

MBBANK (MBB)

Add (Maintained)

FINANCIALS

Current Price	VND23,100
52Wk High/Low	VND24,600/14,589
Target Price	VND31,700
Previous TP	VND25,900
TP vs Consensus	9.3%
Upside	37.2%
Dividend Yield	1.9%
Total stock return	39.1%

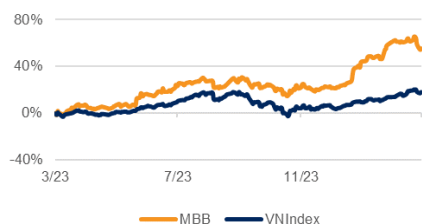
Growth rating	Positive
Value rating	Positive
ST Technical Analysis	Buy

Market Cap	US\$4,887.4m
3m Avg daily value	US\$16.4m
Avail Foreign Room	US\$0.0m
Outstanding Shares	5,214.1m
Fully diluted O/S	5,214.1m

	<u>MBB</u>	<u>Peers</u>	<u>VNI</u>
P/E TTM	6.9	10.2	14.8
P/B Current	1.3	1.6	1.8
ROA	1.0%	1.5	2.0%
ROE	16.0%	17.2	12.1%

*as of 13/03/2024

Share Price performance



Share price (%)	1M	3M	12M
Ordinary share	-1.7%	26.6%	53.4%
Relative to index	3.9%	10.4%	18.2%

Ownership

Viettel Group	18.5%
SCIC	9.4%
Vietnam Helicopter Corporation	8.8%
Others	63.3%

Business Description

Military Commercial Joint Stock Bank (MBB) was established in 1994 with the initial goal of meeting the financial service needs of Military Enterprises. MBB has strong financial capacity and competitiveness, its total assets have continuously increased over the years.

Analyst(s):



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Dynamic growth fueled by robust credit growth

- We maintain our ADD rating with 37.2% upside. We lift our TP by 22% but the stock price has increased by 26% since our last report.
- We adjust our TP to VND31,700 thanks to higher ROE, at 22.7% in FY24 and lower cost of equity (-3.7% point) assumptions.
- The current P/B of 1.29x is lower than the 5-year average of MBB (1.35x) and of the sector (1.5x).

Financial Highlights

- Total operating income (TOI) rose to VND47,306bn (~US1.91bn), +3.8% yoy in 2023 driven by net interest income (NII) (+7.4%yoy).
- 2023 net profit grew by 45.2% yoy to VND4,986bn (~US\$203.8m), supported by lower-than-expected provision cost.
- We forecast MBB's ROE will reach 22.7% in FY24, ranking the 3rd highest ROE in the sector.

Investment Thesis

Ocean bank transfer will push credit growth past quota

We project FY24 credit growth of nearly 20% thanks to economic recovery and a generous credit quota. We expect MBB's credit growth to surpass the 16% quota as the bank announces its actual transfer process of Ocean Bank will initiate in 2Q24.

Insurance market's recovery will lift TOI

We expect Non-Il to rise 14.5% yoy as NFI will grow by +15% yoy in FY24 driven mainly by the rebound of insurance income. We expect the revenue of insurance industry to achieve a positive growth in FY24 as: 1) insurance activities will develop well on the back of the Amended Insurance Business Law; and 2) Vietnamese incomes will improve in FY24 given better economic health.

Active expense management will support earnings growth

We project FY24 net profit to rise 12.9% yoy driven by low provision expense. We expect the bank to continue maintaining a low credit cost ratio at 1.2% in FY24 thanks to: 1) its strong accumulated provision buffer; and 2) an improved outlook for the banking industry after last year's difficulties.

As we think that the bank has made full provisions for all risky loans in previous years, we project MBB's provision expense to remain low in FY24's economic recovery. Coupled with that, as we think the most difficult time of banking sector has gone, we expect MBB's NPLs to decrease to 1.4% in FY24 given its write-offs raised to 1.6 in FY24. In this context, LLR of the bank will increase to 126% in FY24.

Brighter FY24 outlook deserves a higher P/B

The current 1.29x is close to the sector average. We believe MBB deserves a higher P/B, at 1.35x, equaling MBB's historical average 5-year due to better outlook of FY24 (ROE: 22.7%) thanks to higher-than-average credit growth of the sector (15%) and NP growth of 12.9%.

Financial summary (VND)	12-23A	12-24E	12-25E	12-26E
Net interest income (yoy)	7.4%	16.6%	17.3%	16.5%
Non-interest income (yoy)	-1.2%	15.0%	10.0%	10.0%
Provision expenses YoY	-24.4%	32.1%	34.0%	18.9%
Pre-tax profit YoY	15.7%	12.4%	11.4%	12.7%
Loan growth	32.7%	21.0%	18.9%	18.9%
NIM	4.8%	4.7%	4.8%	4.8%
CASA ratio	38.1%	36.5%	36.1%	36.1%
NPLs / Gross loans	1.6%	1.4%	1.2%	1.2%
Group 2 loans / Gross loans	2.3%	1.7%	1.5%	1.5%
ROAE	23.5%	22.7%	20.9%	19.7%

Source: VNDIRECT RESEARCH

Company Profile

MBB, which was originally established with the aim to support the Military Enterprise is well combined between advantages in business model of SOCBs and private banks, which include strong financial shareholders and a digital banking model.

Like SOCBs which are backed by SBV, MBB gains advantages from its strategic shareholders, such as Viettel. This helps the bank gain an edge in acquiring trust and credibility from clients and in accessing large enterprises with many projects funded by the Government and its subsidiaries.

But on the private bank side, MBB shows its dynamic strategy in pioneering banking digitalization. With its online banking model, MBB can well serve all clients in general and its key corporate groups in particular, especially those in rural areas, without adding more physical branches.

Thanks to these distinctive characteristics in its business model, MBB is well-known for its high CASA and low operating cost. MBB's CASA ratio ranked highest in the whole sector in 2023, reaching 38.1% thanks to its strengthened wholesale banking backed by its digital banking model.

In terms of operating cost, MBB recorded the 4th lowest CIR ratio in the banking system in 2023. With the navigation towards digitalization, MBB has saved its operation cost while serving a rapidly increasing number of customers of around 24 million clients served (nearly one-third of the Vietnamese population) in 2023. Given its relationship with the military, MBB is currently considered a stable and reliable financial institution with robust growth.

Figure 1: 2023 MBB's CASA ranked 1st place in the whole system.

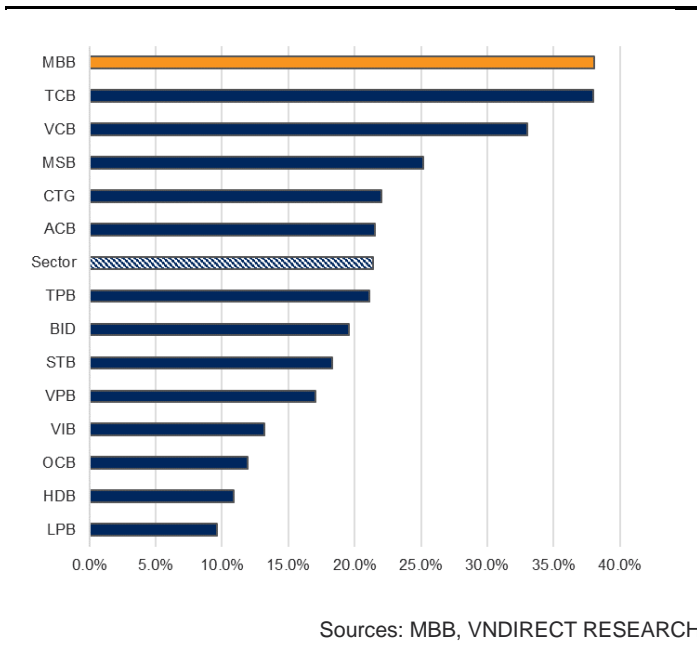
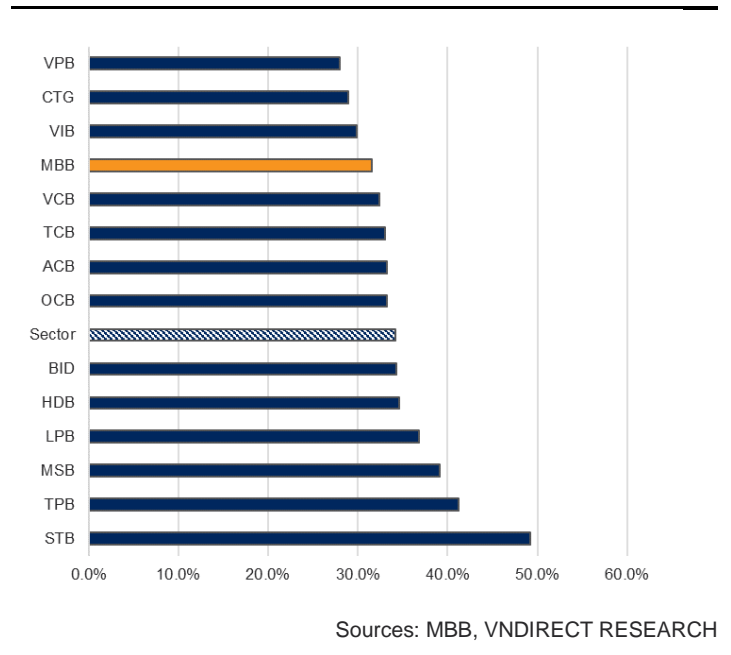


Figure 2: CIR of MBB was low, ranked the 4th lowest number in the sector.



Results Recap: Earning growth was fueled by efficient expense management

Figure 3: Results comparison (VND bn unless otherwise noted)

Profit & Loss statement	4Q23	4Q22	% yoy	3Q23	% qoq	2023	2022	% yoy	Previous	% of VND	Comments
									VND FY23F forecasts	forecasts	
Net interest income	9,163	9,630	-4.8%	9,812	-6.6%	38,684	36,023	7.4%	42,077	91.9%	Lower than our forecasts. Previously, we project FY23F NIM would reach 5.6%, however NIM as end-2023 was only 4.79%.
Non-interest income	2,587	2,122	21.9%	2,253	14.8%	8,622	9,569	-9.9%	8,891	97.0%	Weaker NFI than expected, mainly driven by a plunge in insurance and IB services
Operating revenue	11,750	11,751	0.0%	12,065	-2.6%	47,306	45,593	3.8%	50,968	92.8%	
Operating expenses	(3,876)	(3,628)	6.8%	(3,334)	16.3%	(14,913)	(14,816)	0.7%	(16,360)	91.2%	Significantly lower than our expectation
Pre-provision profit	7,874	8,123	-3.1%	8,731	-9.8%	32,393	30,777	5.3%	34,608	93.6%	
Provision expenses	(1,587)	(3,585)	-55.7%	(1,447)	9.7%	(6,087)	(8,048)	-24.4%	(9,120)	66.7%	Significantly lower than expected provision charges/write-off
Pre-tax profit	6,287	4,538	38.6%	7,284	-13.7%	26,306	22,729	15.7%	25,488	103.2%	
Net profit (ex. MI)	4,986	3,434	45.2%	5,773	-13.6%	20,677	17,483	18.3%	19,639	105.3%	In line with our forecasts.

Source: MBB, VNDIRECT RESEARCH

Figure 4: MBB's key ratios by quarters

Key ratios	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
NII/Total Operating Income (TOI)	75.1%	64.7%	73.5%	74.9%	70.9%	72.1%	79.9%	82.3%	81.9%	85.7%	82.0%	81.3%	78.0%
Non-II/TOI	24.9%	35.3%	26.5%	25.1%	29.1%	27.9%	20.1%	17.7%	18.1%	14.3%	18.0%	18.7%	22.0%
NIM (annualized)	4.95%	5.04%	5.22%	5.17%	5.16%	5.60%	5.70%	5.74%	5.72%	5.73%	5.37%	5.27%	4.95%
NPL	1.09%	1.29%	0.76%	0.95%	0.90%	0.99%	1.20%	1.04%	1.09%	1.76%	1.44%	1.89%	1.60%
Loan-Loss-Reserves (LLR)	134.1%	127.4%	236.5%	232.8%	268.0%	250.1%	221.4%	207.7%	238.0%	138.3%	156.1%	122.0%	117.0%
Credit costs (annualized)	2.72%	2.33%	2.97%	2.13%	2.30%	2.18%	1.32%	0.91%	3.23%	1.57%	0.96%	1.10%	1.11%
CIR (cost-to-income)	41.9%	30.5%	34.6%	34.8%	34.2%	30.9%	34.4%	33.9%	30.9%	29.9%	35.8%	27.6%	33.0%
Provision/Pre-provisioning operating profit (PPOP)	43.0%	28.3%	41.6%	31.3%	30.2%	26.5%	18.7%	13.3%	44.1%	22.1%	16.2%	16.6%	20.2%
ROAE	15.7%	27.4%	18.9%	21.1%	23.2%	28.1%	26.8%	26.6%	17.7%	24.4%	22.9%	26.6%	21.6%
ROAA	1.7%	2.8%	2.0%	2.2%	2.4%	2.9%	2.8%	3.0%	2.0%	2.7%	2.5%	2.8%	2.3%

Source: MBB, VNDIRECT RESEARCH

4Q23 TOI was flat, driven by Non-II growth

4Q23 TOI of VND11,750bn (US\$480m) was flat to 4Q22 thanks to Non-II's increase, offsetting the decrease in NII. Non-II grew by 21.9% yoy in 4Q23 thanks to the surge of core fee income (settlement and cash) and advisory services by +51.5% yoy and +2840% yoy respectively.

On the other hand, the growth of NII decelerated by -4.8% yoy when 4Q23 NIM shrank to 4.31% (-152bps yoy) due to lower asset yield (-127bps yoy) as MBB shifted towards corporate lending and short-term loans, which offer lower interest rates.

4Q23 PBT surged thanks to lower provision cost

FY23 PBT reached VND26,306bn (US\$1.1bn), accomplishing 103.2% of our forecast. 4Q23 PBT rose 38.6% to VND6,287bn (US\$257m), which was driven by tumbling provision cost by 55.7% yoy. We believe that MBB was able to cut its provision cost given its strong provision buffer as LLR was 117% in 4Q23, staying as one of the highest LLRs in the banking system to support its bottom line.

We think that MBB had made extensive provision on bad debts during COVID times, which granted the bank more versatility to optimize its costs. On the other

hand, CIR inched up to 33% in 4Q23 as MBB's staff costs grew at the end of the year.

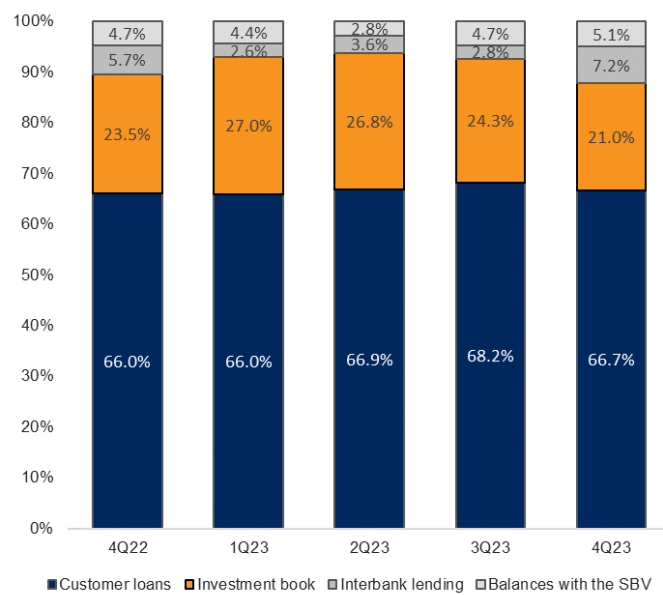
Asset quality was steadily controlled

MBB recorded a decrease in NPLs from 1.89% in 3Q23 to 1.6% at 4Q23, staying lower than the NPL of the sector of 1.93%. Coupled with that, group 2 loans fell from 2.97% in 3Q23 to 2.28% in 4Q23, implying that the asset quality of the bank improved at the end of the year.

Figure 5: MBB's key balance sheet KPIs analysis

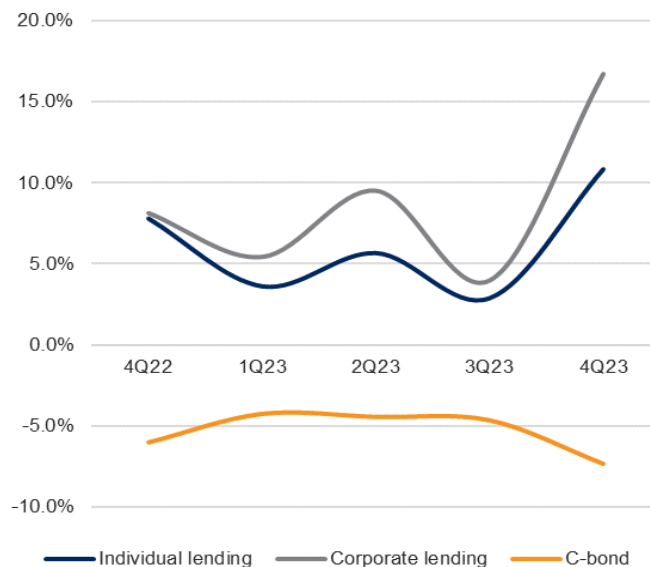
Earning asset (IEA) mix: Interbank lending's share significantly expanded.

- The IEA balance increases by 31.4% yoy in 2023. Compared with end-2022, MBB aggressively increased its allocation to interbank lending and deposit at SBV, to 7.2% and 5.1% respectively. Besides, the bank slightly inched up customer loans proportion to 66.7% (+32.7% yoy) while reduced the percentage of investment book to 21% at end-2023. On a quarterly basis, the growth of 16.6% qoq in IEA balance was driven by the significantly rise in SBV deposit (+206.6% qoq), interbank lending (+25.3% qoq) and customer loan (+13.9% qoq).
- Interbank lending grew by 40% yoy as interbank lending demand warmed up given low interest rate. Besides, balance at SBV rose by 67.2% yoy due to the bank's navigation towards safer assets such as SBV deposits amid the economic headwinds.
- In the investment portfolio structure, the bonds of credit institutions witnessed the deepest plunge (-26% yoy), followed by the fall of corporate bonds (-16% yoy) in 4Q23 while the Govt bonds, which are considered a safe investment, still rose by 33% yoy.



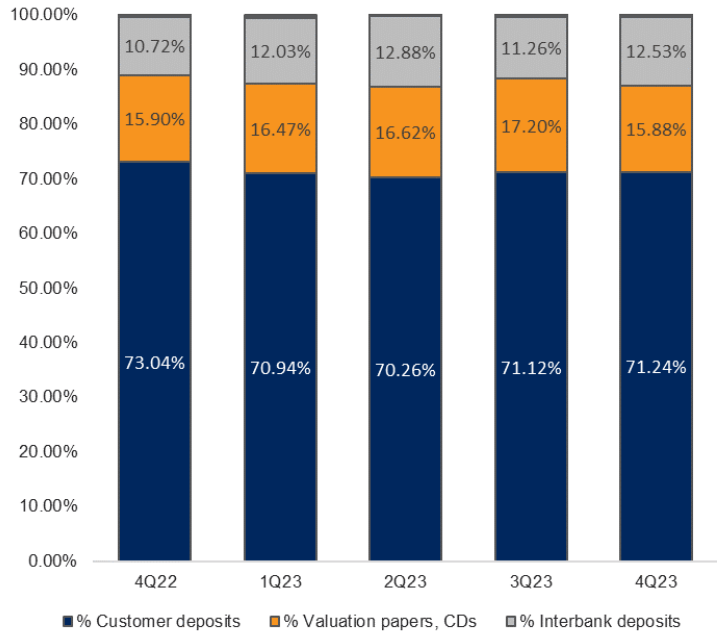
Credit mix vs. growth: Skyrocketed in the last quarter of 2023

- In 4Q23, MBB recorded impressive credit growth of 28% yoy – much higher than the sector average of 13.7% yoy. This growth was driven by the robust expansion of corporate lending (+40.2% yoy and 16.7% qoq). Corporate bonds declined as the bond market still was in difficulty.
- Loans by sector: Although the personal service sector rose 12% yoy, its proportion in the credit book decreased to 28.9% in 4Q23, still the highest share in the total credit mix. 4Q23's credit growth was significantly boosted by the growth in the trading sector (+44% yoy) and manufacturing sector (+35% yoy) as national manufacturing activities and exporting activities recovered in 2H23.



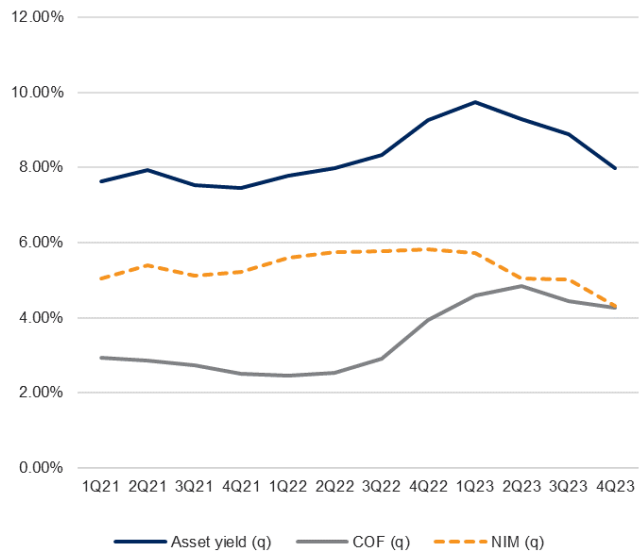
Funding mix: Customer deposit proportion mildly shrank, offset by the rise in the proportion of interbank deposits.

- In 4Q23, MBB's IBL balance grew 31.2% yoy thanks to the remarkable rise in customer deposits, which accounted for 71.2% of total IBL balance, of 27.9% yoy, ranking 3rd highest deposit growth in the system. MBB accelerated raising its funds via interbank deposits (+53.3% yoy) and other credit institutions (+39.8% yoy) to reduce its funding cost as interbank interest rates were significantly low.
- The surge of deposit balances helped keep 2023's LDR ratio nearly the same as 2022, at 77.8%, much lower than the ceiling threshold of 85%, despite MBB's significant loan growth.
- In customer loan mix, compared with 2022, MBB's CASA ratio inched up from 37.6% to 38.1% in 2023 - the highest CASA ratio in the system. Altogether, CASA ratio soared by +4.5% qoq as more clients switched from term deposits to current deposits to take advantage of short-term investing opportunities given low deposit rates. MBB's CASA has remained sustainably high driven by its key clients including family-owned business, SMEs and corporates, which offer stable source of working capital.



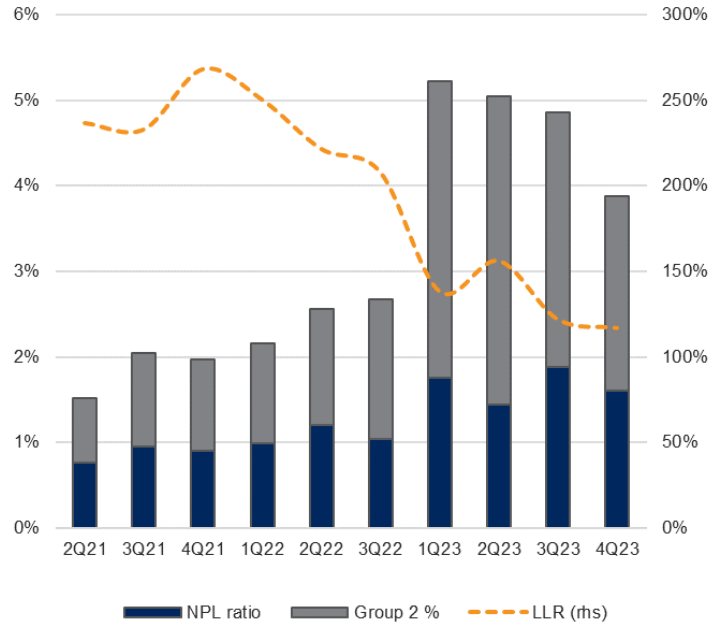
NIM performance: NIM shrunk throughout 2023.

- Annual NIM shrunk by -77bps yoy, to 4.95% at end-2023. Coupled with that, on quarterly basis, NIM of MBB was narrowed down, from 5.03% in 3Q23 to 4.31% in 4Q23, because asset yield (-89.2bps qoq) decreased more rapidly than COF (-19bps qoq).
- Annual asset yield slightly rose by +52bps yoy, to 4.95% at end-23. On the other hand, MBB's quarterly asset yield tumbled from 8.88% in 3Q23 to 7.99% in 4Q23, continuing the downward trend since the beginning of the year because MBB shifted its lending to short-term and corporate loans, which offered lower lending yield. Specifically, MBB's medium loan and long-term loans fell from 15.1% and 35.6% in 2022 to 12.3% and 34.8% in 2023 respectively while short-term loans increased from 49.3% in 2022 to 52.9% in 2023. Altogether, corporate loans grew by +40.2% yoy in 2023.
- On the other hand, COF surged by +152bps yoy, reaching 4.49% in 4Q23 causing narrowed NIM in 2023. Increasing COF was the lagged result of higher interest rate in late 2022. However, we could see a positive sign for MBB when its quarterly COF dropped from 4.45% in 3Q23 to 4.26% in 4Q23, marking the third consecutive quarter that COF fell.



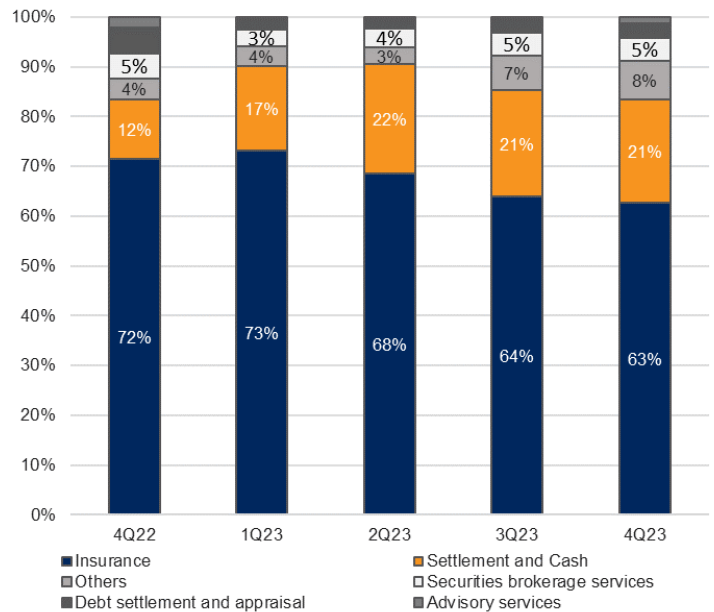
Asset quality gradually improved

- In 4Q23, combination of bad debts and group 2 debts accounted for 3.88% of loan book, much higher than 2.79% in 4Q22 caused by economic headwinds.
- NPL ratio climbed up from 1.06% in 4Q22 to 1.16% in 4Q23, however that's still lower than 1.93% NPL ratio of the whole sector. MBB also saw a decline in NPL ratio on a quarterly basis (-28bps qoq) since 3Q23, implying that the bank gradually improved its asset quality.
- Compared with 2022, group 2 loans grew 58 bps yoy, taking 2.28% of total loans in 2023, implying that MBB asset quality was affected by economic headwinds in 2023. We saw MBB's effort to control its asset quality when the bank consecutively lowered its group 2 balance since 2Q23.
- The increasing NPL tamped down LLR of MBB to 117% in 4Q23, from 238% in 4Q22 but still higher than the sector's figure of 96%. Even though the bad debt ratio fell quarter over quarter, 4Q23's LLR stayed flat with 3Q23 due to lower provision expense.



Fee structure was negatively influenced by insurance income

- NFI slightly inched down by -1% mainly driven by the decline in insurance service income, which took merely 63% in total net fee income in 2023. Particularly, insurance service income dropped by -19% yoy due to lower trust in this industry caused by last year numerous insurance scandals.
- However, the increase in income from core fees (settlement and cash service) (+61% yoy) offset the decrease of insurance income, preventing MBB's fee earning from an income drop.



Source: MBB, VNDIRECT RESEARCH

FY24-25F outlook: Strong credit growth with attractive valuation

Figure 6: Earnings revision (VNDbn, unless otherwise noted)

	Old forecasts		New forecasts				Change		Comments
	FY24F	FY25F	FY24F	%yoy	FY25F	%yoy	FY24F	FY25F	
Net Interest Income	49,688	56,553	45,120	16.6%	52,944	17.3%	-9.2%	-6.4%	We lift our loan growth projections for MBB from 18.6% in FY24F to 21.0% given the bank's strong loan growth prospects. At end-2023, the bank's credit growth reached 28% yoy - notably higher than 13.7% of the whole sector. Meanwhile, we lower our NIM assumptions in FY24/25F from 5.6%/5.6% to 4.7%/4.8% as MBB's NIM was narrowed down to 4.79% at the end of 2023 in the context of low interest rate.
Non-Interest Income	10,301	11,388	9,877	14.5%	11,233	13.7%	-4.1%	-1.4%	We keep our NFI growth assumption at 15%yoy based on our expectation of the recovery in banca and IB service. However, our new forecast is lower than previous forecast due to lower actual 2023's NII, fulfilling only 97% of our FY23 NII
Operating revenue	59,989	67,941	54,997	16.3%	64,177	16.7%	-8.3%	-5.5%	
Operating expenses	(19,111)	(21,473)	(17,395)	16.6%	(20,473)	17.7%	-9.0%	-4.7%	
Pre-provision profit	40,878	46,468	37,601	16.1%	43,704	16.2%	-8.0%	-5.9%	
Provision expenses	(11,120)	(10,601)	(8,042)	32.1%	(10,781)	34.0%	-27.7%	1.7%	Lower forecast FY24/25F from 1.6%/1.4% to 1.2%/1.3% as we think the bank will keep its credit cost low to maintain a higher-than-peer profit growth. We also think the bank will inch up its write-off rate to 1.6% to curb the bad debt. In this scenario, MBB's LLR would be 124%.
Pre-tax profit	29,758	35,867	29,559	12.4%	32,924	11.4%	-0.7%	-8.2%	
Net profit	22,947	27,704	23,347	12.9%	25,900	10.9%	1.7%	-6.5%	

Source: MBB, VNDIRECT RESEARCH

TOI is boosted by robust credit growth and the acceleration of fee income.

We expect MBB's FY24 TOI to grow by 16.3% driven by: 1) the growth of 16.6% yoy in NII; 2) the robust recovery of +14.5% yoy in Non-II, from a negative increase of -9.9% yoy in 2023.

We forecast that NII's growth will accelerate in 2024, from a low pace of +7.4% yoy growth in 2023 thanks to: 1) robust credit growth of nearly 20% in FY24; 2) NIM staying flat despite lower deposit rates as we forecast asset yield (AY) to decline 38 bps yoy.

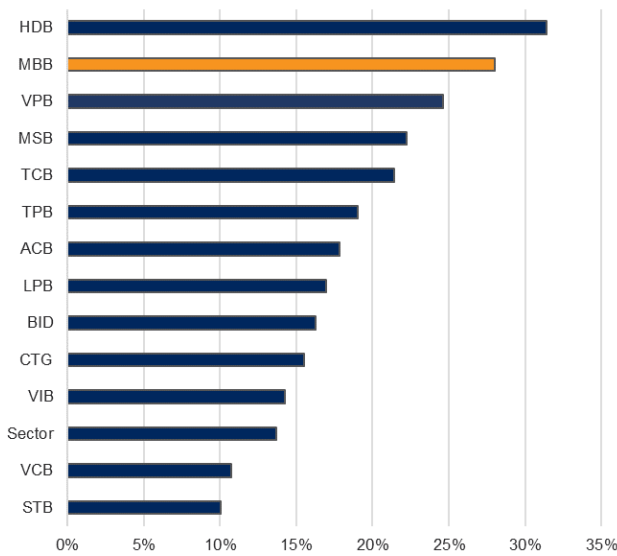
We expect the trading sector, manufacturing sector and personal services sector – which usually account for the three largest shares in MBB's credit mix will continue strongly recovering in FY24 thanks to the brighter economic outlook. Altogether, MBB will receive a generous credit quota from the SBV as the bank announced it would initially accept the mandatory transfer of Ocean Bank in upcoming 2Q24. Particularly, MBB will take responsible for restructuring the bank. In return, MBB can achieve many advantages including being allowed to borrow at 0% interest rate, not being required to consolidate its financial statement or being allowed for higher credit growth... Therefore, we expect FY24 credit growth will more likely surpass the credit quota of 16%, reaching 20%.

On the other hand, we project that NIM of MBB will stay stagnant despite lower interest rates, at around 4.7%. We expect a lower FY24 COF: as 1) FY24 CASA ratio remains high; and 2) deposit rates follow the downward trajectory. We project that CASA ratio of MBB will reach 36.5% in FY24, maintaining higher than the average of the sector given the mix effect of the high proportion of wholesale banking, which offers more stable CASA than retail banking, and the recovery of the economy, supporting the working capital of family-owned businesses, SMEs and large corporates (MBB's key clients). Coupled with high

CASA rate, the current trend of downward deposit rate in the beginning of 2024 is expected to reduce MBB's COF in FY24, keeping the NIM stable with 2023.

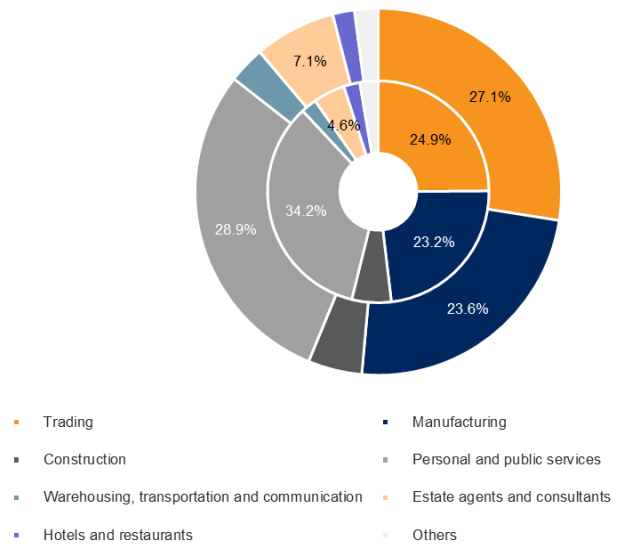
We expect Non-Il to rise by 14.5% yoy thanks to the recovery of net fee income. Insurance market dipped in 2023 due to various scandals that lowered the public's trust and the economic slowdown limiting money flow to this channel. However, we project NFI will grow by +15% yoy in FY24 driven mainly by the rebound of insurance income as the whole insurance sector's revenue is expected to recover +7.19% yoy in FY24 (according to estimates of the Department of Insurance Management and Supervision) as insurance activities will steadily develop on the back of the Amended Insurance Business Law and incomes will improve in FY24 given better economic conditions.

Figure 7: MBB credit growth ranked the 2nd highest in 2023



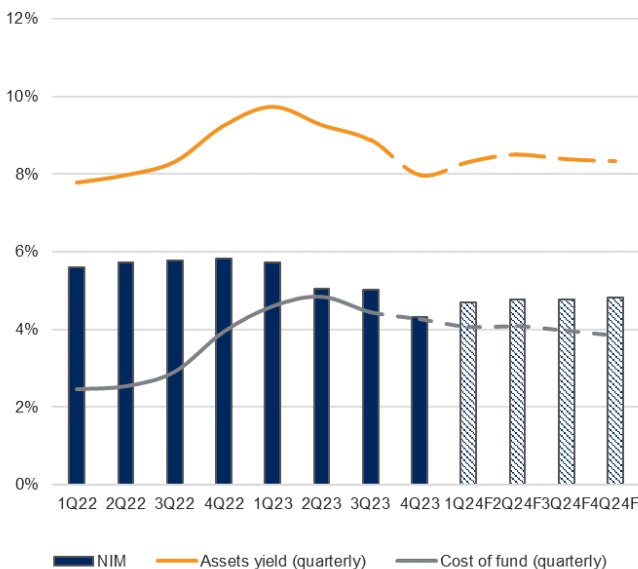
Sources: MBB, VNDIRECT RESEARCH

Figure 8: Loans by sector comparison between 2022 (inner ring) and 2023 (outer ring)



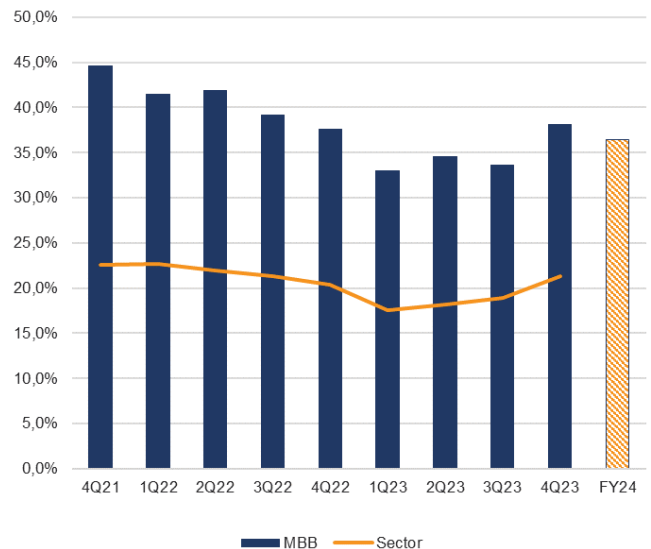
Sources: MBB, VNDIRECT RESEARCH

Figure 9: NIM is expected to gradually improve thanks to...



Sources: MBB, VNDIRECT RESEARCH

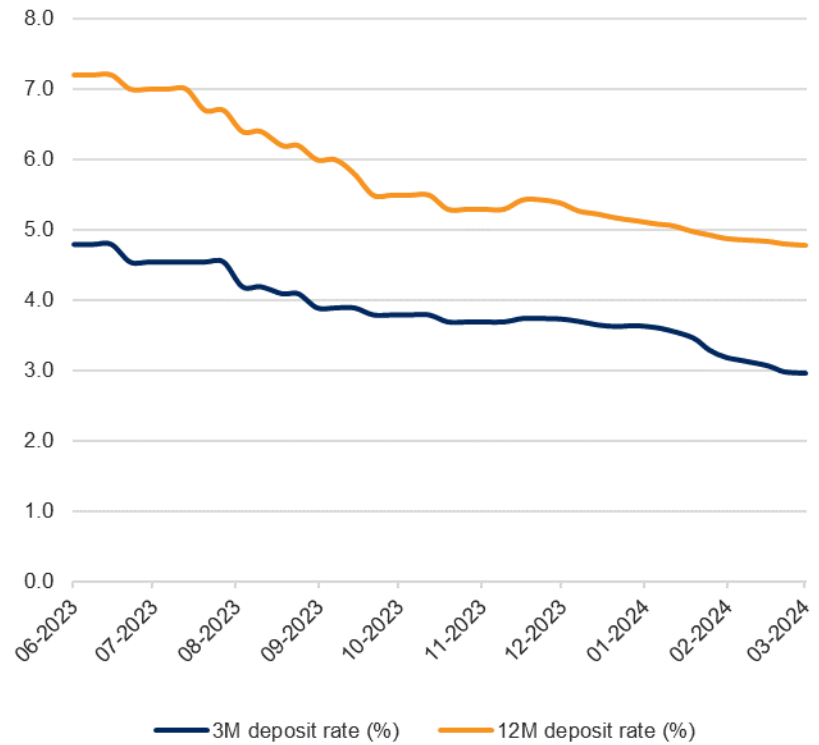
Figure 10: ...prominent CASA rate driven by banking digitalization in FY24.



*average of top 25 listed banks in terms of total asset by end-FY24

Sources: MBB, VNDIRECT RESEARCH

Figure 11: ...and deposit rates continue their downward trajectory in FY24



Sources: MBB, VNDIRECT RESEARCH

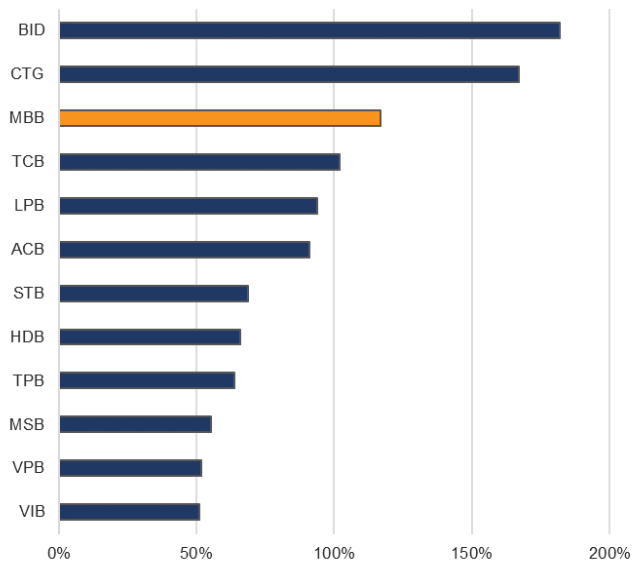
Bottom line will be supported by good asset quality’s control.

We project that Net profit (NP) of MBB will rise by 12.9% yoy in FY24 driven by low provision expense. MBB significantly cut its provision expense in 2023 by 24.4% yoy, fulfilling only 66.7% of our forecast. We expect the bank to continue maintaining its credit cost ratio at 1.2% in FY24 thanks to its strong accumulative provision buffer as the hardest times for the banking industry have passed.

As MBB’s cumulative provision buffer was 117% of total bad debts in 2023, ranking as the 3rd highest provision buffer in the sector, we think that the bank has made full provisions for all risky loans in previous years. Therefore, we project MBB’s provision expense to remain low in FY24 along with the recovery of economy. Coupled with that, as we think the most difficult period of the banking sector has passed and MBB’s asset quality has gradually improved since 3Q23, we expect NPLs will decrease to 1.4% in FY24 given its write-offs raised to 1.6 in FY24. In this context, LLR will increase to 126% in FY24.

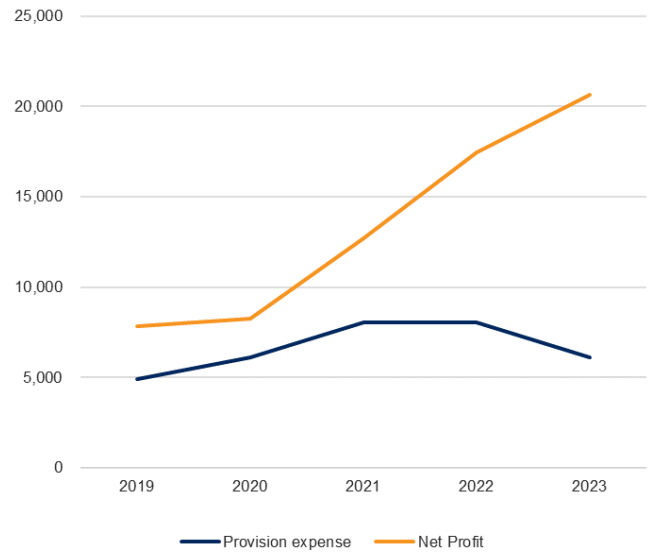
With the growth of 12.9% in NP, we forecast MBB’s ROE will reach 22.7% in FY24, ranking as the 3rd highest ROE in the sector.

Figure 12: LLR ranked the 3rd highest figure in the system in 2023.



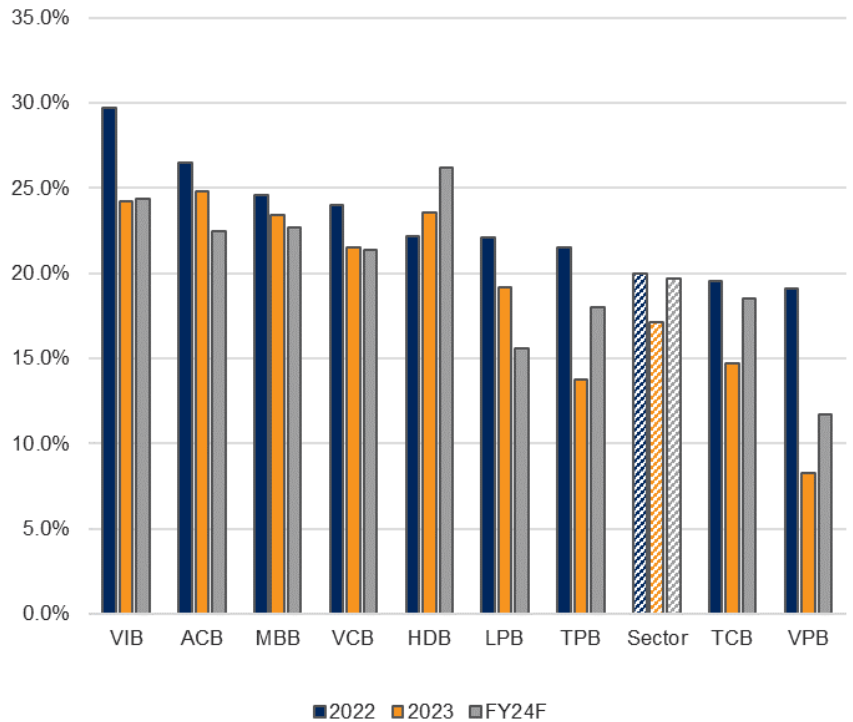
Sources: MBB, VNDIRECT RESEARCH

Figure 13: Comparison between provision expense and net profit. (Unit: VNDbn)



Sources: MBB, VNDIRECT RESEARCH

Figure 14: MBB's ROE ranked the 3rd highest in two consecutive years and should maintain its ranking in FY24.



Sources: MBB, VNDIRECT RESEARCH

Valuation: Reiterate to ADD with higher target price of VND31,700

We combine P/B valuation and residual income approach with the equal weight of 50% to deliver a target price of VND31,700 for MBB. We revise the cost of equity with lower risk-free rate of 2.24% (versus previous of 2.7%) and lower equity risk premium of 9.0% (following [NYU](#)), given the decline in bond yields. The projected BVPS was the FY24 BVPS forecast. For relative value method, we apply a target price-to-book (P/B) ratio of 1.35x, equal to 5-year average ratio of MBB. MBB is currently traded at 1.29x and we think it deserves to be valued at its 5-year average. Our blended TP implies a P/B of 1.48x FY24 BVPS, lower than sector's historical 5-year average (1.5x).

Potential upside catalysts to our TP include: 1) robust credit growth; and 2) recovery of insurance market.

Downside risks are: 1) higher NPLs than expected; and 2) stagnant recovery of the insurance market.

Figure 15: MBB's current P/B is 1.29x, slightly lower than the historical average (1.35x).



Source: VNDIRECT RESEARCH

Figure 16: Residual income valuation, based on our estimates

GENERAL ASSUMPTIONS	2024F	2025F	2026F	2027F	2028F	Terminal
Risk free rate (10-year VGB yield)	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
Equity risk premium	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Beta	1.2	1.2	1.2	1.2	1.2	1.2
Cost of equity	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%
% ROE	23%	21%	20%	18%	17%	17.0%
Long-term growth rate						3.0%
RI	11,254	11,176	11,413	12,072	10,575	93,403
Discount factor	0.88	0.78	0.69	0.61	0.54	0.54
PV of RI	9,956	8,746	7,901	7,394	5,730	50,606
Opening shareholder's equity	92,738					
PV of RI (5 years)	39,727					
PV of Terminal value	50,606					
Implied Equity value	183,071					
No. of o/s shares (m shares)	5,287					
Implied value per share (VND/share)	34,626					

Source: VNDIRECT RESEARCH

Figure 17: Target price calculation, based on our estimates

Approach	Weight	Fair value (VND/share)	Contribution (VND/share)
Residual income	50%	34,626	17,313
P/BV multiple (at 1.35x average FY24F BVPS)	50%	28,831	14,416
Target price (VND/share)			31,729
Target price (VND/share, rounded)			31,700

Source: VNDIRECT RESEARCH

Figure 18: Sensitivity analysis of justified P/B with terminal ROE and Cost of equity.

Cost of equity	ROE					
	1.30x	15.00%	16.00%	17.00%	18.00%	19.00%
11.0%	1.36x	1.45x	1.54x	1.63x	1.72x	
12.0%	1.25x	1.33x	1.41x	1.50x	1.58x	
13.0%	1.15x	1.23x	1.30x	1.38x	1.46x	
14.0%	1.07x	1.14x	1.21x	1.28x	1.35x	
15.0%	1.00x	1.06x	1.13x	1.20x	1.26x	

Source: VNDIRECT RESEARCH

Figure 19: Sensitivity analysis of target price with terminal ROE and Cost of equity.

Cost of equity	ROE					
	15.00%	16.00%	17.00%	18.00%	19.00%	
11.0%	38,123	41,423	44,723	48,023	51,323	
12.0%	33,361	36,168	38,974	41,781	44,587	
13.0%	29,792	32,209	34,626	37,043	39,460	
14.0%	27,074	29,177	31,281	33,384	35,488	
15.0%	24,981	26,827	28,673	30,520	32,366	

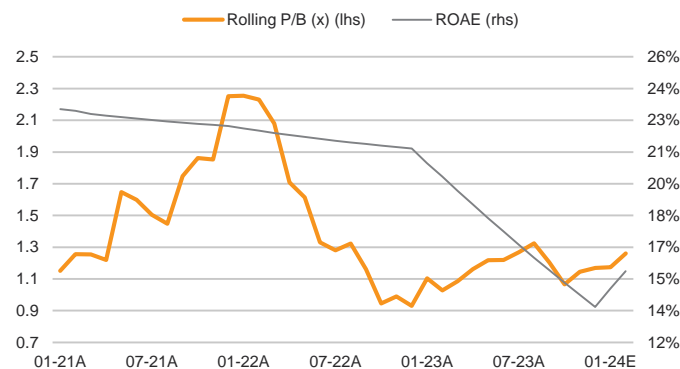
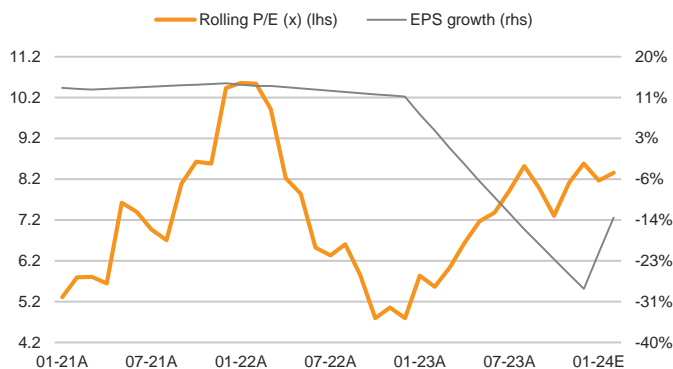
Source: VNDIRECT RESEARCH

Figure 20: Vietnam bank comparison (price as of 19/03/2024)

Banks	Bloomberg		NIM (%)		NPL (%)		P/B (x)		P/E (x)		3-yr Forwa rd EPS CAGR	ROA (%)		ROE (%)	
	Code	Recom	FY24F	FY25F	FY24F	FY25F	FY24F	FY25F	FY24F	FY25F	%	FY24F	FY25F	FY24F	FY25F
Vietcombank	VCB VN	ADD	3.3%	3.2%	0.9%	0.9%	2.2	1.9	11.2	10.3	10.7%	1.9%	1.9%	21.5%	19.5%
VietinBank	CTG VN	ADD	2.9%	2.9%	1.9%	1.8%	1.1	1.0	9.5	8.4	16.7%	1.2%	1.2%	16.9%	16.5%
Vietnam Prosperity JSC Bank	VPB VN	ADD	5.8%	5.8%	4.2%	3.3%	0.8	0.7	7.4	5.8	32.3%	2.2%	2.4%	13.3%	15.4%
Techcombank	TCB VN	ADD	111.4%	96.5%	1.2%	1.1%	0.9	0.8	5.0	4.9	25.0%	3.4%	2.9%	19.8%	16.7%
Asia Commercial Joint Stock Bank	ACB VN	ADD	4.0%	4.3%	0.9%	0.9%	1.0	0.8	5.1	4.4	15.6%	2.4%	2.4%	22.5%	20.9%
HD Bank	HDB VN	ADD	5.1%	5.1%	1.6%	1.2%	1.1	0.9	4.9	4.2	24.6%	2.1%	2.1%	26.2%	24.5%
Vietnam International Bank Tien Phong	VIB VN	ADD	4.7%	4.7%	3.0%	2.5%	1.1	0.9	5.1	4.3	19.6%	2.6%	2.6%	25.2%	23.4%
Commercial JSB	TPB VN	ADD	4.1%	4.2%	1.8%	1.4%	1.0	0.9	5.9	5.5	9.6%	1.8%	1.7%	18.7%	16.9%
LPBank	LPB VN	HOLD	3.6%	3.7%	2.7%	2.3%	1.0	0.8	6.0	5.4	16.0%	1.4%	1.4%	17.7%	16.5%
Average			15.0%	13.5%	2.0%	1.7%	1.1	1.0	6.6	5.8	12.4%	2.1%	2.1%	20.4%	19.1%
Military Commercial Joint Stock Bank	MBB VN	ADD	4.8%	4.7%	1.4%	1.2%	1.1	0.9	5.6	5.0	11.9%	2.3%	2.2%	22.6%	20.7%

Source: VNDIRECT RESEARCH

Valuation



Income statement

(VNDbn)	12-23A	12-24E	12-25E
Net interest income	12,425	14,872	18,067
Non interest income	3,809	4,906	5,321
Total operating income	16,234	19,778	23,388
Total operating costs	(6,699)	(7,424)	(8,776)
Pre-provision operating profit	9,535	12,354	14,611
Total provision charges	(3,946)	(1,622)	(2,248)
Income from associates & JVs			
Net other income			
Pre-tax profit	5,589	10,732	12,363
Tax expense	(1,126)	(2,146)	(2,473)
Profit after tax	4,463	8,585	9,890
Minority interest	0	0	0
Net profit	4,463	8,585	9,890

Balance sheet

(VNDbn)	12-23A	12-24E	12-25E
Gross loans to customers	205,262	248,219	305,932
Loans to banks	52,352	56,667	61,339
Total gross loans	257,614	304,886	367,270
Securities - total	65,436	72,229	79,728
Other interest earning assets	9,304	10,088	10,941
Total gross IEAs	332,354	387,204	457,940
Total provisions	(2,776)	(2,797)	(3,081)
Net loans to customers	202,586	245,533	302,973
Total net IEAs	329,578	384,406	454,858
Cash and deposits	2,339	2,728	3,228
Total investments	0	0	0
Other assets	24,721	28,833	34,117
Total non-IEAs	27,059	31,561	37,345
Total assets	356,637	415,967	492,203
Customer deposits	208,262	225,429	248,831
Cds outstanding	24,216	27,256	31,276
Customer interest-bearing liabilities	232,478	252,685	280,108
Bank deposits	338	277	227
Broad deposits	232,816	252,962	280,335
Other interest-bearing liabilities	84,040	92,811	102,422
Total IBLs	316,856	345,773	382,757
Deferred tax liability			
Other non-interest bearing liabilities	7,038	28,866	58,228
Total non-IBLs	7,038	28,866	58,228
Total liabilities	323,894	374,639	440,985
Share capital	22,016	22,016	22,016
Additional paid-in capital	0	0	0
Treasury shares	0	0	0
Retained earnings reserve	7,674	16,259	26,150
Other reserves	3,052	3,052	3,052
Shareholders' equity	32,743	41,328	51,218
Minority interest	0	0	0
Total equity	32,743	41,328	51,218
Total liabilities & equity	356,637	415,967	492,203

	12-23A	12-24E	12-25E
Growth rate (yoy)			
Cust deposit growth	6.8%	8.2%	10.4%
Gross cust loan growth	27.5%	20.9%	23.3%
Net interest income growth	9.1%	19.7%	21.5%
Pre provision operating profit growth	(1.4%)	29.6%	18.3%
Net profit growth	(28.7%)	92.4%	15.2%
Growth in IEAs	10.1%	16.6%	18.3%
Share value			
Basic EPS (VND)	2,027	3,899	4,492
BVPS (VND)	14,872	18,771	23,264
DPS (VND)	0	0	0
EPS growth	(28.7%)	92.4%	15.2%

Key ratios

	12-23A	12-24E	12-25E
Net interest margin	3.9%	4.1%	4.3%
Cost-income ratio	(41.3%)	(37.5%)	(37.5%)
Reported NPLs / gross cust loans	1.3%	1.1%	1.1%
Reported NPLs / net cust loans	1.3%	1.1%	1.1%
GP charge / average cust loans	2.2%	0.7%	0.8%
Total CAR	11.5%	13.8%	14.2%
Loan deposit ratio	88.3%	98.2%	109.2%
Margins and spreads			
Return on IEAs	9.0%	8.8%	8.4%
Cost of funds	5.3%	5.1%	4.8%
Interest return on average assets	3.6%	3.8%	4.0%
ROAE	13.7%	23.2%	21.4%

Source: VND RESEARCH

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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.

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