%	30.4%	6.7%	41.2%	19.1%
EPS (basic)	VND/share	3,596	2,993	3,791	3,979
BVPS	VND/share	16,810	17,901	18,974	20,906
ROAA	%	2.1%	1.9%	2.2%	2.2%
ROAE	%	21.8%	19.1%	21.4%	20.7%
P/E	x	12.1x	14.6x	11.5x	11.0x
P/B	x	2.6x	2.4x	2.3x	2.1x

Source: MBB FS, MBS Research

MILITARY COMMERCIAL JOINT STOCK BANK (HSX: MBB)



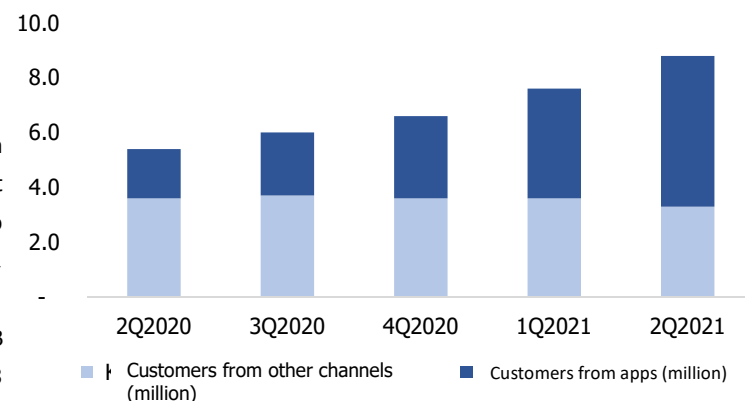
BUY; Target price: 38,600 VND/share

Key investment points

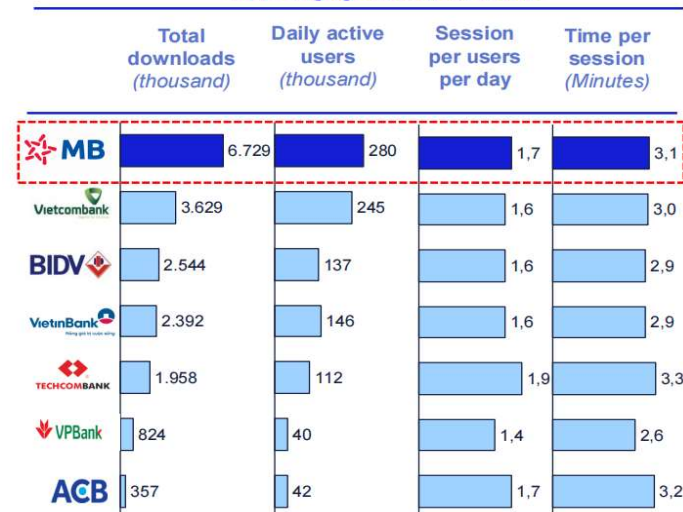
- **Outstanding asset quality due to good risk management.** NPL ratio reached 0.76%, significantly lower than 1.09% in 2020 as MBB experienced a massive reduction in bad debt in Q2/2021, improving the LLR to 236.5% (compared to 134.1% at the end of 2020), the third-highest in the industry, only behind VCB (270%) and TCB (259%). Group 2 debt ratio decreased to 0.75% from 0.81% at the end of 2020. Restructured debt achieved VND 2.7 trillion and has been made provision for 70%, expected to rise to 100% in 2021.
- **Efficiency markedly improved by focusing on digital transformation.** By the end of Q2/2021, the number of MB customers had risen to over 8.8 million, with over 5.5 million of them using the app, increasing 3 times in 12 months (from 1.8 million at the end of Q2/2020 to 5.5 million at the end of Q2/2021). Trading volume and trading value increased by +163% YoY and +431% YoY, indicating CASA's significant expansion. MBB will continue to invest in technology and digital over the next five years to reach its target of 20 million customers and become an efficient digital transformation bank.
- **Lending to renewable energy projects is expected to provide a new impetus.** According to MBB, currently, renewable energy loans account for about 8% of MBB's loan portfolio and are expected to grow in the future. Renewable energy is considered a new trend in the energy industry and has received many incentives, MBB's early participation in lending to this business segment will give it a competitive advantage over other banks.
- MBB plans to privately issue 2% to Viettel in Q3/2021 with the lowest price equal to the book price, which might cause the market's negative reaction to MBB's stock price. On the other hand, Viettel's technology and network support will assist MBB in achieving its digital transformation goals, laying the foundation for long-term success.

Forecast and Recommendations

We forecast that in 2021, total operating profit will reach VND 37,010 billion (+35.3% YoY) due to the complicated Covid-19 epidemic at the end of Q2, EBT will get VND 15,184 billion (+42.1% yoy). ROE and ROA will be up 21.4% and 2.2% respectively. Accordingly, we recommend BUY for MBB stock with a target price of VND 37,800/share (+39% upside) by two Residual Income and P/B comparisons methods.



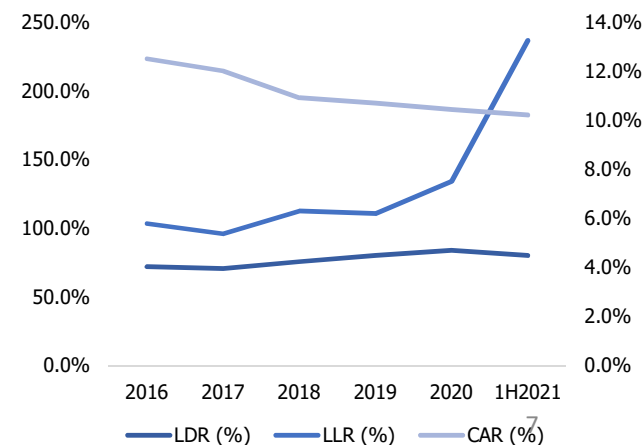
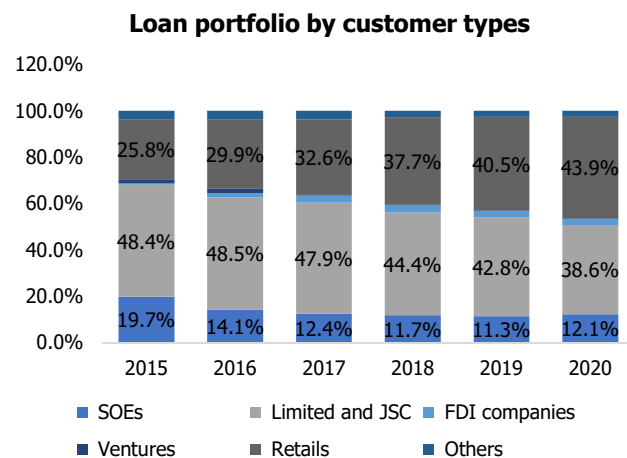
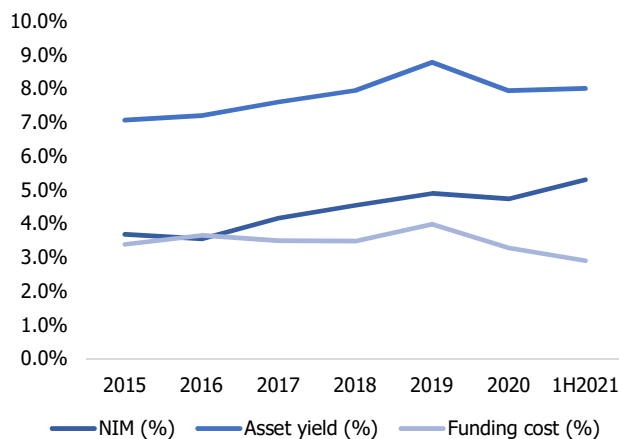
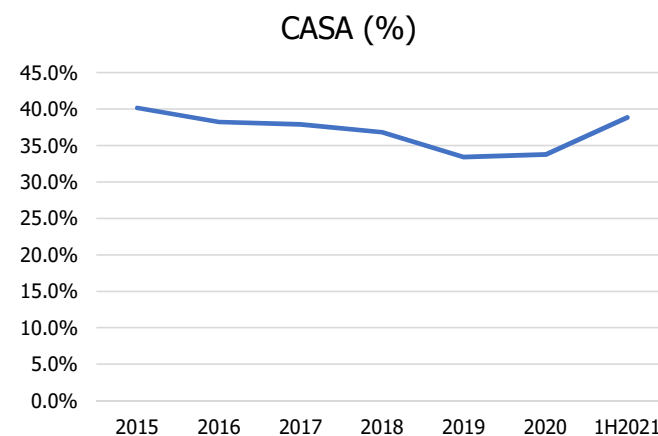
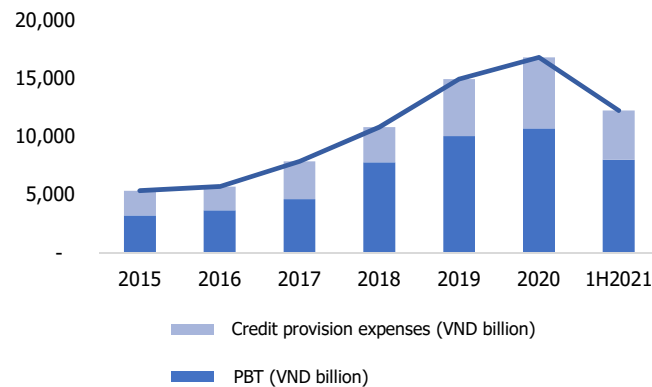
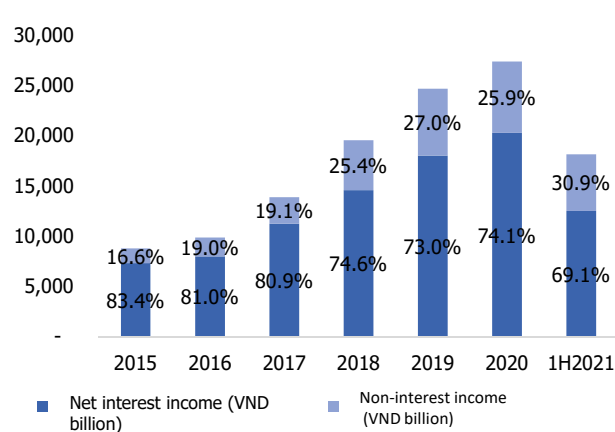
App engagement, Last 12M



MILITARY COMMERCIAL JOINT STOCK BANK (HSX: MBB)



BUY; Target price: 38,600 VND/share



MILITARY COMMERCIAL JOINT STOCK BANK (HSX: MBB)



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Income Statement (VND Billion)	2019A	2020A	2021F	2022F	Key ratio	2019A	2020A	2021F	2022F
Net interest income	18,000	20,278	27,763	33,210	Growth				
Net fee and commission income	3,186	3,576	5,619	6,485	Asset growth	13.6%	20.3%	18.3%	21.1%
Net gain from dealing in foreign currencies and gold	647	786	943	1,132	Loan & Investments growth	16.8%	18.8%	20.8%	21.1%
Net gain from trading of trading securities	27	85	132	169	Deposit & Commercial papers growth	11.2%	18.1%	21.0%	21.1%
Net gain from disposal of investment securities	612	866	537	733	Profit before provision and tax growth	38.2%	12.6%	44.2%	18.4%
Net other income	2,099	1,680	2,015	2,419	EBT growth	29.2%	6.5%	42.1%	19.1%
Total Operating Income	24,650	27,362	37,010	44,147	Capital Adequacy				
Operating expenses	9,724	10,555	12,768	15,452	CAR	10.7%	10.4%	N/A	N/A
Operating profit before provision for credit losses	14,927	16,807	24,242	28,696	Total Equity/Total Assets	9.6%	9.9%	10.5%	10.8%
Provision expenses for credit losses	4,891	6,118	9,057	10,604	Financial leverage	10.45	10.07	9.50	9.28
Profit before tax	10,036	10,688	15,184	18,092	Asset Quality				
Business income tax	1,968	2,082	3,037	3,618	Loan group 3-5	1.2%	1.1%	1.1%	1.4%
Profit after tax	8,069	8,606	12,148	14,473	Loan group 2	1.2%	0.8%	0.8%	1.0%
Benefits of minority shareholder	246	343	485	577	LLR	110.5%	134.1%	142.5%	116.9%
NPAT-MI	7,823	8,263	11,663	13,896	Liquidity				
Balance Sheet	2019A	2020A	2021F	2022F	LDR	80.1%	83.7%	76.7%	76.5%
Cash and cash equivalents	2,344	3,109	-	-	Liquid asset/Total Assets	34.8%	34.6%	34.7%	34.8%
Balances with the State Bank of Vietnam	14,347	17,297	19,752	23,840	Liquid asset/Customer deposit	44.3%	47.3%	47.6%	48.0%
Placements with and loans to other credit institutions	39,691	47,889	57,417	69,535	Profitability				
Trading securities	1,168	3,085	4,482	5,185	ROA	2.1%	1.9%	2.2%	2.2%
Derivatives and other financial assets	15	37	-	-	ROE	21.8%	19.1%	21.4%	20.7%
Loans and advances to customers	250,331	298,297	359,071	433,996	NIM	4.9%	4.7%	5.4%	5.3%
Allowance for credit losses	(3,201)	(4,354)	(5,631)	(7,186)	Interest Income/ Operating Income	73.0%	74.1%	75.0%	75.2%
Investment securities	85,629	99,714	121,396	148,285	Operating Expense/ Operating Income	39.4%	38.6%	34.5%	35.0%
Other long-term investments	887	885	870	835	Valuation				
Fixed assets	2,798	4,311	4,438	4,577	EPS (basic)	3,596	2,993	3,791	3,979
Investment properties	31	248	258	268	BVPS	16,810	17,901	18,974	20,906
Other assets	17,447	24,465	23,675	30,114	P/E	12.1x	14.6x	11.5x	11.0x
TOTAL ASSETS	411,488	494,982	585,726	709,451	P/B	2.6x	2.4x	2.3x	2.1x
LIABILITIES	371,602	444,883	534,551	646,461					
Due to Government and borrowings from the State Bank of Vietnam	17	15	15	15					
Placements and borrowings from other credit institutions	50,314	50,876	52,198	62,638					
Deposits from customers	272,710	310,960	373,924	451,456					
Derivatives and other financial liabilities	-	-	-	-					
Funds received from Government, international and other institutions	302	207	337	354					
Valuable papers	26,289	50,924	73,155	90,560					
Other liabilities	21,971	31,900	34,921	41,438					
SHAREHOLDERS' EQUITY	39,886	50,099	63,627	75,915					
Charter capital	23,727	27,988	33,534	36,313					
Share premium	-	1,178	1,178	1,178					
Treasury shares	(1,037)	(564)	-	-					
Other capital	28	125	125	125					
Funds	4,937	6,225	7,974	10,059					
Retained earning	10,342	12,956	18,223	25,171					
Minority interest	1,888	2,193	2,593	3,070					
LIABILITIES AND SHAREHOLDERS' EQUITY	411,488	494,982	598,178	722,376					

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