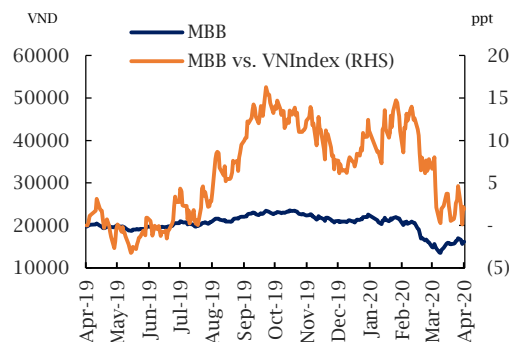


**BUY**
**TP upside (downside) +61%**
**Close 24 Apr 2020**
**Price VND 16,050**  
**12M Target VND 25,900**
**Share price performance relative to VNI**

**Source: Bloomberg**

<b>Market cap</b>	<b>US\$1.6 bn</b>
<b>6M avg. daily turnover</b>	<b>US\$4.8 mn</b>
<b>Outstanding shares</b>	<b>2,411 mn</b>
<b>Free float</b>	<b>75%</b>
<b>FINI ownership</b>	<b>23.0%</b>
<b>Major shareholders</b>	<b>50.8%</b>
<b>2020E Asset/Equity (*)</b>	<b>11.0x</b>
<b>2020E P/E (*)</b>	<b>4.4x</b>
<b>2020E P/B (*)</b>	<b>0.8x</b>
<b>FOL Remaining Room</b>	<b>0.0%</b>
<b>Dividend yield (*)</b>	<b>0.0%</b>

**Source: Bloomberg, (\*) Yuanta Vietnam**
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**Bloomberg code:**  
**YUTA**
**MBBank (MBB VN)**
**1Q20 earnings -11.4% YoY**
**Event**

**MBB reported 1Q20 PATMI of VND1.7 tn (-8.4% QoQ/-11.4% YoY).** The earnings decline was largely due to the +72.3% QoQ/+117.0% YoY rise in credit costs. MBB has achieved 19% of Bloomberg consensus for 2020E and 20% of our estimate.

**Details**

**Loans decreased by -0.9% YTD.** 1Q20 Net interest income was VND4.7 tn (-4.0% QoQ/+13.6% YoY).

**CASA deposits declined by -23.9% QoQ.** As at 1Q20, MBB's CASA ratio was 33.1%, down 5.3ppt vs. 2019A. However, this appears to be a seasonal factor as special purpose deposits doubled QoQ in 4Q19. MBB's CASA ratio is still the highest in the sector.

**1Q20 net fee income** was VND745 bn (-14.7% QoQ/-1.8% YoY). Net gain from FX and gold dealing was VND159 bn (-9.2% QoQ/+32.5%YoY). Notably, net income from securities trading and investment was VND498 bn (+131% QoQ/ +175% YoY).

**Asset quality.** Provisioning increased by +72.3% QoQ and +117.0% YoY to reach VND2.1 tn in 1Q20. MBB's NPL ratio of 1.62% was up +46bps QoQ and +21bps YoY. Category 4 NPLs of VND1.7 tn was up 92.8% QoQ, and category 5 NPLs was up 46.6% QoQ to reach VND 406 bn in 1Q20. The bank's loan loss reserve (LLR) ratio was 98% (-12ppt QoQ/ but +2ppt YoY).

**Our view**

**Earnings forecasts for 2020E appear stretched** as MBB achieved only 20% of our 2020E earnings forecast (which we recently revised down in our [April report](#)) and 2Q20 will likely be worse for earnings.

**Credit costs & LLR are keys to monitoring asset quality in 2020.** We think the bank's increased provisioning reflect a prudent approach to preparing for potential future losses. However, its LLR ratio decreased due to rising NPLs. This is noteworthy given the SBV's order to avoid reclassifying loans to borrowers who have been impacted by COVID-19. In any case, we believe that MBB will continue to further increase provision to build up stronger buffer to weather the probable continued asset quality deterioration in upcoming quarters.

**We maintain our BUY recommendation.** MBB trades at 0.8x 2020E P/B, and with FOL premiums having declined this represents value even if our 19% ROE forecast for 2020E faces moderate downside risk.

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