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Military Bank (MBB)

Targeting low 2020E guidance; 15% stock dividend

Earnings guidance looking for 10% drop in earnings

— Management released guidance expecting a 10% YoY drop in pretax earnings to VND9,000 billion in the proposal for the annual general shareholders' meeting. Pretax earnings for the parent bank are estimated to drop by 12% YoY. Other metrics included: 1) credit growth of 12% YoY and equal to State Bank of Vietnam's allocation to MBB for 2020E; 2) customer deposit growth in line with capital needs; 3) total assets growth of 8% YoY; 4) non-performing loans under 1.9%; 5) ROE of 16.4% (versus 2019's 21.8%) and ROA of 1.7% (versus 2019's 2.1%); and 6) increasing charter capital by 18% YoY to VND27,988 billion via a 15% stock dividend. The bank has also initiated cost cuts and a drive to reduce funding costs by 20–30 basis points to offset disruptions from the coronavirus. Despite the pandemic, management also reiterated its commitment to stick to its 2017–2021 strategic plan prioritizing projects to modernize its information technology in cooperation with IBM and further digitalize banking operations.

Increasing charter capital via a 15% stock dividend

— February's private placement of 21 million treasury shares and 64 million new common shares raised charter capital by VND643 billion or 2.7%. Management will ask shareholders to approve a 15% stock dividend to boost charter capital to VND27,988 billion and is expected to be completed in 4Q. Importantly, management also announced that it will consider distributing the remaining 25.6 million treasury shares to existing shareholders in 4Q or 1Q in 2021E although no specific plans were given. The bank will allocate about 20% of new capital generated in 2020E for asset investment and the remaining 80% for operating activities.

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Investment ratings & definitions

Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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