

## MILITARY COMMERCIAL JSB (MBB) — EARNINGS UPDATE

<b>Market Price</b>	<b>Target Price</b>	<b>Dividend Yield</b>	<b>Rating</b>	<b>Sector</b>
VND29,450	VND40,800	0.00%	ADD	FINANCIALS

29 April 2022

**Outlook – Short term:** Positive  
**Outlook – Long term:** Positive  
**Valuation:** Positive

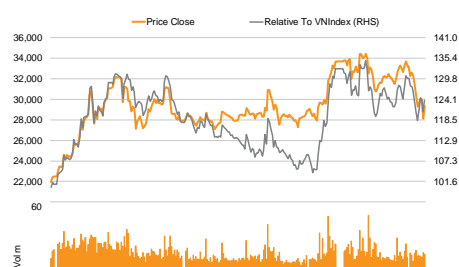
Consensus\*: Add:13 Hold:0 Reduce:0

Target price / Consensus: 1.7%

### Key changes in the report

➤ N/A

### Price performance



Source: VND RESEARCH

### Key statistics

52w high (VND)	34,400
52w low (VND)	21,926
3m Avg daily value (VNDmn)	492,958
Market cap (VND bn)	106,171
Free float (%)	20
TTM P/E (x)	8.69
Current P/B (x)	1.86

### Ownership

Viettel Group	14.6%
SCIC	9.8%
Vietnam Helicopter Corporation	7.8%
Others	67.8%

Source: VND RESEARCH

### Analyst(s):



**Viet Le Quoc**

Viet.lequoc2@vndirect.com.vn

## A good start to the year

- 1Q21 net profit grew 20.3% yoy to VND4,546bn following strong loan growth and higher NIM, forming 28% of our full year forecast.
- MBB will likely acquire a struggling institution that is subjected to special supervision by State bank of Vietnam (SBV).

### MBB 1Q22 net profit in line with our forecast

- 1Q21 net interest income (NII) increased 41% yoy following 28.3% yoy loan growth and 55bp yoy NIM expansion. Loan balance grew 14.3% ytd, much higher than the sector growth of 5.03%. Strong loan growth of MBB in 1Q22 was largely driven by 18.6% ytd of retail, accounting for 47.9% of loan mix.
- 1Q22 NIM expanded 55bp yoy to 5.6% as asset yield inched up 15bps yoy while cost of fund (COF) subdued 46bps yoy. Though higher than that of 4Q21, MBB's deposit rates in 1Q22 were about 10-50bps lower than 1Q21.
- Non-interest income (Non-II) stayed flat, thus total operating income (TOI) grew only 27% yoy.
- 1Q22 provisioning expense increased 17.5% yoy to VND2,126bn, bringing the ratio of provisioning/pre-provision operating profit (PPOP) down 26.5% from 28.3% in 1Q21. Consequently, 1Q22 net profit surged 20.3% yoy to VND4,546bn, forming 28% of our full year forecast.
- At end-1Q22, non-performing loan ratio (NPL) was 0.98% (vs. 0.88% in 4Q21), loan loss reserves (LLR) was 250%, down from 268% in 4Q21.

### MBB will likely acquire a struggling institution

Following the government-approved roadmap, MBB will acquire, at zero-cost, one of the institutions that are subjected under special supervision by SBV. According to management, this institution must meet some financial criteria for restructuring, including: its total asset value or book value is not greater than 10% of MBB; its registered charter capital is less than VND5,000bn, and its accumulated loss is less than VND20,000bn. MBB is likely to be awarded a greater credit limit and enjoy 0%-interest-rate loan package provided by SBV to solve a part of accumulated loss. The financial statement of this institution will not be consolidated into MBB during restructuring phase. MBB targets to cover the loss of this institution within the next 7-8 years. After restructuring, MBB is allowed to merge this institution or transfer for potential investors or offer to public (IPO).

### We expect FY22F pre-tax profit to grow 28.5% yoy

We expect NII to increase 19.9% yoy on the back of 20% yoy credit growth. Together with a CIR of 35% and a credit cost of 1.9%, FY22F pre-tax profit is expected to grow 28.5% yoy to VND20.9tr, higher than MBB's plan (23% yoy ~ VND20.3tr).

Financial summary (VND)	12-20A	12-21A	12-22E	12-23E
Net interest income (bn)	20,278	26,200	31,408	37,061
Net interest margin	4.7%	5.0%	5.0%	5.1%
Total operating income (bn)	27,362	36,934	43,909	51,330
Total provision charges (bn)	(6,118)	(8,030)	(7,626)	(7,890)
Net profit (bn)	8,263	12,697	16,314	19,870
Net profit growth	5.6%	53.7%	28.5%	21.8%
Adjusted EPS	2,059	3,175	4,086	4,977
BVPS	12,563	15,768	19,489	24,152
ROAE	19.2%	23.6%	24.5%	24.1%

Source: VND RESEARCH

## A GOOD START TO THE YEAR

**Figure 1: 1Q22 results comparison (VNDbn, otherwise noted)**

Profit & Loss statement	1Q22	yoy%	VND FY22F forecasts	% of VND forecasts	Comments
Net interest income	8,385	40.9%	31,408	26.7%	In line with our forecasts
Non-interest income	3,248	0.2%	12,501	26.0%	In line with our forecasts
Operating revenue	11,633	26.5%	43,909	26.5%	
Operating expenses	(3,598)	28.3%	(15,368)	23.4%	In line with our forecasts
Pre-provision profit	8,035	25.8%	28,541	28.2%	
Provision expenses	(2,126)	17.5%	(7,626)	27.9%	In line with our forecasts
Pre-tax profit	5,910	29.0%	20,915	28.3%	
Net profit	4,546	20.3%	16,314	27.9%	In line with our forecasts

Source: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 2: MBB's key ratios by quarter**

Key ratios	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
NII/Total Operating Income (TOI)	73.0%	74.1%	70.3%	76.7%	75.1%	64.7%	73.5%	74.9%	70.9%	72.1%
Non-II/TOI	27.0%	25.9%	29.7%	23.3%	24.9%	35.3%	26.5%	25.1%	29.1%	27.9%
NIM (annualised)	5.1%	4.8%	4.7%	5.2%	5.3%	5.0%	5.4%	5.1%	5.2%	5.6%
Loan-to-deposit ratio (Circular 36)	74.2%	74.1%	76.0%	78.8%	74.4%	78.1%	75.7%	72.1%	70.7%	75.4%
NPL	1.2%	1.6%	1.4%	1.5%	1.1%	1.3%	0.8%	0.9%	0.9%	1.0%
Loan-Loss-Reserves (LLR)	110.5%	97.6%	121.0%	118.9%	134.1%	127.4%	236.5%	232.8%	268.0%	250.1%
Credit cost (annualised)	2.1%	3.4%	2.6%	2.2%	2.2%	2.3%	2.7%	2.5%	2.2%	2.2%
CIR (cost-to-income)	45.7%	32.3%	37.0%	42.1%	41.9%	30.5%	34.6%	34.8%	34.2%	30.9%
Provision/Pre-provisioning operating profit (PPOP)	33.4%	48.8%	29.4%	22.7%	43.0%	28.3%	41.6%	31.3%	30.2%	26.5%
ROAA (trailing 12M)	2.0%	1.9%	1.9%	2.0%	1.8%	2.3%	2.3%	2.3%	2.3%	2.4%
ROAE (trailing 12M)	22.1%	20.1%	20.7%	20.0%	19.2%	22.1%	21.4%	22.2%	24.0%	23.1%

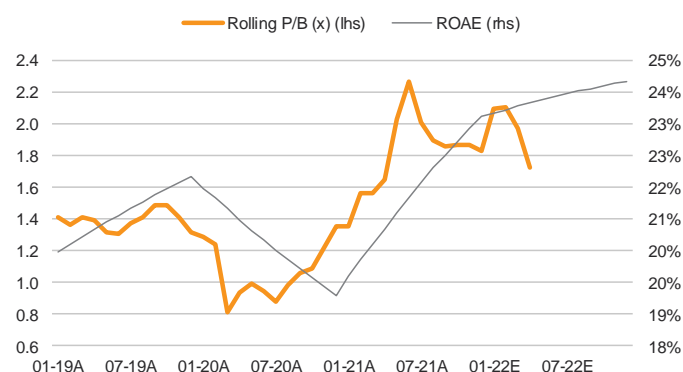
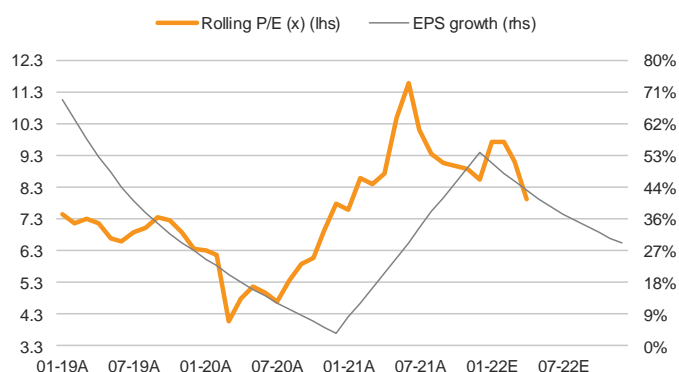
Source: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 3: Vietnam's peer comparison (price as at 28/04/2022)**

	Ticker	Recomm endation	Closing Price	Target price	Mkt cap	P/BV (x)		P/E (x)		3-year EPS		ROE (%)		ROA (%)	
			LC\$	LC\$		US\$bn	FY22F	FY23F	FY22F	FY23F	CAGR (%)	FY22F	FY23F	FY22F	FY23F
Vietcombank	VCB VN	ADD	81,500	98,700	16.6	3.09	2.58	19.10	15.90	23.8%	20.0%	21.0%	1.7%	1.8%	
VietinBank	CTG VN	ADD	28,200	41,700	5.8	1.63	1.40	16.89	14.07	17.3%	15.0%	15.8%	1.0%	1.1%	
Techcombank	TCB VN	ADD	42,300	70,000	6.3	1.60	1.30	8.30	6.90	21.1%	22.1%	21.6%	3.6%	3.7%	
Vietnam Prosperity JSB	VPB VN	ADD	36,500	45,800	7.0	1.60	1.36	10.90	8.50	22.7%	16.1%	17.0%	3.0%	3.2%	
Asia Commercial JSB	ACB VN	ADD	31,000	41,800	3.6	1.62	1.32	7.96	6.95	18.8%	23.6%	22.5%	2.2%	2.2%	
Vietnam International Commercial JSB	VIB VN	HOLD	41,400	46,400	2.8	2.4	1.9	10.5	8.9	18.6%	23.0%	22.0%	2.0%	2.0%	
Tien Phong Commercial JSB	TPB VN	HOLD	33,600	41,100	2.4	1.9	1.6	11.0	9.0	23.1%	20.9%	21.0%	2.0%	2.1%	
<b>Average regional peers</b>						<b>2.0</b>	<b>1.6</b>	<b>12.1</b>	<b>10.0</b>	<b>20.8%</b>	<b>20.1%</b>	<b>20.1%</b>	<b>2.2%</b>	<b>2.3%</b>	
Military Commercial Joint Stock Bank	MBB VN	ADD	29,450	40,800	4.8	1.5	1.2	6.8	5.6	21.7%	24.5%	24.1%	2.5%	2.6%	

Source: VNDIRECT RESEARCH, BLOOMBERG

**Valuation**



**Income statement**

(VNDbn)	12-21A	12-22E	12-23E
<b>Net interest income</b>	<b>26,200</b>	<b>31,408</b>	<b>37,061</b>
<b>Non interest income</b>	<b>10,735</b>	<b>12,501</b>	<b>14,269</b>
<b>Total operating income</b>	<b>36,934</b>	<b>43,909</b>	<b>51,330</b>
Total operating costs	(12,377)	(15,368)	(17,966)
<b>Pre-provision operating profit</b>	<b>24,557</b>	<b>28,541</b>	<b>33,365</b>
<b>Total provision charges</b>	<b>(8,030)</b>	<b>(7,626)</b>	<b>(7,890)</b>
Income from associates & JVs			
Net other income			
<b>Pre-tax profit</b>	<b>16,527</b>	<b>20,915</b>	<b>25,475</b>
Tax expense	(3,306)	(4,183)	(5,095)
<b>Profit after tax</b>	<b>13,221</b>	<b>16,732</b>	<b>20,380</b>
Minority interest	(524)	(418)	(509)
<b>Net profit</b>	<b>12,697</b>	<b>16,314</b>	<b>19,870</b>

**Balance sheet**

(VNDbn)	12-21A	12-22E	12-23E
Gross loans to customers	363,555	436,266	512,612
Loans to banks	35,985	39,583	43,542
<b>Total gross loans</b>	<b>399,540</b>	<b>475,849</b>	<b>556,154</b>
Securities - total	136,804	156,946	172,641
Other interest earning assets	38,325	42,158	46,374
<b>Total gross IEAs</b>	<b>574,669</b>	<b>674,953</b>	<b>775,168</b>
<b>Total provisions</b>	<b>(9,180)</b>	<b>(15,163)</b>	<b>(9,993)</b>
<b>Net loans to customers</b>	<b>354,797</b>	<b>427,048</b>	<b>503,190</b>
<b>Total net IEAs</b>	<b>565,489</b>	<b>659,791</b>	<b>765,176</b>
Cash and deposits	3,475	3,719	3,979
Total investments	1,072	1,147	1,228
Other assets	37,104	39,701	42,480
<b>Total non-IEAs</b>	<b>41,652</b>	<b>44,567</b>	<b>47,687</b>
<b>Total assets</b>	<b>607,140</b>	<b>704,358</b>	<b>812,863</b>
Customer deposits	384,692	477,018	553,341
Cds outstanding	66,887	77,589	85,348
Customer interest-bearing liabilities	451,579	554,607	638,689
Bank deposits	59,823	65,805	69,095
Broad deposits	511,402	620,412	707,784
Other interest-bearing liabilities	1,999	1,999	1,999
<b>Total IBLs</b>	<b>513,400</b>	<b>622,411</b>	<b>709,783</b>
Deferred tax liability			
Other non-interest bearing liabilities	31,254	4,981	7,985
<b>Total non-IBLs</b>	<b>31,254</b>	<b>4,981</b>	<b>7,985</b>
<b>Total liabilities</b>	<b>544,654</b>	<b>627,391</b>	<b>717,768</b>
Share capital	37,783	37,783	37,783
Additional paid-in capital	1,535	1,535	1,535
Treasury shares	0	0	0
Retained earnings reserve	12,915	26,977	44,596
Other reserves	7,341	7,341	7,341
<b>Shareholders' equity</b>	<b>59,575</b>	<b>73,637</b>	<b>91,256</b>
Minority interest	2,911	3,329	3,839
<b>Total equity</b>	<b>62,486</b>	<b>76,966</b>	<b>95,095</b>
<b>Total liabilities &amp; equity</b>	<b>607,140</b>	<b>704,358</b>	<b>812,863</b>

	12-21A	12-22E	12-23E
<b>Growth rate (yoy)</b>			
Cust deposit growth	23.7%	24.0%	16.0%
Gross cust loan growth	21.9%	20.0%	17.5%
Net interest income growth	29.2%	19.9%	18.0%
Pre provision operating profit growth	46.1%	16.2%	16.9%
Net profit growth	53.7%	28.5%	21.8%
Growth in IEAs	22.4%	16.7%	16.0%
<b>Share value</b>			
Basic EPS (VND)	3,378	4,347	5,295
BVPS (VND)	15,768	19,489	24,152
DPS (VND)	0	596	596
EPS growth	54.3%	28.7%	21.8%

**Key ratios**

	12-21A	12-22E	12-23E
Net interest margin	5.0%	5.0%	5.1%
Cost-income ratio	(33.5%)	(35.0%)	(35.0%)
Reported NPLs / gross cust loans	0.9%	0.7%	0.3%
Reported NPLs / net cust loans	0.9%	0.7%	0.3%
GP charge / average cust loans	2.4%	1.9%	1.7%
Total CAR	10.2%	10.8%	11.3%
Loan deposit ratio	80.5%	78.7%	80.3%
<b>Margins and spreads</b>			
Return on IEAs	7.4%	7.4%	7.5%
Cost of funds	2.6%	2.6%	2.6%
Interest return on average assets	4.8%	4.8%	4.9%
ROAE	23.6%	24.5%	24.1%

Source: VND RESEARCH

## DISCLAIMER

This report has been written and distributed by Research Department, VNDIRECT Securities Corporation. The information contained in this report is prepared from data believed to be correct and reliable at the time of issuance of this report. Unless otherwise stated, this report is based upon sources that VNDIRECT considers to be reliable. These sources may include but are not limited to data from the stock exchange or market where the subject security is listed, or, where appropriate, any other market. Information on the company(ies) are based on published statements, information disclosure and announcements of the company(ies), and information resulting from our research. VNDIRECT has no responsibility for the accuracy, adequacy or completeness of such information.

All estimates, projections, forecasts and expression of opinions contained in this report reflect the personal views and opinions of the analyst(s) responsible for the production of this report. These opinions may not represent the views and position of VNDIRECT and may change without notice.

This report has been prepared for information purposes only. The information and opinions in this report should not be considered as an offer, recommendation or solicitation to buy or sell the subject securities, related investments or other financial instruments. VNDIRECT takes no responsibility for any consequences arising from using the content of this report in any form.

This report and all of its content belongs to VNDIRECT. No part of this report may be copied or reproduced in any form or redistributed in whole or in part, for any purpose without the prior written consent of VNDIRECT.

### RECOMMENDATION FRAMEWORK

#### Stock Ratings

Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

#### Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

### Hien Tran Khanh – Research Director

Email: [hien.trankhanh@vndirect.com.vn](mailto:hien.trankhanh@vndirect.com.vn)

### Viet Le – Analyst

Email: [Viet.lequoc2@vndirect.com.vn](mailto:Viet.lequoc2@vndirect.com.vn)

### VNDIRECT Securities Corporation

1 Nguyen Thuong Hien Str – Hai Ba Trung Dist – Ha Noi

Tel: +84 2439724568

Email: [research@vndirect.com.vn](mailto:research@vndirect.com.vn)

Website: <https://vndirect.com.vn>