

A tough environment for commercial banking, but MB remains solid

2010: Shifting focus to SMEs and consumer banking

With the improving macro outlook from 2H2010 onwards, investors who play the bank sector could shift from asset quality to growth outlook. SMEs and consumer banking, in our view, could become key growth drivers for the sector in 2010 and years forward. The ability to achieve profitable growth in SMEs and consumer banking market could drive the differentiation in the bank's risk-adjusted return and then, the share performance. Military Bank has well positioned to capture these opportunities.

Solid growth in both deposit and loans

Military Bank maintains a solid growth with deposits from public grows by 32% and loans grow by 24% compared to 2009, outperforming the industry levels, at 9.2% and 10.5%, respectively in the 1H2010, while keeping loan to deposit ratio at safety level of 64%, much lower than industry level of some 80%.

Upgrading 2010E earning by 15% vs. initial plan

With impressive 1H2010 performance of achieving 65% of the bank's entire year plan and improving outlook for 2H2010 onwards, we estimate Military Bank to achieve VND2.3 trillion in profit before tax, a 15% higher than its initial plan, and a 52.8% y-o-y growth.

Recommend a Buy with PO of VND28,000, implying a P/E 2010E of 9.3x and P/B 2010E of 1.45x

Estimates (Aug)	2009A	2010E	2011E	2012E	2013E
Net income, bil VND	1,095	1,642	2,503	3,434	5,170
EPS, VND	2,066	3,098	4,722	6,479	9,754
EPS change (YoY)	55.6%	50.0%	52.4%	37.2%	50.5%
Dividend /Share, VND	1,260	1,735	2,211	2,805	3,518

Valuation (Aug)	2009A	2010E	2011E	2012E	2013E
P/E, x	9.68	6.46	4.24	3.09	2.05
Dividend Yield, %	6.30	8.68	11.05	14.02	17.59
P/B, x	1.54	1.01	0.71	0.51	0.36
ROE/PB, x	15.22	22.68	31.46	42.39	63.64
Price /Pre-provision Profit, x	6.89	4.55	2.95	2.07	1.37

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Investment recommendation:

BUY

Equity | Commercial banking
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Le Manh Dung
Head of Research
dunglm@vietinbanksc.com.vn
+84 4 39747169

Vu Huong Giang
Analyst
giangvh@vietinbanksc.com.vn
+84 4 39747952

Stock information

Listing status	Unlisted
Price, VND	20,000
Price objective:	28,000
Shares outstanding :	530,000,000
Market value, bil VND	14,600
ROE (2010E)	22.8%

KEY FINANCIAL DATA

INCOME STATEMENT bil VND	2009A	2010E	2011E	2012E	2013E
Net Interest and similar income	1,838	3,005	4,569	6,651	9,776
Net fees and commission income	381	605	966	1,505	2,312
Net gain from dealing in foreign currencies	(73)	95	154	59	273
Net gains from equity trading and equity investment	214	-	-	-	-
Net gain from other activities	177	280	353	406	604
Net gain from investment in associates	0	-	-	-	-
Provisions reversal	78	-	-	-	-
Income from equity investment	38	43	48	52	58
TOTAL OPERATING INCOME	2,654	4,027	6,090	8,673	13,022
TOTAL OPERATING EXPENSES	784	1,120	1,616	2,354	3,464
Total provision cost	(364)	(602)	(962)	(1,499)	(2,302)
PROFIT BEFORE TAX	1,505	2,305	3,513	4,820	7,256
Income Tax	331	576	878	1,205	1,814
PROFIT AFTER TAX	1,174	1,728	2,634	3,615	5,442
Minorities Interest	79	86	132	181	272
NET PROFIT FOR THE YEAR	1,095	1,642	2,503	3,434	5,170
Basic EPS (VND)	2,066	3,098	4,722	6,479	9,754

BALANCE SHEET, bil VND	2009A	2010E	2011E	2012E	2013E
ASSETS					
Cash & Cash Equivalents	541	1,185	1,741	3,763	5,038
Balances with State Bank	1,428	2,427	4,004	6,207	9,621
Deposits with other banks	24,063	40,299	64,030	92,844	136,793
Held for trading securities	619	495	396	317	253
Net loans & advanced to customers	29,141	47,491	75,856	118,187	181,511
Provisions for loan loss	(447)	(676)	(1,080)	(1,682)	(2,584)
Debt securities investment	9,674	12,577	16,349	21,254	27,631
Investment in joint-ventures and associates	891	981	1,079	1,187	1,305
Fixed Assets	623	850	1,104	1,442	1,895
Investment Property	355	391	430	473	521
Other assets	1,673	2,023	3,195	5,152	7,347
TOTAL ASSETS	69,008	107,832	167,358	250,035	371,142
LIABILITIES					
Deposits & Loans from SBV	4,709	4,709	4,709	4,709	4,709
Deposits and loans from other commercial banks	11,697	17,545	25,441	36,889	49,800
Customer deposits	39,978	67,963	112,140	173,816	269,415
Other borrowed funds	475	475	475	475	475
Bonds & certificate of deposits	2,421	4,421	6,921	9,921	13,921
Other liabilities	2,234	1,424	1,549	1,736	1,570
TOTAL LIABILITIES	61,513	96,537	151,234	227,545	339,889
SHAREHOLDERS' EQUITY					
Capital and reserves	6,173	8,173	10,173	12,673	15,673
Paid-in Capital	5,300	7,300	9,300	11,800	14,800
Share Premium	870	870	870	870	870
Treasury Shares	3	3	3	3	3
Retained Earnings	397	2,039	4,542	7,976	13,146
Other Reserves	318	318	318	318	318
Total shareholders' equity	6,888	10,530	15,033	20,967	29,137
Minority Interest	607	765	1,092	1,523	2,116
TOTAL LIABILITIES & EQUITY	69,008	107,832	167,358	250,035	371,142

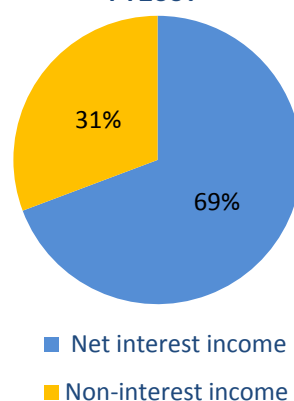
Bank Description

Military Bank (MB) is one of the largest commercial banks in Vietnam. MB is currently operating as a traditional commercial bank with interest income contributes to more than 70% of total income. In 2009, MB accounts for 1.6% of credit market shares and 3% of deposit shares. So far MB has achieved a solid high growth with a CAGR (2007-2009) of 45% in revenues and 49% in EPS.

Investment thesis

Military Bank is well positioned to capture great opportunities in SMEs and consumer banking markets where we believe will be key themes for years from 2010 onwards. We believe investing in a P/E 2010E of 6.5x in a bank with EPS expected to grow at a CAGR (2009-2012) of 46% would bring significant return for investors.

MB Income breakdown FY2009



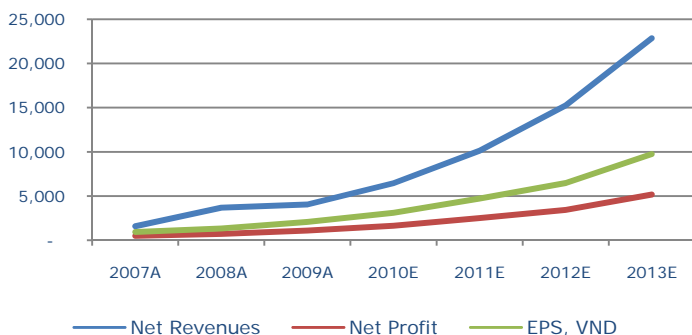
KEY FINANCIAL METRICS	2007A	2008A	2009A	2010E	2011E	2012E	2013E
Total assets growth		49.7%	55.6%	56.3%	55.2%	49.4%	48.4%
Gross loan growth		35.5%	88.0%	62.8%	59.7%	55.8%	53.6%
Customer deposits and bonds growth		47.9%	44.7%	70.7%	64.5%	54.3%	54.2%
Loans to customers/deposits from customers	65.3%	57.9%	74.0%	70.9%	68.6%	69.0%	68.3%
Gross loan/Total assets	39.2%	35.5%	42.9%	44.7%	46.0%	47.9%	49.6%
Equity growth		27.1%	55.7%	52.9%	42.8%	39.5%	39.0%
Interbank deposits/interbank borrowings	35.6%	53.3%	48.6%	43.5%	39.7%	39.7%	36.4%
Provision reserve/NPLs balance	122.3%	85.7%	95.6%	88.8%	88.8%	88.8%	88.8%
Provision made/Total lending	1.2%	1.6%	1.5%	1.4%	1.4%	1.4%	1.4%
Net interest income growth		132.7%	10.1%	59.4%	57.0%	50.5%	49.9%
Net fee income growth		27.9%	100.4%	59.1%	59.7%	55.8%	53.6%
Operating income growth		55.4%	62.0%	51.7%	51.2%	42.4%	50.1%
SGA expense growth		53.9%	41.2%	42.8%	44.3%	45.7%	47.1%
Pretax profit growth		41.4%	74.8%	53.1%	52.4%	37.2%	50.5%
Net profit for shareholders growth		42.8%	57.2%	39.9%	44.8%	30.4%	43.0%
NIM	2.2%	3.4%	2.8%	2.9%	2.9%	2.8%	2.8%
CAR	12.3%	10.6%	10.6%	10.3%	9.5%	9.0%	8.4%
Tier 1 ratio	12.3%	10.6%	10.6%	10.3%	9.5%	9.0%	8.4%
Effective Tax Rate	28.0%	28.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Loan/Assets Ratio	39.2%	35.5%	42.9%	44.7%	46.0%	47.9%	49.6%
Loan/Deposits Ratio	111.9%	88.3%	103.0%	102.7%	101.7%	100.2%	99.7%
Operating Leverage (Income Growth - Cost Growth)		70.4%	-11.8%	20.6%	7.8%	-0.1%	-0.1%
Common Equity/Assets	11.7%	10.0%	10.0%	9.8%	9.0%	8.4%	7.9%
Revenue Growth		132.7%	10.1%	59.4%	57.0%	50.5%	49.9%
Operating Expense Growth		53.9%	41.2%	42.8%	44.3%	45.7%	47.1%
Provisions Expense Growth		162.3%	64.3%	65.3%	59.7%	55.8%	53.6%
Operating Revenue/Average Assets	3.6%	3.7%	3.8%	3.7%	3.6%	3.5%	3.5%
Operating Expenses/Average Assets	1.2%	1.3%	1.1%	1.0%	1.0%	0.9%	0.9%
Pre-provision ROA		2.1%	2.2%	2.2%	2.1%	2.0%	2.1%
RoA	1.7%	1.9%	1.9%	1.9%	1.8%	1.6%	1.7%
Pre-provision ROE		29.1%	40.0%	42.2%	39.7%	39.4%	42.8%
RoE		18.9%	23.4%	22.8%	22.2%	21.4%	23.2%
Dividend Payout Ratio	3.1%	11.8%	12.6%	12.6%	12.6%	12.6%	12.6%
Efficiency Ratio (Cost/Income Ratio)	34.2%	33.9%	29.5%	27.8%	26.5%	27.1%	26.6%
Total Non-Interest Income/Operating Income	39.9%	28.6%	27.8%	25.4%	25.0%	23.3%	24.9%
Loan Loss Reserves/NPLs	122.3%	85.7%	95.6%	88.8%	88.8%	88.8%	88.8%
Loan Loss Reserves/Total Loans	1.2%	1.6%	1.5%	1.4%	1.4%	1.4%	1.4%
Provisions Expense/Average Loans	0.7%	1.6%	1.6%	1.5%	1.5%	1.5%	1.5%

Sources: Bank reports, Vietinbanksc estimates

Note: For the loan/ deposit ratio we include all loan to customers and loan to interbank; for deposit we include deposit from customers and deposit from interbank.

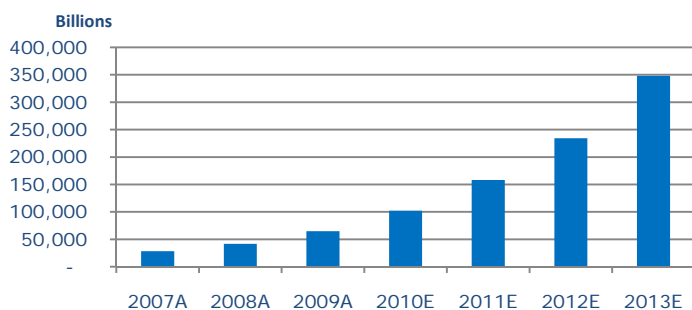
INTRODUCTION TO MILITARY BANK

Healthy growth in revenues, net profit and EPS



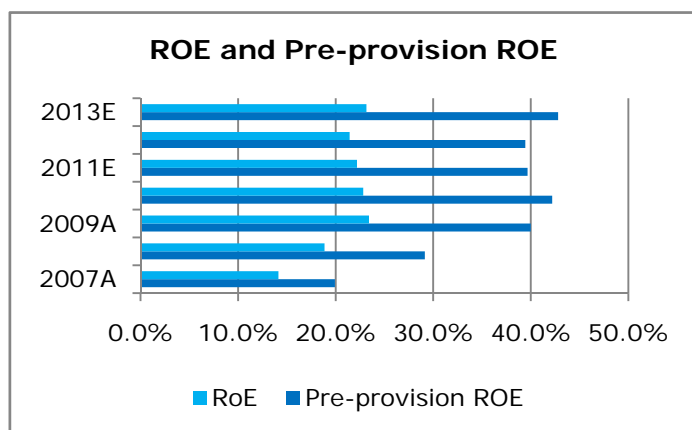
Military Bank has reported a strong growth in the past 3 years, with CAGR (2007-2009) of revenue, net profit and EPS grow by 60%, 49% and 49%, respectively driven by healthy growth of loans for SMEs & individuals, fixed income investments and services. We note that the growth was in the context of global financial crisis which caused negative effects on Vietnam's economy as a whole and banking industry in particular. We believe that in line with the recovery of the economy and banking sector, MB's revenues and net profits will trigger with the CAGR (2009-2013) of 54% and 47%, respectively.

Impressive growth in earning assets

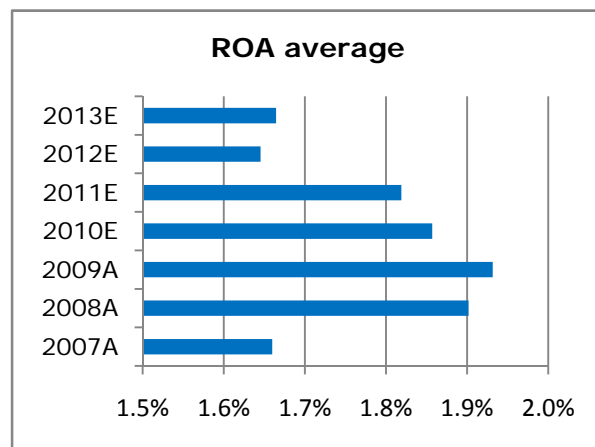


The bank reports an impressive growth in its earning assets in the past 3 years, with some 51% annually from 2007-2009, and always outperforming the industry level, which was at just 25% in our estimate for a pool of top 15 commercial banks in the country. We estimate that the bank could report at solid growth for 2010 onwards, benefiting from the industry trend and its preparation to capture these great opportunities.

And reporting a high profitability over years



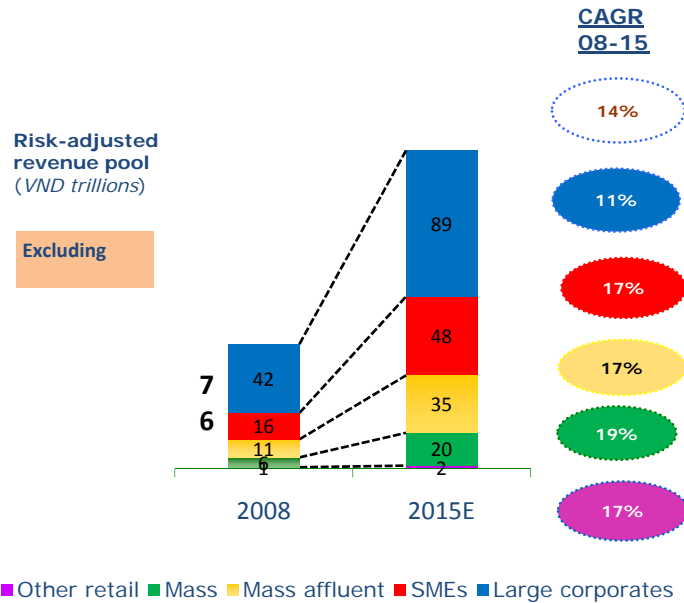
While ROA will be gradually decreased as higher return business segment outperforms the growth of earning assets...



We want to discuss our key themes for commercial banking industry before working on Military Bank analysis

Commercial banking: A shift to SMEs and consumer banking

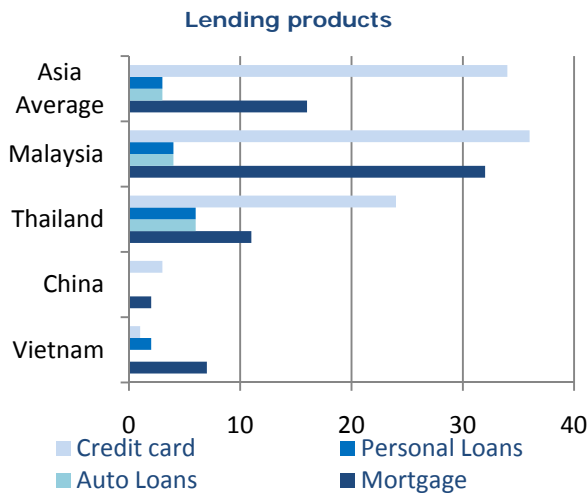
SMEs and retail segment are expected to grow fastest



We believe that the commercial banking industry will shift to SMEs and consumer banking in 2010 and years forwards, mainly driven by (i) the increasing income of people (ii) the growth of the economy, which is estimated to grow by some 8% over the next 10 years, sources: PWC, WB. (iii) the unique demographics where young generations taking majority of the populations, that we believe it will benefit all consumer plays and (iv) the stability of politics.

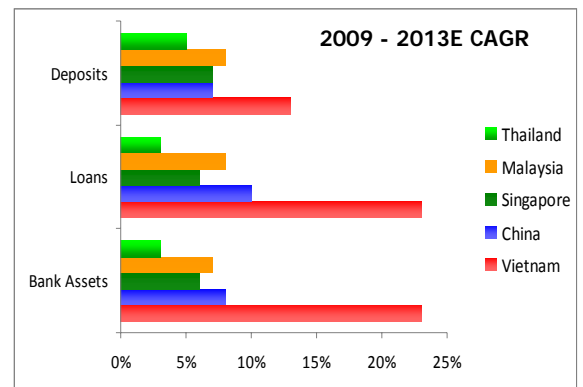
According to a research by McKinsey in Vietnam, the entire commercial banking business, excluding interbank, is expected to grow fast with a CAGR (2008-2015) of 14%. Of which, SMEs and retail segments are expected to grow fast, with 17%-19% until 2015. Conversely, large corporate segment, which mainly are SOEs, is expected to grow modestly, at just 11% to 2015.

Starting with a low base Vietnam's current low penetration for lending products suggesting a great potential for growth in the future



Source: McKinsey & Company

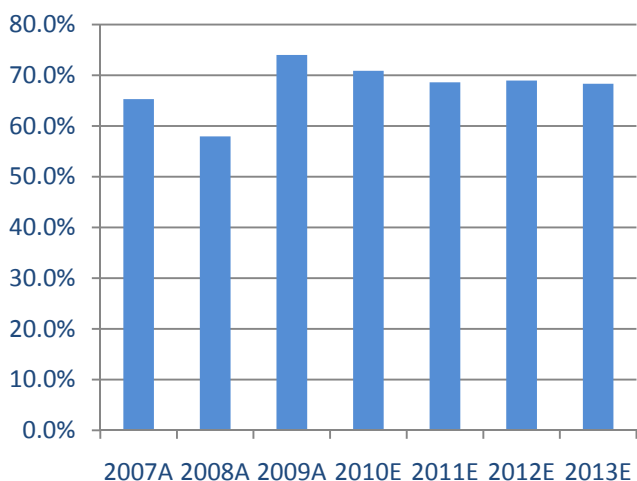
And as a whole industry: Vietnam's commercial banking is forecasted to grow fastest in Asia, in term of Deposits, Loans and Bank Assets



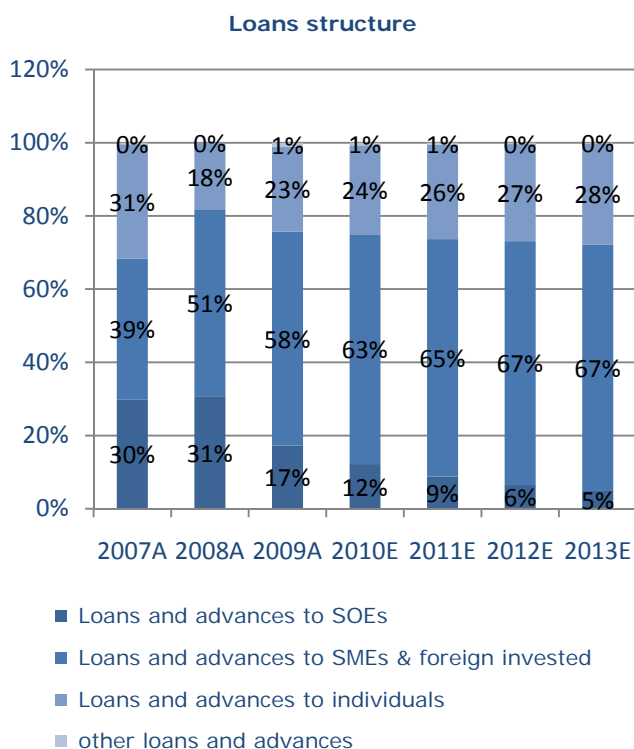
Source: BMI

OUR FINANCIAL MODELLING

Safety loan to customer/ deposits from customer ratio



Loan growth – A shift to higher risk-adjusted return business segment



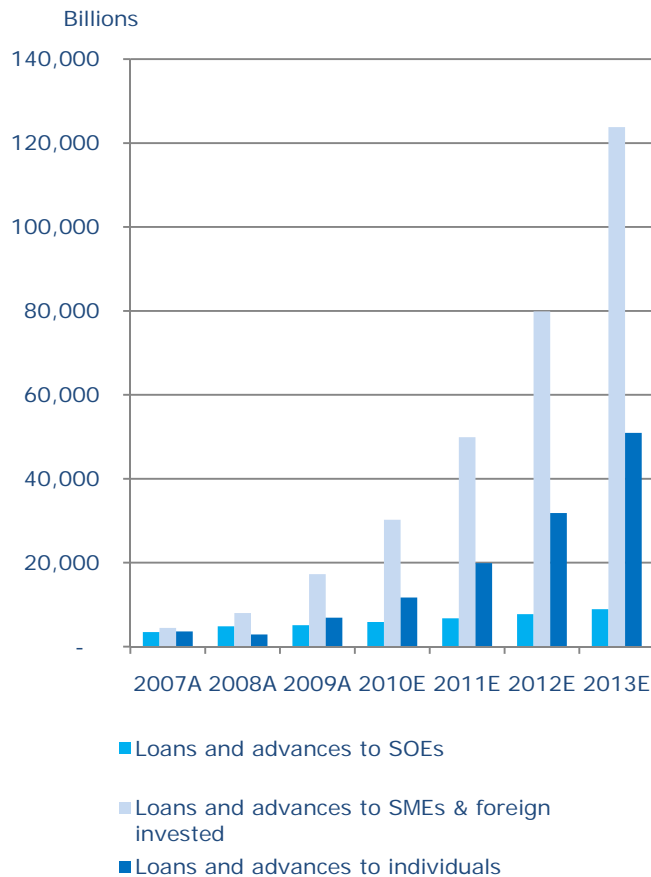
Military Bank is well positioned to capture industry's opportunities

Loans-to-customer contributes in average of 39% of total assets of the bank in the past 3 years. By end of 1H2010, Military Bank reports a total loan outstanding for 33.6 trillion VND, an increase of 245 compared to end of 2009, and outperforming the industry by 14%. The Bank maintains a very safety loans/deposit-from-customer ratio of 64%, lower than its required rate of 70% and much lower than requirement by state bank of Vietnam, at 80%. Military Bank has well kept this ratio below 70% except for 2009 for the purpose of safety and we note that not many banks in Vietnam can meet this ratio requirement. Given the historical performance and the bank itself strategy forward, we keep this ratio below 70% in our projected forecast period, from 2010 – 2013.

We note there is difference between the ways of allocation of interest income from loans and interest income from interbank business expressed in the audited reports and the bank's itself book-keeping, then for the convenience, we use data from the audited reports for our analysis.

Loans for SOEs contributed some 30% of total loans of the bank in 2007 and 2008 before going down by half in 2009 since the bank intentionally decreases that segment in their portfolio because of lower margin and higher risk, which are mainly due to inefficiency of state-owned-enterprises in general and forward looking. We estimate the "gross margin" – term we use as percentage of interest income of related loan segment vs. total loans to that segment – of the SOE loans are the lowest in all-loans, some 4.6% in 2007 to inflated 2008 of 6.8% before decreasing to 3.6% in 2009. In the bank's strategy, that segment's contributions to total loans is expected to be decreased for that reason, then the bank focuses its efforts on development of SMEs and individual loans. In our model, we forecast loans for SOEs to grow by 15% per annum, which is lower than the bank's forecast, while contributing a decreasing percentage in total loan portfolio of the bank, to 12% for 2010E and 5% in 2013. We also forecast the gross margin for SOE loans will remain at 3.6% for 2010 through 2011 before incrementally decreasing to 3.5% for 2012 and 2013 due to the competition.

Credit growth by segments



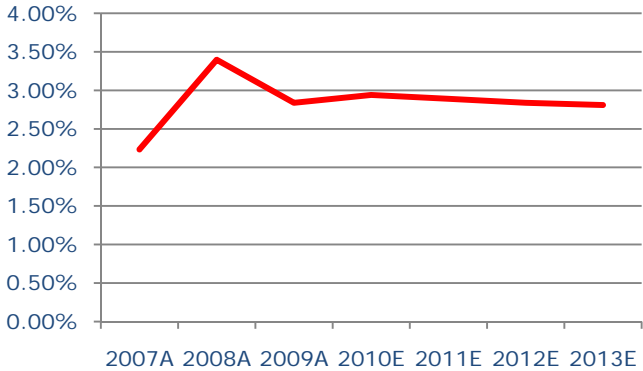
Loans for SMEs and Loans for individuals

These segments are most important ones the Military Bank focuses on.

Loans for SMEs report a huge growth of 79% in 2008 and 115% in 2009 y-o-y, from 4.4 trillion VND in 2007 to nearly double of 8 trillion VND in 2008 and moving fast to 17.2 trillion VND in 2009. As a result, the segment contributes 58% of total loans in 2009 compared to number 39% in 2007. This reflects the industry trend, the bank's strategy to focus on this higher risk-adjusted return. As our industry themes point out, the year 2010 onwards could be themes for SMEs and consumer banking where those segments are expected to grow fastest in all commercial banking lines. We forecast this business line will be pioneer in the coming years, contributing 63% in 2010 to 68% in 2013 incrementally of total loan portfolio of the bank, starting with a growth of some 75% in 2010 y-o-y before decreasing 5% per year to 2013, given the super-growth of that segment in the past 3 years, the industry trend and the outperformance growth ratios of the bank compared to the industry level as well as the bank's strategy. Gross margins for SME loans were usually double compared to that of SOE loans, which explains why the bank shifts its focus on that segment. We estimate the gross margin for 2007 at 9%, climbing to some 17% in 2008 before going down to "normal" 8.2% in 2009. We use the similar margin 8.2% for 2010 through 2011 before incrementally decreasing to 8.1% for 2012 and 2013 due to the tougher competition.

Loans for individuals report a huge growth of 138% in 2009 vs. 2008. This segment reports the highest gross margin in the past 3 years, with even 11% in 2007, climbing to some 20% in 2008 before moving back to the "normal" rate of 9.3% in 2009. We use the similar margin 9.3% for 2010 through 2011 before incrementally decreasing to 9.2% for 2012 and 2013 due to the tougher competition. From the growth perspective, we forecast the segment to grow by 70% annually for 2010-2011 period and then decrease to 60% growth annually from 2012-2013 period; which is based on the fact that the bank always outperform the industry level by some 30% for individual loans, we estimates, and the shift of its focus on this segment in the future.

NIM – We keep it stable over the long-term



The average NIM in the past 3 years of the bank stands at 2.82%, it went high in 2008 at 3.4% before going down to 2.84% in 2009. We forecast NIM for 2010 at 2.94% to reflect (i) the shift to higher risk-adjusted return of SME and individual loans instead of SOE loans and (ii) the impressive high NIM of 1H2010, which we estimate standing at some 3%. Years after that, we incrementally lower NIM forecasts so NIM to stand at a “normal” rate of some 2.84%, which we believe reasonable to reflect the tougher competition in the industry even though NIMs would be better than that forecast due to the above two reasons.

Interbank market activity continues to be one of key sources of income

The Bank receives income from placements with financial institutions. In average of the past 3 years, earnings from interbank market business contribute significantly at 28% of total interest income and similar income of Military Bank. The bank is set to continue a strategy of maintaining this business segment as one of three key growth drivers, together with loans and fixed income businesses, in the coming years, because of two main reasons: (i) to maintain a balancing and safety structure of the balance sheet where loans and related-to-loans businesses targets to account for some or below 50% of total income of the banks (ii) to develop a stability and safety in the income stream where interbank business often bears a low-risk appetite. The gross margin – the term we use similar to the case of loan analysis above - of earnings from interbank market, which is calculated from dividing placement interest to balance of placements with banks – in average of 4.6% in the past 3 years. We keep the similar gross margin for years to come given the bank’s strategy and business outlook as discussed above.

Fixed income investment still a sustainable growth driver

The bank buys fixed income instruments, mainly government and treasury bonds with nearly free-risk to receive annual interest. This business increased hugely, with 261% growth y-o-y in 2008 and 118.8% y-o-y in 2009, contributing to 20% of total interest income and similar income from 10% in 2008. This business creates in average of stable 6.4% of gross margin, which is calculated by dividing interest income from fixed income to balance of fixed income investments. We keep the similar gross margin over the projection period to reflect the bank’s strategy on maintaining this defensive business over the next coming years.

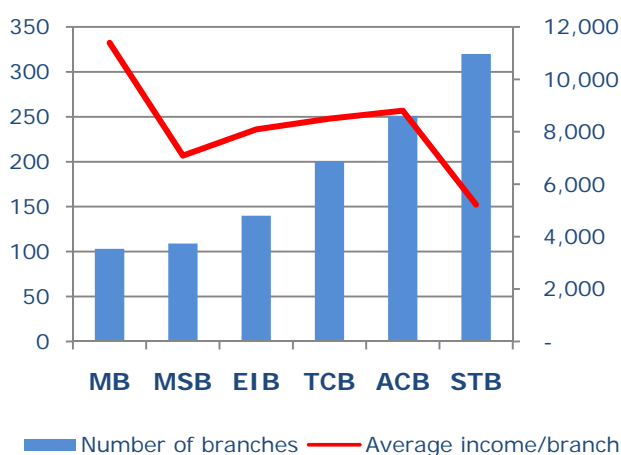
Banking service activity remains a stable profit-generating segment

Services incomes are mainly from settlements, guarantees and remittances, with 27.9% growth y-o-y in 2008 and 100% growth y-o-y in 2009. We trace those income-streams based on loans outstanding because settlements, guarantees and remittances in general have been generated from, or followed the loans business. In the last 3 years, the settlement business line is accounting for an average of 0.35% of each year's loan outstanding. We use a ratio of 3% of the loan outstanding to forecast this earning in the coming years. Similarly, the fee stream from guarantees and related-businesses are to be forecasted with 1.4% of total loans outstanding in the coming years, which is also the average ratio we obtained from the past 3 years.

No significant change in earning contribution from subsidiaries

This year, the bank plans to receive some 300 billion VND profit from its subsidiary. We estimate the plan can be achieved given the fact that 1H2010 profit results of these companies are on track. In our financial model, we estimate this earnings account for 0.27% of total earning assets, which is equal to 2009's level and much lower than the average level of 0.43% of total earning assets in the last 3 years. We keep decreasing this ratio from year to year due to the fact that the bank has not finalized a clear growth strategy for those subsidiaries.

The bank's profit per branch would be highest amongst top-tier commercial banks in Vietnam

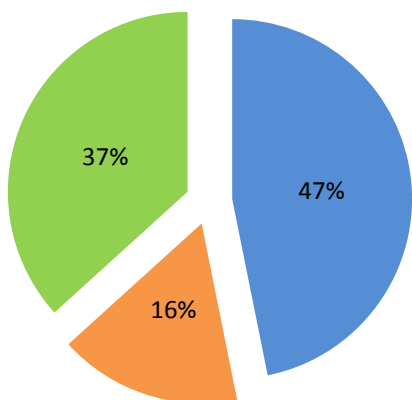


Although MB has a smallest number of branches (103) compared to other commercial banks such as TCB (200), ACB (251), STB (320), etc, its branches proved to be the most effective profit-generating units. On average, each branch of MB generates VND 11,395 million net incomes, which is the largest among 6 biggest commercial banks. These figures of EIB, TCB and ACB are VND 8,089 million, 8,501 million and 8,807 million only. In terms of effective profit-generating unit, MSB and STB rank the lowest with VND 7,091 million and 5,220 million respectively. MB seems not to focus on widening its branch system but to focus on the quality of its branches to provide best service to customers.

Forecast of cost items

Salary cost. This cost contributes some 40% of total operating costs, and reports a growth of 98% in 2008 and 49% in 2009. We project a growth of 50% y-o-y to reflect a growth ratio of total assets and in line with the bank's strategy, which is mainly because of expansion plans of new branches nationwide.

Operating cost breakdown

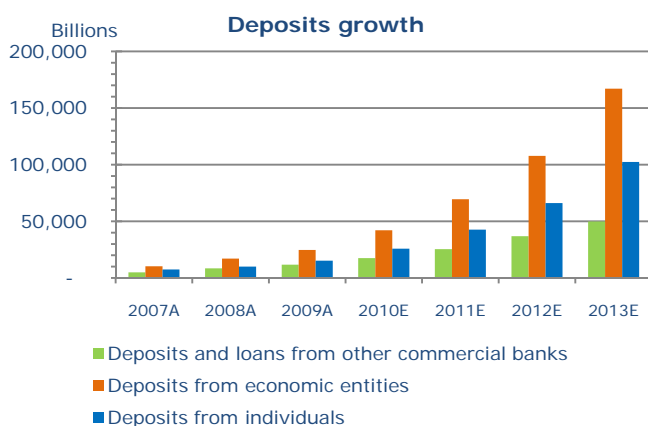


- Payroll and other staff costs
- Depreciation and amortisation charges
- Other operating expenses

Depreciation cost contributes in average of 12.3% of total operating cost, and a growth of some 66% y-o-y, we project the similar growth in the coming years given the bank's strategy of new branch expansion plan.

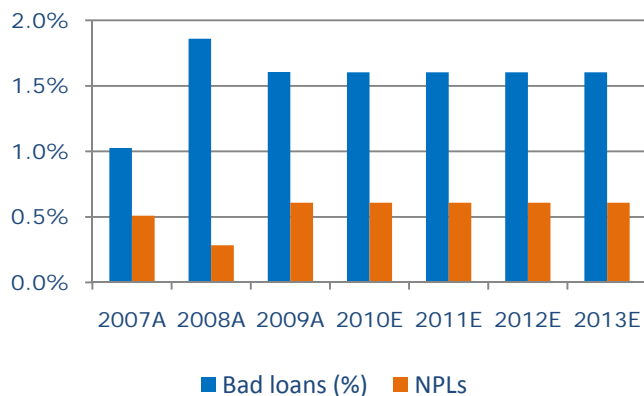
Other operating cost contributes in average of 47.8% of total operating cost, and a growth of some 26% y-o-y, we project the similar growth in the coming years given the bank's strategy of new branch expansion plan.

Deposit growth sustainably



The bank reports a total deposit of 52.9 trillion VND by end of 1H2010, a 32% y-o-y growth and much higher compared to the industry rate of 9.2%, achieving by 77% of the year plan. We project a 70% growth y-o-y in deposits from public for 2010 and then decreasing incrementally in the following years to reflect (i) the 1H2010 good results and (ii) the bank's plan of focusing on deposit markets that benefiting from industry growth as we analyzed above.

Also no significant change in NPL ratio over time

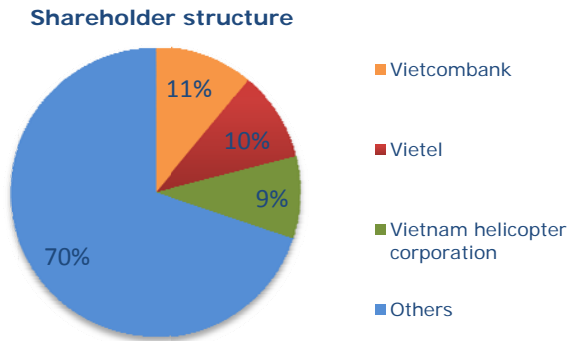


By end of June 2010, the bank can maintain a rather good bad loan ratio, at 1.35% of the total loan outstanding, much lower than last year's 1.94% and 1Q2010's 1.76% due to its policy to moving up more on SMEs and individuals while less for large-sized customers, usually SOEs. This is extremely good in the context that the bank's loan portfolio growth outperforms the industry. We keep the similar ratio of the average level in the past 3 years for bad loan, at 1.4% in the projection years.

Fortunately Military Bank has been leading by a strong and committed management team

Board of management consists of CEO, 8 deputy CEO and finance director who all have deep and wide experience in finance and banking industry. Most of them have been with the bank for a long time and has significant contributions for the bank especially in the past 5 years. Upon our appraisal, we believe most of management team members continue with the bank in a long-time future.

Room for foreign investors fully open



MB has 3 biggest institution shareholders who are all state owned enterprises. Vietcombank, one of the largest banks with deep experience in banking industry, would be supportive of MB in this field. The 3 institutions have nearly equal significant voting rights. The rest of shares are hold by other institutions and individuals but no one owns more than 5%. There is still full room for foreign investors who are interested in a high-grown bank like MB.

OUR STOCK VALUATION

We have used P/E and P/B for valuing the bank's stock in comparison with local and regional peers.

Valuation of Chinese banking industry shows that Chinese banks are forecast to be traded on P/E average and median of 11x and 11.3x FY2010 respectively. Also in this report, Citigroup estimate P/B average and median for China banking industry are 2x and 1.7x.

China banks	Market value (HK \$mil)	P/E			P/B		
		2009A	2010E	2011E	2009A	2010E	2011E
BoC	1,053,433	6.8	11.3	9.5	1.8	1.6	1.5
BoCom	489,459	12.1	12.3	10.2	2.3	1.9	1.7
CCB	1,540,011	12.6	10.4	9.1	2.4	2.1	1.8
China Everbright	31,817	6.7	17.7	15.8	1.5	1.3	1.2
CMB	440,163	18.7	16.1	12.4	3.7	2.9	2.5
CNCB	206,877	12.6	10.2	8.1	1.8	1.5	1.3
ICBC	1,967,371	13.3	11.4	10.2	2.5	2.2	2
Minsheng bank	194,483	12	10.4	8.1	1.9	1.6	1.4
Industry average	5,923,614	12.8	11.0	9.7	2.3	2.0	1.7
Median		12.4	11.4	9.9	2.1	1.75	1.6

Source: China equity strategy- Citigroup Global market, 26/7/2010

Valuation of Vietnamese commercial banks shows that they are traded on P/E 2010E average and median of 6.6x and 7.4x, and P/B 2010E of 1.2x.

Ticker.	No. of outstanding shares (mil)	Market cap, bil VND	P/E 2009	P/B 2009	ROE 2010P	P/E 2010P	P/B 2010P	P/E 2011E	P/E 2012E
EIB	876	14,019,630	12.4	1.0	0.1	7.4	0.9	9.7	8.5
STB	905	14,201,398	8.5	1.3	15%	7.9	1.2	N/A	N/A
MSB	300	4,200,000	5.4	1.2	20%	4.7	0.9	3.5	2.8
ACB	778	21,160,929	9.6	2.1	21%	7.8	1.7	8.3	7.4
TCB	693	13,860,000	8.2	1.9	26%	5.3	1.4	N/A	N/A
				Average	19%	6.6	1.2	7.2	6.2
				Median	20%	7.4	1.2	8.3	7.4
MB	530	10,600,000	9.7	1.5	22.8%	6.5	1.0	4.2	3.1

Sources: Banks' reports, HSC, VietinBankSc estimates; Share prices as of 27 Aug 2010

We recommend a Buy with a target selling price of VND28,000

VALUATION	2009A	2010E	2011E	2012E	2013E
EPS	2,066	3,098	4,722	6,479	9,754
P/E entry	9.7	6.5	4.2	3.1	2.1
Value based on P/E		27,883	42,498	58,313	87,789
BV/share	12,996	19,868	28,364	39,560	54,975
P/B entry	1.5	1.0	0.7	0.5	0.4
Value based on P/B		29,802	42,546	59,340	82,462
	MEDIAN	28,842	42,522	58,826	85,125
	P/E	9.3	9.0	9.1	8.7
	P/B	1.5	1.5	1.5	1.5

We evaluate the bank stock based on P/E and P/B combination in comparison with current valuations of both local and regional valuation peers, and the long-term valuations of listed peers stocks in Asia-Pacific (except Japan) to come up with a fair exit value of the Military Bank of VND28,000 under the charter capital of 5,300 billion VND. This implies a P/E 2010E of 9.3x an P/B 2010E of 1.5x for a growth stock with ROE 2010E of 22.8%, and an expected ROE for 2010-2013 of 22.4% in average.

Notice: To project EPS's growth and to eliminate disturbing factors from issuing new shares to existing shareholders, we used 2010 chartered capital to calculate EPS for different periods in this report.

Analyst Certification

We, Le Manh Dung, Vu Huong Giang hereby certify that, opinions, forecasts and estimations in this report only reflect our personal views. We also certify that no part of our compensations is directly or indirectly related to the opinions and recommendations expressed in this report.

DISCLAIMER

This report was produced by VietinBankSc. Information within this report has been compiled from sources we believe to be reliable, but we do not hold ourselves responsible for its completeness or accuracy.

This report is for reference only and investors should be responsible for their own investment decisions.



VIETINBANK SECURITIES JOINT STOCK COMPANY

Head Office

306 Ba Trieu, Hai Ba Trung dist, Hanoi
Tel: (84.4) 62 780012
Fax: (84.4) 39 741760

Ha Noi Branch

65 Tran Duy Hung, Cau Giay dist, Hanoi
Tel: (84.4) 35 565858
Fax: (84.4) 35 565959

Ho Chi Minh City Branch

63 Pham Ngoc Thach, bis 6, District 3, Ho Chi Minh city
Tel: (84.8) 38 209986
Fax: (84.8) 38 200921

Website: www.vietinbanksc.com.vn
Email: phantich@vietinbanksc.com.vn